



Management Presentation

May, 2015

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 2015 business strategy and our Q1 2015 financial outlook. 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 8-K, 10-Q and 10-K. These documents identify important risk factors that could cause actual results to differ materially from our projections or other forward looking statements.

The Worldwide Leader in video delivery infrastructure



Enabling amazing video experiences

through integrated solutions with unrivaled simplicity, flexibility and efficiency



CA

Silicon
Valley

\$434M

2014 Annual
Revenue

1028

Employees

8

Major Sites
Worldwide

3850

Customers
Globally

Customers

harmonic.

Broadcast & Media

Satellite

Telco

Cable

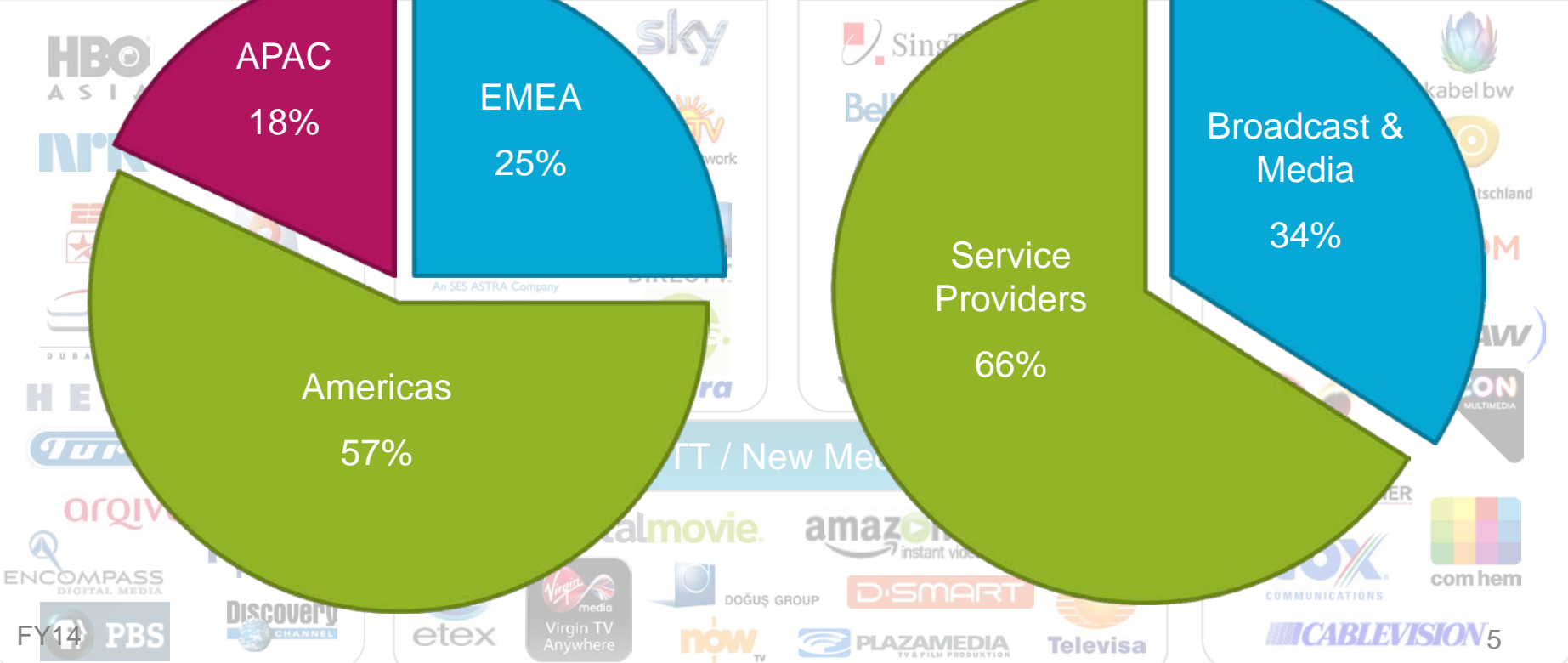
APAC
18%

EMEA
25%

Service
Providers
66%

Broadcast &
Media
34%

Americas
57%



FY14

5

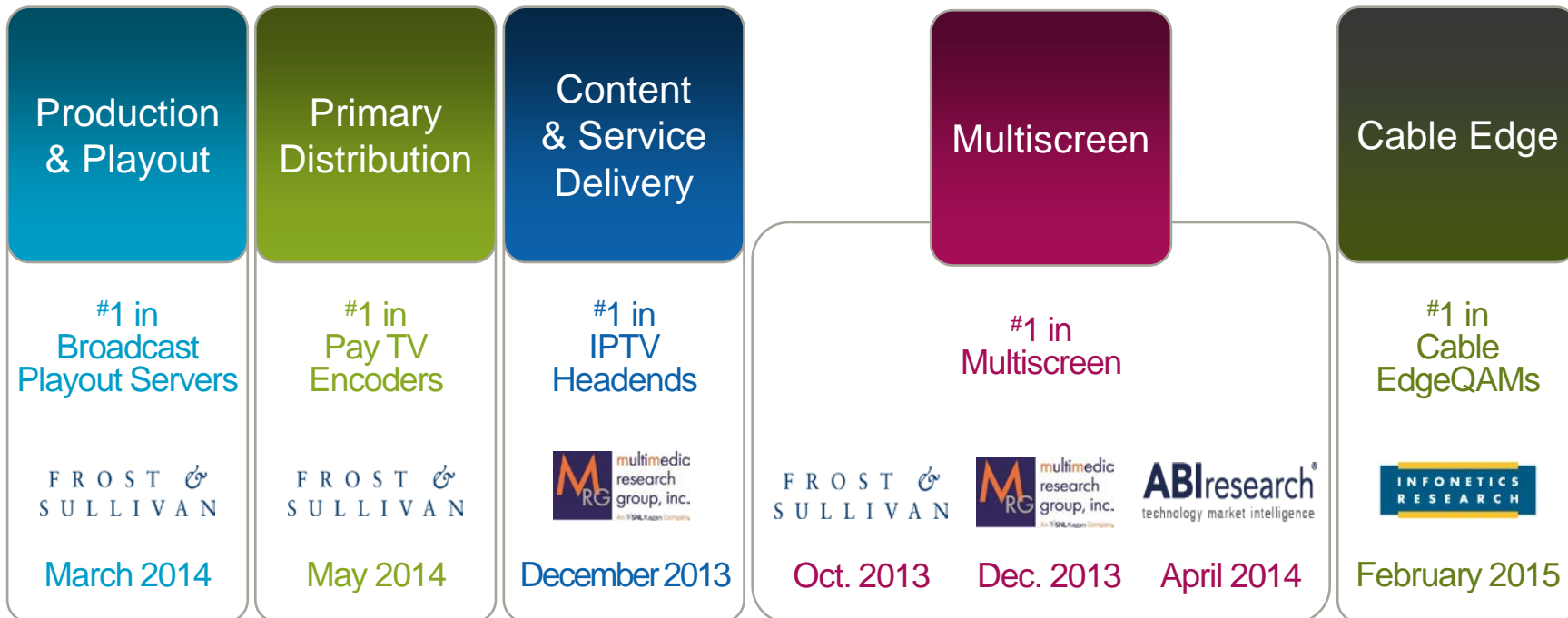
Video

- Media Co's and Service Providers
- \$2.0B-\$2.5B 2018 TAM
- Unified software-based platform; playout through multiscreen delivery
- Innovation: first in video compression / quality, function collapse, content customization, virtualization
- Service / TCO: capex, opex, SaaS and managed service; top support talent

Cable Edge

- Cable and Broadband Service Providers
- \$1.5B - \$2.0B 2018 TAM
- Virtualized CCAP platform that enables flexible migration to all-IP
- Innovation: first in unified distributed & centralized architecture, video & data, virtualization
- Service / TCO: flexible capacity licensing, reliability, pro-services

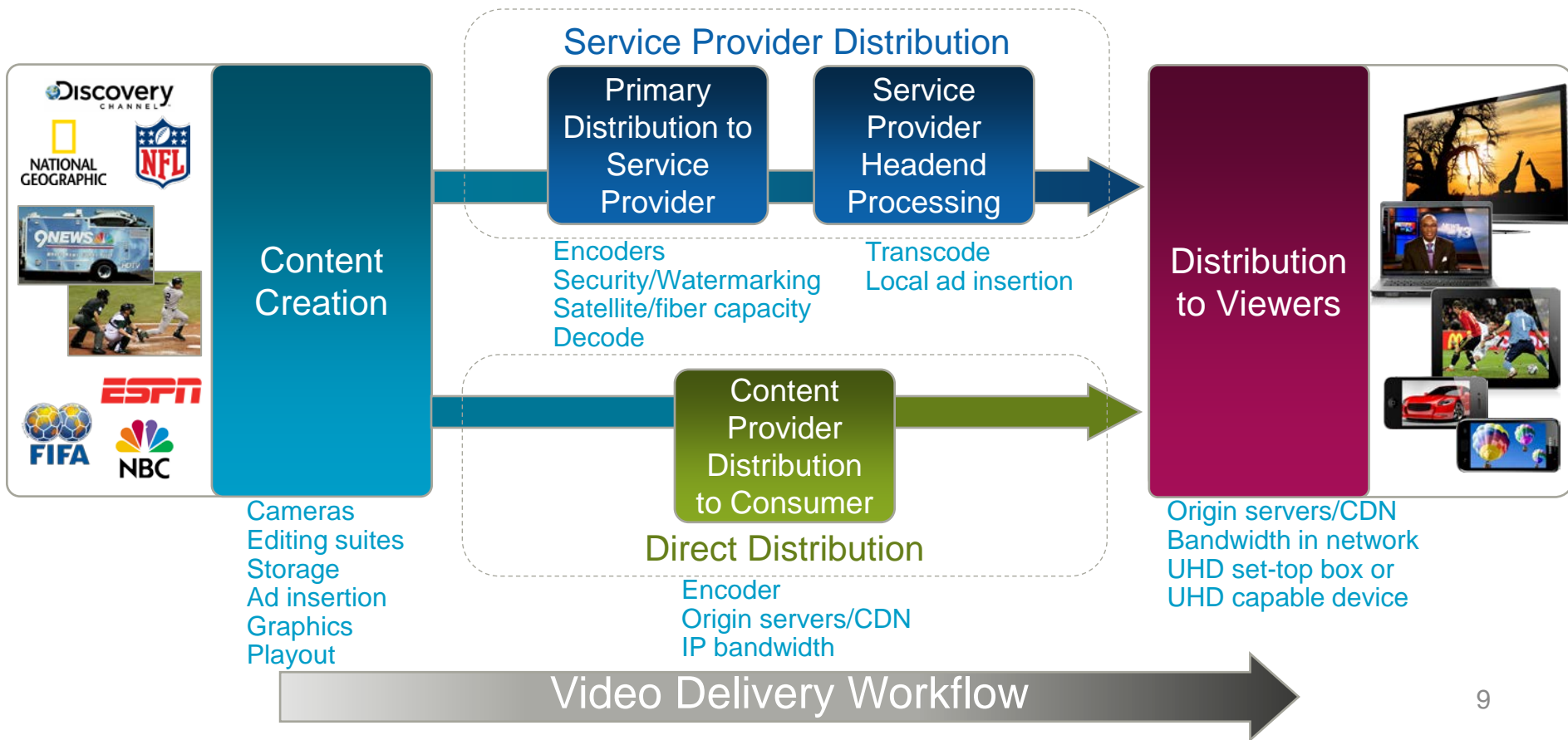
Harmonic is the leader



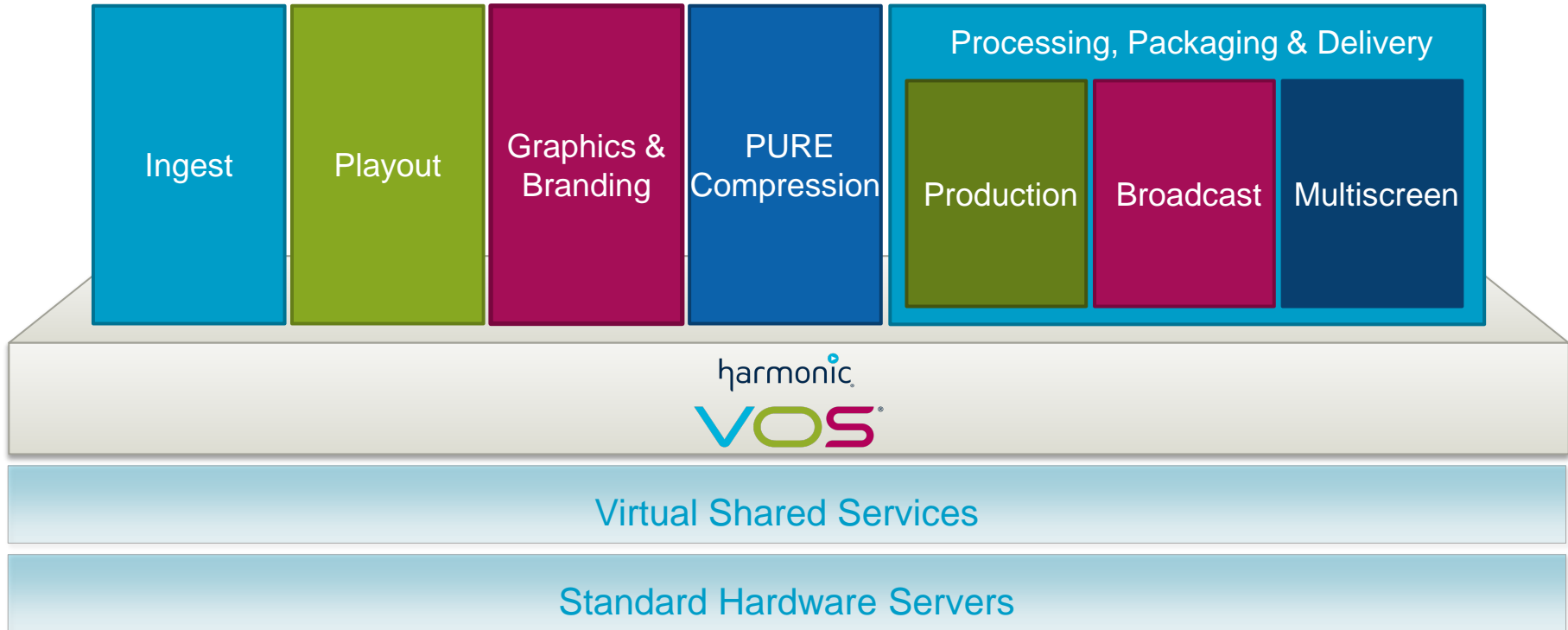
Video: Technology Transitions



Video: Upgrading to UHD / HEVC



Video: Our Winning Strategy

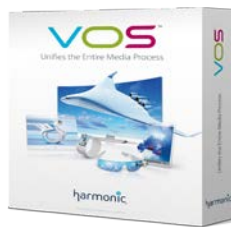


Video: Our Winning Solutions

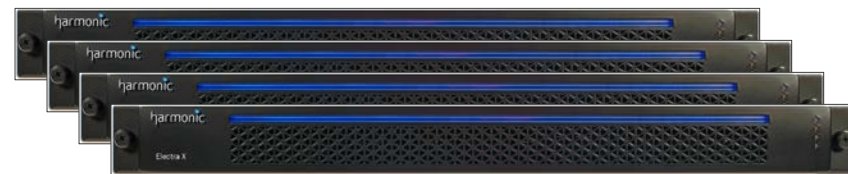
harmonic

Software

VOS™



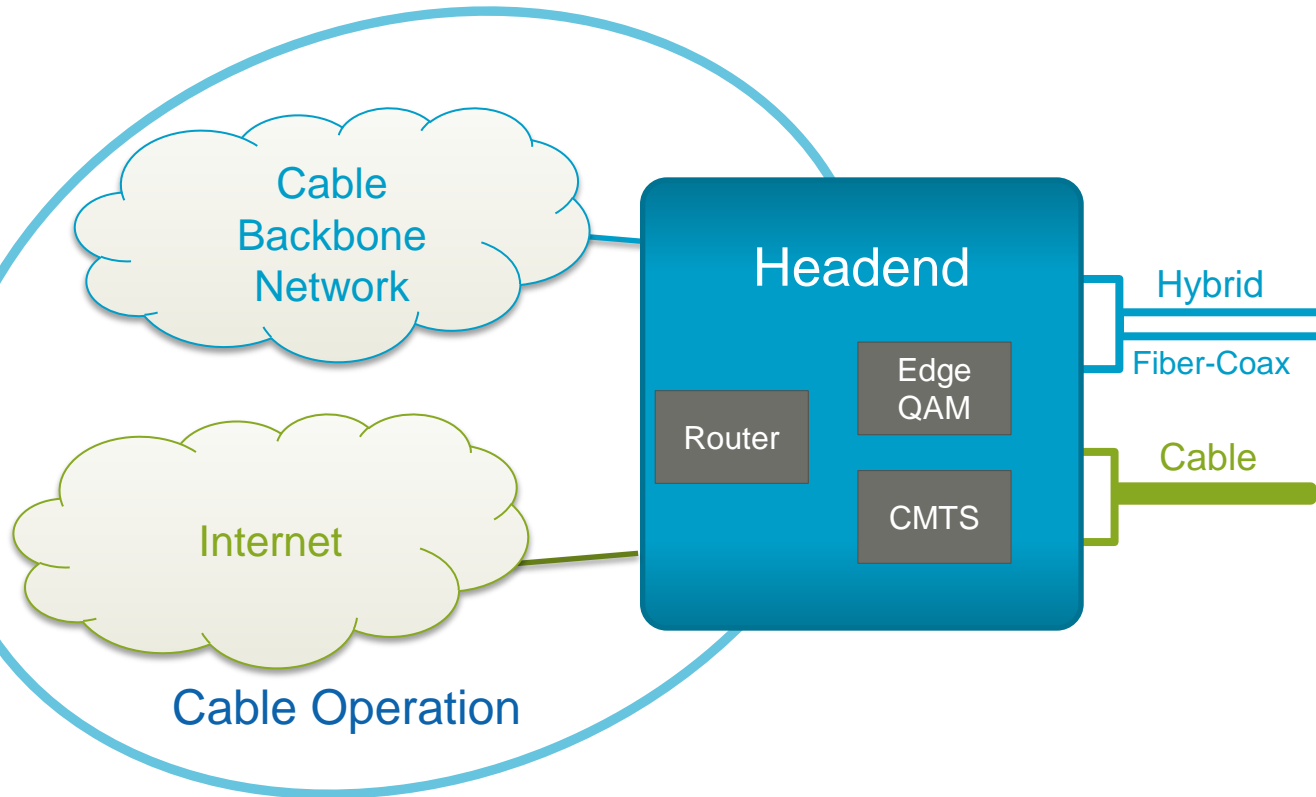
Appliances



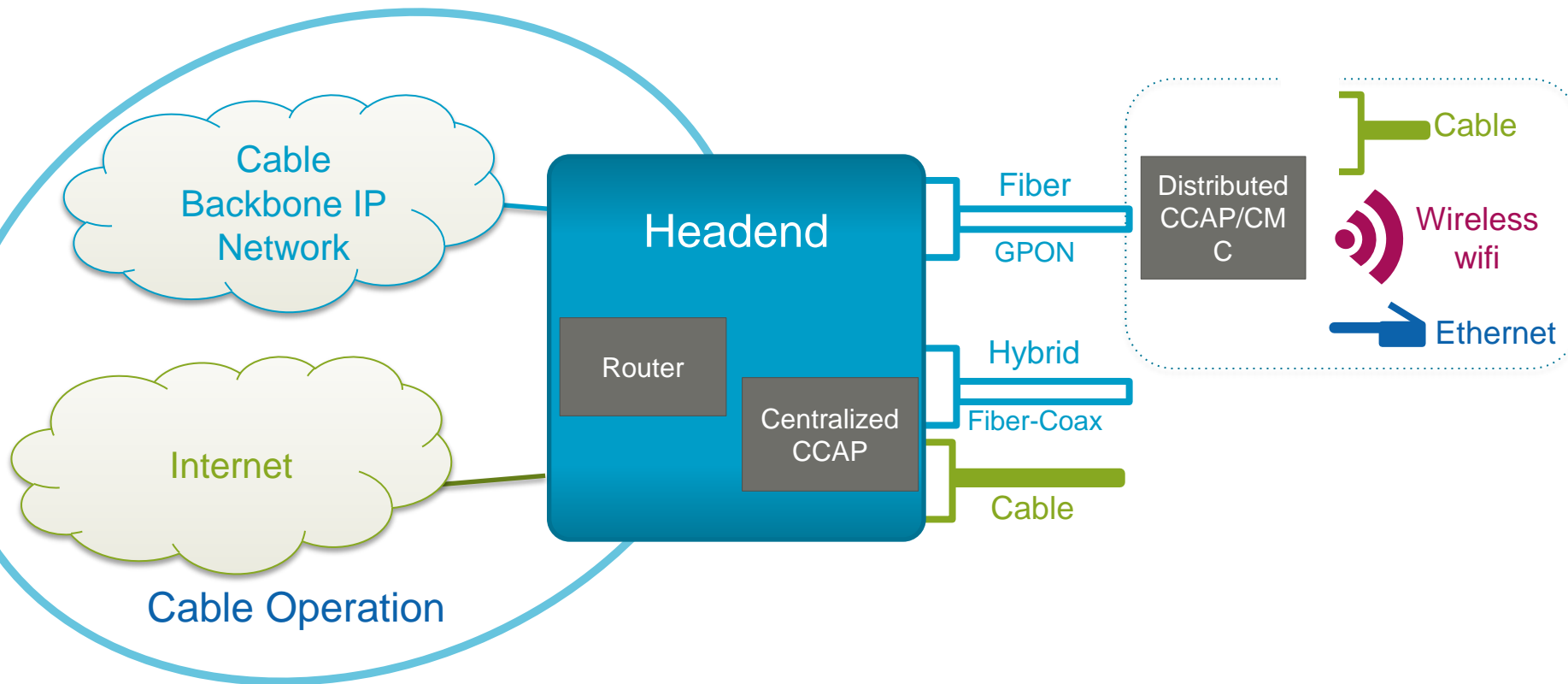
Services

TCO

Cable Edge: The Traditional Cable Network

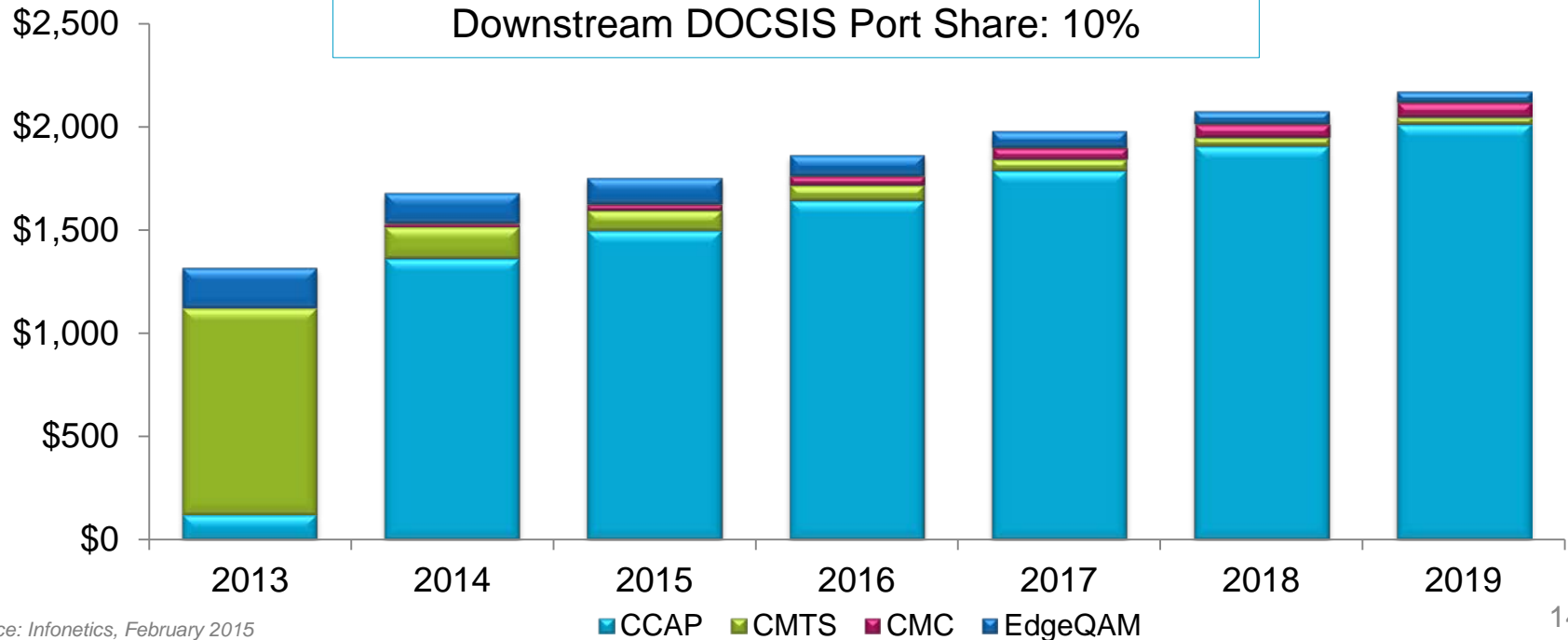


Cable Edge: The New Cable Network



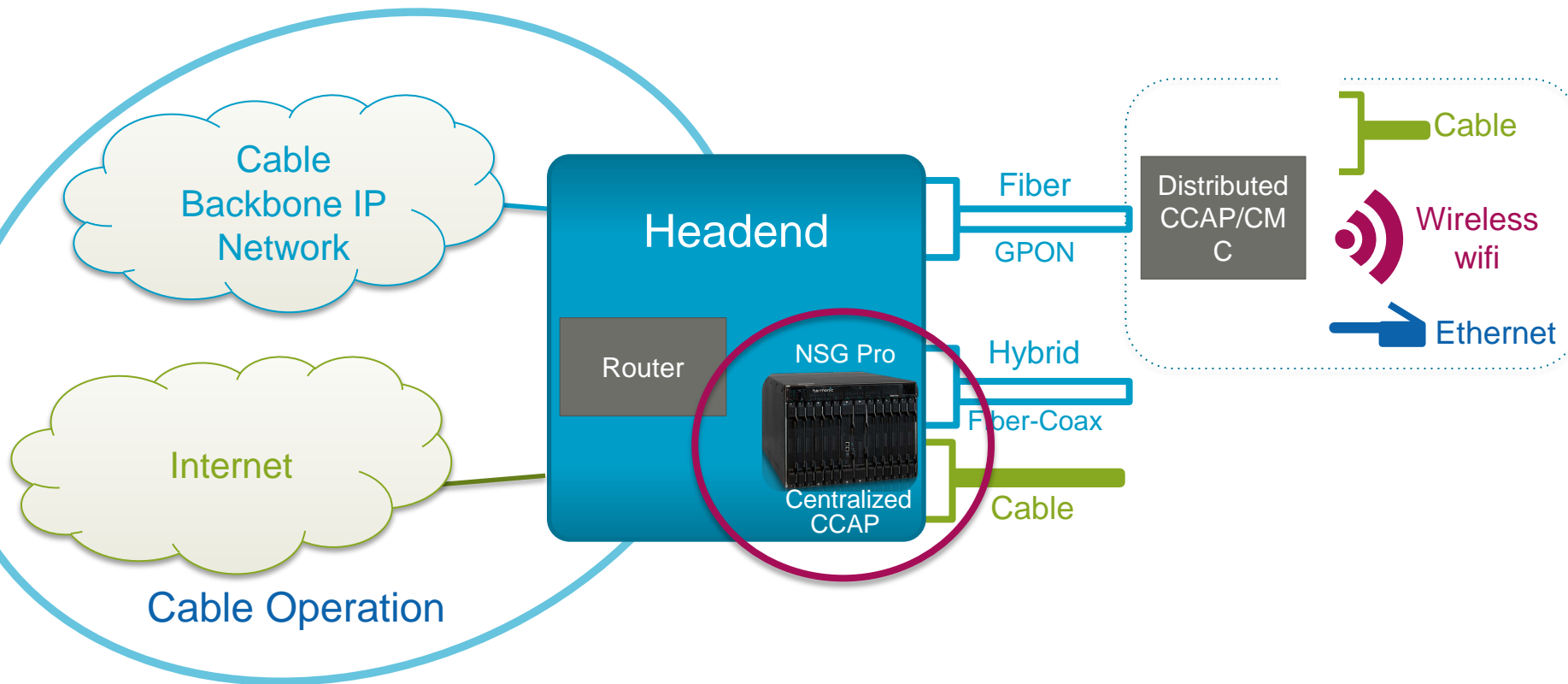
Cable Edge: Market Outlook

Harmonic Market Share Today:
EdgeQAM: 33%
CCAP: 3.2%
Downstream DOCSIS Port Share: 10%



Cable Edge: Harmonic and The New Cable Network

harmonic



Cable Edge: NSG Pro Milestones



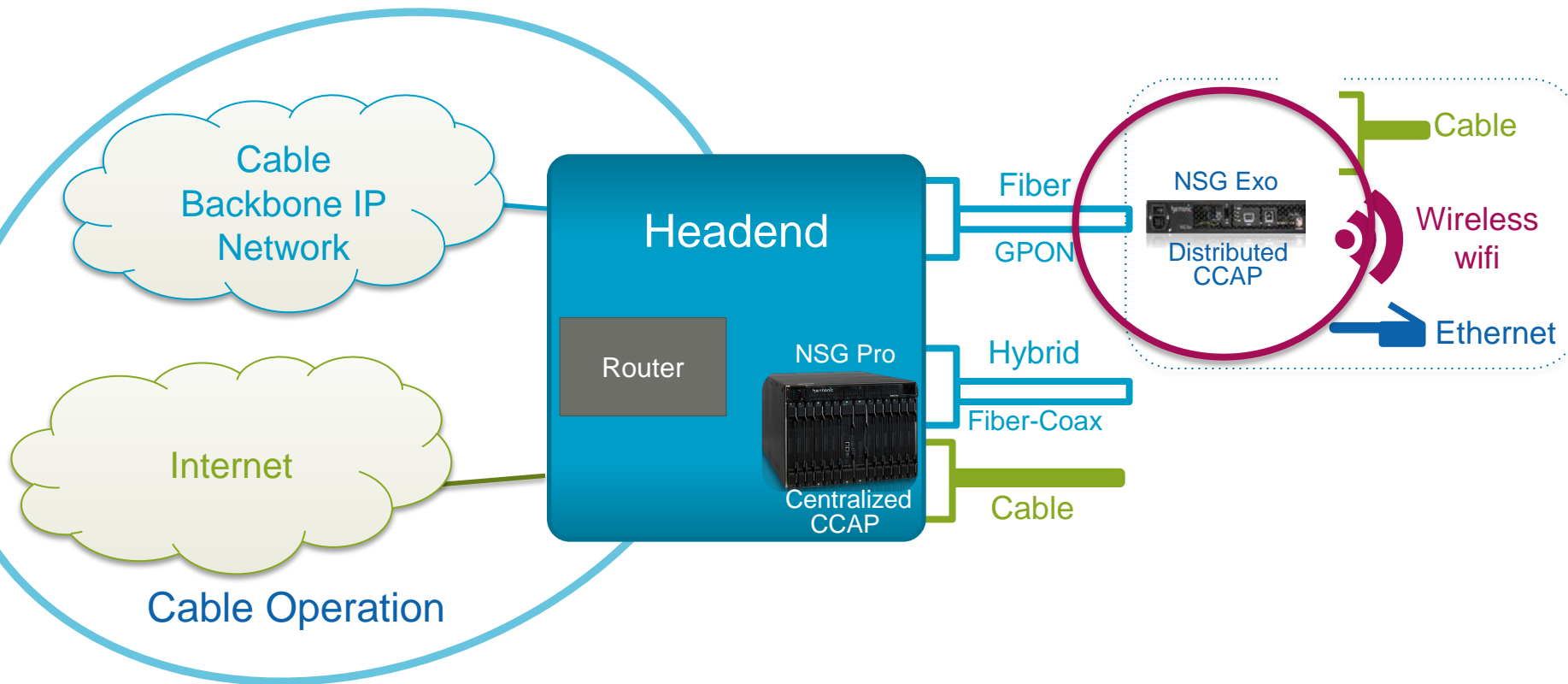
- October 2012 – NSG Pro announced
- Q2 2013
 - NSG Pro first customer approval
 - First order
- Q3 2013 – First production shipment
- Q4 2013
 - First multi-million dollar order
- Q2 2014 – Deployed to 1 million subscribers
- Q4 2014 – First lab demos of 2-way
- Q4 2015 – DOCSIS 3.1 2-way (Lab)



NSGPro
Centralized CCAP

Cable Edge: Harmonic and The New Cable Network

harmonic



Cable Edge: NSG Exo Capabilities

harmonic

Distributed CCAP Solution
CMTS today

Flexible Gigabit throughput
GPON • EPON • GigaE

High throughput
960 Mbps downstream
160 Mbps upstream

Indoor or Outdoor
Enclosures

QOS for Data, IP Video,
Voice Applications

Supports up to 200 cable
modems



INDOOR





Financial Overview

Q1 2015 Financial Highlights



\$ Millions (except GM & EPS)	Q1 2015	Q4 2014	Q1 2014	Q1 / Q4 Change	Q1 Y/Y Change
Total Net Revenue	\$104.0	\$107.9	\$108.0	-4%	-4%
Gross Margin % – Non-GAAP	53.9%	54.1%	53.3%	-20 bp	60 bp
Operating Expense – Non-GAAP	\$49.9	\$51.6	\$54.1	-3%	-8%
EPS – Non-GAAP	\$0.05	\$0.06	\$0.03	(\$0.01)	\$0.02
Bookings	\$97.3	\$121.1	\$126.3	-20%	-23%
Book to Bill	0.9	1.1	1.2	-18%	-25%
Backlog and Deferred	\$122.2	\$128.7	\$126.4	-5%	-3%

Q1 2015 Video Segment Trends

- Global revenue decline, down 20% sequentially
- Accelerated new product orders, growth in deferred projects
- Operating margin impacted by lower revenue

Revenue and Operating Margin

\$ Millions (except GM & EPS)	Q1 2015	Q4 2014	Q1 2014	Q1 / Q4 Change	Q1 Y/Y Change
Total Net Video Revenue	\$69.3	\$86.9	\$81.2	-\$17.7	-\$11.9
Operating Margin \$ – Non-GAAP	-\$0.1	\$8.6	\$2.4	-\$8.7	-\$2.5
Operating Margin % – Non-GAAP	-0.1%	9.9%	3.0%	-10%	-3.1%

NOTE: Video operating margin excludes unallocated corporate expenses consisting of certain corporate-level operating expenses and charges such as restructuring and asset impairment charges and proxy contest related expenses.

Q1 2015 Cable Edge Segment Trends



- Record revenue led by CCAP products, up 66% sequentially
- Solid double digit growth spanning geographies, year-over-year
- Record operating margin driven by strong revenue & software mix

Revenue and Operating Margin

\$ Millions (except GM & EPS)	Q1 2015	Q4 2014	Q1 2014	Q1 / Q4 Change	Q1 Y/Y Change
Total Net Cable Edge Revenue	\$34.7	\$20.9	\$26.9	\$13.8	\$7.9
Operating Margin \$ – Non-GAAP	\$6.2	-\$1.9	\$1.0	\$8.1	\$5.2
Operating Margin % – Non-GAAP	17.8%	-9.3%	3.9%	27.1%	13.9%

NOTE: Cable edge operating margin excludes unallocated corporate expenses consisting of certain corporate-level operating expenses and charges such as restructuring and asset impairment charges and proxy contest related expenses.

Q1 2015 Balance Sheet Highlights



	\$ Millions	
Cash	\$101.9	
Accounts Receivable	\$75.9	67 days
Inventories	\$31.5	6.1 turns
Cash From Operations	\$2.0	
Shares Repurchased	\$5.2	0.7M Shares

Returned over \$236M to shareholders since 2Q'12 in the form of share repurchases

Q2 2015	
Revenue	\$97M - \$107M
Non-GAAP Gross Margin*	52.0% - 53.0%
Non-GAAP Operating Expenses*	\$49.5M - \$50.5M
Non-GAAP Tax Rate	21%
*Excludes charges for stock-based compensation, the amortization of intangibles and restructuring and related charges.	

- Continued focus on growth opportunities
- Accelerate core market share leadership
- Enhance margin profile
- Optimize balance sheet
- Drive long-term earnings accretion





Q & A



Thank You

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 and net income (loss) (including those amounts as a percentage of revenue), 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 non-GAAP financial measures discussed in this presentation to the most directly comparable historical 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 and non-cash items, such as stock-based compensation expense, amortization of intangibles, impairment of long-term investment and adjustments that normalize the tax rate.

Q1 2015 GAAP to Non-GAAP Reconciliations



	Three months ended			
	April 3, 2015			
	Gross Profit	Total Operating Expense	Income from Operations	Net Income (loss)
GAAP from continuing operations	\$ 55,028	\$ 55,015	\$ 13	\$ (2,657)
Stock-based compensation in cost of revenue	528	-	528	528
Stock-based compensation in research and development	-	(1,148)	1,148	1,148
Stock-based compensation in selling, general and administrative	-	(2,458)	2,458	2,458
Amortization of intangibles	461	(1,446)	1,907	1,907
Restructuring and related charges	-	(44)	44	44
Loss on impairment of long-term investment	-	-	-	2,505
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	(1,472)
	<u>\$ 56,017</u>	<u>\$ 49,919</u>	<u>\$ 6,098</u>	<u>\$ 4,461</u>
<i>As a % of revenue (GAAP)</i>	52.9%	52.9%	0.0%	-2.6%
<i>As a % of revenue (Non-GAAP)</i>	53.9%	48.0%	5.9%	4.3%
Diluted net income(loss) per share from continuing operations:				
Diluted net loss per share from continuing operations-GAAP				\$ (0.03)
Diluted net income per share from continuing operations-Non-GAAP				<u>\$ 0.05</u>
Shares used to compute diluted net income (loss) per share from continuing operations:				
GAAP				88,655
Non-GAAP				<u>90,100</u>

Q4 2014 GAAP to Non-GAAP Reconciliations



	Three months ended			
	December 31, 2014			
	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Net Income (Loss)
GAAP from continuing operations	\$ 56,791	\$ 58,953	\$ (2,162)	\$ (4,854)
Stock-based compensation in cost of revenue	608	-	608	608
Stock-based compensation in research and development	-	(1,255)	1,255	1,255
Stock-based compensation in selling, general and administrative	-	(2,704)	2,704	2,704
Amortization of intangibles	696	(1,446)	2,142	2,142
Restructuring and asset impairment charges	220	(1,941)	2,161	2,161
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	1,251
Non-GAAP from continuing operations	\$ 58,315	\$ 51,607	\$ 6,708	\$ 5,267
<i>As a % of revenue (GAAP)</i>	<i>52.6%</i>	<i>54.6%</i>	<i>-2.0%</i>	<i>-4.5%</i>
<i>As a % of revenue (Non-GAAP)</i>	<i>54.1%</i>	<i>47.8%</i>	<i>6.2%</i>	<i>4.9%</i>
Diluted net income(loss) per share from continuing operations:				
Diluted net loss per share from continuing operations-GAAP				\$ (0.06)
Diluted net income per share from continuing operations-Non-GAAP				\$ 0.06
Shares used to compute diluted net income (loss) per share from continuing operations:				
GAAP				88,012
Non-GAAP				89,342

Q1 2014 GAAP to Non-GAAP Reconciliations



	Three months ended			
	March 28, 2014			
	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Net Income (Loss)
GAAP from continuing operations	\$ 52,312	\$ 59,534	\$ (7,222)	\$ (5,410)
Stock-based compensation in cost of revenue	516	-	516	516
Stock-based compensation in research and development	-	(1,101)	1,101	1,101
Stock-based compensation in selling, general and administrative	-	(2,190)	2,190	2,190
Amortization of intangibles	4,716	(1,950)	6,666	6,666
Restructuring and related charges	79	(149)	228	228
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	(2,471)
Non-GAAP from continuing operations	\$ 57,623	\$ 54,144	\$ 3,479	\$ 2,820
<i>As a % of revenue (GAAP)</i>	<i>48.4%</i>	<i>55.1%</i>	<i>-6.7%</i>	<i>-5.0%</i>
<i>As a % of revenue (Non-GAAP)</i>	<i>53.3%</i>	<i>50.1%</i>	<i>3.2%</i>	<i>2.6%</i>
Diluted net income (loss) per share from continuing operations:				
Diluted net loss per share from continuing operations-GAAP				\$ (0.06)
Diluted net income per share from continuing operations-Non-GAAP				\$ 0.03
Shares used to compute diluted net income (loss) per share from continuing operations:				
GAAP				97,921
Non-GAAP				99,256