

Calix, Inc.

Historical Financial Statements

GAAP and Non-GAAP Statements of Operations 2016

(\$ in thousands)

	GAAP		Non-GAAP		GAAP		Non-GAAP		GAAP		Non-GAAP	
	Qtr Ending 3/26/2016	Qtr Ending 3/26/2016	Qtr Ending 6/25/2016	Qtr Ending 6/25/2016	Qtr Ending 9/24/2016	Qtr Ending 9/24/2016	YTD Ending 9/24/2016	YTD Ending 9/24/2016	YTD Ending 9/24/2016	YTD Ending 9/24/2016		
Revenue	\$ 98,375	\$ 98,375	\$ 107,425	\$ 107,425	\$ 121,187	\$ 121,187	\$ 326,987	\$ 326,987	\$ 326,987	\$ 326,987		
Cost of revenue:												
Products and services ⁽¹⁾	51,230	51,103	56,605	56,422	66,830	66,656	174,665	174,181	174,665	174,181		
Amortization of intangible assets ⁽²⁾	1,663	-	814	-	813	-	3,290	-	3,290	-		
Total cost of revenue	52,893	51,103	57,419	56,422	67,643	66,656	177,955	174,181	177,955	174,181		
Gross profit	45,482	47,272	50,006	51,003	53,544	54,531	149,032	152,806	149,032	152,806		
Gross margin %	46.2%	48.1%	46.5%	47.5%	44.2%	45.0%	45.6%	46.7%	45.6%	46.7%		
Research and development ⁽³⁾	22,773	21,726	25,033	23,934	28,119	26,546	75,925	72,206	75,925	72,206		
Sales and marketing ⁽⁴⁾	19,062	18,240	19,213	18,373	20,575	18,914	58,850	55,527	58,850	55,527		
General and Administrative ⁽⁵⁾⁽⁷⁾	12,684	11,684	11,641	10,719	8,615	7,346	32,940	29,749	32,940	29,749		
Amortization of intangible assets ⁽⁶⁾	1,701	-	-	-	-	-	1,701	-	1,701	-		
Litigation settlement gain	-	-	-	-	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)		
Total operating expenses	56,220	51,650	55,887	53,026	52,809	48,306	164,916	152,982	164,916	152,982		
Income (loss) from operations	(10,738)	(4,378)	(5,881)	(2,023)	735	6,225	(15,884)	(176)	(15,884)	(176)		
Interest income	211	211	216	216	184	184	611	611	611	611		
Interest expense	(164)	(164)	(170)	(170)	(155)	(155)	(489)	(489)	(489)	(489)		
Other income	83	83	133	133	81	81	297	297	297	297		
Total interest and other income (expense), net	130	130	179	179	110	110	419	419	419	419		
Provision for income taxes	121	121	124	124	209	209	454	454	454	454		
Net income (loss)	\$ (10,729)	\$ (4,369)	\$ (5,826)	\$ (1,968)	\$ 636	\$ 6,126	\$ (15,919)	\$ (211)	\$ (15,919)	\$ (211)		
<u>Non-GAAP bridge to GAAP</u>												
(1) Cost of revenue (stock-based compensation)		\$ 127		\$ 183		\$ 174		\$ 484		\$ 484		
(2) Cost of revenue (amortization of intangible assets)		1,663		814		813		3,290		3,290		
(3) Research and development (stock-based compensation)		1,047		1,099		1,573		3,719		3,719		
(4) Sales and marketing (stock-based compensation)		822		840		1,661		3,323		3,323		
(5) General and administrative (stock-based compensation)		725		846		1,269		2,840		2,840		
(6) Operating expense (amortization of intangible assets)		1,701		-		-		1,701		1,701		
(7) General and administrative (acquisition-related costs)		275		76		-		351		351		
Total non-GAAP expenses		\$ 6,360		\$ 3,858		\$ 5,490		\$ 15,708		\$ 15,708		
GAAP net income (loss)		\$ (10,729)		\$ (5,826)		\$ 636		\$ (15,919)		\$ (15,919)		

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 2016
(\$ in thousands)

	3/26/2016	6/25/2016	9/24/2016
Assets			
Current assets:			
Cash and cash equivalents	\$ 21,365	\$ 26,045	\$ 31,764
Marketable securities	42,895	38,167	29,554
Accounts receivable, net	43,804	49,118	57,256
Inventory	41,127	40,761	40,190
Deferred cost of revenue	4,108	6,812	14,718
Prepaid expenses and other current assets	9,972	8,139	15,700
Total current assets	<u>163,271</u>	<u>169,042</u>	<u>189,182</u>
Property and equipment, net	16,515	15,648	16,017
Goodwill	116,175	116,175	116,175
Intangible assets, net	3,254	2,440	1,627
Other assets	1,202	1,075	937
Total assets	<u>\$ 300,417</u>	<u>\$ 304,380</u>	<u>\$ 323,938</u>
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 11,144	\$ 13,802	\$ 19,340
Accrued liabilities	43,801	43,930	49,019
Deferred revenue	9,802	12,367	16,226
Total current liabilities	<u>64,747</u>	<u>70,099</u>	<u>84,585</u>
Long-term portion of deferred revenue	19,696	19,649	19,850
Other long-term liabilities	1,196	1,085	979
Stockholders' equity:			
Common stock	1,328	1,351	1,353
Additional paid-in capital	821,236	825,790	830,225
Accumulated other comprehensive loss	(148)	(130)	(226)
Accumulated deficit	(567,652)	(573,478)	(572,842)
Treasury stock	(39,986)	(39,986)	(39,986)
Total stockholders' equity	<u>214,778</u>	<u>213,547</u>	<u>218,524</u>
Total liabilities and stockholders' equity	<u>\$ 300,417</u>	<u>\$ 304,380</u>	<u>\$ 323,938</u>

Calix, Inc.

Historical Financial Statements

Condensed Consolidated Statements of Cash Flows 2016

(\$ in thousands)

	Qtr Ending 3/26/2016	Qtr Ending 6/25/2016	Qtr Ending 9/24/2016	YTD Ending 9/24/2016
Operating activities				
Net income (loss)	\$ (10,729)	\$ (5,826)	\$ 636	\$ (15,919)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,955	2,176	2,151	6,282
Amortization of intangible assets	3,364	814	813	4,991
Amortization of premiums related to available-for-sale securities	114	119	104	337
Stock-based compensation	2,721	2,968	4,677	10,366
Changes in operating assets and liabilities:				
Accounts receivable, net	3,351	(5,314)	(8,141)	(10,104)
Inventory	6,540	366	571	7,477
Deferred cost of revenue	810	(2,704)	(7,906)	(9,800)
Prepaid expenses and other assets	(576)	1,970	(7,452)	(6,058)
Accounts payable	(8,459)	2,600	5,503	(356)
Accrued liabilities	8,471	541	4,962	13,974
Deferred revenue	(2,195)	2,518	4,060	4,383
Other long-term liabilities	(98)	(109)	(106)	(313)
Net cash provided by (used in) operating activities	5,269	119	(128)	5,260
Investing activities				
Purchases of property and equipment	(1,453)	(1,625)	(2,286)	(5,364)
Maturities of marketable securities	7,020	4,650	8,500	20,170
Net cash provided by investing activities	5,567	3,025	6,214	14,806
Financing activities				
Proceeds from exercise of stock options	14	-	-	14
Proceeds from employee stock purchase plan	-	2,905	-	2,905
Payments for repurchases of common stock	(12,809)	-	-	(12,809)
Taxes paid for awards vested under equity incentive plans	(251)	(1,296)	(240)	(1,787)
Net cash provided by (used in) financing activities	(13,046)	1,609	(240)	(11,677)
Effect of exchange rate changes on cash and cash equivalents	(51)	(73)	(127)	(251)
Net increase (decrease) in cash and cash equivalents	(2,261)	4,680	5,719	8,138
Cash and cash equivalents at beginning of period	23,626	21,365	26,045	23,626
Cash and cash equivalents at end of period	\$ 21,365	\$ 26,045	\$ 31,764	\$ 31,764