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THE MONTHLY RESEARCH CONFERENCE CALL

COMMUNICATION SERVICES: INVESTING IN THE BARBELL SECTOR

Moderator:

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WHAT'S NEW AT ARGUS?

Communication Services: Investing in the Barbell Sector

- Jim Kelleher, CFA, Director of Research
- Senior Analyst Joe Bonner, CFA
- Argus President John Eade

Argus Quick Notes

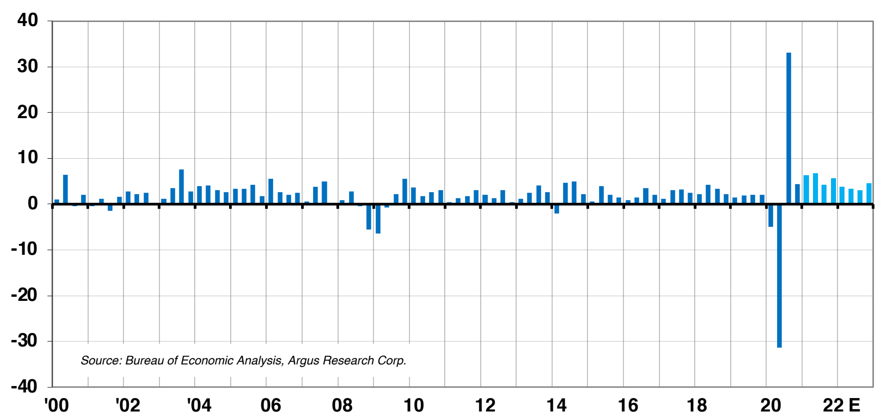
- Shooting Stars and Fallen Angels from 3Q21
- Digital Payment Industry
- Small- and Mid-Cap Favorites
- Our Favorite Tech Stocks
- Find these on the homepage of our website

The Argus Mid-Cap Portfolio

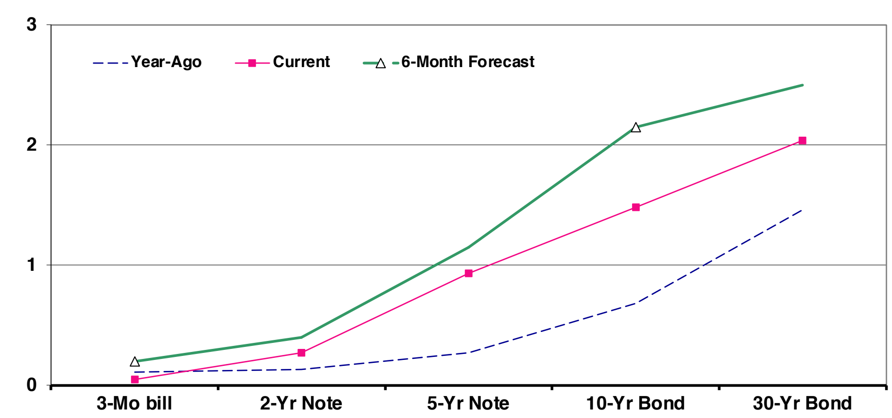
- Well-positioned for market-beating returns going forward
- SMID companies are domestic-focused, where vaccines are prevalent
- Quality earnings at a lower price than large-cap stocks
- We recommend diversification across asset classes and sizes
- Find information on the homepage of our website

MACRO FORECASTS

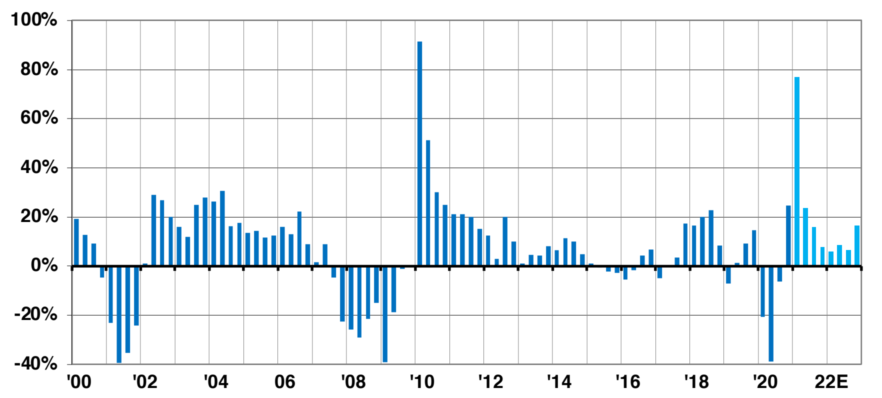
REAL GDP W/FORECASTS (%)



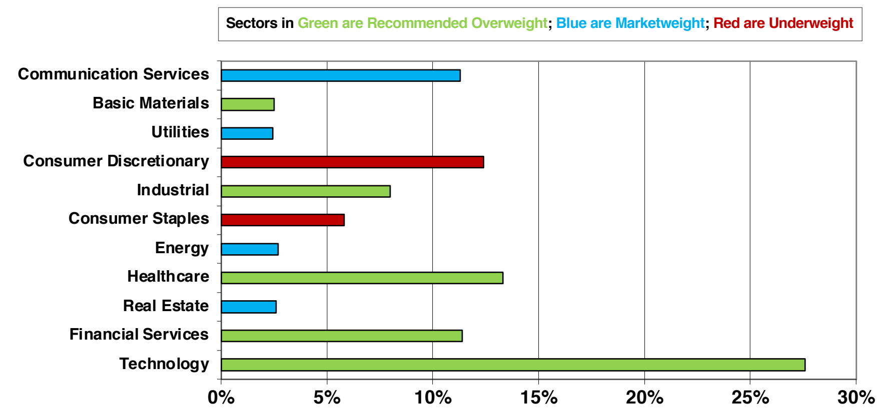
TREASURY YIELD CURVE (%)



S&P 500 QUARTERLY EARNINGS GROWTH



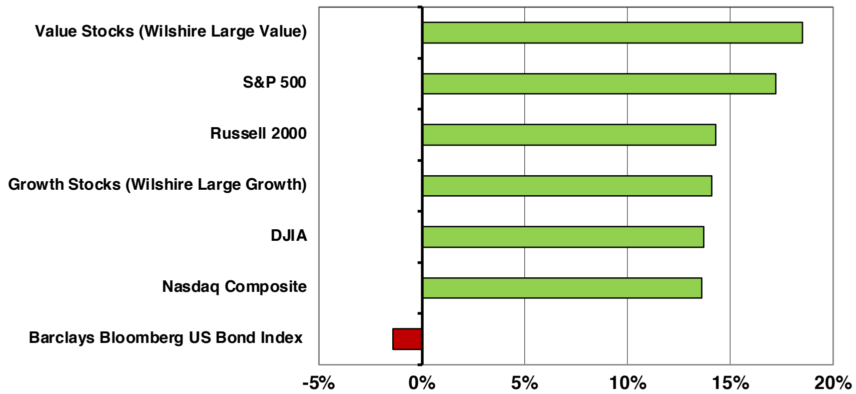
MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500



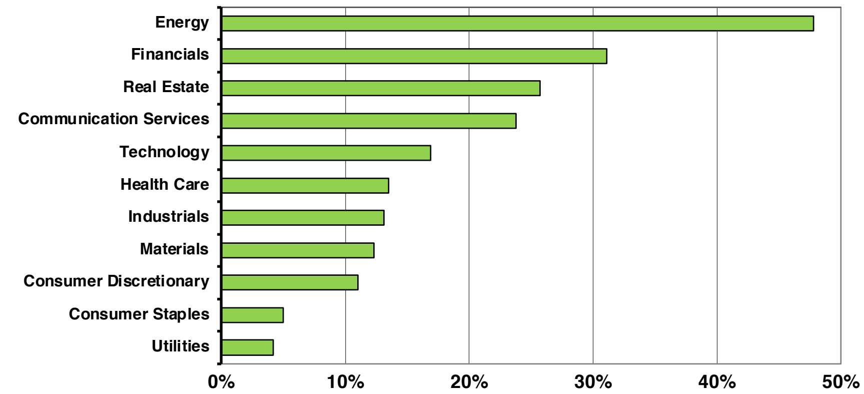
MARKET PERFORMANCE

DATA AS SEPTEMBER 30, 2021

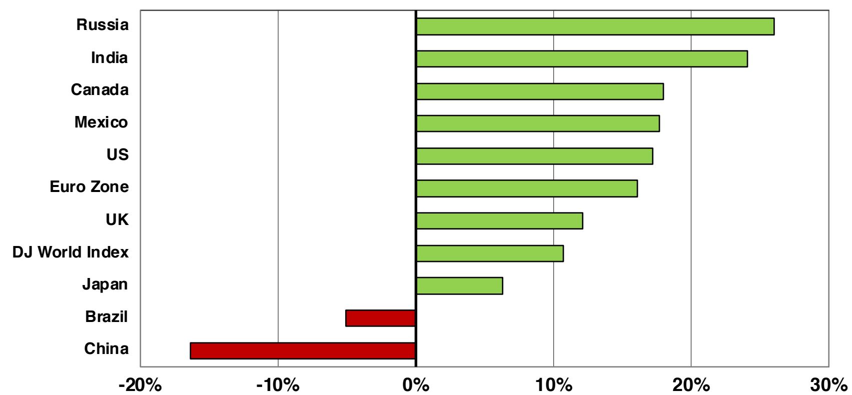
MAJOR INDEX



SECTOR



GLOBAL EQUITY MARKETS



INDUSTRY DYNAMICS

3 separate industries with some overlap

- Telecom
- Media
- Interactive Media – Tech

Business Models

- Telecom – subscriber fees
- Media & Interactive Media – Advertising – growing subscriber fees

Emerging Issues

- Telecom – 5G – Anti-convergence
- Media – Streaming wars – Demise of theatrical?
- Interactive Media – Anti-trust – User data privacy – Societal impact

M & A

- Telecom abandoning media
- Pressure for legacy media to merge or get picked off by tech

BEST PICK — NETFLIX (NFLX)

- **Repeated first mover advantages:**
  - digital streaming video
  - rapid global streaming video expansion
  - move to original content production from licensed content

- **209 million plus global subscribers, far outpacing most of the competition**

- **Post pandemic production ramp filling content pipeline in 2H21**

- **Sticking to its subscriber fee model though with geographic inflections**

- **Expansion opportunity in videogames**

BEST PICK — T-MOBILE US (TMUS)

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- **Sprint merger**
  - provided spectrum backbone for 5G buildout a year ahead of competitors
  - a large customer base
- **Service plan innovations driving customer acquisition**
- **5G may provide new service opportunities**
- **Risk: fallout from August cybersecurity breach**

BEST PICK — ALPHABET (GOOGL)

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- **Global dominance in key markets**
  - digital search
  - Android mobile operating system
- **Competitive in:**
  - short form video (YouTube)
  - public cloud
  - artificial intelligence
- **Wild card – Waymo and the rise of autonomous vehicle tech**
- **Risks: global antitrust actions, user data privacy regulation**

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