

WFH & CCON 4Q Earnings Preview: Momentum Continues for the Evolving Workplace and Consumer

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Technological and societal trends are always in motion. Lately, some of the most significant changes are happening directly in our day-to-day with work and life. The workplace has changed dramatically over the years, in almost every way possible, and that was especially true in 2020. How consumers are engaging with every day products and services has also undergone structural change. That, too, was especially prevalent in 2020.

Going forward, where and how companies operate continues to develop and evolve. Businesses have become more distributed, teams have gone global, and employees have become more agile with a greater need for everything to be on-demand. Looking back, the “work from home” expression had become synonymous with 2020, but companies and businesses are set to continue to invest in and prioritize the digitization of the workplace.

The future of work is remote, and enterprise spend in the future reflects this paradigm. According to a recent Gartner survey¹ on the global IT marketplace, worldwide IT spending is projected to total almost \$3.8 Trillion in 2021, a 4% increase from 2020.

IT Investment is Expected to Grow 4% in 2021 with Enterprise Software seeing the Largest Increase of over 7%
Worldwide IT Spending Forecast (Millions of U.S. Dollars).

	2019 Spending	2019 Growth (%)	2020 Spending	2020 Growth (%)	2021 Spending	2021 Growth (%)
Data Center Systems	214,911	1.00	208,292	(3.10)	219,086	5.20
Enterprise Software	476,686	11.70	459,297	(3.60)	492,440	7.20
Devices	711,525	(0.30)	616,284	(13.40)	640,726	4.00
IT Services	1,040,263	4.80	992,093	(4.60)	1,032,912	4.10
Communications Services	1,372,938	(0.60)	1,332,795	(2.90)	1,369,652	2.80
Overall IT	3,816,322	2.40	3,608,761	(5.40)	3,754,816	4.00

Source: Gartner (October 2020). Forecasts are limited and may not be relied upon. There is no guarantee an increase in spending or investments in the IT sector will translate to favorable fund performance.

We believe these dynamics go beyond simply enabling the ability to “work from home,” but that companies and enterprises are actively **becoming more digital**. This is a **secular shift, not a cyclical one**. The core drivers behind the shift continue to be **cloud technology, cyber security, online project and document management, and remote communication**.

When it comes to the consumer, we continue to see new behavioral trends emerge across all areas of life. Beyond shopping and consumption, the way we learn, engage, play, and think about our health are all changing right before our eyes. New experiences and different mediums are playing a large role in meeting evolving consumer needs, and the core pillars of **home entertainment, online education, remote health and well-being, and virtual and digital social interaction** are set to benefit.

4Q earnings season is set to be an important one for many of the names within the major pillars driving change in the workplace and for the consumer. We will be looking for the numbers to match the rhetoric, and for cues around the ongoing environment. The busiest weeks for investors in regard to earnings releases will be during the first and last weeks of February.

[1] Global IT Spending to Reach \$3.8 Trillion in 2021 (Gartner 2020)

Scheduled Reporting by Category	1/19 - 1/22	1/25 - 1/29	2/1 - 2/5	2/8 - 2/12	2/16 - 2/19	2/22 - 2/26	3/1 - 3/5	3/8 - 3/12
Work From Home								
Cloud Technologies	2.13%	3.86%	0.00%	1.63%	0.00%	7.29%	2.58%	4.87%
Cyber Security	0.00%	0.00%	8.06%	2.27%	0.00%	6.00%	4.06%	2.52%
Online Project & Document Management	2.55%	2.66%	2.17%	0.00%	0.00%	6.35%	0.00%	4.58%
Remote Communications	0.00%	1.80%	12.35%	10.16%	2.42%	0.00%	1.69%	0.00%
Connected Consumer								
Home Entertainment	1.99%	4.46%	6.99%	4.73%	0.00%	4.43%	0.00%	0.00%
Online Education	4.37%	4.24%	2.20%	2.73%	3.33%	0.00%	5.35%	0.00%
Remote Health & Well-Being	0.00%	2.17%	0.00%	0.00%	9.32%	8.97%	0.00%	2.40%
Virtual & Digital Social Interaction	0.00%	1.87%	18.62%	2.44%	0.00%	2.42%	1.76%	0.00%
Total % of Solactive Remote Work Index Reporting	4.68%	8.32%	22.59%	14.06%	2.42%	19.64%	8.33%	11.98%
Total % of Solactive Connected Consumer Index Reporting	6.36%	12.74%	27.81%	9.90%	12.65%	15.82%	7.11%	2.40%

Source: Bloomberg, L.P. as of 1/11/2021.

ONLINE PROJECT AND DOCUMENT MANAGEMENT: PRIORITIZING PRODUCTIVITY FOR THE EVOLVING WORKPLACE

Along with investing in a more agile, more digital workplace, businesses have been working to support to productivity, creativity, and collaboration both internally and externally. Capabilities and use cases for productivity suites and collaboration platforms are poised to expand as needs develop from a more mobile workforce and a more demanding consumer.

- **Atlassian Corp (NASDAQ: TEAM, expected 1/22):** Atlassian continues to become a player to watch in the enterprise software space, especially in the software development, IT, and work management markets. With software developers and project managers in mind, the current focus for TEAM has been migrating customers over to its cloud products. With over 185,000 customers today, the management team recently noted the long runway for growth in the 800,000+ company addressable global market. Atlassian is on pace to deliver their highest marks in single quarter revenue (\$471.40M) and Earning Per Share (EPS)*(\$0.32) in their history as a public company.
- **Workday Inc (NASDAQ: WDAY, expected 2/23):** Workday is becoming a household name for enterprise cloud applications. In other words, as demand for companies to implement longer-term digital strategies take fold, Workday's solutions for managing human capital, finances, and products have benefited. Revenues grew 17.9% year-over-year last quarter, and are expected to grow 14.2% year-over-year (\$1.12B) this quarter with an EPS of \$0.56.

Source: Bloomberg, L.P. as of 1/11/2021.

REMOTE COMMUNICATION: COMMUNICATION DIGITIZED

Remote communication technologies and platforms are quickly becoming a standard, regardless of industry, for communication both internally and externally. This category goes beyond video communication platforms, and remote communication and the infrastructure for it is here to stay as it offers the scalability and flexibility needed for the mobile workplace and the customer that is always on the move.

- **RingCentral Inc. (NYSE: RNG, expected 2/10):** Work together, from anywhere. RingCentral's motto rings true for some of the core enterprise needs on the path to becoming more digital. Through their messaging, video, and phone products, mid-market and enterprise customers now account for over 50% of total revenue. Management has cited continued momentum in the accelerated adoption of UCaaS (Unified Communication as a Service), and the expected 25.5% year-over-year increase in revenues (\$317.46M) is representative of that momentum.
- **Twilio (NYSE: TWLO, expected 2/5):** The remote work revolution is fast-forwarding the demand for Communication Platforms as a Service (CPaaS), and Twilio sits at the heart of infrastructure being built to bridge the gap between voice and SMS communications and web-based applications. Twilio is becoming more likely to play a key role in the evolution of how businesses communicate with their customers via text, voice, video, and email. Revenues are expected to come in around \$453.91M, a +37.0% increase year-over-year.

Source: Bloomberg, L.P. as of 1/11/2021.

REMOTE HEALTH AND WELL-BEING: HEALTH DIGITIZED

For as long as many of us can remember, medical care in both the U.S. and around the world has looked the same today as it did 20, 15, even 10 years ago. COVID-19, along with technological advances, has acted as a catalyst for change in the way consumers engage with traditional healthcare products and services. With increased adoption in different technologies for better equipment and better care, consumer needs and demands for healthcare products and services are changing. And like many other areas of our lives, healthcare is becoming more digital.

- **Teladoc Health (NYSE: TDOC, expected 2/26):** The largest U.S. telehealth company has benefitted from an acceleration in adoption trends throughout 2020, and they are expected to report top-line growth of almost 139% year-over-year (\$373.68M vs. \$156.49M), which represents a significant increase from revenue growth from just a year ago (+ 27%). While Teledoc is seemingly well on its way on capitalizing on its vision of virtual primary care, we will be watching for rhetoric around further growth potential and their outlook for 2021.
- **1Life Healthcare (NASDAQ: ONEM, expected 3/18):** A newly listed name in January, 2020, 1Life Healthcare (more commonly known as One Medical) is a west-coast based chain of primary healthcare clinics. Their membership-based primary care service with an integrated digital health system, One Medical delivers the benefits of easy and digital access to care and lower costs to its members. ONEM is expected to report consensus revenues of \$106.91M in March with losses of \$0.12 per share, which would represent significant increases from their first earnings report as a public company back in March, 2020.

Source: Bloomberg, L.P. as of 1/11/2021.

VIRTUAL AND DIGITAL SOCIAL INTERACTION: ENGAGING WITH THE WORLD AROUND US

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- **Snap Inc (NYSE: SNAP, expected 2/4):** Snap has continued to evolve its portfolio of products and have introduced new ways for users to engage with the platform, and each other. Snap Spotlight, introduced on 11/23, has given users the opportunity to create viral videos and engage with the community. Along with the Map, Chat, Camera, Stories/Discover, and Sounds functions, Snap continues to add momentum in engagement growth which is providing valuable scale to advertisers. SNAP is expected to deliver 51.5% year-over-year revenue growth (\$849.70M), and we will be watching user activity as well.
- **Weibo Corp (NASDAQ: WB, expected 2/26):** Weibo is a social media platform and microblogging website for people to create, distribute, and discover content. With over 523 million monthly active users (as of 3Q 2020), WB has taken steps to evolve their platform and prioritize engagement and social interaction by introducing more video content and promoting live events with major media partnerships. While 2020 represented challenges around the advertisement centric revenue model, they are expected to report year-over-year revenue growth of 5.9% in February.

Source: Bloomberg, L.P. as of 1/11/2021.

The COVID-19 Pandemic has not only caused major short-term impacts, but has also created long-term disruption to both living and working conventions. One of the long-term trends the coronavirus has accelerated is, “what, where and how” consumers and the workforce behaves.

Invest in these tectonic shifts in society, now.

[Direxion Connected Consumer ETF \(CCON\)](#)
[Direxion Work From Home ETF \(WFH\)](#)

CCON as of 12/31/2020

Index Holdings and Weightings

Top 10 Holdings %

Snap Inc	4.75
8x8	4.48
Biotelemetry	4.10
Peloton Interactive	3.72
John Wiley Sons - Cl A	3.23
1life Healthcare	3.22
Mednax	2.93
Twilio - Cl A	2.86
Twitter	2.77
PTC Inc	2.74

WFH as of 12/31/2020

Index Holdings and Weightings

Top 10 Holdings %

Plantronics	4.73
8x8	4.31
Fireeye	3.25
CrowdStrike Holdings	3.20
Palo Alto Networks	2.96
Netapp	2.95
Elastic Nv	2.95
Inseego Corp	2.84
Twilio - Cl A	2.75
Ringcentral	2.70

* Earnings per share (EPS) is a company's net profit divided by the number of common shares it has outstanding.

An investor should carefully consider a Fund's investment objective, risks, charges, and expenses before investing. A Fund's prospectus and summary prospectus contain this and other information about the Direxion Shares. To obtain a Fund's prospectus and summary prospectus call 866-476-7523 or visit our website at direxion.com. A Fund's prospectus and summary prospectus should be read carefully before investing.

Market Disruptions Resulting from COVID-19. The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund.

Solactive AG is not a sponsor of, or in any way affiliated with, the Direxion Connected Consumer ETF.

Shares of the Direxion Shares are bought and sold at market price (not NAV) and are not individually redeemed from a Fund. Market Price returns are based upon the midpoint of the bid/ask spread at 4:00 pm EST (when NAV is normally calculated) and do not represent the returns you would receive if you traded shares at other times. Brokerage commissions will reduce returns. Fund returns assume that dividends and capital gains distributions have been reinvested in the Fund at NAV. Some performance results reflect expense reimbursements or recoupments and fee waivers in effect during certain periods shown. Absent these reimbursements or recoupments and fee waivers, results would have been less favorable.

Direxion Shares ETF Risks - Investing involves risk including possible loss of principal. There is no guarantee the investment strategy will be successful. The value of stocks of information technology companies and companies that rely heavily on technology is particularly vulnerable to rapid changes in technology product cycles, rapid product obsolescence, government regulation and competition, both domestically and internationally, including competition from competitors with lower production costs. ADRs are issued by non-U.S. companies and are subject to various foreign investment risks including but not limited to the risk that the currency in the issuing company's country will drop relative to the U.S. dollar, that politics or regime changes in the issuing company's country will undermine exchange rates or destabilize the company and its earnings. Additional risks of the Fund include, but are not limited to, Index Correlation/Tracking Risk, Index Strategy Risk, Market Disruption Risk, American Depositary Receipts Risk and risks associated with the market capitalizations of the securities in which the Fund may invest. Please see the summary and full prospectuses for a more complete description of these and other risks of the Fund.

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