

# ModernGraham Valuation

Company Name:

Cisco Systems, Inc.

Company Ticker

CSCO

Date of Analysis

1/11/2017



## 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  | \$152,248,014,127 | Pass |
| 2. Sufficiently Strong Financial Condition | Current Ratio > 2  | 3.58              | 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 | 66.94%            | Pass |
| 5. Earnings Growth                         | PEmg < 20  | 15.17             | Pass |
| 6. Moderate PEmg Ratio                     | PB Ratio < 2.5 OR PB*PEmg < 50   | 2.43              | 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            | 3.58 | Pass |
| 2. Sufficiently Strong Financial Condition | Debt to NCA < 1.1              | 0.51 | 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 |
|  | Score                          |      |      |

### Suitability

|                     |            |
|---------------------|------------|
| <b>Defensive</b>    | <b>Yes</b> |
| <b>Enterprising</b> | <b>Yes</b> |

## Stage 2: Determination of Intrinsic Value

|                             |                |
|-----------------------------|----------------|
| EPSmg                       | \$2.00         |
| MG Growth Estimate          | 5.04%          |
| <b>MG Value</b>             | <b>\$37.19</b> |
| MG Value based on 3% Growth | \$29.03        |
| MG Value based on 0% Growth | \$17.02        |
| Market Implied Growth Rate  | 3.34%          |

### MG Opinion

|                      |                      |
|----------------------|----------------------|
| Current Price        | \$30.38              |
| % of Intrinsic Value | 81.69%               |
| <b>Opinion</b>       | <b>Fairly Valued</b> |
| <b>MG Grade</b>      | <b>B</b>             |

## Stage 3: Information for Further Research

|  |         |
|--|---------|
| Net Current Asset Value (NCAV)                 | \$4.00  |
| Graham Number                                  | \$25.55 |
| PEmg   | 15.17   |
| Current Ratio                                  | 3.58    |
| PB Ratio                                       | 2.43    |
| Current Dividend                               | \$0.99  |
| Dividend Yield                                 | 3.26%   |
| Number of Consecutive Years of Dividend Growth | 7       |

### Useful Links:

|  |                               |
|--|-------------------------------|
| <a href="#">ModernGraham tagged articles</a> | <a href="#">Morningstar</a>   |
| <a href="#">Google Finance</a>               | <a href="#">MSN Money</a>     |
| <a href="#">Yahoo Finance</a>                | <a href="#">Seeking Alpha</a> |
| <a href="#">GuruFocus</a>                    | <a href="#">SEC Filings</a>   |

| EPS History               |         | EPSmg History                              |                   |
|---------------------------|---------|--|-------------------|
| Next Fiscal Year Estimate | \$2.30  | Next Fiscal Year Estimate                  | \$2.00            |
| Jul2016                   | \$2.11  | Jul2016                                    | \$1.82            |
| 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  | <b>Balance Sheet Information 10/1/2016</b> |                   |
| Jul1999                   | \$0.29  | Total Current Assets                       | \$83,141,000,000  |
| Jul1998                   | \$0.20  | Total Current Liabilities                  | \$23,217,000,000  |
| Jul1997                   | \$0.17  | Long-Term Debt                             | \$30,634,000,000  |
|                           |         | Total Assets                               | \$126,287,000,000 |
|                           |         | Intangible Assets                          | \$29,120,000,000  |
|                           |         | Total Liabilities                          | \$62,881,000,000  |
|                           |         | Shares Outstanding (Diluted Average)       | 5,066,000,000     |





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:

Other  
ModernGraham  
posts about the  
company

[5 Undervalued Companies for the Defensive Investor Near 52 Week Lows – February 2016](#)  
[26 Best Stocks For Value Investors This Week – 2/6/16](#)  
[Cisco Systems Inc Valuation – February 2016 \\$CSCO](#)  
[10 Undervalued Companies for the Defensive Dividend Stock Investor – February 2016](#)  
[10 Undervalued Companies for the Defensive Dividend Stock Investor – December 2015](#)

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[Adobe Systems Inc Valuation – August 2016 \\$ADBE](#)  
[Microsoft Corporation Valuation – August 2016 \\$MSFT](#)  
[Cisco Systems Inc Valuation – August 2016 \\$CSCO](#)  
[Oracle Corporation Valuation – July 2016 \\$ORCL](#)  
[CA Inc Valuation – July 2016 \\$CA](#)  
[Red Hat Inc Valuation – June 2016 \\$RHT](#)  
[Yahoo! Inc Valuation – June 2016 \\$YHOO](#)  
[Alphabet Inc Valuation – June 2016 \\$GOOGL](#)  
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