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**FRANK HOLLAND, CNBC:**

Joining me now to discuss is Matthew Niknam, Director of Equity Research at Deutsche Bank. Matt, good morning. Great to have you here.

**MATT NIKNAM, DEUTSCHE BANK:**

Hey Frank, thanks for having me.

**HOLLAND:**

All right. So, following that report, you can see shares are down. Your ratings are a “Hold”, your price target is 54 bucks, it implies an upside of about 13%. That seems pretty optimistic after what we heard in this print. What are you seeing that has upside? Or what upside are you seeing that investors appear to not be seeing it? At least not this morning.

**NIKNAM:**

Yeah, I mean, we've got a Hold rating. We've been a little bit more tepid, I would say overall. As you think about potential sources of upside for the company, they've talked a little bit about AI. They've referenced the $1 billion order target for fiscal ‘25. Obviously last night, the incremental data point there was that the pipeline around AI is 3x that $1 billion target. So between that and between some of the more discounted valuation, that could be a source of upside. But I think we were fairly clear in our report last night as well. Last night's print is not going to be viewed too positively. This is the second guidance cut in as many quarters. And obviously momentum is not at Cisco's side as it relates to product orders in the interim.

**HOLLAND:**

Yeah, it doesn't seem like it has a lot of momentum. I want to hit on one other point. They had a miss when it came to their core business of networking revenue. That seems really concerning, especially because CEO Chuck Robbins has been out and about. And saying that Cisco is a critical part of the AI trade. A miss here. What is that signal to you?

**NIKNAM:**

Yeah, I think some of it's macro. Some of it is customers who had just bought so much and had so much delivered to them. Bear in mind, we just went through a major supply chain crisis over the last several years. That's eased, Cisco shipped tons of product to bigger enterprise and web scale customers. So they've got a lot of stuff sitting at their doorstep waiting to be activated. So collectively, there are some pressure points that should ease as you get into next year. You've got smaller pockets like telco and cable that have been weaker, but ultimately in the interim. There isn't much buying happening because of all the buying that happened the last two years.

**HOLLAND:**

All right, so straighten me out when it comes to AI and Cisco two things. One of them you already mentioned. Cisco says their AI revenues are set to triple from their original forecast by 2025. And then also there was a story that we broke here on Worldwide Exchange. Cisco and Nvidia teaming up when it comes to AI infrastructure. Are those actually big deals for this company? Is that something that investors maybe are under-valuing?

**NIKNAM:**

Yeah, I would say right now it's still very, very early days. You got a bear in mind. Cisco's a $55 billion business. And they've by the way framed the target for AI at about a billion in orders. They were just talking about a pipeline that's three X that. But in terms of what they'll more likely recognize, we're talking, you know, a pretty marginal number. We're talking about sub two percent of their total revenue. So is it a big deal today? No, will it be a big deal next year? Unlikely, the Nvidia partnership will help. It'll actually give Nvidia a little bit more distribution into enterprise and a broader customer set that Cisco obviously has. Okay, but it's early days and it, you know, I think we'll see what happens next year.

**HOLLAND:**

All right, we'll have to wait and see. Matthew Niknam, price target of $54 for Cisco. Great to see you. Thank you for being here.

**NIKNAM:**

Thank you.