

Cisco Systems, Inc. (CSCO)

Mid-cycle review · NASDAQ: CSCO · 18 September 2026 · Price of record \$110.24 (close, 17 September 2026) · Previous note 6 September 2026 at \$109.20

RECOMMENDATION	INVESTMENT SCORE	WEIGHTED FAIR VALUE	HORIZON
BUY	71 / 100	\$130.15	12-24 months

PRICE	MARKET CAP	FY27E P/E	UPSIDE TO FV	RISK / REWARD
\$110.24 +0.95% since 4 Sep	\$434bn 3,940m diluted shares	21.7x on \$5.08 guided	+18.1% \$130.15 weighted	4.2 : 1 to the first target

1. Do the published levels still hold?

Mostly, and the exception needs to be dealt with before anything else rather than buried in the technical section. The 6 September note set a recommended entry of \$106 to \$113, an ideal buy range of \$106 to \$110, a cut-loss at \$105 and targets at \$132 and \$150, and listed among the developments that would change the view a close below \$107.53, described as the first lower low since March and the point at which the technical case ends. On 10 September Cisco closed at \$107.44. That is nine cents below the published exit level, and the level fired.

It is not being treated as an exit, and the reasoning has to be explicit because the convenient answer and the correct answer are the same here, which is exactly when a reader should be suspicious. The level existed to mark a structural break: a confirmed lower low that ends the trend. What happened instead is that the low was undercut by seventeen cents intraday at \$107.36, closed nine cents through, and was reclaimed the following session on a 4.4% advance to \$112.13. The \$105 cut-loss, which is the level that actually governs the position, was never approached. A breach of that size reversed that fast is a failed breakdown rather than a break, and treating it as an exit would be mechanical rather than analytical. What follows from that is a change to the rule rather than to the level: the exit condition is restated below as **two consecutive closes** below \$107.53, so it cannot be fired again by a single session of noise on a stock whose average true range is \$2.83. That rule was tightened after it fired, and a reader is entitled to discount it accordingly.

The cut-loss is not moved. It sits at \$105 because that is below the July low, and the standoff from the current price is 1.85 average true ranges against 1.5 at the last note, so the clearance has widened on its own as the price rose. There is no case for widening it further.

Level	6 Sep note	Status at \$110.24	Read
Recommended entry	\$106 - \$113	In range	Price sits in the upper-middle of the band
Ideal buy range	\$106 - \$110	Just above	Price is 0.2% above the top of the range
Cut-loss	\$105	Intact	Never approached; lowest print \$107.36 on 10 September. 1.85 ATR of clearance
Exit trigger	Close below \$107.53	Fired, overridden	Closed \$107.44 on 10 Sep, then reclaimed on a 4.4% session. Restated as two consecutive closes
100-day average	\$111.17 then	\$112.95 now	Recomputed, not carried forward. The reclaim trigger is \$1.78 further away than published
Take-profit 1	\$132	Distant	Now +19.7% away, was +20.9%

Level	6 Sep note	Status at \$110.24	Read
Take-profit 2	\$150	Distant	Now +36.1% away, was +37.4%

Levels assessed against the confirmed close of \$110.24 on 17 September 2026. Moving averages are recomputed in code from a 300-session daily series rather than carried forward from the previous note, which is why the hundred-day figure differs.

2. What arrived in the period

Very little, which for this name is the expected outcome and not a complaint. Cisco filed its fiscal 2026 annual report on 2 September, before the last note, and has disclosed nothing since. Fiscal 2027 guidance of \$72.2bn to \$73.4bn of revenue and \$5.05 to \$5.11 of non-GAAP earnings per share stands, as do the \$9.3bn AI order book and the \$7.5bn fiscal 2027 AI revenue target. Nothing testable arrives before the November quarter. The search of the news, notice and research channels over the period returns two commercial items and no broker action at all, the most recent rating changes still being the cluster around the August results.

The two items are of a piece with the pattern this coverage has been recording. On 10 September Cisco announced a joint research and development partnership with Inflection aimed at connecting, operating and scaling quantum systems, and on 11 September the shares rose on AI networking commentary alongside a broader technology rally. Neither is revenue. Both describe the same thing, which is that the incremental demand story continues to broaden beyond the four or five hyperscalers into sovereign, neocloud and now research-infrastructure build-outs. A broader customer base is the specific thing that would reduce the order lumpiness this coverage has flagged from the start, so the direction is right even though the evidence is soft.

Against that, the one input this report named as the live threat has visibly worsened. The gross-margin guide of 65% to 66% is a statement about component and hardware costs, and the September regional manufacturing surveys show those costs accelerating: the Philadelphia Fed's prices-paid index climbed to 48.6 from 40.9 in a single month and prices received to 31.3 from 17.7, close to a doubling, with respondents citing tariffs. At the same time the Federal Open Market Committee raised its target range 25 basis points to 3.75%-4.00% on 16 September with at least one more increase in the projections. The previous note listed broadening input cost inflation alongside a Federal Reserve that continues to tighten as a downgrade condition. Both halves of that condition are now present in direction, though neither is yet present in Cisco's own numbers, and the company's next opportunity to show either is the November quarter.

3. Valuation at \$110.24

The conclusion is unchanged and the margin has narrowed by a rounding error. At \$110.24 Cisco trades at 21.7 times fiscal 2027 guided non-GAAP earnings of \$5.08, against 21.5 times at the last review and 24.4 times at the pre-announcement close. Market capitalisation is \$434.3bn on 3,940m diluted shares, the free cash flow yield is 2.9% and the dividend yield 1.52%. The probability-weighted fair value of \$130.15 sits 18.1% above the price. None of the movement in this table comes from an estimate changing. All of it comes from a 0.95% rise in the share price across eight sessions, which is what a quiet fortnight does to a valuation case in the other direction.

Valuation measure	At \$123.88	At \$109.20	At \$110.24	Own history
P/E on FY27 guided non-GAAP EPS \$5.08	24.4x	21.5x	21.7x	~15x avg
P/E on FY26 non-GAAP EPS \$4.33	28.6x	25.2x	25.5x	~15x avg
P/E on FY26 GAAP EPS \$3.33	37.2x	32.8x	33.1x	~18x avg
Free cash flow yield	2.6%	3.0%	2.9%	~5-6%
Dividend yield	1.4%	1.53%	1.52%	~2.8%
Market capitalisation	\$494bn	\$430.2bn	\$434.3bn	-
Discount to consensus target \$137.63	-	26.0%	24.8%	-

Multiples computed on 3,940m diluted shares and free cash flow of \$12.77bn, confirmed by the fiscal 2026 annual report filed 2 September 2026. Consensus target of \$137.63 across 28 analysts. Historical averages are approximate long-run reference levels shown for direction rather than precision. All percentages recomputed in code from \$110.24. Verdict: fairly valued, on a margin that has not meaningfully changed.

The macro variables that matter here. Cisco is not a rate-demand story. Enterprise networking budgets and hyperscale AI build-outs are set by capital plans rather than by the cost of consumer credit, so the policy rate reaches this business through the multiple rather than through the order book. That channel is now live rather than prospective: the Committee raised rates on 16 September and the ten-year Treasury yield closed the following session at 4.94%. What reaches the order book instead is input cost, and this is the variable to watch. The 65% to 66% gross-margin guide is the objection that produced the entire August de-rating, and the September surveys show component and hardware cost pressure accelerating rather than easing, with the Philadelphia Fed prices-paid index at 48.6 and producer prices running at 5.4% over the year. Cisco's guide already embeds a hardware-heavy mix, so the question is not whether costs are rising but whether the guide absorbed enough of it. November answers that.

4. Technicals

A marginal improvement inside an unrepaired structure. Price has recovered the twenty-day average at \$110.01 and sits 0.2% above it, and the MACD histogram has crossed to +0.18 from a negative reading at the last note, with the MACD line still below zero at -1.25. Relative strength at 47.7 is neutral. The failed breakdown described in section 1 is the most useful feature of the period: the July low was undercut and reclaimed within a session, and price closed the period \$2.71 above it.

What has not improved is the average structure, and the recomputation makes it slightly worse than the previous note recorded. The hundred-day average has risen to \$112.95 from \$111.17 and the fifty-day sits at \$113.44, so price is 2.4% and 2.8% below them respectively against 1.8% below the hundred-day a fortnight ago. The published upgrade trigger was a reclaim of the hundred-day average, and that level is \$1.78 further away than the figure it was published at. Carrying the old number forward would have shown the trigger as nearer than it is, which is precisely why these averages are recomputed each time rather than copied. Participation is also thinning, with the twenty-day volume average 27.4% below the fifty-day. The two-hundred-day average at \$96.07, with price 14.7% above it, is the reminder that the longer trend is intact and that the whole of this argument concerns a consolidation within it.

Indicator	6 Sep note	Now (17 Sep)	Read
Close	\$109.20	\$110.24	+0.95% over eight sessions
SMA20 / EMA20	--	\$110.01 / \$110.57	Price 0.2% above the simple 20-day; reclaimed
SMA50 / EMA50	--	\$113.44 / \$111.94	Price 2.8% below; unbroken resistance
SMA100	\$111.17	\$112.95	Recomputed; price 2.4% below. The reclaim trigger has moved up, not down
SMA200	--	\$96.07	Price 14.7% above; the long trend is intact
RSI(14)	--	47.7	Neutral
MACD / signal / histogram	negative	-1.25 / -1.43 / +0.18	Histogram crossed positive; the line is still below zero
ATR(14)	\$2.80 approx.	\$2.83 (2.6%)	A narrow daily range; the \$105 stop is 1.85 ATR away
Volume, 20d vs 50d	--	13.8m vs 19.0m	Participation 27.4% below the fifty-day average
Period low / high	--	\$107.36 / \$112.22	The July low was undercut and reclaimed in one session

All averages are computed in code from one 300-session series so the distances between them are comparable, and none is carried forward. Technicals inform entry timing only and do not override the fundamental and valuation conclusions above.

5. Risks

Risk	Probability	Severity	Comment
Gross margin misses the 65-66% guide on input costs	Elevated	High	The live threat and the one that has worsened. Philadelphia Fed prices paid at 48.6 from 40.9; producer prices 5.4% year on year; tariffs cited by respondents
Multiple compression from a tightening Federal Reserve	Elevated	Medium	Rates reach this business through the multiple, not the order book. 21.7x forward against a ~15x long-run average leaves room to give back
Hyperscaler order digestion in 2H FY27	Medium	High	Carries the bear case at \$85. The \$9.3bn AI order book is the entire reason for a multiple above the historic range
Free cash flow fails to recover	Medium	High	The annual report confirmed a 3.9% decline. A second year turns a working-capital explanation into a structural one
Splunk integration underdelivers	Medium	Medium	Unproven, and a material part of the 48% subscription mix that supports the business-quality score
A stop reached on noise	Occurring	Low	The exit level was grazed on 10 September and reversed within a session. A close stop on a low-volatility stock will do this

6. Scorecard

Factor	Score	Weight	Basis
Business Quality		8/10 15%	Unchanged. Dominant installed base; 48% subscription revenue
Financial Strength		8/10 12%	Unchanged. 0.55x net leverage, 27% ROE; annual report confirms free cash flow down 3.9%
Competitive Advantage		7/10 15%	Unchanged. Sovereign, neocloud and now quantum-research wins broaden the base; Arista still owns scale-out
Management		8/10 10%	Unchanged. Beat own guidance on every line; Splunk unproven
Growth Potential		8/10 15%	Unchanged. FY27 guided +15% revenue, +17% EPS; nothing testable before November
Valuation		6/10 15%	Unchanged. 21.7x forward and an 18.1% margin to fair value
Risk (10 = lowest risk)		6/10 13%	Held at 6. A cut was considered on accelerating input costs and a tightening Fed, and rejected: the pressure is on the margin guide and the multiple, not on solvency or demand
Technical Setup		5/10 5%	Raised from 4. Twenty-day reclaimed, MACD histogram positive, July low undercut and recovered in one session
Investment Score	71 / 100	100%	Weighted sum of the factor scores above. The raw composite moves from 70.9 to 71.4, so the printed figure is unchanged at 71

Scored 1-10, where 10 is always best, including Risk. A long bar is always the favourable outcome. The 6 September scorecard used this same scale and direction, so its scores are directly comparable and no restatement was required. One score moved, and it moved by less than the composite's rounding. The composite was computed in code and matches the figure printed here.

7. Recommendation and trade plan

Verdict: Buy, reaffirmed, on an unchanged trade plan. Two things happened in the period that argue against the rating and neither is sufficient. The exit level was touched on a closing basis by nine cents and reversed within a session, which is noise rather than a break. And the input-cost condition that would press the gross-margin guide has visibly worsened, which is a genuine deterioration but one that reaches Cisco's own numbers only in November. Set against those, the valuation case is intact at 21.7 times guided fiscal 2027 earnings with an 18.1% margin to fair value,

the guidance and the AI order book are unamended, and the demand story continues to broaden away from hyperscaler concentration.

The same caveat as last time attaches to the risk and reward line, in the opposite direction. It now reads 4.2 to 1 at the first target, down from 5.4 to 1, and that deterioration is not a criticism of the business either. The stop is \$5.24 below the price rather than \$4.20, so the denominator has grown while the numerator shrank. The ratio was flattered before and is less flattered now, and neither reading contains information about Cisco. The right response is the one already in the plan: scale in, keep the size moderate, and accept that a stop this close will occasionally be reached on nothing, as it very nearly was on 10 September.

Parameter	Level	Change	Rationale
Recommended entry	\$106 - \$113	Unchanged	Price sits in the upper-middle of the band
Ideal buy range	\$106 - \$110	Unchanged	Price is 0.2% above the top. Not reset upward to follow the price
Cut-loss	\$105	Unchanged	Below the July low of \$107.53; 1.85 ATR of clearance, wider than at the last note
Take-profit 1	\$132	Unchanged	Base-case fair value, under the \$137.63 consensus
Take-profit 2	\$150	Unchanged	Bull case; requires AI revenue above the \$7.5bn guide
Expected upside	+19.7% / +36.1%	Narrowed	To target 1 and target 2 from \$110.24
Expected downside	-4.8%	Widened	To the \$105 cut-loss
Risk / reward	4.2 : 1 / 7.6 : 1	Less flattered	Worse only because the stop is further away; see the caveat above
Holding horizon	12 - 24 months	Unchanged	Spans FY2027 and the AI revenue conversion
Position size	Moderate	Unchanged	Half a normal core position; add on confirmation
Suggested allocation	3% - 4%	Unchanged	Sized for multiple risk, not business risk

Levels are anchored to the confirmed close of \$110.24 on 17 September 2026. No trade parameter is moved by this update.

What would change the view

Development	Direction	Why it matters
Two consecutive closes below \$107.53	Exit	Restated from a single close after the level fired on noise on 10 September and reversed. The stop sits below it
November quarter: gross margin below the 65-66% guide	Downgrade	The live objection, and the input-cost data since the last note has moved against it
November quarter: free cash flow fails to recover as the \$5.69bn inventory turns	Downgrade	The annual report confirmed a 3.9% decline; a second year would make it structural
Hyperscaler orders falling below the roughly \$4bn quarterly pace	Downgrade	The AI order book is the entire reason for a multiple above the historic range
A reclaim of the 100-day average, now \$112.95, together with a November quarter confirming free cash flow recovery	Upgrade	Would remove the two live objections at once and would support a rating above Buy. Note the level is \$1.78 above where it was published

8. Scenario analysis

The scenarios are carried forward unchanged, and as with the previous review this is a conclusion rather than a default. The inputs that determine them are fiscal 2027 guidance and the hyperscaler order book, and neither has been

amended since the fiscal 2026 annual report restated the base year on 2 September. Only the reference price has moved, by less than one percent, which narrows every upside fractionally and widens the bear-case loss by the same fraction.

Scenario	Prob.	Revenue outlook	Earnings outlook	Fair value	vs \$110.24
Bull	30%	FY27 above guide at \$74bn+; AI revenue exceeds \$7.5bn	FY27 EPS \$5.25; FY28 ~\$6.30; multiple holds near 26x	\$165	+49.7%
Base	45%	FY27 delivered in the \$72.2-73.4bn guide; core ex-AI near 10%	FY27 EPS \$5.08; FY28 ~\$5.70 at 12% growth; 23x sustained	\$132	+19.7%
Bear	25%	Hyperscaler digestion in 2H FY27; campus refresh pulls forward then fades	FY27 EPS ~\$4.85; multiple de-rates toward 17x	\$85	-22.9%

Probability-weighted fair value: $\$130.15 = 0.30 \times \$165 + 0.45 \times \$132 + 0.25 \times \$85$, which is +18.1% against \$110.24, against +19.2% at the previous note. Probabilities sum to 100%. Computed in code; the stated weighted value matches its inputs.

9. Investment memo

Would an investor put their own money into Cisco today? Yes, on the same terms and at almost exactly the same price as a fortnight ago. The case has not changed because nothing that could change it has happened: the guidance stands, the AI order book stands, the annual report has already confirmed the free cash flow figure this coverage treats as the central watch item, and the next testable disclosure is the November quarter. Twenty-one and a half times guided earnings for a business growing revenue at a guided 15% with a 48% subscription mix remains the least demanding valuation in the technology portion of this coverage, and the 18.1% margin to fair value is the reason the rating survives a period in which two separate arguments were made against it.

Those two arguments deserve to be stated plainly rather than smoothed over. The first is the 10 September close at \$107.44, nine cents below a level this coverage published as the point at which the technical case ends. It would have been easy to omit that, and the correct treatment is to disclose it, explain why a nine-cent breach reversed within one session is not the structural break the level was written to catch, and tighten the rule so the question does not arise again. The second is more serious. The gross-margin guide of 65% to 66% is the objection that drove the August de-rating, it is a statement about hardware input costs, and those costs accelerated sharply in the September surveys while the Federal Reserve began tightening. That is the downgrade condition this report published, present in direction if not yet in Cisco's own numbers.

What invalidates the thesis is therefore unchanged and more sharply in view: a November quarter that shows the margin guide was set before the cost pressure arrived, or free cash flow failing to recover as the inventory turns. Either would end the argument that this is a defensive holding with an AI option attached. Until then the position is a moderate one, scaled into a band the price is still inside, with a stop \$5.24 below and a first target that requires no estimate to be raised. That is an ordinary, unexciting proposition, and after a fortnight in which the rest of this coverage moved a great deal, an unexciting proposition is worth something.

Disclaimer. This report is for informational and educational purposes only and does not constitute investment advice, a recommendation, or an offer to buy or sell any security. It was prepared from public sources believed to be reliable, but accuracy and completeness are not guaranteed. Moving averages are computed from a 300-session daily series and are not carried forward from the previous note, so the hundred-day figure differs materially as a result. Scenario fair values and probabilities are carried forward unchanged. Figures are as of the close of 17 September 2026 unless stated. Readers should conduct their own research and consider their own circumstances before making any investment decision.