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**FRANK HOLLAND, CNBC:**

All right, turning now to one of your big money movers of the day. We're talking about Cisco Systems. Shares are moving higher after some big swings between losses and gains last night. You're seeing in the chart the red parts right after earnings. Cisco's fourth quarter results beat estimates, but the stock dropped as the company's revenue guidance for the fiscal year was a bit disappointing, raising some concerns about slowing growth. However, it all turned around as CEO Chuck Robbins talked up Cisco's market share wins and opportunities it has to be a leading supplier of networking gear for AI workloads. Let's bring in Matthew Niknam, Director of Equity Research at Deutsche Bank. Matthew, good morning. Thank you for being here.

**MATTHEW NIKNAM, DEUTSCHE BANK:**

Hey, Frank, great to be on. Thanks.

**HOLLAND:**

All right. So we're just showing the chart that the red part was right after the numbers were released. Investors clearly did not like the full year guidance, but then on the call, you see the reversal moves pretty sharply up to the upside there. It was following when Cisco released their product order numbers on the call. Still down double digits year over year, but up sequentially. Is that a big enough deal in your mind to turn this entire stock around?

**NIKNAM:**

Yeah, well, I'd say when you think about the down numbers, you're coming off very, very difficult comparisons from a year ago. And I'd also say when you think about the seasonal and sequential moves, typically in their fiscal fourth quarter, you've got a company that grows product orders somewhere in the area of 18 to 20%. The growth this past quarter was up north of 30% sequentially. And I think amidst the backdrop of a choppy macro, lots of skittishness around customer demand. I thought it was a message of resiliency and robust demand that I think helped really buck that trend in the stock aftermarket.

**HOLLAND:**

All right. We were just showing the chart just to be clear. It was down 23% the quarter before. Now it's down 14%. That's the 30% growth you're talking about. Still negative year over year, but sequential growth there. Also want to talk about where Cisco really showed a lot of strength. You just hit on it. That was in networking systems. That's where Cisco gets about half of revenue. That's routers, switches, really their core business. 8.125 billion compared to an estimate of 7.74 billion. What does that really tell you about the AI opportunities that Chuck Robbins has been talking about for a couple quarters now?

**NIKNAM:**

Yeah, I'd say a lot of the near term beat is really tied to some elevated backlog. Bear in mind, the company was taking pretty elevated orders for the better part of the last several quarters. There's supply chain issues. They're unable to ship out these switches and routers. And now you've got the supply chain easing and there's a lot of elevated backlog that's being shipped. As it relates to AI, I did think it was pretty interesting to hear the company talk about 500 million worth of orders they've taken to date on opportunities specific to AI. The issue I'd say for Cisco specifically is you're talking about a 55 billion dollar business. So 500 million in orders, you're really scratching the surface. That's about a percentage point of revenue. It will take a little bit of time. I think it's a little closer to fiscal 25 before AI really starts to move the needle, but pretty promising data points to date.

**HOLLAND:**

All right, Matthew, one more question for you. Cisco is often seen as a read on global tech spending overall. The Q1 guidance was actually pretty interesting. Investors didn't really focus on that. EPS better than expected. Also gross margin was better than expected. What insight does that give us on tech spending for the rest of the year?

**NIKNAM:**

Yeah, I think in the interim, a lot of companies including Cisco are benefiting from that elevated backlog. You had a pretty resilient order trend for the better part of the last several years coming out of COVID. Now, as that backlog cushion begins to fade, I think there are some concerns around the back half of their fiscal year, the prospects of growth going negative. But at the very least in the interim, order activity has been fairly resilient. And I think that speaks to some of the resilience in tech and IT spend we've seen thus far.

**HOLLAND:**

All right, Matthew Niknam, going in the weeds a little bit. The backlog, deferred revenue. I like it. Great to have you here. Thank you very much.

**NIKNAM:**

Great to be on. Thanks.