

AI's Hidden Winners: Seeking Opportunity Beyond The Obvious

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Four key takeaways:

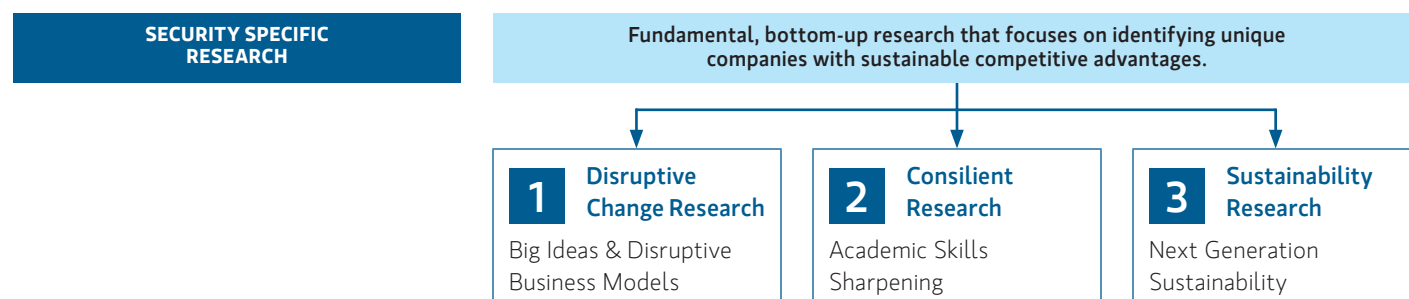
- 1** Look beyond the obvious AI winners
 Long-term success may favor companies integrating AI into their business models, not just building it
- 2** Culture is a competitive advantage
 Strong human capital strategies often correlate with sustainable profitability
- 3** Productivity = Profitability
 AI-driven efficiency could lift EBIT margins across industrials (+12%), technology (+17%), and consumer discretionary (+28%)
- 4** Advise nuance
 Consider *adaptability* — how companies manage change, not just how they fund it

Counterpoint Global has been studying how artificial intelligence (AI) and automation are reshaping business efficiency. The research is ongoing, but the findings may be surprising. The biggest beneficiaries of AI may not be the companies building the technology, but rather those deploying it most effectively to transform their operations, workforce productivity, and profit margins.

This research draws on three distinct pillars that broaden the perspective and complement the fundamentally driven investment process. It's a collaboration among Counterpoint Global's disruptive change research, sustainability research, and consilient research teams, alongside its sector specialists and investors, to develop variant perceptions on companies and technologies shaping the future.

Differentiated Research Approach

THREE DIFFERENTIATED PILLARS OF RESEARCH COMPLEMENTING SECURITY SPECIFIC WORK



AI's second-order effect: The productivity revolution

Thinking about investing in world-changing technologies, one pattern stands out: the best opportunities are often *second-order effects*.

DISPLAY 1
Investing in “world-changing technology”
Studying technological shifts and value creation over the last century

	1900	2000	2024
World Changing Technology	Automobile	Wi-Fi	AI
Ubiquity	Ubiquitous Transportation Technology	Global Ubiquitous Standard	Emerging Trend
1st Order Beneficiary: Investment Example	US Auto Manufacturers	Wireless Router Manufacturers	GPU + Hardware Manufacturers
1st Order Beneficiary: Investment Example Outcome	Consolidation and Aggressive Competition	Commoditization	To Be Determined
2nd Order Beneficiary: Theme Enabled by Technology	Suburbanization: Big-Box Retail	Rich Content Delivery: Streaming Video	Automation and GenAI: High Efficiency Labor
2nd Order Beneficiary: Investment Example Outcome	WALMART: 1,622x Return ('80-'20) FORD: 23x Return ('80-'20)	NETFLIX: 519x Return ('02-'20) CISCO: 4x Return ('02-'20)	To Be Determined

Source: Morgan Stanley Investment Management Counterpoint Global, FactSet, www.History.com, U.S. Department of Transportation Federal Highway Administration as of 12/31/2023.

The same way automobiles paved the way for suburban retail and Wi-Fi-enabled streaming, it's believed that AI's lasting impact will come from companies applying it creatively — to drive efficiency, re-imagine workflows, and expand profitability. While the market's focus today is on AI enablers — chipmakers, data centers, and infrastructure providers — Counterpoint Global's research suggests the real value creation will occur downstream, among the adopters.

What the data shows

Using its proprietary **Culture Quant**¹ framework — built in collaboration with professors from Harvard Business School — Counterpoint Global analyzed workforce data for more than 300 million employees across industries. By mapping occupational exposure to automation, Counterpoint Global can estimate efficiency gains and profit potential.

The findings were striking across 1,000 companies — automating just half the roles most susceptible to automation could unlock:

- **\$207 billion** in potential labor cost savings
- **1.7 million roles** impacted by automation
- Up to **16% profit pool expansion** for the most adaptive companies

Even small margin shifts can be profound. For example, 3% earnings before interest and taxes (EBIT) margin expansion in consumer discretionary translates to a **28% increase in potential profit pools**.

¹ Culture Quant – developed by Counterpoint Global in collaboration with academic experts at Harvard Business School in 2019 – leverages alternative datasets and Morgan Stanley's Machine Learning Lab.

Human capital still matters most

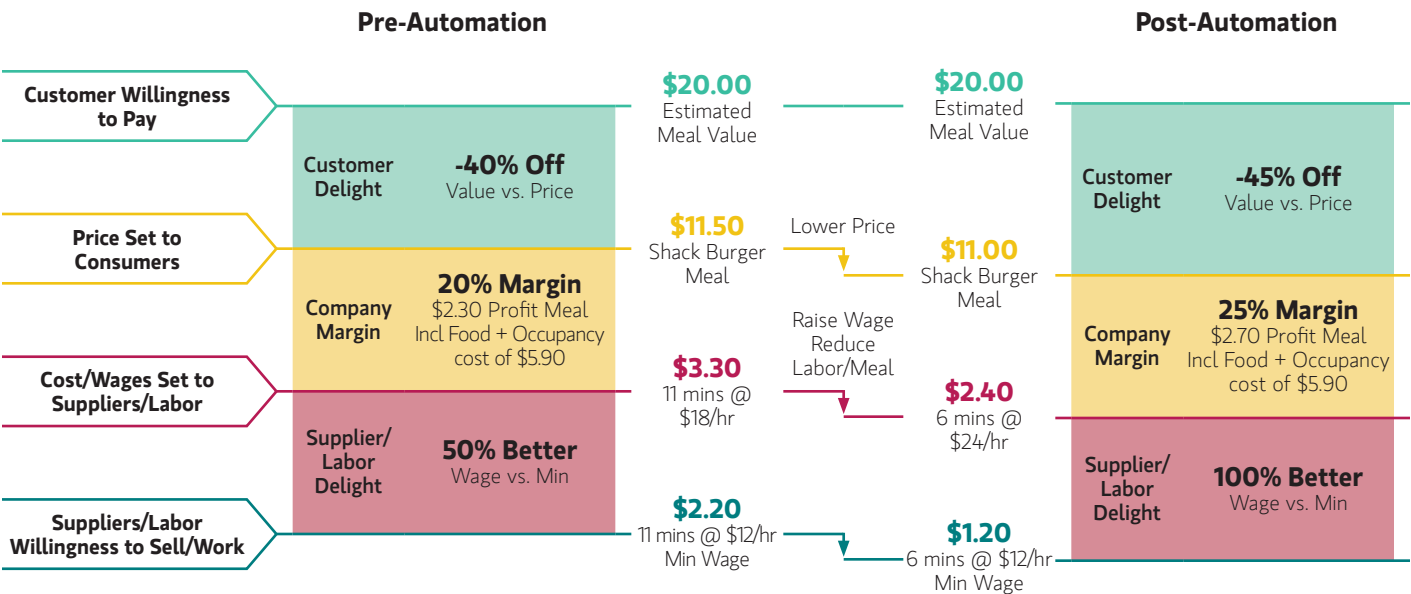
One of the most important lessons from Counterpoint Global’s research is that technology alone doesn’t create enduring value — people and culture do.

Counterpoint Global’s studies show that companies with strong retention and reskilling programs tend to outperform. When automation is combined with investment in people, it may create value for multiple stakeholders. A great illustration of this balance is Counterpoint Global’s analysis of Shake Shack’s operations. By integrating automation, they could reduce prep time, raise wages by 33%, lower meal prices, and still expand restaurant-level EBIT margins from 20% to 25%. That indicates how efficiency can work for people, rather than against them.

DISPLAY 2

Value creation and stakeholder value capture

Insights from Counterpoint Global’s consilient research



Source: Morgan Stanley Investment Management Counterpoint Global, Shake Shack, Inc., Revelio Labs. Illustrative as of 12/31/2023. Company discussions are for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or in the sectors shown above. The views, opinions and estimates are subject to change at any time due to market, economic, or other conditions, and may not necessarily come to pass.

A broader view

AI is already transforming the way work gets done, but it also challenges investors to think differently about how value is shared. As investors, the role isn’t to predict which technologies win, but to identify the businesses most capable of using them to unlock growth, innovation, and human potential.

For the full-paper, visit: [AI Beneficiaries: Investing in Second-Order Effects | Morgan Stanley](#)

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