HOLD REPORT

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Value Line Timeliness: 1
Value Line Safety: 3
NASDAQ: CSCO

Highlights

- Currently, the basis of our hold recommendation resides in our growth expectations for Cisco. We feel that VOIP will transform communication and the growth has no limits. Additionally, the profit margins, ROE, and ROA are all attractive relative to the industry.

- Cisco is in an industry that has fairly high barriers to entry. Therefore, it is not likely to see significant price competition in the near future. Its massive size should intimidate most competitors in the market.

- As VOIP becomes more widely used, Cisco should greatly benefit. Although many companies (SKYPE, AT&T, etc.) will compete for business in the VOIP market, Cisco will likely be the sole provider of the bandwidth for the VOIP.

- With a P/E at around 37, we feel that Cisco is still cheap. Although it trades at a premium to other hardware providers, the growth will outperform these same competitors.

- There is some concern, however, when we look at the P/B (5.66) ratio and the P/S (7.89) ratio, as there is significantly less attractive than the market.

- Cisco has been able to increase profits over the past few years even in down market as a product of effectiveness in expanding margins.