

Cisco

A look at What It Really Means to Be a Leader and Sell at 100 Times Earnings

Stock Price		121.1
Shares(mm)		3,223
F1 EPS	\$	1.00
F2 EPS	\$	1.27
F1 EPS Growth		32.0%
F2 EPS Growth		28.0%
P/E F1		121.3
P/E F2		95.2
Net Inc. F1	\$	3,218
Net Inc. F2	\$	4,100
Market Value(000)	\$	390,386
Long Term Est. Growth		30.0%

A-Rated Corp Bond Rate	7.0%
Hopelessly Old-Fashioned Est. of Annual Stock Returns	11.0%

	2000	1	2	3	4	5	6	7	8
Cisco Net Income	\$ 3,218	\$ 4,183	\$ 5,438	\$ 7,070	\$ 9,190	\$ 11,948	\$ 15,532	\$ 20,191	\$ 26,249
Cumulative Net Income	\$ 3,218	\$ 7,401	\$ 12,839	\$ 19,909	\$ 29,099	\$ 41,047	\$ 56,579	\$ 76,770	\$ 103,019

Sell Cisco and Invest in Bonds

Principal	\$ 390,386	\$ 417,713	\$ 446,953	\$ 478,239	\$ 511,716	\$ 547,536	\$ 585,864	\$ 626,874	\$ 670,756
Interest Income	\$ 27,327	\$ 29,240	\$ 31,287	\$ 33,477	\$ 35,820	\$ 38,328	\$ 41,010	\$ 43,881	\$ 46,953
Cumulative Interest Income	\$ 27,327	\$ 56,567	\$ 87,854	\$ 121,330	\$ 157,151	\$ 195,478	\$ 236,489	\$ 280,370	\$ 327,323

Sell Cisco and Invest in "Conservative" Index Fund

Principal	\$ 390,386	\$ 433,328	\$ 480,994	\$ 533,904	\$ 592,633	\$ 657,823	\$ 730,183	\$ 810,504	\$ 899,659
Annual Return	\$ 42,942	\$ 47,666	\$ 52,909	\$ 58,729	\$ 65,190	\$ 72,361	\$ 80,320	\$ 89,155	\$ 98,962
Cumulative Net Income	\$ 42,942	\$ 90,609	\$ 143,518	\$ 202,247	\$ 267,437	\$ 339,798	\$ 420,118	\$ 509,273	\$ 608,236

Sell Cisco and Pay 20% Capital Gains Tax and Invest in Bonds

Principal	\$ 312,309	\$ 334,170	\$ 357,562	\$ 382,592	\$ 409,373	\$ 438,029	\$ 468,691	\$ 501,500	\$ 536,604
Interest Income	\$ 21,862	\$ 23,392	\$ 25,029	\$ 26,781	\$ 28,656	\$ 30,662	\$ 32,808	\$ 35,105	\$ 37,562
Cumulative Interest Income	\$ 21,862	\$ 45,254	\$ 70,283	\$ 97,064	\$ 125,720	\$ 156,382	\$ 189,191	\$ 224,296	\$ 261,858

Sell Cisco and Pay 20% Capital Gains Tax and Invest in Index Fund

Principal	\$ 312,309	\$ 346,663	\$ 384,796	\$ 427,123	\$ 474,107	\$ 526,258	\$ 584,147	\$ 648,403	\$ 719,727
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Annual Return	\$	34,354	\$	38,133	\$	42,328	\$	46,984	\$	52,152	\$	57,888	\$	64,256	\$	71,324	\$	79,170
Cumulative Net Income	\$	34,354	\$	72,487	\$	114,814	\$	161,798	\$	213,950	\$	271,838	\$	336,094	\$	407,418	\$	486,588

	Years Until Cisco Income Equals Alternatives	Years Until Cisco Cumulative Income Equals Alternatives
Sell Cisco and Invest in Bonds	11	16
Sell Cisco and Earn 11% in Stocks	17	21
Sell Cisco, Pay 20% Capital Gains and Invest in Bonds	10	15
Sell Cisco, Pay 20% Capital Gains and Invest in Stocks	16	20

	9	10	11	12	13	14	15	16	17
\$	34,124	\$ 44,361	\$ 57,669	\$ 74,970	\$ 97,460	\$ 126,699	\$ 164,708	\$ 214,121	\$ 278,357
\$	137,143	\$ 181,504	\$ 239,172	\$ 314,142	\$ 411,603	\$ 538,301	\$ 703,009	\$ 917,130	\$ 1,195,487
\$	717,709	\$ 767,948	\$ 821,704	\$ 879,224	\$ 940,769	\$ 1,006,623	\$ 1,077,087	\$ 1,152,483	\$ 1,233,157
\$	50,240	\$ 53,756	\$ 57,519	\$ 61,546	\$ 65,854	\$ 70,464	\$ 75,396	\$ 80,674	\$ 86,321
\$	377,562	\$ 431,319	\$ 488,838	\$ 550,384	\$ 616,237	\$ 686,701	\$ 762,097	\$ 842,771	\$ 929,092
\$	998,621	\$ 1,108,470	\$ 1,230,402	\$ 1,365,746	\$ 1,515,978	\$ 1,682,735	\$ 1,867,836	\$ 2,073,298	\$ 2,301,361
\$	109,848	\$ 121,932	\$ 135,344	\$ 150,232	\$ 166,758	\$ 185,101	\$ 205,462	\$ 228,063	\$ 253,150
\$	718,084	\$ 840,016	\$ 975,360	\$ 1,125,592	\$ 1,292,349	\$ 1,477,450	\$ 1,682,912	\$ 1,910,975	\$ 2,164,125
\$	574,167	\$ 614,358	\$ 657,364	\$ 703,379	\$ 752,616	\$ 805,299	\$ 861,670	\$ 921,986	\$ 986,525
\$	40,192	\$ 43,005	\$ 46,015	\$ 49,237	\$ 52,683	\$ 56,371	\$ 60,317	\$ 64,539	\$ 69,057
\$	302,050	\$ 345,055	\$ 391,070	\$ 440,307	\$ 492,990	\$ 549,361	\$ 609,678	\$ 674,217	\$ 743,274
\$	798,897	\$ 886,776	\$ 984,321	\$ 1,092,597	\$ 1,212,782	\$ 1,346,188	\$ 1,494,269	\$ 1,658,639	\$ 1,841,089
\$	87,879	\$ 97,545	\$ 108,275	\$ 120,186	\$ 133,406	\$ 148,081	\$ 164,370	\$ 182,450	\$ 202,520
\$	574,467	\$ 672,013	\$ 780,288	\$ 900,473	\$ 1,033,880	\$ 1,181,960	\$ 1,346,330	\$ 1,528,780	\$ 1,731,300

	18	19	20	21
\$	361,864	\$ 470,423	\$ 611,550	\$ 795,015
\$	1,557,351	\$ 2,027,774	\$ 2,639,324	\$ 3,434,338
\$	1,319,478	\$ 1,411,841	\$ 1,510,670	\$ 1,616,417
\$	92,363	\$ 98,829	\$ 105,747	\$ 113,149
\$	1,021,455	\$ 1,120,284	\$ 1,226,031	\$ 1,339,180
\$	2,554,511	\$ 2,835,507	\$ 3,147,413	\$ 3,493,628
\$	280,996	\$ 311,906	\$ 346,215	\$ 384,299
\$	2,445,121	\$ 2,757,027	\$ 3,103,242	\$ 3,487,541
\$	1,055,582	\$ 1,129,473	\$ 1,208,536	\$ 1,293,134
\$	73,891	\$ 79,063	\$ 84,598	\$ 90,519
\$	817,164	\$ 896,227	\$ 980,825	\$ 1,071,344
\$	2,043,609	\$ 2,268,405	\$ 2,517,930	\$ 2,794,902
\$	224,797	\$ 249,525	\$ 276,972	\$ 307,439
\$	1,956,097	\$ 2,205,621	\$ 2,482,594	\$ 2,790,033