

## TMT Coverage

### Week of September 20, 2021

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#### iShares US Technology ETF (IYW)

Current Price (as of September 22, 2021): **\$106.82**

Price Change (over the last week): **+2.37%**

#### Sector News:

This week the iShares U.S. Technology ETF climbed its way out of a slight dip which began to take place at the end of last week. IYW was able to end the week on a decent note with some gains over last week, and this was also the case for most of the tech firms held in IYW except for a few. It should be noted that IYW has its largest weight in firms such as Apple, Microsoft, Alphabet, Facebook, and Nvidia; combined, these firms make up a majority (over 50%) of the ETF's holdings.

#### Apple:

- AAPL's share price is still dealing with a turbulent September following the results of their lawsuit with Epic Games, in which neither side had a complete victory.
- Though most of this week's spotlight has been on AAPL's recent flagship event, there has also been some focus on a leaked memo from CEO Tim Cook this week which centers on his displeasure and hard stance on employees leaking company memos.

#### Microsoft:

- Microsoft released its final version of its latest operating system, Windows 11 to testers.
  - Windows 11 is set to fully release in October.
- Microsoft held an event this week for its Surface product line- showcasing many upcoming Surface products.
  - Reception was lukewarm but the market reacted positively.

#### Alphabet:

- Alphabet's investment division had a great week..
  - Freshworks, a software company Alphabet's investment division had invested \$87 million in, saw its stock rise by 30% which resulted in Alphabet's position growing to about \$900 million.
  - Alphabet also made some gains with the IPO of restaurant-tech firm Toast. Though exact numbers haven't been released, we know Toast has been valued at about \$30 billion and Alphabet invested at a valuation of under \$100 million.

#### Facebook:

- FB stock dropped this week after publishing an update to investors detailing the harmful effects Apple's privacy changes will have on its advertising business.

- Though not a surprise, the update essentially tells investors that the impact will be worse than what was originally thought during its previous warning last quarter.

Nvidia:

- A recent forecast from International Data Corporation on the semiconductor industry highlighted some bright prospects for Nvidia- driving NVDA prices upwards.
  - According to this report, chip sales that grew 11% last year and 17% this year aren't likely to slow down anytime soon.
  - It's also estimated the current semiconductor shortage will mainly be gone by mid 2022.
- China has announced that it will be outlawing cryptocurrencies transactions.
  - The news led to a dip in NVDA's share price this friday- see the next section for some more discussion into this.

### **Analysis:**

Though the tech sector had a pretty solid week overall in terms of growth, it should be remembered that September has been turbulent for a lot of different tech giants (mainly Apple, Facebook, and Nvidia come to mind). Thus, much of the 'gains' that were experienced this week by tech companies could be perceived as the stocks trying to bounce back or stabilize themselves after experiencing some hectic ups and downs.

As of this morning, it was announced by Chinese government agencies and the People's Bank of China that all cryptocurrency-related business in the country is now illegal. Though this was seen by many as inevitable considering the country's recent crackdown on cryptocurrency-related activities, this official (and speedy) announcement still drove down the value of not only cryptocurrencies themselves, but also firms like Nvidia and AMD which make products used in cryptocurrency mining. The impact of this announcement isn't just on share prices though- many believe that the banning of crypto in China will help the current graphics card and semiconductor markets stabilize themselves in terms of supply (the reasoning for the latter being that many chips are used in graphics cards which are required for crypto mining).

The news is still relatively fresh, and so the gist of this news is that this week will have ended with companies that are involved in the cryptocurrency space (like Square, Coinbase, Nvidia, and AMD) seeing their share prices fall. I'm curious if this fall will continue coming next week or if things will stabilize themselves- stay tuned for next week's coverage to find out! As for the ETF itself, I recommend we hold as we wait for the tech sector to sort itself out.

**Recommendation: Hold**

- Juan Meza

## **Invesco Dynamic Media ETF (PBS)**

Current Price (as of September 22, 2021): **\$55.67**

Price Change (over the last week): **+4.58%**

### **Sector News:**

This week the Invesco Dynamic Media ETF continued its week-after-week climb in share price. PBS ended this week with some gains from the previous week, and this is also the case for most of the ETF's holdings. It should be noted that the Invesco Dynamic Media ETF has its greatest weight in holdings such as Match Group, Netflix, Spotify, Twitter, Alphabet, Disney, Pinterest and Facebook. Combined these holdings make about 40% of the ETF's total holdings. For a look into what happened with Alphabet and Facebook this week please refer to my brief section on them in my coverage of IYM. For Disney, refer to our analyst Nofar Katzav's detailed coverage.

#### **Match Group:**

- MTCH announced on Wednesday that it's planning to offer \$500 million of 10-year notes in a private offering. Proceeds will be combined with the proceeds of other deals to repurchase 0.875% exchangeable senior notes that mature in 2022 and for general corporate purposes.

#### **Netflix:**

- Netflix VP of Communications Richard Siklos has announced that he's leaving the company.
  - Siklos had been a key public figure for Netflix since 2017. This follows a recent trend of many execs at Netflix leaving the company, especially those in the TV group.
- NFLX has announced the acquisition of the Roald Dahl catalog- presumably its largest acquisition yet.
  - A subset of the catalog, which features many popular titles such as Charlie and The Chocolate Factory, Matilda, and The BFG, has previously cost NFLX \$100 million to license.
  - Though we don't know exactly how much NFLX spent for the entire catalog, it is speculated to rank as its largest.
  - This acquisition is NFLX's latest move in the ongoing video streaming wars.
- The second season of the hit Netflix show Tiger King has been announced.

#### **Spotify:**

- SPOT ended this week in the red, though the only news relating to it this week involved the acquisition of an exclusive podcast from Lauren Simmons, NYSE's youngest-ever trader.
- TMT is actually planning on pitching SPOT this upcoming week. Given its current low market valuation, we're excited to pitch to all of you a long-term SPOT investment.

Twitter:

- The biggest news this week with Twitter involved the company's announcement that it will be adding a new tipping feature onto its platform, and it'll even support Bitcoin.
  - This announcement had a positive effect on the value of both TWTR and Bitcoin.
  - The tipping feature came as a surprise to many users, and is meant to allow users to tip some of their favorite content creators.
    - In my opinion, this feature sets TWTR up to compete with online platforms that rely on content creators including Patreon and... *other* tipping-and-subscription-based online companies.

Pinterest:

- Unfortunately for Pinterest, much of the reason why it was in the news this week centered on suspected on-the-run murderer Brian Laundrie, who turned out to be a very active Pinterest user.
- In more light-hearted news, it was recently found that 80% of Pinterest's trend predictions for 2021 came true.
  - This has stirred a bit of buzz into their next annual 'Not-Yet-Trending Report', and is a good look for the company as a notable chunk of their revenue comes from advertisers.

### **Analysis:**

PBS has been doing pretty well these past few weeks- it's been showing consistent solid growth and in my opinion generally seems to be a pretty reliable holding for the fund. It also holds some unique companies like MTCH, NFLX, and SPOT. Invesco states that a vast majority of PBS holdings (about 90% of them) are in the "Communications Services" sector, which includes companies like Fox Corp and Viacom but also includes companies like Alphabet and FB which, though they obviously operate within the sector, in my opinion shouldn't be included as they are usually known for other services (especially Alphabet given how many different sectors they operate in). Either way, I see no reason why the fund shouldn't hold onto PBS; I know we're thinking about getting rid of some ETFs but PBS shouldn't be one of them. That being said, if I had to make a decision between keeping and letting go of IYW or PBS, I would probably need some time to think about it and it would likely come down to the current composition of TMT's holdings.

### **Recommendation: Hold**

- Juan Meza

## **Walt Disney Co (DIS)**

Current Price (as of September 22, 2021): **\$176**

Price Change (over the last week): **-2.08%**

### **Company News:**

There was a warning from the CEO Bob Chapek about the growth of the subscribers. Chapek said that Disney+ and its international equivalents would add "low single-digit million" subscribers in the current quarter, which is Disney's fiscal fourth.

In comparison during the fiscal third quarter there were 12.4 million additional subscribers, and Wall Street analysts were looking for a number mostly in the low and mid-teen millions before Chapek's remarks, according to FactSet. Disney+ had 116 million subscribers globally at the end of June.

Credit Suisse's Douglas Mitchelson got right to the point in a report on Wednesday: "Disney lost \$14 billion of market cap on Tuesday, almost entirely when CEO Bob Chapek made his business update commentary. That amounts to \$5 million for every Disney+Hotstar subscriber we removed from our model, subscribers that are clocking in at \$0.45/mo of subscription revenue."

The fiscal fourth quarter revenue forecast is expected to be \$4 million lower for this year. For 2022 the revenue is expected to be \$16 million lower than expected. The earnings per share are expected to remain about the same and the target price is \$218.

Disney's long term goal is to have 230 million to 260 million subscribers by the end of 2024. They would like to have 30-40 percent of their subscribers to be Disney+Hotstar watchers. The CEO made it clear that the subscriber growth won't be linear and that the investors should expect to see some unpredicted and rapid change in the numbers each quarter.

### **Industry Info:**

Disney is different from Netflix such that its services come in different bundles and under different brands in different markets. Disney+, Hulu, and ESPN+ are U.S. offerings, while Disney+ in Europe and Canada includes an additional channel with Hulu-like content.

Because of Disney's competition and the recent uncertainty in growth of subscribers, Disney's long term streaming outlook is being frequently watched and debated. The stock price is

expected to be impacted by these minor shifts in results. Thus, Disney+ is not expected to hit the high predicted expectations for each quarter.

The Walt Disney co-owned streaming service, Hulu, raised prices for its two on-demand streaming options by \$1 each, beginning Oct. 8. Hulu will charge \$6.99 a month for its option that includes ads, and \$12.99 a month for its ad-free version. Hulu's Live TV service and the Disney bundle that includes Hulu with ads, Disney+, and ESPN+ remain unchanged.

**Analysis:**

Even though there is some reduction in the projection for new subscribers, the analyst target price is about \$217.84 per share which is a 25.45% upside from where we are today. As the world continues to recover from covid and the delta variant, the Disney Parks will continue to do better. In addition, the slowing growth of subscribers will not change my view of the positive outlook of this company. Thus, I suggest holding the stocks.

**Recommendation: Hold**

- Nofar Katzav

## **Sony Group Corp (NYSE: SONY)**

Current Price (as of September 22, 2021): **\$117.61**

Price Change (over the last week): **+8.00%**

### **Company News:**

Sony recently signed a deal for its Indian segment to acquire Zee Entertainment Enterprises Ltd (NSE: ZEEL), India's largest public television company. The announcement caused ZEEL's stock to rise 32% and SONY's to rise 6.5%. Sony's India segment will own 53% of the merged company and the rest will be owned by ZEEL shareholders. The deal is contingent upon 75% approval from ZEEL shareholders. The two companies are entering a 90-day talk period.

Many of SONY's anticipated Playstation exclusives are delayed until next year but its fall release schedule includes an action game, Kena: Bridge of Spirits, made by Ember Lab, a small developer that has never released a game before. Historically, SONY's developers have released multiple games and have had a proven track record.

### **Industry Info:**

The video game industry's revenue is expected to grow 7.1% annually to \$94.3B through 2025. Currently, gaming console producers tend to price consoles under manufacturing and marketing costs with the hope that subscriptions and games will provide further revenue. This strategy has stalled growth in video game companies including Sony and Microsoft that are competing intensely.

The movie and video production industry's revenue is expected to grow 4.3% annually through 2026. Additionally, movie theater demand is expected to grow 21.8% annually through 2026.

### **Analysis:**

New announcements such as the ZEEL acquisition propose potential new catalysts going forward. Sony's media segment will gain more viewership from having India's largest public television company under its India unit. As Playstation content rolls out in the fall and continues into next year, there is much revenue to be earned which will complete Sony's strategy of underpricing its gaming consoles for future subscription and gaming earnings. There is also much intellectual property in Sony's games and media which will create value as recognition increases. Looking at the original catalysts, there is still much value to be made from Sony's image sensors and its contracts with camera and smartphone manufacturers. Overall, the combination of original catalyst and new announcements present much potential for future value.

### **Recommendation: Hold**

- Rohan kohli

**Intuit Inc. (INTU)**

Current Price (as of September 22, 2021): **\$577.92**

Price Change (over the last week): **+4.70%**

**Company News:**

On Thursday (09/22/21), Intuit announced the launch of Intuit Ventures – a corporate venture capital program. The aim of this program is to invest in Stage B and C companies that are solving small businesses and consumers' biggest problems. The areas of interest for Intuit include fin-tech, virtual expertise, consumer finance, AI services and cryptocurrency.

The previous week, Intuit started its corporate venture arm by buying Mailchimp for 12 billion dollars. The stock, as a result of this purchase, got a 7% bump over the last month to \$570.00. The launch of the new corporate venture program 'Intuit Ventures', this week caused the stock price to rise further by 2.59% to \$577.37.

This week the company also cleared its first investment in Clearco, a stage-C company that offers its customers fair and fast capital along with the guidance and financial expertise to scale their businesses.

**Industry Info:**

The overall boom in the US economy in 2021 has shifted more and more customers to Intuit's Quickbooks cloud service which helps consumers to efficiently calculate their tax, accounting and payment processes. Since the cloud service - specifically Quickbooks and TurboTax doesn't have direct competitors (closest would be the Sage Group who are focusing more on building a financial platform to fit their global expansion strategy), Intuit has been able to capture most of the market.

Even though Intuit is late to get into the corporate venture area, their investments in Clearco and Mailchimp show that they are gearing toward expanding their platform of financial services and are reaching into marketing platforms.

**Analysis:**

Overall, it has been a strong week for Intuit, they have launched their Venture Capital arm and are looking to make some promising investments in pioneering fields such as AI and consumer finance. I anticipate that they will make many more investments in the coming weeks into Stage

B and C companies and startups as they aim to expand their own platform of services, as shown by their investment in Clearco. Out of Intuit's competitors, they have had the most eventful week as they have joined the VC space.

Recommendation to hold Intuit is based on their strong earning performance in Q4 and based on its new venture capital arm, which even though is late to market, has already started making investments and is looking to expand its reach further.

**Recommendation: Hold**

- Aarav Tanti

## **VMware Inc. (VMW)**

Current Price (as of September 22, 2021): **\$145.56**

Price Change (over the last week): **+5.80%**

### **Company News:**

#### Q2 Earnings

- Revenue (\$3.14B) in line with Street estimates
  - Licensing revenue was up 3% (738M) and ahead of the Street consensus of \$699M
  - Subscription/SaaS ie. their cloud services were up 23% (\$776M) but not in line with Street consensus of \$790M

As part of VMware's goal to become the world's primary multi-cloud software, CEO Raghuram says the bulk of their M&A activity will come from acquiring "small, tiny tuck-ins" of companies that will expand their multi cloud portfolio. With the spinoff from Dell, VMware's capital structure has become more flexible, allowing them their future M&A presence to pick up.

US Marshall's services has included VMware Cloud on AWS GovCloud service as part of its multi cloud strategy. This allows US public sector agencies to securely run applications across private, public and hybrid cloud environments. The VMware Cloud service operates in the AWS GovCloud (US-West) region. This will also make it easier for agencies to move their highly sensitive workloads and applications to cloud environments.

### **Industry Info:**

There's a new partnership between Red Hat and VMware rival Nutanix around hyperconverged infrastructure and Kubernetes to deliver open hybrid multi cloud solutions. According to CEO Raghuram, it's not a concern due to VMware's portfolio breadth - customers can use one platform for not just OpenShift (Red Hat product), but for Tanzu (VMware product), for their AI applications, for their SAP applications, etc making them the best platform to run OpenShift.

### **Analysis:**

Despite falling slightly short of the Street's expectations, all segments of VMware's revenues have increased significantly. As cloud continues to become the next big thing, VMware is adequately positioned to take advantage of this growth, supported by their expected M&A activity, and partnerships with the US government. There is competition in the space, but VMware is still much ahead of its competitors in terms of its breadth of product offerings. Based on this, I believe VMware is a hold.

### **Recommendation: Hold**

- Rishika Gogineni

## **Intel (INTC)**

Current Price (as of September 22, 2021): **\$54.22**

Price Change (over the last week): **+1.90%**

### **Company News:**

This week Intel, Apple, and carmakers attended virtual white house meetings to discuss chip shortages. Intel and TSMC announced plans to ramp up chip production with new U.S.-based plants but it will take years for new semiconductor plants to ramp up to full production. But in the meantime legislators are funding plans to offer grants to chipmakers to expand or build new factories (waiting for congressional approval)

On Friday Intel Corp broke ground on 2 new factories in Arizona as part of its plan to become a major manufacturer of chips for outside customers. Their 2 factories Fab 52 and Fab 62 will bring Intel factories in Arizona to the total of 6. The new factories will help them in their efforts to regain its lead in making the smallest, fastest chips by 2025.

Intel's NUC 11 Extreme (Beast Canyon) NUC has gone up for purchase on Amazon. The barebone kit sells for \$1,769.95.

### **Industry Info:**

Intel is a leader in its industry but competition is fierce. Intel is working to lose leadership on manufacturing and process nodes. They are losing market share to AMD. Nvidia challenges Intel for AI advantage. Intel's competitor TSMC has also purchased land to build its first U.S. campus in Phoenix.

### **Analysis:**

I believe that we should hold Intel. This week Intel's stock prices decreased to \$52 in the beginning of the week but bounced back to \$54. I believe that this is mainly due to the fact that they are making progress in developing new chips and opening new factories that can only help them against their competitors. With the recent news of a chip shortage I believe that Intel will play a big role in helping the US increase chip production. These new factories can only help them in the long-term which is why I believe that we should continue to hold Intel. However, in the following weeks we should look out for their competitors TSMC, AMD, and Nvidia because they are also making headway in producing chips.

### **Recommendation: Hold**

- Selena Pan