THE MONTHLY RESEARCH CONFERENCE CALL

TECHNOLOGY:
NEW CHALLENGES AND OPPORTUNITIES

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WHAT’S NEW AT ARGUS?

- Technology: New Challenges and Opportunities
  - Jim Kelleher, CFA, Director of Research
  - Senior Analyst Joe Bonner, CFA
  - Argus President John Eade

- Argus Quick Notes
  - Corporate Breakup Candidates
  - Energy Sector Values
  - Double-Digit Dividend Growers
  - Top and Bottom Performers of 2021
  - Find these on the homepage of our website

- Argus Dividend Growth Model Portfolio
  - Dividends are a key element of total return
  - Dividend growth signals strong execution, new product success
  - Correlates to strong cash flow growth & total return
  - Find information on the homepage of our website
MACRO FORECASTS

REAL GDP W/FORECASTS (%)

Source: Bureau of Economic Analysis, Argus Research Corp.

TREASURY YIELD CURVE (%)

Year-Ago, Current, 6-Month Forecast

S&P 500 QUARTERLY EARNINGS GROWTH

MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500

Sectors in Green are Recommended Over-Weight; Blue are Market-Weight; Red are Under-Weight
Technology from First to Worst?
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- Tech sector ETF (IYW) outperformed S&P 500 in every year from 2017 through 2021
- In 2022 to date, IYW down 12% vs. 7% benchmark decline
- Growth sectors perceived as sensitive to rising rates
- Strong technology sector 4Q EPS and earnings guidance

Cyclical & Secular Demand Drivers
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- Cyclical – edge device proliferation:
  » Hybrid work & learn, global middle class, content per device
- Secular – massive technological disruption
  » Cloud data center, 5G, AI, IoT, AR/VR, powertrain electrification, autonomous/robotics
NVidia (NVDA)

- Global growth in PC gaming, led by eSports
- Data center revenue up 124% for FY21
- Automotive: autonomous multi-decade opportunity
- Pulled back to fall ’21 levels; growth levers intact
  » Gaming, data center, pro visualization, automotive
- 12-month target price: $280
Apple (AAPL)

- Supply chain impacting sales, but Apple crushed 1Q22 consensus
- Blowout quarter for iPhone, Mac, Services
- China recovery; APPL leads in phone revenue and units
- After sinking to fall ’21 levels, bounced to Dec’ 21 level
- 12-month target price: $180
• Communications Equipment
  • ANET, CSCO, VIAV, MSI

• Semiconductors
  • QCOM, TXN, NXPI, AMD

• Technology Hardware
  • HPQ, IBM, STX, DELL
The Communication Services sector accounts for 10% of the S&P 500

- S&P Comms Index is up 10%, versus 19% for S&P 500 in the last year

Communication Services comprises three separate but overlapping industries

- Interactive Media
- Telecom
- Media

Factors Driving Performance in Communication Services

- Digital streaming video becomes core business
- Advertising recovery
- Telecom – 5G – a slow start but building

Emerging Issues

- Mergers & Acquisitions changing competitive landscape
- Interactive Media – Anti-trust – User data privacy – Societal impact
- Media – Streaming wars – Demise of theatrical?

We recommend investors Market-Weight the Communication Services sector
Electronic Arts (EA)

- Iconic videogame maker
  - FIFA
  - Pepsi to Activision Blizzard’s Coke

- Microsoft/Activision Blizzard deal puts EA in play

- EA is expanding into fast growing mobile videogames and new geographies

- 12-month target price: $161
Alphabet (GOOGL)

- Global dominance in key markets
  - Digital search
  - Android mobile operating system

- Competitive in:
  - short form video (YouTube)
  - public cloud

- Risks: global antitrust actions, user data privacy regulation

- 12-month target price: $3,100
- T-Mobile (TMUS) -

- Sprint merger
  - provided spectrum backbone for 5G buildout a year ahead of competitors
  - a large customer base pool

- Service plan innovations driving customer acquisition

- 5G may provide new service opportunities

- 12-month target price: $165
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