

Cisco Systems, Inc.

NASDAQ: CSCO | Networking, security and collaboration | Coverage update | 10 October 2026

Last close (9 October 2026)	\$118.39	Recommendation	WATCHLIST (unchanged)
Previous report (30 Sep)	\$106.94, Watchlist	Investment score	70.6 / 100 (prior 71.2, restated)
Move since then	+10.7%	Weighted fair value	\$121.73 (unchanged); +2.8%
FY2027 P/E (guided EPS \$5.08)	23.3x (was 21.1x)	Price of interest	About \$99, near the 200-day average
10-year Treasury	5.22% (8 Oct close)	Technical read (chart only)	Neutral: mixed
200-day average	\$98.69; price 20.0% above	Next results	Q1 FY2027, expected 11 November; not yet announced

The Price Moved, the Case Did Not

Ten days ago this coverage moved Cisco from Buy to Watchlist. The earnings case was intact, but the stock had broken its own exit level and a ten-year yield above 5.2% had cut the fair value to \$121.73. Since then the shares have risen 10.7% to \$118.39, closing above the 20, 50 and 100-day averages again. Nothing in the fundamentals moved with them. Fiscal 2027 guidance stands, no new order or margin figure has been published, and the ten-year yield is almost where it was, at 5.22% against 5.26%.

No company announcement explains the rise. Cisco was among the leading Dow gainers on 2, 6 and 9 October, and it rose 3.0% on 9 October while the Nasdaq Composite fell. The two company items in the period, a set of agent features for Webex launched on 7 October and a new independent director appointed with effect from 9 October, do not change what Cisco will earn in fiscal 2027. The move looks like a rotation into large, cash-generative technology names, though that cannot be shown from the evidence available.

Verdict: Watchlist, unchanged, from fundamentals. Technical read (chart only): Neutral. The rating holds, but the reason for it has shifted. On 30 September the problem was a broken risk rule and a falling multiple, with 13.8% to fair value. Today the problem is price: the probability-weighted fair value of \$121.73 sits just 2.8% above the market, while the bear case sits 30% below it. The name becomes interesting at about **\$99**, near the rising 200-day average and 19.5 times guided fiscal 2027 earnings, or after a November quarter that clears the 65% to 66% gross-margin guide with free cash flow recovering.

1. The published levels at the new price

Level (30 Sep report)	Published	Status at \$118.39	Read
Watch price	About \$98: 200-day average (\$97.25) and 19.3x guided FY27 EPS	Not reached; price 20.8% above	200-day recomputed at \$98.69; watch price moves to about \$99
Upgrade route: November quarter plus a reclaim of the 50-day average	50-day \$112.27	Price back above the 50-day (now \$112.32); November quarter not yet reported	Half met. The half that matters, the margin test, is still ahead
Fair value	\$121.73	2.8% above the price	Unchanged; the margin to it has shrunk from 13.8%
Downside trigger: close below the 200-day average with guidance under pressure	\$97.25	20.0% above the recomputed \$98.69	Not in play

All averages recomputed in code from a 300-session daily series ending 9 October 2026, with the ATR(14) at \$2.77. No entry range, stop or target is published for a Watchlist rating.

2. Company developments

Items from 22 September to 10 October 2026 that bear on what Cisco earns or how it competes, together with the items carried from the previous report. Ratings and price moves appear under Sentiment.

Development	Status and date	What is known	What is forecast (and by whom)	Impact
Agentic collaboration release at WebexOne: Claude-powered teammates in Webex, an MCP integration for OpenAI's dots, RoomOS 27 with native Google Meet support, Intelligent Workplace Experiences, Ceiling Speaker Pro	Announced 7 Oct 2026 (company release)	RoomOS 27 available in November; Claude Managed Agents capabilities described as coming soon; dots integration described only as in the future. Other products carry no date. Pricing not disclosed	None quantified by the company	Medium
Board appointment: Girish D. Rishi, chief executive of Cognite, as an independent director	8-K filed 9 Oct; effective 9 Oct 2026	Standard director pay; committee roles not yet set; no departures reported	None	Low
Splunk AI release: AI POD for Splunk, Splunk AI Assistant, agent observability, new Observability Cloud editions	Shipped 15 Sep 2026; Agent Launchpad due later in 2026	No pricing or adoption figures since launch	None quantified	Medium
Management commentary on input costs	Goldman Sachs conference, 8 Sep 2026	CFO: memory price increases are being passed on; Q1 gross margin guided at 65% to 66%	Management expects the margin headwind to stay slight; tested at Q1 FY27 results	Medium
Bell Canada sovereign AI memorandum	Signed 29 Sep 2026	Non-binding; no value or timeline; no update since	None	Low
Q1 FY2027 results	Expected 11 November 2026	Date not yet announced by the company; Cisco has reported its first quarter in mid-November in recent years	Guidance: Q1 gross margin 65% to 66%; FY27 revenue \$72.2-73.4bn, EPS \$5.05-5.11 (management)	High (scheduled)

Company releases and filings (Cisco newsroom, 7 Oct 2026; Form 8-K filed 9 Oct 2026); earlier items as carried from the 30 September report.

Nothing in the period reaches the threshold that would change the scenarios, the fair value or the scores. The Webex release is the most substantive item. It puts third-party agents, including Anthropic's Claude and OpenAI's dots, inside Cisco's meetings and messaging, and it ties collaboration devices to the networking stack through Cisco Cloud Control. That is a sensible defence of a product line that competes with Microsoft Teams and Zoom, but collaboration is one of Cisco's smaller lines, most of the agent features carry no ship date, and no pricing was given, so there is nothing to size. The board appointment is routine. The verdict and the levels would be the same without either item.

3. Growth drivers

Driver	Status	Fact versus forecast	Likelihood / impact
Hyperscale AI revenue to \$7.5bn in FY27	Guided	FY26 AI orders \$9.3bn (fact); FY27 revenue target (management)	Medium-high / High
Campus refresh on the AI-ready platform	Under way	Management describes a multi-year cycle; cadence not disclosed	Medium / Medium
Splunk and security subscription growth	Shipping	48% subscription mix (fact); growth by product not disclosed	Medium / Medium

Driver	Status	Fact versus forecast	Likelihood / impact
Agentic collaboration in Webex	Announced 7 Oct; RoomOS 27 in November	Features announced; adoption and pricing unknown	Medium / Low
Sovereign and neocloud build-outs	Early; Bell MOU non-binding	Deals announced; no revenue disclosed	Medium / Low-medium

4. Valuation at \$118.39

At \$118.39 Cisco trades at 23.3 times the midpoint of fiscal 2027 guided non-GAAP earnings of \$5.08, up from 21.1 times ten days ago. Market capitalisation is about \$466bn on 3,940m diluted shares, the free cash flow yield on the \$12.77bn reported for fiscal 2026 is 2.7%, and the dividend yield is about 1.4%. Every one of those numbers has moved against a new buyer, and none because of a change in the business. The stock is now close to fairly valued on this coverage's base case.

Measure	At \$106.94 (29 Sep)	At \$118.39 (now)	Own history
P/E on FY27 guided non-GAAP EPS \$5.08	21.1x	23.3x	~15x avg
Free cash flow yield	3.0%	2.7%	~5-6%
Dividend yield	1.57%	1.42%	~2.8%
Market capitalisation	\$421.3bn	\$466.5bn	-
Probability-weighted fair value (upside)	\$121.73 (13.8%)	\$121.73 (2.8%)	-

Multiples computed by this report on 3,940m diluted shares. Dividend yield uses the annual dividend implied by the prior report. Historical averages are approximate long-run reference levels.

The macro variables that matter here. Cisco's demand is set by enterprise and hyperscale capital plans, so the policy rate reaches it mainly through the multiple. That channel has barely moved since the last report. The ten-year yield closed at 5.22% on 8 October against 5.26% on 29 September, after strong demand at the 10-year and 30-year auctions; the 30-year had touched its highest level since 2002 the day before. Minutes of the September Fed meeting, which raised the target range to 3.75%-4.00%, showed most participants expecting a further increase to be appropriate by year end. September payrolls rose only 29,000 and unemployment reached 4.2%, which leaves the path two-sided. The second variable is input cost, which reaches the gross-margin guide: August core PCE rose 0.2% on the month, and management says memory costs are being passed through. Neither variable justifies the higher multiple the market is now paying.

5. Financial position

Metric	Value	What it means here
FY26 revenue / net income	\$63.3bn / \$13.3bn	Annual report filed 2 Sep confirmed the August release
FY26 free cash flow	\$12.77bn, down 3.9%	Inventory rose 80% to \$5.69bn; recovery is a November test
FY27 guidance	\$72.2-73.4bn revenue; \$5.05-5.11 EPS	+15% revenue and +17% EPS at the midpoint
Q1 FY27 gross margin guide	65% to 66%	The number most likely to move the rating
Net leverage / ROE	~0.55x / ~27%	The balance sheet is not the constraint

6. Sentiment

Input	Reading	Interpretation
Broker actions	Bernstein initiated at Market Perform, \$110 target (30 Sep), reiterated 7 Oct; Citi kept Buy, \$139 target (9 Oct)	Opinion is split, and the price now sits between the two targets
Insiders	No Form 4 filings since 18 Sep	No signal

Input	Reading	Interpretation
Options	101,250 contracts on 6 Oct and 87,620 on 9 Oct; open interest up to 918,280 from 879,370	Active positioning into the rally
Institutional positioning	Mixed, moderate confidence. As of 30 June 2026, filings through 19 August 2026	See note below
News flow	Product and board announcements; repeated mentions among the day's leading Dow gainers	Neutral; momentum rather than news

Rating actions, notices and options activity to 9 Oct 2026 from the moomoo news, notice and research channels; Form 4 notices from SEC filings.

Institutional positioning reads Mixed, moderate confidence, as of 30 June 2026 with filings through 19 August 2026. Reported holdings show a net addition of about 2.7% of reported shares over four quarters and 0.2% in the latest quarter, with 22 managers adding and 34 cutting. The net addition rests largely on one large holder, while most of the rest of the register trimmed, although quarterly flows were positive in each of the last three quarters. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure. The positioning predates both the September sell-off and the October recovery.

7. Risks

Risk	Probability	Severity	Comment
Gross margin misses the 65-66% guide on input costs	Medium-high	High	Management says costs are passed through; November tests that claim
Multiple gives back the October rise	Medium-high	Medium	23.3x guided FY27 EPS with no change to earnings; a ten-year still above 5.2%
A pause in hyperscaler orders in 2H FY27	Medium	High	Carries the bear case to \$82
Free cash flow fails to recover	Medium	High	A second year of decline would make it structural
Core networking growth slows to single digits	Medium	Medium	The bear argument among brokers; the FY27 guide implies otherwise
Splunk integration underdelivers	Medium	Medium	Part of the 48% subscription mix

Probability and severity are this report's assessments. The Risk score of 5/10 below denotes a moderate-risk profile, consistent with this register.

8. Scorecard

Criterion	Weight	Score		Prior	Rationale and what moved
Business Quality	16%		8/10	8/10	Unchanged. Dominant installed base; 48% subscription revenue; the Webex agent release extends a smaller product line.
Financial Strength	16%		8/10	8/10	Unchanged. About 0.55x net leverage and about 27% ROE; fiscal 2026 free cash flow fell 3.9%.
Competitive Advantage	16%		7/10	7/10	Unchanged. Broadening AI customer base; Arista still leads the scale-out fabric.
Management	10%		8/10	8/10	Unchanged. Beat the top of its own guidance on every line; margin claim tested in November.
Growth Potential	16%		8/10	8/10	Unchanged. FY27 guided to +15% revenue and +17% EPS at the midpoint; nothing new to test until November.
Valuation	16%		5/10	6/10	Down 1. 23.3x guided FY27 EPS after a 10.7% rise with no change to earnings; fair value only 2.8% above the price.
Risk (10 = lowest risk)	10%		5/10	5/10	Unchanged. Ten-year at 5.22% and Fed minutes leaning to another increase; margin test still ahead.

Scored 1-10, where 10 is always best, including Risk. The 30 September report used the same direction, so no Risk restatement was required. Weighted total computed in code: 70.6 out of 100.

Overall Investment Score: 70.6 / 100

The prior score is restated without its chart-based factor for comparability: 71.2 on the seven fundamental factors, against 69 as published. Weights are now 16% for each of the five main factors and 10% each for Management and Risk. One score moved. Valuation falls from 6 to 5 because the shares now trade at 23.3 times guided fiscal 2027 earnings with only 2.8% to fair value. Composite 70.6, down 0.6 points on the restated basis. No company development moved a score.

9. Recommendation: Watchlist

Rating: WATCHLIST, unchanged, on different grounds. On 30 September the rating rested on a broken exit rule and a lower multiple. The exit rule is history now, and the multiple has recovered faster than the earnings evidence. A new buyer at \$118.39 pays close to this coverage's fair value for a quarter that has not yet answered the margin question, with a bear case about 30% lower. That is a poor trade even for a business of this quality.

The price of interest moves to about \$99. The previous report anchored \$98 on the 200-day average, which has since risen to \$98.69. At \$99 the shares would sit on that average and at 19.5 times guided fiscal 2027 earnings, with the weighted fair value 23% higher. The other route is the November quarter: gross margin inside 65% to 66%, free cash flow recovering as inventory turns, and hyperscale orders holding near the \$4bn quarterly pace would justify a Buy at a higher price than \$99. The results date has not yet been announced; mid-November is the usual pattern. No entry range, stop or target is published, because no position is held.

Condition	Direction	Why it changes the view
Shares fall to about \$99, near the 200-day average and 19.5x guided FY27 EPS, with guidance intact	Toward Buy	Restores a margin of safety
Q1 FY27 results (expected 11 Nov) show gross margin inside 65-66% and free cash flow recovering	Toward Buy	Answers the margin and cash questions
A sustained easing in long-term Treasury yields that supports a higher multiple	Up	Lifts the base-case multiple
Q1 FY27 gross margin below the guided range	Toward Avoid	Breaks management's pass-through claim
Hyperscaler orders fall below the roughly \$4bn quarterly pace	Down	Undermines the \$7.5bn AI revenue target
A close below the 200-day average with guidance under pressure	Down	Both price and earnings support gone

Macro rows are directional. Numeric levels come from the report's own valuation, company guidance and the recomputed averages.

10. Technical read

Chart as of the 9 October 2026 close.

Verdict: Watchlist, from fundamentals. **Technical read (chart only): Neutral.** The chart state is mixed. The price has climbed back above the 20, 50 and 100-day averages, MACD is positive and above its signal, and the 200-day average is rising beneath it, but the 50-day average has not turned up and still sits below the 100-day. Watch whether the shares hold above the 50-day average at \$112.32 as it starts to rise; a fall back below \$106.43, the sixty-day closing low, would return the chart to the September pattern. This read looks only at the price chart. It does not change the verdict or the Investment Score, and it guides entry timing only.

Indicator	Value	Reading
Price of record (9 October 2026)	\$118.39	Up 10.7% since the previous report
SMA 20 / EMA 20	\$110.47 / \$111.96	Price 7.2% and 5.7% above
SMA 50 / EMA 50	\$112.32 / \$111.65	Price 5.4% and 6.0% above; the 50-day is not yet rising

Indicator	Value	Reading
SMA 100 / EMA 100	\$114.99 / \$109.25	Price 3.0% and 8.4% above
SMA 200 / EMA 200	\$98.69 / \$100.35	Price 20.0% and 18.0% above; long-term trend up
RSI (14)	64.8	Neutral, approaching overbought
MACD (12,26,9)	1.44, signal 0.15, hist. +1.29	Positive and above its signal
ATR (14)	\$2.77, 2.3% of price	Narrow range
Volume, 20-day vs 50-day	19.3m vs 18.8m, +2.7%	Participation rising slightly
Support / resistance	\$112.32 and \$106.43 / \$130.37	50-day average and sixty-day closing low; the 100-session high overhead
100-session range	\$104.51 - \$130.37	Close 13.3% above the low, 9.2% below the high

Computed in code from a 300-session Twelve Data daily series, 1 Aug 2025 to 9 Oct 2026, all averages from that one series; distances against the price of record. Chart state classified by fixed rules.

11. Scenario analysis

Case	Prob.	Outlook	Fair value	vs \$118.39
Bull	30%	FY27 revenue above guide at \$74bn or more as AI revenue exceeds \$7.5bn; FY28 EPS near \$6.30; 25x as yields ease	\$157.50	+33.0%
Base	45%	FY27 inside the \$72.2-73.4bn guide; FY28 EPS near \$5.70; 21x under yields above 5%	\$119.70	+1.1%
Bear	25%	A pause in hyperscaler orders in 2H FY27 and a gross-margin miss; FY27 EPS near \$4.85; 17x	\$82.45	-30.4%
Weighted	100%	Probability-weighted	\$121.73	+2.8%

Weighted fair value computed in code: \$121.73. Earnings assumptions, multiples and probabilities are unchanged from the 30 September report; the ten-year yield has moved by four basis points and no company development changes them.

None of the scenarios depends on a development from the period. The probabilities stay where they were because the evidence that would move them, the November gross margin and the hyperscale order pace, has not yet arrived.

12. Final verdict

Would an investor put new money into Cisco today? Not at \$118.39. The business is performing, the guidance is credible and the balance sheet is strong. But the shares have recovered their September losses on no new information, and the market now pays 23.3 times guided earnings for a quarter whose gross margin is the open question. The single biggest concern is that the upside to fair value, 2.8%, no longer pays for the risk that the margin guide was set before the cost pressure arrived. About \$99, or a clean November quarter, are the two routes back to Buy. No company development drove this call.

Sources

- Company: Cisco newsroom, 'Cisco Unveils New Agentic Collaboration Experiences', 7 October 2026; Form 8-K filed 9 October 2026 (Item 5.02), sec.gov; fiscal 2026 annual report filed 2 September 2026; Q4 FY26 results release, 12 August 2026
- Cisco at the Goldman Sachs Communacopia + Technology conference, 8 September 2026
- Price of record: Alpha Vantage global quote, 9 October 2026 close. Technicals: Twelve Data daily series of 300 completed sessions to 9 October 2026, computed in code
- Ratings, notices and options activity: moomoo news, notice and research channels, to 9 October 2026
- Macro: Beating The Bull economic data posts of 1, 2, 7, 8 and 9 October 2026
- Institutional positioning: Q2 2026 13F holdings read, quarter ended 30 June 2026, filings through 19 August 2026

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