



Global Semiconductor Supply Constraints

September 6th, 2022

Letter to Customers & Partners,

Material shortages across the semiconductor industry as well as logistics challenges continue to impact supply chains globally, slowing output across multiple industries from automotive to consumer electronics and beyond. This has resulted in extended lead-times across many products and extended and/or recommitted delivery dates.

We saw some improvements to supply toward the end of our Q4FY22 (May-July). As mentioned in our Fiscal 2022 earnings call, these improvements are driven by the aggressive actions we have been taking to increase supply as well as by slowdowns in a few market segments like PCs and some consumer products, like gaming. Although we are seeing supply improvements, we do expect shortages to continue over the next several months. Unfortunately, at times, these shortages can lead to orders being recommitted (dates being pushed out). We understand the frustration and challenges recommitments cause and are doing everything possible to minimize these occurrences.

We made significant reductions to aged backlogs in Q4FY22 and aim to further reduce this by end of Q1FY23 (August-October).

Our focus remains on meeting the needs of our customers in this challenging supply chain environment. We will continue to work closely with our network of suppliers and manufacturing partners to improve supply and minimize the impact of extended product lead-times.

We appreciate your continued patience and understanding and are making every effort to maintain your trust and confidence during the challenging supply environment.



Frequently Asked Questions

[Global Supply Chain Overview](#)

What is happening?

- Cisco, like our technology peers, is facing shortages of semiconductors.
- We are doing everything we can to manage through these constraints and will communicate often and openly as the situation evolves.

[Cisco's Supply Chain Impact and Response](#)

What is the impact to Cisco's supply chain?

- The ongoing global shortage of semiconductor components, combined with increased demand for our products, has caused extended lead times across most product families.
- Fluctuations in material supply as well as supply visibility can cause estimated ship dates to be recommitted.

How long do we expect to be supply challenged?

- Overall supply constraints began to ease slightly in the latter half of Q4 and we do expect to see gradual improvements throughout FY23

What is Cisco's supply chain team doing to mitigate the impacts and resolve the situation?

Cisco's supply chain team has and will continue to take aggressive actions to mitigate the impacts of these supply constraints. These actions include:

- Extending order coverage with our suppliers for 52 weeks and increasing inventory investments.
- Qualifying alternate components where technically possible and where there is alternative supply.
- Partnering with our suppliers for priority on materials and capacity, including in some cases paying expedite fees and accelerated freight costs.

How does Cisco's supply environment compare to its industry peers?

- Direct comparisons are difficult as there are material differences between our products, the components we use and the supply chain we employ.



- That said, many companies across industries and geographies have reported that they too are facing component shortages.

What steps can partners take?

- Be familiar with published product lead-times when planning future needs and placing orders. Plan for long term needs and place orders with delivery dates that align to published lead-times.
- Work with your Cisco Sales contacts to identify products with extended lead-times.
- Break product quantities onto separate ship sets.
- For customers and partners who order direct through CCW, you may now book orders with requested delivery dates up to 180 days out.
- Please avoid entering a Customer Request Date (CRD) in CCW to the default of next day.
 - The CRD should be set to your deployment plan and/or the earliest date equipment can be received.

COVID

Is COVID-19 contributing to Cisco's supply chain challenges?

We continue to monitor Covid cases in the countries where we operate and where we have suppliers. If we see disruptions, we will actively work on mitigation strategies, while keeping the safety of our employees and our supplier employees a top priority.

The War in Ukraine

Please refer to [Cisco's public statement and FAQs](#) related to this topic.