

Calix Q1 2015 Financial Results

ACCESS INNOVATION

April 28, 2015



Safe Harbor

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.

This presentation includes forward-looking statements regarding future events, including but not limited to, our development of new products that will continue to help our customers transform their networks; the adoption of gigabit services; our growth drivers; the ongoing expansion of our total addressable market; the future business and financial performance of the Company; and our long-term model for revenue, gross margin, operating expenses and operating profit margin. 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 in our filings with the Securities and Exchange Commission (“SEC”), especially in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of Calix’s Annual Report on Form 10-K filed with the SEC for fiscal year 2014, our current reports on Form 8-K and other SEC filings issued from time to time, including our Form 10-Qs.

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.

Q1 2015: Financial Highlights*

- ▶ Revenues of \$91.0 million
 - Up 6.1% from Q1 2014 and down 18.4% from Q4 2014 revenue
 - Within guidance range of \$89 to \$93 million
- ▶ Gross Margin continues overall upward trend at 49.2%**
 - Favorably impacted by customer and product mix considerations
 - Up from 45.9% in Q1 2014 and up from 48.1% from Q4 2014
 - Above guidance range of 47.5 to 48.5%
- ▶ \$48.1 million Operating Expense**
 - Impacted by expenses of \$1.7 million associated with Occam litigation
 - Excluding Occam litigation related expenses, Non-GAAP Operating Expenses would have been \$46.4 million, below guidance range of \$46.5 to \$47.5 million
- ▶ (7) cents EPS**
 - Within guidance range of (9) to (4) cents
 - Excluding Occam litigation-related expenses, Non-EPS would have been (3) cents, favorable to guidance
- ▶ Accounts Receivable Days of Sales Outstanding at 37 days
 - Compared with 43 and 34 days in Q1 2014 and Q4 2014, respectively
- ▶ \$97.8 million Cash***
 - Up \$22.6 million from Q1 2014 and down \$13.9 million from Q4 2014











*Guidance provided for Revenue, Operating Expenses and EPS issued on Feb. 3, 2015

**Gross margin, Operating expense and EPS are non-GAAP measures. Please see reconciliation in the appendix to this slide deck.



*** Includes Cash, Cash Equivalents, and Marketable Securities, excludes restricted cash of \$295,000 in Q1 2014.

Summary Information (continued)

Performance Relative to Guidance over the Past 5 Quarters

| | Performance Relative to Guidance | | | | | |
|---------|----------------------------------|----------------------|--|----------|----------------------|---|
| | Revenue (\$M) | | | EPS | | |
| | Actual | Guidance Midpoint | | Actual | Guidance Midpoint | |
| Q1 2015 | \$91.0 | \$91.0 |  | (\$0.07) | (\$0.07) |  |
| Q4 2014 | \$111.6 | \$109.0 |  | \$0.13 | \$0.12 |  |
| Q3 2014 | \$105.8 | \$104.0 |  | \$0.09 | \$0.08 |  |
| Q2 2014 | \$98.0 | \$95.0 |  | \$0.10 | \$0.01 |  |
| Q1 2014 | \$85.8 | \$76.0 |  | (\$0.03) | (\$0.10) |  |

Actual vs Guidance:

| | |
|--|-------------------|
|  | In line or better |
|  | Missed |

*EPS is a non-GAAP metrics. Reconciliation provided on the [historical financial results page on Calix's Investor Relations website](#).

Q1 2015 Financial Results* vs. Guidance

| | Actual Results | Q1 Guidance | Comments |
|---------------------------------|----------------|-------------------|---|
| Revenue (\$M) | \$91.0 | \$89.0 - \$93.0 | Seasonally slow quarter bolstered by strong demand from service providers in US Tiers 2 and 3 |
| Gross Margin* | 49.2% | 47.5% - 48.5% | More favorable mix of customer and product than anticipated |
| Operating Expenses* (\$M) | \$48.1 | \$46.5 - \$47.5 | Excluding Non-GAAP Occam litigation expenses of \$1.7M, Non-GAAP OpEx of \$46.4M would have been below guidance range |
| EPS* | (\$0.07) | (\$0.09 - \$0.04) | Excluding Non-GAAP Occam litigation expenses of \$1.7M, Non-GAAP EPS of (\$0.03) would have been below guidance range |
| Cash Flow from operations (\$M) | (\$11.9) | Cashflow negative | As expected |

*Gross Margin, Operating Expense Margin, and Operation Profit Margin are non-GAAP metrics; see reconciliation in the appendix and [historical financial results on Calix's Investor Relations website](#).

** Guidance provided for Revenue, Operating Expenses, EPS and Cash Flow from Operations issued on Feb. 3, 2015.

Income Statement Summary

Q1 2015 vs. Prior Quarter and Year

| | Actual | | | Change | | | |
|--|-----------------|----------------|-----------------|--------------------|--------------------|-----------------|---------------|
| | Q1 2015 | Q4 2014 | Q1 2014 | Q1 2015 vs Q4 2014 | Q1 2015 vs Q1 2014 | | |
| Revenue (\$M) | \$91.0 | \$111.6 | \$85.8 | (\$20.6) | (18.4%) | \$5.2 | 6% |
| Domestic | \$80.9 | \$99.8 | \$75.2 | (\$18.9) | (18.9%) | \$5.7 | 8% |
| International | \$10.1 | \$11.8 | \$10.6 | (\$1.7) | (14.1%) | (\$0.5) | (4%) |
| 10% or greater customers | 1 | 1 | 1 | 0 | % | 0 | 0% |
| Gross Margin* | 49.2% | 48.1% | 45.9% | 1.1 pts | 2% | 3.3 pts | 7% |
| Operating Expenses* (\$M) | \$48.1 | \$47.1 | \$40.7 | (\$1.1) | (2%) | (\$7.4) | (18%) |
| Adjusted Non-GAAP Operating Expenses** (\$M) | \$46.4 | \$46.9 | \$40.7 | \$0.5 | 1% | (\$5.7) | (14%) |
| Operating Income* (\$M) | (\$3.4) | \$6.8 | (\$1.4) | (\$10.2) | (150%) | (\$2.0) | (151%) |
| EPS* | (\$0.07) | \$0.13 | (\$0.03) | (\$0.20) | (152%) | (\$0.04) | (125%) |
| Adjusted Non-GAAP EPS** (\$M) | (\$0.03) | \$0.13 | (\$0.03) | (\$0.16) | (123%) | \$0.00 | 0.0% |

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

** Adjustments to Non-GAAP OpEx and EPS to exclude Non-GAAP Occam litigation-related expenses.

Selected Metrics

Cash Flow and Balance Sheet

| | Actual | | | Change | | | |
|--|-----------------|----------------|----------------|--------------------|--------------------|-----------------|---------------|
| | Q1 2015 | Q4 2014 | Q1 2014 | Q1 2015 vs Q4 2014 | Q1 2015 vs Q1 2014 | | |
| Cash* (\$M) | \$97.8 | \$111.7 | \$75.2 | (\$13.9) | (12.5%) | \$22.6 | 30% |
| Cash Flow From Operations (\$M) | (\$11.9) | \$23.5 | (\$5.2) | (\$35.4) | (150.6%) | (\$6.7) | (128%) |
| Accounts Receivable (\$M) | \$39.0 | \$30.7 | \$44.1 | \$8.3 | 27% | \$5.1 | 12% |
| Turns | 9.9 x | 10.8 x | 8.5 x | (0.9 x) | (8.2%) | 1.5 x | 17% |
| Inventory (\$M) | \$40.6 | \$46.8 | \$45.1 | \$6.1 | 13% | \$4.4 | 10% |
| Turns | 3.6 x | 4.7 x | 3.4 x | (1.2 x) | (24.4%) | 0.2 x | 5% |
| Deferred Revenue (\$M) | \$28.5 | \$32.1 | \$47.5 | (\$3.6) | (11%) | (\$19.0) | (40%) |

*Cash includes Cash, Cash Equivalents, and Marketable Securities, excludes restricted cash of \$295,000 in Q1 2014.

Other Metrics

| | | Actual | |
|--|--------------|--------------|--------------|
| | Q1 2015 | Q4 2014 | Q1 2014 |
| Capital Expenditures (\$M) | \$1.7 | \$2.5 | \$1.9 |
| Depreciation (\$M) | \$2.5 | \$2.5 | \$2.3 |
| Stock Based Compensation (\$M) | | | |
| COGS | \$0.2 | \$0.2 | \$0.4 |
| R&D | \$1.2 | \$1.4 | \$1.2 |
| S&M | \$1.4 | \$1.5 | \$1.4 |
| G&A | \$0.9 | \$0.9 | \$1.0 |
| Total | \$3.7 | \$3.9 | \$3.9 |
| Amortization of Intangibles (\$M) | \$4.6 | \$4.6 | \$4.6 |

Note: All numbers above are in accordance with GAAP.

Additional Information

- ▶ Additional information available at <http://investor-relations.calix.com/>
 - Growth Drivers/Opportunities
 - Press Releases
 - Video Clips
 - Annual Reports
 - Quarterly Reports
 - SEC Filings
 - Historical Financials
 - Investor Events
 - Success Stories
 - Contact Us

- ▶ Non-GAAP to GAAP Reconciliation

Non-GAAP to 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 (loss) and non-GAAP basic and diluted income (loss) per 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 acquisition-related and other expenses, which the Company believes are not indicative of its core operating results. Management believes that the non-GAAP measures used in this press release provide 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 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.

Non-GAAP to GAAP

Q1 2015 Reconciliation

(Unaudited in thousands, except earnings per share data)

| | Non-GAAP | Stock-Based Compensation | Amortization of Intangible Assets | Acquisition- Related Costs | GAAP |
|---|-------------------|-----------------------------|--------------------------------------|-------------------------------|--------------------|
| Revenue | \$ 91,038 | \$ - | \$ - | \$ - | \$ 91,038 |
| Cost of revenue | 46,285 | 175 | 2,088 | - | 48,548 |
| Gross profit | 44,753 | (175) | (2,088) | - | 42,490 |
| <i>Gross margin</i> | 49.2% | (0.2%) | (2.3%) | - | 46.7% |
| Operating expenses | 48,148 | 3,487 | 2,552 | 190 | 54,377 |
| Operating loss | (3,395) | (3,662) | (4,640) | (190) | (11,887) |
| Interest and other income (expense), net | 48 | - | - | - | 48 |
| Loss before taxes | (3,347) | (3,662) | (4,640) | (190) | (11,839) |
| Provision for income taxes | 91 | - | - | - | 91 |
| Net loss | <u>\$ (3,438)</u> | <u>\$ (3,662)</u> | <u>\$ (4,640)</u> | <u>\$ (190)</u> | <u>\$ (11,930)</u> |
| Weighted average shares used to compute net loss per common share: | | | | | |
| Basic and diluted | <u>51,732</u> | <u>51,732</u> | <u>51,732</u> | <u>51,732</u> | <u>51,732</u> |
| Net loss per share: | | | | | |
| Basic and diluted | <u>\$ (0.07)</u> | <u>\$ (0.07)</u> | <u>\$ (0.09)</u> | <u>\$ (0.00)</u> | <u>\$ (0.23)</u> |

Non-GAAP to GAAP

Q4 2014 Reconciliation

(Unaudited in thousands, except earnings per share data)

| | Non-GAAP | Stock-Based Compensation | Amortization of Intangible Assets | Acquisition- Related Costs | GAAP |
|---|-----------------|-----------------------------|---|-------------------------------|-------------------|
| Revenue | \$ 111,633 | \$ - | \$ - | \$ - | \$ 111,633 |
| Cost of revenue | 57,898 | 206 | 2,088 | - | 60,192 |
| Gross profit | 53,735 | (206) | (2,088) | - | 51,441 |
| <i>Gross margin</i> | 48.1% | (0.2%) | (1.9%) | - % | 46.1% |
| Operating expenses | 47,072 | 3,692 | 2,552 | 978 | 54,294 |
| Operating income (loss) | 6,663 | (3,898) | (4,640) | (978) | (2,853) |
| Interest and other income (expense), net | 118 | - | - | - | 118 |
| Income (loss) before taxes | 6,781 | (3,898) | (4,640) | (978) | (2,735) |
| Provision for income taxes | 253 | - | - | - | 253 |
| Net income (loss) | <u>\$ 6,528</u> | <u>\$ (3,898)</u> | <u>\$ (4,640)</u> | <u>\$ (978)</u> | <u>\$ (2,988)</u> |
| Weighted average diluted shares used to compute non-GAAP net income (loss) per common share | 52,047 | 52,047 | 52,047 | 52,047 | |
| Non-GAAP net income (loss) per diluted share | <u>\$ 0.13</u> | <u>\$ (0.07)</u> | <u>\$ (0.09)</u> | <u>\$ (0.02)</u> | |
| Weighted average basic and diluted shares used to compute GAAP net loss per common share | | | | | 51,300 |
| GAAP net loss per share | | | | | <u>\$ (0.06)</u> |

Non-GAAP to GAAP

Q1 2014 Reconciliation

(Unaudited in thousands, except earnings per share data)

| | Non-GAAP | Stock-Based Compensation | Amortization of Intangible Assets | GAAP |
|------------------------------------|------------|-----------------------------|---|-------------|
| Revenue | \$ 85,820 | \$ - | \$ - | \$ 85,820 |
| Cost of revenue | 46,452 | 354 | 2,088 | 48,894 |
| Gross profit | 39,368 | (354) | (2,088) | 36,926 |
| <i>Gross margin</i> | 45.9% | (0.4%) | (2.4%) | 43.0% |
| Operating expenses | 40,723 | 3,548 | 2,552 | 46,823 |
| Operating loss | (1,355) | (3,902) | (4,640) | (9,897) |
| Interest and other | (20) | - | - | (20) |
| Loss before taxes | (1,375) | (3,902) | (4,640) | (9,917) |
| Provision for income | 110 | - | - | 110 |
| Net loss | \$ (1,485) | \$ (3,902) | \$ (4,640) | \$ (10,027) |
| Weighted average shares used to | | | | |
| Basic and Diluted | 50,271 | 50,271 | 50,271 | 50,271 |
| Net loss per common | | | | |
| Basic and Diluted | \$ (0.03) | \$ (0.08) | \$ (0.09) | \$ (0.20) |



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