Global I/O Tech Hardware

Memory inflation weighs on demand; cutting 2027 PC units

Equities

Global

Technology

Randy Abrams
Analyst
randy.abrams@ubs.com
+886-2-8722 7338

Nicolas Gaudois
Analyst
nicolas.gaudois@ubs.com
+65-6495 5148

David Vogt
Analyst
david.vogt@ubs.com
+1-212-713 4296

Kenji Yasui
Analyst
kenji.yasui@ubs.com
+81-3-5208 6211

Timothy Arcuri
Analyst
timothy.arcuri@ubs.com
+1-415-352 5676

Karl Keirstead
Analyst
karl.keirstead@ubs.com
+1-310-734 2455

Jerry Su
Analyst
jerry.su@ubs.com
+886-28-722 7306

Shingo Hirata, CFA
Analyst
shingo.hirata@ubs.com
+81-3-5208 6224

Diana Chang
Analyst
diana.chang@ubs.com
+886-2-8722 7335

Jimmy Yoon
Analyst
jimmy.yoon@ubs.com
+65-6495 4617

Brian Luke
Associate Analyst
brian.luke@ubs.com
+1-212-713 3819

Irene Chang
Associate Analyst
irene.chang@ubs.com
+886-2-8722 7280

PC demand weakening in 2H26; cutting 2027 units

PC shipment growth deteriorated from +5.5% YoY in Q126, supported by pull-ins, to -2.5% in Q226, with sequential growth of only 1% below normal seasonality. ODM feedback at UBS Taiwan Summit and recent monthly sales point to a further slowdown and additional OEM order cuts in 3Q26. Memory prices are increasingly a headwind with DRAM contract prices up 766% and NAND prices 476% since mid-2025. Due to memory costs likely to persist at high levels and CPU makers also pushing through double digit price increases through the year, we expect a soft PC unit outlook next year also alongside more modest price hikes. We maintain our 2026 forecast at 241mn units, down 11% but lower 2027 from 2% growth to a 4% decline as persistent memory inflation and double-digit CPU price increases weigh on affordability. ASP growth should partly offset the volume decline, leaving 2027 industry revenue up 2% to US$205bn versus our prior US$210bn forecast.

UBS Evidence Lab shows resilient replacement intent, but rising price sensitivity

UBS Evidence Lab completed the 14th wave of its semi-annual Global Consumer PC Survey of 1,500 PC owners in the US and China in Aug 2026 (> Access Dataset) . Compared with the Jan '26 survey, the results suggest the consumer may up their budget somewhat to maintain replacement demand. The key findings were: 1) the consumer PC replacement cycle shortened from 3.03 years to 2.86 years. 2) PC purchase budgets were flat in the US and up 3% in China. Overall, 63% of US respondents were willing to pay more for their next PC, up from 60% in the last survey which is now necessary given component cost inflation; 3) interest in gaming PCs remained relatively high and stable; 4) 69% of participants were very/somewhat interested in AI PCs. Of those, 79% expressed very/somewhat likely to upgrade their PC or buy a new PC with AI PC features, and are willing to pay a 16-18% premium.

Memory inflation is already prompting deferrals and despecing

Wave 14 of the survey also highlighted how memory inflation is increasingly affecting consumer purchase decisions. Among respondents slowing a planned PC purchase, 50% cited higher memory prices making PCs more expensive, up from 37% in our last survey and ahead of broader household budget pressure at 38% and recent upgrades at 34%. Separately, 19% of consumers not planning to buy a PC now cited elevated memory and other component costs. We also saw some de-speccing intentions, with 19% indicating they would delay their purchase until memory prices decline, while another 32% would preserve their budget by reducing memory content or other system specifications. The survey does not point to a broad demand collapse but does support a more cautious unit outlook. We trim units with the impact likely to linger in 2027 though long-term eventually driving some more pent-up replacement demand.

Prefer AI-exposed hardware and PC brands with pricing power

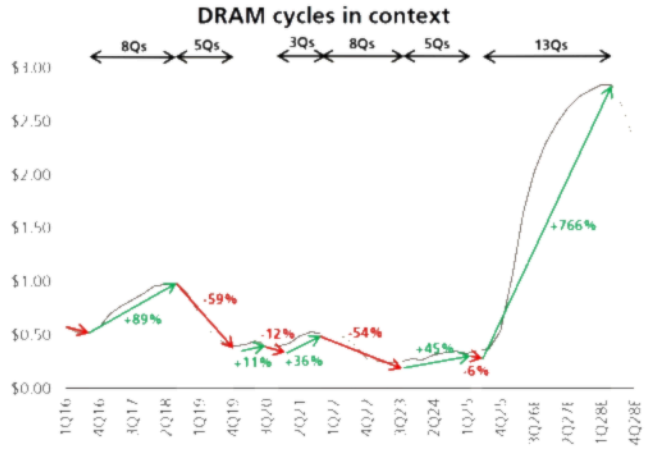
We stay with hardware and component suppliers with strong leverage to AI server ramps and areas to grow content or value. Our most favored include Arista and Cisco from our US coverage, Taiwan server ODMs (Quanta, Hon Hai, Wistron and Wiwynn), components (Delta, Unimicron, Lotes and Bizlink) and also recently upgraded Lenovo as its infrastructure business sees a sharp margin improvement on enterprise server execution and better passing on higher costs. The PC brands may do better than feared as they pass on higher memory costs,I prioritize premium mix and benefit from memory shortages limiting supply. Nevertheless, we still see a long cycle of high memory pricing into 2027 that keeps up the risk sharper demand and margin impact still to come.

This report has been prepared by UBS Securities Pte. Ltd., Taipei Branch. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 17.**

Maintaining 2026 PC shipments, trimming 2027 shipments with high component costs likely to persist

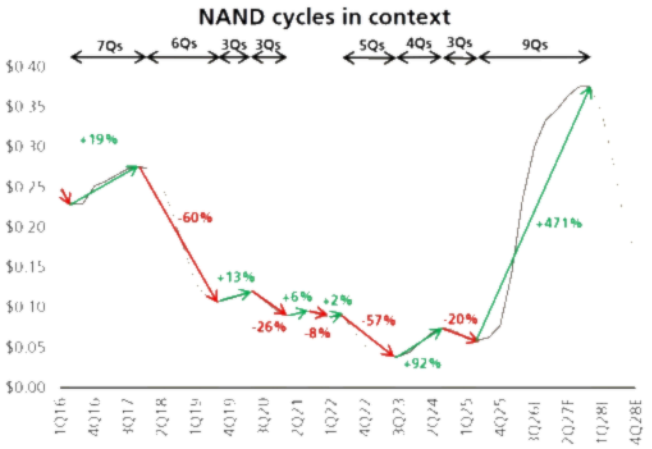
PC shipments have been deteriorating through the year as memory prices continue to escalate, decelerating from +5.5% YoY in Q126 on pull-in demand to -2.5% YoY in Q226 as sequential growth was sub-seasonal only up +1% QoQ. Memory prices are increasingly a headwind with DRAM contract prices up 766% and NAND prices 476% since mid-2025. Our ODM feedback from the Taiwan Summit and following the slow monthly sales points to further deceleration and OEM order cuts, with notebooks in Q326 now tracking to decline -17% QoQ / -26% YoY, below our original estimate for an -11% QoQ decline. For H226, we model units correcting 20% YoY to keep our full year unchanged at -11% YoY to 241mn units. The price increases and allocation of tight components are lifting ASPs by 14% YoY to support 2026 industry revenues +1.4% YoY to US$202bn.

Figure 1: DRAM contract pricing cycle strongest in decades



Source: Company data, UBS estimates

Figure 2: NAND flash contract pricing continues strong through 2027



Source: Company data, UBS estimates

Memory price inflation is likely to weigh on PC demand into 2027

UBS latest memory forecasts suggests that the tight memory supply is going to sustain longer due to the continued acceleration of compute demand. We extended our forecast of the DRAM upcycle to continue until Q228 and extended our peak for NAND flash from Q427 to Q128. In UBS September memory monthly (link), we lifted our forecast for blended DDR contact pricing to increase +22% QoQ in Q326 (was +20), with server DDR 5 contract pricing reaching US$1.84 per Gb. In Q426, we revised our forecast to +9% QoQ from a higher base (was +10%) with server DDR reaching US $2.00 per Gb. As for NAND, we maintain our forecast blended contract pricing to go up +20% QoQ in Q326, and +8% in 4Q. Factoring in these new increases and tightness continuing into 2027, UBS now estimates DRAM / NAND pricing per Gb could increase 766% / 476% from 2025-27, up from 458% / 321% in April. For 2027, we forecast DRAM / NAND pricing per Gb at US$2.25/US$0.34 respectively, up 39%/34.6% YoY, putting further pressure on PC brands bill of materials. We view the even sharper increase to memory pricing should drive a deeper cut to PC units and drive a greater increase to hyperscale capex budgets.

Due to memory costs likely to persist at high levels and CPU makers also pushing through double digit price increases through the year, we expect a soft PC unit outlook next year also alongside more modest price hikes. We lower 2027 PC units from +2% to -4% YoY to 231mn although with ASPs up 6% YoY would drive PC revenue up 2% to US$205bn, down from prior US$210 bn forecast.

Figure 3: Revising down UBS global PC units for 2026-27 from -11%/+2% to -11%/-4%

	Quarterly Trends				New Estimates			Original Estimates			% Chg. in UBS Est.		
	Q126	Q226	Q326E	Q426E	2025	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
PC units by form factor (m)													
Desktops	15.8	15.9	14.6	14.2	68.3	60.5	58.8	68.3	59.6	60.4	0.0%	1.5%	-2.6%
YoY growth	*2.8%*	*-3.0%*	*-17.8%*	*-24.5%*	*11.8%*	*-11.4%*	*-2.7%*	*11.8%*	*-12.7%*	*1.3%*			
Notebooks	42.9	42.6	39.1	38.6	182.6	163.3	157.5	182.6	165.3	168.2	0.0%	-1.2%	-6.4%
YoY growth	*8.1%*	*-1.7%*	*-21.9%*	*-21.9%*	*8.7%*	*-10.6%*	*-3.6%*	*8.7%*	*-9.5%*	*1.7%*			
Total PCs (exc. Chrome)	58.7	58.5	53.8	52.8	250.9	223.8	216.3	250.9	224.9	228.6	0.0%	-0.5%	-5.3%
QoQ growth	*-13.9%*	*-0.4%*	*-8.1%*	*-1.8%*									
YoY growth	*6.6%*	*-2.1%*	*-20.8%*	*-22.6%*	*9.5%*	*-10.8%*	*-3.3%*	*9.5%*	*-10.4%*	*1.6%*			
Chromebooks	4.9	5.8	3.7	2.9	19.9	17.2	14.7	19.9	16.7	18.1	0.0%	3.4%	-18.5%
YoY growth	*-6.7%*	*-6.4%*	*-15.8%*	*-30.0%*	*8.8%*	*-13.4%*	*-14.6%*	*8.8%*	*-16.2%*	*8.3%*			
Total PC Units	63.6	64.3	57.4	55.7	270.8	241.0	231.1	270.8	241.6	246.6	0.0%	-0.2%	-6.3%
QoQ growth	*-12.0%*	*1.0%*	*-10.7%*	*-3.1%*									
YoY growth	*5.5%*	*-2.5%*	*-20.5%*	*-23.0%*	*9.4%*	*-11.0%*	*-4.1%*	*9.4%*	*-10.8%*	*2.1%*			
Commercial PC units	42.4	42.2	37.6	36.4	177.0	158.6	153.8	177.0	159.8	162.2	0.0%	-0.7%	-5.2%
YoY growth	4.5%	-3.1%	-18.4%	-22.3%	10.3%	-10.4%	-3.0%	10.3%	-9.8%	1.6%			
Consumer PC units	21.3	22.1	19.9	19.2	93.8	82.5	77.3	93.8	81.9	84.4	0.0%	0.7%	-8.4%
YoY growth	7.3%	-1.2%	-24.1%	-24.4%	7.9%	-12.1%	-6.3%	7.9%	-12.7%	3.1%			
Blended PC ASPs	$786	$820	$862	$889	$735	$837	$888	$735	$834	$850	0.0%	0.4%	4.5%
YoY growth	*5.5%*	*12.5%*	*19.4%*	*19.3%*	*0.6%*	*13.9%*	*6.0%*	*0.6%*	*13.5%*	*1.9%*			
Total PC Revenue	$50	$53	$49	$49	$199	$202	$205	$199	$201	$210	0.0%	0.1%	-2.1%
YoY growth	*11.3%*	*9.7%*	*-5.1%*	*-8.2%*	*10.1%*	*1.4%*	*1.7%*	*10.1%*	*1.2%*	*4.0%*			

Source: Gartner, UBS estimates

By quarters, our new 2026 forecasts some pull-in of PC demand early in the year to get ahead of further price hikes followed by a slowdown in H226. We saw Q1 PC shipments of 63.0mn units, -12% QoQ/+6% YoY near the 10-year seasonality of -14% QoQ/flat YoY from both the pull-ins and new Mac launches. Following the strong Q126 shipments, each of the remaining quarters are sub-seasonal, with Q2 up 1% QoQ vs. normal +7% QoQ, Q3 down 11% QoQ vs. normal +7% QoQ and Q4 -3% QoQ vs. normal +2% QoQ.

Figure 4: PCs sub-seasonal in Q226, modelling sequential decline in Q3/Q4 vs. 2H seasonally strong after 1H pull-ins as memory inflation continues

Seasonality	Global PCs				
(mn units)	1Q	2Q	3Q	4Q	Years
2016	65.4	66.8	72.2	75.1	279.5
2017	64.8	65.0	71.1	74.5	275.4
2018	64.2	66.2	71.5	72.7	274.7
2019	61.9	68.2	73.2	75.5	278.9
2020	56.2	76.0	83.9	92.1	308.2
2021	83.5	82.4	84.4	91.3	341.7
2022	78.8	71.5	70.6	63.2	284.1
2023	55.3	59.6	63.8	63.5	242.3
2024	56.6	61.0	64.6	65.4	247.6
2025	60.3	65.9	72.2	72.3	270.8
2026E	63.6	64.3	57.4	55.7	241.0

Seasonality	Global Consumer PCs				
(mn units)	1Q	2Q	3Q	4Q	Years
2016	28.9	28.2	31.9	34.4	123.3
2017	27.7	25.8	28.6	29.1	111.1
2018	25.4	24.5	27.6	28.3	105.9
2019	21.6	22.1	26.2	28.6	98.4
2020	19.6	28.7	33.7	35.5	117.5
2021	30.1	30.7	33.4	35.9	130.2
2022	30.4	24.9	26.5	23.4	105.3
2023	18.9	20.6	24.6	24.3	88.4
2024	19.2	20.7	23.5	23.8	87.1
2025	19.8	22.4	26.2	25.4	93.8
2026E	21.3	22.1	19.9	19.2	82.5

Seasonality	Global Commercial PCs				
(mn units)	1Q	2Q	3Q	4Q	Years
2016	36.5	38.6	40.3	40.7	156.2
2017	37.1	39.2	42.6	45.5	164.3
2018	38.8	41.7	43.9	44.4	168.8
2019	40.3	46.1	47.1	47.0	180.5
2020	36.6	47.3	50.2	56.6	190.6
2021	53.4	51.7	51.0	55.4	211.6
2022	48.3	46.6	44.1	39.8	178.8
2023	36.4	39.0	39.2	39.3	153.9
2024	37.4	40.4	41.1	41.7	160.5
2025	40.5	43.6	46.0	46.9	177.0
2026E	42.4	42.2	37.6	36.4	158.6

Seasonality	Global PCs (QoQ)				YoY
(mn units)	1Q	2Q	3Q	4Q	Years
2016	-15%	2%	8%	4%	-5%
2017	-14%	0%	9%	5%	-1%
2018	-14%	3%	8%	2%	0%
2019	-15%	10%	7%	3%	2%
2020	-26%	35%	10%	10%	10%
2021	-9%	-1%	2%	8%	11%
2022	-14%	-9%	-1%	-11%	-17%
2023	-12%	8%	7%	0%	-15%
2024	-11%	8%	6%	1%	2%
2025	-8%	9%	10%	0%	9%
2026E	-12%	1%	-11%	-3%	-11%
2016-2025 avg:	-14%	7%	7%	2%	0%
2008-2025 avg:	-12%	3%	8%	2%	0%

Seasonality	Global Consumer PCs (QoQ)				YoY
(mn units)	1Q	2Q	3Q	4Q	Years
2016	-24%	-2%	13%	8%	-11%
2017	-19%	-7%	11%	2%	-10%
2018	-13%	-4%	13%	2%	-5%
2019	-24%	2%	18%	9%	-7%
2020	-31%	47%	17%	5%	19%
2021	-15%	2%	9%	7%	11%
2022	-15%	-18%	6%	-12%	-19%
2023	-19%	9%	20%	-2%	-16%
2024	-21%	8%	14%	1%	-1%
2025	-17%	13%	17%	-3%	8%
2026E	-16%	4%	-10%	-3%	-12%
2016-2025 avg:	-20%	5%	14%	2%	-3%
2008-2025 avg:	-16%	1%	12%	4%	-1%

Seasonality	Global Commercial PCs (QoQ)				YoY
(mn units)	1Q	2Q	3Q	4Q	Years
2016	-7%	6%	4%	1%	0%
2017	-9%	6%	9%	7%	5%
2018	-15%	8%	5%	1%	3%
2019	-9%	14%	2%	0%	7%
2020	-22%	29%	6%	13%	6%
2021	-6%	-3%	-1%	9%	11%
2022	-13%	-4%	-5%	-10%	-16%
2023	-8%	7%	1%	0%	-14%
2024	-5%	8%	2%	1%	4%
2025	-3%	8%	6%	2%	10%
2026E	-10%	0%	-11%	-3%	-10%
2016-2025 avg:	-10%	8%	3%	2%	2%
2008-2025 avg:	-9%	4%	5%	1%	1%

Source: Gartner, UBS estimates

UBS Evidence Lab consumer PC survey: PC replacement cycle shortened

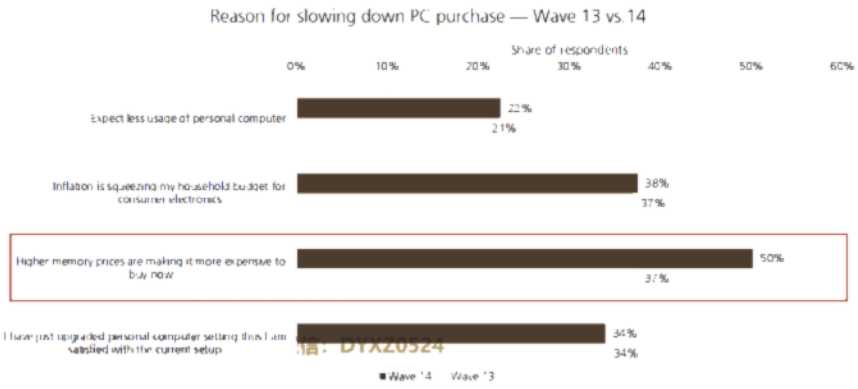
UBS Evidence Lab completed its 14th semi-annual Global Consumer PC Survey of 1,500 PC owners in the US and China in Aug 2026. The key findings suggest the replacement rate slightly pulling in and PC budgets rising with some mild enthusiasm for AI PCs. The survey would support a decent year for PC demand if not for the sharp rise in memory prices constraining supply and forcing selling prices up sharply. Key findings in the survey include:

- **High memory costs having more impact.** Among respondents delaying a purchase, 50% cited higher memory prices inflating the cost vs. 37% in our last survey. 19% of potential purchasers would delay their purchase while 32% would de-spec memory or other components to preserve their budget.
- **Improving replacement rates**. Overall PC replacement cycle shortened from 3.03 years to 2.86 years, with 2.90 years in China (vs. 3.07 years previously) and 2.81 years in the US (vs. 3.00 years in the last survey).
- **Higher intention to buy a new PC in China. 32**% of survey respondents plan to buy a new PC within the next six months. The ratio has increased from the Feb 2026 survey figure of 31%, with increases observed in the US (from 27% to 31%) and China down 1 percentage point (33%).
- **PC purchasing budgets increased**. PC Purchasing budget in China went up 3% HoH and the US flat, reversing prior declines and potentially in anticipation of paying more for a PC with the rising component costs.
- **US/China budgets rising for AI PC upgrades. US** consumers are demonstrating a growing interest in upgrading their devices, with 63% of respondents likely to spend more on their next PC vs. 60% six months ago. China consumers remain cautious following government subsidy-related purchases in H126, though willingness to pay more for new devices has stabilized at 51%
- **Apple remains the most favored brand.** Apple remains the most popular brand in the US and China with the US rising from 25% to 29% and with the China increasing from 10% to 13%. In gaming, Apple and Lenovo remained the most popular brands.
- **Gaming interest stays high. Interest in** gaming PCs remains high, to the highest level historically of 72%, from 68% in the previous survey.
- **AI PC interest keeps healthy though intensity moderating. 69**% of respondents are very/somewhat interested in AI PCs flat vs. the prior survey. Among these participants, 79% indicated they are very likely or somewhat likely to either upgrade their current PC or purchase a new one equipped with AI features, and they are willing to pay a premium of 16-18 up from 15-16% in the prior survey.

High memory costs are having some impact on replacement demand

Wave 14 of the survey highlighted how memory inflation is increasingly affecting consumer purchase decisions. Among respondents slowing a planned PC purchase, 50% cited higher memory prices making PCs more expensive, up from 37% in our last survey and ahead of broader household budget pressure at 38% and recent upgrades at 34%. Separately, 19% of consumers not planning to buy a PC now cited elevated memory and other component costs. The survey suggests the issues are becoming more visible at the consumer level rather than solely a supply-chain or PC brand concern.

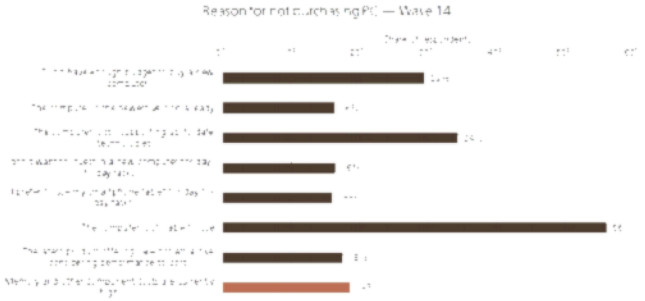
Figure 5: 50% of consumers slowing PC purchases due to memory cost, up from 37% in January



Source: UBS Evidence Lab (> Access Dataset)

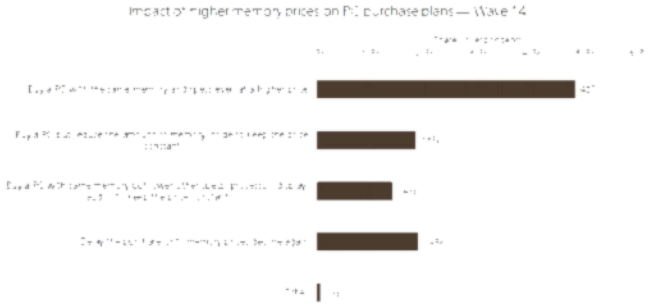
The survey does not point to a broad demand collapse but does support a more cautious unit outlook. 48% of respondents said they would still purchase the same memory and specifications despite the higher price. However, 19% would delay their purchase until memory prices decline, while another 32% would preserve their budget by reducing memory content or other system specifications. We therefore expect the near-term impact to be a combination of modest purchase deferrals and de-specing of memory and other important BOM cost components including the CPU and display. We trim units with the impact likely to linger in 2027 though long-term eventually driving some more pent-up replacement demand.

Figure 6: High memory cost a reason for not purchasing now for 19% of consumers



Source: UBS Evidence Lab (> Access Dataset)

Figure 7: De-specing: 48% would maintain specs, 18% would lower memory content and 14% other specs, while 19% may delay their purchase

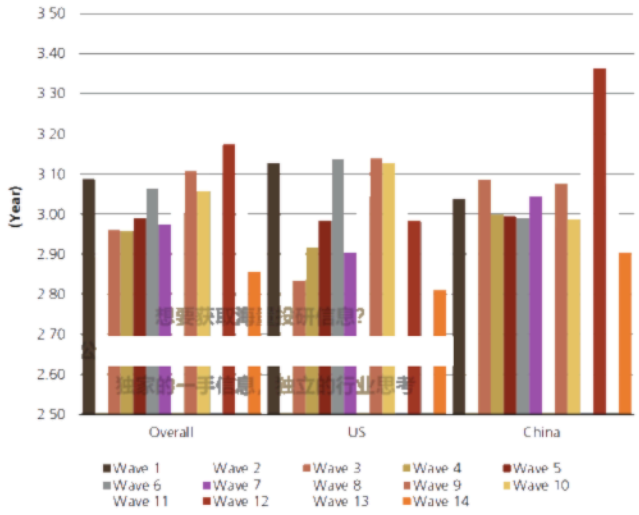


Source: UBS Evidence Lab (> Access Dataset)

PC replacement cycle shortens both the US and China

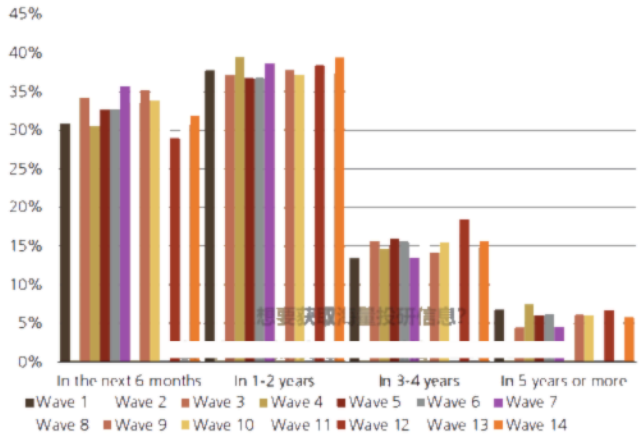
The average replacement cycle for PCs has decreased from 3.03 to 2.86 years, we are seeing both China and the US has showed a shorter replacement cycle, decreasing from 3.07/3.00 years to 2.90/2.81 years respectively. That said, data shows that the group of people that is likely to replace the PC every 5 years or more decrease significantly to lower the average replacement cycle. The proportion of users demonstrating a longer replacement cycle has decreased from 7.2% to 5.8% (% of users that wishes to replace their PC after more than 4 years). Most survey respondents are planning to buy a new PC in 1-2 years (39% vs. 37% half year ago) while more people would like to buy a new PC within next 6 month (up from 31% to 32%), with the US increase 4%, and China slightly lower from 34% to 33%.

Figure 8: PC replacement cycle – how often do you usually buy a new computer?



Source: UBS Evidence Lab (> Access Dataset)

Figure 9: PC replacement cycle – when do you think you will buy a new computer?

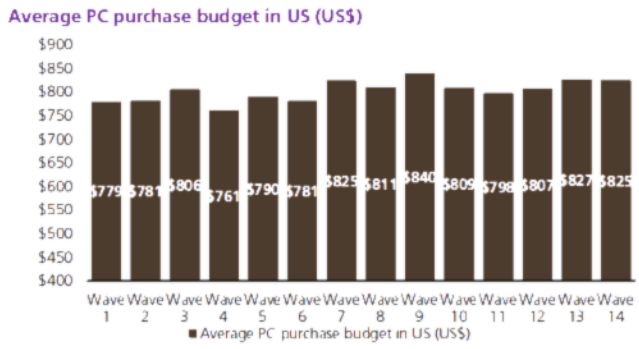


Source: UBS Evidence Lab (> Access Dataset)

PC purchase budgets increased in China while flat in the US

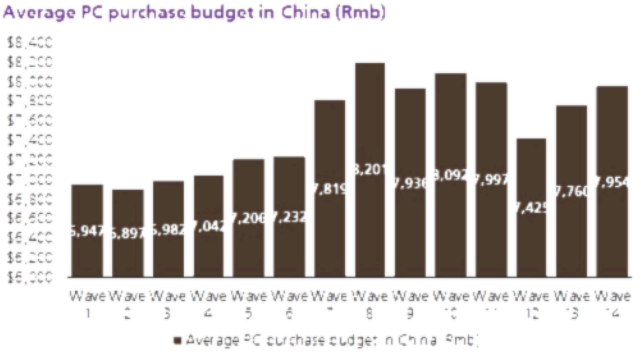
PC purchase budgets in China grew 3% since the last survey. The budget further recovered from Rmb$7,760 to Rmb$7,954, improving from the lowest level since the post-COVID correction in 2023. In the US, the budget stay flat at US$825 vs. US$827 and returning to the 2023-24 highs. The higher budgets are important due to inflation in the bill of materials and may be in response to consumers rising awareness of inflating prices.

Figure 10: Average PC purchasing budget (US)



Source: UBS Evidence Lab (> Access Dataset) . Note: Wave 4-5 calculations recalibrated to make them consistent with Waves 1-7

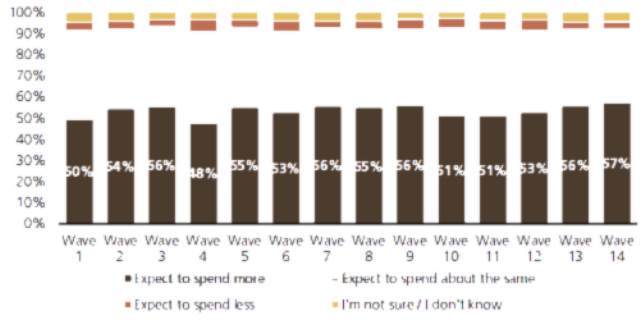
Figure 11: Average PC purchasing budget (China)



Source: UBS Evidence Lab (> Access Dataset) . Note: Wave 4-5 calculations recalibrated to make them consistent with Waves 1-7

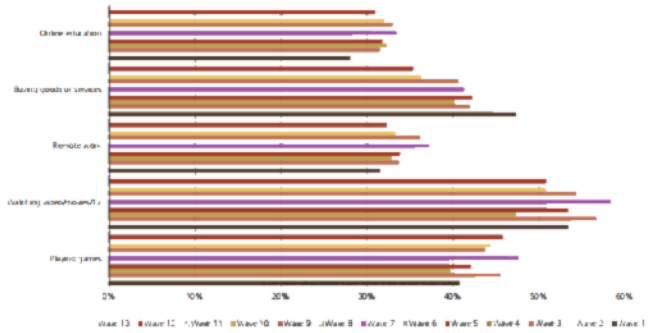
The results point to a more normalized consumer PC market, with an overall shorter replacement cycle and increasingly divergent purchasing preferences between US and Chinese consumers. US consumers are demonstrating growing interest in upgrading their devices, including next-generation AI PCs, with 63% of respondents indicating they are likely to spend more on their next PC, up from 54% a year ago. This suggests US consumers are becoming more willing to absorb higher PC prices, reflecting both component-driven price increases and interest in new features. In contrast, while consumer interest in China has also edged higher, near-term willingness to pay more remains subdued, with only 51% of respondents indicating they would spend more on their next PC versus 52% previously. Additionally, the UBS Evidence Lab survey highlights evolving PC use cases, with the proportion of respondents using AI applications increasing from 22% a year ago to 28%, following a similar growth trend in both the US and China.

Figure 12: Spending willingness – next time you buy a new PC, do you expect to spend more or less than you did for your current PC?



Source: UBS Evidence Lab (> Access Dataset)

Figure 13: PC usage behaviour – which of the following activities do you most often do with your laptop/desktop?

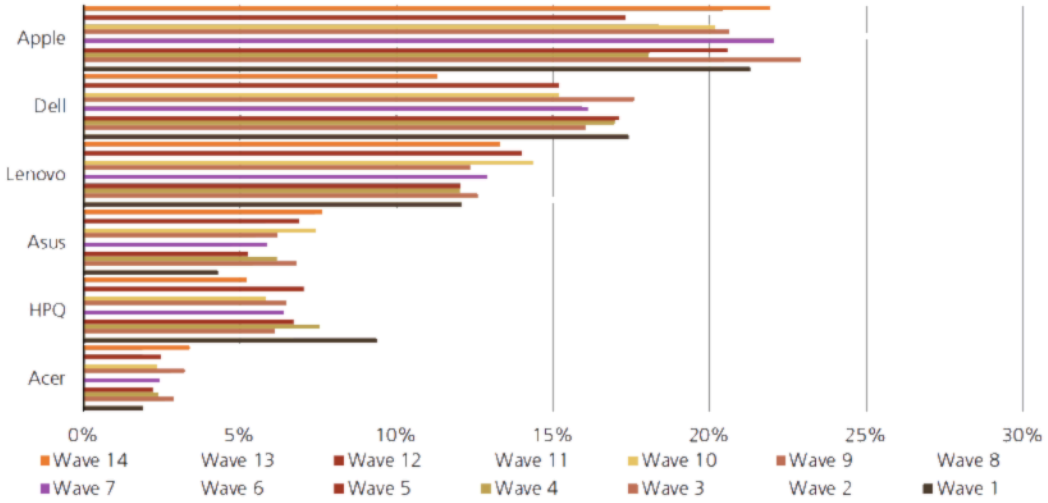


Source: UBS Evidence Lab (> Access Dataset)

Brand recognition: Apple gaining traction as the most popular brand

Bases on the Aug 2026 survey results, Apple remains the most popular brand in the US and China with 22% of total respondents likely to buy a Mac, up from 20% in the last survey. Interest in smaller PC brands increased in the US with 6% (vs. 3%) of interest in Acer, 5% (vs. 4%) in Asus and 14% (vs. 9%) in Samsung, while interest the top three PC brands Dell, HP and Lenovo declined from 32% to 27% showing the consumer is looking for more alternative brand to find the best PC within the budget. Different preference was shown in China with two of the most prferred brand Lenove (20%) and Apple (16%) gaining share of 1%/3%, while the rest remained quite stable.

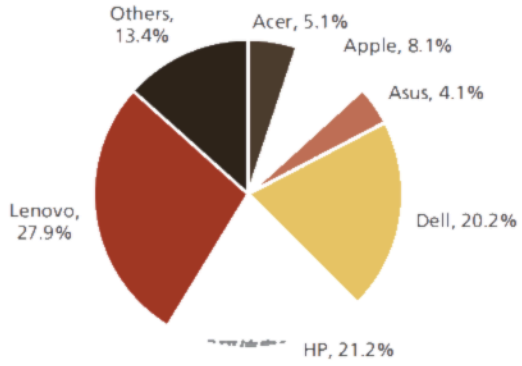
Figure 14: PC brands most likely to buy



Source: UBS Evidence Lab (> Access Dataset)

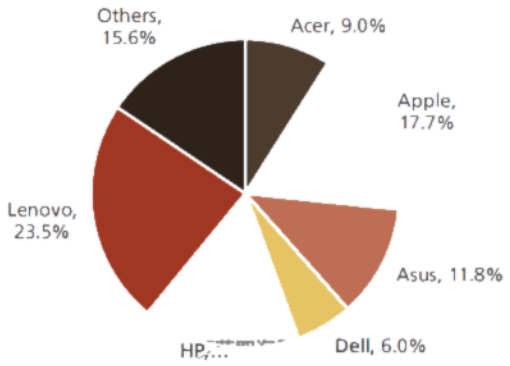
Apple's popularity in our survey skewed more to its higher share among consumers where its market share is 18% versus more modest 8% commercial share. The top vendor for share remained Lenovo across consumer at 24% and commercial at 28%. Dell also maintained solid presence with its shares on commercial/consumer stable at 20%/6% while HP loss share in both market decrease 140bps and 200bps to 21.2% and 16.5% within commercial and consumer. Asus has maintained about 4% share in H126 with consumer share drop to 11% in Q226 from its stable 13%.

Figure 15: Q226 Commercial PC shares by vendor



Source: Gartner

Figure 16: Q226 Consumer PC shares by vendor



Source: Gartner

In H126, Apple continues to far outpace the other brands, growing high teens YoY vs. a low single digit growth for overall PC units with successful refresh of its Mac line-up and sales of its lower cost Mac Neo. Apple was the only brand to grow YoY in Q226 and outpaced peers with 230bp YoY share gains to 11.3%. Asus was the only other vendor to gain share on a YoY basis with its focus on premium gaming and gains from a low base in commercial to lift its share 10bp YoY / 30bp QoQ to 6.9%. Lenovo still remains the unit share leader at 26.5%, only down 40bp QoQ and 40bp YoY. Over a 5 year period, Lenovo, Asus and Apple have outpaced the industry's -3% CAGR. Apple which was most popular brand in the survey grew +7% YoY in 2025.

Figure 17: Apple gaining share from the Windows PC brands in 2026

PC Shipments by vendor (m)							Yearly Trends						CAGR
	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	2020	2021	2022	2023	2024	2025	20-25
Acer	**3.9**	**4.6**	**4.4**	**4.2**	**4.0**	**4.2**	**22.5**	**24.3**	**18.7**	**15.9**	**16.9**	**17.0**	**-5.5%**
QoQ growth	-7%	19%	-5%	-4%	-4%	6%							
YoY growth	2%	-4%	5%	1%	4%	8%	52%	8%	-23%	-15%	7%	0%	
Apple	**5.9**	**5.9**	**6.3**	**6.3**	**6.9**	**7.1**	**22.0**	**26.9**	**26.8**	**21.5**	**22.5**	**24.4**	**2.1%**
QoQ growth	-6%	0%	6%	0%	10%	3%							
YoY growth	7%	18%	12%	3%	17%	20%	20%	22%	0%	-20%	5%	9%	
Asus	**3.8**	**4.5**	**5.4**	**4.9**	**4.2**	**4.4**	**17.9**	**21.6**	**20.7**	**17.2**	**17.4**	**18.5**	**0.7%**
QoQ growth	-19%	18%	20%	-10%	-13%	4%							
YoY growth	12%	3%	5%	3%	11%	-2%	24%	21%	-5%	-17%	1%	7%	
Dell	**9.6**	**9.8**	**10.2**	**11.8**	**10.3**	**9.3**	**50.7**	**59.6**	**50.0**	**40.2**	**39.4**	**41.4**	**-4.0%**
QoQ growth	-4%	2%	3%	16%	-12%	-10%							
YoY growth	2%	-3%	3%	18%	8%	-5%	15%	17%	-16%	-20%	-2%	5%	
HP	**12.8**	**14.3**	**15.0**	**15.4**	**12.1**	**13.0**	**68.2**	**74.2**	**55.4**	**52.9**	**53.0**	**57.5**	**-3.4%**
QoQ growth	-7%	12%	5%	3%	-21%	7%							
YoY growth	6%	-2%	11%	12%	-5%	-9%	18%	9%	-25%	-4%	0%	8%	
Lenovo	**15.2**	**17.6**	**21.1**	**20.1**	**17.1**	**16.7**	**75.1**	**83.4**	**69.0**	**59.8**	**62.5**	**74.0**	**-0.3%**
QoQ growth	-11%	16%	19%	-5%	-15%	-2%							
YoY growth	9%	18%	27%	18%	13%	-5%	19%	11%	-17%	-13%	5%	18%	
Others	**9.2**	**9.2**	**10.0**	**9.7**	**9.0**	**8.4**	**51.8**	**51.7**	**43.6**	**34.8**	**35.2**	**38.0**	**-6.0%**
Total PC units	**60.3**	**65.9**	**72.2**	**72.3**	**63.8**	**63.2**	**308.2**	**341.7**	**284.2**	**242.3**	**247.0**	**270.8**	**-2.6%**
QoQ growth	**-8%**	**9%**	**10%**	**0%**	**-12%**	**-1%**							
YoY growth	**7%**	**9%**	**12%**	**11%**	**6%**	**-4%**	**18%**	**11%**	**-17%**	**-15%**	**2%**	**10%**	

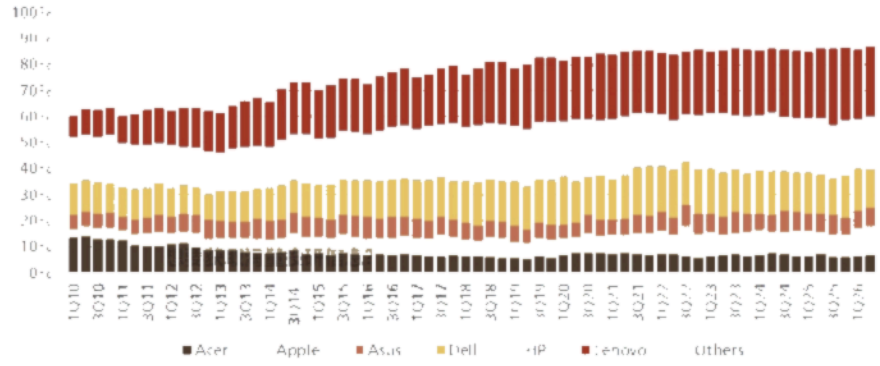
PC market share by vendor	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	2020	2021	2022	2023	2024	2025	Current (Q226)
Acer	6.4%	7.0%	6.0%	5.8%	6.3%	6.7%	7.3%	7.1%	6.6%	6.6%	6.9%	6.3%	6.7%
Apple	9.8%	9.0%	8.7%	8.7%	10.9%	11.3%	7.1%	7.9%	9.4%	8.9%	9.1%	9.0%	11.3%
Asus	6.3%	6.8%	7.4%	6.7%	6.6%	6.9%	5.8%	6.3%	7.3%	7.1%	7.0%	6.8%	6.9%
Dell	15.9%	14.9%	14.1%	16.3%	16.2%	14.8%	16.5%	17.4%	17.6%	16.6%	16.0%	15.3%	14.8%
HP	21.2%	21.7%	20.8%	21.3%	19.0%	20.6%	22.1%	21.7%	19.5%	21.8%	21.5%	21.2%	20.6%
Lenovo	25.2%	26.7%	29.2%	27.8%	26.9%	26.5%	24.4%	24.4%	24.3%	24.7%	25.3%	27.3%	26.5%
Others	15.2%	13.9%	13.8%	13.4%	14.2%	13.3%	16.8%	15.1%	15.3%	14.4%	14.3%	14.0%	13.3%
Total PC units	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Gartner

Over a longer period of time, the industry is showing a clear trend toward consolidation with the other PC brands falling from 38% to 13% as the leading brands have consolidated share. Through this period, Lenovo is the biggest gainer, doubling from 12% to 24% last decade and taking on an incremental 3 points of market share since 2020 to reach 27% share. For the other top vendors, HP and Dell each gained 5 points of share last decade but are broadly stable at 21-22% and 15-17% since 2020. For the

Taiwan brands, Asus increased gradually over 15 years from 5% to 7% while Acer declined from 11% to 6% from 2011-2019 but has since kept stable around 6-7%.

Figure 18: Top vendors have been consolidating market share

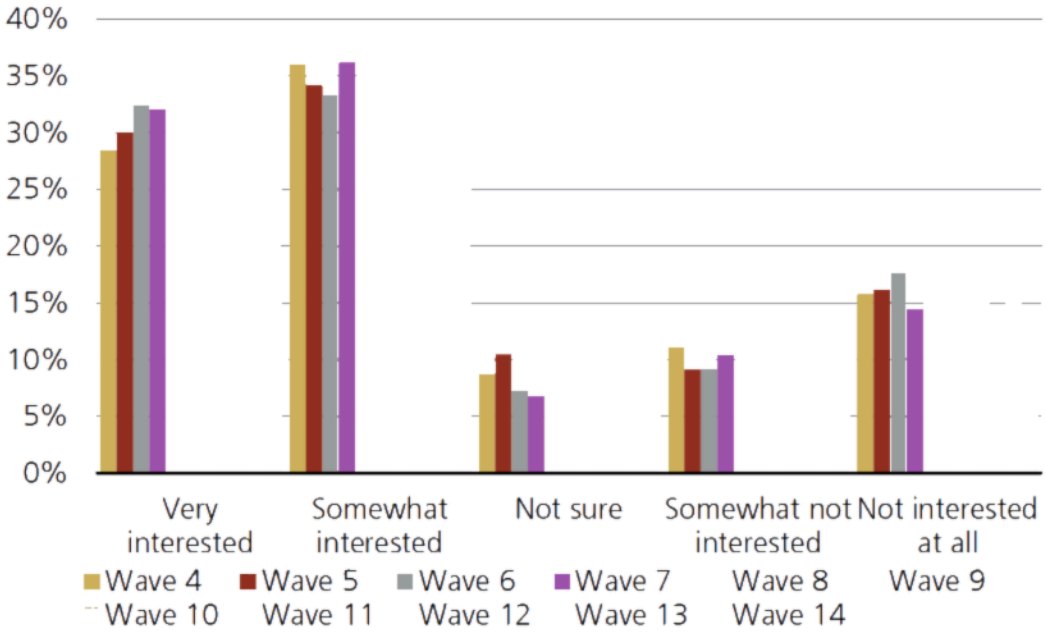


Source: Gartner

Interest in gaming PCs remains intact at record-high levels

Gaming continues to show resilient and elevated interest. 72% of PC owners (up from 68% in the last survey) are very/somewhat interested in gaming PCs (35%/36% of respondents are very interested/somewhat interested vs. 32%/36% in the previous survey). By country, 71% of the respondents in the US are very/somewhat interested in gaming PCs, demonstrating a huge leap from 59% in last survey, while China continues to lead, with interest slight decrease from a cycle-high 77% to 73%.

Figure 19: Are you interested in gaming PCs?



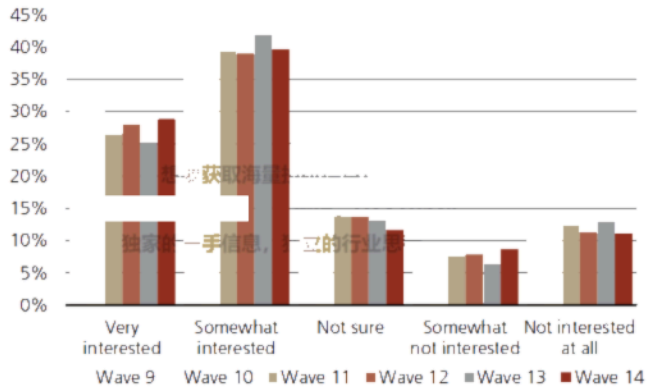
Source: UBS Evidence Lab (> Access Dataset)

AI PC Interest Picks Up on Growing Agentic AI Use Cases

The survey results indicates continued consumer interest for AI PCs in both the US and China, recovered back from the last survey 67%to 69% very or somewhat interest in AI PCs. Of those that are very/somewhat interested, 79% said they are very likely/ somewhat likely to buy or upgrade a PC with AI PC features (highest point since the first survey). The group that express "very likely to upgrade PC with AI features" has increased from 24% to 27%. We believe this reflects growing awareness of on-device AI

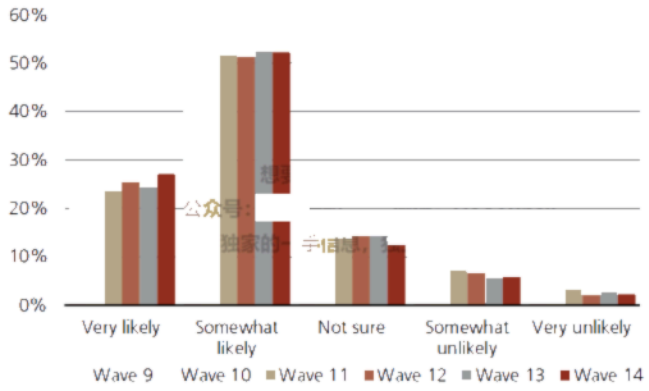
agents and evolving AI use cases, while much of the value today continues to be driven by cloud-based AI services. Recent advances in agentic AI, including developments popularized by OpenClaw, may also be helping to improve consumer perceptions of the AI PC opportunity.

Figure 20: Are you interested in AI PCs?



Source: UBS Evidence Lab (> Access Dataset)

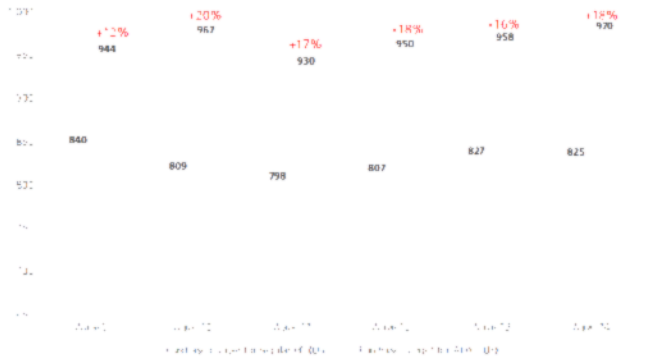
Figure 21: Would you consider upgrading your PC or buying a new PC for AI PC features?



Source: UBS Evidence Lab (> Access Dataset)

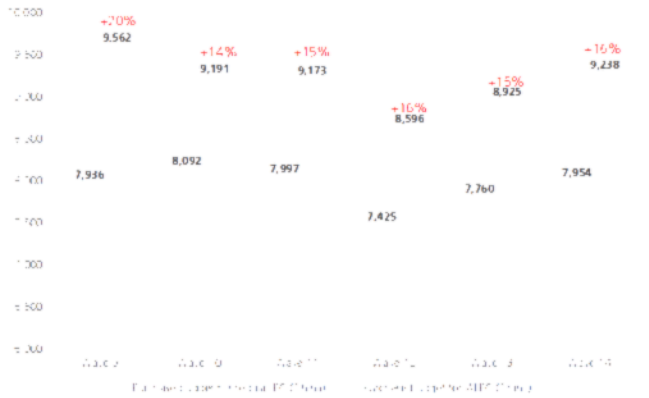
By country, 80% of respondents in the US are very likely/somewhat likely to upgrade their PC or buy a new PC with AI PC features, with China at 79%. The AI PC purchasing budget in the US is 18% higher than that for a regular PC (vs. 16% in the last survey) and 16% higher in China (up from 15%).

Figure 22: Average AI PC purchasing budget (US)



Source. UBS Evidence Lab (> Access Dataset)

Figure 23: Average AI PC purchasing budget (China)



Source: UBS Evidence Lab (> Access Dataset)

Notebook ODMs noted further slowdown at UBS Taiwan Summit

Notebook ODMs are slowing after pull-ins early in the year. Units decelerated from Q126 still only -1% YoY at 29.2mn to a -8% YoY decline to 30.4mn in Q226. Shipments are tracking weak through Q326, leading us to cut our Q326 shipments from 26.9mn to 25.1mn, now down 17% QoQ / -26% Yoy following the August monthly sales. ODMs including Compal, Inventec and Quanta all noted softer shipments in H226 due to the steep memory inflation with demand tracking even weaker through Q3. For the full year, we lowered annual shipments from 112.7mn to 109.7mn, now down 15% YoY.

Figure 24: Taiwan notebook ODMs subseasonal in H226; UBS now estimates Q3/Q4 shipments -17%/flat QoQ and -15% YoY in 2026E

	Q126	Q226	Q326							Q426E	Annual Shipments				
('000 Units)	Q126A	Q226A	Jul (A)	Aug (A)	Aug (E) Prior	Sep (E)	Q326E	Q326E Prior	Q3 Comment	Q426E	2024	2025	2026E	2026E Prior	2026 comment
Quanta	10,000	11,500	2,800	2,600	3,300	3,600	9,000	9,500	>20% decline	8,500	45,900	46,500	39,000	40,100	DD decline
Compal	5,900	6,200	1,800	1,400	2,000	2,000	5,200	6,150	Flat QoQ	5,700	32,300	28,000	23,000	24,450	Down 10-15%
Pegatron	1,800	1,750	400	425	650	600	1,425	1,700	SD decline	1,750	8,055	9,070	6,725	7,050	No guidance
Inventec	5,400	5,400	1,600	1,500	1,600	1,700	4,800	4,900	Down HSD	4,400	20,000	21,300	20,000	19,900	HSD decline
Wistron	6,100	5,500	1,600	1,400	1,650	1,650	4,650	4,650	DD Decline	4,750	20,200	24,100	21,000	21,150	2H down 10~15%
Total	29,200	30,350	8,200	7,325	9,200	9,550	25,075	26,900		25,100	126,455	128,970	109,725	112,650	
Global NBs	47,818	48,452					42,809	45,523		41,473	186,349	202,511	180,551	182,013	
% of NBs	61%	63%					59%	59%		61%	68%	64%	61%	62%	
Global PCs	63,645	64,305					57,435	59,617		55,662	247,459	270,823	241,047	241,624	
% of PCs	46%	47%					44%	45%		45%	51%	48%	46%	47%	

QoQ/MoM	Q126A	Q226A	Jul (A)	Aug (A)	Aug (E) Prior	Sep (E)	Q326E	Q326E Prior	Q3 Comment	Q426E	2024	2025	2026E	2026E Prior	2026 comment
Quanta	-8%	15%	-38%	-7%	18%	38%	-22%	-17%	>20% decline	-6%					
Compal	-13%	5%	-25%	-22%	11%	43%	-16%	-1%	Flat QoQ	10%					
Pegatron	-25%	-3%	-38%	6%	63%	41%	-19%	-3%	SD decline	23%					
Inventec	2%	0%	-33%	-6%	0%	13%	-11%	-9%	Down HSD	-8%					
Wistron	-12%	-10%	-20%	-13%	3%	18%	-15%	-15%	DD Decline	2%					
Total	-10%	4%	-31%	-11%	12%	30%	-17%	-11%		0%					

YoY	Q126A	Q226A	Jul (A)	Aug (A)	Aug (E) Prior	Sep (E)	Q326E	Q326E Prior	Q3 Comment	Q426E	2024	2025	2026E	2026E Prior	2026 comment
Quanta	-7%	-5%	-30%	-37%	-20%	-22%	-29%	-25%		-22%	-2.1%	1.3%	-16%	-14%	DD decline
Compal	-16%	-13%	-22%	-39%	-13%	-20%	-27%	-13%		-16%	-4.7%	-13.3%	-18%	-13%	Down 10-15%
Pegatron	-5%	-26%	-47%	-48%	-21%	-27%	-41%	-29%		-27%	1.6%	12.6%	-26%	-22%	No guidance
Inventec	8%	-4%	-6%	-17%	-11%	-11%	-11%	-9%		-17%	7.0%	6.5%	-6%	-7%	HSD decline
Wistron	24%	-7%	-20%	-36%	-25%	-25%	-27%	-27%		-31%	6.3%	19.3%	-13%	-12%	2H down 10~15%
Total	-1%	-8%	-24%	-35%	-18%	-21%	-26%	-21%		-22%	0%	2%	-15%	-13%	

Source. Company data, UBS estimate

PC brands remain resilient despite memory inflation

The memory price hike cycle has seen resilient sales and margins YTD for the Asian PC brands Asus and Lenovo. The companies have raised prices, prioritized premium mix products, sold through lower cost inventory acquired earlier in the memory upcycle and benefited from some early buying as customers and channels pull forward purchases. Lenovo at UBS Taiwan Summit noted shipments would decline at a sharper teens YoY pace in CYH226 though revenue still up YoY. The company expects only very modest OpM pressure still toward 6.8-7.0% as it also secures some memory from China sources.

We show the impact on memory costs on a reference OEM Windows 11 business laptop with 15.6" FHD touch screen, 8 core AMD Ryzen processor, 32GB of DDR5 DRAM and 1TB Storage. A retail factory price at US$506 in Q325 would need to absorb memory costs rising from US$160 (25% of the BOM) to US$770 (62% of the BOM) in Q326, up from a rise to US$283 (38% of the BOM) based on our Pre-CNY pricing assumption in early February. To maintain similar specs, retail and channel margins the retail price would need to lift 95% YoY from US$640 to US$1,250, up from a 34% hike based on our pre-CNY pricing assumption. The comparable retail price is now showing at US$852 for the option with 1TB SSD and 32GB of DRAM. For the ODM, the US$10 value add on the notebook assembly with the higher component could dampen OpM from 2.0% to 0.9% but would not impact their operating profit dollars or EPS. We do expect downgrade of memory specs to avoid such a severe price hike particularly in the mainstream category where consumers may have a fixed budget and pricing window they're looking to pay to upgrade.

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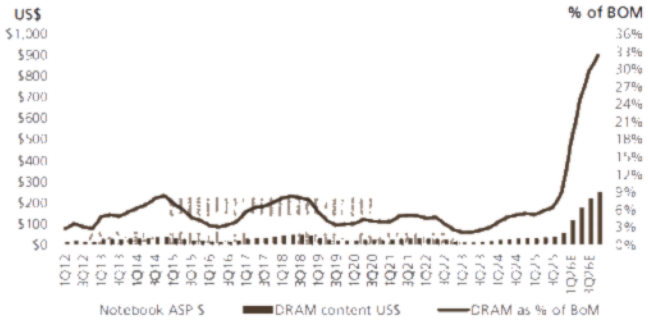
Figure 25: Memory cost now 62% of PC BOM in Q326, rising 380% YoY and slimming ODM margins

		Memory prices in Q325		Memory prices in Q326		
Subsystem	Component	Total (US$)	% of Cost	Total (US$)	% of Cost	Inflation (%)
Memory (DRAM)	32GB DDR 5	$96	15%	$470	38%	388%
Storage (NAND)	1TB SSD	$64	10%	$300	24%	369%
Memory Cost		$160	25%	$770	62%	380%
Compute	AMD Ryzen 4.5GHz 7700X	$150	23%	$150	12%	0%
Display	15.6" FHD + Touch screen	$43	7%	$43	3%	0%
Motherboard		$30	5%	$30	2%	0%
Battery	65W 3 cell Lithium-Ion	$25	4%	$25	2%	0%
Metal Casing		$20	3%	$20	2%	0%
Keyboard		$10	2%	$10	1%	0%
AC Adapter	65 Watt	$10	2%	$10	1%	0%
Cooling components		$10	2%	$10	1%	0%
Power Management ICs		$5	1%	$5	0%	0%
Passives (Resistors, Capacitors)	Resistors, Capacitors	$5	1%	$5	0%	0%
Connectors	USB4.0, Thunderbolt	$5	1%	$5	0%	0%
Connectivity	Wifi 6 / Bluetooth 5 / USB 3.2	$5	1%	$5	0%	0%
Webcam module		$5	1%	$5	0%	0%
Touchpad		$5	1%	$5	0%	0%
Speakers		$5	1%	$5	0%	0%
Hinge and Brackets		$5	1%	$5	0%	0%
Ethernet controller and port		$4	1%	$4	0%	0%
Audio Codec		$2	0%	$2	0%	0%
Sensors (Ambient Light)		$2	0%	$2	0%	0%
Component Cost		$506	79%	$1,116	89%	120%
ODM margin	2%	$10	2%	$10	1%	0%
Brand margin	8%	$41	6%	$41	3%	0%
Retail margin	15%	$82	13%	$82	7%	0%
Total Factory Price (US$)		$640	100%	$1,250	100%	95%
ODM GM%		2.0%		0.9%		

Source: Company data, UBS estimates

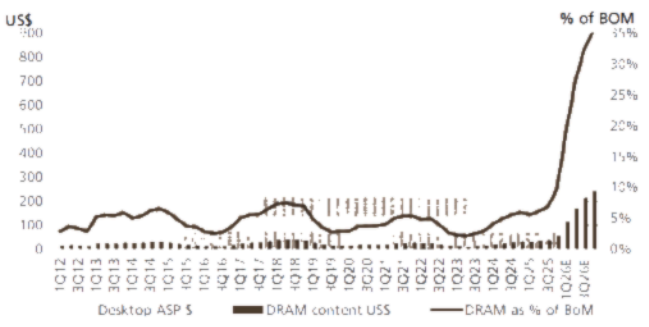
We also assess a time series on memory costs using average DDR pricing and content on the overall PC notebook and desktop market. Our pricing assumptions shows DRAM now approaching 30% of a desktop and notebook bill of materials in 2026, up from the historical 4-8% range with NAND also up by near similar levels. We continue to see brands lifting premium priced PCs while cutting volumes to the lower-mainstream price sensitive categories and with future models likely de-speccing memory content and other hardware specs (processor, connectivity, display resolution) to reach target retail selling price brands. Both impacts of a higher priced premium PC and a de-specced mainstream PC should impact demand coming off a year in 2025 when replacements picked up for the ending of support for Windows 10.

Figure 26: DRAM rising to >30% of a notebook BOM, well above the historical 4-8% range



Source. Company data, UBS estimates

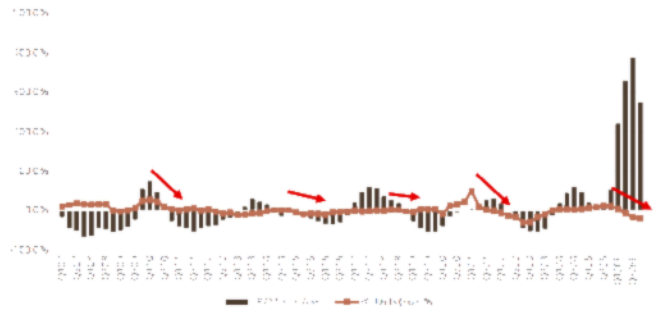
Figure 27: DRAM also reaching to 35% of a desktop BOM by Q426E



Source: Company data, UBS estimates

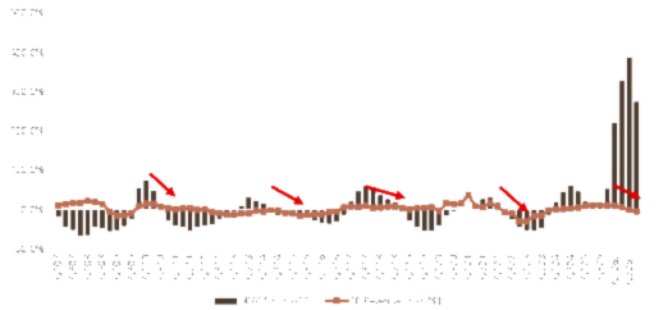
We analyzed the impact of memory pricing on PC units and revenue in past decades, and historically, there have been corrections in demand following memory price surges. Cycles over the past two decades often concurrently moved first with strong demand periods seeing tightening supply and rising prices, followed by demand corrections that cooled off memory pricing.

Figure 28: PC demand has often weakened following major DRAM upcycles



Source: Company data, UBS estimates

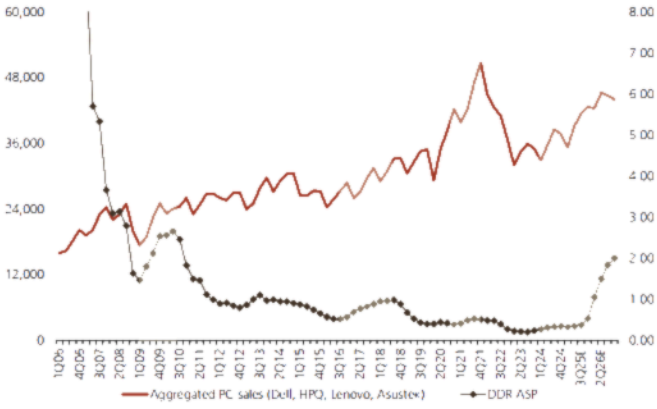
Figure 29: PC revenue dips after DRAM price hikes



Source: Company data, UBS estimates

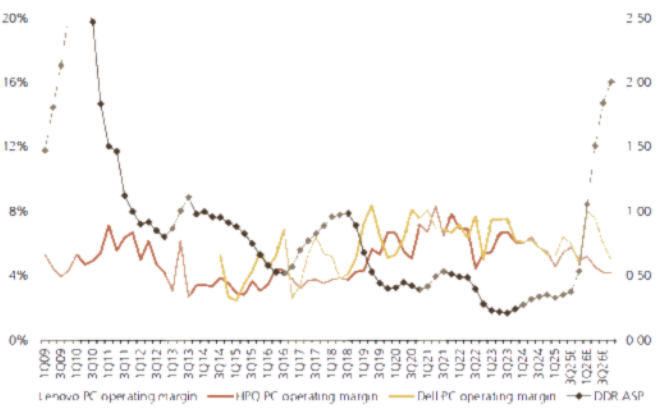
We also looked at the direct impact on branded companies' (Dell, HPQ, Lenovo and Asustek) sales and margins. During price increase periods in 2009, 2013, 2017-18 and 2021-22, there was also revenue expansion but more mixed margin performance. Margins were often volatile during these periods, with some quarters of correction due to a commodity price impact. While brands can attempt to pass on the cost, some list pricing with fixed density can pressure margins until new products or bills of materials are adjusted. Normally, a downturn hangover occurs when the impact on demand affects margins further.

Figure 30: PC branded sales generally increased when DRAM pricing was rising



Source: Company data, UBS estimates

Figure 31: PC brand margin performance more mixed when DRAM pricing was rising

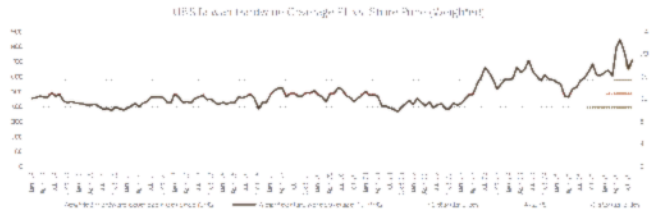


Source: Company data, UBS estimates

Stock positioning within UBS hardware coverage

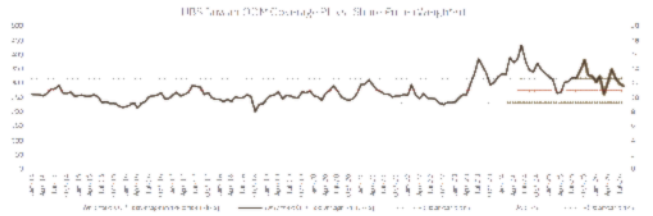
Our UBS hardware coverage now trades at blended 18x forward earnings, at the high end of its 10-18x range, although has a wide dispersion by sub-sector with components re-rating relative to the brands and ODMs. The ODMs have lagged semis and components and now trade at 13x FTM earnings, well within their historical 9-15x range and well shy of their 17x peak in mid-2024.

Figure 32: UBS Taiwan hardware P/E trading above the high-end of its historical range



Source: LSEG Workspace. Note: Incl. Hon Hai, Quanta, Wistron, Wiwynn, Inventec, Compal, Pegatron, Asustek, Gigabyte, MSI, KingSlide, Delta, Lotes, AVC, Auras, Jentech, BizLink, Genius, Largan, Kinsus, NYPCB, Unimicron, AUO & Innolux.

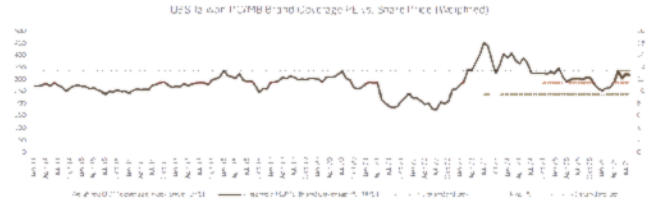
Figure 33: UBS Taiwan ODM P/Es in-line with average



Source: LSEG Workspace. Note: Includes Hon Hai, Quanta, Wistron, Wiwynn, Inventec, Compal and Pegatron.

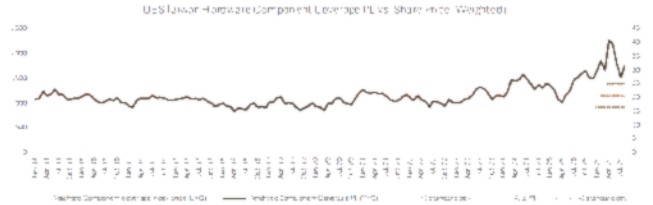
Branded companies and components have diverged in their multiples. Brands have de-rated to 10x forward PE, low-end of their 10-14x levels for most of the past decade as the market likely anticipates cuts to earnings from lower units and margin pressure not fully passing on the high memory costs. On the flip side, components have re-rated sharply to 33x PE vs. a historical 15-25x range without this cost headwind as this group is also seeing the stronger spec upgrades and passing on component costs amid tightened supply.

Figure 34: Taiwan PC/MB brands trading above its historical average with better than expected earnings strength in 1H26



Source: LSEG Workspace. Note: Includes Asustek, Gigabyte and MSI.

Figure 35: Taiwan hardware components trading at peaks valuation on anticipation of further upgrades



Source: LSEG Workspace. King Slide, Delta, Lotes, AVC, Auras, Jentech & Bizlink.

We stay with suppliers with strong leverage to AI server ramps and areas to grow content or value. Our most favored include Arista and Cisco from our US coverage, Taiwan server ODMs (Quanta, Hon Hai, Wistron and Wiwynn), components (Delta, Unimicron, Lotes and Bizlink) and also recently upgraded Lenovo as its infrastructure business sees a sharp margin improvement improving enterprise server execution and better passing on higher costs. The PC brands may stay more resilient near term through pricing and premium mix, but prolonged memory inflation leaves greater demand and margin risk for 2027. NB display components might see a bit more YoY contraction in 2H26 and 2027 due to 1H26 over shipment and higher inventory in the channel.

Figure 36: Most-preferred hardware and component stocks

Company	Ticker	Rating	Price	PT	'26E P/E	'27E P/E	'26E P/BV	'27E P/BV
Most preferred								
Hon Hai Precision	2317.TW	Buy	TWD250	TWD340	13.5	10.7	1.86	1.66
Quanta	2382.TW	Buy	TWD344.5	TWD450	12.9	10.0	5.59	4.30
Wiwynn	6669.TW	Buy	TWD2150	TWD2470	17.7	12.2	10.01	6.78
Wistron	3231.TW	Buy	TWD186.5	TWD230	10.7	7.2	2.62	1.76
Delta Electronics	2308.TW	Buy	TWD1875	TWD2750	45.3	27.8	13.38	9.73
Unimicron	3037.TW	Buy	TWD1020	TWD1300	42.8	26.1	11.54	8.67
Lotes	3533.TW	Buy	TWD1590	TWD2650	19.1	13.6	3.97	3.35
BizLink	3665.TW	Buy	TWD2300	TWD3617	34.8	19.1	7.92	6.19
Arista Networks	ANET.N	Buy	USD199.39	USD259	48.9	39.1	14.24	10.48
Cisco	CSCO.O	Buy	USD109.51	USD138	19.7	21.5	6.69	7.36

Source: UBS estimates. Note: Data as of 21 September 2026.

***UBS Evidence Lab** is a sell-side team of experts that work across numerous specialized labs creating insight-ready datasets. The experts turn data into evidence by applying a combination of tools and techniques to harvest, cleanse, and connect billions of data items each month. Since 2014, UBS Research analysts have utilized the expertise of UBS Evidence Lab for insight -ready datasets on companies , sectors , and themes , resulting in the production of thousands of differentiated UBS Research reports. UBS Evidence Lab does not provide investment recommendations or advice but provides insight-ready datasets for further analysis by UBS Research and by clients. All published UBS Evidence Lab content is available via UBS Neo. The amount and type of content available may vary. Please contact your UBS sales representative if you wish to discuss access.*

Valuation Method and Risk Statement

Investing in the technology sector involves a high degree of risk. Rapid technological changes, increasing competition and exposure to macroeconomic cycles are among the many risks faced by investors in tech stocks. Moreover, it is extremely difficult to project the financial results of tech companies since their operating models are highly volatile and unpredictable. Finally, valuing tech stocks can prove challenging as neither traditional nor non-traditional valuation measures provide much insight into how these stocks trade.