



FOURTH QUARTER 2021
EARNINGS
CONFERENCE CALL

Patrick Harshman, President & CEO
Sanjay Kalra, CFO

January 31, 2022



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 2022 and beyond, and our Q1 and full-year 2022 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.



Corporate

Revenue up 18.5% yoy;
Record Backlog and
Deferred Revenue



Cable Access

Revenue up 53% yoy;
Deployments up 66%



Video

Streaming Revenue up
56.5% yoy;
Strong Operating Profit

Continued Strong Market Momentum



STRONG Q4

- Commercially deployed with 73 operators, up 66% year over year
- Revenue \$69.7 million, up 53% year over year
- Adjusted EBITDA margin 9.6%, despite supply chain impact



EXECUTING MULTI-YEAR STRATEGY

- Bookings, backlog and sales pipeline continue to be strong
- Fiber-to-the-home solution gaining traction
- 2022 full year growth outlook strong, constrained by supply chain



STRONG Q4

- Revenue \$86.1 million, flat year over year
- Gross margin 58.8%, up 260 basis points year over year
- Streaming full year revenue \$48.5 million, up 56.5% year over year



EXECUTING MULTI-YEAR STRATEGY

- Streaming SaaS powering >2,500 live sports events per month and growing
- 2022 streaming SaaS revenue forecast to grow >50%
- On track to deliver >\$100 million streaming revenue by 2024 (>two-thirds SaaS)



FINANCIAL RESULTS AND **OUTLOOK**

Sanjay Kalra, CFO



SOLID FINANCIAL RESULTS*

- Record Revenue \$155.8 million, up 18.5% year over year
- Gross Margin 50.5%, down 480 basis points year over year
- Non-GAAP EPS \$0.16, down 20% year over year
- Record Backlog and Deferred Revenue \$441.0 million, up 51.8% year over year
- Cash \$133.4 million, up 35.3% year over year

* Non-GAAP

Q4 2021 REVENUE & GROSS MARGIN HIGHLIGHTS*



Financial Metric (\$ Millions)	Q4 2021	Q3 2021	Q4 2020	Q4/Q3 Change	Q4 Y/Y Change
Total Net Revenue	\$155.8	\$126.3	\$131.5	23.4%	18.5%
Cable Access Revenue	\$69.7	\$57.6	\$45.5	21.0%	53.2%
Video Revenue	\$86.1	\$68.7	\$86.0	25.3%	0.1%
Gross Margin %	50.5%	52.8%	55.3%	(2.3)%	(4.8)%
Cable Access Gross Margin %	40.3%	42.0%	53.7%	(1.7)%	(13.4)%
Video Gross Margin %	58.8%	61.9%	56.2%	(3.1)%	2.6%

* Non-GAAP

Q4 2021 EARNINGS AND BOOKINGS HIGHLIGHTS*



Financial Metric \$ Millions (except EPS)	Q4 2021	Q3 2021	Q4 2020	Q4/Q3 Change	Q4 Y/Y Change
Operating Expenses	\$58.0	\$54.9	\$49.3	5.6%	17.6%
Adj. EBITDA	\$23.8	\$14.8	\$26.4	60.8%	(9.8)%
Cable Access Adj. EBITDA	\$6.7	\$5.1	\$11.0	31.4%	(39.1)%
Video Adj. EBITDA	\$17.1	\$9.7	\$15.4	76.3%	11.0%
EPS	\$0.16	\$0.09	\$0.20	77.8%	(20.0)%
Share Count	110.5	106.4	100.3	3.9%	10.2%
Bookings	\$267.3	\$114.3	\$206.4	133.9%	29.5%
Book to bill ratio	1.7	0.9	1.6	91.1%	9.6%

* Non-GAAP

Q4 2021 BALANCE SHEET & CASH FLOW HIGHLIGHTS



Financial Metric (\$ Millions)	Q4 2021	Q3 2021	Q4 2020
Cash	\$133.4	\$128.4	\$98.6
Cash Provided by Operations	\$7.4	\$15.2	\$41.6
Accounts Receivable	\$88.5	\$75.4	\$66.2
DSO	51	54	45
Inventory	\$71.2	\$51.9	\$35.0
Inventory Days	83	78	54
Backlog and Deferred Revenue	\$441.0	\$333.3	\$290.5
Free cash flow	\$5.0	\$12.3	\$35.6

EXECUTING LONG-TERM MODEL – CABLE ACCESS*



Financial Metric	2020	2021	2022 (E)	2024 Target
Revenue (in millions)	\$136.3	\$218.6	\$295 - \$307	\$530+
Gross Margins	48.9%	42.6%**	41.0% - 43.6%	60%+
Gross Margin (in millions)	\$66.7	\$93.2	\$121 - \$134	\$318+
Adjusted EBITDA Margins	11.5%	9.6%	11.5% -14.0%	20%+
Adjusted EBITDA (in millions)	\$15.6	\$20.9	\$34 - \$43	\$106+

* Non-GAAP

** Excluding supply chain impacts, Cable Access gross margins would be ~47%

EXECUTING LONG-TERM MODEL – VIDEO*

Financial Metric	2020	2021	2022 (E)	2024 Target
Revenue (in millions)	\$243	\$289	\$275 - \$289	\$300+
Broadcast Revenue	\$212	\$241	\$215 - \$225	\$200+
Streaming Revenue	\$31	\$48	\$60 - \$70	\$100+
Gross Margins*	54.5%	58.7%	56.5% - 58.3%	60%+
Adjusted EBITDA Margins*	3.4%	12.6%	5.5% – 8.4%	12%+

* Non-GAAP

FULL YEAR 2022 FINANCIAL GUIDANCE*



Financial Metric	Cable Access	Video	Total
Net Revenue (\$M)	\$295 - \$307	\$275 - \$289	\$570 - \$596
Gross Margin %	41.0% - 43.6%	56.5% - 58.3%	48.5% - 50.7%
Gross Profit (\$M)	\$121 - \$134	\$155 - \$168	\$276 - \$302
Operating Expenses (\$M)	\$92 - \$96	\$146 - \$150	\$238 - \$246
Adj. EBITDA (\$M)	\$34 - \$43	\$15 - \$24	\$49 - \$67
Shares			112.6
EPS (\$)			\$0.26 - \$0.40
Cash (\$M)			\$100.0 - \$110.0

* Non-GAAP. Components may not sum to total due to rounding.

Q1 2022 FINANCIAL GUIDANCE*



Financial Metric	Cable Access	Video	Total
Net Revenue (\$M)	\$70 - \$80	\$64 - \$69	\$134 - \$149
Gross Margin %	36.0% - 38.0%	56.0% - 57.0%	45.6% - 46.8%
Gross Profit (\$M)	\$25 - \$30	\$36 - \$39	\$61 - \$69
Operating Expenses (\$M)	\$22 - \$23	\$37 - \$38	\$59 - \$61
Adj. EBITDA (\$M)	\$4 - \$8	\$0 - \$3	\$4 - \$11
Shares			111.7
EPS (\$)			\$0.01 - \$0.06
Cash (\$M)			\$110 - \$120

* Non-GAAP. Components may not sum to total due to rounding.



Cable Access

Grow Tier 1 CableOS deployments

Add new CableOS design wins

Expand addressed market through FTTH



Video

Grow Streaming SaaS customer base

Extend SaaS technology and operations

Capitalize on broadcast transformations

Create value.

Deliver industry-leading solutions.

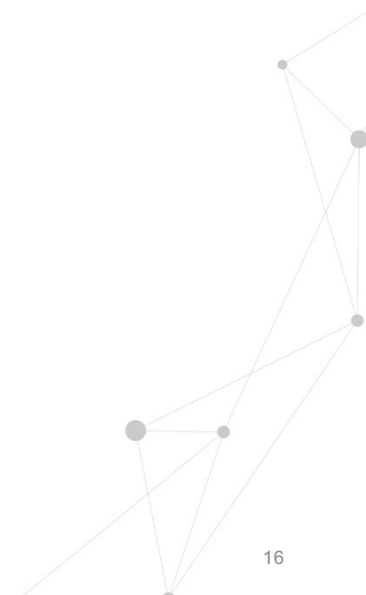
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Q&A



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, Adjusted EBITDA, 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 restructuring and related charges, stock-based compensation expense, amortization of intangibles, loss on convertible debt extinguishment, non-cash interest and other expenses on convertible notes and other debt, adjustments that normalize the tax rate and depreciation.

Q4 2021 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended December 31, 2021

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income
GAAP	\$ 155,804	\$ 77,938	\$ 62,792	\$ 15,146	\$ (2,678)	\$ 19,857
Stock-based compensation	—	506	(4,689)	5,195	—	5,195
Restructuring and related charges	—	225	(67)	292	—	292
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1,621	1,621
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(9,347)
Total adjustments	—	731	(4,756)	5,487	1,621	(2,239)
Non-GAAP	<u>\$ 155,804</u>	<u>\$ 78,669</u>	<u>\$ 58,036</u>	<u>\$ 20,633</u>	<u>\$ (1,057)</u>	<u>\$ 17,618</u>
<i>As a % of revenue (GAAP)</i>		50.0 %	40.3 %	9.7 %	(1.7)%	12.7 %
<i>As a % of revenue (Non-GAAP)</i>		50.5 %	37.2 %	13.2 %	(0.7)%	11.3 %
Diluted net income per share:						
GAAP						<u>\$ 0.18</u>
Non-GAAP						<u>\$ 0.16</u>
Shares used in per share calculation:						
GAAP and Non-GAAP						<u>110,474</u>

Q3 2021 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Three Months Ended October 1, 2021					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income
GAAP	\$ 126,321	\$ 66,154	\$ 60,783	\$ 5,371	\$ (2,899)	\$ 1,530
Stock-based compensation	—	545	(5,891)	6,436	—	6,436
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1,592	1,592
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(108)
Total adjustments	—	545	(5,891)	6,436	1,592	7,920
Non-GAAP	<u>\$ 126,321</u>	<u>\$ 66,699</u>	<u>\$ 54,892</u>	<u>\$ 11,807</u>	<u>\$ (1,307)</u>	<u>\$ 9,450</u>
<i>As a % of revenue (GAAP)</i>		52.4 %	48.1 %	4.3 %	(2.3)%	1.2 %
<i>As a % of revenue (Non-GAAP)</i>		52.8 %	43.5 %	9.3 %	(1.0)%	7.5 %
Diluted net income per share:						
GAAP						<u>\$ 0.01</u>
Non-GAAP						<u>\$ 0.09</u>
Shares used in per share calculation:						
GAAP and Non-GAAP						<u>106,421</u>

Q4 2020 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Three Months Ended December 31, 2020					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income
GAAP	\$ 131,528	\$ 71,562	\$ 54,787	\$ 16,775	\$ (3,349)	\$ 13,465
Stock-based compensation	—	348	(3,955)	4,303	—	4,303
Amortization of intangibles	—	—	(756)	756	—	756
Restructuring and related charges	—	863	(750)	1,613	—	1,613
Loss on convertible debt extinguishment/conversion	—	—	—	—	528	528
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1,607	1,607
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(2,262)
Total adjustments	—	1,211	(5,461)	6,672	2,135	6,545
Non-GAAP	<u>\$ 131,528</u>	<u>\$ 72,773</u>	<u>\$ 49,326</u>	<u>\$ 23,447</u>	<u>\$ (1,214)</u>	<u>\$ 20,010</u>
	<i>As a % of revenue (GAAP)</i>	54.4 %	41.7 %	12.8 %	(2.5)%	10.2 %
	<i>As a % of revenue (Non-GAAP)</i>	55.3 %	37.5 %	17.8 %	(0.9)%	15.2 %
Diluted net income per share:						
GAAP						<u>\$ 0.13</u>
Non-GAAP						<u>\$ 0.20</u>
Shares used in per share calculation:						
GAAP and Non-GAAP						<u>100,316</u>

FY 2021 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Twelve Months Ended December 31, 2021

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income
GAAP	\$ 507,149	\$ 259,742	\$ 240,933	\$ 18,809	\$ (9,938)	\$ 13,254
Stock-based compensation	—	2,346	(21,716)	24,062	—	24,062
Amortization of intangibles	—	—	(507)	507	—	507
Restructuring and related charges	—	571	(110)	681	—	681
Non-cash interest and other expenses related to convertible notes	—	—	—	—	6,305	6,305
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(8,425)
Total adjustments	—	2,917	(22,333)	25,250	6,305	23,130
Non-GAAP	\$ 507,149	\$ 262,659	\$ 218,600	\$ 44,059	\$ (3,633)	\$ 36,384
<i>As a % of revenue (GAAP)</i>		51.2 %	47.5 %	3.7 %	(2.0)%	2.6 %
<i>As a % of revenue (Non-GAAP)</i>		51.8 %	43.1 %	8.7 %	(0.7)%	7.2 %
Diluted net income per share:						
GAAP						\$ 0.12
Non-GAAP						\$ 0.34
Shares used in per share calculation:						
GAAP and Non-GAAP						106,171

FY 2020 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Twelve Months Ended December 31, 2020						
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating expense, net	Net Income (Loss)	
GAAP	\$ 378,831	\$ 194,997	\$ 207,446	\$ (12,449)	\$ (13,768)	\$ (29,271)	
Stock-based compensation	—	1,712	(16,328)	18,040	—	18,040	
Amortization of intangibles	—	950	(3,020)	3,970	—	3,970	
Restructuring and related charges	—	1,094	(2,322)	3,416	—	3,416	
Loss on convertible debt extinguishment	—	—	—	—	1,362	1,362	
Non-cash interest and other expenses related to convertible notes	—	—	—	—	7,058	7,058	
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	2,291	
Total adjustments	—	3,756	(21,670)	25,426	8,420	36,137	
Non-GAAP	<u>\$ 378,831</u>	<u>\$ 198,753</u>	<u>\$ 185,776</u>	<u>\$ 12,977</u>	<u>\$ (5,348)</u>	<u>\$ 6,866</u>	
		<i>As a % of revenue (GAAP)</i>	<i>51.5 %</i>	<i>54.8 %</i>	<i>(3.3)%</i>	<i>(3.6)%</i>	<i>(7.7)%</i>
		<i>As a % of revenue (Non-GAAP)</i>	<i>52.5 %</i>	<i>49.0 %</i>	<i>3.4 %</i>	<i>(1.4)%</i>	<i>1.8 %</i>
Diluted net income (loss) per share:							
GAAP						<u>\$ (0.30)</u>	
Non-GAAP						<u>\$ 0.07</u>	
Shares used in per share calculation:							
GAAP						<u>96,971</u>	
Non-GAAP						<u>98,633</u>	

ADJ. EBITDA RECONCILIATIONS

(IN THOUSANDS)



	Three Months Ended		
	December 31, 2021	October 1, 2021	December 31, 2020
Net income - GAAP	\$ 19,857	\$ 1,530	\$ 13,465
Provision for income taxes	(7,389)	942	(39)
Interest expense, net	2,706	2,686	2,737
Depreciation	3,151	3,231	3,054
Amortization of intangibles	—	—	756
EBITDA	18,325	8,389	19,973
<i>Adjustments</i>			
Stock-based compensation	5,195	6,436	4,303
Loss on convertible debt extinguishment	—	—	528
Restructuring and related charges	292	—	1,613
Adjusted EBITDA	\$ 23,812	\$ 14,825	\$ 26,417

ADJ. EBITDA RECONCILIATIONS

(IN THOUSANDS)



	<u>Twelve Months Ended</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net income (loss) - GAAP	\$ 13,254	\$ (29,271)
Provision for income taxes	(4,383)	3,054
Interest expense, net	10,625	11,509
Depreciation	12,546	11,737
Amortization of intangibles	<u>507</u>	<u>3,970</u>
EBITDA	32,549	999
<i>Adjustments</i>		
Stock-based compensation	24,062	18,040
Loss on convertible debt extinguishment	—	1,362
Restructuring and related charges	<u>681</u>	<u>3,416</u>
Adjusted EBITDA	<u><u>\$ 57,292</u></u>	<u><u>\$ 23,817</u></u>

2022 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	2022 Financial Guidance ⁽¹⁾			
	Revenue	Gross Profit	Income from Operations	Net Income (Loss)
GAAP	\$570.0 to \$596.0	\$273.8 to \$299.8	\$7.5 to \$25.5	\$(36.0) to \$(18.0)
Stock-based compensation expense	—	2.2	30.2	30.2
Restructuring and related charges	—	0.4	0.7	0.7
Non-cash interest and other expenses related to convertible notes	—	—	—	30.9
Tax effect of non-GAAP adjustments	—	—	—	\$3.1 to \$0.7
Total adjustments	—	2.6	30.9	\$64.9 to \$62.5
Non-GAAP	<u>\$570.0 to \$596.0</u>	<u>\$276.4 to \$302.4</u>	<u>\$38.4 to \$56.4</u>	<u>\$28.9 to \$44.5</u>
<i>As a % of revenue (GAAP)</i>		48.0% to 50.3%	1.3% to 4.3%	(6.3)% to (3.0)%
<i>As a % of revenue (Non-GAAP)</i>		48.5% to 50.7%	6.7% to 9.5%	5.1% to 7.5%
Diluted net income (loss) per share:				
GAAP				<u>\$(0.34) to \$(0.17)</u>
Non-GAAP				<u>\$0.26 to \$0.40</u>
Shares used in per share calculation:				
GAAP				<u>106.0</u>
Non-GAAP				<u>112.6</u>

(1) Components may not sum to total due to rounding.

Q1 2022 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	Q1 2022 Financial Guidance ⁽¹⁾			
	Revenue	Gross Profit	Income (Loss) from Operations	Net Income (Loss)
GAAP	\$134.0 to \$149.0	\$59.9 to \$68.6	\$(7.7) to \$(1.0)	\$(10.9) to \$(4.2)
Stock-based compensation expense	—	1.0	9.5	9.5
Restructuring and related charges	—	0.1	0.2	0.2
Non-cash interest and other expenses related to convertible notes	—	—	—	0.2
Tax effect of non-GAAP adjustments	—	—	—	\$1.7 to \$0.8
Total adjustments	—	1.1	9.7	\$11.6 to \$10.7
Non-GAAP	<u>\$134.0 to \$149.0</u>	<u>\$61.0 to \$69.7</u>	<u>\$2.0 to \$8.7</u>	<u>\$0.7 to \$6.5</u>
<i>As a % of revenue (GAAP)</i>		44.7% to 46.0%	(5.7)% to (0.7)%	(8.1)% to (2.8)%
<i>As a % of revenue (Non-GAAP)</i>		45.6% to 46.8%	1.5% to 5.8%	0.5% to 4.4%
Diluted net income (loss) per share:				
GAAP				<u>\$(0.10) to \$(0.04)</u>
Non-GAAP				<u>\$0.01 to \$0.06</u>
Shares used in per share calculation:				
GAAP				<u>104.6</u>
Non-GAAP				<u>111.7</u>

(1) Components may not sum to total due to rounding.

2022 ADJ. EBITDA GUIDANCE RECONCILIATIONS

(IN THOUSANDS)



	Q1 2022 Financial Guidance	2022 Financial Guidance
Net loss - GAAP	\$(10.9) to \$(4.2)	\$(36.0) to \$(18.0)
Provision for income taxes	1.8	7.4
Interest expense, net	1.2	4.9
Depreciation	2.8	11.7
EBITDA	\$(5.1) to \$1.6	\$(12.0) to \$6.0
<i>Adjustments</i>		
Stock-based compensation	9.5	30.2
Loss on conversion	—	30.0
Restructuring and related charges	0.2	0.7
Adjusted EBITDA	\$4.6 to \$11.3	\$48.9 to \$66.9

(1) Components may not sum to total due to rounding.

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THANK YOU.

