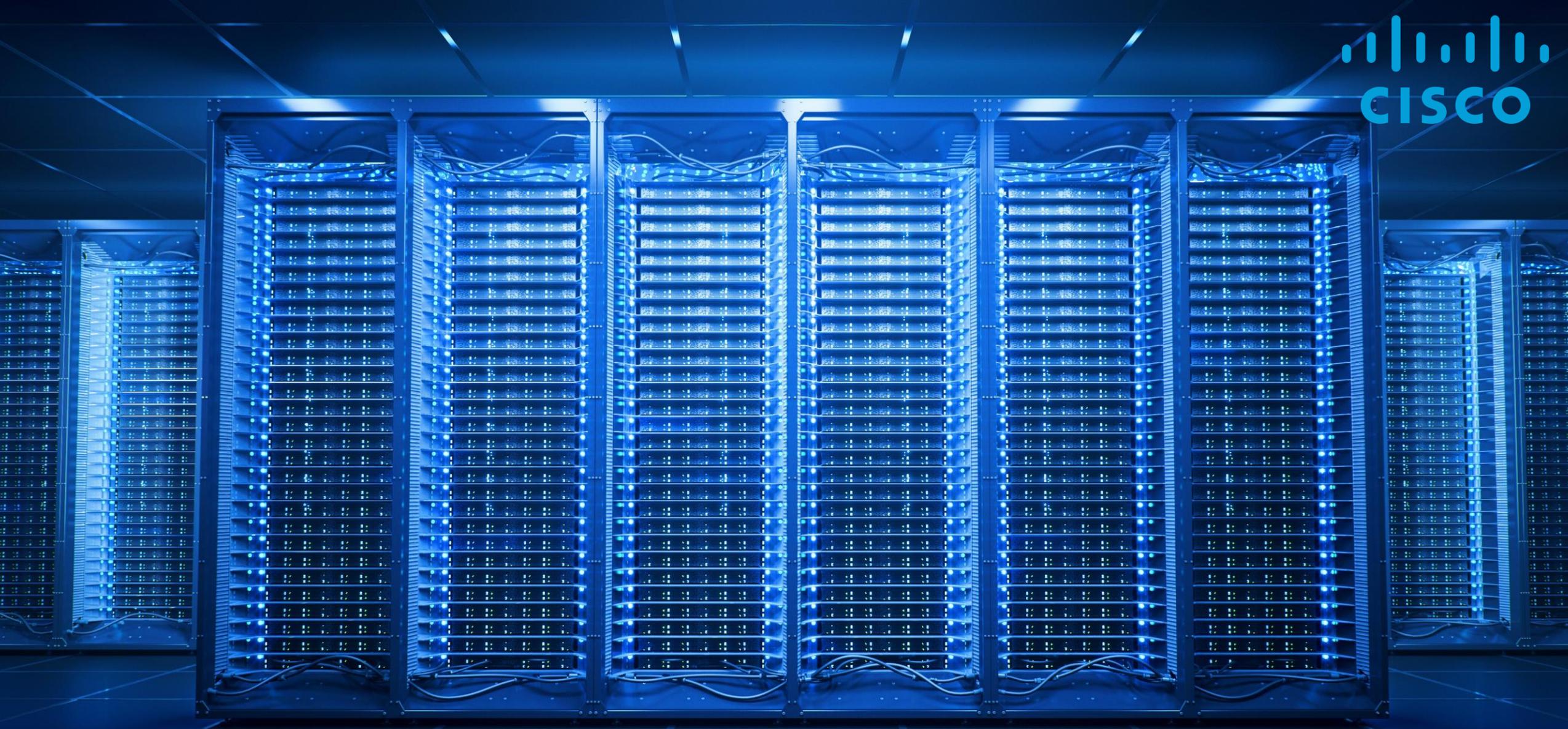




CISCO

Hindsight Portfolio Management



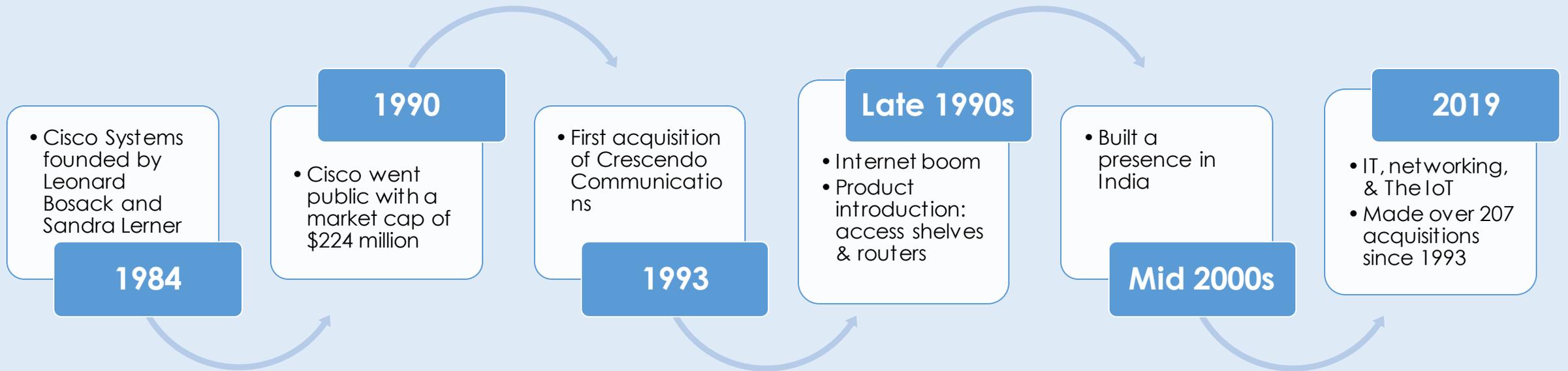
WHAT IS CISCO?

Current Info:

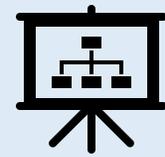
- Ticker: CSCO
- Industry: Technology
- Current Price: \$49.31
- Market Cap: \$209.34B



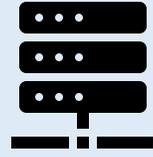
History:



What do they do?



Networking



Data Centers



Collaboration



Wireless & Mobility



Analytics



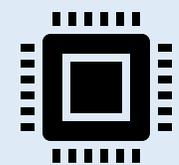
Internet of Things



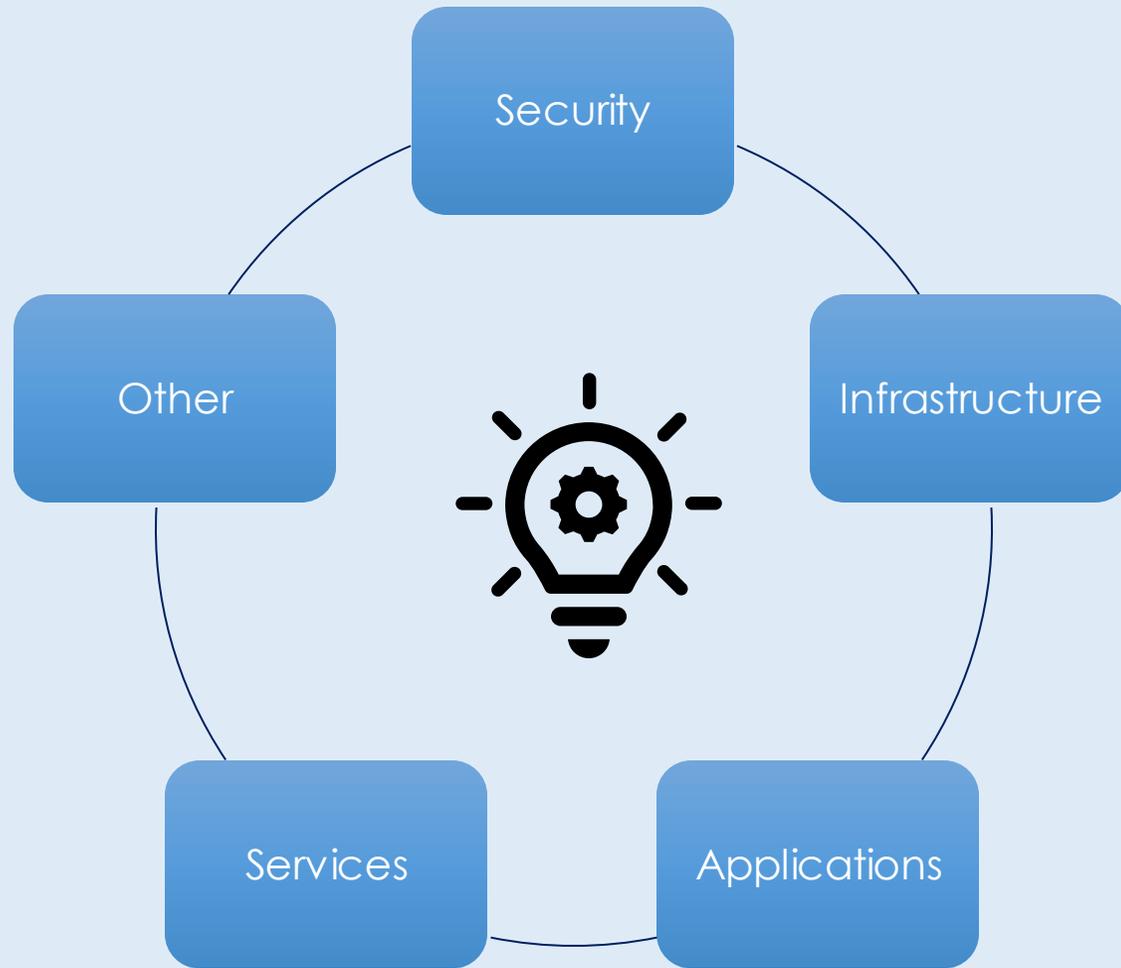
Security



Video



Software



Business Breakdown:

- Consist of our core networking technologies of
 - Switching,
 - Routing,
 - Wireless,
 - Data center products
- that are designed to work together to deliver networking capabilities and transport and/or store data

A decorative graphic on the left side of the slide, consisting of several overlapping squares in various shades of blue and grey. Some squares contain icons: a computer monitor and tower PC, a network cable with connectors, and a server rack.

Infrastructure:

- Consist primarily of:
 - Software-related offerings that
 - Utilize the core networking and
 - Data center platforms to provide their functions
- In fiscal 2019, we introduced
 - Cognitive Collaboration, integrating AI and machine learning across the Webex portfolio

A decorative graphic on the left side of the slide, consisting of several overlapping squares in various shades of blue and dark blue. Some squares contain icons: a computer monitor and tower PC, two network cables, and a server rack.

Applications:

- Technical support services help our customers ensure their products **operate efficiently**, remain **available**, and benefit from the **most up-to-date** system, and application software.
- Protect their **network investments**,
- **Manage risk**,
- **Minimize downtime** for systems running mission-critical applications.
- Cisco Smart Services

A decorative graphic on the left side of the slide, featuring overlapping squares in various shades of blue and grey. Some squares contain icons: a computer monitor and tower PC, a network cable with connectors, and a server rack.

Services:

- Network security,
- Cloud and email security,
- Identity and access management,
- Advanced threat protection, and
- Unified threat management products.
- Our offerings are powered by cloud-delivered threat intelligence based on our [Cisco Talos technology](#)

A decorative graphic on the left side of the slide, featuring overlapping squares in various shades of blue and grey. Some squares contain icons: a computer monitor and tower PC, a network cable, and a server rack.

Security:

- Cloud and system management products.
- On October 28, 2018, we completed the sale of the [Service Provider Video Software Solutions](#) business which was included in this category.

A decorative graphic on the left side of the slide, featuring several overlapping squares in various shades of blue and grey. Some squares contain icons: a computer monitor and tower PC, a network cable, and a server rack.

Other Products:

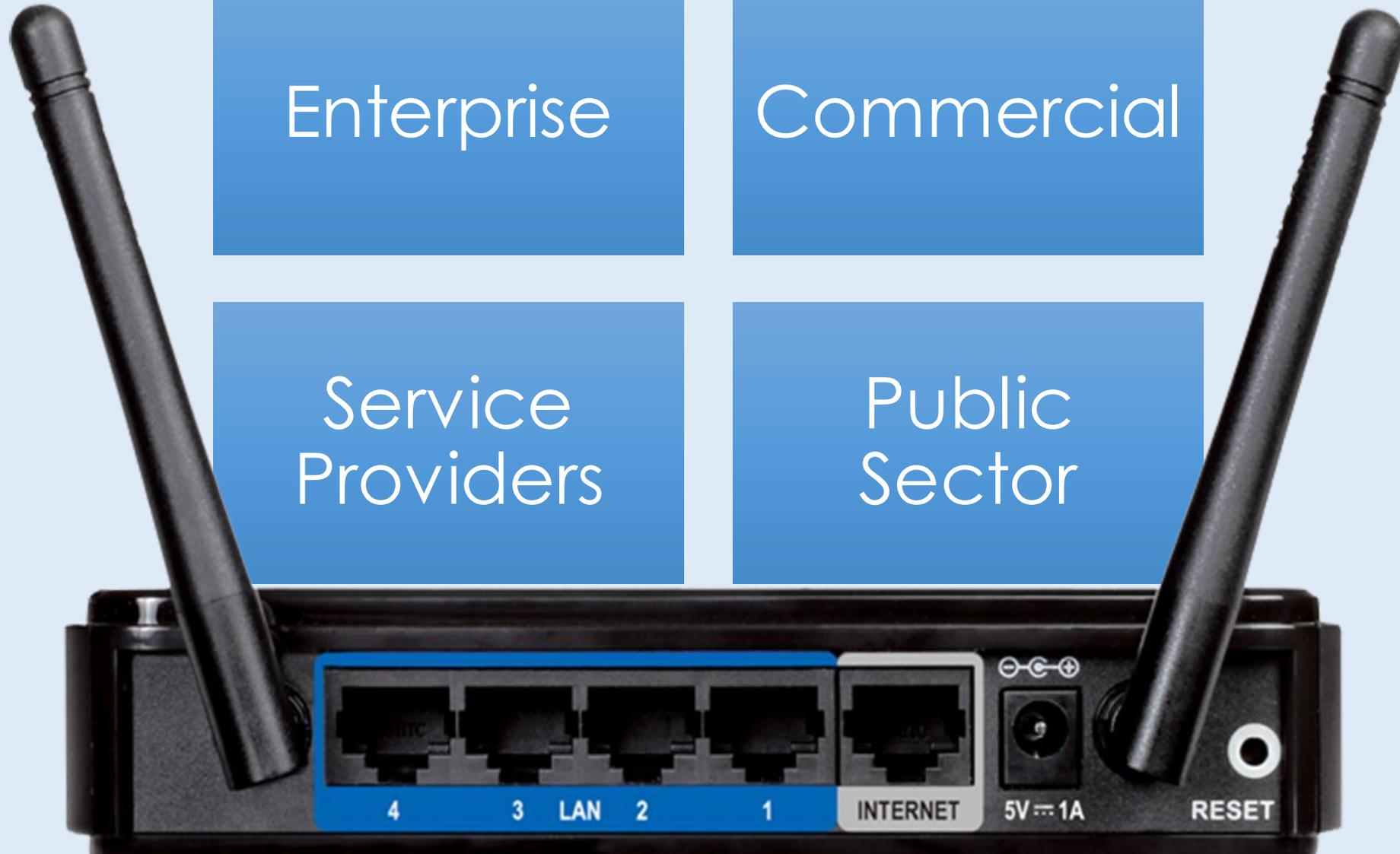
Customers & Markets:

Enterprise

Commercial

Service
Providers

Public
Sector



Enterprises:

- Large regional, national, or global organizations with multiple locations or branch offices
- Typically employ 1,000 or more employees.
- Many enterprise businesses have unique IT, collaboration, and networking needs within a multivendor environment

Commercial:

- Have fewer than 1,000 employees.
- We sell to the **larger, or midmarket, customers** within the commercial market
- Customers typically require the **latest advanced technologies** that our enterprise customers demand, but **with less complexity**.
- Require technologies that are **easy to configure, install, and maintain**.

Service Providers:

- Offer **data, voice, video, and mobile/wireless services**
- To businesses, governments, utilities, and consumers worldwide.
- Includes regional, national, and international **wireline** carriers, as well as **Internet, cable, and wireless providers**.
- **Media, broadcast, and content providers**

Public Sector:

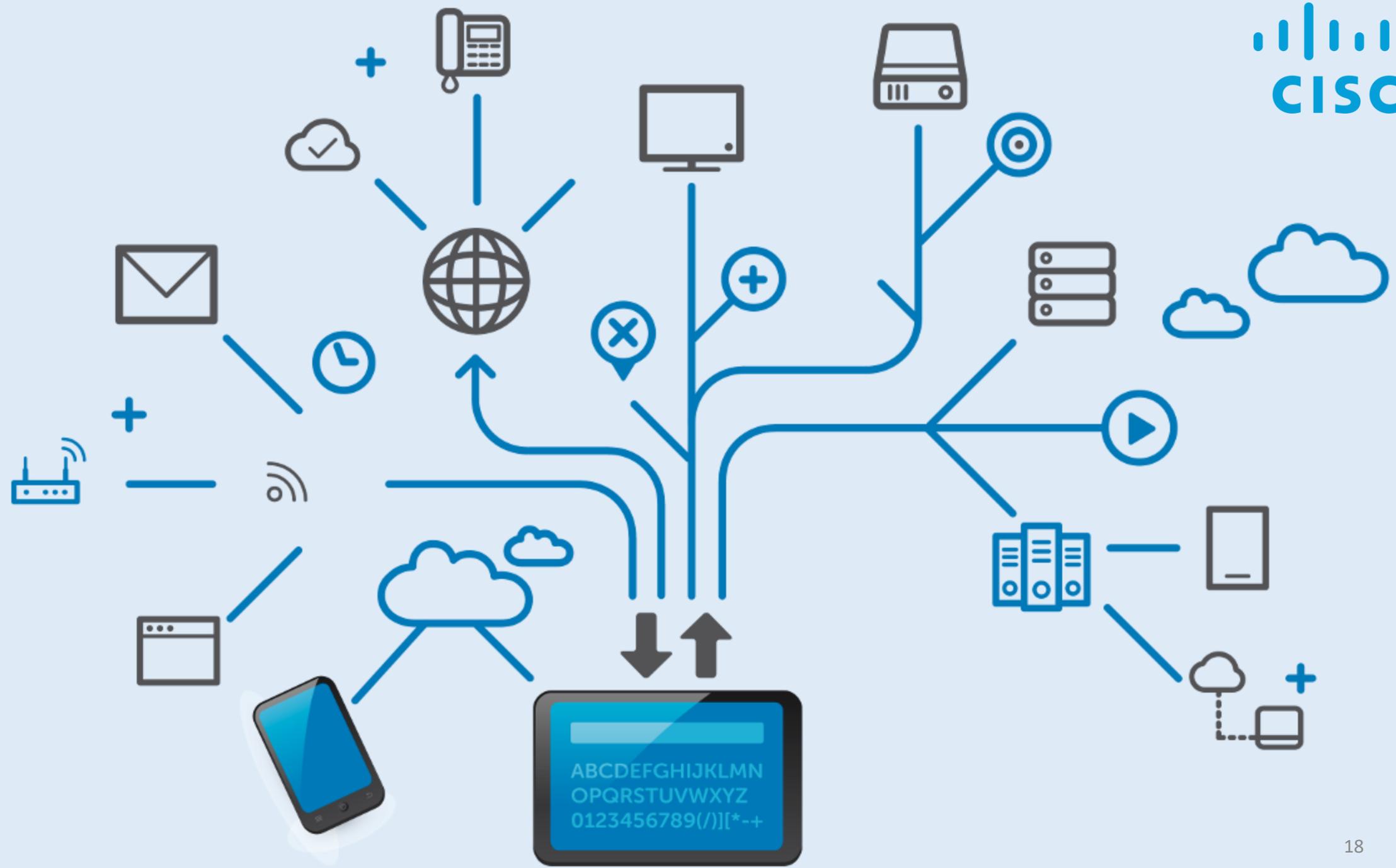
- Federal **governments**, state and local governments, as well as **educational** institution customers.
- Many public sector entities have **unique IT, collaboration, and networking needs** within a multi-vendor environment.

Products:



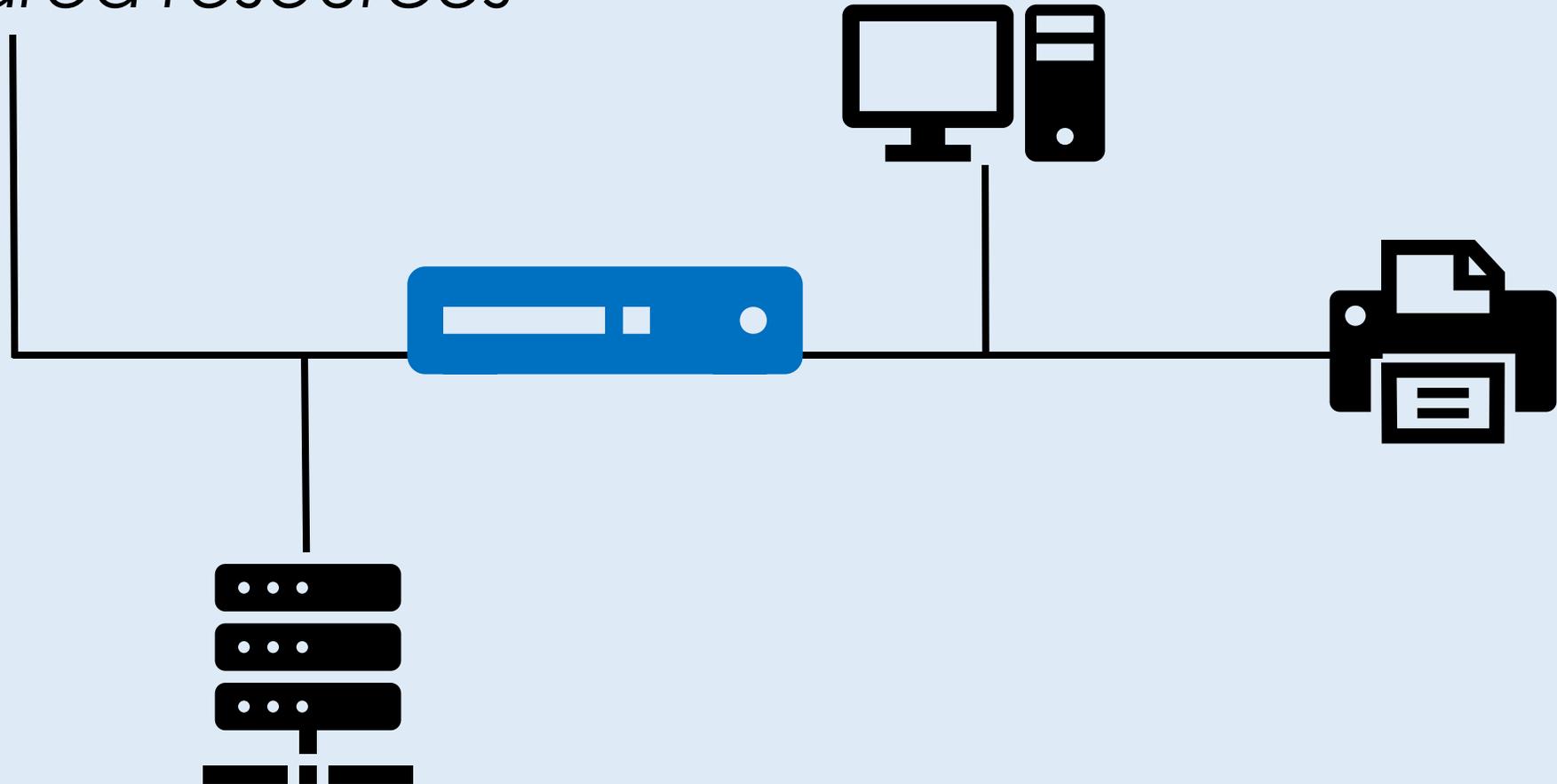
Switchers	Storage Networking	Access Points	Controllers
WAN Acceleration Hardware	Servers	Conferencing	Cloud, Email, & Web Security
Routers	Network Analytics	Video Endpoints	IoT Networking
Cisco ONE Software	Firewalls	Data Centre Switching	Building Management Systems





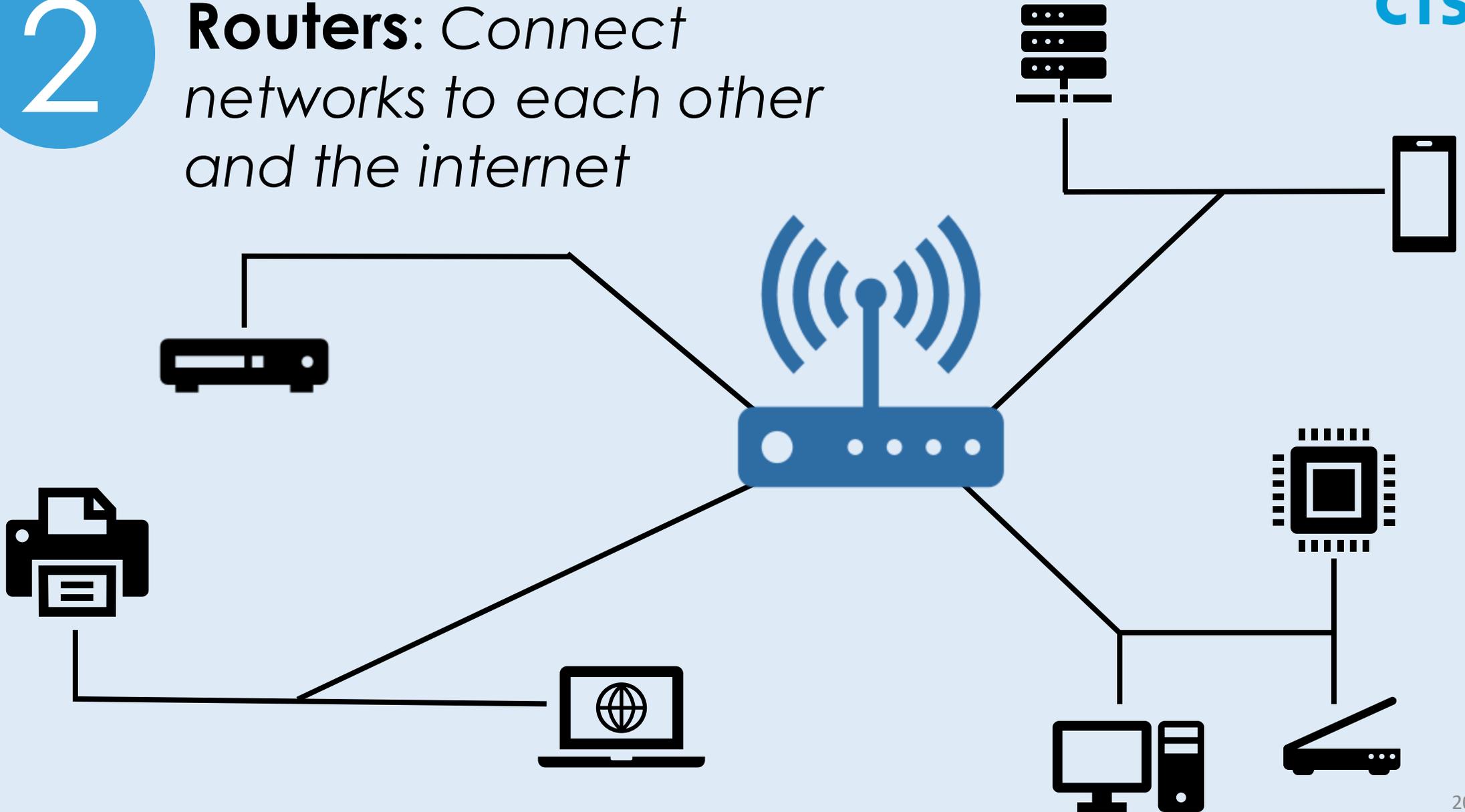
1

Switchers: *Create a network of shared resources*



2

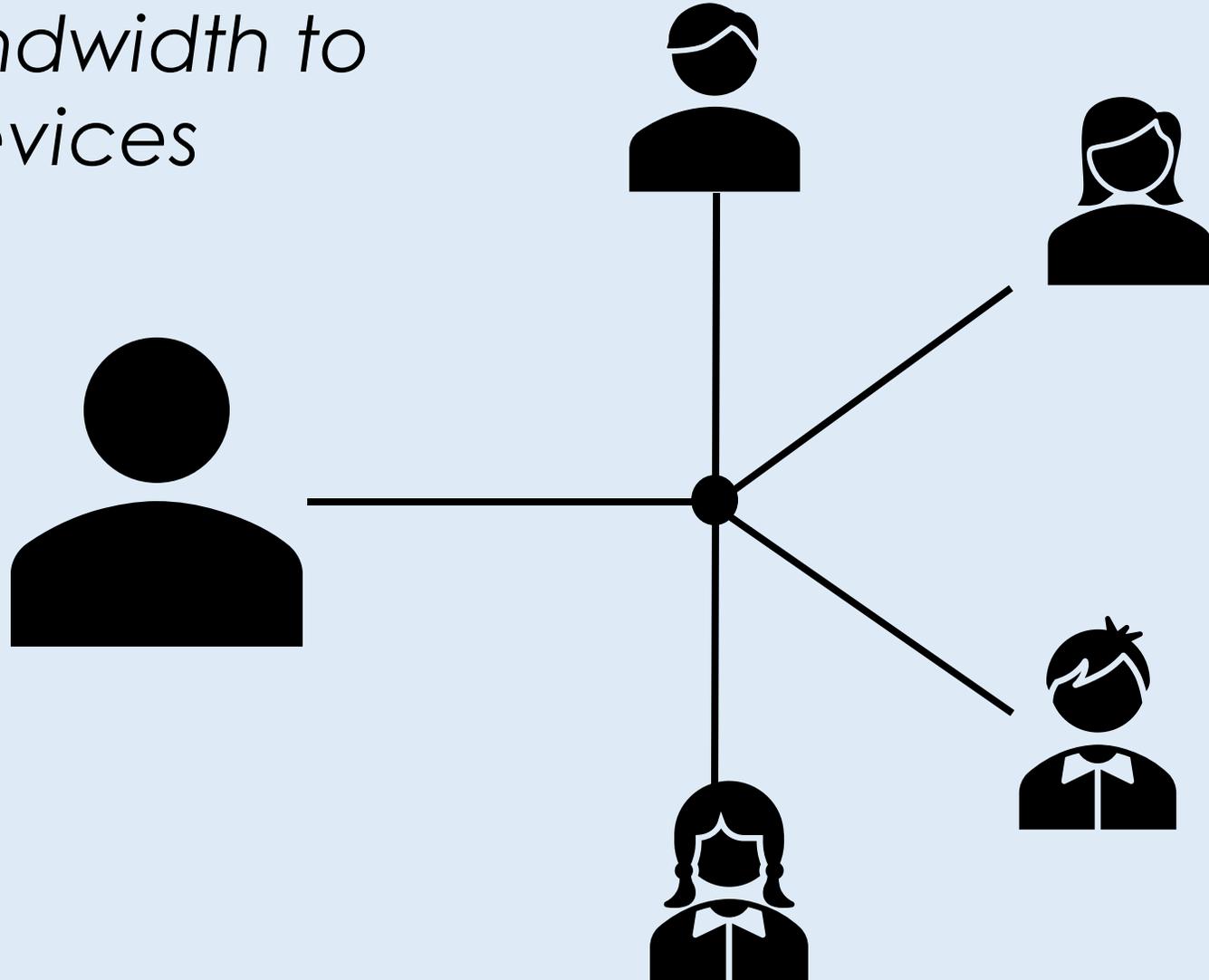
Routers: *Connect networks to each other and the internet*



3

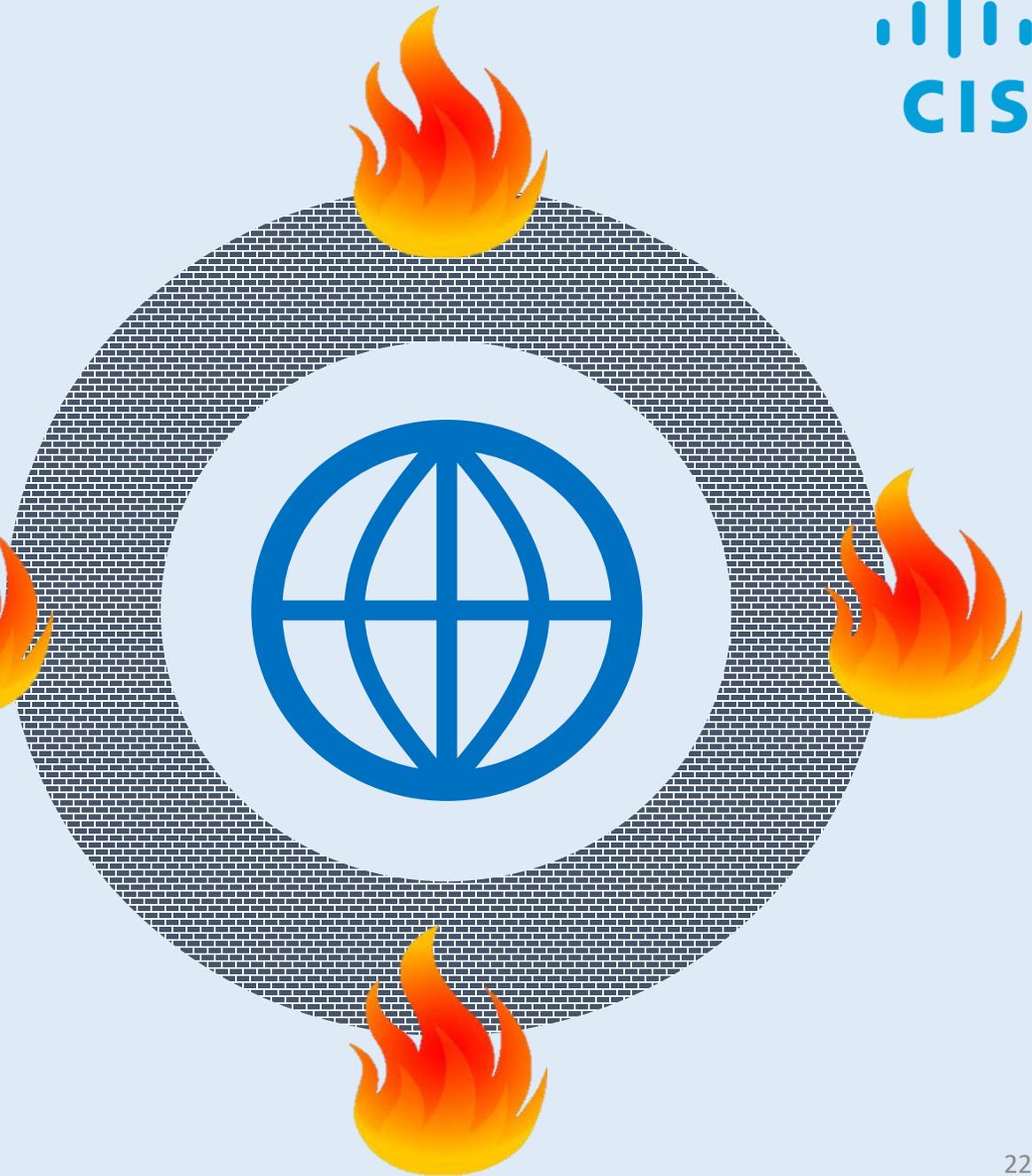
Wireless Access Points:

Extend bandwidth to multiple devices



4

Firewalls: *Provide a line of defense*



5

Security: *A layered approach*



Strategy:



Security is Foundational

- Industry-leading Cisco's Threat Intelligence Research Team

Create Meaningful Experiences

- Make collaboration more effective and comprehensive and less complex

Unlock the Power of Data

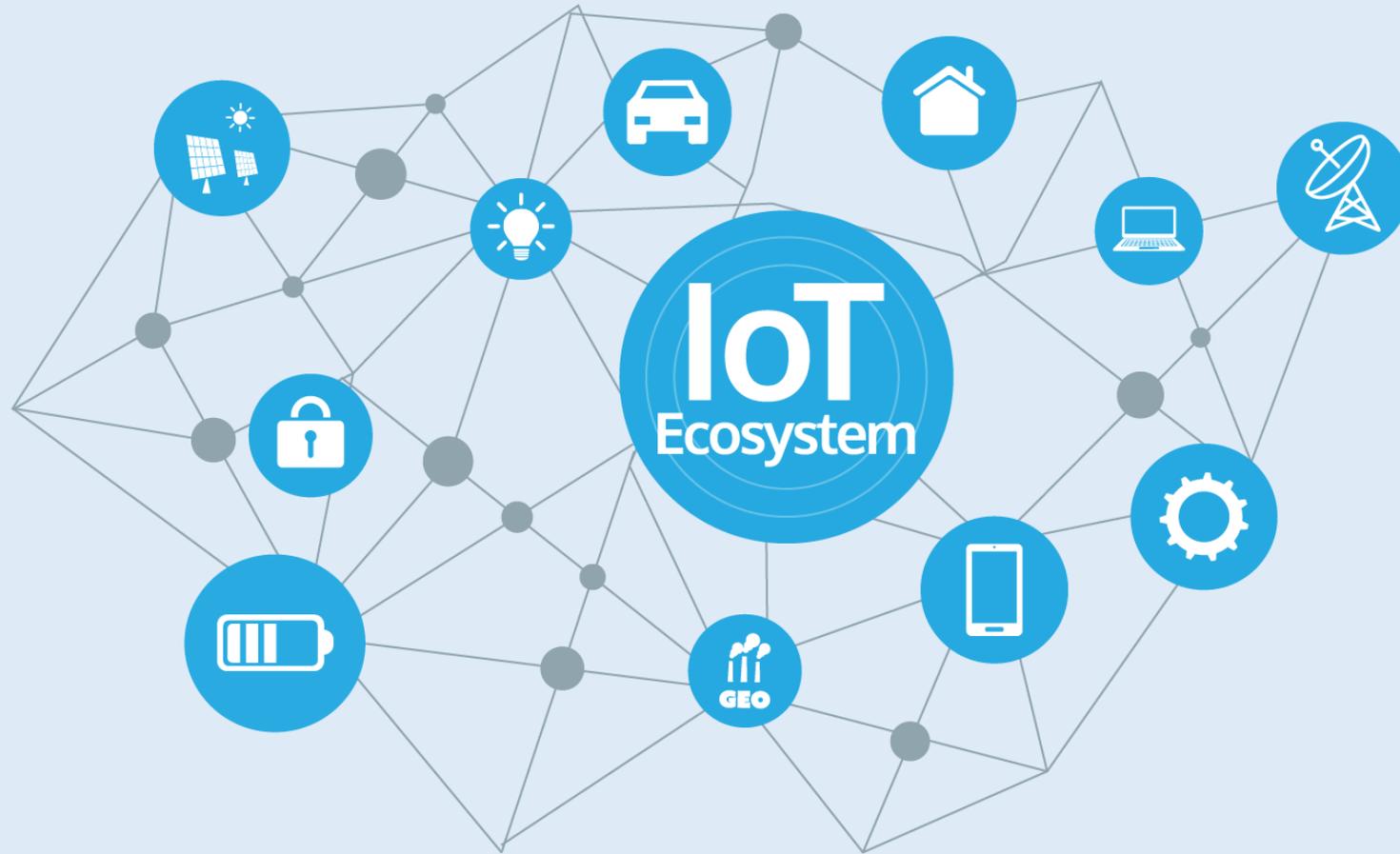
- One of an organization's most strategic assets

Power a Multicloud World

- Simplify, Secure, and Transform

Reinvent the Network

- Intent-based networking











Security Firm: provider of unified access security and multi-factor authentication delivered through the cloud



ACCOMPANY

AI Company: provider of an AI-driven relationship intelligence platform



Acquisitions:



viptela

Software Firm: provider of software-defined wide area networking products.



LUXTERA

Semiconductor Company: acquired Feb. 6, 2019



broadsoft

Cloud Firm: cloud calling and contact center solutions company



springpath

Software Firm: hyperconvergence software company

Corporate Social Responsibility: 2018



\$383M Given



#1 Gartner Supply Chain Top 25



45% Reduction in Emissions

Recent News:



Cisco to acquire CloudCherry to bolster contact center portfolio

CloudCherry makes a customer experience management platform that uses predictive analytics to derive insights for contact center agents.



By Natalie Gagliardi for *Between the Lines* | August 26, 2019 -- 14:30 GMT (07:30 PDT) | Topic: Collaboration

Business

Cisco Layoffs 2019: 500 Lose Jobs In Engineering At San Jose And Milpitas

By Arthur Villasanta
08/15/19 AT 9:15 PM



Cisco sells part of its NDS video assets, acquired for \$5B, to Permira to build a new business

Ingrid Lunden @ingridlunden / 6:13 am CDT • May 1, 2018

Comment



In 2012, **Cisco** made one of its biggest-ever acquisitions — and a major step into the Israeli tech world — when it **acquired video and security specialist NDS for \$5 billion**. Now, the company is selling part of that business to one of its previous owners, the private equity firm Permira, as it looks to refocus itself and boost growth in networking, multi-cloud, security, data, and collaboration services.

Permira says it is acquiring selected video technology assets, along with other cloud technology services, which it plans to launch as a new, standalone business.

Cisco Completes Acquisition of Voicea

September 06, 2019



San Jose Calif. – Sept. 6, 2019—Cisco (NASDAQ: CSCO) today announced it has completed the acquisition of privately-held Voicea*, headquartered in Mountain View, CA. Voicea is the creator of a market-leading real-time solution that provides meeting transcription, voice search, and meeting highlights/action items, with robust data privacy. It helps teams have more productive and actionable meetings by turning talk into action.

With Voicea technology, Cisco will enhance its Webex portfolio of products with a powerful transcription service that blends AI and Automated Speech Recognition (ASR) to unlock the power of any collaboration, like meetings and calls.

Management:



Charles H. Robbins 53- CEO

20 years in Cisco
Prior to Cisco, Bay Networks
Board member in Black Rock



Mark Chandler 63- CLO and CCO

23 year in Cisco
Prior 6 years in Maxtor Corp.



Gerri Elliot 63- Chief Sales and Marketing Officer

Started working at Cisco in 2018
Worked in IBM for 22 years
Microsoft for 7 years

Management:



David Goeckler 57-
GM, Networking and
Security

19 years in Cisco



Kelly A. Kramer 52- CFO

7 years in Cisco
6 Years in GE



Maria Martinez 61- CCEO

Started with Cisco in 2018
8 years in Salesforce
Worked in Microsoft
and Motorola



Irvin Tan 49- Chief of
Operations

13 years in Cisco
Worked at Hewlett
Packard for 1 year

Capital Allocation:



Cisco has returned at least 50% of its free cash flow to Shareholders.

Its dividend has grown each year, from \$0.12 per share in 2010 to an expected \$1.48 per share in fiscal 2020.

Cisco's repatriation of overseas cash of \$67 billion in 2018 spurred a share repurchase program, which completed \$32.6 billion worth of buybacks as of the end of 2019.

In 2019, Cisco returned \$27 billion to shareholders (\$21 billion of share repurchases and \$6.0 billion in dividends).

Ticker	Company	Current Price	Insider Name	Insider Position	Date	Buy/Sell	Insider Trading Shares	Shares Change	Price	Cost(000)	Final Share
CSCO	Cisco Systems Inc	\$49.42	Kramer Kelly A	EVP and CFO	2019-08-28	Sell	70,000	-20.14%	\$46.72	\$3,270.40	277,548
CSCO	Cisco Systems Inc	\$49.42	Kramer Kelly A	EVP and CFO	2019-05-30	Sell	70,000	-16.70%	\$53.56	\$3,749.20	349,122
CSCO	Cisco Systems Inc	\$49.42	Kramer Kelly A	EVP and CFO	2019-02-28	Sell	70,000	-14.25%	\$51.70	\$3,619	420,696

Company	Current Price	Insider Name	Insider Position	Date	Buy/Sell	Insider Trading Shares	Shares Change	Price	Cost(000)	Final Share
Cisco Systems Inc	\$49.42	Goeckeler David	EVP, Networking an...	2019-09-20	Sell	70,000	-16.30%	\$49.22	\$3,445.40	359,398
Cisco Systems Inc	\$49.42	Goeckeler David	EVP, Networking an...	2019-03-12	Sell	30,000	-6.67%	\$52.07	\$1,562.10	419,439
Cisco Systems Inc	\$49.42	Goeckeler David	EVP, Networking an...	2018-09-20	Sell	63,050	-11.51%	\$47.57	\$2,999.29	483,969
Cisco Systems Inc	\$49.42	Goeckeler David	EVP, Networking an...	2018-06-22	Sell	35,000	-6.66%	\$43.27	\$1,514.45	490,458
Cisco Systems Inc	\$49.42	Goeckeler David	EVP, Networking an...	2018-03-15	Sell	20,671	-3.66%	\$45.50	\$940.53	544,052

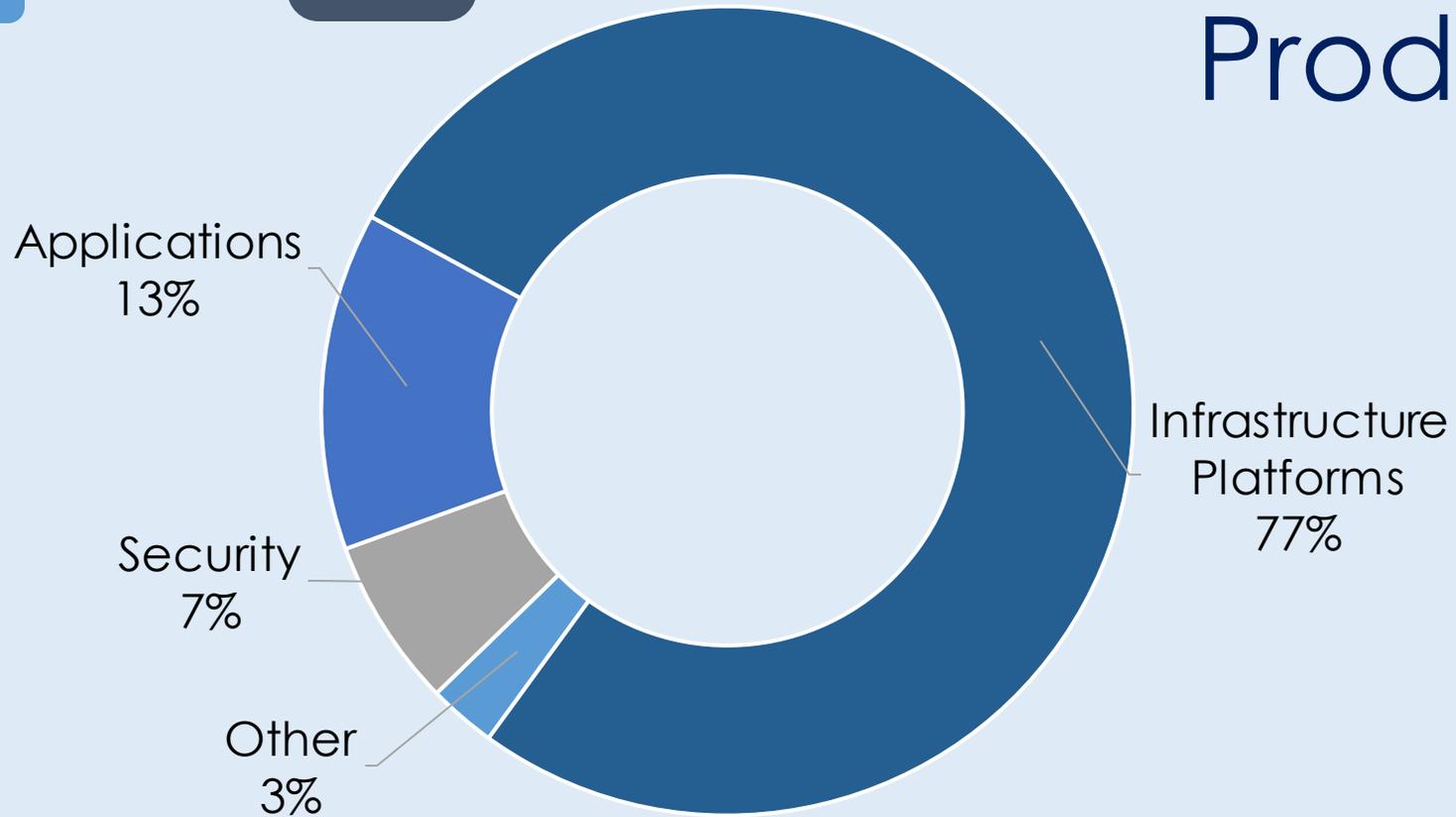
Ticker	Company	Current Price	Insider Name	Insider Position	Date	Buy/Sell	Insider Trading Shares	Shares Change	Price	Cost(000)	Final Share
CSCO	Cisco Systems Inc	\$49.42	Robbins Charles	Chairman and CEO	2019-09-13	Sell	18,955	-4.48%	\$50.04	\$948.51	403,873
CSCO	Cisco Systems Inc	\$49.42	Robbins Charles	Chairman and CEO	2018-09-17	Sell	217,420	-38.68%	\$47.28	\$10,279.60	344,648
CSCO	Cisco Systems Inc	\$49.42	Robbins Charles	CEO	2017-09-13	Sell	121,390	-28.25%	\$32.06	\$3,891.76	308,016
CSCO	Cisco Systems Inc	\$49.42	Robbins Charles	CEO	2016-09-13	Sell	148,800	-33.27%	\$31.01	\$4,614.29	298,244

Ticker	Company	Current Price	Insider Name	Insider Position	Date	Buy/Sell	Insider Trading Shares	Shares Change	Price	Cost(000)	Final Share
CSCO	Cisco Systems Inc	\$49.42	Tan Irving	SVP, Operations	2018-09-14	Sell	68,308	-31.18%	\$47.38	\$3,236.43	150,763
CSCO	Cisco Systems Inc	\$49.42	Tan Irving	SVP, Chief of Opera...	2019-09-17	Sell	22,896	-12.88%	\$49.42	\$1,131.52	154,819

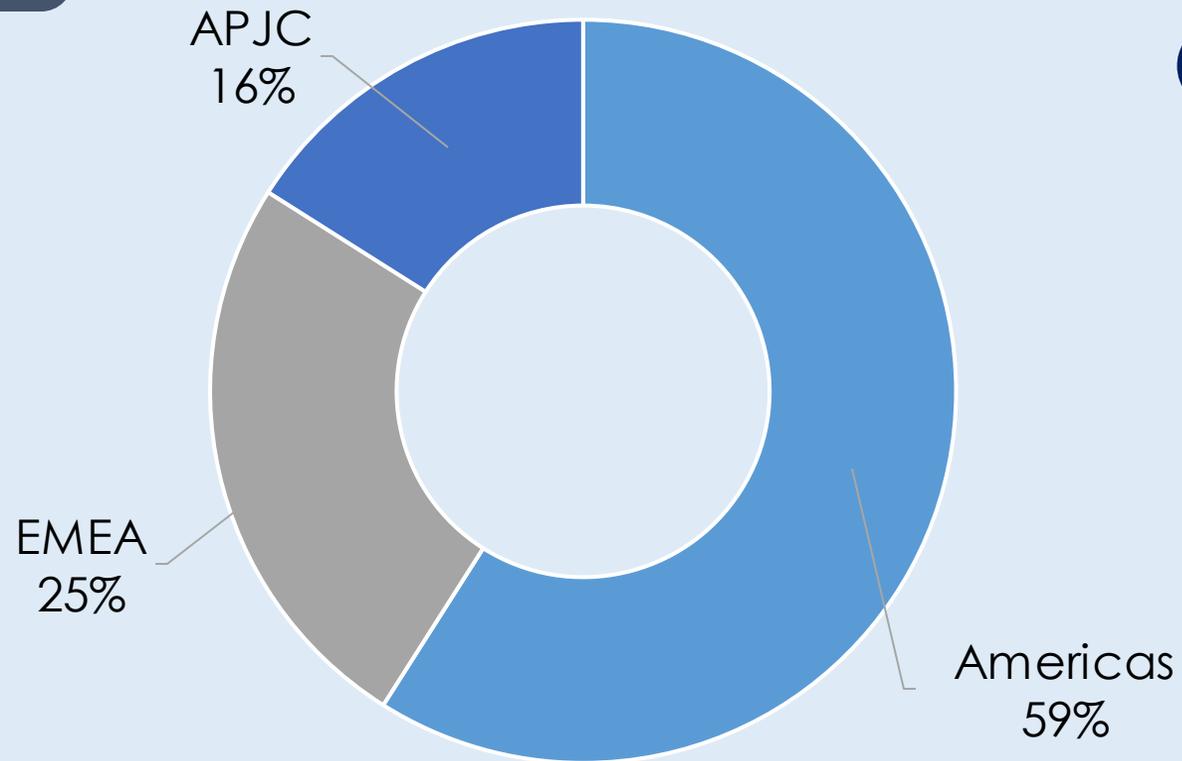
The background of the slide is a complex digital visualization. It features a central world map composed of a grid of blue dots. Overlaid on this are various data elements: vertical bars of varying heights in shades of blue and red, horizontal and vertical lines, and numerous small circles in red, white, and blue. The overall aesthetic is futuristic and data-driven, with a color palette dominated by blues, reds, and oranges against a dark background.

REVENUE BREAKDOWN

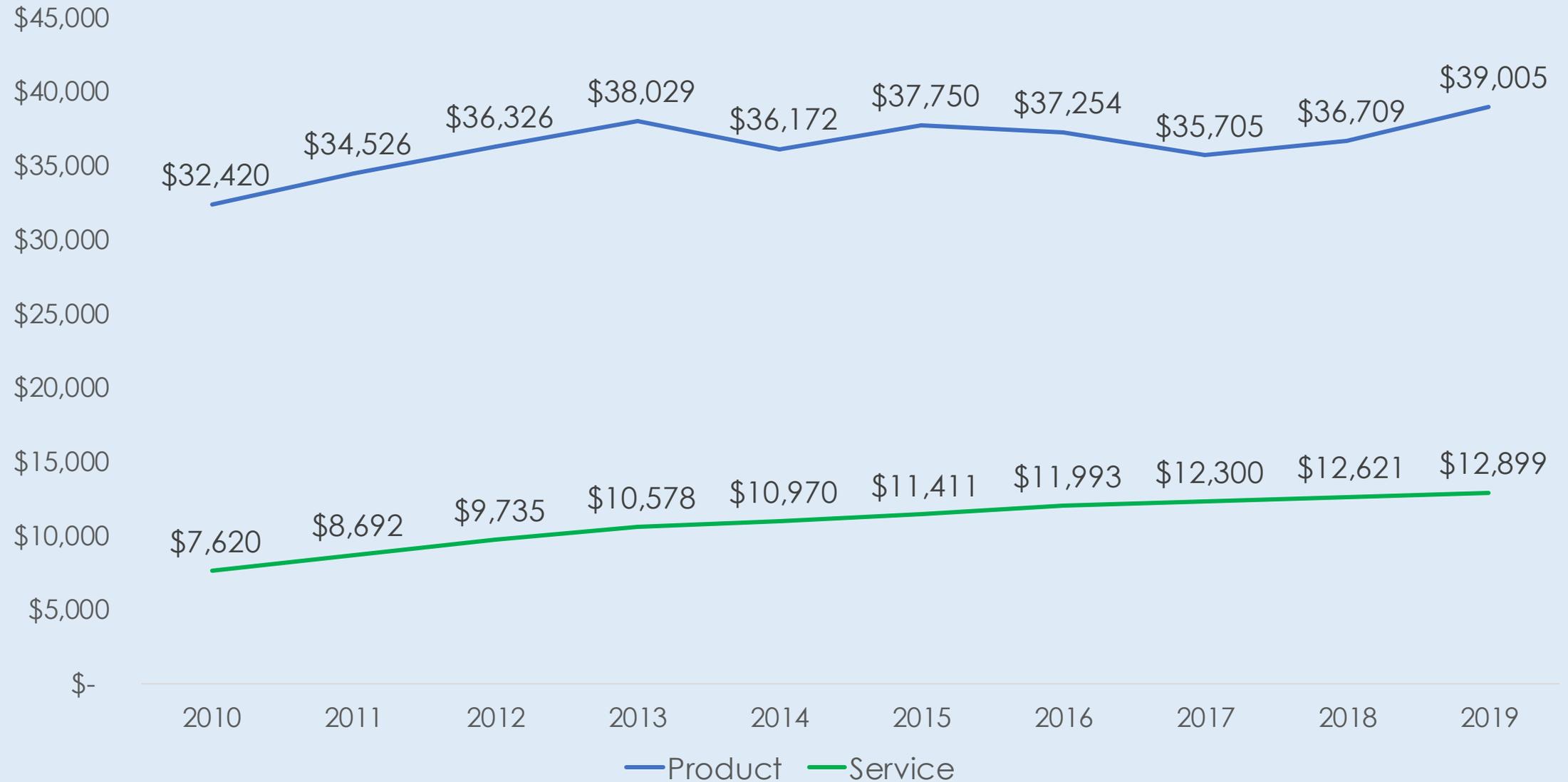
Revenue by Products/Services:



Revenue by Geography:



Revenue by Product and Service:



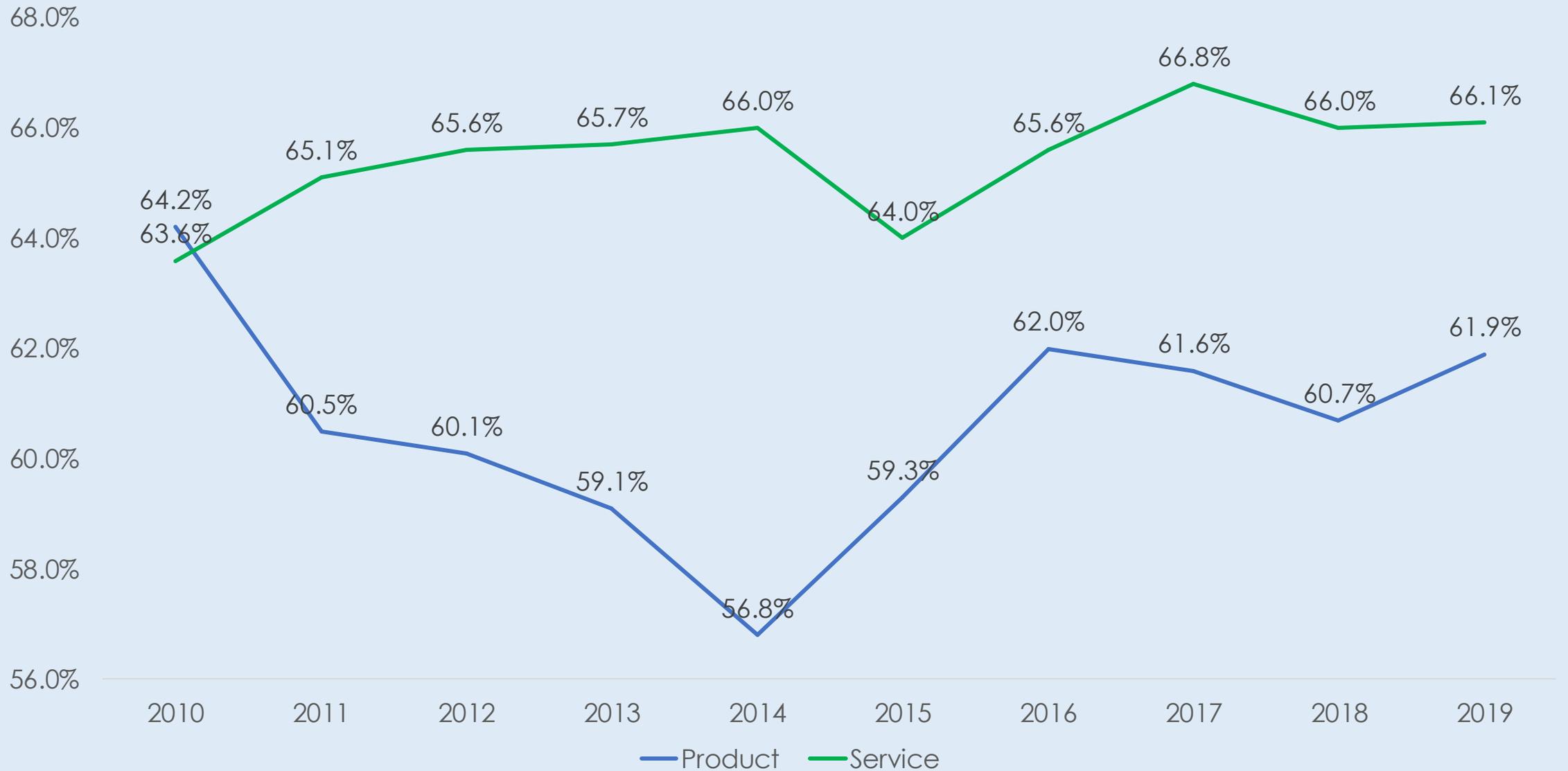
Revenue by Geography:





EVALUATION

Gross Margin by Product and Service:



Gross Margin by Geography:

75.0%

70.0%

65.0%

60.0%

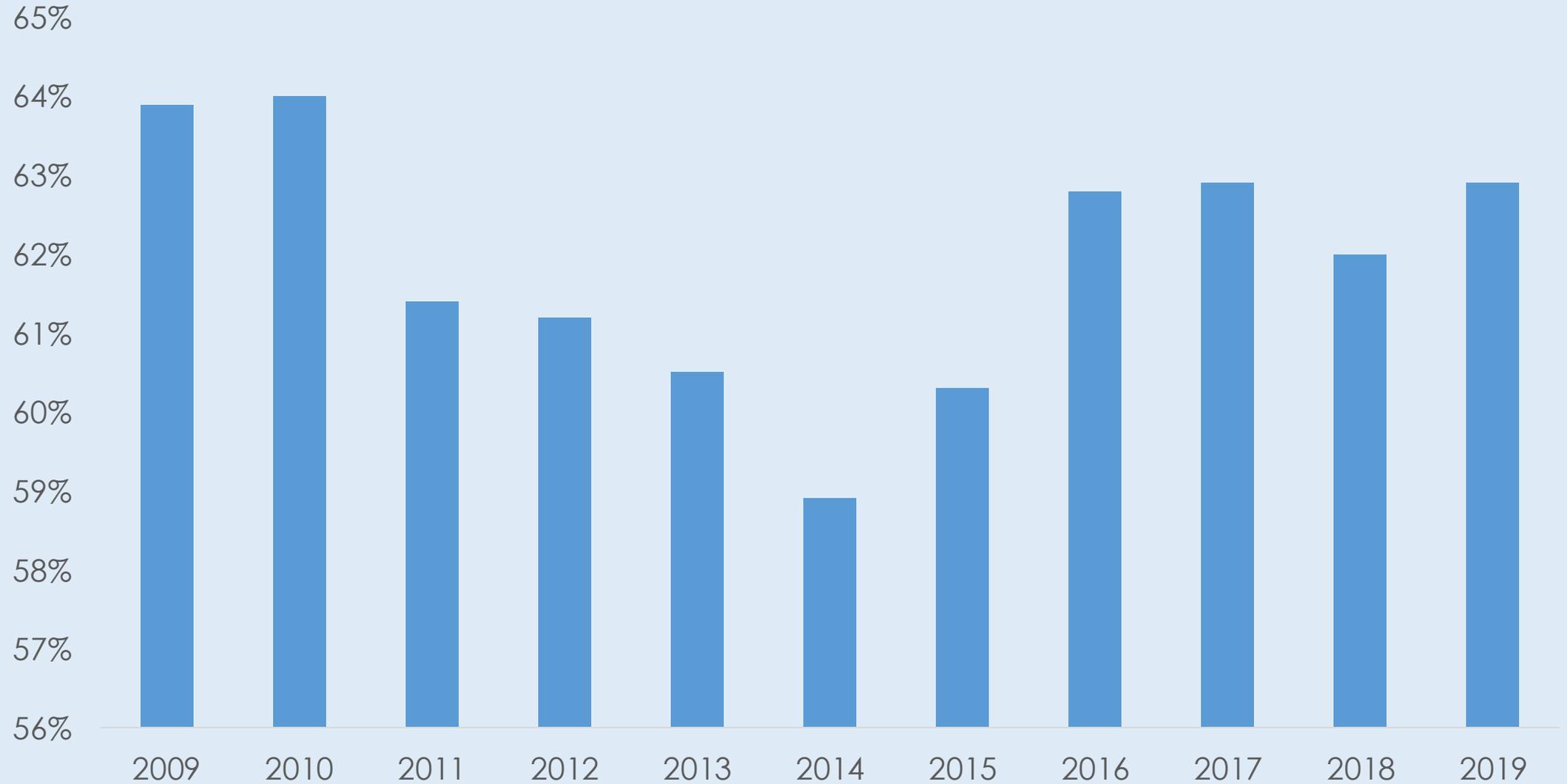
55.0%

50.0%

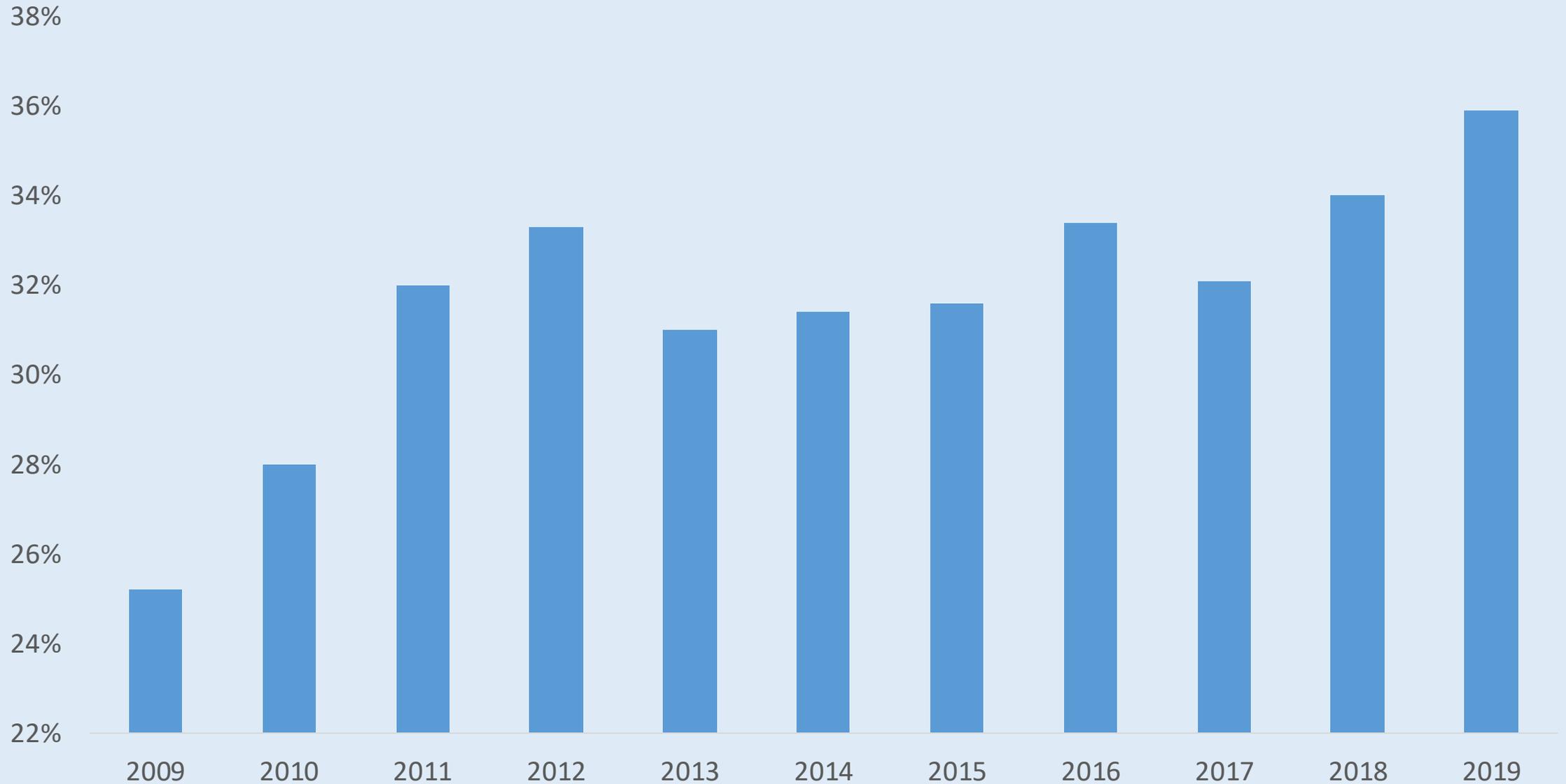
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Americas	64.5%	63.0%	62.8%	62.5%	62.6%	62.9%	64.6%	64.5%	64.6%	65.8%
EMEA	66.8%	64.2%	63.0%	64.5%	64.1%	62.6%	65.0%	65.5%	63.9%	64.6%
APJC	65.3%	62.8%	60.4%	59.8%	57.8%	60.0%	61.2%	62.0%	60.3%	69.5%

Americas EMEA APJC

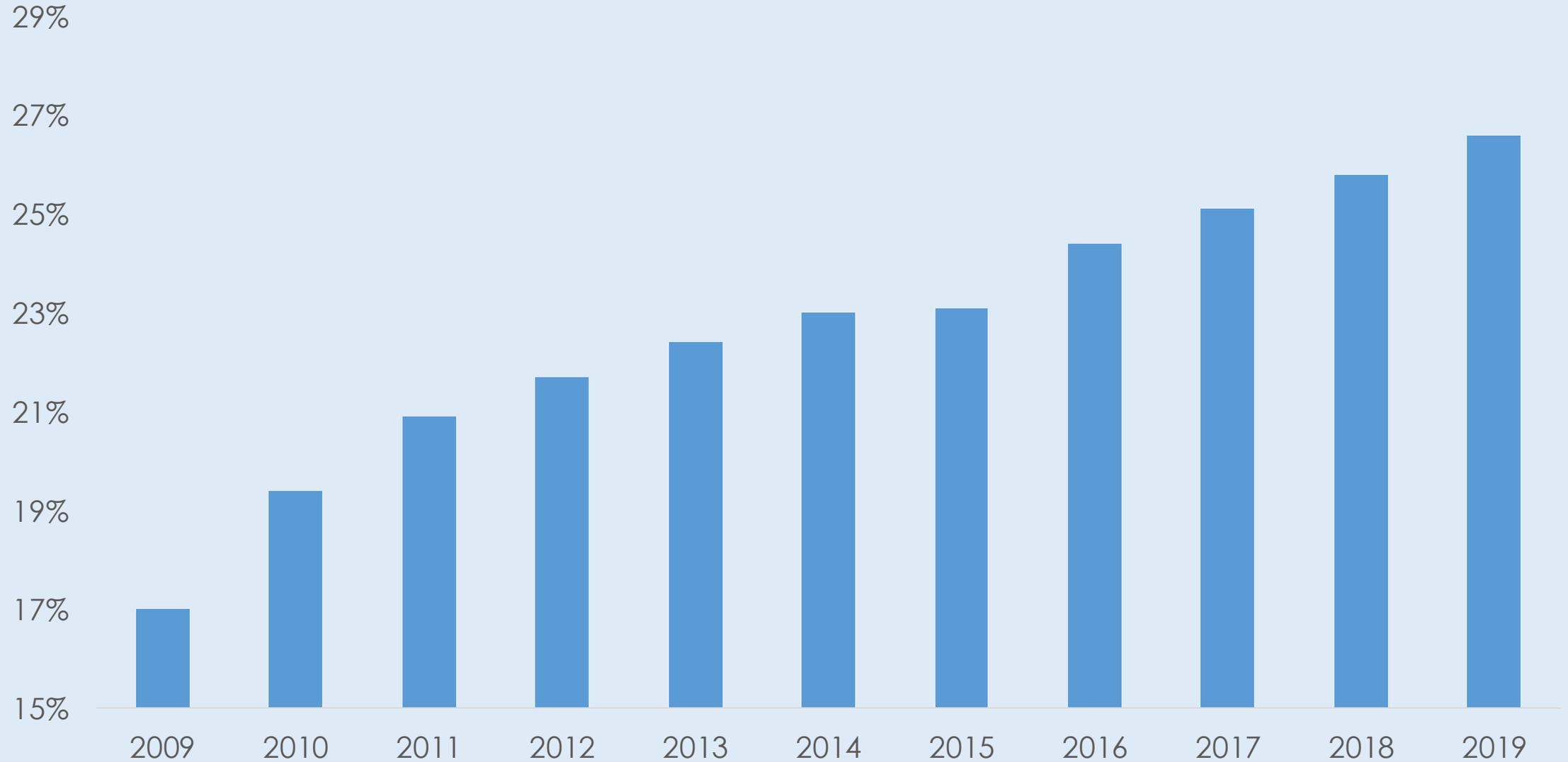
Gross Margin:



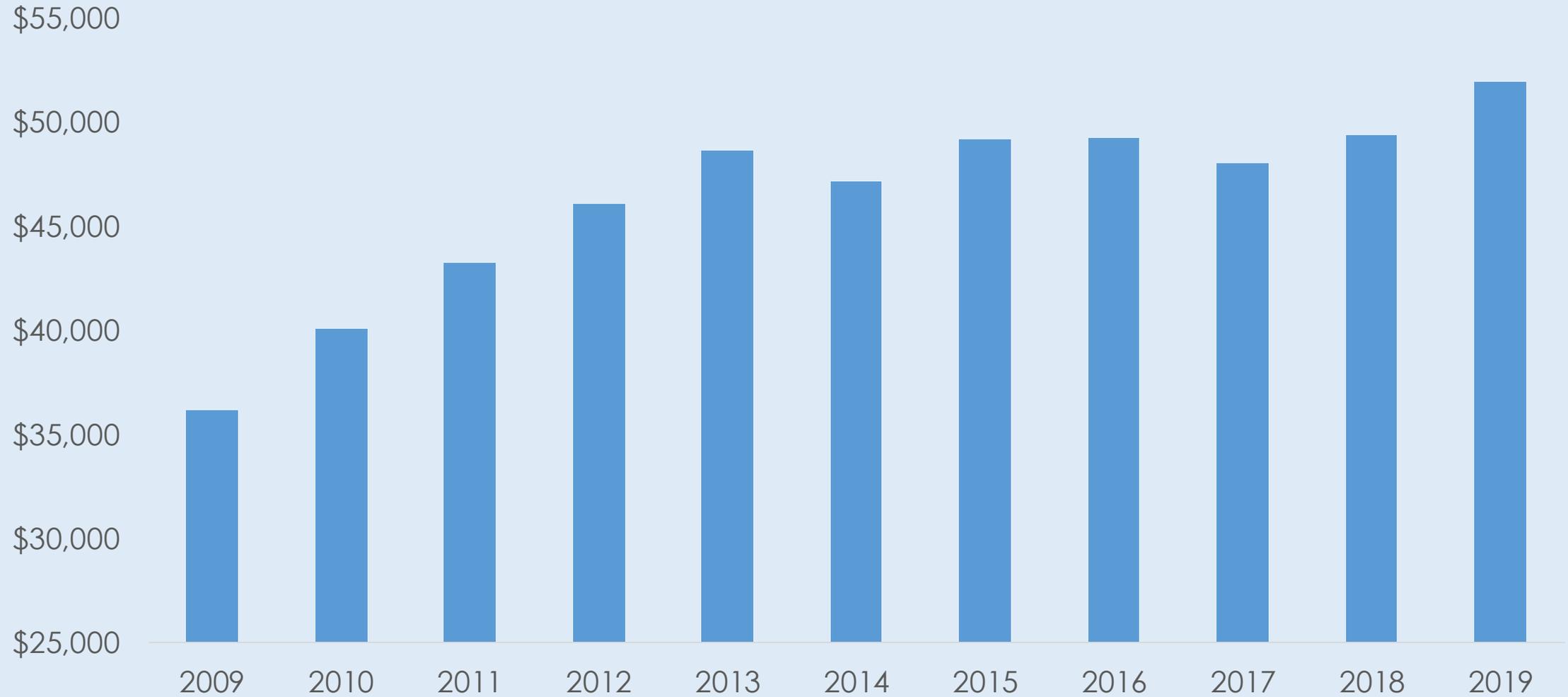
Operating Margin:



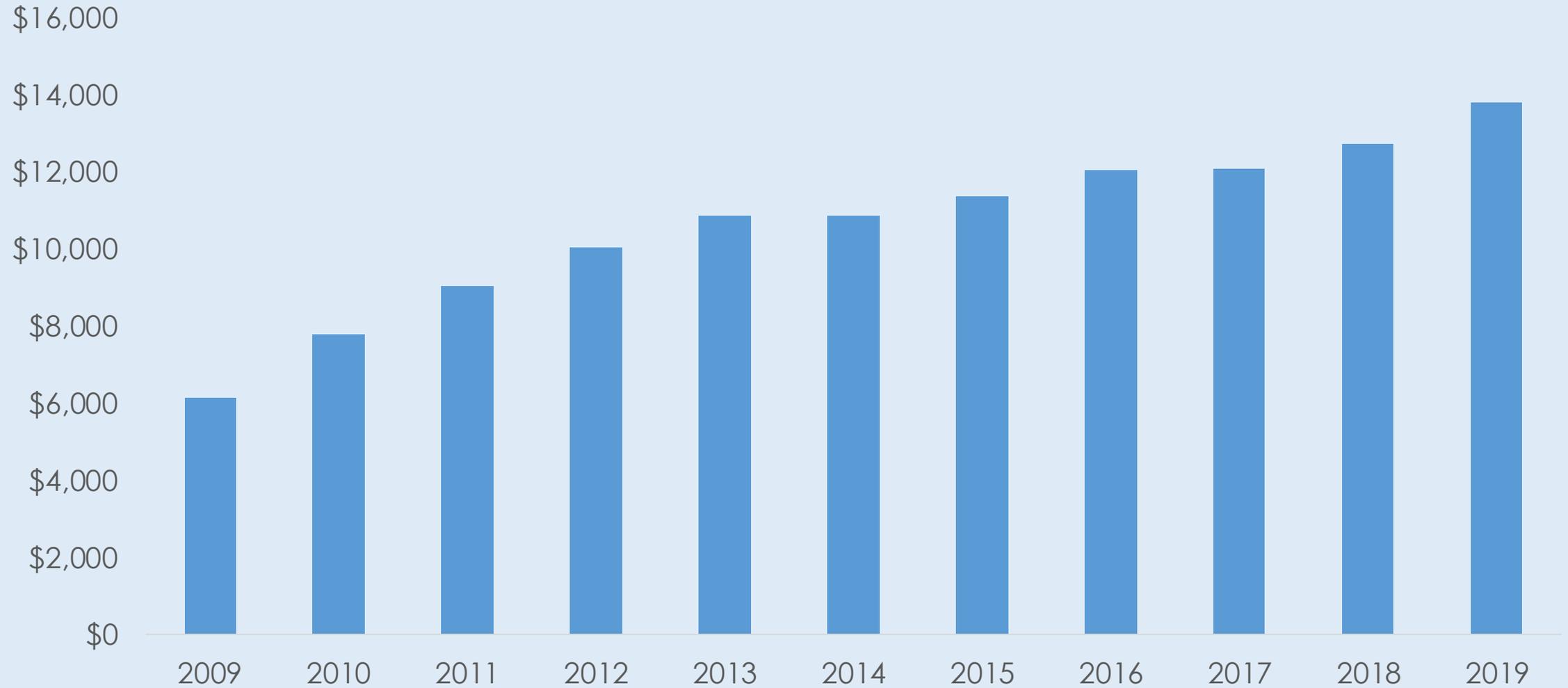
Net Margin:



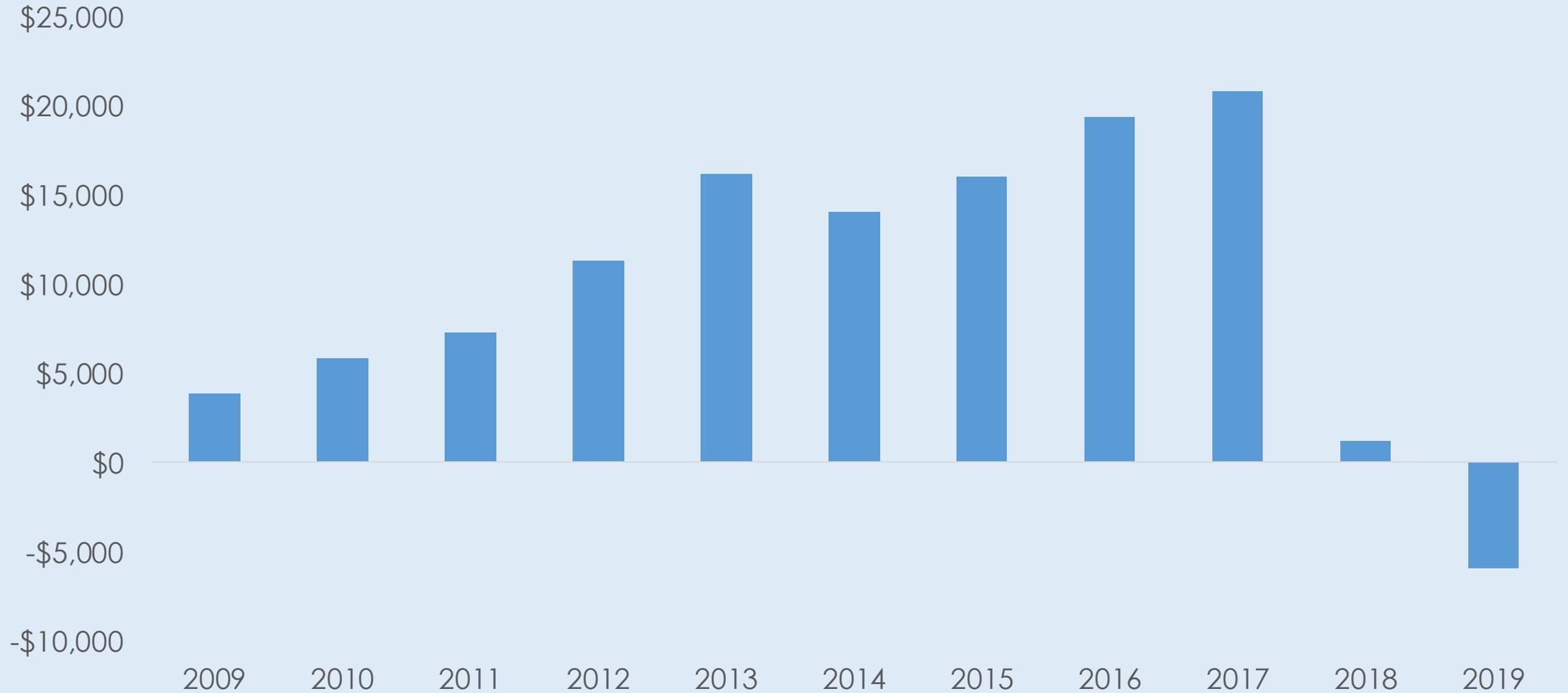
Revenue *(in millions)*:



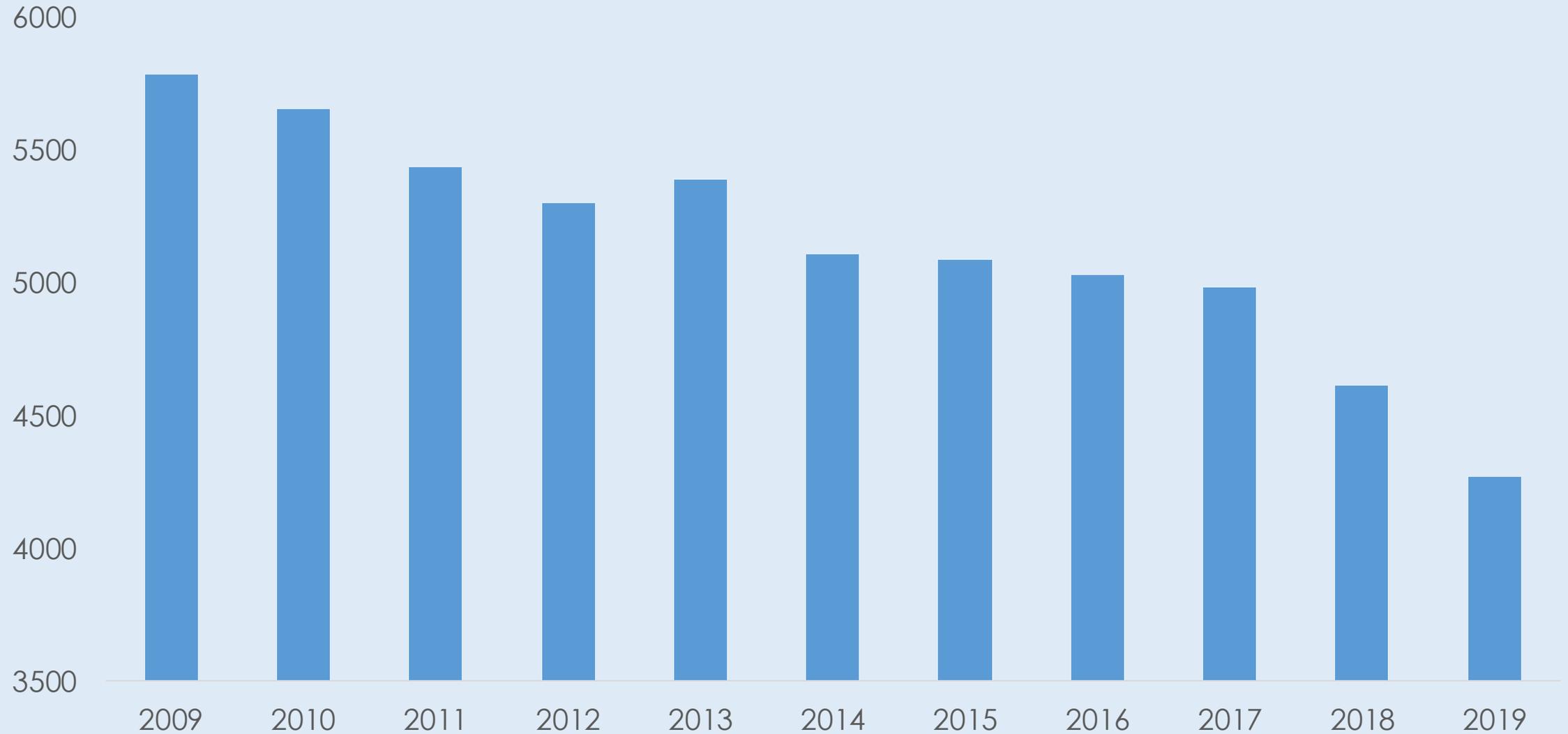
Net Income *(in millions)*:



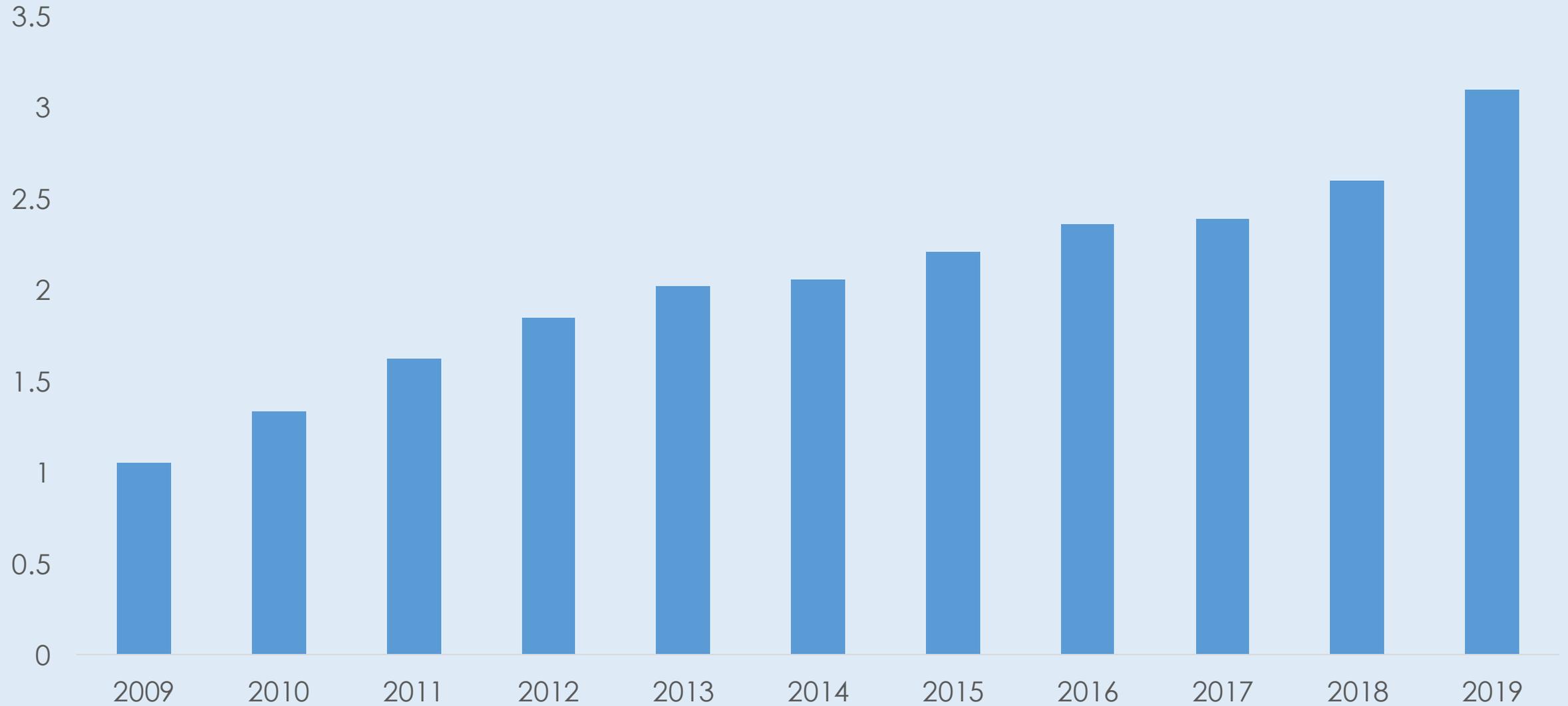
Retained Earnings *(in millions)*:



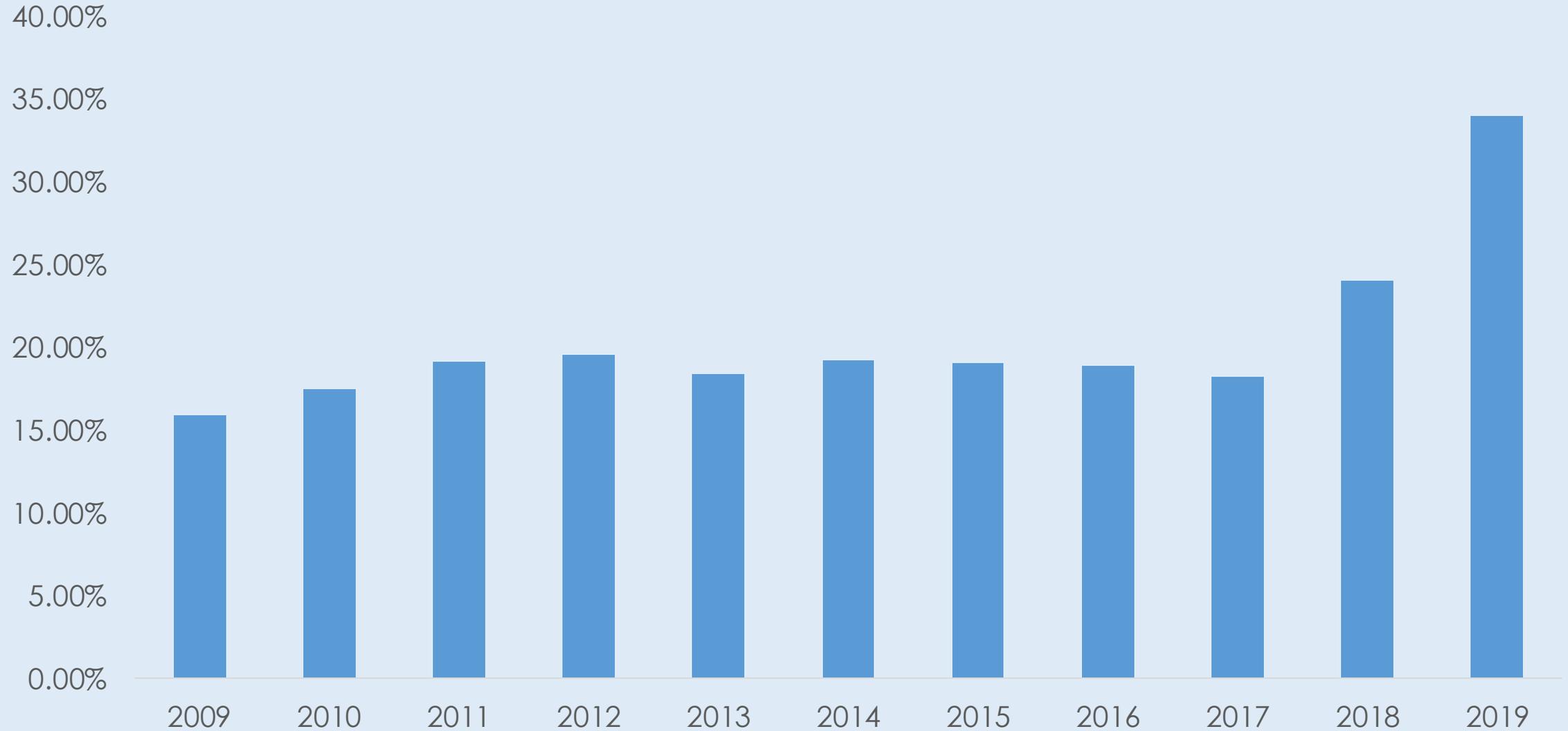
Shares Outstanding *(in millions)*:



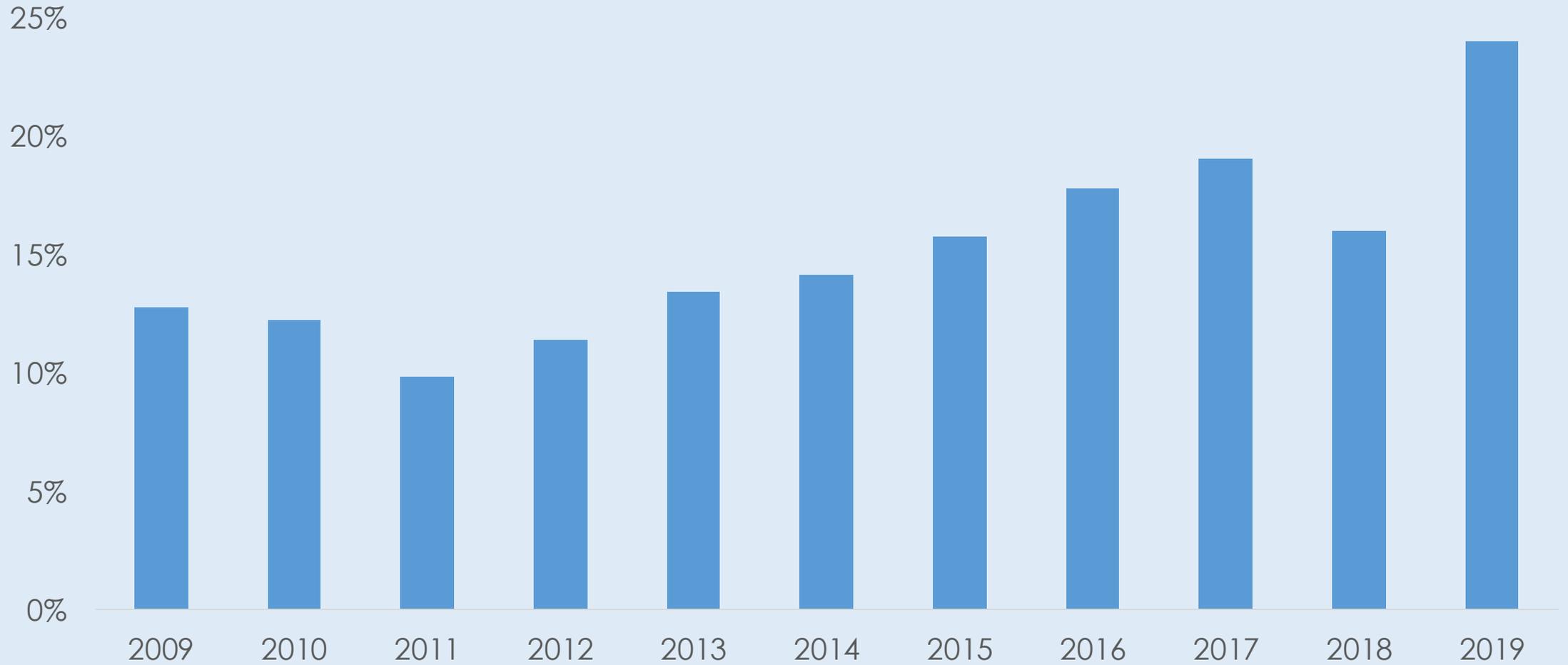
Earnings Per Share:



Return on Equity*:



Return on Capital*:



Guru Focus	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Income	7,333	8,052	6,134	7,767	6,490	8,041	9,983	7,853	8,981	10,739	9,609	110	11,620
Total Equity	31,480	34,353	38,647	44,267	47,226	51,286	59,120	56,654	59,698	63,586	66,137	43,204	33,570
LT Debt	6,408	6,393	10,295	12,188	16,234	16,297	12,928	20,337	21,457	24,483	25,725	20,331	14,470
Intangible Assets	14,661	14,481	14,627	19,948	19,359	18,957	25,322	27,519	26,845	29,126	32,305	34,258	35,730
Goodwill	12,121	12,392	12,925	16,674	16,818	16,998	21,919	24,239	24,469	26,625	29,766	31,706	33,520
Adjusted ROC	11.3%	11.9%	8.0%	8.3%	6.5%	7.8%	8.4%	6.1%	6.8%	7.5%	6.2%	0.1%	9.9%
ROC	19.4%	19.8%	12.5%	13.8%	10.2%	11.9%	13.9%	10.2%	11.1%	12.2%	10.5%	0.2%	24.2%

Drivers:

- IT professionals are increasingly shifting computer workloads to the [cloud](#) .
- Buying less data center hardware from firms like Cisco.
- Cisco is rebounding with its [switching](#) product launch.
- The Cat 9k has a [subscription-only sales](#) model, sold in 3,5,7-year increments.
- Alongside the switch, software packages containing different levels of analytics and security must be purchased.

Risks:

- Highly **Competitive** Market
- Many **Security** Risks
- Dependence on New Products
- Large Number of **Acquisitions**
- Political/Economic Risk Factors in the **Global Market**
- Many Proprietary Rights to Enforce

Risks Continued:

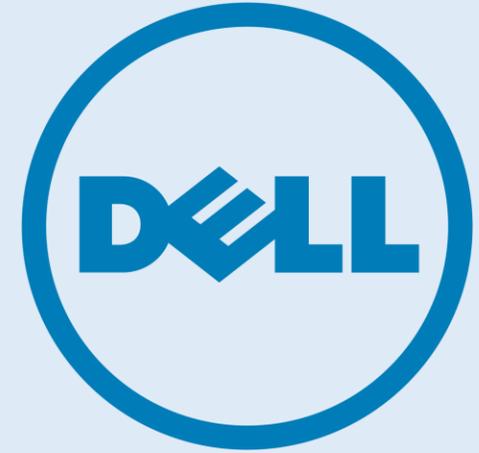
- [Arista Networks](#) Campus Entry.
- Arista claims a simpler solution to campus infrastructure and that its campus entry was spurred by its existing customer base desiring Arista product continuity between sites.
- [AWS](#) could sell [white box switches](#) into the enterprise market undercutting Cisco and others.
- In [security](#), Cisco faces fast growing challengers, such as [Palo Alto Networks](#) and [Fortinet](#).
- [Collaborative software](#), Cisco's WebEx could be shed by enterprises switching to competing software suites like Skype or GoToMeeting.

Moat:

- Narrow Moat Rating based on switching costs and intangible assets.
- **Switching costs** product entrenchment in enterprise and campus.
- Intangible assets from **strong brand reputation** with information technology professionals.
- Network products upgraded every 3 to 7 years.
- Cisco's shift into selling **subscription-based** hardware, software and services as three-, five-, or seven-year packages.

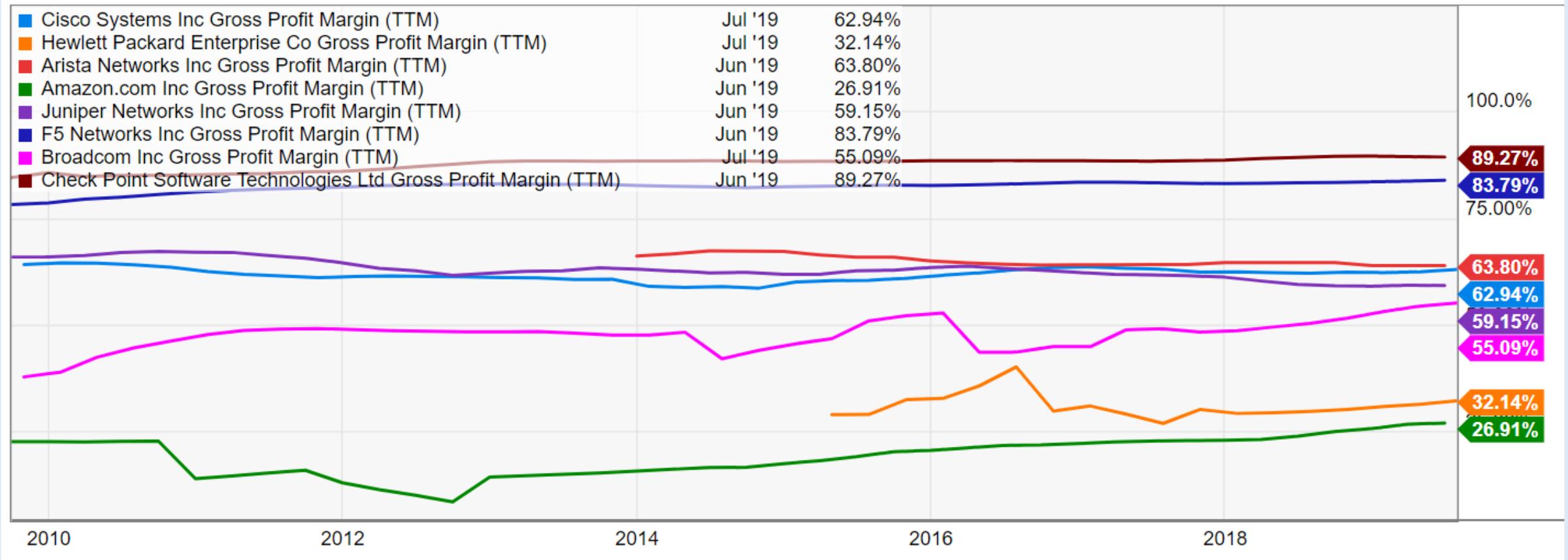
COMPETITORS & METRICS

ARISTA

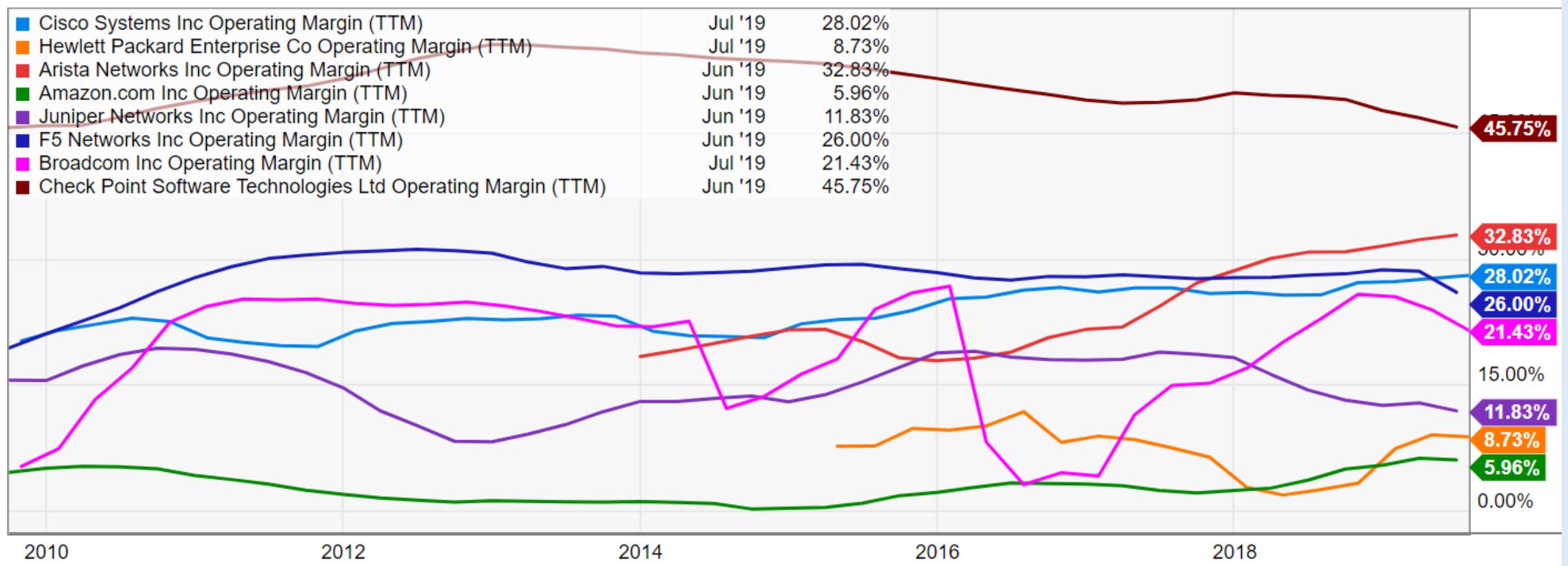


NOKIA

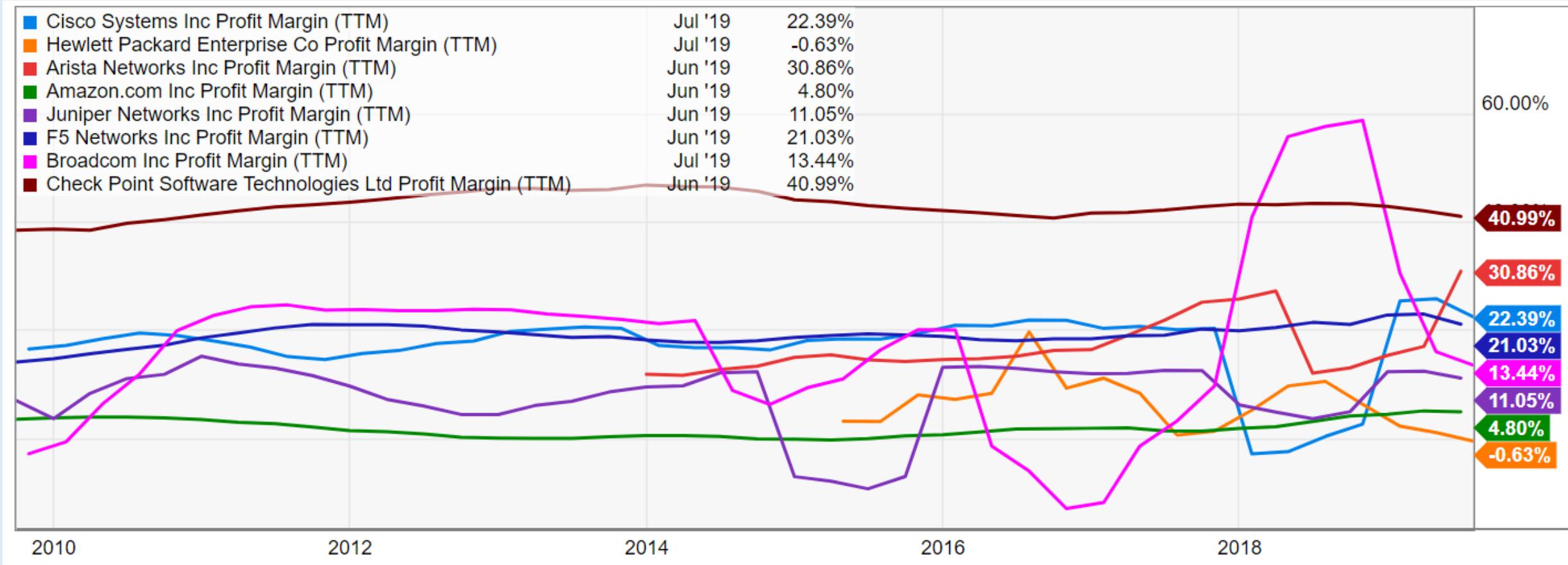
Gross Profit Margin:



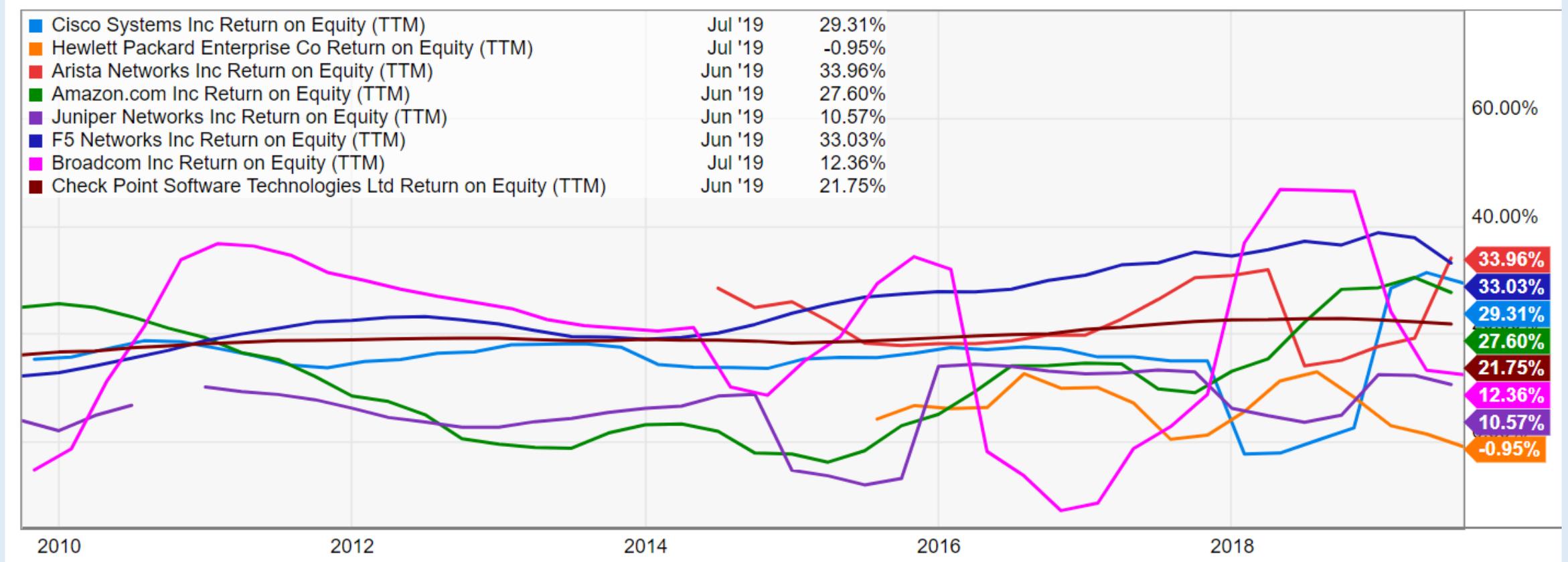
Operating Margin:



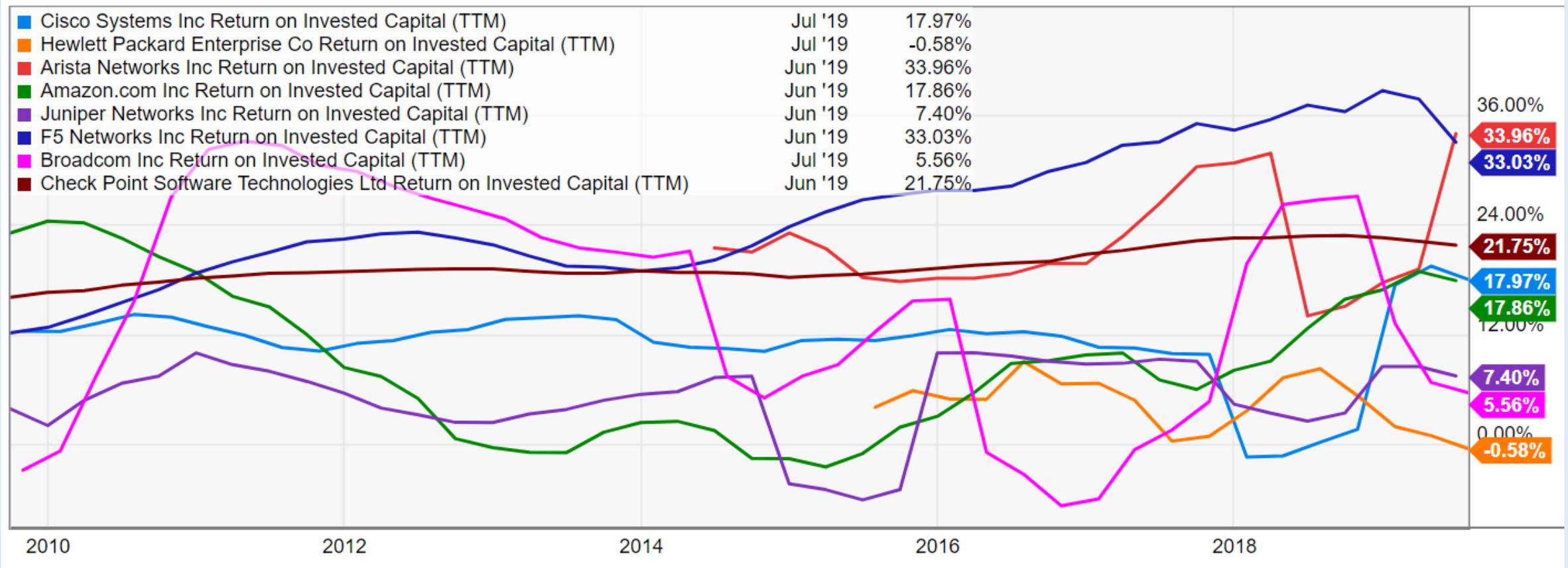
Profit Margin:



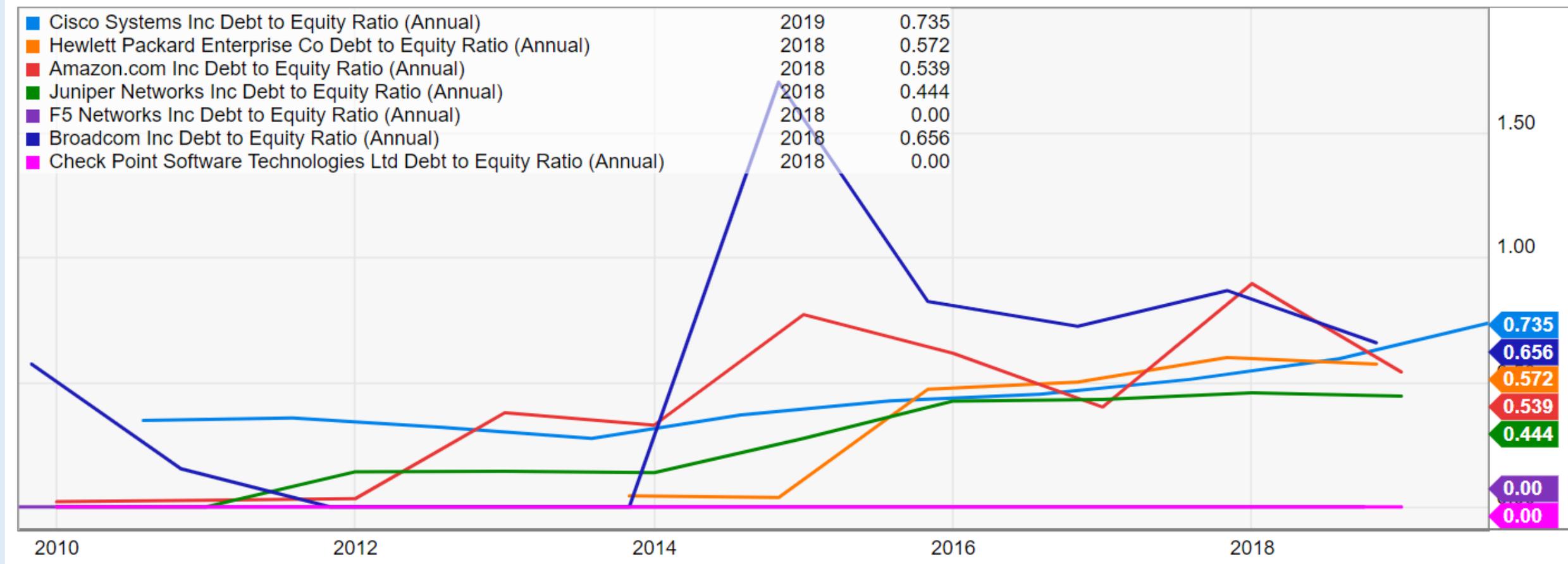
Return on Equity:



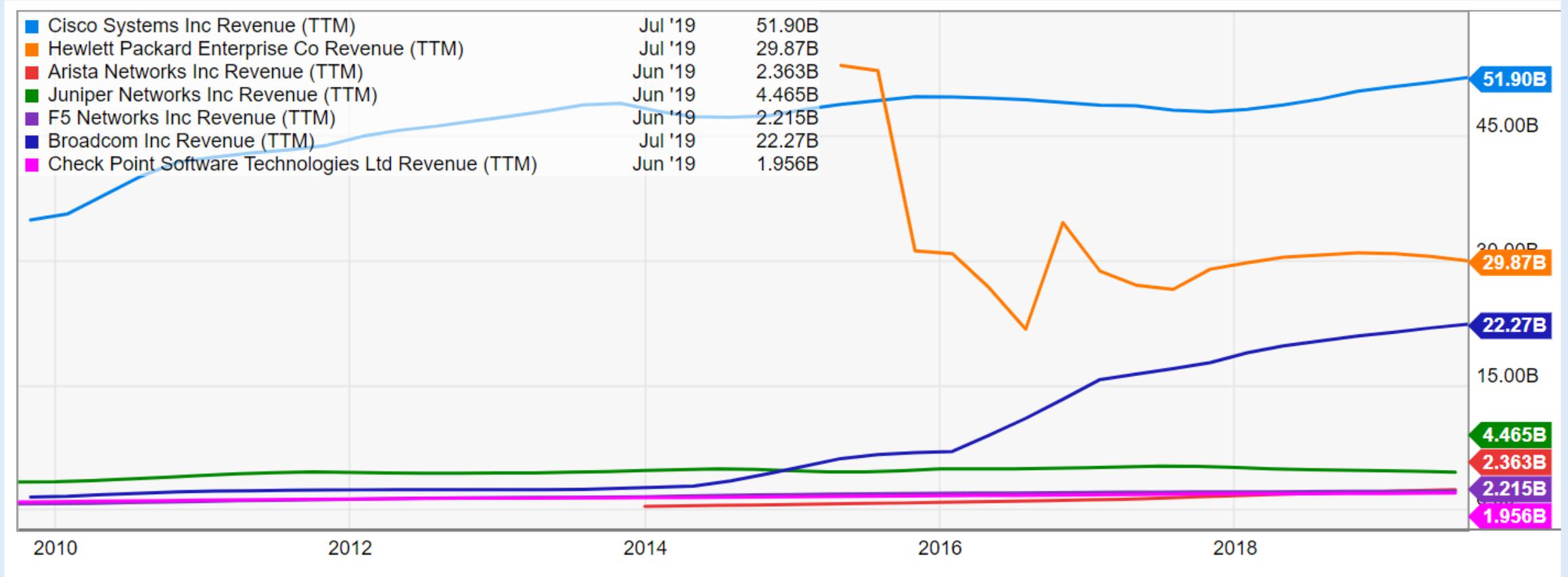
Return on Invested Capital:



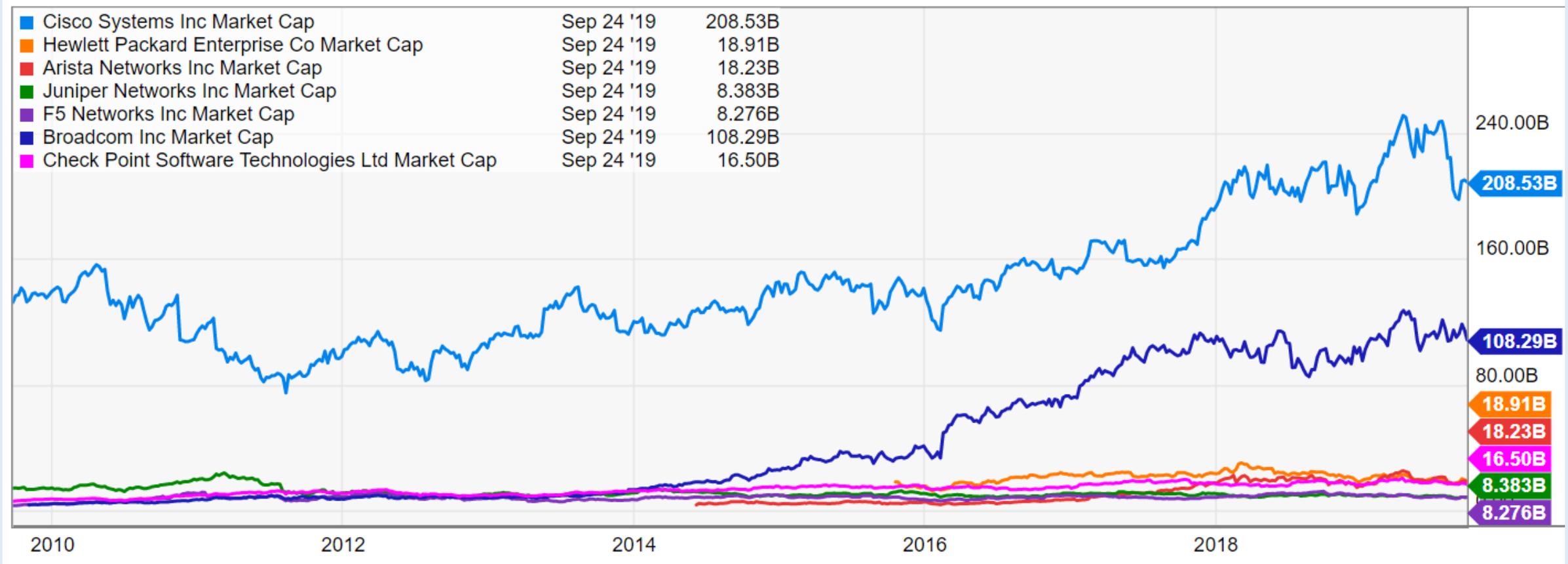
Debt to Equity Ratio:



Revenue:



Market Cap:





FINANCIALS



Quantitative Analysis:



<i>LTM</i>	<i>Value</i>	<i>Threshold</i>	<i>Pass/Fail</i>
Gross Profit Margin	62.94%	Above 20%	Pass
SGA to Gross Profit	34.89%	Below 80%	Pass
R&D to Gross Profit	20.13%	Below 10%	Fail*
Depreciation	5.81%	Below 10%	Pass
Interest to Operating Income	5.91%	Below 15%	Pass
Net Profit Margin	22.39%	Above 10%	Pass
Current Ratio	1.51	Above 1	Pass
Obligation Ratio	0	Below 5	Pass
Adjusted Debt to SE	0.73	Below 0.8	Pass
ROE	35.67%*	Above 15%	Pass
ROC	24%*	Above 15%	Pass
Payout Ratio	44%	Below 60%	Pass
Preferred Stock	None	None	Pass
Capital Expenditures	1.75%	Below 25%	Pass
Net Earnings Trend	Increasing	Increasing	Pass
Retained Earnings Trend	Decreasing	Increasing	Fail*
Total	87.5%		14



DuPont Analysis:



	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	Return on Equity
2019	26.56%	0.53	2.91	41.07%
2018	25.75%	0.45	2.52	29.40%
2017	25.14%	0.36	1.96	18.25%
2016	24.41%	0.40	1.91	18.91%
2015	23.10%	0.36	1.90	19.02%

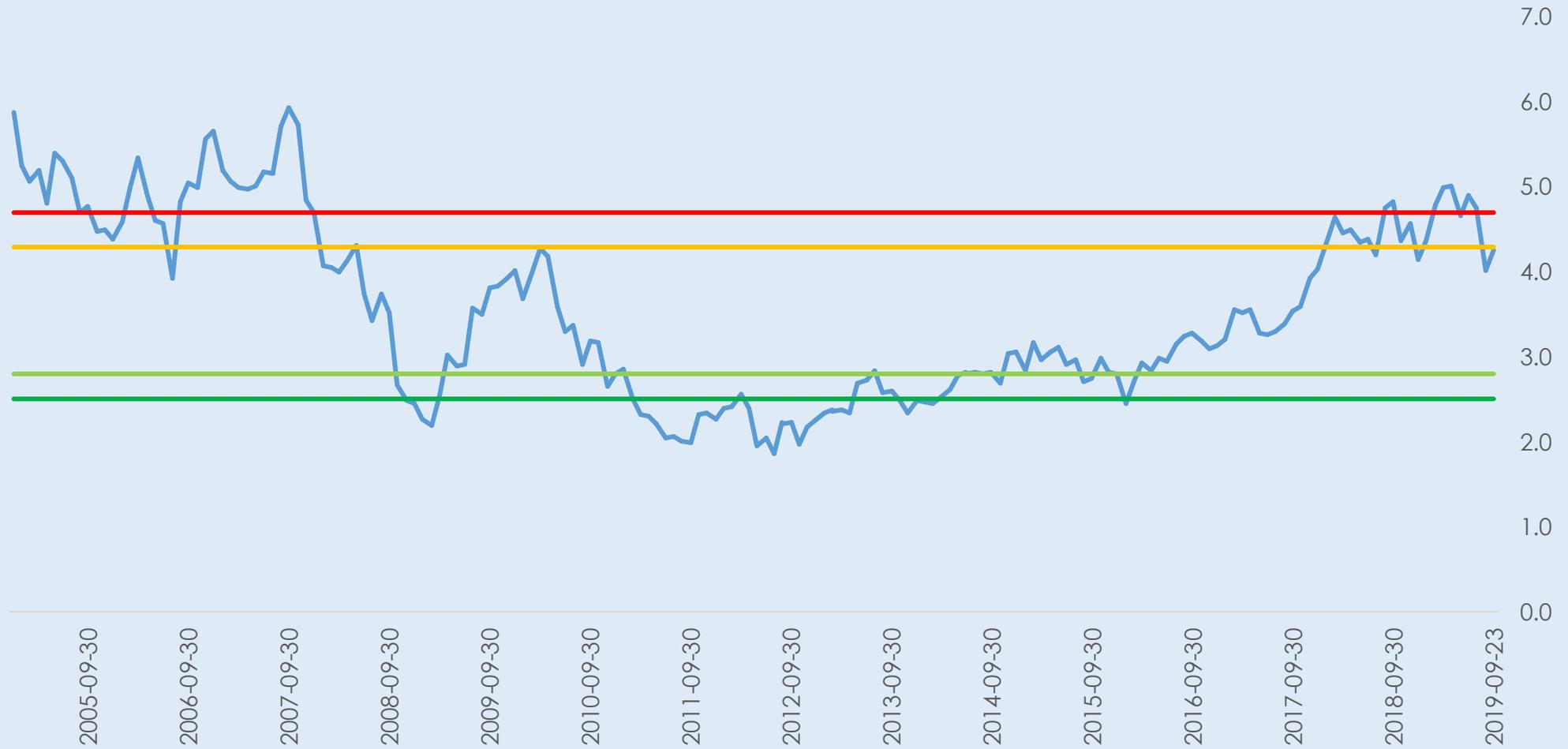


DuPont Analysis w/ Competitors:

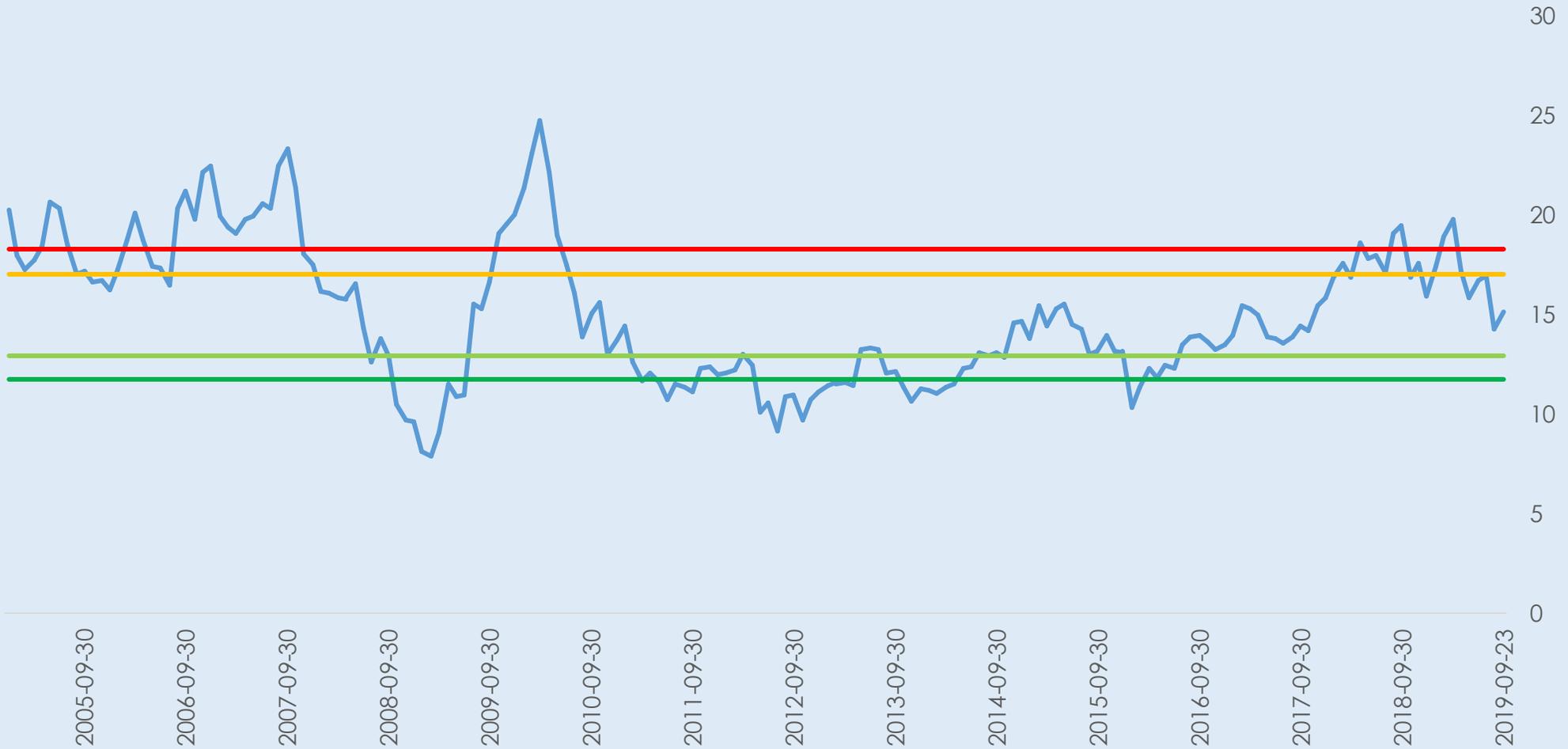


	Net Profit Margin	Total Asset Turnover	Financial Leverage Multiplier	Return on Equity
Cisco	27%	0.53	2.91	41%
Arista	26%	0.71	1.36	26%
Microsoft	29%	0.43	2.80	36%
F5 Networks	23%	0.70	2.47	40%
Juniper Networks	14%	0.50	1.94	14%

Price to Sales:



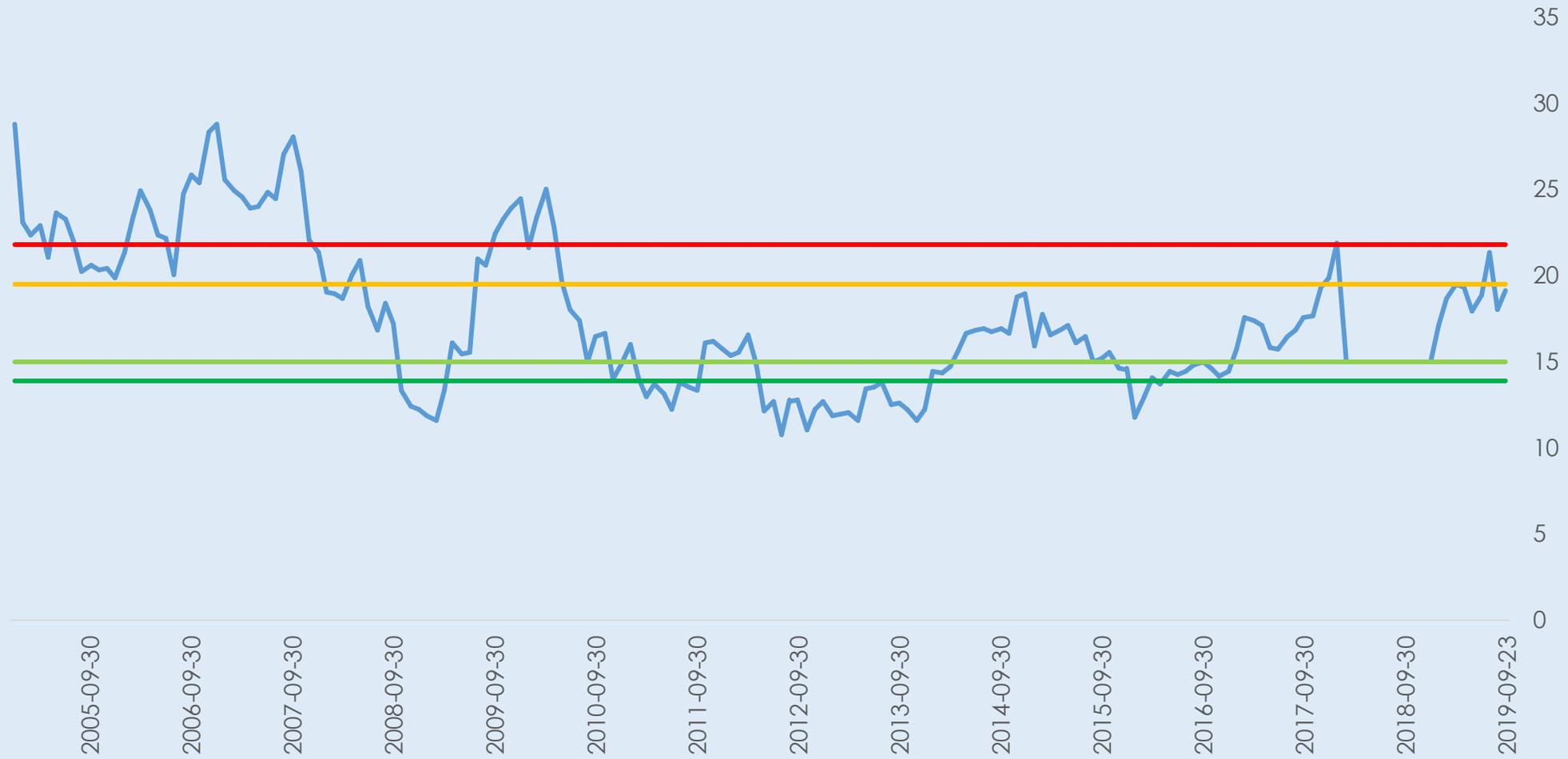
Price to Owner's Earnings:



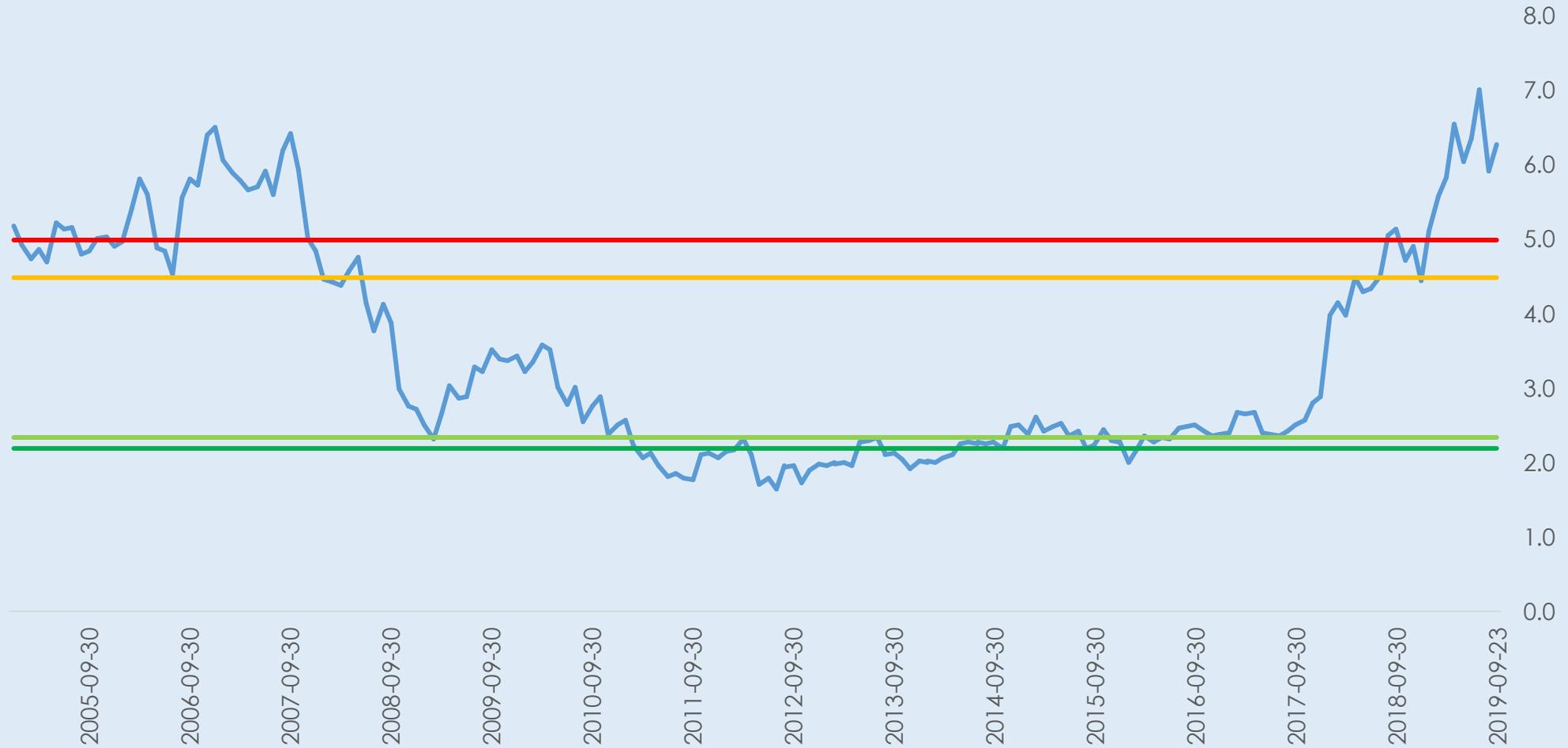
Price to Earnings Less Cash:



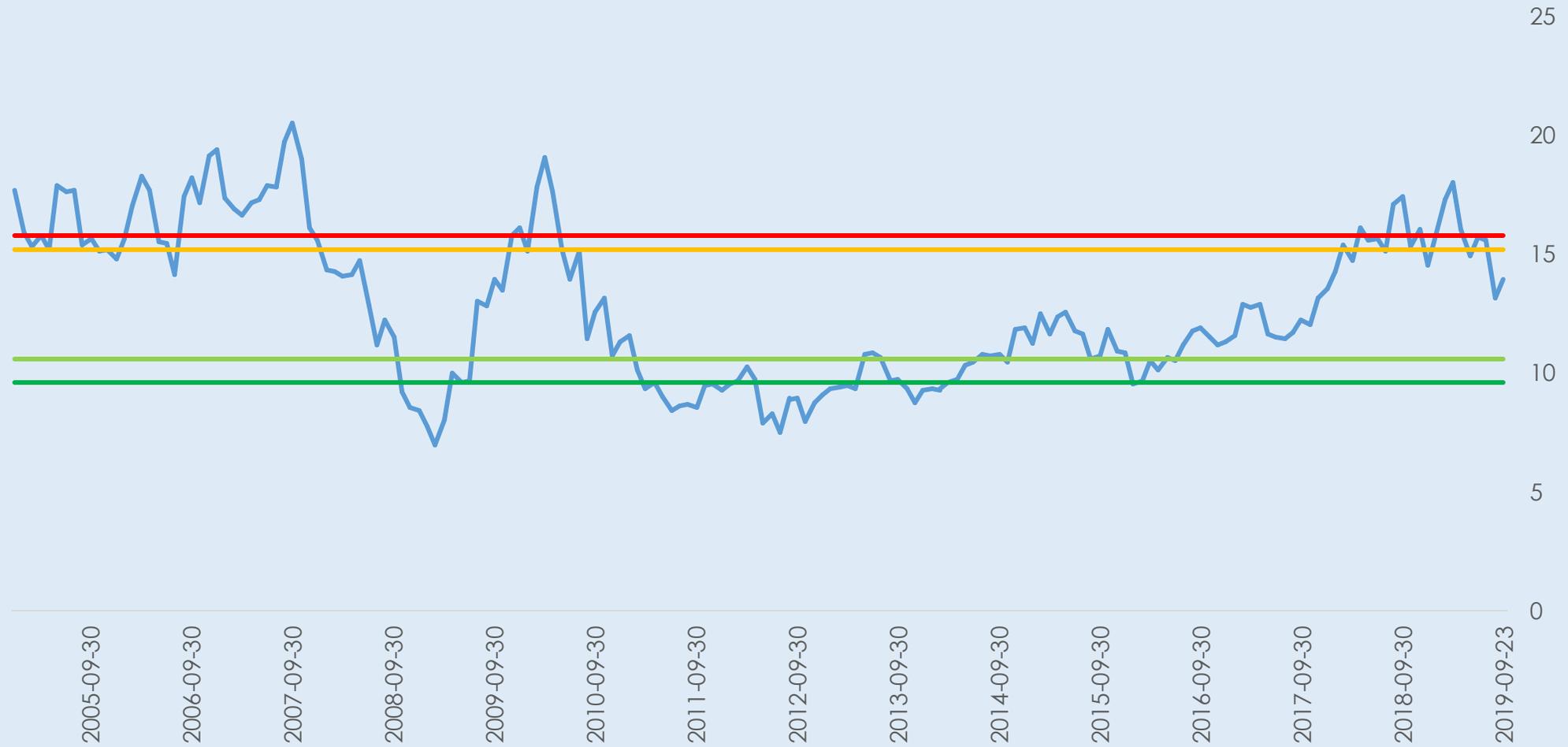
Price to Earnings:



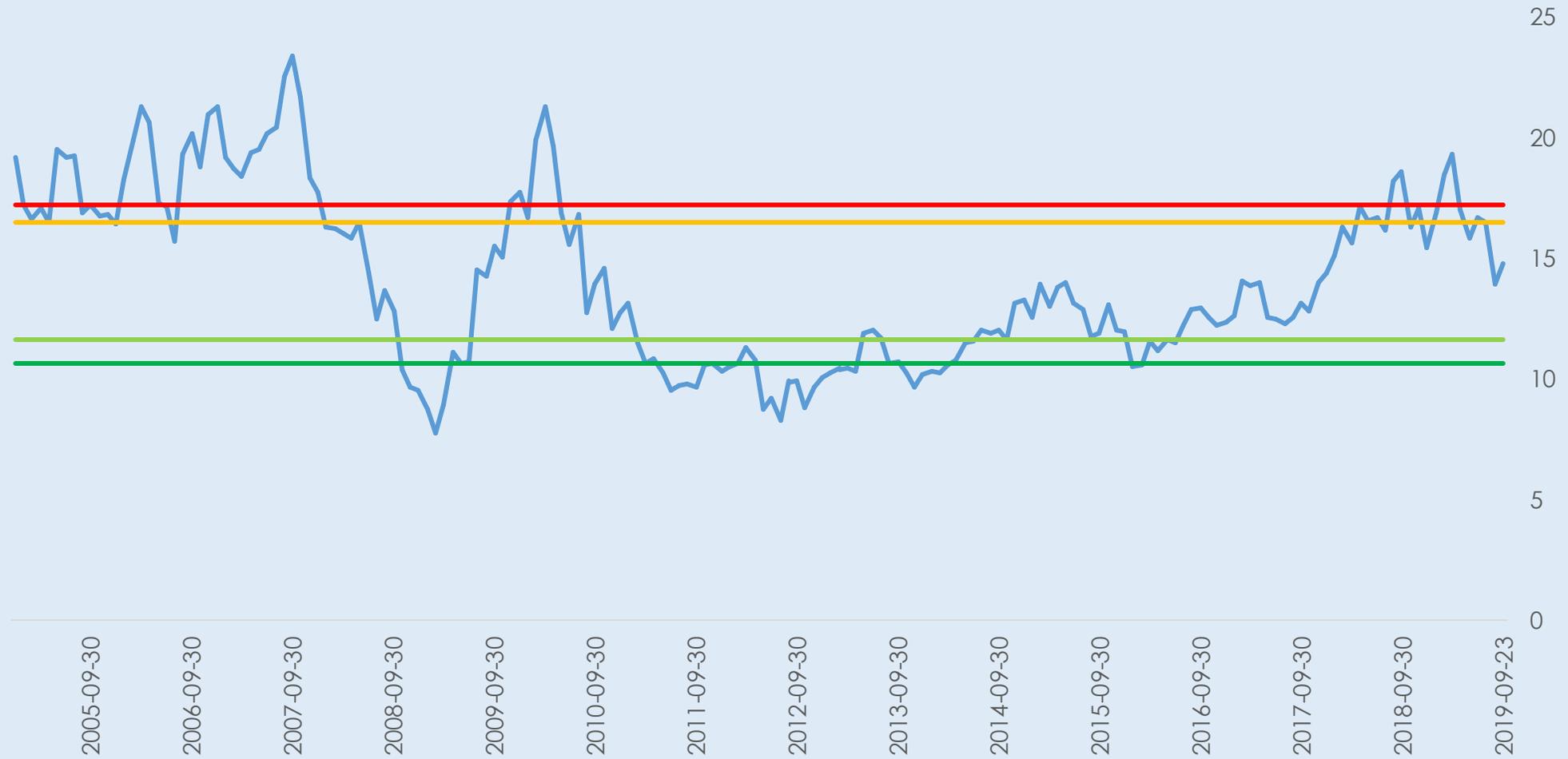
Price to Book:



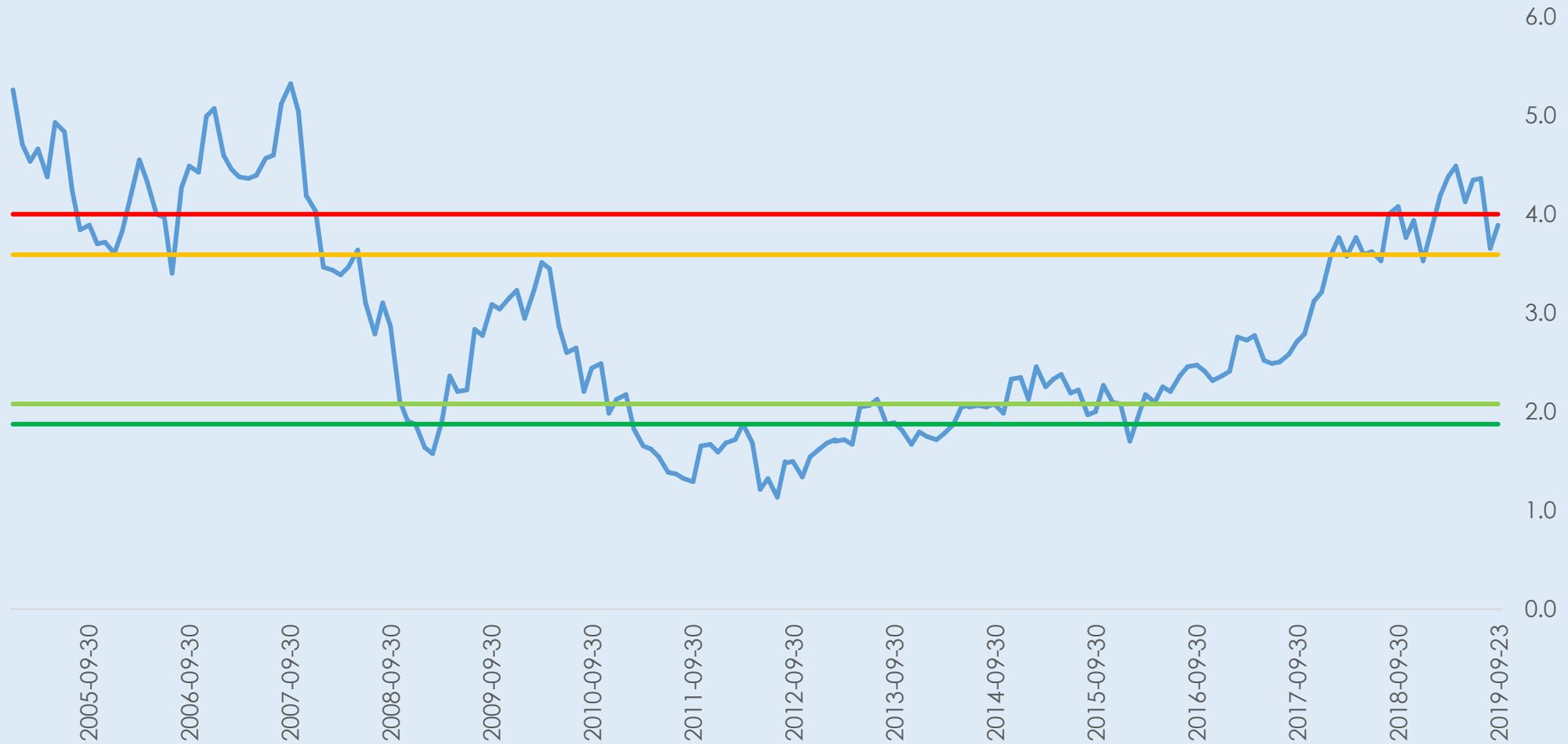
Price to Cashflow:



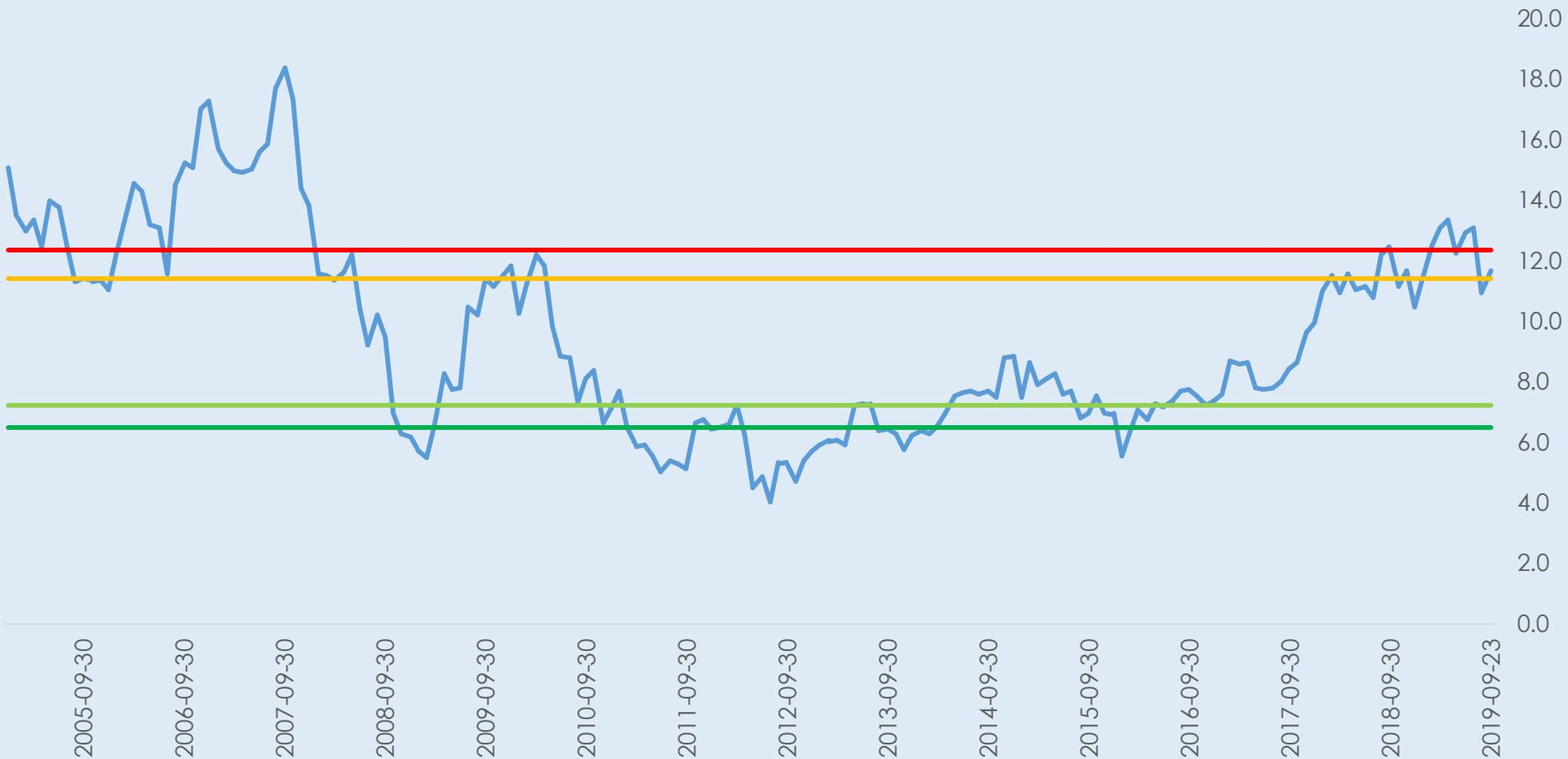
Price to Free Cashflow:



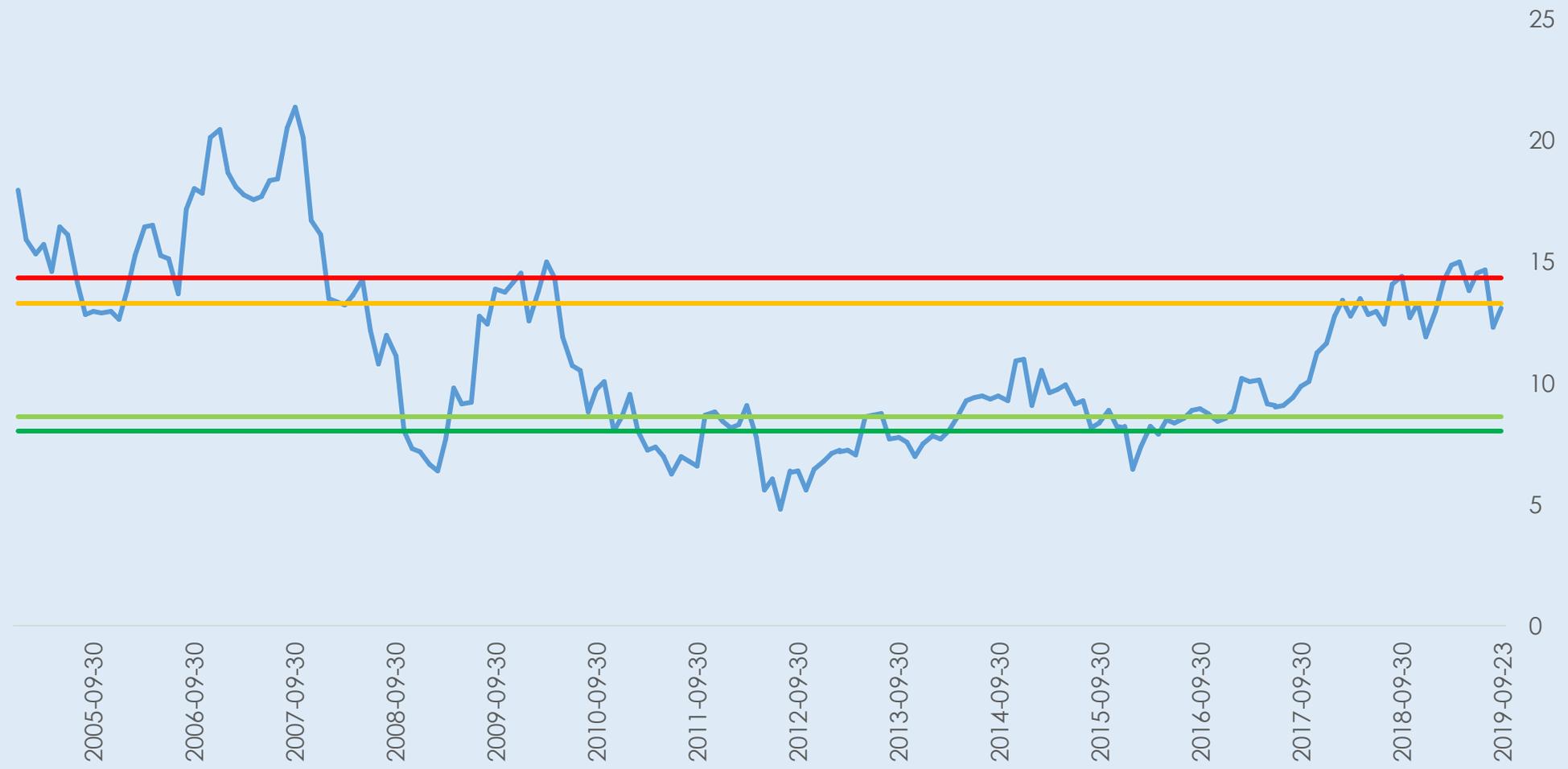
Enterprise Value to Revenue:



Enterprise Value to EBITDA:



Enterprise Value to EBIT:





Discounted Cash Flow (*Base*):



Earnings per Share	\$3.10
Growth Rate in the Next 10 Years	6%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	10%
Fair Value	\$41.36
Margin of Safety	-18.94%



Discounted Cash Flow (*Bear*):



Earnings per Share	\$3.10
Growth Rate in the Next 10 Years	3%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	10%
Fair Value	\$33.93
Margin of Safety	-45.06%



Discounted Cash Flow (*Bull*):



Earnings per Share	\$3.10
Growth Rate in the Next 10 Years	9%
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	10%
Fair Value	\$50.55
Margin of Safety	2.63%

Conscious Investor



10 Years

Growth	STAEGR
7.26%	91.27%
4.84%	96.17%

	7/10	7/11	7/12	7/13	7/14	7/15	7/16	7/17	7/18	7/19
EPS (\$)	1.33	1.62	2.38	2.02	2.06	2.21	2.36	2.39	2.60	3.10
SPS (\$)	7.08	7.95	8.69	9.02	9.23	9.67	9.79	9.63	10.69	12.21

Conscious Investor



6 Years

Growth	STAEGR
7.32%	97.37%
4.79%	97.12%

	7/14	7/15	7/16	7/17	7/18	7/19
EPS (\$)	2.06	2.21	2.36	2.39	2.60	3.10
SPS (\$)	9.23	9.67	9.79	9.63	10.69	12.21

Conscious Investor



3 Years

Growth	STAEGR
13.89%	98.53%
12.59%	99.63%

	7/17	7/18	7/19
EPS (\$)	2.39	2.60	3.10
SPS (\$)	9.63	10.69	12.21

Conscious Investor



Safety

		Cut	-4.52%	-31.51%	-5.38%	-36.02%
	Price	EPS _{ttm}	P/E Ratio	HGR _{owth}	Payout	StretD
Default	49.12	2.61	15.71	10.22%	46.50%	9.30%
Safety	49.12	2.61	15.00	7.00%	44.00%	5.95%

Conscious Investor

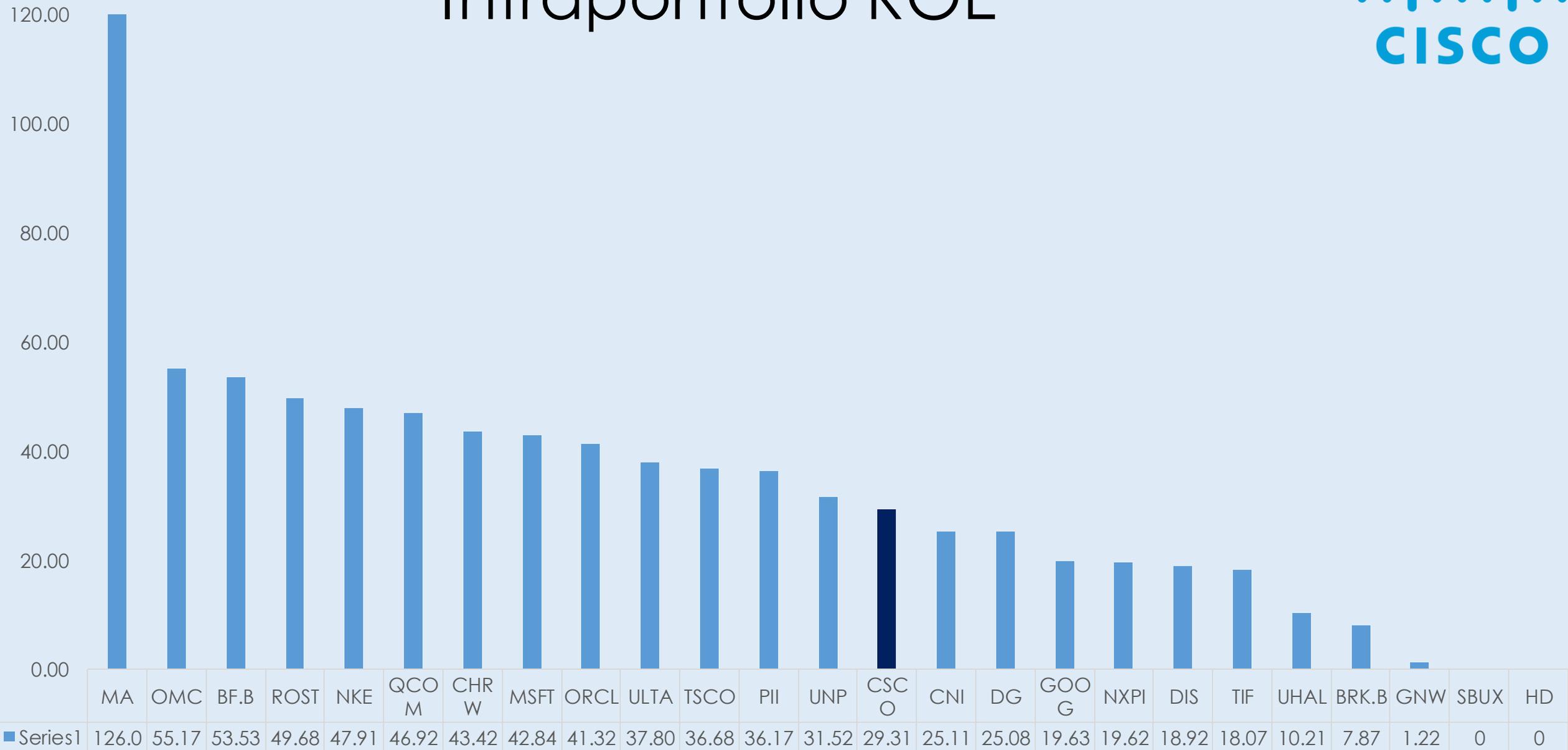


Kill It

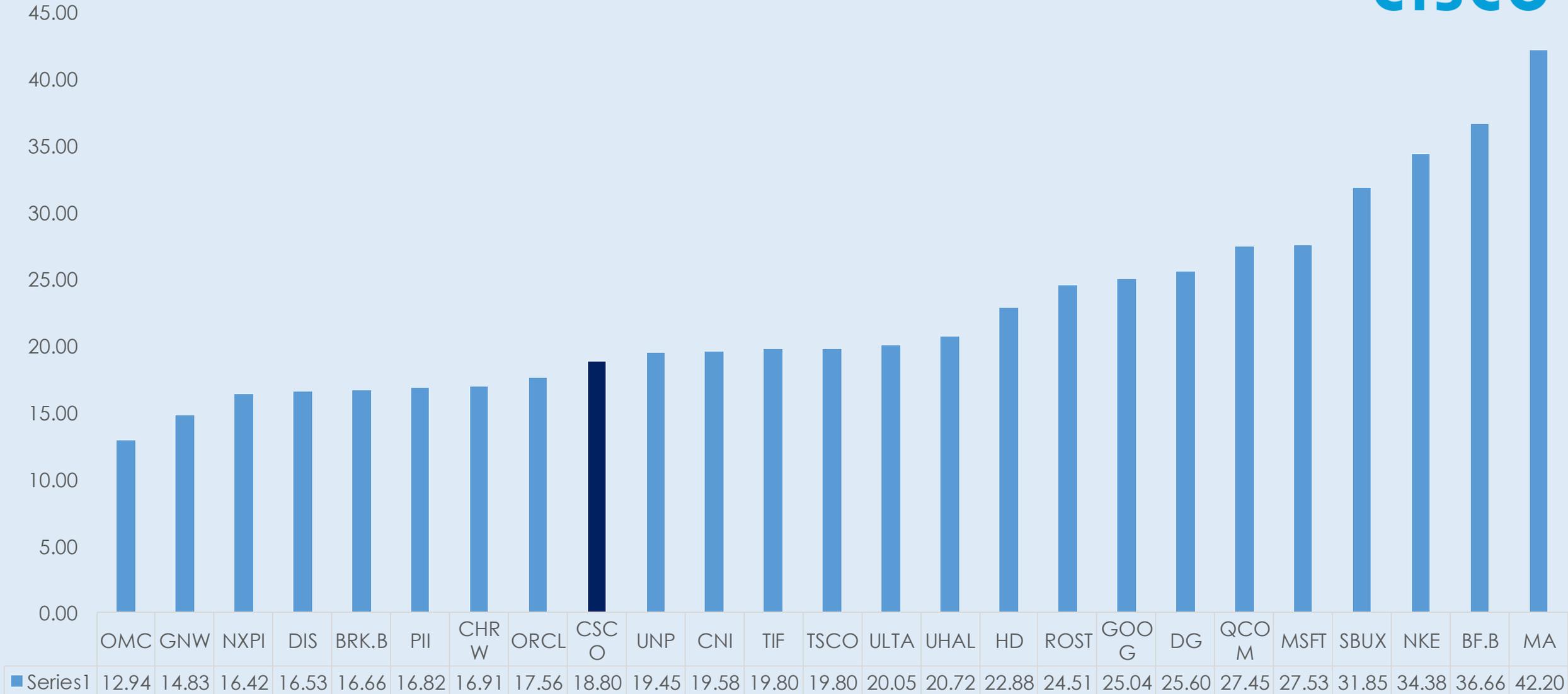
Cut -26.80% -50.59% -100% -100%

	Price	EPSttm	P/E Ratio	HGRowth	Payout	StretD
Default	49.12	2.61	15.71	10.22%	46.50%	9.30%
Safety	49.12	2.61	11.50	5.05%	0.00%	0.00%

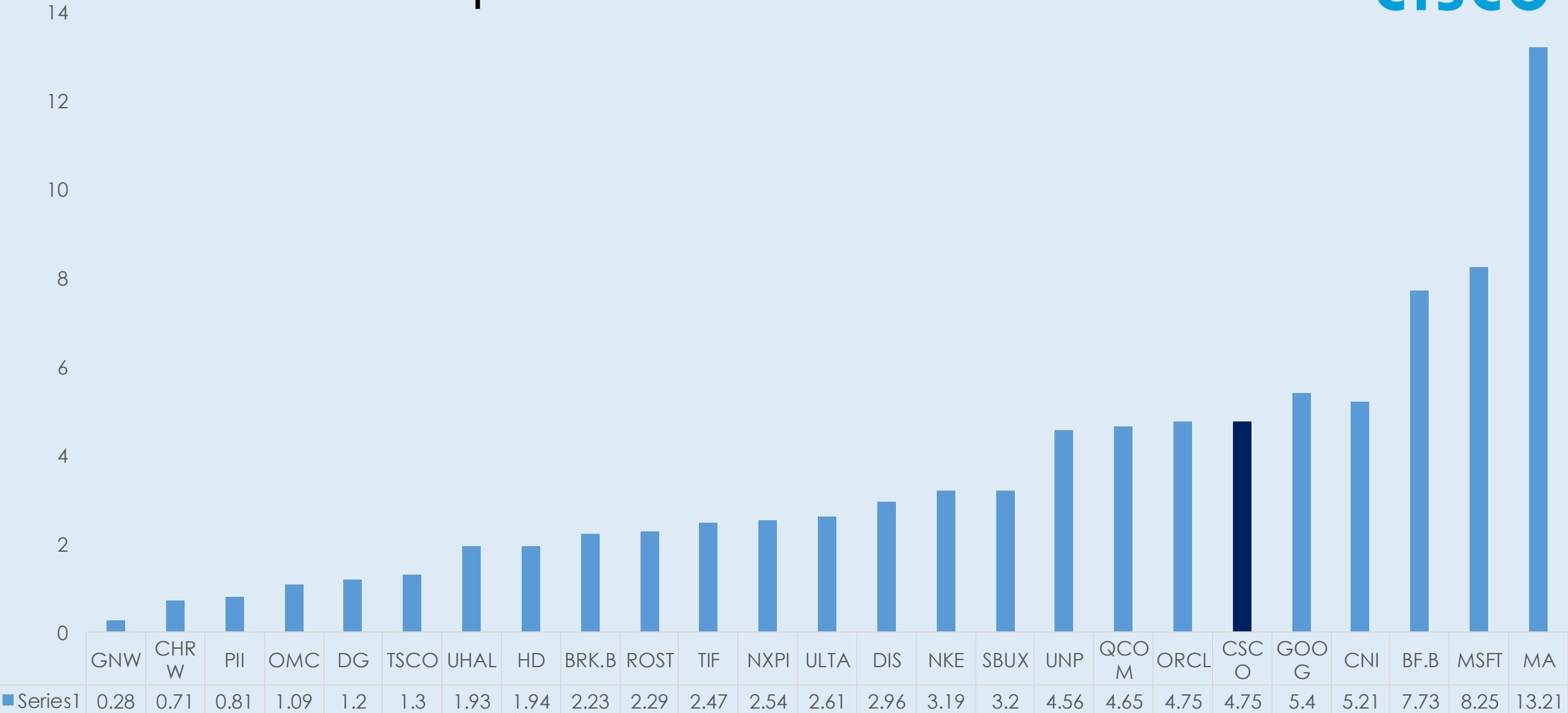
Intraportfolio ROE



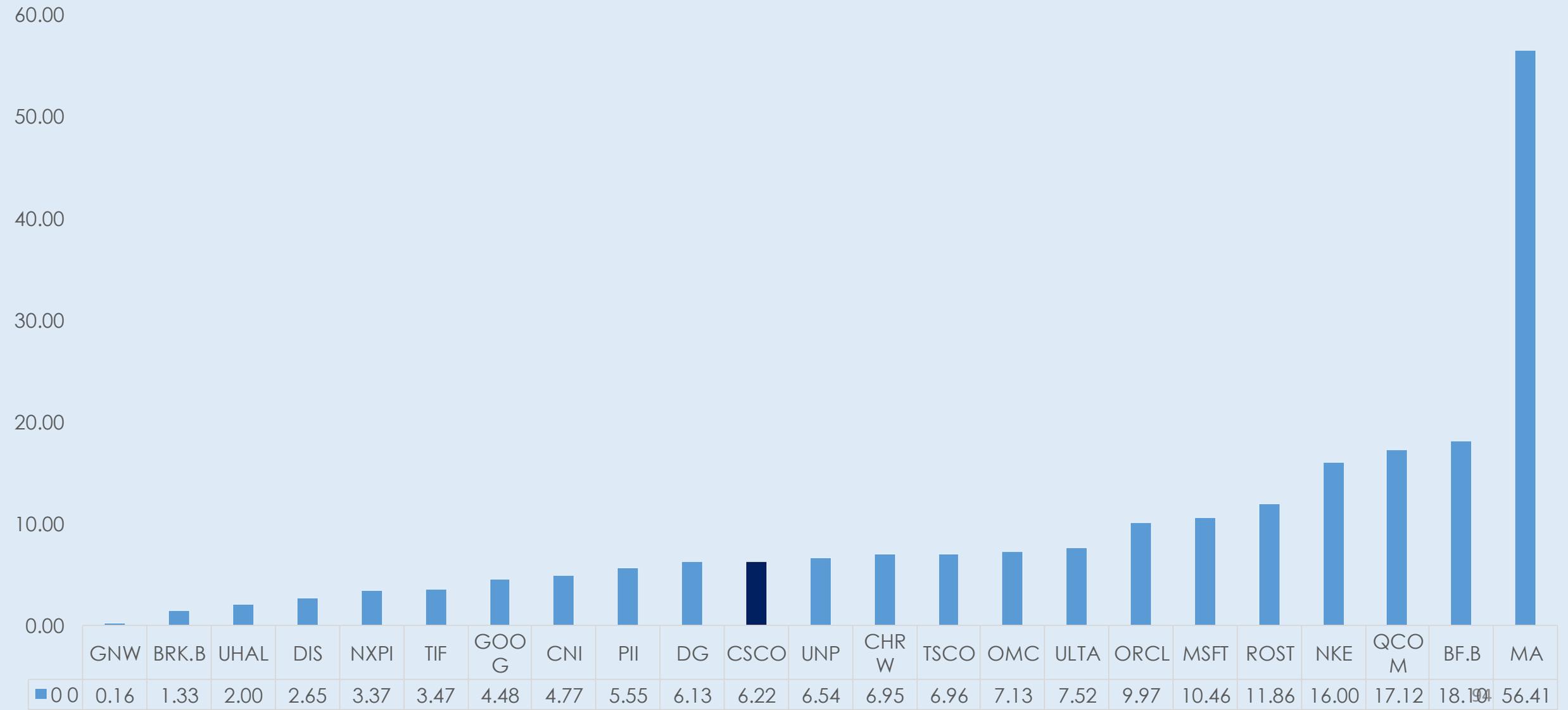
Intraportfolio PE Ratio



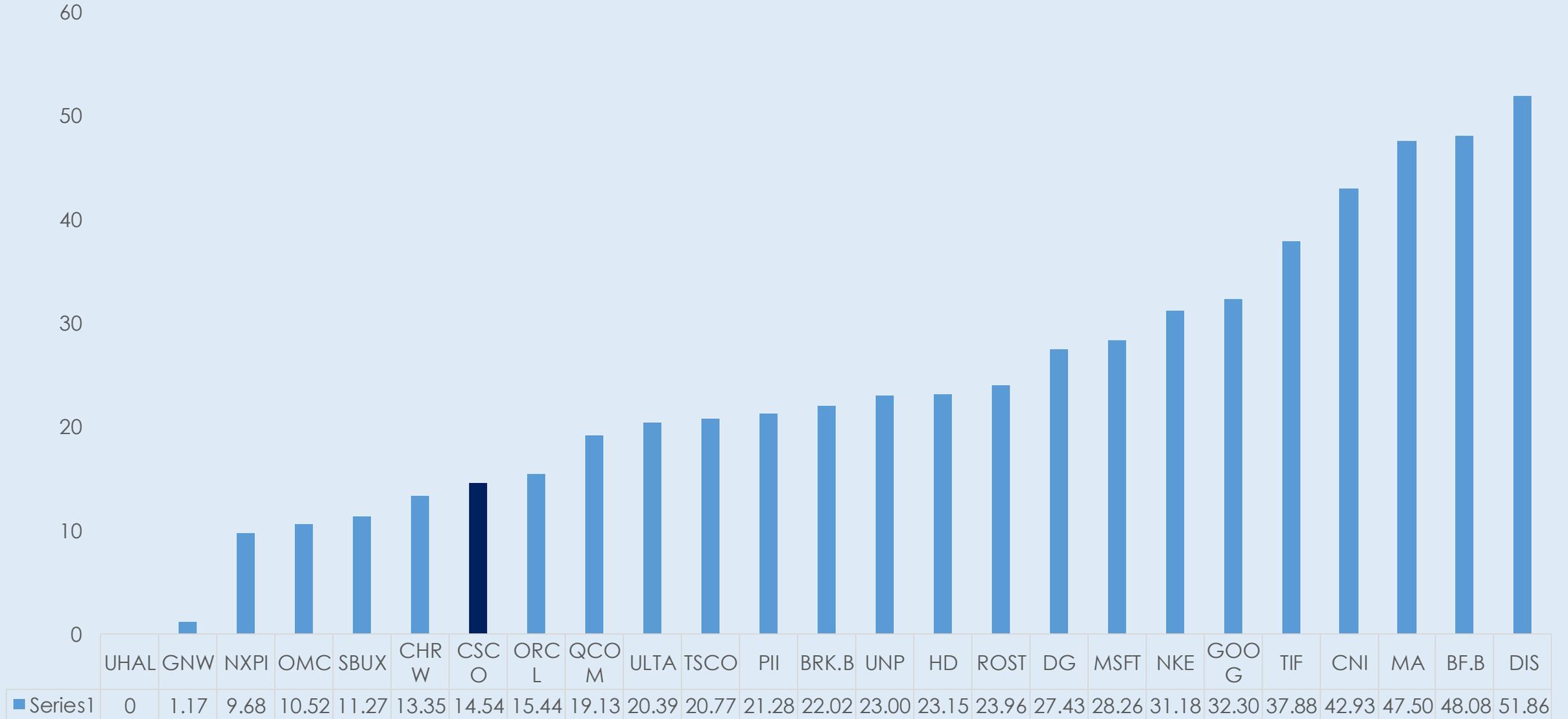
Intraportfolio Price to Sales



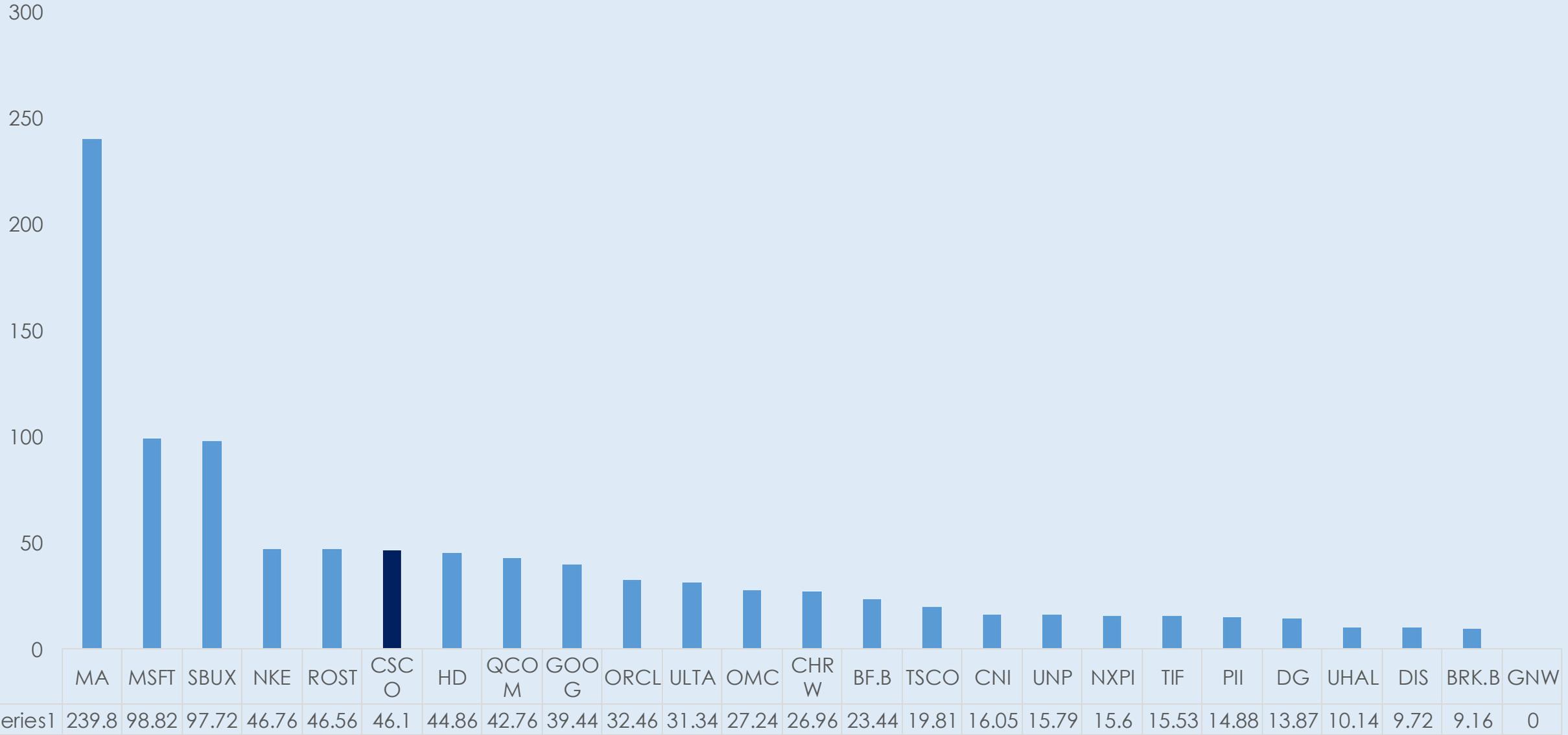
Intraportfolio Price to Book



Intraportfolio Price to Free Cash Flow



Intraportfolio ROIC



The background of the slide is a dense grid of numerous small, tilted video screens. Each screen displays a different image or graphic, primarily in shades of blue and white, with some warmer colors like red and orange. The screens are arranged in a perspective that makes them appear to recede into the distance, creating a sense of depth and a vast array of digital content.

WHAT DO WE RECOMMEND?

Recommendation:



- Limit Order
- 235 shares
- \$42.50 per share



QUESTIONS?