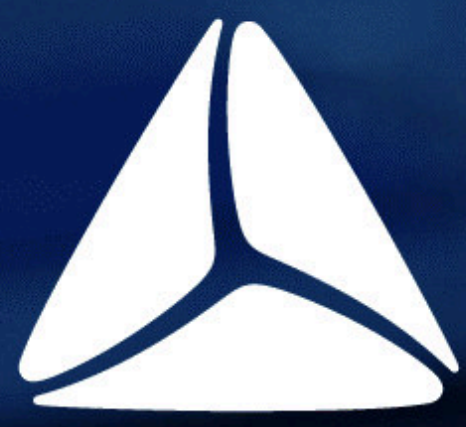




TBC CAPITAL

COMPUTER HARDWARE

26 MARCH 2025

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Industry Snapshot

INDUSTRY KEY PARAMETERS (WEIGHTED AVERAGE)



INDUSTRY RATIONALE

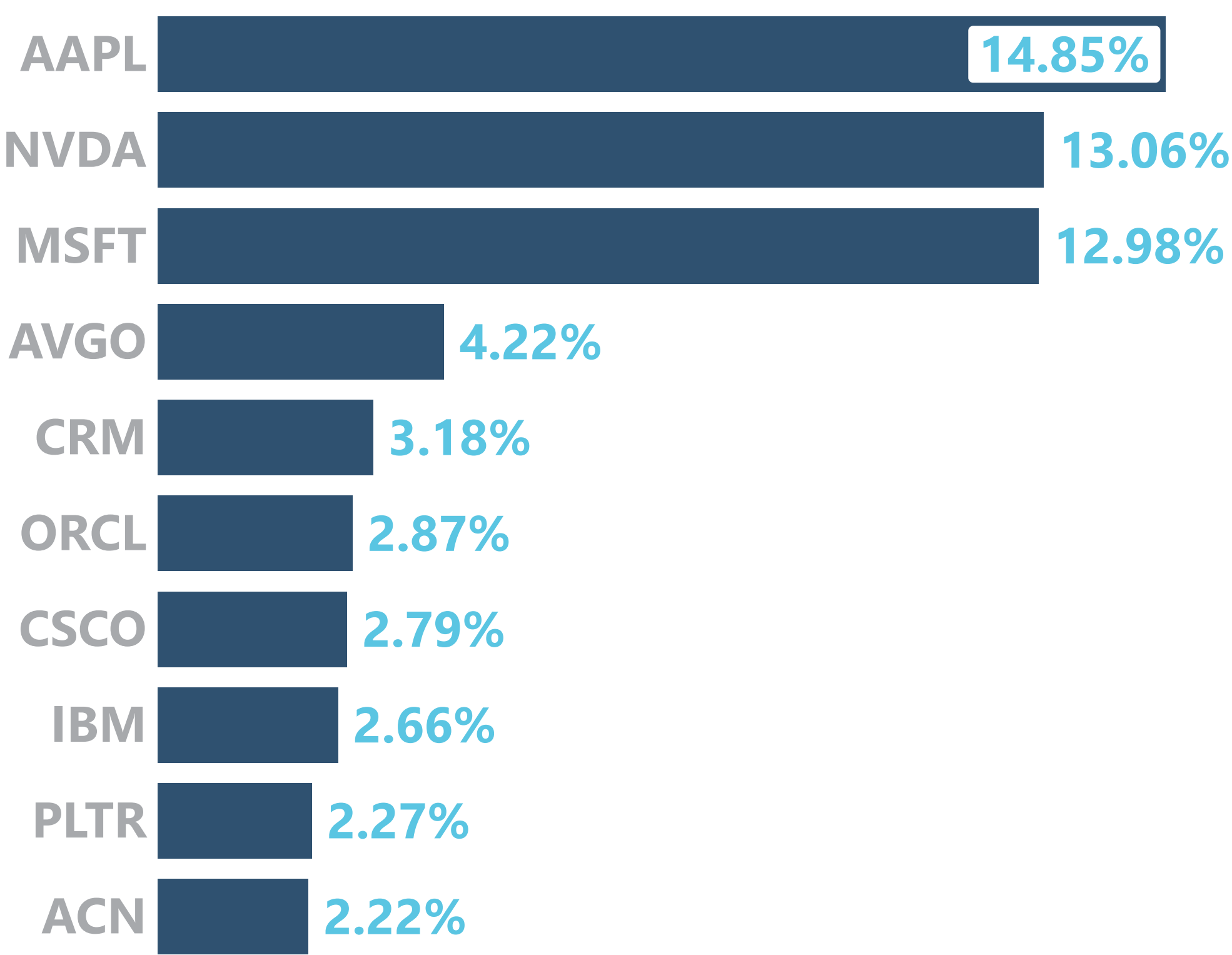
AI remains the primary growth driver for global computer hardware and storage companies like Dell, HPE, and Super Micro in 2025, though the landscape may shift. The market for servers, storage, and PCs is projected to grow 16% to \$531 billion, with AI server sales surging 55% to \$163 billion, according to 650 Group and IDC. While these companies stand to benefit, intensifying competition could pressure margins.

Broader corporate AI adoption may gain momentum later in the year, potentially boosting traditional server and storage upgrades for NetApp, Pure Storage, and HPE. However, potential tariffs pose a risk to sales and earnings across the sector. With over 80% of PC production based in China, this segment is most vulnerable, while server and storage markets face lower exposure. Still, tariffs on Mexico could present additional challenges.

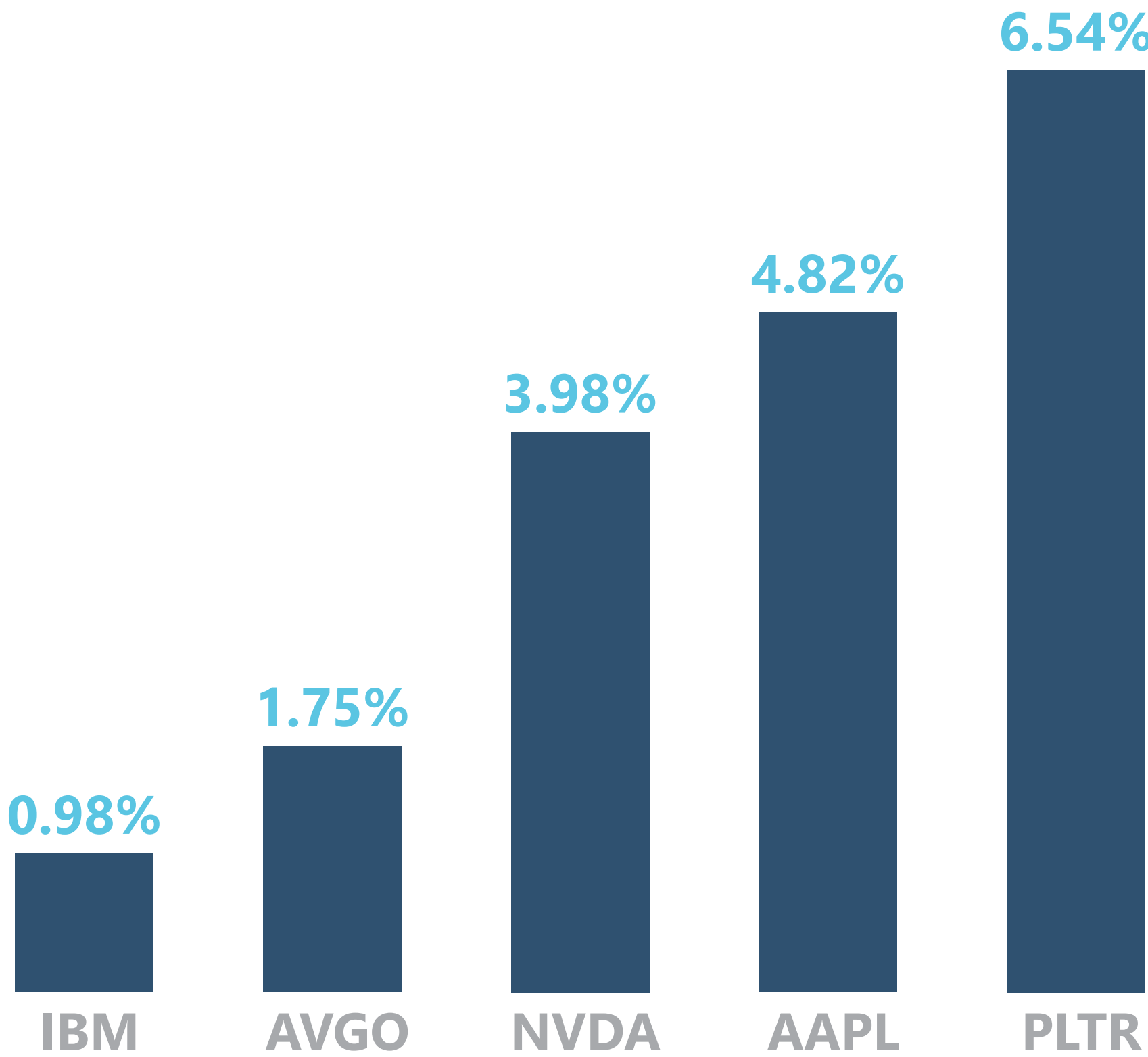
The push to modernize corporate IT infrastructure could support continued sales growth for traditional storage and servers from Dell, HP Enterprise, NetApp, and their peers. IDC forecasts an 8% combined increase in traditional server and enterprise storage sales in 2025, driven in part by upgrade cycles following a prolonged downturn that began in 2023. Additionally, the expansion of corporate AI initiatives will further accelerate the need for updated server and storage systems to enhance performance and improve power efficiency.

The regionalized AI-server manufacturing supply chain may help cushion the impact of rising trade tensions and China-related concerns during president-elect Donald Trump's second term. Key AI-server components—such as GPUs, CPUs, and high-bandwidth memory—are designed and produced outside China, shielding them from potential trade restrictions. Additionally, high-speed optics manufacturing largely relocated away from China during Trump's first term.

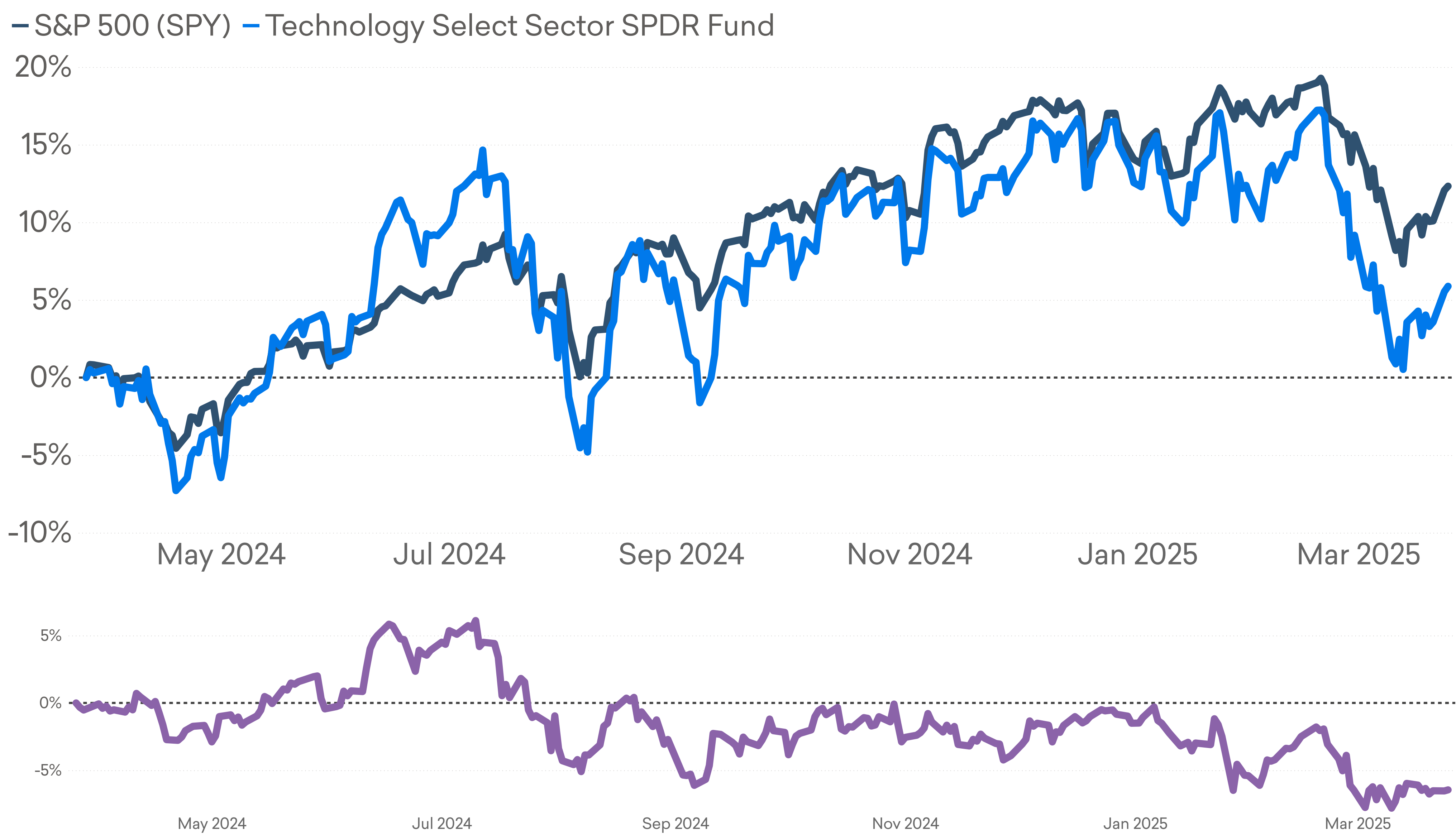
INDUSTRY ETF's TOP 10 HOLDINGS



TOP 5 GROWTH CONTRIBUTORS



INDUSTRY KEY PARAMETERS (WEIGHTED AVERAGE)



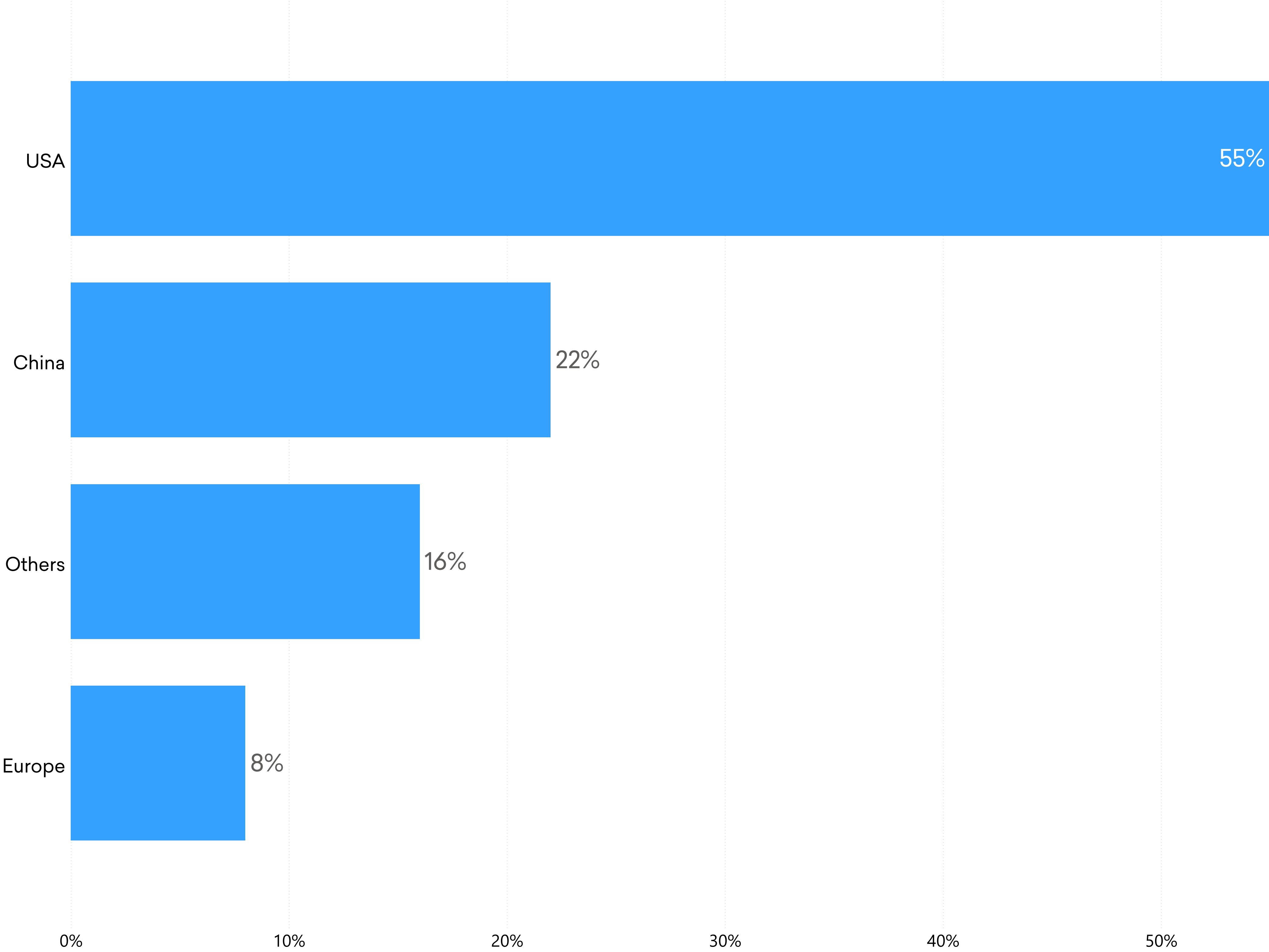
INDUSTRY ETF's COUNTRY WEIGHTINGS



Chart of the Industry

Tariff Tensions: Tech's Supply Chain Caught in the Crossfire

Global Server Revenue by Region, 2024



The potential imposition of tariffs on components and goods from China, Mexico, and Canada introduces uncertainty around margins and profitability for the computer hardware sector in 2025. This could offset some of the margin benefits gained through operational streamlining over the past few years. Clarity is still needed regarding the scale, affected regions, products, and timing of these tariffs. However, given the Trump administration’s historical tariff focus on China, the impact may be most pronounced for PC manufacturers, as 89% of original design manufacturing for PCs is concentrated there. This could put additional pressure on Dell and HP’s already thin PC margins.

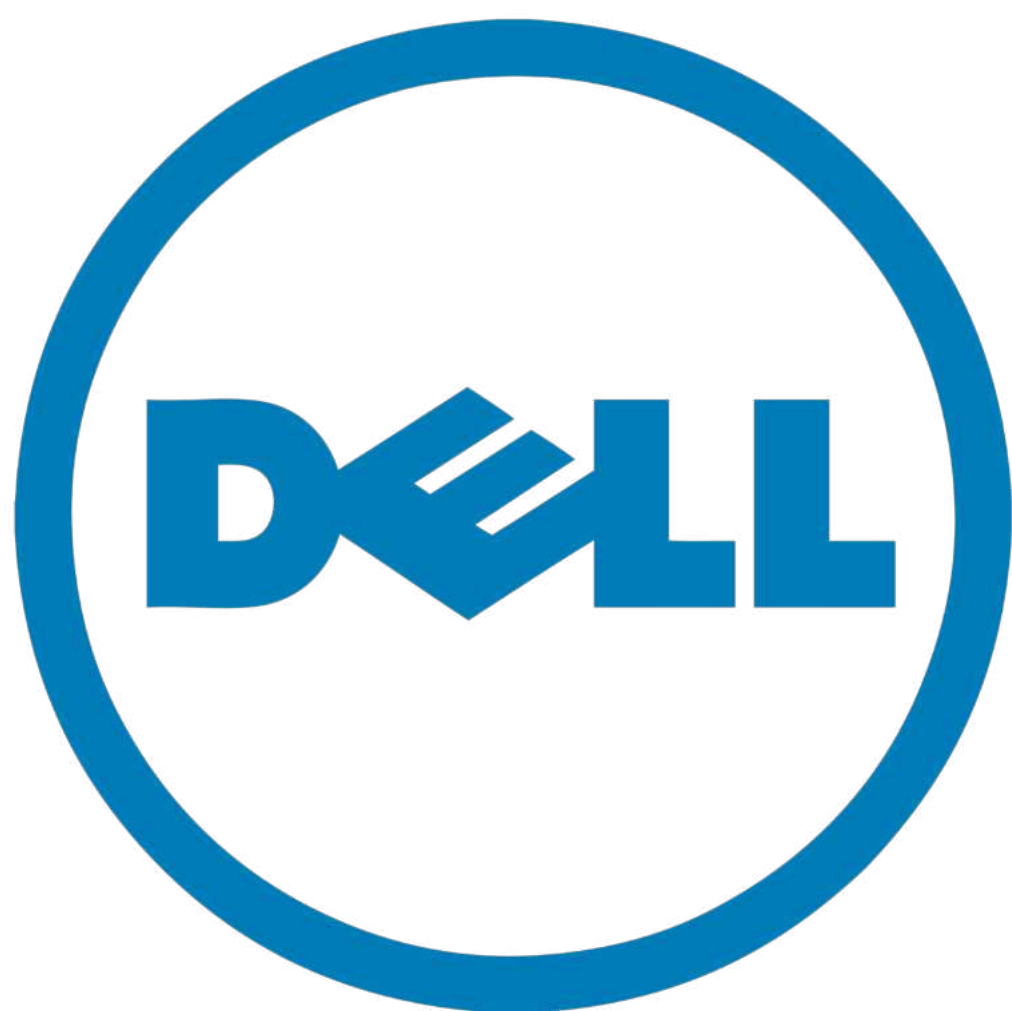
Although server manufacturers have successfully diversified production away from China, potential tariffs on Mexico could still weigh on traditional and AI server profitability. Any escalation in US tariffs on China and possibly Mexico may trigger another wave of supply-chain shifts. Server makers may increasingly look to the US as a substitute for Mexico, while Vietnam could emerge as a key beneficiary of accelerated laptop production realignment. Apple’s slower migration away from China could leave its supply chain more exposed to risks compared to peers like Samsung.

Mexico’s role as a critical hub for US-bound tech production, particularly for servers, could weaken if a 25% tariff is imposed, benefiting alternative regions like Southeast Asia and India. Meanwhile, US-based production may also expand as companies reassess capacity allocation in response to growing trade tensions. The server supply chain has been diversifying since 2018, with manufacturing now spanning Taiwan, Malaysia, Thailand, Vietnam, Germany, Mexico, the Czech Republic, and the US, reducing reliance on mainland China.

The US remains the world’s largest server market, accounting for 55% of global revenue as of September, with soaring AI server demand further reinforcing its dominance. While broader geographic diversification provides flexibility, major AI server manufacturers such as Foxconn and Quanta have already committed to US-based assembly, signaling potential margin pressures ahead.

Stocks To Watch - Part 1

DELL TECHNOLOGIES INC. - (DELL)



\$98.86

Current Price

\$86.93 - 179.7

52 Week Range

▼ -10.15%

52 Week Change

\$69,369,692,264

Market Capitalization

0.90

Beta

17.37

EV To EBITDA

15.67

Price To Earnings

-16.58

Debt To Equity

COMPANY OVERVIEW

Dell Technologies Inc. designs, develops, manufactures, markets, sells, and supports information technology (IT) solutions, products, and services worldwide. The company operates through three segments: Infrastructure Solutions Group (ISG), Client Solutions Group (CSG), and VMware. The ISG segment provides traditional and next-generation storage solutions; and rack, blade, tower, and hyperscale servers. This segment also offers networking products and services that help its business customers to transform and modernize their infrastructure, mobilize and enrich end-user experiences, and accelerate business applications and processes; attached software and peripherals; and support and deployment, configuration, and extended warranty services.

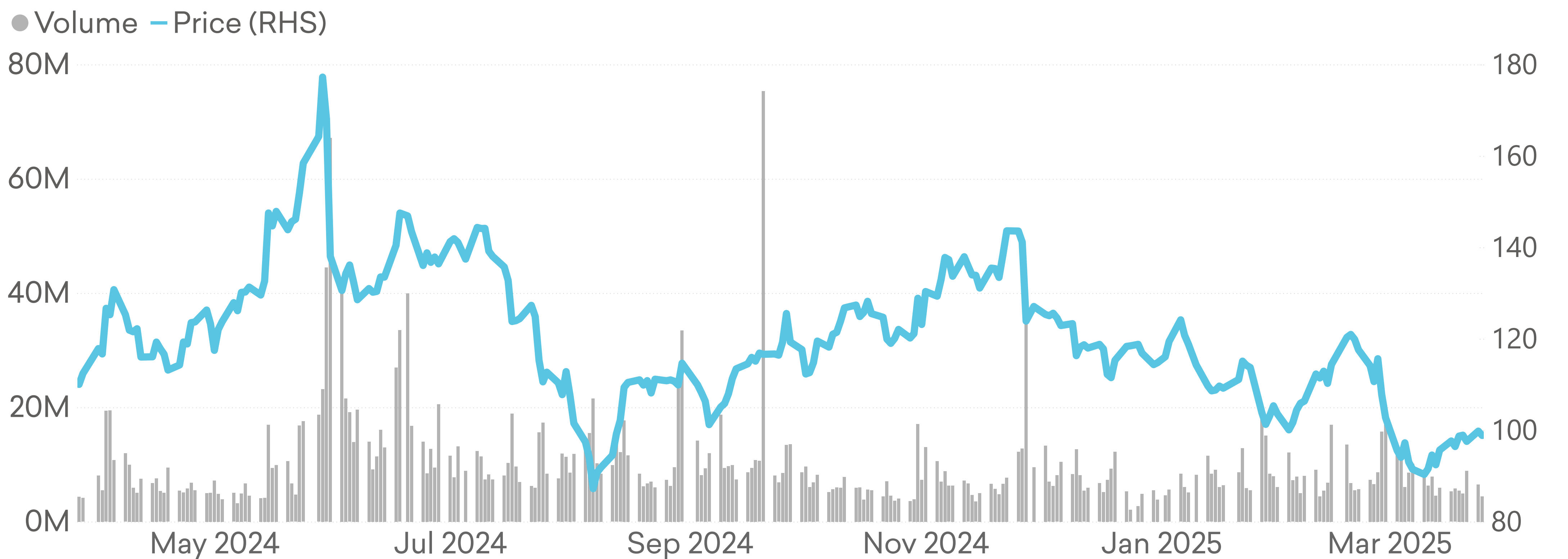
POTENTIAL CATALYSTS/RATIONALE

Dell's Infrastructure Solutions Group (ISG) is driving strong growth, fueled by increasing demand for AI-optimized servers and PowerStore storage solutions. AI server revenue is expected to reach \$15 billion in FY2026, up from \$10 billion in FY2025. Upgrading data centers and a \$10 billion share buyback program further support growth.

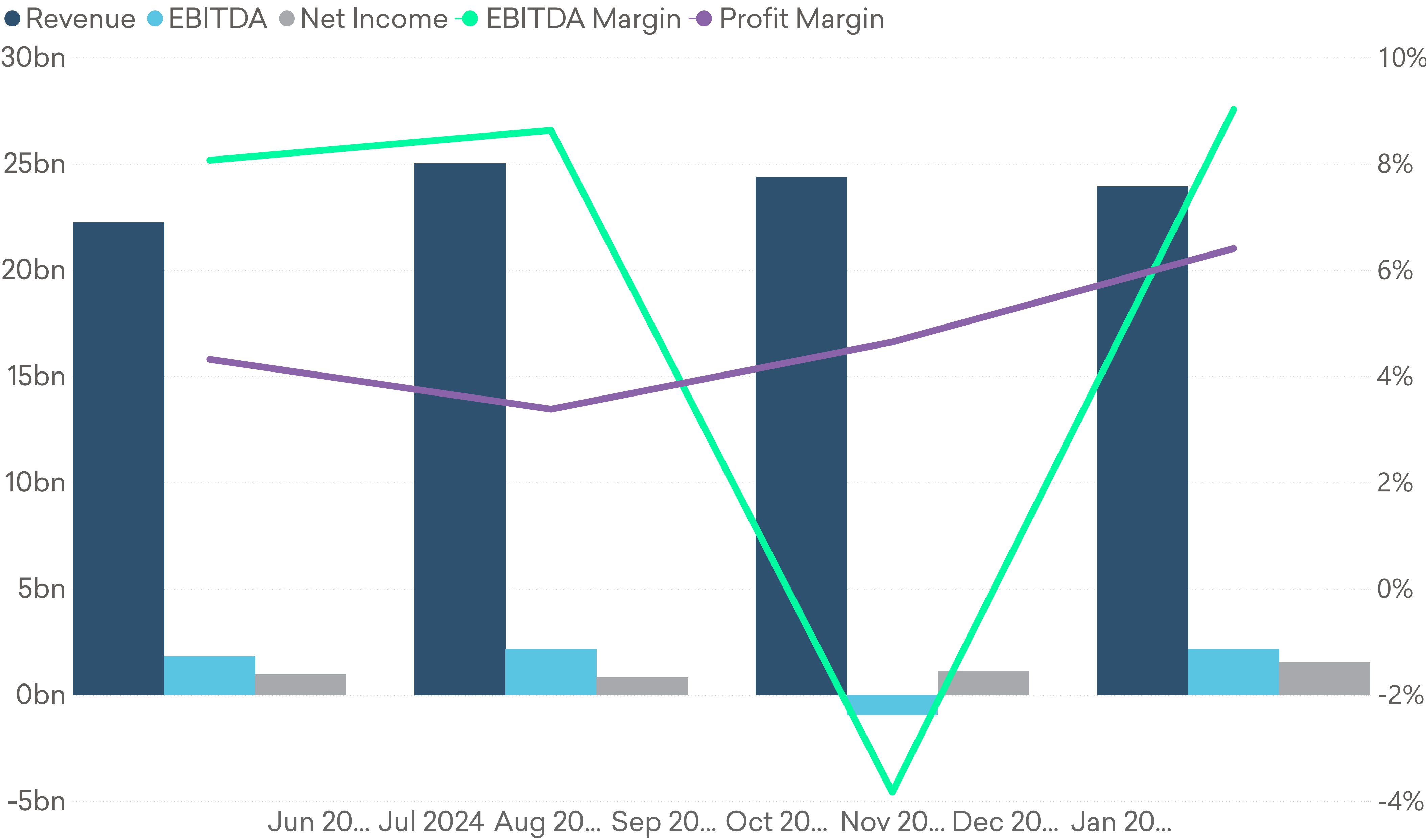
POTENTIAL RISKS

Dell faces risks from ODMs selling AI servers directly to cloud providers, potentially compressing margins. Custom AI hardware from companies like Google and Amazon may reduce demand for Dell's pre-built solutions. Geopolitical tensions and tariffs could impact profitability, particularly in consumer hardware.

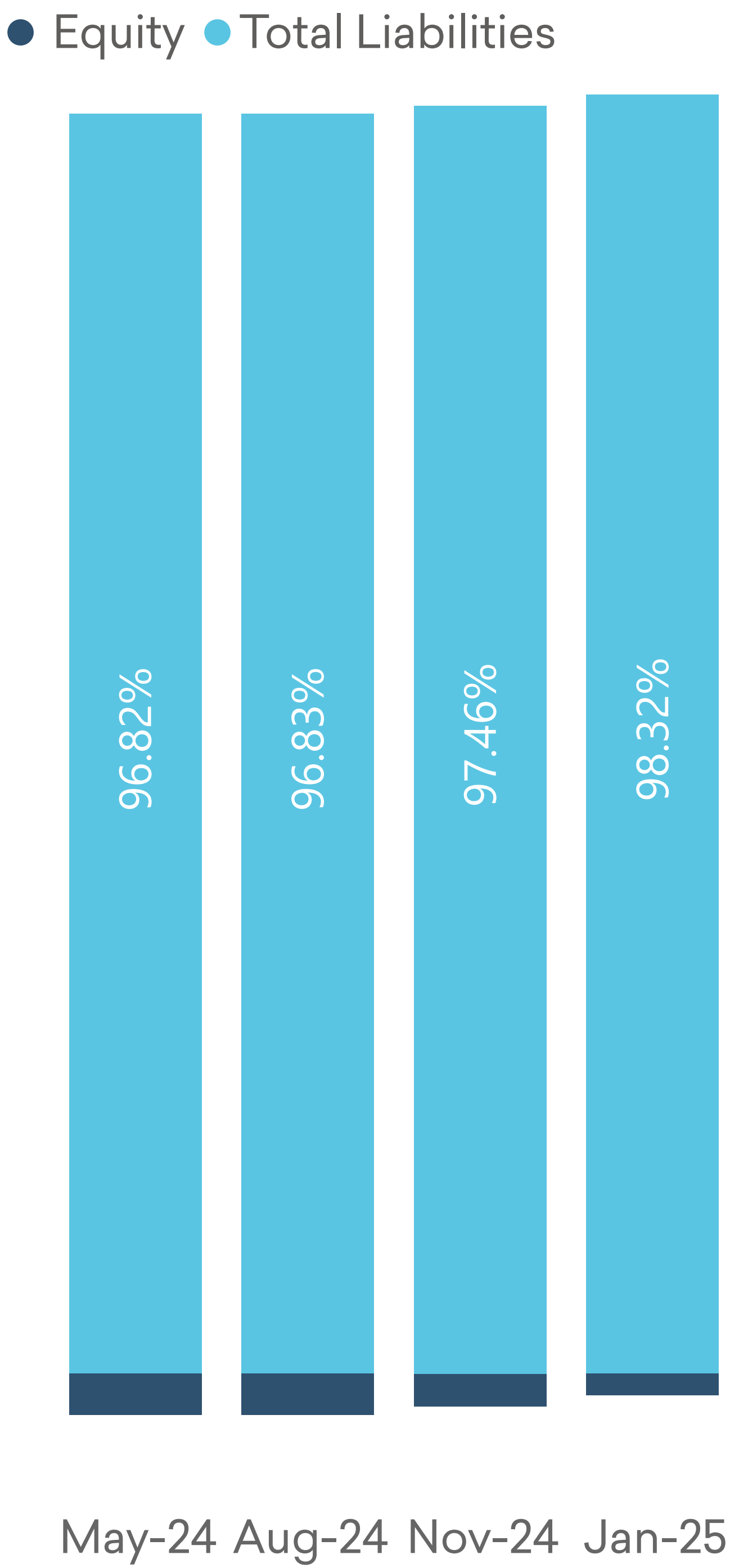
ONE YEAR PRICE PERFORMANCE AND VOLUME



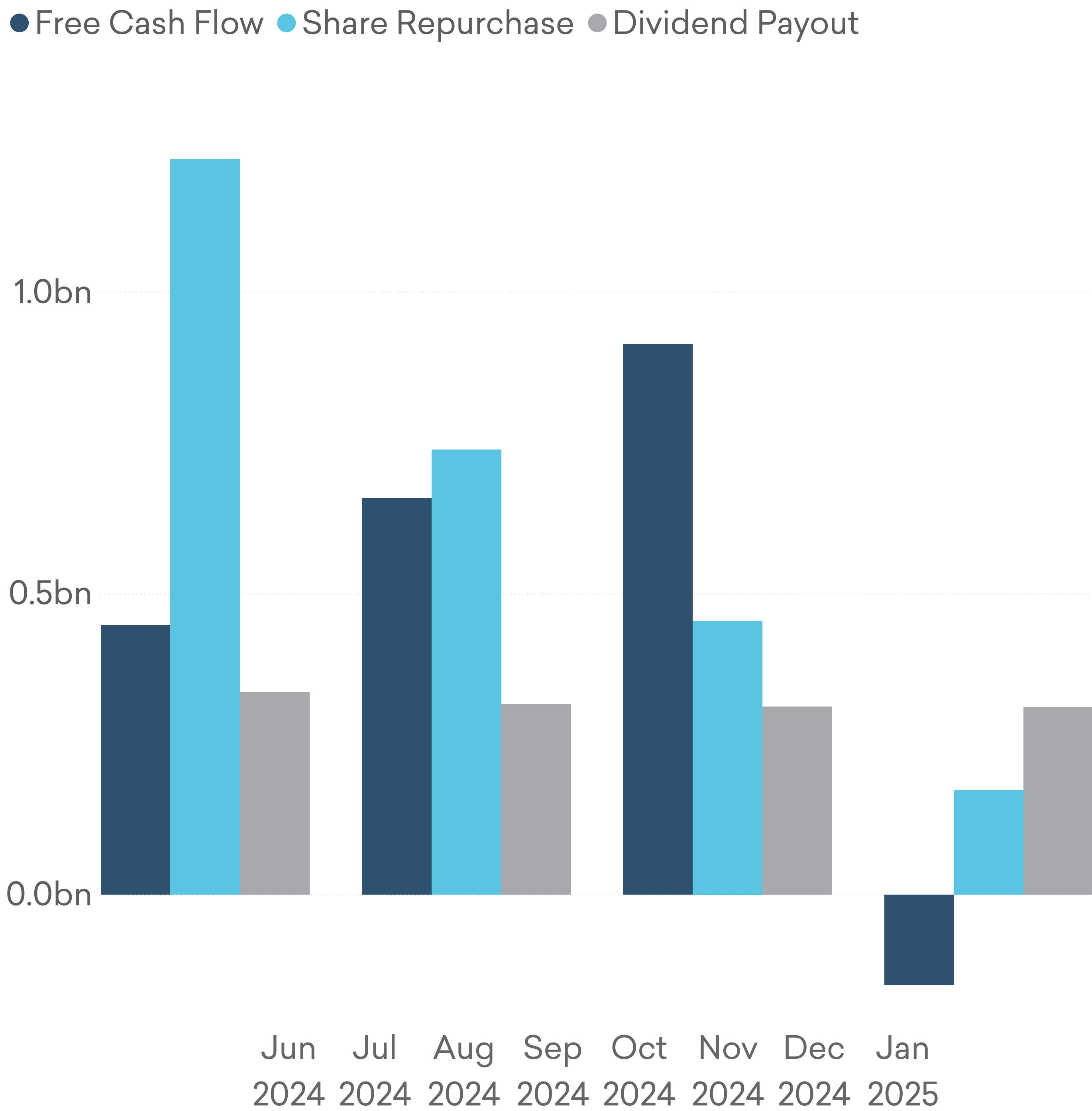
PROFITABILITY



CAPITAL STRUCTURE



CASH FLOWS



Stocks To Watch - Part 2

HP INC. - (HPQ)



\$28.81

Current Price

\$27.43 - 39.8

52 Week Range

▼ -1.00%

52 Week Change

\$27,159,273,430

Market Capitalization

1.11

Beta

7.62

EV To EBITDA

10.05

Price To Earnings

3.38

Debt To Equity

COMPANY OVERVIEW

HP Inc. provides personal computing and other access devices, imaging and printing products, and related technologies, solutions, and services in the United States and internationally. The company operates through three segments: Personal Systems, Printing, and Corporate Investments. The Personal Systems segment offers commercial and consumer desktop and notebook personal computers, workstations, thin clients, commercial mobility devices, retail point-of-sale systems, displays and peripherals, software, support, and services. The Printing segment provides consumer and commercial printer hardware, supplies, solutions, and services. The Corporate Investments segment is involved in the HP Labs and business incubation, and investment projects.

POTENTIAL CATALYSTS/RATIONALE

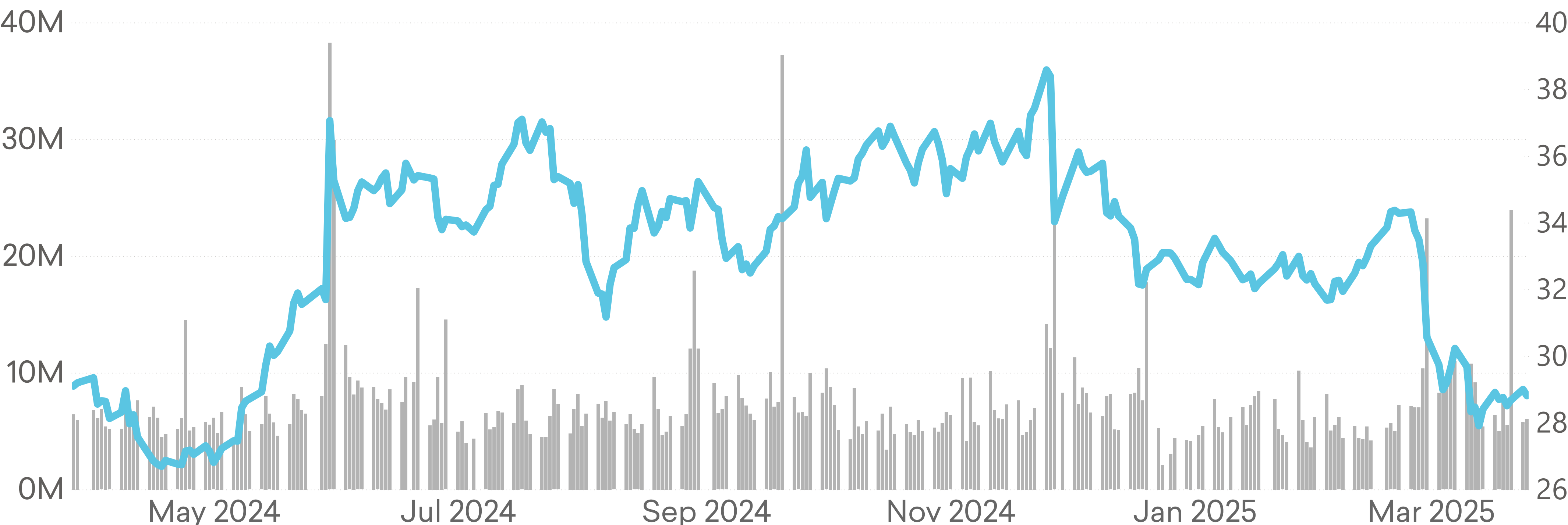
HP's revenue is expected to rise as businesses upgrade hardware due to Windows 10 discontinuation, boosting demand for commercial PCs. Cost reductions from sourced components and AI PC penetration (priced 10-20% higher) could improve margins.

POTENTIAL RISKS

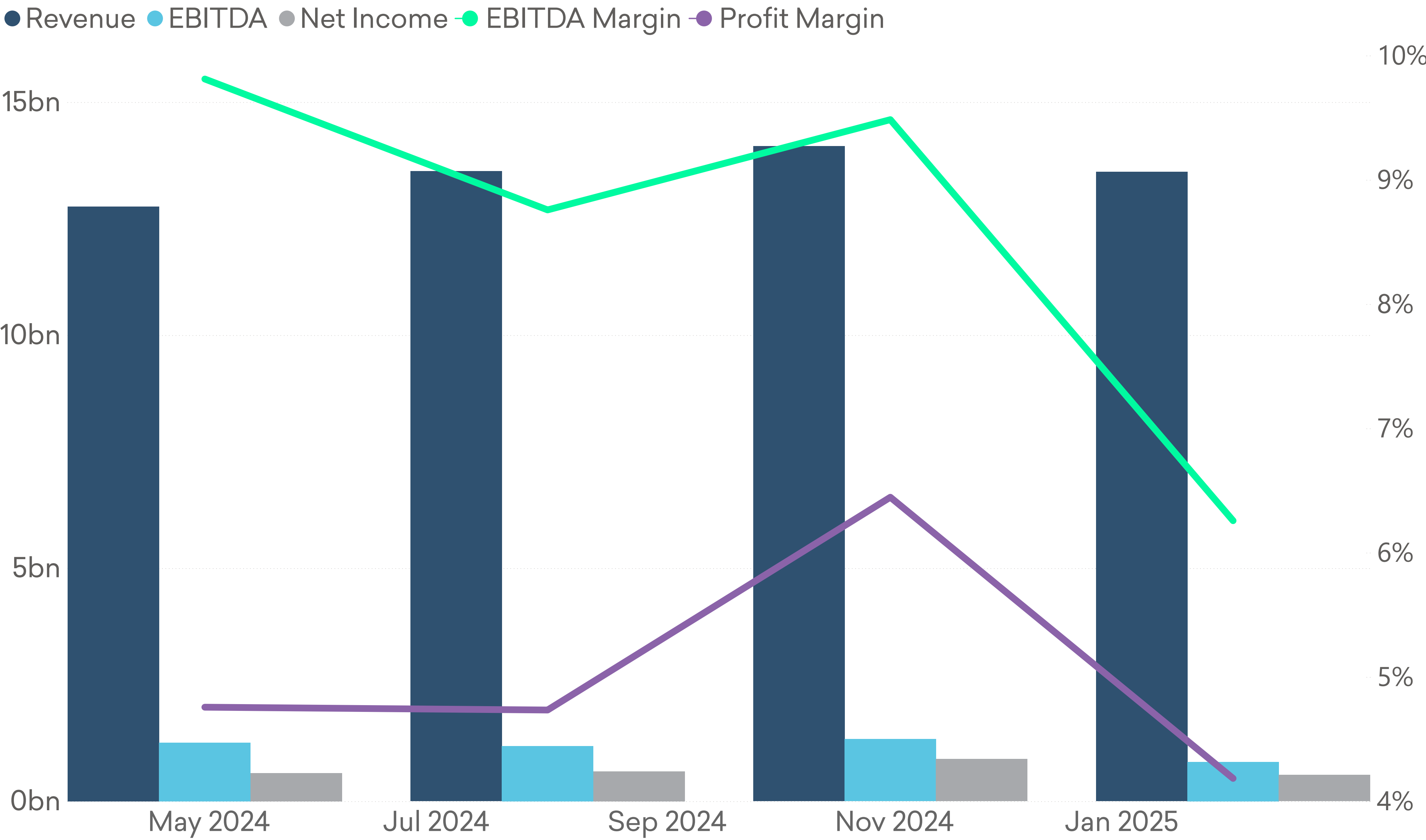
HP's liquidity remains a concern, with liabilities exceeding assets by \$7 billion and current debt above \$1 billion. Weak revenue growth and declining profit margins could strain free cash flow, limiting shareholder returns. If net income continues to decline and supplier payments increase, HP may struggle to sustain its shareholder yield while managing debt obligations.

ONE YEAR PRICE PERFORMANCE AND VOLUME

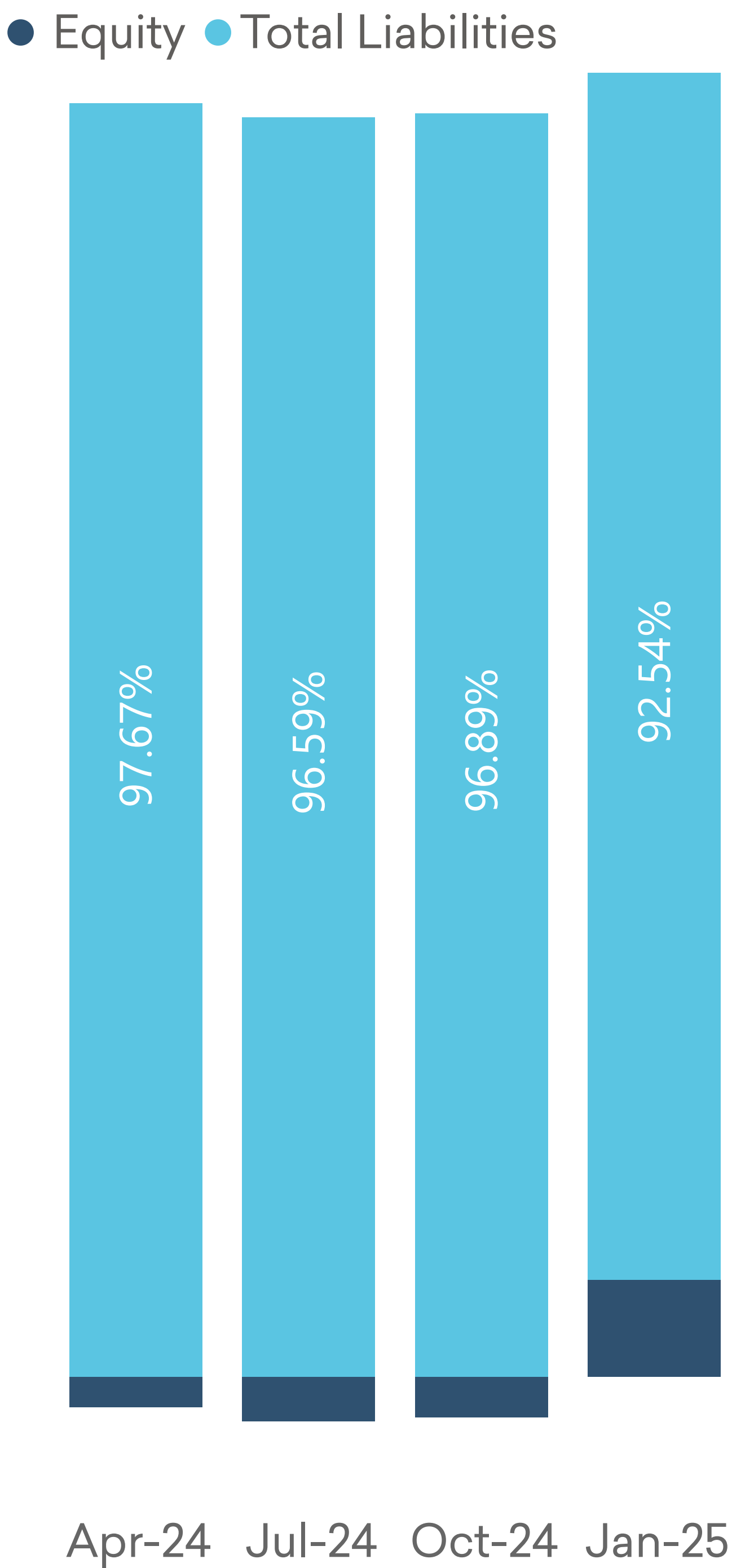
● Volume — Price (RHS)



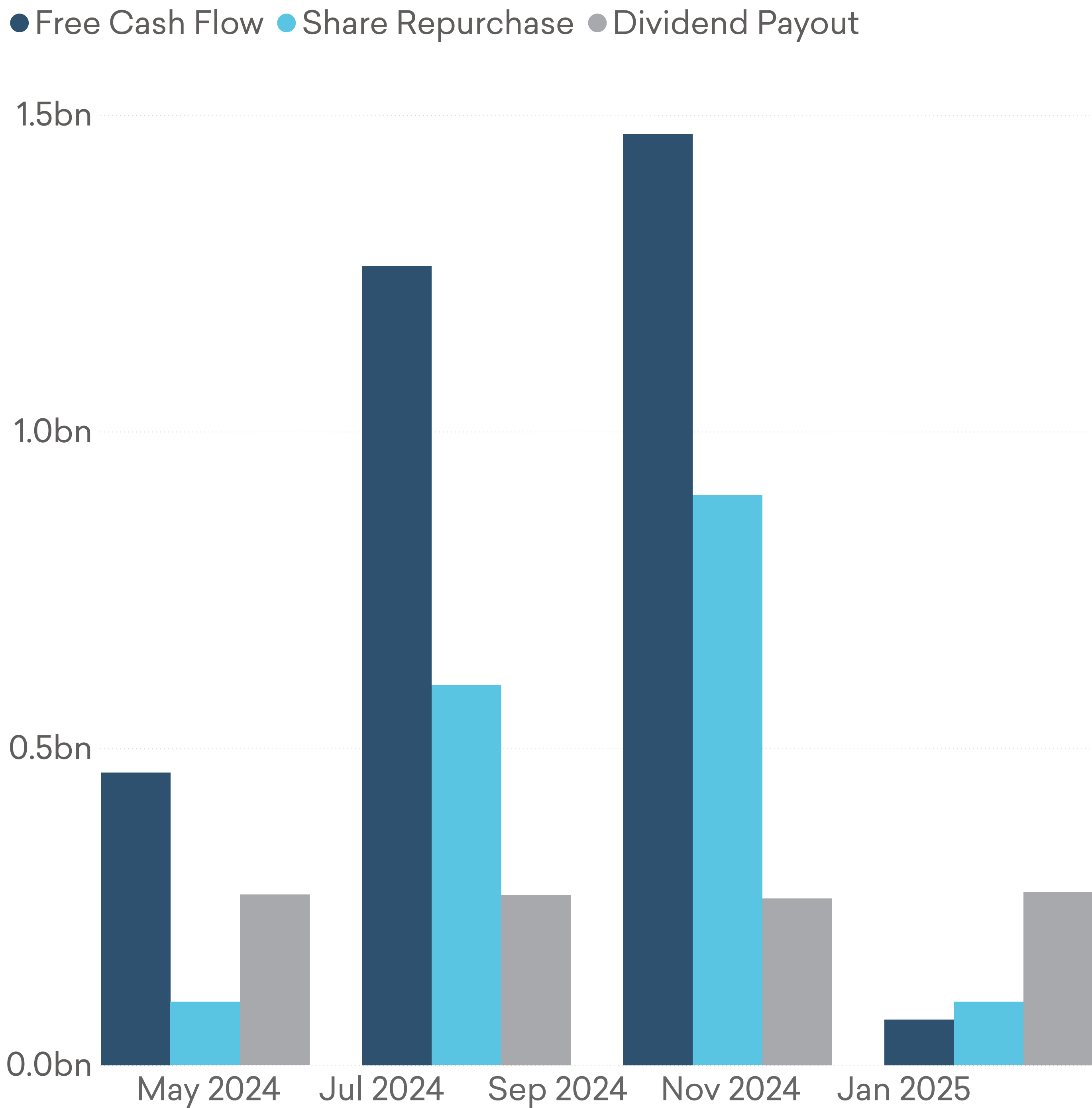
PROFITABILITY



CAPITAL STRUCTURE



CASH FLOWS



Stocks To Watch - Part 3

ARISTA NETWORKS, INC. - (ANET)

ARISTA

\$86.94

Current Price

\$60.08 - 133.575

52 Week Range

▲20.58%

52 Week Change

\$109,641,772,800	1.08	35.55	38.42	0.00
Market Capitalization	Beta	EV To EBITDA	Price To Earnings	Debt To Equity

COMPANY OVERVIEW

Arista Networks, Inc. develops, markets, and sells cloud networking solutions in the Americas, Europe, the Middle East, Africa, and the Asia-Pacific. The company's cloud networking solutions consist of extensible operating systems, a set of network applications, as well as gigabit Ethernet switching and routing platforms. It also provides post contract customer support services, such as technical support, hardware repair and parts replacement beyond standard warranty, bug fix, patch, and upgrade services. The company serves a range of industries comprising internet companies, service providers, financial services organizations, government agencies, media and entertainment companies, and others.

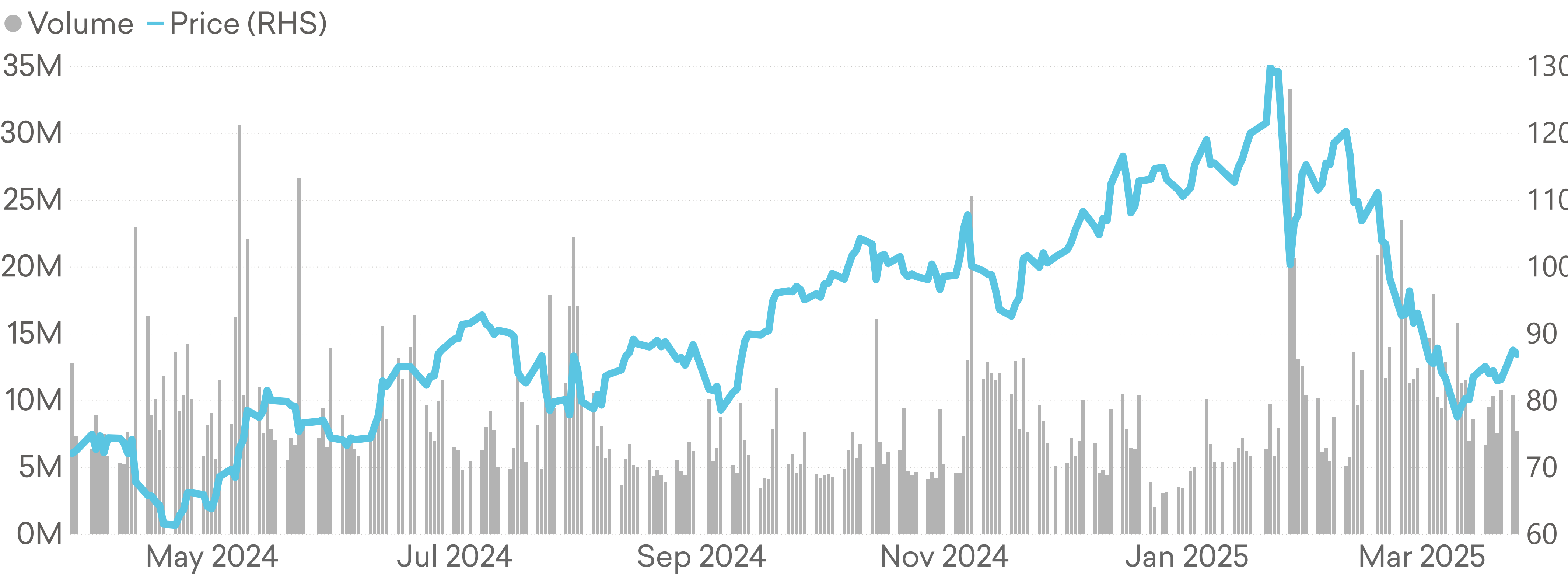
POTENTIAL CATALYSTS/RATIONALE

Arista Networks remains well-positioned for AI-driven infrastructure growth, benefiting from hyperscaler investments by Microsoft and Meta. AI clusters' expansion and demand for high-speed networking bolster revenue expectations, with AI-related sales projected at \$750 million in 2025.

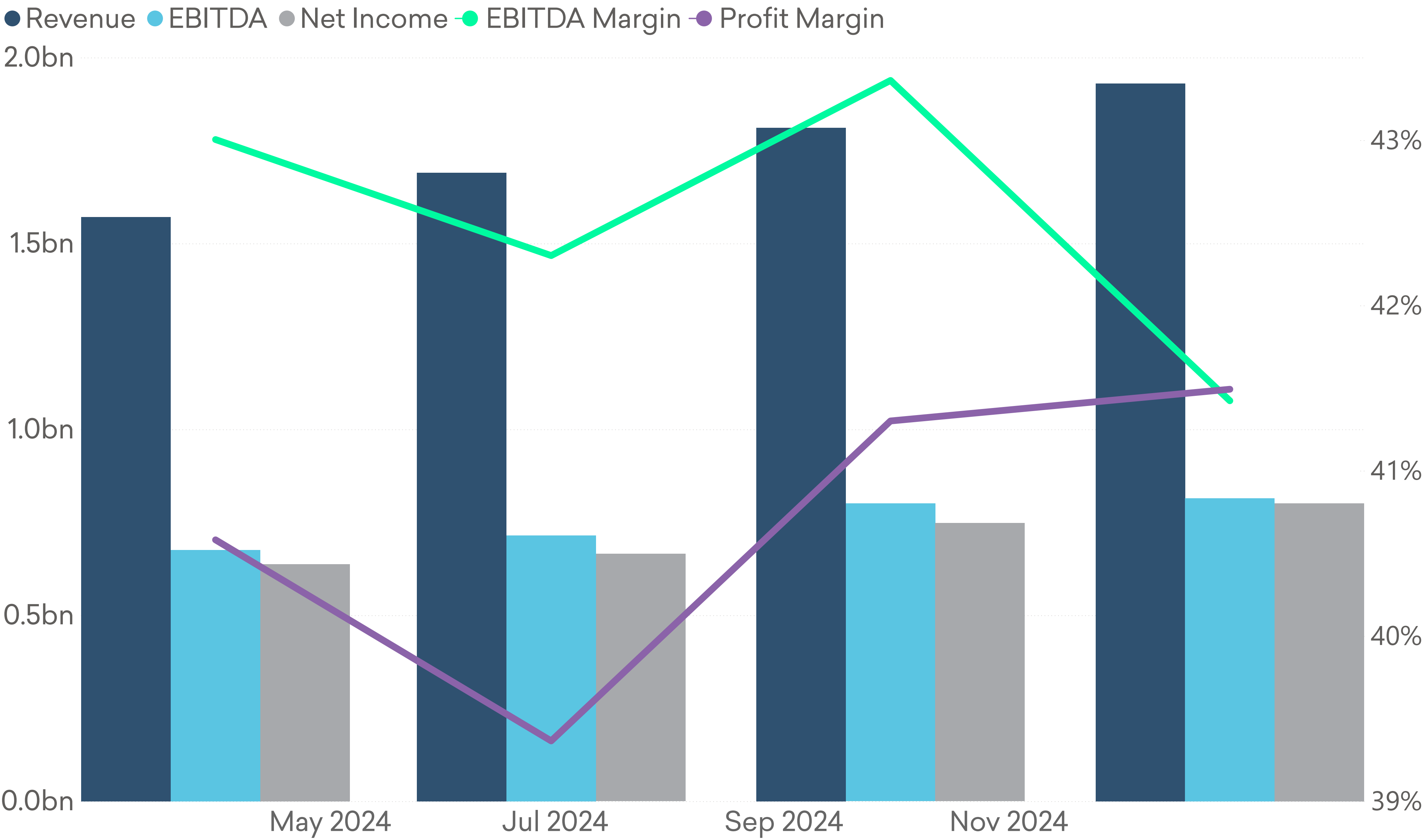
POTENTIAL RISKS

ANET faces revenue concentration risks, with 35% of revenue tied to Microsoft and Meta. Rising competition from Nvidia's bundled solutions and white-box vendors threatens market share. Supply chain disruptions and economic uncertainty could delay AI infrastructure spending, impacting ANET's 2026 outlook.

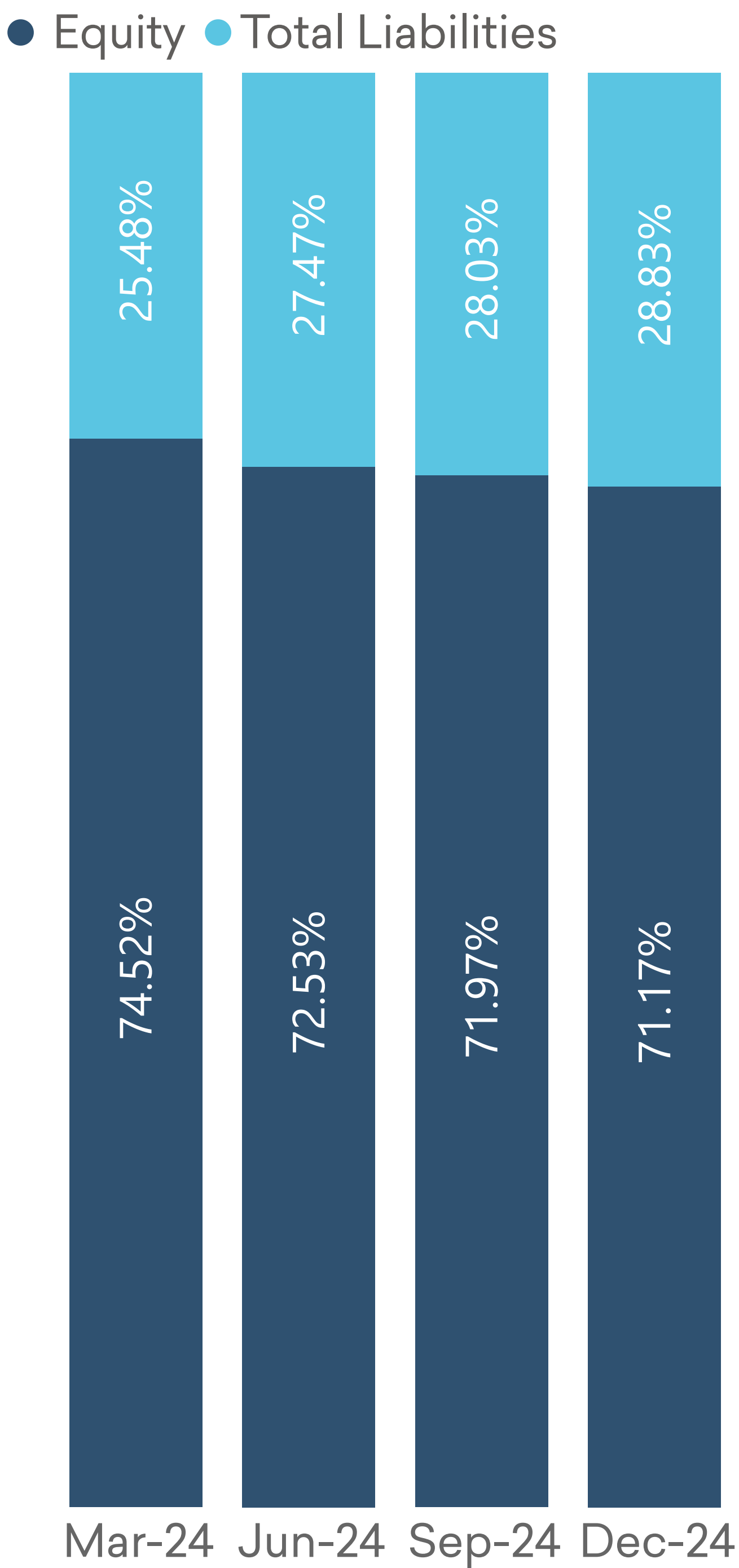
ONE YEAR PRICE PERFORMANCE AND VOLUME



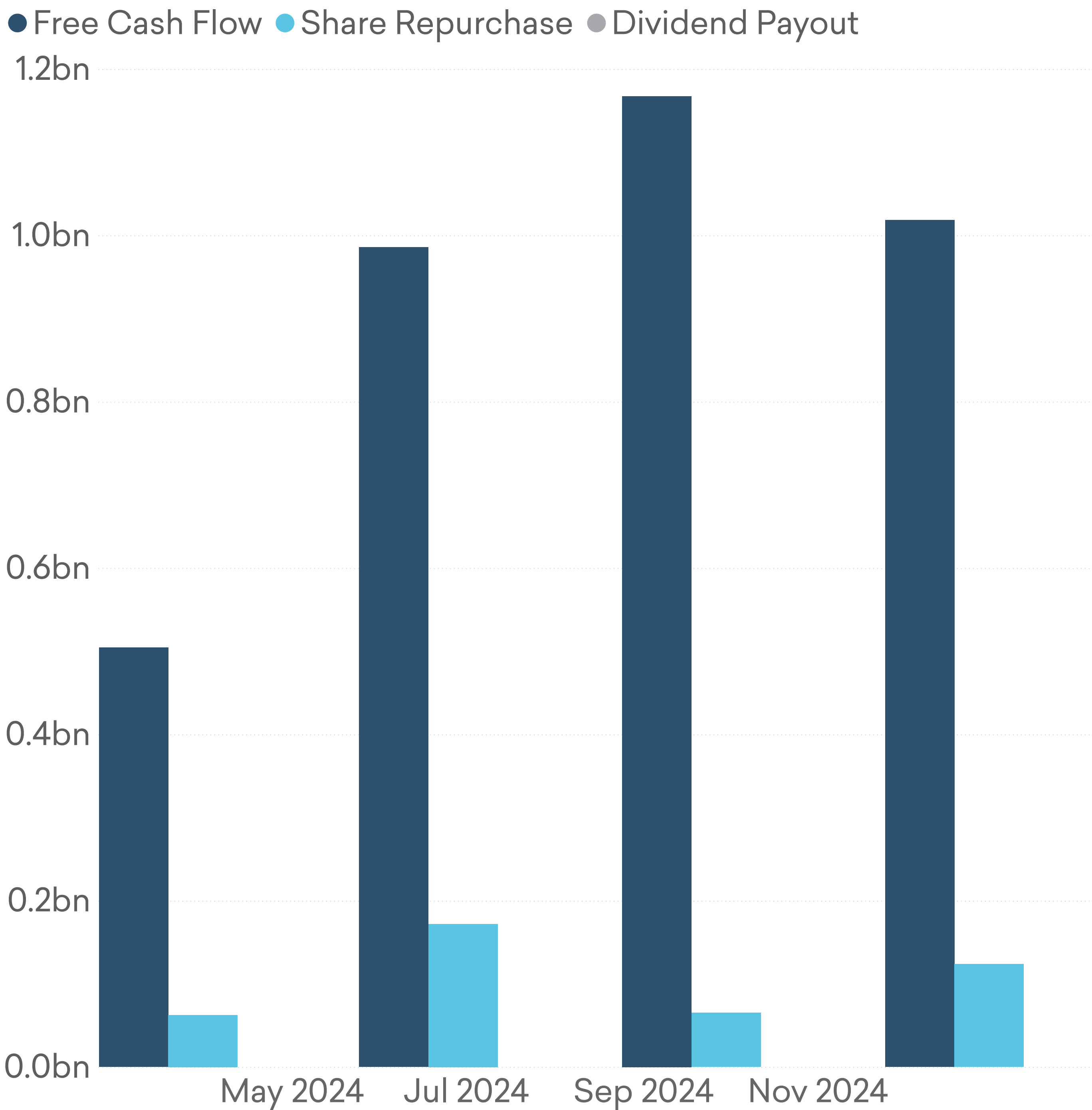
PROFITABILITY



CAPITAL STRUCTURE



CASH FLOWS



Stocks To Watch - Part 4

SUPER MICRO COMPUTER, INC. - (SMCI)



\$40.64

Current Price

\$17.25 - 106.9

52 Week Range

▼ -60.29%

52 Week Change

\$24,119,067,840

Market Capitalization

1.20

Beta

14.97

EV To EBITDA

16.67

Price To Earnings

0.30

Debt To Equity

COMPANY OVERVIEW

Super Micro Computer, Inc., together with its subsidiaries, develops and manufactures high performance server and storage solutions based on modular and open architecture in the United States, Europe, Asia, and internationally. Its solutions range from complete server, storage systems, modular blade servers, blades, workstations, full racks, networking devices, server sub-systems, server management software, and security software. The company provides application-optimized server solutions, rackmount and blade servers, storage, and subsystems and accessories; and server software management solutions, such as Server Management Suite, including Supermicro Server Manager, Supermicro Power Management software and SuperDoctor 5.

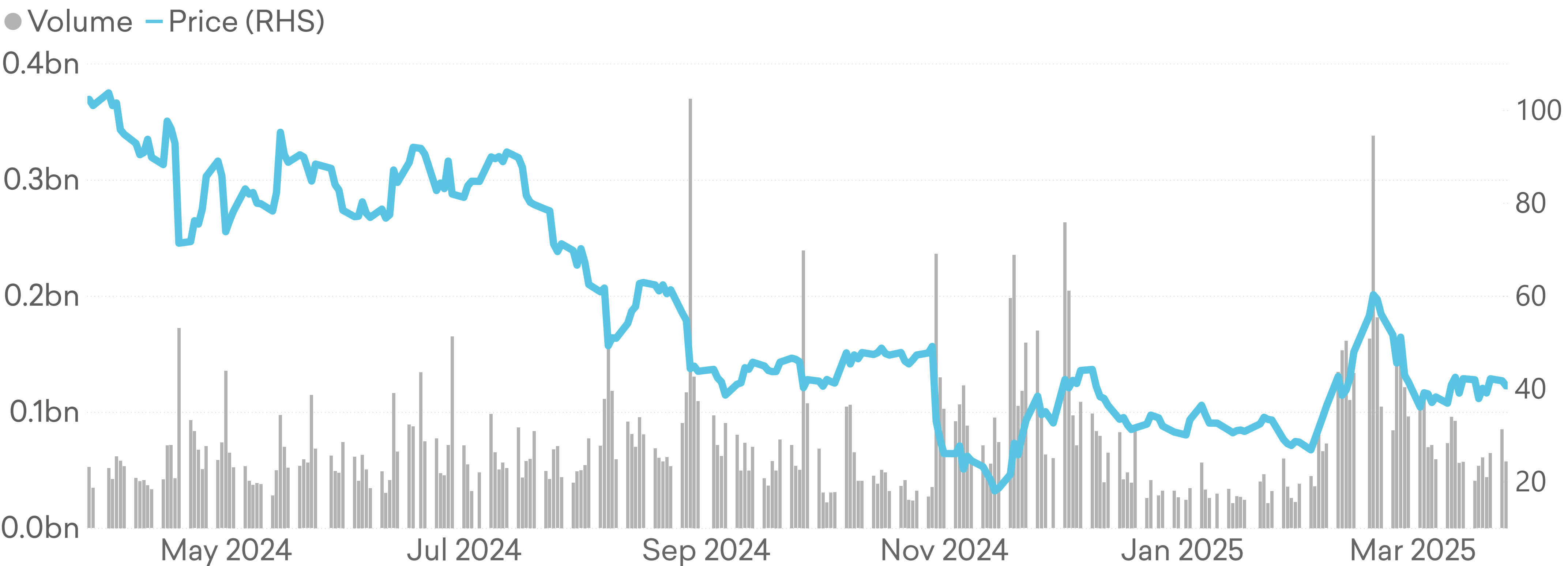
POTENTIAL CATALYSTS/RATIONALE

Super Micro Computer’s revenue surged from \$7.12 billion in 2023 to nearly \$15 billion in 2024, with projections reaching \$40 billion by 2026. Strong AI and data center demand fuel growth, alongside a \$1.4 billion cash position. Despite valuation concerns, its 16.2x forward P/E remains attractive relative to peers, supporting continued investor interest.

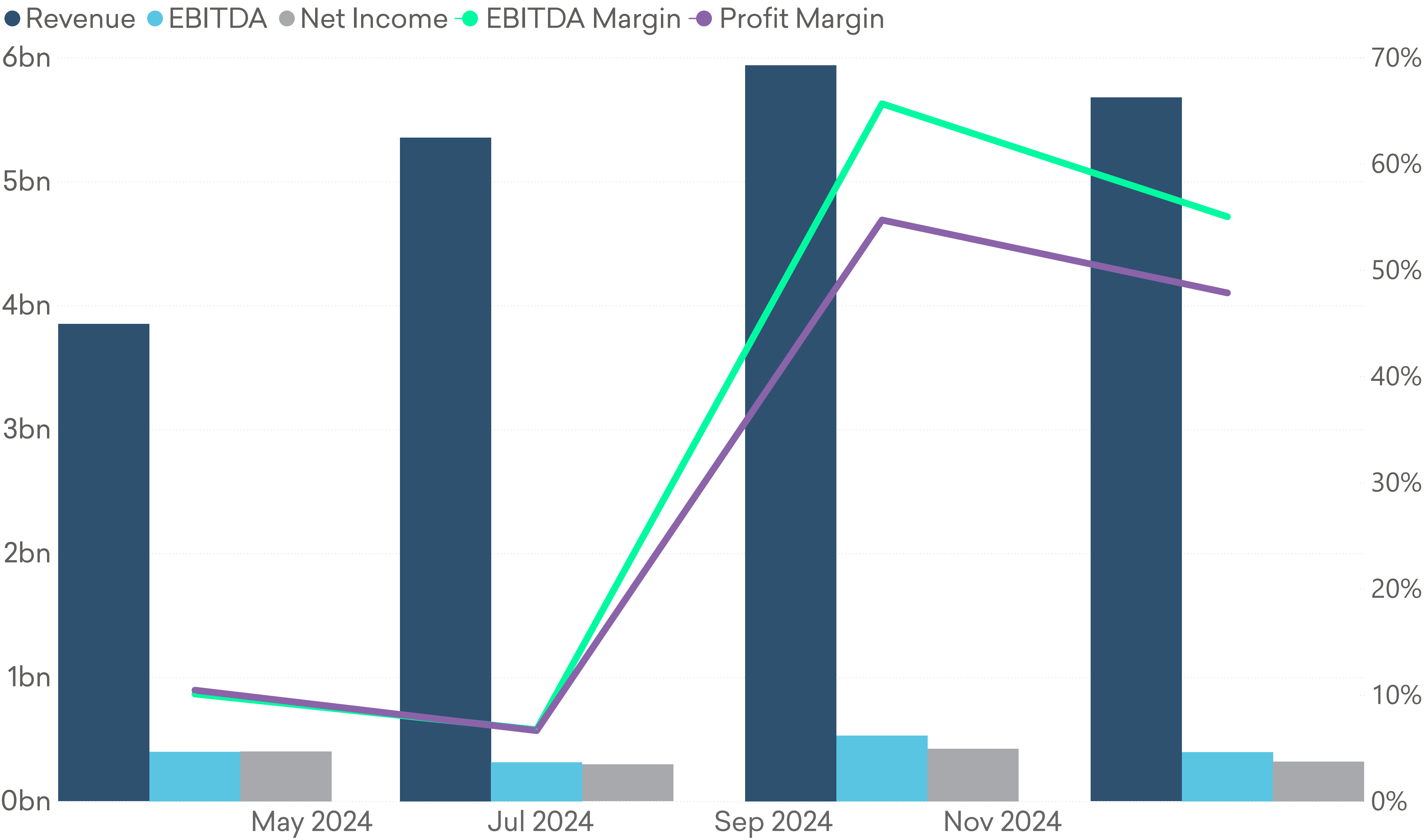
POTENTIAL RISKS

Super Micro faces regulatory risks from ongoing DOJ and SEC investigations, which could impact its credit rating and investor confidence. Inventory reserve charges and declining revenue guidance add uncertainty. While its valuation is competitive, cheaper alternatives exist.

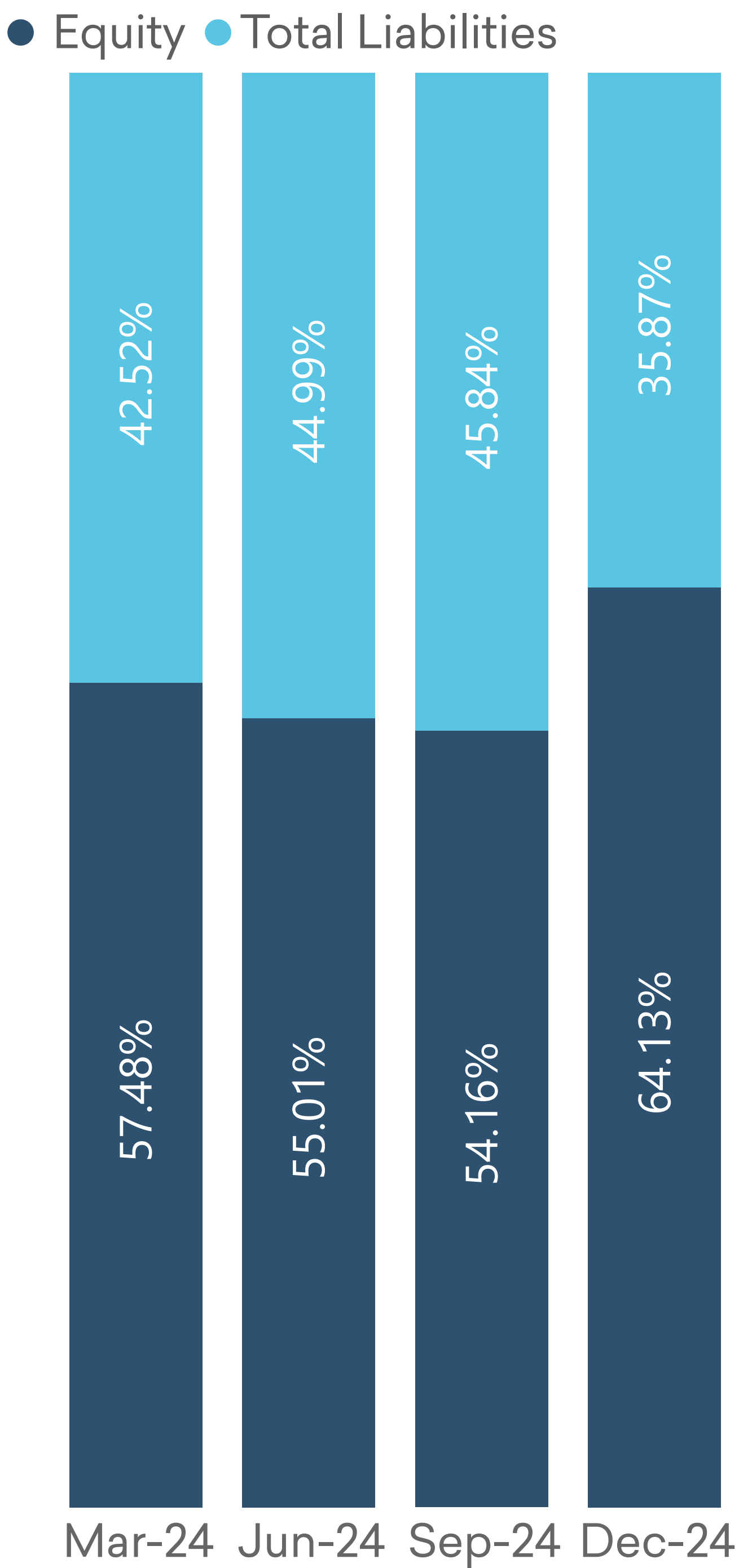
ONE YEAR PRICE PERFORMANCE AND VOLUME



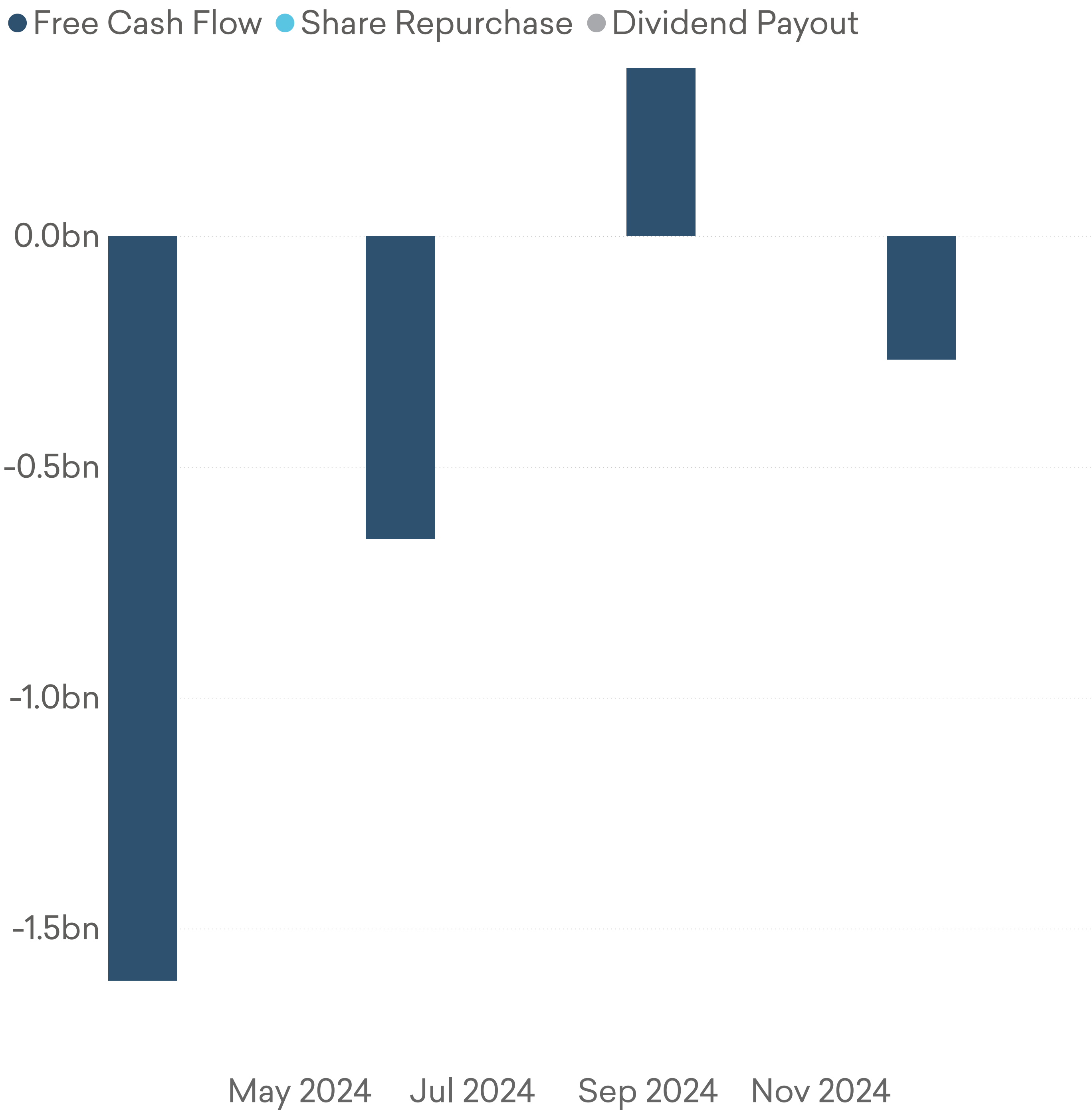
PROFITABILITY



CAPITAL STRUCTURE



CASH FLOWS



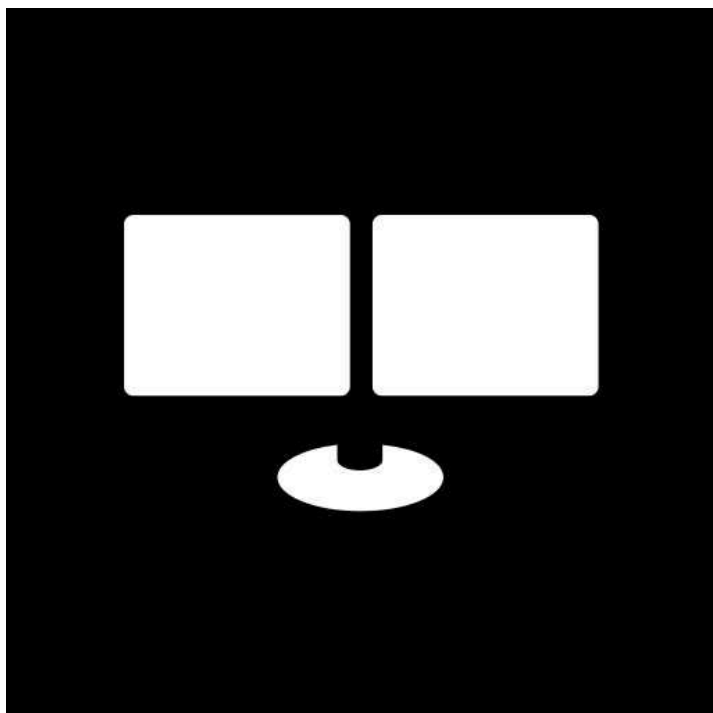
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