



# Calix Q1 2017 Financial Results

May 9, 2017

# 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 anticipated growth and growth drivers; our future financial condition and results of operations; our future business, financial and operating performance; our growth strategy and market outlook; our development of new products and product features; our estimates and planned cost savings related to our restructuring plan; 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, we undertake no obligation to, and expressly disclaim any obligation to, update or alter any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

Please refer to the reconciliations of GAAP to Non-GAAP financial measures in the supplemental information and on the Investor Relations section of [calix.com](http://calix.com)





# Participants

- **Carl Russo, President & CEO**
- **William Atkins, Executive Vice President & CFO**
- **Tom Dinges, CFA, Director of Investor Relations**

# Q1 2017 Financial Results vs. Guidance

(\$ in millions, except percentages and per share amounts)

	Actual Non-GAAP	Guidance Non-GAAP	Actual GAAP	Reconciliation of Guidance to GAAP
Revenues	\$117.5M	\$110 - \$114M	\$117.5M	\$110 - \$114M
Gross margin	30.1%	30.0 – 34.0%	29.3%	29.3 – 33.2%
Operating expenses	\$63.1M <sup>(1)</sup>	\$61.0 - \$63.0M	\$67.2M	\$64.9 - \$66.9M
EPS	(\$0.57) <sup>(1)</sup>	(\$0.57) – (\$0.49)	(\$0.67)	(\$0.67) – (\$0.59)
Cash flow from operations			(\$23.5M)	Negative

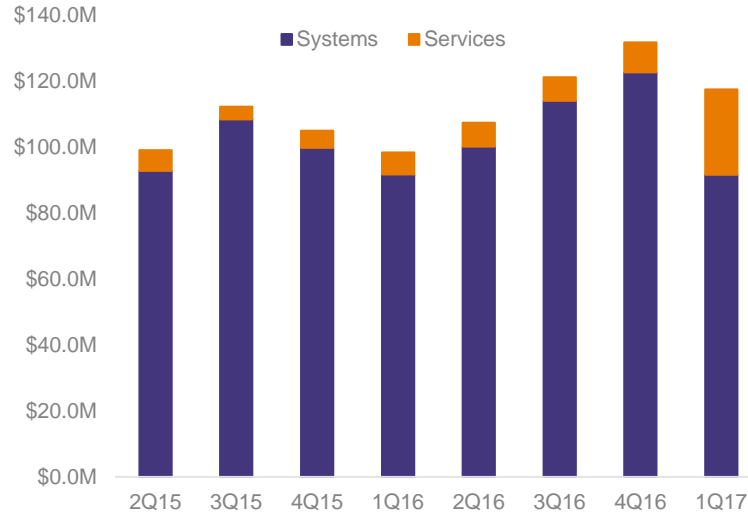
(1) Excludes the impact from Non-GAAP items including restructuring charges

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# Q1 2017 Income Statement Highlights

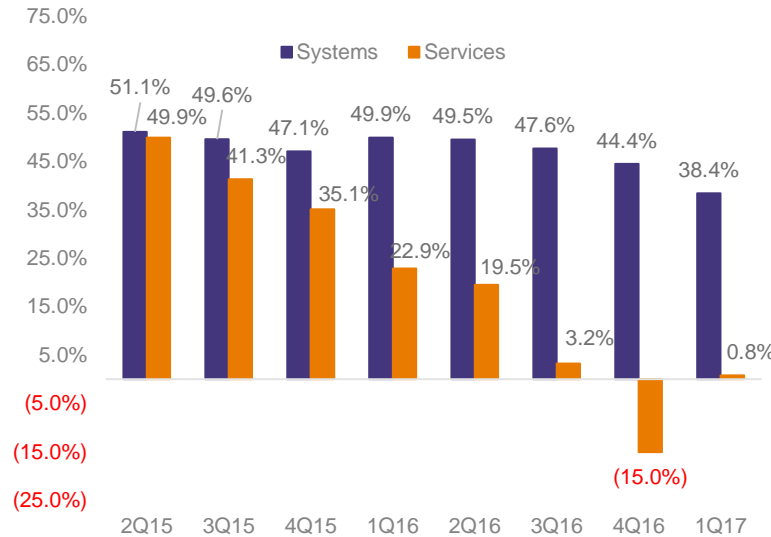
## Revenues

- Increase 20% y/y
- Top two customers 55% of revenues
- Led by services (+287% y/y), but growth across systems and software



## Non-GAAP gross margins

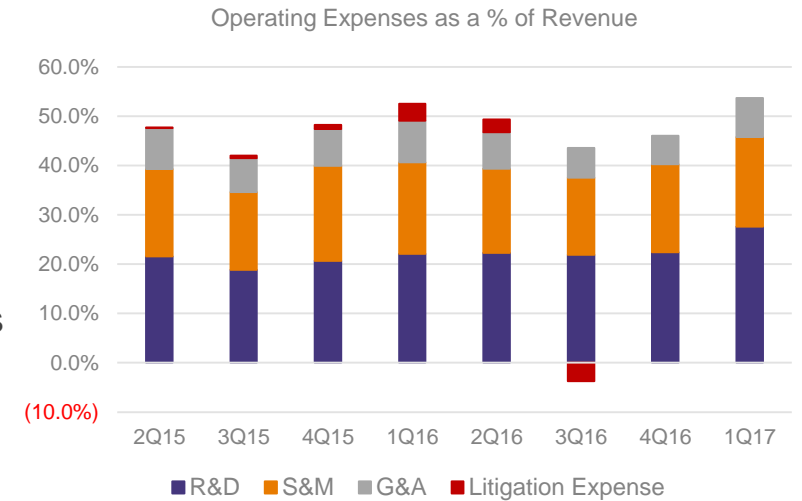
- Accelerated activity in services to complete projects
- Systems impacted by warranty, retrofit and product/regional mix



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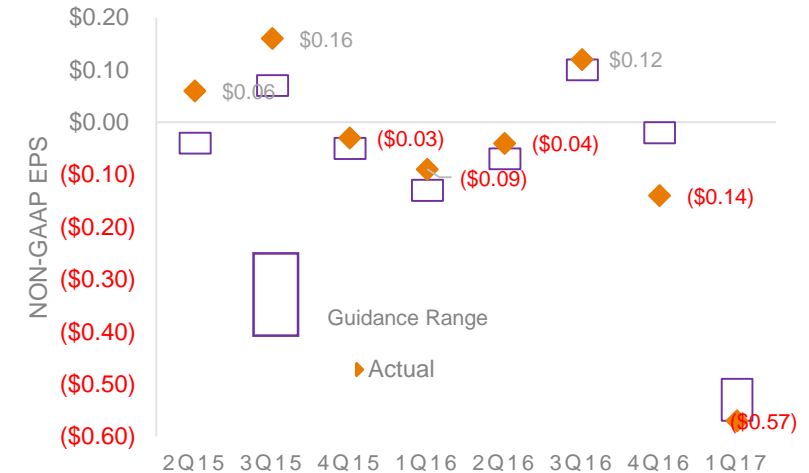
## Non-GAAP operating expenses

- Higher R&D spend due to prototypes and investments in new technologies
- Sales and marketing higher on higher sales



## Non-GAAP EPS

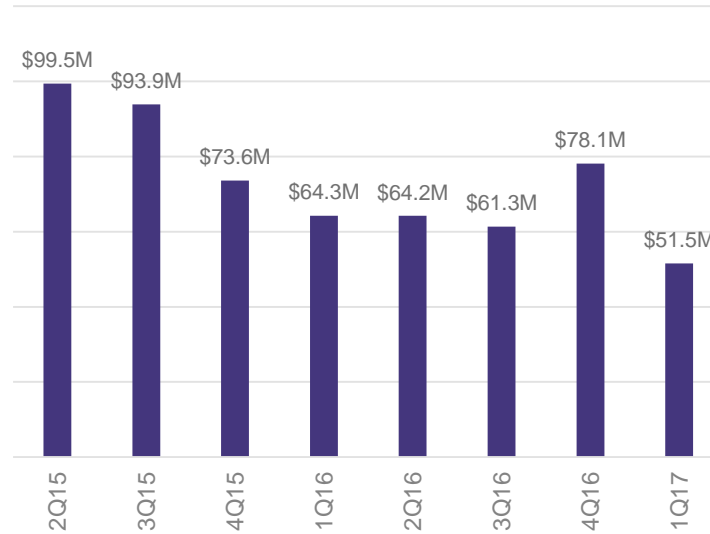
- Negatively impacted by revenue mix and higher costs in services
- Non-operating items in line with expectations



# Q1 2017 Balance Sheet & Cash Flow Highlights

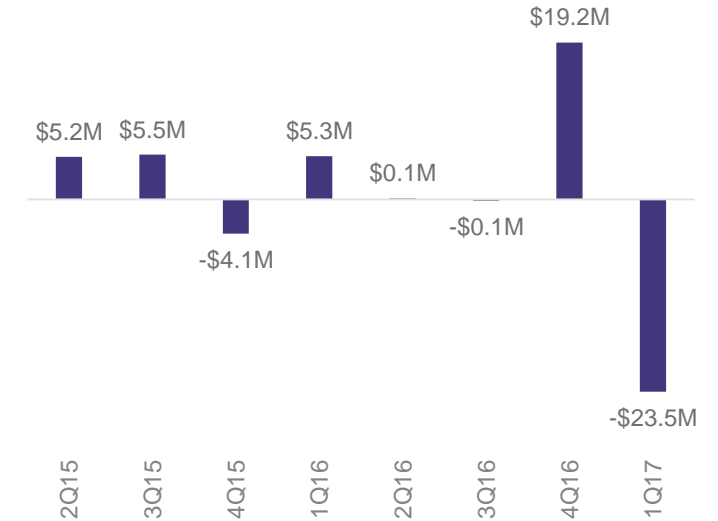
## Cash of \$51.5M

- Usage of prior quarter customer advances offset improved working capital velocity
- Includes impact from working capital to support turnkey projects



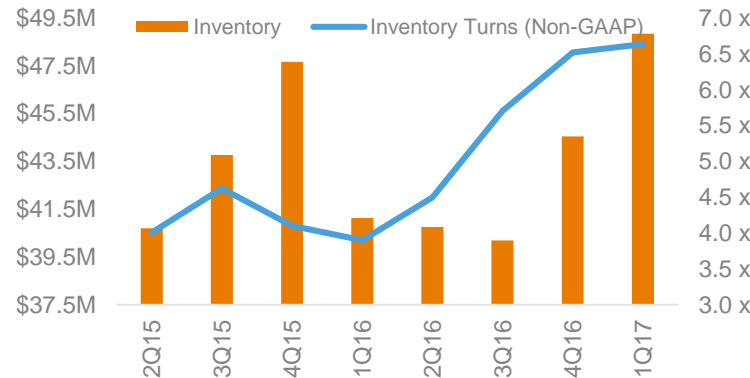
## Operating cash flow

- Improved working capital velocity offset by operating loss
- Prior customer advances converted to revenues as projects completed



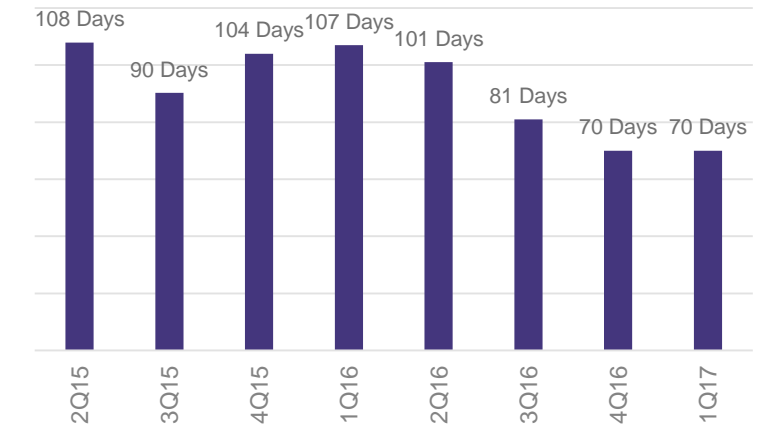
## Inventory velocity

- Highest inventory turns since 2012
- Focus on component commonality and SKU reduction



## Non-GAAP cash conversion cycle

- Excludes customer advances
- Accelerated y/y inventory velocity
- Includes working capital to support turnkey projects



Please refer to the reconciliations of GAAP to Non-GAAP financial measures in the supplemental information and on the Investor Relations section of calix.com

# Q2 2017 Operating Performance Guidance

(\$ in millions, except percentages and per share amounts)

		Reconciliation of Guidance to GAAP
Revenues	\$122 - \$126M	\$122 - \$126M
Non-GAAP Gross margin	40.5 – 43.5%	40.5 – 43.5%
Non-GAAP Operating expenses	\$59.0 - \$61.0M <sup>(1)</sup>	\$63.8 - \$65.8M
Non-GAAP EPS	(\$0.19) – (\$0.12) <sup>(1)</sup>	(\$0.28) – (\$0.21)
Cash flow from operations (GAAP)	Positive	

(1) Excludes the impact from Non-GAAP items including \$1.7 million in estimated restructuring charges for Q2 2017

Please refer to the reconciliations of GAAP to Non-GAAP financial measures in the supplemental information and on the Investor Relations section of calix.com



# 2017 Full Year Operating Performance Guidance

At least 10% year over year revenue growth

Lower Non-GAAP net loss than reported in 2016<sup>(1)</sup>

(1) Excludes the impact from Non-GAAP items including stock-based compensation, amortization of intangibles and restructuring costs

Please refer to the reconciliations of GAAP to Non-GAAP financial measures in the supplemental information and on the Investor Relations section of [calix.com](http://calix.com)





# Strategy Update



# Q&A



# Additional Information

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



# Supplemental Information



# GAAP to Non-GAAP Reconciliation

## Q2 2015 – Q1 2017 Cost of Revenue and Gross Margins

(\$ in thousands, except percentages)

<b>(Unaudited)</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>
GAAP Revenues	\$99,129	\$112,297	\$104,999	\$98,375	\$107,425	\$121,187	\$131,800	\$117,518
GAAP Cost of revenue	\$50,840	\$59,184	\$58,462	\$52,893	\$57,419	\$67,643	\$79,614	\$83,141
Stock-Based Compensation	(211)	(163)	(160)	(127)	(183)	(174)	(188)	(172)
Amortization of Intangibles	(2,088)	(2,088)	(2,089)	(1,663)	(814)	(813)	(814)	(813)
Non-GAAP Cost of revenue	\$48,541	\$56,933	\$56,213	\$51,103	\$56,422	\$66,656	\$53,188	\$82,156
GAAP Gross Profit	\$48,289	\$53,113	\$46,537	\$45,482	\$50,006	\$53,544	\$52,186	\$34,377
GAAP Gross Margin	48.7%	47.3%	44.3%	46.2%	46.5%	44.2%	39.6%	29.3%
Stock-Based Compensation	211	163	160	127	183	174	188	172
Amortization of Intangibles	2,088	2,088	2,089	1,663	814	813	814	813
Non-GAAP Gross Profit	\$50,588	\$55,364	\$48,786	\$47,272	\$51,003	\$54,531	\$53,188	\$35,362
Non-GAAP Gross Margin	51.0%	49.3%	46.5%	48.1%	47.5%	45.0%	40.4%	30.1%

# GAAP to Non-GAAP Reconciliation

## Q2 2015 – Q1 2017 Operating Expenses and Net Income/(Loss) per share

(\$ in thousands, except per share amounts)

Unaudited	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
GAAP Operating Expenses	\$54,054	\$52,236	\$56,272	\$56,220	\$55,887	\$52,809	\$64,421	\$67,193
Stock-Based Compensation	(4,130)	(2,427)	(3,052)	(2,594)	(2,785)	(4,503)	(3,731)	(3,368)
Restructuring charges	0	0	0	0	0	0	0	(699)
Amortization of Intangibles	(2,552)	(2,552)	(2,552)	(1,701)	0	0	0	0
Acquisition-Related Costs	(52)	(106)	(24)	(275)	(76)	0	0	0
Non-GAAP Operating Expenses	\$47,320	\$47,151	\$50,644	\$51,650	\$53,026	\$48,306	\$60,690	\$63,126
GAAP Net Income/(Loss)	(\$5,779)	\$922	(\$9,546)	(\$10,729)	(\$5,826)	\$636	(\$11,483)	(\$33,325)
Stock-Based Compensation	4,341	2,590	3,212	2,721	2,968	4,677	3,919	3,540
Restructuring charges	0	0	0	0	0	0	0	699
Amortization of Intangibles	4,640	4,640	4,641	3,364	814	813	814	813
Acquisition-Related Costs	52	106	24	275	76	0	0	0
Non-GAAP Net Income/(Loss)	\$3,254	\$8,258	(\$1,669)	(\$4,369)	(\$1,968)	\$6,126	(\$6,750)	(\$28,273)
Basic Shares	51,950	51,756	50,578	48,591	48,371	48,773	49,146	49,525
Diluted Shares	52,455	52,016	50,578	48,591	48,371	49,309	49,146	49,525
GAAP Income/(Loss) per share	(\$0.11)	\$0.02	(\$0.19)	(\$0.22)	(\$0.12)	\$0.01	(\$0.23)	(\$0.67)
Stock-Based Compensation	0.08	0.05	0.06	0.06	0.06	0.09	0.08	0.07
Restructuring charges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Amortization of Intangibles	0.09	0.09	0.09	0.07	0.02	0.02	0.02	0.02
Acquisition-Related Costs	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00
Non-GAAP Income/(Loss) per share	\$0.06	\$0.16	(\$0.03)	(\$0.09)	(\$0.04)	\$0.12	(\$0.14)	(\$0.57)

# GAAP to Non-GAAP Reconciliation

## Q2 2015 – Q1 2017 Systems and Services Gross Margin

<b>Unaudited</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>
GAAP Gross Margin – Systems	48.7%	47.5%	44.8%	48.0%	48.6%	46.8%	43.7%	37.4%
Stock-Based Compensation	0.2%	0.1%	0.1%	0.1%	0.7%	0.1%	0.1%	0.1%
Amortization of Intangibles	2.3%	1.9%	2.1%	1.8%	0.8%	0.7%	0.7%	0.9%
Non-GAAP Gross Margin - Systems	51.1%	49.6%	47.1%	49.9%	49.5%	47.6%	44.4%	38.4%
GAAP Gross Margin – Services	49.4%	40.6%	34.5%	22.3%	18.7%	2.5%	-15.7%	0.6%
Stock-Based Compensation	0.5%	0.7%	0.6%	0.6%	0.8%	0.8%	0.7%	0.2%
Non-GAAP Gross Margin – Services	49.9%	41.3%	35.1%	22.9%	19.5%	3.2%	-15.0%	0.8%

# GAAP to Non-GAAP Reconciliation

## Q2 2017 Operating Performance Outlook

(\$ in thousands, except percentages and per share amounts)

<b>Outlook</b>	<b>Three Months Ending July 1, 2017</b>
GAAP Gross Margin	40.4% - 43.5%
Stock-Based Compensation	0.00%-0.01%
Non-GAAP Gross Margin	40.5% – 43.5%
GAAP Operating Expenses	\$ 63,800 - \$ 65,800
Stock-Based Compensation	(3,100)
Restructuring charges	(1,700)
Non-GAAP Operating Expenses	\$59,000 - \$61,000
GAAP net loss per diluted share	(\$0.28) – (\$0.21)
Stock-Based Compensation	0.06
Restructuring charges	0.03
Non-GAAP net loss per diluted share	(\$0.19) – (\$0.12)



# GAAP to Non-GAAP Reconciliation

## 2017 Net Loss Outlook

<b>Outlook</b>	<b>Twelve Months Ending December 31, 2017</b>
Estimated per common share adjustments for:	
Stock-Based Compensation	\$0.25
Amortization of Intangibles	0.02
Restructuring charges	0.13
Total GAAP to non-GAAP net loss per common share adjustments	\$0.40



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