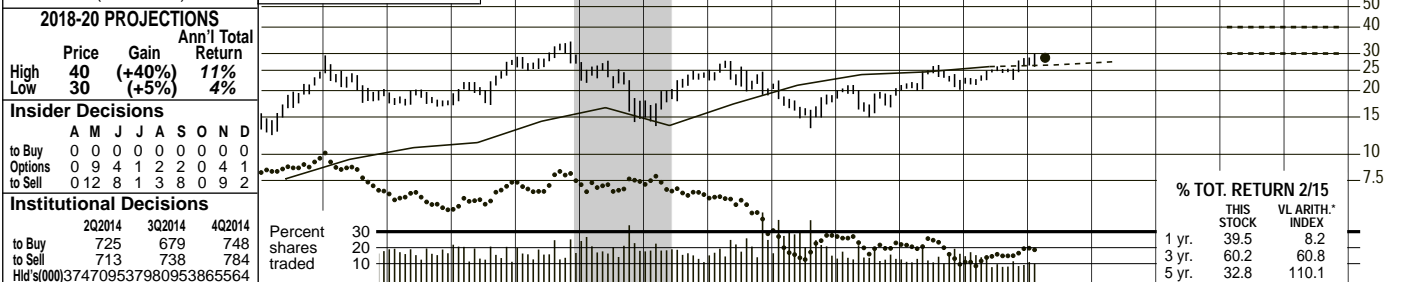


CISCO SYSTEMS NDQ-CSCO

RECENT PRICE **28.66** P/E RATIO **13.1** (Trailing: 13.5 Median: 17.0) RELATIVE P/E RATIO **0.71** DIV'D YLD **2.9%** **VALUE LINE**

| | | | | | | | | | | | | | |
|--------------------------------------|---|------|------|------|------|------|------|------|------|------|------|------|--------------------|
| TIMELINESS 3 Lowered 12/26/14 | High: 29.4 | 20.3 | 28.0 | 34.2 | 27.7 | 24.8 | 27.7 | 22.3 | 21.3 | 26.5 | 28.6 | 30.3 | Target Price Range |
| SAFETY 2 Lowered 9/19/14 | Low: 17.5 | 16.8 | 17.1 | 24.8 | 14.2 | 13.6 | 19.0 | 13.3 | 15.0 | 20.0 | 21.3 | 25.9 | 2018 2019 2020 |
| TECHNICAL 3 Raised 2/27/15 | LEGENDS — 10.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession | | | | | | | | | | | | |
| BETA 1.10 (1.00 = Market) | | | | | | | | | | | | | |



| 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | © VALUE LINE PUB. LLC | 18-20 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--|--------|-----------------------------------|--------|
| 1.86 | 2.65 | 3.04 | 2.59 | 2.70 | 3.31 | 3.95 | 4.70 | 5.73 | 6.71 | 6.24 | 7.08 | 7.95 | 8.69 | 9.02 | 9.23 | 9.55 | 10.00 | Revenues per sh ^A | 11.70 |
| .47 | .65 | .41 | .54 | .77 | .95 | 1.08 | 1.13 | 1.43 | 1.66 | 1.37 | 1.73 | 2.12 | 2.38 | 2.45 | 2.60 | 2.65 | 2.75 | "Cash Flow" per sh | 3.10 |
| .38 | .53 | .26 | .39 | .59 | .76 | .87 | .89 | 1.17 | 1.31 | 1.05 | 1.33 | 1.62 | 1.85 | 2.02 | 2.06 | 2.15 | 2.25 | Earnings per sh ^B | 2.85 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | .12 | .28 | .62 | .72 | .78 | .84 | Div'ds Decl'd per sh ^E | 1.08 |
| .09 | .15 | .31 | .36 | .10 | .09 | .11 | .13 | .21 | .22 | .17 | .18 | .22 | .21 | .22 | .25 | .25 | .25 | Cap'l Spending per sh | .35 |
| 1.79 | 3.71 | 3.70 | 3.92 | 4.01 | 3.88 | 3.69 | 3.95 | 5.16 | 5.83 | 6.68 | 7.83 | 8.69 | 9.68 | 10.97 | 11.09 | 11.50 | 12.50 | Book Value per sh | 14.00 |
| 6542.0 | 7138.0 | 7324.0 | 7303.0 | 6998.0 | 6650.4 | 6274.7 | 6059.0 | 6100.0 | 5893.0 | 5785.0 | 5655.0 | 5435.0 | 5298.0 | 5389.0 | 5107.0 | 5100.0 | 5090.0 | Common Shs Outst'g ^C | 5000.0 |
| 62.2 | 99.7 | NMF | 42.4 | 24.3 | 29.6 | 21.6 | 21.3 | 22.0 | 20.6 | 17.7 | 17.9 | 11.9 | 9.7 | 10.3 | 11.3 | Bold figures are Value Line estimates | | Avg Ann'l P/E Ratio | 12.0 |
| 3.55 | 6.48 | NMF | 2.32 | 1.39 | 1.56 | 1.15 | 1.15 | 1.17 | 1.24 | 1.18 | 1.14 | .75 | .62 | .58 | .59 | | | Relative P/E Ratio | .75 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | .6% | 1.6% | 3.0% | 3.1% | | | Avg Ann'l Div'd Yield | 3.2% |

| | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|--------------------------------|-------|
| CAPITAL STRUCTURE as of 1/24/15 | | | | | | | | | | 24801 | 28484 | 34922 | 39540 | 36117 | 40040 | 43218 | 46061 | 48607 | 47142 | 49000 | 50800 | Revenues (\$mill) ^A | 58500 |
| Total Debt \$20.6 bill. Due in 5 years \$12.8 bill. | | | | | | | | | | 34.0% | 29.1% | 28.7% | 28.3% | 25.2% | 28.0% | 32.0% | 33.3% | 31.0% | 31.4% | 33.0% | 33.0% | Operating Margin | 32.0% |
| LT Debt \$19.7 bill. LT Interest \$560 mill. (26% of Cap'l) | | | | | | | | | | 1009.0 | 1293.0 | 1413.0 | 1744.0 | 1768.0 | 2030.0 | 2486.0 | 2602.0 | 2351.0 | 2432.0 | 2510 | 2600 | Depreciation (\$mill) | 2900 |
| Leases, Uncapitalized Annual rentals \$399 mill. | | | | | | | | | | 5741.0 | 5580.0 | 7333.0 | 8052.0 | 6134.0 | 7767.0 | 9033.0 | 10017 | 10866 | 10863 | 11125 | 11530 | Net Profit (\$mill) | 12650 |
| No Defined Benefit Pension Plan | | | | | | | | | | 28.6% | 26.9% | 22.5% | 21.5% | 20.3% | 17.5% | 21.3% | 21.9% | 20.8% | 20.8% | 20.0% | 20.0% | Income Tax Rate | 20.0% |
| Pfd Stock None | | | | | | | | | | 23.1% | 19.6% | 21.0% | 20.4% | 17.0% | 19.4% | 20.9% | 21.7% | 22.4% | 23.0% | 22.7% | 22.7% | Net Profit Margin | 21.6% |
| Common Stock 5,104,738,671 shs. as of 2/13/15 | | | | | | | | | | 3520.0 | 14363 | 18216 | 21841 | 30522 | 32188 | 39725 | 44202 | 43329 | 47305 | 42050 | 43500 | Working Cap'l (\$mill) | 49550 |
| MARKET CAP: \$146 billion (Large Cap) | | | | | | | | | | -- | 6332.0 | 6408.0 | 6393.0 | 10295 | 12188 | 16234 | 16297 | 12928 | 20401 | 21000 | 20000 | Long-Term Debt (\$mill) | 25210 |
| CURRENT POSITION | | | | | | | | | | 23174 | 23912 | 31480 | 34353 | 44627 | 47226 | 51286 | 59120 | 56654 | 58880 | 63625 | 58880 | Retained to Com Eq | 70000 |
| CASH ASSETS | | | | | | | | | | 24.8% | 18.7% | 19.9% | 20.2% | 12.9% | 14.3% | 14.7% | 15.3% | 15.5% | 14.5% | 14.0% | 14.0% | Return on Total Cap'l | 13.5% |
| RECEIVABLES | | | | | | | | | | 24.8% | 23.3% | 23.3% | 23.4% | 15.9% | 17.5% | 19.1% | 19.5% | 18.4% | 19.2% | 19.0% | 18.5% | Return on Shr. Equity | 18.0% |
| INVENTORY | | | | | | | | | | 24.8% | 23.3% | 23.3% | 23.4% | 15.9% | 17.5% | 17.7% | 16.6% | 12.8% | 12.5% | 12.0% | 12.5% | All Div'ds to Net Prof | 12.5% |
| DEBT DUE | | | | | | | | | | -- | -- | -- | -- | -- | -- | 7% | 15% | 30% | 35% | 36% | 36% | | |

| | | | |
|--------------------------|-------|-------|-------|
| Cash Assets ^D | 50610 | 52074 | 53022 |
| Receivables | 5470 | 5157 | 4541 |
| Inventory (FIFO) | 1476 | 1591 | 1890 |
| Other | 7965 | 8292 | 8429 |
| Current Assets | 65521 | 67114 | 67882 |
| Accts Payable | 1029 | 1032 | 988 |
| Debt Due | 3283 | 508 | 855 |
| Other | 17880 | 18269 | 18191 |
| Current Liab. | 22192 | 19809 | 20034 |

BUSINESS: Cisco Systems, Inc. is a leading provider of Internet Protocol-based networking and other products for transporting data, voice, and video across geographically dispersed local-area networks, 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

| | | | |
|---------------------|--------------|-------------|--------------------------|
| ANNUAL RATES | Past 10 Yrs. | Past 5 Yrs. | Est'd '12-'14 to '18-'20 |
| of change (per sh) | 10 Yrs. | 5 Yrs. | to '18-'20 |
| Revenues | 12.0% | 7.5% | 4.5% |
| "Cash Flow" | 12.5% | 11.0% | 5.5% |
| Earnings | 13.0% | 11.0% | 6.5% |
| Dividends | -- | -- | 12.0% |
| Book Value | 10.5% | 12.5% | 5.0% |

| Fiscal Year Ends | Oct.Per | Jan.Per | Apr.Per | Jul.Per | Full Fiscal Year |
|------------------|---------|---------|---------|---------|------------------|
| 2012 | 11256 | 11527 | 11588 | 11690 | 46061 |
| 2013 | 11876 | 12098 | 12216 | 12417 | 48607 |
| 2014 | 12085 | 11155 | 11545 | 12357 | 47142 |
| 2015 | 12245 | 11936 | 12050 | 12769 | 49000 |
| 2016 | 12500 | 12500 | 12650 | 13150 | 50800 |

| Fiscal Year Ends | Oct.Per | Jan.Per | Apr.Per | Jul.Per | Full Fiscal Year |
|------------------|---------|---------|---------|---------|------------------|
| 2012 | .43 | .47 | .48 | .47 | 1.85 |
| 2013 | .48 | .51 | .51 | .52 | 2.02 |
| 2014 | .53 | .47 | .51 | .55 | 2.06 |
| 2015 | .54 | .53 | .53 | .55 | 2.15 |
| 2016 | .57 | .55 | .55 | .58 | 2.25 |

| Cal-endar | Mar.31 | Jun.30 | Sep.30 | Dec.31 | Full Year |
|-----------|--------|--------|--------|--------|-----------|
| 2011 | -- | .06 | .06 | .06 | .18 |
| 2012 | .06 | .08 | .08 | .28 | .50 |
| 2013 | -- | .17 | .17 | .17 | |
| 2014 | .17 | .19 | .38 | -- | .74 |
| 2015 | .19 | | | | |

(A) Fiscal year ends on last Saturday in July (four 13-week quarters). (B) Diluted earnings. Excludes nonrecurring 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-May. GAAP egs. prior to 2011, pro-forma thereafter. (C) In millions, adjusted for stock splits. (D) Long- and short-term investments in current assets beginning in fiscal 2006. (E) Dividend commenced March 29, 2011, paid in late Jan., April, July, and Oct.

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Company's Financial Strength A++
Stock's Price Stability 60
Price Growth Persistence 40
Earnings Predictability 85

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provide a one-stop shopping experience is resonating with customers. **The order book is in good shape.** Overall product orders rose 5% year over year, a nice acceleration over the past few quarters. The U.S. saw bookings advance 7%, versus 3% in the first quarter, aided by strong public sector activity. Orders from global service providers fell 1%, an improvement over the -10% average over the last five quarters. The company expects total service provider capex to decline in the mid-single digits for calendar year 2015, but thinks it can grow market share. Emerging market orders ought to stay weak for a while yet. **Management is optimistic about the future.** It thinks the "digitization" of countries, cities, homes, and cars is likely forthcoming, and that every electronic device in the world will eventually connect to the Internet, unlocking \$19 trillion in increased profits or cost savings. We believe the company is well positioned to benefit from this trend. As a result, these neutrally ranked shares ought to provide decent risk-adjusted price appreciation.

Kevin Downing
 March 20, 2015