



Cisco Systems Inc. (CSCO)

Updated December 1st, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$77	5 Year Annual Expected Total Return:	2.2%	Market Cap:	\$303 B
Fair Value Price:	\$58	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	01/02/26
% Fair Value:	134%	5 Year Valuation Multiple Estimate:	-5.7%	Dividend Payment Date:	01/21/26
Dividend Yield:	2.1%	5 Year Price Target	\$77	Years Of Dividend Growth:	15
Dividend Risk Score:	D	Sector:	Information Technology	Rating:	Hold

Overview & Current Events

Cisco Systems is the global leader in high performance computer networking systems. The company's routers and switches allow networks around the world to connect to each other through the internet. Cisco also offers data center, cloud, and security products. The company went public on February 16th, 1990. Today, Cisco employs more than 90,000 people and generates nearly \$57 billion in annual revenues.

On February 12th, 2025, Cisco announced a 2.5% dividend increase in the quarterly payment to \$0.41.

On November 12th, 2025, Cisco reported results for the first quarter of fiscal year 2026, which ended October 25th, 2025. For the quarter, revenue grew 7.5% to \$14.9 billion, which was \$100 million above expectations. Adjusted earnings-per-share of \$1.00 compared favorably to adjusted earnings-per-share of \$0.91 in the prior year and was \$0.02 ahead of estimates.

Product orders grew 13% for the period. For the quarter, Networking grew 15% and Observability improved 6%. Collaboration fell 3% while Security was lower by 2%. Services were up 2%. By region, the Americas grew 9% and Europe/Middle East/Africa and Asia-Pacific/Japan/China were both higher by 5%. Total gross margins contracted 40 basis points to 65.5%. Deferred revenue increased 2% to \$28 billion. Cisco repurchased 29 million shares at an average price of \$68.28 during the quarter. The company has \$12.2 billion, or 4.0% of its current market capitalization, remaining on its share repurchase authorization.

Cisco provided an updated outlook for fiscal year 2026 as well, with the company now expecting revenue in a range of \$60.02 billion to \$61 billion for the year, up from \$59 billion to \$60 billion previously. Adjusted earnings-per-share is now projected in a range of \$4.08 to \$4.14, up from \$4.00 to \$4.06. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$2.36	\$2.39	\$2.60	\$3.10	\$3.21	\$3.22	\$3.36	\$3.89	\$3.73	\$3.81	\$4.11	\$5.50
DPS	\$0.94	\$1.10	\$1.32	\$1.40	\$1.44	\$1.46	\$1.50	\$1.54	\$1.58	\$1.62	\$1.64	\$1.86
Shares¹	5029	4983	4670	4307	4243	4238	4170	4093	4035	3992	3956	3930

Between fiscal year 2016 and fiscal year 2025, Cisco's earnings increased at a rate of 5.5% per year. The growth rate has decelerated slightly to 5.0% when looking at the last five years. We reaffirm our expected growth rate of 6% due to a combination of improving margins and share repurchases.

Cisco has increased its dividend for 15 consecutive years. For much of this time, shareholders have seen impressive dividend growth since the company instituted its dividend, though growth has slowed considerably over the past few years. We have lowered our expected dividend growth rate to 2.5% to better reflect recent increases.

¹ Share count in millions

Disclosure: This analyst has a position in the security discussed in this research report.



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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	11.5	13.3	15.1	16.1	15.5	17.2	14.0	13.4	12.7	18.0	18.7	14.0
Avg. Yld.	3.5%	3.5%	3.2%	2.7%	2.8%	2.6%	3.3%	3.0%	3.3%	2.4%	2.1%	2.4%

Shares of Cisco have gained \$10, or 14.9%, since our August 24th, 2025 report. The 2009 to 2010 time frame saw shares of Cisco trade with a well above average price-to-earnings multiple. Over the last decade, shares have traded with an average P/E of 14.1. Given the company's overall business performance of the past few years, growth in deferred revenue, and large cash balance, we maintain our target P/E of 14.0. Shares are trading at 18.7 times our expected earnings-per-share for the fiscal year, implying a valuation headwind. Multiple contraction could lower annual returns by 5.7% over the next five years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	40%	46%	51%	45%	45%	45%	45%	40%	42%	43%	40%	34%

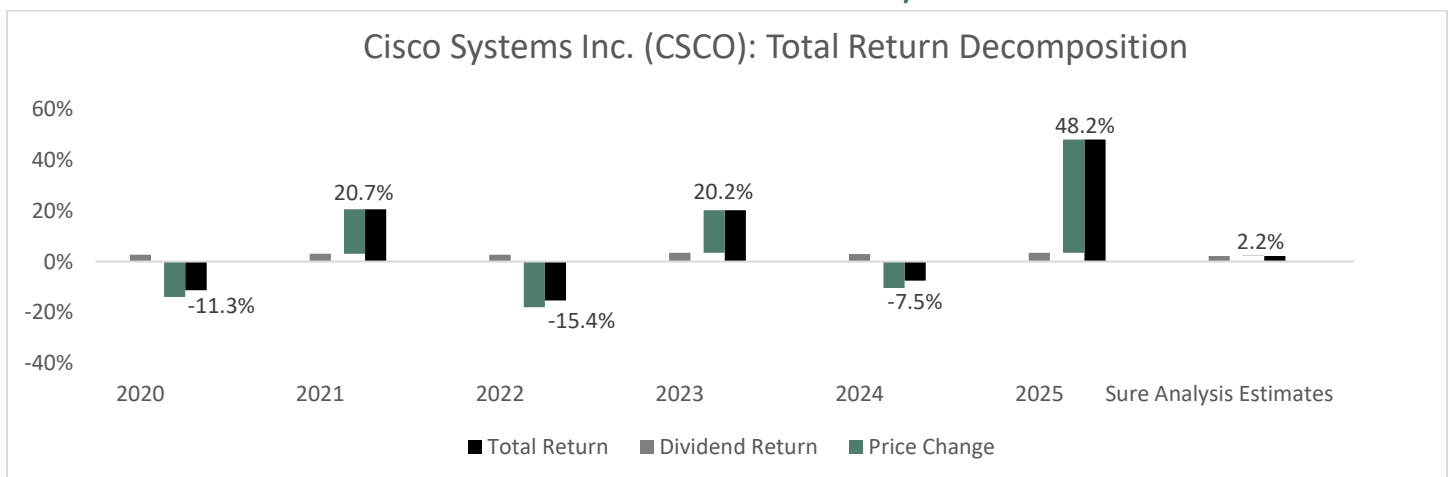
Cisco ended the most recent quarter with \$15.7 billion in cash and equivalents and investments. Given the cash on the balance sheet, it is likely that Cisco would be able to continue to pay a dividend even in the event of an extended recession.

With everything from computers to cell phones to buildings connected today, Cisco is in a prime position to capitalize on the Internet of Things. In fact, Cisco is responsible for 80% of all the data moved over the internet in the past 30+ years. While Cisco continues to enjoy hardware dominance, the company is attempting to become more of a subscription services company. This should help create more predictable revenue streams.

Final Thoughts & Recommendation

Cisco Systems is projected to return 2.2% annually over the next five years, down from our prior estimate of 4.7%. Our estimated return stems from a 6% earnings growth rate and a starting yield of 2.1% that are offset by a headwind from multiple compression. Cisco had decent first quarter results, with all regions showing growth. The addition of Splunk was a positive last year, but the stock is trading ahead of our fair value estimate. We note that the stock's yield is market beating and the payout ratio is very reasonable. We have increased our five-year price target \$1 to \$77 because of guidance for the fiscal year, but we continue to rate shares of Cisco as a hold due to projected returns and the weak dividend risk score.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2021	2022	2023	2024	2025
Revenue	49,247	48,005	49,330	51,904	49,301	49,818	51,557	56,998	53,803	56,654
Gross Profit	30,960	30,224	30,606	32,666	31,683	31,894	32,248	35,753	34,828	36,165
Gross Margin	62.9%	63.0%	62.0%	62.9%	64.3%	64.0%	62.5%	62.7%	64.7%	63.8%
SG&A Exp.	11,433	11,177	11,386	11,398	11,094	11,411	11,186	12,358	13,177	13,958
D&A Exp.	2,150	2,286	2,192	1,897	1,808	1,862	1,957	1,726	2,507	2,811
Operating Profit	12,928	12,729	12,667	14,541	14,101	13,719	13,975	15,562	12,970	12,460
Op. Margin	26.3%	26.5%	25.7%	28.0%	28.6%	27.5%	27.1%	27.3%	24.1%	22.0%
Net Profit	10,739	9,609	110	11,621	11,214	10,591	11,812	12,613	10,320	10,180
Net Margin	21.8%	20.0%	0.2%	22.4%	22.7%	21.3%	22.9%	22.1%	19.2%	18.0%
Free Cash Flow	12,424	12,912	12,832	14,922	14,656	14,762	12,749	19,037	10,210	13,288
Income Tax	2,181	2,678	12,929	2,950	2,756	2,671	2,665	2,705	1,914	920

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2021	2022	2023	2024	2025
Total Assets (\$B)	121.65	129.82	108.78	97.79	94.85	97.50	94.00	101.9	124.14	122.29
Cash & Equivalents	7,631	11,708	8,934	11,750	11,809	9,175	7,079	10,123	7,508	17,237
Acc. Receivable	5,847	5,146	5,554	5,491	5,472	5,766	6,622	5,854	6,685	8,401
Inventories	1,217	1,616	1,846	1,383	1,282	1,559	2,568	3,644	3,373	3,164
Goodwill & Int.	29,126	32,305	34,258	35,730	35,382	41,787	40,873	40,353	69,879	68,311
Total Liabilities	58,067	63,681	65,580	64,222	56,933	56,222	54,229	57,499	78,956	75,448
Accounts Payable	1,056	1,385	1,904	2,059	2,218	2,362	2,281	2,313	2,304	2,528
Long-Term Debt	28,643	33,717	25,569	24,666	14,583	11,526	9,515	8,391	30,962	25,785
Total Equity	63,586	66,137	43,204	33,571	37,920	41,275	39,773	44,353	45,457	46,843
LTD/E Ratio	0.45	0.51	0.59	0.73	0.38	0.28	0.24	0.19	0.68	0.63

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2021	2022	2023	2024	2025
Return on Assets	9.1%	7.6%	0.1%	11.3%	11.6%	11.0%	12.3%	12.9%	9.1%	8.3%
Return on Equity	17.4%	14.8%	0.2%	30.3%	31.4%	26.7%	29.1%	30.0%	23.0%	22.1%
ROIC	12.1%	10.0%	0.1%	18.3%	20.3%	20.1%	23.1%	24.7%	16.0%	13.2%
Shares Out.	5029	4983	4670	4307	4243	4238	4170	4093	4035	3992
Revenue/Share	9.68	9.51	10.11	11.66	11.59	11.76	12.30	13.89	13.25	14.17
FCF/Share	2.44	2.56	2.63	3.35	3.45	3.48	3.04	4.64	2.51	3.32

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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