

These prepared remarks should be viewed solely in conjunction with the related quarter's conference call webcast and press release, which can be found [here](#). The webcast includes the prepared remarks as well as a question and answer session.

Please click [here](#) for complete GAAP reconciliation information between our GAAP financial results and our non-GAAP financial results.

Cisco Systems, Incorporated [CSCO]

Q1FY26 Earnings Results Conference Call

Wednesday, November 12, 2025

Introduction (Sami Badri)

Good afternoon, everyone. This is Sami Badri, Cisco's Head of Investor Relations, and I am joined by Chuck Robbins, our Chair and CEO, and Mark Patterson, our CFO.

Cisco's earnings press release and supplemental information, including GAAP to non-GAAP reconciliations, are available on our Investor Relations website. Following this call, we will also make the recorded webcast and slides available on the website.

Throughout today's call, we'll be referencing both GAAP and non-GAAP financial results. We will discuss product results in terms of revenue, and geographic and customer results in terms of product orders, unless stated otherwise. All comparisons will be made on a year-over-year basis.

Please note that our discussion today will include forward-looking statements, including our guidance for the second quarter and fiscal year 2026. These statements are subject to risks and uncertainties detailed in our SEC filings, particularly our most recent 10-K report which identify important risk factors that could cause actual results to differ materially from those contained in our forward-looking statements. With respect to guidance, please also see the slides and press release that accompany this call for further details. Cisco will not comment on its financial guidance during the quarter unless it is done through an explicit public disclosure.

Now, I'll turn it over to Chuck.

Chuck Robbins

Thanks Sami, and thank you all for joining us today.

We had a strong start to fiscal '26, with Q1 revenue and earnings per share both coming in above the high-end of our guidance ranges. We delivered record Q1 revenue, putting Cisco on track to deliver our strongest year yet as indicated in our guidance for the full year.

In Q1, total revenue increased 8% year-over-year, with product revenue up 10%, driven by robust demand for our AI Infrastructure and campus networking solutions. Our strong top-line performance, combined with operating efficiencies and solid execution by our teams, contributed to non-GAAP EPS growth of 10%, as we continued to grow earnings faster than revenue.

We delivered solid margins and cash flows allowing us to return \$3.6 billion in capital to our shareholders through dividends and share repurchases, representing 125% of free cash flow in Q1.

Additionally, we generated solid growth in annualized recurring revenue and remaining performance obligations, both of which continue to provide a strong foundation for our future performance in FY26 and beyond.

Cisco's strong start to fiscal '26 is a testament to the critical role of secure networking and the strength of our portfolio as organizations look to deploy AI across their businesses.

That said, we know many customers still have a lot of work to do to ensure they have the modern, scalable, secure networking infrastructure to support their AI goals. According to our 2025 global AI Readiness Index, only one third of organizations feel their IT infrastructure can accommodate the needs of their planned AI projects, which creates a massive opportunity for Cisco.

With our industry-leading networking portfolio—powered by Silicon One, AI-native security solutions, and operating systems—we are well positioned today to provide the critical infrastructure for the AI era.

Now, let me comment on the strong **demand** we saw in Q1. Overall, total product orders grew 13% year-over-year, with growth across all geographies and customer markets.

Enterprise product orders were up 4% year-over-year in Q1, on top of mid-teens growth excluding Splunk a year ago, with strength in our campus switching and wireless solutions.

Public Sector orders were up 12% year-over-year, with growth across all geographies and cohorts including US Federal.

Product orders **from Service Provider and Cloud** customers continued to be very strong, up 45% year-over-year, driven by high double-digit order growth in hyperscalers, even on a tough triple-digit growth comparison from Q1 of FY25. Demand from telco customers was also strong in Q1, with orders growing more than 25% year-over-year.

Now some color on **demand from a product perspective**:

Networking product orders accelerated to high teens growth in Q1, marking the fifth consecutive quarter of double-digit growth, driven by hyperscale infrastructure, enterprise routing, campus switching, wireless, industrial IoT, and servers.

Within our **campus networking portfolio**, we are seeing very strong demand for switching, routing and wireless products, indicating that enterprise customers are investing in the connectivity needed for AI deployments. As early Catalyst switching generations, like the 4K and 6K, near end of support, we see growing demand for our Cat9k series. Additionally, all of

our next generation solutions, including smart switches, secure routers, and WiFi 7 wireless products, are ramping faster than in prior product launches. This marks the beginning of a multi-year, multi-billion-dollar refresh opportunity.

We are also seeing consistent progress across our industrial IoT portfolio, including new ruggedized equipment, with orders growing more than 25% year-over-year in Q1. We expect this demand to increase, driven by onshoring of manufacturing to the United States, the increase of AI workloads at the network edge, and the emergence of physical AI.

AI infrastructure orders taken from hyperscalers in Q1 totaled \$1.3B – balanced between Silicon One systems and optics – marking a significant acceleration in growth and demonstrating our strength for advanced AI use cases. We expect to recognize roughly \$3B in AI infrastructure revenue from hyperscalers in FY26.

As these hyperscale customers look to extend AI clusters across their infrastructure, we see robust demand for Acacia's market leading coherent pluggable optics, offering significant cost and power savings. All hyperscalers are now customers of these products.

In Q1, we also announced our latest Cisco 8223 router, powered by our Silicon One P200 chip. This first-to-market 51.2 terabits-per-second fixed ethernet routing system is designed for the intense AI workload traffic between data centers. With Silicon One's unmatched scalability, power efficiency, and programmability, we can provide the performance and speed across data centers that would have previously only been possible within a data center with a switching infrastructure.

Demand for Silicon One continues to grow, and we expect to ship our 1- millionth chip in Q2 FY26.

Product orders for **AI use cases beyond hyperscaler training** are also gaining traction, with orders for data center systems – including switching and compute – growing double digits in Q1 as customers prepare their networks for inferencing and agentic workflows.

We see a growing pipeline in excess of \$2 billion for our high-performance networking products across sovereign, neocloud, and enterprise customers. To capture this opportunity, we continue to make progress both within our own portfolio and across our strategic partnerships.

We recently announced an expansion of our partnership with G42 in the UAE to power, connect and secure G42's large-scale AI clusters, featuring AMD GPUs. Other strategic partnerships in the region, including HUMAIN and Stargate UAE, are progressing as planned.

We also launched our Sovereign Critical Infrastructure Portfolio for European customers to operate in their own air-gapped, on-prem physical environments. This includes our networking and collaboration products, enhanced by security and observability.

In addition, Cisco announced an expansion of our NVIDIA partnership and our new N9100 switch based on Spectrum-X silicon. We are now the first NVIDIA partner to offer networking

compliant with their cloud reference architecture. The N9100 – available in the second half of FY26 – will provide the operational consistency and flexibility needed for sovereign and neocloud providers to build and manage AI at scale. We are also delivering new capabilities and features for Cisco Secure AI Factory with NVIDIA announced in Q3 of FY25.

These advancements strengthen our commitment to high-performance, secure, and trusted AI infrastructure globally. We expect Cisco's AI opportunity across sovereign, neocloud, and enterprise customers to ramp in the second half of FY26.

Now shifting to Security. We continue to see order growth for our new and refreshed products, which comprise around one-third of our security portfolio and include Secure Access, XDR, Hypershield, AI Defense and our refreshed firewalls. Nearly 3,000 customers have purchased the new products since launch and we saw mid-teens growth in demand for our next-generation firewalls in Q1. This growth was partially offset by a decline in our prior generation platforms.

We continue to see strong performance from Splunk, closing one of our largest Splunk deals to date in Q1 enabled by joint Cisco and Splunk sales engagement. Splunk's ARR and product RPO grew double digits as we saw a notable change in how customers consumed Splunk offerings in Q1, with a shift to more cloud subscriptions and fewer on-premise deals. Revenue for cloud subscriptions is recognized ratably, whereas product revenue for on-prem deals is recognized on delivery. While this shift negatively impacted Security revenue growth in Q1, it is purely a timing issue. We are actually pleased to see more cloud subscriptions for Splunk as they enable greater adoption and expansion and allow us to deliver innovation faster to enable customers to unlock value from AI.

Now let me comment on some of our recent innovations. As we look at the AI opportunity, we see customer use cases growing across training, inferencing and connectivity, with secure networking increasingly critical as workloads move from the data center to end-users, devices and agents at the edge.

As mentioned last quarter, agents are transforming network traffic from predictable bursts to persistent, high-intensity loads, with agentic AI queries generating up to 25 times more network traffic than chatbots. Instead of pulling data to and from the data center, AI workloads require models and infrastructure to be closer to where data is created and decisions are made, particularly in industries such as retail, healthcare, and manufacturing.

This is why we introduced Cisco Unified Edge last week – an industry-first converged platform for the network edge, integrating compute, networking, and storage into a single system. Unified Edge enables real-time inferencing for agentic and physical AI workloads, so enterprises can confidently deploy and manage AI at scale.

We also announced Cisco Data Fabric in September, a Splunk-powered architecture to unify and manage machine data across various sources allowing enterprises to build AI models with their previously unused, proprietary data.

As always, these innovations are designed to further Cisco's platform advantage, where every new technology investment compounds the value of a customer's existing investment.

To summarize:

- We are seeing strong demand across all customer markets and geographies as well as expanded opportunities as our customers power their AI use cases from the data center to the edge;
- We continue to innovate at unprecedented speed to build AI-ready data centers, power future-proofed workplaces and create a foundation of digital resilience;
- And our strong performance is fueling our capital allocation model, returning significant value to our shareholders, while positioning our business for Cisco's strongest year yet in fiscal '26 as indicated in our guidance.

Now I'll turn it over to Mark for more detail on the quarter and our outlook.

Mark Patterson

Thanks Chuck.

We delivered a strong quarter to launch our new fiscal year, with revenue, operating margin and earnings per share all above the high-end of our guidance, coupled with solid gross margin and operating cash flow. For the quarter, total revenue was \$14.9B, up 8% year over year. Non-GAAP net income was \$4.0B up 9%, and non-GAAP earnings per share was \$1.00, up 10%, demonstrating continuing operating leverage, with non-GAAP earnings growing faster than revenue.

Looking at our Q1 revenue in more detail:

- Total product revenue was \$11.1B, up 10% and services revenue was \$3.8B, up 2% year over year.
- Networking was the standout with growth of 15%, with strength across the portfolio led by high double-digit growth in Service Provider Routing which was largely driven by revenue from AI Infrastructure. Data Center Switching and Enterprise Routing also contributed double-digit growth and Campus Switching had growth in the high single digits.
- Security was down 2%, reflecting declines in prior generation products and a shift to cloud subscriptions in our Splunk business that Chuck referenced, partially offset by growth in Secure Firewall, Duo and SASE.
- Collaboration was down 3% reflecting declines in Devices and WebEx.
- Observability was up 6%, primarily driven by growth in Thousand Eyes.

Looking at our recurring metrics:

- Total RPO was \$42.9B, up 7%. Product RPO grew 10%, of which the long-term portion was \$11.8B, up 13%.

- Total ARR ended the quarter at \$31.4B, an increase of 5%, with product ARR growth of 7%.
- Total subscription revenue was \$8.0B and represented 54% of Cisco's total revenue.
- Total software revenue was up 3% at \$5.7B.

Q1 product orders were up 13% year over year. Product orders were up across all geographic segments, with Americas up 16%, EMEA up 8% and APJC up 13%. Product orders were also up across all customer markets with Service Provider & Cloud up 45%, Public Sector up 12%, and Enterprise up 4%.

Total non-GAAP gross margin came in at 68.1%, down 120 basis points year-over-year, but coming in slightly above the midpoint of our guidance range. Non-GAAP product gross margin was 67.2%, down 170 basis points, driven by negative impacts from mix and pricing, partially offset by productivity improvements. Non-GAAP services gross margin was 70.7%, up 40 basis points.

We continue our focus on enhancing profitability and driving financial discipline, with non-GAAP operating margin at 34.4%, above the high-end of our guidance range.

Our Non-GAAP tax rate was 19.0% for the quarter.

Shifting to the balance sheet, we ended Q1 with total cash, cash-equivalents, and investments of \$15.7B. Operating cash flow was \$3.2B, down 12%, due to investments to meet growing customer demand for AI infrastructure.

From a capital allocation perspective, we returned \$3.6B to our shareholders during the quarter, comprised of \$1.6B for our quarterly cash dividend and \$2.0B of share repurchases with \$12.2B remaining under our share repurchase program.

To summarize, we had a solid start to fiscal 2026 with top and bottom-line performance exceeding our expectations – driven by strong order growth and margins, all demonstrating the power of our innovation engine to drive strong top line growth as well as operating leverage to fuel profitability.

We remain focused on making strategic investments in innovation to capitalize on the significant growth opportunities we see ahead. This will continue to be underpinned by disciplined spend management and it's this powerful combination that continues to fuel strong cash flow and our ability to return significant value to our shareholders.

Turning to guidance: Please note, our Q2 and fiscal year 2026 guide assumes current tariffs and exemptions remain in place through the end of fiscal 2026. These assumptions remain unchanged from prior guidance, with the exception of the China fentanyl tariff being reduced from 20% to 10%.

Looking ahead, you can expect us to continue our focus on durable growth, with financial discipline driving operating leverage and continued capital returns.

For fiscal Q2, our guidance is as follows:

- We expect revenue to be in the range of \$15.0 billion to \$15.2 billion
- We anticipate non-GAAP gross margin to be in the range of 67.5% to 68.5%
- Non-GAAP operating margin is expected to be in the range of 33.5% to 34.5%
- Non-GAAP earnings per share is expected to range from \$1.01 to \$1.03
- We are assuming a Non-GAAP effective tax rate of approximately 19%

For fiscal year 26, our guidance is as follows:

- We expect revenue to be in the range of \$60.2 billion to \$61.0 billion
- Non-GAAP earnings per share is expected to range from \$4.08 to \$4.14

CLOSING

- Cisco's next quarterly call, which will outline our second quarter FY2026 results, will be on Wednesday, February 11, 2026, at 1:30 p.m. Pacific Time, 4:30 p.m. Eastern Time.
- This concludes today's call. If you have any further questions, please feel free to contact the Cisco investor relations department, and we thank you very much for joining the call today.

The prepared remarks set forth above and the related conference call may be deemed to 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 widespread demand for our technologies highlighting the critical role of secure networking and the value of our portfolio as customers move quickly to unlock the potential of AI, our campus refresh opportunity, and our continued focus on profitable growth, capital returns, and strategic investments to capture the significant opportunities ahead) and the future financial performance of Cisco (including the guidance for Q2 FY2026 and full year FY2026) that involve risks and uncertainties, such as the actual impact of tariffs on our guidance for Q2 FY2026 and full year FY2026. 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, cloud, enterprise 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 services 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 3, 2025. The financial information contained in this release 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 each may be amended from time to time. Cisco's results of operations for the three months and year ended October 25, 2025 are not necessarily indicative of Cisco's operating results for any future periods. Any projections in this release 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 this release.