

CISCO SYSTEMS NDQ-CSCO

RECENT PRICE **34.20** P/E RATIO **14.2** (Trailing: 14.4 Median: 13.0) RELATIVE P/E RATIO **0.73** DIV'D YLD **3.4%** VALUE LINE

TIMELINESS **3** Lowered 12/26/14
SAFETY **1** Raised 12/16/16
TECHNICAL **4** Lowered 3/3/17
BETA 1.10 (1.00 = Market)

High: 28.0 34.2 27.7 24.8 27.7 22.3 21.3 26.5 28.6 30.3 32.0 34.5
Low: 17.1 24.8 14.2 13.6 19.0 13.3 15.0 20.0 21.3 23.0 22.5 29.8

LEGENDS
— 10.0 x "Cash Flow" p sh
... Relative Price Strength
Options: Yes
Shaded area indicates recession

2020-22 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+30%)	10%
Low	35	(Nil)	4%

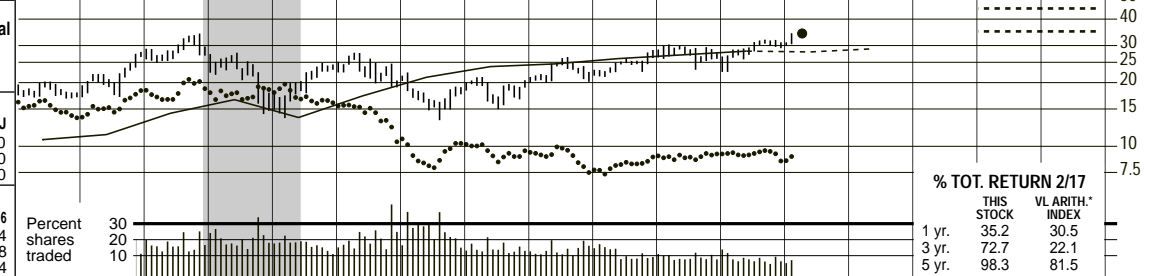
Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	2	0	1	4	10	1	1	9	0
to Sell	2	3	1	3	5	0	2	1	0

Institutional Decisions

	202016	3Q2016	4Q2016
to Buy	890	860	924
to Sell	732	802	828

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2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
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	9.67	9.79	9.65	9.90	Revenues per sh ^A	13.00
.41	.54	.77	.95	1.08	1.13	1.43	1.66	1.37	1.73	2.12	2.38	2.45	2.60	2.71	2.82	2.80	2.90	"Cash Flow" per sh	3.90
.26	.39	.59	.76	.87	.89	1.17	1.31	1.05	1.33	1.62	1.85	2.02	2.06	2.21	2.36	2.40	2.50	Earnings per sh ^B	3.30
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.31	.36	.10	.09	.11	.13	.21	.22	.17	.18	.22	.21	.22	.25	.24	.23	.25	.25	Cap'l Spending per sh	.30
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	11.74	12.64	13.80	14.90	Book Value per sh	15.85
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	5085.0	5029.0	5000.0	5000.0	Common Shs Outst'g ^C	4800.0
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	12.3	11.5	11.5	11.5	Avg Ann'l P/E Ratio	12.0
NMF	2.32	1.39	1.56	1.15	1.15	1.17	1.24	1.18	1.14	.75	.62	.58	.59	.62	.60	.60	.60	Relative P/E Ratio	.75
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CAPITAL STRUCTURE as of 1/28/17

Total Debt \$35.0 bill. Due in 5 years \$21.2 bill.
LT Debt \$30.5 bill. LT Interest \$800 mill.
(32% of Cap'l)

Leases, Uncapitalized Annual rentals \$363 mill.

No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 5,007,856,247 shs.
(as of 2/16/17)

MARKET CAP: \$171 billion (Large Cap)

34922	39540	36117	40040	43218	46061	48607	47142	49161	49247	48300	49375	Revenues (\$mill) ^A	61750
28.7%	28.3%	25.2%	28.0%	32.0%	33.3%	31.0%	31.4%	31.6%	33.4%	35.0%	35.0%	Operating Margin	35.0%
1413.0	1744.0	1768.0	2030.0	2486.0	2602.0	2351.0	2432.0	2442.0	2150.0	2000	2050	Depreciation (\$mill)	2850
7333.0	8052.0	6134.0	7767.0	9033.0	10017	10866	10863	11354	12022	12000	12500	Net Profit (\$mill)	15850
22.5%	21.5%	20.3%	17.5%	21.3%	21.9%	20.8%	20.8%	21.7%	21.8%	22.0%	22.0%	Income Tax Rate	22.0%
21.0%	20.4%	17.0%	19.4%	20.9%	21.7%	22.4%	23.0%	23.1%	24.4%	24.8%	25.3%	Net Profit Margin	25.7%
18216	21841	30522	32188	39725	44202	43329	47305	52660	53808	61450	60000	Working Cap'l (\$mill)	49550
6408.0	6393.0	10295	12188	16234	16297	12928	20401	21457	24483	25500	25000	Long-Term Debt (\$mill)	17500
31480	34353	44627	44267	47226	51286	59120	56654	59698	63586	69000	74500	Shr. Equity (\$mill)	72500
19.9%	20.2%	12.9%	14.3%	14.7%	15.3%	15.5%	14.5%	14.3%	14.0%	12.5%	12.5%	Return on Total Cap'l	17.5%
23.3%	23.4%	15.9%	17.5%	19.1%	19.5%	18.4%	19.2%	19.0%	18.9%	17.5%	17.0%	Return on Shr. Equity	22.0%
23.3%	23.4%	15.9%	17.5%	17.7%	16.6%	12.8%	12.5%	12.2%	11.4%	9.5%	9.5%	Retained to Com Eq	12.0%
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CURRENT POSITION 2015 2016 1/28/17 (\$MILL.)

Cash Assets ^D	60416	65756	71845
Receivables	5344	5847	4458
Inventory (FIFO)	1627	1217	1264
Other	8896	5899	5825
Current Assets	76283	78719	83392
Accts Payable	1104	1056	957
Debt Due	3897	4161	4451
Other	18622	19694	17300
Current Liab.	23623	24911	22708

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 to '20-'22

of change (per sh)	10 Yrs.	5 Yrs.	to '20-'22
Revenues	9.0%	6.0%	5.0%
"Cash Flow"	10.0%	9.5%	5.5%
Earnings	10.0%	10.5%	7.0%
Dividends	--	--	9.5%
Book Value	12.0%	9.0%	5.0%

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 associated with these products. Foreign business accounted for 40.3% of 2016 revenues. R&D, 12.8% of revenues. Has about 73,700 employees. Officers/Directors hold less than 1.0% of stock; BlackRock, 6.6%, Vanguard, 6.0%. Chrmn. & CEO: Chuck Robbins. Inc.: CA. Address: 170 W. Tasman Drive, San Jose, CA 95134-1706. Tele.: 408-526-4000. Web: www.cisco.com.

Cisco Systems continues to expand its software business. Approximately 31% of January-quarter revenue came from recurring software and services, up from 28% in the prior year's quarter. Deferred revenue related to these offerings increased 51% year over year, indicating growth will continue. Elsewhere, Cisco agreed to pay \$3.7 billion to acquire AppDynamics just days before that company was set to go public. AppDynamics' technology manages the performance and availability of applications across cloud computing environments and inside data centers. Around 75% of its product revenue is subscription-based.

Increased competition remains a threat. The data center switching portfolio grew 28% in the second quarter. This includes the Nexus 9000 switch and companion software, dubbed Application Centric Infrastructure (ACI), Cisco's answer to VMware's software defined network (SDN) technology NSX. Cisco does not break out performance of individual products, but Reuters claims to have seen an internal report from last year that showed ACI orders were only around 10% of the

number inked for Nexus 9000. Meanwhile, VMware reported strong NSX numbers in its most recent earnings call. Too, Facebook recently announced several vendors will build commercial versions of its "white box" switches. These generally use generic parts and open-sourced software to displace traditional hardware for a reduced cost. Cisco claims its technology has superior security features, but it remains to be seen if enterprise customers will embrace the other options.

Guidance is lacking somewhat. The company guided revenue to be down 2% to flat in the April quarter, in line with our call for a 1% decline. Too, earnings per share are expected to land between \$0.57 and \$0.59; thus, we are leaving our \$0.58 estimate intact.

We are only recommending these shares to risk-averse or income-oriented investors at this time. Service provider revenue has improved lately, but was still down 1% in the most recent quarter. We would like to see underlying demand trends improve further before becoming more constructive on this stock.

(A) Fiscal year ends on last Saturday in July (four 13-week quarters). (B) Diluted earnings. Excludes nonrecurring items: '01, (\$38c); '02, (14c); '03, (9c); '04, (14c). '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.	Company's Financial Strength	A++
	Stock's Price Stability	75
	Price Growth Persistence	30
	Earnings Predictability	95

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Kevin Downing March 17, 2017