

MONTHLY RESEARCH WEBINAR

TRENDS IN ON-SHORING

Moderator:

Jim Kelleher, CFA

Director of Research

May 3, 2023

■ Trends in On-Shoring

- Jim Kelleher, CFA, Director of Research
- John Eade, Argus President

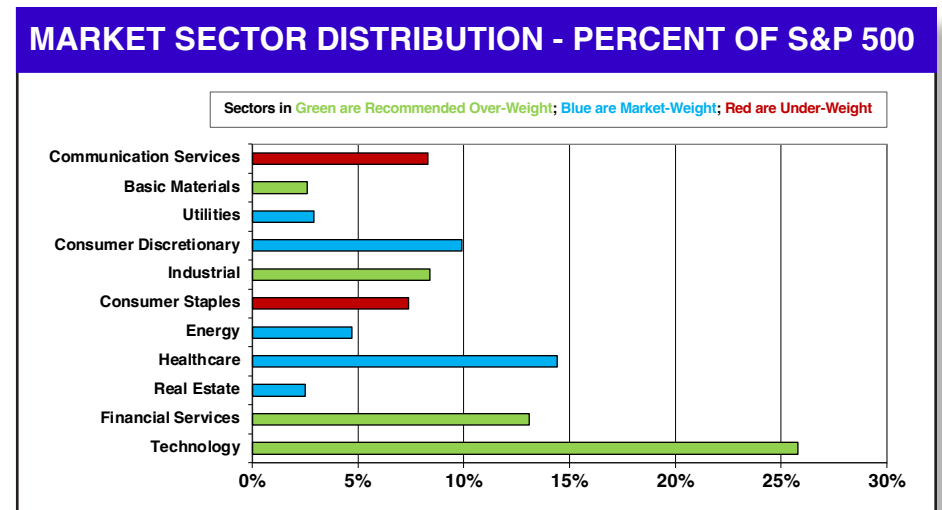
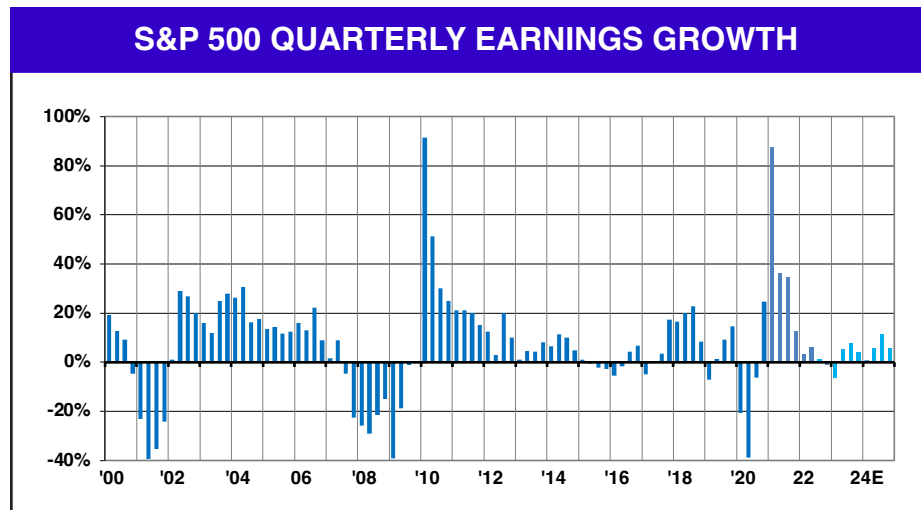
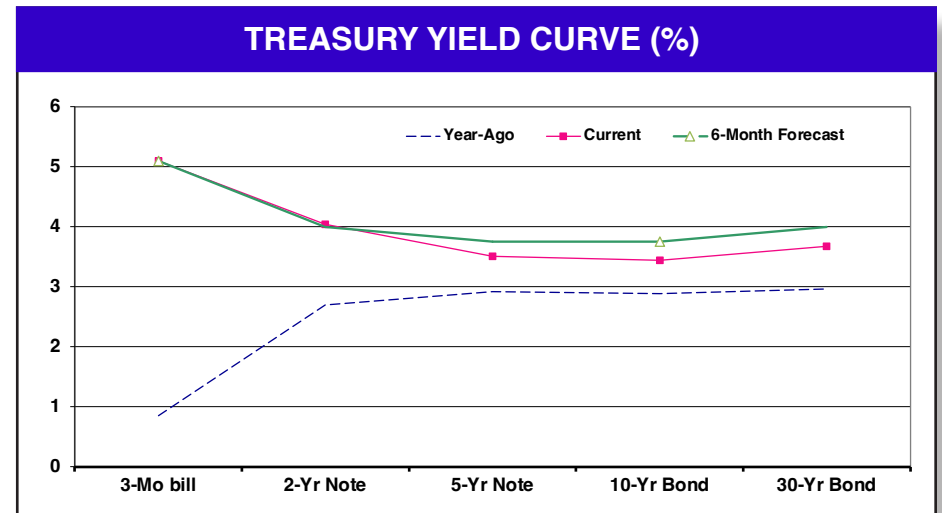
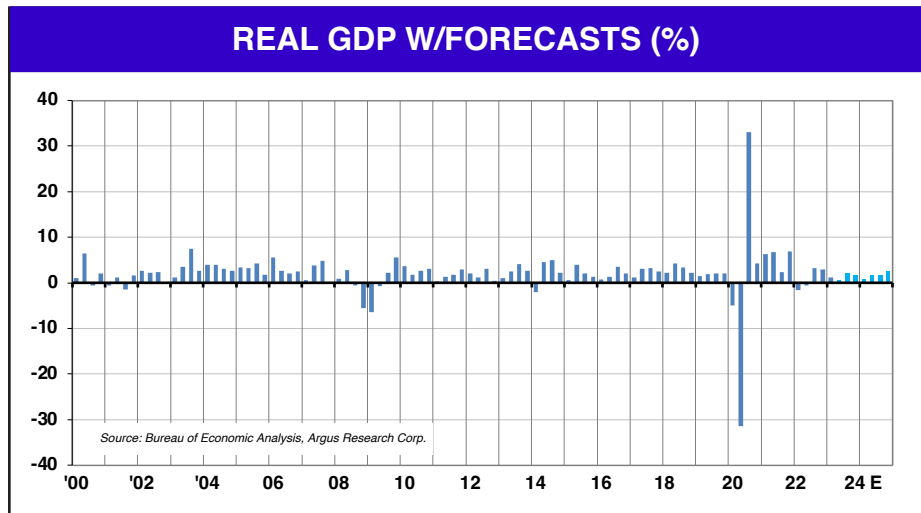
■ Argus Quick Notes

- Target Price Increases in April
- Rolling the Dice on Gaming Stocks
- Our Favorite Tech Stocks
- Johnson & Johnson

■ Portfolio Update: the Argus Innovation Model Portfolio

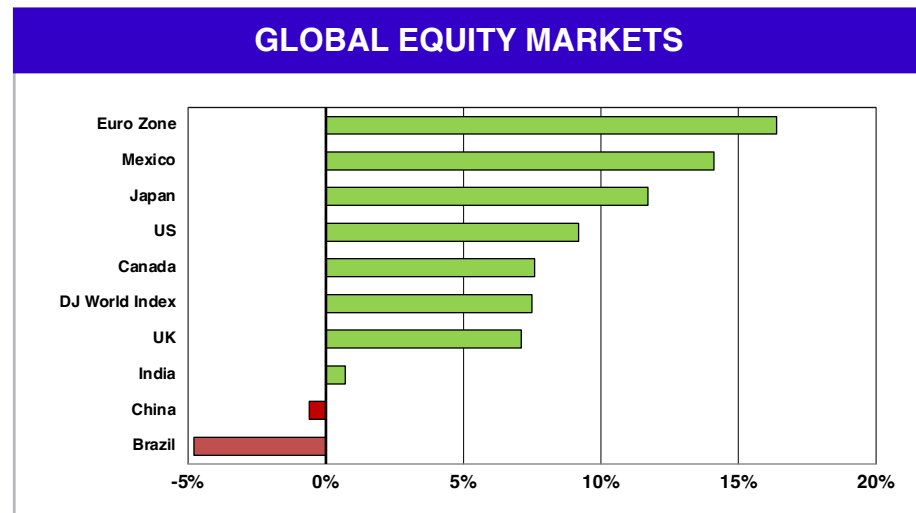
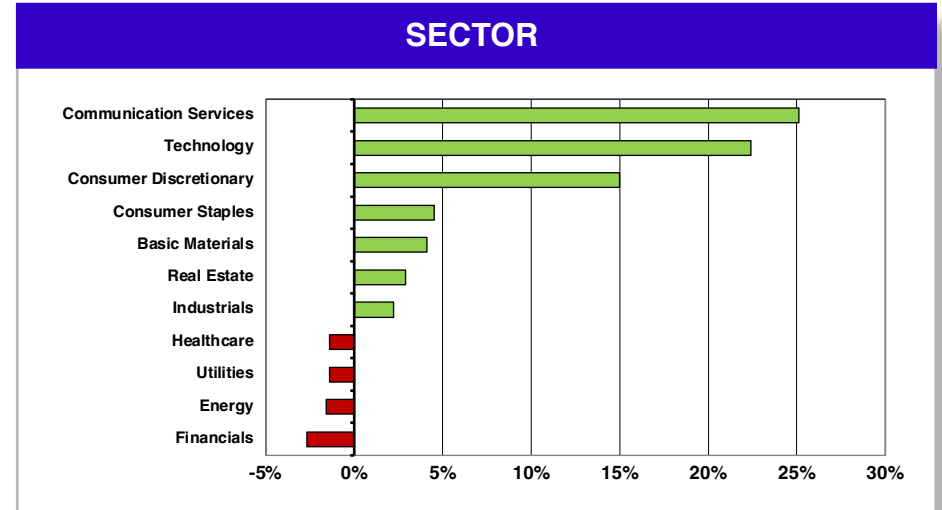
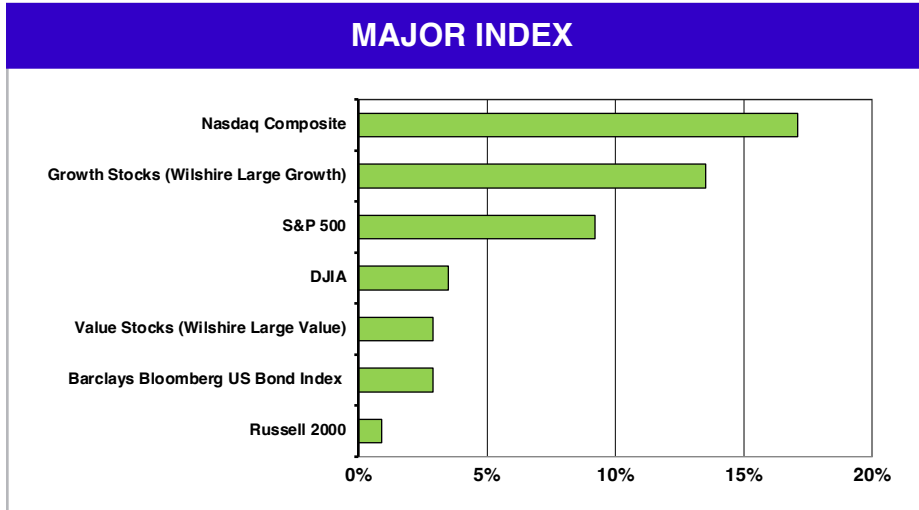
- Innovation is the life blood of the US economy
- As low-tech goods move offshore, high tech drives expansion
- Innovators: First to market, product perfectors
- Innovators: Disruptors, new product specialists
- Find the Argus Innovation MP on the homepage of our website

MACRO FORECASTS

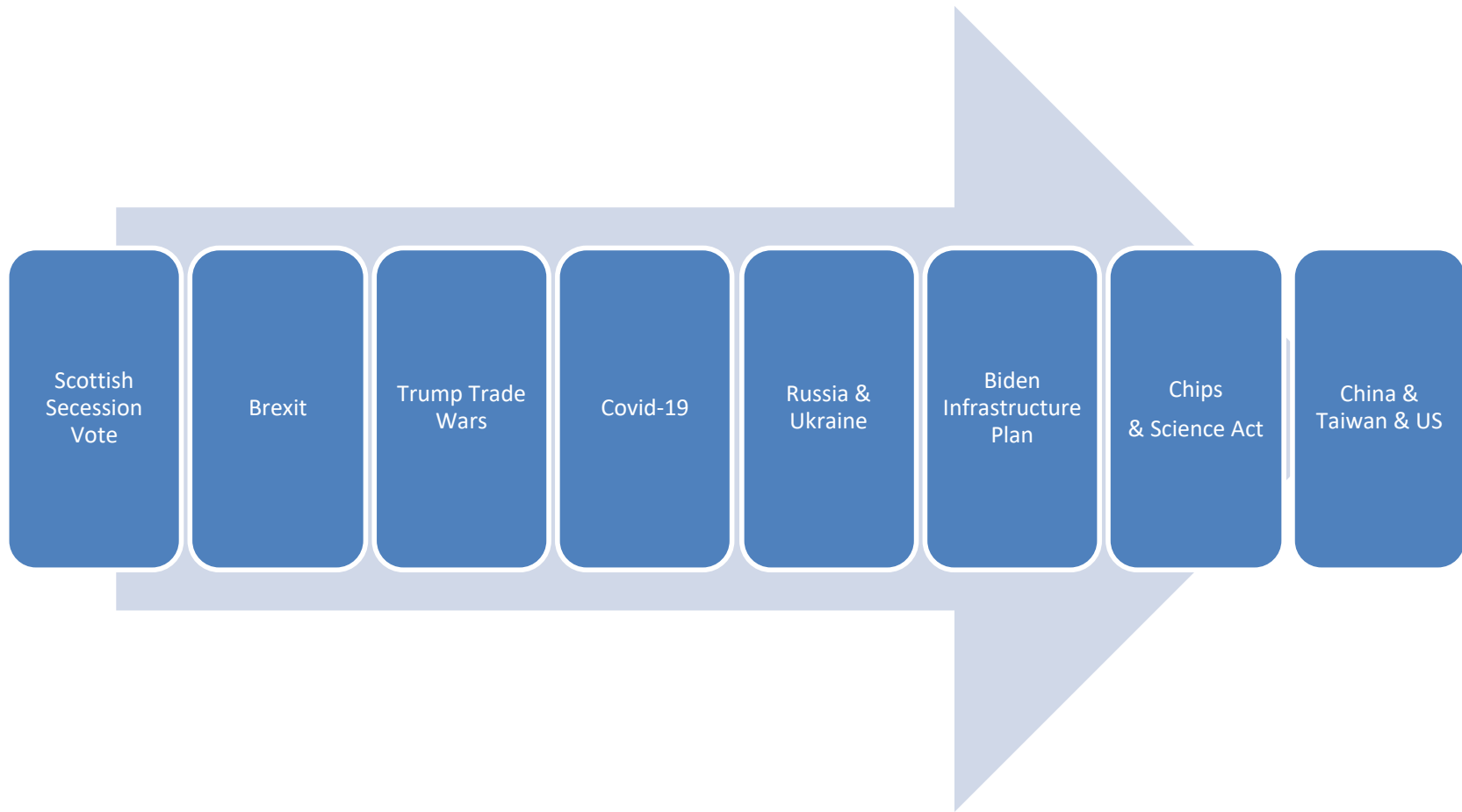


MARKET PERFORMANCE

DATA AS APRIL 28, 2023



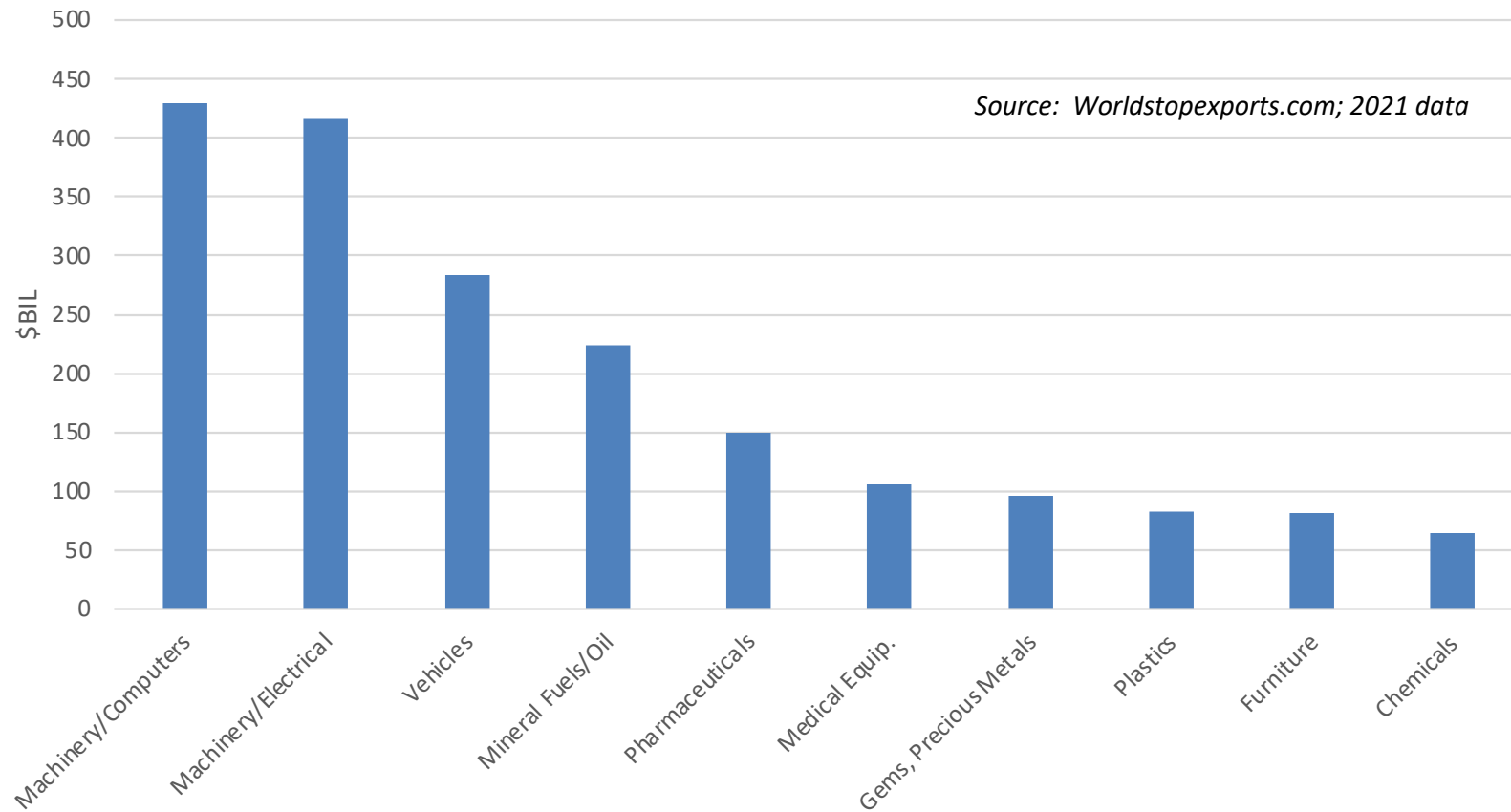
DE-GLOBALIZATION TIMELINE



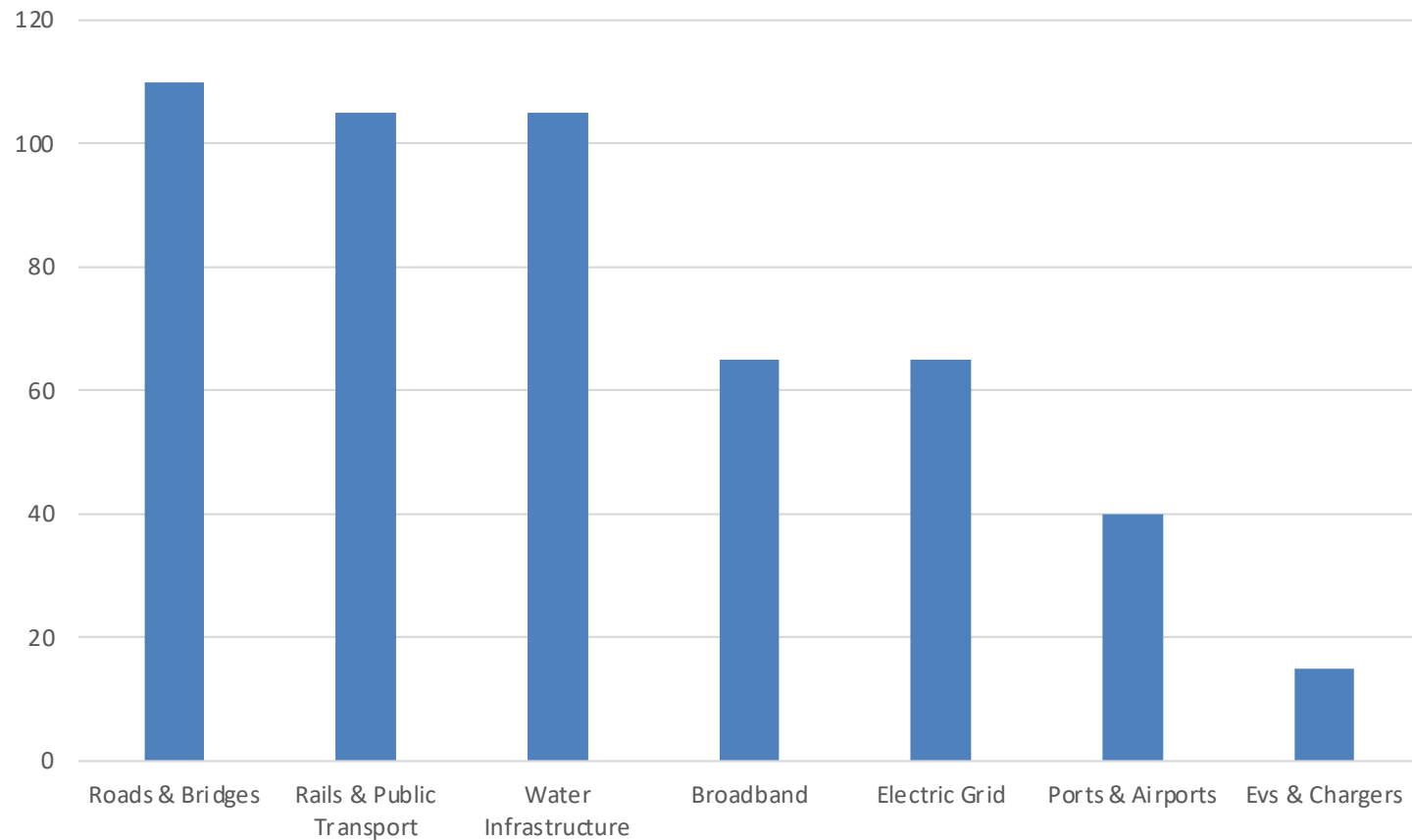
LARGEST U.S. IMPORT CATEGORIES



TOP 10 IMPORTS TO US



INFRASTRUCTURE INVESTMENT & JOBS ACT



- **Nucor (NUE), US Steel (X) & Cleveland Cliffs (CCL)**
 - Provide steel for rebuilding

- **Caterpillar Inc. (CAT)**
 - Early stage beneficiary; smoothing out EPS w services; dividend hike

- **Deere & Co. (DE)**
 - Recent acquisition of construction equip. manufacturer; targeting higher margins

- **United Rentals (URI)**
 - Early stage beneficiary; new dividend, consistently raising guidance

- **Old Dominion Freight Lines (ODFL) & JB Hunt Transport (JBHT)**
 - 2 leaders in a fragmented industry; ODFL pure-play trucking; JBHT more diversified

- **Cummins (CMI) & Paccar (PCAR) & Eaton (ETN)**
 - The engines, transmissions and truck manufacturers; shifting green

- **Union Pacific Corp. (UNP)**
 - Activist investor is pushing out CEO; long the low-cost operator in industry

- **CSX Corp. (CSX)**
 - Activist investor has already pushed out CEO; targeting higher margins

- **Norfolk Southern Corp. (NSC)**
 - Too many derailments, earnings under pressure

- **UPS (UPS) & Fedex (FDX)**
 - Activist investor at FDX, focusing on stock returns; new CEO at UPS growing dividend

- **JB Hunt Transport (JBHT)**
 - Leader in Intermodal transport

- **Cummins (CMI) & Eaton (ETN)**
 - Bus operations including engines, transmissions, hydraulics

- **Xylem Inc. (XYL)**
 - Closest to a pure-play; Infrastructure, Services, Measurement & Control

- **Badger Meter Inc. (BMI)**
 - Water meters to utilities; growth via acquisition

- **Roper Technologies**
 - Diversified IT company with metering products to utilities

- **Republic Services (RSG)**
 - Saltwater disposal, wastewater disposal

- **American Water Works (AWK) & Essential Utilities (WTRG)**
 - Publicly traded utilities

- **Quanta Services (PWR)**
 - Electric Power Infrastructure, communications, renewable energy industries

- **Jacobs Solutions Inc. (J)**
 - Well-positioned for Energy, Water, Semiconductor, EV, Defense

- **Eaton Corp. (ETN)**
 - Utility & grid solutions, EV charging, energy storage systems

- **General Electric (GE)**
 - Vernova subsidiary to be spun off next year: Renewables, Power, Digital, Financial

- **3M Corp. (MMM), Emerson Electric Co. (EMR)**
 - Earnings Quality issues

- **NextEra Energy (NEE), American Electric Power (AEP), Edison Intl. (EIX)**
 - Most benefit to utilities with generation capacity and focus on Electricity, vs Nat Gas

- **Ford Motor Co. (F)**
 - Investing \$50B through 2026; production target 2 mil units by 2036; very aggressive

- **General Motors (GM)**
 - Investing \$35B through 2025; production target 1 mil units by 2025; aggressive

- **Tesla (TSLA)**
 - Plans to increase production 50%/year; 20 mil units target by 2030; 1.2 in 2022

- **Aptiv Inc. (APTV)**
 - Supplier focused on safety, electrification, autonomous driving

- **Vontier Corp. (VNT)**
 - Legacy service station supplier; in right place to aid transition to electrification

- **Albemarle Corp. (ALB) & Livent Corp. (LTHM)**
 - Lithium leaders; LTHM a potential takeover candidate

- **Alcoa Inc. (AA), Freeport McMoRan (FCX) & Rio Tinto (RIO)**
 - Most exposure to copper, aluminum, bauxite

- **AT&T (T) & Verizon (VZ)**
 - PON (last-mile optical broadband), 5G leaders strengthen US business edge

- **Corning (GLW)**
 - Optical cable & fiber and connectors for Connect America rural broadband program

- **Ciena (CIEN)**
 - US leader in optical transport & switching; in-sourcing more design, testing, etc.

- **American Tower (AMT)**
 - Vendor-agnostic tower company promotes 5G proliferation

- **Broadcom (AVGO)**
 - Leader in data center interconnects (DCIs); supporting US dominance in AI Cloud

- **Qualcomm Inc. (QCOM)**
 - Enabling connected/digitized healthcare, IoT, automation

- **Texas Instruments (TXN)**
 - Investing \$30 billion to add new fabs in Richardson TX and Sherman TX

- **Analog Devices (ADI)**
 - 70%-plus of revenue from industrial/auto; modernizing US OEMs

- **NXP Semiconductors (NXP)**
 - #1 in auto electronics, helping Detroit go EV and EVx (hybrid)

- **Intel Corp. (INTC)**
 - Investing \$44 billion in OH (up to 8 new fabs), AZ (2 new fabs), NM

- **Micron (MU)**
 - Investing \$15 billion in Boise ID fab (first new US memory fab in 20 years)

- **Taiwan Semiconductor Mfg. (TSM)**
 - Within \$150 billion-plus 20-year plan, new fabs in Taylor TX and Phoenix AZ

- **Applied Materials (AMAT)**
 - \$3 billion (12% of total) in FY22 WFE sales to US, up 52% from FY21 (9% of sales)

■ Equinix Inc. (EQIX)

- REIT gets credits for data center sustainability already; wind farms; focus on water

■ Carrier Corp. (CARR)

- HVAC 65% of \$20B rev; recently spun from UTX

■ Trane Technologies (TT)

- 7% rev growth, regular margin improvement, cash flow high, consistent div grower

■ Johnson Controls Inc. (JCI)

- Buildings solutions 2/3 of \$25B rev; control, security, fire systems

■ Generac Corp. (GNRC)

- Generators, transfer switches, water pumps, EV charging solutions (new); 40% C&I

■ Otis Elevator Inc. (OTIS)

- Services 55% of \$14B rev; goals – msd rev, 40bps margin/year, dd EPS growth

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