



SECOND QUARTER 2019 Earnings Conference Call

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The Harmonic logo, featuring the word "harmonic" in a lowercase, sans-serif font with a blue play button icon above the letter "i".

harmonic

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 Q3, Q4 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.





Financial Highlights*



- Revenue **\$84.9 million**



- Book-to-bill **1.1**



- Gross margin **53.6%**, EPS **\$(0.04)**

* Non-GAAP financial results



Business Highlights



CableOS

- Software license deal with Comcast
- New >\$55 million international contract



Video

- Live OTT SaaS channel deployments up 10% sequentially
- 8th consecutive profitable quarter



Comcast Agreement

- \$175 million CableOS software license
 - Excludes DAA nodes and traditional CMTS architecture shelves
 - Fee subject to incentive credits Comcast can earn
- Comcast vests remaining 5,862,120 warrant shares
- Powerful endorsement



Global Momentum

- Prior announced >\$50 million* international customer beginning deployment Q3
- New >\$55 million* international contract for 5-year DAA deployment
- Commercially deployed with 16 customers
 - 780,000 cable modems served globally, up 16% sequentially
- 4 new unique patent filings, further strengthening IP position

* Estimated total contract value



SaaS Transformation Execution

- Cloud-based live OTT channel deployments up 10% sequentially
- Video SaaS customer base of 28, up 65% year over year
- SaaS deal pipeline continues to grow, with expected revenue transition headwind



Financial Performance Solid*

- SaaS and Service revenue \$27.2 million, up 13% sequentially
- Gross margin 57.9%, up from 55.0% year over year
- Operating margin 6.2%, 8th consecutive profitable quarter

* Non-GAAP financial results

Q2 2019 Financial Highlights*



\$ Millions (except EPS)	Q2 2019	Q1 2019	Q2 2018	Q2/Q1 Change	Q2 Y/Y Change
Total Net Revenue	\$84.9	\$80.1	\$99.4	5.9%	(14.6)%
Cable Revenue	\$13.3	\$12.9	\$20.2	2.4%	(34.5)%
Video Revenue	\$71.6	\$67.2	\$79.2	6.6%	(9.6)%
Gross Margin %	53.6%	54.5%	54.0%	(0.9%)	(0.4)%
Cable Gross Margin%	30.8%	39.3%	50.3%	(8.5%)	(19.5)%
Video Gross Margin%	57.9%	57.5%	55.0%	0.4%	2.9%
Total Net Revenue	\$84.9	\$80.1	\$99.4	5.9%	(14.6)%
Appliance and integration	\$54.5	\$52.4	\$68.7	3.9%	(20.7)%
SaaS and service	\$30.4	\$27.7	\$30.7	9.8%	(1.0)%
SaaS and service revenue as a % of total revenue	35.9%	34.6%	30.9%	1.3%	5.0%
SaaS and service gross margin %	62.6%	61.3%	65.6%	1.3%	(3.0)%
SaaS customers	28	25	17	12%	65%

* Non-GAAP financial highlights

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Q2 2019 Financial Highlights (Cont.)*



\$ Millions (except EPS)	Q2 2019	Q1 2019	Q2 2018	Q2/Q1 Change	Q2 Y/Y Change
Operating Expenses	\$48.3	\$47.5	\$47.0	1.7%	2.9%
Operating Income (loss)	\$(2.8)	\$(3.8)	\$6.8	\$1.0	\$(9.6)
Diluted Share Count	88.9	88.2	85.8	0.7	3.1
EPS	\$(0.04)	\$(0.05)	\$0.05	\$0.01	\$(0.09)
Bookings	\$92.6	\$81.0	\$107.9	14.3%	(14.2)%
Book to bill ratio	1.1	1.0	1.1	7.9%	0.5%

* Non-GAAP financial highlights

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Q2 2019 Balance Sheet & Cash Flow Highlights

\$ Millions	Q2 2019	Q1 2019	Q2 2018
Cash	\$58.1	\$69.9	\$54.1
Cash Provided by (Used in) Operations	\$(8.8)	\$4.2	\$9.9
Accounts Receivable	\$70.6	\$58.9	\$82.6
DSO	75	66	75
Inventories	\$27.7	\$29.3	\$23.0
Inventory Days	63	72	45
Backlog and Deferred Revenue	\$194.7	\$187.2	\$230.4

Comcast Agreement: Preliminary Financial Expectations



Revenue

- Software license revenue of \$175 million
 - Net of warrant vesting charge of ~\$20 million
 - ~\$155 million over a period of 4 years
- One time recognition of ~\$34 million in Q3

Margin

- \$155 million revenue at 100% margin

Cash flow

- Total cash flow expected \$175 million less credits
- \$50 million cash collection in 2019
- Remaining cash in 2020 to 2023

Expected Revenue Recognition*	Q3-19	Q4-19	2020 to 2023	Total (\$ million)
One time recognition	34	-	-	34
Over time recognition	2	6	113	121
Total	36	6	113	155

*management estimates

Q3 2019 Financial Guidance*



\$ Millions (except EPS)	Q3 2019
Total Revenue	\$110 - \$120
Video Segment	\$63 - \$68
Cable Access Segment	\$47 - \$52
Gross Margin	64.0% - 66.5%
Operating Expenses	\$48 - \$50
Operating Income	\$20 - \$32
EPS	\$0.16 - \$0.26
Tax Rate	12%
Shares, millions	101.5
Cash	\$65 - \$75

* Non-GAAP

Q4 2019 Financial Guidance*



\$ Millions (except EPS)	Q4 2019
Total Revenue	\$100 - \$110
Video Segment	\$70 - \$75
Cable Access Segment	\$30 - \$35
Gross Margin	51.0% - 52.5%
Operating Expenses	\$48 - \$50
Operating Income	\$1 - \$10
EPS	\$(0.01) - \$0.07
Tax Rate	12%
Shares, millions	90.3 - 102.3
Cash	\$90 - \$100

* Non-GAAP

Full Year 2019 Financial Guidance*



\$ Millions (except EPS)	Updated Guidance	Prior Guidance
Total Revenue	\$375 - \$395	\$385 - \$430
Video Segment	\$272 - \$282	\$285 - \$300
Cable Access Segment	\$103 - \$113	\$100 - \$130
Gross Margin	56.0% - 57.5%	50.0% - 53.5%
Operating Expenses	\$192 - \$196	\$195 - \$205
Operating Income	\$15 - \$35	\$(12.5) - \$34.6
EPS	\$0.07 - \$0.26	\$(0.19) - \$0.27
Tax Rate	12%	12%
Shares, millions (basic, diluted)	96.5	89.3 - 91.0
Cash	\$90 - \$100	\$65 - \$85

* Non-GAAP

**Narrowed Revenue ranges.
Improved Gross Margin, Operating Expense, EPS and Cash ranges.**



Cable Access

1. Scale first wave of CableOS deployments
2. Secure new CableOS design wins
3. Execute Tier 1 DAA roll-outs



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





Q&A

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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.

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 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>	<i>As a % of revenue (GAAP)</i>	<i>As a % of revenue (GAAP)</i>	<i>As a % of revenue (GAAP)</i>	<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>	<i>As a % of revenue (Non-GAAP)</i>	<i>As a % of revenue (Non-GAAP)</i>	<i>As a % of revenue (Non-GAAP)</i>	<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

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



Three months ended March 29, 2019

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 80,106	\$ 41,849	\$ 50,257	\$ (8,408)	\$ (3,217)	\$ (11,306)
Accounting impact related to warrant amortization	25	25	—	25	—	25
Stock-based compensation	—	225	(1,888)	2,113	—	2,113
Amortization of intangibles	—	1,295	(788)	2,083	—	2,083
Restructuring and related charges	—	301	(57)	358	—	358
Non-cash interest expenses related to convertible notes	—	—	—	—	1,606	1,606
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	334
Total adjustments	\$ 25	\$ 1,846	\$ (2,733)	\$ 4,579	\$ 1,606	\$ 6,519
Non-GAAP	\$ 80,131	\$ 43,695	\$ 47,524	\$ (3,829)	\$ (1,611)	\$ (4,787)
	<i>As a % of revenue (GAAP)</i>	52.2%	62.7%	(10.5)%	(4.0)%	(14.1)%
	<i>As a % of revenue (Non-GAAP)</i>	54.5%	59.3%	(4.8)%	(2.0)%	(6.0)%

Diluted net loss per share:

Diluted net loss per share-GAAP	\$ (0.13)
Diluted net loss per share-Non-GAAP	\$ (0.05)

Shares used to compute diluted net loss per share:

GAAP and Non-GAAP	88,165
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Q2 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended June 29, 2018

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$ 99,160	\$ 51,603	\$ 50,961	\$ 642	\$ (2,664)	\$ (2,913)
Accounting impact related to warrant amortization	284	284	—	284	—	284
Stock-based compensation	—	448	(2,564)	3,012	—	3,012
Amortization of intangibles	—	1,295	(800)	2,095	—	2,095
Restructuring and related charges	—	115	(631)	746	—	746
Gain on equity investments	—	—	—	—	(183)	(183)
Non-cash interest expenses related to convertible notes	—	—	—	—	1,501	1,501
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	22
Total adjustments	\$ 284	\$ 2,142	\$ (3,995)	\$ 6,137	\$ 1,318	\$ 7,477
Non-GAAP	\$ 99,444	\$ 53,745	\$ 46,966	\$ 6,779	\$ (1,346)	\$ 4,564
	<i>As a % of revenue (GAAP)</i>	52.0%	51.4%	0.6 %	(2.7)%	(2.9)%
	<i>As a % of revenue (Non-GAAP)</i>	54.0%	47.2%	6.8 %	(1.4)%	4.6 %
Diluted net income (loss) per share:						
	Diluted net loss per share-GAAP					\$ (0.03)
	Diluted net income per share-Non-GAAP					\$ 0.05
Shares used to compute diluted net income (loss) per share:						
	GAAP					85,304
	Non-GAAP					85,758

YTD Q2 2019 GAAP to Non-GAAP Reconciliations

(in thousands, except EPS and percentages)



Six months ended June 28, 2019

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense	Net Loss
GAAP	\$ 164,971	\$ 85,777	\$ 101,949	\$ (16,172)	\$ (6,601)	\$ (23,151)
Accounting impact related to warrant amortization	48	48	—	48	—	48
Stock-based compensation	—	418	(4,205)	4,623	—	4,623
Amortization of intangibles	—	2,590	(1,572)	4,162	—	4,162
Restructuring and related charges	—	392	(334)	726	—	726
Non-cash interest expenses related to convertible notes	—	—	—	—	3,262	3,262
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,572
Total adjustments	\$ 48	\$ 3,448	\$ (6,111)	\$ 9,559	\$ 3,262	\$ 14,393
Non-GAAP	\$ 165,019	\$ 89,225	\$ 95,838	\$ (6,613)	\$ (3,339)	\$ (8,758)
		<i>As a % of revenue (GAAP)</i>	<i>As a % of revenue (GAAP)</i>	<i>As a % of revenue (GAAP)</i>	<i>As a % of revenue (GAAP)</i>	<i>As a % of revenue (GAAP)</i>
		52.0%	61.8%	(9.8)%	(4.0)%	(14.0)%
		<i>As a % of revenue (Non-GAAP)</i>	<i>As a % of revenue (Non-GAAP)</i>	<i>As a % of revenue (Non-GAAP)</i>	<i>As a % of revenue (Non-GAAP)</i>	<i>As a % of revenue (Non-GAAP)</i>
		54.1%	58.1%	(4.0)%	(2.0)%	(5.3)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.26)
Diluted net loss per share-Non-GAAP						\$ (0.10)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						88,554

YTD Q2 2018 GAAP to Non-GAAP Reconciliations

(in thousands, except EPS and percentages)



Six months ended June 29, 2018

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense	Net Income (Loss)
GAAP	\$ 189,287	\$ 98,786	\$ 107,471	\$ (8,685)	\$ (5,953)	\$ (16,607)
Accounting impact related to warrant amortization	395	395	—	395	—	395
Stock-based compensation	—	963	(7,806)	8,769	—	8,769
Amortization of intangibles	—	2,590	(1,604)	4,194	—	4,194
Restructuring and related charges	—	877	(1,717)	2,594	—	2,594
Gain on equity investments	—	—	—	—	(183)	(183)
Non-cash interest expenses related to convertible notes	—	—	—	—	2,955	2,955
Avid litigation settlement and associated legal fees	—	—	6	(6)	—	(6)
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,316
Total adjustments	\$ 395	\$ 4,825	\$ (11,121)	\$ 15,946	\$ 2,772	\$ 20,034
Non-GAAP	\$ 189,682	\$ 103,611	\$ 96,350	\$ 7,261	\$ (3,181)	\$ 3,427
	<i>As a % of revenue (GAAP)</i>	52.2%	56.8%	(4.6)%	(3.1)%	(8.8)%
	<i>As a % of revenue (Non-GAAP)</i>	54.6%	50.8%	3.8 %	(1.7)%	1.8 %
Diluted net income (loss) per share:						
	Diluted net loss per share-GAAP					\$ (0.20)
	Diluted net income per share-Non-GAAP					\$ 0.04
Shares used to compute diluted net income (loss) per share:						
	GAAP					84,616
	GAAP and Non-GAAP					85,052

Q3 2019 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



Q3 2019 Financial Guidance

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$110.0 to \$120.0	\$68.7 to \$78.1	\$53.3 to \$55.3	\$13.4 to \$24.8	\$(3.4)	\$9.2 to \$20.6
Stock-based compensation	—	0.4	(3.9)	4.3	—	4.3
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Restructuring and related charges	—	—	(0.6)	0.6	—	0.6
Non-cash interest expense related to convertible notes	—	—	—	—	1.7	1.7
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$(2.8) to \$(1.4)
Total adjustments	—	1.7	(5.3)	7.0	1.7	\$5.9 to \$7.3
Non-GAAP	\$110.0 to \$120.0	\$70.4 to \$79.8	\$48.0 to \$50.0	\$20.4 to \$31.8	\$(1.7)	\$16.5 to \$26.5
<i>As a % of revenue (GAAP)</i>		62.5% to 65.1%	44.4% to 50.3%	12.2% to 20.7%	(3.0)%	8.4% to 17.2%
<i>As a % of revenue (Non-GAAP)</i>		64.0% to 66.5%	40.0% to 45.5%	18.5% to 26.5%	(1.5)%	15.0% to 22.1%
Diluted net income per share:						
Diluted net income per share-GAAP						\$0.09 to \$0.20
Diluted net income per share-Non-GAAP						\$0.16 to \$0.26
Shares used to compute diluted net income per share:						
GAAP and Non-GAAP						101.5

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	\$100.0 to \$110.0	\$49.4 to \$56.2	\$52.1 to \$54.1	\$(4.7) to \$4.1	\$(3.4)	\$(8.9) to \$(0.2)
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	—	—	(0.1)	0.1	—	0.1
Non-cash interest expense related to convertible notes	—	—	—	—	1.7	1.7
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$(0.2) to \$0.9
Total adjustments	—	1.6	(4.1)	5.7	1.7	\$7.2 to \$8.3
Non-GAAP	\$100.0 to \$110.0	\$51.0 to \$57.8	\$48.0 to \$50.0	\$1.0 to \$9.8	\$(1.7)	\$(0.6) to \$7.1
<i>As a % of revenue (GAAP)</i>		49.4% to 51.0%	47.4% to 54.1%	(4.7)% to 3.7%	(3.0)%	(8.9)% to (0.1)%
<i>As a % of revenue (Non-GAAP)</i>		51.0% to 52.5%	43.6% to 50.0%	1.0% to 8.9%	(1.5)%	(0.6)% to 6.4%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$(0.10) to \$0.00
Diluted net loss per share-Non-GAAP						\$(0.01) to \$0.07
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						90.3
Shares used to compute diluted net income per share:						
Non-GAAP						102.3

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	\$375.0 to \$395.0	\$203.9 to \$220.1	\$207.5 to \$211.5	\$(7.5) to \$12.7	\$(13.4)	\$(23.0) to \$(2.8)
Stock-based compensation	—	1.1	(11.4)	12.5	—	12.5
Amortization of intangibles	—	5.2	(3.2)	8.4	—	8.4
Restructuring and related charges	—	0.4	(1.0)	1.4	—	1.4
Non-cash interest expense related to convertible notes	—	—	—	—	6.7	6.7
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$(1.3) to \$1.1
Total adjustments	—	6.7	(15.6)	22.3	6.7	\$27.7 to \$30.1
Non-GAAP	\$375.0 to \$395.0	\$210.6 to \$226.8	\$191.8 to \$195.9	\$14.8 to \$35.0	\$(6.7)	\$7.1 to \$24.9
<i>As a % of revenue (GAAP)</i>		54.4% to 55.7%	52.5% to 56.4%	(2.0)% to 3.2%	(3.5)%	(6.1)% to (0.7)%
<i>As a % of revenue (Non-GAAP)</i>		56.2% to 57.4%	48.6% to 52.2%	3.9% to 8.9%	(1.8)%	1.9% to 6.3%
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP						\$(0.26) to \$(0.03)
Diluted net income per share-Non-GAAP						\$0.07 to \$0.26
Shares used to compute diluted net loss per share:						
GAAP						89.8
Shares used to compute diluted net income per share:						
Non-GAAP						96.5