

Cisco Systems, Inc.

NASDAQ: CSCO | Networking, security and collaboration | Coverage update | 17 October 2026

Last close (16 October 2026)	\$107.39	Recommendation	WATCHLIST (unchanged)
Previous report (10 Oct)	\$118.39, Watchlist	Investment score	67.4 / 100 (prior 70.6)
Move since then	-9.3%	Weighted fair value	\$114.98 (was \$121.73); +7.1%
FY2027 P/E (consensus EPS \$5.15)	20.9x (guide midpoint 21.1x)	Price of interest	About \$100, on the 200-day average
10-year Treasury	5.09% (16 Oct close)	Technical read (chart only)	Neutral: mixed
200-day average	\$99.55; price 7.9% above	Next results	Q1 FY2027, expected 11 November; not yet announced

A Production Win, and a Lower Share Price

A week ago the question was whether a 10.7% rally with no news had left too little upside. The rally has since reversed. The shares closed at \$107.39 on 16 October, down 9.3% from \$118.39, and have lost the 50-day average the previous report asked them to hold. The fall came in the same week as the most concrete company news in months. On 12 October, at the Open Compute Project summit, Cisco announced that Microsoft has moved into production on systems powered by its Silicon One P200 routing chip, and that the G300 switch chip is sampling with the first systems shipping. The stock fell 2.6% that day.

The production news is real but it is not new to the earnings case. Microsoft and Alibaba were named as P200 customers when the chip launched in October 2025, and management's August guidance for about \$7.5bn of AI infrastructure revenue in fiscal 2027 was issued ten months after both were announced as customers. Production confirms that the design win has turned into deployment. It does not add a revenue line that consensus is missing. The decline coincided with broad technology selling: the Nasdaq Composite fell 1.88% on 14 October after a hot September CPI and 2.14% on 16 October.

Verdict: Watchlist, unchanged, from fundamentals. Technical read (chart only): Neutral. The probability-weighted fair value is \$114.98, 7.1% above the price, against a bear case 25% below it. That fair value is lower than the previous \$121.73 because the bull case now carries 20% rather than 30%: with the Fed signalling another increase and core inflation running above forecast, the multiple expansion the bull case needs has become less likely. The name becomes interesting at about **\$100**, on the rising 200-day average and 19.4 times fiscal 2027 consensus earnings, where the base case of \$118.65 would pay about 19%.

1. The published levels at the new price

Level (10 Oct report)	Published	Status at \$107.39	Read
Watch price	About \$99: 200-day average (\$98.69) and 19.5x guided FY27 EPS	Not reached; price 8.5% above	200-day now \$99.55; watch price moves to about \$100
Chart check: hold above the 50-day average	\$112.32	Failed; closed below on 15 Oct. 50-day now \$111.62 and flat	Momentum has gone; no change to the rating
Chart check: sixty-day closing low	\$106.43	Held by \$0.96	The next test; the 20-day low is \$104.51
Fair value	\$121.73	Now \$114.98, 7.1% above the price	Lower bull-case weight; base case broadly unchanged
Downside trigger: close below the 200-day with guidance under pressure	\$98.69	7.9% above \$99.55; guidance intact	Not in play

Averages recomputed in code from a 300-session daily series ending 16 October 2026, ATR(14) \$3.02. No entry range, stop or target is published for a Watchlist rating.

2. Company developments

Items from 2 October to 17 October 2026 that bear on what Cisco earns or how it competes, with the open 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
Microsoft in production on Silicon One P200 systems; Alibaba's P200-based backbone router deployed	Announced 12 Oct 2026	Microsoft corporate vice president quoted in the release. No system count, revenue or contract term disclosed. P200 launched Oct 2025 with both named as customers	FY27 AI infrastructure revenue of about \$7.5bn (management, 12 Aug)	Medium
Silicon One roadmap at OCP: G300 (102.4T) sampling with first systems shipping; G302 (51.2T) top-of-rack chip; Cisco 8001 management switch; validated SONiC	Announced 12 Oct 2026; G302 due to ship before end-2026	No pricing. Live Protect runtime patching from mid-2027	None quantified	Medium
USFP pluggable optics with NVIDIA, 400Gb/s per lane, up to 12.8Tb/s per module	Planned; announced 12 Oct 2026	Open multi-source specification to be formed; TE Connectivity and Amphenol involved. No availability date	Companies claim 4x density and about 1.3x power efficiency versus 200G-per-lane optics	Low
Agentic collaboration release at WebexOne	Announced 7 Oct 2026; RoomOS 27 in November	Third-party agents inside Webex; most features undated; no pricing	None quantified	Low
Board appointment: Girish D. Rishi, chief executive of Cognite	Effective 9 Oct 2026; initial filings 13 Oct	Independent director; no departures	None	Low
Input-cost pass-through	CFO comment, 8 Sep 2026	Memory price increases being passed on; Q1 gross margin guided at 65-66%	Management expects a slight headwind; tested at Q1 results	Medium
Q1 FY2027 results	Expected 11 Nov 2026	Date not yet announced; mid-November is the usual pattern	Q1 revenue \$18.0-18.2bn, EPS \$1.32-1.34; FY27 revenue \$72.2-73.4bn, EPS \$5.05-5.11 (management)	Scheduled

Company releases (Cisco newsroom, 7 and 12 Oct 2026); Form 8-K filed 9 Oct 2026; Q4 FY26 release, 12 Aug 2026; P200 launch, Oct 2025.

Why the Microsoft deployment is Medium, not High

Silicon One is Cisco's own networking silicon, and the P200 is the 51.2-terabit routing chip built to link AI data centres over long distances. Microsoft moving into production is the first public confirmation that a hyperscaler is running P200 systems in its network rather than testing them, and Alibaba's backbone deployment adds a second. That matters for credibility in a market where Broadcom's merchant chips and Arista's systems are the incumbents, and it supports the competitive case for the Silicon One line.

It does not pass the tests that would make it High. Cisco's AI infrastructure business is guided at about \$7.5bn of fiscal 2027 revenue, roughly 10% of the \$72.8bn guidance midpoint, and P200 routing is one part of that. Microsoft was already a named P200 customer, so the deployment sits inside the guidance rather than on top of it. The company disclosed no volumes. This report's illustration below assumes the deployment adds revenue beyond the base case at a 25% incremental operating margin and an 18% tax rate; even \$1.0bn of extra fiscal 2028 revenue would add about \$0.05 a share, or 0.9% of base-case EPS, well short of a level that would move the scenarios.

Case (our calculation)	Extra FY28 revenue	EPS effect	Share of FY28 base EPS (\$5.65)
Already in the base case	\$0.0bn	\$0.000	0.0%
Upside of \$0.5bn	\$0.5bn	\$0.026	0.5%
Upside of \$1.0bn	\$1.0bn	\$0.052	0.9%

Own calculation. Inputs: 3,940m diluted shares, 25% incremental operating margin, 18% tax rate, base FY28 EPS \$5.65. The company does not disclose P200 revenue.

The shares fell on the day of the announcement, so the market treated it as already known. Success from here shows up as hyperscaler AI orders holding near or above the \$4bn quarterly pace of the fourth quarter and AI revenue tracking toward \$7.5bn; the first hard read is the 11 November results. The verdict, the scenarios, the fair value and the watch price would be the same without this item. It supports the Business Quality and Competitive Advantage scores at their current levels without raising them.

3. Growth drivers

Driver	Status	Fact versus forecast	Likelihood / impact
Hyperscale AI revenue to about \$7.5bn in FY27	Guided; P200 in production at Microsoft and Alibaba	FY26 AI orders \$9.3bn and AI revenue about \$4bn (fact); FY27 target (management)	Medium-high / High
Silicon One G300 and G302 switch generation	G300 sampling, first systems shipping; G302 by end-2026	Shipping dates announced; customers and pricing not disclosed	Medium / Medium
Campus refresh on the AI-ready platform	Under way	Product orders +35% in Q4, +25% excluding hyperscalers (fact)	Medium / Medium
Splunk and security subscription growth	Shipping	RPO \$46.7bn, +7% (fact); growth by product not disclosed	Medium / Medium
Agentic collaboration in Webex	RoomOS 27 in November	Features announced; adoption and pricing unknown	Medium / Low

4. Valuation at \$107.39

At \$107.39 Cisco trades at 20.9 times fiscal 2027 consensus non-GAAP earnings of \$5.15 and 21.1 times the \$5.08 guidance midpoint, against 23.3 times a week ago. Market capitalisation is about \$423bn on 3,940m diluted shares, the free cash flow yield on \$12.77bn of trailing free cash flow is 3.0%, and the dividend yields 1.56%. The base case applies 21 times to fiscal 2028 earnings of about \$5.65, this report's estimate of roughly 10% growth on consensus fiscal 2027 EPS, giving \$118.65. Twenty-one times is above Cisco's long-run average of about 15 times and well below Arista's, a fair middle for a company now growing earnings in the mid-teens. On that basis the stock is modestly undervalued, but not by enough to pay for the bear case.

Measure	At \$118.39 (9 Oct)	At \$107.39 (now)	Own history
P/E on FY27 consensus EPS \$5.15	23.0x	20.9x	~15x avg
Free cash flow yield (TTM \$12.77bn)	2.7%	3.0%	~5-6%
Dividend yield (\$1.68 a year)	1.42%	1.56%	~2.8%
Market capitalisation	\$466.5bn	\$423.1bn	-
Probability-weighted fair value (upside)	\$121.73 (2.8%)	\$114.98 (7.1%)	-

Multiples computed by this report on 3,940m diluted shares; consensus EPS from 25 analysts as of 15 Oct 2026 (StockAnalysis / S&P; Global). Historical averages are approximate long-run reference levels.

The macro variables that matter here. Cisco's demand is set by enterprise and hyperscale capital budgets, so interest rates reach it mainly through the multiple. The ten-year Treasury yield closed at 5.09% on 16 October, down from 5.22% a week earlier, helped by a nine-basis-point fall on 15 October. That is a small easing, and it came alongside news that

points the other way for policy: September CPI rose 3.7% on the year with core above forecast, producer prices jumped 1.3% in the month, and New York Fed President Williams said one more rate increase looked appropriate this year after the September hike to 3.75%-4.00%. The second variable is input cost. The producer-price jump and memory pricing bear directly on the 65% to 66% gross-margin guide, which management says it is defending by passing costs through. Retail sales rose 0.8% in September and payrolls only 29,000, so demand signals are mixed rather than weak.

5. Financial position

Metric	Value	What it means here
FY26 revenue / non-GAAP EPS	\$63.3bn (+12%) / \$4.33 (+14%)	Q4 revenue +18% to \$17.3bn; product orders +35%
FY26 operating cash flow / FCF	\$14.2bn (flat) / \$12.77bn TTM	Cash generation lagged earnings; the November quarter tests the recovery
FY26 capital returned	\$6.55bn dividends, \$6.11bn buybacks	Absorbed nearly all of free cash flow; Q4 buybacks averaged \$111.53 a share
Balance sheet	Cash \$15.9bn, debt \$31.2bn	Net debt about \$15.3bn, about 0.8x EBITDA; ROE about 27%
FY27 guidance	\$72.2-73.4bn revenue; \$5.05-5.11 EPS	+15% revenue and +17% EPS at the midpoint

Company Q4 FY26 release, 12 Aug 2026; balance-sheet and TTM cash-flow figures as of the latest filing.

6. Sentiment

Input	Reading	Interpretation
Broker actions	Morgan Stanley kept Buy, \$135 (15 Oct); Citi kept Buy, \$139 (9 Oct); Bernstein Market Perform, \$110 (30 Sep, reiterated 7 Oct); Piper Sandler Neutral, \$125 (22 Sep)	Consensus Buy from 29 analysts, mean target about \$136; the price is now below every target
IT budget survey	Morgan Stanley's CIO survey (15 Oct) ranked Cisco first among vendors while showing spending moderating	Share is holding; the budget pool is growing more slowly
Insiders	Form 3 and Form 4 filings on 13 Oct from the new director, and one officer Form 4	Routine; no pattern
Options and positioning	Bearish options flow flagged on 13 and 16 Oct; short interest about 1.3% of float	Short-term traders leaning against the stock; short interest low
Institutional positioning	Mixed, moderate confidence. As of 30 June 2026, filings through 19 August 2026	See note below

Rating actions, notices and options activity to 16 Oct 2026 from the moomoo news, notice and research channels; consensus from StockAnalysis (S&P; Global), 15 Oct 2026.

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 autumn rally and this month's decline.

7. Risks

Risk	Probability	Severity	Comment
Gross margin misses the 65-66% guide on input costs	Medium	High	September producer prices rose 1.3%; management says costs are passed through
A pause in hyperscaler orders in 2H FY27	Medium	High	Carries the bear case to \$81
Multiple compresses as the Fed tightens further	Medium	Medium	Ten-year at 5.09%; another increase signalled
Free cash flow fails to recover	Medium	Medium	Operating cash flow was flat in FY26 while earnings rose

Risk	Probability	Severity	Comment
Enterprise IT budgets slow	Medium	Medium	Survey evidence of moderation; Q4 orders ex-hyperscalers still +25%
Merchant-silicon competition caps Silicon One share	Low-medium	Medium	Broadcom and Arista remain the incumbents in AI fabrics

Probability and severity are this report's assessments. The Risk score of 6/10 below denotes a moderate risk profile with one dated binary event, 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 and about half of revenue recurring; P200 now in production at Microsoft and Alibaba widens the AI routing franchise.
Financial Strength	16%		7/10	8/10	Down 1. Net debt of about \$15.3bn; FY26 operating cash flow flat at \$14.2bn while dividends and buybacks of \$12.7bn absorbed nearly all of FY26 free cash flow.
Competitive Advantage	16%		7/10	7/10	Unchanged. Silicon One wins at two hyperscalers; Arista still leads the scale-out fabric and Broadcom merchant silicon competes on every socket.
Management	10%		7/10	8/10	Down 1. Strong FY26 delivery, but the margin pass-through claim is untested and FY26 buybacks were made near today's price.
Growth Potential	16%		7/10	8/10	Down 1. FY27 guided +15% revenue; this report's base case slows EPS growth to about 10% in FY28, and IT budget surveys point to moderation.
Valuation	16%		5/10	5/10	Unchanged score on a lower multiple: 20.9x FY27 consensus EPS, 7.1% below a \$114.98 weighted fair value.
Risk (10 = lowest risk)	10%		6/10	5/10	Up 1. The price is 9% lower and the ten-year eased to 5.09%; the margin test on 11 November remains the main binary risk.

Scored 1-10, where 10 is always best, including Risk. The 10 October report used the same direction and the same seven factors, so no restatement was required. Weighted total computed in code: 67.4 out of 100.

Overall Investment Score: 67.4 / 100

Weights are 16% for each of the five main factors and 10% each for Management and Risk. The composite is 67.4, down 3.2 points from 70.6. Three scores fall by one point. Financial Strength reflects net debt and a year in which capital returns used nearly all of free cash flow while operating cash flow stood still. Management is held back until the November quarter tests the margin claim. Growth Potential reflects this report's expectation that earnings growth slows to about 10% in fiscal 2028 as enterprise budgets moderate. Risk rises by one point because the share price is 9% lower and long yields have eased. The Microsoft deployment supports Business Quality and Competitive Advantage at their current levels but moves no score.

9. Recommendation: Watchlist

Rating: WATCHLIST, unchanged. A week ago the problem was price: the shares sat 2.8% below fair value. The price has fallen 9.3% since, and the gap to the weighted fair value has widened to 7.1%, but that is still too thin against a bear case 25% lower, with a quarter on 11 November that will settle the gross-margin question either way. The Microsoft deployment improves confidence in the AI networking line without changing the numbers.

The price of interest moves to about \$100. The previous report set \$99 on the 200-day average, which has since risen to \$99.55. At \$100 the shares would sit on that average and at 19.4 times fiscal 2027 consensus earnings, with the base case 19% higher and the weighted fair value 15% higher. The other route is the November quarter: gross margin inside

65% to 66%, cash flow recovering and hyperscaler orders near the \$4bn quarterly pace would justify a Buy above \$100. If the shares reach \$100 before 11 November, the level assumes the guidance holds; a gross-margin miss would lower it. No entry range, stop or target is published, because no position is held.

Condition	Direction	Why it changes the view
Shares fall to about \$100, on the 200-day average and 19.4x FY27 consensus EPS, with guidance intact	Up	Restores a margin of safety
Q1 FY27 results (expected 11 Nov) show gross margin inside 65-66% and free cash flow recovering	Up	Answers the margin and cash questions
Hyperscaler AI orders hold near or above the Q4 pace of about \$4bn, with P200 and G300 named in new deployments	Up	Puts the bull case's revenue path in reach
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	Down	Breaks management's pass-through claim
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 this report's valuation, company guidance and the recomputed averages.

10. Technical read

Chart as of the 16 October 2026 close.

Verdict: Watchlist, from fundamentals. **Technical read (chart only): Neutral.** The chart state is mixed. The shares have fallen back below the 20, 50 and 100-day averages, the 50-day is flat, and MACD has crossed below its signal, but the price remains 7.9% above a rising 200-day average and has not set a new sixty-day closing low. Watch the sixty-day closing low at \$106.43 and the 20-day low at \$104.51: a close below them would open the way toward the 200-day average near \$100, which is where the price of interest sits, while a reclaim of the 50-day at \$111.62 would restore the early-October 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 (16 October 2026)	\$107.39	Down 9.3% since the previous report
SMA 20 / EMA 20	\$111.15 / \$111.91	Price 3.4% and 4.0% below
SMA 50 / EMA 50	\$111.62 / \$111.73	Price 3.8% and 3.9% below; the 50-day is flat
SMA 100 / EMA 100	\$114.73 / \$109.52	Price 6.4% and 1.9% below
SMA 200 / EMA 200	\$99.55 / \$100.65	Price 7.9% and 6.7% above; long-term trend up
RSI (14)	41.2	Neutral, leaning weak
MACD (12,26,9)	0.47, signal 0.76, hist. -0.3	Positive but below its signal
ATR (14)	\$3.02, 2.8% of price	Range widening
Volume, 20-day vs 50-day	18.2m vs 18.5m, -1.6%	Participation fading slightly
Support / resistance	\$106.43, \$104.51 and \$99.55 / \$111.62	Sixty-day closing low, 20-day low and 200-day average; the 50-day overhead
100-session range	\$104.51 - \$130.37	Close 2.8% above the low, 17.6% below the high

Computed in code from a 300-session Twelve Data daily series, 8 Aug 2025 to 16 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 \$107.39
Bull	20%	AI infrastructure revenue runs ahead of the \$7.5bn FY27 target as P200 and G300 systems ramp at several hyperscalers and gross margin holds; FY28 EPS near \$6.15; 24x	\$147.60	+37.4%
Base	55%	FY27 inside the \$72.2-73.4bn revenue and \$5.05-5.11 EPS guide, Microsoft's P200 deployment included; FY28 EPS near \$5.65 (+10%); 21x with the ten-year above 5%	\$118.65	+10.5%
Bear	25%	Memory costs push gross margin below the guide and enterprise budgets slow; hyperscaler orders pause in 2H FY27; FY28 EPS near \$5.05, flat on FY27; 16x	\$80.80	-24.8%
Weighted	100%	Probability-weighted	\$114.98	+7.1%

Fair values and the weighted \$114.98 computed in code; each case is EPS times the stated multiple. FY28 EPS figures are this report's estimates.

The base case carries 55% because fourth-quarter revenue rose 18%, product orders rose 35%, and nothing since August has contradicted the fiscal 2027 guide. The bull case carries 20%: the revenue half, AI systems ramping at more than one hyperscaler, now has production evidence behind it, but the 24 times multiple it needs is harder to reach with the Fed signalling another increase and core inflation above forecast. The bear case carries 25% because the gross-margin guide was set before September's jump in producer prices and the latest IT budget survey points to slower spending. Against the previous report, the base case is little changed (\$118.65 against \$119.70), the bull case is lower (\$147.60 against \$157.50) and less likely, and the bear case uses fiscal 2028 earnings at 16 times rather than fiscal 2027 at 17 times. The Microsoft deployment is part of the base case in every scenario; only its scale differs.

12. Final verdict

Would an investor put new money into Cisco today? Not yet at \$107.39. The business is executing, the AI networking line has its first confirmed hyperscaler production deployment for the P200, and the shares are 9% cheaper than a week ago. But the weighted fair value sits only 7.1% above the price, the bear case 25% below it, and the quarter that tests the gross-margin guide is less than four weeks away. The single biggest concern is that the guide was set before input costs jumped. About \$100, or a clean November quarter, are the routes back to Buy. No High development drove this call.

Sources

- Company: Cisco newsroom, 'Cisco Advances Scalability and Openness at OCP 2026' and 'NVIDIA and Cisco Introduce New Pluggable Optics Form Factor to Scale AI Factories', 12 October 2026; 'Cisco Unleashes New Agentic Collaboration Experiences', 7 October 2026; Form 8-K filed 9 October 2026; Q4 and fiscal 2026 results release, 12 August 2026 (investor.cisco.com)
- Reuters (Stephen Nellis), 'Cisco rolls out chip designed to connect AI data centers over vast distances', October 2025
- Price of record: Alpha Vantage global quote, 16 October 2026 close. Technicals: Twelve Data daily series of 300 completed sessions to 16 October 2026, computed in code
- Ratings, notices and options activity: moomoo news, notice and research channels, to 16 October 2026. Consensus estimates and balance-sheet statistics: StockAnalysis.com (S&P; Global), 15-16 October 2026
- Macro: Beating The Bull economic data posts of 2, 9, 13, 14, 15 and 16 October 2026
- Institutional positioning: Q2 2026 13F holdings read, quarter ended 30 June 2026, filings through 19 August 2026

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