



Your wealth managed on your terms.  
Experience a *better* approach to financial service.

# AAL Silicon Valley

April 9, 2022

Presented by:

Jim Lebenthal

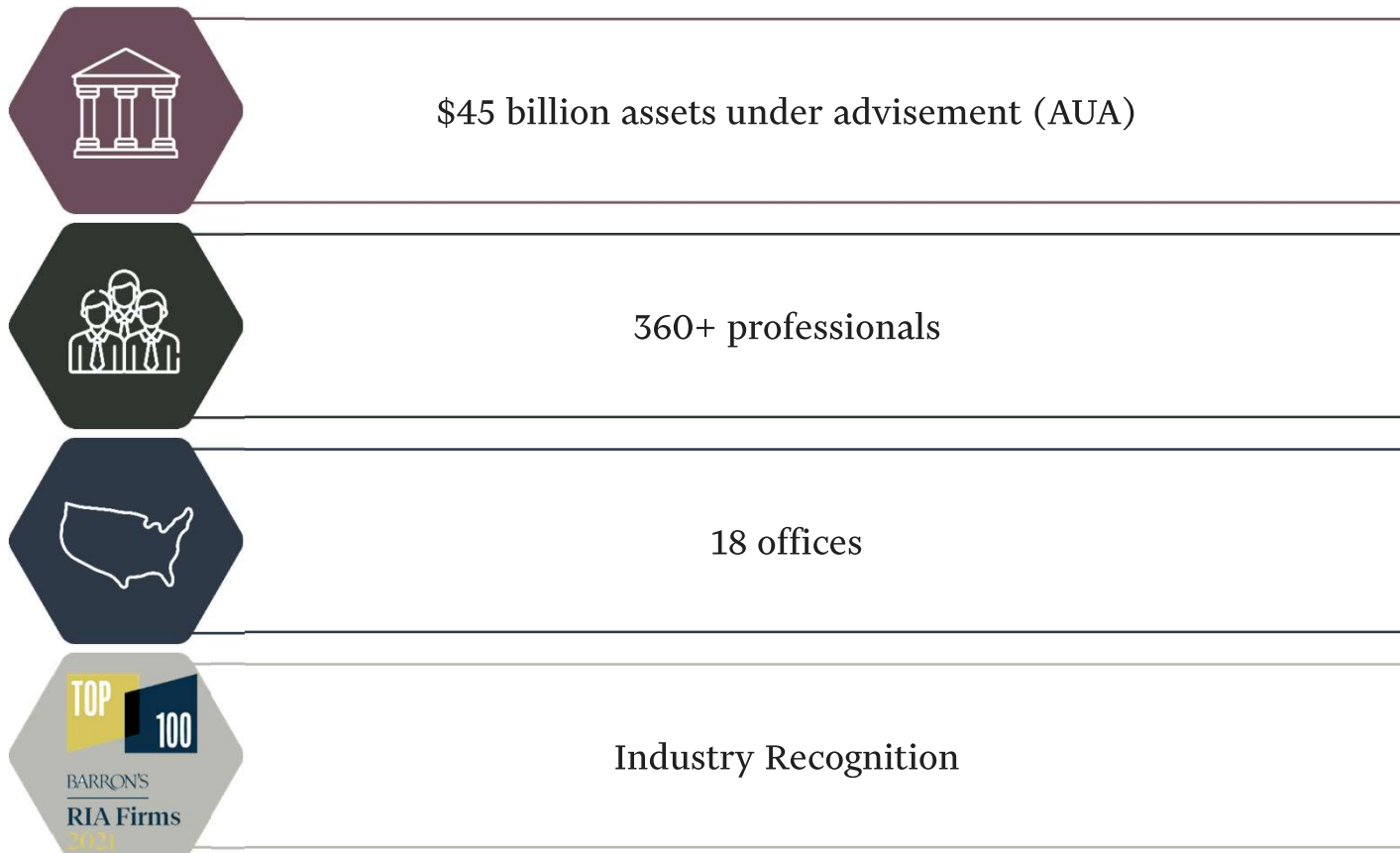
AAL Silicon Valley

# Why Cerity Partners

*All the experts. One point of contact. Comprehensive financial advice, tailored to you.*

## Cerity Partners At a Glance

*We are a leading, independent advisory firm committed to serving the financial needs of individuals and their families, businesses and their employees, and nonprofit organizations.*



# A Broad Range of Services Focused on Your Financial Well-being

*Extensive support for where you are today and where you want to be in the future*

## Financial & Insurance Planning

- Cash flow analysis
- Preparation of annual financial statements
- Spending, savings and debt management
- Evaluation of titling and structure of assets and liabilities
- Income and expense projections and monitoring
- Retirement income planning
- Insurance coverage assessments
- Business insurance solutions

## Estate & Gift Planning

- Wealth protection and transfer strategies
- Charitable planning and gift coordination
- Review of wills, trusts and other estate-planning documents
- Review of beneficiary designations

## Tax Planning & Optimization

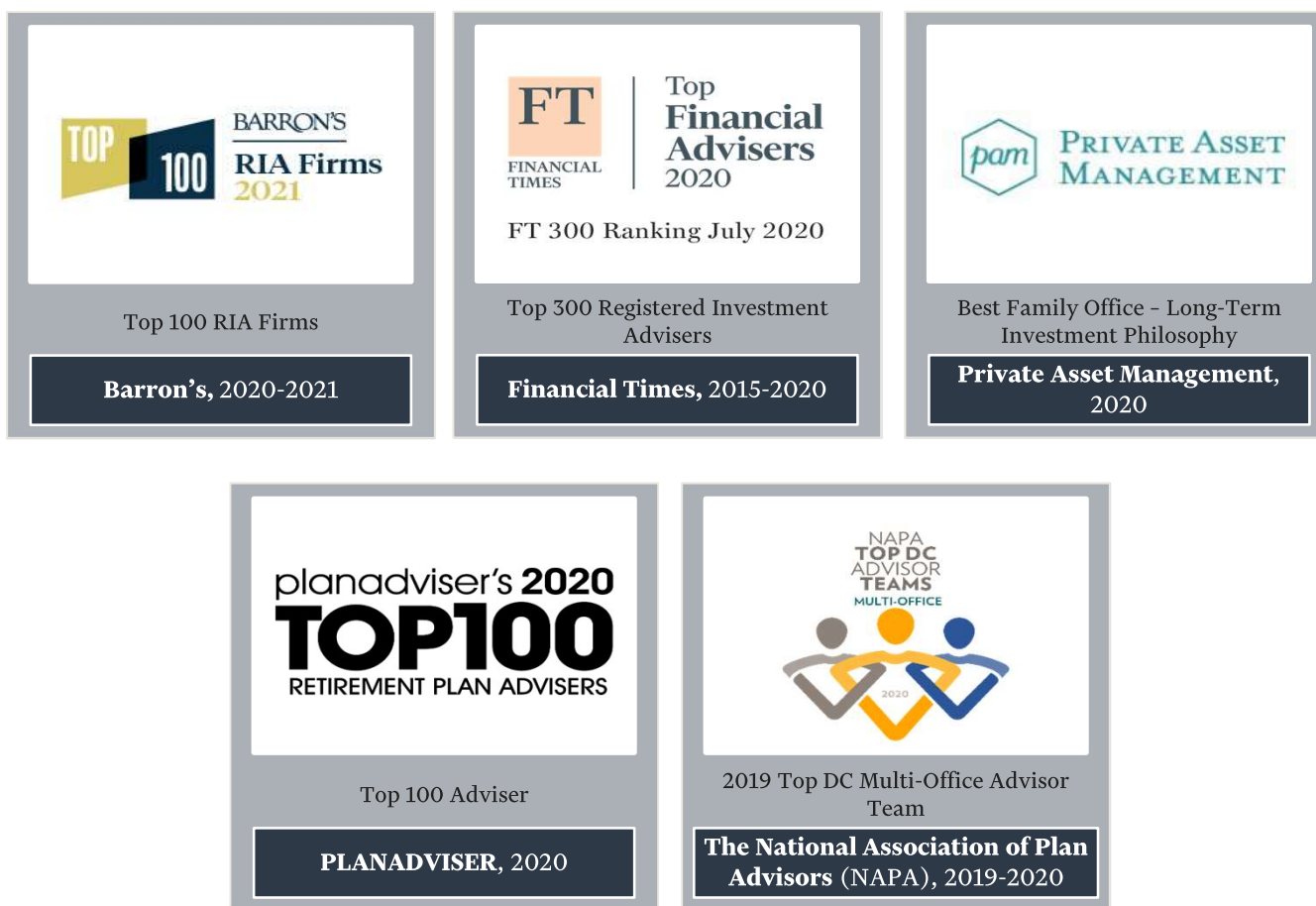
- Annual tax projections
- Tax optimization strategies
- Determination of quarterly payments
- Preparation and filing of personal and business tax returns

## Investment Management

- Creation of goals-based investment policy statement
- Strategic and tactical asset allocations
- Selection and oversight of investments
- Ongoing monitoring of investment portfolios
- Performance reporting and benchmarking
- Market insights and guidance

## Industry Recognition

*We are widely recognized within the wealth management and retirement planning industries.*



# Highly Experienced, Credentialed Professionals

*Dedicated to helping clients manage and enhance their wealth*



## KEY

CFA = Chartered Financial Analyst

JD = Juris Doctor

LL.M. = Master of Laws

CIC = Certified Insurance Counselor

AEP = Accredited Estate Planner

CDFA = Certified Divorce Financial Analyst

CFP® = Certified Financial Planner™

CEPA® = Certified Exit Planning Advisor

AIF® = Accredited Investment Fiduciary

CRPS = Chartered Retirement Plans Specialist

CIMA = Certified Investment Management Analyst

CFTe = Certified Financial Technician

CTFA = Certified Trust and Fiduciary Advisor

## National Footprint

*A growing regional presence for more personal relationships*



# Investment Management

*Diversified portfolios. Insightful guidance.*

## Our Six Guiding Principles

*The philosophy behind our investment strategy*

- 1 Define a client's goals and objectives
- 2 Preserve principal and maintain purchasing power
- 3 Minimize risk through diversification\*
- 4 Select value additive funds and strategies
- 5 Develop tactical allocations based on market conditions
- 6 Review portfolios, goals and strategies regularly

## Our Investment Organization

*A team of highly credentialed and experienced individuals monitoring market and economic events*



### **Investment Advisory Practice**

46 professionals located across the country



### **Chief Investment Officer**

Ben Pace, who also chairs the Investment Committee and is a member of the firm's Executive Committee



### **Chief Equity Strategist**

Jim Lebenthal, who also runs the Private Client Portfolio Committee



### **Investment Committee**

17 members who meet monthly (ad hoc as necessary)

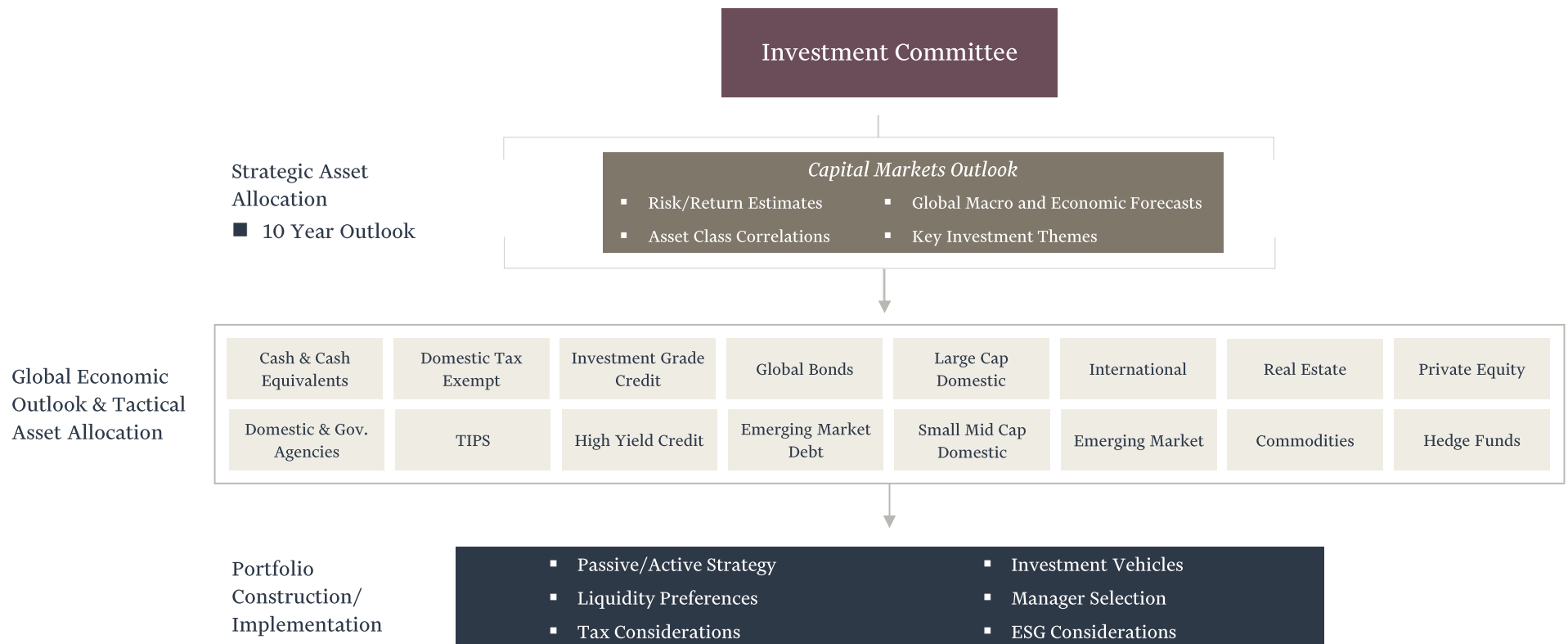


### **Manager Research Group**

Asset class specialists, Head of Manager Selection, Director of Research and Head of Alternatives

# A Dynamic and Disciplined Investment Process

*Ongoing research and analysis by our Investment Committee helps ensure your portfolio is positioned to withstand changing market and economic conditions.*



## Goal-Centered Portfolios

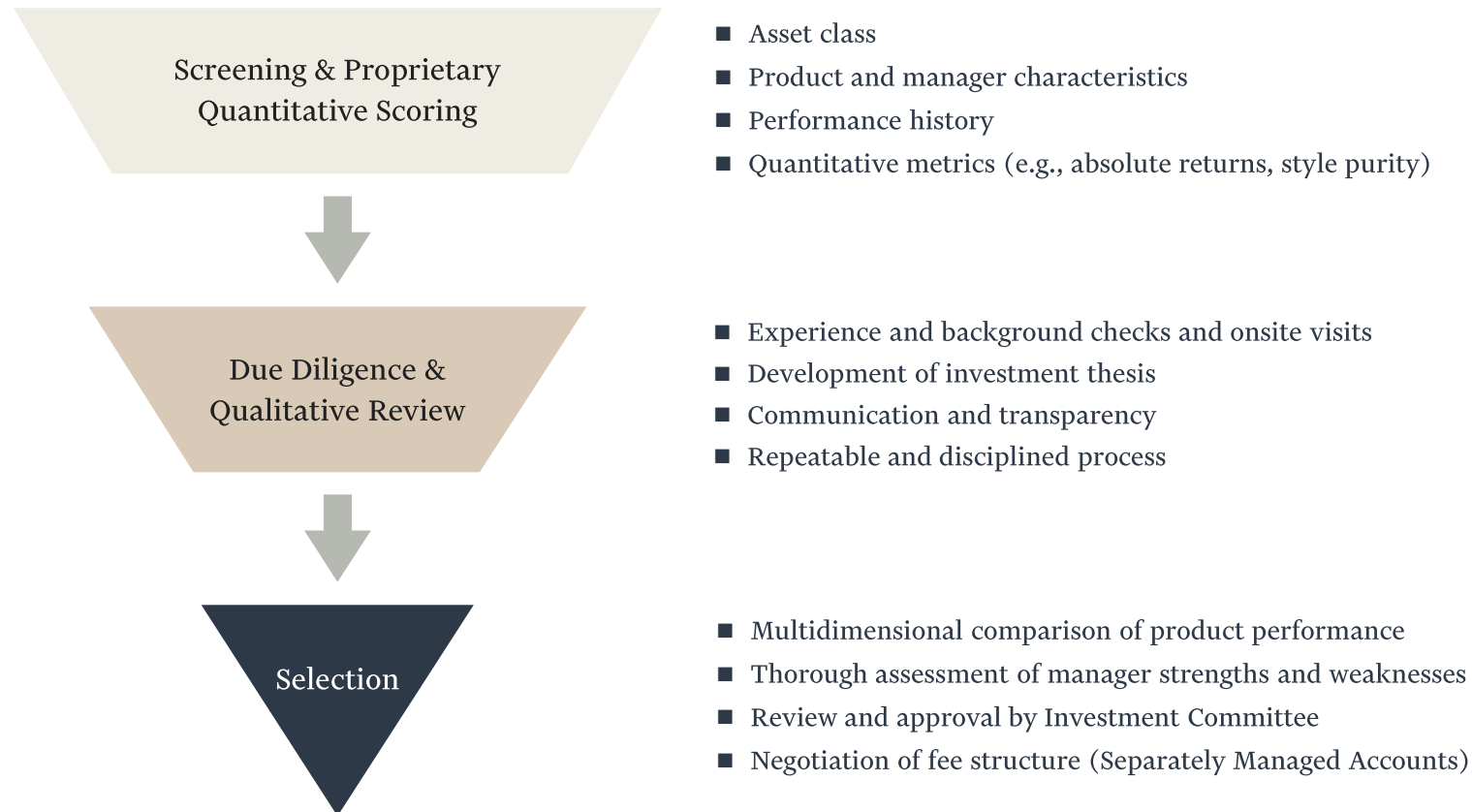
*Whatever your investment objective, your portfolio will include a mix of asset classes designed to minimize expected risks and maximize expected returns.*

If your objective is:	Liquidity	Income/Capital Preservation	Long-Term appreciation	Inflation Protection	Enhanced* Diversification
Your portfolio may include:	<ul style="list-style-type: none"> <li>– Cash and similar securities</li> </ul>	<ul style="list-style-type: none"> <li>– U.S. government securities</li> <li>– Investment-grade credit</li> <li>– U.S. tax-exempt bonds</li> <li>– Global bonds</li> </ul>	<ul style="list-style-type: none"> <li>– U.S. equities</li> <li>– International equities</li> <li>– Emerging market equities and debt</li> <li>– High-yield credit</li> </ul>	<ul style="list-style-type: none"> <li>– Treasury inflation-protected securities (TIPS)</li> <li>– Real estate</li> <li>– Commodities</li> </ul>	<ul style="list-style-type: none"> <li>– Private equity</li> <li>– Hedge funds</li> </ul>

\* Only available to clients who meet the definition of Accredited Investors, Qualified Clients, and or Qualified Purchaser per Regulation D and Investment Adviser Act of 1940.

# Investment Manager Selection Process

*Identifying managers with the best prospects for consistent outperformance*



# Periodic Table of Returns

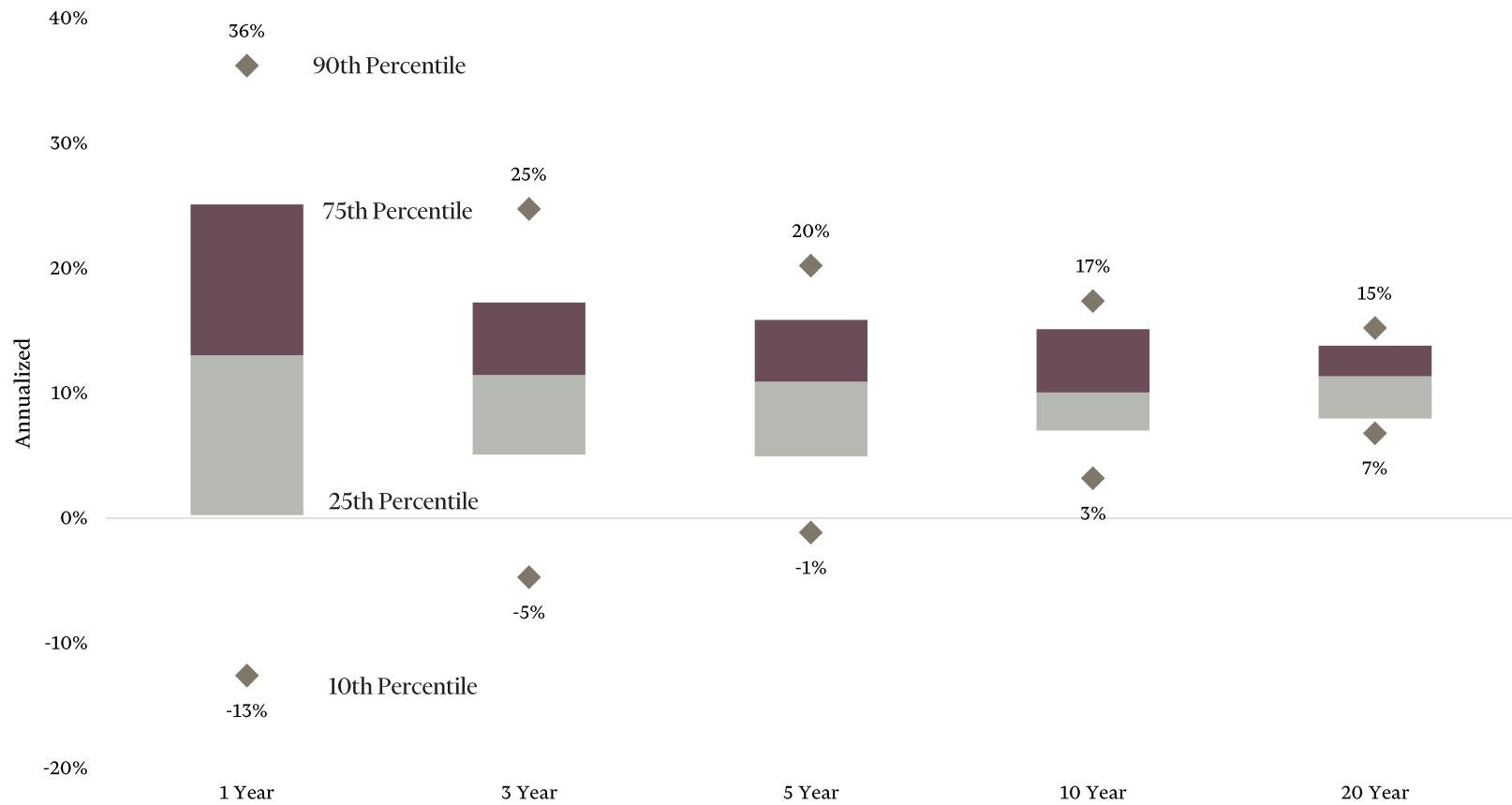
*Diversification improves your opportunity for success*

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Emerging Market 18.2%	Small-Mid Cap 36.8%	Real Estate 30.4%	Real Estate 2.5%	Small-Mid Cap 17.6%	Emerging Market 37.3%	Global Bonds 2.6%	Large Cap 31.5%	Small-Mid Cap 20.0%	Real Estate 43.1%
Small-Mid Cap 17.9%	Large Cap 32.4%	Large Cap 13.7%	Domestic Tax Exempt 2.4%	High Yield Credit 17.5%	International 25.0%	Domestic Tax Exempt 1.6%	Small-Mid Cap 27.8%	Large Cap 18.4%	Large Cap 28.7%
Real Estate 17.8%	International 22.8%	Global Bonds 8.4%	Large Cap 1.4%	Large Cap 12.0%	Large Cap 21.8%	IG Credit 0.0%	Real Estate 25.8%	Emerging Market 18.3%	Commodities 27.1%
EM Debt 17.4%	Hedge Funds 9.7%	EM Debt 7.4%	Global Bonds 1.3%	Commodities 11.8%	Small-Mid Cap 16.8%	TIPS -1.3%	International 22.0%	TIPS 11.0%	Small-Mid Cap 18.2%
International 17.3%	High Yield Credit 7.4%	Small-Mid Cap 7.1%	EM Debt 1.2%	Emerging Market 11.2%	EM Debt 10.3%	High Yield Credit -2.3%	Emerging Market 18.4%	International 7.8%	International 11.3%
Large Cap 16.0%	Real Estate 2.5%	IG Credit 6.0%	IG Credit 0.5%	EM Debt 10.2%	High Yield Credit 7.5%	Hedge Funds -3.2%	EM Debt 15.0%	IG Credit 7.5%	Hedge Funds 8.2%
High Yield Credit 15.6%	Global Bonds 0.2%	Domestic Tax Exempt 4.7%	Hedge Funds -0.7%	Real Estate 8.6%	Hedge Funds 7.1%	EM Debt -4.3%	High Yield Credit 14.4%	Hedge Funds 6.4%	TIPS 6.0%
Hedge Funds 7.7%	Domestic Tax Exempt -0.3%	Hedge Funds 4.1%	International -0.8%	TIPS 4.7%	Real Estate 5.1%	Large Cap -4.4%	Hedge Funds 9.3%	High Yield Credit 6.2%	High Yield Credit 5.4%
TIPS 7.0%	IG Credit -2.0%	TIPS 3.6%	TIPS -1.4%	Global Bonds 3.8%	IG Credit 3.5%	Real Estate -4.6%	IG Credit 8.7%	Global Bonds 6.1%	Domestic Tax Exempt 0.5%
Global Bonds 4.5%	Emerging Market -2.6%	High Yield Credit 2.5%	Small-Mid Cap -2.9%	IG Credit 2.6%	Domestic Tax Exempt 3.5%	Small-Mid Cap -10.0%	TIPS 8.4%	EM Debt 5.3%	IG Credit -1.5%
IG Credit 4.2%	EM Debt -5.3%	Emerging Market -2.2%	High Yield Credit -4.6%	Hedge Funds 1.2%	TIPS 3.0%	Commodities -11.2%	Commodities 7.7%	Domestic Tax Exempt 4.2%	EM Debt -1.8%
Domestic Tax Exempt 3.6%	TIPS -8.6%	International -4.9%	Emerging Market -14.9%	International 1.0%	Global Bonds 2.1%	International -13.8%	Global Bonds 7.6%	Commodities -3.1%	Global Bonds -2.3%
Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Commodities -24.7%	Domestic Tax Exempt -0.1%	Commodities 1.7%	Emerging Market -14.6%	Domestic Tax Exempt 5.6%	Real Estate -7.6%	Emerging Market -2.5%

# Time is an Asset

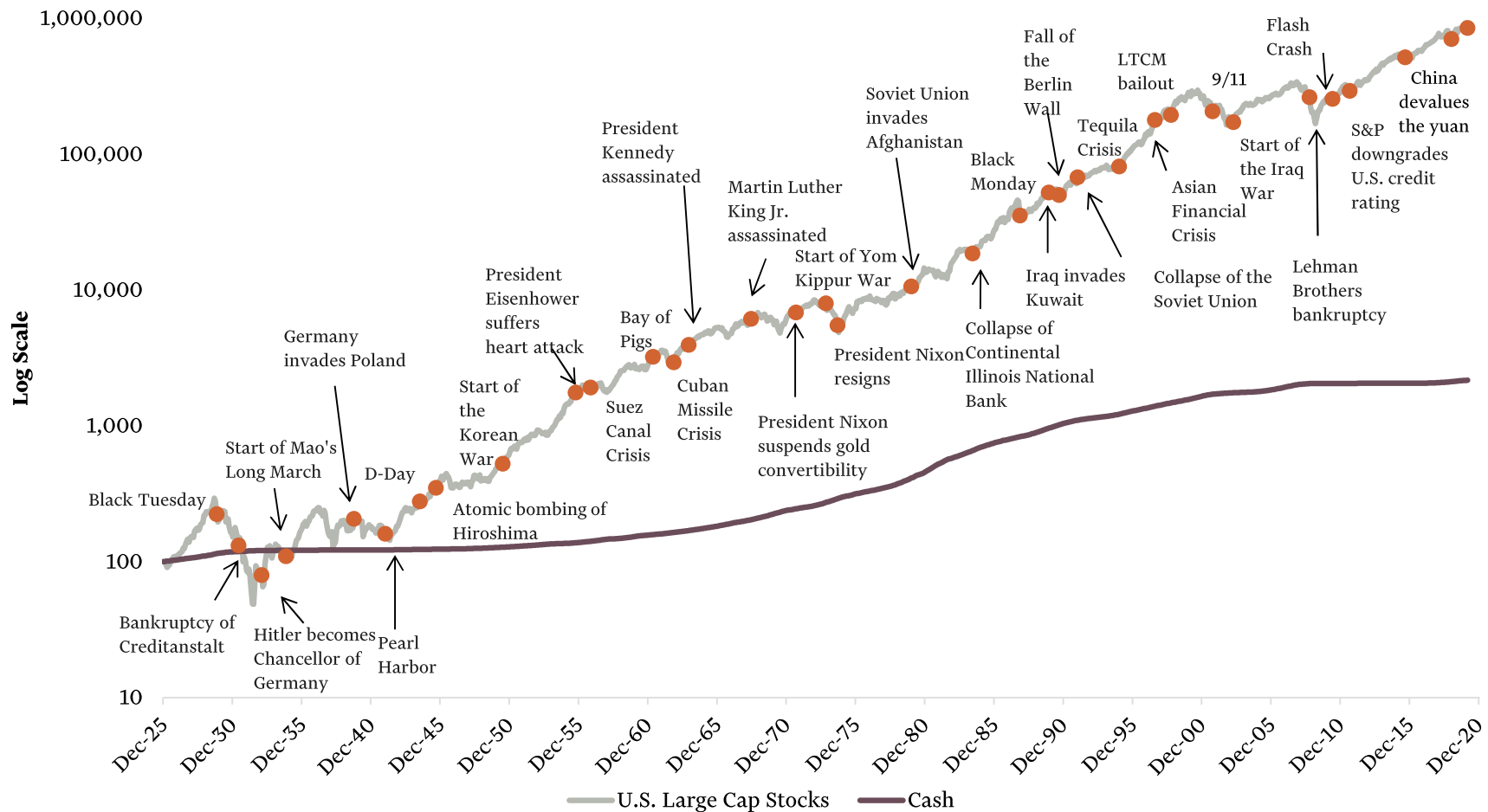
*The longer your time horizon, the lower the range of expected outcomes*

## U.S. Large Cap Stocks



# Keeping Volatility in Perspective

*Risk and concerns have and will always exist.*



Notes: U.S. Large Cap Stocks- Ibbotson SBBI U.S. Large Stock from 12/31/1925 to 2/28/2020, Cash- IA SBBI U.S. 30 Day TBill from 12/31/1925 to 2/28/2020

# Asset Allocation: Optimizing Risk and Reward

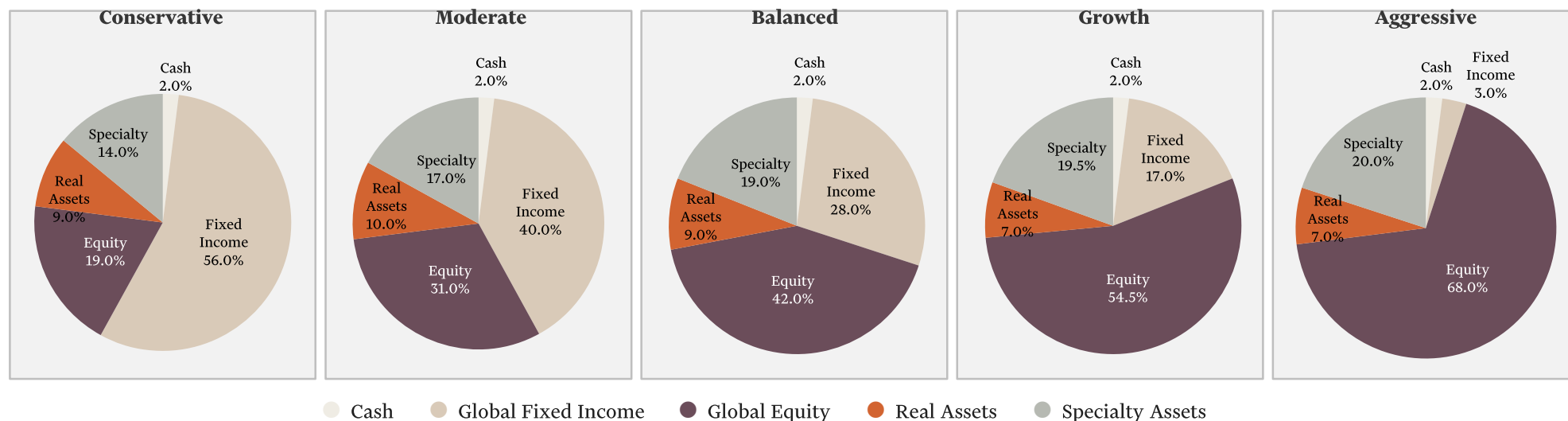
*We construct portfolios with multiple asset classes to balance the potential return you want with a level of risk that won't keep you up at night.*

## 10-Year Asset Class Projections



# Strategic Portfolio Allocations for Taxable Accounts

2022 Certy Partners Strategic Portfolio Allocations Including Specialty Assets



	Conservative	Moderate	Balanced	Growth	Aggressive
Annualized Return ( <b>Gross of Fee</b> )	4.68%	5.97%	7.13%	8.28%	9.38%
Estimated Volatility ( <b>Standard Deviation</b> )	6.36%	8.60%	10.81%	13.14%	15.29%
Sharpe Ratio <sup>4</sup>	0.57	0.57	0.56	0.55	0.55

- 1) Alternatives are comprised of private equity and hedge fund investments and are allocated separately and on a case-by-case basis. These are implementation vehicles used for accessing traditional and specialty strategies, and allocation is drawn from other asset classes. Eligibility and suitability are unique to each client, including liquidity preferences and minimum investments.
- 2) Annual (arithmetic) Returns and Volatility are based on 10-year forward-looking projections which are based on assumptions about the future performance of certain asset classes. There is no assurance that the assumptions will prove to be true. These return projections are not guaranteed, and do not include the impact of fees or transaction costs on performance. Fees and transaction costs will materially reduce portfolio returns. These projections assume the reinvestment of all interest and dividends.
- 3) No assurance can be given that any portfolio or investment described herein would yield favorable investment results.
- 4) Based on a 10-year forward-looking projection for cash of 1.02%.

Please refer to Important Notes for further information concerning performance. Performance shown is Hypothetical

# Equity Portfolio Management

*Diversified portfolios. Insightful guidance.*

## Wall of Worry

*Risks are always present. They exist in balance with opportunities.*

### Bricks In The Wall

- Geopolitical Risks
- Supply Chain Bottlenecks
- Inflation
- Interest Rates
- Federal Reserve
- Infrastructure & Taxes
- Social Discord
- Political Disfunction
- Climate Change



### Climbing Gear

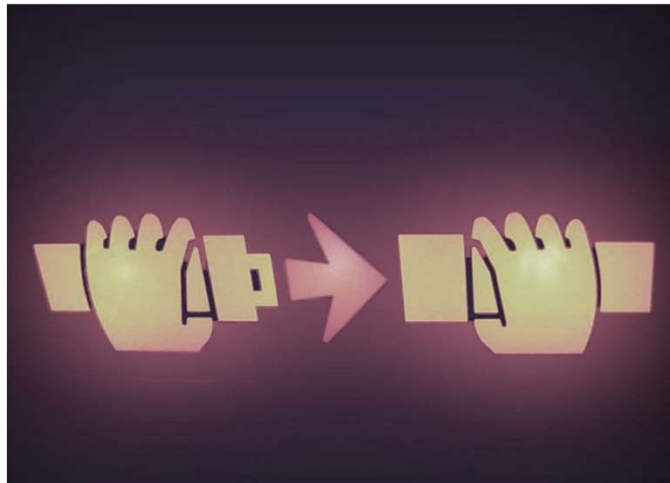
- Fading Virus Impact
- High & Growing Profits
- Supply Chain Onshoring
- Infrastructure Spending
- Plentiful Jobs
- Growing GDP
- Fading Fiscal Policy Distortions
- Fading Monetary Policy Distortions

# Return to Normal

*What does that mean?*

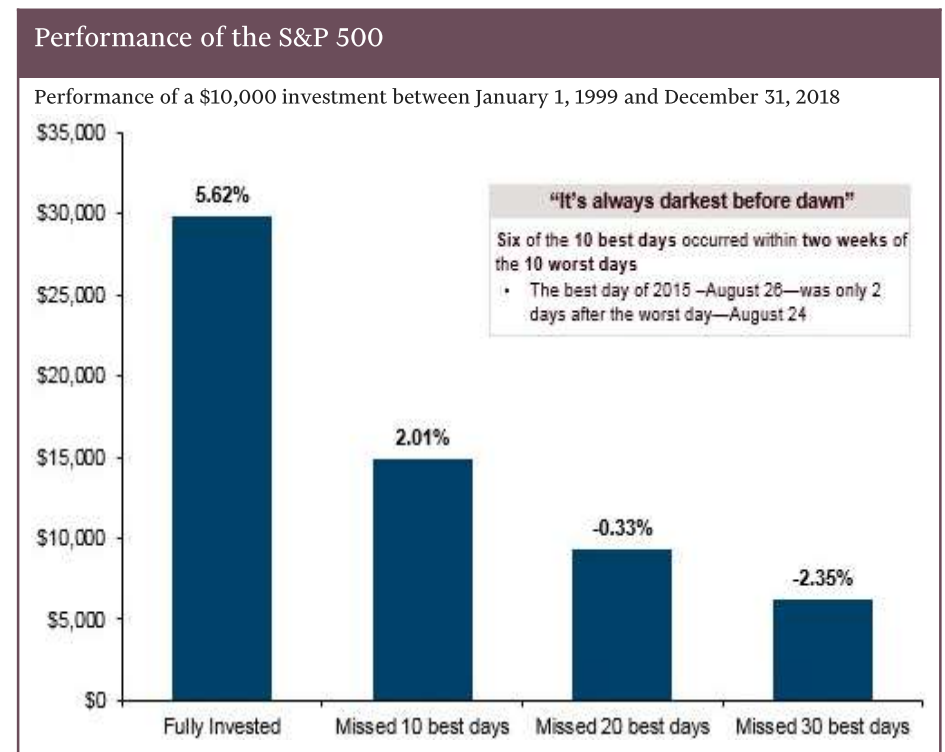
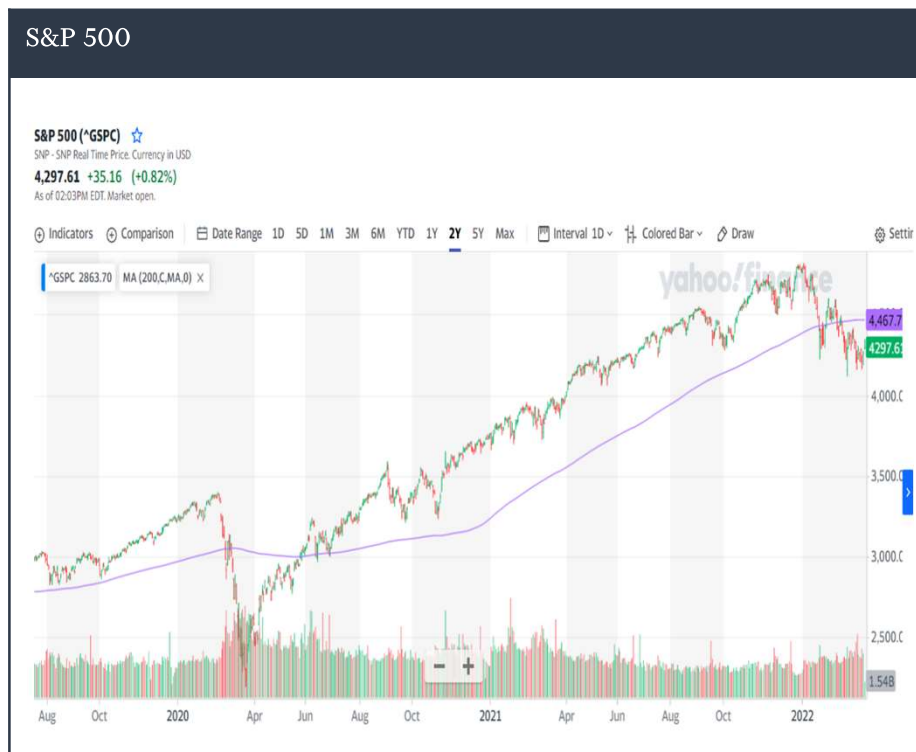
1. Lower Equity Market Returns than past ten years
2. Higher Volatility than last two years

**Normal is likely to not “feel good” after the recent past**



# Do Not Try to Time a Correction ... Or the Markets!

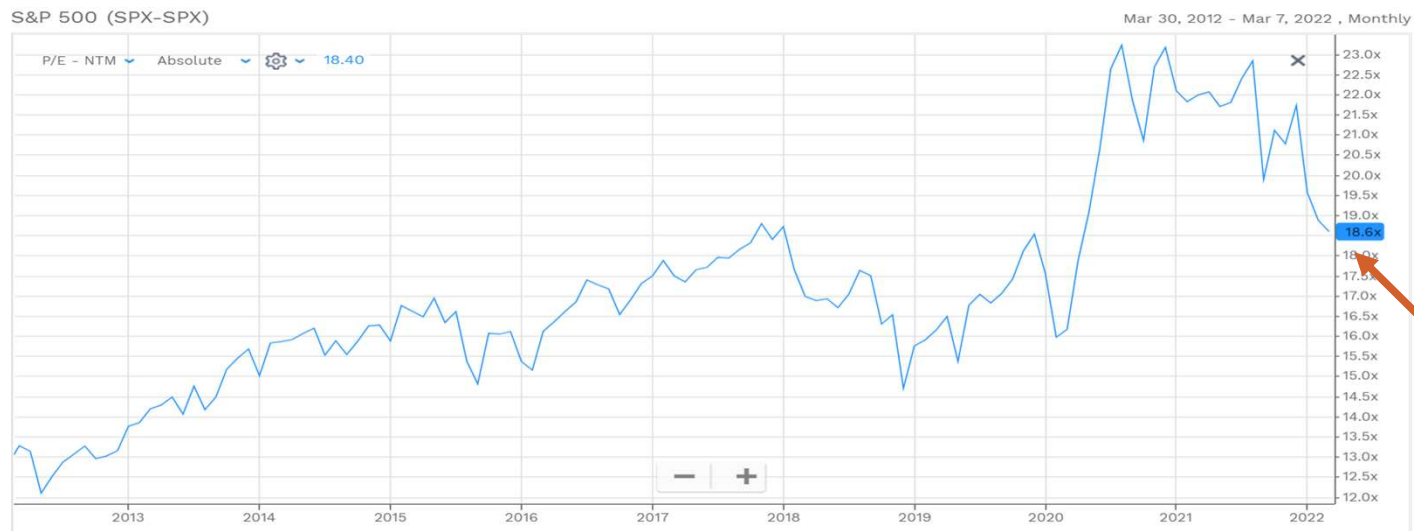
*Note How Long the S&P 500 Stayed Above the 200 Day Moving Average. Normal Volatility is reasserting itself.*



## Equity Expectations for 2022: A Return to Normal

*The last ten years has seen much better than average returns due to earnings multiple expansion.*

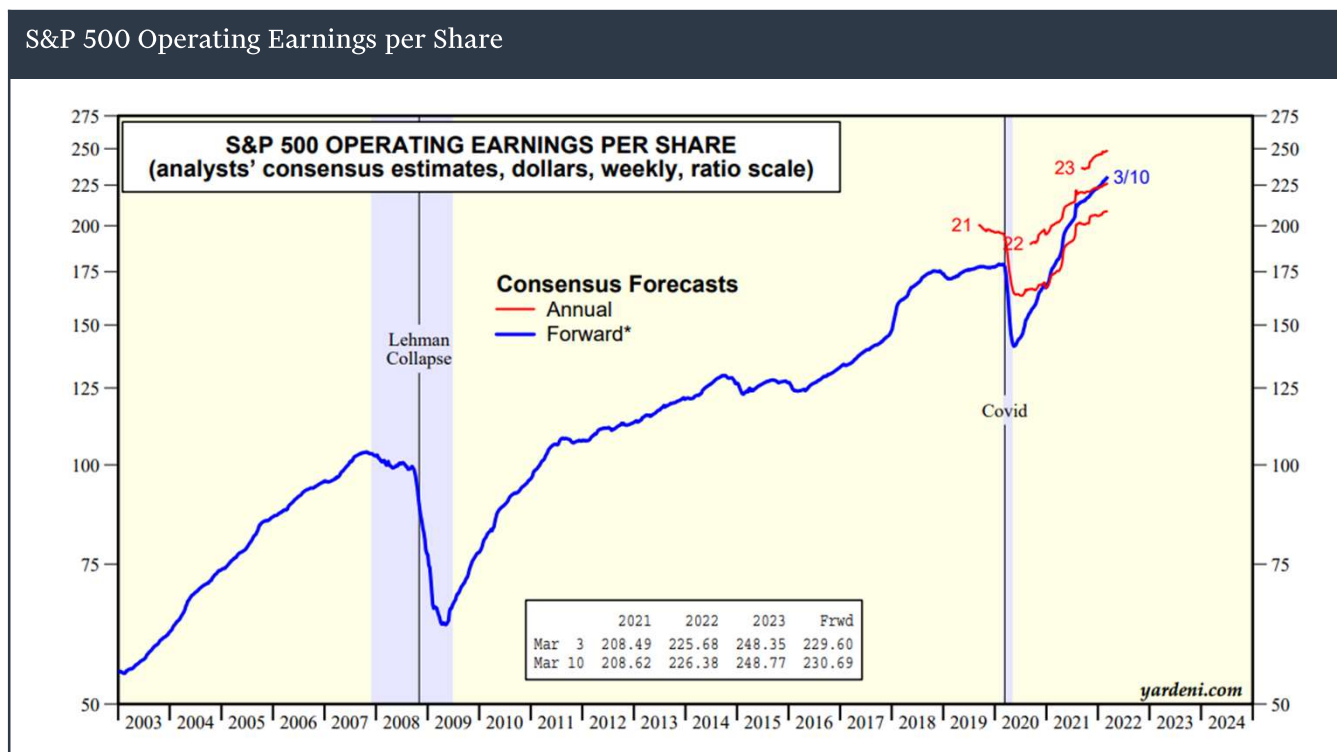
S&P 500 Annualized Returns				
1 Year	3 Year	5 Year	10 Year	20 Year
15.76%	20.08%	16.22%	15.08%	9.17%



Note This  
Corrective Decline

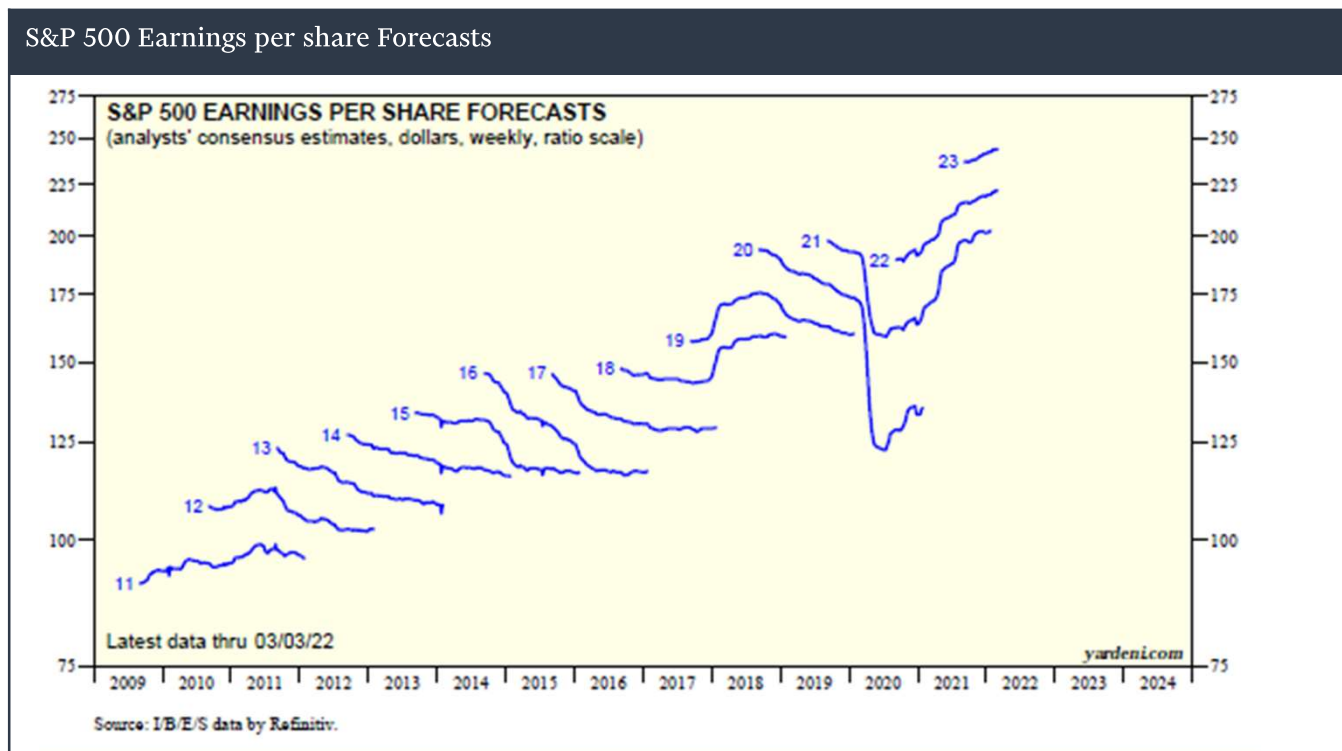
# Earnings are the Lifeblood of the Stock Market

*Earnings Are Still Being Revised Higher As Of March 10th*



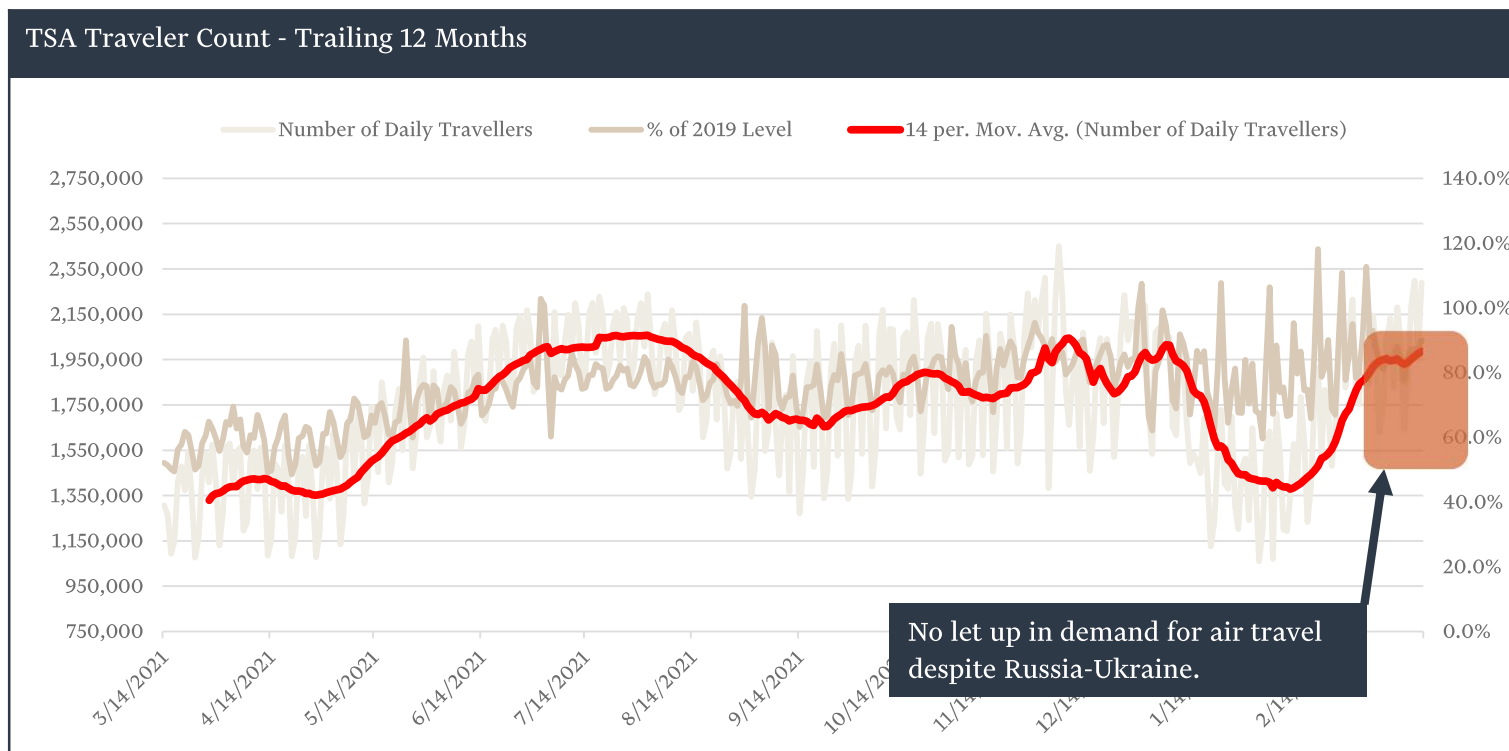
# Earnings are the Lifeblood of the Stock Market

*Earnings Are Still Being Revised Higher As Of March 10th*



# Why are Earnings Estimates Not Declining?

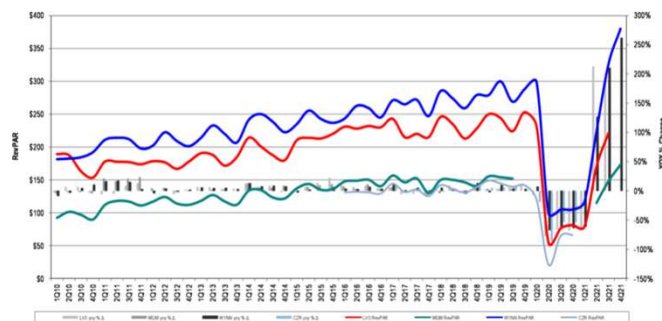
*Because Demand is Hanging In*




# Why are Earnings Estimates Not Declining?

*Because Demand is Hanging In*

## Las Vegas Strip - Recent RevPAR Trends



<div>  <b>LVCVA EXECUTIVE SUMMARY</b>  of Las Vegas, Laughlin &amp; Mesquite, NV Tourism Indicators </div>				January 2022
Stats at a Glance		YoY (’22 vs. ’21)	vs. pre-COVID (’22 vs. ’19)	<b>Notes &amp; Highlights</b>  With the Omicron variant and continued impacts on the convention group segment, Las Vegas visitation reached 2.47M, roughly three-quarters of pre-COVID levels of January 2019 but dramatically higher (+91.2%) than January 2021.  Overall hotel occupancy reached 59.3%, +27.7 pts ahead of January 2021 but -24.7 pts below January 2019. Reflecting the challenged convention group segment, Midweek saw occupancy reach 52.0%, +29.5 pts vs. January 2021 but -30.1 pts vs. January 2019. As in the past several months, weekends fared better than midweek as Weekend occupancy reached 74.6%, +26.3 pts ahead of January 2021 and -14.2 pts vs. January 2019.  Reaching \$145, January 2022 ADR exceeded January 2021 by +60.1% while lagging January 2019 by -7.2%. RevPAR reached \$86.12 for the month, approx. triple January 2021’s depressed levels but down -34.5% from January 2019.
<b>Jan 2022</b>				
Visitor Volume	2,474,800	91.2% ▲	-27.5% ▼	
Convention Attendance	305,300	3450.0% ▲	-55.3% ▼	
Room Inventory	150,487	3.6% ▲	1.6% ▲	
Hotel Occupancy	59.3%	27.7 ▲	(24.7) ▼	
Average Daily Rate (ADR)	\$145.22	60.1% ▲	-7.2% ▼	
RevPAR	\$86.12	200.4% ▲	-34.5% ▼	
Room Nights Occupied	2,766,100	94.2% ▲	-28.4% ▼	

Anecdotal, things look pretty good here in the U.S.

*Some will say Europe is in recession, but the US matters more.*



March 15, 2022  
3:09 PM EDT  
Last Updated 2 hours ago

Aerospace & Defense

**U.S. carriers lean on  
'unparalleled' travel demand to  
counter higher fuel costs**

THE WALL STREET JOURNAL

## Uber Raises Quarterly Guidance on Delivery Growth, Ridership Recovery

Jan 25, 2022, 11:00am EST | 2,017 views

## GM Pouring \$7 Billion Into New EV Plants In Michigan

Intel Announces Next US Site with Landmark Investment in Ohio

Intel will invest more than \$20 billion to build two new factories and to establish a new epicenter for advanced chipmaking in the Midwest.

intel. [newsroom](#)

News

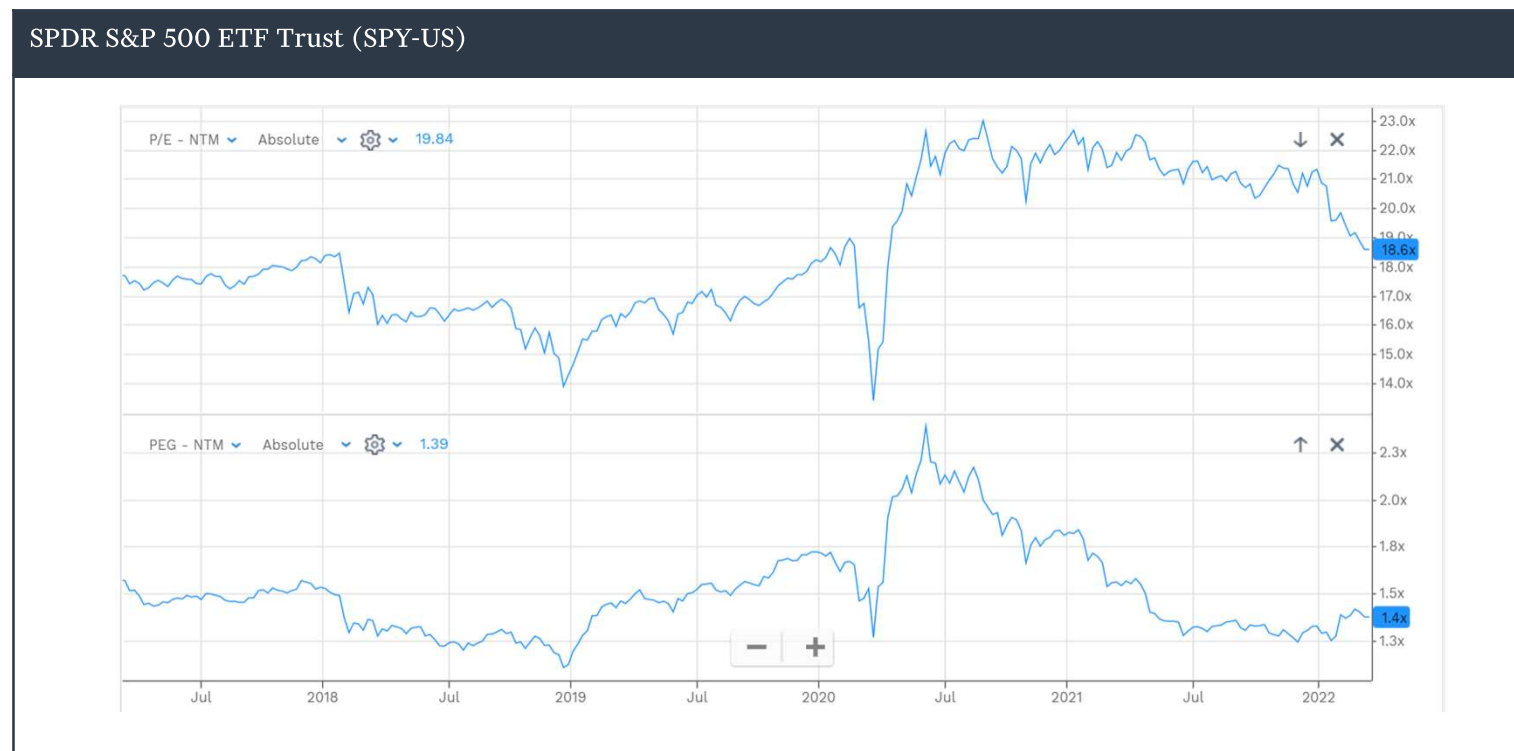
- January 21, 2022
- Contact Intel PR

[More Manufacturing News →](#)



# Stock Market Valuation Has Come In

*May 17, 2017 – March 14, 2022*



## Fundamentals of Four Overweighted Sectors in R1000 Value

### Financials

- Yield curve rises and steepens as Fed tapers: helps banks' net interest margins
- Improving economy reduces loan losses and promotes loan growth
- Share buybacks increase earnings per share

### Energy

- OPEC+ is behaving rationally
- Demand for fossil fuel picks up with economic expansion
- Renewable energy sources need fossil fuels during construction

### Industrials

- Benefit from economic recovery
- Onshoring of supply chains over long term
- Infrastructure bill increases industrial activity

### Materials

- Benefit from economic recovery, onshoring of supply chains, infrastructure, clean energy buildout

## What Would We Avoid?

*10-Year Treasury Yield has a large effect on startup companies due to discounting of cash flow.*



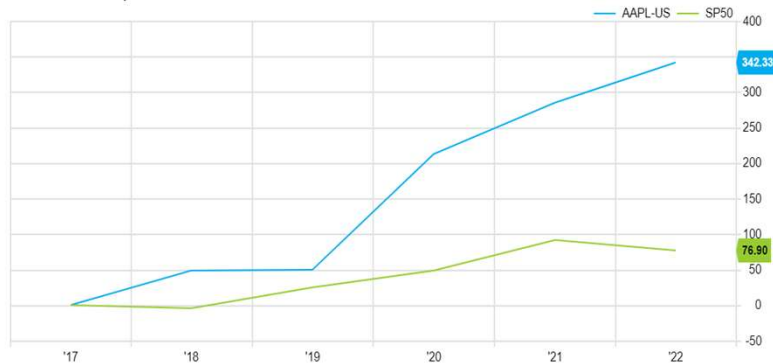
# What Areas of the Market Are We Neutral On?

*Large Cap Growth-At-A-Reasonable-Price Tech (i.e. FAANGMA) Will Grow at the Rate of EPS Growth*

## Aspirational Earnings

Apple Inc. (AAPL) \$162.41 Next Report Date: 27 Jan '22 Key Statistics Multiple Alerts FactSet Fundamentals / FactSet

Total Return: 29 Sep '17 - 21 Jan '22



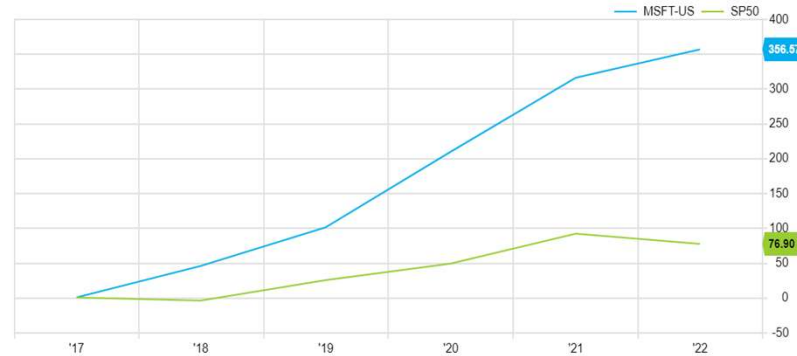
### Comparable Returns

	Price Change (%)		Total Return (%)	
	Cum	Ann (CGR)	Cum	Ann (CGR)
Apple Inc.	321.52	39.57	342.33	41.14
S&P 500	64.49	13.02	76.90	15.06

## Aspirational Earnings

Microsoft Corporation (MSFT) \$296.03 Next Report Date: 25 Jan '22 Key Statistics Pending Mgt. Change FactSet

Total Return: 30 Jun '17 - 21 Jan '22



### Comparable Returns

	Price Change (%)		Total Return (%)	
	Cum	Ann (CGR)	Cum	Ann (CGR)
Microsoft Corporation	329.46	37.62	356.57	39.47
S&P 500	64.49	13.02	76.90	15.06

## What Areas of the Market Are We Neutral On?

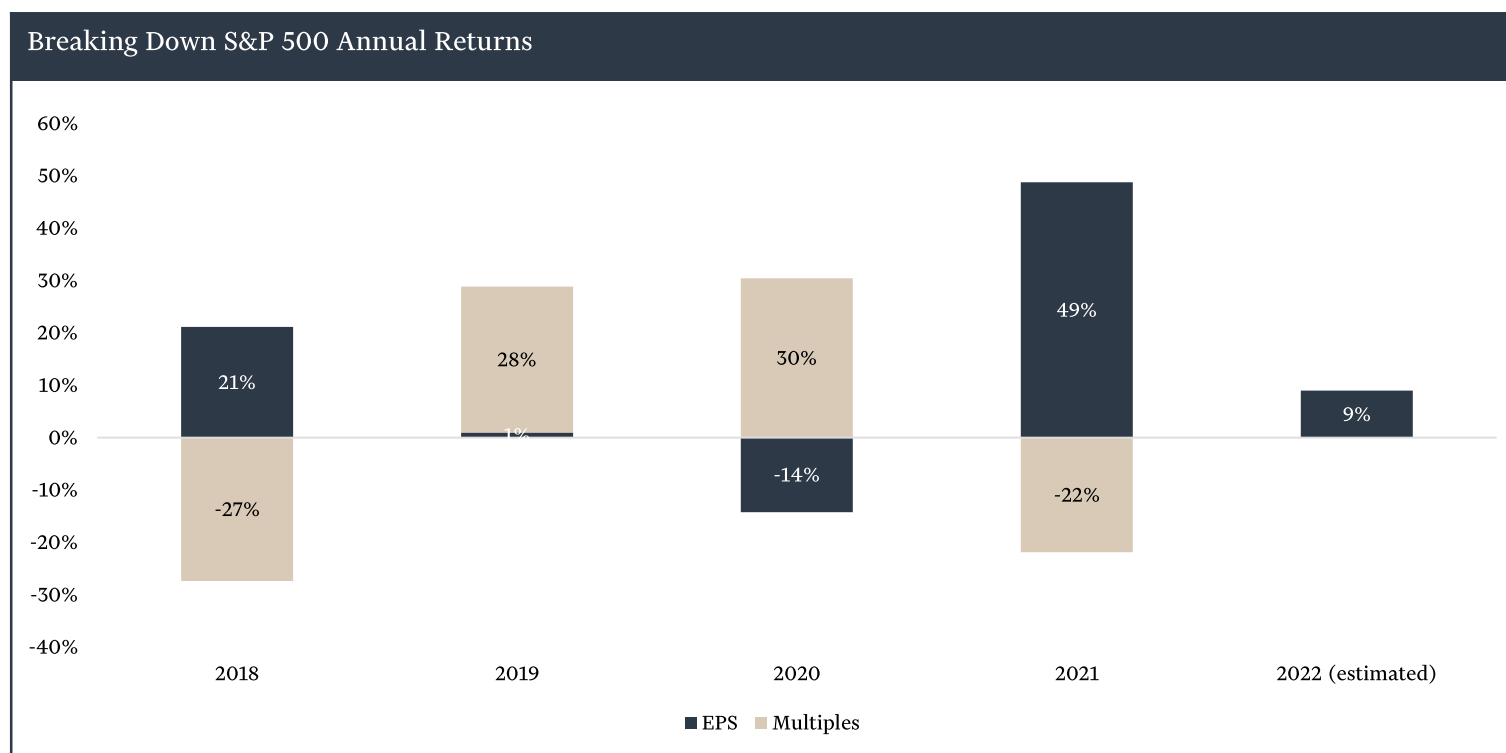
*Large Cap Growth-At-A-Reasonable-Price Tech (i.e. FAANGMA) Will Grow at the Rate of EPS Growth*

Apple Shares at Fiscal Year End									
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Forward P/E	12.6	14.6	11.5	21.6	32.4	30.2	28.3	26.0	25.2
E.P.S.	\$2.08	\$2.30	\$2.98	\$2.97	\$3.28	\$5.61	\$5.74	\$6.24	\$6.45
E.P.S. Growth Rate		10.58%	29.57%	-0.34%	10.44%	71.04%	2.32%	8.71%	3.37%
3-Year Compound Annual Growth Rate						23.48%			
5-Year Compound Annual Growth Rate						21.95%			
Forward 1-Year Compound Annual Growth Rate						2.32%			
Forward 3-Year Compound Annual Growth Rate						4.76%			

Microsoft Shares at Fiscal Year End									
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Forward P/E	17.8	20.8	24.4	26.3	33.1	33.2	32.2	28.1	23.9
E.P.S.	\$2.10	\$2.71	\$2.13	\$5.06	\$5.76	\$8.05	\$9.19	\$10.55	\$12.37
E.P.S. Growth Rate		29.05%	-21.40%	137.56%	13.83%	39.76%	14.16%	14.80%	17.25%
3-Year Compound Annual Growth Rate						55.77%			
5-Year Compound Annual Growth Rate						30.83%			
Forward 1-Year Compound Annual Growth Rate						14.16%			
Forward 3-Year Compound Annual Growth Rate						15.40%			

## Profits & Multiples

*Earnings growth is likely to be the primary driver of returns in 2022.*



# Private Client Portfolio

*As of August 31, 2021*

<b>Company:</b>	<b>Wynn Resorts (WYNN)</b>		
<b>Price</b>	\$101.69		
<b>Market Capitalization</b>	\$11.6 Billion		
<b>Net Cash/(Debt)</b>	(\$8.6 Billion)		
<b>Enterprise Value</b>	\$20.2 Billion		

<b>FY2020 Earnings Estimates</b>	(\$5.05)	P/E 2020	NM
<b>FY2021 Earnings Estimates</b>	\$0.77	P/E 2021	132

## Profile

Wynn Resorts Ltd. is a holding company, which engages in the design, development, and operation of destination casino resorts. It operates through the following segments: Wynn Palace, Wynn Macau, Las Vegas Operations, and Encore Boston Harbor. Wynn Resorts is headquartered in Las Vegas, NV.

## Investment Thesis

The in-person gaming industry has been hard hit by the COVID-19 pandemic. Recovery in casino resort stocks as part of the reopening trade earlier this year has reversed. The retreat has occurred not only because of the surge in the delta variant. Concerns about China's crackdown on high-earners and profitable companies has dampened enthusiasm for Macau gaming operators. Wynn shares are down 11% from two years ago, in-line with another Macau-centered operator, Las Vegas Sands, which is down 23%. However, in 2Q 2021 non-Macau operations (Las Vegas and Boston) contributed 55% of total revenue and 67% of total adjusted EBITDA. Furthermore, projected room rates in Las Vegas for 3Q 2021 are 37% higher than the comparable period in 2019, before the pandemic. In the first 6 months of 2021, revenues are up 70% y-o-y and the loss from operations has been cut by 75%. Admittedly, the comparison period includes the pandemic shutdown.

From a balance sheet perspective, the maturity schedule has \$4.2B in maturities over the next three years vs \$2.8B in cash on hand and another \$0.8B in liquidity. A combination of cash flow from operations and refinancing maturing debt should allay any liquidity concerns. However, the Macau gaming license is up for renewal in June, 2022. The company expects the concession to be renewed. If it is not, \$4.7B of debt is accelerated to maturity which would strain liquidity.

Wynn also has attractive exposure to online gambling and sports betting through Wynn Interactive. Wynn Interactive recently partnered with Ausetelz, a private equity firm run by noted fintech entrepreneur Bill Foley. The inclusion of capital will enhance and improve the rollout of the product offering.

Wynn is a mid-cap stock and the risks of investing in a smaller company should be considered against the rewards.

<b>PEG Ratio</b>	<b>NM</b>
<b>P/Book</b>	<b>112</b>
<b>P/Sales</b>	<b>4.1</b>
<b>EV/EBITDA</b>	<b>270</b>
<b>Dividend Yield</b>	<b>0.00%</b>
<b>Beta</b>	<b>1.52</b>
<b>ESG Score</b>	



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Price:	\$101.69	PEG Ratio:	NM	FY2020 Earnings Estimates:	(\$5.05)	P/E 2020 NM
Market Capitalization:	\$11.6 Billion	P/Book:	112	FY2021 Earnings Estimates:	\$0.77	P/E 2021 132
Net Cash/(Debt):	(\$8.6 Billion)	P/Sales:	4.1			
Enterprise Value:	\$20.2 Billion	EV/EBITDA:	270			
		Dividend Yield:	0.00%			
		Beta:	1.52			



### Profile

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### Investment Thesis

The in-person gaming industry has been hard hit by the COVID-19 pandemic. Recovery in casino resort stocks as part of the reopening trade earlier this year has reversed. The retreat has occurred not only because of the surge in the delta variant. Concerns about China's crackdown on high-earners and profitable companies has dampened enthusiasm for Macau gaming operators. Wynn shares are down 11% from two years ago, in-line with another Macau-centered operator, Las Vegas Sands, which is down 23%. However, in 2Q 2021 non-Macau operations (Las Vegas and Boston) contributed 55% of total revenue and 67% of total adjusted EBITDA. Furthermore, projected room rates in Las Vegas for 3Q 2021 are 37% higher than the comparable period in 2019, before the pandemic. In the first 6 months of 2021, revenues are up 70% y-o-y and the loss from operations has been cut by 75%. Admittedly, the comparison period includes the pandemic shutdown.

From a balance sheet perspective, the maturity schedule has \$4.2B in maturities over the next three years vs \$2.8B in cash on hand and another \$0.8B in liquidity. A combination of cash flow from operations and refinancing maturing debt should allay any liquidity concerns. However, the Macau gaming license is up for renewal in June, 2022. The company expects the concession to be renewed. If it is not, \$4.7B of debt is accelerated to maturity which would strain liquidity.

Wynn also has attractive exposure to online gambling and sports betting through Wynn Interactive. Wynn Interactive recently partnered with Auseterliz, a private equity firm run by noted fintech entrepreneur Bill Foley. The inclusion of capital will enhance and improve the rollout of the product offering.

Wynn is a mid-cap stock and the risks of investing in a smaller company should be considered against the rewards.

### Upside Risks

- Macau health restrictions ease
- Las Vegas health restrictions ease
- Continued economic expansion leads to global increase in travel & leisure spending

### Downside Risks

- Loss of Macau concession
- Increased severity of COVID-19 pandemic
- Chinese government actions curtail gambling in Macau
- Recession that leads to lower travel & leisure spending

### Price Target

The position in Wynn would be a shorter-term trading opportunity in the reopening cycle. A 30% gain would bring the stock back to the level it traded at in 1Q 2021, before concerns about the Delta variant of COVID-19 took hold. In mid-cycle, gaming stocks can trade to P/E multiples of 20-25. A peak earnings level of \$6 per share times 22.5 equals a price of \$135. Based on these two measures, a target of \$130 in 12 months is established as a target price.



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Data sources: Factset

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# Private Client Portfolio

*As of April 7, 2022*

Company:		Qualcomm (QCOM)					
<b>Price:</b>		\$139.28	<b>PEG Ratio:</b>	0.8	<b>FY2022 Earnings Estimates:</b>	\$11.74	P/E 2022 11.9
<b>Market Capitalization:</b>		\$157.0 Billion	<b>P/Book:</b>	13.8	<b>FY2023 Earnings Estimates:</b>	\$12.53	P/E 2023 11.1
<b>Net Cash/(Debt):</b>		(\$8.6 Billion)	<b>P/Sales:</b>	4.4			
<b>Enterprise Value:</b>		\$165.6 Billion	<b>EV/EBITDA:</b>	13.0			
			<b>Dividend Yield:</b>	2.0%			
			<b>Beta:</b>	1.56			



### Profile

QUALCOMM Incorporated engages in the development and commercialization of foundational technologies and products that are used in mobile devices and other wireless products, including network equipment, broadband gateway equipment, consumer electronic devices, and other connected devices worldwide. It operates in three divisions: 1) CDMA Technologies, which designs and manufactures mobile semiconductor chips and other mobile components, 2) Qualcomm Technology Licensing, which creates and licenses intellectual property in the mobile technology space, and 3) Qualcomm Strategic Initiatives, its captive venture capital arm, focused on technology and communications opportunities.

### Investment Thesis

It is well known that Qualcomm technology is almost universally needed in mobile communications applications. Qualcomm benefits both from the sale of its chips and components in mobile phones, as well as from licensing its intellectual property to competitors and customers. Because its licensing fees are often set as a percentage of mobile phone selling prices, the significant rise in average selling prices on most phones (thank you, Apple) has contributed to significant increases in revenue and profits. The nascent upgrade cycle to 5G is creating a multi-year period of increased phone sales globally which will benefit Qualcomm.

Qualcomm enjoys much higher margins than the typical semiconductor company due to the Technology Licensing division. This and rather steep licensing fees create animosities towards the company from its customers and from countries that count on mobile phone manufacturing trade surpluses. Litigation is a risk to consider. To date, Qualcomm has a very strong record of defending itself. Currently, it is enjoying a relatively quiet period in terms of litigation, having recently reached settlements with China and Apple. Additionally and importantly, Qualcomm is successfully diversifying within the smartphone business to reduce the importance of Apple by creating more Android chips. They are also diversifying into automotive and Internet of Things (IoT) to reduce dependence on smart phone cycles.

Cash flow generation is very strong at Qualcomm, allowing the company to shrink diluted shares outstanding by 23% over the past five years.

1149 FY20 1463 FY18 1477 FY17

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