



SECOND QUARTER 2023
EARNINGS
CONFERENCE CALL

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Walter Jankovic, CFO

July 31, 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 Q3 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

Revenue \$156M
Record Backlog



Broadband

Revenue up 20%*



Video

SaaS Revenue up 58%*

New customer wins, well-positioned for long term growth

* Year over Year



Q2 HIGHLIGHTS

- Revenue \$97.1 million, up 20% year over year
- Commercially deployed with 98 operators, up 24% year over year
- 21 million cable modems served, ~12% of global market



EXECUTING MULTI-YEAR GROWTH PLAN

- Two new Tier 1 wins (one North America, one international)
- Extended software license relationship with leading customer
- DOCSIS 4.0 accelerating



Q2 HIGHLIGHTS

- SaaS revenue \$13.6 million, up 58% year over year
- Total revenue \$58.9 million, down from \$76.2 million prior year
- Gross margin 61.7%



EXECUTING MULTI-YEAR GROWTH PLAN

- Sports streaming powering full-year SaaS growth forecast >50%
- North America stable, international macro headwinds
- Strong sales pipeline for H2



FINANCIAL RESULTS AND **OUTLOOK**

Walter Jankovic, CFO



FINANCIAL RESULTS*

- Revenue \$156.0 million, down 0.9% year over year
- EPS \$0.12, compared to \$0.16 in Q2 2022
- Bookings \$194.7 million, book to bill ratio of 1.2
- Record Backlog and Deferred Revenue \$663.8 million, up 38.9% year over year



REVISED ANNUAL GUIDANCE FOR KEY FINANCIAL METRICS

- Reflects customer demand push outs in 2H FY23

* Non-GAAP

Q2 2023 REVENUE & GROSS MARGIN HIGHLIGHTS*



Financial Metric (\$ Millions)	Q2 2023	Q1 2023	Q2 2022	Q2/Q1 Change	Q2 Y/Y Change
Total Net Revenue	\$156.0	\$157.6	\$157.4	(1.1)%	(0.9)%
Broadband Revenue	\$97.1	\$100.4	\$81.2	(3.2)%	19.5%
Video Revenue	\$58.9	\$57.3	\$76.2	2.7%	(22.8)%
Gross Margin (%)	54.7%	53.9%	52.8%	0.8%	1.9%
Broadband Gross Margin (%)	50.5%	50.1%	43.0%	0.4%	7.5%
Video Gross Margin (%)	61.7%	60.4%	63.2%	1.3%	(1.5)%

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

Q2 2023 EARNINGS AND BOOKINGS HIGHLIGHTS*



Financial Metric \$ Millions (except EPS)	Q2 2023	Q1 2023	Q2 2022	Q2/Q1 Change	Q2 Y/Y Change
Operating Expenses	\$67.2	\$66.2	\$61.7	1.5%	9.0%
Adj. EBITDA	\$21.1	\$21.4	\$24.3	\$(0.3)	\$(3.2)
Broadband Adj. EBITDA	\$19.7	\$21.6	\$11.6	\$(1.9)	\$8.1
Video Adj. EBITDA	\$1.4	\$(0.2)	\$12.7	\$1.6	\$(11.3)
EPS	\$0.12	\$0.12	\$0.16	0.0%	(25.0)%
Share Count	119.3	117.8	109.0	1.3%	9.4%
Bookings	\$194.7	\$325.5	\$140.9	(40.2)%	38.2%
Book to Bill Ratio	1.2	2.1	0.9	(39.5)%	37.2%

* Non-GAAP

Q2 2023 BALANCE SHEET & CASH FLOW HIGHLIGHTS



Financial Metric (\$ Millions)	Q2 2023	Q1 2023	Q2 2022
Cash	\$71.0	\$90.9	\$121.8
Cash Provided by (used in) Operations	\$(16.5)	\$6.3	\$21.8
Accounts Receivable	\$119.2	\$88.1	\$106.4
DSO	69	50	61
Inventory	\$113.6	\$131.6	\$82.6
Inventory Days	145	163	100
Backlog and Deferred Revenue	\$663.8	\$623.5	\$477.8
Free cash flow	\$(18.0)	\$3.9	\$26.7

FULL YEAR 2023 FINANCIAL GUIDANCE

Improved Gross Profit, Adj. EBITDA and EPS ranges



FY2023 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Total Revenue (\$M)	\$620 - \$660	\$705 - \$740	↓
Gross Margin (%)	51.9% - 52.9%	50.9% - 51.9%	↑
Gross Profit (\$M)	\$322 - \$350	\$359 - \$384	↓
Operating Expenses (\$M)	\$262 - \$268	\$262 - \$271	↓
Adjusted EBITDA (\$M)	\$71 - \$93	\$108 - \$125	↓
Shares**	119.2	118.1	↑
EPS	\$0.38 - \$0.52	\$0.63 - \$0.74	↓
Cash (\$M)	\$80 - \$95	\$125 - \$135	↓

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

** Diluted shares assumes Harmonic stock price at \$16.05 (Q2 2023 average price)

Q3 2023 FINANCIAL GUIDANCE

Q3 2023 Financial Metric	Guidance*
Total Revenue (\$M)	\$125 - \$140
Gross Margin (%)	50.0% - 50.8%
Gross Profit (\$M)	\$63 - \$71
Operating Expenses (\$M)	\$65 - \$67
Adjusted EBITDA (\$M)	\$0 - \$8
Shares**	112.0 - 119.8
EPS	\$(0.02) - \$0.02
Cash (\$M)	\$80 - \$90

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

** Diluted shares assumes Harmonic stock price at \$16.05 (Q2 2023 average price)

2023 FINANCIAL GUIDANCE | BROADBAND SEGMENT



FY2023 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Net Revenue (\$M)	\$385 - \$410	\$450 - \$470	↓
Gross Margin (%)	47.0% - 48.0%	46.0% - 47.0%	↑
Gross Profit (\$M)	\$181 - \$197	\$207 - \$221	↓
Operating Expenses (\$M)	\$122 - \$125	\$123 - \$128	↓
Adjusted EBITDA (\$M)	\$65 - \$78	\$90 - \$99	↓

Q3 2023 Financial Metric	Guidance*
Net Revenue (\$M)	\$70 - \$80
Gross Margin (%)	42.5% - 43.5%
Gross Profit (\$M)	\$30 - \$35
Operating Expenses (\$M)	\$30 - \$31
Adjusted EBITDA (\$M)	\$1 - \$6

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

2023 FINANCIAL GUIDANCE | VIDEO SEGMENT



FY2023 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Net Revenue (\$M)	\$235 - \$250	\$255 - \$270	↓
Gross Margin (%)	60.0% - 61.0%	59.5% - 60.5%	↑
Gross Profit (\$M)	\$141 - \$153	\$152 - \$163	↓
Operating Expenses (\$M)	\$140 - \$143	\$139 - \$143	↑
Adjusted EBITDA (\$M)	\$6 - \$15	\$18 - \$26	↓

Q3 2023 Financial Metric	Guidance*
Net Revenue (\$M)	\$55 - \$60
Gross Margin (%)	59.5% - 60.5%
Gross Profit (\$M)	\$33 - \$36
Operating Expenses (\$M)	\$35 - \$36
Adjusted EBITDA (\$M)	\$(1) - \$2

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



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, gain on sale of equity investment, non-cash interest and other expenses on convertible notes and other debt, adjustments that normalize the tax rate and depreciation.

Q2 2023 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Three Months Ended June 30, 2023					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 155,963	\$ 84,940	\$ 74,978	\$ 9,962	\$ (936)	\$ 1,555
Stock-based compensation	—	439	(5,620)	6,059	—	6,059
Restructuring and related charges	—	—	—	—	—	—
Non-recurring advisory fees	—	—	(2,135)	2,135	—	2,135
Non-cash interest and other expenses related to convertible notes	—	—	—	—	223	223
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	3,982
Total adjustments	—	439	(7,755)	8,194	223	12,399
Non-GAAP	\$ 155,963	\$ 85,379	\$ 67,223	\$ 18,156	\$ (713)	\$ 13,954
<i>As a % of revenue (GAAP)</i>		54.5 %	48.1 %	6.4 %	(0.6)%	1.0 %
<i>As a % of revenue (Non-GAAP)</i>		54.7 %	43.1 %	11.6 %	(0.5)%	8.9 %
Diluted net income per share:						
GAAP						\$ 0.01
Non-GAAP						\$ 0.12
Shares used in per share calculation:						
GAAP and Non-GAAP						119,255

Q1 2023 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended March 31, 2023						
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 157,649	\$ 84,054	\$ 72,874	\$ 11,180	\$ (999)	\$ 5,093
Stock-based compensation	—	850	(6,574)	7,424	—	7,424
Restructuring and related charges	—	—	(83)	83	—	83
Non-cash interest and other expenses related to convertible notes	—	—	—	—	223	223
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,506
Total adjustments	—	850	(6,657)	7,507	223	9,236
Non-GAAP	<u>\$ 157,649</u>	<u>\$ 84,904</u>	<u>\$ 66,217</u>	<u>\$ 18,687</u>	<u>\$ (776)</u>	<u>\$ 14,329</u>
<i>As a % of revenue (GAAP)</i>		53.3 %	46.2 %	7.1 %	(0.6)%	3.2 %
<i>As a % of revenue (Non-GAAP)</i>		53.9 %	42.0 %	11.9 %	(0.5)%	9.1 %
Diluted net income per share:						
GAAP						<u>\$ 0.04</u>
Non-GAAP						<u>\$ 0.12</u>
Shares used in per share calculation:						
GAAP and Non-GAAP						<u>117,758</u>

Q2 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended July 1, 2022

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Income (Expense), net	Net Income
GAAP	\$ 157,446	\$ 82,401	\$ 67,319	\$ 15,082	\$ 2,880	\$ 14,840
Stock-based compensation	—	557	(5,018)	5,575	—	5,575
Restructuring and related charges	—	114	(631)	745	—	745
Gain on sale of equity investment	—	—	—	—	(4,349)	(4,349)
Non-cash interest and other expenses related to convertible notes	—	—	—	—	299	299
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	492
Total adjustments	—	671	(5,649)	6,320	(4,050)	2,762
Non-GAAP	\$ 157,446	\$ 83,072	\$ 61,670	\$ 21,402	\$ (1,170)	\$ 17,602
<i>As a % of revenue (GAAP)</i>		52.3 %	42.8 %	9.6 %	1.8 %	9.4 %
<i>As a % of revenue (Non-GAAP)</i>		52.8 %	39.2 %	13.6 %	(0.7)%	11.2 %
Diluted net income per share:						
GAAP						\$ 0.14
Non-GAAP						\$ 0.16
Shares used in per share calculation:						
GAAP and Non-GAAP						108,984

YTD Q2 2023 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Six Months Ended June 30, 2023					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 313,612	\$ 168,994	\$ 147,852	\$ 21,142	\$ (1,935)	\$ 6,648
Stock-based compensation	—	1,289	(12,194)	13,483	—	13,483
Restructuring and related charges	—	—	(83)	83	—	83
Non-recurring advisory fees	—	—	(2,135)	2,135	—	2,135
Non-cash interest and other expenses related to convertible notes	—	—	—	—	446	446
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	5,488
Total adjustments	—	1,289	(14,412)	15,701	446	21,635
Non-GAAP	\$ 313,612	\$ 170,283	\$ 133,440	\$ 36,843	\$ (1,489)	\$ 28,283
<i>As a % of revenue (GAAP)</i>		53.9 %	47.1 %	6.7 %	(0.6)%	2.1 %
<i>As a % of revenue (Non-GAAP)</i>		54.3 %	42.5 %	11.7 %	(0.5)%	9.0 %
Diluted net income per share:						
GAAP						\$ 0.06
Non-GAAP						\$ 0.24
Shares used in per share calculation:						
GAAP and Non-GAAP						118,508

YTD Q2 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Six Months Ended July 1, 2022					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Income (Expense), net	Net Income
GAAP	\$ 304,885	\$ 151,583	\$ 133,965	\$ 17,618	\$ 1,509	\$ 13,311
Stock-based compensation	—	1,084	(12,077)	13,161	—	13,161
Restructuring and related charges	—	100	(1,801)	1,901	—	1,901
Gain on sale of equity investment	—	—	—	—	(4,349)	(4,349)
Non-cash interest and other expenses related to convertible notes	—	—	—	—	596	596
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,859
Total adjustments	—	1,184	(13,878)	15,062	(3,753)	13,168
Non-GAAP	\$ 304,885	\$ 152,767	\$ 120,087	\$ 32,680	\$ (2,244)	\$ 26,479
<i>As a % of revenue (GAAP)</i>		49.7 %	43.9 %	5.8 %	0.5 %	4.4 %
<i>As a % of revenue (Non-GAAP)</i>		50.1 %	39.4 %	10.7 %	(0.7)%	8.7 %
Diluted net income per share:						
GAAP						\$ 0.12
Non-GAAP						\$ 0.24
Shares used in per share calculation:						
GAAP and Non-GAAP						109,774

ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Three Months Ended		
	June 30, 2023	March 31, 2023	July 1, 2022
Net income - GAAP	\$ 1,555	\$ 5,093	\$ 14,840
Provision for income taxes	7,471	5,088	3,122
Interest expense, net	800	706	1,394
Depreciation	3,059	3,030	3,017
EBITDA	12,885	13,917	22,373
<i>Adjustments</i>			
Stock-based compensation	6,059	7,424	5,575
Restructuring and related charges	—	83	745
Non-recurring advisory fees	2,135	—	—
Gain on sale of equity investment	—	—	(4,349)
Adjusted EBITDA	\$ 21,079	\$ 21,424	\$ 24,344

ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Six Months Ended	
	June 30, 2023	July 1, 2022
Net income - GAAP	\$ 6,648	\$ 13,311
Provision for income taxes	12,559	5,816
Interest expense, net	1,506	2,827
Depreciation	6,089	6,128
EBITDA	26,802	28,082
<i>Adjustments</i>		
Stock-based compensation	13,483	13,161
Restructuring and related charges	83	1,901
Non-recurring advisory fees	2,135	—
Gain on sale of equity investment	—	(4,349)
Adjusted EBITDA	\$ 42,503	\$ 38,795

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	\$ 620 to \$ 660	\$ 319 to \$ 347	\$ 291 to \$ 297	\$ 9 to \$ 16
Stock-based compensation expense	—	3	(25)	28
Restructuring and related charges	—	—	(2)	2
Non-recurring advisory fees	—	—	(2)	2
Non-cash interest and other expenses related to convertible notes	—	—	—	1
Gain on sale of equity investment	—	—	—	(3)
Tax effect of non-GAAP adjustments	—	—	—	6 to 16
Total adjustments	—	3	(29)	36 to 46
Non-GAAP	<u>\$ 620 to \$ 660</u>	<u>\$ 322 to \$ 350</u>	<u>\$ 262 to \$ 268</u>	<u>\$ 45 to \$ 62</u>
<i>As a % of revenue (GAAP)</i>		51.5% to 52.5%	46.9% to 45.0%	1.5% to 2.4%
<i>As a % of revenue (Non-GAAP)</i>		51.9% to 52.9%	42.3% to 40.6%	7.3% to 9.4%
Diluted net income per share:				
GAAP				<u>\$ 0.08 to \$ 0.13</u>
Non-GAAP				<u>\$ 0.38 to \$ 0.52</u>
Shares used in per share calculation:				
GAAP and Non-GAAP				<u>119.2</u>

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

Q3 2023 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



Q3 2023 Financial Guidance ⁽¹⁾

	Revenue	Gross Profit	Total Operating Expense	Net Income (Loss)
GAAP	\$ 125 to \$ 140	\$ 62 to \$ 70	\$ 73 to \$ 75	\$ (4) to \$ (2)
Stock-based compensation expense	—	1	(7)	8
Restructuring and related charges	—	—	(1)	1
Tax effect of non-GAAP adjustments	—	—	—	(8) to (4)
Total adjustments	—	1	(8)	1 to 5
Non-GAAP	\$ 125 to \$ 140	\$ 63 to \$ 71	\$ 65 to \$ 67	\$ (3) to \$ 3
<i>As a % of revenue (GAAP)</i>		49.4% to 50.3%	58.4% to 53.6%	(3.2)% to (1.4)%
<i>As a % of revenue (Non-GAAP)</i>		50.0% to 50.8%	52.0% to 47.9%	(2.1)% to 1.9%
Diluted net income (loss) per share:				
GAAP				<u>\$ (0.04) to \$ (0.02)</u>
Non-GAAP				<u>\$ (0.02) to \$ 0.02</u>
Shares used in per share calculation:				
GAAP				<u>112.0 to 112.0</u>
Non-GAAP				<u>112.0 to 119.8</u>

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

2023 ADJ. EBITDA GUIDANCE RECONCILIATIONS

(UNAUDITED, IN MILLIONS)



	Q3 2023 Financial Guidance		2023 Financial Guidance	
Net income (loss) - GAAP	\$ (4) to \$	(2)	\$ 9 to \$	16
Provision for income taxes	(9)	(3)	18	33
Interest expense, net	1	1	3	3
Depreciation	3	3	12	12
EBITDA	\$ (9) to \$	(1)	\$ 42 to \$	64
<i>Adjustments</i>				
Stock-based compensation	8	8	28	28
Restructuring and related charges	1	1	2	2
Non-recurring advisory fees	—	—	2	2
Gain on sale of equity investment	—	—	(3)	(3)
Adjusted EBITDA	\$ — to \$	8	\$ 71 to \$	93

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

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THANK YOU.

