



First Quarter 2017 Earnings Conference Call

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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 2017 and beyond, and our Q2 2017 and fiscal 2017 financial 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.

Q1 2017 Results* Summary



- Revenue \$83.5M
 - Video business down 29% sequentially, up 13% y-o-y
 - Cable Edge business flat sequentially, down 46% y-o-y
- Bookings \$82M
 - Seasonal slowness and project delays
 - Growing Cloud/SaaS mix
 - Backlog and deferred revenue \$184M, near record level
- Gross Margin 52%
- EPS \$(0.14)

* Non-GAAP financial results

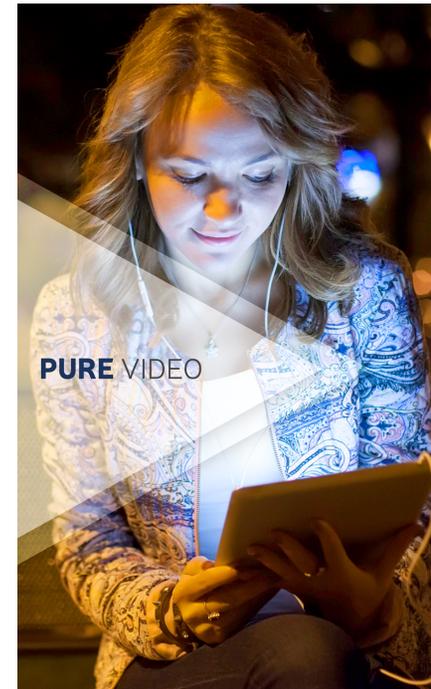
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Video Business Update

- Softer than expected Q1 following strong Q4
 - Weak service provider spending, esp. in March
 - Several projects delayed
 - Satellite pay TV softness offset by growing OTT demand
- Cloud and SaaS adoption gaining momentum
 - >5% of YTD video bookings
 - High profile Tier 1 wins and expansions
 - Strong differentiation for live high-quality OTT
- 2017 outlook remains healthy
 - Q2 rebound, modest full year revenue growth
 - Continued Cloud and SaaS bookings growth
 - >10% aggregate operating margin for balance of the year

Positioned for sustainable earnings growth

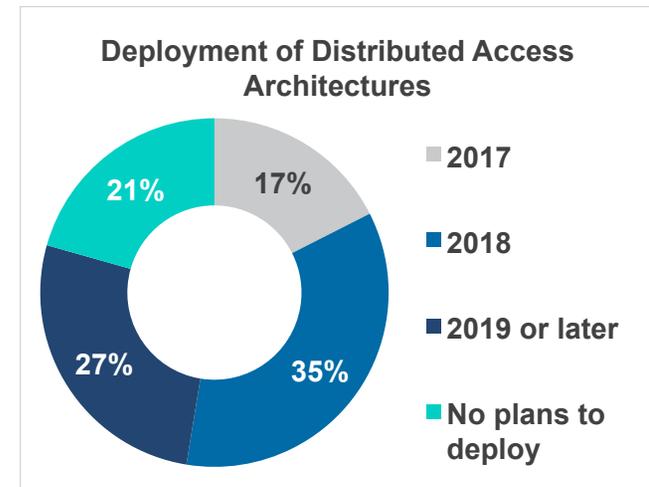
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Cable Edge Business Update



- Executing CableOS growth plan
 - Live commercial deployments performing well
 - Advanced DOCSIS 3.1 field trials on track
 - Expanding global customer engagements
 - Began shipments of new DAA remote-PHY nodes
- Legacy EdgeQAM demand remains soft
 - Q1 results in-line with expectations
 - Customer engagements transitioning to CableOS
- 2017 CableOS business outlook positive
 - Continuing commercial deployments and scale trials in Q2
 - On track to secure additional design wins
 - Positioned to ramp revenue shipments in second half, targeting \$100M annualized exit run rate



Source: SNL Kagan, 2017: survey of 35 cable operators spanning 82 million broadband subscribers in response to "When do you expect to deploy distributed access architectures (DAA)?"

Targeting Leadership in >\$2B CCAP Market

Financial Update



- Softer than expected Q1 results
 - Strong Q4 order timing and seasonality impacted demand as expected
 - Delayed projects shift demand into out quarters, some booked in Q2
- 2017 financial agenda delayed, but intact
 - Grow Video and Cable Edge revenue, y-o-y
 - Cable Edge annualized revenue run-rate >\$100M exiting 2017
 - 2H Video segment double digit operating profit
- Maximizing operating efficiencies
 - Sequential operating expense reduction for the balance of 2017

Q1 2017 Financial Highlights*



\$ Millions (except GM & EPS)	Q1 2017	Q4 2016	Q1 2016	Q1/ Q4 Change	Q1 Y/Y Change
Total Net Revenue	\$83.5	\$113.8	\$82.5	-27%	1%
- Video Revenue	\$74.5	\$104.8	\$65.6	-29%	13%
- Cable Edge Revenue	\$9.0	\$9.0	\$16.8	-	-46%
Gross Margin %	52.1%	56.1%	51.1%	-4%	1%
Operating Expense	\$54.9	\$54.2	\$50.5	1%	9%
Operating Income (Loss)	(\$11.4)	\$9.6	(\$8.4)	-\$21.0	-\$3.0
EPS	(\$0.14)	\$0.08	(\$0.11)	-\$0.22	-\$0.03
Bookings	\$82.1	\$116.9	\$109.6	-30%	-25%
Book to Bill	1.0	1.0	1.3	-	-23%

*Non-GAAP financial highlights

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Q1 2017 Balance Sheet Highlights



	\$ Millions	
Cash	\$55.3	
Accounts Receivable	\$69.8	76 days
Inventories	\$39.9	90 days
Cash From Operations	(\$3.1)	
Backlog and Deferred	\$184.2	

Q2 2017 Financial Guidance



\$ Millions (except EPS)	Video	Cable Edge	Total
Non-GAAP Revenue	\$86 - \$91	\$9 - \$12	\$95 - \$103
Non-GAAP Gross Margin	55.0% - 56.0%	33.0% - 34.0%	52.5% - 53.5%
Non-GAAP Operating Expenses			\$52.5 - \$53.5
Non-GAAP Operating (Loss) Income			(\$2.5) - \$1.5
Non-GAAP EPS			(\$0.04) to breakeven
Non-GAAP Tax Rate			15%
Shares, millions			81
Cash and short-term investments on hand at quarter-end			\$40 - \$45

2017 Financial Guidance



\$ Millions (except EPS)	Video	Cable Edge	Total
Non-GAAP Revenue	\$350 - \$360	\$50 - \$60	\$400 - \$420
Non-GAAP Gross Margin	56.0% - 57.0%	38.0% - 39.0%	53.5% - 54.5%
Non-GAAP Operating Expenses			\$206 - \$207
Non-GAAP Operating Income			\$8 - \$22
Non-GAAP EPS			\$0.02 - \$0.16
Non-GAAP Tax Rate			15%
Shares, millions			82
Cash and short-term investments on hand at year-end			\$50 - \$55

2017 Strategic Priorities



Video Business

- Drive revenue and margin growth, led by OTT
- Expand Cloud, SaaS and 4K market leadership
- Deliver aggregate double-digit operating income, Q2-Q4

Cable Edge Business

- Successfully scale early CableOS deployments
- Achieve new design wins with additional Tier 1 operators
- Exit the year with >\$100 million annualized run rate

Drive new phase of growth, profitability and shareholder value



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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 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 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.

Q1 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 82,943	\$ 40,408	\$ 61,566	\$ (21,158)	\$ (3,101)	\$ (24,027)
Cable Edge inventory charge	—	(15)	—	(15)	—	(15)
Acquisition accounting impact related to TVN deferred revenue	111	111	—	111	—	111
Accounting impact related to warrant amortization	416	416	—	416	—	416
Stock-based compensation in cost of revenue	—	445	—	445	—	445
Stock-based compensation in research and development	—	—	(977)	977	—	977
Stock-based compensation in selling, general and administrative	—	—	(1,829)	1,829	—	1,829
Amortization of intangibles	—	1,295	(774)	2,069	—	2,069
Restructuring and related charges	—	508	(1,279)	1,787	—	1,787
TVN acquisition and integration-related costs	—	342	(1,808)	2,150	—	2,150
Non-cash interest expenses related to convertible notes	—	—	—	—	1,316	1,316
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,744
Total adjustments	527	3,102	(6,667)	9,769	1,316	12,829
Non-GAAP	\$ 83,470	\$ 43,510	\$ 54,899	\$ (11,389)	\$ (1,785)	\$ (11,198)
<i>As a % of revenue (GAAP)</i>		48.7%	74.2%	(25.5)%	(3.7)%	(29.0)%
<i>As a % of revenue (Non-GAAP)</i>		52.1%	65.8%	(13.6)%	(2.1)%	(13.4)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.30)
Diluted net loss per share-Non-GAAP						\$ (0.14)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						79,810

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



	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 in cost of revenue	—	543	—	543	—	543
Stock-based compensation in research and development	—	—	(1,130)	1,130	—	1,130
Stock-based compensation in selling, general and administrative	—	—	(2,845)	2,845	—	2,845
Amortization of intangibles	—	1,328	(797)	2,125	—	2,125
Restructuring and related charges	—	3,975	(11,519)	15,494	—	15,494
Gain on pension curtailment	—	(551)	1,404	(1,955)	—	(1,955)
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 net loss per share:						
Diluted net loss per share-GAAP						\$ (0.13)
Diluted net income per share-Non-GAAP						\$ 0.08
Shares used to compute diluted net income (loss) per share:						
GAAP						78,389
Non-GAAP						80,112

Q1 2016 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$ 81,832	\$ 40,654	\$ 61,410	\$ (20,756)	\$ (3,906)	\$ (25,180)
Acquisition accounting impacts related to TVN deferred revenue	623	623	—	623	—	623
Acquisition accounting impacts related to TVN fairvalue of inventory	—	189	—	189	—	189
Stock-based compensation in cost of revenue	—	227	—	227	—	227
Stock-based compensation in research and development	—	—	(969)	969	—	969
Stock-based compensation in selling, general and administrative	—	—	(1,898)	1,898	—	1,898
Amortization of intangibles	—	418	(2,365)	2,783	—	2,783
Restructuring and related charges	—	(29)	(2,612)	2,583	—	2,583
TVN acquisition and integration-related costs	—	58	(3,038)	3,096	—	3,096
Loss on impairment of long-term investment	—	—	—	—	1,476	1,476
Non-cash interest expenses related to convertible notes	—	—	—	—	1,187	1,187
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,963
Total adjustments	623	1,486	(10,882)	12,368	2,663	16,994
Non-GAAP	\$ 82,455	\$ 42,140	\$ 50,528	\$ (8,388)	\$ (1,243)	\$ (8,186)
<i>As a % of revenue (GAAP)</i>		49.7%	75.0%	(25.4)%	(4.8)%	(30.8)%
<i>As a % of revenue (Non-GAAP)</i>		51.1%	61.3%	(10.2)%	(1.5)%	(9.9)%
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP						\$ (0.33)
Diluted net loss per share-Non-GAAP						\$ (0.11)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						76,996

Q2 2017 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Income(loss) from Operations	Total Non-operating Expense, net	Net Income(loss)
GAAP	\$94.5 to \$102.5	\$46.8 to \$51.8	\$59.6 to \$60.6	\$(12.8) to \$(8.8)	\$(2.8)	\$(16.6) to \$(13.2)
Acquisition accounting impact related to TVN deferred revenue	0.1	0.1	—	0.1	—	0.1
Accounting impact related to warrant amortization	0.4	0.4	—	0.4	—	0.4
Stock-based compensation expense	—	1.1	(5.7)	6.8	—	6.8
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Restructuring and related charges and TVN integration costs	—	0.3	(0.6)	0.9	—	0.9
Non-cash interest expense related to convertible notes	—	—	—	—	1.4	1.4
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1.5
Total adjustments	0.5	3.2	(7.1)	10.3	1.4	13.2
Non-GAAP	\$95.0 to \$103.0	\$50.0 to \$55.0	\$52.5 to \$53.5	\$(2.5) to \$1.5	\$(1.4)	\$(3.4) to \$0.0
<i>As a % of revenue (GAAP)</i>		49.5% to 50.5%	59.0% to 63.0%	(13.5)% to (8.5)%	(3.0)%	(17.5)% to (13.0)%
<i>As a % of revenue (Non-GAAP)</i>		52.5% to 53.5%	52.0% to 55.0%	(2.5)% to 1.5%	(1.5)%	(3.5)% to 0%
Diluted loss per share:						
Diluted net loss per share-GAAP						\$(0.20) to \$(0.16)
Diluted net loss per share-Non-GAAP						\$(0.04) to break-even
Shares used to compute diluted loss per share:						
GAAP and Non-GAAP						81.0

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



	Revenue	Gross Profit	Total Operating Expense	Income(loss) from Operations	Total Non-operating Expense, net	Net Income(loss)
GAAP	\$398.5 to \$418.5	\$202.1 to \$217.1	\$227.7 to \$228.7	\$(25.6) to \$(11.6)	\$(11.6)	\$(39.1) to \$(27.1)
Acquisition accounting impact related to TVN deferred revenue	0.3	0.3	—	0.3	—	0.3
Accounting impact related to warrant amortization	1.2	1.2	—	1.2	—	1.2
Stock-based compensation expense	—	2.7	(16.1)	18.8	—	18.8
Amortization of intangibles	—	5.2	(3.1)	8.3	—	8.3
Restructuring and related charges and TVN integration costs	—	2.5	(2.5)	5.0	—	5.0
Non-cash interest expense related to convertible notes	—	—	—	—	5.5	5.5
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1.5
Total adjustments	1.5	11.9	(21.7)	33.6	5.5	40.6
Non-GAAP	\$400.0 to \$420.0	\$214.0 to \$229.0	\$206.0 to \$207.0	\$8.0 to \$22.0	\$(6.1)	\$1.5 to \$13.5
<i>As a % of revenue (GAAP)</i>		50.5% to 52.0%	54.5% to 57.0%	(6.5)% to (3.0)%	(3.0%)	(10.0)% to (6.5)%
<i>As a % of revenue (Non-GAAP)</i>		53.5% to 54.5%	49.5% to 51.5%	2.0% to 5%	(1.5%)	0.5% to 3.0%
Diluted income (loss) per share:						
Diluted net loss per share-GAAP						\$(0.48) to \$(0.33)
Diluted net income per share-Non-GAAP						\$0.02 to \$0.16
Shares used to compute diluted income (loss) per share:						
GAAP and Non-GAAP						82.0