



Calix Investor Day

March 4th, 2020

Safe Harbor

Forward-looking statements are subject to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to, but are not limited to, statements about potential customer or market opportunities, growth and pipeline opportunities, statements about customer anticipated purchase trends, expected customer and product mix or anticipated adoption of our platforms, systems or services offerings, industry, market and customer trends, opportunities with existing and prospective customers, the anticipated benefits from and effectiveness of our supply-chain reengineering activities and ongoing management of our global supply-chain, the future impact, financial or otherwise, of the U.S. tariffs or any other tariffs or trade regulations that may be imposed whether by the United States or other countries, as well as our ability to effectively mitigate such impacts, and future financial performance (including the outlook for the first quarter of 2020). Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from expectations, including but not limited to fluctuations in the Company’s financial and operating results, the capital spending decisions of its customers, changes and disruptions in the market and industry, changes in regulations and/or government sponsored programs, competition, its ability to achieve market acceptance of new systems and solutions, its ability to grow its customer base, fluctuations in costs associated with its systems and services including higher costs due to project delays and changes, third party dependencies for production and resource management associated with our global supply-chain that may cause delays in production and unavailability of systems to meet customer orders, which may be substantial, cost overruns and other unanticipated factors, as well as the risks and uncertainties described in its annual reports on Form 10-K and its quarterly reports on Form 10-Q, each as filed with the SEC and available at www.sec.gov, particularly in the sections titled “Risk Factors.” Forward-looking statements speak only as of the date the statements are made and are based on information available to the Company at the time those statements are made and/or management’s good faith belief as of that time with respect to future events. Calix assumes no obligation to update forward-looking statements to reflect actual performance or results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. Accordingly, investors should not place undue reliance on any forward-looking statements.

Use of Non-GAAP Financial Information

The Company uses certain non-GAAP financial measures in its stockholder letter to supplement its consolidated financial statements, which are presented in accordance with GAAP. These non-GAAP measures include non-GAAP gross margin, non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per diluted common share. These non-GAAP measures include non-GAAP gross margin, non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per diluted common 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, intangible asset amortization, restructuring benefit, U.S. tariff and tariff-related costs and loss on asset retirement, which the Company believes are not indicative of its core operating results. Management believes that the non-GAAP measures used in this stockholder letter 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 stockholder letter. 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.

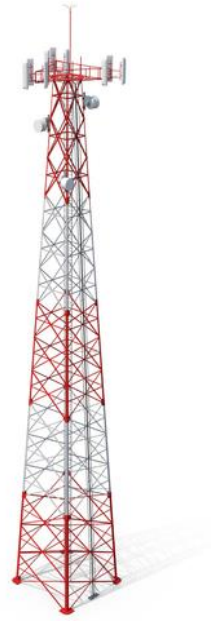
Agenda and Flow

Time	Topic
10:00am	Welcome
10:05am	Waves of disruption
10:45am	Turning the access network into your competitive EDGE
11:20am	COFFEE BREAK
11:35am	Turning the subscriber edge into your revenue EDGE
12:20pm	LUNCH BREAK & SHOWCASE OPEN
1:00pm	Financial model
1:30pm	Questions and Answers
2:00pm	SHOWCASE OPEN

Cable TV



Cellular phones

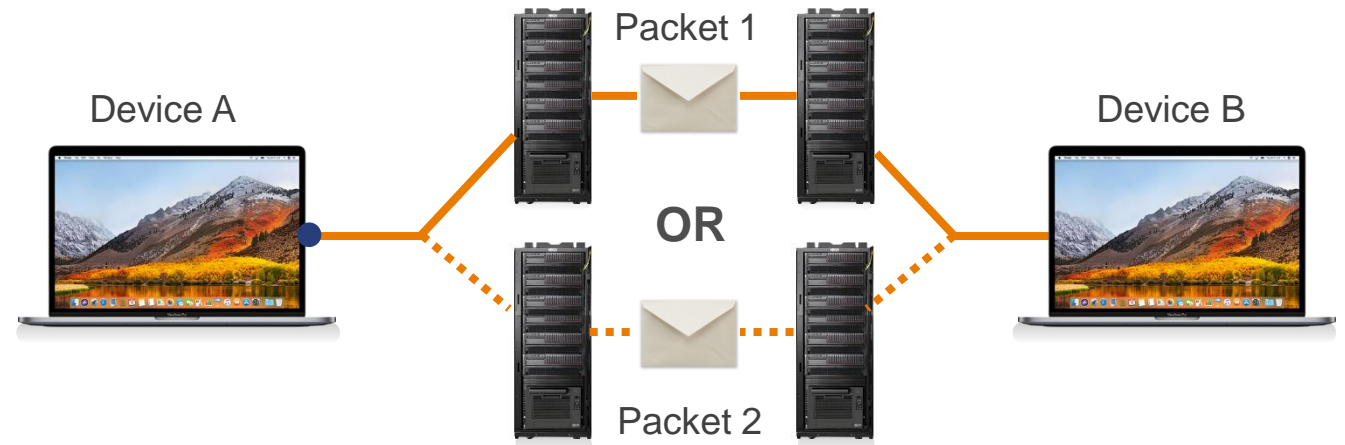


Internet protocol

Connection-Oriented Network



Connection-less Oriented Network

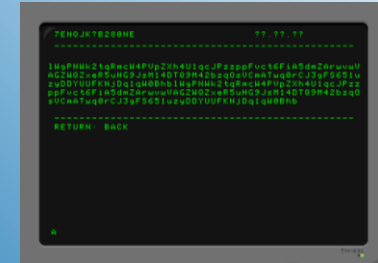


We've seen this before



Server

LAN



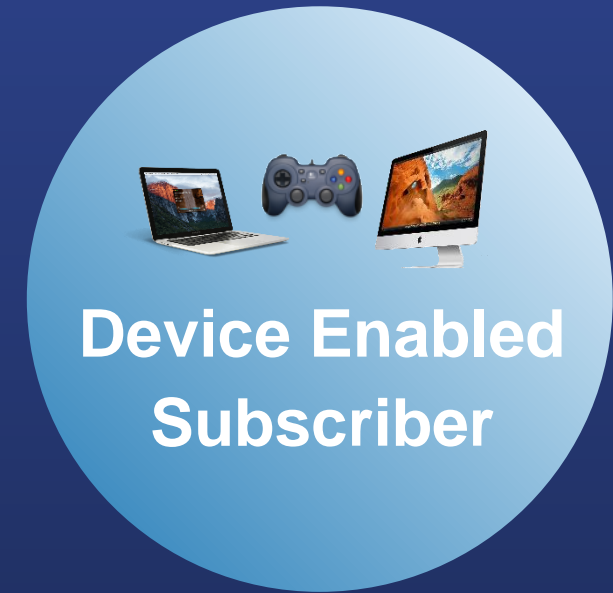
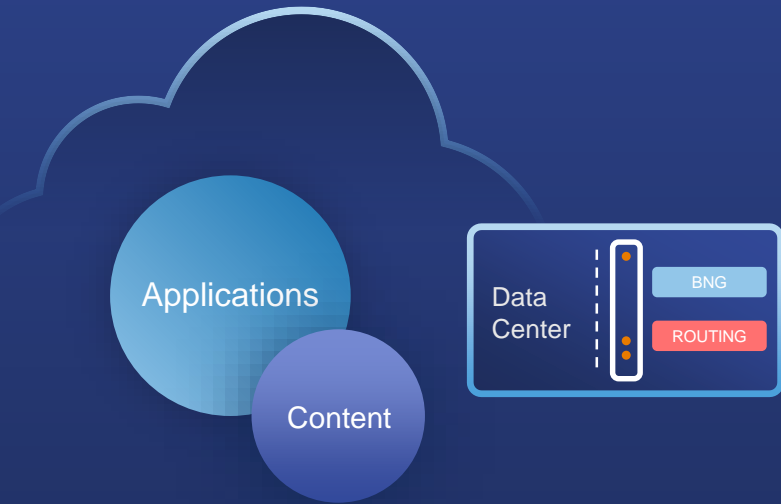
Client

But the balance of power has shifted

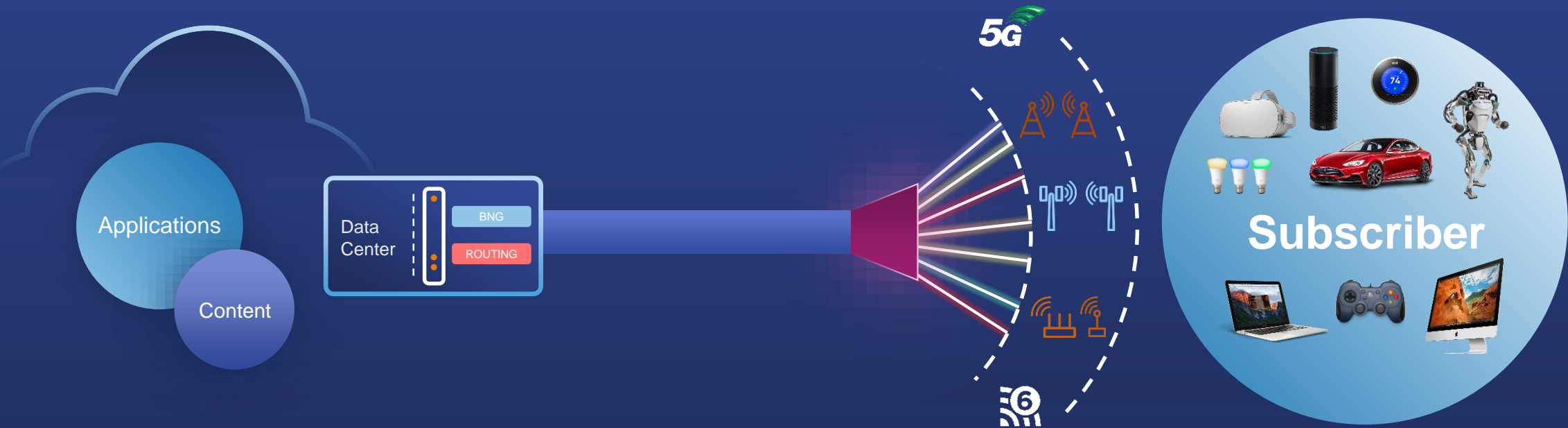


**Device Enabled
Subscriber**

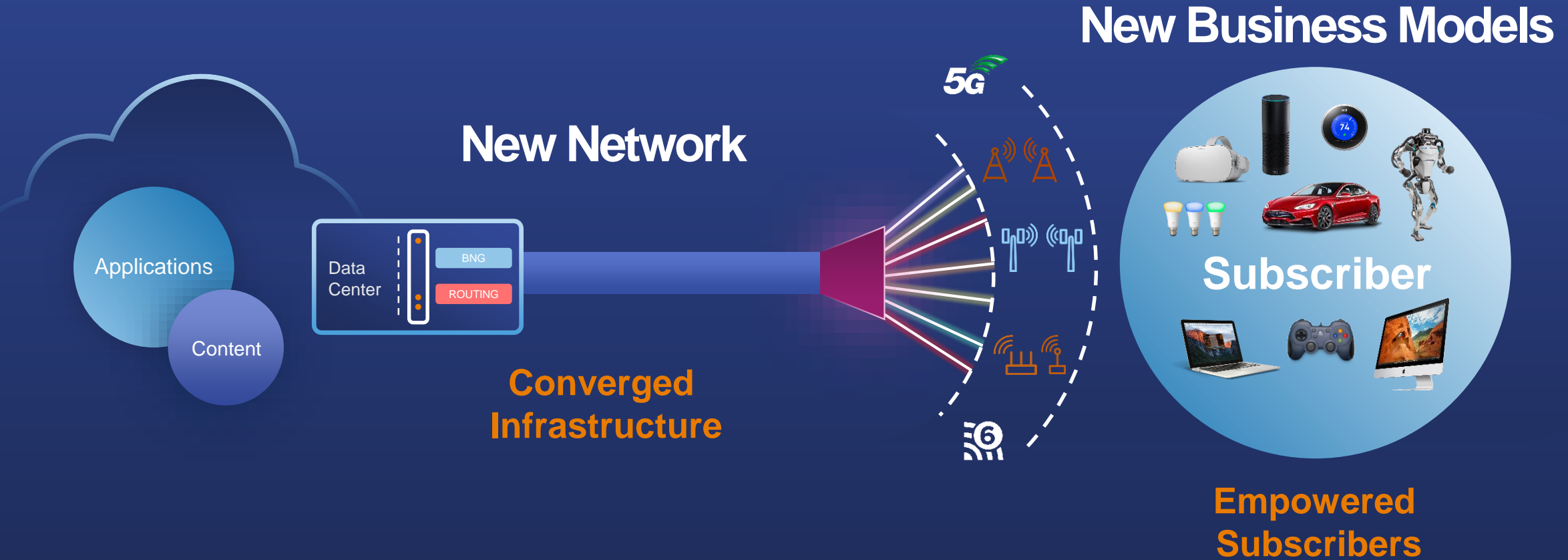
With applications and content in the Cloud



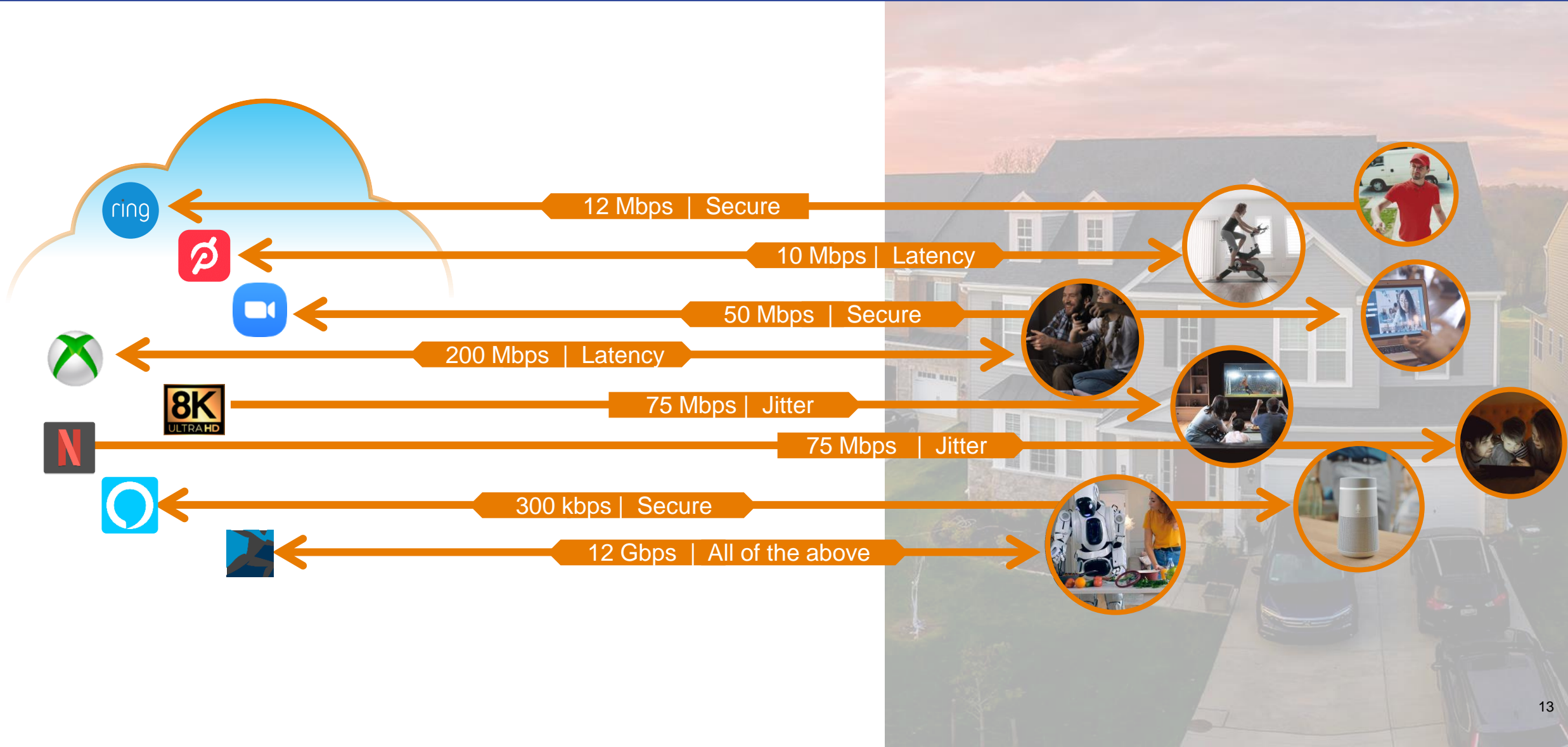
The end state: An optimal physical infrastructure



Two disruptions



The subscriber is in command



We believe that CSPs have two choices



1. Wholesaler: Lowest cost per bit per mile network

To Win:

Always On

Simple to
Operate

Enhanced
at a
Dev Ops
Pace



2. Retailer: Best subscriber experience on the lowest cost network

To Win:

Real-Time
Subscriber
Insights

Consumer
Cool
Technology

Revenue
Generating
Experiences

We believe that CSPs have two choices



1. Wholesaler: Lowest cost per bit per mile network



2. Retailer: Best subscriber experience on the lowest cost network

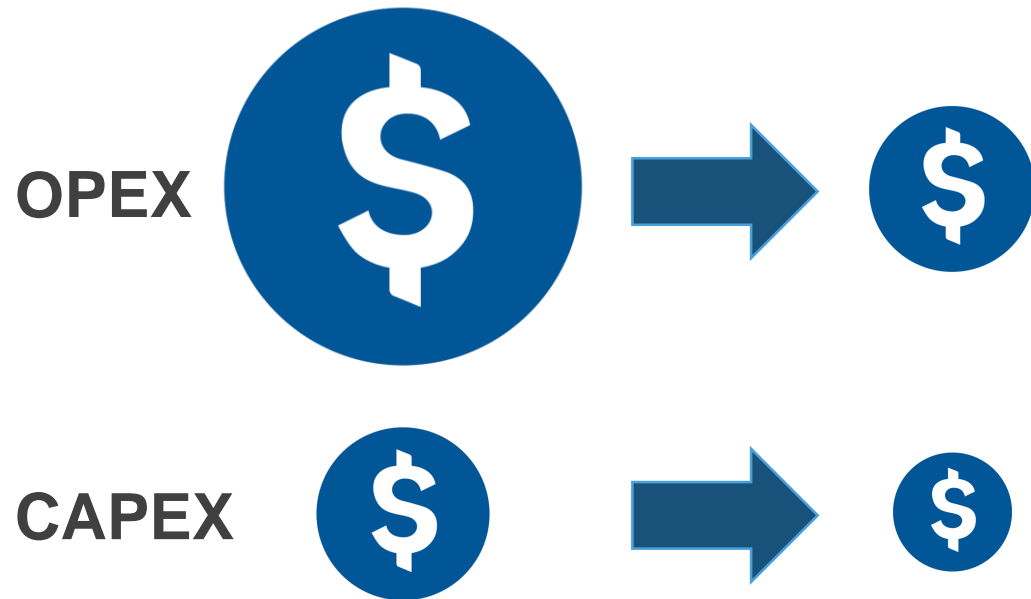




INTELLIGENT ACCESS EDGE

Lowest cost / bit / mile network

Economic Impact



Network Attributes



Always on



Simple to operate



Enhanced at a Dev Ops pace

AXOS is the platform that delivers this network

AXOS[®]



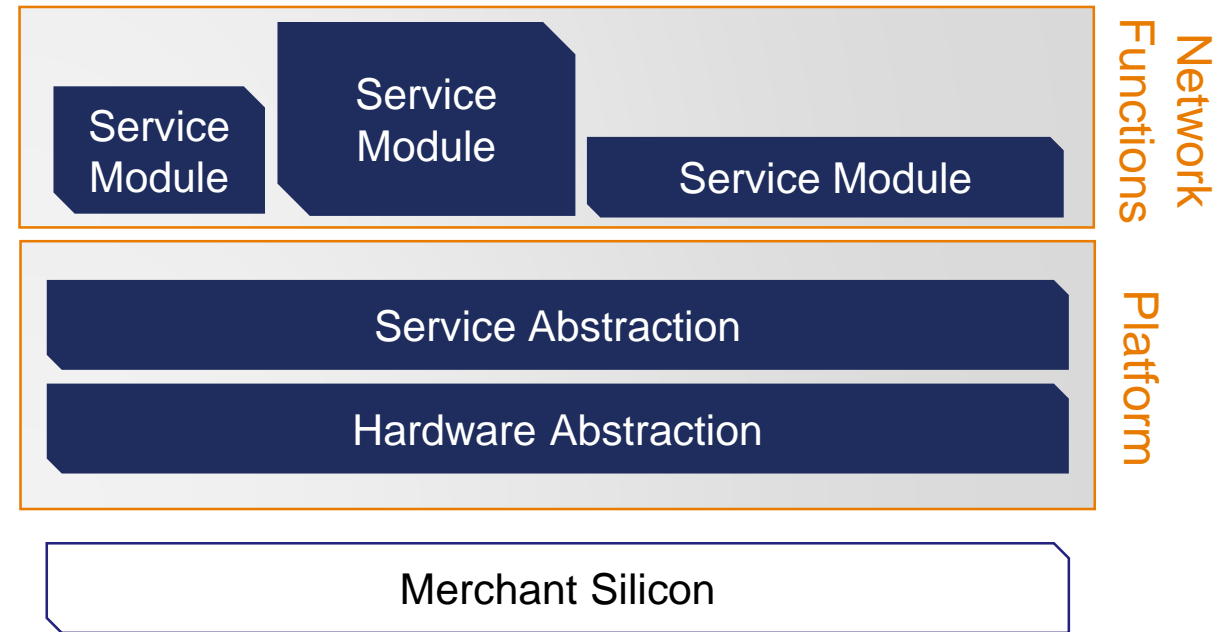
Always on



Simple to operate



Enhanced at a Dev Ops pace





INTELLIGENT ACCESS EDGE

EDGE SYSTEMS POWERED BY AXOS

AXOS e92

AXOS e72

AXOS e32

EDGE TOOLS

AXOS DIAGNOSTICS
Toolbox

AXOS SMx
DPx

AXOS Sandbox

EDGE INSIGHTS

 Calix
Managed
Services

EDGE ENABLEMENT

Educations Services
Professional Services
Customer Success Services

ACCESS EDGE FOUNDATION



INTELLIGENT ACCESS EDGE

AXOS **AR**_M

AXOS **RP**_M

AXOS **SM**_M

EDGE SOFTWARE

EDGE **SYSTEMS**
POWERED BY **AXOS**

AXOS **e9**₂

AXOS **e7**₂

AXOS **e3**₂

EDGE **TOOLS**

AXOS **DIAGNOSTICS**
Toolbox

AXOS **SM**_x
DP_x

AXOS **Sandbox**

EDGE **INSIGHTS**

 **Calix**
Managed
Services

EDGE **ENABLEMENT**

Educations Services
Professional Services
Customer Success Services

ACCESS EDGE FOUNDATION



INTELLIGENT
ACCESS EDGE

EDGE SYSTEMS

EDGE SYSTEMS

POWERED BY **AXOS**



AXOS **e92**



AXOS **e72**



AXOS **e32**

- Form factors for every deployment scenario from the data center edge to a pole
- Fits all service provider business models
- Supports everyPON technology to future-proof the network



INTELLIGENT
ACCESS EDGE

EDGE SOFTWARE

EDGE SYSTEMS

EDGE SOFTWARE

Integrating edge/subscriber network functions
into the access Network

AXOS **RP** **M**

Deliver Layer 3 routing services

AXOS **AR** **M**

Deliver subscriber focused MPLS services

AXOS **SM** **M**

Consolidate subscriber management
and administration



INTELLIGENT
ACCESS EDGE

EDGE TOOLS

EDGE SYSTEMS

EDGE SOFTWARE

EDGE TOOLS

Support the full life-cycle of services

AXOS **SM** **X** AXOS **DP** **X**

Connect to existing operational systems

AXOS **Sandbox**

Provide a virtual testing and integration environment

AXOS **DIAGNOSTICS**
Toolbox

Isolate real-time issues and help CSPs optimize services



INTELLIGENT
ACCESS EDGE

EDGE INSIGHTS

EDGE SYSTEMS

EDGE SOFTWARE

EDGE TOOLS

EDGE INSIGHTS

Remote Monitoring A SaaS Analytics Service



Reduce technician interventions by up to 90%

Resolve network issues up to 50% faster



INTELLIGENT
ACCESS EDGE

EDGE ENABLEMENT

EDGE SYSTEMS

EDGE SOFTWARE

EDGE TOOLS

EDGE INSIGHTS

EDGE **ENABLEMENT**



Train your Team



Help Your Team Deploy



Help Your Team Operate

Simple to Deploy and Simple to Operate



Simplify their Operations

Simplify their Network

Simplify their Business

The Wholesaler

£4bn
Investment
Targeting 8 million
Homes
30%
Of the UK
100%
Open access

CityFibre

56 cities
planned for full
fiber networks

70%
Expected
operation
savings*

96%
of customers
extremely or
very satisfied

**Open Access wholesaler, rapidly expanding
with 1500 customers to sell business and
residential services**

*compared to managing a traditional network.

The Full-Service Retail Provider

Located
Tennessee
Incorporated
1940
1,000+
subscribers



Up to **80%**
reduction in
integration
time

75%
reduction in
system
turn-up time

94%
take rate for
managed
Wi-Fi service

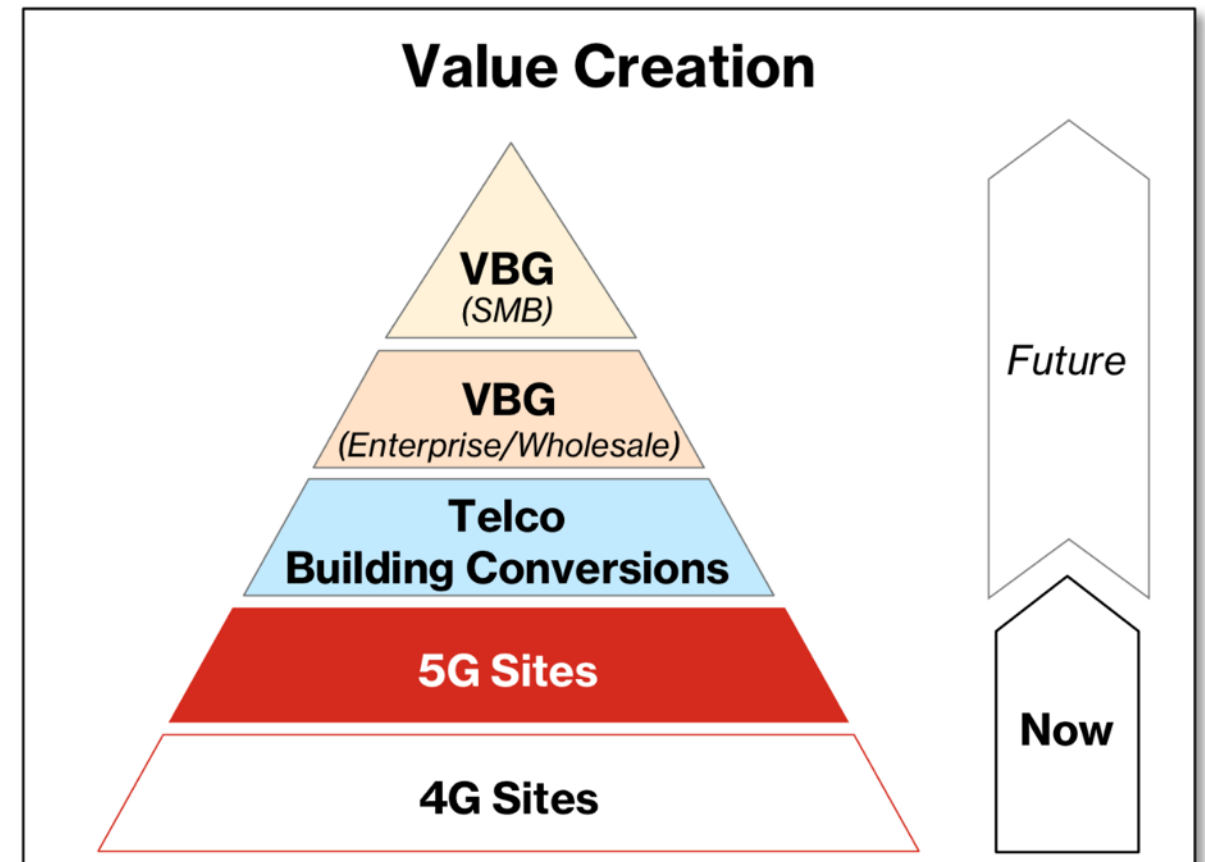
Deploying AXOS as the centerpiece of its
next generation network transformation



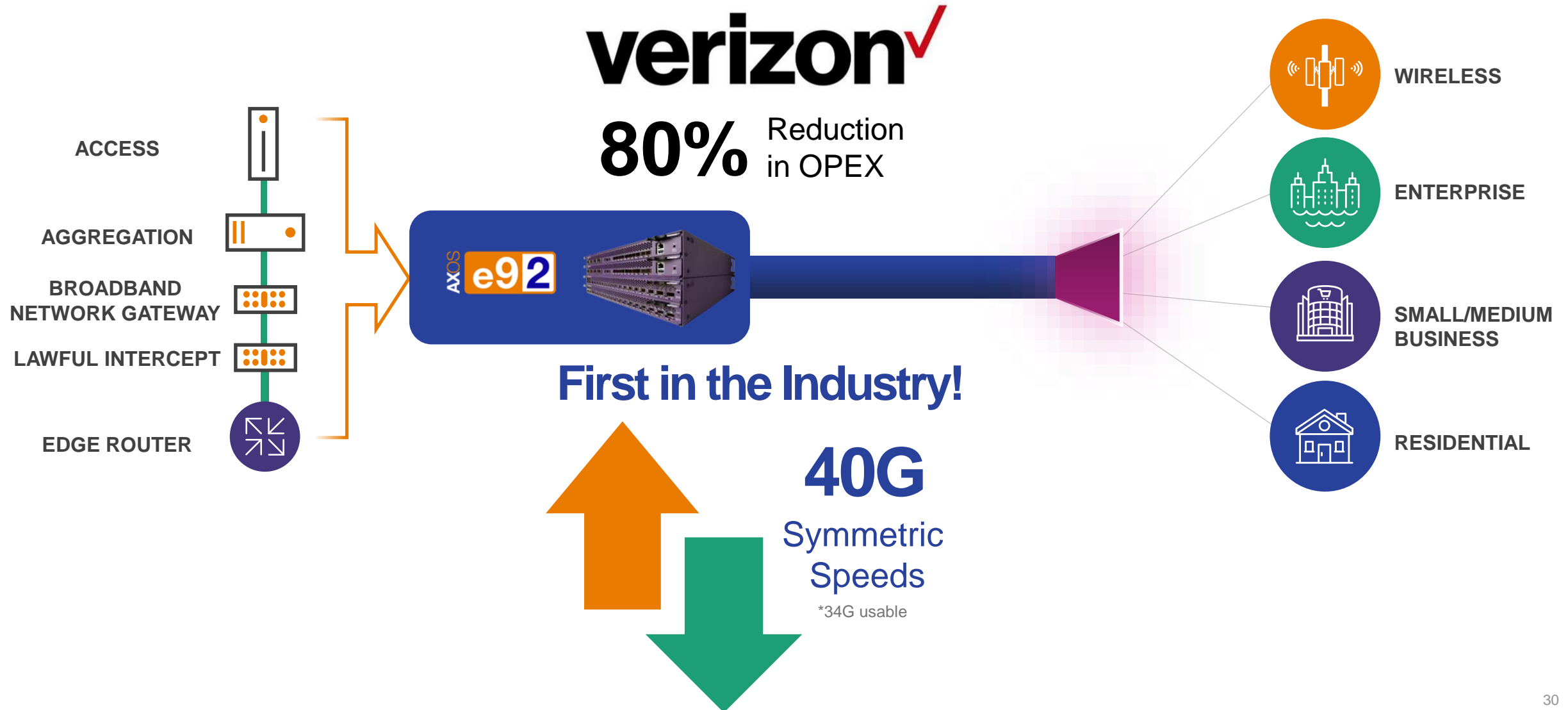
The Path Finder

One Fiber update

- ~30k route mile completed (EoY 2019)
- Monthly pacing at full run-rate and will continue
- Majority of 5G build leveraging One Fiber
- Work with municipalities scaling with master license agreements & local relationships



The Impact



BREAK



Home invaders are targeting the subscriber

What the home invader PROVIDES:

- Cool design
- Speed of innovation
- New OTT experiences
- Data and insights



What the traditional CSP PROVIDES:

- Connectivity
- Reliability
- Support



Home invaders are targeting the subscriber

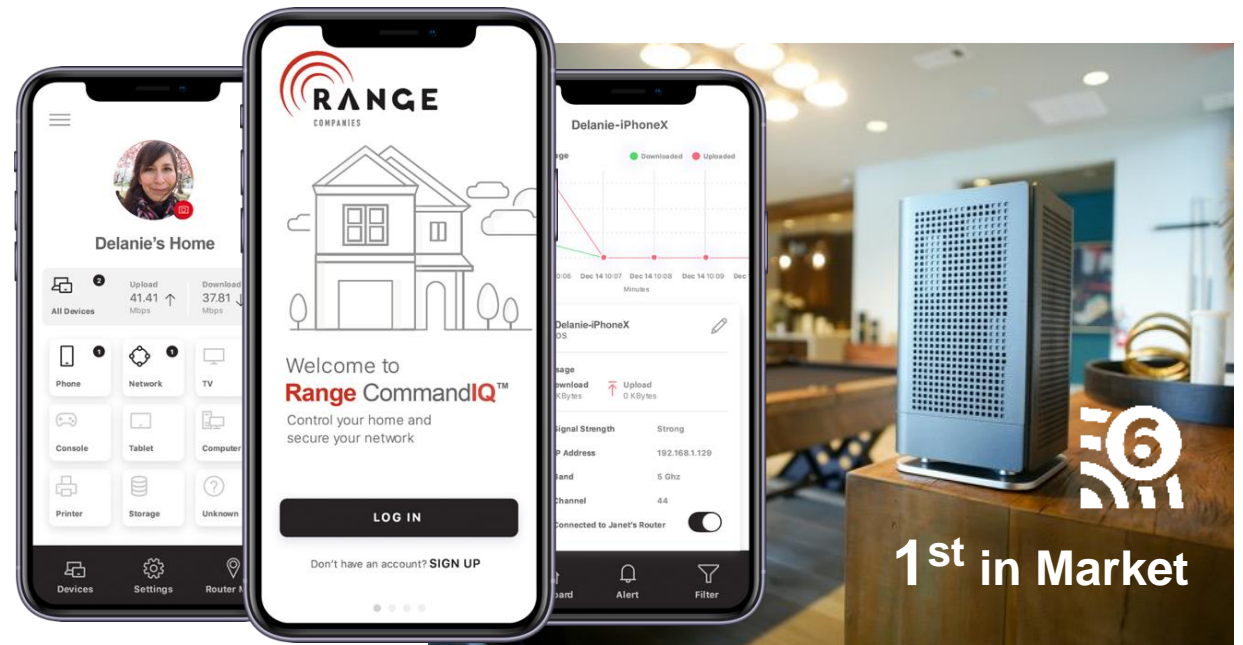
What the home invader PROVIDES:

- Cool design
- Speed of innovation
- New OTT experiences
- Data and insights



What the Innovative CSP PROVIDES:

- Building on their position in the home
- Delivering coolest Wi-Fi technology first
- Leveraging analytics to build subscriber relationships
- Rapidly delivering new and targeted subscriber experiences
- **Managing the experience for the Subscriber**



Provide everything a CSP needs to WIN





REVENUE EDGE

ProtectIQ™

ExperienceIQ™

Future Suites

EDGE SUITES

EDGE **INSIGHTS**



EDGE **SYSTEMS**
POWERED BY **EXOS**

GigaSpire
BLAST u12X

GigaSpire
BLAST u12

GigaSpire
BLAST u6

GigaMesh.



EDGE **SERVICES**

CommandIQ™

Alexa Voice Services

Advanced Managed Wi-Fi

Broadband Performance Testing

Campaign Delivery

EDGE **ENABLEMENT**

Market Activation

Education Services

Success Services

Professional Services

REVENUE EDGE FOUNDATION

Persona aligned analytics and insights delivered through the CLOUD into user workflows



EDGE **INSIGHTS**

EDGE **SYSTEMS**

Wi-Fi 6 "storefronts" powered by **EXOS**

GigaSpire
BLAST u12X



GigaSpire
BLAST u12



GigaSpire



EDGE INSIGHTS

EDGE SYSTEMS

EDGE SERVICES

EDGE SERVICES

Delivered via **EXOS**® to elevate the subscriber experience.

Managed Wi-Fi

Broadband Performance Testing

CommandIQ™

Alexa Voice Services

Campaign Message Delivery on Mobile App



ProtectIQ™



Virus Prevention

Malware
Prevention

Intrusion
Prevention

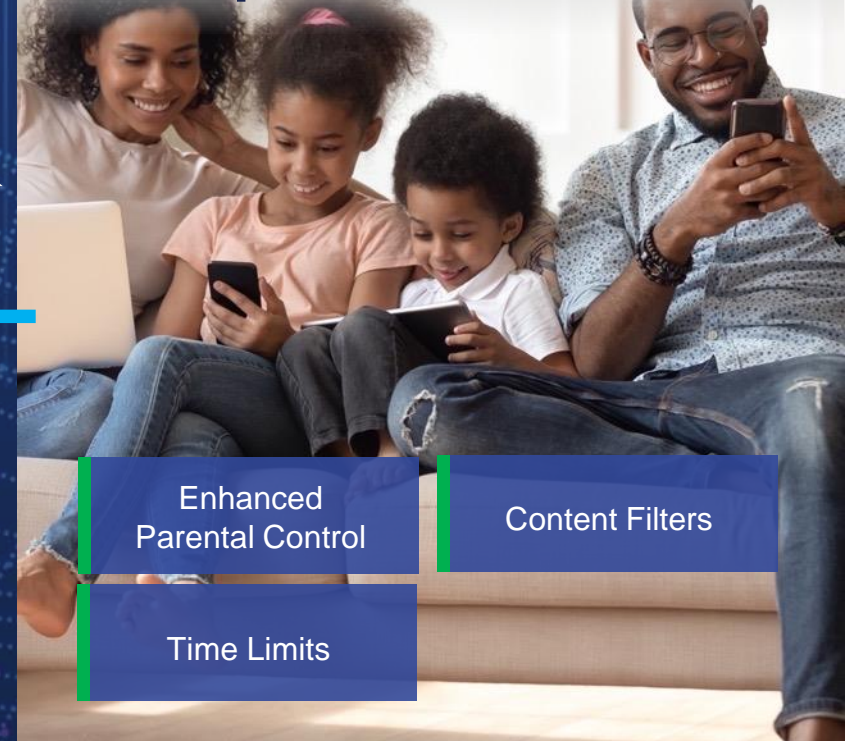
Malicious
Website Protection

EDGE SUITES

ProtectIQ™

ExperienceIQ™

ExperienceIQ™



Enhanced
Parental Control

Content Filters

Time Limits

REVENUE EDGE FOUNDATION



EDGE SUITES

Future
Suites

REVENUE EDGE FOUNDATION



EDGE **INSIGHTS**

EDGE **SYSTEMS**

EDGE **SERVICES**

EDGE **ENABLEMENT**

EDGE **ENABLEMENT**

We enable you to make it happen.

Education Services

Professional Services

Customer Success Services

Market Activation

EDGE **INSIGHTS**

EDGE **SYSTEMS**

EDGE **SERVICES**

EDGE **ENABLEMENT**

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We enable you to make it happen.

Market Activation

New Campaign Materials: *“Providing Possible”*



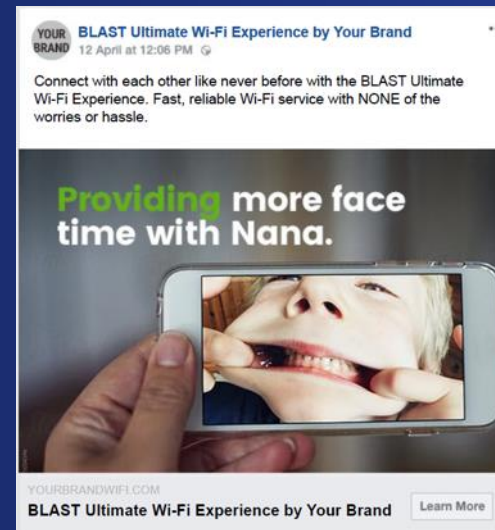
Providing backyard movie night.

Connect every area of your home and beyond.

The Blast Ultimate Wi-Fi Experience reaches from the attic to the basement to the backyard. Enjoy consistent, fast Wi-Fi everywhere you need it.

Get Connected >

YourBrand BLAST
ULTIMATE WI-FI EXPERIENCE



BLAST Ultimate Wi-Fi Experience by Your Brand
12 April at 12:06 PM

Connect with each other like never before with the BLAST Ultimate Wi-Fi Experience. Fast, reliable Wi-Fi service with NONE of the worries or hassle.

Providing more face time with Nana.

BLAST Ultimate Wi-Fi Experience by Your Brand [Learn More](#)



Providing more control for the moments that matter.

Enjoy control of your home network at your fingertips with CommandIQ™.

For those special times when you need to harness the world's most powerful Wi-Fi, CommandIQ™ is there. When you download the app, you control everything about the connected experience within your home.

DOWNLOAD NOW >

YourBrand BLAST
ULTIMATE WI-FI EXPERIENCE



Providing a more PG internet.

Safeguard your family with Experience Q™.

LEARN MORE

YourBrand BLAST
ULTIMATE WI-FI EXPERIENCE

EDGE **INSIGHTS**

EDGE **SYSTEMS**

EDGE **SERVICES**

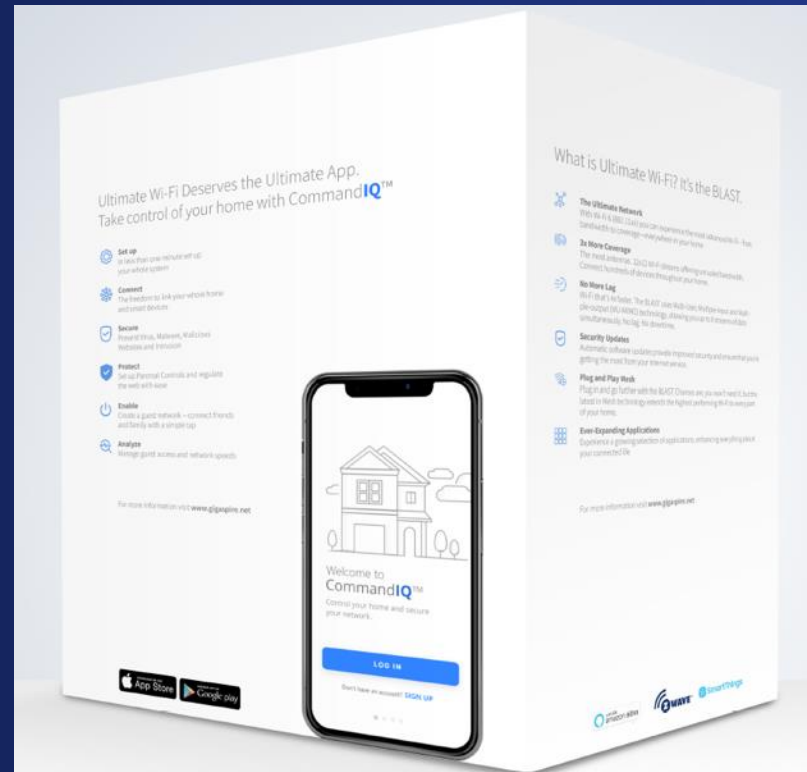
EDGE **ENABLEMENT**

EDGE **ENABLEMENT**

We enable you to make it happen.

Marketing Programs

New Box Sleeves



The Result: Elevate every part of their business



The Millers

Elevate their Service

Elevate their Brand

Elevate the Subscriber Experience

Elevate their Revenue

The CLEC

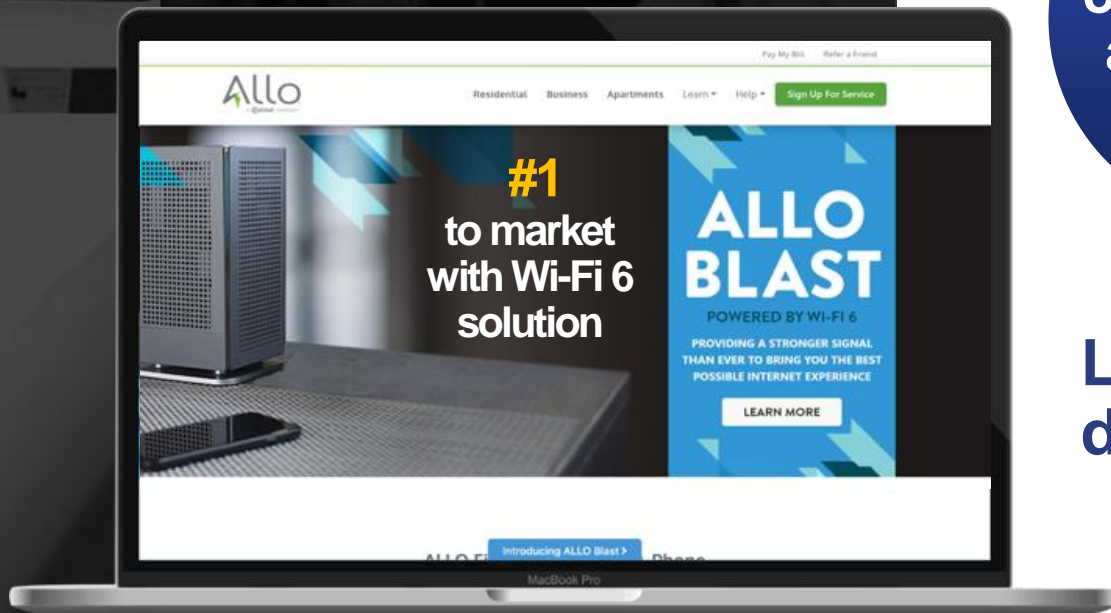
Located
Nebraska & Colorado
Incorporated
2003
65,000
subscribers
500 employees



92%
of Wi-Fi issues
avoided with
self-heal

50%
expected
market share
entering new
markets

**Top
Ranked**
customer
satisfaction
in the
industry



**Leading with the ALLO BLAST,
differentiating on Subscriber Experience**

The ILEC

Located
Montana, Wyoming,
Colorado & S. Dakota

Incorporated
in 1953

12,700
subscribers

160 employees



30%
reduction in
operating
costs

173%
ROI on EDGE
Insights in just
6mos

0.2%
churn rate on
advanced
broadband
services



**Placing their brand in the
hands of their subscribers**

The Co-Op

Located
Central Montana
Incorporated
in 1953
17,000
subscribers
140 employees

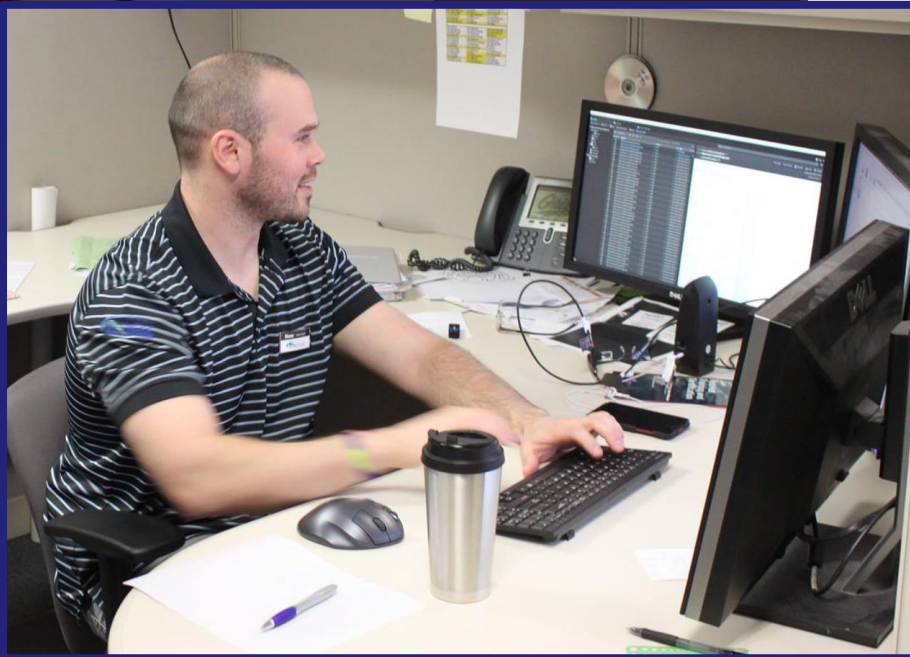


48%
increase in
marketing
efficiency

28%
reduction in
cost of
upgrades with
better
targeting

62%
increase in
ARPU

**Leveraging field techs to proactively upsell
services due to drop in trouble ticket volumes**





BREAK UNTIL 1PM PT

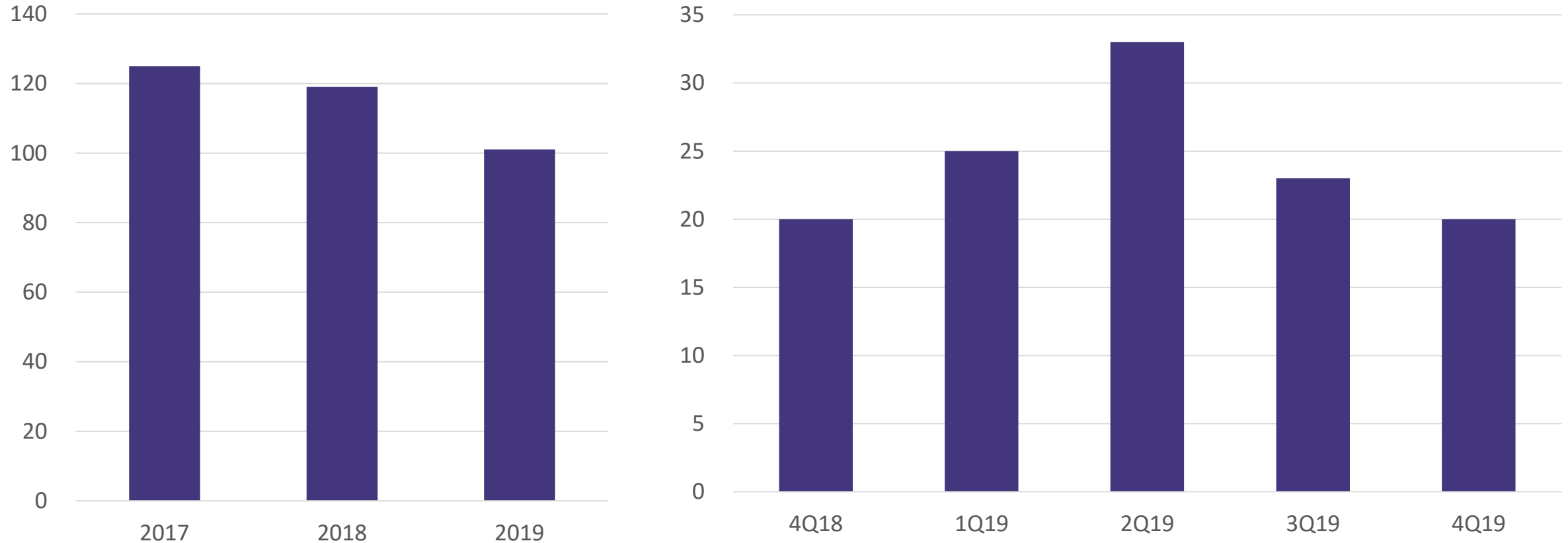
Target Financial Model

Focused on Improved Financial Performance Across Four Metrics

- Deliberate revenue growth
- Gross margin expansion
- Disciplined operating expense investment
- Increased predictability

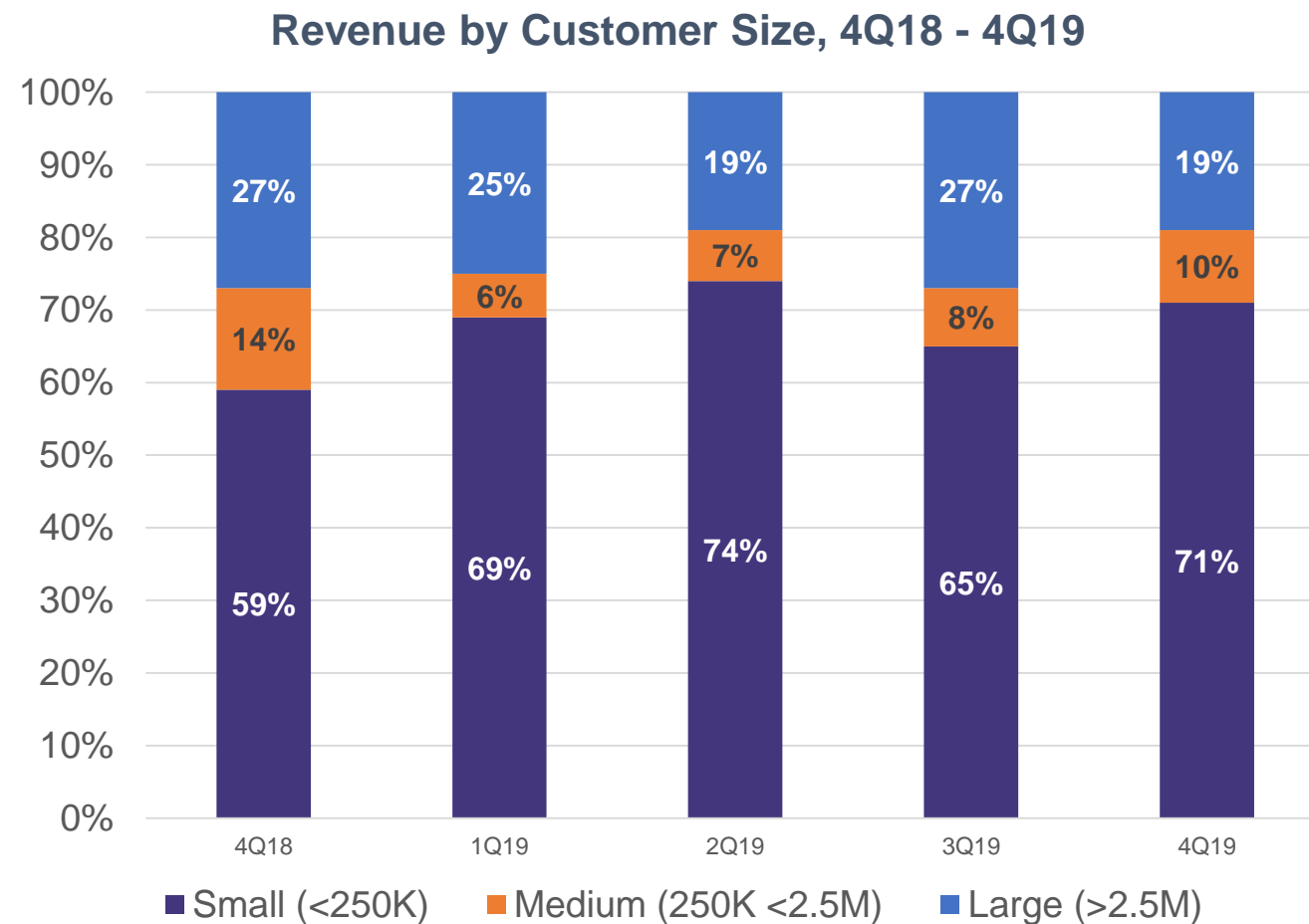
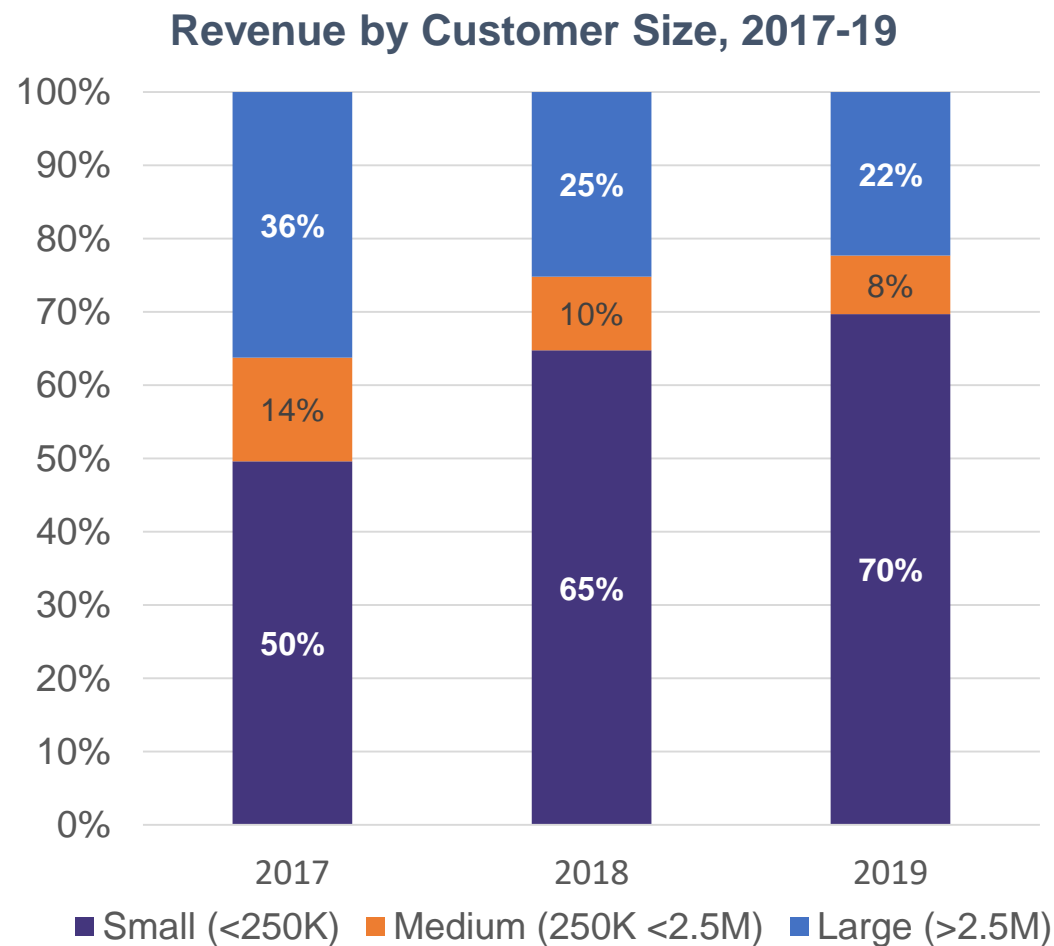
Deliberate Revenue Growth

DIVERSE NEW CUSTOMER EXPANSION



Adding over 100 new customers per year

Deliberate Revenue Growth

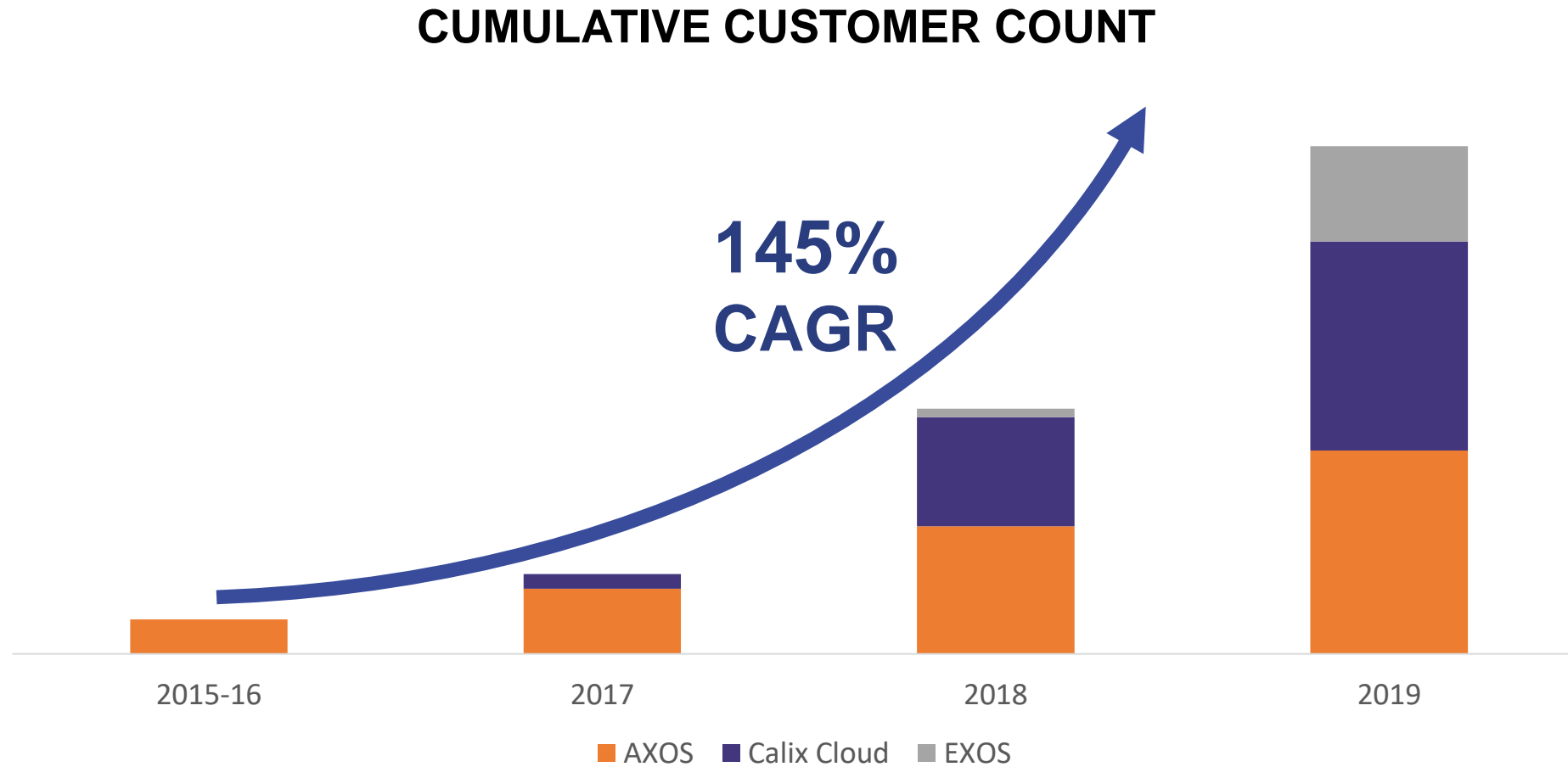


Rapid customer growth is yielding a more predictable business

Gross Margin Expansion

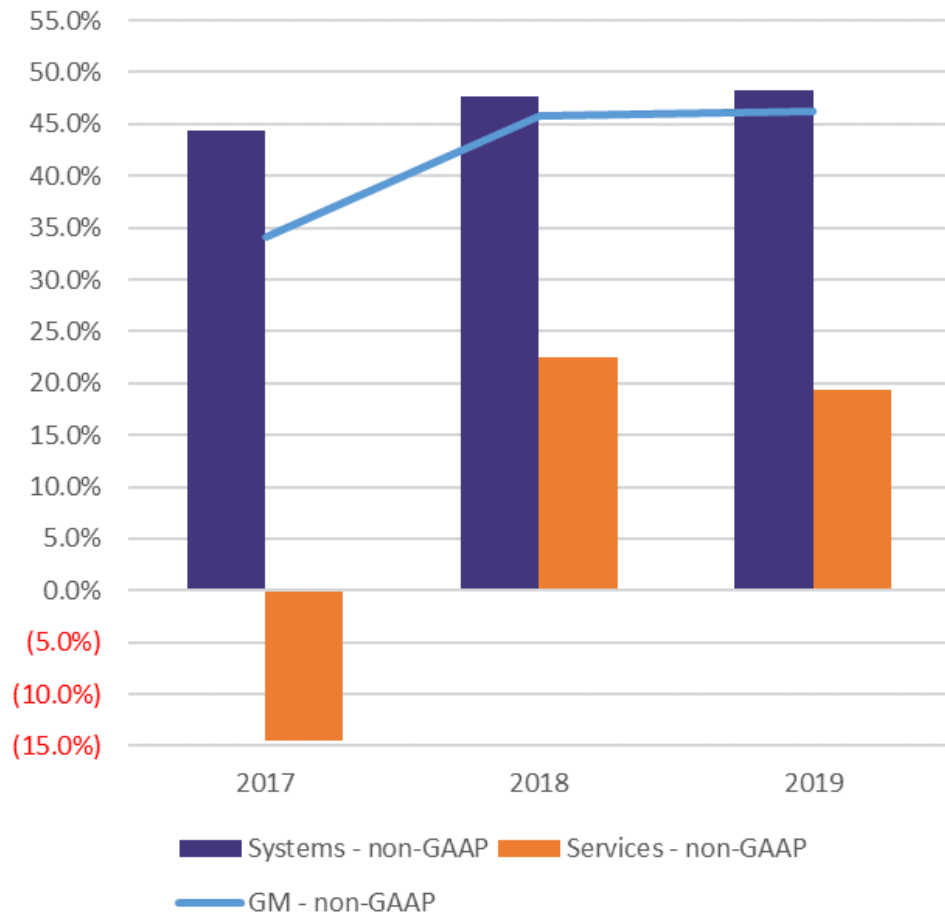
- ✓ **Platforms increase as a percentage of our overall revenue**
- ✓ **Enhanced services drive our customer's business outcomes**
- ✓ **Operational efficiency at scale**

Platform Adoption

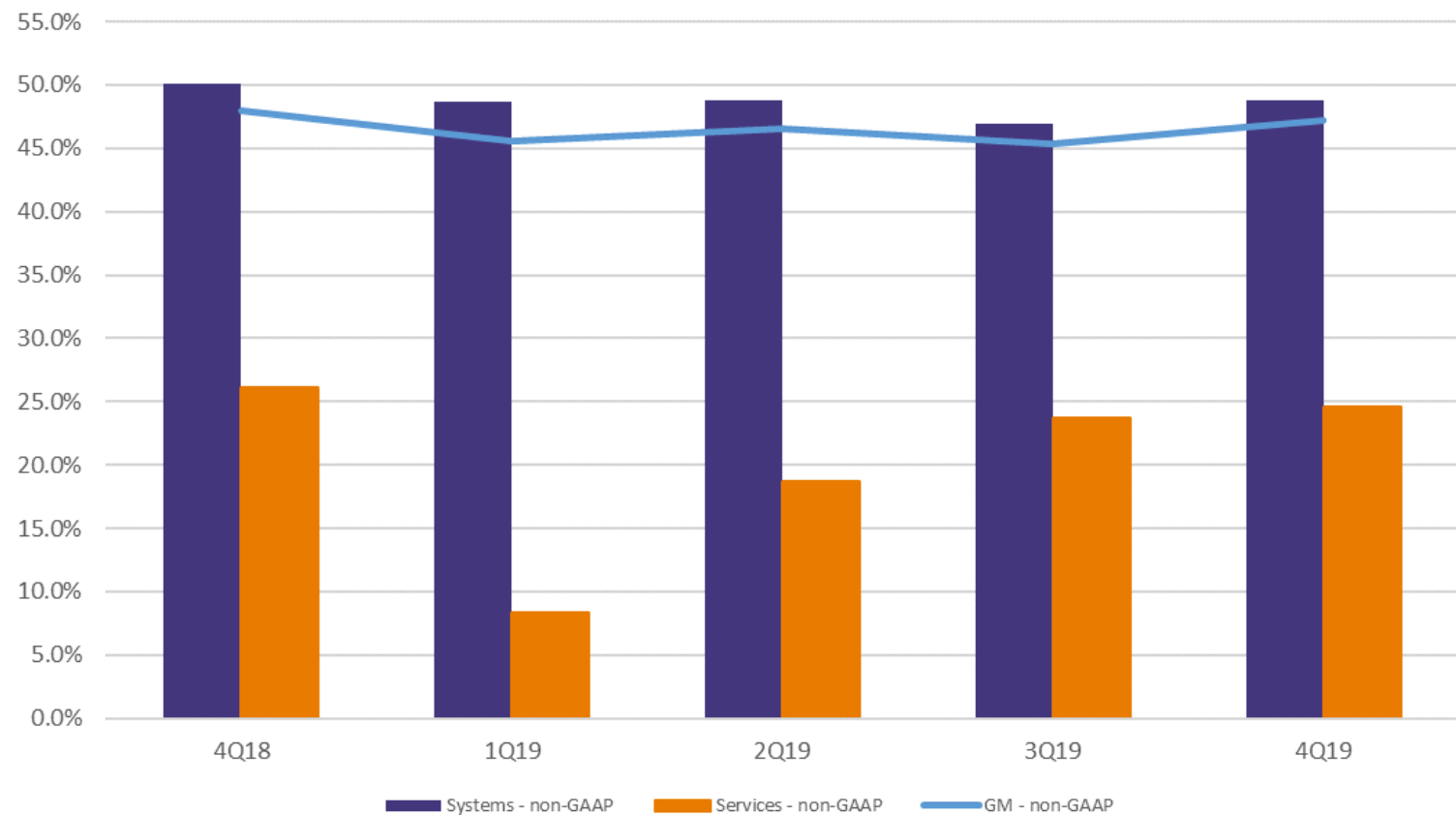


Gross Margin Expansion

Gross Margin, 2017-19

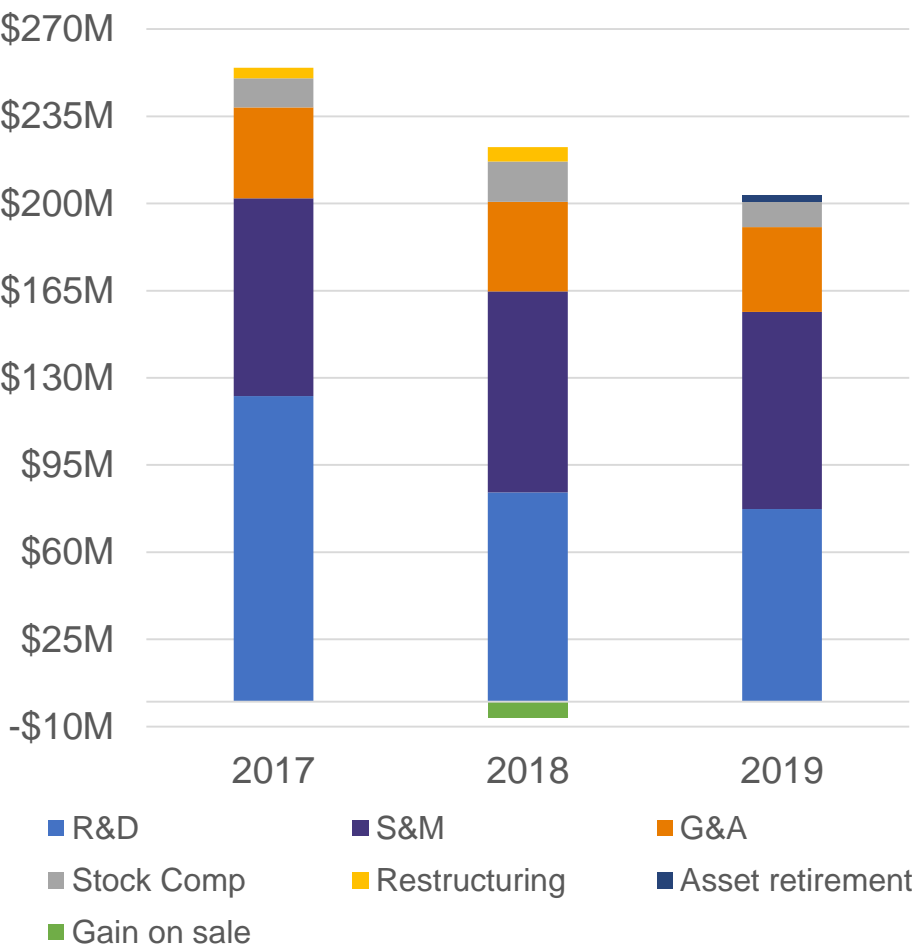


Gross Margin, 4Q18-4Q19

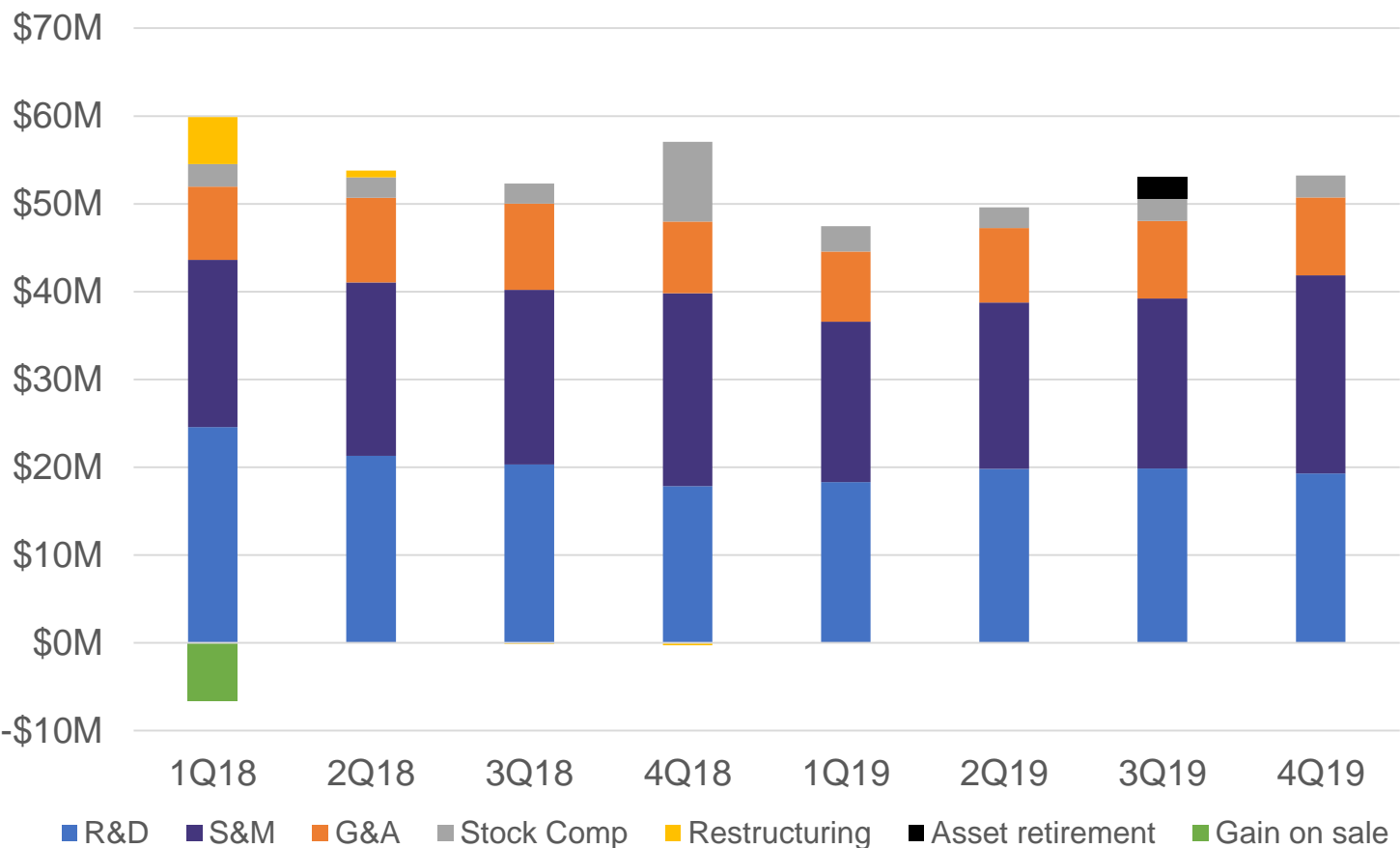


Disciplined Operating Expense Investment

Operating Expenses, 2017-19



Operating Expenses, 4Q18-4Q19



Target Financial Model – Income Statement

	Target Model Beginning 2021
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Target Financial Model – Income Statement

	Target Model Beginning 2021
Revenue	Grow 5 – 10% per year

Target Financial Model – Income Statement

	Target Model Beginning 2021
Revenue	Grow 5 – 10% per year
Non-GAAP Gross Margin ⁽¹⁾	Increase 100 – 200 bps per year

(1) Non-GAAP measures exclude the expected impacts from non-GAAP items such as stock-based compensation, U.S. tariff and tariff-related costs and intangible asset amortization. A reconciliation of GAAP to non-GAAP financial measures beginning with 2021 is not available on a forward-looking basis due to the high variability and low visibility with respect to these charges.

Target Financial Model – Income Statement

	Target Model Beginning 2021
Revenue	Grow 5 – 10% per year
Non-GAAP Gross Margin ⁽¹⁾	Increase 100 – 200 bps per year
Non-GAAP General & Administrative ⁽¹⁾	Greater of \$9M per quarter or 7% of revenue

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Non-GAAP Research & Development ⁽¹⁾	Greater of \$20M per quarter or 32% of product gross profit

(1) Non-GAAP measures exclude the expected impacts from non-GAAP items such as stock-based compensation, U.S. tariff and tariff-related costs and intangible asset amortization. A reconciliation of GAAP to non-GAAP financial measures beginning with 2021 is not available on a forward-looking basis due to the high variability and low visibility with respect to these charges.

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Non-GAAP Gross Margin ⁽¹⁾	Increase 100 – 200 bps per year
Non-GAAP General & Administrative ⁽¹⁾	Greater of \$9M per quarter or 7% of revenue
Non-GAAP Research & Development ⁽¹⁾	Greater of \$20M per quarter or 32% of product gross profit
Non-GAAP Sales & Marketing ⁽¹⁾	16 – 18% of revenue with targeted investments to accelerate growth

(1) Non-GAAP measures exclude the expected impacts from non-GAAP items such as stock-based compensation, U.S. tariff and tariff-related costs and intangible asset amortization. A reconciliation of GAAP to non-GAAP financial measures beginning with 2021 is not available on a forward-looking basis due to the high variability and low visibility with respect to these charges.

Target Financial Model – Operating Metrics

	Target Model Beginning 2021
Days sales outstanding	35 – 45 Days
Inventory Turns	4 – 5 Turns
Days payables outstanding	20 – 30 Days
Cash conversion cycle	80 – 90 Days
Operating cash flow / non-GAAP net income	~1.0x

Q&A



THANK YOU

Non-GAAP Reconciliations

GAAP to Non-GAAP Reconciliation – 4Q18 – 4Q19

Calix, Inc.

Reconciliation of GAAP to Non-GAAP Systems Gross Margin and Gross Margin

(Unaudited)

	Three Months Ended									
	December 31, 2019		September 28, 2019		June 29, 2019		March 30, 2019		December 31, 2018	
	Systems Gross Margin	Gross Margin	Systems Gross Margin	Gross Margin	Systems Gross Margin	Gross Margin	Systems Gross Margin	Gross Margin	Systems Gross Margin	Gross Margin
GAAP amount	47.1 %	45.5 %	45.4 %	43.9 %	46.6 %	44.5 %	45.8 %	42.9 %	46.5 %	44.7 %
Adjustments to GAAP amount:										
Stock-based compensation	0.1	0.2	0.1	0.2	0.1	0.2	0.2	0.3	0.6	0.5
Intangible asset amortization	0.5	0.5	0.3	0.2	—	—	—	—	—	—
U.S. tariff and tariff- related costs	1.0	1.0	1.1	1.0	2.0	1.9	2.6	2.4	3.0	2.8
Non-GAAP amount	<u>48.7 %</u>	<u>47.2 %</u>	<u>46.9 %</u>	<u>45.3 %</u>	<u>48.7 %</u>	<u>46.6 %</u>	<u>48.6 %</u>	<u>45.6 %</u>	<u>50.1 %</u>	<u>48.0 %</u>

GAAP to Non-GAAP Reconciliation – 2017-19

Calix, Inc.

Reconciliation of GAAP to Non-GAAP Systems Gross Margin, Services Gross Margin and Gross Margin

(Unaudited)

	Year Ended								
	2019			2018			2017		
	Systems Gross Margin	Services Gross Margin	Gross Margin	Systems Gross Margin	Services Gross Margin	Gross Margin	Systems Gross Margin	Services Gross Margin	Gross Margin
GAAP amount	46.3 %	19.3 %	44.3 %	46.7 %	22.6 %	44.7 %	44.0 %	(14.5) %	33.9 %
Adjustments to GAAP amount:									
Stock-based compensation	0.1	1.3	0.2	0.2	1.0	0.3	0.1	0.3	0.1
Intangible asset amortization	0.3	-	0.2	-	-	-	0.2	-	0.2
U.S. tariff and tariff-related costs	1.5	-	1.5	0.8	-	0.7	-	-	-
Non-GAAP amount	48.2 %	20.6 %	46.2 %	47.7 %	23.6 %	45.7 %	44.3 %	-14.2 %	34.2 %

Additional Information

Available at: <http://investor-relations.calix.com>

- Overview
- News & Events
- Our Mission
- Financials
- Governance
- Investor Resources