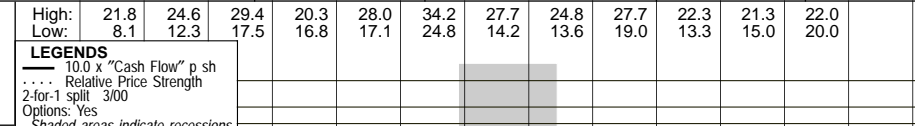


# CISCO SYSTEMS NDQ-CSCO

RECENT PRICE **21.70** P/E RATIO **10.5** (Trailing: 11.7; Median: 20.0) RELATIVE P/E RATIO **0.63** DIV'D YLD **2.6%** **VALUE LINE**

**TIMELINESS** 3 Lowered 5/18/12  
**SAFETY** 1 Raised 12/26/08  
**TECHNICAL** 2 Raised 2/22/13  
**BETA** 1.00 (1.00 = Market)



High: 21.8 24.6 29.4 20.3 28.0 34.2 27.7 24.8 27.7 22.3 21.3 22.0  
 Low: 8.1 12.3 17.5 16.8 17.1 24.8 14.2 13.6 19.0 13.3 15.0 20.0

Target Price Range  
 2016 2017 2018

**2016-18 PROJECTIONS**

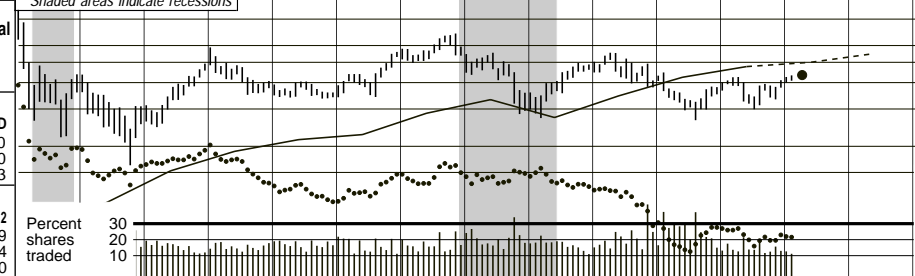
	Price	Gain	Ann'l Total Return
High	35	(+60%)	14%
Low	30	(+40%)	10%

**Insider Decisions**

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

**Institutional Decisions**

	2Q2012	3Q2012	4Q2012
to Buy	649	641	659
to Sell	730	710	764
Hlds(000)	34836553	20675379	1720



% TOT. RETURN 2/13

	THIS STOCK	VL ARITH. INDEX
1 yr.	7.4	13.4
3 yr.	-11.0	48.2
5 yr.	-11.2	64.7

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
1.07	1.35	1.86	2.65	3.04	2.59	2.70	3.31	3.95	4.70	5.73	6.71	6.24	7.08	7.95	8.69	9.25	9.85	Revenues per sh <sup>A</sup>	11.25
.27	.35	.47	.65	.41	.54	.77	.95	1.08	1.13	1.43	1.66	1.37	1.73	2.12	2.38	2.50	2.75	"Cash Flow" per sh	3.15
.23	.29	.38	.53	.26	.39	.59	.76	.87	.89	1.17	1.31	1.05	1.33	1.62	1.85	2.02	2.20	Earnings per sh <sup>B</sup>	2.65
--	--	--	--	--	--	--	--	--	--	--	--	--	--	.12	.28	.56	.58	Div'ds Decl'd per sh <sup>E</sup>	.66
.05	.07	.09	.15	.31	.36	.10	.09	.11	.13	.21	.22	.17	.18	.22	.21	.25	.25	Cap'l Spending per sh	.35
.71	1.14	1.79	3.71	3.70	3.92	4.01	3.88	3.69	3.95	5.16	5.83	6.68	7.83	8.69	9.68	10.50	11.50	Book Value per sh	13.00
6037.0	6250.3	6542.0	7138.0	7324.0	7303.0	6998.0	6650.4	6274.7	6059.0	6100.0	5893.0	5785.0	5655.0	5435.0	5298.0	5290.0	5280.0	Common Shs Outst'g <sup>C</sup>	5200.0
30.4	37.1	62.2	99.7	NMF	42.4	24.3	29.6	21.6	21.3	22.0	20.6	17.7	17.9	11.9	9.7			Avg Ann'l P/E Ratio	12.0
1.75	1.93	3.55	6.48	NMF	2.32	1.39	1.56	1.15	1.15	1.17	1.24	1.18	1.14	.75	.62			Relative P/E Ratio	.80
--	--	--	--	--	--	--	--	--	--	--	--	--	--	.6%	1.6%			Avg Ann'l Div'd Yield	1.7%

**CAPITAL STRUCTURE as of 1/26/13**

Total Debt \$16.3 bill. Due in 5 years \$7.5 bill.  
 LT Debt \$16.3 bill. LT Interest \$600 mill.  
 (24% of Cap'l)

Leases, Uncapitalized Annual rentals \$328 mill.

No Defined Benefit Pension Plan

Pfd Stock None

Common Stock 5,331,973,900 shs. as of 2/14/13

MARKET CAP: \$116 billion (Large Cap)

18878	22045	24801	28484	34922	39540	36117	40040	43218	46061	49000	52000	Revenues (\$mill) <sup>A</sup>	58500
34.3%	35.2%	34.0%	29.1%	28.7%	28.3%	25.2%	28.0%	32.0%	33.3%	32.5%	33.0%	Operating Margin	32.0%
1069.0	957.0	1009.0	1293.0	1413.0	1744.0	1768.0	2030.0	2486.0	2602.0	2500	2550	Depreciation (\$mill)	2800
4287.0	5337.0	5741.0	5580.0	7333.0	8052.0	6134.0	7767.0	9033.0	10017	10800	12000	Net Profit (\$mill)	13450
28.0%	28.0%	28.6%	26.9%	22.5%	21.5%	20.3%	17.5%	21.3%	21.9%	21.0%	20.0%	Income Tax Rate	20.0%
22.7%	24.2%	23.1%	19.6%	21.0%	20.4%	17.0%	19.4%	20.9%	21.7%	22.0%	23.1%	Net Profit Margin	23.0%
5121.0	5640.0	3520.0	14363	18216	21841	30522	32188	39725	44202	41000	42250	Working Cap'l (\$mill)	49550
--	--	--	6332.0	6408.0	6393.0	10295	12188	16234	16297	16100	16000	Long-Term Debt (\$mill)	14200
28029	25826	23174	23912	31480	34353	38647	44267	47226	51286	52900	60750	Shr. Equity (\$mill)	67600
15.3%	20.7%	24.8%	18.7%	19.9%	20.2%	12.9%	14.3%	14.7%	15.3%	15.5%	15.5%	Return on Total Cap'l	16.5%
15.3%	20.7%	24.8%	23.3%	23.3%	23.4%	15.9%	17.5%	19.1%	19.5%	20.5%	20.0%	Return on Shr. Equity	20.0%
15.3%	20.7%	24.8%	23.3%	23.3%	23.4%	15.9%	17.5%	17.7%	16.6%	14.0%	14.0%	Retained to Com Eq	15.5%
--	--	--	--	--	--	--	--	7%	15%	27%	26%	All Div'ds to Net Prof	25%

**CURRENT POSITION (SMILL.)**

	2011	2012	1/26/13
Cash Assets <sup>D</sup>	44585	48716	46376
Receivables	4698	4369	4462
Inventory (FIFO)	1486	1663	1574
Other	6462	7185	8313
Current Assets	57231	61933	60725
Accts Payable	876	859	890
Debt Due	588	31	37
Other	16042	16841	17023
Current Liab.	17506	17731	17950

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12
of change (per sh)	10 Yrs.	5 Yrs.	to '15-'17
Revenues	11.0%	10.5%	6.0%
"Cash Flow"	14.5%	11.5%	5.0%
Earnings	15.0%	10.5%	9.0%
Dividends	--	--	NMF
Book Value	8.5%	15.5%	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 as-

sociated with these products. Foreign business accounted for 42.5% of 2012 revenues. R&D, 13.5% of revenues. Has about 66,639 employees. Officers/Directors hold less than 1.0% of stock; BlackRock, 5.2%. (9/12 proxy). Chrmn. & CEO: John T. Chambers. Incorporated: California. Address: 170 W. Tasman Drive, San Jose, CA 95134-1706. Telephone: 408-526-4000. Web: www.cisco.com.

**QUARTERLY REVENUES (\$ mill.) <sup>A</sup>**

Fiscal Year Ends	Oct.Per	Jan.Per	Apr.Per	Jul.Per	Full Fiscal Year
2010	9021	9815	10368	10836	40040
2011	10750	10407	10866	11195	43218
2012	11256	11527	11588	11690	46061
2013	11876	12098	12250	12776	49000
2014	12550	12900	13000	13550	52000

**EARNINGS PER SHARE <sup>AB</sup>**

Fiscal Year Ends	Oct.Per	Jan.Per	Apr.Per	Jul.Per	Full Fiscal Year
2010	.30	.32	.37	.34	1.33 <sup>B</sup>
2011	.42	.37	.42	.40	1.62
2012	.43	.47	.48	.47	1.85
2013	.48	.51	.50	.53	2.02
2014	.52	.55	.56	.57	2.20

**QUARTERLY DIVIDENDS PAID <sup>E</sup>**

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	--	--	--	--	--
2010	--	--	--	--	--
2011	--	.06	.06	.06	.18
2012	.06	.08	.08	.28	.50
2013					

**Cisco Systems received mixed commentary from its service provider customers.** That client base appears to be taking a wait-and-see approach to how changes in the economic and political landscape may affect business. This likely caused revenues from the core Routing unit to fall 6%, year over year, in the fiscal second quarter. Notably, China was a particularly sore spot, which we attribute to competition from the dominant supplier there, Huawei. At present, we think global capital budgets, especially for wireless infrastructure, will increase modestly, year over year, in 2013, most likely picking up steam in the July quarter. Cisco does not compete in the base station space, but has good exposure to wireless LAN, edge routers, and mobile backhaul.

**The global revenue breakdown was mixed.** Asia and the Americas were up 8% and 9% in the January quarter, respectively. The segment comprised of Europe, the Middle East, and Africa fell 5%. Southern Europe continues to be a drag on the region, a trend we do not anticipate will reverse in the immediate future.

**Sales to the U.S. government have**

**been a weak spot.** While states and local municipalities continue to spend more on core products and Wi-Fi for schools, the federal government has cut back dramatically on telepresence spending. It has also been buying fewer switches, which led the company to issue flat guidance for the unit (39.5% of revenue) in 2013. We think management's commentary will turn positive if employment rates improve and private enterprise becomes less cautious.

**These shares offer respectable risk-adjusted long-term price appreciation potential.** Although demand visibility is not high at present, Cisco is executing well in segments that it can control. We are encouraged by the company's focus on fast-growing industries such as video, mobile, cloud computing, data centers, and software/services. Cisco also plans to double the \$6 billion software business in five years, causing this lucrative segment to make up around 20% of the total. The company has also done a solid job of keeping costs in check, largely through "value engineering," i.e., component consolidation and renegotiating vendor contracts.

Kevin Downing  
 March 22, 2013

(A) Fiscal year ends on last Saturday in July (four 13-week quarters). (B) Diluted earnings. Excludes nonrecurring items: '99, (7c); '00, (17c); '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, proforma 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.