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Networking: New Net needs drive revenue

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Led by solid growth at industry leader Cisco Systems, computer networking companies turned in a strong performance in 2007 as customers expanded their networks to handle the increase in video and other internet traffic.

The 25 companies in the industry group saw sales advance 18 percent to almost $50 billion and net income climb 50 percent to $8.3 billion. Cisco gets much of the credit. The company accounts for three-quarters of the group's sales and about 97 percent of its profits.

For 2007, Cisco had an upbeat year. Sales rose 18 percent and net income jumped about 25 percent.

Juniper Networks, the second-largest company in the group, had revenue that rose 23 percent to $2.8 billion, and it posted a profit of $361 million after a loss in 2006. Network-equipment makers represent the third-largest group in the SV150 as measured by revenue and the second-largest according to net income. The companies employed 99,973 workers worldwide in 2007, up 12 percent from 2006. Cisco had 61,535 workers last year.

"The demand for routing and switching equipment is incredibly strong," said Peter Gilberd, chief executive of a San Francisco reseller of network hardware, Townsend Networks. "I just don't see that (customers) are going to be cutting back anytime soon on their networking needs."

The reason is that networks continue to take on increased duties, such as carrying video, voice messages and other high-speed applications, he said. Nevertheless, economic conditions could put a lid on tech spending this year, Gilberd said.

Despite the solid performance from the industry group, the market value of its shares fell 8 percent in 2007, even as several networking start-ups sold stock to the public for the first time.

Among the year's IPOs were Infinera, BigBand Networks, Veraz Networks and ShoreTel.

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