



Management Presentation

August 2014

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 2014 business strategy and our Q3 2014 financial outlook. 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-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.

The Worldwide Leader in video delivery infrastructure



Enabling amazing video experiences
through integrated solutions with unrivaled simplicity, flexibility and efficiency



CA

Silicon
Valley

\$462M

2013 Annual
Revenue

1032

Employees

8

Major Sites
Worldwide

3850

Customers
Globally

Customers

Broadcast & Media



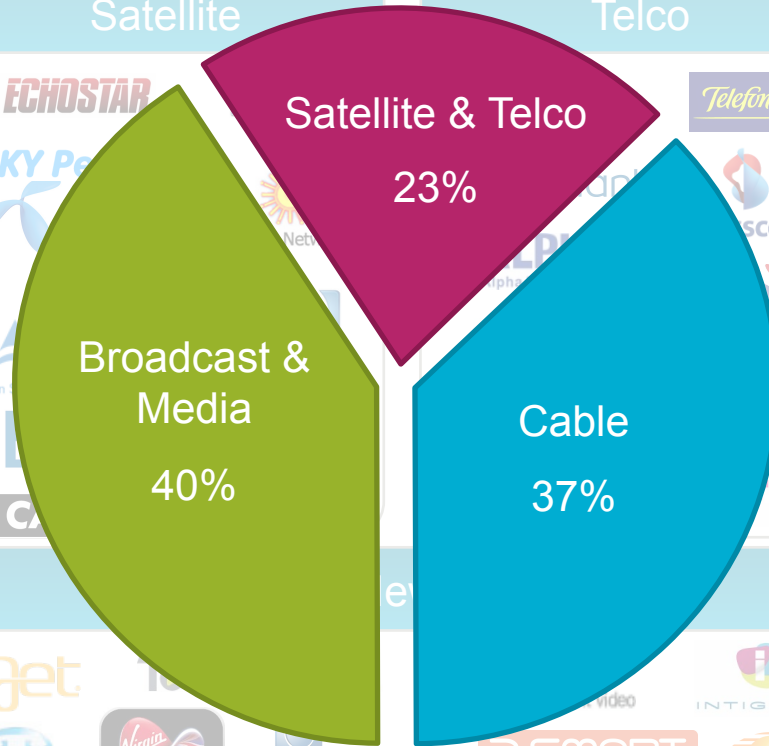
Satellite



Telco



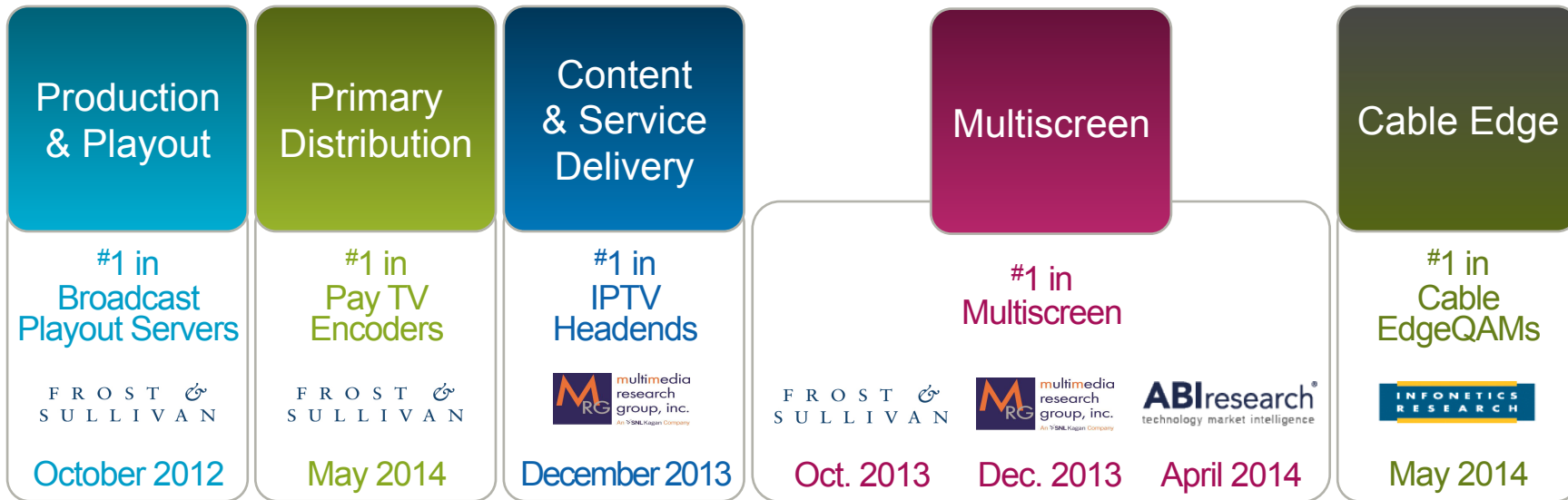
Cable



Market Leadership



Harmonic is the leader



Video

- \$382M 2013 revenue
- Double-digit operating income
- \$2.5B 2017 addressable market
- Disruptive transition to software / cloud
- Coming refresh for HEVC & UltraHD
- New Strategic Platform - **VOS**

Cable Edge

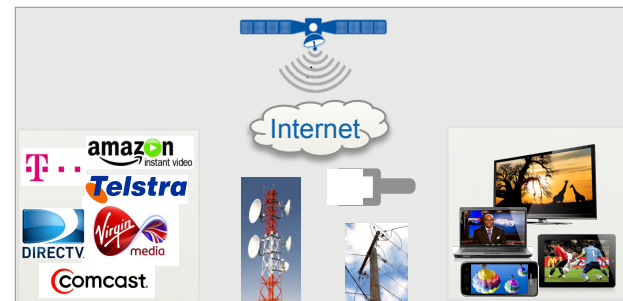
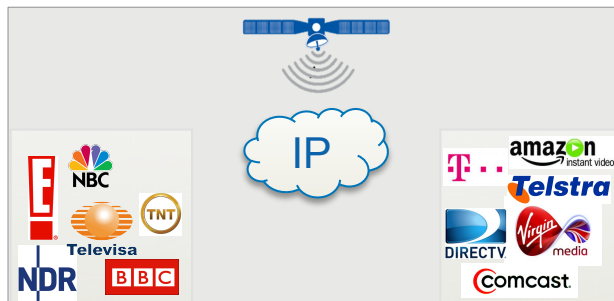
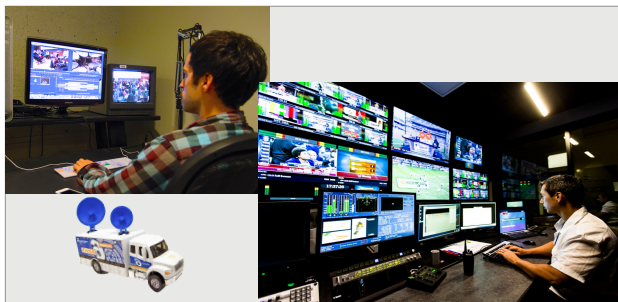
- \$80M 2013 revenue
- Investment mode
- \$1.6B 2017 addressable market
- Disruptive transition to managed IP video
- New Strategic Platform – **NSG Pro**

- Strengthened Go To Market strategy
- Solidly positioned to accelerate earnings growth



Video Business

Harmonic's Video Business Overview



Production & Playout



Spectrum
Ingest & Playout Server



MediaGrid
High Performance Storage



ProMedia
Transcoder



MAS
Media Asset Management

Primary Distribution



Electra XVM
Virtualized Media Processor



Electra
Encoder



ProView
Integrated Receiver Decoder



DMS
Distribution Management

Broadcast & Multiscreen Delivery



Electra XVM
Virtualized Media Processor



Electra
Encoder



ProStream
Stream Processor and Transcoder



ProMedia
Transcoder, Packager & Origin



NMX Digital Service manager

Customer Challenges

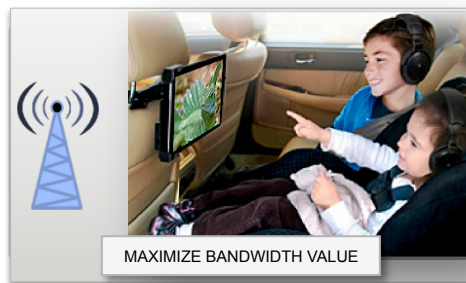


Production & Playout

Primary Distribution

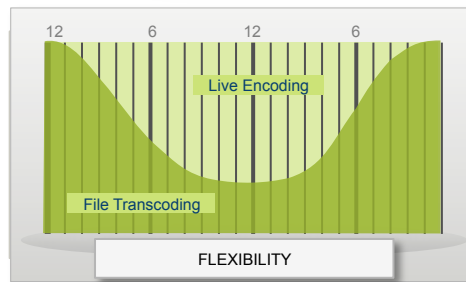
Broadcast & Multiscreen Delivery

*Profitably monetize
vastly more content*



*Deliver stunning
video experiences
everywhere*

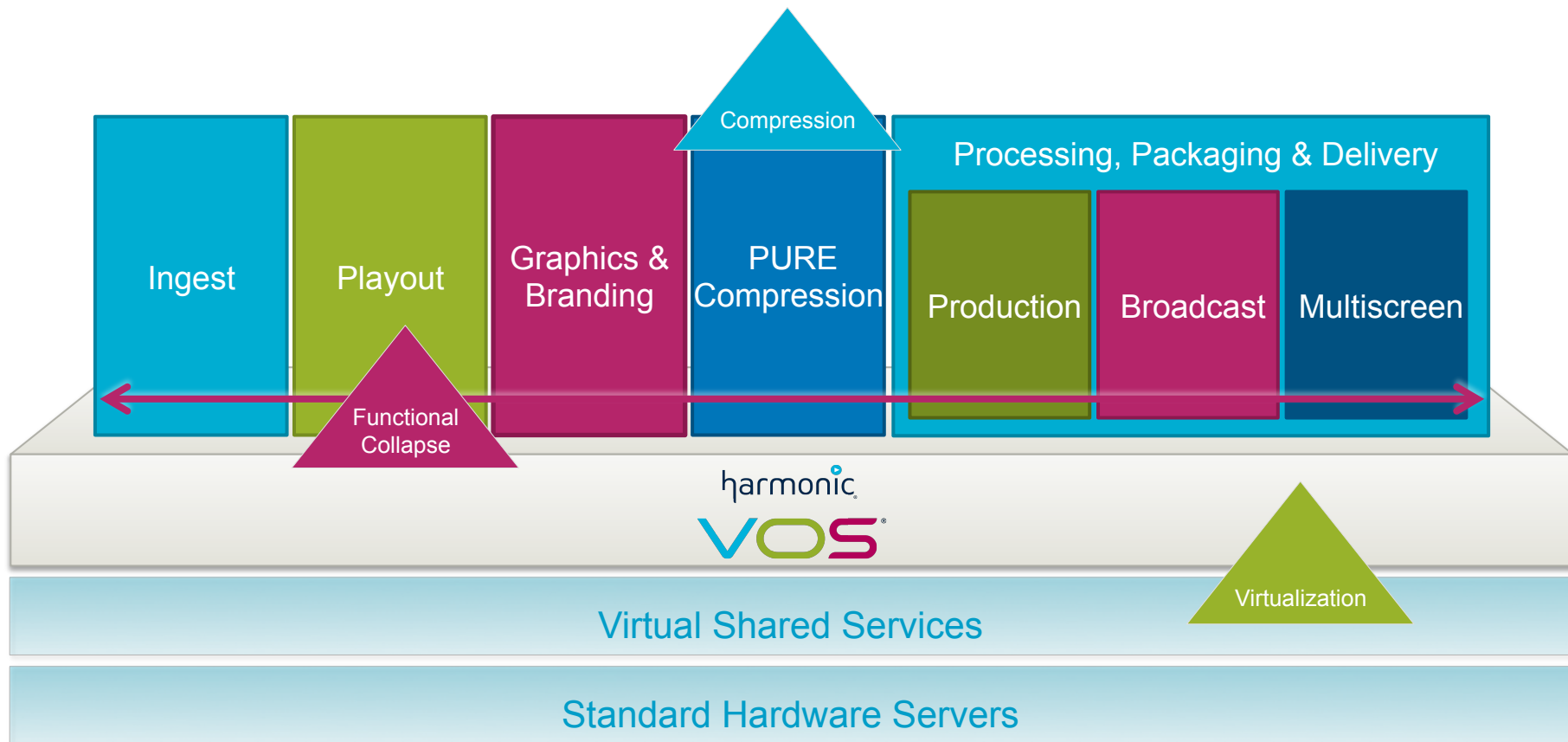
*Significantly reduce
video infrastructure
TCO*



*Nimble pursue content
monetization
opportunities*

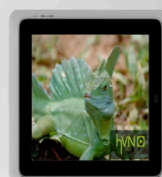
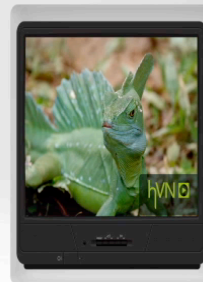
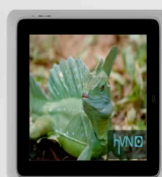
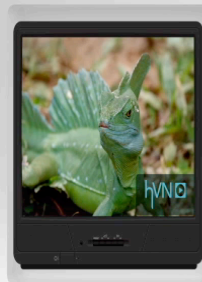
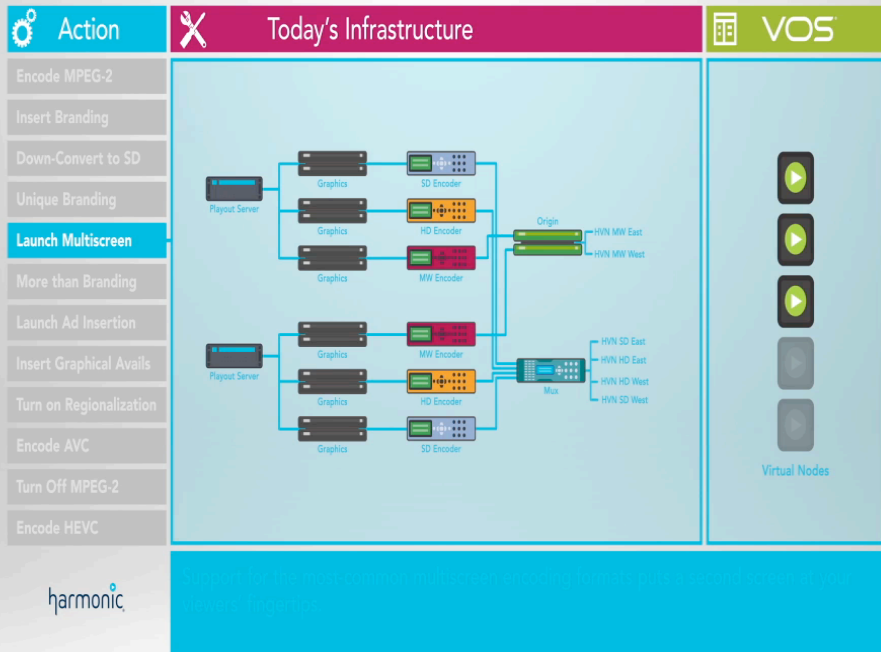
VOS: Re-inventing Video Infrastructure

harmonic.



VOS: Simplicity and Flexibility

Virtualization



VOS: Bandwidth Efficiency

Compression

PURE Compression Engine

SD

MPEG-2

CBR

HD

MPEG-4
/AVC

VBR

UHD

HEVC

ABR

Stunning
Video
Quality

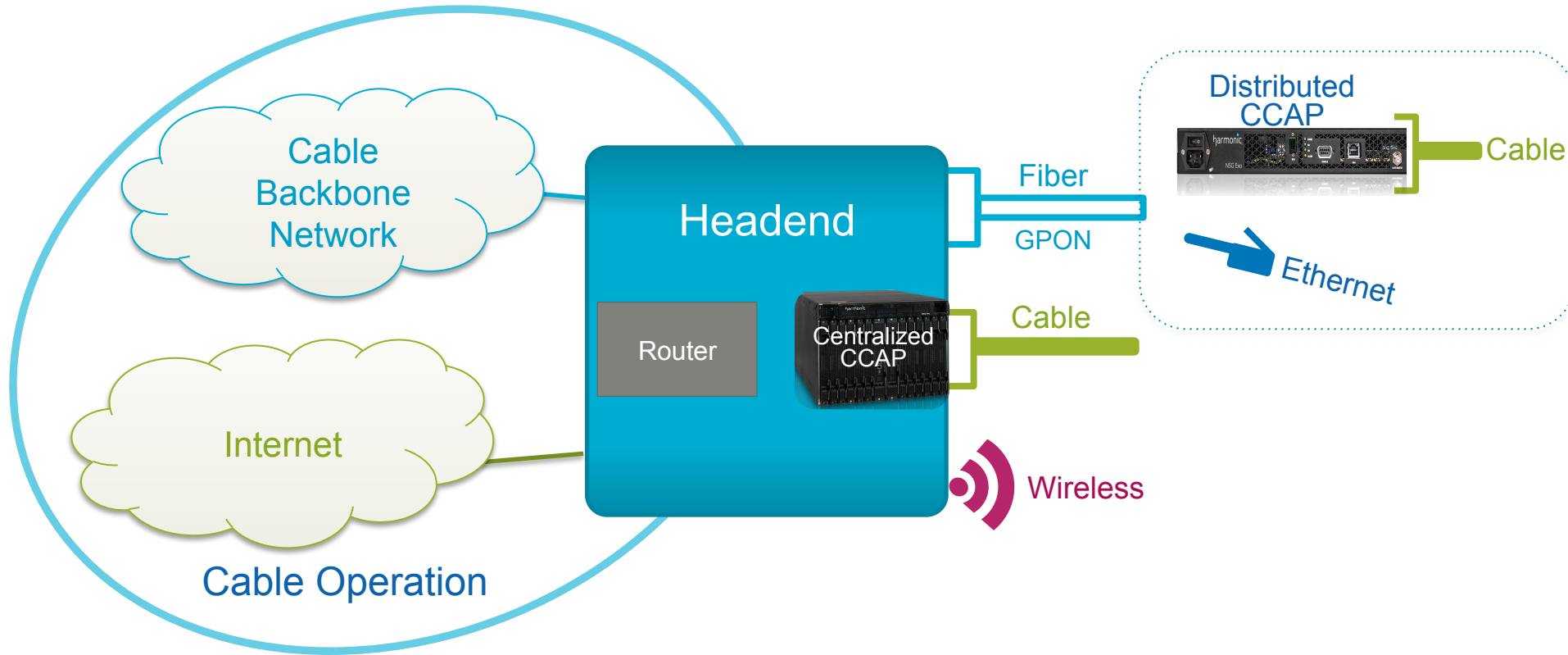




Cable Edge Business

The New Cable Network

harmonic.



The New Cable Network

harmonic.

Centralized

NSG Pro

Router

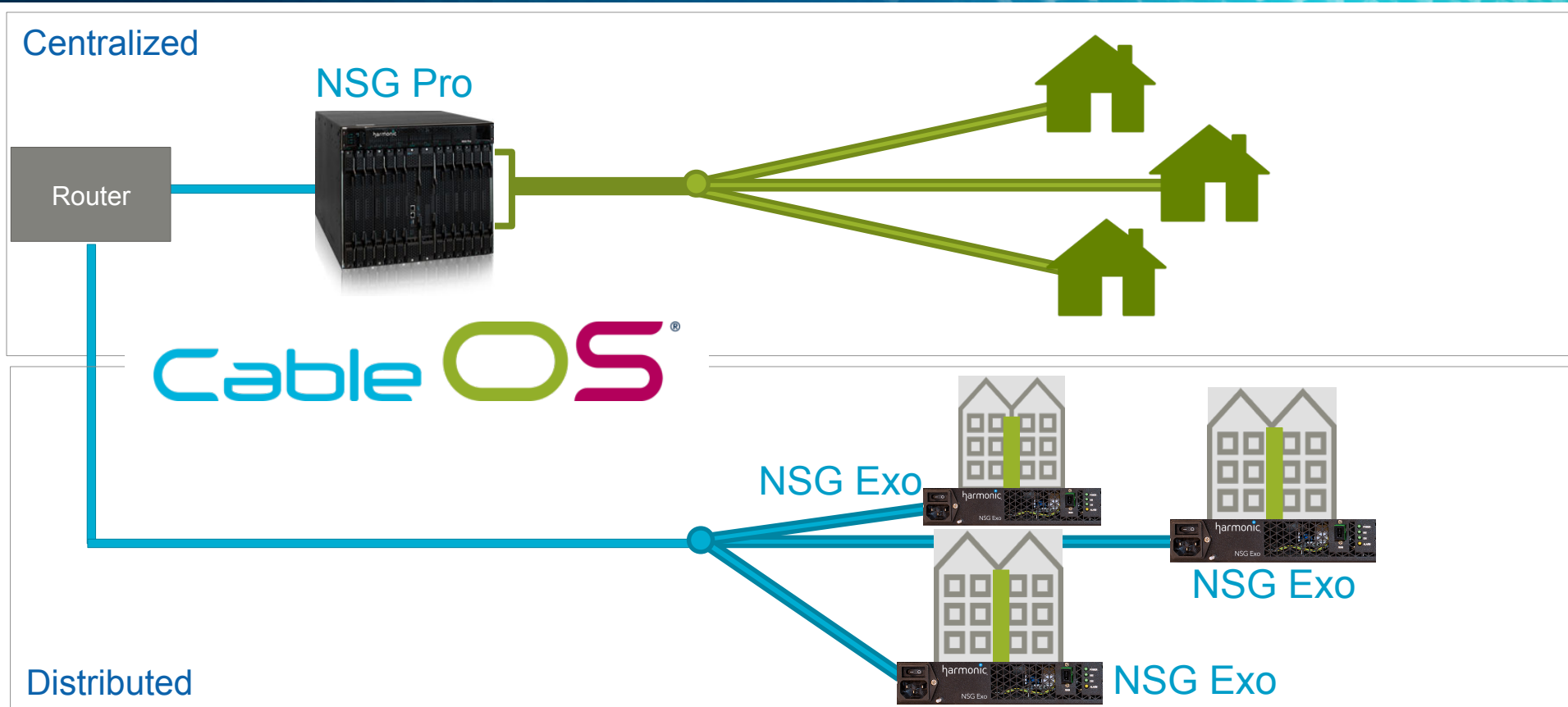
Cable OS[®]

NSG Exo

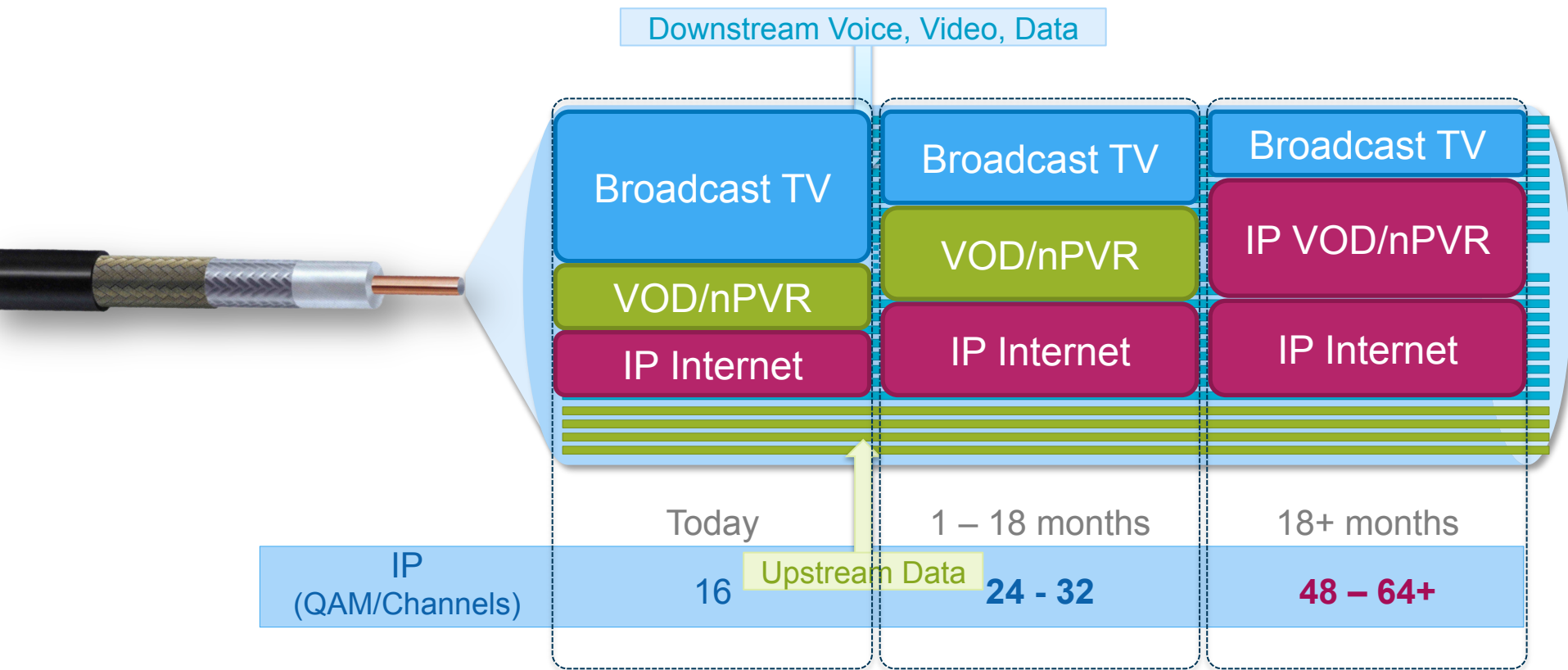
NSG Exo

NSG Exo

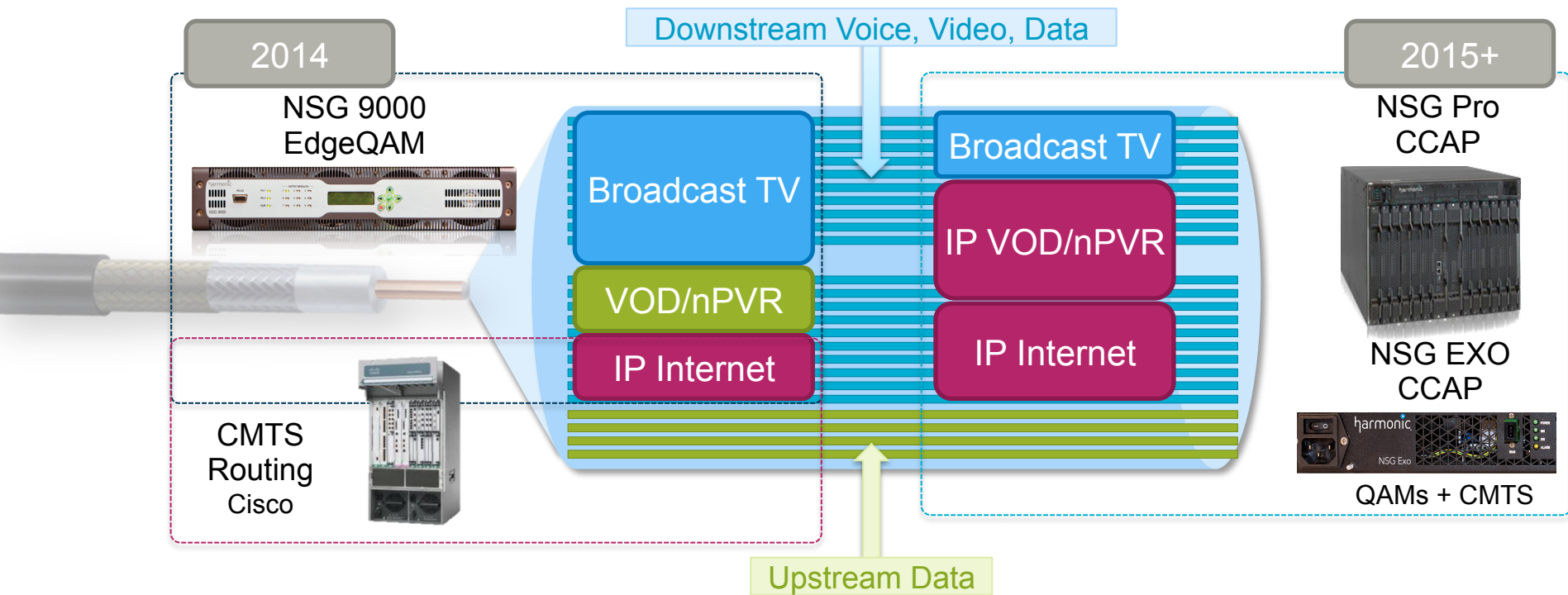
Distributed



Changing the Profile of Cable



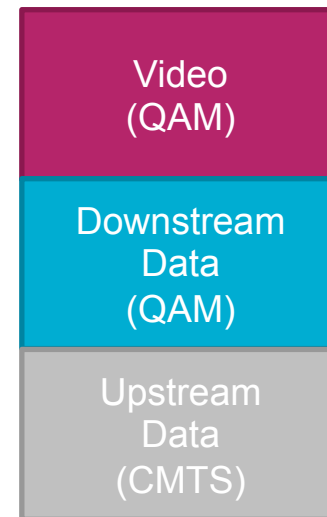
Changing the Profile of Cable



NSG Pro Differentiators



- Most narrowcast QAMs per service group
- Router-independent architecture
- Operational and capital efficiency
 - Software control of all downstream services
 - Highest service group density per RU
 - Software licensing
 - Price per port



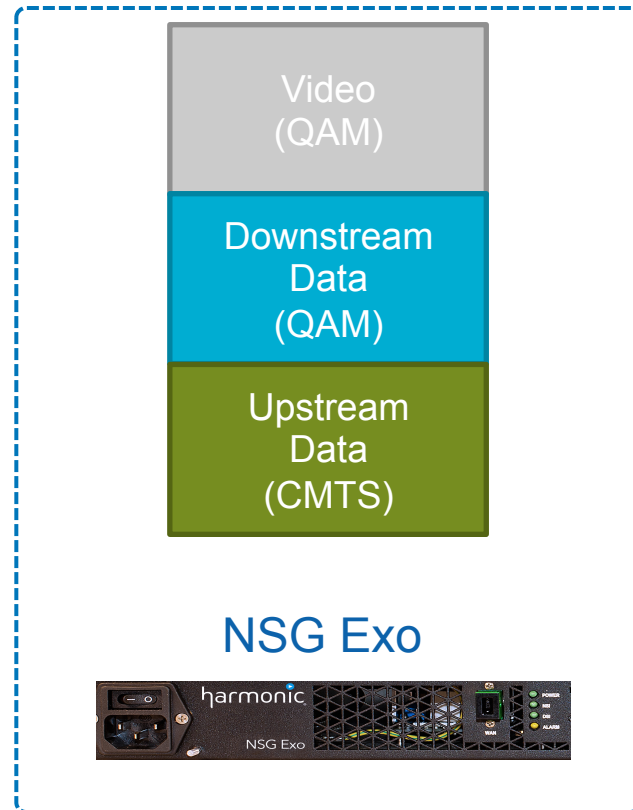
NSG
Pro



NSG Exo Differentiators



- First to market DAA platform
- Common architecture
- Operational and capital efficiency
 - Leverages deep fiber in networks
 - Broadens market for services
 - Simplifies management
 - Applicable beyond cable industry



- Managing business in investment mode
 - Doubled engineering team over last 18 months
- Successfully seeding the centralized CCAP market
 - Strong customer feedback and relationships
 - Early NSG Pro market share success
- First to market with a decentralized CCAP platform
 - Full CMTS capabilities today
 - Revenue contributor this year
- Driving for significant revenue growth and margin expansion

Competitively positioned to capture significant CCAP share



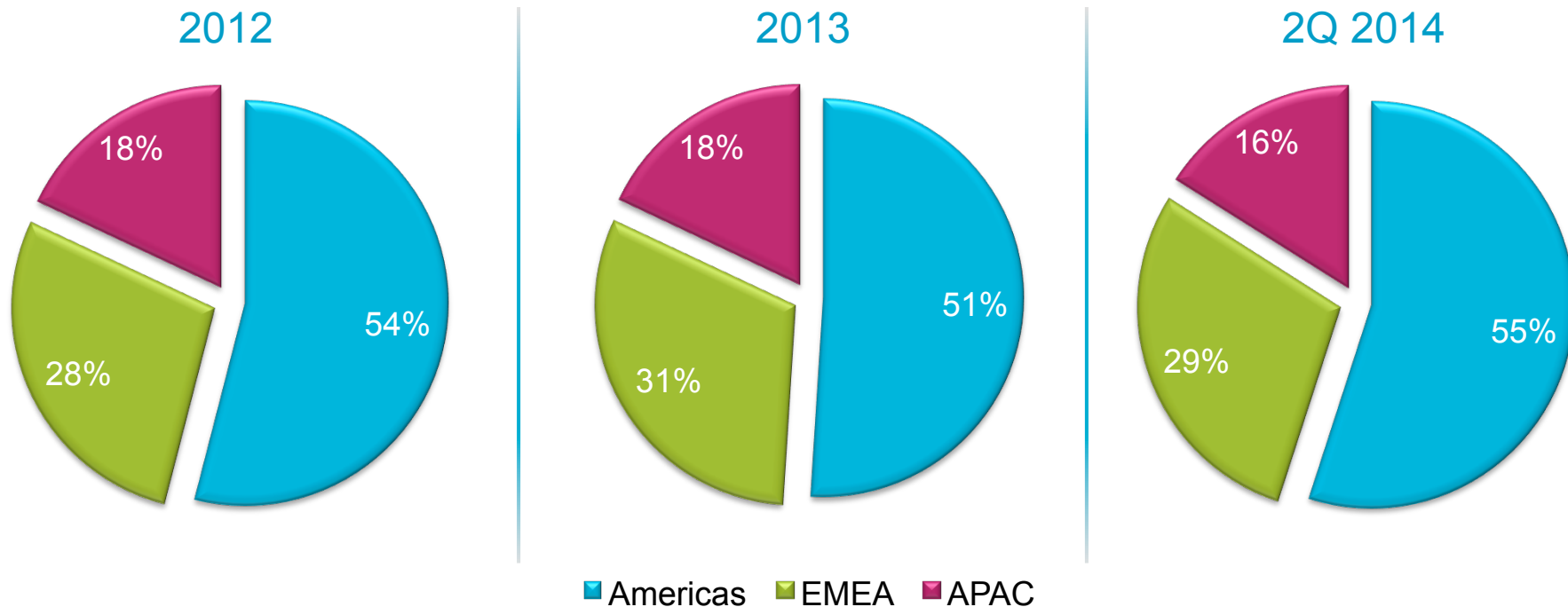
Financial Overview

Q2 2014: Financial Highlights



\$Millions (except GM, OM, & EPS)	Q2 2014	Q1 2014	Q2 2013	Q2 / Q1 Change	Q2 Y / Y Change
Total Net Revenue	\$109.6	\$108.0	\$117.1	1%	-6%
Gross Margin – Non-GAAP	\$54.9	\$57.6	\$63.3	-5%	-13%
Gross Margin - GAAP	\$49.8	\$52.3	\$57.9	-5%	-14%
Gross Margin % - Non-GAAP	50.1%	53.3%	54.1%	-320bp	-400bp
Gross Margin % - GAAP	45.5%	48.4%	49.4%	-290bp	-390bp
Operating Expense – Non-GAAP	\$52.5	\$54.1	\$56.1	-3%	-6%
Operating Margin – Non-GAAP	2.2%	3.2%	6.2%	-100bp	-400bp
EPS – Non-GAAP	\$0.02	\$0.03	\$0.05	(\$0.01)	(\$0.03)
EPS – GAAP	(\$0.39)	(\$0.06)	(\$0.03)	(\$0.33)	(\$0.36)
Bookings	\$113.4	\$126.3	\$126.3	-10%	-10%
Backlog and Deferred	\$132.1	\$126.4	\$132.5	5%	-

Revenue by Geography



Q2 2014: Balance Sheet and Cap-Ex Highlights

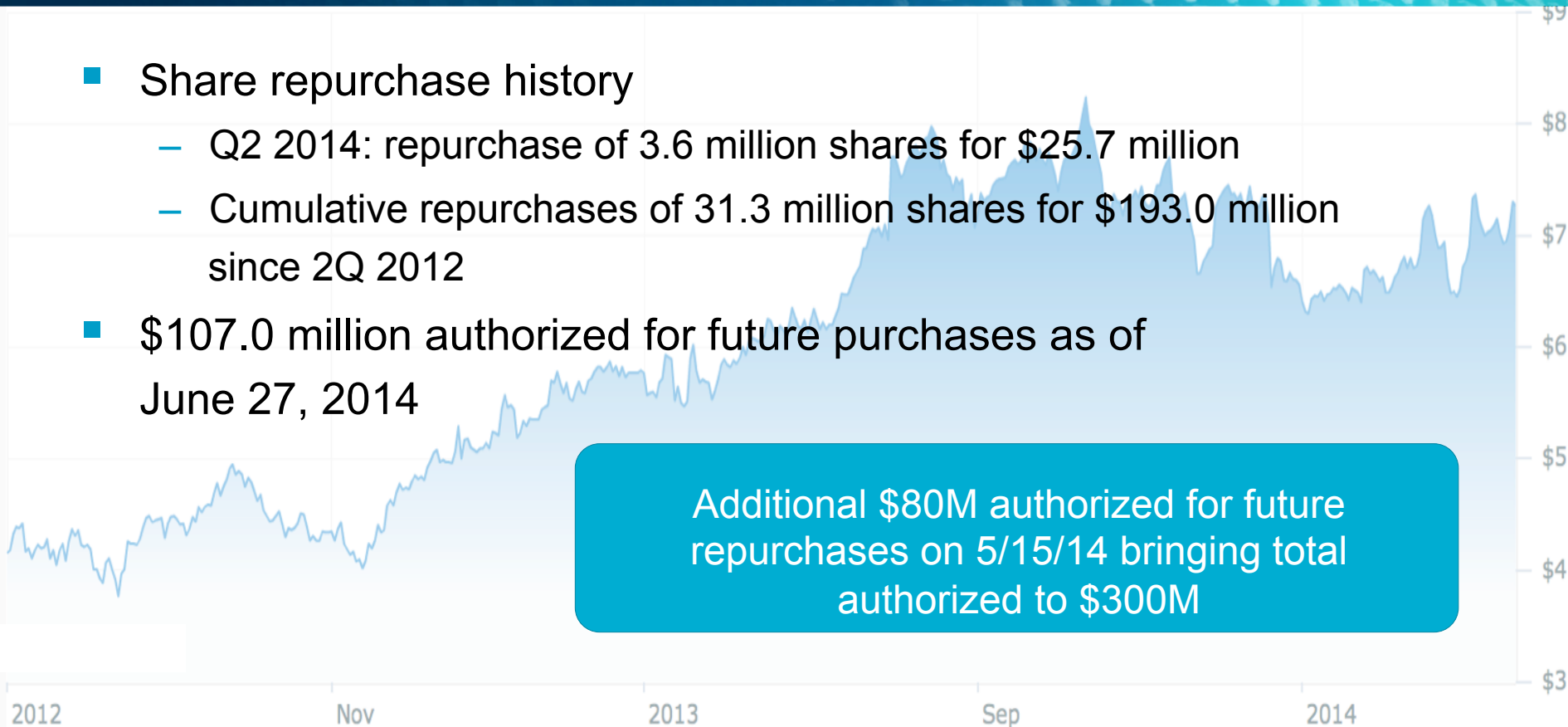


	\$Millions	
Cash	\$134.4M	Down \$13.3M from Q1
Accounts Receivable	\$79.9M	67 days
Inventories	\$30.2M	7.2 turns
Debt	\$0	
Capital Expenditures	\$3.0M	
Shares Repurchased	\$25.7M	3.6M Shares

Aggressive Buyer of Our Stock

- Share repurchase history
 - Q2 2014: repurchase of 3.6 million shares for \$25.7 million
 - Cumulative repurchases of 31.3 million shares for \$193.0 million since 2Q 2012
- \$107.0 million authorized for future purchases as of June 27, 2014

Additional \$80M authorized for future repurchases on 5/15/14 bringing total authorized to \$300M



3Q 2014: Financial Guidance



Q3 2014	
Revenue	\$103M - \$113M
Non-GAAP Gross Margin*	52.0% - 53.0%
Non-GAAP Operating Expenses*	\$51.5M - \$52.5M
Non-GAAP Tax Rate	21%
*Excludes charges for stock-based compensation, the amortization of intangibles and restructuring and related charges.	

Two Lines of Business



Video	2013	2014 - 2015	Beyond
Revenue	\$382M	Mid single digit growth	Faster than market growth
Operating Margin	7%	10 – 15%	15%+

Cable Edge	2013	2014 - 2015	Beyond
Revenue	\$80M	High teens – low 20's growth	Faster than market growth
Operating Margin	Investing	Investing - 5%	10% – 15%

Company Target Model



	2014 - 2015	Beyond
Long Term Growth Rate	Mid single digit+	Faster than market
Gross Margin	53% - 56%	56% - 60%
2014 Operating Margin	8% - 12%	15%+

Building Shareholder Value



- Continued focus on growth opportunities
 - Capitalize on new strategic platforms
 - Expand global customer base
- Accelerate core market share leadership
- Enhance margin profile
- Optimize balance sheet
- Drive long-term earnings accretion





Thank You

Disclosures



Q2 2014: GAAP to Non-GAAP Reconciliations



Three months ended				
June 27, 2014				
	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Net Income (Loss)
GAAP from continuing operations	\$ 49,817	\$ 58,466	\$ (8,649)	\$ (37,062)
Stock-based compensation in cost of revenue	623	-	623	623
Stock-based compensation in research and development	-	(1,269)	1,269	1,269
Stock-based compensation in selling, general and administrative	-	(2,669)	2,669	2,669
Amortization of intangibles	4,482	(1,718)	6,200	6,200
Restructuring and related charges	-	(284)	284	284
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	27,863
Non-GAAP from continuing operations	\$ 54,922	\$ 52,526	\$ 2,396	\$ 1,846
<i>As a % of revenue (GAAP)</i>	45.5%	53.4%	-7.9%	-33.8%
<i>As a % of revenue (Non-GAAP)</i>	50.1%	47.9%	2.2%	1.7%
Diluted net income (loss) per share from continuing operations:				
Diluted net loss per share from continuing operations-GAAP				\$ (0.39)
Diluted net income per share from continuing operations-Non-GAAP				\$ 0.02
Shares used to compute diluted net income (loss) per share from continuing operations:				
GAAP				93,966
Non-GAAP				95,294

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