



THIRD QUARTER 2021
EARNINGS
CONFERENCE CALL

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Sanjay Kalra, CFO

November 1, 2021



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 2021 and beyond, and our Q4 and full-year 2021 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 33% yoy;
EPS \$0.09



Cable Access

Revenue up 43% yoy;
Deployments up 79%



Video

Revenue up 26% yoy;
SaaS Revenue up 69%

Continued Strong Market Momentum



STRONG Q3

- Revenue \$57.6 million, up 43% year over year
- Commercially deployed with 68 operators, up 79% year over year
- 3.9 million cable modems served, up 77% year over year



EXECUTING MULTI-YEAR STRATEGY

- Expanded fiber-to-the-home solution for rural opportunity
- Introduced leapfrog “MAC Anywhere” technology to extend cable leadership
- Raising full year revenue outlook, implying ~59% year over year growth



STRONG Q3

- Revenue \$68.7 million, up 26% year over year
- Gross margin 61.9%, new record
- SaaS revenue up 69% year over year



EXECUTING MULTI-YEAR STRATEGY

- Several new Tier 1 international streaming SaaS customers
- New streaming SaaS for rural operators, partnering with Jackson Energy Auth.
- First non-FCC-driven domestic broadcast edge solution win



FINANCIAL RESULTS AND OUTLOOK

Sanjay Kalra, CFO





SOLID FINANCIAL RESULTS*

- Revenue \$126.3 million, up 33.1% year over year
- Gross Margin 52.8%, up 60 basis points year over year
- Adj. EBITDA \$14.8 million, 11.7% of revenue, up 106% year over year
- Non-GAAP EPS \$0.09, up 200% year over year
- Backlog and Deferred Revenue \$333.3 million, up 54.1% year over year
- Cash \$128.4 million, up 81% year over year



INCREASED ANNUAL GUIDANCE FOR KEY FINANCIAL METRICS

- FY'21 Revenue, Adj. EBITDA, EPS ranges increased

* Non-GAAP

Q3 2021 REVENUE & GROSS MARGIN HIGHLIGHTS*



Financial Metric (\$ Millions)	Q3 2021	Q2 2021	Q3 2020	Q3/Q2 Change	Q3 Y/Y Change
Total Net Revenue	\$126.3	\$113.4	\$94.9	11.4%	33.1%
Cable Access Revenue	\$57.6	\$50.1	\$40.3	15.0%	42.9%
Video Revenue	\$68.7	\$63.3	\$54.6	8.5%	25.8%
Gross Margin %	52.8%	53.9%	52.2%	(1.1)%	0.6%
Cable Access Gross Margin %	42.0%	47.0%	48.9%	(5.0)%	(6.9)%
Video Gross Margin %	61.9%	59.3%	54.6%	2.6%	7.3%

*Non-GAAP

Q3 2021 EARNINGS AND BOOKINGS HIGHLIGHTS*



Financial Metric \$ Millions (except EPS)	Q3 2021	Q2 2021	Q3 2020	Q3/Q2 Change	Q3 Y/Y Change
Operating Expenses	\$54.9	\$54.6	\$45.3	0.5%	21.2%
Adj. EBITDA	\$14.8	\$9.5	\$7.2	55.8%	105.6%
Cable Access Adj. EBITDA	\$5.1	\$6.1	\$6.9	(16.4)%	(26.1)%
Video Adj. EBITDA	\$9.7	\$3.4	\$0.3	185.3%	3133.3%
EPS	\$0.09	\$0.05	\$0.03	80.0%	200.0%
Share Count	106.4	103.8	98.4	2.5%	8.1%
Bookings	\$114.3	\$186.9	\$100.7	(38.8)%	13.5%
Book to bill ratio	0.9	1.6	1.06	(43.8)%	(15.1)%

*Non-GAAP

Q3 2021 BALANCE SHEET & CASH FLOW HIGHLIGHTS



Financial Metric (\$ Millions)	Q3 2021	Q2 2021	Q3 2020
Cash	\$128.4	\$115.2	\$70.8
Cash Provided by (Used in) Operations	\$15.2	\$16.8	\$(3.3)
Accounts Receivable	\$75.4	\$100.6	\$81.4
DSO	54	80	77
Inventory	\$51.9	\$43.0	\$36.8
Inventory Days	78	74	73
Backlog and Deferred Revenue	\$333.3	\$347.2	\$216.2

2021 FINANCIAL GUIDANCE* CABLE SEGMENT



Financial Metric	Updated Q4 Guidance	Prior Q4 Guidance	Q4 Midpoint Difference	Updated FY Guidance	Prior FY Guidance	FY Midpoint Difference
Net Revenue (\$M)	\$65.0 - \$70.0	\$50.0 - \$60.0	\$12.5	\$214.0 - \$219.0	\$192.0 - \$207.0	\$17.0
Gross Margin %	40.0% - 41.0%	45.0% - 47.0%	550 Bps	42.6% - 42.9%	44.0% - 45.0%	175 Bps
Adj. EBITDA (\$M)	\$7.4 - \$9.1	\$4.9 - \$7.6	\$2.0	\$21.6 - \$23.3	\$18.7 - \$21.9	\$2.2

2021 FINANCIAL GUIDANCE* VIDEO SEGMENT

Financial Metric	Updated Q4 Guidance	Prior Q4 Guidance	Q4 Midpoint Difference	FY Updated Guidance	FY Prior Guidance	FY Midpoint Difference
Net Revenue (\$M)	\$82.0 - \$87.0	\$82.0 - \$87.0		\$285.0 - \$290.0	\$278.0 - \$288.0	\$4.5
Gross Margin %	54.5% - 55.5%	54.0% - 56.0%		57.3% - 57.7%	55.5% - 57.0%	125 bps
Adj. EBITDA (\$M)	\$9.6 - \$12.7	\$11.0 - \$15.0	\$1.9	\$28.9 - \$32.0	\$21.7 - \$29.5	\$4.9

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

2021 FINANCIAL GUIDANCE* TOTAL COMPANY



Financial Metric	Updated Q4 Guidance	Prior Q4 Guidance	Q4 Midpoint Difference	FY Updated Guidance	FY Prior Guidance	FY Midpoint Difference
Net Revenue (\$M)	\$147.0 – \$157.0	\$133.0 - \$148.0	\$11.5 ▲	\$499.0 - \$509.0	\$470.0 - \$495.0	\$21.5 ▲
Gross Margin %	47.8% - 49.0%	50.8% - 51.5%	275 Bps ▼	51.0% - 51.3%	51.2% - 51.6%	25 Bps ▼
Adj. EBITDA (\$M)	\$17.0 - \$21.8	\$15.9 - \$22.6	\$0.2 ▲	\$50.5 - \$55.3	\$40.4 - \$51.4	\$7.0 ▲
EPS (\$)	\$0.10 - \$0.14	\$0.09 – \$0.15	↔	\$0.28 - \$0.32	\$0.19 – \$0.29	\$0.06 ▲
Cash (\$M)	\$125.0 - \$135.0	\$125.0 - \$145.0	\$5.0 ▼	\$125.0 - \$135.0	\$125.0 - \$145.0	\$5.0 ▼

* 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

Expand streaming SaaS customer base

Capitalize on broadcast transformations

Grow revenue and operating profit

Create value.

Deliver industry-leading solutions.

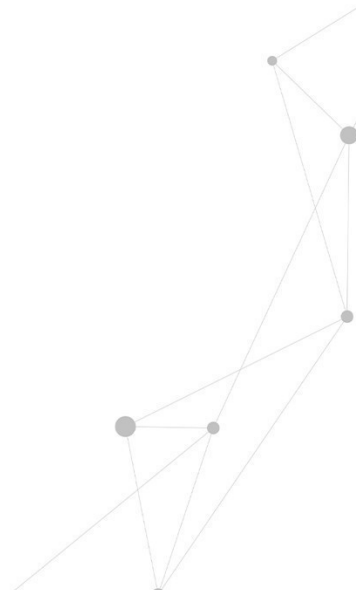
Enable superior subscriber experiences.





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, 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.

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	\$ 126,321	\$ 66,699	\$ 54,892	\$ 11,807	\$ (1,307)	\$ 9,450
<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						\$ 0.01
Non-GAAP						\$ 0.09
Shares used in per share calculation:						
GAAP and Non-GAAP						106,421

Q2 2021 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended July 2, 2021

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income (Loss)
GAAP	\$ 113,448	\$ 60,505	\$ 58,369	\$ 2,136	\$ (2,777)	\$ (2,009)
Stock-based compensation	—	222	(3,811)	4,033	—	4,033
Restructuring and related charges	—	382	—	382	—	382
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1,560	1,560
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	836
Total adjustments	—	604	(3,811)	4,415	1,560	6,811
Non-GAAP	<u>\$ 113,448</u>	<u>\$ 61,109</u>	<u>\$ 54,558</u>	<u>\$ 6,551</u>	<u>\$ (1,217)</u>	<u>\$ 4,802</u>
<i>As a % of revenue (GAAP)</i>		53.3 %	51.5 %	1.9 %	(2.4)%	(1.8)%
<i>As a % of revenue (Non-GAAP)</i>		53.9 %	48.1 %	5.8 %	(1.1)%	4.2 %
Diluted net income (loss) per share:						
GAAP						<u>\$ (0.02)</u>
Non-GAAP						<u>\$ 0.05</u>
Shares used in per share calculation:						
GAAP						<u>101,218</u>
Non-GAAP						<u>103,825</u>

Q3 2020 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended September 25, 2020

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating expense, net	Net Income (Loss)
GAAP	\$ 94,892	\$ 48,924	\$ 50,545	\$ (1,621)	\$ (2,974)	\$ (5,381)
Stock-based compensation	—	281	(3,649)	3,930	—	3,930
Amortization of intangibles	—	—	(752)	752	—	752
Restructuring and related charges	—	302	(814)	1,116	—	1,116
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1,666	1,666
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	499
Total adjustments	—	583	(5,215)	5,798	1,666	7,963
Non-GAAP	\$ 94,892	\$ 49,507	\$ 45,330	\$ 4,177	\$ (1,308)	\$ 2,582
<i>As a % of revenue (GAAP)</i>		51.6 %	53.3 %	(1.7)%	(3.1)%	(5.7)%
<i>As a % of revenue (Non-GAAP)</i>		52.2 %	47.8 %	4.4 %	(1.4)%	2.7 %
Diluted net income (loss) per share:						
GAAP						\$ (0.06)
Non-GAAP						\$ 0.03
Shares used in per share calculation:						
GAAP						97,563
Non-GAAP						98,361

YTD Q3 2021 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Nine Months Ended October 1, 2021

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income (Loss)
GAAP	\$ 351,345	\$ 181,804	\$ 178,141	\$ 3,663	\$ (7,260)	\$ (6,603)
Stock-based compensation	—	1,840	(17,027)	18,867	—	18,867
Amortization of intangibles	—	—	(507)	507	—	507
Restructuring and related charges	—	346	(43)	389	—	389
Non-cash interest and other expenses related to convertible notes	—	—	—	—	4,684	4,684
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	922
Total adjustments	<u>—</u>	<u>2,186</u>	<u>(17,577)</u>	<u>19,763</u>	<u>4,684</u>	<u>25,369</u>
Non-GAAP	<u>\$ 351,345</u>	<u>\$ 183,990</u>	<u>\$ 160,564</u>	<u>\$ 23,426</u>	<u>\$ (2,576)</u>	<u>\$ 18,766</u>
<i>As a % of revenue (GAAP)</i>		<i>51.7 %</i>	<i>50.7 %</i>	<i>1.0 %</i>	<i>(2.1)%</i>	<i>(1.9)%</i>
<i>As a % of revenue (Non-GAAP)</i>		<i>52.4 %</i>	<i>45.7 %</i>	<i>6.7 %</i>	<i>(0.7)%</i>	<i>5.3 %</i>
Diluted net income (loss) per share:						
GAAP						<u>\$ (0.07)</u>
Non-GAAP						<u>\$ 0.18</u>
Shares used in per share calculation:						
GAAP						<u>101,057</u>
Non-GAAP						<u>104,474</u>

YTD Q3 2020 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Nine Months Ended September 25, 2020

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating expense, net	Net Loss
GAAP	\$ 247,303	\$ 123,435	\$ 152,659	\$ (29,224)	\$ (10,419)	\$ (42,736)
Stock-based compensation	—	1,364	(12,373)	13,737	—	13,737
Amortization of intangibles	—	950	(2,264)	3,214	—	3,214
Restructuring and related charges	—	231	(1,572)	1,803	—	1,803
Loss on convertible debt extinguishment	—	—	—	—	834	834
Non-cash interest and other expenses related to convertible notes	—	—	—	—	5,451	5,451
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	4,553
Total adjustments	—	2,545	(16,209)	18,754	6,285	29,592
Non-GAAP	<u>\$ 247,303</u>	<u>\$ 125,980</u>	<u>\$ 136,450</u>	<u>\$ (10,470)</u>	<u>\$ (4,134)</u>	<u>\$ (13,144)</u>
<i>As a % of revenue (GAAP)</i>		49.9 %	61.7 %	(11.8)%	(4.2)%	(17.3)%
<i>As a % of revenue (Non-GAAP)</i>		50.9 %	55.2 %	(4.2)%	(1.7)%	(5.3)%
Diluted net loss per share:						
GAAP						<u>\$ (0.44)</u>
Non-GAAP						<u>\$ (0.14)</u>
Shares used in per share calculation:						
GAAP and Non-GAAP						<u>96,623</u>

ADJ. EBITDA RECONCILIATIONS

(IN THOUSANDS)



Three Months Ended

	October 1, 2021	July 2, 2021	September 25, 2020
Net income (loss) - GAAP	\$ 1,530	\$ (2,009)	\$ (5,381)
Provision for income taxes	942	1,368	786
Interest expense, net	2,686	2,630	2,807
Depreciation	3,231	3,107	3,148
Amortization of intangibles	—	—	752
EBITDA	8,389	5,096	2,112
<i>Adjustments</i>			
Stock-based compensation	6,436	4,033	3,930
Restructuring and related charges	—	382	1,116
Adjusted EBITDA	\$ 14,825	\$ 9,511	\$ 7,158

ADJ. EBITDA RECONCILIATIONS

(IN THOUSANDS)



	Nine Months Ended	
	October 1, 2021	September 25, 2020
Net loss - GAAP	\$ (6,603)	\$ (42,736)
Provision for income taxes	3,006	3,093
Interest expense, net	7,919	8,772
Depreciation	9,395	8,683
Amortization of intangibles	507	3,214
EBITDA	14,224	(18,974)
<i>Adjustments</i>		
Stock-based compensation	18,867	13,737
Loss on convertible debt extinguishment	—	834
Restructuring and related charges	389	1,803
Adjusted EBITDA	\$ 33,480	\$ (2,600)

Q4 2021 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	Q4 2021 Financial Guidance ⁽¹⁾			
	Revenue	Gross Profit	Income from Operations	Net Income
GAAP	\$147.0 to \$157.0	\$69.5 to \$76.3	\$7.3 to \$12.1	\$3.0 to \$7.8
Stock-based compensation expense	—	0.3	5.1	5.1
Restructuring and related charges	—	0.4	0.8	0.8
Non-cash interest and other expenses related to convertible notes	—	—	—	1.6
Tax effect of non-GAAP adjustments	—	—	—	\$(0.1) to \$(0.5)
Total adjustments	—	0.7	5.9	\$7.4 to \$7.0
Non-GAAP	<u>\$147.0 to \$157.0</u>	<u>\$70.2 to \$77.0</u>	<u>\$13.2 to \$18.0</u>	<u>\$10.4 to \$14.8</u>
<i>As a % of revenue (GAAP)</i>		47.3% to 48.6%	5.0% to 7.7%	2.0% to 5.0%
<i>As a % of revenue (Non-GAAP)</i>		47.8% to 49.0%	9.0% to 11.5%	7.1% to 9.4%
Diluted net income per share:				
GAAP				<u>\$0.03 to \$0.07</u>
Non-GAAP				<u>\$0.10 to \$0.14</u>
Shares used in per share calculation:				
GAAP and Non-GAAP				<u>106.9</u>

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

2021 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	2021 Financial Guidance ⁽¹⁾			
	Revenue	Gross Profit	Income from Operations	Net Income (Loss)
GAAP	\$498.0 to \$508.0	\$251.2 to \$258.0	\$10.9 to \$15.7	\$(3.7) to \$1.1
Stock-based compensation expense	—	2.2	24.0	24.0
Amortization of intangibles	—	—	0.5	0.5
Restructuring and related charges	—	0.7	1.2	1.2
Non-cash interest and other expenses related to convertible notes	—	—	—	6.3
Tax effect of non-GAAP adjustments	—	—	—	\$0.9 to \$0.5
Total adjustments	—	2.9	25.7	\$32.9 to \$32.5
Non-GAAP	\$498.0 to \$508.0	\$254.1 to \$260.9	\$36.6 to \$41.4	\$29.2 to \$33.6
<i>As a % of revenue (GAAP)</i>		<i>50.4% to 50.8%</i>	<i>2.2% to 3.1%</i>	<i>(0.7)% to 0.2%</i>
<i>As a % of revenue (Non-GAAP)</i>		<i>51.0% to 51.4%</i>	<i>7.3% to 8.1%</i>	<i>5.9% to 6.6%</i>
Diluted net income (loss) per share:				
GAAP				<u><u>\$(0.04) to \$0.01</u></u>
Non-GAAP				<u><u>\$0.28 to \$0.32</u></u>
Shares used in per share calculation:				
GAAP				<u><u>101.5</u></u> <u><u>105.1</u></u>
Non-GAAP				<u><u>105.1</u></u>

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

2021 ADJ. EBITDA GUIDANCE RECONCILIATIONS

(IN THOUSANDS)



Harmonic Inc.
Adjusted EBITDA Reconciliation on Financial Guidance (Unaudited)⁽¹⁾
(In millions)

	Q4 2021 Financial Guidance		2021 Financial Guidance
Net income (loss) - GAAP	\$3.0	to	\$7.8
			\$(3.7) to \$1.1
Provision for income taxes			1.1
Interest expense, net			2.6
Depreciation			4.4
Amortization of intangibles			—
EBITDA	\$11.1	to	\$15.9
			\$25.3 to \$30.1
<i>Adjustments</i>			
Stock-based compensation			5.1
Restructuring and related charges			0.8
Adjusted EBITDA	\$17.0	to	\$21.8
			\$50.5 to \$55.3

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

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THANK YOU.

