

## VIDEO - How Should You Think About AI Revenue Exposure?

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TRIVARIATE RESEARCH

HOW SHOULD YOU THINK ABOUT AI REVENUE EXPOSURE?

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### Background

Background: We have been saying for nearly 18 months now that the S&P500 seems like it is basically a giant AI ETF. With the astounding moves in Memory stocks, and the massive outperformance of Semiconductors, many investors have been forced to add exposure to these stocks in recent weeks for risk management reasons, even though, in some cases, they were naked or underweight for most of the appreciation. We thought we would zoom back out in today's note and provide investors with a framework to separate stocks into different AI-related revenue groups.

Research Process: We first used an LLM-based tagging process to identify U.S. companies with meaningful current AI-linked revenue and classified them into 13 business-based categories. We then analyzed the daily beta-adjusted returns of those categories and found that many were highly correlated, reflecting a strong common AI driver rather than fully independent themes. Principal Component Analysis helped quantify this common factor structure, while correlation-based clustering consolidated the 13 categories into 6 broader AI-revenue groups that better capture both business exposure and how the

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stocks have actually traded. These six categories are: 1) Utilities / Datacenter REITs 2) Datacenter Buildout 3) AI Platform 4) Vertical & Edge 5) Services & Integration 6) Memory and Semiconductor Capital Equipment

The 262 companies with AI-revenue are broad, but the largest categories are still concentrated in the physical buildout layer, including Power & Thermal, Networking & Optical, Semi-Cap Equipment, Accelerators & Systems, and Datacenter Construction. Performance leadership has also been infrastructure-heavy, with Memory & Storage, Networking & Optical, Datacenter Construction, and Power & Thermal generating the strongest beta-adjusted returns, while Services & Integration has been the clear laggard

## Investment Conclusions

Sector risk management doesn't make sense: The sector mix shows why "AI revenue" is not just a Semiconductor / Software screen. Technology is obviously the dominant AI revenue sector with 165 names (63% of the stocks), but Industrials constitutes 50 names, largely through Power & Thermal and Datacenter Construction, while Utilities and Real Estate are on the list due to exposure to power supply and datacenter capacity.

Return correlations: While fundamentals may have suggested there should be 13 different AI-revenue categories, the daily return correlations suggest several AI-revenue categories trade as part of the same broad AI-"buildout" factor. Stocks in our Networking & Optical, Power & Thermal, Datacenter Construction, Semi Cap Equipment, and Accelerators & Systems groupings are highly correlated with one another, while Utilities, Datacenter REITs, and Services & Integration are more differentiated. We used Principal Component Analysis (PCA) on beta-adjusted category returns to measure whether the AI-revenue baskets are mostly trading on one common AI factor or separating into distinct sub-trades. The first principal component (PC) explains roughly 60% of cap-weighted category return variation, indicating a strong common AI component. Broad infrastructure and compute categories load positively on PC1, while later components help separate more differentiated behavior in areas such as Vertical & Edge, where returns are different from Memory & Storage, as an example.

Fundamentals and valuation: Forecasted gross margins are projected to reach all-time highs across most AI revenue categories, particularly in Memory and Semi-Cap stocks, which are expected to show strong growth compared to their historical performance. Although valuations are elevated for many sectors, recent multiple expansion may indicate positive near-term stock performance, especially for Memory and Semi-Cap companies. Long and short ideas in each AI revenue category are shown on Slide 16. For the complete list of the constituents of all the baskets, reach out to us directly

## Methodology

We built the AI-revenue universe in three steps. First, we screened the top 3,000 U.S. equities and used an LLM with web search to summarize each company's current AI-linked revenue. A company qualified only if AI-linked revenue appeared to be meaningful — defined as more than roughly 5% of revenue, or an explicitly named and ramping growth driver — rather than just a general AI strategy statement, internal productivity initiative, or vague exposure claim. Second, we pooled positive company summaries and asked the model to derive a mutually exclusive and collectively exhaustive (MECE) taxonomy of AI-revenue categories, then locked those definitions for consistency. Third, each qualifying company was mapped into the taxonomy based on its primary AI monetization channel, recognizing that some companies may have secondary exposures across other parts of the AI stack. The final category set focused on 262 companies across 13 investable groups after excluding very small categories.

1. Power & Thermal (39): Companies that sell the electrical and cooling equipment needed to power, condition, and cool AI datacenters and high-density compute racks. Examples: CAT, GEV, ETN.
1. Vertical & Edge (32): Companies whose AI revenue comes from AI-native products in specific end markets or edge devices, such as autonomy, robotics, medical software, industrial systems, or AI-enabled hardware. Examples: TSLA, QCOM, APP.
1. Enterprise GenAI (31): Software vendors monetizing generative AI, copilots, agents, or AI-native workflows through enterprise applications, subscriptions, add-ons, or usage-based pricing. Examples: META, PLTR, CRM.
1. Networking & Optical (27): Companies providing the networking and optical connectivity hardware that moves data across AI clusters and datacenters. Examples: CSCO, ANET, APH.
1. Semi Cap Equipment (23): Companies selling the tools, packaging, test systems, foundry services, and specialty materials used to manufacture AI chips and HBM. Examples: LRCX, AMAT, KLAC.

1. Services & Integration (21): Companies earning revenue from consulting, implementation, engineering, managed services, or BPO work tied to designing and deploying AI systems. Examples: ACN, CTSH, BAH.
1. Accelerators & Systems (15): Companies selling AI compute silicon and integrated compute systems such as GPUs, custom accelerators, AI servers, and rack-scale platforms. Examples: NVDA, AVGO, AMD.
1. Cloud & Inference (15): Companies selling cloud infrastructure or managed platforms specifically used for AI training, inference, model hosting, or developer runtime workloads. Examples: GOOGL, MSFT, AMZN.
1. Datacenter Construction (15): Companies earning revenue from engineering, contracting, integration, distribution, and specialist services used to build or fit out AI datacenter capacity. Examples: PWR, FIX, CBRE.
1. Utilities (13): Companies supplying electricity or long-term contracted power tied directly to hyperscalers, AI campuses, and datacenter loads. Examples: NEE, CEG, SO.
1. Security & Observability (11): Software vendors selling products that secure, govern, monitor, or observe AI applications, AI agents, AI data, or AI infrastructure. Examples: IBM, PANW, CRWD.
1. Memory & Storage (10): Companies selling memory and storage products, such as HBM, server DRAM, SSDs, HDDs, or AI-optimized storage systems, into AI infrastructure and data pipelines. Examples: MU, SNDK, STX.
1. Datacenter REITs (10): Companies generating revenue by leasing or hosting physical AI-ready datacenter capacity, including colocation, hyperscale leasing, and AI/HPC hosting. Examples: EQIX, AMT, DLR.

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