

Cisco's profits fall less than expected

The Associated Press

SAN FRANCISCO - Cisco Systems' profits fell more than 5 percent in its fiscal third quarter but beat Wall Street's expectations -- a sign that the turbulent U.S. economy didn't rattle the world's largest networking equipment maker as hard as expected.

The company reported Tuesday it earned \$1.77 billion, or 29 cents per share, during the three months ended April 26. That represents a drop of 5.4 percent from the \$1.87 billion, or 30 cents per share, that Cisco earned during the same period a year ago.

Stripping out 9 cents per share in one-time charges for acquisition and employee stock-based compensation, Cisco earned 38 cents per share. That's 2 cents per share more than the average estimate on the same basis from analysts polled by Thomson Financial.

Sales also were higher than analysts' subdued forecasts, coming in at \$9.79 billion in the third quarter -- a 10.4 percent jump over a year ago, when Cisco's sales were \$8.87 billion. Analysts were expecting sales of \$9.75 billion in the third quarter this year.

Wall Street wasn't expecting fireworks from Cisco in the third quarter because the technology bellwether lowered its sales-growth target in February. Cisco blamed weakness in the U.S. economy, which was causing big customers to delay or scuttle big purchases involving Internet infrastructure.

Investors were merely hoping the company, which makes routers and switches that direct Internet traffic, would manage a slowdown in technology spending in the United States, and at least report in line with expectations.

The company's worldwide base helped it overcome sluggishness in the United States in the third quarter.

Sales to large corporations in the United States continued to grow more slowly than they have in the past, rising in the mid-single digits in the third quarter, a sign that technology spending among some of Cisco's biggest customers remains tight.

Cisco also offered fourth-quarter guidance of 9 percent to 10 percent sales growth that matched analyst expectations. On a conference call with analysts, Cisco CEO John Chambers said he expects companies in the United States to remain cautious about spending until at least the end of 2008.

Investors apparently were relieved that the damage from weakness in the United States wasn't worse, and bid up Cisco's shares. Cisco gained 31 cents to \$26.64 in after-hours trading once results were reported. The stock had closed up 5 cents at \$26.33 during regular trading.

<http://www.newsobserver.com/business/technology/story/1063813.html>