



THIRD QUARTER 2022
EARNINGS
CONFERENCE CALL

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Sanjay Kalra, CFO

October 31, 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 Q4 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 23%*
Bookings up 50%*



Broadband

Revenue up 60%*



Video

SaaS Revenue up 64%*

Strong Demand and Execution Continues

* Year over year



STRONG Q3 RESULTS

- Revenue \$91.9 million, up 13.2% sequentially, 59.6% year over year
- Gross margins improved sequentially, adjusted EBITDA 18.4%
- 10.9 million cable modems served, up 179% year over year



EXECUTING MULTI-YEAR STRATEGY

- Commercially deployed with 85 customers, up 25% year over year
- Excellent progress with Tier 1 prospects; new Tier 1 international win
- New Tier 1 Fiber customer with multi-million-dollar initial order



SOLID Q3 RESULTS

- Revenue \$63.8 million, down 7.1% year over year
- SaaS revenue up 63.9% year over year
- Adjusted EBITDA 6.8%



EXECUTING MULTI-YEAR STRATEGY

- Sustainable SaaS growth driven by Tier 1 customer expansions and new wins
- Total Book-to-Bill greater than 1, strong sales pipeline
- Americas strength offsetting EMEA macro headwinds



FINANCIAL RESULTS AND **OUTLOOK**

Sanjay Kalra, CFO



STRONG FINANCIAL RESULTS*

- Revenue \$155.7 million, up 23.3% year over year
- Adj. EBITDA Margins 13.6%, up 187 basis points year over year
- EPS \$0.13, up 44.4% year over year
- September quarter record bookings of \$171.1 million, up 49.7% year over year
- Backlog and Deferred Revenue \$490.1 million, up 47.0% year over year



INCREASED ANNUAL GUIDANCE FOR KEY FINANCIAL METRICS

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

* Non-GAAP

Q3 2022 REVENUE & GROSS MARGIN HIGHLIGHTS*



Financial Metric (\$ Millions)	Q3 2022	Q2 2022	Q3 2021	Q3/Q2 Change	Q3 Y/Y Change
Total Net Revenue	\$155.7	\$157.4	\$126.3	(1.1)%	23.3%
Broadband Revenue	\$91.9	\$81.2	\$57.6	13.2%	59.6%
Video Revenue	\$63.8	\$76.2	\$68.7	(16.3)%	(7.1)%
Gross Margin (%)	50.9%	52.8%	52.8%	(1.9)%	(1.9)%
Broadband Gross Margin (%)	45.0%	43.0%	42.0%	2.0%	3.0%
Video Gross Margin (%)	59.3%	63.2%	61.9%	(3.9)%	(2.6)%

* Non-GAAP

Q3 2022 EARNINGS AND BOOKINGS HIGHLIGHTS*



Financial Metric (\$ Millions except EPS)	Q3 2022	Q2 2022	Q3 2021	Q3/Q2 Change	Q3 Y/Y Change
Operating Expenses	\$61.0	\$61.7	\$54.9	(1.1)%	11.1%
Adj. EBITDA	\$21.2	\$24.3	\$14.8	(13.0)%	42.9%
Broadband Adj. EBITDA	\$16.9	\$11.6	\$5.1	45.5%	231.2%
Video Adj. EBITDA	\$4.3	\$12.7	\$9.7	(66.1)%	(55.6)%
EPS	\$0.13	\$0.16	\$0.09	(18.8)%	44.4%
Share Count	113.2	109.0	106.4	3.9%	6.4%
Bookings	\$171.1	\$140.9	\$114.3	21.4%	49.7%
Book-to-Bill Ratio	1.1	0.9	0.9	22.8%	21.4%

* Non-GAAP

Q3 2022 BALANCE SHEET & CASH FLOW HIGHLIGHTS



Financial Metric (\$ Millions)	Q3 2022	Q2 2022	Q3 2021
Cash	\$105.3	\$121.8	\$128.4
Cash Provided by (used in) Operations	\$(8.2)	\$21.8	\$15.2
Accounts Receivable	\$105.6	\$106.4	\$75.4
DSO	61	61	54
Inventory	\$99.0	\$82.6	\$51.9
Inventory Days	116	100	78
Backlog and Deferred Revenue	\$490.1	\$477.8	\$333.3
Free Cash Flow	\$(10.1)	\$26.7	\$12.3

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)	\$612 - \$626	\$607 - \$627	↑
Gross Margin (%)	50.6% - 51.0%	49.4% - 50.7%	↑
Gross Profit (\$M)	\$310 - \$319	\$300 - \$318	↑
Operating Expenses (\$M)	\$242 - \$244	\$239 - \$248	↓
Adjusted EBITDA (\$M)	\$79 - \$87	\$72 - \$82	↑
Shares	111.2	109.6	↑
EPS	\$0.49 - \$0.55	\$0.44 - \$0.52	↑
Cash (\$M)	\$80 - \$90	\$95 - \$105	↓

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

Q4 2022 FINANCIAL GUIDANCE

Q4 2022 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Total Revenue (\$M)	\$151 - \$165	\$155 - \$165	↓
Gross Margin (%)	51.3% - 52.6%	48.3% - 52.0%	↑
Gross Profit (\$M)	\$78 - \$87	\$75 - \$86	↑
Operating Expenses (\$M)	\$61 - \$63	\$59 - \$65	↔
Adjusted EBITDA (\$M)	\$19 - \$27	\$19 - \$24	↑
Shares	113.5	109.6	↑
EPS	\$0.12 - \$0.18	\$0.12 - \$0.16	↑
Cash (\$M)	\$80 - \$90	\$125 - \$135	↓

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

2022 FINANCIAL GUIDANCE | BROADBAND SEGMENT



FY2022 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Net Revenue (\$M)	\$345 - \$350	\$335 - \$345	↑
Gross Margin (%)	43.2% - 43.6%	42.1% - 43.5%	↑
Gross Profit (\$M)	\$149 - \$152	\$141 - \$150	↑
Operating Expenses (\$M)	\$100 - \$101	\$94 - \$100	↑
Adjusted EBITDA (\$M)	\$55 - \$58	\$53 - \$56	↑

Q4 2022 Financial Metric	Guidance*
Net Revenue (\$M)	\$90 - \$95
Gross Margin (%)	46.4% - 47.4%
Gross Profit (\$M)	\$42 - \$45
Operating Expenses (\$M)	\$26 - \$27
Adjusted EBITDA (\$M)	\$17 - \$20

* 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)	\$267 - \$276	\$272 - \$282	↓
Gross Margin (%)	60.1% - 60.3%	58.3% - 59.5%	↑
Gross Profit (\$M)	\$161 - \$167	\$159 - \$168	↑
Operating Expenses (\$M)	\$142 - \$143	\$145 - \$148	↓
Adjusted EBITDA (\$M)	\$24 - \$29	\$19 - \$26	↑

Q4 2022 Financial Metric	Guidance*
Net Revenue (\$M)	\$61 - \$70
Gross Margin (%)	58.6% - 59.6%
Gross Profit (\$M)	\$36 - \$42
Operating Expenses (\$M)	\$35 - \$36
Adjusted EBITDA (\$M)	\$2 - \$7

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

2022 STRATEGIC PRIORITIES



Broadband

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.





harmonic

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.

Q3 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended September 30, 2022

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 155,738	\$ 78,604	\$ 67,180	\$ 11,424	\$ (1,402)	\$ 8,740
Stock-based compensation	—	607	(5,853)	6,460	—	6,460
Restructuring and related charges	—	(9)	(335)	326	—	326
Non-cash interest and other expenses related to convertible notes	—	—	—	—	303	303
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(942)
Total adjustments	—	598	(6,188)	6,786	303	6,147
Non-GAAP	<u>\$ 155,738</u>	<u>\$ 79,202</u>	<u>\$ 60,992</u>	<u>\$ 18,210</u>	<u>\$ (1,099)</u>	<u>\$ 14,887</u>
<i>As a % of revenue (GAAP)</i>		50.5 %	43.1 %	7.3 %	(0.9)%	5.6 %
<i>As a % of revenue (Non-GAAP)</i>		50.9 %	39.2 %	11.7 %	(0.7)%	9.6 %
Diluted net income per share:						
GAAP						<u>\$ 0.08</u>
Non-GAAP						<u>\$ 0.13</u>
Shares used in per share calculation:						
GAAP and Non-GAAP						<u>113,185</u>

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

Q3 2021 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended October 1, 2021

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income
GAAP	\$ 126,321	\$ 66,154	\$ 60,783	\$ 5,371	\$ (2,899)	\$ 1,530
Stock-based compensation	—	545	(5,891)	6,436	—	6,436
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1,592	1,592
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(108)
Total adjustments	—	545	(5,891)	6,436	1,592	7,920
Non-GAAP	<u>\$ 126,321</u>	<u>\$ 66,699</u>	<u>\$ 54,892</u>	<u>\$ 11,807</u>	<u>\$ (1,307)</u>	<u>\$ 9,450</u>
<i>As a % of revenue (GAAP)</i>		52.4 %	48.1 %	4.3 %	(2.3)%	1.2 %
<i>As a % of revenue (Non-GAAP)</i>		52.8 %	43.5 %	9.3 %	(1.0)%	7.5 %
Diluted net income per share:						
GAAP						<u>\$ 0.01</u>
Non-GAAP						<u>\$ 0.09</u>
Shares used in per share calculation:						
GAAP and Non-GAAP						<u>106,421</u>

YTD Q3 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Nine Months Ended September 30, 2022

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Income (Expense), net	Net Income
GAAP	\$ 460,623	\$ 230,187	\$ 201,145	\$ 29,042	\$ 107	\$ 22,051
Stock-based compensation	—	1,691	(17,930)	19,621	—	19,621
Restructuring and related charges	—	91	(2,136)	2,227	—	2,227
Gain on sale of equity investment	—	—	—	—	(4,349)	(4,349)
Non-cash interest and other expenses related to convertible notes	—	—	—	—	899	899
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	917
Total adjustments	—	1,782	(20,066)	21,848	(3,450)	19,315
Non-GAAP	<u>\$ 460,623</u>	<u>\$ 231,969</u>	<u>\$ 181,079</u>	<u>\$ 50,890</u>	<u>\$ (3,343)</u>	<u>\$ 41,366</u>
<i>As a % of revenue (GAAP)</i>		50.0 %	43.7 %	6.3 %	— %	4.8 %
<i>As a % of revenue (Non-GAAP)</i>		50.4 %	39.3 %	11.0 %	(0.7)%	9.0 %
Diluted net income per share:						
GAAP						<u>\$ 0.20</u>
Non-GAAP						<u>\$ 0.37</u>
Shares used in per share calculation:						
GAAP and Non-GAAP						<u>110,911</u>

YTD Q3 2021 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Nine Months Ended October 1, 2021					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income (Loss)
GAAP	\$ 351,345	\$ 181,804	\$ 178,141	\$ 3,663	\$ (7,260)	\$ (6,603)
Stock-based compensation	—	1,840	(17,027)	18,867	—	18,867
Amortization of intangibles	—	—	(507)	507	—	507
Restructuring and related charges	—	346	(43)	389	—	389
Non-cash interest and other expenses related to convertible notes	—	—	—	—	4,684	4,684
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	922
Total adjustments	<u>—</u>	<u>2,186</u>	<u>(17,577)</u>	<u>19,763</u>	<u>4,684</u>	<u>25,369</u>
Non-GAAP	<u>\$ 351,345</u>	<u>\$ 183,990</u>	<u>\$ 160,564</u>	<u>\$ 23,426</u>	<u>\$ (2,576)</u>	<u>\$ 18,766</u>
<i>As a % of revenue (GAAP)</i>		51.7 %	50.7 %	1.0 %	(2.1)%	(1.9)%
<i>As a % of revenue (Non-GAAP)</i>		52.4 %	45.7 %	6.7 %	(0.7)%	5.3 %
Diluted net income (loss) per share:						
GAAP						<u>\$ (0.07)</u>
Non-GAAP						<u>\$ 0.18</u>
Shares used in per share calculation:						
GAAP						<u>101,057</u>
Non-GAAP						<u>104,474</u>

ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Three Months Ended		
	September 30, 2022	July 1, 2022	October 1, 2021
Net income - GAAP	\$ 8,740	\$ 14,840	\$ 1,530
Provision for income taxes	1,282	3,122	942
Interest expense, net	1,284	1,394	2,686
Depreciation	3,097	3,017	3,231
EBITDA	14,403	22,373	8,389
<i>Adjustments</i>			
Stock-based compensation	6,460	5,575	6,436
Restructuring and related charges	326	745	—
Gain on sale of equity investment	—	(4,349)	—
Adjusted EBITDA	\$ 21,189	\$ 24,344	\$ 14,825

ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Nine Months Ended	
	September 30, 2022	October 1, 2021
Net income (loss) - GAAP	\$ 22,051	\$ (6,603)
Provision for income taxes	7,098	3,006
Interest expense, net	4,111	7,919
Depreciation	9,225	9,395
Amortization of intangibles	—	507
EBITDA	42,485	14,224
<i>Adjustments</i>		
Stock-based compensation	19,621	18,867
Restructuring and related charges	2,227	389
Gain on sale of equity investment	(4,349)	—
Adjusted EBITDA	\$ 59,984	\$ 33,480

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	\$ 612 to \$ 626	\$ 307 to \$ 317	\$ 267 to \$ 269	\$ 29 to \$ 35
Stock-based compensation expense	—	2	(23)	25
Restructuring and related charges	—	—	(3)	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	—	—	—	1 to 2
Total adjustments	<u>—</u>	<u>2</u>	<u>(26)</u>	<u>26 to 27</u>
Non-GAAP	<u>\$ 612 to \$ 626</u>	<u>\$ 310 to \$ 319</u>	<u>\$ 242 to \$ 244</u>	<u>\$ 55 to \$ 62</u>
<i>As a % of revenue (GAAP)</i>		50.3% to 50.6%	43.7% to 43.0%	4.7% to 5.6%
<i>As a % of revenue (Non-GAAP)</i>		50.6% to 51.0%	39.6% to 38.9%	8.9% to 9.8%
Diluted net income per share:				
GAAP				<u>\$ 0.26 to \$ 0.31</u>
Non-GAAP				<u>\$ 0.49 to \$ 0.55</u>
Shares used in per share calculation:				
GAAP and Non-GAAP				<u>111.2</u>

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

Q4 2022 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	Q4 2022 Financial Guidance ⁽¹⁾			
	Revenue	Gross Profit	Total Operating Expense	Net Income
GAAP	\$ 151 to \$ 165	\$ 77 to \$ 87	\$ 66 to \$ 68	\$ 7 to \$ 13
Stock-based compensation expense	—	—	(5)	6
Restructuring and related charges	—	—	—	—
Non-cash interest and other expenses related to convertible notes	—	—	—	—
Tax effect of non-GAAP adjustments	—	—	—	— to 1
Total adjustments	—	—	(5)	6 to 7
Non-GAAP	<u>\$ 151 to \$ 165</u>	<u>\$ 78 to \$ 87</u>	<u>\$ 61 to \$ 63</u>	<u>\$ 13 to \$ 20</u>
<i>As a % of revenue (GAAP)</i>		51.1% to 52.4%	43.9% to 41.1%	4.6% to 7.8%
<i>As a % of revenue (Non-GAAP)</i>		51.3% to 52.6%	40.4% to 37.9%	8.8% to 12.2%
Diluted net income per share:				
GAAP				<u>\$ 0.06 to \$ 0.11</u>
Non-GAAP				<u>\$ 0.12 to \$ 0.18</u>
Shares used in per share calculation:				
GAAP and Non-GAAP				<u>113.5</u>

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

2022 ADJ. EBITDA GUIDANCE RECONCILIATIONS

(UNAUDITED, IN MILLIONS)



	Q4 2022 Financial Guidance		2022 Financial Guidance	
Net income - GAAP	\$ 7	to \$ 13	\$ 29	to \$ 35
Provision for income taxes	2	4	9	11
Interest expense, net	1	1	5	5
Depreciation	3	3	12	12
EBITDA	\$ 13	to \$ 21	\$ 55	to \$ 63
<i>Adjustments</i>				
Stock-based compensation	6	6	25	25
Restructuring and related charges	—	—	3	3
Gain on sale of equity investment	—	—	(4)	(4)
Adjusted EBITDA	\$ 19	to \$ 27	\$ 79	to \$ 87

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

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THANK YOU.

