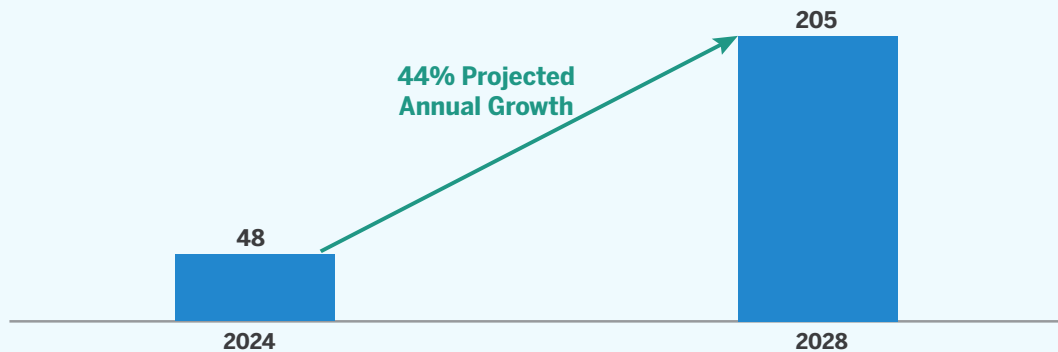




PC Upgrade Cycle?

As Artificial Intelligence (AI) continues to proliferate throughout the global economy, investors are paying close attention to potential AI beneficiaries (see Investing in AI: [Enablers](#) and [Adopters](#)). Could the historically slow growing personal computer (PC) industry see a growth renaissance propelled by AI?

Estimated AI-Enabled PC Shipments Worldwide (in millions)



Source: Canalys. Estimates are from 2024 through 2028.

- Following the Covid-19 work-from-home initiatives that prompted a surge in PC demand across consumer and enterprise markets, PC demand has contracted meaningfully over the past few years. However, the integration of AI-productivity tools into PCs could significantly accelerate PC unit growth and incorporate higher value components. As shown in the chart above, AI-enabled PC shipments are projected to surge by 44% annually, from 48 million units in 2024 to 205 million by 2028.
- While some may question the necessity of an AI-enabled PC when cloud-based AI programs like ChatGPT are accessible, we believe these PCs may present several advantages over cloud solutions for enterprises and select consumers:
 - 1) **Lower cost per query:** Given that data centers require intense computing, power and cooling requirements (see [Power Play](#)), running certain AI programs can become expensive. In fact, Alphabet has mentioned that processing AI queries costs ~10x that of a standard Google search.¹
 - 2) **Lower latency:** When AI programs run on a user's device, as opposed to the cloud, the time it takes for data to be sent, processed, and returned can be considerably shortened. This is particularly crucial in industries like healthcare, industrial automation, and trading, where even minor delays can be problematic.
 - 3) **Security:** With cybersecurity and intellectual property theft becoming key risks when adopting AI tools for governments and enterprises, local processing on AI PCs offers an additional layer of security.
- In our view, companies engaged in the manufacturing of AI-enabled PCs and related components, such as memory, computer processors, and printed-circuit-boards, may be well positioned to benefit from the estimated growth in PC demand.

¹Alphabet February 2023.

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Canalys is a global technology market analyst firm.

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