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North America Hardware & Storage

2Q PC Prelim Results: First Unit Decline in Nine Consecutive Qs on Memory and Component Inflation

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CITI'S TAKE

IDC released preliminary 2Q26 worldwide PC unit estimates, indicating -4.9%yy decline (above IDCs forecast of -8.7%yy). 2Q marks the end of nine consecutive Qs of yy growth on pull-fwd fueled by anticipation of rising component prices. IDC expects no further pull-fwds, implying 2H unit declines (IDC -19%). While IDC expects memory shortages to persist until early 2028, we note revenue continues to grow on vendor price increases offsetting unit declines. Concern continues that ongoing component price inflation could further dampen 2026 unit growth expectations (Citi -15% and IDC -12%). 2Q represents +0.4%qq growth vs +6%qq seasonally. Lenovo, Apple, and Asus grew share; HPQ and Other OEMs lost share; Dell maintained. We still believe that the remainder of year will see further decline in PC shipments as system prices continue rising, with access to memory/chipsets being share gain driver. Maintain Buy on AAPL/DELL, Neutral on HPQ.

- Please see the following note for additional color: HP Inc (HPQ.N): FY26 Guide Above Street While Cost Pressures Continue; Maintain Neutral; Dell Technologies (DELL.N) - Solid Execution Drives Significant Beat & Raise; Robust Demand Indicators Ahead; Maintain Buy

(*Continued*)

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

Figure 1. Preliminary PC Shipments

UNITS (000)	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2
Lenovo	16,499	16,882	15,226	16,974	19,305	19,385	16,541	16,622
HP Inc	13,554	13,727	12,773	14,294	14,975	15,430	12,140	13,002
Dell Technologies	9,848	9,899	9,551	9,774	10,107	11,701	10,286	9,290
Apple	6,006	7,094	5,685	6,107	6,702	7,191	6,326	6,724
ASUS	5,332	4,887	4,058	5,002	5,974	5,491	4,780	5,014
Others	19,795	19,105	18,603	19,577	21,438	21,309	17,821	17,526
Total	**71,034**	**71,593**	**65,896**	**71,728**	**78,502**	**80,506**	**67,895**	**68,178**

MARKET SHARE (%	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2
Lenovo	23.2%	23.6%	23.1%	23.7%	24.6%	24.1%	24.4%	24.4%
HP Inc	19.1%	19.2%	19.4%	19.9%	19.1%	19.2%	17.9%	19.1%
Dell Technologies	13.9%	13.8%	14.5%	13.6%	12.9%	14.5%	15.2%	13.6%
Apple	8.5%	9.9%	8.6%	8.5%	8.5%	8.9%	9.3%	9.9%
ASUS	7.5%	6.8%	6.2%	7.0%	7.6%	6.8%	7.0%	7.4%
Others	27.9%	26.7%	28.2%	27.3%	27.3%	26.5%	26.2%	25.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

YoY GROWTH %	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2
Lenovo	3.0%	4.8%	11.0%	15.2%	17.0%	14.8%	8.6%	-2.1%
HP Inc	0.3%	-1.6%	6.2%	4.5%	10.5%	12.4%	-5.0%	-9.0%
Dell Technologies	-4.0%	-0.2%	3.0%	-3.0%	2.6%	18.2%	7.7%	-5.0%
Apple	-14.7%	19.4%	18.7%	18.7%	11.6%	1.4%	11.3%	10.1%
ASUS	7.4%	15.1%	12.6%	18.6%	12.0%	12.4%	17.8%	0.2%
Others	5.8%	9.0%	4.8%	12.5%	8.3%	11.5%	-4.2%	-10.5%
Total	0.8%	5.8%	7.7%	9.9%	10.5%	12.4%	3.0%	-4.9%

QoQ GROWTH (%)	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2
Lenovo	11.9%	2.3%	-9.8%	11.5%	13.7%	0.4%	-14.7%	0.5%
HP Inc	-0.9%	1.3%	-7.0%	11.9%	4.8%	3.0%	-21.3%	7.1%
Dell Technologies	-2.3%	0.5%	-3.5%	2.3%	3.4%	15.8%	-12.1%	-9.7%
Apple	16.8%	18.1%	-19.9%	7.4%	9.7%	7.3%	-12.0%	6.3%
ASUS	26.5%	-8.4%	-17.0%	23.3%	19.4%	-8.1%	-12.9%	4.9%
Others	13.8%	-3.5%	-2.6%	5.2%	9.5%	-0.6%	-16.4%	-1.7%
Total	8.8%	0.8%	-8.0%	8.8%	9.4%	2.6%	-15.7%	0.4%

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Source: Citi Research, IDC

Apple, Inc.

(AAPL.O; US$310.66; 1; 07 Jul 26; 16:00)

Valuation

Our target price for Apple is $315. We value AAPL at $315 or 33x P/E on our CY2027 EPS estimate. Our 33x P/E is about a 20% premium to Apple's historical level. We believe a premium is warranted to reflect expanding gross margins (ex tariffs), growing services sales mix, gradual Apple Intelligence adoption, and a strong balance sheet.

Risks

Key risks to our investment thesis and to Apple achieving our target price include the following:

1) Weaker macroeconomic conditions or shifting consumer demand could cause greater-than-expected deceleration or contraction in the handset and smartphone markets. This would negatively impact Apple's prospects for growth, and the shares may fail to achieve our target price as a result.

2) Uncertainty regarding US/China tensions could impact Apple's supply chain, as the company is heavily reliant on suppliers/manufacturers in Taiwan and mainland China.

3) Regulatory risk remains as a major headwind including Digital Markets Act in Europe, which would push Apple to allow alternative app store on its iPhones and iPads and reduce app store revenues in the region.

4) Heavyweight in the market index makes institutional investors cautious on adding more Apple positions.

Dell Technologies

(DELL.N; US$417.28; 1; 07 Jul 26; 16:00)

Valuation

Our $475 rounded target price is based on a 20x P/E multiple applied to our N24M EPS estimate. Dell's peer group comprises large enterprise hardware companies and trades within a range of 11x to 32x, with a median PE of 19x. We believe a premium to the peer group is warranted given better-than-expected earnings growth and momentum in its AI portfolio.

Risks

Risks to achieving our target price include the following:

Competitive Intensity: Competition from hyperscalers and clo
options is impacting demand for traditional enterprise server
hardware products. Hyperscalers tend to rely on lower-margi
storage products from ODMs, while enterprises are using clou
infrastructure (private and hybrid) to drive efficiencies in data



infrastructure. This has resulted in aggressive pricing environment, market share losses in its storage business, and margin erosion.

PC & Data Center Demand Downticks: Hardware demand could recover slower than expected, and any delays to the PC refresh cycle could have negative implications for the business.

Dell's AI backlog may not materialize in revenues in CY2026 and could be pushed out further.

Complicated Ownership Structure: Dell has a fairly complicated ownership and governance structure.

HP Inc

(HPQ.N; US$22.96; 2; 07 Jul 26; 16:00)

Valuation

Our target price of $25 is based on 8x PE on CY27 estimates, at the stock's 5Y median. While we believe continued cost-takeout efforts and commodity cost mitigations should provide offsets to PC headwinds, the larger pressures of a protracted PC environment, slow AI penetration, and continued print competition should continue to temper valuations nearer-term. Furthermore, given softened PC growth expectations, we note that higher PC revenue growth rates have historically been correlated with higher FCF generation and higher shareholder returns – and should accordingly moderate any expectations for near-term multiple expansion.

Risks

Risks to achieving our target price include:

1) hardware demand dynamics, which could impact PC and Print demand ahead, where better than expected demand could result in higher revenues than anticipated, and worse than expected demand could result in revenues falling below expectations;

2) supply chain shocks, which could limit ability to meet demand, where shortages could limit revenues from achieving expectations;

3) pricing intensity within PCs and Print, where increased promotions/discounting could limit revenues from achieving expectations;

4) component availability and pricing, where shortages could lead to limited revenues and impacted margins,

5) productivity improvements and shareholder returns could be impacted from increased organic investment and potential acquisitions; and

6) cost control efforts, where accelerated programs could lead to better than expected cost declines, while delayed programs would negatively impact expected margins.

The impact from the above mentioned risks could cause shares to exceed or fall below our target price.