Cisco Systems, Inc. (NASDAQ: CSCO)

Equity research update | Price-level review at $109.20 (4 September 2026 close) | Report date: 6 September 2026 | Supersedes the note of 24 August 2026

RECOMMENDATION	INVESTMENT SCORE	WEIGHTED FAIR VALUE	HORIZON
BUY (reaffirmed)	**71 / 100 (was 71)**	**$130 (+19.2%)**	**12-24m**

Two things happened in the nine sessions since the last review, and they point in opposite directions. On 3 September Cisco traded down to $107.60 intraday, seven cents above the July low of $107.53 that the previous note named as the level which would invalidate the technical case, and it held. In the same period the hundred-day average rolled up through the price, so the one medium-term average the previous note could point to as intact is no longer intact. The rating does not change. The chart section below has to be rewritten rather than carried forward, and the reason is arithmetic rather than opinion.

1. The Published Levels, Tested Again

The 24 August note set a recommended entry of $106 to $113, an ideal buy range of $106 to $110, a cut-loss at $105 and targets of $132 and $150. At $109.20 the price sits inside both bands, in the upper half of the ideal range. Nothing in the trade plan needs resetting, because the price has continued to do exactly what the note asked it to do: drift toward the levels rather than away from them. The stop has not been approached. The lowest intraday print since the last review is $107.60 and the lowest close is $108.61.

That $107.60 print deserves more than a line in a table. The previous note wrote that a close below $107.53 would mark the first lower low since March and would justify standing aside irrespective of the fundamentals. On 3 September the market took the price to within seven cents of that level, on volume of 14.2m against a twenty-day average of 19.5m, and bought it. A published invalidation level that gets tested and holds on light volume is more informative than one that is never approached, because it has now been priced by someone other than this report.

Published level (24 Aug)	Level	Status	Assessment
Recommended entry	$106 - $113	In range	$109.20 sits in the middle of the band
Ideal buy range	$106 - $110	In range	Upper half of the range
Cut-loss	$105	Intact	Never approached; lowest print $107.60
July low	$107.53	**Tested, held**	3 September intraday low of $107.60, seven cents above
100-day average	$108.23 then	**Lost**	Recomputed at $111.17; price now 1.8% below it
Take-profit 1	$132	Distant	Now +20.9% away, was +18.9%
Take-profit 2	$150	Distant	Now +37.4% away, was +35.1%

Status assessed against daily prices from 24 August to 4 September 2026. Percentages recomputed in code from the confirmed close of $109.20.

2. The Hundred-Day Average, Recomputed

The previous note rested its intermediate-trend argument on a single observation: the hundred-day simple average sat at $108.23 and price remained above it. That figure was correct when it was written. It is not the figure today, and the difference is not a rounding matter. The hundred-day window has rolled forward nine sessions, dropping the low prices of late March and early April out of the calculation, and the average has risen to $111.17. Price at $109.20 is 1.8% below it. The sentence the previous note used to hold the intermediate case together no longer describes the chart.

Two things stop that from being decisive. The first is that the two-hundred-day average is now computable for the first time in this coverage, at $94.75, and price sits 15.2% above it, so the trend that runs back to the March low from $76.31 is untouched. Losing a rising hundred-day average in a shallow drift is a different event from losing it in a break. The second is that a rising average passing through a flat price is partly a statement about what the price was doing four months ago rather than about what it is doing now. The honest summary is that the medium-term picture has weakened from neutral to mildly negative, that the long-term picture is unchanged, and that the level which resolves them is still $107.53.

3. Technical Setup at the Confirmed Price

Momentum is improving from a poor base while the averages continue to deteriorate, which is the usual shape of a decline running out of sellers. MACD is more negative in absolute terms at -1.76 against a signal of -1.47, but the histogram has narrowed to -0.29 from -1.05, so the rate of deterioration has fallen by roughly three-quarters. Relative strength at 41.0 is little changed from 42.4 and still short of oversold. The clearest signal is in volatility and volume: average true range has compressed to $2.82, or 2.6% of the share price, from $3.81 and 3.4%, while twenty-day volume has fallen to 19.5m from 23.0m against a fifty-day average of 21.2m. A stock being distributed does not usually go quiet.

Indicator	24 Aug note	Now	Read
Close	$111.04	$109.20	Confirmed close, 4 September
SMA 20	$116.07	$112.55	Price below by 3.0%
SMA 50	$116.24	$114.28	Price below by 4.4%
SMA 100	$108.23	$111.17	**Recomputed.** Price below by 1.8%; was above
SMA 200	not computed	$94.75	Now computable; price above by 15.2%
EMA 20 / EMA 50	$114.78 / $114.11	$111.81 / $112.85	Both overhead; the first resistance band
RSI (14)	42.4	41.0	Weak, not oversold
MACD (12,26,9)	-1.22 / -0.17	-1.76 / -1.47	Histogram -0.29 versus -1.05; decelerating
ATR (14)	$3.81 (3.4%)	$2.82 (2.6%)	Volatility compressed by a quarter
Volume avg 20d / 50d	23.0m / 23.4m	19.5m / 21.2m	Quieter; still no distribution signature
Support	$109.23 / $107.53 / $102	$107.60 / $107.53 / $102	3 Sep low, July low, unfilled gap edge
Resistance	$114.11 / $116.24 / $124	$111.17 / $112.55 / $114.28	SMA100, SMA20, SMA50

Computed in code from a 300-session daily OHLCV series, 27 June 2025 to 4 September 2026, with every average taken off that single series rather than carried forward from the previous note. Technicals inform entry timing only and do not override the fundamental view.

4. What Arrived in the Period

Cisco filed its fiscal 2026 annual report on 2 September, and the useful thing about it is that it contained no surprise. Full-year revenue of $63.3bn and net income of $13.3bn match what was reported on 12 August, and free cash flow of $12.8bn, down 3.9% on the year, confirms the figure the previous note used and the objection it raised. The annual report is the primary source for a number this coverage has been treating as the central watch item, and it has now validated it rather than revised it. Fiscal 2027 guidance of $72.2bn to $73.4bn of revenue and $5.05 to $5.11 of non-GAAP earnings per share is unchanged, as are the $9.3bn AI order book and the $7.5bn fiscal 2027 AI revenue target.

Three commercial announcements landed, all of the same type. On 25 August Cisco expanded its Secure AI Factory with Super Micro and Nvidia, and launched a sovereign critical infrastructure portfolio in Canada. On 31 August it announced, jointly with AMD, that HUMAIN's Saudi AI infrastructure had gone live on AMD Instinct systems with Cisco networking. Each of these is consistent with the thesis and none of them is yet revenue. They are worth recording because they describe where the incremental AI networking demand is coming from, which is sovereign and neocloud build-outs alongside the four or five hyperscalers, and a broader customer base is the specific thing that would reduce the lumpiness risk this coverage has flagged from the start.

Sell-side opinion has continued to drift up. Deutsche Bank initiated coverage on 31 August with a Buy and a $135 target, and Morgan Stanley published a note on 24 August arguing that Cisco is entering a more durable growth phase with the hardware upgrade cycle still in its early stages, maintaining Buy at $135; Truist holds Buy at $140. Consensus across 28 analysts now stands at a Buy with an average target of $137.63, against $136.27 across 26 analysts at the time of the last note. The discount from the current price to the consensus target has widened to 26.0% from 22.7%, which is the widest it has been in the period this coverage has tracked. A widening gap between price and consensus is not itself a reason to buy, since the consensus can be wrong, but it does mean the market and the analysts covering it are diverging rather than converging.

5. Valuation at $109.20

The conclusion is unchanged and the margin has widened slightly again. At $109.20 Cisco trades at 21.5 times fiscal 2027 guided non-GAAP earnings of $5.08, against 21.9 times at the last review and 24.4 times at the pre-announcement close. Market capitalisation is $430.2bn on 3,940m diluted shares, the free cash flow yield is 3.0% and the dividend yield 1.53%. The probability-weighted fair value of $130.15 now sits 19.2% above the price. None of that comes from an estimate being raised. All of it comes from the price falling 1.7% while the estimates stood still, which is what a quiet fortnight does to a valuation case.

Valuation measure	At $123.88	At $111.04	At $109.20	Own history
P/E on FY27 guided non-GAAP EPS $5.08	24.4x	21.9x	21.5x	~15x avg
P/E on FY26 non-GAAP EPS $4.33	28.6x	25.6x	25.2x	~15x avg
P/E on FY26 GAAP EPS $3.33	37.2x	33.4x	32.8x	~18x avg
Free cash flow yield	2.6%	2.9%	3.0%	~5-6%
Dividend yield	1.4%	1.51%	1.53%	~2.8%
Market capitalisation	$494bn	$437.5bn	$430.2bn	-
Discount to consensus target	-	22.7%	26.0%	-

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, StockAnalysis.com as of 6 September 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.

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. What does reach the order book is input cost. The gross-margin guide of 65% to 66%, which is the objection that produced the whole August de-rating, is a statement about component and hardware costs, and those costs are visibly rising: the ISM manufacturing prices index printed 71.1 in August, a twenty-third consecutive month of increase, and the services equivalent reached 72.6, its highest since 2022, with respondents repeatedly citing tariffs. Cisco's own margin guide already embeds a hardware-heavy mix, so further broad-based input inflation would press on the one line the market is currently watching.

The second variable is the discount rate, and it matters here specifically because Cisco has been re-rated from roughly fifteen times to twenty-one and a half. A ten-year yield at 4.78% and a Federal Reserve under Kevin Warsh openly weighing an increase on 15 and 16 September bear on premium multiples generally, and Cisco now carries one. That is a valuation exposure rather than a business exposure, and it is why the position size below stays where it is.

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; the annual report confirms free cash flow down 3.9%
Competitive Advantage	**7**/10	15%	Unchanged. Sovereign and neocloud 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. 21.5x forward and a 19.2% 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%	Unchanged. Lost the 100-day average, but held the July low as momentum decelerated
Investment Score	**71 / 100**	**100%**	**Weighted sum of the factor scores above; was 71 on 24 August**

Scored 1-10, where 10 is always best, including Risk. A long bar is always the favourable outcome. The 24 August scorecard used this same scale and direction, so its scores are directly comparable and no restatement was required. No score moved. That is the correct outcome for a period in which the only new disclosure, the fiscal 2026 annual report, confirmed the figures this coverage was already using. 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. Every level published on 24 August remains where it was, which is unusual for a review of this kind and is worth stating rather than passing over. The entry band was set on weakness, the price has continued into it, and the level named as the exit has been tested and held. There is nothing here to reset.

One number in the table below needs a caveat rather than an endorsement. The risk and reward at the first target now reads 5.4 to 1, up from 3.5 to 1 in August, and almost none of that improvement is a compliment to the business. It is a stop that sits $4.20 below the price, which is 1.5 average true ranges, against 1.6 in August. The ratio flatters because the denominator is small, and a stop that close can be reached by ordinary noise rather than by a genuine break. The stop is not being widened to fix that, because $105 sits below the July low for a reason and moving it further away would abandon the level that gives it meaning. The right response is the one already in the plan: scale in, keep the size moderate, and accept that a tight stop will occasionally be hit on nothing.

Parameter	Level	Change	Rationale
Recommended entry	$106 - $113	Unchanged	Price sits in the middle of the band
Ideal buy range	$106 - $110	Unchanged	Below the recomputed 100-day average of $111.17
Cut-loss	$105	Unchanged	Below the July low of $107.53; 1.5 ATR of clearance at the narrower current range

Parameter	Level	Change	Rationale
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	+20.9% / +37.4%	Improved	To target 1 and target 2 from $109.20
Expected downside	-3.8%	Reduced	To the $105 cut-loss
Risk / reward	5.4 : 1 / 9.8 : 1	Flattered	Improved only because the stop is close; 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 $109.20 on 4 September 2026. No parameter is moved by this update.

What would change the view

Development	Direction	Why it matters
A close below $107.53	Exit	First lower low since March; the technical case ends there and the stop sits below it
November quarter: free cash flow fails to recover as the $5.69bn inventory turns	Downgrade	The annual report has now 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
Security growth repeating fiscal 2026's 2% rather than the guided high single digits	Downgrade	Splunk is the largest acquisition in the company's history and remains unproven
Any two of the three November tests failing	Watchlist	The rating rests on all three, and none can be assessed before then
Broadening tariff-driven input cost inflation alongside a Federal Reserve that continues to tighten	Downgrade	Would press the 65% to 66% gross-margin guide and the premium multiple at the same time
A reclaim of the 100-day average at $111.17 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

8. Scenario Analysis

The scenarios are carried forward unchanged, and unlike 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 the fiscal 2026 annual report filed on 2 September restated the base year without amending either. Only the reference price has moved, which widens every upside and narrows the bear-case loss.

Scenario	Prob.	Revenue outlook	Earnings outlook	Fair value	vs $109.20
Bull	30%	FY27 above guide at $74bn+; AI revenue exceeds $7.5bn	FY27 EPS $5.25; FY28 ~$6.30; multiple holds near 26x	$165	+51.1%
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	+20.9%

Scenario	Prob.	Revenue outlook	Earnings outlook	Fair value	vs $109.20
Bear	25%	Hyperscaler digestion in 2H FY27; campus refresh pulls forward then fades	FY27 EPS ~$4.85; multiple de-rates toward 17x	$85	-22.2%

Probability-weighted fair value: $130.15 = 0.30 x $165 + 0.45 x $132 + 0.25 x $85, which is +19.2% against $109.20. 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 a slightly better price than a fortnight ago, and with one more piece of evidence than there was then.

The evidence is the 3 September low. A price-level review that publishes an invalidation trigger is making a testable claim, and the market has now tested it: the stock traded to within seven cents of $107.53 and closed the day at $108.61, then finished the week at $109.20. Buyers appeared exactly where the note said the case would end if they did not. That is not proof of anything about fiscal 2027, but it is the only thing in the period that constitutes a market verdict rather than an opinion, and it points the right way.

Against it sits the hundred-day average, which has rolled up through the price and taken away the sentence the last note used to describe the intermediate trend as intact. It would have been easy to carry the old figure forward and leave the conclusion standing. The recomputed number says something different, and a reader is better served by knowing that the medium-term picture has slipped from neutral to mildly negative while the two-hundred-day trend, computable for the first time here, remains 15% below the price and untouched.

The concerns are the ones this coverage has carried since August and none of them can be tested before November. Free cash flow fell 3.9% in a year when non-GAAP earnings rose 14%, and the annual report has now put that in a filing rather than a press release. The growth story depends on a small number of hyperscale customers ordering in lumps, which the sovereign and neocloud announcements of the last fortnight begin to dilute but do not yet fix. And the multiple, at twenty-one and a half times against a decade near fifteen, still carries more of the risk than the business does. Twenty-eight analysts now average a $137.63 target against a $109.20 price. One of those two numbers is wrong, and the position is sized at 3% to 4% because this report does not claim to know which.