Our view is that while Cisco is in the process of launching their APIC SDN Controller SW to be a Cloud services orchestration, Cloud IT automation, and virtual overlay framework for their Nexus 9k datacenter switches – the company is yet to launch a telco-focused service orchestration framework and SW tools specifically meant for automating mobile network services creation, virtual overlays based on BGP/MPLS etc for telco NFV use cases etc (similar to Juniper's Contrail SW).

Further, we note that Cisco's Virtualized Evolved Packet Core solution – with performance metrics comparable to their current ASR 5k HW and SW platform - is likely in the product development phase versus in carrier production network readiness stage – another reason for why we hear comments around NFV timing being still relatively early stage at the major telcos from Cisco.

That said, we do note a well thought-out go to market strategy from Cisco on the NFV front – with management noting that service providers – especially mobile operators – are likely to deploy a combination of HW platforms (e.g. for higher-end edge and core routers), virtualized appliances (for radio access network SW, EPC, firewalls, etc), and Cloud based services – versus an all virtual network of layer 2/7 feature-functions.

On the SON front – i.e. SW tools for automating the planning, configuration, management, and optimization of 4G LTE and Carrier WiFi based mobile networks – the company is seeing a higher number of field trials of Cisco's SON SW and the Intucell Small Cells solution - with the Tier-1 mobile operators (versus in 2013) – indicative of a higher interest level from the major mobile operators for Cisco's LTE and Carrier WiFi HW and SW solutions – with potential for pull-through for the ASR 5k EPC platform, the ASR 9k edge router, etc.

In summary, while the company is making some progress in its wireless initiatives, we remain with our near-term caution on the growth prospects of Cisco's service provider business.

Cisco, in our view, needs to launch a best in class competitive lower-end and mid-range edge routing portfolio and the CRS-X core router, earliest this year – so as to stabilize recent share loss trends we (and industry data trackers: Infonetics, etc) have noted in the company's routing portfolio.

We also see the need for Cisco to launch a competitive virtual EPC solution and NFV focused virtual overlay and Mobile Cloud service orchestration solutions (competitive with Juniper's Contrail, etc) in this calendar year – so as to be a meaningful player in upcoming telco NFV rollouts of SW centric layer 2/7 networking solutions.

F5 – Winning in the Telco Space

We are raising our Price Target on F5, from $120 to $130; reflecting our improved conviction on F5's next-phase growth opportunities in Telco and in Next-Gen Security - following our recent MWC and RSA conference meetings.

While we leave our FY14/15 estimates unchanged, we maintain a positive bias to our estimates – which we plan on updating post the Mar Q report. At our $130 PT, the stock would trade at appx 18x P/E on an FY15 First Call consensus EPS est basis (ex cash) – which is in line with our data networking peer group multiple of 18-19x [details in our valuation and risks section].