

China Technology

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Takeaways of Intel AI Everywhere: Meteor Lake poised to unleash AI PC cycle in 2024

Intel hosted its annual product launch event themed “AI Everywhere”, featuring the official release of AI-enabled Core Ultra processor, Meteor Lake, and 5th-Gen Xeon processor, Emerald Rapids. The new Core Ultra processor marks the largest architectural shift in 40 years, and has launched the AI PC generation with innovation on all fronts: the new “CPU+GPU+NPU” design for AI computing, addition of a low-power efficiency core, and flexible tiled architectural innovation. The new AI PC chips will power over 230 of the world’s first AI PCs with OEM partners (e.g. Lenovo, Acer, ASUS, Dell), and Intel expected AI PCs will comprise 80% of the PC market by 2028. We believe AI PC launches and software ecosystems are set to accelerate demand recovery in 2024. We estimate global PC shipments to grow 3.7% YoY in 2024, following a 14% YoY decline in 2023. We are positive on PC supply chain names such as Lenovo, Everwin, FIT Hon Teng, Huaqin Tech, and Chunqiu Electronic.

- **Meteor Lake and Emerald Rapids mostly in-line; all eyes on AI PC product launches in 2024.** As expected, Meteor Lake was released with the “CPU+GPU+NPU” design, new flexible tiled architecture, and addition of a low power efficiency core. It is also the first processor built on Intel 4 (7nm) and 3D Foveros advanced packaging, enabling the latest LLMs, transformers and text-to-image workloads to run on personal PCs. During the event, the 5th-Gen Xeon processor named Emerald Rapids was also launched, based on the existing Eagle Stream platform and Intel 7 process, which can handle demanding AI workloads including deep learning inference and fine tuning on models up to 20bn parameters. Both product launches received strong support from commercial and ecosystem partners including Lenovo, HP, Microsoft, IBM, Supermicro, Dell and other hyperscalers.
- **AI PCs set to boost replacement cycle, to account for 80% of the PC market.** Following global PC inventory correction in 2022-23 and shipment stabilization in 2Q-3Q23, we estimate global PC shipments to grow 3.7% YoY in 2024, backed by healthy channel inventory and multiple AI PC product launches in 2024. AI PC penetration is expected rise to 54.7% in 2024 (vs. 8.1% in 2023), based on IDC. Overall, we believe AI PC hardware and software ecosystem innovations will enhance user experience and boost further industry recovery.
- **PC supply chain set to benefit from Meteor Lake release; multiple catalysts from AI PC product launches in 2024.** During the event, major PC OEMs and brands announced strong product pipelines of AI PCs in 2024, and we believe PC supply chain names are set to benefit from the AI PC trend in 2024. We are positive on Lenovo, Everwin, FIT Hon Teng, Huaqin Tech, and Chunqiu Electronic.

Valuation Table

Company	Ticker	Rating	Mkt Cap (US\$ mn)	Price (LC)	TP (LC)	Up/Down -side	P/E (x)		P/B (x)	
							FY23E	FY24E	FY23E	FY24E
FIT Hon Teng	6088 HK	BUY	1,074	1.15	2.1	79%	7.6	6.2	0.4	0.4
Lenovo	992 HK	NR	16,100	10.24	NA	NA	9.5	14.9	2.5	2.5
Huaqin Tech	603296 CH	NR	8,059	79.12	NA	NA	21.9	19.8	2.8	2.4
Everwin	300115 CH	NR	2,085	12.30	NA	NA	58.6	21.0	2.5	2.3
Chunqiu Elec.	603890 CH	NR	675	10.91	NA	NA	66.1	22.3	1.8	1.7

Source: Company data, CMBIGM estimates.

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Figure 1: PC processor manufacturers' products for AI PC applications

Manufacturer	Processor	Release date	Process	Architecture	OS System	First PC product release date
Qualcomm	Snapdragon X Elite-Oryon	Oct 2023	4nm	Arm	Windows	1H24
Intel	Meteor Lake Core Ultra	Sep 2023	7nm	x86	Windows	1H24
Apple	M3	Oct 2023	3nm	Arm	Mac OS	November 2023
AMD	Phoenix	Exp. 2025	4nm	x86/Arm	Windows	TBD
MediaTek. Nvidia	Kompanio	Exp. 2025	6nm	Arm	Windows	TBD

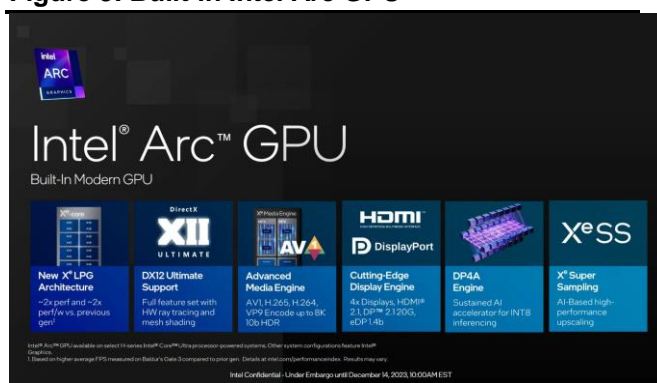
Source: Company data, CMBIGM.

Figure 2: Intel Core Ultra processor



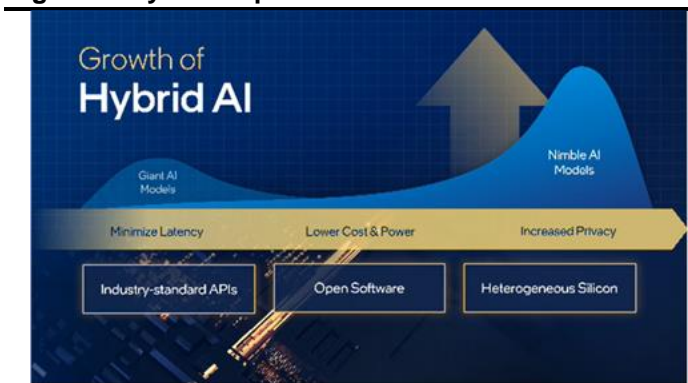
Source: Intel, CMBIGM.

Figure 3: Built-in Intel Arc GPU



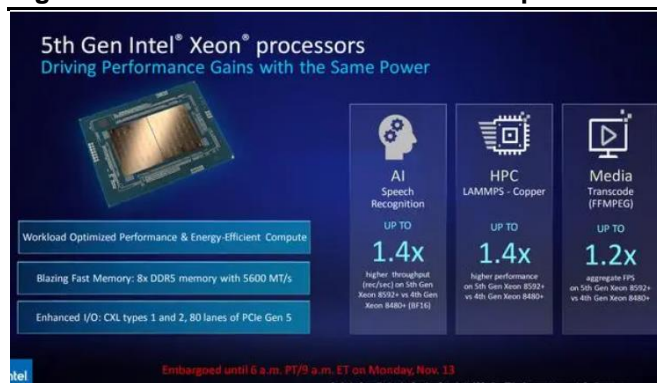
Source: Intel, CMBIGM.

Figure 4: Hybrid AI proliferation outlook



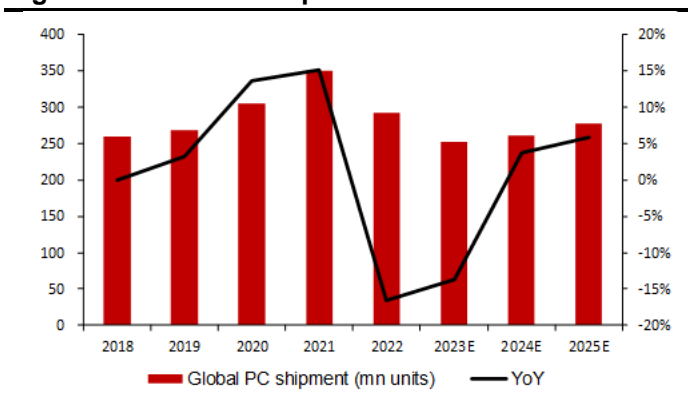
Source: Intel. CMBIGM.

Figure 5: 5th-Gen Intel Xeon Emerald Rapids



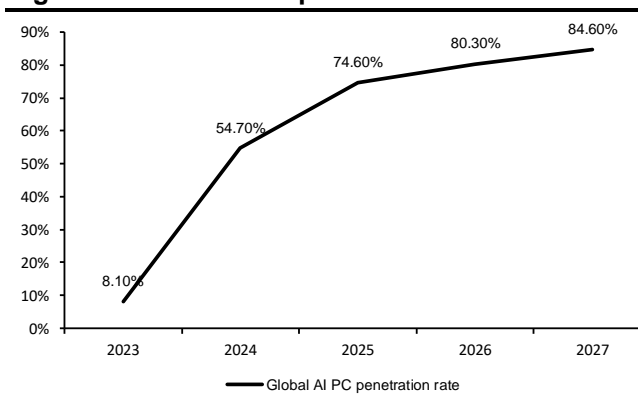
Source: Intel CMBIGM.

Figure 6: Global PC shipment forecast



Source: IDC, CMBIGM.

Figure 7: Global AI PC penetration rate



Source: IDC, CMBIGM

Figure 8: Peers' valuation

			Mkt. Cap	Price	P/E (x)		P/B (x)		ROE (%)		Performance
Company	Ticker	Rating	(US\$ mn)	(LC)	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	YTD (%)
Brand											
Xiaomi	1810 HK	BUY	51,323	15.98	19.4	18.1	2.2	2.0	11.5	11.1	46.1
Apple	AAPL US	NR	3,081,156	198.11	32.6	30.0	52.8	41.9	169.4	149.4	52.5
Samsung	005930 KS	NR	337,797	73,300	46.0	16.0	1.4	1.3	3.0	8.2	32.5
LG	066570 KS	NR	12,279	97,200	10.6	7.0	0.8	0.7	7.8	10.8	12.4
Lenovo	992 HK	NR	16,100	10.24	9.5	14.9	2.5	2.5	30.6	17.3	59.8
Dell	DELL US	NR	51,541	72.43	9.7	10.9	-	-	(179.3)	(156.9)	80.1
HP	HPQ US	NR	30,567	30.93	9.4	9.0	-	-	(139.1)	(429.4)	15.1
ASUSTeK	2357 TT	NR	9,660	406.00	18.7	13.1	1.3	1.3	7.1	9.6	51.2
Average					19.5	14.9	10.2	8.3	(11.1)	(47.5)	43.7
ODM/EMS											
BYDE	285 HK	BUY	9,757	33.80	17.2	13.7	2.4	2.1	13.6	15.1	34.7
Luxshare	002475 CH	BUY	31,939	31.73	20.5	16.2	2.2	2.0	10.9	12.3	(0.1)
Huaqin Tech	603296 CH	NR	8,059	79.12	21.9	19.8	2.8	2.4	14.6	13.3	N/A
Hon Hai	2317 TT	NR	45,076	101.50	10.6	9.4	0.9	0.9	8.9	9.4	1.6
FII	601138 CH	NR	41,351	14.78	12.3	10.2	2.0	1.8	16.8	17.7	61.0
Quanta	2382 TT	NR	25,057	202.50	19.8	15.9	4.3	3.8	21.9	25.0	180.1
Wistron	3231 TT	NR	8,509	91.60	21.9	14.1	2.5	2.2	11.5	16.3	211.6
Wiwynn	6669 TT	NR	9,746	1,740	26.4	17.9	7.3	5.9	28.6	36.0	118.3
Average					21.4	16.1	3.3	2.8	15.4	18.1	72.5
Structured Components											
BYDE	285 HK	BUY	9,757	33.80	17.2	13.7	2.4	2.1	13.6	15.1	34.7
Tongda	698 HK	BUY	151	0.12	6.7	4.2	0.2	0.1	2.3	3.5	(6.2)
TK Group	2283 HK	BUY	156	1.46	5.2	3.8	0.7	0.6	13.3	16.3	(7.6)
Everwin	300115 CH	NR	2,085	12.30	58.6	21.0	2.5	2.3	2.9	9.6	19.1
Lens Tech	300433 CH	NR	8,899	12.68	20.3	15.4	1.4	1.3	6.8	8.5	20.4
Chunqiu Elec.	603890 CH	NR	675	10.91	66.1	22.3	1.8	1.7	2.6	7.4	19.4
Catcher	2474 TT	NR	4,032	185.00	11.3	17.1	0.8	0.8	6.8	4.3	9.5
Jabil	JBL US	NR	17,454	136.42	16.0	14.8	6.4	9.7	43.5	45.9	100.0
Average					25.2	14.0	2.0	2.3	11.5	13.8	23.7
Connector											
FIT Hon Teng	6088 HK	BUY	1,074	1.15	7.6	6.2	0.4	0.4	5.2	6.3	(43.9)
Luxshare	002475 CH	BUY	31,939	31.73	20.5	16.2	2.2	2.0	10.9	12.3	(0.1)
TE	TEL US	NR	44,547	143.34	21.4	19.3	4.0	3.6	19.1	19.3	24.9
Amphenol	APH US	NR	59,119	98.81	33.3	30.5	7.2	6.4	24.4	23.6	29.8
Average					20.7	18.0	3.4	3.1	14.9	15.4	2.7
Optics											
Sunny Optical	2382 HK	HOLD	10,130	72.10	47.6	27.1	3.1	2.9	6.4	10.6	(22.3)
Q Tech	1478 HK	BUY	690	4.55	16.3	8.5	1.0	0.9	5.9	10.3	8.1
Cowell	1415 HK	NR	2,428	22.25	35.2	21.9	5.6	4.5	15.4	22.3	104.9
Largan	3008 TT	NR	11,416	2,670	19.4	18.9	2.2	2.0	11.5	11.2	30.9
Genius	3406 TT	NR	1,546	428.00	17.2	15.9	2.3	2.1	13.7	13.8	27.6
O-Film	002456 CH	NR	3,982	8.68	-	42.8	9.8	9.1	(7.3)	9.7	84.3
LG Innotek	011070 KS	NR	4,513	247,000	9.8	7.1	1.2	1.1	13.0	15.9	(2.2)
Average						24.2	20.3	3.6	3.2	8.4	13.4
Acoustics/Haptics											
AAC Tech	2018 HK	HOLD	3,654	23.80	41.9	24.0	1.1	1.1	2.7	4.6	33.4
Goertek	002241 CH	BUY	8,960	18.60	43.3	24.2	2.0	1.9	4.6	7.8	10.5
Luxshare	002475 CH	BUY	31,939	31.73	20.5	16.2	2.2	2.0	10.9	12.3	(0.1)
Merry	2439 TT	NR	812	115.50	18.9	17.9	1.9	1.8	10.0	10.3	44.9
Nidec	6594 JP	NR	23,521	5,588.00	40.2	17.7	2.4	2.1	7.0	12.7	(18.3)
Average					32.9	20.0	2.0	1.8	7.0	9.5	14.1

Source: Bloomberg, CMBIGM

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