



Q3 Fiscal Year 2018

Conference Call

May 16, 2018

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 our website at www.cisco.com under "Financial Info" in the "Investor Relations" section.

<https://investor.cisco.com/investor-relations/financial-information/Financial-Results/default.aspx>

Business Momentum & Key Trends

Q3 FY2018 Highlights

- Delivered another consecutive quarter of accelerating revenue growth, up 4% Y/Y; solid margins and record non-GAAP EPS up 10% Y/Y
- Broad-based strength across products and geographies
- Very strong adoption of Catalyst 9K: >5,800 customers and high uptake of advanced subscription offer and DNA Center
- Additional intent-based networking innovations and new flexible consumption models introduced
- Strength in Security driven by integrated architecture combined with best of breed products
- Innovations across collaboration portfolio...convergence of Cisco Spark and Webex platforms, new applications and enhanced AI and machine learning capabilities with the recent acquisition of Accompany
- Delivered record capital return

Financial Overview

Q3 FY 2018 Revenue Highlights

Product Category	\$M	Y/Y % Change
Infrastructure Platforms	\$7,163	2%
Applications	1,309	19%
Security	583	11%
Other Products	249	(6%)
Services	3,159	3%
Total Cisco	\$12,463	4%

Q3 FY 2018 Business Transition Highlights

32%

+ 2 pts y/y

Recurring Revenue
as a % of
Total Revenue

\$5.6B

+29% y/y

Deferred Product
Revenue from
Recurring Software
& Subscriptions

55%

Subscriptions
as a % of
Software Revenue

Q3 FY 2018 Product Orders

Total Cisco: 4% Y/Y

Geographic Region	Y/Y % Change
Americas	4%
EMEA	6%
APJC	3%

Customer Segment	Y/Y % Change
Enterprise	11%
Public Sector	2%
Commercial	7%
Service Provider	(4%)

Q3 FY 2018 Revenue and Total Gross Margin

\$M (except percentages)	Revenue			Total Gross Margin %		
	Q3 FY'17	Q2 FY'18	Q3 FY'18	Q3 FY'17	Q2 FY'18	Q3 FY'18
Americas	\$7,046	\$7,004	\$7,161	64.6%	65.9%	64.4%
EMEA	2,999	3,062	3,281	65.5%	64.6%	64.3%
APJC	1,895	1,821	2,021	61.8%	60.1%	61.7%
Geographic Total	\$11,940	\$11,887	\$12,463	64.4%	64.7%	63.9%

Certain reclassifications have been made to the amounts for prior periods in order to conform to the current period's presentation. Historical revenue and gross margin by segment is available on our website at <https://investor.cisco.com> under "Financial Info" in the "Investor Relations" section.

Q3 FY 2018 Non-GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	Q3 FY 2017	Q2 FY 2018	Q3 FY 2018
Revenue	\$11,940	\$11,887	\$12,463
<i>Year/Year Change</i>	(1%)	3%	4%
Product	\$8,885	\$8,709	\$9,304
Service	\$3,055	\$3,178	\$3,159
Gross Margin	64.4%	64.7%	63.9%
Product Gross Margin	63.2%	63.3%	62.9%
Service Gross Margin	67.8%	68.5%	66.9%
Operating Expenses	\$3,828	\$3,911	\$4,045
OPEX (% of Revenue)	32.1%	32.9%	32.5%
Operating Income (% of Revenue)	32.3%	31.7%	31.5%
Net Income	\$3,026	\$3,146	\$3,195
<i>Year/Year Change</i>	5%	10%	6%
Earnings per Share (diluted)	\$0.60	\$0.63	\$0.66
<i>Year/Year Change</i>	5%	11%	10%

Q3 FY 2018 GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	Q3 FY 2017	Q2 FY 2018	Q3 FY 2018
Revenue	\$11,940	\$11,887	\$12,463
<i>Year/Year Change</i>	<i>(1%)</i>	<i>3%</i>	<i>4%</i>
Product	\$8,885	\$8,709	\$9,304
Service	\$3,055	\$3,178	\$3,159
Gross Margin	63.0%	63.1%	62.3%
Product Gross Margin	61.7%	61.5%	61.0%
Service Gross Margin	66.7%	67.4%	65.8%
Operating Expenses	\$4,349	\$4,425	\$4,625
OPEX (% of Revenue)	36.4%	37.2%	37.1%
Operating Income (% of Revenue)	26.5%	25.9%	25.1%
Net Income (Loss) ¹	\$2,515	(\$8,778)	\$2,691
<i>Year/Year Change</i>	<i>7%</i>	<i>(474%)</i>	<i>7%</i>
Earnings (Loss) per Share ¹	\$0.50	(\$1.78)	\$0.56
<i>Year/Year Change</i>	<i>9%</i>	<i>(479%)</i>	<i>12%</i>

¹GAAP results for Q2 FY2018 include an \$11.1 billion charge related to the enactment of the Tax Cuts and Jobs Act.

Q3 FY 2018 Key Financial Measures

\$M	Q3 FY 2017	Q2 FY 2018	Q3 FY 2018
Cash, Cash Equivalents and Investments	\$67,974	\$73,683	\$54,431
Operating Cash Flow ¹	\$3,373	\$4,070	\$2,416
Accounts Receivable	\$4,635	\$3,963	\$4,274
Inventory	\$1,366	\$1,896	\$1,900
Deferred Revenue:	\$17,322	\$18,788	\$18,953
Service Deferred Revenue	\$10,532	\$10,963	\$10,960
Product Deferred Revenue:			
Deferred revenue related to recurring software and subscription offers	\$4,352	\$5,451	\$5,635
Other product deferred revenue	\$2,438	\$2,374	\$2,358
Total Product Deferred Revenue	\$6,790	\$7,825	\$7,993

¹Q3 FY2018 operating cash flow includes a \$1.3 billion of one-time payments of foreign taxes as related to the enactment of the Tax Cuts and Jobs Act.

Capital Allocation

\$M	Q3 FY 2017	Q4 FY 2017	Q1 FY 2018	Q2 FY 2018	Q3 FY 2018
Share Repurchases	\$503	\$1,201	\$1,620	\$4,011	\$6,015
Dividends Paid	1,451	1,448	1,436	1,425	1,572
Total	\$1,954	\$2,649	\$3,056	\$5,436	\$7,587

	Q3 FY 2017	Q4 FY 2017	Q1 FY 2018	Q2 FY 2018	Q3 FY 2018
Dividends Per Share	\$0.29	\$0.29	\$0.29	\$0.29	\$0.33

Share Repurchase Program*	Amount Purchased (\$M)	Number of Shares (M)	Avg. Price Per Share
Q3 FY 2018 Purchases	\$6,015	140	\$42.83

* Approximately \$25.1B remaining authorized funds in repurchase program as of the end of Q3 FY 2018

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 execution on our strategy, our investment in innovation and ability to continue to build a strong innovation pipeline, continued progress in transforming our business toward more software and subscriptions, our ability to maintain our position in the industry and the impact we will continue to drive with our customers, continued broad-based strength across our portfolio, and our ability to continue to execute well, deliver profitable growth and return capital to our shareholders) 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; 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 routing, switching and services; the timing of orders and manufacturing and customer lead times; 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, intellectual property, antitrust, shareholder and other matters, and governmental investigations; our ability to achieve the benefits of the announced restructuring and possible changes in the size and timing of the related charges; man-made problems such as cyber-attacks, data protection breaches, computer viruses or terrorism; natural catastrophic events; a 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 February 20, 2018 and September 7, 2017 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 nine months ended April 28, 2018 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.