



Q2 Fiscal Year 2020

Conference Call

February 12, 2020

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 filing 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

Q2 FY 2020 Highlights

- Overall Q2 results were consistent with our expectations
- Confident in long-term growth opportunities...focused on driving innovation and delivering technology our customers need most in the ways they want to consume it
- Secular growth trends of 5G, Wi-Fi 6, 400G, and the shift to the cloud remain, and we expect to benefit from them
- Continue to make progress in our business model shift...72% of our software now sold as a subscription
- Increased our quarterly dividend by \$0.01 per share, up 3%, reinforcing our commitment to returning capital to shareholders and our confidence in the strength and stability of our ongoing cash flows

Financial Overview

Q2 FY 2020 Revenue and Total Gross Margin

\$M (except percentages)	Revenue			Total Gross Margin %		
	Q2 FY'19	Q1 FY'20	Q2 FY'20	Q2 FY'19	Q1 FY'20	Q2 FY'20
Americas	\$7,352	\$7,977	\$7,013	65.2%	66.6%	66.9%
EMEA	3,223	3,283	3,134	64.2%	66.0%	65.8%
APJC	1,872	1,899	1,859	59.2%	62.9%	65.6%
Geographic Total	\$12,446	\$13,159	\$12,005	64.1%	65.9%	66.4%

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.

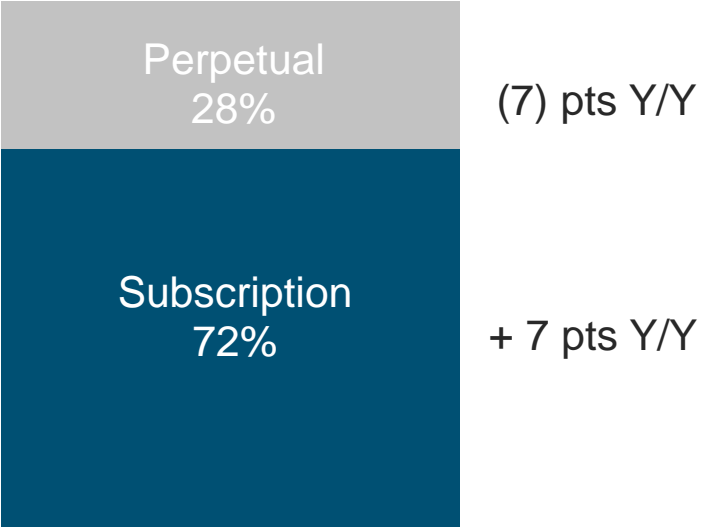
Amounts may not sum and percentages may not recalculate due to rounding.

Q2 FY 2020 Revenue Highlights

Product Category	\$M	Y/Y
Infrastructure Platforms	\$6,528	(8%)
Applications	1,349	(8%)
Security	748	9%
Other Products	46	110%
Services	3,334	5%
Total Cisco	\$12,005	(4%)

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

Subscriptions as a % of Software Revenue



Q2 FY 2020

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

Q2 FY 2020 Product Orders

Total Cisco: (6%) Y/Y

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

Customer Segment	Y/Y
Enterprise	(7%)
Public Sector	0%
Commercial	(4%)
Service Provider	(11%)

Q2 FY 2020 Non-GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	Q2 FY 2019	Q1 FY 2020	Q2 FY 2020
Revenue	\$12,446	\$13,159	\$12,005
<i>Year/Year Change</i>	7%	2%	(4%)
Product	\$9,273	\$9,878	\$8,671
Service	\$3,173	\$3,281	\$3,334
Gross Margin	64.1%	65.9%	66.4%
Product Gross Margin	62.8%	66.1%	65.9%
Service Gross Margin	67.7%	65.4%	67.7%
Operating Expenses	\$3,975	\$4,260	\$3,931
OPEX (% of Revenue)	31.9%	32.4%	32.7%
Operating Income (% of Revenue)	32.1%	33.6%	33.7%
Net Income	\$3,295	\$3,608	\$3,288
<i>Year/Year Change</i>	6%	5%	0%
Earnings per Share (diluted)	\$0.73	\$0.84	\$0.77
<i>Year/Year Change</i>	16%	12%	5%

Prior period growth rates exclude the divested Service Provider Video Software Solutions (SPVSS) business.

Q2 FY 2020 GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	Q2 FY 2019	Q1 FY 2020	Q2 FY 2020
Revenue	\$12,446	\$13,159	\$12,005
<i>Year/Year Change</i>	5%	1%	(4%)
Product	\$9,273	\$9,878	\$8,671
Service	\$3,173	\$3,281	\$3,334
Gross Margin	62.5%	64.3%	64.7%
Product Gross Margin	61.0%	64.3%	63.9%
Service Gross Margin	66.6%	64.3%	66.6%
Operating Expenses	\$4,562	\$4,885	\$4,384
OPEX (% of Revenue)	36.7%	37.1%	36.5%
Operating Income (% of Revenue)	25.8%	27.2%	28.2%
Net Income	\$2,822	\$2,926	\$2,878
<i>Year/Year Change</i>	NM*	(18%)	2%
Earnings per Share (diluted)	\$0.63	\$0.68	\$0.68
<i>Year/Year Change</i>	NM*	(12%)	8%

*NM – Not meaningful

Q2 FY 2020 Key Financial Measures

\$M	Q2 FY 2019	Q1 FY 2020	Q2 FY 2020
Cash, Cash Equivalents and Investments	\$40,383	\$28,035	\$27,062
Operating Cash Flow	\$3,797	\$3,587	\$3,800
Accounts Receivable	\$3,745	\$4,878	\$4,330
Inventory	\$1,701	\$1,344	\$1,353
Deferred Revenue:	\$17,261	\$18,602	\$18,686
Service Deferred Revenue	\$11,246	\$11,497	\$11,526
Product Deferred Revenue	\$6,015	\$7,105	\$7,160

Capital Allocation

Q2 FY2020 Results

Total Capital Allocation	
Share Repurchases (\$M)	\$870
Dividends Paid (\$M)	1,486
Total	\$2,356
Quarterly Dividends Per Share	\$0.35

Share Repurchases	
Amount Purchased (\$M)	\$870
Number of Shares (M)	18
Avg. Price Per Share	\$46.71

Approximately \$11.8B remaining authorized funds in repurchase program as of the end of Q2 FY 2020.

Going Forward

- Increased quarterly dividend \$0.01, up 3% y/y.
- Represents dividend yield of approximately 2.9%.

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 continue to drive innovation, our long-term growth opportunities as we help our customers build out the networks for the future, the continued strength of our ongoing cash flows and our ability to continue to return 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 November 19, 2019 and September 5, 2019, 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 six months ended January 25, 2020 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.

