

Cisco Earnings Update

8% growth

Q4 FY 2021 Highlights

- **Delivered robust revenue growth of 8% y/y with strong margins** and record operating cash flow
- **Highest product order growth in over a decade at 31% y/y**
 - Enterprise orders up 25% y/y
 - Third consecutive quarter of acceleration in Commercial, Service Provider and Public Sector with all of these segments showing growth in excess of 20% y/y
- **Strong demand for Cisco's technology driving** momentum across portfolio, customer segments and geographies
 - Double-digit revenue growth y/y in Campus Switching, Catalyst 9000, High End Routing, Wireless and Zero Trust solutions along with strength in our security endpoint portfolio
- **Continued progress on business model transformation**
 - Achieved software revenue of over \$4B, an increase of 6% y/y of which 81% is recurring
 - Software subscription revenue grew 9% y/y in Q4 and 15% y/y for the full fiscal year
 - Over \$30 billion in Remaining Performance Obligations (RPO) at the end of Q4
- **Gross margin pressure driven by on-going component shortage challenges**

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Q4 FY 2021 Capital Allocation

Total Capital Allocation	
Share Repurchases (\$M)	\$791
Dividends Paid (\$M)	1,562
Total (\$M)	\$2,353
Quarterly Dividends Per Share	\$0.37
Share Repurchases	
Amount Purchased (\$M)	\$791
Number of Shares (M)	15
Avg. Price Per Share	\$53.30

Approximately \$7.9B remaining authorized funds in repurchase program as of the end of Q4 FY 2021.

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EPS 3.22

Buybacks are just slightly above the share based compensation so not really having a big impact.

INCOME STATEMENTS Note 1 (in millions)					
	FY 2021 Quarter Ended October 24, 2020	FY 2021 Quarter Ended January 23, 2021	FY 2021 Quarter Ended May 1, 2021	FY 2021 Quarter Ended July 31, 2021	FY 2021 Year Ended July 31, 2021
A reconciliation between net income on a GAAP basis and non-GAAP net income including items (a) to (h) is as follows:					
GAAP net income	\$ 2,174	\$ 2,545	\$ 2,863	\$ 3,009	\$ 10,591
(a) Share-based compensation expense	427	426	458	424	1,735
(b) Amortization of acquisition-related intangible assets	199	191	245	278	913
(c) Other acquisition-related/divestiture costs	60	33	93	110	296
(d) Significant asset impairments and restructurings	602	234	42	8	886
(e) Legal and indemnification settlements	43	-	-	-	43
(f) Gains and losses on equity investments	(48)	13	(96)	(154)	(285)
Total adjustments to GAAP income before provision for income taxes	1,283	897	742	666	3,588
(g) Income tax effect	(246)	(162)	(95)	(199)	(702)
(h) Significant tax matters	-	83	-	76	159
Total adjustments to GAAP provision for income taxes	(246)	(79)	(95)	(123)	(543)
Non-GAAP net income	\$ 3,211	\$ 3,363	\$ 3,510	\$ 3,552	\$ 13,636

Lower dividends payouts or stable with holding cash for other things – I expected higher dividends as the debt has been lowered..

We delivered an operating cash flow of 15.5 billion, flat compared to fiscal '20. From a cap allocation perspective, we returned 9.1 billion in value to shareholders over the fiscal year, which represents 61% of our free cash flow. That was comprised of 6.2 billion in quarterly cash dividends and 2.9 billion of share repurchases. We also increased our dividend for the 10th consecutive year in fiscal 2021, reinforcing our commitment to return capital to our shareholders, and our confidence in the strength and stability of our ongoing cash flows. We remain firmly committed to maintaining a strong balance sheet to fuel our organic and inorganic growth initiatives, as well as continuing our cap allocation strategy of returning a minimum of 50% of our free cash flow to shareholders annually.

Our financial guidance for Q1 is as follows. We expect revenue growth to be in the range of 7.5% to 9.5% year-over-year. We anticipate the non-GAAP gross margin to be in the range of 63.5% to 64.5%, reflecting the continuing increase in supply chain costs we are incurring as we protect shipments to our customers. Our non-GAAP operating margin is expected to be in the range of 31.5% to 32.5%. Non-GAAP earnings per share are expected to range from \$0.79 to \$0.81. Our financial guidance for the full-year fiscal '22 is as follows.

We expect revenue growth to be in the range of 5% to 7% year-on-year. Non-GAAP earnings per share are expected to range from \$3.38 to \$3.45, also up 5% to 7% year-over-year. In both our Q1 and full-year outlook, we are assuming a non-GAAP effective tax rate of 19%. Looking ahead, we're excited to host a Cisco virtual Investor Day on Wednesday, September 15th, 2021, which we will webcast live, and hope you can join us. I will now turn it back to Marilyn so we can move into the Q&A.

From the balance sheet I see they stopped paying down debt. Buybacks shouldn't impact earnings growth, thus the dividend remains. But in my previous research I expected a higher dividend as they stop paying down debt, they decided to even lower the cash payout to invest and just slowly increase the dividend to keep the 10 year dividend increase slow and steady.

This lowers my valuation a bit, the stock is up 40% on my position.

Cisco

[LINK](#)

STOCK VALUE LIST!A1

												Terminal Value	Growth rate	
Scenario 1 normal case in EUR	Dividend in billions	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2030	6%	next 5 years
		6.50	6.89	7.30	7.74	8.21	8.70	9.22	9.77	10.36	10.98	11.64	6%	5 to 10 years
	10%)		6.26	6.04	5.82	5.60	5.40	5.20	5.02	4.83	4.66	4.49	10%	Discount rate
	INTRINSIC VALUE		159.17										25.0	Terminal multiple

												Terminal Value	Growth rate	
Scenario 2 best case in EUR	Dividend in billions	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2030	8%	next 5 years
		6.50	7.02	7.58	8.19	8.84	9.55	10.31	11.14	12.03	12.99	14.03	8%	5 to 10 years
	10%)		6.38	6.27	6.15	6.04	5.93	5.82	5.72	5.61	5.51	5.41	10%	Discount rate
	Present value sum		209.13										30.0	Terminal multiple

												Terminal Value	Growth rate	
Scenario 3 worst case in EUR	Dividend in billions	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2030	4%	next 5 years
		6.50	6.76	7.03	7.31	7.60	7.91	8.22	8.55	8.90	9.25	9.62	4%	5 to 10 years
	10%)		6.15	5.81	5.49	5.19	4.91	4.64	4.39	4.15	3.92	3.71	10%	Discount rate
	Present value sum		119.71										20.0	Terminal multiple

Scenario	Probability	PV	Part
Scenario 1 (normal case)	0.6	159.17	95.50
Scenario 2 (best case)	0.2	209.13	41.83
Scenario 3 (worst case)	0.2	119.71	23.94
		Sum	161.27

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I'll keep the 600 EUR earned into it, and deploy the rest to what I have better. I will keep following likely once a year and watching the ratio on my table.

Cisco was undervalued last year and is now let me say fairly priced by the market.

	A	B	C	D	E	F	G	H	I	J
1	STOCK	TICKER	TYPE	MKT CAP or stock pr	10% RETURN	Ratio	LINK to RESEARCH	INTRINSIC	UPDATED	STATUS
2	Gazprom	LSE: OGZL	SLOW GROWER	8084.04	117.73	0.01	https://sven-carlin-research-platform.teachable.com/p/gazprom	GAZ!A1	02-Sep-21	GOOD
3	Flow	AMS:FLOV	HEDGE + Growth	1.54	2.99	1.94	https://sven-carlin-research-platform.teachable.com/p/flow	FLOW!A1	24-Jul-21	Good
4	Rusal	HKD:0486	VALUE	149.78	18.95	0.13	https://sven-carlin-research-platform.teachable.com/p/rusal	Rusal (2)!A1	01-Sep-21	GOOD
5	Phosagro	LSE: PHOF	STALWART	8.91	10.07	1.13	https://sven-carlin-research-platform.teachable.com/p/phosagro	PHOR!A1	01-Sep-21	GOOD
6	Alibaba	BABA	FAST GROWTH	424.93	941.61	2.22	https://sven-carlin-research-platform.teachable.com/p/alibaba	BABA!A1	03-Aug-21	GOOD
7	Central P	CEPU	All depends on what happens in Argentina - no point in making value				https://sven-carlin-research-platform.teachable.com/p/central-p		01-Sep-21	
8	g									
9	FDP	NYSE: FDP	SLOW GROWER/VALU	1.45	1.42	0.98	https://sven-carlin-research-platform.teachable.com/p/fdp	FDP!A1	09-Sep-21	GOOD
10	INTEL	INTC	STALWART	221.19	237.08	1.07	https://sven-carlin-research-platform.teachable.com/p/intel	INTC!A1	24-Aug-21	GOOD
11	Facebook	FB	FAST GROWTH	376.53	521.33	1.38	https://sven-carlin-research-platform.teachable.com/p/facebook	FB!A1	15-Sep-21	GOOD
12	En+	LSE:ENPL	VALUE	8.13	17.45	2.15	https://sven-carlin-research-platform.teachable.com/p/en	Norilsk!A1	12-May-21	GOOD
13	Norilsk	LSE: MNO	STALWART/GROWTH	51.95	71.56	1.38	https://sven-carlin-research-platform.teachable.com/p/norilsk	Norilsk!A1	01-Sep-21	GOOD
14	B&S Grou	AMS: BSG	Growth	686.89	732.07	1.07	https://sven-carlin-research-platform.teachable.com/p/b-s-group	BSGR!A1	16-Jul-21	GOOD
15	ADP Paris	EPA: ADP	SLOW GROWER	9.56	8.73	0.91	https://sven-carlin-research-platform.teachable.com/p/adp-paris	ADP!A1	12-May-21	GOOD
16	Berkshire	BRK.A	SLOW GROWER	627.06	484.71	0.77	https://sven-carlin-research-platform.teachable.com/p/berkshire	BRK!A1	07-May-21	WATCH
17	PROSUS	AMS:AD	FAST GROWTH	172.04	#REF!	#REF!	https://sven-carlin-research-platform.teachable.com/p/prosus		02-Sep-21	Good
18	China Mo	HKG:0941	slow growth	48.65	48.13	0.99	https://sven-carlin-research-platform.teachable.com/p/china-mo	CM!A1	13-May-21	Good
19	Baidu	NAS: BIDU	Search engine China	44.89	77.55	1.73	https://sven-carlin-research-platform.teachable.com/p/baidu	BIDU!A1	23-Aug-21	Good
20	Amsterda	AMS: ACC	STARWART	704.05	663.48	0.94	https://sven-carlin-research-platform.teachable.com/p/amsterdam	ACOMO!A1	09-Sep-21	Good
21	Femsa	FMX	growth	28.30	18.44	0.65	https://sven-carlin-research-platform.teachable.com/p/femsa	FEMSA!A1	27-Aug-21	Good
22	Glencore	LON:GLEN	CYCLICAL	62.51	58.65	0.94	https://sven-carlin-research-platform.teachable.com/p/glencore	GLEN!A1	02-Sep-21	GOOD
23	NAGACOF	HKG:3918	STALWART	3.61	6.68	1.85	https://sven-carlin-research-platform.teachable.com/p/nagacof	NAGA!A1	08-Feb-21	GOOD
24	Jungfrau	SWX: JFN	STALWART	785.39	705.66	0.90	https://sven-carlin-research-platform.teachable.com/p/jungfrau	JUNG!A1	12-Jan-21	WATCH
25	COIMA RE	BIT: CRES	STALWART	0.25	0.24	0.97	https://sven-carlin-research-platform.teachable.com/p/coima-re	COIMA RES	06-Mar-21	Good
26	Mobile Te	NYSE: MB	slow growth	9.69	10.02	1.03	https://sven-carlin-research-platform.teachable.com/p/mobile-te	MTB!A1	23-Mar-21	Good
27	Titlis	SWX: TIBN	STALWART	156.91	176.36	1.12	https://sven-carlin-research-platform.teachable.com/p/titlis	TITUS!A1	08-Jan-21	GOOD
28	VIV	NYSE:VIV	slow growth	8.14	8.50	1.04	https://sven-carlin-research-platform.teachable.com/p/viv	VIV!A1	01-Apr-21	Good
29	TERNIUM	NYSE:TX	STALWART	10.06	8.08	0.80	https://sven-carlin-research-platform.teachable.com/p/ternum	TX!A1	03-Mar-21	WATCH
30	TSMC	TSM	FAST GROWTH	123.09	75.46	0.61	https://sven-carlin-research-platform.teachable.com/p/tsmc	TSMC!A1	29-Jan-21	WATCH
31	Tencent	HKG:0700	Growth China	559.36	653.97	1.17	https://sven-carlin-research-platform.teachable.com/p/tencent	Tencent!A1	31-Aug-21	
32	TECK	TECK	CYCLICAL	13.79	9.21	0.67	https://sven-carlin-research-platform.teachable.com/p/teck	TECK!A1	20-Jan-21	Watch
33	LUNDIN M	TSX: LUN	CYCLICAL	4.29	7.37	1.72	https://sven-carlin-research-platform.teachable.com/p/lundin-m	LUN!A1	21-Jan-21	GOOD
34	MELCO	MLCO	STALWART	5.73	7.61	1.33	https://sven-carlin-research-platform.teachable.com/p/melco	MELCO!A1	17-Feb-21	watch
35	Antofagasta		CYCLICAL				https://sven-carlin-research-platform.teachable.com/p/antofagasta			
36	Cisco	CSCO	SLOW GROWER	244.08	161.27	0.66	https://sven-carlin-research-platform.teachable.com/p/cisco	CSCO!A1	28-May-21	watch
37	Nutrien	NTR	CYCLICAL	44.18	24.43	0.55	https://sven-carlin-research-platform.teachable.com/p/nutrien	NTR!A1	08-Mar-21	watch
38	Lukoil	LSE: LKOH	CYCLICAL	60.00	75.90	1.27	https://sven-carlin-research-platform.teachable.com/p/lukoil			