

## Cisco slumps after cutting annual profit

Cisco (NASDAQ:CSCO) tumbled 11% on Thursday after cuts to its annual forecasts raised fears that excess inventory with customers was sapping new orders in its mainstay networking equipment business.

The company was set to lose more than \$20 billion in market value, based on its premarket share price of \$47.48, after it lowered its projections for profit and revenue for fiscal year 2024 on Wednesday.

Cisco blamed the weakness on a slowdown in orders in the first quarter, saying "customers are currently focused on installing and implementing products in their environments".

The company, looking to diversify its business from one-time purchases of expensive equipment to more recurring software offerings such as cybersecurity packages, started fulfilling its backlog of orders this year after grappling with supply-chain issues.

"Now, they've exhausted their excess backlog and the business is stepping back down to lower revenue run rates," Jefferies analyst George Notter said in a note.

"Like so many other companies, the organization is dealing with excess customer inventory – a by-product of the supply chain crunch over the past 2+ years," Notter said.

At least six brokerages trimmed their target prices for the stock, pushing the median view down to \$54. That is nearly 70 cents higher than the last closing price of the stock.

Cisco trades at more than 13 times its 12-month forward earnings estimates, compared with the industry median of 10.98.

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