

NEW RISK ALERT: (CSCO)

Cisco Offers No Update on Chinese Kickback Scheme

IT firm's sales would've been flat in FY21 if not for an extra week.

By [Nick Winkler](#)

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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

Ex-Cisco Employees Accused of Paying Bribes in China

Seven months since we [first reported](#) allegations that ex-Cisco employees made illicit payments to foreign officials at Chinese state owned firms, Cisco has remained silent on the matter. In its latest [10-K](#), Cisco mentioned the investigation but provided no new details:

*"We are investigating allegations of a **self-enrichment scheme** involving now-former employees in China. Some of those employees are also alleged to have made or **directed payments** from the funds they received to various third parties, **including employees of state-owned enterprises**. We voluntarily disclosed this investigation to the **Department of Justice ("DOJ") and Securities and Exchange Commission ("SEC")**."*

As disclosed three quarters ago, Cisco says it's providing the results of its investigation to the DOJ and SEC and says any consequences are not expected to be material. In the fiscal year ending July 31, 2021, 15.5% of Cisco's revenue was generated by the APJC region which includes China.

Cisco's Annual Sales Would've Been Flat If Not For Extra Week

Cisco's revenue grew just 1% YoY in FY21. In its latest annual report, Cisco admitted that without a 53rd week, the company's sales would have been flat:

"We estimate that a majority of our revenue increase was attributable to the extra week."