THE MONTHLY RESEARCH CONFERENCE CALL

TECHNOLOGY DISRUPTIONS: INVESTING AMID THE OUTBREAK

ARGUS®

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Wednesday, March 4, 2020
11:00 a.m. ET

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ARGUS RESEARCH COMPANY

Investors

WHAT'S NEW AT ARGUS
MARCH 2020

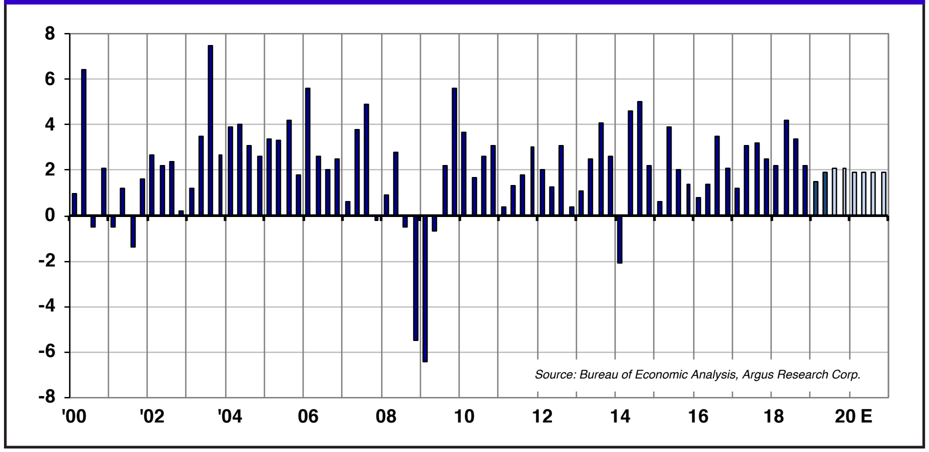
Argus Quality Study shows Market-Beating Performance
- Argus published its semi-annual quality study in January
- Consistent #1 rating on Investars broker performance platform
- Argus BUY-rated stocks consistently beat market, lead peer group
- Bloomberg BARR: senior analysts in top ranks
- Model Portfolios: 3 of 4 MPs beat S&P 500 benchmark on trailing 3-years
- Portfolio Selector-Focus List: 220 bps premium to benchmark
- Argus will remain focused on delivering high-value research

New Upgrades
- Indiscriminate selling in crisis creates opportunity in high-quality names
- Recent upgrades include DJIA stock American Express
- Aerospace: General Dynamics
- Healthcare: Regeneron
- Industrial: Arconic
- Mid-Cap: Universal Technical Institute & Gentherm

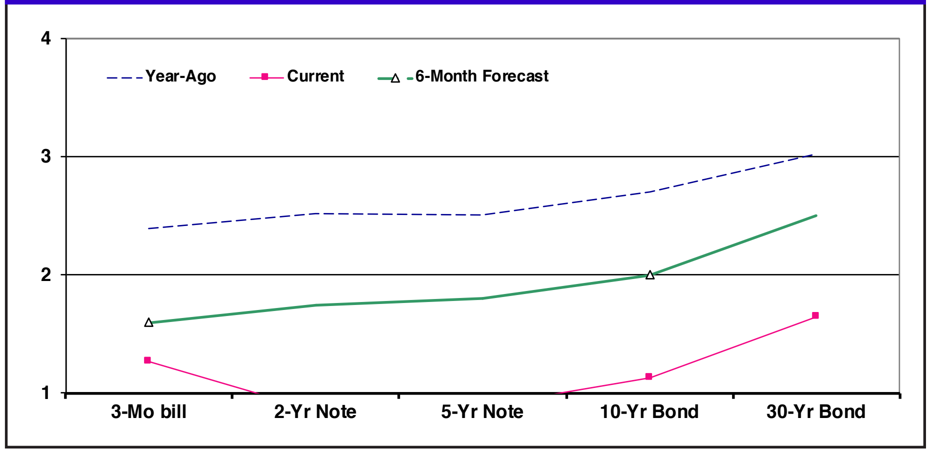
Argus President John Eade discusses Coronavirus
- New podcast on the Argus website
- John discusses impact on domestic & global markets
- Also trade, Interest rates, fed policy, and earnings
- Also provides outlook for remainder of 2020
- Find it on the site: Homepage, left column, Podcasts

MACRO FORECASTS

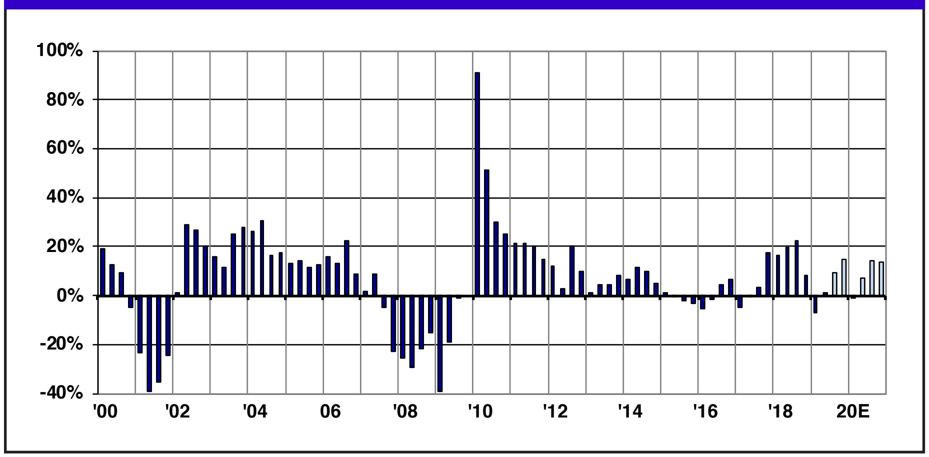
REAL GDP W/FORECASTS (%)



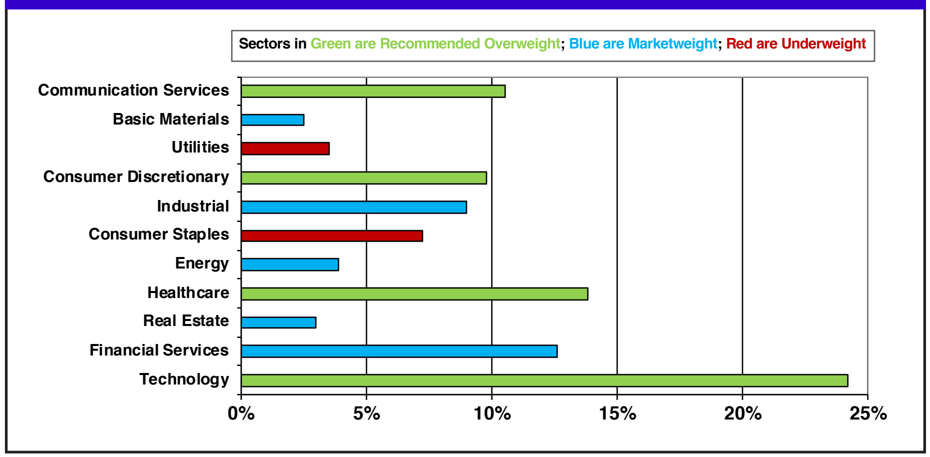
TREASURY YIELD CURVE (%)



S&P 500 QUARTERLY EARNINGS GROWTH



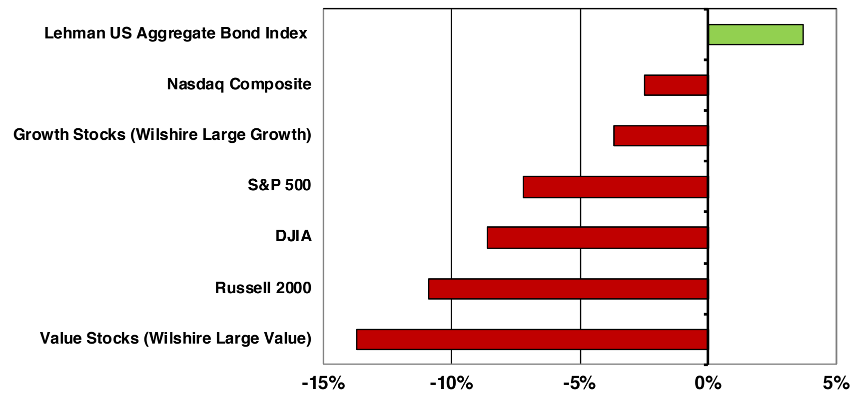
MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500



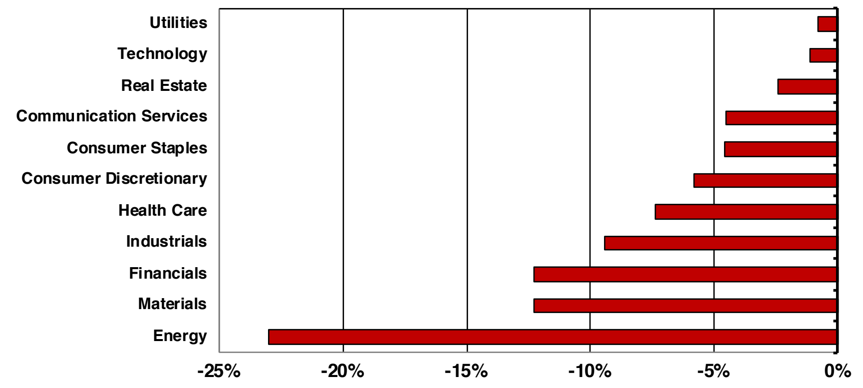
MARKET PERFORMANCE

DATA AS FEBRUARY 28, 2020

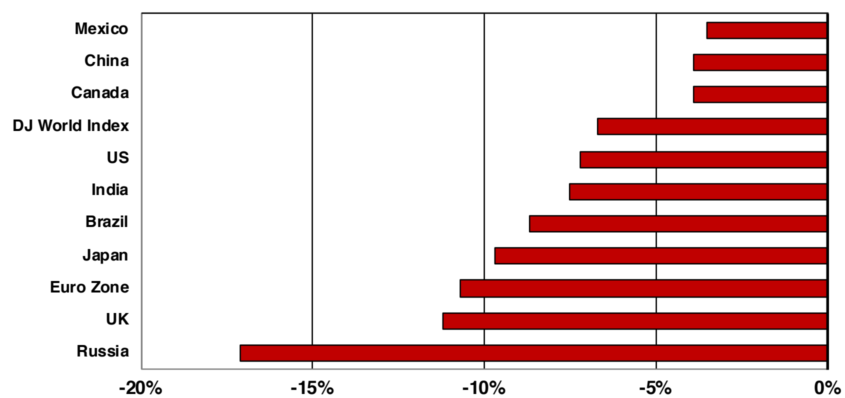
MAJOR INDEX



SECTOR



GLOBAL EQUITY MARKETS



THE IMPACT OF THE CORONAVIRUS

Market Overview

- Stocks
- Bonds
- Commodities

What will impact be? Does anyone know for sure?

- Global Economy
- US Economy

Market Response

- In past HC crises
- Monetary
- Fiscal

Technicals & Fundamental Review

- GDP outlook
- Rate outlook
- Market valuation

TECHNOLOGY DISRUPTIONS AMID THE OUTBREAK

Disruptions (Technology + Virus) = Accelerated Collapse of Old Order

- **Virus pushing consumers to App Economy stocks**
- **Near-term winners: digital & isolated**
- **Near-term losers: discretionary & crowded**
    - Clear winners: PTON, PINS, GOOG, AMZN, W
    - Mixed: UBER, FB, TWTR

Technology Concepts: Cloud, Big Data, Social, Mobile, Security

- **Need to be pervasive (social), always on (mobile), accessible (Big Data) and trusted (security), all managed in cloud**
- **Challenge: Exponential growth in data to be archived, managed, available**
- **AI enables IoT in the industrial world**

Technology Hardware Stocks: Cloud and the Data Management Challenge

- **Memory components**
    - Semiconductors (MU), Devices (WDC)
- **Cloud scale**
    - IaaS (AMZN, MSFT)
- **Cloud management**
    - SDK (TWLO), multi-cloud (IBM)
- **IoT enablers**
    - Industrial semis (ADI, TXN)

TECHNOLOGY DISRUPTIONS AMID THE OUTBREAK

Technology Hardware: 5G and the future of access

- **Fundamental change:**
  - For the first time, 5G wireless may supersede wireline access
  - NOK: struggling; seeking options; changing CEOs
- **5G infrastructure**
  - ERIC: 5G is here, but bumps on the way

Technology Hardware Stocks: 5G and the future of access

- **5G will require the network core to manage unprecedented traffic**
- **Not just RAN gear**
  - optical (CIEN)
  - switching & routing (CSCO)
  - components (GLW)
  - test & measurement (VIAV)
  - connectivity (AVGO, QCOM)
  - device (AAPL)

TOP STOCK PICKS

Qualcomm (QCOM) $80

- Unmatched leadership in 5G modem development
- Snapdragon: more than app processor
- RF (buyout of TDK) raises content per device
- Licensing disputes: Apple, Chinese OEMs in rear view
- Major 5G handset launches coming fall 2020
- 12-month target price: $110

Western Digital Corp. (WDC) $60

- Memory prices recovering: first NAND, then DRAM
- HDD returns to revenue growth (first time since 2Q18)
- Memory past: reliant on cyclical PCs, mobile phones
- Memory present: 5G smartphones, HPC, cloud data center, AI
- Swing to positive sale, EPS comps in current quarter
- 12-month target price: $82

COVID-19 IMPACT ON SOFTWARE TECHNOLOGY AND TELECOM

The Big Three:

- Microsoft
- Alphabet/Google
- Facebook

U.S. Telecom & 5G - China Exposure – positives/negatives

- Verizon/AT&T/T-Mobile
- Slower 5G conversion?

Powerful secular trends driving enterprise software computing

- Digital transformation of the enterprise
- Cloud and hybrid cloud
- Intelligent Edge
- AI/ML and AR/VR

TOP STOCK PICKS

- **Activision Blizzard (ATVI)**
  - Stay-at-home pick
  - Target price: $70

- **ServiceNow (NOW)**
  - Enterprise digital transformation
  - Target price: $385

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