

# High-Tech Turnarounds

*Five years ago, technology shares began their history-making collapse. After becoming spectacularly overvalued, tech stocks became extremely undervalued. Since then, most technology stocks have rebounded and are fairly valued, but some remain undervalued. We believe that the dust has settled. Our top-notch research team has conducted a thorough analysis of the Benjamin Graham Common Stock Database and uncovered the few companies that will lead the tech sector in the future. We present four companies below that have emerged from the ruins and are now tech leaders selling at very reasonable prices.*

*J. Royden Ward*

*J. Royden Ward, Author  
Cabot Benjamin Graham Value Letter*



## High-Tech Stock #1

**Cisco Systems (CSCO)** is the leading manufacturer and seller of router and switching products that connect computer networks. During recent years, management has been concentrating on broadening CSCO's product base by expanding into new global markets, developing new products and acquiring new businesses. The company has a very strong balance sheet with no debt. Cisco sales are beginning to accelerate. Rapid growth is being generated by sales increases in Asia (except Japan), the development of new products and new corporate acquisitions. We expect the sales gains to translate to rapid 20% earnings growth during the next 2 to 3 years. Cisco is a leader in the technology sector but sells at only 15.6 times 12-month (forward) earnings per share. We believe that CSCO shares will reach our recommended Minimum Sell Price of \$31.33 within 2 to 3 years.



## High-Tech Stock #2

**Dell, Inc. (DELL)** is the world's largest manufacturer and marketer of computers. The company makes desktop and notebook computers, network servers and consumer products. Recent growth has been fueled by laptop sales, sales from new overseas markets and sales from new consumer products such as plasma TVs. Management is facilitating future strong sales and earnings growth by diversifying Dell's product mix into new consumer product businesses that offer rapid growth. Management is also aggressively building on its success in foreign markets. Dell's unique direct marketing approach to consumers is producing excellent results. Dell, with its superior marketing, is outperforming its competitors and gaining market share. We believe that the company will achieve earnings growth of 20% during the next 3 years. DELL shares sell at 17.7 times forward earnings per share (EPS). The company has a large cash reserve and in lieu of paying dividends is aggressively buying back its stock. The recent decline in DELL shares provides an excellent opportunity to buy DELL at a bargain price. DELL shares will likely reach our Minimum Sell Price of \$53.04 within 2 to 3 years.

*(over, please)*



### High-Tech Stock #3

**Fiserve, Inc. (FISV)** provides information management systems to the financial industry. Debit card, Internet banking and ATM transactions are currently providing strong growth. Fiserve has made several recent acquisitions to strengthen its product mix and diversify its business. The company recently introduced banking software for 410 Health Savings Accounts. The software has been well received by the financial sector and will add rapid growth to FISV sales and earnings. The company also introduced new software that converts paper and image checks into electronic transactions. The new software along with recently won new large contracts will facilitate additional growth. We expect earnings growth of 15% during the next 3 years. Fiserve sells at 17.0 times forward earnings. FISV shares should reach our Minimum Sell Price of \$69.87 within 2 to 3 years.



### High-Tech Stock #4

**Total System Services (TSS)** is the world's largest processor of credit and debit card transactions. TSS recently announced that Bank of America will not renew its contract with TSS. The loss of this contract will reduce TSS's sales by 10% in the future. We believe that TSS will aggressively seek new business to replace the void left by Bank of America. TSS shares have declined by over 10% recently and now sell at 18.6 times forward EPS. The reduced price presents an excellent opportunity to buy TSS. We believe that TSS will win new contracts and recommend buying shares with the objective of reaching our Minimum Sell Price of \$36.75 within 2 to 3 years.

# Cabot

Benjamin Graham Value Letter

*Sound Advice from the Teachings of Benjamin Graham*

176 North Street, P.O. Box 2049  
Salem, MA 01970  
Telephone 978-745-5532  
Fax: 978-745-1283