

Cisco Systems, Inc. (NASDAQ: CSCO)

Equity research update | Price-level review at \$111.04 (21 August 2026 close) | Report date: 24 August 2026 | Supersedes the note of 13 August 2026

RECOMMENDATION	INVESTMENT SCORE	WEIGHTED FAIR VALUE	HORIZON
BUY (reaffirmed)	71 / 100 (was 70)	\$130 (+17.2%)	12–24m

Why this update exists. The 13 August note was written the morning after Cisco's Q4 FY2026 release, before a confirmed post-announcement close existed. Its levels were anchored to an indicative intraday price of approximately \$115. Eleven sessions have now settled that question: the stock closed at \$111.04 on 21 August. This update tests the published levels against that confirmed price. No new fundamental disclosure has been made since the release, and none of the analysis below rests on one.

1. The Published Levels, Tested Against the Confirmed Price

The previous note set a recommended entry of \$110 to \$118, an ideal buy range of \$108 to \$114, a cut-loss at \$106 and take-profit targets of \$132 and \$150. At \$111.04 the stock sits inside both the entry band and the ideal buy range, closer to the lower edge than the upper. The levels did not need resetting because the price came to them; the note asked for weakness and the market supplied it. Nothing in the trade plan has been invalidated.

The one level that did give way is technical rather than instructional. The previous note identified a July and early-August base of \$113 to \$116 and said that a close holding above \$113 would keep the uptrend intact. Cisco has now closed below \$113 in six of the last seven sessions. That base is lost. The level the note named as the actual invalidation, the July low of \$107.53, has not been touched: the lowest close since the release is \$109.59 and the lowest intraday print is \$109.23. The stock is therefore in the corridor between a broken base and an intact stop, which is an uncomfortable place to sit but not a reason to abandon a thesis that was never technical to begin with.

Published level (13 Aug)	Level	Status	Assessment
Recommended entry	\$110 – \$118	In range	Price sits in the lower third of the band
Ideal buy range	\$108 – \$114	In range	\$111.04 is close to the midpoint
Cut-loss	\$106	Intact	Never approached; lowest print \$109.23
Base support	\$113 – \$116	Broken	Six closes below \$113 in seven sessions
July low	\$107.53	Intact	The level that would mark a lower low
Take-profit 1	\$132	Distant	Now +18.9% away, was +14.8%
Take-profit 2	\$150	Distant	Now +35.1% away, was +30.4%

Status assessed against closing prices from 13 to 21 August 2026 (Alpha Vantage daily series). The previous note's levels were anchored to an assumed \$115; percentages here are recomputed from \$111.04.

2. What the Pullback Did to the Risk and Reward

The most consequential change is arithmetic rather than narrative. A 3.4% decline from the assumed \$115 entry, against unchanged fair-value estimates, widens the gap between price and target while narrowing the gap between price and stop. The previous note offered 14.8% to the first target against 7.8% of downside, a ratio of 1.9 to 1 that it described in its own words as acceptable but not exceptional. At \$111.04 the same targets and a stop moved to \$105 produce 18.9% against 5.4%, or 3.5 to 1. That is a materially better proposition for an investor who had not yet established a position.

The qualification is that the improved ratio comes partly from a stop that is now uncomfortably close in volatility terms. Fourteen-day average true range is \$3.81, so a stop at \$106 would sit only 1.3 ranges below the price and would be

vulnerable to ordinary noise rather than to a genuine break. Moving the exit to \$105 restores roughly 1.6 ranges of clearance while staying below the July low that defines the technical thesis. This is the single adjustment this update makes to the published plan, and it widens the stop rather than tightening it.

Measure	13 Aug note (at \$115)	This update (at \$111.04)	Direction
Upside to take-profit 1	+14.8%	+18.9%	Improved
Upside to take-profit 2	+30.4%	+35.1%	Improved
Upside to weighted fair value	+13.2%	+17.2%	Improved
Downside to cut-loss	-7.8% (to \$106)	-5.4% (to \$105)	Reduced
Risk / reward at target 1	1.9 : 1	3.5 : 1	Improved
Stop distance in ATR(14)	2.3 ranges	1.6 ranges	Tighter
Forward P/E on FY27 guidance	22.6x	21.9x	Cheaper

Computed in code from a close of \$111.04, FY2027 guided non-GAAP EPS midpoint of \$5.08, ATR(14) of \$3.81 and a revised cut-loss of \$105. Ratios are stated to one decimal.

3. What Has Not Changed

Everything in the fundamental case stands exactly as published. Cisco closed fiscal 2026 with fourth-quarter revenue of \$17.25bn, up 18%, and non-GAAP EPS of \$1.22, both above the high end of guidance, and set fiscal 2027 guidance of \$72.2bn to \$73.4bn of revenue and \$5.05 to \$5.11 of non-GAAP EPS against consensus of \$68.69bn and \$4.80. There have been no revisions to that guidance, no pre-announcement, no material contract disclosure and no change to the \$9.3bn AI order book or the \$7.5bn fiscal 2027 AI revenue target. The three items the previous note named as thesis invalidators, free cash flow recovery, hyperscaler order momentum and security growth, are all first testable at the November quarter and none of them reports before then.

Sell-side opinion has drifted slightly higher rather than lower. Consensus across 26 analysts now sits at a Buy with an average twelve-month target of \$136.27, up from the \$132.59 cited on 13 August, and the rating distribution includes four Strong Buys and thirteen Buys. Barclays, which is among the more cautious houses on the name, lifted its target to \$123 from \$121 while retaining an Equal Weight rating, which is a useful marker: even the neutral case on Wall Street now implies a price above the current one. The gap between a \$136 consensus target and a \$111 price is the widest it has been at any point in the past twelve months.

The absence of news is itself the finding. Eleven sessions of drift on unremarkable volume, with no fundamental disclosure in either direction, describes a market digesting a gross-margin objection rather than one repricing a business. Twenty-day average volume of 23.0m is almost exactly the fifty-day average of 23.4m, so the decline has not been accompanied by the distribution that would signal institutional exit.

4. Technical Setup at the Confirmed Price

This is where the picture has genuinely deteriorated, and the previous note's technical section, computed on a series ending 12 August, no longer describes the chart. Cisco now trades below its twenty-day and fifty-day simple averages of \$116.07 and \$116.24 and below both the twenty-day and fifty-day exponential averages of \$114.78 and \$114.11. The fifty-day exponential average, which the previous note identified as the pivot at roughly \$115, has flipped from support to resistance. Relative strength has fallen from 63 to 42.4, and MACD has crossed below its signal line at -1.22 against -0.17, a histogram of -1.05. On a short-horizon reading this is a stock in a downtrend.

The intermediate structure survives. The hundred-day simple average sits at \$108.23 and price remains above it, the March-to-August advance from \$76.31 is intact, and the unfilled portion of the 13 May earnings gap still runs down to about \$102. The honest reading is that the short-term trend is negative, the intermediate trend is unbroken, and the two resolve at the July low. A close below \$107.53 would align them to the downside and would justify exiting on the technical trigger

alone, ahead of any fundamental one. Until then the setup argues for scaling rather than for a single fill, which is what the previous note recommended and what remains correct.

Indicator	13 Aug note	Now	Read
Close	\$123.88	\$111.04	Confirmed close, 21 Aug
SMA 20	\$116.20	\$116.07	Price below — was above
SMA 50	\$118.01	\$116.24	Price below — was above
SMA 100	\$106.01	\$108.23	Price above — unchanged
SMA 200	not computed	not computed	Series is 100 sessions; not estimated
EMA 20 / EMA 50	\$118.26 / \$114.98	\$114.78 / \$114.11	EMA50 flipped to resistance
RSI (14)	63.0	42.4	Momentum cooled; not yet oversold
MACD (12,26,9)	1.93 / 1.02	-1.22 / -0.17	Bearish crossover, histogram -1.05
ATR (14)	\$3.86 (3.1%)	\$3.81 (3.4%)	Volatility steady in dollar terms
Volume avg 20d / 50d	20.6m / 23.4m	23.0m / 23.4m	No distribution signature
Support	\$113 / \$107.53 / \$102	\$109.23 / \$107.53 / \$102	Recent low, July low, gap edge
Resistance	\$124 / \$130.37	\$114.11 / \$116.24 / \$124	EMA50, SMA50, pre-print close

Computed in code from the Alpha Vantage daily OHLCV series of 100 sessions ending 21 August 2026 (31 March to 21 August). The 200-day average is stated as not computed rather than estimated because the series is too short to produce it. Technicals inform entry timing only and do not override the fundamental view.

5. Valuation at \$111.04

The valuation conclusion of the previous note was that Cisco was close to fairly valued rather than obviously cheap, with the multiple carrying the risk rather than the earnings. A 10.4% decline from the pre-print close does not overturn that, but it does move the stock from the expensive end of a defensible range toward the middle of one. At \$111.04 Cisco trades at 21.9 times fiscal 2027 guided non-GAAP earnings of \$5.08, against 22.6 times at the level the previous note used and 24.4 times at the pre-announcement close. Market capitalisation is \$437.5bn on 3,940m diluted shares, the free cash flow yield is 2.9% and the dividend yield is 1.51%.

The two comparisons that framed the previous note still point in opposite directions and both remain true. Against Arista at roughly 49 times forward, Cisco at 21.9 times is the inexpensive way to own AI networking. Against Cisco's own decade in the mid-teens, 21.9 times is still a substantial premium granted for a growth rate with a two-year record behind it. What has changed is the size of the cushion: the probability-weighted fair value of \$130 now sits 17.2% above the price rather than 13.2%, which converts a modest margin into a reasonable one without requiring any upgrade to the underlying estimates.

Valuation measure	At \$123.88	At \$115	At \$111.04	Own history
P/E on FY27 guided non-GAAP EPS \$5.08	24.4x	22.6x	21.9x	~15x avg
P/E on FY26 non-GAAP EPS \$4.33	28.6x	26.6x	25.6x	~15x avg
P/E on FY26 GAAP EPS \$3.33	37.2x	34.5x	33.4x	~18x avg
Free cash flow yield	2.6%	2.8%	2.9%	~5–6%
Dividend yield	1.4%	1.5%	1.51%	~2.8%
Market capitalisation	\$494bn	\$458bn	\$437.5bn	—

Valuation measure	At \$123.88	At \$115	At \$111.04	Own history
Discount to consensus target	—	15.3%	22.7%	—

Multiples computed on 3,940m diluted shares and free cash flow of \$12.77bn. Consensus target of \$136.27 across 26 analysts, StockAnalysis.com as of 24 August 2026. Historical averages are approximate long-run reference levels shown for direction rather than precision. Verdict: fairly valued with a wider margin than in August.

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; inventory build still open
Competitive Advantage	7/10	15%	Unchanged. Silicon One and Acacia real; Arista 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
Valuation	6/10	15%	Raised from 5. 21.9x forward and a 17% margin to fair value
Risk (10 = lowest risk)	6/10	13%	Unchanged. Mix and multiple risk, not solvency or demand
Technical Setup	4/10	5%	Cut from 6. Base lost, MACD negative, below all short MAs
Investment Score	71 / 100	100%	Weighted sum of the factor scores above; was 70 on 13 August

Scored 1–10, where 10 is always best, including Risk. A long bar is always the favourable outcome. Both scores that moved are stated above with their direction; the six unchanged scores reflect the absence of any new fundamental disclosure since 13 August. The composite is flat at 71 against 70 because a cheaper entry price and a weaker chart very nearly cancel.

7. Recommendation and Revised Trade Plan

Verdict: Buy, reaffirmed. The rating is unchanged and the reasoning behind it is unchanged, which is the outcome a price-level review should produce when no new information has arrived. What has improved is the entry. The previous note recommended buying into weakness rather than chasing, set an ideal range of \$108 to \$114, and the stock is now inside it. An investor who followed that instruction has a better position today than one who bought the indicative \$115 on 13 August, and the expected return has widened from 13% to 17% without any estimate being revised upward.

The reasons the rating stops at Buy rather than Strong Buy are also unchanged. Twenty-two times forward earnings remains a large premium to Cisco's own history, free cash flow fell 4% in a year when non-GAAP EPS rose 14%, and the incremental growth story depends on four or five hyperscale customers whose ordering is lumpy by construction. The chart has weakened since the last note, which argues for patience in establishing the position rather than for a smaller conviction in it. Scale in, keep the size moderate, and treat the July low as the line.

Parameter	Level	Change	Rationale
Recommended entry	\$106 – \$113	Lowered	Re-anchored to the confirmed close, not an indicative print

Parameter	Level	Change	Rationale
Ideal buy range	\$106 – \$110	Lowered	At or below the recent low of \$109.23
Cut-loss	\$105	Widened	Below the July low of \$107.53 with 1.6 ATR of clearance
Take-profit 1	\$132	Unchanged	Base-case fair value, just under the \$136.27 consensus
Take-profit 2	\$150	Unchanged	Bull case; requires AI revenue above the \$7.5bn guide
Expected upside	+18.9% / +35.1%	Improved	To target 1 and target 2 from \$111.04
Expected downside	–5.4%	Reduced	To the \$105 cut-loss
Risk / reward	3.5 : 1 / 6.5 : 1	Improved	Was 1.9 : 1 at target 1 on 13 August
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 \$111.04 on 21 August 2026. The cut-loss is the only parameter this update moves, and it moves down rather than up: at \$106 the stop sat 1.3 average true ranges from the price and was exposed to ordinary noise.

8. Scenario Analysis

The scenarios are carried forward unchanged from 13 August, because the inputs that determine them, fiscal 2027 guidance and the hyperscaler order book, have not moved. Only the reference price has changed, which mechanically widens every upside and narrows the bear-case loss.

Scenario	Prob.	Revenue outlook	Earnings outlook	Fair value	vs \$111.04
Bull	30%	FY27 above guide at \$74bn+; AI revenue exceeds \$7.5bn	FY27 EPS \$5.25; FY28 ~\$6.30; multiple holds near 26x	\$165	+48.6%
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	+18.9%
Bear	25%	Hyperscaler digestion in 2H FY27; campus refresh pulls forward then fades	FY27 EPS ~\$4.85; multiple de-rates toward 17x	\$85	–23.5%

Probability-weighted fair value: $\$130.15 = 0.30 \times \$165 + 0.45 \times \$132 + 0.25 \times \$85$, which is +17.2% against \$111.04. 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, and on marginally better terms than eleven days ago.

The case is the same one the previous note made and it has not been tested by anything since. Cisco guided fiscal 2027 revenue roughly \$4bn above consensus and earnings 6% above, having just beaten the top of its own range on every guided line, and the market sold it because gross margin will be 65% to 66% rather than 66.3%. That objection mistakes the mechanism for the outcome: Cisco is deliberately trading gross margin for operating profit on hyperscaler hardware that carries almost no incremental operating expense, and fiscal 2027 operating margin is guided to a company high-water mark. Eleven sessions of drift have not produced a single fact that bears on that argument in either direction. They have simply lowered the price by 10% from the pre-print close.

What the drift has done is make the position easier to size correctly. The previous note's honest difficulty was that a 13% expected return against a 7.8% stop is a thin proposition, workable but not compelling, and it recommended a 3% to 4% allocation partly for that reason. At \$111.04 the same targets against a \$105 stop give 3.5 to 1, and the allocation guidance holds for a better reason: not because the return is marginal but because the multiple, at twenty-two times against a

decade at fifteen, still carries more of the risk than the business does.

What would change the view? The chart has already given the first warning by losing the \$113 base, and a close below \$107.53 would mark the first lower low since March and would justify standing aside irrespective of the fundamentals. On the business, the November quarter is the real test and it tests three things at once: whether the \$5.69bn inventory turns and free cash flow recovers, whether hyperscaler orders hold near the \$4bn quarterly pace, and whether security reaches the guided high single digits rather than repeating fiscal 2026's 2%. Any two of those failing would take this to Watchlist. None of them can be assessed before then, which is precisely why this update changes a stop level and leaves the rating alone.

The biggest concern remains what it was: Cisco has been re-rated from roughly fifteen times to roughly twenty-two times in twelve months on a narrative that results are currently validating. Validated narratives are the dangerous kind, because they invite investors to pay in advance for the next validation. A 10% pullback on no news is a reminder that the market can withdraw that credit quickly, and it is the reason the position is sized at 3% to 4% rather than at conviction weight.

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