ModernGraham Valuation

Company Name: Cisco Systems, Inc.

Company Ticker	CSCO
Date of Analysis	2/4/2016

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	$117,257,399,996	Pass
2.	Sufficiently Strong Financial Condition	Current Ratio > 2	3.35	Pass
3.	Earnings Stability	Positive EPS for 10 years prior		Pass
4.	Dividend Record	Dividend Payments for 10 years prior		Fail
5.	Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	49.01%	Pass
6.	Moderate PEmg Ratio	PEmg < 20	13.19	Pass
7.	Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	2.01	Pass

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	3.35	Pass
2.	Sufficiently Strong Financial Condition	Debt to NCA < 1.1	0.42	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	$1.79
MG Growth Estimate	5.57%
MG Value	**$35.06**
MG Value based on 3% Growth	$25.89
MG Value based on 0% Growth	$15.18
Market Implied Growth Rate	2.34%

MG Opinion

Current Price	$23.54
% of Intrinsic Value	67.15%
Opinion	**Undervalued**

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	$4.33
Graham Number	$23.16
PEmg	13.19
Current Ratio	3.35
PB Ratio	2.01
Dividend Yield	3.48%
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	$2.02	Next Fiscal Year Estimate	$1.79
Jul2015	$1.75	Jul2015	$1.63
Jul2014	$1.49	Jul2014	$1.54
Jul2013	$1.86	Jul2013	$1.50
Jul2012	$1.49	Jul2012	$1.30
Jul2011	$1.17	Jul2011	$1.21
Jul2010	$1.33	Jul2010	$1.20
Jul2009	$1.05	Jul2009	$1.11
Jul2008	$1.31	Jul2008	$1.08
Jul2007	$1.17	Jul2007	$0.92
Jul2006	$0.89	Jul2006	$0.74
Jul2005	$0.87	Jul2005	$0.58
Jul2004	$0.62	Jul2004	$0.40
Jul2003	$0.50	Jul2003	$0.27
Jul2002	$0.25	Jul2002	$0.17
Jul2001	-$0.14	Jul2001	$0.15
Jul2000	$0.36	Jul2000	$0.27
Jul1999	$0.29	**Balance Sheet Information**	Oct2015
Jul1998	$0.20	Total Current Assets	$73,946,000,000
Jul1997	$0.17	Total Current Liabilities	$22,100,000,000
Jul1996	$0.16	Long-Term Debt	$21,594,000,000
		Total Assets	$111,773,000,000
		Intangible Assets	$27,174,000,000
		Total Liabilities	$51,796,000,000
		Shares Outstanding (Diluted Average)	5,113,000,000

MG Value and Stock Price

EPSmg

Price and PEmg

Graham Number and Stock Price

Dividend History
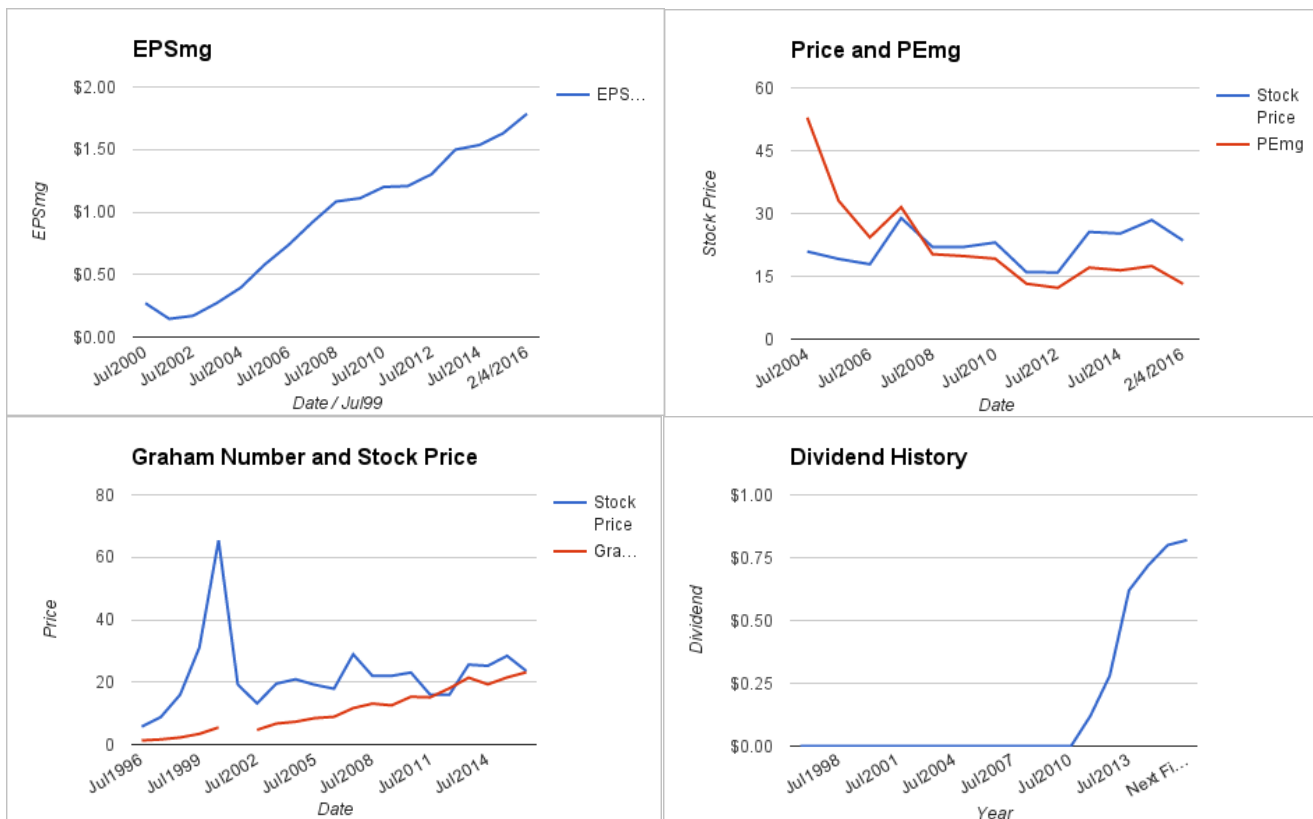
Disclaimer:

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:

Other ModernGraham posts about the company	10 Undervalued Companies for the Defensive Dividend Stock Investor – February 2016
	Cisco Systems Inc. Valuation – November 2015 Update $CSCO
	The Best Companies of the Software Industry – August 2015
	The 8 Best Stocks For Value Investors This Week – 8/8/15
	Cisco Systems Inc. Analysis – August 2015 Update $CSCO
Other ModernGraham posts about related companies	CA Inc Valuation – January 2016 Update $CA
	Intuit Inc Valuation – January 2016 Update $INTU
	Oracle Corporation Valuation – January 2016 Update $ORCL
	Ansys Inc. Valuation – November 2015 Update $ANSS
	Yahoo! Inc. Valuation – November 2015 Update $YHOO
	Microsoft Corporation Valuation – November 2015 Update $MSFT
	Cisco Systems Inc. Valuation – November 2015 Update $CSCO
	Alphabet Inc. Valuation – October 2015 Update $GOOG $GOOGL
	Intuit Inc. Analysis – October 2015 Update $INTU
	Oracle Corporation Analysis – October 2015 Update $ORCL