

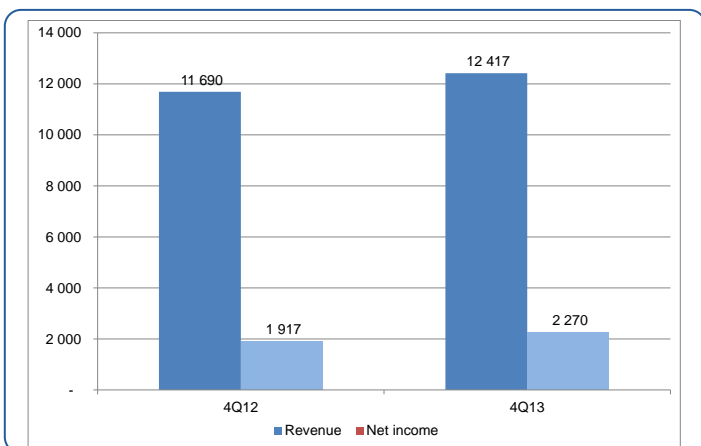
GLOBAL IDEAS

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Cisco Systems—4Q13 results

Cisco Systems 4Q13 results (15 August 2013) – Network-equipment maker Cisco Systems yesterday reported its 4Q13 results. 4Q13 revenue came in at \$12.4bn (+6.2% YoY) from \$11.7bn - in line with expectations. Net income was \$2.3bn (+18% YoY) or \$0.42/share (+17% YoY). Excluding a \$172mn litigation expense from a patent settlement with TiVo and other one-time charges, adjusted profit rose to US\$52/share (from US\$47) which was close to Wall Street estimates of US\$51/share.

Revenue and net income (4Q13 vs 4Q12), \$mn:



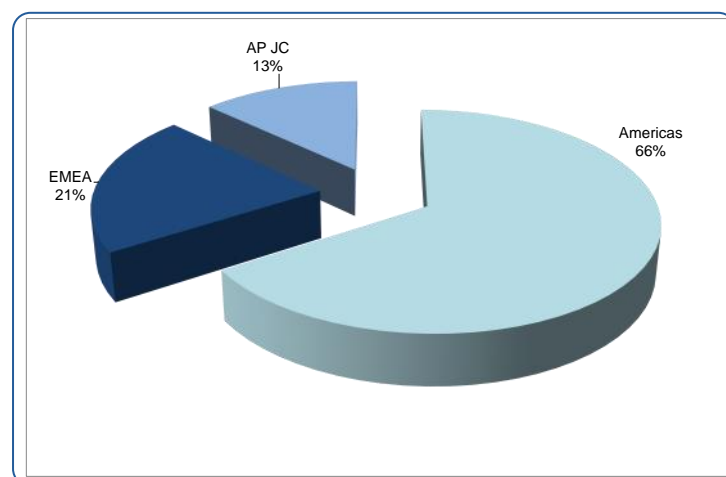
Source: Company reports, Anchor Capital

Sales in the US were strong, but the company said its international sales were a concern with weaker sales especially in Japan, China and Europe weighing on revenue growth. Slower global economic growth impacts Cisco because of its global footprint as more than half of its sales come from the US and Canada, a quarter from Europe and a sixth from Asia.

The company also announced that it planned to cut 4,000 jobs (c. 5% of its work force), in an effort to trim costs and reorganise during what executives described as a “challenging” global economic climate. CEO John Chambers said that despite the promising numbers, the company still faced significant challenges in the coming months. With the new job cuts, Cisco will have eliminated 12,300 jobs over the past two years as the group has exited its

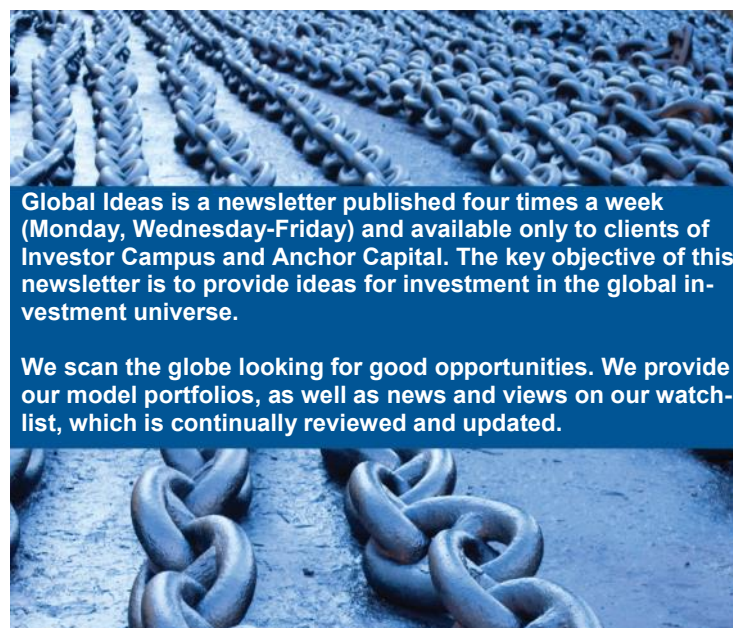
consumer businesses while expanding on corporate software and technology services.

Service revenue by geographic segment, 4Q13:



Source: Company reports, Anchor Capital

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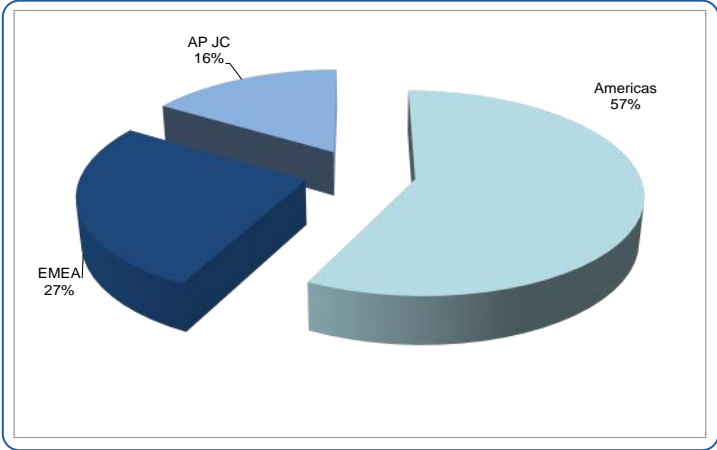
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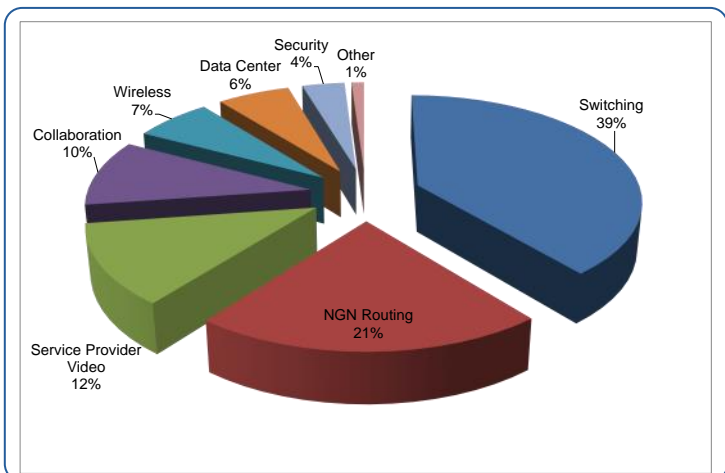
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Product revenue by geographic segment, 4Q13:



Source: Company reports, Anchor Capital

Percentage of total revenue by product, 4Q13:



Source: Company reports, Anchor Capital

Cisco's forecast for the current quarter (1Q14) was lower than what analysts had predicted with the company saying it expected revenue to increase by no more than 5% from 1Q13. Analysts had expected a gain of 7%. This news sent Cisco's shares tumbling almost 10% to \$23.87 in after-hours trading - its biggest fall in more than a year. Cisco's shares have increased 52% over the past 12 months.

Marco de Matos



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