



# Q4 Fiscal Year 2019

Conference Call

August 14, 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

# Q4 FY 2019 Highlights

- Delivered strong revenue and continued to generate healthy margins, cash flow and returns for our shareholders
- Executed well through a dynamic environment, delivered significant innovation across our entire portfolio, and continued our business model transition with software subscriptions at 70% of total software revenue
- Our technology is fundamentally redefining IT architectures to help our customers manage the complexities of a multi-cloud world and transform for the future
- Confident about our unique position in the market and the tremendous opportunity in front of us

# Financial Overview

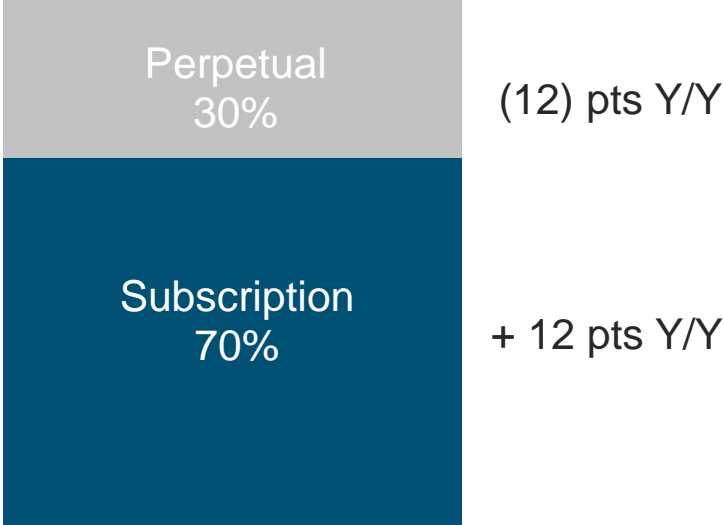
# Q4 FY 2019 Revenue Highlights

Product Category	\$M	Y/Y*
Infrastructure Platforms	\$7,876	6%
Applications	1,487	11%
Security	714	14%
Other Products	42	(4%)
Services	3,308	4%
<b>Total Cisco</b>	<b>\$13,428</b>	<b>6%</b>

\*Year over year growth normalized to exclude the Service Provider Video Software Solutions (SPVSS) business for Q4 FY2018, which was divested during Q2 FY2019 on October 28, 2018. SPVSS business revenue was \$206 million for Q4 FY 2018.

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

# Subscriptions as a % of Software Revenue



Q4 FY 2019

Normalized to exclude the SPVSS business for Q4 FY2018, which was divested during Q2 FY2019 on October 28, 2018. Amounts may not sum and percentages may not recalculate due to rounding.

# Q4 FY 2019 Revenue and Total Gross Margin

\$M (except percentages)	Revenue			Total Gross Margin %		
	Q4 FY'18	Q3 FY'19	Q4 FY'19	Q4 FY'18	Q3 FY'19	Q4 FY'19
Americas	\$7,463	\$7,695	\$8,129	64.6%	65.6%	66.8%
EMEA	3,094	3,356	3,297	63.6%	64.5%	65.2%
APJC	2,082	1,907	2,002	57.7%	60.7%	60.8%
<b>Geographic Total</b>	<b>\$12,638</b>	<b>\$12,958</b>	<b>\$13,428</b>	<b>63.2%</b>	<b>64.6%</b>	<b>65.5%</b>

Revenue and gross margin data exclude the SPVSS business for all periods. SPVSS business revenue for Q4 FY2018 was \$206 million. The SPVSS business was divested during Q2 FY2019 on October 28, 2018.

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# Q4 FY 2019 Product Orders

Total Cisco: 0% Y/Y\*

Geographic Region	Y/Y*
Americas	1%
EMEA	4%
APJC	(8%)

Customer Segment	Y/Y*
Enterprise	(2%)
Public Sector	13%
Commercial	7%
Service Provider	(21%)

\*Year over year growth normalized to exclude the SPVSS business for Q4 FY2018, which was divested during Q2 FY2019 on October 28, 2018.

# Q4 FY 2019 Non-GAAP Income Statement Details

\$M (except per-share amounts and percentages)	Q4 FY 2018			Q4 FY 2019			Y/Y Change Excluding SPVSS Business
	Total Cisco	SPVSS Business	Excluding SPVSS Business	Total Cisco	SPVSS Business	Excluding SPVSS Business	
Revenue	\$12,844	\$206	\$12,638	\$13,428	-	\$13,428	6%
Gross Margin	62.9%	43.2%	63.2%	65.5%	-	65.5%	2.3pts
Operating Expenses	\$4,109	\$59	\$4,050	\$4,410	-	\$4,410	9%
OPEX (% of Revenue)	32.0%	28.7%	32.0%	32.8%	-	32.8%	0.8pts
Operating Income	\$3,973	\$30	\$3,943	\$4,383	-	\$4,383	11%
Operating Income (% of Revenue)	30.9%	14.5%	31.2%	32.6%	-	32.6%	1.4pts
Net Income	\$3,326	\$24	\$3,302	\$3,586	-	\$3,586	9%
EPS (diluted)	\$0.70	\$0.00	\$0.70	\$0.83	-	\$0.83	19%

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

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

# Q4 FY 2019 GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	Q4 FY 2018	Q3 FY 2019	Q4 FY 2019
Revenue <sup>(1)</sup>	\$12,844	\$12,958	\$13,428
<i>Year/Year Change</i>	6%	4%	5%
Product	\$9,642	\$9,722	\$10,120
Service	\$3,202	\$3,236	\$3,308
Gross Margin	61.7%	63.1%	63.9%
Product Gross Margin	60.2%	62.0%	62.9%
Service Gross Margin	66.0%	66.3%	66.8%
Operating Expenses	\$4,576	\$4,660	\$4,884
OPEX (% of Revenue)	35.6%	36.0%	36.4%
Operating Income (% of Revenue)	26.1%	27.1%	27.5%
Net Income <sup>(2)</sup>	\$3,803	\$3,044	\$2,206
<i>Year/Year Change</i>	57%	13%	(42%)
Earnings per Share <sup>(2)</sup>	\$0.81	\$0.69	\$0.51
<i>Year/Year Change</i>	69%	23%	(37%)

<sup>(1)</sup> Includes SPVSS business revenue for Q4 FY2018 of \$206 million. The SPVSS business was divested during Q2 FY2019 on October 28, 2018.

<sup>(2)</sup> GAAP results for Q4 FY2019 and Q4 FY2018 include a \$0.9 billion charge and \$0.9 billion benefit, respectively, related to the Tax Cuts and Jobs Act.

# Q4 FY 2019 Key Financial Measures

\$M	Q4 FY 2018	Q3 FY 2019	Q4 FY 2019
Cash, Cash Equivalents and Investments	\$46,548	\$34,643	\$33,413
Operating Cash Flow	\$4,100	\$4,329	\$3,942
Accounts Receivable	\$5,554	\$3,795	\$5,491
Inventory	\$1,846	\$1,513	\$1,383
Deferred Revenue:	\$19,685	\$17,456	\$18,467
Service Deferred Revenue	\$11,431	\$11,297	\$11,709
Product Deferred Revenue	\$8,254	\$6,159	\$6,758

# Q4 FY 2019 Capital Allocation

Total Capital Allocation	
Share Repurchases (\$M)	\$4,515
Dividends Paid (\$M)	1,490
Total	\$6,005
Quarterly Dividends Per Share	\$0.35

Share Repurchases	
Amount Purchased (\$M)	\$4,515
Number of Shares (M)	82
Avg. Price Per Share	\$54.99

*Approximately \$13.5B remaining authorized funds in repurchase program as of the end of Q4 FY 2019.*

# FY 2019 Non-GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	FY 2018	FY 2019
Revenue	\$48,428	\$51,737
<i>Year/Year Change</i>	3%	7%
Product	\$35,907	\$38,859
Service	\$12,521	\$12,879
Gross Margin	64.3%	64.6%
Product Gross Margin	63.3%	63.7%
Service Gross Margin	67.3%	67.2%
Operating Expenses	\$15,855	\$16,703
OPEX (% of Revenue)	32.7%	32.3%
Operating Income (% of Revenue)	31.6%	32.3%
Net Income	\$12,650	\$13,787
<i>Year/Year Change</i>	5%	9%
Earnings per Share (diluted)	\$2.59	\$3.10
<i>Year/Year Change</i>	9%	20%

Excludes SPVSS business revenue for FY2018 and FY2019 of \$903 million and \$168 million, respectively. The SPVSS business was divested during Q2 FY2019 on October 28, 2018.

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

# FY 2019 GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)

	FY 2018	FY 2019
Revenue	\$49,330	\$51,904
<i>Year/Year Change</i>	3%	5%
Product	\$36,709	\$39,005
Service	\$12,621	\$12,899
Gross Margin	62.0%	62.9%
Product Gross Margin	60.7%	61.9%
Service Gross Margin	66.0%	66.1%
Operating Expenses	\$18,297	\$18,447
OPEX (% of Revenue)	37.1%	35.5%
Operating Income (% of Revenue)	25.0%	27.4%
Net Income <sup>(1)</sup>	\$110	\$11,621
<i>Year/Year Change</i>	NM	NM
Earnings per Share (diluted) <sup>(1)</sup>	\$0.02	\$2.61
<i>Year/Year Change</i>	NM	NM

\*NM – Not meaningful

Includes SPVSS business revenue for FY2018 and FY2019 of \$903 million and \$168 million, respectively. The SPVSS business was divested during Q2 FY2019 on October 28, 2018.

<sup>(1)</sup> GAAP results for FY2018 include an \$10.4 billion charge related to the enactment of the Tax Cuts and Jobs Act.

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 ability to deliver tremendous innovation across our portfolio and extend our market leadership, our ability to provide our customers ongoing value through differentiated solutions, our ability to take advantage of the long-term growth opportunities ahead, the transformation of our business model with software subscriptions, and our investments in key strategic areas to position Cisco for long-term growth and shareholder value) 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 May 21, 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 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 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.