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Networking Sector Valuation and Risks

Stocks in our data networking peer group trade at a forward P/E in the 18-19x CY15 consensus EPS estimates range – a modest premium to the market multiple; given the above market growth prospects of the networking universe.

Key risks (on the downside and upside) are from unanticipated shifts in enterprise and telco IT spending, share shifts from competitive new product launches, and from technology disruptions – creating new market entry opportunities.