Q1 2022 Earnings Call

Company Participants

- Chuck Robbins, Chair and Chief Executive Officer
- Marilyn Mora, Head of Investor Relations
- Scott Herren, Executive Vice President and Chief Financial Officer

Other Participants

- Amit Daryanani
- Ittai Kidron
- James Suva
- Matthew Niknam
- Meta Marshall
- Paul J Silverstein
- Rod Hall
- Sami Badri
- Samik Chatterjee
- Simon Leopold
- Tal Liani
- Tim Long

Presentation

Operator

Welcome to Cisco's First Quarter Fiscal Year 2022 Financial Results Conference Call. At the request of Cisco, today's conference is being recorded. If you have any objections, you may disconnect.

Now, I would like to introduce Marilyn Mora, Head of Investor Relations. Ma'am, you may begin.

Marilyn Mora {BIO 19771101 <GO>}

Welcome everyone to Cisco's first quarter fiscal 2022 quarterly earnings conference call. This is Marilyn Mora, Head of Investor Relations, and I'm joined by Chuck Robbins, our Chair and CEO; and Scott Herren, our CFO.

By now, you should have seen our earnings press release. A corresponding webcast with slides, including supplemental information will be made available on our website in the

Investor Relations section following the call. Income statements, full GAAP to non-GAAP reconciliation information, balance sheets, cash flow statements and other financial information, can also be found in the Financial Information section of our Investor Relations website.

As a reminder, effective in Q1, we began reporting our revenue in the following categories; Secure Agile Networks, Hybrid Work, End-to-End security, Internet for the Future, Optimized Application Experiences, Other Products, and Services. As discussed during our Investor Day and in our October 20th press release, this change better aligns our product categories with our strategic priorities. This change only impacts how we report revenue by product category as the reportable segments will continue to be based on geographies which consists of the Americas, EMEA, and APJC. We've included quarterly reclassified revenue amounts for the last three fiscal years on our website. Click on the Financial Information section of the website to access these documents.

Throughout this conference call, we will be referencing both GAAP and non-GAAP financial results, and we'll discuss product results in terms of revenue and geographic and customer results in terms of product orders, unless stated otherwise.

All comparisons made throughout this call will be done on a year-over-year basis. The matters we will be discussing today include forward-looking statements, including the guidance we will be providing for the second quarter and full year of fiscal 2022. They are subject to the risks and uncertainties, including COVID-19, that we discuss in detail in our documents filed with the SEC, specifically the most recent report on Form 10-K which identify important risk factors that could cause the actual results to differ materially from those contained in the forward-looking statements.

With respect to guidance, please also see the slides and press release that accompany this call for further details. Cisco will not comment on its financial guidance during the quarter unless it is done through an explicit public disclosure.

I will now turn it over to Chuck.

Chuck Robbins {BIO 17845882 <GO>}

Thanks, Marilyn, and good afternoon, everyone. We look forward to spending time with you today.

First, I'd like to thank those of you who joined us for our Investor Day in September, where we showcased the strong foundation we've built for helping to generate long-term profitable growth. We're striving to maximize value creation through our focus on higher concentrations of software and subscription-based revenue streams. This gives us and you, greater visibility and predictability into our future growth.

We also highlighted our unique portfolio of market-leading franchises, which are well-positioned to drive growth in highly-attractive existing and expansion markets. Lastly, we showcased the depth of our leadership team and outlined the next phase of our strategy.

Moving into fiscal year '22; we are off to a great start with robust order growth of 33% and continued strong demand across our portfolio. Our teams are executing well. Our ARR grew double-digits and our momentum is accelerating, driven by digital transformation and cloud.

Even with the ongoing supply-constrained environment, we are solidly on track to deliver against our long-term financial targets by investing for growth while delivering breakthrough innovation. The past 18- to 24-months have no doubt accelerated the digital revolution we're all experiencing, as technology is permanently changing nearly every aspect of our lives. The technology we build is powering the modern, secure infrastructure that sits at the heart of this revolution, and Cisco is well-positioned to capture the opportunities ahead.

Our customers want digital and cloud-enabled solutions that allow them to move with greater speed, agility, and efficiency. We're already seeing the positive impact of our investments to drive accelerated innovation across high growth areas, including hybrid cloud, web scale, cloud security, 5G, WiFi 6, 400-gig, and full-stack observability.

A key trend in front of us is enabling employees to work from anywhere, and this is much broader than meetings. It's about the holistic capabilities to support a highly-distributed workforce that require new infrastructure architectures, observability, and security. Many companies are in the process of defining their hybrid work strategy, which will be based on the technology we build across our networking, security, and collaboration portfolios.

We are also leading the way with new innovation, including our recently expanded WebEx portfolio, purpose-built for inclusive experiences across hybrid work, work spaces, and events.

Now, I'd like to discuss our Q1 performance. Building on the momentum from last quarter, I'm proud to say, we achieved another strong quarter, in line with our expectations, despite supply constraints, which I will discuss shortly. We delivered balanced revenue and non-GAAP EPS growth with healthy margins, driven by a continued economic recovery, strong execution, and exceptional demand for our products.

We also generated a strong quarter of double-digit growth in ARR and RPO, reflecting the ongoing success of our transformation. We have continued to operate successfully in a very dynamic environment, staying nimble in order to navigate the evolving conditions related to the Delta variant and global component shortages.

Now, let me discuss the performance of our customer market segments.

Q1 marks the third consecutive quarter of accelerating order momentum with broad-based strength across our business. Every geographic region, and three of the four customer markets, grew product orders at 30% or higher. We again experienced the strongest demand in over a decade, as our customers increased their investments in digital transformation.

In our Enterprise and Commercial businesses, we achieved our fourth consecutive quarter of accelerating order growth. We also saw solid growth in Public Sector. Our Service Provider segment delivered its highest level of order growth in over five years with 66% growth, as these customers address their growing bandwidth requirements.

In our Web Scale business, our robust momentum continues. Our performance was once again a record, with order growth of over 200%. That's 120% growth on a trailing fourth quarter basis.

We are very pleased with the early traction of our 400-gig solutions, Cisco 8000 platform, Silicon One portfolio, and rapid growth in our Acacia portfolio of optical networking products. It's clear we are expanding our footprint as our cloud growth rate is outpacing our peers. We continue to invest in web scale innovations with differentiated customer value, launching this quarter the latest member of the Silicon One family, the 19.2-terabit P100 routing device, the 11th chip in the Silicon One family.

In addition, Acacia marked a major milestone by unveiling the industry's first pluggable module, capable of delivering 1.2-terabit capacity on a single wavelength.

Our product revenue was up nearly $1 billion year-over-year, demonstrating the competitive advantages of our scale and reach, as well as our ongoing momentum. We saw broad-based demand across the majority of our product portfolio.

In addition, we continue to see steady progress in our business model transition. Our focus on subscriptions, allows us to deliver innovation faster to our customers, while providing more predictability and visibility, leading to a more durable growth business over the long-term.

We delivered software revenue of $3.7 billion, with 80% sold as a subscription. Subscription revenue increased by 4% to nearly $5.5 billion, while ARR increased by 10% year-over-year to $21.6 billion. We saw strong product ARR growth of 21% and product RPO grew 18%, reflecting our rapid transformation to a software-led business model.

While our revenue growth was solid, it was impacted by the supply constraints which are affecting our technology peers and nearly every other industry. Our product orders were extremely strong and balanced across our markets, but we are constrained in what we can build and ship to our customers. We have a world-class supply chain team that works to deliver an incredibly high volume of products given our scale and reach. They continue to execute well in this highly fluid and complex environment.

We have been taking multiple steps to mitigate the supply shortages, and deliver products to our customers, including working closely with our key suppliers and contract manufacturers, paying significantly higher logistics costs to get the components where they are most needed, working on modifying our designs to utilize alternative suppliers where possible, and constantly optimizing our build and delivery plans.

We are doing this at a breath and scale that is significantly greater than most in our industry. Of course, all these steps, while necessary to maximize our production and delivery to customers, add to our cost structure. When combined with cost increases we are seeing from many of our suppliers, these factors are putting pressure on our gross margins. While we've thoughtfully raised prices to offset this impact, the benefits are not immediate and will be recognized over the coming quarters.

Our focus remains on our customers to ensure we provide them with the products they need as quickly as possible.

Now, I'd like to share the progress we're making on our ESG initiatives. In September, we committed to being net zero greenhouse gas emissions for Scope 1 and 2 by 2025, and net zero for all emissions, including Scope 3, by 2040. We believe we will do this by focusing on four areas; building more efficient products, accelerating the use of renewable energy, embracing hybrid work, and investing in innovative carbon removal solutions. We believe we have a deep responsibility to use our industry leadership position and our innovation to make the world a better place and look forward to continuing to do our part.

In summary, I am very pleased with the start to our fiscal year. Our teams are executing on our strategy, while navigating a challenging operating environment, and this is reflected in our Q1 results. Demand remains strong and with the momentum in our business transformation, we have set the stage for another year of accelerated growth in fiscal 2022.

Our performance is a testament to the power of our differentiated innovation, the strength of our end-markets, and our team's commitment to excellence. As our customers accelerate their digital transformation and their adoption of hybrid cloud and hybrid work strategies, we believe we are uniquely-positioned to capture the opportunities ahead. We will continue to strategically invest across our portfolio to drive growth and innovation, strengthen our competitive advantage, and position Cisco for success, and I continue to have great confidence in our future.

I'll now turn it over to Scott.

Scott Herren {BIO 18902845 <GO>}

Thanks, Chuck.

We started the fiscal year with a strong Q1 performance. We executed well, resulting in another quarter of more than 30% product order growth driven by strength across our portfolio, and demonstrating continued robust demand for our products and services. We also had strong results across revenue, net income, and earnings per share.

Total revenue increased to $12.9 billion, up 8% year-over-year, coming in line with our guidance range for the quarter. We saw strength in a number of product areas and across all geographies. Our business continues to execute well in this highly-dynamic environment, but ongoing component supply constraints are impacting our ability to convert historically high demand into revenue, as quickly as we'd like.

Non-GAAP operating margin was 33.3%, up 60 basis points. Non-GAAP net income was $3.5 billion and non-GAAP earnings per share was $0.82, both up 8% year-over-year, with non-GAAP EPS coming in above the high end of our guidance range.

Looking at our Q1 revenue in more detail; total product revenue was $9.5 billion, up 11%, service revenue was $3.4 billion, up 1%. Secure, Agile Networks performed very well with revenues up 10%. Switching had strong growth, driven by a double-digit increase in campus switching led by our Catalyst 9000 and Meraki switching offerings.

The enterprise routing portfolio had high-single-digit growth, driven by Edge and SD-WAN. Wireless had a very strong double-digit increase, driven by our WiFi 6 products and Meraki wireless offerings. We had growth in data center switching and compute revenue declined slightly. Hybrid Work was down 7% overall, driven by revenue decreases in our perpetual calling, meetings, and contact center offerings.

These were partially offset by the ramp of communication platform-as-a-service and growth in our collaboration devices.

Within Hybrid Work, our SaaS revenue continues to show growth of high-single-digits, driven by cloud calling and contact center. End-to-End security was up 4%, driven by growth in our cloud-based solutions, also offset by declines in our perpetual and hardware offerings.

Our Zero Trust portfolio performed well with double-digit growth as we had continued momentum in our Duo offerings. We also saw good growth in unified threat management. Here again, our subscription portfolio performed well, growing 15%, driven by our cloud security and Zero Trust platforms. Internet for the Future was up 46%, driven in large part by the strength of our Web Scale customers. We saw broad strength in the portfolio with growth in cloud, growth in core with strength in both Cisco 8000 and NCS 5500, and growth in Edge with the ASR 9000. We also saw benefits from our acquisition of Acacia.

Optimized application experiences was up 18%, driven by both ThousandEyes, which grew triple-digits, and Intersight which grew in the strong double-digits. SaaS revenue for AppDynamics grew double-digits as its revenue shifted to a greater proportion from its cloud-delivered platform.

Our transformation metrics we covered on Investor Day were solid, as we continue to shift our business to more software and subscriptions. Software revenue was $3.7 billion, an increase of 1% with the product portion up 3%. 80% of software revenue was subscription-based, which is up 2 percentage points year-over-year. Total subscription revenue was $5.5 billion, an increase of 4%, with the product portion increasing at 7%. Total subscription revenue represented 43% of Cisco's total revenue.

ARR, or annualized recurring revenue, was $21.6 billion, an increase of 10% with strong product ARR growth of 21%. And remaining performance obligations, or RPO, was $30.1 billion, up 10%. Product RPO increased 18%, and short-term RPO grew 9% to $15.9 billion.

As you can see, we continue to make significant progress on the transformation to increased software and subscriptions.

We continue to have exceptionally strong order momentum in Q1, with total product orders up 33%, as Chuck mentioned earlier with strength across the business.

Looking at our geographic segments; the Americas was up 31%, EMEA was up 36%, and APJC was up 39%.

Total emerging markets were up 37%, with the BRICS plus Mexico up 47%.

In our customer markets, Service Provider was up 66%, Commercial was up 46%, Enterprise was up 30%, and Public Sector was up 10%. As you can see, it was broad strength across the business.

From a non-GAAP perspective, total gross margins came in at 64.5%, down 130 basis points year-over-year. Product gross margin was 63.8%, down a 150 basis points, and Service gross margin was 66.5%, down 60 basis points.

The decrease in product gross margin was primarily driven by higher costs from freight, expedite, and increased component costs related to supply constraints. Pricing impact was relatively moderate and consistent with prior quarters, partially offset by a positive product mix.

We continue to manage through the supply constraints seen industry-wide by us and our peers due to component shortages, which have resulted in extended lead times and higher costs for many of these components. We're partnering closely with our key suppliers, leveraging our volume purchasing, and extended supply commitments, as we address the supply challenges and cost impacts, which we expect will continue into the second half of fiscal 2022.

Our supply chain team continues to perform well with this very complex situation.

We believe we're taking the right strategic actions with our suppliers and contract manufacturers to ensure we meet customer demand, despite the potential risk associated with increasing our inventory and purchase commitments.

When we look at the impact of acquisitions on our Q1 results, there was an approximate 250-basis-point positive impact on revenue, and no material impact on our non-GAAP EPS, which is in line with our expectations.

Operating cash flow for the quarter was $3.4 billion, down 16% year-over-year, driven by higher supply-related payments and timing of other payments and collections. We ended Q1 with total cash, cash equivalents and investments of $23.3 billion, down approximately $1.2 billion sequentially, primarily driven by $2 billion in scheduled repayments of our long-term debt.

In terms of capital allocation, we returned $1.8 billion to shareholders during the quarter. It was comprised of $1.6 billion for our quarterly cash dividend and $256 million of share repurchases.

We continue to invest organically and inorganically in our innovation pipeline. During Q1, we closed the acquisition of Epsagon and announced our intent to acquire Replex. These investments are consistent with our strategy of complementing our internal innovation and R&D, with targeted M&A, to allow us to further strengthen and differentiate our market position in our key growth areas.

To summarize, we had a strong Q1 and a complex supply-constrained environment. We executed well with strong top line revenue and earnings per share, as we delivered balanced profitable growth. We continue to make great progress on our business model shift, and are continuing to make the investments in innovation to capitalize on our significant growth opportunities. We're seeing progress as we drive the continued shift to more software and subscription revenue, delivering growth and driving shareholder value.

Now, let me provide our financial guidance for Q2, which is as follows.

We expect revenue growth to be in the range of 4.5% to 6.5% year-on-year. We anticipate non-GAAP gross margin to be in the range of 63.5% to 64.5%, reflecting the continuing increase in supply chain costs we're incurring as we protect shipments to our customers.

Our non-GAAP operating margin is expected to be in the range from 32.5% to 33.5%, and non-GAAP earnings per share is expected to range from $0.80 to $0.82.

There's no change to our full year fiscal '22 guidance. We expect revenue growth to be in the range of 5% to 7% year-on-year. Non-GAAP earnings per share is expected to range from $3.38 to $3.45, also up 5% to 7% year-over-year. In both our Q2 and full-year guidance, we're assuming a non-GAAP effective tax rate of 19%.

I'll now turn it back to Marilyn, so we can move into the Q&A.

Marilyn Mora {BIO 19771101 <GO>}

Thanks, Scott. Michelle, let's go ahead and queue up the Q&A.

Questions And Answers

Operator

(Question And Answer)

Thank you. Sami Badri from Credit Suisse. You may go ahead.

Q - Sami Badri {BIO 20178177 <GO>}

Hi, thank you very much for the question. First question I had was regarding your price increases that you talked about incorporating into your price sheets. Would you say that 100% of the product order is recognized in the quarter, reflected the higher price increases that you guys incorporated or were there prior contracts in place that honored prior price sheets for some of your key customers? Could you give us maybe idea on mix, and maybe a straightforward answer on that side?

And then, just a second question, as it looks like public sector up 10% year-on-year, I think some of your peers have reported some very strong end market public sector trends, some of them coming from the U.S. federal government. Could you just give us an update on what's going on there? Were there things that did not get past the finish line or any holdups or any kind of key things you're seeing that met with some resistance and deploying more public sector or federal government activity?

A - Scott Herren {BIO 18902845 <GO>}

Sure. I'll start, Sami, on the price increase question and I'll let Chuck weigh in on public sector. The price increase that we put in place really just became effective at the 1st of September. Most of what we ship during the quarter either came out of RPO, right? So prior sales that are sitting on the balance sheet and then accreted into our revenue. And we talked about having $15.9 billion now of current RPO. None of that, of course, would have had the price increase built into it. And a lot of the hardware shipments came out of backlog during the quarter. And again, none of those would have included that price increase. I think even looking ahead, Sami, you got to think about that price increase having a bigger effect toward the second half of the year than it'll have during -- certainly during Q2, think of that as more of a late Q3, Q4 by the time those price increases turn into orders, those orders work their way through, the backlog get built and then delivered to customers.

A - Chuck Robbins {BIO 17845882 <GO>}

And then, Sami, thanks for the question. On the public sector situation, we saw -- if you look at our public sector performance on a global basis over the last couple of years, it's been very consistent, and I think we've doubled that business since 2017 or something, so it's been -- that's the federal business perhaps, our U.S. public sector. But the -- what we saw was we saw a lot of strength in E-rate, we saw strength in state and local education, we saw strength on the civilian side, and we had a few deals on the DOD side that pushed into Q2 from an order perspective, but it's still very strong, and the teams are doing a really good job there. That's just a great business for us.

Q - Sami Badri {BIO 20178177 <GO>}

All right. Thank you very much.

A - Marilyn Mora {BIO 19771101 <GO>}

Thanks, Sami. Next question, please.

Operator

Ittai Kidron from Oppenheimer. You may go ahead.

Q - Ittai Kidron {BIO 5557426 <GO>}

Thanks. Hey, guys. Chuck, I want to focus on the security business. In fiscal '19, you grew 18%, that was down to 12% in '20, that was down to 7% in '21, and you're starting the year at 4% here and now, all in the same time your large competitors like Palo Alto and Fortinet and even Check Point for that matter are seeing accelerating growth, improving growth rates and growth rates in the teens, 20s and even 30s on a year-over-year basis. So maybe you can unpack this for me a little bit. I know you've been pleased with your security business, but it seems like it's kind of heading in the wrong direction growth-wise relative to what the peers are doing. Maybe you can go into a little bit depth into the transitions that are going within that portfolio, when do we see it turn around? And perhaps Scott can comment on how much of that portfolio is perpetual in nature versus subscription in nature? Thank you.

A - Chuck Robbins {BIO 17845882 <GO>}

Yes, Ittai, it's a great question. So first of all, I will say that we have room to get better in security and teams are working hard on that. There's a lot of innovative work going on. And then you called out the primary issue that Scott referenced in his opening comments is the on-prem sort of perpetual stuff in decline and then the subscription-based businesses grew double-digits, zero trust, unified threat management was good growth, and overall, the subscription portfolio grew 15%, so it's really balancing that. And there's a little impact in there, Ittai, from supply chain on our hardware-based network firewall business. So I think it's a combination of -- we've got some work to do, which the teams are working on, and then the transition and a little bit of supply chain. But we would expect over the next two to three years for that business to continue to get better and the teams are committed to make that happen.

A - Scott Herren {BIO 18902845 <GO>}

And Ittai, to the second part of your question, we haven't actually broken that out for you, but I think the -- as we talked at our Investor Day back in September, the growth areas of all of our markets, security and hybrid work included, are more in the subscription side. That's where we focused our attention, that's where we focused a lot of our innovation. And as Chuck said, the subscription piece of security grew at 15% during the quarter. So I think as that becomes a more and more prominent part of our overall security product portfolio, that's where you'll begin to see more acceleration in the growth rates.

Q - Ittai Kidron {BIO 5557426 <GO>}

Maybe Scott, I can ask it differently. Is there a way to qualify to us where we are in this transition from perpetual to subscription? Is that -- will that be a drag for a long time or you think we're at the tail end of this transition?

A - Scott Herren {BIO 18902845 <GO>}

Yes. Again, I'd rather not get into trying to give you guidance at that level all the way out through time, Ittai. I do think it's a -- the areas that we focused on and the areas that we're investing in are the high-growth areas and that's why you're seeing that double-digit growth. That mix will continue to change. It was obviously positive during Q1. It was positive in the prior quarter in Q4. It will continue to change. And again, as that piece becomes a bigger part of the overall portfolio, that's where you'll see it flip to a faster growth.

Q - Ittai Kidron {BIO 5557426 <GO>}

Thank you.

A - Marilyn Mora {BIO 19771101 <GO>}

All right, thanks, Ittai. Next question, please.

Operator

Tim Long from Barclays. You may go ahead.

Q - Tim Long {BIO 17361522 <GO>}

Thank you. Maybe just two, if I could, kind of related. On the software side, a little bit detail on the growth rate. Maybe if you can talk a little bit about more broadly the software solutions and how we can start to see growth accelerate there, I guess, as we get through this transition a little further. And secondly, more granular. Chuck, maybe you can talk a little bit about renewals for Cat 9k, I think we're starting to come up against a period where we're going to see more of those. Any early indications there? And what do you think kind of retention rates will look like? And do you think there's any software upsell opportunities as the bulk of the early customer base starts renewing? Thank you.

A - Chuck Robbins {BIO 17845882 <GO>}

Scott, do you want to take the first and I'll take the second?

A - Scott Herren {BIO 18902845 <GO>}

Yes, sounds good. On the software revenue growth, as you said, it did slow a bit during the quarter. And that's really again the same effect that we talked about in the opening commentary. We had -- that transformation from selling more perpetual license to selling more as a subscription, and that's an area that we've put a lot of time and effort focusing on.

So it's that mix underneath the covers that's driving it where you'll see the revenue that's not yet recognized, but the success of that transformation is in two of the stats that we also gave you in the opening commentary. Product RPO, product remaining performance obligations up 18% and product ARR growing 21%. So a lot of the software sales that we had in the quarter were actually sitting there in RPO at this point and they'll get recognized over the future. So that's just creating an overall headwind to the reported revenue growth rate.

A - Chuck Robbins {BIO 17845882 <GO>}

Just to add to that, Tim, I mean, our perpetual software, as you would expect, is negative year-over-year. So that -- and then the ratable that gets recognized over three, four, five years is where we're shifting it to. On the renewals on the Cat 9k, what I would say is that, it's still too early to tell, but I'll tell you that it's in line with our expectations. And the last two quarters -- they're small numbers, just to be clear, we're very early in this. And the teams have been improving it. I will tell you that we've added some innovative value around this with like the ThousandEyes capability that's been put into it now. So the teams are working on it. We have a reasonable degree of confidence. I mean, if you look at, net retention rates are clearly off the charts positive, but I think it's going to be into the second half and into fiscal '23, when we really see enough volume to have conviction that we've got the numbers where we need them to be.

Q - Tim Long {BIO 17361522 <GO>}

Hey. Thank you.

A - Marilyn Mora {BIO 19771101 <GO>}

Next question, please.

Operator

Meta Marshall from Morgan Stanley. You may go ahead.

Q - Meta Marshall {BIO 18728692 <GO>}

Great. Thanks. Chuck, I wanted to ask a question just on your conversations with customers and just as you guys and much of the industry tries to pass on price changes, just how that's impacting demand may be particularly with service providers who just have a little less budget flexibility. And then maybe second question. Just clearly you guys are making a lot of efforts to reconfigure products and find alternative suppliers. Just how should we think of the timeline of some of those actions kind of showing up and ability to kind of clear some of the backlog? Thanks.

A - Chuck Robbins {BIO 17845882 <GO>}

So let me, on your first question, look, I think it varies by customer. Most customers are very understanding. They are super frustrated with the lead times. We have -- where we have situations that we need to deal with specific customer issues around budgets, et cetera, our teams handle that specifically with the customers. But in general, I think that they understand and many of our customers are doing the same thing to their customers. So this is the whole inflationary trend that we see across the entire economy.

I would say that a quick comment on before I hand it to Scott on the second part. I think that we did talk about, the first half of last quarter, we did see some deterioration in our supply chain component availability, and then we saw it stabilized in the second half. So that was good. And we're planning on seeing some slight improvement in Q3 and Q4. We don't expect a lot. We expect it to remain stabilized in Q2. And then we think we'll see some slight improvement in the second half of our fiscal year. That's our current belief based on what we know today.

Scott, do you want to talk a little bit about the second part?

A - Scott Herren {BIO 18902845 <GO>}

Sure.

A - Chuck Robbins {BIO 17845882 <GO>}

When we (inaudible).

A - Scott Herren {BIO 18902845 <GO>}

And yes, I think that's the $64,000 question. And the complexity of answering that is, of course, it's not just one commodity that's constrained, it's -- and you have to square the sets across multiple commodities that are all constrained. And then you have to overlay on that the snarled logistics position that we find ourselves in really across all lanes, whether it's ocean or air, or trucking. The layering on of both of those is what makes it answering that question so complex.

As Chuck said, we did see stabilization and some of the signs of stabilization that we saw during the quarter. We saw better visibility to components from some of our suppliers in terms of when they could deliver in the quantities. We saw fewer decommits come in during the quarter, another sign of stabilization. And then memory costs are actually beginning -- just beginning, but beginning to decline a bit, meaning that market's coming more into balance as well. So we're seeing signs of stabilization as we look ahead and look at Q2 guide and what that means for the full-year. Obviously, we're in a very strong position on RPO that's going to accrete into the revenue stream in the second half of the year, and we've got a backlog that provides us great visibility into exactly what we need to build. So we can be a lot more targeted in what we need to go chase down to get that. So feel confident in the position that we're in both on the Q2 guide and the full year guide, given what we see today.

A - Chuck Robbins {BIO 17845882 <GO>}

The bad news is, we've had obviously challenges getting things shipped to our customers. The good news is, is that our backlog is at an all-time high for our company, it's never been higher.

Q - Meta Marshall {BIO 18728692 <GO>}

Great. Thank you.

A - Marilyn Mora {BIO 19771101 <GO>}

Next question, please.

Operator

Simon Leopold from Raymond James. You may go ahead.

Q - Simon Leopold {BIO 4081594 <GO>}

Thank you for taking the question. I wanted to see if you could maybe quantify or even guess that, how much of the 33% order growth might reflect pull in, basically customers placing orders ahead of your price increases. If there's any way you could adjust for that or normalize? And what do you expect in terms of the outlook for order trends, do you forecast this? And I assume at some point revenue growth and order growth should begin to converge somewhat.

A - Chuck Robbins {BIO 17845882 <GO>}

Simon, I wish I could do what you ask because I'd like to know that myself. I will tell you this, we clearly know -- call it pull ahead, call it ordering against the reality of our lead times, but we clearly know that customers are ordering further out than they would normally. The large carriers, the cloud providers where we had 200% growth, I mean, these are customers we're doing deep forecasting and planning with. So we know that they're ordering two, three, four quarters out to make sure that they have this stuff in the pipeline and in the right sequence for delivery. So we get that visibility. But then you look at a segment like commercial that grew 46% and you tend not to see a lot -- you'll see a little bit, some of the commercial customers are looking out, but many of them are ordering when they feel the need. And so it's a really hard question to answer.

On your second one, I think the only way I can answer that is to say -- it actually part of the first answer too, what we're watching real closely is we're watching cancelations, which we have not seen any change in our historic cancelation rates, in fact, it's lower. We watch pipeline growth, and I can tell you that our pipeline growth is probably as strong as it's ever been, even beyond the quarter we just finished. So we see continued demand. And I think that from that perspective, the way we think about it is our very large customers, largest enterprises, cloud players, large carriers, those we know we have visibility, there's an aspect of ordering ahead from other customers, but I think the vast majority below that probably aren't.

Q - Simon Leopold {BIO 4081594 <GO>}

So is it fair to imagine that you were also surprised by the improvement in order growth versus the prior quarter? Was this a surprise to you as well?

A - Chuck Robbins {BIO 17845882 <GO>}

Yes. Well, yes, and if you look at the compare from a year ago, the compare was actually tougher. So the momentum actually increased if you look at it that way. So I -- but our teams have -- we talked about six years ago that we were going to do the work to try to get back into these franchises, in the cloud players and that's been a big -- that's a big, big success for us right now and that's certainly helpful. And then, we've got all these other trends happening right now. You got 5G build out, you've got Wi-Fi 6, you've got every enterprise customer realizing that they're not going to get caught with the next crisis, not having their technology modernized, are switching growth is at a rate that -- two years ago if I had told you we're going to be doing that or if you told me we were going to be doing that, we either [ph] both been crazy.

So it's -- so I think your point of at some point in the future you would expect order rate and revenue would they have to get in line? I think over a time period, yes, not necessarily in one quarter versus the other because of the transition in the business model. Because if you look at the RPO that we're pulling off the balance sheet every quarter, I go back and look at what that was would have been six years ago, it would have been anywhere remotely close to what we are. So we would have been in a much more dire situation relative to supply chain and revenue right now, if we hadn't been making the transition that we've been making.

A - Scott Herren {BIO 18902845 <GO>}

Yes, that $15.9 billion of just current RPO, meaning it's going to accrete into the revenue stream in the next 12 months gives us obviously a fair amount of visibility there, Simon. The other thing I'd say to your point that I think is relevant on the strength of the order flow during the quarter is linearity was also good. It wasn't like the quarter started off strong and got weaker as it went on. The linearity was good throughout the quarter. So we do enter the current quarter with some pretty good momentum on that front.

A - Chuck Robbins {BIO 17845882 <GO>}

It actually was the opposite, it strengthened.

A - Scott Herren {BIO 18902845 <GO>}

Yes.

A - Chuck Robbins {BIO 17845882 <GO>}

Yes.

Q - Simon Leopold {BIO 4081594 <GO>}

Thank you very much for those insights. Appreciate it.

A - Chuck Robbins {BIO 17845882 <GO>}

Thanks, Simon.

A - Marilyn Mora {BIO 19771101 <GO>}

Thanks, Simon. Next question.

Operator

Paul Silverstein with Cowen. You may go ahead.

Q - Paul J Silverstein {BIO 1812254 <GO>}

Thanks. Based on the previous question, Chuck and Scott, if you already answered this, I do apologize. I don't think I heard the response. But in quantifying how much revenue would have been, and what margins would have been, but for the supply chain constraints. Did you give that number? If not, can you give us that number -- those numbers?

A - Chuck Robbins {BIO 17845882 <GO>}

Well, we can't give you the number because it's impossible to calculate. But if you look at last quarter's product growth at 31%, this quarter's product growth at 33%. The RPO, they'll be pulled off the balance sheet (inaudible) been meaningfully higher. I mean, there's -- it's the largest backlog we've had in the history of the company. So it's hard to say. But Scott, anything to add?

A - Scott Herren {BIO 18902845 <GO>}

Just Paul, the constraint obviously is component supply right now with back-to-back quarters of 31%, product order growth in the Q4 that we closed and then 33% in the quarter that we just closed Q1, clearly, the headwind that we're seeing to faster revenue growth is just component supply. That backlog will turn into revenue, it'll just turn into revenue over time. So quantifying that as -- it's going to show up in the revenue stream (Multiple Speakers)

A - Chuck Robbins {BIO 17845882 <GO>}

And what I would say is that while short-term this doesn't feel great, I think what we're seeing is that customers have decisions they're making right now and they're choosing our technology across the board. I mean, they're choosing the innovation that our teams have built, and I think that's going to bode well and that's a great indicator for us in the future. And I think the fact of the matter is, is with that RPO and the backlog that we have, that stuff's going to ship. So there's going to be some short-term issues, but it's going to catch up.

Q - Paul J Silverstein {BIO 1812254 <GO>}

Chuck, the thought arises that you've got two different issues (inaudible) revenue and margin or ats least revenue, which is both a shift of software and RPO as well as the supply constraint -- supply chain constraints, which is making it difficult to decipher. What should demand in terms of quantifying? But I guess just not really [ph] a very insightful statement. Can I ask -- you mentioned very strong backlog, can you tell us what the backlog growth was as well as what book-to-bill (inaudible)?

A - Chuck Robbins {BIO 17845882 <GO>}

I'm not sure book-to-bill matters anymore, that mattered years ago when we were a hardware company and everything was sort of net 30. We haven't looked at that in ages. I'm sure it's on a spreadsheet somewhere from years ago. But I would say the backlog is -- Scott, how would you want to characterize it? I'll leave that with you.

A - Scott Herren {BIO 18902845 <GO>}

It's -- I mean, without saying the absolute number, Paul, I think, look at the revenue growth rate, the difference between the revenue growth rate and just in the last two quarters, in Q4 and Q1, and you can get a sense of what's built up in that backlog. It's a -- we have great visibility to what we need to build and ship out. And that's why you see us taking the steps we're taking in terms of adding inventory, making some of the longer-term purchase commitments that you see show up in our filings. It's really doing everything we can to try to support our customers and get that product out the door as quickly as possible. But you can get a sense of the building backlog just by looking at the delta between what's showing up in bookings and what we're able to push out the door in revenue.

Q - Paul J Silverstein {BIO 1812254 <GO>}

Chuck, are there any product markets where you're concerned about share loss not keeping up with market growth?

A - Chuck Robbins {BIO 17845882 <GO>}

Yes. I mean, we worry about it every day and so do our competitors, right? And so it's -- everybody's trying to fulfill what customers need, and I guess the silver lining is this is not necessarily unique to us, but it's certainly frustrating.

Q - Paul J Silverstein {BIO 1812254 <GO>}

All right, I'll pass along [ph]. Thank you.

A - Marilyn Mora {BIO 19771101 <GO>}

All right. Thanks, Paul. Next question.

Operator

Amit Daryanani from Evercore. You may go ahead.

Q - Amit Daryanani {BIO 7113568 <GO>}

Thanks a lot, and thanks for taking my questions. I guess, the first one, your revenue guide for Jan quarter is obviously below the Street was modeling. I'd love to get a sense on the guide that you just gave. How does that stack up to what you thought Jan quarter could look like maybe 90 days ago? And to the extent you could talk about the deceleration we're seeing from October to Jan on a year-over-year basis. Would that have occurred if you had no supply chain issue?

A - Scott Herren {BIO 18902845 <GO>}

There's no question that that Q2 guide is impacted by the supply chain, the component supply issues that are putting a headwind on what we can get pushed out the door. What I'd say is we -- our full year guide that we gave you last quarter of 5% to 7% growth on the top line and 5% to 7% growth on the bottom line, given another quarter of very strong demand growth and the backlog, plus the build-up of RPO we have, we have pretty good visibility to what needs to get done to hit that. And are still -- given everything we know, we're still quite confident and being able to hit those for the full year. So the shape of the year may look a little bit different because of the supply issues, but the full year still feels like it's where it was 90 days ago.

Q - Amit Daryanani {BIO 7113568 <GO>}

Got it. And if I could just follow-up, you had a really nice win with Facebook on Silicon One (inaudible) I think recently. Could you just talk about, as you think about Silicon One offering, where is this resonating with customers? And Chuck, I would love to understand, what are sort of the two or three reasons beyond -- this is an alternative to what Broadcom does, the customers that gravitate with Silicon One for?

A - Chuck Robbins {BIO 17845882 <GO>}

Yes, I would say there's a couple things. Number one, the performance of the Silicon One architecture is pretty incredible, and in a world where sustainability is a massive issue for everyone. When you look at the performance to power consumption ratio, it leads the world. And so, when you look at the speed and the number of ports and the performance that we're able to deliver at the lower power consumption, it is super meaningful. And so, not only is a great technology, but it comes at a significantly lower power consumption and I think those are couple of the big reasons.

Q - Amit Daryanani {BIO 7113568 <GO>}

Perfect. Thank you.

A - Marilyn Mora {BIO 19771101 <GO>}

Next question, please.

Operator

Rod Hall from Goldman Sachs. You may go ahead.

Q - Rod Hall {BIO 20453923 <GO>}

Yes. Hi, guys. Thanks for the question. I wanted to come back to the service provider orders. We would calculate that's the best number you've done on absolute orders in service provider in 10 years. I mean, it's an insanely good number. And I wonder if you could talk a little bit about what's in there. I know that you believe that orders are coming forward three or four quarters, I think, like you said Chuck there, two to four. But what is driving that? Can you dig into the products inside of that? And can you maybe link it back to some of these very large CapEx programs we've seen at some of the hyperscalers and so on? And how all this fits together for you from a product point of view and a market point of view? And I've got a follow-up.

A - Chuck Robbins {BIO 17845882 <GO>}

Okay, Rod. Hey, thank you. Yes, I think you're probably right on, I don't know if it goes back 10 years, I haven't looked at it, but it was significant. And I think it's a combination of what we talked about. For three years on these calls, we talked about when is 5G going to be real, right? And so we see it real now. And so, your cell site routers that are backhaul routers are big deal, packet core is a big deal. You get into the cloud providers and you have either standalone silicon, standalone software or integrated systems. And increasingly it's -- we're getting more integrated systems work, which has been helpful. The edge with the ASR 9K, the Cisco 8000 is being obviously super successful in the NCS product line. Optical, Acacia is doing very well. And so all of those technologies just line up. And I think that when you look at the - I'd say, I'd summarize it with three major trends, just us getting into the 400 gig build out in the cloud, us the 5G build out in the service provider space and then re-architecture that's happening in the service provider space to just basically flattened and simplify the whole routed optical network strategy that our teams have talked about. Those are the drivers. And you had a second question, Rod.

Q - Rod Hall {BIO 20453923 <GO>}

Yes, I wanted to come back to the backlog and maybe see if, Scott, if you have aged that at all. I mean, could you give us any idea? I know it's within the RPO, but could you give us any idea on aging on that just so we could try to reconcile? I mean, obviously the (inaudible) reason it's probably down is because the growth rate here just doesn't match the order growth and people are going to try to reconcile that. And I thought, well, maybe you could give us some kind of aging that would help us to make some progress on that? So I'm just curious, if you can help with that. Thanks.

A - Scott Herren {BIO 18902845 <GO>}

Rod, thanks for that question. This is something that our supply chain team is working day and night to try to resolve. We obviously can look at that and understand what's in the backlog quite well. What I'd say is what we're working through is really a prioritization mechanism on how we can get things shipped out, that are going to make sense to our customers and get those out there as quickly as possible. So there is some aging inside there, Rod. Rather than try to quantify that for you, what I'd say instead is, it's something that we are -- our team is working night and day to try to resolve.

Q - Rod Hall {BIO 20453923 <GO>}

Okay. Great. Thank you.

A - Scott Herren {BIO 18902845 <GO>}

And by the way, if it's sitting on the -- in the backlog, obviously, it's not in RPO yet.

A - Chuck Robbins {BIO 17845882 <GO>}

It's not in RPO, so it's incremental to RPO, right?

Q - Rod Hall {BIO 20453923 <GO>}

Oh, sorry. Yes, I misspoke. Sorry about that.

A - Chuck Robbins {BIO 17845882 <GO>}

Yes.

A - Marilyn Mora {BIO 19771101 <GO>}

All right. Thanks, Rod. Next question.

Operator

Matthew Niknam from Deutsche Bank. You may go ahead.

Q - Matthew Niknam {BIO 21568441 <GO>}

Hey, guys. Thank you for taking the questions. Just two, if I could. First on gross margin. I think the guide for next quarter implies you're going to be down about 50 bps at the midpoint, despite some of the seasonal lift you've typically seen in fiscal 2Q. So I'm just wondering is it entirely worsening supply chain constraints? Or are there other factors to consider?

And then secondly, I guess more broadly, a question on capital allocation. At the Analyst Day, you talked about using the buyback to continue to use it to offset dilution through stock options, but you're also sitting on $23 billion in cash. Wondering, if there are any updates you can share in terms of strategy here? And on a related point, what you're seeing on the M&A front in terms of larger scale, more transformational opportunities? Thanks.

A - Scott Herren {BIO 18902845 <GO>}

Okay. You snuck in three there, Matthew. I'll start with the gross margin question. The guide that we gave for the quarter at 63.5% to 64.5% is exactly the same guide that we gave you in Q1, and it's the exact same combination of effects. There's some competing factors inside there, right, on the -- within the gross margin, we've got price increases that will come online as the year goes on, more toward the second half and really more toward the end of Q3 and into Q4 we'll start to see -- that'll be a tailwind to gross margin. We've got the cost increases, and within that, it's not just component cost increases, which are a part of it, it's also logistics cost increases as we've talked about, and those have gone up across the board as well. So that's what's in the gross margin. That's -- it strictly tied to the various elements of cost within our supply constraints that we're dealing with.

On the cap allocation, which I think was your second question, our cap allocation policy is unchanged. It's exactly as we stated at Investor Day, which is first and foremost to support the growth of the business. Beyond that to obviously continue to protect the dividend through time, offset dilution of our equity plans, which is what you saw us do during the quarter we just closed. And then longer-term, return excess cash in the most tax-efficient way we can to our investors. So we continually evaluate that. I will tell you, it's an evaluation that is not just done once a quarter, it's a valuation that we do continually on that front.

The M&A question is one that probably doesn't pay to get too deep into. M&A has been a part of our strategy as a company. Over time, we talked about a couple of acquisitions in the opening commentary. Epsagon, which closed during the quarter, and replex, which we announced during the quarter is not yet closed. You should continue to see us doing some of those more of the build, buy type acquisitions. I think it helps us accelerate innovation. Longer term, it's a space that has been part of our strategy for some time.

Q - Matthew Niknam {BIO 21568441 <GO>}

That's great. Thanks, Scott.

A - Marilyn Mora {BIO 19771101 <GO>}

Let's go ahead and move to the next one.

Operator

Tal Liani from Bank of America. You may go ahead.

Q - Tal Liani {BIO 1643846 <GO>}

Hi, hopefully you can hear me. Chuck, I have a high-level question. If I analyze your growth, you grew $1 billion year-over-year, but when I look at the components, it's all hardware, switches and routers or secure agile networks is about 55% of it, then the rest of it is the optical stuff, the Internet for the Future. And the question is twofold. Number one, strategically, what can you do to expedite the growth of your focus areas, meaning software recurring revenues, SaaS, anything that is the other side of hardware? And the second question is, even if I look at the hardware side on these two areas, there was a major increase year-over-year in the growth rate, meaning from minus 16 to plus 10, for example, in secure and agile networks, even higher on the optical side. So what about sustainability? If that's the driver going forward, the hardware piece or the legacy pieces, how sustainable is the high growth we are seeing today versus a year ago? Thanks.

A - Chuck Robbins {BIO 17845882 <GO>}

Thanks, Tal. First of all, I think when you look at the RPO numbers, as Scott talked about, that would indicate that there's a significant portion of our revenue that we recognize each quarter that is not hardware. I mean, if you look at the RPO that we're going to recognize over the next four quarters and it will increase as we go through the year, I mean, it's sitting at close to $16 billion right now. And so, I think -- and you look at the product RPO growth in the quarter was up 18%. So I think that's actually have been successful. I just think the hardware business, the hardware part of the business had suffered the most a year ago. And so I think it's just coming back strong and we're -- but I actually think that we're actually making great progress on the software side, so I'm not concerned about it. I obviously would like for it to go faster, but I think it's -- if I look at what we're pulling off at balance sheet today in revenue versus what we were six years ago, it's seriously meaningful.

Q - Tal Liani {BIO 1643846 <GO>}

And what about sustainability?

A - Chuck Robbins {BIO 17845882 <GO>}

(inaudible) You see one-twelfth of it in a quarter.

A - Scott Herren {BIO 18902845 <GO>}

A fraction of it.

A - Chuck Robbins {BIO 17845882 <GO>}

A fraction of it in a given quarter.

A - Scott Herren {BIO 18902845 <GO>}

Yes.

Q - Tal Liani {BIO 1643846 <GO>}

Right. And what about sustainability of the -- of these areas that are growing now? How sustainable is the high growth that we're seeing now?

A - Scott Herren {BIO 18902845 <GO>}

We touched on -- I'll start, Chuck, and you can add color -- we touched on that, Tal, at the -- at our Investor Day, where we talked about the long-term growth of the TAM. It's just in the markets we're playing in today, that that's where we're already selling or where we're investing in products. That's up to $400 billion TAM by fiscal '25, and then within that, those markets are growing 5% to 7%, consistent with our own projected growth rates, interestingly when you peel that 5% to 7% back further and say, well, what's going to drive that. By far, if you recall the fastest growth rate was in the subscription models, and that's what you see from us. You see product RPO growing 18%, you see product ARR growing 21%, you see us doing exactly what we said we were going to do, right, which is make that transformation to a more recurring revenue model. Those things are not necessarily immediately turning into reported revenues, which I think is the math you're trying to do, but you got to add to that or you got to consider when you do that, the amount that we're building up in RPO and in ARR. And I think that's what drives the growth longer term.

A - Chuck Robbins {BIO 17845882 <GO>}

And Tal, we're also -- I think if you think about the franchise wins that we're having in the cloud, webscale players, I mean, those are like recurring revenue models, because you're in until the next transition, right, just like we were out before. So that's another reason that -- if you look at software as a percentage of total revenue, as we continue to make progress there, I think software is going to grow and then we hope to be growing both sides of it to be candid.

Q - Tal Liani {BIO 1643846 <GO>}

Got it. Thank you.

A - Marilyn Mora {BIO 19771101 <GO>}

Thanks, Tal. Next question.

Operator

Jim Suva from Citigroup. You may go ahead.

Q - James Suva

Thank you. Can I just have one question and that is, can you give some more details around your prepared comment where you mentioned about your integration in Acacia is going really well. What are some examples or proof points or milestones or items that you can maybe help us, as outsiders, understand about how Acacia is fitting in with Cisco? Thank you.

A - Chuck Robbins {BIO 17845882 <GO>}

Yes, it's a really good question. I think, first of all, they are -- I think they're executing ahead of what we expected from a numbers perspective, so that's first and foremost. And then secondly, I think just the work the teams are doing to continue to deliver on the innovation, there's work going on between the silicon and optics teams today. We're winning new franchises. So I just think it's just been a great partnership since they've been onboard.

Scott, anything to add?

A - Scott Herren {BIO 18902845 <GO>}

No, I mean other than just reiterating what you said in the opening commentary which is -- and this is a pretty major milestone for the industry. First pluggable module, capable of delivering 1.2 terabyte capacity on a single wavelength. That's a sign of not just executing on the financial performance, but also continuing to innovate at the rate and pace that we'd expect from them.

A - Chuck Robbins {BIO 17845882 <GO>}

Yes.

A - Marilyn Mora {BIO 19771101 <GO>}

All right. Thanks, JIm.

Q - James Suva

Thank you.

A - Marilyn Mora {BIO 19771101 <GO>}

We have time for one last question.

Operator

Thank you. Samik Chatterjee from J.P. Morgan. You may go ahead.

Q - Samik Chatterjee {BIO 15496543 <GO>}

Hi. Thanks for squeezing me in here. Chuck, I guess, just wanted to follow up, you have very strong order trends across all the customer verticals. But you did mention the impact -- that you're monitoring the Delta variant and the uncertainty around it. And we've heard the same from some of the channel partners in terms of a risk to monitor, particular for the commercial space.

Are you seeing anything weaken on the margin there, or is there a bit more kind of uncertainty on risk created because of it? And then as a quick follow-up for Scott. Scott, I do realize the supply chain constraints that you're highlighting here, but you're reiterating the full year revenue guide of 5% to 7%, does the high-end look a bit more unreachable at this point, just given the supply constraints are bleeding into the second half, which probably was not expected when you gave that guide earlier. Thank you.

A - Chuck Robbins {BIO 17845882 <GO>}

Yes, Samik, my answer is pretty quick. We're not seeing any impact from it, but we're clearly monitoring it. We're in such a dynamic world right now, and you see what's happening in some places in Europe, but optic [ph], we actually saw acceleration the last 90 days, so.

A - Scott Herren {BIO 18902845 <GO>}

Yes, you pointed out commercial, Samik, in the question, and one of the data points that Chuck talked about earlier was commercial group. Product orders in commercial group 46% during the quarter. So we had a good really strong growth there. I think to your second question, it's so hard. I talked earlier about the complexity of answering that question, but I'll just repeat what we said earlier in the year that, if the supply chain -- the supply -- the component supply constraints began to clear up earlier in the second half, we'll be towards the high-end. If it's later in the second half, we'll be towards the low-end. So the real difficult question to answer is where in the second half do we really see that starting to clear up? What we have seen is stabilization. It did deteriorate earlier in the first quarter. As the quarter went on, I mentioned earlier, we saw signs of stabilization. We also have great visibility coming from what's in RPO that's going to accrete into our revenue stream in the second half and knowing very clearly what's in the backlog. So we know exactly which components to go chase to build that out. So confident in the full year, the question of when this all clears up in the second half is really what's going to dictate whether we're more toward the high-end or more toward the low-end.

Q - Samik Chatterjee {BIO 15496543 <GO>}

Thank you.

A - Marilyn Mora {BIO 19771101 <GO>}

All right, thank you.

A - Chuck Robbins {BIO 17845882 <GO>}

All right, let me just wrap up by thanking all of you for spending time with us today, and just saying, I'm really proud of what the teams have accomplished. It's an incredibly complex environment. When you look at -- we delivered 8% revenue growth, 8% non-GAAP EPS, all three geographies product bookings over 30%. ARR growing to $21.6 billion double-digits, RPO at $30.1 billion double-digits. I really am just pleased with what the teams have done. It was truly a great quarter in a very complicated time. Largest backlog in our history, it will ship, and combine that with our RPO and we feel good about where we're headed. We'll continue to plan and work hard on navigating these component issues and our supply chain team continues to work night and day to do that. We feel good still about our annual guidance, and I have a lot of confidence about where we are with our innovation and with the company in general. So thanks for spending time with us, and we'll talk to you next time.

A - Marilyn Mora {BIO 19771101 <GO>}

Great. Thanks, Chuck. Cisco's next quarterly earnings conference call, which will reflect our fiscal 2022 second quarter results, will be on Wednesday, February 16, 2022 at 1:30 P.M. Pacific Time, 4:30 P.M. Eastern Time. This concludes today's call. If you have any further questions, please feel free to contact the Cisco Investor Relations Group and we thank you very much for joining today.

Operator

Thank you for participating on today's conference call. If you would like to listen to the call in its entirety, you may call 866-360-3304. For participants dialing from outside the U.S., please dial 203-369-0159. This concludes today's call. You may disconnect at this time.
