



Operator

Greetings and welcome to the Casa Systems Special Investor Call. At this time, all participants are in 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. I would now like to turn the call over to Jackie Marcus of Investor Relations. Thank you, you may begin.

Jackie Marcus, Investor Relations

Thank you, Daryl, and good morning, everyone. Joining 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 this call will contain forward-looking statements. All statements other than statements of historical facts contained in this call, including statements regarding future customer engagement and the financial position of Casa Systems, including financial targets, business strategy and plans and objectives for future operations, are forward-looking statements.

The words anticipate, believe, continue, could, estimate, expect, intend, may, plan, potential, predict, project, target, should, would and similar expressions are intended to



identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the company's most recent annual report on Form 10-K, which is on file with the SEC.

In addition, the company operates in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for Casa's Management to predict all risks, nor can Casa assess the impact of all factors on its business or the extent to which any factor or combination of factors may cause actual results to differ, materially, from those contained in any forward-looking statements that Casa may make.

In light of these risks, uncertainties and assumption, the forward-looking statements and circumstances discussed in this call are, inherently, uncertain and may not occur, and actual results may differ, materially and adversely, from those anticipated or implied in the forward-looking statements.

Accordingly, you should not rely upon forward-looking statements as predictions of future events. Casa Systems undertakes no obligation to update publicly or revise any



forward-looking statements for any reason, after the date of this call, to conform those statements to actual results or to changes in Casa Systems' expectations.

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

Jerry Guo, Chief Executive Officer of Casa Systems

Good morning, everyone. As we shared this morning, we are excited to announce that we have been awarded a multiyear purchase contract from Verizon. Verizon will additionally be acquiring a 9.9% ownership stake in the company.

Under the terms of the six-year agreement, with a potential value of up to \$140 million, which includes \$20 million of committed cash payments in 2022, Casa Systems will provide its 5G Core software to Verizon, helping power Verizon's public Mobile Edge Computing service offering.

In addition to the multiyear purchase contract, Verizon's investment is approximately \$40 million in Casa common stock, resulting in a 9.9% ownership stake made at a premium of 9% to our stock price, as of the close of the business on Thursday, April 14. Verizon has an incredible legacy of being one of the world's leading providers of technology and communications services, and we're honored to have them as a strategic partner, as our business continues to grow.



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This announcement is an important milestone for our wireless programs and Casa's continued journey to long-term growth and represents a strong validation of our industry leadership in cloud native wireless software technology.

As presented last year at our 2021 Investors Day, we have been confident that our connected cloud solution has significant potential to revolutionize the telecommunications industry. The Casa connected cloud is designed to disrupt the legacy chassis based or virtual network function architecture. And the announcement today is especially pleasing, as it represents validation of this disruptive product strategy.

I would like to explain why we feel so bullish about our technology and associated business opportunity. Verizon is an acknowledged industry leader in driving innovation in the mobile wireless industry with consistent world firsts, over many years, announcing new technologies and associated vendors to the market. The confidence placed in Casa represents a strong justification of our cloud native design investment we have made over the past few years. This award places Casa at the forefront of the global industry shift towards edge deployed cloud native software control of telecommunications network.

We expect that the Verizon endorsement of the Casa connected cloud technology will help unlock new business at other large-scale service providers, around the world,



who are right now planning their own shift to a cloud native network architecture.

Verizon is at the forefront of adoption for cloud native networks worldwide, and this announcement effectively makes Casa Systems the safe bet vendor for other carriers who will monitor, closely, the decisions made by operators like Verizon.

Today's cloud native 5G Core contract announcement is a strong indicator of the direction the wireless industry is taking for their 5G networks. While we have the many Tier 1 mobile operators anonymous and deploy 5G networks over the past few years, the vast majority of these networks are based on traditional chassis or virtual network function, which is not a way of the future.

The Casa cloud native solution can be used to complement the legacy 5G Core or to replace the legacy 5G Core because of the scalability, speed of deployment and network changes and built-in high availability. Existing 5G Core deployment in network architectures is constrained and are concentrated into data centers. For a Tier 1 operator in the U.S., this can typically see dozens of large data center deployment locations.

Contrasting this the Mobile Edge Computing solution being announced today is deployed at the Edge or the Far Edge of the network with thousands of locations all over the network geography. The Edge or Far Edge deployment architecture offers



significantly lower latency to enable real-time applications, which is one of the core 5G advantages.

Existing 5G deployments today are mostly non-standalone. Casa supports multiple network deployment modes including standalone, non-standalone and 4G traffic in control and user planned separations mode. When carriers operate from the non-standalone to standalone, they would want to deploy Casa's cloud native standalone technology. At the same time they can use the same technology to not only support 5G traffic but also to operate legacy 4G cores with a cloud native solution MEC deployment as well.

We believe the 5G and 4G cloud native core addressable market is wide open today. And with this award, we have positioned extremely well. As we speak, Casa is performing technology trials and working on these in more than multiple 5G Core cloud native opportunities worldwide. These are deals of significance, and we will continue to inform the markets as we look to announce more positive news throughout the year.

Now, I am pleased to welcome and introduce to you Ed Durkin, our new Chief Financial Officer. Ed will provide further details regarding the financial highlights of this announcement.



Ed Durkin, Chief Financial Officer

Okay, thank you, Jerry. First, I just want to say I'm really excited to join the Casa family, and it certainly has been an eventful start with this great Verizon partnership we announced, earlier today, and good morning to all on the call.

So, as Jerry mentioned, this announcement does mark an important milestone in Casa's journey and really demonstrates the incredible potential of our innovative tech platform and the team, right. And this also represents truly the successful culmination of a marathon year plus of hard work with visionary and market-leading Verizon. And they've been very public about their 5G strategic focus and their billion-dollar investments in 5G to enable them to drive new premium services and revenue streams and to net it out. All at Casa are very excited to have been chosen by Verizon to partner with them on their very strategic initiatives.

Briefly, from a financial perspective, there are two agreements being announced for Verizon, today. Number one is the stock purchase agreement and \$40 million equity investment, and the second agreement is the commercial agreement that Jerry mentioned.

So, as to the first agreement, the stock purchase agreement and the \$40 million equity investment, I guess, netted out, Verizon is taking a 9.9% stake in Casa. The price per



share paid is \$4.24. It is straight vanilla common stock, and Verizon is not getting a Board seat or any other nonroutine right. And as you can see from the Verizon Ventures website, there are very smart, strategic and long-term investors who only invest in companies that have breakthrough technology that can “change the way people experience the digital world” to paraphrase their parlance, and we are very pleased to welcome Verizon to the Casa family of investors.

Moving on to the second agreement, the multiyear commercial agreement Jerry mentioned, at its core, it's a software licensing and development agreement. There is \$20 million of committed payment in Q2 and Q3 2022, which will soon be forthcoming from Verizon, in addition to the \$40 million equity investment we received earlier this morning. And the remaining value of the contract behind this first \$20 million that we'll receive in 2022 has the potential to be up to 120 more for a total of 140 million TCV. This remaining 120 is subject to Casa executing on our agreement and Verizon accepting the many deliverables under this licensing and development agreement.

The commercial contract, itself, will not have a material impact on Casa's 2022 top line or bottom-line results. And we do remain subject to all the risks for 2022, as outlined in our recently filed 10-K, including the ongoing COVID supply chain issues that are



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impacting all companies who have a hardware component to their business. And this particular Verizon contract is a complex contract with many deliverables. But the

primary benefits, revenue and otherwise, should be realized in 2023 and beyond, as we execute on this important partnership, both from a revenue recognition and gross

margin perspective, as well as all the other benefits that will inure to us from customers, prospects, partners and others.

So, in conclusion, as Jerry mentioned, this Verizon partnership is a great validation of the strategy that Jerry and the team rolled out back in November of 2021. Truly, cloud and 5G are changing the telecom world, and this is a new and major growth opportunity for us to capitalize on, and we think we're really well-positioned, given our software tech platform and team.

And I guess to finalize things, we do think there are only a very small group of companies that can truly compete for this new cloud native 5G Core opportunity, and we're really excited looking forward to 2023 and beyond.



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So, I know we covered a lot but that kind of concludes my high-level prepared remarks after a bit of a busy holiday weekend and hope this provides the proper high-level context to the new Casa Verizon strategic partnership announced earlier this morning.

So, with that, I'll turn the call back over to the operator to begin our Q&A session.

Operator?

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press "*", "1" on your telephone keypad. A confirmation tone

will indicate your line is in the question queue. You may press "*", "2" if you would like to remove your question from the queue.

For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

One moment please while we hold for your questions.

Our first questions come from the line of Tim Long with Barclays. Please proceed with your questions.



Tim Long, Barclays

Thank you. Two questions, if I could, Jerry and Ed. First, I'm curious if you could just talk a little bit, probably Jerry, about the competitive nature of this bid. Just curious either who you kind of saw, competitively, or kind of the complexion of the companies that were in the final stages here.

And also, if you can give us some commentary on, I'm sure, the incumbent legacy type of vendors had some say in trying to maybe slow this type of move because it might impact their business.

And then, the second question would be, Jerry, you mentioned a lot of other trials and early-stage bids out there. Could you give us a little color on kind of how big that pipeline is? Is it mature, meaning, is it you're close to maybe seeing more activities or are some of the deals potentially as large as this Verizon deal? And are you seeing them across the world, also? Thank you.

Jerry Guo, Chief Executive Officer of Casa Systems

Tim, let me answer your questions. First, who are the competitors in this kind of bids? The 5G Core or in actually previously in packet core generations, you only have a few players, very few. And the last generation basically had Cisco, which acquired the Starent and Ericsson, Nokia, outside the Chinese vendors. Those were the real players.



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You have a little bit from a couple of others, but they're very small. But this generation, we see the three, the typical incumbents. And also one new disruptor, basically, it's the Microsoft with acquisition of a firm.

And you really don't have a lot of players in these kind of very complex technologies. So obviously, the best technology won. And we are very excited that we were chosen, we were validated that we have the necessary technology to enable Verizon to power their MEC deployment to go to the next step of cloud nativeness.

As to the next question about other bids, we do have quite a few bids ongoing at this point. I am not ready to really comment on the size and the potential yet, but I do see other decisions to be made in 2022.

Tim Long, Barclays

Okay, thank you.

Jerry Guo, Chief Executive Officer of Casa Systems

Sure.

Operator

Thank you. As a reminder, if you would like to ask a question, please press "*", "1" on your telephone keypad.



Our next questions come from the line of Tim Savageaux with Northland Capital Markets. Please proceed with your questions.

Tim Savageaux, Northland Capital

Good morning and congratulations on this deal. I wanted to get a better sense along a couple of lines. If you look at kind of the opportunity and, Jerry, I think you said you could have a situation where you replace or complement kind of the current 5G Core.

My assumption here is the Mobile Edge Compute piece of the Verizon 5G services, what you're focused on supporting. And I'd like to get a sense of how that relates to kind of a broader network replacement in terms of the TAM from which you might be pursuing for these specialized applications versus a more broad network deployment.

Am I right to look at it that way, that a full replacement would, obviously, maybe be a bigger deal, in terms of the opportunity for Casa? And then, I have a follow up.

Jerry Guo, Chief Executive Officer of Casa Systems

Yes, Tim, hi. Absolutely right. The deal we announced, I would say, is a portion of that network, the MEC portion of that network.



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And even though we think that's the most interesting and challenging portion, it requires the cloud native nature that product, as well as separation of control and the user planes so that we can put functions at the network Edge or even at enterprise side to the Far Edge.

So, that requires a lot technology changes in order to do this MEC deployment. On the other hand, there are additional potentials to grow to have deployments beyond the MEC domain. And we see that's possible with many operators, going forward. And the existing deployments, as I mentioned, that very much concentrated in a few data centers and also our at best virtual network function based, not cloud native.

Tim Savageaux, Northland Capital

Right, but it seems like newer parts of the network obviously afford a better opportunity for a new supplier to come in and maybe you work from there.

From Verizon's perspective, in particular, at least my impression is you've been working with these guys for a while on various things. And yet, the deal here looks to have some development aspects to it, going forward. So, realizing sales cycles with these Tier 1 carriers are long, can you describe kind of the background of this coming to be in terms of any previous interaction with Verizon and how this opportunity emerged?



Jerry Guo, Chief Executive Officer of Casa

Systems

So, for a disruptor to be able to win a major league deal like this, and this is a public packet core for their public network. It is considered major league. To get to this point, we basically had to establish our credibility, not only from a technology point of view, but also from an operational point of view.

Can you actually provide a very reliable product? Can you deliver on time? Can you-- are you trustworthy? All those typical questions for a very large carrier.

And Verizon is particularly focused on quality and the reliability. So, we have been working with Verizon on other products prior to this. And we have deployed, and we have established ourselves as a credible, reliable technology partner.

And this is, basically, a culmination of that process. And of course, this is not the end. We have other things we may announce in the future. There are multiple projects going on at the same time. As you probably know this, we didn't announce everything and we haven't announced everything we are working on, or we have won. And we'll have further announcements to make.

Tim Savageaux, Northland Capital



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If I can just sneak one in there, when you say further announcements to make, is that a comment specific to Verizon or more on this 5G cloud Core?

Jerry Guo, Chief Executive Officer of Casa Systems

Both.

Tim Savageaux, Northland Capital

Both. Okay, thanks.

Operator

Thank you. There are no further questions, at this time. I would like to turn the call back over to Jerry Guo for any closing comments.

Jerry Guo, Chief Executive Officer of Casa Systems

Thank you. This is an exciting time for Casa, and we are ready to get to work to achieve the full potential of our company. This milestone in our journey validates our leadership in 5G Core and a MEC and truly positions Casa as a key champion for 5G cloud native infrastructure in the United States.



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And for our current and future customers, we believe this continues us on our trajectory to be able to do even more, even faster for you as part of our focus in creating a network that delivers the future of communications and drives revenue for our customers. We look forward to you being a part of what will be an incredible future at Casa Systems.

Thank you, everyone, for joining us today, and we hope you are as excited about this transaction as we are. Operator.

Operator

This does conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.

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