



FIRST QUARTER 2023
EARNINGS
CONFERENCE CALL

Patrick Harshman, President & CEO
Jeremy Rosenberg, Interim CFO

May 8, 2023



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 2023 and beyond, and our Q2 and full-year 2023 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.



Corporate

Record Q1 Revenue
\$157.6 million



Broadband

Revenue up 23%



Video

SaaS Revenue up 72%

Closed strategic multi-year Broadband and Video SaaS contracts



STRONG Q1

- Revenue \$100.4 million, up 23% year over year
- Commercially deployed with 94 operators, up 22% year over year
- 18.4 million cable modems served, ~10% of global market



EXECUTING MULTI-YEAR STRATEGY

- Existing customers continuing to scale
- Technology leadership expanding, DOCSIS 4.0 and Fiber
- Announced Charter partnership



SOLID Q1

- Revenue \$57.3 million, down 13.0% year over year
- Gross margin 60.4%, up 160 basis points year over year
- SaaS > 20% of segment revenue, up 72.2% year over year



EXECUTING MULTI-YEAR STRATEGY

- Sports streaming SaaS growth and 1st major broadcast migration to cloud
- >\$30 million new SaaS contracts signed
- Announced Madison Square Garden and Bally's Interactive partnerships



FINANCIAL RESULTS AND **OUTLOOK**

Jeremy Rosenberg, Interim CFO



STRONG FINANCIAL RESULTS*

- Revenue \$157.6 million, up 6.9% year over year
- EPS \$0.12, up 50.0% year over year
- Bookings \$325.5 million, book to bill ratio of 2.1
- Record Backlog and Deferred Revenue \$623.5 million, up 25.4% year over year



INCREASED ANNUAL GUIDANCE FOR KEY FINANCIAL METRICS

- Net revenue, Adj. EBITDA, EPS ranges increased

* Non-GAAP

Q1 2023 REVENUE & GROSS MARGIN HIGHLIGHTS*



Financial Metric (\$ Millions)	Q1 2023	Q4 2022	Q1 2022	Q1/Q4 Change	Q1 Y/Y Change
Total Net Revenue	\$157.6	\$164.3	\$147.4	(4.1)%	6.9%
Broadband Revenue	\$100.4	\$96.0	\$81.6	4.5%	23.0%
Video Revenue	\$57.3	\$68.3	\$65.8	(16.1)%	(13.0)%
Gross Margin (%)	53.9%	52.7%	47.3%	1.2%	6.6%
Broadband Gross Margin (%)	50.1%	47.6%	38.0%	2.5%	12.1%
Video Gross Margin (%)	60.4%	59.9%	58.8%	0.5%	1.6%

* Non-GAAP. Components may not sum to total due to rounding

Q1 2023 EARNINGS AND BOOKINGS HIGHLIGHTS*



Financial Metric \$ Millions (except EPS)	Q1 2023	Q4 2022	Q1 2022	Q1/Q4 Change	Q1 Y/Y Change
Operating Expenses	\$66.2	\$63.0	\$58.4	5.2%	13.4%
Adj. EBITDA	\$21.4	\$26.6	\$14.5	(19.3)%	48.3%
Broadband Adj. EBITDA	\$21.6	\$20.2	\$9.7	6.8%	123.7%
Video Adj. EBITDA	\$(0.2)	\$6.4	\$4.8	(102.6)%	(103.4)%
EPS	\$0.12	\$0.17	\$0.08	(29.4)%	50.0%
Share Count	117.8	117.3	110.6	0.4%	6.5%
Bookings	\$325.5	\$130.2	\$205.5	150.0%	58.4%
Book to Bill Ratio	2.1	0.8	1.4	160.0%	47.8%

* Non-GAAP

Q1 2023 BALANCE SHEET & CASH FLOW HIGHLIGHTS



Financial Metric (\$ Millions)	Q1 2023	Q4 2022	Q1 2022
Cash	\$90.9	\$89.6	\$100.7
Cash Provided by (used in) Operations	\$6.3	\$19.4	\$(27.5)
Accounts Receivable	\$88.1	\$108.4	\$115.6
DSO	50	59	71
Inventory	\$131.6	\$120.9	\$81.8
Inventory Days	163	140	95
Backlog and Deferred Revenue	\$623.5	\$457.1	\$497.3
Free cash flow	\$3.9	\$17.5	\$(29.9)

FULL YEAR 2023 FINANCIAL GUIDANCE

Improved Gross Profit, Adj. EBITDA and EPS ranges



FY2023 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Total Revenue (\$M)	\$705 - \$740	\$695 - \$735	↑
Gross Margin (%)	50.9% - 51.9%	49.8% - 51.3%	↑
Gross Profit (\$M)	\$359 - \$384	\$346 - \$377	↑
Operating Expenses (\$M)	\$262 - \$271	\$260 - \$267	↑
Adjusted EBITDA (\$M)	\$108 - \$125	\$98 - \$122	↑
Shares**	118.1	118.3	↓
EPS	\$0.63 - \$0.74	\$0.56 - \$0.72	↑
Cash (\$M)	\$125 - \$135	\$90 - \$100	↑

* Non-GAAP. Components may not sum to total due to rounding

** Diluted shares assumes Harmonic stock price at \$13.79 (Q1 2023 average price)

Q2 2023 FINANCIAL GUIDANCE

Q2 2023 Financial Metric	Guidance*
Total Revenue (\$M)	\$161 - \$171
Gross Margin (%)	51.8% - 52.9%
Gross Profit (\$M)	\$83 - \$91
Operating Expenses (\$M)	\$66 - \$68
Adjusted EBITDA (\$M)	\$20 - \$25
Shares**	117.8
EPS	\$0.11 - \$0.15
Cash (\$M)	\$90 - \$100

* Non-GAAP. Components may not sum to total due to rounding

** Diluted shares assumes Harmonic stock price at \$13.79 (Q1 2023 average price)

2023 FINANCIAL GUIDANCE | BROADBAND SEGMENT



FY2023 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Net Revenue (\$M)	\$450 - \$470	\$445 - \$465	↑
Gross Margin (%)	46.0% - 47.0%	45.0% - 46.0%	↑
Gross Profit (\$M)	\$207 - \$221	\$200 - \$214	↑
Operating Expenses (\$M)	\$123 - \$128	\$120 - \$123	↑
Adjusted EBITDA (\$M)	\$90 - \$99	\$86 - \$97	↑

Q2 2023 Financial Metric	Guidance*
Net Revenue (\$M)	\$101 - \$106
Gross Margin (%)	47.0% - 48.0%
Gross Profit (\$M)	\$47 - \$51
Operating Expenses (\$M)	\$31 - \$32
Adjusted EBITDA (\$M)	\$18 - \$20

* Non-GAAP. Components may not sum to total due to rounding

2023 FINANCIAL GUIDANCE | VIDEO SEGMENT

FY2023 Financial Metric	Guidance*	Prior Guidance*	Midpoint Difference
Net Revenue (\$M)	\$255 - \$270	\$250 - \$270	↑
Gross Margin (%)	59.5% - 60.5%	58.5% - 60.5%	↑
Gross Profit (\$M)	\$152 - \$163	\$146 - \$163	↑
Operating Expenses (\$M)	\$139 - \$143	\$140 - \$144	↓
Adjusted EBITDA (\$M)	\$18 - \$26	\$12 - \$25	↑

Q2 2023 Financial Metric	Guidance*
Net Revenue (\$M)	\$60 - \$65
Gross Margin (%)	60.0% - 61.0%
Gross Profit (\$M)	\$36 - \$40
Operating Expenses (\$M)	\$35 - \$36
Adjusted EBITDA (\$M)	\$2 - \$5

* Non-GAAP. Components may not sum to total due to rounding



WRAP-UP & 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 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 restructuring and related charges, stock-based compensation expense, gain on sale of equity investment, non-cash interest and other expenses on convertible notes and other debt, adjustments that normalize the tax rate and depreciation.

Q1 2023 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended March 31, 2023						
	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 157,649	\$ 84,054	\$ 72,874	\$ 11,180	\$ (999)	\$ 5,093
Stock-based compensation	—	850	(6,574)	7,424	—	7,424
Restructuring and related charges	—	—	(83)	83	—	83
Non-cash interest and other expenses related to convertible notes	—	—	—	—	223	223
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,506
Total adjustments	—	850	(6,657)	7,507	223	9,236
Non-GAAP	\$ 157,649	\$ 84,904	\$ 66,217	\$ 18,687	\$ (776)	\$ 14,329
<i>As a % of revenue (GAAP)</i>		53.3 %	46.2 %	7.1 %	(0.6)%	3.2 %
<i>As a % of revenue (Non-GAAP)</i>		53.9 %	42.0 %	11.9 %	(0.5)%	9.1 %
Diluted net income per share:						
GAAP						\$ 0.04
Non-GAAP						\$ 0.12
Shares used in per share calculation:						
GAAP and Non-GAAP						117,758

Q4 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended December 31, 2022

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating Expense, net	Net Income
GAAP	\$ 164,334	\$ 85,697	\$ 69,220	\$ 16,477	\$ (1,141)	\$ 6,131
Stock-based compensation	—	541	(5,050)	5,591	—	5,591
Restructuring and related charges	—	442	(1,205)	1,647	17	1,664
Non-cash interest and other expenses related to convertible notes	—	—	—	—	274	274
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	6,233
Total adjustments	—	983	(6,255)	7,238	291	13,762
Non-GAAP	<u>\$ 164,334</u>	<u>\$ 86,680</u>	<u>\$ 62,965</u>	<u>\$ 23,715</u>	<u>\$ (850)</u>	<u>\$ 19,893</u>
<i>As a % of revenue (GAAP)</i>		52.1 %	42.1 %	10.0 %	(0.7)%	3.7 %
<i>As a % of revenue (Non-GAAP)</i>		52.7 %	38.3 %	14.4 %	(0.5)%	12.1 %
Diluted net income per share:						
GAAP						<u>\$ 0.05</u>
Non-GAAP						<u>\$ 0.17</u>
Shares used in per share calculation:						
GAAP and Non-GAAP						<u>117,301</u>

Q1 2022 GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN THOUSANDS, EXCEPT EPS AND PERCENTAGES)



Three Months Ended April 1, 2022

	Revenue	Gross Profit	Total Operating Expense	Income from Operations	Total Non-operating expense, net	Net Income (loss)
GAAP	\$ 147,439	\$ 69,182	\$ 66,646	\$ 2,536	\$ (1,371)	\$ (1,529)
Stock-based compensation	—	527	(7,059)	7,586	—	7,586
Restructuring and related charges	—	(14)	(1,170)	1,156	—	1,156
Non-cash interest and other expenses related to convertible notes	—	—	—	—	297	297
Discrete tax items and tax effect of non-GAAP adjustments	—	—	—	—	—	1,367
Total adjustments	—	513	(8,229)	8,742	297	10,406
Non-GAAP	<u>\$ 147,439</u>	<u>\$ 69,695</u>	<u>\$ 58,417</u>	<u>\$ 11,278</u>	<u>\$ (1,074)</u>	<u>\$ 8,877</u>
<i>As a % of revenue (GAAP)</i>		46.9 %	45.2 %	1.7 %	(0.9)%	(1.0)%
<i>As a % of revenue (Non-GAAP)</i>		47.3 %	39.6 %	7.6 %	(0.7)%	6.0 %
Diluted net income (loss) per share:						
GAAP						<u>\$ (0.01)</u>
Non-GAAP						<u>\$ 0.08</u>
Shares used in per share calculation:						
GAAP						<u>103,994</u>
Non-GAAP						<u>110,563</u>

ADJ. EBITDA RECONCILIATIONS

(UNAUDITED, IN THOUSANDS)



	Three Months Ended		
	March 31, 2023	December 31, 2022	April 1, 2022
Net income (loss) - GAAP	\$ 5,093	\$ 6,131	\$ (1,529)
Provision for income taxes	5,088	9,205	2,694
Interest expense, net	706	929	1,433
Depreciation	3,030	3,035	3,111
EBITDA	13,917	19,300	5,709
<i>Adjustments</i>			
Stock-based compensation	7,424	5,591	7,586
Restructuring and related charges	83	1,664	1,156
Adjusted EBITDA	\$ 21,424	\$ 26,555	\$ 14,451

2023 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	2023 Financial Guidance ⁽¹⁾			
	Revenue	Gross Profit	Total Operating Expense	Net Income
GAAP	\$ 705 to \$ 740	\$ 357 to \$ 382	\$ 289 to \$ 298	\$ 31 to \$ 39
Stock-based compensation expense	—	2	(26)	28
Restructuring and related charges	—	—	(1)	1
Non-cash interest and other expenses related to convertible notes	—	—	—	1
Gain on sale of equity investment	—	—	—	(3)
Tax effect of non-GAAP adjustments	—	—	—	17 to 22
Total adjustments	—	2	(27)	44 to 49
Non-GAAP	\$ 705 to \$ 740	\$ 359 to \$ 384	\$ 262 to \$ 271	\$ 75 to \$ 88
<i>As a % of revenue (GAAP)</i>		<i>50.6% to 51.6%</i>	<i>41.0% to 40.3%</i>	<i>4.4% to 5.3%</i>
<i>As a % of revenue (Non-GAAP)</i>		<i>50.9% to 51.9%</i>	<i>37.2% to 36.6%</i>	<i>10.6% to 11.9%</i>
Diluted net income per share:				
GAAP				<u>\$ 0.26 to \$ 0.33</u>
Non-GAAP				<u><u>\$ 0.63 to \$ 0.74</u></u>
Shares used in per share calculation:				
GAAP and Non-GAAP				<u><u>118.1</u></u>

(1) Components may not sum to total due to rounding.

Q2 2023 GUIDANCE GAAP TO NON-GAAP RECONCILIATIONS

(UNAUDITED, IN MILLIONS, EXCEPT EPS AND PERCENTAGES)



	Q2 2023 Financial Guidance ⁽¹⁾			
	Revenue	Gross Profit	Total Operating Expense	Net Income
GAAP	\$ 161 to \$ 171	\$ 83 to \$ 91	\$ 73 to \$ 75	\$ 4 to \$ 7
Stock-based compensation expense	—	—	(7)	7
Tax effect of non-GAAP adjustments	—	—	—	2 to 3
Total adjustments	—	—	(7)	9 to 10
Non-GAAP	<u>\$ 161 to \$ 171</u>	<u>\$ 83 to \$ 91</u>	<u>\$ 66 to \$ 68</u>	<u>\$ 13 to \$ 17</u>
<i>As a % of revenue (GAAP)</i>		51.7% to 52.8%	45.3% to 43.9%	2.7% to 3.9%
<i>As a % of revenue (Non-GAAP)</i>		51.8% to 52.9%	41.0% to 39.8%	8.3% to 10.2%
Diluted net income per share:				
GAAP				<u>\$ 0.04 to \$ 0.06</u>
Non-GAAP				<u>\$ 0.11 to \$ 0.15</u>
Shares used in per share calculation:				
GAAP and Non-GAAP				<u>117.8</u>

(1) Components may not sum to total due to rounding.

2023 ADJ. EBITDA GUIDANCE RECONCILIATIONS

(UNAUDITED, IN MILLIONS)



	Q2 2023 Financial Guidance		2023 Financial Guidance	
Net income - GAAP	\$ 4	to \$ 7	\$ 31	to \$ 39
Provision for income taxes	5	7	36	45
Interest expense, net	1	1	3	3
Depreciation	3	3	12	12
EBITDA	\$ 13	to \$ 18	\$ 82	to \$ 99
<i>Adjustments</i>				
Stock-based compensation	7	7	28	28
Restructuring and related charges	—	—	1	1
Gain on sale of equity investment	—	—	(3)	(3)
Adjusted EBITDA	\$ 20	to \$ 25	\$ 108	to \$ 125

(1) Components may not sum to total due to rounding.

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THANK YOU.

