

July 31, 2012



Calix Reports Second Quarter 2012 Financial Results

PETALUMA, CA -- (Marketwire) -- 07/31/12 -- [Calix, Inc.](#) (NYSE: CALX) today announced unaudited financial results for the second quarter ended June 30, 2012. Revenue for the second quarter of 2012 was \$78.9 million, a decrease of 19.4% compared to \$98.0 million for the second quarter of 2011.

"As we noted on July 11th when we announced preliminary Q2 results, softness in demand across multiple customer markets led to an unexpected slowdown in capital expenditures by service providers increasingly concerned about macro-economic conditions and uncertainties associated with the implementation of regulatory reforms," said Carl Russo, president and CEO of Calix. "In spite of these challenges, Calix maintained gross margins at expected levels while reducing inventories and producing another quarter of positive cash flow."

Non-GAAP net income for the second quarter of 2012 was \$1.9 million, or \$0.04 per fully diluted share. Non-GAAP net income was \$7.8 million, or \$0.16 per fully diluted share, for the second quarter of 2011. A reconciliation of GAAP and non-GAAP results is included as part of this release.

GAAP net loss for the second quarter of 2012 was \$7.1 million, or \$(0.15) per basic and diluted share, compared to a GAAP net loss of \$17.6 million, or \$(0.38) per basic and diluted share for the second quarter of 2011. A reconciliation of our second quarter 2012 operating results from non-GAAP to GAAP is provided below:

Calix, Inc.
(Unaudited, in thousands, except per share data)
Three Months Ended June 30, 2012

| | Non-GAAP | Stock-Based Compensation | Amortization of Intangible Assets | GAAP |
|--|-----------|-----------------------------|--|-----------|
| Revenue | \$ 78,928 | \$ - | \$ - | \$ 78,928 |
| Cost of revenue | 43,238 | 381 | 2,088 | 45,707 |
| Gross profit | 35,690 | (381) | (2,088) | 33,221 |
| Gross margin | 45.2% | -0.5% | -2.6% | 42.1% |
| Operating expenses | 33,541 | 3,958 | 2,552 | 40,051 |
| Operating income (loss) | 2,149 | (4,339) | (4,640) | (6,830) |
| Interest and other income (expense), net | (120) | - | - | (120) |

| | | | | |
|--|----------|------------|------------|------------|
| Income (loss) before taxes | 2,029 | (4,339) | (4,640) | (6,950) |
| Provision for income taxes | 141 | - | - | 141 |
| Net income (loss) | \$ 1,888 | \$ (4,339) | \$ (4,640) | \$ (7,091) |
| Weighted average basic and diluted shares used to compute GAAP net loss per common share | | | | 47,972 |
| Weighted average diluted shares used to compute non-GAAP net income per common share | 48,113 | 48,113 | 48,113 | |
| GAAP net loss per common share | | | | \$ (0.15) |
| Non-GAAP net income (loss) per share | \$ 0.04 | \$ (0.09) | \$ (0.10) | |

Conference Call

In conjunction with this announcement, Calix will host a conference call at 1:30 p.m. Pacific Time (4:30 p.m. Eastern Time) today to discuss its second quarter 2012 financial results. A live audio webcast and replay of the call will be available in the Investor Relations section of the Calix web site at <http://investor-relations.calix.com>.

Live call access information: Dial-in number: (877) 407-4019 (U.S.) or (201) 689-8337 (outside the U.S.)

The conference call and webcast will include forward-looking information.

About Calix

Calix (NYSE: CALX) is a global leader in access innovation. Its Unified Access portfolio of broadband communications access systems and software enables communications service providers worldwide to be the broadband provider of choice to their subscribers. For more information, visit the Calix website at www.calix.com.

Use of Non-GAAP Financial Information

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 and non-GAAP basic and

diluted income 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 merger-related and other expenses, which the Company believes are not indicative of its core operating results. Merger-related and other expenses largely include the charge resulting from the required revaluation of Occam inventory to its estimated fair value, legal and professional expenses, severance and integration-related expenses and inventory-related charges associated with our merger with Occam. Management believes that the non-GAAP measures used in this press release 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 press release. 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.

Calix. Inc.
Condensed Consolidated Statements of Operations
(Unaudited, in thousands, except per share data)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|
| | June 30, 2012 | June 25, 2011 | June 30, 2012 | June 25, 2011 |
| Revenue | \$ 78,928 | \$ 97,959 | \$ 157,493 | \$ 169,429 |
| Cost of revenue: | | | | |
| Products and services(1) | 43,619 | 54,899 | 87,090 | 94,207 |
| Merger-related expenses | - | 9,709 | - | 19,966 |
| Amortization of intangible assets | 2,088 | 3,188 | 3,363 | 4,704 |
| Total cost of revenue | 45,707 | 67,796 | 90,453 | 118,877 |
| Gross profit | 33,221 | 30,163 | 67,040 | 50,552 |
| Operating expenses: | | | | |
| Research and development(1) | 16,473 | 18,584 | 33,439 | 33,623 |
| Sales and marketing(1) | 14,897 | 14,172 | 29,787 | 26,238 |
| General and administrative(1) | 6,129 | 6,667 | 12,909 | 15,975 |
| Merger-related and other expenses(1) | - | 5,482 | - | 11,523 |
| Amortization of intangible assets | 2,552 | 2,795 | 5,104 | 3,464 |
| Total operating expenses | 40,051 | 47,700 | 81,239 | 90,823 |
| Loss from operations | (6,830) | (17,537) | (14,199) | (40,271) |
| Interest and other income (expense), net: | | | | |
| Interest income | 4 | 26 | 11 | 69 |
| Interest expense | (57) | (45) | (99) | (91) |

| | | | | |
|--|------------|-------------|-------------|-------------|
| Other income (expense), net | (67) | 24 | (89) | 29 |
| Loss before provision for income taxes | (6,950) | (17,532) | (14,376) | (40,264) |
| Provision for income taxes | 141 | 114 | 236 | 138 |
| Net loss | \$ (7,091) | \$ (17,646) | \$ (14,612) | \$ (40,402) |
| Net loss per common share: Basic and diluted | \$ (0.15) | \$ (0.38) | \$ (0.30) | \$ (0.92) |
| Weighted average number of shares used to compute net loss per common share: Basic and diluted | 47,972 | 46,050 | 47,911 | 43,697 |

(1) Includes stock-based compensation as follows:

| | | | | |
|-----------------------------------|----------|----------|----------|-----------|
| Cost of revenue | \$ 381 | \$ 331 | \$ 744 | \$ 835 |
| Research and development | 1,091 | 1,233 | 2,112 | 2,875 |
| Sales and marketing | 1,338 | 831 | 2,577 | 2,129 |
| General and administrative | 1,529 | 1,855 | 3,221 | 6,438 |
| Merger-related and other expenses | - | 1,074 | - | 1,164 |
| | \$ 4,339 | \$ 5,324 | \$ 8,654 | \$ 13,441 |

Calix, Inc.
Reconciliation of GAAP to Non-GAAP Results
(Unaudited, in thousands except per share data)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|---------------|------------------|---------------|
| | June 30, 2012 | June 25, 2011 | June 30, 2012 | June 25, 2011 |
| GAAP net loss | \$ (7,091) | \$ (17,646) | \$ (14,612) | \$ (40,402) |
| Adjustments to reconcile GAAP net loss to non-GAAP net income: | | | | |
| Stock-based compensation | 4,339 | 5,324 | 8,654 | 13,441 |
| Amortization of intangible assets | 4,640 | 5,983 | 8,467 | 8,168 |
| Merger-related and other expenses | - | 14,117 | - | 30,325 |
| Non-GAAP net income | \$ 1,888 | \$ 7,778 | \$ 2,509 | \$ 11,532 |
| Non-GAAP net income per common share: | | | | |
| Basic | \$ 0.04 | \$ 0.17 | \$ 0.05 | \$ 0.26 |
| Diluted | \$ 0.04 | \$ 0.16 | \$ 0.05 | \$ 0.25 |

| | | | | |
|---|--------|--------|--------|--------|
| Weighted average shares used to compute non-GAAP net income per common share - Basic | 47,972 | 46,050 | 47,911 | 43,697 |
| Weighted average shares used to compute non-GAAP net income per common share - Diluted (1) | 48,113 | 48,139 | 48,076 | 46,008 |

(1) Includes the dilutive effect of outstanding stock options and restricted stock units.

Calix, Inc.
Condensed Consolidated Balance Sheets
(In thousands)

| | June 30, 2012 | December 31, 2011 |
|---|----------------------|----------------------|
| | ----- (Unaudited) | ----- |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 53,085 | \$ 38,938 |
| Restricted cash | - | 754 |
| Accounts receivable, net | 56,391 | 47,943 |
| Inventory | 33,243 | 44,604 |
| Deferred cost of goods sold | 12,673 | 8,324 |
| Prepaid and other current assets | 4,597 | 4,429 |
| | ----- | ----- |
| Total current assets | 159,989 | 144,992 |
| Property and equipment, net | 18,195 | 16,130 |
| Goodwill | 116,175 | 116,175 |
| Intangible assets, net | 71,581 | 80,048 |
| Other assets | 1,892 | 2,194 |
| | ----- | ----- |
| Total assets | \$ 367,832 | \$ 359,539 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 20,247 | \$ 14,250 |
| Accrued liabilities | 33,706 | 36,214 |
| Deferred revenue | 24,152 | 16,783 |
| | ----- | ----- |
| Total current liabilities | 78,105 | 67,247 |
| Long-term portion of deferred revenue | 14,936 | 13,347 |
| Other long term liabilities | 1,014 | 1,528 |
| | ----- | ----- |
| Total liabilities | 94,055 | 82,122 |
| | ----- | ----- |
| Stockholders' equity: | | |
| Common stock | 1,205 | 1,195 |
| Additional paid-in capital | 751,260 | 740,309 |

| | | |
|---|------------|------------|
| Accumulated other comprehensive income | 109 | 98 |
| Accumulated deficit | (478,797) | (464,185) |
| | ----- | ----- |
| Total stockholders' equity | 273,777 | 277,417 |
| | ----- | ----- |
| Total liabilities and stockholders' equity \$ | \$ 367,832 | \$ 359,539 |
| | ===== | ===== |

Calix, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

| | Six Months Ended | |
|---|------------------|------------------|
| | June 30, 2012 | June 25, 2011 |
| | ----- | ----- |
| Operating activities: | | |
| Net loss | \$ (14,612) | \$ (40,402) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Amortization of premiums relating to available-for-sale securities | - | 184 |
| Depreciation and amortization | 4,129 | 3,859 |
| Loss on retirement of property and equipment | 84 | 1,621 |
| Amortization of intangible assets | 8,467 | 8,168 |
| Stock-based compensation | 8,654 | 13,441 |
| Changes in operating assets and liabilities: | | |
| Restricted cash | 754 | - |
| Accounts receivable, net | (8,448) | 2,290 |
| Inventory | 11,361 | 15,297 |
| Deferred cost of revenue | (4,349) | (3,064) |
| Prepays and other assets | 134 | (1,246) |
| Accounts payable | 5,997 | (11,136) |
| Accrued liabilities | (2,508) | 3,029 |
| Deferred revenue | 8,958 | 9,138 |
| Other long-term liabilities | (514) | (253) |
| | ----- | ----- |
| Net cash provided by operating activities | 18,107 | 926 |
| | ----- | ----- |
| Investing activities: | | |
| Purchase of property and equipment | (6,296) | (4,508) |
| Maturities of marketable securities | - | 22,905 |
| Acquisition of Occam Networks, net of cash acquired | - | (60,809) |
| | ----- | ----- |
| Net cash used in investing activities | (6,296) | (42,412) |
| | ----- | ----- |
| Financing activities: | | |
| Proceeds from exercise of stock options and other | 139 | 667 |
| Proceeds from employee stock purchase plan | 2,222 | 2,062 |
| Taxes withheld upon vesting of restricted stock units | (54) | (8,921) |
| | ----- | ----- |
| Net cash provided by (used in) financing activities | 2,307 | (6,192) |

| | | |
|--|-----------|-----------|
| | ----- | ----- |
| Effect of exchange rate changes on cash and cash equivalents | 29 | 34 |
| Net increase (decrease) in cash and cash equivalents | 14,147 | (47,644) |
| Cash and cash equivalents at beginning of period | 38,938 | 66,304 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 53,085 | \$ 18,660 |
| | ===== | ===== |

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Source: Calix, Inc.