

Technology quarterly

Executive insights from 3Q20
reporting season

Companies presented strategy updates and talked about employee wellness and the increased impact of regulation on their business

Discussing 3Q20 results, technology companies presented changes to their strategy roadmap in response to uncertainties and market shifts caused by the COVID-19 pandemic. These strategy changes could be supported by divestments and acquisitions in the next quarters. The companies also talked about enabling remote collaboration and implementing tools to improve employee experience. Analysts were worried about the increasing impact of regulation on technology companies.

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The technology sector has been remarkably consistent in the past quarters and the strategy updates show companies getting back to their focus on pre-pandemic messaging, despite COVID-19 uncertainty and changes in employment models.

Ken Englund, EY Americas Technology Sector Leader

This report analyzes the issues addressed by leading global technology companies during their earnings calls for the most recent calendar quarter. It provides a snapshot of the main themes representing the top-of-mind issues of technology leaders and investors. Interesting observations from this quarter's earning calls include:

- 1 Updated strategy roadmaps
- 2 Growing interest in employee wellness
- 3 Increased regulatory pressure prompting investor concerns

Key themes taken from earnings calls with analysts



1

Updated strategy roadmaps

Companies have provided strategy updates during the calls, providing new roadmaps that address portfolio focus, investments and financial metrics.

The COVID-19 pandemic has not changed the goals of digital transformation, but there have been significant shifts. Demand for remote collaboration tools has tripled overnight. Investments in solutions that improve cost structure and preserve cash have been prioritized. Other investments have been delayed. Data from a new EY survey on strategy show that most technology executives believe they need to adjust strategy due to the pandemic, but very few expect a drastic impact. To remain competitive, companies should continually evaluate and embrace the changing dynamics of their ecosystem, anticipate potential new entrants and have a plan of action. For technology companies, understanding different stakeholders, objectives and mindsets is also crucial.

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Barak Ravid, EY Americas TMT Strategy and Transactions Leader



2

Growing interest in employee wellness

During the calls with investors, companies talked significantly more about employee wellness and employee experience than in previous quarters.

With a second wave of infections reducing the prospects for employees to return to the office any time soon, companies are redefining their employment models and focus on engagement. Some opt to go fully virtual, others choose a hybrid model or rethink their compensation packages. To create an attractive employee value proposition, companies invest in technologies to enable remote collaboration, implement engagement measuring tools and spend on recognition and community support. The whole package is what is going to set them apart from their competitors when setting out to recruit and retain talent.



3

Increased regulatory pressure prompting investor concerns

Analysts were very keen to discuss external regulatory pressure, its impact on the current business models and ultimately on the future results.

Governments around the world are stepping up their efforts to regulate the technology sector. All technology companies are impacted by regulation and restrictions around access to leading edge technology, anticompetitive behavior in a platform economy and protection of privacy in a data driven world. Investors are very keen to uncover the impact of current and future regulation on the sustainability of the current business models. To address investor concerns, technology companies need to develop a clear point of view and run scenario's around future regulatory changes.

Recurring topics during the earnings calls

Top revenue drivers

- 1 Cloud migration
- 2 IT investments
- 3 Digital transformation
- 4 Investments in 5G
- 5 Remote working
- 6 Customers' needs to reduce costs
- 7 Shift from capex to opex

Top company responses

- 1 Cost reduction plans
- 2 Discretionary cost reductions
- 3 Increased IT costs
- 4 Infrastructure investments
- 5 Doubling down on R&D investments
- 6 Footprint review and supply chain
- 7 Investments in remote tools

Top business themes

- 1 Partnerships
- 2 Customer experience focus
- 3 Ecosystem development
- 4 Employee experience focus
- 5 Signing large deals
- 6 Supply chain resilience
- 7 Regulatory interference

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

EY resources, methodology and contacts

EY Resources

Strategy and Transactions



Barak Ravid
EY Americas TMT Strategy and
Transactions Leader
Barak.ravid@parthenon.ey.com

HR Transformation

From employee health and safety to exceptional people experiences, the boundaries of HR are shifting in real-time. HR teams must migrate from the services that have defined HR historically to the new people services that will define the function for years to come.

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 us 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.

Authors



Ken Englund
EY Americas Technology Sector
Leader
Ernst & Young LLP
kenneth.englund@ey.com



Stephan van Rhee
EY Global Technology Sector Analyst
Ernst & Young LLP
stephan.van.rhee@nl.ey.com

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