



# Q3 Fiscal Year 2019

Conference Call

May 15, 2019

## 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](http://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 FY2019 Highlights

- Delivered strong revenue, margins, non-GAAP earnings growth, and operating cash flow
- We had another strong quarter demonstrating our ability to execute despite ongoing uncertainty in both macro and geopolitical environments
- Cisco is fundamentally changing the way our customers approach their technology infrastructure to help them address the rising complexity in their IT environments
- Completed the most comprehensive enterprise networking portfolio refresh in our history across wired and wireless with our newest Catalyst 9000 family additions
- Strong momentum in Security with another quarter of double-digit growth driven by world-class security portfolio
- Executed well on our strategic priorities to drive profitable growth, accelerate differentiated innovation, and transformation to more software and subscriptions

# Financial Overview

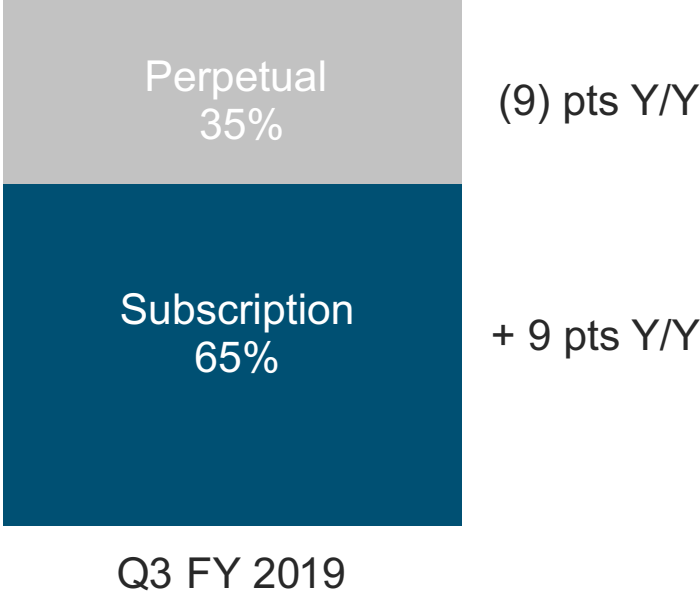
# Q3 FY 2019 Revenue Highlights

Product Category	\$M	Y/Y*
Infrastructure Platforms	\$7,545	5%
Applications	1,431	9%
Security	707	21%
Other Products	39	3%
Services	3,236	3%
<b>Total Cisco</b>	<b>\$12,958</b>	<b>6%</b>

\*Year over year growth normalized to exclude the Service Provider Video Software Solutions (SPVSS) business for Q3 FY2018, which was divested during Q2 FY2019 on October 28, 2018. SPVSS business revenue was \$219 million for Q3 FY 2018.

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

# Subscriptions as a % of Software Revenue



Normalized to exclude the SPVSS business for Q3 FY2018, which was divested during Q2 FY2019 on October 28, 2018. Amounts may not sum and percentages may not recalculate due to rounding.

# Q3 FY 2019 Product Orders

Total Cisco: 4% Y/Y\*

Geographic Region	Y/Y*
Americas	0%
EMEA	9%
APJC	6%

Customer Segment	Y/Y*
Enterprise	9%
Public Sector	10%
Commercial	5%
Service Provider	(13%)

\*Year over year growth normalized to exclude the SPVSS business for Q3 FY2018, which was divested during Q2 FY2019 on October 28, 2018.



# Q3 FY 2019 Revenue and Total Gross Margin

\$M (except percentages)	Revenue			Total Gross Margin %		
	Q3 FY'18	Q2 FY'19	Q3 FY'19	Q3 FY'18	Q2 FY'19	Q3 FY'19
Americas	\$7,067	\$7,352	\$7,695	65.3%	65.2%	65.6%
EMEA	3,200	3,223	3,356	64.3%	64.2%	64.5%
APJC	1,977	1,872	1,907	62.1%	59.2%	60.7%
<b>Geographic Total</b>	<b>\$12,244</b>	<b>\$12,446</b>	<b>\$12,958</b>	<b>64.5%</b>	<b>64.1%</b>	<b>64.6%</b>

Revenue and gross margin data exclude the SPVSS business for all periods. SPVSS business revenue for Q3 FY2018 and Q2 FY2019 was \$219 million and \$0 million, respectively. The SPVSS business was divested during Q2 FY2019 on October 28, 2018.

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# Q3 FY 2019 GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	Q3 FY 2018	Q2 FY 2019	Q3 FY 2019
Revenue <sup>(1)</sup>	\$12,463	\$12,446	\$12,958
<i>Year/Year Change</i>	4%	5%	4%
Product	\$9,304	\$9,273	\$9,722
Service	\$3,159	\$3,173	\$3,236
Gross Margin	62.3%	62.5%	63.1%
Product Gross Margin	61.0%	61.0%	62.0%
Service Gross Margin	65.8%	66.6%	66.3%
Operating Expenses	\$4,625	\$4,562	\$4,660
OPEX (% of Revenue)	37.1%	36.7%	36.0%
Operating Income (% of Revenue)	25.1%	25.8%	27.1%
Net Income	\$2,691	\$2,822	\$3,044
<i>Year/Year Change</i>	7%	NM*	13%
Earnings per Share	\$0.56	\$0.63	\$0.69
<i>Year/Year Change</i>	12%	NM*	23%

\*NM – Not meaningful

<sup>(1)</sup> Includes SPVSS business revenue for Q3 FY2018 and Q2 FY2019 of \$219 million and \$0 million, respectively. The SPVSS business was divested during Q2 FY2019 on October 28, 2018.

# Q3 FY 2019 Non-GAAP Income Statement Details

\$M (except per-share amounts and percentages)	Q3 FY 2018			Q3 FY 2019			Y/Y Change Excluding SPVSS Business
	Total Cisco	SPVSS Business	Excluding SPVSS Business	Total Cisco	SPVSS Business	Excluding SPVSS Business	
Revenue	\$12,463	\$219	\$12,244	\$12,958	-	\$12,958	6%
Gross Margin	63.9%	30.4%	64.5%	64.6%	-	64.6%	0.1pts
Operating Expenses	\$4,045	\$61	\$3,984	4,204	-	4,204	6%
OPEX (% of Revenue)	32.5%	28.1%	32.5%	32.4%	-	32.4%	-0.1pts
Operating Income	\$3,925	\$5	\$3,919	\$4,166	-	\$4,166	6%
Operating Income (% of Revenue)	31.5%	2.4%	32.0%	32.2%	-	32.2%	0.2pts
Net Income	\$3,195	\$4	\$3,191	\$3,454	-	\$3,454	8%
EPS (diluted)	\$0.66	\$0.00	\$0.66	\$0.78	-	\$0.78	18%

The SPVSS business was divested during Q2 FY2019 on October 28, 2018.

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# Q3 FY 2019 Key Financial Measures

\$M	Q3 FY 2018	Q2 FY 2019	Q3 FY 2019
Cash, Cash Equivalents and Investments	\$54,431	\$40,383	\$34,643
Operating Cash Flow <sup>(1)</sup>	\$2,416	\$3,797	\$4,329
Accounts Receivable	\$4,274	\$3,745	\$3,795
Inventory	\$1,900	\$1,701	\$1,513
Deferred Revenue:	\$18,953	\$17,261	\$17,456
Service Deferred Revenue	\$10,960	\$11,246	\$11,297
Product Deferred Revenue	\$7,993	\$6,015	\$6,159

<sup>(1)</sup> Operating cash flow for Q3 FY 2018 and Q2 FY 2019 included the payment of \$1.3 billion of one-time foreign taxes and \$750 million for a transition tax payment, respectively, as related to the enactment of Tax Cuts and Jobs Act.

# Q3 FY 2019 Capital Allocation

<b>Total Capital Allocation</b>	
Share Repurchases (\$M)	\$6,020
Dividends Paid (\$M)	1,519
<b>Total</b>	<b>\$7,539</b>
Quarterly Dividends Per Share	\$0.35

<b>Share Repurchases</b>	
Amount Purchased (\$M)	\$6,020
Number of Shares (M)	116
Avg. Price Per Share	\$52.14

*Approximately \$18.0B remaining authorized funds in repurchase program as of the end of Q3 FY 2019.*

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 our customers' confidence in our strategy, business model and market-leading portfolio, our ability to build the technology to help our customers achieve their business objectives, our investment in our innovation pipeline to drive long-term profitable growth, our ability to successfully evolve our business model through software offerings and subscriptions and our ability to deliver value 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; cyber-attacks, data breaches or malware; vulnerabilities and critical security defects; 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 19, 2019 and September 6, 2018, 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 10Q 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 27, 2019 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.

# Supplemental Materials



# SP Video Software Solutions Business

## Historical Financial Information<sup>(1)</sup>

\$M (except per-share amounts)	Q1 FY 2018	Q2 FY 2018	Q3 FY 2018	Q4 FY 2018	Q1 FY 2019
Revenue	\$248	\$230	\$219	\$206	\$168
Gross Margin	\$68	\$92	\$66	\$89	\$61
Operating Expenses	\$67	\$64	\$61	\$59	\$59
Operating Income	\$1	\$28	\$5	\$30	\$1
Net Income	\$1	\$22	\$4	\$24	\$1
EPS (diluted)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

<sup>(1)</sup>Stand-alone financial information is unaudited. SPVSS business was divested during Q2 FY 2019 on October 28, 2018.

Amounts may not recalculate due to rounding.