

CUSP managers vote to maintain status quo in the communications sector

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The Creighton University Student Portfolio (CUSP) Fund currently holds Alphabet Inc Cap Stock (GOOG), Walt Disney (DIS), Electronic Arts (EA), Meta Platforms (META), Nexstar Media Group (NXST) and Verizon Communications (VZ) in the Communications sector. Our team pitched to sell Electronic Arts and Meta and hold the remaining stocks. Our team also pitched Formula One (FWONA) and Interpublic Group (IPG) as potential additions to the portfolio. The CUSP managers decided not to move forward with any of the potential buys or sales.

Electronic Arts was considered a hold in our initial presentation in the fall of 2022. Subsequent events led us to reconsider this decision. The firm's portfolio of games evolved with the new Electronic Arts Football Club after its decision to end its partnership with FIFA. Additionally, many of the company's games seem to be successful year after year. However, in February of 2023, EA had not demonstrated continued growth and seemed to stagnate. The firm revealed in earnings calls that it had not increased the number of players it services, which means that revenue growth was limited as well. Despite these concerns, the CUSP Fund managers could not agree on a decision to sell Electronic Arts, so ultimately it remains in the portfolio.

We pitched Formula One as a potential buy in February as well. The CUSP managers decided not to invest in this stock as it is a tracking stock for Liberty Media and the returns are hard to determine. Days prior to the pitch to buy the stock, Saudi Arabia made an offer of \$20 billion for this specific branch of the larger company, and it ultimately was rejected by Liberty Media. The class decided that the opaque characteristics of a tracking stock made the stock too challenging to adequately evaluate and value.

Meta Platforms is a current holding in the CUSP Fund. We evaluated Meta in the fall of 2022 and ultimately pitched Meta as a possible sell, with initial support from the CUSP managers. Meta had some success during 2022, with its daily active usage increasing by 5% year over year. Ad impressions had increased by 23% year over year, stemming from Instagram's newest feature, Reels, which competes with TikTok. The increase in users did not transfer directly into earnings. Revenues decreased while the cost of revenue increased during 2022. This was mainly due to a substantial increase in research and development costs stemming from the firm's Reality Labs Segment. Reality Labs is the virtual reality segment that Meta, and investors are banking on it for the future of Meta's success. The CUSP managers viewed the firm as sending mixed signals. The stock price fell to new lows even as the firm made substantial cuts in its workforce. Meta reported overall disappointing year-end earnings and results. However, the class decided the prospects for future growth were sufficient to maintain the position.

Interpublic Group was pitched as a potential buy in February of 2023 and a new addition to the CUSP Communications sector. Interpublic group is one of the top global marketing solutions companies with many well-known clients who generate over 80% of its revenue. Our investment thesis was that the firm has strong relationships with big-name clients while also having diversification in specialized marketing solutions. Interpublic Group is focusing on

differentiation to solve a broader set of business problems. It had a strong year in 2021, with organic revenue growth of 19.8% in Latin America. In 2022 it demonstrated strong organic growth within its largest sector. A downside for Interpublic Group is its disappointing quarterly earnings. EPS was down from 0.91 to 0.77 in quarter three of 2022. It reported similar decreases in net income due to a large increase in expenses. The class noted the uncertainty of the current economy and the way marketing companies may be affected during a recession. Due to the firm's operating results combined with too many uncertainties, the class decided against the purchase of Interpublic Group.