

CISCO SYSTEMS, INC.
Form 10-Q
November 22, 2016
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 29, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 0-18225

CISCO SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

California 77-0059951

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

170 West Tasman Drive

San Jose, California 95134

(Address of principal executive office and zip code)

(408) 526-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares of the registrant's common stock outstanding as of November 17, 2016: 5,019,758,934

Table of Contents

Cisco Systems, Inc.

Form 10-Q for the Quarter Ended October 29, 2016

INDEX

	Page
Part I	<u>3</u>
<u>Financial Information</u>	
Item 1.	<u>3</u>
<u>Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets at October 29, 2016 and July 30, 2016</u>	<u>3</u>
<u>Consolidated Statements of Operations for the Three Months Ended October 29, 2016 and October 24, 2015</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income for the Three Months Ended October 29, 2016 and October 24, 2015</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the Three Months Ended October 29, 2016 and October 24, 2015</u>	<u>6</u>
<u>Consolidated Statements of Equity for the Three Months Ended October 29, 2016 and October 24, 2015</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
Item 2.	<u>41</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
Item 3.	<u>66</u>
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
Item 4.	<u>68</u>
<u>Controls and Procedures</u>	
Part II.	<u>68</u>
<u>Other Information</u>	
Item 1.	<u>68</u>
<u>Legal Proceedings</u>	
Item 1A.	<u>70</u>
<u>Risk Factors</u>	
Item 2.	<u>86</u>
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	
Item 3.	<u>87</u>
<u>Defaults Upon Senior Securities</u>	
Item 4.	<u>87</u>
<u>Mine Safety Disclosures</u>	
Item 5.	<u>87</u>
<u>Other Information</u>	
Item 6.	<u>87</u>
<u>Exhibits</u>	
<u>Signature</u>	<u>88</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CISCO SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except par value)

(Unaudited)

	October 29, 2016	July 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,583	\$ 7,631
Investments	62,385	58,125
Accounts receivable, net of allowance for doubtful accounts of \$247 at October 29, 2016 and \$249 at July 30, 2016	4,805	5,847
Inventories	1,176	1,217
Financing receivables, net	4,541	4,272
Other current assets	1,651	1,627
Total current assets	83,141	78,719
Property and equipment, net	3,499	3,506
Financing receivables, net	4,784	4,158
Goodwill	26,823	26,625
Purchased intangible assets, net	2,297	2,501
Deferred tax assets	4,057	4,299
Other assets	1,686	1,844
TOTAL ASSETS	\$ 126,287	\$ 121,652
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	\$ 4,155	\$ 4,160
Accounts payable	996	1,056
Income taxes payable	32	517
Accrued compensation	2,619	2,951
Deferred revenue	10,215	10,155
Other current liabilities	5,200	6,072
Total current liabilities	23,217	24,911
Long-term debt	30,634	24,483
Income taxes payable	883	925
Deferred revenue	6,736	6,317
Other long-term liabilities	1,404	1,431
Total liabilities	62,874	58,067
Commitments and contingencies (Note 12)		
Equity:		
Cisco shareholders' equity:		
Preferred stock, no par value: 5 shares authorized; none issued and outstanding	—	—
Common stock and additional paid-in capital, \$0.001 par value: 20,000 shares authorized; 5,024 and 5,029 shares issued and outstanding at October 29, 2016 and July 30, 2016, respectively	44,236	44,516
Retained earnings	19,694	19,396
Accumulated other comprehensive income (loss)	(524)	(326)
Total Cisco shareholders' equity	63,406	63,586

Noncontrolling interests	7	(1)
Total equity	63,413	63,585
TOTAL LIABILITIES AND EQUITY	\$ 126,287	\$ 121,652

See Notes to Consolidated Financial Statements.

3

Table of Contents

CISCO SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per-share amounts)
(Unaudited)

	Three Months Ended	
	October 2016	October 24, 2015
REVENUE:		
Product	\$9,302	\$ 9,844
Service	3,050	2,838
Total revenue	12,352	12,682
COST OF SALES:		
Product	3,403	3,853
Service	1,065	997
Total cost of sales	4,468	4,850
GROSS MARGIN	7,884	7,832
OPERATING EXPENSES:		
Research and development	1,545	1,560
Sales and marketing	2,418	2,443
General and administrative	555	539
Amortization of purchased intangible assets	78	69
Restructuring and other charges	411	142
Total operating expenses	5,007	4,753
OPERATING INCOME	2,877	3,079
Interest income	295	225
Interest expense	(198)	(159)
Other income (loss), net	(21)	(8)
Interest and other income (loss), net	76	58
INCOME BEFORE PROVISION FOR INCOME TAXES	2,953	3,137
Provision for income taxes	631	707
NET INCOME	\$2,322	\$ 2,430
Net income per share:		
Basic	\$0.46	\$ 0.48
Diluted	\$0.46	\$ 0.48
Shares used in per-share calculation:		
Basic	5,027	5,080
Diluted	5,066	5,113
Cash dividends declared per common share	\$0.26	\$ 0.21
See Notes to Consolidated Financial Statements.		

Table of Contents

CISCO SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

(Unaudited)

	Three Months Ended	
	October 29, 2016	October 24, 2015
Net income	\$2,322	\$ 2,430
Available-for-sale investments:		
Change in net unrealized gains, net of tax benefit (expense) of \$81 and \$56 for the three months ended October 29, 2016 and October 24, 2015, respectively	(121)	(100)
Net (gains) losses reclassified into earnings, net of tax (benefit) expense of \$5 and \$0 for the three months ended October 29, 2016 and October 24, 2015, respectively	(10)	1
	(131)	(99)
Cash flow hedging instruments:		
Change in unrealized gains and losses, net of tax benefit (expense) of \$3 for each of the three months ended October 29, 2016 and October 24, 2015, respectively	(43)	(1)
Net (gains) losses reclassified into earnings, net of tax (benefit) expense of \$(1) for each of the three months ended October 29, 2016 and October 24, 2015, respectively	11	2
	(32)	1
Net change in cumulative translation adjustment and actuarial gains and losses net of tax benefit (expense) of \$(1) and \$(39) for the three months ended October 29, 2016, and October 24, 2015, respectively	(27)	(216)
Other comprehensive income (loss)	(190)	(314)
Comprehensive income	2,132	2,116
Comprehensive (income) loss attributable to noncontrolling interests	(8)	1
Comprehensive income attributable to Cisco Systems, Inc.	\$2,124	\$ 2,117
See Notes to Consolidated Financial Statements.		

Table of Contents

CISCO SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Three Months Ended	
	October 2016	October 24, 2015
Cash flows from operating activities:		
Net income	\$2,322	\$ 2,430
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and other	599	507
Share-based compensation expense	372	376
Provision for receivables	15	7
Deferred income taxes	158	193
Excess tax benefits from share-based compensation	(91)	(73)
(Gains) losses on investments and other, net	32	(4)
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable	1,049	631
Inventories	44	130
Financing receivables	(900)	(206)
Other assets	191	129
Accounts payable	(63)	4
Income taxes, net	(440)	(315)
Accrued compensation	(333)	(434)
Deferred revenue	462	(19)
Other liabilities	(687)	(590)
Net cash provided by operating activities	2,730	2,766
Cash flows from investing activities:		
Purchases of investments	(18,667)	(10,823)
Proceeds from sales of investments	11,337	6,675
Proceeds from maturities of investments	2,449	4,133
Acquisition of businesses, net of cash and cash equivalents acquired	(251)	(614)
Purchases of investments in privately held companies	(38)	(78)
Return of investments in privately held companies	24	24
Acquisition of property and equipment	(275)	(262)
Proceeds from sales of property and equipment	2	6
Other	23	(11)
Net cash used in investing activities	(5,396)	(950)
Cash flows from financing activities:		
Issuances of common stock	88	385
Repurchases of common stock—repurchase program	(1,023)	(1,210)
Shares repurchased for tax withholdings on vesting of restricted stock units	(401)	(382)
Short-term borrowings, original maturities less than 90 days, net	—	(4)
Issuances of debt	6,232	—
Repayments of debt	(1)	(852)
Excess tax benefits from share-based compensation	91	73
Dividends paid	(1,308)	(1,068)
Other	(60)	123

Edgar Filing: CISCO SYSTEMS, INC. - Form 10-Q

Net cash provided by (used in) financing activities	3,618	(2,935)
Net increase (decrease) in cash and cash equivalents	952	(1,119)
Cash and cash equivalents, beginning of period	7,631	6,877
Cash and cash equivalents, end of period	\$8,583	\$ 5,758

Supplemental cash flow information:

Cash paid for interest	\$248	\$ 264
Cash paid for income taxes, net	\$913	\$ 828

See Notes to Consolidated Financial Statements.

6

Table of Contents

CISCO SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(in millions, except per-share amounts)
(Unaudited)

	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Cisco Shareholders' Equity	Non-control Interests	Total Equity
BALANCE AT JULY 30, 2016	5,029	\$ 44,516	\$ 19,396	\$ (326)	\$ 63,586	\$ (1)	\$ 63,585
Net income			2,322		2,322		2,322
Other comprehensive income (loss)				(198)	(198)	8	(190)
Issuance of common stock	40	88			88		88
Repurchase of common stock	(32)	(285)	(716)		(1,001)		(1,001)
Shares repurchased for tax withholdings on vesting of restricted stock units	(13)	(401)			(401)		(401)
Cash dividends declared (\$0.26 per common share)			(1,308)		(1,308)		(1,308)
Tax effects from employee stock incentive plans		(60)			(60)		(60)
Share-based compensation		372			372		372
Purchase acquisitions and other		6			6		6
BALANCE AT OCTOBER 29, 2016	5,024	\$ 44,236	\$ 19,694	\$ (524)	\$ 63,406	\$ 7	\$ 63,413

	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Cisco Shareholders' Equity	Non-control Interests	Total Equity
BALANCE AT JULY 25, 2015	5,085	\$ 43,592	\$ 16,045	\$ 61	\$ 59,698	\$ 9	\$ 59,707
Net income			2,430		2,430		2,430
Other comprehensive income (loss)				(313)	(313)	(1)	(314)
Issuance of common stock	57	385			385		385
Repurchase of common stock	(45)	(386)	(821)		(1,207)		(1,207)
Shares repurchased for tax withholdings on vesting of restricted stock units	(15)	(382)			(382)		(382)
Cash dividends declared (\$0.21 per common share)			(1,068)		(1,068)		(1,068)
Tax effects from employee stock incentive plans		39			39		39
Share-based compensation		376			376		376
Purchase acquisitions and other		19			19		19
BALANCE AT OCTOBER 24, 2015	5,082	\$ 43,643	\$ 16,586	\$ (252)	\$ 59,977	\$ 8	\$ 59,985

Supplemental Information

In September 2001, the Company's Board of Directors authorized a stock repurchase program. As of October 29, 2016, the Company's Board of Directors had authorized an aggregate repurchase of up to \$112 billion of common stock

under this program with no termination date. For additional information regarding stock repurchase, see Note 13 to the Consolidated Financial Statements. The stock repurchases since the inception of this program and the related impacts on Cisco shareholders' equity are summarized in the following table (in millions):

	Shares of Common Stock	Common Stock and Additional Paid-In Capital	Retained Earnings	Total Cisco Shareholders' Equity
Repurchases of common stock under the repurchase program	4,623	\$ 24,180	\$ 73,418	\$ 97,598

See Notes to Consolidated Financial Statements.

Table of Contents

CISCO SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The fiscal year for Cisco Systems, Inc. (the “Company” or “Cisco”) is the 52 or 53 weeks ending on the last Saturday in July. Fiscal 2017 is a 52-week fiscal year, and fiscal 2016 was a 53-week fiscal year. The Consolidated Financial Statements include the accounts of Cisco and its subsidiaries. All intercompany accounts and transactions have been eliminated. The Company conducts business globally and is primarily managed on a geographic basis in the following three geographic segments: the Americas; Europe, Middle East, and Africa (EMEA); and Asia Pacific, Japan, and China (APJC).

The accompanying financial data as of October 29, 2016 and for the three months ended October 29, 2016 and October 24, 2015 has been prepared by the Company, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The July 30, 2016 Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended July 30, 2016.

The Company consolidates its investments in a venture fund managed by SOFTBANK Corp. and its affiliates (“SOFTBANK”) as this is a variable interest entity and the Company is the primary beneficiary. The noncontrolling interests attributed to SOFTBANK are presented as a separate component from the Company’s equity in the equity section of the Consolidated Balance Sheets. SOFTBANK’s share of the earnings in the venture fund are not presented separately in the Consolidated Statements of Operations as these amounts are not material for any of the fiscal periods presented.

In the opinion of management, all normal recurring adjustments necessary to present fairly the consolidated balance sheet as of October 29, 2016; the results of operations, the statements of comprehensive income, the statements of cash flows and equity for the three months ended October 29, 2016 and October 24, 2015 as applicable, have been made. The results of operations for the three months ended October 29, 2016 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Certain reclassifications have been made to the amounts in prior periods in order to conform to the current period’s presentation. The Company has evaluated subsequent events through the date that the financial statements were issued.

2. Recent Accounting Pronouncements

(a) New Accounting Updates Recently Adopted

Consolidation of Certain Types of Legal Entities In February 2015, the FASB issued an accounting standard update that changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The accounting standard update became effective for the Company beginning in the first quarter of fiscal 2017. The application of this accounting standard update did not have any impact on the Company's Consolidated Balance Sheet or Statement of Operations upon adoption, but the Company has provided additional disclosures in Note 8 pursuant to this accounting standard update.

(b) Recent Accounting Standards or Updates Not Yet Effective

Revenue Recognition In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update related to revenue from contracts with customers, which, along with amendments issued in 2015 and 2016, will supersede nearly all current U.S. GAAP guidance on this topic and eliminate industry-specific guidance. The underlying principle is to recognize revenue when promised goods or services are transferred to customers in an

amount that reflects the consideration that is expected to be received for those goods or services. This accounting standard update, as amended, will be effective for the Company beginning in the first quarter of fiscal 2019. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized in retained earnings as of the date of adoption ("modified retrospective basis"). Early adoption is permitted, but no earlier than fiscal 2018. The Company expects to adopt this accounting standard update on a modified retrospective basis in the first quarter of fiscal 2019, and it is currently evaluating the impact of this accounting standard update on its Consolidated Financial Statements.

Table of Contents

CISCO SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Financial Instruments In January 2016, the FASB issued an accounting standard update that changes the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2019, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its Consolidated Financial Statements.

Leases In February 2016, the FASB issued an accounting standard update related to leases requiring lessees to recognize operating and financing lease liabilities on the balance sheet, as well as corresponding right-of-use assets. The new lease standard also makes some changes to lessor accounting and aligns key aspects of the lessor accounting model with the revenue recognition standard. In addition, disclosures will be required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2020 on a modified retrospective basis, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its Consolidated Financial Statements.

Share-Based Compensation In March 2016, the FASB issued an accounting standard update that impacts the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the Consolidated Statements of Cash Flows. The accounting standard will be effective for the Company beginning the first quarter of fiscal 2018, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its Consolidated Financial Statements.

Credit Losses of Financial Instruments In June 2016, the FASB issued an accounting standard update that requires measurement and recognition of expected credit losses for financial assets held based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2021 on a modified retrospective basis, and early adoption in fiscal 2020 is permitted. The Company is currently evaluating the impact of this accounting standard update on its Consolidated Financial Statements.

Classification of Cash Flow Elements In August 2016, the FASB issued an accounting standard update related to the classification of certain cash receipts and cash payments on the statement of cash flows. The accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2019 on a retrospective basis, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its Consolidated Statements of Cash Flows.

Income Taxes on Intra-Entity Transfers of Assets In October 2016, the FASB issued an accounting standard update that requires recognition of the income tax consequences of intra-entity transfers of assets (other than inventory) at the transaction date. The accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2019 on a modified retrospective basis, and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its Consolidated Financial Statements.

3. Acquisitions and Divestitures

The Company completed three acquisitions during the three months ended October 29, 2016. A summary of the allocation of the total purchase consideration is presented as follows (in millions):

	Purchase Consideration	Purchased Intangible Assets	Goodwill
CloudLock	\$ 249	\$ 36	\$ 213
Others (two in total)	9	5	4
Total	\$ 258	\$ 41	\$ 217

On August 1, 2016, the Company completed its acquisition of privately held CloudLock Inc. ("CloudLock"), a provider of cloud security that specializes in cloud access security broker technology that provides enterprises with visibility and analytics around user behavior and sensitive data in cloud services. Revenue from the CloudLock acquisition has been included in the Company's Security product category.

The total purchase consideration related to the Company's acquisitions completed during the three months ended October 29, 2016 consisted of cash consideration and vested share-based awards assumed. The total cash and cash equivalents acquired from these acquisitions was approximately \$1 million. Total transaction costs related to the Company's acquisition activities were \$1 million

Table of Contents

CISCO SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

and \$5 million for the three months ended October 29, 2016 and October 24, 2015, respectively. These transaction costs were expensed as incurred in general and administrative expenses ("G&A") in the Consolidated Statements of Operations.

The Company's purchase price allocation for acquisitions completed during recent periods is preliminary and subject to revision as additional information about fair value of assets and liabilities becomes available. Additional information that existed as of the acquisition date but at that time was unknown to the Company may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Adjustments in the purchase price allocation may require a recasting of the amounts allocated to goodwill retroactive to the period in which the acquisition occurred.

The goodwill generated from the Company's acquisitions completed during the three months ended October 29, 2016 is primarily related to expected synergies. The goodwill is generally not deductible for income tax purposes.

The Consolidated Financial Statements include the operating results of each acquisition from the date of acquisition. Pro forma results of operations for the acquisitions completed during the three months ended October 29, 2016 have not been presented because the effects of the acquisitions, individually and in the aggregate, were not material to the Company's financial results.

4. Goodwill and Purchased Intangible Assets

(a) Goodwill

The following table presents the goodwill allocated to the Company's reportable segments as of and during the three months ended October 29, 2016 (in millions):

	Balance at July 30, 2016	Acquisitions	Other	Balance at October 29, 2016
Americas	\$16,529	\$ 132	\$(13)	\$ 16,648
EMEA	6,269	62	(4)	6,327
APJC	3,827	23	(2)	3,848
Total	\$26,625	\$ 217	\$(19)	\$ 26,823

"Other" in the table above primarily consists of foreign currency translation, as well as immaterial purchase accounting adjustments.

(b) Purchased Intangible Assets

The following table presents details of the Company's intangible assets acquired through acquisitions completed during the three months ended October 29, 2016 (in millions, except years):

	FINITE LIVES			INDEFINITE LIVES		TOTAL		
	TECHNOLOGY	CUSTOMER RELATIONSHIPS	OTHER	IPR&D				
	Weighted-Average Useful Life (in Years)	Amount	Weighted-Average Useful Life (in Years)	Amount	Weighted-Average Useful Life (in Years)	Amount		
CloudLock	6.0	\$ 32	4.0	\$ 3	1.5	\$ 1	\$ —	\$ 36
Others (two in total)	3.0	5	0.0	—	0.0	—	—	5
Total		\$ 37		\$ 3		\$ 1	\$ —	\$ 41

The following tables present details of the Company's purchased intangible assets (in millions):

October 29, 2016

Gross

Net

	Accumulated Amortization		
Purchased intangible assets with finite lives:			
Technology	\$2,861	\$ (1,334)	\$1,527
Customer relationships	1,737	(1,220)	517
Other	58	(21)	37
Total purchased intangible assets with finite lives	4,656	(2,575)	2,081
In-process research and development, with indefinite lives	216	—	216
Total	\$4,872	\$ (2,575)	\$2,297

Table of Contents

CISCO SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

July 30, 2016	Gross	Accumulated Amortization	Net
Purchased intangible assets with finite lives:			
Technology	\$3,038	\$ (1,391)	\$ 1,647
Customer relationships	1,793	(1,203)	590
Other	85	(43)	42
Total purchased intangible assets with finite lives	4,916	(2,637)	2,279
In-process research and development, with indefinite lives	222	—	222
Total	\$5,138	\$ (2,637)	\$2,501

Purchased intangible assets include intangible assets acquired through acquisitions as well as through direct purchases or licenses.

Impairment charges related to purchased intangible assets for the three months ended October 29, 2016 were \$42 million. Impairment charges were primarily as a result of declines in estimated fair values of certain purchased intangible assets resulting from the reduction or elimination of expected future cash flows associated with certain of the Company's technology and IPR&D intangible assets. Of these impairment charges, \$38 million was recorded to restructuring and other charges upon the Company's decision to exit certain product lines, and the corresponding elimination of future associated cash flows. There were no impairment charges related to purchased intangible assets for the corresponding period in fiscal 2016.

The following table presents the amortization of purchased intangible assets including impairment charges related to purchased intangible assets (in millions):

	Three Months Ended October 29, 2016		October 24, 2015
Amortization of purchased intangible assets:			
Cost of sales	\$ 129	\$ 146	
Operating expenses			
Amortization of purchased intangible assets	78	69	
Restructuring and other charges	38	—	
Total	\$245	\$ 215	

The estimated future amortization expense of purchased intangible assets with finite lives as of October 29, 2016 is as follows (in millions):

Fiscal Year	Amount
2017 (remaining nine months)	\$ 524
2018	579
2019	493
2020	281
2021	137
Thereafter	67
Total	\$ 2,081

Table of Contents

CISCO SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

5. Restructuring and Other Charges

In August 2016, the Company announced a restructuring plan (the "Fiscal 2017 Plan") that will impact up to 5,500 employees, representing approximately 7% of its global workforce. The Company's aggregate pretax estimated charges pursuant to the restructuring plan are expected to be up to \$700 million, consisting primarily of severance and other one-time termination benefits, and other associated costs. These charges are primarily cash-based, and the Company expects the Fiscal 2017 Plan to be substantially completed by the end of fiscal 2017.

In connection with a restructuring action announced in August 2014 (the "Fiscal 2015 Plan"), the Company incurred cumulative charges of approximately \$756 million. The Company completed the Fiscal 2015 Plan in fiscal 2016.

The following tables summarize the activities related to the restructuring and other charges (in millions):

FISCAL	FISCAL
2015	2017
AND	
PRIOR	PLAN
PLANS	
Employee	
Severance	