

CISCO SYSTEMS, INC.

FORM 8-K (Current report filing)

Filed 02/08/01 for the Period Ending 02/06/01

Address	170 WEST TASMAN DR SAN JOSE, CA 95134-1706
Telephone	4085264000
CIK	0000858877
Symbol	CSCO
SIC Code	3576 - Computer Communications Equipment
Industry	Communications Equipment
Sector	Technology
Fiscal Year	07/28

CISCO SYSTEMS INC

FORM 8-K (Unscheduled Material Events)

Filed 2/8/2001 For Period Ending 2/6/2001

Address	170 WEST TASMAN DR SAN JOSE, California 95134-1706
Telephone	408-526-4000
CIK	0000858877
Industry	Communications Equipment
Sector	Technology
Fiscal Year	07/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (date of earliest event reported): February 6, 2001

CISCO SYSTEMS, INC.

(Exact name of registrant as specified in charter)

CALIFORNIA
(State or other jurisdiction
of incorporation)

0-18225
(Commission
File Number)

77-0059951
(IRS Employer
Identification No.)

170 WEST TASMAN DRIVE, SAN JOSE, CALIFORNIA
(Address of principal executive offices)

95134-1706
(Zip Code)

Registrant's telephone number, including area code: (408) 526-4000

ITEM 5. OTHER EVENTS

On February 6, 2001, Cisco Systems, Inc. (the "Registrant") reported its second quarter results for the period ending January 27, 2001. A copy of the press release issued by the Registrant on February 6, 2001 concerning the foregoing quarter results is filed herewith as Exhibit 99.1 and is incorporated herein by reference.

Item 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Exhibits.

99.1 Press Release of Registrant, dated February 6, 2001, announcing Registrant's release of its second quarter results for the period ending January 27, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CISCO SYSTEMS, INC.

Dated: February 8, 2001

By: /s/ DANIEL SCHEINMAN

*Daniel Scheinman, Senior Vice President,
Legal and Government Affairs*

EXHIBIT INDEX

Exhibit
Number

Description of Document

99.1

Press Release of Registrant, dated February 6, 2001,
announcing Registrant's release of its second quarter results
for the period ending January 27, 2001.

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CISCO SYSTEMS REPORTS SECOND QUARTER EARNINGS

SAN JOSE, California -- February 6, 2001 -- Cisco Systems, Inc., the worldwide leader in networking for the Internet, today reported its second quarter results for the period ending January 27, 2001.

Net sales for the second quarter of fiscal 2001 were \$6.75 billion, compared with \$4.36 billion for the same period last year, an increase of 55%. Pro forma net income, which excludes the effects of acquisition charges, payroll tax on stock option exercises, and net gains realized on minority investments, was \$1.33 billion or \$0.18 per share for the second quarter of fiscal 2001, compared with pro forma net income of \$897 million or \$0.12 per share for the second quarter of fiscal 2000, increases of 48% and 50%, respectively.

During the second quarter of fiscal 2001, Cisco completed the acquisitions of IPCell Technologies, Inc., PixStream Incorporated, Vovida Networks, Inc., and the broadband subscriber management software business of CAIS Software Solutions, Inc. for a combined purchase price, including assumed liabilities, of approximately \$883 million and took a one-time charge of \$237 million, or approximately \$0.03 per share on an after-tax basis, as a write-off of in-process R&D.

Actual net income for the second quarter of fiscal 2001 was \$874 million or \$0.12 per share, compared with \$816 million or \$0.11 per share for the same period last year.

Net sales for the first six months of fiscal 2001 were \$13.27 billion, compared with \$8.27 billion for the first six months of fiscal 2000, an increase of 60%. Pro forma net income was \$2.69 billion or \$0.36 per share for the first six months of fiscal 2001, compared with pro forma net income of \$1.71 billion or \$0.23 per share for the first six months of fiscal 2000, increases of 57% and 57%, respectively.

Actual net income for the first six months of fiscal 2001 was \$1.67 billion or \$0.22 per share, compared with \$1.23 billion or \$0.17 per share for the first six months of fiscal 2000.

"We remain confident about the market opportunity ahead of us over the next three to five years. This confidence is based on the continued impact of the Internet on productivity, and just how much more work needs to be done before every company is an e-company and a majority of the world's countries are e-countries," said John Chambers, President and CEO of Cisco Systems. "It is the productivity and standard-of-living opportunities, combined with business inflection points, that are driving our continued confidence in our breakaway opportunity, if we execute well."

Cisco continues to advance its end-to-end Internet solutions for each of its key markets.

In the service provider marketplace, Cisco advanced its leadership and expertise in IP services and end-to-end solutions, accelerating service provider adoption of data services that drive new revenue opportunities. Building on Cisco's leadership in the IP+Optical market, the company introduced the newest of its industry-leading, high-performance router line, the Cisco 12410 and Cisco 12416 Internet Routers with a line-rate 10-Gbps OC-192 line card. Cisco also introduced the Cisco ONS 15327 Optical Metro Edge Router. Cisco was chosen to build out optical networks for GNG Networks, Telecom New Zealand, Crosswave Communications, and Bell South, among others. In the voice market, several new Cisco customers are deploying voice-over-IP (VoIP) services, including China Unicom, which, when complete, will have the world's largest VoIP network. Building on Cisco's existing wireless technology, Cisco announced its intent to acquire ExiO Communications, Inc. In broadband, Cisco introduced the Cisco WT-2750 Multipoint Broadband Wireless System, enabling service providers to deploy services in areas where cable or digital subscriber line (DSL) are not available or cost-effective. Cisco also introduced the next-generation cable platform, the Cisco uBR10012.

In the enterprise market, Cisco expanded the reach of its intelligent end-to-end IP solutions through Cisco AVVID (Architecture for Voice, Video and Integrated Data), which provides a technical framework for e-business. In converged voice and video markets, Cisco introduced nine new products, including a midrange IP phone and an IP conference station and a

suite of applications that deliver on the promise of Cisco AVVID IP telephony. Cisco has also demonstrated the agility and scalability of its IP telephony solution with the successful implementation of 20,000 IP phones on the Cisco campuses and a commercial deployment of more than 8,000 IP phones across 200 locations throughout New Zealand. Cisco also won a contract through EDS to reconfigure Dow Chemical's network architecture, basing it on Cisco AVVID. The deal includes over 40,000 IP telephones. Cisco continues to work on other large deployments at leading organizations such as Ariba Inc., City of Dallas, First Union Bank, Florida International University, and the U.S. Census Bureau. Cisco also announced the acquisition of Active Voice Corporation, a leading provider of IP-based unified messaging solutions for the enterprise.

In the commercial space, Cisco continued its commitment to helping small and medium-sized businesses achieve their full potential through use of the Internet. Cisco launched the Cisco Internet Mobile Office Initiative that provides mobile business professionals with secure, high-speed network access to their corporate resources and network from public facilities. Cisco announced the Cisco Aironet (R) 350 Series, the first wireless networking family offering enterprise-level security, performance, and manageability. Cisco collaborated with Microsoft, the largest Cisco wireless LAN deployment to date, on this standards-based, enterprise-class security architecture for wireless LANs. The University of North Carolina at Chapel Hill is using the Cisco Aironet 340 Solution to provide students with high-speed wireless access to the Internet all over campus. Expanding Cisco's leadership in next-generation wireless networking, the company announced during the quarter and subsequently completed the acquisition of Radiata, Inc., a leading supplier of next-generation chipsets for high-speed wireless networks. And, in support of its Cisco AVVID initiatives, the company began shipping the Cisco ICS 7750 family of fully integrated, IP-based telephony solutions in January.

"While we remain cautious about the implications of a brief pause in the current 10-year expansion of the U.S. economy, we believe that Cisco has never been better positioned to help our customers solve their two most important business issues: Increasing productivity and creating new sources of revenue," concluded Chambers.

Cisco will be discussing its second quarter results, along with its outlook for the third quarter and the remainder of fiscal year 2001, on a conference call today, beginning at 1:45 p.m.

PST. A Webcast of the conference call will be available to all interested parties on the Cisco Web site at www.cisco.com under the "Investor Relations" section.

ABOUT CISCO SYSTEMS

Cisco Systems, Inc., (NASDAQ: CSCO) is the worldwide leader in networking for the Internet. News and information are available at www.cisco.com.

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This release may contain projections or other forward-looking statements regarding future events or the future financial performance of Cisco 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. Readers are referred to the documents filed by Cisco with the SEC, specifically the most recent reports on Form 10-K, 8-K, and 10-Q, each as it may be amended from time to time, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements, including risks associated with acquisition strategy and integration, dependence on new product offerings, customer demand for products and services, competition, patents, intellectual property and licensing, future growth, rapid technological and market change, manufacturing and sourcing risks, Internet infrastructure and regulation, international operations, volatility of stock price, financial risk management, and potential volatility in operating results, among others. 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 Form 10-K and Form 10-Q, each as it may be amended from time to time. Cisco's results of operations for the three and six months ended January 27, 2001 are not necessarily indicative of Cisco's operating results for the full fiscal year or any future periods.

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PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
EXCLUDING IPR&D, AMORTIZATION OF GOODWILL AND OTHER ACQUISITION-RELATED CHARGES, PAYROLL TAX
ON STOCK OPTION EXERCISES, AND NET GAINS REALIZED
ON MINORITY INVESTMENTS

(In millions, except per-share amounts)

	Quarters Ended		Six Months Ended	
	January 27, 2001	January 29, 2000	January 27, 2001	January 29, 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NET SALES	\$ 6,748	\$ 4,357	\$ 13,267	\$ 8,275
Cost of sales	2,581	1,539	4,959	2,927
	-----	-----	-----	-----
GROSS MARGIN	4,167	2,818	8,308	5,348
Operating expenses:				
Research and development	981	602	1,915	1,143
Sales and marketing	1,419	933	2,769	1,751
General and administrative	194	122	387	234
	-----	-----	-----	-----
Total operating expenses	2,594	1,657	5,071	3,128
	-----	-----	-----	-----
OPERATING INCOME	1,573	1,161	3,237	2,220
Interest and other income, net	275	120	505	222
	-----	-----	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	1,848	1,281	3,742	2,442
Provision for income taxes	518	384	1,049	731
	-----	-----	-----	-----
NET INCOME	\$ 1,330	\$ 897	\$ 2,693	\$ 1,711
	=====	=====	=====	=====
Net income per share--basic	\$ 0.19	\$ 0.13	\$ 0.38	\$ 0.25
	=====	=====	=====	=====
Net income per share--diluted	\$ 0.18	\$ 0.12	\$ 0.36	\$ 0.23
	=====	=====	=====	=====
Shares used in per-share calculation--basic	7,144	6,911	7,121	6,872
	=====	=====	=====	=====
Shares used in per-share calculation--diluted	7,556	7,387	7,567	7,338
	=====	=====	=====	=====
THE ABOVE PRO FORMA ADJUSTMENTS HAVE BEEN ADJUSTED TO EXCLUDE THE FOLLOWING ITEMS:				
In-process R&D	\$ 237	\$ 43	\$ 746	\$ 424
Payroll tax on stock option exercises	18	--	40	--
Acquisition-related costs	--	25	--	25
Amortization of goodwill and other acquisition-related charges	286	47	517	71
Net gains realized on minority investments	--	(31)	(190)	(31)
Income tax effect	(85)	(3)	(92)	(9)
	-----	-----	-----	-----
	\$ 456	\$ 81	\$ 1,021	\$ 480
	=====	=====	=====	=====

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per-share amounts)

	Quarters Ended		Six Months Ended	
	January 27, 2001	January 29, 2000	January 27, 2001	January 29, 2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NET SALES	\$ 6,748	\$ 4,357	\$13,267	\$ 8,275
Cost of sales	2,581	1,539	4,959	2,927
	-----	-----	-----	-----
GROSS MARGIN	4,167	2,818	8,308	5,348
Operating expenses:				
Research and development	981	602	1,915	1,143
Sales and marketing	1,419	933	2,769	1,751
General and administrative	194	147	387	259
Payroll tax on stock option exercises	18	--	40	--
Amortization of goodwill and other acquisition-related charges	286	47	517	71
In-process research and development	237	43	746	424
	-----	-----	-----	-----
Total operating expenses	3,135	1,772	6,374	3,648
	-----	-----	-----	-----
OPERATING INCOME	1,032	1,046	1,934	1,700
Net gains realized on minority investments	--	31	190	31
Interest and other income, net	275	120	505	222
	-----	-----	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	1,307	1,197	2,629	1,953
Provision for income taxes	433	381	957	722
	-----	-----	-----	-----
NET INCOME	\$ 874	\$ 816	\$ 1,672	\$ 1,231
	=====	=====	=====	=====
Net income per share--basic	\$ 0.12	\$ 0.12	\$ 0.23	\$ 0.18
	=====	=====	=====	=====
Net income per share--diluted	\$ 0.12	\$ 0.11	\$ 0.22	\$ 0.17
	=====	=====	=====	=====
Shares used in per-share calculation--basic	7,144	6,911	7,121	6,872
	=====	=====	=====	=====
Shares used in per-share calculation--diluted	7,556	7,387	7,567	7,338
	=====	=====	=====	=====

CONSOLIDATED BALANCE SHEETS

(In millions)

	January 27, 2001 ----- (unaudited)	July 29, 2000 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,994	\$ 4,234
Short-term investments	788	1,291
Accounts receivable, net of allowance for doubtful accounts of \$89 at January 27, 2001 and \$43 at July 29, 2000	3,512	2,299
Inventories, net	2,533	1,232
Deferred tax assets	1,162	1,091
Lease receivables	454	588
Prepaid expenses and other current assets	469	375
	-----	-----
Total current assets	12,912	11,110
Investments	12,007	13,688
Restricted investments	1,162	1,286
Property and equipment, net	2,211	1,426
Goodwill and purchased intangible assets, net	4,696	4,087
Lease receivables	516	527
Other assets	2,377	746
	-----	-----
TOTAL ASSETS	\$35,881 =====	\$32,870 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 942	\$ 739
Income taxes payable	287	233
Accrued compensation	1,312	1,317
Deferred revenue	1,994	1,386
Other accrued liabilities	1,800	1,521
	-----	-----
Total current liabilities	6,335	5,196
Deferred tax liabilities	--	1,132
Minority interest	48	45
Shareholders' equity	29,498	26,497
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$35,881 =====	\$32,870 =====