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]
Q2FY26 Earnings Results Conference Call
Wednesday, February 11, 2026

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 third quarter and fiscal year 2026. These statements are subject to risks and uncertainties detailed in our SEC filings, particularly our most recent 10-K and 10-Q reports 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.

Q2 was a very strong quarter, with revenue and earnings per share both growing double digits and coming in above the high end of our guidance ranges. We delivered record revenue in Q2, putting Cisco on track to deliver our strongest year yet as indicated in our guidance for the full year.

In Q2, total revenue growth accelerated to 10% year over year, with product revenue up 14%, driven by robust demand for 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 11%, which continued to grow faster than revenue.

This strong performance allowed us to return $3 billion in capital to shareholders in the quarter, bringing the total value returned year-to-date to $6.6 billion. Today, we also announced an increase to Cisco's dividend, demonstrating our commitment to returning value to shareholders through consistent capital returns.

Our innovation engine is firing on all cylinders and our commitment to customers has never been stronger. Last week, Cisco hosted its AI Summit, gathering AI visionaries and geopolitical experts to explore the economic, societal, and business impacts of AI. While it was clear that expectations for adoption and execution are high, one major challenge still exists: legacy infrastructure was not designed for the performance, speed, and security needs of AI.

Our strong first half of FY26 demonstrates both the power of our portfolio and the fundamental role we play in this once-in-a-generation transition. With our industry-leading networking portfolio—powered by Silicon One, AI-native security solutions, and operating systems—Cisco is well positioned to provide the critical infrastructure needed for the AI era.

I'd also like to address the recent, significant increases in memory prices across the market. Leveraging our industry-leading supply chain team, we are proactively implementing three key strategies. First, we have already announced price increases and will continue to monitor market trends and make additional adjustments as necessary. Second, we are revising contractual terms with channel partners and customers to address evolving component prices. Third, Cisco's operating scale and industry-leading position help us negotiate favorable terms and secure supply to fulfill current and future demand. Overall, we feel confident in our ability to manage this industry-wide dynamic better than our peers.

Now, let me comment on the strong **demand** we saw in Q2.

Overall, total product orders grew 18% year-over-year, even on top of double-digit growth in Q2 FY25. Excluding hyperscalers, product orders were up 10% year-over-year, demonstrating the broad-based demand we see for our technology globally.

Enterprise product orders were up 8% year-over -year in Q2, with strength across our entire networking portfolio.

Public Sector orders were up 11% year-over-year, with double-digit growth across all geographies.

Product orders **from Service Provider and Cloud** customers accelerated in Q2, growing 65%, driven by triple-digit order growth across hyperscalers. We also saw continued growth from telco and cable customers in Q2, with orders up almost 20% on a combined basis.

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

Growth in **Networking** product orders continued to accelerate, reaching more than 20% in Q2, and marking the sixth consecutive quarter of double-digit growth, driven by service provider routing, data center switching, campus switching, wireless, servers, and industrial IoT products.

Within our **campus networking** portfolio, we are seeing strong demand for our next generation switching, routing, and wireless products which continue to ramp faster than prior product launches. We are delivering AI-native capabilities across these products, including weaving security into the fabric of the network, and modernizing the operational stack of campus networks. These new capabilities, combined with an installed base representing tens of billions of dollars across early Catalyst generations nearing end of support, underpin the multi-year, multi-billion-dollar refresh opportunity for Cisco.

We continue to see strong demand for our Industrial IoT portfolio which has now grown double digits for seven consecutive quarters. This demand is 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 totaled $2.1B in Q2, compared to $1.3 billion just last quarter, and equal to the total orders taken in all of FY25, marking another significant acceleration in growth across our silicon, systems and optics.

We shipped our one-millionth Silicon One chip in Q2, and plan to deploy our Silicon One architecture across our high-performance networking systems by FY29. Just this week, at Cisco Live Amsterdam, we introduced our 102.4 terabits-per-second G300 chip, positioning Cisco in an exclusive group of silicon providers delivering over 100 terabits-per-second switching speeds.

In addition, we launched four new systems powered by G300. The Cisco 8000 and Nexus 9K 102.4T systems offer flexible air-cooled options for traditional data center architectures, as well as a liquid-cooled option designed for the latest, ground-up facilities. Silicon One's programmability puts Cisco's silicon in a class of its own, capable of adapting to a wide range of use cases and network infrastructure designs. We also announced two new pluggable optics: a 1.6 terabits-per-second OSFP and an 800G LPO, both built with Cisco Silicon Photonics technology, delivering greater efficiency and reliability in high-performance AI infrastructure.

Acacia reported its strongest quarter to date, with triple-digit growth in bookings. All major hyperscalers are deploying its market-leading coherent pluggable optics for data center interconnect and scale-across use cases. We see growth in both 400G and 800G coherent optics and transponder shipments, with 800G pluggables ramping significantly.

Given this strong demand for our Silicon One systems and optics, we now expect to take AI orders in excess of $5B and to recognize over $3B in AI infrastructure revenue from hyperscalers in FY26.

Beyond hyperscalers, we have a *separate* AI opportunity across neocloud, sovereign, and enterprise customers. We took $350M in AI orders from these customers in Q2 and have a growing pipeline in excess of $2.5 billion for our high-performance AI infrastructure portfolio.

We continue to develop our strategic partnerships to capture this opportunity.

In Q2, we announced plans to form a joint venture with AMD and HUMAIN to deliver up to 1 gigawatt of AI infrastructure by 2030. This joint venture expects to begin operations this calendar year with a plan to build out 100 megawatts in Saudi Arabia as phase 1 of the project.

We are seeing strong interest from European customers in our Sovereign Critical Infrastructure Portfolio, designed to operate in air-gapped, on-prem environments giving organizations control over sensitive data and critical infrastructure. As AI adoption accelerates, concerns over privacy, data governance, and regulatory compliance are top of mind for our customers, making sovereign solutions an essential foundation for building digital trust.

Now shifting to **Security**. In Q2, we continued to see order growth across our new and refreshed products, which represent roughly one-third of our security portfolio and include Secure Access, XDR, Hypershield, AI Defense, and refreshed firewalls. Excluding the refreshed firewalls, over 1,000 new customers purchased these products in Q2, representing more than 100% growth quarter over quarter and bringing the total of net new customers since launch to roughly 4,000. We have also seen three consecutive quarters of double-digit growth in the number of firewalls ordered.

For Secure Access specifically, we booked over 2.5M users in Q2 and more than 50% of added customers were new logos. As the adoption of AI tools grow and agentic AI increases at the network edge, we expect to see continued momentum in our SASE business, including Secure Access and SD-WAN.

As mentioned in prior quarters, growth in our new and refreshed portfolio continues to be offset by a decline in our prior generation portfolio.

Turning to Splunk; we saw a similar trend in Q2 as seen in Q1, with continued acceleration to cloud subscriptions and fewer on-premise deals. While this shift is creating a drag on revenue growth which we expect to continue in the second half of FY26, cloud subscriptions enable greater adoption, expansion, and faster delivery of innovation to customers, so overall we are pleased with this transition. Splunk also continued to win new customers in Q2 – reaching 500 new logos for the first half of FY26 – and is on track to add 1,000 new logos for the year.

We are accelerating our innovation across our offerings both *for* and *with* AI. At Cisco Live Amsterdam this week, we unveiled major AI Defense and SASE advancements to help secure organizations as AI agents enter the workforce. AI

Defense can now scan models and repositories for vulnerabilities and provide an AI bill of materials for centralized governance. In Cisco SASE, we launched a new Semantic Inspection Engine that can evaluate the intent of agentic interactions and block sophisticated, context-dependent threats.

We are also making AgenticOps the operating model for AI-driven IT to enable autonomous troubleshooting, continuous optimization, and trusted validation. We are deploying AI agents that work hand in hand with human administrators within our product dashboards, AI Assistants and AI Canvas.

We continue to make AI advancements internally, with expanded use cases in Q2 across nearly every organization. Today, the majority of our product developers are using AI Coding Assistants and working alongside agents which helps us innovate faster across our portfolio. Currently, over 90% of Customer Experience support cases are touched by AI and automation, enabling us to resolve a greater proportion of complex cases within one day and contributing to our highest-ever customer satisfaction scores. Additional use cases across Sales, Security & Trust, Supply Chain and corporate functions are also providing significant cost savings and efficiency gains.

To summarize:

- We see strong demand for our solutions across all customer markets and geographies, solidifying Cisco's role in providing the critical infrastructure needed for this once-in-a-generation transition;
- The value of our innovation is exemplified by Silicon One, which positions Cisco for the broadest range of AI deployments, even the most technologically challenging, and
- With over 40 years of customer trust and global scale, Cisco is committed to leading in the AI era to drive breakthrough innovation, manage complexity and risk, and deliver faster business outcomes to customers globally.

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

Mark Patterson

Thanks Chuck.

We delivered another strong quarter with record revenue in Q2 and both operating margin and earnings per share coming in above the high-end of our guidance. For the quarter, total revenue was $15.3B, up 10% year over year. Non-GAAP net income was $4.1B, up 10%, and non-GAAP earnings per share was $1.04, up 11%, demonstrating continuing operating leverage, with non-GAAP earnings per share growing faster than revenue.

Looking at our Q2 revenue in more detail:

- Total product revenue was $11.6B, up 14% and services revenue was $3.7B, down 1% year over year.
- Networking was again the standout with growth of 21%, driven by AI infrastructure and Campus refresh. We saw double digit growth in Campus Switching, Data Center Switching, Wireless, Service Provider Routing, Enterprise Routing and Compute.
- Security was down 4%, reflecting similar dynamics discussed last quarter with declines in prior generation products and the transition in our Splunk business from on-premise deals to cloud subscriptions, partially offset by growth in new and refreshed products.
- Collaboration posted solid growth of 6% led by double digit growth in Devices as well as growth in CPaaS, WebEx, and Cloud Contact Center.

Looking at our recurring metrics:

- Total RPO was $43.4B, up 5%. Product RPO grew 8%, of which the long-term portion was $11.8B, up 11%.
- Total ARR ended the quarter at $31.0B, an increase of 3%, with product ARR growth of 6%.
- Total subscription revenue was $7.8B and represented 51% of Cisco's total revenue.
- Total software revenue was $5.7B, up 2%.

Q2 product orders were up 18% year over year. Product orders were up double digits across all geographic segments, with Americas up 23%, EMEA up 11% and APJC up 15%. Product orders were also up across all customer markets with Service Provider & Cloud up 65%, Public Sector up 11%, and Enterprise up 8%.

Total non-GAAP gross margin came in at 67.5%, down 120 basis points year-over-year. Non-GAAP product gross margin was 66.4%, down 130 basis points, primarily driven by negative impacts from mix and higher memory costs, partially offset by productivity improvements. Non-GAAP services gross margin was 70.9%, down 70 basis points.

We continue our focus on enhancing profitability and driving financial discipline, with non-GAAP operating margin at 34.6%, 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 Q2 with total cash, cash-equivalents, and investments of $15.8B. Operating cash flow was $1.8B, down 19%, due to the final transition tax payment of $2.3 billion from the 2017 Tax Cuts and Jobs Act and continued investments to meet growing overall demand as well as specifically for AI infrastructure.

From a capital allocation perspective, we returned $3.0B to our shareholders during the quarter, comprised of $1.6B for our quarterly cash dividend and $1.4B of share repurchases with $10.8B remaining under our share repurchase program.

Given the confidence we have in our business and the strength of our ongoing cash flows, today we announced we are raising our dividend by 1 penny to 42 cents per quarter. This dividend increase demonstrates our commitment to returning a minimum of 50% of free cash flow annually to our shareholders.

To summarize, we had another quarter with top and bottom-line performance exceeding our expectations – driven by strong order growth and robust 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 our commitment to 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 Q3 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.

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 Q3, our guidance is as follows:

- We expect revenue to be in the range of $15.4 billion to $15.6 billion
- We anticipate non-GAAP gross margin to be in the range of 65.5% to 66.5%
- 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 $1.02 to $1.04
- We are assuming a Non-GAAP effective tax rate of approximately 19%

Cisco is positioned for its strongest year ever as indicated in our guidance for fiscal year 26, which is as follows:

- We expect revenue to be in the range of $61.2 billion to $61.7 billion
- Non-GAAP earnings per share is expected to range from $4.13 to $4.17

Sami Badri - CLOSING

- Cisco’s next quarterly call, which will outline our third quarter FY2026 results, will be on Wednesday, May 13, 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 our belief in our unique position to deliver the trusted infrastructure needed to securely and confidently power the AI-era, continuing to drive profitability by exercising financial discipline, and the strong, broad-based demand for our technology solutions as we remain focused on capturing the significant opportunities ahead) and the future financial performance of Cisco (including the guidance for Q3 FY 2026 and full year FY 2026) that involve risks and uncertainties, such as the actual impact of tariffs on our guidance for Q3 FY 2026 and full year FY 2026. 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 reports on Forms 10-Q and 10-K filed on November 18, 2025 and 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 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 24, 2026 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.