

Calix Q3 2015 Financial Results

ACCESS INNOVATION

October 29, 2015



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 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 reconciliation of GAAP to non-GAAP financial measures in the appendix and on the Investor Relations section of our website

Q3 2015: Key Developments

- ▶ Revenues of \$112.3M, +6.2% y/y
 - Slightly above the high-end of \$107-\$111M guidance led by strength across multiple customer sets
 - Seventh consecutive quarter at or above revenue guidance range
 - Nine-month 2015 revenues +4.4% y/y
- ▶ Non-GAAP Gross margins increase to 49.3%, +451bps y/y
 - Second highest reported non-GAAP gross margins as a public company
 - Nine-month gross margins up 372bps y/y
 - Favorable product and geographic mix compared to the year ago period as well as benefits from the long-term shift to software-centric platform offerings
- ▶ Increased operating profits on the back of strong revenue growth and expansion of gross margins
 - Gross profit dollars +17% y/y with improved mix

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Q3 2015 Financial Results vs. Guidance

(\$ in millions, except per share amounts)

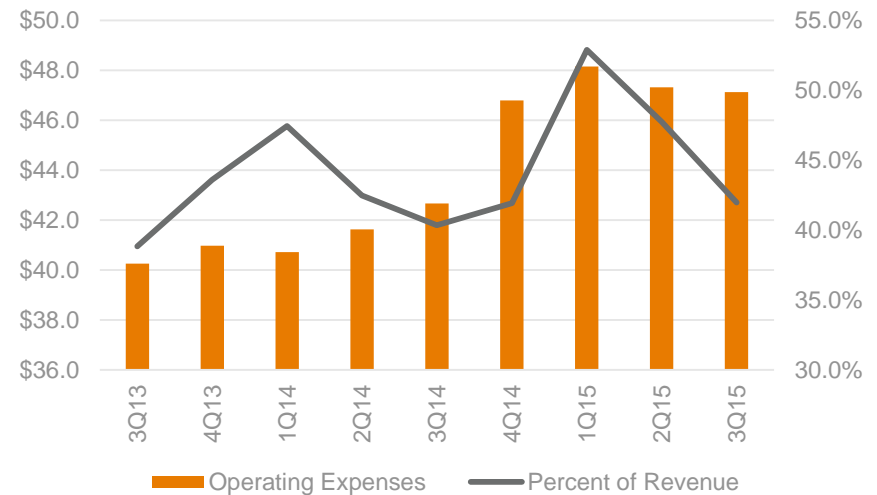
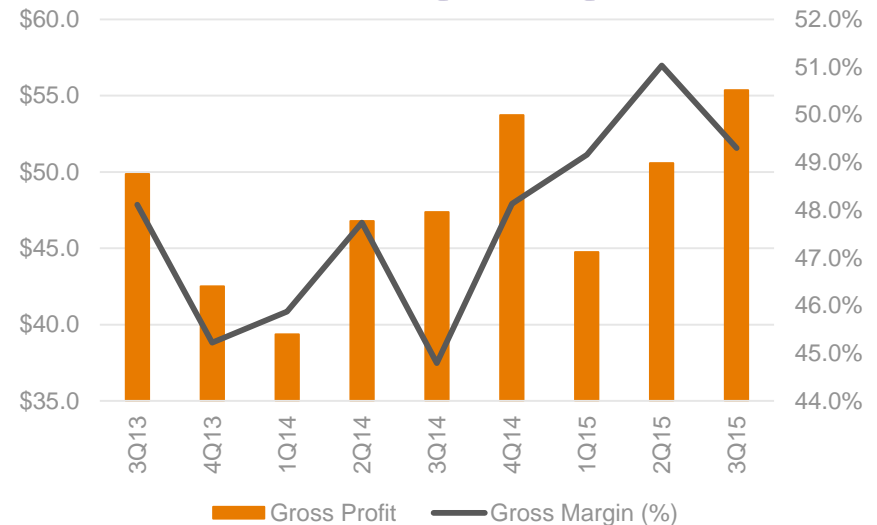
	Actual	Guidance
Revenues	\$112.3	\$107.0-\$111.0
Non-GAAP gross margin	49.3%	49%-50%
Non-GAAP operating expenses	\$47.2	\$50.0-\$51.0
Non-GAAP EPS	\$0.16	\$0.05 – \$0.09
Cash flow from operations	\$5.5	Positive

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Q3 2015 Income Statement Highlights

- ▶ **Gross margins of 49.3%**
 - Inline with 49-50% guidance due to favorable product and regional mix
 - Gross profit dollars +17% y/y
 - Second highest level of non-GAAP gross margins as a public company
 - Long-term non-GAAP gross margin target remains >50%

- ▶ **Non-GAAP operating expenses increase to support future growth opportunities**
 - R&D investment up 13% y/y to support next generation products in order to expand opportunities with new as well as existing customers
 - Due to higher revenues, quarterly Non-GAAP operating expenses as a percentage of revenue were 160bps below trailing 3-year quarterly average levels



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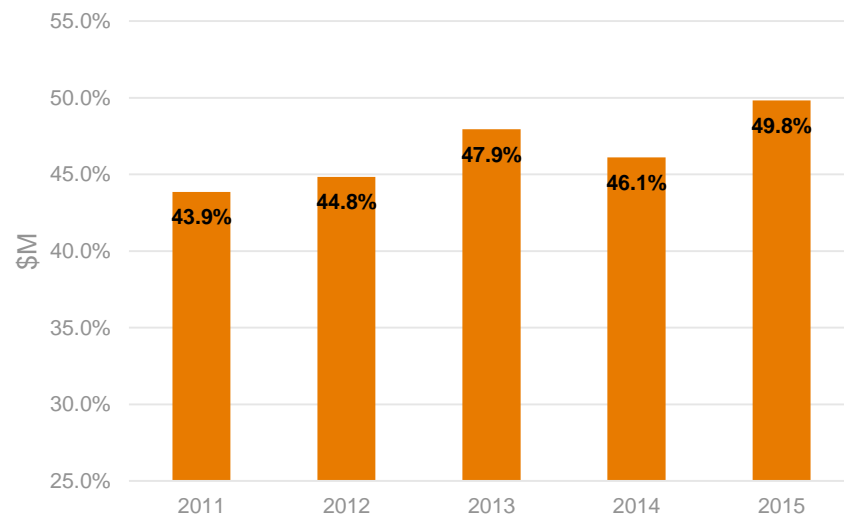
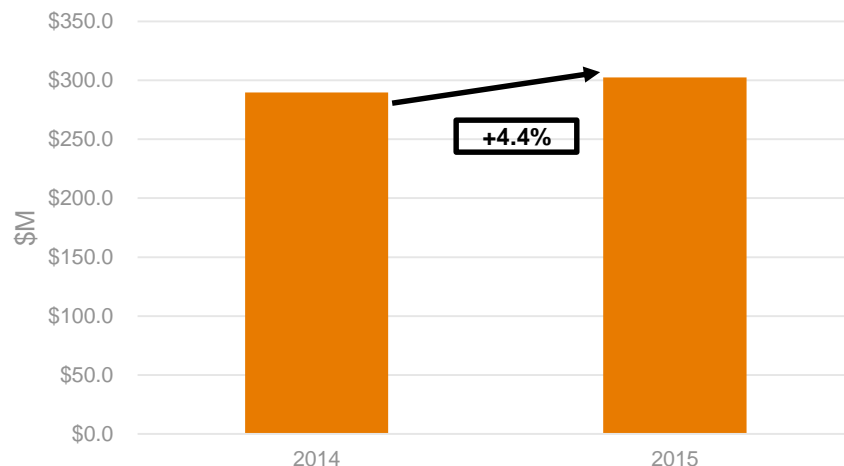
Nine-month 2015 Income Statement Highlights

◀ Nine-month 2015 revenues +4.4% y/y

- Strength across multiple customers and geographies
- Strong Q3 offset challenging growth in certain international markets
- Key new platforms poised to contribute to future growth

◀ Nine-month 2015 gross margins increase on mix and platform leverage

- Nine-month gross margins of 49.8%, +372bps y/y and +923bps since 2010
- Favorable product and geographic mix as well as improved operating efficiency
- Unified Access architecture platform drives improved cost leverage



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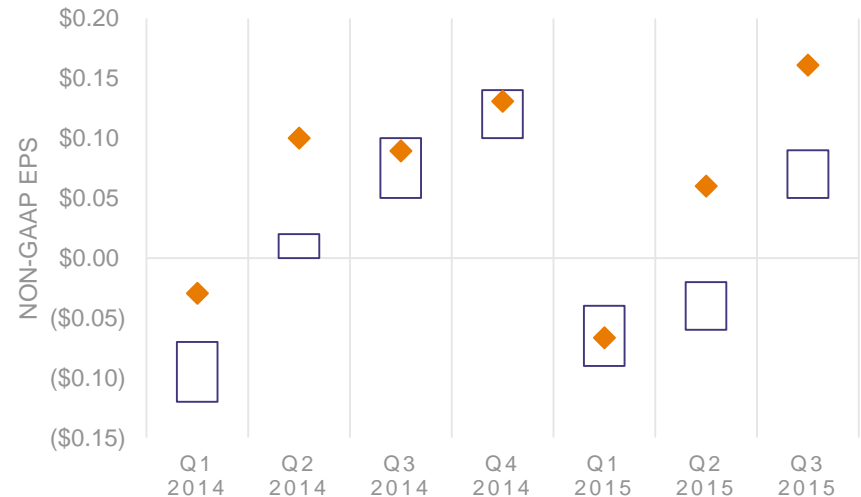
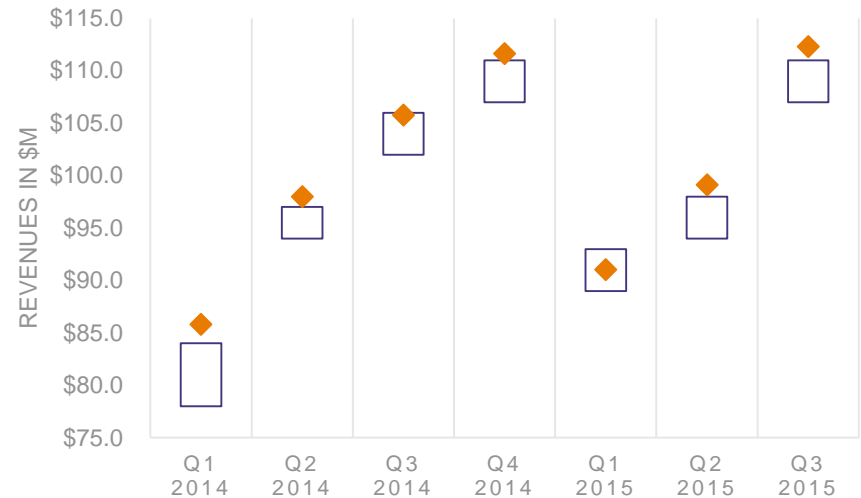
Consistency Relative to Guidance Continues

Seventh consecutive quarter of reported revenues in-line or better than guidance

- Visibility remains challenged amid uneven customer spending environment
- New product offerings as well as improved customer value proposition driving revenues

Non-GAAP EPS at or above guidance for seventh consecutive quarter

- Common operating system and product specific momentum drive improvement in gross profits
- Lower than expected hiring expenses led to improved near-term earnings

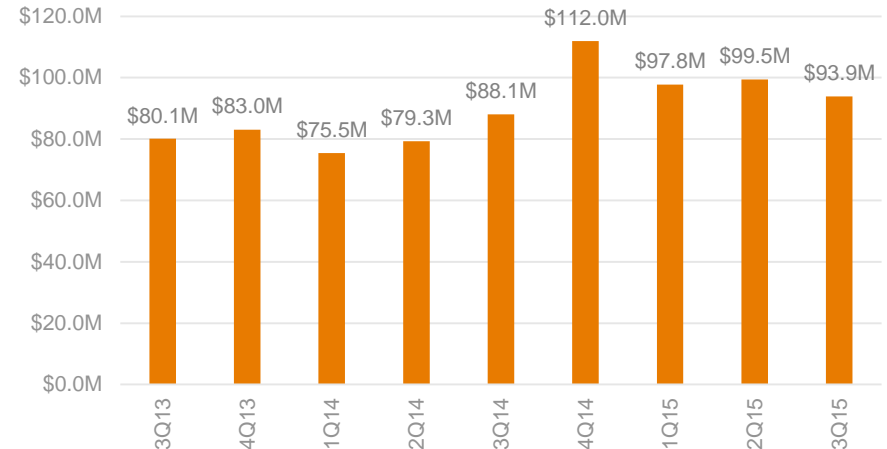


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Balance Sheet & Cash Flow Highlights

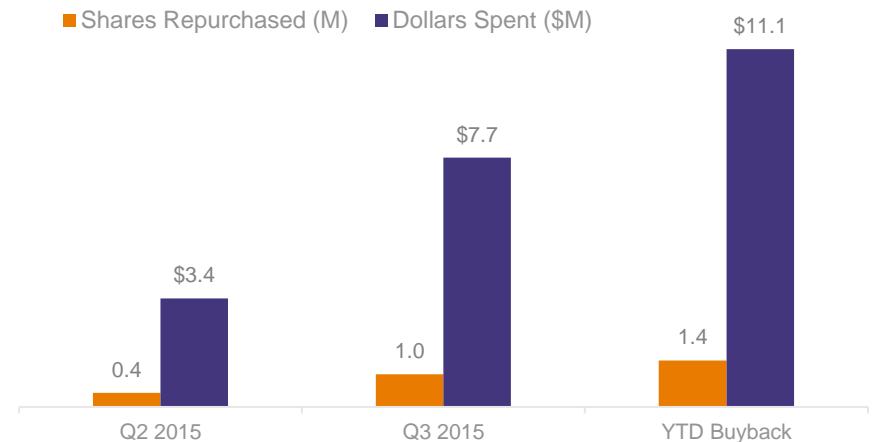
◀ Cash and equivalents of \$93.9M

- Operating cash flow of \$5.5M
- \$2.3M spent on capital expenditures
- \$7.7M used to buyback 1.0M shares of CALX common



◀ Buyback activity increased

- Stock repurchase activity level more than doubled q/q
- \$28.9M remaining on original \$40M buyback authorization
- YTD 1.45M shares repurchased at an average cost of \$7.69



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Q4 2015 Operating Performance Guidance

Revenues	\$102-\$106M
Gross margin	47-48%
Operating expenses	\$51.5-\$52.5M
Non-GAAP EPS	(\$0.07) – (\$0.03)
Cash flow from operations	Neutral

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Software Defined Access

Introducing

AXOS

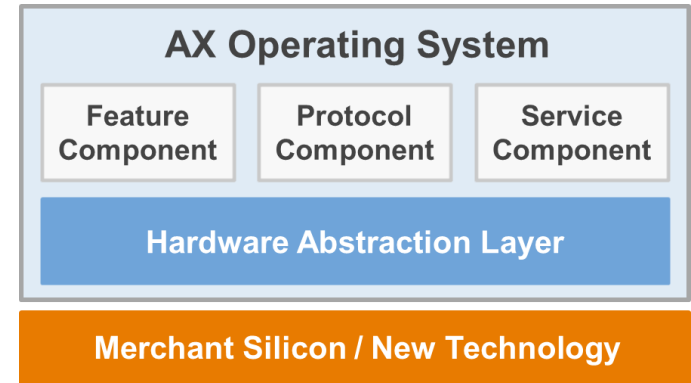
The World's Most Advanced Operating System for
Access Networks

Access eXtensible Operating System

The World's Most Advanced OS for Access Networks

AXOS is a Linux-based network operating system and software platform designed for access

- ◀ Embedded operating system for access systems
- ◀ Platform makes services available to other programs through APIs
- ◀ The result of 3 decades of network/OS evolution



AXOS is not...

- ◀ A multi-purpose OS (like Linux) or a global SDN controller (like ONOS)

AXOS: The Most Advanced OS for Access Networks

FAST. Time to Revenue

- ◀ **Speed of New Features.** Individual software components are containerized which simplifies adds /deletes /changes and eliminates the need to constantly re-test the entire OS, thus maximizing reuse, while leveraging industry standards and open source software
- ◀ **Speed of New Products.** The unique hardware/software abstraction layers (HAL / SAL) preserve software independence from underlying hardware and allow rapid development to accommodate any new access technologies

ALWAYS ON. Resilient

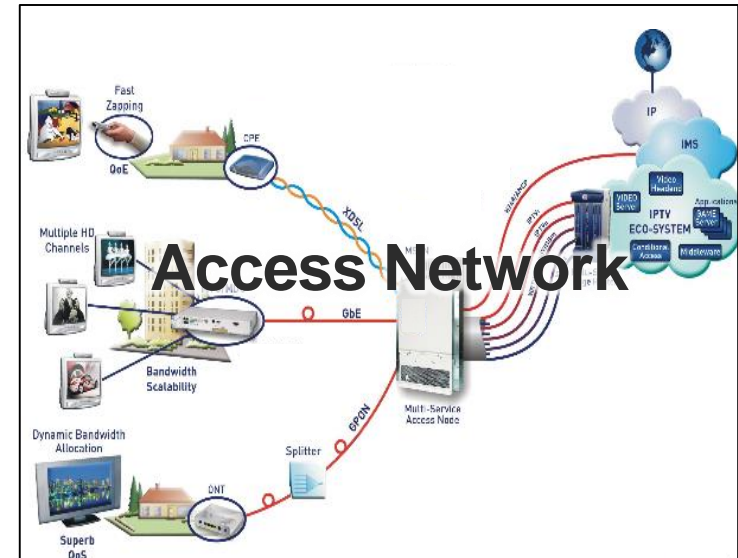
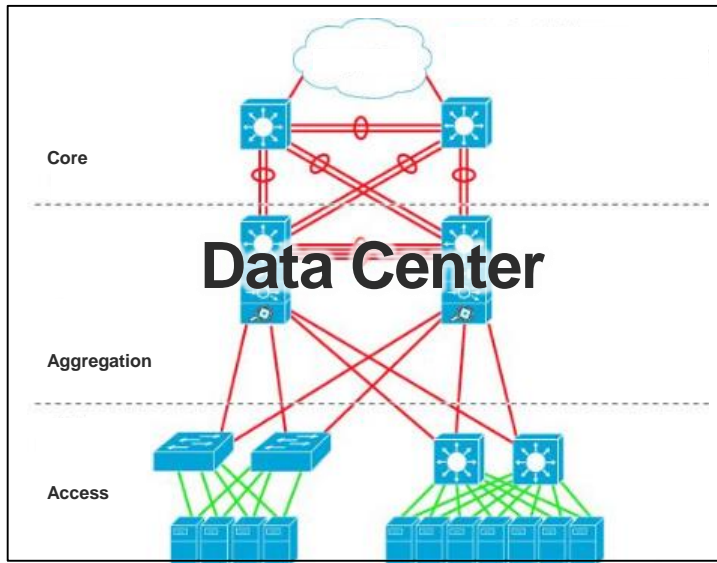
- ◀ **Eliminates maintenance windows** through live upgrade functionality
- ◀ **Minimizes downtime** using self-diagnosis, self-healing and process auto-restart
- ◀ **Provides unprecedented visibility** into application performance via monitoring and streaming data off systems to feed third-party or open source monitoring tools

SIMPLE. Operational ease and flexibility

- ◀ **Plugs into any open standard orchestration and management solution.** Supports dynamic “state” manipulation through standard, open interfaces
- ◀ **Portable across the network.** Common, stable field deployed components

Rapid delivery of new services, superior customer experience and unparalleled reliability

From the Data Center: **What Works in Access Network**



- ▶ Mesh or redundant high speed topologies
- ▶ VM (Virtual Machine) Automation
- ▶ Virtualization of Resources (Pooled Resources)

- ▶ Active / passive splitter distribution architecture
- ▶ Method of Procedure (MOPS) Workflow Automation
- ▶ Virtualization of the Network (Flattened Network)

Data Center Network vs. Access Distribution Network



- ◀ Controlled environment
- ◀ Short lifecycle / Easy to replace

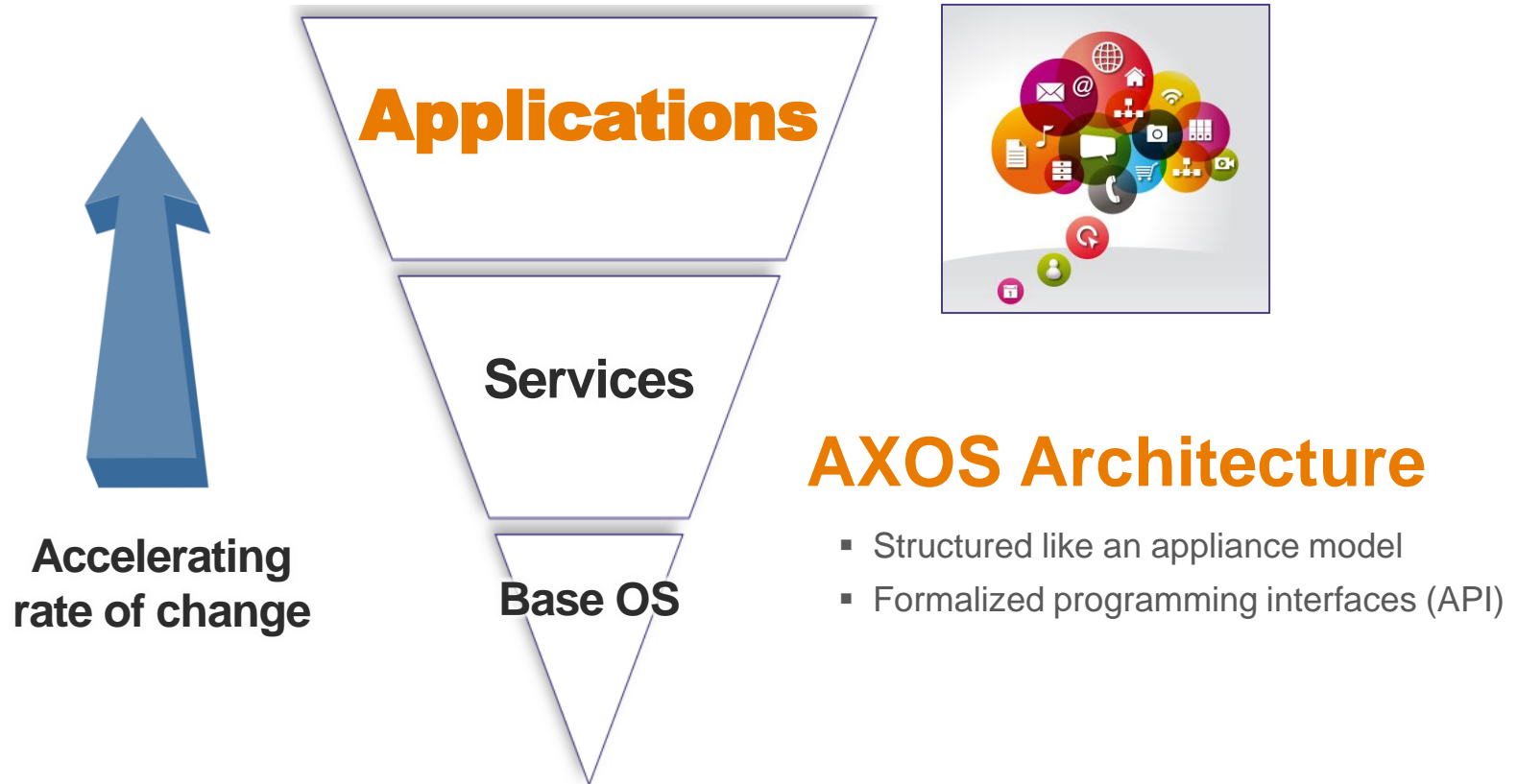
VS.



- ◀ Partially to fully exposed environments
- ◀ Long lifecycle / Difficult to replace

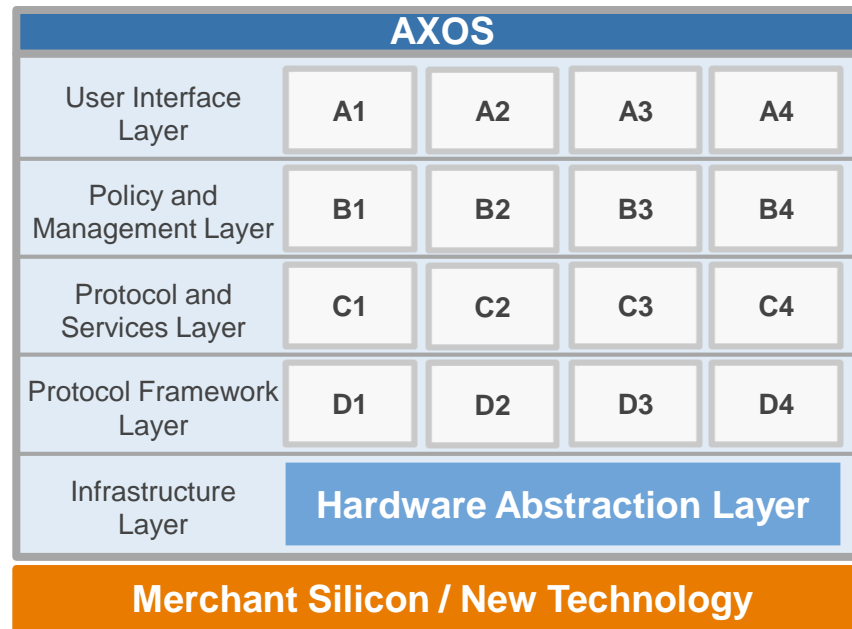
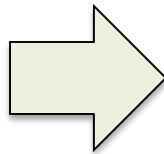
Separation of Applications from Infrastructure

Changing the software development paradigm



AXOS Platform Architecture

Decoupled hardware and software, loosely coupled components



- ▶ Simplistic 3-layer model transformed to fine-grained independent software components abstracted from the physical layer
- ▶ Support for 3rd party components with internal and external APIs

Fast, Always On, Simple ... and so much more

High Availability

Process failover, Restartability, Reliability, Robustness, Resiliency, Recovery, Backup

Portability & Virtualization

Centralized or distributed functionality (off or on box) & virtualized, Hardware emulation, Leverage for internal testing

Manageability

SDN support, Ease of integration, Ease of use

Serviceability

Diagnostics, Application monitoring, Health monitoring, Resource monitoring, Supportability, Debuggability

Programmability

Automation, DevOps, Customization, High level and Low level APIs

Telemetry & Analytics

Reporting, Statistics, Accounting, Logging, Tracing, Instrumentation, Analytical capability, Bi-directional information exchange

Security

Internal security, Reduce vulnerabilities, Attack prevention, Self-protection

Agility

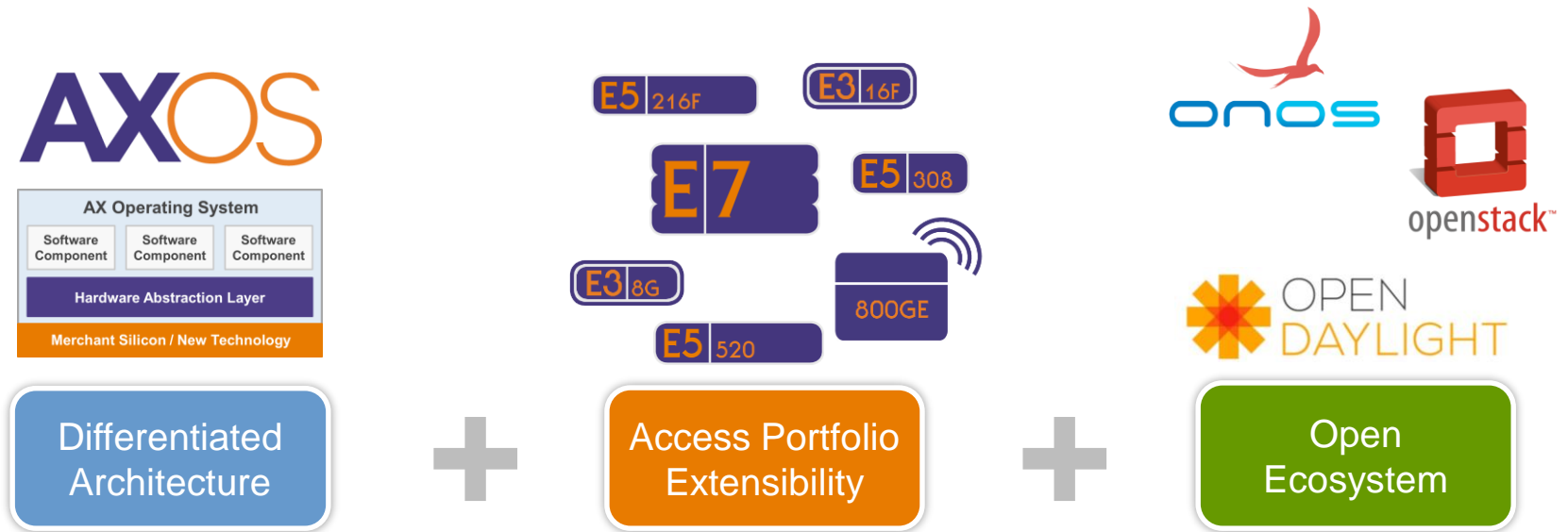
Modularity, Component management, Operational agility and flexibility in build/packaging, Faster deployment with DevOps

AXOS

The Operating System for Access

From OS to Service Provider Agent of Success

Success is the sum of three powerful forces



Appendix

Non-GAAP to GAAP

Q3 2015 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	Acquisition- Related Costs	GAAP
Revenue	\$ 112,297	\$ —	\$ —	\$ —	\$ 112,297
Cost of revenue	56,933	163	2,088	—	59,184
Gross profit	55,364	(163)	(2,088)	—	53,113
Gross margin	49.3%	(0.1)%	(1.9)%	—%	47.3%
Operating expenses	47,151	2,427	2,552	106	52,236
Operating income (loss)	8,213	(2,590)	(4,640)	(106)	877
Interest and other income (expense), net	230	—	—	—	230
Income (loss) before taxes	8,443	(2,590)	(4,640)	(106)	1,107
Provision for income taxes	185	—	—	—	185
Net income (loss)	\$ 8,258	\$ (2,590)	\$ (4,640)	\$ (106)	\$ 922
Weighted average diluted shares used to					
compute net income (loss) per common share	52,016	52,016	52,016	52,016	52,016
Net income (loss) per diluted share	\$ 0.16	\$ (0.05)	\$ (0.09)	\$ —	\$ 0.02

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Non-GAAP to GAAP

Q2 2015 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	Acquisition- Related Costs	GAAP
Revenue	\$ 99,129	\$ —	\$ —	\$ —	\$ 99,129
Cost of revenue	48,541	211	2,088	—	50,840
Gross profit	50,588	(211)	(2,088)	—	48,289
Gross margin	51.0%	(0.2)%	(2.1)%	—%	48.7
Operating expenses	47,320	4,130	2,552	52	54,054
Operating income (loss)	3,268	(4,341)	(4,640)	(52)	(5,765)
Interest and other income (expense), net	88	—	—	—	88
Income (loss) before taxes	3,356	(4,341)	(4,640)	(52)	(5,677)
Provision for income taxes	102	—	—	—	102
Net income (loss)	\$ 3,254	\$ (4,341)	\$ (4,640)	\$ (52)	\$ (5,779)
Weighted average diluted shares used to					
compute non-GAAP net income (loss)					
per common share	52,455	52,455	52,455	52,455	
Non-GAAP net income (loss) per diluted share	\$ 0.06	\$ (0.08)	\$ (0.09)	\$ —	
Weighted average basic and diluted shares used to					
compute GAAP net loss per common share:					
					51,950
GAAP net loss per share					\$ (0.11)

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Non-GAAP to GAAP

Q3 2014 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 105,769	\$ —	\$ —	\$ 105,769
Cost of revenue	58,394	206	2,089	60,689
Gross profit	47,375	(206)	(2,089)	45,080
Gross margin	44.8%	—	—	42.6%
Operating expenses	42,665	3,607	2,552	48,824
Operating income (loss)	4,710	(3,813)	(4,641)	(3,744)
Interest and other income (expense), net	11	—	—	11
Income (loss) before taxes	4,721	(3,813)	(4,641)	(3,733)
Provision for income taxes	115	—	—	115
Net income (loss)	\$ 4,606	\$ (3,813)	\$ (4,641)	\$ (3,848)
Weighted average diluted shares used to compute non-GAAP net income (loss) per common share	51,552	51,552	51,552	
Non-GAAP net income (loss) per diluted share	\$ 0.09	\$ (0.07)	\$ (0.09)	
Weighted average basic and diluted shares used to compute GAAP net loss per common share				51,048
GAAP net loss per share				\$ (0.08)

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Additional Information

- ◀ Additional information available at <http://investor-relations.calix.com/>
 - Stock Information
 - Financial Information
 - Corporate Governance
 - Investor Resources

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