

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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): July 26, 2022

CLEARFIELD, INC.

(Exact name of registrant as specified in its charter)

Minnesota
(State or Other Jurisdiction of Incorporation)

000-16106
(Commission File Number)

41-1347235
(I.R.S. Employer Identification No.)

7050 Winnetka Avenue North, Suite 100
Brooklyn Park, Minnesota 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)

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))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	CLFD	The Nasdaq Stock Market

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

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 2.01. Completion of Acquisition or Disposition of Assets.

On July 26, 2022, Clearfield, Inc. (the “Company”) and its wholly-owned subsidiary, Clearfield Finland Oy (“Buyer”) completed the transactions contemplated by that certain Share Sale and Purchase Agreement dated May 17, 2022 (the “Purchase Agreement”) by and among the Company, Buyer and Nestor Cables Oy (“Nestor Cables”), a Finnish company engaged in the development and manufacturing of fiber optic cable solutions in Northern Europe. At the closing, Buyer acquired all of the issued and outstanding shares of Nestor Cables and Nestor Cables became a wholly-owned subsidiary of Buyer. At the closing, Buyer paid approximately \$15.7 million in the aggregate to the sellers for their Nestor Cables shares, to creditors for repayment of capital loans made to Nestor Cables, and repayment of Nestor Cables indebtedness. To fund payment of the purchase price and fees at closing, the Company drew \$16.7 million under its revolving line of credit with Bremer Bank, National Association.

On July 27, 2022, the Company issued a press release regarding the closing of the Nestor Cables acquisition, which is attached as Exhibit 99.1 to this Form 8-K.

Item 2.02. Results of Operations and Financial Condition.

On July 28, 2022, the Company issued a press release announcing the results of its third quarter of fiscal 2022 ended June 30, 2022. A copy of that press release is furnished hereto as Exhibit 99.2 and is hereby incorporated by reference. Also furnished hereto as Exhibit 99.3 is the slide presentation that is part of the Company’s “FieldReport” to be used by Cheryl Beranek, the Company’s President and Chief Executive Officer, and Daniel Herzog, the Company’s Chief Financial Officer, during the live webcast and telephone conference relating to the third quarter ended June 30, 2022 results held on July 28, 2022.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information as set forth under Item 2.01 of this Current Report on Form 8-K is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

Exhibit No.	Description
<u>99.1</u>	<u>Press release of Clearfield, Inc. issued on July 27, 2022.</u>
<u>99.2</u>	<u>Press release of Clearfield, Inc. issued on July 28, 2022.</u>
<u>99.3</u>	<u>Presentation of Clearfield, Inc. for July 28, 2022 live webcast and telephone conference.</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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.

Date: July 28, 2022

By: /s/ Daniel Herzog____
Daniel Herzog
Chief Financial Officer

Clearfield Closes Acquisition of Nestor Cables Oy, a Leading European Developer and Manufacturer of Fiber Optic Cable Solutions

MINNEAPOLIS, Minn., July 27, 2022 (GLOBE NEWSWIRE) -- **Clearfield, Inc. (“Clearfield”)** (NASDAQ: CLFD), the specialist in fiber management and connectivity platforms for communication service providers, closed its previously announced acquisition of Finnish company Nestor Cables Ltd. (“Nestor”), a leading developer and manufacturer of fiber optic cable solutions on July 26, 2022. The total transaction value including fees of approximately USD \$23 million and was funded primarily through Clearfield’s credit facility. Nestor will operate as subsidiary of Clearfield and its financial results will be reported accordingly. Clearfield expects to the acquisition to be accretive to earnings in fiscal 2023, pending closing and standard integration costs.

“Closing the acquisition of Nestor is a significant accomplishment for Clearfield, and we are thrilled to welcome the Nestor team to Clearfield at this important moment for the fiber broadband industry,” said Company President and CEO Cheri Beranek. “Our relationship with Nestor spans over a decade, as a developer and component supplier for our growing FieldShield product line. The strategic acquisition enables us to vertically integrate the design and supply of FieldShield cable to meet future customer demand, particularly in the North American market. Furthermore, we intend to expand fiber optic cable production at our Mexico manufacturing facility beginning in early 2023, leveraging the Nestor team’s deep technical expertise. We look forward to working closely with the Nestor team to realize the many synergies that the combination offers our two companies.”

Clearfield will be hosting its fiscal third quarter 2022 conference call on Thursday, July 28, 2022 at 5:00 p.m. Eastern time, during which management will discuss Nestor’s business in greater detail. Final valuation work and integration that will help clarify Nestor’s future impact on Clearfield’s consolidated financials will be completed by the end of Clearfield’s fiscal year end. Additional details regarding the transaction can be found in the Company’s Current Report on Form 8-K that will be filed on Thursday, July 28th, 2022, and available in the Investor Relations section of Clearfield’s website here.

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, data center and military 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 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. These statements are based on Clearfield’s current expectations or beliefs and are subject to uncertainty and changes in circumstances. There can be no guarantee that the proposed acquisition of Nestor Cables will be completed, that it will be completed as currently proposed, or at any particular time. Further there can be no assurance that Clearfield will realize the expected strategic benefits from the transaction. Actual results may vary materially from those expressed or implied by any forward-looking statements here due to changes in economic, business, competitive or regulatory factors, and other risks and uncertainties affecting the operation of Clearfield’s business. These risks, uncertainties and contingencies are presented in the Company’s Annual Report on Form 10-K and, from time to time, in the Company’s 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:

Matt Glover and Sophie Pearson

Gateway Group, Inc.

1-949-574-3860

CLFD@gatewayir.com

Clearfield Reports Record Fiscal Third Quarter 2022 Results

- Revenue For Fiscal Third Quarter Grew 84% Year-over-Year to a Record \$71 Million, Driven by 73% Growth in Community Broadband Revenue Compared to the Same Year-Ago Period
- Quarter-End Backlog Increased 16% Sequentially to a Record \$157 Million at the End of Fiscal Third Quarter 2022, Compared to \$136 Million at the End of Fiscal Second Quarter 2022
- Net Income For Fiscal Third Quarter 2022 Totaled a Record \$12.7 Million, or \$0.92 per diluted share, an Increase of 109% from \$6.1 Million, or \$0.44 Per Diluted Share, in Fiscal Third Quarter 2021
- Acquisition of Nestor Cables, strategic opportunity to integrate FieldShield cabling, closed July 26, 2022
- Company Increases Fiscal 2022 Net Sales Guidance to a Range of \$243 Million to \$247 Million, (excluding Nestor Cables) Representing Year-over-Year Growth of 72% to 75%

MINNEAPOLIS, July 28, 2022 (GLOBE NEWSWIRE) -- **Clearfield, Inc. (NASDAQ: CLFD)**, the specialist in fiber management and connectivity platforms for communication service providers, reported results for the fiscal third quarter ended June 30, 2022.

Fiscal Q3 2022 Financial Summary

(in millions except per share data and percentages)

	Q3 2022	vs. Q3 2021	Change	Change (%)
Net Sales	\$ 71.3	\$ 38.7	\$ 32.5	84%
Gross Profit (\$)	\$ 29.3	\$ 17.1	\$ 12.2	71%
Gross Profit (%)	41.1%	44.2%	-3.1%	-7%
Income from Operations	\$ 16.6	\$ 7.7	\$ 8.9	115%
Income Tax Expense	\$ 3.9	\$ 1.7	\$ 2.2	125%
Net Income	\$ 12.7	\$ 6.1	\$ 6.6	109%
Net Income per Diluted Share	\$ 0.92	\$ 0.44	\$ 0.48	108%

Fiscal Q3 YTD 2022 Financial Summary

(in millions except per share data and percentages)

	2022 YTD	vs. 2021 YTD	Change	Change (%)
Net Sales	\$ 175.9	\$ 95.5	\$ 80.3	84%
Gross Profit (\$)	\$ 75.4	\$ 41.4	\$ 34.0	82%
Gross Profit (%)	42.9%	43.4%	-0.5%	-1%
Income from Operations	\$ 41.6	\$ 15.9	\$ 25.7	162%
Income Tax Expense	\$ 9.5	\$ 3.3	\$ 6.1	183%
Net Income	\$ 32.4	\$ 12.9	\$ 19.5	151%
Net Income per Diluted Share	\$ 2.33	\$ 0.94	\$ 1.39	148%

Management Commentary

“Our strong financial results for the third quarter reflect the continued execution of our growth strategy and the robust tailwinds in the fiber broadband industry,” said Company President and CEO Cheri Beranek. “For the second consecutive quarter, we set new records for quarterly net sales and quarter-end order backlog. We continue to make meaningful progress on our ‘Now of Age’ strategic plan to expand our capacity and rapidly scale our business to meet the significant market demand for high-speed broadband. With our third quarter performance and current visibility for the rest of this quarter, we are raising our fiscal year 2022 net sales guidance to a range of \$243 million to \$247 million (excluding Nestor Cables), representing 72% to 75% growth over fiscal year 2021.”

“In May 2022, we announced an agreement for the strategic acquisition of Finnish fiber optic cable manufacturer, Nestor Cables Oy, a strategic supplier of our FieldShield product line. Our synergistic relationship with Nestor spans over a decade. The acquisition, which closed July 26, 2022 enables us to vertically integrate the design and supply of FieldShield cable to meet future customer demand. Furthermore, we anticipate leveraging the deep technical expertise of the Nestor team to extend the overall supply of FieldShield cable into the North American market by expanding cable manufacturing at our Mexico facility in early 2023. Given the persistent supply chain challenges in today’s market, Nestor further strengthens our ability to meet our customers’ needs. Pending closing and standard integration costs, we expect the acquisition to be accretive to earnings in fiscal 2023.”

“Clearfield is in the middle of a long-term investment cycle for broadband deployment. The demand for high-speed broadband, especially

fiber-led broadband, remains very strong. We have proactively expanded our capacity and effectively managed our supply chain to meet that customer demand. We are effectively executing on our new facility buildouts in Mexico and Minnesota which came online late in our second quarter, which allowed greater capacity and led to our record financial results. Moreover, our expertise in serving the Community Broadband market has us well-positioned to further capitalize on industry tailwinds. Based on our steadfast commitment to customers, operational effectiveness, and innovative, scalable product portfolio, we are confident that we can continue to grow the market leadership that Clearfield was built to achieve.”

Fiscal Third Quarter 2022 Financial Results

Net sales for the fiscal third quarter of 2022 increased 84% to \$71.3 million from \$38.7 million in the same year-ago quarter. The increase in net sales was due to higher sales across our core end markets, particularly in our Community Broadband, Multiple System Operator (“MSO” or Cable TV) and National Carrier markets, consistent with our past quarters of fiscal 2022.

As of June 30, 2022, order backlog (defined as purchase orders received but not yet fulfilled) was \$157 million, an increase of 16% compared to \$136 million as of March 31, 2022 and an increase of 289% from \$40 million as of June 30, 2021.

Gross profit for the fiscal third quarter of 2022 increased 71% to \$29.3 million (or 41.1% of net sales) from \$17.1 million (or 44.2% of net sales) in the fiscal third quarter of 2021. As expected, overhead costs associated with the first full quarter of our new facilities in Minnesota and Mexico negatively impacted gross margins. Alongside real estate costs, increased shipping costs and inflationary increases in some components negatively affected margins. Our strategic investment in our growing national carrier business will negatively affect margin for the near future. We anticipate margins at these levels for the coming quarters, excluding Nestor Cables.

Operating expenses for the fiscal third quarter of 2022 increased 35% to \$12.7 million (or 17.9% of net sales), from \$9.4 million (or 24.4% of net sales) in the same year-ago quarter. The increase in operating expenses consisted primarily of higher compensation costs due to increased personnel and higher performance-based compensation as well as increased travel expenses and professional fees mainly associated with the acquisition of Nestor Cables.

Income from operations for the fiscal third quarter of 2022 increased 115% to \$16.6 million from \$7.7 million in the same year-ago quarter.

Income tax expense for the fiscal third quarter of 2022 increased 125% to \$3.9 million, with an effective tax rate of 23.4%, as compared to \$1.7 million, with an effective tax rate of 22.1% in the same year-ago quarter due to higher taxable income. Increase in rate is due to increased permanent addback items including nondeductible compensation and transaction costs.

Net income for the fiscal third quarter of 2022 totaled \$12.7 million, or \$0.92 per diluted share, compared to \$6.1 million, or \$0.44 per diluted share, in the same year-ago quarter.

Financial Results for the Nine Months Ended June 30, 2022

Net sales increased 84% to \$175.9 million for the nine months ended June 30, 2022 from \$95.5 million during the same period in fiscal 2021. The increase in net sales was due to higher sales across our core end markets, most notably our Community Broadband, MSO/Cable TV and National Carrier markets.

Gross profit was \$75.4 million (or 42.9% of net sales) for the nine months ended June 30, 2022, an increase of 82% from \$41.4 million (or 43.4% of net sales) in the same period in fiscal 2021. The decrease in gross profit margin was due to increased overhead costs associated with our new facilities in Minnesota and Mexico and higher freight and transportation costs, offset by favorable product mix as well as improved manufacturing efficiencies realized with higher sales volumes.

Operating expenses increased 32% to \$33.9 million (or 19.3% of net sales) for the nine months ended June 30, 2022 from \$25.6 million (or 26.8% of net sales) during the same period in fiscal 2021. The increase in operating expenses consisted primarily of higher compensation costs due to increased personnel and higher performance-based compensation as well as increased travel expenses and professional fees.

Income from operations increased 162% to \$41.6 million for the nine months ended June 30, 2022 from \$15.9 million during the same period in fiscal 2021.

Income tax expense increased 183% to \$9.5 million, with an effective tax rate of 22.7%, for the nine months ended June 30, 2022 as compared to \$3.3 million, with an effective tax rate of 20.6% during the same period in fiscal 2021 due to higher taxable income.

Net income totaled \$32.4 million, or \$2.33 per diluted share, for the nine months ended June 30, 2022, an increase of 151% from \$12.9 million, or \$0.94 per diluted share, during the same period in fiscal 2021.

Conference Call

Clearfield management will hold a conference call today, July 28, 2022 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 CEO Cheri Beranek and CFO 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: 13731557

The conference call will be webcast live and available for replay here.

Please call the conference telephone number 10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 1-949-574-3860.

A replay of the call will be available after 8:00 p.m. Eastern time on the same day through August 11, 2022.

U.S. replay dial-in: 1-844-512-2921

International replay dial-in: 1-412-317-6671

Replay ID: 13731557

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, data center and military 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 FieldReport 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, anticipated shipping on backlog and future lead times, future availability of components and materials from the Company’s supply chain, the impact of the 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 add capacity to meet expected future demand, 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: adverse global economic conditions and geopolitical issues could have a negative effect on our business, and results of operations and financial condition; our planned growth may strain our business infrastructure, which could adversely affect our operations and financial condition; the acquisition of Nestor Cables and integration activities could adversely affect our operating results; the COVID-19 pandemic has significantly impacted worldwide economic conditions and could have a material adverse effect on our business, financial condition and operating results; we rely on single-source suppliers, which could cause delays, increase costs or prevent us from completing customer orders; fluctuations in product and labor costs which may not be able to be passed on to customers that could decrease margins; we depend on the availability of sufficient supply of certain materials, such as fiber optic cable and resins for plastics, and global disruptions in the supply chain for these materials could prevent us from meeting customer demand for our products; we rely on our manufacturing operations to produce product to ship to customers and manufacturing constraints and disruptions could result in decreased future revenue; a significant percentage of our sales in the last three fiscal years have been made to a small number of customers; 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; 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 on our information technology systems, including ransomware, data breaches or computer viruses, could disrupt our business operations, damage our reputation, and potentially lead to litigation; our business is dependent on interdependent management information systems; to compete effectively, we must continually improve existing products and introduce new products that achieve market acceptance; changes in 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; if the telecommunications market does not expand as we expect, our business may not grow as fast as we expect; we face risks associated with expanding our sales outside of the United States; 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, 2021 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:

Matt Glover and Sophie Pearson

Gateway Group, Inc.

1-949-574-3860

CLFD@gatewayir.com

CLEARFIELD, INC.

STATEMENTS OF EARNINGS

(UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE DATA)

(Unaudited) Three Months Ended June 30,		(Unaudited) Nine Months Ended June 30,	
2022	2021	2022	2021

Net sales	\$	71,250	\$	38,735	\$	175,854	\$	95,519
Cost of sales		<u>41,943</u>		<u>21,598</u>		<u>100,411</u>		<u>\$ 54,071</u>
Gross profit		29,307		17,137		75,443		41,448
Operating expenses								
Selling, general and administrative		<u>12,721</u>		<u>9,435</u>		<u>33,877</u>		<u>\$ 25,581</u>
Income from operations		<u>16,586</u>		<u>7,702</u>		<u>41,566</u>		<u>15,867</u>
Net investment income		<u>43</u>		<u>121</u>		<u>284</u>		<u>\$ 378</u>
Income before income taxes		<u>16,629</u>		<u>7,823</u>		<u>41,850</u>		<u>16,245</u>
Income tax expense		<u>3,884</u>		<u>1,725</u>		<u>9,480</u>		<u>\$ 3,344</u>
Net income	\$	<u>12,745</u>	\$	<u>6,098</u>	\$	<u>32,370</u>	\$	<u>12,901</u>
Net income per share:								
Basic	\$	<u>0.93</u>	\$	<u>0.44</u>	\$	<u>2.35</u>	\$	<u>0.94</u>
Diluted	\$	<u>0.92</u>	\$	<u>0.44</u>	\$	<u>2.33</u>	\$	<u>0.94</u>
Weighted average shares outstanding:								
Basic		<u>13,772,269</u>		<u>13,732,913</u>		<u>13,760,950</u>		<u>13,718,394</u>
Diluted		<u>13,899,698</u>		<u>13,812,510</u>		<u>13,900,019</u>		<u>13,762,897</u>

CLEARFIELD, INC.
BALANCE SHEETS
(IN THOUSANDS)

	(Unaudited)	
	June 30, 2022	September 30, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 14,192	13,216
Short-term investments	3,894	10,374
Accounts receivable, net	31,594	19,438
Inventories, net	69,341	27,524
Deferred tax asset	0	0
Other current assets	1,050	954
Total current assets	<u>120,071</u>	<u>71,506</u>
Property, plant and equipment, net	9,567	4,998
Other Assets		
Long-term investments	24,994	36,913
Goodwill	4,709	4,709
Intangible assets, net	4,691	4,696
Right of use lease assets	12,715	2,305
Deferred tax asset	647	365
Other	553	420
Total other assets	<u>48,309</u>	<u>49,408</u>
Total Assets	<u>\$ 177,947</u>	<u>\$ 125,912</u>

Liabilities and Shareholders' Equity
Current Liabilities

Current portion of lease liability	\$ 2,774	915
Accounts payable	16,243	9,215
Accrued compensation	8,918	8,729
Accrued expenses	2,758	1,613
Total current liabilities	<u>30,693</u>	<u>20,472</u>

Other Liabilities

Long-term portion of lease liability	<u>10,480</u>	<u>1,615</u>
Total Liabilities	41,173	22,087

Shareholders' Equity

Common stock	138	137
Additional paid-in capital	59,784	58,246
Accumulated other comprehensive loss	(960)	-
Retained earnings	<u>77,812</u>	<u>45,442</u>
Total Shareholders' Equity	<u>136,774</u>	<u>103,825</u>
Total Liabilities and Shareholders' Equity	<u>\$ 177,947</u>	<u>\$ 125,912</u>

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

	Nine Months Ended June 30, 2022	Nine Months Ended June 30, 2021
Cash flows from operating activities		
Net income	\$ 32,370	\$ 12,901
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Depreciation and amortization	2,174	1,725
Change in allowance for doubtful accounts	-	210
Stock-based compensation expense	1,647	966
Changes in operating assets and liabilities		
Accounts receivable	(12,156)	(5,896)
Inventories, net	(41,816)	(6,571)
Other assets	(185)	(261)
Accounts payable and accrued expenses	8,677	5,043
Net cash (used in) provided by operating activities	<u>(9,289)</u>	<u>8,117</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment and intangible assets	(6,764)	(1,275)
Purchase of investments	(248)	(11,904)
Proceeds from sales and maturities of investments	<u>17,386</u>	<u>10,044</u>
Net cash provided by (used in) investing activities	10,374	(3,135)
Cash flows from financing activities		
Proceeds from issuance of common stock under employee stock purchase plan	544	383
Repurchase of shares for payment of withholding taxes for vested restricted stock grants	(274)	(54)
Withholding related to exercise of stock options	<u>(379)</u>	<u>(456)</u>
Net cash used in financing activities	(109)	(127)
Increase in cash and cash equivalents	976	4,855
Cash and cash equivalents, beginning of period	13,216	16,450
Cash and cash equivalents, end of period	<u>\$ 14,192</u>	<u>\$ 21,305</u>

Supplemental disclosures for cash flow information

Cash paid during the year for income taxes

\$ 9,913 \$ 3,560

Non-cash financing activities

Cashless exercise of stock options

\$ 276 \$ 1,269



 **CLEARFIELD**
FieldReport

July 28, 2022

Fiscal Q3 2022 Earnings Call

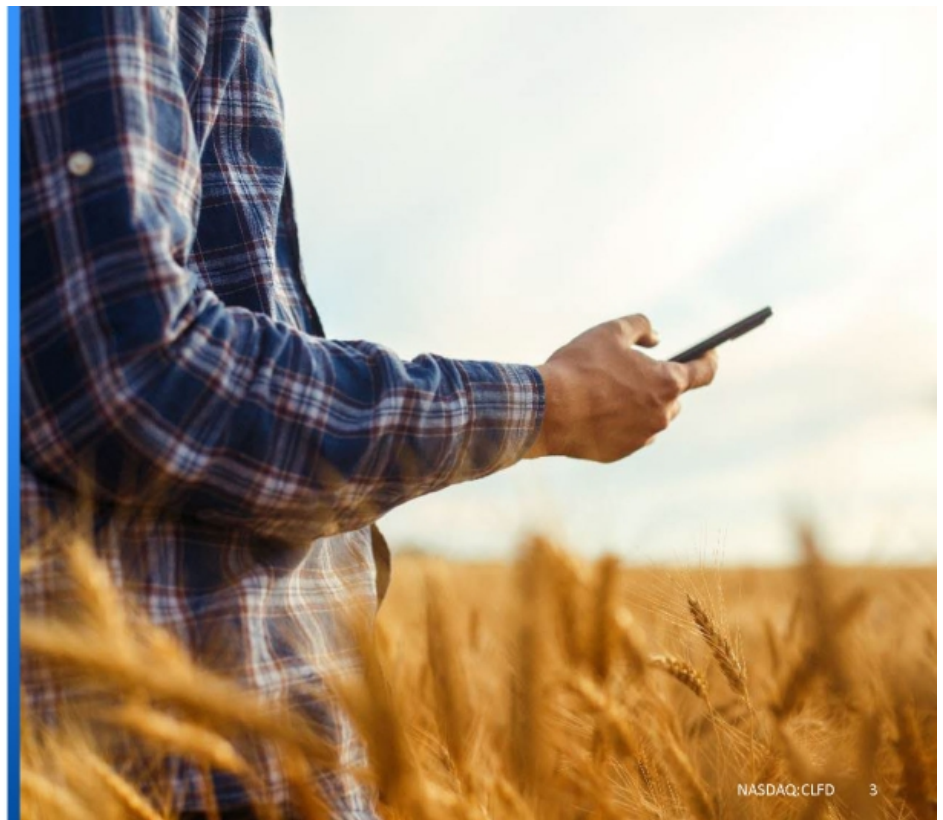
Important Cautions Regarding Forward- Looking Statements

Forward-looking statements contained herein and in any related presentation or in the related Earnings Release 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, anticipated shipping on backlog and future lead times, future availability of components and materials from the Company’s supply chain, the impact of the 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 add capacity to meet expected future demand, 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: adverse global economic conditions and geopolitical issues could have a negative effect on our business, and results of operations and financial condition; our planned growth may strain our business infrastructure, which could adversely affect our operations and financial condition; the acquisition of Nestor Cables and integration activities could adversely affect our operating results; the COVID-19 pandemic has significantly impacted worldwide economic conditions and could have a material adverse effect on our business, financial condition and operating results; we rely on single-source suppliers, which could cause delays, increases in costs or prevent us from completing customer orders; fluctuations in product and labor costs which may not be able to be passed on to customers that could decrease margins; we depend on the availability of sufficient supply of certain materials, such as fiber optic cable and resins for plastics, and global disruptions in the supply chain for these materials could prevent us from meeting customer demand for our products; we rely on our manufacturing operations to produce product to ship to customers and manufacturing constraints and disruptions could result in decreased future revenue; a significant percentage of our sales in the last three fiscal years have been made to a small number of customers; 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; 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 on our information technology systems, including ransomware, data breaches or computer viruses, could disrupt our business operations, damage our reputation, and potentially lead to litigation; our business is dependent on interdependent management information systems; to compete effectively, we must continually improve existing products and introduce new products that achieve market acceptance; changes in 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; if the telecommunications market does not expand as we expect, our business may not grow as fast as we expect; we face risks associated with expanding our sales outside of the United States; 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, 2021 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.





Introduction & Highlights



NASDAQ:CLFD 3

What We Do

Clearfield provides fiber protection, fiber management and fiber delivery solutions that enable *rapid* and *cost-effective* fiber-fed deployment throughout the broadband service provider space.



NASDAQ:CLFD 4



OUR MISSION:
*Enabling the
Lifestyle Better
Broadband
Provides*



**Strategic
Acquisition of
Nestor Cables Oy**





Nestor Cables Overview

- Founded by cable technology professionals to preserve the Finnish tradition of producing high-quality fiber optic cables
- One of the leading developers and manufacturers of fiber optic cable solutions in Northern Europe
- Longstanding industry reputation for reliable and flexible deliveries, quick reaction times, and operational efficiency
- FY 2021 revenue: EUR €31.7 million (approximately \$33 million) under Finnish Accounting Standards
- Transaction value with fees: \$23 million
- Nestor will operate as a subsidiary of Clearfield

Nestor Products



Strategic Rationale

- Allows Clearfield to vertically integrate the supply of FieldShield fiber optic cables to meet future customer demand
- Enables Clearfield to leverage Nestor's deep technical expertise to extend overall supply of FieldShield fiber into the North American market
- Expected to reduce the cost and complexity of freight by establishing Mexico-based production of fiber cable (est. early 2023)
- Allows Clearfield to bring its cassette-based fiber management solutions to European market





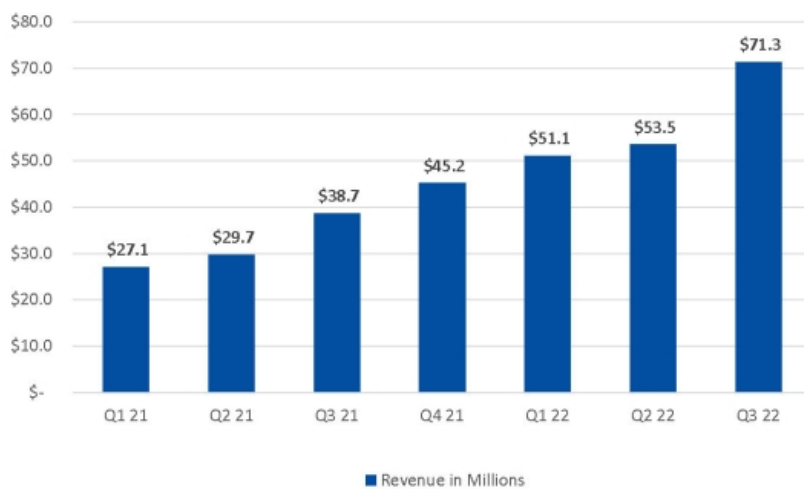
Financial Performance



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FINANCIAL PERFORMANCE

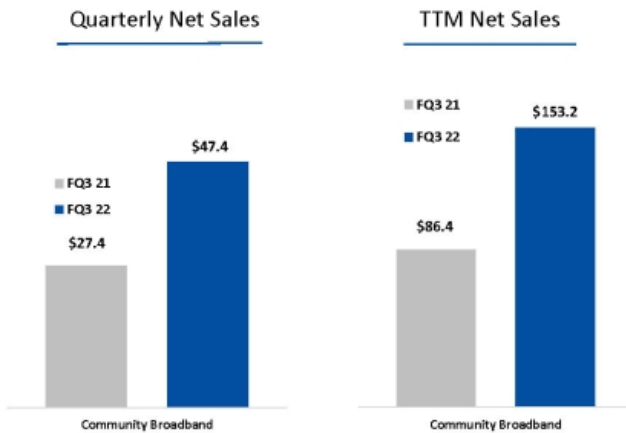
Quarterly Net Sales



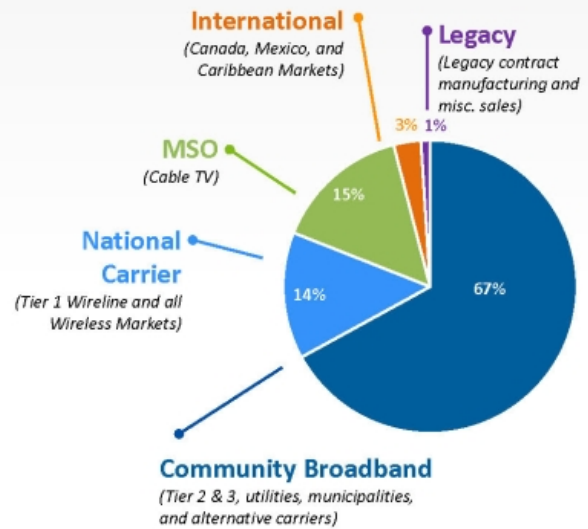
84%
Q3 2022 Growth Rate

\$71.3M
Q3 2022 Net Sales

Q3 FY22 Net Sales Comparison by Market

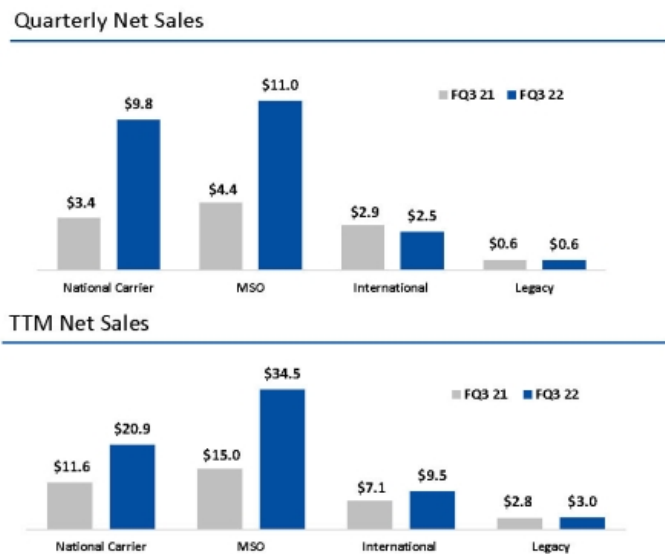


Q3 FY22 Net Sales Composition Ended 6/30/22¹

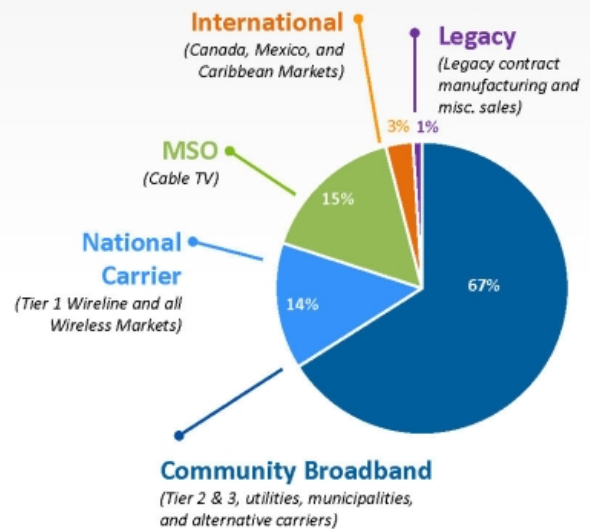


All dollar figures in millions
¹ Based on net sales of \$221.1 million and Point of Sales (POS) reporting from distributors who resell our product line into these markets.

Q3 FY22 Net Sales Comparison by Market



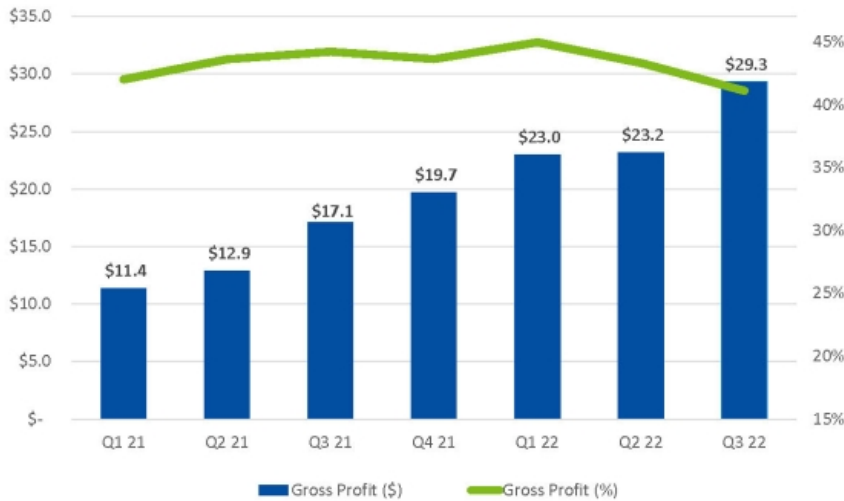
Q3 FY22 Net Sales Composition Ended 6/30/22¹



All dollar figures in millions
¹ Based on net sales of \$221.1 million and Point of Sales (POS) reporting from distributors who resell our product line into these markets.

FINANCIAL PERFORMANCE

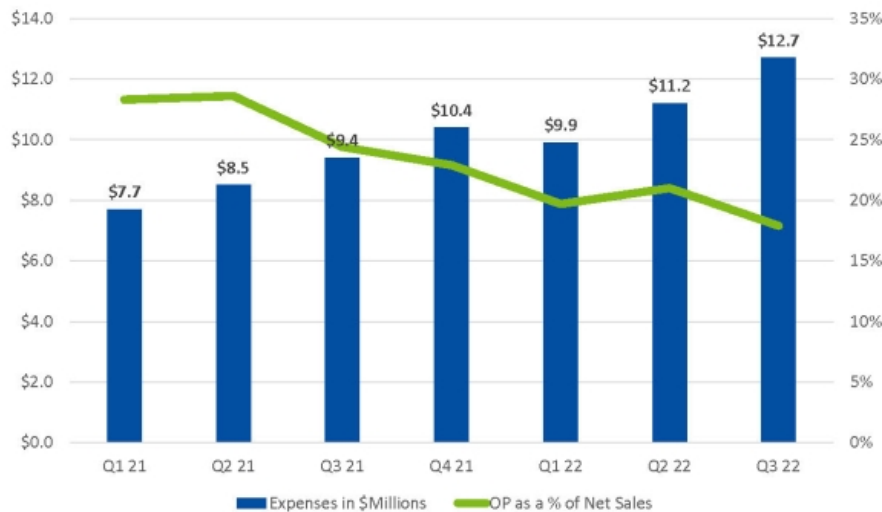
Quarterly Gross Profit



71%
Gross Profit increase YOY

FINANCIAL PERFORMANCE

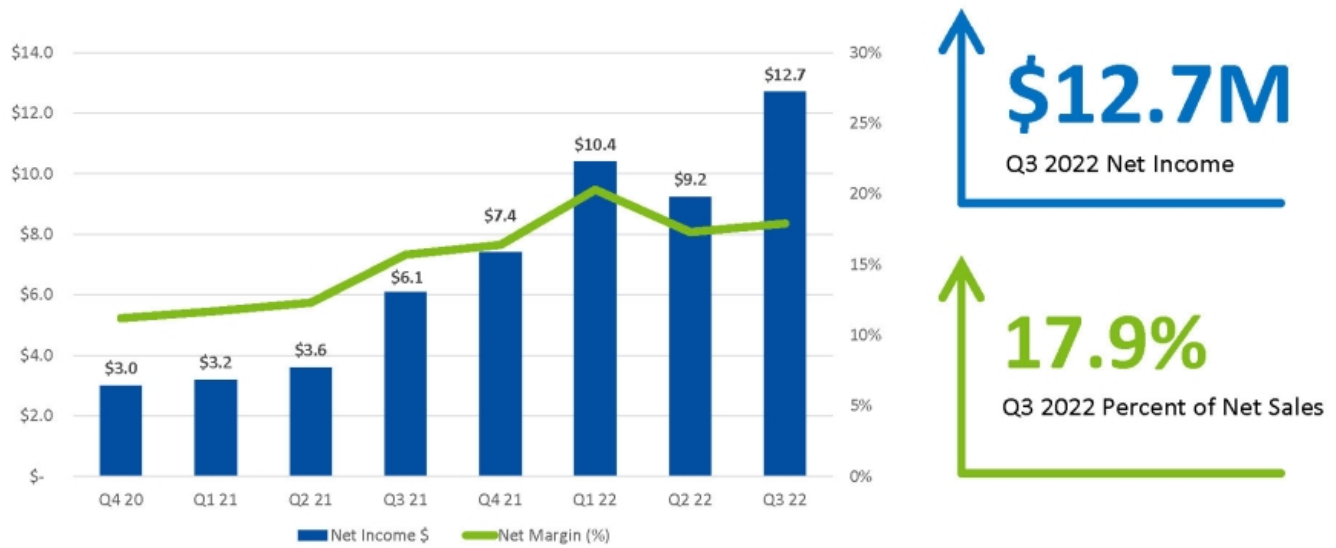
Quarterly Operating Expenses



6.5%
YOY Decrease in
Operating Expense as a
percent of Net Sales

FINANCIAL PERFORMANCE

Quarterly Net Income



Business Update & Outlook



Our Value Proposition – Removing Obstacles

1. Craft-friendly – requires less skilled labor and overall labor time
2. Designed to reduce permitting and right-of-way
3. Faster turn-up time for quicker revenue per subscriber



Clearfield “Now of Age” Plan

Accelerating our Operating Cadence

- Active investment in systems and processes to enable our agile work environment
- Speed of delivery in every part of our organization is paramount to our success

Amplifying Bold and Disruptive Growth

- Leveraging Community Broadband for One-Fiber Backhaul
- Removing obstacles for the integration of wireline and wireless networks
- Bringing fiber management expertise to 5G, NG-PON, and edge computing

Augmenting Capacity for Ongoing Growth

- Investing in products, manufacturing and supply chain to increase competitiveness and reduce costs
- Building upon Domestic and Global partnerships for faster product innovation and cost reduction programs

**Accelerating our
Operating Cadence**



**Amplifying Bold and
Disruptive Growth**



Augmenting Capacity for Ongoing Growth

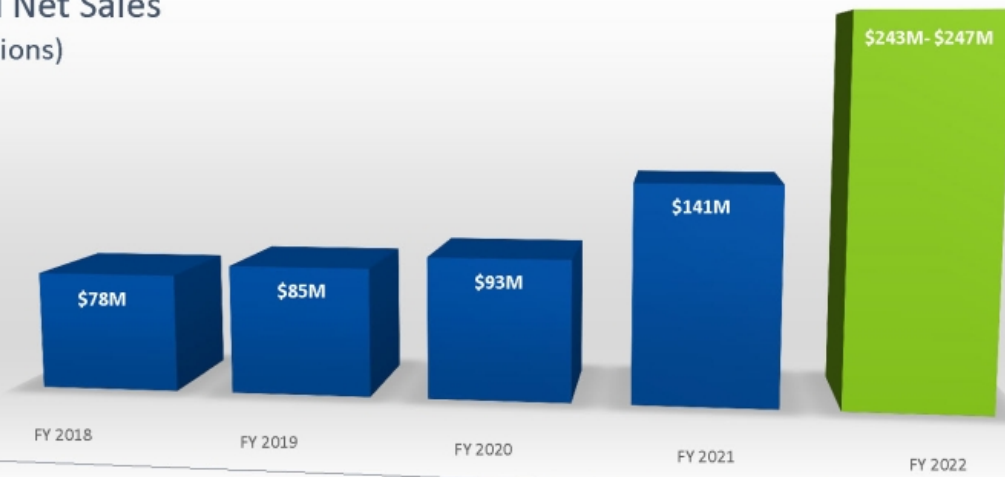


Clearfield Production Facilities



Financial Outlook

Annual Net Sales
(\$ in millions)



Q&A



Cheri Beranek
PRESIDENT & CEO



Dan Herzog
CHIEF FINANCIAL OFFICER

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