

Calix Q4 2017 Financial Results

February 13, 2018



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, CFO**
- **Tom Dinges, CFA, Director of Investor Relations**

Opening Remarks



Q4 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	\$137.9M	\$140 - \$145M	\$137.9M	\$140 - \$145M
Gross margin	36.8%	36.5 – 38.5%	36.7%	36.4 – 38.4%
Operating expenses	\$58.5M ⁽¹⁾	\$59.0 - \$61.0M ⁽¹⁾	\$63.3M	\$63.4 - \$65.4M
Net loss per share	(\$0.15) ⁽¹⁾	(\$0.15) – (\$0.10) ⁽¹⁾	(\$0.25)	(\$0.24) – (\$0.19)
Operating cash flow		Negative	(\$34.1M)	

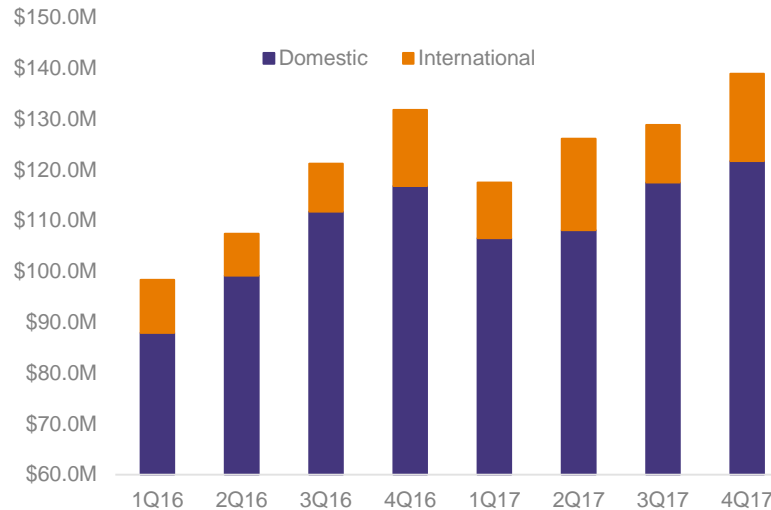
(1) Excludes the impact from non-GAAP items including stock-based compensation and restructuring charges.

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Q4 2017 Statement of Operations Highlights

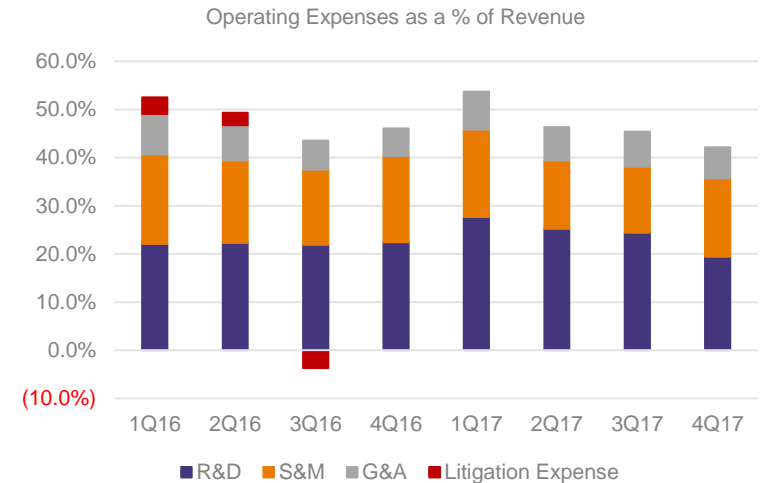
Revenue

- Total revenue +5% y/y
- Products -5% y/y
- Services +136% y/y
- Domestic +3% y/y
- International +14% y/y



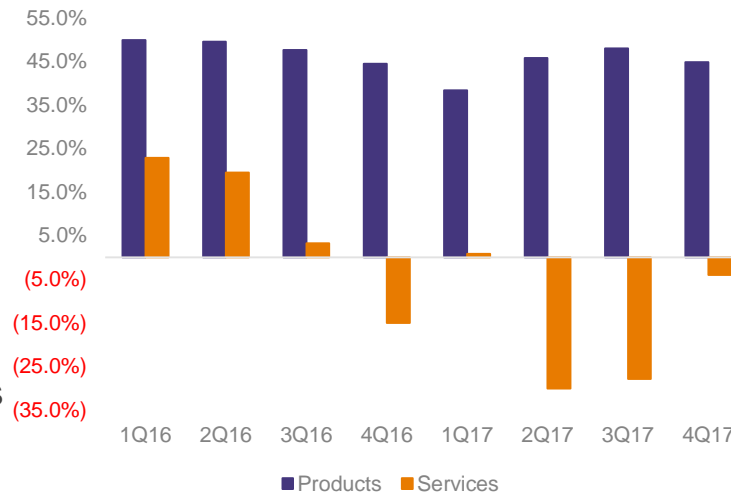
Non-GAAP operating expenses

- Flat q/q as benefits of leverage from software platform
- Offset normal seasonal spending and incentive comp higher revenues



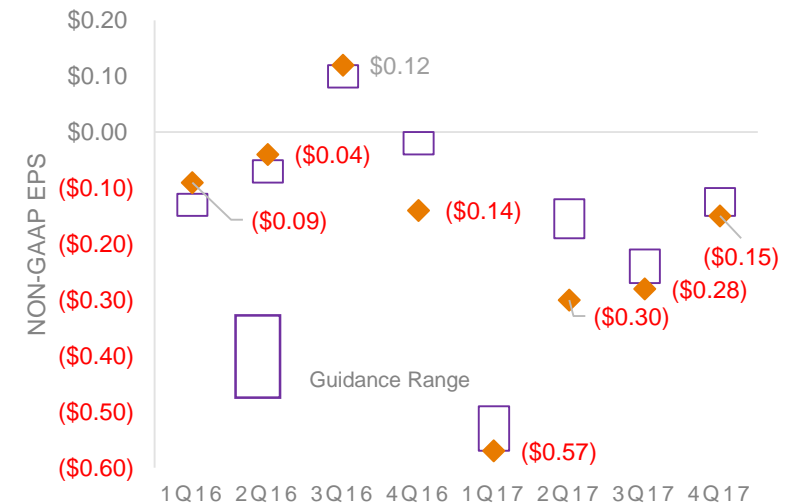
Non-GAAP gross margin

- Products margin down q/q on inventory charge
- Services margin improved q/q-closed out services projects and benefits from process improvements



Non-GAAP EPS

- Negatively impacted by lower gross margins
- Offset by lower operating expenses

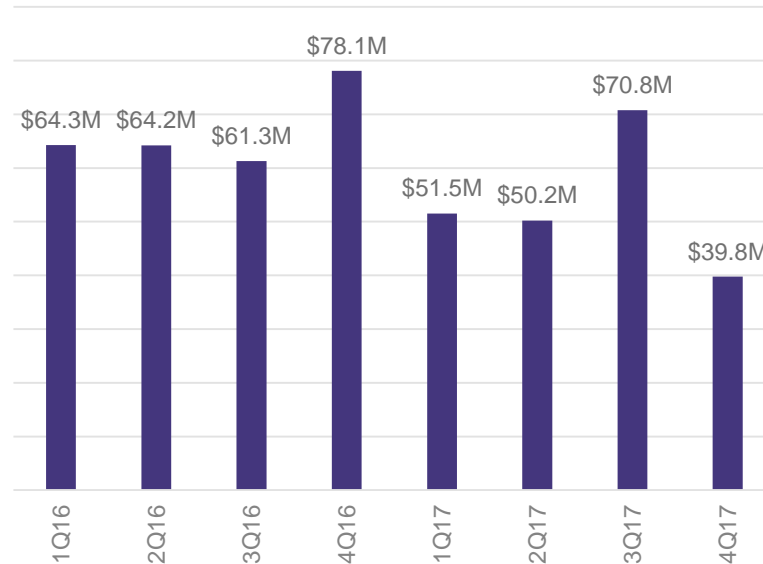


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Q4 2017 Balance Sheet & Cash Flow Highlights

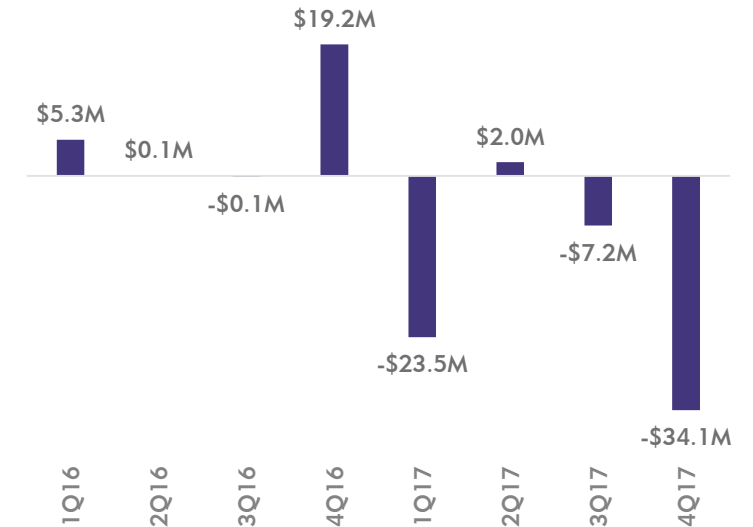
Cash of \$39.8M

- Cash conversion cycle increased 11 days q/q due to deferred payments
- Includes \$1.2M in capital expenditures
- Reflects \$30M in borrowings



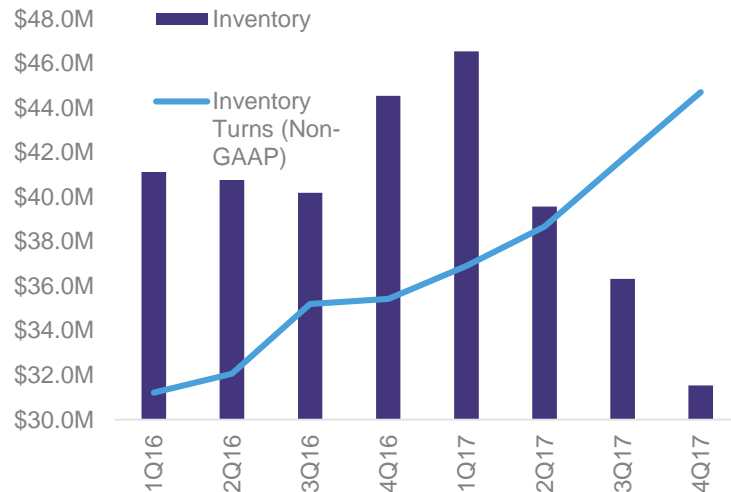
Operating cash flow

- Deferred payments negatively impacted cash flow
- Partial offset by record low inventory days



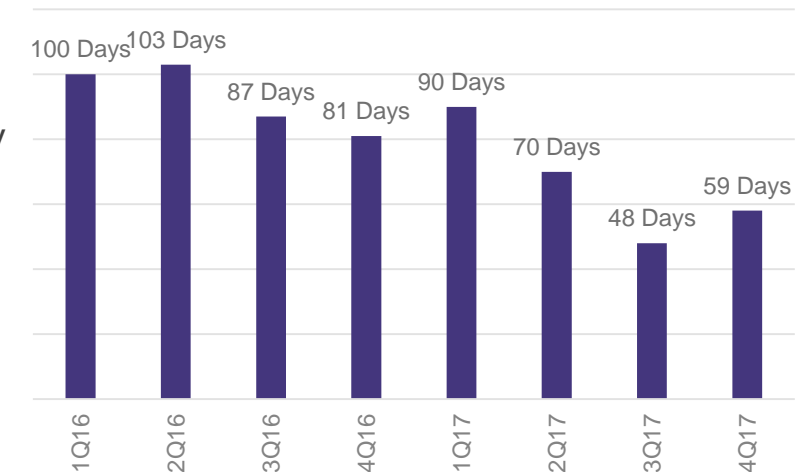
Inventory velocity

- Quarterly record inventory turns
- Continued benefits from process improvements to simplify product and component commonality



Non-GAAP cash conversion cycle

- Record inventory turns offset by increased receivable days
- Second lowest quarterly cash conversion cycle over past four years



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.

Q1 2018 Operating Performance Guidance

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

	Guidance Non-GAAP	Reconciliation of Guidance to GAAP
Revenue	\$102 - \$108M	\$102 - \$108M
Gross margin	39.0 – 41.0%	38.8 – 40.8%
Operating expenses	\$49.5 - \$51.5M ⁽¹⁾	\$55.0 - \$57.0M
Net loss per share	(\$0.20) – (\$0.16) ⁽¹⁾	(\$0.32) – (\$0.28)
Operating cash flow	Positive	

(1) Excludes the impact from non-GAAP items including stock based compensation, restructuring charges and estimated gain on sale of assets.

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)

Q1 2016 – Q4 2017 Cost of Revenue and Gross Margin

(Unaudited)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Revenue	\$98,375	\$107,425	\$121,187	\$131,800	\$117,518	\$126,123	\$128,827	\$137,899
GAAP cost of revenue	\$52,893	\$57,419	\$67,643	\$79,614	\$83,141	\$82,800	\$84,194	\$87,342
Stock-based compensation	(127)	(183)	(174)	(188)	(172)	(171)	(206)	(200)
Amortization of intangibles	(1,663)	(814)	(813)	(814)	(813)	0	0	0
Non-GAAP cost of revenue	\$51,103	\$56,422	\$66,656	\$78,612	\$82,156	\$82,629	\$83,988	\$87,142
GAAP gross profit	\$45,482	\$50,006	\$53,544	\$52,186	\$34,377	\$43,323	\$44,633	\$50,557
GAAP gross margin	46.2%	46.5%	44.2%	39.6%	29.3%	34.3%	34.6%	36.7%
Stock-based compensation	127	183	174	188	172	171	206	200
Amortization of intangibles	1,663	814	813	814	813	0	0	0
Non-GAAP gross profit	\$47,272	\$51,003	\$54,531	\$53,188	\$35,362	\$43,494	\$44,839	\$50,757
Non-GAAP gross margin	48.1%	47.5%	45.0%	40.4%	30.1%	34.5%	34.8%	36.8%

GAAP to Non-GAAP Reconciliation

Q1 2016 – Q4 2017 Products and Services Gross Margin

Unaudited	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
GAAP gross margin – products	48.0%	48.6%	46.8%	43.7%	37.4%	45.7%	47.9%	44.2%
Stock-based compensation	0.1%	0.7%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Amortization of intangibles	1.8%	0.8%	0.7%	0.7%	0.9%	0.0%	0.0%	0.0%
Non-GAAP gross margin - products	49.9%	49.5%	47.6%	44.4%	38.4%	45.8%	48.0%	44.3%
GAAP gross margin – services	22.3%	18.7%	2.5%	-15.7%	0.6%	-30.5%	-28.2%	-4.5%
Stock-based compensation	0.6%	0.8%	0.8%	0.7%	0.2%	0.4%	0.3%	0.3%
Non-GAAP gross margin – services	22.9%	19.5%	3.2%	-15.0%	0.8%	-30.1%	-27.9%	-4.2%

GAAP to Non-GAAP Reconciliation

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

Q1 2018 Operating Performance Outlook

Outlook	Q1 2018
GAAP gross margin	38.8% - 40.8%
Stock-based compensation	0.2%
Non-GAAP gross margin	39.0% – 41.0%
GAAP operating expenses	\$ 55,460 - \$ 57,460
Stock-based compensation	(2,960)
Restructuring charges	(3,000)
Non-GAAP operating expenses	\$49,500 - \$51,500
GAAP net loss per diluted share	(\$0.32) – (\$0.28)
Stock-based compensation	0.06
Restructuring charges	0.06
Non-GAAP net loss per basic & diluted share ⁽¹⁾	(\$0.20) – (\$0.16)

(1) Based on 51.7 million basic & diluted shares

