



# Q4 Fiscal Year 2024 Conference Call

August 14, 2024

## Forward-Looking Statements

This presentation contains projections and other forward-looking statements regarding future events or the future financial performance of Cisco, including future operating results. These projections and statements are only predictions. Actual events or results may differ materially from those in the projections or other forward-looking statements. Please see Cisco's filings with the SEC, including its most recent filings on Forms 10-K and 10-Q, for a discussion of important risk factors that could cause actual events or results to differ materially from those in the projections or other forward-looking statements.

## GAAP Reconciliation

During this presentation references to financial measures of Cisco will include references to non-GAAP financial measures. Cisco provides a reconciliation between GAAP and non-GAAP financial information on the Cisco Investor Relations website <https://investor.cisco.com/financial-information/financial-results/default.aspx>

# Business Momentum & Key Trends



# Q4 FY 2024 Summary

- **Strong growth in product orders across geographies, customer markets and products**, indicating inventory digestion largely completed as expected; starting to see normalization of demand patterns
  - Product order growth up 14% y/y; up 6% y/y excluding Splunk
- **Revenue and Non-GAAP EPS results above the high end of our guidance**
  - \$13.6B in revenue; Non-GAAP EPS of \$0.87
  - Splunk contributed approx. \$960M in revenue, and negatively impacted Non-GAAP EPS by \$0.04, in line with expectations
- **Increased gross margins driven by higher software revenue contribution and favorable product mix**
  - Non-GAAP gross margin of 67.9% and Non-GAAP product gross margin of 67.0%, up 200 bps and 150 bps y/y respectively
  - Without Splunk, Non-GAAP gross margin of 67.0% and Non-GAAP product gross margin of 65.6%, up 110 bps and 10 bps y/y respectively
- **Solid growth in software and recurring metrics** with 56% of total revenue from subscriptions
  - Total ARR at \$29.6B, up 22% y/y; up 4% y/y excluding Splunk
  - Total software revenue at \$5.3B, up 15% y/y, with software subscription revenue up 25% y/y, making up 92% of total software revenue
- **Accelerated innovation** to enhance customers' digital resilience
  - Integrating Splunk to unlock the full power of the network with market leading security and observability solutions
  - Security platform gaining momentum with growth in XDR and Secure Access
  - Continued AI infrastructure momentum: approximately \$1B of AI orders with webscale customers to date and expect an additional \$1B of AI product orders in FY25
- **Returned \$3.6B to shareholders**, including share repurchase of \$2B, maintaining our commitment to returning capital

# Q4 FY 2024 | Select \$100M+ Platform Sales

- **Leading Global Logistics Company**

- **Cisco's technology platforms will enable the automation of network operations for their cutting-edge innovations like AI-powered robotics and unmatched supply chain visibility.**
- Cisco platforms: Switching (campus and data center), Enterprise Routing, Security, Splunk, Collaboration, and Services.

- **Leading Global Consultancy**

- **Cisco's technology upgrades will enable the deployment of dynamic applications to the enterprise, including newly developed AI driven processes for research, productivity, and customer deliverables.**
- Cisco platforms: Switching (campus and data center), Enterprise Routing, Wireless, Security, Observability, Collaboration, and Services.

- **Major North American Airline**

- **Cisco's technology will enable the customer to improve efficiency at operations centers, tarmacs and gates, and will enable the future use of AI and machine learning applications.**
- Cisco platforms: Switching (campus and data center), Enterprise Routing, Wireless, Security, Collaboration, and Services.

- **Premier Gaming & Hospitality Company**

- **Cisco's technology will enable the automation of the network, paving the way for future location services and next-generation machine learning applications in the gaming and hospitality industry that runs 24/7 operations, unlocking new channels of end user engagement and delivery of exceptional guest experiences.**
- Cisco platforms: Switches (campus and data center), Wireless, Observability, Security, and Services.

# Financial Overview



# Q4 FY 2024 Revenue and Total Gross Margin

\$M (except percentages)

	Revenue			Total Gross Margin %		
	Q4 FY'23	Q3 FY'24	Q4 FY'24	Q4 FY'23	Q3 FY'24	Q4 FY'24
Americas	\$9,075	\$7,372	\$8,068	65.0%	67.9%	67.7%
EMEA	3,926	3,458	3,511	68.4%	69.6%	69.2%
APJC	2,203	1,873	2,064	65.3%	67.4%	66.4%
<b>Geographic Total</b>	<b>\$15,203</b>	<b>\$12,702</b>	<b>\$13,642</b>	<b>65.9%</b>	<b>68.3%</b>	<b>67.9%</b>

Amounts may not sum and percentages may not recalculate due to rounding.



# Q4 FY 2024 Revenue Highlights

Category	\$M	Y/Y	\$M without Splunk	Y/Y without Splunk
Networking	\$6,804	(28%)	\$6,804	(28%)
Security	1,787	81%	1,044	6%
Collaboration	1,019	0%	1,019	0%
Observability	248	41%	196	12%
Services	3,784	6%	3,617	2%
<b>Total Cisco</b>	<b>\$13,642</b>	<b>(10%)</b>	<b>\$12,680</b>	<b>(17%)</b>

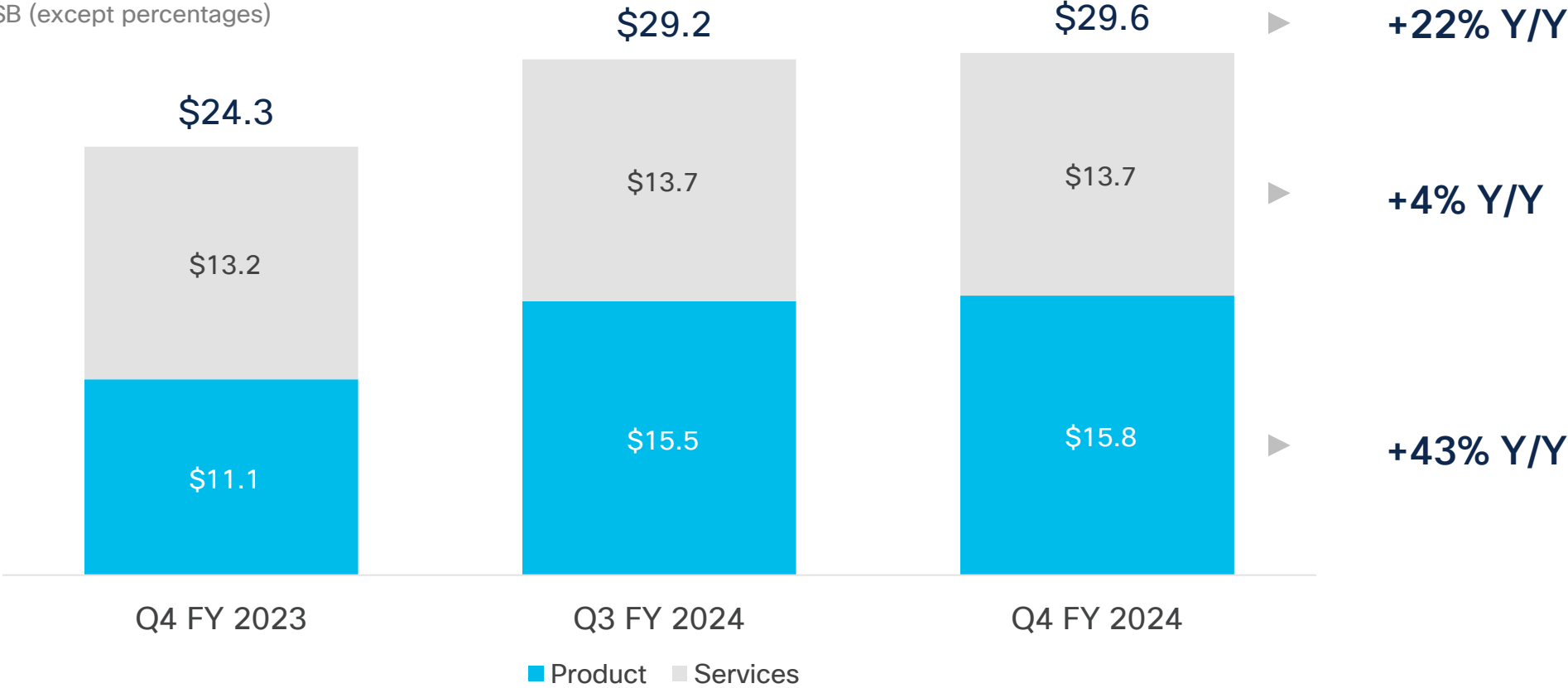
Amounts may not sum and percentages may not recalculate due to rounding.





# Q4 FY 2024 Annualized Recurring Revenue (ARR)

\$B (except percentages)



Amounts may not sum and percentages may not recalculate due to rounding.

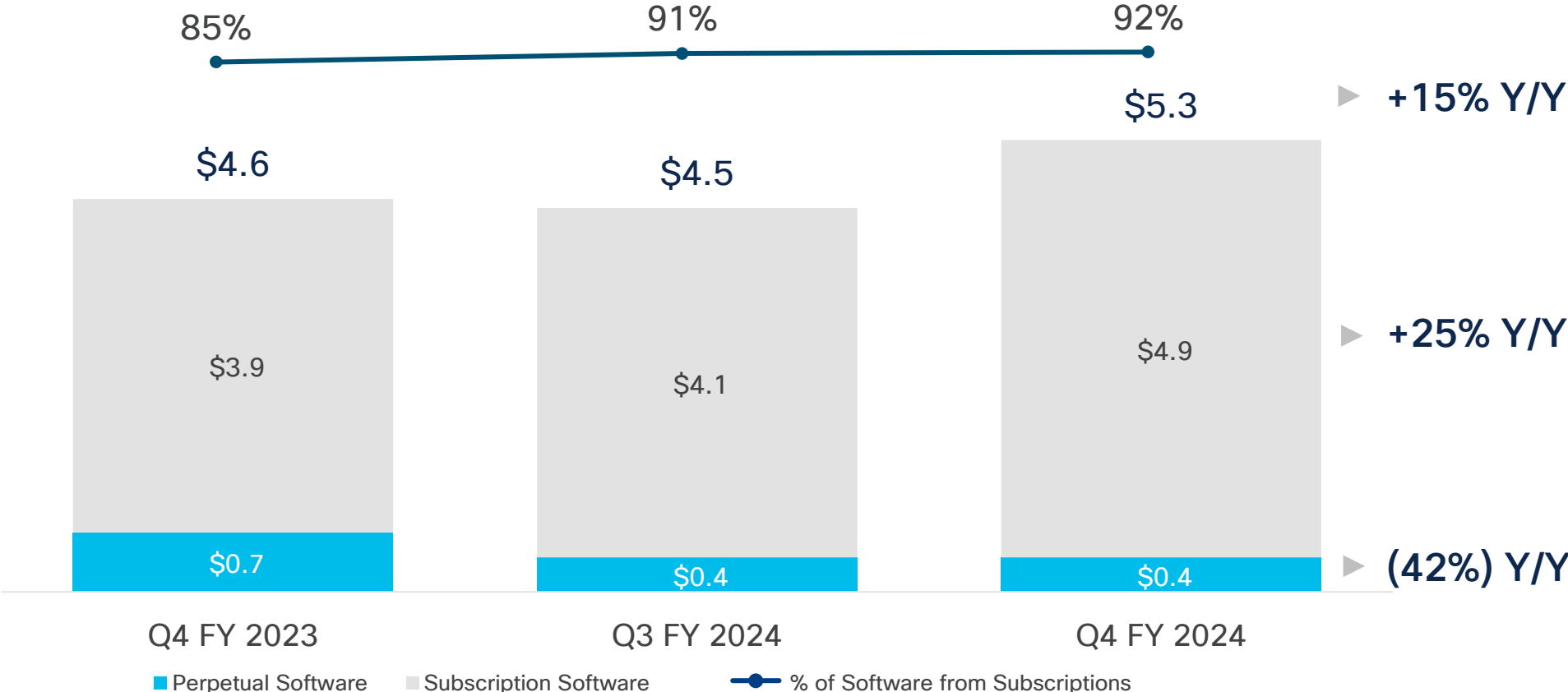
Annualized Recurring Revenue (“ARR”) represents the annualized revenue run-rate of active subscriptions, term licenses, operating leases and maintenance contracts at the end of a reporting period, net of rebates to customers and partners as well as certain other revenue adjustments. Includes both revenue recognized ratably as well as upfront on an annualized basis.

ARR should be viewed independently of revenue, deferred revenue and remaining performance obligation as ARR is a management operational performance metric and is not intended as a substitute for any of these items.



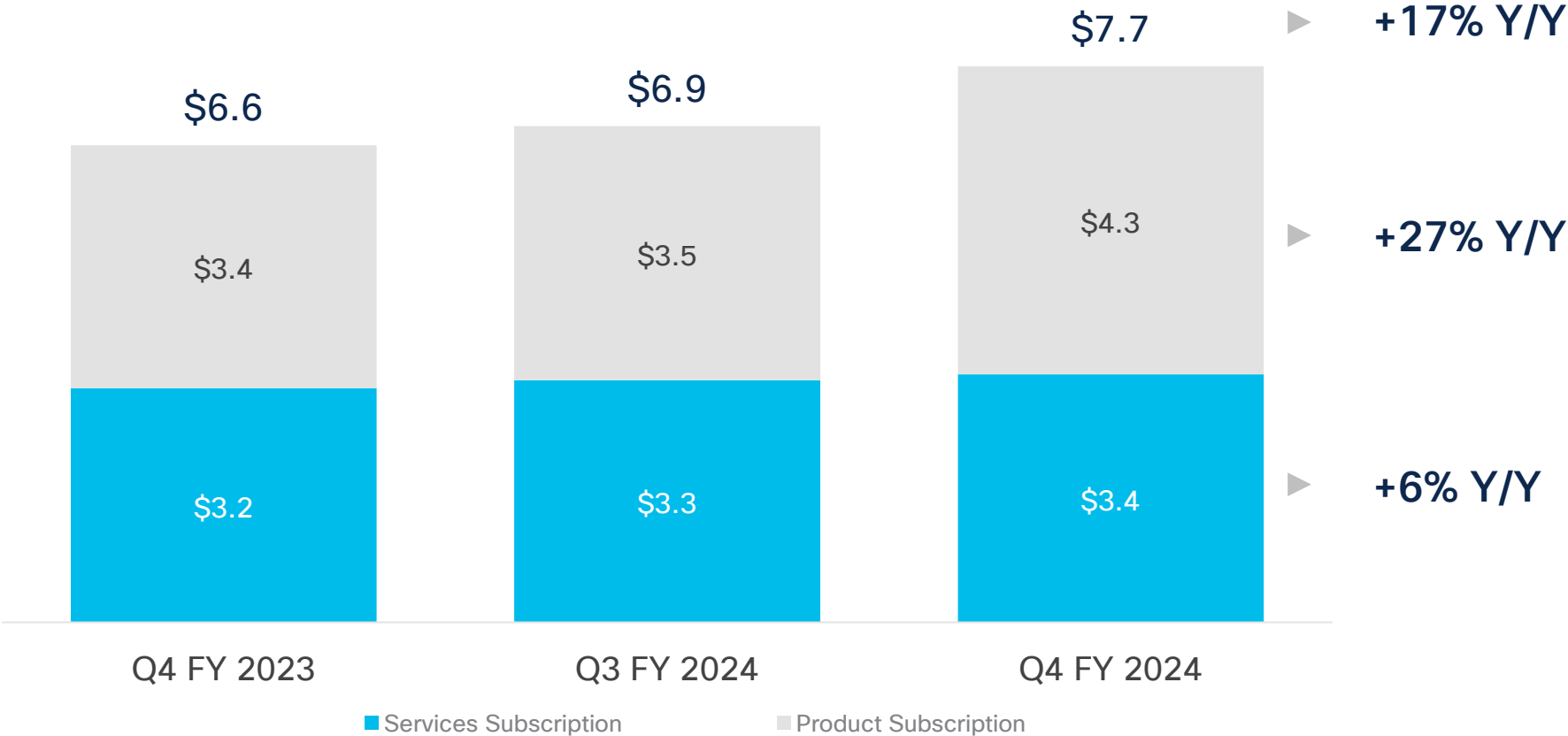
# Q4 FY 2024 Software Revenue

\$B (except percentages)



# Q4 FY 2024 Subscription Revenue

\$B (except percentages)



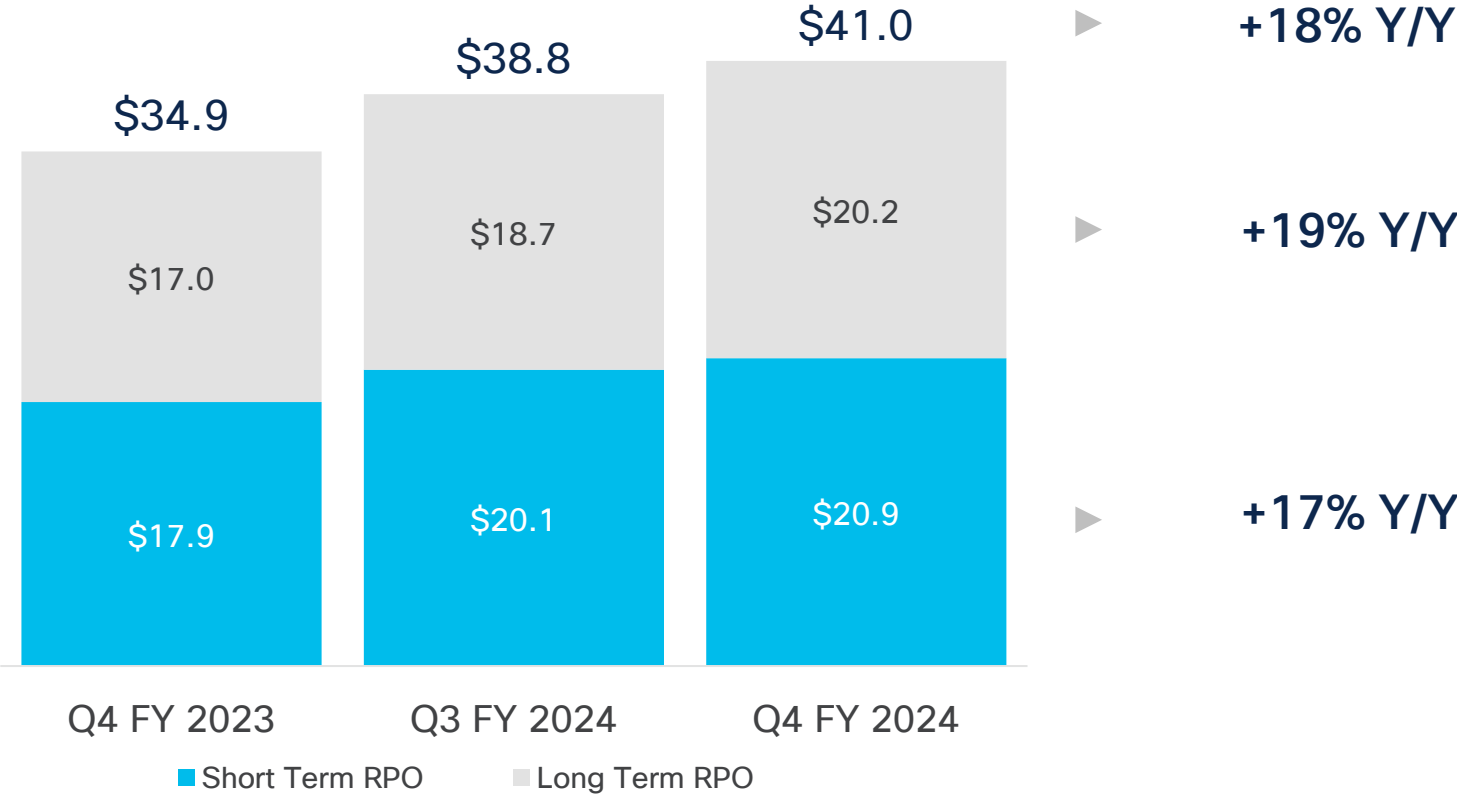
Amounts may not sum and percentages may not recalculate due to rounding.

Subscriptions are comprised of term software licenses, security software licenses, SaaS, service arrangements and operating leases. Includes both revenue recognized over time as well as upfront.



# Q4 FY 2024 Remaining Performance Obligations

\$B (except percentages)



Product RPO **up 27%** Y/Y  
Services RPO **up 10%** Y/Y

Amounts may not sum and percentages may not recalculate due to rounding.

# Q4 FY 2024 Income Statement Impact from Splunk

\$M (except percentages & earnings per share)

	Q4 FY'24	Q4 FY'24 without Splunk
Product Orders Year/Year Growth	14%	6%
Revenue	\$13,642	\$12,680
Product	\$9,858	\$9,063
Services	\$3,784	\$3,617
Earnings per Share (diluted) <sup>(1)</sup>		
Non-GAAP	\$0.87	\$0.91

<sup>(1)</sup> Earnings per Share (diluted) include financing costs.

# Q4 FY 2024 Software & Recurring Metrics

\$B (except percentages)	Q4 FY'24	Q4 FY'24 without Splunk
Total Subscription Revenue	\$7.7	\$6.7
<i>Year/Year Change</i>	17%	2%
Subscriptions as % of Total Revenue	56%	53%
Total ARR	\$29.6	\$25.3
<i>Year/Year Change</i>	22%	4%
Product ARR	\$15.8	\$12.0
<i>Year/Year Change</i>	43%	9%
Software Revenue	\$5.3	\$4.4
<i>Year/Year Change</i>	15%	(5%)
Software Subscription Revenue	\$4.9	\$4.0
<i>Year/Year Change</i>	25%	2%
% of Total Software Revenue	92%	91%
Remaining Performance Obligations	\$41.0	\$37.5
<i>Year/Year Change</i>	18%	8%
Short Term RPO	\$20.9	\$18.6
Long Term RPO	\$20.2	\$18.9
Deferred Revenue	\$28.5	\$26.8
<i>Year/Year Change</i>	11%	5%



# Q4 FY 2024 Product Orders

	Y/Y	Y/Y without Splunk
Total Product Orders	14%	6%
Geographic Segment		
Americas	15%	6%
EMEA	12%	6%
APJC	16%	8%
Customer Market		
Enterprise	13%	3%
Public Sector	20%	15%
Service Provider & Cloud	5%	2%



# Q4 FY 2024 GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)

	Q4 FY 2023	Q3 FY 2024	Q4 FY 2024
Revenue	\$15,203	\$12,702	\$13,642
<i>Year/Year Change</i>	16%	(13%)	(10%)
Product	\$11,650	\$9,024	\$9,858
Services	\$3,553	\$3,678	\$3,784
Gross Margin	64.1%	65.1%	64.4%
Product Gross Margin	63.6%	63.5%	63.0%
Services Gross Margin	65.7%	69.2%	67.8%
Operating Expenses	\$5,495	\$6,082	\$6,163
OPEX (% of revenue)	36.1%	47.9%	45.2%
Operating Income (% of Revenue)	28.0%	17.2%	19.2%
Net Income	\$3,958	\$1,886	\$2,162
<i>Year/Year Change</i>	41%	(41%)	(45%)
Earnings per Share (diluted)	\$0.97	\$0.46	\$0.54
<i>Year/Year Change</i>	43%	(41%)	(44%)



# Q4 FY 2024 Non-GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)

	Q4 FY 2023	Q3 FY 2024	Q4 FY 2024
Revenue	\$15,203	\$12,702	\$13,642
<i>Year/Year Change</i>	16%	(13%)	(10%)
Product	\$11,650	\$9,024	\$9,858
Services	\$3,553	\$3,678	\$3,784
Gross Margin	65.9%	68.3%	67.9%
Product Gross Margin	65.5%	66.9%	67.0%
Services Gross Margin	67.5%	71.6%	70.3%
Operating Expenses	\$4,646	\$4,324	\$4,826
OPEX (% of revenue)	30.6%	34.0%	35.4%
Operating Income (% of Revenue)	35.4%	34.2%	32.5%
Net Income	\$4,680	\$3,553	\$3,531
<i>Year/Year Change</i>	36%	(14%)	(25%)
Earnings per Share (diluted)	\$1.14	\$0.88	\$0.87
<i>Year/Year Change</i>	37%	(12%)	(24%)

Amounts may not sum or recalculate due to rounding.



# Q4 FY 2024 Key Financial Measures

\$M	Q4 FY 2023	Q3 FY 2024	Q4 FY 2024
Cash, Cash Equivalents and Investments	\$26,146	\$18,770	\$17,854
Operating Cash Flow	\$5,966	\$3,971	\$3,730
Accounts Receivable	\$5,854	\$5,127	\$6,685
Inventory	\$3,644	\$3,118	\$3,373
Total Debt	\$8,391	\$31,993	\$30,962
Deferred Revenue:	\$25,550	\$27,475	\$28,475
Product Deferred Revenue	\$11,505	\$12,856	\$13,219
Services Deferred Revenue	\$14,045	\$14,619	\$15,256

# Capital Allocation

Total Capital Allocation	Q4 FY 2024	FY 2024
Share Repurchases (\$M)	\$2,002	\$5,764
Dividends Paid (\$M)	1,606	6,384
Total (\$M)	\$3,608	\$12,148
Quarterly Dividend per Share	\$0.40	\$1.58

Share Repurchases	Q4 FY 2024	FY 2024
Amount Purchased (\$M)	\$2,002	\$5,764
Number of Shares (M)	43	117
Avg. Price per Share	\$46.80	\$49.45

Approximately \$5.2B remaining authorized funds in repurchase program as of the end of Q4 FY 2024.



# FY 2024 GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)

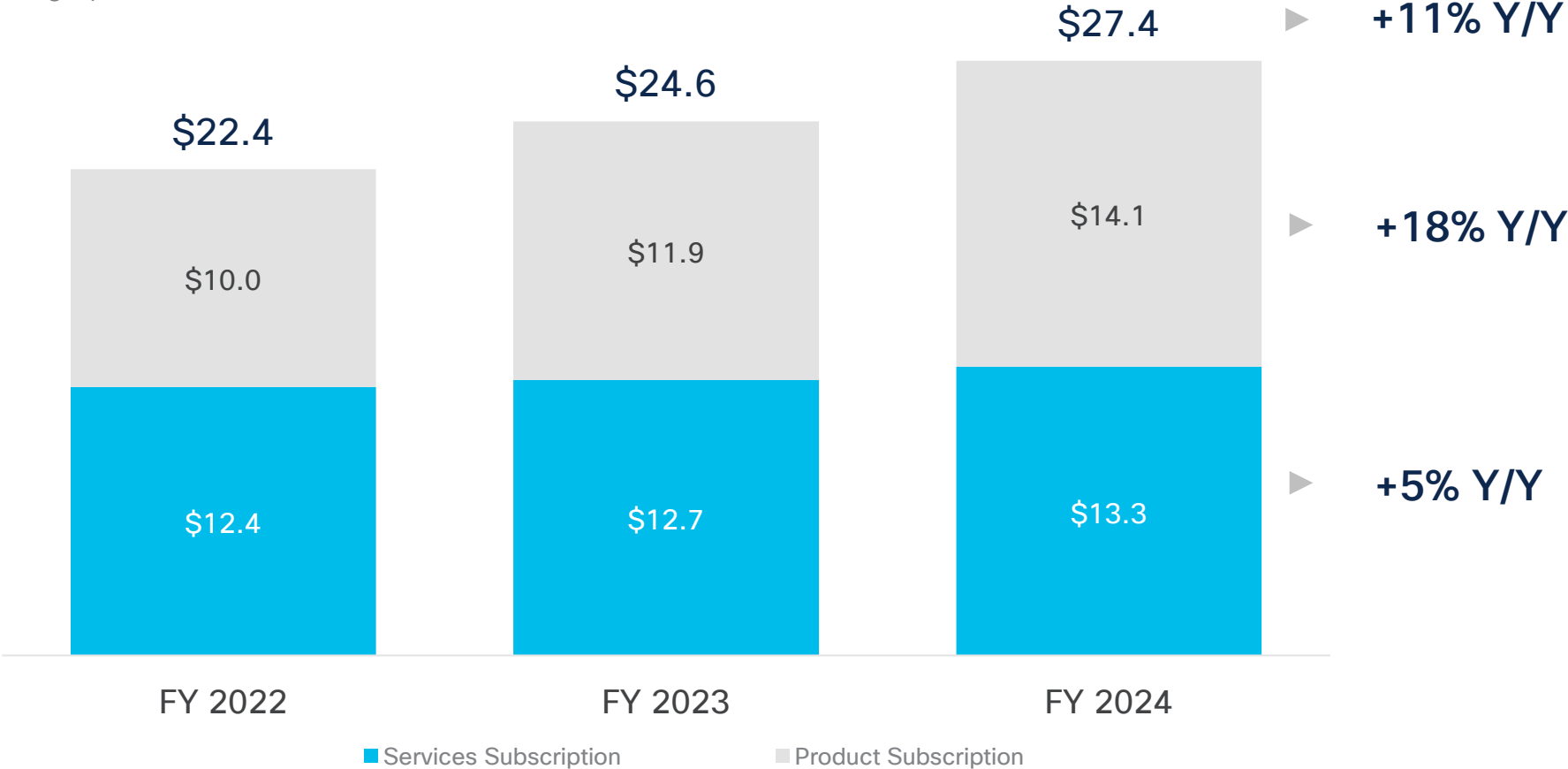
	FY 2023	FY 2024
Revenue	\$56,998	\$53,803
<i>Year/Year Change</i>	11%	(6%)
Product	\$43,142	\$39,253
Services	\$13,856	\$14,550
Gross Margin	62.7%	64.7%
Product Gross Margin	61.5%	63.5%
Services Gross Margin	66.4%	68.1%
Operating Expenses	\$20,722	\$22,647
OPEX (% of Revenue)	36.4%	42.1%
Operating Income (% of Revenue)	26.4%	22.6%
Net Income	\$12,613	\$10,320
<i>Year/Year Change</i>	7%	(18%)
Earnings per Share (diluted)	\$3.07	\$2.54
<i>Year/Year Change</i>	9%	(17%)

# FY 2024 Non-GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	FY 2023	FY 2024
Revenue	\$56,998	\$53,803
<i>Year/Year Change</i>	11%	(6%)
Product	\$43,142	\$39,253
Services	\$13,856	\$14,550
Gross Margin	64.5%	67.5%
Product Gross Margin	63.4%	66.4%
Services Gross Margin	68.2%	70.4%
Operating Expenses	\$17,717	\$17,935
OPEX (% of Revenue)	31.1%	33.3%
Operating Income (% of Revenue)	33.5%	34.2%
Net Income	\$15,979	\$15,150
<i>Year/Year Change</i>	13%	(5%)
Earnings per Share (diluted)	\$3.89	\$3.73
<i>Year/Year Change</i>	16%	(4%)

# FY 2024 Subscription Revenue

\$B (except percentages)



Amounts may not sum and percentages may not recalculate due to rounding.

Subscriptions are comprised of term software licenses, security software licenses, SaaS, service arrangements and operating leases. Includes both revenue recognized over time as well as upfront.



# Forward-Looking Statements

These presentation slides and the related conference call contain forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among other things, statements regarding future events (such as our customers' reliance on Cisco to connect and protect their organizations in the era of AI and our focus on growth and consistent execution as we invest in AI, cloud and cybersecurity, while maintaining capital returns) and the future financial performance of Cisco that involve risks and uncertainties. Readers are cautioned that these forward-looking statements are only predictions and may differ materially from actual future events or results due to a variety of factors, including: business and economic conditions and growth trends in the networking industry, our customer markets and various geographic regions; global economic conditions and uncertainties in the geopolitical environment; our development and use of artificial intelligence; overall information technology spending; the growth and evolution of the Internet and levels of capital spending on Internet-based systems; variations in customer demand for products and services, including sales to the service provider market and other customer markets; the return on our investments in certain priorities, key growth areas, and in certain geographical locations, as well as maintaining leadership in Networking and services; the timing of orders and manufacturing and customer lead times; supply constraints; changes in customer order patterns or customer mix; insufficient, excess or obsolete inventory; variability of component costs; variations in sales channels, product costs or mix of products sold; our ability to successfully acquire businesses and technologies and to successfully integrate and operate these acquired businesses and technologies; our ability to achieve expected benefits of our partnerships; increased competition in our product and service markets, including the data center market; dependence on the introduction and market acceptance of new product offerings and standards; rapid technological and market change; manufacturing and sourcing risks; product defects and returns; litigation involving patents, other intellectual property, antitrust, stockholder and other matters, and governmental investigations; our ability to achieve the benefits of restructurings and possible changes in the size and timing of related charges; cyber-attacks, data breaches or other incidents; vulnerabilities and critical security defects; our ability to protect personal data; evolving regulatory uncertainty; terrorism; natural catastrophic events (including as a result of global climate change); any pandemic or epidemic; our ability to achieve the benefits anticipated from our investments in sales, engineering, service, marketing and manufacturing activities; our ability to recruit and retain key personnel; our ability to manage financial risk, and to manage expenses during economic downturns; risks related to the global nature of our operations, including our operations in emerging markets; currency fluctuations and other international factors; changes in provision for income taxes, including changes in tax laws and regulations or adverse outcomes resulting from examinations of our income tax returns; potential volatility in operating results; and other factors listed in Cisco's most recent reports on Forms 10-Q and 10-K filed on May 21, 2024 and September 7, 2023, respectively. The financial information contained in these presentation slides and the related conference call should be read in conjunction with the consolidated financial statements and notes thereto included in Cisco's most recent reports on Forms 10-Q and 10-K as each may be amended from time to time. Cisco's results of operations for the three months and the year ended July 27, 2024 are not necessarily indicative of Cisco's operating results for any future periods. Any projections in these presentation slides and the related conference call are based on limited information currently available to Cisco, which is subject to change. Although any such projections and the factors influencing them will likely change, Cisco will not necessarily update the information, since Cisco will only provide guidance at certain points during the year. Such information speaks only as of the date of these presentation slides and the related conference call.



The bridge to possible