



Fellow Calix Stockholders,

Industry adoption of gigabit networks began in earnest in 2014. And Calix led the way with 65 customer announced deployments in 36 US states and five countries by the end of the year. Our 1,200+ customers continued to invest in enhanced broadband access networks both here in the United States and internationally, with Calix seen as the clear leader in gigabit broadband services deployments<sup>1</sup>.

After a slow start, we saw sequential quarterly growth in 2014, ending the year with sales of \$401 million, up 5 percent from last year. Strong execution and industry-leading solutions for our customers enabled Calix to achieve non-GAAP gross margins of 47 percent. Our non-GAAP earnings per share decreased to \$0.29 in the year from \$0.39 in 2013 due to write-downs taken against slower moving inventory and to increased expenditures on headcount and related expenses, notably on international sales and marketing personnel. We generated positive cash flow from operations for the sixth year in a row – generating \$38 million in 2014 and exiting the year with a solid, debt-free balance sheet.

Our growth-oriented investments in 2014 included:

- The 844G and 854G GigaCenters, our industry's first fiber products to offer carrier-class Wi-Fi in the home, delivering unprecedented in-home wireless broadband coverage, quality of service, and speed.
- Open Link Cable software, an innovative fiber access solution for cable operators which enables them to deliver gigabit services over fiber while retaining their existing DOCSIS command and control procedures.
- The expansion of our international sales team and Value Added Reseller network to address opportunities, in over 90 countries around the world.

We also strengthened our management team and board of directors in 2014. After making a number of contributions to Calix over the past decade, Board Member and EVP/CFO Michael Ashby retired and was succeeded by telecom veteran William Atkins. Also joining Calix to lead our systems product development and strategy was Michel Langlois as SVP of Systems Products. We also broadened the expertise of the Calix board of directors by adding Chris Bowick, former CTO of Cox Communications, and Kevin Peters, former EVP, Global Customer Service at AT&T.

I would like to thank you – our customers, suppliers, employees, and fellow Calix stockholders – for your continued support. We will continue to reap the benefits of past investments in people and technology while making focused investments to position us for further success in the years ahead – thereby setting the stage for continued growth in 2015 and beyond.

Sincerely,

A handwritten signature in blue ink, appearing to read 'CR'.

Carl Russo  
President and CEO  
Calix, Inc.

<sup>1</sup>BroadbandTrends, February 2015

Note: The above includes forward-looking statements, including expectations of further growth. Please refer to the Section entitled SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS, on the attached [Annual Report on Form 10K](#) for a discussion of forward-looking statements and the risk factors that may impact our future results. We also make reference to Non-GAAP measures in the above letter. [A reconciliation of the Non-GAAP to GAAP measures is available on our investor relations website.](#)