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]
# Q1FY27 Earnings Results Conference Call
# Thursday, November 12, 2026, 1:30 p.m. PT

## 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 the 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, unless stated otherwise.
- Please note that our discussion today will include forward-looking statements, including our guidance for the second quarter and fiscal year 2027. These statements are subject to risks and uncertainties detailed in our SEC filings, particularly our most recent 10-K report, 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.

I'm pleased to report that Cisco delivered an impressive start to fiscal '27. We're executing against our strategy and seeing growing demand as customers invest in the infrastructure they need for the AI, or SI, era. What gives me the greatest confidence is not just the results we're delivering today, but also the opportunities we see ahead.

In Q1, we delivered record quarterly revenue of $18.5 billion, up 24% year over year, and record Non-GAAP earnings per share of $1.40, up 40% year over year. These are our strongest top and bottom-line growth rates in over 15 years. We are demonstrating strong operating leverage and enhanced earnings power with earnings growing faster than revenue.

As a result of this strong performance, we are significantly increasing our FY27 guidance, which Mark will cover shortly.

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Our profitable growth generates robust cash flows and fuels consistent capital returns to our shareholders. In Q1, we returned $3.7 billion in value through dividends and share repurchases, representing 95% of free cash flow.

Our strong start to fiscal year ’27 demonstrates the criticality of networking and security together as agentic AI accelerates. As customers look to manage increasing traffic, costs and threats, they are turning to Cisco for our networking expertise, security and observability solutions, and services. They trust us to help scale, secure, and optimize their environments for the agentic AI era ahead.

The depth and breadth of our portfolio enables us to support our customers however they choose to deploy AI—whether in the public cloud, through neoclouds or sovereign clouds, on premise, or at the edge. We believe we are still early in the networking supercycle driven by AI deployments, with enterprise adoption just beginning.

In Q1, we saw strong demand, with total product orders growing 21% year over year, on top of 13% growth a year ago. We saw strong demand excluding hyperscalers, with product orders up 14% year over year, on top of 9% growth a year ago. We also saw double-digit growth across all geographies and customer markets.

Enterprise product orders in Q1 were up 15% year over year, on top of 4% growth a year ago, with double-digit growth across all geographies, and in Networking and Security.

Public Sector orders were up 13% year over year, on top of 12% growth a year ago. We saw double-digit Public Sector growth in the Americas and APJC, as well as in Networking, Security and Collaboration.

Product orders from Service Provider and Cloud customers continued to be broad based, growing 47% year over year. This is on top of 44% growth a year ago, with triple-digit growth in APJC and double-digit growth in the Americas and EMEA. We continued to see healthy demand from telcos with orders up approximately 20% year over year in Q1, on top of 24% growth a year ago.

Turning to demand across our product categories:

Networking product orders grew 28% in Q1, delivering our ninth consecutive quarter of double-digit growth. In fact, we saw double-digit growth across every product family: service provider routing, compute, enterprise routing, wireless, data center switching, and campus switching. These broad-based results support our view that we are in the early stages of a multi-year, multi-billion-dollar networking supercycle, as I referenced earlier, and we are executing with focus and urgency to capture this incremental opportunity.

Overall, our hyperscaler business continues to show strong momentum, with AI infrastructure revenue projected to grow to $9 billion in FY27, more than double FY26 levels.

Hyperscalers are now deploying our scale-across networking architecture in production environments as they extend coordinated AI workloads across data centers. This architecture combines our Silicon One P200 deep-buffered systems, market-leading Acacia coherent optics, and open line systems – with multi-rail optical systems coming soon. Together these products provide a single, unified compute fabric with deep programmability and embedded security.

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In Q1, we secured three new AI design wins. Two were for our P200-powered systems in data center interconnect and scale across use cases. The third was for 1.6T optics for a scale out use case.

In addition to hyperscaler demand, we saw accelerated growth in AI infrastructure orders from neocloud, sovereign and enterprise customers in Q1, with Nexus data center switches tagged for AI deployments up 47% year over year.

During the quarter, we announced a new partnership with SuperMicro, which expands our Secure AI Factory with NVIDIA. By integrating SuperMicro's high-density, liquid, and air-cooled compute into an NVIDIA Cloud Partner compliant, full stack architecture, we're delivering more efficient, end-to-end infrastructure for massive AI workloads.

As agentic AI expands, security threats are becoming more complex and conversations around sovereignty are intensifying. Our focus is on delivering trusted sovereign solutions to help customers scale their data center build-outs with confidence.

During the quarter, together with AMD and HUMAIN, we announced that AMD GPU-based AI infrastructure built on Silicon One-based systems is now in production in Saudi Arabia. This enables HUMAIN to offer GPU-as-a-service across training and inference use cases.

To meet our customers' evolving needs, we also introduced our Sovereign Critical Infrastructure portfolio in Europe a year ago. This portfolio spans networking, security, compute, collaboration, and observability, and can be configured for
on-premise, air-gapped environments. In Q1, we expanded to Canada, with additional countries to follow, giving government agencies and critical infrastructure providers more control, choice, security and resilience.

Customers are also focused on modernizing their workplaces for humans and agents. We continued to see robust demand for our campus networking solutions in Q1, with 14% year-over-year growth in product orders. Our next-generation portfolio continues to ramp faster than prior product launches and we believe we are still very early in this refresh cycle.

Orders for our Industrial IoT portfolio grew approximately 50% year over year in Q1 and have now grown at double-digit rates for ten consecutive quarters.

Now shifting to Security. Orders excluding Splunk were up in the mid-teens. Within our security platform, orders for firewalls grew over 30% for the third consecutive quarter.

Cisco AI Defense is helping customers guard against unmanaged AI use across the enterprise and is protecting more than two trillion tokens per month. Our work with Workday Agent Passport, ServiceNow, and DefenseClaw with NVIDIA OpenShell demonstrates how we're expanding our ecosystem and building trust into the use of agents in daily operations.

Earlier this week, we announced that we are integrating Anthropic's Claude Mythos cybersecurity model into Cisco AI Defense for Adaptive AI Red Teaming. This provides automated, continuous testing across enterprise systems, empowering defenders to stress-test AI systems with frontier adversary reasoning.

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Turning to Splunk. The platform is helping solve some of the most pressing challenges organizations face in the AI era. A Splunk study found that urgency to deploy agents is outpacing enterprises' ability to monitor and secure them. With Splunk, we deliver a common data platform that enables customers to monitor and enforce guardrails on agent behavior, while also helping them understand and manage tokenomics. This gives them greater confidence and predictability as they look to optimize both the business value and cost of AI.

In collaboration with a leading hyperscaler, Splunk is exploring how AI agents can help security teams investigate threats and coordinate responses more efficiently, while keeping analysts in control. This builds on our strategy to strengthen security operations as threats grow more complex. We'll have more to share later this month.

Now, on to our innovation. We are focused on four often overlapping objectives: 1) simplifying network operations, 2) scaling infrastructure for agentic AI, 3) reimagining security and trust for agentic AI, and 4) delivering intelligent workplace experiences.

Last quarter, we highlighted Cisco Cloud Control as a breakthrough in simplifying operations. Since launch, more than 6,000 customers have signed up and can increase productivity by accessing multiple Cisco and partner products through a single user interface. We are building integrations within the platform, including AI Canvas, Cisco IQ, and the recently launched Cisco Model Foundry. Cisco IQ now has more than 17,000 customers, nearly doubling quarter over quarter, and visibility into 23 million devices, accelerating vulnerability tracking from days to minutes.

To scale infrastructure and improve the efficiency of AI factories, we recently announced plans with NVIDIA to develop the Ultra-Dense Small Form Factor Pluggable, or USFP, optical module. We expect USFP to deliver 4x the bandwidth density and 1.3x the power efficiency of current models. We also plan to create an open industry USFP specification to drive adoption.

Our advances in security and trust are ongoing as we continue to introduce resilient and quantum-safe innovations. We've expanded support for Live Protect across more of our campus networking portfolio, extended quantum readiness to Wi-Fi 7 access points, and plan to provide quantum-safe communications across most of our core portfolio by the end of this calendar year.

We continue to develop intelligent workplace experiences, recently launching Claude Managed Agents and Dialog, an agentic harness, in Webex.

Our teams continue to drive this work forward through their innovation, productivity, and commitment to leveraging AI tools. At the start of fiscal 27, we provided an AI agent for every employee. We expect to continue accelerating AI adoption, helping our employees execute at speed.

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

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**Mark Patterson**

Thanks Chuck.

I'm proud to report that we delivered another record quarter, exceeding the high end of our guidance across revenue, operating margin, and EPS, while also delivering strong operating cash flow.

For the quarter, total revenue of $18.5B was an all-time high, up 24% year-over-year. Non-GAAP operating margin rose to 37.8% and non-GAAP earnings per share was $1.40, up 40%, year-over-year, demonstrating continued operating leverage.

- Total product revenue was $14.7B, up 32% year over year, and services revenue was $3.9B, up 1% year over year.
- Product revenue growth was led by Networking, accelerating to 43% year-over-year growth, with broad strength throughout the portfolio, led by triple-digit growth in AI infrastructure and double-digit growth in Data Center Switching and Campus Networking.
- Security delivered a strong quarter, up 7%, reflecting growth in Splunk, Network Security and SASE.
- Collaboration was up 8% with double-digit growth in devices and growth in Contact Center.

Turning to our recurring metrics:

- Total RPO was $46.2B, up 8%, with product RPO up 7%
- Total ARR ended the quarter at $32.7B, an increase of 4%, with product ARR also up 4%.
- Total subscription revenue represented 44% of Cisco's total revenue.
- Total software revenue was $6.1B, up 8%.

Q1 product orders were up 21% year over year, with broad-based strength across geographies, technologies, and customer markets. All geographies saw double-digit growth, with the Americas up 18%, EMEA up 12%, and APJC up 57%. Across customer markets, growth was led by Service Provider & Cloud, up 47%. We also saw strength in Enterprise and Public Sector, which were up 15% and 13%, respectively.

Total non-GAAP gross margin came in at 65.6%, slightly above the mid-point of our guide, and down 250 basis points year over year, as hardware revenue growth significantly outpaced software and services revenue growth. Non-GAAP product gross margin was 63.7%, down 350 basis points, primarily driven by higher hardware mix and elevated memory costs, partially offset by productivity improvements and price increases. Non-GAAP services gross margin was 72.9%, up 220 basis points.

As hardware continues to increase as a percentage of our overall revenue mix, and with hyperscaler revenue expected to more than double year over year in FY27, we are driving record scale and profitability in our business.

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In FY27, we expect AI hyperscale revenue to represent 12% of total revenue, up from 6% in FY26. At the same time, total headcount has declined by a low single-digit percentage, driving an expected revenue per employee increase of approximately 19%, based on our updated FY27 guidance.

The acceleration of these outsized growth opportunities, balanced with financial discipline, enables us to increase our operating margin from 34.8% in FY26 to an expected 36% in FY27.

Our Non-GAAP tax rate was 18.5% for the quarter.

Shifting to the balance sheet, we ended Q1 with total cash, cash-equivalents, and investments of $15.8B. Operating cash flow was $4.4B, up 36%, driven by strong revenue growth and net income.

From a capital allocation perspective, we returned $3.7B to our shareholders during the quarter, comprised of $1.7B for our quarterly cash dividend and $2.0B through share repurchases. There is $6.1B remaining under our share repurchase program.

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 Q1, we closed the acquisition of WideField Security to accelerate our Splunk Agentic SOC and help stop identity threats at machine speed.

These investments continue to be underpinned by our commitment to disciplined spend management. It is this powerful combination that continues to strengthen the robust earnings power of our business, support strong cash flow, and enable us to return significant value to our shareholders.

In summary, we achieved record performance for the quarter, with top- and bottom-line results that exceeded our expectations. This performance reflects our accelerated pace of innovation across our portfolio, strong order momentum, and disciplined expense management.

Looking ahead, you can expect us to remain focused on delivering durable growth and maintaining financial discipline, while driving operating leverage and continued capital returns.

Turning to guidance. For fiscal Q2, 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 36% to 37%
- Non-GAAP earnings per share is expected to range from $1.34 to $1.36
- We are assuming a Non-GAAP effective tax rate of approximately 18.5%

Our raised guidance for fiscal year 27 is as follows:

- We expect revenue to be in the range of $74.8 billion to $75.8 billion
- Non-GAAP earnings per share is expected to range from $5.47 to $5.53

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**Sami Badri:**

Cisco's next quarterly call, which will outline our second quarter FY2027 results, will be on Wednesday, February 10, 2027, 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 our expertise helping organizations scale, secure and optimize their environments for the agentic AI era, the raised expectation of AI infrastructure revenue from hyperscalers, the opportunity as a multi-year networking supercycle gets underway, the broad-based high demand for Cisco technology, and our continued focus on delivering durable growth and driving continued capital returns) and the future financial performance of Cisco (including the guidance for Q2 FY 2027 and full year FY 2027) 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, including tariffs or other trade barriers or disruptions; our development and use of artificial intelligence; overall information technology spending; spending levels of cloud and hyperscaler customers and the timing and scale of AI infrastructure deployments; variations in customer demand for products and services, including sales to the service provider market, cloud, enterprise and other customer markets; large and concentrated purchases of AI infrastructure solutions by cloud and hyperscaler customers; 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; losses on purchase commitments or other charges; 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; demand for, costs of delivering, and performance of our software subscription and cloud-based offerings; 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 or obligations applicable to our products or services; 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 report on Form 10-K filed on September 2, 2026. 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 report on Form 10-K as it may be amended from time to time. Cisco's results of operations for the three months ended October 24, 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.

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