

Q4 and FY 2011 Financial Results

Issued February 7, 2012

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Q4 2011 Highlights

▶ Revenue of \$91.6 million

- Up 9.5% vs. Q3 2011
- At high end of guidance issued October 20, 2011

▶ Ended 2011 on strong note

- Increasing demand and solid Q4 execution
- Added 1000th customer
- Q/Q shipments up for E, B, and C series products
- E7-20 gaining traction
- E-series products widely adopted with Tier 2 customers
- Continued international expansion with several new customer wins, new key in-country channel partner relationships

▶ Focused on executing well over the next few quarters

FY 2011 Highlights

▶ Revenue of \$344.7 million

- Revenue of \$344.7 million, up 20.1% vs. FY 2010
- Gross margin* improved to 43.7% from 41.8% in FY 2010

▶ Building a stronger company

- Customer footprint continues to expand
- Acquired Occam in Q1 adding important Ethernet expertise, B-series offerings, and contributing 300 of Calix's 400 new customer relationships
- Optical modules and Premises product shipments up strongly over 2010
- Strengthened management team with experienced senior executives
- International expansion is on plan

▶ Well positioned to capitalize on secular trends

- Content continues to move to the cloud
- IP-enabled devices continue to proliferate at an accelerating rate
- Tremendous opportunities for our customers to offer broadband services to their consumers and businesses worldwide
- Our customer relationships and industry-leading technology positions us to be a key beneficiary of these trends, helping our customers to transform their business models

*Non-GAAP metrics; see reconciliation in the appendix.

Q4 2011 Financial Results vs. Guidance

\$s in millions, except EPS	Actual Results	Oct. Guidance**	Comments
Revenue	\$91.6	\$88 - \$92	At higher end of guidance range
Gross Margin*	43.1%	Up slightly from Q3 2011 of 41.8%	Higher than guidance due to product mix and OCOGS spread over a higher revenue number
Operating Expenses*	\$35.7	Close to Q2 2011 levels of \$35.5	Up \$4.3 million Q/Q as expected due primarily to an extra week in Q4, higher sales commissions associated with increased revenue, User Group event expenses, and costs related to our international expansion
EPS*	\$0.08	\$0.05 - \$0.09	At higher end of guidance range

*Non-GAAP metrics; see reconciliation in the appendix.

**Guidance issued on Oct. 20, 2011.

Income Statement Summary

Q4 11 / Q3 11 /Q4 10

\$s in millions, except EPS	Actual Q4 2011	Actual Q3 2011	Actual Q4 2010	Chg Q4 11 vs. Q3 11	Chg Q4 11 vs. Q4 10
Revenue	\$91.6	\$83.7	\$91.7	\$7.9	-\$0.1
Domestic	\$85.8	\$78.6	\$74.0	\$7.1	\$11.7
International	\$5.8	\$5.0	\$17.7	\$0.8	-\$11.8
10% or greater customers	1	1	2	0	-1
Gross Margin*	43.1%	41.8%	44.3%	1.3%	-1.2%
Operating Expenses*	\$35.7	\$31.4	\$30.3	\$4.3	\$5.4
Operating Income*	\$3.8	\$3.6	\$10.3	\$0.2	-\$6.5
EPS*	\$0.08	\$0.07	\$0.26	\$0.01	-\$0.18

*Non-GAAP metrics; see reconciliation in the appendix.

Income Statement Summary

FY 2011 / FY 2010

\$s in millions, except EPS	Actual FY 2011	Actual FY 2010	Chg FY 11 vs. FY 10	% Chg FY 11 vs. FY 10
Revenue	\$344.7	\$287.0	\$57.7	20.1%
Domestic	\$323.1	\$244.5	\$78.6	32.1%
International	\$21.6	\$42.5	-\$20.9	-49.2%
10% or greater customers	1	1	0	
Gross Margin*	43.7%	41.8%	1.9%	-
Operating Expenses*	\$131.4	\$101.7	\$29.7	29.2%
Operating Income*	\$19.1	\$18.2	\$0.8	4.7%
EPS*	\$0.40	\$0.45	-\$0.05	-

*Non-GAAP metrics; see reconciliation in the appendix.

Selected Balance Sheet Metrics

\$s in millions	Actual Q4 2011	Actual Q3 2011	Actual Q4 2010	% Chg Q4 11 vs. Q3 11	% Chg Q4 11 vs. Q4 10	Comments
Cash*	\$39.7	\$33.3	\$98.3	19.1%	-59.6%	Occam acquired in Feb. 2011
CF From Operations	\$5.9	\$7.8	\$2.1	-24.1%	181.0%	Positive cashflow from operations as projected
DSOs	43 Days	52 Days	35 Days	-	-	Lower than our target range of 50 to 55 days
Inventory						Y/Y increase as a result of Occam acquisition. Remain focused on improving inventory metrics
Dollars	\$44.6	\$44.2	\$24.6	1.0%	81.6%	
Turns	4.0 x	3.6 x	7.6 x			
Deferred Revenue	\$30.1	\$31.7	\$25.0	-5.1%	20.2%	Decrease due to the recognition of RUS contracts that exceeded current deferral activity

*Cash includes Cash, Cash Equivalents and Restricted Cash

Other Metrics

\$s in millions, on GAAP basis	Actual Q4 2011	Actual Q3 2011	Actual Q4 2010
Capital Ex	\$1.1	\$1.8	\$1.7
Depreciation	\$2.0	\$2.1	\$1.3
Stock base compensation			
COGS	\$0.4	\$0.3	\$0.6
R&D	\$1.1	\$0.9	\$2.0
S&M	\$1.2	\$1.1	\$1.5
G&A	\$1.7	\$1.4	\$4.0

Appendix:

Safe Harbor & Use of Non-GAAP Metrics

All statements other than statements of historical facts contained in this presentation, including statements regarding our future operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “potential,” or the negative of these terms or other similar expressions.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described including those set forth in our filings with the Securities and Exchange Commission (“SEC”), including our most recent report on Form 10-Q for the fiscal quarter ended Sept 24, 2011, filed with the SEC and available at <http://www.sec.gov>.

You should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or will occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of the forward-looking statements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations. You should read our SEC filings and the documents that we have filed with the SEC as exhibits to those filings, with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect.

We report net income or loss and basic and diluted net income or loss per share in accordance with GAAP, and additionally on a non-GAAP basis, often referred to as pro forma. We believe that non-GAAP information is useful because it can enhance the understanding of our ongoing economic performance. We use non-GAAP reporting internally to evaluate and manage our operations. We have chosen to provide this information to investors to enable them to perform comparisons of operating results in a manner similar to how we analyze our own operating results. Reference to these non-GAAP financial measures should be considered in addition to GAAP financial measures, but should not be considered a substitute for results that are presented in accordance with GAAP.

A full reconciliation of GAAP to non-GAAP financial data can be found in the appendix on this slide package and in our Q4 2011 earnings press release issued on February 7, 2012, and we ask that you review this information in conjunction with this presentation.

GAAP to Non-GAAP Reconciliation

The Company uses certain non-GAAP financial measures in this press release to supplement its consolidated financial statements, which are presented in accordance with GAAP. These non-GAAP measures include non-GAAP net income and non-GAAP basic and diluted net income per common share. These non-GAAP measures are provided to enhance the reader's understanding of the Company's operating performance as they primarily exclude certain non-cash charges for stock-based compensation and amortization of acquisition-related intangible assets, and non-recurring merger-related and other expenses, which the Company believes are not indicative of its core operating results. Merger-related and other expenses largely include the charge resulting from the required revaluation of Occam inventory to its estimated fair value, legal and professional expenses, and severance and integration-related expenses and inventory-related charges associated with our merger with Occam. Management believes that the use of non-GAAP measures provides investors with important perspectives into the Company's ongoing business performance and management uses these non-GAAP measures to evaluate financial results and to establish operational goals. The presentation of these non-GAAP measures is not meant to be a substitute for results presented in accordance with GAAP, but rather should be evaluated in conjunction with those GAAP results. A reconciliation of the non-GAAP results to the most directly comparable GAAP results is provided in the financial schedules portion of this press release. The non-GAAP financial measures used by the company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

GAAP to Non-GAAP

Q4 2011 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Non-Cash Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 91,585	\$ -	\$ -	\$ 91,585
Cost of revenue	52,127	362	2,042	54,531
Gross profit	39,458	(362)	(2,042)	37,054
Gross margin	43.1%	-0.4%	-2.2%	40.5%
Operating expense	35,653	4,004	2,553	42,210
Operating income (loss)	3,805	(4,366)	(4,595)	(5,156)
Other income (expense), net	(10)	-	-	(10)
Income (loss) before taxes	3,795	(4,366)	(4,595)	(5,166)
Provision for income taxes	48	-	-	48
Net income (loss)	\$ 3,747	\$ (4,366)	\$ (4,595)	\$ (5,214)
Weighted average basic and diluted shares used to compute GAAP net loss per common share				47,398
Weighted average diluted shares used to compute non-GAAP net income per common share	47,570	47,570	47,570	
GAAP net loss per common share				\$ (0.11)
Non-GAAP net income (loss) per share	\$ 0.08	\$ (0.09)	\$ (0.10)	

GAAP to Non-GAAP

Q3 2011 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Merger Related and Other Expenses	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 83,655	\$ -	\$ -	\$ -	\$ 83,655
Cost of revenue	48,696	-	306	2,806	51,808
Gross profit	34,959	-	(306)	(2,806)	31,847
Gross margin	41.8%	0.0%	-0.4%	-3.4%	38.1%
Operating expense	31,365	1,334	3,490	2,552	38,741
Operating income (loss)	3,594	(1,334)	(3,796)	(5,358)	(6,894)
Other income (expense), net	(2)	-	-	-	(2)
Income (loss) before taxes	3,592	(1,334)	(3,796)	(5,358)	(6,896)
Provision for income taxes	38	-	-	-	38
Net income (loss)	\$ 3,554	\$ (1,334)	\$ (3,796)	\$ (5,358)	\$ (6,934)
Weighted average basic and diluted shares used to compute GAAP net loss per common share					47,128
Weighted average diluted shares used to compute non-GAAP net income per common share	48,092	48,092	48,092	48,092	
GAAP net loss per common share					\$ (0.15)
Non-GAAP net income (loss) per share	\$ 0.07	\$ (0.03)	\$ (0.08)	\$ (0.11)	

GAAP to Non-GAAP Q4 2010 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Merger Related and Other Expenses	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 91,695	\$ -	\$ -	\$ -	\$ 91,695
Cost of revenue	51,086	-	593	1,360	53,039
Gross profit	40,609	-	(593)	(1,360)	38,656
Gross margin	44.3%	0.0%	-0.6%	-1.5%	42.2%
Operating expense	30,270	1,805	7,500	185	39,760
Operating income (loss)	10,339	(1,805)	(8,093)	(1,545)	(1,104)
Other income (expense), net	13	-	-	-	13
Income (loss) before taxes	10,352	(1,805)	(8,093)	(1,545)	(1,091)
Provision (benefit) for income taxes	(354)	-	-	-	(354)
Net income (loss)	\$ 10,706	\$ (1,805)	\$ (8,093)	\$ (1,545)	\$ (737)
Weighted average basic and diluted shares used to compute GAAP net loss per common share					38,144
Weighted average diluted shares used to compute non-GAAP net income per common share	40,943	40,943	40,943	40,943	
GAAP net loss per common share					\$ (0.02)
Non-GAAP net income (loss) per share	\$ 0.26	\$ (0.04)	\$ (0.20)	\$ (0.04)	

GAAP to Non-GAAP FY 2011 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Merger Related and Other Expenses	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 344,669	\$ -	\$ -	\$ -	\$ 344,669
Cost of revenue	194,195	19,966	1,503	9,552	225,216
Gross profit	150,474	(19,966)	(1,503)	(9,552)	119,453
Gross margin	43.7%	-5.8%	-0.4%	-2.8%	34.7%
Operating expense	131,412	11,693	20,100	8,569	171,774
Operating income (loss)	19,062	(31,659)	(21,603)	(18,121)	(52,321)
Other income (expense), net	(5)	-	-	-	(5)
Income (loss) before taxes	19,057	(31,659)	(21,603)	(18,121)	(52,326)
Provision for income taxes	224	-	-	-	224
Net income (loss)	<u>\$ 18,833</u>	<u>\$ (31,659)</u>	<u>\$ (21,603)</u>	<u>\$ (18,121)</u>	<u>\$ (52,550)</u>
Weighted average basic and diluted shares used to compute GAAP net loss per common share					<u>45,546</u>
Weighted average diluted shares used to compute non-GAAP net income per common share	<u>46,947</u>	<u>46,947</u>	<u>46,947</u>	<u>46,947</u>	
GAAP net loss per common share					<u>\$ (1.15)</u>
Non-GAAP net income (loss) per share	<u>\$ 0.40</u>	<u>\$ (0.67)</u>	<u>\$ (0.46)</u>	<u>\$ (0.39)</u>	

GAAP to Non-GAAP FY2010 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Changed in Fair Value of Preferred Stock Warrants	Preferred Stock Dividends	Merger Related and Other Expenses	Non-Cash Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 287,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 287,043
Cost of revenue	167,128				1,745	5,440	174,313
Gross profit	119,915	-	-	-	(1,745)	(5,440)	112,730
	41.8%	0.0%	0.0%	0.0%	-0.6%	-1.9%	39.3%
Operating expense	101,701			3,942	23,830	740	130,213
Operating income (loss)	18,214	-	-	(3,942)	(25,575)	(6,180)	(17,483)
Other income (expense), net	(816)	(173)	-	-	-	-	(989)
Income (loss) before taxes	17,398	(173)	-	(3,942)	(25,575)	(6,180)	(18,472)
Provision (benefit) for income taxes	81	-	-	-	-	-	81
Net income (loss)	17,317	(173)	-	(3,942)	(25,575)	(6,180)	(18,553)
Preferred stock dividends	-	-	900	-	-	-	900
Net income (loss) applicable to common stockholders	\$ 17,317	\$ (173)	\$ (900)	\$ (3,942)	\$ (25,575)	\$ (6,180)	\$ (19,453)
Weighted average basic and diluted shares used to compute GAAP net loss per common share							29,778
Weighted average diluted shares used to compute non-GAAP net income per common share	38,502	38,502	38,502	38,502	38,502	38,502	
GAAP net loss per common share							\$ (0.65)
Non-GAAP net income (loss) per share	\$ 0.45	\$ (0.00)	\$ (0.02)	\$ (0.10)	\$ (0.66)	\$ (0.16)	

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