



First Quarter 2017 Earnings Conference Call

Patrick Harshman, President & CEO
Hal Covert, CFO

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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 2017 and beyond, and our Q2 2017 and fiscal 2017 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 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.

Q1 2017 Results* Summary



- Revenue \$83.5M
 - Video business down 29% sequentially, up 13% y-o-y
 - Cable Edge business flat sequentially, down 46% y-o-y
- Bookings \$82M
 - Seasonal slowness and project delays
 - Growing Cloud/SaaS mix
 - Backlog and deferred revenue \$184M, near record level
- Gross Margin 52%
- EPS \$(0.14)

* Non-GAAP financial results

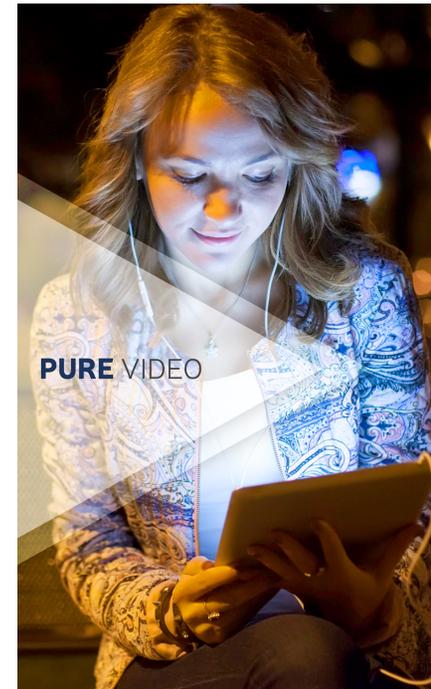
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Video Business Update

- Softer than expected Q1 following strong Q4
 - Weak service provider spending, esp. in March
 - Several projects delayed
 - Satellite pay TV softness offset by growing OTT demand
- Cloud and SaaS adoption gaining momentum
 - >5% of YTD video bookings
 - High profile Tier 1 wins and expansions
 - Strong differentiation for live high-quality OTT
- 2017 outlook remains healthy
 - Q2 rebound, modest full year revenue growth
 - Continued Cloud and SaaS bookings growth
 - >10% aggregate operating margin for balance of the year

Positioned for sustainable earnings growth

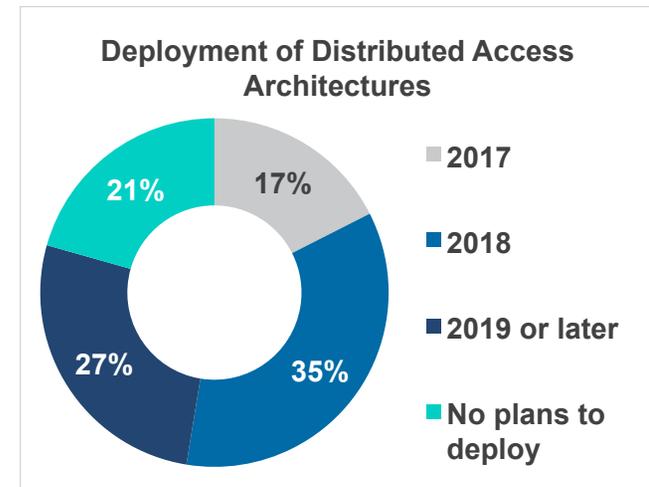
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Cable Edge Business Update



- Executing CableOS growth plan
 - Live commercial deployments performing well
 - Advanced DOCSIS 3.1 field trials on track
 - Expanding global customer engagements
 - Began shipments of new DAA remote-PHY nodes
- Legacy EdgeQAM demand remains soft
 - Q1 results in-line with expectations
 - Customer engagements transitioning to CableOS
- 2017 CableOS business outlook positive
 - Continuing commercial deployments and scale trials in Q2
 - On track to secure additional design wins
 - Positioned to ramp revenue shipments in second half, targeting \$100M annualized exit run rate



Source: SNL Kagan, 2017: survey of 35 cable operators spanning 82 million broadband subscribers in response to "When do you expect to deploy distributed access architectures (DAA)?"

Targeting Leadership in >\$2B CCAP Market

Financial Update



- Softer than expected Q1 results
 - Strong Q4 order timing and seasonality impacted demand as expected
 - Delayed projects shift demand into out quarters, some booked in Q2
- 2017 financial agenda delayed, but intact
 - Grow Video and Cable Edge revenue, y-o-y
 - Cable Edge annualized revenue run-rate >\$100M exiting 2017
 - 2H Video segment double digit operating profit
- Maximizing operating efficiencies
 - Sequential operating expense reduction for the balance of 2017

Q1 2017 Financial Highlights*



| \$ Millions (except GM & EPS) | Q1 2017 | Q4 2016 | Q1 2016 | Q1/ Q4 Change | Q1 Y/Y Change |
|----------------------------------|------------|------------|------------|------------------|------------------|
| Total Net Revenue | \$83.5 | \$113.8 | \$82.5 | -27% | 1% |
| - Video Revenue | \$74.5 | \$104.8 | \$65.6 | -29% | 13% |
| - Cable Edge Revenue | \$9.0 | \$9.0 | \$16.8 | - | -46% |
| Gross Margin % | 52.1% | 56.1% | 51.1% | -4% | 1% |
| Operating Expense | \$54.9 | \$54.2 | \$50.5 | 1% | 9% |
| Operating Income (Loss) | (\$11.4) | \$9.6 | (\$8.4) | -\$21.0 | -\$3.0 |
| EPS | (\$0.14) | \$0.08 | (\$0.11) | -\$0.22 | -\$0.03 |
| Bookings | \$82.1 | \$116.9 | \$109.6 | -30% | -25% |
| Book to Bill | 1.0 | 1.0 | 1.3 | - | -23% |

*Non-GAAP financial highlights

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Q1 2017 Balance Sheet Highlights



| | \$ Millions | |
|----------------------|-------------|---------|
| Cash | \$55.3 | |
| Accounts Receivable | \$69.8 | 76 days |
| Inventories | \$39.9 | 90 days |
| Cash From Operations | (\$3.1) | |
| Backlog and Deferred | \$184.2 | |

Q2 2017 Financial Guidance



| \$ Millions (except EPS) | Video | Cable Edge | Total |
|--------------------------------------------------------|---------------|---------------|-----------------------|
| Non-GAAP Revenue | \$86 - \$91 | \$9 - \$12 | \$95 - \$103 |
| Non-GAAP Gross Margin | 55.0% - 56.0% | 33.0% - 34.0% | 52.5% - 53.5% |
| Non-GAAP Operating Expenses | | | \$52.5 - \$53.5 |
| Non-GAAP Operating (Loss) Income | | | (\$2.5) - \$1.5 |
| Non-GAAP EPS | | | (\$0.04) to breakeven |
| Non-GAAP Tax Rate | | | 15% |
| Shares, millions | | | 81 |
| Cash and short-term investments on hand at quarter-end | | | \$40 - \$45 |

2017 Financial Guidance



| \$ Millions (except EPS) | Video | Cable Edge | Total |
|-----------------------------------------------------|---------------|---------------|-----------------|
| Non-GAAP Revenue | \$350 - \$360 | \$50 - \$60 | \$400 - \$420 |
| Non-GAAP Gross Margin | 56.0% - 57.0% | 38.0% - 39.0% | 53.5% - 54.5% |
| Non-GAAP Operating Expenses | | | \$206 - \$207 |
| Non-GAAP Operating Income | | | \$8 - \$22 |
| Non-GAAP EPS | | | \$0.02 - \$0.16 |
| Non-GAAP Tax Rate | | | 15% |
| Shares, millions | | | 82 |
| Cash and short-term investments on hand at year-end | | | \$50 - \$55 |

2017 Strategic Priorities



Video Business

- Drive revenue and margin growth, led by OTT
- Expand Cloud, SaaS and 4K market leadership
- Deliver aggregate double-digit operating income, Q2-Q4

Cable Edge Business

- Successfully scale early CableOS deployments
- Achieve new design wins with additional Tier 1 operators
- Exit the year with >\$100 million annualized run rate

Drive new phase of growth, profitability and shareholder value



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



| | Revenue | Gross Profit | Total Operating Expense | Loss from Operations | Total Non-operating Expense, net | Net Loss |
|-----------------------------------------------------------------|-----------|--------------|-------------------------|----------------------|----------------------------------|-------------|
| GAAP | \$ 82,943 | \$ 40,408 | \$ 61,566 | \$ (21,158) | \$ (3,101) | \$ (24,027) |
| Cable Edge inventory charge | — | (15) | — | (15) | — | (15) |
| Acquisition accounting impact related to TVN deferred revenue | 111 | 111 | — | 111 | — | 111 |
| Accounting impact related to warrant amortization | 416 | 416 | — | 416 | — | 416 |
| Stock-based compensation in cost of revenue | — | 445 | — | 445 | — | 445 |
| Stock-based compensation in research and development | — | — | (977) | 977 | — | 977 |
| Stock-based compensation in selling, general and administrative | — | — | (1,829) | 1,829 | — | 1,829 |
| 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 |

Q4 2016 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



| | Revenue | Gross Profit | Total Operating Expense | Income (Loss) from Operations | Total Non-operating Expense, net | Net Income (Loss) |
|--------------------------------------------------------------------|-------------------|------------------|-------------------------|-------------------------------|----------------------------------|-------------------|
| GAAP | \$ 113,102 | \$ 57,693 | \$ 73,922 | \$ (16,229) | \$ (2,848) | \$ (10,443) |
| Cable Edge inventory charge | — | (327) | — | (327) | — | (327) |
| Acquisition accounting impact related to TVN deferred revenue | 239 | 239 | — | 239 | — | 239 |
| Accounting impact related to warrant amortization | 434 | 434 | — | 434 | — | 434 |
| Stock-based compensation in cost of revenue | — | 543 | — | 543 | — | 543 |
| Stock-based compensation in research and development | — | — | (1,130) | 1,130 | — | 1,130 |
| Stock-based compensation in selling, general and administrative | — | — | (2,845) | 2,845 | — | 2,845 |
| Amortization of intangibles | — | 1,328 | (797) | 2,125 | — | 2,125 |
| Restructuring and related charges | — | 3,975 | (11,519) | 15,494 | — | 15,494 |
| Gain on pension curtailment | — | (551) | 1,404 | (1,955) | — | (1,955) |
| TVN acquisition and integration-related costs | — | 439 | (4,828) | 5,267 | (98) | 5,169 |
| Non-cash interest expenses related to convertible notes | — | — | — | — | 1,295 | 1,295 |
| Discrete tax items and tax effect of non-GAAP adjustments | — | — | — | — | — | (9,821) |
| Total adjustments | 673 | 6,080 | (19,715) | 25,795 | 1,197 | 17,171 |
| Non-GAAP | <u>\$ 113,775</u> | <u>\$ 63,773</u> | <u>\$ 54,207</u> | <u>\$ 9,566</u> | <u>\$ (1,651)</u> | <u>\$ 6,728</u> |
| <i>As a % of revenue (GAAP)</i> | | 51.0% | 65.4% | (14.3)% | (2.5)% | (9.2)% |
| <i>As a % of revenue (Non-GAAP)</i> | | 56.1% | 47.6% | 8.4% | (1.5)% | 5.9% |
| Diluted net loss per share: | | | | | | |
| Diluted net loss per share-GAAP | | | | | | \$ (0.13) |
| Diluted net income per share-Non-GAAP | | | | | | \$ 0.08 |
| Shares used to compute diluted net income (loss) per share: | | | | | | |
| GAAP | | | | | | 78,389 |
| Non-GAAP | | | | | | 80,112 |

Q1 2016 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



| | Revenue | Gross Profit | Total Operating Expense | Loss from Operations | Total Non-operating Expense, net | Net Loss |
|----------------------------------------------------------------------|-----------|--------------|-------------------------|----------------------|----------------------------------|-------------|
| GAAP | \$ 81,832 | \$ 40,654 | \$ 61,410 | \$ (20,756) | \$ (3,906) | \$ (25,180) |
| Acquisition accounting impacts related to TVN deferred revenue | 623 | 623 | — | 623 | — | 623 |
| Acquisition accounting impacts related to TVN fairvalue of inventory | — | 189 | — | 189 | — | 189 |
| Stock-based compensation in cost of revenue | — | 227 | — | 227 | — | 227 |
| Stock-based compensation in research and development | — | — | (969) | 969 | — | 969 |
| Stock-based compensation in selling, general and administrative | — | — | (1,898) | 1,898 | — | 1,898 |
| Amortization of intangibles | — | 418 | (2,365) | 2,783 | — | 2,783 |
| Restructuring and related charges | — | (29) | (2,612) | 2,583 | — | 2,583 |
| TVN acquisition and integration-related costs | — | 58 | (3,038) | 3,096 | — | 3,096 |
| Loss on impairment of long-term investment | — | — | — | — | 1,476 | 1,476 |
| Non-cash interest expenses related to convertible notes | — | — | — | — | 1,187 | 1,187 |
| Discrete tax items and tax effect of non-GAAP adjustments | — | — | — | — | — | 1,963 |
| Total adjustments | 623 | 1,486 | (10,882) | 12,368 | 2,663 | 16,994 |
| Non-GAAP | \$ 82,455 | \$ 42,140 | \$ 50,528 | \$ (8,388) | \$ (1,243) | \$ (8,186) |
| <i>As a % of revenue (GAAP)</i> | | 49.7% | 75.0% | (25.4)% | (4.8)% | (30.8)% |
| <i>As a % of revenue (Non-GAAP)</i> | | 51.1% | 61.3% | (10.2)% | (1.5)% | (9.9)% |
| Diluted net income (loss) per share: | | | | | | |
| Diluted net loss per share-GAAP | | | | | | \$ (0.33) |
| Diluted net loss per share-Non-GAAP | | | | | | \$ (0.11) |
| Shares used to compute diluted net loss per share: | | | | | | |
| GAAP and Non-GAAP | | | | | | 76,996 |

Q2 2017 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS)



| | Revenue | Gross Profit | Total Operating Expense | Income(loss) from Operations | Total Non-operating Expense, net | Net Income(loss) |
|---------------------------------------------------------------|-------------------|------------------|-------------------------|------------------------------|----------------------------------|------------------------|
| GAAP | \$94.5 to \$102.5 | \$46.8 to \$51.8 | \$59.6 to \$60.6 | \$(12.8) to \$(8.8) | \$(2.8) | \$(16.6) to \$(13.2) |
| Acquisition accounting impact related to TVN deferred revenue | 0.1 | 0.1 | — | 0.1 | — | 0.1 |
| Accounting impact related to warrant amortization | 0.4 | 0.4 | — | 0.4 | — | 0.4 |
| Stock-based compensation expense | — | 1.1 | (5.7) | 6.8 | — | 6.8 |
| Amortization of intangibles | — | 1.3 | (0.8) | 2.1 | — | 2.1 |
| Restructuring and related charges and TVN integration costs | — | 0.3 | (0.6) | 0.9 | — | 0.9 |
| Non-cash interest expense related to convertible notes | — | — | — | — | 1.4 | 1.4 |
| Discrete tax items and tax effect of non-GAAP adjustments | — | — | — | — | — | 1.5 |
| Total adjustments | 0.5 | 3.2 | (7.1) | 10.3 | 1.4 | 13.2 |
| Non-GAAP | \$95.0 to \$103.0 | \$50.0 to \$55.0 | \$52.5 to \$53.5 | \$(2.5) to \$1.5 | \$(1.4) | \$(3.4) to \$0.0 |
| <i>As a % of revenue (GAAP)</i> | | 49.5% to 50.5% | 59.0% to 63.0% | (13.5)% to (8.5)% | (3.0%) | (17.5)% to (13.0)% |
| <i>As a % of revenue (Non-GAAP)</i> | | 52.5% to 53.5% | 52.0% to 55.0% | (2.5)% to 1.5% | (1.5%) | (3.5)% to 0% |
| Diluted loss per share: | | | | | | |
| Diluted net loss per share-GAAP | | | | | | \$(0.20) to \$(0.16) |
| Diluted net loss per share-Non-GAAP | | | | | | \$(0.04) to break-even |
| Shares used to compute diluted loss per share: | | | | | | |
| GAAP and Non-GAAP | | | | | | 81.0 |

2017 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS)



| | Revenue | Gross Profit | Total Operating Expense | Income(loss) from Operations | Total Non-operating Expense, net | Net Income(loss) |
|----------------------------------------------------------------|--------------------|--------------------|-------------------------|------------------------------|----------------------------------|----------------------|
| GAAP | \$398.5 to \$418.5 | \$202.1 to \$217.1 | \$227.7 to \$228.7 | \$(25.6) to \$(11.6) | \$(11.6) | \$(39.1) to \$(27.1) |
| Acquisition accounting impact related to TVN deferred revenue | 0.3 | 0.3 | — | 0.3 | — | 0.3 |
| Accounting impact related to warrant amortization | 1.2 | 1.2 | — | 1.2 | — | 1.2 |
| Stock-based compensation expense | — | 2.7 | (16.1) | 18.8 | — | 18.8 |
| Amortization of intangibles | — | 5.2 | (3.1) | 8.3 | — | 8.3 |
| Restructuring and related charges and TVN integration costs | — | 2.5 | (2.5) | 5.0 | — | 5.0 |
| Non-cash interest expense related to convertible notes | — | — | — | — | 5.5 | 5.5 |
| Discrete tax items and tax effect of non-GAAP adjustments | — | — | — | — | — | 1.5 |
| Total adjustments | 1.5 | 11.9 | (21.7) | 33.6 | 5.5 | 40.6 |
| Non-GAAP | \$400.0 to \$420.0 | \$214.0 to \$229.0 | \$206.0 to \$207.0 | \$8.0 to \$22.0 | \$(6.1) | \$1.5 to \$13.5 |
| <i>As a % of revenue (GAAP)</i> | | 50.5% to 52.0% | 54.5% to 57.0% | (6.5)% to (3.0)% | (3.0%) | (10.0)% to (6.5)% |
| <i>As a % of revenue (Non-GAAP)</i> | | 53.5% to 54.5% | 49.5% to 51.5% | 2.0% to 5% | (1.5%) | 0.5% to 3.0% |
| Diluted income (loss) per share: | | | | | | |
| Diluted net loss per share-GAAP | | | | | | \$(0.48) to \$(0.33) |
| Diluted net income per share-Non-GAAP | | | | | | \$0.02 to \$0.16 |
| Shares used to compute diluted income (loss) per share: | | | | | | |
| GAAP and Non-GAAP | | | | | | 82.0 |