

NASDAQ:OCC Q2 2025 Earnings Call Transcript

Generated on 6/10/2026

Spencer | Director of Investor Relations:

Good morning and thank you for joining us for Optical Cable Corporation's second quarter of fiscal year 2025 conference call. By this time, everyone should have a copy of the earnings press release issued earlier today. You can also visit .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 .occfiber.com as well as today's call. With that, I'll turn the call over to Neil Wilkin. Neil, please begin.

Neil Wilkin | President and Chief Executive Officer:

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 period ended April 30, 2025, 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 the second quarter, the OCC team delivered sales, net sales growth, and gross profit growth on both a -over-year and a sequential basis. Strong execution by the OCC team coupled with our significant operating leverage also enabled us to deliver improved gross profit margins as we realized improved manufacturing efficiencies over higher production volumes. We continue to see positive industry trends from which we believe OCC will continue to benefit as the year progresses. At the end of our second quarter of fiscal 2025, our sales backlog and forward load had increased to \$7.2 million compared to \$6.6 million as of January 31, 2025, and \$5.7 million as of October 31, 2024. We are confident our focus on executing our growth strategies and capitalizing on operating efficiencies will drive positive results this year including opportunities for gross profit margin expansion with increased production volume as we benefit from OCC significant operating leverage. I'm proud of the OCC team whose hard work allowed us to deliver a strong start to the first half of fiscal 2025 in a dynamic market environment. As we look ahead to the second half of the year, we remain focused on disciplined execution and capitalizing on growth opportunities to drive 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 2025 financial results.

Tracy Smith | Senior Vice President and Chief Financial Officer:

Thank you, Neil. Consolidated net sales for the second quarter of fiscal 2025 increased .9% to \$17.5 million compared to net sales of \$16.1 million for the same period last year resulting from increases in net sales in our specialty markets while our enterprise markets were relatively stable. Sequentially, net sales increased .5% during the second quarter of fiscal year 2025 compared to net sales of \$15.7 million for the first quarter of fiscal 2025. We experienced sequential increases in both our enterprise and specialty markets during the second quarter compared to the first quarter of fiscal year 2025. Consolidated net sales for the first half of fiscal 2025 were \$33.3 million, an increase of .5% as compared to net sales of \$31 million for the first half of

fiscal 2024 with sales increases in both our enterprise and specialty markets. As Neil mentioned, at the end of our second fiscal quarter of 2025, our sales order backlog and forward load increased to \$7.2 million compared to \$6.6 million as of January 31, 2025, and \$5.7 million as of October 31, 2024. Turning to gross profit, our gross profit increased .1% or \$1.3 million to \$5.3 million in the second quarter of fiscal 2025 compared to \$4 million for the same period last year. Gross profit margin or gross profit as a percentage of net sales increased to .4% in the second quarter of fiscal 2025, up from .1% in the second quarter of fiscal 2024 and .4% for the first quarter of fiscal year 2025. Gross profit was \$10 million in the first half of fiscal 2025, an increase of .5% compared to \$7.8 million in the first half of fiscal 2024. Gross profit margin was .9% in the first half of fiscal 2025 compared to 25% in the first half of fiscal 2024. Gross profit margin for the second quarter and first half of fiscal 2025 was positively impacted by production efficiencies created by higher volumes and the resulting positive impact of our 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 increased to \$5.7 million in the second quarter of fiscal year 2025 compared to \$5.3 million for the same period last year. SG&A expenses as a percentage of net sales were .7% in the second quarter of fiscal 2025 compared to 33% in the prior year period. By comparison, SG&A expenses as a percentage of net sales were .7% during the first quarter of fiscal year 2025. The increase in SG&A expenses during the second quarter and first half of fiscal year 2025 compared to the same periods last year was primarily the result of increases in employee and contracted sales personnel related costs and shipping costs. Included in employee and contracted sales personnel related costs are compensation costs and sales incentives. OCC recorded a net loss of \$698,000 or 9 cents per basic and diluted share for the second quarter of fiscal 2025 compared to a net loss of \$1.6 million or 21 cents per basic and diluted share for the second quarter of fiscal 2024. OCC recorded a net loss of \$1.8 million or 23 cents per basic and diluted share for the first half of fiscal year 2025 compared to \$3 million or 39 cents per basic and diluted share for the first half of fiscal year 2024. With that, I'll turn the call back over to you, Neil.

Neil Wilkin | President and Chief Executive Officer:

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

Conference Operator:

Thank you. And at this time, if you'd like to ask a question, press star 1 on your keypad. To leave the queue at any time, press star 2. Once again, that is star and 1 to ask a question. Please limit your questions to one question and one follow-up. And we'll pause for just a moment to

Conference Operator:

allow everyone a chance to join the queue. And

Conference Operator:

once again, if you would like to ask a question, please press star and 1 on your telephone keypad

Conference Operator:

now. And we will take our first question from

Conference Operator:

Manny Stukakis with GEO Investing. Please go ahead.

Manny Stukakis | Analyst, GEO Investing:

Hi. How are you guys doing? On your last call, you guys talked about the significant demand from data centers. I wanted to know if you can tell us about it seems like the focus is not there to grow in that area, especially given that you do have a data center. I mean, you guys do have an operating facility in Dallas. There's tremendous infrastructure spend kind of booked out through 2029. I know there's other manufacturers. You've got the U.S. manufacturing advantage in case it becomes all domestic. Nvidia, CSSI, Dell are all in that round rock Texas area. What am I missing? Why aren't we taking more advantage of this opportunity?

Neil Wilkin | President and Chief Executive Officer:

Well, I mean, the data center market is divided into several different categories. And what's getting the most press and what's getting what you're hearing about Nvidia and others, those are really at the hyperscale level. And so that is different type of product set that OCC provides. We haven't really targeted the hyperscale data. We do have sales in the data center markets for tier two and tier three, which is really the multi-tenant data centers and also in enterprise. And we're also looking to see how we can better address those markets. One of the things we did this year is we've added loose tube product offering to our product. And some of those are used in data centers in some cases in addition to tight buffer. So we're seeing some benefit of that. I think that there's more opportunity that we haven't taken advantage of yet. But a lot of what you're hearing is really at that hyperscale level.

Manny Stukakis | Analyst, GEO Investing:

Well, I hear what you're saying on the hyperscale, but there are many small players who have a niche contribution to the data center market. And they're really focusing in that area and starting to see extreme benefits. Like I said, you can look at TSSI in the rack integration. There's other ones in the colon like TGIN. So I just was wondering, I know you touched on it on the last comments call, and I just wanted to see if the focus and the growth opportunity is still there. And if this is something you're starting to see a little bit of momentum in, but it sounds like it's a little bit more slow-go than maybe it was anticipated

Neil Wilkin | President and Chief Executive Officer:

or... We are starting to see some movement in that area, but it hasn't been a major part of our sales at the moment. We're seeing more growth in the areas like military, which is more squarely in our wheelhouse, but we are seeing opportunities in data centers and believe that we will benefit from that. Okay, I appreciate your time. Thank you very much. And we will be those smaller data centers. I appreciate your question. Thank you.

spk01:

Thank you.

Conference Operator:

Thank you.

Conference Operator:

And it appears that there are no further questions at this time. I will now turn the call back to Mr. Wilkin for closing remarks.

Neil Wilkin | President and Chief Executive Officer:

Well, before that, Madison, what we will do is we've had some individual investors submit questions in advance. And Spencer, if you'd read the questions, Tracy and I will address those.

Spencer | Director of Investor Relations:

Sure. So the first question, can you give a sense of potential operational leverage? For example, what's your upside scenario or what your upside scenario can look like if revenue begins to jump while costs remain fixed? What could that look like?

Tracy Smith | Senior Vice President and Chief Financial Officer:

I'll take that one. The best sense of operational leverage can be seen in our historic quarterly results because product mix also plays a significant role in our gross profit margin. It is difficult to predict or forecast how operational leverage will impact a specific quarter. However, we know that when certain fixed costs are spread over larger volumes, we benefit from that. Additionally, while we're a smaller reporting company that requires significant fixed costs related to being a public company, we also believe that we can increase sales to much higher levels without increasing those types of fixed costs at a similar level. Hopefully, that gives some indication of how operational leverage can impact our results at higher sales levels. Also, if you review Neil's letter to the shareholders in our 2024 annual report, you'll see some descriptions, graphs, and data regarding OCC's operating leverage over varying sales levels.

Spencer | Director of Investor Relations:

Thank you. The next question. What percentage of the business is related to copper and related to fiber? Or which one is bigger? Is it correct to say that copper market size declines and fiber is growing?

Tracy Smith | Senior Vice President and Chief Financial Officer:

Well, we don't generally disclose information related to what percentage of our business is related to copper and what percentage is related to fiber. I can say that fiber is definitely the biggest portion of our business. However, even some of our fiber cables are what we call hybrid and include both fiber and copper. But having said that, the market for copper is still significant.

spk01:

Do you want to go to the next question, sir? Thank you, Tracy. Can you update us on

Spencer | Director of Investor Relations:

data centers and the opportunity? Are there any changes over the last quarters?

Neil Wilkin | President and Chief Executive Officer:

Spencer, this is Neil. I think I've addressed most of that question in response to the question we got previously. We do have a question about the data centers and the opportunity. We do see sales in the data center applications, but currently it has not been significant. But we believe there are and will be additional opportunities for OCC in the future, particularly in the tier 2 and tier 3 data centers. We are evaluating our cable and connectivity offerings on an ongoing basis in order to address the needs of our customers and end users in our targeted markets. As I've mentioned before, we have added loose tube fiber cable products to our offering, which also opens up some additional data center opportunities.

Spencer | Director of Investor Relations:

Thanks, Neil. For the next question, can you provide an update on the company outlook and how it compares to the situation at the end of Q1 and Q4?

Neil Wilkin | President and Chief Executive Officer:

Yes. As you all know, OCC does not provide any forward-looking guidance. That said, we have disclosed in our public fundraising our sense of our market and industry trends and where we think the market is going. You'll recall that in the beginning of OCC's Q2024, the industry had come out of what had been a significant slowdown for approximately five quarters. We saw the benefit of that in that market improvement in Q4 and in our results. In Q1 of 2025, we grew 6% compared to the prior year, and we saw an increase in our backlog compared to Q4. And as we announced today in Q2 2025, we grew .9% compared to the prior year, and we saw another increase in our backlog compared to the end of Q1. Of course, OCC's sales have long been subject to seasonality with the first half of the year typically having lower sales than the second half of the year. We believe we are seeing positive trends, and at this time we are optimistic looking at the second half of fiscal year 2025.

Spencer | Director of Investor Relations:

Thanks, Neil. The next question is, can you provide an update on tariffs impact and also if you are benefiting at all from Build in America trends?

Neil Wilkin | President and Chief Executive Officer:

Thank you. So like others, OCC has seen an impact from tariffs. However, what we've experienced has been less of an impact in our supply chains than we believe others in our industry have experienced. OCC's three manufacturing facilities are all located in the U.S., and of course we benefit from that fact. We have seen impacts from tariffs on certain products and also some in our exports. And tariffs, as you all know, can be further down the supply chain, and it's not simply who our supplier is, but who our supplier's supplier is. So it ends up being a little bit complicated. We do continue to monitor the rapidly changing tariff landscape and are

making appropriate adjustments.

Spencer | Director of Investor Relations:

Thanks, Neil. Next question. The backlog you report each quarter, is it more of a sign of next quarter demand or full year demand?

Tracy Smith | Senior Vice President and Chief Financial Officer:

The backlog and forward load that we report each quarter includes all confirmed orders for product, regardless of when it is expected to ship. So some orders are placed with a short lead time to ship date, and some are placed well in advance by the customer for shipment months into the future, depending on the project needs. So it can be demand for the next quarter or later.

Spencer | Director of Investor Relations:

Thank you. Next question. Do you expect to see sequential revenue growth over the next few quarters?

Tracy Smith | Senior Vice President and Chief Financial Officer:

Well, we don't provide revenue guidance. However, as we have disclosed previously, we do generally see some seasonality in our sales, with sales typically heavier in the second half of the fiscal year. For example, in fiscal year 2024, approximately 46% of our sales occurred during the first half of the fiscal year, and approximately 54% of our sales occurred during the second half of the fiscal year, primarily due to the seasonality impact. Other factors can make a difference to that seasonality impact.

Spencer | Director of Investor Relations:

Thank you. And now the final question. What gross margin would the company be able to achieve at full capacity?

Neil Wilkin | President and Chief Executive Officer:

So not surprisingly, we can provide specific gross profit margin that we will experience at specific sales levels or if you're looking at a production volume capacity measure, because the answer is very dependent on product mix and that makes up that additional production volume. However, I would point to the gross margins OCC achieved in the past at higher volumes, including Q4 2024 and Q1 and Q2 2023 before the industry slowdown that impacted OCC's top line revenues during the approximate five quarters during the industry slowdown. Also, based on what we've seen, we experienced less of a slowdown than a lot of our competitors did, and so I think that goes to the diversification of our product offering. Also, Tracy had previously mentioned in my letter to the shareholders that's included in our annual report, we talk a lot about the operating leverage and give some graphs and data that I think would be useful for Mark to look at and get a sense of where we see differences as we grow.

Spencer | Director of Investor Relations:

Well, thank you, Neil. That was the last question.

Neil Wilkin | President and Chief Executive Officer:

Okay. Well, I appreciate everyone who submitted questions and those that asked questions, and we want to thank everyone for listening to our second quarter of this year's 2025 conference call. As always, we appreciate your time and your investment in Octopokeable Corporation. Thank you.

Conference Operator:

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