



Management Presentation

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December 2013

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.

Harmonic's Mission

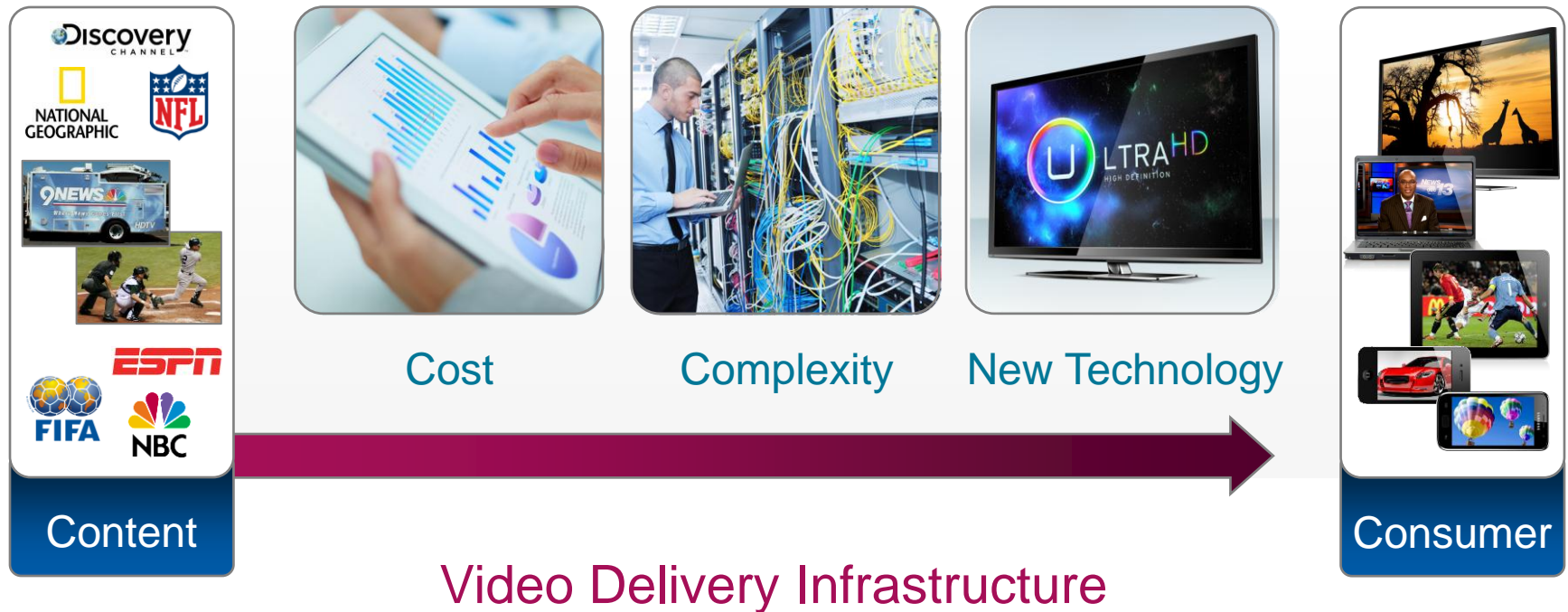
Enable amazing video experiences

through integrated solutions with unrivaled flexibility and efficiency



harmonic®

Customer Challenges



Harmonic's Video Solutions



Video Delivery Infrastructure
Total Addressable Market = \$4.5B

Where We Lead the Market

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

media
research
group

May 2013

Cable Edge

#1 in
Cable
EdgeQAMs

INFONETICS
RESEARCH

February 2013

Multi-screen

#1 in
Multi-screen
Transcoding

FROST & SULLIVAN

October 2013

FROST & SULLIVAN

2013 BEST
PRACTICES
AWARD

Market Share Leadership
Multi-Screen Transcoding
Global, 2013

Customers

Broadcast & Media



Satellite



Telco



Cable



OTT / New Media



Expanding Global Customer Base



forthnet



Westaun
Play of
the Game



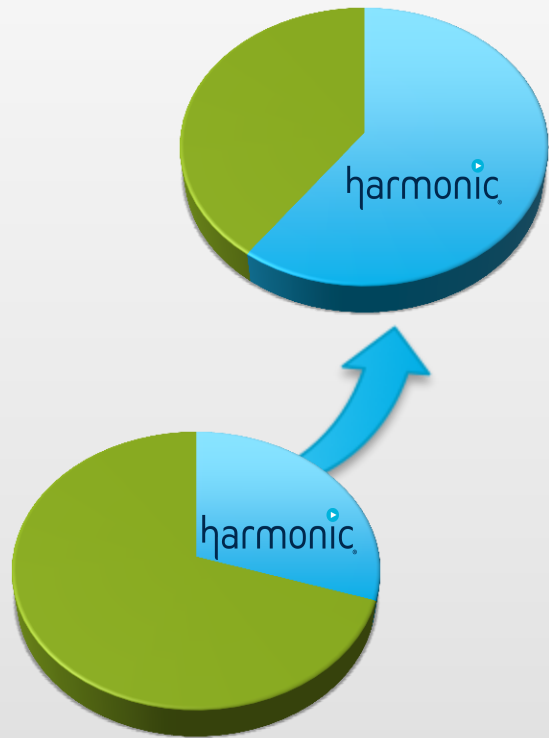
WESTAUN
www.westaunauto.com



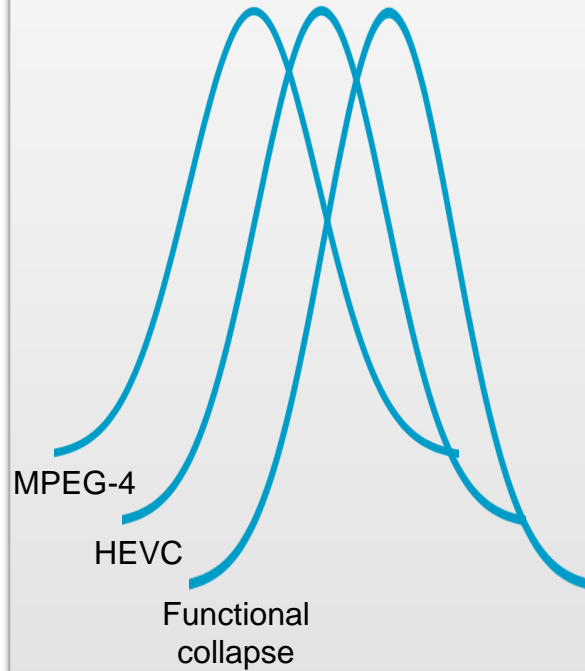
Vesta
ALL-NEW REDESIGNED
2013 VESTA SPORT



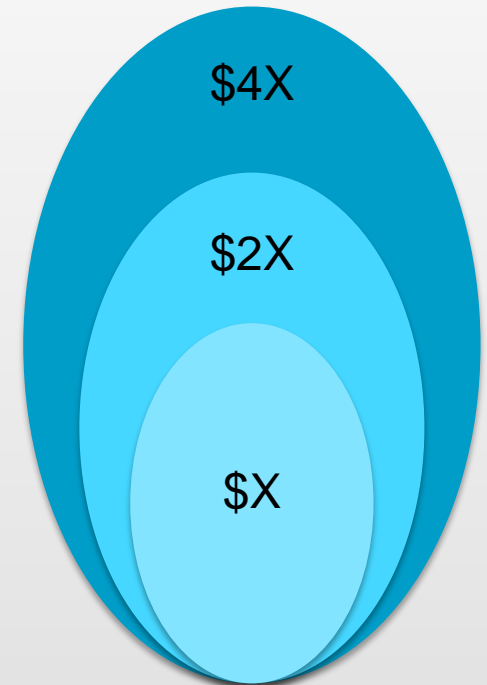
Strategic Growth Plan



Grow marketshare



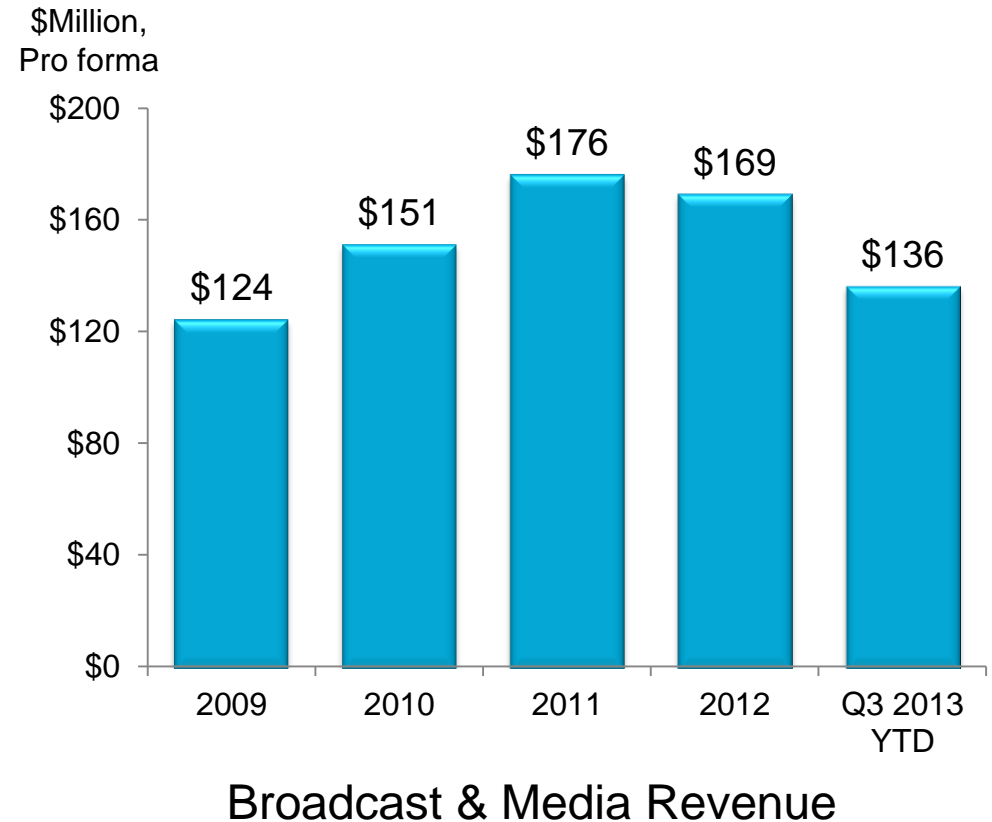
New technology cycles



TAM expansion

Grow Marketshare

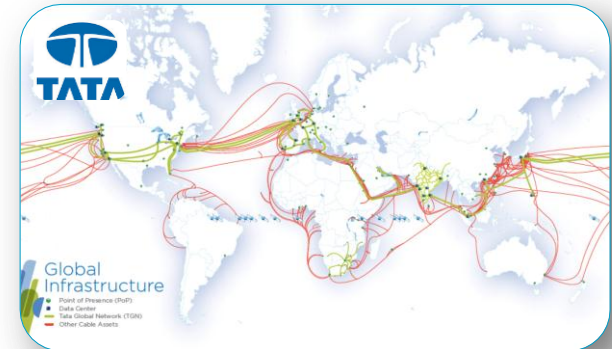
- ▶ **Broadcast & media**
 - Recent wins into 3 of top 5 U.S. broadcasters
- ▶ **Pay TV service providers**
 - Growing subscriber base internationally
- ▶ **Competitive**
 - Fragmented market
 - Industry consolidation



Targeted Technology Upgrade Cycles

▶ Next-generation video compression

- New innovation for MPEG-2 and MPEG-4 (AVC) compression
- First demonstration of Live HEVC at IBC
- TATA launched HEVC-enabled cloud transcoding on Harmonic



▶ Ultra HD

- HDMI 2.0 standard finalized
- Key demonstrations included Sky Deutschland
- Japan 2020 and 8K



Targeted Technology Upgrade Cycles

Functional Collapse



VARIETY *Huge Upside for Launch of Fox Sports 1 and 2 Channels*

SI **Fox Sports 1 takes aim at ESPN's throne; UFC will be key**

USA TODAY **Fox Sports launches direct challenge to ESPN dominance**

The New York Times **Seeing Riches in Sports TV, Fox Will Create New Network**

TAM Expansion

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



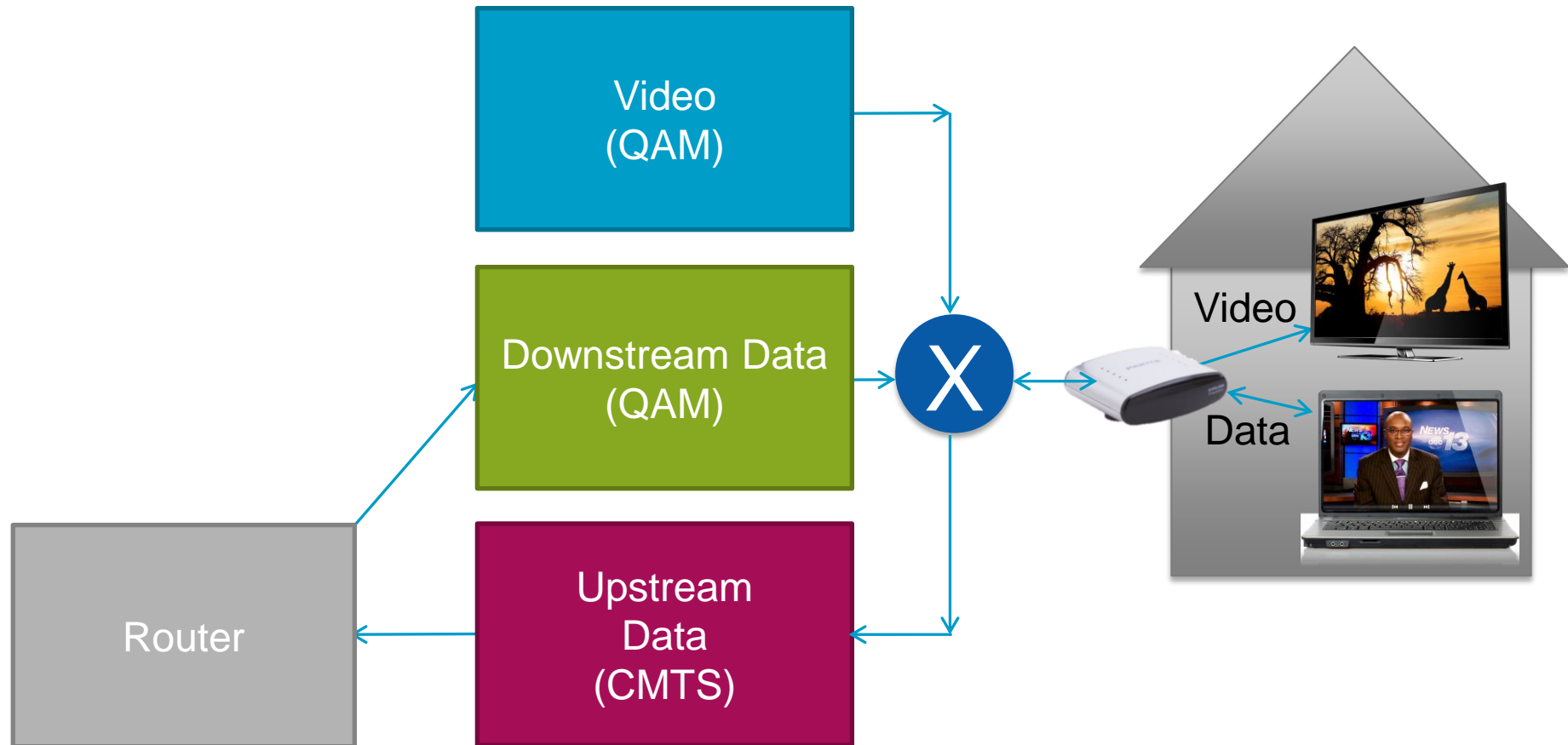
TAM Expansion

- ▶ Converged Cable Access Platform (CCAP)
 - Estimated \$2B annual market*
 - Downstream functionality and platform qualified
 - Deployments underway
 - Solid order pipeline
 - First CMTS interoperability tested

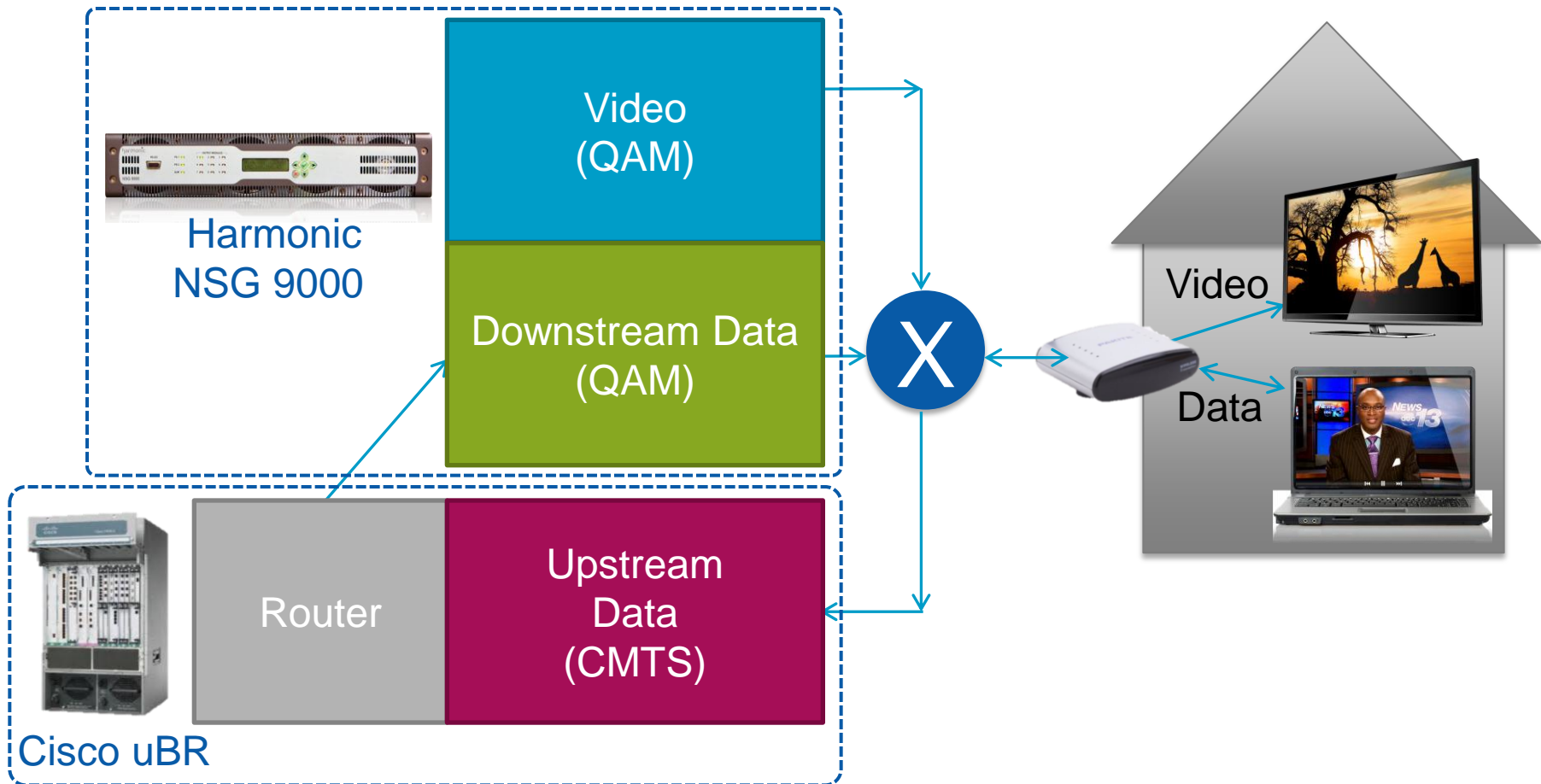
*Forecast per Infonetics Feb. 2013



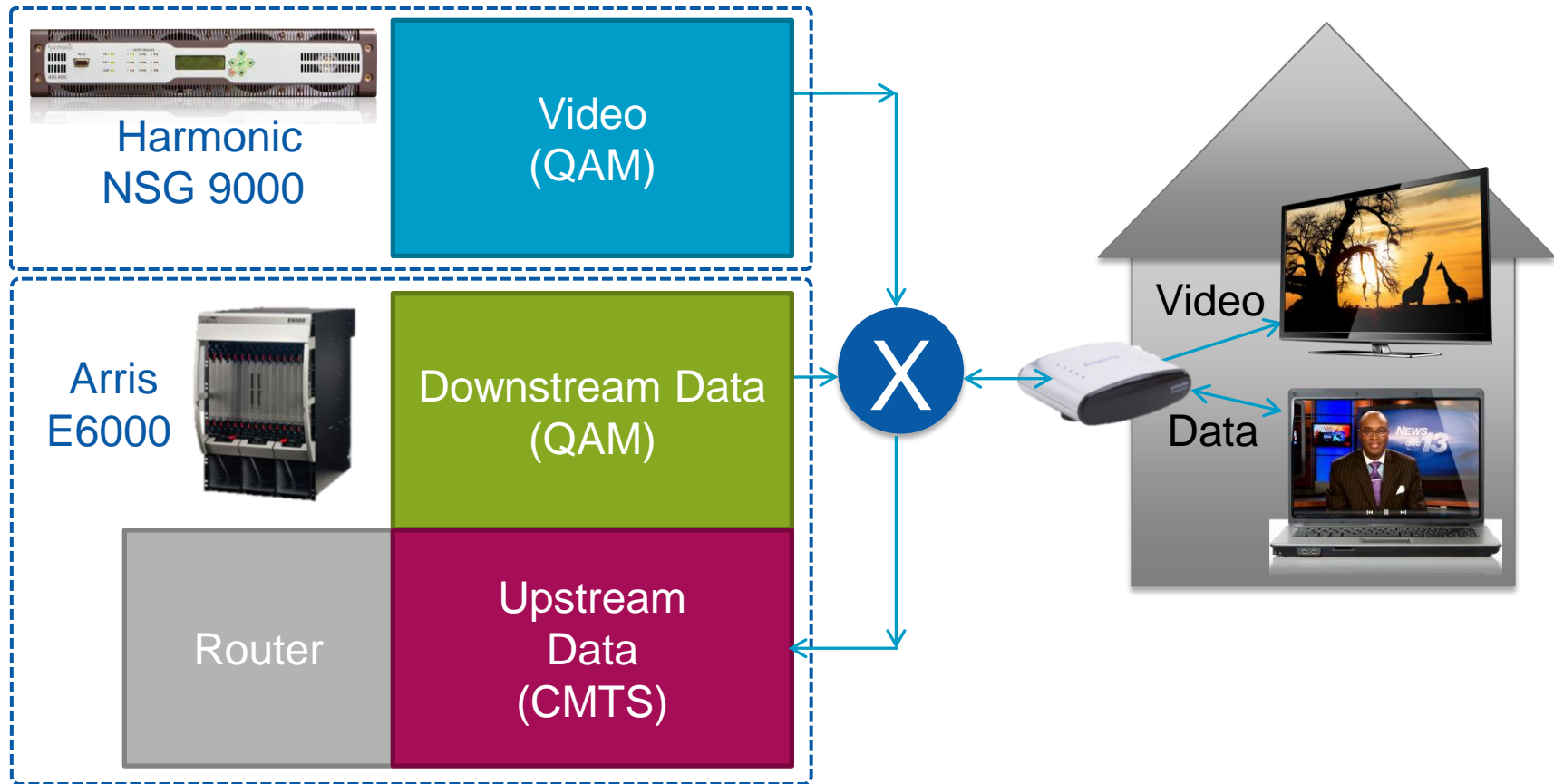
Cable Head End - Today



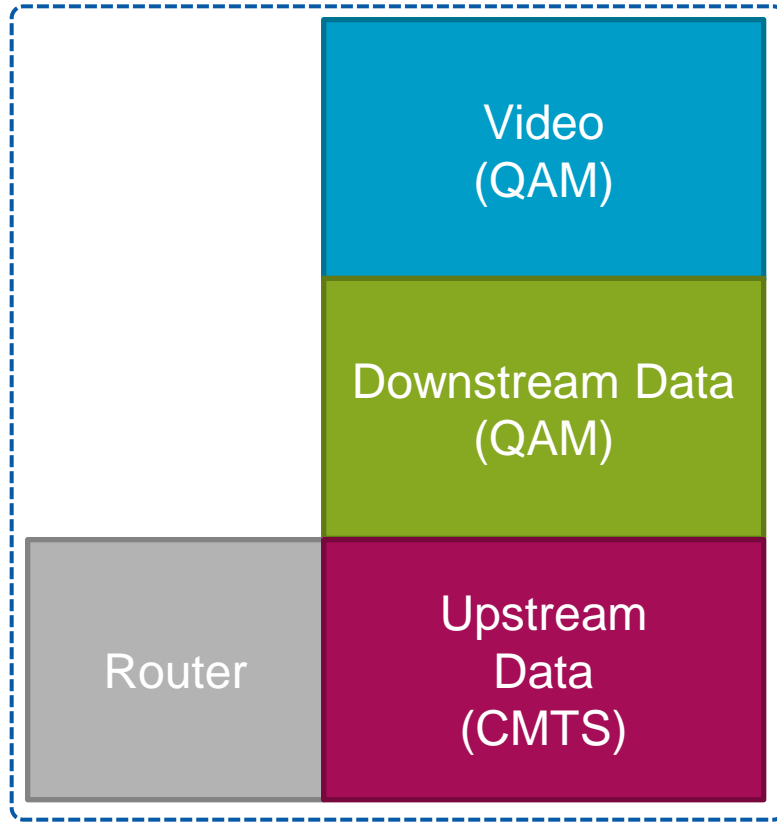
Cable Head End – Harmonic + Cisco



Cable Head End – Harmonic + Arris

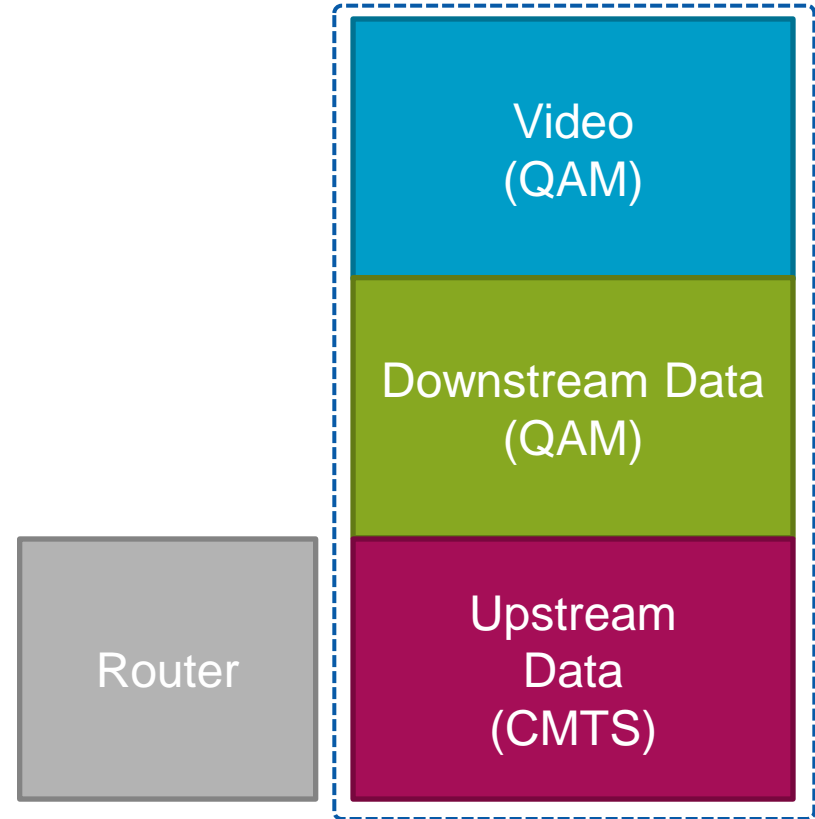


Cable Head End – CCAP



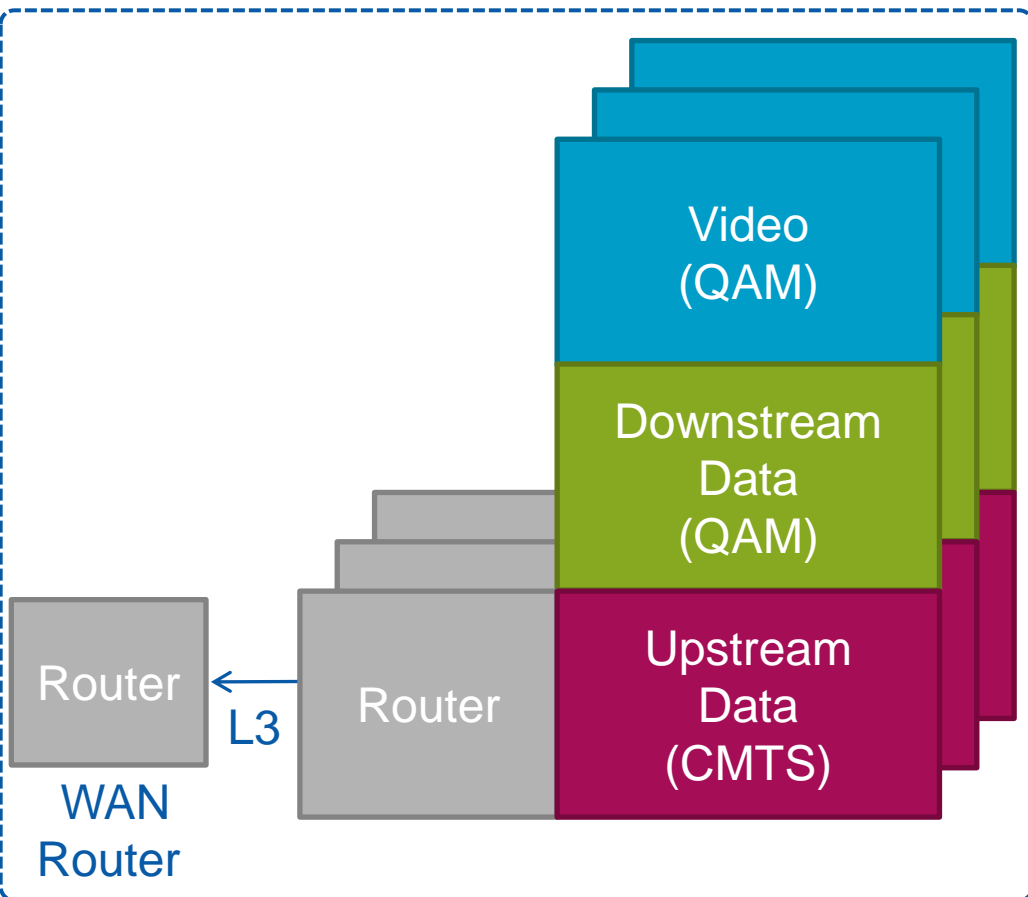
Routing CCAP

-OR-

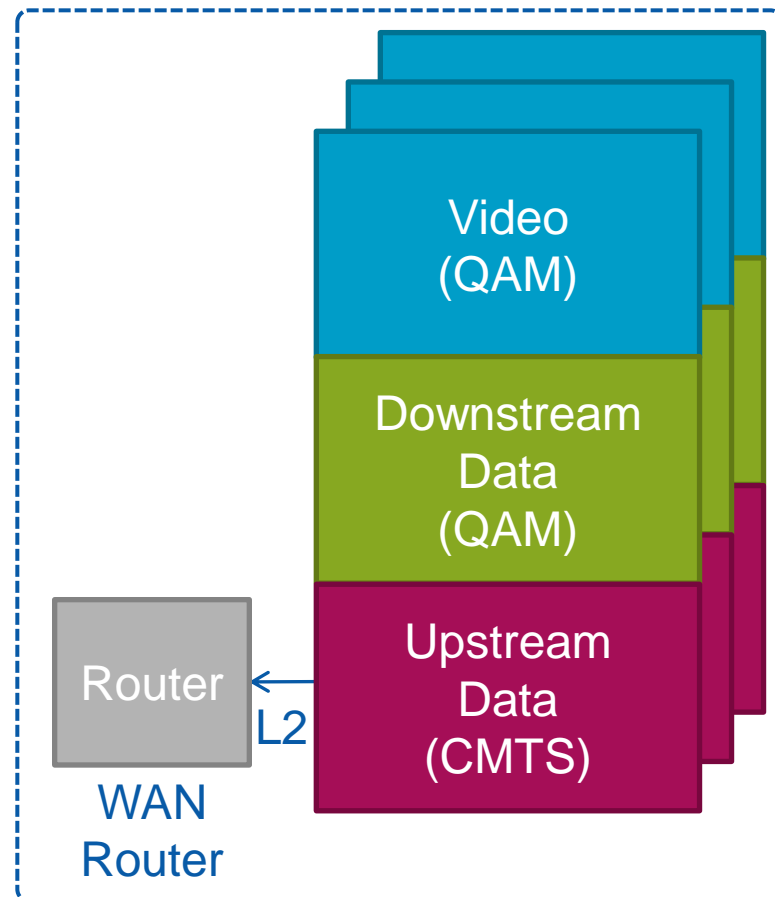


Forwarding CCAP

Cable Head End – CCAP Architecture

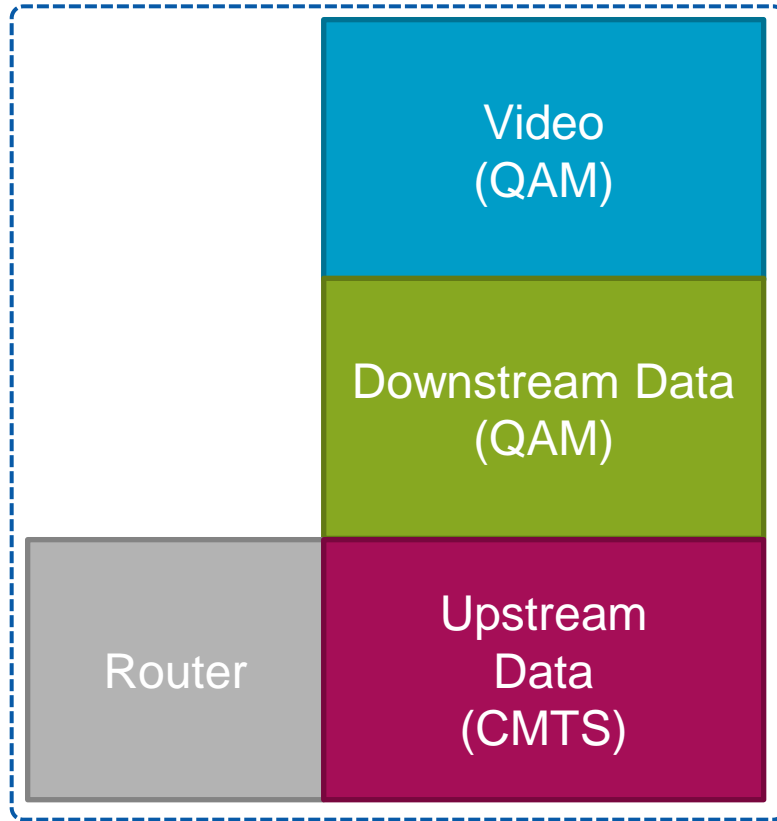


Networking Complexity –
“N” Routers + WAN Router

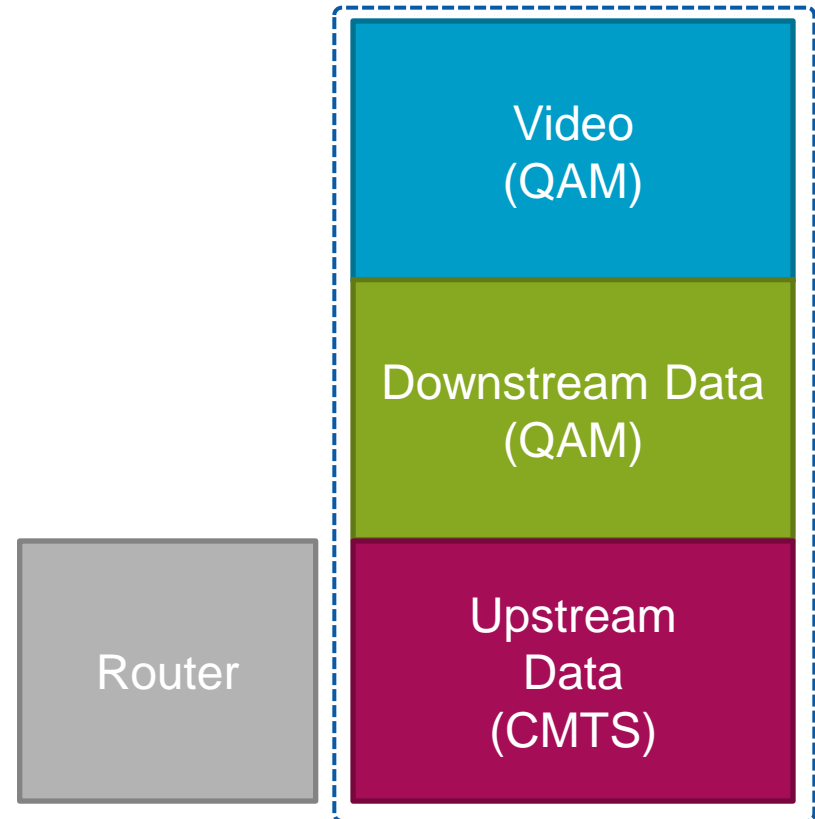


Networking Performance,
Simplicity, & Flexibility

Cable Head End – CCAP Alternatives



-OR-



Integrated Router

Cisco
cBR

Arris
E6000



Any Router

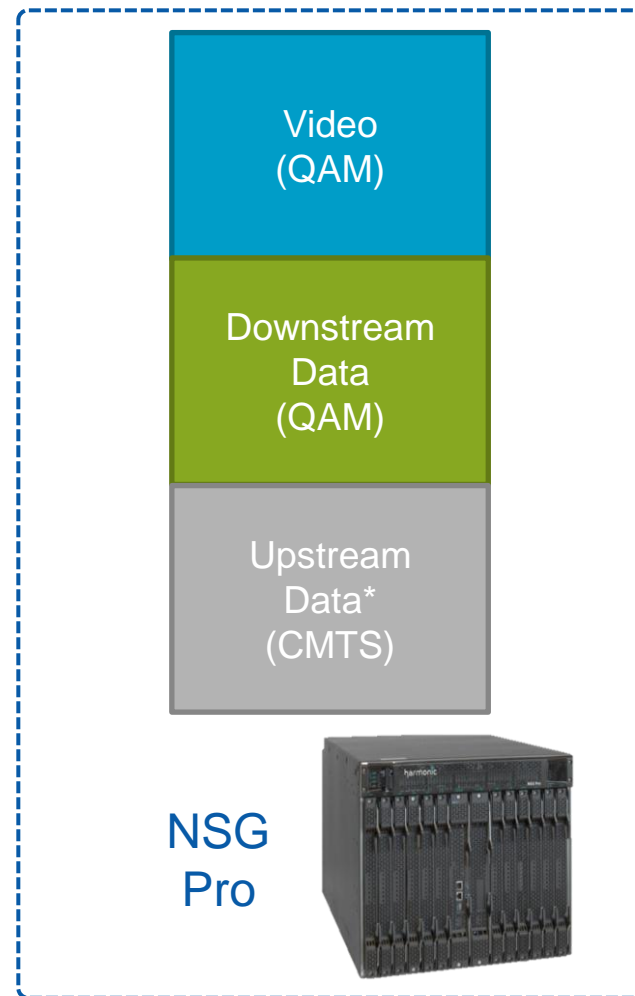
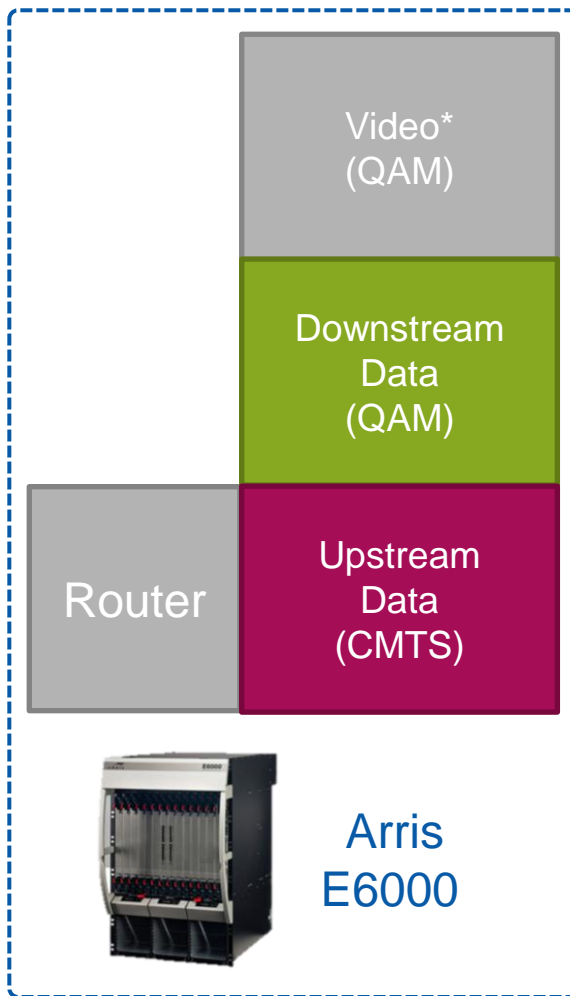
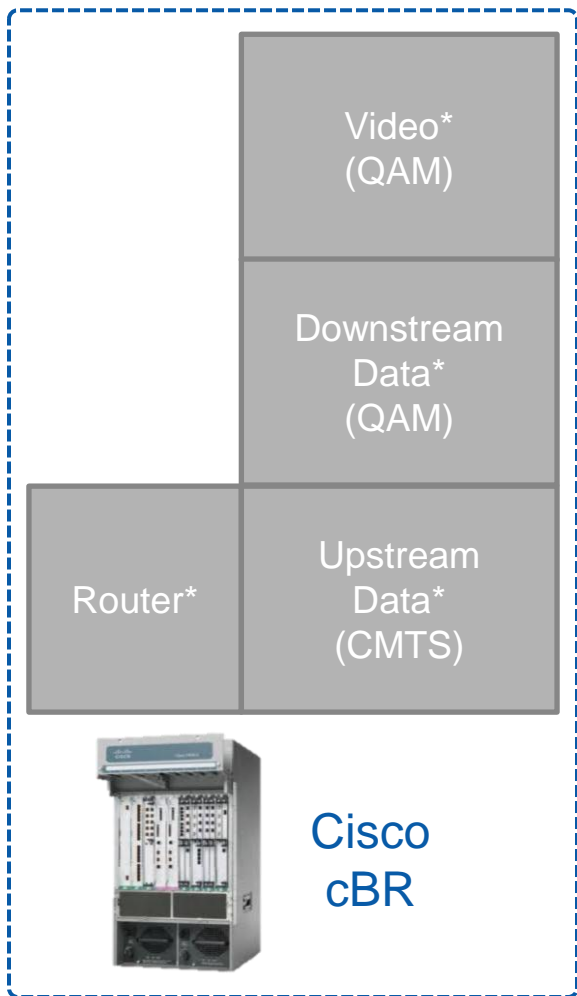
Cisco
Alcalu
Huawei
Juniper
...

+ Harmonic



NSG
Pro

CCAP Status Today



*Functionality Not Yet Delivered

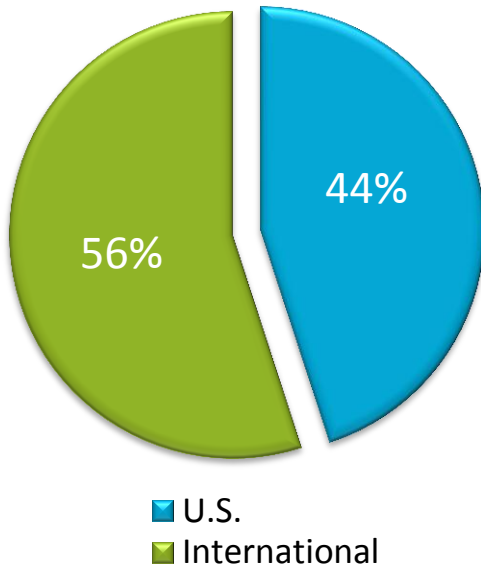


Financial Update

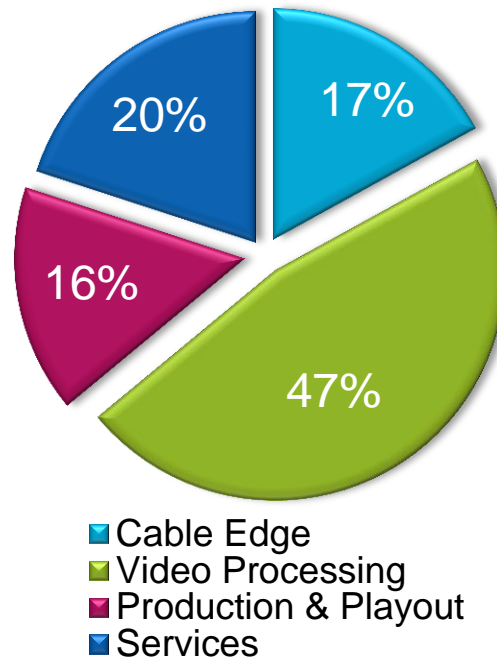
Q3 2013: Revenue Mix

Revenues \$122.9M

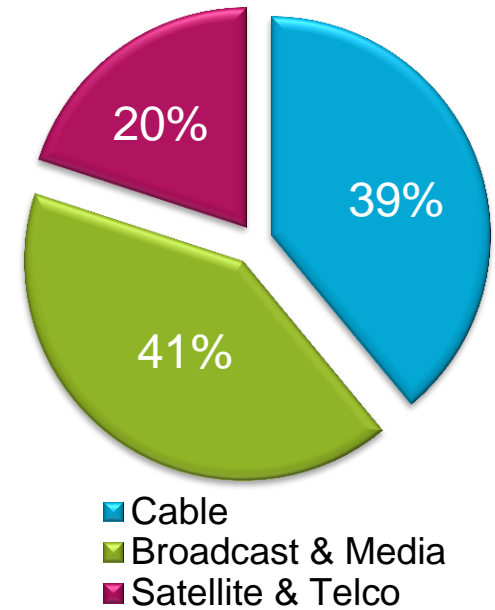
Geography



Products



Markets



Q3 2013: Financial Highlights

\$Millions (except GM, OM, & EPS)	Q2 2013	Q2 2013	Q3 2012	Q3 / Q2 Change	Q3 Y / Y Change
Total Net Revenue	\$122.9	\$117.1	\$120.4	5%	2%
Gross Margin % - Non-GAAP	50.8%	54.1%	50.3%	-330bp	50bp
Gross Margin % - GAAP	46.2%	49.4%	45.6%	-320bp	60bp
Operating Expense – Non-GAAP	\$53.7	\$56.1	\$52.9	-4%	2%
Operating Margin – Non-GAAP	7.1%	6.2%	6.4%	90bp	70bp
EPS – Non-GAAP	\$0.07	\$0.05	\$0.05	\$0.02	\$0.02
EPS – GAAP	\$0.36	(\$0.03)	(\$0.04)	\$0.39	\$0.40
Bookings	\$115.9	\$126.3	\$111.1	-8%	4%
Backlog and Deferred**	\$123.6	\$132.5	n/a	-7%	n/a

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

Q3 2013: Balance Sheet and Cap-Ex Highlights

	\$Millions	
Cash	\$169.3M	Up \$7.6M from Q2
Accounts Receivable	\$85.1M	63 days
Inventories	\$40.4M	6.0 turns
Debt	\$0	
Capital Expenditures	\$2.5M	
Shares Repurchased	\$7.7M	1.1M Shares

Share Repurchase Activity

- ▶ Completed \$75 million tender offer in Q2 2013
 - Purchased 12.0 million shares for \$6.25 per share
- ▶ Open market purchases
 - 2012: repurchased 5.1 million shares for \$22.6 million
 - 2013: repurchased 4.5 million shares for \$27.6 million thru Q3 YTD
- ▶ Shares outstanding on September 27 approximately 100.9 million
- ▶ \$94.8 million available for future purchases at September 27

Q4 2013: Financial Guidance

	Metric
Q4 Revenue	\$115M - \$125M
Non-GAAP Gross Margin*	51% - 52%
Non-GAAP Operating Expenses*	\$53M - \$54M
Non-GAAP Tax Rate	21%
*Excludes charges for stock-based compensation, the 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

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