



FIRST QUARTER 2018
Earnings Conference Call

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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 business strategy for 2018 and beyond, and our Q2 guidance and full year 2018 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 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.



Business Progress



- Cable Access segment revenue **up 37%** sequentially and 70% year over year



- Video segment **profitable for third consecutive quarter**, driven by OTT gains



- **>\$50M multi-year CableOS win** with Tier 1 international cable operator



Solid Year over Year Financial Improvement



- Revenue **up 8%**



- Bookings **up 25%**



- Gross profit **up 15%**



CableOS Momentum Building

- Over 15 CableOS commercial deployments and advanced trials underway
 - Over 200,000 consumer devices served, up nearly 100% from last quarter
- Deployed our first scale commercial distributed architecture network
- Secured first >\$1M purchase order for remote PHY system
- >\$50M multi-year CableOS win with Tier 1 international cable operator



Improving Financial Performance*

- Revenue up 70% year over year
- Gross profit up 95% year over year
- On track to achieve \$100M target for 2018

* Non-GAAP financial results



Growing OTT Success

- Over **32,500** high-quality OTT channels deployed to date, up >50% over last six months
- Over **2,500** cloud-native OTT channels deployed to date, up >100% over last six months



Improving Financial Performance*

- Gross margin increased to **57.5%**
- Operating profit up **>\$7.5M** year over year, for third consecutive quarter of positive operating income
- Record backlog and deferred revenue, enabling improving revenue visibility and stability as we head into the rest of 2018

* Non-GAAP financial results

Q1 2018 Financial Highlights*



\$ Millions (except EPS)	Q1 2018	Q4 2017	Q1 2017	Q1/Q4 Change	Q1 Y/Y Change
Total Net Revenue	\$90.2	\$101.1	\$83.5	(10.8)%	8.0%
Gross Margin %	55.3%	50.1%	52.1%	5.2%	3.2%
Operating Expense	\$49.4	\$49.1	\$54.9	0.6%	(10.0)%
Operating Income	\$0.5	\$1.6	(\$11.4)	(\$1.1)	\$11.9
EPS	(\$0.01)	\$0.00	(\$0.14)	(\$0.01)	\$0.13
Bookings	\$102.6	\$122.9	\$82.1	(16.5)%	25.0%

* Non-GAAP financial highlights

ASC 606 impact *

Income Statement

- Increase in revenue of approximately \$0.8 million in Q1

Balance Sheet

- Decrease in deferred revenue of \$5.3 million
- Decrease of \$5.8 million from our backlog
- Increase of \$11.1 million in equity**

* ASC 606 is purely an accounting change and does not change our customer billings, operating cash flows or the underlying health of our business.

** Please note that while \$11.1 million is an impact on day 1 of the 606 transition, we expect this amount to be partially offset by additional revenue recognition on certain products and services during 2018, which would not be recognizable under the legacy revenue recognition standard.

Q1 2018 Balance Sheet & Cash Flow Highlights



\$ Millions	Q1 2018	Q4 2017	Q1 2017
Cash	\$52.0	\$57.0	\$55.3
Cash (Used in) From Operations	(\$6.6)	\$9.0	(\$3.1)
Accounts Receivable	\$74.8	\$69.8	\$69.8
DSO	75	62	76
Inventories	\$25.1	\$26.0	\$39.9
Inventory Days	56	46	90
Backlog and Deferred	\$224.4	\$224.4	\$184.2

Q2 2018 Financial Guidance*



	\$ Millions (except EPS)
Total Revenue	\$88 - \$98
Cable Access Segment	\$18 - \$22
Video Segment	\$70 - \$76
Gross Margin	52% - 54%
Operating Expenses	\$49 - \$51
Operating Profit / (Loss)	(\$5.0) - \$4.0
EPS	(\$0.07) - \$0.02
Tax Rate	16%
Shares, millions (basic, diluted)	85.4, 86
Cash	\$45 - \$55

* Non-GAAP

Full Year 2018 Financial Outlook*



	\$ Millions (except EPS)
Total Revenue	\$375 - \$425
Cable Access Segment	\$90 - \$110
Video Segment	\$285 - \$315
Gross Margin	51% - 52%
Operating Expenses	\$197 - \$205
Operating Profit / (Loss)	(\$15.0) - \$26.0
EPS	(\$0.22) - \$0.18
Tax Rate	16%
Shares, millions (basic)	86, 87
Cash	\$45 - \$55

* Non-GAAP. Revised annual guidance which incorporates the expected changes due to ASC 606. This guidance incorporates an impact of \$5M on revenue and \$1M on operating expense.



Cable Access

1. Scale first wave of CableOS deployments
2. Secure new CableOS design wins
3. Deliver \$100M 2018 revenue



Video

1. Continue to drive OTT platform growth
2. Extend SaaS offerings
3. Deliver consistent segment profitability

Focused on growth, profitability
and
shareholder value creation





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, gross profit, operating expenses, income (loss) from operations, total net non-operating income (expense) and 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 acquisition accounting impacts to TVN deferred revenue and TVN inventory valuation, TVN acquisition and integration related costs, restructuring and related charges, Cable Edge inventory charge, Avid litigation settlement and associated legal fees and non-cash items, such as warrant amortization, impairment of long-term investment, stock-based compensation expense, amortization of intangibles, non-cash interest expenses on convertible debt and adjustments that normalize the tax rate.

Q1 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended March 30, 2018

	Revenue	Gross Profit	Total Operating Expense	Income (loss) from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 90,127	\$ 47,183	\$ 56,510	\$ (9,327)	\$ (3,289)	\$ (13,694)
Accounting impact related to warrant amortization	111	111	—	111	—	111
Stock-based compensation	—	515	(5,242)	5,757	—	5,757
Amortization of intangibles	—	1,295	(804)	2,099	—	2,099
Restructuring and related charges	—	762	(1,086)	1,848	—	1,848
Avid litigation settlement fees and associated legal fees	—	—	6	(6)	—	(6)
Non-cash interest expenses related to convertible notes	—	—	—	—	1,454	1,454
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,294
Total adjustments	111	2,683	(7,126)	9,809	1,454	12,557
Non-GAAP	\$ 90,238	\$ 49,866	\$ 49,384	\$ 482	\$ (1,835)	\$ (1,137)
		<i>As a % of revenue (GAAP)</i>	<i>As a % of revenue (GAAP)</i>	<i>As a % of revenue (GAAP)</i>	<i>As a % of revenue (GAAP)</i>	<i>As a % of revenue (GAAP)</i>
		52.4%	62.7%	(10.3)%	(3.6)%	(15.2)%
		<i>As a % of revenue (Non-GAAP)</i>	<i>As a % of revenue (Non-GAAP)</i>	<i>As a % of revenue (Non-GAAP)</i>	<i>As a % of revenue (Non-GAAP)</i>	<i>As a % of revenue (Non-GAAP)</i>
		55.3%	54.7%	0.5 %	(2.0)%	(1.3)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.16)
Diluted net loss per share-Non-GAAP						\$ (0.01)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						83,912

Q4 2017 GAAP to Non-GAAP Reconciliations

(in thousands, except EPS and percentages)



Three months ended December 31, 2017

	Revenue	Gross Profit	Total Operating Expense	Income (loss) from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 100,974	\$ 48,572	\$ 56,663	\$ (8,091)	\$ (3,938)	\$ (11,845)
Accounting impact related to warrant amortization	115	115	—	115	—	115
Stock-based compensation	—	747	(4,756)	5,503	—	5,503
Amortization of intangibles	—	1,295	(795)	2,090	—	2,090
Restructuring and related charges	—	(56)	(1,223)	1,167	—	1,167
TVN acquisition- and integration-related costs	—	—	(84)	84	—	84
Avid litigation settlement fees	—	—	(692)	692	—	692
Loss on impairment of long-term investment	—	—	—	—	530	530
Non-cash interest expenses related to convertible notes	—	—	—	—	1,429	1,429
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(121)
Total adjustments	115	2,101	(7,550)	9,651	1,959	11,489
Non-GAAP	\$ 101,089	\$ 50,673	\$ 49,113	\$ 1,560	\$ (1,979)	\$ (356)
	<i>As a % of revenue (GAAP)</i>	48.1%	56.1%	(8.0)%	(3.9)%	(11.7)%
	<i>As a % of revenue (Non-GAAP)</i>	50.1%	48.6%	1.5%	(2.0)%	(0.4)%

Diluted net loss per share:

Diluted net loss per share-GAAP \$ (0.14)

Diluted net loss per share-Non-GAAP \$ 0.00

Shares used to compute diluted net loss per share:

GAAP and Non-GAAP 82,014

Q1 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended March 31, 2017

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense	Net Loss	
GAAP	\$ 82,943	\$ 40,408	\$ 61,566	\$ (21,158)	\$ (3,101)	\$ (24,027)	
Cable Access inventory charge	—	(15)	—	(15)	—	(15)	
Acquisition accounting impacts related to TVN deferred revenue	111	111	—	111	—	111	
Accounting impact related to warrant amortization	416	416	—	416	—	416	
Stock-based compensation	—	445	(2,806)	3,251	—	3,251	
Amortization of intangibles	—	1,295	(774)	2,069	—	2,069	
Restructuring and related charges	—	508	(1,279)	1,787	—	1,787	
TVN acquisition and integration-related costs	—	342	(1,808)	2,150	—	2,150	
Non-cash interest expenses related to convertible notes	—	—	—	—	1,316	1,316	
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,744	
Total adjustments	\$ 527	\$ 3,102	\$ (6,667)	\$ 9,769	\$ 1,316	\$ 12,829	
Non-GAAP	\$ 83,470	\$ 43,510	\$ 54,899	\$ (11,389)	\$ (1,785)	\$ (11,198)	
		<i>As a % of revenue (GAAP)</i>	48.7%	74.2%	(25.5)%	(3.7)%	(29.0)%
		<i>As a % of revenue (Non-GAAP)</i>	52.1%	65.8%	(13.6)%	(2.1)%	(13.4)%
Diluted net loss per share:							
Diluted net loss per share-GAAP						\$ (0.30)	
Diluted net loss per share-Non-GAAP						\$ (0.14)	
Shares used to compute diluted net loss per share:							
GAAP and Non-GAAP						79,810	

Q2 2018 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



Q2 2018 Financial Guidance

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)	
GAAP	\$88.0 to \$98.0	\$44.3 to \$51.3	\$52.5 to \$54.5	\$(10.2) to \$(1.2)	\$(3.3)	\$(14.0) to \$(5.0)	
Stock-based compensation	—	0.3	(2.6)	2.9	—	2.9	
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1	
Restructuring and related charges	—	0.1	(0.1)	0.2	—	0.2	
Non-cash interest expense related to convertible notes	—	—	—	—	1.5	1.5	
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$0 to \$1.5	
Total adjustments	—	1.7	(3.5)	5.2	1.5	\$6.7 to \$8.2	
Non-GAAP	\$88.0 to \$98.0	\$46.0 to \$53.0	\$49.0 to \$51.0	\$(5.0) to \$4.0	\$(1.8)	\$(5.8) to \$1.7	
		<i>As a % of revenue (GAAP)</i>	<i>50.5% to 52.5%</i>	<i>53.5% to 62%</i>	<i>(11.5)% to (1)%</i>	<i>(3.5)%</i>	<i>(16)% to (5)%</i>
		<i>As a % of revenue (Non-GAAP)</i>	<i>52% to 54%</i>	<i>50% to 58%</i>	<i>(3.5)% to 4%</i>	<i>(2)%</i>	<i>(6.5)% to 1.5%</i>
Diluted net income (loss) per share:							
Diluted net loss per share-GAAP						\$ (0.17) to \$ (0.06)	
Diluted net (loss) income per share-Non-GAAP						\$ (0.07) to \$ 0.02	
Shares used to compute diluted net loss per share:							
GAAP and Non-GAAP						85.4	
Shares used to compute diluted net income per share:							
Non-GAAP						86.0	

2018 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



	2018 Outlook					
	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$375.0 to \$425.0	\$184.8 to \$216.8	\$217.0 to \$225.0	\$(43.2) to \$(2.2)	\$(13.3)	\$(59.3) to \$(18.3)
Stock-based compensation	—	2.0	(15.4)	17.4	—	17.4
Amortization of intangibles	—	5.2	(3.2)	8.4	—	8.4
Restructuring and related charges	—	1.0	(1.4)	2.4	—	2.4
Non-cash interest expense related to convertible notes	—	—	—	—	6.1	6.1
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$0 to \$6
Total adjustments	—	8.2	(20.0)	28.2	6.1	\$34.3 to \$40.3
Non-GAAP	\$375.0 to \$425.0	\$190.0 to \$223.0	\$197.0 to \$205.0	\$(15.0) to \$26.0	\$(7.2)	\$(19.0) to \$16.0
		<i>48.5% to 50.5%</i>	<i>51% to 60%</i>	<i>(11.5)% to (0.5)%</i>	<i>(3)%</i>	<i>(15.5)% to (4)%</i>
		<i>51% to 52%</i>	<i>46.5% to 54.5%</i>	<i>(4)% to 6%</i>	<i>(2)%</i>	<i>(5)% to 4%</i>
Diluted income (loss) per share:						
Diluted net loss per share-GAAP						\$(0.69) to \$(0.21)
Diluted net (loss) income per share-Non-GAAP						\$(0.22) to \$0.18
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						86.0
Shares used to compute diluted net income per share:						
Non-GAAP						87.0