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Second Quarter 2017 Earnings Conference Call

Patrick Harshman, President & CEO
Sanjay Kalra, CFO

July 31, 2017

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 Q3, Q4 and 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.

Q2 2017 Results* Summary



- Revenue \$82M
 - Video segment down 1.4% sequentially; SaaS transition underway
 - Cable Edge segment flat sequentially; anticipating CableOS ramp
- Bookings \$91M
 - Up 11% sequentially, driven by video segment
 - Video OTT SaaS 8% of total, up 90% sequentially
 - Backlog and deferred revenue \$194M, record level
- Gross Margin 48%
- EPS \$(0.20)

* Non-GAAP financial results

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Video Business Update



- Market transitioning to OTT and SaaS
 - HLIT's OTT differentiators: Live and Quality of Experience
 - OTT bookings up >200% year over year
 - OTT SaaS: TCV up 90% sequentially; ARR up 87% sequentially
- Broadcast infrastructure demand slow in US
 - International demand remains healthy
- 2017 outlook
 - Continued transition to OTT and SaaS
 - High single digit H2 operating margin

Expanding Cloud Ecosystem

VOS™ 360
VOS™ CLOUD



Microsoft AliCloud

Google Cloud Platform

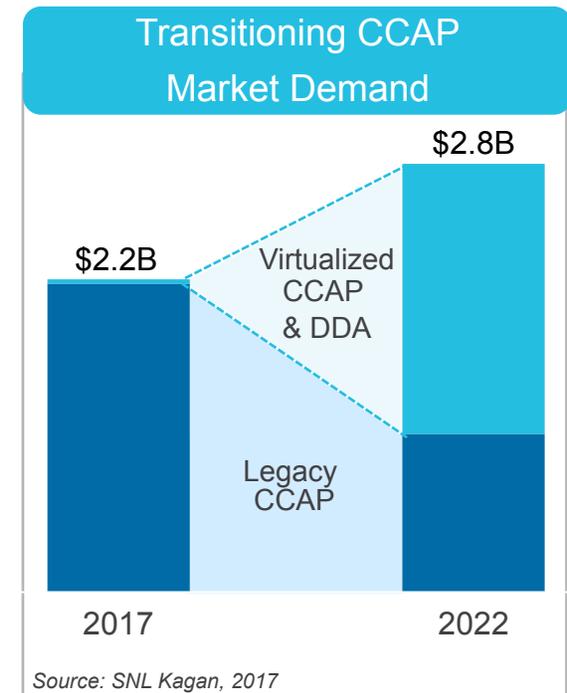


Accelerating transition to OTT and SaaS

Cable Edge Business Update



- Legacy EdgeQAM demand continues to erode
 - Q2 in-line with expectations, down 53% y-o-y
- Executing CableOS technology leadership plan
 - Industry's first fully virtualized CMTS now serving thousands of consumers in Europe and US
 - Delivering on disruptive performance targets
- Executing CableOS business plan
 - >\$15M booked since May; >\$20M backlog
 - On track to secure additional design wins in H2
 - Positioned to deliver \$100M revenue in 2018



On Track for Leadership in >\$2B CCAP Market

Q2 2017 Financial Highlights*



\$ Millions (except EPS)	Q2 2017	Q1 2017	Q2 2016	Q2/ Q1 Change	Q2 Y/Y Change
Total Net Revenue	\$82.3	\$83.5	\$110.4	-1.4%	-25.5%
Gross Margin %	47.9%	52.1%	53.0%	-4.2%	-5.1%
Operating Expense	\$55.8	\$54.9	\$57.7	1.6%	-3.3%
Operating Income (Loss)	(\$16.4)	(\$11.4)	\$0.8	(\$5.0)	(\$17.2)
EPS	(\$0.20)	(\$0.14)	\$0.00	(\$0.06)	(\$0.20)
Bookings	\$91.1	\$82.1	\$117.3	11.0%	-22.3%
Backlog and Deferred	\$194.4	\$184.2	\$189.6	\$10.2	\$4.8

*Non-GAAP financial highlights

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Financial Highlights



- Q2 results below expectations
 - Softer-than-expected Video segment revenue
 - SaaS OTT TCV exceeded expectations, up 90% sequentially to 8% of total bookings
 - Accelerating OTT demand impacting broadcast video projects, esp. in US
- Record backlog and deferred revenue of \$194.4M
 - Growing backlog of OTT, recurring Video segment revenue and CableOS
 - Improved H2 visibility
- Targeting high-single digit H2 Video segment operating margin
 - H2 opex level significantly below H1
 - >10% H2 broadcast video operating margin
 - Continued strong investment in OTT and SaaS

Q2 2017 Balance Sheet & Cash Flow Highlights



	\$ Millions	
Cash	\$52.9	
Accounts Receivable	\$60.4	66 days
Inventories	\$35.1	4.9x
Debt	\$122.4	
Cash From Operations	\$5.7	

Q3 2017 Financial Guidance*



\$ Millions (except EPS)	Video	Cable Edge	Total
Revenue	\$72 - \$81	\$8 - \$9	\$80 - \$90
Gross Margin	55% - 56%	20% - 21%	51% - 52%
Operating Expenses			\$48 - \$50
Operating Loss			\$(9) - \$(1)
EPS			\$(0.11) - \$(0.03)
Tax Rate			15%
Shares, millions (basic)			81.4
Cash and short-term investments			\$40 - \$50

*Non-GAAP

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Q4 2017 Financial Guidance*



\$ Millions (except EPS)	Video	Cable Edge	Total
Revenue	\$80 - \$86	\$10 - \$14	\$90 - \$100
Gross Margin	55% - 57%	27% - 29%	52% - 53.5%
Operating Expenses			\$48 - \$50
Operating Profit / (Loss)			\$(3.0) - \$5.5
EPS			\$(0.05) - \$0.04
Tax Rate			15%
Shares, millions (basic, diluted)			82, 84
Cash, short-term investments			\$40 - \$50

*Non-GAAP

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H2 2017 Strategic Priorities



Video Business

- Continue OTT and SaaS growth
- Improve profitability of legacy broadcast product lines
- Deliver high single digit H2 operating income

Cable Edge Business

- Successfully scale early CableOS deployments
- Secure additional Tier 1 operator design wins
- Create backlog and momentum to drive >\$100 million 2018 revenue

Driving renewed growth, profitability and shareholder value



harmonic[®]

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.

Q2 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	\$ 82,315	\$ 33,815	\$ 61,237	\$ (27,422)	\$ (3,499)	\$ (31,500)
Cable Edge inventory charge	—	3,331	—	3,331	—	3,331
Stock-based compensation in cost of revenue	—	700	—	700	—	700
Stock-based compensation in research and development	—	—	(1,337)	1,337	—	1,337
Stock-based compensation in selling, general and administrative	—	—	(2,099)	2,099	—	2,099
Amortization of intangibles	—	1,295	(780)	2,075	—	2,075
Restructuring and related charges	—	278	(777)	1,055	—	1,055
TVN acquisition and integration-related costs	—	—	(467)	467	—	467
Non-cash interest expenses related to convertible notes	—	—	—	—	1,360	1,360
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	3,354
Total adjustments	—	5,604	(5,460)	11,064	1,360	15,778
Non-GAAP	\$ 82,315	\$ 39,419	\$ 55,777	\$ (16,358)	\$ (2,139)	\$ (15,722)
		<i>As a % of revenue (GAAP)</i>				
		41.1%	74.4%	(33.3)%	(4.3)%	(38.3)%
		<i>As a % of revenue (Non-GAAP)</i>				
		47.9%	67.8%	(19.9)%	(2.6)%	(19.1)%
Diluted net loss per share:						
Diluted net loss per share-GAAP						\$ (0.39)
Diluted net loss per share-Non-GAAP						\$ (0.20)
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						80,590

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>	<i>48.7%</i>	<i>74.2%</i>	<i>(25.5)%</i>	<i>(3.7)%</i>	<i>(29.0)%</i>
		<i>As a % of revenue (Non-GAAP)</i>	<i>52.1%</i>	<i>65.8%</i>	<i>(13.6)%</i>	<i>(2.1)%</i>	<i>(13.4)%</i>
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 income (loss) per share:							
GAAP and Non-GAAP						79,810	

Q2 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 Loss	
GAAP	\$ 109,571	\$ 51,040	\$ 69,158	\$ (18,118)	\$ (2,319)	\$ (20,679)	
Cable Edge inventory charge	—	4,519	—	4,519	—	4,519	
Acquisition accounting impacts related to TVN deferred revenue	780	780	—	780	—	780	
Stock-based compensation in cost of revenue	—	424	—	424	—	424	
Stock-based compensation in research and development	—	—	(841)	841	—	841	
Stock-based compensation in selling, general and administrative	—	—	(1,503)	1,503	—	1,503	
Amortization of intangibles	—	1,307	(4,232)	5,539	—	5,539	
Restructuring and related charges	—	6	(1,903)	1,909	—	1,909	
TVN acquisition and integration-related costs	—	433	(2,970)	3,403	—	3,403	
Non-cash interest expenses related to convertible notes	—	—	—	—	1,233	1,233	
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	285	
Total adjustments	780	7,469	(11,449)	18,918	1,233	20,436	
Non-GAAP	\$ 110,351	\$ 58,509	\$ 57,709	\$ 800	\$ (1,086)	\$ (243)	
		<i>As a % of revenue (GAAP)</i>	<i>46.6%</i>	<i>63.1%</i>	<i>(16.5)%</i>	<i>(2.1)%</i>	<i>(18.9)%</i>
		<i>As a % of revenue (Non-GAAP)</i>	<i>53.0%</i>	<i>52.3%</i>	<i>0.7 %</i>	<i>(1.0)%</i>	<i>(0.2)%</i>
Diluted net loss per share:							
Diluted net loss per share-GAAP						\$ (0.27)	
Diluted net loss per share-Non-GAAP						\$ 0.00	
Shares used to compute diluted net loss per share:							
GAAP and Non-GAAP						77,342	

Q2 YTD 2017 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense	Net Loss
GAAP	\$ 165,258	\$ 74,223	\$ 122,803	\$ (48,580)	\$ (6,600)	\$ (55,527)
Cable Edge inventory charge	—	3,316	—	3,316	—	3,316
Acquisition accounting impacts 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	—	1,145	—	1,145	—	1,145
Stock-based compensation in research and development	—	—	(2,314)	2,314	—	2,314
Stock-based compensation in selling, general and administrative	—	—	(3,928)	3,928	—	3,928
Amortization of intangibles	—	2,590	(1,554)	4,144	—	4,144
Restructuring and related charges	—	786	(2,056)	2,842	—	2,842
TVN acquisition- and integration-related costs	—	342	(2,275)	2,617	—	2,617
Non-cash interest expenses related to convertible notes	—	—	—	—	2,676	2,676
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	5,098
Total adjustments	527	8,706	(12,127)	20,833	2,676	28,607
Non-GAAP	\$ 165,785	\$ 82,929	\$ 110,676	\$ (27,747)	\$ (3,924)	\$ (26,920)
<i>As a % of revenue (GAAP)</i>		44.9%	74.3%	(29.4)%	(4.0)%	(33.6)%
<i>As a % of revenue (Non-GAAP)</i>		50.0%	66.8%	(16.7)%	(2.4)%	(16.2)%

Diluted net loss per share:

Diluted net loss per share-GAAP \$ (0.69)

Diluted net loss per share-Non-GAAP \$ (0.34)

Shares used to compute diluted net loss per share:

GAAP and Non-GAAP 80,203

Q2 YTD 2016 GAAP to Non-GAAP Reconciliations (in thousands, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense	Net Loss
GAAP	\$ 191,403	\$ 91,694	\$ 130,568	\$ (38,874)	\$ (6,225)	\$ (45,859)
Cable Edge inventory charge	—	4,519	—	4,519	—	4,519
Acquisition accounting impacts related to TVN deferred revenue	1,403	1,403	—	1,403	—	1,403
Acquisition accounting impacts related to TVN fair value of inventory	—	189	—	189	—	189
Stock-based compensation in cost of revenue	—	651	—	651	—	651
Stock-based compensation in research and development	—	—	(1,810)	1,810	—	1,810
Stock-based compensation in selling, general and administrative	—	—	(3,401)	3,401	—	3,401
Amortization of intangibles	—	1,725	(6,597)	8,322	—	8,322
Restructuring and related charges	—	(23)	(4,515)	4,492	—	4,492
TVN acquisition and integration-related costs	—	491	(6,008)	6,499	—	6,499
Loss on impairment of long-term investment	—	—	—	—	1,476	1,476
Non-cash interest expenses related to convertible notes	—	—	—	—	2,420	2,420
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	2,248
Total adjustments	1,403	8,955	(22,331)	31,286	3,896	37,430
Non-GAAP	\$ 192,806	\$ 100,649	\$ 108,237	\$ (7,588)	\$ (2,329)	\$ (8,429)
<i>As a % of revenue (GAAP)</i>		<i>47.9%</i>	<i>68.2%</i>	<i>(20.3)%</i>	<i>(3.3)%</i>	<i>(24.0)%</i>
<i>As a % of revenue (Non-GAAP)</i>		<i>52.2%</i>	<i>56.1%</i>	<i>(3.9)%</i>	<i>(1.2)%</i>	<i>(4.4)%</i>
Diluted net loss per share:						
Diluted net loss per share-GAAP						<u>\$ (0.59)</u>
Diluted net loss per share-Non-GAAP						<u>\$ (0.11)</u>
Shares used to compute diluted net loss per share:						
GAAP and Non-GAAP						<u>77,168</u>

Q3 2017 Guidance GAAP to Non-GAAP Reconciliations (in millions, except EPS)



	Revenue	Gross Profit	Total Operating Expense	Loss from Operations	Total Non-operating Expense, net	Net Loss
GAAP	\$80.0 to \$90.0	\$38.4 to \$44.4	\$55.7 to \$57.7	\$(19.3) to \$(11.3)	\$(3.1)	\$(20.2) to \$(13.3)
Stock-based compensation expense	—	0.8	(4.3)	5.1	—	5.1
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1
Restructuring and related charges and TVN integration costs	—	0.5	(2.6)	3.1	—	3.1
Non-cash interest expense related to convertible notes	—	—	—	—	1.4	1.4
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	(0.5)
Total adjustments	—	2.6	(7.7)	10.3	1.4	11.2
Non-GAAP	\$80.0 to \$90.0	\$41.0 to \$47.0	\$48.0 to \$50.0	\$(9.0) to \$(1.0)	\$(1.7)	\$(9.0) to \$(2.1)
		48% to 49%	64% to 70%	(24)% to (13)%	(3)% to (4)%	(25)% to (15)%
		51% to 52%	56% to 60%	(11)% to (1)%	2%	(11)% to (2)%
Diluted income (loss) per share:						
Diluted net loss per share-GAAP						\$ (0.25) to \$ (0.16)
Diluted net loss per share-Non-GAAP						\$ (0.11) to \$ (0.03)
Shares used to compute diluted income (loss) per share:						
GAAP and Non-GAAP						81.4

Q4 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	\$90.0 to \$100.0	\$44.9 to \$51.4	\$53.7 to \$55.7	\$(10.8) to \$(2.3)	\$(3.1)	\$(14.6) to \$(6.1)	
Stock-based compensation expense	—	0.8	(4.5)	5.3	—	5.3	
Amortization of intangibles	—	1.3	(0.8)	2.1	—	2.1	
Restructuring and related charges and TVN integration costs	—	—	(0.4)	0.4	—	0.4	
Non-cash interest expense related to convertible notes	—	—	—	—	1.4	1.4	
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	\$1.4 to \$0.1	
Total adjustments	—	2.1	(5.7)	7.8	1.4	\$10.6 to \$9.1	
Non-GAAP	\$90.0 to \$100.0	\$47.0 to \$53.5	\$48.0 to \$50.0	\$(3.0) to \$5.5	\$(1.7)	\$(4.0) to \$3.0	
		<i>As a % of revenue (GAAP)</i>	<i>50% to 51%</i>	<i>60%</i>	<i>(12)% to (2)%</i>	<i>(3)%</i>	<i>(16)% to (6)%</i>
		<i>As a % of revenue (Non-GAAP)</i>	<i>52.0% to 53.5%</i>	<i>50% to 53%</i>	<i>(3)% to 5.5%</i>	<i>2%</i>	<i>(4)% to 3%</i>
Diluted net income (loss) per share:							
Diluted net loss per share-GAAP						\$ (0.18) to \$ (0.07)	
Diluted net income (loss) per share-Non-GAAP						\$ (0.05) to \$ 0.04	
Shares used to compute diluted net loss per share:							
GAAP and Non-GAAP						82.0	
Shares used to compute diluted net income per share:							
GAAP						84.0	