

# Cisco's 4Q results, outlook top analyst views

August 11 2011, By MICHAEL LIEDTKE , AP Technology Writer

---

(AP) -- Cisco Systems Inc. provided a small measure of comfort to the battered stock market late Wednesday with quarterly results that underscored the technology bellwether's resolve to improve its financial performance.

The numbers for the latest quarter weren't spectacular, but at least they didn't disappoint analysts. Cisco, the world's largest maker of computer-networking equipment, also predicted that its [revenue](#) in the current quarter could rise as much as 4 percent, a growth rate that would be slightly better than what Wall Street had expected.

Those positive developments were sorely needed against the current backdrop of market upheaval, especially because Cisco is one of the 30 companies that make up the [Dow Jones industrial average](#). That widely watched benchmark has plummeted 16 percent during the past three weeks amid concerns about unsustainable government debts in the U.S. and Europe and ongoing worries about the flagging recovery from the Great Recession.

Cisco shares rose 97 cents, or 7 percent, to \$14.70 in Wednesday's extended trading after the company released its results and forecast. The company has been the biggest laggard in the Dow industrials. At the end of Thursday's regular trading session, Cisco's [stock price](#) had fallen 32 percent so far this year compared to a 7 percent decline in the Dow overall.

Even before the recent market turbulence, Cisco had fallen out of favor

after several years of mostly fruitless expansion into new markets beyond the company's main business of making equipment that powers the Internet.

Fed up with the company's slowing revenue growth and thinning [profit margins](#), Cisco CEO John Chambers has vowed to cut costs and focus the remaining resources on the products with the greatest [moneymaking](#) potential.

In some of his first steps, Chambers shut down its Flip Video camcorder in April. Last month, Cisco laid out a plan to eliminate 6,500 jobs, or 9 percent of the Cisco's work force. The company, which is based in San Jose, ended July with about 71,800 employees, down from about 73,000 when the cuts were announced three weeks ago.

Cisco is already ahead of its plan to reduce its expenses by \$1 billion annually, Chambers said Wednesday. He also told analysts in a Wednesday conference call that the reshuffling and trimming may continue for a few more years.

"It would be very easy to rest upon the changes that we've already made and continue to gradually evolve our company for the future," Chambers said. "That is clearly what we will not do. We will continue to accelerate and drive through the simplification process at an even faster pace."

The massive deficits that are straining government budgets around the world have been taking a toll Cisco. The company's total revenue from government deals in the latest quarter fell 7 percent from last year, with the deepest decline occurring on the federal level in the U.S.

The government spending slowdown will likely be a problem for the foreseeable future, Chambers said. That shapes up as bad news for other large technology companies that sell their products and services to the

government.

Cisco absorbed a \$772 million charge in its latest quarter to cover some of the severance costs from the job cutting. More charges will be spread over the next few quarters.

The company earned \$1.2 billion, or 22 cents per share, in the fiscal fourth quarter, which ended in July. That represented a 36 percent drop from net income of \$1.9 billion, or 33 cents per share, a year earlier.

If not for the severance charge, Cisco said it would have earned 40 cents per share. On that basis, Cisco topped the average earnings estimate of 38 cents per share among analysts surveyed by FactSet.

Revenue grew 3 percent from last year to \$11.2 billion - about \$300 million above analyst estimates.

Cisco expects its revenue for the current quarter ending in October to increase by 1 percent to 4 percent from the same year. That projection implied revenue of \$10.86 billion to nearly \$11.2 billion. Analysts had been expecting revenue for \$10.94 billion.

Chambers indicated the company low-balled its fiscal first-quarter revenue estimates because of the economic uncertainty. "I feel very confident about (the quarter) in terms of what we can control and influence," he said.

For its full fiscal year, Cisco earned \$6.5 billion, or \$1.17 per share, on revenue of \$43.2 billion. That compared to net income of \$7.8 billion, or \$1.33 per share, on revenue of \$40 billion in the prior year.

©2011 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Cisco's 4Q results, outlook top analyst views (2011, August 11) retrieved 27 April 2024 from <https://phys.org/news/2011-08-cisco-4q-results-outlook-analyst.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.