



Management Presentation

Carolyn Aver, CFO
May 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 Q2 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.

Harmonic

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The Worldwide Leader

in video delivery infrastructure



Enabling amazing video experiences

through integrated solutions with unrivaled simplicity, flexibility and efficiency

Harmonic

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CA

Silicon
Valley

\$462M

2013 Annual
Revenue

1032

Employees

8

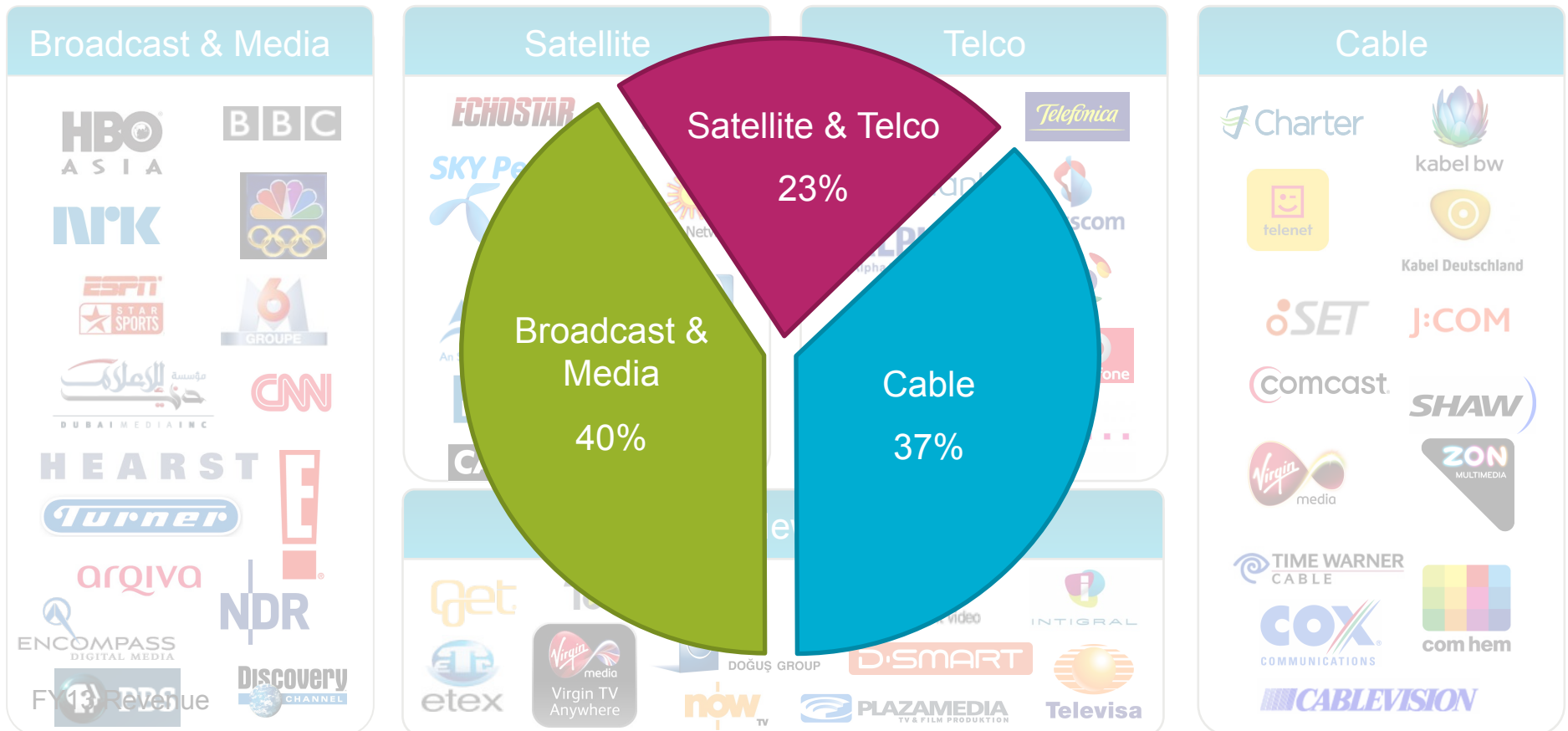
Major Sites
Worldwide

3850

Customers
Globally

Customers

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Market Leadership



Harmonic is the leader

Production
& Payout

#1 in
Broadcast
Playout Servers

FROST &
SULLIVAN

October 2012

Primary
Distribution

#1 in
Pay TV
Encoders

FROST &
SULLIVAN

August 2012

Content
& Service
Delivery

#1 in
IPTV
Headends

M multimedia
research
group, inc.
an S&P/Kagan Company

May 2013

Multiscreen

#1 in
Multiscreen

FROST &
SULLIVAN

Oct. 2013

M multimedia
research
group, inc.
an S&P/Kagan Company

Dec. 2013

ABIresearch[®]
technology market intelligence

April 2014

Cable Edge

#1 in
Cable
EdgeQAMs

#3 in
CCAP

INFONETICS
RESEARCH

February 2014

Business Strategy



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**

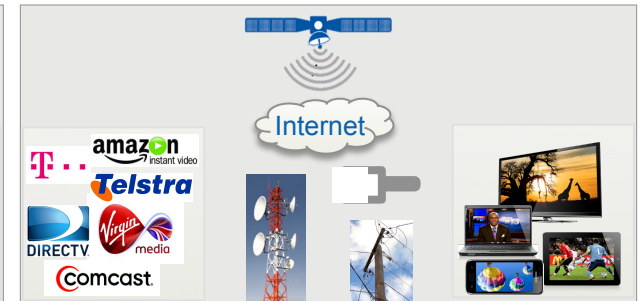
- Strengthened Go To Market strategy
- Solidly positioned to accelerate earnings growth



Video Business

Harmonic's Video Business Overview

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Production & Playout

Primary Distribution

Broadcast & Multiscreen Delivery



Spectrum
Ingest & Playout Server



MediaGrid
High Performance Storage



ProMedia
Transcoder



MAS
Media Asset Management



Electra XVM
Virtualized Media Processor



Electra
Encoder



ProView
Integrated Receiver Decoder



DMS
Distribution Management



Electra XVM
Virtualized Media Processor



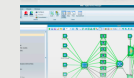
Electra
Encoder



ProStream
Stream Processor and Transcoder



ProMedia
Transcoder, Packager & Origin



NMX Digital Service manager

Customer Challenges

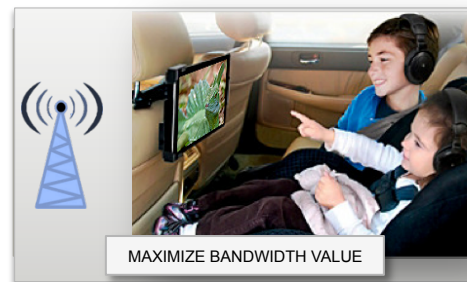
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Production & Playout

Primary Distribution

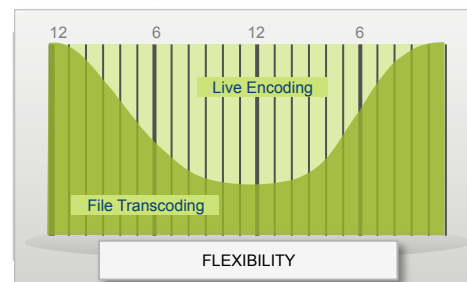
Broadcast & Multiscreen
Delivery

*Profitably monetize
vastly more content*



*Deliver stunning
video experiences
everywhere*

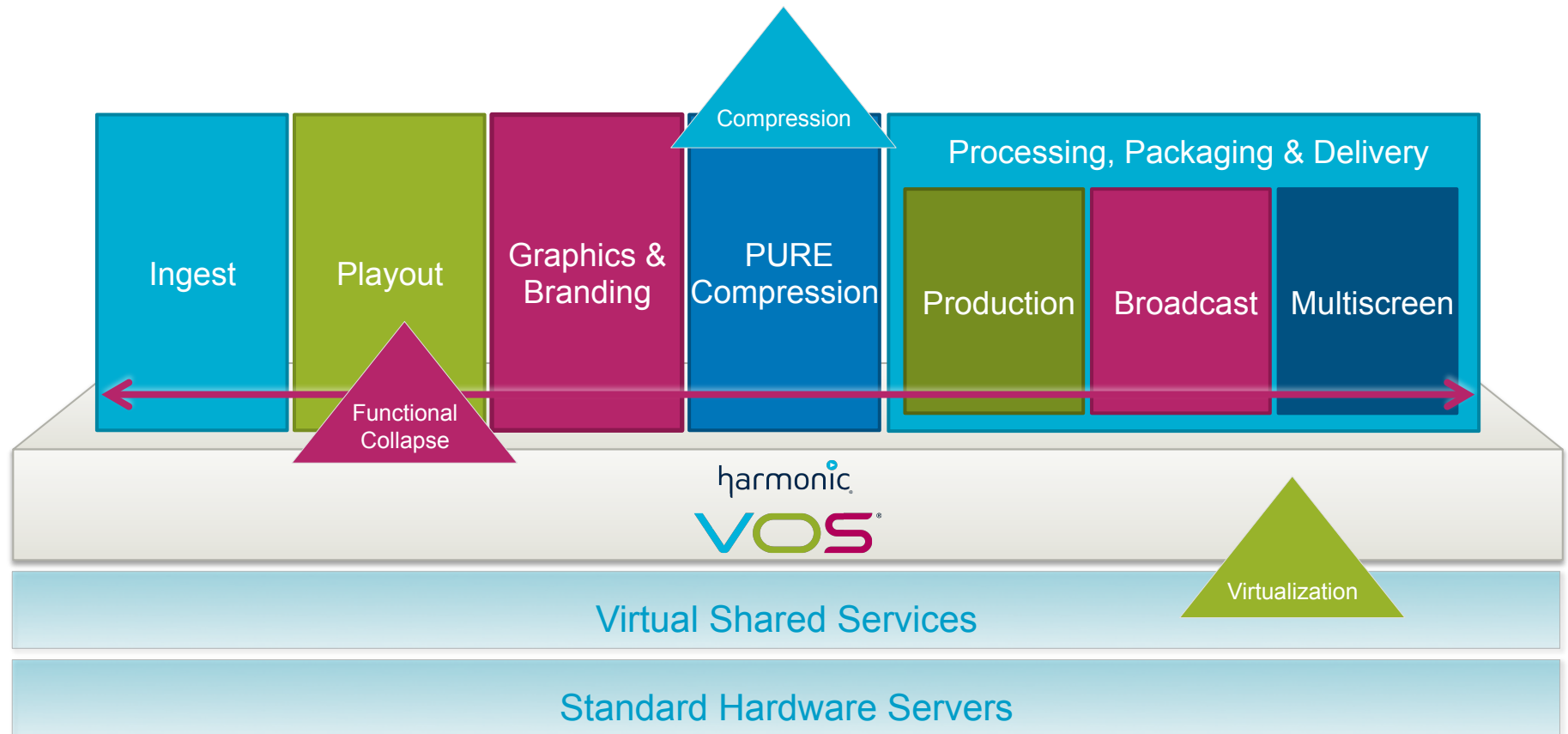
*Significantly reduce
video infrastructure
TCO*



*Nimbly pursue content
monetization
opportunities*

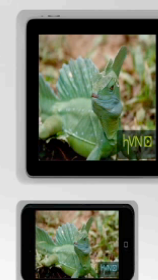
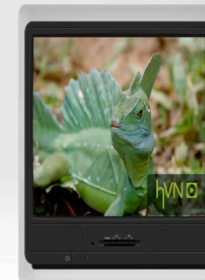
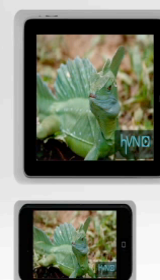
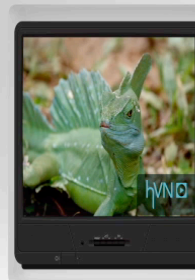
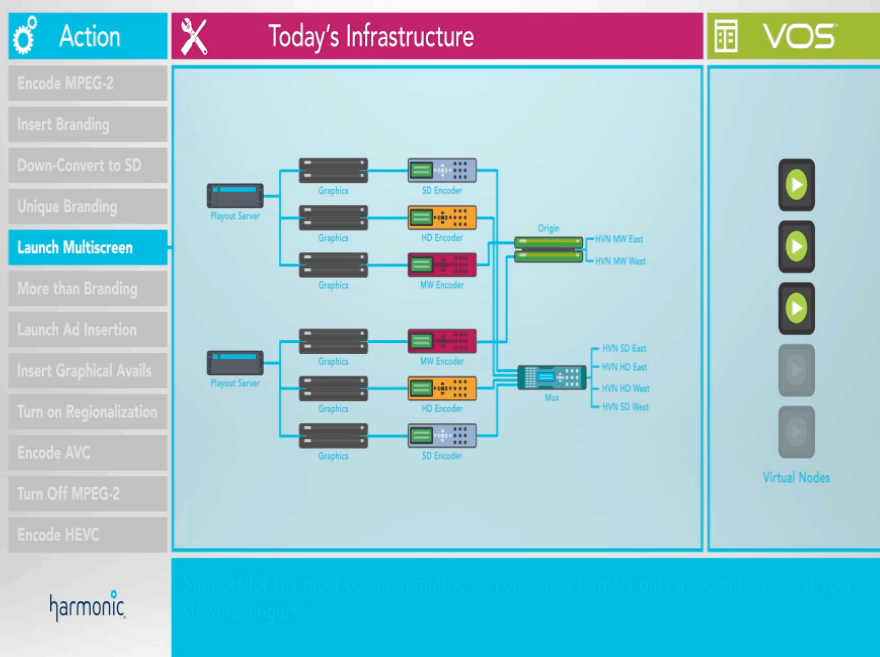
VOS: Re-inventing Video Infrastructure

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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

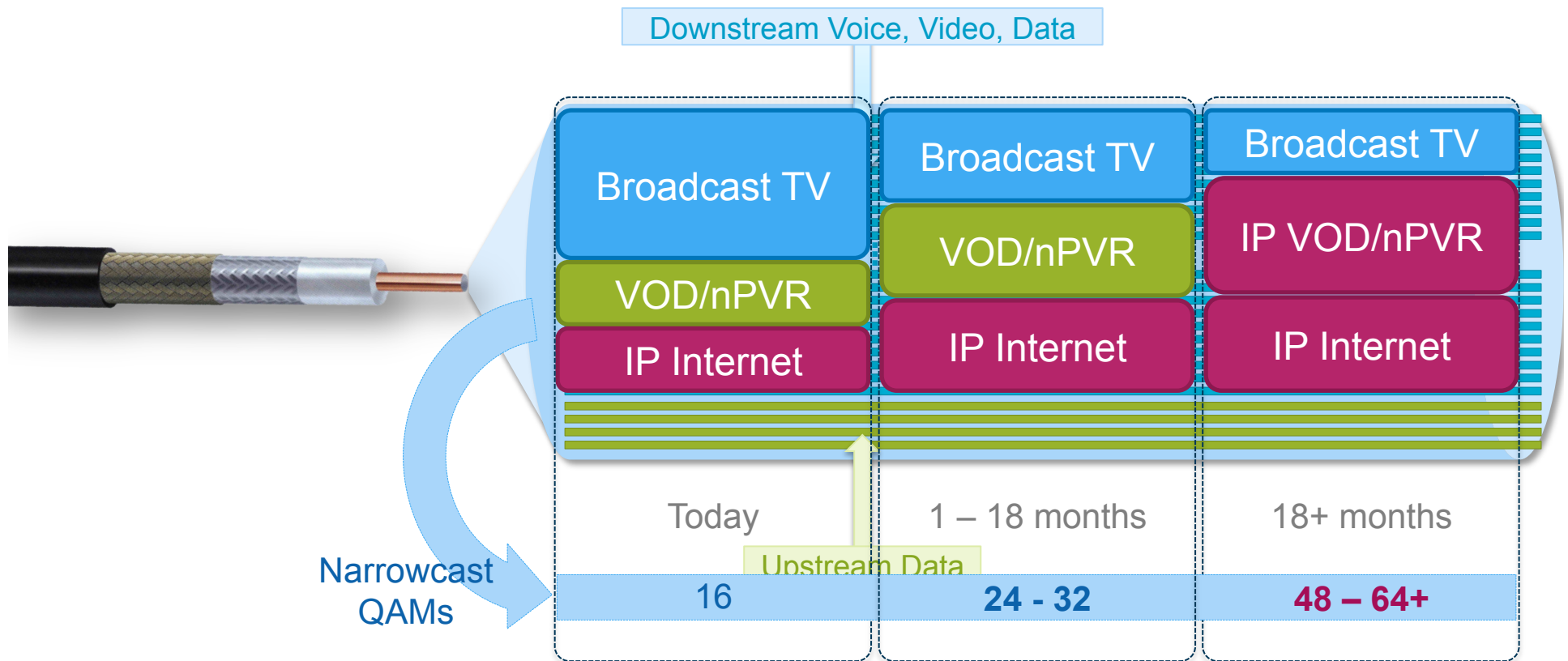




Cable Edge Business

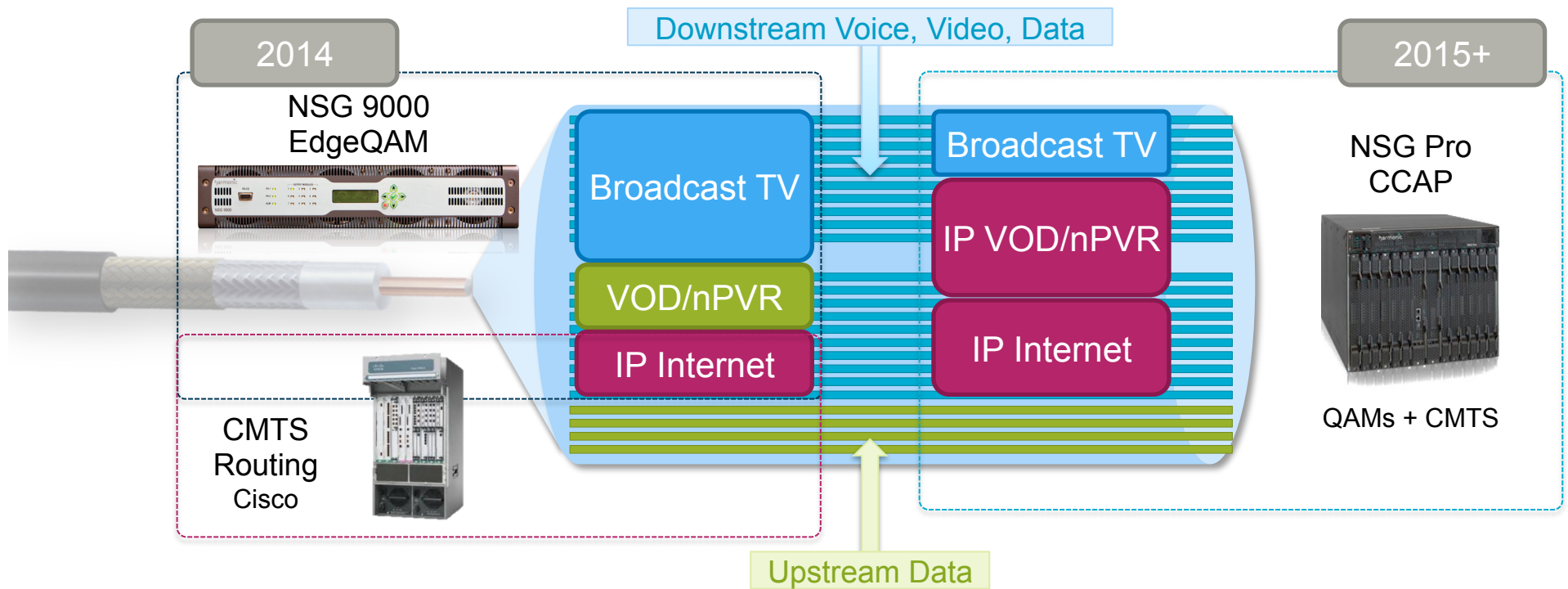
Changing the Profile of Cable

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Changing the Profile of Cable

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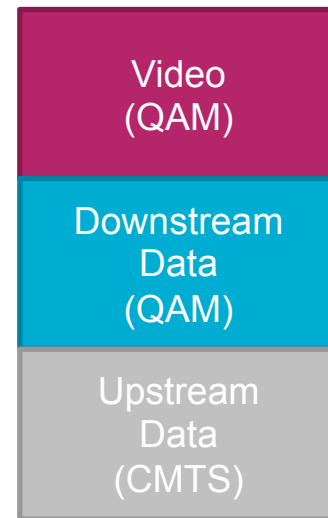
NSG Pro Differentiators

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- 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

Cable OS[®]

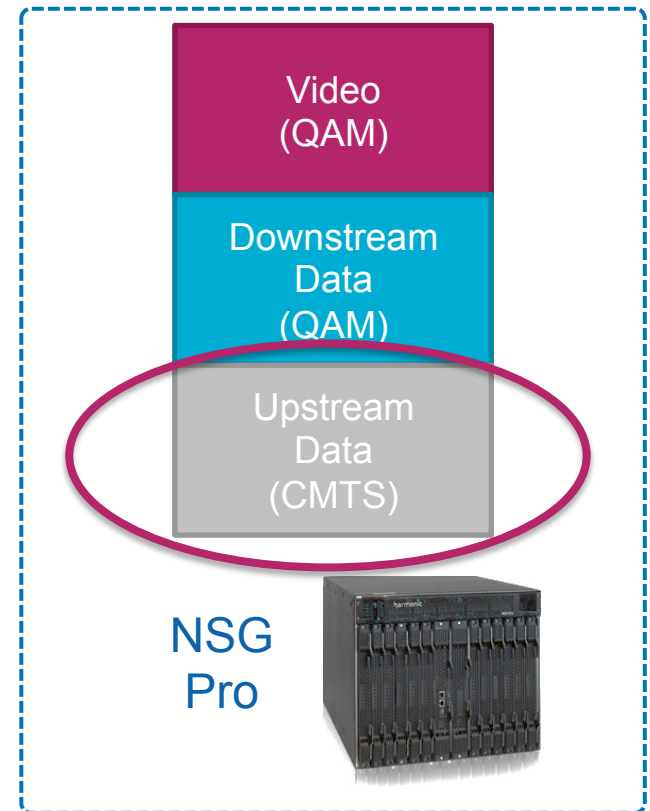
NSG
Pro



NSG Pro Phase 2 Milestones



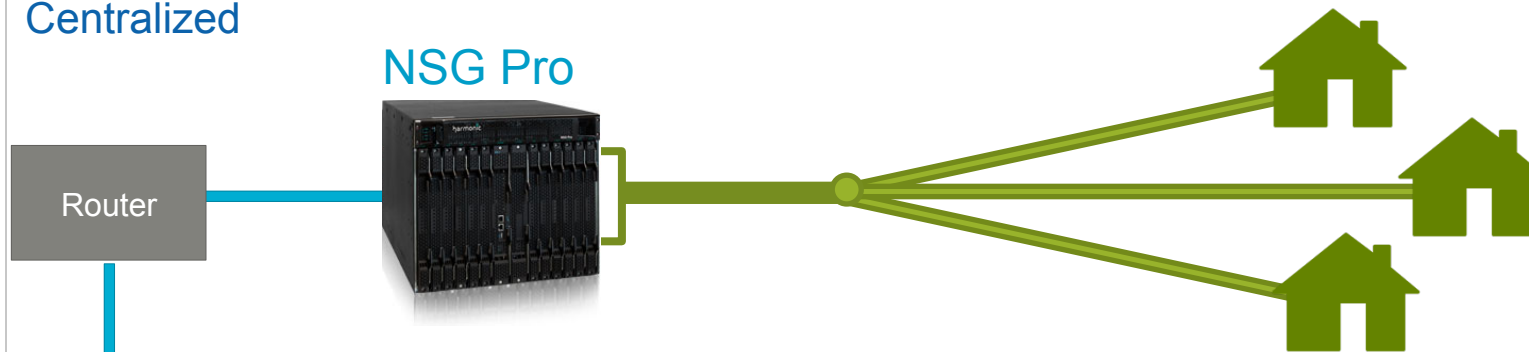
- CMTS upstream card prototype demonstrated and interoperability tested
- Production card in customer labs by end of year
- Q1 2015 – CMTS first customer approval expected
- Mid-2015 – CMTS first customer shipment expected



The New Cable Network

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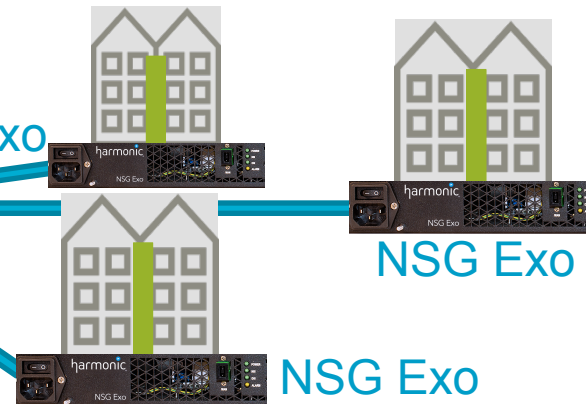
Centralized



Cable OS®

Distributed

NSG Exo



Playing to Win



- Managing business in investment mode
 - Doubled engineering team over last 18 months
 - Current annual investment exceeds \$20M
- Successfully seeding the market
 - Strong customer feedback and relationships
 - Early NSG Pro market share success
- Driving for significant revenue growth and margin expansion

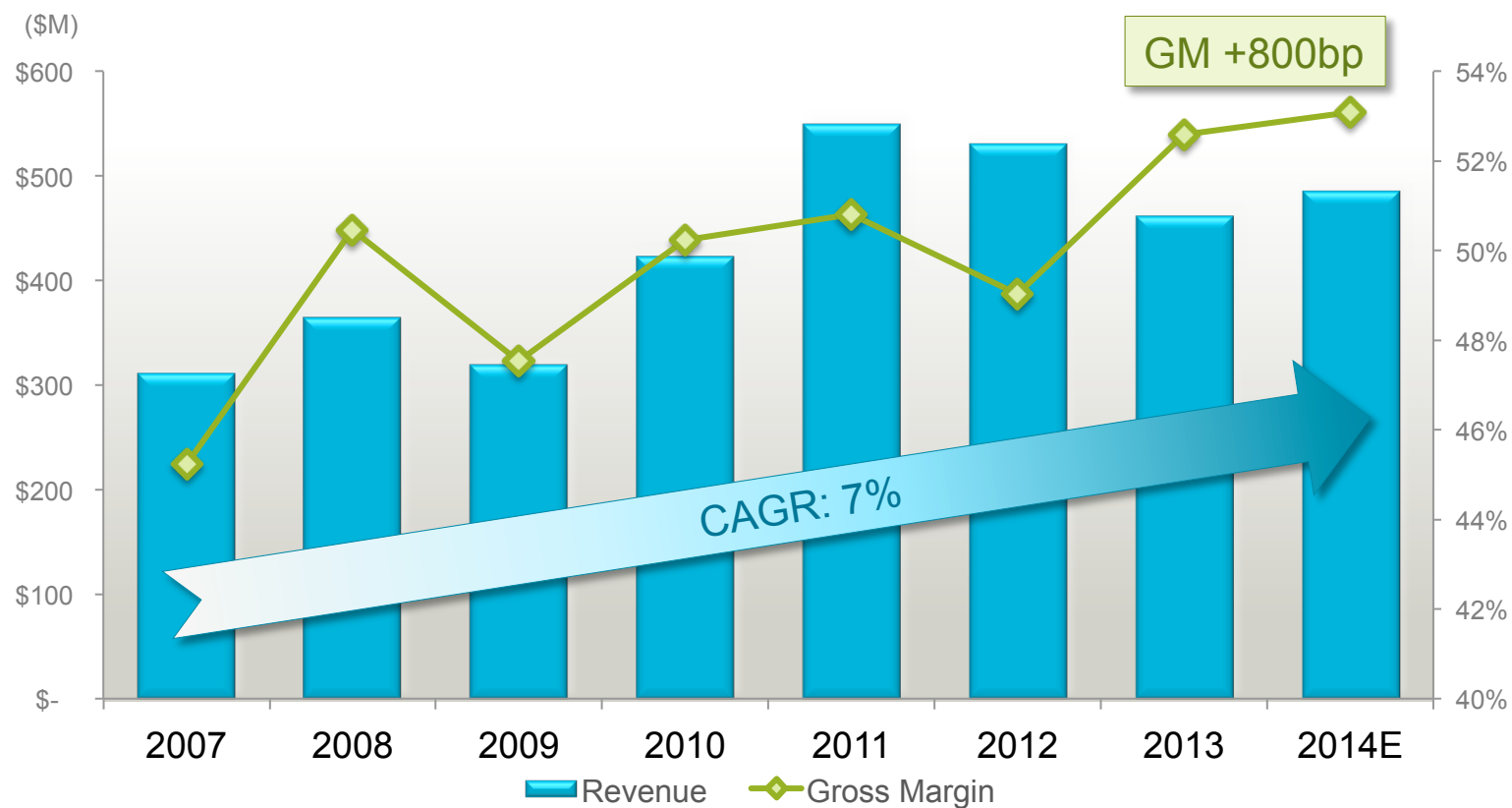
Competitively positioned to capture significant CCAP share



Financial Overview

Becoming a More Strategic Video Supplier

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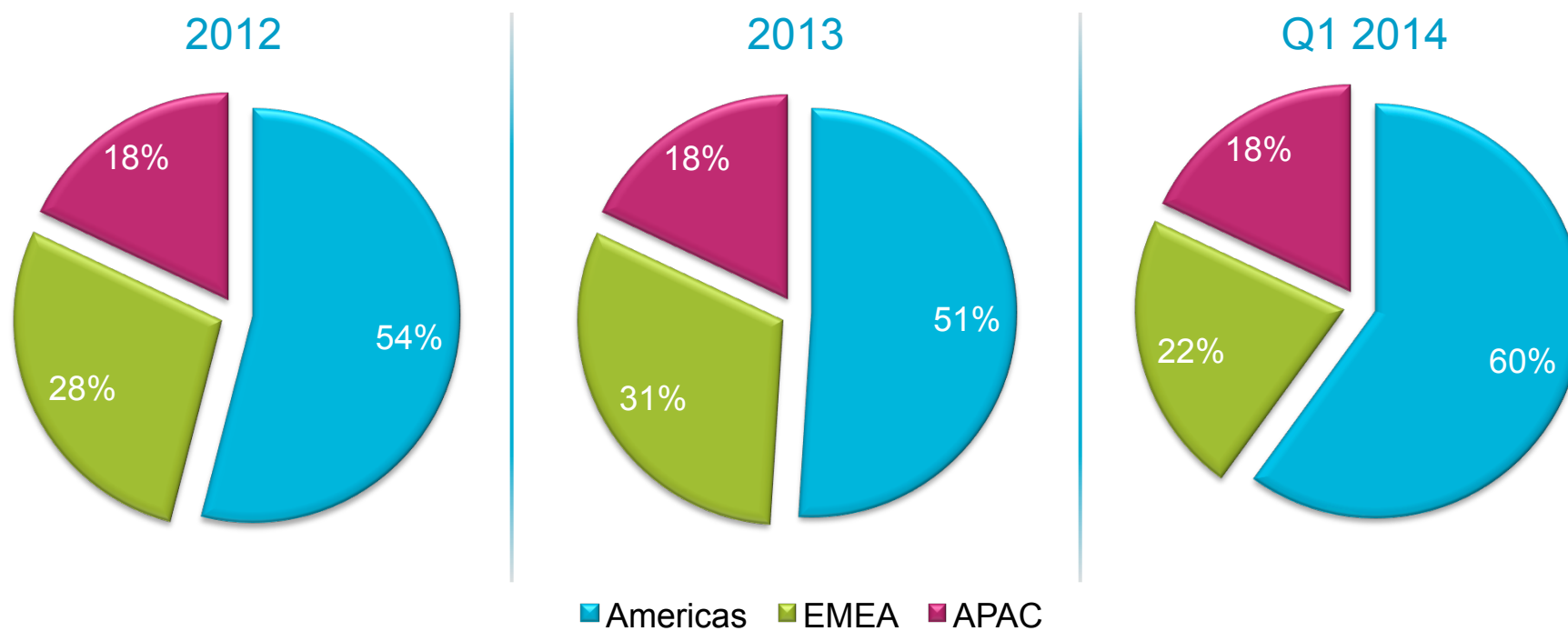
Q1 2014: Financial Highlights



\$Millions (except GM, OM, & EPS)	Q1 2014	Q4 2013	Q1 2013	Q1 / Q4 Change	Q1 Y / Y Change
Total Net Revenue	\$108.0	\$120.2	\$101.7	-10%	6%
Gross Margin – Non-GAAP	\$57.6	\$65.2	\$51.9	-12%	11%
Gross Margin - GAAP	\$52.3	\$59.6	\$46.2	-12%	13%
Gross Margin % - Non-GAAP	53.3%	54.3%	51.0%	-100bp	230bp
Gross Margin % - GAAP	48.4%	49.6%	45.4%	-120bp	300bp
Operating Expense – Non-GAAP	\$54.1	\$54.5	\$55.2	-1%	-2%
Operating Margin – Non-GAAP	3.2%	8.9%	-3.3%	-570bp	650bp
EPS – Non-GAAP	\$0.03	\$0.08	(\$0.02)	(\$0.05)	\$0.05
EPS – GAAP	(\$0.06)	(\$0.02)	(\$0.08)	(\$0.04)	\$0.02
Bookings	\$126.3	\$113.3	\$110.1	11%	15%
Backlog and Deferred	\$126.4	\$114.0	\$126.3	11%	-

Revenue by Geography

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Q1 2014: Balance Sheet and Cap-Ex Highlights



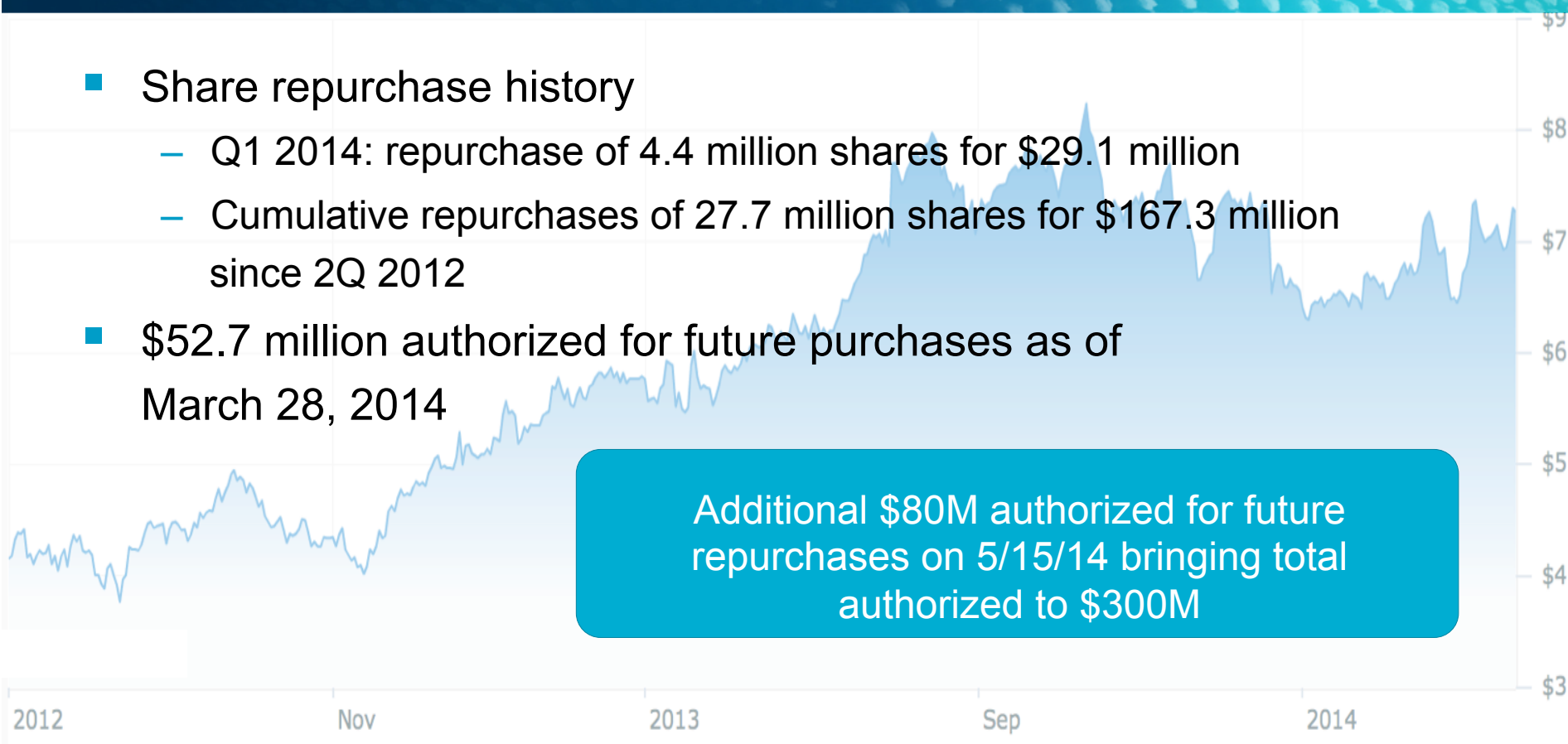
	\$Millions	
Cash	\$147.7M	Down \$22.9M from Q4
Accounts Receivable	\$77.5M	65 days
Inventories	\$30.3M	6.7 turns
Debt	\$0	
Capital Expenditures	\$3.4M	
Shares Repurchased	\$29.1M	4.4M Shares

Aggressive Buyer of Our Stock

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- Share repurchase history
 - Q1 2014: repurchase of 4.4 million shares for \$29.1 million
 - Cumulative repurchases of 27.7 million shares for \$167.3 million since 2Q 2012
- \$52.7 million authorized for future purchases as of March 28, 2014

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



Financial Guidance



	Q2 2014	2014
Revenue	\$113M - \$123M	Mid-single digit growth
Non-GAAP Gross Margin*	52.5% - 53.5%	53%+
Non-GAAP Operating Expenses*	\$54.5M - \$55.5M	\$220M
Non-GAAP Tax Rate	21%	21%
*Excludes charges for stock-based compensation, the amortization of intangibles and restructuring and related charges.		

Two Lines of Business

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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

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	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

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- 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

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Revenue By Geography



Revenue by Region (external)

Revenue (In \$M)	Q1'12 Actual	Q2'12 Actual	Q3'12 Actual	Q4'12 Actual	Q1'13 Actual	Q2'13 Actual	Q3'13 Actual	Q4'13 Actual	Q1'14 Actual	2012 Actual	2013 Actual
AMERICAS	68.0	69.6	59.8	60.2	50.6	66.8	61.7	58.8	64.9	257.5	237.8
EMEA	31.3	33.6	34.1	35.0	32.7	34.6	37.7	35.9	24.2	134.0	140.9
APAC	17.2	18.8	26.5	22.8	18.4	15.7	23.5	25.6	19.0	85.4	83.2
Total	116.4	122.1	120.4	118.0	101.7	117.1	122.9	120.2	108.0	476.9	461.9
% of Revenue											
AMERICAS	58%	57%	50%	51%	50%	57%	50%	49%	60%	54%	51%
EMEA	27%	28%	28%	30%	32%	30%	31%	30%	22%	28%	31%
APAC	15%	15%	22%	19%	18%	13%	19%	21%	18%	18%	18%

Excluding Cable Access product

Q1 2014: GAAP to Non-GAAP Reconciliations



Three months ended				
March 28, 2014				
	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Net Income (Loss)
GAAP from continuing operations	\$ 52,312	\$ 59,534	\$ (7,222)	\$ (5,410)
Stock-based compensation in cost of revenue	516	-	516	516
Stock-based compensation in research and development	-	(1,101)	1,101	1,101
Stock-based compensation in selling, general and administrative	-	(2,190)	2,190	2,190
Amortization of intangibles	4,716	(1,950)	6,666	6,666
Restructuring and related charges	79	(149)	228	228
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	(2,471)
Non-GAAP from continuing operations	\$ 57,623	\$ 54,144	\$ 3,479	\$ 2,820
<i>As a % of revenue (GAAP)</i>	<i>48.4%</i>	<i>55.1%</i>	<i>-6.7%</i>	<i>-5.0%</i>
<i>As a % of revenue (Non-GAAP)</i>	<i>53.3%</i>	<i>50.1%</i>	<i>3.2%</i>	<i>2.6%</i>
Diluted net income (loss) per share from continuing operations:				
Diluted net loss per share from continuing operations-GAAP				\$ (0.06)
Diluted net income per share from continuing operations-Non-GAAP				\$ 0.03
Shares used to compute diluted net income (loss) per share from continuing operations:				
GAAP				97,921
Non-GAAP				99,256