

# CISCO SYSTEMS NDQ-CSCO

RECENT PRICE **37.31** P/E RATIO **14.9** (Trailing: 15.6; Median: 12.0) RELATIVE P/E RATIO **0.73** DIV'D YLD **3.1%** VALUE LINE

TIMELINESS **3** Raised 11/24/17  
SAFETY **1** Raised 12/16/16  
TECHNICAL **3** Raised 9/1/17  
BETA 1.05 (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 38.0  
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**

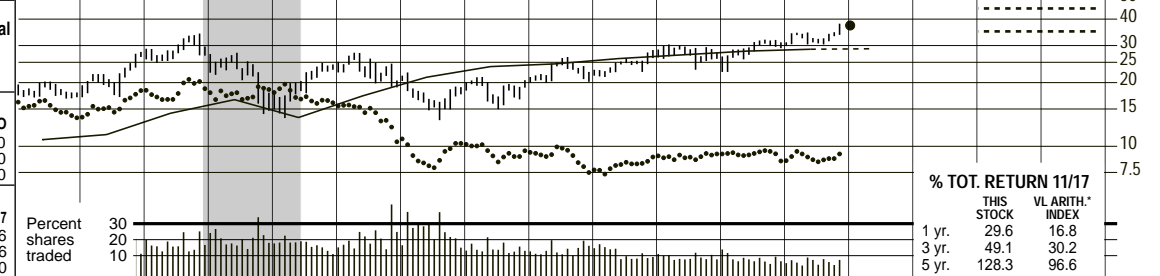
	Price	Gain	Ann'l Total Return
High	45	(+20%)	8%
Low	35	(-5%)	2%

**Insider Decisions**

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

**Institutional Decisions**

	1Q2017	2Q2017	3Q2017
to Buy	921	979	856
to Sell	862	827	896
Hlds(000)	415704	140769	404078980



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	9.63	9.70	Revenues per sh <sup>A</sup>	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	2.88	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	2.39	2.50	Earnings per sh <sup>B</sup>	3.30
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.31	.36	.10	.09	.11	.13	.21	.22	.17	.18	.22	.21	.22	.25	.24	.23	.19	.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	13.27	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	4983.0	4970.0	Common Shs Outst'g <sup>C</sup>	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	13.3		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	.65		Relative P/E Ratio	.75
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**CAPITAL STRUCTURE as of 10/28/17**

Total Debt \$35.9 bill. Due in 5 years \$24.7 bill.  
LT Debt \$25.7 bill. LT Interest \$850 mill.  
(28% of Cap'l)

Leases, Uncapitalized Annual rentals \$417 mill.

No Defined Benefit Pension Plan  
Pfd Stock None

Common Stock 4,943,622,124 shs.  
as of 11/16/17

MARKET CAP: \$184 billion (Large Cap)

34922	39540	36117	40040	43218	46061	48607	47142	49161	49247	48005	48275	Revenues (\$mill) <sup>A</sup>	61750
28.7%	28.3%	25.2%	28.0%	32.0%	33.3%	31.0%	31.4%	31.6%	33.4%	32.1%	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	2286.0	2050	Depreciation (\$mill)	2850
7333.0	8052.0	6134.0	7767.0	9033.0	10017	10866	10863	11354	12022	12067	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%	22.1%	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%	25.1%	25.3%	Net Profit Margin	25.7%
18216	21841	30522	32188	39725	44202	43329	47305	52660	53808	56120	60000	Working Cap'l (\$mill)	49550
6408.0	6393.0	10295	12188	16234	16297	12928	20401	21457	24483	25725	25000	Long-Term Debt (\$mill)	17500
31480	34353	38647	44267	47226	51286	59120	56654	59698	63586	66137	74000	Shr. Equity (\$mill)	72500
19.9%	20.2%	12.9%	14.3%	14.7%	15.3%	15.5%	14.5%	14.3%	14.0%	13.6%	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%	18.2%	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%	9.9%	9.0%	Retained to Com Eq	12.0%
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**CURRENT POSITION** 2016 2017 10/28/17 (\$MILL.)

Cash Assets <sup>D</sup>	65756	70492	71588
Receivables	5847	5146	4206
Inventory (FIFO)	1217	1616	1693
Other	5899	6449	6593
Current Assets	78719	83703	84080
Accts Payable	1056	1385	1155
Debt Due	4161	7992	10239
Other	19694	18206	17890
Current Liab.	24911	27583	29284

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '15-'17 to '20-'22

of change (per sh)	7.5%	4.0%	5.0%
Revenues	8.5%	6.0%	5.5%
"Cash Flow"	9.0%	7.5%	7.0%
Earnings	--	48.0%	9.5%
Dividends	11.5%	7.5%	7.0%
Book Value			

**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-

sociated with these products. Foreign business accounted for 40.9% of 2017 revenues. R&D, 12.6% of revenues. Has about 72,900 employees. Officers/Directors hold less than 1.0% of stock; BlackRock, 6.8%, Vanguard, 6.7%. (9/17 proxy). Chrmn. & CEO: Chuck Robbins. Inc.: CA. Address: 170 W. Tasman Drive, San Jose, CA 95134-1706. Tele.: 408-526-4000. Web: www.cisco.com.

**Investors were pleased with Cisco's recent guidance.** The shares rose 7% after the company forecast revenues to grow in the January quarter, which would mark the first advance in two years. **Results were largely in line with our estimates.** Fiscal first-quarter sales fell 2% year over year, and earnings of \$0.61 beat our estimate by a penny. The gross margin decreased 150 basis points, 87% of which stemmed from higher prices on memory used in equipment. This will likely remain a headwind near term. Service provider customers continued to spend less on physical equipment, as did enterprises. Security revenue grew 8%, as customers embrace integration across the network, versus piecing together components from various vendors. Cisco aims to generate double-digit revenue growth for this business, and we think that goal is achievable, given the favorable demand environment. **The company continues to make progress transitioning the business model toward software and services.** Two years ago, nearly all deferred revenue came from collaboration and security products. Now, when the company sells

Fiscal Year Ends	Q1	Q2	Q3	Q4	Full Fiscal Year
2014	12085	11155	11545	12357	47142
2015	12245	11936	12137	12843	49161
2016	12682	11927	12000	12638	49247
2017	12352	11580	11940	12133	48005
2018	12136	11700	12000	12439	48275

Fiscal Year Ends	Q1	Q2	Q3	Q4	Full Fiscal Year
2014	.53	.47	.51	.55	2.06
2015	.54	.53	.54	.60	2.21
2016	.59	.57	.57	.63	2.36
2017	.61	.57	.60	.61	2.39
2018	.61	.59	.64	.66	2.50

Calendar	Q1	Q2	Q3	Q4	Full Year
2013	--	.17	.17	.17	.51
2014	.17	.19	.38	--	.74
2015	.40	--	.21	.21	.82
2016	.21	.26	.26	.26	.99
2017	.26	.29	.29	.29	

switches, customers have to buy software along with it. Some packages only add basic functionality, but most clients are opting for advanced analytics and security features. This has helped core networking make up 30% of total deferred revenue, which currently stands at \$5.2 billion. Too, of all the software Cisco sells, 52% is subscription based versus 48% for perpetual licenses. Further, 32% of total revenue (including services and maintenance) is recurring, and the company hopes to raise that number to 40% by fiscal 2020. **Management likes the new U.S. tax plan.** It feels confident that the House and Senate will get the bill passed by the end of the year, which would free up the company's \$71.6 billion overseas cash hoard. At present, Cisco simply borrows money needed for an acquisition, so the M&A strategy will not change. Too, the company still plans on growing the dividend in step with earnings. The big change would be a "much more aggressive" share-repurchase policy, which should aid sentiment. **Income-oriented investors may find these high-quality shares suitable.** Kevin Downing December 15, 2017

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(A) Fiscal year ends on last Saturday in July (four 13-week quarters). (B) Diluted earnings. Excludes nonrecurring items: '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, 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	80
	Price Growth Persistence	30
	Earnings Predictability	100