

ModernGraham Valuation

Company Name:

Cisco Systems, Inc.

Company Ticker CSCO

Date of Analysis

11/4/2015



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$144,576,261,714	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	3.23	Pass
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	52.97%	Pass
5. Earnings Growth	PEmg < 20	15.50	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	2.44	Pass
7. Moderate Price to Assets			

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	3.23	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.41	Pass
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

Suitability

Defensive	Yes
Enterprising	Yes

Stage 2: Determination of Intrinsic Value

EPSmg	\$1.83
MG Growth Estimate	6.11%
MG Value	\$37.94
MG Value based on 3% Growth	\$26.56
MG Value based on 0% Growth	\$15.57
Market Implied Growth Rate	3.50%

MG Opinion

Current Price	\$28.40
% of Intrinsic Value	74.85%
Opinion	Undervalued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	\$4.39
Graham Number	\$23.89
PEmg	15.50
Current Ratio	3.23
PB Ratio	2.44
Dividend Yield	2.82%
Number of Consecutive Years of Dividend Growth	6

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$2.16	Next Fiscal Year Estimate	\$1.83
Jul15	\$1.75	Jul15	\$1.63
Jul14	\$1.49	Jul14	\$1.54
Jul13	\$1.86	Jul13	\$1.50
Jul12	\$1.49	Jul12	\$1.30
Jul11	\$1.17	Jul11	\$1.21
Jul10	\$1.33	Jul10	\$1.20
Jul09	\$1.05	Jul09	\$1.11
Jul08	\$1.31	Jul08	\$1.08
Jul07	\$1.17	Jul07	\$0.92
Jul06	\$0.89	Jul06	\$0.74
Jul05	\$0.87	Jul05	\$0.58
Jul04	\$0.62	Jul04	\$0.40
Jul03	\$0.50	Jul03	\$0.27
Jul02	\$0.25	Jul02	\$0.17
Jul01	-\$0.14	Jul01	\$0.15
Jul00	\$0.36	Jul00	\$0.27
Jul99	\$0.29	Balance Sheet Information Jul15	
Jul98	\$0.20	Total Current Assets	\$76,283,000,000
Jul97	\$0.17	Total Current Liabilities	\$23,623,000,000
Jul96	\$0.16	Long-Term Debt	\$21,457,000,000
		Total Assets	\$113,481,000,000
		Intangible Assets	\$26,845,000,000
		Total Liabilities	\$53,783,000,000
		Shares Outstanding (Diluted Average)	5,131,000,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

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[CA Inc. Analysis – August 2015 Update \\$CA](#)
[The Best Companies of the Software Industry – August 2015](#)
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