



SECOND QUARTER 2019 Earnings Conference Call

Patrick Harshman, President & CEO
Sanjay Kalra, CFO

July 29, 2019

The Harmonic logo, featuring the word "harmonic" in a lowercase, sans-serif font with a blue play button icon above the letter "i".

harmonic

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 2019 and beyond, and our Q3, Q4 and full year 2019 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.





Financial Highlights*



- Revenue **\$84.9 million**



- Book-to-bill **1.1**



- Gross margin **53.6%**, EPS **\$(0.04)**

* Non-GAAP financial results



Business Highlights



CableOS

- Software license deal with Comcast
- New >\$55 million international contract



Video

- Live OTT SaaS channel deployments up 10% sequentially
- 8th consecutive profitable quarter



Comcast Agreement

- \$175 million CableOS software license
 - Excludes DAA nodes and traditional CMTS architecture shelves
 - Fee subject to incentive credits Comcast can earn
- Comcast vests remaining 5,862,120 warrant shares
- Powerful endorsement



Global Momentum

- Prior announced >\$50 million* international customer beginning deployment Q3
- New >\$55 million* international contract for 5-year DAA deployment
- Commercially deployed with 16 customers
 - 780,000 cable modems served globally, up 16% sequentially
- 4 new unique patent filings, further strengthening IP position

* Estimated total contract value



SaaS Transformation Execution

- Cloud-based live OTT channel deployments up 10% sequentially
- Video SaaS customer base of 28, up 65% year over year
- SaaS deal pipeline continues to grow, with expected revenue transition headwind



Financial Performance Solid*

- SaaS and Service revenue \$27.2 million, up 13% sequentially
- Gross margin 57.9%, up from 55.0% year over year
- Operating margin 6.2%, 8th consecutive profitable quarter

* Non-GAAP financial results

Q2 2019 Financial Highlights*



| \$ Millions (except EPS) | Q2 2019 | Q1 2019 | Q2 2018 | Q2/Q1 Change | Q2 Y/Y Change |
|---|------------|------------|------------|-----------------|------------------|
| Total Net Revenue | \$84.9 | \$80.1 | \$99.4 | 5.9% | (14.6)% |
| Cable Revenue | \$13.3 | \$12.9 | \$20.2 | 2.4% | (34.5)% |
| Video Revenue | \$71.6 | \$67.2 | \$79.2 | 6.6% | (9.6)% |
| Gross Margin % | 53.6% | 54.5% | 54.0% | (0.9%) | (0.4)% |
| Cable Gross Margin% | 30.8% | 39.3% | 50.3% | (8.5%) | (19.5)% |
| Video Gross Margin% | 57.9% | 57.5% | 55.0% | 0.4% | 2.9% |
| Total Net Revenue | \$84.9 | \$80.1 | \$99.4 | 5.9% | (14.6)% |
| Appliance and integration | \$54.5 | \$52.4 | \$68.7 | 3.9% | (20.7)% |
| SaaS and service | \$30.4 | \$27.7 | \$30.7 | 9.8% | (1.0)% |
| SaaS and service revenue as a % of total revenue | 35.9% | 34.6% | 30.9% | 1.3% | 5.0% |
| SaaS and service gross margin % | 62.6% | 61.3% | 65.6% | 1.3% | (3.0)% |
| SaaS customers | 28 | 25 | 17 | 12% | 65% |

* Non-GAAP financial highlights

©2019 Harmonic Inc. All rights reserved worldwide.

Q2 2019 Financial Highlights (Cont.)*



| \$ Millions (except EPS) | Q2 2019 | Q1 2019 | Q2 2018 | Q2/Q1 Change | Q2 Y/Y Change |
|-----------------------------|------------|------------|------------|-----------------|------------------|
| Operating Expenses | \$48.3 | \$47.5 | \$47.0 | 1.7% | 2.9% |
| Operating Income (loss) | \$(2.8) | \$(3.8) | \$6.8 | \$1.0 | \$(9.6) |
| Diluted Share Count | 88.9 | 88.2 | 85.8 | 0.7 | 3.1 |
| EPS | \$(0.04) | \$(0.05) | \$0.05 | \$0.01 | \$(0.09) |
| Bookings | \$92.6 | \$81.0 | \$107.9 | 14.3% | (14.2)% |
| Book to bill ratio | 1.1 | 1.0 | 1.1 | 7.9% | 0.5% |

* Non-GAAP financial highlights

©2019 Harmonic Inc. All rights reserved worldwide.

Q2 2019 Balance Sheet & Cash Flow Highlights



| \$ Millions | Q2 2019 | Q1 2019 | Q2 2018 |
|--|------------|------------|------------|
| Cash | \$58.1 | \$69.9 | \$54.1 |
| Cash Provided by (Used in) Operations | \$(8.8) | \$4.2 | \$9.9 |
| Accounts Receivable | \$70.6 | \$58.9 | \$82.6 |
| DSO | 75 | 66 | 75 |
| Inventories | \$27.7 | \$29.3 | \$23.0 |
| Inventory Days | 63 | 72 | 45 |
| Backlog and Deferred Revenue | \$194.7 | \$187.2 | \$230.4 |

Comcast Agreement: Preliminary Financial Expectations



Revenue

- Software license revenue of \$175 million
 - Net of warrant vesting charge of ~\$20 million
 - ~\$155 million over a period of 4 years
- One time recognition of ~\$34 million in Q3

Margin

- \$155 million revenue at 100% margin

Cash flow

- Total cash flow expected \$175 million less credits
- \$50 million cash collection in 2019
- Remaining cash in 2020 to 2023

| Expected Revenue Recognition* | Q3-19 | Q4-19 | 2020 to 2023 | Total (\$ million) |
|-------------------------------|-------|-------|--------------|--------------------|
| One time recognition | 34 | - | - | 34 |
| Over time recognition | 2 | 6 | 113 | 121 |
| Total | 36 | 6 | 113 | 155 |

*management estimates

Q3 2019 Financial Guidance*



| \$ Millions (except EPS) | Q3 2019 |
|-----------------------------|-----------------|
| Total Revenue | \$110 - \$120 |
| Video Segment | \$63 - \$68 |
| Cable Access Segment | \$47 - \$52 |
| Gross Margin | 64.0% - 66.5% |
| Operating Expenses | \$48 - \$50 |
| Operating Income | \$20 - \$32 |
| EPS | \$0.16 - \$0.26 |
| Tax Rate | 12% |
| Shares, millions | 101.5 |
| Cash | \$65 - \$75 |

* Non-GAAP

Q4 2019 Financial Guidance*



| \$ Millions (except EPS) | Q4 2019 |
|-----------------------------|-------------------|
| Total Revenue | \$100 - \$110 |
| Video Segment | \$70 - \$75 |
| Cable Access Segment | \$30 - \$35 |
| Gross Margin | 51.0% - 52.5% |
| Operating Expenses | \$48 - \$50 |
| Operating Income | \$1 - \$10 |
| EPS | \$(0.01) - \$0.07 |
| Tax Rate | 12% |
| Shares, millions | 90.3 - 102.3 |
| Cash | \$90 - \$100 |

* Non-GAAP

Full Year 2019 Financial Guidance*



| \$ Millions (except EPS) | Updated Guidance | Prior Guidance |
|-----------------------------------|------------------|-------------------|
| Total Revenue | \$375 - \$395 | \$385 - \$430 |
| Video Segment | \$272 - \$282 | \$285 - \$300 |
| Cable Access Segment | \$103 - \$113 | \$100 - \$130 |
| Gross Margin | 56.0% - 57.5% | 50.0% - 53.5% |
| Operating Expenses | \$192 - \$196 | \$195 - \$205 |
| Operating Income | \$15 - \$35 | \$(12.5) - \$34.6 |
| EPS | \$0.07 - \$0.26 | \$(0.19) - \$0.27 |
| Tax Rate | 12% | 12% |
| Shares, millions (basic, diluted) | 96.5 | 89.3 - 91.0 |
| Cash | \$90 - \$100 | \$65 - \$85 |

* Non-GAAP

**Narrowed Revenue ranges.
Improved Gross Margin, Operating Expense, EPS and Cash ranges.**



Cable Access

1. Scale first wave of CableOS deployments
2. Secure new CableOS design wins
3. Execute Tier 1 DAA roll-outs



Video

1. Extend live OTT market share
2. Expand addressable market via SaaS
3. Deliver consistent segment profitability

Focused on growth, profitability
and
shareholder value creation





Q&A

harmonic

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, segment revenue, gross profit, operating expenses, income (loss) from operations, non-operating expense, net, 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, TVN acquisition and integration related costs, restructuring and related charges, Cable Access 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, gain (loss) on equity investments and adjustments that normalize the tax rate.

Q2 2019 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended June 28, 2019

| | Revenue | Gross Profit | Total Operating Expense | Loss from Operations | Total Non-operating Expense, net | Net Loss |
|---|-----------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| GAAP | \$ 84,865 | \$ 43,928 | \$ 51,692 | \$ (7,764) | \$ (3,384) | \$ (11,845) |
| Accounting impact related to warrant amortization | 23 | 23 | — | 23 | — | 23 |
| Stock-based compensation | — | 193 | (2,317) | 2,510 | — | 2,510 |
| Amortization of intangibles | — | 1,295 | (784) | 2,079 | — | 2,079 |
| Restructuring and related charges | — | 91 | (277) | 368 | — | 368 |
| Non-cash interest expenses related to convertible notes | — | — | — | — | 1,656 | 1,656 |
| Discrete tax items and tax effect of non-GAAP adjustments | — | — | — | — | — | 1,238 |
| Total adjustments | \$ 23 | \$ 1,602 | \$ (3,378) | \$ 4,980 | \$ 1,656 | \$ 7,874 |
| Non-GAAP | \$ 84,888 | \$ 45,530 | \$ 48,314 | \$ (2,784) | \$ (1,728) | \$ (3,971) |
| | | <i>As a % of revenue (GAAP)</i> |
| | | 51.8% | 60.9% | (9.1)% | (4.0)% | (14.0)% |
| | | <i>As a % of revenue (Non-GAAP)</i> |
| | | 53.6% | 56.9% | (3.3)% | (2.0)% | (4.7)% |
| Diluted net loss per share: | | | | | | |
| Diluted net loss per share-GAAP | | | | | | \$ (0.13) |
| Diluted net loss per share-Non-GAAP | | | | | | \$ (0.04) |
| Shares used to compute diluted net loss per share: | | | | | | |
| GAAP and Non-GAAP | | | | | | 88,931 |

Q1 2019 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended March 29, 2019

| | Revenue | Gross Profit | Total Operating Expense | Loss from Operations | Total Non-operating Expense, net | Net Loss |
|---|-------------------------------------|--------------|-------------------------|----------------------|----------------------------------|-------------|
| GAAP | \$ 80,106 | \$ 41,849 | \$ 50,257 | \$ (8,408) | \$ (3,217) | \$ (11,306) |
| Accounting impact related to warrant amortization | 25 | 25 | — | 25 | — | 25 |
| Stock-based compensation | — | 225 | (1,888) | 2,113 | — | 2,113 |
| Amortization of intangibles | — | 1,295 | (788) | 2,083 | — | 2,083 |
| Restructuring and related charges | — | 301 | (57) | 358 | — | 358 |
| Non-cash interest expenses related to convertible notes | — | — | — | — | 1,606 | 1,606 |
| Discrete tax items and tax effect of non-GAAP adjustments | — | — | — | — | — | 334 |
| Total adjustments | \$ 25 | \$ 1,846 | \$ (2,733) | \$ 4,579 | \$ 1,606 | \$ 6,519 |
| Non-GAAP | \$ 80,131 | \$ 43,695 | \$ 47,524 | \$ (3,829) | \$ (1,611) | \$ (4,787) |
| | <i>As a % of revenue (GAAP)</i> | 52.2% | 62.7% | (10.5)% | (4.0)% | (14.1)% |
| | <i>As a % of revenue (Non-GAAP)</i> | 54.5% | 59.3% | (4.8)% | (2.0)% | (6.0)% |

Diluted net loss per share:

| | |
|-------------------------------------|-----------|
| Diluted net loss per share-GAAP | \$ (0.13) |
| Diluted net loss per share-Non-GAAP | \$ (0.05) |

Shares used to compute diluted net loss per share:

| | |
|-------------------|--------|
| GAAP and Non-GAAP | 88,165 |
|-------------------|--------|

Q2 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended June 29, 2018

| | Revenue | Gross Profit | Total Operating Expense | Income from Operations | Total Non-operating Expense, net | Net Income (Loss) |
|--|---------------------------------------|------------------|-------------------------|------------------------|----------------------------------|-------------------|
| GAAP | \$ 99,160 | \$ 51,603 | \$ 50,961 | \$ 642 | \$ (2,664) | \$ (2,913) |
| Accounting impact related to warrant amortization | 284 | 284 | — | 284 | — | 284 |
| Stock-based compensation | — | 448 | (2,564) | 3,012 | — | 3,012 |
| Amortization of intangibles | — | 1,295 | (800) | 2,095 | — | 2,095 |
| Restructuring and related charges | — | 115 | (631) | 746 | — | 746 |
| Gain on equity investments | — | — | — | — | (183) | (183) |
| Non-cash interest expenses related to convertible notes | — | — | — | — | 1,501 | 1,501 |
| Discrete tax items and tax effect of non-GAAP adjustments | — | — | — | — | — | 22 |
| Total adjustments | \$ 284 | \$ 2,142 | \$ (3,995) | \$ 6,137 | \$ 1,318 | \$ 7,477 |
| Non-GAAP | \$ 99,444 | \$ 53,745 | \$ 46,966 | \$ 6,779 | \$ (1,346) | \$ 4,564 |
| | <i>As a % of revenue (GAAP)</i> | 52.0% | 51.4% | 0.6 % | (2.7)% | (2.9)% |
| | <i>As a % of revenue (Non-GAAP)</i> | 54.0% | 47.2% | 6.8 % | (1.4)% | 4.6 % |
| Diluted net income (loss) per share: | | | | | | |
| | Diluted net loss per share-GAAP | | | | | \$ (0.03) |
| | Diluted net income per share-Non-GAAP | | | | | \$ 0.05 |
| Shares used to compute diluted net income (loss) per share: | | | | | | |
| | GAAP | | | | | 85,304 |
| | Non-GAAP | | | | | 85,758 |

YTD Q2 2019 GAAP to Non-GAAP Reconciliations

(in thousands, except EPS and percentages)



Six months ended June 28, 2019

| | Revenue | Gross Profit | Total Operating Expense | Loss from Operations | Total Non-operating Expense | Net Loss |
|---|------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| GAAP | \$ 164,971 | \$ 85,777 | \$ 101,949 | \$ (16,172) | \$ (6,601) | \$ (23,151) |
| Accounting impact related to warrant amortization | 48 | 48 | — | 48 | — | 48 |
| Stock-based compensation | — | 418 | (4,205) | 4,623 | — | 4,623 |
| Amortization of intangibles | — | 2,590 | (1,572) | 4,162 | — | 4,162 |
| Restructuring and related charges | — | 392 | (334) | 726 | — | 726 |
| Non-cash interest expenses related to convertible notes | — | — | — | — | 3,262 | 3,262 |
| Discrete tax items and tax effect of non-GAAP adjustments | — | — | — | — | — | 1,572 |
| Total adjustments | \$ 48 | \$ 3,448 | \$ (6,111) | \$ 9,559 | \$ 3,262 | \$ 14,393 |
| Non-GAAP | \$ 165,019 | \$ 89,225 | \$ 95,838 | \$ (6,613) | \$ (3,339) | \$ (8,758) |
| | | <i>As a % of revenue (GAAP)</i> |
| | | 52.0% | 61.8% | (9.8)% | (4.0)% | (14.0)% |
| | | <i>As a % of revenue (Non-GAAP)</i> |
| | | 54.1% | 58.1% | (4.0)% | (2.0)% | (5.3)% |
| Diluted net loss per share: | | | | | | |
| Diluted net loss per share-GAAP | | | | | | \$ (0.26) |
| Diluted net loss per share-Non-GAAP | | | | | | \$ (0.10) |
| Shares used to compute diluted net loss per share: | | | | | | |
| GAAP and Non-GAAP | | | | | | 88,554 |

YTD Q2 2018 GAAP to Non-GAAP Reconciliations

(in thousands, except EPS and percentages)



Six months ended June 29, 2018

| | Revenue | Gross Profit | Total Operating Expense | Income (Loss) from Operations | Total Non-operating Expense | Net Income (Loss) |
|--|---------------------------------------|--------------|-------------------------|-------------------------------|-----------------------------|-------------------|
| GAAP | \$ 189,287 | \$ 98,786 | \$ 107,471 | \$ (8,685) | \$ (5,953) | \$ (16,607) |
| Accounting impact related to warrant amortization | 395 | 395 | — | 395 | — | 395 |
| Stock-based compensation | — | 963 | (7,806) | 8,769 | — | 8,769 |
| Amortization of intangibles | — | 2,590 | (1,604) | 4,194 | — | 4,194 |
| Restructuring and related charges | — | 877 | (1,717) | 2,594 | — | 2,594 |
| Gain on equity investments | — | — | — | — | (183) | (183) |
| Non-cash interest expenses related to convertible notes | — | — | — | — | 2,955 | 2,955 |
| Avid litigation settlement and associated legal fees | — | — | 6 | (6) | — | (6) |
| Discrete tax items and tax effect of non-GAAP adjustments | — | — | — | — | — | 1,316 |
| Total adjustments | \$ 395 | \$ 4,825 | \$ (11,121) | \$ 15,946 | \$ 2,772 | \$ 20,034 |
| Non-GAAP | \$ 189,682 | \$ 103,611 | \$ 96,350 | \$ 7,261 | \$ (3,181) | \$ 3,427 |
| | <i>As a % of revenue (GAAP)</i> | 52.2% | 56.8% | (4.6)% | (3.1)% | (8.8)% |
| | <i>As a % of revenue (Non-GAAP)</i> | 54.6% | 50.8% | 3.8 % | (1.7)% | 1.8 % |
| Diluted net income (loss) per share: | | | | | | |
| | Diluted net loss per share-GAAP | | | | | \$ (0.20) |
| | Diluted net income per share-Non-GAAP | | | | | \$ 0.04 |
| Shares used to compute diluted net income (loss) per share: | | | | | | |
| | GAAP | | | | | 84,616 |
| | GAAP and Non-GAAP | | | | | 85,052 |

Q3 2019 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



Q3 2019 Financial Guidance

| | Revenue | Gross Profit | Total Operating Expense | Income from Operations | Total Non-operating Expense, net | Net Income |
|---|--------------------|------------------|-------------------------|------------------------|----------------------------------|--------------------|
| GAAP | \$110.0 to \$120.0 | \$68.7 to \$78.1 | \$53.3 to \$55.3 | \$13.4 to \$24.8 | \$(3.4) | \$9.2 to \$20.6 |
| Stock-based compensation | — | 0.4 | (3.9) | 4.3 | — | 4.3 |
| Amortization of intangibles | — | 1.3 | (0.8) | 2.1 | — | 2.1 |
| Restructuring and related charges | — | — | (0.6) | 0.6 | — | 0.6 |
| Non-cash interest expense related to convertible notes | — | — | — | — | 1.7 | 1.7 |
| Tax effect of non-GAAP adjustments | — | — | — | — | — | \$(2.8) to \$(1.4) |
| Total adjustments | — | 1.7 | (5.3) | 7.0 | 1.7 | \$5.9 to \$7.3 |
| Non-GAAP | \$110.0 to \$120.0 | \$70.4 to \$79.8 | \$48.0 to \$50.0 | \$20.4 to \$31.8 | \$(1.7) | \$16.5 to \$26.5 |
| <i>As a % of revenue (GAAP)</i> | | 62.5% to 65.1% | 44.4% to 50.3% | 12.2% to 20.7% | (3.0)% | 8.4% to 17.2% |
| <i>As a % of revenue (Non-GAAP)</i> | | 64.0% to 66.5% | 40.0% to 45.5% | 18.5% to 26.5% | (1.5)% | 15.0% to 22.1% |
| Diluted net income per share: | | | | | | |
| Diluted net income per share-GAAP | | | | | | \$0.09 to \$0.20 |
| Diluted net income per share-Non-GAAP | | | | | | \$0.16 to \$0.26 |
| Shares used to compute diluted net income per share: | | | | | | |
| GAAP and Non-GAAP | | | | | | 101.5 |

Q4 2019 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



| | Q4 2019 Financial Guidance | | | | | |
|---|----------------------------|------------------|-------------------------|-------------------------------|----------------------------------|--------------------|
| | Revenue | Gross Profit | Total Operating Expense | Income (Loss) from Operations | Total Non-operating Expense, net | Net Income (Loss) |
| GAAP | \$100.0 to \$110.0 | \$49.4 to \$56.2 | \$52.1 to \$54.1 | \$(4.7) to \$4.1 | \$(3.4) | \$(8.9) to \$(0.2) |
| Stock-based compensation | — | 0.3 | (3.2) | 3.5 | — | 3.5 |
| Amortization of intangibles | — | 1.3 | (0.8) | 2.1 | — | 2.1 |
| Restructuring and related charges | — | — | (0.1) | 0.1 | — | 0.1 |
| Non-cash interest expense related to convertible notes | — | — | — | — | 1.7 | 1.7 |
| Tax effect of non-GAAP adjustments | — | — | — | — | — | \$(0.2) to \$0.9 |
| Total adjustments | — | 1.6 | (4.1) | 5.7 | 1.7 | \$7.2 to \$8.3 |
| Non-GAAP | \$100.0 to \$110.0 | \$51.0 to \$57.8 | \$48.0 to \$50.0 | \$1.0 to \$9.8 | \$(1.7) | \$(0.6) to \$7.1 |
| <i>As a % of revenue (GAAP)</i> | | 49.4% to 51.0% | 47.4% to 54.1% | (4.7)% to 3.7% | (3.0)% | (8.9)% to (0.1)% |
| <i>As a % of revenue (Non-GAAP)</i> | | 51.0% to 52.5% | 43.6% to 50.0% | 1.0% to 8.9% | (1.5)% | (0.6)% to 6.4% |
| Diluted net loss per share: | | | | | | |
| Diluted net loss per share-GAAP | | | | | | \$(0.10) to \$0.00 |
| Diluted net loss per share-Non-GAAP | | | | | | \$(0.01) to \$0.07 |
| Shares used to compute diluted net loss per share: | | | | | | |
| GAAP and Non-GAAP | | | | | | 90.3 |
| Shares used to compute diluted net income per share: | | | | | | |
| Non-GAAP | | | | | | 102.3 |

2019 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS and percentages)



| 2019 Financial Guidance | | | | | | |
|---|--------------------|--------------------|-------------------------|-------------------------------|----------------------------------|----------------------|
| | Revenue | Gross Profit | Total Operating Expense | Income (Loss) from Operations | Total Non-operating Expense, net | Net Income (Loss) |
| GAAP | \$375.0 to \$395.0 | \$203.9 to \$220.1 | \$207.5 to \$211.5 | \$(7.5) to \$12.7 | \$(13.4) | \$(23.0) to \$(2.8) |
| Stock-based compensation | — | 1.1 | (11.4) | 12.5 | — | 12.5 |
| Amortization of intangibles | — | 5.2 | (3.2) | 8.4 | — | 8.4 |
| Restructuring and related charges | — | 0.4 | (1.0) | 1.4 | — | 1.4 |
| Non-cash interest expense related to convertible notes | — | — | — | — | 6.7 | 6.7 |
| Tax effect of non-GAAP adjustments | — | — | — | — | — | \$(1.3) to \$1.1 |
| Total adjustments | — | 6.7 | (15.6) | 22.3 | 6.7 | \$27.7 to \$30.1 |
| Non-GAAP | \$375.0 to \$395.0 | \$210.6 to \$226.8 | \$191.8 to \$195.9 | \$14.8 to \$35.0 | \$(6.7) | \$7.1 to \$24.9 |
| <i>As a % of revenue (GAAP)</i> | | 54.4% to 55.7% | 52.5% to 56.4% | (2.0)% to 3.2% | (3.5)% | (6.1)% to (0.7)% |
| <i>As a % of revenue (Non-GAAP)</i> | | 56.2% to 57.4% | 48.6% to 52.2% | 3.9% to 8.9% | (1.8)% | 1.9% to 6.3% |
| Diluted net income (loss) per share: | | | | | | |
| Diluted net loss per share-GAAP | | | | | | \$(0.26) to \$(0.03) |
| Diluted net income per share-Non-GAAP | | | | | | \$0.07 to \$0.26 |
| Shares used to compute diluted net loss per share: | | | | | | |
| GAAP | | | | | | 89.8 |
| Shares used to compute diluted net income per share: | | | | | | |
| Non-GAAP | | | | | | 96.5 |