



# CORPORATE OVERVIEW

February 2020



## **CABLE ACCESS & VIDEO**

Two market-leading  
business units

**\$403M**

2019 Revenue

## **SILICON VALLEY**

Headquarters

**>5,000**

Media & service  
provider customers

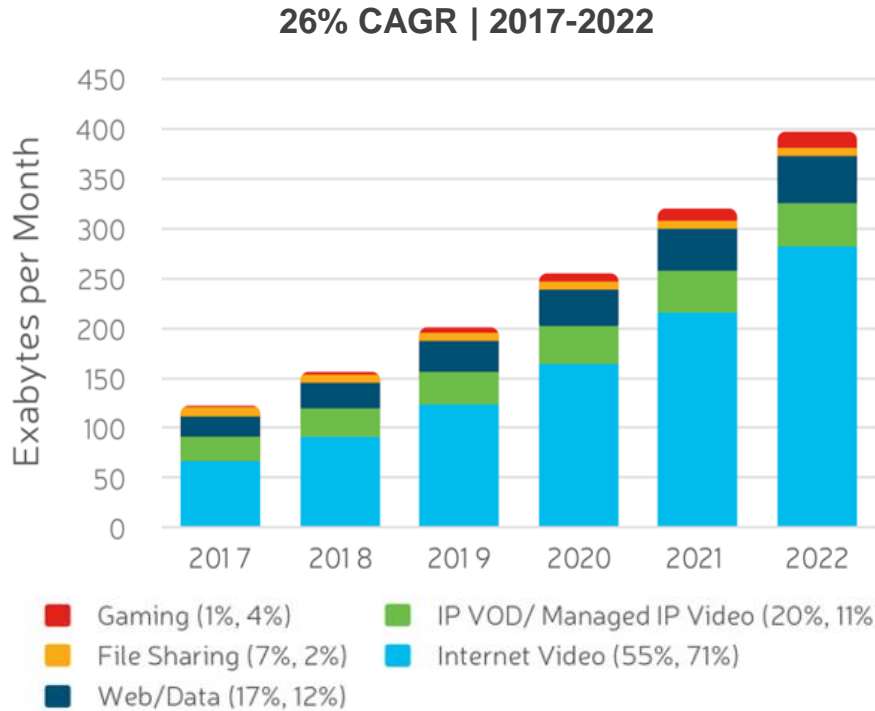
## **INNOVATION VELOCITY**

>40 patents filed in  
last 24 months

**Market Leader in Virtualized Cable Access & Live Video Streaming**

# Gigabit Access & Streaming Video Growth

## Two Major Market Transformation Opportunities



**IP traffic** expected to  
nearly **triple**  
from 2017 to 2022



**Streaming video**  
expected to  
account for **>80%**

\*Figures (n) refer to 2017, 2022 traffic share | Source: Cisco VNI Global IP Traffic Forecast, 2017-2022

# Two Focused Business Units

## Addressing Gigabit and Streaming Growth



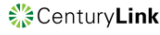
### CABLE ACCESS

- Invented and leading virtualized cable access
- Foundational deployments with industry leaders
- Strong cable customer relationships



### VIDEO

- Market leader in premium live video
- Leading live OTT streaming transformation
- Strong media customer relationships



VIRTUALIZED CABLE ACCESS  
**MADE SMARTER**



## CABLE ACCESS BUSINESS OVERVIEW

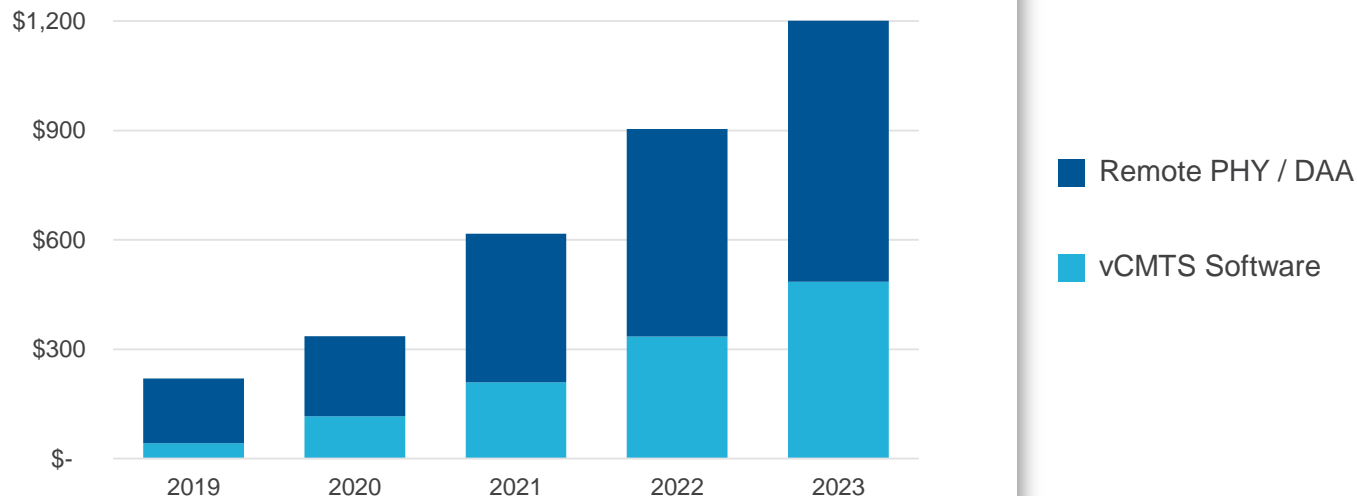


# Virtualization Market Poised For Growth

Harmonic CableOS® Leading the Way



vCMTS & Remote PHY Revenue **Market Growth Forecast (\$M)\***



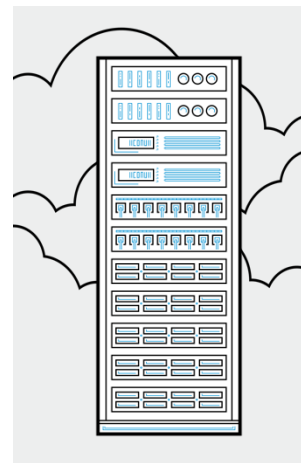
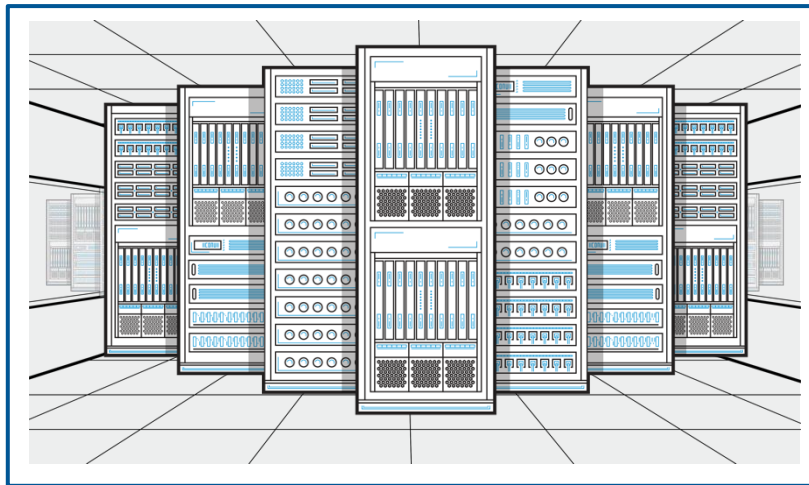
\* Source: Dell'Oro | July 2019 Report. Does not include FTTH or managed services.

# Virtualization Enabling Multi-Gigabit Broadband

## Harmonic Customers Publicly Reporting Compelling Results



192 Service Groups



**70%**

Power Savings

**20 ⇨ 1**

Rack Reduction

**30m ⇨ 15s**

Mean Time to Detect

**20,000 ⇨ 70**

HHP Reach from  
Targeted SW Upgrades

**>1 MILLION**

cable modems served,  
up >95% year-over-year



**INNOVATION**

Foundational  
virtualization patent + 30  
unique patent filings



**STRATEGIC  
RELATIONSHIP**

and industry-leading  
deployment



**Harmonic CableOS is Only Virtualized Solution Deployed**



# Scaling Global Customer Base



Innovative US Tier 2 Operator



Global Industry Leader



European Tier 1 Operator



Innovative US Tier 3 Operator

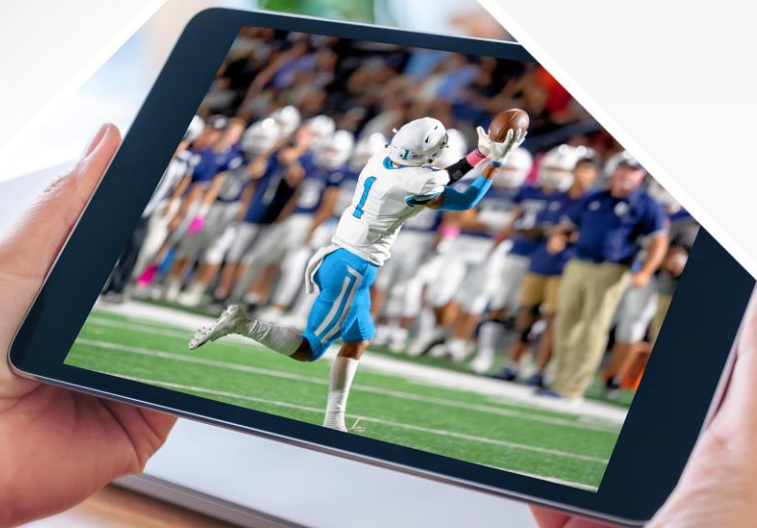
**+19**

**Additional Global Cable  
Operators Worldwide**

VIDEO STREAMING  
**MADE SIMPLER**



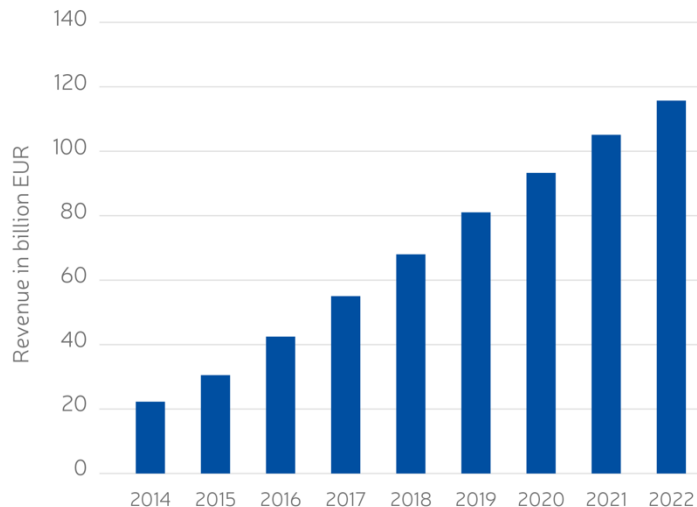
## VIDEO BUSINESS OVERVIEW



# OTT Streaming Continues to Gain Ground

Driving Media Transformation and Investment

## Global OTT Video Revenue



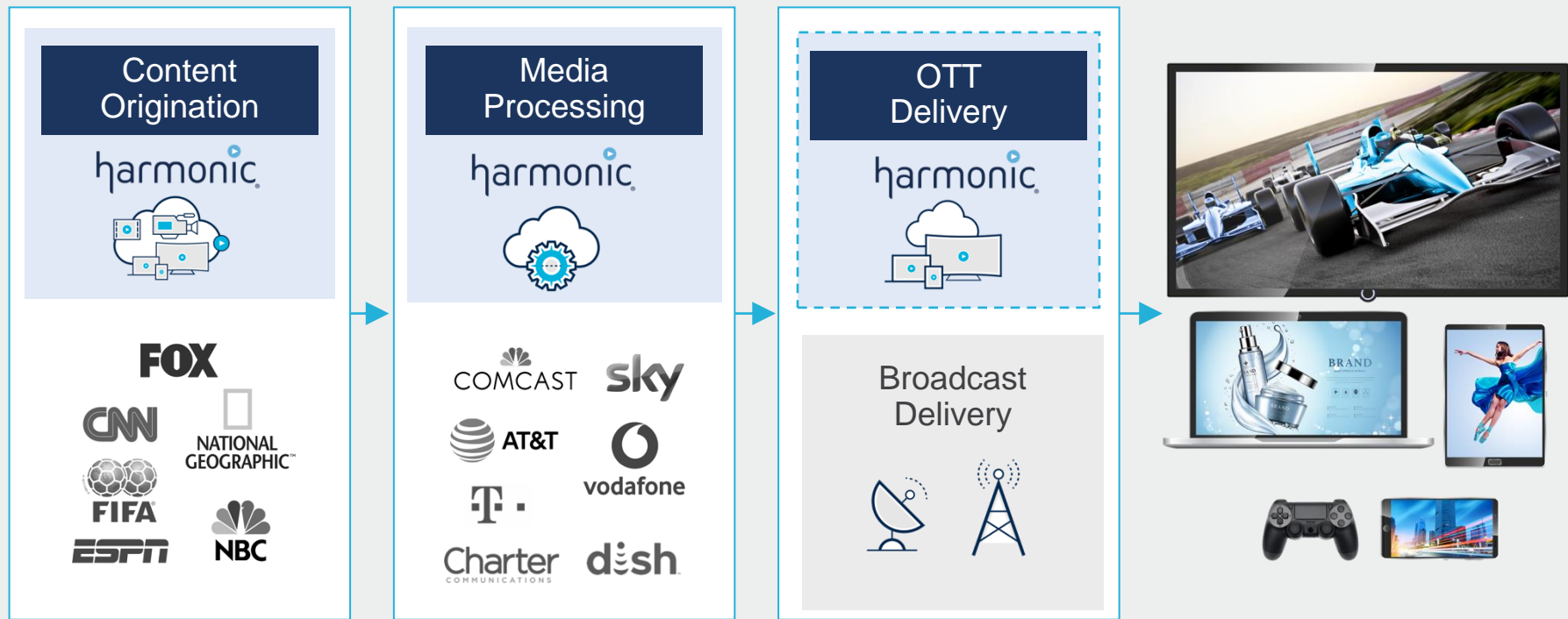
Source: IDATE DigiWorld, World TV & Video Services Markets, August 2018

New streaming services enabling access to high-quality content

Greater operational efficiencies with Cloud / SaaS business models

Sports and live events expanding on SVOD model

# Transforming from Broadcast to OTT Streaming



## SCALE

>1 petabyte per day  
Q4 live video streamed



## PARTNERSHIPS



Microsoft Azure



Google Cloud Platform



## PERFORMANCE

Industry-leading  
>99.9999%  
cloud service uptime



# Expanding Customer Base

## New Harmonic Streaming Customer Relationships



New mobile OTT service  
in Indonesia



New live OTT streaming  
of open-wheel racing in North  
America



New subscription-based  
online TV service in the  
United States



New premium and  
24/7 OTT channels on hybrid  
cloud platform



24/7/365 online auction  
shopping network

## SUMMARY





## Market Leader in Virtualized Cable Access & Live Video Streaming

**SUBSTANTIAL  
GROWING MARKET  
OPPORTUNITY**



**INDUSTRY-LEADING  
TECHNOLOGY  
AND IP**



**STRONG  
RELATIONSHIPS  
WITH BLUE-CHIP  
CUSTOMERS**







Strong **financial**  
results



Extending **Cable**  
**Access** leadership



Executing **Video**  
transformation

**A successful year of strategic transformation**



## **STRONG REVENUE AND PROFIT\***

- \$43.0 million revenue
- 8.5% operating margin
- Full year revenue up 37%



## **EXECUTING MARKET LEADERSHIP STRATEGY**

- Two new International Tier 1 wins
- Commercially deployed with over 20 operators
  - Over 1 million cable modems served globally
    - Over 250,000 served via Distributed Access Architecture (DAA)
  - Customers reporting improved network performance and consumer satisfaction
- Extending technology lead

\* Non-GAAP



## SOLID REVENUE AND PROFIT\*

- Revenue \$79.2 million, up 32% sequentially
- Gross margin 60%, new record
- Segment operating income 14%



## EXECUTING LIVE STREAMING GROWTH STRATEGY

- Live streaming business growing
  - Added 12 new SaaS streaming customers in Q4, total up 153% year over year
  - Annual recurring revenue (ARR) \$16.3 million, up 70% year over year
- New delivery optimization solution for live streaming expands addressed market

\* Non-GAAP



## Cable Access

1. Scale Tier-1 CableOS deployments
2. Secure additional CableOS design wins
3. Launch new service & FTTH solutions



## Video

1. Grow live streaming
2. Expand addressed market via SaaS
3. Deliver consistent segment profitability

Focused on growth, profitability,  
shareholder value creation



## FINANCIAL RESULTS



# Q4 2019 Financial Highlights\*



## 7.5% Y/Y Revenue Growth Driven by Cable Access Segment

Financial Metric \$ Millions	Q4 2019	Q3 2019	Q4 2018	Q4/Q3 Change	Q4 Y/Y Change
Total Net Revenue	\$122.2	\$115.7	\$113.6	5.6%	7.5%
Cable Revenue	\$43.0	\$55.7	\$24.1	(22.7)%	78.3%
Video Revenue	\$79.2	\$60.0	\$89.5	31.8%	(11.6)%
Gross Margin %	52.3%	67.0%	54.5%	(14.7)%	(2.2)%
Cable Gross Margin%	38.3%	77.1%	43.6%	(38.8)%	(5.3)%
Video Gross Margin%	60.0%	57.7%	57.5%	2.3%	2.5%
Total Net Revenue	\$122.2	\$115.7	\$113.6	5.6%	7.5%
Appliance and integration	\$85.9	\$83.1	\$83.2	3.4%	3.3%
SaaS and service	\$36.3	\$32.6	\$30.4	11.0%	18.9%
SaaS and service revenue %	29.7%	28.2%	26.8%	1.5%	2.9%
SaaS and service gross margin %	63.7%	60.6%	64.5%	3.1%	(0.8)%
SaaS customers	48	36	19	33%	153%
ARR (annual metric)	\$16.3	-	\$9.6	-	70%

# Q4 2019 Financial Highlights\*

## Solid Profitability and Y/Y EPS Growth



Financial Metric \$ Millions (except EPS)	Q4 2019	Q3 2019	Q4 2018	Q4/Q3 Change	Q4 Y/Y Change
Operating Expenses	\$49.2	\$47.7	\$49.3	3.2%	(0.2)%
Operating Income	\$14.8	\$29.9	\$12.7	\$(15.2)	\$2.1
EPS	\$0.12	\$0.25	\$0.11	\$(0.13)	\$0.01
Diluted Share Count	97.5	97.6	89.0	(0.1)	8.5
Bookings	\$140.1	\$126.5	\$92.8	10.8%	51.0%
Book to bill ratio	1.15	1.09	0.8	4.9%	40.3%

\* Non-GAAP

# Q4 2019 Balance Sheet & Cash Flow Highlights

## Strong Cash Generation and Balance Sheet



Financial Metric \$ Millions	Q4 2019	Q3 2019	Q4 2018
Cash	\$93.1	\$66.7	\$66.0
Cash Provided by Operations	\$30.2	\$5.8	\$6.6
Accounts Receivable	\$88.5	\$100.9	\$81.8
DSO	65	78	65
Inventories	\$29.0	\$29.0	\$25.6
Inventory Days	45	68	45
Backlog and Deferred Revenue	\$210.2	\$192.5	\$186.4





**Q&A**

## 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 restructuring and related charges, Cable Access inventory charge, Avid litigation settlement and associated legal fees and non-cash items, such as warrant amortization, loss on debt extinguishment, stock-based compensation expense, amortization of intangibles, non-cash interest and other expenses on convertible debt, gain (loss) on equity investments and adjustments that normalize the tax rate.

# Q4 2019 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended December 31, 2019

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income
<b>GAAP</b>	\$ 122,178	\$ 61,695	\$ 54,989	\$ 6,706	\$ (2,789)	\$ 5,570
Stock-based compensation	—	297	(3,059)	3,356	—	3,356
Amortization of intangibles	—	1,295	(782)	2,077	—	2,077
Restructuring and related charges	—	668	(1,947)	2,615	—	2,615
Non-cash interest expenses related to convertible notes	—	—	—	—	1,796	1,796
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(3,303)
<b>Total adjustments</b>	—	2,260	(5,788)	8,048	1,796	6,541
<b>Non-GAAP</b>	\$ 122,178	\$ 63,955	\$ 49,201	\$ 14,754	\$ (993)	\$ 12,111
<i>As a % of revenue (GAAP)</i>		50.5%	45.0%	5.5 %	(2.3)%	4.6 %
<i>As a % of revenue (Non-GAAP)</i>		52.3%	40.3%	12.1 %	(0.8)%	9.9 %
<b>Diluted net income per share:</b>						
Diluted net income per share-GAAP						\$ 0.06
Diluted net income per share-Non-GAAP						\$ 0.12
<b>Shares used to compute diluted net income per share:</b>						
GAAP and Non-GAAP						97,499

# Q3 2019 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended September 27, 2019

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Income
<b>GAAP</b>	\$ 115,725	\$ 75,540	\$ 52,991	\$ 22,549	\$ (10,289)	\$ 11,657
Stock-based compensation	—	405	(3,689)	4,094	—	4,094
Amortization of intangibles	—	1,295	(785)	2,080	—	2,080
Restructuring and related charges	—	331	(861)	1,192	—	1,192
Loss on convertible debt extinguishment	—	—	—	—	5,695	5,695
Non-cash interest and other expenses related to convertible notes	—	—	—	—	2,625	2,625
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(2,751)
<b>Total adjustments</b>	\$ —	\$ 2,031	\$ (5,335)	\$ 7,366	\$ 8,320	\$ 12,935
<b>Non-GAAP</b>	\$ 115,725	\$ 77,571	\$ 47,656	\$ 29,915	\$ (1,969)	\$ 24,592
<i>As a % of revenue (GAAP)</i>		65.3 %	45.8 %	19.5 %	(8.9)%	10.1 %
<i>As a % of revenue (Non-GAAP)</i>		67.0%	41.2%	25.9 %	(1.7)%	21.3 %

## Diluted net income per share:

Diluted net income per share-GAAP	\$ 0.12
Diluted net income per share-Non-GAAP	\$ 0.25

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

GAAP and Non-GAAP	97,596
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# 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
<b>GAAP</b>	\$ 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)
<b>Total adjustments</b>	(7)	1,637	(3,716)	5,353	1,577	6,337
<b>Non-GAAP</b>	\$ 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 %
<b>Diluted net income per share:</b>						
Diluted net income per share-GAAP						\$ 0.04
Diluted net income per share-Non-GAAP						\$ 0.11
<b>Shares used to compute diluted net income per share:</b>						
GAAP and Non-GAAP						89,028

# 2019 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



	Twelve months ended December 31, 2019					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income (Loss)
<b>GAAP</b>	\$ 402,874	\$ 223,012	\$ 209,929	\$ 13,083	\$ (19,679)	\$ (5,924)
Accounting impact related to warrant amortization	48	48	—	48	—	48
Stock-based compensation	—	1,121	(10,953)	12,074	—	12,074
Amortization of intangibles	—	5,180	(3,139)	8,319	—	8,319
Restructuring and related charges	—	1,391	(3,141)	4,532	—	4,532
Loss on debt extinguishment	—	—	—	—	5,695	5,695
Non-cash interest and other expenses related to convertible notes	—	—	—	—	7,683	7,683
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(4,482)
<b>Total adjustments</b>	48	7,740	(17,233)	24,973	13,378	33,869
<b>Non-GAAP</b>	\$ 402,922	\$ 230,752	\$ 192,696	\$ 38,056	\$ (6,301)	\$ 27,945
<i>As a % of revenue (GAAP)</i>		55.4%	52.1%	3.2 %	(4.9)%	(1.5)%
<i>As a % of revenue (Non-GAAP)</i>		57.3%	47.8%	9.4 %	(1.6)%	6.9 %
<b>Diluted net income (loss) per share:</b>						
Diluted net loss per share-GAAP						\$ (0.07)
Diluted net income per share-Non-GAAP						\$ 0.30
<b>Shares used to compute diluted net income (loss) per share:</b>						
GAAP						89,575
Non-GAAP						93,830

# 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)
<b>GAAP</b>	\$ 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
<b>Total adjustments</b>	1,178	9,168	(21,435)	30,603	5,949	37,502
<b>Non-GAAP</b>	\$ 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 %
<b>Diluted net income (loss) per share:</b>						
Diluted net loss per share-GAAP						\$ (0.25)
Diluted net income per share-Non-GAAP						\$ 0.19
<b>Shares used to compute diluted net income (loss) per share:</b>						
GAAP						85,615
Non-GAAP						86,741



# Q1 2020 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



	Q1 2020 Financial Guidance					
	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss
<b>GAAP</b>	\$80.0 to \$90.0	\$38.0 to \$44.3	\$55.5 to \$57.5	\$(19.5) to \$(11.0)	\$(3.1)	\$(23.2) to \$(14.9)
Stock-based compensation	—	1.2	(6.4)	7.6	—	7.6
Amortization of intangibles	—	0.9	(0.8)	1.7	—	1.7
Restructuring and related charges	—	0.2	(0.2)	0.4	—	0.4
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1.8	1.8
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$1.0 to \$1.8
<b>Total adjustments</b>	—	2.3	(7.4)	9.7	1.8	\$12.5 to \$13.3
<b>Non-GAAP</b>	\$80.0 to \$90.0	\$40.3 to \$46.6	\$48.0 to \$50.0	\$(9.5) to \$(1.5)	\$(1.3)	\$(9.7) to \$(2.5)
<i>As a % of revenue (GAAP)</i>		47.5% to 49.0%	61.6% to 71.8%	(24.3)% to (12.3)%	(3.4)% to (3.9)%	(29.0)% to (16.6)%
<i>As a % of revenue (Non-GAAP)</i>		50.0% to 52.0%	53.3% to 62.5%	(11.9)% to (1.7)%	(1.4)% to (1.6)%	(12.1)% to (2.8)%
<b>Diluted net loss per share:</b>						
Diluted net loss per share-GAAP						\$(0.24) to \$(0.16)
Diluted net loss per share-Non-GAAP						\$(0.10) to \$(0.03)
<b>Shares used to compute diluted net loss per share:</b>						
GAAP and Non-GAAP						95,762

# 2020 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)

	2020 Financial Guidance					
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
<b>GAAP</b>	\$390.0 to \$430.0	\$190.3 to \$231.2	\$214.3 to \$226.3	\$(24.0) to \$4.9	\$(12.6)	\$(39.5) to \$(10.6)
Stock-based compensation expense	—	2.9	(20.5)	23.4	—	23.4
Amortization of intangibles	—	1.0	(3.0)	4.0	—	4.0
Restructuring and related charges	—	0.8	(0.8)	1.6	—	1.6
Non-cash interest expense related to convertible notes	—	—	—	—	7.4	7.4
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$0.1 to \$2.9
<b>Total adjustments</b>	—	4.7	(24.3)	29.0	7.4	\$36.4 to \$39.3
<b>Non-GAAP</b>	\$390.0 to \$430.0	\$195.0 to \$235.9	\$190.0 to \$202.0	\$5.0 to \$34.0	\$(5.2)	\$(0.2) to \$25.8
<i>As a % of revenue (GAAP)</i>		49.0% to 54.0%	54.9% to 52.6%	(6.2)% to 1.1%	(2.9)% to (3.2)%	(10.1)% to (2.5)%
<i>As a % of revenue (Non-GAAP)</i>		50.0% to 55.0%	48.7% to 47.0%	1.3% to 7.9%	(1.2)% to (1.3)%	(0.1)% to 6.0%
<b>Diluted net income (loss) per share:</b>						
Diluted net loss per share-GAAP						\$(0.40) to \$(0.11)
Diluted net income (loss) per share-Non-GAAP						\$0.00 to \$0.26
<b>Shares used to compute diluted net loss per share:</b>						
GAAP and Non-GAAP						97,659
<b>Shares used to compute diluted net income per share:</b>						
Non-GAAP						101,165



**THANK YOU**