



Corporate Overview

September 4, 2018

Forward Looking Statements



During the course of this presentation, we will provide projections and other forward looking statements regarding future events or the future financial performance of Harmonic, including expectations concerning our business strategy for 2018 and beyond, and our Q3, Q4 and full year 2018 guidance. Such statements are only current expectations and actual events or results may differ materially. We refer you to Harmonic's filings with the SEC, particularly our most recent Reports on Form 10-K, Form 10-Q and Form 8-K. These documents identify important risk factors that could cause actual results to differ materially from our projections or other forward looking statements. We will also present financial metrics determined on a "non-GAAP" basis. These items, together with the corresponding GAAP numbers and a reconciliation to GAAP, are contained in this presentation and the related earnings press release on our website at www.harmonicinc.com.



Harmonic-at-a-Glance



\$359M

2017
Net Revenue

Two market-leading
business units:

**VIDEO &
CABLE
ACCESS**

**SILICON
VALLEY**

Headquarters

>5,000

Media & Service
Provider Global
Customers

>\$90M

R&D Spend



Two Market-Leading Business Segments



VIDEO

- **\$1.5B** 2018 Target Market
- 2018 Revenue Guidance Range: **\$296M - \$309M**

Mission

To provide smarter, faster and simpler **video streaming** solutions to the world's leading media companies who are transforming their businesses to compete in the premium OTT video world



CABLE ACCESS

- **\$2.0B** 2018 Target Market
- 2018 Revenue Guidance Range: **\$90M - \$110M**

Mission

To provide innovative **cloud-native cable access** solutions to the world's leading cable companies, enabling flexible and scalable roll out of next generation Gigabit services



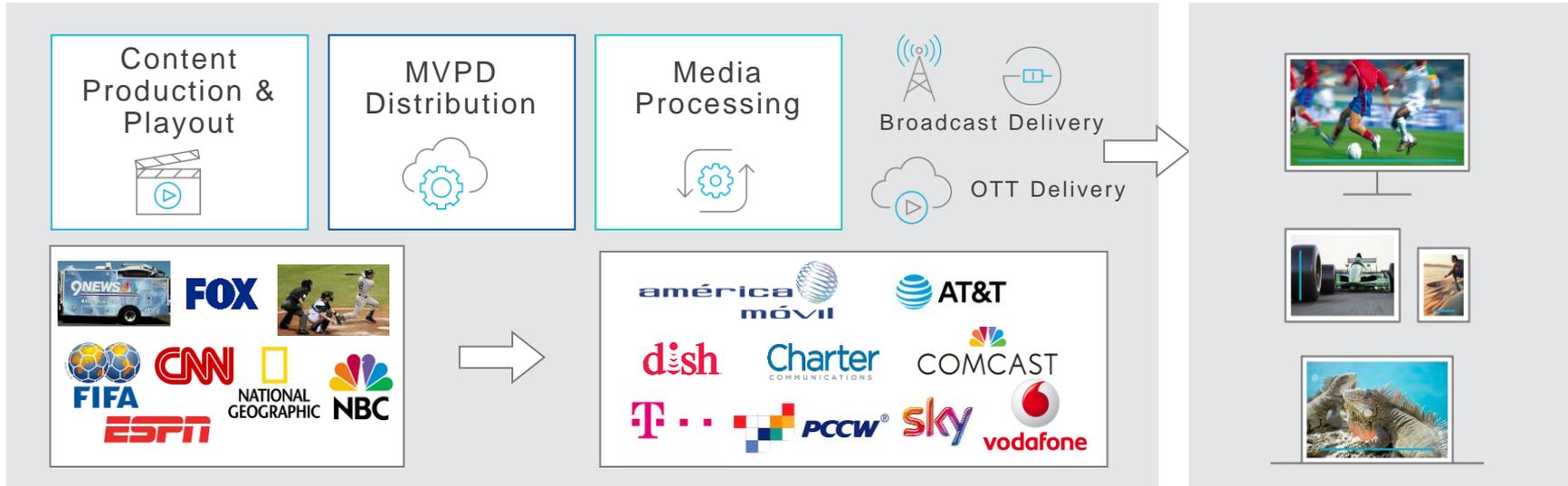
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Video Business Overview



OTT Streaming Transformation is Accelerating



Premium Video Transitions and Digital Transformation Driving Investment:

- Content, analytics and new streaming services
- Greater operational efficiencies with Cloud / SaaS business models

Harmonic Cable Business Segment Core Strategy:

- Profitably lead the video Appliances & Software market
- Bridge traditional customers to simpler, more profitable SaaS
- Leverage SaaS to address new customers and markets

Harmonic is Leading the Live OTT Charge



~34,000

OTT channels
deployed globally

Over
3,000
cloud-native
OTT channels

150%
growth in cloud-
native OTT channels
in 9 months

Over
6 PetaBytes
cumulative monthly
OTT egress

Cloud Adoption for **Linear** and **Catch-up** Services is **Real**

TAM Expansion Business Cases

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*“Partnering with Harmonic, the market leader in **OTT video service** deployments, we plan to deliver a full range of features streaming consumers demand,”*

SHANE CANNON,
CEO at VIDGO



Improved Financial Performance*

- Operating profit 7.9%, up \$15.2M year over year
- Fourth consecutive quarter of positive operating profit, average > 6%
- Record backlog and deferred revenue, enabling improved consistency
- SaaS ARR at ~9.5 million in Q2 2018 (Q2 2017 ~ \$5.8 million)



Growth Initiatives Gaining Momentum

- Over 34,000 live and linear OTT channels deployed, up 6% sequentially
- Expanded addressed market via two >\$1 million OTT SaaS wins
- UHD shipments up over 200% year over year

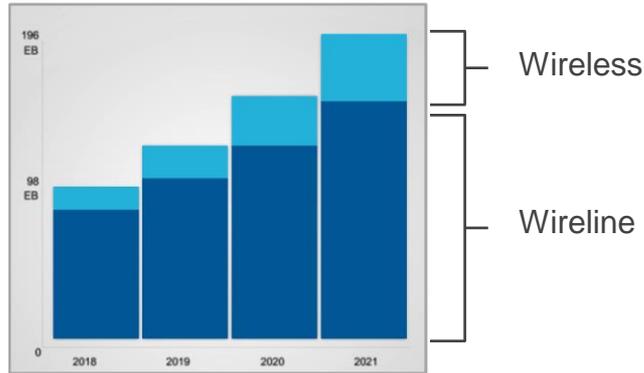
* Non-GAAP financial results



Cable Access Business Overview

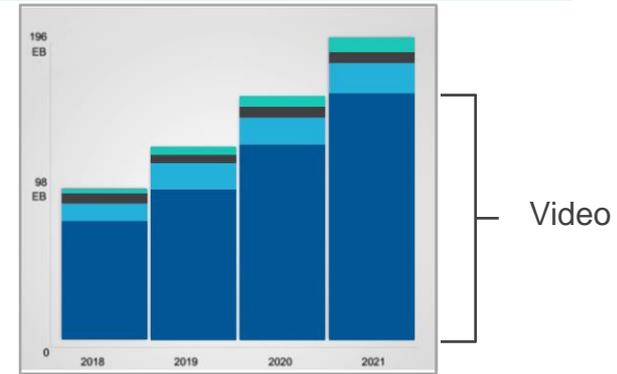
A Coming Global Mega-Upgrade to Gigabit Networks

Network traffic keeps increasing and is set to double between 2018 and 2021



Source: Cisco VNI 2007

Video will account for >80%



Source: Cisco VNI 2007

A Major Transformation Driving New Growth Initiative:

- Fast deployment of new IP-based data, video and voice services
- Greater efficiency and agility with virtualization and Distributed networks

Harmonic Cable Business Segment Core Strategy:

- Lead the cable industry toward distributed access architecture, virtualized CCAP platform
- Leverage market-leading EdgeQAM & cable industry relationships
- Joint development partnerships with leading Cable operator partners

CableOS – A Disruptive Solution for Gigabit Cable Broadband

Awarded foundational virtualized CCAP architecture patent

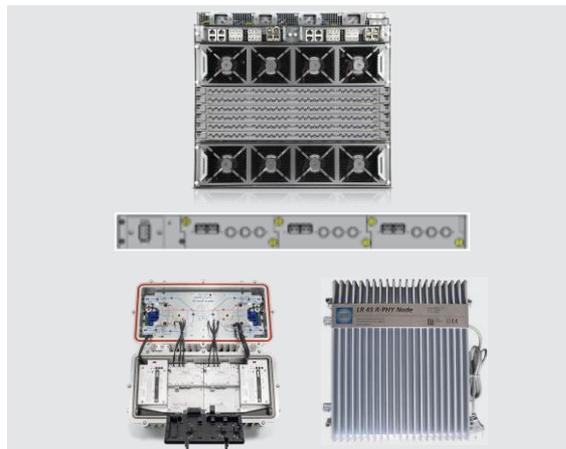
Cloud-native solution resolves space and power constraints

Unprecedented scalability and agility



Data Center

Virtualized CCAP
Software Core



PHY Options

Centralized

Remote-shelf

Remote-node

Cable Access – Significant Shift in DAA Deployments

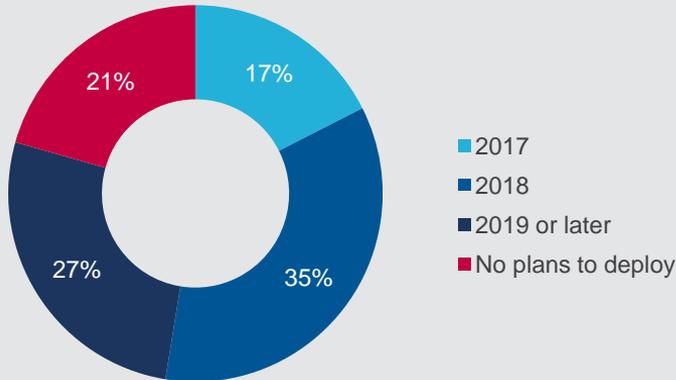
Key Cable Operator Challenges:

Power, space, cooling, time to launch services, upgrade cycles, CAPEX growth

Solution:

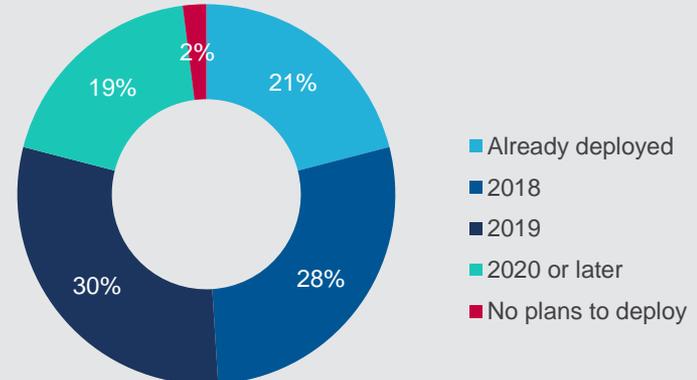
Virtualized access platform with distributed edge

2017 Survey – Expectations of DAA Deployment



Source: SNL Kagan, 2017: survey of 35 cable operators spanning 82 million broadband subscribers in response to "When do you expect to deploy distributed access architectures (DAA)?"

2018 Survey – Expectations of DAA Deployment



Source: SNL Kagan, 2018: survey of 57 cable operators spanning 107 million broadband subscribers in response to "When do you expect to deploy distributed access architectures (DAA)?"



Positive Financial Trajectory*

- Revenue up 70% year over year, and 9% sequentially
- Operating profit 2.7%, return to profitability after investment cycle
- On track to achieve \$100M target for 2018



CableOS Momentum Building

- Over 400,000 cable modems served, up 100% from Q1
 - Over 100,000 cable modems served via “distributed PHY” architectures
- Continued global design wins and deployment execution
 - Over 20 commercial deployments and field trials underway
- Awarded foundational patent for virtualized cable access
- Field Trial Completion Milestone with Comcast (8K filed on August 1, 2018)

* Non-GAAP financial results



CABLE ACCESS

1. Scale first wave of CableOS deployments
2. Secure new CableOS design wins
3. Deliver \$100M 2018 revenue



VIDEO

1. Drive OTT sales growth
2. Expand addressed market via SaaS
3. Deliver consistent segment profitability

Focused on growth, profitability
and
shareholder value creation



FINANCIAL OVERVIEW

Q2 2018 Financial Highlights*



\$ Millions (except EPS)	Q2 2018	Q1 2018	Q2 2017	Q2/Q1 Change	Q2 Y/Y Change
Total Net Revenue	\$99.4	\$90.2	\$82.3	10.0%	21.0%
Gross Margin %	54.0%	55.3%	47.9%	(1.3)%	6.1%
Operating Expense	\$47.0	\$49.4	\$55.8	(5.0)%	(16.0)%
Operating Income (Loss)	\$6.8	\$0.5	(\$16.4)	\$6.3	\$23.2
EPS	\$0.05	(\$0.01)	(\$0.20)	\$0.06	\$0.25
Bookings	\$107.9	\$102.6	\$91.1	5.2%	18.4%

* Non-GAAP financial highlights

Q2 2018 Balance Sheet & Cash Flow Highlights



\$ Millions	Q2 2018	Q1 2018	Q2 2017
Cash	\$54.1	\$52.0	\$52.9
Cash Provided by (Used in) Operations	\$9.9	(\$6.6)	\$5.7
Accounts Receivable	\$82.6	\$74.8	\$60.4
DSO	75	75	66
Inventories	\$23.0	\$25.1	\$35.1
Inventory Days	45	56	74
Backlog and Deferred	\$230.4	\$224.4	\$194.4

Q3 & Q4 2018 Financial Guidance*



\$ Millions (except EPS)	Q3 2018	Q4 2018
Total Revenue	\$93 - \$103	\$105 - \$118
Video Segment	\$70 - \$76	\$75 - \$82
Cable Access Segment	\$23 - \$27	\$30 - \$36
Gross Margin	51% - 52%	50% - 52%
Operating Expenses	\$49 - \$50	\$50 - \$51
Operating Income / (Loss)	(\$3.0) - \$4.0	\$1.0 - \$12.0
EPS	(\$0.05) - \$0.03	\$0.0 - \$0.09
Tax Rate	16%	16%
Shares, millions (basic, diluted)	86.4, 87.4	87.0, 88.5
Cash	\$50 - \$60	\$50 - \$60

* Non-GAAP

Full Year 2018 Financial Guidance*



\$ Millions (except EPS)	Revised Guidance	Original Guidance
Total Revenue	\$388 - \$411	\$375 - \$425
Video Segment	\$296 - \$309	\$285 - \$315
Cable Access Segment	\$92 - \$102	\$90 - \$110
Gross Margin	52% - 53%	51% - 52%
Operating Expenses	\$195 - \$197	\$197 - \$205
Operating Income (Loss)	\$6 - \$24	(\$15) - \$26
EPS	(\$0.01) - \$0.16	(\$0.22) - \$0.18
Shares, millions (basic, diluted)	85.7, 86.6	86.0, 87.0
Cash	\$50 - \$60	\$45 - \$55

Increased Operating Income, EPS and Cash Guidance

* Non-GAAP

APPENDIX

Use of Non-GAAP Financial Measures



In establishing operating budgets, managing its business performance, and setting internal measurement targets, the Company excludes a number of items required by GAAP. Management believes that these accounting charges and credits, most of which are non-cash or non-recurring in nature, are not useful in managing its operations and business. Historically, the Company has also publicly presented these supplemental non-GAAP measures in order to assist the investment community to see the Company “through the eyes of management,” and thereby enhance understanding of its operating performance. The non-GAAP measures presented here are revenue, gross profit, operating expenses, income (loss) from operations, total net non-operating income (expense) and net income (loss), and net income (loss) per diluted share. The presentation of non-GAAP information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP, and is not necessarily comparable to non-GAAP results published by other companies. A reconciliation of the historical and forward looking non-GAAP financial measures discussed in this presentation to the most directly comparable historical and forward looking GAAP financial measures is included with the financial information contained in this presentation. The non-GAAP adjustments described below have historically been excluded from our GAAP financial measures. These adjustments are acquisition accounting impacts to TVN deferred revenue and TVN inventory valuation, TVN acquisition and integration related costs, restructuring and related charges, Cable Edge inventory charge, Avid litigation settlement and associated legal fees and non-cash items, such as warrant amortization, impairment of long-term investment, stock-based compensation expense, amortization of intangibles, non-cash interest expenses on convertible debt and adjustments that normalize the tax rate.

Q2 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended June 29, 2018

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$ 99,160	\$ 51,603	\$ 50,961	\$ 642	\$ (2,664)	\$ (2,913)
Accounting impact related to warrant amortization	284	284	—	284	—	284
Stock-based compensation	—	448	(2,564)	3,012	—	3,012
Amortization of intangibles	—	1,295	(800)	2,095	—	2,095
Restructuring and related charges	—	115	(631)	746	—	746
Gain on equity investments	—	—	—	—	(183)	(183)
Non-cash interest expenses related to convertible notes	—	—	—	—	1,501	1,501
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	22
Total adjustments	284	2,142	(3,995)	6,137	1,318	7,477
Non-GAAP	\$ 99,444	\$ 53,745	\$ 46,966	\$ 6,779	\$ (1,346)	\$ 4,564
	<i>As a % of revenue (GAAP)</i>	52.0%	51.4%	0.6 %	(2.7)%	(2.9)%
	<i>As a % of revenue (Non-GAAP)</i>	54.0%	47.2%	6.8 %	(1.4)%	4.6 %
Diluted net income (loss) per share:						
	Diluted net loss per share-GAAP					\$ (0.03)
	Diluted net income per share-Non-GAAP					\$ 0.05
Shares used to compute diluted net income (loss) per share:						
	GAAP					85,304
	Non-GAAP					85,758

Q1 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended March 30, 2018

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 90,127	\$ 47,183	\$ 56,510	\$ (9,327)	\$ (3,289)	\$ (13,694)
Accounting impact related to warrant amortization	111	111	—	111	—	111
Stock-based compensation	—	515	(5,242)	5,757	—	5,757
Amortization of intangibles	—	1,295	(804)	2,099	—	2,099
Restructuring and related charges	—	762	(1,086)	1,848	—	1,848
Avoid litigation settlement and associated legal fees	—	—	6	(6)	—	(6)
Non-cash interest expenses related to convertible notes	—	—	—	—	1,454	1,454
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,294
Total adjustments	111	2,683	(7,126)	9,809	1,454	12,557
Non-GAAP	\$ 90,238	\$ 49,866	\$ 49,384	\$ 482	\$ (1,835)	\$ (1,137)
		<i>As a % of revenue (GAAP)</i>				
		52.4%	62.7%	(10.3)%	(3.6)%	(15.2)%
		<i>As a % of revenue (Non-GAAP)</i>				
		55.3%	54.7%	0.5 %	(2.0)%	(1.3)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.16)
Diluted net loss per share-Non-GAAP						\$ (0.01)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						83,912

Q2 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended June 30, 2017

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss	
GAAP	\$ 82,315	\$ 33,815	\$ 61,237	\$ (27,422)	\$ (3,499)	\$ (31,500)	
Cable Edge inventory charge	—	3,331	—	3,331	—	3,331	
Stock-based compensation	—	700	(3,436)	4,136	—	4,136	
Amortization of intangibles	—	1,295	(780)	2,075	—	2,075	
Restructuring and related charges	—	278	(777)	1,055	—	1,055	
TVN acquisition-and integration-related costs	—	—	(467)	467	—	467	
Non-cash interest expenses related to convertible notes	—	—	—	—	1,360	1,360	
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	3,354	
Total adjustments	\$ —	\$ 5,604	\$ (5,460)	\$ 11,064	\$ 1,360	\$ 15,778	
Non-GAAP	\$ 82,315	\$ 39,419	\$ 55,777	\$ (16,358)	\$ (2,139)	\$ (15,722)	
		<i>As a % of revenue (GAAP)</i>	<i>41.1%</i>	<i>74.4%</i>	<i>(33.3)%</i>	<i>(4.3)%</i>	<i>(38.3)%</i>
		<i>As a % of revenue (Non-GAAP)</i>	<i>47.9%</i>	<i>67.8%</i>	<i>(19.9)%</i>	<i>(2.6)%</i>	<i>(19.1)%</i>
Diluted net loss per share:							
Diluted net loss per share-GAAP						\$ (0.39)	
Diluted net loss per share-Non-GAAP						\$ (0.20)	
Shares used to compute diluted net loss per share:							
GAAP and Non-GAAP						80,590	

YTD Q2 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Six months ended June 29, 2018

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense	Net Income (Loss)
GAAP	\$ 189,287	\$ 98,786	\$ 107,471	\$ (8,685)	\$ (5,953)	\$ (16,607)
Accounting impact related to warrant amortization	395	395	—	395	—	395
Stock-based compensation	—	963	(7,806)	8,769	—	8,769
Amortization of intangibles	—	2,590	(1,604)	4,194	—	4,194
Restructuring and related charges	—	877	(1,717)	2,594	—	2,594
Gain on equity investments	—	—	—	—	(183)	(183)
Non-cash interest expenses related to convertible notes	—	—	—	—	2,955	2,955
Avid litigation settlement and associated legal fees	—	—	6	(6)	—	(6)
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,316
Total adjustments	\$ 395	\$ 4,825	\$ (11,121)	\$ 15,946	\$ 2,772	\$ 20,034
Non-GAAP	\$ 189,682	\$ 103,611	\$ 96,350	\$ 7,261	\$ (3,181)	\$ 3,427
	<i>As a % of revenue (GAAP)</i>	52.2%	56.8%	(4.6)%	(3.1)%	(8.8)%
	<i>As a % of revenue (Non-GAAP)</i>	54.6%	50.8%	3.8 %	(1.7)%	1.8 %
Diluted net income (loss) per share:						
	Diluted net loss per share-GAAP					\$ (0.20)
	Diluted net income per share-Non-GAAP					\$ 0.04
Shares used to compute diluted net income (loss) per share:						
	GAAP					84,616
	Non-GAAP					85,052

YTD Q2 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



	Six months ended June 30, 2017						
	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense	Net Loss	
GAAP	\$ 165,258	\$ 74,223	\$ 122,803	\$ (48,580)	\$ (6,600)	\$ (55,527)	
Cable Edge inventory charge	—	3,316	—	3,316	—	3,316	
Acquisition accounting impacts related to TVN deferred revenue	111	111	—	111	—	111	
Accounting impact related to warrant amortization	416	416	—	416	—	416	
Stock-based compensation	—	1,145	(6,242)	7,387	—	7,387	
Amortization of intangibles	—	2,590	(1,554)	4,144	—	4,144	
Restructuring and related charges	—	786	(2,056)	2,842	—	2,842	
TVN acquisition-and integration-related costs	—	342	(2,275)	2,617	—	2,617	
Non-cash interest expenses related to convertible notes	—	—	—	—	2,676	2,676	
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	5,098	
Total adjustments	527	8,706	(12,127)	20,833	2,676	28,607	
Non-GAAP	\$ 165,785	\$ 82,929	\$ 110,676	\$ (27,747)	\$ (3,924)	\$ (26,920)	
		<i>As a % of revenue (GAAP)</i>	44.9%	74.3%	(29.4)%	(4.0)%	(33.6)%
		<i>As a % of revenue (Non-GAAP)</i>	50.0%	66.8%	(16.7)%	(2.4)%	(16.2)%
Diluted net loss per share:							
Diluted net loss per share-GAAP						\$ (0.69)	
Diluted net loss per share-Non-GAAP						\$ (0.34)	
Shares used to compute diluted net loss per share:							
GAAP and Non-GAAP						80,203	

Q3 2018 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



Q3 2018 Financial Guidance						
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$93.0 to \$103.0	\$45.0 to \$51.0	\$55.1 to \$56.1	\$(11.1) to \$(4.1)	\$(3.3)	\$(15.1) to \$(7.5)
Stock-based compensation	—	0.7	(5.3)	6.0	—	6.0
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Non-cash interest expense related to convertible notes	—	—	—	—	1.5	1.5
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$0.9 to \$1.5
Total adjustments	—	2.0	(6.1)	8.1	1.5	\$10.5 to \$11.1
Non-GAAP	\$93.0 to \$103.0	\$47.0 to \$53.0	\$49.0 to \$50.0	\$(3.0) to \$4.0	\$(1.8)	\$(4.0) to \$3.0
		<i>As a % of revenue (GAAP)</i>				
		48.4% to 49.5%	53.5% to 60.3%	(11.9)% to (4.0)%	(3.5%)	(16.2)% to (7.3)%
		<i>As a % of revenue (Non-GAAP)</i>				
		51% to 52%	47.5% to 54.0%	(3)% to 4%	(2%)	(4)% to 3%
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP						\$(0.17) to \$(0.09)
Diluted net (loss) income per share-Non-GAAP						\$(0.05) to \$0.03
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						86.4
Shares used to compute diluted net income per share:						
Non-GAAP						87.4

Q4 2018 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



	Q4 2018 Financial Guidance					
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$105.0 to \$118.0	\$50.4 to \$60.4	\$53.5 to \$54.5	\$(4.1) to \$6.9	\$(3.4)	\$(8.2) to \$2.5
Stock-based compensation	—	0.3	(2.7)	3.0	—	3.0
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Non-cash interest expense related to convertible notes	—	—	—	—	1.6	1.6
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$(1.2) to \$1.5
Total adjustments	—	1.6	(3.5)	5.1	1.6	\$5.5 to \$8.2
Non-GAAP	\$105.0 to \$118.0	\$52.0 to \$62.0	\$50.0 to \$51.0	\$1.0 to \$12.0	\$(1.8)	\$0.0 to \$8.0
<i>As a % of revenue (GAAP)</i>		48.0% to 51.2%	45.3% to 51.9%	(3.9)% to 5.8%	(3.0%)	(7.8)% to 2.2%
<i>As a % of revenue (Non-GAAP)</i>		50% to 52%	42.5% to 48.5%	1% to 10%	(2%)	0% to 7%
Diluted net income (loss) per share:						
Diluted net income (loss) per share-GAAP					\$ (0.09) to \$0.03	
Diluted net (loss) income per share-Non-GAAP					\$0.00 to \$0.09	
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP					87.0	
Shares used to compute diluted net income per share:						
GAAP and Non-GAAP					88.5	

2018 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



	2018 Financial Guidance					
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$388.0 to \$411.0	\$195.0 to \$211.0	\$215.8 to \$217.8	\$(22.8) to \$(4.8)	\$(13.3)	\$(38.8) to \$(20.9)
Stock-based compensation	—	1.9	(15.9)	17.8	—	17.8
Amortization of intangibles	—	5.2	(3.2)	8.4	—	8.4
Restructuring and related charges	—	0.9	(1.7)	2.6	—	2.6
Non-cash interest expense related to convertible notes	—	—	—	—	6.1	6.1
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$0.0 to \$2.9
Total adjustments	—	8.0	(20.8)	28.8	6.1	\$34.9 to \$37.8
Non-GAAP	\$388.0 to \$411.0	\$203.0 to \$219.0	\$195.0 to \$197.0	\$6.0 to \$24.0	\$(7.2)	\$(1.0) to \$14.0
<i>As a % of revenue (GAAP)</i>		50.3% to 51.3%	52.5% to 56.1%	(5.9)% to (1.2)%	(3)%	(10.0)% to (5.1)%
<i>As a % of revenue (Non-GAAP)</i>		52% to 53%	47.5% to 51%	1.5% to 6.0%	(2)%	(0.3)% to 3.5%
Diluted income (loss) per share:						
Diluted net loss per share-GAAP						\$(0.45) to \$(0.24)
Diluted net (loss) income per share-Non-GAAP						\$(0.01) to \$0.16
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						85.7
Shares used to compute diluted net income per share:						
Non-GAAP						86.6

harmonic



THANK YOU

