



# **TECHNOLOGY: EVERYTHING FLOWS THROUGH THE DATA CENTER**

## ***THE MONTHLY RESEARCH CONFERENCE CALL***

### **MODERATORS:**

**John Eade**

**President of Argus Research**

**Jim Kelleher, CFA**

**Director of Research**

***Wednesday, March 3, 2021***

***11:00 a.m. ET***

**61 Broadway • NYC, N.Y. 10006**

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## ■ **Technology: Everything Flows through the Data Center**

- John Eade, President of Argus
- Jim Kelleher, CFA, Director of Research and Senior Technology Analyst

## ■ **Argus Quick Notes**

- Activist Stocks
- New Coverage
- Energy Stock Values
- Focus List Changes
- Find these on the homepage of our website

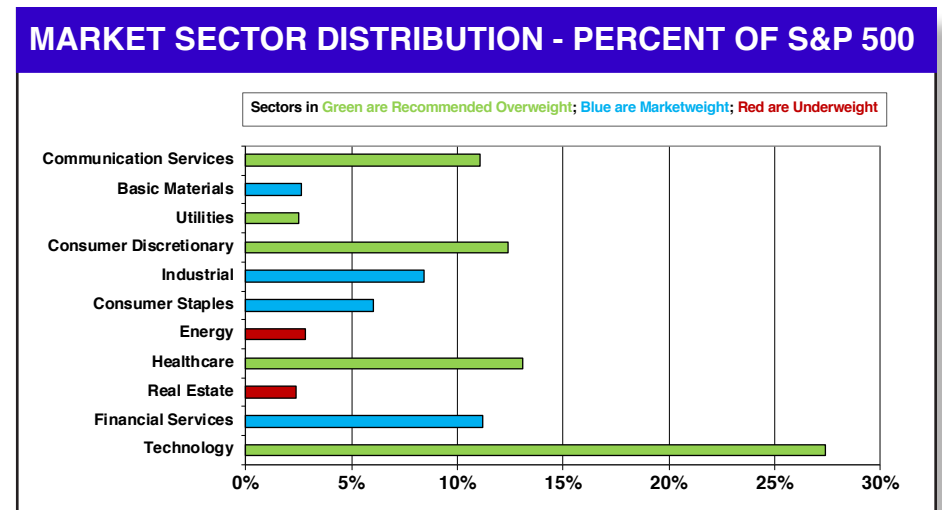
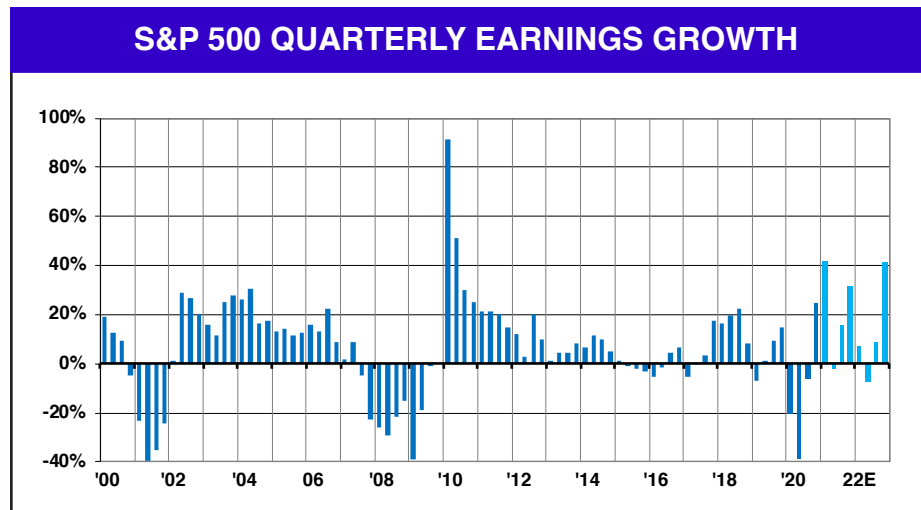
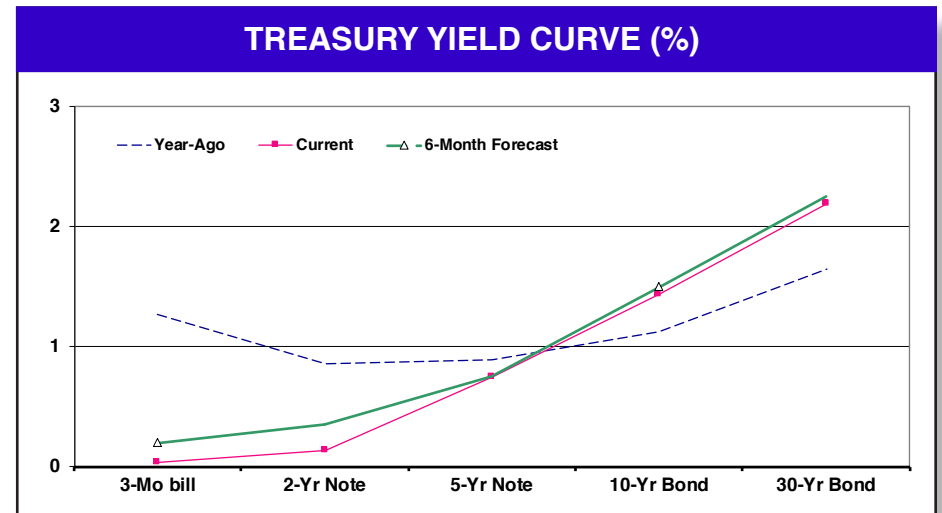
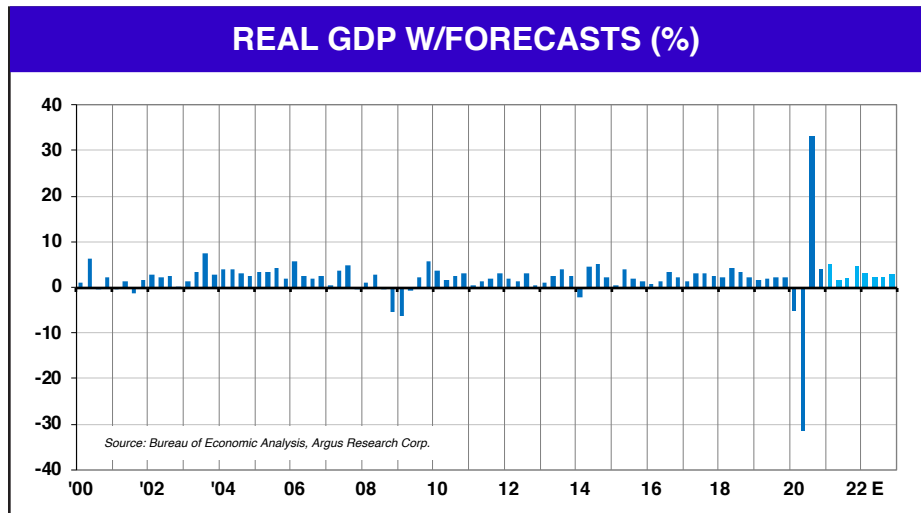
## ■ **Argus Mid-Cap Portfolio**

- Small & Mid-Cap (SMID) surged at year-end, into 2021
- Domestic focus makes them well-positioned as vaccines distributed
- Generally lower-priced than large-cap stocks
- Investors should have exposure to SMID stocks
- Find our Theme Portfolios under Portfolio Strategy on our website

## ■ **Argus Quality Review**

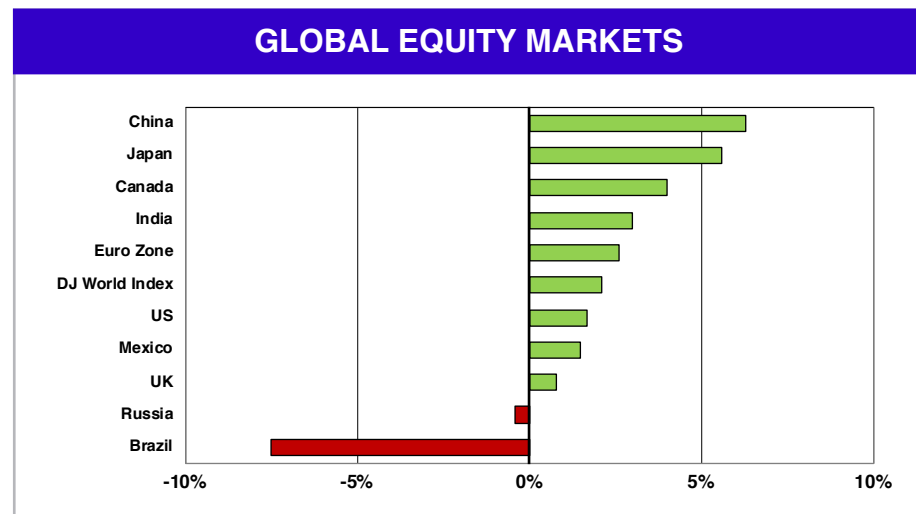
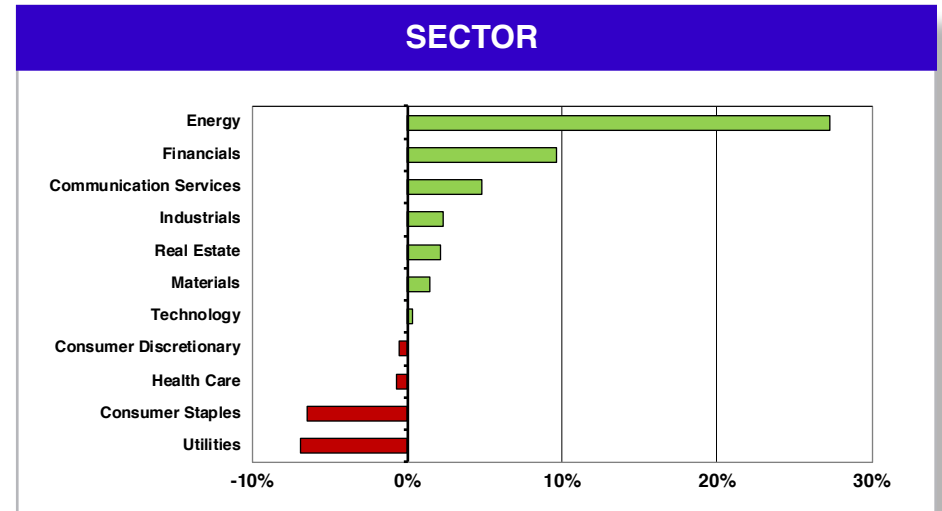
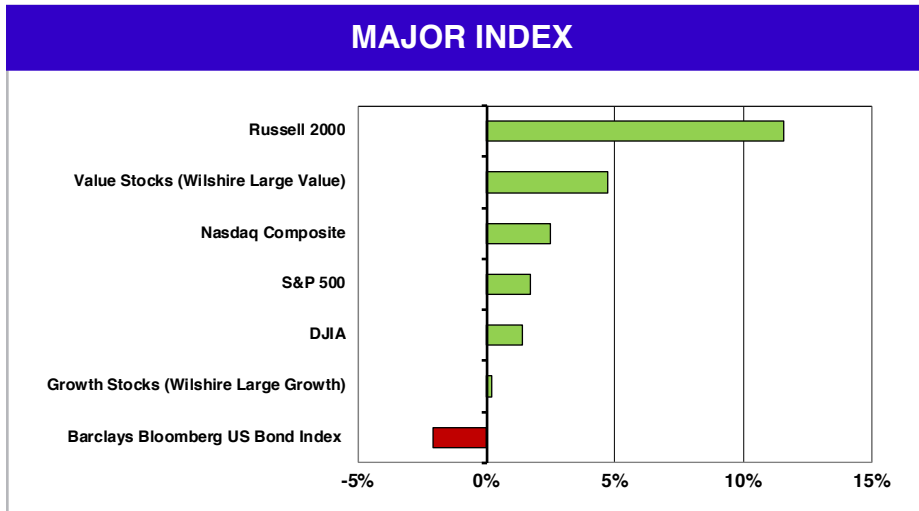
- Comprehensive performance review of products & people
- Argus BUYs top the S&P 500 every year on a 1-year through 5-year period
- Bloomberg: Most analyst earn double-digit top 5 rankings
- Model Portfolios: 3 of 4 MPs beat benchmark on 1-yr, 3-year basis
- PS-FL: mediam stock return beats benchmark by 202 bps
- Find these on the homepage, News & Media

# MACRO FORECASTS



# MARKET PERFORMANCE

DATA AS FEBRUARY 26, 2021



## ■ Technology Evolution

- Mainframe, Distributed, Networked enterprise, Virtualized, Mobile data
- And now, the cloud-based, AI-driven data center

## ■ Why the data center?

- Explosive growth in data traffic pre-5G
- Natural physical location for virtualization, which was precursor to cloud
- Site of public cloud, and hybrid cloud that links to private cloud (on-premises)
- Natural location to manage, store, and dispatch data
- Natural location to develop and implement AI-driven efficiencies
- Coming wave of 5G traffic

# EVERYTHING FLOWS THROUGH THE DATA CENTER



- **Explosive user & device growth; 6 billion Internet access/mobile by 2023**
- **Rising data speeds – 5G speeds 10x higher than 3G/4G**
- **Security risks – DDoS attacks up 5x**
- **Best security tool: real-time apps upgrades**
- **Bulk of data center construction is by hyperscale providers**
  - AWS, Azure, Google Cloud, Facebook
- **Another major data center driver: co-location companies**
  - Equinix, Digital Realty Trust

## ■ NVidia (NVDA)

- Solutions for cloud computing, co-location, edge computing, network, on-premises, and virtualized
- Data center revenue up 97% y/y in 4Q21, up 124% in all of FY21
- ARM deal: leader in cloud data center becomes leader in edge data center
  - » Global edge devices; Positioned for IoT
- Pulled back to fall '20 levels; growth levers intact
  - » Gaming, data center, pro visualization, automotive
- 12-month target price: \$600

## ■ **Broadcom (AVGO)**

- **Semiconductor revenue swung to positive in F4Q20 – first time since F1Q18**
- **Leading silicon supplier to data center including**
  - » Ethernet switching & routing, connectivity, PHYs, fiber optic modules, high-speed optical interconnects; FC-NVMe, storage
- **Mainframe and enterprise (CA) and security (Symantec enterprise) software**
- **5G phone launch driving more traffic**
- **12-month target price: \$540**



## ■ Dell Technologies (DELL)

- Blow-out F4Q21 with sales \$1.5 billion above consensus
- Like a pre-split Hewlett-Packard, Dell serves both client (PC) and enterprise market
- CSG: revenue up 17% y/y, including DD growth in enterprise (better than HPQ)
- Infrastructure Solutions: data center building blocks including servers, storage, networking, and IT services
- VMware: virtualization pioneer has become leading cloud partner for AWS
- 12-month target price: \$100

## ■ Amazon.com (AMZN)

- Sales growth 44% for 4Q20, 35% for full-year 2020
- AWS: consistent \$10 billion+ quarterly revenue
- AWS margin fears: 2020 margin 29.8% vs. 26.2% for 2019
- 1Q21 outlook: 35%+ sales growth, DD operating income growth
- 17% correction from peak is dollar-averaging opportunity
- 12-month target price: \$3,600

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