



FOURTH QUARTER 2017
Earnings Conference Call

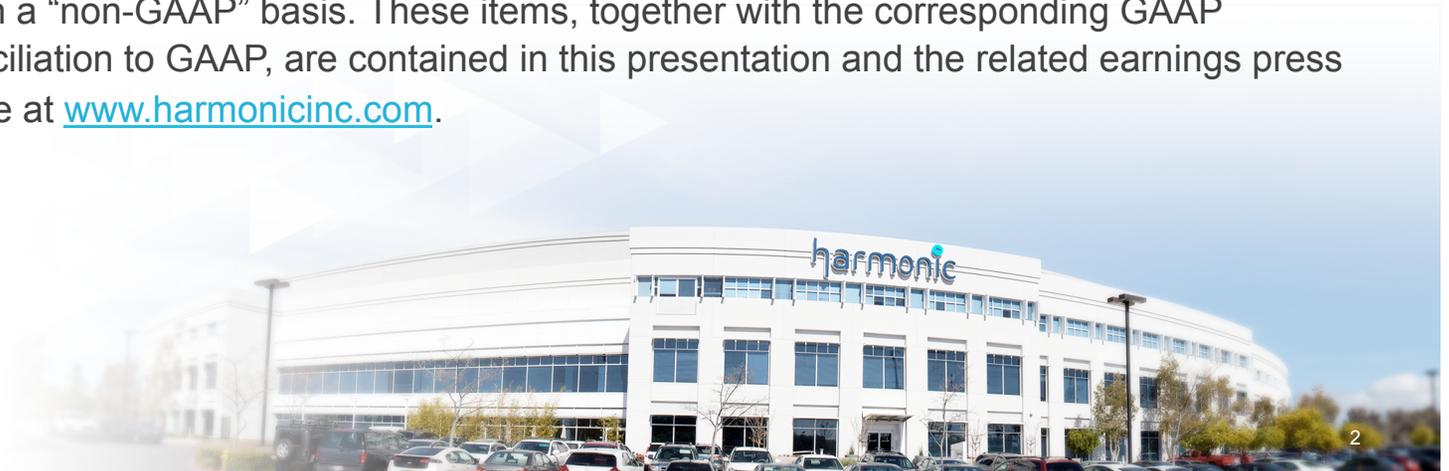
Patrick Harshman, President & CEO
Sanjay Kalra, CFO

February 28, 2018

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 2018 and beyond, and our Q1 guidance and full year 2018 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.



Q4 2017 Results* Summary



Financial Highlights



• Revenue **\$101.1M**, up **10.3%** sequentially



• Gross margin **50.1%**



• EPS \$0.00



• Cash **\$9M** generated from operations



Business Highlights



• Bookings **\$122.9M**, up **28%** sequentially



• Record backlog and deferred revenue **\$224.4M**



• **Video segment profitable**
– OTT and SaaS growth



• **New CableOS design wins**
– 12+ commercial deployments and advanced trials

* Non-GAAP financial results

Cable Edge Segment Update



CableOS Momentum Building

- Announced Com Hem, Sweden deployment
 - World's first virtualized CCAP rollout
 - Centralized DOCSIS 3.1 architecture
 - Com Hem deploying CableOS across its network
- Over 12 total deployments and advanced trials
 - POs from 3 of top 10 global operators
 - Initial commercial deployments all centralized
 - DAA field trials maturing
- World's first 1.2Gbit/s symmetrical service trial



Improving Financial Performance*

- Revenue **\$13.5M**, operating loss **\$(4.2M)**
- Continued heavy CableOS R&D investment
- Market activity supports 2018 revenue target of \$100M



Favorable Market Dynamics

- CCAP/DAA market growing to \$1.8B by 2020¹
 - Virtualized CMTS + DAA elements >60% of spend
- Global DOCSIS 3.1 upgrades: new insertion opportunity
- Cloud software increasingly preferred by Tier 1 operators

Video Segment Update



Improving Financial Performance*

- Revenue **\$87.6M**, up **4.1%** sequentially
- Operating margin **6.6%**
- Record backlog and deferred revenue



Growing OTT Success*

- **>\$45M** 2017 bookings; Q4 strongest quarter
- H2 bookings up **36%** vs. H1 2017
- SaaS ARR **\$9.1M**, up **>300%** y-o-y



New Wave of Market Opportunity

- OTT 2.0: live, premium quality streaming
- UHD/4K demand finally starting to pick up
- Customer M&A: investment cycle, timing uncertainty



Q4 2017 Financial Highlights*



\$ Millions (except EPS)	Q4 2017	Q3 2017	Q4 2016	Q4/Q3 Change	Q4 Y/Y Change
Total Net Revenue	\$101.1	\$91.6	\$113.8	10.3%	(11.2)%
Gross Margin %	50.1%	53.4%	56.1%	(3.3)%	(6.0)%
Operating Expense	\$49.1	\$47.7	\$54.2	(2.9)%	(9.4)%
Operating Income	\$1.6	\$1.3	\$9.6	\$0.3	(\$8.0)
EPS	\$0.00	(\$0.01)	\$0.08	\$0.01	(\$0.08)
Bookings	\$122.9	\$96.0	\$116.9	28.0%	5.1%

*Non-GAAP financial highlights

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Financial Context



2017 SaaS Impact*

- TCV **\$21.9M**, **5.6%** of total company bookings, slightly above expectations
- Exited 2017 with ARR of \$9.1M, up >300% y-o-y
- Delayed Video segment revenue by **~\$15M**, operating income **~\$10M**

Enhanced Segment Transparency

- Enhanced processes to identify professional services, sales expenses by segment
- Historical aggregate allocation methodologies no longer needed
- Q4 operating income* impact vs. prior method: Video reduced by **\$2.4M**, Cable Edge increased by same amount



Expecting SaaS bookings of **~5%** of total company bookings in 2018

Q4 2017 Balance Sheet & Cash Flow Highlights



\$ Millions	Q4 2017	Q3 2017	Q4 2016
Cash	\$57.0	\$50.0	\$62.6
Cash From Operations	\$9.0	(\$8.6)	\$13.4
Accounts Receivable	\$69.8	\$71.6	\$86.8
DSO	62	70	69
Inventories	\$26.0	\$31.8	\$41.2
Inventory Days	46	67	74
Backlog and Deferred	\$224.4	\$200.9	\$188.4

Additional Financial Considerations



Tax Reform Impact

- GAAP tax benefit **\$0.2M** in Q4, **\$1.8M** in 2017
- Discrete GAAP cash tax benefit of \$2.6M from AMT paid in prior periods
- 2017 Non-GAAP tax rate unchanged at 15%

Revenue Standard, ASC 606

- Guidance is provided utilizing ASC 605
- In process of finalizing impact under the new accounting standard ASC 606
- Will provide actual results for Q1 2018 under both ASC 605 and ASC 606

Q1 2018 Financial Guidance*



\$ Millions (except EPS)	Video	Cable Edge	Total
Revenue	\$70 - \$76	\$13 - \$17	\$83 - \$93
Gross Margin			52% - 53%
Operating Expenses			\$49 - \$51
Operating Profit / (Loss)			\$(8.0) - \$0.5
EPS			\$(0.10) - \$(0.01)
Tax Rate			16%
Shares, millions (basic)			84.3
Cash			\$45 - \$55

*Non-GAAP

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Full Year 2018 Financial Outlook*



\$ Millions (except EPS)	Video	Cable Edge	Total
Revenue	\$290 - \$320	\$90 - \$110	\$380 - \$430
Gross Margin			51% - 53%
Operating Expenses			\$196 - \$204
Operating Profit / (Loss)			\$(11) - \$32.5
EPS			\$(0.18) - \$0.25
Tax Rate			16%
Shares, millions (basic, diluted)			86, 86.6
Cash			\$45 - \$55

*Non-GAAP

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2018 Strategic Priorities



Cable Edge Segment

- Scale first wave of CableOS deployments
- Secure new CableOS design wins
- Deliver >\$100M 2018 revenue



Video Segment

- Continue to drive OTT growth
- Expand SaaS offerings
- Deliver consistent operating income

Focused on growth, profitability and
shareholder value creation





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 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, Avid litigation settlement and associated legal fees 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.

Other non-GAAP financial measures provided in this presentation include:

Total contract value (TCV) – TCV bookings for OTT SaaS are comprised of the total value of new customer contracts closed during a specified period, including license, maintenance and services contracts, that we believe to be firm commitments to provide our software solutions and related services. Bookings by their nature are significantly based on estimates and judgments that we make regarding total contract values, and bookings are not meant as a substitute measure for revenue in accordance with GAAP.

Annual recurring revenue (ARR) – ARR is used to assess the trajectory of our OTT SaaS business. ARR means, as of a specified date, the contracted recurring revenue which includes both subscription and maintenance contracts (and excludes perpetual license, term license and service agreements) that are current and booked with a future start date. ARR should be viewed independently of revenue and any other GAAP measure.

Q4 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



Three months ended December 31, 2017

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating expense, net	Net Loss
GAAP	\$ 100,974	\$ 48,572	\$ 56,663	\$ (8,091)	\$ (3,938)	\$ (11,845)
Accounting impact related to warrant amortization	115	115	—	115	—	115
Stock-based compensation	—	747	(4,756)	5,503	—	5,503
Amortization of intangibles	—	1,295	(795)	2,090	—	2,090
Restructuring and related charges	—	(56)	(1,223)	1,167	—	1,167
TVN acquisition and integration-related costs	—	—	(84)	84	—	84
Avid litigation settlement fees and associated legal fees	—	—	(692)	692	—	692
Loss on impairment of long-term investment	—	—	—	—	530	530
Non-cash interest expenses related to convertible notes	—	—	—	—	1,429	1,429
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(121)
Total adjustments	115	2,101	(7,550)	9,651	1,959	11,489
Non-GAAP	\$ 101,089	\$ 50,673	\$ 49,113	\$ 1,560	\$ (1,979)	\$ (356)
		<i>As a % of revenue (GAAP)</i>				
		48.1%	56.1%	(8.0)%	(3.9)%	(11.7)%
		<i>As a % of revenue (Non-GAAP)</i>				
		50.1%	48.6%	1.5%	(2.0)%	(0.4)%
Diluted loss per share:						
Diluted net loss per share-GAAP						\$ (0.14)
Diluted net loss per share-Non-GAAP						\$ 0.00
Shares used to compute net loss per share:						
GAAP and Non-GAAP						82,014

Q3 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



Three months ended September 29, 2017

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating expense, net	Net Loss
GAAP	\$ 92,014	\$ 47,025	\$ 61,231	\$ (14,206)	\$ (3,292)	\$ (15,583)
Accounting impact related to warrant amortization	(378)	(378)	—	(378)	—	(378)
Stock-based compensation	—	478	(3,242)	3,720	—	3,720
Amortization of intangibles	—	1,295	(793)	2,088	—	2,088
Restructuring and related charges	—	549	(2,028)	2,577	—	2,577
TVN acquisition and integration-related costs	—	—	(117)	117	—	117
Avoid litigation settlement fees and associated legal fees	—	—	(7,356)	7,356	—	7,356
Non-cash interest expenses related to convertible notes	—	—	—	—	1,384	1,384
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(1,820)
Total adjustments	(378)	1,944	(13,536)	15,480	1,384	15,044
Non-GAAP	<u>\$ 91,636</u>	<u>\$ 48,969</u>	<u>\$ 47,695</u>	<u>\$ 1,274</u>	<u>\$ (1,908)</u>	<u>\$ (539)</u>
<i>As a % of revenue (GAAP)</i>		51.1%	66.5%	(15.4)%	(3.6)%	(16.9)%
<i>As a % of revenue (Non-GAAP)</i>		53.4%	52.0%	1.4%	(2.1)%	(0.6)%
Diluted loss per share:						
Diluted net loss per share-GAAP						\$ (0.19)
Diluted net loss per share-Non-GAAP						<u>\$ (0.01)</u>
Shares used to compute net loss per share:						
GAAP and Non-GAAP						<u>81,445</u>

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



Three months ended December 31, 2016

	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	—	543	(3,975)	4,518	—	4,518
Amortization of intangibles	—	1,328	(797)	2,125	—	2,125
Restructuring and related charges	—	3,424	(10,115)	13,539	—	13,539
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	\$ 113,775	\$ 63,773	\$ 54,207	\$ 9,566	\$ (1,651)	\$ 6,728
<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 income (loss) per share:						
Diluted net loss per share-GAAP						\$ (0.13)
Diluted net income per share-Non-GAAP						\$ 0.08
Shares used to compute net income (loss) per share:						
GAAP						78,389
Non-GAAP						80,112

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



	Twelve months ended December 31, 2017					
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating expense, net	Net Loss
GAAP	\$ 358,246	\$ 169,820	\$ 240,697	\$ (70,877)	\$ (13,830)	\$ (82,955)
Cable Edge inventory charge	—	3,316	—	3,316	—	3,316
Acquisition accounting impact related to TVN deferred revenue	111	111	—	111	—	111
Accounting impact related to warrant amortization	153	153	—	153	—	153
Stock-based compensation	—	2,370	(14,240)	16,610	—	16,610
Amortization of intangibles	—	5,180	(3,142)	8,322	—	8,322
Restructuring and related charges	—	1,279	(5,307)	6,586	—	6,586
TVN acquisition and integration-related costs	—	342	(2,476)	2,818	—	2,818
Avid litigation settlement fees and associated legal fees	—	—	(8,048)	8,048	—	8,048
Loss on impairment of long-term investment	—	—	—	—	530	530
Non-cash interest expenses related to convertible notes	—	—	—	—	5,489	5,489
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	3,156
Total adjustments	264	12,751	(33,213)	45,964	6,019	55,139
Non-GAAP	\$ 358,510	\$ 182,571	\$ 207,484	\$ (24,913)	\$ (7,811)	\$ (27,816)
	<i>As a % of revenue (GAAP)</i>	47.4%	67.2%	(19.8)%	(3.9)%	(23.2)%
	<i>As a % of revenue (Non-GAAP)</i>	50.9%	57.9%	(6.9)%	(2.2)%	(7.8)%
Diluted loss per share:						
Diluted net loss per share-GAAP						\$ (1.02)
Diluted net loss per share-Non-GAAP						\$ (0.34)
Shares used to compute diluted loss per share:						
GAAP and Non-GAAP						80,974

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



Twelve months ended December 31, 2016

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating expense, net	Net Loss
GAAP	\$ 405,911	\$ 200,750	\$ 267,786	\$ (67,036)	\$ (13,394)	\$ (72,314)
Cable Edge inventory charge	—	4,033	—	4,033	—	4,033
Acquisition accounting impact related to TVN deferred revenue	1,967	1,967	—	1,967	—	1,967
Accounting impact related to warrant amortization	434	434	—	434	—	434
Acquisition accounting impacts related to TVN fairvalue of	—	189	—	189	—	189
Stock-based compensation	—	1,554	(11,506)	13,060	—	13,060
Amortization of intangibles	—	4,433	(10,403)	14,836	—	14,836
Restructuring and related charges	—	3,400	(14,603)	18,003	—	18,003
TVN acquisition and integration-related costs	—	1,049	(15,887)	16,936	—	16,936
Loss on impairment of long-term investment	—	—	—	—	2,735	2,735
Non-cash interest expenses related to convertible notes	—	—	—	—	4,967	4,967
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(7,624)
Total adjustments	2,401	17,059	(52,399)	69,458	7,702	69,536
Non-GAAP	\$ 408,312	\$ 217,809	\$ 215,387	\$ 2,422	\$ (5,692)	\$ (2,778)
<i>As a % of revenue (GAAP)</i>		49.5%	66.0%	(16.5)%	(3.3)%	(17.8)%
<i>As a % of revenue (Non-GAAP)</i>		53.3%	52.8%	0.6%	(1.4)%	(0.7)%
Diluted loss per share:						
Diluted net loss per share-GAAP						\$ (0.93)
Diluted net loss per share-Non-GAAP						\$ (0.04)
Shares used to compute diluted loss per share:						
GAAP and Non-GAAP						77,705

Q1 2018 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS)



	Q1-2018 Financial Guidance					
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$83.0 to \$93.0	\$39.7 to \$46.2	\$55.1 to \$57.1	\$(17.4) to \$(8.9)	\$(3.3)	\$(21.3) to \$(12.9)
Stock-based compensation expense	—	0.6	(3.9)	4.5	—	4.5
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Restructuring and related charges	—	1.4	(1.4)	2.8	—	2.8
Non-cash interest expense related to convertible notes	—	—	—	—	1.5	1.5
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	\$1.0 to \$2.2
Total adjustments	—	3.3	(6.1)	9.4	1.5	\$11.9 to \$13.1
Non-GAAP	\$83.0 to \$93.0	\$43.0 to \$49.5	\$49.0 to \$51.0	\$(8.0) to \$0.5	\$(1.8)	\$(8.2) to \$(1.0)
		48.0% to 49.5%	59% to 69%	(21)% to (10)%	(4)%	(25)% to (14)%
		52.0% to 53.0%	53% to 61%	(10)% to 0.5%	(2)%	(10)% to (1)%
Diluted loss per share:						
Diluted net loss per share-GAAP						<u>\$(0.25) to \$(0.15)</u>
Diluted net loss per share-Non-GAAP						<u>\$(0.10) to \$(0.01)</u>
Shares used to compute diluted loss per share:						
GAAP and Non-GAAP						<u>84.3</u>

2018 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS)



	2018 Outlook					
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$380.0 to \$430.0	\$184.2 to \$219.7	\$214.3 to \$222.3	\$(38.1) to \$5.4	\$(13.3)	\$(54.5) to \$(10.5)
Stock-based compensation expense	—	2.2	(13.8)	16.0	—	16.0
Amortization of intangibles	—	5.2	(3.1)	8.3	—	8.3
Restructuring and related charges	—	1.4	(1.4)	2.8	—	2.8
Non-cash interest expense related to convertible notes	—	—	—	—	6.1	6.1
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	\$(1.2) to \$5.8
Total adjustments	—	8.8	(18.3)	27.1	6.1	\$32.0 to \$39.0
Non-GAAP	\$380.0 to \$430.0	\$193.0 to \$228.5	\$196.0 to \$204.0	\$(11.0) to \$32.5	\$(7.2)	\$(15.5) to \$21.5
<i>As a % of revenue (GAAP)</i>		48.5% to 51.0%	50% to 59%	(10)% to 1%	(3%)	(14)% to (2)%
<i>As a % of revenue (Non-GAAP)</i>		51.0% to 53.0%	46% to 54%	(3)% to 8%	(2%)	(4)% to 5%
Diluted income (loss) per share:						
Diluted net (loss) per share-GAAP						\$(0.63) to \$(0.12)
Diluted net income (loss) per share-Non-GAAP						<u>\$(0.18) to \$0.25</u>
Shares used to compute diluted loss per share:						
GAAP and Non-GAAP						<u>86.0</u>
Shares used to compute diluted income per share:						
Non-GAAP						<u>86.6</u>