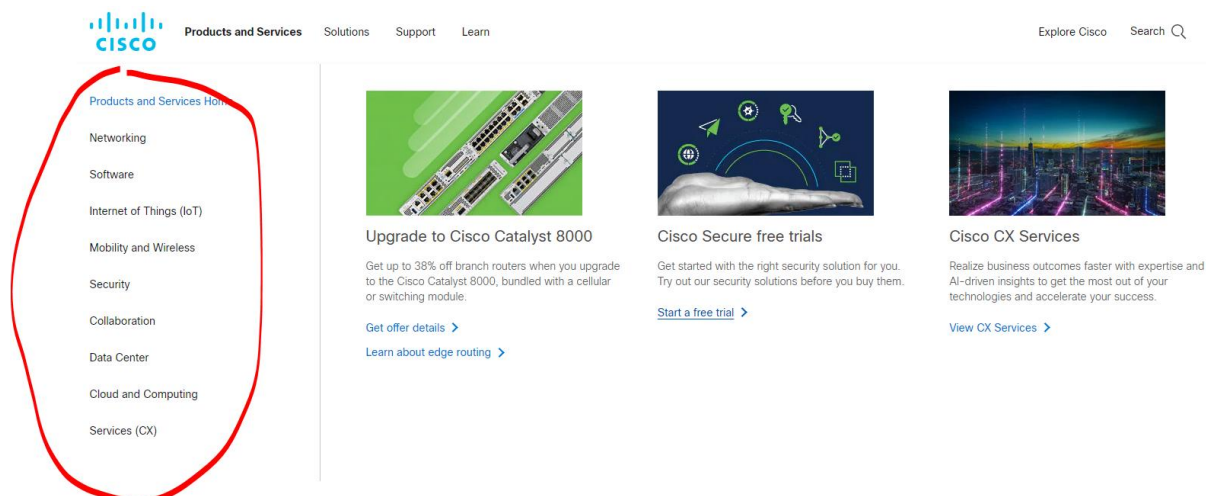


## Cisco Stock 2 Page Investing Summary – Updated 11 July 2022

Cisco is the company selling the infrastructure to all what is going on in the world.



As the Internet of Things environment expands, Cisco has achieved record backlog, they have turned from paying down debt to rewarding shareholders and really did a lot of buybacks last quarter.

The free cash flows are around \$14 billion per year and the expected growth is around 5%. If that holds, then we are looking towards a 5% FCF yield (dividends and buybacks) and a 5% growth on top of that for a 10% return. (the market cap is lower now in May 2022, thus the FCF yield is already at 7.5%, plus growth).

I have put in the dividend, and will account for the buybacks as impacting growth. Inputs 1.52 dividend per share growing at 7% per year thanks to buybacks and business growth! **(IF THE DIVIDEND DOESN'T GROW AT 7% per year – BIG RED FLAG & WARNING)**

**Cisco** [LINK](#)  
 Stock Price 43.39

[STOCK VALUE LIST!A1](#)

Scenario	Dividend	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Terminal Value	Growth rate
Scenario 1 normal case	1.52	1.63	1.74	1.86	1.99	2.13	2.28	2.44	2.61	2.79	2.99	55.89	7%
	12.5%)	1.45	1.38	1.31	1.24	1.18	1.13	1.07	1.02	0.97	0.92	17.21	13%
	INTRINSIC VALUE	28.87											
		20.0											
Scenario 2 best case	1.52	1.66	1.81	1.97	2.15	2.34	2.55	2.78	3.03	3.30	3.60	82.53	9%
	12.5%)	1.47	1.43	1.38	1.34	1.30	1.26	1.22	1.18	1.14	1.11	25.42	13%
	Present value sum	38.24											
		25.0											
Scenario 3 worst case	1.52	1.57	1.61	1.66	1.71	1.76	1.81	1.87	1.93	1.98	2.04	39.67	3%
	12.5%)	1.39	1.27	1.17	1.07	0.98	0.90	0.82	0.75	0.69	0.63	12.21	13%
	Present value sum	21.87											
		20.0											

Scenario	Probability	PV	Part
Scenario 1 (normal case)	0.6	28.87	17.32
Scenario 2 (best case)	0.2	38.24	7.65
Scenario 3 (worst case)	0.2	21.87	4.37
Stock Price		43.39	Sum 29.34

Disclaimer: This is just for educational purposes and not for investing advice!

SVEN CARLIN  
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Valuation assuming total FCF paid out in dividends and buybacks and various growth rates on a 12.5% discount rate.

On a 10% discount rate, also being happy with a 5% dividend, or 4% in the best case scenario, the stock seems fairly valued at \$35!

But, the current PE valuation is 15, was riskier when it was 20 just a few months ago.

I would assume the returns ahead will be between 5% and 15% depending on what the market thinks where buybacks could really push the stock higher. So, expected return of around 10% from a business perspective where the key risks come from:

- Valuation – a PE ratio of 20 is always risk, 15 is better now
- Economy and demand for products – bad economy will mean delays in orders and lower revenue
- Cisco was the leader, but now it is 3<sup>rd</sup> or 4<sup>th</sup> in some spaces, still has its place, but not crushing it as it did in the past! So, pure value play, look for better margin of safety!

I would say Cisco is a medium risk company and medium reward.

May 2022 Update – as the stock price goes lower, this is a better buy.!!!

For the Research Platform Covered Stocks portfolio – I feel like a medium exposure is good now – the div is ok and there is potential from buybacks and growth – but for larger exposures watch for a higher margin of safety – if there will be one! We will watch!