

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

July 17, 2003

Date of Report
(Date of earliest event reported)

HARMONIC INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

0-25826

Commission File Number

77-0201147

(I.R.S. Employer
Identification Number)

549 Baltic Way
Sunnyvale, CA 94089
(408) 542-2500

(Address, including zip code, and telephone number, including area code,
of Registrant's principal executive offices)

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Item 7. Financial Statements and Exhibits

(c) Exhibits

Exhibit Number	Description
99.1	Press Release of Harmonic Inc., issued on July 17, 2003

Item 9. Regulation FD Disclosure (Information Also Provided Under Item 12 – Disclosure of Results of Operations and Financial Condition)

On July 17, 2003, Harmonic Inc. (“Harmonic”) is issuing a press release and holding a conference call regarding its financial results for the quarter ended June 27, 2003. A copy of the press release is furnished as Exhibit 99.1 to this report.

Use of Non-GAAP Financial Information

To supplement our consolidated financial statements presented in accordance with GAAP, Harmonic uses non-GAAP measures of operating income/loss, net income/loss and earnings/loss per share, which are adjusted from results based on GAAP to exclude certain costs and credits and gains and losses. These non-GAAP adjustments are provided to enhance the user’s overall understanding of our current financial performance and our prospects for the future. Specifically, we believe the non-GAAP results provide useful information to both management and investors by excluding certain items that we believe are not indicative of our core operating performance. In addition, since we have historically reported non-GAAP results to the investment community, we believe the inclusion of non-GAAP numbers provides consistency in our financial reporting. Further, these non-GAAP results are a primary indicator used by management for planning and forecasting in future periods. The presentation of this additional information is not intended to be considered in isolation or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States, and is not necessarily comparable to non-GAAP results published by other companies. A table reconciling the non-GAAP results to GAAP results is included in the accompanying press release.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HARMONIC INC.

Date: July 17, 2003

By: /s/ROBIN N. DICKSON

Robin N. Dickson
Chief Financial Officer

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Exhibit Number

Description

99.1 Press Release of Harmonic Inc., issued on July 17, 2003

(HARMONIC LOGO)

Press Release

FOR IMMEDIATE RELEASE

CONTACTS:	Robin N. Dickson	Michael Newman
	Chief Financial Officer	Investor Relations
	Harmonic Inc.	StreetConnect
	(408) 542-2500	(408) 542-2760

HARMONIC ANNOUNCES SECOND QUARTER RESULTS

Growing Revenue and Improving Operating Efficiencies

SUNNYVALE, CALIF.--JULY 17, 2003--Harmonic Inc. (Nasdaq: HLIT) today announced its results for the quarter ended June 27, 2003.

For the second quarter of 2003, Harmonic reported net sales of \$41.7 million, compared to \$37.0 million in the previous quarter and \$56.3 million in the second quarter of 2002. Domestic sales represented 73% of total sales for the second quarter of 2003.

The CS division, which designs, manufactures and markets digital headend systems for a number of markets, had divisional net sales of \$27.1 million, up from \$24.0 million in the previous quarter. During the second quarter, the Company saw increased shipments to its cable customers, particularly sales of its NSG product for video-on-demand (VOD) services.

The BAN division, which designs, manufactures and markets fiber optic products for broadband cable networks, had divisional net sales of \$14.6 million, up from \$13.0 million in the previous quarter. The growth in BAN sales was due to increased shipments to a number of domestic and international cable operators.

"Although our customers remain generally cautious about capital commitments, we are seeing targeted expenditures in areas such as video-on-demand in cable and local channel services in the satellite market," said Anthony J. Ley, Chairman, President and Chief Executive Officer. "We are pleased with our sequential improvement in revenue and gross margin, sustained focus on expense control and continued development and introduction of exciting new products. During the second quarter, Harmonic was recognized as the "Biggest Contributor to Content Delivery" by a leading industry publication for our pioneering IP-based VOD solutions. In addition, we introduced our enhanced NMX Digital Service Manager(TM) to provide visual monitoring capabilities for our VOD platform."

"While the market environment is still challenging, Harmonic's product portfolio remains strongly positioned to address the intensifying competitive pressure on our cable, satellite and telco customers to

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offer a combination of digital services, including video-on-demand, high-definition video and high-speed data services. In the third quarter, we expect to see continued revenue growth."

The GAAP net loss for the second quarter of 2003 was \$11.7 million or \$0.19 per share, compared to \$11.1 million or \$0.19 per share for the same period of 2002. The GAAP net loss for the second quarter of 2003 includes a non-cash charge for the amortization of intangibles of \$3.5 million, a credit relating to the sale of previously reserved inventory of \$1.0 million, and the litigation settlement charge of \$2.7 million described in a separate press release issued today. Excluding the above charges and credit, the non-GAAP loss for the quarter was \$6.6 million, or \$0.11 per share, compared to a non-GAAP loss of \$5.2 million, or \$0.09 per share for the second quarter of 2002. The reconciliation between

GAAP and non-GAAP net loss is provided in the accompanying tables.

The Company will host a conference call to discuss its second quarter financial results today at 2:00 p.m. Pacific (5:00 p.m. Eastern). A listen-only broadcast of the conference call can be accessed on the Company's website at: www.harmonicinc.com or by calling +1-212-748-2800 (Reservation No. 21090932). The replay will be available at the same website address or by calling +1-402-977-9140 (Reservation No. 21090932).

ABOUT HARMONIC INC.

Harmonic Inc. is a leading provider of digital video, broadband optical networking and IP delivery systems to cable, satellite, telecom and broadcast network operators. Harmonic's open standards-based solutions for the headend through the last mile enable customers to develop new revenue sources and a competitive advantage by offering powerful interactive video, voice and data services such as video-on-demand, high definition digital television, telephony and Internet access.

Harmonic (Nasdaq: HLIT) is headquartered in Sunnyvale, California with R&D, sales and system integration centers worldwide. The Company's customers, including many of the world's largest communications providers, deliver services in virtually every country. Visit www.harmonicinc.com for more information.

This press release contains forward-looking statements within the meaning of Section 27(a) of the Securities Act of 1933 and Section 21(e) of the Securities Exchange Act of 1934, including statements related to our competitive position in the worldwide cable market, our belief that we will continue to see targeted expenditures in areas such as video-on-demand in cable and local channel services in the satellite market, our belief that our cable, satellite and telco customers will need to upgrade their networks in order to keep pace with intensifying demand for a combination of digital services, including, video-on-demand, high-definition video and high-speed data services, our expectation that we will see continued revenue growth in the third quarter, and our belief that our product portfolio remains well-positioned to capitalize on long-term opportunities across a wide range of broadband markets. Our expectations and beliefs regarding these matters may not materialize, and actual results in future periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks include delays or decreases in capital spending in the cable and satellite industry, customer concentration and consolidation, general economic conditions, our need for additional financing, market acceptance of new or existing Harmonic products,

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losses of one or more key customers, risks associated with Harmonic's international operations, inventory management problems, disruptions in scheduled payments of litigation settlement amounts, the effect of competition, difficulties associated with rapid technological changes in Harmonic's markets, the need to introduce new and enhanced products, and risks associated with a cyclical and unpredictable sales cycle. The forward-looking statements contained in this press release are also subject to other risks and uncertainties, including those more fully described in Harmonic's filings with the Securities and Exchange Commission including its Annual Report filed on Form 10-K for the year ended December 31, 2002 and its subsequent quarterly reports on Form 10-Q and current reports on Form 8-K. Harmonic does not undertake to update any forward-looking statements.

EDITOR'S NOTE: PRODUCT AND COMPANY NAMES USED HERE ARE TRADEMARKS OR REGISTERED TRADEMARKS OF THEIR RESPECTIVE COMPANIES.

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HARMONIC INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

JUNE 27, 2003

DECEMBER 31, 2002

	----- (UNAUDITED)	-----
Assets		
Current assets:		
Cash and cash equivalents	\$ 22,867	\$ 21,542
Short-term investments	13,443	27,616
Accounts receivable, net	34,775	25,380
Inventories	21,644	25,904
Prepaid expenses and other assets	3,554	5,494
	-----	-----
Total current assets	96,283	105,936
Property and equipment, net	27,295	32,456
Intangibles and other assets	28,378	35,362
	-----	-----
	\$ 151,956	\$ 173,754
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 1,581	\$ 1,862
Accounts payable	9,578	7,258
Income taxes payable	7,179	6,900
Accrued liabilities	59,336	58,670
	-----	-----
Total current liabilities	77,674	74,690
	-----	-----
Long-term debt, less current portion	511	710
Accrued excess facilities costs	32,407	34,754
Other non-current liabilities	1,501	1,417
	-----	-----
Total liabilities	112,093	111,571
	-----	-----
Stockholders' equity:		
Common stock	1,964,180	1,963,294
Accumulated deficit	(1,924,474)	(1,901,125)
Accumulated other comprehensive income	157	14
	-----	-----
Total stockholders' equity	39,863	62,183
	-----	-----
	\$ 151,956	\$ 173,754
	=====	=====

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HARMONIC INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 27, 2003	JUNE 28, 2002	JUNE 27, 2003	JUNE 28, 2002
	-----	-----	-----	-----
Net sales	\$ 41,653	\$ 56,309	\$ 78,694	\$ 110,341
Cost of sales	28,901	37,074	55,195	75,343
	-----	-----	-----	-----
Gross profit	12,752	19,235	23,499	34,998
	-----	-----	-----	-----
Operating expenses:				
Research and development	8,431	10,795	16,934	21,914
Selling, general and administrative	14,408	17,026	26,471	32,347
Amortization of intangibles	1,933	2,828	3,866	5,656
	-----	-----	-----	-----
Total operating expenses	24,772	30,649	47,271	59,917
	-----	-----	-----	-----

Loss from operations	(12,020)	(11,414)	(23,772)	(24,919)
Interest and other income	438	290	623	283
Loss before income taxes	(11,582)	(11,124)	(23,149)	(24,636)
Provision for income taxes	100	--	200	500
Net loss	\$ (11,682)	\$ (11,124)	\$ (23,349)	\$ (25,136)
Net loss per share				
Basic and diluted	\$ (0.19)	\$ (0.19)	\$ (0.39)	\$ (0.42)
Weighted average shares				
Basic and diluted	60,462	59,552	60,457	59,513

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HARMONIC INC.
NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (1)
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 27, 2003	JUNE 28, 2002	JUNE 27, 2003	JUNE 28, 2002
Net sales	\$ 41,653	\$ 56,309	\$ 78,694	\$ 110,341
Cost of sales	28,406	36,751	54,217	71,998
Gross profit	13,247	19,558	24,477	38,343
Operating expenses:				
Research and development	8,431	10,795	16,934	21,914
Selling, general and administrative	11,738	14,278	23,801	29,599
Total operating expenses	20,169	25,073	40,735	51,513
Loss from operations	(6,922)	(5,515)	(16,258)	(13,170)
Interest and other income	438	290	623	283
Loss before income taxes	(6,484)	(5,225)	(15,635)	(12,887)
Provision for income taxes	100	--	200	500
Net loss	\$ (6,584)	\$ (5,225)	\$ (15,835)	\$ (13,387)
Net loss per share				
Basic and diluted	\$ (0.11)	\$ (0.09)	\$ (0.26)	\$ (0.22)
Weighted average shares				
Basic and diluted	60,462	59,552	60,457	59,513

(1) These Non-GAAP Condensed Consolidated Statements of Operations are provided to enhance overall understanding of our current financial performance and our prospects for the future. The presentation of this 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 table reconciling the Non-GAAP net loss to the GAAP net loss follows below.

HARMONIC INC.
NON-GAAP TO GAAP LOSS RECONCILIATION
(IN THOUSANDS)
(UNAUDITED)

THREE MONTHS ENDED		SIX MONTHS ENDED	
JUNE 27, 2003	JUNE 28, 2002	JUNE 27, 2003	JUNE 28, 2002

Non-GAAP net loss	\$ (6,584)	\$ (5,225)	\$ (15,835)	\$ (13,387)
Items charged to cost of sales:				
Amortization of intangibles	(1,540)	(3,022)	(3,080)	(6,044)
Realized margin on reserved product sold	1,045	2,900	2,102	2,900
Provision for probable losses on Adelphia deferred cost of sales	--	(201)	--	(201)
Total of charges to cost of sales	(495)	(323)	(978)	(3,345)
Items charged to operating expenses:				
Amortization of intangibles	(1,933)	(2,828)	(3,866)	(5,656)
Loss on litigation settlement	(2,670)		(2,670)	
Provision for probable losses on Adelphia account receivables	--	(2,748)	--	(2,748)
Total of charges to operating expenses	(4,603)	(5,576)	(6,536)	(8,404)
GAAP net loss	\$ (11,682)	\$ (11,124)	\$ (23,349)	\$ (25,136)