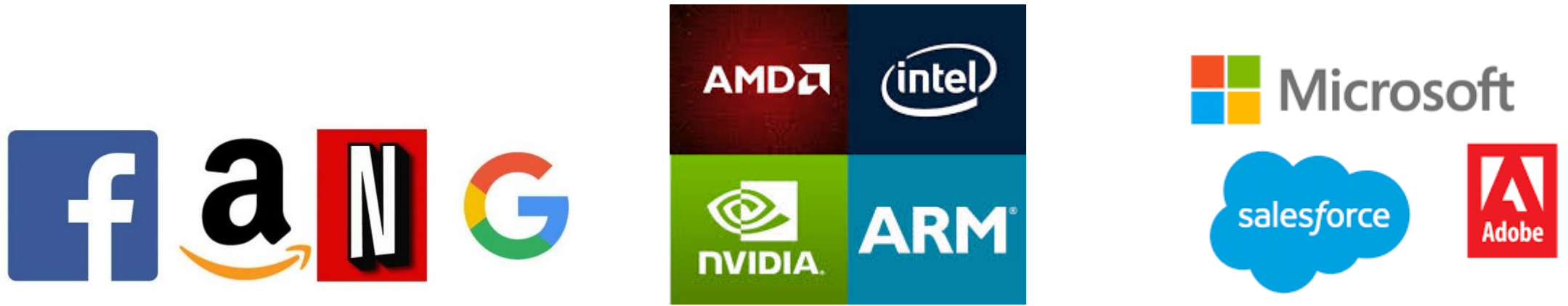


2021 TMT Outlook



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Topics of Discussion

- ❖ Trading Update
- ❖ TMT Sector Rundown: 2021 Portfolio Construction
- ❖ Single Stock Sentiment and Positioning
- ❖ Stock Picks & Favorite Names
- ❖ Q&A

TMT Sector Rundown: 2021 Portfolio Construction

2021 Portfolio Positioning

Continue to Favor Semis. Increase Exposure to Large Cap Tech/MFAANG

- Semiconductors continue to remain my preferred sub-sector across all of tech. Analog remains the favorite in the context of a cyclical recovery but Data Center should still be strong into 2021
- Large Cap Tech + MFAANG have been sources of funds...perhaps setting up for outperformance?

Cautious on High Growth Software. Remain Highly Selective, Prefer 'GARP' + Cyclical Software

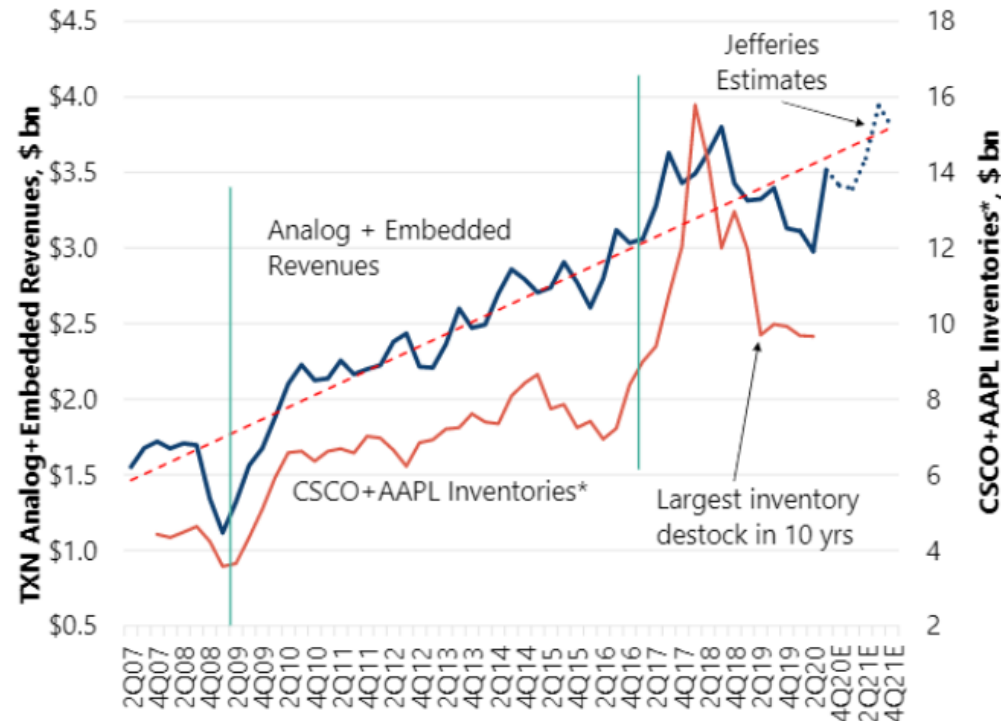
- With a steepening yield curve + infrastructure stimulus under the Biden administration, is high growth software vulnerable? Remain highly selective given unwind/rotation potential but COVID-19 driven disinflationary forces and accelerating digital transformations may act as a put for the group
- There are also multiple cyclical ways of playing software (Back Office, SMB, Technical/Design)

Don't forget about WFH Winners but raise the bar as the group 'comps the comp'

- Recent outperformance of WFH beneficiaries while the market looks for reopening/reflation trades is a bullish signal of market breadth
- Own Best of Breed names where structural changes can help overcome the inevitable 2021 deceleration

Semis: Stay the Course. Remain Bullish

Chart 1 - TXN Revenues and CSCO+AAPL Inventories



Source: Jefferies, company data. *CSCO+AAPL include CSCO and AAPL inventories and CSCO purchase commitments

Analog: Lean inventories and healthy sell-through should continue to power the sector through 2021

Data Center / Server/ CSPs: Extended visibility into 2021 as CSPs provide supportive backdrop with strong CapEx Outlooks

Mobile: 5G Sell-Through remains healthy, VOX/China demand remains robust although some concerns on potential for a 2021 inventory correction

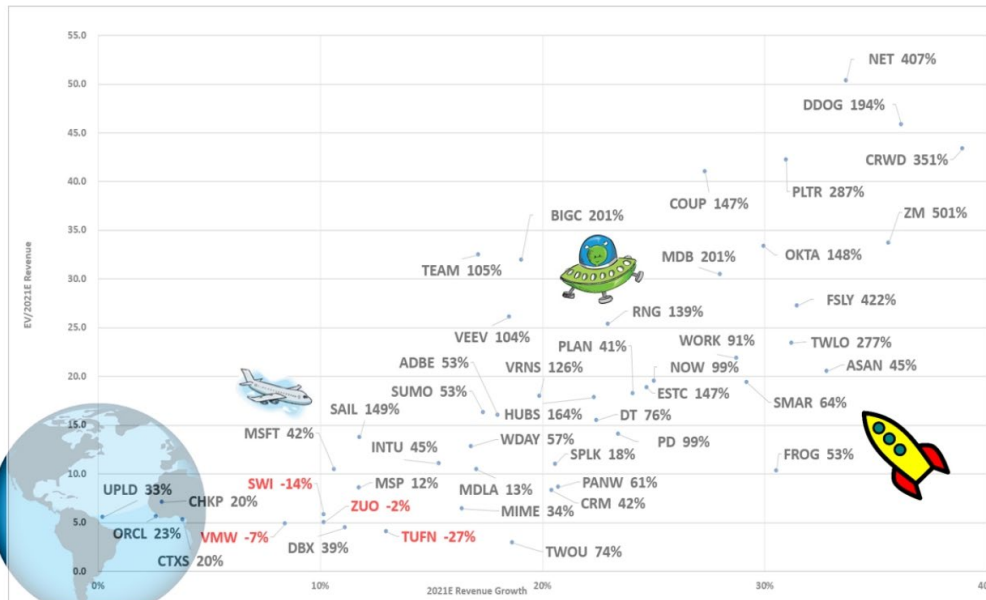
PC: Concerns on 2021 deceleration but are WFH/WFA trends more sustainable than market fears?

Semicap/Memory: Regulatory backdrop likely more benign into 2021, memory pricing remains firm given the above-noted demand trends

Industry Consolidation should also serve as another backstop for the group

Demanding Software Valuations

EV/2021E Revenue Multiples vs 2021E Revenue Growth with Stock Performance in 2020 YTD



Sources: Jefferies, FactSet Note: priced as of market close on 12-22-20.
Performance from 1/1/2020 to 12/22/2020

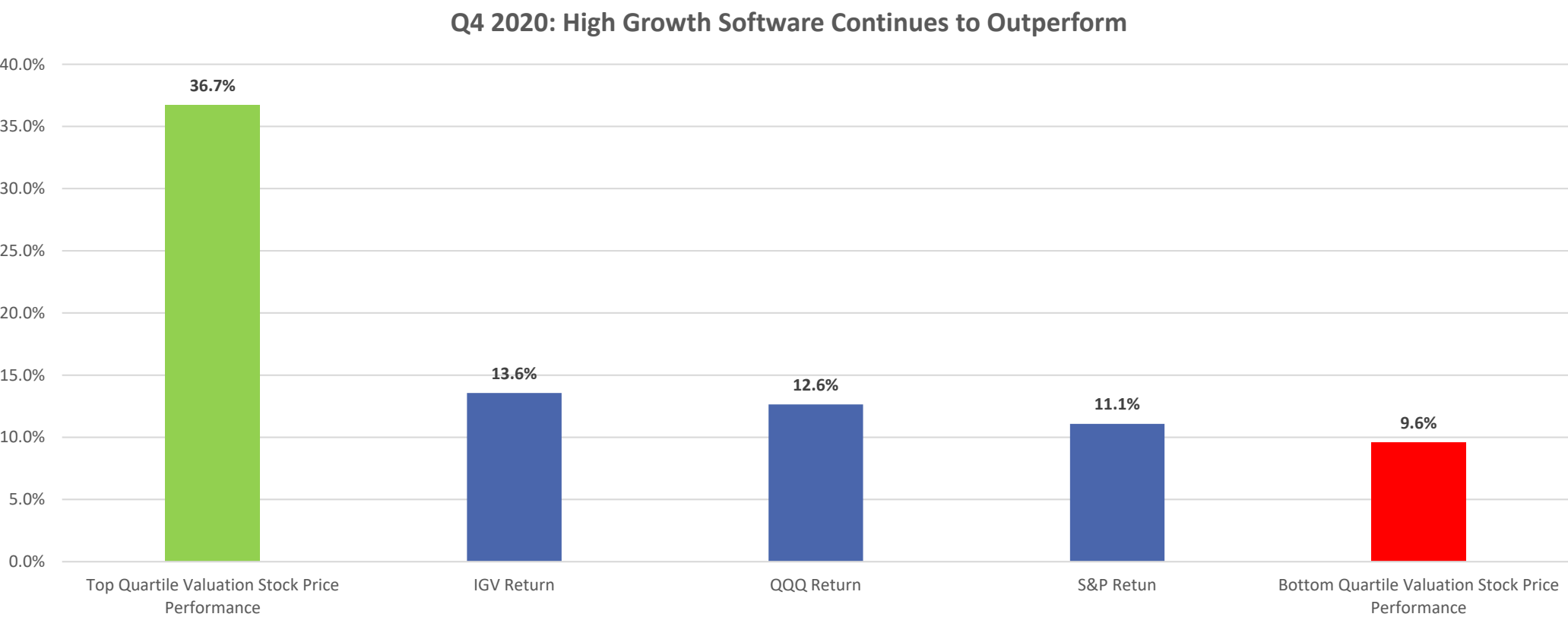
If 2021 is reflective of early cycle positioning as the world re-opens post COVID, could high growth software be a relative underperformer as rates rise and sectors with more cyclical benefit?

Despite that view, higher valuation software names continue to perform quite well:

YTD Performance as of 12/30/2020:

**ZM +419%, NET +354%, CRWD +322%,
TWLO +255%, MDB +177%, HUBS +149%,
COUP +133%, SAIL +127%, OKTA +126%**

Software: Top Quartile Valuation In Charge



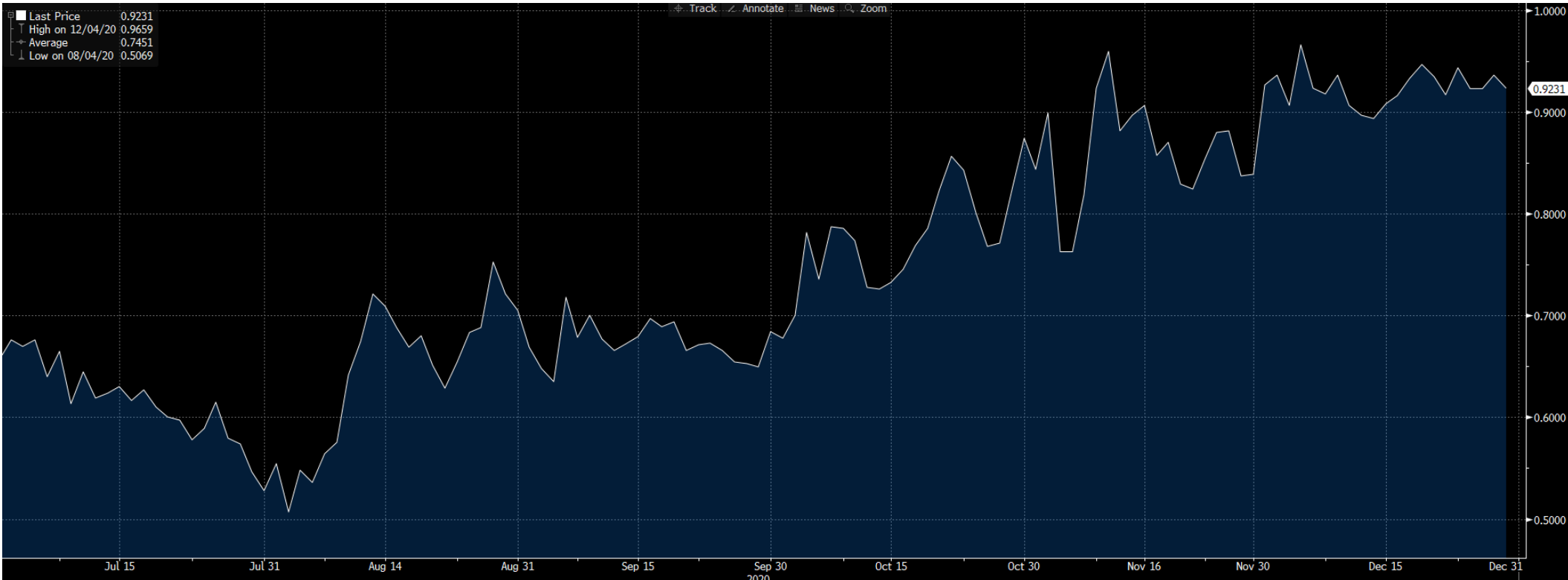
Note: Performance through December 30th, 2020.
Source: Bloomberg.

Software Comps

U.S. Technology Comps													
	Enterprise				EV/ Revenue			EV / EBITDA			P/E		
	Price	Mkt. Cap (\$mm)	Value	Q4 Return	CY2020	CY2021	CY2022	CY2020	CY2021	CY2022	CY2020	CY2021	CY2022
Software													
MICROSOFT CORP	\$221.68	\$1,676,011	\$1,621,250	5.4%	10.8x	9.8x	8.8x	23.4x	21.4x	18.6x	35.1x	31.9x	28.2x
ADOBE INC	\$497.45	\$238,636	\$237,352	1.4%	18.1x	15.5x	13.5x	37.0x	31.3x	NA	48.4x	43.8x	37.3x
SALESFORCE.COM	\$222.40	\$203,595	\$200,326	-11.5%	9.6x	8.0x	6.8x	32.2x	29.6x	26.1x	48.3x	65.3x	54.1x
ORACLE CORP	\$64.40	\$189,596	\$222,484	7.9%	5.6x	5.5x	5.3x	11.1x	10.8x	10.5x	15.3x	14.2x	13.2x
SERVICENOW INC	\$547.38	\$106,794	\$106,045	12.9%	23.7x	19.0x	15.2x	74.1x	60.6x	48.0x	NM	98.6x	77.3x
SNOWFLAKE INC-A	\$300.92	\$85,190	\$80,642	19.9%	N/A	77.4x	46.9x	NM	NM	NM	NM	NM	NM
ATLASSIAN CORP-A	\$234.04	\$58,323	\$57,297	28.7%	32.3x	28.6x	23.9x	NM	NM	NM	NM	NM	NM
WORKDAY INC-A	\$236.93	\$56,863	\$56,145	10.1%	13.2x	11.3x	9.6x	51.0x	48.2x	39.6x	88.5x	84.3x	68.0x
TWILIO INC - A	\$349.56	\$52,769	\$50,132	41.5%	30.1x	22.7x	17.3x	NM	NM	NM	NM	NM	NM
CROWDSTRIKE HO-A	\$210.29	\$46,530	\$45,514	53.1%	55.1x	39.1x	30.6x	NM	NM	NM	NM	NM	NM
RINGCENTRAL IN-A	\$388.03	\$34,780	\$35,498	41.3%	30.4x	24.7x	20.1x	NM	NM	NM	NM	NM	NM
PALO ALTO NETWORK	\$355.79	\$33,990	\$34,215	45.4%	9.3x	7.8x	6.6x	NM	NM	NM	63.3x	59.9x	47.4x
OKTA INC	\$260.52	\$33,729	\$33,186	21.8%	41.2x	31.6x	24.8x	NM	NM	NM	NM	NM	NM
DATADOG INC-A	\$99.31	\$30,243	\$29,381	-2.8%	49.8x	36.6x	27.6x	NM	NM	NM	NM	NM	NM
SPLUNK INC	\$172.38	\$27,877	\$28,510	-8.4%	13.0x	11.3x	9.0x	NM	NM	NM	NM	NM	NM
COUPA SOFTWARE I	\$341.31	\$24,634	\$24,791	24.5%	48.4x	38.1x	30.1x	NM	NM	NM	NM	NM	NM
CLOUDFLARE INC-A	\$77.53	\$23,825	\$23,195	88.8%	54.8x	40.9x	31.5x	NM	NM	NM	NM	NM	NM
HUBSPOT INC	\$395.21	\$18,135	\$17,738	35.2%	20.4x	16.7x	13.6x	NM	NM	NM	NM	NM	NM
ZENDESK INC	\$141.29	\$16,485	\$16,294	37.3%	15.9x	12.8x	10.2x	NM	NM	NM	NM	NM	NM
CITRIX SYSTEMS	\$128.29	\$15,796	\$16,798	-6.8%	5.2x	5.0x	4.8x	14.5x	14.2x	13.2x	21.4x	20.1x	17.7x
ELASTIC NV	\$148.22	\$12,955	\$12,639	37.4%	23.7x	19.3x	15.8x	NM	NM	NM	NM	NM	NM
DYNATRACE INC	\$43.69	\$12,325	\$12,604	6.5%	19.5x	16.2x	13.1x	NM	58.1x	45.0x	72.7x	76.8x	60.8x
BILL.COM HOLDING	\$137.25	\$11,140	\$10,497	36.8%	59.4x	47.7x	36.4x	NM	NM	NM	NM	NM	NM
DROPBOX INC-A	\$22.60	\$9,348	\$9,244	17.3%	4.8x	4.4x	4.0x	16.6x	14.0x	12.4x	28.0x	23.8x	19.7x
BIGCOMMERCE-1	\$65.68	\$4,542	\$4,401	-21.2%	29.7x	25.0x	20.6x	NM	NM	NM	NM	NM	NM
Average				20.9%	26.0x	23.0x	17.8x	32.5x	32.0x	26.7x	46.8x	51.9x	42.4x
Median				19.9%	22.1x	19.0x	15.2x	27.8x	29.6x	22.4x	48.3x	51.8x	42.3x

Note: Performance through December 30th, 2020, Source: Bloomberg.

10 Year Yield Steepening...



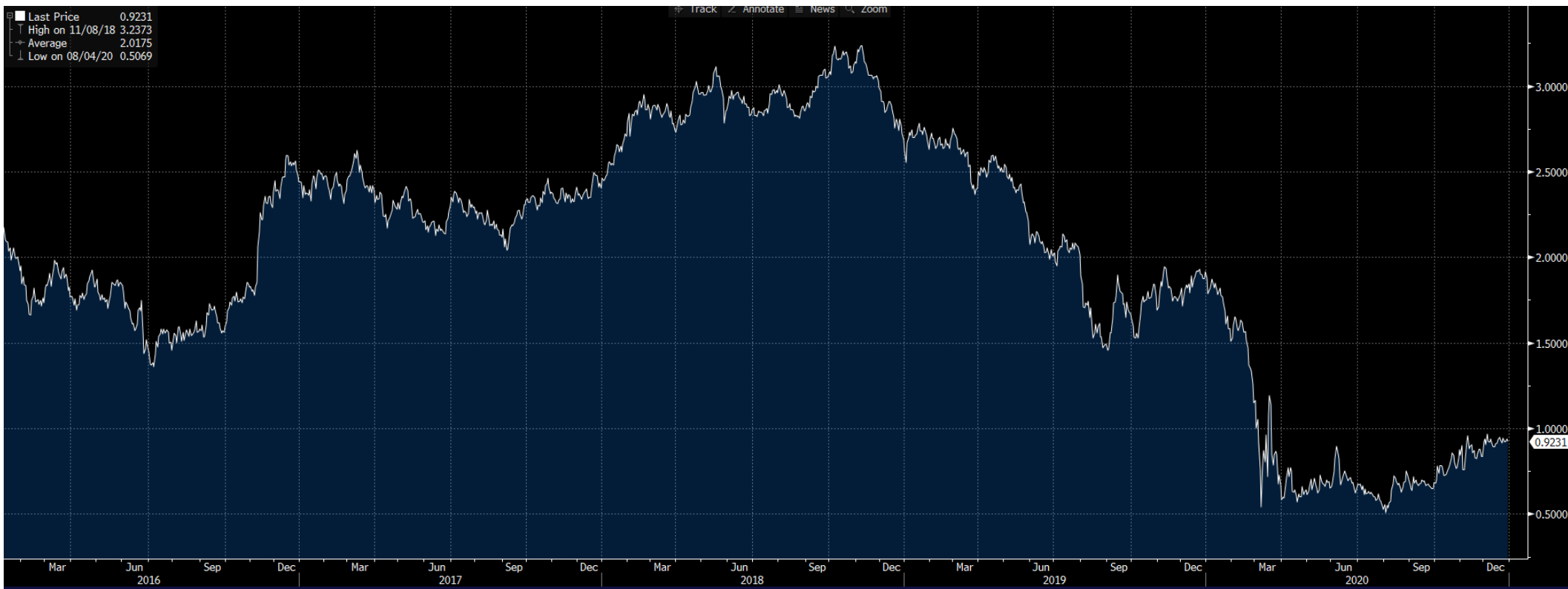
Source: Bloomberg.

...Mind the Yield Curve Break-Out...



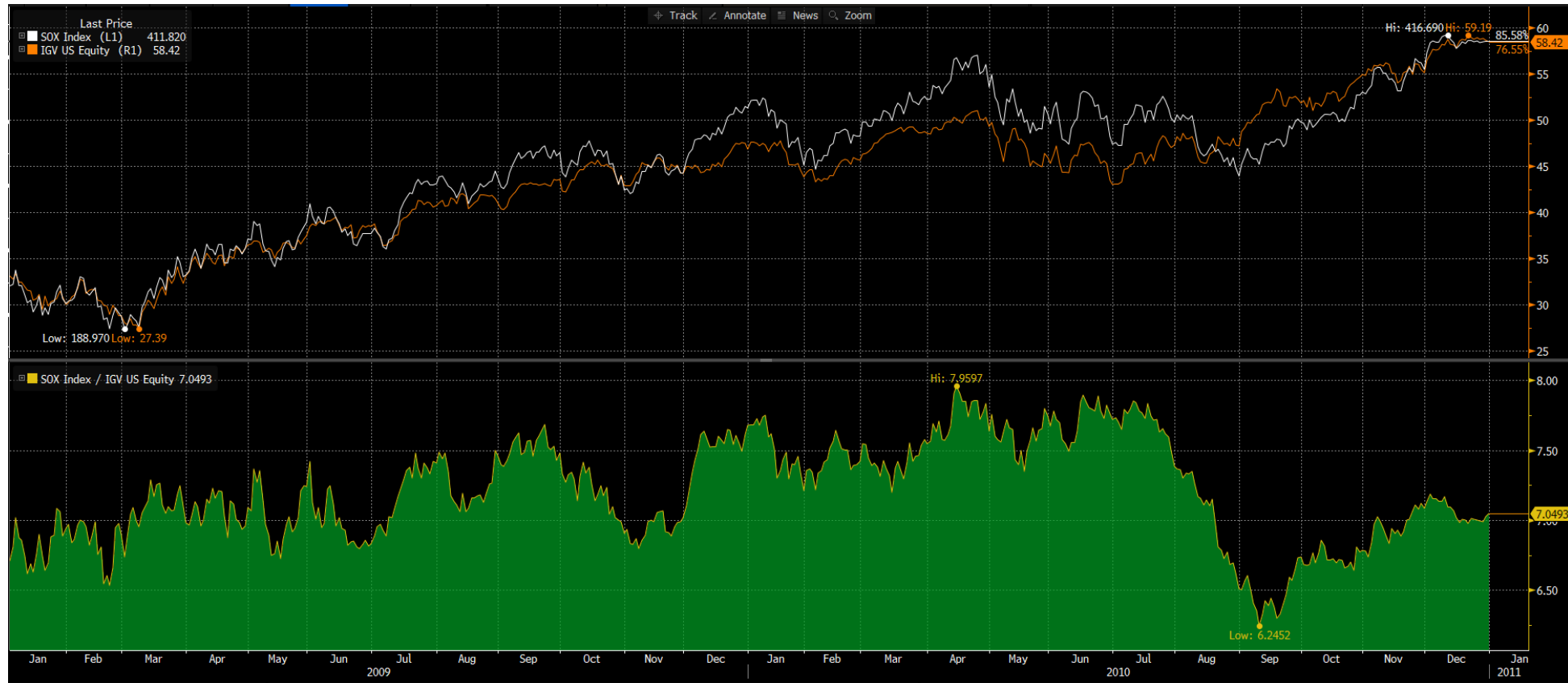
Source: Bloomberg.

...Although Rates Low by Historical Standards



Source: Bloomberg.

SOX vs. IGV: Comparison to the GFC...



Source: Bloomberg.

Jefferies

...Focusing on the Early Part of the Recovery Tells a Slightly Different Story...



Source: Bloomberg.

Jefferies

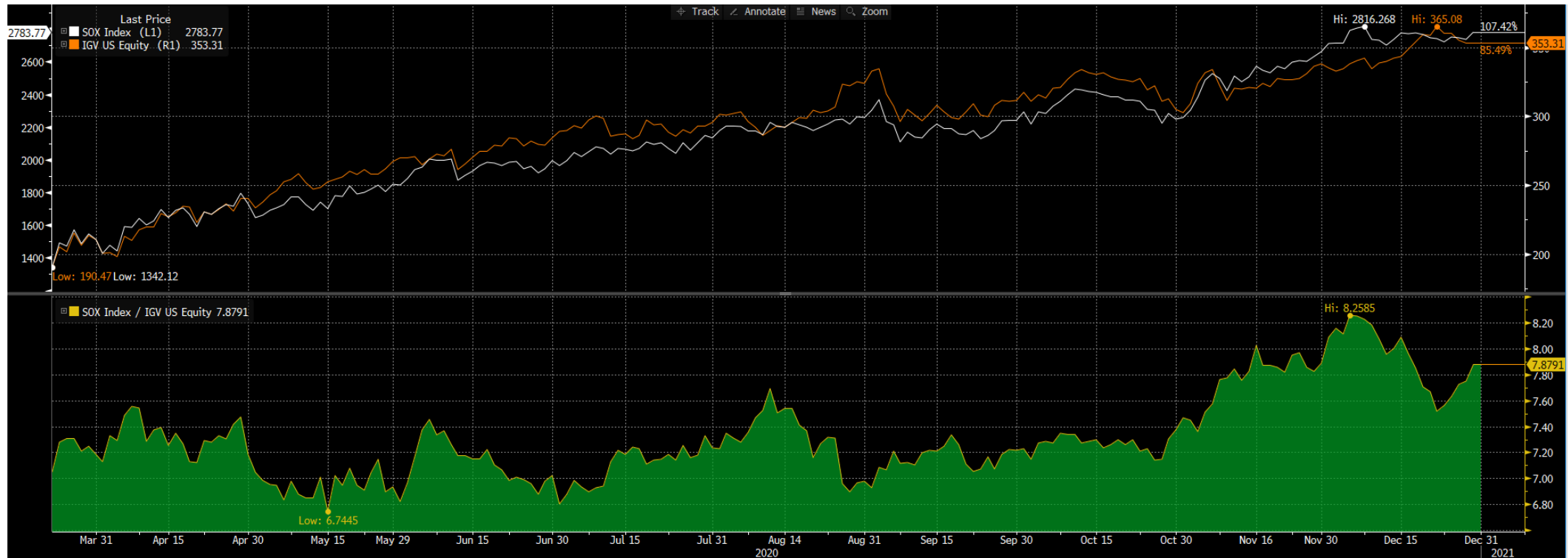
Software Underperformed by ~2000bps in a Rising Interest Rate Environment...



Source: Bloomberg.

Jefferies

Although Recovery off 2020 Lows is Eerily Similar w/2000bps of SOX Outperformance...



Source: Bloomberg.

Disinflationary forces to Save the Day?

Despite inflationary fears, the 10 year yield is still unable to break above 1% on the upside

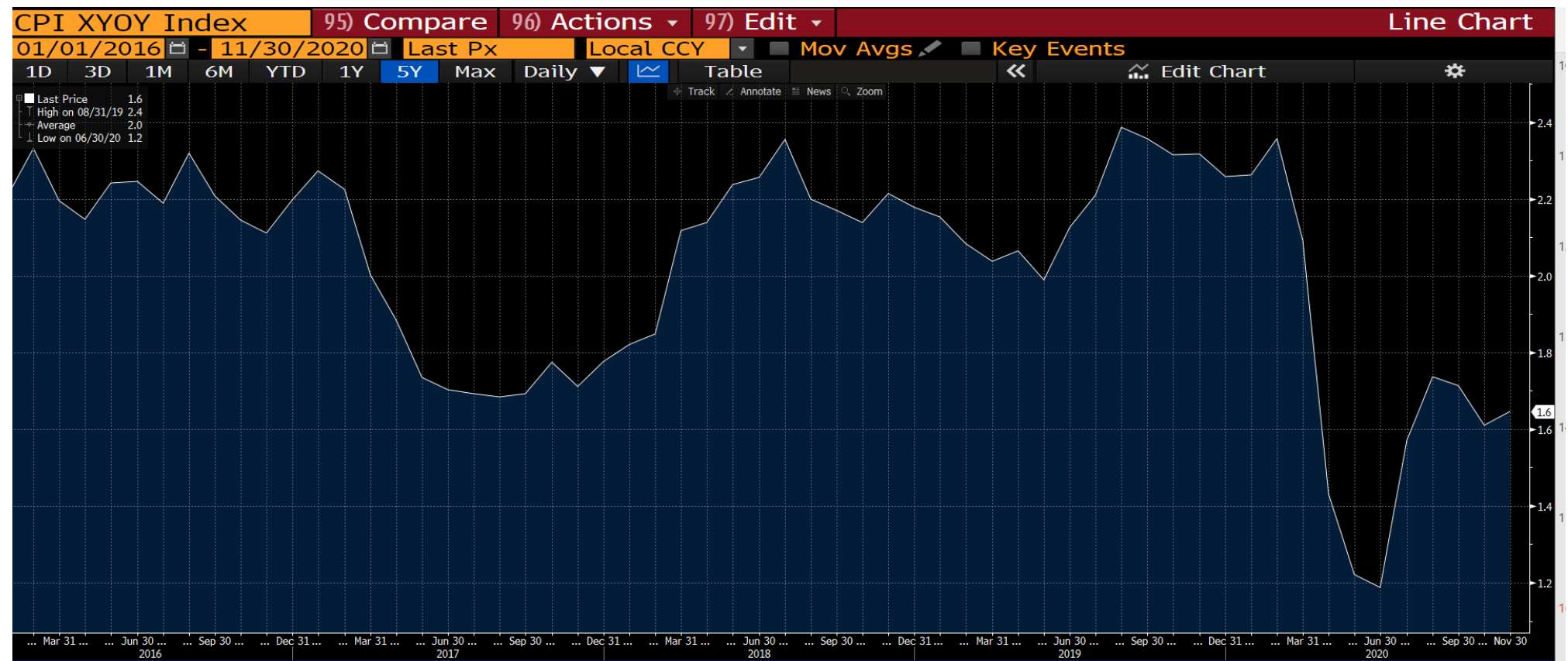
- Digital transformation occurring at a rapid pace as a tailwind to productivity
- Overall slack in the economy as unemployment rate remains elevated at 6.7%

Secular Sources of Disinflation Risk - David Zervos, Jefferies Chief Market Strategist

- **Technological Advance**
- **Demographics.** Overall labor participation rate coming down, elderly are leaving work force as we transition to WFH environment

While I remain cautious on the software high flyers in the context of a recovery and the potential for a higher interest rate environment, mind the disinflationary forces and accelerating digital transformations which may act as a natural offset to global monetary and fiscal stimulus programs

Core CPI Y/Y Growth Remains Subdued



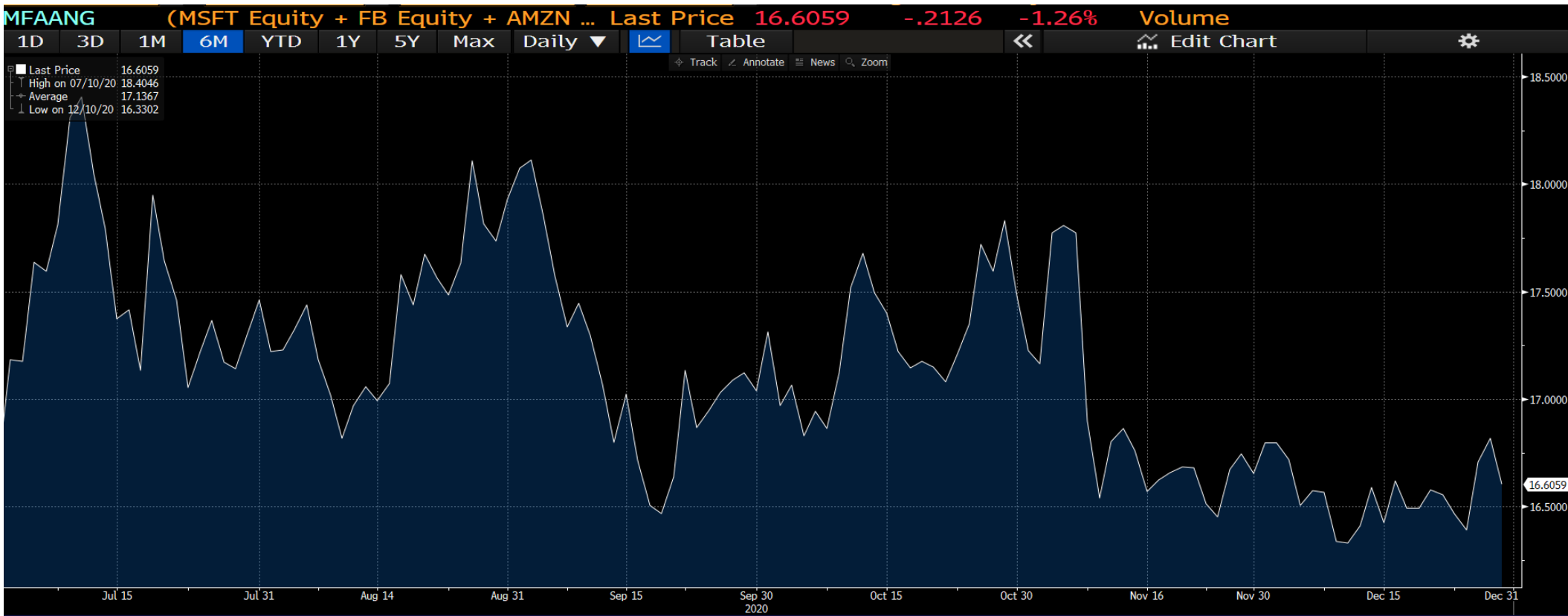
Source: Bloomberg.

MFAANG on 6 month lows vs. the QQQs...



Source: Bloomberg.

...and the SPYs



Source: Bloomberg.

...while SMID Cap Leads the Market Higher



Source: Bloomberg.

Single Stock Sentiment & Positioning

MFAANG Positioning and Sentiment

Microsoft: Bullish investor positioning with shares on 1 year lows vs. the IGV. Some concerns on Azure deceleration but an extremely crowded long given risk/reward and compelling valuation

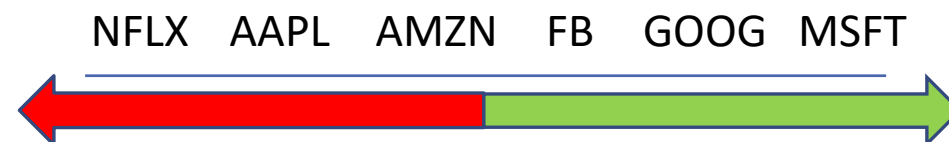
Facebook: Debated but bullish investor positioning with e-commerce in its infancy and a 2021 advertising driven inflection. Bears point to regulatory overhang and increasing competitive dynamics

Apple: Investors are fighting the move higher as AAPL laps the 5G product cycle. Bears are worried about difficult 2021 comps and 'lack of supercycle', bulls continue to latch onto services story and emerging automotive narrative

Amazon. Sentiment weaker on the name as AMZN has to 'comp the comp' into 2021 with a revenue deceleration. Bulls want to own AMZN for 2021 operating income driven revisions

Netflix. Similar to AMZN, in addition to difficult comps into 2021, NFLX narrative further complicated by competitive OTT dynamics. Bulls point to cash flow inflection and robust content slate

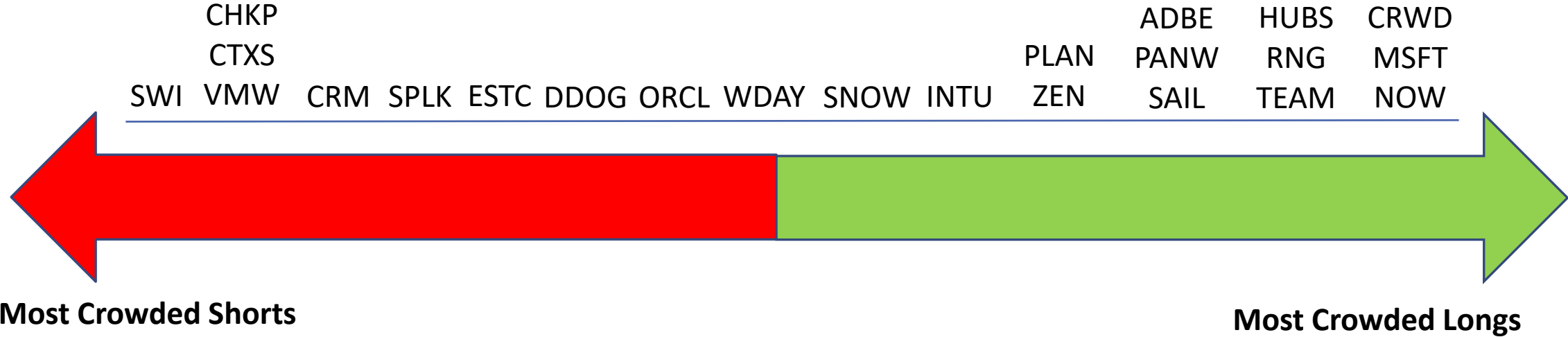
Google. A very crowded long within MFAANG as GOOG should benefit from a cyclical recovery with an added 'travel kicker' combined with increasing GCP Momentum + Waymo enthusiasm



Software: Crowdedness

Biggest changes vs. 3 months ago:

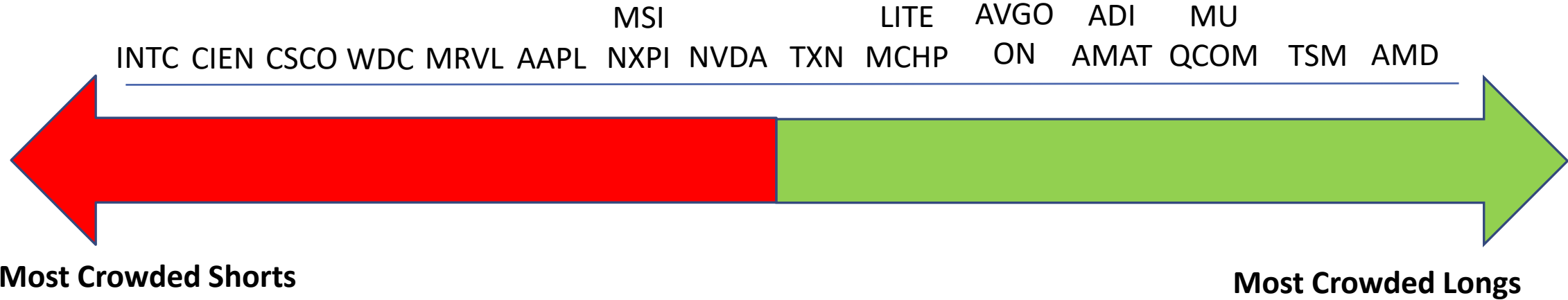
- CRM Underweight post WORK transaction
- Significantly improved PANW Sentiment, Security Sentiment on highs post SWI Breach
- Questions around infrastructure valuations, convergence across search/log/observability/security



Semis/Hardware: Crowdedness

Biggest changes vs. 3 months ago:

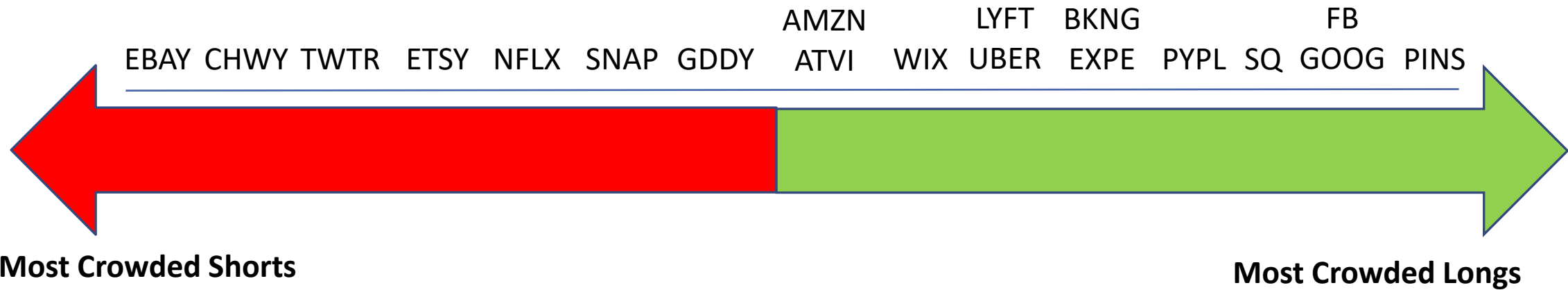
- NVDA Shifted to a More Underweight Position
- ON, AVGO sentiment both significantly improved
- Couldn't give away MU at \$40, everyone wants to own it at \$70
- Many are still fighting the move higher on Semicap



Internet / Video Games / Fintech: Crowdedness

Biggest changes vs. 3 months ago:

- OTAs + Ride Sharing sentiment robust as investors look to play a recovery and increase portfolio cyclicality
- SNAP remains significantly less favored/owned given YTD appreciation + increasing IDFA concerns
- Video Games more controversial into 2021 given difficult comps, ATVI sentiment weaker post COD BOCW Launch
- E-Commerce vs. Advertising remains a battleground



Stock Picks & Favorite Names

Top Picks Across Sub-Sectors

Video Games: ATVI, UBI, ZNGA

Software: ADBE, CVLT, DBX, INTU, MSFT, ORCL, PANW, PLAN, RNG, SAIL, VERX, VMW, WDAY, ZEN

Internet/Fintech/Entertainment: AMZN, FB, FISV, GDDY, GOOG, MSGS, MTCH, PYPL, SNAP, TWTR

Comm Equipment / Hardware/ Semiconductors: AMD, ADI, COMM, FFIV, FLEX, MCHP, MSI, ON, SMTC

Recent Changes:

Added: AMD (10/9), CRM (9/22), CVLT (9/22), FISV (1/3), GOOG (1/3) MSFT (10/29) NET (9/22), ORCL(9/22), PLAN (11/25), TWTR (11/2), VERX (10/6), WDAY (11/23), ZEN (9/22)

Removed: CRM (12/2), ETSY (10/8), MU (12/7), NET (10/16), NXPI (12/7), SPLK (11/23) TXN (10/16)

Performance of Recent Additions, The Good and the Bad				
Ticker	Index	Stock Return	Index Return	vs. Index
AMD	SMH	11.1%	16.7%	-5.7%
CRM	IGV	-10.9%	7.7%	-18.5%
CVLT	QQQ	19.5%	11.5%	8.0%
MSFT	IGV	5.2%	6.4%	-1.2%
NET	IGV	46.2%	7.3%	38.9%
ORCL	IGV	6.2%	14.2%	-8.0%
PLAN	IGV	2.4%	6.8%	-4.3%
TWTR	QQQ	37.6%	15.9%	21.7%
VERX	IGV	36.2%	12.8%	23.4%
WDAY	IGV	14.4%	8.2%	6.2%
ZEN	IGV	40.7%	14.2%	26.5%
Average		19.0%		7.9%
Median		14.4%		6.2%

Overall Basket Performance		
	Q4 Median Performance	Index Return
Video Games (vs. QQQs)	6.6%	12.6%
Software (vs. IGV)	16.2%	13.6%
Internet/Fintech/Entertainment (vs. QQQs)	19.8%	12.6%
Semis (vs. SMH)	35.9%	25.1%

Source: Bloomberg.

Adding FISV to the Favorite Names List

- Merger with FDC provides FISV with significant scale and product capabilities. The stock is just too cheap on a relative and an absolute basis
- The Company recently held its 2020 Investor Conference and offered medium-term targets ahead of the street with a 2022-2023 outlook of 7-9% revenue growth and 15-20% EPS growth, leading to a 2023 EPS Midpoint of \$7.40. Why should this asset, a high single digit grower that's compounding EPS at 15-20% in a consolidating industry, trade at a discount to the S&P?
- Assuming no multiple expansion, path to \$155-\$160 over 24 months (~45% return). If can close valuation gap with GPN, path to \$200 (~80% upside) in bull case scenario

FISV Relative Forward Earnings Multiple vs. the S&P 500:



Source: Bloomberg.

Adding GOOG to the Favorite Names List

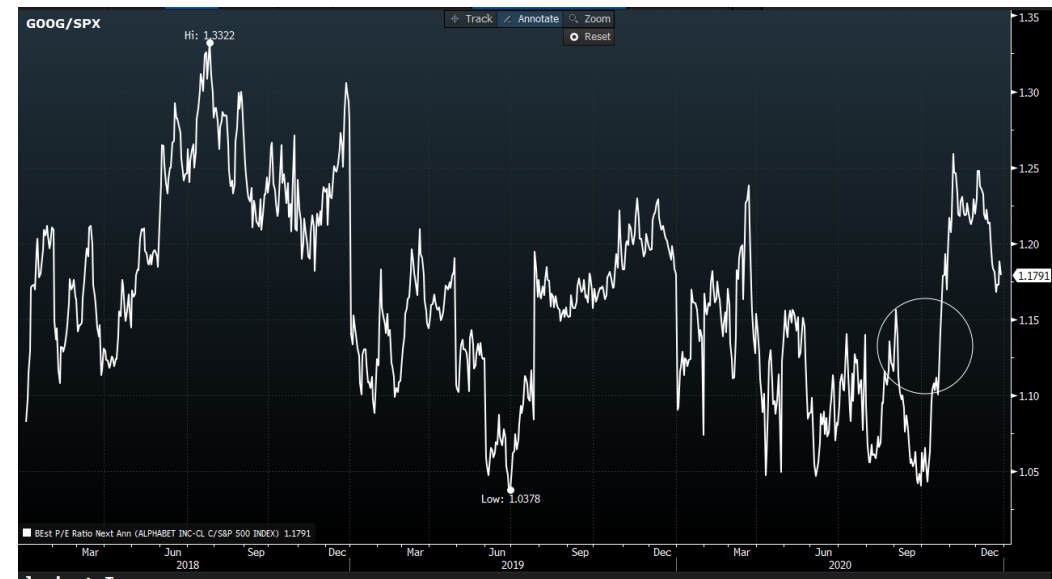
- GOOG should benefit from a more normalized advertising environment into 2021 and fits the mold of increasing cyclicity from a portfolio construction standpoint, especially with travel potentially back into the mix

- Consensus in a very good place with the Street only calling for ~13% y/y search growth in December vs. ~10% in September and ~17% growth into 2021 vs. pre-pandemic levels of ~20%

- Regulatory the biggest overhang but that's not idiosyncratic to GOOG and plenty of time to digest as the big DOJ antitrust case won't go to trial until 2H 2023 at the earliest

- Recent DOJ lawsuit on October 20th served as a clearing event and GOOG performance has caught up to FB. But stock still too cheap with accelerating revenue growth and many call options not priced into shares including GCP and Waymo

GOOG Relative Forward Earnings Multiple vs. the S&P 500:



Source: Bloomberg.

Upcoming Technology Catalysts

January 7: **MU** Earnings

January 11-January 14th: Consumer Electronics Show

January 12: **AMD** Keynote @ CES

January 13-14: Jefferies Virtual Software Bus Tour

February 19: **ATVI** BlizzOnline

February 23: **SNAP** Investor Day

February 25: **TWTR** Analyst Day



Jared Weisfeld Biography

Managing Director – U.S. Technology Sector Specialist

Jared Weisfeld has deep domain and sector expertise across the global technology sector, including Software, Internet, Semiconductors, and Hardware.

Prior to joining Jefferies as the U.S. Technology Sector Specialist, Jared worked at Margate Capital, as Partner and Technology Sector Head. From 2013-2016, Jared worked at Balyasny Asset Management as an Associate Portfolio Manager for a \$1 billion technology long/short equity portfolio. At Balyasny, Jared was twice awarded the firm's "Analyst of the Year" award, in 2013 and 2014.

Jared worked previously as a global technology long/short equity analyst at Sursum Capital Management, which later became part of SAC Capital. From 2006 to 2010, Jared worked as a technology, media and telecommunications analyst investing across the capital structure at R6 Capital and Eton Park Capital Management for Ralph Rosenberg, the former Goldman Sachs partner who founded Goldman Sachs' Special Situations Group. Jared began his career as an investment banking analyst, in the Technology Investment Banking Group at Credit Suisse. Jared holds a B.S. in Applied Economics and Management from Cornell University, where he graduated cum laude.

Q&A Session

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