

Cisco 1Q income up as US businesses buying again (Update)

November 13 2012, by Peter Svensson

Cisco Systems Inc., the world's largest maker of computer networking gear, said Tuesday that U.S. companies are starting to spend again, helping Cisco find more solid footing after some shaky months early this year.

Cisco said its earnings rose 18 percent in the latest quarter, propelled by a renewed willingness by large U.S. businesses to invest in big-ticket networking gear, even as the federal government continued to hold back. Orders from large business customers in the U.S. rose 9 percent from a year ago.

That helped make up for continued weakness in Europe, where economic turmoil is still causing a big drop-off in orders.

"The U.S. has to lead the total globe out of this slowdown. It's not going to come from Europe. While we were all hopeful about emerging countries, they just aren't going to be strong enough," CEO John Chambers said.

The company's stock rose \$1.19, or 7.1 percent, to \$18.04 in extended trading Tuesday.

Cisco made \$2.1 billion, or 39 cents per share, in its fiscal first quarter, which ended Oct. 27. That compares with \$1.8 billion, or 33 cents per share, in the same period a year ago.

Excluding the cost of stock-based compensation and certain other items, Cisco would have earned 48 cents per share. On that basis, Cisco's earnings were 2 cents above the average analyst estimate, according to FactSet.

Revenue rose 5.5 percent to \$11.9 billion, beating Wall Street estimates. Excluding the acquisition of video technology company NDS, which closed just before the end of the quarter, revenue would have risen 4 percent.

The San Jose, California, company forecast earnings for the current quarter of 47 cents to 48 cents per share. Analysts have been expecting 48 cents per share. The company projected revenue of \$11.9 billion to \$12.1 billion, bracketing the average analyst estimate.

As has been the trend this year, sales of Cisco's core products, routers and switches, were weak, while some up-and-coming product categories such as wireless network equipment and servers for data centers sold briskly. Cisco's service segment also continued to be strong, with revenue growing 12 percent from a year ago, as customers ask Cisco to build their networks for them.

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