

THIRD QUARTER 2020
EARNINGS CONFERENCE CALL

Patrick Harshman, President & CEO
Sanjay Kalra, CFO

October 26, 2020



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 2020 and beyond, and our Q4 and full-year 2020 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

Results exceeded expectations



Cable Access

Strong growth, extended market leadership



Video

Solid customer demand and revenue rebound

Strong Execution and Market Momentum



STRONG Q3 GROWTH*

- Revenue \$40.3 million, operating margin 14.6%
- Commercially deployed with 38 operators, up 100% year over year**
- 2.1 million cable modems served, up 122% year over year



EXTENDING ADDRESSED MARKET AND COMPETITIVE ADVANTAGE

- New customer wins span the Americas, Asia and Europe
- Announced powerful new cloud-native and symmetric gigabit solutions
- Received first volume fiber-to-the-home order

* Non-GAAP

** as of Cable-Tec Expo 2020, October 14, 2020



SOLID Q3 FINANCIAL* PERFORMANCE AND OUTLOOK

- Revenue \$54.6 million, up 15% sequentially
- Gross margin 54.6%
- Q4 revenue guidance \$80 - \$85 million
 - Return to strong operating profit



GROWTH INITIATIVES LEADING H2 RECOVERY

- Streaming business steadily expanding
 - Nine new cloud streaming customers
 - Over 48,000 streaming channels deployed, up 15% year over year
- First multi-million-dollar order received for 5G bandwidth reclamation solution

* Non-GAAP



FINANCIAL RESULTS AND OUTLOOK

Sanjay Kalra, CFO

Q3 2020 REVENUE & GROSS MARGIN HIGHLIGHTS*



Financial Metric (\$ Millions)	Q3 2020	Q2 2020	Q3 2019**	Q3/Q2 Change	Q3 Y/Y Change**
Total Net Revenue	\$94.9	\$74.0	\$78.2**	28.2%	21.3%
Cable Access Revenue	\$40.3	\$26.5	\$18.2**	51.7%	121.5%
Video Revenue	\$54.6	\$47.5	\$60.0	15.1%	(9.0)%
Gross Margin %	52.2%	51.6%	51.2%**	0.6%	1.0%
Cable Access Gross Margin%	48.9%	45.7%	29.9%**	3.2%	19.0%
Video Gross Margin%	54.6%	54.8%	57.7%	(0.2)%	(3.1)%
Total Net Revenue	\$94.9	\$74.0	\$78.2**	28.2%	21.3%
Appliance and integration	\$63.3	\$42.2	\$45.6**	49.8%	38.8%
SaaS and service	\$31.6	\$31.8	\$32.6	(0.4)%	(3.1)%
SaaS and service revenue %	33.3%	42.9%	41.7%**	(9.6)%	(8.4)%
SaaS and service gross margin %	57.7%	58.3%	60.6%	(0.6)%	(2.9)%

*Non-GAAP

** Excludes impact of one-time \$37.5 million Cable Access software license revenue in Q3 2019

Q3 2020 FINANCIAL HIGHLIGHTS*



Financial Metric \$ Millions (except EPS)	Q3 2020	Q2 2020	Q3 2019**	Q3/Q2 Change	Q3 Y/Y Change**
Operating Expenses	\$45.3	\$43.3	\$47.7	4.8%	(4.9)%
Operating Income (Loss)	\$4.2	\$(5.1)	\$(7.6)**	\$9.3	\$11.8
Cable Access Operating Income (Loss)	\$5.9	\$(0.9)	\$(5.9)**	\$6.8	\$11.8
Video Operating Income (Loss)	\$(1.7)	\$(4.2)	\$(1.7)	\$2.5	-
Adjusted EBITDA	\$7.2	\$(2.8)	\$(5.5)**	\$10.0	\$12.7
Cable Access Adjusted EBITDA	\$6.9	-	\$(5.9)**	\$6.9	\$12.8
Video Adjusted EBITDA	\$0.3	\$(2.8)	\$0.4	\$3.1	\$(0.1)
EPS	\$0.03	\$(0.06)	\$(0.09)**	\$0.09	\$0.12
Share Count	98.4	96.7	97.6	1.7	0.8
Bookings	\$100.7	\$77.0	\$89.0**	30.7%	13.1%
Book to bill ratio	1.06	1.04	1.1**	1.9%	(3.0)%

*Non-GAAP

**Excludes impact of one-time \$37.5 million Cable Access software license revenue in Q3 2019

Q3 2020 BALANCE SHEET & CASH FLOW HIGHLIGHTS



Financial Metric (\$ Millions)	Q3 2020	Q2 2020	Q3 2019
Cash	\$70.8	\$77.7	\$66.7
Cash Provided by (Used in) Operations	\$(3.3)	\$11.9	\$5.8
Accounts Receivable	\$81.4	\$74.8	\$100.9
DSO	77	91	78
Inventories	\$36.8	\$32.1	\$29.0
Inventory Days	73	81	68
Backlog and Deferred Revenue	\$216.2	\$210.2	\$192.5

FULL YEAR 2020 FINANCIAL GUIDANCE*



Financial Metric	Prior Guidance	Updated Guidance	Midpoint Difference
Total Revenue (\$M)	\$349.5 - \$381.5	\$367.5 - \$377.5	\$7.0
Video Segment (\$M)	\$229.0 - \$246.0	\$236.5 - \$241.5	\$1.5
Cable Access Segment (\$M)	\$120.5 - \$135.5	\$131.0 - \$136.0	\$5.5
Gross Margin	50.0% - 51.5%	51.0% - 52.0%	0.8%
Operating Expenses (\$M)	\$181.5 - \$187.5	\$184.5 - \$186.5	\$1.0
Operating Income (\$M)	\$ (7.5) - \$11.5	\$3.0 - \$10.0	\$4.5
Adjusted EBITDA (\$M)	\$3.0 - \$22.0	\$13.5 - \$20.5	\$4.5
EPS	\$(0.12) - \$0.05	\$(0.03) - \$0.04	\$0.04
Cash (\$M)	\$80 - \$90	\$80 - \$90	-

* Non-GAAP

Q4 2020 FINANCIAL GUIDANCE*



Financial Metric	Prior Guidance	Updated Guidance	Midpoint Difference
Total Revenue (\$M)	\$122.0 - \$142.0	\$120.0 - \$130.0	\$(7.0) ↓
Video Segment (\$M)	\$87.0 - \$97.0	\$80.0 - \$85.0	\$(9.5) ↓
Cable Access Segment (\$M)	\$35.0 - \$45.0	\$40.0 - \$45.0	\$2.5 ↑
Gross Margin	50.0% - 53.0%	50.5% - 54.5%	1.0% ↑
Operating Expenses (\$M)	\$45.0 - \$49.5	\$48.0 - \$50.0	\$1.8 ↑
Operating Income (\$M)	\$16.0 - \$26.0	\$12.5 - \$21.0	\$(4.3) ↓
Adjusted EBITDA (\$M)	\$19.0 - \$29.0	\$15.5 - \$24.0	\$(4.3) ↓
EPS	\$0.13 - \$0.22	\$0.10 - \$0.18	\$(0.04) ↓
Cash (\$M)	\$80 - \$90	\$80 - \$90	-

* Non-GAAP



Cable Access

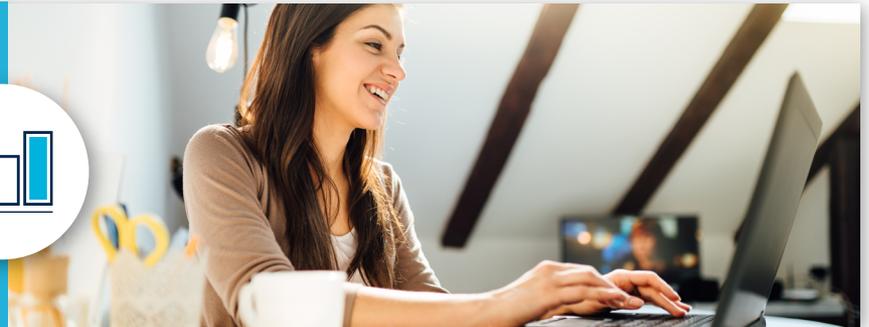
1. Scale Tier-1 CableOS deployments
2. Secure additional CableOS design wins
3. Launch new FTTH & cloud-native solutions



Video

1. Scale live streaming deployments
2. Expand addressed market via Cloud & 5G
3. Deliver segment profitability

Focused on growth, employee wellbeing, and value creation



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, segment revenue, gross profit, operating expenses, income (loss) from operations, non-operating expense, net, Adjusted EBITDA, 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, accounting impact related to warrant amortization, stock-based compensation expense, amortization of intangibles, loss on debt extinguishment, non-cash interest and other expenses on convertible notes and other debt, and adjustments that normalize the tax rate.

Q3 2020 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



	Three months ended September 25, 2020					
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating expense, net	Net Income (Loss)
GAAP	\$ 94,892	\$ 48,924	\$ 50,545	\$ (1,621)	\$ (2,974)	\$ (5,381)
Stock-based compensation	—	281	(3,649)	3,930	—	3,930
Amortization of intangibles	—	—	(752)	752	—	752
Restructuring and related charges	—	302	(814)	1,116	—	1,116
Non-cash interest and other expenses related to convertible notes and other debt	—	—	—	—	1,666	1,666
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	499
Total adjustments	—	583	(5,215)	5,798	1,666	7,963
Non-GAAP	\$ 94,892	\$ 49,507	\$ 45,330	\$ 4,177	\$ (1,308)	\$ 2,582
<i>As a % of revenue (GAAP)</i>		51.6%	53.3%	(1.7)%	(3.1)%	(5.7)%
<i>As a % of revenue (Non-GAAP)</i>		52.2%	47.8%	4.4 %	(1.4)%	2.7 %
Diluted net income (loss) per share:						
Basic net loss per share-GAAP						\$ (0.06)
Diluted net income per share-Non-GAAP						\$ 0.03
Shares used to compute diluted net income (loss) per share:						
GAAP						97,563
Non- GAAP						98,361

Q2 2020 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three months ended June 26, 2020						
	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating expense, net	Net Loss
GAAP	\$ 73,994	\$ 37,773	\$ 47,327	\$ (9,554)	\$ (4,269)	\$ (15,401)
Stock-based compensation	—	312	(3,236)	3,548	—	3,548
Amortization of intangibles	—	65	(742)	807	—	807
Restructuring and related charges	—	2	(82)	84	—	84
Loss on convertible debt extinguishment	—	—	—	—	834	834
Non-cash interest and other expenses related to convertible notes and other debt	—	—	—	—	1,950	1,950
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	2,238
Total adjustments	—	379	(4,060)	4,439	2,784	9,461
Non-GAAP	\$ 73,994	\$ 38,152	\$ 43,267	\$ (5,115)	\$ (1,485)	\$ (5,940)
<i>As a % of revenue (GAAP)</i>		51.0%	64.0%	(12.9)%	(5.8)%	(20.8)%
<i>As a % of revenue (Non-GAAP)</i>		51.6%	58.5%	(6.9)%	(2.0)%	(8.0)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.16)
Diluted net loss per share-Non-GAAP						\$ (0.06)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						96,727

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
GAAP	\$ 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)
Total adjustments	\$ —	\$ 2,031	\$ (5,335)	\$ 7,366	\$ 8,320	\$ 12,935
Non-GAAP	\$ 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 %
Diluted net income per share:						
	Diluted net income per share-GAAP					\$ 0.12
	Diluted net income per share-Non-GAAP					\$ 0.25
Shares used to compute diluted net loss per share:						
	GAAP and Non-GAAP					97,596

YTD Q3 2020 GAAP TO NON-GAAP RECONCILIATIONS

(IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Nine months ended September 25, 2020						
	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense	Net Loss
GAAP	\$ 247,303	\$ 123,435	\$ 152,659	\$ (29,224)	\$ (10,419)	\$ (42,736)
Stock-based compensation	—	1,364	(12,373)	13,737	—	13,737
Amortization of intangibles	—	950	(2,264)	3,214	—	3,214
Restructuring and related charges	—	231	(1,572)	1,803	—	1,803
Loss on convertible debt extinguishment	—	—	—	—	834	834
Non-cash interest and other expenses related to convertible notes and other debt	—	—	—	—	5,451	5,451
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	4,553
Total adjustments	—	2,545	(16,209)	18,754	6,285	29,592
Non-GAAP	\$ 247,303	\$ 125,980	\$ 136,451	\$ (10,470)	\$ (4,134)	\$ (13,144)
	<i>As a % of revenue (GAAP)</i>	49.9%	61.7%	(11.8)%	(4.2)%	(17.3)%
	<i>As a % of revenue (Non-GAAP)</i>	50.9%	55.2%	(4.2)%	(1.7)%	(5.3)%
Diluted net loss per share:						
	Diluted net loss per share-GAAP					\$ (0.44)
	Diluted net loss per share-Non-GAAP					\$ (0.14)
Shares used to compute diluted net loss per share:						
	GAAP and Non-GAAP					96,623

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)
GAAP	\$ 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)
Total adjustments	\$ 48	\$ 5,479	\$ (11,446)	\$ 16,925	\$ 11,582	\$ 27,328
Non-GAAP	\$ 280,744	\$ 166,796	\$ 143,494	\$ 23,302	\$ (5,308)	\$ 15,834
	<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 %
Diluted net income (loss) per share:						
	Diluted net loss per share-GAAP					\$ (0.13)
	Diluted net income per share-Non-GAAP					\$ 0.17
Shares used to compute diluted net income (loss) per share:						
	GAAP					89,030
	Non-GAAP					92,579

ADJUSTED EBITDA RECONCILIATION

(IN THOUSANDS)



	Three months ended		
	September 25, 2020	June 26, 2020	September 27, 2019
Net loss - GAAP	\$ (5,381)	\$ (15,401)	\$ 11,657
Provision for income taxes	786	1,578	603
Interest expense, net	2,807	3,062	3,000
Depreciation	3,148	2,692	2,764
Amortization of intangibles	752	807	2,080
EBITDA	2,112	(7,262)	20,104
<i>Adjustments</i>			
Stock-based compensation	3,930	3,548	4,094
Loss on convertible debt extinguishment	—	834	5,695
Non-cash expenses related to convertible note	—	—	927
Restructuring and related charges	1,116	84	1,192
Adjusted EBITDA	\$ 7,158	\$ (2,796)	\$ 32,012

ADJUSTED EBITDA RECONCILIATION

(IN THOUSANDS)



	Nine months ended	
	September 25, 2020	September 27, 2019
Net loss - GAAP	\$ (42,736)	\$ (11,494)
Provision for income taxes	3,093	981
Interest expense, net	8,772	8,862
Depreciation	8,683	8,480
Amortization of intangibles	3,214	6,242
EBITDA	(18,974)	13,071
<i>Adjustments</i>		
Accounting impact related to warrant amortization	—	48
Stock-based compensation	13,737	8,717
Loss on convertible debt extinguishment	834	5,695
Non-cash expenses related to convertible note	—	927
Restructuring and related charges	1,803	1,918
Adjusted EBITDA	\$ (2,600)	\$ 30,376

Q4 2020 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	Q4 2020 Financial Guidance					
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$120.0 to \$130.0	\$59.7 to \$70.0	\$53.0 to \$55.0	\$6.5 to \$15.0	\$(3.3)	\$3.0 to \$11.3
Stock-based compensation	—	0.3	(3.7)	4.0	—	4.0
Amortization of intangibles	—	—	(0.8)	0.8	—	0.8
Restructuring and related charges	—	0.6	(0.5)	1.1	—	1.1
Non-cash interest and other expenses related to convertible notes and other debt	—	—	—	—	1.7	1.7
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$(1.5) to \$(0.7)
Total adjustments	—	0.9	(5.0)	5.9	1.7	\$6.1 to \$6.9
Non-GAAP	\$120.0 to \$130.0	\$60.6 to \$70.9	\$48.0 to \$50.0	\$12.5 to \$21.0	\$(1.6)	\$9.9 to \$17.4
<i>As a % of revenue (GAAP)</i>		50.0% to 54.0%	44.2% to 42.3%	5.5% to 11.5%	(2.5)% to (2.8)%	2.5% to 8.7%
<i>As a % of revenue (Non-GAAP)</i>		50.5% to 54.5%	40.0% to 38.5%	10.5% to 16.1%	(1.2)% to (1.3)%	8.3% to 13.4%
Diluted net income per share:						
Diluted net income per share-GAAP						\$0.03 to \$0.11
Diluted net income per share-Non-GAAP						\$0.10 to \$0.18
Shares used to compute diluted net income per share:						
GAAP and Non-GAAP						98.8

2020 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	2020 Financial Guidance					
	Revenue	Gross Profit	Total Operating Expense	Income (Loss) from Operations	Total Non-operating Expense, net	Net Income (Loss)
GAAP	\$367.5 to \$377.5	\$183.7 to \$192.6	\$205.5 to \$207.5	\$(22.0) to \$(15.0)	\$(13.8)	\$(39.1) to \$(32.2)
Stock-based compensation	—	1.7	(16.1)	17.8	—	17.8
Amortization of intangibles	—	1.0	(3.0)	4.0	—	4.0
Restructuring and related charges	—	0.9	(2.1)	3.0	—	3.0
Non-cash interest and other expenses related to convertible notes and other debt	—	—	—	—	7.2	7.2
Loss on debt extinguishment	—	—	—	—	0.8	0.8
Tax effect of non-GAAP adjustments	—	—	—	—	—	\$3.1 to \$3.7
Total adjustments	—	3.6	(21.2)	24.8	8.0	\$35.9 to \$36.5
Non-GAAP	\$367.5 to \$377.5	\$187.3 to \$196.2	\$184.5 to \$186.5	\$3.0 to \$10.0	\$(5.8)	\$(2.6) to \$3.7
<i>As a % of revenue (GAAP)</i>		50.0% to 51.0%	56.0% to 55.0%	(6.0)% to (4.0)%	(3.7)% to (3.8)%	(10.6)% to (8.5)%
<i>As a % of revenue (Non-GAAP)</i>		51.0% to 52.0%	50.2% to 49.4%	0.8% to 2.6%	(1.5)% to (1.6)%	(0.7)% to 1.0%
Diluted net income (loss) per share:						
Diluted net loss per share-GAAP						<u>\$(0.40) to \$(0.33)</u>
Diluted net income (loss) per share-Non-GAAP						<u>\$(0.03) to \$0.04</u>
Shares used to compute diluted net income (loss) per share:						
GAAP and Non-GAAP						<u>97.0</u>
Non-GAAP						<u>98.2</u>

ADJUSTED EBITDA RECONCILIATION ON FINANCIAL GUIDANCE

(IN MILLIONS)

Harmonic Inc. Adjusted EBITDA Reconciliation on Financial Guidance (In millions)

	Q4 2020 Financial Guidance	2020 Financial Guidance
Net income (loss) - GAAP	\$3.0 to \$11.3	\$(39.1) to \$(32.2)
Provision for income taxes	0.3	3.4
Interest expense, net	2.8	11.6
Depreciation	3.3	11.9
Amortization of intangibles	0.8	4.0
EBITDA	\$10.2 to \$18.5	\$(8.2) to \$(1.3)
<i>Adjustments</i>		
Stock-based compensation	4.0	17.8
Restructuring and related charges	1.2	3.0
Loss on debt extinguishment	—	0.8
Adjusted EBITDA	\$15.5 to \$24.0	\$13.5 to \$20.5