

The Perfect AiPhone Stock



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By Ian King, Editor, *Strategic Fortunes*

FOR most of the 2000s, I lived directly across the street from the SoHo Apple Store in New York City. I had a bird's-eye view of one of the greatest events in technological history...
The 2007 debut of the first-generation iPhone!

Before its arrival, there was nothing like it on the market. Apple's new iPhone promised a sleek design that eliminated physical buttons in favor of a touch-screen interface.

A week before the launch, Apple fans started queuing up on the sidewalk to be the first to purchase the iPhone.

But it was no easy task. I watched the line-sitters face a brutal week of late-June New York City weather.

The days were uncomfortably hot and humid, and the rain was torrential at times. Apple die-hards slept on the sidewalk, huddled under umbrellas.

By the week's end, the scraggly-haired gentleman at the front of the line looked like a cooked lobster from sun exposure.

And then, at 8 a.m. on Friday, June 29, 2007, the doors opened!

It reminded me of the scene in *Willy Wonka and the Chocolate Factory* when Willy Wonka finally brings the eager kids into the factory.

Apple employees lined up and cheered as customers hoisted their purchases in the air like golden tickets.

For these consumers, it was worth the wait. The iPhone — and the latest generation of smartphones — revolutionized the world

Is history about to repeat itself?

In September, Apple will release what it's got up its sleeve — it will finally kick off an “iPhone Moment” for AI.

Since the launch of ChatGPT, the technology and investing world has been obsessed with AI.

We've been watching the AI race unfold before our very eyes all year with Google, Amazon and Elon Musk investing billions...

All of them betting on the growth of AI.

But forget ChatGPT.

Forget Elon's AI plans.

Forget everything you're hearing in the mainstream news about the AI trend.

Once Apple's AiPhone goes live, Apple could completely dominate the \$15 trillion AI market, just as it's done time and again.

It could usher in a new age of AI profits for companies you may not have heard about yet.

Because if you're looking to make the most money as Apple gears up to dominate AI, you don't want to only buy shares of Apple.

They're not the only game in town.

The companies that supply the technology to Apple will see boom times ahead, just like Micron Technology, Skyworks Solutions and Cirrus Logic did in the past.

After partnering with Apple, Micron Technology soared over 1,900% in 12 years.
Skyworks Solutions, a radio frequency component supplier, skyrocketed 4,800% over 15 years!
And Cirrus, a company that makes audio chips for mobile devices ... it's up over 3,800% over 15 years.
With the upcoming release of Apple's AI Phone...
Here is your pick for the **Perfect iPhone Stock**.

The New Leader in AI

Major companies have rushed to incorporate AI into their products.
Particularly, generative AI models such as ChatGPT and DALL-E.

These applications can generate written responses and images based on simple text-based input. It's a whole new world of technology.

Microsoft and Google are adding AI chatbots to their search engines and Meta is using AI to help its advertisers create ads and marketing content.

AI will be crucial to every field. According to projections by Bloomberg, AI is expected to contribute more than \$15 trillion to the global economy by 2030.

Up until now, NVIDIA led the charge in this new industry. They created a specific kind of high-performance chip known as graphics processing units (GPUs) for video games, rendering animation and 3D visuals.

These NVIDIA chips are pieced together in large data centers and used to train generative AI models. In the early days of AI, NVIDIA was the right play.

But there are some limitations to running AI in a large data center.

If you've ever used ChatGPT or an image generator like Dall-E, you know that the AI doesn't respond instantaneously.

And we live in a world where we want things *instantly*, especially when we are using a smartphone on the go.

That's why the biggest development in AI this year is moving some AI computations from the center (i.e., a large data center far away) to the edge (on your laptop or mobile device).

With edge AI, data is processed within milliseconds. It's like having real-time feedback without an internet connection because the AI algorithm works on the actual device.

The best part is that your sensitive data will never have to leave your device.

And it will pave the way for AI applications to become a bigger part of our daily lives.

And one such company is quickly helping AI move from the center to the edge. It's a dark horse in the AI race — **QUALCOMM Incorporated (Nasdaq: QCOM)**.

A New Chip for the New AI-powered PC Adoption Cycle

Qualcomm provides chips for electronics such as smartphones, computers, tablets and other consumer electronics.

The past few years have been rough for the company. The personal electronics market has been in decline since the height of the pandemic when consumers rushed out to buy the latest and best devices to work and study from home.

But that's starting to change with a new product hitting shelves — AI PCs.

These devices come with advanced chips capable of running large-language models and AI apps on the device itself. This is much faster than sending the task to a data center far away.

These devices are hitting the market right now and I expect their sales to increase throughout the next year.

Some Wall Street analysts think AI PCs will make up 60% of all PCs shipped in just a few year's time.

This is a tectonic shift for the PC market and it will kick off a new PC cycle. Remember, the last cycle ended nearly 4 years ago, meaning there are millions of laptops ready to be replaced.

Back in May, Microsoft debuted tablets and laptops built to run AI software programs like Microsoft's Copilot virtual assistant.

In addition to Microsoft itself, these AI PCs are hitting the shelves from the likes of Dell, HP, Lenovo and over 15 other manufacturers.

The best part... All of these companies are using QCOM's new Snapdragon processors, **not** Intel or AMD's processors, which had been standard for laptops and tablets running the Microsoft Windows operating system.

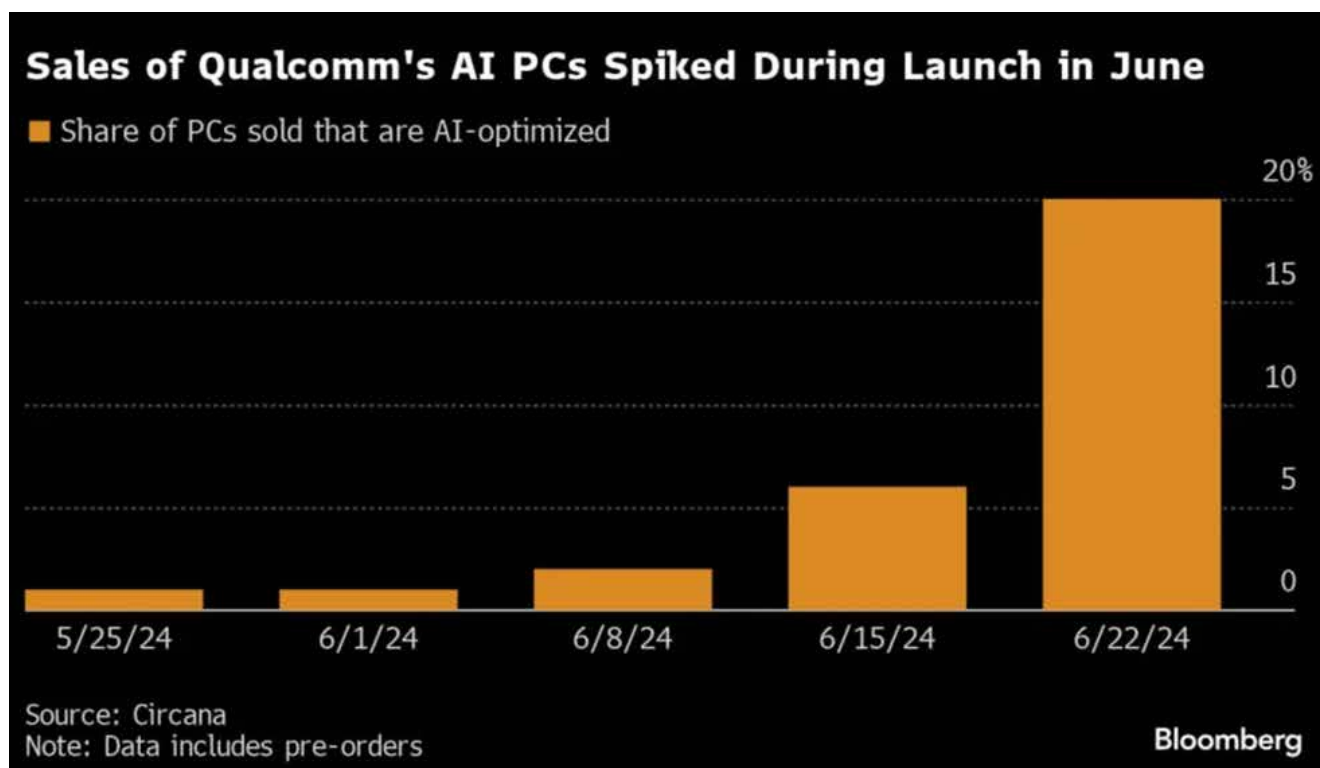
QCOM's new chip can run AI functions much more efficiently, doubling the battery life compared to traditional counterparts.

These new AI laptops are a new windfall for the company! They represent a brand-new product segment in a newly established market where it's the current leader.

When these AI PCs finally hit store shelves in late June, it was the first time that a new generation of PCs didn't have Intel or AMD chips in them.

This gives QCOM its first real shot at becoming a major player in the PC processor chip market.

The share of new PCs sold that are AI-powered with QCOM's chips is on the rise.



Though they're quickly getting popular and grew to 20% of sales at the end of June, industry research firm IDC expects only 3% of total PCs sales this year will be AI PCs.

That's because even though these PCs are highly capable, there aren't enough AI-powered applications out in the market just yet.

But think of this as the point when smartphones were first released.

Early consumers may have bought a new smartphone out of excitement, but they didn't really see the need for it.

Not until new and exciting applications — like social media and ride-sharing apps — started to pop up.

Similarly, the inflection point with these PCs will come in the near future — when there are AI-powered applications for work and school that become the norm in our daily lives.

And QCOM is well on its way to cementing itself as a winner in this new PC adoption cycle.

QCOM's Smartphone Opportunity

I believe this same trend will take place in the smartphone market, boosting demand for QCOM's chips.

As a matter of fact, this is already starting to happen.

Samsung kicked off the year with its flagship phone, the Galaxy S24 Ultra that boasts AI features. One of its tag lines is “Galaxy AI is here.”

This is possible because of QCOM's Snapdragon 8 Gen 3 chipset which enables the use of AI applications on a smartphone.

These chips have also made their way into other top-of-the-line Samsung phones released this summer.

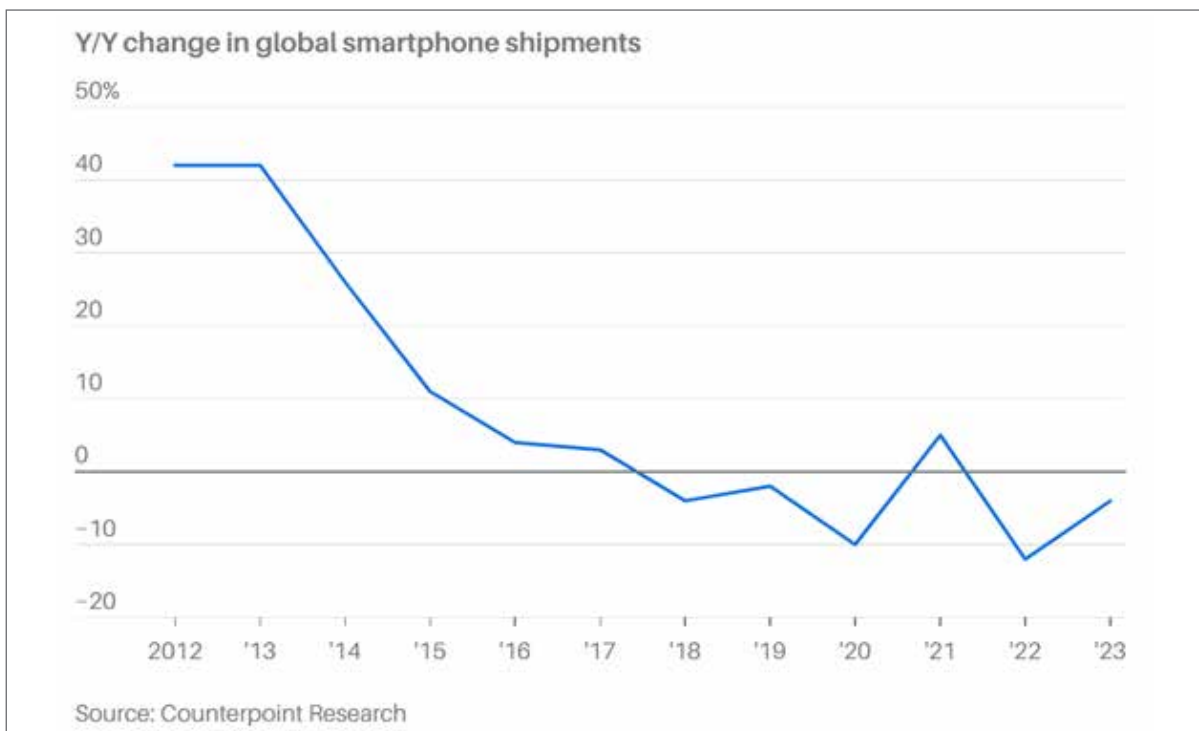
With this new QCOM chip, smartphones can run large language models like ChatGPT. They can also use generative AI tools to enhance photos.

While the AI isn't as powerful as the apps run on datacenters, I believe the arrival of these phones will kick off a new smartphone cycle.

A decade ago, consumers replaced their phones every year as newer models arrived. However, the past few years have only brought incremental changes. This means no one is rushing out to get the latest version like they were in the past.

This has a big impact on what's called the replacement cycle – that's when consumers replace their old phones for new ones. Right now, that cycle is about 2.5 years on average.

The longer replacement cycle has led to a slowdown in smartphone shipments. In 2012, shipments were growing above 40%. But now, that growth rate is negative, meaning there were more phones sold last year than this year.



But I believe a bottom is in.

AI-powered smartphones are set to kick this rate back into positive territory.

Samsung, not Apple, is at the top of the global smartphone market.

And that's great news for QCOM.

The two companies have signed a multiyear agreement for QCOM to provide AI capable chips for Samsung's top-line phones.

The next biggest smartphone maker, with 17.3% of the global smartphone market share, is Apple.

In June, during Apple's Worldwide Developers Conference, it debuted new AI-capable software and features for the iPhone.

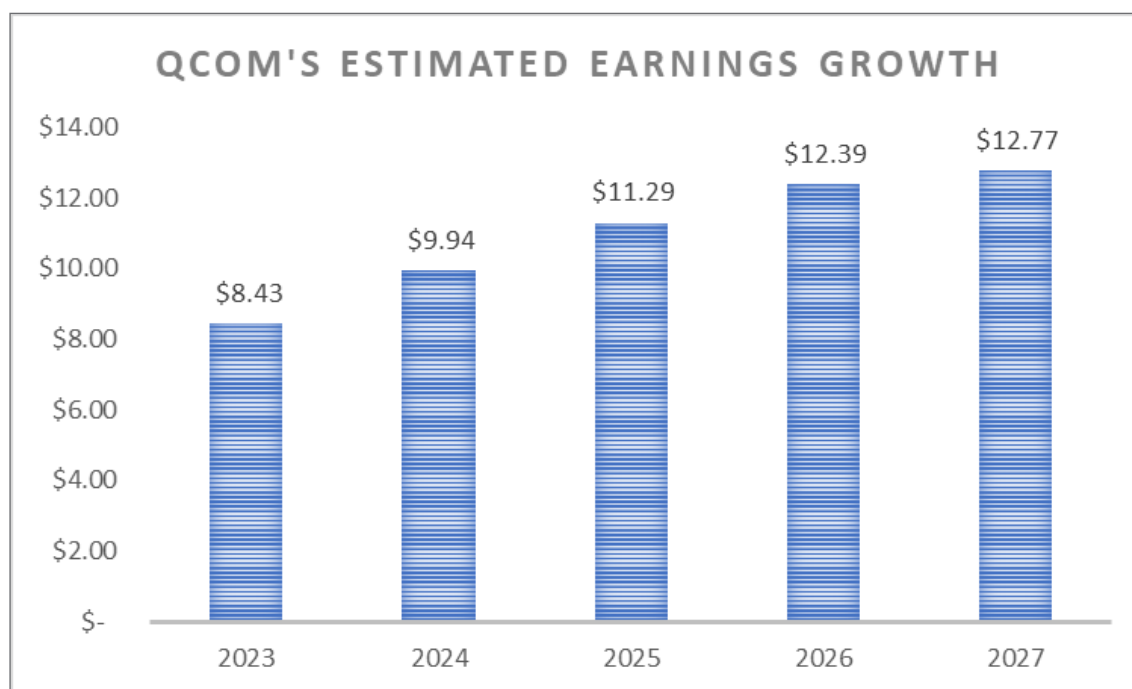
Although QCOM does not provide Apple with AI processor chips, there is still a major benefit to QCOM.

Qualcomm provides Apple with 5G chips, meaning any new iPhone sale will carry a QCOM chip inside it.

So, it doesn't matter which AI-powered smartphone wins the race, QCOM is positioned to benefit!

Wall Street currently has price targets for the stock as high as \$250 by the end of the year, representing a 30% upside from current prices.

But the stock is only trading at 18X its 2024 earnings. This is fairly cheap when we compare it to its peers in the two major growth segments discussed earlier.



When it comes to processor chips for PCs, AMD and Intel have historically been the leaders. These stocks are trading at 44X earnings and 30X earnings respectively.

And when it comes to the market for chips other than processors in smartphones it has peers such as Broadcom which trades at 33X its earnings.

If we take the average of these multiples from its peers and apply it to Qualcomm's 2025 earnings, we're looking at a stock that could be worth double by the next year.

With AI moving into consumer products, this will kick off a new cycle in both PCs and smartphones. And these cycles are expected to gain steam in 2025 — that's why I think QCOM is poised to double in the next year on the bright future for AI powered consumer electronics.

Action to Take: Buy QUALCOMM Incorporated (Nasdaq: QCOM).

That's all for now. If you have any questions about this recommendation, please send them to StrategicFortunes@BanyanHill.com. We'll try to answer them in your weekly updates.

Regards,

A handwritten signature in black ink that reads "Ian King". The signature is written in a cursive style with a large, sweeping "I" and "K".

Ian King
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