



harmonic

Corporate Overview

December 2019



Harmonic-at-a-Glance



CABLE ACCESS & VIDEO

Two market-leading
business units

\$404M

2018 Revenue

SILICON VALLEY

Headquarters

>5,000

Media & service
provider customers

INNOVATION VELOCITY

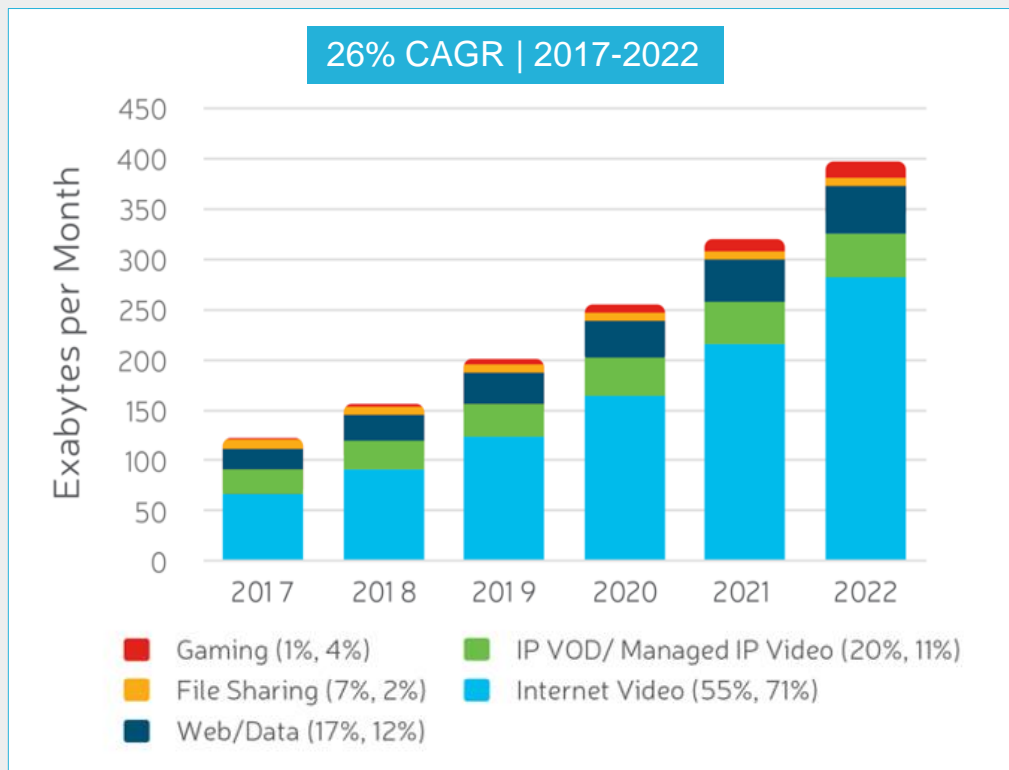
>40 patents filed in
last 24 months

A photograph of a modern, multi-story office building with large glass windows. In the foreground, a group of seven diverse professionals are standing in a line, smiling at the camera. A dark blue banner is overlaid across the middle of the image, containing the text "Market Leader in Virtualized Cable Access & Live Video Streaming".

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



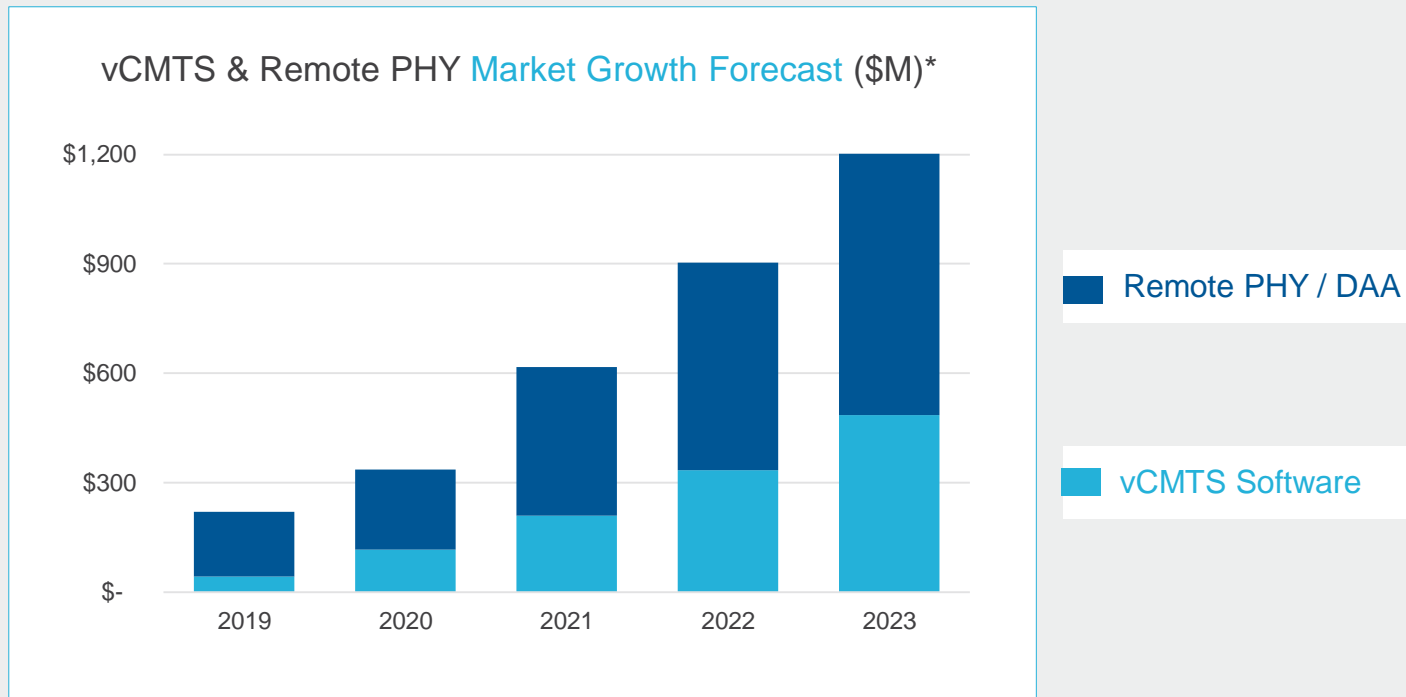


Cable Access Business Overview

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Virtualized Cable Access Poised For Growth

Harmonic CableOS™ Leading the Way



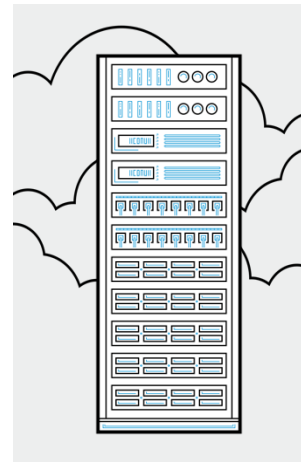
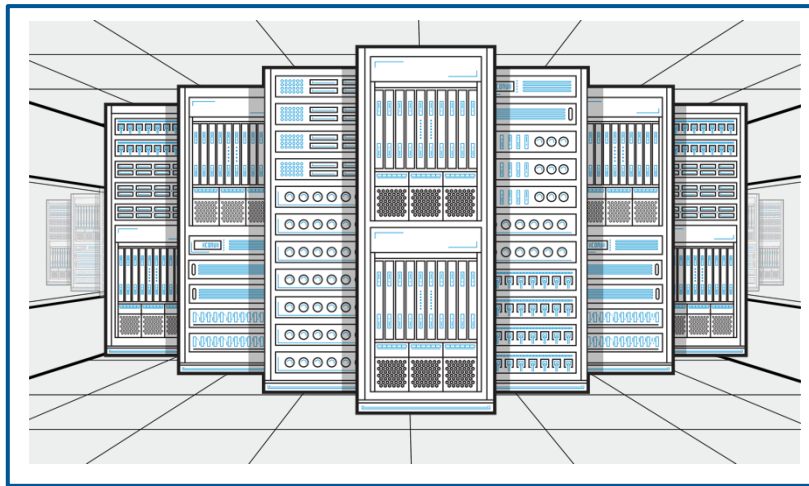
*Source: Dell'Oro | July 2019 Report

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

Leading Virtualized Cable Access Market

Harmonic Invented the Category



> 935,000

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



1 | 30

Foundational **virtualization**
patent + 30 **unique patent**
filings



COMCAST

Strategic relationship and
industry-leading deployment

Scaling Global Customer Base

Harmonic CableOS Is Only Virtualized Solution Deployed



Innovative US Tier 2 Operator



Global Industry Leader



European Tier 1 Operator



Innovative US Tier 3 Operator

+15

Additional **Global Cable Operators** Worldwide



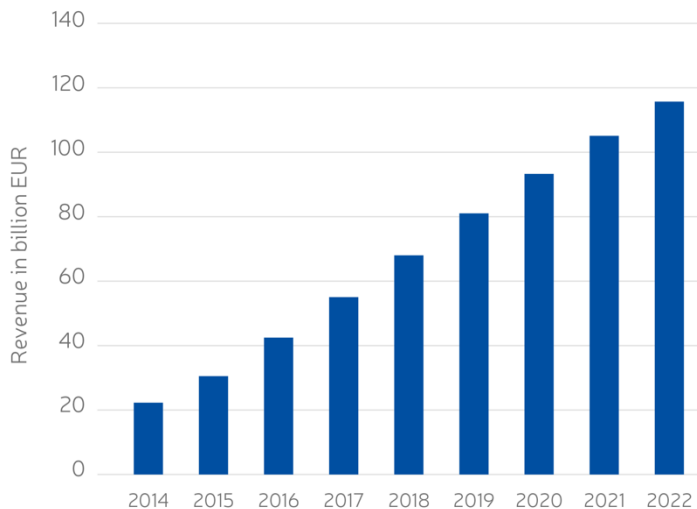
Video Business Overview



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

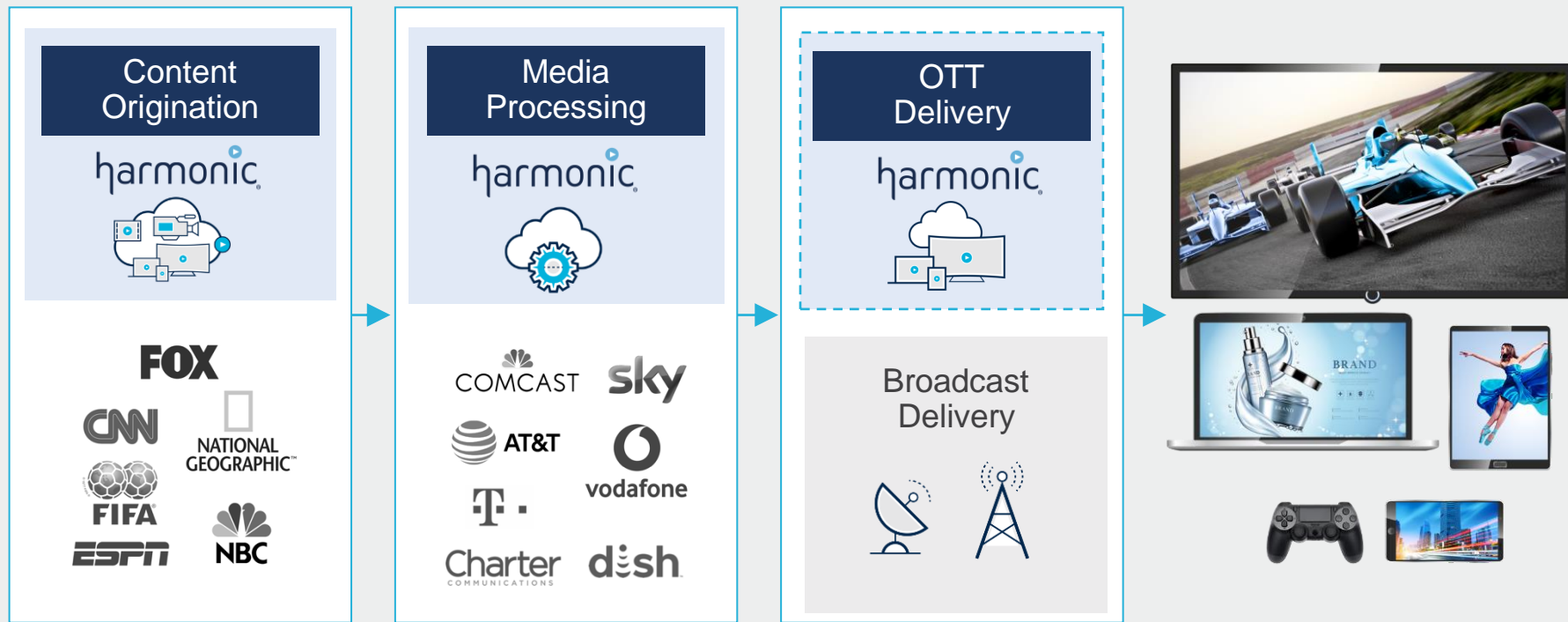
New streaming services enabling access to high-quality content

Greater operational efficiencies with Cloud / SaaS business models

Sports and live events expanding on SVOD model

Harmonic Leads in Premium Live Video

Transforming from Broadcast to OTT Streaming



Next Wave of OTT Revolution is Live Video

Harmonic Leading the Live OTT Charge



> 42,000

OTT channels deployed globally by Harmonic



> 6.5 million

Subscribers managed by Harmonic Video SaaS



> 140%

Harmonic SaaS customer base increase year over year

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





Appendix

Record financial results

Extended CableOS leadership

Executing Video transformation

Refinanced convertible debt





Record Revenue and Profit*

- \$55.7 million revenue
- \$42.9 million gross profit
- Full year guidance raised



Executing Growth Strategy

- Commercially deployed with 19 customers
 - 935,000+ cable modems served globally, up 20% sequentially
- International Tier 1 revenue ramps in Q4
- Expanding addressed market with FTTH + DOCSIS convergence
- Leading industry transformation

* Non-GAAP



Solid Financial Outlook*

- Revenue \$60.0 million
- Gross margin 57.7%, reflecting software transition
- Raising Q4 guidance, full-year profit plan on track



Executing Live Streaming Growth Strategy

- Live streaming business continues to grow, offsetting declining broadcast sales
- Added 8 new SaaS streaming customers, total up 29% sequentially and 140% year over year
- New CDN optimization solution for live streaming expands addressed market

* Non-GAAP



Solid **Financial Results***

- Revenue was a record \$115.7 million
- Gross Margins were a record 67%
- Non-GAAP EPS of \$0.25
- Cash of \$66.7 million
- Refinanced convertible debt with significantly improved terms



Increased Guidance **for Key Financial Metrics**

- Q4 - improved revenue, operating income, EPS ranges
- FY'19 - improved revenue, operating income, EPS ranges

* Non-GAAP

Q3 2019 Financial Highlights*



Delivered 14% Y/Y Revenue Growth

Revenue Growth Driven by our Cable Access Segment

Financial Metric \$ Millions (except EPS)	Q3 2019	Q2 2019	Q3 2018	Q3/Q2 Change	Q3 Y/Y Change
Total Net Revenue	\$115.7	\$84.9	\$101.4	36.3%	14.1%
Cable Revenue	\$55.7	\$13.3	\$28.1	319.7%	98.4%
Video Revenue	\$60.0	\$71.6	\$73.3	(16.2)%	(18.1)%
Gross Margin %	67.0%	53.6%	52.1%	13.4%	14.9%
Cable Gross Margin%	77.1%	30.8%	38.7%	46.3%	38.4%
Video Gross Margin%	57.7%	57.9%	57.2%	(0.2)%	0.5%
Total Net Revenue	\$115.7	\$84.9	\$101.4	36.3%	14.1%
Appliance and integration	\$83.1	\$54.5	\$72.7	52.6%	14.2%
SaaS and service	\$32.6	\$30.4	\$28.7	7.2%	13.9%
SaaS and service revenue as a % of total revenue	28.2%	35.9%	28.3%	(7.7)%	(0.1)%
SaaS and service gross margin %	60.6%	62.6%	60.9%	(2.0)%	(0.3)%
SaaS customers	36	28	15	29%	140%

Q3 2019 Financial Highlights*



Delivered Record Profitability & Y/Y EPS Growth in Q3

Financial Metric \$ Millions (except EPS)	Q3 2019	Q2 2019	Q3 2018	Q3/Q2 Change	Q3 Y/Y Change
Operating Expenses	\$47.7	\$48.3	\$47.2	(1.4)%	1.1%
Operating Income (loss)	\$29.9	\$(2.8)	\$5.7	\$32.7	\$24.2
Diluted Share Count	97.6	88.9	87.8	8.7	9.8
EPS	\$0.25	\$(0.04)	\$0.04	\$0.29	\$0.21
Bookings	\$126.5	\$92.6	\$79.5	36.6%	59.1%
Book to bill ratio	1.1	1.1	0.8	0.2%	39.4%

* Non-GAAP

Q3 2019 Balance Sheet & Cash Flow Highlights



Solid Balance Sheet with Cash Generation

Financial Metric \$ Millions	Q3 2019	Q2 2019	Q3 2018
Cash	\$66.7	\$58.1	\$61.7
Cash Provided by (Used in) Operations	\$5.8	\$(8.8)	\$2.4
Accounts Receivable	\$100.9	\$70.6	\$78.0
DSO	78	75	70
Inventories	\$29.0	\$27.7	\$23.3
Inventory Days	68	63	43
Backlog and Deferred Revenue	\$192.5	\$194.7	\$207.6

Q4 2019 Financial Guidance Highlights*



Improved Revenue, Operating Income and EPS ranges
Expect to deliver solid profitability in Q4

Financial Metric	Prior Guidance	Updated Guidance	
Total Revenue (\$M)	\$100 - \$110	\$108 - \$118	↑
Video Segment (\$M)	\$70 - \$75	\$78 - \$83	↑
Cable Access Segment (\$M)	\$30 - \$35	\$30 - \$35	
Gross Margin (\$M)	51.0% - 52.5%	51.0% - 52.5%	
Operating Expenses (\$M)	\$48 - \$50	\$48 - \$50	
Operating Income (\$M)	\$1 - \$10	\$5 - \$14	↑
EPS	\$(0.01) - \$0.07	\$0.03 - \$0.11	↑
Cash (\$M)	\$90 - \$100	\$90 - \$100	

* Non-GAAP

Full Year 2019 Financial Guidance Highlights*



Improved Revenue, Gross Margin, Operating Income, EPS ranges
Expect to deliver solid EPS improvement YoY

Financial Metric	Prior Guidance	Updated Guidance	
Total Revenue (\$M)	\$375 - \$395	\$389 - \$399	↑
Video Segment (\$M)	\$272 - \$282	\$277 - \$282	↑
Cable Access Segment (\$M)	\$103 - \$113	\$112 - \$117	↑
Gross Margin (\$M)	56.0% - 57.5%	57.0% - 57.5%	↑
Operating Expenses (\$M)	\$192 - \$196	\$191.5 - \$193.5	
Operating Income (\$M)	\$15 - \$35	\$28.5 - \$37.5	↑
EPS	\$0.07 - \$0.26	\$0.20 - \$0.29	↑
Cash (\$M)	\$90 - \$100	\$90 - \$100	

* Non-GAAP



Cable Access

1. Execute Tier 1 roll-outs
2. Secure new CableOS design wins
3. Scale the business



Video

1. Expand live OTT customer base
2. Grow expanded streaming solutions
3. Deliver consistent segment profitability

Focused on growth, profitability
and
shareholder value creation



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.

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
GAAP	\$ 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)
Total adjustments	\$ —	\$ 2,031	\$ (5,335)	\$ 7,366	\$ 8,320	\$ 12,935
Non-GAAP	\$ 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

Q2 2019 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended June 28, 2019

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 84,865	\$ 43,928	\$ 51,692	\$ (7,764)	\$ (3,384)	\$ (11,845)
Accounting impact related to warrant amortization	23	23	—	23	—	23
Stock-based compensation	—	193	(2,317)	2,510	—	2,510
Amortization of intangibles	—	1,295	(784)	2,079	—	2,079
Restructuring and related charges	—	91	(277)	368	—	368
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1,656	1,656
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,238
Total adjustments	\$ 23	\$ 1,602	\$ (3,378)	\$ 4,980	\$ 1,656	\$ 7,874
Non-GAAP	\$ 84,888	\$ 45,530	\$ 48,314	\$ (2,784)	\$ (1,728)	\$ (3,971)
<i>As a % of revenue (GAAP)</i>		51.8%	60.9%	(9.1)%	(4.0)%	(14.0)%
<i>As a % of revenue (Non-GAAP)</i>		53.6%	56.9%	(3.3)%	(2.0)%	(4.7)%

Diluted net loss per share:

Diluted net loss per share-GAAP	\$ (0.13)
Diluted net loss per share-Non-GAAP	\$ (0.04)

Shares used to compute diluted net loss per share:

GAAP and Non-GAAP	88,931
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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 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 and other 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

YTD Q3 2019 GAAP to Non-GAAP Reconciliations

(in thousands, except EPS and percentages)



Nine months ended September 27, 2019

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense	Net Income (Loss)
GAAP	\$ 280,696	\$ 161,317	\$ 154,940	\$ 6,377	\$ (16,890)	\$ (11,494)
Accounting impact related to warrant amortization	48	48	—	48	—	48
Stock-based compensation	—	823	(7,894)	8,717	—	8,717
Amortization of intangibles	—	3,885	(2,357)	6,242	—	6,242
Restructuring and related charges	—	723	(1,195)	1,918	—	1,918
Loss on debt extinguishment	—	—	—	—	5,695	5,695
Non-cash interest and other expenses related to convertible notes	—	—	—	—	5,887	5,887
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(1,179)
Total adjustments	\$ 48	\$ 5,479	\$ (11,446)	\$ 16,925	\$ 11,582	\$ 27,328
Non-GAAP	\$ 280,744	\$ 166,796	\$ 143,494	\$ 23,302	\$ (5,308)	\$ 15,834
<i>As a % of revenue (GAAP)</i>		57.5%	55.2%	2.3 %	(6.0)%	(4.1)%
<i>As a % of revenue (Non-GAAP)</i>		59.4%	51.1%	8.3 %	(1.9)%	5.6 %
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP						\$ (0.13)
Diluted net income per share-Non-GAAP						\$ 0.17
Shares used to compute diluted net income (loss) per share:						
GAAP						89,030
Non-GAAP						92,579

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



Nine months ended September 28, 2018

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense	Net Income (Loss)
GAAP	\$ 289,903	\$ 148,888	\$ 161,224	\$ (12,336)	\$ (9,190)	\$ (24,365)
Accounting impact related to warrant amortization	1,185	1,185	—	1,185	—	1,185
Stock-based compensation	—	1,577	(12,625)	14,202	—	14,202
Amortization of intangibles	—	3,885	(2,396)	6,281	—	6,281
Restructuring and related charges	—	884	(2,704)	3,588	—	3,588
Gain on equity investments	—	—	—	—	(111)	(111)
Non-cash interest and other expenses related to convertible notes	—	—	—	—	4,483	4,483
Avoid litigation settlement and associated legal fees	—	—	6	(6)	—	(6)
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,543
Total adjustments	\$ 1,185	\$ 7,531	\$ (17,719)	\$ 25,250	\$ 4,372	\$ 31,165
Non-GAAP	\$ 291,088	\$ 156,419	\$ 143,505	\$ 12,914	\$ (4,818)	\$ 6,800
<i>As a % of revenue (GAAP)</i>		<i>51.4%</i>	<i>55.6%</i>	<i>(4.3)%</i>	<i>(3.2)%</i>	<i>(8.4)%</i>
<i>As a % of revenue (Non-GAAP)</i>		<i>53.7%</i>	<i>49.3%</i>	<i>4.4 %</i>	<i>(1.7)%</i>	<i>2.3 %</i>
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP						\$ (0.29)
Diluted net income per share-Non-GAAP						\$ 0.08
Shares used to compute diluted net income (loss) per share:						
GAAP						85,188
GAAP and Non-GAAP						85,962

Q4 2019 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



Q4 2019 Financial Guidance

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$108.0 to \$118.0	\$53.5 to \$60.4	\$52.2 to \$54.2	\$(0.7) to \$8.2	\$(3.3)	\$(4.6) to \$4.3
Stock-based compensation	—	0.3	(3.2)	3.5	—	3.5
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Restructuring and related charges	—	—	(0.2)	0.2	—	0.2
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1.8	1.8
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$(0.9) to \$0.2
Total adjustments	—	1.6	(4.2)	5.8	1.8	\$6.7 to \$7.8
Non-GAAP	\$108.0 to \$118.0	\$55.1 to \$62.0	\$48.0 to \$50.0	\$5.1 to \$14.0	\$(1.5)	\$3.2 to \$11
<i>As a % of revenue (GAAP)</i>		49.5% to 51.1%	44.2% to 50.2%	(0.7)% to 6.9%	(2.8)%	(4.3)% to 3.6%
<i>As a % of revenue (Non-GAAP)</i>		51.0% to 52.5%	40.7% to 46.3%	4.7% to 11.8%	(1.3)%	2.9% to 9.3%
Diluted net income (loss) per share:						
Diluted net income (loss) per share-GAAP						\$(0.05) to \$0.04
Diluted net income per share-Non-GAAP						\$0.03 to \$0.11
Shares used to compute diluted net loss per share:						
GAAP						90.5
Shares used to compute diluted net income per share:						
GAAP and Non-GAAP						95.8

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



2019 Financial Guidance

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$388.7 to \$398.7	\$214.9 to \$221.8	\$207.0 to \$209.0	\$5.9 to \$14.8	\$(20.2)	\$(16.0) to \$(7.1)
Stock-based compensation	—	1.1	(11.1)	12.2	—	12.2
Amortization of intangibles	—	5.2	(3.1)	8.3	—	8.3
Restructuring and related charges	—	0.7	(1.4)	2.1	—	2.1
Non-cash interest and other expenses related to convertible notes	—	—	—	—	13.4	13.4
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$(2.0) to \$(0.9)
Total adjustments	—	7.0	(15.6)	22.6	13.4	\$34.0 to \$35.1
Non-GAAP	\$388.7 to \$398.7	\$221.9 to \$228.8	\$191.4 to \$193.4	\$28.5 to \$37.4	\$(6.8)	\$19.1 to \$26.9
<i>As a % of revenue (GAAP)</i>		55.3% to 55.6%	51.9% to 53.8%	1.5% to 3.7%	(5.1)%	(4.1)% to (1.8)%
<i>As a % of revenue (Non-GAAP)</i>		57.1% to 57.4%	48.0% to 49.8%	7.3% to 9.4%	(1.7)%	4.9% to 6.7%
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP					\$(0.18) to \$(0.08)	
Diluted net income per share-Non-GAAP					\$0.20 to \$0.29	
Shares used to compute diluted net loss per share:						
GAAP					89.9	
Shares used to compute diluted net income per share:						
Non-GAAP					93.8	



Thank You

December 2019

harmonic[®]

