

S&P Dow Jones Indices And MSCI Announce Revisions To The Global Industry Classification Standard (GICS®) Structure In 2018

NEW YORK, Nov. 15, 2017 /[PRNewswire](#)/ -- S&P Dow Jones Indices, a leading provider of financial market indices, and MSCI Inc., a leading provider of research-based indexes and analytics, announced today that as a result of their annual review of the Global Industry Classification Standard (GICS®) structure, the Telecommunication Services Sector is being broadened and renamed as Communication Services to include companies that facilitate communication and offer related content and information through various media. The renamed Sector will include the existing telecommunication companies, as well as companies selected from the Consumer Discretionary Sector currently classified under the Media Industry Group and the Internet & Direct Marketing Retail Sub-Industry, along with select companies currently classified in the Information Technology Sector.

The last several years have seen an evolution in the mode in which people communicate and access entertainment content and other information. This evolution is a result of the integration between telecommunications, media, and internet companies. Companies have moved further in this direction by consolidating through mergers and acquisitions and many now offer bundled services such as cable, internet services, and telephone services. Some of these companies also create interactive entertainment content and aggregate information that is delivered through multiple platforms such as cable and internet, as well as accessed on cellular phones.

Another important change being made to the GICS structure is the reclassification of online marketplaces for consumer products and services regardless of whether they hold inventory to the Internet & Direct Marketing Retail Sub-Industry under the Consumer Discretionary Sector. All of these e-commerce companies are dominant players in the Internet Retail Industry, targeting the same consumers and competing with one another.

"The GICS structure is evolving to stay abreast with the ever changing business environment. Convergence between telecom and media companies is not just a trend but a fact. Companies in these two industries are clearly finding synergies between creation of content and its delivery," according to Sebastien Lieblich, Managing Director and Global Head of Equity Solutions Research at MSCI. "The proposed Communication Services Sector reflects this evolution. Also, the universal nature of internet has led to it being integrated in almost all aspects of communication and business transactions. Online market places and e-commerce companies are slowly and surely increasing their share of the overall retail segment and should be classified under Internet Retail to align with the underlying business."

"The GICS structure continues to evolve to align peers and focus on a company's core business when assigning classifications," according to David Blitzter, Chairman of the Index Committee at S&P Dow Jones Indices. "The internet began as a technological approach to sharing information; it has become the way many businesses operate. Cable companies are combining with telecom companies, creating their own media content and delivering it to consumers. The lines among media, communications, and content are blurred. It is time to acknowledge this convergence and the overlapping services these companies provide. The Communication Services Sector addresses this progression. Additionally, there is no longer any question that all e-commerce belongs in retail. Online marketplaces will move to Internet & Direct Marketing Retail to ensure that companies are classified according to their underlying business."

The annual GICS methodology review is intended to ensure that the GICS structure continues to appropriately represent the global equity markets and, thereby, enable asset owners, asset managers and investment research specialists to make consistent global comparisons by industry. The GICS revision is the result of a consultation with members of the global investment community.

The changes to the GICS structure will be implemented in GICS Direct after the close of business (ET) on Friday,

September 28, 2018. The full list of companies affected by these changes will be made available to GICS Direct clients no later than August 1, 2018. A select list of large market capitalization companies affected by the changes will be announced in January 2018. S&P Dow Jones Indices and MSCI will each consult with clients regarding implementation in their respective indexes.

The results of the consultation and changes to the GICS structure in 2018 are summarized below.

Communication Services Sector

The Telecommunication Services Sector is being renamed to Communication Services and will contain two Industry Groups: Telecommunication Services and Media & Entertainment. The Telecommunication Services Industry Group will remain under the Communication Services Sector and continue to include providers of telecommunication services and related services. In addition, internet service providers offering internet access to end users will be classified here.

The Media Industry Group will move out of Consumer Discretionary and into the Communication Services Sector, and will be renamed Media & Entertainment. It will remain an Industry Group and contain three Industries: Media, Entertainment, and Interactive Media & Services. The Media Industry will contain companies engaged in Advertising, Broadcasting, Cable & Satellite, and Publishing.

The Entertainment Industry will contain companies engaged in producing and selling entertainment products and services. It will now also include online entertainment streaming companies. In addition, companies producing interactive home entertainment content such as games and mobile gaming applications will be classified here.

The Interactive Media & Services Industry will include companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements. It will include search engines, social media and networking platforms, online classifieds, and online review companies.

Internet & Direct Marketing Retail Sub-Industry

The Internet & Direct Marketing Retail Sub-Industry under the Consumer Discretionary Sector will be updated to include companies providing online marketplaces for consumer products and services. The Sub-Industry will include e-commerce companies regardless of whether they hold inventory.

Information Technology Sector

The Internet Software & Services Industry and Sub-Industry will be discontinued.

A new Sub-Industry will be created under the IT Services Industry called Internet Services & Infrastructure. This Sub-Industry will include companies providing services and infrastructure for the internet industry including data centers, cloud networking and storage infrastructure, and web hosting services.

In addition, the Application Software Sub-Industry will include cloud-based software companies.

The new GICS structure will consist of 11 Sectors, 24 Industry Groups, 69 Industries and 158 Sub-Industries.

For a detailed document covering the upcoming changes, please visit S&P Dow Jones Indices' web site at www.spdji.com and MSCI's web site at www.msci.com.

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