



# Corporate Overview

January 2020

harmonic<sup>®</sup>



# Harmonic-at-a-Glance



## CABLE ACCESS & VIDEO

Two market-leading  
business units

\$404M

2018 Revenue

## SILICON VALLEY

Headquarters

>5,000

Media & service  
provider customers

## INNOVATION VELOCITY

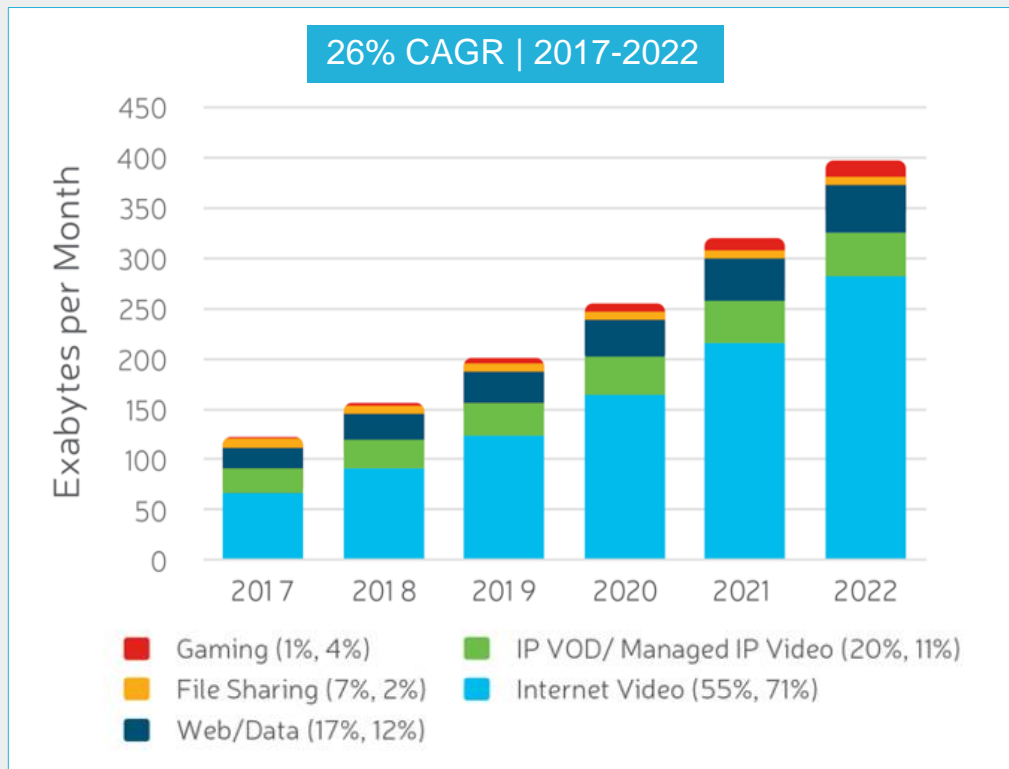
>40 patents filed in  
last 24 months

A photograph of a modern, multi-story office building with large glass windows. In the foreground, a group of seven diverse professionals are standing in a line, smiling at the camera. A dark blue banner with white text is overlaid across the middle of the image.

**Market Leader in Virtualized Cable Access & Live Video Streaming**

# Gigabit Access & Streaming Video Growth

## Two Major Market Transformation Opportunities



**IP traffic** expected to  
nearly **triple**  
from 2017 to 2022



**Streaming video**  
expected to  
account for **>80%**

\*Figures (n) refer to 2017, 2022 traffic share | Source: Cisco VNI Global IP Traffic Forecast, 2017-2022

# Two Focused Business Units

## Addressing Gigabit and Streaming Growth



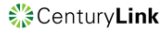
### CABLE ACCESS

- Invented and leading virtualized cable access
- Foundational deployments with industry leaders
- Strong cable customer relationships



### VIDEO

- Market leader in premium live video
- Leading live OTT streaming transformation
- Strong media customer relationships





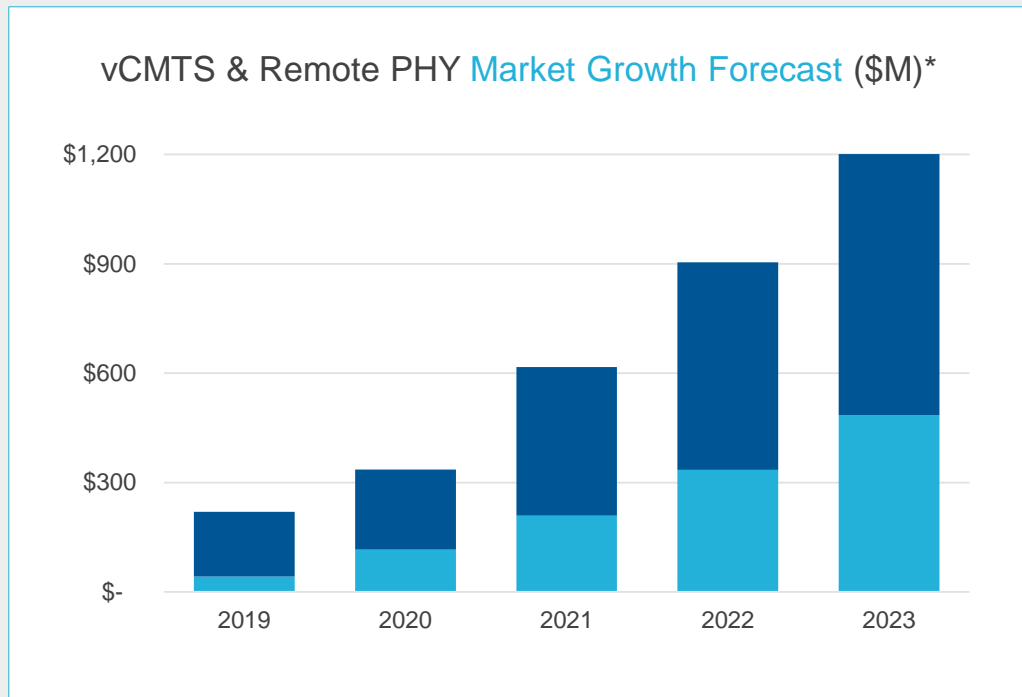
## Cable Access Business Overview

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# Virtualized Cable Access Poised For Growth

## Harmonic CableOS™ Leading the Way



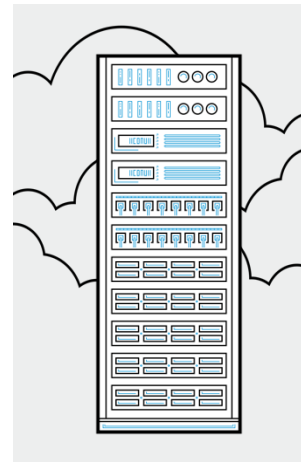
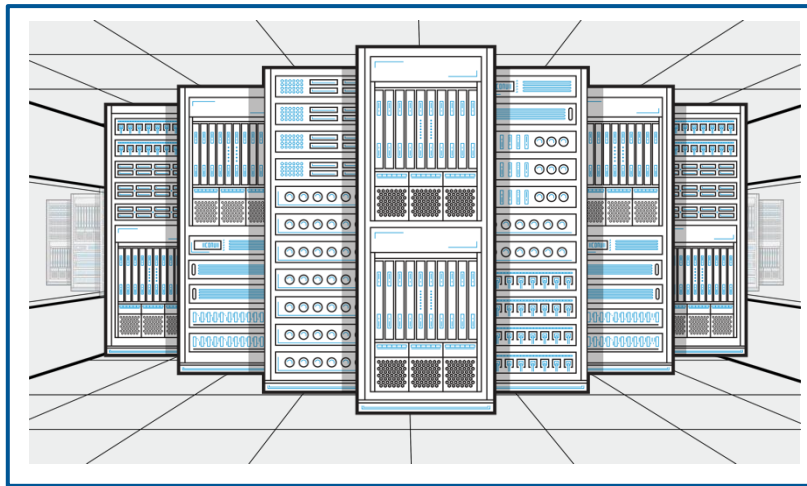
\*Source: Dell'Oro | July 2019 Report

# Virtualization Enabling Multi-Gigabit Broadband

## Harmonic Customers Publicly Reporting Compelling Results



192 Service Groups



**70%**

Power Savings

**20 ⇨ 1**

Rack Reduction

**30m ⇨ 15s**

Mean Time to Detect

**20,000 ⇨ 70**

HHP Reach from  
Targeted SW Upgrades

# Leading Virtualized Cable Access Market

Harmonic Invented the Category



> 935,000

Cable modems served,  
up >95% year-over-year



1 | 30

Foundational **virtualization**  
**patent** + 30 unique patent  
filings



COMCAST

**Strategic relationship** and  
industry-leading deployment



# Scaling Global Customer Base

Harmonic CableOS Is Only Virtualized Solution Deployed



Innovative US Tier 2 Operator



Global Industry Leader



European Tier 1 Operator



Innovative US Tier 3 Operator

+15

Additional **Global Cable Operators** Worldwide



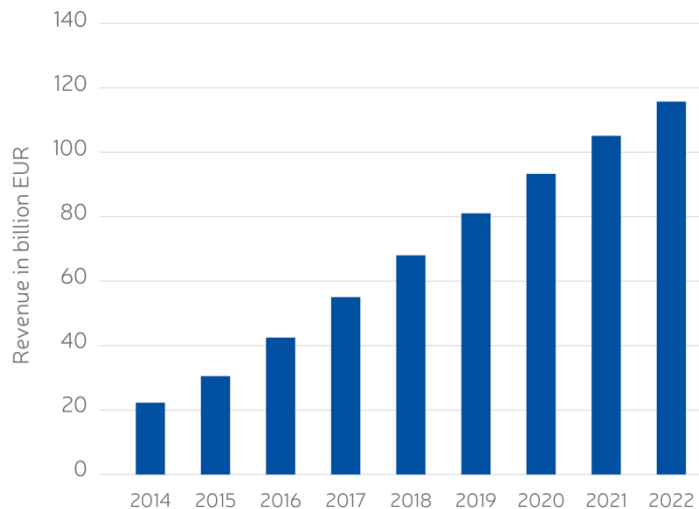
## Video Business Overview



# OTT Streaming Continues to Gain Ground

## Driving Media Transformation and Investment

### Global OTT Video Revenue



Source: IDATE DigiWorld, World TV & Video Services Markets, August 2018

New streaming services enabling access to high-quality content

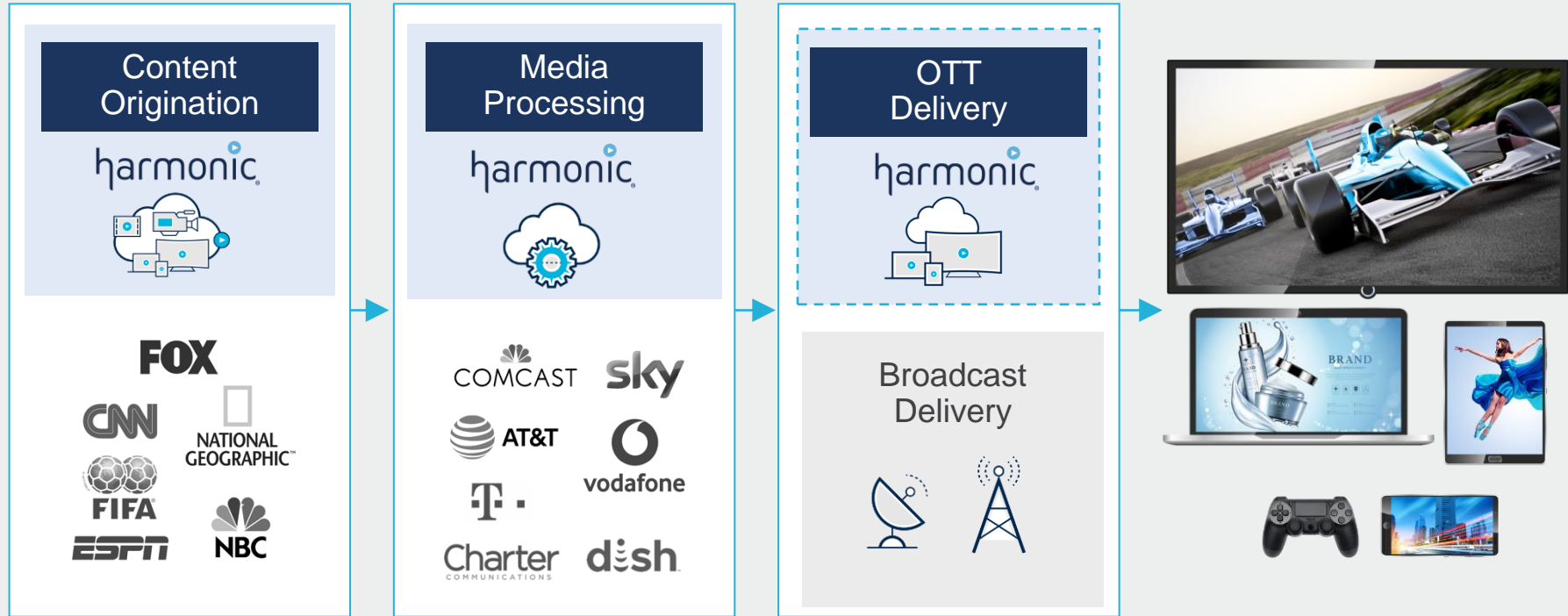
Greater operational efficiencies with Cloud / SaaS business models

Sports and live events expanding on SVOD model



# Harmonic Leads in Premium Live Video

## Transforming from Broadcast to OTT Streaming



# Next Wave of OTT Revolution is Live Video

## Harmonic Leading the Live OTT Charge



> 42,000

OTT channels deployed globally by Harmonic



> 6.5 million

Subscribers managed by Harmonic Video SaaS



> 140%

Harmonic SaaS customer base increase year over year



# Expanding Customer Base

## New Harmonic Streaming Customer Relationships



New mobile OTT service  
in Indonesia



New live OTT streaming  
of open-wheel racing in  
North America



New subscription-based  
online TV service in the  
United States



New premium and  
24/7 OTT channels on hybrid  
cloud platform



24/7/365 online auction  
shopping network



## Summary



## Market Leader in Virtualized Cable Access & Live Video Streaming

Substantial **growing market** opportunity



Industry-leading technology and IP



Strong relationships with blue-chip customers





## Appendix



Record financial results

Extended CableOS leadership

Executing Video transformation

Refinanced convertible debt







## Record **Revenue and Profit**\*

- \$55.7 million revenue
- \$42.9 million gross profit
- Full year guidance raised



## **Executing Growth Strategy**

- Commercially deployed with 19 customers
  - 935,000+ cable modems served globally, up 20% sequentially
- International Tier 1 revenue ramps in Q4
- Expanding addressed market with FTTH + DOCSIS convergence
- Leading industry transformation

\* Non-GAAP



## Solid Financial Outlook\*

- Revenue \$60.0 million
- Gross margin 57.7%, reflecting software transition
- Raising Q4 guidance, full-year profit plan on track



## Executing Live Streaming Growth Strategy

- Live streaming business continues to grow, offsetting declining broadcast sales
- Added 8 new SaaS streaming customers, total up 29% sequentially and 140% year over year
- New CDN optimization solution for live streaming expands addressed market

\* Non-GAAP



## Solid **Financial Results\***

- Revenue was a record \$115.7 million
- Gross Margins were a record 67%
- Non-GAAP EPS of \$0.25
- Cash of \$66.7 million
- Refinanced convertible debt with significantly improved terms



## Increased Guidance **for Key Financial Metrics**

- Q4 - improved revenue, operating income, EPS ranges
- FY'19 - improved revenue, operating income, EPS ranges

\* Non-GAAP

# Q3 2019 Financial Highlights\*



Delivered 14% Y/Y Revenue Growth

Revenue Growth Driven by our Cable Access Segment

Financial Metric \$ Millions (except EPS)	Q3 2019	Q2 2019	Q3 2018	Q3/Q2 Change	Q3 Y/Y Change
Total Net Revenue	\$115.7	\$84.9	\$101.4	36.3%	14.1%
Cable Revenue	\$55.7	\$13.3	\$28.1	319.7%	98.4%
Video Revenue	\$60.0	\$71.6	\$73.3	(16.2)%	(18.1)%
Gross Margin %	67.0%	53.6%	52.1%	13.4%	14.9%
Cable Gross Margin%	77.1%	30.8%	38.7%	46.3%	38.4%
Video Gross Margin%	57.7%	57.9%	57.2%	(0.2)%	0.5%
Total Net Revenue	\$115.7	\$84.9	\$101.4	36.3%	14.1%
Appliance and integration	\$83.1	\$54.5	\$72.7	52.6%	14.2%
SaaS and service	\$32.6	\$30.4	\$28.7	7.2%	13.9%
SaaS and service revenue as a % of total revenue	28.2%	35.9%	28.3%	(7.7)%	(0.1)%
SaaS and service gross margin %	60.6%	62.6%	60.9%	(2.0)%	(0.3)%
SaaS customers	36	28	15	29%	140%

# Q3 2019 Financial Highlights\*



Delivered Record Profitability & Y/Y EPS Growth in Q3

Financial Metric \$ Millions (except EPS)	Q3 2019	Q2 2019	Q3 2018	Q3/Q2 Change	Q3 Y/Y Change
Operating Expenses	\$47.7	\$48.3	\$47.2	(1.4)%	1.1%
Operating Income (loss)	\$29.9	\$(2.8)	\$5.7	\$32.7	\$24.2
Diluted Share Count	97.6	88.9	87.8	8.7	9.8
EPS	\$0.25	\$(0.04)	\$0.04	\$0.29	\$0.21
Bookings	\$126.5	\$92.6	\$79.5	36.6%	59.1%
Book to bill ratio	1.1	1.1	0.8	0.2%	39.4%

\* Non-GAAP



# Q3 2019 Balance Sheet & Cash Flow Highlights



## Solid Balance Sheet with Cash Generation

Financial Metric \$ Millions	Q3 2019	Q2 2019	Q3 2018
Cash	\$66.7	\$58.1	\$61.7
Cash Provided by (Used in) Operations	\$5.8	\$(8.8)	\$2.4
Accounts Receivable	\$100.9	\$70.6	\$78.0
DSO	78	75	70
Inventories	\$29.0	\$27.7	\$23.3
Inventory Days	68	63	43
Backlog and Deferred Revenue	\$192.5	\$194.7	\$207.6

# Q4 2019 Financial Guidance Highlights\*



Improved Revenue, Operating Income and EPS ranges  
Expect to deliver solid profitability in Q4

Financial Metric	Prior Guidance	Updated Guidance	
Total Revenue (\$M)	\$100 - \$110	\$108 - \$118	↑
Video Segment (\$M)	\$70 - \$75	\$78 - \$83	↑
Cable Access Segment (\$M)	\$30 - \$35	\$30 - \$35	
Gross Margin (\$M)	51.0% - 52.5%	51.0% - 52.5%	
Operating Expenses (\$M)	\$48 - \$50	\$48 - \$50	
Operating Income (\$M)	\$1- \$10	\$5- \$14	↑
EPS	\$(0.01) - \$0.07	\$0.03 - \$0.11	↑
Cash (\$M)	\$90 - \$100	\$90 - \$100	

\* Non-GAAP

# Full Year 2019 Financial Guidance Highlights\*



Improved Revenue, Gross Margin, Operating Income, EPS ranges  
Expect to deliver solid EPS improvement YoY

Financial Metric	Prior Guidance	Updated Guidance	
Total Revenue (\$M)	\$375 - \$395	\$389 - \$399	↑
Video Segment (\$M)	\$272 - \$282	\$277 - \$282	↑
Cable Access Segment (\$M)	\$103 - \$113	\$112 - \$117	↑
Gross Margin (\$M)	56.0% - 57.5%	57.0% - 57.5%	↑
Operating Expenses (\$M)	\$192 - \$196	\$191.5 - \$193.5	
Operating Income (\$M)	\$15 - \$35	\$28.5 - \$37.5	↑
EPS	\$0.07 - \$0.26	\$0.20 - \$0.29	↑
Cash (\$M)	\$90 - \$100	\$90 - \$100	

\* Non-GAAP



## Cable Access

1. Execute Tier 1 roll-outs
2. Secure new CableOS design wins
3. Scale the business



## Video

1. Expand live OTT customer base
2. Grow expanded streaming solutions
3. Deliver consistent segment profitability

Focused on growth, profitability  
and  
shareholder value creation



# 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 restructuring and related charges, Cable Access inventory charge, Avid litigation settlement and associated legal fees and non-cash items, such as warrant amortization, loss on debt extinguishment, stock-based compensation expense, amortization of intangibles, non-cash interest and other expenses on convertible debt, gain (loss) on equity investments and adjustments that normalize the tax rate.



# Q3 2019 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended September 27, 2019

	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Income
<b>GAAP</b>	\$ 115,725	\$ 75,540	\$ 52,991	\$ 22,549	\$ (10,289)	\$ 11,657
Stock-based compensation	—	405	(3,689)	4,094	—	4,094
Amortization of intangibles	—	1,295	(785)	2,080	—	2,080
Restructuring and related charges	—	331	(861)	1,192	—	1,192
Loss on convertible debt extinguishment	—	—	—	—	5,695	5,695
Non-cash interest and other expenses related to convertible notes	—	—	—	—	2,625	2,625
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(2,751)
<b>Total adjustments</b>	\$ —	\$ 2,031	\$ (5,335)	\$ 7,366	\$ 8,320	\$ 12,935
<b>Non-GAAP</b>	\$ 115,725	\$ 77,571	\$ 47,656	\$ 29,915	\$ (1,969)	\$ 24,592
<i>As a % of revenue (GAAP)</i>		65.3 %	45.8 %	19.5 %	(8.9)%	10.1 %
<i>As a % of revenue (Non-GAAP)</i>		67.0%	41.2%	25.9 %	(1.7)%	21.3 %
<b>Diluted net income per share:</b>						
Diluted net income per share-GAAP						\$ 0.12
Diluted net income per share-Non-GAAP						\$ 0.25
<b>Shares used to compute diluted net loss per share:</b>						
GAAP and Non-GAAP						97,596

## 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
<b>GAAP</b>	\$ 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 and other expenses related to convertible notes	—	—	—	—	1,656	1,656
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,238
<b>Total adjustments</b>	\$ 23	\$ 1,602	\$ (3,378)	\$ 4,980	\$ 1,656	\$ 7,874
<b>Non-GAAP</b>	\$ 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
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# Q3 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Three months ended September 28, 2018

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income (Loss)
<b>GAAP</b>	\$ 100,616	\$ 50,102	\$ 53,753	\$ (3,651)	\$ (3,237)	\$ (7,758)
Accounting impact related to warrant amortization	790	790	—	790	—	790
Stock-based compensation	—	614	(4,819)	5,433	—	5,433
Amortization of intangibles	—	1,295	(792)	2,087	—	2,087
Restructuring and related charges	—	7	(987)	994	—	994
Loss on equity investments	—	—	—	—	72	72
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1,528	1,528
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	227
<b>Total adjustments</b>	\$ 790	\$ 2,706	\$ (6,598)	\$ 9,304	\$ 1,600	\$ 11,131
<b>Non-GAAP</b>	\$ 101,406	\$ 52,808	\$ 47,155	\$ 5,653	\$ (1,637)	\$ 3,373
<i>As a % of revenue (GAAP)</i>		49.8%	53.4%	(3.6)%	(3.2)%	(7.7)%
<i>As a % of revenue (Non-GAAP)</i>		52.1%	46.5%	5.6 %	(1.6)%	3.3 %
<b>Diluted net income (loss) per share:</b>						
Diluted net loss per share-GAAP						\$ (0.09)
Diluted net income per share-Non-GAAP						\$ 0.04
<b>Shares used to compute diluted net income (loss) per share:</b>						
GAAP						86,321
Non-GAAP						87,770

# YTD Q3 2019 GAAP to Non-GAAP Reconciliations

(in thousands, except EPS and percentages)



Nine months ended September 27, 2019

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense	Net Income (Loss)
<b>GAAP</b>	\$ 280,696	\$ 161,317	\$ 154,940	\$ 6,377	\$ (16,890)	\$ (11,494)
Accounting impact related to warrant amortization	48	48	—	48	—	48
Stock-based compensation	—	823	(7,894)	8,717	—	8,717
Amortization of intangibles	—	3,885	(2,357)	6,242	—	6,242
Restructuring and related charges	—	723	(1,195)	1,918	—	1,918
Loss on debt extinguishment	—	—	—	—	5,695	5,695
Non-cash interest and other expenses related to convertible notes	—	—	—	—	5,887	5,887
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(1,179)
<b>Total adjustments</b>	<b>\$ 48</b>	<b>\$ 5,479</b>	<b>\$ (11,446)</b>	<b>\$ 16,925</b>	<b>\$ 11,582</b>	<b>\$ 27,328</b>
<b>Non-GAAP</b>	<b>\$ 280,744</b>	<b>\$ 166,796</b>	<b>\$ 143,494</b>	<b>\$ 23,302</b>	<b>\$ (5,308)</b>	<b>\$ 15,834</b>
<i>As a % of revenue (GAAP)</i>		57.5%	55.2%	2.3 %	(6.0)%	(4.1)%
<i>As a % of revenue (Non-GAAP)</i>		59.4%	51.1%	8.3 %	(1.9)%	5.6 %
<b>Diluted net income (loss) per share:</b>						
Diluted net loss per share-GAAP						\$ (0.13)
Diluted net income per share-Non-GAAP						\$ 0.17
<b>Shares used to compute diluted net income (loss) per share:</b>						
GAAP						89,030
Non-GAAP						92,579

# YTD Q3 2018 GAAP to Non-GAAP Reconciliations (in thousands, except EPS and percentages)



Nine months ended September 28, 2018

	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense	Net Income (Loss)
<b>GAAP</b>	\$ 289,903	\$ 148,888	\$ 161,224	\$ (12,336)	\$ (9,190)	\$ (24,365)
Accounting impact related to warrant amortization	1,185	1,185	—	1,185	—	1,185
Stock-based compensation	—	1,577	(12,625)	14,202	—	14,202
Amortization of intangibles	—	3,885	(2,396)	6,281	—	6,281
Restructuring and related charges	—	884	(2,704)	3,588	—	3,588
Gain on equity investments	—	—	—	—	(111)	(111)
Non-cash interest and other expenses related to convertible notes	—	—	—	—	4,483	4,483
Avoid litigation settlement and associated legal fees	—	—	6	(6)	—	(6)
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,543
<b>Total adjustments</b>	<b>\$ 1,185</b>	<b>\$ 7,531</b>	<b>\$ (17,719)</b>	<b>\$ 25,250</b>	<b>\$ 4,372</b>	<b>\$ 31,165</b>
<b>Non-GAAP</b>	<b>\$ 291,088</b>	<b>\$ 156,419</b>	<b>\$ 143,505</b>	<b>\$ 12,914</b>	<b>\$ (4,818)</b>	<b>\$ 6,800</b>
<i>As a % of revenue (GAAP)</i>		<i>51.4%</i>	<i>55.6%</i>	<i>(4.3)%</i>	<i>(3.2)%</i>	<i>(8.4)%</i>
<i>As a % of revenue (Non-GAAP)</i>		<i>53.7%</i>	<i>49.3%</i>	<i>4.4 %</i>	<i>(1.7)%</i>	<i>2.3 %</i>
<b>Diluted net income (loss) per share:</b>						
Diluted net loss per share-GAAP						\$ (0.29)
Diluted net income per share-Non-GAAP						\$ 0.08
<b>Shares used to compute diluted net income (loss) per share:</b>						
GAAP						85,188
GAAP and Non-GAAP						85,962



# 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)
<b>GAAP</b>	\$108.0 to \$118.0	\$53.5 to \$60.4	\$52.2 to \$54.2	\$(0.7) to \$8.2	\$(3.3)	\$(4.6) to \$4.3
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	—	—	(0.2)	0.2	—	0.2
Non-cash interest and other expenses related to convertible notes	—	—	—	—	1.8	1.8
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$(0.9) to \$0.2
<b>Total adjustments</b>	—	1.6	(4.2)	5.8	1.8	\$6.7 to \$7.8
<b>Non-GAAP</b>	\$108.0 to \$118.0	\$55.1 to \$62.0	\$48.0 to \$50.0	\$5.1 to \$14.0	\$(1.5)	\$3.2 to \$11
<i>As a % of revenue (GAAP)</i>		49.5% to 51.1%	44.2% to 50.2%	(0.7)% to 6.9%	(2.8)%	(4.3)% to 3.6%
<i>As a % of revenue (Non-GAAP)</i>		51.0% to 52.5%	40.7% to 46.3%	4.7% to 11.8%	(1.3)%	2.9% to 9.3%
<b>Diluted net income (loss) per share:</b>						
Diluted net income (loss) per share-GAAP						\$(0.05) to \$0.04
Diluted net income per share-Non-GAAP						\$0.03 to \$0.11
<b>Shares used to compute diluted net loss per share:</b>						
GAAP						90.5
<b>Shares used to compute diluted net income per share:</b>						
GAAP and Non-GAAP						95.8

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



## 2019 Financial Guidance

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income (Loss)
<b>GAAP</b>	\$388.7 to \$398.7	\$214.9 to \$221.8	\$207.0 to \$209.0	\$5.9 to \$14.8	\$(20.2)	\$(16.0) to \$(7.1)
Stock-based compensation	—	1.1	(11.1)	12.2	—	12.2
Amortization of intangibles	—	5.2	(3.1)	8.3	—	8.3
Restructuring and related charges	—	0.7	(1.4)	2.1	—	2.1
Non-cash interest and other expenses related to convertible notes	—	—	—	—	13.4	13.4
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$(2.0) to \$(0.9)
<b>Total adjustments</b>	—	7.0	(15.6)	22.6	13.4	\$34.0 to \$35.1
<b>Non-GAAP</b>	\$388.7 to \$398.7	\$221.9 to \$228.8	\$191.4 to \$193.4	\$28.5 to \$37.4	\$(6.8)	\$19.1 to \$26.9
<i>As a % of revenue (GAAP)</i>		55.3% to 55.6%	51.9% to 53.8%	1.5% to 3.7%	(5.1)%	(4.1)% to (1.8)%
<i>As a % of revenue (Non-GAAP)</i>		57.1% to 57.4%	48.0% to 49.8%	7.3% to 9.4%	(1.7)%	4.9% to 6.7%
<b>Diluted net income (loss) per share:</b>						
Diluted net loss per share-GAAP					\$(0.18) to \$(0.08)	
Diluted net income per share-Non-GAAP					\$0.20 to \$0.29	
<b>Shares used to compute diluted net loss per share:</b>						
GAAP					89.9	
<b>Shares used to compute diluted net income per share:</b>						
Non-GAAP					93.8	



**Thank You**

December 2019

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