

Company	Cisco Systems		Date	09/17/15	
Prepared by	HARPER		Data taken from	BI Stock Data	
Where traded	NAS	Industry	Communication Equipment		
Capitalization --- Outstanding Amounts	Reference				
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	5,122.0	0.2	76.9		
Debt (\$M)	25,354.0	% to Tot Cap	29.8	% Pot Dil	0.7

Stock Selection Guide

Symbol: CSCO

1 VISUAL ANALYSIS of Sales, Earnings, and Price



FY 2015 Q4	Sales (\$M)	Earnings Per Share
Latest Quarter	12,843.0	0.45
Year Ago Quarter	12,357.0	0.43
Percentage Change	3.9%	4.6%

- | | | | |
|-----------------------------------|------|--|------|
| (1) Historical Sales Growth | 5.5% | (3) Historical Earnings Per Share Growth | 6.5% |
| (2) Estimated Future Sales Growth | 4.0% | (4) Estimated Future Earnings Per Share Growth | 2.6% |

2 EVALUATING Management

Cisco Systems

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Last 5 Year Avg.
Pre-tax Profit on Sales	26.8%	27.1%	25.9%	21.3%	23.5%	18.1%	22.1%	23.1%	20.6%	22.8%	21.3%
% Earned on Equity	22.6%	22.7%	22.5%	15.7%	17.1%	13.4%	15.4%	17.6%	13.6%	15.1%	15.0%
% Debt To Capital	20.9%	16.9%	16.7%	21.0%	25.7%	26.3%	24.1%	21.5%	27.0%	29.8%	25.7%

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

CLOSING PRICE 25.9 (9/17/2015)

HIGH THIS YEAR 30.31

LOW THIS YEAR 22.49

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
5 2011	24.9	14.8	1.17	21.3	12.7	0.12	10.3	0.8
6 2012	21.3	13.3	1.49	14.3	8.9	0.28	18.8	2.1
7 2013	26.2	15.7	1.86	14.1	8.4	0.62	33.4	4.0
8 2014	26.5	20.2	1.49	17.8	13.6	0.72	48.4	3.6
9 2015	30.3	22.5	1.75	17.4	12.9	0.80	45.8	3.6
AVERAGE		17.3		17.0	11.3		31.4	
CURRENT/TTM			1.75			0.84	48.1	
AVERAGE PRICE EARNINGS RATIO 14.1				CURRENT PRICE EARNINGS RATIO 14.8				

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 17.0 X Estimate High Earnings/Share 1.98 = Forecasted High Price \$ 33.7

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 11.3 X Estimate Low Earnings/Share 1.75 = Forecasted Low Price \$ 19.8

(b) Avg. Low Price of Last 5 Years 17.3

(c) Recent Market Low Price 20.2

(d) Price Dividend Will Support $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{0.80}{3.96\%} = 20.2$

Selected Forecasted Low Price \$ 17.3

C ZONING using 25%-50%-25%

Forecasted High Price 33.7 Minus Forecasted Low Price 17.3 = 16.4 Range. 25% of Range 4.1

Buy Zone 17.3 to 21.4

Hold Zone 21.4 to 29.6

Sell Zone 29.6 to 33.7

Present Market Price of 25.88 is in the **HOLD** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{33.7 - 25.88}{25.88 - 17.3} = \frac{7.8}{8.6} = 0.9$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{33.7 - 25.88}{25.88} = 1.30$ X 100 = 130.32 - 100 = 30.3 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{0.80}{25.88} = 0.03 = 3.2\%$ Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{31.4\%}{17.00} = 1.8\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{31.4\%}{14.15} = 2.2\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 5.4 %
Average Yield 1.8 %
Annualized Rate of Return 7.3 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 1.6 %
Average Yield 2.2 %
Annualized Rate of Return 3.9 %