



# Jefferies 2018 Global Technology Conference

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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 business strategy for 2018 and beyond, and our Q2 guidance and full year 2018 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-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. These items, together with the corresponding GAAP numbers and a reconciliation to GAAP, are contained in this presentation and the related earnings press release on our website at [www.harmonicinc.com](http://www.harmonicinc.com).



## THE LEADER

in Premium Video Delivery and  
Cable Access Solutions



\$359M 2017 Revenue



Blue-Chip Media, Broadcast and  
Service Provider Customer Base



Corporate strategic focus on OTT,  
Broadband and Mobile Transformations



## VIDEO

- \$1.5B 2018 market
- 2018 revenue target: \$285M-\$315M

### STRATEGY:

- Premium video delivery leader
- Market share in traditional pay-TV, media and broadcast video infrastructure
- OTT growth in traditional and new markets



## CABLE ACCESS

- \$2.3 2018 target market
- 2018 revenue target: \$100M

### STRATEGY:

- Disruptive virtualized cable access platform
- Leverage strong cable industry relationships
- Scale early GA deployments, advanced field trials with Tier 1 and 2 operators



# Blue Chip Global Customer Base



## VIDEO

- Customers include **service providers**, **production studios** and **broadcast and media companies** who demand higher resolution video programming and more viewing options



## CABLE ACCESS

- Customers include **Tier 1** and **Tier 2 MSOs** aggressively investing in upgrading their network to Distributed Access Architectures

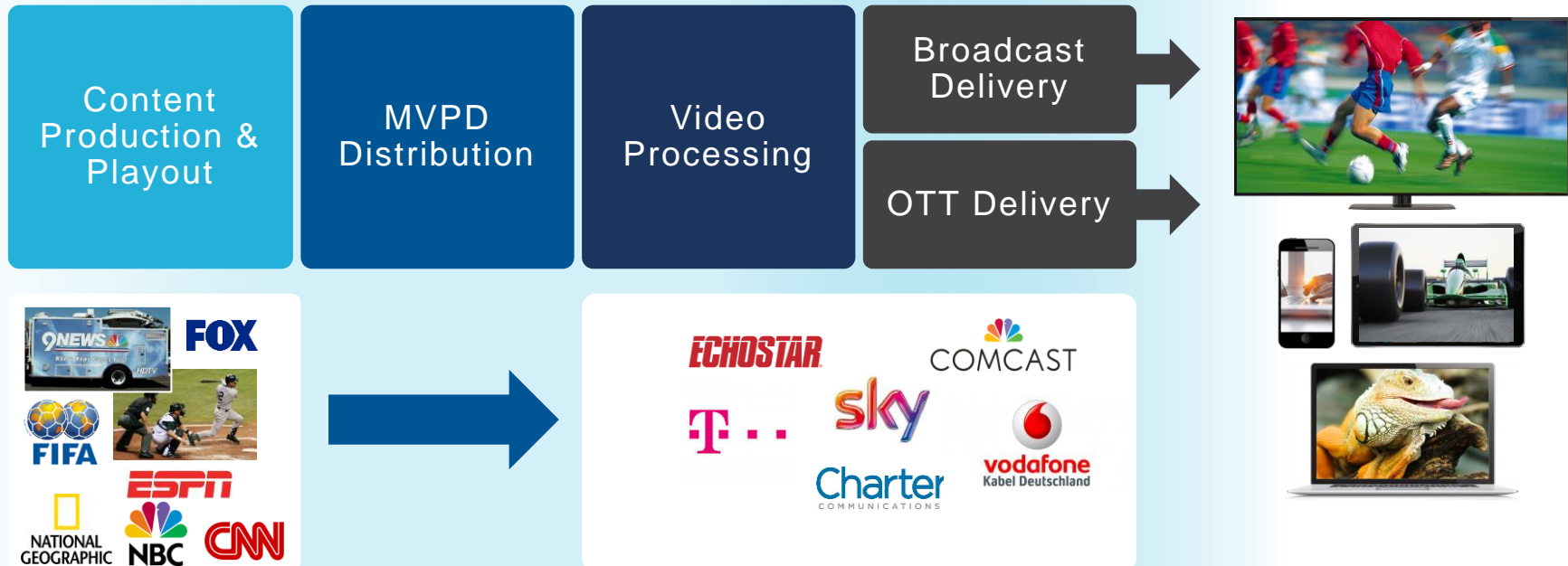




harmonic®

**BUSINESS**

# Integrated Solutions Span Production to Delivery



Premium Video  
Transitions Driving  
Investment:

- Traditional Broadcast to IP / OTT
- New UHD, HDR and VR services

# Harmonic's Cloud & SaaS Solutions Gaining Momentum



~**32,500**

OTT channels  
deployed globally

Over  
**2,500**  
cloud-native  
OTT channels

**150%**  
growth in cloud-  
native OTT channels  
in 9 months

Over  
**6 PetaBytes**  
cumulative monthly  
OTT egress

**Cloud Adoption for Linear and Catch-up Services is Real**



# Premium Video Transition to IP, Software, Cloud



Simplifying video delivery workflows

Enabling agile service delivery

Gradual transition in early innings

## VOS™

Global Cloud Platforms



Q1'18 OTT SaaS  
TCV \$1M, ARR \$9.6M

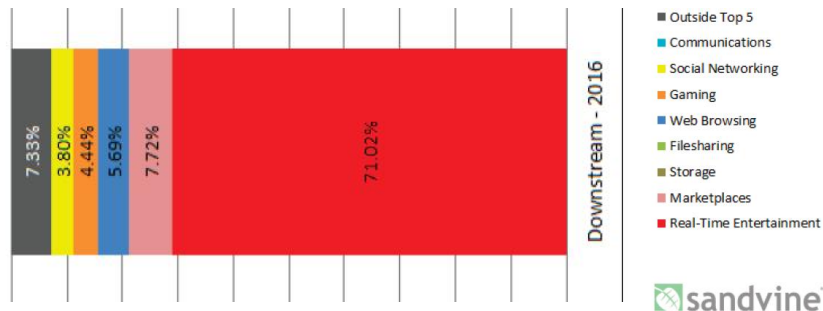
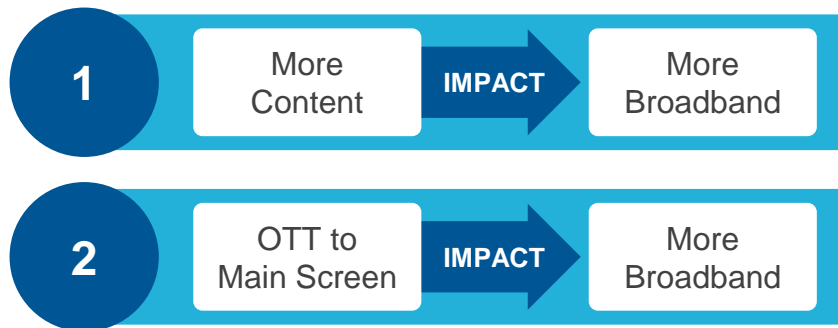


Expect 5% OTT SaaS  
booking contribution in '18



# **CABLE ACCESS BUSINESS OVERVIEW**

# Video Trends Impact Cable Broadband Access



- Streaming now responsible for over 71% of downstream peak traffic

- North America will become first region to surpass 80% of downstream traffic streaming threshold, by the end of 2020

## Key drivers

- Streaming video adoption
- Bandwidth demand, increasing network complexity
- Control operating and capital costs

• Source: Sandvine, 2016 Global Internet Phenomena, Latin America & North America

# CableOS – A Disruptive Solution for a Market in Need



CableOS redefines the economics of operating a cable access network

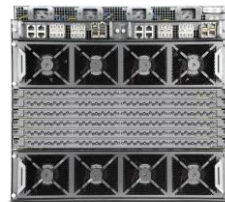
Resolves immediate space and power constraints

Virtual centralized and distributed deployment options offer unprecedented scalability and service agility

cableOS



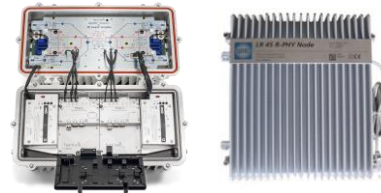
Virtualized  
Software CMTS



Centralized



Remote-shelf

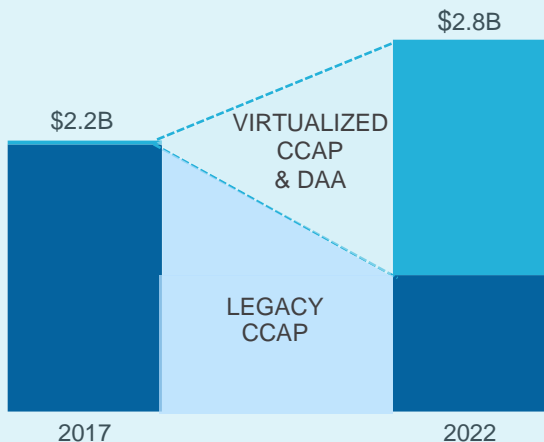


Remote-node



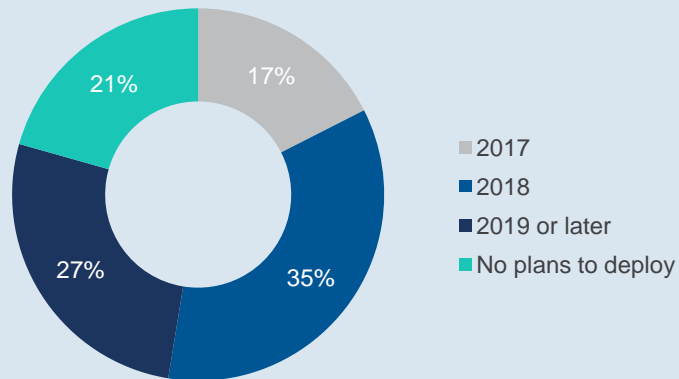
# Cable Access Market Ripe for Disruption

## Transitioning CCAP Market Demand



Source: SNL Kagan, 2017

## Deployment of Distributed Access Architectures



Source: SNL Kagan, 2017: survey of 35 cable operators spanning 82 million broadband subscribers in response to "When do you expect to deploy distributed access architectures (DAA)?"

## Key Cable Operator Challenges:

Power, space, cooling, time to launch services, upgrade cycles, CAPEX growth

## Solution:

Virtualized access platform with distributed edge



## **FINANCIAL OVERVIEW**

# Q1 2018 Financial Highlights\*



| \$ Millions<br>(except EPS) | Q1<br>2018 | Q4<br>2017 | Q1<br>2017 | Q1/Q4<br>Change | Q1 Y/Y<br>Change |
|-----------------------------|------------|------------|------------|-----------------|------------------|
| Total Net Revenue           | \$90.2     | \$101.1    | \$83.5     | (10.8)%         | 8.0%             |
| Gross Margin %              | 55.3%      | 50.1%      | 52.1%      | 5.2%            | 3.2%             |
| Operating Expense           | \$49.4     | \$49.1     | \$54.9     | 0.6%            | (10.0)%          |
| Operating Income            | \$0.5      | \$1.6      | (\$11.4)   | (\$1.1)         | \$11.9           |
| EPS                         | (\$0.01)   | \$0.00     | (\$0.14)   | (\$0.01)        | \$0.13           |
| Bookings                    | \$102.6    | \$122.9    | \$82.1     | (16.5%)         | 25.0%            |

\* Non-GAAP financial highlights

# Q1 2018 Balance Sheet & Cash Flow Highlights



| \$ Millions                    | Q1<br>2018 | Q4<br>2017 | Q1<br>2017 |
|--------------------------------|------------|------------|------------|
| Cash                           | \$52.0     | \$57.0     | \$55.3     |
| Cash (Used in) From Operations | (\$6.6)    | \$9.0      | (\$3.1)    |
| Accounts Receivable            | \$74.8     | \$69.8     | \$69.8     |
| DSO                            | 75         | 62         | 76         |
| Inventories                    | \$25.1     | \$26.0     | \$39.9     |
| Inventory Days                 | 56         | 46         | 90         |
| Backlog and Deferred           | \$224.4    | \$224.4    | \$184.2    |



## Q2 2018 Financial Guidance\*



|                                   | \$ Millions (except EPS) |
|-----------------------------------|--------------------------|
| Total Revenue                     | \$88 - \$98              |
| Cable Access Segment              | \$18 - \$22              |
| Video Segment                     | \$70 - \$76              |
| Gross Margin                      | 52% - 54%                |
| Operating Expenses                | \$49 - \$51              |
| Operating Profit / (Loss)         | (\$5.0) - \$4.0          |
| EPS                               | (\$0.07) - \$0.02        |
| Tax Rate                          | 16%                      |
| Shares, millions (basic, diluted) | 85.4, 86                 |
| Cash                              | \$45 - \$55              |

\* Non-GAAP

# Full Year 2018 Financial Outlook\*



|                           | \$ Millions (except EPS) |
|---------------------------|--------------------------|
| Total Revenue             | \$375 - \$425            |
| Cable Access Segment      | \$90 - \$110             |
| Video Segment             | \$285 - \$315            |
| Gross Margin              | 51% - 52%                |
| Operating Expenses        | \$197 - \$205            |
| Operating Profit / (Loss) | (\$15.0) - \$26.0        |
| EPS                       | (\$0.22) - \$0.18        |
| Tax Rate                  | 16%                      |
| Shares, millions (basic)  | 86, 87                   |
| Cash                      | \$45 - \$55              |

\* Non-GAAP. Revised annual guidance which incorporates the expected changes due to ASC 606. This guidance incorporates an impact of \$5M on revenue and \$1M on operating expense.

## Q&A



**THANK YOU**



# Appendix

# 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 revenue, gross profit, operating expenses, income (loss) from operations, total net non-operating income (expense) and net income (loss), 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 acquisition accounting impacts to TVN deferred revenue and TVN inventory valuation, TVN acquisition and integration related costs, restructuring and related charges, Cable Access inventory charge, Avid litigation settlement and associated legal fees and non-cash items, such as warrant amortization, impairment of long-term investment, stock-based compensation expense, amortization of intangibles, non-cash interest expenses on convertible debt and adjustments that normalize the tax rate.

# Q1 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended March 30, 2018

|  | Revenue   | Gross Profit | Total Operating Expense | Income (loss) from Operations | Total Non-operating Expense, net | Net Loss    |
|--|-----------|--------------|-------------------------|-------------------------------|----------------------------------|-------------|
| <b>GAAP</b>  | \$ 90,127 | \$ 47,183    | \$ 56,510               | \$ (9,327)                    | \$ (3,289)                       | \$ (13,694) |
| Accounting impact related to warrant amortization          | 111       | 111          | —                       | 111                           | —                                | 111         |
| Stock-based compensation                                   | —         | 515          | (5,242)                 | 5,757                         | —                                | 5,757       |
| Amortization of intangibles                                | —         | 1,295        | (804)                   | 2,099                         | —                                | 2,099       |
| Restructuring and related charges                          | —         | 762          | (1,086)                 | 1,848                         | —                                | 1,848       |
| Avoid litigation settlement fees and associated legal fees | —         | —            | 6                       | (6)                           | —                                | (6)         |
| Non-cash interest expenses related to convertible notes    | —         | —            | —                       | —                             | 1,454                            | 1,454       |
| Discrete tax items and tax effect of non-GAAP adjustments  | —         | —            | —                       | —                             | —                                | 1,294       |
| <b>Total adjustments</b>                                   | 111       | 2,683        | (7,126)                 | 9,809                         | 1,454                            | 12,557      |
| <b>Non-GAAP</b>  | \$ 90,238 | \$ 49,866    | \$ 49,384               | \$ 482                        | \$ (1,835)                       | \$ (1,137)  |
| <i>As a % of revenue (GAAP)</i>                            |           | 52.4%        | 62.7%                   | (10.3)%                       | (3.6)%                           | (15.2)%     |
| <i>As a % of revenue (Non-GAAP)</i>                        |           | 55.3%        | 54.7%                   | 0.5%                          | (2.0)%                           | (1.3)%      |
| <b>Diluted net loss per share:</b>                         |           |              |                         |                               |                                  |             |
| Diluted net loss per share-GAAP                            |           |              |                         |                               | \$ (0.16)                        |             |
| Diluted net loss per share-Non-GAAP                        |           |              |                         |                               | \$ (0.01)                        |             |
| <b>Shares used to compute diluted net loss per share:</b>  |           |              |                         |                               |                                  |             |
| GAAP and Non-GAAP  |           |              |                         |                               | 83,912                           |             |

# Q4 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended December 31, 2017

|   | Revenue    | Gross Profit | Total Operating Expense | Income (loss) from Operations | Total Non-operating Expense, net | Net Loss    |
|---|------------|--------------|-------------------------|-------------------------------|----------------------------------|-------------|
| <b>GAAP</b>   | \$ 100,974 | \$ 48,572    | \$ 56,663               | \$ (8,091)                    | \$ (3,938)                       | \$ (11,845) |
| Accounting impact related to warrant amortization         | 115        | 115          | —                       | 115                           | —                                | 115         |
| Stock-based compensation                                  | —          | 747          | (4,756)                 | 5,503                         | —                                | 5,503       |
| Amortization of intangibles                               | —          | 1,295        | (795)                   | 2,090                         | —                                | 2,090       |
| Restructuring and related charges                         | —          | (56)         | (1,223)                 | 1,167                         | —                                | 1,167       |
| TVN acquisition- and integration-related costs            | —          | —            | (84)                    | 84                            | —                                | 84          |
| Avid litigation settlement fees                           | —          | —            | (692)                   | 692                           | —                                | 692         |
| Loss on impairment of long-term investment                | —          | —            | —                       | —                             | 530                              | 530         |
| Non-cash interest expenses related to convertible notes   | —          | —            | —                       | —                             | 1,429                            | 1,429       |
| Discrete tax items and tax effect of non-GAAP adjustments | —          | —            | —                       | —                             | —                                | (121)       |
| <b>Total adjustments</b>                                  | 115        | 2,101        | (7,550)                 | 9,651                         | 1,959                            | 11,489      |
| <b>Non-GAAP</b>   | \$ 101,089 | \$ 50,673    | \$ 49,113               | \$ 1,560                      | \$ (1,979)                       | \$ (356)    |
| <i>As a % of revenue (GAAP)</i>                           |            | 48.1 %       | 56.1 %                  | (8.0) %                       | (3.9) %                          | (11.7) %    |
| <i>As a % of revenue (Non-GAAP)</i>                       |            | 50.1 %       | 48.6 %                  | 1.5 %                         | (2.0) %                          | (0.4) %     |

## Diluted net loss per share:

|                                     |           |
|-------------------------------------|-----------|
| Diluted net loss per share-GAAP     | \$ (0.14) |
| Diluted net loss per share-Non-GAAP | \$ 0.00   |

## Shares used to compute diluted net loss per share:

|                   |        |
|-------------------|--------|
| GAAP and Non-GAAP | 82,014 |
|-------------------|--------|



# Q1 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



| Three months ended March 31, 2017                              |                  |                  |                         |                      |                             |                    |
|--|------------------|------------------|-------------------------|----------------------|-----------------------------|--------------------|
|  | Revenue          | Gross Profit     | Total Operating Expense | Loss from Operations | Total Non-operating Expense | Net Loss           |
| <b>GAAP</b>  | \$ 82,943        | \$ 40,408        | \$ 61,566               | \$ (21,158)          | \$ (3,101)                  | \$ (24,027)        |
| Cable Access inventory charge                                  | —                | (15)             | —                       | (15)                 | —                           | (15)               |
| Acquisition accounting impacts related to TVN deferred revenue | 111              | 111              | —                       | 111                  | —                           | 111                |
| Accounting impact related to warrant amortization              | 416              | 416              | —                       | 416                  | —                           | 416                |
| Stock-based compensation                                       | —                | 445              | (2,806)                 | 3,251                | —                           | 3,251              |
| Amortization of intangibles                                    | —                | 1,295            | (774)                   | 2,069                | —                           | 2,069              |
| Restructuring and related charges                              | —                | 508              | (1,279)                 | 1,787                | —                           | 1,787              |
| TVN acquisition and integration-related costs                  | —                | 342              | (1,808)                 | 2,150                | —                           | 2,150              |
| Non-cash interest expenses related to convertible notes        | —                | —                | —                       | —                    | 1,316                       | 1,316              |
| Discrete tax items and tax effect of non-GAAP adjustments      | —                | —                | —                       | —                    | —                           | 1,744              |
| <b>Total adjustments</b>                                       | <b>\$ 527</b>    | <b>\$ 3,102</b>  | <b>\$ (6,667)</b>       | <b>\$ 9,769</b>      | <b>\$ 1,316</b>             | <b>\$ 12,829</b>   |
| <b>Non-GAAP</b>  | <b>\$ 83,470</b> | <b>\$ 43,510</b> | <b>\$ 54,899</b>        | <b>\$ (11,389)</b>   | <b>\$ (1,785)</b>           | <b>\$ (11,198)</b> |
| <i>As a % of revenue (GAAP)</i>                                |                  | 48.7%            | 74.2%                   | (25.5)%              | (3.7)%                      | (29.0)%            |
| <i>As a % of revenue (Non-GAAP)</i>                            |                  | 52.1%            | 65.8%                   | (13.6)%              | (2.1)%                      | (13.4)%            |
| <b>Diluted net loss per share:</b>                             |                  |                  |                         |                      |                             |                    |
| Diluted net loss per share-GAAP                                |                  |                  |                         |                      |                             | \$ (0.30)          |
| Diluted net loss per share-Non-GAAP                            |                  |                  |                         |                      |                             | \$ (0.14)          |
| <b>Shares used to compute diluted net loss per share:</b>      |                  |                  |                         |                      |                             |                    |
| GAAP and Non-GAAP  |                  |                  |                         |                      |                             | 79,810             |

## Q2 2018 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



### Q2 2018 Financial Guidance

|   | Revenue          | Gross Profit     | Total Operating Expense | Income (Loss) from Operations | Total Non-operating Expense, net | Net Income (Loss)   |
|---|------------------|------------------|-------------------------|-------------------------------|----------------------------------|---------------------|
| <b>GAAP</b>   | \$88.0 to \$98.0 | \$44.3 to \$51.3 | \$52.5 to \$54.5        | \$(10.2) to \$(1.2)           | \$(3.3)                          | \$(14.0) to \$(5.0) |
| Stock-based compensation                                    | —                | 0.3              | (2.6)                   | 2.9                           | —                                | 2.9                 |
| Amortization of intangibles                                 | —                | 1.3              | (0.8)                   | 2.1                           | —                                | 2.1                 |
| Restructuring and related charges                           | —                | 0.1              | (0.1)                   | 0.2                           | —                                | 0.2                 |
| Non-cash interest expense related to convertible notes      | —                | —                | —                       | —                             | 1.5                              | 1.5                 |
| Tax effect of non-GAAP adjustments                          | —                | —                | —                       | —                             | —                                | \$0 to \$1.5        |
| <b>Total adjustments</b>                                    | —                | 1.7              | (3.5)                   | 5.2                           | 1.5                              | \$6.7 to \$8.2      |
| <b>Non-GAAP</b>   | \$88.0 to \$98.0 | \$46.0 to \$53.0 | \$49.0 to \$51.0        | \$(5.0) to \$4.0              | \$(1.8)                          | \$(5.8) to \$1.7    |
| <i>As a % of revenue (GAAP)</i>                             |                  | 50.5% to 52.5%   | 53.5% to 62%            | (11.5)% to (1)%               | (3.5)%                           | (16)% to (5)%       |
| <i>As a % of revenue (Non-GAAP)</i>                         |                  | 52% to 54%       | 50% to 58%              | (5.5)% to 4%                  | (2)%                             | (6.5)% to 1.5%      |
| <b>Diluted net income (loss) per share:</b>                 |                  |                  |                         |                               |                                  |                     |
| Diluted net loss per share-GAAP                             |                  |                  |                         |                               | \$(0.17) to \$(0.06)             |                     |
| Diluted net (loss) income per share-Non-GAAP                |                  |                  |                         |                               | \$(0.07) to \$0.02               |                     |
| <b>Shares used to compute diluted net loss per share:</b>   |                  |                  |                         |                               |                                  |                     |
| GAAP and Non-GAAP   |                  |                  |                         |                               | 85.4                             |                     |
| <b>Shares used to compute diluted net income per share:</b> |                  |                  |                         |                               |                                  |                     |
| Non-GAAP  |                  |                  |                         |                               | 86.0                             |                     |

# 2018 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



|  | 2018 Outlook       |                    |                         |                      |                                  |                      |
|--|--------------------|--------------------|-------------------------|----------------------|----------------------------------|----------------------|
|  | Revenue            | Gross Profit       | Total Operating Expense | Loss from Operations | Total Non-operating Expense, net | Net Income (Loss)    |
| GAAP   | \$375.0 to \$425.0 | \$184.8 to \$216.8 | \$217.0 to \$225.0      | \$(43.2) to \$(2.2)  | \$(13.3)                         | \$(59.3) to \$(18.3) |
| Stock-based compensation                               | —                  | 2.0                | (15.4)                  | 17.4                 | —                                | 17.4                 |
| Amortization of intangibles                            | —                  | 5.2                | (3.2)                   | 8.4                  | —                                | 8.4                  |
| Restructuring and related charges                      | —                  | 1.0                | (1.4)                   | 2.4                  | —                                | 2.4                  |
| Non-cash interest expense related to convertible notes | —                  | —                  | —                       | —                    | 6.1                              | 6.1                  |
| Tax effect of non-GAAP adjustments                     | —                  | —                  | —                       | —                    | —                                | \$0 to \$6           |
| Total adjustments                                      | —                  | 8.2                | (20.0)                  | 28.2                 | 6.1                              | \$34.3 to \$40.3     |
| Non-GAAP   | \$375.0 to \$425.0 | \$190.0 to \$223.0 | \$197.0 to \$205.0      | \$(15.0) to \$26.0   | \$(7.2)                          | \$(19.0) to \$16.0   |
|  |                    | 48.5% to 50.5%     | 51% to 60%              | (11.5)% to (0.5)%    | (3)%                             | (15.5)% to (4)%      |
|  |                    | 51% to 52%         | 46.5% to 54.5%          | (4)% to 6%           | (2)%                             | (5)% to 4%           |
| Diluted income (loss) per share:                       |                    |                    |                         |                      |                                  |                      |
| Diluted net loss per share-GAAP                        |                    |                    |                         |                      | \$ (0.69) to \$ (0.21)           |                      |
| Diluted net (loss) income per share-Non-GAAP           |                    |                    |                         |                      | \$ (0.22) to \$ 0.18             |                      |
| Shares used to compute diluted net loss per share:     |                    |                    |                         |                      |                                  |                      |
| GAAP and Non-GAAP                                      |                    |                    |                         |                      |                                  | 86.0                 |
| Shares used to compute diluted net income per share:   |                    |                    |                         |                      |                                  |                      |
| Non-GAAP   |                    |                    |                         |                      |                                  | 87.0                 |