



Q2 Fiscal Year 2024 Conference Call

February 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



Q2 FY 2024 Summary

- **Solid Q2 performance, in line with or better than our expectations, and strong operating leverage**
 - \$12.8B in revenue: Non-GAAP EPS of \$0.87
- **Non-GAAP gross margin of 66.7%**, up 280 bps y/y, reflecting continued operating discipline
- **Product orders declined 12% y/y**; caution around macro uncertainty, customers continuing to work down product shipments from prior quarters, and SP customers adjusting deployment phasing
- **Continued progress in strategic business model transformation**; product ARR up 9% y/y and product RPO up 12% y/y
- **Accelerated innovation**; announced next phase in partnership with Nvidia expanding our relationship in the enterprise data center and edge networks, and launched new AI capabilities across our portfolio
- **Operating cash flow of \$0.8B as expected**, driven in large part by timing of federal tax payments and the higher annual payment of the 2017 Tax Cuts and Jobs Act transition tax
- **Returned \$2.8B to shareholders** in Q2 reflecting consistent capital returns; today announced another increase in dividend
- **Focused on our commitment to driving long-term value for our shareholders and industry-leading innovation for our customers**

Financial Overview



Q2 FY 2024 Revenue and Total Gross Margin

\$M (except percentages)

	Revenue			Total Gross Margin %		
	Q2 FY'23	Q1 FY'24	Q2 FY'24	Q2 FY'23	Q1 FY'24	Q2 FY'24
Americas	\$7,825	\$9,022	\$7,510	62.9%	66.2%	65.7%
EMEA	3,728	3,664	3,484	66.2%	69.5%	68.1%
APJC	2,039	1,982	1,798	63.6%	67.0%	68.2%
Geographic Total	\$13,592	\$14,668	\$12,791	63.9%	67.1%	66.7%

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



Q2 FY 2024 Revenue Highlights

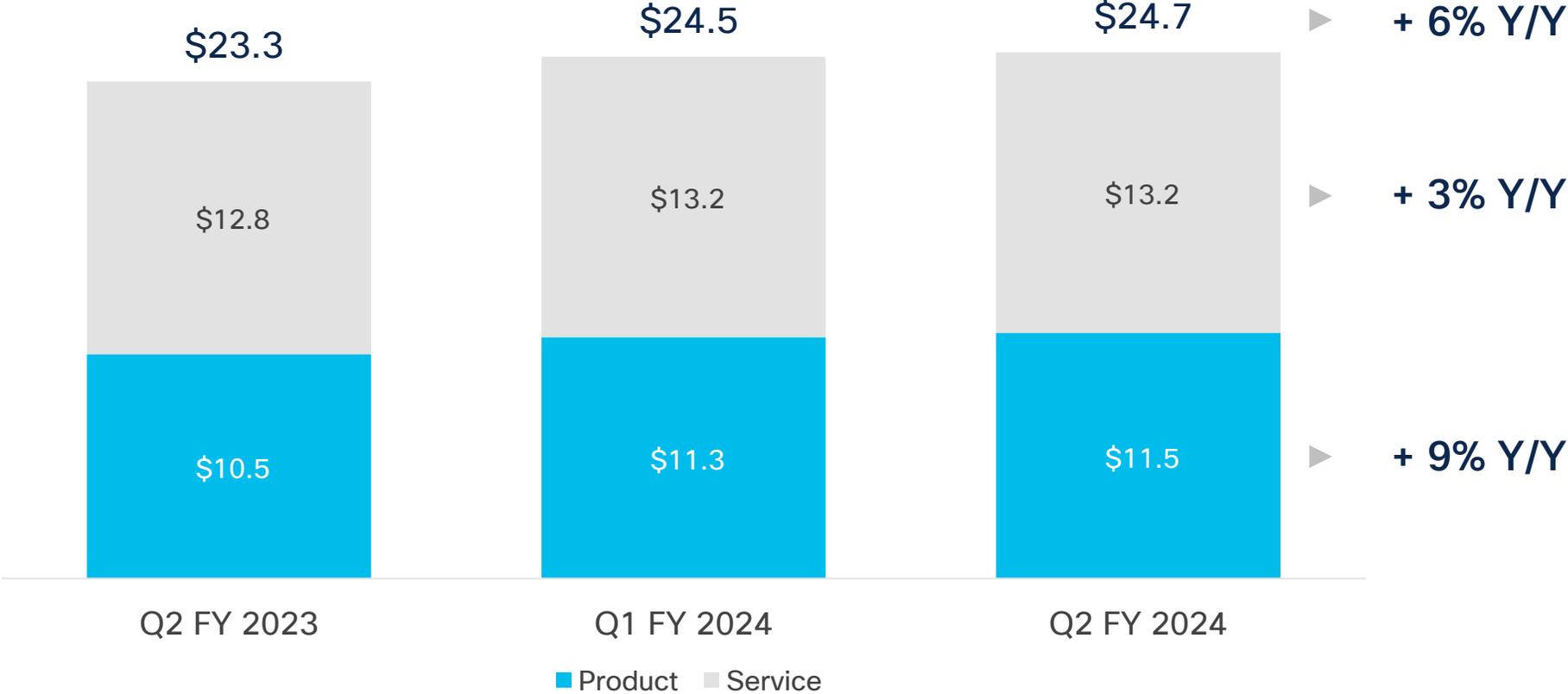
Product Category	\$M	Y/Y
Networking	\$7,081	(12%)
Security	973	3%
Collaboration	989	3%
Observability	188	16%
Services	3,559	4%
Total Cisco	\$12,791	(6%)

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Q2 FY 2024 Annualized Recurring Revenue (ARR)

\$B (except percentages)



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

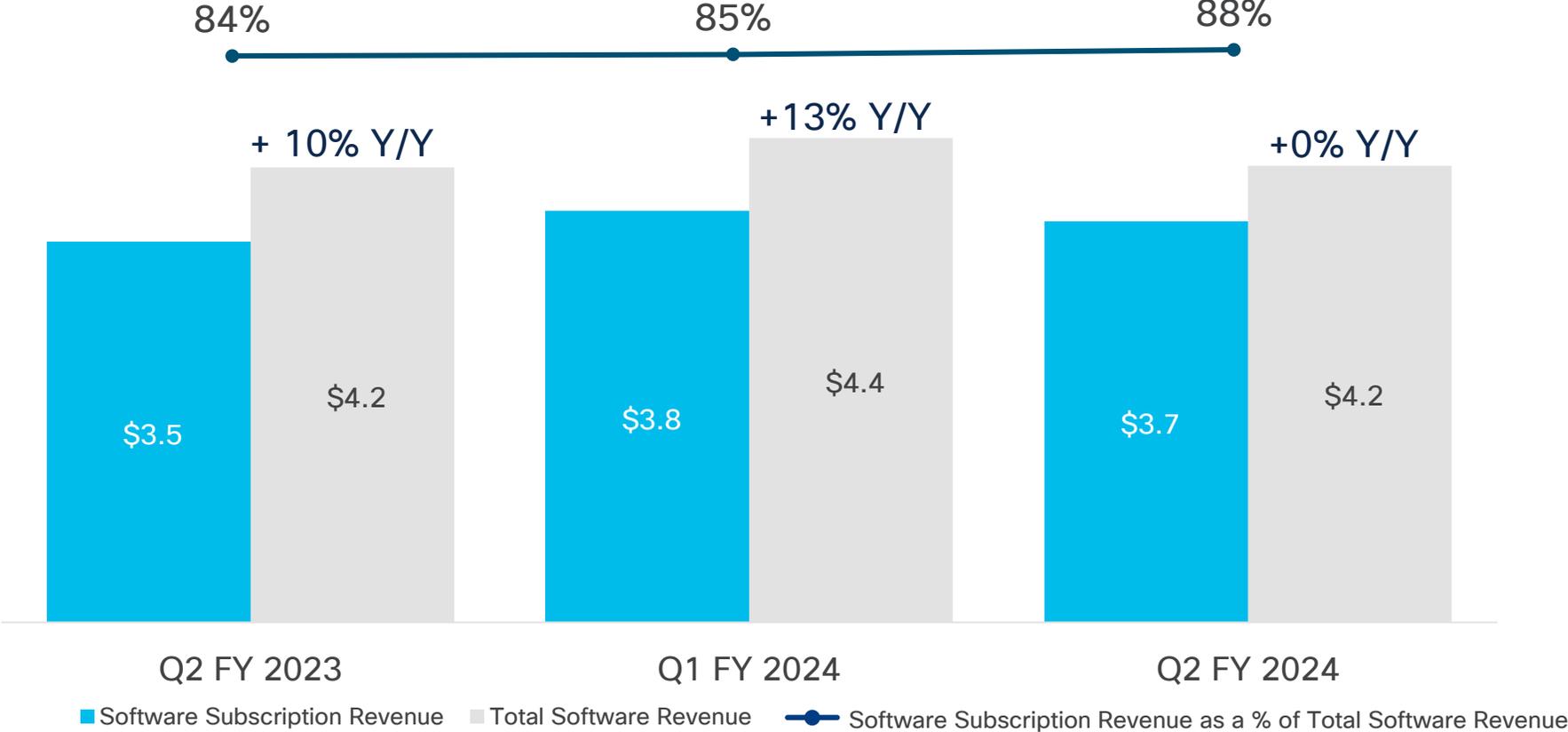
Annualized Recurring Revenue (“ARR”) represents the annualized revenue run-rate of active subscriptions, term licenses, operating leases and maintenance contracts at the end of a reporting period, net of rebates to customers and partners as well as certain other revenue adjustments. Includes both revenue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



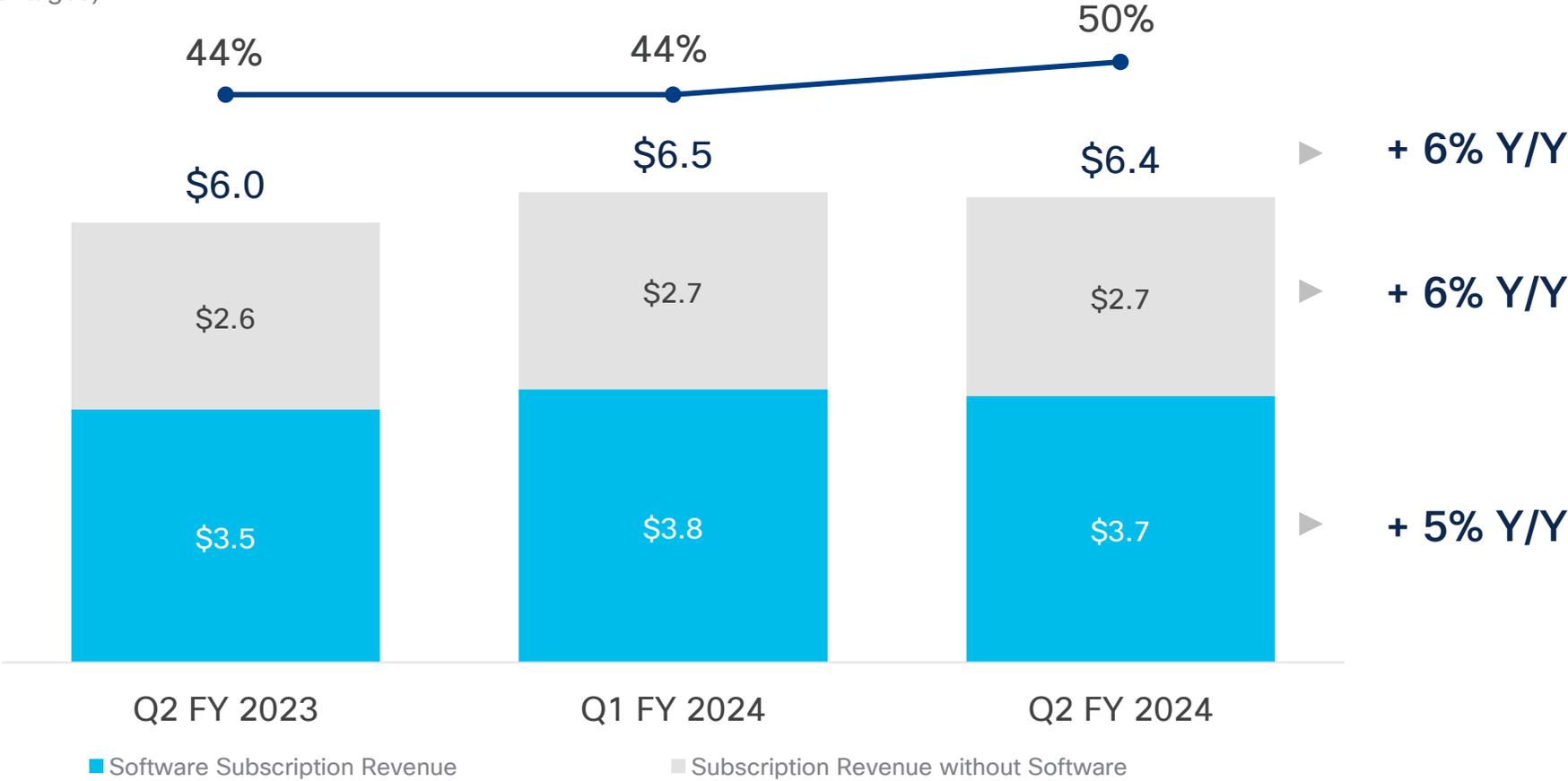
Q2 FY 2024 Software Revenue

\$B (except percentages)



Q2 FY 2024 Subscriptions as a % of Total Revenue

\$B (except percentages)



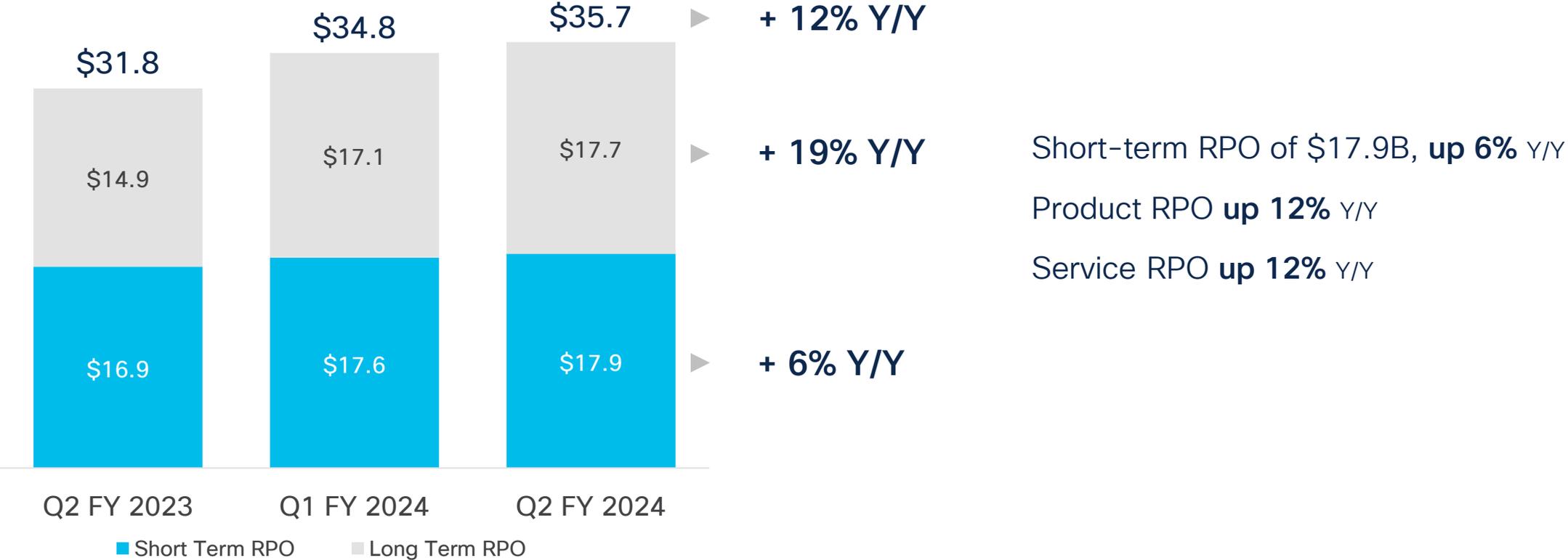
Amounts may not sum and percentages may not recalculate due to rounding.

Subscriptions are comprised of term software licenses, security software licenses, SaaS, service arrangements and operating leases.



Q2 FY 2024 Remaining Performance Obligations

\$B (except percentages)



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



Q2 FY 2024 Product Orders

Total Cisco: (12%) Y/Y

Geographic Segment	Y/Y
Americas	(10%)
EMEA	(8%)
APJC	(27%)

Customer Market	Y/Y
Enterprise	(6%)
Public Sector	(5%)
Service Provider & Cloud	(40%)

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 the alignment of our investments to future growth opportunities, the role that our innovation plays as our customers adopt AI and secure their organizations, the progress in our business model shift to more recurring revenue while remaining focused on financial discipline, operating leverage and shareholder 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 November 21, 2023 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 and six months ended January 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.

Q2 FY 2024 GAAP Income Statement Highlights

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

	Q2 FY 2023	Q1 FY 2024	Q2 FY 2024
Revenue	\$13,592	\$14,668	\$12,791
<i>Year/Year Change</i>	7%	8%	(6%)
Product	\$10,155	\$11,139	\$9,232
Service	\$3,437	\$3,529	\$3,559
Gross Margin	62.0%	65.2%	64.2%
Product Gross Margin	60.2%	64.5%	62.7%
Service Gross Margin	67.2%	67.3%	68.2%
Operating Expenses	\$5,135	\$5,281	\$5,121
OPEX (% of revenue)	37.8%	36.0%	40.0%
Operating Income (% of Revenue)	24.2%	29.2%	24.2%
Net Income	\$2,773	\$3,638	\$2,634
<i>Year/Year Change</i>	(7%)	36%	(5%)
Earnings per Share (diluted)	\$0.67	\$0.89	\$0.65
<i>Year/Year Change</i>	(6%)	37%	(3%)

Q2 FY 2024 Non-GAAP Income Statement Highlights

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

	Q2 FY 2023	Q1 FY 2024	Q2 FY 2024
Revenue	\$13,592	\$14,668	\$12,791
<i>Year/Year Change</i>	7%	8%	(6%)
Product	\$10,155	\$11,139	\$9,232
Service	\$3,437	\$3,529	\$3,559
Gross Margin	63.9%	67.1%	66.7%
Product Gross Margin	62.1%	66.5%	65.2%
Service Gross Margin	69.1%	69.0%	70.5%
Operating Expenses	\$4,273	\$4,468	\$4,317
OPEX (% of revenue)	31.4%	30.5%	33.8%
Operating Income (% of Revenue)	32.5%	36.6%	33.0%
Net Income	\$3,639	\$4,528	\$3,538
<i>Year/Year Change</i>	3%	28%	(3%)
Earnings per Share (diluted)	\$0.88	\$1.11	\$0.87
<i>Year/Year Change</i>	5%	29%	(1%)

Q2 FY 2024 Key Financial Measures

\$M	Q2 FY 2023	Q1 FY 2024	Q2 FY 2024
Cash, Cash Equivalents and Investments	\$22,061	\$23,523	\$25,671
Operating Cash Flow	\$4,739	\$2,371	\$808
Accounts Receivable	\$5,237	\$4,833	\$4,884
Inventory	\$3,140	\$3,342	\$3,209
Deferred Revenue:	\$23,927	\$25,659	\$25,771
Product Deferred Revenue	\$10,679	\$11,689	\$11,640
Service Deferred Revenue	\$13,248	\$13,970	\$14,131

Capital Allocation

Q2 FY 2024 Results

Total Capital Allocation	
Share Repurchases (\$M)	\$1,254
Dividends Paid (\$M)	1,583
Total (\$M)	\$2,837
Quarterly Dividends per Share	\$0.39

Share Repurchases	
Amount Purchased (\$M)	\$1,254
Number of Shares (M)	25
Avg. Price per Share	\$49.54

- Today we announced an increase to the quarterly dividend of \$0.01, up 3%



The bridge to possible