



Preliminary Earnings Conference Call – Second Quarter 2014

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Patrick Harshman, President & CEO

Carolyn Aver, CFO

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 Q2 2014 financial results, Q3 2014 financial outlook and business strategy for 2014 and beyond. 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.

Q2 2014: Preliminary Results Summary



- Revenue \$108.0M to \$110M
 - Down 7% year-over-year at mid-point
 - Americas in-line, APAC in-line, EMEA missed
 - Service Provider in-line, Broadcast and Media missed
- Bookings \$113.4M
 - Down 10% year-over-year, H1 up 1% year-over-year
 - Book-to-bill ratio 1.04
 - Backlog and deferred revenue \$132.1M
- Operating performance
 - Gross margin 49.0% to 51.0% (non-GAAP)
 - EPS \$0.00 to \$0.02 (non-GAAP)
 - Repurchased 3.6 million shares for \$25.7 million

Video

- \$382M 2013 revenue
- Double-digit operating income

- \$2.5B 2017 addressable market

- Disruptive transition to software / cloud
- Coming refresh for HEVC & UltraHD

- New Strategic Platform - **VOS**

Cable Edge

- \$80M 2013 revenue
- Investment mode

- \$1.6B 2017 addressable market

- Disruptive transition to managed IP video

- New Strategic Platform – **NSG Pro**

- Strengthened Go To Market strategy
- Solidly positioned to accelerate earnings growth

Video

Market dynamics:

- Greater-than-anticipated interest in VOS (virtualization)
- Growing anticipation of HEVC and UHD
- EMEA slowdown

Execution:

- VOS winning “shoot-outs”
 - Expect first virtualized channels on air in 3Q
- First UHD/HEVC OTT win in Q2
- Visibility impacted by technology and operational transition turbulence
- EMEA sales reorganization

Cable Edge

Market dynamics:

- Strong edgeQAM demand
- VOD and OTT / mCMTS
- Accelerating shift to CCAP packaging
- Growing momentum for virtualized CCAP (central and distributed)

Execution:

- Gaining cable edge share with NSG Pro platform
- Record shipments of QAM hardware grows software sale pipeline
- Introduced NSG EXO (distributed CCAP)
- H2 CCAP milestones on-track

Strategy Intact – Positioned to Drive Growth



2012 - 2013

- Focused investment strategy
- Cable Edge business in transition to CCAP

2014

- Cable Edge starting to scale
- Video in transition to Virtualization, HEVC, UHD

2015+

- Both businesses scaling
- Revenue and earnings growth

Q2 2014: Financial Highlights



\$Millions (except GM & EPS)	Q2* 2014	Q1 2014	Q2 2013
Total Net Revenue	\$108.0-110.0	\$108.0	\$117.1
Gross Margin % – Non-GAAP	49.0%-51.0%	53.3%	54.1%
Operating Expense – Non-GAAP	\$52.5-\$53.5	\$54.1	\$56.1
EPS – Non-GAAP	\$0.00-\$0.02	\$0.03	\$0.05
Bookings	\$113.4	\$126.3	\$126.3
Backlog and Deferred	\$132.1	\$126.4	\$132.5

*Q2 2014 results are preliminary estimates.

Q2 2014: Balance Sheet and Cap-Ex Highlights



	\$Millions	
Cash	\$133.0M to \$135.0M	
Accounts Receivable	\$78.0M to \$80.0M	66 - 68 days
Inventories	\$29.0M to \$31.0M	7.0 - 7.5 turns
Debt	\$0	
Capital Expenditures	\$3.0M	
Shares Repurchased	\$25.7M	3.6M Shares

Share Repurchase Progress



- Open market purchases
 - Q2 2014: repurchased 3.6 million shares for \$25.7 million
- Shares outstanding on June 27, 2014 approximately 92.5 million
- Cumulative repurchases of 31.3 million shares for \$193 million since 2Q 2012
- \$107 million authorized for future purchases as of June 27, 2014

Q3 2014: Financial Guidance



	Metric
Revenue	\$103M - \$113M
Non-GAAP Gross Margin*	52.0% - 53.0%
Non-GAAP Operating Expenses*	\$51.5M - \$52.5M
Non-GAAP Tax Rate	21%

*Excludes charges for stock-based compensation, the amortization of intangibles and restructuring and related charges.

Q2 2014: GAAP to Non-GAAP Reconciliation



Harmonic Inc.
GAAP to Non-GAAP Reconciliations (Unaudited)
(in millions, except percentages and per share data)

	Three months ended		
	June 27, 2014		
	Gross Profit	Total Operating Expense	Income (Loss) from Operations
GAAP from continuing operations	\$48.0 to \$51.0	\$58.5 to \$59.5	(\$8.5) to (\$10.5)
Stock-based compensation in cost of revenue	0.6	—	0.6
Stock-based compensation in research and development	—	(1.3)	1.3
Stock-based compensation in selling, general and administrative	—	(2.7)	2.7
Amortization of intangibles	4.5	(1.7)	6.2
Restructuring and related charges	—	(0.3)	0.3
Non-GAAP from continuing operations	\$53.0 to \$56.0	\$52.5 to \$53.5	\$0.5 to \$2.5
<i>As a % of revenue (GAAP)</i>	44.5% to 46.5%	53.5% to 54.5%	(8.0%) to (10.0%)
<i>As a % of revenue (Non-GAAP)</i>	49.0% to 51.0%	48.0% to 49.0%	0.5% to 2.5%
Diluted net income per share from continuing operations-Non-GAAP			\$0.00 to \$0.02
Shares used to compute diluted net income per share from continuing operations-Non-GAAP			

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Thank You