



Corporate Overview

February 2019



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 business strategy for 2019 and beyond, and our Q1 and full year 2019 guidance. 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.



Harmonic-at-a-Glance



\$404M

2018
Revenue

Two market-leading
business units:

**CABLE
ACCESS &
VIDEO**

**SILICON
VALLEY**

Headquarters

>5,000

Media & Service
Provider Global
Customers

~\$90M

R&D Spend



Two Market-Leading Business Segments



CABLE ACCESS

- **\$2.0B** 2019 Target Market
- 2019 Revenue Guidance Range: **\$100M - \$130M**

Mission

To provide innovative **cloud-native cable access** solutions to the world's leading cable companies, enabling flexible and scalable roll out of next generation Gigabit services



VIDEO

- **\$1.5B** 2019 Target Market
- 2019 Revenue Guidance Range: **\$290M - \$310M**

Mission

To provide smarter, faster and simpler **video streaming** solutions to the world's leading media companies who are transforming their businesses to compete in the premium OTT video world



Buckeye CableSystem



COM HEM



J:COM



Ziggo



COMCAST

LIBERTY GLOBAL



CNN

Singtel



T..

sky



dish

SKY Perfect JSAT Corporation



FOX



turner

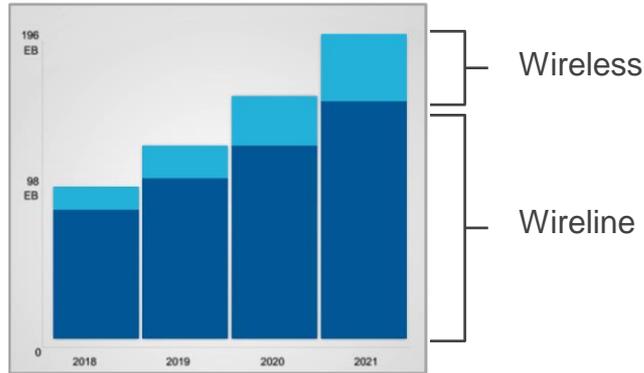




Cable Access Business Overview

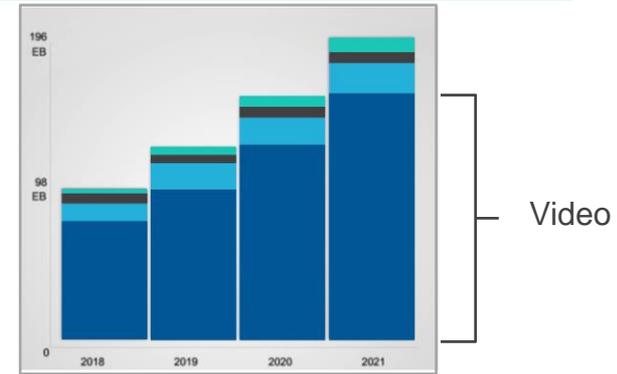
A Coming Global Mega-Upgrade to Gigabit Networks

Network traffic keeps increasing and is set to double between 2018 and 2021



Source: Cisco VNI 2007

Video will account for >80%



Source: Cisco VNI 2007

A Major Transformation Driving New Growth Initiative:

- Fast deployment of new IP-based data, video and voice services
- Greater efficiency and agility with virtualization and Distributed networks

Harmonic Cable Business Segment Core Strategy:

- Lead the cable industry toward distributed access architecture, virtualized CCAP platform
- Leverage market-leading EdgeQAM & cable industry relationships
- Joint development partnerships with leading Cable operator partners

CableOS – A Disruptive Solution for Gigabit Cable Broadband

Awarded foundational virtualized CCAP architecture patent

Cloud-native solution resolves space and power constraints

Unprecedented scalability and agility



Data Center

Virtualized CCAP
Software Core



PHY Options

Centralized

Remote-shelf

Remote-node

Cable Access – Significant Shift in DAA Deployments

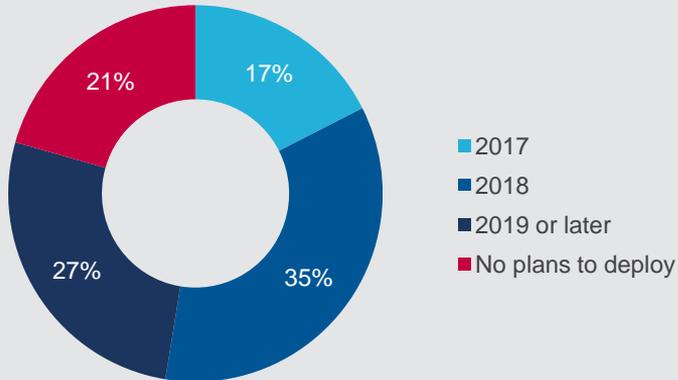
Key Cable Operator Challenges:

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

Solution:

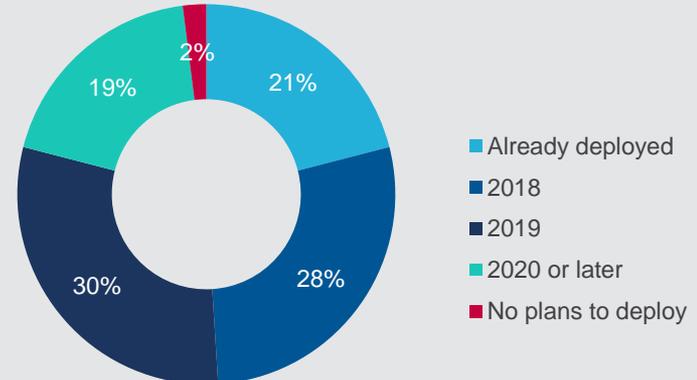
Virtualized access platform with distributed edge

2017 Survey – Expectations of DAA Deployment



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)?"

2018 Survey – Expectations of DAA Deployment



Source: SNL Kagan, 2018: survey of 57 cable operators spanning 107 million broadband subscribers in response to "When do you expect to deploy distributed access architectures (DAA)?"



CableOS™ Momentum Building

- 29 commercial deployments and field trials
 - 4 of top 8 North American and European cable operators
 - 6 of named 10G cable operator sponsors (@CES)
- Over 535,000 cable modems served globally, up 11% sequentially
- Volume DAA roll-outs expected to commence in 2019
 - Over 1,000 DAA nodes shipped during Q4



Positive Financial Trajectory*

- Q4 revenue \$24.1 million, up 79% year over year
- Q4 gross margin 43.6%
- Q4 operating income break-even

* Non-GAAP financial results

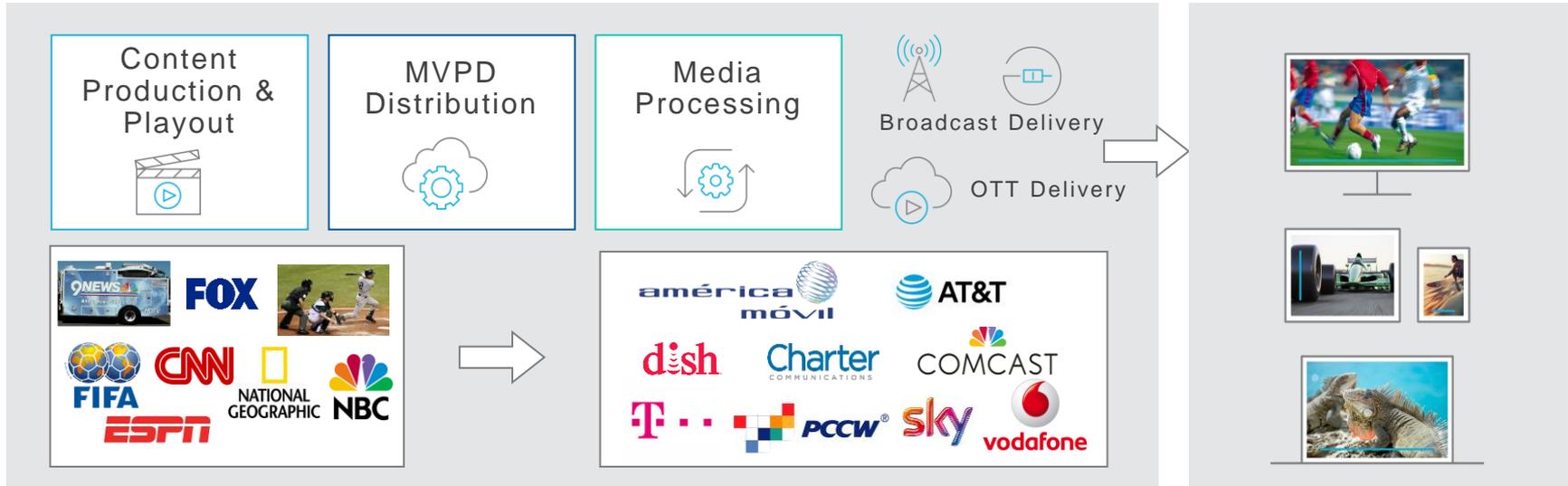
harmonic



Video Business Overview



OTT Streaming Transformation is Accelerating



Premium Video Transitions and Digital Transformation Driving Investment:

- Content, analytics and new streaming services
- Greater operational efficiencies with Cloud / SaaS business models

Harmonic Cable Business Segment Core Strategy:

- Profitably lead the video Appliances market
- Bridge traditional customers to simpler, more profitable SaaS
- Leverage SaaS to address new customers and markets

Harmonic is Leading the Live OTT Charge



>37,000

OTT channels
deployed globally

Over
2,600
cloud-native
OTT channels

33%
growth in cloud-
native OTT channels
in 12 months

> 1 million
Concurrent Viewers
During World Cup on
VOS360 Video SaaS

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

TAM Expansion Business Cases



*“Partnering with Harmonic, the market leader in **OTT video service** deployments, we plan to deliver a full range of features streaming consumers demand,”*

SHANE CANNON,
CEO at VIDGO



Strong Q4 Financial Performance*

- Revenue \$89.5 million, up 22% sequentially and 2% year over year
- Gross margin 57.5%
- Record operating margin 14.2%



Expanding Market Leadership

- Over 37,000 live OTT channels deployed, up 20% year over year
- Video SaaS customers up 171% year over year
- UHD shipments up 58% sequentially

* Non-GAAP financial results



Cable Access

1. Scale first wave of CableOS deployments
2. Secure new CableOS design wins
3. Establish market-leading DAA footprint



Video

1. Extend live OTT market share
2. Expand addressable market via SaaS
3. Deliver consistent segment profitability

Focused on growth, profitability
and
shareholder value creation



FINANCIAL OVERVIEW

Q4 2018 Financial Highlights*



\$ Millions (except EPS)	Q4 2018	Q3 2018	Q4 2017	Q4/Q3 Change	Q4 Y/Y Change
Total Net Revenue	\$113.6	\$101.4	\$101.1	12%	12%
Cable Revenue	\$24.1	\$28.1	\$13.5	(14)%	79%
Video Revenue	\$89.5	\$73.3	\$87.6	22%	2%
Gross Margin %	54.5%	52.1%	50.1%	2.4%	4.4%
Cable Gross Margin%	43.6%	38.7%	29.9%	4.9%	13.7%
Video Gross Margin%	57.5%	57.2%	53.2%	0.3%	4.3%
Operating Expense	\$49.3	\$47.2	\$49.1	4.5%	0.3%
Operating Income	\$12.7	\$5.7	\$1.6	\$7.0	\$11.1
Diluted Share Count	89.0	87.8	82.0	1.2	7.0
EPS	\$0.11	\$0.04	\$0.00	\$0.07	\$0.11
Bookings	\$92.8	\$79.5	\$122.9	16.7%	(24.5)%

* Non-GAAP financial highlights

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Q4 2018 Balance Sheet & Cash Flow Highlights

\$ Millions	Q4 2018	Q3 2018	Q4 2017
Cash	\$66.0	\$61.7	\$57.0
Cash Provided by Operations	\$6.6	\$2.4	\$9.0
Accounts Receivable	\$81.8	\$78.0	\$69.8
DSO	65	70	62
Inventories	\$25.6	\$23.3	\$26.0
Inventory Days	45	43	46
Backlog and Deferred	\$186.4*	\$207.6	\$224.4

* ASC 606 impact reduced the 2018 backlog and deferred revenue by \$22.2 million as compared to 2017.

Q1 2019 Financial Guidance*



\$ Millions (except EPS)	Q1 2019
Total Revenue	\$80 - \$90
Video Segment	\$70 - \$75
Cable Access Segment	\$10 - \$15
Gross Margin	52.5% - 54.5%
Operating Expenses	\$49 - \$51
Operating Income	\$(9.0) - \$0.1
EPS	\$(0.11) - \$(0.01)
Tax Rate	12%
Shares, millions	88.2
Cash	\$60 - \$70

* Non-GAAP

Full Year 2019 Financial Guidance*



\$ Millions (except EPS)	Full Year 2019
Total Revenue	\$390 - \$440
Video Segment	\$290 - \$310
Cable Access Segment	\$100 - \$130
Gross Margin	50.0% - 53.5%
Operating Expenses	\$195 - \$205
Operating Income	\$(10.0) - \$40.4
EPS	(\$0.16) - \$0.33
Tax Rate	12%
Shares, millions (basic, diluted)	89.5 - 91.1
Cash	\$65 - \$85

* Non-GAAP

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, segment revenue, gross profit, operating expenses, income (loss) from operations, non-operating expense, net, 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, 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, gain (loss) on equity investments and adjustments that normalize the tax rate.

Q4 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended December 31, 2018

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income
GAAP	\$ 113,655	\$ 60,321	\$ 52,996	\$ 7,325	\$ (2,747)	\$ 3,330
Accounting impact related to warrant amortization	(7)	(7)	—	(7)	—	(7)
Stock-based compensation	—	376	(2,711)	3,087	—	3,087
Amortization of intangibles	—	1,295	(791)	2,086	—	2,086
Restructuring and related charges	—	(27)	(214)	187	—	187
Non-cash interest expenses related to convertible notes	—	—	—	—	1,577	1,577
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(593)
Total adjustments	(7)	1,637	(3,716)	5,353	1,577	6,337
Non-GAAP	\$ 113,648	\$ 61,958	\$ 49,280	\$ 12,678	\$ (1,170)	\$ 9,667
	<i>As a % of revenue (GAAP)</i>	53.1%	46.6%	6.4 %	(2.4)%	2.9 %
	<i>As a % of revenue (Non-GAAP)</i>	54.5%	43.4%	11.2 %	(1.0)%	8.5 %
Diluted net income per share:						
	Diluted net income per share-GAAP					\$ 0.04
	Diluted net income per share-Non-GAAP					\$ 0.11
Shares used to compute diluted net income per share:						
	GAAP and Non-GAAP					89,028

Q3 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended September 28, 2018

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating expense, net	Net Income (Loss)
GAAP	\$ 100,616	\$ 50,102	\$ 53,753	\$ (3,651)	\$ (3,237)	\$ (7,758)
Accounting impact related to warrant amortization	790	790	—	790	—	790
Stock-based compensation	—	614	(4,819)	5,433	—	5,433
Amortization of intangibles	—	1,295	(792)	2,087	—	2,087
Restructuring and related charges	—	7	(987)	994	—	994
Loss on equity investments	—	—	—	—	72	72
Non-cash interest expenses related to convertible notes	—	—	—	—	1,528	1,528
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	227
Total adjustments	790	2,706	(6,598)	9,304	1,600	11,131
Non-GAAP	\$ 101,406	\$ 52,808	\$ 47,155	\$ 5,653	\$ (1,637)	\$ 3,373
<i>As a % of revenue (GAAP)</i>		49.8%	53.4%	(3.6)%	(3.2)%	(7.7)%
<i>As a % of revenue (Non-GAAP)</i>		52.1%	46.5%	5.6 %	(1.6)%	3.3 %
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP						\$ (0.09)
Diluted net income per share-Non-GAAP						\$ 0.04
Shares used to compute diluted net income (loss) per share:						
GAAP						86,321
Non-GAAP						87,770

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
GAAP	\$ 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 and associated legal fees	—	—	(692)	692	—	692
Loss on impairment of long-term investments	—	—	—	—	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)
Total adjustments	115	2,101	(7,550)	9,651	1,959	11,489
Non-GAAP	\$ 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

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



Twelve months ended December 31, 2018

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating expense, net	Net Income (Loss)
GAAP	\$ 403,558	\$ 209,209	\$ 214,220	\$ (5,011)	\$ (11,937)	\$ (21,035)
Accounting impact related to warrant amortization	1,178	1,178	—	1,178	—	1,178
Stock-based compensation	—	1,953	(15,336)	17,289	—	17,289
Amortization of intangibles	—	5,180	(3,187)	8,367	—	8,367
Restructuring and related charges	—	857	(2,918)	3,775	—	3,775
Gain on equity investments	—	—	—	—	(111)	(111)
Avoid litigation settlement and associated legal fees	—	—	6	(6)	—	(6)
Non-cash interest expenses related to convertible notes	—	—	—	—	6,060	6,060
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	950
Total adjustments	1,178	9,168	(21,435)	30,603	5,949	37,502
Non-GAAP	\$ 404,736	\$ 218,377	\$ 192,785	\$ 25,592	\$ (5,988)	\$ 16,467
<i>As a % of revenue (GAAP)</i>		51.8%	53.1%	(1.2)%	(3.0)%	(5.2)%
<i>As a % of revenue (Non-GAAP)</i>		54.0%	47.6%	6.3 %	(1.5)%	4.1 %
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP						\$ (0.25)
Diluted net income per share-Non-GAAP						\$ 0.19
Shares used to compute diluted net income (loss) per share:						
GAAP						85,615
Non-GAAP						86,741

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



Twelve months ended December 31, 2017

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating expense, net	Net Loss
GAAP	\$ 358,246	\$ 169,820	\$ 240,697	\$ (70,877)	\$ (13,830)	\$ (82,955)
Cable Access inventory charge	—	3,316	—	3,316	—	3,316
Acquisition accounting impact related to TVN deferred revenue	111	111	—	111	—	111
Accounting impact related to warrant amortization	153	153	—	153	—	153
Stock-based compensation	—	2,370	(14,240)	16,610	—	16,610
Amortization of intangibles	—	5,180	(3,142)	8,322	—	8,322
Restructuring and related charges	—	1,279	(5,307)	6,586	—	6,586
TVN acquisition-and integration-related costs	—	342	(2,476)	2,818	—	2,818
Avid litigation settlement and associated legal fees	—	—	(8,048)	8,048	—	8,048
Loss on impairment of long-term investments	—	—	—	—	530	530
Non-cash interest expenses related to convertible notes	—	—	—	—	5,489	5,489
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	3,156
Total adjustments	264	12,751	(33,213)	45,964	6,019	55,139
Non-GAAP	\$ 358,510	\$ 182,571	\$ 207,484	\$ (24,913)	\$ (7,811)	\$ (27,816)
	<i>As a % of revenue (GAAP)</i>	47.4%	67.2%	(19.8)%	(3.9)%	(23.2)%
	<i>As a % of revenue (Non-GAAP)</i>	50.9%	57.9%	(6.9)%	(2.2)%	(7.8)%
Diluted net loss per share:						
	Diluted net loss per share-GAAP				\$	(1.02)
	Diluted net loss per share-Non-GAAP				\$	(0.34)
Shares used to compute diluted net loss per share:						
	GAAP and Non-GAAP					80,974

Q1 2019 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



Q1 2019 Financial Guidance

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$80.0 to \$90.0	\$40.5 to \$47.6	\$52.0 to \$54.0	\$(13.5) to \$(4.4)	\$(3.2)	\$(17.4) to \$(8.3)
Stock-based compensation	—	0.2	(2.2)	2.4	—	2.4
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Restructuring and related charges	—	—	—	—	—	—
Non-cash interest expense related to convertible notes	—	—	—	—	1.6	1.6
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	\$0.9 to \$2.0
Total adjustments	—	1.5	(3.0)	4.5	1.6	\$7.0 to \$8.1
Non-GAAP	\$80.0 to \$90.0	\$42.0 to \$49.1	\$49.0 to \$51.0	\$(9.0) to \$0.1	\$(1.6)	\$(9.3) to \$(1.3)
<i>As a % of revenue (GAAP)</i>		50.6% to 52.9%	57.8% to 67.5%	(16.9)% to (4.9)%	(3.6)%	(21.7)% to (9.2)%
<i>As a % of revenue (Non-GAAP)</i>		52.5% to 54.5%	54.4% to 63.8%	(11.3)% to 0.1%	(2.0)%	(11.6)% to (1.4)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$(0.20) to \$(0.09)
Diluted net loss per share-Non-GAAP						\$(0.11) to \$(0.01)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						88.2

2019 Guidance GAAP to Non-GAAP Reconciliations

(in millions, except EPS and percentages)



2019 Financial Guidance

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$390.0 to \$440.0	\$188.3 to \$228.7	\$211.1 to \$221.1	\$(32.8) to \$17.6	\$(13.1)	\$(48.5) to \$1.9
Stock-based compensation expense	—	1.5	(12.9)	14.4	—	14.4
Amortization of intangibles	—	5.2	(3.2)	8.4	—	8.4
Restructuring and related charges	—	—	—	—	—	—
Non-cash interest expense related to convertible notes	—	—	—	—	6.7	6.7
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	\$(1.5) to \$4.6
Total adjustments	—	6.7	(16.1)	22.8	6.7	\$28.0 to \$34.1
Non-GAAP	\$390.0 to \$440.0	\$195.0 to \$235.4	\$195.0 to \$205.0	\$(10.0) to \$40.4	\$(6.4)	\$(14.4) to \$29.9
<i>As a % of revenue (GAAP)</i>		48.3% to 52.0%	48.0% to 56.7%	(8.4)% to 4.0%	(3.0)%	(12.4)% to 0.4%
<i>As a % of revenue (Non-GAAP)</i>		50.0% to 53.5%	44.3% to 52.6%	(2.6)% to 9.2%	(1.5)%	(3.7)% to 6.8%
Diluted net income (loss) per share:						
Diluted net income (loss) per share-GAAP						\$(0.54) to \$0.02
Diluted net income (loss) per share-Non-GAAP						\$(0.16) to \$0.33
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						89.5
Shares used to compute diluted net income per share:						
GAAP and Non-GAAP						91.1

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THANK YOU

