



Without taking any single-company views, CIO stays positive on the AI trend, maintaining their preference for big tech given their advantageous market positions. (UBS)

# More evidence of AI monetization is emerging

23 April 2024, 2:31 pm CEST, written by UBS Editorial Team

**Details on the monetization and capital spending trends in generative artificial intelligence (AI) will be close to the top of investors' watch list this earnings season, and any outcome that fails to match expectations could trigger further volatility. However, we believe fresh numbers and company guidance this week are likely to further solidify our positive view on the AI theme and the global tech sector overall.**

**AI infrastructure spending is likely to pick up further.** During the December 2023 quarterly reporting season, we saw upward revisions to 2024 data-center spending, driven by strong AI infrastructure capital spending by big tech companies. Since then, evidence of rising AI demand points to broadening spending trends, and we see a chance that our current global data-center capex estimate of USD 300bn in 2024 may prove conservative. Last week, Taiwan Semiconductor Manufacturing Co (TSMC) revealed that AI-driven high performance computing has become the largest contributor to its revenue. The company said the AI outlook was positive, with AI chip demand growth likely hitting a five-year compound annual growth rate (CAGR) guidance of 50%.

**More evidence on AI monetization is emerging.** German software company SAP this week reported a 25% growth in cloud revenue fueled by AI demand, pointing to a strong AI monetization trend that we expect to see more evidence of this week. Separately, a recent survey across 1.2 million firms by the US Census Bureau showed that AI adoption rose sharply in the first quarter compared to the previous results from the September 2023 quarter. In addition, the report revealed that 12% of surveyed companies are looking to utilize AI.

**Tech earnings growth and valuations are both appealing.** Last week's sell-off means global tech is now trading at only 22.5 times 2025 forecast earnings, down from close to 25 times earlier this year. With potential for a better outturn

than the sector's estimated 18% year-over-year earnings growth this year, we think the 10% correction in valuations offers an attractive entry point for investors looking for long-term opportunities.

So, without taking any single-company views, we stay positive on the AI trend, maintaining our preference for big tech given their advantageous market positions. We also continue to favor the semiconductors and software segments. For investors looking for diversification within their US tech exposure, we see opportunities in Asian beneficiaries.

Main contributors - Solita Marcelli, Mark Haefele, Sundeep Gantori, Daisy Tseng, Christopher Swann, Jon Gordon, Jennifer Stahmer

Original report - [Intact AI fundamentals should drive further tech performance, 23 April 2024.](#)

**Important information**

As a firm providing wealth management services to clients, UBS Financial Services, Inc is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. It is important that you carefully read the agreements and disclosures UBS provides to you about the products or services offered. For more information, please visit our website at [www.ubs.com/workingwithus](http://www.ubs.com/workingwithus).

© UBS 2023. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

There are two sources of UBS research. Reports from the first source, UBS CIO Global Wealth Management, are designed for individual investors and are produced by UBS Global Wealth Management (which includes UBS Financial Services Inc. and UBS International Inc.). The second research source is UBS Group Research, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor. UBS Financial Services Inc. is a subsidiary of UBS AG and an affiliate of UBS International Inc.