

CISCO SYSTEMS NDQ-CSCO

RECENT PRICE **43.67** P/E RATIO **16.0** (Trailing: 17.4 Median: 12.0) RELATIVE P/E RATIO **0.87** DIV'D YLD **3.0%** VALUE LINE

TIMELINESS **3** Raised 11/24/17
SAFETY **1** Raised 12/16/16
TECHNICAL **2** Raised 6/15/18
BETA 1.05 (1.00 = Market)

High: 34.2 27.7 24.8 27.7 22.3 21.3 26.5 28.6 30.3 32.0 39.0 46.4
Low: 24.8 14.2 13.6 19.0 13.3 15.0 20.0 21.3 23.0 22.5 29.8 37.3

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

2021-23 PROJECTIONS

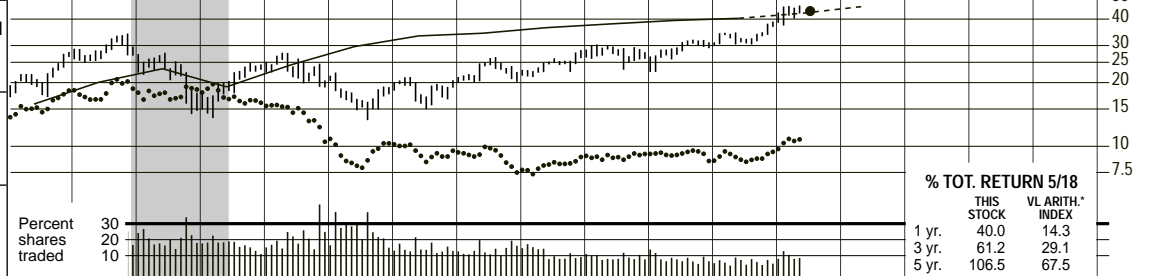
	Price	Gain	Ann'l Total
High	65	(+50%)	13%
Low	50	(+15%)	7%

Insider Decisions

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

Institutional Decisions

	3Q2017	4Q2017	1Q2018
to Buy	856	880	868
to Sell	896	791	1124
Hlds(000)	407898037	358933576037	



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
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	10.25	10.60	Revenues per sh ^A	13.75
.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	3.05	3.30	"Cash Flow" per sh	4.30
.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	2.60	2.85	Earnings per sh ^B	3.60
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.36	.10	.09	.11	.13	.21	.22	.17	.18	.22	.21	.22	.25	.24	.23	.19	.25	.25	Cap'l Spending per sh	.35
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	10.55	14.90	Book Value per sh	18.95
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	4800.0	4770.0	Common Shs Outst'g ^C	4200.0
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	13.3	13.3	Avg Ann'l P/E Ratio	16.0
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	.65	.65	Relative P/E Ratio	.90
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CAPITAL STRUCTURE as of 4/28/18

Total Debt \$28.0 bill. Due in 5 years \$24.7 bill.
LT Debt \$20.3 bill. LT Interest \$850 mill.
(30% of Cap'l)

Leases, Uncapitalized Annual rentals \$417 mill.

No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 4,702,882,494 shs.
as of 5/17/18

MARKET CAP: \$205 billion (Large Cap)

39540	36117	40040	43218	46061	48607	47142	49161	49247	48005	49200	50500	Revenues (\$mill) ^A	57800
28.3%	25.2%	28.0%	32.0%	33.3%	31.0%	31.4%	31.6%	33.4%	32.1%	35.0%	35.5%	Operating Margin	35.0%
1744.0	1768.0	2030.0	2486.0	2602.0	2351.0	2432.0	2442.0	2150.0	2286.0	2050	2120	Depreciation (\$mill)	2850
8052.0	6134.0	7767.0	9033.0	10017	10866	10863	11354	12022	12067	12500	13600	Net Profit (\$mill)	15120
21.5%	20.3%	17.5%	21.3%	21.9%	20.8%	20.8%	21.7%	21.8%	22.1%	21.0%	21.0%	Income Tax Rate	21.0%
20.4%	17.0%	19.4%	20.9%	21.7%	22.4%	23.0%	23.1%	24.4%	25.1%	25.4%	27.0%	Net Profit Margin	26.2%
21841	30522	32188	39725	44202	43329	47305	52660	53808	56120	52000	50000	Working Cap'l (\$mill)	49550
6393.0	10295	12188	16234	16297	12928	20401	21457	24483	25725	25000	24000	Long-Term Debt (\$mill)	17500
34353	38647	44267	47226	51286	59120	56654	59698	63586	66137	50550	52550	Shr. Equity (\$mill)	79600
20.2%	12.9%	14.3%	14.7%	15.3%	15.5%	14.5%	14.3%	14.0%	13.6%	16.5%	18.0%	Return on Total Cap'l	15.5%
23.4%	15.9%	17.5%	19.1%	19.5%	18.4%	19.2%	19.0%	18.9%	18.2%	24.5%	26.0%	Return on Shr. Equity	19.0%
23.4%	15.9%	17.5%	17.7%	16.6%	12.8%	12.5%	12.2%	11.4%	9.9%	13.5%	10.0%	Retained to Com Eq	9.0%
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CURRENT POSITION 2016 2017 4/28/18 (\$MILL.)

Cash Assets^D 65756 70492 54431
Receivables 5847 5146 4274
Inventory (FIFO) 1217 1616 1900
Other 5899 6449 6536
Current Assets 78719 83703 67141
Accts Payable 1056 1385 1552
Debt Due 4161 7992 7736
Other 19694 18206 19354
Current Liab. 24911 27583 28642

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '15-'17 to '21-'23

Revenues 7.5% 4.0% 6.0%
"Cash Flow" 8.5% 6.0% 7.5%
Earnings 9.0% 7.5% 7.5%
Dividends -- 48.0% 12.5%
Book Value 11.5% 7.5% 7.0%

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 40.9% 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.

Cisco Systems continues to post respectable results. April-quarter revenue of \$12.5 billion was slightly better than our call and advanced 4% on a year-over-year basis. Product sales increased 5%, but Service revenue growth of 3% was a little below what Wall Street was looking for. Record earnings per share of \$0.66 beat our estimate by a penny.

Margins are under a bit of pressure. Total gross margin fell 50 basis points, owing largely to higher memory pricing. This should remain a headwind for several quarters, according to management.

remains weak. Global buildouts of 4G LTE networks have slowed as the market matures. Further, significant investment in 5G infrastructure is still a ways out, as equipment makers are still preparing the technology. Compounding the weakness is the shift to software-defined and virtualized networking, which reduces the dependency on physical hardware. This is all leading to weakness in the router business, which we expect to continue for the intermediate term.

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) ^A				Full Fiscal Year
	Oct.Per	Jan.Per	Apr.Per	Jul.Per	
2015	12245	11936	12137	12843	49161
2016	12682	11927	12000	12638	49247
2017	12352	11580	11940	12133	48005
2018	12136	11887	12463	12714	49200
2019	12540	12300	12685	12975	50500

Fiscal Year Ends	EARNINGS PER SHARE ^{AB}				Full Fiscal Year
	Oct.Per	Jan.Per	Apr.Per	Jul.Per	
2015	.54	.53	.54	.60	2.21
2016	.59	.57	.57	.63	2.36
2017	.61	.57	.60	.61	2.39
2018	.61	.63	.66	.70	2.60
2019	.68	.69	.70	.78	2.85

The company is making progress in its transition to a more software-centric business model. Around 32% of revenue was recurring, an increase of two percentage points from a year earlier. Further, revenue from subscriptions was 55% of software sales. The bundling of software with the flagship *Catalyst 9000* switch appears to be helping here. Importantly, the *Catalyst 9000* has become the fastest-selling product introduction in the company's history. The switch now has 5,800 customers, up 87% sequentially.

Demand from service providers

The success of the Security unit is important to Cisco's future. Very public and concerning cybersecurity breaches in recent years have increased demand for preventative measures. Cisco's security business saw sales rise 11% in the quarter. The company is trying to differentiate by using artificial intelligence and machine learning to cut detection time.

Cal-endar	QUARTERLY DIVIDENDS PAID ^E				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	.17	.19	.38	--	.74
2015	.40	--	.21	.21	.82
2016	.21	.26	.26	.26	.99
2017	.26	.29	.29	.29	1.13
2018	.29	.33			

These shares are still a decent choice for conservative investors. The company has positioned itself well to capitalize on a shifting telecom equipment landscape. Long-term price appreciation looks good if adjusted for risk.

Kevin Downing June 15, 2018

(A) Fiscal year ends on last Saturday in July (four 13-week quarters). (B) Diluted earnings. Excludes nonrecurring items: '02, (14c); '03, (9c); '04, (14c). May not sum due to rounding. Next egs. report due mid-August. 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	35
Earnings Predictability	100

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