



SECOND QUARTER 2018
Earnings Conference Call

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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 2018 and beyond, and our Q3, Q4 and full year 2018 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.



Business Highlights



- Cable Access segment revenue **up 70%** year over year, led by CableOS



- Video segment **operating profit 7.9%**, driven by OTT and UHD



- CableOS connected cable modems >400,000, **up 100% sequentially**



Financial Highlights



- Revenue **up 21%** year over year



- Bookings **up 18%** year over year



- Operating income **6.8%**



Positive Financial Trajectory*

- Revenue up 70% year over year, and 9% sequentially
- Operating profit 2.7%, return to profitability after investment cycle
- On track to achieve \$100M target for 2018



CableOS Momentum Building

- Over 400,000 cable modems served, up 100% from Q1
 - Over 100,000 cable modems served via “distributed PHY” architectures
- Continued global design wins and deployment execution
 - Over 20 commercial deployments and field trials underway
- Awarded foundational patent for virtualized cable access

* Non-GAAP financial results



Improved Financial Performance*

- Operating profit 7.9%, up \$15.2M year over year
- Fourth consecutive quarter of positive operating profit, average > 6%
- Record backlog and deferred revenue, enabling improved consistency



Growth Initiatives Gaining Momentum

- Over 34,000 live and linear OTT channels deployed, up 6% sequentially
- Expanded addressed market via two >\$1 million OTT SaaS wins
- UHD shipments up over 200% year over year

* Non-GAAP financial results

Q2 2018 Financial Highlights*



\$ Millions (except EPS)	Q2 2018	Q1 2018	Q2 2017	Q2/Q1 Change	Q2 Y/Y Change
Total Net Revenue	\$99.4	\$90.2	\$82.3	10.0%	21.0%
Gross Margin %	54.0%	55.3%	47.9%	(1.3)%	6.1%
Operating Expense	\$47.0	\$49.4	\$55.8	(5.0)%	(16.0)%
Operating Income (Loss)	\$6.8	\$0.5	(\$16.4)	\$6.3	\$23.2
EPS	\$0.05	(\$0.01)	(\$0.20)	\$0.06	\$0.25
Bookings	\$107.9	\$102.6	\$91.1	5.2%	18.4%

* Non-GAAP financial highlights

Q2 2018 Balance Sheet & Cash Flow Highlights



\$ Millions	Q2 2018	Q1 2018	Q2 2017
Cash	\$54.1	\$52.0	\$52.9
Cash Provided by (Used in) Operations	\$9.9	(\$6.6)	\$5.7
Accounts Receivable	\$82.6	\$74.8	\$60.4
DSO	75	75	66
Inventories	\$23.0	\$25.1	\$35.1
Inventory Days	45	56	74
Backlog and Deferred	\$230.4	\$224.4	\$194.4

Q3 & Q4 2018 Financial Guidance*



\$ Millions (except EPS)	Q3 2018	Q4 2018
Total Revenue	\$93 - \$103	\$105 - \$118
Video Segment	\$70 - \$76	\$75 - \$82
Cable Access Segment	\$23 - \$27	\$30 - \$36
Gross Margin	51% - 52%	50% - 52%
Operating Expenses	\$49 - \$50	\$50 - \$51
Operating Income / (Loss)	(\$3.0) - \$4.0	\$1.0 - \$12.0
EPS	(\$0.05) - \$0.03	\$0.0 - \$0.09
Tax Rate	16%	16%
Shares, millions (basic, diluted)	86.4, 87.4	87.0, 88.5
Cash	\$50 - \$60	\$50 - \$60

* Non-GAAP

Full Year 2018 Financial Guidance*



\$ Millions (except EPS)	Revised Guidance	Original Guidance
Total Revenue	\$388 - \$411	\$375 - \$425
Video Segment	\$296 - \$309	\$285 - \$315
Cable Access Segment	\$92 - \$102	\$90 - \$110
Gross Margin	52% - 53%	51% - 52%
Operating Expenses	\$195 - \$197	\$197 - \$205
Operating Income (Loss)	\$6 - \$24	(\$15) - \$26
EPS	(\$0.01) - \$0.16	(\$0.22) - \$0.18
Tax Rate	16%	16%
Shares, millions (basic, diluted)	85.7, 86.6	86.0, 87.0
Cash	\$50 - \$60	\$45 - \$55

Increased Operating Income, EPS and Cash Guidance



Cable Access

1. Scale first wave of CableOS deployments
2. Secure new CableOS design wins
3. Deliver \$100M 2018 revenue



Video

1. Drive OTT sales growth
2. Expand addressed market via SaaS
3. Deliver consistent segment profitability

Focused on growth, profitability
and
shareholder value creation





harmonic

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, gross profit, operating expenses, income (loss) from operations, total net non-operating income (expense) and 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 and TVN inventory valuation, TVN acquisition and integration related costs, restructuring and related charges, Cable Edge 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 and adjustments that normalize the tax rate.

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>	<i>52.0%</i>	<i>51.4%</i>	<i>0.6 %</i>	<i>(2.7)%</i>	<i>(2.9)%</i>
	<i>As a % of revenue (Non-GAAP)</i>	<i>54.0%</i>	<i>47.2%</i>	<i>6.8 %</i>	<i>(1.4)%</i>	<i>4.6 %</i>
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

Q1 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended March 30, 2018

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 90,127	\$ 47,183	\$ 56,510	\$ (9,327)	\$ (3,289)	\$ (13,694)
Accounting impact related to warrant amortization	111	111	—	111	—	111
Stock-based compensation	—	515	(5,242)	5,757	—	5,757
Amortization of intangibles	—	1,295	(804)	2,099	—	2,099
Restructuring and related charges	—	762	(1,086)	1,848	—	1,848
Avoid litigation settlement and associated legal fees	—	—	6	(6)	—	(6)
Non-cash interest expenses related to convertible notes	—	—	—	—	1,454	1,454
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,294
Total adjustments	111	2,683	(7,126)	9,809	1,454	12,557
Non-GAAP	\$ 90,238	\$ 49,866	\$ 49,384	\$ 482	\$ (1,835)	\$ (1,137)
		<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>
		52.4%	62.7%	(10.3)%	(3.6)%	(15.2)%
		<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>
		55.3%	54.7%	0.5 %	(2.0)%	(1.3)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.16)
Diluted net loss per share-Non-GAAP						\$ (0.01)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						83,912

Q2 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



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Three months ended June 30, 2017

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 82,315	\$ 33,815	\$ 61,237	\$ (27,422)	\$ (3,499)	\$ (31,500)
Cable Edge inventory charge	—	3,331	—	3,331	—	3,331
Stock-based compensation	—	700	(3,436)	4,136	—	4,136
Amortization of intangibles	—	1,295	(780)	2,075	—	2,075
Restructuring and related charges	—	278	(777)	1,055	—	1,055
TVN acquisition and integration-related costs	—	—	(467)	467	—	467
Non-cash interest expenses related to convertible notes	—	—	—	—	1,360	1,360
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	3,354
Total adjustments	\$ —	\$ 5,604	\$ (5,460)	\$ 11,064	\$ 1,360	\$ 15,778
Non-GAAP	\$ 82,315	\$ 39,419	\$ 55,777	\$ (16,358)	\$ (2,139)	\$ (15,722)
		<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>
		41.1%	74.4%	(33.3)%	(4.3)%	(38.3)%
		<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>
		47.9%	67.8%	(19.9)%	(2.6)%	(19.1)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.39)
Diluted net loss per share-Non-GAAP						\$ (0.20)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						80,590

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
Avoid 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

Non-GAAP 85,052

YTD Q2 2017 GAAP to Non-GAAP Reconciliations

(in thousands, except EPS and percentages)



Six months ended June 30, 2017

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense	Net Loss
GAAP	\$ 165,258	\$ 74,223	\$ 122,803	\$ (48,580)	\$ (6,600)	\$ (55,527)
Cable Edge inventory charge	—	3,316	—	3,316	—	3,316
Acquisition accounting impacts related to TVN deferred revenue	111	111	—	111	—	111
Accounting impact related to warrant amortization	416	416	—	416	—	416
Stock-based compensation	—	1,145	(6,242)	7,387	—	7,387
Amortization of intangibles	—	2,590	(1,554)	4,144	—	4,144
Restructuring and related charges	—	786	(2,056)	2,842	—	2,842
TVN acquisition-and integration-related costs	—	342	(2,275)	2,617	—	2,617
Non-cash interest expenses related to convertible notes	—	—	—	—	2,676	2,676
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	5,098
Total adjustments	527	8,706	(12,127)	20,833	2,676	28,607
Non-GAAP	\$ 165,785	\$ 82,929	\$ 110,676	\$ (27,747)	\$ (3,924)	\$ (26,920)
	<i>As a % of revenue (GAAP)</i>	44.9%	74.3%	(29.4)%	(4.0)%	(33.6)%
	<i>As a % of revenue (Non-GAAP)</i>	50.0%	66.8%	(16.7)%	(2.4)%	(16.2)%
Diluted net loss per share:						
	Diluted net loss per share-GAAP					\$ (0.69)
	Diluted net loss per share-Non-GAAP					\$ (0.34)
Shares used to compute diluted net loss per share:						
	GAAP and Non-GAAP					80,203

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



Q3 2018 Financial Guidance

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$93.0 to \$103.0	\$45.0 to \$51.0	\$55.1 to \$56.1	\$(11.1) to \$(4.1)	\$(3.3)	\$(15.1) to \$(7.5)
Stock-based compensation	—	0.7	(5.3)	6.0	—	6.0
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Non-cash interest expense related to convertible notes	—	—	—	—	1.5	1.5
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$0.9 to \$1.5
Total adjustments	—	2.0	(6.1)	8.1	1.5	\$10.5 to \$11.1
Non-GAAP	\$93.0 to \$103.0	\$47.0 to \$53.0	\$49.0 to \$50.0	\$(3.0) to \$4.0	\$(1.8)	\$(4.0) to \$3.0
<i>As a % of revenue (GAAP)</i>		48.4% to 49.5%	53.5% to 60.3%	(11.9)% to (4.0)%	(3.5%)	(16.2)% to (7.3)%
<i>As a % of revenue (Non-GAAP)</i>		51% to 52%	47.5% to 54.0%	(3)% to 4%	(2%)	(4)% to 3%
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP						\$(0.17) to \$(0.09)
Diluted net (loss) income per share-Non-GAAP						\$(0.05) to \$0.03
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						86.4
Shares used to compute diluted net income per share:						
Non-GAAP						87.4

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



Q4 2018 Financial Guidance

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$105.0 to \$118.0	\$50.4 to \$60.4	\$53.5 to \$54.5	\$(4.1) to \$6.9	\$(3.4)	\$(8.2) to \$2.5
Stock-based compensation	—	0.3	(2.7)	3.0	—	3.0
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Non-cash interest expense related to convertible notes	—	—	—	—	1.6	1.6
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$(1.2) to \$1.5
Total adjustments	—	1.6	(3.5)	5.1	1.6	\$5.5 to \$8.2
Non-GAAP	\$105.0 to \$118.0	\$52.0 to \$62.0	\$50.0 to \$51.0	\$1.0 to \$12.0	\$(1.8)	\$0.0 to \$8.0
<i>As a % of revenue (GAAP)</i>		48.0% to 51.2%	45.3% to 51.9%	(3.9)% to 5.8%	(3.0%)	(7.8)% to 2.2%
<i>As a % of revenue (Non-GAAP)</i>		50% to 52%	42.5% to 48.5%	1% to 10%	(2%)	0% to 7%
Diluted net income (loss) per share:						
Diluted net income (loss) per share-GAAP						\$(0.09) to \$0.03
Diluted net (loss) income per share-Non-GAAP						\$0.00 to \$0.09
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						87.0
Shares used to compute diluted net income per share:						
GAAP and Non-GAAP						88.5

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



	2018 Financial Guidance					
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$388.0 to \$411.0	\$195.0 to \$211.0	\$215.8 to \$217.8	\$(22.8) to \$(4.8)	\$(13.3)	\$(38.8) to \$(20.9)
Stock-based compensation	—	1.9	(15.9)	17.8	—	17.8
Amortization of intangibles	—	5.2	(3.2)	8.4	—	8.4
Restructuring and related charges	—	0.9	(1.7)	2.6	—	2.6
Non-cash interest expense related to convertible notes	—	—	—	—	6.1	6.1
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$0.0 to \$2.9
Total adjustments	—	8.0	(20.8)	28.8	6.1	\$34.9 to \$37.8
Non-GAAP	\$388.0 to \$411.0	\$203.0 to \$219.0	\$195.0 to \$197.0	\$6.0 to \$24.0	\$(7.2)	\$(1.0) to \$14.0
<i>As a % of revenue (GAAP)</i>		50.3% to 51.3%	52.5% to 56.1%	(5.9)% to (1.2)%	(3)%	(10.0)% to (5.1)%
<i>As a % of revenue (Non-GAAP)</i>		52% to 53%	47.5% to 51%	1.5% to 6.0%	(2)%	(0.3)% to 3.5%
Diluted income (loss) per share:						
Diluted net loss per share-GAAP						\$(0.45) to \$(0.24)
Diluted net (loss) income per share-Non-GAAP						\$(0.01) to \$0.16
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						85.7
Shares used to compute diluted net income per share:						
Non-GAAP						86.6