

Cisco profits surge as corporate tech market rebounds **Shares decline following in-line forecast; Chambers sounds note of caution**

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SAN FRANCISCO (MarketWatch) -- Cisco Systems Inc. on Wednesday reported a 63% jump in quarterly profit, as Chief Executive John Chambers said the company was gaining share in the rebounding corporate technology market.

But shares of Cisco (NASDAQ:CSCO) fell by 2% in after-hours trading. One analyst speculated that it was likely due to investor disappointment that the company did not post blow-out results. Cisco also issued a revenue forecast for the current period that was largely in line with previous estimates.

Cisco reported a fiscal third-quarter income of \$2.2 billion, or 37 cents a share, compared with a profit of \$1.35 billion, or 23 cents a share, for the year-earlier period.

Revenue rose to \$10.37 billion from \$8.2 billion in the same period the previous year. Adjusted income was 42 cents a share.

Analysts had expected the San Jose, Calif.-based company to report earnings of 39 cents a share, on revenue of \$10.2 billion, according to a consensus survey by FactSet Research.

"We emerge from this downturn gaining market share, a larger share of the total wallet spend of our customers, dramatically improved customer relations as a trusted technology and business partner," Chambers said in a statement. "It is clear that our game plan for how to handle economic downturns is hitting on all cylinders."

For the current quarter, Cisco said it expects a 25% to 28% increase in revenue year-over-year, which translates to roughly \$10.63 billion to \$10.88 billion. Analysts currently expect the company to report revenue of \$10.65 billion, according to data from FactSet Research.

Chambers affirmed his earlier optimism about a recovering economy, but also acknowledged the uncertainties, saying in a call with analysts, "While we believe the recovery is accelerating, no one knows for sure how long it will be, how long it will last, how strong it will be or the extent of job creation."

Analyst **Rajan Varadarajan of Primary Global Research** speculated that the shares declined after hours because "the market probably expected broad numbers."

"They were disappointed that it was not a blow out," he said in a phone interview. "Nonetheless, they had a great quarter."

The company posted strong gains in its core businesses.

Cisco reported router revenue of \$1.7 billion, up 23% from the year-earlier period. The company also reported switches revenue of \$3.7 billion, up 40% year-over-year. Revenue for its advanced technologies segment was \$2.4 billion, up 18% from the year-earlier period.

"We continue to believe Cisco is in the midst of a major transformation that is pushing the company into new markets, new product lines and lesser penetrated geographies, potentially allowing for an expanded addressable market and attractive sales growth," wrote Brian White of Ticonderoga Securities in a note to clients following the report.