

Cisco Systems, Inc.

Recommendation **BUY** ★ ★ ★ ★ ★

Price

USD 45.68 [as of market close Feb 19, 2021]

12-Mo. Target Price

USD 52.00

Report Currency

USD

Investment Style

Large-Cap Value

Equity Analyst Keith Snyder

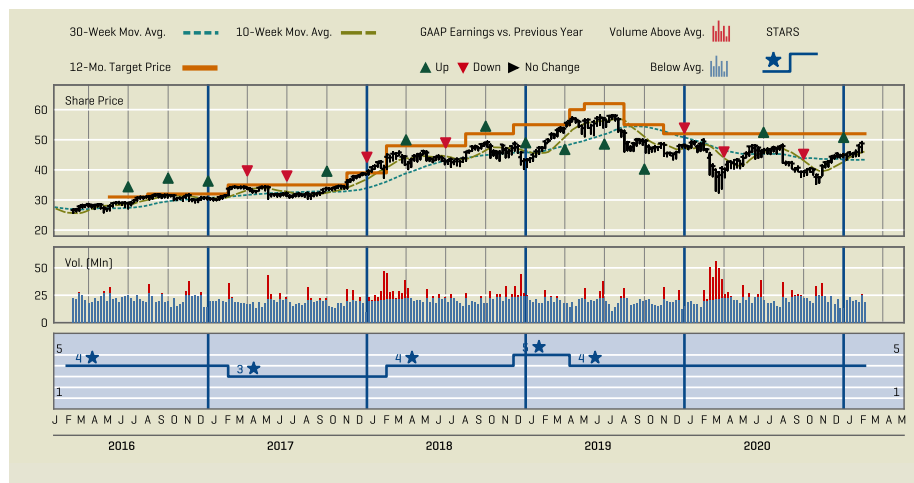
GICS Sector Information Technology
Sub-Industry Communications Equipment

Summary Cisco Systems designs and sells a broad range of technologies across networking, security, collaboration, applications, and the cloud.

Key Stock Statistics [Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports]

52-Wk Range	USD 48.94 - 33.2	Oper.EPS2021E	USD 3.19	Market Capitalization[B]	USD 192.85	Beta	0.91
Trailing 12-Month EPS	USD 2.39	Oper.EPS2022E	USD 3.39	Yield [%]	3.24	3-yr Proj. EPS CAGR[%]	3
Trailing 12-Month P/E	19.11	P/E on Oper.EPS2021E	14.32	Dividend Rate/Share	USD 1.48	SPGMI's Quality Ranking	B+
USD 10K Invested 5 Yrs Ago	22,127.0	Common Shares Outstg.[M]	4,221.00	Institutional Ownership [%]	73.0		

Price Performance



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Keith Snyder on Feb 10, 2021 01:59 PM ET, when the stock traded at USD 46.57.

Highlights

- Following a 5% sales decline in FY 20 (July), we forecast a 0.2% decline in FY 21 and 3.6% growth in FY 22. Infrastructure platforms will likely continue to be weak after declining in the most recent quarter, as small- and medium-sized enterprises delay or cancel projects in response to the Covid-19 outbreak. CSCO's transition towards software is progressing well, with 51% of revenue coming from software and services in FY 20, while 78% of software revenue is now sold as subscriptions. CSCO plans on accelerating its transition to a majority of its portfolio being delivered as a service. We expect its security segment will continue to be a bright spot in FY 21 on strong demand for its Duo and Umbrella offerings.
- We see a gross margin between 65.8% and 66% in FY 21 and FY 22 vs 65.9% in FY 20. We forecast an EBIT margin between 33.8% and 34.1% in FY 21 and FY 22, up from 29.1% in FY 20. CSCO announced it would cut over \$1 billion from its cost structure over the next few quarters.
- After a back and forth in court, CSCO and Acacia Communications have signed an amended merger agreement. CSCO will now pay \$115 per share [\$4.5 billion] compared to \$70 per share [\$2.6 billion] under the original agreement.

Investment Rationale/Risk

- Our Buy recommendation reflects our view that despite short-term headwinds, we continue to believe the long-term prospects for CSCO are positive, including the WiFi 6 upgrade cycle and 5G core deployments. We see CSCO benefiting from a rapid rise in bandwidth consumption, the high demand for data center solutions, and the migration to cloud networking. CSCO's strong balance sheet will facilitate further M&A activity, share buybacks, and dividend hikes. In August, CSCO completed the acquisition of ThousandEyes Inc, for approximately \$1B, according to unconfirmed reports. ThousandEyes' internet and cloud intelligence platform will expand visibility and insights into the delivery of applications and services. CSCO announced it would acquire IMI Mobile PLC, a provider of customer interaction management software, for roughly \$730M in cash (expected to close by the end of March).
- Risks to our recommendation and target price include the potential for a downturn in enterprise and increasing competition.
- Our 12-month target is \$52, 15.3x our FY 22 EPS estimate, comparable to its 3-year forward average at 15.7x, reflecting depressed service provider and enterprise spending, as well as challenges in China.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
-----	--------	------

Our risk assessment reflects the highly competitive nature of the industry in which CSCO operates, balanced by the company's strong financials, including \$30 billion of cash and investments as of October 2020, and its dominant market position.

Revenue/Earnings Data

Revenue (Million USD)	1Q	2Q	3Q	4Q	Year
2022	--	--	--	--	E 50,996
2021	11,929	11,960	--	--	E 49,224
2020	13,159	12,005	11,983	12,154	49,301
2019	13,072	12,446	12,958	13,428	51,904
2018	12,136	11,887	12,463	12,844	49,330
2017	12,352	11,580	11,940	12,133	48,005

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2022	E 0.82	E 0.82	E 0.86	E 0.89	E 3.39
2021	0.51	0.60	E 0.81	E 0.84	E 3.19
2020	0.68	0.68	0.65	0.62	2.64
2019	0.77	0.63	0.69	0.51	2.61
2018	0.48	-1.78	0.56	0.81	0.02
2017	0.46	0.47	0.50	0.48	1.90

Fiscal Year ended Jul 31. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.3700	Feb 09	Apr 05	Apr 06	Apr 28 '21
0.3600	Dec 09	Jan 04	Jan 05	Jan 20 '21
0.3600	Sep 09	Oct 01	Oct 02	Oct 21 '20
0.3600	Jun 10	Jul 02	Jul 06	Jul 22 '20

Dividends have been paid since 2011. Source: Company reports

Past performance is not an indication of future performance and should not be relied upon as such.

Forecasts are not reliable indicator of future performance.

Cisco Systems, Inc.

Business Summary Feb 10, 2021

CORPORATE OVERVIEW. Cisco Systems is the world's largest supplier of high-performance computer networking systems. The company's sales strategy is primarily based on distribution channel partners, with partner sales representatives around the world. Geographically, FY 20 (Jul.) sales were from the Americas (59.4%), Europe, the Middle East and Africa (EMEA) (25.7%), and the Asia-Pacific region (14.9%).

Cisco divides its business into five groups; Infrastructure Platforms (55% of total FY 20 sales), Applications (11%), Security (6%), Other Products (1%), and Services (27%). Infrastructure Platforms consist of its core networking technologies of switching, routing, data center products, and wireless that are designed to work together to deliver networking capabilities and transport and/or store data. The Applications product category includes the company's collaboration offerings (unified communications, Cisco TelePresence and conferencing), as well as IoT and AppDynamics analytics software offerings. The Security product category primarily includes Cisco's unified threat management products, advanced threat security products and web security products that are designed to provide a highly secure environment for customers.

We expect the Applications and Security groups to be the drivers of growth for Cisco. The company has been investing heavily in these two areas in an effort to move away from the legacy hardware business. It has completed a number of small and large acquisitions to support the development of new offerings in these spaces, which should support more recurring revenue streams in the future. CSCO continued to invest in cloud-delivered security in FY 20 and extended its security platform with the launch of SecureX. These investments included extending its zero-trust architecture with the on-going integration of Duo Security and integrating Umbrella with its SD-WAN solutions.

MARKET PROFILE. Cisco is currently the leader in the market for Ethernet Switches, with 47.2% share in Q2 2020 (down from 51.1% a year earlier), according to IDC. This large install base has been a competitive advantage for the company in the past as many customers were locked into the Cisco hardware universe. Recently, it has been losing market share to small upstarts like Arista Networks, which controlled 6.4% of the market in Q2 2020 (down from 7.3%) and China-based Huawei, which controlled 12.0% of the market in Q2 2020 (up from 9.7%). Cisco is struggling to compete with smaller players in the fast-growing 100-gigabit segment, but we think it will move quickly to close the gap with competitors.

Cisco is transforming its offerings to meet the evolving needs of customers. It continued to make strides during FY 20 to develop and sell more software and subscription-based offerings, which it expects will increase the amount of recurring revenue. The Catalyst 9000 series of switches are an example of how it is beginning to shift more of the core business to a subscription-based model. The Catalyst 9000 series includes hardware with embedded software, along with a software subscription referred to as Cisco DNA. Historically, various networking technology products have aligned with their respective product categories. However, increasingly, offerings are crossing multiple product categories. As core networking evolves, it expects it will add more common software features across the core networking platforms.

Cisco (33.2% market share in Q2 2020) was recently surpassed by Huawei (36.3%) in the Service Provider and enterprise router market. Huawei has captured market share by offering similar products at far lower prices. While we think this trend will continue, recent concerns from the U.S. and other European government around security threats presented by Huawei hardware may slow the market share losses.

IMPACT OF MAJOR DEVELOPMENTS. In March 2016, CSCO acquired Jasper Technologies for \$1.2 billion. Jasper is a provider of cloud based Internet-of-Things (IoT) software-as-a-service platform to help enterprises and service providers launch, manage and monetize IoT services on a global scale. In March 2017, CSCO completed its acquisition of privately held AppDynamics, Inc. for \$3.26 billion. AppDynamics cloud application and business monitoring platform is designed to enable companies to improve application and business performance. During FY 18, Cisco completed eight acquisitions for a combined total of \$3.22 billion. The largest acquisition was BroadSoft, Inc. (\$2.18 billion), a cloud calling and contact center solutions company, which was completed in February 2018. The second largest was Viptela, Inc. (\$497 million), a provider of software-defined wide area networking products, which was completed in July 2017. In September 2018, Cisco completed its acquisition of privately-held Duo Security, Inc. for \$2.35 billion in cash and assumed equity awards. Duo is a leading provider of unified access security and multi-factor authentication delivered through the cloud. In February 2019, CSCO completed its acquisition of Luxtera, Inc. for \$660 million. Luxtera uses silicon photonics technology to build integrated optics capabilities for webscale and enterprise datacenters, service providers and other customers.

FINANCIAL TRENDS. Revenue declined 5% in FY 20, led by a 10% drop in Infrastructure Platforms, which was the area most impacted by the Covid-19 outbreak. We think CSCO's financial profile is one of the best in the industry, with \$29.4 billion in cash and investments as of July 2020. In February 2018, Cisco announced it would repatriate \$67 billion of overseas earnings, which it used to boost the dividend 14% and increase its stock buyback program by \$25 billion. In FY 20, Cisco repurchased 59 million shares of common stock for \$2.62 billion, down from 418 million shares [\$20.58 billion] repurchased in FY 19. Total debt was at \$14.58 billion. Total debt to equity was 41.1% at the end of FY 20. Cash flow from operations for FY 20 totaled \$15.43 billion versus \$15.83 billion in FY 19.

Corporate information

Investor contact

M. Mora (408 526 4000)

Office

170 West Tasman Drive, San Jose, California, 95134

Telephone

408 526 4000

Fax

408 853 3683

Website

www.cisco.com

Officers

Executive VP, Chief Legal Officer & Chief Compliance Officer	Chairman & CEO
M. D. Chandler	C. H. Robbins
Senior VP & CTO	Executive VP & CFO
R. Acra	R. S. Herren

Chief Accounting Officer, Senior VP & Corporate Controller
P. S. Bhatt

Board Members

A. Peled	M. D. Capellas
B. L. Saunders	M. M. Burns
C. H. Robbins	M. S. Garrett
J. Harris	P. Smith
J. P. Morgridge	R. C. McGeary
K. M. Johnson	W. G. Bush
L. T. Su	

Domicile

Delaware

Founded

1984

Employees

77,500

Stockholders

37,920

Auditor

PricewaterhouseCoopers LLP

Cisco Systems, Inc.

Quantitative Evaluations						Expanded Ratio Analysis								
Fair Value Rank	1	2	3	4	5		2020	2019	2018	2017				
	LOWEST					HIGHEST								
	Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].					Price/Sales					4.00	4.85	4.21	3.32
						Price/EBITDA					12.48	15.80	14.04	10.86
						Price/Pretax Income					14.13	17.28	15.94	12.95
						P/E Ratio					17.58	21.66	NM	16.59
						Avg. Diluted Shares Outstg. [M]					4254.00	4453.00	4881.00	5049.00
						Figures based on fiscal year-end price								
</														

Company Financials Fiscal year ending Jul 31										
Per Share Data [USD]	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Tangible Book Value	0.60	-0.51	1.94	6.79	6.85	6.46	5.70	6.27	6.10	5.13
Free Cash Flow	3.46	3.38	2.65	2.58	2.46	2.22	2.11	2.20	1.93	1.61
Earnings	2.64	2.61	0.02	1.90	2.11	1.75	1.49	1.86	1.49	1.17
Earnings [Normalized]	2.11	2.04	1.70	1.63	1.62	1.39	1.25	1.30	1.24	0.97
Dividends	1.42	1.36	1.24	1.10	0.94	0.80	0.72	0.62	0.28	0.12
Payout Ratio [%]	54.00	51.00	5,425	57.00	44.00	45.00	48.00	33.00	19.00	10.00
Prices: High	57.50	58.26	46.37	34.60	31.15	30.31	26.49	26.15	21.30	24.87
Prices: Low	32.40	40.25	30.36	29.12	22.46	22.49	20.22	15.30	13.30	14.78
P/E Ratio: High	21.80	22.30	NM	18.20	14.80	17.30	17.80	14.10	14.30	21.30
P/E Ratio: Low	12.30	15.40	NM	15.30	10.60	12.90	13.60	8.20	8.90	12.60
Income Statement Analysis [Million USD]										
Revenue	49,301	51,904	49,330	48,005	49,247	49,161	47,142	48,607	46,061	43,218
Operating Income	14,122	14,162	12,835	12,739	12,884	11,293	10,425	11,342	10,797	8,801
Depreciation + Amortization	1,700	1,774	1,961	1,915	1,880	2,273	2,217	2,201	1,895	1,956
Interest Expense	585.00	859.00	943.00	861.00	676.00	566.00	564.00	583.00	596.00	628.00
Pretax Income	13,970	14,571	13,039	12,287	12,920	11,201	9,715	11,227	10,159	7,825
Effective Tax Rate	19.70	20.20	99.20	21.80	16.90	19.80	19.20	11.10	20.80	17.10
Net Income	11,214	11,621	110.00	9,609	10,739	8,981	7,853	9,983	8,041	6,490
Net Income [Normalized]	8,963	9,078	8,292	8,241	8,238	7,178	6,597	6,999	6,688	5,414
Balance Sheet and Other Financial Data [Million USD]										
Cash	29,425	33,413	46,548	70,492	65,767	60,438	52,074	50,610	48,716	44,585
Current Assets	43,573	47,755	61,837	83,703	78,719	73,368	67,114	65,521	61,933	57,231
Total Assets	94,853	97,793	108,784	129,818	121,652	113,373	105,070	101,191	91,759	87,095
Current Liabilities	25,331	31,712	27,035	27,583	24,911	23,412	19,809	21,996	17,731	17,506
Long Term Debt	11,578	14,475	20,393	25,725	24,483	21,457	20,340	12,928	16,297	16,234
Total Capital	53,505	58,238	68,845	99,854	92,228	85,061	77,509	75,339	67,629	64,081
Capital Expenditures	770.00	909.00	834.00	964.00	1,146	1,227	1,275	1,160	1,126	1,174
Cash from Operations	15,426	15,831	13,666	13,876	13,570	12,552	12,332	12,894	11,491	10,079
Current Ratio	1.72	1.51	2.29	3.03	3.16	3.13	3.39	2.98	3.49	3.27
% Long Term Debt of Capitalization	22.90	24.90	29.60	25.80	26.50	25.20	26.20	17.20	24.10	25.30
% Net Income of Revenue	22.70	22.40	0.20	20.00	21.80	18.30	16.70	20.50	17.50	15.00
% Return on Assets	9.16	8.57	6.72	6.33	6.85	6.46	6.32	7.35	7.55	6.54
% Return on Equity	31.40	30.30	0.20	14.80	17.40	15.40	13.60	18.10	16.30	14.20

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Cisco Systems, Inc.

Sub-Industry Outlook

Our fundamental outlook for the Communications Equipment sub-industry is positive. We view the continued rapid consumption of network capacity, buoyed by the proliferation of tablets and smartphones, as a solid long-term growth driver for the industry, and we see an improving operating outlook in 2021. We think the domestic macroeconomic situation is improving and the European economic outlook is in recovery. We are concerned with the escalating tensions between the US and China, as new tariffs could impact component costs. The Covid-19 outbreak has acted as a strong headwind for this industry. Early on, disruptions to the supply chain caused component shortages and manufacturing delays. Those issues have mostly been solved, but the virus continues to suppress demand, especially among small- and medium-sized customers.

Service provider equipment purchases began to pick up by the end of 2015 as these carriers and enterprises shifted from legacy networks to new architectures. Last year saw choppy capital spending patterns as many companies focused on M&A efforts. In 2021, we see strong positive secular demand trends toward cloud computing, wireless, visualization, data center transformation, and increasing spending on network security.

While carriers have been cautious during the past several years due to the economy, we think spending will increase ahead as the need for new technologies, such as 5G in the wireless space, cloud computing, network security and big data, continues to grow. We expect accelerated wireless equipment funding related to the emerging demand for wireless connectivity to things in both enterprise and household applications. In the next few years, spending priorities will likely shift to the early stages of the fifth generation for wireless applications, in our view, driven by a rapid rise in mobile broadband and the increased use of smartphones and tablets.

In 2018 and 2019, the enterprise segment gained wider acceptance with data center consolidation, server virtualization, and cloud computing. The industry is undergoing a technology shift toward

convergence, where customers require product platforms to offer computing, networking, storage, and other applications all in one box. The Covid-19 outbreak in 2020 further accelerated this trend. As a result of this trend, market segments have become more intertwined, with traditional data networking companies finding themselves in competition with server and computing players. We expect the need for integrated solutions to continue to push companies in the next 12 months to aggressively partner or acquire missing technologies going forward.

In 2020, the Communications Equipment Index was down 1.6% versus a 15.8% increase for the S&P 500. We note that the sub-industry is heavily weighted to Cisco (\$192 billion market cap).

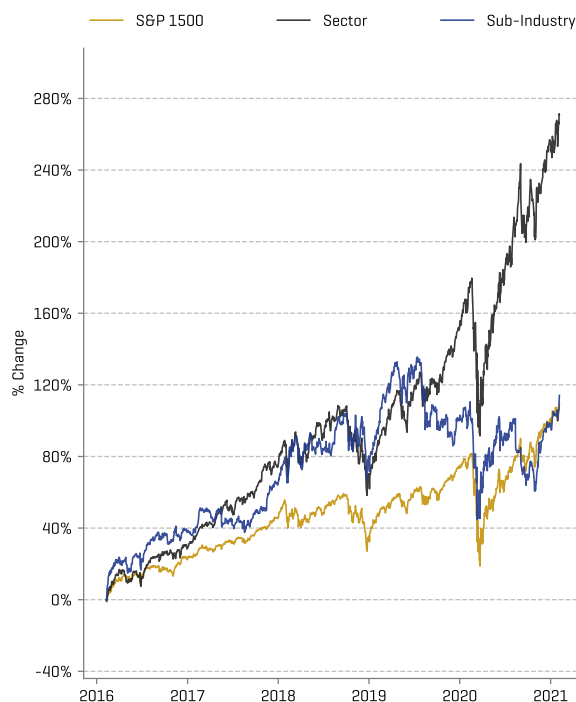
/ Keith Snyder

Industry Performance

GICS Sector: Information Technology
Sub-Industry: Communications Equipment

Based on S&P 1500 Indexes

Five-Year market price performance through Feb 20, 2021



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

Sub-Industry: Communications Equipment Peer Group*: Communications Equipment

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield [%]	Return on Equity [%]	LTD to Cap [%]
Cisco Systems, Inc.	CSCO	NasdaqGS	USD	46.34	195,638.0	2.5	0.1	18.0	45.64	3.2	31.4	22.9
Arista Networks, Inc.	ANET	NYSE	USD	308.85	23,368.0	-2.9	37.2	29.0	299.34	N/A	34.1	2.8
BYD Electronic (International) Company Limited	BYDLF	OTCPK	USD	6.52	17,503.0	2.6	210.2	60.0	N/A	N/A	9.7	2.8
Ciena Corporation	CIEN	NYSE	USD	54.48	8,453.0	3.5	24.3	23.0	44.02	N/A	15.4	24.6
F5 Networks, Inc.	FFIV	NasdaqGS	USD	199.03	12,270.0	1.1	53.4	40.0	178.39	N/A	15.4	23.6
Motorola Solutions, Inc.	MSI	NYSE	USD	182.96	30,925.0	6.5	-1.7	34.0	137.21	1.6	-155.7	107.8
Nokia Corporation	NOK	NYSE	USD	4.12	23,317.0	-0.2	-1.9	NM	N/A	N/A	-17.3	30.0
Telefonaktiebolaget LM Ericsson (publ)	ERIC	NasdaqGS	USD	13.05	44,420.0	11.2	45.3	21.0	N/A	N/A	21.1	23.5
Ubiquiti Inc.	UI	NYSE	USD	339.08	21,297.0	35.0	131.1	58.0	N/A	0.5	-387.7	169.1
Vtech Holdings Limited	VTCLY	OTCPK	USD	8.48	16,596.0	7.2	-9.8	11.0	N/A	N/A	31.6	19.2
ZTE Corporation	ZTCOY	OTCPK	USD	5.82	21,448.0	-5.6	-26.9	40.0	N/A	N/A	10.6	N/A

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available; NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Cisco Systems, Inc.

Analyst Research Notes and other Company News

February 10, 2021

01:28 PM ET... CFRA Maintains Buy Opinion on Shares of Cisco Systems, Inc. [CSCO 46.62****]:

We keep our 12-month target at \$52, 15.3x our FY 22 (Jul.) EPS estimate, comparable to its three-year forward average P/E at 15.7x, reflecting its recent 3% dividend hike and our view that demand is beginning to recover. We raise our FY 21 EPS estimate by \$0.10 to \$3.19 and increase FY 22's by \$0.05 to \$3.39. CSCO reported Jan-Q operating EPS of \$0.79 vs. \$0.77, \$0.04 above the consensus. Jan-Q revenue was flat, with a 3% decline in Infrastructure Platforms due to weak service provider demand for routing products; 0% growth in Applications, with strong growth in WebEx offset by declines in unified communications and telepresence endpoints; as well as 10% growth in Security. While Enterprise orders remained weak, declining 9%, we are beginning to see positive momentum from industries, such as financial services, manufacturing, and technical services. We view Jan-Q results as very solid, are encouraged by the positive guidance, and believe the stock pullback presents an excellent buying opportunity. / Keith Snyder

January 14, 2021

03:00 PM ET... CFRA Maintains Buy Opinion on Shares of Cisco Systems, Inc. [CSCO 45.22****]:

Following the back and forth in court, CSCO announced that it has signed an amended merger agreement with Acacia Communications. CSCO will acquire Acacia for \$115 a share or \$4.5 billion in cash, up from the \$70 per share or \$2.6 billion price the two companies agreed to back in 2019. The new deal, subject to customary closing conditions, is expected to be completed by the end of the first calendar quarter of 2021. While it is good that this issue has been resolved, we are disappointed with how steep the price hike is; Acacia knew how important this deal was to CSCO's core network strategy, which it leveraged to force more favorable terms. / Keith Snyder

January 10, 2021

11:38 PM ET... CFRA Maintains Buy Opinion on Shares of Cisco Systems, Inc. [CSCO 45.06****]:

Acacia Communications announced that it was terminating its merger agreement with CSCO, stating that it did not receive the approval of the Chinese government's State Administration for Market Regulation (SAMR) by the January 8 deadline. Shortly after the announcement, CSCO sued Acacia, stating that on January 7, it was notified by SAMR that the agency has determined that its submission is "sufficient to address the relevant competitive concerns." CSCO seeks an order requiring Acacia to close the merger, as well as a temporary restraining order to keep the merger agreement in place pending the trial, which is expected to take place sometime in February. We view this as an effort by Acacia to capitalize on peer multiple expansion that has taken place since the deal was announced in July 2019. We expect CSCO will prevail in this case, but note there is a chance that the terms of the deal might change, including a higher purchase price. / Keith Snyder

December 07, 2020

01:29 PM ET... CFRA Maintains Buy Opinion on Shares of Cisco Systems, Inc. [CSCO 44.44****]:

CSCO announced that it has signed an agreement to acquire London-based IMI Mobile PLC. Under the terms of the deal, CSCO will pay 595 pence per share of IMI Mobile, or an aggregate purchase price of approximately \$730 million in cash. IMI Mobile provides software and services that allow enterprises to stay connected to their customers through enhanced interactive channels including social, messaging, and voice. The agreement will help CSCO create Customer Experience as a Service offerings and will be part of its Collaboration business unit. The deal, subject to customary closing conditions and regulatory approval, is expected to close before the end of March. We have a positive view on this deal, the Contact Center as a Service market has been experiencing healthy growth for the past few years and the Covid-19 outbreak further accelerated this growth. / Keith Snyder

November 13, 2020

12:52 PM ET... CFRA Maintains Buy Opinion on Shares of Cisco Systems, Inc. [CSCO 38.67****]:

We keep our 12-month target price at \$52, 16.8x our FY 21 (Jul.) EPS estimate, a slight discount to its five-year historical average P/E at 17.2x, reflecting our view that CSCO will continue to face challenges. We raise our FY 21 EPS estimate by \$0.01 to \$3.09 and keep FY 22's at \$3.34. CSCO reported Oct-Q operating EPS of

\$0.76 vs. \$0.84, \$0.06 above the consensus. Oct-Q revenue declined 9%, led by a 16% drop in Infrastructure Platforms, with declines across switching, routing, data center, and wireless, driven by weakness in the enterprise and commercial markets, partially offset by 6% growth in Security, which continues to perform well in the current environment. We view Oct-Q results as decent, but not great, and guidance of a revenue decline of 0% to 2% next quarter indicates we have reached an inflection point, if it holds up. We are concerned that rising Covid-19 cases could result in another wave of economic shutdowns, which would make the guidance difficult to achieve. / Keith Snyder

October 06, 2020

03:51 PM ET... CFRA Maintains Buy Opinion on Shares of Cisco Systems, Inc. [CSCO 38.57****]:

CSCO has been ordered to pay \$1.9 billion, as well as a 10% royalty on sales of some of its products for the next three years and 5% after that, after losing a patent infringement trial. District Judge Henry Morgan ruled that CSCO infringed on four patents owned by Centripetal Networks Inc. Centripetal developed a network protection system, only to see CSCO integrate the inventions into its own networks after meetings and presentations by Centripetal officials. CSCO has stated that it will appeal to the U.S. Court of Appeals for the Federal Circuit, which specializes in patent law, as the company believes that its innovations predate the patents by many years. While this is certainly a loss for CSCO, \$1.9 billion is a small dent for the cash-rich company, and we expect the amount to be reduced with the appeal. / Keith Snyder

August 13, 2020

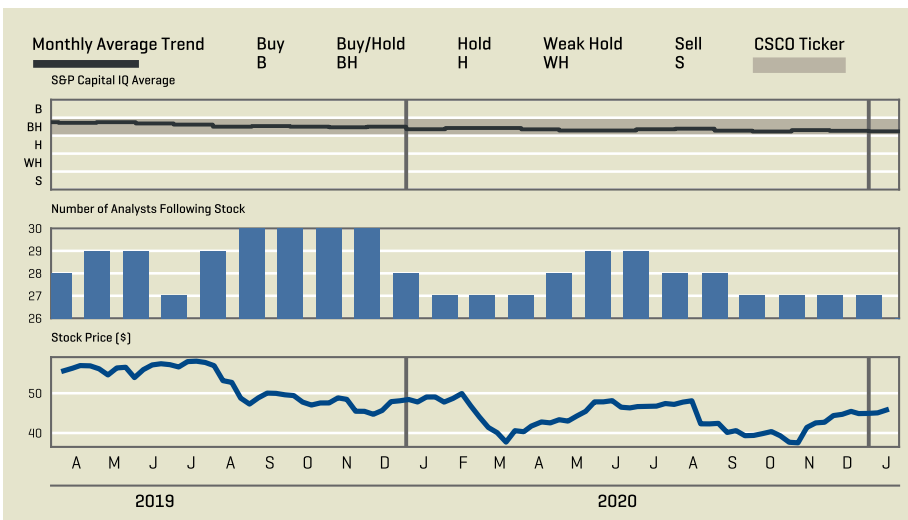
03:57 PM ET... CFRA Maintains Buy Opinion on Shares of Cisco Systems, Inc. [CSCO 48.10****]:

We keep our 12-month target price at \$52, 16.9x our FY 21 (Jul.) EPS estimate, a discount to its three-year historical average P/E at 18.9x, reflecting our slower growth outlook. We trim our FY 21 EPS estimate by \$0.07 to \$3.08 and set FY 22's at \$3.34. CSCO reported Jul-Q operating EPS of \$0.80 vs. \$0.83, \$0.06 above the consensus. Jul-Q revenue fell 9%, driven by a 16% decline in Infrastructure Platforms with drops across switching, routing, data center, and wireless due to weakness in the commercial and enterprise markets, partially offset by 10% growth in Security, with strong performance in network security, identity and access, advanced threat, and unified threat management. CSCO plans to cut roughly \$1 billion in costs, while also accelerating the transition of a majority of its portfolio to be delivered as a service, which we see as a positive. While Oct-Q guidance was disappointing, we believe CSCO's long-term prospects are positive, with the 5G and the WiFi 6 upgrade cycle on the horizon. / Keith Snyder

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

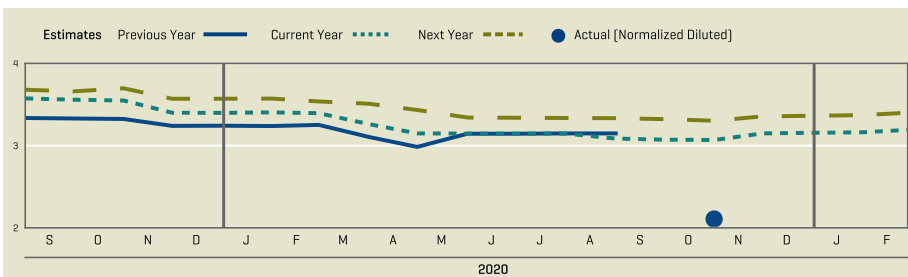
Cisco Systems, Inc.

Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	8	31	8	8
Buy/Hold	3	12	4	5
Hold	15	58	15	13
Weak hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	1
Total	26	100	27	27

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2022	3.40	3.62	2.97	25	13.44
2021	3.19	3.30	2.56	25	14.31
2022 vs. 2021	▲ 7%	▲ 10%	▲ 16%	N/A%	▼ -6%
Q3'22	0.86	0.90	0.75	19	53.40
Q3'21	0.81	0.85	0.71	24	56.10
Q3'22 vs. Q3'21	▲ 5%	▲ 6%	▲ 5%	▼ -21%	▼ -5%

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Wall Street Consensus Opinion

Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2021, analysts estimate that CSCO will earn USD 3.19. For fiscal year 2022, analysts estimate that CSCO's earnings per share will grow by 6.53% to USD 3.40.

Cisco Systems, Inc.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs [American Depositary Receipts], and ADSs [American Depositary Shares] based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS [Stock Appreciation Ranking System], equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark [e.g., a regional index [MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index]], based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

[also known as **S&P Capital IQ Earnings & Dividend Rankings**] - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsule the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A Above	C Lowest
B+ Average	D In Reorganization
NC Not Ranked	

EPS Estimates

CFRA's earnings per share [EPS] estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus [average] EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research

CFRA Equity Research is produced and distributed by Accounting Research & Analytics, LLC d/b/a CFRA ["CFRA US"; together with its affiliates and subsidiaries, "CFRA"]. Certain research is produced and distributed by CFRA MY Sdn Bhd [Company No. 683377-A] [formerly known as Standard & Poor's Malaysia Sdn Bhd] ["CFRA Malaysia"]. Certain research is distributed by CFRA UK Limited ["CFRA UK"]. CFRA UK and CFRA Malaysia are wholly-owned subsidiaries of CFRA US.

Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
 CAPEX - Capital Expenditures
 CY - Calendar Year
 DCF - Discounted Cash Flow
 DDM - Dividend Discount Model
 EBIT - Earnings Before Interest and Taxes
 EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
 EPS - Earnings Per Share
 EV - Enterprise Value
 FCF - Free Cash Flow
 FFO - Funds From Operations
 FY - Fiscal Year
 P/E - Price/Earnings
 P/NAV - Price to Net Asset Value
 PEG Ratio - P/E-to-Growth Ratio
 PV - Present Value
 R&D - Research & Development
 ROCE - Return on Capital Employed
 ROE Return on Equity
 ROI - Return on Investment
 ROIC - Return on Invested Capital
 ROA - Return on Assets
 SG&A - Selling, General & Administrative Expenses
 SOTP - Sum-of-The-Parts
 WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes [paid in the country of origin].

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★★ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

★★★★★ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★★★★ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

Cisco Systems, Inc.

Disclosures

S&P GLOBAL™ is used under license. The owner of this trademark is S&P Global Inc. or its affiliate, which are not affiliated with CFRA Research or the author of this content. Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

STARS Stock Reports and Quantitative Stock Reports:

The methodologies used in STARS Stock Reports and Quantitative Stock Reports (collectively, the "Research Reports") reflect different criteria, assumptions and analytical methods and may have differing recommendations. The methodologies and data used to generate the different types of Research Reports are believed by the author and distributor reasonable and appropriate. Generally, CFRA does not generate reports with different ranking methodologies for the same issuer. However, in the event that different methodologies or data are used on the analysis of an issuer, the methodologies may lead to different views or recommendations on the issuer, which may at times result in contradicting assessments of an issuer. CFRA reserves the right to alter, replace or vary models, methodologies or assumptions from time to time and without notice to clients.

STARS Stock Reports:

Global STARS Distribution as of June 28, 2019

Ranking	North America	Europe	Asia	Global
Buy	34.4%	29.0%	41.1%	33.5%
Hold	56.1%	54.8%	46.4%	54.6%
Sell	10.5%	16.2%	12.5%	11.9%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

STARS Stock Reports are prepared by the equity research analysts of CFRA and its affiliates and subsidiaries. Quantitative Stock Reports are prepared by CFRA. All of the views expressed in STARS Stock Reports accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers; all of the views expressed in the Quantitative Stock Reports accurately reflect the output of CFRA's algorithms and programs. Analysts generally update STARS Stock Reports at least four times each year. Quantitative Stock Reports are generally updated weekly. No part of analyst, CFRA, CFRA affiliate, or CFRA subsidiary compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in any Stock Report.

About CFRA Equity Research's Distributors:

This Research Report is published and originally distributed by Accounting Research & Analytics, LLC d/b/a CFRA ("CFRA US"), with the following exceptions: In the UK/EU/EEA, it is published and originally distributed by CFRA UK Limited ("CFRA UK"), which is regulated by the Financial Conduct Authority (No. 775151), and in Malaysia by CFRA MY Sdn Bhd (Company No. 683377-A) [formerly known as Standard & Poor's Malaysia Sdn Bhd] ("CFRA Malaysia"), which is regulated by Securities Commission Malaysia, [No. CMSL/A0181/2007] under license from CFRA US. These parties and their subsidiaries maintain no responsibility for reports redistributed by third parties such as brokers or financial advisors.

General Disclosure

Notice to all jurisdictions:

Where Research Reports are made available in a language other than English and in the case of inconsistencies between the English and translated versions of a Research Report, the English version will control and supersede any ambiguities associated with any part or Neither CFRA nor section of a Research Report that has been issued in a foreign language. its affiliates guarantee the accuracy of the translation.

Neither CFRA nor its affiliates guarantee the accuracy of the translation. The content of this report and the opinions expressed herein are those of CFRA based upon publicly-available information that CFRA believes to be reliable and the opinions are subject to change without notice. This analysis has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While CFRA exercised due care in compiling this analysis, CFRA AND ALL RELATED ENTITIES SPECIFICALLY DISCLAIM ALL WARRANTIES, EXPRESS OR IMPLIED, to the full extent permitted by law, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a

database or retrieval system, without the prior written permission of CFRA. The Content shall not be used for any unlawful or unauthorized purposes. CFRA and any third-party providers, as well as their directors, officers, shareholders, employees or agents do not guarantee the accuracy, completeness, timeliness or availability of the Content.

Past performance is not necessarily indicative of future results.

This document may contain forward-looking statements or forecasts; such forecasts are not a reliable indicator of future performance.

This report is not intended to, and does not, constitute an offer or solicitation to buy and sell securities or engage in any investment activity. This report is for informational purposes only. Recommendations in this report are not made with respect to any particular investor or type of investor. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors and this material is not intended for any specific investor and does not take into account an investor's particular investment objectives, financial situations or needs. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice. CFRA may license certain intellectual property or provide services to, or otherwise have a business relationship with, certain issuers of securities that are the subject of CFRA research reports, including exchange-traded investments whose investment objective is to substantially replicate the returns of a proprietary index of CFRA. In cases where CFRA is paid fees that are tied to the amount of assets invested in a fund or the volume of trading activity in a fund, investment in the fund may result in CFRA receiving compensation in addition to the subscription fees or other compensation for services rendered by CFRA, however, no part of CFRA's compensation for services is tied to any recommendation or rating. Additional information on a subject company may be available upon request.

CFRA's financial data provider is S&P Global Market Intelligence. THIS DOCUMENT CONTAINS COPYRIGHTED AND TRADE SECRET MATERIAL DISTRIBUTED UNDER LICENSE FROM S&P GLOBAL MARKET INTELLIGENCE. FOR RECIPIENT'S INTERNAL USE ONLY.

The Global Industry Classification Standard [GICS®] was developed by and/or is the exclusive property of MSCI, Inc. and S&P Global Market Intelligence. GICS is a service mark of MSCI and S&P Global Market Intelligence and has been licensed for use by CFRA.

Other Disclaimers and Notices

Certain information in this report is provided by S&P Global, Inc. and/or its affiliates and subsidiaries (collectively "S&P Global"). Such information is subject to the following disclaimers and notices: "Copyright © 2018, S&P Global Market Intelligence (and its affiliates as applicable). All rights reserved. Nothing contained herein is investment advice and a reference to a particular investment or security, a credit rating or any observation concerning a security or investment provided by S&P Global is not a recommendation to buy, sell or hold such investment or security or make any other investment decisions. This may contain information obtained from third parties, including ratings from credit ratings agencies. Reproduction and distribution of S&P Global's information and third party content in any form is prohibited except with the prior written permission of S&P Global or the related third party, as applicable. Neither S&P Global nor its third party providers guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such information or content. S&P GLOBAL AND ITS THIRD PARTY CONTENT PROVIDERS GIVE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE AND ALL S&P INFORMATION IS PROVIDED ON AN AS-IS BASIS. S&P GLOBAL AND ITS THIRD PARTY CONTENT PROVIDERS SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING LOST INCOME OR PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF THEIR INFORMATION OR CONTENT, INCLUDING RATINGS. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice."

Certain information in this report may be provided by Securities Evaluations, Inc. ("SE"), a wholly owned subsidiary of Intercontinental Exchange. SE is a registered investment adviser with the United States Securities and Exchange Commission [SEC]. SE's advisory services include evaluated pricing and model valuation of fixed income securities, derivative valuations and Odd-Lot Pricing that consists of bid- and ask-side evaluated prices for U.S. Municipal and U.S. Corporate Securities (together called valuation services). Such information is subject to the following disclaimers and notices: "No content (including credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SE. The Content shall not be used for any unlawful or unauthorized purposes. SE and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively SE Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. SE Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. SE PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION.

Cisco Systems, Inc.

In no event shall SE Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. Credit-related and other analyses and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. SE assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. SE's opinions and analyses do not address the suitability of any security. SE does not act as a fiduciary or an investment advisor. While SE has obtained information from sources it believes to be reliable, SE does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Valuations services are opinions and not statements of fact or recommendations to purchase, hold or sell any security or instrument, or to make any investment decisions. The information provided as part of valuations services should not be intended as an offer, promotion or solicitation for the purchase or sale of any security or other financial instrument nor should it be considered investment advice. Valuations services do not address the suitability of any security or instrument, and securities, financial instruments or strategies mentioned by SE may not be suitable for all investors. SE does not provide legal, accounting or tax advice, and clients and potential clients of valuation services should consult with an attorney and/or a tax or accounting professional regarding any specific legal, tax or accounting provision[s] applicable to their particular situations and in the countries and jurisdictions where they do business. SE has redistribution relationships that reflect evaluated pricing, derivative valuation and/or equity pricing services of other unaffiliated firms with which SE has contracted to distribute to its client base. Pricing and data provided by these third-party firms are the responsibilities of those firms, and not SE, and are produced under those firms' methodologies, policies and procedures. Valuations services provided by SE and products containing valuations services may not be available in all countries or jurisdictions. Copyright © 2018 by Intercontinental Exchange Inc. All rights reserved."

Any portions of the fund information contained in this report supplied by Lipper, A Thomson Reuters Company, are subject to the following: "Copyright © 2018 Thomson Reuters. All rights reserved. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon."

For residents of the European Union/European Economic Area:

Research reports are originally distributed by CFRA UK Limited [company number 08456139 registered in England & Wales with its registered office address at 1PO Box 698, Titchfield House, 69-85 Tabernacle Street, London, EC2A 4RR, United Kingdom]. CFRA UK Limited is regulated by the UK Financial Conduct Authority [No. 775151].

For residents of Malaysia:

Research reports are originally produced and distributed by CFRA MY Sdn Bhd [Company No. 683377-A] [formerly known as Standard & Poor's Malaysia Sdn. Bhd] ["CFRA Malaysia"], a wholly-owned subsidiary of CFRA US. CFRA Malaysia is regulated by Securities Commission Malaysia [License No. CMSL/A0181/2007].

For residents of all other countries:

Research reports are originally distributed Accounting Research & Analytics, LLC d/b/a CFRA.

For Recipients in Canada:

This report is not prepared subject to Canadian disclosure requirements and may not be suitable for Canadian investors.

Copyright © 2021 CFRA. All rights reserved. CFRA and STARS are registered trademarks of CFRA.