



FOURTH QUARTER 2023
EARNINGS
CONFERENCE CALL

Patrick Harshman, President & CEO
Walter Jankovic, CFO

January 29, 2024



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 2024 and beyond, and our Q1 and full-year 2024 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.



Broadband strategy on track for **multiyear growth**



Video SaaS **>\$50M in FY23** | fueled by sports streaming



Executed **\$160M Credit Facility** to flexibly support our growth



Q4 HIGHLIGHTS

- Revenue \$115.2 million, up 52% sequentially, 20% year over year
- Commercially deployed with 108 operators, up 19% year over year
- 26.3 million cable modems served, ~15% of global market



EXECUTING **MULTIYEAR GROWTH PLAN**

- DOCSIS 4.0 leadership with first successful deployments
- Diversifying broadband revenue base with multiple Tier-1s contributing
- New Fiber products gaining traction with solid new orders



Q4 HIGHLIGHTS

- SaaS revenue \$13.2 million, up 26% year over year
- Total Video revenue \$51.9 million, down from \$68.3 million prior year
- Macro-economic headwinds continue to impact Appliance revenue



STRATEGIC EXECUTION AND PRIORITIES

- SaaS recently powered record-breaking live sports streaming event
- Initial wins for standalone ad insertion SaaS, broadening addressable market
- Continuing to explore strategic alternatives as part of formal review process



FINANCIAL RESULTS AND **OUTLOOK**

Walter Jankovic, CFO



FINANCIAL RESULTS*

- Record revenue \$167.1 million, up 1.7% year over year
- EPS \$0.13, compared to \$0.17 in Q4 2022
- Bookings \$196.5 million, book to bill ratio of 1.2
- Backlog and Deferred Revenue \$653.2 million, up 43% year over year



GUIDANCE FOR KEY FINANCIAL METRICS

- Broadband growth in FY24 expected to be 24% year-over-year (at mid-point)
- Broadband growth in FY25 expected to accelerate further
- Video FY24 guidance set conservatively due to video business review

* Non-GAAP

Q4 2023 REVENUE & GROSS MARGIN HIGHLIGHTS*



Financial Metric (\$ Millions)	Q4 2023	Q3 2023	Q4 2022	Q4/Q3 Change	Q4 Y/Y Change
Total Net Revenue	\$167.1	\$127.2	\$164.3	31.4%	1.7%
Broadband Revenue	\$115.2	\$75.8	\$96.0	52.0%	20.0%
Video Revenue	\$51.9	\$51.4	\$68.3	0.9%	(24.1)%
Gross Margin (%)	49.3%	49.5%	52.7%	(0.2)%	(3.4)%
Broadband Gross Margin (%)	42.4%	44.5%	47.6%	(2.1)%	(5.2)%
Video Gross Margin (%)	64.6%	56.9%	59.9%	7.7%	4.7%

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

Q4 2023 EARNINGS AND BOOKINGS HIGHLIGHTS*



Financial Metric \$ Millions (except EPS)	Q4 2023	Q3 2023	Q4 2022	Q4/Q3 Change	Q4 Y/Y Change
Operating Expenses	\$63.4	\$62.9	\$63.0	\$0.5	\$0.4
Adj. EBITDA	\$21.7	\$3.5	\$26.6	\$18.2	\$(4.9)
Broadband Adj. EBITDA	\$21.9	\$8.1	\$20.2	\$13.8	\$1.7
Video Adj. EBITDA	\$(0.2)	\$(4.6)	\$6.4	\$4.4	\$(6.5)
EPS	\$0.13	\$0.00	\$0.17	\$0.13	\$(0.04)
Share Count	115.7	116.7	117.3	(0.9)%	(1.4)%
Bookings	\$196.5	\$96.3	\$130.2	\$100.2	\$66.3
Book to Bill Ratio	1.2	0.8	0.8	50.0%	50.0%

* Non-GAAP

Q4 2023 BALANCE SHEET & CASH FLOW HIGHLIGHTS



Financial Metric (\$ Millions)	Q4 2023	Q3 2023	Q4 2022
Cash	\$84.3	\$75.6	\$89.6
Cash Provided by Operations	\$6.3	\$11.0	\$19.4
Accounts Receivable	\$141.5	\$110.3	\$108.4
DSO	76	78	59
Inventory	\$84.0	\$103.7	\$120.9
Inventory Days	89	145	140
Backlog and Deferred Revenue	\$653.2	\$627.2	\$457.1
Free cash flow	\$3.5	\$9.1	\$17.5

Q1 & 2024 FINANCIAL GUIDANCE | BROADBAND SEGMENT

Q1 2024 Financial Metric	Guidance*
Net Revenue (\$M)	\$70 - \$80
Gross Margin (%)	46.0% - 47.0%
Gross Profit (\$M)	\$32 - \$38
Adjusted EBITDA (\$M)	\$4 - \$8

2024 Financial Metric	Guidance*
Net Revenue (\$M)	\$460 - \$500
Gross Margin (%)	46.5% - 48.5%
Gross Profit (\$M)	\$214 - \$243
Adjusted EBITDA (\$M)	\$95 - \$119

* Non-GAAP

Q1 & 2024 FINANCIAL GUIDANCE | VIDEO SEGMENT



Q1 2024 Financial Metric	Guidance*
Net Revenue (\$M)	\$40 - \$50
Gross Margin (%)	60.0% - 61.0%
Gross Profit (\$M)	\$24 - \$31
Adjusted EBITDA (\$M)	\$(8) - \$(2)

2024 Financial Metric	Guidance*
Net Revenue (\$M)	\$195 - \$210
Gross Margin (%)	60.0% - 62.0%
Gross Profit (\$M)	\$117 - \$130
Adjusted EBITDA (\$M)	\$(7) - \$2

* Non-GAAP

Q1 & 2024 FINANCIAL GUIDANCE | CONSOLIDATED



Q1 2024 Financial Metric	Guidance*
Total Revenue (\$M)	\$110 - \$130
Gross Margin (%)	51.1% - 52.4%
Gross Profit (\$M)	\$56 - \$69
Adjusted EBITDA (\$M)	\$(4) - \$6
Shares**	111.7 - 115.2
EPS	\$(0.06) - \$0.02

2024 Financial Metric	Guidance*
Total Revenue (\$M)	\$655 - \$710
Gross Margin (%)	50.5% - 52.5%
Gross Profit (\$M)	\$331 - \$373
Adjusted EBITDA (\$M)	\$88 - \$121
Shares**	114.6
EPS	\$0.49 - \$0.72

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

** The guidance assumes estimated impact of redeeming the 2024 Convertible Notes and repurchases during 2024 under the Company's stock repurchase program. Diluted shares assumes stock price at \$10.68 (Q4 2023 average price).



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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.

Q4 2023 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended December 31, 2023

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 167,092	\$ 81,867	\$ 72,234	\$ 9,633	\$ (820)	\$ 83,841
Stock-based compensation	—	454	(6,151)	6,605	—	6,605
Restructuring and related charges	—	(27)	—	(27)	—	(27)
Non-recurring advisory fees	—	—	(2,702)	2,702	—	2,702
Non-cash interest and other expenses related to convertible notes	—	—	—	—	233	233
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(78,693)
Total adjustments	—	427	(8,853)	9,280	233	(69,180)
Non-GAAP	\$ 167,092	\$ 82,294	\$ 63,381	\$ 18,913	\$ (587)	\$ 14,661
<i>As a % of revenue (GAAP)</i>		49.0 %	43.2 %	5.8 %	(0.5)%	50.2 %
<i>As a % of revenue (Non-GAAP)</i>		49.3 %	37.9 %	11.3 %	(0.4)%	8.8 %
Diluted net income per share:						
GAAP						\$ 0.72
Non-GAAP						\$ 0.13
Shares used in per share calculation:						
GAAP and Non-GAAP						115,691

Q3 2023 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended September 29, 2023

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$ 127,203	\$ 61,684	\$ 70,287	\$ (8,603)	\$ (276)	\$ (6,495)
Stock-based compensation	—	606	(6,635)	7,241	—	7,241
Restructuring and related charges	—	714	(362)	1,076	—	1,076
Non-recurring advisory fees	—	—	(364)	364	—	364
Non-cash interest and other expenses related to convertible notes	—	—	—	—	226	226
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(2,390)
Total adjustments	—	1,320	(7,361)	8,681	226	6,517
Non-GAAP	\$ 127,203	\$ 63,004	\$ 62,926	\$ 78	\$ (50)	\$ 22
<i>As a % of revenue (GAAP)</i>		48.5 %	55.3 %	(6.8)%	(0.2)%	(5.1)%
<i>As a % of revenue (Non-GAAP)</i>		49.5 %	49.5 %	0.1 %	— %	— %
Diluted net income (loss) per share:						
GAAP						\$ (0.06)
Non-GAAP						\$ 0.00
Shares used in per share calculation:						
GAAP						112,031
Non-GAAP						116,710

Q4 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Three Months Ended December 31, 2022					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 164,334	\$ 85,697	\$ 69,220	\$ 16,477	\$ (1,141)	\$ 6,131
Stock-based compensation	—	541	(5,050)	5,591	—	5,591
Restructuring and related charges	—	442	(1,205)	1,647	17	1,664
Non-cash interest and other expenses related to convertible notes	—	—	—	—	274	274
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	6,233
Total adjustments	—	983	(6,255)	7,238	291	13,762
Non-GAAP	\$ 164,334	\$ 86,680	\$ 62,965	\$ 23,715	\$ (850)	\$ 19,893
<i>As a % of revenue (GAAP)</i>		52.1 %	42.1 %	10.0 %	(0.7)%	3.7 %
<i>As a % of revenue (Non-GAAP)</i>		52.7 %	38.3 %	14.4 %	(0.5)%	12.1 %
Diluted net income per share:						
GAAP						\$ 0.05
Non-GAAP						\$ 0.17
Shares used in per share calculation:						
GAAP and Non-GAAP						117,301

QTD ADJ. EBITDA CALCULATIONS

(UNAUDITED, IN THOUSANDS)



	Three Months Ended December 31, 2023	
	Video	Broadband
Income (loss) from operations ⁽¹⁾	\$ (1,355)	\$ 20,268
Depreciation	1,283	1,794
Other non-operating expenses, net	(89)	(160)
Adjusted EBITDA ⁽²⁾	\$ (161)	\$ 21,902
Revenue	\$ 51,863	\$ 115,229
<i>Adjusted EBITDA margin % ⁽²⁾</i>	<i>(0.3)%</i>	<i>19.0 %</i>

	Three Months Ended September 29, 2023	
	Video	Broadband
Income (loss) from operations ⁽¹⁾	\$ (6,050)	\$ 6,128
Depreciation	1,343	1,746
Other non-operating expenses, net	132	211
Adjusted EBITDA ⁽²⁾	\$ (4,575)	\$ 8,085
Revenue	\$ 51,397	\$ 75,806
<i>Adjusted EBITDA margin % ⁽²⁾</i>	<i>(8.9)%</i>	<i>10.7 %</i>

	Three Months Ended December 31, 2022	
	Video	Broadband
Income from operations ⁽¹⁾	\$ 5,005	\$ 18,710
Depreciation	1,431	1,604
Other non-operating expenses, net	(86)	(109)
Adjusted EBITDA ⁽²⁾	\$ 6,350	\$ 20,205
Revenue	\$ 68,308	\$ 96,026
<i>Adjusted EBITDA margin % ⁽²⁾</i>	<i>9.3 %</i>	<i>21.0 %</i>

QTD ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Three Months Ended		
	December 31, 2023	September 29, 2023	December 31, 2022
Net income (loss) (GAAP)	\$ 83,841	\$ (6,495)	\$ 6,131
Provision for (benefit from) income taxes	(75,028)	(2,384)	9,205
Interest expense, net	571	619	929
Depreciation	3,077	3,089	3,035
EBITDA	12,461	(5,171)	19,300
<i>Adjustments</i>			
Stock-based compensation	6,605	7,241	5,591
Restructuring and related charges	(27)	1,076	1,664
Non-recurring advisory fees	2,702	364	—
Total consolidated segment adjusted EBITDA (Non-GAAP)	\$ 21,741	\$ 3,510	\$ 26,555
Revenue	\$ 167,092	\$ 127,203	\$ 164,334
<i>Net income (loss) margin (GAAP)</i>	<i>50.2 %</i>	<i>(5.1)%</i>	<i>3.7 %</i>
<i>Consolidated segment adjusted EBITDA margin (Non-GAAP)</i>	<i>13.0 %</i>	<i>2.8 %</i>	<i>16.2 %</i>

Q1 2024 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



Q1 2024 Financial Guidance ⁽¹⁾

	Revenue		Gross Profit		Total Operating Expense		Income (Loss) from Operations		Net Income (Loss)	
GAAP	\$ 110	to \$ 130	\$ 55	to \$ 68	\$ 70	to \$ 72	\$ (15)	to \$ (5)	\$ (13)	to \$ (5)
Stock-based compensation expense	—		1		(6)		7		7	
Non-recurring advisory fees	—		—		(1)		1		1	
Tax effect of non-GAAP adjustments	—		—		—		—		(1)	to (1)
Total adjustments	—		1		(7)		8		7	to 7
Non-GAAP	\$ 110	to \$ 130	\$ 56	to \$ 69	\$ 63	to \$ 65	\$ (7)	to \$ 3	\$ (6)	to \$ 2
As a % of revenue (GAAP)			50.2 %	to 51.6 %	63.6 %	to 55.4 %	(13.6)%	to (3.8)%	(11.8)%	to (3.8)%
As a % of revenue (Non-GAAP)			51.1 %	to 52.4 %	57.3 %	to 50.0 %	(6.2)%	to 2.4 %	(5.6)%	to 1.4 %
Diluted net income (loss) per share:										
GAAP										\$ (0.12) to \$ (0.04)
Non-GAAP										\$ (0.06) to \$ 0.02
Shares used in per share calculation:										
GAAP										111.7
Non-GAAP										111.7 to 115.2

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

2024 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



2024 Financial Guidance ⁽¹⁾										
	Revenue		Gross Profit		Total Operating Expense		Income from Operations		Net Income	
GAAP	\$ 655	to \$ 710	\$ 329	to \$ 371	\$ 283	to \$ 292	\$ 46	to \$ 79	\$ 31	to \$ 57
Stock-based compensation expense	—		2		(26)		28		28	
Non-recurring advisory fees	—		—		(2)		2		2	
Non-cash interest and other expenses related to convertible notes	—		—		—		—		1	
Tax effect of non-GAAP adjustments	—		—		—		—		(6)	to (6)
Total adjustments	—		2		(28)		30		25	to 25
Non-GAAP	<u>\$ 655</u>	<u>to \$ 710</u>	<u>\$ 331</u>	<u>to \$ 373</u>	<u>\$ 255</u>	<u>to \$ 264</u>	<u>\$ 76</u>	<u>to \$ 109</u>	<u>\$ 56</u>	<u>to \$ 82</u>
<i>As a % of revenue (GAAP)</i>			50.2 %	to 52.2 %	43.2 %	to 41.1 %	7.0 %	to 11.1 %	4.7 %	to 8.0 %
<i>As a % of revenue (Non-GAAP)</i>			50.5 %	to 52.5 %	38.9 %	to 37.2 %	11.6 %	to 15.3 %	8.5 %	to 11.5 %
Diluted net income per share:										
GAAP									\$0.27	to \$0.50
Non-GAAP									\$0.49	to \$0.72
Shares used in per share calculation:										
GAAP and Non-GAAP									114.6	

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

Q1 and 2024 GUIDANCE ADJ EBITDA CALCULATIONS

	Q1 2024 Financial Guidance			
	Video		Broadband	
Income (loss) from operations ⁽²⁾	\$ (9)	to \$ (4)	\$ 2	to \$ 7
Depreciation	1	1	2	2
Other non-operating expenses	—	1	—	(1)
Segment adjusted EBITDA ⁽³⁾	\$ (8)	to \$ (2)	\$ 4	to \$ 8

	2024 Financial Guidance			
	Video		Broadband	
Income (loss) from operations ⁽²⁾	\$ (12)	to \$ (3)	\$ 88	to \$ 112
Depreciation	6	6	8	8
Other non-operating expenses	(1)	(1)	(1)	(1)
Segment adjusted EBITDA ⁽³⁾	\$ (7)	to \$ 2	\$ 95	to \$ 119

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

Q1 and 2024 ADJ. EBITDA GUIDANCE RECONCILIATIONS

(UNAUDITED, IN MILLIONS)



	Q1 2024 Financial Guidance		2024 Financial Guidance	
Net income (loss) (GAAP)	\$ (13) to \$	(5)	31 to \$	57
Provision for (benefit from) income taxes	(3)	(1)	7	14
Interest expense, net	1	1	7	7
Depreciation	3	3	13	13
EBITDA	\$ (12) to \$	(2)	\$ 58 to \$	91
<i>Adjustments</i>				
Stock-based compensation	7	7	28	28
Non-recurring advisory fees	1	1	2	2
Total consolidated segment adjusted EBITDA (Non-GAAP) ⁽²⁾	\$ (4) to \$	6	\$ 88 to \$	121

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

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THANK YOU.

