# I. Company Thesis

## Cisco Systems, Inc. (CSCO)

Cisco Systems, Inc. (CSCO) has established itself as a global leader in networking and cybersecurity solutions, with a rich history of innovation and strategic growth. Founded in 1984, Cisco has been at the forefront of the technological revolution, providing the infrastructure that powers the internet and connects the world. The companys mission is to shape the future of the internet by creating unprecedented value and opportunity for its customers, employees, investors, and ecosystem partners.

Ciscos evolution from a hardware-centric company to a software and services powerhouse is a testament to its ability to adapt and innovate. The recent acquisition of Splunk, a leader in cybersecurity and observability, underscores Ciscos commitment to expanding its software capabilities and enhancing its position as one of the worlds largest software companies. This strategic move not only adds over 4 billion in annualized recurring revenue but also strengthens Ciscos portfolio, enabling it to offer more comprehensive solutions to its customers.

The companys transformation is evident in its business model, with subscription revenue now accounting for more than half of its total revenue. This shift towards a recurring revenue model provides greater financial stability and predictability, positioning Cisco for sustained long-term growth. The integration of Splunk is expected to drive significant revenue synergies, leveraging Ciscos robust partner and customer ecosystem to expand its reach in markets where Splunk had limited presence.

Ciscos innovation engine remains robust, with significant advancements across its core areas of Networking, Security, Observability, Collaboration, and Artificial Intelligence (AI). The launch of Cisco Hypershield, an AI-powered cybersecurity solution, exemplifies the companys ability to combine its strengths in networking and security to deliver groundbreaking solutions. This innovation is part of Ciscos broader vision for the Cisco Security Cloud, aimed at providing a unified platform with end-to-end solutions to protect against evolving threats.

The companys strong financial performance, driven by its core business and strategic acquisitions, allows it to generate substantial cash flows. This financial strength supports Ciscos ongoing commitment to returning value to shareholders through share repurchases and dividends. In the third quarter of fiscal 2024 alone, Cisco returned 2.9 billion to shareholders, reflecting its confidence in its long-term growth prospects.

Ciscos leadership in the AI infrastructure market is another key growth driver. The companys partnerships with leading hyperscalers and its innovative Silicon One ASIC technology position it well to capitalize on the growing demand for AI solutions. Ciscos ability to integrate AI into its offerings and provide the necessary infrastructure, data, and security further enhances its value proposition to customers.

In summary, Cisco Systems, Inc. stands out as a resilient and forward-thinking company, continuously evolving to meet the needs of a rapidly changing technological landscape. Its strategic acquisitions, robust innovation pipeline, and strong financial foundation make it a compelling investment opportunity, poised to deliver sustained growth and value creation in the years to come.

# II. Company Basics

## CEO (Tenure)

* Chuck Robbins (since July 2015)

## Market Cap

* 189 billion

## Multiples (Current year)

* 15.8x PE
* 3.4 dividend yield

## 1, 3-Year, 5-Year Return (Ann. Through 42724)

* -2.10 YTD
* 6 in 2023

## Business Mix (of 2023 Sales)

* Networking (largest segment)
* Security
* Collaboration
* Observability
* Services
* Subscription revenue accounts for 54 of total revenue

## Geographic Mix (of Sales)

* Americas (largest market)
* EMEA
* APJC

## Recent Acquisitions

* Splunk Inc. (28 billion)
* Isovalent Inc.

## Key Financials (Q3 FY24)

* Revenue 12.7 billion
* Non-GAAP EPS 0.88
* Operating Cash Flow 4 billion

## Dividend

* Quarterly dividend of 0.40 per share, next payable on July 24, 2024