

# Big Tech rolls on as investors shrug off regulatory pressure

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Large tech platforms have expanded during the pandemic, attracting heightened antitrust scrutiny, which has had little apparent effect on their share prices.

Pressure is rising on Big Tech firms, signaling tougher regulation in Washington and elsewhere that could lead to the breakup of the largest

platforms. But you'd hardly know by looking at their share prices.

Shares in Apple, Facebook, Amazon and Google parent Alphabet have hovered near record highs in recent weeks, lifted by pandemic-fueled surges in sales and profits that have helped the big firms extend their dominance of key economic sectors.

The Biden administration has given signs of more aggressive regulation with appointments of Big Tech critics at the Federal Trade Commission.

But that has failed to dent the momentum of the largest tech firms, despite tough talk and antitrust litigation in the United States and Europe, with US lawmakers eyeing moves to make [antitrust enforcement](#) easier.

Big Tech critics in the United States and the EU want Apple and Google to loosen the grip of their online app marketplaces; more competition in a digital advertising market dominated by Google and Facebook; and better access to Amazon's e-commerce platform by third-party sellers.

One lawsuit tossed out by a judge but in the process of being refiled could force Facebook to spin off its Instagram and WhatsApp platforms, and some activists and lawmakers are pressing for breakups of the four tech giants.

All four have hit market valuations above \$1 trillion, with Apple over \$2 trillion. Alphabet shares are up some 80 percent from a year ago, with Facebook up nearly 40 percent and Apple almost 30 percent. Amazon shares are roughly on par with last year's level after breaking records in July.

Microsoft, with a \$2 trillion valuation, has largely escaped antitrust scrutiny, even as it has benefitted from the cloud computing trend.

The surging growth has stoked complaints that the strongest firms are extending their dominance and squeezing out rivals.

Yet analysts say any aggressive actions, in the legal or legislative arena, could take years to play out and face challenges.



Lina Khan, the newly installed chair of the Federal Trade Commission, has pledged more aggressive antitrust action against large tech platforms.

### **Fast-moving environment**

"Breakup is going to be nearly impossible," said analyst Daniel Newman at Futurum Research, citing the need for controversial legislative

changes to antitrust laws.

Newman said a more likely outcome would be multibillion-dollar fines that the companies could easily absorb as they adjust their business models to adapt to problematic issues in a fast-moving environment.

"These companies have more resources and know-how than the regulators," he said.

Dan Ives at Wedbush Securities said any antitrust action would likely require legislative change—unlikely with a divided Congress.

"Until investors start to see some consensus on where the regulatory and law changes go from an antitrust perspective, it's a contained risk, and they see a green light to buy tech," he said.

Other factors supporting Big Tech include a massive shift to cloud computing and online activities that allow the strongest players to benefit, and a crackdown in China on its large technology firms.

"The China regulatory crackdown has been so massive in scale and scope, it has driven investors from Chinese tech to US tech," Ives said.

"Even though there is regulatory risk in the US, it pales in comparison to the crackdown we're seeing from Beijing."

Analysts say the big tech firms are also well-positioned to deal with tougher regulations.

Tracy Li of the investment firm Capital Group, in a recent blog post that the tech giants face major risks in regulation around privacy, content moderation and antitrust.



Apple's market value has risen above \$2 trillion despite pressure to loosen its grip on its increasingly important App Store.

"Concerns related to privacy or content may actually strengthen, rather than weaken, the moats of the largest platforms," Li said.

"These companies often boast well-established protocols and have more resources to tackle privacy and legal matters."

## Facebook 'gold mine'

Other analysts point to the swift movement by tech firms to adapt their business models in contrast to the slow efforts to regulate.

Facebook, for example, is adapting to changing conditions by moving into the "Metaverse" of virtual and augmented reality experiences, noted Ali Mogharabi at Morningstar.

Mogharabi said Facebook's vast data collected from its 2.5 billion users gives it the ability to withstand a regulatory onslaught.

"Antitrust enforcement and further regulations pose a threat to Facebook's intangible assets, data," the analyst said in a July 29 note.

"However, increased restrictions on data access and usage would apply to all firms, not just Facebook."

Independent analyst Eric Seufert said in a tweet that "regulatory changes will have a significant impact on Facebook's business, but the sheer scale of Facebook and the growth trajectory of digital advertising ameliorate that. Facebook's gold mine is far from depleted."

Newman said the large tech firms have expanded during the pandemic by delivering innovative services, extending a trend that has seen the strong get stronger.

"These platforms have created better experiences for consumers, but it is extremely difficult for new entrants," he said.

For investors, Newman added, "that means no one is creating revenue and profit growth faster."

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