



Management Presentation

Hal Covert, CFO
Blair King, Investor Relations
August, 2016

Forward Looking Statements



During the course of this presentation, we will provide projections and other forward looking statements regarding future events and the financial performance of Harmonic, including expectations concerning our business strategy for 2016 and 2017, and our Q3 2016 financial results. 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. Some of these items, together with the corresponding GAAP numbers and a reconciliation to GAAP, are contained in this presentation. The rest can be found in related filings on form 8K.

Who We Are



The Worldwide Leader

in video delivery infrastructure



Enabling amazing video experiences

Harmonic-at-a-Glance



\$415M

2016 Est.
Revenue

1,400

Employees

Global

10 Major
Sites
Worldwide

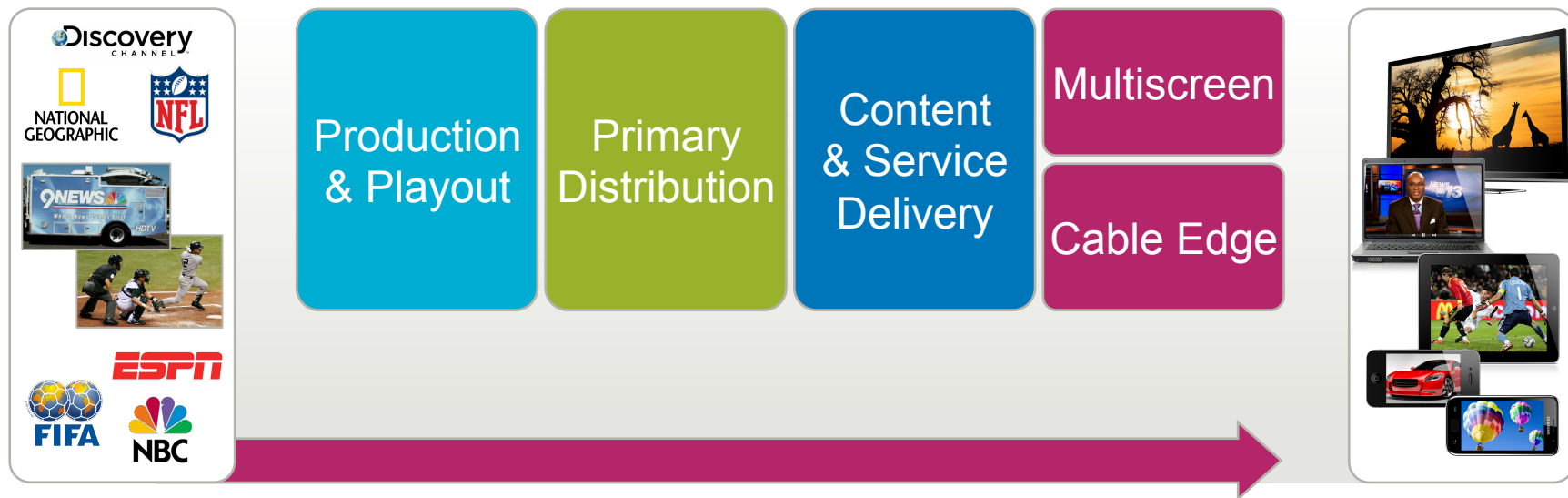
1,700

Leading
Content &
Service
Providers

\$97M

R&D
Spend

Technology Leadership



Video Delivery Infrastructure

Global Relationships



MULTISCREEN



BROADCAST & MEDIA



SATELLITE



CABLE



TELCO



Harmonic Business Lines



Video

- \$1.5B 2018 target market
- TTM Revenue: \$305M

Strategy:

- Recent significant acquisition of TVN
- Ongoing transformation from hardware appliances to software & cloud-based applications
- Leadership in IP-based & OTT video solutions
- Superior Video Quality / bandwidth optimization

Cable Edge

- \$2.5B 2018 target market
- TTM Revenue: \$61M

Strategy:

- Launch disruptive software-based CCAP platform: industry-leading technical performance, scalability and cost efficiency
- Leverage market-leading edgeQAM deployments and cable industry relationships
- Leverage strategic partnerships: Intel Wisi, cable operator partners

NOTE: Market sizes are Harmonic estimates



Harmonic's Video Business

State of the Video Market



Content
Explosion



Changing
Consumer
Behaviors



Global
Screen Time
Increasing



Monetization
Shifting &
Increasing



Legacy
Distribution
Models Being
Challenged

Strong Demand Changing Traditional Models

Video Demand Drivers



Software,
Virtualization
and Cloud



IP



HEVC



UHD



2016 and beyond

Created a Global Video Powerhouse



Industry-leading Innovation

- **Rated #1 in Video Quality**
- >600 expert video engineers globally
- 8 major global R&D centers

Unparalleled Service

- >5,000 leading content and service provider customers
- >500 sales, service and support personnel
- >400 channel and technology partners

Customer TCO*

- Acquisition Costs: 10 – 30% lower with integrated solutions
- Operating Costs: 15 – 40% lower through streamlined workflows
- Long Term & Change Costs: 15 – 35% lower through virtualized video infrastructure

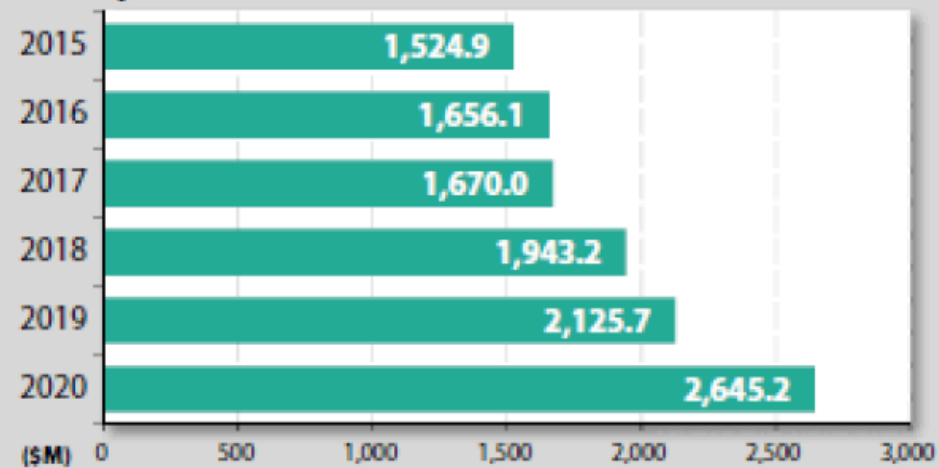


Harmonic's Cable Business

Cable Edge Market Outlook



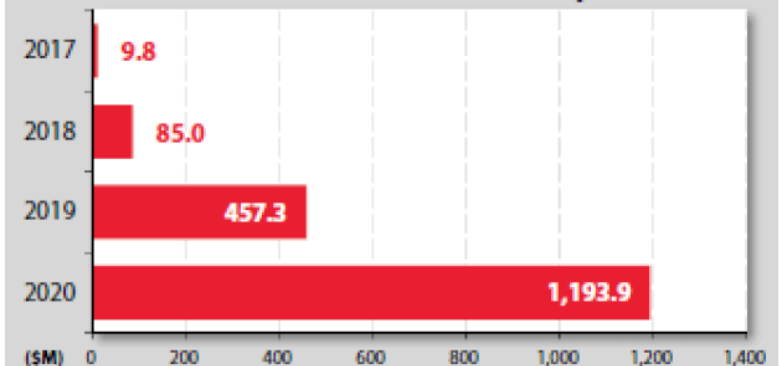
Worldwide revenue for centralized and distributed CCAP platforms



© 2016 SNL Kagan, an offering of S&P Global Market Intelligence, estimates. All rights reserved.

- Competition (Fiber, G.fast) and new technology (DAA, FDX) to drive accelerated access upgrade
- Overall CAPEX growth
- Clear trend towards distributed architectures

Worldwide revenue for distributed CCAP platforms

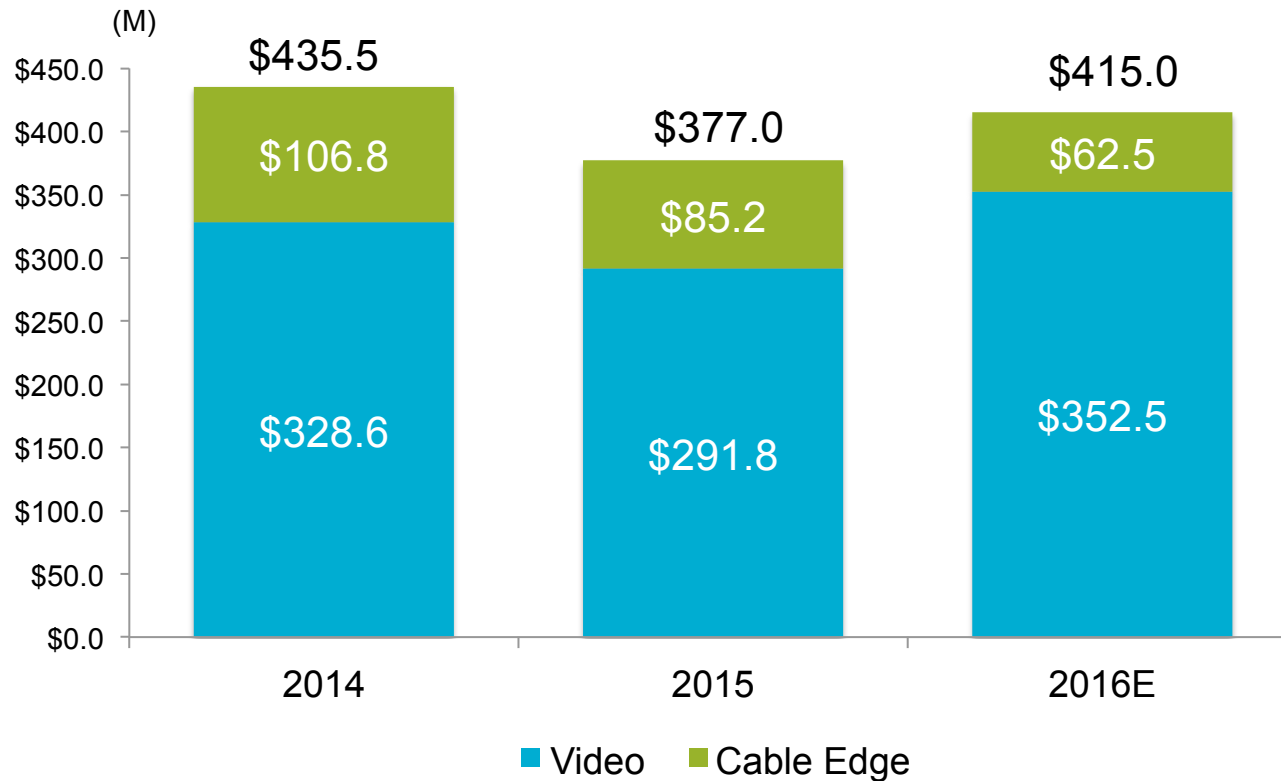


© 2016 SNL Kagan, an offering of S&P Global Market Intelligence, estimates. All rights reserved.



Financial Overview

Revenue Trends



- Declining legacy EdgeQAM revenue in advance of transition to CCAP
- 2015 decline in video revenue in advance of launch of new VOS software platform
- 2016 video increase due to adoption of VOS plus additional TVN revenue

Q2 2016 Financial Highlights*



\$ Millions (except GM & EPS)	Q2 2016	Q1 2016	Q2 2015	Q2 / Q1 Change	Q2 Y/Y Change
Total Net Revenue	\$109.5	\$82.5	\$103.1	33%	6%
- Video Revenue	\$90.5	\$65.7	\$78.2	38%	16%
- Cable Edge Revenue	\$19.0	\$16.8	\$24.9	13%	-24%
Gross Margin %	53.5%	51.1%	53.2%	2.4%	0.3%
Operating Expense	\$57.7	\$50.5	\$49.6	14%	16%
Operating Income(Loss)	\$0.9	(\$8.4)	\$5.3	\$9.3	-\$4.4
EPS	\$0.00	-\$0.11	\$0.05	\$0.11	-\$0.05
Bookings	\$117.3	\$109.6	\$99.3	7%	18%
Book to Bill	1.1	1.3	1.0	-15%	10%

*Non-GAAP financial highlights
©2016 Harmonic Inc. All rights reserved worldwide.

Q2 2016 Balance Sheet Summary



	\$ Millions
Cash	\$65.3
Accounts Receivable	\$102.7
Inventories	\$36.6
Convertible Debt	\$100.7M
Backlog and Deferred Revenue	\$190.4
Shares Outstanding, millions	78

Q3 2016 Financial Guidance



\$ Millions (except EPS)	Video	Cable Edge	Q3 2016
Non-GAAP Revenue*	\$93 - \$96	\$12 - \$14	\$105 - \$110
Non-GAAP Gross Margin*	54.5% - 55.5%	40.0% - 41.0%	53.0% - 54.0%
Non-GAAP Operating Expenses*			\$54 - \$55
Non-GAAP Operating Income*			\$2 - \$4
Non-GAAP EPS*			\$0.01 - \$0.03
Non-GAAP Tax Rate			15%
Shares, millions			78
Cash on hand at quarter-end			\$60 - \$65
*See appendix for a reconciliation of GAAP to Non-GAAP			

2016 Financial Guidance



\$ Millions (except EPS)	Video	Cable Edge	2016
Non-GAAP Revenue*	\$350 - \$355	\$60 - \$65	\$410 - \$420
Non-GAAP Gross Margin*	55.0% - 56.0%	40.0% - 41.0%	53.0% - 54.0%
Non-GAAP Operating Expenses*			\$212 - \$216
Non-GAAP Operating Income*			\$5 - \$10
Non-GAAP EPS*			\$0.01 - \$0.06
Non-GAAP Tax Rate			15%
Shares, millions			78 - 79
Cash on hand at year-end			\$65 - \$70
*See appendix for a reconciliation of GAAP to Non-GAAP			



Q & A

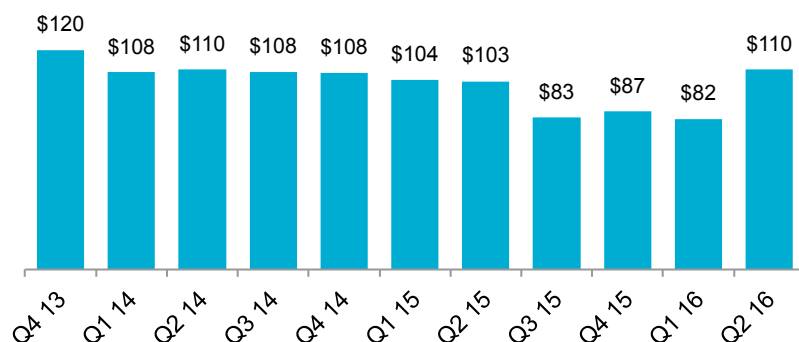


Appendix

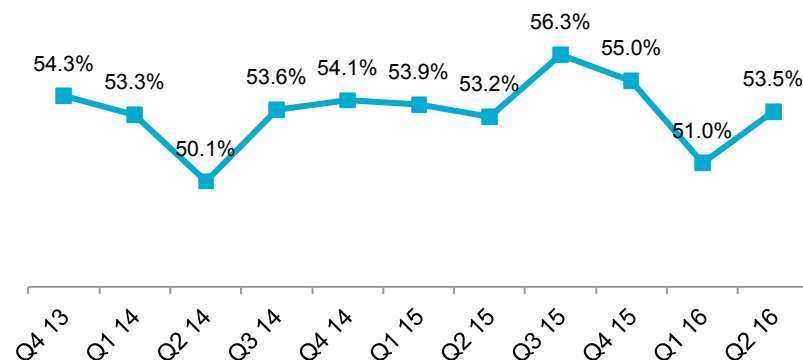
Key Quarterly Financial Metrics



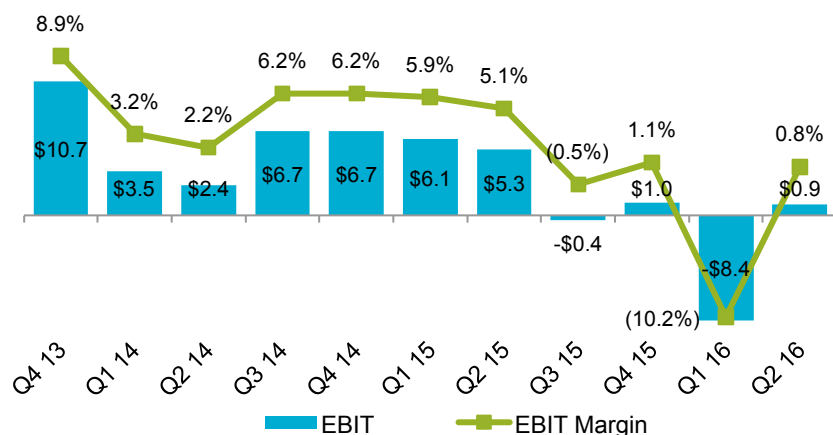
Revenue (1)



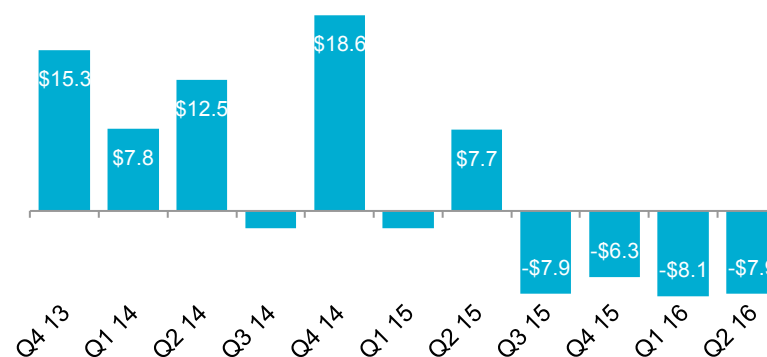
Non-GAAP Gross Margins



Non-GAAP EBIT and EBIT Margins



Free Cash Flow (2)



NOTE: Dollars in millions.

(1) Q1 and Q2 2016 revenue is Non-GAAP. See reconciliations on slides 25 & 26.

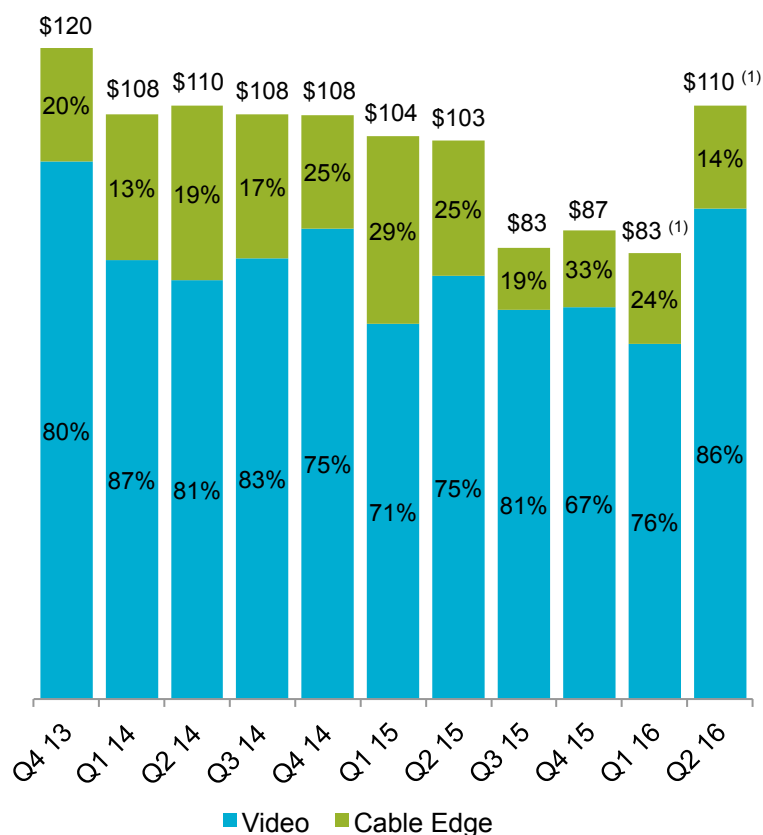
(2) Free Cash Flow defined as Cash Flow from Operations less Capex.

©2016 Harmonic Inc. All rights reserved worldwide.

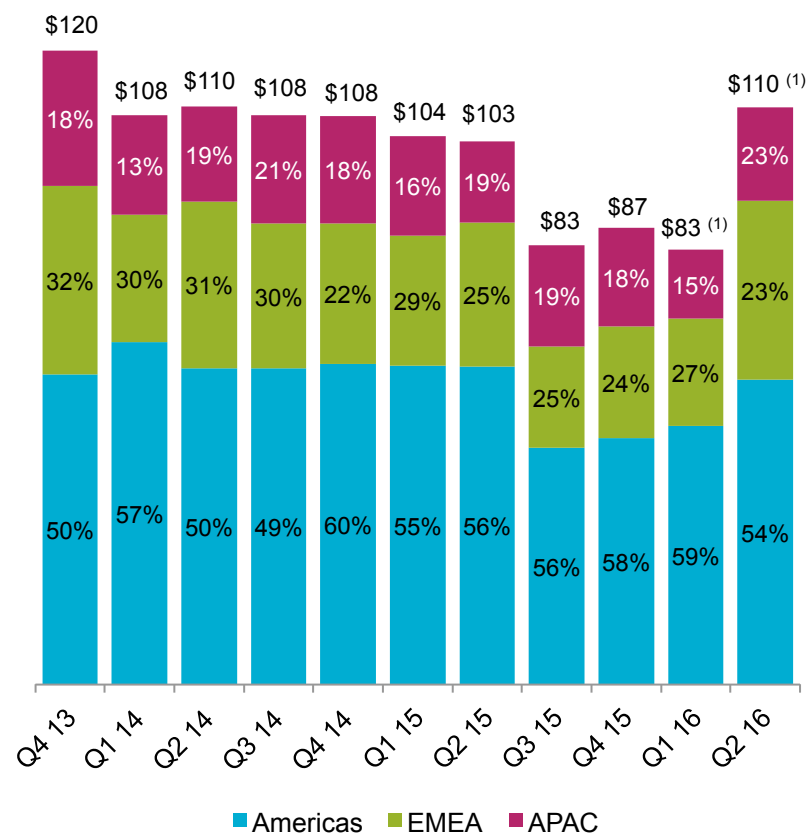
Segment and Geographic Revenue Splits



By Segments



By Geography



NOTE: Dollars in millions.

1) Q1 and Q2 2016 revenue is Non-GAAP. See reconciliations on slides 25 & 26.

©2016 Harmonic Inc. All rights reserved worldwide.

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 gross profit, operating expenses, income (loss) from operations and net income (loss) (including those amounts as a percentage of revenue), 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 restructuring and related charges, acquisition transaction costs, and non-cash items, such as stock-based compensation expense, amortization of intangibles, impairment of long-term investment, non-cash interest expenses on convertible debt and adjustments that normalize the tax rate.

Q1 2016 GAAP to Non-GAAP Reconciliations

(in thousands, except EPS)



Three months ended					
April 1, 2016					
	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Net Loss
GAAP	\$ 81,832	\$ 40,654	\$ 61,410	\$ (20,756)	\$ (25,180)
Acquisition accounting impacts related to TVN deferred revenue	623	623	—	623	623
Acquisition accounting impacts related to TVN fair value of inventory	—	189	—	189	189
Stock-based compensation in cost of revenue	—	227	—	227	227
Stock-based compensation in research and development	—	—	(969)	969	969
Stock-based compensation in selling, general and administrative	—	—	(1,898)	1,898	1,898
Amortization of intangibles	—	418	(2,365)	2,783	2,783
Restructuring and related charges	—	(29)	(2,612)	2,583	2,583
TVN acquisition and integration-related costs	—	58	(3,038)	3,096	3,096
Impairment of long-term investment	—	—	—	—	1,476
Non-cash interest expenses related to convertible notes	—	—	—	—	1,187
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	1,963
Non-GAAP	\$ 82,455	\$ 42,140	\$ 50,528	\$ (8,388)	\$ (8,186)
<i>As a % of revenue (GAAP)</i>		49.7%	75.0%	(25.4)%	(30.8)%
<i>As a % of revenue (Non-GAAP)</i>		51.1%	61.3%	(10.2)%	(9.9)%
Diluted net loss per share:					
Diluted net loss per share-GAAP					\$ (0.33)
Diluted net loss per share-Non-GAAP					\$ (0.11)
Shares used to compute diluted net loss per share:					
GAAP					76,996
Non-GAAP					76,996

Q2 2016 GAAP to Non-GAAP Reconciliations

(in thousands, except EPS)



Three months ended					
July 1, 2016					
	Revenue	Gross Profit	Total Operating Expense	Income (loss) from Operations	Net loss
GAAP	\$ 108,759	\$ 51,092	\$ 69,158	\$ (18,066)	\$ (20,627)
Cable Edge inventory charge	—	4,519	—	4,519	4,519
Acquisition accounting impact related to TVN deferred revenue	780	780	—	780	780
Stock-based compensation in cost of revenue	—	424	—	424	424
Stock-based compensation in research and development	—	—	(841)	841	841
Stock-based compensation in selling, general and administrative	—	—	(1,503)	1,503	1,503
Amortization of intangibles	—	1,307	(4,232)	5,539	5,539
Restructuring and related charges	—	6	(1,903)	1,909	1,909
TVN acquisition and integration-related costs	—	433	(2,970)	3,403	3,403
Non-cash interest expenses related to convertible notes	—	—	—	—	1,233
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	278
Non-GAAP	\$ 109,539	\$ 58,561	\$ 57,709	\$ 852	\$ (198)
	<i>As a % of revenue (GAAP)</i>		47.0%	63.6%	(16.6)%
	<i>As a % of revenue (Non-GAAP)</i>		53.5%	52.7%	(0.2)%
Diluted net loss per share:					
Diluted net loss per share-GAAP					\$ (0.27)
Diluted net loss per share-Non-GAAP					\$ 0.00
Shares used to compute diluted net loss per share:					
GAAP					77,342
Non-GAAP					77,342

Q3 2016 Guidance

GAAP to Non-GAAP Reconciliations

(in millions, except EPS)



Q3 2016 Financial Guidance					
	Revenue	Gross Profit	Total Operating Expense	Income(loss) from Operations	Net Income(loss)
GAAP	\$104.5 to \$109.5	\$53.0 to \$56.0	\$65.5 to \$66.5	\$(12.5) to \$(10.5)	\$(12.5) to \$(10.5)
Acquisition accounting impact related to TVN deferred revenue	Approx. \$0.5	Approx. \$0.5	—	Approx. \$0.5	Approx. \$0.5
Stock-based compensation expense	—	Approx. \$0.5	Approx. (\$3.0)	Approx. \$3.5	Approx. \$3.5
Amortization of intangibles	—	Approx. \$1.5	Approx. (\$3.5)	Approx. \$5.0	Approx. \$5.0
Restructuring and related charges and TVN acquisition/integration costs	—	Approx. \$0.5	Approx. (\$5.0)	Approx. \$5.5	Approx. \$5.5
Non-cash interest expense related to convertible notes	—	—	—	—	Approx. \$1.0
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	Approx. (\$2.5)
	Approx. \$0.5	Approx. \$3.0	Approx. (\$11.5)	Approx. \$14.5	Approx. \$13.0
Non-GAAP	\$105.0 to \$110.0	\$56.0 to \$59.0	\$54.0 to \$55.0	\$2.0 to \$4.0	\$0.5 to \$2.5
<i>As a % of revenue (GAAP)</i>		50% to 51%	61% to 63%	(12)% to (9)%	(12)% to (10)%
<i>As a % of revenue (Non-GAAP)</i>		53% to 54%	50% to 52%	2% to 4%	0% to 2%
Diluted income (loss) per share:					
Diluted net loss per share-GAAP					\$(0.16) to \$(0.14)
Diluted net income per share-Non-GAAP					\$0.01 to \$0.03
Shares used to compute diluted income (loss) per share:					
GAAP and Non-GAAP					78.0

2016 Guidance

GAAP to Non-GAAP Reconciliations

(in millions, except EPS)



2016 Financial Guidance					
	Revenue	Gross Profit	Total Operating Expense	Income(loss) from Operations	Net Income(loss)
GAAP	\$408.0 to \$418.0	\$202.5 to \$211.5	\$257.5 to \$261.5	\$(55.0) to \$(50.0)	\$(54.0) to \$(50.0)
Acquisition accounting impact related to TVN deferred revenue	Approx. \$2.0	Approx. \$2.0	—	Approx. \$2.0	Approx. \$2.0
Acquisition accounting impact related to TVN fair value of inventory	—	Approx. \$0.2	—	Approx. \$0.2	Approx. \$0.2
Stock-based compensation expense	—	Approx. \$2.0	Approx. \$(12.0)	Approx. \$14.0	Approx. \$14.0
Amortization of intangibles	—	Approx. \$4.3	Approx. \$(11.0)	Approx. \$15.3	Approx. \$15.3
Restructuring and related charges and TVN acquisition/integration costs	—	Approx. \$1.5	Approx. \$(22.5)	Approx. \$24.0	Approx. \$24.0
Cable Edge inventory charge	—	Approx. \$4.5	—	Approx. \$4.5	Approx. \$4.5
Non-cash interest expense related to convertible notes	—	—	—	—	Approx. \$4.5
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	Approx. \$(10.0)
	Approx. \$2.0	Approx. \$14.5	Approx. \$(45.5)	Approx. \$60.0	Approx. \$54.5
Non-GAAP	\$410.0 to \$420.0	\$217.0 to \$226.0	\$212.0 to \$216.0	\$5.0 to \$10.0	\$0.5 to \$4.5
<i>As a % of revenue (GAAP)</i>		50% to 51%	62% to 63%	(13)% to (12)%	(13)% to (12)%
<i>As a % of revenue (Non-GAAP)</i>		53% to 54%	51% to 52%	1% to 2%	0% to 1%
Diluted income (loss) per share:					
Diluted net loss per share-GAAP					<u>\$(0.69) to \$(0.64)</u>
Diluted net income per share-Non-GAAP					<u>\$0.01 to \$0.06</u>
Shares used to compute diluted income (loss) per share:					
GAAP and Non-GAAP					<u>78 to 79</u>



Thank You