



# Harmonic Management Presentation

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# Forward Looking Statements

During the course of this presentation, we may make projections or other forward looking statements regarding future events or the future financial performance of Harmonic. Such statements are only predictions and actual events or results may differ materially. We refer you to Harmonic's filings with the SEC, particularly our recent Reports on Form 10-K and 10-Q. These documents identify important risk factors that could cause actual results to differ materially from our projections or 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 earnings press releases on our website at [www.harmonicinc.com](http://www.harmonicinc.com).

# Harmonic's Mission

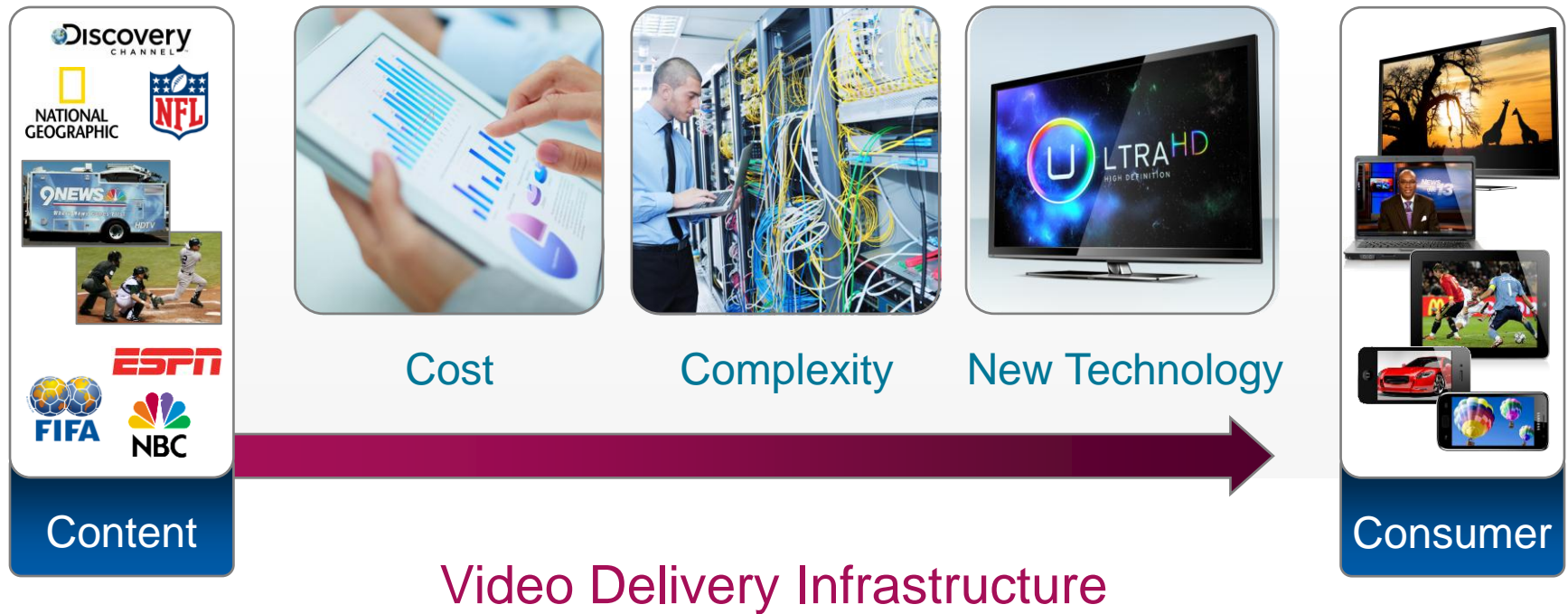
Enable amazing video experiences

through integrated solutions with unrivaled flexibility and efficiency



harmonic®

# Customer Challenges





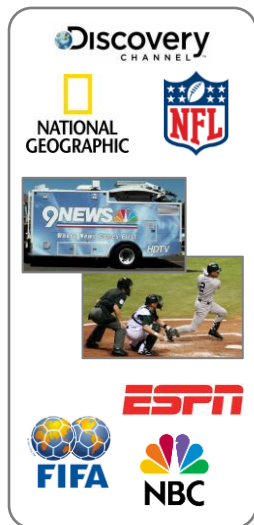
# Harmonic's Video Solutions



Video Delivery Infrastructure  
Total Addressable Market = \$4.5B

# Endorsements

Harmonic is the leader



Production  
& Payout

#1 in  
Broadcast  
Payout Servers

FROST &  
SULLIVAN

October 2012

Primary  
Distribution

#1 in  
Pay TV  
Encoders

FROST &  
SULLIVAN

August 2012

Content  
& Service  
Delivery

#1 in  
IPTV  
Headends

RG media  
research  
group

November 2012

Multi-screen

Cable Edge

#1 in  
Cable  
EdgeQAMs

INFONETICS  
RESEARCH

February 2013



# Customers

## Broadcast & Media



## Satellite



## Telco



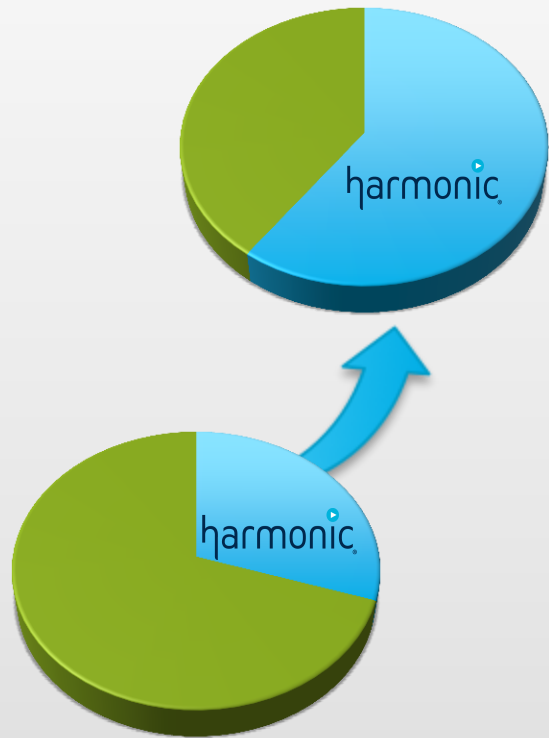
## Cable



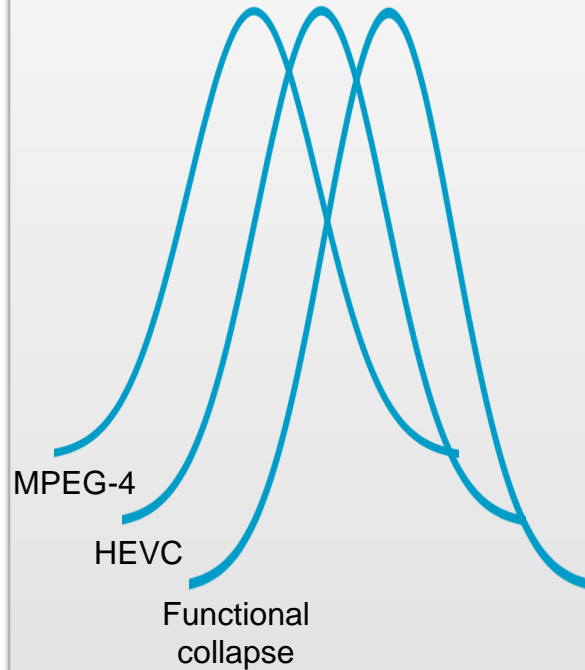
## OTT / New Media



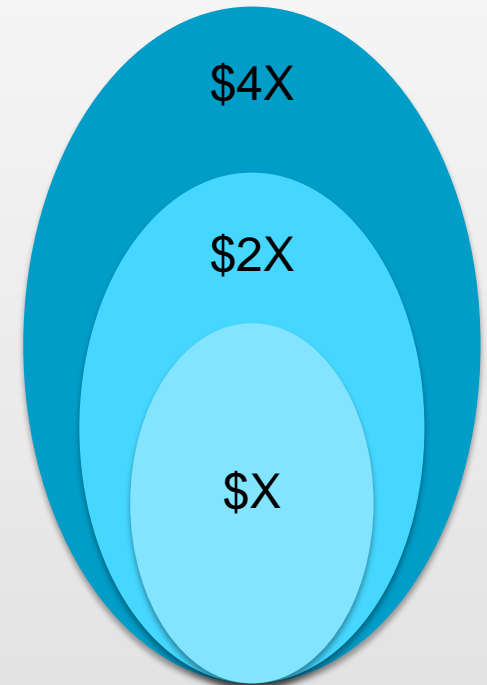
# Strategic Growth Plan



Grow marketshare



New technology  
cycles

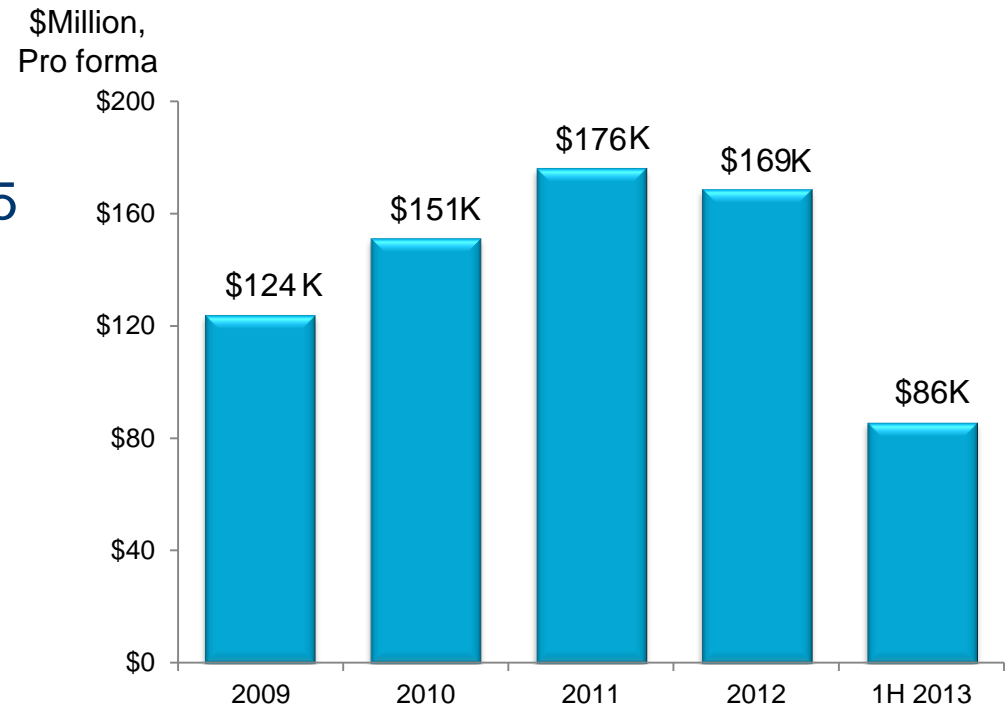


TAM expansion



# Grow Marketshare

- ▶ **Broadcast & media**
  - Recent wins into 3 of top 5 U.S. broadcasters
- ▶ **Pay TV service providers**
  - Growing subscriber base internationally
- ▶ **Competitive**
  - Fragmented market
  - Industry consolidation



Broadcast & Media Revenue

# New Technology Cycles



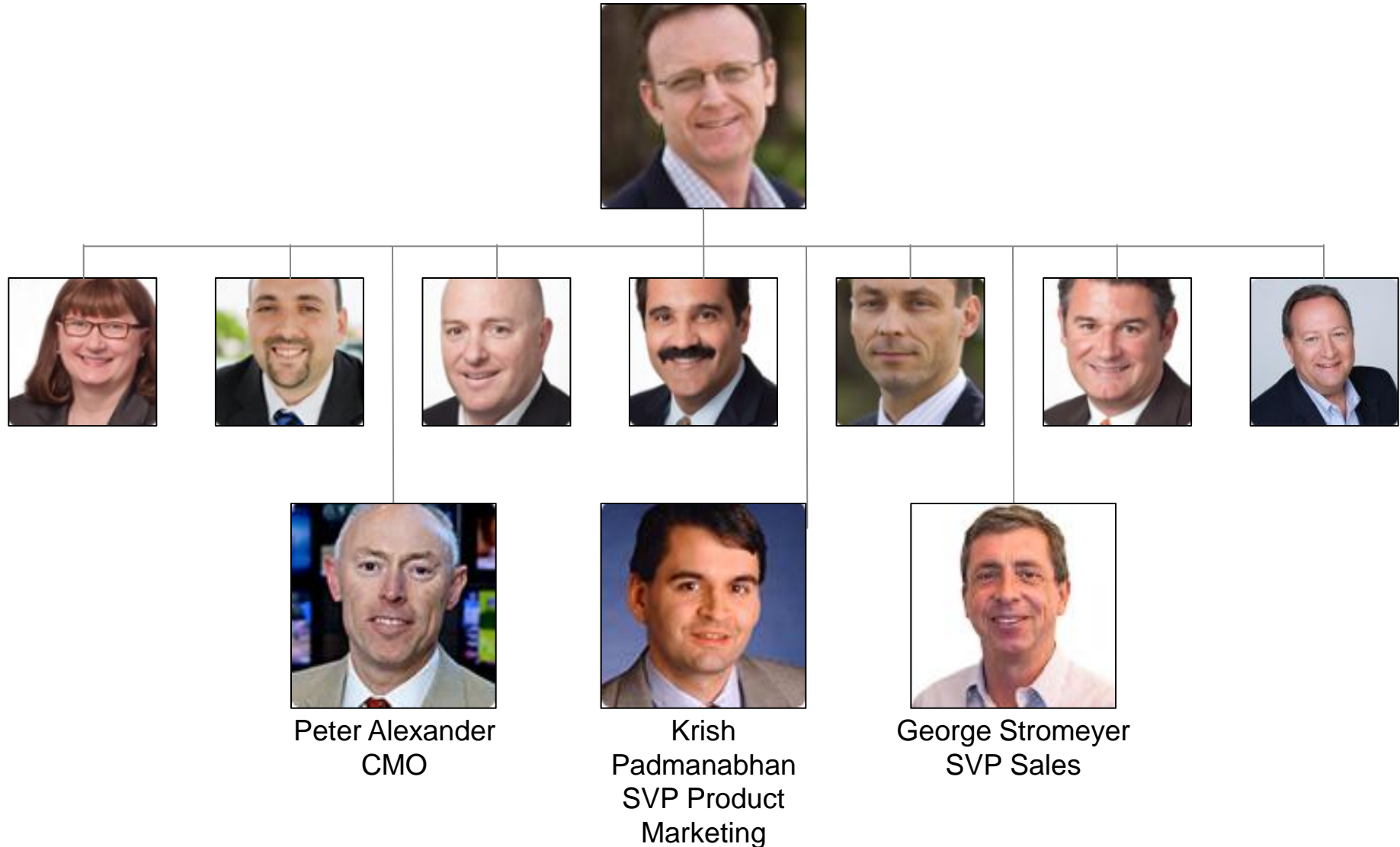
- ▶ Next generation video compression
  - HEVC and AVC enhancements improve quality and reduce bandwidth
- ▶ Functional collapse
  - Series of specialized devices consolidating into multifunction platforms
- ▶ Ultra HD
  - Growing consumer demand, falling TV prices
  - 4 times pixel count, more color space

# TAM Expansion

- ▶ CCAP
  - \$2B vs. \$400M QAM market
- ▶ Multiscreen
  - Small but growing
- ▶ Emerging markets – international
  - Highest subscriber growth



# Management Team Update – New Go To Market Executives

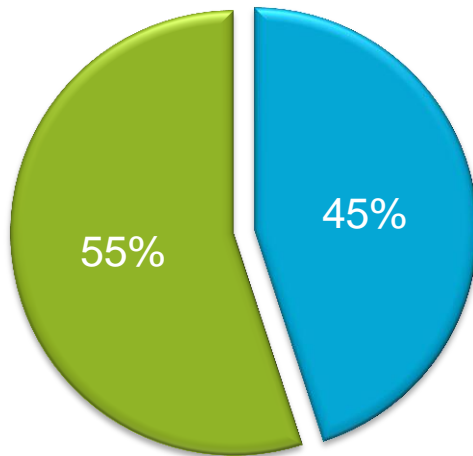




# 1H 2013 Revenue Mix

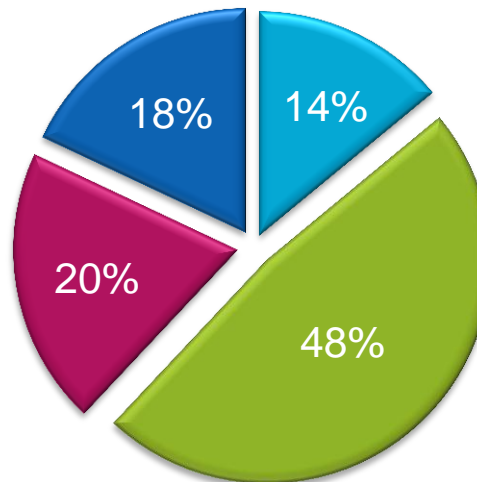
Revenues \$218.8M

## Geography



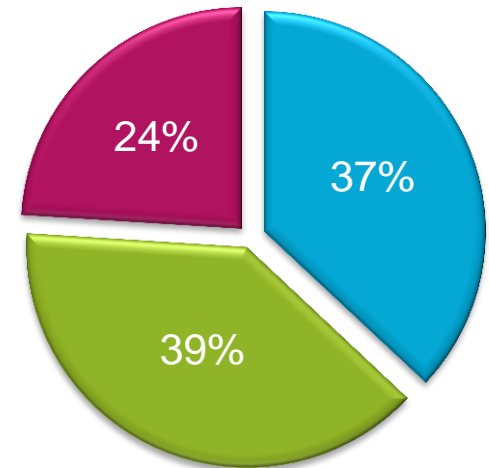
■ U.S.  
■ International

## Products



■ Cable Edge  
■ Video Processing  
■ Production & Playout  
■ Services

## Markets



■ Cable  
■ Broadcast & Media  
■ Satellite & Telco

# Q2 2013: Financial Highlights

\$Millions (except GM, DM and EPS)	Q2 2013	Q1 2013	Q2 2012	Q1/Q2 Change	Q2/Y Change
Total Net Revenue	\$117.1	\$101.7	\$122.1	15%	-4%
Gross Margin % Non-GAAP	54.1%	51.0%	49.9%	310bp	420bp
Gross Margin % GAAP	49.4%	45.4%	45.1%	400bp	430bp
Operating Expense Non-GAAP	\$56.1	\$55.2	\$52.4	2%	7%
Operating Margin % Non-GAAP	6.2%	-3.3%	7.0%	950bp	-80bp
EPS Non-GAAP	\$0.05	(\$0.02)	\$0.06	\$0.07	(\$0.01)
EPS GAAP	(\$0.03)	(\$0.08)	(\$0.03)	\$0.05	\$0.00
Bookings	\$126.3	\$110.1	\$128.5	15%	-2%
Backlog and Deferred**	\$132.5	\$126.3	n/a	5%	n/a

\*\* Backlog and deferred excluding Access is not available for periods prior to Q4 2012

# Q2 2013: Balance Sheet and Cap-Ex Highlights

	\$	Comments
Cash	\$161.7M	Down \$66.6M from Q1
Accounts Receivable	\$86.2M	67 days
Inventories	\$44.4M	4.8 turns
Debt	\$0	
Capital Expenditures	\$4.5M	
Shares Repurchased	\$86.1M	13.8M Shares

# Capital Structure

- ▶ Cumulative repurchase over 20M shares to date
  - 8.8M in open market – average price \$5.03
  - 12.0M via tender offer – price \$6.25
- ▶ Board authorized \$100M repurchase going forward
  - Existing program expanded by \$85M
  - Resumed open market purchases
- ▶ Optimizes 2014- earnings growth
  - Synergy with strategic growth outlook



# Q3 2013: Financial Guidance

	Metric
Q3 Revenue	\$115M - \$125M
Non-GAAP Gross Margin*	50% - 51%
Non-GAAP Operating Expenses*	\$54.5M - \$55.5M
Non-GAAP Tax Rate	21%
* Excludes charges for stock-based compensation, amortization of intangibles and restructuring and related charges	

# Building Shareholder Value

- ▶ Continued focus on growth opportunities
- ▶ Accelerate core market share leadership
- ▶ Enhance margin profile
- ▶ Optimize balance sheet
- ▶ Drive long-term earnings accretion



Thank You