



Calix Q2 2016 Financial Results

August 2, 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



Q2 2016 Financial Results vs. Guidance

(\$ in millions, except per share amounts)

	Actual	Guidance
Revenues	\$107.4	\$104.0-\$108.0
Non-GAAP gross margin	47.5%	46%-47%
Non-GAAP operating expenses	\$53.0*	\$52.0-\$53.0**
Non-GAAP EPS – excluding Occam litigation	\$0.02	(\$0.04) – \$0.00
Non-GAAP EPS – including Occam litigation	(\$0.04)	(\$0.09) – (\$0.05)
Cash flow from operations	\$0.1	Negative

* Includes approximately \$2.8M of Occam litigation-related expenses

** Included approximately \$2.4M of Occam litigation-related expenses

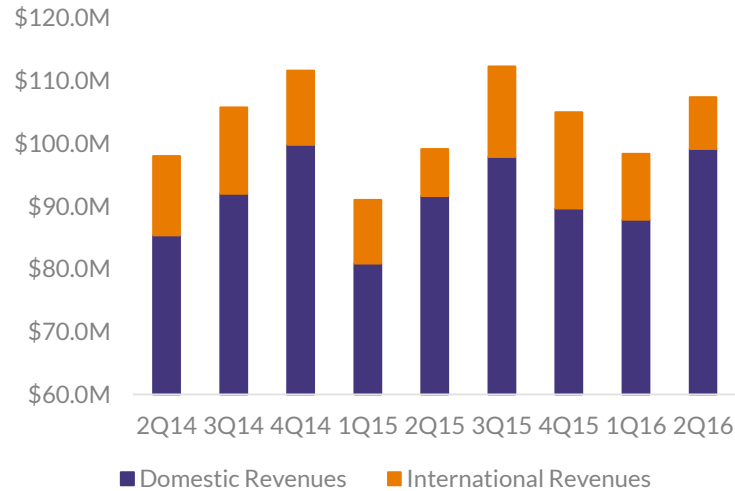
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Income Statement Highlights

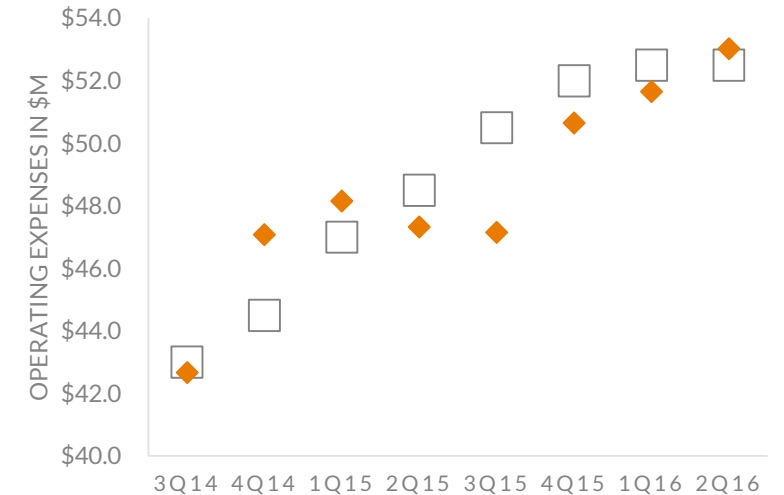
Revenues +8% y/y

- 2 > 10% customers
- Growth across customers, platforms and geographies



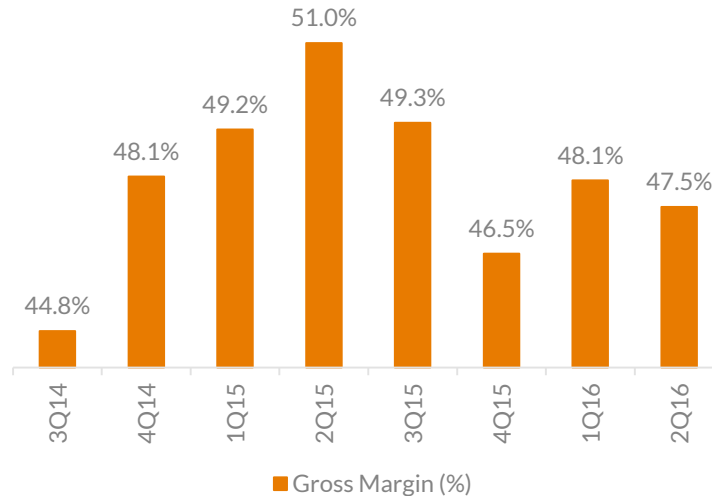
Non-GAAP operating expenses within guidance

- R&D increase to support growth initiatives
- Litigation expense higher than expected



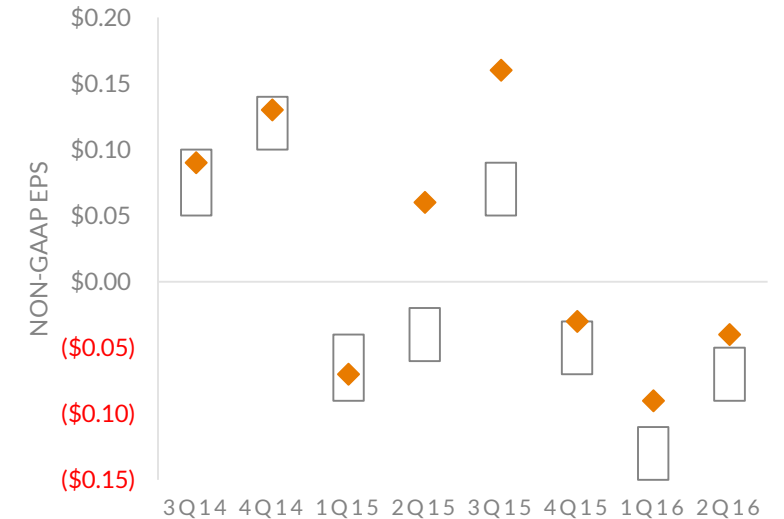
Non-GAAP gross margins of 47.5%

- Favorable product and customer mix
- Offset by continued ramp of turnkey network improvement project



Non-GAAP EPS above guidance

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



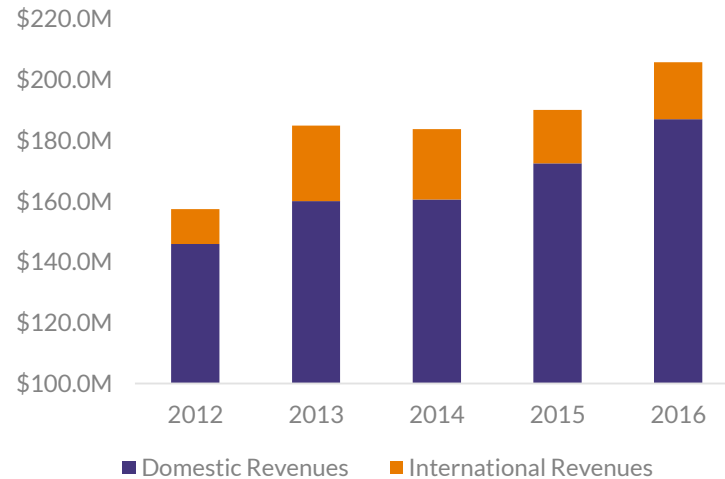
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First Half 2016 Income Statement Highlights

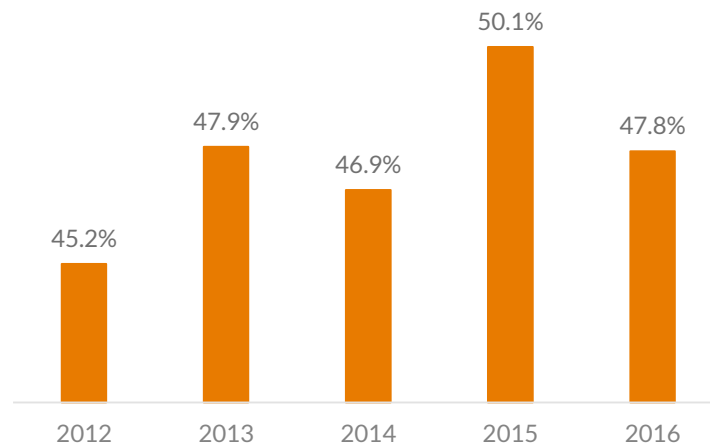
Revenues +8% y/y

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



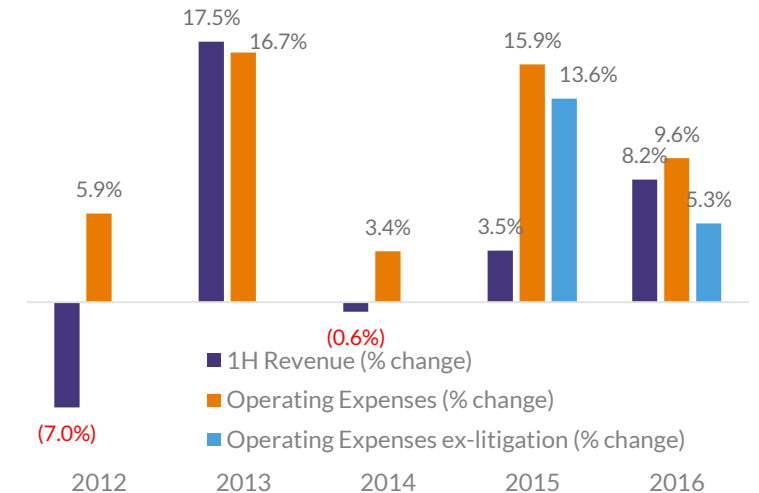
Non-GAAP gross margins of 47.8%

- Less favorable product and customer mix
- Accelerated ramp of turnkey network improvement program



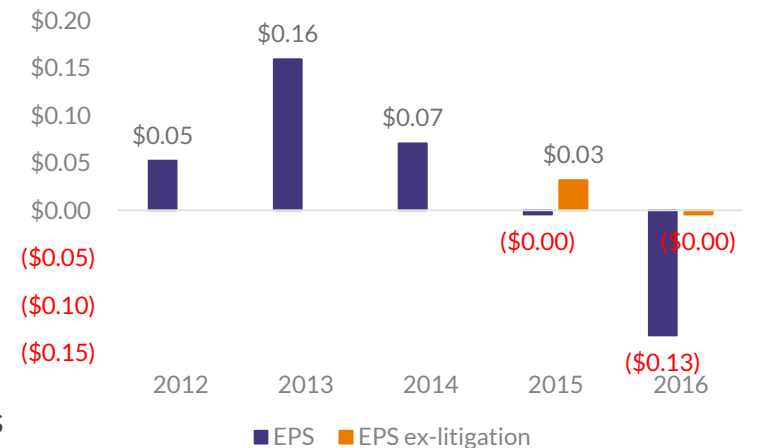
Non-GAAP operating expenses +5% ex-litigation

- Hiring to support growth initiatives
- Litigation expenses drove ~50% of total y/y increase



Non-GAAP EPS of (\$0.13) \$0.00 ex-litigation

- Higher revenues offset by litigation expenses and lower gross margins
- \$0.13 drag from litigation expenses

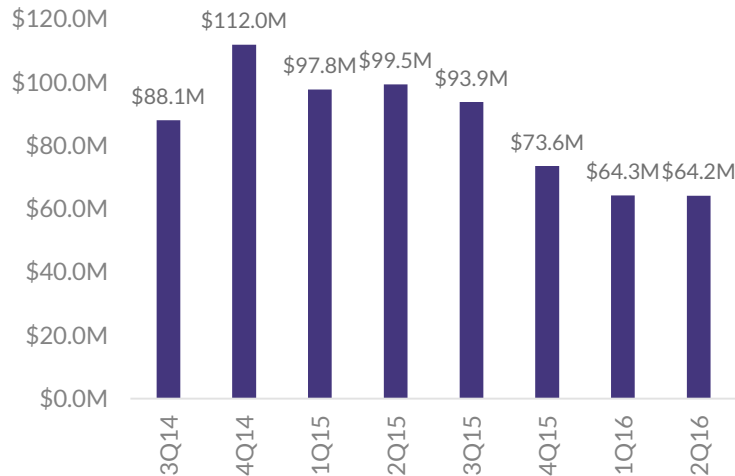


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Balance Sheet & Cash Flow Highlights

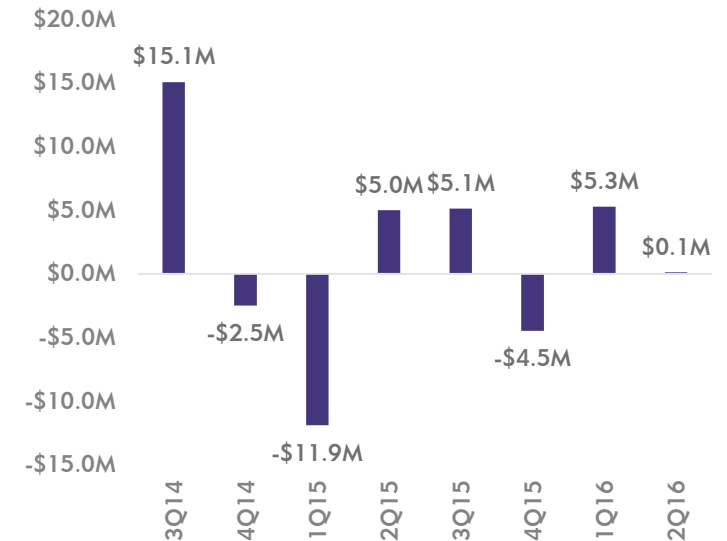
Cash of \$64.2M

- Decline y/y due to completion of \$40M repurchase authorization in Q1 2016
- \$50M line of credit expiring September 2018 remains undrawn



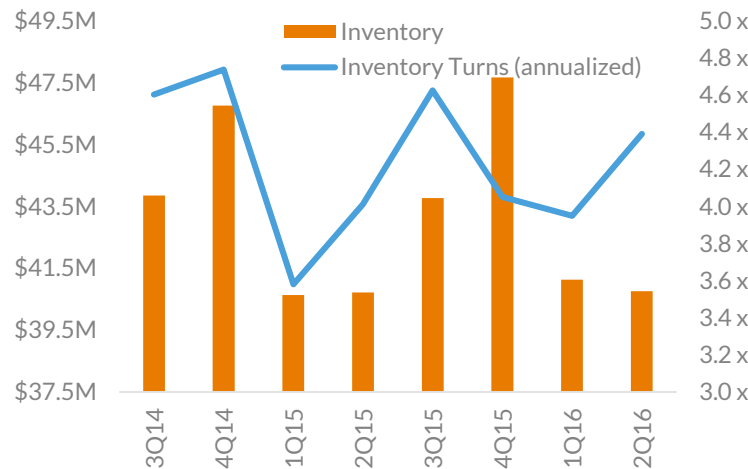
Positive operating cash flow

- Operating cash flow generation of \$0.1M
- Solid revenue linearity
- Focus on working capital velocity



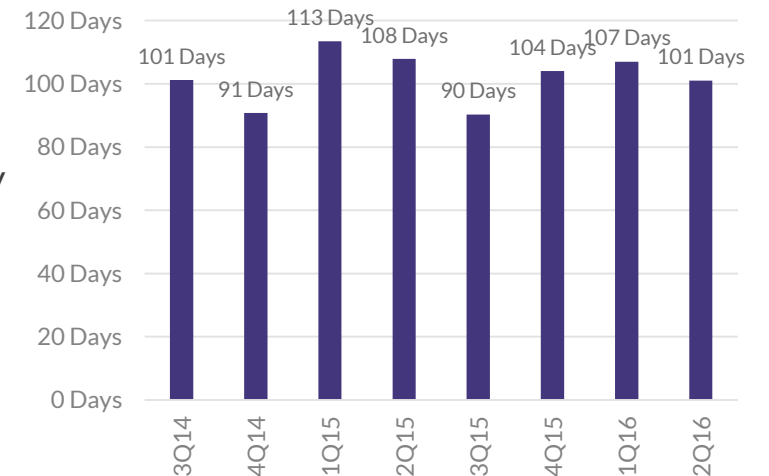
Inventory velocity improving

- Focus on key platforms
- Increased commonality of critical components



Non-GAAP cash conversion cycle improvement

- Inventory velocity improves by 10 days
- Linearity and key focus on working capital



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 Operating Performance Guidance

Revenues	\$115-\$119M
Non-GAAP gross margin	45.5-46.5%
Non-GAAP operating expenses – excluding litigation	\$53.0-\$54.0M
Non-GAAP operating expenses	\$48.5-\$49.5M*
Non-GAAP EPS– excluding litigation	(\$0.01) – \$0.03
Non-GAAP EPS	\$0.08 – \$0.12*
Cash flow from operations	Negative

*Includes \$4.5M (or \$0.09 per share) in expected settlement proceeds for Occam litigation

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Summary & 2016 Priorities

Predictable, profitable long-term growth

Reaccelerated top-line growth rate

Increased leverage from Operating Platform investments

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, Q1 2015 – Q3 2016E

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

* Based on litigation expense reimbursement with estimated timing of settlement accrual in Q3 2016

Non-GAAP to GAAP Reconciliation

Q3 2014 – Q2 2016 Cost of Revenue and Gross Profit

(\$ in millions, except per share amounts)

(Unaudited)	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
GAAP Revenues	\$105,768	\$111,633	\$91,038	\$99,129	\$112,297	\$104,999	\$98,375	\$107,425
GAAP Cost of revenue	\$60,689	\$60,192	\$48,548	\$50,840	\$59,184	\$58,462	\$52,893	\$57,419
Stock-Based Compensation	(206)	(206)	(175)	(211)	(163)	(160)	(127)	(183)
Amortization of Intangibles	(2,089)	(2,088)	(2,088)	(2,088)	(2,088)	(2,089)	(1,663)	(814)
Acquisition-Related Costs	0	0	0	0	0	0	0	0
Non-GAAP Cost of revenue	\$58,394	\$57,898	\$46,285	\$48,541	\$56,933	\$56,213	\$51,103	\$56,422
GAAP Gross Profit	\$45,080	\$51,441	\$42,490	\$48,289	\$53,113	\$46,537	\$45,482	\$50,006
GAAP Gross Margin	42.6%	46.1%	46.7%	48.7%	47.3%	44.3%	46.2%	46.5%
Stock-Based Compensation	206	206	175	211	163	160	127	183
Amortization of Intangibles	2,089	2,088	2,088	2,088	2,088	2,089	1,663	814
Acquisition-Related Costs	0	0	0	0	0	0	0	0
Non-GAAP Gross Profit	\$47,375	\$53,735	\$44,753	\$50,588	\$55,364	\$48,786	\$47,272	\$51,003
Non-GAAP Gross Margin	44.8%	48.1%	49.2%	51.0%	49.3%	46.5%	48.1%	47.5%

Non-GAAP to GAAP Reconciliation

Q3 2014 – Q2 2016 Operating Expense and Net Income/(Loss)

(\$ in millions, except per share amounts)

Unaudited	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
GAAP Operating Expenses	\$48,824	\$54,294	\$54,377	\$54,054	\$52,236	\$56,272	\$56,220	\$55,887
Stock-Based Compensation	(3,607)	(3,692)	(3,487)	(4,130)	(2,427)	(3,052)	(2,594)	(2,785)
Amortization of Intangibles	(2,552)	(2,552)	(2,552)	(2,552)	(2,552)	(2,552)	(1,701)	0
Acquisition-Related Costs	0	(978)	(190)	(52)	(106)	(24)	(275)	(76)
Non-GAAP Operating Expenses	\$42,665	\$47,072	\$48,148	\$47,320	\$47,151	\$50,644	\$51,650	\$53,026
GAAP Net Income/(Loss)	(\$3,848)	(\$2,988)	(\$11,930)	(\$5,779)	\$922	(\$9,546)	(\$10,729)	(\$5,826)
Stock-Based Compensation	3,831	3,898	3,662	4,341	2,590	3,212	2,721	2,968
Amortization of Intangibles	4,641	4,640	4,640	4,640	4,640	4,641	3,364	814
Acquisition-Related Costs	0	978	190	52	106	24	275	76
Non-GAAP Net Income/(Loss)	\$4,624	\$6,528	(\$3,438)	\$3,254	\$8,258	(\$1,669)	(\$4,369)	(\$1,968)
Basic Shares	51,048	51,300	51,732	51,950	51,756	50,578	48,591	48,371
Diluted Shares	51,552	52,047	51,732	52,455	52,016	50,578	48,591	48,371
GAAP Income/(Loss) per share	(\$0.08)	(\$0.06)	(\$0.23)	(\$0.11)	\$0.02	(\$0.19)	(\$0.22)	(\$0.12)
Stock-Based Compensation	0.07	0.07	0.07	0.08	0.05	0.06	0.06	0.06
Amortization of Intangibles	0.09	0.09	0.09	0.09	0.09	0.09	0.07	0.02
Acquisition-Related Costs	0.00	0.02	0.00	0.00	0.00	0.00	0.01	0.00
Non-GAAP Income/(Loss) per share	\$0.09	\$0.13	(\$0.07)	\$0.06	\$0.16	(\$0.03)	(\$0.09)	(\$0.04)



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