

Cisco Systems (CSCO-US)

Sector: Technology

Company Overview

Cisco (CSCO) develops, manufactures, and sells networking hardware, software, telecommunications equipment and other high-technology services and products. It is one of the largest technology companies in the world, ranking 82nd on the Fortune 100 with over \$51 billion in revenue and nearly 83,300 employees.

Investment Thesis

JP Morgan (JPM) is of the view there is limited downside for enterprise spending and the stock offers a cheap valuation. JPM expects the magnitude of order moderation to be limited moving forward, following a decline in order trends over several quarters. Long-term, Cisco has tremendous opportunity to capitalize on the expansion of its software & subscription services.

Recent Developments

Better-than-guided margins drove a F2Q24 EPS beat, following lowered expectations last quarter. Revenue tracked to \$12.8 bn, towards the high-end of the guidance range of \$12.6-\$12.8 bn, which drove operating margins to 33.0% leading to EPS of \$0.87 vs. consensus of \$0.84, and guidance range of \$0.82-\$0.84.

Cisco reset full-year expectations. Full-year revenue is now being moderated to the range of \$51.5-\$52.5 bn (vs. JPM of \$52.8 bn, consensus of \$54.3 bn, and prior guidance of \$53.8-\$55.0 bn). Meanwhile, full-year EPS is now being guided to the range of \$3.68-\$3.74 (vs. JPM of \$3.75, consensus of \$3.87, and prior guidance of \$3.87-\$3.93). The aggregate of the lowered expectations for revenue and earnings for 2H of FY24 amount to a 5% reduction in both on a full-year basis when compared to the last outlook issued in F1Q, and about a 10% reduction when compared to the outlook at the start of the Fiscal year.

Price Target & Methodology

The stock is not rated by JPM.

Key Risks

1) Macroeconomic factors that may slowdown the current economic expansion; 2) Federal Reserve interest rate increases; and 3) Slowdown in IT spending.

Cisco Systems, Inc.			
Rating	Not Rated	Target Price	-
Current Price	49.91	Dividend	1.54
52-Week High	58.19	Yield	3.21%
52-Week Low	45.56	BVPS	10.91
Market Cap (\$M)	202,095	P/ BV	4.6x
FYE (MM/ DD) 7/ 29	2023A	2024E	2025E
EPS	3.81	3.75	3.88
P/ E	13.1x	13.3x	12.9x
EPS Growth	-	-1.6%	3.5%

