



Calix Q3 2016 Financial Results

November 1, 2016

Safe Harbor

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements relate to future events and expectations and involve known and unknown risks and uncertainties. Examples of forward-looking statements include, but are not limited to, statements about our development of new products and product features; our anticipated growth and growth drivers; our future financial condition and results of operations; our future business, operational and financial performance; and the success and/or market adoption of our products and solutions. We have based these forward-looking statements on our current expectations, assumptions and projections. Our actual results or actions may differ materially from those projected in forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and factors that could cause results to differ materially as described in our filings with the Securities and Exchange Commission, including our annual report on Form 10-K and quarterly reports on Form 10-Q. Except as may be required by law, Calix, Inc. undertakes no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

Please refer to the reconciliations of Non-GAAP to GAAP financial measures in the appendix and on the Investor Relations section of our website



Q3 2016 Financial Results vs. Guidance

(\$ in millions, except per share amounts)

	Actual	Guidance
Revenues	\$121.2	\$115.0-\$119.0
Non-GAAP gross margin	45.0%	45.5%-46.5%
Non-GAAP operating expenses	\$48.3*	\$48.5-\$49.5*
Non-GAAP operating expenses – excluding Occam litigation	\$52.8	\$53.0-\$54.0
Non-GAAP EPS	\$0.12*	\$0.08 – \$0.12*
Non-GAAP EPS – excluding Occam litigation	\$0.03	(\$0.01) – \$0.03
Cash flow from operations	(\$0.1)	Negative

* Includes approximately \$4.5M of Occam litigation settlement recovery

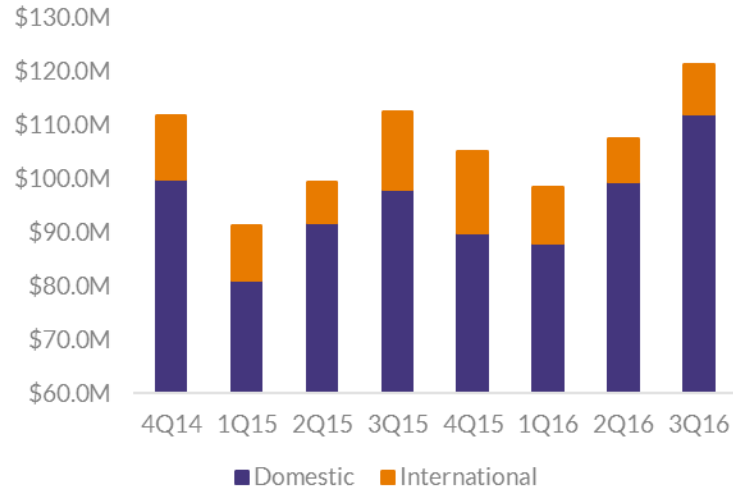
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Income Statement Highlights

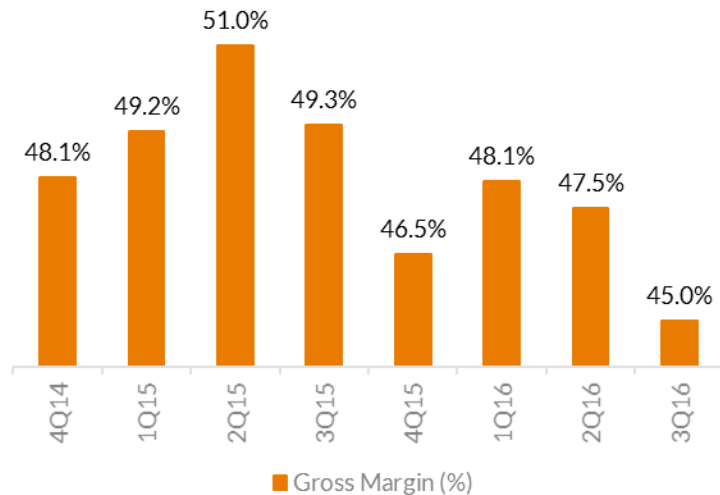
Revenues +8% y/y

- 2 > 10% customers
- Growth across many customers and platforms



Non-GAAP gross margins of 45.0%

- Costs associated with continued ramp of turnkey network improvement projects
- Offset by favorable product and regional mix



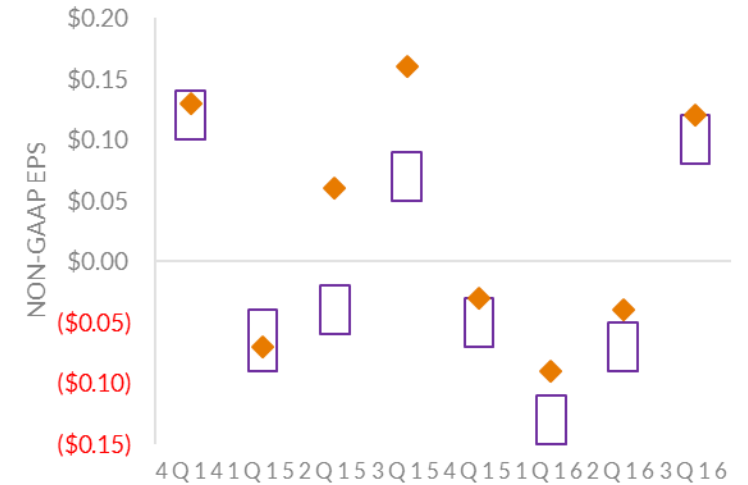
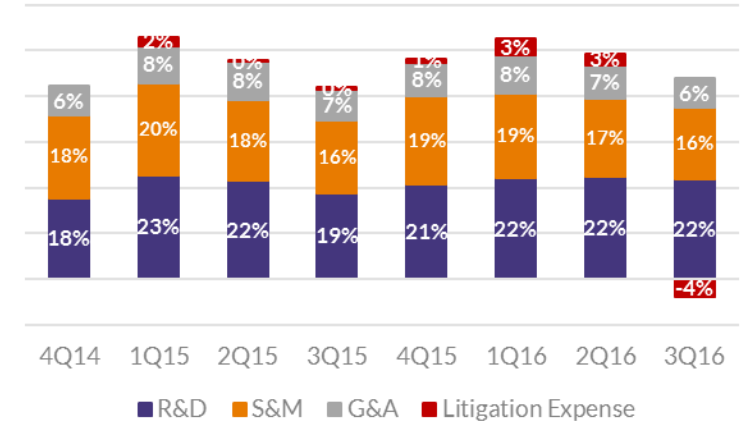
Non-GAAP operating expenses below lower end of guidance

- R&D increase to support growth initiatives
- Incremental customer facing investments to support growth initiatives

Non-GAAP EPS at upper end of guidance

- Leverage from higher sales
- Non-operating items in line with expectations

Operating Expenses as a % of Revenue



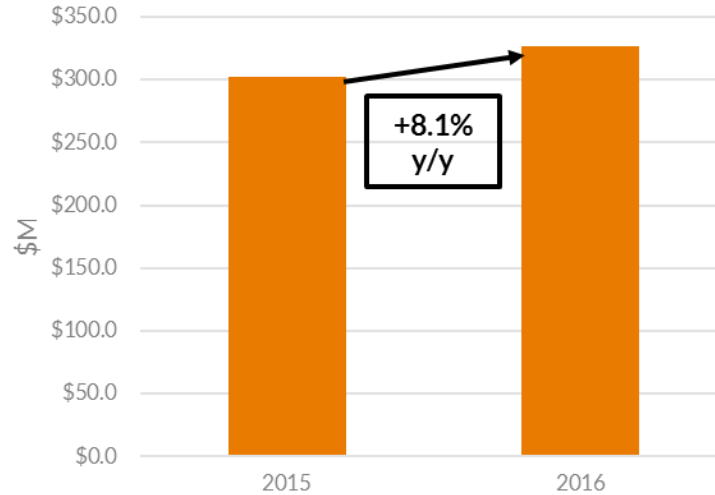
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9-month 2016 Income Statement Highlights

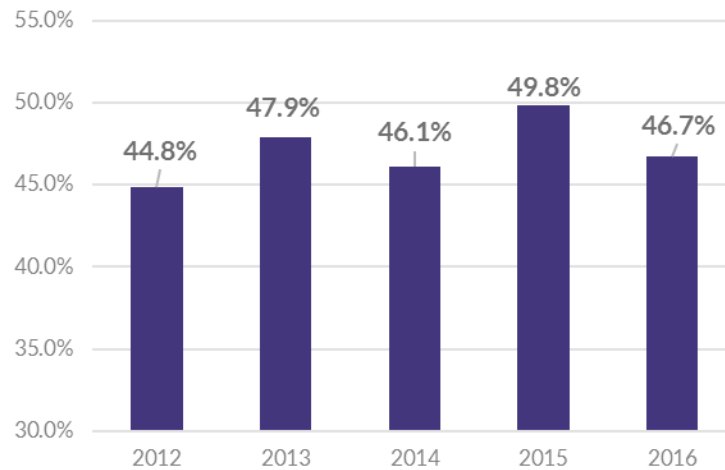
Revenues +8.1% y/y

- Growth across customers, platforms and select geographies
- Benefit from ramp of turnkey network improvement projects



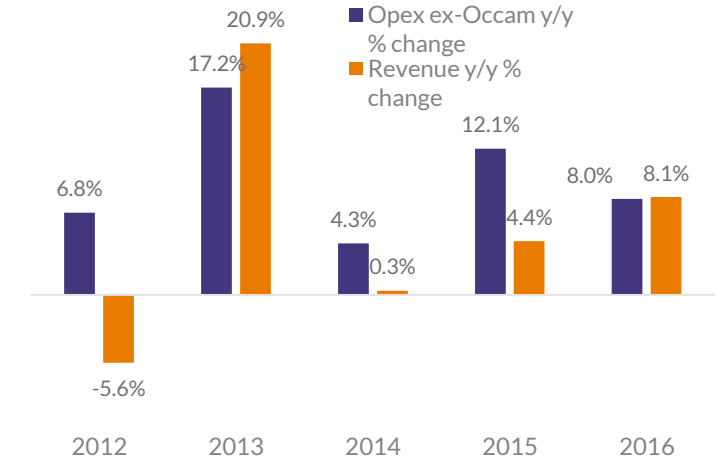
Non-GAAP gross margins of 46.7%

- Less favorable product and customer mix
- Ramp and completion of turnkey network improvement projects



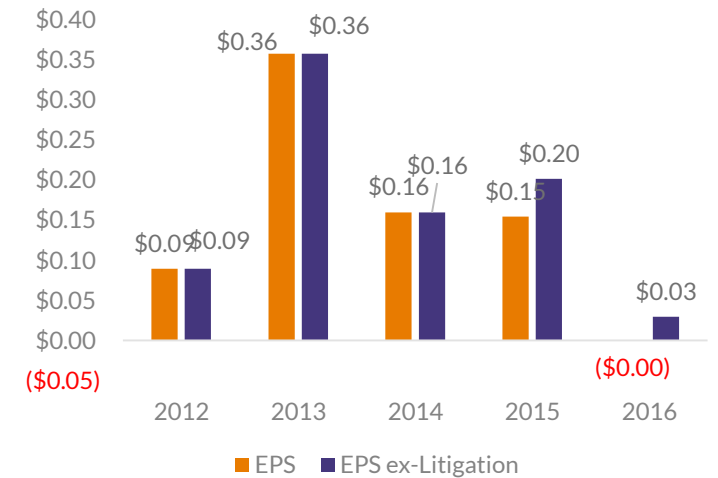
Non-GAAP operating expenses +8% ex-Occam

- Hiring to support growth initiatives
- R&D to support growth initiatives



Non-GAAP EPS of \$0.03 ex-Occam

- Higher revenues offset by growth investments and lower gross margins
- \$0.03 drag from Occam expenses inclusive of settlement proceeds



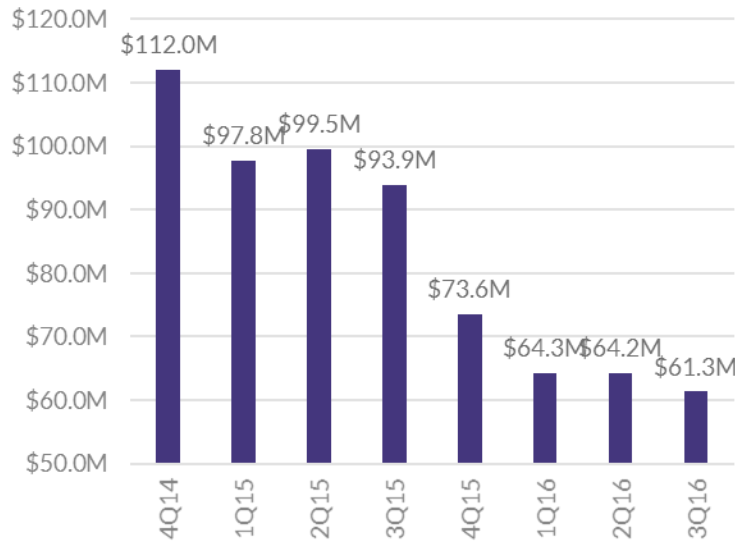
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Balance Sheet & Cash Flow Highlights

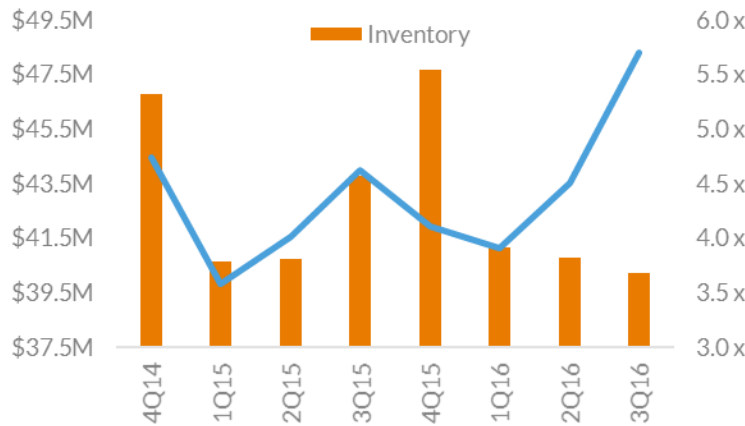
Cash of \$61.3M

- \$40M share repurchase completed in Q1 2016
- \$50M line of credit remains undrawn



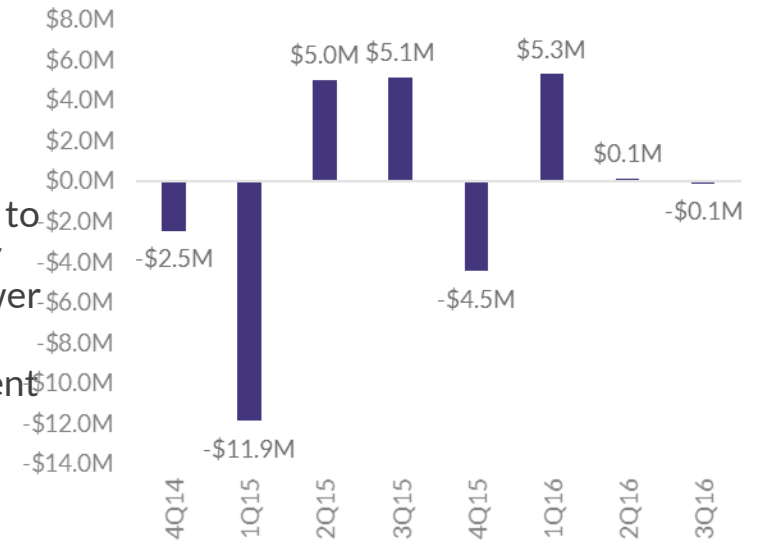
Inventory velocity improving

- Key platform and systems focus
- Increased commonality of critical components



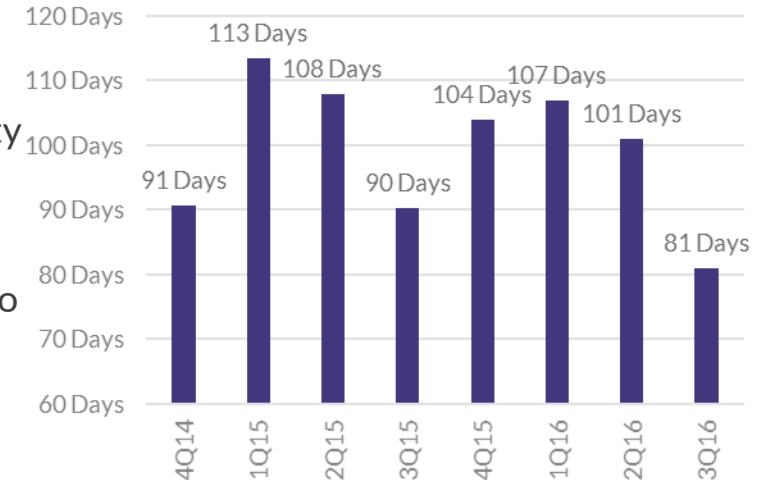
Negative operating cash flow

- Working capital to support turnkey projects and lower profitability
- Occam settlements proceeds expected in Q4 2016



Non-GAAP cash conversion cycle improvement

- Inventory velocity improves by 18 days Q/Q
- Increasing working capital to support turnkey projects



Please refer to the reconciliations of Non-GAAP to GAAP financial measures in the appendix and on the Investor Relations section of our website



Q4 2016 Operating Performance Guidance

	Non-GAAP	GAAP
Revenues	\$127 - \$131M	\$127 - \$131M
Gross margin	44.5 - 45.5%	43.7 - 44.7%
Operating expenses	\$58.5 - \$59.5M	\$62.4 - \$63.4M
EPS	(\$0.04) - \$0.00	(\$0.14) - (\$0.09)
Cash flow from operations	Negative	Negative

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Summary & 2016 Priorities

Predictable, profitable long-term growth

Reaccelerated top-line growth rate

Increased leverage from operating platform investments

Capitalize on accelerated rate of change across industry

Demand drivers remain intact

Q&A

Additional Information

- Additional information available at <http://investor-relations.calix.com/>
 - Stock Information
 - News & Financial Information
 - Events & Presentations
 - Leadership & Governance
 - Investor Resources

Appendix

Occam Litigation Expense and Settlement Recovery

Q1 2015 – Q3 2016

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Total
Occam Litigation (Expense)/Recovery (\$M)	(\$1.7M)	(\$0.1M)	(\$0.6M)	(\$0.8M)	(\$3.4M)	(\$2.8M)	\$4.5M	\$5.0M
Per share impact	(\$0.03)	(\$0.00)	(\$0.01)	(\$0.02)	(\$0.07)	(\$0.06)	\$0.09	(\$0.10)

Non-GAAP to GAAP Reconciliation

Q4 2014 – Q3 2016 Cost of Revenue and Gross Profit

(\$ in millions, except percentages)

(Unaudited)	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
GAAP Revenues	\$111,633	\$91,038	\$99,129	\$112,297	\$104,999	\$98,375	\$107,425	\$121,187
GAAP Cost of revenue	\$60,192	\$48,548	\$50,840	\$59,184	\$58,462	\$52,893	\$57,419	\$67,643
Stock-Based Compensation	(206)	(175)	(211)	(163)	(160)	(127)	(183)	(174)
Amortization of Intangibles	(2,088)	(2,088)	(2,088)	(2,088)	(2,089)	(1,663)	(814)	(813)
Non-GAAP Cost of revenue	\$57,898	\$46,285	\$48,541	\$56,933	\$56,213	\$51,103	\$56,422	\$66,656
GAAP Gross Profit	\$51,441	\$42,490	\$48,289	\$53,113	\$46,537	\$45,482	\$50,006	\$53,544
GAAP Gross Margin	46.1%	46.7%	48.7%	47.3%	44.3%	46.2%	46.5%	44.2%
Stock-Based Compensation	206	175	211	163	160	127	183	174
Amortization of Intangibles	2,088	2,088	2,088	2,088	2,089	1,663	814	813
Non-GAAP Gross Profit	\$53,735	\$44,753	\$50,588	\$55,364	\$48,786	\$47,272	\$51,003	\$54,531
Non-GAAP Gross Margin	48.1%	49.2%	51.0%	49.3%	46.5%	48.1%	47.5%	45.0%

Non-GAAP to GAAP Reconciliation

Q4 2014 – Q3 2016 Operating Expense and Net Income/(Loss)

(\$ in millions, except per share amounts)

Unaudited	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
GAAP Operating Expenses	\$54,294	\$54,377	\$54,054	\$52,236	\$56,272	\$56,220	\$55,887	\$52,809
Stock-Based Compensation	(3,692)	(3,487)	(4,130)	(2,427)	(3,052)	(2,594)	(2,785)	(4,503)
Amortization of Intangibles	(2,552)	(2,552)	(2,552)	(2,552)	(2,552)	(1,701)	0	0
Acquisition-Related Costs	(978)	(190)	(52)	(106)	(24)	(275)	(76)	0
Non-GAAP Operating Expenses	\$47,072	\$48,148	\$47,320	\$47,151	\$50,644	\$51,650	\$53,026	\$48,306
GAAP Net Income/(Loss)	(\$2,988)	(\$11,930)	(\$5,779)	\$922	(\$9,546)	(\$10,729)	(\$5,826)	\$636
Stock-Based Compensation	3,898	3,662	4,341	2,590	3,212	2,721	2,968	4,677
Amortization of Intangibles	4,640	4,640	4,640	4,640	4,641	3,364	814	813
Acquisition-Related Costs	978	190	52	106	24	275	76	0
Non-GAAP Net Income/(Loss)	\$6,528	(\$3,438)	\$3,254	\$8,258	(\$1,669)	(\$4,369)	(\$1,968)	\$6,126
Basic Shares	51,300	51,732	51,950	51,756	50,578	48,591	48,371	48,773
Diluted Shares	52,047	51,732	52,455	52,016	50,578	48,591	48,371	49,309
GAAP Income/(Loss) per share	(\$0.06)	(\$0.23)	(\$0.11)	\$0.02	(\$0.19)	(\$0.22)	(\$0.12)	\$0.01
Stock-Based Compensation	0.07	0.07	0.08	0.05	0.06	0.06	0.06	0.09
Amortization of Intangibles	0.09	0.09	0.09	0.09	0.09	0.07	0.02	0.02
Acquisition-Related Costs	0.02	0.00	0.00	0.00	0.00	0.01	0.00	0.00
Non-GAAP Income/(Loss) per share	\$0.13	(\$0.07)	\$0.06	\$0.16	(\$0.03)	(\$0.09)	(\$0.04)	\$0.12



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