

RECENT PRICE	31.56	P/E RATIO	13.1 (Trailing: 13.1 Median: 13.0)	RELATIVE P/E RATIO	0.66	DIV'D YLD	3.7%	VALUE LINE
--------------	-------	-----------	------------------------------------	--------------------	------	-----------	------	------------

2020-22 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+45%)	12%
Low	35	(+10%)	6%

Insider Decisions

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

Institutional Decisions

	3Q2016	4Q2016	1Q2017
to Buy	860	924	921
to Sell	802	828	862
Hld's(000)	3749251377	29144157041	

	THIS STOCK	VL ARITH.* INDEX
1 yr.	12.4	16.7
3 yr.	41.1	22.7
5 yr.	123.8	95.1

CAPITAL STRUCTURE as of 4/29/17				34922	39540	36117	40040	43218	46061	48607	47142	49161	49247	47900	49375	Revenues (\$mill) ^	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%	
Total Debt \$32.4 bill. Due in 5 years \$19.0 bill.				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	
LT Debt \$28.2 bill. LT Interest \$850 mill. (30% of Cap'l)				7333.0	8052.0	6134.0	7767.0	9033.0	10017	10866	10863	11354	12022	12000	12500	Net Profit (\$mill)	15850	
Leases, Uncapitalized Annual rentals \$363 mill.				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%	
No Defined Benefit Pension Plan				18216	21841	30522	32188	39725	44202	43329	47305	52660	53808	61450	60000	Working Cap'l (\$mill)	49550	
Pfd Stock None				6408.0	6393.0	10295	12188	16234	16297	12928	20401	21457	24483	25500	25000	Long-Term Debt (\$mill)	17500	
				31480	34353	38647	44267	47226	51286	59120	56654	59698	63586	69000	74500	Shr. Equity (\$mill)	72500	
Common Stock 5,000,054,399 shs. as of 5/18/17				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%	
MARKET CAP: \$158 billion (Large Cap)				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%	
CURRENT POSITION		2015	2016	4/29/17	--	--	--	--	7%	15%	30%	35%	36%	40%	45%	45%	All Div'nds to Net Prof	42%

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-

Cisco Systems is operating in a difficult environment. Revenue is forecast to drop 4%-6% in the current period. Around one percentage point of that is expected to stem from weak Federal spending. Public sector revenue was down 4% year over year in the third quarter, and should remain weak, as customers hold off pur-

remain weak as customers hold on purchases until budget visibility improves. Too, emerging markets remain challenged and have gotten worse lately. Revenue from that customer group dropped 12% last quarter, owing to geopolitical uncertainty and a strong U.S. dollar. Service provider spending, down 10% in the April period, is also expected to remain weak.

Efforts to transition the revenue mix toward software and subscriptions are ongoing. The company has more than doubled the amount of deferred revenue on its balance sheet (currently \$4.4 billion) over the past eight quarters. Too, around 80% of Cisco's engineers now work in software, and a similar amount of R&D dollars are being allocated to this area. The announcement that 1,100 employees are being laid off is another example of Cisco trying to overhaul its business model. Wi-

short-term investments in
ning in fiscal 2006. **(E)** In
March 29, 2011, paid in
and Oct.

think the strategy makes sense, but it remains to be seen if this will be enough to counter sluggish hardware sales.

Rising prevalence and awareness of cybersecurity attacks should boost the Security unit's growth. Deferred revenue from that business was up 39% in the fiscal third quarter, thanks largely to CSCO's firewall and advanced threat portfolio. The global WannaCry ransomware attack in early May had a positive impact on Cisco's shares, as it will likely motivate more corporations to improve their threat prevention capabilities. We think Cisco has an advantage in this space because its broad portfolio of offerings work together more efficiently than a patchwork system comprised of parts from multiple niche vendors. Cisco is collaborating with IBM on certain products and services because of that company's expertise in security analytics. In addition to providing a more robust end-to-end offering, the companies will share information to defend against threats faster and more efficiently.

Conservative, income-oriented investors may find these shares suitable.

Kevin Downing June 16, 2017

A	2017	.26	.29																																								