



# Q1 Fiscal Year 2025 Conference Call

November 13, 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 filing on Form 10-K, 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



# Q1 FY 2025 Summary

- **Overall acceleration in product orders**, indicating that the period of inventory digestion is fully behind us reflecting normalizing demand
  - Product order growth up 20% y/y; up 9% y/y excluding Splunk
- **Revenue and Non-GAAP EPS results at or above the high end of our guidance**
  - \$13.8B in revenue; Non-GAAP EPS of \$0.91
- **Increased gross margins driven by Splunk, favorable product mix and productivity improvements**
  - Non-GAAP gross margin of 69.3% and Non-GAAP product gross margin of 68.9%, up 220 bps and 240 bps y/y respectively
- **Solid growth in software and recurring metrics** with 57% of total revenue from subscriptions
  - Total ARR at \$29.9B, up 22% y/y, with product ARR up 42% y/y
  - Total software revenue at \$5.5B, up 24% y/y, with software subscription revenue up 35% y/y
  - Total RPO of \$40B, up 15% y/y, with product RPO up 24% y/y
- **Accelerated innovation** to connect and protect customers for the AI era
  - Continued AI infrastructure momentum: took AI orders for more than \$300M in Q1 against \$1B of AI product orders expected in FY25
  - Introduced high-density servers purpose-built for GPU-intensive AI workloads and plug-and-play industry-specific AI PODs, making it easier for customers to deploy AI infrastructure
  - Accelerating integrations between Cisco and Splunk across security and networking portfolio
- **Returned \$3.6B to shareholders**, including share repurchase of \$2B, maintaining our commitment to returning capital

# Cisco positioned for AI adoption

## AI Training Infrastructure

Major hyperscaler AI network design win in Q1 FY25. Q1 results demonstrate Cisco's momentum in hyperscale back-end networks.

**Orders:** Received over \$300M of AI orders in Q1 and continue to have line of sight to \$1B of AI orders in FY25

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

**Outlook:** Continued momentum with hyperscalers building AI LLM training clusters

## AI Connectivity

Q1 FY25 saw more deals with customer applications and use cases requiring network upgrades for incoming AI applications.

**Orders:** Networking product orders strong in Q1 FY25, up double-digits, thematically reflects customers bolstering network resiliency

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

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

## AI Inference

Announced new technology geared for Enterprise private AI clouds for application inferencing.

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

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

**Outlook:** Significant opportunity expected as enterprises complete proof of concepts for next generation AI application deployments.

### Fusing AI Into our Platforms

AI Assistants are in production across Security and Collaboration platforms. Agentic capabilities are being rolled out across Cisco.

# Financial Overview



# Q1 FY 2025 Revenue and Total Gross Margin

\$M (except percentages)

	Revenue			Total Gross Margin %		
	Q1 FY'24	Q4 FY'24	Q1 FY'25	Q1 FY'24	Q4 FY'24	Q1 FY'25
Americas	\$9,022	\$8,068	\$8,252	66.2%	67.7%	69.6%
EMEA	3,664	3,511	3,588	69.5%	69.2%	70.3%
APJC	1,982	2,064	2,001	67.0%	66.4%	66.4%
<b>Geographic Total</b>	<b>\$14,668</b>	<b>\$13,642</b>	<b>\$13,841</b>	<b>67.1%</b>	<b>67.9%</b>	<b>69.3%</b>

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



# Q1 FY 2025 Revenue Highlights

Category	\$M	Y/Y
Networking	\$6,753	(23%)
Security	2,017	100%
Collaboration	1,085	(3%)
Observability	258	36%
Services	3,727	6%
<b>Total Cisco</b>	<b>\$13,841</b>	<b>(6%)</b>

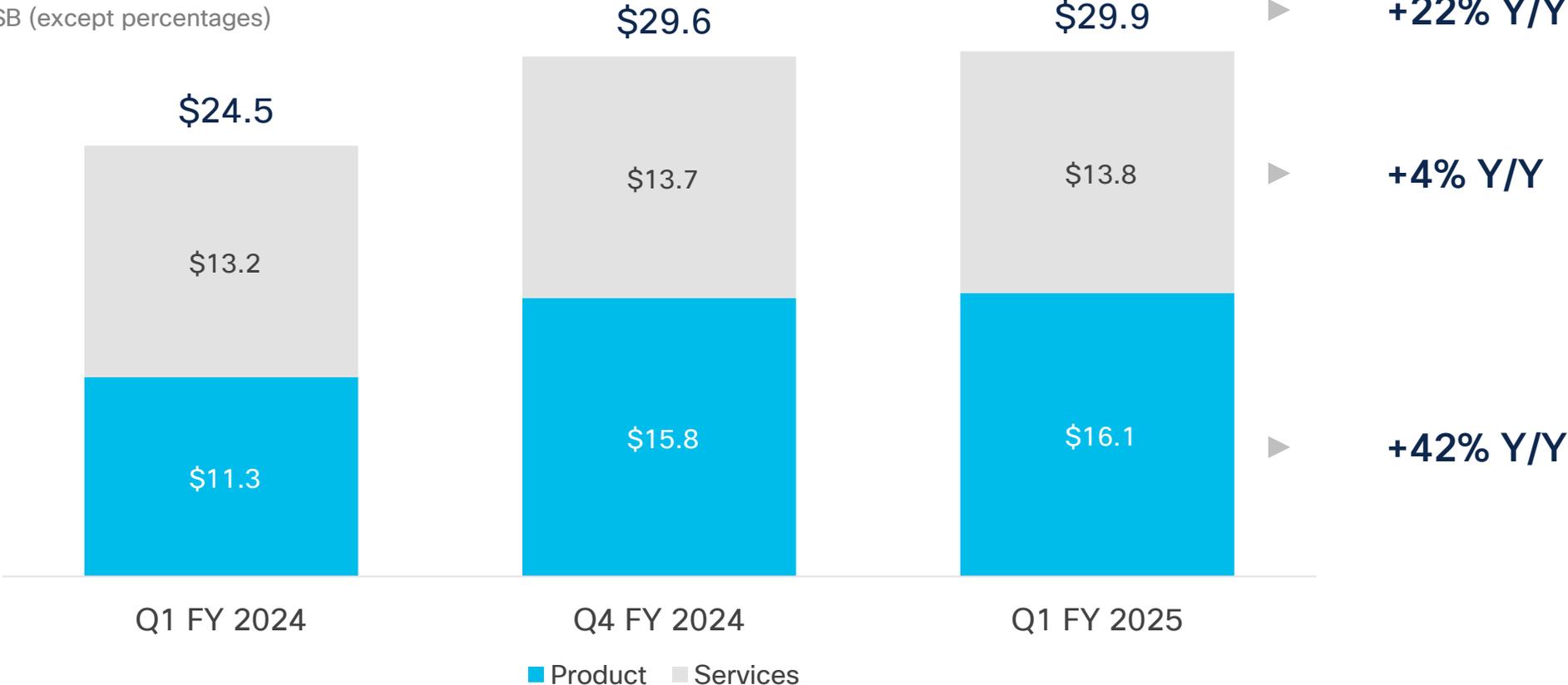
Excluding Splunk, Security and Observability grew 2% and 1%, respectively, in the first quarter of fiscal 2025.

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# Q1 FY 2025 Annualized Recurring Revenue (ARR)

\$B (except percentages)



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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.



# Q1 FY 2025 Remaining Performance Obligations

\$B (except percentages)



Product RPO **up 24%** Y/Y  
Services RPO **up 7%** Y/Y

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



# Q1 FY 2025 Product Orders

	Y/Y	Y/Y without Splunk
Total Product Orders	20%	9%
Geographic Segment		
Americas	17%	4%
EMEA	26%	16%
APJC	25%	18%
Customer Market		
Enterprise	33%	17%
Public Sector	2%	(6%)
Service Provider & Cloud	28%	22%



# Q1 FY 2025 GAAP Income Statement Highlights

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

	Q1 FY 2024	Q4 FY 2024	Q1 FY 2025
Revenue	\$14,668	\$13,642	\$13,841
<i>Year/Year Change</i> <sup>(1)</sup>	8%	(10%)	(6%)
Product	\$11,139	\$9,858	\$10,114
Services	\$3,529	\$3,784	\$3,727
Gross Margin	65.2%	64.4%	65.9%
Product Gross Margin	64.5%	63.0%	65.1%
Services Gross Margin	67.3%	67.8%	68.0%
Operating Expenses	\$5,281	\$6,163	\$6,763
OPEX (% of revenue)	36.0%	45.2%	48.9%
Operating Income (% of revenue)	29.2%	19.2%	17.0%
Net Income <sup>(2)</sup>	\$3,638	\$2,162	\$2,711
<i>Year/Year Change</i>	36%	(45%)	(25%)
Earnings per Share (diluted) <sup>(2)</sup>	\$0.89	\$0.54	\$0.68
<i>Year/Year Change</i>	37%	(44%)	(24%)

<sup>(1)</sup> Total revenue without Splunk decreased 14% in the first quarter of fiscal 2025.

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



# Q1 FY 2025 Non-GAAP Income Statement Highlights

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

	Q1 FY 2024	Q4 FY 2024	Q1 FY 2025
Revenue	\$14,668	\$13,642	\$13,841
<i>Year/Year Change</i> <sup>(1)</sup>	8%	(10%)	(6%)
Product	\$11,139	\$9,858	\$10,114
Services	\$3,529	\$3,784	\$3,727
Gross Margin	67.1%	67.9%	69.3%
Product Gross Margin	66.5%	67.0%	68.9%
Services Gross Margin	69.0%	70.3%	70.3%
Operating Expenses	\$4,468	\$4,826	\$4,869
OPEX (% of revenue)	30.5%	35.4%	35.2%
Operating Income (% of revenue)	36.6%	32.5%	34.1%
Net Income	\$4,528	\$3,531	\$3,671
<i>Year/Year Change</i>	28%	(25%)	(19%)
Earnings per Share (diluted)	\$1.11	\$0.87	\$0.91
<i>Year/Year Change</i>	29%	(24%)	(18%)

<sup>(1)</sup> Total revenue without Splunk decreased 14% in the first quarter of fiscal 2025.



# Q1 FY 2025 Key Financial Measures

\$M	Q1 FY 2024	Q4 FY 2024	Q1 FY 2025
Cash, Cash Equivalents and Investments	\$23,523	\$17,854	\$18,671
Operating Cash Flow	\$2,371	\$3,730	\$3,661
Inventory	\$3,342	\$3,373	\$3,143
Deferred Revenue:	\$25,659	\$28,475	\$27,502
Product Deferred Revenue	\$11,689	\$13,219	\$12,941
Services Deferred Revenue	\$13,970	\$15,256	\$14,561
Software Revenue	\$4,425	\$5,311	\$5,497
Subscription Revenue:	\$6,461	\$7,676	\$7,844
Product Subscription Revenue	\$3,207	\$4,252	\$4,419
Services Subscription Revenue	\$3,254	\$3,424	\$3,425

# Q1 FY 2025 Capital Allocation

Total Capital Allocation	
Share Repurchases (\$M)	\$2,003
Dividends Paid (\$M)	1,592
Total (\$M)	\$3,595
Quarterly Dividend per Share	\$0.40

Share Repurchases	
Amount Purchased (\$M)	\$2,003
Number of Shares (M)	40
Avg. Price per Share	\$49.56

Approximately \$3.2B remaining authorized funds in the repurchase program as of the end of Q1 FY 2025.



# 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' investments in critical infrastructure to prepare for AI, our position to capitalize on that opportunity given the breadth of our portfolio, and our focus on solid execution and operating discipline while making strategic investments to drive innovation and growth) 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 report on Form 10-K filed on September 5, 2024. 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 Form 10-K as it may be amended from time to time. Cisco's results of operations for the three months ended October 26, 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.

