

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]  
Q3FY26 Earnings Results Conference Call  
Wednesday, May 13, 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. Today's call is also being livestreamed on [YouTube](#) & [LinkedIn](#). Following this call, we will also make the recorded webcast and slides available on our 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 fourth 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.

Q3 was a great quarter for Cisco with our momentum accelerating and revenue and earnings per share both growing double-digits and coming in above the high-end of our guidance ranges.

We delivered record revenue of \$15.8 billion in Q3, up 12% year-over-year. Product revenue was up 17%, once again driven by robust demand for our AI Infrastructure and campus networking solutions.

Our record top-line performance, combined with operating efficiencies and outstanding execution by our teams, allowed us to deliver non-GAAP EPS growth of 10%, demonstrating the effectiveness of the initiatives we outlined last quarter to mitigate memory price increases across the market.

We believe the trust our customers and partners place in us has never mattered more, and our technology is more relevant than ever in the AI era. As a result, we saw **record high demand** in Q3.

Overall, total product orders grew 35% year-over-year. Excluding hyperscaler orders, which grew triple digits, product orders were up 19% year-over-year, demonstrating the continued, broad-based demand we see for our technology globally.

**Enterprise** product orders were up 18% year-over-year in Q3, with strength across our entire networking portfolio.

**Public Sector** orders were up 27% year-over-year, with double-digit growth across all geographies.

Product orders from **Service Provider and Cloud** customers accelerated in Q3, growing 105% year-over-year, with five of the top hyperscalers each growing in triple digits. We also saw solid growth from telco customers in Q3, with orders up 9%. Telcos are investing in Cisco technology as they prepare their networks to handle the scale, speed, and complexity of AI.

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

**Networking** product orders continued to accelerate, growing more than 50% in Q3, driven by triple-digit growth in service provider routing and compute, and double-digit growth in data center switching, campus switching, wireless, enterprise routing and industrial IoT products. This marks the seventh consecutive quarter of double-digit growth for our networking portfolio overall.

**AI infrastructure orders taken from hyperscalers** totaled \$1.9B in Q3, compared to \$600 million in the year prior, with strong growth across our Silicon One systems and market leading Acacia optics. The year-to-date total of \$5.3B in orders taken from hyperscalers already exceeds our prior expectation of \$5B for FY26, with a full quarter remaining.

Given this strong demand, we now expect to take AI infrastructure orders of approximately \$9B from hyperscalers in FY26 – 4.5 times our FY25 total. We expect to recognize approximately \$4B in AI infrastructure revenue from hyperscalers in FY26.

Our **Acacia** business had its strongest quarter to date with more than \$1B in orders in Q3 and is on track to grow over 200% year-over-year in FY26. Acacia is leading the coherent pluggable optics market, and we see strong momentum across this business. To date, we have shipped over 750,000 400G, and over 40,000 800G coherent pluggable optics, which we believe far exceeds the next largest supplier's shipments for both speeds.

We had five new design wins with hyperscalers in Q3 – two for optics each with different hyperscalers, and three for systems, including the first two wins for our Silicon One P200-powered system for major scale-across use cases, and a Silicon One G200-powered system for a scale-out use case.

Separately, we took approximately \$300M in AI infrastructure orders from neocloud, sovereign and enterprise customers in Q3. We have seen triple-digit year-over-year order growth in each quarter of FY26, with approximately \$900M in orders taken year to date, and we have a growing pipeline of approximately \$3B for our high-performance AI infrastructure portfolio across these customers. Enterprise data center switching orders grew more than 40% year-over-year and have now grown double digits seven of the past nine quarters. We believe the AI infrastructure opportunity in Enterprise is continuing to ramp as Nexus switch orders tagged for AI deployments were up almost 50% sequentially in Q3.

Within **campus networking**, we had record orders in Q3, growing more than 25% year-over-year. We are seeing exceptionally strong demand for our next-generation switching, routing, and wireless portfolio which continues to ramp faster than prior product launches.

We reported our highest ever **Wireless** orders this quarter, growing more than 40% year-over-year. Customers are upgrading to modern Wi-Fi, evidenced by strong double-digit sequential growth in orders for Wi-Fi 7, making up half of the wireless mix in Q3.

Research conducted recently with around 3,500 technology leaders across global enterprises confirms increased urgency to modernize campus and branch networks. With traffic across these networks expected to increase 3x over the next three years because of AI, 93% of respondents are accelerating their network modernization plans. These findings support our belief that we are still at the start of a multi-year, multi-billion-dollar campus refresh opportunity.

The strong demand we see for our technology is driven by our ability to deliver AI-native capabilities across our products, including weaving security into the fabric of the network, and modernizing the operational stack of campus networks. Many of the world's leading companies are investing in Cisco's secure networking solutions for the high-performance connectivity, automated management, and robust security they need to scale their AI initiatives.

Our **Cisco Unified Edge** solution is also gaining traction and we've already booked a single enterprise deal for over 1,200 units. Unified Edge brings together compute, networking, security, storage, and software to run AI applications at the edge, where data is generated and decisions are made.

Our **Industrial IoT** portfolio also reported its strongest quarter ever in Q3 and has now grown in double digits for 8 consecutive quarters. We expect this demand to continue with the onshoring of manufacturing to the United States, and as agentic and physical AI are expected to drive massive increases in network traffic.

Now shifting to **Security**. In Q3, our core Security portfolio, excluding Splunk, saw double-digit order growth across new and refreshed products, with strong double digit order growth year-over-year in firewalls. Additionally, over 1,000 new customers purchased our new products including Secure Access, XDR, Hypershield, and AI Defense in Q3, bringing the total of net-new customers to approximately 5,000 since launch.

The decline in our prior generation portfolio continues to offset the growth in our new and refreshed portfolio but to a lesser extent than in the first half of the year.

**Turning to Splunk;** as expected, we continued to see an acceleration in the shift to cloud subscriptions and away from on-premise deals, creating a near-term drag on revenue growth as we've previously outlined. We expect the mix of cloud business to continue to grow in Q4, while we are on track to exceed our target of 1000 new customer logos for Splunk in FY26.

AI is accelerating the pace of innovation for security defenders and adversaries, and we are innovating with speed and scale to help create an asymmetrical advantage for defenders.

In March, we announced a major expansion of our Secure AI Factory with NVIDIA, giving customers a framework for deploying AI across their entire infrastructure – from data centers to local sites – eliminating the need to stitch together disconnected systems and embedding security from the start.

We have also introduced several new security innovations designed to protect the entire AI lifecycle. **DefenseClaw** is an open-source solution that helps customers safely deploy agents using common frameworks such as OpenClaw, by enforcing guardrails and protecting against malicious behavior and attacks.

To deliver an integrated Zero Trust solution for the agentic workforce, we introduced Zero Trust Access for AI Agents and recently announced our intent to acquire Galileo and Astrix to expand our security and observability platform to include agentic identity, access management, and behavior monitoring.

We also announced new capabilities for the Agentic SOC and observability for AI to help detect and respond to new emerging threats at machine speed and scale.

We are working collaboratively across the industry to help defend against AI-enabled threats and shape next-generation security capabilities. Cisco is a founding member of **Project Glasswing** and is participating in private testing of Anthropic's Claude Mythos Preview model, specifically designed for proactive cybersecurity defense testing. We are also part of OpenAI's Trusted Access for Cyber program.

Building on these initiatives, we announced earlier this week that Cisco is open-sourcing the Foundry Security Spec, a production-grade blueprint for building

scalable agentic security evaluation systems using both available and new AI models. We are providing this blueprint to customers to accelerate their ability to take advantage of agentic AI and stay ahead of adversaries.

**Turning to our innovation in other areas** – Cisco IQ, our unified, AI-powered delivery engine for Cisco Services, is now generally available with more than 250 customers already onboarded. Cisco IQ provides customers with a real-time, benchmarked view of Cisco assets and configurations in their environment, helping to future-proof it against emerging architectural threats.

**We also continue to accelerate AI advancements internally for our teams.** CIRCUIT, our proprietary AI Assistant, is now fully embedded in how Cisco operates, with near-universal adoption across our employee base and over 8 million total quarterly interactions. CIRCUIT leverages a network of advanced third-party AI models, automatically choosing the best engine for every task or letting users make that choice.

As a founding design partner with OpenAI on Codex, our engineers have been using it from the beginning and, as of this week, we have made Codex available to our entire Product organization to enable them to build tools and reimagine new products at unprecedented speed.

Finally, we are also proud of our incredible progress in **Quantum** networking. We recently introduced a working research prototype of the Cisco Universal Quantum Switch designed to route and preserve quantum information between systems, at room temperature and over standard telecom fiber. By building this infrastructure now, we are helping to accelerate the entire quantum ecosystem that will power the data centers of the future.

To ensure we are capturing the significant opportunities in silicon, optics, security, and AI, we announced a **restructuring plan** today to reallocate resources and allow us to invest in these key growth areas. These actions are building from a position of strength and focusing on the technologies that will accelerate our growth, deliver unmatched innovation to customers and partners, and define our future.

To summarize:

- Our innovation pipeline is accelerating and our latest offerings across the portfolio are seeing some of the fastest adoption in our history.

- This is translating to broad-based, record high demand for our technology which has never been more relevant to customers than it is in the AI era.
- This combination, as well as the outstanding execution by our teams, is driving record results and delivering value to shareholders.

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

### **Mark Patterson**

Thanks Chuck.

I'm pleased to report we delivered another strong quarter in Q3, with both revenue and earnings per share coming in above the high-end of our guidance. Total revenue for the quarter was a record at \$15.8B, up 12% year-over-year. Non-GAAP net income was \$4.2B and non-GAAP earnings per share was \$1.06, both up 10%.

Looking at our Q3 revenue in more detail:

- Total product revenue was \$12.1B, up 17% and services revenue was \$3.7B, down 1% year-over-year, mainly driven by the timing of service contract start dates.
- Product revenue growth was led by Networking, with growth accelerating to 25% year-over-year, driven by AI infrastructure and Campus refresh. We saw growth across the portfolio led by double-digit growth in Campus Switching, Data Center Switching, Wireless, and Service Provider Routing.
- Security was flat, reflecting similar dynamics discussed in the last few quarters, with growth in new and refreshed products continuing to be offset by declines in prior generation products and the transition in our Splunk business from on-premise deals to cloud subscriptions.
- Collaboration was down 1% with declines in Webex partially offset by growth in Devices.

Looking at our recurring metrics:

- Total RPO was \$43.5B, up 4%. Product RPO grew 6%
- Total ARR ended the quarter at \$31.2B, an increase of 2%, with product ARR growth of 4%.
- Total subscription revenue was \$7.8B and represented 49% of Cisco's total revenue.

- Total software revenue was \$5.7B, up 1%.

Q3 product orders were up 35% year-over-year, and the strength was broad based. All geographic segments saw double-digit and accelerating product order growth, with Americas up 35%, EMEA up 39% and APJC up 25%. In terms of customer markets, the growth was led by triple-digit growth in Service Provider & Cloud. We also saw strength in Public Sector and Enterprise, which were up 27% and 18%, respectively.

Total non-GAAP gross margin came in at 66.0%, down 260 basis points year-over-year. Non-GAAP product gross margin was 64.3%, down 330 basis points, primarily driven by negative impacts from mix and higher memory costs, partially offset by productivity improvements. Non-GAAP services gross margin was 71.6%, up 30 basis points.

We continue our focus on enhancing profitability and driving financial discipline, with non-GAAP operating margin at 34.2%, reflecting strong execution and operational efficiency.

Our Non-GAAP tax rate was 19% for the quarter.

Shifting to the balance sheet, we ended Q3 with total cash, cash-equivalents, and investments of \$16.6B. Operating cash flow was \$3.8B, down 7%, due to continued investments to meet growing demand, especially for AI infrastructure.

From a capital allocation perspective, we returned \$2.9B to our shareholders during the quarter, comprised of \$1.7B for our quarterly cash dividend and \$1.3B of share repurchases, bringing the year-to-date total to over \$9B. There is \$9.6B remaining under our share repurchase program.

To summarize, we had another quarter of strong top and bottom line growth exceeding our expectations, driven by strong order growth and robust operating margin and demonstrating the power of our innovation engine.

We remain focused on making strategic investments in innovation to capitalize on the significant growth opportunities we see ahead. These investments will continue to be underpinned by our commitment to disciplined spend management. It is this powerful combination that continues to fuel strong cash flow and our ability to return significant value to our shareholders.

Further, as Chuck mentioned, we are realigning our resources to better capture the opportunities around silicon, optics, security, and AI. As part of our announced restructuring plan, we expect to recognize up to \$1 billion of pre-tax charges, with \$450 million to be recognized in Q4FY26 and the remainder during FY27.

Turning to guidance: Please note, our Q4 and fiscal year 2026 guide assumes current tariffs and exemptions remain in place through the end of fiscal 2026.

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 Q4, our guidance is as follows:

- We expect revenue to be in the range of \$16.7 billion to \$16.9 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 34.0% to 35.0%
- Non-GAAP earnings per share is expected to range from \$1.16 to \$1.18
- 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 \$62.8 billion to \$63.0 billion
- Non-GAAP earnings per share is expected to range from \$4.27 to \$4.29

### **Sami Badri - CLOSING**

- As a reminder, Cisco will be welcoming thousands of Cisco customers and stakeholders to its annual user conference, Cisco Live, in Las Vegas from May 31 through June 4. The keynotes and other content will be available on demand, and we look forward to connecting with some of you there.
- Cisco's next quarterly call, outlining our fourth quarter FY2026 results, will be on Wednesday, August 12, 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 being well positioned for the AI era, the significant momentum and raised expectations of AI infrastructure from hyperscalers, the major multi-year, multi-billion-dollar campus networking refresh, the speed and scale of our innovation, the significant opportunities that lie ahead, and the timing and size of the restructuring) and the future financial performance of Cisco (including the guidance for Q4 FY 2026 and full year FY 2026) that involve risks and uncertainties, such as the actual impact of tariffs on our guidance for Q4 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 February 17, 2026 and September 3, 2025, respectively. 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 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 nine months ended April 25, 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 the prepared remarks and the related conference call.