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Why we Believe Public cloud companies are well positioned

Owen Hyde, CFA – Managing Director, Large Cap Growth Equity Research Analyst

Audio Starts

Owen:

Large public clouds might actually be some of the best positioned companies as we go forward and roll into this new AI future. There's a handful of different reasons why that's the case. A, they've invested billions and billions of dollars into AI infrastructure that actually makes these systems work. B, they have an incredible large enterprise install base of customers that are already using their product. And now they've got a brand new way of selling them, not only compute, but also full workflows, which I think is going to be pretty dramatically meaningful for not only the end customer, but also for the revenue and margins of the public clouds. So we have a whole new infrastructure layer that's been built and is continuing to get built. We have AI agents, which are going to be the mechanism by which we distribute AI across the enterprises globally. And they have all of that infrastructure in one place in a consumption model, which is already paid very large dividends for them in terms of higher revenue growth, as you've seen at companies like Google and at Microsoft and at Amazon. And we think that's only going to accelerate as we get further and further down the path of seeing enterprises adopt these AI agents and improved workflows. So I think over the next few years, it's gonna be very clear that the amount of spending we've done to date in terms of building out new infrastructure is actually paying pretty large dividends. We're already seeing margins of the public clouds actually improve, and we think that the utilization at the public clouds, so the amount of time that the chips that they've put in the ground and the infrastructure they've built, that utilization rate continues to be very high, so the capacity that we are building is getting used, which is a good sign for not being over invested.

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