



**Jerry Guo, Chief Executive Officer of Casa Systems**

Greetings, and welcome to Casa Systems First Quarter 2021 Earnings Call. At this time, all participants are at a listen only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press “\*”, “0” on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Jackie Marcus with Alpha IR Group. Thank you. You may begin.

**Jackie Marcus, Investor Relations**

Thank you, operator, and good afternoon, everyone. Casa Systems released results for the first quarter of fiscal year 2022 ended March 31, 2022, this afternoon after the market closed. If you did not receive a copy of our earnings press release, you may obtain it from the Investor Relations section of our website at [investors.casa-systems.com](https://investors.casa-systems.com).

With me on today's call are Jerry Guo, our Chief Executive Officer, and Ed Durkin, our Chief Financial Officer. This call is being webcast and will be archived on the Investor Relations section of our website.

Before I turn the call over to Jerry, I'd like to note that today's discussion will contain forward-looking statements based on the business environment as we currently see it, and as such, it does include certain risks and uncertainties. Please refer to our press release and our SEC filings for more information on the specific risk factors that could cause our actual results to differ materially from the projections described in today's discussion. Any forward-looking statements that we make on this call or in the earnings release are based upon information we believe as of today and undertake no obligation to update these statements as a result of new information or future events.



In addition to U.S. GAAP reporting, we report certain financial measures that do not conform to generally accepted accounting principles. During the call, we may use non-GAAP financial measures if we believe it is useful to investors or believe it will be helpful to investors to better understand our performance or business trends.

And with that, I'd like to turn the call over to Jerry. Jerry?

**Jerry Guo, Chief Executive Officer of Casa Systems**

Good afternoon, everyone. Thank you for joining us today to discuss our first quarter 2022 results and our progress along our connected cloud strategy. While we spoke to you formally just over 2 weeks ago, there are a few things I'd like to cover with you today.

First, we'll talk through some important customer wins, including our multiyear partnership with Verizon, through which Casa will provide our 5G wireless core networks to help enable Verizon's public mobile edge computing service offering. In addition, we will touch on our recent partnership with Rogers Communications and several integration partners as well as some key customer updates.

Second, we continue to make significant progress in the marketplace in our more mature businesses: cable, fixed wireless and fiber extension, in addition to our cloud software and radio products. I'll touch more on this in greater detail later in my remarks, but we are excited about sharing important updates on this in the very near term.

Third, we remain squarely on the path to achieving our transformation goals laid out at the Investor Day in November. This multiyear transformation from a hardware heavy to



a software and a cloud-centric company is already coming to fruition with some important successes in the early stages.

Lastly, we will address the current operating environment which, as expected, remains challenged by the ongoing supply chain situation and has been further exacerbated by COVID-related capacity reduction in some of our Asia-based production ecosystem.

Diving a little deeper into these points, starting with the recent Verizon deal. This announcement is an important milestone for our 5G core and security gateway technology as well as the growth potential of our business. We believe this agreement validates our leadership in cloud-native 5G core and mobile edge computing and position Casa Systems as a key champion for cloud-native software-based 5G infrastructure in the United States.

While our relationship with Verizon will accelerate our transformation into a leading cloud software company, I want to reiterate that 2022 is a building year for Casa along this path, and this is just the beginning. Between this agreement and our ongoing discussions with Verizon and other key partners, Casa Systems will remain at the forefront of the ongoing shift to cloud-native software-based networks in the telecommunications industry.

In addition to the Verizon news, since the beginning of the year, we announced that Rogers Communications is deploying Casa Systems' cloud native Axyom virtual CCAP core and distributed access architecture nodes that will deliver multi-gigabit broadband services with fast, scalable capacity and a superior subscriber experience.



We are also excited to attend Mobile World Congress in Barcelona after a 2-year hiatus due to COVID where we announced expanded partnerships with industry technology leaders, showcasing our cloud-native 5G core and end-to-end 5G solutions.

To meet the growing demand, we are deploying capital into our business to meet the current needs of our customers, but more importantly, we are investing in the future of our business, from our R&D to our people and our processes. We are expanding our footprint in wireless and in software across all segments, and we look forward to sharing our progress during these interim updates. What is very clear is that these investments are prudent given the strength of our pipeline, our growing backlog and the prospects for significant growth we see on the horizon.

In addition to these announced customer wins, we are also getting significant customer traction in all our product lines, including existing and newer product lines. We are making significant progress in advancing our 5G and 4G enterprise small cells and Open RAN products not only from a technical point view but also with customer wins and tractions. We'll have some additional updates for the market on these 2 products very soon.

Within our more mature businesses, we are beginning to see our investment in new technology pay off with the addition of new customers this quarter. We are continuing the deployment of our virtual CCAP core, together with our Remote PHY nodes, with multiple Tier 1 cable operators worldwide. In addition, we are also in customer trials for our end-to-end Remote MACPHY solution. We are confident that with the support of both our Remote PHY and Remote MACPHY, we are in a position to grow our cable broadband business in 2023 and beyond.

We are also expanding our fiber extension deployment in the United States and Europe beyond our original customer base in Australia when we acquired NetComm With the



enhanced network management, higher port counts and XGS-PON support, we are targeting growth in the segment next year.

In our fixed wireless business, the investment in our high-power 5G-millimeter wave products is paying off with customer wins, which we will announce in the near future. We believe that we will continue to see this momentum in fixed wireless continue into 2023 and beyond.

All of these early successes, along with our long-term connected cloud strategy, are the result of many years of product development that is now in the early stages of deployment. We are excited to be recognized as an industry leader at such an important time in network transformation. The recent customer wins are validations that we are on the right path with our connected cloud strategy which includes cloud-native software running on off-the-shelf hardware as well as our cloud-centric appliance-based products.

Importantly, the new customer wins and strategic partnerships, combined with the significant progress we are making on our product development, aligns with our long-term strategy and efforts to reposition the company for the future as we outlined at our November Investor Day. We designed our strategy to disrupt the legacy chassis-based or even older-generation virtual network function architectures to speed network transformation with a future-proof cloud-native software solutions for cable, mobile and fixed networks. This strategy has significant potential to revolutionize the telecommunications industry, and we are encouraged by the early validation of this path and the strategy by customers such as Verizon, as reflected in our recent partnerships.

Now let's turn to the first quarter. I want to reiterate that 2022 remains a building year for Casa. While we are clearly experiencing significant demand for our products, as seen in



our strong backlog, we also continue to be impacted by the ongoing supply chain and logistical challenges. For example, some of our factories and those of our suppliers have been shut down or forced to operate at a reduced capacity recently. We are working to navigate these significant headwinds in the supply chain which have caused disruptions in our ability to ship completed products to customers.

That said, and as you saw in our press release today, we chose to remove our existing fiscal year guidance. This decision is not a negative reflection of our business or the demand we are seeing. However, it does reflect the reduced visibility we currently have regarding the ongoing supply chain constraints and the current level of uncertainty; the persistent COVID-19 implications overseas, namely in our Asia facilities and those of our suppliers; revenue recognition matters on some of our new large partnerships and the impact they may have on cash revenue and demand; and as Ed will address shortly, pending tax law changes that could impact our financials.

While we do see a path to achieving the revenue guidance likely at the low end of our previously stated range, there are simply too many uncertainties at this time, as I have just outlined. Thus, we felt it was prudent to remove the formal guidance. We will, however, commit to providing you qualitative updates over the interim basis until such time that we have the visibility to reinstate our guidance for the fiscal year.

In the meantime, we are working with our customers to fulfill as many orders as we can. And I would also like to note that we have a large backlog across all of our products. During the first quarter, our backlog and deferred revenue increased significantly, and Ed will give you the details. As such, we are focused on building our book of future business, and we are seeing strong interest in our sales pipeline. We are looking beyond the current supply chain situation and are focused on setting the stage for strong growth in 2023 and beyond. Ed will provide a more detailed discussion in his



remarks regarding recent performance and expect the future impact of these constraints and our effort to mitigate them.

Let's review our momentum across our product lines. Starting with wireless, we had \$22.5 million of wireless revenue booked during the first quarter. This accounted for 35% of our total revenue. Compared to the first quarter of 2021, we increased our wireless customers by 17 and now have a total of 49 wireless customers, and we expect that this number will only continue to grow.

Moving to cable. Cable revenue for the first quarter was \$28.6 million and represented 44% of our total company revenue in the first quarter compared to 46% in the first quarter of 2021. Our cable segment continued to be impacted by chip shortages and global manufacturing issue, which led to delayed shipments. As stated during our previous earnings call, we continue to see supply chain shortages, and we expect that cable growth will be relatively flat during 2022 as a result.

Finally, fixed telco posted first quarter revenue of \$13.3 million, which is down on a dollar basis but up 5 percentage points compared to this time last year as a percentage of total revenue.

In summary, our connected cloud strategy has been validated by the early wins and the large number of engagements we have with carriers and partners. We believe that this is just the beginning of a new Casa, and we are the leader in the significant cloud transformation of the telecommunications industry. And while our short-term financial performance is being negatively impacted by certain uncontrollable macro elements, I feel most optimistic today that Casa will enter into a multiyear accelerated growth period now that we have multiple large addressable markets with proven leadership in technologies.



Finally, in case you weren't able to join us on our Verizon call on April 18, I would like to introduce our new Chief Financial Officer, Ed Durkin. He brings over 30 years of financial and executive experiences in the software industry. Ed has already been a strong contributor in his first few weeks with us, and we welcome him to the company.

With that said, I'd like to turn the call over to Ed. Ed?

**Ed Durkin, Chief Financial Officer**

Yes. Good afternoon. Thank you, Jerry, and good afternoon to everyone joining us today. And before I launch into my presentation, I would like to first say I'm very excited to be here for my first Casa Systems earnings call in this pivotal time in our company's transformation. And I actually look forward to meeting many of you on this call over the coming weeks. So with that said, let's discuss the details of the quarter.

So first, as Jerry mentioned, we are seeing significant demand for our products as evidenced by our strong backlog and our growing sales pipeline, including a large number of prospects on our cloud-native software solution, similar to the Verizon solution. And we're also seeing growing interest in new and very large go-to-market distribution partners as a result of that recent major win at Verizon. I ultimately think we'll see many benefits in future quarters from Verizon and from continued product and go-to-market execution on the strategy Jerry and team have been conveying since last November.

With that said, during Q1 2022, we are significantly impacted by broader macro challenges that were beyond our control, principally supply chain related. And further, on a comparative basis, Q1 2022 was a difficult comp to Q1 2021 due to the timing of a few large orders in the first quarter of 2021 and due to some of the headwinds we experienced in Q1 2022. Specifically, as you may recall, we recognized a large NetComm order in Q1 of last year. And we also have a large cable software order in Q1





of last year. And while we knew these items would not repeat in the first quarter of this year, it's just an important reminder for comparison's sake and a contributing factor to the year-over-year revenue decline.

Our Q1 2022 revenues were also impacted by shipment delays due to component shortages and, to a lesser extent, the timing of the Verizon deal as we originally anticipated this deal to close in mid-March 2022 with the modest software revenue in Q1 2022. So as a result, total revenue from the first quarter came in at \$64.4 million, which is a 38% year-over-year decrease. In regard to the component shortages during the quarter, some of our APAC suppliers were shut down or forced to operate at reduced capacity and we were thus unable to build or ship some of the hardware products needed to complete the backlog orders and record revenues during the quarter. At this time, Casa's hardware appliance business continues to contribute a significant portion of our revenue, and we're making great progress in our connected cloud software strategy that will provide long-term growth.

And finally, competitively, this is important, we also continue to do very well with a few deals that slips outside of Q1 either closing or expected to soon close and, certainly, the Verizon deal announcement of April 18 validates our competitive strength and differentiation and the quality of our offering.

Going into the details and breaking down Q1 revenue across product lines. First quarter wireless revenue was \$22.5 million, which is down 44% from Q1 2021, with wireless accounting for 35% of total revenue. Related to wireless, we do expect the Verizon multiyear purchase contract for our 5G solutions will help improve the wireless segment over time as we continue to make our transition from hardware to higher-margin software. And I'll discuss this in greater detail in a little bit.



Turning next to cable. Cable revenues came in at \$28.6 million, a 39.7% decline from Q1 2021. While cable revenue did decrease during the quarter, it's not due to lack of demand but more to, again, there were some Q1 2021 shipments where we had a few large orders as contrast with Q1 2022, there was some increase in our backlog in 2022. And to this point, we recently announced that Rogers Communication is deploying Casa's vCCAP software solution with a distributed access architecture. And this gives us great confidence that these investments in our software offerings will bear dividends within our more mature businesses in the future.

And finally, moving to telco. Fixed telco revenue came in at \$13.3 million, a decline of 19.7% from Q1 2021. And finally, during Q1 2022, we had about \$19 million in backlog orders that we were unable to ship due to supply chain delays and shortages.

Moving off of revenue down to gross margins. GAAP gross margins for the quarter came in at \$26.7 million, down 52% compared to Q1 2021. Our GAAP gross margin as a percent of sales in the first quarter came in at 41.4% of revenue. This decline primarily due to the revenue mix issue with lower software revenues in Q1 2022 as compared to '21.

Turning now to operating expenses. Q1 operating expenses were as expected and relatively flat year-over-year at \$45 million. We had a GAAP operating loss of \$18.3 million. Again, this is largely due to the supply chain impact, which impacted shipments and revenue, as we discussed, and the delay in some expected Q1 software revenues which adversely affected top line revenues and gross margins, all flowing down to the operating loss line.

And finally, we had a really unusual anomalous tax provision as seen in our income statement in Q1 2022. To make a long story short, the back story is this tax matter is rooted in a change in U.S. tax law that took place on January 1, 2022, related to the



current deductibility of R&D expenses. As a result of this change in tax law, we and all tech companies now have to capitalize and amortize R&D expenses over several years for tax purposes. Certainly, we're not the only tech company impacted by this nor is the magnitude of the impact cost anywhere near those major other U.S. tech companies who are strongly advocating this tax law change be repealed or deferred, and most subject matter experts on tax expect this indeed will be repealed or deferred later in 2022.

However, it was not repealed by 3/31. And as such, during the first quarter, we recorded an income tax provision expense of \$10.4 million on a pretax loss of \$22.2 million, with \$9.5 million of this tax provision tied to this anomalous tax law change and how we were required to account this including specifics of our deferred tax assets and deferred tax valuation allowances. That kind of covers the income statement.

Turning to the balance sheet. We continue to have strong liquidity with a working capital balance of \$237 million. At quarter end, we had net receivables of \$48.1 million; an inventory of just over \$85 million; \$168.6 million in unrestricted cash and cash equivalents, which is up sequentially over 12/31/21 and also up 15% year-over-year with a strong cash increase primarily driven by excellent cash receipts on receivables and tax refunds received in Q1 2022. And this strong cash balance provides us the ability to invest in our tech platform and go-to-market programs. It also gives us the ability to repurchase shares as needed or pay down debt if we so elect.

I would further like to highlight that our current cash balances we just covered excludes the \$40 million we received from Verizon for the 9.9% equity stake on April 18 and also excludes another \$20 million, which we'll receive from Verizon for license payments in the next 3 to 6 months. And to wrap up the balance sheet, our gross debt was \$277.5 million, down slightly from \$278.2 million in Q4 of last year.



Turning to the Verizon announcement, as mentioned on our call a few weeks ago, that announcement really marks an important milestone in our transformation and demonstrates, validates, incredible potential of Casa's innovative tech. With a validation from an industry leader like Verizon, we have the opportunity to pioneer a critical shift and unique shift as compared to our legacy competitors to a cloud-based strategy. And in terms of financial implications, the deal comes with a multiyear potential \$140 million TCV commercial agreement, which includes \$20 million of committed cash payments in 2022 for purchase orders we received last week, which we will be building in Q2 2022. And we expect that with the continued industry shift to a cloud-based strategy and Verizon's endorsement of our 5G enterprise small cell and security gateway tech through this partnership, we'll not only create additional revenue streams of new and existing customers, but we'll also accelerate Casa's multiyear transformation strategy outlined during Investor Day last November.

Further, under the terms of that Verizon agreement, Verizon invested approximately \$40 million in the company in exchange for 9.3 million shares of Casa Systems common stock at a price per share of \$4.24. We are extremely excited about this Verizon win and other contract wins, as Jerry discussed, but we have decided to temporarily remove financial guidance for the year. While we do believe there is an opportunity to achieve our earlier annual revenue guidance, likely at the low end of our previously guided range, there are simply too many uncertainties and elevated risks at this time, as we've just outlined for you today: supply chain impacts, anomalous tax provisions, timing of revenue recognition on other future cloud-native software deals in our pipeline given these have increased complexity within these deals.

And with that said, we do expect that with our recent contracts wins and considering all other circumstances, 2023 will be a growth year for Casa as we begin to experience the tailwinds from the Verizon deal and other 5G next software prospects and as soon as supply chain issues moderate. And finally, we will endeavor to provide updated annual



guidance later this year once we assess all uncertainties impacting our future financial projections.

And finally, before I turn the call over to Jerry and then questions, I did want to reiterate how excited I am about the future of Casa. And in this regard, I actually believe there's a much bigger story here and a significant and successful transformation taking place at Casa. And while this transformation will take time, I believe we will succeed in our transformation.

And my belief that we will succeed is rooted in things like, look, beyond Verizon, there are many new Tier 1, high pedigree prospects reaching out to us now on our cloud-native software capabilities. This phenomenon was clearly aided by the Verizon announcement. And the deal sizes for these new cloud-native software opportunities in our forward-looking sales pipe is large and very heartening. And further, and this is important, we are seeing a new class of global ecosystem partners reaching out to us about working together or we are actually jointly working with them on major sales opportunities today.

This is not the set of legacy partners we work with in the past; these are market-leading cloud hyperscalers, these are large cap globally focused leading tech firms. This expanding a new partner ecosystem interest is driven by the fact that, look, software cloud and 5G is a huge market opportunity expansion for them, and Casa actually uniquely helps them unlock this opportunity for them. So these are just a couple of the real leading indicators I am seeing and hope this provides some good context to all.

In closing, Jerry has assembled a tremendous team. We have a great tech platform and product suite. We are setting the stage for future sustainable, profitable growth with our TAM expanding, our backlog is strong, our sales pipeline and partner ecosystem is growing and our cloud-native software capabilities have been validated by the best in



the industry with the Verizon announcement of April 18. We are resolute this differentiated strategy is working, and we are on the right path to drive accelerated growth and enterprise value in 2023 and beyond.

So with that, I'd like to turn the call back over to the operator to open the line for questions.

**Operator**

Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. Our first question comes from the line of Tim Long with Barclays. Please proceed with your question.

**Tim Long, Barclays**

Yes, two questions, if I could here. First, Ed, you talked a lot about the other opportunities in the cloud-native MAC area. Can you talk a little bit, just give a little color, on the complexion of those customers? Where are they geographically? And is there any common thread which you think would position Casa to win at those customers relative to the competition or any reason that they might want to go in a different way since Verizon has gone this way?

And then the second question is on the backlog, if you could just give us a little color on kind of how much orders grew, where in the business they grew more. And related to that, it seems like the component miss on the product side that you guys have seems a little bit more severe than most others in the industry. So could you talk about the defensibility of that backlog, the potential risk to some of that going to potentially larger customers that might be in front of Casa in line when it comes to getting components to fulfill these orders?



**Jerry Guo, Chief Executive Officer of Casa Systems**

Tim, let me answer the first part of the question about the customers, especially on the 5G core side, and Ed can answer to the backlogs and the supply chain challenges. We really have several different types of engagements in the 5G core space. And there are large ones just like Verizon. We are well engaged with a multiple of those type of customers to basically test and to validate our cloud-native core. And we also have the medium-sized companies which are already deploying or testing our cloud-native solutions. We also have smaller ones, and we tend to be very selective in that category given the effort it takes to help them deploy cloud-native cores.

And the final category we have are actually mobile private networks, and we are working with multiple partners and carriers to provide end-to-end solution not only our core but our O-RAN and enterprise small cells for that kind of end-to-end mobile private network solutions. And in this category, we do have more than we can. We want to engage. We have been very selective in the partner space as well. And as Ed also mentioned, we have so many large partners who are interested in working with us. And we are engaged with many, but we do need to limit how many we can handle at a single time. Ed, maybe you can give some comments.

**Tim Long, Barclays**

I'm sorry, Jerry, just on the timing of these things, I mean, you obviously have a lot of development that you still need to do with Verizon. So is this timing more uncertain? Or are some of these could be hitting in this year, possibly?

**Jerry Guo, Chief Executive Officer of Casa Systems**

We do expect closing more cloud software deals in 2022.

**Tim Long, Barclays**



Okay. And then, Ed, on the supply chain and backlog, please?

**Ed Durkin, Chief Financial Officer**

Yes. Sure thing, Tim. And looking forward to meeting you. In kind of reverse order, the backlog, the full picture is, if you look at our balance sheet, total deferred revenue at 3/31/22 was \$25.6 million. At 12/31, it was \$21.4 million. So deferred revenue is up.

Firm backlog, excluding deferred revenue and excluding any components of that new Verizon deal that we announced, at 3/31/22, it's about \$185 million and at 12/31/21, it's about \$170 million. And again, if you allow us to pro forma Verizon, given that it is now closed, obviously, we've got committed cash payments coming in Q2, Q3 from Verizon for \$20 million this year and future contract value of \$120 million. So in total, it's kind of a comparison of deferred revenue, firm backlog and Verizon dollars of \$350 million at 3/31/22 versus deferred revenue and backlog of around \$193 million or so at 12/31/21, so a pretty sizable increase. Obviously, it requires us to execute on that Verizon contract.

As to your second question, Tim, on the supply chain, look, the challenges do continue. We're working hard, nights, weekends and weekend nights, to mitigate the impact on revenues. We do have suppliers and subcontractors in APAC. And that's probably where we saw the biggest impact on Casa's business. But again, we are working hard to drive component delivery so that we can optimize revenue shipments this year, and it's a very dynamic and ongoing process that we're doing the best to manage.

**Operator**

Our next question comes from the line of Simon Leopold with Raymond James. Please proceed with your question.





**Simon Leopold, Raymond James**

So I appreciate and understand why you're not guiding for the full year given sort of all the moving parts but wondering if you could offer some thoughts on how you're thinking about the second quarter given that it looks like the lockdowns in China, at least the ones that started, are starting to open up again and you've got some visibility into the Verizon business. I guess what I'm just thinking about is that the June quarter revenue should be up by at least \$10 million sequentially just to account for the Verizon. And if there are other factors in terms of the supply chain opening up, just want to see if you can offer some thoughts on how to think about Q2 at least.

**Jerry Guo, Chief Executive Officer of Casa Systems**

Simon, I think we do have a bit of visibility issue even on Q2. On Q2, the rev rec is actually the major factor, even though we still have the supply chain issue to contend with. But we really haven't figured it out. We are working with our accounting firms, but we haven't really nailed down that rev rec for the delivery of the software. We have no problem delivering the software we committed to, and our customer is basically willing to accept what we have. But we will get the cash revenue, but the question is really the rev rec at this point.

**Simon Leopold, Raymond James**

Sure. No, that makes sense to me. I guess the other related question though then is, with this Verizon revenue, with what you're doing in 2022, how do we think about the gross margin impact of that activity?

**Jerry Guo, Chief Executive Officer of Casa Systems**

We are still working on the mix of products. And the supply chain actually impacts a fairly broad spectrum of products from cable to radio to some of our CPE products. So it really depends on what the mix is going to be after we ship, able to ship. That's going to



determine the margin and how much of the software revenue we are going to be able to recognize this year.

**Simon Leopold, Raymond James**

Okay. And then I just want to make sure I've got an understanding of the use case for the Verizon core award. It's my impression that the 5G core application for Casa is related to private enterprise wireless networks, but I'm not 100% sure. So I just want to see if you can provide a little bit more color on the use case for Verizon.

**Jerry Guo, Chief Executive Officer of Casa Systems**

Yes. So we did have that deal a while ago on mobile private network, but the contract we just announced with Verizon is for public 5G core. And it's basically a cloud-native 5G core in the mobile edge computing kind of a setting. So it's for public network.

**Simon Leopold, Raymond James**

Great. And just last one is, I know this is more of a philosophical debate type question, but you opted not to preannounce. And I know you didn't guide for the quarter explicitly, but for the year. But I guess there's some argument that if you're going to miss consensus expectations, you should preannounce. Could you just talk about your philosophy of why you opted not to make a preannouncement on this quarter?

**Jerry Guo, Chief Executive Officer of Casa Systems**

We couldn't figure out some of the issues in advance and everything is happening fairly quickly. And we normally do not provide quarterly guidance, as you are aware. And if we feel like we're going to miss the year, we definitely would preannounce. But right now, we have such a reduced visibility. We believe it's prudent to let the market know.



**Operator**

Our next question comes from the line of Garrett Hinds with Macquarie. Please proceed with your question.

**Garrett Hinds, Macquarie**

Just a couple of housekeeping ones. It seems like service held in well and actually grew. Just it'd be good to understand that dynamic sort of disconnected from the product revenue. And then also just for the share count, do you guys have any color how should we think about the fully diluted share count?

**Jerry Guo, Chief Executive Officer of Casa Systems**

Ed, do you want to take that question?

**Ed Durkin, Chief Financial Officer**

Sure. The service revenue, I mean, was relatively small, but it offers maintenance support services and other services. It's not a huge component. As to the share count, what you're seeing there is the 84 million. That does not have any of the shares provided to Verizon on April 18. I think there were 9.3 million shares sold to Verizon on April 18, and those will be included in outstanding shares going forward. And obviously, in the basic and diluted EPS, given we're in a loss position for Q1, we don't include the effect of common stock equivalents in the diluted EPS because they would have the effect of diluting the loss per share. So 84 million was what was outstanding at the end of March. There will be another 9.3 million or so as a result of the Verizon equity infusion on April 18, and that will kind of form the basis of outstanding shares going forward.

**Garrett Hinds, Macquarie**



And then just curious, what use cases are you most excited about enabling with your broad 5G portfolio?

**Jerry Guo, Chief Executive Officer of Casa Systems**

Yes. For the 5G, we are very excited about things which are real time and all the control-related applications, all the things that require no latency video, gaming metaverse, everything which requires low latency and real-time and high security. And also, the second thing is really edge related. And traditionally, mobile operators backhaul their traffic back to their data centers to process before they dispatch out again. And with our software, we are going to enable the mobile edge computing and process the traffic right at the edge. So that's another very exciting opportunity for us.

**Garrett Hinds, Macquarie**

Thank you so much.

**Operator**

There are no further questions in the queue. I'd like to hand the call back over to Jerry Guo for closing remarks.

**Jerry Guo, Chief Executive Officer of Casa Systems**

Well, thank you, everyone, for joining us today. We are confident that we are on the right track to accomplish our multiyear transformation into a leading provider of cloud-native software and physical infrastructure technology solutions for mobile, cable and fixed networks. Our pipeline is strong, our product development remains on track and our growing backlog is indicative of the strong revenue growth we believe we can deliver and sustain well into the future. I look forward to updating you on our progress with these initiatives and the next phase of our Verizon partnership.



**Operator**

Thank you. Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time and have a wonderful day.

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