Cisco Systems Inc. (CSCO)

F3Q26 review: Networking order momentum on AI & campus, EBIT margins to stabilize

CSCO	12m Price Target: **$116.00**	Price: **$101.87**	Upside: **13.9%**

CSCO's F3Q26 EPS of $1.06 beat (v. GSe/Visible Alpha consensus of $1.04/$1.03, guidance of $1.02-$1.04) driven by Networking acceleration (revenue +25% yoy). CSCO demonstrated strong momentum in AI optics/systems, enterprise DC, and campus switching and wireless, underscoring the strategic importance of Silicon One (not reliant on advanced node merchant silicon, which is supply constrained) and the enterprise modernization underway to support AI applications. CSCO provided a framework for F2027 for >$68 bn revenue (4-6% long-term revenue growth, plus an incremental $2 bn in AI revenue) with stable EBIT margins.

First, product order growth accelerated substantially to +35% yoy, with Networking product orders accelerating to over 50% yoy (v. 20% yoy in F2Q26) on AI (e.g., scale-across), enterprise DC, and campus. Within AI, CSCO achieved $1.9 bn in hyperscale orders across Silicon One-based systems & optics, as well as $300 mn in non-hyperscale AI orders. CSCO's F2026 outlook for AI hyperscale revenue was raised to $4 bn ($3 bn prior) and now expects $9 bn in orders (v. $5 bn prior). Cisco expects $6 bn in AI hyperscale revenue in F2027. **Second**, the campus networking refresh is underway, which continues to represent a multi-year, multi-billion dollar opportunity for the company. **Third**, Security continues to face headwinds from both (a) declines in legacy products and (b) continued Splunk transition from on-prem to cloud subscriptions, though security orders (ex Splunk) achieved DD% yoy growth with Splunk cloud subscription headwinds abating in F2027. **Fourth**, CSCO's F4Q26 gross margin missed (65.5%-66.5% v. 66.7% consensus) driven by greater hardware mix & commodity costs. Despite gross margin pressures, CSCO expects EBIT margins to remain relatively stable (F4Q25 outlook for 34-35% v. 34.4% consensus) supported by pricing actions, contract T&C adjustments, component purchasing commitments, and lowering memory utilization across portions of its portfolio.

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Key Data

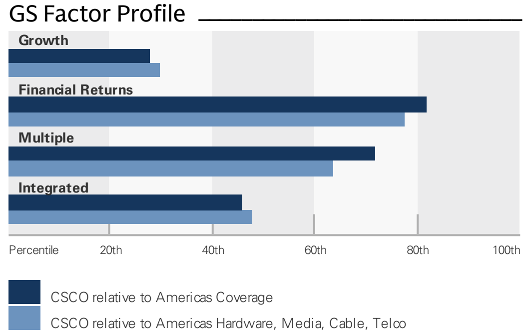
Market cap: $405.6bn
Enterprise value: $419.3bn
3m ADTV: $1.8bn
United States
Americas Hardware, Media, Cable, Telco
M&A Rank: 3

GS Forecast

	7/25	7/26E	7/27E	7/28E
Revenue ($ mn) New	**56,654.0**	**62,823.8**	**69,128.6**	**73,567.4**
Revenue ($ mn) Old	56,654.0	61,556.4	65,919.4	69,775.4
EBITDA ($ mn)	22,301.8	24,311.6	27,131.5	28,205.9
EBIT ($ mn)	19,490.8	21,701.0	23,828.6	25,501.1
EPS ($) New	**3.81**	**4.26**	**4.73**	**5.17**
EPS ($) Old	3.81	4.14	4.54	4.93
P/E (X)	15.5	23.9	21.5	19.7
Dividend yield (%)	2.7	1.6	1.7	1.7
Net debt/EBITDA (X)	0.5	0.6	0.2	(0.1)

	4/26	7/26E	10/26E	1/27E
EPS ($)	1.06	1.15	1.16	1.16

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

NEUTRAL

Cisco Systems Inc. (CSCO)

Rating since Mar 6, 2023

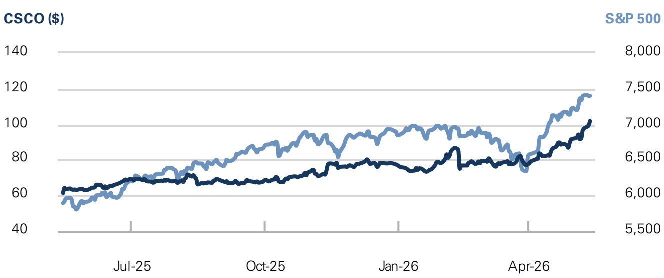
Ratios & Valuation

	7/25	7/26E	7/27E	7/28E
P/E (X)	15.5	23.9	21.5	19.7
EV/EBITDA (X)	11.0	17.1	15.0	14.1
EV/sales (X)	4.3	6.6	5.9	5.4
FCF yield (%)	5.7	2.8	4.7	5.0
EV/DACF (X)	15.4	22.3	19.6	18.1
CROCI (%)	19.4	22.5	24.2	25.6
ROE (%)	33.0	34.9	35.3	34.0
Net debt/EBITDA (X)	0.5	0.6	0.2	(0.1)
Net debt/equity (%)	25.6	27.1	10.6	(4.6)
Interest cover (X)	12.2	14.7	16.3	17.4
Inventory days	67.3	71.4	80.6	81.2
Receivable days	43.1	41.7	42.1	42.4
Days payable outstanding	49.8	50.0	54.0	59.4

Growth & Margins (%)

	7/25	7/26E	7/27E	7/28E
Total revenue growth	5.3	10.9	10.0	6.4
EBITDA growth	6.8	9.0	11.6	4.0
EPS growth	2.1	11.8	11.2	9.3
DPS growth	2.5	2.5	2.4	2.4
Gross margin	68.7	66.9	66.0	65.8
EBIT margin	34.4	34.5	34.5	34.7

Price Performance



	3m	6m	12m
Absolute	32.6%	31.6%	64.9%
Rel. to the S&P 500	22.4%	19.8%	31.2%

Source: FactSet. Price as of 13 May 2026 close.

Income Statement ($ mn)

	7/25	7/26E	7/27E	7/28E
Total revenue	56,654.0	62,823.8	69,128.6	73,567.4
Cost of goods sold	(17,716.0)	(20,825.0)	(23,521.8)	(25,135.7)
SG&A	(12,245.2)	(12,771.6)	(13,875.8)	(14,712.0)
R&D	(7,202.0)	(7,526.2)	(7,902.5)	(8,218.6)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**22,301.8**	**24,311.6**	**27,131.5**	**28,205.9**
Depreciation & amortization	(2,811.0)	(2,610.5)	(3,302.9)	(2,704.8)
EBIT	**19,490.8**	**21,701.0**	**23,828.6**	**25,501.1**
Net interest inc./(exp.)	(592.0)	(608.1)	(403.6)	41.6
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**18,643.8**	**20,936.9**	**23,225.0**	**25,342.7**
Provision for taxes	(3,431.0)	(3,977.9)	(4,412.8)	(4,815.1)
Minority interest	–	–	–	–
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**15,212.8**	**16,959.0**	**18,812.3**	**20,527.6**
Net inc. (post-exceptionals)	**10,180.0**	**12,418.9**	**13,216.2**	**15,209.3**
EPS (basic, pre-except) ($)	**3.83**	**4.29**	**4.77**	**5.21**
EPS (diluted, pre-except) ($)	**3.81**	**4.26**	**4.73**	**5.17**
EPS (ex-ESO exp., dil.) ($)	**--**	**--**	**--**	**--**
DPS ($)	1.62	1.66	1.70	1.74
Div. payout ratio (%)	42.3	38.7	35.7	33.4
Wtd avg shares out. (basic) (mn)	3,976.0	3,954.0	3,947.2	3,940.3
Wtd avg shares out. (diluted) (mn)	3,998.0	3,985.5	3,977.2	3,970.3

Balance Sheet ($ mn)

	7/25	7/26E	7/27E	7/28E
Cash & cash equivalents	8,346.0	6,899.9	14,534.9	23,486.8
Accounts receivable	6,701.0	7,649.9	8,282.3	8,817.8
Inventory	3,164.0	4,983.0	5,409.3	5,769.9
Other current assets	16,775.0	18,338.0	18,538.0	18,738.0
Total current assets	**34,986.0**	**37,870.8**	**46,764.5**	**56,812.5**
Net PP&E	2,113.0	2,755.2	2,616.0	1,873.9
Net intangibles	68,311.0	67,142.0	67,142.0	67,142.0
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	16,881.0	18,819.0	17,462.0	17,422.0
Total assets	**122,291.0**	**126,587.0**	**133,984.5**	**143,250.4**
Accounts payable	2,528.0	3,172.6	3,785.4	4,401.8
Short-term debt	5,232.0	8,719.0	8,719.0	8,719.0
Current lease liabilities	–	–	–	–
Other current liabilities	27,304.0	25,099.6	25,800.7	26,394.3
Total current liabilities	**35,064.0**	**36,991.3**	**38,305.0**	**39,515.1**
Long-term debt	22,861.0	21,367.0	21,367.0	21,367.0
Non-current lease liabilities	–	–	–	–
Other long-term liabilities	17,523.0	17,973.0	17,973.0	17,973.0
Total long-term liabilities	**40,384.0**	**39,340.0**	**39,340.0**	**39,340.0**
Total liabilities	**75,448.0**	**76,331.3**	**77,645.0**	**78,855.1**
Preferred shares	–	–	–	–
Total common equity	**46,843.0**	**50,255.8**	**56,339.4**	**64,395.2**
Minority interest	–	–	–	–
Total liabilities & equity	**122,291.0**	**126,587.0**	**133,984.5**	**143,250.4**
BVPS ($)	11.72	12.61	14.17	16.22

Cash Flow ($ mn)

	7/25	7/26E	7/27E	7/28E
Net income	10,180.0	12,418.9	13,216.2	15,209.3
D&A add-back	2,811.0	2,610.5	3,302.9	2,704.8
Minority interest add-back	–	–	–	–
Net (inc)/dec working capital	(1,292.0)	(5,347.6)	55.1	114.0
Others	2,494.0	3,173.7	3,978.7	4,104.8
Cash flow from operations	**14,193.0**	**12,855.5**	**20,552.9**	**22,132.8**
Capital expenditures	(905.0)	(1,457.8)	(1,806.7)	(1,922.7)
Acquisitions	(291.0)	(46.0)	0.0	–
Divestitures	–	–	–	–
Others	2,929.0	(2,154.0)	0.0	–
Cash flow from investing	**1,733.0**	**(3,657.8)**	**(1,806.7)**	**(1,922.7)**
Dividends paid	(6,437.0)	(6,566.8)	(6,761.3)	(6,908.3)
Share issuance/(repurchase)	(6,486.0)	(6,533.0)	(4,350.0)	(4,350.0)
Inc/(dec) in debt	(2,812.0)	1,981.0	–	–
Others	(80.0)	(32.0)	–	–
Cash flow from financing	**(15,088.0)**	**(10,643.8)**	**(11,111.3)**	**(11,258.3)**
Total cash flow	**838.0**	**(1,446.1)**	**7,635.0**	**8,951.9**
Free cash flow	13,288.0	11,397.7	18,746.2	20,210.2
Free cash flow per share (basic) ($)	3.34	2.88	4.75	5.13

Source: Company data, Goldman Sachs Research estimates.

- **Substantial acceleration in product orders across customer segments driven by AI investments & campus refresh.** During the quarter, Cisco achieved product orders of +35% yoy, substantially accelerating from +18% yoy growth in F2Q26. First, Cisco achieved $1.9 bn of AI hyperscale orders, driven by both Silicon One based networking systems, and Acacia optics ($1 bn, up triple digits yoy). Cisco announced five new design wins achieved during the quarter with hyperscalers during the quarter, including two scale across wins (using Silicon One P200) and one scale out win (using Silicon One G200). Additionally, Cisco achieved a third scale-across win (separate from the aforementioned 5 wins) after the quarter close with its P200 silicon. Cisco raised its F2026 AI hyperscale order guide to $9 bn (v. $5 bn prior) and now expects F2026 hyperscale AI revenue of $4 bn (v. $3 bn prior) driven by continued momentum across existing customers and accelerating demand for optics. To-date, most of CSCO's AI orders & revenue have been for scale-across applications. Separately, product orders from non-hyperscale customers also accelerated (+19% yoy v. +10% yoy in F2Q26), with ~$300 mn non-hyperscale AI orders in the quarter, with the order pipeline growing to ~$3 bn (v. $2.5 bn prior). Notably, Cisco is not seeing constraints on advanced nodes unlike other networking peers (e.g. Arista).

- **Gross margins impacted by memory cost inflation & product mix**. F3Q26 gross margins of 66.0% were down ~160 bps yoy on product mix and memory, slightly missing GSe/consensus of 66.2%. First, product mix weighed on gross margins, with strong demand across its hardware portfolio (Networking orders up 25% yoy with DD% yoy growth in data center & campus switches, wireless products, and SP routing). Additionally, memory cost inflation also negatively weighed on margins, to which Cisco has undertaken margin-protective measures including (a) raising prices across its hardware portfolio, (b) adjusted terms & conditions across contracts with channel partners and customers, and (c) component purchasing commitments. Though Cisco's F4Q26 gross margin outlook missed (65.5%-66.5% v. 66.7% consensus), the company expects EBIT margins to be relatively more stable on a forward basis as it benefits from aforementioned margin defensive actions. In addition, Cisco is working towards reducing the memory utilization of its product portfolio (e.g. Wireless) to consume less memory to optimize memory spend & supply. Cisco expects to transition all of its high-performance switches across its data center & campus networking portfolio to Silicon One by the end of F2029. CSCO also reiterated its long-term growth framework to grow EPS ahead of revenue growth.

- **Security miss on continued headwinds from Splunk & prior-gen products**. During the quarter, Security revenue of $2.0 bn (flat yoy) was in-line with consensus $2.0 bn, driven by continued headwinds from (a) declines in legacy products and (b) continued transition from on-prem revenue to cloud subscriptions within Splunk. Per the company, CSCO's core Security portfolio (ex-Splunk) saw orders grew DD% yoy across both new and refreshed products with DD% order growth in firewall. Over 1,000 new customers purchased new products (Secure Access, XDR, Hypershield, and AI Defense), and Cisco expects to exceed its target of 1,0000 new customer logos for Splunk in F2026. According to the company, headwinds to Security growth from cloud-based subscription adoption within Splunk should abate beginning F2Q27.

F3Q26 earnings results

CSCO's F3Q26 EPS of $1.06 beat GSe/consensus of $1.04/$1.03 and guidance of $1.02-$1.04.

- **CSCO's F3Q26 revenue of $15.8 bn (+12% yoy) beat GSe/consensus $15.6/$15.5 bn and guidance of $15.4-$15.6 bn** with:
  - **Networking** revenue of $8.8 (+25% yoy) beat GSe/consensus $8.3 bn/$8.4 bn.
  - **Security** revenue of $2.0 bn (flat yoy) missed GSe $2.1 bn but was in-line with consensus $2.0 bn
  - **Collaboration** revenue of $1.0 (-1% yoy) missed GSe/consensus $1.1 bn/$1.1 bn.
  - **Observability** revenue of $269 mn (+3 yoy) was just below GSe/consensus $273/$276 mn.
- **Gross profit of $10.5 bn beat GSe/consensus** $10.3/$10.3 bn, with gross margins of 66% below GSe/consensus 66.2%/66.2% and at the midpoint of CSCO's guidance of 65.5%-66.5%.
- **EBIT of $5.4 bn beat GSe/consensus $5.3/$5.3 bn** with margins of 34.2% just above GSe/consensus 34.0%/34.0% and slightly above the midpoint of CSCO's guidance of 33.5%-34.5%.
- **Product orders accelerated to +35% yoy** (v. +18% in F2Q26), with non-hyperscale orders up +19% yoy.
- **Buybacks of $1.25 bn** were in-line with our estimate of $1.25 bn and declined from $2.1 bn in the prior quarter.

CSCO's F4Q26 revenue guidance includes (1) revenue of $16.7-$16.9 bn (v. consensus of $15.8 bn); (2) Non-GAAP EPS of $1.16-$1.18 (v. consensus $1.07); 3) GAAP EPS of $0.80-$0.85; (4) non-GAAP gross margins between 65.5%-66.5% (v. 66.7% consensus); (5) Non-GAAP EBIT margins between 34-35% (v. 34.4% consensus); (6) GAAP tax rate of ~16%; and (7) Non-GAAP tax rate of ~19%.

CSCO updated FY2026 guidance including (1) revenue of $62.8-$63.0 bn (v. $61.2-$61.7 bn prior); (2) Non-GAAP EPS of $4.27-$4.29 (v. $4.13-$4.17 prior); (3) GAAP EPS of $3.16-$3.21 (v. $3.00-$3.08 prior); (4) GAAP tax rate of ~15%; and (5) Non-GAAP tax rate of ~19%.

Exhibit 1: CSCO actuals vs. prior GS estimates
$ millions, except per-share data

Estimate and price target changes

We raise our F2026/27/28 EPS estimates by 4% on average on higher AI revenue outlook & product order momentum.

Exhibit 3: CSCO estimate changes
$ millions, expect per-share data

CSCO Income Statement	F2026E				F2027E				F2028E			
Current vs. prior ($, mn unless specified otherwise)	Current	Prior	Δ ($, mn)	Δ (%)	Current	Prior	Δ ($, mn)	Δ (%)	Current	Prior	Δ ($, mn)	Δ (%)
Product Sales	47,773	46,472	1,301	3%	53,928	50,543	3,385	7%	58,215	54,063	4,151	8%
Services Sales	15,050	15,084	-34	0%	15,201	15,377	-176	-1%	15,353	15,712	-359	-2%
Total Sales	62,824	61,556	1,267	2%	69,129	65,919	3,209	5%	73,567	69,775	3,792	5%
Cost of Sales (non-GAAP)	20,825	20,242	583	3%	23,522	21,854	1,668	8%	25,136	23,208	1,927	8%
Total Gross Profit (Non-GAAP)	41,999	41,315	684	2%	45,607	44,065	1,542	3%	48,432	46,567	1,865	4%
% margins	66.9%	67.1%	-0.3%		66.0%	66.8%	-0.9%		65.8%	66.7%	-0.9%	
R&D (non-GAAP)	7,526	7,465	61	1%	7,902	7,839	64	1%	8,219	8,152	67	1%
S&M (non-GAAP)	10,534	10,485	49	0%	11,614	11,206	407	4%	12,359	11,862	498	4%
G&A (non-GAAP)	2,237	2,240	-2	0%	2,262	2,265	-2	0%	2,353	2,355	-2	0%
Amort of purchased intangibles	957	985	-28	-3%	1,005	1,034	-30	-3%	1,055	1,086	-31	-3%
In-process research and development	182	183	-1		0	0	0		0	0	0	
Operating expenses (non-GAAP)	20,298	20,190	108	1%	21,778	21,309	469	2%	22,931	22,369	562	3%
Operating Income (Non-GAAP)	21,701	21,125	576	3%	23,829	22,756	1,073	5%	25,501	24,198	1,303	5%
Interest Income	869	866	3	0%	1,062	1,134	-72	-6%	1,507	1,590	-83	-5%
Interest Expense	-1,477	-1,460	-17	1%	-1,465	-1,427	-39	3%	-1,465	-1,427	-39	3%
Other Income (Loss)	373	81	292		-200	-200	0		-200	-200	0	
Gain/loss on equity investments (non-GAAP)	-529	-256	-273		0	0	0		0	0	0	
Earnings before Tax (non-GAAP)	20,937	20,356	581	3%	23,225	22,263	962	4%	25,343	24,162	1,181	5%
Net income - recurring (non-GAAP)	16,959	16,488	471	3%	18,812	18,033	779	4%	20,528	19,571	957	5%
Net income - GAAP	12,419	11,892	527	4%	13,216	12,736	480	4%	15,209	14,101	1,108	8%
Diluted EPS - recurring (non-GAAP)	$4.26	$ 4.14	$ 0.12	3%	$4.73	$ 4.54	$ 0.19	4%	$5.17	$ 4.93	$ 0.24	5%
GAAP EPS	$3.12	$ 2.98	$ 0.13	4%	$3.32	$ 3.20	$ 0.12	4%	$3.83	$ 3.55	$ 0.28	8%
Diluted shares	3,985	3,984	1	0%	3,977	3,975	2	0%	3,970	3,968	2	0%
Networking	34,258	32,803	1,455	4%	39,407	35,602	3,805	11%	42,524	37,733	4,792	13%
Security	8,169	8,262	-93	-1%	9,014	9,426	-412	-4%	9,911	10,482	-571	-5%
Collaboration	4,196	4,254	-59	-1%	4,196	4,254	-59	-1%	4,238	4,297	-59	-1%
Observability	1,151	1,155	-4		1,311	1,260	50		1,541	1,551	-10	
Total Product	47,773	46,472	1,301	3%	53,928	50,543	3,385	7%	58,215	54,063	4,151	8%
Services	15,050	15,084	-34	0%	15,201	15,377	-176	-1%	15,353	15,712	-359	-2%
Total Revenue (including Splunk)	62,824	61,556	1,267	2%	69,129	65,919	3,209	5%	73,567	69,775	3,792	5%

Source: Goldman Sachs Global Investment Research

Valuation. We are **Neutral-rated** on **CSCO** with a 12-month target price of $116 (v. $75 prior) based on 23x (v. 16X prior) our NTM+1Y (Q5-Q8) EPS. We raise our multiple on greater visibility into Cisco's secular growth drivers through both AI (as a networking & optics vendor using proprietary silicon) and ongoing enterprise modernization investments.

Key upside risks include secular tailwinds including hybrid work, multi-cloud network architecture adoption, broader roll-out of WiFi 6/6E and 5G, increasing edge compute use cases; New disaggregated consumption models to target previously underserved cloud providers, near-term revenue visibility from elevated backlog; **downside risks** include competition, including from major Chinese providers Huawei & H3C and whitebox solutions; margin degradation from mix shift into more cloud customers, elevated costs associated with supply chain headwinds; broader pricing pressure from commoditization of networking hardware; dilutive acquisitions.

Investment thesis summary. CSCO is the global market share leader of networking equipment and solutions with a comprehensive platform of offerings across networking, security, collaboration, applications, and cloud. As a leading #1 or #2 incumbent in nearly every product type and category it participates in, CSCO has been subject to market share losses over the last decade, particularly to lower cost competitors (e.g., white box) and smaller, more nimble companies with specific vertical solutions (e.g., ANET in data center switching, FFIV in ADC). That said, CSCO has the widest offering of networking solutions among any of its key competitors, cementing its role as a trusted networking solutions provider, as well as a key procurement partner for its suppliers. Product backlog, RPO, and ARR provide ample revenue visibility even if order growth slows in the near term as customers absorb previously placed orders & more closely scrutinize IT budgets in a challenging macro environment.

Income statement

Exhibit 4: CSCO income statement

$ millions, except per share data

(millions of U.S. Dollars)	Q125 Oct-24	Q225 Jan-25	Q325 Apr-25	Q425 Jul-25	Q126 Oct-25	Q226 Jan-26	Q326 Apr-26	Q426 Jul-26E	Q127 Oct-26E	Q227 Jan-27E	Q327 Apr-27E	Q427 Jul-27E	FISCAL F2021	F2022	F2023	F2024	F2025	F2026E	F2027E	F2028E	F2029E
Income Statement																					
Product Sales	10,114	10,234	10,374	10,886	11,077	11,642	12,117	12,937	12,841	13,218	13,585	14,284	36,014	38,018	43,142	39,253	41,608	47,773	53,928	58,215	62,706
Services Sales	3,727	3,757	3,775	3,787	3,806	3,707	3,724	3,813	3,844	3,744	3,761	3,851	13,804	13,539	13,856	14,550	15,046	15,050	15,201	15,353	15,506
Total Sales	**13,841**	**13,991**	**14,149**	**14,673**	**14,883**	**15,349**	**15,841**	**16,751**	**16,685**	**16,962**	**17,346**	**18,136**	**49,818**	**51,557**	**56,998**	**53,803**	**56,654**	**62,824**	**69,129**	**73,567**	**78,213**
Product Cost of Sales (non-GAAP)	3,145	3,310	3,361	3,538	3,631	3,912	4,326	4,590	4,383	4,608	5,013	5,093	12,457	13,938	15,800	13,179	13,354	16,459	19,097	20,683	22,345
Services Cost of Sales (non-GAAP)	1,106	1,067	1,085	1,104	1,116	1,080	1,057	1,113	1,124	1,087	1,094	1,120	4,447	4,293	4,410	4,312	4,362	4,366	4,425	4,453	4,480
Cost of Sales (non-GAAP)	**4,251**	**4,377**	**4,446**	**4,642**	**4,747**	**4,992**	**5,383**	**5,703**	**5,508**	**5,694**	**6,107**	**6,213**	**16,904**	**18,231**	**20,210**	**17,491**	**17,716**	**20,825**	**23,522**	**25,136**	**26,826**
Product Gross Profit (non-GAAP)	6,969	6,924	7,013	7,348	7,446	7,730	7,791	8,347	8,458	8,611	8,571	9,191	23,557	24,080	27,342	26,074	28,254	31,314	34,831	37,532	40,361
Services Gross Profit (non-GAAP)	2,621	2,690	2,690	2,683	2,690	2,627	2,667	2,701	2,720	2,658	2,667	2,732	9,357	9,246	9,446	10,238	10,684	10,685	10,776	10,900	11,026
Total Gross Profit (Non-GAAP)	**9,590**	**9,614**	**9,703**	**10,031**	**10,136**	**10,357**	**10,458**	**11,048**	**11,177**	**11,268**	**11,238**	**11,923**	**32,914**	**33,326**	**36,788**	**36,312**	**38,938**	**41,999**	**45,607**	**48,432**	**51,387**
R&D (non-GAAP)	1,765	1,773	1,805	1,859	1,851	1,877	1,902	1,896	1,944	1,971	1,997	1,991	5,624	5,718	6,336	6,347	7,202	7,526	7,902	8,219	8,547
S&M (non-GAAP)	2,483	2,378	2,421	2,549	2,577	2,614	2,597	2,746	2,803	2,850	2,914	3,047	8,707	8,467	9,201	9,394	9,831	10,534	11,614	12,359	13,140
G&A (non-GAAP)	621	602	597	594	589	555	547	546	548	577	569	568	1,881	1,796	2,180	2,204	2,414	2,237	2,262	2,353	2,447
Operating expenses (non-GAAP)	**4,869**	**4,753**	**4,823**	**5,002**	**5,017**	**5,046**	**5,046**	**5,189**	**5,294**	**5,398**	**5,480**	**5,606**	**16,212**	**15,981**	**17,717**	**17,945**	**19,447**	**20,298**	**21,778**	**22,931**	**24,134**
Operating Income (Non-GAAP)	**4,721**	**4,861**	**4,880**	**5,029**	**5,119**	**5,311**	**5,412**	**5,859**	**5,883**	**5,871**	**5,758**	**6,317**	**16,702**	**17,345**	**19,071**	**18,367**	**19,491**	**21,701**	**23,829**	**25,501**	**27,253**
Interest Income	286	238	250	227	222	210	214	223	220	268	273	301	618	476	962	1,365	1,001	869	1,062	1,507	2,002
Interest Expense	-418	-404	-403	-368	-350	-370	-377	-380	-366	-366	-366	-366	(434)	(360)	(427)	(1,006)	(1,593)	(1,477)	(1,465)	(1,465)	(1,465)
Other Income (Loss)	41	-60	-102	53	156	25	242	-50	-50	-50	-50	-50	245	392	(248)	(306)	(68)	373	(200)	(200)	(200)
Gain/loss on equity investments (non-GAAP)	-98	7	19	-115	-195	-61	-273	0	0	0	0	0	(281)	(478)	133	149	(187)	(529)	-	-	-
Earnings before Tax (non-GAAP)	**4,532**	**4,642**	**4,644**	**4,826**	**4,952**	**5,115**	**5,218**	**5,652**	**5,687**	**5,723**	**5,615**	**6,201**	16,850	17,375	19,491	18,569	18,644	20,937	23,225	25,343	27,590
Tax Expense (non-GAAP)	861	882	813	875	941	972	991	1,074	1,080	1,087	1,067	1,178	3,214	3,281	3,512	3,429	3,431	3,978	4,413	4,815	5,242
Tax rate	*19.0%*	*19.0%*	*17.5%*	*18.1%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	*19.0%*	19.1%	18.9%	18.1%	18.4%	18.4%	19.0%	19.0%	19.0%	19.0%
GAAP Net income - recurring	2,711	2,428	2,491	2,550	2,860	3,175	3,373	3,375	3,267	3,390	3,328	3,677	10,591	11,812	12,613	10,320	10,180	12,783	13,662	15,209	16,855
Net income - recurring (non-GAAP)	**3,671**	**3,760**	**3,831**	**3,951**	**4,011**	**4,143**	**4,227**	**4,578**	**4,606**	**4,635**	**4,548**	**5,023**	**13,636**	**14,094**	**15,979**	**15,140**	**15,213**	**16,959**	**18,812**	**20,528**	**22,348**
Extraordinary gain (loss), after tax	0	0	0	0	0	0	0	-365	-223	-223	0	0	0	0	0	0	0	-365	-446	0	0
Net income - GAAP	**2,711**	**2,428**	**2,491**	**2,550**	**2,860**	**3,175**	**3,373**	**3,011**	**3,044**	**3,167**	**3,328**	**3,677**	**10,591**	**11,812**	**12,613**	**10,320**	**10,180**	**12,419**	**13,216**	**15,209**	**16,855**
Diluted EPS - recurring (non-GAAP)	**$0.91**	**$0.94**	**$0.96**	**$0.99**	**$1.00**	**$1.04**	**$1.06**	**$1.15**	**$1.16**	**$1.16**	**$1.14**	**$1.26**	**$3.22**	**$3.36**	**$3.89**	**$3.73**	**$3.81**	**$4.26**	**$4.73**	**$5.17**	**$5.64**
GAAP Diluted EPS - recurring	$0.68	$0.61	$0.62	$0.64	$0.72	$0.80	$0.85	$0.85	$0.82	$0.85	$0.84	$0.92	$2.50	$2.82	$3.07	$2.54	$2.55	$3.21	$3.43	$3.83	$4.25
GAAP EPS	**$0.68**	**$0.61**	**$0.62**	**$0.64**	**$0.72**	**$0.80**	**$0.85**	**$0.76**	**$0.77**	**$0.80**	**$0.84**	**$0.92**	**$2.50**	**$2.82**	**$3.07**	**$2.54**	**$2.55**	**$3.12**	**$3.32**	**$3.83**	**$4.25**
Basic Shares	3,990	3,981	3,972	3,960	3,956	3,955	3,952	3,953	3,949	3,949	3,945	3,946	4,222	4,170	4,093	4,043	3,976	3,954	3,947	3,940	3,933
Diluted shares	4,013	4,005	4,002	3,992	3,993	3,984	3,982	3,983	3,979	3,979	3,975	3,976	4,236	4,192	4,105	4,062	3,998	3,985	3,977	3,970	3,963
Dividend per share	$0.40	$0.40	$0.41	$0.41	$0.41	$0.41	$0.42	$0.42	$0.42	$0.42	$0.43	$0.43	$1.46	$1.50	$1.54	$1.58	$1.62	$1.66	$1.70	$1.74	$1.78

Year-over-year change (%)	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426	Q127	Q227	Q327	Q427	F2021	F2022	F2023	F2024	F2025	F2026E	F2027E	F2028E	F2029E
Product Sales	(9%)	11%	15%	10%	10%	14%	17%	19%	16%	14%	12%	10%	0%	6%	13%	(9%)	6%	15%	13%	8%	8%
Services Sales	6%	6%	3%	0%	2%	(1%)	(1%)	1%	1%	1%	1%	1%	4%	(2%)	2%	5%	3%	0%	1%	1%	1%
Total Sales	**(6%)**	**9%**	**11%**	**8%**	**8%**	**10%**	**12%**	**14%**	**12%**	**11%**	**10%**	**8%**	**1%**	**3%**	**11%**	**(6%)**	**5%**	**11%**	**10%**	**6%**	**6%**
NON-GAAP:																					
Product Cost of Sales	-16%	3%	13%	9%	15%	18%	29%	30%	21%	18%	16%	11%	0%	12%	13%	-17%	1%	23%	16%	8%	8%
Services Cost of Sales	1%	2%	4%	-2%	1%	1%	-3%	1%	1%	1%	4%	1%	4%	-3%	3%	-2%	1%	0%	1%	1%	1%
Cost of Sales	-12%	3%	10%	6%	12%	14%	21%	23%	16%	14%	13%	9%	1%	8%	11%	-13%	1%	18%	13%	7%	7%
Product Gross Profit	-6%	15%	16%	11%	7%	12%	11%	14%	14%	11%	10%	10%	0%	2%	14%	-5%	8%	11%	11%	8%	8%
Services Gross Profit	8%	7%	2%	1%	3%	-2%	-1%	1%	1%	1%	0%	1%	3%	-1%	2%	8%	4%	0%	1%	1%	1%
Total Gross Profit	**-3%**	**13%**	**12%**	**8%**	**6%**	**8%**	**8%**	**10%**	**10%**	**9%**	**7%**	**8%**	**1%**	**1%**	**10%**	**-1%**	**7%**	**8%**	**9%**	**6%**	**6%**
R&D	11%	13%	20%	10%	5%	6%	5%	2%	5%	5%	5%	5%	1%	2%	11%	0%	13%	5%	5%	4%	4%
S&M	7%	6%	5%	0%	4%	10%	7%	8%	9%	9%	12%	11%	1%	-3%	9%	2%	5%	7%	10%	6%	6%
G&A	12%	15%	15%	-2%	-5%	-8%	-8%	-8%	-7%	4%	4%	4%	13%	-5%	21%	1%	10%	-7%	1%	4%	4%
Operating expenses (non-GAAP)	**9%**	**10%**	**12%**	**4%**	**3%**	**6%**	**5%**	**4%**	**6%**	**7%**	**9%**	**8%**	**2%**	**-1%**	**11%**	**1%**	**8%**	**4%**	**7%**	**5%**	**5%**
Operating Income	**-12%**	**16%**	**12%**	**13%**	**8%**	**9%**	**11%**	**17%**	**15%**	**11%**	**6%**	**8%**	**0%**	**4%**	**10%**	**-4%**	**6%**	**11%**	**10%**	**7%**	**7%**
Interest Income	-21%	-27%	-39%	-16%	-22%	-12%	-14%	-2%	-1%	28%	27%	35%	-33%	-23%	102%	42%	-27%	-13%	22%	42%	33%
Interest Expense	277%	237%	13%	-12%	-16%	-8%	-6%	3%	5%	-1%	-3%	-4%	-26%	-17%	19%	136%	58%	-7%	-1%	0%	0%
Other Income (Loss)	-292%	-92%	-371%	-776%	99%	-971%	-1537%	-100%	-100%	-100%	-100%		190%	70%	-128%	12%	-226%	183%	-100%		
Earnings before Tax	-19%	7%	6%	14%	9%	10%	12%	17%	15%	12%	8%	10%	0%	3%	12%	-5%	0%	12%	11%	9%	9%
Tax Expense	-19%	6%	-2%	24%	9%	10%	22%	23%	15%	12%	8%	10%	-1%	2%	7%	-2%	0%	16%	11%	9%	9%
Net income - recurring	-19%	7%	8%	12%	9%	10%	10%	16%	15%	12%	8%	10%	0%	3%	13%	-5%	0%	11%	11%	9%	9%
Diluted EPS - recurring	-17%	8%	9%	14%	10%	11%	11%	16%	15%	12%	8%	10%	0%	4%	16%	-4%	2%	12%	11%	9%	9%

% of revenue	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426	Q127	Q227	Q327	Q427	F2021	F2022	F2023	F2024	F2025	F2026E	F2027E	F2028E	F2029E
Product Sales	73%	73%	73%	74%	74%	76%	76%	77%	77%	78%	78%	79%	72%	74%	76%	73%	73%	76%	78%	79%	80%
Services Sales	27%	27%	27%	26%	26%	24%	24%	23%	23%	22%	22%	21%	28%	26%	24%	27%	27%	24%	22%	21%	20%
NON-GAAP:																					
Product Gross Margin	68.9%	67.7%	67.6%	67.5%	67.2%	66.4%	64.3%	64.5%	65.9%	65.1%	63.1%	64.3%	65.4%	63.3%	63.4%	66.4%	67.9%	65.5%	64.6%	64.5%	64.4%
Services Gross Margin	70.3%	71.6%	71.3%	70.8%	70.7%	70.9%	71.6%	70.8%	70.8%	71.0%	70.9%	70.9%	67.8%	68.3%	68.2%	70.4%	71.0%	71.0%	70.9%	71.0%	71.1%
Total Gross Margin	**69.3%**	**68.7%**	**68.6%**	**68.4%**	**68.1%**	**67.5%**	**66.0%**	**66.0%**	**67.0%**	**66.4%**	**64.8%**	**65.7%**	**66.1%**	**64.6%**	**64.5%**	**67.5%**	**68.7%**	**66.9%**	**66.0%**	**65.8%**	**65.7%**
R&D	12.8%	12.7%	12.8%	12.7%	12.4%	12.2%	12.0%	11.3%	11.6%	11.6%	11.5%	11.0%	11.3%	11.1%	11.1%	11.8%	12.7%	12.0%	11.4%	11.2%	10.9%
S&M	17.9%	17.0%	17.1%	17.4%	17.3%	17.0%	16.4%	16.4%	16.8%	16.8%	16.8%	16.8%	17.5%	16.4%	16.1%	17.5%	17.4%	16.8%	16.8%	16.8%	16.8%
G&A	4.5%	4.3%	4.2%	4.0%	4.0%	3.6%	3.5%	3.3%	3.3%	3.4%	3.3%	3.1%	3.8%	3.5%	3.8%	4.1%	4.3%	3.6%	3.3%	3.2%	3.1%
Operating expenses	35.2%	34.0%	34.1%	34.1%	33.7%	32.9%	31.9%	31.0%	31.7%	31.8%	31.6%	30.9%	32.5%	31.0%	31.1%	33.4%	34.3%	32.3%	31.5%	31.2%	30.9%
Operating Income	**34.1%**	**34.7%**	**34.5%**	**34.3%**	**34.4%**	**34.6%**	**34.2%**	**35.0%**	**35.3%**	**34.6%**	**33.2%**	**34.8%**	**33.5%**	**33.6%**	**33.5%**	**34.1%**	**34.4%**	**34.5%**	**34.5%**	**34.7%**	**34.8%**
Interest Income	2.1%	1.7%	1.8%	1.5%	1.5%	1.4%	1.4%	1.3%	1.3%	1.6%	1.6%	1.7%	1.2%	0.9%	1.7%	2.5%	1.8%	1.4%	1.5%	2.0%	2.6%
Interest Expense	-3.0%	-2.9%	-2.8%	-2.5%	-2.4%	-2.4%	-2.4%	-2.3%	-2.2%	-2.2%	-2.1%	-2.0%	-0.9%	-0.7%	-0.7%	-1.9%	-2.8%	-2.4%	-2.1%	-2.0%	-1.9%
Other Income (Loss)	-0.7%	0.1%	0.1%	-0.8%	-1.3%	-0.4%	-1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.6%	-0.9%	0.2%	0.3%	-0.3%	-0.8%	0.0%	0.0%	0.0%
Earnings before Tax	32.7%	33.2%	32.8%	32.9%	33.3%	33.3%	32.9%	33.7%	34.1%	33.7%	32.4%	34.2%	33.8%	33.7%	34.2%	34.5%	32.9%	33.3%	33.6%	34.4%	35.3%
Tax Expense	6.2%	6.3%	5.7%	6.0%	6.3%	6.3%	6.3%	6.4%	6.5%	6.4%	6.2%	6.5%	6.5%	6.4%	6.2%	6.4%	6.1%	6.3%	6.4%	6.5%	6.7%
Net income - recurring	26.5%	26.9%	27.1%	26.9%	27.0%	27.0%	26.7%	27.3%	27.6%	27.3%	26.2%	27.7%	27.4%	27.3%	28.0%	28.1%	26.9%	27.0%	27.2%	27.9%	28.6%
EBITDA	**39.8%**	**40.2%**	**38.9%**	**38.6%**	**38.5%**	**38.9%**	**38.2%**	**39.2%**	**39.9%**	**39.4%**	**38.1%**	**39.7%**	**37.3%**	**37.4%**	**36.5%**	**38.8%**	**39.4%**	**38.7%**	**39.2%**	**38.3%**	**37.7%**

Source: Company data, Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

I, Michael Ng, CFA, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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Goldman Sachs Investment Research global Equity coverage universe

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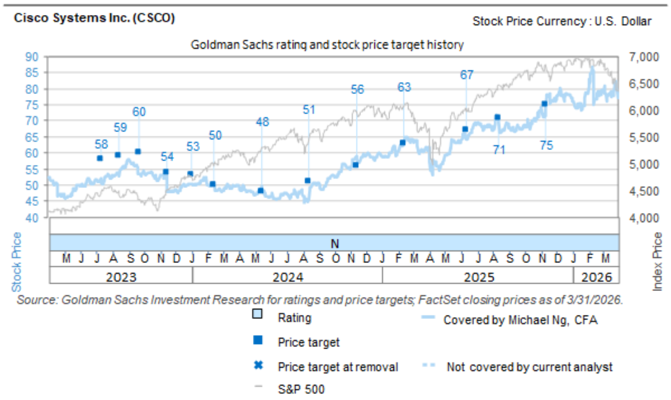
Price target and rating history chart(s)



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Target price history table(s)
Cisco Systems Inc. (CSCO)

Date of report	Target price ($)	Closing price ($)
13-Nov-25	75.00	77.38
14-Aug-25	71.00	69.30
13-Jun-25	67.00	64.09
13-Feb-25	63.00	63.84
14-Nov-24	56.00	57.92
15-Aug-24	51.00	48.53
16-May-24	48.00	48.34
15-Feb-24	50.00	49.06
02-Jan-24	53.00	50.51
16-Nov-23	54.00	48.04
22-Sep-23	60.00	53.57
17-Aug-23	59.00	54.73
11-Jul-23	58.00	52.12

Price targets shown in table(s) are unadjusted for corporate actions.

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