



Q4 Fiscal Year 2020

Conference Call

August 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 the Cisco Investor Relations website <https://investor.cisco.com/financial-information/financial-results/default.aspx>

Business Momentum & Key Trends

Q4 FY 2020 Highlights

- We executed well, demonstrating operational resilience based on strong customer relationships, solid financial foundation, differentiated innovation and strategic transformation
- Our teams have shown resilience, determination and compassion as we focus on customers and communities in these challenging times
- Achieved 31% of revenue from software in Q4, with 78% of software revenue sold as subscription
- Strong demand for our Catalyst 9K, Security, Webex and other SaaS-based solutions, as customers shift to remote operations and automation
- Introduced an expanded Business Resiliency portfolio for customers with simpler consumption models and services
- Strongly aligned to customers' priorities, committed to delivering long-term growth and leveraging technology for good

Financial Overview

Q4 FY 2020 Revenue and Total Gross Margin

\$M (except percentages)	Revenue			Total Gross Margin %		
	Q4 FY'19	Q3 FY'20	Q4 FY'20	Q4 FY'19	Q3 FY'20	Q4 FY'20
Americas	\$8,129	\$7,116	\$7,185	66.8%	67.8%	65.6%
EMEA	3,297	3,136	3,106	65.2%	65.7%	64.9%
APJC	2,002	1,730	1,863	60.8%	63.5%	63.2%
Geographic Total	\$13,428	\$11,983	\$12,154	65.5%	66.6%	65.0%

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.

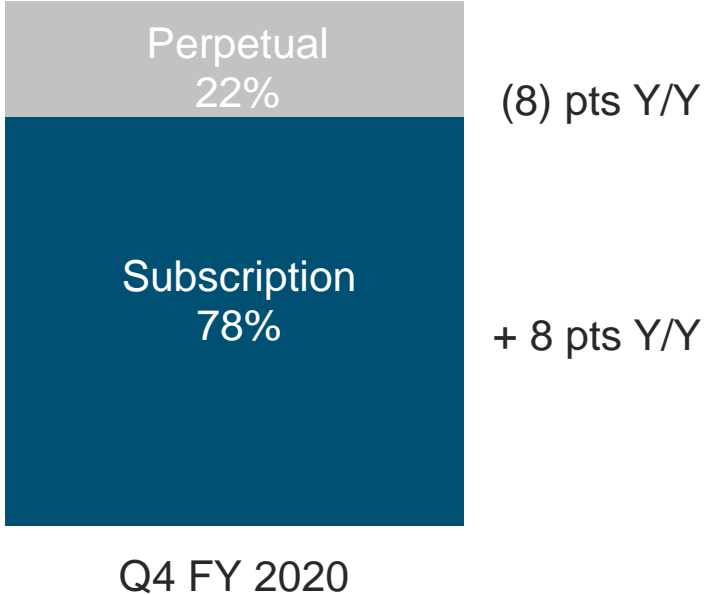
Amounts may not sum and percentages may not recalculate due to rounding.

Q4 FY 2020 Revenue Highlights

Product Category	\$M	Y/Y
Infrastructure Platforms	\$6,626	(16%)
Applications	1,357	(9%)
Security	814	10%
Other Products	35	(17%)
Services	3,322	0%
Total Cisco	\$12,154	(9%)

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Subscriptions as a % of Software Revenue



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Q4 FY 2020 Remaining Performance Obligations

\$M (except percentages)	Q4 FY 2019	Q3 FY 2020	Q4 FY 2020
Product	\$9,603	\$10,386	\$11,261
Y/Y	N/A	25%	17%
Service	\$15,702	\$15,142	\$17,093
Y/Y	N/A	3%	9%
Total RPO	\$25,305	\$25,528	\$28,354
Y/Y	N/A	11%	12%

Q4 FY 2020 Product Orders

Total Cisco: (10%) Y/Y

Geographic Region	Y/Y
Americas	(11%)
EMEA	(6%)
APJC	(13%)

Customer Segment	Y/Y
Enterprise	(7%)
Public Sector	(1%)
Commercial	(23%)
Service Provider	(5%)

Q4 FY 2020 Non-GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	Q4 FY 2019	Q3 FY 2020	Q4 FY 2020
Revenue	\$13,428	\$11,983	\$12,154
<i>Year/Year Change</i>	6%	(8%)	(9%)
Product	\$10,120	\$8,597	\$8,832
Service	\$3,308	\$3,386	\$3,322
Gross Margin	65.5%	66.6%	65.0%
Product Gross Margin	64.7%	65.8%	63.2%
Service Gross Margin	67.9%	68.9%	69.8%
Operating Expenses	\$4,410	\$3,807	\$3,890
OPEX (% of Revenue)	32.8%	31.8%	32.0%
Operating Income (% of Revenue)	32.6%	34.9%	33.0%
Net Income	\$3,586	\$3,368	\$3,394
<i>Year/Year Change</i>	9%	(2%)	(5%)
Earnings per Share (diluted)	\$0.83	\$0.79	\$0.80
<i>Year/Year Change</i>	19%	1%	(4%)

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

Q4 FY 2020 GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	Q4 FY 2019	Q3 FY 2020	Q4 FY 2020
Revenue	\$13,428	\$11,983	\$12,154
<i>Year/Year Change</i>	5%	(8%)	(9%)
Product	\$10,120	\$8,597	\$8,832
Service	\$3,308	\$3,386	\$3,322
Gross Margin	63.9%	64.9%	63.2%
Product Gross Margin	62.9%	63.7%	61.2%
Service Gross Margin	66.8%	67.7%	68.7%
Operating Expenses	\$4,884	\$4,357	\$4,437
OPEX (% of Revenue)	36.4%	36.4%	36.5%
Operating Income (% of Revenue)	27.5%	28.5%	26.7%
Net Income ⁽¹⁾	\$2,206	\$2,774	\$2,636
<i>Year/Year Change</i>	(42%)	(9%)	19%
Earnings per Share (diluted) ⁽¹⁾	\$0.51	\$0.65	\$0.62
<i>Year/Year Change</i>	(37%)	(6%)	22%

⁽¹⁾ GAAP results for Q4 FY2019 include a \$0.9 billion charge related to the Tax Cuts and Jobs Act.

Q4 FY 2020 Key Financial Measures

\$M	Q4 FY 2019	Q3 FY 2020	Q4 FY 2020
Cash, Cash Equivalents and Investments	\$33,413	\$28,574	\$29,419
Operating Cash Flow	\$3,942	\$4,237	\$3,802
Accounts Receivable	\$5,491	\$4,569	\$5,472
Inventory	\$1,383	\$1,212	\$1,282
Deferred Revenue:	\$18,467	\$18,648	\$20,446
Service Deferred Revenue	\$11,709	\$11,423	\$12,551
Product Deferred Revenue	\$6,758	\$7,225	\$7,895

Q4 FY 2020 Capital Allocation

Total Capital Allocation	
Share Repurchases (\$M)	\$ —
Dividends Paid (\$M)	1,525
Total	\$1,525
Quarterly Dividends Per Share	\$0.36

FY 2020 Non-GAAP Income Statement Highlights

\$M (except per-share amounts and percentages)	FY 2019	FY 2020
Revenue	\$51,737	\$49,301
<i>Year/Year Change</i>	7%	(5%)
Product	\$38,859	\$35,978
Service	\$12,879	\$13,323
Gross Margin	64.6%	66.0%
Product Gross Margin	63.7%	65.3%
Service Gross Margin	67.2%	67.9%
Operating Expenses	\$16,703	\$15,888
OPEX (% of Revenue)	32.3%	32.2%
Operating Income (% of Revenue)	32.3%	33.8%
Net Income	\$13,787	\$13,658
<i>Year/Year Change</i>	9%	(1%)
Earnings per Share (diluted)	\$3.10	\$3.21
<i>Year/Year Change</i>	20%	4%

Excludes SPVSS business revenue for FY2019 of \$168 million. 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 2020 GAAP Income Statement Highlights

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

	FY 2019	FY 2020
Revenue	\$51,904	\$49,301
<i>Year/Year Change</i>	5%	(5%)
Product	\$39,005	\$35,978
Service	\$12,899	\$13,323
Gross Margin	62.9%	64.3%
Product Gross Margin	61.9%	63.3%
Service Gross Margin	66.1%	66.8%
Operating Expenses	\$18,447	\$18,063
OPEX (% of Revenue)	35.5%	36.6%
Operating Income (% of Revenue)	27.4%	27.6%
Net Income	\$11,621	\$11,214
<i>Year/Year Change</i>	NM	(4%)
Earnings per Share (diluted)	\$2.61	\$2.64
<i>Year/Year Change</i>	NM	1%

*NM – Not meaningful

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

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 continued execution of our strategy to shift to revenue coming from software and services, the strength of our portfolio of software and services to continue to resonate with customers as they digitize their organizations, our ability to successfully rebalance our R&D investments to focus on new areas so that we can continue to offer customer relevant technology in simpler, consumable ways, our continued ability to deliver long term growth and shareholder value, and future responses to and effects of the COVID-19 pandemic) 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: the impact of the COVID-19 pandemic; 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; any other 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 18, 2020 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 months and the year ended July 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.

