

CISCO SYSTEMS NDQ-CSCO

RECENT PRICE **44.28** P/E RATIO **13.6** (Trailing: 13.9 Median: 12.0) RELATIVE P/E RATIO **0.79** DIV'D YLD **3.2%** VALUE LINE

TIMELINESS **3** Lowered 12/13/19
SAFETY **1** Raised 12/16/16
TECHNICAL **3** Lowered 11/15/19
BETA 1.15 (1.00 = Market)

High: 27.7 24.8 27.7 22.3 21.3 26.5 28.6 30.3 32.0 39.0 49.5 58.2
Low: 14.2 13.6 19.0 13.3 15.0 20.0 21.3 23.0 22.5 29.8 37.3 41.0

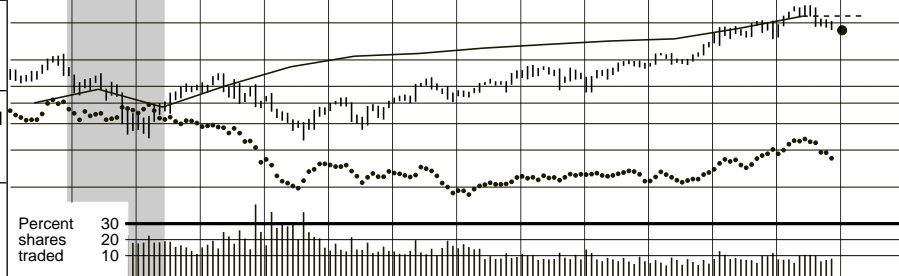
LEGENDS
— 14.0 x "Cash Flow" p sh
... Relative Price Strength
Options: Yes
Shaded area indicates recession

Target Price Range
2022 2023 2024
120
100
80
64
48
32
24
20
16
12
8

18-Month Target Price Range
Low-High Midpoint (% to Mid)
\$41-\$69 \$55 (25%)

2022-24 PROJECTIONS
Price Gain Ann'l Total Return
High 70 (+60%) 15%
Low 55 (+25%) 9%

Institutional Decisions
1Q2019 2Q2019 3Q2019
to Buy 1031 956 1133
to Sell 1193 1237 1081
Hlds(000) 319352731728773137999



% TOT. RETURN 11/19
THIS STOCK VL ARITH. INDEX
1 yr. -2.7 6.5
3 yr. 66.8 24.6
5 yr. 91.9 38.9

| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | © VALUE LINE PUB. LLC | 22-24 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------------|--------|
| 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 | 10.69 | 12.21 | 12.05 | Revenues per sh ^A | 14.95 |
| .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 | 3.23 | 3.69 | 3.70 | "Cash Flow" per sh | 4.60 |
| .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 | 3.10 | 3.25 | Earnings per sh ^B | 3.90 |
| -- | -- | -- | -- | -- | -- | -- | -- | .12 | .28 | .62 | .72 | .80 | .94 | 1.10 | 1.24 | 1.36 | 1.50 | Div'ds Decl'd per sh ^E | 2.00 |
| .10 | .09 | .11 | .13 | .21 | .22 | .17 | .18 | .22 | .21 | .22 | .25 | .24 | .23 | .19 | .18 | .21 | .30 | Cap'l Spending per sh | .35 |
| 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 | 9.36 | 7.90 | 8.65 | Book Value per sh | 12.50 |
| 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 | 4614.0 | 4250.0 | 4240.0 | Common Shs Outst'g ^C | 4000.0 |
| 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 | 15.1 | 16.1 | 16.1 | Avg Ann'l P/E Ratio | 16.0 |
| 1.39 | 1.56 | 1.15 | 1.15 | 1.17 | 1.24 | 1.18 | 1.14 | .75 | .62 | .58 | .59 | .62 | .60 | .67 | .81 | 1.00 | 1.00 | Relative P/E Ratio | .90 |
| -- | -- | -- | -- | -- | -- | -- | -- | .6% | 1.6% | 3.0% | 3.1% | 2.9% | 3.5% | 3.5% | 3.2% | 2.7% | 2.7% | Avg Ann'l Div'd Yield | 3.2% |

CAPITAL STRUCTURE as of 10/26/19
Total Debt \$18.5 bill. Due in 5 years \$11.8 bill.
LT Debt \$14.5 bill. LT Interest \$715 mill.
(30% of Cap'l)
Leases, Uncapitalized Annual rentals \$441 mill.
No Defined Benefit Pension Plan
Pfd Stock None
Common Stock 4,242,262,570 shs.
as of 11/14/19
MARKET CAP: \$188 billion (Large Cap)

| | | | | | | | | | | | | | | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|--------------------------------|-------|
| 36117 | 40040 | 43218 | 46061 | 48607 | 47142 | 49161 | 49247 | 48005 | 49330 | 51904 | 51050 | 51050 | 51050 | 51050 | 51050 | 51050 | 51050 | Revenues (\$mill) ^A | 59800 |
| 25.2% | 28.0% | 32.0% | 33.3% | 31.0% | 31.4% | 31.6% | 33.4% | 32.1% | 34.0% | 35.9% | 36.0% | 36.0% | 36.0% | 36.0% | 36.0% | 36.0% | 36.0% | Operating Margin | 36.5% |
| 1768.0 | 2030.0 | 2486.0 | 2602.0 | 2351.0 | 2432.0 | 2442.0 | 2150.0 | 2286.0 | 2192.0 | 1897 | 1850 | 1850 | 1850 | 1850 | 1850 | 1850 | 1850 | Depreciation (\$mill) | 2850 |
| 6134.0 | 7767.0 | 9033.0 | 10017 | 10866 | 10863 | 11354 | 12022 | 12067 | 12703 | 13787 | 13830 | 13830 | 13830 | 13830 | 13830 | 13830 | 13830 | Net Profit (\$mill) | 15600 |
| 20.3% | 17.5% | 21.3% | 21.9% | 20.8% | 20.8% | 21.7% | 21.8% | 22.1% | 21.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | Income Tax Rate | 19.0% |
| 17.0% | 19.4% | 20.9% | 21.7% | 22.4% | 23.0% | 23.1% | 24.4% | 25.1% | 25.8% | 26.6% | 27.1% | 27.1% | 27.1% | 27.1% | 27.1% | 27.1% | 27.1% | Net Profit Margin | 26.1% |
| 30522 | 32188 | 39725 | 44202 | 43329 | 47305 | 52660 | 53808 | 56120 | 34802 | 16043 | 17000 | 17000 | 17000 | 17000 | 17000 | 17000 | 17000 | Working Cap'l (\$mill) | 29550 |
| 10295 | 12188 | 16234 | 16297 | 12928 | 20401 | 21457 | 24483 | 25725 | 20331 | 14475 | 14000 | 14000 | 14000 | 14000 | 14000 | 14000 | 14000 | Long-Term Debt (\$mill) | 15500 |
| 38647 | 44267 | 47226 | 51286 | 59120 | 56654 | 59698 | 63586 | 66137 | 43204 | 33571 | 36600 | 36600 | 36600 | 36600 | 36600 | 36600 | 36600 | Shr. Equity (\$mill) | 49980 |
| 12.9% | 14.3% | 14.7% | 15.3% | 15.5% | 14.5% | 14.3% | 14.0% | 13.6% | 20.7% | 28.7% | 27.5% | 27.5% | 27.5% | 27.5% | 27.5% | 27.5% | 27.5% | Return on Total Cap'l | 24.0% |
| 15.9% | 17.5% | 19.1% | 19.5% | 18.4% | 19.2% | 19.0% | 18.9% | 18.2% | 29.4% | 41.1% | 38.0% | 38.0% | 38.0% | 38.0% | 38.0% | 38.0% | 38.0% | Return on Shr. Equity | 31.0% |
| 15.9% | 17.5% | 17.7% | 16.6% | 12.8% | 12.5% | 12.2% | 11.4% | 9.9% | 15.6% | 22.2% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% | Retained to Com Eq | 15.0% |
| -- | -- | 7% | 15% | 30% | 35% | 36% | 40% | 46% | 47% | 44% | 45% | 45% | 45% | 45% | 45% | 45% | 45% | All Div'ds to Net Prof | 51% |

| CURRENT POSITION | 2018 | 2019 | 10/26/19 |
|--------------------------|-------|-------|----------|
| Cash Assets ^D | 46548 | 33413 | 28035 |
| Receivables | 5554 | 5491 | 4878 |
| Inventory (FIFO) | 1846 | 1383 | 1344 |
| Other | 7889 | 7468 | 7459 |
| Current Assets | 61837 | 47755 | 41716 |
| Accts Payable | 1904 | 2059 | 2016 |
| Debt Due | 5238 | 10191 | 4000 |
| Other | 19893 | 19462 | 18581 |
| Current Liab. | 27035 | 31712 | 24597 |

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 40.4% of 2019 revenues. R&D, 12.7% of revenues. Has about 75,900 employees. Officers/Directors hold less than 1.0% of stock; BlackRock, 7.6%, Vanguard, 8.4%. (9/19 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.

| ANNUAL RATES | Past 10 Yrs. | Past 5 Yrs. | Est'd '16-'18 to '22-'24 |
|--------------------|--------------|-------------|--------------------------|
| of change (per sh) | 10 Yrs. | 5 Yrs. | to '22-'24 |
| Revenues | 6.0% | 3.5% | 6.5% |
| "Cash Flow" | 8.0% | 5.0% | 7.5% |
| Earnings | 8.0% | 6.0% | 8.0% |
| Dividends | -- | 26.5% | 11.5% |
| Book Value | 9.0% | 4.0% | NMF |

Cisco Systems faces some macroeconomic challenges. The networking bellwether has been experiencing lackluster demand from service provider and emerging market customers for a while, but that weakness spread to some enterprise and commercial accounts in the fiscal first quarter. During that interim, orders from the public sector grew 6%, enterprise and commercial were each down 5%, and service provider fell 13%. Service provider demand in Europe got much weaker, the U.S. remained consistently poor, and Chinese orders fell off a cliff, tumbling 31% sequentially. Conversion rates were lower than normal as clients took pause, while some large deals came in smaller than planned. The approval process also appears to be getting tougher, as several cautious clients across a number of industries want more scrutiny over large expenditures. Management reports that this behavior is very much in line with past slowdowns. It also said protests in Hong Kong, the China-U.S. trade war, U.S. House impeachment proceedings, Brexit, and civil unrest in Latin America are all hurting business confidence and contribut-

ing to a lack of clarity about the future. If any of these situations get resolved, Cisco's order book will likely benefit. Meantime, Cisco thinks its focus on becoming more software-centric will lessen the impact of macroeconomic shifts in the future. The company is on pace for software and services to make up 50% of revenue by 2020, while software alone should comprise 30% of the total. Cisco is still well positioned to take advantage of upcoming technology transitions. The company should start to benefit from 5G when service providers begin building out enterprise service delivery networks, as Cisco can help reengineer backbones for higher traffic. This is expected to commence in the second half of calendar 2020. Other potential catalysts are the transition to 400-gig infrastructure next year and Wi-Fi 6 adoption. Historically, Cisco has been very good at predicting technology trends, and we have little reason to believe this will change. The recent price decline has created a good opportunity to buy these high-quality shares, in our view. Kevin Downing December 13, 2019

| Fiscal Year Ends | Q1 | Q2 | Q3 | Q4 | Full Fiscal Year |
|------------------|-------|-------|-------|-------|------------------|
| 2016 | 12682 | 11927 | 12000 | 12638 | 49247 |
| 2017 | 12352 | 11580 | 11940 | 12133 | 48005 |
| 2018 | 12136 | 11887 | 12463 | 12844 | 49330 |
| 2019 | 13072 | 12446 | 12958 | 13428 | 51904 |
| 2020 | 13159 | 12000 | 12600 | 13291 | 51050 |

| Fiscal Year Ends | Q1 | Q2 | Q3 | Q4 | Full Fiscal Year |
|------------------|-----|-----|-----|-----|------------------|
| 2016 | .59 | .57 | .57 | .63 | 2.36 |
| 2017 | .61 | .57 | .60 | .61 | 2.39 |
| 2018 | .61 | .63 | .66 | .70 | 2.60 |
| 2019 | .75 | .73 | .78 | .83 | 3.10 |
| 2020 | .84 | .76 | .80 | .85 | 3.25 |

| Calendar | Q1 | Q2 | Q3 | Q4 | Full Year |
|----------|-----|-----|-----|-----|-----------|
| 2015 | .40 | -- | .21 | .21 | .82 |
| 2016 | .21 | .26 | .26 | .26 | .99 |
| 2017 | .26 | .29 | .29 | .29 | 1.13 |
| 2018 | .29 | .33 | .33 | .33 | 1.28 |
| 2019 | .33 | .35 | .35 | | |

(A) Fiscal year ends on last Saturday in July (four 13-week quarters). (B) Diluted earnings. Excludes nonrecurring items: '03, ('06); '04, ('14c). May not sum due to rounding. Next egs. report due mid-February. 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 65 Earnings Predictability 100