**TICKER: CSCO STOCK NAME: Cisco Systems**

 **DATE: 10/10/2010**

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**RECOMMENDATION: BUY**

**Cisco Systems**

Cisco is the high performance leading supplier of internetworking products for linking local-area and wide-area network of computer systems. Product consists of routers, LAN and ATM Switches, dial-Up access servers and network management software.

***\*\*\*\*\*The company is diversifying its products to become the one stop shop in IT***.\*\*\*

**New Product**

**Introducing Cisco UMI**

A first-of-its-kind consumer product that brings family and friends together in HD video, whether they are around the corner or across the country. Cisco is also working with [Verizon](http://www.verizon.com/) to bring the ūmi experience to Verizon [FiOS](http://www22.verizon.com/Residential/aboutFiOS/Overview.htm) customers early next year. Cisco is working with Best Buy to bring the Cisco ūmi experience to Magnolia Home Theatre stores this holiday season, as well as purchase Cisco ūmi, with installation and support provides by The Geek Squad.

**Applications Capabilities:**

* Your existing HDTV with an HDMI input port
* Broadband Connection
	+ Minimal upload speed of 1.5Mbps required for 720p umi calls.
	+ Minimum upload speed of 3.5Mpbs required for 1080 umi calls
* UMI Service Pan – Unlimited umi calls for 24.99/month

 **Products Consist of …**

* **V-Block** - is an IT infrastructure package that integrates Cisco’s server virtualization platform.
* **Web Ex and Show & Share**, and **Video Recording** and **Editing System** – These tools will help quickly find and share information between co-workers and business contact.
* **Data Center**: EMC for Storage; VM ware for virtualization.
* **CRS-3 -**Is a carrier routing system that Cisco is calling “The foundation of the next-generation Internet” This device has three times the capacity (322 terabits per second) of its predecessor, the CRS-1 and 12 times that of its competitor.
* **NEXUS -** Next-generation data centers are increasingly dense, multicore, and virtual machine intensive. The Cisco Nexus 5000 Series meets business, service, application, and operational requirements of such data centers.

**Acquisitions:**

* Cisco completes acquisition of **Arch Rock** its acquisition of privately held Arch Rock Corporation, a pioneer in Internet Protocol-based wireless network technology for smart-grid applications. Based in San Francisco, Arch Rock will accelerate Cisco's ability to facilitate the utility industry's transition to an open and interoperable smart grid by enabling Cisco to offer a comprehensive and highly secure advanced metering infrastructure solution that is fully IP and open-standards based.

**Strengthen/Ratings**

* MI ratings: Quality Blue (77.0); Par 13.1%
* MSN Caps Rating: 4 stars
* VL: Rated this stock an A++
* Yahoo Stars 4 to 5
* Morningstar: 4 Stars; Stewardship B; Fair Value Uncertainty = Medium Economic Moat= Wide; Fair Value Est $30.00; Consider buying $21.00; Consider Selling $ 42.00
* Cisco debt is 22% of capital.
* October revenue up 18%-20%
* July revenues were up 27% due to robust sales in Switches.
* Cisco has aggressive long-term growth targets over the next 3-5 years to generate annual revenue gains of 12%-17%
* Operating margin range between 28%-31% is intact
* Cisco is poised to take advantage of key technology trends, including the rapid rise of video,

highlighted by the growth of the videoconferencing market.

* Cisco's long-term demand outlook remains solid as voice, video, and data networks converge toward IP
* AP reported that Cisco says they will begin paying a dividend NLT July of 2011 -annual dividend yield would be in the 1% - 2% range. Cisco has been reluctant to bring the money back to the U.S., to be taxed at the 35 percent corporate rate.
* Cisco strong cash-flow generation provide ample ammunition to acquire new technology in high-growth product and customer segments.

**Weakness**

* China's Huawei Technologies has won some sizable contracts abroad and could hurt Cisco's volume and margins in key markets.
* Juniper, Cisco's main rival in the carrier-router market, is now selling switches for use in corporate networks, and area which Cisco has long dominated.
* SSG part 2, Part A ( Pre-tax Profit) is down, and Part B (ROE) is down
* Although Cisco is introducing UMI home video conferencing system, it comes with a price tag of $599 - plus $24.99 for monthly service. It is simply crazy expensive at a time when you can buy a cheap Webcam and video chat over the Internet via Skype, Google Talk or other service for almost zero additional equipment cost and no additional service fee.

**Comments:**

* My recommendation would be to “BUY” more Cisco stock. Cisco has a great MOAT, a well recognized brand and with more video streaming through internet, home theatre, Blackberries, IPhone and cellular phone devices, carriers are going to need more bandwidth to support traffic.