

A scenic view of a town street, likely Clearfield, Pennsylvania. The street is lined with historic brick buildings. On the left, a prominent clock tower with a green copper roof stands out. The street is filled with cars, and the background shows a hill covered in trees with vibrant autumn foliage in shades of orange, yellow, and green. The sky is overcast.

# Clearfield Earnings Presentation: Fiscal Q1 2024 Earnings Call

February 1, 2024

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# Important Cautions Regarding Forward-Looking Statements

*Forward-looking statements contained herein and in any related presentation or in the related Earnings Presentation are made pursuant to the safe harbor provisions of the Private Litigation Reform Act of 1995. Words such as “may,” “will,” “expect,” “believe,” “anticipate,” “estimate,” “outlook,” or “continue” or comparable terminology are intended to identify forward-looking statements. Such forward looking statements include, for example, statements about the Company’s future revenue and operating performance, expected customer ordering patterns, anticipated shipping on backlog and future lead times, future availability of components and materials from the Company’s supply chain, future availability of labor impacting our customers’ network builds, the impact of the Broadband Equity Access and Deployment Program (BEAD), Rural Digital Opportunity Fund (RDOF) or other government programs on the demand for the Company’s products or timing of customer orders, the Company’s ability to match capacity to meet demand, expansion into new markets and trends in and growth of the FTTx markets, market segments or customer purchases and other statements that are not historical facts. These statements are based upon the Company’s current expectations and judgments about future developments in the Company’s business. Certain important factors could have a material impact on the Company’s performance, including, without limitation: inflationary price pressures and uncertain availability of components, raw materials, labor and logistics used by us and our suppliers could negatively impact our profitability; we rely on single-source suppliers, which could cause delays, increase costs or prevent us from completing customer orders; we depend on the availability of sufficient supply of certain materials and global disruptions in the supply chain for these materials could prevent us from meeting customer demand for our products; a significant percentage of our sales in the last three fiscal years have been made to a small number of customers, and the loss of these major customers could adversely affect us; further consolidation among our customers may result in the loss of some customers and may reduce sales during the pendency of business combinations and related integration activities; we may be subject to risks associated with acquisitions, and the risks could adversely affect future operating results; we have exposure to movements in foreign currency exchange rates; adverse global economic conditions and geopolitical issues could have a negative effect on our business, and results of operations and financial condition; growth may strain our business infrastructure, which could adversely affect our operations and financial condition; product defects or the failure of our products to meet specifications could cause us to lose customers and sales or to incur unexpected expenses; we are dependent on key personnel; cyber-security incidents, including ransomware, data breaches or computer viruses, could disrupt our business operations, damage our reputation, result in increased expense, and potentially lead to legal proceedings; our business is dependent on interdependent management information systems; natural disasters, extreme weather conditions or other catastrophic events could negatively affect our business, financial condition, and operating results; pandemics and other health crises, including COVID-19, could have a material adverse effect on our business, financial condition, and operating results; to compete effectively, we must continually improve existing products and introduce new products that achieve market acceptance; if the telecommunications market does not continue to expand, our business may not grow as fast as we expect, which could adversely impact our business, financial condition and operating results; changes in U.S. government funding programs may cause our customers and prospective customers to delay, reduce, or accelerate purchases, leading to unpredictable and irregular purchase cycles; intense competition in our industry may result in price reductions, lower gross profits and loss of market share; our success depends upon adequate protection of our patent and intellectual property rights; we face risks associated with expanding our sales outside of the United States; expectations relating to environmental, social and governance matters may increase our cost of doing business and expose us to reputational harm and potential liability; our operating results may fluctuate significantly from quarter to quarter, which may make budgeting for expenses difficult and may negatively affect the market price of our common stock; our stock price has been volatile historically and may continue to be volatile - the price of our common stock may fluctuate significantly; anti-takeover provisions in our organizational documents, Minnesota law and other agreements could prevent or delay a change in control of our Company; and other factors set forth in Part I, Item 1A. Risk Factors of Clearfield’s Annual Report on Form 10-K for the year ended September 30, 2023 as well as other filings with the Securities and Exchange Commission. The Company undertakes no obligation to update these statements to reflect actual events unless required by law.*

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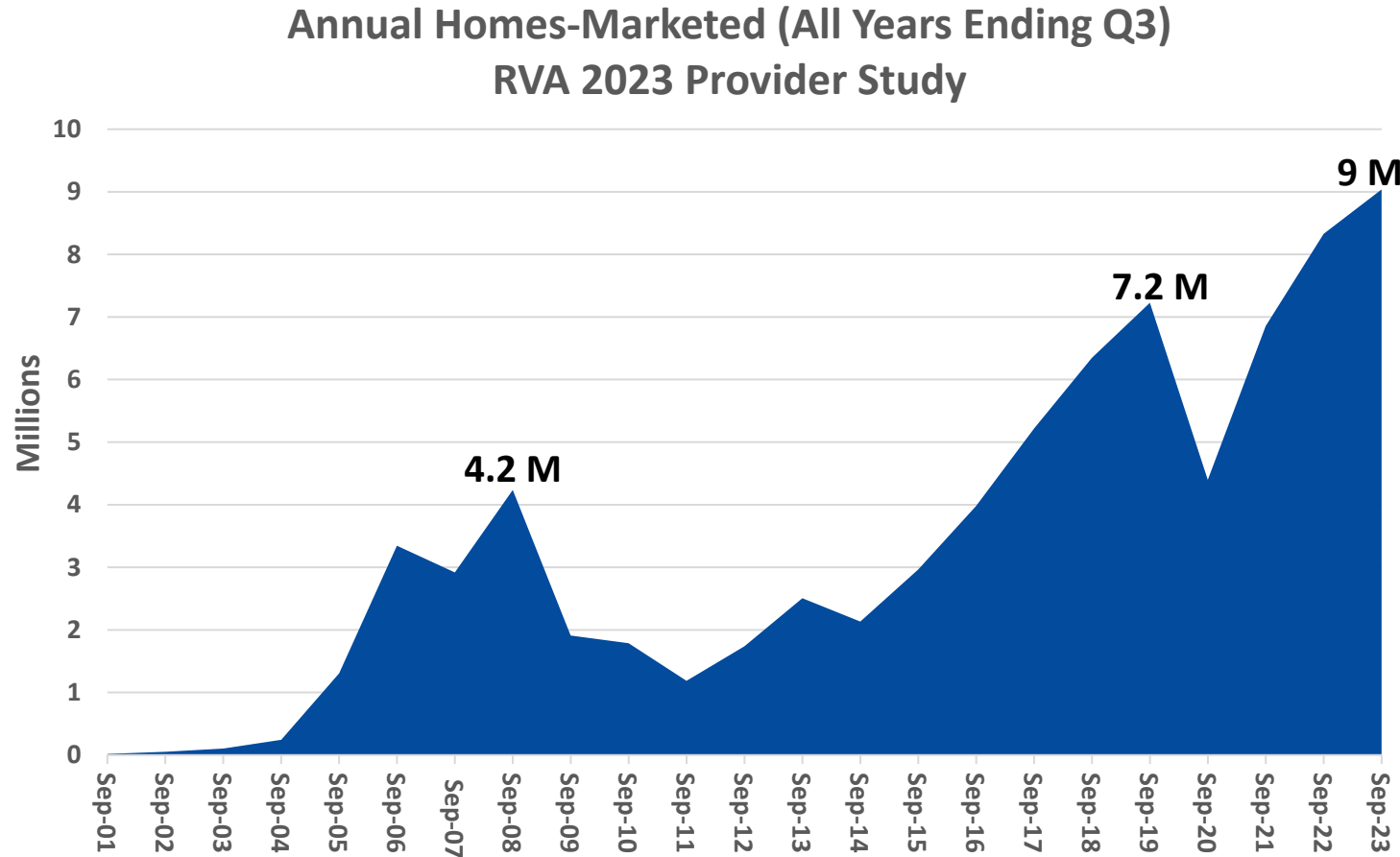
Enabling the lifestyle  
better broadband provides



# First Quarter Fiscal 2024 Highlights and Outlook

- ✓ Total net sales of \$34.2 million and a loss per share of \$0.35.
- ✓ Repurchased approximately \$12 million in shares under Share Repurchase Program at average price of \$27.69, leaving \$21 million available for repurchases.
- ✓ Announced a new product - a modular vault which reduces the significant cost of shipping and storage by 67%.
- ✓ Expect all product offerings to be BABA compliant by the end of calendar 2024.
- ✓ Expect to see increased demand and recognize initial revenue from BEAD-related programs in the second half of calendar 2024, with a more meaningful revenue contribution in fiscal 2025.
- ✓ Most recent data shows that non-government funded deployments continue to grow, and that approximately 35% of homes connected in 2023 were served with at least two fibers.

# 2023 Sets A New Record For The Highest Annual FTTH Growth



**9M**

Homes Newly Passed by  
Network Operators in 2023

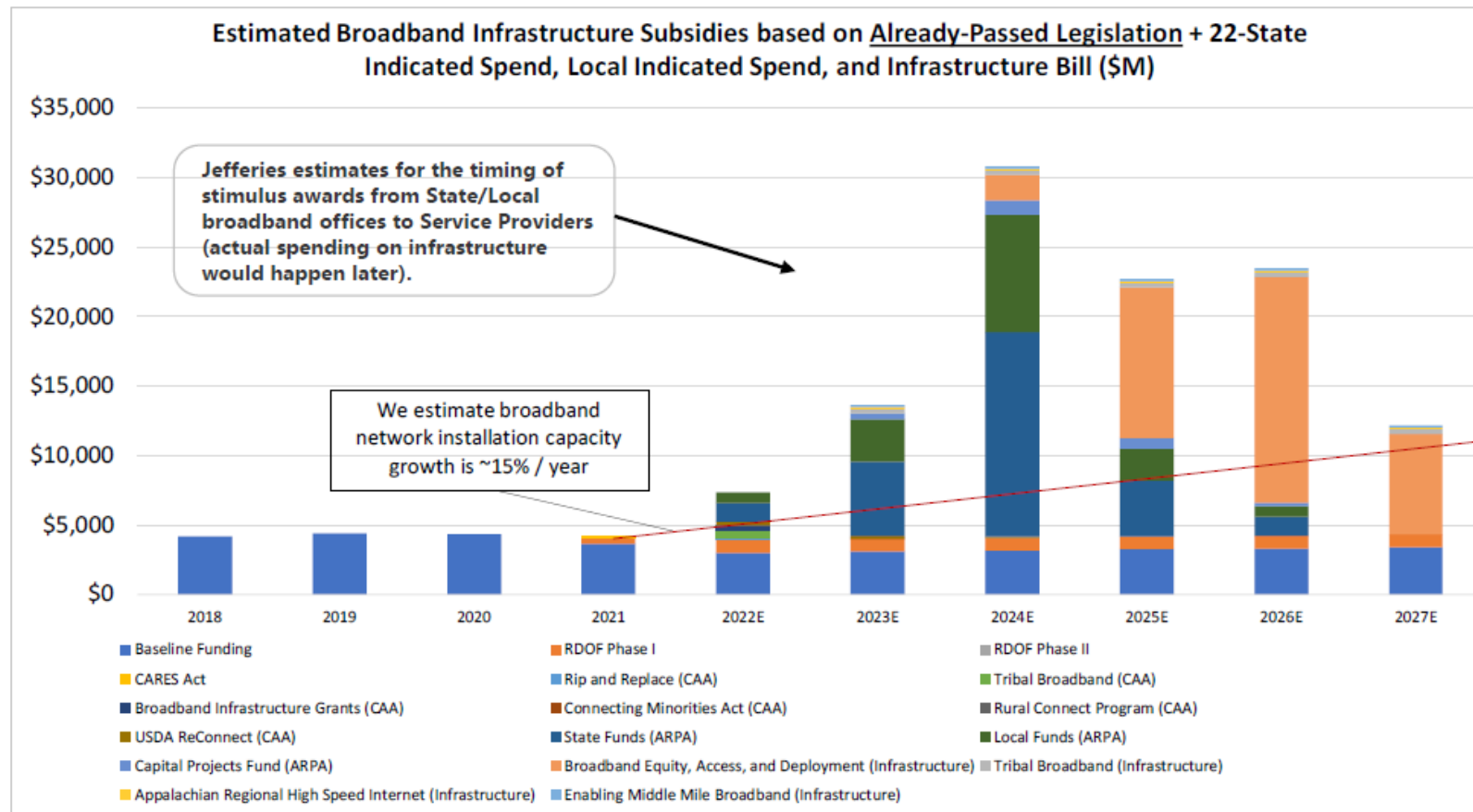
**3M**

Homes Passed with  
Previous Access to one  
Fiber Service Provider

Source: RVA

## MARKET UPDATE

# BEAD Funding Timeline



Source: RVA, Jeffries, Clearfield

## Timing BEAD Money to Market

### 2024

- After approval of initial proposals, NTIA awards 20% of funds to States
- State challenge process (60 days before award to sub-grantees)
- State grant processes
- Final proposals due to NTIA within 12 months of initial proposal approval

### 2025-26

- NTIA reviews and approves final proposals, awards remaining 80% of funding to States
- State grant processes (one or more additional rounds)

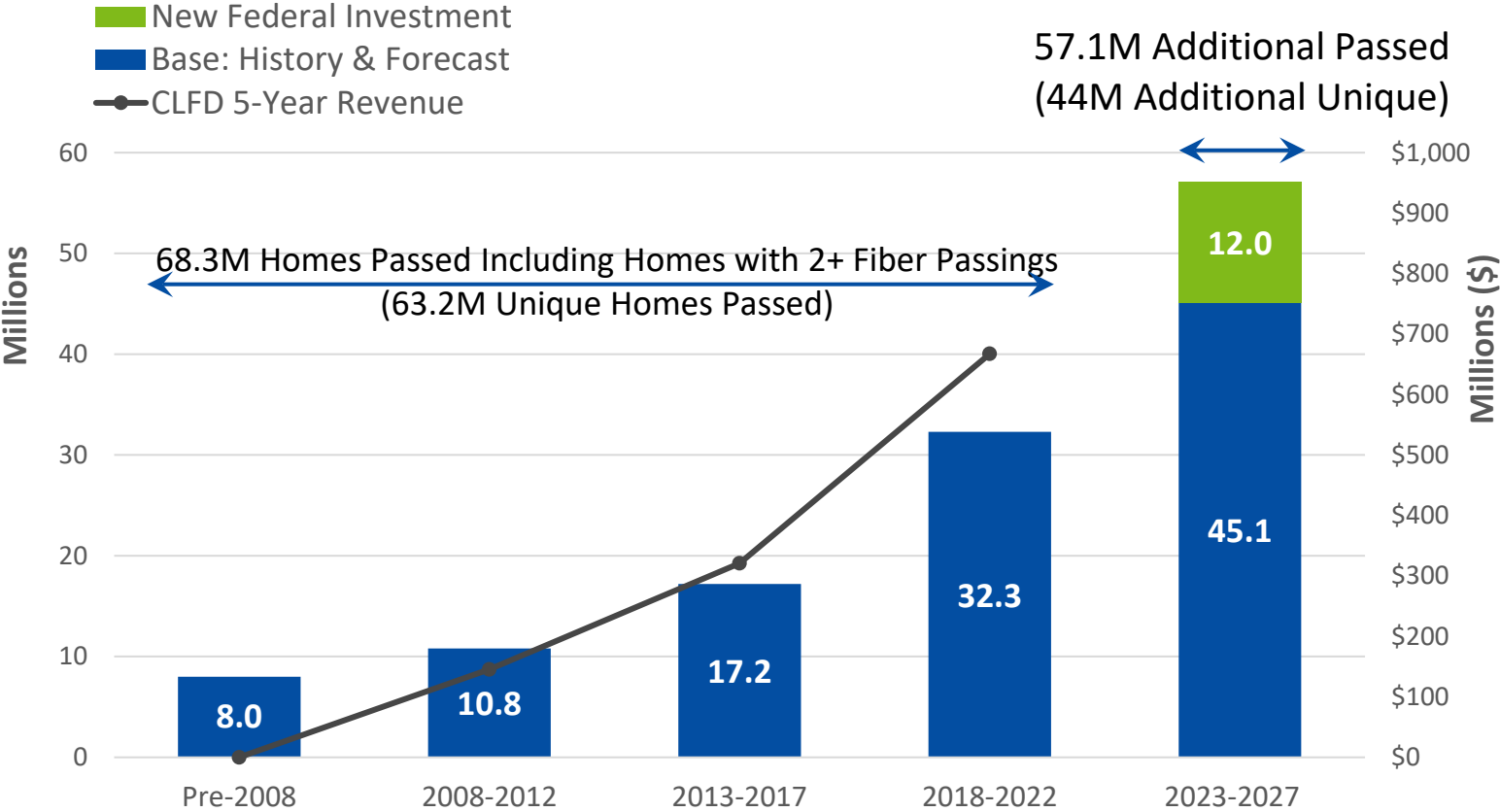
### 2027-30

- Deployments must be completed within 4 years of award



MARKET UPDATE

# Five Year U.S. FTTH Forecast Versus Past Construction & Clearfield Revenue



12M

Additional Homes Passed with Federal Funding

57.1M

Homes Passed Forecast over the next 5 years

Source: RVA, Clearfield



CLEARFIELD

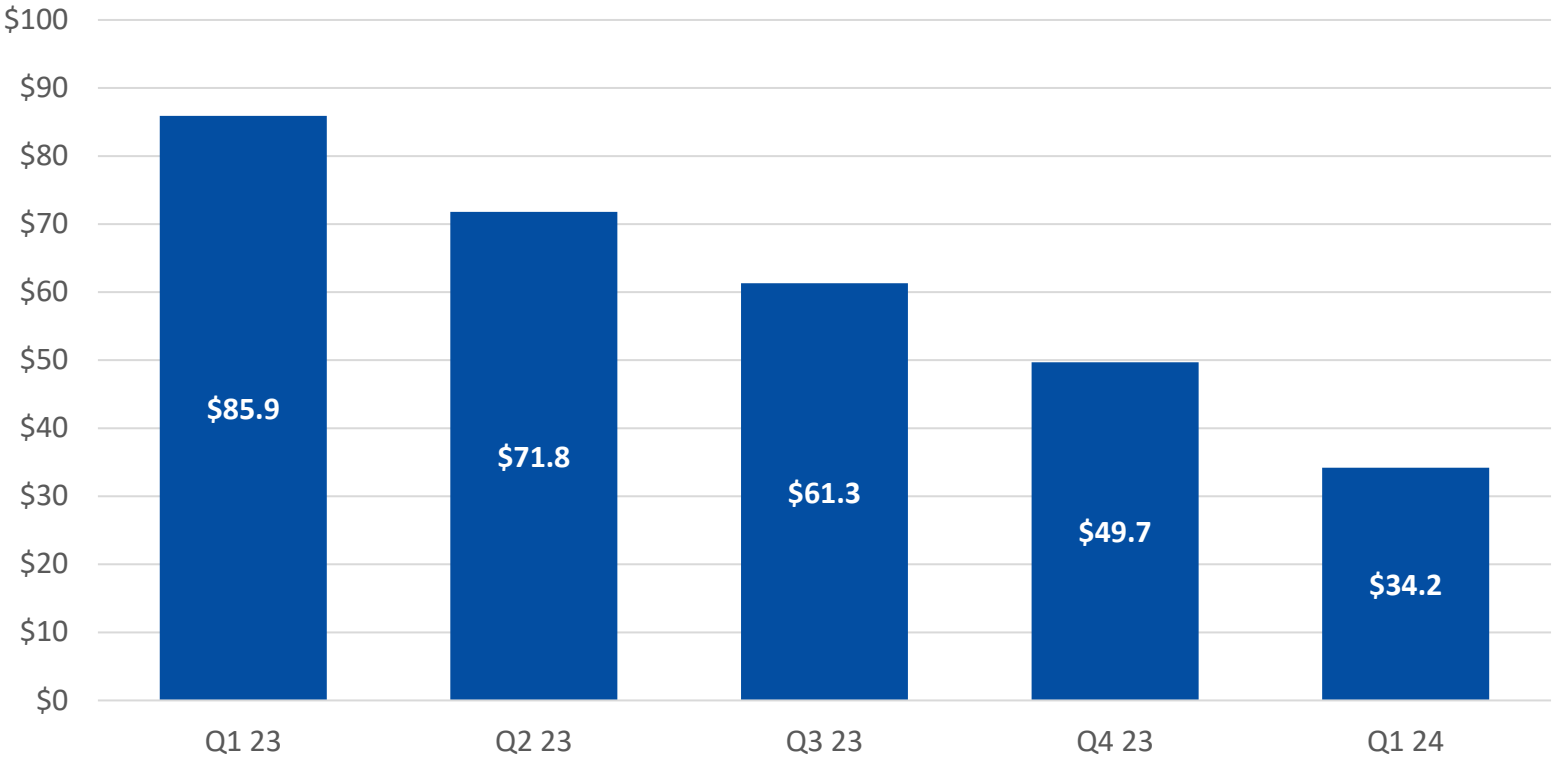
# Financial Performance





FINANCIAL PERFORMANCE

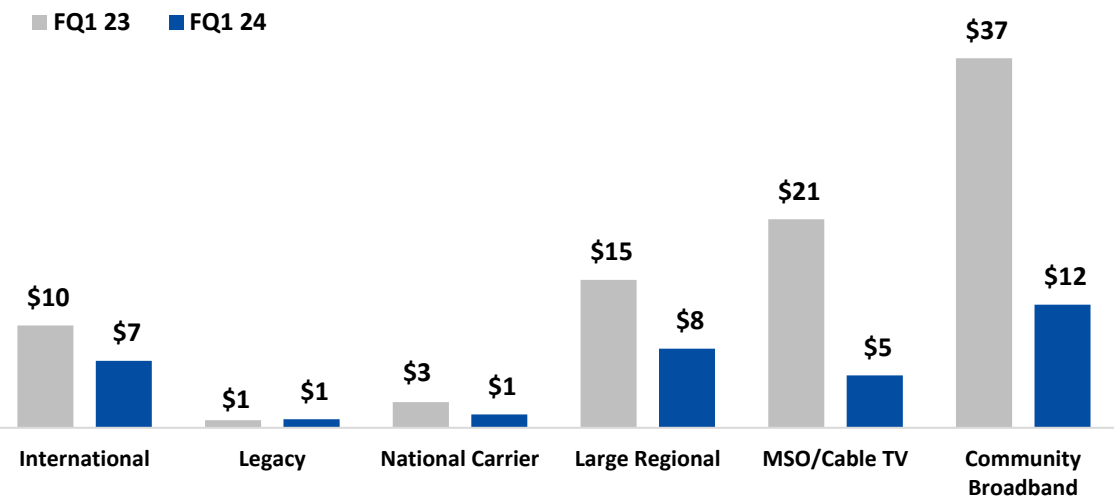
# Quarterly Revenue



**\$34.2M**  
Q1 2024 Revenue

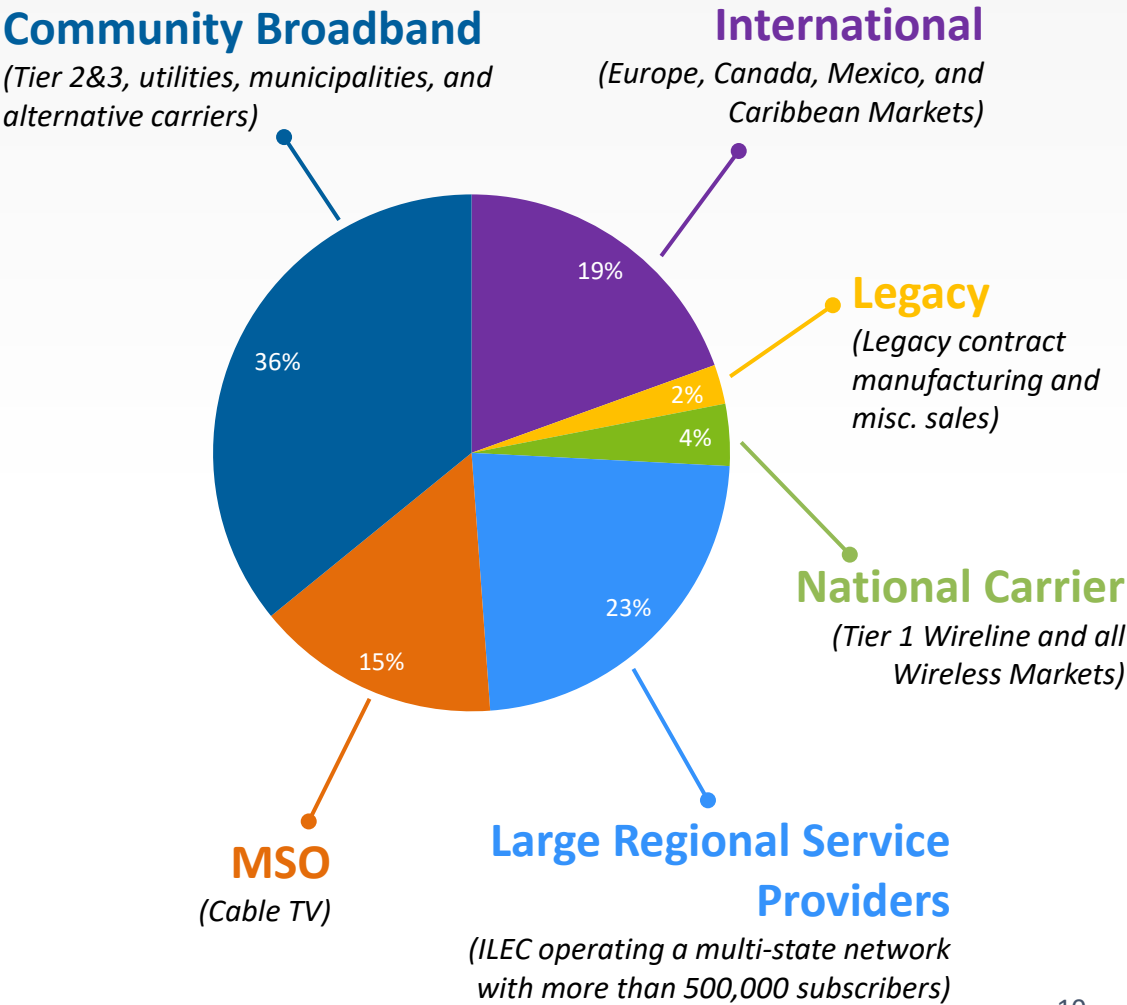
# Q1 FY24 Net Sales Comparison by Market

## Quarterly Net Sales



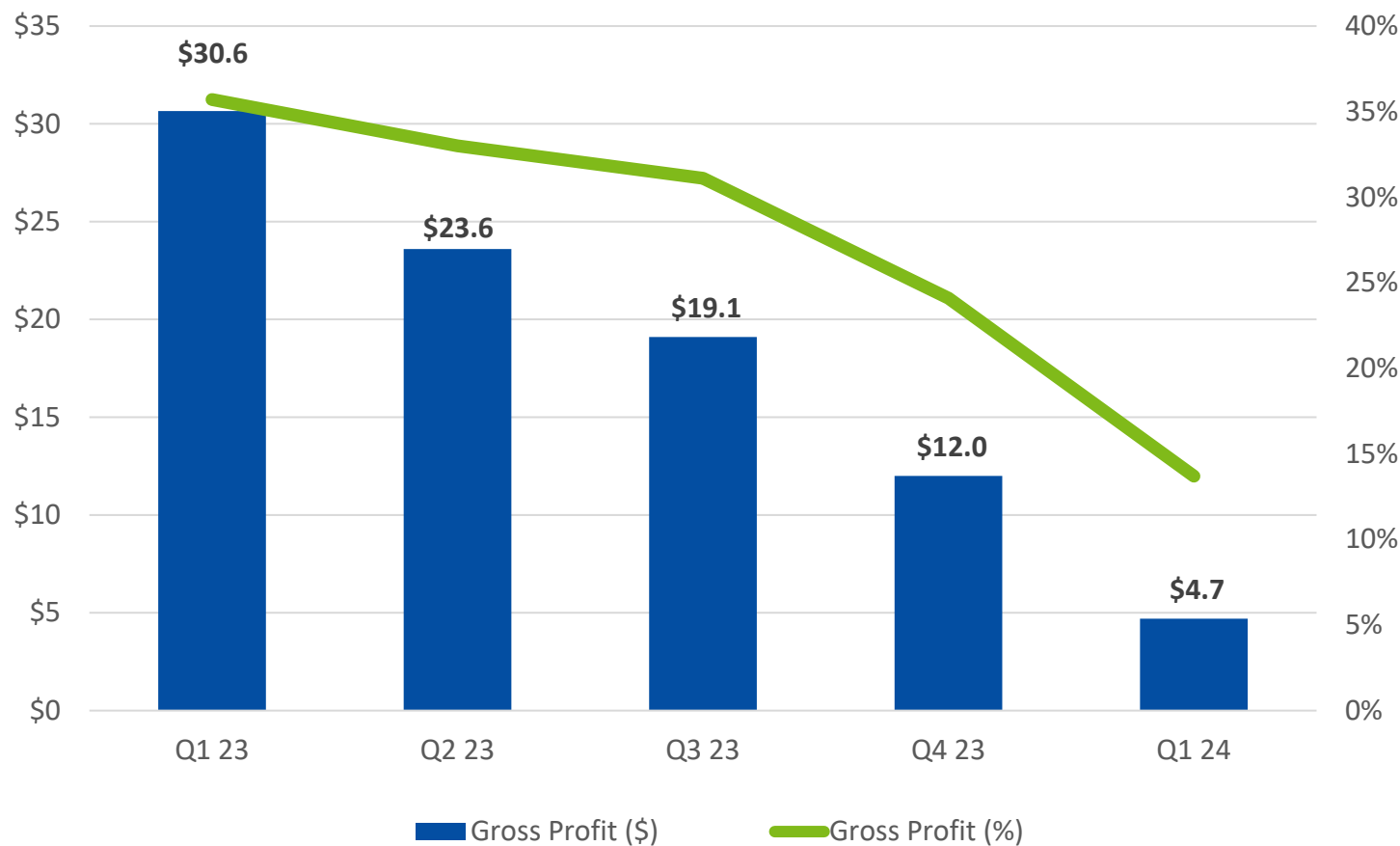
All dollar figures in millions  
1) Based on net sales of \$34.2 million for Clearfield and Point of Sales (POS) reporting from distributors who resell our product line into these markets.

# Q1 FY24 Net Sales Composition Ended 12/31/23<sup>1</sup>



FINANCIAL PERFORMANCE

# Quarterly Gross Profit and Margin

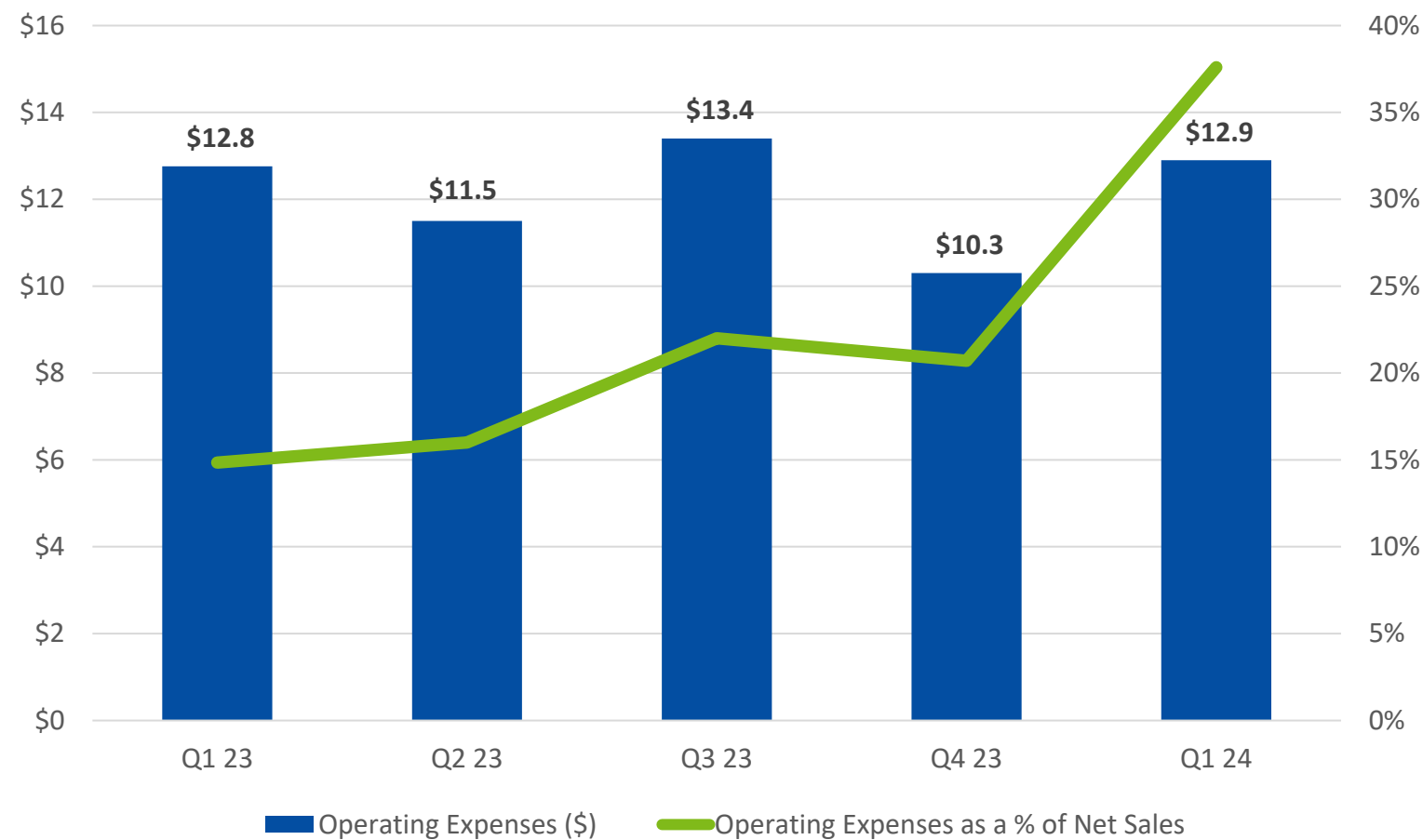


Gross Margin Continues to be Impacted by Unabsorbed Overhead in Manufacturing Facilities due to Lower Levels of Demand, Winter Seasonality, and an Increase in Reserves for Inventory Primarily Related to a Lull in Demand.



FINANCIAL PERFORMANCE

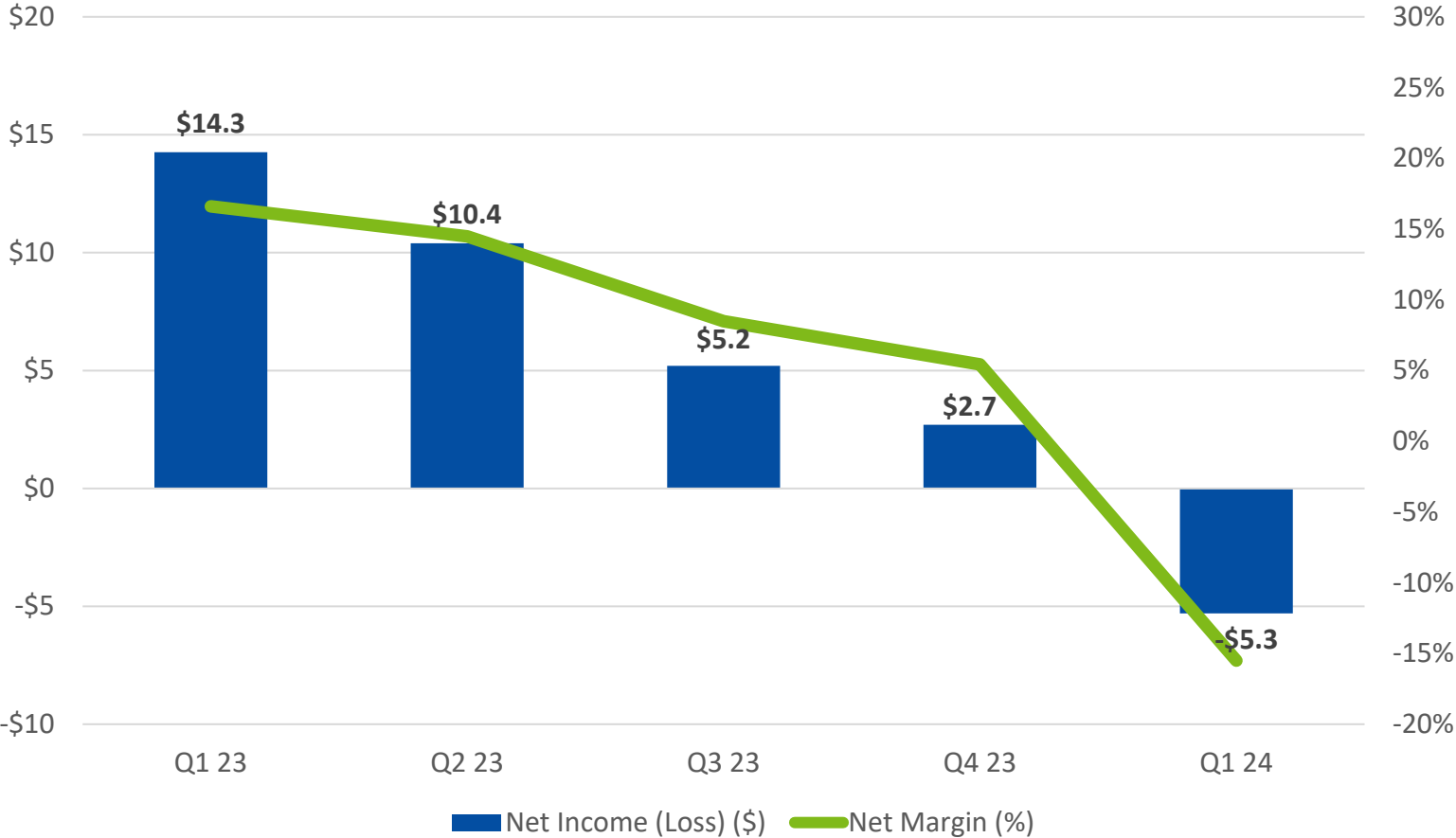
Quarterly Operating Expenses



Operating Expenses are Consistent with the Prior Year First Quarter.

FINANCIAL PERFORMANCE

Quarterly Net Income (Loss)



**\$(5.3M)**

Q1 2024 Net Loss

**(15)%**

Q1 2024 Net Loss Margin

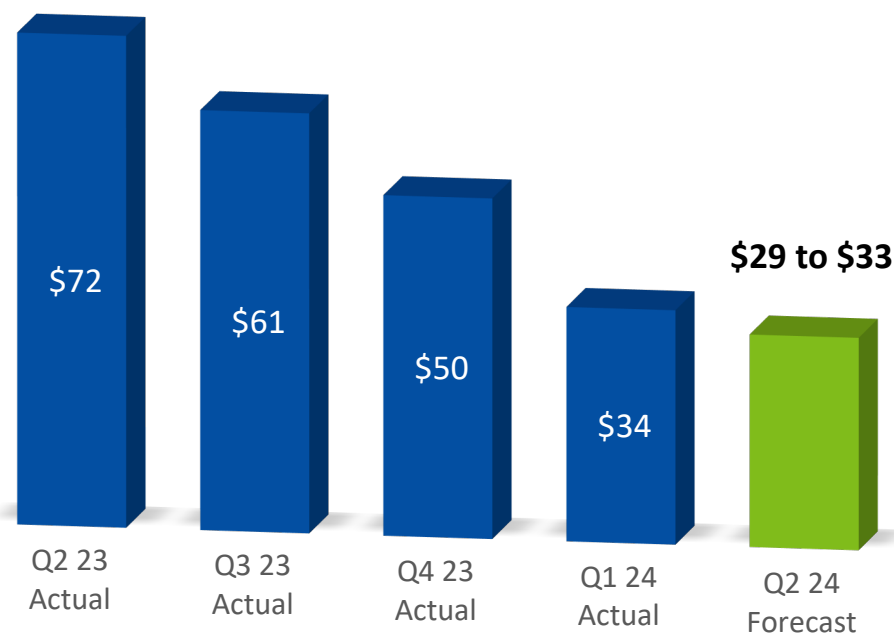
# Balance Sheet

- ✓ *\$169 million of cash, short-term and long-term investments. This reflects a reduction of \$5 million from September 30, 2023. \$12 million was used for the repurchase of shares in the quarter.*
- ✓ *\$2 million of debt.*
- ✓ *Enables the Company to weather the dynamics that are affecting the market.*
- ✓ *Ensures that Clearfield is well positioned to effectively compete for larger customer opportunities and pursue strategic opportunities to enhance market positioning and product portfolio.*

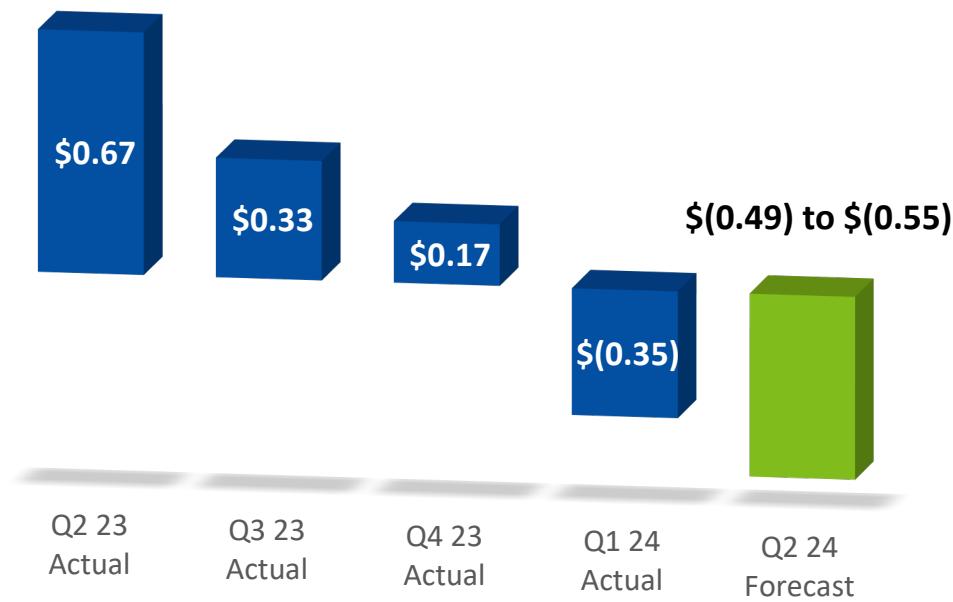


# Financial Outlook

Quarterly Net Sales  
(\$ in millions)



Net Income (Loss) Per Share  
(\$)





CLEARFIELD

# Business Update





**Leverage** our decade-long excellence in Community Broadband  
**Execute** excellence in everything we do  
**Accelerate** infrastructure investment  
**Position** innovation at the forefront of our value proposition

- ✓ *Investing in New Markets*
  - *Adding expertise in Europe to leverage Nestor platform to cross sell connectivity products into Europe*
- ✓ *Operational Cost Reduction Initiatives*
  - *Hired a senior-level operations executive to lead our North American manufacturing and procurement programs to drive cost reductions, align capacity to near-term demand, and to convert inventory to cash*



# Q&A



**Cheri Beranek**  
PRESIDENT & CEO



**Dan Herzog**  
CHIEF FINANCIAL OFFICER

# Contact Us

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