

**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): December 20, 2023

---

**OPTICAL CABLE CORPORATION**

(Exact name of registrant as specified in its charter)

---

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)

---

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.

---

[Table of Contents](#)

**Table of Contents**

[Item 2.02 Results of Operations and Financial Condition](#)

3

[Item 9.01 Financial Statements and Exhibits](#)

3

[Signatures](#)

4

Exhibits

2

---

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

On December 20, 2023, Optical Cable Corporation issued a press release announcing its fourth quarter and fiscal year 2023 financial results. Also on December 20, 2023, 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.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	<a href="#">Press Release dated December 20, 2023 (FILED HEREWITH)</a>
99.2	<a href="#">Transcript of earnings call on December 20, 2023 (FILED HEREWITH)</a>
104	Cover page Interactive Data File (embedded within the inline XBRL document)
3	

---

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: December 21, 2023



OPTICAL CABLE CORPORATION  
 5290 Concourse Drive  
 Roanoke, VA 24019  
 (Nasdaq GM: OCC)  
[www.occfiber.com](http://www.occfiber.com)

**AT THE COMPANY:**

Neil Wilkin  
 Chairman, President & CEO  
 (540) 265-0690  
[investorrelations@occfiber.com](mailto:investorrelations@occfiber.com)

Tracy Smith  
 Senior Vice President & CFO  
 (540) 265-0690  
[investorrelations@occfiber.com](mailto:investorrelations@occfiber.com)

**AT JOELE FRANK, WILKINSON BRIMMER KATCHER:**

Aaron Palash  
 (212) 355-4449 ext. 8603  
[occ-jfwbk@joelefrank.com](mailto:occ-jfwbk@joelefrank.com)

Spencer Hoffman  
 (212) 355-4449 ext. 8928  
[occ-jfwbk@joelefrank.com](mailto:occ-jfwbk@joelefrank.com)

**FOR IMMEDIATE RELEASE**

**OPTICAL CABLE CORPORATION REPORTS  
 FOURTH QUARTER AND FISCAL 2023 FINANCIAL RESULTS**

*OCC® Achieves Increases in Net Sales, Gross Profit, Gross Profit Margin and Net Income  
 in Fiscal 2023 Compared to Fiscal 2022*

**Roanoke, Va., December 20, 2023** — Optical Cable Corporation (Nasdaq GM: OCC) (“OCC®” or the “Company”) today announced financial results for its fiscal year and its fourth quarter ended October 31, 2023.

*Fiscal Year 2023 Financial Results*

Consolidated net sales for fiscal year 2023 increased 4.5% to \$72.2 million, compared to net sales of \$69.1 million for fiscal year 2022. The Company achieved increases in net sales in its specialty markets in fiscal year 2023, compared to the prior year, but the increases were partially offset by decreases in its enterprise and wireless carrier markets.

The industry has experienced a softening of demand, particularly in the enterprise and carrier markets during the year, the Company noted. Despite this market volatility, OCC’s net sales increased during fiscal year 2023 as a result of OCC’s growth in its specialty markets and a substantial backlog/forward load at the beginning of fiscal 2023. During the first half of fiscal year 2023, the Company’s net sales increased 19.8%, while its net sales decreased 8.5% during the second half of fiscal year 2023, in both cases compared to the same periods during the prior fiscal year.

OCC’s gross profit increased 8.7% to \$22.3 million in fiscal year 2023, compared to gross profit of \$20.5 million in fiscal year 2022. Gross profit margin, or gross profit as a percentage of net sales, increased to 30.9% in fiscal year 2023 compared to 29.7% for fiscal year 2022.

---

During the first half of fiscal year 2023, the Company's gross profit margin was 35.1% compared to 28.7% in the first half of fiscal year 2022—demonstrating the Company's operating leverage and production efficiencies at increased production volumes.

OCC's gross profit margin tends to be higher when it achieves higher net sales due to its operating leverage, as was the case in the first half of fiscal year 2023, relative to the prior year. In addition to the positive impact of this operating leverage, OCC's gross profit margin reflects increased production efficiency, specifically in the first half of fiscal 2023, as well as the impact of a more fully trained workforce. The Company's gross profit margin is also reflective of product mix.

SG&A expenses increased 6.3% to \$21.2 million during fiscal year 2023 compared to \$20.0 million for fiscal year 2022. SG&A expenses as a percentage of net sales were 29.4% in fiscal year 2023, compared to 28.9% in fiscal year 2022. The increase in SG&A expenses was primarily the result of increases in employee and contracted sales personnel related costs.

OCC recorded net income of \$2.1 million, or \$0.26 per basic and diluted share, for fiscal year 2023, compared to a net loss of \$347,000, or \$0.05 per basic and diluted share, for fiscal year 2022. In addition to improved sales and gross profit, the Company's results benefited from the gain on insurance proceeds received for damage to property and equipment totaling \$2.2 million, which was recorded as other income, net on the Company's statement of operations during fiscal year 2023.

#### *Fourth Quarter 2023 Financial Results*

Consolidated net sales for the fourth quarter of fiscal year 2023 decreased to \$17.3 million, or 13.6%, compared to net sales of \$20.1 million for the same period in the prior year, with decreased net sales in the Company's enterprise market partially offset by increased net sales in its specialty markets.

Gross profit decreased 41.5% to \$3.9 million in the fourth quarter of fiscal year 2023, compared to gross profit of \$6.6 million for the same period in fiscal year 2022.

Gross profit margin decreased to 22.4% in the fourth quarter of fiscal year 2023 compared to 33.0% in the fourth quarter of fiscal year 2022. The Company experienced a reduction in gross profit margin during the fourth quarter of fiscal 2023 primarily as a result of inefficiencies experienced in its fiber optic cable manufacturing facility due to lower sales and resulting production levels, when compared to the same period in the prior year, as well as product mix.

SG&A expenses were \$5.1 million in the fourth quarter of fiscal year 2023, compared to \$5.2 million for the fourth quarter of fiscal year 2022. SG&A expenses as a percentage of net sales were 29.7% in the fourth quarter of fiscal 2023, compared to 25.9% in the prior year period.

For the fourth quarter of fiscal year 2023, OCC recorded a net loss of \$1.3 million, or \$0.17 per basic and diluted share, compared to net income of \$1.2 million, or \$0.15 per basic and diluted share, for the fourth quarter of fiscal year 2022.

---

### *Gain on Insurance Proceeds*

During fiscal year 2023, the Company received insurance proceeds in connection with water damage that occurred at the Company's Asheville office facilities at the end of December 2022. The impacted office space is separate from the Company's manufacturing building, which houses the Company's Asheville manufacturing operations. There was no significant impact to the Company's operations as a result of the event.

Insurance proceeds received in excess of expenses incurred through October 31, 2023, a net total of \$2.2 million, is included in other income (expense), net as gain on insurance proceeds, net on the Company's consolidated statement of operations. To the extent the Company incurs expenses in future periods to restore, repair, or replace damaged assets, the Company may recognize offsetting losses in those future periods. At this time, the Company does not expect future restoration and repair costs to exceed any insurance proceeds.

### *Management's Comments*

Neil Wilkin, President and Chief Executive Officer of OCC, said, "During fiscal year 2023, we demonstrated the strength of OCC's market position, the efficiencies generated by our operating leverage, and our ability to navigate volatile markets. Like other competitors in our industry, however, we experienced significant softening of demand in certain markets as fiscal year 2023 progressed—particularly in the enterprise and wireless carrier markets. We finished the fiscal year achieving net sales growth, gross profit growth, and gross profit margin improvement during fiscal year 2023, as OCC benefited from our strong market position, our market and product diversification, our focus on growth initiatives, and our substantial backlog/forward load at the beginning of fiscal year 2023."

"Looking ahead to fiscal 2024, we continue to monitor changing market and macroeconomic trends, and believe we are prepared to make appropriate business adjustments as necessary. We are as focused as ever on driving growth, operating efficiently, and capitalizing on demand as we execute for our customers and end-users and generate value for our shareholders," Mr. Wilkin said.

### *Conference Call Information*

As previously announced, OCC will host a conference call today, December 20, 2023, at 11:00 a.m. Eastern Time. Individuals wishing to participate in the conference call should call (800) 445-7795 in the U.S. or (785) 424-1699 internationally, Conference ID: OCCQ423. For interested individuals unable to join the call, a replay will be available through Wednesday, December 27, 2023 by dialing (800) 839-4992 or (402) 220-2686. 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.

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 <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)

---



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

	Three Months Ended October 31,		Year Ended October 31,	
	2023	2022	2023	2022
Net sales	\$ 17,329	\$ 20,056	\$ 72,174	\$ 69,079
Cost of goods sold	13,455	13,433	49,880	48,568
Gross profit	3,874	6,623	22,294	20,511
SG&A expenses	5,145	5,189	21,221	19,960
Royalty expense, net	6	6	26	27
Amortization of intangible assets	14	14	54	51
Income (loss) from operations	(1,291)	1,414	993	473
Interest expense, net	(298)	(230)	(1,153)	(768)
Gain on insurance proceeds received for damage to property and equipment	247	—	2,199	—
Other, net	114	12	173	(27)
Other income (expense), net	63	(218)	1,219	(795)
Income (loss) before income taxes	(1,228)	1,196	2,212	(322)
Income tax expense	39	7	146	25
Net income (loss)	<u>\$ (1,267)</u>	<u>\$ 1,189</u>	<u>\$ 2,066</u>	<u>\$ (347)</u>
Net income (loss) per share:				
Basic and diluted	<u>\$ (0.17)</u>	<u>\$ 0.15</u>	<u>\$ 0.26</u>	<u>\$ (0.05)</u>
Weighted average shares outstanding:				
Basic and diluted	<u>7,603</u>	<u>7,893</u>	<u>7,880</u>	<u>7,523</u>

--MORE--

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

---

	October 31, 2023	October 31, 2022
Cash	\$ 1,469	\$ 216
Trade accounts receivable, net	8,728	10,964
Inventories	23,766	19,439
Other current assets	1,075	577
Total current assets	<u>35,038</u>	<u>31,196</u>
Non-current assets	8,841	9,362
Total assets	<u>\$ 43,879</u>	<u>\$ 40,558</u>
Current liabilities	\$ 7,768	\$ 7,483
Non-current liabilities	11,389	10,915
Total liabilities	<u>19,157</u>	<u>18,398</u>
Total shareholders' equity	24,722	22,160
Total liabilities and shareholders' equity	<u>\$ 43,879</u>	<u>\$ 40,558</u>

###

C O R P O R A T E P A R T I C I P A N T S

**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

P R E S E N T A T I O N

**Operator**

Good morning. My name is James and I will be your conference operator today. At this time, I would like to welcome you to the Optical Cable Corporation fourth quarter and fiscal year 2023 earnings conference call. (Operator instructions). Mr. Hoffman, you may begin your conference.

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

Thank you, James. Good morning, everyone, and thank you all for joining us for Optical Cable Corporation's fourth quarter and fiscal year 2023 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 today 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 fourth quarter and full year results for the three-month and twelve-month periods ended October 31, 2023 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.

During fiscal year 2023, we demonstrated the strength of OCC's market position, the efficiencies generated by our operating leverage, and our ability to navigate and successfully execute our growth strategies in volatile markets.

We started off the year strong, building on our momentum and delivering strong financial and operational performance. Like many others in our industry, however, we experienced significant volatility and a softening of demand in certain markets as fiscal year 2023 progressed, particularly in the enterprise and the wireless carrier markets.

---

## Transcript: OCC –Q4 2023 Earnings Conference Call – 12/20/23 11:00 AM EST

Thanks to our diversified markets and product offerings, we finished fiscal year 2023 having achieved growth by all measures compared to the prior year. This includes net sales, gross profit, gross profit margin as well as income from operations and earnings per share.

Net sales for fiscal year 2023 increased 4.5% to \$72.2 million. This followed net sales growth of 18.8% in fiscal year 2022 compared to fiscal year 2021. Our market diversification and our breadth of product offerings enabled us to achieve net sales growth during fiscal year 2023, despite the volatility in certain markets, with OCC achieving sales growth in our specialty markets, partially offset by decreases in our enterprise and wireless carrier markets.

Net sales increased 19.8% during the first half of fiscal year 2023, and decreased 8.5% during the second half of fiscal year 2023. In both cases, this is compared to the same periods during the prior fiscal year. In addition to the growth in our specialty markets, net sales during the first half of fiscal year 2023 also benefited from our substantial backlog and forward load as we began the year.

During 2023, we improved gross profit and gross profit margin. Gross profit increased 8.7% to \$22.3 million. Gross profit margin increased to 30.9% during fiscal year 2023 compared to 29.7% during the prior year. Importantly, during the first half of fiscal year 2023, our gross profit margin was 35.1% compared to 28.7% in the first half of fiscal year 2022. And again, this demonstrates OCC's strong operating leverage and production efficiencies that we are able to achieve at increased production volumes.

We continue to focus on operating as efficiently as possible and controlling expenses, including SG&A expenses. And SG&A expenses as a percentage of net sales were 29.4% during fiscal year 2023 compared to 28.9% during fiscal year 2022. Our fixed SG&A expenses, including public company costs, are substantial, and as net sales grow, our SG&A expenses tend to increase at a slower rate than sales.

We believe OCC remains uniquely positioned in the fiber optic and copper cabling and connectivity industry. Our differentiated core strengths and capabilities enable OCC to offer top-tier products and application solutions and to compete successfully against much larger competitors.

Since this is our fourth quarter call and the end of the year, I'd like to take a moment to emphasize what those core strengths and capabilities are. First, we have an enviable market position and brand recognition and our relationships with, and the loyalty of, our customers, decision makers and end-users across a broad range of targeted markets. We also have a wide range of fiber optic and copper cabling and connectivity products and solutions that enable OCC to deliver products and solutions that meet our customers' unique needs and that are well suited for applications in our various targeted markets. The range of OCC's product offerings is extensive and OCC often successfully competes with different competitors in our different targeted markets.

Next, we have a broad and diverse geographic footprint, selling into approximately 50 countries each year. We have extensive industry experience and expertise with OCC's engineering, sales and business development teams well-respected for their product and application experience and expertise that enables OCC to create its portfolio of innovative high-performance products and associated intellectual property.

And finally, our significant production capacity at our facilities is supported by knowledgeable and experienced manufacturing, quality, and engineering teams.

Many of the costs to maintain and build upon our strengths and capabilities, along with our public company costs, are fixed. As a result, as OCC grows net sales, gross profit and profitability tend to increase at a faster rate than that of net sales. This creates operating leverage for OCC as fixed production costs and fixed SG&A expenses remain relatively stable, and are spread over higher net sales levels.

---

## Transcript: OCC –Q4 2023 Earnings Conference Call – 12/20/23 11:00 AM EST

I am proud of the OCC team's accomplishments during fiscal year 2023, particularly given the market volatility the industry experienced during the year.

Looking ahead to fiscal year 2024, we are optimistic about OCC's opportunities. At the same time, we are cautious of current market conditions and the impacts of soft market demand on our operating and production efficiencies. To that end, we continue to monitor changing industry and macroeconomic trends and believe we are prepared to implement appropriate business adjustments as necessary.

Moving forward, we remain as focused as ever on driving growth, operating efficiently, and identifying and capturing additional growth opportunities to ensure we are executing for our customers and end-users while generating long-term value for our shareholders.

And with that, I will turn the call over to Tracy, who will review in additional detail our fourth quarter and fiscal year 2023 financial results.

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

Thank you, Neil. Consolidated net sales for fiscal year 2023 were \$72.2 million, an increase of 4.5% compared to net sales of \$69.1 million for fiscal year 2022. Consolidated net sales for the fourth quarter of fiscal 2023 decreased 13.6% to \$17.3 million compared to net sales of \$20.1 million for the same period last year. We believe that our net sales benefited from increased production throughput during fiscal year 2023, specifically in the first half of the fiscal year, as well as our higher than typical levels of sales order backlog and forward load as we began fiscal year 2023.

Additionally, improved product pricing, increased to cover certain inflationary costs, began to take effect. Our sales order backlog and forward load has returned to more typical levels at approximately \$5.4 million at the end of fiscal year 2023, compared to more than \$12 million at the end of fiscal year 2022.

During fiscal year 2023, we experienced increases in net sales in our specialty markets compared to last year, but the increases were partially offset by decreases in our enterprise and wireless carrier markets.

We believe there continue to be indicators of strength in certain of our markets, particularly our specialty markets, as we end fiscal year 2023. While OCC has benefited from market and product diversification, like others in our industry, our net sales during fiscal year 2023 were impacted by various macroeconomic pressures, risks and uncertainties in addition to the softening of certain of our targeted markets.

Turning to gross profit. Gross profit increased 8.7% to \$22.3 million in fiscal 2023 compared to \$20.5 million in fiscal 2022. Gross profit margin, or gross profit as a percentage of net sales, increased to 30.9% in fiscal 2023 compared to 29.7% in fiscal 2022.

Gross profit decreased 41.5% to \$3.9 million in the fourth quarter of fiscal 2023 compared to gross profit of \$6.6 million for the same period last year. Our gross profit margin tends to be higher when we achieve higher net sales due to our operating leverage, as was the case in the first half of fiscal year 2023, relative to last year. In addition to the positive impact of this operating leverage, our gross profit margin reflects increased production efficiency, specifically in the first half of fiscal 2023, as well as the impact of a more fully trained workforce. OCC's gross profit margin is also heavily dependent upon changes in product mix.

---

## Transcript: OCC –Q4 2023 Earnings Conference Call – 12/20/23 11:00 AM EST

SG&A expenses increased to \$21.2 million during fiscal year 2023 from \$20 million for fiscal year 2022. SG&A expenses as a percentage of net sales were 29.4% in fiscal year 2023 compared to 28.9% for fiscal year 2022.

SG&A expenses were \$5.1 million in the fourth quarter of fiscal year 2023 compared to \$5.2 million for the same period last year. SG&A expenses as a percentage of net sales were 29.7% in the fourth quarter of fiscal 2023 compared to 25.9% in the fourth quarter of fiscal 2022.

The increase in SG&A expenses during the fourth quarter and fiscal year 2023, compared to last year, was primarily the result of increases in employee and contracted sales personnel related costs. Included in employee and contracted sales personnel related costs are employee incentives and commissions which increased due to increased net sales and the improved financial results during fiscal year 2023.

OCC recorded net income of \$2.1 million, or \$0.26 per basic and diluted share, for fiscal year 2023 compared to a net loss of \$347,000, or \$0.05 per basic and diluted share, for fiscal year 2022. OCC recorded a net loss of \$1.3 million, or \$0.17 per basic and diluted share, for the fourth quarter of fiscal 2023 compared to net income of \$1.2 million, or \$0.15 per basic and diluted share, for the fourth quarter of fiscal 2022.

In addition to improved sales and gross profit, the Company's results benefited from the gain on insurance proceeds received for damage to property and equipment totaling \$2.2 million, which was recorded as other income, net on the Company's statement of operations during fiscal year 2023.

During fiscal year 2023, we received insurance proceeds in connection with our office building and its contents at our Asheville facility sustaining water damage from a burst pipe in a sprinkler system at the end of December 2022. In connection with this event, we recognized a gain on insurance proceeds, net during fiscal year 2023 totaling \$2.2 million.

To the extent we incur expenses in future periods to restore, repair or replace damaged assets, we may recognize offsetting losses in those future periods. At this time, we do not expect future restoration and repair costs to exceed any insurance proceeds.

With that, I will turn the call back over to you, Neil.

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

Thank you, Tracy. Let me conclude by saying that OCC remains committed to leveraging our core strengths and capabilities, identifying growth opportunities, and executing our strategies and initiatives to create long-term value for our shareholders.

And now, if any analysts or institutional investors have questions, we are happy to answer them. James, 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 questions from analysts and institutional investors.

---

QUESTIONS AND ANSWERS

**Operator**

(Operator instructions) There are no questions in the queue at this time.

I'll now turn the conference over to Mr. Wilkin.

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

Thanks, James. Spencer, are there any questions? I think, in fact, I know there were some questions submitted by individual investors in advance of the call. If you don't mind reading the questions, we will address those.

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

Thanks, Neil. Yes, we do have a few questions submitted in advance. The first question, was any thought given to repurchasing shares in the prior quarter instead of paying off the North Carolina real estate loan?

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

Tracy is going to take this first question.

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

Sure. As we reported in our previous filings, the cash in question that was used to pay off the North Carolina real estate loan was restricted cash as it was insurance proceeds related to a building on which our lender was the lien holder. As a result, any use of this cash for anything other than restoring the building or paying down the loan would have been a quite unusual use for that restricted cash.

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

The next question, are there any plans to repurchase shares in the future?

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

Well, we regularly evaluate our capital allocation priorities to ensure that we optimize the use of our shareholders' capital. So we'll look at that in the future.

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

The next question, it is my understanding that OCC usually holds a good amount of inventory and prides itself in having short delivery times. Did that have an effect on how much excess inventory your customers built up?

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

Spencer, I'll take that question. Like others in our industry, some of our customers had excess inventory during the past year. The extent of any excess inventory has been different, depending on the market and the individual customer. We do hold a good amount of inventory, and we do pride ourselves in using that to provide short delivery times and lead times. While we had some customers with excess inventory during the year, we believe OCC has been less impacted by this than some of our other competitors, and we believe the inventory we have been maintaining as we ended fiscal year 2023 is at an appropriate level to service our customers' expected needs, and it is something that we watch and periodically adjust based on customer needs and market conditions.

---

## **Transcript: OCC –Q4 2023 Earnings Conference Call – 12/20/23 11:00 AM EST**

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

Thanks, Neil.

The next question, could you comment on customer inventories in the carrier market? Has demand from this market started to pick up again?

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

We don't tend to talk a lot about individual markets, but I will make a couple of comments in response. It did seem like to us that the wireless carrier market had some excess inventory during fiscal year 2023, and that seemed to impact demand. We do believe that demand will begin to pick up again, but at this time, we cannot exactly say when and to what extent that will be the case.

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

Could you comment on trends you are seeing in the oil & gas and military markets?

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

Well, this past year, as we've already said, we've seen market strength in most of our specialty markets, and this is what helped offset the weakness OCC and others in our industry experienced in the enterprise market as well as in certain other markets. Both oil & gas and military are included in our specialty markets as we discuss those in our filings. And during fiscal year 2023, we saw both of those increase.

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

Thank you, Neil. And the final question, could you talk about the process of innovation at OCC?

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

It's a good question and there could be a long answer. I'm going to give the short version of the answer rather than trying to describe what our process is specifically. I would say that at OCC we're very proud of the innovation and expertise of our engineers and application specialists that enable our product innovation. And then importantly, I think the best way to describe OCC's approach to innovations tends to focus on developing solutions tailored to the needs of end-users and market trends rather than a build it and they will come approach and we have benefited from that approach over many years.

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

Thanks, Neil. That concludes the Q&A.

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

Okay, well, thank you. Well, we appreciate everyone's participation on the call today, and thank you for listening to our fourth quarter and fiscal year 2023 conference call. As always, we appreciate your time and investment in Optical Cable. We sincerely hope that everyone has a safe and happy holiday season and appreciate your interest in Optical Cable Corporation. Thank you.

**Operator**

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