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PRESENTATION

Operator

Welcome to the Q2 2022 Harmonic Earnings Conference Call. My name is Kevin, and I'll be your operator for today. (Operator Instructions) Please note that this conference is being recorded. I will now turn the call over to David Hanover, Investor Relations. David, you may begin.

David Hanover

Thank you, operator. Hello, everyone, and thank you for joining us today for Harmonic's Second Quarter 2022 Financial Results Conference Call. With me today are Patrick Harshman, President and Chief Executive Officer; and Sanjay Kalra, Chief Financial Officer.

Before we begin, I'd like to point out that in addition to the audio portion of the webcast, we've also provided slides to this webcast, which you may view by going to our webcast on our Investor Relations website.

Now turning to Slide 2. During this call, we will provide projections and other forward-looking statements regarding future events or future financial performance of the company. Such statements are only current expectations and actual events or results may differ materially. We refer you to documents filed with the SEC, including our most recent 10-Q and 10-K reports and the forward-looking statements section of today's preliminary results press release. These documents identify important risk factors, which can cause actual results to differ materially from those contained in our projections or forward-looking statements.

And please note that unless otherwise indicated, the financial metrics we provide you on this call are described on a non-GAAP basis. These metrics, together with corresponding GAAP numbers and a reconciliation to GAAP are contained in today's press release, which we have posted on our website and filed with the SEC on Form 8-K. We will also discuss historical, financial and other statistical information regarding our business and operation, and some of this information is included in the press release. The remainder of the information will be available on a recorded version of this call or on our website. And now I'll turn the call over to our CEO, Patrick Harshman. Patrick?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Thanks, David, and welcome, everyone, to our second quarter call. In the second quarter of 2022, Harmonic again delivered exceptional business results. Revenue was up 39% year-over-year, reaching a record $157.4 million. EPS was $0.16, and adjusted EBITDA margin was 15.5%, with balanced contribution from our 2 business segments. Cable Access segment continues to generate strong sustainable growth with revenue up 62% year-over-year. Video segment revenue grew 20%, with the underlying highlight again being SaaS revenue, which was up 69% year-over-year. These results demonstrate growing demand for multi-gigabit broadband and live streaming video and that our associated products and services are highly differentiated and build value for our customers.

They also demonstrate the resilience of our business model as Harmonic continues to execute despite current supply chain challenges and the macroeconomic environment. Turning first to our Cable Access segment, we produced strong top and bottom line growth during the second quarter. Segment revenue was $81.2 million, up 62% year-over-year. By quarter end, 79 broadband service providers were deploying our CableOS and cable modems served grew to 8.5 million, up 159% year-over-year, still less than 15% of our existing customers status footprint.

Adjusted segment EBITDA margin was 14.3%, demonstrating good earnings leverage despite product cost headwinds. These results reflect both a healthy market and our strong momentum in this market. The current cable customers are global market leaders and they are leaned into advancing their broadband networks to new multi-gigabit offerings, better analytics and more flexible operations; all areas where Harmonic solution continues to be way out in front. During the quarter, we announced and demonstrated groundbreaking new capabilities in support of the cable industry's 10G vision. We announced a new solution, enabling customers to leverage legacy Cisco node platforms to deploy our DAA and several of our engagements with respective Tier 1 customers moved forward in ways that we find very encouraging.

Complementing this excellent work in broadband over cable, we also drove significant progress in our more nascent fiber business area. And during the quarter, we received over $10 million of fiber solution orders, advanced trials with additional Tier 1 customers and grew our fiber sales pipeline domestically and internationally. We're increasingly convinced that our fiber and converged cable plus fiber solutions are winners. The fiber represents a significant addressed market expansion opportunity and then fiber will be a key contributor to our longer-range market leadership and growth.

Looking ahead to the remainder of 2022 and beyond, we remain confident that our broadband access business is uniquely positioned for sustained growth. We have a very strong backlog, great customer relationships, technology and service capabilities that are truly unique in the market, and we're investing and working hard to stay out in front.

As mentioned last quarter, we now forecast that 2024 top line revenue, EBITDA dollars and EBITDA percentage will be ahead of the plan we communicated to you during our Investor Day in June last year. We solidified plans for our next Investor Day in September, during which we'll provide additional color on our view of the market and growth trajectory as well as updated long-term financial models for both of our business segments. In the meantime, we remain confident about the broadband access market and our ability to continue to deliver industry-leading solutions and compelling profitable growth.

Now turning now to our video segment. Here also, we delivered another quarter of strong financial and strategic execution. Second quarter segment revenue was $76.2 million, up 20% year-over-year, ahead of our forecast as some business we expected to realize in the second half of the year came in earlier than anticipated. Segment EBITDA was 16.7%, highlighting continued strong financial execution. Strategically, the biggest highlight of the quarter was achieving streaming SaaS revenue of $8.6 million, which was up 69% year-over-year.

As a reminder, our video business strategy has 2 elements; taking a leading position in the growing streaming SaaS market, particularly for live sports and maximizing profit from the flat to decline in traditional video broadcast market. Our results through the first half of 2022 demonstrated continued execution of this plan with important strategic SaaS wins, top line growth, gross margin expansion and continued segment profitability, despite ceasing sales in Russia with estimated loss revenue of approximately $6 million.

As I mentioned earlier, the highlight of the quarter and year-to-date is streaming SaaS growth, which was driven principally by our larger media customers who're expanding their consumer footprints, content rights and usage of our service, particularly for high-profile live sports events. We also secured several important new Tier 1 SaaS customer wins, spanning North America, Latin America and EMEA. Live sports streaming is an increasingly active and opportunity rich end market and our experience and reputation for enabling best-in-class live streaming continues to grow.

Considering our strong first half SaaS results and a robust sales pipeline, we continue to expect our streaming SaaS revenue will grow over 50% in 2022. Looking further ahead, we remain confident that our transformation in video to streaming SaaS is working, and then we remain on track to achieve the 2024 streaming SaaS targets that we laid out for you in our Investor Day last year. As with our cable access segment, we plan to provide you a more detailed update on video market dynamics and our forecast in September.

With that, I'll now turn it over to you, Sanjay, for further discussion of our financial results and outlook.

Sanjay Kalra ***Harmonic Inc. - Senior VP & CFO***

Thanks, Patrick, and thank you all for joining us today. Before I discuss our quarterly results and outlook, I'd like to remind everyone that the financial results I'll be referring to are provided on a non-GAAP basis. As David mentioned earlier, our Q2 press release and earnings presentation includes reconciliations of the non-GAAP financial measures to GAAP that are discussed on this call. Both of these are available on our website.

For the second quarter of 2022, we delivered strong financial results that were ahead of our guidance. These results demonstrate the strength and resiliency of our businesses, which continue to perform well in today's macro environment due largely to the strong demand we continue to see for our distinctive solutions.

Before I review our quarterly financials in detail, I'll briefly review the key highlights here on Slide 7. We reported a record second quarter revenue of $157.4 million, along with solid gross margins of 52.8%, adjusted EBITDA margins of 15.5% and EPS of $0.16. Our balance sheet continues to be healthy with a cash balance of $121.8 million at the quarter end. We continue to maintain near-record backlog and deferred revenue, which was $477.8 million at the quarter end, positioning us well for the second half of the year.

Taking into consideration our second quarter performance and the positive market trends Patrick mentioned earlier, we have raised our full year revenue, adjusted EBITDA and EPS guidance once again. Now let's review our second quarter financials in more detail. Turning to Slide 8. As I just mentioned, total company Q2 revenue was $157.4 million, up 6.8% on a sequential basis from Q1 and up 38.8% year-over-year. Looking first at our Cable Access business segment. Revenue for the quarter was $81.2 million, consistent with our strong performance in Q1 and up 62.2% year-over-year, reflecting both the continued ramp of existing customers and newer customer launches. In our Video segment, we reported Q2 revenue of $76.2 million, up 15.8% sequentially and 20.3% year-over-year. This growth was driven by both strong broadcast and SaaS demand.

Our revenue outperformance in video versus the high end of our original expectations was partly due to approximately $3 million of appliance shipments that we had previously forecasted would ship in the second half of the year. In addition to these shipments, our Video revenue included SaaS revenue of $8.6 million, up 68.7% from the prior year, ahead of our expectations. We had 2 customers representing greater than 10% of total revenue during the quarter. Comcast contributed 37% and Intelsat contributed 11% of total revenue.

Total company gross margin for Q2 '22 showed a 550 basis point sequential improvement to 52.8% compared to 47.3% in Q1 '22 and decreased slightly by 110 basis points versus Q2 '21. The year-over-year decline was due to both an increased mix of Cable Access segment revenue and an increased hardware mix within the Cable Access segment. We achieved Cable Access gross margins of 43% for Q2 '22, which was within our expectations compared to 38% in Q1 '22 and 47% in Q2 '21.

Consistent with the expectations stated on last earnings call, Cable Access gross margins improved sequentially as certain nonrecurring premium costs that were recorded in Q1 were not present in Q2. The comparative year-over-year softness in cable margins was primarily due to increased hardware mix. Video segment gross margin was a record 63.2% in Q2 '22, up 440 basis points sequentially and a 390 basis improvement over last year. The sequential and annual improvements reflect a more favorable software mix within our appliance category and strong growth in our expanding SaaS business.

Moving down the income side on Slide 9, Q2 '22 operating expenses were $61.7 million, net of foreign exchange benefit of approximately $1.3 million as a result of the strong U.S. dollar during the second quarter compared to $58.4 million in Q1 '22 and $54.6 million in Q2 '21. The increase was primarily due to increased research and development to support the growth of our Cable Access business and the ongoing transformation of our video appliance business to SaaS. Operating expenses represented 39.2% of revenue in Q2 '22 compared to 39.6% in Q1 '22 and 48.1% of revenue in Q2 '21, demonstrating additional operating leverage as revenues continue to ramp.

Adjusted EBITDA for Q2 '22 was 15.5% of revenue at $24.3 million, comprised of $11.6 million from Cable Access and $12.7 million from Video. This compares to an adjusted EBITDA of $14.5 million or 9.8% of revenue in Q1 '22 and demonstrate significant year-over-year improvement compared to $9.5 million or 8.4% of revenue in Q2 '21. This all translated into Q2 EPS of $0.16 per share compared to

$0.08 per share in Q1 '22 and $0.05 per share for Q2 '21.

We ended the quarter with a diluted weighted average share count of 109 million compared to 110.6 million in Q1 '22 and 103.8 million in Q2 '21. The sequential decrease was primarily due to a reduction in convertible debt dilution of 1.4 million shares and a reduction in the dilutive effect of outstanding RSUs and options by 0.8 million shares, both resulting from a decrease in our average stock price in the quarter and by the share repurchases of approximately 324,000 shares in the quarter at an average price of $8.86, partially offset by issuance of 0.6 million shares to employees for vested RSUs.

The year-over-year increase reflects the dilution of our convertible debt by 1.2 million shares and the dilutive effect of outstanding RSUs and options by 0.5 million shares, both resulting from an increase in our average stock price during the year, and 3.8 million shares from the weighted effect of stock issued to employees for vested RSUs and exercised options as well as ESPP shares offset by the impact of repurchase of approximately 557,000 shares.

Turning now to the order book. We reported solid new bookings. Q2 bookings were $140.9 million compared to $205.5 million in Q1 '22 and $186.9 million from Q2 '21. Following over last 2 quarters where we reported record bookings, bookings in Q2 were in line with our expectations for the first half overall. The book-to-bill ratio was 0.9 in the quarter compared to 1.4 in Q1 '22 and 1.6 in Q2 '21. Our year-to-date book-to-bill ratio is 1.1.

Turning to Slide 10, we'll now discuss our liquidity position and balance sheet. We ended Q2 with cash of $121.8 million compared to $100.7 million at the end of Q1 '22 and $115.2 million in Q2 last year. The $21.1 million sequential cash increase is primarily comprised of $21.8 million of cash generated from operations and $7.8 million of cash from an investment liquidation event. These were partially offset by $2.9 million used for share repurchases, $3.1 million used in the purchase of fixed assets and a foreign exchange rate impact on cash of $4.7 million.

The investment liquidation proceeds of $7.8 million was from a $3.6 million investment that we made during 2014 in encoding.com, a privately held company. This investment generated a gain of $4.2 million for Harmonic, which we reported on a GAAP basis for the quarter, but was excluded from our non-GAAP results as it is a nonrecurring event. Turning to days sales outstanding, at the end of Q2, DSO was 61 days compared to 71 days at the end of Q1 '22 and 80 days in Q2 '21.

Collections and thereby accounts receivable improved in Q2. Our days inventory on hand was 100 days at the end of Q2 compared to 95 days at the end of Q1 '22 and 74 days at the end of Q2 '21, reflecting continued investment in inventory as we prepare for heavy shipments during the remainder of the year. We continued to build inventory at higher-than-normal levels to proactively manage our supply chain.

Regarding capital allocation, our priorities remain consistent. We will continue to invest in building inventory, which enables us to better control inventory acquisition costs, meet the strong demand we are experiencing, timely fulfill orders and drive our future growth. We will also continue to be opportunistic in buying back stock when market conditions merit. As mentioned earlier, during the second quarter Harmonic repurchased 324,000 shares at an average price of $8.86 per share or $2.9 million. Year-to-date, we have bought back 557,000 shares of stock for an aggregate purchase price of approximately $5 million.

Given the current macroeconomic environment we expect to continue repurchasing shares in a responsible manner, taking into consideration strategic inventory investments to support our future growth, broad equity market conditions, the importance of maintaining a strong balance sheet and our future debt obligations. This includes our upcoming debt repayment of $37.7 million in December 2022. At the end of Q2, total backlog and deferred revenue was $477.8 million, marginally down sequentially from a record $497.3 million at Q1 '22 and up 38% year-over-year from $347.2 million at Q2 '21. This large backlog and deferred revenue reflects continued growing demand from our large cable customers and increasing video streaming SaaS commitments. Note that more than 80% of our backlog and deferred revenue has customer request dates for shipment of products and providing services within next 12 months.

As mentioned on previous calls, not included in our backlog is additional contractually agreed CableOS business with 2 of our initial Tier

1 cable customers. At the end of Q2 '22, this incremental amount was approximately $96 million, down from $98 million last quarter as approximately $2 million went through the purchase order process and therefore moved into bookings. Taking these CableOS contracts into account, we have total future contracted revenues of approximately $573.8 million, which continues to provide us with a very solid base as we move forward through the second half of 2022 into 2023.

Now I'll turn to our revised non-GAAP guidance for 2022, beginning on Slide 11. I will also give brief commentary on key changes from our prior annual guidance we gave in April. For the total company for the full-year 2022, we now expect revenue in the range of $607 million to $627 million. The 2% midpoint increase from our prior guidance was driven by an increase in expected cable segment revenues. Gross margin in the range of 49.4% to 50.7%, up 40 basis points at the midpoint versus prior guidance. Gross profit to range from $300 million to $318 million, up 2.8% at midpoint versus prior guidance. Operating expenses to range from $239 million to $248 million, down 0.4% at the midpoint of our prior guidance. Adjusted EBITDA to range from $72 million to $82 million. This represents a 14% increase at the midpoint versus prior guidance, driven by expected increase in cable revenues discussed previously.

An effective tax rate of 13%, a weighted average diluted share count of approximately 109.6 million, a decline in 1.2 million shares from prior guidance. This is primarily due to reduced dilution on debt given softer average stock trading price. EPS to range from $0.44 to $0.52 per share. At midpoint, this is a 20% increase versus prior guidance. Finally, cash at the end of 2022 is expected to come in between $95 million to $105 million. The reduced guidance in cash primarily reflects additional working capital investments, especially inventory planned for the second half of 2022 to prepare us for 2023 revenue growth.

Turning to Slide 12. I will review our total company outlook for the third quarter of 2022. We expect revenue in the range of $147 million to $157 million, gross margin in the range of 48.9% to 50.5%; gross profit in the range of $72 million to $79 million, operating expenses to range from $60 million to $63 million, adjusted EBITDA to range from $15 million to $19 million, a weighted average diluted share count of approximately 109.5 million, EPS to range from $0.08 to $0.12. At the end of Q3, cash is expected to range from $110 million to $120 million.

On Slide 13, I will first review guidance for both the full year and third quarter of 2022 for our cable segment. For the full-year 2022 based on our progress to date, we expect Cable Access to achieve revenue between $335 million to $345 million, a 5% increase from midpoint of prior guidance, implying a full year revenue growth of 56% at the midpoint. Given our success navigating capacity constraints through the first 7 months of the year, we are comfortable expanding the high end of our outlook.

Gross margins between 42.1% to 43.5%. This marginal 10 basis point improvement from prior guidance is due to increased expected software and services contribution. Gross profit between $141 million to $150 million, up 5% from prior guidance at the midpoint. Operating expenses between $94 million to $100 million, flat from prior guidance at the midpoint. Adjusted EBITDA between $53 million to $56 million, up 16% from prior guidance at the midpoint.

For our Cable Access segment in Q3, we expect revenue in the range of $85 million to $91 million, gross margin in the range of 43% to 45%, gross profit in the range of $37 million to $41 million, operating expenses in the range of $24 million to $26 million, adjusted EBITDA to range from $14 million to $16 million.

Moving on to Slide 14, we will review full year and third quarter 2022 Video segment guidance. Currently, for the full year, we expect revenue in the range of $272 million to $282 million, a 1% decrease from midpoint than prior guidance, reflecting a decrease in appliance revenue, partially offset by an increase in SaaS. Gross margins in the range of 58.3% to 59.5% with a 125 basis point improvement than prior guidance at the midpoint. Gross profit in the range of $159 million to $168 million, up 0.7% from prior guidance at the midpoint. Operating expenses in the range of $145 million to $148 million, 1% better than prior guidance at the midpoint. Adjusted EBITDA in the range of $19 million to $26 million, a 12.5% improvement from prior guidance at the midpoint.

For our Video segment in Q3, we expect revenue in the range of $62 million to $66 million, gross margin in the range of 57% to 58%, gross profit in the range of $35 million to $38 million, operating expenses in the range of $36 million to $37 million, adjusted EBITDA to range from $1 million to $3 million.

In summary, we continued to execute and drive strong momentum in both of our business segments during the second quarter. As a result, we ended the first half of the year with near record balances for both backlog and deferred revenue. We believe this sustained momentum positions us well for the balance of 2022 as we continue to execute on our long-term model. This confidence is reflected in our updated full year guidance.

And lastly, I will invite everyone to mark your calendars. On September 15, we will be hosting a virtual investor event similar to the one we held in June of last year. During this event, we will provide multiyear updates for both our Cable Access and Video business segments. Please stay tuned for additional details as we get closer to the date. Thank you, everyone, for your attention today. And now I'll turn it back to Patrick for final remarks before we open up the call for questions.

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Thanks, Sanjay. We'd like to conclude by summarizing our strategic and execution priorities as we enter the second half of the year. For Cable Access business, it continues to be all about working with our existing customers to enable ramping deployment success, winning and launching volume deployments with the Tier 1 operators we've not yet secured and leveraging our fiber solution to expand our addressed market and create additive revenue growth and value.

For our Video business, we continue to focus on growing our streaming SaaS brand and customer base, further extending our streaming SaaS capabilities, particularly for live sports and leveraging the traditional broadcast appliance business to profitably enable these transformations. In each of these areas, our execution and results in the first half of the year were excellent. We're looking forward to the rest of 2022, and we appreciate your continued support.

And with that, as Sanjay just said, we'll now open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Simon Leopold with Raymond James.

Simon Matthew Leopold ***Raymond James & Associates, Inc., Research Division - Research Analyst***

I wanted to get your thoughts on what's going on in terms of the cable TV industry, the marketplace and potential implications for Harmonic in -- this was a quarter where the largest cable operators reported declining subscriber metrics and it wasn't just lots of linear video subscribers, but now broadband subscribers. And I'm just wanting your sense of what was your take on the most recent reports as an industry observer. And then what do you see as the implications of these new trends or this inflection on Harmonic in the longer term?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

We're not in the details of our customers' number, but a high level, we're not too surprised. I think we've been talking about for a while, increasingly competitive playing field around broadband services for our customers. And in fact, this heightened level of competition or coming competition from technologies like fiber, I think is part of the reason, the big part of the reason why we've seen some of our customers really lean into investing in developing, deploying next-generation multi-gigabit services. So I think we're really seeing play out with most in the industry expected. I think we can debate about what timing was anticipated, but at the top level, not a concern.

And frankly, we look at it as constructive. There is a consumer thirst for even greater broadband speeds and access capabilities. We think that service providers in general will be fighting over the consumer and investing to build the highest quality network, the networks that can deliver the highest quality of service. And our strategic objective is to provide -- to really be a key partner in terms of providing enabling technology. The work we've done to date is really, I think, in anticipation of this next phase of heightened competitiveness between service providers.

Simon Matthew Leopold ***Raymond James & Associates, Inc., Research Division - Research Analyst***

And then as a follow-up, I wanted to see if your international business is feeling any effects of foreign exchange rates given the strong U.S. dollar. I guess 2 parts to my question. I've assumed -- I don't know if this is correct, I assumed you write your contracts in dollar terms, not in local currency. And therefore, your products would be more expensive for customers who may be budgeting in a local currency. Could you discuss what, if any, impact you've seen from the shift in exchange rates?

Sanjay Kalra ***Harmonic Inc. - Senior VP & CFO***

Simon, definitely this quarter the U.S. dollar was very strong. And overall it benefited, as I pointed out in my OpEx. But to your specific question on customer contracts, majority of our customer contracts are in U.S. dollar. There are some which are not in U.S. dollars, but they are like kind of -- we have an inherent hedge in terms of FX as our expenses are also in euro. So we don't expect a significant change or a significant shift in the way we expect this to impact us in case the exchange rate goes more stronger for you going forward.

Simon Matthew Leopold ***Raymond James & Associates, Inc., Research Division - Research Analyst***

And then just one last one, in terms of what you're seeing on supply chain constraints, just your latest view on sort of the trajectory and time line for normalization?

Sanjay Kalra ***Harmonic Inc. - Senior VP & CFO***

Simon, definitely, supply chain is something we've been very cautious about right from the beginning of the year. But our experience to date since the last 2 quarters has shown us that things have not significantly changed. We are still battling with the same challenges. We still see decommits. We still see cost premiums. We still see surprises on prices. We planned our year in a way that addresses those risks.

And as you would have noted, our gross margins are very consistent what we guided earlier. So yes, the challenges are continuing. And we don't think that they will be completely behind us. Certain costs go up and they never go down. But overall, as macroeconomic factors improve, we do expect some improvement in certain areas. But overall, our experience in the last 2 quarters has shown us that things are kind of similar what we expected.

Operator

Next question comes from Ryan Koontz with Needham.

Ryan Boyer Koontz ***Needham & Company, LLC, Research Division - MD***

If you could comment, Patrick, on the composition of backlog here kind of given the softness Q-over-Q, is this a new seasonality? Can you comment on any kind of mix changes there? Is some of this kind of bookings weakness coming more from the video side? How should investors think about that? And I have a follow-up, please.

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Well, Ryan, year-to-date, our book-to-bill is about 1.1, which is consistent, if not strong relative to historic trends. Now we did see a couple of quarters that were -- had extraordinarily strong book-to-bill. But as we called out, in part this was some customers really trying to get ahead, contemplating the supply chain issues that we just spoke about and really trying to order further ahead. So we saw that effect. We never anticipated it to be that long lived.

And what we're seeing now is that some of those orders, in many cases, they extend out 12 months or in place, we see more of a turn, I would say, to traditional book-to-bill ratios, which again is still greater than 1. So I think that there's no -- we don't see any particular change. Certainly, no broad trend in terms of softness from a backlog and book-to-bill point of view, if we look at the last several quarters in aggregate, we're about where we expected to be.

Ryan Boyer Koontz ***Needham & Company, LLC, Research Division - MD***

And on the -- some great news there on your fiber-to-the-home trials and the strong bookings in the quarter. Can you comment on that? It sounds like it was a Tier 1 trial that you're -- that you have now?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

We've got a great solution to be frank. And it particularly resonates with cable operators of all sizes, so Tier 1s down to small ones. There's a really powerful kind of hybrid unified solution for both fiber and cable, which offers, I think, tremendous operational cost and customer responsiveness advantages. And we're seeing good traction with that really across the board. So we've got advanced trials going on with several Tier 1s as well as with smaller customers. And we've seen good order input from early Tier 1s and as well as smaller customers. So the bookings result, which was a record for us, so this quarter really represents fairly broad strength. And that mirrors the pipeline that we're seeing, both domestically and internationally.

Operator

Our next question comes from Tim Savageaux with Northland Capital.

Timothy Paul Savageaux ***Northland Capital Markets, Research Division - MD & Senior Research Analyst***

And congrats on the good results. I wanted to follow up on the PON side, and you mentioned the $10 million plus in orders. I wonder if you might be able to quantify that a little bit more, which is to say, how should we think about that relative to the pipeline that you're looking at. To the extent that you -- well, and I guess I'll ask specifically, were any of those orders translated into revenue and including with your top customer. And as you look at the size of that opportunity both there and elsewhere, how does that pipeline compare to the $10 million that you mentioned from an order standpoint?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

The pipeline is substantially larger, I guess, in short. And ultimately, the opportunity is much larger. Look, relative to the scale of the cable or the DOCSIS side of the business, this is still the smaller piece of what's happening. But the slope is starting to become interesting and we're spending more and more time on it. So pipeline is bigger than what was ordered this quarter. That being said, Tim, we're still relatively early days. I might expect some up and down in the coming quarters in terms of the amount booked.

But I think that the results that we've seen in terms of early orders and the pipeline we have tell us that over the next several quarters, certainly over the next year, this is going to become an important additional growth vector for us. And again, we'll talk more about it in the Investor Analyst Day we're talking about in September. I think that what we previously shared in terms of multiyear ambitions around fiber-to-the-home, we feel increasingly confident about both because of the market opportunity and the resonance solution it seems to be having.

Timothy Paul Savageaux ***Northland Capital Markets, Research Division - MD & Senior Research Analyst***

Right. I was just going to follow up right on that, which is I think you said last year at the Analyst Day, you felt like this could be a $100 million business or pretty close in '24. So those are the type of targets that we're talking about. Final question on this topic for me, in terms of what we've seen kind of yet another increase in Cable Access revenue guide for this year, is fiber contribute to that in any meaningful way?

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Very modestly, I think is the best way to think about it. I think we're still really -- and creating that business. We want to create a good backlog. Certainly, there'll be modest revenue, but it's not a material contributor to our guidance.

Timothy Paul Savageaux ***Northland Capital Markets, Research Division - MD & Senior Research Analyst***

And I wanted to follow up on the gross margin side. You did have a pretty significant increase in appliance gross margins in the quarter. And I think you mentioned the video drivers there. But it does seem that Cable Access saw a stronger mix of router or head end based activity also contributing to that margin strength, although you did call out component costs, so maybe it's that. But am I right about that, I guess, on the one hand and what does that portend for your business going forward to the extent that you might be seeing a little higher appliance versus node mix and cable access?

Sanjay Kalra ***Harmonic Inc. - Senior VP & CFO***

So Tim, you're definitely right on the video side that the software mix is better and hence the margins were kind of record this quarter. In terms of cable, there is no real change in the mix versus the way we expected. The margins came right at the midpoint of what we were expecting. They came at 43%. Our expectation was 42% to 44%. And it's a confluence of mix, supply chain impacts and whatnot. But overall, it's not the mix changing of any hardware as you mentioned.

Operator

Our next question comes from Greg Notter with Jefferies.

Kyle P. McNealy ***Jefferies LLC, Research Division - Equity Analyst***

That's George Notter. And this is actually Kyle on for George Notter. Thanks for the question. This is also around gross margin a little bit more specifically on Cable Access, but it sounded like overall gross margin upside was driven by mix, it's probably largely in video, but you also mentioned certain period costs in Q1 that didn't repeat. So would you give us a sense for how the gross margin you're getting on optical nodes is coming in? And whether that's improving, driven by the better costs or better pricing? Are they still generally in line with what they've been over the past few quarters and your expectation, or are they improving based on supply chain?

Sanjay Kalra ***Harmonic Inc. - Senior VP & CFO***

Yes. So I'll answer the first part of the question, which is why the margins improved in Q2 versus Q1 for cable. The margins improved basically because of -- we had onetime premium costs for certain components, which we paid last year, and they were amortized in Q4 and Q1. And in Q2, we didn't see them. And this is exactly what we said in the last call. We expect those premium charges to be behind us in Q2 and they were behind. And that's the biggest reason why margins are up in Q2 versus Q1.

Now on the second part of the question regarding the nodes margins, they are in line with what we were expecting. There's a trajectory plan for the year. They are going in accordance with that trajectory. We do not specifically call out margins of certain product lines. But overall, they are within our expectations, and nothing significantly changed beyond that.

Kyle P. McNealy ***Jefferies LLC, Research Division - Equity Analyst***

What's your general sense for the trajectory of supply chain? You did better this quarter, reduced backlog somewhat. Will supply continue to get better from here? Or could there be some ups and downs? I think in other words, are we past the peak in backlog in your mind given you have a good inventory position and book-to-bill was a bit below 1 in this quarter specifically?

Sanjay Kalra ***Harmonic Inc. - Senior VP & CFO***

So Kyle, the increase of our guidance for cable, the first 2 quarters we did not really have a very good view of what the supply chain could entail in terms of supply, what -- how much we can get from our manufacturers. But the experience of the past 7 months tell us that, yes, we can generate the product which we have to ship. Demand was definitely there, could we supply and the answer is yes. And that's one of the reasons we are raising the guidance on the supply. So yes, while there are risks, but we feel confident what we've achieved so far, we can continue for the next 2 quarters.

Operator

(Operator Instructions) And I'm not showing any further questions at this time. I'd like to turn the call back over to our host for any closing remarks.

Patrick J. Harshman ***Harmonic Inc. - President, CEO & Director***

Okay. Well, thank you very much for joining us today. I hope it comes across, we're very encouraged by our results for the first half of the year. We have a tremendous opportunity in front of us. We're executing against that opportunity. We're looking forward to the second half of this year. We're looking forward to going after our longer-range plan and to speaking with all of you in September. Until then, thank you very much, and have a good day.

Operator

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.