



# Q2 Fiscal Year 2025 Conference Call

February 12, 2025

## 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



# Q2 FY 2025 Summary

- **Growing demand for Cisco's technologies; demonstrating the power of our portfolio and the value we deliver to customers**
  - Product orders up 29% y/y; up 11% y/y excluding Splunk, with growth across all geographies and customer markets
  - AI infrastructure orders >\$350M, bringing the total for 1H FY25 to ~\$700M, on track to exceed \$1B of AI orders in FY25 from webscale customers
- **Revenue and Non-GAAP EPS results above the high end of our guidance**
  - \$14.0B in revenue; Non-GAAP EPS of \$0.94
- **Strong profitability driven by Splunk and productivity improvements**
  - On a non-GAAP basis, gross margin up 200 bps y/y to 68.7%, product gross margin up 250 bps to 67.7%, and operating margin up 170 bps to 34.7%
- **Splunk integration progressing well: revenue in line with expectations and non-GAAP EPS accretive in Q2, earlier than planned**
- **Significant growth in software and recurring metrics with 56% of total revenue from subscriptions**
  - Total software revenue up 33% y/y to \$5.5B, Total ARR up 22% y/y to \$30.1B, Total RPO up 16% y/y to \$41.3B
- **Accelerating innovation across networking and security to connect and protect customers for the AI era**
  - Unveiled AI Defense, purpose built for enterprises to develop, deploy and secure AI applications with confidence
  - Momentum in Hypershield, booked two 8-figure deals in Q2, signaling commitment from large customers to this transformative approach to security
  - Introduced AI-native Wi-Fi 7 portfolio combining self-configuring wireless, smart Spaces platform and unified licensing
  - Continued Splunk innovation, including Splunk on Azure, Federated Analytics, and AI Assistant for Splunk Observability
- **Returned \$2.8B to shareholders, and today announced an increase in the dividend and share repurchase authorization**

# Cisco positioned for AI adoption

## AI Training Infrastructure

Momentum in back-end networking continues with **combinations of our Cisco 8K, Silicon One, and optics & optical systems deployed by five of the largest web-scalers** in their back-end training networks.

**Orders: Booked >\$350M of AI orders in Q2 FY25**, bringing the total for H1 FY25 to ~\$700M; **on track to exceed our FY25 target of \$1B** of AI orders

**Platforms:** Series 8K, Silicon One, and Optics & Optical

**Outlook:** Continued momentum with web-scalers building AI LLM training clusters

## AI Inference

Q2 FY25 saw **several enterprise AI system deals**, and adoption of our new technology platforms geared for enterprise private AI clouds for application inferencing.

**Orders: Four consecutive quarters of double-digit order growth** in Data Center Switching

**Platforms:** Nexus Switching (with Intersight), AI PODs, Cisco UCS, Silicon One, and Hyperfabric

**Outlook:** Continued momentum expected with **availability of 800G Nexus switches based on 51.2T Silicon One in April 2025**; seeing significant opportunity as enterprises complete proof of concepts for next gen AI applications

## AI Connectivity

Q2 FY25 saw more deals with customer applications and use cases requiring network upgrades for incoming AI applications.

**Orders:** Networking **product order growth accelerated for the fourth consecutive quarter**, up double-digits in Q2 FY25, with customers focused on bolstering network resiliency

**Platforms:** Switching, Routing, Wireless, and Security

**Outlook:** Continued momentum with customers readying their network for AI application deployments

### Software Platforms: Fusing AI into Our Products

AI Assistants are in production across Security, Observability, and Collaboration platforms. Agentic capabilities are developing across Cisco.

### Services: Leveraging AI to Maximize Customer Value and Boost Productivity

Multiple AI agents being deployed, including a new solution that streamlines renewal proposals and summarizes adoption recommendations.

# Financial Overview



# Q2 FY 2025 Revenue and Total Gross Margin

\$M (except percentages)

	Revenue			Total Gross Margin %		
	Q2 FY'24	Q1 FY'25	Q2 FY'25	Q2 FY'24	Q1 FY'25	Q2 FY'25
Americas	\$7,510	\$8,252	\$8,202	65.7%	69.6%	67.6%
EMEA	3,484	3,588	3,855	68.1%	70.3%	71.3%
APJC	1,798	2,001	1,934	68.2%	66.4%	68.3%
<b>Geographic Total</b>	<b>\$12,791</b>	<b>\$13,841</b>	<b>\$13,991</b>	<b>66.7%</b>	<b>69.3%</b>	<b>68.7%</b>

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



# Q2 FY 2025 Revenue Highlights

Category	\$M	Y/Y
Networking	\$6,850	(3%)
Security	2,111	117%
Collaboration	996	1%
Observability	277	47%
Services	3,757	6%
<b>Total Cisco</b>	<b>\$13,991</b>	<b>9%</b>

Total revenue without Splunk decreased 1% in the second quarter of fiscal 2025.

Q2 FY 2024 included the last portion of our excess backlog shipments.

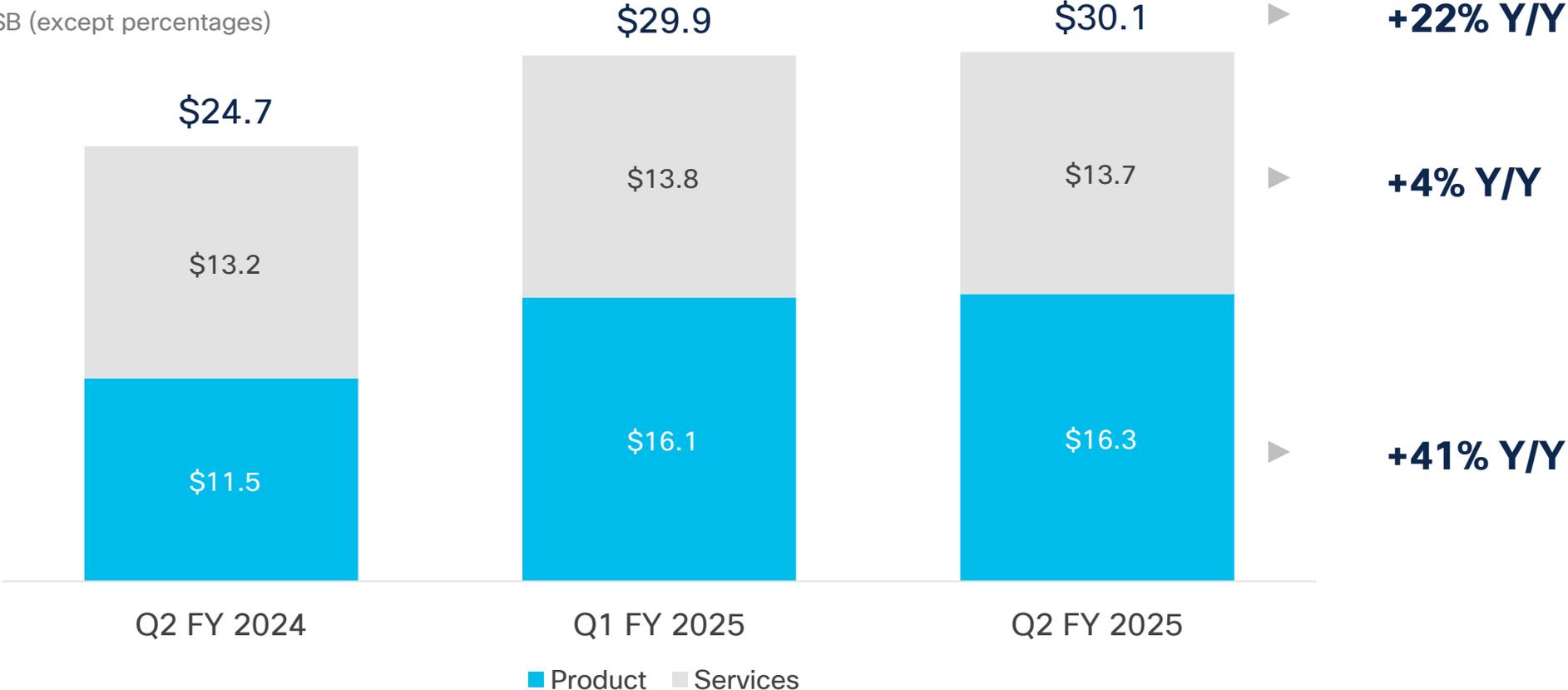
Excluding Splunk, Security and Observability grew 4% and 3% year over year, respectively, in the second quarter of fiscal 2025.

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# Q2 FY 2025 Annualized Recurring Revenue (ARR)

\$B (except percentages)



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

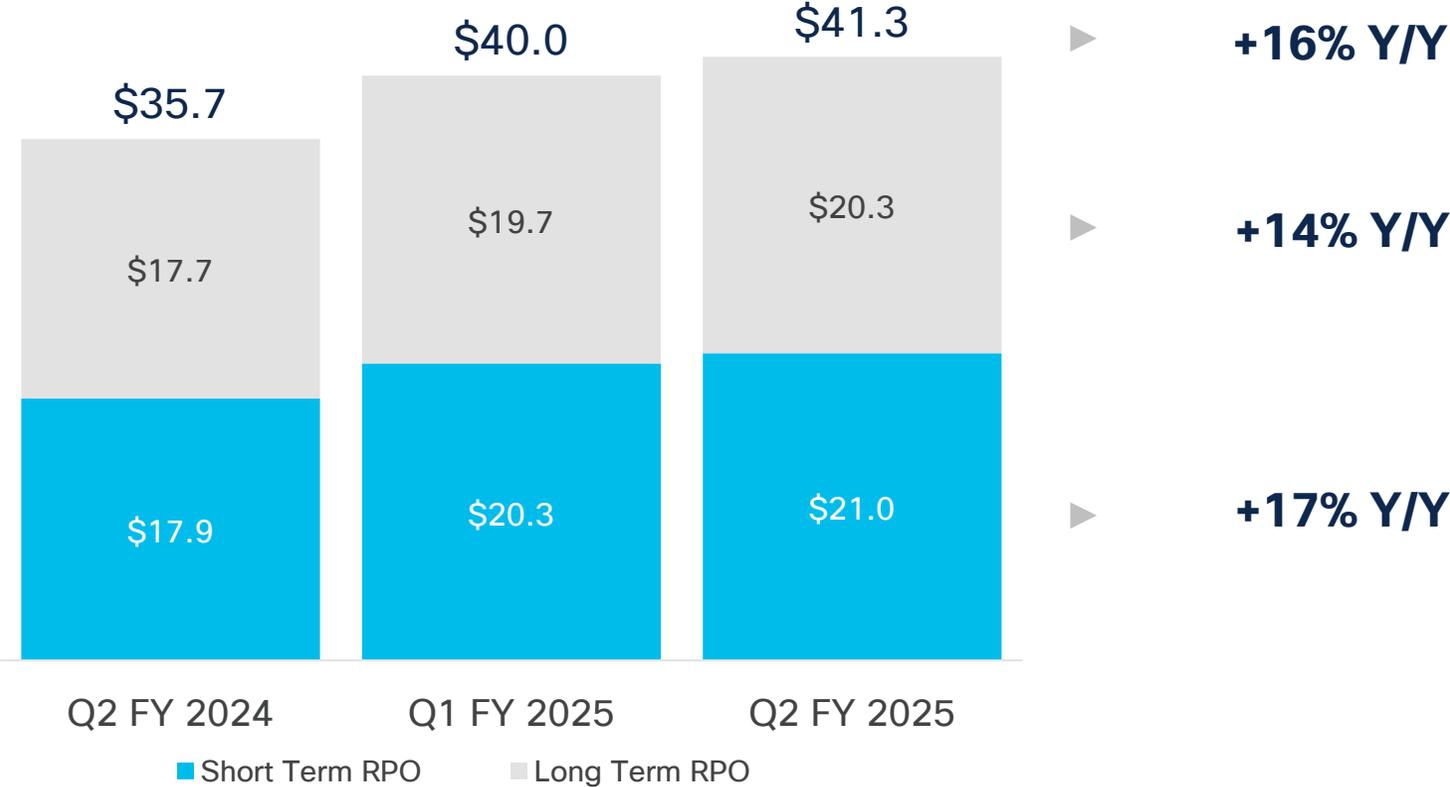
Annualized Recurring Revenue (“ARR”) represents the annualized revenue run-rate of active subscriptions, term licenses, operating leases and maintenance contracts at the end of a reporting period, net of rebates to customers and partners as well as certain other revenue adjustments. Includes both revenue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



# Q2 FY 2025 Remaining Performance Obligations

\$B (except percentages)



Product RPO **up 25%** Y/Y  
Services RPO **up 8%** Y/Y

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

# Q2 FY 2025 Product Orders

	Y/Y	Y/Y without Splunk
Total Product Orders	29%	11%
Geographic Segment		
Americas	30%	10%
EMEA	24%	9%
APJC	35%	20%
Customer Market		
Enterprise	27%	4%
Public Sector	13%	2%
Service Provider & Cloud	75%	63%

# Q2 FY 2025 GAAP Income Statement Highlights

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

	Q2 FY 2024	Q1 FY 2025	Q2 FY 2025
Revenue	\$12,791	\$13,841	\$13,991
<i>Year/Year Change</i> <sup>(1)</sup>	(6%)	(6%)	9%
Product	\$9,232	\$10,114	\$10,234
Services	\$3,559	\$3,727	\$3,757
Gross Margin	64.2%	65.9%	65.1%
Product Gross Margin	62.7%	65.1%	63.7%
Services Gross Margin	68.2%	68.0%	68.9%
Operating Expenses	\$5,121	\$6,763	\$5,998
OPEX (% of revenue)	40.0%	48.9%	42.9%
Operating Income (% of revenue)	24.2%	17.0%	22.3%
Net Income <sup>(2)</sup>	\$2,634	\$2,711	\$2,428
<i>Year/Year Change</i>	(5%)	(25%)	(8%)
Earnings per Share (diluted) <sup>(2)</sup>	\$0.65	\$0.68	\$0.61
<i>Year/Year Change</i>	(3%)	(24%)	(6%)

<sup>(1)</sup> Total revenue without Splunk decreased 1% in the second quarter of fiscal 2025.

<sup>(2)</sup> GAAP results for Q1 FY 2025 includes a \$720 million tax benefit due to a U.S. Tax Court decision related to the U.S. taxation of deemed foreign dividends on the Tax Cuts and Jobs Act.

# Q2 FY 2025 Non-GAAP Income Statement Highlights

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

	Q2 FY 2024	Q1 FY 2025	Q2 FY 2025
Revenue	\$12,791	\$13,841	\$13,991
<i>Year/Year Change</i> <sup>(1)</sup>	(6%)	(6%)	9%
Product	\$9,232	\$10,114	\$10,234
Services	\$3,559	\$3,727	\$3,757
Gross Margin	66.7%	69.3%	68.7%
Product Gross Margin	65.2%	68.9%	67.7%
Services Gross Margin	70.5%	70.3%	71.6%
Operating Expenses	\$4,317	\$4,869	\$4,753
OPEX (% of revenue)	33.8%	35.2%	34.0%
Operating Income (% of revenue)	33.0%	34.1%	34.7%
Net Income	\$3,538	\$3,671	\$3,760
<i>Year/Year Change</i>	(3%)	(19%)	6%
Earnings per Share (diluted)	\$0.87	\$0.91	\$0.94
<i>Year/Year Change</i>	(1%)	(18%)	8%

<sup>(1)</sup> Total revenue without Splunk decreased 1% in the second quarter of fiscal 2025.

# Q2 FY 2025 Key Financial Measures

\$M	Q2 FY 2024	Q1 FY 2025	Q2 FY 2025
Cash, Cash Equivalents and Investments	\$25,671	\$18,671	\$16,853
Operating Cash Flow	\$808	\$3,661	\$2,241
Inventory	\$3,209	\$3,143	\$2,927
Deferred Revenue:	\$25,771	\$27,502	\$27,795
Product Deferred Revenue	\$11,640	\$12,941	\$13,033
Services Deferred Revenue	\$14,131	\$14,561	\$14,762
Software Revenue	\$4,173	\$5,497	\$5,543
Subscription Revenue:	\$6,390	\$7,844	\$7,862
Product Subscription Revenue	\$3,110	\$4,419	\$4,432
Services Subscription Revenue	\$3,280	\$3,425	\$3,430

# Capital Allocation

## Q2 FY 2025 Results

Total Capital Allocation	
Share Repurchases (\$M)	\$1,236
Dividends Paid (\$M)	1,593
<b>Total (\$M)</b>	<b>\$2,829</b>
Quarterly Dividends per Share	\$0.40

Share Repurchases	
Amount Purchased (\$M)	\$1,236
Number of Shares (M)	21
Avg. Price per Share	\$58.58

- Today we announced we are increasing our quarterly dividend to \$0.41 per share, up 3%
- Cisco's board of directors also approved a \$15B increase to the share repurchase authorization, bringing the total authorized amount remaining to ~\$17B

# 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 customer demand and our position to help our customers scale their network infrastructure, increase their data capacity requirements, and adopt best-in-class AI security) 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 key priority 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 November 19, 2024 and September 5, 2024, 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 report on Forms 10-Q and 10-K as it may be amended from time to time. Cisco's results of operations for the three and six months ended January 25, 2025 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.

