

Protocol-based networking and other products for transporting data, voice, and video across geographically dispersed local-areanetworks, metropolitan-area networks, and wide-area networks. Devices are primarily integrated by Cisco IOS Software and include Routers, Switches, New Products, and Other. Provides services as-

41.1% of 2013 revenues. R&D, 13.5% of revenues. Has about 75,049 employees. Officers/Directors hold less than 1.0% of stock; BlackRock, 5.6%. (9/13 proxy). Chrmn. & CEO: John T. Chambers. Incorporated: California. Address: 170 W. Tasman Drive, San Jose, CA 95134-1706. Telephone: 408-526-4000. Web: www.cisco.com.

ANNUAL RATES Past Est'd '11-'13 5 Yrs. 8.5% 10.5% 10.5% 10 Yrs. 12.0% of change (per sh) to '17-'19 6.0% Revenues 'Cash Flow 15.0% 6.0% 5.5% 16.0% Earnings Dividends 18 0% Book Value 9.5% 14.5%

7185

859

65521

1029 3283

17880

22192

64288

1051

16956

18515

61933

16841

17731

Current Assets

Accts Payable Debt Due

Current Liab.

Other

Fiscal Year Ends			/ENUES (\$ Apr.Per		Full Fiscal Year
2011	10750	10407	10866	11195	43218
2012	11256	11527	11588	11690	46061
2013	11876	12098	12216	12417	48607
2014	12085	11155	11545	12215	47000
2015	12850	11650	11840	12660	49000
Fiscal	EARNINGS PER SHARE ABFull				
Year Ends	Oct.Per	Jan.Per	Apr.Per	Jul.Per	Fiscal Year
2011	.42	.37	.42	.40	1.62
2012	.43	.47	.48	.47	1.85
2013	.48	.51	.51	.52	2.02
2014	.53	.47	.51	.54	2.05
2015	.55	.52	.54	.54	2.15
Cal-	QUARTERLY DIVIDENDS PAID E				Full
endar	Mar.31	Jun.30	Sep.30	Dec.31	Year
2010					
2011		.06	.06	.06	.18
2012	.06	.08	.08	.28	.50
2013		.17	.17	.17	
2014	.17	.19			

Cisco Systems reported solid results in the April period. The top line declined 5% year over year, as product sales fell 8%, and service revenues rose 3%. though negative, the decline was still less per expected. Earnings share matched the year-earlier figure and were \$0.03 better than Wall Street's consensus estimate. The product gross margin came in within guidance, as lower pricing was offset by cost deleverage, which stemmed from the higher volumes.

Core routing and switching sales ought to remain challenged over the near term. The company refreshed its technology several quarters ago, and has been competing with more-established, lower-cost devices. This led to Routing sales falling 10% in the April period. As with most technology transitions, it will likely take some more time for prices to come down and volumes to pick up. Encouragingly, router orders rose in the first quarter, but it usually takes one or two quarters for orders to show up on the income statement. Switching sales declined 6%, and management thinks several quarters will need to pass before the unit starts growing again.

The company's data center business should remain a bright spot for years to come. Overall data center revenues grew 29% in the quarter. Customers appear to be flocking to Cisco for the onestop shopping experience provided by its Unified Computing System, which combines servers, advanced switches, storage, and virtualization gear. The primary applications for such equipment include hybrid cloud environments, big data applications, and virtual desktop services.

Emerging markets are weak. The company continues to experience weakness in BRIC countries plus Mexico. Orders from Brazil and Russia were particularly bad in the third quarter. We expect demand from emerging markets to remain challenged

for the foreseeable future.

These timely shares may interest conservative, growth investors. Although Cisco is not out of the woods yet, it is showing some signs of returning to historical growth levels. The shares have had a nice run of late, but they still have decent long-term price appreciation potential. Kevin Downing June 20, 2014

(A) Fiscal year ends on last Saturday in July (four 13-week quarters). (B) Diluted earnings. Evaludes proprecurring items: '99, (7¢); '00, (17¢); '01, (38¢); '02, (14¢); '03, (9¢); '04,

(14¢). '01 includes \$0.15 inventory writeoff. May not sum due to rounding. Next egs. report due mid-August. GAAP egs. prior to 2011, pro-2006. (E) Dividend commenced March 29, forma thereafter. (C) In millions, adjusted for 2011, paid in late Jan., April, July, and Oct.

Company's Financial Strength Stock's Price Stability A++ 65 Price Growth Persistence **Earnings Predictability** 85

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