

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**Current Report**

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 10, 2024

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**OPTICAL CABLE CORPORATION**

(Exact name of registrant as specified in its charter)

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Virginia  
(State or other jurisdiction of  
incorporation or organization)

000-27022  
(Commission  
File Number)

54-1237042  
(I.R.S. Employer  
Identification Number)

5290 Concourse Drive  
Roanoke, VA  
(Address of principal executive offices)

24019  
(Zip Code)

(540) 265-0690  
(Registrant's telephone number, including area code)

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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 (see General Instruction A.2. below):

- 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:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of exchange on which registered</u>
Common Stock, no par value	OCC	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12B-2 of the Securities Exchange Act of 1934.

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.

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**Item 2.02 Results of Operations and Financial Condition**

On June 10, 2024, Optical Cable Corporation issued a press release announcing its second quarter of fiscal year 2024 financial results. Also on June 10, 2024, Optical Cable Corporation held an earnings call. The press release is attached hereto as Exhibit 99.1 and the transcript for the earnings call is attached as Exhibit 99.2.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

The following are filed as Exhibits to this Report.

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
99.1	<a href="#">Press Release dated June 10, 2024 (FILED HEREWITH)</a>
99.2	<a href="#">Transcript of earnings call on June 10, 2024 (FILED HEREWITH)</a>
104	Cover page Interactive Data File (embedded within the inline XBRL document)

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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.

OPTICAL CABLE CORPORATION

By: /s/ Tracy G. Smith

Name: Tracy G. Smith

Title: Senior Vice President and Chief  
Financial Officer

Dated: June 11, 2024

**OPTICAL CABLE CORPORATION**

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Roanoke, VA 24019  
(Nasdaq GM: OCC)  
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**FOR IMMEDIATE RELEASE**

**OPTICAL CABLE CORPORATION REPORTS  
SECOND QUARTER OF FISCAL YEAR 2024 FINANCIAL RESULTS**

**Roanoke, Va., June 10, 2024** — Optical Cable Corporation (Nasdaq GM: OCC) (“OCC®” or the “Company”) today announced financial results for its second quarter ended April 30, 2024.

*Second Quarter 2024 Financial Results*

Consolidated net sales for the second quarter of fiscal year 2024 were \$16.1 million, a decrease of 17.9% compared to net sales of \$19.6 million for the same period in the prior year. OCC experienced decreases in both its enterprise and specialty markets, including the wireless carrier market, in the second quarter of fiscal 2024, compared to the same period last year. OCC believes this is consistent with current weakness across the Company’s industry and in certain of the Company’s target markets.

The Company’s net sales during the comparable second quarter of fiscal year 2023 positively benefited from a higher-than-typical sales order backlog/forward load of more than \$11.0 million at the end of the first quarter of fiscal year 2023, whereas sales order backlog/forward load at the end of the first quarter of fiscal year 2024 had returned to more normal levels at approximately \$5.0 million. At the end of the second quarter of fiscal year 2024, sales order backlog/forward load was \$5.6 million.

Sequentially, the Company’s net sales increased 8.5% during the second quarter of fiscal year 2024, compared to net sales of \$14.9 million for the first quarter of fiscal 2024. OCC experienced sequential increases in both its enterprise and specialty markets during the second quarter, compared to the first quarter of fiscal year 2024.

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Gross profit was \$4.0 million in the second quarter of fiscal year 2024, a decrease of 40.5% compared to gross profit of \$6.8 million for the same period in fiscal year 2023. Sequentially, gross profit increased 8.8% during the second quarter of fiscal 2024, compared to \$3.7 million for the first quarter of fiscal 2024.

Gross profit margin, or gross profit as a percentage of net sales, was 25.1% in the second quarter of fiscal year 2024, compared to 34.6% in the second quarter of fiscal year 2023 and 25.0% for the first quarter of fiscal year 2024.

Gross profit margin for the second quarter of fiscal year 2024, when compared to the same period last year, was impacted by lower sales and production volumes. Fixed charges were spread over lower sales, and plant efficiency was impacted as a result of reduced production flow through the Company's manufacturing facilities—both effects of operating leverage. The variability of the Company's gross profit margin is also subject to changes in product mix each quarter.

While production volume decreased during the second quarter and first half of fiscal year 2024, compared to the same periods last year, the Company has not implemented reductions in production personnel. The Company's planned restraint in this regard is consistent with its view of expected opportunities as it continues fiscal year 2024, as well as considering the time it takes to train new production personnel in certain areas of OCC's production operations.

SG&A expenses were \$5.3 million in the second quarter of fiscal year 2024, compared to \$5.7 million for the second quarter of fiscal year 2023. SG&A expenses as a percentage of net sales were 33.0% in the second quarter of fiscal 2024, compared to 28.9% in the prior year period, and 34.3% during the first quarter of fiscal 2024. The decrease in SG&A expenses during the second quarter of fiscal year 2024, compared to the same period last year, was primarily the result of decreases in employee and contracted sales personnel-related costs and shipping costs.

For the second quarter of fiscal year 2024, OCC recorded a net loss of \$1.6 million, or \$0.21 per basic and diluted share, compared to net income of \$2.4 million, or \$0.31 per basic and diluted share, for the second quarter of fiscal year 2023.

#### *Fiscal Year-to-Date 2024 Financial Results*

Consolidated net sales for the first half of fiscal year 2024 were \$31.0 million, compared to net sales of \$37.9 million, a decrease of 18.3%, for the first half of fiscal year 2023 with sales decreases experienced in both the Company's enterprise and specialty markets, including the wireless carrier market.

The Company's net sales during the first half of fiscal year 2023 benefited from a higher-than-typical sales order backlog/forward load of more than \$12.0 million at the end of fiscal year 2022, whereas sales order backlog/forward load at the end of fiscal year 2023 had returned to more normal levels at approximately \$5.4 million. At the end of the first half of fiscal year 2024, sales order backlog/forward load was \$5.6 million.

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OCC reported gross profit of \$7.8 million in the first half of fiscal year 2024, a decrease of 41.7% compared to gross profit of \$13.3 million in the first half of fiscal year 2023. Gross profit margin was 25.0% in the first half of fiscal year 2024 compared to 35.1% for the same period in fiscal year 2023.

SG&A expenses decreased 6.3% to \$10.4 million during the first half of fiscal year 2024 from \$11.1 million for the first half of fiscal year 2023. The decrease in SG&A expenses during the first half of fiscal year 2024 compared to the first half of fiscal year 2022 was primarily the result of decreases in employee and contracted sales personnel-related costs and shipping costs.

OCC recorded a net loss of \$3.0 million, or \$0.39 per basic and diluted share, for the first half of fiscal year 2024, compared to net income of \$3.2 million, or \$0.41 per basic and diluted share, for the first half of fiscal year 2023.

#### *Management's Comments*

Neil Wilkin, President and Chief Executive Officer of OCC, said, "I'm proud of the OCC team, which has continued to execute and solidify OCC's position as a leader in our industry despite the macroeconomic pressures that OCC and other industry participants continue to face. The OCC team has a competitive advantage and, as market conditions improve, we believe our decision to maintain headcount will serve our company well and position us for outperformance moving forward. Looking to the second half of the fiscal year, we continue to take steps to control what we can, operate efficiently, and optimally position the Company to meet rebounding demand. As always, we remain committed to capturing profitable growth opportunities, meeting and exceeding the needs of our valued customers and end-users, and advancing our strategy to enhance shareholder value."

#### *Conference Call Information*

As previously announced, OCC will host a conference call today, June 10, 2024, at 11:00 a.m. Eastern Time. Individuals wishing to participate in the conference call should call (800) 225-9448 in the U.S. or (203) 518-9814 internationally, Conference ID: OCCQ224. For interested individuals unable to join the call, a replay will be available through Monday, June 17, 2024 by dialing (800) 934-8425 or (402) 220-6995. The call will also be broadcast live over the internet and can be accessed by visiting the investor relations section of the Company's website at [www.occfiber.com](http://www.occfiber.com).

#### *Company Information*

Optical Cable Corporation ("OCC®") is a leading manufacturer of a broad range of fiber optic and copper data communication cabling and connectivity solutions primarily for the enterprise market and various harsh environment and specialty markets (collectively, the non-carrier markets) and also the wireless carrier market, offering integrated suites of high-quality products which operate as a system solution or seamlessly integrate with other components.

OCC® is internationally recognized for pioneering innovative fiber optic and copper communications technologies, including fiber optic cable designs for the most demanding environments and applications, copper connectivity designs to meet the highest data communication industry standards, as well as a broad product offering built on the evolution of these fundamental technologies.

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OCC uses its expertise to deliver cabling and connectivity products and integrated solutions that are best suited to the performance requirements of each end-user's application. And OCC's solutions offerings cover a broad range of applications—from commercial, enterprise network, datacenter, residential and campus installations to customized products for specialty applications and harsh environments, including military, industrial, mining, petrochemical and broadcast applications, as well as for the wireless carrier market.

Founded in 1983, OCC is headquartered in Roanoke, Virginia with offices, manufacturing and warehouse facilities located in Roanoke, Virginia, near Asheville, North Carolina and near Dallas, Texas. OCC's facilities are ISO 9001:2015 registered and its Roanoke and Dallas facilities are MIL-STD-790G certified.

Optical Cable Corporation™, OCC®, Procyon®, Superior Modular Products™, SMP Data Communications™, Applied Optical Systems™, and associated logos are trademarks of Optical Cable Corporation.

Further information about OCC® is available at [www.occfiber.com](http://www.occfiber.com).

#### FORWARD-LOOKING INFORMATION

This news release by Optical Cable Corporation and its subsidiaries (collectively, the "Company" or "OCC") may contain certain forward-looking information within the meaning of the federal securities laws. The forward-looking information may include, among other information, (i) statements concerning our outlook for the future, (ii) statements of belief, anticipation or expectation, (iii) future plans, strategies or anticipated events, and (iv) similar information and statements concerning matters that are not historical facts. Such forward-looking information is subject to known and unknown variables, uncertainties, contingencies and risks that may cause actual events or results to differ materially from our expectations, and such known and unknown variables, uncertainties, contingencies and risks may also adversely affect Optical Cable Corporation and its subsidiaries, the Company's future results of operations and future financial condition, and/or the future equity value of the Company. A partial list of such variables, uncertainties, contingencies and risks that could cause or contribute to such differences from our expectations or that could otherwise adversely affect Optical Cable Corporation and its subsidiaries is set forth in Optical Cable Corporation's quarterly and annual reports filed with the Securities and Exchange Commission ("SEC") under the heading "Forward-Looking Information." OCC's quarterly and annual reports are available to the public on the SEC's website at [www.sec.gov](http://www.sec.gov). In providing forward-looking information, the Company expressly disclaims any obligation to update this information, whether as a result of new information, future events or otherwise except as required by applicable laws and regulations.

(Financial Tables Follow)

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OPTICAL CABLE CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(thousands, except per share data)  
(unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
Net sales	\$ 16,112	\$ 19,620	\$ 30,967	\$ 37,903
Cost of goods sold	12,073	12,837	23,215	24,599
Gross profit	4,039	6,783	7,752	13,304
SG&A expenses	5,319	5,662	10,413	11,118
Royalty expense, net	7	7	13	13
Amortization of intangible assets	14	14	27	27
Income (loss) from operations	(1,301)	1,100	(2,701)	2,146
Interest expense, net	(281)	(286)	(579)	(557)
Gain on insurance proceeds, net	—	1,696	219	1,696
Other, net	(12)	(12)	49	55
Other income (expense), net	(293)	1,398	(311)	1,194
Income (loss) before income taxes	(1,594)	2,498	(3,012)	3,340
Income tax expense	7	75	15	107
Net income (loss)	<u>\$ (1,601)</u>	<u>\$ 2,423</u>	<u>\$ (3,027)</u>	<u>\$ 3,233</u>
Net income (loss) per share:				
Basic and diluted	<u>\$ (0.21)</u>	<u>\$ 0.31</u>	<u>\$ (0.39)</u>	<u>\$ 0.41</u>
Weighted average shares outstanding:				
Basic and diluted	<u>7,711</u>	<u>7,868</u>	<u>7,732</u>	<u>7,881</u>

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OPTICAL CABLE CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEET DATA  
(thousands)  
(unaudited)

	April 30, 2024	October 31, 2023
Cash	\$ 1,090	\$ 1,469
Trade accounts receivable, net	8,298	8,728
Inventories	21,486	23,766
Other current assets	579	1,075
Total current assets	31,453	35,038
Non-current assets	8,432	8,841
Total assets	\$ 39,885	\$ 43,879
Current liabilities	\$ 7,134	\$ 7,768
Non-current liabilities	10,913	11,389
Total liabilities	18,047	19,157
Total shareholders' equity	21,838	24,722
Total liabilities and shareholders' equity	\$ 39,885	\$ 43,879

###

**Corporate Speakers:**

**Spencer Hoffman** Joele Frank, Wilkinson Brimmer Katcher - IR  
**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO  
**Tracy Smith** Optical Cable Corporation - SVP & CFO

**PRESENTATION**

**Operator**

Good morning. (Operator Instructions) At this time I would like to welcome you to Optical Cable Corporation's second quarter of fiscal year 2024 earnings conference call. (Operator Instructions)

Mr. Hoffman, you may begin your conference.

**Spencer Hoffman** Joele Frank, Wilkinson Brimmer Katcher - IR

Good morning and thank you for joining us for Optical Cable Corporation's second quarter of fiscal year 2024 conference call. By this time, everyone should have a copy of the earnings press release issued earlier today. You can also visit [www.occfiber.com](http://www.occfiber.com) for a copy.

On the call with us today are Neil Wilkin, President and Chief Executive Officer of OCC, and Tracy Smith, Senior Vice President and Chief Financial Officer. Before we begin, I'd like to remind everyone that this call may contain forward-looking statements that involve risks and uncertainties. The actual future results of Optical Cable Corporation may differ materially due to a number of factors and risks including, but not limited to, those factors referenced in the forward-looking statements section of this morning's press release.

These cautionary statements apply to the contents of the Internet webcast on [www.occfiber.com](http://www.occfiber.com) as well as today's call. With that, I'll turn the call over to Neil Wilkin. Neil, please begin.

**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

Thank you, Spencer, and good morning, everyone. I will begin the call today with a few opening remarks. Tracy will then review the second quarter results for the three-month and six-month periods ended April 30, 2024 in some additional detail. After Tracy's remarks, we will answer as many of your questions as we can. As is our normal practice, we will only take questions from analysts and institutional investors during the Q&A session.

However, we also offer other shareholders the opportunity to submit questions in advance of our earnings call. Instructions regarding such submissions are included in our press release announcing the date and time of our call.

I'm proud of the OCC team, which has continued to execute and solidify OCC's position as a leader in our industry despite the macroeconomic pressures that OCC and other industry participants continue to face.

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We believe we delivered solid results in this environment. And while our results were down year-over-year, when comparing the second quarter of fiscal 2024 to fiscal 2023 as well as the first half of fiscal 2024 to the first half of fiscal 2023, we are facing a tough comparison.

As Tracy will get into in a moment, last year, our net sales for the second quarter and first half of fiscal 2023 were boosted by higher-than-typical sales order backlog and forward load, which we believe normalized this year. Yet, sequentially, we achieved top line improvement with OCC's net sales increasing 8.5% during the second quarter of fiscal year 2024, compared to net sales for the first quarter of fiscal year 2024. This growth reflects sequential increases in both OCC's enterprise and specialty markets during the second quarter of fiscal year 2024, when compared to the first quarter. We believe this improvement is better than what many of our competitors are experiencing.

OCC's gross profit also sequentially increased 8.8% during the second quarter of fiscal 2024, when compared to the first quarter of fiscal 2024.

Looking ahead, the team has created a competitive advantage. As market conditions improve, we believe our decision to maintain headcount will serve our company well and position us to outperform moving forward.

As we move forward, we continue to take steps to control what we can, operate efficiently, and optimally position OCC to meet rebounding demand.

We remain committed to capturing profitable growth opportunities, meeting and exceeding the needs of our valued customers and end users, and advancing our strategy to enhance shareholder value.

And with that, I'll turn the call over to Tracy, who will review in additional detail our second quarter of fiscal year 2024 financial results.

**Tracy Smith** Optical Cable Corporation - SVP & CFO

Thank you, Neil. Consolidated net sales for the second quarter of fiscal 2024 were \$16.1 million, a decrease of 17.9% compared to net sales of \$19.6 million for the same period last year. Consolidated net sales for the first half of fiscal 2024 were \$31 million, a decrease of 18.3% compared to net sales of \$37.9 million for the first half of fiscal 2023.

Sequentially, net sales increased 8.5% during the second quarter of fiscal year 2024, compared to net sales of \$14.9 million for the first quarter of fiscal 2024. OCC experienced sequential increases in both its enterprise and specialty markets during the second quarter, compared to the first quarter of fiscal year 2024.

During the second quarter and first half of fiscal 2024, we experienced decreases in net sales in both our enterprise and specialty markets, including the wireless carrier market, compared to the same periods last year. We believe this is consistent with current weakness across our industry and in certain of our target markets.

Our net sales during the comparable periods of fiscal year 2023 positively benefited from a higher-than-typical sales order backlog and forward load of more than \$12 million at the beginning of fiscal year 2023, while sales order backlog and forward load at the beginning of fiscal year 2024 had returned to more normal levels. At the end of the second quarter of fiscal year 2024, sales order backlog and forward load remained at a more typical level of approximately \$5.6 million.

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Additionally, net sales for the second quarter and first half of fiscal year 2024 were negatively impacted by various macroeconomic pressures, risks and uncertainties in our industry, which we believe is consistent with weakness being experienced in our industry generally. While certain of our markets continue to show signs of softness, including our enterprise and wireless carrier markets, we believe there are positive indicators in certain of our other markets. Overall, we expect our net sales to begin to grow compared to the first half of fiscal year 2024.

Turning to gross profit.

Our gross profit was \$4 million in the second quarter of fiscal 2024, compared to gross profit of \$6.8 million for the same period last year and gross profit of \$3.7 million for the first quarter of fiscal 2024. Gross profit margin, or gross profit as a percentage of net sales, was 25.1% in the second quarter of fiscal 2024, compared to 34.6% in the second quarter of fiscal 2023 and compared to 25% for the first quarter of fiscal 2024.

Gross profit was \$7.8 million in the first half of fiscal 2024, a decrease of 41.7% compared to \$13.3 million in the first half of fiscal 2023. Gross profit margin was 25% in the first half of fiscal 2024, compared to 35.1% in the first half of fiscal 2023.

Sequentially, gross profit increased 8.8% during the second quarter of fiscal 2024, compared to \$3.7 million for the first quarter of fiscal 2024.

Gross profit margin for the second quarter and first half of fiscal 2024 was negatively impacted by lower volumes as fixed charges were spread over lower sales, as well as reduced plant efficiency, as fewer sales and lower backlog impacted the flow of products through our manufacturing facilities—the impact of operating leverage. Additionally, our gross profit margin percentages are heavily dependent upon product mix on a quarterly basis and may vary based on changes in product mix.

SG&A expenses decreased to \$5.3 million in the second quarter of fiscal year 2024 compared to \$5.7 million for the same period last year. SG&A expenses as a percentage of net sales were 33% in the second quarter of fiscal 2024, compared to 28.9% in the second quarter of fiscal 2023, which reflects our operating leverage relative to net sales. By comparison, SG&A expenses as a percentage of net sales were 34.3% in the first quarter of fiscal 2024.

SG&A expenses decreased 6.3% to \$10.4 million during the first half of fiscal year 2024 from \$11.1 million for the first half of fiscal year 2023. SG&A expenses as a percentage of net sales were 33.6% in the first half of fiscal 2024, compared to 29.3% in the first half of fiscal 2023.

The decrease in SG&A expenses during the second quarter and first half of fiscal year 2024, compared to the same periods last year, was primarily the result of decreases in employee and contracted sales personnel-related costs. Included in employee and contracted sales personnel-related costs are employee incentives and commissions, which decreased due to decreased net sales and the financial results during the second quarter and first half of fiscal 2024.

OCC recorded a net loss of \$1.6 million, or \$0.21 per basic and diluted share, for the second quarter of fiscal 2024, compared to net income of \$2.4 million, or \$0.31 per basic and diluted share, for the second quarter of fiscal 2023.

OCC recorded a net loss of \$3 million, or \$0.39 per basic and diluted share, for the first half of fiscal year 2024, compared to net income of \$3.2 million, or \$0.41 per basic and diluted share, for the first half of fiscal year 2023.

And with that, I'll turn the call back over to Neil.

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**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

Thank you, Tracy. And now if any analysts or institutional investors have questions, we are happy to answer them. Angela, if you could please indicate the instructions for our participants to call in any questions they may have, I'd appreciate it. Again, we are only taking live questions from analysts and institutional investors.

### QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) It appears we have no questions at this time. I will now turn the program back over to our presenters for any additional remarks.

**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

Thank you, Angela. Spencer, I know that we had some questions that were submitted by individual investors. If you could ask those questions and Tracy and I'll respond to those.

**Spencer Hoffman** Joele Frank, Wilkinson Brimmer Katcher - IR

Absolutely. The first question. In your annual report and 10-K you refer to data centers as one of your markets. Could you comment a bit more on your attempts to penetrate this market and, if so, what niches, and can we look forward to more business from this burgeoning market in the future?

**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

Well, OCC does offer products that are used in the data center market—some products—and we do have some participation in that market. The data center market, as I'm sure folks understand, has a number of tiers from hyperscale data centers to smaller private data centers.

Some of the most recent news talking about the growth in data centers is focused on the hyperscale data centers, and OCC's product offering does not specifically include products that are designed for that hyperscale data center market. It is a market that we're watching and look at periodically to see how we can benefit from it.

**Spencer Hoffman** Joele Frank, Wilkinson Brimmer Katcher - IR

Thank you, Neil. The next question. What is the status of the water damaged office building in Asheville?

**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

Tracy is going to take this one.

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**Tracy Smith** Optical Cable Corporation - SVP & CFO

Sure. We're still evaluating our options with regard to the office building in Asheville. As indicated previously, this was an administrative building and the water damage didn't have an impact on our production processes. So, we feel we can spend some time analyzing the options and making a decision that best suits our business needs.

**Spencer Hoffman** Joele Frank, Wilkinson Brimmer Katcher - IR

Thank you, Tracy. The next question. Could you comment on the purchasing patterns in the carrier industry? Are your customers building large inventories they work through over time?

**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

Yes. I'll answer that. So OCC has seen a slowdown in sales in the wireless carrier market as we disclosed and as our shareholders are aware of. We believe this is consistent with what a number of other manufacturers have experienced. This is happening for a number of reasons.

I think one of those reasons is that we do believe there's been some excess inventory in the sales channels for the wireless carrier market, and that has resulted in lower sales for OCC in that market. We do still have capabilities to service that market and we do believe that the wireless carrier market will improve in the future.

**Spencer Hoffman** Joele Frank, Wilkinson Brimmer Katcher - IR

Thank you, Neil. The next question. In 2015 and 2016, oil rig count fell significantly due, in part, to the implementation of new technologies. Some of your competitors saw their sales to oil and gas customers fall more than 50% over that period. Did horizontal drilling/increased rig productivity impact demand for your product similarly back then?

**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

So OCC does offer certain products that are sold into the oil and gas markets. As you would expect, we have seen variation in sales into that market based on a number of factors, including oil and gas prices, which impact production volumes. Our product offerings are diverse and for that reason we benefit from that diversity, in helping to mitigate some of the volatility. I can't specifically comment on oil and gas in 2015 to 2016, but we do participate in that market with certain products and have benefitted from that market over many years.

**Spencer Hoffman** Joele Frank, Wilkinson Brimmer Katcher - IR

Thank you, Neil. The next question. Could you give us a rough understanding of how your sales split between end markets in 2023 or what sales growth was like in the specialty market and enterprise market?

**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

Thank you, Spencer. So OCC operates in many diverse markets, both geographically as well as by targeted market application. Geographically, each year, we sell into about 50 countries or so, and by targeted market, we have various different markets that are included in specialties and also different applications in the enterprise portion of the markets we speak to generally. The diversification is a strength for OCC, and it helps mute significant volatility that can occur in our markets.

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I will say that generally, OCC's enterprise markets and specialty markets, excluding the wireless carrier market, each comprise about half of OCC sales. That varies by quarter, and it varies year-to-year.

For competitive reasons, we don't talk about or disclose specific details on individual markets, but hopefully, that provides the information that's being asked.

**Spencer Hoffman** Joele Frank, Wilkinson Brimmer Katcher - IR

Thank you, Neil. And now the final question. In the fourth quarter of 2023, your gross margin came in lower than margins previously achieved at similar sales levels during other past quarters. Can you please comment on what impacted gross margin in the fourth quarter of 2023?

**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

Tracy is going to address that question.

**Tracy Smith** Optical Cable Corporation - SVP & CFO

Okay. In the fourth quarter of 2023, our gross profit margins were impacted by lower sales volumes and product mix. Comparing older periods can be difficult for many reasons, including changes that occur in cost structure over time, and the impact that product mix has on our gross profit margin from quarter to quarter. So, if you're looking at prior years' quarters, particularly significantly older quarters.

When we have something that is more unusual that we can point to, such as the production process issues that we had in the past, we definitely try to highlight those as well, but at the end of the day, operating leverage and product mix are primary drivers for fluctuations in our gross profit margin from quarter to quarter.

**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

And Spencer, you said that was the last question. We don't have any more?

**Spencer Hoffman** Joele Frank, Wilkinson Brimmer Katcher - IR

Yes, Neil, that was the last question.

**Neil Wilkin** Optical Cable Corporation - Chairman of the Board, President & CEO

Okay. That being the case, I would like to thank everyone for listening to our second quarter of fiscal year 2024 conference call today. As always, we appreciate your time and your investment in Optical Cable Corporation. Thank you very much.

**Operator**

This does conclude today's program. Thank you for your participation. You may disconnect at any time.