Letter to Shareholders

CLEARFIELD

First Quarter of Fiscal 2025

Cheri Beranek
President/CEO

Dan Herzog
CFO

We are pleased to share our results for the first quarter of fiscal 2025 ended December 31, 2024. First quarter net sales of $35.5 million were up 4% over last year and in line with our guidance range, with Clearfield segment net sales up 6% year-over-year. Our net loss per share of $(0.13) was smaller than our guidance range and significantly improved from the year ago period. The dynamics within the Clearfield segment are in line with our expected U-Shape recovery and underscore that the strength of our business is driven by normalizing demand. Further, we are encouraged by the uptick in quoting activity during the quarter from both new and existing customers, as well as the initiation of new multi-year projects beyond connected homes and government-funded initiatives. In addition, we believe these dynamics reflect the success of our ongoing efforts to strengthen customer relationships and consistently deliver exceptional customer service.

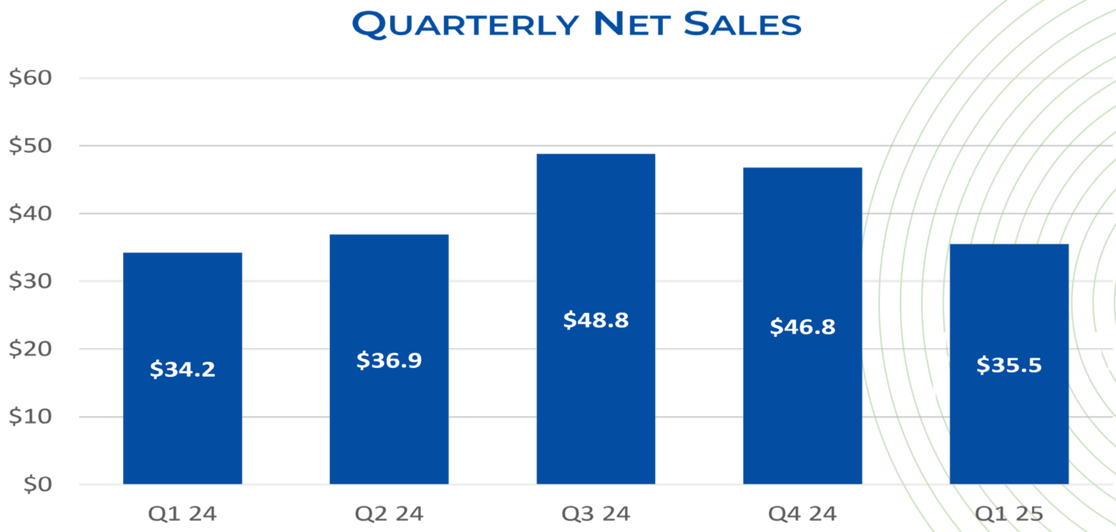
We would also like to address the subject of the possible introduction of tariffs on Mexican goods. Our Mexican and U.S. manufacturing sites were strategically designed to provide redundancy, cost optimization, and dual sourcing capabilities. In addition, our product lines are BABA compliant, which provides the option for a Build American/Buy American alternative. While we cannot eliminate the potential cost increases of this tariff, our long-term experience managing past tariff impacts enables us to respond quickly and to mitigate any potential cost increases whenever possible.

Additionally, our Asian sourcing program has been in place for over a decade, supported by a strong network of proven suppliers who have consistently partnered with us to optimize our quality and who have been expanding their manufacturing footprint into non-Chinese locations. The tariff imposed on Chinese goods that went into effect February 4, 2025, adds to the existing tariffs that have been placed upon Chinese products entering the U.S. over recent years. Given the fluid and uncertain nature of the situation, our priority remains maintaining the strong partnerships and relationships built with our suppliers and customers and optimizing this supply chain to reduce the impact whenever possible.

Fiscal Q1 2025 Financial Summary

Fiscal Q1 2025 Financial Summary

(in millions except per share data and percentages)	Q1 2025	vs. Q1 2024	Change	Change (%)
Net Sales	$ 35.5	$ 34.2	$ 1.2	4%
Gross Profit ($)	$ 8.2	$ 4.7	$ 3.5	74%
Gross Profit (%)	23.1%	13.7%	9.3%	68%
Loss from Operations	$ (4.0)	$ (8.2)	$ 4.2	-51%
Income Tax Benefit	$ (0.4)	$ (1.0)	$ 0.5	-55%
Net Loss	$ (1.9)	$ (5.3)	$ 3.4	-64%
Net Loss per Diluted Share	$ (0.13)	$ (0.35)	$ 0.22	-63%



All dollar figures in millions

Consolidated net sales in the first quarter of fiscal 2025 were $35.5 million, a 4% increase from $34.2 million in the prior year first quarter and within our guidance range of $33 million to $38 million. This figure includes $29.7 million of Clearfield segment net sales, up 6% year-over-year, and $5.8 million of Nestor segment net sales, down 6% year-over-year. Net sales met our expectations as we generated increased revenue from products for connected homes, highlighting our continued progress towards becoming a comprehensive portfolio supplier for our customers. We anticipate this trend will continue, moving towards a 2:1 ratio of connected homes to passed homes as operators prioritize cash flow generation over deployments while awaiting government funding.

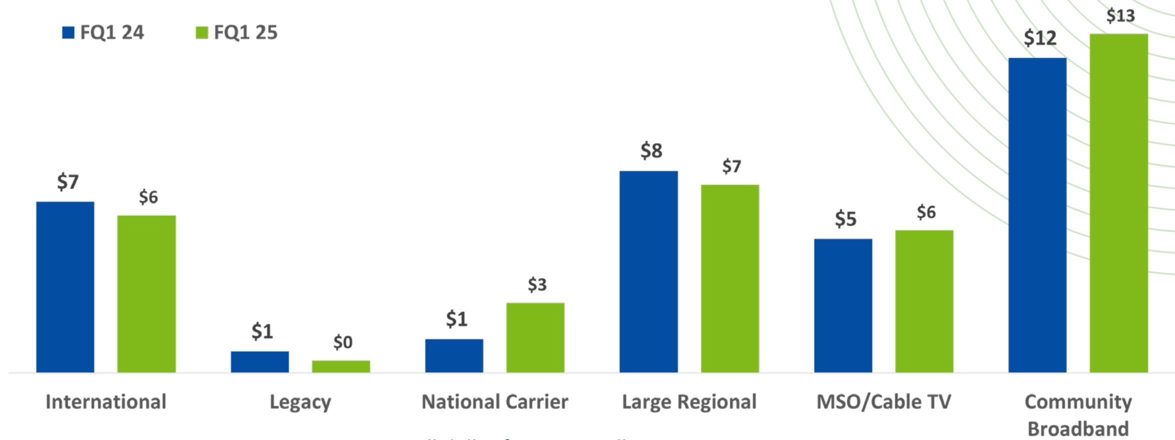
We recently opened our new facility in Estonia. Since the integration of Nestor into Clearfield's operation, the Company's production of microduct has grown from near zero to a forecast of more than $7 million for the current fiscal year. A microduct is a small, flexible tube that protects optical fibers while offering high fiber density, faster deployment, and lower installation cost than cable. Moreover, this growth is consistent with our strategy of improving our European operations by prioritizing higher gross margin solutions, and our European-based sales of microduct are an important element of our strategy. However, Europe continues to face economic challenges and geopolitical tensions, impacting fiber investments in regions such as Germany and the UK. As a result, we are anticipating improved margins but flat annual revenue in our Nestor segment for fiscal year 2025

Our backlog as of December 31, 2024, increased slightly to $26.0 million from $25.1 million on September 30, 2024. This aligns with the ordering patterns we anticipated from service providers during the winter season. As a reminder, we believe our quarterly backlog has become a less reliable indicator of future sales, as most orders are fulfilled within the quarter they are received. Our average lead time remains steady at approximately four weeks across most product lines

Net Sales Comparison by Key Market

Net sales in Clearfield's primary market, Community Broadband, comprised 37% of net sales in the first quarter of fiscal 2025. We generated net sales of $13.2 million in Community Broadband, up 8% from the prior year first quarter. Sequentially, Community Broadband experienced a decline of 27% from the fourth quarter, primarily due to typical winter seasonality and a slowdown in customer spending decisions as they prepare for the build season and await Broadband Equity, Access, and Deployment (BEAD) funding. Additionally, we believe that customer inventories in this market have normalized.

Net sales in the MSO market were $5.6 million in the first quarter, which comprised 16% of net sales in the quarter and increased by approximately 6% from the prior year first quarter. Our MSO business experienced a sequential downtick of 26% from the fourth quarter, driven by lower volumes consistent with typical seasonality. We continue to observe elevated inventory levels at some of our MSO customers, but we expect inventories in this market to normalize in the coming year.



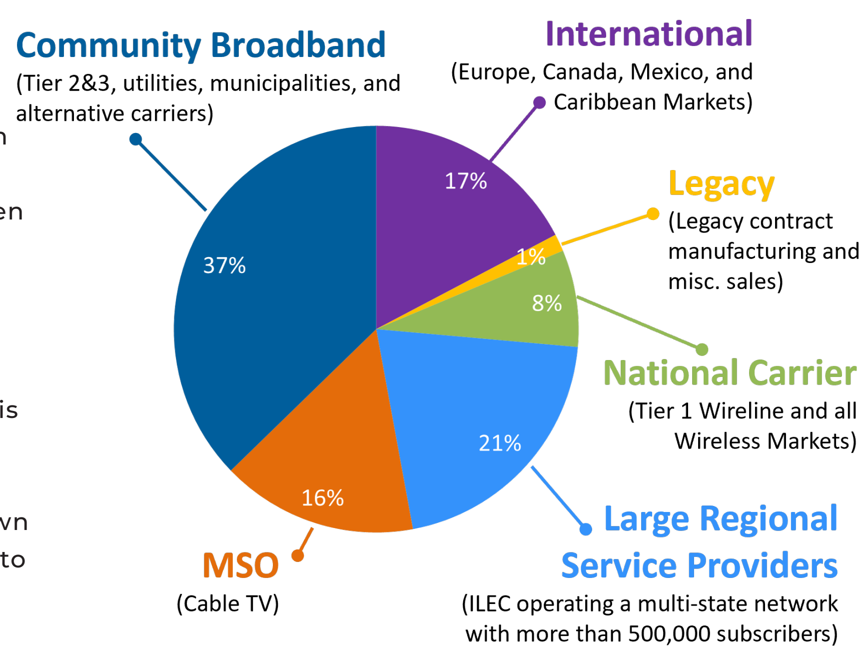
All dollar figures in millions

Net sales in the Large Regional Service Provider market were $7.3 million in the first quarter, which comprised 21% of net sales in the quarter and decreased by approximately 8% from the prior year first quarter. Our Large Regional Service Provider business experienced a sequential uptick of 16% over the fourth quarter, driven by the normalization of inventory levels at our customers. However, we continue to anticipate lumpiness in future quarters from this market due to product mix concentrations and potential shifts in deployment schedules and strategies.

Net sales in the National Carrier market were $2.7 million in the first quarter, which comprised 8% of net sales in the quarter and increased by approximately 106% from the prior year first quarter. Our National Carrier business experienced a sequential downtick of 10% from the fourth quarter. The increase in revenue from National Carriers year-over-year was driven by increased utilization of FieldShield® fiber products to connect homes.

Net sales in the International market were $6.1 million in the first quarter and comprised 17% of total net sales in the quarter. Net sales in this market decreased by approximately 8% in the first quarter of fiscal 2025 from the prior year first quarter. Our International market was down 50% sequentially from the fourth quarter, due to the early onset of winter seasonality in Europe and ongoing economic challenges negatively affecting fiber spending.

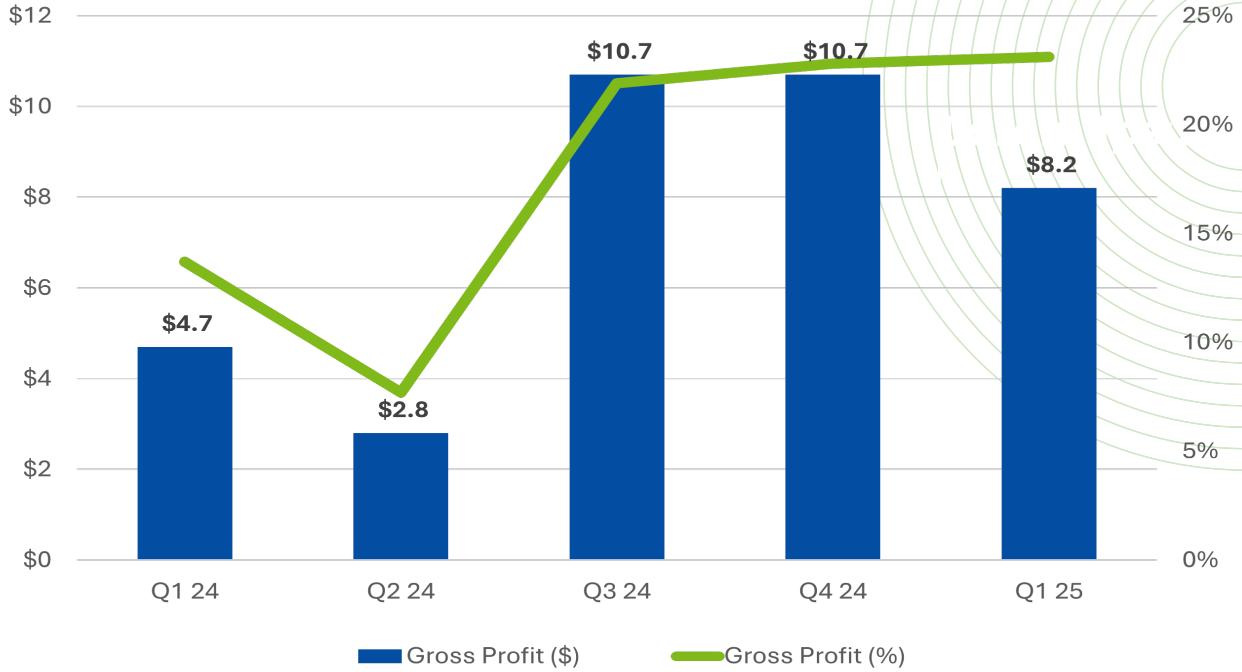
Q1 FY25 Net Sales Composition Ended 12/31/24[1]



[1]*Based on net sales of $35.5 million for Clearfield and Point of Sales (POS) reporting from distributors who resell our product line into these markets.*

Gross Profit and Profit Margin

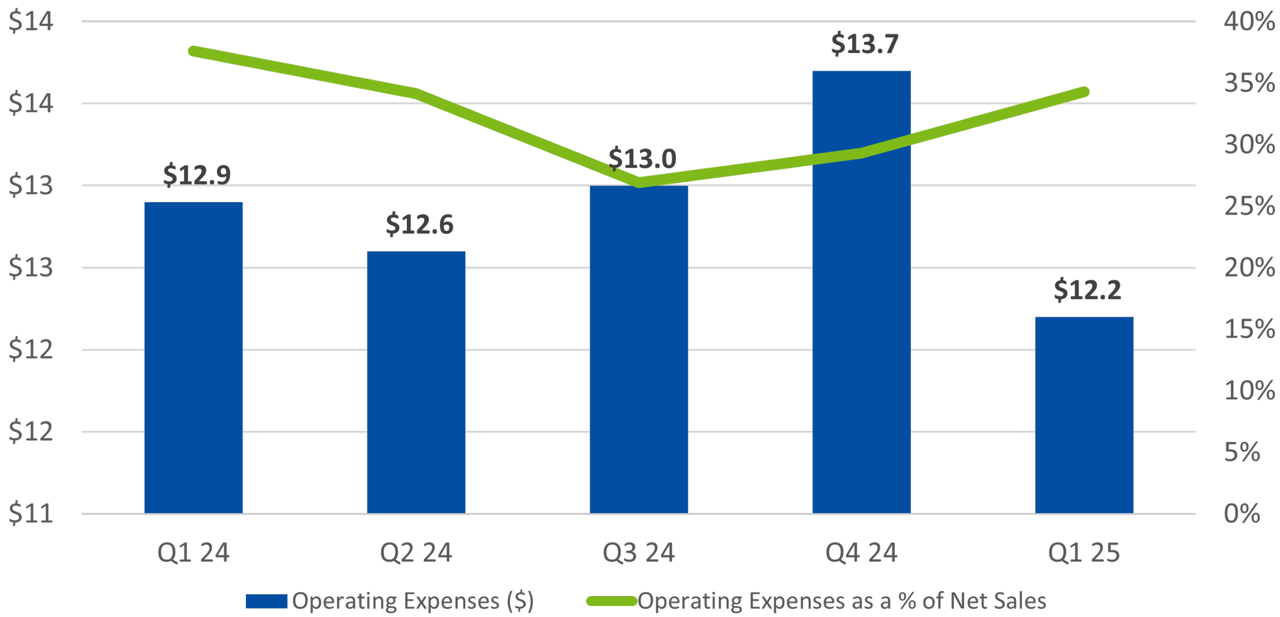
Clearfield's gross profit margin in the first quarter was 23.1% of net sales, up from 13.7% of net sales in the prior year first quarter and up from 22.8% in the prior quarter. The improvement in gross profit margin of $3.5 million was primarily due to the reduction in the first quarter of fiscal 2025 of non-cash excess inventory charges from the prior year first quarter. Non-cash excess inventory charges decreased year-over-year by $2.3 million to approximately $1 million in the quarter reflecting improved inventory utilization and beneficial recoveries from previously reserved inventory.



All dollar figures in millions

Operating Expenses

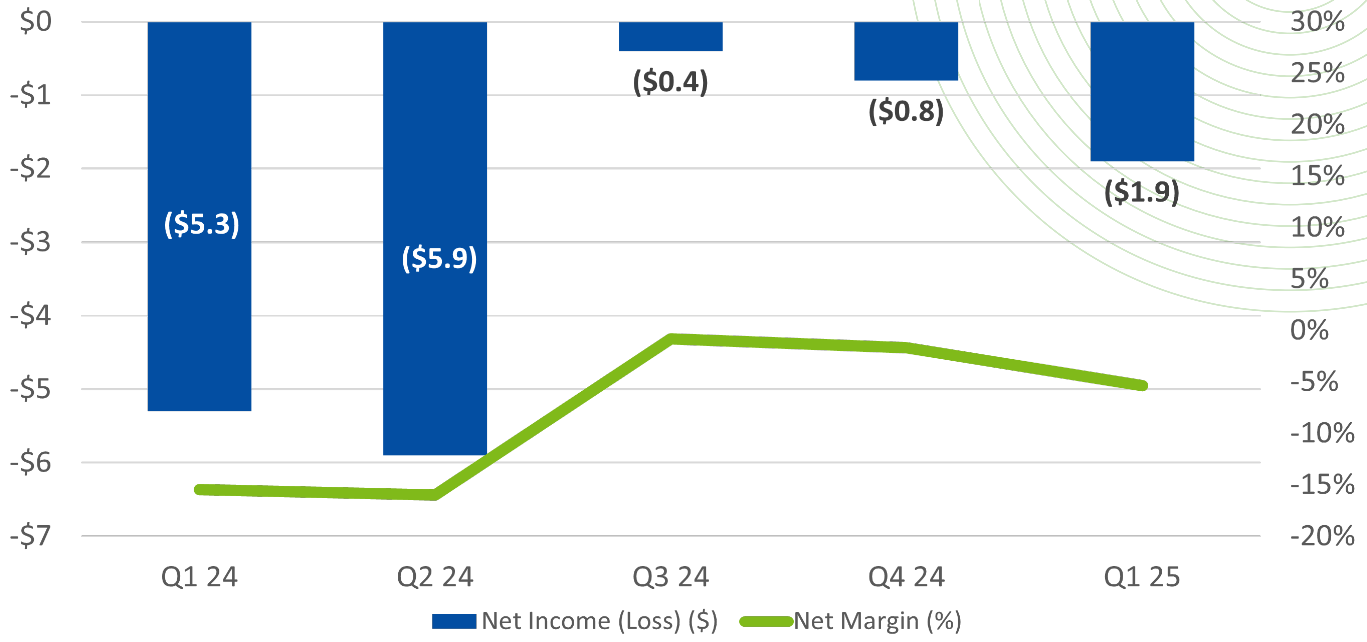
Operating expenses for the first quarter were $12.2 million in comparison to $12.9 million in the prior year first quarter, driven by cost management efforts that resulted in lower SG&A spend. As a percentage of net sales, operating expenses for the first quarter were 34.3%, up from 29.3% in the fourth quarter and down from 37.6% in the prior year first quarter.



All dollar figures in millions

Net Income (Loss)

Clearfield's net loss in the first quarter was $1.9 million, or $(0.13) per diluted share, down from a net loss of $5.3 million, or $(0.35) per diluted share, in the prior year first quarter and net loss of $800,000, or $(0.06) per diluted share, in the fourth quarter of fiscal 2024. The year-over-year improvement was primarily driven by lower inventory charges as a result of improved inventory utilization and lower SG&A spend.



All dollar figures in millions

Balance Sheet and Cash Flow

- The Company's balance sheet remains strong with $154.9 million of cash, short-term and long-term investments and just $2.1 million of debt.
- Clearfield recorded positive cash flow from operations of approximately $7.2 million in the first quarter, including a reduction in net inventory of approximately $6.9 million in the quarter.
- The Company repurchased approximately $6.2 million in shares under its Share Repurchase Program and has approximately $18.7 million remaining authorized for future repurchases as of December 31, 2024.
- Backed by our healthy balance sheet, we believe that we are well positioned to pursue larger customer opportunities and strategic initiatives to strengthen our market position and expand our product portfolio. Our strong cash balance also equips us for the anticipated growth in demand ahead.

Operational and Strategic Initiatives

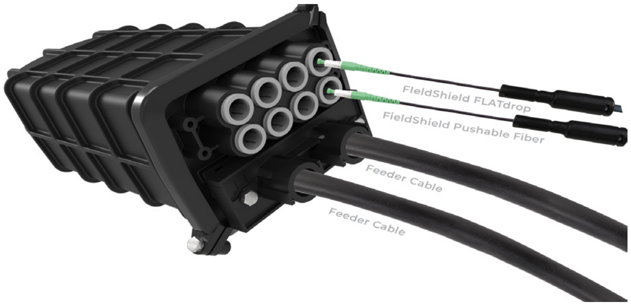
As the rural broadband deployment model evolves, Clearfield continues to adapt to industry dynamics with new products. A trend we have been tracking for some time is the shift of electronics out of the central office towards the deployment of electronics in cabinets closer to the end-user. We designed our FiberFlex cabinet line to address this trend, with a universal flexibility to the type of electronics, cooling, power source and, of course, fiber count. Establishing ourselves as the one-stop shop for active cabinet deployments, similar to our success with passive cabinet lines that have reached millions of homes, is a key component of our long-term growth strategy.

FiberFlex™ Series of Active Cabinets

StreetSmart® Ready Connect™ Terminal

While fiber is increasingly being integrated with power and electronics, we are also observing a shift towards small-count terminals that can run deeper into the neighborhood and reduce the cost of installation. To address this change, Clearfield recently announced the release of the StreetSmart® Ready Connect™ Terminal (RCT), a small, craft-friendly fiber terminal designed for pedestal applications that supports up to eight drop connections when mid-span is needed. Developed based on the demands of the market and feedback from customers, this innovative terminal addresses key operator needs, such as space constraints, ease of installation, and long-term reliability.

As lower density population centers and rural geographic areas are targeted for broadband services, leaner fiber alternative Passive Optical Network (PON) architectures, such as Distributed Tap may be appropriate. A tap architecture utilizes tap devices, cascaded in series until the minimum optical power required to operate an Optical Network Terminal (ONT) downstream is exhausted. Clearfield will deliver Distributed Tap architectures by incorporating these tap splitter devices into our Multi-Purpose and Ready Connect terminals in the outside plant. For multiple dwelling unit (MDU) solutions, the device capabilities are delivered within our YOURx® Flex Box utilizing either Clearview® Cassettes or FieldShield® Drop Wheels.



Multi-Purpose Terminal

Another trend we've noticed is that many operators are completing existing builds and initiating new multi-year projects. We view this dynamic as a strong positive signal as it demonstrates a level of demand and commitment independent of government funding. To ensure we are able to address this trend, we're continuing to work with our customers to establish programs that provide better mutual visibility going forward and ensure we're well-positioned to meet our customers' needs.

While we position the company to capitalize on current opportunities, we are also investigating the next catalysts for growth, which include 6G, long-haul fiber, edge network architectures, and select opportunities in the data center sector as well as international markets. At this point, we are in the process of building out the respective teams to pursue these opportunities, which will be spearheaded by our new Chief Marketing Officer, Anis Khemakhem.

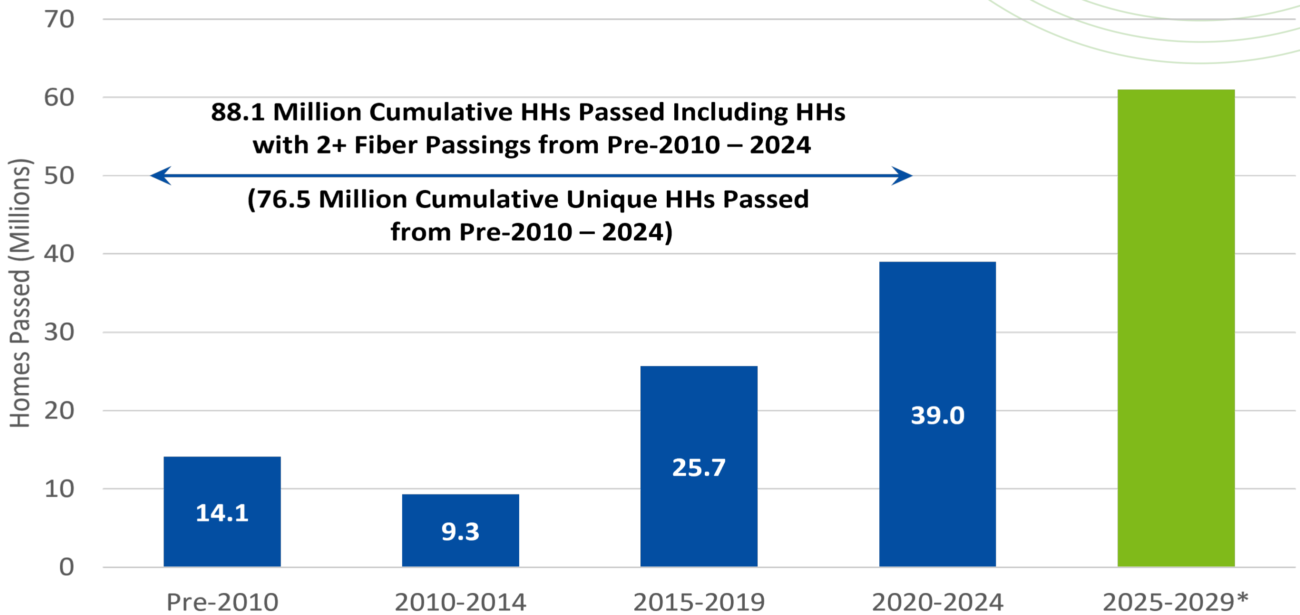
Framing Views on the Industry

While we continue to expect the BEAD program to contribute more meaningfully to revenue starting in fiscal 2026, we are pleased with the initial progress. Specifically, the NTIA has approved the final proposals for Louisiana, Nevada and Delaware. Moreover, the majority of those awards went to local fiber providers.

In the near-term, we expect the improved outlook coupled with the shift to the second phase of the Enhanced Alternative Connect America Cost Model (E-ACAM) program to serve as the growth catalysts for fiscal 2025. As a reminder, the E-ACAM program is part of the FCC Universal Service Fund (USF) program and includes over $18 billion in funding. The program continues the goal of the original ACAM program, which is to improve broadband speeds in rural areas.

RVA, a leading market research firm, is forecasting the overall industry to grow at a 12.5% compound annual growth rate over the next five years, with roughly one-third of the growth in households forecasted to have access to more than one fiber provider. Likewise, industry analysts anticipate homes connected to outpace homes passed through 2028. As we've discussed above, we believe we are well positioned to capitalize on these trends.

Five Year North American FTTH Forecast of 12.5% Annual Growth



**Forecast (Exact 2025-2029 Forecast Not Yet Available) assumes 10M in household growth and 2M rural not buildable (off grid). The number of redundant passings is most speculative.*
Source: RVA (12/10/2024), Clearfield

Fiscal 2025 and Q2 2025 Outlook

We are reiterating our fiscal 2025 outlook of net sales in the range of $170 million to $185 million. We anticipate Clearfield segment annual revenue growth to be in line with or above industry forecasts of 12.5% for fiscal 2025. We expect annual revenue from our Nestor segment for fiscal 2025 to be flat year over year as we focus on improving margins.

In line with the strong quoting activity for the build season we've observed, we anticipate second quarter fiscal 2025 net sales in the range of $37 million to $40 million. We expect to generate a net loss per share in the range of $(0.16) to $(0.21) in the second quarter of fiscal 2025.

Fiscal 2025

Annual Net Sales of $170M to $185M

Q2 Net Sales of $37M to $40M

Q2 Net Loss Per Share ($0.16) to ($0.21)

We want to highlight that we are actively monitoring the evolving tariff situation and diligently developing contingency plans. However, due to the uncertainty of the tariff situation, our full-year and second fiscal quarter guidance does not yet account for any potential impacts tariffs may have on our business operations.

Conference Call

Management will hold a conference call today, February 6, 2025, at 5:00 p.m. Eastern Time (4:00 p.m. Central Time) to discuss these results and provide an update on business conditions.

Clearfield's President and Chief Executive Officer, Cheri Beranek, and Chief Financial Officer, Dan Herzog, will host the presentation, followed by a question-and-answer period.

U.S. dial-in:1-877-407-0792 | International dial-in: 1-201-689-8263 | Conference ID:13751115

The live webcast of the call can be accessed at the Clearfield Investor Relations website along with the company's earnings press release and presentation.

A replay of the call will be available after 8:00 p.m. Eastern Time on the same day through February 20, 2025, while an archived version of the webcast will be available on the Investor Relations website for 90 days.

U.S. replay dial-in: 1-844-512-2921 | International replay dial-in: 1-412-317-6671 | Replay ID: 13751115

About Clearfield, Inc.

Clearfield, Inc. (NASDAQ: CLFD) designs, manufactures, and distributes fiber optic management, protection, and delivery products for communications networks. Our "fiber to anywhere" platform serves the unique requirements of leading incumbent local exchange carriers (traditional carriers), competitive local exchange carriers (alternative carriers), and MSO/cable TV companies, while also catering to the broadband needs of the utility/municipality, enterprise, and data center markets. Headquartered in Minneapolis, MN, Clearfield deploys more than a million fiber ports each year. For more information, visit www.SeeClearfield.com.

Cautionary Statement Regarding Forward-Looking Information

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," "plan," "expect," "aim," "believe," "project," "target," "anticipate," "intend," "estimate," "will," "should," "could," "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 and future supply agreements with customers, anticipated shipping on backlog and future lead times, future availability of components and materials from the Company's supply chain, compliance with Build America Buy America (BABA) Act requirements, future availability of labor impacting our customers' network builds, the impact of the Broadband Equity, Access, and Deployment (BEAD) Program, 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: our business is dependent on interdependent management information systems; 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; natural disasters, extreme weather conditions or other catastrophic events could negatively affect our business, financial condition, and operating results; pandemics and other health crises 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 IA. Risk Factors of Clearfield's Annual Report on Form 10-K for the year ended September 30, 2024 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.

Investor Relations Contact:

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clearfield@blueshirtgroup.com

CLEARFIELD, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	December 31, 2024 (Unaudited)	September 30, 2024
Assets		
Current Assets		
Cash and cash equivalents	$ 30,453	$ 16,167
Short-term investments	82,561	114,825
Accounts receivables, net	14,064	21,309
Inventories, net	59,224	66,766
Other current assets	11,609	10,528
Total current assets	197,911	229,595
Property, plant and equipment, net	23,717	23,953
Other Assets		
Long-term investments	41,916	24,505
Goodwill	6,493	6,627
Intangible assets, net	6,103	6,343
Right-of-use lease assets	18,276	15,797
Deferred tax asset	6,622	6,135
Other	2,192	2,320
Total other assets	81,602	61,727
Total Assets	$ 303,230	$ 315,275
Liabilities and Shareholders' Equity		
Current Liabilities		
Current portion of lease liability	$ 3,651	$ 3,357
Accounts payable	4,325	6,720
Accrued compensation	5,400	6,977
Accrued expenses	2,562	4,378
Factoring liability	2,790	2,920
Total current liabilities	18,728	24,352
Other Liabilities		
Long-term debt, net of current maturities	2,072	2,228
Long-term portion of lease liability	14,995	12,771
Deferred tax liability	-	161
Total liabilities	35,795	39,512
Shareholders' Equity		
Preferred stock, $.01 par value; 500,000 shares; no shares issued or outstanding	-	-
Common stock, authorized 50,000,000, $.01 par value; 14,131,537 and 14,229,107 shares issued and outstanding as of December 31, 2024 and September 30, 2024,	141	142
Additional paid-in capital	154,254	159,579
Accumulated other comprehensive (loss) income	(17)	1,079
Retained earnings	113,057	114,963
Total shareholders' equity	267,435	275,763
Total Liabilities and Shareholders' Equity	$ 303,230	$ 315,275

CLEARFIELD, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Net sales	$ 35,476	$ 34,230
Cost of sales	27,294	29,533
Gross profit	8,182	4,697
Operating expenses		
Selling, general and administrative	12,158	12,859
Loss from operations	(3,976)	(8,162)
Net investment income	1,744	2,069
Interest expense	(100)	(126)
Loss before income taxes	(2,332)	(6,219)
Income tax benefit	(426)	(951)
Net loss	$ (1,906)	$ (5,268)
Net loss per share Basic	$ (0.13)	$ (0.35)
Net loss per share Diluted	$ (0.13)	$ (0.35)
Weighted average shares outstanding:		
Basic	14,213,025	15,212,945
Diluted	14,213,025	15,212,945

CLEARFIELD, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023
Cash flows from operating activities		
Net loss	$ (1,906)	$ (5,268)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,838	1,651
Amortization of discount on investments	(766)	(1,160)
Deferred taxes	(544)	(320)
Stock-based compensation	1,139	1,271
Changes in operating assets and liabilities, net of acquired amounts:		
Accounts receivable	6,873	11,750
Inventories, net	6,871	4,169
Other assets	(1,027)	815
Accounts payable and accrued expenses	(5,328)	(2,108)
Net cash provided by operating activities	7,150	10,800
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(2,069)	(2,412)
Purchases of investments	(39,015)	(47,748)
Proceeds from sales and maturities of investments	54,476	51,068
Net cash provided by investing activities	13,392	908
Cash flows from financing activities		
Proceeds from issuance of common stock under employee stock purchase plan	301	250
Repurchase of shares for payment of withholding taxes for vested restricted stock grants	(491)	(236)
Net borrowings and repayments of factoring liability	77	(2,972)
Repurchase of common stock	(6,275)	(12,184)
Net cash used in financing activities	(6,388)	(15,142)
Effect of exchange rates on cash	132	91
Increase (decrease) in cash and cash equivalents	14,286	(3,343)
Cash and cash equivalents, beginning of year	16,167	37,827
Cash and cash equivalents, end of year	$ 30,453	$ 34,484
Supplemental disclosures for cash flow information		
Cash paid during the year for income taxes	$ 405	$ 61
Cash paid for interest	$ 58	$ 86
Right of use assets obtained through lease liabilities	$ 3,663	$ -
Non-cash financing activities		
Cashless exercise of stock options	$ 9	$ -