



Cisco Weekly Base Breakout Seen Sustaining Higher

Ticker/Price: CSCO (\$49.20)

Analysis:

Cisco (CSCO) with 5000 April \$47.50 puts sold to open \$1.28 at the PHLX and follows recent put sales at July \$45 and September \$42.5 strikes as well as buyers active in February and March calls including 9500 February \$50 calls bought 1/17. CSCO shares carved out a base right at a 38.2% retracement of the 2016-2019 range as well as the 144 week rising moving average. The base breakout on the weekly targets a move up to \$54.50 and weekly RSI moving back above the 50 level. The \$207B Company could see positive tailwinds from the 5G cycle and is trading 14.35X Earnings and 23.6X FCF with a 2.87% dividend yield and plenty of balance sheet flexibility. CSCO will next report on 2/12. Forecasts see revenue growth lacking in 2020 and EPS growth of 4.5%. In November CSCO cut its outlook and continues to work on transforming its business with software subscriptions now 71% of its software revenues. Analysts have an average target of \$52 and short interest low at less than 1% of its float. Barclays upgraded to Overweight with a \$53 target in December more constructive on new products and valuation. BAML downgraded to Neutral on 1/8 citing a lack of catalysts in 2020 but does see positives in the upcoming WiFi 6 cycle. Piper with a note recently seeing Software moving to 24% of CSCO revenues from 20% Y/Y. Hedge Fund ownership rose 1.35% in Q3 filings.

Hawk Vision:



Hawk's Perspective: CSCO is attractively valued and would love to see a splashy M&A deal to expedite the move into Software as a positive catalyst. The put sales put a floor near-by, and upside \$50 calls are a cheap option to bet on a move to \$53.

Confidence Ranking: \$\$