



# Q4 Fiscal Year 2023

Conference Call

August 16, 2023

## 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 2023 Highlights

- **Delivered record revenue, strong margins and profitability**
  - \$15.2B in revenue, up 16% y/y; Non-GAAP EPS of \$1.14
- **Solid demand...achieved over 30% total sequential product order growth with double-digit increases across all customer markets**
- **Gained over 3 percentage points of market share y/y** in our three largest networking markets – Campus Switching, Wireless LAN, and SP Routing.
- **Record operating cash flow of \$6.0B, up 62% y/y and \$2.8B returned to stockholders**
- **Committed to driving operating leverage, increasing annual share repurchases and growing the dividend**
- **Continued progress on business transformation:**
  - Annualized Recurring Revenue (ARR) of \$24.3B, up 5% y/y; Product ARR up 10% y/y
  - Software revenue of \$4.6B, up 17% y/y; Software subscription revenue up 20% y/y
  - Total subscription revenue of \$6.6B, up 13% y/y
  - Remaining Performance Obligations (RPO) of \$34.9B, up 11% y/y; Product RPO up 12% y/y

# Financial Overview

# Q4 FY 2023 Revenue and Total Gross Margin

\$M (except percentages)	Revenue			Total Gross Margin %		
	Q4 FY'22	Q3 FY'23	Q4 FY'23	Q4 FY'22	Q3 FY'23	Q4 FY'23
Americas	\$7,470	\$8,634	\$9,075	62.6%	64.2%	65.0%
EMEA	3,577	3,806	3,926	64.4%	66.6%	68.4%
APJC	2,055	2,131	2,203	63.6%	66.4%	65.3%
<b>Geographic Total</b>	<b>\$13,102</b>	<b>\$14,571</b>	<b>\$15,203</b>	<b>63.3%</b>	<b>65.2%</b>	<b>65.9%</b>

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

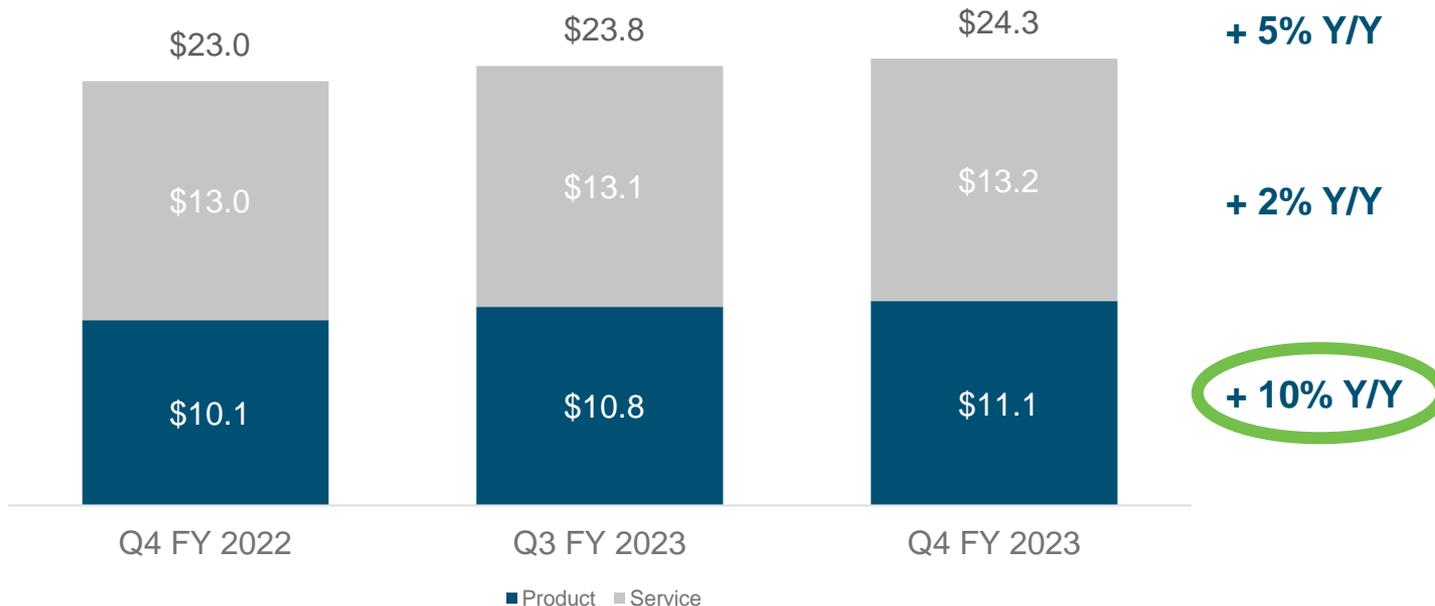
# Q4 FY 2023 Revenue Highlights

Product Category	\$M	Y/Y
Secure, Agile Networks	\$8,125	33%
Internet for the Future	1,298	3%
Collaboration	1,023	(12%)
End-to-End Security	987	0%
Optimized Application Experiences	214	15%
Services	3,553	4%
<b>Total Cisco</b>	<b>\$15,203</b>	<b>16%</b>

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# Q4 FY 2023 Annualized Recurring Revenue (ARR)

\$B (except percentages)



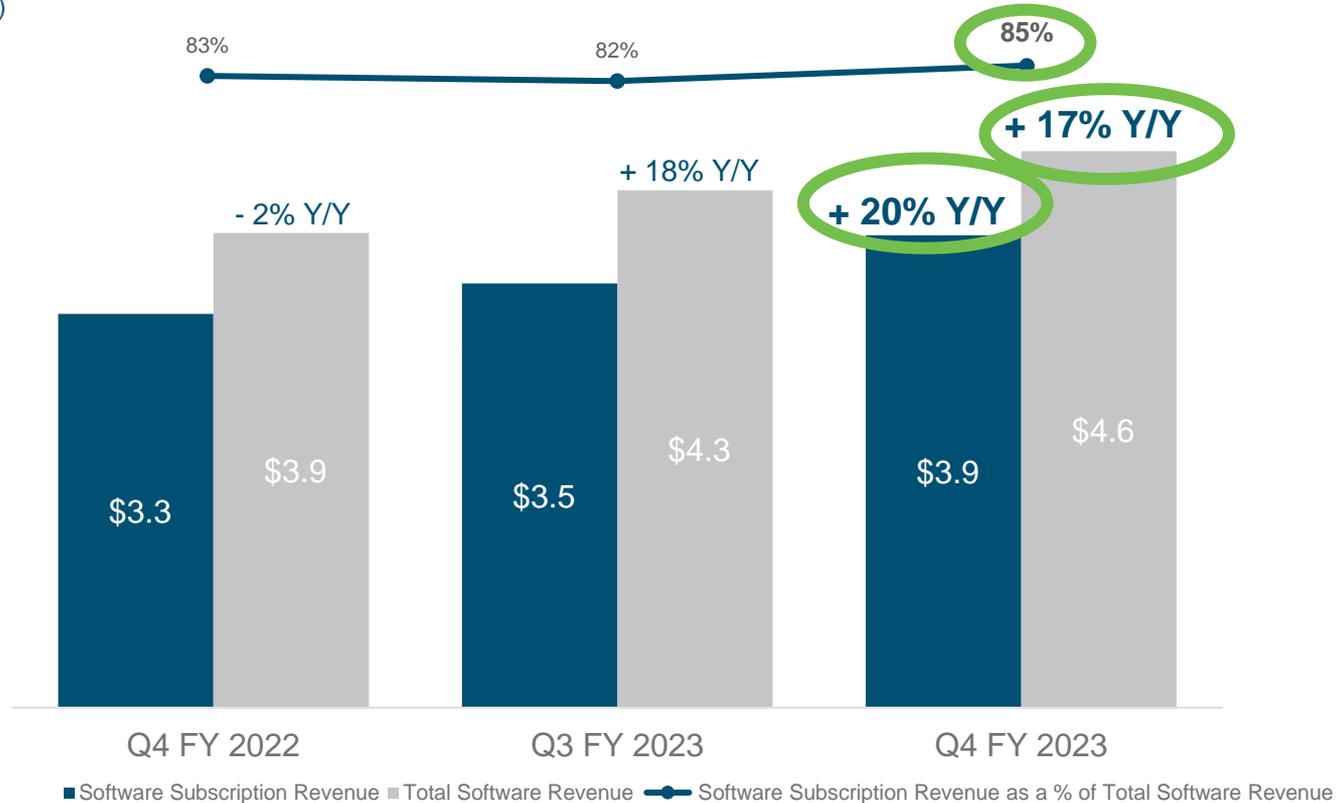
Amounts may not sum and percentages may not recalculate due to rounding.

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.

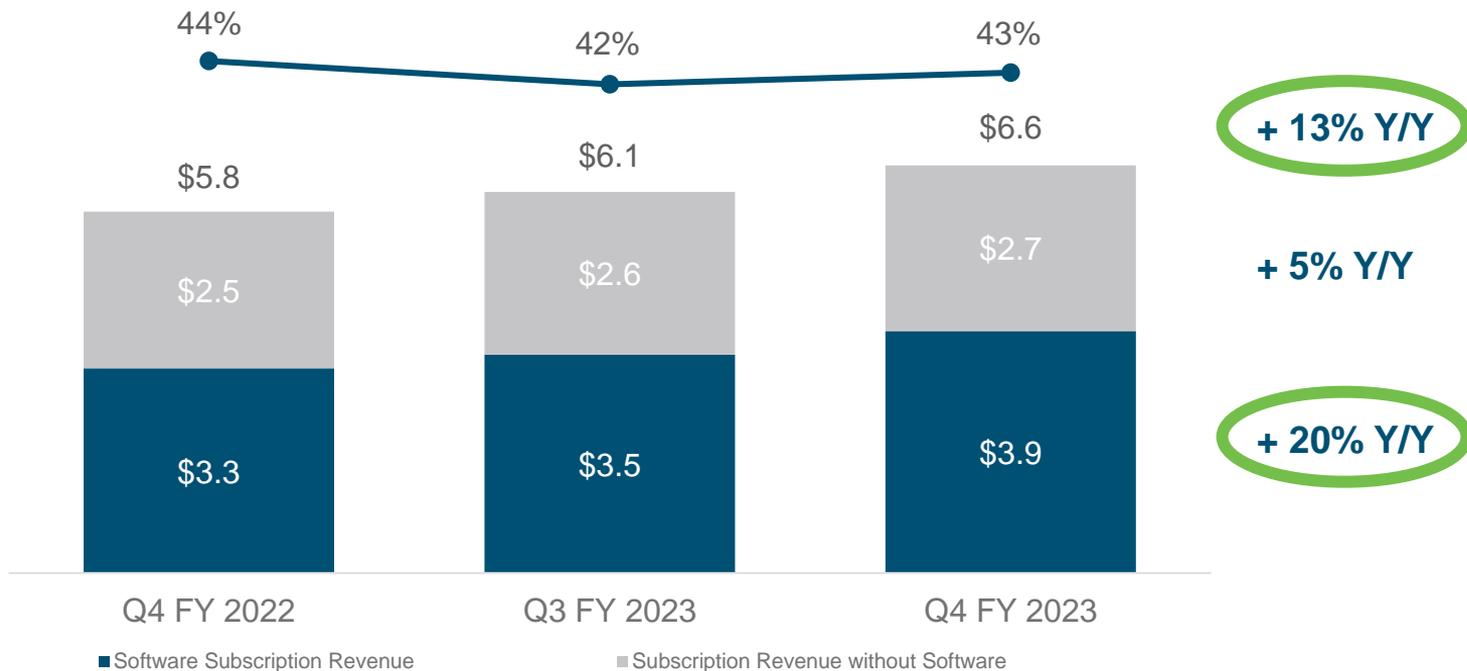
# Q4 FY 2023 Software Revenue

\$B (except percentages)



# Q4 FY 2023 Subscriptions as a % of Total Revenue

\$B (except percentages)

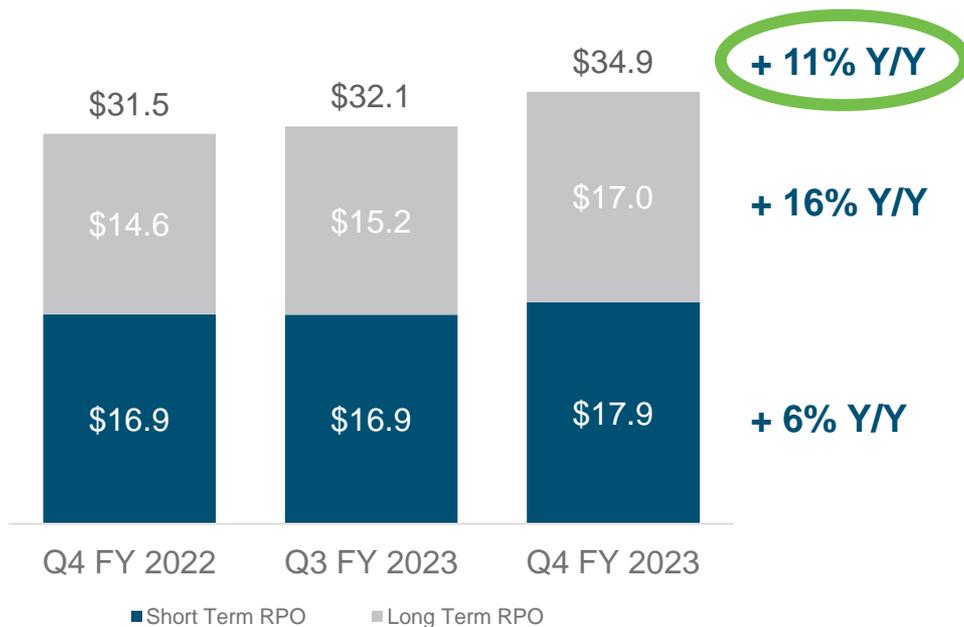


Amounts may not sum and percentages may not recalculate due to rounding.

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

# Q4 FY 2023 Remaining Performance Obligations

\$B (except percentages)



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

**Short term RPO of \$17.9B, up 6% year over year**

**Product RPO up 12% year over year and Service RPO up 9% year over year**

## Remaining Performance Obligations (RPO)

RPO is an indicator of future revenue

## Future Revenue

Represents revenue for non-cancellable contracts that will be recognized in future periods

## Deferred and Contract Revenue

Comprised of total deferred revenue plus unbilled contract revenue

## Short term

Will be recognized in the next 12 months

# Q4 FY 2023 Product Orders

Total Cisco: (14%) Y/Y

Geographic Segment	Y/Y
Americas	(12%)
EMEA	(13%)
APJC	(23%)

Customer Market	Y/Y
Enterprise	(10%)
Public Sector	(11%)
Commercial	(8%)
Service Provider	(37%)

# Q4 FY 2023 GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	Q4 FY 2022	Q3 FY 2023	Q4 FY 2023
Revenue	\$13,102	\$14,571	\$15,203
<i>Year/Year Change</i>	0%	14%	16%
Product	\$9,688	\$11,092	\$11,650
Service	\$3,414	\$3,479	\$3,553
Gross Margin	61.3%	63.4%	64.1%
Product Gross Margin	59.1%	62.7%	63.6%
Service Gross Margin	67.5%	65.4%	65.7%
Operating Expenses	\$4,591	\$5,286	\$5,495
OPEX (% of Revenue)	35.0%	36.3%	36.1%
Operating Income (% of Revenue)	26.2%	27.1%	28.0%
Net Income	\$2,815	\$3,212	\$3,958
<i>Year/Year Change</i>	(6%)	6%	41%
Earnings per Share (diluted)	\$0.68	\$0.78	\$0.97
<i>Year/Year Change</i>	(4%)	7%	43%

# Q4 FY 2023 Non-GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	Q4 FY 2022	Q3 FY 2023	Q4 FY 2023
Revenue	\$13,102	\$14,571	\$15,203
<i>Year/Year Change</i>	0%	14%	16%
Product	\$9,688	\$11,092	\$11,650
Service	\$3,414	\$3,479	\$3,553
Gross Margin	63.3%	65.2%	65.9%
Product Gross Margin	61.3%	64.5%	65.5%
Service Gross Margin	69.0%	67.3%	67.5%
Operating Expenses	\$4,052	\$4,554	\$4,646
OPEX (% of Revenue)	30.9%	31.3%	30.6%
Operating Income (% of Revenue)	32.4%	33.9%	35.4%
Net Income	\$3,439	\$4,111	\$4,680
<i>Year/Year Change</i>	(3%)	13%	36%
Earnings per Share (diluted)	\$0.83	\$1.00	\$1.14
<i>Year/Year Change</i>	(1%)	15%	37%

# Q4 FY 2023 Key Financial Measures

\$M	Q4 FY 2022	Q3 FY 2023	Q4 FY 2023
Cash, Cash Equivalents and Investments	\$19,267	\$23,288	\$26,146
Operating Cash Flow	\$3,677	\$5,219	\$5,966
Accounts Receivable	\$6,622	\$5,104	\$5,854
Inventory	\$2,568	\$3,474	\$3,644
Deferred Revenue:	\$23,264	\$24,260	\$25,550
Product Deferred Revenue	\$10,427	\$10,895	\$11,505
Service Deferred Revenue	\$12,837	\$13,365	\$14,045

# Capital Allocation

Total Capital Allocation	Q4 FY 2023	FY 2023
Share Repurchases (\$M)	\$1,254	\$4,271
Dividends Paid (\$M)	1,589	6,302
<b>Total (\$M)</b>	<b>\$2,843</b>	<b>\$10,573</b>
Dividends Per Share	\$0.39	\$1.54
Share Repurchases		
Amount Purchased (\$M)	\$1,254	\$4,271
Number of Shares (M)	25	88
Avg. Price Per Share	\$50.49	\$48.49

*Approximately \$10.9B remaining authorized funds in repurchase program as of the end of Q4 FY 2023.*

# FY 2023 GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	FY 2022	FY 2023
Revenue	\$51,557	\$56,998
<i>Year/Year Change</i>	3%	11%
Product	\$38,018	\$43,142
Service	\$13,539	\$13,856
Gross Margin	62.5%	62.7%
Product Gross Margin	61.0%	61.5%
Service Gross Margin	66.8%	66.4%
Operating Expenses	\$18,279	\$20,722
OPEX (% of Revenue)	35.5%	36.4%
Operating Income (% of Revenue)	27.1%	26.4%
Net Income	\$11,812	\$12,613
<i>Year/Year Change</i>	12%	7%
Earnings per Share (diluted)	\$2.82	\$3.07
<i>Year/Year Change</i>	13%	9%

# FY 2023 Non-GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	FY 2022	FY 2023
Revenue	\$51,557	\$56,998
<i>Year/Year Change</i>	3%	11%
Product	\$38,018	\$43,142
Service	\$13,539	\$13,856
Gross Margin	64.6%	64.5%
Product Gross Margin	63.3%	63.4%
Service Gross Margin	68.3%	68.2%
Operating Expenses	\$15,981	\$17,717
OPEX (% of Revenue)	31.0%	31.1%
Operating Income (% of Revenue)	33.6%	33.5%
Net Income	\$14,094	\$15,979
<i>Year/Year Change</i>	3%	13%
Earnings per Share (diluted)	\$3.36	\$3.89
<i>Year/Year Change</i>	4%	16%

Q&A

## 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 continued strong customer demand, gains in market share, innovations in AI, security, and cloud, our ability to capture future opportunities, and our commitment to the expansion of operating leverage and increase of shareholder returns over the long term) 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: the impact of the COVID-19 pandemic and related public health measures; 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; 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 Secure, Agile Networks and services; the timing of orders and manufacturing and customer lead times; significant 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 malware; vulnerabilities and critical security defects; terrorism; natural catastrophic events (including as a result of global climate change); any other 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 24, 2023 and September 8, 2022, 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 29, 2023 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.

