

Calix Q2 2017 Financial Results

August 8, 2017



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.



Participants

- **Carl Russo, President & CEO**
- **Cory Sindelar, Interim CFO**
- **Tom Dinges, CFA, Director of Investor Relations**

Q2 2017 Highlights

- ▶ Record second quarter revenue with growth of +17% y/y
- ▶ Product revenue growth of +7% y/y and service revenue growth of +158% y/y
- ▶ Higher than anticipated cost to complete previously-awarded projects impacted service margin
- ▶ Key Calix innovations launched led by enhancements to AXOS and Calix Cloud with initial deployments to major customers throughout the remainder of 2017

Q2 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
Revenue	\$126.1M	\$122 - \$126M	\$126.1M	\$122 - \$126M
Gross margin	34.5%	40.5 – 43.5%	34.3%	40.5 – 43.5%
Operating expenses	\$58.5M ⁽¹⁾	\$59 - \$61M	\$62.0M	\$63.8 - \$65.8M
Net loss per share	(\$0.30) ⁽¹⁾	(\$0.19) – (\$0.12)	(\$0.38)	(\$0.28) – (\$0.21)
Operating cash flow			\$2.0M	Positive

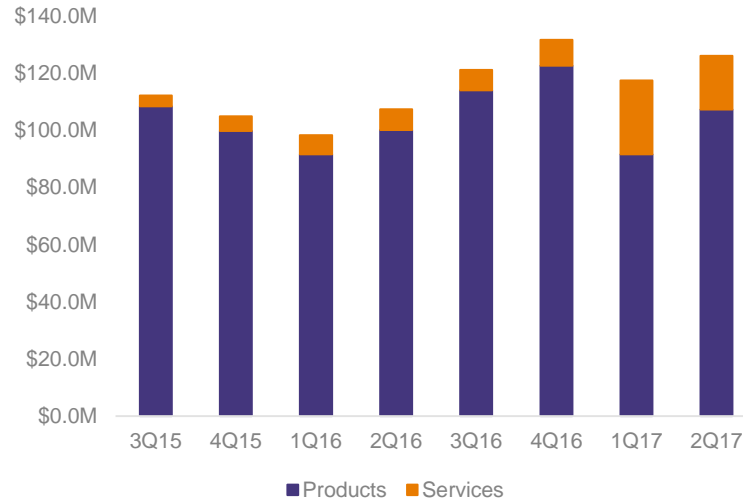
(1) Excludes the impact from non-GAAP items including stock-based compensation and restructuring charges.

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Q2 2017 Statement of Operations Highlights

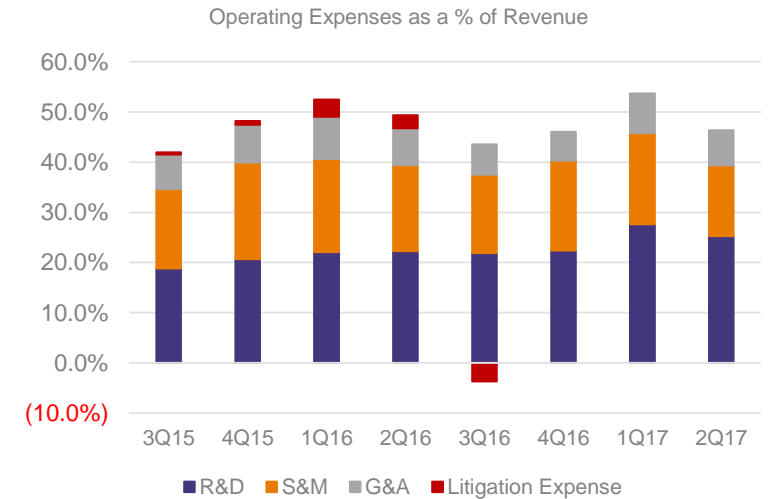
Revenues

- Total revenue +17% y/y
- Product +7% y/y
- Service +158% y/y
- Record quarter in international +117% y/y



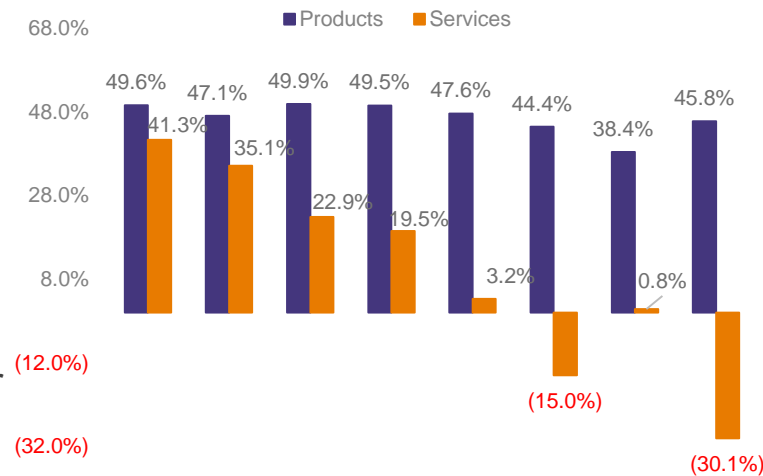
Non-GAAP operating expenses

- R&D increase for prototypes and investments in new technologies
- Sales and marketing lower on improved cost control



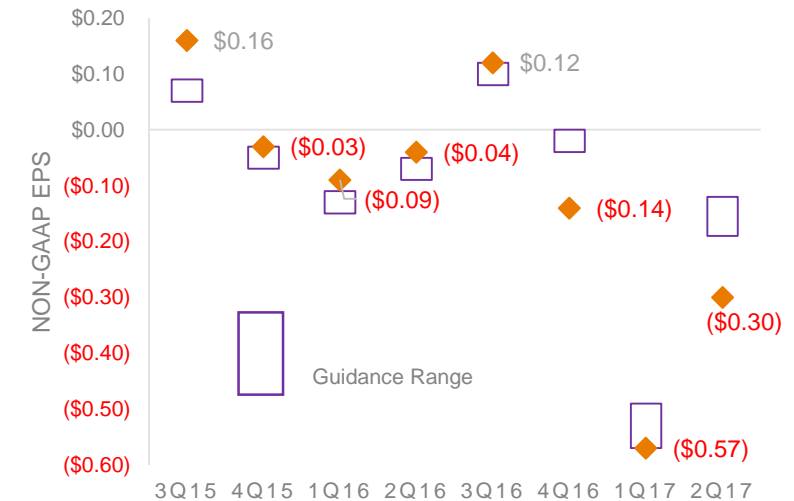
Non-GAAP gross margin

- Product margin up q/q on improved product mix
- Service margin negatively impacted by higher costs to complete



Non-GAAP EPS

- Negatively impacted by lower margins
- Non-operating items in line with expectations



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Q2 2017 Balance Sheet & Cash Flow Highlights

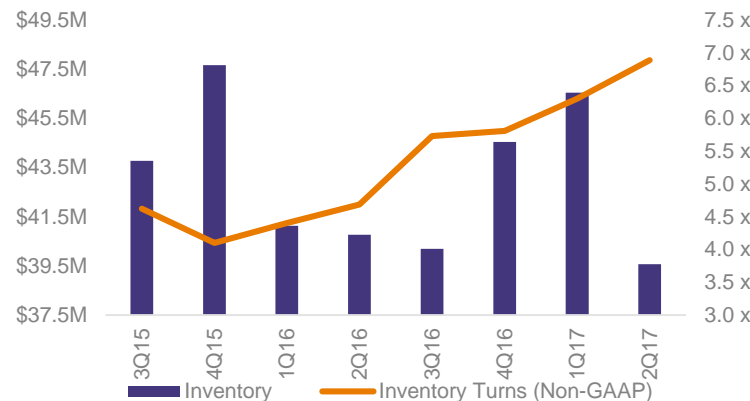
Cash of \$50.2M

- Continued improvement in working capital offset operating loss
- Includes \$2.6M in capital expenditures to support growth initiatives



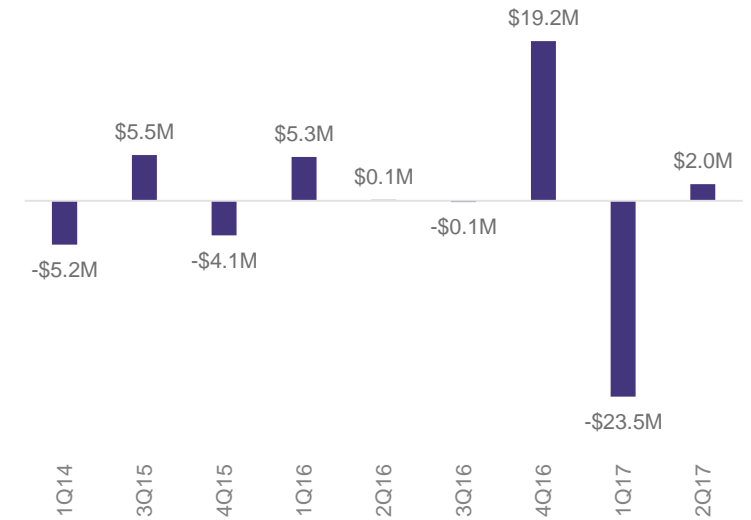
Inventory velocity

- Continued improvement in inventory turns
- Drive to simplify product and component commonality



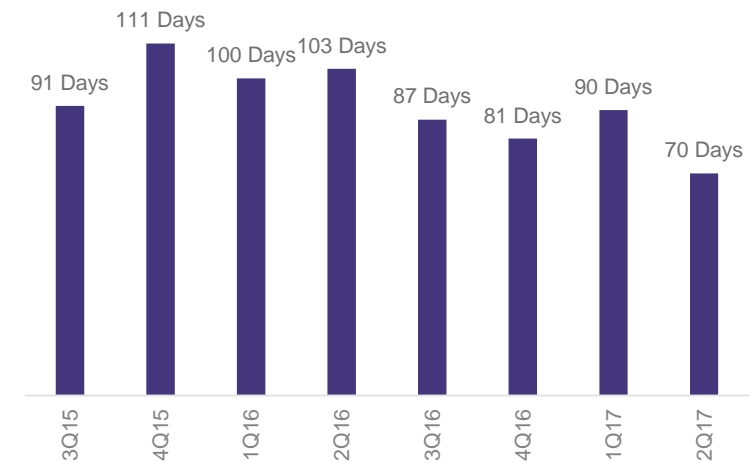
Operating cash flow

- Focus on accelerating working capital velocity
- Improved inventory management



Non-GAAP cash conversion cycle

- Benefit from focus on accelerating working capital 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.

Q3 2017 Operating Performance Guidance

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

	Guidance Non-GAAP	Reconciliation of Guidance to GAAP
Revenue	\$126 - \$130M	\$126 - \$130M
Gross margin	36.0 – 39.0%	35.9 – 38.9%
Operating expenses	\$59.0 - \$61.0M ⁽¹⁾	\$63.2 - \$65.2M
Net loss per share	(\$0.27) – (\$0.21) ⁽¹⁾	(\$0.35) – (\$0.29)
Operating cash flow	Negative	

(1) Excludes the impact from non-GAAP items including stock based compensation and \$1.5 million in estimated restructuring charges for Q3 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
- ▶ Higher non-GAAP net loss than reported in 2016⁽¹⁾

(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.

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

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

Q3 2015 – Q2 2017 Cost of Revenue and Gross Margin

(Unaudited)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Revenue	\$112,297	\$104,999	\$98,375	\$107,425	\$121,187	\$131,800	\$117,518	\$126,123
GAAP cost of revenue	\$59,184	\$58,462	\$52,893	\$57,419	\$67,643	\$79,614	\$83,141	\$82,800
Stock-based compensation	(163)	(160)	(127)	(183)	(174)	(188)	(172)	(171)
Amortization of intangibles	(2,088)	(2,089)	(1,663)	(814)	(813)	(814)	(813)	0
Non-GAAP cost of revenue	\$56,933	\$56,213	\$51,103	\$56,422	\$66,656	\$78,612	\$82,156	\$82,629
GAAP gross profit	\$53,113	\$46,537	\$45,482	\$50,006	\$53,544	\$52,186	\$34,377	\$43,323
GAAP gross margin	47.3%	44.3%	46.2%	46.5%	44.2%	39.6%	29.3%	34.3%
Stock-based compensation	163	160	127	183	174	188	172	171
Amortization of intangibles	2,088	2,089	1,663	814	813	814	813	0
Non-GAAP gross profit	\$55,364	\$48,786	\$47,272	\$51,003	\$54,531	\$53,188	\$35,362	\$43,494
Non-GAAP gross margin	49.3%	46.5%	48.1%	47.5%	45.0%	40.4%	30.1%	34.5%

GAAP to Non-GAAP Reconciliation

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

Q3 2015 – Q2 2017 Operating Expenses, Net Income (Loss) and Net Income (Loss) per Diluted Share

(Unaudited)	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
GAAP operating expenses	\$52,236	\$56,272	\$56,220	\$55,887	\$52,809	\$64,421	\$67,193	\$62,037
Stock-based compensation	(2,427)	(3,052)	(2,594)	(2,785)	(4,503)	(3,731)	(3,368)	(2,778)
Restructuring charges	0	0	0	0	0	0	(699)	(957)
Amortization of intangibles	(2,552)	(2,552)	(1,701)	0	0	0	0	0
Acquisition-related costs	(106)	(24)	(275)	(76)	0	0	0	0
Non-GAAP operating expenses	\$47,151	\$50,644	\$51,650	\$53,026	\$48,306	\$60,690	\$63,126	\$58,473
GAAP net income (loss)	\$922	(\$9,546)	(\$10,729)	(\$5,826)	\$636	(\$11,483)	(\$33,325)	(\$18,988)
Stock-based compensation	2,590	3,212	2,721	2,968	4,677	3,919	3,540	2,778
Restructuring charges	0	0	0	0	0	0	699	957
Amortization of intangibles	4,640	4,641	3,364	814	813	814	813	0
Acquisition-related expenses	106	24	275	76	0	0	0	0
Non-GAAP net income (loss)	\$8,258	(\$1,669)	(\$4,369)	(\$1,968)	\$6,126	(\$6,750)	(\$28,273)	(\$15,253)
Basic shares	51,756	50,578	48,591	48,371	48,773	49,146	49,525	50,019
Diluted shares	52,016	50,578	48,591	48,371	49,309	49,146	49,525	50,019
GAAP net income (loss) per diluted share	\$0.02	(\$0.19)	(\$0.22)	(\$0.12)	\$0.01	(\$0.23)	(\$0.67)	(\$0.38)
Stock-based compensation	0.05	0.07	0.05	0.06	0.09	0.07	0.07	0.06
Restructuring charges	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.02
Amortization of intangibles	0.09	0.09	0.07	0.02	0.02	0.02	0.02	0.00
Acquisition-related expenses	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Non-GAAP net income (loss) per diluted share	\$0.16	(\$0.03)	(\$0.09)	(\$0.04)	\$0.12	(\$0.14)	(\$0.57)	(\$0.30)

GAAP to Non-GAAP Reconciliation

Q3 2015 – Q2 2017 Product and Service Gross Margin

Unaudited	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
GAAP gross margin – product	47.5%	44.8%	48.0%	48.6%	46.8%	43.7%	37.4%	45.7%
Stock-based compensation	0.1%	0.1%	0.1%	0.7%	0.1%	0.1%	0.1%	0.1%
Amortization of intangibles	1.9%	2.1%	1.8%	0.8%	0.7%	0.7%	0.9%	0.0%
Non-GAAP gross margin - product	49.6%	47.1%	49.9%	49.5%	47.6%	44.4%	38.4%	45.8%
GAAP gross margin – service	40.6%	34.5%	22.3%	18.7%	2.5%	-15.7%	0.6%	-30.5%
Stock-based compensation	0.7%	0.6%	0.6%	0.8%	0.8%	0.7%	0.2%	0.4%
Non-GAAP gross margin – service	41.3%	35.1%	22.9%	19.5%	3.2%	-15.0%	0.8%	-30.1%

GAAP to Non-GAAP Reconciliation

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

Q3 2017 Operating Performance Outlook

Outlook	Q3 2017
GAAP gross margin	35.9% - 38.9%
Stock-based compensation	0.14%
Non-GAAP gross margin	36.0% – 39.0%
GAAP operating expenses	\$ 63,200 - \$ 65,200
Stock-based compensation	(2,700)
Restructuring charges	(1,500)
Non-GAAP operating expenses	\$59,000 - \$61,000
GAAP net loss per diluted share	(\$0.35) – (\$0.29)
Stock-based compensation	0.05
Restructuring charges	0.03
Non-GAAP net loss per basic & diluted share ⁽¹⁾	(\$0.27) – (\$0.21)

(1) Based on 50.3 million basic & diluted shares

GAAP to Non-GAAP Reconciliation

2017 Net Loss Outlook

Outlook	Twelve Months Ending December 31, 2017
Estimated impact per common share for:	
Stock-based compensation	\$0.24
Amortization of intangibles	0.02
Restructuring charges	0.14
Total GAAP to non-GAAP net loss per basic & diluted share adjustment ⁽¹⁾	\$0.40

(1) Based on 50.4 million basic & diluted shares

