

Calix, Inc.

Historical Financial Statements

GAAP and Non-GAAP Statements of Operations 2017

(\$ in thousands)

	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP	GAAP	Non-GAAP
	Qtr Ending 4/1/2017	Qtr Ending 4/1/2017	Qtr Ending 7/1/2017	Qtr Ending 7/1/2017	Qtr Ending 9/30/2017	Qtr Ending 9/30/2017	YTD Ending 9/30/2017	YTD Ending 9/30/2017
Revenue:								
Products	\$ 91,605	\$ 91,605	\$ 107,348	\$ 107,348	\$ 106,442	\$ 106,442	\$ 305,395	\$ 305,395
Services	25,913	25,913	18,775	18,775	22,385	22,385	67,073	67,073
Total revenue	117,518	117,518	126,123	126,123	128,827	128,827	372,468	372,468
Cost of revenue:								
Products ⁽¹⁾⁽³⁾	57,373	56,444	58,299	58,203	55,494	55,357	171,166	170,004
Services ⁽²⁾	25,768	25,712	24,501	24,426	28,700	28,631	78,969	78,769
Total cost of revenue	83,141	82,156	82,800	82,629	84,194	83,988	250,135	248,773
Gross profit	34,377	35,362	43,323	43,494	44,633	44,839	122,333	123,695
Gross margin %	29.3%	30.1%	34.3%	34.5%	34.6%	34.8%	32.8%	33.2%
Research and development ⁽⁴⁾	33,808	32,482	32,950	31,828	32,633	31,418	99,391	95,728
Sales and marketing ⁽⁵⁾	22,429	21,318	18,429	17,775	18,448	17,632	59,306	56,725
General and Administrative ⁽⁶⁾	10,257	9,326	9,701	8,870	10,203	9,444	30,161	27,640
Restructuring charges ⁽⁷⁾	699	-	957	-	612	-	2,268	-
Total operating expenses	67,193	63,126	62,037	58,473	61,896	58,494	191,126	180,093
Loss from operations	(32,816)	(27,764)	(18,714)	(14,979)	(17,263)	(13,655)	(68,793)	(56,398)
Interest income (expense), net	94	94	54	54	(60)	(60)	88	88
Other income (expense), net	70	70	(151)	(151)	(305)	(305)	(386)	(386)
Total interest and other income (expense), net	164	164	(97)	(97)	(365)	(365)	(298)	(298)
Provision for income taxes	673	673	177	177	225	225	1,075	1,075
Net loss	\$ (33,325)	\$ (28,273)	\$ (18,988)	\$ (15,253)	\$ (17,853)	\$ (14,245)	\$ (70,166)	\$ (57,771)
<u>Non-GAAP bridge to GAAP</u>								
(1) Cost of revenue - products (stock-based compensation)		\$ 116		\$ 96		\$ 137		\$ 349
(2) Cost of revenue - services (stock-based compensation)		56		75		69		200
(3) Cost of revenue - products (amortization of intangible assets)		813		-		-		813
(4) Research and development (stock-based compensation)		1,326		1,122		1,215		3,663
(5) Sales and marketing (stock-based compensation)		1,111		654		816		2,581
(6) General and administrative (stock-based compensation)		931		831		759		2,521
(7) Operating expense (restructuring charges)		699		957		612		2,268
Total non-GAAP expenses		\$ 5,052		\$ 3,735		\$ 3,608		\$ 12,395
GAAP net loss		\$ (33,325)		\$ (18,988)		\$ (17,853)		\$ (70,166)

Calix's non-GAAP measures are not in accordance with, or an alternative for, GAAP and may be different from non-GAAP measures used by other companies.

In addition, the above non-GAAP Consolidated Statements of Operations are not based on a comprehensive set of accounting rules or principles.

Calix, Inc.
Historical Financial Statements
Condensed Consolidated Balance Sheets 2017
(\$ in thousands)

	4/1/2017	7/1/2017	9/30/2017
Assets			
Current assets:			
Cash and cash equivalents	\$ 26,318	\$ 37,294	\$ 64,184
Marketable securities	25,215	12,915	6,598
Accounts receivable, net	64,188	53,392	44,227
Inventory	46,538	39,572	36,321
Deferred cost of revenue	40,454	40,094	22,859
Prepaid expenses and other current assets	11,911	11,112	11,504
Total current assets	<u>214,624</u>	<u>194,379</u>	<u>185,693</u>
Property and equipment, net	18,144	17,959	16,997
Goodwill	116,175	116,175	116,175
Other assets	816	811	777
Total assets	<u>\$ 349,759</u>	<u>\$ 329,324</u>	<u>\$ 319,642</u>
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 24,520	\$ 27,840	\$ 29,576
Accrued liabilities	77,015	72,662	59,401
Deferred revenue	44,416	41,847	28,228
Line of credit	-	-	30,000
Total current liabilities	<u>145,951</u>	<u>142,349</u>	<u>147,205</u>
Long-term portion of deferred revenue	20,876	21,104	21,173
Other long-term liabilities	775	638	881
Stockholders' equity:			
Common stock	1,374	1,390	1,393
Additional paid-in capital	839,018	840,931	843,811
Accumulated other comprehensive loss	(599)	(464)	(344)
Accumulated deficit	(617,650)	(636,638)	(654,491)
Treasury stock	(39,986)	(39,986)	(39,986)
Total stockholders' equity	<u>182,157</u>	<u>165,233</u>	<u>150,383</u>
Total liabilities and stockholders' equity	<u>\$ 349,759</u>	<u>\$ 329,324</u>	<u>\$ 319,642</u>

Calix, Inc.
Historical Financial Statements
Condensed Consolidated Statements of Cash Flows 2017
(\$ in thousands)

	Qtr Ending 4/1/2017	Qtr Ending 7/1/2017	Qtr Ending 9/30/2017	YTD Ending 9/30/2017
Operating activities				
Net loss	\$ (33,325)	\$ (18,988)	\$ (17,853)	\$ (70,166)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Stock-based compensation	3,540	2,778	2,996	9,314
Depreciation and amortization	2,463	2,466	2,703	7,632
Amortization of intangible assets	813	-	-	813
Loss on retirement of property and equipment	80	-	68	148
Amortization of premium (discount) related to available-for-sale securities	(5)	2	(4)	(7)
Changes in operating assets and liabilities:				
Accounts receivable, net	(12,852)	10,796	9,165	7,109
Inventory	(1,993)	6,966	3,251	8,224
Deferred cost of revenue	(5,691)	360	17,235	11,904
Prepaid expenses and other assets	(968)	812	(164)	(320)
Accounts payable	276	3,455	1,812	5,543
Accrued liabilities	7,110	(4,148)	(13,094)	(10,132)
Deferred revenue	17,201	(2,341)	(13,550)	1,310
Other long-term liabilities	(103)	(138)	244	3
Net cash provided by (used in) operating activities	<u>(23,454)</u>	<u>2,020</u>	<u>(7,191)</u>	<u>(28,625)</u>
Investing activities				
Purchases of property and equipment	(2,106)	(2,609)	(2,071)	(6,786)
Purchases of marketable securities	(8,732)	-	-	(8,732)
Sales of marketable securities	-	5,051	-	5,051
Maturities of marketable securities	11,266	7,250	6,325	24,841
Net cash provided by investing activities	<u>428</u>	<u>9,692</u>	<u>4,254</u>	<u>14,374</u>
Financing activities				
Proceeds from exercise of stock options	13	16	-	29
Proceeds from employee stock purchase plan	-	673	-	673
Taxes paid for awards vested under equity incentive plans	(1,093)	(1,537)	(113)	(2,743)
Proceeds from line of credit	-	-	68,534	68,534
Repayment of line of credit	-	-	(38,534)	(38,534)
Payments to originate the line of credit	-	-	(186)	(186)
Net cash provided by (used in) financing activities	<u>(1,080)</u>	<u>(848)</u>	<u>29,701</u>	<u>27,773</u>
Effect of exchange rate changes on cash and cash equivalents	65	112	126	303
Net increase (decrease) in cash and cash equivalents	(24,041)	10,976	26,890	13,825
Cash and cash equivalents at beginning of period	50,359	26,318	37,294	50,359
Cash and cash equivalents at end of period	<u>\$ 26,318</u>	<u>\$ 37,294</u>	<u>\$ 64,184</u>	<u>\$ 64,184</u>