



THIRD QUARTER 2023
EARNINGS
CONFERENCE CALL

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Walter Jankovic, CFO

October 30, 2023



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 2023 and beyond, and our Q4 2023 guidance. Such statements are only current expectations and actual events or results may differ materially. We refer you to Harmonic's filings with the SEC, particularly our most recent Reports on Form 10-K, Form 10-Q and Form 8-K. These documents identify important risk factors that could cause actual results to differ materially from our projections or other forward-looking statements. We will also present financial metrics determined on a "non-GAAP" basis. These items, together with the corresponding GAAP numbers and a reconciliation to GAAP, are contained in this presentation and the related earnings press release on our website at www.harmonicinc.com.



Broadband strategy on track for **multiyear growth**



Video SaaS **revenue up 42%*** | poised for continued growth



Exploring **strategic alternatives** for the Video business

* year-over-year



Q3 HIGHLIGHTS

- Revenue \$75.8 million, down from \$91.9 million prior year
- Commercially deployed with 104 operators, up 21% year over year
- 23.5 million cable modems served, ~13% of global market



EXECUTING MULTIYEAR GROWTH PLAN

- Leadership extended through DOCSIS 4.0
 - Unique unification of FDX, ESD, and 10G fiber
 - World-first DOCSIS 4.0 customer rollout
- 14 new fiber wins, strongest quarter to date
- Fiber opportunity expanded through new Pier OLT shelf (10G / Combo / GPON)



Q3 HIGHLIGHTS

- SaaS revenue \$12.5 million, up 42% year over year
- Total revenue \$51.4 million, down from \$63.8 million prior year
- Macro-economic headwinds delaying deals, impacting H2 '23 Appliance revenue



STRATEGIC EXECUTION AND PRIORITIES

- Recent new wins adding over 20% in total SaaS customers
- Sports streaming leadership enabling sustained SaaS growth
- Exploring strategic alternatives, several indications of interest



FINANCIAL RESULTS AND **OUTLOOK**

Walter Jankovic, CFO



FINANCIAL RESULTS*

- Revenue \$127.2 million, down 18.3% year over year
- EPS \$0.00, compared to \$0.13 in Q3 2022
- Bookings \$96.3 million, book to bill ratio of 0.8
- Backlog and Deferred Revenue \$627.2 million, up 28% year over year



UPDATED GUIDANCE FOR KEY FINANCIAL METRICS

- Reflects customer demand push outs in Video Appliance and Broadband due to macro-economic headwinds

* Non-GAAP

Q3 2023 REVENUE & GROSS MARGIN HIGHLIGHTS*



Financial Metric (\$ Millions)	Q3 2023	Q2 2023	Q3 2022	Q3/Q2 Change	Q3 Y/Y Change
Total Net Revenue	\$127.2	\$156.0	\$155.7	(18.4)%	(18.3)%
Broadband Revenue	\$75.8	\$97.1	\$91.9	(21.9)%	(17.5)%
Video Revenue	\$51.4	\$58.9	\$63.8	(12.7)%	(19.5)%
Gross Margin (%)	49.5%	54.7%	50.9%	(5.2)%	(1.4)%
Broadband Gross Margin (%)	44.5%	50.5%	45.0%	(6.0)%	(0.5)%
Video Gross Margin (%)	56.9%	61.7%	59.3%	(4.8)%	(2.4)%

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

Q3 2023 EARNINGS AND BOOKINGS HIGHLIGHTS*



Financial Metric \$ Millions (except EPS)	Q3 2023	Q2 2023	Q3 2022	Q3/Q2 Change	Q3 Y/Y Change
Operating Expenses	\$62.9	\$67.2	\$61.0	(6.4)%	3.2%
Adj. EBITDA	\$3.5	\$21.1	\$21.2	\$(17.6)	\$(17.7)
Broadband Adj. EBITDA	\$8.1	\$19.7	\$16.9	\$(11.6)	\$(8.8)
Video Adj. EBITDA	\$(4.6)	\$1.4	\$4.3	\$(6.0)	\$(8.9)
EPS	\$0.00	\$0.12	\$0.13	(100.0)%	(100.0)%
Share Count	116.7	119.3	113.2	(2.1)%	3.1%
Bookings	\$96.3	\$194.7	\$171.1	(50.5)%	(43.7)%
Book to Bill Ratio	0.8	1.2	1.1	(33.3)%	(27.3)%

* Non-GAAP

Q3 2023 BALANCE SHEET & CASH FLOW HIGHLIGHTS



Financial Metric (\$ Millions)	Q3 2023	Q2 2023	Q3 2022
Cash	\$75.6	\$71.0	\$105.3
Cash Provided by (used in) Operations	\$11.0	\$(16.5)	\$(8.2)
Accounts Receivable	\$110.3	\$119.2	\$105.6
DSO	78	69	61
Inventory	\$103.7	\$113.6	\$99.0
Inventory Days	145	145	116
Backlog and Deferred Revenue	\$627.2	\$663.8	\$490.1
Free cash flow	\$9.1	\$(18.0)	\$(10.1)

Q4 2023 FINANCIAL GUIDANCE | BROADBAND SEGMENT

Q4 2023 Financial Metric	Guidance*
Net Revenue (\$M)	\$105 - \$120
Gross Margin (%)	44.0% - 45.0%
Gross Profit (\$M)	\$46 - \$54
Operating Expenses (\$M)	\$29 - \$30
Adjusted EBITDA (\$M)	\$19 - \$26

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

Q4 2023 FINANCIAL GUIDANCE | VIDEO SEGMENT



Q4 2023 Financial Metric	Guidance*
Net Revenue (\$M)	\$45 - \$55
Gross Margin (%)	59.0% - 60.0%
Gross Profit (\$M)	\$27 - \$33
Operating Expenses (\$M)	\$33 - \$35
Adjusted EBITDA (\$M)	\$(5) - \$(1)

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

Q4 2023 FINANCIAL GUIDANCE | CONSOLIDATED



Q4 2023 Financial Metric	Guidance*
Total Revenue (\$M)	\$150 - \$175
Gross Margin (%)	48.5% - 49.7%
Gross Profit (\$M)	\$73 - \$87
Operating Expenses (\$M)	\$62 - \$65
Adjusted EBITDA (\$M)	\$14 - \$25
Shares**	117.1
EPS	\$0.07 - \$0.14
Cash (\$M)	\$80 - \$95

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

** Diluted shares assumes Harmonic stock price at \$11.92 (Q3 2023 average price)



WRAP-UP & Q&A

USE OF NON-GAAP FINANCIAL MEASURES



In establishing operating budgets, managing its business performance, and setting internal measurement targets, the Company excludes a number of items required by GAAP. Management believes that these accounting charges and credits, most of which are non-cash or non-recurring in nature, are not useful in managing its operations and business. Historically, the Company has also publicly presented these supplemental non-GAAP measures in order to assist the investment community to see the Company “through the eyes of management,” and thereby enhance understanding of its operating performance. The non-GAAP measures presented here are gross profit, operating expenses, income (loss) from operations, non-operating expense, net, Adjusted EBITDA, net income (loss) and net income (loss) per diluted share. The presentation of non-GAAP information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP, and is not necessarily comparable to non-GAAP results published by other companies. A reconciliation of the historical and forward-looking non-GAAP financial measures discussed in this presentation to the most directly comparable historical and forward-looking GAAP financial measures is included with the financial information contained in this presentation. The non-GAAP adjustments described below have historically been excluded from our GAAP financial measures. These adjustments are restructuring and related charges, stock-based compensation expense, gain on sale of equity investment, non-cash interest and other expenses on convertible notes and other debt, adjustments that normalize the tax rate and depreciation.

Q3 2023 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended September 29, 2023

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

Q2 2023 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Three Months Ended June 30, 2023					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 155,963	\$ 84,940	\$ 74,978	\$ 9,962	\$ (936)	\$ 1,555
Stock-based compensation	—	439	(5,620)	6,059	—	6,059
Restructuring and related charges	—	—	—	—	—	—
Non-recurring advisory fees	—	—	(2,135)	2,135	—	2,135
Non-cash interest and other expenses related to convertible notes	—	—	—	—	223	223
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	3,982
Total adjustments	—	439	(7,755)	8,194	223	12,399
Non-GAAP	<u>\$ 155,963</u>	<u>\$ 85,379</u>	<u>\$ 67,223</u>	<u>\$ 18,156</u>	<u>\$ (713)</u>	<u>\$ 13,954</u>
<i>As a % of revenue (GAAP)</i>		54.5 %	48.1 %	6.4 %	(0.6)%	1.0 %
<i>As a % of revenue (Non-GAAP)</i>		54.7 %	43.1 %	11.6 %	(0.5)%	8.9 %
Diluted net income per share:						
GAAP						\$ 0.01
Non-GAAP						\$ 0.12
Shares used in per share calculation:						
GAAP and Non-GAAP						119,255

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						\$ 0.08
Non-GAAP						\$ 0.13
Shares used in per share calculation:						
GAAP and Non-GAAP						<u>113,185</u>

QTD ADJ. EBITDA CALCULATIONS

(UNAUDITED, IN THOUSANDS)



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

	Three Months Ended June 30, 2023	
	Video	Broadband
Income from operations ⁽¹⁾	\$ 90	\$ 18,066
Depreciation	1,388	1,671
Other non-operating expenses, net	(52)	(84)
Adjusted EBITDA ⁽²⁾	1,426	19,653
Revenue	58,867	97,096
<i>Adjusted EBITDA margin % ⁽²⁾</i>	<i>2.4 %</i>	<i>20.2 %</i>

	Three Months Ended September 30, 2022	
	Video	Broadband
Income from operations ⁽¹⁾	\$ 2,907	\$ 15,303
Depreciation	1,467	1,630
Other non-operating expenses, net	(56)	(62)
Adjusted EBITDA ⁽²⁾	4,318	16,871
Revenue	63,824	91,914
<i>Adjusted EBITDA margin % ⁽²⁾</i>	<i>6.8 %</i>	<i>18.4 %</i>

QTD ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Three Months Ended		
	September 29, 2023	June 30, 2023	September 30, 2022
Net income (loss) (GAAP)	\$ (6,495)	\$ 1,555	\$ 8,740
Provision for (benefit from) income taxes	(2,384)	7,471	1,282
Interest expense, net	619	800	1,284
Depreciation	3,089	3,059	3,097
EBITDA	(5,171)	12,885	14,403
<i>Adjustments</i>			
Stock-based compensation	7,241	6,059	6,460
Restructuring and related charges	1,076	—	326
Non-recurring advisory fees	364	2,135	—
Total consolidated segment adjusted EBITDA (Non-GAAP)	\$ 3,510	\$ 21,079	\$ 21,189
Revenue	\$ 127,203	\$ 155,963	\$ 155,738
<i>Net income (loss) margin (GAAP)</i>	<i>(5.1)%</i>	<i>1.0 %</i>	<i>5.6 %</i>
<i>Consolidated segment adjusted EBITDA margin (Non-GAAP)</i>	<i>2.8 %</i>	<i>13.5 %</i>	<i>13.6 %</i>

Q4 2023 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



Q4 2023 Financial Guidance ⁽¹⁾

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Net Income (Loss)
GAAP	\$ 150 to \$ 175	\$ 72 to \$ 86	\$ 70 to \$ 73	\$ 2 to \$ 13	\$ — to \$ (2)
Stock-based compensation expense	—	1	(6)	7	7
Restructuring and related charges	—	—	(2)	2	2
Gain on equity investment	—	—	—	—	(3)
Tax effect of non-GAAP adjustments	—	—	—	—	2 to 13
Total adjustments	—	1	(8)	9	8 to 19
Non-GAAP	<u>\$ 150 to \$ 175</u>	<u>\$ 73 to \$ 87</u>	<u>\$ 62 to \$ 65</u>	<u>\$ 11 to \$ 22</u>	<u>\$ 8 to \$ 17</u>
<i>As a % of revenue (GAAP)</i>		48.0% to 49.3%	46.7% to 41.7%	1.4% to 7.7%	—% to (1.1)%
<i>As a % of revenue (Non-GAAP)</i>		48.5% to 49.7%	41.3% to 37.1%	7.2% to 12.6%	5.1% to 9.5%
Diluted net income (loss) per share:					
GAAP					<u>\$ — to \$ (0.02)</u>
Non-GAAP					<u>\$ 0.07 to \$ 0.14</u>
Shares used in per share calculation:					
GAAP					<u>112.3</u>
Non-GAAP					<u>117.1</u>

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

Q4 2023 GUIDANCE ADJ EBITDA CALCULATIONS

	Q4 2023 Financial Guidance			
	Video		Broadband	
Income (loss) from operations ⁽²⁾	\$ (6)	to \$ (2)	\$ 17	to \$ 24
Depreciation	1	1	2	2
Other non-operating expenses	—	—	—	—
Segment adjusted EBITDA ⁽³⁾	(5)	to (1)	19	to 26

Q4 2023 ADJ. EBITDA GUIDANCE RECONCILIATIONS

(UNAUDITED, IN MILLIONS)



	Q4 2023 Financial Guidance	
Net income (loss) (GAAP)	\$ —	to \$ (2)
Provision for income taxes	4	17
Interest expense, net	1	1
Depreciation	3	3
EBITDA	\$ 8	to \$ 19
<i>Adjustments</i>		
Stock-based compensation	7	7
Restructuring and related charges	2	2
Non-recurring advisory fees	—	—
Gain on sale of equity investment	(3)	(3)
Total consolidated segment adjusted EBITDA (Non-GAAP)	\$ 14	to \$ 25

harmonic[®]

THANK YOU.

