



## FEATURED OPTIONS RADAR REPORT



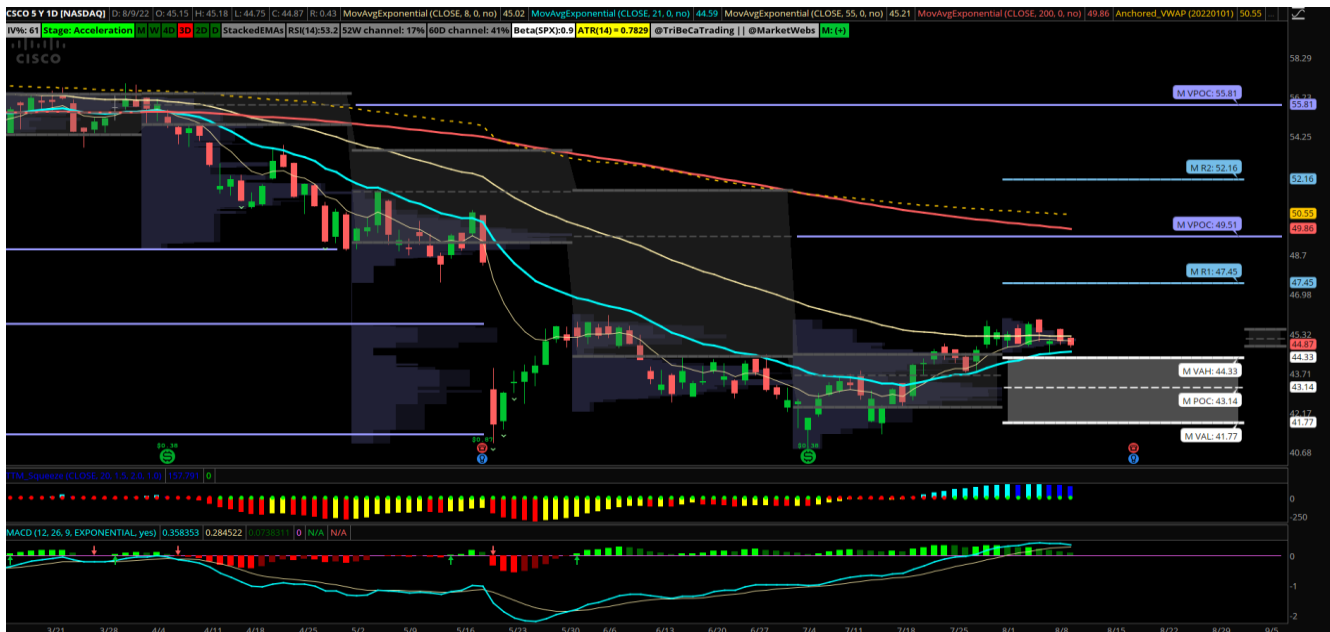
### Bearish Flow Builds in Networking Giant Seeing Rising Costs

**Ticker/Price:** CSCO (\$44.88)

#### Analysis:

**Cisco Systems (CSCO)** on 8/8 with a large bearish trade saw 7500 October \$42.50 puts bought at \$1.36 as January \$42 puts adjusted lower. This follows bear flow in the name the past month with March \$47.50 calls sold to open 3400x on 8/5 for \$2.95, over \$1M and January 2024 \$30 puts bought far OTM for \$1.40 over 4500x. The short-term options also have seen bears in August \$43 calls sold to open at \$2.84 and September \$40 puts bought 5000x for \$0.54. Shares are converging near a cluster of moving averages as the 8, 21 and 55 EMA all sit near 45 and a small flag is forming above monthly value area since the rebound off lows near 40. The stock has lagged much of the recent Tech bounce and still below the open gap from prior earnings in May that sent it lower -14% in one day. CSCO is nearing a bear MACD cross and if slips under 44 it may retest the lows and has an open gap near 39 from back in late 2020. The \$186.4B company trades 12.7x earnings, 3.3x EV/sales, and FCF yield of +8.5%. Revenues are expected to grow just +3% in FY22 and +3% growth in FY23 estimated. CSCO is likely seeing impacts from rising component costs and weaker spending which might be seen in its earnings report due out 8/17. The stock has a bearish lean on earnings with an average 1 day move of -2.3%. Average analyst target is \$54 with a Street high of \$71 and low of \$40. JPM recently downgraded the stock to Neutral with a \$51 target and took a defensive stance with the networking and hardware coverage universe as they see increasing signs of the challenging macro feed into demand trends. They recommend investors look for diversification away from higher risk areas like enterprise spending. Rosenblatt initiated coverage with a Neutral and \$48 target stating that the stock does not warrant a premium valuation because, despite the company's stated goal of increasing software and recurring revenues, Cisco has not been very successful in attaining its business transformation targets. Cisco likely can't make a big cultural change without a very large software acquisition. In addition, Cisco's core products are losing share in key technology areas to competitors. Short interest is at 1%. Hedge fund ownership fell 8.6%.

#### Hawk Vision:



**Hawk's Perspective:** CSCO has resistance here at the 55 EMA but might be forming a bull flag with earnings nearing later this month. A close under the 21 EMA near 44.50 can likely short for move lower.

**Confidence Ranking:** \$\$