



FOURTH QUARTER 2022
EARNINGS
CONFERENCE CALL

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Sanjay Kalra, CFO

January 30, 2023



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 2023 and beyond, and our Q1 and full-year 2023 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

Record Revenue
\$164M



Broadband

Revenue up 38%*



Video

SaaS Revenue up 51%*

Strong Market Momentum and Execution

* Year over year



EXCELLENT Q4 RESULTS

- Revenue \$96.0 million, up 4% sequentially, 38% year over year
- Gross margin 47.6%, adjusted EBITDA 21.0%
- Deployed with 91 customers, up 25% year over year



EXECUTING MULTI-YEAR STRATEGY

- Strong new customer pipeline
- Market-leading DOCSIS 4.0 and Fiber-on-Demand progress
- 2023 growth outlook in-line with multi-year targets



EXCELLENT Q4 RESULTS

- Revenue \$68.3 million, up 7% sequentially, down 21% year over year
- SaaS revenue \$10.5 million, up 51% year over year
- Gross margin 59.9%, adjusted EBITDA 9.3%



EXECUTING MULTI-YEAR STRATEGY

- SaaS growth driven by Tier 1 expansions and new live sports wins
- Strong pipeline of new opportunities and increasing SaaS usage
- 2023 growth outlook in-line with multi-year targets



FINANCIAL RESULTS AND **OUTLOOK**

Sanjay Kalra, CFO



Q4 2022

- Record revenue \$164.3 million, up 5.5% year over year
- Gross margin 52.7%, up 220 basis points year over year
- Adj. EBITDA Margins 16.2%, up 88 basis points year over year
- EPS \$0.17, up 6.3% year over year
- Cash \$89.6 million after repayment of \$37.7 million convertible debt



FY 2022

- Record revenue \$625.0 million, up 23% year over year
- Broadband revenue up 60%, Video SaaS revenue up 63% year over year
- Adj. EBITDA \$86.5 million, up 51% year over year
- EPS \$0.55, up 62% year over year
- Near record backlog and deferred revenue \$457.1 million

* Non-GAAP

Q4 2022 REVENUE & GROSS MARGIN HIGHLIGHTS*



Financial Metric (\$ Millions)	Q4 2022	Q3 2022	Q4 2021	Q4/Q3 Change	Q4 Y/Y Change
Total Net Revenue	\$164.3	\$155.7	\$155.8	5.5%	5.5%
Broadband Revenue	\$96.0	\$91.9	\$69.7	4.5%	37.7%
Video Revenue	\$68.3	\$63.8	\$86.1	7.0%	(20.7)%
Gross Margin (%)	52.7%	50.9%	50.5%	1.8%	2.2%
Broadband Gross Margin (%)	47.6%	45.0%	40.3%	2.6%	7.3%
Video Gross Margin (%)	59.9%	59.3%	58.8%	0.6%	1.1%

* Non-GAAP

Q4 2022 EARNINGS AND BOOKINGS HIGHLIGHTS*



Financial Metric (\$ Millions except EPS)	Q4 2022	Q3 2022	Q4 2021	Q4/Q3 Change	Q4 Y/Y Change
Operating Expenses	\$63.0	\$61.0	\$58.0	3.2%	8.5%
Adj. EBITDA	\$26.6	\$21.2	\$23.8	25.3%	11.5%
Broadband Adj. EBITDA	\$20.2	\$16.9	\$6.7	19.8%	201.3%
Video Adj. EBITDA	\$6.4	\$4.3	\$17.1	47.1%	(62.9)%
EPS	\$0.17	\$0.13	\$0.16	30.8%	6.3%
Share Count	117.3	113.2	110.5	3.6%	6.2%
Bookings	\$130.2	\$171.1	\$267.3	(23.9)%	(51.3)%
Book-to-Bill Ratio	0.8	1.1	1.7	(27.9)%	(53.8)%

* Non-GAAP

Q4 2022 BALANCE SHEET & CASH FLOW HIGHLIGHTS



Financial Metric (\$ Millions)	Q4 2022	Q3 2022	Q4 2021
Cash	\$89.6	\$105.3	\$133.4
Cash Provided by (used in) Operations	\$19.4	\$(8.2)	\$7.4
Accounts Receivable	\$108.4	\$105.6	\$88.5
DSO	59	61	51
Inventory	\$120.9	\$99.0	\$71.2
Inventory Days	140	116	83
Backlog and Deferred Revenue	\$457.1	\$490.1	\$441.0
Free Cash Flow	\$17.5	\$(10.1)	\$5.0

FULL YEAR 2023 FINANCIAL GUIDANCE*



Financial Metric	Broadband	Video	Total
Total Revenue (\$M)	\$445 - \$465	\$250 - \$270	\$695 - \$735
Gross Margin %	45.0% - 46.0%	58.5% - 60.5%	49.8% - 51.3%
Gross Profit (\$M)	\$200 - \$214	\$146 - \$163	\$346 - \$377
Operating Expenses (\$M)	\$120 - \$123	\$140 - \$144	\$260 - \$267
Adjusted EBITDA (\$M)	\$86 - \$97	\$12 - \$25	\$98 - \$122
Shares**			118.3
EPS (\$)			\$0.56 - \$0.72
Cash (\$M)			\$90 - \$100

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

** Diluted shares assumes Harmonic stock price at \$14 (average of last 90 days)

Q1 2023 FINANCIAL GUIDANCE*



Financial Metric	Broadband	Video	Total
Total Revenue (\$M)	\$97 - \$102	\$55 - \$60	\$152 - \$162
Gross Margin %	45.0% - 46.0%	58.0% - 59.0%	49.7% - 50.8%
Gross Profit (\$M)	\$44 - \$47	\$32 - \$35	\$76 - \$82
Operating Expenses (\$M)	\$29 - \$30	\$35 - \$36	\$64 - \$66
Adjusted EBITDA (\$M)	\$16 - \$18	\$(2) - \$1	\$14 - \$19
Shares**			117.9
EPS (\$)			\$0.07 - \$0.10
Cash (\$M)			\$75 - \$85

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

** Diluted shares assumes Harmonic stock price at \$14 (average of last 90 days)



WRAP-UP & 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 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, non-cash interest and other expenses on convertible notes and other debt, adjustments that normalize the tax rate and depreciation.

Q4 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended December 31, 2022

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 164,334	\$ 85,697	\$ 69,220	\$ 16,477	\$ (1,141)	\$ 6,131
Stock-based compensation	—	541	(5,050)	5,591	—	5,591
Restructuring and related charges	—	442	(1,205)	1,647	17	1,664
Non-cash interest and other expenses related to convertible notes	—	—	—	—	274	274
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	6,233
Total adjustments	—	983	(6,255)	7,238	291	13,762
Non-GAAP	\$ 164,334	\$ 86,680	\$ 62,965	\$ 23,715	\$ (850)	\$ 19,893
<i>As a % of revenue (GAAP)</i>		52.1 %	42.1 %	10.0 %	(0.7)%	3.7 %
<i>As a % of revenue (Non-GAAP)</i>		52.7 %	38.3 %	14.4 %	(0.5)%	12.1 %
Diluted net income per share:						
GAAP						\$ 0.05
Non-GAAP						\$ 0.17
Shares used in per share calculation:						
GAAP and Non-GAAP						117,301

Q3 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended September 30, 2022

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 155,738	\$ 78,604	\$ 67,180	\$ 11,424	\$ (1,402)	\$ 8,740
Stock-based compensation	—	607	(5,853)	6,460	—	6,460
Restructuring and related charges	—	(9)	(335)	326	—	326
Non-cash interest and other expenses related to convertible notes	—	—	—	—	303	303
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(942)
Total adjustments	—	598	(6,188)	6,786	303	6,147
Non-GAAP	\$ 155,738	\$ 79,202	\$ 60,992	\$ 18,210	\$ (1,099)	\$ 14,887
<i>As a % of revenue (GAAP)</i>		50.5 %	43.1 %	7.3 %	(0.9)%	5.6 %
<i>As a % of revenue (Non-GAAP)</i>		50.9 %	39.2 %	11.7 %	(0.7)%	9.6 %
Diluted net income per share:						
GAAP						\$ 0.08
Non-GAAP						\$ 0.13
Shares used in per share calculation:						
GAAP and Non-GAAP						113,185

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	\$ 155,804	\$ 78,669	\$ 58,036	\$ 20,633	\$ (1,057)	\$ 17,618
<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						\$ 0.18
Non-GAAP						\$ 0.16
Shares used in per share calculation:						
GAAP and Non-GAAP						110,474

FY 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Twelve Months Ended December 31, 2022

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income
GAAP	\$ 624,957	\$ 315,884	\$ 270,365	\$ 45,519	\$ (1,034)	\$ 28,182
Stock-based compensation	—	2,232	(22,980)	25,212	—	25,212
Restructuring and related charges	—	533	(3,341)	3,874	17	3,891
Gain on sale of equity investments	—	—	—	—	(4,349)	(4,349)
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1,173	1,173
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	7,149
Total adjustments	—	2,765	(26,321)	29,086	(3,159)	33,076
Non-GAAP	\$ 624,957	\$ 318,649	\$ 244,044	\$ 74,605	\$ (4,193)	\$ 61,258
<i>As a % of revenue (GAAP)</i>		50.5 %	43.3 %	7.3 %	(0.2)%	4.5 %
<i>As a % of revenue (Non-GAAP)</i>		51.0 %	39.0 %	11.9 %	(0.7)%	9.8 %
Diluted net income per share:						
GAAP						\$ 0.25
Non-GAAP						\$ 0.55
Shares used in per share calculation:						
GAAP and Non-GAAP						112,378

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	<u>—</u>	<u>2,917</u>	<u>(22,333)</u>	<u>25,250</u>	<u>6,305</u>	<u>23,130</u>
Non-GAAP	<u>\$ 507,149</u>	<u>\$ 262,659</u>	<u>\$ 218,600</u>	<u>\$ 44,059</u>	<u>\$ (3,633)</u>	<u>\$ 36,384</u>
<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

ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Three Months Ended		
	December 31, 2022	September 30, 2022	December 31, 2021
Net income - GAAP	\$ 6,131	\$ 8,740	\$ 19,857
Provision for income taxes	9,205	1,282	(7,389)
Interest expense, net	929	1,284	2,706
Depreciation	3,035	3,097	3,151
EBITDA	19,300	14,403	18,325
<i>Adjustments</i>			
Stock-based compensation	5,591	6,460	5,195
Restructuring and related charges	1,664	326	292
Adjusted EBITDA	\$ 26,555	\$ 21,189	\$ 23,812

ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Twelve Months Ended	
	December 31, 2022	December 31, 2021
Net income - GAAP	\$ 28,182	\$ 13,254
Provision for income taxes	16,303	(4,383)
Interest expense, net	5,040	10,625
Depreciation	12,260	12,546
Amortization of intangibles	—	507
EBITDA	61,785	32,549
<i>Adjustments</i>		
Stock-based compensation	25,212	24,062
Restructuring and related charges	3,891	681
Gain on sale of equity investment	(4,349)	—
Adjusted EBITDA	\$ 86,539	\$ 57,292

2023 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)

	2023 Financial Guidance ⁽¹⁾			
	Revenue	Gross Profit	Total Operating Expense	Net Income
GAAP	\$695 to \$735	\$343 to \$374	\$287 to \$294	\$44 to \$63
Stock-based compensation expense	—	3	(27)	29
Non-cash interest and other expenses related to convertible notes	—	—	—	1
Gain on sale of equity investment	—	—	—	(3)
Tax effect of non-GAAP adjustments	—	—	—	(5) to (5)
Total adjustments	—	3	(27)	22 to 22
Non-GAAP	<u>\$695 to \$735</u>	<u>\$346 to \$377</u>	<u>\$260 to \$267</u>	<u>\$66 to \$85</u>
<i>As a % of revenue (GAAP)</i>		49.5% to 51.0%	41.3% to 40.0%	6.3% to 8.5%
<i>As a % of revenue (Non-GAAP)</i>		49.8% to 51.3%	37.5% to 36.3%	9.5% to 11.6%
Diluted net income per share:				
GAAP				<u>\$0.37 to \$0.53</u>
Non-GAAP				<u>\$0.56 to \$0.72</u>
Shares used in per share calculation:				
GAAP and Non-GAAP				<u>118.3</u>

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

Q1 2023 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	Q1 2023 Financial Guidance ⁽¹⁾			
	Revenue	Gross Profit	Total Operating Expense	Net Income
GAAP	\$152 to \$162	\$75 to \$81	\$72 to \$74	\$1 to \$5
Stock-based compensation expense	—	1	(8)	9
Tax effect of non-GAAP adjustments	—	—	—	(1) to (2)
Total adjustments	—	1	(8)	8 to 7
Non-GAAP	<u>\$152 to \$162</u>	<u>\$76 to \$82</u>	<u>\$64 to \$66</u>	<u>\$9 to \$12</u>
<i>As a % of revenue (GAAP)</i>		49.0% to 50.1%	47.3% to 45.6%	0.8% to 3.0%
<i>As a % of revenue (Non-GAAP)</i>		49.7% to 50.8%	42.1% to 40.7%	5.6% to 7.6%
Diluted net income per share:				
GAAP				<u>\$0.01 to \$0.04</u>
Non-GAAP				<u>\$0.07 to \$0.10</u>
Shares used in per share calculation:				
GAAP and Non-GAAP				<u>117.9</u>

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

2023 ADJ. EBITDA GUIDANCE RECONCILIATIONS

(UNAUDITED, IN MILLIONS)



	Q1 2023 Financial Guidance		2023 Financial Guidance	
Net income - GAAP	\$1	to	\$5	\$44 to \$63
Provision for income taxes	—		1	12 to 17
Interest expense, net	1		1	3 to 3
Depreciation	3		3	13 to 13
EBITDA	\$5	to	\$10	\$72 to \$96
<i>Adjustments</i>				
Stock-based compensation	9	to	9	29 to 29
Gain on sale of equity investment	—		—	(3) to (3)
Adjusted EBITDA	\$14	to	\$19	\$98 to \$122

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

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THANK YOU.

