



SECOND QUARTER 2022
EARNINGS
CONFERENCE CALL

Patrick Harshman, President & CEO
Sanjay Kalra, CFO

August 1, 2022



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 2022 and beyond, and our Q3 and full-year 2022 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.



Corporate

Revenue up 39%
Adj. EBITDA 15.5%



Cable Access

Revenue up 62%



Video

SaaS Revenue up 69%

Strong Demand and Execution Continues



STRONG Q2 RESULTS

- Revenue \$81.2 million, up 62.2% year over year
- Adj. EBITDA 14.3%
- 8.5 million cable modems served, up 159% year over year



EXECUTING MULTI-YEAR STRATEGY

- New 10G DOCSIS innovations and customer engagements
- >\$10 million of Fiber orders received in quarter
- 2022 – 2024 revenue and EBITDA outlook ahead of prior expectations



STRONG Q2 RESULTS

- Revenue \$76.2 million, up 20.3% year over year
- Adj. EBITDA 16.7%
- SaaS revenue up 68.7% year over year



EXECUTING MULTI-YEAR STRATEGY

- New Tier 1 live sports streaming SaaS wins and expansions
- SaaS revenue growth forecast >50% for 2022
- 2022 – 2024 plan for profitable transformation on track



FINANCIAL RESULTS AND **OUTLOOK**

Sanjay Kalra, CFO



STRONG FINANCIAL RESULTS*

- Record Revenue \$157.4 million, up 38.8% year over year
- Adj. EBITDA Margins 15.5%, up 710 basis points year over year
- EPS \$0.16, up 220.0% year over year
- Cash at \$121.8 million, up 6% year over year
- Backlog and Deferred Revenue \$477.8 million, up 37.6% year over year



INCREASED ANNUAL GUIDANCE FOR KEY FINANCIAL METRICS

- FY'22 Revenue, Adj. EBITDA, EPS ranges increased

* Non-GAAP

Q2 2022 REVENUE & GROSS MARGIN HIGHLIGHTS*



Financial Metric (\$ Millions)	Q2 2022	Q1 2022	Q2 2021	Q2/Q1 Change	Q2 Y/Y Change
Total Net Revenue	\$157.4	\$147.4	\$113.4	6.8%	38.8%
Cable Access Revenue	\$81.2	\$81.6	\$50.1	(0.4)%	62.2%
Video Revenue	\$76.2	\$65.8	\$63.3	15.8%	20.3%
Gross Margin (%)	52.8%	47.3%	53.9%	5.5%	(1.1)%
Cable Access Gross Margin (%)	43.0%	38.0%	47.0%	5.0%	(4.0)%
Video Gross Margin (%)	63.2%	58.8%	59.3%	4.4%	3.9%

* Non-GAAP

Q2 2022 EARNINGS AND BOOKINGS HIGHLIGHTS*



Financial Metric (\$ Millions except EPS)	Q2 2022	Q1 2022	Q2 2021	Q2/Q1 Change	Q2 Y/Y Change
Operating Expenses	\$61.7	\$58.4	\$54.6	5.6%	13.0%
Adj. EBITDA	\$24.3	\$14.5	\$9.5	68.5%	156.0%
Cable Access Adj. EBITDA	\$11.6	\$9.7	\$6.1	20.2%	90.1%
Video Adj. EBITDA	\$12.7	\$4.8	\$3.4	165.6%	275.0%
EPS	\$0.16	\$0.08	\$0.05	100.0%	220.0%
Share Count	109.0	110.6	103.8	(1.4)%	5.0%
Bookings	\$140.9	\$205.5	\$186.9	(31.4)%	(24.6)%
Book to Bill Ratio	0.9	1.4	1.6	(34.7)%	(44.8)%

* Non-GAAP

Q2 2022 BALANCE SHEET & CASH FLOW HIGHLIGHTS



Financial Metric (\$ Millions)	Q2 2022	Q1 2022	Q2 2021
Cash	\$121.8	\$100.7	\$115.2
Cash Provided by (used in) Operations	\$21.8	\$(27.5)	\$16.8
Accounts Receivable	\$106.4	\$115.6	\$100.6
DSO	61	71	80
Inventory	\$82.6	\$81.8	\$43.0
Inventory Days	100	95	74
Backlog and Deferred Revenue	\$477.8	\$497.3	\$347.2
Free Cash Flow	\$26.7	\$(29.9)	\$12.7

FULL YEAR 2022 FINANCIAL GUIDANCE

Improved Revenue, Gross Profit, Adj. EBITDA and EPS ranges



FY2022 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Total Revenue (\$M)	\$607 - \$627	\$585 - \$625	↑
Gross Margin (%)	49.4% - 50.7%	49.1% - 50.2%	↑
Gross Profit (\$M)	\$300 - \$318	\$287 - \$314	↑
Operating Expenses (\$M)	\$239 - \$248	\$238 - \$251	↓
Adjusted EBITDA (\$M)	\$72 - \$82	\$60 - \$74	↑
Shares	109.6	110.8	↓
EPS	\$0.44 - \$0.52	\$0.34 - \$0.45	↑
Cash (\$M)	\$95 - \$105	\$100 - \$110	↓

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

Q3 2022 FINANCIAL GUIDANCE

Q3 2022 Financial Metric	Guidance*
Total Revenue (\$M)	\$147 - \$157
Gross Margin (%)	48.9% - 50.5%
Gross Profit (\$M)	\$72 - \$79
Operating Expenses (\$M)	\$60 - \$63
Adjusted EBITDA (\$M)	\$15 - \$19
Shares	109.5
EPS	\$0.08 - \$0.12
Cash (\$M)	\$110 - \$120

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

2022 FINANCIAL GUIDANCE | CABLE ACCESS SEGMENT

FY2022 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Net Revenue (\$M)	\$335 - \$345	\$310 - \$338	↑
Gross Margin (%)	42.1% - 43.5%	42.0% - 43.4%	↑
Gross Profit (\$M)	\$141 - \$150	\$130 - \$147	↑
Operating Expenses (\$M)	\$94 - \$100	\$93 - \$101	↔
Adjusted EBITDA (\$M)	\$53 - \$56	\$43 - \$51	↑

Q3 2022 Financial Metric	Guidance*
Net Revenue (\$M)	\$85 - \$91
Gross Margin (%)	43.0% - 45.0%
Gross Profit (\$M)	\$37 - \$41
Operating Expenses (\$M)	\$24 - \$26
Adjusted EBITDA (\$M)	\$14 - \$16

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

2022 FINANCIAL GUIDANCE | VIDEO SEGMENT

FY2022 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Net Revenue (\$M)	\$272 - \$282	\$275 - \$287	↓
Gross Margin (%)	58.3% - 59.5%	57.0% - 58.3%	↑
Gross Profit (\$M)	\$159 - \$168	\$157 - \$167	↑
Operating Expenses (\$M)	\$145 - \$148	\$145 - \$150	↓
Adjusted EBITDA (\$M)	\$19 - \$26	\$17 - \$23	↑

Q3 2022 Financial Metric	Guidance*
Net Revenue (\$M)	\$62 - \$66
Gross Margin (%)	57.0% - 58.0%
Gross Profit (\$M)	\$35 - \$38
Operating Expenses (\$M)	\$36 - \$37
Adjusted EBITDA (\$M)	\$1 - \$3

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



Cable Access

Drive Tier 1 deployment success

Win and launch new Tier 1 accounts

Expand addressed market through Fiber



Video

Grow streaming SaaS customer base

Extend SaaS capabilities for live sports

Capitalize on broadcast transformations

Create value.

Deliver industry-leading solutions.

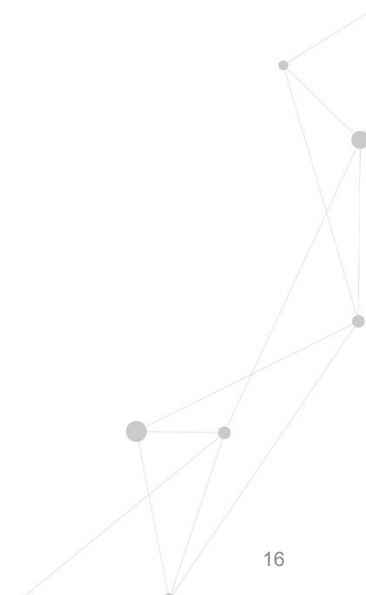
Enable superior subscriber experiences.





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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 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, amortization of intangibles, non-cash interest and other expenses on convertible notes and other debt, adjustments that normalize the tax rate and depreciation.

Q2 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended July 1, 2022

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Income (Expense), net	Net Income
GAAP	\$ 157,446	\$ 82,401	\$ 67,319	\$ 15,082	\$ 2,880	\$ 14,840
Stock-based compensation	—	557	(5,018)	5,575	—	5,575
Restructuring and related charges	—	114	(631)	745	—	745
Gain on sale of equity investment	—	—	—	—	(4,349)	(4,349)
Non-cash interest and other expenses related to convertible notes	—	—	—	—	299	299
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	492
Total adjustments	—	671	(5,649)	6,320	(4,050)	2,762
Non-GAAP	\$ 157,446	\$ 83,072	\$ 61,670	\$ 21,402	\$ (1,170)	\$ 17,602
<i>As a % of revenue (GAAP)</i>		52.3 %	42.8 %	9.6 %	1.8 %	9.4 %
<i>As a % of revenue (Non-GAAP)</i>		52.8 %	39.2 %	13.6 %	(0.7)%	11.2 %
Diluted net income per share:						
GAAP						\$ 0.14
Non-GAAP						\$ 0.16
Shares used in per share calculation:						
GAAP and Non-GAAP						108,984

Q1 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Three Months Ended April 1, 2022					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$ 147,439	\$ 69,182	\$ 66,646	\$ 2,536	\$ (1,371)	\$ (1,529)
Stock-based compensation	—	527	(7,059)	7,586	—	7,586
Restructuring and related charges	—	(14)	(1,170)	1,156	—	1,156
Non-cash interest and other expenses related to convertible notes	—	—	—	—	297	297
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,367
Total adjustments	—	513	(8,229)	8,742	297	10,406
Non-GAAP	<u>\$ 147,439</u>	<u>\$ 69,695</u>	<u>\$ 58,417</u>	<u>\$ 11,278</u>	<u>\$ (1,074)</u>	<u>\$ 8,877</u>
<i>As a % of revenue (GAAP)</i>		46.9 %	45.2 %	1.7 %	(0.9)%	(1.0)%
<i>As a % of revenue (Non-GAAP)</i>		47.3 %	39.6 %	7.6 %	(0.7)%	6.0 %
Diluted net income (loss) per share:						
GAAP						<u>\$ (0.01)</u>
Non-GAAP						<u>\$ 0.08</u>
Shares used in per share calculation:						
GAAP						<u>103,994</u>
Non-GAAP						<u>110,563</u>

Q2 2021 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Three Months Ended July 2, 2021					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$ 113,448	\$ 60,505	\$ 58,369	\$ 2,136	\$ (2,777)	\$ (2,009)
Stock-based compensation	—	222	(3,811)	4,033	—	4,033
Restructuring and related charges	—	382	—	382	—	382
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1,560	1,560
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	836
Total adjustments	—	604	(3,811)	4,415	1,560	6,811
Non-GAAP	<u>\$ 113,448</u>	<u>\$ 61,109</u>	<u>\$ 54,558</u>	<u>\$ 6,551</u>	<u>\$ (1,217)</u>	<u>\$ 4,802</u>
<i>As a % of revenue (GAAP)</i>		53.3 %	51.5 %	1.9 %	(2.4)%	(1.8)%
<i>As a % of revenue (Non-GAAP)</i>		53.9 %	48.1 %	5.8 %	(1.1)%	4.2 %
Diluted net income (loss) per share:						
GAAP						<u>\$ (0.02)</u>
Non-GAAP						<u>\$ 0.05</u>
Shares used in per share calculation:						
GAAP						<u>101,218</u>
Non-GAAP						<u>103,825</u>

YTD Q2 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Six Months Ended July 1, 2022					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Income (Expense), net	Net Income
GAAP	\$ 304,885	\$ 151,583	\$ 133,965	\$ 17,618	\$ 1,509	\$ 13,311
Stock-based compensation	—	1,084	(12,077)	13,161	—	13,161
Restructuring and related charges	—	100	(1,801)	1,901	—	1,901
Gain on sale of equity investment	—	—	—	—	(4,349)	(4,349)
Non-cash interest and other expenses related to convertible notes	—	—	—	—	596	596
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,859
Total adjustments	—	1,184	(13,878)	15,062	(3,753)	13,168
Non-GAAP	\$ 304,885	\$ 152,767	\$ 120,087	\$ 32,680	\$ (2,244)	\$ 26,479
<i>As a % of revenue (GAAP)</i>		49.7 %	43.9 %	5.8 %	0.5 %	4.4 %
<i>As a % of revenue (Non-GAAP)</i>		50.1 %	39.4 %	10.7 %	(0.7)%	8.7 %
Diluted net income per share:						
GAAP						\$ 0.12
Non-GAAP						\$ 0.24
Shares used in per share calculation:						
GAAP and Non-GAAP						109,774

YTD Q2 2021 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Six Months Ended July 2, 2021

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$ 225,024	\$ 115,650	\$ 117,358	\$ (1,708)	\$ (4,361)	\$ (8,133)
Stock-based compensation	—	1,295	(11,136)	12,431	—	12,431
Amortization of intangibles	—	—	(507)	507	—	507
Restructuring and related charges	—	346	(43)	389	—	389
Non-cash interest and other expenses related to convertible notes	—	—	—	—	3,092	3,092
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,030
Total adjustments	—	1,641	(11,686)	13,327	3,092	17,449
Non-GAAP	\$ 225,024	\$ 117,291	\$ 105,672	\$ 11,619	\$ (1,269)	\$ 9,316
<i>As a % of revenue (GAAP)</i>		51.4 %	52.2 %	(0.8) %	(1.9) %	(3.6) %
<i>As a % of revenue (Non-GAAP)</i>		52.1 %	47.0 %	5.2 %	(0.6) %	4.1 %
Diluted net income (loss) per share:						
GAAP						\$ (0.08)
Non-GAAP						\$ 0.09
Shares used in per share calculation:						
GAAP						100,539
Non-GAAP						103,494

ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Three Months Ended		
	July 1, 2022	April 1, 2022	July 2, 2021
Net income (loss) - GAAP	\$ 14,840	\$ (1,529)	\$ (2,009)
Provision for income taxes	3,122	2,694	1,368
Interest expense, net	1,394	1,433	2,630
Depreciation	3,017	3,111	3,107
EBITDA	22,373	5,709	5,096
<i>Adjustments</i>			
Stock-based compensation	5,575	7,586	4,033
Restructuring and related charges	745	1,156	382
Gain on sale of equity investment	(4,349)	—	—
Adjusted EBITDA	\$ 24,344	\$ 14,451	\$ 9,511

ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Six Months Ended	
	July 1, 2022	July 2, 2021
Net income (loss) - GAAP	\$ 13,311	\$ (8,133)
Provision for income taxes	5,816	2,064
Interest expense, net	2,827	5,233
Depreciation	6,128	6,164
Amortization of intangibles	—	507
EBITDA	28,082	5,835
<i>Adjustments</i>		
Stock-based compensation	13,161	12,431
Restructuring and related charges	1,901	389
Gain on sale of equity investment	(4,349)	—
Adjusted EBITDA	\$ 38,795	\$ 18,655

2022 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	2022 Financial Guidance ⁽¹⁾							
	Revenue		Gross Profit		Total Operating Expense		Net Income	
GAAP	\$ 607	to \$ 627	\$ 297	to \$ 315	\$264	to \$273	\$ 21	to \$ 27
Stock-based compensation expense	—		2		(23)		25	
Restructuring and related charges	—		1		(2)		3	
Non-cash interest and other expenses related to convertible notes	—		—		—		1	
Gain on sale of equity investment	—		—		—		(4)	
Tax effect of non-GAAP adjustments	—		—		—		3	to 5
Total adjustments	—		3		(25)		28 to 30	
Non-GAAP	<u>\$ 607</u>	<u>to \$ 627</u>	<u>\$ 300</u>	<u>to \$ 318</u>	<u>\$ 239</u>	<u>to \$ 248</u>	<u>\$ 49</u>	<u>to \$ 57</u>
<i>As a % of revenue (GAAP)</i>			48.9% to 50.3%		43.5% to 43.5%		3.5% to 4.3%	
<i>As a % of revenue (Non-GAAP)</i>			49.4% to 50.7%		39.4% to 39.6%		8.1% to 9.1%	
Diluted net income per share:								
GAAP							<u>\$ 0.19</u> to <u>\$ 0.25</u>	
Non-GAAP							<u>\$ 0.44</u> to <u>\$ 0.52</u>	
Shares used in per share calculation:								
GAAP and Non-GAAP							<u>109.6</u>	

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

Q3 2022 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	Q3 2022 Financial Guidance ⁽¹⁾			
	Revenue	Gross Profit	Total Operating Expense	Net Income
GAAP	\$147 to \$157	\$ 71 to \$ 78	\$66 to \$69	\$ 2 to \$ 5
Stock-based compensation expense	—	1	(6)	7
Restructuring and related charges	—	—	(1)	1
Non-cash interest and other expenses related to convertible notes	—	—	—	—
Tax effect of non-GAAP adjustments	—	—	—	— to 1
Total adjustments	—	1	(6)	7 to 8
Non-GAAP	<u>\$ 147 to \$ 157</u>	<u>\$ 72 to \$ 79</u>	<u>\$ 60 to \$ 63</u>	<u>\$ 9 to \$ 13</u>
<i>As a % of revenue (GAAP)</i>		48.3% to 49.9%	44.9% to 43.9%	1.4% to 3.2%
<i>As a % of revenue (Non-GAAP)</i>		48.9% to 50.5%	40.8% to 40.1%	6.1% to 8.3%
Diluted net income per share:				
GAAP				<u>\$ 0.02 to \$ 0.05</u>
Non-GAAP				<u>\$ 0.08 to \$ 0.12</u>
Shares used in per share calculation:				
GAAP and Non-GAAP				<u>109.5</u>

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

2022 ADJ. EBITDA GUIDANCE RECONCILIATIONS

(UNAUDITED, IN MILLIONS)



	Q3 2022 Financial Guidance		2022 Financial Guidance	
Net income - GAAP	\$ 2	to \$ 5	\$ 21	to \$ 27
Provision for income taxes	1	2	10	14
Interest expense, net	1	1	5	5
Depreciation	3	3	12	12
EBITDA	\$ 7	to \$ 11	\$ 48	to \$ 58
<i>Adjustments</i>				
Stock-based compensation	7	7	25	25
Restructuring and related charges	1	1	3	3
Gain on sale of equity investment	—	—	(4)	(4)
Adjusted EBITDA	\$ 15	to \$ 19	\$ 72	to \$ 82

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

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THANK YOU.

