

Calix Q2 2015 Financial Results

ACCESS INNOVATION

July 28, 2015



Safe Harbor

All statements other than statements of historical facts contained in this presentation, including statements regarding our future operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “potential,” or the negative of these terms or other similar expressions.

This presentation includes forward-looking statements regarding future events, including but not limited to, our development of new products that will continue to help our customers transform their networks; the adoption of gigabit services; our growth drivers; the ongoing expansion of our total addressable market; the future business and financial performance of the Company; and our long-term model for revenue, gross margin, operating expenses and operating profit margin. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described in our filings with the Securities and Exchange Commission (“SEC”), especially in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of Calix’s Annual Report on Form 10-K filed with the SEC for fiscal year 2014, our current reports on Form 8-K and other SEC filings issued from time to time, including our Form 10-Qs.

You should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or will occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of the forward-looking statements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations. You should read our SEC filings and the documents that we have filed with the SEC as exhibits to those filings, with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect.

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

Q2 2015: Key Developments

- ▶ Revenues of \$99.1M, +1.1% y/y
 - Slightly above the high-end of \$94-\$98M guidance led by strength in Tier 2/Tier 3 accounts
 - Sixth consecutive quarter at or above revenue guidance range
 - First half revenues +3.5% y/y
- ▶ Non-GAAP Gross margins increase to 51.0%, +330bps y/y
 - Highest non-GAAP gross margins as a public company
 - Near-term favorable product and geographic mix as well as long-term shift to software-centric platform offerings
- ▶ Positive operating profits on margins and operating expense leverage
 - Improved product mix and leverage off higher revenues
 - Offset operating expense increase of 14% y/y

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New product momentum continues

- ▶ **GigaCenter momentum continues**
 - Service provider customer count increased to over 300 at quarter end
 - Customer orders and deployments remain strong with solid initial feedback
- ▶ **Calix-enabled gigabit residential deployments increase to 100**
 - Deployments up 30% q/q and 3x from year ago levels
 - Service provider customers accelerating deployment plans as end customer demand remains robust
- ▶ **Two next-generation products announced during the quarter**
 - G.fast solutions for MDU and high-density single family unit applications
 - NG-PON2 cards enabling the ability for our E-Series customers to deliver a multi-gigabit experience to their subscribers

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Q2 2015 Financial Results vs. Guidance

(\$ in millions, except per share amounts)

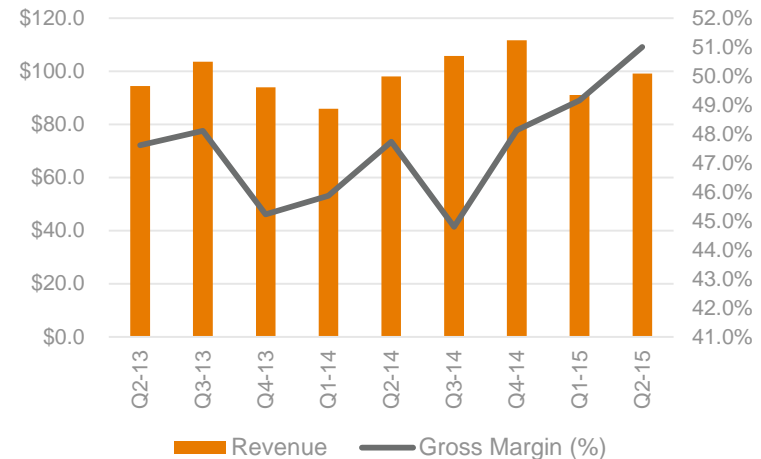
	Actual	Guidance
Revenues	\$99.1	\$94.0-\$98.0
Non-GAAP gross margin	51.0%	48%-49%
Non-GAAP operating expenses	\$47.3	\$48.0-\$49.0
Non-GAAP EPS	\$0.06	(\$0.06) – (\$0.02)
Cash flow from operations	\$5.0	Positive

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Q2 2015 Income Statement Highlights

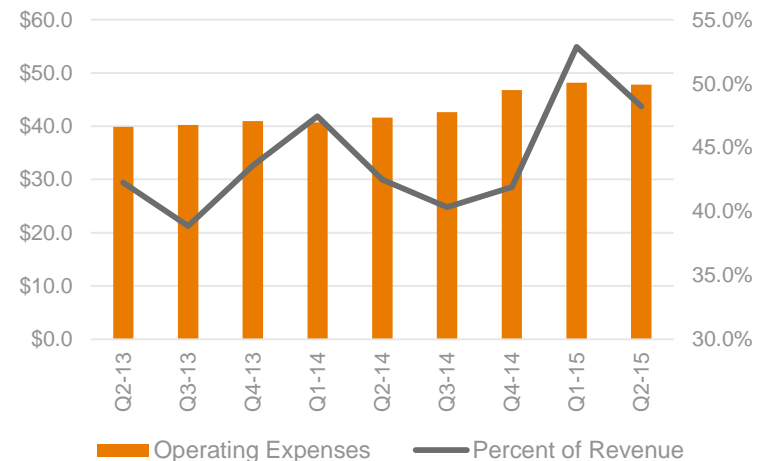
▶ Gross margins of 51.0%

- Well above 48%-49% guidance due to favorable product and regional mix
- Highest level of non-GAAP gross margins as a public company
- Long-term non-GAAP gross margin target remains >50%



▶ Operating expenses decrease as a percentage of revenues

- Operating expenses relative to quarterly revenues peaked in Q1-15
- Continued R&D investment to support next generation products
- Sales, Marketing and General expenses decline relative to revenues



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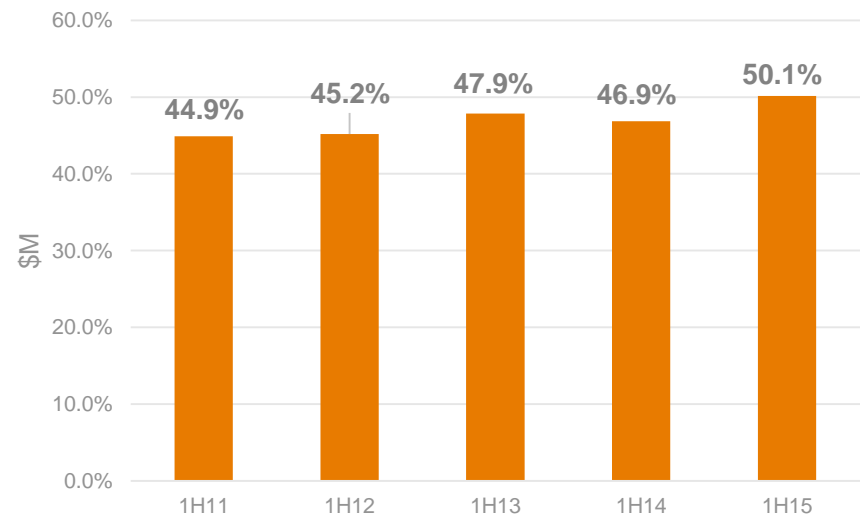
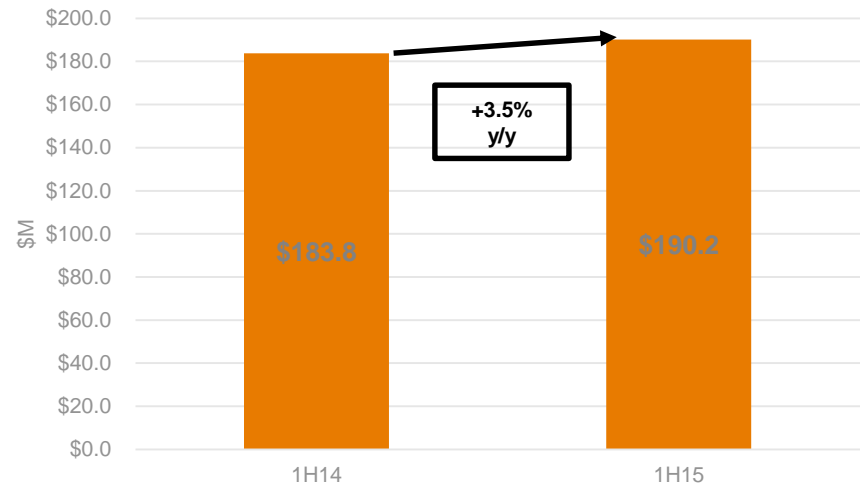
1H 2015 Income Statement Highlights

1H 2015 revenues +3.5% y/y

- Strength in domestic markets with Tier 2/Tier 3 customers
- Timing and program shifts in International markets gated results
- New product momentum with key platform products gaining traction with customers

Gross margins increase on mix and platform investments

- 1H15 gross margins +320bps y/y and +970bps since 1H10
- Favorable product and geographic mix in 1H15 relative to 1H14
- Long-term trend reflective of investments in Unified Access architecture platform



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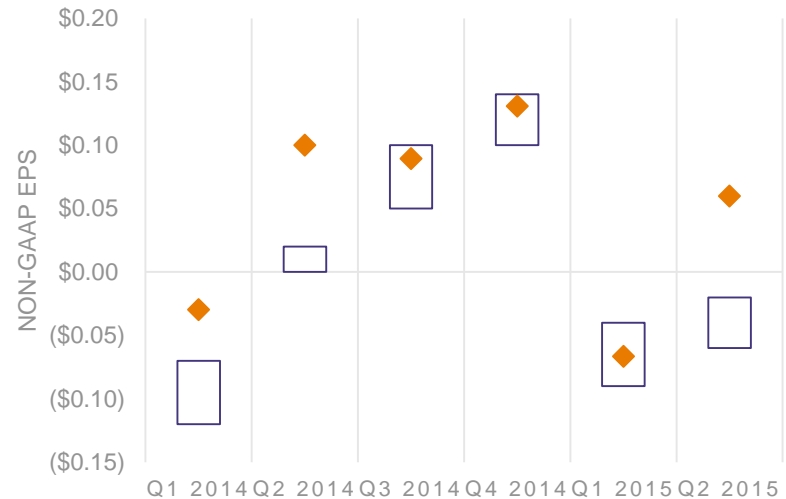
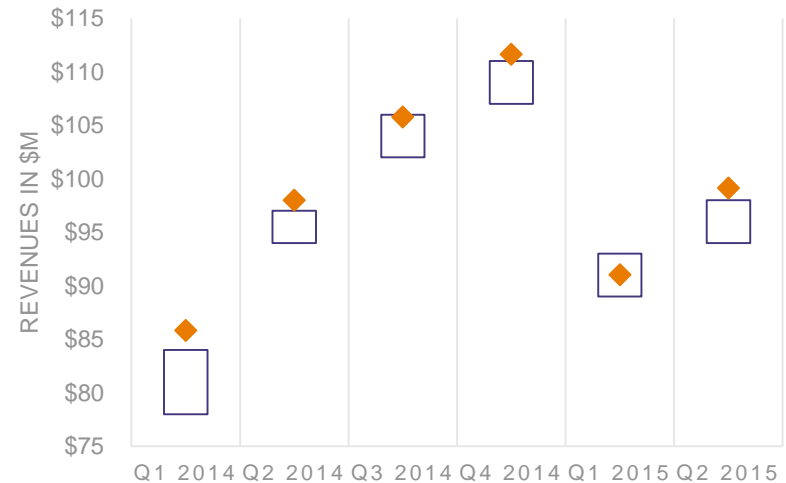
Improving Consistency Relative to Guidance

◀ Six consecutive quarters of reported revenues in-line or better than guidance

- Despite challenging visibility and uneven customer order patterns
- New product momentum remains strong with increasing customer acceptance of platform offering

◀ Expanding gross margins drive Non-GAAP EPS at or above guidance for six consecutive quarters

- Focused planning process drives strategic investments in platform offering
- On going benefits from shift to software-centric platform and product-specific momentum



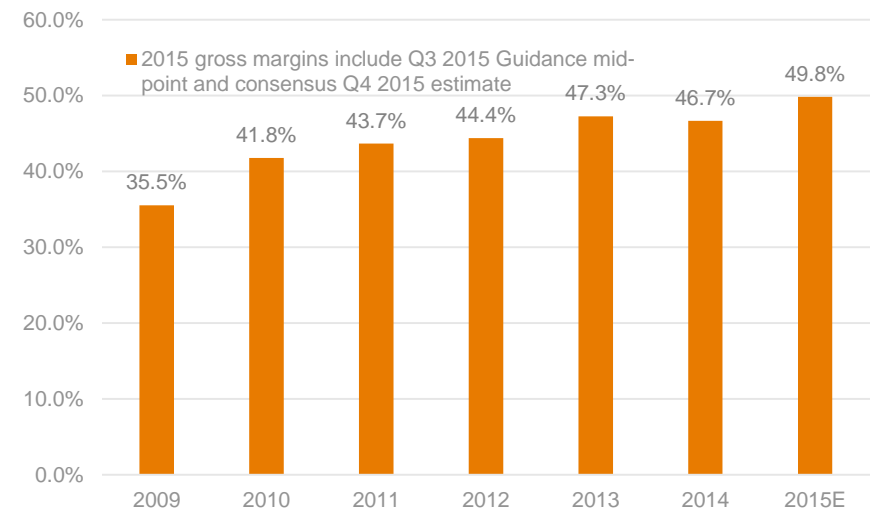
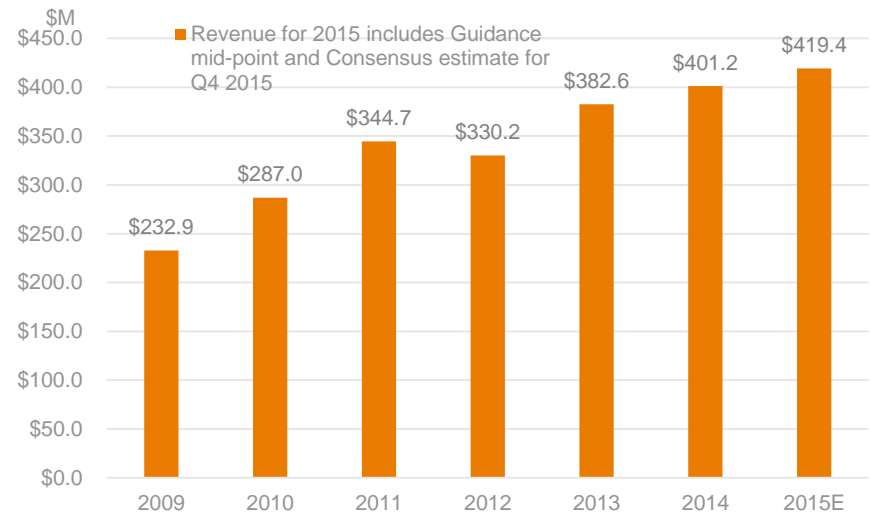
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Focused on Profitable Growth

- ▶ **1H15 revenues +3.5% y/y**
 - Including mid-point of guidance for Q3-15 and consensus estimates for Q4-15, 2H15 revenues +5.5% y/y
 - Strong momentum with key new products such as Gigacenter and steady demand from Tier 2/Tier 3 customers

- ▶ **Consistent improvement in non-GAAP gross margins**

- Continuing benefits from shift to software-centric platform offering as opposed to single-point solutions
 - Calix value proposition validated as key new products drive lower total cost of ownership



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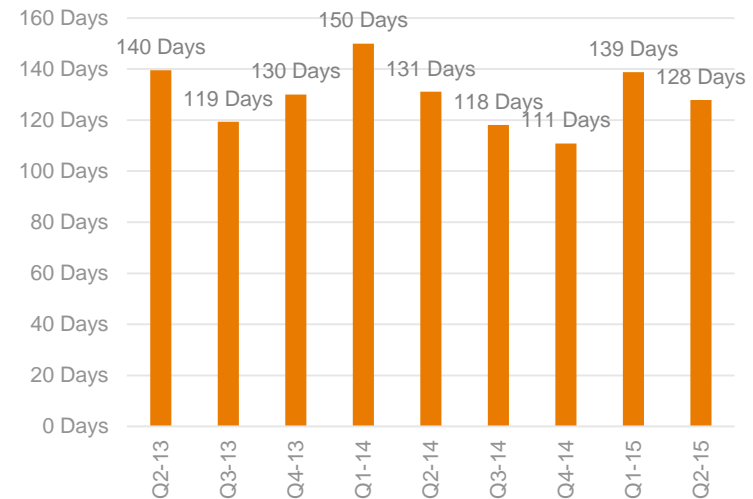
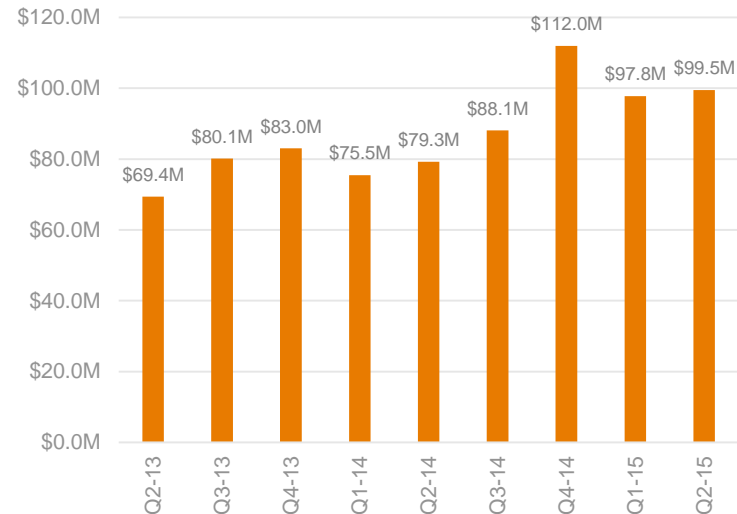
Balance Sheet & Cash Flows Highlights

▶ Cash and equivalents of \$99.5M

- \$3.4M used to buyback 435K shares of CALX common shares with more than \$36.6M left on remaining authorization
- \$1.9M spent on capital expenditures

▶ Operating cycle of 128 days

- Inventory days decreased q/q to 91 days from 102 days in the prior quarter and 93 days in the year ago quarter due to shipment linearity
- DSOs flat q/q at 37 days and down slightly from 38 days in the year ago quarter



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Q3 2015 Operating Performance Guidance

Revenues	\$107-\$111M
Gross margin	49-50%
Operating expenses	\$50-\$51M
Non-GAAP EPS	\$0.05 – \$0.09
Cash flow from operations	Positive

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Non-GAAP to GAAP Reconciliation

The Company uses certain non-GAAP financial measures in this press release to supplement its consolidated financial statements, which are presented in accordance with GAAP. These non-GAAP measures include non-GAAP net income (loss) and non-GAAP basic and diluted income (loss) per share. These non-GAAP measures are provided to enhance the reader's understanding of the Company's operating performance as they primarily exclude certain non-cash charges for stock-based compensation and amortization of acquisition-related intangible assets, and non-recurring acquisition-related and other expenses, which the Company believes are not indicative of its core operating results. Management believes that the non-GAAP measures used in this presentation provide investors with important perspectives into the Company's ongoing business performance and management uses these non-GAAP measures to evaluate financial results and to establish operational goals. The presentation of these non-GAAP measures is not meant to be a substitute for results presented in accordance with GAAP, but rather should be evaluated in conjunction with those GAAP results. A reconciliation of the non-GAAP results to the most directly comparable GAAP results is provided in this presentation. The non-GAAP financial measures used by the company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

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

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

Q1 2015 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	Acquisition-Related Costs	GAAP
Revenue	\$ 91,038	\$ —	\$ —	\$ —	\$ 91,038
Cost of revenue	46,285	175	2,088	—	48,548
Gross profit	44,753	(175)	(2,088)	—	42,490
Gross margin	49.2%	(0.2)%	(2.3)%	—%	46.7%
Operating expenses	48,148	3,487	2,552	190	54,377
Operating loss	(3,395)	(3,662)	(4,640)	(190)	(11,887)
Interest and other income (expense), net	48	—	—	—	48
Loss before taxes	(3,347)	(3,662)	(4,640)	(190)	(11,839)
Provision for income taxes	91	—	—	—	91
Net loss	<u>\$ (3,438)</u>	<u>\$ (3,662)</u>	<u>\$ (4,640)</u>	<u>\$ (190)</u>	<u>\$ (11,930)</u>
Weighted average shares used to compute					
net loss per common share:					
Basic and diluted	<u>51,732</u>	<u>51,732</u>	<u>51,732</u>	<u>51,732</u>	<u>51,732</u>
Net loss per common share:					
Basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.07)</u>	<u>\$ (0.09)</u>	<u>\$ —</u>	<u>\$ (0.23)</u>

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Non-GAAP to GAAP

Q2 2014 Reconciliation

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 98,005	\$ —	\$ —	\$ 98,005
Cost of revenue	51,221	354	2,088	53,663
Gross profit	46,784	(354)	(2,088)	44,342
Gross margin	47.7%	—	—	45.2%
Operating expenses	41,630	4,050	2,552	48,232
Operating income (loss)	5,154	(4,404)	(4,640)	(3,890)
Interest and other income (expense), net	42	—	—	42
Income (loss) before taxes	5,196	(4,404)	(4,640)	(3,848)
Provision for income taxes	103	—	—	103
Net income (loss)	<u>\$ 5,093</u>	<u>\$ (4,404)</u>	<u>\$ (4,640)</u>	<u>\$ (3,951)</u>
Weighted average diluted shares used to compute non-GAAP net income (loss) per common share	<u>50,961</u>	<u>50,961</u>	<u>50,961</u>	
Non-GAAP net income (loss) per diluted share	<u>\$ 0.10</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	
Weighted average basic and diluted shares used to compute GAAP net loss per common share				<u>50,573</u>
GAAP net loss per share				<u>\$ (0.08)</u>

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Additional Information

- ◀ Additional information available at <http://investor-relations.calix.com/>
 - Growth Drivers/Opportunities
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