

The Henry Fund

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CISCO SYSTEMS, INC. (CSCO)
Informational Technology – Communication Equipment



November 3, 2025
Stock Rating: **SELL**

Investment Thesis

Price Target: **\$81**

We initiate a Sell rating for Cisco Systems (CSCO). While the market is currently overpricing the stock due to overwhelming AI optimism and hype, our analysis indicates the company is structurally overvalued and lacks sufficient organic growth to deliver meaningful upside. The stock is best characterized as a legacy tech asset that attracts investors primarily for its dividend, which is not justification for its current valuation. We calculate a potential upside of only 9 percent given its structural headwinds.

Drivers of Thesis

- **AI Valuation Bubble:** The stock is overvalued by market hype, creating vulnerability to a large correction when AI monetization fails to meet current hyper-inflated expectations.
- **Operational Drag:** High exposure to excess inventories and non-cancellable purchase commitments acts as a persistent headwind on future Gross Margins.
- **Innovation and Trust Deficit:** Customers will leave for better innovation, eroding the stickiness and trustworthiness of Cisco's platform against fierce competition.

Risks to Thesis

- **Partnership Moat:** Continued strategic partnerships with key players (like NVIDIA and cloud providers) are protecting Cisco from losing market share by embedding its platform into future growth ecosystems.
- **Acquisition Advantage:** Acquisitions (like Splunk) yield higher synergies; Cisco is better at acquiring and bundling services and products to create a one-stop shop. Continued adoption of this strategy could allow for growth beyond our 4.6% forecast.

Henry Fund DCF	\$81
Henry Fund DDM	\$62
Relative Multiple	\$60
HF % Upside	9%

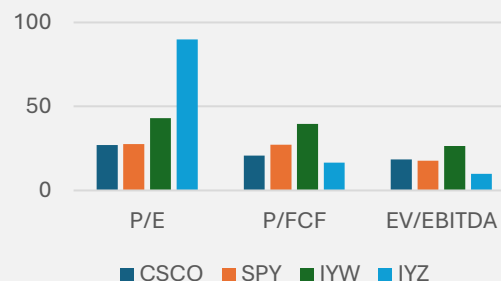
Price Data

Current Price	\$74
Date of Price	11/03/25
52wk Range	\$52 – 73
Consensus Price Target	\$77
Consensus % Upside	3%

Key Statistics

Market Cap (B)	289
Diluted Shares Out. (M)	3,953
Institutional Ownership	77%
Beta	0.97
Dividend Yield	2%
LT Growth Rate	4%

CSCO vs. SPY vs. IYW vs. IYZ



Earnings / EBITDA Estimates						
Year	2023	2024	2025	2026e	2027e	2028e
HF EPS	3.08	2.55	2.56	2.68	3.08	3.35
% Growth	-	-17%	0%	-12%	16%	28%
Street EPS	3.07	2.54	2.61	2.92	3.15	3.31
% Growth	-	-17%	3%	12%	8%	5%
HF EBITDA	13620	17360	14562	14007	15692	27892
% Growth	-	-16%	-8%	5%	12%	78%
Street EBITDA	20797	20884	22302	22587	23778	24090
% Growth	-	0%	7%	1%	5%	1%
Balance Sheet / Cash Flow Snapshot						
Net Debt	-1732	23454	19747	8453	4190	-976
Debt/Equity	0.19	0.68	0.60	0.36	0.41	0.48
FCF	24263	-557	15688	12313	12292	24560
IC	-10515	2740	-50	-865	-392	-1017



Profitability						
Gross Margin	65%	65%	65%	71%	71%	71%
Op Margin	26%	35%	32%	31%	31%	38%
Net Margin	22%	19%	18%	15%	19%	25%
ROA	12%	8%	7%	7%	9%	11%
ROE	32%	22%	19%	17%	27%	40%
ROIC	-1587	-120	471	-22912	-1485	-6557

CSCO vs. Peer Group – Sales Growth			
Year	2026e	2027e	2028e
CSCO	7%	6%	4%
ANET	27%	22%	20%
PANW	14%	14%	12%
MSI	8%	8%	6%
MRVL	41%	16%	17%

Image #1: Catalyst Switch



Source: [CSCO](https://www.cisco.com)

Image #2: Wireless Access Point



Source: [CSCO](https://www.cisco.com)

Image #3: RTX PRO Servers



Source: [CSCO](https://www.cisco.com)

Image #4: Silicon One



Source: [CSCO](https://www.cisco.com)

Figure #1: Revenue by Segment

Company Description

Cisco Systems, once the world's most valuable company, slowly mounted a comeback from the hype that surrounded it in the early 2000s. Named after the Silicon Valley hub San Francisco, Cisco had initially promised scalable networking solutions for monitoring and managing network traffic before the Dot Com Bubble burst. The company pioneered enterprise technologies and services, ranging from hardware switches and networking equipment to software that allows for recurring revenue, that power, secure, and draw insights from the internet. Today, the internet's immense volume of big data has fueled exponential growth in machine learning, propelling artificial intelligence to emerge from its cyclical winter into a massive AI Boom.¹

Cisco has remained a mainstay in communication equipment, largely sustaining its position through strategic acquisitions. The company has matured past its high-growth stage and now operates in both legacy hardware and systems while actively trying to capture growth in new technologies like 5G, artificial intelligence (AI), and cybersecurity.

Cisco has benefited from the tailwinds of AI and the corresponding increase in capital expenditures (capex) driven by the intense demand for compute power. Capex spending appears almost limitless as the world's largest companies commit trillions to investment and infrastructure buildout.²

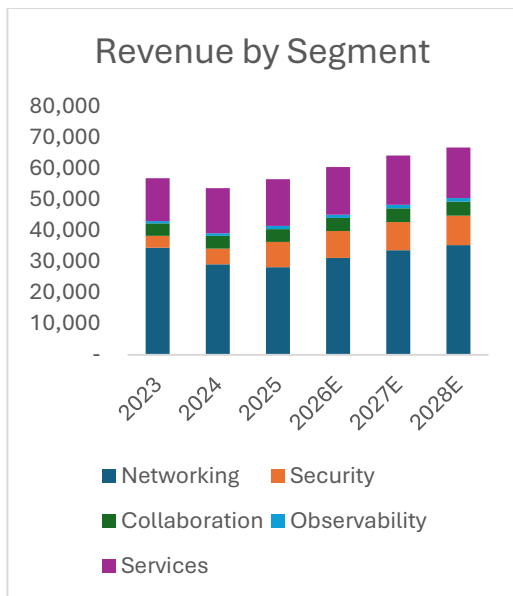
Cisco operates in a competitive networking and communication equipment market with a lower barrier of entry and heavily reliant on new innovation to capture market share as most notably AI Data Centers seek to future proof by combining best in class compute, network, storage, security, and software to produce the best price performance.

Cisco operates in a highly competitive networking and communication equipment market with a relatively lower barrier to entry. Capturing market share is heavily reliant on new innovation, especially as AI Data Centers seek to future-proof their operations. These centers aim to combine best-in-class compute, network, storage, security, and software to achieve the best price-performance ratio.

For the fiscal full year ended July 2025, Cisco presented total revenue of \$56.7 billion, representing 5.3% growth year-over-year (YoY) and a five-year Compound Annual Growth Rate (CAGR) of 2.82%. However, Net Income came in at \$10.2 billion, which was 1.36% lower than the previous year.³

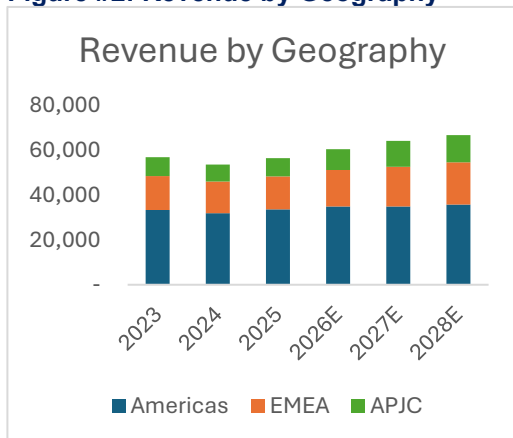
This decrease in net margin to 17.97% stemmed from several factors that caused operating income to decrease by 3%:

- Increased amortization of purchased assets (a non-cash expense related to the acquisition of Splunk).
- Higher acquisition-related costs.



Source: CSCO 10K 2023-2025, HF Model

Figure #2: Revenue by Geography



Source: CSCO 10-K 2023-2025, HF Model

Image #5: Catalyst Wireless Controller



Source: [CSCO](https://www.cisco.com)

Image #6: Convergence Systems



- A legal dispute with a supplier over purchase obligations under long-term supply arrangements.

Cisco organizes its business into product and service categories. Over 90% of its annual revenue is generated from its three core segments: Networking, Security, and Services. It separates its regions into Americas, EMEA, and APJC.

Cisco separates their customers by the following markets, enterprise, public sector, and service provider and clouds.

The Communication Equipment market is projected to grow with a Compound Annual Growth Rate (CAGR) of approximately 6%.⁴

We are projecting Cisco's 5-year revenue CAGR to underwhelm at approximately 4.6%, with growth continuing to slow to roughly 4.1% over the longer 10-year term.

The networking segment faces intense competition because, while the core technology involves complex manufacturing, the modular nature and standardization of protocols (Ethernet, TCP/IP) mean the true barrier to entry is low for software and specialized components. Competitors can focus innovation on niche, high-growth areas and gain market share from Cisco's broad enterprise base. In the recent past, we have seen Cisco out over their skis attempting to do too many things at once, a historical pattern dating back to the late 1990s and the Dot Com bubble. This overreach diluted focus on core networking and led to notable failures in consumer electronics.

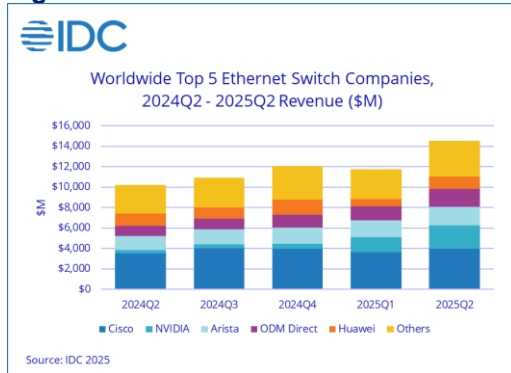
Today, this tendency manifests through large, multi-faceted acquisitions strategy. As Cisco struggles to innovate, relying on its balance sheet to grow and stay relevant, most notably by its purchase of Splunk, which allows it to create synergy among its Networking, Security, and Observability, using Splunk Observability to provide full-stack insights and analytics from Cisco infrastructure. While this deal is warranted, as Cisco was lagging behind, innovative competitors like Arista and Marvell are dialed into high-growth AI and cloud data center silicon layers, and Cisco struggles with switching between too many tasks through their network, unable to take a clear route forward to growth and share appreciation.

Networking

Starting with the design of a router in 1984, networking still accounts for almost 50% of total revenue. By offering both hardware and software solutions, Cisco has been able to provide industry-leading solutions without constant hardware refresh cycles. This is achieved through their software licenses and Software-as-a-Service (SaaS) offerings, providing a consistent revenue stream and customer stickiness for years on end, despite the fast-paced innovation that occurs in information technologies.

Source: [CSCO](#)

Figure #3: Switch Market



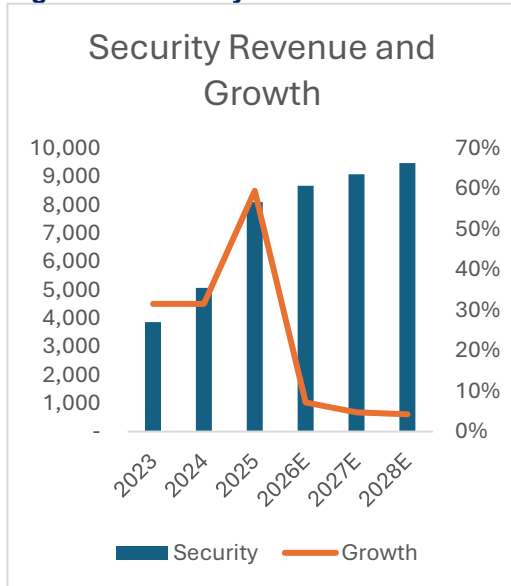
Source: [IDC](#)

Cisco products now offer a flexibility that was previously unattainable. Their switching, routing, wireless, and servers, including the Catalyst 9000, Cisco DNA, and Cisco Silicon One, all work with Data Processing Units (DPUs) for AI data center designs. The Cisco Nexus platform offers an all-encompassing system. Being a major player in internet infrastructure, Cisco has become and remained a staple with a proven and trusted track record for reliability and security.

The previous 5-year CAGR of networking is 0.86%. We forecast a 5- and 10-year Compound Annual Growth Rate (CAGR) of 5.74% and 4.79%, respectively, as they continue to be a staple in the Internet of Things (IoT). Cisco continues to partner with competitors, effectively securing them into the ecosystem they have long established. We forecast that as the current AI data center build-out continues, the company will rely on its software (which offers higher margins) rather than lower-margin hardware, thereby reducing the cost of goods sold.

Over the next 5 years, the networking market is projected to grow at a CAGR of 5.4% through 2030 as corporations continue to build AI data centers, broaden cloud applications, and rely on mobile workforces.⁵ The Ethernet switching segment and routers will continue to have high demand.

Figure #4: Security Revenue & Growth



Source: [CSCO 10K 2023-2025, HF Model](#)

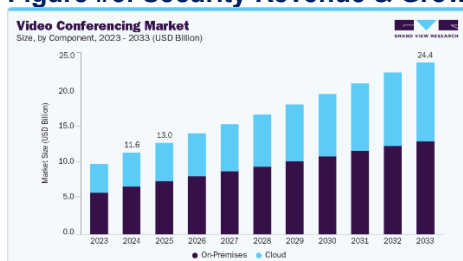
Security

With the rise of cloud computing and the growing intensity and sophistication of cyberattacks, Cisco invested \$28 billion into the acquisition of Splunk for security analytics and observability to strengthen their Threat Intelligence, Detection, and Response (TIDR) solutions. This strategic move allows Cisco to remain competitive as Cloud Service Providers (CSPs) began reducing the networking industry's influence on enterprise infrastructure. Splunk allows Cisco to package the power of AI to protect the networks that Cisco has built out over the years, creating synergy with their existing Cisco Extended Detection and Response (XDR), their cloud-native security platform. We forecast a 5- and 10-year CAGR of 3.99% and 4.09%, respectively, after growing at a previous 5-year CAGR of 7.77%. This previous growth is largely attributable to their recent acquisition of Splunk; revenue would have been relatively flat prior to the 2024 acquisition.

Collaboration

Offerings including the Webex suite, collaboration devices, Contact Center, and Communication Platform as a Service (CPaaS) solutions define this segment. Cisco's end-to-end collaboration solutions offer AI and machine learning to improve productivity through their Webex platform, and CPaaS allows for the automation of both customer and employee interactions.

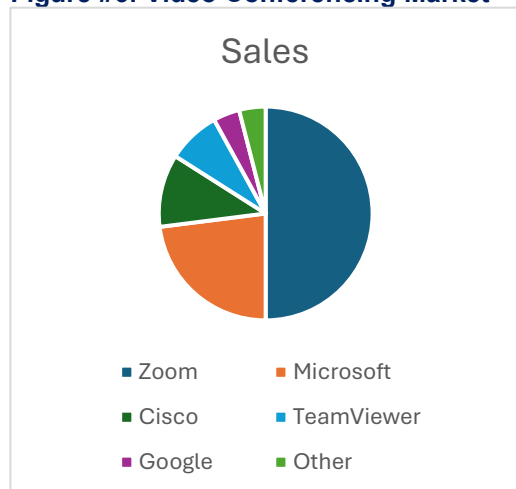
Figure #5: Security Revenue & Growth



Source: [Grandview](#)

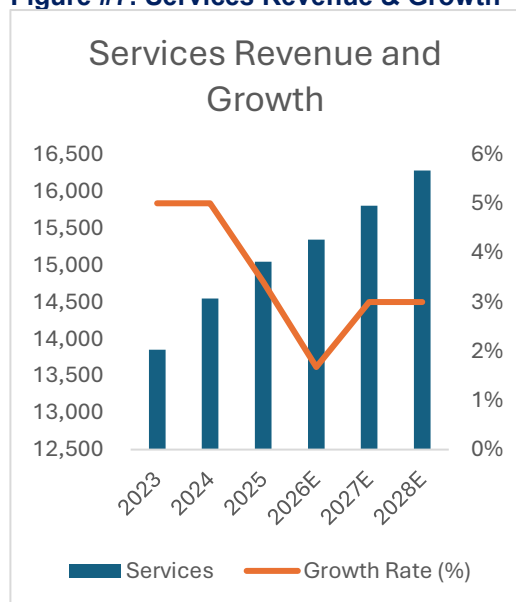
The Global Video Conferencing Market is expected to grow at a 10% CAGR over the next decade.⁶ We support this sentiment, even with the rise of return-to-office policies, as global companies operating with cross-functional teams mean we expect the demand for global collaboration to grow and remain strong.

Figure #6: Video Conferencing Market



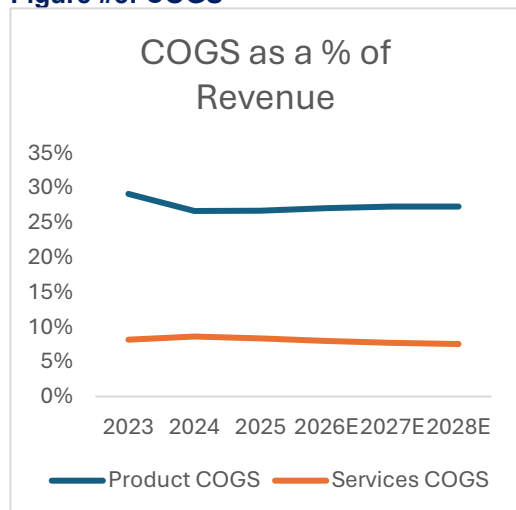
Source: [TrustRadius](#)

Figure #7: Services Revenue & Growth



Source: *CSCO 10-K 2023-2025, HF Model*

Figure #8: COGS



Source: *CSCO 10-K 2023-2025, HF Model*

The Collaboration segment had a previous 5-year CAGR of 5.66%. However, we forecast a 5- and 10-year CAGR of 4.35% and 3.61%, respectively. With large players like Alphabet (Google Meet) and Microsoft (Teams) operating in the same space, occupying the upper positions for video conferencing and being leaders in AI, we see limited growth opportunities in this segment, and any acquisitions would be costly. Cisco's acquisition of Webex was a defensive move to capture a small share of the market via a packaged product. While Cisco still benefits from its Collaboration hardware, this pattern of acquiring underperforming assets in key markets is consistent across its portfolio. Cisco will continue to compete with companies like Logitech and others for both hardware and software.

Services

The Services segment, which typically includes high-margin technical support, maintenance contracts, and consulting, is a crucial source of recurring and resilient revenue for Cisco, and this stability is central to our model's assumptions. The segment's strong foundation is evident in its recent 5-year CAGR of 2.46%. We are forecasting a modest acceleration in the future, projecting a 5-year CAGR of 2.8% and a 10-year CAGR of 2.9%. We project only slightly higher future growth, despite the overall increase in networking complexity, because the services market itself is competitive, and growth is constrained by the slower growth of the underlying hardware base.

However, we assume that Cisco will successfully defend its market share and capture minor margin expansion because the company continues to be a trusted brand name globally that people rely on for safety and reliability, and the increasing complexity of hybrid cloud environments (including the integration of Splunk's Observability platform) will necessitate more advanced and higher-priced consulting and managed services. We believe that while this segment won't drive exponential growth, its predictable revenue stream and potential for minor margin expansion provide a crucial stabilizer for Cisco's overall financial profile, offsetting volatility in hardware sales.

Cost Structure Analysis

Cisco's profitability hinges on a strategic trade-off: leveraging high-margin software subscriptions to counteract historical volatility and hardware commoditization. Historically, the Cost of Goods Sold (COGS) rose to the mid-to-high 37% range in 2022-2023, reflecting acute supply chain costs and product margin stress. However, the Gross Margin remains structurally strong, holding at 64.94% in 2025, validating the effectiveness of pairing hardware sales with higher-margin recurring software products to protect overall profitability.

The model forecasts a multi-year, strategic shift that dramatically improves long-term profitability, pushing the Gross Margin above 70% by 2029E and subsequently driving the Operating Margin above 31%. This is predicted on the successful scale and revenue contribution of high-margin segments like Security (Splunk) and

Observability, where the COGS is inherently lower than in the core Networking hardware business which still benefits from software updates till end-of-life. This aggressive margin expansion is a core indicator that the firm's continued pivot to a software-centric model is expected to structurally improve earnings quality and operating leverage.

While the forecast for Services COGS hugging the 8% mark suggests an extremely bullish outlook for automation and efficiency in technical support, the overall trajectory is clear: Cisco's profitability is transitioning from an expense-burdened hardware model to a capital-efficient software platform. This evolution, underpinned by the firm's dominant hardware base and strategic AI/Splunk integrations, is necessary for maintaining long-term sustainability and delivering strong operating leverage to shareholders.

Additional Company Analysis

Cisco's business model is strategically shifting from pure hardware sales to a subscription-based, AI-driven platform to secure the internet infrastructure it has spent decades building. The company makes money across three core segments: Networking (the hardware and licensing backbone, 50% of revenue), high-margin Services (support and consulting, 25% of revenue), and the rapidly growing Security/Observability segment (bolstered by the \$28 billion Splunk acquisition). While growth in the core Networking segment has been minimal (0.86% previous 5-year CAGR), the firm forecasts moderate overall growth (4.6% 5-year CAGR) by leveraging its high-margin software licenses and recurring revenue to offset hardware volatility. Cisco is positioned as the indispensable, ubiquitous backbone of large enterprises and cloud providers, using its immense installed base and AA- credit rating as competitive advantages. This position creates powerful vendor lock-in, which is the primary barrier preventing rivals from displacing the company entirely.

The viability of this model is sustainable but challenged by two key factors: growth and execution. The challenge is that Cisco is losing ground to specialized competitors like Arista and Marvell, which are out-innovating them in the high-speed AI and cloud data center silicon layers, leading to forecasted revenue growth (4.6%) that underperforms the broader market (5.4% CAGR). Cisco's differentiation now relies heavily on its successful integration of the Splunk platform, which is intended to converge Networking, Security, and Observability into a unique, full-stack offering. The firm's comparative advantage is no longer its technology, but its stability and ecosystem stickiness.

The future sustainability of Cisco's business model hinges on whether management can successfully execute this complex software integration while simultaneously closing the innovation gap in high-growth infrastructure, thereby proving that its current strategy is not another case of being over diversification. As of now, Cisco is as close to a Dividend King stock as any major technology company, boasting 13 consecutive years of dividend increases, though this figure falls well short of the 50-year requirement for the official title. The stability of its dividend rests on the success of its

business transition, making the strategic execution of its software-centric model paramount for both future growth and continued shareholder payouts.

Figure #9: Debt Maturity Analysis

Fiscal Year	Coupon (%)	Payment (\$m)
2026	3.34	3250
2027	4.8	2000
2028	4.55	1000
2029	4.85	2500
2030	4.75	1000
Thereafter	5.28	15000
Total	4.89	24,750

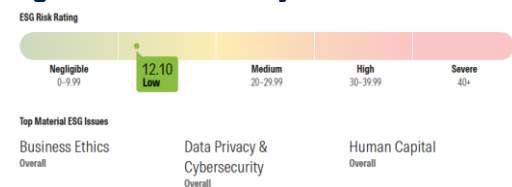
Source: CSCO 10-K 2025

Debt Maturity Analysis

Cisco's capital allocation strategy is clearly defined by its commitment to return a minimum of 50% of free cash flow (FCF) annually to shareholders through dividends and share repurchases. This commitment is substantial: in FY 2025, the company returned \$12.4 billion (\$6.4 billion in dividends and \$6 billion in buybacks), which nearly consumed its entire annual FCF of over \$13 billion. This prioritization of shareholder returns acts as the primary constraint on its debt management. Cisco does carry more long-term debt (\$24.6 billion) than cash on its balance sheet, with total future principal payments (including the current portion) reaching \$24.8 billion, a figure management views as higher than desired. However, the company's annual stable cash flows and its Investment Grade AA- credit rating confirm an exceptionally low risk of default. The current debt pile includes \$24.8 billion in Senior Unsecured Notes maturing over a long period (2026 through 2064), along with \$3.5 billion in short-term commercial paper.

Regarding future debt management, Cisco is not expected to need to refinance its debt out of necessity, but rather as a strategic choice. With robust annual FCF, the company has the capacity to pay down significant principal. However, to maintain its commitment to shareholder returns and to preserve cash for future acquisitions (like Splunk), Cisco will likely choose to issue new debt to refinance maturing notes and push out the payment schedule. The expected decline in the fed funds rate toward a natural rate of we believe to be 300-325 bps following the recent FOMC cuts provides a favorable environment for this strategic refinancing, allowing Cisco to secure new funds cheaply. Finally, management's target capital structure is not based on a static ratio but is fundamentally defined by its mandate to maintain its AA- credit rating. This rating is essential for financial flexibility and low borrowing costs, acting as the structural boundary within which all debt, shareholder return, and acquisition decisions are made. The company has historically demonstrated this discipline, having successfully reduced total debt by \$2.9 billion year over year in the recent past using cash reserves and operational efficiency to manage liquidity.

Figure #10: ESG Analysis



Source: [Morningstar](#)

ESG Analysis

Cisco maintains a strong commitment to its Environmental, Social, and Governance (ESG) performance, although these metrics are not a screening factor for Henry Fund as we seek alpha against a large cap stock portfolio benchmark. Environmentally, the company has integrated Circular Economy principles (designing products for reuse, repair, and recycling) into nearly all new products and packaging, allowing it to develop a more efficient and sustainable supply chain. This focus on circularity is key to managing the sector's risk of high e-waste, which remains an area of scrutiny.⁷ Furthermore, the Corporate Governance structure is characterized by stable leadership, exemplified by the CEO's long tenure, and

actively leans into a data-led supply chain approach for superior operational oversight. While Cisco is often viewed favorably across ESG metrics, the greatest potential risks often lie within the supply chain's labor practices and the high volume of e-waste generated by the hardware industry.

Recent Developments

Recent Earnings Announcement

Cisco Systems, Inc. (CSCO) reported its most recent earnings for Q4 Fiscal Year 2025 on August 13, 2025, demonstrating strong results across the board. The company posted Non-GAAP EPS of \$0.99 and Revenue of \$14.7 Billion, both of which beat consensus expectations. This outperformance was largely due to record demand for AI infrastructure from web scale customers, with AI-related orders reaching \$2 billion for the full fiscal year, and the continuing transition to a high-margin Software-as-a-Service (SaaS) model. Looking forward, management issued robust guidance for Full-Year FY 2026, projecting Revenue between \$59.0 Billion and \$60.0 Billion and Non-GAAP EPS between \$4.00 and \$4.06, driven by the conversion of this large AI order backlog and the integration of Splunk.⁸

The company also reaffirmed its capital allocation strategy: maintaining its AA- credit rating while prioritizing shareholder returns over large, unnecessary debt repayment. The key model difference is in the top-line expectations: the Henry Fund forecasts a higher short-term revenue growth rate of 6.99% for FY26 (versus management's implied 5.8%). This short-term optimism is based on immediate catalysts, such as the initial surge in AI infrastructure orders and the excitement generated by new products like the Cisco N9100 switch. The model notes the irony that while AI networking is a critical growth driver, it has already trimmed down margins for hardware.

Figure #11: Recent Acquisitions

Company Name	Focus	Year
Aura Asset Intelligence	Security	2025
SnapAttack	Security	2024
Deeper Insights AI	AI SaaS	2024
Robust Intelligence	AI SaaS	2024
DeepFactor, Inc.	AI Security	2024
Isovalent, Inc.	Cloud Security	2023
Splunk	Security	2023

Source: [CSCO](#)

Despite the short-term AI acceleration, the model expresses skepticism regarding the sustained growth, projecting a conservative long-term Compound Annual Growth Rate of 4.11% over 10 years. This slower long-term forecast is directly rooted in the belief that intense price competition from specialized rivals, including Arista and Marvell, will prevent Cisco from sustaining market share gains and expanding profit margins in its core Networking business after the current order backlog is cleared. The firm's ongoing commitment to shareholder returns while maintaining an AA- credit rating further frames its disciplined but cautious financial strategy.

Acquisitions, AI, & Margin Evolution

Cisco's strategic priorities are defined by its pivot towards a resilient, high-margin software model, evidenced by its subscription revenue growth, which reached over 50% of total revenue in the last reported quarter. This transformation is dramatically accelerated by the \$28 billion acquisition of Splunk Inc., a cornerstone deal that substantially strengthens the company's high-growth Security and Observability segments while providing immediate recurring revenue accretion. The company

plans to continue making acquisitions focused on technologies that complement its core areas of AI and cybersecurity, indicating an ongoing commitment to growth through inorganic expansion. Concurrently, the firm is addressing operational risks inherent in its massive scale, primarily the high exposure to potential margin-compressing charges from excess inventory and non-cancelable purchase commitments made during past supply shortages. The company's R&D spending reflects its focus on structural advantages, funding the development of new AI-ready networking gear built on proprietary silicon and enhancing its extensive patents portfolio to protect its core competitive moat. However, this innovation must navigate geopolitical reality: the firm is managing rising competitive challenges and trade risks in the APJC segment, particularly from rivals in China, which necessitate costly efforts to diversify its supply chain and mitigate tariff impacts on key cost inputs like components and freight. The need to uphold its intellectual property and manage legal liabilities is constant, evidenced by ongoing legal challenges related to patent infringement and a settled supplier dispute.

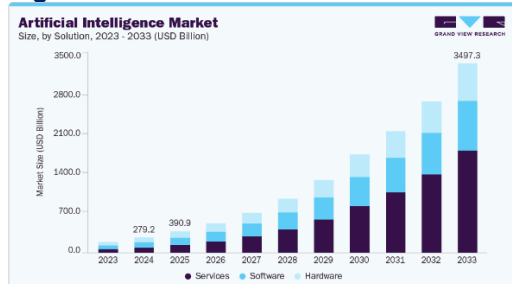
Industry Trends

AI

Artificial Intelligence (AI) is the most significant technological force reshaping Cisco's core business, driving both its massive new revenue stream and the deep integration of its platform. The training of Large Language Models (LLMs) and the demand for parallel computing (GPUs) necessitate a complete architectural overhaul of hyperscale data centers, creating a new AI networking market. Cisco has capitalized on this, making it the fastest-growing area of the company: AI-related orders exceeded \$2 billion in fiscal year 2025, more than doubling initial targets. This core growth is supported by strategic integration with NVIDIA and specialized hardware like the Cisco N9100 switch and proprietary silicon, positioning the firm as the critical provider of the secure, high-throughput Ethernet fabric essential for the AI era. Cisco is also joining ventures like the AI Infrastructure Partnership (AIP) to ensure its role in future infrastructure investment.

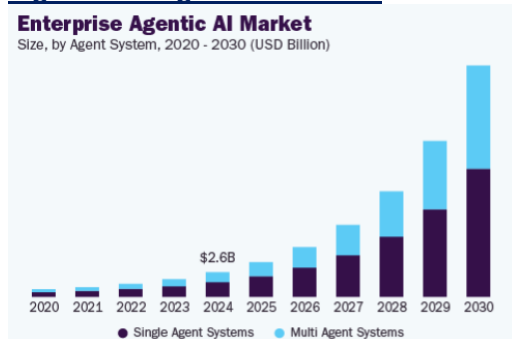
This shift extends beyond hardware to a new software-defined operational model. AI is fundamentally changing how Cisco sells security, observability, and collaboration, moving network management toward autonomous operations. This is achieved through initiatives like AgentOps and the Cisco Deep Network Model, a domain-specific LLM trained on decades of networking data to automate troubleshooting and network configuration.⁹ Furthermore, the integration of Splunk allows AI to correlate security and performance data in real-time, moving defense from reactive threat detection to proactive prediction. This aggressive pivot addresses the looming risk of "AI Infrastructure Debt,"¹⁰ where unprepared organizations cannot secure or scale autonomous AI agents, ensuring that Cisco's portfolio offers a solution for both the physical infrastructure demands and the intellectual operational complexity of the AI era.¹¹

Figure #12: AI Market



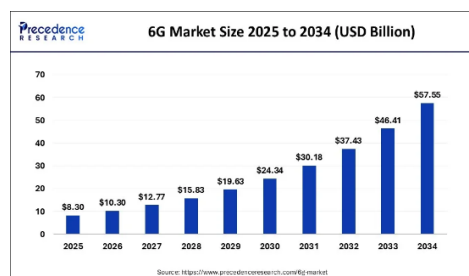
Source: [Grandview](#)

Figure #13: Agentic AI Market



Source: [Grandview](#)

Figure #14: 6G Market Size



Source: [Precedence](https://www.precedenceresearch.com/6g-market)

6G

Industry Transformation: 5G, 6G, and the AI-Native Network

The telecommunications sector is currently navigating a fundamental architectural shift, merging ultra-fast wireless networks (5G and the forthcoming 6G) with pervasive Artificial Intelligence (AI). The central industry trend is the move toward AI-native networks, which shifts processing and intelligence to the network edge. This is necessary to handle the explosive traffic generated by generative AI and agentic applications.

The path to 6G, which starts now with 5G-Advanced, is defined by the AI-RAN (AI Radio Access Network) revolution.¹² AI-RAN transforms traditional network sites from mere cost centers into assets capable of running distributed edge AI inferencing. This is the necessary mechanism for supporting real-time applications like augmented reality, intelligent machines, and drones, while significantly improving network efficiency and energy performance. This transformation creates both fierce competition and indispensable partnerships, directly impacting Cisco's telecom strategy.

The NVIDIA-Nokia Alliance: This strategic partnership demonstrates the urgency of the AI-RAN shift. NVIDIA invested \$1 billion in Nokia to accelerate AI-RAN development, providing its Aerial RAN Computer Pro (ARC-Pro) platform to build software-defined mobile networks. This collaboration, which includes initial trials with T-Mobile U.S., aims to deliver AI-native 5G-Advanced and 6G networks and challenge existing infrastructure providers.¹³

Cisco's Strategic Role: Cisco, a leading provider of network core infrastructure, addresses this shift by strategically integrating its own distributed User Plane Function (dUPF) with the NVIDIA accelerated computing platform. This positioning ensures that Cisco's architecture is the necessary connective and security tissue for the AI-Native Wireless Network, allowing inference to occur securely at the edge where the data originates. By participating in ventures like the AI Infrastructure Partnership (AIP), Cisco aims to ensure its technology remains integral to these vast infrastructure buildouts, securing its long-term relevance across the entire mobile ecosystem.¹⁴

Figure #15: FY End Results

Company	Sales (M)	Net Income (M)	Mkt Cap (B)
CSCO	56654	15213	294
ANET	7003	2852	193
PANW	8028	2578	148
MSI	20817	1577	76
MRVL	5767	-885	45

Source: [Factset](https://www.factset.com)

Figure #16: FY End Valuation Ratios

Company	P/E	P/S	EV/S
CSCO	26.98	4.85	4.96
ANET	49.65	20.22	19.22
PANW	108.50	13.35	13.17
MSI	50.06	7.30	7.63
MRVL	-	16.94	17.86

Source: [Factset](https://www.factset.com)

Markets and Competition

CSCO's Peer Group

The competitive environment for Cisco Systems is defined by strategic instability and hostile battles for market share, originating from the fundamental industry convergence across Networking Hardware, Cybersecurity Software, and Infrastructure Silicon. The sector is in a state of accelerated transition, where the traditional core hardware business is mature but being cannibalized by high-growth adjacent markets (Cybersecurity, Observability, and AI Infrastructure). This has polarized the distribution of profits: high-margin software and services drive profitability, while hardware faces constant price pressure, notably from Asian competitors and hyper-focused rivals like Arista Networks (ANET) in cloud switching and Marvell (MRVL) in component silicon. This disparity makes the

Figure #17: FY End Margins

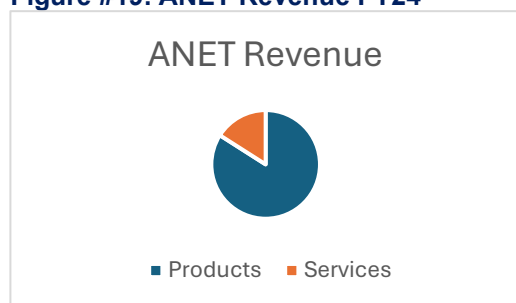
Company	Gross	OP	Net
CSCO	63.83	21.99	17.97
ANET	64.13	42.05	40.73
PANW	68.20	12.43	12.30
MSI	49.66	24.91	14.58
MRVL	41.31	-6.35	-15.35

Source: [Factset](#)

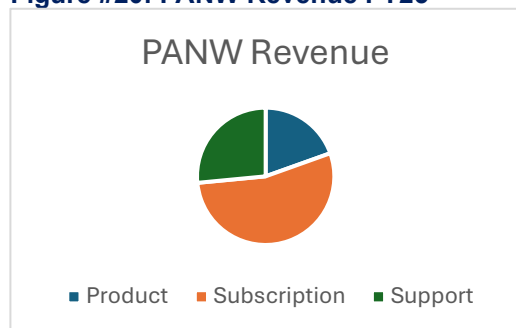
Figure #18: FY End Financial Ratios

Company	ROA	ROE	Inventories
CSCO	8.25	22.06	6.27
ANET	23.77	33.14	1.33
PANW	5.21	17.45	-
MSI	11.29	13.07	6.84
MRVL	-4.27	-6.26	3.57

Source: [Factset](#)

Figure #19: ANET Revenue FY24

Source: [ANET 10-K 2024](#)

Figure #20: PANW Revenue FY25

Source: [PANW 10-K 2024](#)

Figure #21: MSI Revenue FY25

Source: [MSI 10-K 2024](#)

successful shift to a recurring subscription revenue model the single most critical factor for determining a firm's long-term profitability and insulating it from disruption.

Cisco's defense against this fragmented market relies on a strategy of integrated architecture and scale, aiming to make the whole platform indispensable. The firm capitalizes on its massive, entrenched installed base while executing a major structural pivot through Platform Integration, demonstrated by the Splunk acquisition, which fuses security, networking, and observability into a unified offering. This contrasts with peers like Palo Alto Networks (PANW), which specialize solely in security platforms, and ANET, which focuses narrowly on data center performance. By aggressively investing in its internal Silicon One efforts and continually making acquisitions, Cisco seeks to defend its core margins, mitigate the risk of substitution by commodity hardware, and build a competitive moat that rivals relying on specialization cannot match.

Arista Networks (ANET)

ANET is a primary competitor to Cisco in high-performance cloud and data center switching. The company differentiates itself through its focus on software-driven networking and cloud-native solutions, using a modern, scalable architecture. ANET specializes in serving large cloud providers (hyperscalers) and big enterprise data centers. Its competitive advantage lies in delivering extremely fast, low-latency products and a single operating system (EOS) that simplifies management, enabling it to aggressively challenge Cisco's Nexus portfolio on performance and efficiency.¹⁵

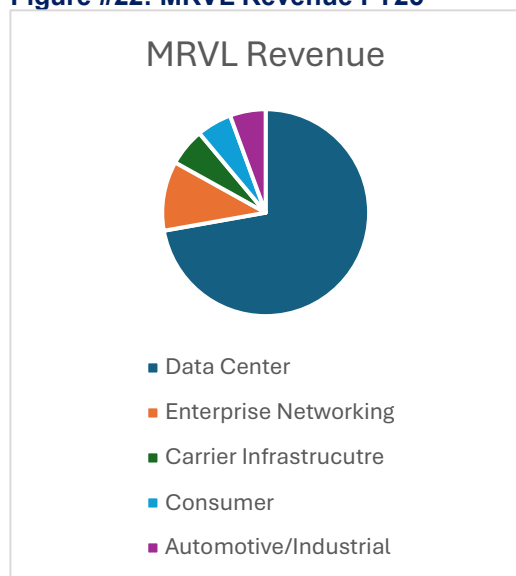
Palo Alto Networks, Inc. (PANW)

PANW is a direct competitor to Cisco's rapidly expanding Security segment. PANW pioneered the Next-Generation Firewall (NGFW) market and has strategically broadened its portfolio to offer a complete Security Operating Platform, encompassing cloud security (Prisma Cloud) and endpoint security (Cortex). PANW competes by emphasizing a platform-centric approach that provides consolidation and superior automation across the enterprise, directly challenging Cisco's XDR and firewall products.¹⁶

Motorola Solutions (MSI)

Motorola Solutions operates primarily in specialized government and public safety communications, rather than general enterprise networking. Its core business involves mission-critical communications, command center software, and video security solutions for police, fire, and other government agencies. While less of a direct competitor in commercial networking compared to ANET or PANW, it competes with Cisco in the Public Sector market and for customers seeking highly reliable, resilient, integrated safety solutions.¹⁷

Figure #22: MRVL Revenue FY25



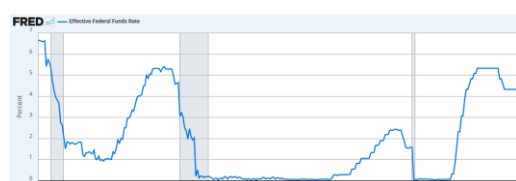
Source: [MRVL 10-K 2025](#)

Figure #23: Personal Consumption



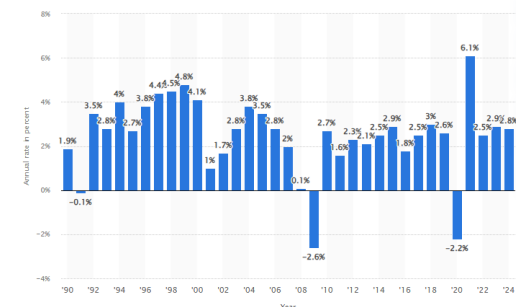
Source: [FRED](#)

Figure #24: Effective Federal Funds



Source: [FRED](#)

Figure #25: Annual Growth Rate



Source: [Statista](#)

Marvell Technology, Inc. (MRVL)

Marvell is primarily a semiconductor and silicon vendor that is a key force in the competitive dynamics affecting Cisco's margins. MRVL designs and manufactures specialized silicon, including chips for networking, storage, and custom computing solutions. The company competes with Cisco's internal silicon efforts (Cisco Silicon One), and its chips are used by many of Cisco's competitors. The price and performance of chips supplied by MRVL and others are a key cost input for the entire industry and directly contribute to the price competition that limits Cisco's gross margin expansion in hardware.¹⁸

Economic Outlook

Fed Funds Rate & Interest Rates

The core expectation for the U.S. labor market is that unemployment will increase as firms capture added productivity from AI. Companies are expected to engage in a strategic shift: trimming down workforces to convert labor costs into capital investment for AI development. This prioritization of AI capital expenditure over payroll will result in low hiring, further exacerbating poor job numbers in the near term.

This anticipated labor market weakness, despite underlying economic growth, is expected to trigger continued monetary easing by the Federal Reserve (Fed). The Fed will use poor job numbers as justification for continued rate cuts after the upcoming December FOMC meeting. These cuts are expected to proceed gradually at 25 basis points (bps) at a time, ultimately finalizing the Fed Funds Rate at a new long-term natural rate of 300-325 bps.

Crucially, as this technological revolution introduces itself into the job market, inflation will remain elevated (expected to increase to 3.3%). This is because the Fed will struggle to stimulate employment while simultaneously attempting to maintain its mission of keeping inflation at the 2% target. The disconnect between rising productivity and lagging employment creates a complex, sticky inflation environment, delaying the full normalization of the economy.

Real GDP

The Henry Fund consensus for the overall economy is a forecast of 3.35% GDP growth in the next year. This growth figure is significantly underpinned by AI expenditures, which are seen as constantly growing. This confidence is rooted in the large circular partnerships and investing observed among the "Magnificent 7" and other major technology stocks. For Cisco, this forecast provides a strong revenue tailwind, validating the company's aggressive pivot toward AI-ready infrastructure and software sales. The continued funneling of capital into AI will maintain the strong order volume for Cisco's high-end Networking products.

Valuation

Revenue Assumptions

Our growth assumptions project a long-term Total Revenue Compound Annual Growth Rate (CAGR) of 4.11% over the 10-year period from 2025 to 2034. While the model shows significant near-term volatility, including a projected recovery in 2024 (5.30% growth), the core of the growth is derived from the Product segment, which is expected to expand its share of total revenue due to its faster projected CAGR of 4.51%. Within Product, Networking remains the largest category, but Security is a key growth driver (4.09% CAGR), increasing its revenue contribution over the forecast horizon. Geographically, the assumptions indicate a shift toward global diversification, with EMEA projected to be the fastest-growing region (5.23% CAGR), significantly increasing its share of product revenue, while the Americas remains the largest region despite a slight decrease in its relative share.

Cost Assumptions

The profitability forecast anticipates a major structural expansion in margins, driven by the company's strategic shift toward high-margin SaaS-based and recurring revenue models. This move is expected to propel the Gross Margin from 64.94% in 2025 to over 70.7% by 2029E, subsequently leading to material improvements across the income statement. As a result of this gross margin expansion coupled with increasing operating leverage, the Operating Margin is forecasted to rise from 20.76% in 2025 to a peak of nearly 35.18% by 2035E, while the Net Margin expands similarly to over 28.38%; these gains are supported by a projected decline in the overall Total Operating Expenses as a percentage of revenue (from 44.20% in 2025 to 35.50% in 2035E), indicating improved efficiency, especially in the Sales & Marketing function.

CapEx Assumptions

The Capital Expenditures (CapEx) assumption in our updated model reflects a gradual, sustained increase over the forecast horizon, starting at \$237 million in 2026E and climbing to \$309 million by 2035E. This projected growth, while modest, is designed to accommodate routine infrastructure maintenance and necessary physical equipment upgrades that scale minimally with the business, acknowledging Cisco's shift toward high-margin software and services revenue which dramatically lowers the company's capital intensity. Consequently, CapEx remains a minor component of the overall investment strategy, allowing for maximized Free Cash Flow generation, as the core investment for future growth and competitive positioning remains concentrated within the heavily funded Research & Development (R&D) operating expense lines.

WACC Calculation

Our analysis calculated a Weighted Average Cost of Capital (WACC) of 8.44% for Cisco Systems, Inc. This rate is the blended cost of funding operations, weighted by the market value of the company's equity and debt.

For this calculation, we used the following assumptions:

Risk-Free Rate: We used 4.11%, assumed to be the 10-year US Treasury bond yield.

Beta: We used 0.97, a measure of the stock's volatility relative to the broader market.

Equity Risk Premium: We used 5.00%, the premium required for investing in the stock market over a risk-free asset.

Cost of Equity: Using the Capital Asset Pricing Model (CAPM), we derived a Cost of Equity of 8.96% for CSCO.

Pre-tax Cost of Debt: We used 4.50%, assumed to be the Yield to Maturity (YTM) on a comparable corporate bond.

Marginal Tax Rate: We used 23.70% for our forecast horizon, leading to an After-Tax Cost of Debt of 3.43%.

Finally, we determined the market value weights based on the current share price of \$73.00: Equity comprises 90.70% of the firm's capital structure, and Debt (including short-term, long-term, and PV of operating leases) makes up 9.30%, resulting in the final WACC of 8.44%.

DCF/EP

We opt to use the Discounted Cash Flow (DCF) model as our primary valuation tool driving our recommendation, as this framework considers more company-specific factors and allows us to incorporate detailed, segment-level growth assumptions from our revenue forecast. Our key terminal assumption is for a continuous value (CV) growth rate for NOPLAT of 3.20%, which is aligned with long-run historical US inflation and is applied to our 2035E NOPLAT of \$24.1 billion. We calculate the discount rate using a Cost of Equity of 8.83% (derived from a Beta of 0.97 and a Risk-Free Rate of 3.98%), which results in a weighted average cost of capital (WACC) of 8.32% (factoring in a marginal tax rate of 23.70%). Ultimately, the DCF model, calculated as of the valuation date of October 27, 2025, yielded an implied price today of \$74.89, representing an upside of 2.60% from the current price.

DDM

Our Dividend Discount Model (DDM) yielded an implied price as of today of \$60.37. We opt to use this model as a critical component of our analysis because we view CSCO as a strong, reliable value play underpinned by its commitment to shareholder returns. The firm's exceptional track record includes 13 consecutive years of dividend increases, with the most recent increase setting the stage for continued growth. Based on this historical foundation, we are confident in anticipating continued dividend growth, projecting a final dividend per share of \$1.98 by the terminal year (2034E). Our key quantitative assumption is a Continuous Value (CV) growth of EPS equal to 3.20%, aligning with long-term inflation, which we view as sustainable and conservative. Using our derived Cost of Equity of 8.96% as the discount rate, this model projects a Future

Stock Price of \$105.30 in the terminal year, strongly supporting the long-term intrinsic value derived from the company's sustained cash flow return.

Relative Multiple

Our relative valuation analysis, which included all eight of CSCO's main competitors in the communication equipment subsector, ultimately favored the Price-to-Earnings (P/E) model, which implies a price target of \$60.24 based on 2026E forecasted EPS. We view this P/E multiple as the most reliable comparator, as the alternative Price-to-Earnings-to-Growth (PEG) model is prone to overstating valuation in this segment; the peer PEG values are consistently higher than 1 (averaging 4.62x for 2026E), strongly suggesting that the market is already pricing in aggressive growth for these companies. Given the inherent uncertainty of long-term EPS growth assumptions and the evidence that the PEG model yields an unfairly high implied price, the P/E ratio provides a more stable and conservative basis for assessing CSCO's value relative to its peers.

Henry Fund vs. The Street

Our models differ from consensus because we are applying a sustainable, long-term valuation framework that appears to be missing in the consensus's current enthusiasm.

Figure #26: Henry Fund vs. The Street

Estimates			
	Rev	2026e EPS	EBITDA
HF	60.6	2.68	14007
Street	60.7	2.92	22587
% Diff.	-0.16	-8.57	-46.89

Estimates			
	Rev	2027e EPS	EBITDA
HF	64.0	3.08	15692
Street	63.8	3.15	23778
% Diff.	0.31	-2.25	-40.97

Estimates			
	Rev	2028e EPS	EBITDA
HF	66.3	3.35	27892
Street	66.9	3.31	24090
% Diff.	-0.90	1.20	14.63

Source: [Factset](#)

Sustainable Long-Term Growth Rate: Our DCF model, which is the main driver of our recommendation due to its ability to incorporate product-specific fundamentals, uses a 3.20% terminal growth rate for NOPLAT. This rate reflects a normalized, long-term, and sustainable growth assumption appropriate for a mature, large-cap technology company.

Overly Aggressive Multiples: The consensus targets, exemplified by the UBS upgrade to \$88, are driven by the belief that Cisco is entering a "multi-year growth cycle" fueled by AI infrastructure demand, a network refresh cycle, and the Splunk integration. The consensus targets are implicitly assigning a high growth multiple to the entire company's earnings, essentially valuing Cisco as a high-growth stock.

Maturity Profile Mismatch: We believe the stock is being fundamentally mis-rated. While Cisco will certainly benefit from the short-term AI and refresh catalysts, its long-term profile is better characterized as a mature tech titan increasingly focused on delivering consistent shareholder value, particularly through its dividend growth track record (13 consecutive increases). The short-term growth is simply not sustained enough to permanently support the high multiples embedded in the current analyst consensus. Our models reflect the view that while Cisco will be a reliable dividend stock in another 12 years, the short-term growth is not sufficient to warrant the current valuation premium and us holding our active weight position.

Keys to Monitor

Cisco Systems is structurally positioned as a foundational backbone of global enterprise IT infrastructure. The company benefits from immense economies of scale, a powerful brand reputation, and operational efficiency, all of which support its transition toward a stable, recurring revenue model. However, Cisco is now more of a financial entity than a true growth innovator; its acquisitions are primarily defensive moves to maintain market positioning rather than aggressive plays to capture new market share. These factors limit its upside potential and support our ultimate recommendation.

Valuation remains our central concern. Our core intrinsic models, the Discounted Cash Flow (DCF) and Economic Profit (EP) models, yield an implied price of \$58.12, which is substantially below the FactSet consensus average target of \$77.50. Our DCF model, which is the main driver of our recommendation, uses a normalized terminal growth assumption of 3.20%, reflecting a sustainable, long-term rate appropriate for a mature company. This contrasts with the consensus, which is over-pricing the short-term catalysts (AI infrastructure demand, network refresh cycle) and assigning a growth multiple that is not warranted by the company's long-term maturity profile. The short-term growth is simply not sufficient to permanently support the current valuation premium.

Execution risk remains elevated, particularly around global expansion. Cisco is a global company, and if it could consistently enter and grow in emerging markets that help their economies and utilize their labor markets, we would be excited about the potential. However, the slow projected growth in regions like APJC (Asia-Pacific, Japan, and China, with a 10Y CAGR of 0.52%) is a clear structural deficiency. If the stock does not revert toward our intrinsic value or if the short-term catalysts fail to fully materialize, the risk of multiple compression is high.

Analysts Should Monitor

- APJC Revenue Growth: Consistent, high single-digit growth in this segment is necessary to validate global expansion efforts.
- Annual Recurring Revenue (ARR) Mix: The success of the Splunk/software pivot must continue to drive the percentage of total revenue derived from subscriptions and services.
- Networking Orders Growth: Monitoring sustained acceleration in orders is required to confirm the "Campus Refresh" cycle is materializing and is not temporary.

What Could Change the Investment Thesis

We would reconsider our SELL recommendation under the following conditions:

Valuation Compression and Yield: If the stock price falls closer to our intrinsic value of \$60, the valuation discrepancy would

narrow, warranting a reassessment given the stock's compelling dividend yield and reliable cash flow generation.

Aggressive Emerging Market Growth: If the company demonstrates a definitive and successful strategic shift into emerging markets, accelerating the currently anemic growth trajectory in the APJC region.

Truly Transformative Innovation: If Cisco uses its substantial cash flow to pursue truly disruptive, non-defensive acquisitions that significantly reshape its core business and drive high organic growth, moving beyond maintaining market share.

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13. [NVDA](#)
14. [CSCO](#)
15. [ANET](#)
16. [PANW](#)
17. [MSI](#)
18. [MRVL](#)

CISCO SYSTEMS, INC.
Revenue Decomposition

Fiscal Years Ending July 26	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Revenue by Segment													
Product revenue:													
Networking	34,570	29,229	28,304	31,263	33,807	35,456	37,049	38,243	39,393	40,301	41,573	42,806	44,073
Growth Rate (%)	-15.45%	-15.45%	-3.16%	10.45%	8.14%	4.88%	4.49%	3.22%	3.01%	2.30%	3.16%	2.96%	2.96%
Percent of Total Revenue	60.65%	54.33%	49.96%	51.59%	52.60%	52.99%	53.28%	53.30%	53.13%	52.92%	52.89%	52.90%	52.86%
Security	3,859	5,075	8,094	8,674	9,085	9,473	9,956	10,393	10,986	11,426	12,004	12,404	12,884
Growth Rate (%)	31.51%	31.51%	59.49%	7.17%	4.74%	4.27%	5.10%	4.38%	5.70%	4.01%	5.06%	3.33%	3.87%
Percent of Total Revenue	6.77%	9.43%	14.29%	14.31%	14.14%	14.16%	14.32%	14.48%	14.82%	15.00%	15.27%	15.33%	15.45%
Collaboration	4,052	4,113	4,154	4,201	4,400	4,498	4,523	4,566	4,636	4,723	4,743	4,819	4,911
Growth Rate (%)	1.51%	1.51%	1.00%	1.14%	4.74%	2.22%	0.55%	0.95%	1.53%	1.89%	0.41%	1.62%	1.90%
Percent of Total Revenue	7.11%	7.64%	7.33%	6.93%	6.85%	6.72%	6.50%	6.36%	6.25%	6.20%	6.03%	5.96%	5.89%
Observability	661	837	1,055	1,115	1,174	1,200	1,236	1,277	1,339	1,375	1,408	1,444	1,486
Growth Rate (%)	26.63%	26.63%	26.05%	-5.45%	-1.25%	-1.80%	3.46%	3.37%	4.86%	2.68%	2.40%	2.56%	2.86%
Percent of Total Revenue	1.16%	1.56%	1.86%	1.84%	1.83%	1.79%	1.78%	1.78%	1.81%	1.81%	1.79%	1.79%	1.78%
Total Product	43,142	39,253	41,608	45,253	48,466	50,627	52,765	54,479	56,354	57,826	59,728	61,474	63,354
Growth Rate (%)	-9.01%	-9.01%	6.00%	-1.19%	-0.74%	-1.81%	4.14%	4.45%	4.09%	3.87%	2.55%	2.86%	3.44%
Percent of Total Revenue	75.69%	72.96%	73.44%	74.68%	75.41%	75.67%	75.88%	75.93%	76.00%	75.94%	75.99%	75.97%	75.98%
Services	13,856	14,550	15,046	15,347	15,807	16,282	16,770	17,273	17,791	18,325	18,875	19,441	20,024
Growth Rate (%)	5.01%	5.01%	3.41%	1.68%	3.00%	3.00%	3.29%	3.55%	3.87%	3.68%	3.27%	3.69%	3.39%
Percent of Total Revenue	24.31%	27.04%	26.56%	25.32%	24.59%	24.33%	24.12%	24.07%	24.00%	24.06%	24.01%	24.03%	24.02%
Total Revenue	56,998	53,803	56,654	60,600	64,274	66,909	69,535	71,752	74,145	76,151	78,603	80,915	83,378
Growth Rate (%)	10.55%	-5.61%	5.30%	6.97%	6.06%	4.10%	3.92%	3.19%	3.34%	2.70%	3.22%	2.94%	3.04%
Percent of Total Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Revenue by Segment													
Americas	33,447	31,971	33,656	34,990	35,017	35,817	37,284	37,229	38,793	40,890	42,299	42,268	43,500
Growth Rate (%)	54.70%	-4.41%	5.27%	3.96%	0.08%	2.28%	4.10%	-0.15%	4.20%	5.40%	3.45%	-0.07%	2.92%
Percent of Total Revenue	58.68%	59.42%	59.41%	57.74%	54.48%	53.53%	53.62%	51.89%	52.32%	53.70%	53.81%	52.24%	52.17%
EMEA	15,135	14,117	14,824	16,246	17,687	18,972	20,039	21,009	21,853	22,489	23,368	24,188	25,269
Growth Rate (%)	-6.73%	-6.73%	5.01%	9.60%	8.87%	7.26%	5.63%	4.84%	4.02%	2.91%	3.91%	3.51%	4.47%
Percent of Total Revenue	26.55%	26.24%	26.17%	26.81%	27.52%	28.35%	28.82%	29.28%	29.47%	29.53%	29.73%	29.89%	30.31%
APJC	8,417	7,716	8,174	9,363	11,569	12,120	12,212	13,514	13,499	12,772	12,936	14,459	14,608
Growth Rate (%)	43.78%	-8.33%	5.94%	14.55%	23.56%	4.76%	0.75%	10.67%	-0.12%	-5.38%	1.29%	11.77%	1.03%
Percent of Total Revenue	14.77%	14.34%	14.43%	15.45%	18.00%	18.11%	17.56%	18.84%	18.21%	16.77%	16.46%	17.87%	17.52%
Total Revenue	56,998	53,803	56,654	60,600	64,274	66,909	69,535	71,752	74,145	76,151	78,603	80,915	83,378
Growth Rate (%)	-5.61%	-5.61%	5.30%	6.97%	6.06%	4.10%	3.92%	3.19%	3.34%	2.70%	3.22%	2.94%	3.04%
Percent of Total Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

CISCO SYSTEMS, INC.
Income Statement

Fiscal Years Ending July 26	2022	2023	2024	2025	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2026E	2027E Q1	2027E Q2	2027E Q3	2027E Q4	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
REVENUE:																						
Product	████████████████████	████████████████████	████████████████████	████████████████████	10,990	11,181	11,241	11,841	45,253	11,719	11,952	12,170	12,625	48,466	50,627	52,765	54,479	56,354	57,826	59,728	61,474	63,354
Services	████████████████████	████████████████████	████████████████████	████████████████████	3,802	3,832	3,851	3,863	15,347	3,916	3,947	3,986	3,979	15,807	16,262	16,770	17,273	17,791	18,325	18,875	19,441	20,024
Total revenue	51,557	56,995	53,803	56,654	14,792	15,014	15,091	15,704	60,600	15,635	15,899	16,136	16,604	64,274	66,889	69,535	71,752	74,145	76,161	78,693	80,915	83,378
COST OF SALES:																						
Product	████████████████████	████████████████████	████████████████████	████████████████████	3,990	4,056	4,074	4,287	16,407	4,245	4,325	4,400	4,560	17,530	18,267	19,021	19,620	20,276	20,786	21,451	22,058	22,710
Services	████████████████████	████████████████████	████████████████████	████████████████████	1,197	1,206	1,210	1,213	4,826	1,230	1,239	1,244	1,248	4,859	5,096	5,244	5,396	5,552	5,714	5,880	6,050	6,226
Total cost of sales	15,309	21,245	15,975	19,864	5,188	5,262	5,284	5,500	21,234	5,475	5,564	5,643	5,806	22,489	23,363	24,265	25,016	25,829	26,500	27,330	28,108	28,936
GROSS MARGIN	32,248	35,750	34,828	36,790	9,604	9,752	9,807	10,204	39,366	10,160	10,335	10,493	10,797	41,785	43,546	45,270	46,736	48,316	49,661	51,272	52,807	54,442
OPERATING EXPENSES:																						
Research and development	████████████████████	████████████████████	████████████████████	████████████████████	2,404	2,416	2,404	2,477	9,701	2,478	2,495	2,597	2,554	10,033	10,184	10,478	10,705	10,951	11,135	11,379	11,597	11,831
Sales and marketing	████████████████████	████████████████████	████████████████████	████████████████████	2,835	2,848	2,835	2,920	11,438	2,922	2,941	2,955	3,011	11,829	12,007	12,355	12,622	12,914	13,131	13,420	13,677	13,953
General and administrative	████████████████████	████████████████████	████████████████████	████████████████████	773	777	773	797	3,121	797	803	806	822	3,228	3,276	3,371	3,444	3,524	3,583	3,661	3,732	3,807
Amortization of purchased intangible assets	████████████████████	████████████████████	████████████████████	████████████████████	457	457	457	457	1,828	370	370	370	370	1,480	1,401	1,275	991	850	700	500	150	-
Restructuring and other charges	████████████████████	████████████████████	████████████████████	████████████████████	192	193	192	198	776	198	200	201	204	903	-	-	-	-	-	-	-	-
Total operating expenses	15,279	20,722	22,647	25,030	6,661	6,692	6,661	6,845	26,864	6,765	6,898	6,839	6,960	27,372	28,868	27,479	27,762	28,239	28,550	28,961	29,156	29,592
OPERATING INCOME	13,969	15,031	12,181	11,760	2,943	3,060	3,145	3,354	12,593	3,395	3,527	3,654	3,837	14,413	16,677	17,791	18,974	20,078	21,101	22,312	23,651	24,851
Interest income	████████████████████	████████████████████	████████████████████	████████████████████	143	143	143	143	572	169	169	169	169	875	869	1,111	1,145	1,225	1,180	1,221	1,378	1,488
Interest expense	████████████████████	████████████████████	████████████████████	████████████████████	(852)	(880)	(940)	(1,024)	(1,142)	(1,113)	(1,075)	(1,116)	(1,159)	(1,200)	-	-	-	-	-	-	-	-
Other income (loss), net	████████████████████	████████████████████	████████████████████	████████████████████	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and other income (loss), net	████████████████████	████████████████████	████████████████████	████████████████████	(709)	(737)	(797)	(881)	(570)	(944)	(906)	(947)	(990)	(869)	1,111	1,145	1,225	1,180	1,221	1,378	1,488	
INCOME BEFORE PROVISION FOR INCOME TAXES	14,477	15,318	12,234	11,100	2,234	2,323	2,349	2,474	11,932	2,451	2,621	2,707	2,847	13,888	17,547	18,903	20,119	21,303	22,282	23,533	25,029	26,339
Provision for income taxes	████████████████████	████████████████████	████████████████████	████████████████████	529	551	557	586	2,828	581	621	642	675	3,291	4,159	4,480	4,768	5,049	5,281	5,577	5,932	6,242
NET INCOME	11,812	12,613	10,320	10,180	1,704	1,773	1,792	1,887	9,104	1,870	2,000	2,065	2,172	10,697	13,388	14,423	15,351	16,254	17,001	17,996	19,097	20,097
Basic Earnings Per Share	2.83	3.08	2.55	2.56	0.43	0.45	0.45	0.48	2.30	0.48	0.51	0.53	0.55	2.70	3.46	3.79	4.10	4.41	4.69	5.03	5.43	5.80
Total Shares Outstanding (Year End)	4,110	4,066	4,007	3,960	986	986	986	986	3,946	974	974	974	974	3,897	3,833	3,772	3,712	3,655	3,599	3,544	3,491	3,440
Weighted Average Shares Outstanding (basic)	4,170	4,093	4,043	3,976	3,953	3,953	3,953	3,953	3,953	3,921	3,921	3,921	3,921	3,921	3,865	3,803	3,742	3,684	3,627	3,571	3,518	3,466
Cash dividends declared & paid per common share	1.50	1.54	1.58	1.62	0.41	0.41	0.42	0.42	1.66	0.42	0.42	0.42	0.43	1.70	1.74	1.78	1.82	1.86	1.90	1.94	1.98	2.02

CISCO SYSTEMS, INC.

Balance Sheet

Fiscal Years Ending July 26	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
ASSETS																	
Current assets:																	
Cash and cash equivalents	11,750	11,809	9,175	7,079	10,123	7,508	8,346	10,981	16,163	22,685	23,332	25,273	23,680	24,479	28,554	31,294	32,868
Investments	21,663	17,610	15,343	12,188	16,023	10,346	7,764	8,040	8,325	8,621	8,927	9,243	9,572	9,911	10,263	10,628	11,005
Accounts receivable, net of	5,491	5,472	5,766	6,622	5,854	6,685	6,701	6,979	7,489	7,848	8,172	8,321	8,739	8,905	9,177	9,465	9,759
Inventories	1,383	1,282	1,559	2,568	3,644	3,373	3,164	3,552	3,937	4,072	4,171	4,347	4,516	4,617	4,761	4,910	5,061
Financing receivables, net of	5,095	5,051	4,380	3,905	3,352	3,338	3,061	4,668	4,756	4,679	4,684	4,748	4,984	5,176	5,499	5,579	5,688
Other current assets	2,373	2,349	2,889	4,355	4,352	5,612	5,950	6,161	6,380	6,606	6,841	7,084	7,335	7,596	7,865	8,145	8,434
Total current assets	47,755	43,573	39,112	36,717	43,348	36,862	34,986	40,381	47,050	54,511	56,127	59,016	58,825	60,685	66,119	70,020	72,816
Property and equipment, gross	12,039	11,014	10,918	10,165	10,058	9,873	9,493	10,325	11,182	12,065	12,975	13,911	14,876	15,870	16,894	17,948	19,034
Property and equipment, net	2,789	2,453	2,338	1,997	2,085	2,090	2,113	2,945	3,802	4,685	5,595	6,531	7,496	8,490	9,514	10,568	11,654
Financing receivables, net	4,958	5,714	4,884	4,009	3,483	3,376	3,466	4,954	4,835	4,796	4,769	4,892	5,143	5,409	5,683	5,786	5,885
Goodwill	33,529	33,806	38,168	38,304	38,535	58,660	59,136	59,136	59,136	59,136	59,136	59,136	59,136	59,136	59,136	59,136	59,136
Purchased intangible assets	2,201	1,576	3,619	2,569	1,818	11,219	9,175	4,735	4,959	5,442	5,702	6,150	6,769	6,133	5,698	5,836	5,962
Deferred tax assets	4,065	3,990	4,360	4,449	6,576	6,262	7,356	6,262	6,262	6,262	6,262	6,262	6,262	6,262	6,262	6,262	6,262
Other assets	2,496	3,741	5,016	5,957	6,007	5,944	6,059	6,274	6,497	6,727	6,966	7,214	7,470	7,735	8,009	8,294	8,588
TOTAL ASSETS	97,793	94,853	97,497	94,002	101,852	124,413	122,291	124,687	132,541	141,560	144,557	149,201	151,101	153,849	160,421	165,902	170,302
LIABILITIES AND EQUITY																	
Current liabilities:																	
Short-term debt	10,191	3,005	2,508	1,099	1,733	11,341	5,232	4,167	4,620	5,110	5,940	6,837	6,045	6,080	6,473	6,819	7,138
Accounts payable	2,059	2,218	2,362	2,281	2,313	2,304	2,528	2,635	2,668	2,659	2,629	2,621	2,644	2,651	2,644	2,645	2,642
Income taxes payable, current	1,149	839	801	961	4,235	1,439	1,857	2,498	3,226	4,547	5,445	5,517	6,183	5,768	6,286	6,832	7,250
Accrued compensation	3,221	3,122	3,818	3,316	3,984	3,608	3,611	4,043	4,084	4,119	4,044	4,064	4,040	4,037	4,061	4,064	4,061
Deferred revenue, current	10,668	11,406	12,148	12,784	13,908	16,249	16,416	15,275	15,678	15,915	16,078	16,228	16,434	16,167	15,968	16,067	16,122
Other current liabilities	4,424	4,741	4,620	5,199	5,136	5,643	5,420	5,612	5,812	6,018	6,232	6,453	6,682	6,919	7,165	7,419	7,682
Total current liabilities	31,712	25,331	26,257	25,640	31,309	40,584	35,064	31,732	32,861	33,821	34,922	36,203	35,845	35,854	36,310	37,014	37,646
Long-term debt	14,475	11,578	9,018	8,416	6,658	19,621	22,861	14,770	14,933	15,773	16,809	18,548	18,685	17,807	18,321	18,940	19,521
Income taxes payable	8,927	8,837	8,538	7,725	5,756	3,985	2,165	7,477	8,395	10,158	10,603	11,475	12,423	13,089	13,670	14,440	15,187
Deferred revenue	7,799	9,040	10,016	10,480	11,642	12,226	12,363	12,013	12,428	12,617	12,678	12,730	12,780	12,639	12,555	12,632	12,662
Other long-term liabilities	1,309	2,147	2,393	1,968	2,134	2,540	2,995	3,101	3,211	3,325	3,443	3,566	3,692	3,823	3,959	4,100	4,245
Total liabilities	64,222	56,933	56,222	54,229	57,499	78,956	75,448	69,095	71,829	75,694	78,455	82,522	83,426	83,212	84,815	87,127	89,261
Equity:																	
Cisco stockholders' equity:																	
Common stock and additional paid-in capital	40,266	41,202	42,346	42,714	44,289	45,800	47,747	50,709	51,597	51,597	51,597	51,597	51,597	51,597	51,597	51,597	51,597
Retained earnings	(5,903)	(2,763)	(654)	(1,319)	1,639	1,087	50	2,581	(2,257)	(7,038)	(11,796)	(16,489)	(12,798)	(16,555)	(20,281)	(23,904)	(27,404)
Accumulated other comprehensive income	(792)	(519)	(417)	(1,622)	(1,575)	(1,430)	(954)	(954)	(954)	(954)	(954)	(954)	(954)	(954)	(954)	(954)	(954)
Total equity	33,571	37,920	41,275	39,773	44,353	45,457	46,843	52,335	48,386	43,605	38,847	34,154	37,846	34,088	30,362	26,739	23,239
TOTAL LIABILITIES AND EQUITY	97,793	94,853	97,497	94,002	101,852	124,413	122,291	121,430	120,214	119,299	117,302	116,676	121,272	117,300	115,177	113,866	112,501

CISCO SYSTEMS, INC.
Historical Cash Flow Statement

<i>Fiscal Years Ending July 26</i>	2019	2020	2021	2022	2023	2024	2025
Cash flows from operating activities:							
Net income	11,621	11,214	10,591	11,812	12,613	10,320	10,180
Adjustments to reconcile net income to net cash provided by operating activities:							
Depreciation, amortization, and other	1,897	1,808	1,862	1,957	1,726	2,507	2,811
Share-based compensation expense	1,570	1,569	1,761	1,886	2,353	3,074	3,641
Provision for receivables	40	93	(6)	55	31	34	24
Deferred income taxes	(350)	(38)	(384)	(309)	(2,085)	(972)	(1,133)
(Gains) losses on divestitures, investments and other, net	(24)	(138)	(354)	(453)	206	215	(38)
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:							
Accounts receivable	(84)	(107)	(107)	(1,009)	734	(289)	(22)
Inventories	131	84	(244)	(1,030)	(1,069)	275	209
Financing receivables	(249)	(797)	1,577	1,241	1,102	76	214
Other assets	(955)	96	(797)	(1,615)	5	(671)	(499)
Accounts payable	87	141	(53)	(55)	27	(90)	257
Income taxes, net	312	(322)	(549)	(690)	1,218	(4,539)	(1,839)
Accrued compensation	277	(78)	643	(427)	651	(696)	(53)
Deferred revenue	1,407	2,011	1,560	1,328	2,326	1,220	248
Other liabilities	151	(110)	(46)	535	48	416	193
Net cash provided by operating activities	15,831	15,426	15,454	13,226	19,886	10,880	14,193
Cash flows from investing activities:							
Purchases of investments	(2,416)	(9,212)	(9,328)	(6,070)	(10,871)	(4,230)	(4,589)
Proceeds from sales of investments	7,388	5,631	3,373	2,660	1,054	4,136	2,643
Proceeds from maturities of investments	12,928	7,975	8,409	5,686	5,978	6,367	4,943
Acquisitions, net of cash and cash equivalents acquired	(2,175)				(301)	(25,994)	(291)
Purchases of investments in privately held companies		(327)	(7,038)	(373)	(185)	(284)	(383)
Return of investments in privately held companies	(148)	(190)	(175)	(186)	90	202	306
Acquisition of property and equipment	159	224	194	237	(849)	(670)	(905)
Other	(909)	(770)	(692)	(477)	(23)	(5)	9
Net cash provided by (used in) investing activities	22	179	28	91	(5,107)	(20,478)	1,733
Cash flows from financing activities:							
Issuances of common stock	14,837	3,500	(5,285)	1,553	700	714	736
Repurchases of common stock - repurchase program					(4,293)	(5,787)	(6,000)
Issuances of common stock	640	655	643	660			
Shares repurchased for tax withholdings on vesting of restricted stock	(20,717)	(2,659)	(2,877)	(7,689)	(597)	(992)	(1,222)
Short-term borrowings, original maturities of 90 days or less	(862)	(727)	(636)	(692)	(602)	478	(31)
Issuances of debt	2,250	-	-	1,049	-	31,818	19,292
Repayments of debt	3,446	(3,470)	(5)	606	(500)	(9,826)	(22,073)
Repayments of Splunk convertible debt, net of capped call	(6,780)	(6,720)	(3,000)	(3,550)	-	(3,140)	-
Dividends paid	(5,979)	(6,016)	(6,163)	(6,224)	(6,302)	(6,384)	(6,437)
Other	113	81	(59)	(122)	(32)	(37)	(80)
Net cash provided by (used in) financing activities	(27,889)	(18,856)	(12,097)	(15,962)	(11,626)	6,844	(15,815)
Effect of foreign currency exchange rate changes on cash, cash equivalents, restricted cash and restricted investments		(30)	58	(180)	(105)	(31)	(43)
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted investments	2,779	40	(1,870)	(1,363)	3,048	(2,785)	68
Cash, cash equivalents, restricted cash and restricted investments at beginning of year	8,993	11,772	11,812	9,942	8,579	11,627	8,842
Cash, cash equivalents, restricted cash and restricted investments at end of year	11,772	11,812	9,942	8,579	11,627	8,842	8,910
Supplemental cash flow information:							
Cash paid for interest	892	603	438	355	376	583	1,500
Cash paid for income taxes, net	2,986	3,116	3,604	3,663	3,571	7,426	3,892

CISCO SYSTEMS, INC.
Forecasted Cash Flow Statement

<i>Fiscal Years Ending July 26</i>	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Cash at beginning of period	8,346	10,981	16,163	22,685	23,332	25,273	23,680	24,479	28,554	31,294
NET INCOME	9,104	10,597	13,388	14,423	15,351	16,254	17,001	17,956	19,097	20,097
Adjustments to reconcile net income to cash										
Amoritzation	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Changes in Operating Activities										
Change in Accounts receivable, net of allow	(278)	(509)	(360)	(323)	(149)	(418)	(167)	(272)	(288)	(294)
Change in Inventories	(388)	(385)	(135)	(99)	(176)	(168)	(102)	(143)	(149)	(151)
Change in Financing receivables, net curren	(1,607)	(89)	77	(5)	(64)	(236)	(191)	(323)	(80)	(110)
Change in Other current assets	(211)	(219)	(226)	(235)	(243)	(251)	(260)	(270)	(279)	(289)
Change in Deferred tax assets	1,094	0	0	0	0	-	-	-	-	-
Change in Other assets	(215)	(223)	(231)	(239)	(247)	(256)	(265)	(275)	(284)	(294)
Change in Financing receivables, net	(1,488)	119	39	27	(123)	(251)	(266)	(274)	(103)	(99)
Change in Accounts payable	107	33	(8)	(31)	(7)	23	7	(8)	1	(3)
Change in Income taxes payable, current	641	727	1,321	898	72	666	(415)	518	545	418
Change in Accrued compensation	432	40	35	(75)	21	(24)	(3)	25	3	(3)
Change in Deferred revenue, current	(1,141)	403	237	163	150	206	(267)	(199)	99	55
Change in Other current liabilities	192	199	206	214	221	229	237	246	254	263
Change in Income taxes payable	5,312	917	1,764	444	872	948	665	581	771	747
Change in Deferred revenue	(350)	415	188	62	51	50	(141)	(84)	77	29
Net cash from operating activities	11,205	12,027	16,295	15,224	15,730	16,772	15,832	17,478	19,664	20,367
Changes in Investing Activities										
Change in Investments	(276)	(285)	(296)	(306)	(317)	(328)	(340)	(352)	(364)	(377)
Change in Property and equipment, gross	(832)	(857)	(883)	(909)	(937)	(965)	(994)	(1,024)	(1,054)	(1,086)
Change in Purchased intangible assets, net	4,440	(224)	(483)	(260)	(448)	(619)	636	435	(138)	(125)
Net cash from investing	3,333	(1,367)	(1,662)	(1,476)	(1,701)	(1,912)	(698)	(941)	(1,556)	(1,589)
Changes in Financing Activities										
Change in Short-term debt	(1,065)	453	490	830	897	(792)	35	392	347	318
Change in Long-term debt	(8,091)	162	840	1,036	1,740	137	(878)	514	619	581
Change in Other long-term liabilities	106	110	114	118	122	127	131	136	141	146
Change in Common stock and additional pa	2,962	889	-	-	-	-	-	-	-	-
Change in Repurchase of common stock	(5,000)	(5,150)	(5,305)	(5,464)	(5,628)	(5,796)	(5,970)	(6,149)	(6,334)	(6,524)
Change in Dividends Paid	(6,574)	(6,708)	(6,780)	(6,823)	(6,865)	(6,905)	(6,944)	(6,981)	(7,017)	(7,052)
Net cash from financing	(12,661)	(5,094)	(5,337)	(4,839)	(4,106)	(7,434)	(7,656)	(5,939)	(5,911)	(6,007)
Cash at the end of the period	10,981	16,163	22,685	23,332	25,273	23,680	24,479	28,554	31,294	32,868

CISCO SYSTEMS, INC.
Common Size Income Statement

Fiscal Years Ending July 26	2019	2020	2021	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
REVENUE:																					
Product	75.15%	72.98%	72.29%	73.87%	73.53%	73.61%	76.12%	73.74%	75.69%	72.96%	73.44%	74.68%	75.41%	75.67%	75.88%	75.93%	76.00%	75.94%	75.99%	75.97%	75.98%
Services	24.85%	27.02%	27.71%	26.13%	26.47%	26.39%	23.88%	26.26%	24.31%	27.04%	26.56%	25.32%	24.59%	24.33%	24.12%	24.07%	24.00%	24.06%	24.01%	24.03%	24.02%
Total revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
COST OF SALES:																					
Product	28.64%	26.77%	26.70%	28.47%	28.06%	28.10%	28.39%	28.73%	29.11%	26.65%	26.69%	27.07%	27.27%	27.30%	27.35%	27.34%	27.35%	27.30%	27.29%	27.26%	27.24%
Services	8.43%	8.96%	9.28%	9.10%	8.66%	8.63%	8.26%	8.72%	8.17%	8.62%	8.37%	7.96%	7.72%	7.62%	7.54%	7.52%	7.49%	7.50%	7.48%	7.48%	7.47%
Total cost of sales	37.06%	35.74%	35.98%	37.57%	36.72%	36.73%	36.64%	37.45%	37.27%	35.27%	35.06%	35.04%	34.99%	34.92%	34.90%	34.86%	34.84%	34.80%	34.77%	34.74%	34.70%
GROSS MARGIN	62.94%	64.26%	64.02%	62.43%	63.28%	63.27%	63.36%	62.55%	62.73%	64.73%	64.94%	64.96%	65.01%	65.08%	65.10%	65.14%	65.16%	65.20%	65.23%	65.26%	65.30%
OPERATING EXPENSES:																					
Research and developme	12.67%	12.87%	13.15%	13.29%	13.13%	13.31%	13.47%	13.14%	13.25%	14.84%	16.42%	16.01%	15.61%	15.22%	15.07%	14.92%	14.77%	14.62%	14.48%	14.33%	14.19%
Sales and marketing	18.44%	18.60%	18.59%	17.53%	17.81%	17.21%	17.34%	17.62%	17.33%	19.26%	19.36%	18.87%	18.40%	17.95%	17.77%	17.59%	17.42%	17.24%	17.07%	16.90%	16.74%
General and administrativ	3.52%	3.90%	4.32%	4.27%	4.28%	4.03%	4.40%	4.08%	4.35%	5.23%	5.28%	5.15%	5.02%	4.90%	4.85%	4.80%	4.75%	4.71%	4.66%	4.61%	4.57%
Amortization of purchase	0.29%	0.29%	0.43%	0.65%	0.62%	0.60%	0.48%	0.61%	0.49%	1.30%	1.81%	3.02%	2.30%	2.09%	1.83%	1.38%	1.15%	0.92%	0.64%	0.19%	0.00%
Restructuring and other c	0.62%	0.98%	1.78%	0.04%	0.02%	0.00%	0.60%	0.01%	0.93%	1.47%	1.31%	1.28%	1.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total operating expenses	35.54%	36.64%	38.26%	35.78%	35.86%	35.15%	36.28%	35.45%	36.36%	42.09%	44.18%	44.33%	42.59%	40.16%	39.52%	38.69%	38.09%	37.49%	36.84%	36.03%	35.49%
OPERATING INCOME	27.39%	27.63%	25.76%	26.65%	27.41%	28.13%	27.08%	27.09%	26.37%	22.64%	20.76%	20.63%	22.42%	24.93%	25.59%	26.44%	27.08%	27.71%	28.39%	29.23%	29.81%
Interest income	2.52%	1.87%	1.24%	0.94%	0.87%	0.90%	1.80%	0.92%	1.69%	2.54%	1.77%	0.94%	1.05%	1.30%	1.60%	1.60%	1.65%	1.55%	1.55%	1.70%	1.78%
Interest expense	-1.65%	-1.19%	-0.87%	-0.69%	-0.69%	-0.70%	-0.75%	-0.70%	-0.75%	-1.87%	-2.81%	-1.89%	-1.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other income (loss), net	-0.19%	0.03%	0.49%	1.45%	0.73%	1.29%	-0.97%	0.76%	-0.44%	-0.57%	-0.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest and other income	0.68%	0.71%	0.86%	1.70%	0.91%	1.49%	0.08%	0.99%	0.50%	0.10%	-1.16%	-0.94%	-0.82%	1.30%	1.60%	1.60%	1.65%	1.55%	1.55%	1.70%	1.78%
INCOME BEFORE PROVISION FOR	28.07%	28.34%	26.62%	28.35%	28.33%	29.61%	27.16%	28.08%	26.87%	22.74%	19.59%	19.69%	21.61%	26.22%	27.18%	28.04%	28.73%	29.26%	29.94%	30.93%	31.59%
Provision for income tax	5.68%	5.59%	5.36%	5.25%	4.95%	5.90%	5.11%	5.17%	4.75%	3.56%	1.62%	4.67%	5.12%	6.22%	6.44%	6.65%	6.81%	6.93%	7.10%	7.33%	7.49%
NET INCOME	22.39%	22.75%	21.26%	23.10%	23.37%	23.72%	22.04%	22.91%	22.13%	19.18%	17.97%	15.02%	16.49%	20.01%	20.74%	21.39%	21.92%	22.33%	22.84%	23.60%	24.10%

CISCO SYSTEMS, INC.
Common Size Balance Sheet

<i>Fiscal Years Ending July 26</i>	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
ASSETS																	
Current assets:																	
Cash and cash equivalents	22.64%	23.95%	18.42%	13.73%	17.76%	13.95%	14.73%	18.12%	25.15%	33.90%	33.55%	35.22%	31.94%	32.15%	36.33%	38.67%	39.42%
Investments	41.74%	35.72%	30.80%	23.64%	28.11%	19.23%	13.70%	13.27%	12.95%	12.88%	12.84%	12.88%	12.91%	13.02%	13.06%	13.13%	13.20%
Accounts receivable, net of	10.58%	11.10%	11.57%	12.84%	10.27%	12.42%	11.83%	11.52%	11.65%	11.73%	11.75%	11.60%	11.79%	11.69%	11.68%	11.70%	11.70%
Inventories	2.66%	2.60%	3.13%	4.98%	6.39%	6.27%	5.58%	5.86%	6.13%	6.09%	6.00%	6.06%	6.09%	6.06%	6.06%	6.07%	6.07%
Financing receivables, net	9.82%	10.25%	8.79%	7.57%	5.88%	6.20%	5.40%	7.70%	7.40%	6.99%	6.74%	6.62%	6.72%	6.80%	7.00%	6.89%	6.82%
Other current assets	4.57%	4.76%	5.80%	8.45%	7.64%	10.43%	10.50%	10.17%	9.93%	9.87%	9.84%	9.87%	9.89%	9.97%	10.01%	10.07%	10.12%
Total current assets	92.01%	88.38%	78.51%	71.22%	76.05%	68.51%	61.75%	66.63%	73.20%	81.47%	80.72%	82.25%	79.34%	79.69%	84.12%	86.54%	87.33%
Property and equipment, net	5.37%	4.98%	4.69%	3.87%	3.66%	3.88%	3.73%	4.86%	5.92%	7.00%	8.05%	9.10%	10.11%	11.15%	12.10%	13.06%	13.98%
Financing receivables, net	9.55%	11.59%	9.80%	7.78%	6.11%	6.27%	6.12%	8.18%	7.52%	7.17%	6.86%	6.82%	6.94%	7.10%	7.23%	7.15%	7.06%
Goodwill	64.60%	68.57%	76.61%	74.29%	67.61%	109.03%	104.38%	97.58%	92.01%	88.38%	85.05%	82.42%	79.76%	77.66%	75.23%	73.08%	70.93%
Purchased intangible assets	4.24%	3.20%	7.26%	4.98%	3.19%	20.85%	16.19%	7.81%	7.71%	8.13%	8.20%	8.57%	9.13%	8.05%	7.25%	7.21%	7.15%
Deferred tax assets	7.83%	8.09%	8.75%	8.63%	11.54%	11.64%	12.98%	10.33%	9.74%	9.36%	9.01%	8.73%	8.45%	8.22%	7.97%	7.74%	7.51%
Other assets	4.81%	7.59%	10.07%	11.55%	10.54%	11.05%	10.69%	10.35%	10.11%	10.05%	10.02%	10.05%	10.07%	10.16%	10.19%	10.25%	10.30%
TOTAL ASSETS	188.41%	192.40%	195.71%	182.33%	178.69%	231.24%	215.86%	205.75%	206.21%	211.57%	207.89%	207.94%	203.79%	202.03%	204.09%	205.03%	204.25%
LIABILITIES AND EQUITY																	
Current liabilities:																	
Short-term debt	19.63%	6.10%	5.03%	2.13%	3.04%	21.08%	9.24%	6.88%	7.19%	7.64%	8.54%	9.53%	8.15%	7.98%	8.23%	8.43%	8.56%
Accounts payable	3.97%	4.50%	4.74%	4.42%	4.06%	4.28%	4.46%	4.35%	4.15%	3.97%	3.78%	3.65%	3.57%	3.48%	3.36%	3.27%	3.17%
Income taxes payable, current	2.21%	1.70%	1.61%	1.86%	7.43%	2.67%	3.28%	4.12%	5.02%	6.80%	7.83%	7.69%	8.34%	7.57%	8.00%	8.44%	8.70%
Accrued compensation	6.21%	6.33%	7.66%	6.43%	6.99%	6.71%	6.37%	6.67%	6.35%	6.16%	5.82%	5.66%	5.45%	5.30%	5.17%	5.02%	4.87%
Deferred revenue	20.55%	23.14%	24.38%	24.80%	24.40%	30.20%	28.98%	25.21%	24.39%	23.79%	23.12%	22.62%	22.16%	21.23%	20.31%	19.86%	19.34%
Other current liabilities	8.52%	9.62%	9.27%	10.08%	9.01%	10.49%	9.57%	9.26%	9.04%	8.99%	8.96%	8.99%	9.01%	9.09%	9.12%	9.17%	9.21%
Total current liabilities	61.10%	51.38%	52.71%	49.73%	54.93%	75.43%	61.89%	52.36%	51.13%	50.55%	50.22%	50.46%	48.34%	47.08%	46.19%	45.74%	45.15%
Long-term debt	27.89%	23.48%	18.10%	16.32%	11.68%	36.47%	40.35%	24.37%	23.23%	23.57%	24.17%	25.85%	25.20%	23.38%	23.31%	23.41%	23.41%
Income taxes payable	17.20%	17.92%	17.14%	14.98%	10.10%	7.41%	3.82%	12.34%	13.06%	15.18%	15.25%	15.99%	16.76%	17.19%	17.39%	17.85%	18.22%
Deferred revenue	15.03%	18.34%	20.11%	20.33%	20.43%	22.72%	21.82%	19.82%	19.34%	18.86%	18.23%	17.74%	17.24%	16.60%	15.97%	15.61%	15.19%
Other long-term liabilities	2.52%	4.35%	4.80%	3.82%	3.74%	4.72%	5.29%	5.12%	5.00%	4.97%	4.95%	4.97%	4.98%	5.02%	5.04%	5.07%	5.09%
Total liabilities	123.73%	115.48%	112.85%	105.18%	100.88%	146.75%	133.17%	114.02%	111.75%	113.13%	112.83%	115.01%	112.52%	109.27%	107.90%	107.68%	107.06%
Equity:																	
Cisco stockholders' equity:																	
Preferred stock, \$0.001 par value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common stock and additional paid-in capital	77.58%	83.57%	85.00%	82.85%	77.70%	85.13%	84.28%	83.68%	80.28%	77.12%	74.20%	71.91%	69.59%	67.76%	65.64%	63.77%	61.88%
Retained earnings	-11.37%	-5.60%	-1.31%	-2.56%	2.88%	2.02%	0.09%	4.26%	-3.51%	-10.52%	-16.96%	-22.98%	-17.26%	-21.74%	-25.80%	-29.54%	-32.87%
Accumulated other comprehensive income	-1.53%	-1.05%	-0.84%	-3.15%	-2.76%	-2.66%	-1.68%	-1.57%	-1.48%	-1.43%	-1.37%	-1.33%	-1.29%	-1.25%	-1.21%	-1.18%	-1.14%
Total equity	64.68%	76.92%	82.85%	77.14%	77.82%	84.49%	82.68%	86.36%	75.28%	65.17%	55.87%	47.60%	51.04%	44.76%	38.63%	33.05%	27.87%
TOTAL LIABILITIES AND EQUITY	188.41%	192.40%	195.71%	182.33%	178.69%	231.24%	215.86%	200.38%	187.04%	178.30%	168.70%	162.61%	163.56%	154.04%	146.53%	140.72%	134.93%

CISCO SYSTEMS, INC.
Value Driver Estimation

Fiscal Years Ending July 26	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
NOPLAT:																
EBITA																
Revenue	49,301	49,818	51,557	56,998	53,803	56,654	60,600	64,274	66,909	69,535	71,752	74,145	76,151	78,603	80,915	83,378
COGS (-)	17,618	17,924	19,309	21,245	18,975	19,864	21,234	22,489	23,363	24,265	25,016	25,829	26,500	27,330	28,108	28,936
SM (-)	9,169	9,259	6,774	7,551	7,983	9,300	9,701	10,033	-	10,478	10,705	10,951	11,135	11,379	11,597	11,831
GAS (-)	1,925	2,152	2,101	2,478	2,813	2,992	3,121	3,228	3,276	3,371	3,444	3,524	3,583	3,661	3,732	3,807
R&D (-)	6,347	6,549	6,774	7,551	7,983	9,300	9,701	10,033	10,184	10,478	10,705	10,951	11,135	11,379	11,597	11,831
Amortization of purchased intangible as	141	215	313	282	698	1,028	1,828	1,480	1,401	1,275	991	850	700	500	150	-
Restructuring and other charges (-)	481	886	6	531	789	744	776	803	-	-	-	-	-	-	-	-
EBITA	13,620	12,833	16,280	17,360	14,562	13,426	14,240	16,209	28,685	19,669	20,892	22,041	23,097	24,353	25,731	26,973
Implied Marginal Tax Rate	23.00%	25.20%	23.50%	23.30%	23.50%	23.00%	23.70%	23.70%	23.70%	23.70%	23.70%	23.70%	23.70%	23.70%	23.70%	23.70%
Adjusted Taxes																
Provision for income taxes	2,756	2,671	2,665	2,705	1,914	920	2,828	3,291	4,159	4,480	4,768	5,049	5,281	5,577	5,932	6,242
Tax shield on interest expense (+)	212	156	112	224	321	230	136	160	206	263	271	290	280	289	327	353
Tax on interest or investment income (-)	212	156	112	224	321	230	136	160	206	263	271	290	280	289	327	353
Tax shield on Other income (loss), net	3	62	92	(58)	(72)	(16)	-	-	-	-	-	-	-	-	-	-
Tax shield on Interest and other income	81	108	119	67	12	(152)	(135)	(124)	206	263	271	290	280	289	327	353
Total Adjusted Taxes	2,840	2,841	2,877	2,714	1,855	753	2,693	3,167	4,365	4,743	5,040	5,339	5,560	5,867	6,258	6,595
Deferred Tax Assets	2,218	2,362	2,281	2,313	2,304	2,528	2,635	2,668	2,659	2,629	2,621	2,644	2,651	2,644	2,645	2,642
Change in Deferred Tax Assets	(1,847)	144	(81)	32	(9)	224	107	33	(8)	(31)	(7)	23	7	(8)	1	(3)
NOPLAT	8,933	10,136	13,323	14,678	12,698	12,897	11,654	13,075	24,312	14,895	15,845	16,725	17,544	18,478	19,474	20,375
Invested Capital (IC):																
Operating Working Capital																
Normal Cash	6,769	6,840	7,079	7,826	7,387	7,779	8,321	8,825	9,187	9,547	9,852	10,180	10,456	10,793	11,110	11,448
Accounts receivable (+)	5,472	5,766	6,622	5,854	6,685	6,701	6,979	7,489	7,848	8,172	8,321	8,739	8,905	9,177	9,465	9,759
Inventory (+)	1,282	1,559	2,568	3,644	3,373	3,164	3,552	3,937	4,072	4,171	4,347	4,516	4,617	4,761	4,910	5,061
Financing receivables, net current (+)	5,051	4,380	3,905	3,352	3,338	3,061	4,668	4,756	4,679	4,684	4,748	4,984	5,176	5,499	5,579	5,688
Other current assets (+)	2,349	2,889	4,355	4,352	5,612	5,950	6,161	6,380	6,606	6,841	7,084	7,335	7,596	7,865	8,145	8,434
Operating Current Assets (Non-Interest Bearing)	20,923	21,434	24,529	25,028	26,395	26,655	29,681	31,387	32,393	33,416	34,352	35,754	36,750	38,094	39,209	40,391
Accounts payable (-)	2,218	2,362	2,281	2,313	2,304	2,528	2,635	2,668	2,659	2,629	2,621	2,644	2,651	2,644	2,645	2,642
Income taxes payable, current (-)	839	801	961	4,235	1,439	1,857	2,498	3,226	4,547	5,445	5,517	6,183	5,768	6,286	6,832	7,250
Accrued compensation (-)	3,122	3,818	3,316	3,984	3,608	3,611	4,043	4,084	4,119	4,044	4,064	4,040	4,037	4,061	4,064	4,061
Other current liabilities (-)	4,741	4,620	5,199	5,136	5,643	5,420	5,612	5,812	6,018	6,232	6,453	6,682	6,919	7,165	7,419	7,682
Operating Current Liabilities (Non-Interest Bearing)	10,920	11,601	11,757	15,668	12,994	13,416	14,789	15,788	17,343	18,349	18,656	19,549	19,375	20,156	20,960	21,636
Long-term Operating Assets	7,770	10,973	10,523	9,910	19,253	17,347	13,954	15,258	16,855	18,263	19,895	21,735	22,358	23,221	24,698	26,203
Income taxes payable, current (-)	839	801	961	4,235	1,439	1,857	2,498	3,226	4,547	5,445	5,517	6,183	5,768	6,286	6,832	7,250
Deferred revenue, current (-)	11,406	12,148	12,784	13,908	16,249	16,416	15,275	15,678	15,915	16,078	16,228	16,434	16,167	15,968	16,067	16,122
Deferred revenue (-)	9,040	10,016	10,480	11,642	12,226	12,363	12,013	12,428	12,617	12,678	12,730	12,780	12,639	12,555	12,632	12,662
Long-term Operating Liabilities	21,285	22,965	24,225	29,785	29,914	30,636	29,787	31,332	33,078	34,201	34,475	35,397	34,574	34,809	35,531	36,034
Invested Capital	(3,512)	(2,159)	(930)	(10,515)	2,740	(50)	(941)	(476)	(1,173)	(871)	1,116	2,543	5,159	6,350	7,416	8,925
Free Cash Flow (FCF):																
NOPLAT	8,933	10,136	13,323	14,678	12,698	12,897	11,654	13,075	24,312	14,895	15,845	16,725	17,544	18,478	19,474	20,375
Change in IC	(1,997)	1,353	1,229	(9,585)	13,255	(2,791)	(890)	465	(698)	302	1,987	1,427	2,616	1,192	1,065	1,509
FCF	10,930	8,783	12,094	24,263	(557)	15,688	12,544	12,610	25,010	14,592	13,857	15,298	14,928	17,287	18,409	18,866
Return on Invested Capital (ROIC):																
NOPLAT	8,933	10,136	13,323	14,678	12,698	12,897	11,654	13,075	24,312	14,895	15,845	16,725	17,544	18,478	19,474	20,375
Beginning IC	(1,514)	(3,512)	(2,159)	(930)	(10,515)	2,740	(50)	(941)	(476)	(1,173)	(871)	1,116	2,543	5,159	6,350	7,416
ROIC	-589.89%	-288.63%	-617.13%	-1578.27%	-120.77%	470.64%	-23233.93%	-1390.14%	-5111.23%	-1269.43%	-1819.24%	1498.37%	689.87%	358.19%	306.66%	274.75%
Economic Profit (EP):																
Beginning IC	(1,514)	(3,512)	(2,159)	(930)	(10,515)	2,740	(50)	(941)	(1,173)	(871)	1,116	2,543	5,159	6,350	7,416	8,925
x (ROIC - WACC)	-598.23%	-296.97%	-625.47%	-1586.61%	-129.10%	462.30%	-23242.27%	-1398.48%	-5119.56%	-1277.77%	-1827.58%	1490.03%	681.54%	349.85%	298.32%	266.41%
EP	9,059	10,429	13,503	14,755	13,575	12,669	11,658	13,153	60,070	11,129	(20,399)	37,892	35,159	22,217	22,123	23,777

CISCO SYSTEMS, INC.

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	3.98%
Beta	0.97
Equity Risk Premium	5.00%
Cost of Equity	8.83%

ASSUMPTIONS:

U.S. 10Y Treasury
Bloomberg Raw
HF Consensus

Cost of Debt:

Risk-Free Rate	3.98%
Implied Default Premium	0.52%
Pre-Tax Cost of Debt	4.50%
Marginal Tax Rate	23.70%
After-Tax Cost of Debt	3.43%

CSCO 2035 Maturity

Market Value of Common Equity:

Total Shares Outstanding	3,960
Current Stock Price	\$74.45
MV of Equity	294,822

MV Weights

90.86%

Market Value of Debt:

Short-Term Debt	5,232
Long-Term Debt	22,861
PV of Operating Leases	1,550
MV of Total Debt	29,643.00

9.14%

Market Value of the Firm 324,465

100.00%

Estimated WACC

8.34%

CISCO SYSTEMS, INC.

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

<i>Fiscal Years Ending</i>	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EPS	\$ 2.30	\$ 2.70	\$ 3.46	\$ 3.79	\$ 4.10	\$ 4.41	\$ 4.69	\$ 5.03	\$ 5.43	\$ 5.80

Key Assumptions

CV growth of EPS	3.20%
CV Year ROE	25.00%
Cost of Equity	8.83%

Future Cash Flows

P/E Multiple (CV Year)																15.48		
EPS (CV Year)																\$ 5.80		
Future Stock Price																\$ 89.79		
Dividends Per Share	1.66	\$	1.70	\$	1.74	\$	1.78	\$	1.82	\$	1.86	\$	1.90	\$	1.94	\$	1.98	
Discounted Cash Flows	1.53		1.44		1.35		1.27		1.19		1.12		1.05		0.99		0.92	41.92

Intrinsic Value as of Last FYE	\$ 52.77
Implied Price as of Today	\$ 53.64

CISCO SYSTEMS, INC.*Relative Valuation Models*

Ticker	Company	Price	EPS 2026E	EPS 2027E	P/E 26	P/E 27	Est. 5yr EPS gr.	PEG 26	PEG 27
ANET	Arista Networks, Inc.	\$156.81	\$3.31	\$3.97	47.37	39.50	19.4	2.44	2.04
CIEN	Ciena Corporation	\$182.54	\$4.40	\$5.52	41.49	33.07	45.3	0.92	0.73
DELL	Dell Technologies, Inc.	\$162.19	\$9.53	\$11.24	17.02	14.43	13.5	1.26	1.07
HPE	Hewlett Packard Enterp	\$24.18	\$2.40	\$2.74	10.08	8.82	12.7	0.79	0.69
PANW	Palo Alto Networks, Inc.	\$220.29	\$3.81	\$4.31	57.82	51.11	17.0	3.40	3.01
IBM	International Business M	\$313.09	\$12.14	\$12.90	25.79	24.27	6.0	4.30	4.05
UI	Ubiquiti Inc.	\$744.51	\$11.78	\$11.96	63.20	62.25	3.0	21.07	20.75
MSI	Motorola Solutions, Inc.	\$443.99	\$16.13	\$17.79	27.53	24.96	10.0	2.75	2.50
Average					36.29	32.30		4.62	4.35

CSCO	CISCO SYSTEMS, INC.	\$74.45	\$1.66	\$1.70	44.8	43.8	9.9	4.5	4.4
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Implied Relative Value:

P/E (EPS24)	\$ 60.24
P/E (EPS25)	\$ 54.91
PEG (EPS24)	\$ 75.78
PEG (EPS25)	\$ 73.18

CISCO SYSTEMS, INC.
Key Management Ratios

Fiscal Years Ending July 26	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Liquidity Ratios:																
Current Ratio Current Assets / Current Liabilities	1.72	1.49	1.43	1.38	0.91	1.00	1.27	1.43	1.61	1.61	1.63	1.64	1.69	1.82	1.89	1.93
Quick Ratio (Current Assets - Inventory) / Current Liabilities	1.67	1.43	1.33	1.27	0.83	0.91	1.16	1.31	1.49	1.49	1.51	1.52	1.56	1.69	1.76	1.80
Cash Ratio (Cash + Marketable Securities) / Current Liabilities	1.16	0.93	0.75	0.84	0.44	0.46	0.60	0.75	0.93	0.92	0.95	0.93	0.96	1.07	1.13	1.17
Asset-Management Ratios:																
Asset Turnover Ratio Sales/ Average Total Assets	0.13	0.13	0.13	0.15	0.12	0.11	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.13	0.12	0.12
Inventory Turnover Ratio COGS / Average Inventory	13.22	12.62	9.36	6.84	5.41	6.08	6.32	5.67	5.83	5.89	5.87	5.83	5.80	5.83	5.81	5.80
Accounts Recievable Turnover Sales/ Average Accounts Recievable	8.99	8.87	8.32	9.14	8.58	2.18	8.86	8.38	8.73	8.68	8.70	8.69	8.63	8.69	8.68	8.67
Financial Leverage Ratios:																
Debt-to-Assets Ratio (Short-term Debt + Long-term Debt) / Total Assets	0.15	0.12	0.10	0.08	0.25	0.23	0.15	0.15	0.15	0.16	0.17	0.16	0.16	0.15	0.16	0.16
Debt-to-Equity Ratio (Short-term Debt + Long-term Debt) / Total Equity	0.38	0.28	0.24	0.19	0.68	0.60	0.36	0.40	0.48	0.59	0.74	0.65	0.70	0.82	0.96	1.15
Interest Coverage Ratio EBIT / Interest Expense	(23.31)	(30.13)	(39.89)	(34.62)	(11.80)	(7.34)	(10.94)	(10.94)	-	-	-	-	-	-	-	-
Profitability Ratios:																
Return on Assets Net Income / Total Assets	11.82%	10.86%	12.57%	12.38%	8.29%	8.32%	7.30%	6.87%	9.46%	9.98%	10.29%	10.76%	11.05%	11.19%	11.51%	11.80%
Return on Equity Net Income / Beg Total Equity	33.40%	27.93%	28.62%	31.71%	23.27%	22.39%	19.44%	17.40%	27.67%	33.08%	39.52%	47.59%	44.92%	52.67%	62.90%	75.16%
Gross Margin Gross Profit / Sales	64.26%	64.02%	62.55%	62.73%	64.73%	64.94%	64.96%	64.96%	65.08%	65.10%	65.14%	65.16%	65.20%	65.23%	65.26%	65.30%
Operating Margin Operating Profit / Sales	42.99%	40.24%	43.32%	26.37%	34.97%	31.97%	31.76%	31.76%	38.30%	39.30%	40.60%	41.55%	42.50%	43.52%	44.79%	45.65%
Net Margin Net Profit / Sales	22.75%	21.26%	22.91%	22.13%	19.18%	17.97%	15.02%	15.02%	20.01%	20.74%	21.39%	21.92%	22.33%	22.84%	23.60%	24.10%
Payout Policy Ratios:																
Dividend Payout Ratio Dividend / EPS	53.58%	58.17%	53.00%	50.00%	61.96%	63.28%	72.07%	72.07%	50.23%	46.93%	44.37%	42.15%	40.53%	38.59%	36.47%	34.83%
Total Payout Ratio ((Dividends + Repurchases) / Net Income)	103.21%	111.96%	102.31%	97.42%	121.05%	124.77%	141.85%	144.22%	99.72%	94.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CISCO SYSTEMS, INC.
Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	69
Average Time to Maturity (years):	1.30
Expected Annual Number of Options Exercised:	53

Current Average Strike Price:	\$ 55.80
Cost of Equity:	8.83%
Current Stock Price:	\$74.45

Fiscal Years Ending July 26	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Increase in Shares Outstanding:	53	16								
Average Strike Price:	\$ 55.80	\$ 55.80	\$ 55.80	\$ 55.80	\$ 55.80	\$ 55.80	\$ 55.80	\$ 55.80	\$ 55.80	\$ 55.80
Increase in Common Stock Account:	2,962	889	-	-	-	-	-	-	-	-
Share Repurchases (\$)	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524
Expected Price of Repurchased Shares:	\$74.45	\$ 79.02	\$ 83.86	\$ 89.00	\$ 94.46	\$ 100.25	\$ 106.40	\$ 112.92	\$ 119.85	\$ 127.20
Number of Shares Repurchased:	67	65	63	61	60	58	56	54	53	51
Shares Outstanding (beginning of the year)	3,960	3,946	3,897	3,833	3,772	3,712	3,655	3,599	3,544	3,491
Plus: Shares Issued Through ESOP	53	16	0	0	0	0	0	0	0	0
Less: Shares Repurchased in Treasury	67	65	63	61	60	58	56	54	53	51
Shares Outstanding (end of the year)	3,946	3,897	3,833	3,772	3,712	3,655	3,599	3,544	3,491	3,440