



Technology quarterly 2Q21

Insights from the earnings season

The technology sector is investing in its go-to-market capabilities

During the 2Q21 results earnings calls, technology companies talked about growth investments. Supply chain constraints, including component shortages and rising logistics costs, are impacting short-term sales expectations, but companies are investing in their go-to-market capabilities for the longer term. Furthermore, companies talked about how 5G is driving revenues now that the rollout is gathering steam and about the rising costs for recruiting and retaining talent. Investors wanted to know how issues around privacy impacted the business, as well as the impact of legislation, although there was hardly any discussion around the trade dispute.

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Significant time and attention are being spent on enhancing overall sales motions to better align with structural changes in customer buying preferences as well as internal employee dynamics. We are also seeing meaningful changes in how investments to generate demand are prioritized.

Ken Englund, EY Americas Technology Sector Advisory Leader

This report analyzes the issues addressed by leading global technology company leaders during their earnings calls for the second quarter of 2021. It provides a snapshot of the main themes representing the top-of-mind issues of technology leaders and investors.

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Companies invest in sales and promotions

2

5G is a key growth driver for the post-pandemic economy

3

Competition for talent is rising

Key themes taken from earnings calls with analysts



Companies invest in sales and promotions

Despite the limiting impact of supply chain constraints, tech companies talked to investors about increased investments in their go-to-market capabilities.

The COVID-19 pandemic has pushed a significant part of companies' business to online and remote, including collaboration, sales pitches and service delivery. This has increased the speed at which customer expectations are shifting. It has also changed how customers want companies to interact with them. Coming out of the pandemic, companies now have to invest in their go-to-market capabilities to adapt to these changed expectations and fuel growth in the next decade. During the earnings calls, customer experience and omnichannel were highlighted frequently. Companies are investing in data analytics and artificial intelligence to create personalized experiences for their customers. They are also spending money on tools and communication channels to be able to make these experiences seamless, regardless of whether they happen online or in a face-to-face setting.



5G is a key growth driver for the post-pandemic economy

Tech companies talked about how 5G is driving growth across the stack from infrastructure investments to hardware sales and services development.

The rollout of 5G is driving growth in every subsegment of the technology sector. As highlighted in the EY survey, *Reimagining industry futures study*, 52% of enterprises are more interested in 5G since the pandemic, and 74% believe that 5G will be integrated into their business processes over the next five years. Technology companies are reporting growth in demand for components, base stations, backbone infrastructure and edge computing. Device makers see an increasing demand from consumers that upgrade to 5G connectivity. Software and service providers see demand from enterprise customers for applications varying from supply chain resilience to smart services.

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Interest in 5G has definitely picked up recently, with use cases varying from enterprise transformation to industry-specific applications in health care or manufacturing. For technology vendors in this space, the ability to pivot and adapt to new customer demands is vital.

Tom Loozen, EY Global Telecommunications Leader

Key themes taken from earnings calls with analysts



Competition for talent is rising

Tech companies reported a shortage in talent, leading to increased costs and efforts for recruiting and retaining employees.

To enable growth, tech companies need to add capacity. While back-office activities can be outsourced or automated, the companies are especially looking to add engineers and salespeople. But with the global economy gradually recovering, leading to growth in many regions and in many verticals, the competition for talent is rising. That means an increase in the budgets for recruitment and incentives. But in a post-pandemic world, in addition to incentives and rewards, workplace flexibility and employee experience are also essential to recruit and retain talent.

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With the current talent shortage in the tech sector, companies need to be more innovative than ever before with their rewards, and they are using flexibility and remote working as a new means to attract the best talent.

Juliette Meunier, EY Americas Technology People Advisory Services Leader

Recurring topics during the earnings calls

Top revenue drivers

- 1) Market recovery
- 2) 5G outroll
- 3) COVID-19 tailwinds
- 4) Hybrid operating model
- 5) Cloud migration
- 6) Digital transformation projects
- 7) Data analytics

Top company responses

- 1) Customer experience focus
- 2) Partnerships
- 3) Supply chain resilience
- 4) Double down on R&D
- 5) Long-term cost reductions
- 6) Marketing investments
- 7) Long-term value

Rankings are based on conversation topics during the quarter's earnings calls, which are grouped into influences, issues and themes. Tallying is highly subject to interpretation and is by no means objective.

EY resources, methodology and contacts

EY resources



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Methodology

This analysis reviews the top initiatives and issues of 26 leading global technology companies during the latest financial reporting season. The number of companies analyzed in this report may vary depending on the timing and availability of scheduled earnings calls and published transcripts. The analysis was limited to the review and examination of summaries and transcripts of the latest earnings conference calls that were available to EY authors at the time this report was created. This review does not take into consideration information from other sources, such as news reports, annual reports and company press releases.

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