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]
Q4FY26 Earnings Results Conference Call
Wednesday, August 12, 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 & X. 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 and all comparisons will be made on a year-over-year basis, unless stated otherwise.
- Please note that our discussion today will include forward-looking statements, including our guidance for the first quarter and fiscal year 2027. 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.

We delivered a very strong close to fiscal 2026, making it a record year for Cisco, with revenue exceeding $63 billion and growing 12% year over year.

In fact, in FY26 we delivered the highest revenue, operating margin, and earnings per employee in thirty years – demonstrating excellent execution from our teams and the increasingly critical role our technology has in the AI-Era. In FY27, we expect all these metrics to continue to improve, as indicated in our guidance, demonstrating outstanding productivity and earnings power.

We believe the accelerating adoption of agentic AI is fueling a Networking Supercycle. As customers look to manage increasing traffic and costs, they are investing in Cisco's networking stack for inferencing across cloud, on-premise, and edge environments. At the same time, the rise of agentic AI is expanding the threat landscape driving demand for our security and observability solutions to help monitor agent behavior and mitigate evolving threats. This presents a unique opportunity for Cisco and we believe we're only at the beginning of this supercycle.

Turning to Q4, we delivered record revenue of $17.3 billion in the quarter, up an impressive 18% year over year, with product revenue up 24% year over year. Our record top-line performance, combined with operating efficiencies, resulted in non-GAAP EPS growth of 23% in Q4 and 14% for the full year. This demonstrates strong operating leverage with the bottom line growing faster than the top line for both the quarter and the full year.

The profitable growth of our business continues to produce strong cash flows supporting our commitment to deliver consistent capital returns. In Q4, we returned $3.2 billion in capital to our shareholders through share repurchases and dividends, bringing the total returned in fiscal '26 to $12.7 billion in value, or 99% of free cash flow.

Our results are a testament to the trust we've built with our customers and our commitment to deliver the outcomes needed as they navigate this period of accelerating technological change.

Now some color on **demand**. We saw strong momentum and **broad-based demand** for our technology globally, with total product orders up 35% year over year in Q4 and hyperscale orders up triple digits. Excluding hyperscale, product orders were up 25%.

Enterprise product order growth accelerated to 21% year over year in Q4, with double-digit growth in every product category and geography.

Public Sector order growth also accelerated to 30% year over year, with continued momentum in EMEA and APJC, and accelerated growth in the Americas, driven by US Fed.

Product orders from **Service Provider and Cloud** customers grew 95% year over year, with four of the top hyperscalers each growing AI infrastructure orders in the triple digits. We also saw increasing strength in telco in Q4, with orders growing over 30% year over year.

Now turning to **product demand:**

Networking product orders grew 40% in Q4, driven by triple-digit growth in service provider routing and Acacia optics, and double-digit growth in data center switching, compute, campus switching, wireless, enterprise routing and industrial IoT products. Q4 marked the eighth consecutive quarter of double-digit growth for our networking portfolio overall, supporting our view that we are in a multi-year, multi-billion-dollar Networking Supercycle. It is also worth noting that more than half of our customers purchase both campus ***and*** data center networking solutions, demonstrating our differentiated platform approach where new technology investments compound the value of existing investments.

Moving to AI infrastructure for hyperscalers – we took $4B in orders in Q4, bringing the total for FY26 to $9.3B, approximately 4.5 times our FY25 total. The mix of these orders in both Q4 and FY26 was approximately 60% Silicon One-based systems and 40% optics.
Our **Acacia** business had another very strong quarter with over $1B in orders in Q4 and, to date, we have shipped over 850,000 400G, and over 75,000 800G coherent pluggable optics. As AI workloads become increasingly distributed across clusters and facilities, we believe demand for this technology will remain strong and I am incredibly proud of our market leadership in this space.

We won three new design wins with hyperscalers in Q4. One of these was for our Silicon One P200-powered system for scale-across, bringing our total to three scale-across design wins for the P200 since launch, each with a separate hyperscaler, and we have already received orders for these in Q4.

We believe this is only the beginning of the scale across motion. As AI models grow in complexity and size, hyperscalers need to connect – or scale across – multiple data centers due to physical and power limitations in a single data center.

Power efficiency, reliability, and scale are critical in ensuring distributed GPUs function as if they were in the same location. Given these requirements, Cisco is well positioned – with our P200-powered systems; market-leading optics; open line systems; and, coming soon, multi-rail optical systems, to provide hyperscalers the technology needed for these complex use cases.

The additional hyperscale design wins in Q4 were for a scale out use case with our G200-powered system, and one for a Managed Optical Fiber Network, which leverages our line system technology and enables the use of our Digital Coherent Optics directly in third-party equipment. The optical win is strategic as it positions Cisco as an alternative supplier to an incumbent competitor and has the potential to disrupt traditional delivery of managed optical fiber networks.

Additionally, we have line of sight to multiple AI design wins expected over the next six months across our G300, G200, and P200 Silicon One chip designs, as well as for optics.

As I've said before, our success with hyperscalers can be attributed to Silicon One – the industry's most scalable and programmable architecture for a wide range of use cases and infrastructure designs. Notably, we plan to roll out Silicon One comprehensively across our high-performance networking systems by FY29 which gives us greater control over our supply chain and innovation pipeline. Importantly, our control of the silicon, systems and software will enable us to develop more performant secure networking, reinforcing our competitive differentiation, and positioning us for market share gains.

Overall, our hyperscale business continues to show great momentum with AI infrastructure revenue projected to grow to $7.5 billion in FY27 supported by demand growth and market share gains. For perspective, in FY26, approximately 6% of our total revenue was from AI infrastructure for hyperscalers, up from less than 2% in FY25.

In addition to the hyperscaler demand, we took over $400M in AI infrastructure orders from **neocloud, sovereign and enterprise customers** in Q4, bringing the total for the year to over $1 billion.

We had a new design win in Q4 with a major neocloud provider for our G200-powered system for a scale out use case.

In enterprise, Nexus switch orders tagged for AI deployments were up more than 85% sequentially. As these customers look to scale AI economically, there is increasing focus on managing **token consumption** – selecting the right model in the right location for each workload. We believe on-premise AI infrastructure will become an important option for enterprise customers as they look to optimize both the business value and cost of AI. Enterprises need GPU clusters on-premise and at the edge with low-latency, high-bandwidth networking, and built in security, observability and automation, all of which Cisco can provide in a co-designed, vertically integrated stack.

Regardless of how or where customers choose to deploy AI - whether in the public cloud, through neo or sovereign clouds, on-premise, or at the edge - we believe Cisco will benefit because of the unmatched depth and breadth of our portfolio and our expertise in each scenario.

As we look at overall enterprise demand, we see customers investing in infrastructure across their environments. In Q4, overall data center networking orders grew more than 35% year over year. Notably, a leading US global bank placed an order for 1,000 Cisco data center smart switches, replacing a major networking competitor and a major firewall competitor, transitioning to a secure networking architecture which only Cisco can provide.
Customers are also focused on **modernizing their workplaces** and we continue to see strong demand for **campus networking** solutions with 20% year-over-year growth in product orders in Q4.

Our next-generation switching, routing and wireless products continue to ramp faster than prior product launches, with Wi-Fi 7 orders representing more than 50% of total wireless orders in Q4.

We see the momentum in Campus networking being driven by infrastructure modernization to both scale AI initiatives and to strengthen defenses against a rapidly evolving cyber landscape.

A leading Frontier AI company has chosen Cisco's campus networking solution – including Wi-Fi 7 access points, smart switches, and end-to-end segmentation – to enable innovation at speed and provide the security for that innovation as they rapidly scale to new locations.

Orders for our **industrial IoT** portfolio have also now grown in double-digits for nine consecutive quarters and continued to accelerate in Q4, driven by deployments in manufacturing and utilities as well as in data center facilities where ruggedized networking equipment is needed to withstand extreme operating conditions.

Now shifting to **Security**: our entire security portfolio, including Splunk, saw double-digit order growth in Q4. In our **core security** portfolio, over 1,500 customers purchased our new products including Secure Access, XDR, Hypershield, and AI Defense in Q4. This brings the total number of net-new customers to over 6,400 since launch. Orders for firewalls grew over 30% in Q4.

When it comes to securing AI, customers increasingly want a unified approach across users, applications and agents, and we are seeing greater adoption of our **AI Security** capabilities of AI Defense and guardrails in Secure Access.

As quantum computing creates risks both today and in the future, customers will need to assess the exposure of their infrastructure to these risks. We believe Cisco is uniquely positioned to help customers assess potential exposure and implement quantum-safe protection across devices, networks and data using post-quantum cryptography, or PQC. Some of our newest systems – including Cisco Secure Routers, Smart Switches, wireless controllers and Secure Firewall platforms – are PQC compliant, making them very compelling, especially for the most highly-regulated industries.

Turning to **Splunk**, we see good momentum as solutions are integrated into our security offerings and contributing to several whole portfolio agreements in Q4. We also added more than 280 new logos to Splunk's customer base and secured the highest number of competitive wins in any quarter in FY26. As a result, we exceeded our target of 1,000 new logos for the year.

In our **Collaboration** business, we saw the best quarterly performance in 7 years, with double-digit order growth in Q4, and Video Devices growing 40% year over year.

Now I'd like to comment on our **innovation pipeline**.

At Cisco Live US in June, we introduced **Cisco Cloud Control,** a single management plane and unified data layer for all Cisco products built for humans and agents. Cisco Cloud Control incorporates key innovations such as AI Canvas and Cisco IQ. Since launch, nearly 4,500 enterprises have signed up for Cisco Cloud Control and are highlighting the value they are getting from AI Canvas and other insights. For example, a network engineer at a major US enterprise software company spent more than 8 hours trying to troubleshoot dropped video calls before prompting AI Canvas which pinpointed within minutes the specific access point, identified the root cause, and laid out next steps. Customers are now prompting AI Canvas daily to surface previously unavailable insights and help deliver huge productivity gains.

We continue to innovate in security and recently launched **Antares**, a family of open-weight, small language models designed to help cybersecurity professionals pinpoint known vulnerabilities within a codebase. Antares is part of a broader Cisco effort to define practical and trustworthy AI tools for cybersecurity professionals and help develop standards to support AI security adoption.

Last month, we also introduced **Resilient Infrastructure Services**. Powered by Cisco IQ, which now has over 8,600 customers. Resilient Infrastructure Services help customers identify vulnerabilities, prioritize actions and implement continuous protection autonomously and at machine speed.

We also continue to accelerate AI advancements across our entire business, both internally for our teams and to better serve our customers. We are using generative AI and agentic systems across our customer experience organization which is dramatically expediting quote turnaround and case resolution times as well as driving higher renewal rates. In FY26, 145,000 support cases were resolved entirely by AI with zero human intervention.

Circuit, our on-prem, proprietary AI Assistant, is fully embedded in how Cisco operates, supporting over 75 million prompts in Q4. Circuit runs on our Secure AI Factory infrastructure which improves GPU utilization and automatically routes each task to the appropriate large language model, allowing us to manage token consumption.

To summarize, I'm incredibly proud of our teams and how they show up every day to ensure our customers get the very best from Cisco. We believe we are in the early stages of a Networking supercycle presenting a massive opportunity for our business, and we are committed to helping our customers modernize and secure their infrastructure to unlock the full potential and value of their AI investments.

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

Mark Patterson

Thanks Chuck.

We delivered a very strong quarter, exceeding the high end of our guidance across revenue, operating margin, and EPS, with solid operating cash flow.

For the quarter, total revenue was a record at $17.3B, up 18% year-over-year. Non-GAAP net income was $4.9B and non-GAAP earnings per share was $1.22, each a record and up 23%, demonstrating excellent operating leverage with Net Income and EPS growth outpacing revenue growth.

- Total product revenue was $13.5B, up 24% and services revenue was $3.8B, flat year-over-year.
- Product revenue growth was led by Networking, with growth accelerating to 28% year-over-year, driven by triple digit growth in AI infrastructure, double-digit growth in Data Center Switching, and continued growth in Campus Networking.
- Security delivered a strong quarter, up 14%, reflecting strength in Splunk, Network Security and SASE.
- Collaboration was up 12% with solid growth in Webex, Devices and Contact Center.

Turning to our recurring metrics:

- Total RPO was $46.7B, up 7% with product RPO up 9%
- Total ARR ended the quarter at $32.1B, an increase of 3%, with product ARR growth of 5%.
- Total subscription revenue represented 48% of Cisco’s total revenue.
- Total software revenue was $6.2B, up 11%.

Q4 product orders were up 35% year over year, with broad-based strength across geographies, technologies, and customer markets. All geographies saw double-digit growth, with the Americas up 44%, EMEA up 25% and APJC up 19%. In terms of customer markets, the growth was led by Service Provider & Cloud with 95% growth. We also saw strength in Public Sector and Enterprise, which were up 30% and 21%, respectively.

Total non-GAAP gross margin came in at 66.3%, down 210 basis points year over year but up 30 basis points quarter over quarter. Non-GAAP product gross margin was 64.8%, down 270 basis points, primarily driven by higher hardware mix and memory costs, partially offset by productivity improvements and price increases. Non-GAAP services gross margin was 71.6%, up 80 basis points.

We continue our focus on providing consistent profitability through financial discipline, with non-GAAP operating margin at 35.9%, reflecting strong execution and operational efficiency.

Our Non-GAAP tax rate was 18.8% for the quarter.

Shifting to the balance sheet, we ended Q4 with total cash, cash-equivalents, and investments of $15.9B. Operating cash flow was $5.4B, up 27%, driven by strong revenue growth and operating leverage.

From a capital allocation perspective, we returned $3.2B to our shareholders during the quarter, comprised of $1.7B for our quarterly cash dividend and $1.5B of share repurchases. There is $8.1B remaining under our share repurchase program.

Turning to the full fiscal year, revenue was a record $63.3B, up 12%. We achieved this while also increasing our non-GAAP operating margin by 40 basis points to 34.8%, demonstrating continuing operating leverage. On the bottom-line, non-GAAP net income was $17.2B, up 13% and non-GAAP earnings per share was $4.33, up 14%, both a record and growing faster than our double-digit top line revenue growth rate.

We returned $12.7B in capital to our shareholders through cash dividends and share repurchases. This was comprised of $6.6B in quarterly cash dividends and $6.1B of share repurchases. We increased our dividend for the 15th consecutive year in FY26, reinforcing our confidence in the strength and stability of our ongoing cash flows.

In summary, we achieved record-breaking performance for both the quarter and the fiscal year, with top- and bottom-line results that exceeded our expectations. This success is a direct result of our accelerated pace of innovation across our portfolio, strong order momentum, and disciplined expense management.

We remain focused on making strategic investments in organic innovation to capitalize on the significant growth opportunities we see ahead as well as complementary M&A opportunities. In Q4, we closed the acquisitions of Galileo

Technologies, Inc. and Astrix Securities Ltd. to further expand our observability and security offerings.

All these investments 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.

Looking ahead, you can expect us to continue our focus on driving durable growth, with financial discipline driving operating leverage and continued capital returns.

Turning to guidance. For fiscal Q1, our guidance is as follows:

- We expect revenue to be in the range of $18.0 billion to $18.2 billion
- We anticipate non-GAAP gross margin to be in the range of 65% to 66%
- Non-GAAP operating margin is expected to be in the range of 35.5% to 36.5%
- Non-GAAP earnings per share is expected to range from $1.32 to $1.34
- We are assuming a Non-GAAP effective tax rate of approximately 18.5%

Our guidance for fiscal year 27 is as follows:

- We expect revenue to be in the range of $72.2 billion to $73.4 billion
- Non-GAAP earnings per share is expected to range from $5.05 to $5.11.

<u>Sami Badri</u>

- Cisco’s next quarterly call, which will reflect our first quarter FY 2027 results, will be on Thursday, November 12, 2026, at 1:30 p.m. Pacific Time, 4:30 p.m. Eastern Time.

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 to support our customers however or wherever they decide to deploy AI, the significant momentum and raised expectations of AI infrastructure from hyperscalers, the broad-based high demand for Cisco technology, and the significant growth opportunities ahead) and the future financial performance of Cisco (including the guidance for Q1 FY 2027 and full year FY 2027) that involve risks and uncertainties, such as the actual impact of tariffs on our guidance for Q1 FY 2027 and full year FY 2027. 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 results of operations; and other factors listed in Cisco's most recent reports on Forms 10-Q and 10-K filed on May 19, 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 months and the year ended July 25, 2026 are not necessarily indicative of Cisco's results of operations 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.