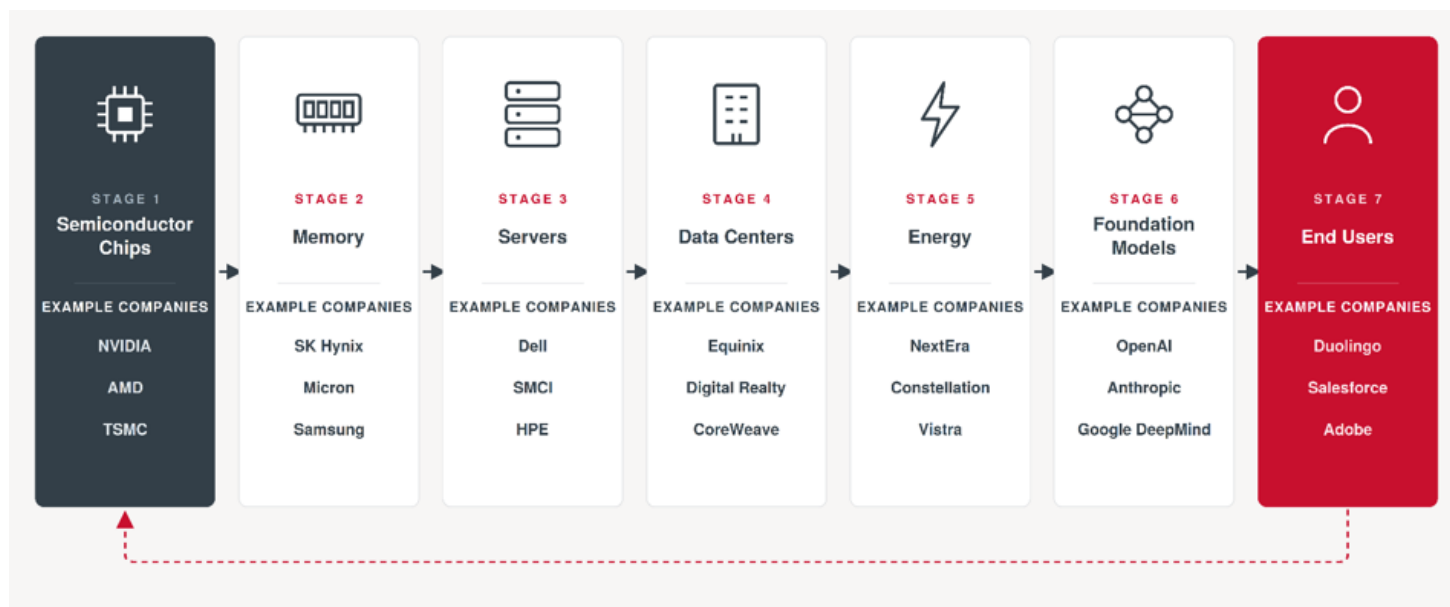




The AI Ecosystem



Executive Overview

AI is More Than Just Models

The AI boom has many interconnected layers: semiconductor chips, memory, datacenters, energy, and the foundation models themselves. Understanding how these layers work together is essential for investors as AI adoption continues to expand across the economy.

Infrastructure Companies are Capturing the Most Value Today

Chipmakers, networking companies, datacenters and energy providers are generating strong revenue and profits as every AI system depends on their products and services. These companies benefit regardless of which model is the market leader.

Foundation Model Companies Offer High Upside but Greater Risk

Companies like OpenAI and Anthropic are gaining significant investment but their paths to profitability remain uncertain. Developing and operating advanced AI models requires substantial spending infrastructure creating a higher-risk investment profile.

Software Companies Could Capture the Next Wave of AI Value

Application providers can add AI features to existing products and increase margins without the massive costs of developing their own models. This creates an attractive long-term business model as AI development increases.

Finding Opportunity across the AI Ecosystem

The long-term winners of AI may emerge from any layer of the ecosystem, making it important for investors to look beyond the most visible companies and assess the broader value chain.

A Deeper Dive

AI remains at the center of investor attention, but it represents only the surface of a much larger ecosystem. Multiple layers are driving the recent volatile market and understanding how they work in unison is essential to being an informed investor. The foundation of AI starts with the semiconductor chip, the brain of AI, which is then paired with memory chips that store the data they need to operate. Datacenters provide the space, power, and cooling needed to operate thousands of these servers simultaneously. Because datacenters consume massive amounts of power, multiple renewable, nuclear, and traditional utility companies have become critical suppliers. With all this infrastructure in place, foundation model companies can train and deploy AI systems, which software and application providers then integrate into products and services used across the economy.

The infrastructure layer has experienced the largest expansion of revenues and margins across the AI ecosystem. From the semiconductors and memory chips working together to the datacenters and energy providers, these companies generate real operating income from the products and services that the AI boom depends on. For example, NVIDIA's datacenter revenues surpassed \$115 billion in 2025, while network infrastructure provider Arista networks reported revenue growth of 35% YoY. The rising demand across every layer of the AI supply chain has driven significant growth in AI infrastructure. Unlike many of the companies further down the value chain, infrastructure providers already generate substantial operating income from products that remain essential regardless of which AI model ultimately wins. As AI continues to expand, these companies remain well positioned to capture much of the industry's profit pool.

Once the revenue stream reaches the foundation models companies, the story changes quite a bit. While companies such as OpenAI and Anthropic have attracted billions in investments, their path to profitability remains less certain than in the infrastructure layer. Training and operating the models requires large amounts of CapEx on chips, datacenters, and energy. While these companies pool profits from APIs, subscription services, and monetization, the profits have yet to reach the scale of investment. For example, OpenAI generated approximately \$4 billion in annual recurring revenue in 2025, while NVIDIA's data center business generates that amount in roughly 13 days. There is also much higher competition in this stage of the ecosystem as firms are racing to build the most powerful and efficient models. As a result, foundation models remain one of the most promising yet speculative layers in the AI value chain.

After the revenue stream reaches the foundation models, the software and application layer becomes the final destination in the AI value chain. This is the layer where companies embed AI into products that businesses and consumers use every day, without spending billions to develop and train their own models. For example, a software company can add AI features to an established product, increasing the price, and expanding margins, while avoiding all the infrastructure and training costs that foundational model developers have. As AI becomes a standard feature across business software, application providers could capture some of the highest profit margins in the ecosystem, making this a potentially attractive long-term opportunity for investors.