

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-

75,049 employees. Officers/Directors hold less than 1.0% of stock; BlackRock, 6.2%. (9/14 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 Est'd '12-'14 Past 5 Yrs. 7.5% 11.0% 11.0% 10 Yrs. 12.0% 12.5% of change (per sh) to '17-'19 4.0% 4.5% Revenues 'Cash Flow 13.0% Earnings Dividends 11 0% Book Value 10.5% 12.5%

7965

1029

3283

17880

22192

67114

1032 508

18269

19809

66396

17677

20056

1022

65521

Current Assets

Accts Payable Debt Due

Current Liab.

Other

Fiscal Year			/ENUES (\$		Full Fiscal
Ends	Oct.Per	Jan.Per	Apr.Per		Year
2011	10750	10407	10866	11195	43218
2012	11256	11527	11588	11690	46061
2013	11876	12098	12216	12417	48607
2014	12085	11155	11545	12357	47142
2015	12245	11800	12200	12755	49000
Fiscal	EARNINGS PER SHARE AB				_Full .
Year Ends			Apr.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	.55	2.06
2015	.54	.52	.53	.56	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	.38		

Cisco's core segments posted mixed results. The company's largest unit, Switching (31% of first-quarter revenues), was up 3% following three quarters of declines. Sales of the high-end *Nexus* line of data center switches were strong, thanks partly to Web 2.0 customers. Notably, there were over 900 Nexus 9000 customers at the end of the first quarter compared to 580 in the previous one. The debut of APIC and ACI controllers - software defined network products that deploy and manage applications on a network—is going well. However, Routing revenue (16% of the total) was down 4%, reflecting lower capital expenditures by major service providers and weak demand from emerging markets. Encouragingly, CSCO appears to be winning market share.

We have some concerns with the order book. Despite easy comparisons, product orders were only up 1% year over year, and fell in the mid-teens sequentially. U.S. and global service provider bookings fell 18%, and 12% respectively. In all, U.S. orders were up 3%, but would have been up 12% excluding service providers. Emerging market orders continued to be a trouble spot, declining 6%.

CEO John Chambers said the net neutrality debate is causing three major U.S. service providers to take pause. If Title II regulations endorsed by President Obama and Silicon Valley are approved, the FCC could block ISPs from charging large content providers for "fast lobby, lane' service. The telecom USTelecom, thinks the rules, if passed, could reduce broadband investment by one-third annually. The FCC's net neutrality rules are expected to revealed in February or March of 2015. We believe an unfavorable outcome, as it pertains to Cisco, may have a marginally negative impact on the networking giant's stock price.

The company's guidance is mixed. Management is calling for a 4% to 7% year-over-year revenue advance and a 4% sequential decline in the second quarter. These rates reflect the assumption that service provider and emerging market revenues remain weak. Earnings per share should fall in the \$0.50 to \$0.52 range.

These shares are Timely. Kevin Downing

December 19, 2014

(A) Fiscal year ends on last Saturday in July (four 13-week quarters). (B) Diluted earnings. (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-Feb. GAAP egs. prior to 2011, proforma thereafter. (C) In millions, adjusted for 2011, paid in late Jan., April, July, and Oct.

Company's Financial Strength Stock's Price Stability A++ 60 Price Growth Persistence **Earnings Predictability** 85