

Cisco 2022 Q2 Earnings Update

Q2 FY 2022 Highlights

- **Strong performance demonstrating strength of our strategy and differentiated innovation**
 - Revenue, non-GAAP net income and EPS all grew 6% y/y
- **Delivered healthy margins despite supply-constrained, inflationary environment**
- **Robust, broad-based demand led to product order growth of 33% y/y**
 - Third consecutive quarter of year-over-year product order growth of 30% or higher
 - Enterprise orders growth accelerated to 37% y/y; Webscale orders grew over 70% y/y
- **All-time high product backlog of \$14B, increasing more than 150% y/y**
- **Continued momentum on business transformation**
 - Software revenue grew to \$3.8B, 80% of software revenue was subscription-based, up 4 percentage points y/y
 - Total subscription revenue grew to \$5.5B; representing 44% of total revenue
 - Annualized Recurring Revenue (ARR) of \$21.9B up 11% y/y; product ARR up 20% y/y
 - Remaining Performance Obligations (RPO) grew 8% y/y to \$30.5B; product RPO grew 16% y/y; total short-term RPO was \$16.3B which will convert to revenue over the next twelve months
- **Increased the stock repurchase authorization by \$15B, bringing the total to ~\$18B**
- **We increased our quarterly dividend by \$0.01 per share to \$0.38 which represents our 12th increase**

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Capital Allocation

Q2 FY2022 Results

Total Capital Allocation	
Share Repurchases (\$M)	\$4,824
Dividends Paid (\$M)	1,541
Total (\$M)	\$6,365
Quarterly Dividends Per Share	\$0.37

Share Repurchases	
Amount Purchased (\$M)	\$4,824
Number of Shares (M)	82
Avg. Price Per Share	\$58.36

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Going Forward

- Increased quarterly dividend \$0.01, up 3%
- \$15B increase to the share repurchase program authorization to ~\$18B

24 billion returned to shareholders per year if all else equal – share compensation lowers that a bit. Market cap is 232 billion – that is 10% yield.

The buybacks have surged in the last quarter – we have to see whether they will have that much to spend each quarter. The FCF is \$14 billion – thus better stick to that.

So, as expected, cash flows have increased, debt is not the focus anymore and shareholders can be rewarded. I stick to FCF as returns then. 7 to 12 % expected return, depending on valuation.

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[LINK](#)

Market capitalization 232.63

STOCK VALUE LIST!A1

		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Terminal Value	Growth rate		
Scenario 1 normal case in EUR	FCF for divs and buyba											2030	5%	next 5 years	
		14.00	14.70	15.44	16.21	17.02	17.87	18.76	19.70	20.68	21.72	22.80	325.78	5%	5 to 10 years
	10%)		13.36	12.76	12.18	11.62	11.09	10.59	10.11	9.65	9.21	8.79	125.60	10%	Discount rate
	INTRINSIC VALUE		234.97											15.0	Terminal multiple

		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Terminal Value	Growth rate		
Scenario 2 best case in EUR	FCF for divs and buyba											2030	5%	next 5 years	
		14.00	14.70	15.44	16.21	17.02	17.87	18.76	19.70	20.68	21.72	22.80	434.37	5%	5 to 10 years
	10%)		13.36	12.76	12.18	11.62	11.09	10.59	10.11	9.65	9.21	8.79	167.47	10%	Discount rate
	Present value sum		276.83											20.0	Terminal multiple

		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Terminal Value	Growth rate		
Scenario 3 worst case in EUR	FCF for divs and buyba											2030	0%	next 5 years	
		14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	140.00	0%	5 to 10 years	
	10%)		12.73	11.57	10.52	9.56	8.69	7.90	7.18	6.53	5.94	5.40	53.98	10%	Discount rate
	Present value sum		140.00											10.0	Terminal multiple

Scenario	Probability	PV	Part
Scenario 1 (normal case)	0.6	234.97	140.98
Scenario 2 (best case)	0.2	276.83	55.37
Scenario 3 (worst case)	0.2	140.00	28.00
Sum		224.35	

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