



Third Quarter 2013 Earnings Conference Call

October 28, 2013

Patrick Harshman, President & CEO

Carolyn Aver, CFO

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 2013 business strategy and our Q4 2013 and 2014 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 and Form 10-Q. 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.

- Revenue \$122.9M
 - Up 2% year-over-year
 - 56% International, 44% US
 - 41% Broadcast and Media, 39% Cable, 20% Satellite and Telco
- Bookings \$115.9M
 - Up 4% year-over-year
 - Year-to-date book-to-bill ratio >1
 - Backlog and deferred revenue \$123.6M
- Operating performance
 - Gross margin 51% (non-GAAP)
 - EPS \$0.07 (non-GAAP)
 - Cash generated from operations \$16.1M

- Continued gains in Broadcast and Media
 - Record revenue of \$50.4M
 - Competitive Production and Playout wins
 - Key OTT video wins
- Rebound in Cable Edge
 - Best quarter of last four
 - First multi-million order for new NSG Pro
- Softer demand from Satellite and Telco
 - Market looking ahead to Ultra HD and next-generation compression
- Continued strong International demand
 - Momentum in emerging markets

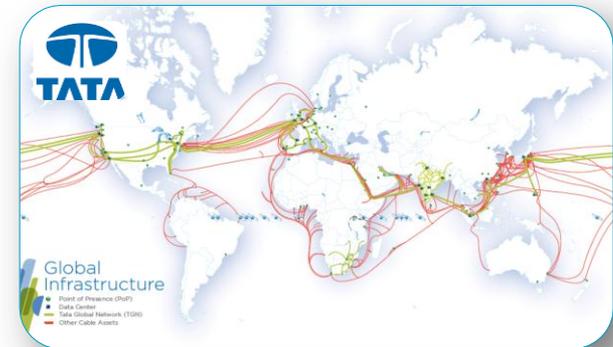
- Strategic growth plan
 - Capitalize on coming technology cycles: CCAP, Ultra HD, IP multiscreen
 - Expand global customer base
- Capital structure
- Corporate governance and management

- Converged Cable Access Platform (CCAP)
 - Estimated \$2B annual market*
 - Downstream functionality and platform qualified
 - Deployments underway
 - Solid order pipeline
 - First CMTS interoperability tested

*Forecast per Infonetics Feb. 2013



- Next-generation video compression
 - New innovation for MPEG-2 and MPEG-4 (AVC) compression
 - First demonstration of Live HEVC at IBC
 - TATA launched HEVC-enabled cloud transcoding on Harmonic
- Ultra HD
 - HDMI 2.0 standard finalized
 - Key demonstrations included Sky Deutschland
 - Japan 2020 and 8K



Targeted Technology Upgrade Cycles

Harmonic Named #1 in Multiscreen Transcoding

Production & Payout

#1 in Broadcast Payout Servers

FROST & SULLIVAN

October 2012

Primary Distribution

#1 in Pay TV Encoders

FROST & SULLIVAN

August 2012

Content & Service Delivery

#1 in IPTV Headends

media research group

May 2013

Cable Edge

#1 in Cable EdgeQAMs

INFONETICS RESEARCH

February 2013

Multi-screen

#1 in Multiscreen Transcoding

FROST & SULLIVAN

October 2013

FROST & SULLIVAN

2013 BEST PRACTICES AWARD

Market Share Leadership Multi-Screen Transcoding Global, 2013

Expanding Global Customer Base



DOĞUŞ GROUP



forthnet



Westaun
Play of
the Game



WESTAUN
www.westaunauto.com

Vesta
ALL-NEW REDESIGNED
2013 VESTA SPORT



Q3 2013: Financial Highlights

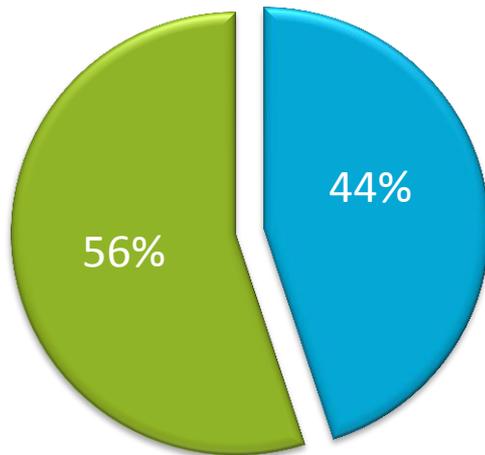


\$Millions (except GM, OM, & EPS)	Q3 2013	Q2 2013	Q3 2012	Q3 / Q2 Change	Q3 Y / Y Change
Total Net Revenue	\$122.9	\$117.1	\$120.4	5%	2%
Gross Margin % - Non-GAAP	50.8%	54.1%	50.3%	-330bp	50bp
Gross Margin % - GAAP	46.2%	49.4%	45.6%	-320bp	60bp
Operating Expense – Non-GAAP	\$53.7	\$56.1	\$52.9	-4%	2%
Operating Margin – Non-GAAP	7.1%	6.2%	6.4%	90bp	70bp
EPS – Non-GAAP	\$0.07	\$0.05	\$0.05	\$0.02	\$0.02
EPS – GAAP	\$0.36	(\$0.03)	(\$0.04)	\$0.39	\$0.40
Bookings	\$115.9	\$126.3	\$111.1	-8%	4%
Backlog and Deferred**	\$123.6	\$132.5	n/a	-7%	n/a

**Backlog and deferred excluding Access is not available for periods prior to Q1 2013

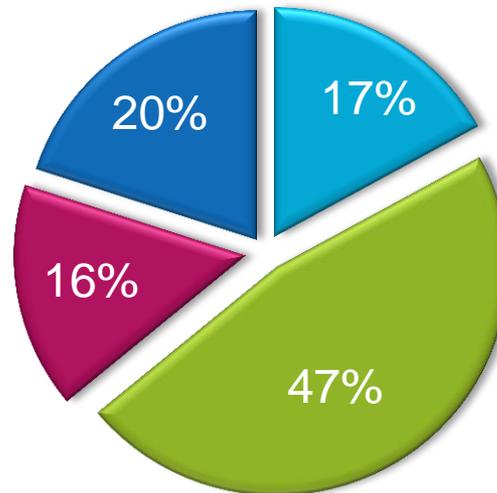
Revenues \$122.9M

Geography



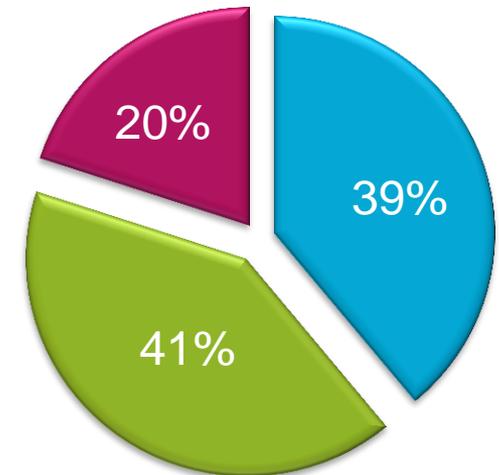
- U.S.
- International

Products



- Cable Edge
- Video Processing
- Production & Playout
- Services

Markets



- Cable
- Broadcast & Media
- Satellite & Telco

Q3 2013: Balance Sheet and Cap-Ex Highlights

	\$Millions	
Cash	\$169.3M	Up \$7.6M from Q2
Accounts Receivable	\$85.1M	63 days
Inventories	\$40.4M	6.0 turns
Debt	\$0	
Capital Expenditures	\$2.5M	
Shares Repurchased	\$7.7M	1.1M Shares

- Completed \$75 million tender offer in Q2 2013
 - Purchased 12.0 million shares for \$6.25 per share
- Open market purchases
 - 2012: repurchased 5.1 million shares for \$22.6 million
 - 2013: repurchased 4.5 million shares for \$27.6 million thru Q3 YTD
- Shares outstanding on September 27 approximately 100.9 million
- \$94.8 million available for future purchases at September 27

Q4 2013: Financial Guidance



	Metric
Q4 Revenue	\$115M - \$125M
Non-GAAP Gross Margin*	51% - 52%
Non-GAAP Operating Expenses*	\$53M - \$54M
Non-GAAP Tax Rate	21%

*Excludes charges for stock-based compensation, the amortization of intangibles and restructuring and related charges.



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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 margin, operating expense, operating margin, income (loss) from operations, net income (loss) and net income (loss) per 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 non-GAAP financial measures discussed in this presentation to the most directly comparable historical 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 items to normalize the tax rate and adjustments and non-cash items, such as stock-based compensation expense, amortization of intangibles, and restructuring and related charges, and costs related to consulting fees associated with a potential proxy contest.

Q3 2013: GAAP to Non-GAAP Reconciliations

	Three months ended			
	September 27, 2013			
	Gross Profit	Total Operating Expense	Income (loss) from Operations	Net Income (Loss)
GAAP from continuing operations	\$ 56,792	\$ 59,347	\$ (2,555)	\$ 36,675
Stock-based compensation in cost of revenue	605	-	605	605
Stock-based compensation in research and development	-	(1,076)	1,076	1,076
Stock-based compensation in selling, general and administrative	-	(2,264)	2,264	2,264
Amortization of intangibles	4,763	(2,001)	6,764	6,764
Restructuring and related charges	324	(259)	583	583
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	(40,846)
Non-GAAP from continuing operations	\$ 62,484	\$ 53,747	\$ 8,737	\$ 7,121
<i>As a % of revenue (GAAP)</i>	46.2%	48.3%	-2.1%	29.8%
<i>As a % of revenue (Non-GAAP)</i>	50.8%	43.7%	7.1%	5.8%
Diluted income (loss) per share from continuing operations:				
Diluted net income per share from continuing operations-GAAP				\$ 0.36
Diluted net income per share from continuing operations-Non-GAAP				\$ 0.07
Shares used to compute diluted income (loss) per share from continuing operations:				
GAAP				102,723
Non-GAAP				102,723

Q2 2013: GAAP to Non-GAAP Reconciliations

	Three months ended			
	June 28, 2013			
	Gross Profit	Total Operating Expense	Income (loss) from Operations	Net Income (Loss)
GAAP from continuing operations	\$ 57,892	\$ 62,496	\$ (4,604)	\$ (3,404)
Stock-based compensation in cost of revenue	622	-	622	622
Stock-based compensation in research and development	-	(1,121)	1,121	1,121
Stock-based compensation in selling, general and administrative	-	(2,279)	2,279	2,279
Proxy contest consultant expenses in selling, general and administrative	-	(750)	750	750
Amortization of intangibles	4,762	(2,010)	6,772	6,772
Restructuring and related charges	65	(242)	307	307
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	(2,803)
Non-GAAP from continuing operations	<u>\$ 63,341</u>	<u>\$ 56,094</u>	<u>\$ 7,247</u>	<u>\$ 5,644</u>
<i>As a % of revenue (GAAP)</i>	49.4%	53.4%	-3.9%	-2.9%
<i>As a % of revenue (Non-GAAP)</i>	54.1%	47.9%	6.2%	4.8%
Diluted income (loss) per share from continuing operations:				
Diluted net loss per share from continuing operations-GAAP				\$ (0.03)
Diluted net income per share from continuing operations-Non-GAAP				<u>\$ 0.05</u>
Shares used to compute diluted income (loss) per share from continuing operations:				
GAAP				<u>109,938</u>
Non-GAAP				<u>110,909</u>

Q3 2012: GAAP to Non-GAAP Reconciliations

	Three months ended			
	September 28, 2012			
	Gross Profit	Total Operating Expense	Income (loss) from Operations	Net Income (Loss)
GAAP from continuing operations	\$ 54,878	\$ 58,897	\$ (4,019)	\$ (4,469)
Stock-based compensation in cost of revenue	659	-	659	659
Stock-based compensation in research and development	-	(1,450)	1,450	1,450
Stock-based compensation in selling, general and administrative	-	(2,388)	2,388	2,388
Amortization of intangibles	5,048	(2,179)	7,227	7,227
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	(1,427)
Non-GAAP from continuing operations	<u>\$ 60,585</u>	<u>\$ 52,880</u>	<u>\$ 7,705</u>	<u>\$ 5,828</u>
<i>As a % of revenue (GAAP)</i>	45.6%	48.9%	-3.3%	-3.7%
<i>As a % of revenue (Non-GAAP)</i>	50.3%	43.9%	6.4%	4.8%
Diluted income (loss) per share from continuing operations:				
Diluted net loss per share from continuing operations-GAAP				\$ (0.04)
Diluted net income per share from continuing operations-Non-GAAP				<u>\$ 0.05</u>
Shares used to compute diluted income (loss) per share from continuing operations:				
GAAP				<u>116,517</u>
Non-GAAP				<u>116,918</u>



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