



First Quarter 2015 Earnings Conference Call

April 28, 2015

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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 2015, and beyond, and our Q2 2015 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 2015 Results Summary



- Revenue \$104M
 - Down 4% sequentially
 - Record Cable Edge revenue driven by new platform adoption
 - Video revenue impacted by technology transitions and strong U.S. dollar
- Bookings \$97M
 - Down 20% sequentially
 - Soft International and Video products demand
- Gross margin 54%
 - Flat sequentially
- EPS \$0.05
 - Down a penny sequentially

Q1 2015 Video Business Update



- Demand headwinds

- Strengthening U.S. dollar, impacting APAC and EMEA
- Technology and business model transitions

- NFV transition beginning

- Growing VOS bookings momentum, double Q4 2014
- Added several new Tier 1 Service Providers

- Evidence of market rebound

- Broadcast and Media revenue up sequentially
- Shipped first live UHD/4K and HEVC channel encoders to Tier 1 Service Providers



■ Market Dynamics and Catalysts

- IP/NFV for live video delivery
- Linear channel OTT momentum
- 4K/UHD progressing
- Customer consolidation and global currency headwinds

■ Harmonic Milestones

- ✓ – Accelerating new VOS customer wins
- ✓ – Extending VOS platform innovations and function attach rate
- ✓ – First live 4K/UHD deployments
- ✓ – Polaris-enabled media production and playout wins



Q1 2015 Cable Edge Business Update



- Record revenue and bookings
 - Strengthening software license sales and gross margins
- NSG Pro momentum (centralized CCAP platform)
 - Over 50% of Cable Edge revenue
 - Expanding footprint, momentum in Europe and APAC
- Growing NSG Exo demand (distributed CCAP platform)
 - Growing pipeline and trial activity
 - Gaining valuable two-way DOCSIS experience

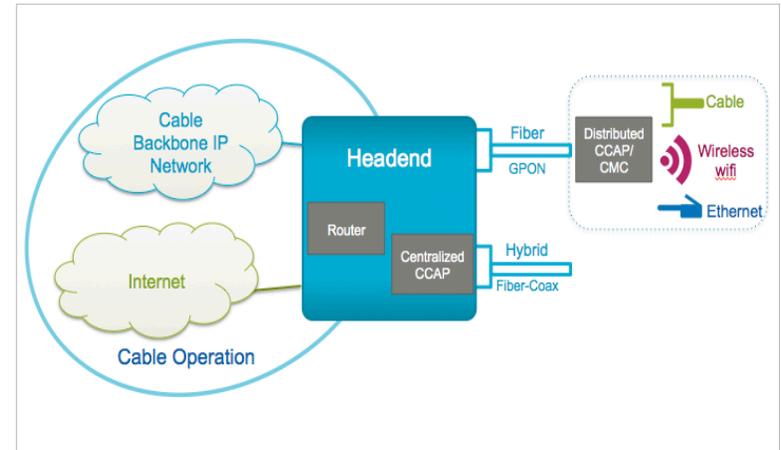


■ Market Dynamics and Catalysts

- Continued cable edge bandwidth demand for VOD and OTT
- Accelerating gigabit broadband competition
- Deeper fiber architectures and WiFi driving distributed CCAP
- Customer consolidation

■ Harmonic Milestones

- ✓ – Global expansion of NSG Pro footprint
- ✓ – Additional NSG Exo wins
- ✓ – DOCSIS 3.1 development on both NSG Pro and Exo platforms



Targeting Top & Bottom Line Growth



Strategically Positioned

- Video: Leader in virtualization/IP transition, 4K, OTT
- Cable Edge: Leader in CCAP QAM, executing DOCSIS CCAP strategy, centralized and distributed

Competitively Advantaged

- Unparalleled innovation, services and TCO
- Strong global brand
- Deep relationships with global Media companies and Service Providers

Driving Value in 2015

- Positioned for revenue, margin and earnings growth
- Continued cash generation and share buyback
- Appointment of Nikos Theodosopoulos to the Board

Q1 2015 Financial Highlights



\$ Millions (except GM & EPS)	Q1 2015	Q4 2014	Q1 2014	Q1 / Q4 Change	Q1 Y/Y Change
Total Net Revenue	\$104.0	\$107.9	\$108.0	-4%	-4%
Gross Margin % – Non-GAAP	53.9%	54.1%	53.3%	-20 bp	60 bp
Operating Expense – Non-GAAP	\$49.9	\$51.6	\$54.1	-3%	-8%
EPS – Non-GAAP	\$0.05	\$0.06	\$0.03	(\$0.01)	\$0.02
Bookings	\$97.3	\$121.1	\$126.3	-20%	-23%
Book to Bill	0.9	1.1	1.2	-18%	-25%
Backlog and Deferred	\$122.2	\$128.7	\$126.4	-5%	-3%

Q1 2015 Video Segment Trends



- Global revenue decline, down 20% sequentially
- Accelerated new product orders, growth in deferred projects
- Operating margin impacted by lower revenue

Revenue and Operating Margin

\$ Millions (except GM & EPS)	Q1 2015	Q4 2014	Q1 2014	Q1 / Q4 Change	Q1 Y/Y Change
Total Net Video Revenue	\$69.3	\$86.9	\$81.2	-\$17.7	-\$11.9
Operating Margin \$ – Non-GAAP	-\$0.1	\$8.6	\$2.4	-\$8.7	-\$2.5
Operating Margin % – Non-GAAP	-0.1%	9.9%	3.0%	-10%	-3.1%

NOTE: Video operating margin excludes unallocated corporate expenses consisting of certain corporate-level operating expenses and charges such as restructuring and asset impairment charges and proxy contest related expenses.

Q1 2015 Cable Edge Segment Trends



- Record revenue led by CCAP products, up 66% sequentially
- Solid double digit growth spanning geographies, year-over-year
- Record operating margin driven by strong revenue & software mix

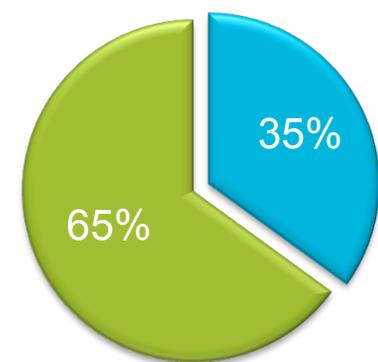
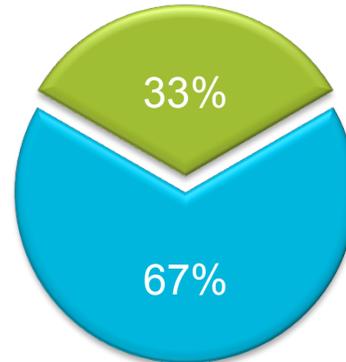
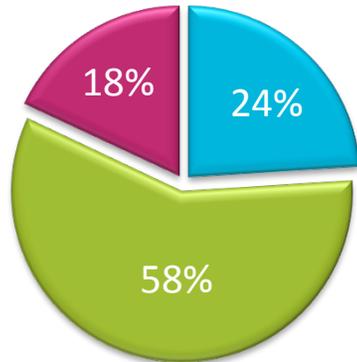
Revenue and Operating Margin

\$ Millions (except GM & EPS)	Q1 2015	Q4 2014	Q1 2014	Q1 / Q4 Change	Q1 Y/Y Change
Total Net Cable Edge Revenue	\$34.7	\$20.9	\$26.9	\$13.8	\$7.9
Operating Margin \$ – Non-GAAP	\$6.2	-\$1.9	\$1.0	\$8.1	\$5.2
Operating Margin % – Non-GAAP	17.8%	-9.3%	3.9%	27.1%	13.9%

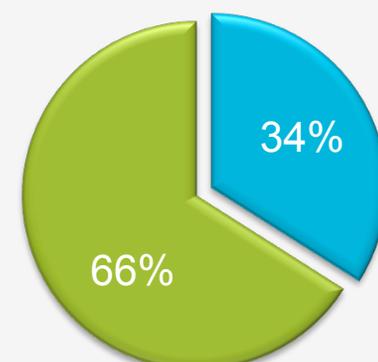
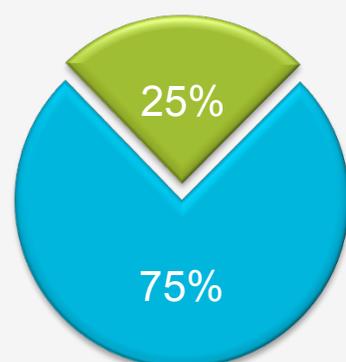
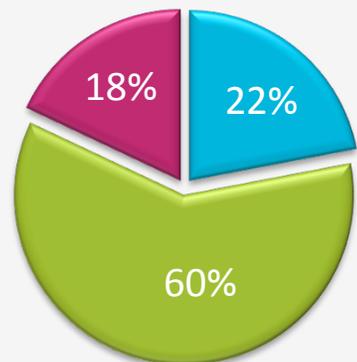
NOTE: Cable edge operating margin excludes unallocated corporate expenses consisting of certain corporate-level operating expenses and charges such as restructuring and asset impairment charges and proxy contest related expenses.

Q1 2015 Revenue Trends

Q1 2015 Revenues \$104 million



Q4 2014 Revenues \$108 million



Geography

- EMEA
- Americas
- APAC

Segments

- Video
- Cable Edge

Markets

- Broadcast & Media
- Service Provider

Q1 2015 Balance Sheet Highlights



	\$ Millions	
Cash	\$101.9	
Accounts Receivable	\$75.9	67 days
Inventories	\$31.5	6.1 turns
Cash From Operations	\$2.0	
Shares Repurchased	\$5.2	0.7M Shares

Returned over \$236M to shareholders since 2Q'12 in the form of share repurchases

	Q2 2015
Revenue	\$97M - \$107M
Non-GAAP Gross Margin*	52.0% - 53.0%
Non-GAAP Operating Expenses*	\$49.5M - \$50.5M
Non-GAAP Tax Rate	21%

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



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Thank You

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 and net income (loss) (including those amounts as a percentage of revenue), 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 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 restructuring and related charges and non-cash items, such as stock-based compensation expense, amortization of intangibles, impairment of long-term investment and adjustments that normalize the tax rate.

Q1 2015 GAAP to Non-GAAP Reconciliations



	Three months ended			
	April 3, 2015			
	Gross Profit	Total Operating Expense	Income from Operations	Net Income (loss)
GAAP from continuing operations	\$ 55,028	\$ 55,015	\$ 13	\$ (2,657)
Stock-based compensation in cost of revenue	528	-	528	528
Stock-based compensation in research and development	-	(1,148)	1,148	1,148
Stock-based compensation in selling, general and administrative	-	(2,458)	2,458	2,458
Amortization of intangibles	461	(1,446)	1,907	1,907
Restructuring and related charges	-	(44)	44	44
Loss on impairment of long-term investment	-	-	-	2,505
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	(1,472)
	<u>\$ 56,017</u>	<u>\$ 49,919</u>	<u>\$ 6,098</u>	<u>\$ 4,461</u>
<i>As a % of revenue (GAAP)</i>	<i>52.9%</i>	<i>52.9%</i>	<i>0.0%</i>	<i>-2.6%</i>
<i>As a % of revenue (Non-GAAP)</i>	<i>53.9%</i>	<i>48.0%</i>	<i>5.9%</i>	<i>4.3%</i>
Diluted net 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				\$ 0.05
Shares used to compute diluted net income (loss) per share from continuing operations:				
GAAP				88,655
Non-GAAP				90,100

Q4 2014 GAAP to Non-GAAP Reconciliations



	Three months ended			
	December 31, 2014			
	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Net Income (Loss)
GAAP from continuing operations	\$ 56,791	\$ 58,953	\$ (2,162)	\$ (4,854)
Stock-based compensation in cost of revenue	608	-	608	608
Stock-based compensation in research and development	-	(1,255)	1,255	1,255
Stock-based compensation in selling, general and administrative	-	(2,704)	2,704	2,704
Amortization of intangibles	696	(1,446)	2,142	2,142
Restructuring and asset impairment charges	220	(1,941)	2,161	2,161
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	1,251
Non-GAAP from continuing operations	\$ 58,315	\$ 51,607	\$ 6,708	\$ 5,267
<i>As a % of revenue (GAAP)</i>	<i>52.6%</i>	<i>54.6%</i>	<i>-2.0%</i>	<i>-4.5%</i>
<i>As a % of revenue (Non-GAAP)</i>	<i>54.1%</i>	<i>47.8%</i>	<i>6.2%</i>	<i>4.9%</i>
Diluted net income(loss) per share from continuing operations:				
Diluted net loss per share from continuing operations-GAAP				\$ (0.06)
Diluted net income per share from continuing operations-Non-GAAP				\$ 0.06
Shares used to compute diluted net income (loss) per share from continuing operations:				
GAAP				88,012
Non-GAAP				89,342

Q1 2014 GAAP to Non-GAAP Reconciliations



	Three months ended			
	March 28, 2014			
	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Net Income (Loss)
GAAP from continuing operations	\$ 52,312	\$ 59,534	\$ (7,222)	\$ (5,410)
Stock-based compensation in cost of revenue	516	-	516	516
Stock-based compensation in research and development	-	(1,101)	1,101	1,101
Stock-based compensation in selling, general and administrative	-	(2,190)	2,190	2,190
Amortization of intangibles	4,716	(1,950)	6,666	6,666
Restructuring and related charges	79	(149)	228	228
Discrete tax items and tax effect of non-GAAP adjustments	-	-	-	(2,471)
Non-GAAP from continuing operations	\$ 57,623	\$ 54,144	\$ 3,479	\$ 2,820
<i>As a % of revenue (GAAP)</i>	<i>48.4%</i>	<i>55.1%</i>	<i>-6.7%</i>	<i>-5.0%</i>
<i>As a % of revenue (Non-GAAP)</i>	<i>53.3%</i>	<i>50.1%</i>	<i>3.2%</i>	<i>2.6%</i>
Diluted net income (loss) per share from continuing operations:				
Diluted net loss per share from continuing operations-GAAP				\$ (0.06)
Diluted net income per share from continuing operations-Non-GAAP				\$ 0.03
Shares used to compute diluted net income (loss) per share from continuing operations:				
GAAP				97,921
Non-GAAP				99,256