THE MONTHLY RESEARCH CONFERENCE CALL
TECHNOLOGY DISRUPTIONS: INVESTING AMID THE OUTBREAK

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

MODERATORS

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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

Source: Bureau of Economic Analysis, Argus Research Corp.

Sectors in Green are Recommended Overweight; Blue are Marketweight; Red are Underweight
MARKET PERFORMANCE
DATA AS FEBRUARY 28, 2020

MAJOR INDEX

- Lehman US Aggregate Bond Index
- Nasdaq Composite
- Growth Stocks (Wilshire Large Growth)
- S&P 500
- DJIA
- Russell 2000
- Value Stocks (Wilshire Large Value)

SECTOR

- Utilities
- Technology
- Real Estate
- Communication Services
- Consumer Staples
- Consumer Discretionary
- Health Care
- Industrials
- Financials
- Materials
- Energy

GLOBAL EQUITY MARKETS

- Mexico
- China
- Canada
- DJ World Index
- US
- India
- Brazil
- Japan
- Euro Zone
- UK
- Russia
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
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)
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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