UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT TO
SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported)**: January 23, 2020**

CLEARFIELD, INC.
(Exact Name of Registrant as Specified in Charter)

Minnesota
(State or Other Jurisdiction of Incorporation)

000-16106	**41-1347235**
(Commission File No.)	(IRS Employer Identification No.)

7050 Winnetka Avenue North, Suite 100, Brooklyn Park, MN 55428
(Address of Principal Executive Offices)(Zip Code)

(763) 476-6866
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	CLFD	The NASDAQ Stock Market LLC

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Items under Sections 1, 3, 4, and 6 through 8 are not applicable and therefore omitted.

Item 2.02. Results of Operations and Financial Condition.

Clearfield, Inc. (the “Company”) hereby furnishes as Exhibit 99.1 its “FieldReport” relating to the first quarter of fiscal 2020 ended December 31, 2019 that was issued via webcast on January 23, 2020. The FieldReport is a slide presentation and an embedded script of remarks by Cheryl Beranek, the Company’s President and Chief Executive Officer, and Daniel Herzog, the Company’s Chief Financial Officer. Simultaneously with the webcast, the remarks relating to first quarter ended December 31, 2019 were also delivered via telephone conference.

Item 9.01. Financial Statements and Exhibits.

(c) The following exhibits are being furnished herewith:

99.1 FieldReport of Clearfield, Inc. for Fiscal First Quarter ended December 31, 2019 issued January 23, 2020.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CLEARFIELD, INC.

Dated: January 27, 2020

By: /s/ Cheryl Beranek

Cheryl Beranek, Chief Executive Officer

Good afternoon. Welcome to Clearfield's fiscal first quarter 2020 earnings conference call. My name is Daryl, and I will be your operator this afternoon.

Joining us for today's presentation are the Company's President and CEO, Cheri Beranek and CFO, Dan Herzog. Following their commentary, we will open the call for questions.

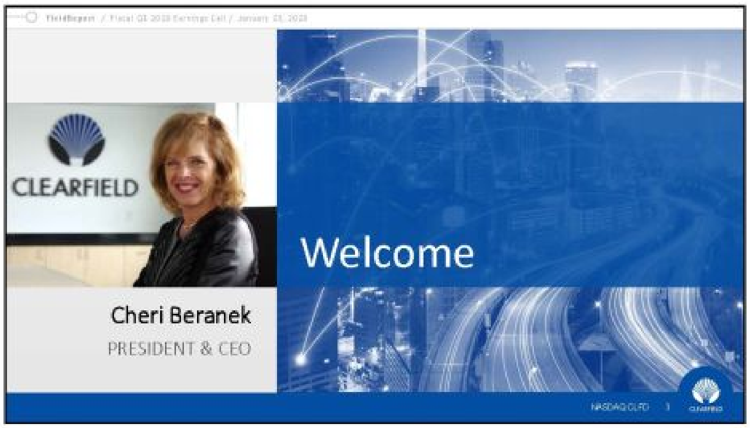
I would now like to remind everyone that this call will be recorded and made available for replay via a link in the investor relations section of the Company's website. This call is also being webcasted and accompanied by a PowerPoint presentation called the FieldReport, which is also available in the investor relations section of the Company's website.

Please note that during the course of this call, management will be making forward-looking statements regarding future events and the future financial performance of the Company. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements.

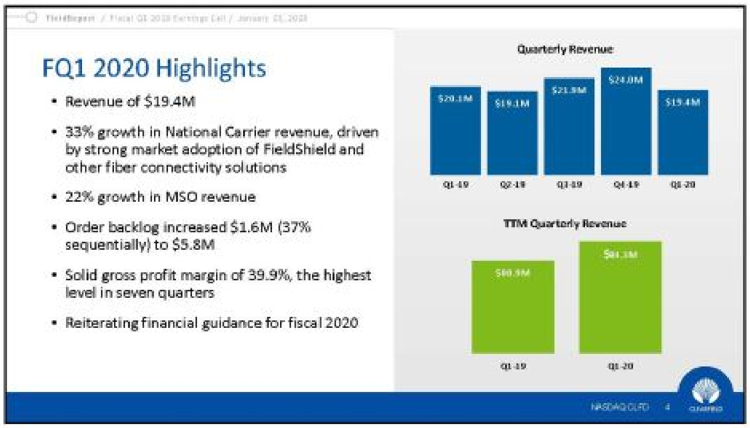
It's important to note also that the Company undertakes no obligation to update such statements except as required by law. The Company cautions you to consider risk factors that could cause actual results to differ materially from those in the forward-looking statements contained in today's press release, FieldReport, and in this conference call. The risk factors section in Clearfield's most recent Form 10-K filing with the Securities and Exchange Commission provides descriptions of those risks. As a reminder, the slides in this presentation are not controlled by the speaker but rather by you, the listener. Please advance forward through the presentation as the speakers present their remarks.

With that, I would like to turn the call over to Clearfield's CEO, Cheri Beranek.

Please proceed.



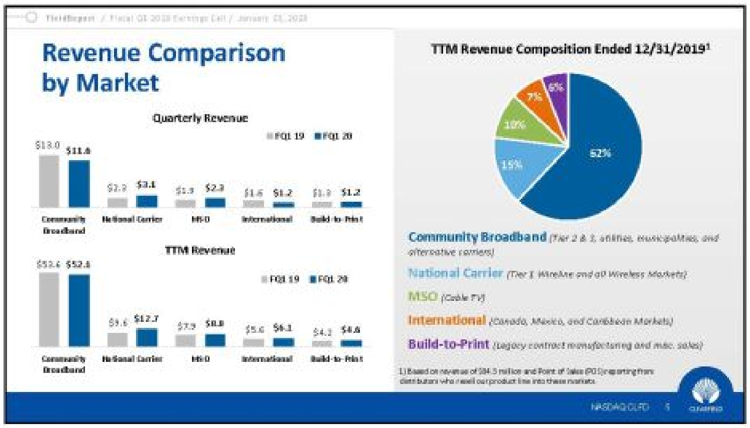
Good afternoon, and thank you everyone for joining us today.



Bookings for the first quarter of fiscal 2020 were consistent with our expectations for the period. From a topline perspective, we saw strong contributions from our National Carrier and MSO markets, which were up 33% and 22% year-over-year, respectively. However, our overall revenue results in the first quarter were impacted by the timing of received orders, resulting in a $1.6 million increase in backlog. We remain confident with respect to reaching our previously stated financial guidance for the fiscal year.

From an efficiency standpoint, we generated increased gross profit margin up to 39.9%, reflecting operating enhancements in multiple product categories. In fact, this quarter marked our best margin performance for any quarter out of the past seven. We're especially proud of our margin expansion this quarter, considering more than 55% of our revenue was fulfilled through distribution, which typically has a lower margin profile. We had three 10% customers this quarters, all of which were distributors.

Now, before I dive deeper into our results and progress against our 'Coming of Age' plan, I'd like to spend a moment going over some of our recent operational and market progress.



Looking at our market segments by revenue more closely, starting at our core Community Broadband market. In Q1 we generated revenue of $11.6 million, which was down 11% year-over-year. On a trailing twelve-month, or TTM basis ended December 31, 2019, Community Broadband market revenue totaled $52.1 million, down 3% from the comparable period. Product mix for the quarter was roughly consistent with last year with the exception of a decline in our Active Cabinet products, which also impacted our International revenue. We are actively evaluating options to address these changing dynamics with the objective of improving our visibility and overall effectiveness of this product category.

Our national carrier business is our second largest market, comprising 16% of total revenue in Q1 and 15% of our total revenue for the trailing twelve-month period. From a growth standpoint, we maintained the momentum we established last year, realizing a 33% year-over-year increase in revenue to $3.1 million in Q1 and a 32% year-over-year increase to $12.7 million for the TTM period.

Driving this growth is the continued demand from fiber-to-the-home and fiber-to-the-business applications. We believe the momentum in our National Carrier market validates the strategic investments we've made over the last two years to capitalize on the Tier 1 opportunity, and also demonstrates the increasing traction we're achieving.

In addition to the positive results we experienced in our National Carrier market, we generated double-digit growth in our MSO, or Cable TV market. In Q1, we generated $2.3 million in revenue, which was up 22% year-over-year, and generated $8.8 million for the TTM period, which was up 11% year-over-year.

Revenue in our International market was down 27% year-over-year, but up 8% over the last twelve months. As I mentioned earlier, our international market was impacted by the softness in Active Cabinet sales.

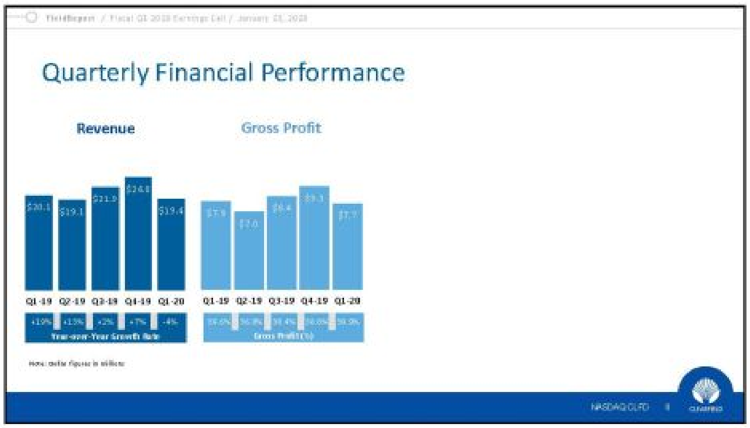
Revenue in our legacy Build-to-Print business was down 3% in the first quarter, but up 11% over the trailing twelve-month period. We continue to expect this business to operate at approximately a $4 million annual run-rate for the foreseeable future.

With that, I'll now turn the presentation over to our CFO, Dan Herzog, who will walk us through our financial performance for the first quarter of fiscal 2020.

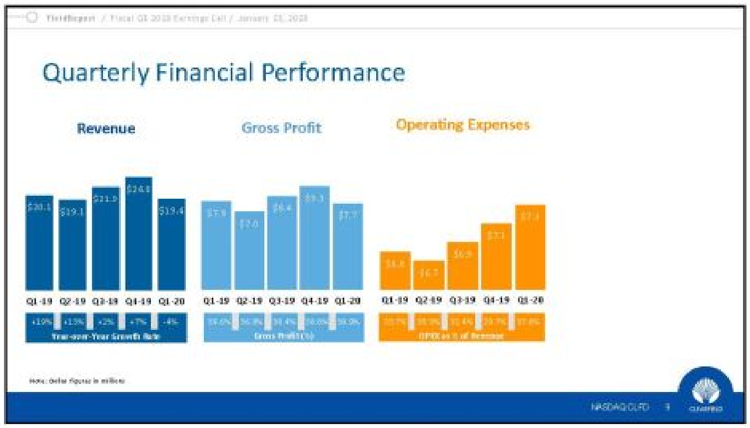
Thank you, Cheri.

Now, looking at our first quarter financial results in more detail…

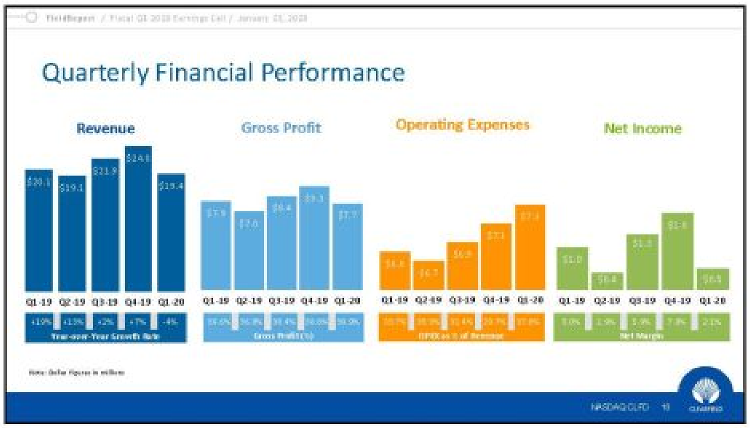
Our revenue in the first quarter of fiscal 2020 decreased 4% to $19.4 million from $20.1 million in the same year-ago period. The decrease in revenue was primarily due to lower sales in our Community Broadband and International markets.



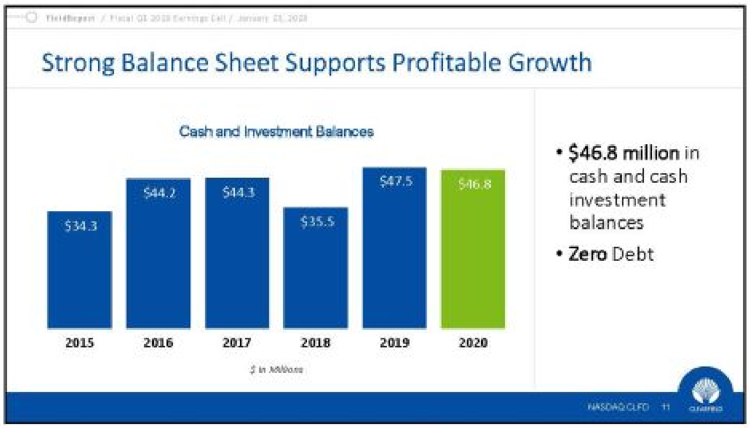
Gross profit for the first quarter of fiscal 2020 totaled $7.7 million, or 39.9% of total revenue, compared to $7.9 million, or 39.6% of total revenue, in the first quarter of fiscal 2019. The decrease in gross profit dollars was due to the lower overall revenue we generated in the quarter. The increase in gross profit margin was due to cost reduction efforts across the product lines, including expanded use of our Mexican manufacturing plant, supply chain programs, and initiatives to reduce the impact of tariffs for products sourced from China.



Our operating expenses for fiscal Q1 of 2020 were $7.3 million, which were up from $6.8 million in the same year-ago quarter. The increase in operating expenses was primarily due to an expansion of sales resources and the costs associated with product testing required for Tier 1 certification.



Income from operations totaled $400,000 in the first quarter of fiscal 2020 compared to $1.2 million in the same year-ago quarter. Income tax expense was $123,000 compared to $296,000 in the first quarter of last year. The resulting net income was $501,000, or $0.04 per diluted share for the first quarter of fiscal 2020. This compares to net income of $1.0 million, or $0.08 per diluted share in the first quarter of fiscal 2019.

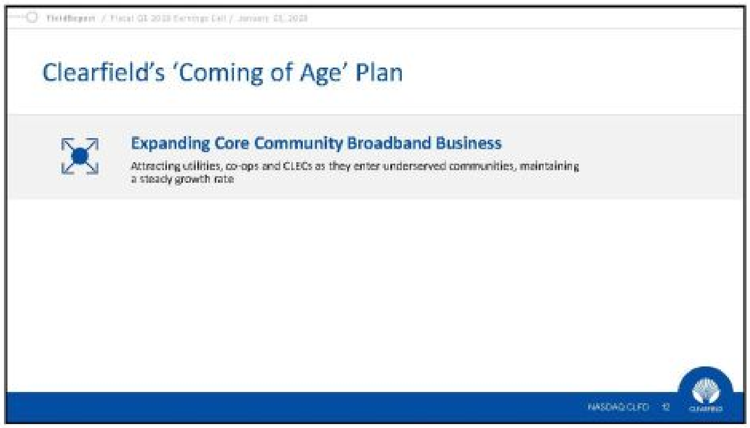


During the first quarter, our cash, cash equivalents and investments decreased $700,000 to $46.8 million from $47.5 million in the prior quarter ended September 30, 2019. This was the result of the payment of Fiscal Year 2019 bonuses during the quarter as well as an increase in inventory for new product introductions planned for later this quarter.

As I have mentioned on prior FieldReports, our board and management team will continue to evaluate how we deploy our capital to generate the highest returns for our shareholders, whether that's through share repurchases or continuing to invest in our business to further reduce our cost structure and/or expand our market and revenue opportunities.

That concludes my prepared remarks. I will now turn the call back over to Cheri.

Cheri?



Thanks for the financial overview, Dan. As many of you know, we're entering the second year of our three year 'Coming of Age Plan,' which has helped to strengthen our core business and position Clearfield for disruptive growth opportunities, especially around 5G. I'll now spend a moment providing a brief update on our three major initiatives within that plan.

As it relates to expanding our core Community Broadband business, Clearfield has established a solid position in this market. For more than a decade, customers have relied on our technology to cost-effectively deploy and manage their fiber infrastructure. Clearfield has been helping these carriers reduce their short-term and longer-term expenses, while still supporting future bandwidth and network growth. As utilities, municipalities and cooperatives enter into this market alongside the traditional Tier 3 service providers, we expect our unique modular architecture to help us further grow our share.

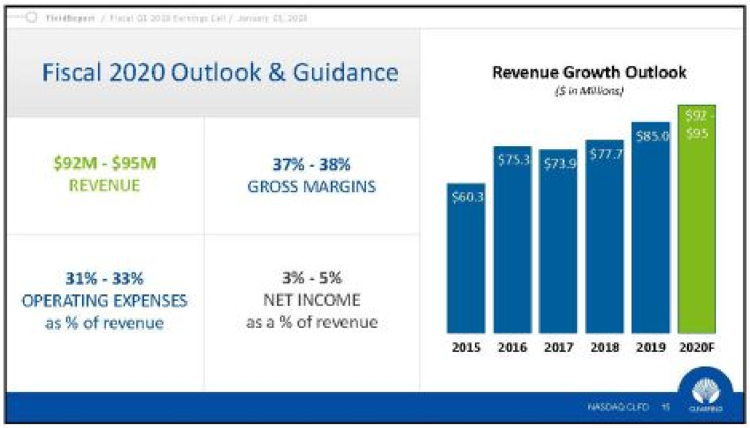
In connection with our operational excellence plan, which I will touch on shortly, we are moving toward a more distributor-centric approach. As I mentioned earlier, more than 55% percent of our revenue in Q1 was through distributors, which was up from 45% in the year-ago period. We expect the mix of revenue between distributors and direct sales to vary quarter-to-quarter, but, over time, sales through distributors will increase.

Operational effectiveness is a primary focus for our entire organization in fiscal 2020. Our success in this area is perhaps best demonstrated by the nearly 40% gross profit margin we realized in the first quarter. And despite this success, we are not resting on our laurels; we are continuing to judiciously invest in improving our manufacturing capabilities and supply chain to further increase Clearfield's competitiveness as well as operational efficiencies. In fact, this month we are signing a lease for a second manufacturing facility in Mexico, which is in the same industrial park as our current facility. The second facility will double our square footage and allow us to establish lean manufacturing initiatives by dedicating one facility to connectivity and the other to splicing operations associated with our enclosures. We are moving quickly on this effort and expect to be shipping out of the new facility by the end of fiscal Q2. It's worth mentioning that the costs associated with the second facility are already included in our financial guidance for fiscal 2020.

The third initiative of our plan involves capitalizing on our 5G opportunities within the wireline markets of national carriers and all wireless markets. We continue to gain traction in these markets. Along that line, as we look into fiscal Q2, we believe we are at the very early stage of realizing Tier 1 revenue that is associated with 5G deployment and the hand-off between the wireline and wireless networks.

The sequel, if you will, to the Coming of Age plan is what we call 'Accelerating Operating Cadence.' As many of you know, engrained in Clearfield's DNA is nimbleness, which has allowed us to listen and swiftly respond to our customer's needs as well as to react quickly to changing market conditions.

Longer term, we believe playing to our core strength in speed will help create new opportunities for our company and is at the foundation of the 'Accelerating Operating Cadence' plan. Opening our second facility in Mexico is a prime example of this initiative already in motion. Our ability to secure a lease and planned shipping of product out of the new facility in just two months demonstrates just how quickly and efficiently we operate. We believe our agility and our decisiveness have allowed us and will continue to enable us to stay ahead of the competition. And while being agile is important, just as important is endurance. We're confident that the strategy, systems and processes we have in place will enable Clearfield to maintain our competitiveness over the long haul.



We continue to believe fiscal 2020 will be a period of solid growth and profitability, especially in the second half of the year. As I talked about on our prior FieldReport, the main reason for this backloaded trajectory is that we are strategically investing in our business to support our continued success in the wireless and wireline market of the national carriers, both in the near- and long-term.

So, to reiterate our financial guidance for fiscal 2020, we expect revenue to range between $92 million and $95 million, representing growth of 10% at the midpoint. Embedded in our guidance is that our revenue will build throughout the year, similar to what we've seen historically.

Looking at some of our other financial metrics, we continue to anticipate gross margins to range between 37% to 38%. While we're encouraged by the strong margin we realized in the first quarter, we remain cognizant of the potential for pricing pressure in the Tier 1 market as we continue to drive growth and market share gains in this segment of our business.

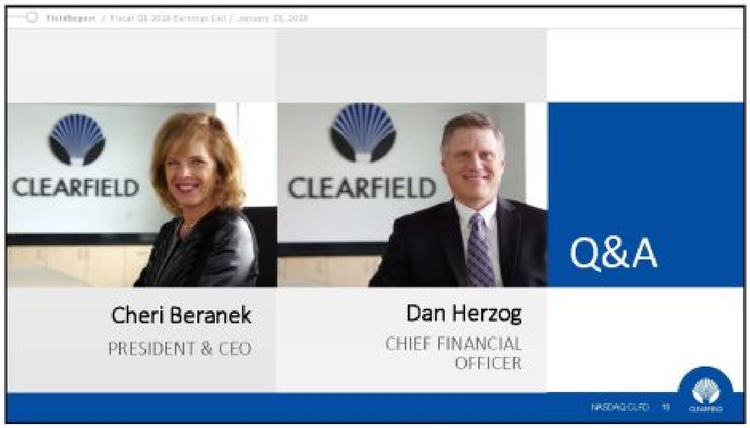
Moving down the income statement, we continue to expect our operating expenses as a percentage of revenue to be between 31% and 33% of total revenue for the year, which is essentially flat compared to fiscal 2019. As I talked about on our last call, we anticipate that our operating expenses will level off in the latter half of fiscal 2020, enabling an acceleration in margin improvement to continue with mid to high single digit earnings to continue as we enter the 'Accelerating Operating Cadence' phase of our growth plan in fiscal 2021.

As it relates to our bottom line, we expect net income as a percentage of revenue to remain between 3% and 5% for the year, underscoring our commitment to continue growing profitably and responsibly. Net income percentage will be in the low single digits early in the first half of the year, then rising to mid to high single digits near the year end.

As we look ahead in fiscal 2020, we are well positioned with industry-leading solutions, a strong competitive position, and a proven business model to capitalize on the disruptive growth opportunities within the fiber optics industry.

And with that, we're ready to open the call for your questions.

Operator?



Thank you.

We will now be taking questions from the company's publishing sell-side analysts.

[Operator Instructions]

Our first question is from Tim Savageaux of Northland Capital Markets.

Please proceed with your questions.

Tim Savageaux
Northland Capital Markets, Research Division
Hi. Pardon me. Hi. Good afternoon. A couple of questions. First, I want to focus on I guess the dynamics around the Community Broadband market in the quarter. You mentioned the building backlog and maybe orders coming in later in the quarter. Should we assume that that's Community Broadband principally? Was that the kind of focus of that dynamic? Or do you have other market verticals that were that's – that saw that kind of late developing order flow as well?

Cheri Beranek
Chief Executive Officer, President & Director
Right. Inside of the first quarter of 2020 results, inside of the press release, we do indicate that the increase in backlog is driven by Community Broadband. And so the Community Broadband was down about $1.5 million for the quarter, but the increase in backlogs for the quarter of $1.6 million, I think, over September 30th was principally driven by Community Broadband. So it's directly relational. And I think that's important to note because in the history of Clearfield, due to the seasonality of our business, I don't believe we've ever seen an increase in backlog for the December 31st quarter because of the seasonality of what we do. So this was really unusual and so we wanted to make that kind of front and center, so that people understood that our bookings for the period were right on where we wanted them to be. It's just happened to be that they ended up getting late into the middle of December and with a lot of our equipment gets shipped to unmanned sites, the time between Christmas and New Year, it's just wasn't a good time for us to be shipping that product. But the business is still sound in that area and we continue to appreciate strong share within the Community Broadband market.

Tim Savageaux
Northland Capital Markets, Research Division
Right. And then as you kind of reiterate your annual guidance despite lower than expected at least revenue if not bookings in Q1, what's kind of giving you that that visibility or that confidence in the rest of the year? Obviously you have the backlog building in Community Broadband, but do you have – you mentioned, I don't know if you're guiding to some initial revenue from 5G related projects in Q2, but is it Tier 1s that's driving that visibility for the year or certain competition?

Cheri Beranek
Chief Executive Officer, President & Director
Right. I mean, I think, Tim, if we go back to our operating pillars beside the Coming of Age plan, I mean, our first pillar was to support and enhance our position in Community Broadband and we feel that we've accomplished that and are continuing to support that. But then in regard to the third pillar, which is about being able to expand upon disruptive technologies and opportunities, we're really excited about I think three things and I tried to point them out with the limited amount of time that we have within the materials.

The first is that our fiber-to-the-home and fiber-to-the-business business inside of Tier 1 is up 33% over last year and for the period of 90 days and I also wanted to make sure that we called out the trailing 12 month period because I really think it's irresponsible for us to look at just a 90 day period. So the momentum and the cadence that we have within the Tier 1 fiber-to-the-home, especially in a fiber-to-the-home market in the Tier 1 space is substantially down in 2019 versus 2018, I think really shows the share that we're building.

Cheri Beranek

Chief Executive Officer, President & Director

Second is the opportunity within cable TV, meaning it's a small market for us, but it is a deliberate continual expansion, we had 22% this last trailing 12-month period. And no matter where you look in cable TV, you'll see their Cap Ex spends are down across the board. So being able to continue to take share, although it's a small revenue dollar, I think shows us that as revenue dollar – or as that spend increases and we anticipate that it will as 5G in the wireless spend creates some competitive market share – customer churn issues inside of cable TV, we'll see cable TV start to spend this year and we're well positioned to take advantage of that.

And then the third aspect of why we believe that we're comfortable with our forecast for next year is that beginning level of business in the 5G space. We did not see 5G revenue in quarter one, but there is 5G backlog in quarter two, it's small and that the 5G business is still from a technology standpoint there's more disruption than there is build. But we're very excited about being able to in a market – whenever there's a market that is changing and they need new technologies, it's a fabulous opportunity for us to be able to replace the incumbent with new ideas. And there's new things that need to be done in 5G for that handoff between the wireline and wireless space. And we've talked now for over a year that that's where we were attacking and we'll start to see beginning revenues for that in quarter two.

Tim Savageaux
Northland Capital Markets, Research Division
Okay, got it. And if I could follow up on the capacity expansion, I think you mentioned you're doubling the size of your footprint in Mexico or I guess to a hundred thousand square feet.

Cheri Beranek
Chief Executive Officer, President & Director
That's right.

Tim Savageaux
Northland Capital Markets, Research Division
I wonder if you could maybe speak to that kind of on a maybe a dollar basis understanding you're making different products in different locations, but when you ramp that up, what will your – can you give us an estimate of what your overall maybe quarterly revenue capacity will be?

Cheri Beranek
Chief Executive Officer, President & Director
I mean, I think that's – I mean that's difficult because it's based upon product mix. I think the – if we look at, I mean we entered into the first facility in Mexico three years ago and had that first 50,000 square feet of capacity that we put in place to that period of time. We have not maxed out the capacity levels of that first building at this point, but it's a fabulous time right now for us to add a second facility because we're – because of the some of the Chinese tariffs and some of the cost structures associated there, we've been really aggressive of moving additional solutions to that – into that manufacturing footprint.

And so being able to dedicate a facility to connectivity and the termination of fiber and a second facility to splicing for those enclosures, which is just a forklift apart from each other really will allow us to optimize cost structures, be able to put in lean initiatives, be able to deal with statistical process control for cost reductions. So that enhancement of an additional 50,000 square feet is about – as much about cost reductions as it is in capacity.

We continue to not believe that we should be doing anything on a Clearfield footprint that isn't really that we can't do better than someone else. So we still have some virtual manufacturing partners behind that. But we've got a – we're about – I think we've got two years left in our lease here in Brooklyn Park and then we'll be resigning our lease in Brooklyn in Mexico for the original facility for another 3 years to 3.5 years and then that second facility will be coterminous. So we think we're in a good place right now for our growth initiatives for the next two to three years.

Tim Savageaux
Northland Capital Markets, Research Division
Right. And if I could just follow-up on that with one more question and I'll pass it on. Can you hear me?

Cheri Beranek
Chief Executive Officer, President & Director
Yes, all good. Yes.

Tim Savageaux
Northland Capital Markets, Research Division
Okay, sorry. Well, I am just kind of approaching that another way and I know you've been, I think, shifting capacity to deal with the China tariff issues, but of your current revenue base – I wonder if you could give us an estimate of what portion of that is sourced out of your Mexico facility at present or how predominant that is?

Cheri Beranek
Chief Executive Officer, President & Director
Yes. This fiscal year is the first time that we started manufacturing more out of Mexico than in Brooklyn Park. So we're at about a 60/40 split right now. And so, our ability then to enhancing or doubling that space in Mexico with just even a first shift will allow us to probably double our revenue without major Cap Ex expansion. We have right now about 150 people in Mexico and it's important for us to continue to grab that additional building because we've invested a lot in training. We don't believe in employees that come in and out. We have the same level of investment in training and quality and the ability to ensure our product line is better than anything else that's in the marketplace. So we continue to invest in that. So from a model standpoint, I think we're at that point where that that 37% to 38% for gross profit for this year is a good point for us for that 10% growth that we're identifying. But that's where we're going to be able to see some of the improved gross profit margins into fiscal year 2021, as we expand the capacity in that space to take advantage of it.

Tim Savageaux
Northland Capital Markets, Research Division
Got it, thanks.

Cheri Beranek
Chief Executive Officer, President & Director
You bet. Nice to talk to you, see you soon.

Operator

Our next set of questions come from the line of Jaeson Schmidt of Lake Street. Please proceed with your questions.

Jaeson Schmidt

Lake Street Capital Markets, LLC, Research Division

Hey guys, thanks for taking my questions. I just want to start with the revenue that got pushed out of December. Curious if you could quantify how much got pushed out of December and relatedly if you expect to recognize that all here in the March quarter?

Cheri Beranek

Chief Executive Officer, President & Director

Yes. It was about $1.5 million and I think we will see most of that recognized in quarter two. One of the challenges we have in regard to specifically identifying revenue in each quarter is that in – January is the month in which I always say where do they go because you've got all this activity in quoting and we do so much business in a short lead time and short guarantee time that it's really like when will the budgets get approved and some of the other challenges that you see in some of the larger customers. So from a model standpoint, we're still committed to the $92 to $95 million. I think we'll see a little increase over some of the analysts' expectations for Q2 than what we originally forecast. But I don't know if the full $1.5 million will show up as an increase, maybe $1 million in quarter two, and then the other half million in quarter three.

Jaeson Schmidt
Lake Street Capital Markets, LLC, Research Division
Okay. That's helpful. And I know you guys are planning to or targeting to increase the amount of revenue coming from distribution. Longer term, what sort of split do you think would be fair for you guys to target?

Cheri Beranek
Chief Executive Officer, President & Director
I mean that's really dependent upon on customer choice. As we continue to expand into the Tier 1 markets, one of the things that we're finding in the RFQ process is that we bid direct to the Tier 1 service provider. And then if they should choose to go through distribution, they take the price point that we bid under the RFQ as our selling price and then negotiate with the distributor for their services. So it's a little bit clouded for us, a little bit cloaked because we don't really know where the – what the Tier 1 vendors want to do. I think as our Tier 1 revenues increase, it's probably likely that our distribution revenues will increase as well, because the distributors have that functionality that some of the packaging and staging that are important for the national providers that we haven't seen in Community Broadband. I think we're going to see some fluctuation. I don't think it's going to be 55% and then growing every quarter. I think we'll see some 55% and maybe go down and maybe go back up again. Probably by the end of the year, we'll probably see 55% to 60%, but probably not much more than that at least in the short term.

Jaeson Schmidt
Lake Street Capital Markets, LLC, Research Division
Okay. And the last one from me, and I'll jump back into queue. I know it sounded like keeping the gross margin outlook to bake in the potential for a pricing pressure, but just curious if you could comment on what you're seeing from a pricing standpoint today?

Cheri Beranek
Chief Executive Officer, President & Director
I think we're competitive in the space, but in addition to the Tier 1 world, I mean, we can't go, our goal is not to go into the Tier 1 world and win business on price that's not a sustainable competitive advantage for us. So we need to be in the market space. We need to be competitive, but we're not looking to undercut the incumbents by a significant margin in order to win business. We're going after that space with new technology and in markets that are changing, requiring new solutions. So it's not an apples-to-apples comparison. However, I think, there's always a standpoint as we move forward that producing those first solutions like as I talked about in quarter two, as we start to now actually start shipping 5G technologies that those first products will be at a lower margin and until we get to a run rate or a cadence level for some of those products. So dips in the front end with some opportunities for expansion afterwards. Another thing that we haven't talked very much about, but is the price pressure that we're dealing with is that Community Broadband is growing and it's also growing, but it's growing with new companies, municipalities, utilities and we have some, I'll call them bottom feeders, coming in too that are coming in at some really amazingly low price points without certifications, without the technologies around them that are just trying to kind of explore fit into it. So we've got that baked into some of its where our expectations for this year as well. I think I've got a world-class sales organization who knows how to sell against that and to sell our features, but there could be some quarterly lumpiness until we get that work through.

Jaeson Schmidt
Lake Street Capital Markets, LLC, Research Division
Okay. Thanks a lot.

Cheri Beranek
Chief Executive Officer, President & Director
All right.

Operator
Our next set of questions come from the line of William Gibson of Roth Capital Partners. Please proceed with your questions.

William Gibson
Roth Capital Partners, Research Division
Thank you. What are your capital expenditure plans for the year?

Cheri Beranek
Chief Executive Officer, President & Director
I want to pass that to Dan.

Dan Herzog
Chief Financial Officer
Thanks. Yes, Bill. Last year was a little bit higher. We did about $2.4 million, but we have a lot of expansion going on in our current Mexico facility. This year we – since we incurred a significant chunk of that in last year, it's going to be somewhere between $1.5 and $2 million.

William Gibson
Roth Capital Partners, Research Division
Okay. And was any of Mexico part of the first quarter and I'm speaking of the second facility?

Cheri Beranek
Chief Executive Officer, President & Director
No.

Dan Herzog
Chief Financial Officer
No.

Cheri Beranek
Chief Executive Officer, President & Director
Yes. So we'll start shipping out of the second facility in March. We'll start incurring costs in February.

William Gibson
Roth Capital Partners, Research Division
Okay. Thank you. And lastly, the Rural Digital Opportunity Fund is that starting to kick in?

Cheri Beranek
Chief Executive Officer, President & Director
No, it's just confusing. So, we call it "Rudolph" and it's going to be good for everybody. I like some of the stuff that's heading out, because there is – part of the changes are to require increased speeds or to basically what's the word I'm looking for, giving some advantages to the kind of conditioning or – if a bid comes in at a higher speed, they actually provide some balance to that, so that they're not on equal footing to lower ones. It's good for us long-term. It's good for fiber long-term. The Fiber Broadband Association has done some really good work in their legislation, in their lobbying in that world. But I think it's actually slowed down some of the Community Broadband rather than increasing it this year. I think next year's build cycle, we'll start to see a little bit of increase, but the real impact of that is 2021.

William Gibson
Roth Capital Partners, Research Division
Great. Good. Thank you.

Cheri Beranek
Chief Executive Officer, President & Director
You're welcome.

Operator

Our next set of questions come from the line of Tim Savageaux from Northland Capital Markets. Please proceed with your questions.

Tim Savageaux

Northland Capital Markets, Research Division

Yes, I wanted to follow-up actually and you kind of touched on it a little bit, which is kind of overall growth expectations for the Community Broadband market. And it seems like that market could be a double-digit grower, but you've obviously started off fairly slow though it seems on a bookings basis kind of flattish. But I wonder if you can give us an estimate of what you think that your kind of core market, what rate it's growing at and then what you might be giving up from a market share standpoint relative to some of these low end competitors you mentioned?

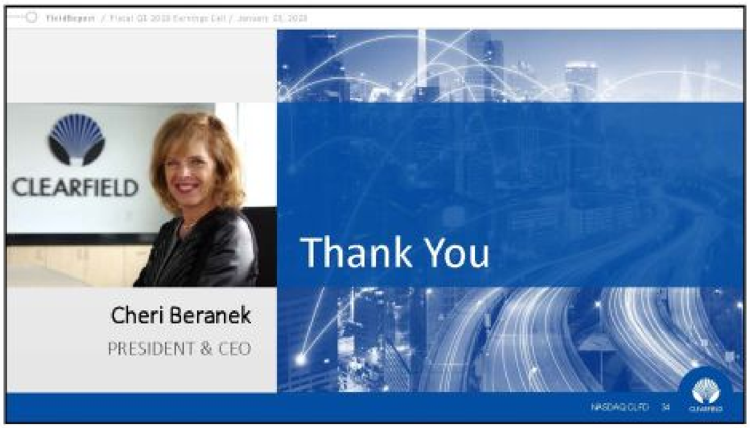
Cheri Beranek
Chief Executive Officer, President & Director
Right. We think it's growing somewhere between 8% and 11% basis kind of averaging in that 9% area. We've made a conscious decision that individuals who are going to buy solely on price are not our target customer. And that it's – there's sometimes you have to say no to business and we've done that in the past and what's usually happened is they come back. The first time they buy a $200 splitter, they think they've saved a fortune and then the first winter when it goes out, they come back and rip it out and start over. So we love to grow Community Broadband about 9%. We're going to – work hard to be able to continue to make that happen. But it'll be interesting to play out where the build cycle starts. And if the challenges associated with – with when you work into a municipality and they're going to send it out for RFQ, they don't have some of the fiber sophistication in regards to network planning and engineering that they probably need to make good choices. So there may be a short-term market share risk that we will take based upon our decision to be competitive, but not to go to the low end. But I think when you are putting fiber in the ground for the next 40 or 50 years, it's important to do it right.

Tim Savageaux
Northland Capital Markets, Research Division
Thanks very much.

Cheri Beranek
Chief Executive Officer, President & Director
You're welcome.

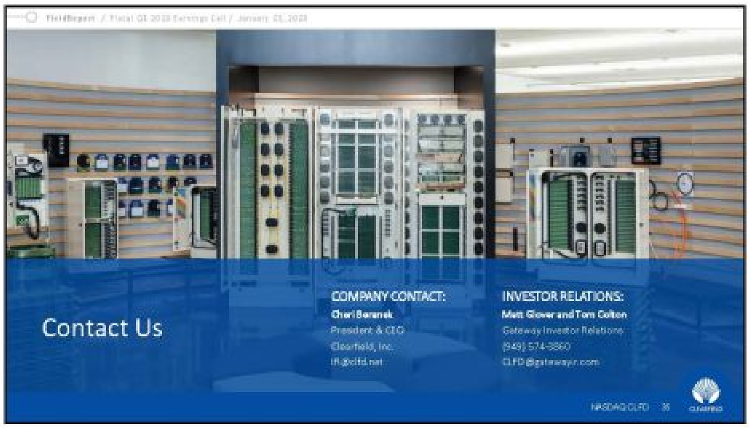
Operator

Thank you. This does conclude our question-and-answer session. If your question was not taken, you may contact Clearfield's Investor Relations team at clfd@gatewayir.com. The company will post the most relevant questions and answers in the for Investors section of Clearfield's website. I'd now like to turn the call back to CEO, Cheri Beranek for her closing remarks.



Cheri Beranek
Chief Executive Officer, President & Director
Thank you so much for joining us today. Please look to our website and our proxy materials for our annual meeting, which will be held at the last week of February and we look forward to updating you again on our progress soon.

Operator
Please note that during the course of this call management made forward-looking statements regarding future events and the future financial performance of the company. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. It's important to note also that the company undertakes no obligation to update such statements except as required by law.



Thank you for joining us today for Clearfield's fiscal first quarter 2020 earnings conference call. You may now disconnect.