



Analyst & Investor Day

May 15, 2014

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 2014 business strategy and our Q2 2014 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-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.

Analyst & Investor Day 2014 Agenda



9:30 – 9:40	Welcome	Blair King, Dir. Investor Relations
9:40 – 10:00	Vision and Strategy	Patrick Harshman, President & CEO
10:00 – 10:30	Video Business	Krish Padmanabhan, SVP
10:30 – 11:00	Cable Edge Business	Peter Alexander, CMO
11:00 – 11:10	<i>Break</i>	
11:10 – 11:40	Go-to-Market	George Stromeyer, SVP
11:40 – 12:00	Financial Overview	Carolyn Aver, CFO
12:00 – 12:20	Q&A	All
12:20 – 12:30	Wrap-up	Patrick Harshman
12:30 – 2:00	<i>Lunch</i>	Harmonic Board & Executive Team



Vision and Strategy

Patrick Harshman
President and Chief Executive Officer

The Worldwide Leader in video delivery infrastructure



Enabling amazing video experiences
through integrated solutions with unrivaled simplicity, flexibility and efficiency



CA

Silicon
Valley

\$462M

2013 Annual
Revenue

1032

Employees

8

Major Sites
Worldwide

3850

Customers
Globally

Customers

harmonic

Broadcast & Media



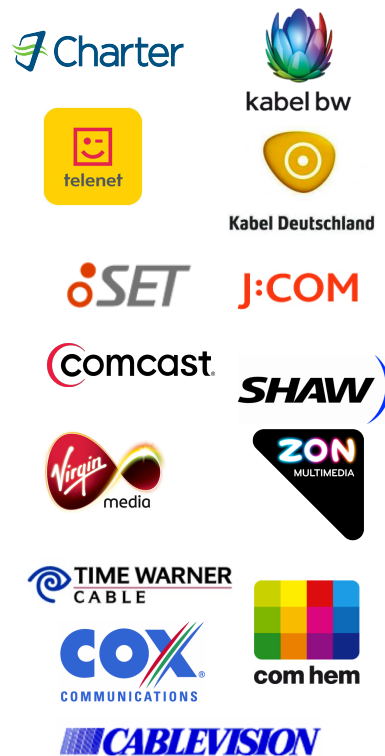
Satellite



Telco



Cable



OTT / New Media

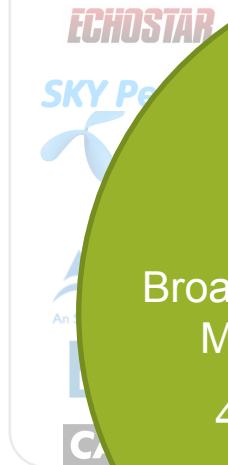


Customers

Broadcast & Media



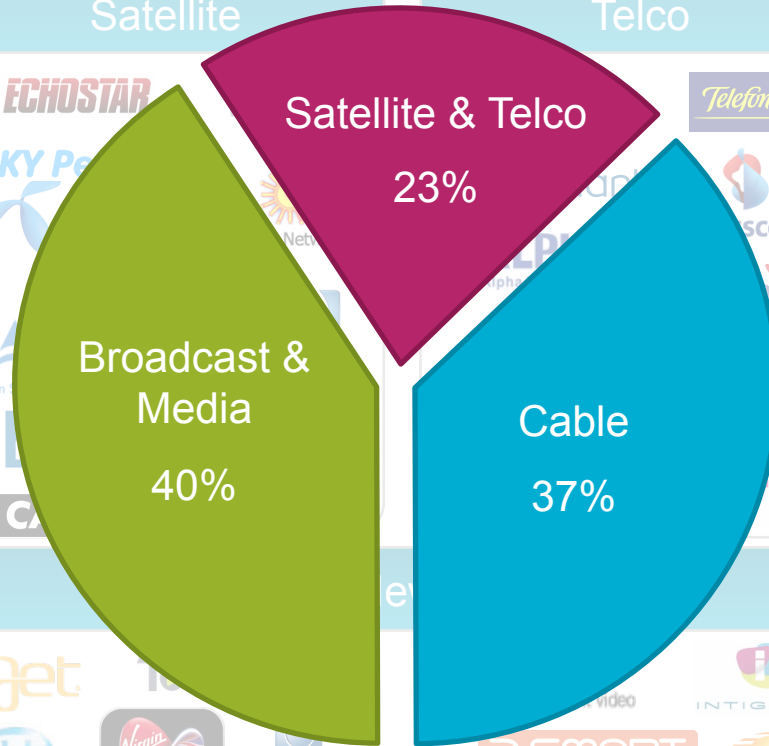
Satellite



Telco



Cable



Market Leadership



Harmonic is the leader

Production
& Payout

#1 in
Broadcast
Payout Servers

FROST &
SULLIVAN

October 2012

Primary
Distribution

#1 in
Pay TV
Encoders

FROST &
SULLIVAN

August 2012

Content
& Service
Delivery

#1 in
IPTV
Headends

M multimedia
research
group, inc.
an S&P/Kagan Company

May 2013

Multiscreen

#1 in
Multiscreen

FROST &
SULLIVAN

Oct. 2013

M multimedia
research
group, inc.
an S&P/Kagan Company

Dec. 2013

ABIresearch®
technology market intelligence

April 2014

Cable Edge

#1 in
Cable
EdgeQAMs
#3 in
CCAP

INFONETICS
RESEARCH

February 2014

Harmonic's Strategic Transition



	2007	2013
Customer		
<ul style="list-style-type: none">• International sales	43%	57%
<ul style="list-style-type: none">• Broadcast & media revenue	19%	40%
<ul style="list-style-type: none">• Cable revenue	60%	37%
<ul style="list-style-type: none">• Top 10 customers	53%	31%
Financial		
<ul style="list-style-type: none">• Revenue	\$311M	\$462M
<ul style="list-style-type: none">• Gross margins	45%	53%
<ul style="list-style-type: none">• Shares outstanding	94M	96M

Focus on accelerating earnings growth

Video is Strategic

harmonic.

○ Library monetization

○ Video enabled devices



○ Video on Demand

○ Premium video services

○ Online video subscribers

○ Viewing hours of video



○ Ultra HD



○ Personalized advertising

○ % of Internet traffic

Video is Strategic

harmonic.



**AT&T in talks to buy
DirecTV for about
\$50 billion**



**Comcast buys
Time Warner Cable
for \$45 billion**



**Vodafone's \$10.2 Billion Takeover of Kabel
Deutschland Gets Shareholder Approval**

The New York Times
*Comcast and Netflix
Reach Deal on Service*



**NFL Draft, Game of Thrones Hold the Top
Spots in the Ratings This Week**



**Premier League scores in the US as
NBC coverage finds growing audience**

Video is Changing

harmonic.



Video is Changing and Driving Investment

harmonic.



Video

- \$382M 2013 revenue
- Double-digit operating income
- \$2.5B 2017 addressable market
- Disruptive transition to software / cloud
- Coming refresh for HEVC & UltraHD
- New Strategic Platform - **VOS**

Cable Edge

- \$80M 2013 revenue
- Investment mode
- \$1.6B 2017 addressable market
- Disruptive transition to managed IP video
- New Strategic Platform – **NSG Pro**

- Strengthened Go To Market strategy
- Solidly positioned to accelerate earnings growth

New Leadership for the Future



Krish
Padmanabhan

SVP
Video

- NetApp
- McKinsey

2012



Nimrod Ben
Natan

SVP
Cable Edge

- Joined
Harmonic
1997
- Orckit
Comms

2012



Peter
Alexander

CMO

- Cisco
- Stratacom

2012



George
Stromeyer

SVP
Sales

- Cisco
- Scientific
Atlantic

2013



Carolyn
Aver

CFO

- Agile
- Autodesk

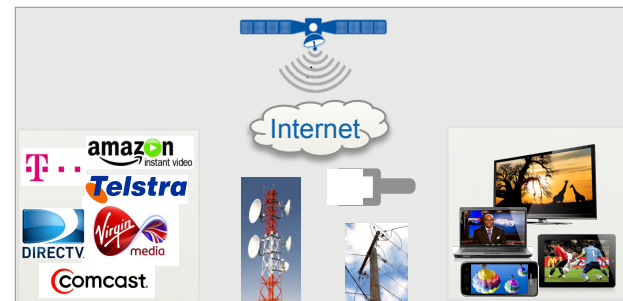
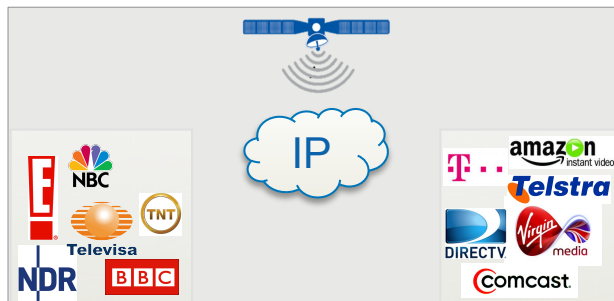
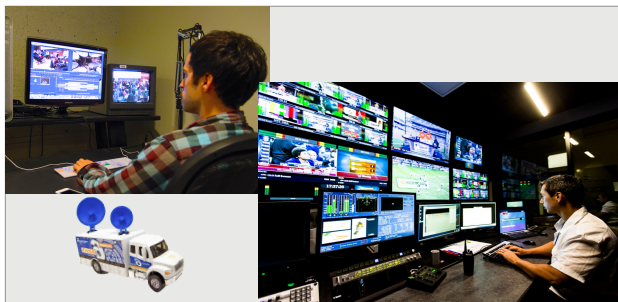
2010



Video Business

Krish Padmanabhan
SVP, Products & Solutions

Harmonic's Video Business Overview



Production & Playout

Primary Distribution

Broadcast & Multiscreen Delivery



Spectrum
Ingest & Playout Server



MediaGrid
High Performance Storage



ProMedia
Transcoder



MAS
Media Asset Management



Electra XVM
Virtualized Media Processor



Electra
Encoder



ProView
Integrated Receiver Decoder



DMS
Distribution Management



Electra XVM
Virtualized Media Processor



Electra
Encoder



ProStream
Stream Processor and Transcoder

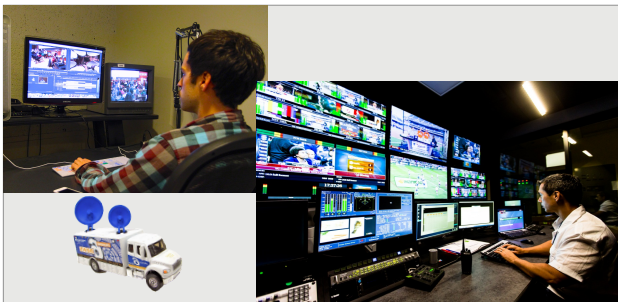


ProMedia
Transcoder, Packager & Origin



NMX Digital Service manager

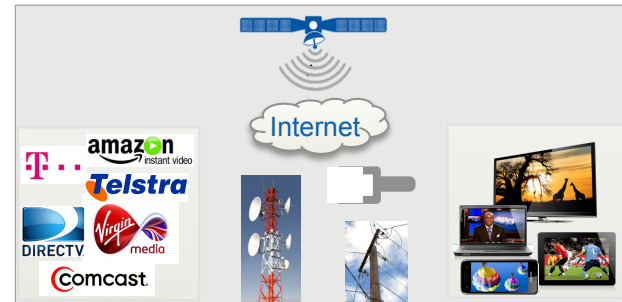
Harmonic's Leadership Position



Production & Playout



Primary Distribution



Broadcast & Multiscreen Delivery

#1 in
Broadcast
Playout Servers

FROST &
SULLIVAN

October 2012

#1 in
Pay TV
Encoders

FROST &
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M multimedia
research
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May 2013

#1 in
Multiscreen

FROST &
SULLIVAN

Oct 2013

M multimedia
research
group, inc.
An S&P Kagan Company

Dec 2013

ABIresearch®
technology market intelligence

April 2014

Customer Challenges

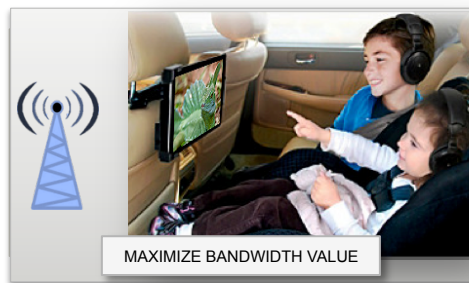
harmonic

Production & Playout

Primary Distribution

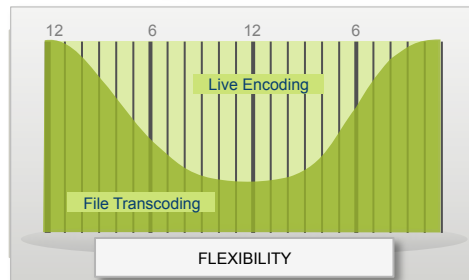
Broadcast & Multiscreen Delivery

*Profitably monetize
vastly more content*

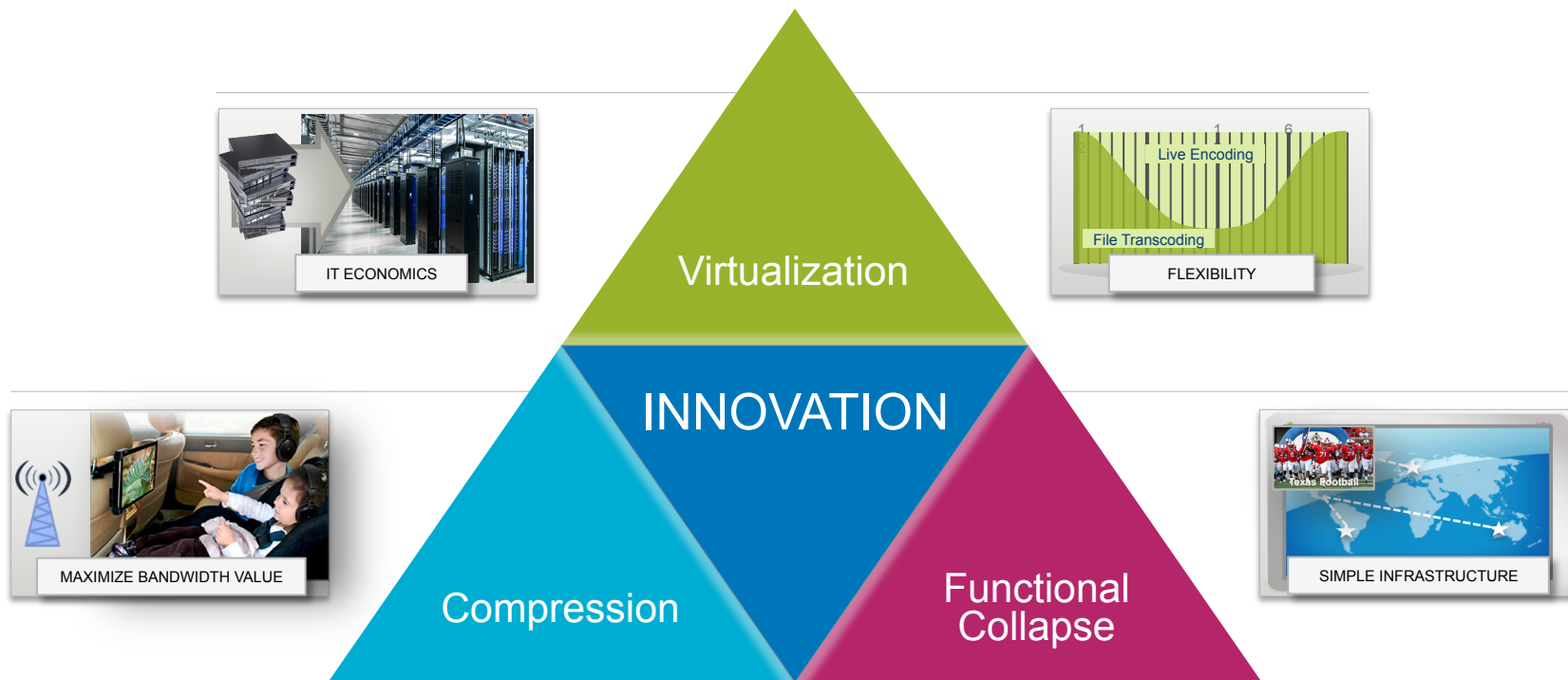


*Deliver stunning
video experiences
everywhere*

*Significantly reduce
video infrastructure
TCO*

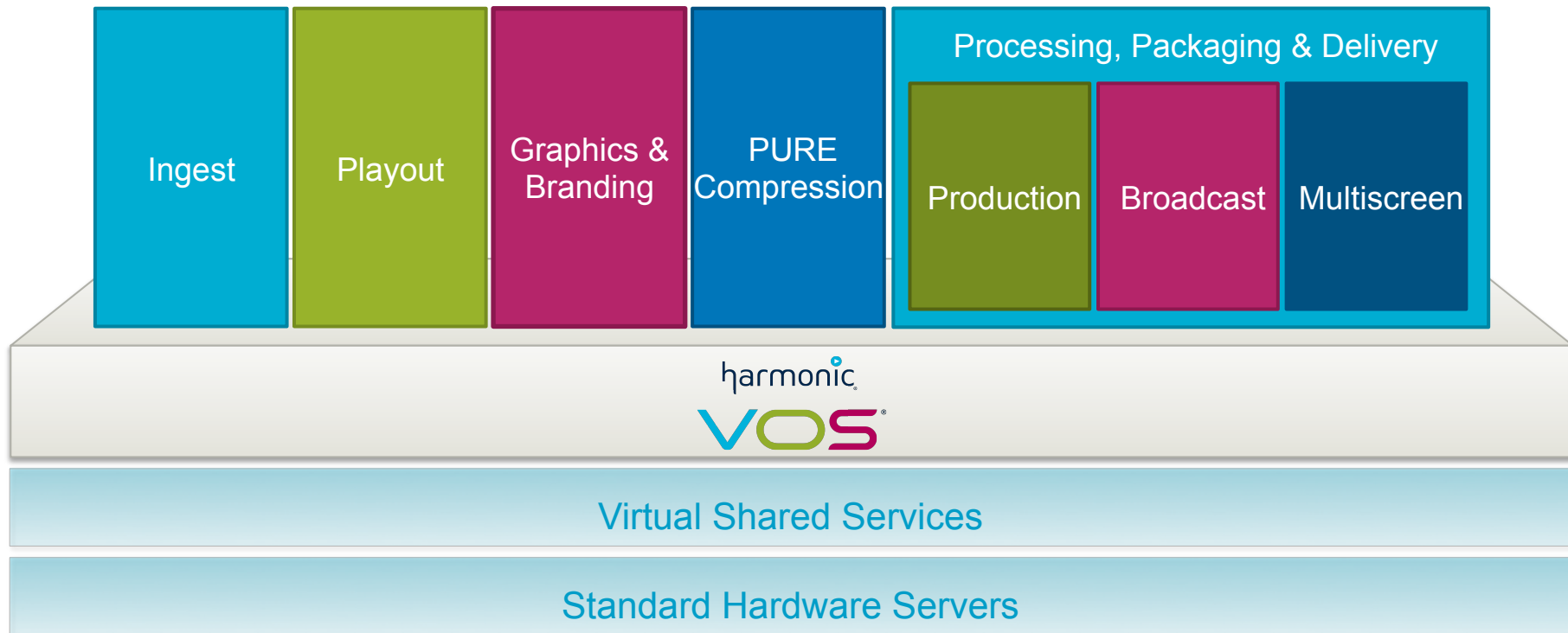


*Nimble pursue content
monetization
opportunities*



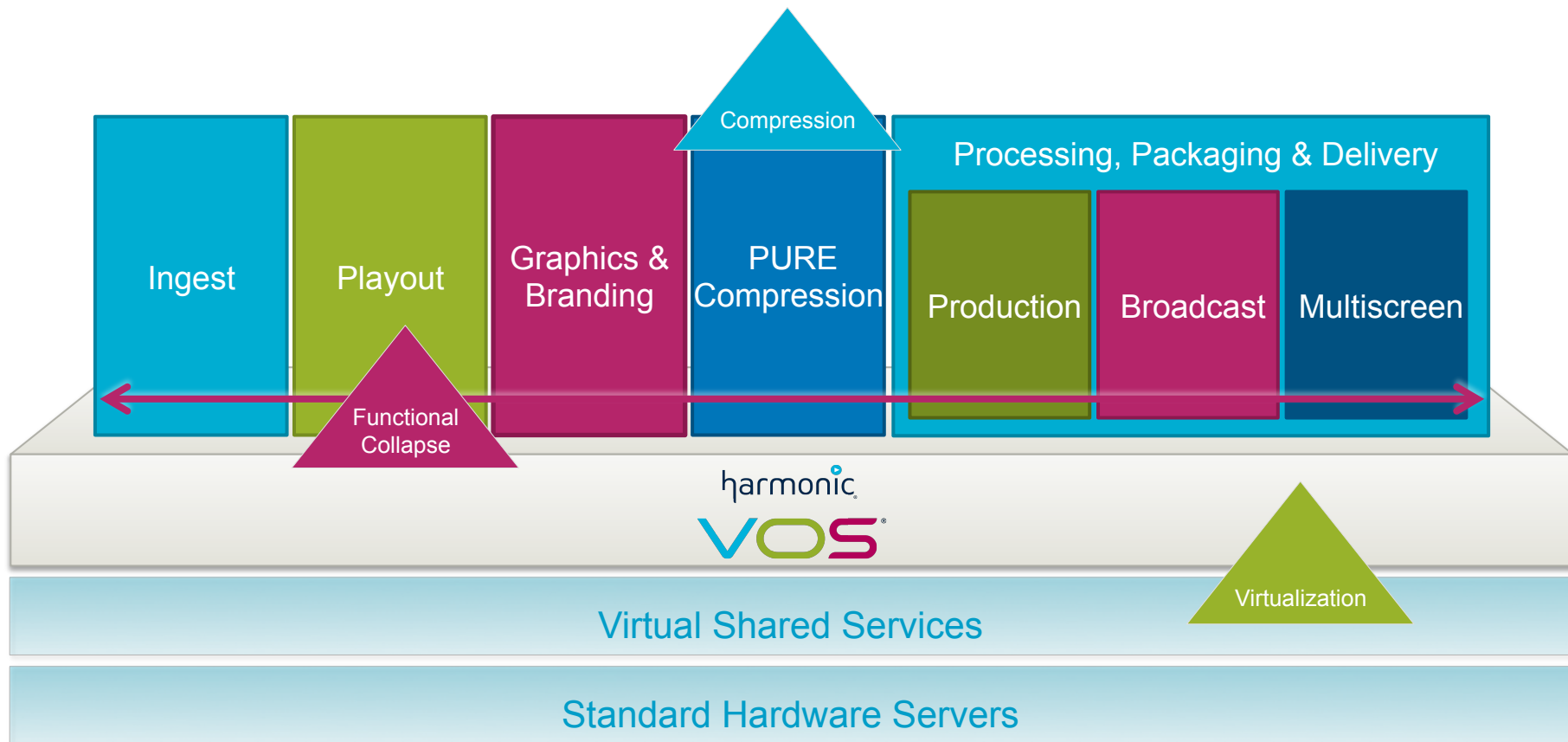
VOS: Re-inventing Video Infrastructure

harmonic.



VOS: Re-inventing Video Infrastructure

harmonic.



VOS: Bandwidth Efficiency

Compression

PURE Compression Engine

SD

MPEG-2

CBR

HD

MPEG-4
/AVC

VBR

UHD

HEVC

ABR

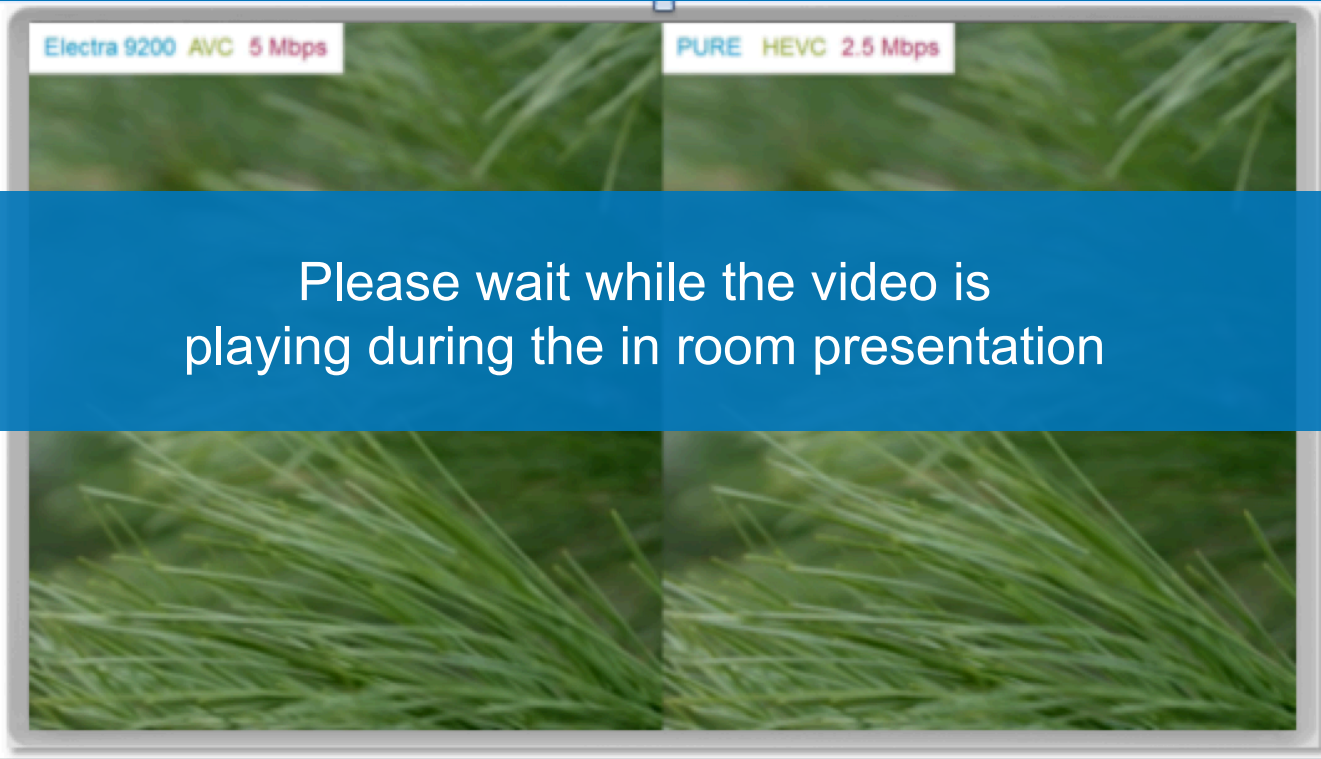
Stunning
Video
Quality



VOS: Stunning Video Everywhere

Compression

100% software running on a virtual machine on a blade server



VOS: Stunning Video Everywhere

Compression

100% software running on a virtual machine on a blade server

Electra 9200 AVC 5.5 Mbps

PURE Compression AVC 3.85 Mbps

Please wait while the video is
playing during the in room presentation

harmonic

harmonic

VOS: Simplicity

Functional
Collapse

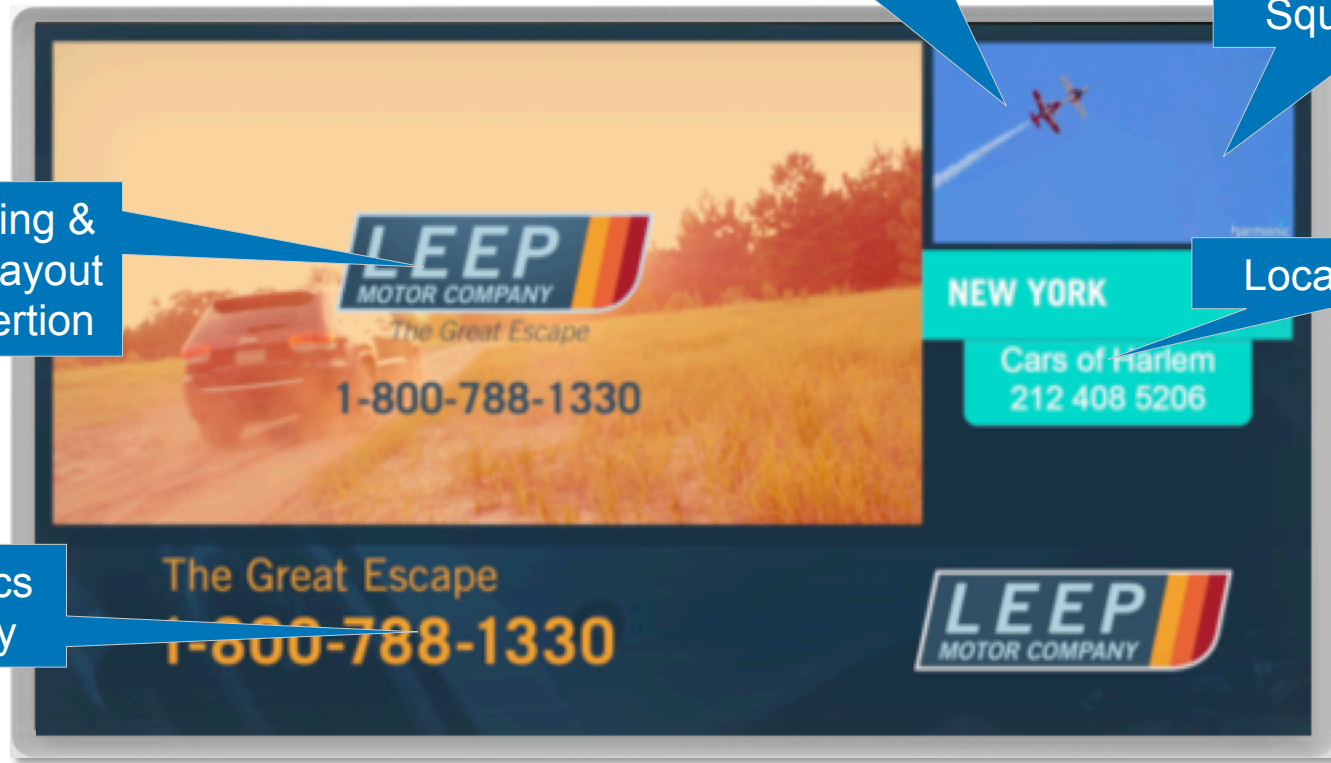
Live broadcast

Squeeze back

Switching &
local playout
ad insertion

Localization

Graphics
overlay



VOS: Simplicity

Functional
Collapse

100% software running on a virtual machine on a blade server

Please wait while the video is
playing during the in room presentation

The Great Escape
1-800-788-1330



VOS: Simplicity and Flexibility

Virtualization

The screenshot displays the VOS (Video On Demand) interface. On the left is a sidebar with an 'Action' menu containing options like 'Encode MPEG-2', 'Insert Branding', 'Down-Convert to SD', 'Unique Branding', 'Launch Multiscreen', 'More than Branding', 'Launch Ad Insertion', 'Insert Graphical Avails', 'Turn on Regionalization', 'Encode AVC', 'Turn Off MPEG-2', and 'Encode HEVC'. The main area is divided into two sections: 'Today's Infrastructure' (pink header) and 'VOS' (green header). The 'Today's Infrastructure' section contains a diagram of a video processing pipeline with components like 'Input Server', 'Encoder', 'Decoder', and 'Output'. The 'VOS' section shows two video thumbnails of a green plant. A large blue overlay with the text 'Please wait while the video is playing during the in room presentation' is centered over the interface. The 'harmonic' logo is visible in the bottom left corner.

Please wait while the video is
playing during the in room presentation

VOS: IT Economics

Virtualization

Broadcast and MW video encoding deployment:

Inputs: 1000 HD

Outputs: 1 HD + 6 multiscreen per input Redundancy: 15:1

	Traditional H/W Encoders	Electra XVM – Virtual Blades
Enclosures	534	34
RU's	534	340
Port Count	3204	136
Power	1.64 MWh/yr.	1.17 MWh/yr.
Cooling	748k BTU/hr.	464k BTU/yr.
Skills	Video	IT
Staffing	More boxes, more people	Fewer boxes, fewer people

Appliance to Software Transition Will Take Time

Virtualization



VOS: Ultra HD Innovation Readiness



SES[▲] **harmonic** **BROADCOM**
your satellite company

**SES, Harmonic, Broadcom
run first Ultra HD
transmission using HEVC**

April 2013

UHD 24 fps
File Transcoding

Bandwidth: 20 Mbps

Inter BEE 2013
International Broadcast Equipment Exhibition
November 13 Wed. >>> **15** Fri. Tokyo, Japan
Makuhari Messe

November 2013

UHD 60 fps
File transcoding

Bandwidth: 20 Mbps

NABSHOW[®]
Where *Content* Comes to Life

April 2014

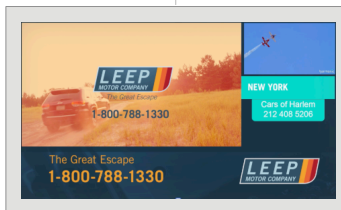
UHD 60 fps
Live Transcoding

Bandwidth: 20 Mbps

First VOS Product Released at NAB: Electra XVM



Playout with integrated
graphics & branding



Playout

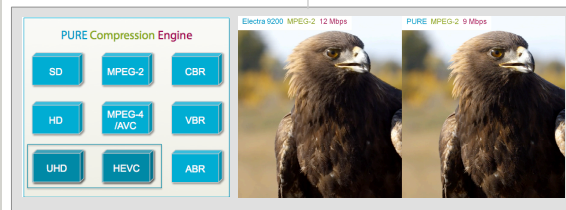
Graphics &
Branding

PURE
Compression

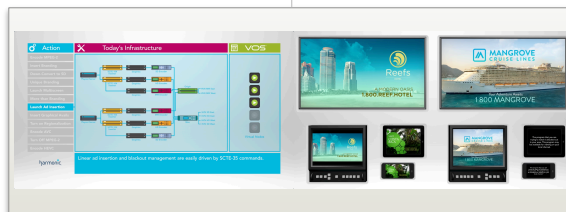


Electra XVM

PURE compression
with HEVC



Built for
virtualized
deployment



Broadcast and
multiscreen encoding



VOS Message was Understood at NAB

harmonic.



studiodaily
home of the studiodaily.com online family

NAB Top 10: Big Ideas in Production and Post

Best look at the future: Harmonic VOS platform



harmonic
VOS

Electra XVM



TVNewsCheck
THE BUSINESS OF BROADCASTING

NAB 2014

Is Sun Setting On Purpose-Built Products?

Harmonic intros VOS, a software platform for television production and distribution that leverages the company's existing intellectual property for a future in which virtual machines replace purpose-built hardware.

THE BUSINESS OF TELEVISION
BC
BROADCASTING & CABLE

NAB: Harmonic Launches VOS To Simplify Video Infrastructures

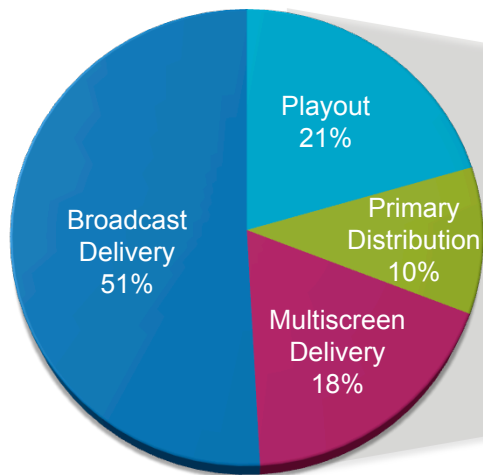
Market Size: Industry Analyst View (\$M)



Production & Playout

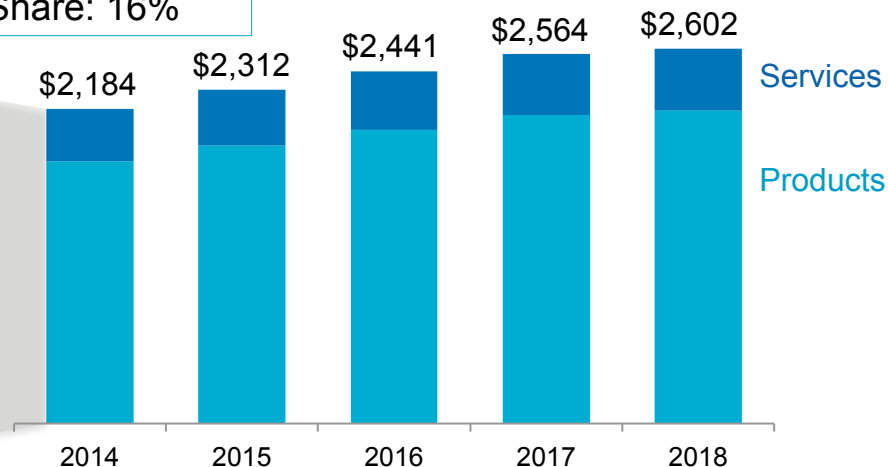
Primary Distribution

Broadcast & Multiscreen
Delivery

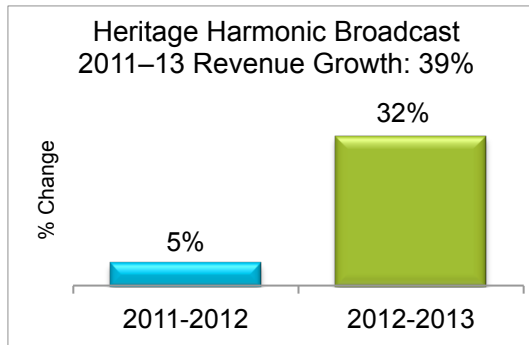
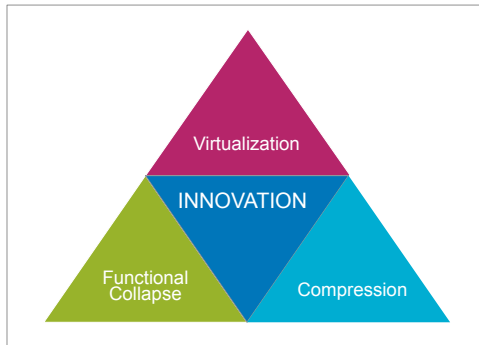
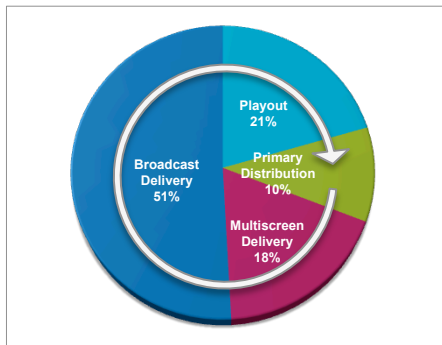


Harmonic Market
Share: 16%

4.5 % CAGR



Market Opportunity: Harmonic View



Disruptive and valuable innovation leveraging Harmonic's end-to-end advantage...

...Leads to outpacing market growth over time as market transitions to functionally-collapsed and virtualized infrastructure...

...and delivers software-based margin enhancement over time on already strong Video Business operating margins



Cable Edge Business

Peter Alexander
SVP, Chief Marketing Officer

The Future of Cable is Bright

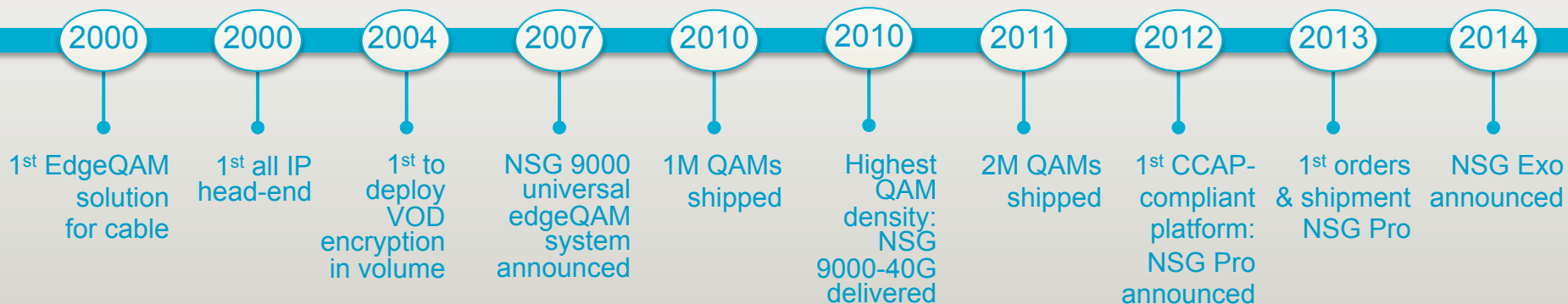
- Subscriber value increasing
- Premium services increasing
- Data service speed demand
- OTT rights revenues
- Cool factor of new STBs, User interfaces
- 10+ years of bandwidth capacity
- Healthy CAPEX trends



Harmonic's Cable Edge Leadership



- Marketshare leadership, more than 3 million QAMs deployed
- 12 out of 15 top cable operators
- Pioneered QAM licensing model enabling gross margin expansion



Viewed in industry as clear innovator

The New Cable Architecture



Network-based Services

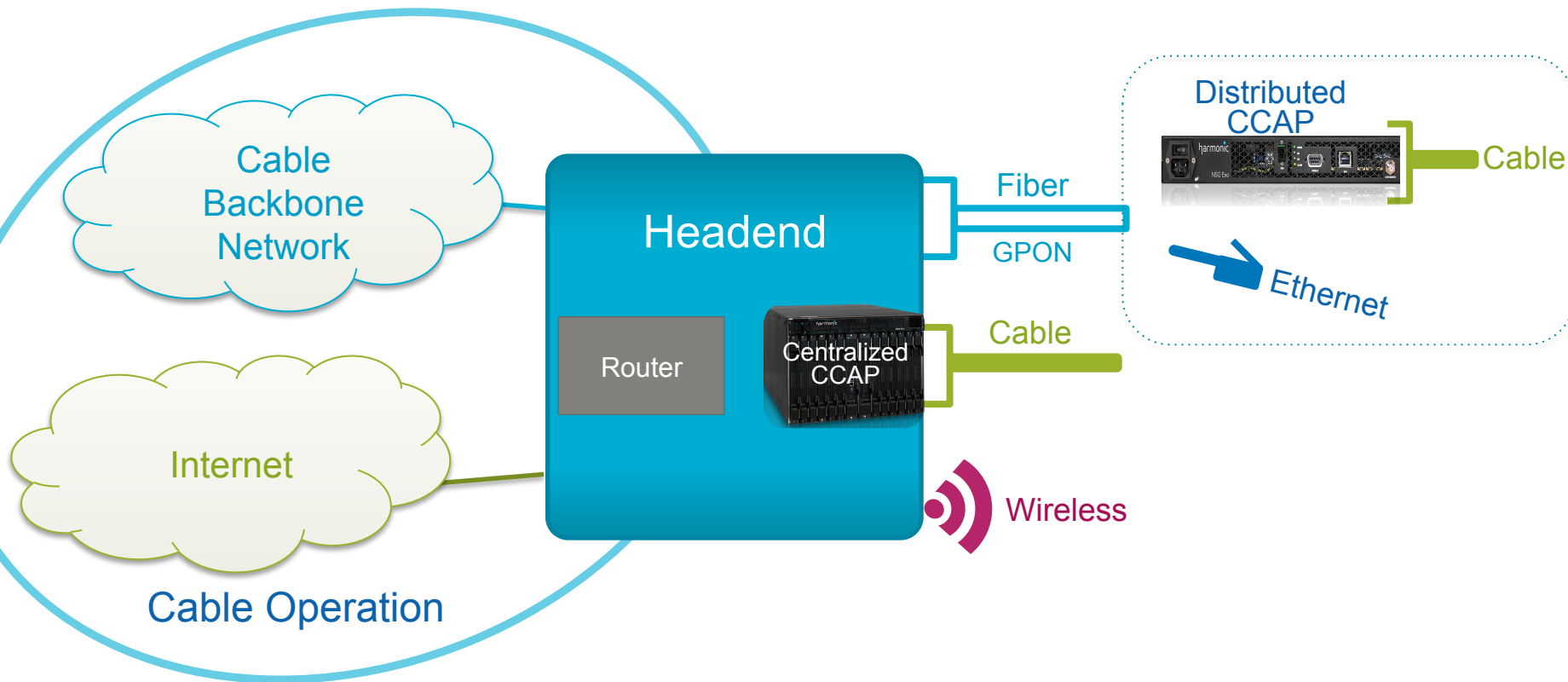
- Cloud UI
- nPVR
- TV Everywhere/
Multiscreen
- Gaming

Network Infrastructure

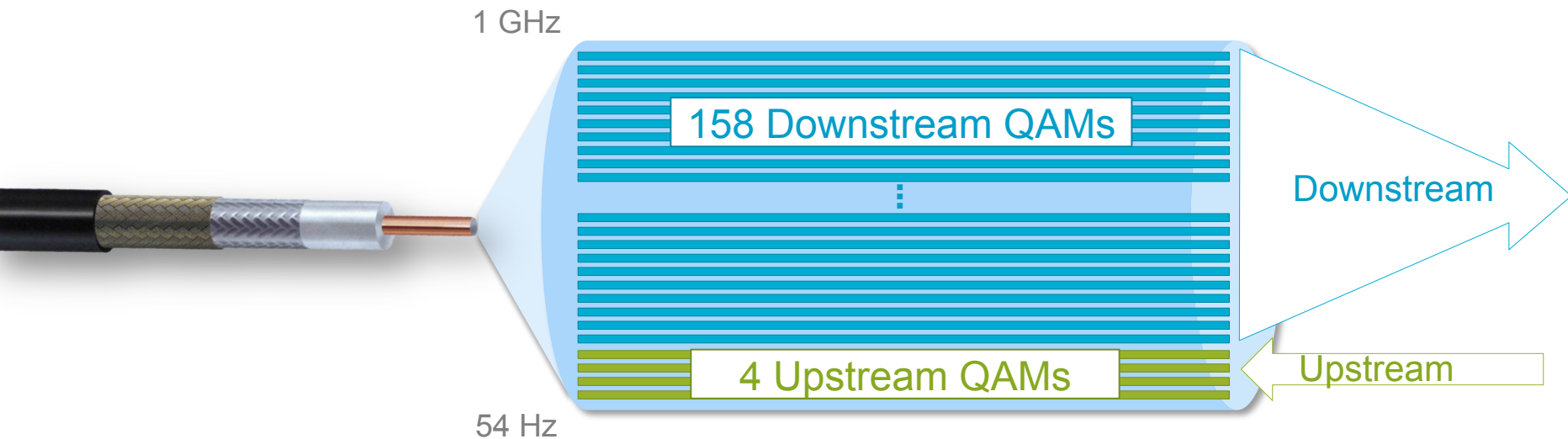
- Migration to all IP
- Unified access network with multiple new access technologies:
 - Centralized CCAP
 - Distributed CCAP
 - Fiber
 - Wireless

The New Cable Network

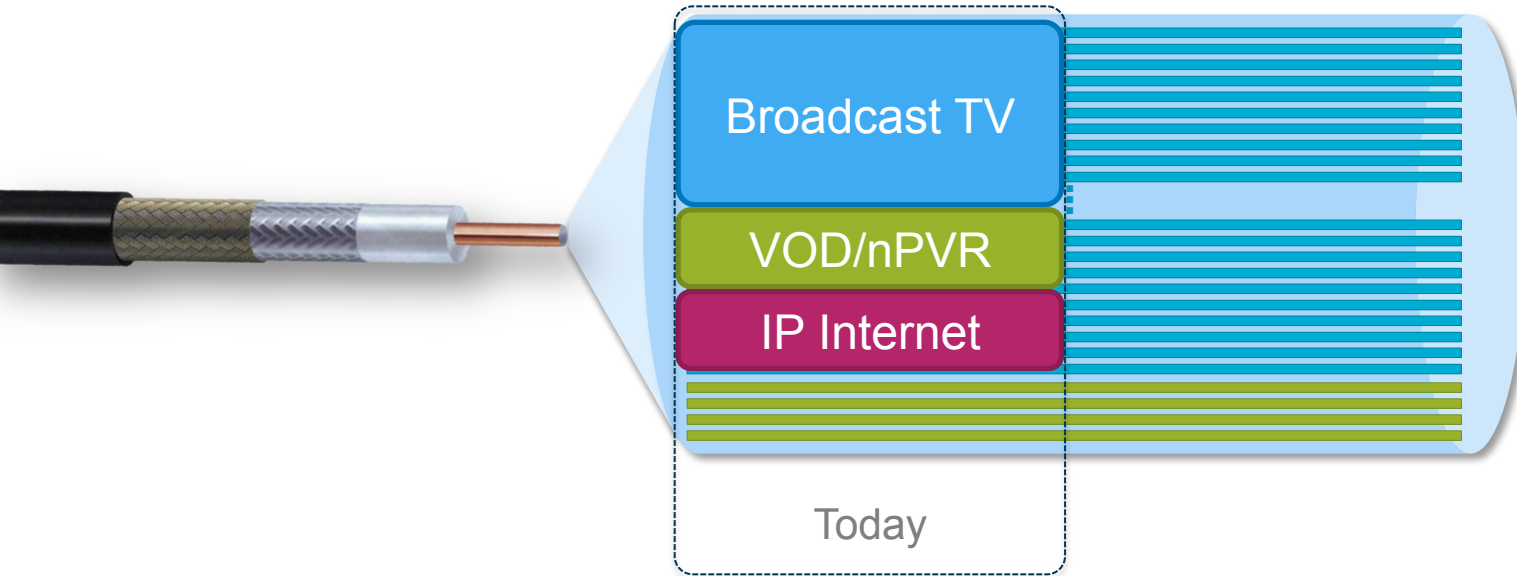
harmonic.



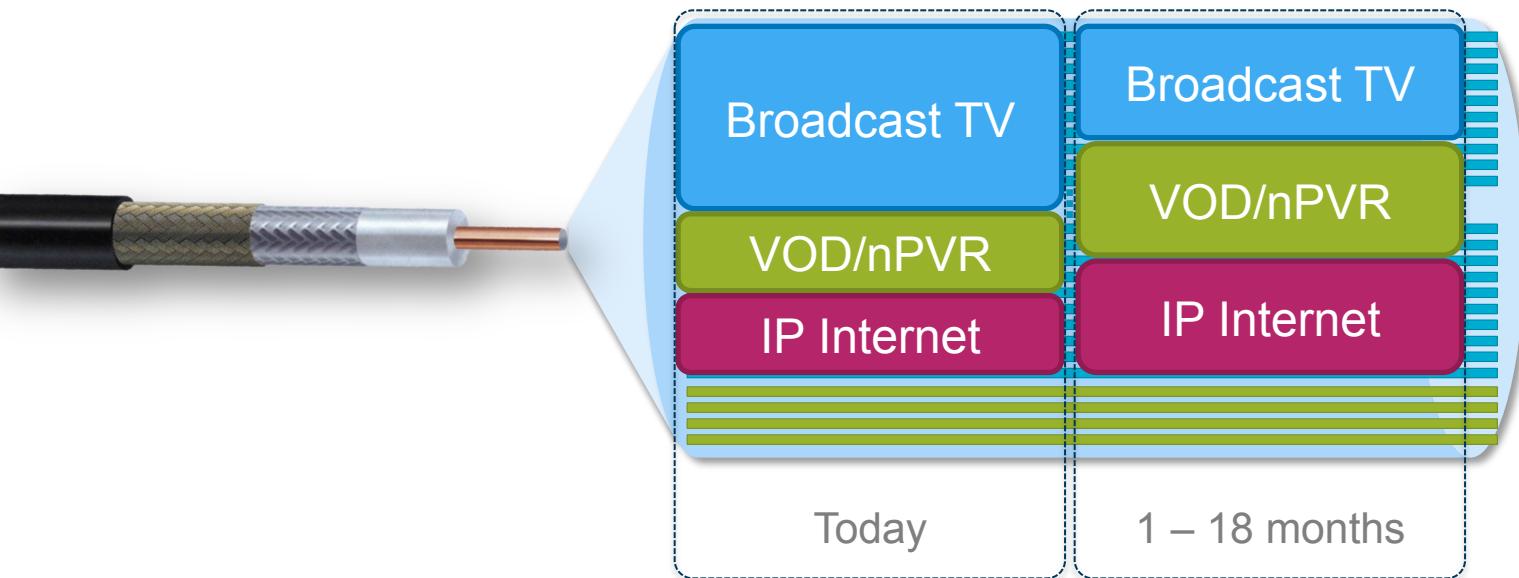
Changing the Profile of Cable



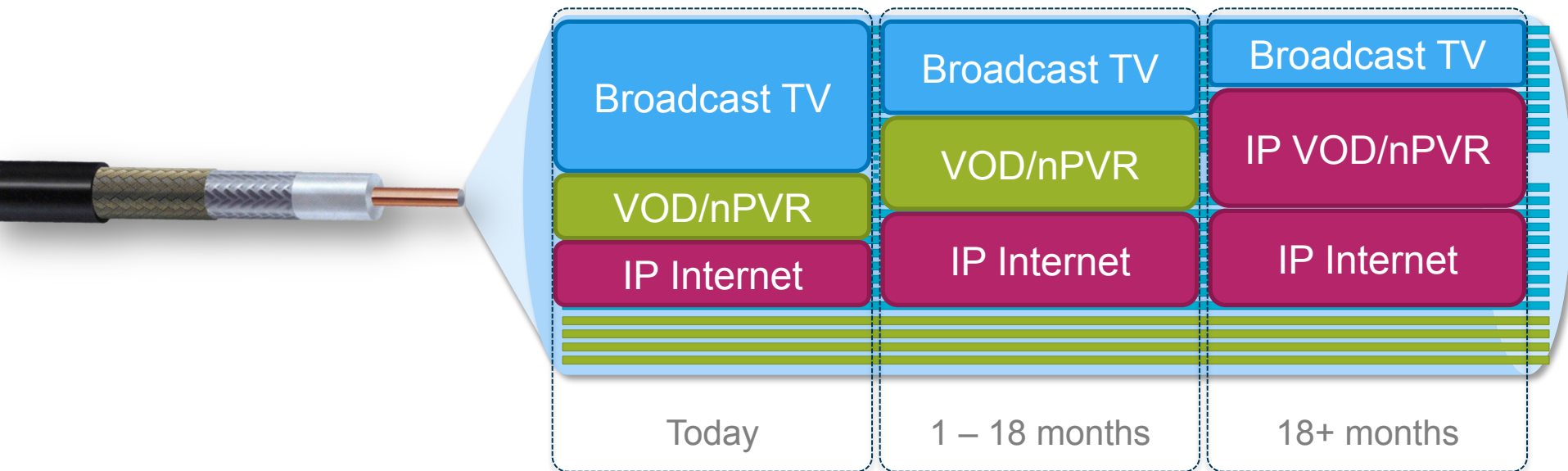
Changing the Profile of Cable



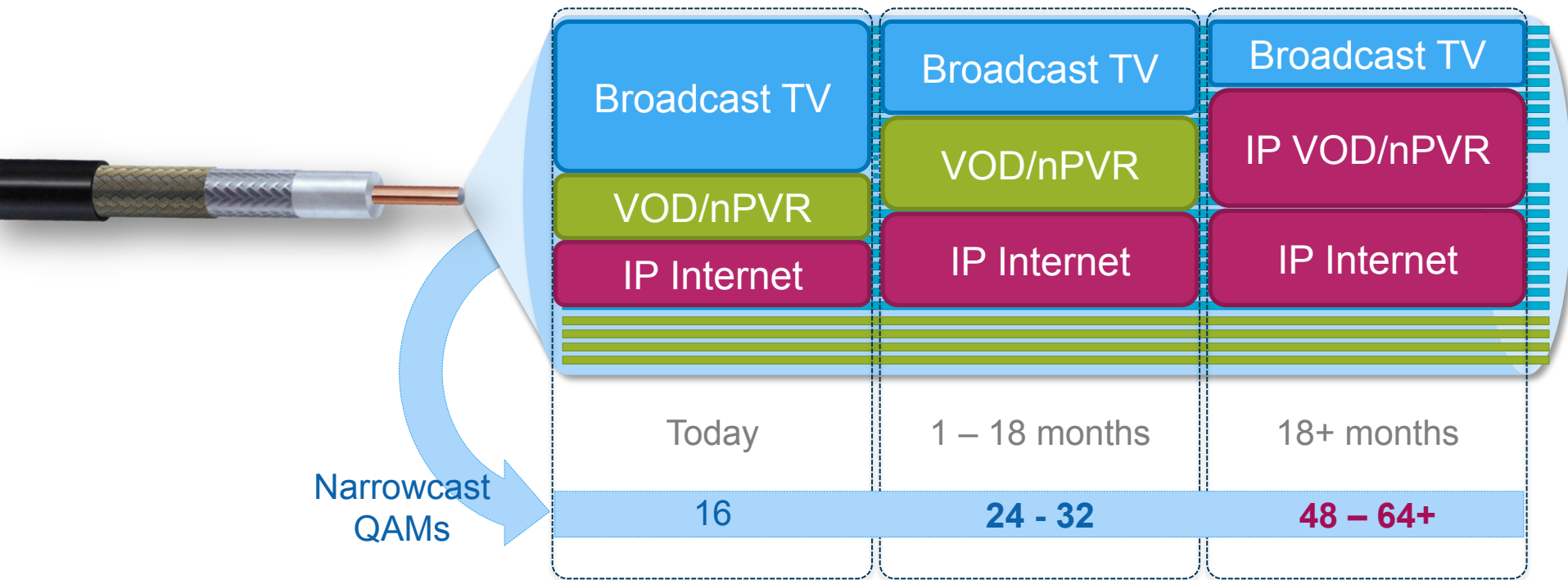
Changing the Profile of Cable



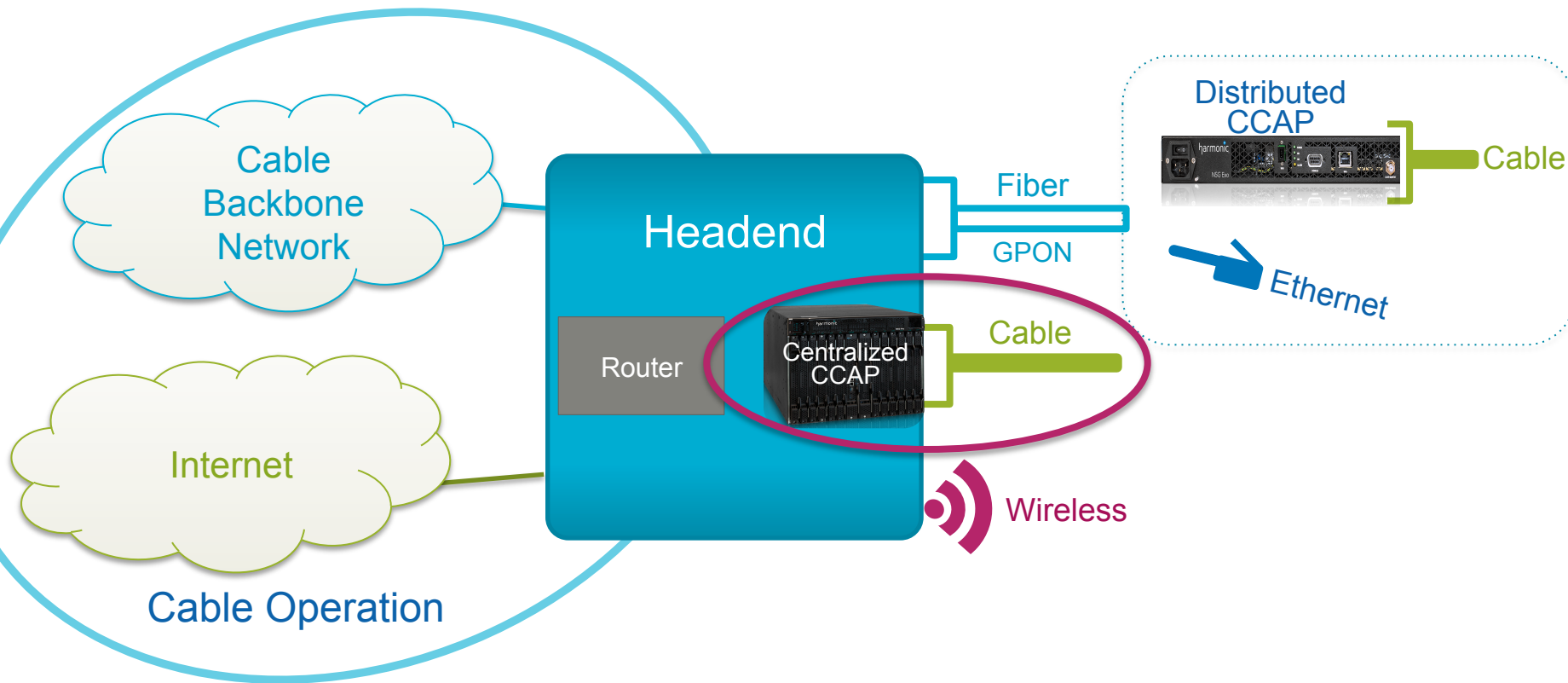
Changing the Profile of Cable



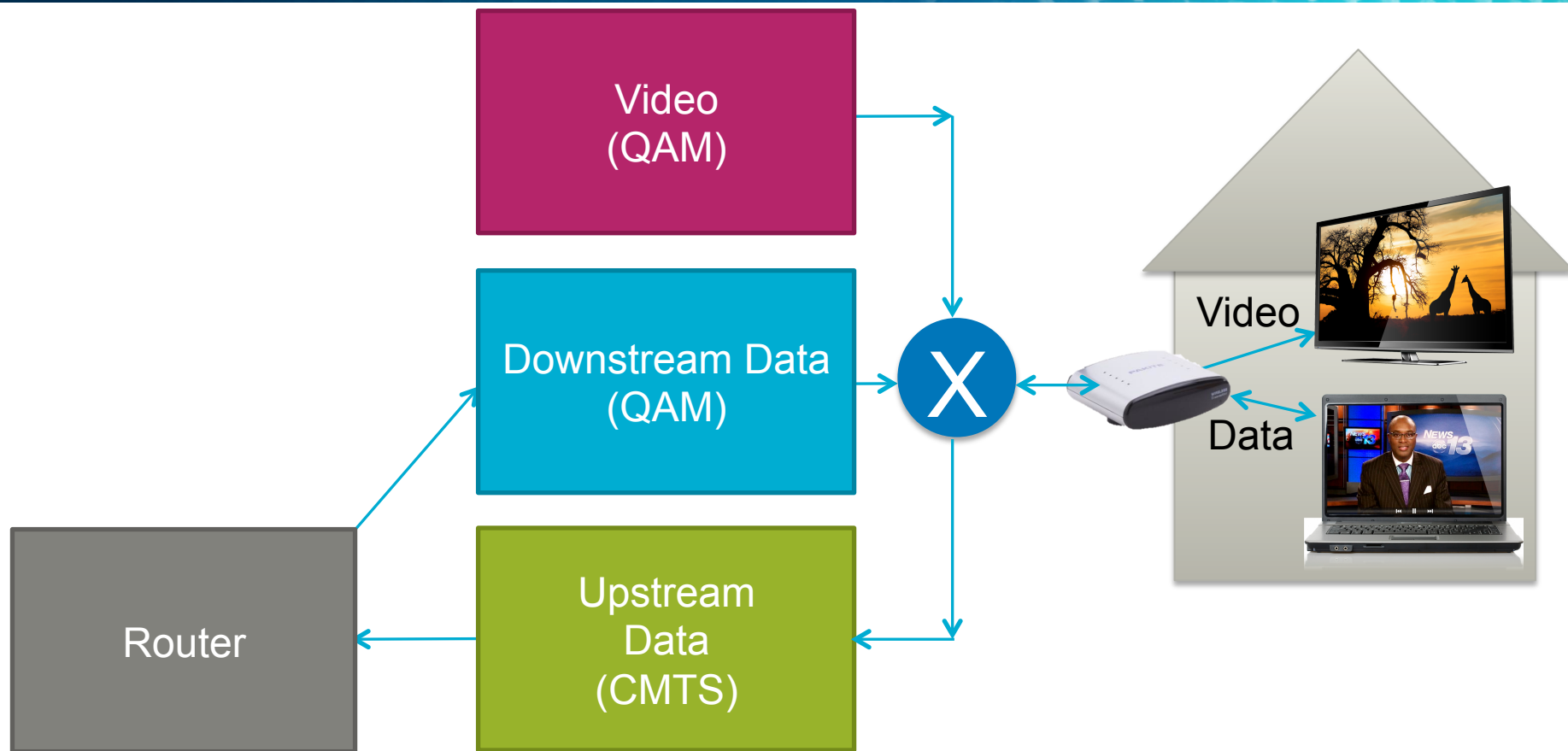
Changing the Profile of Cable



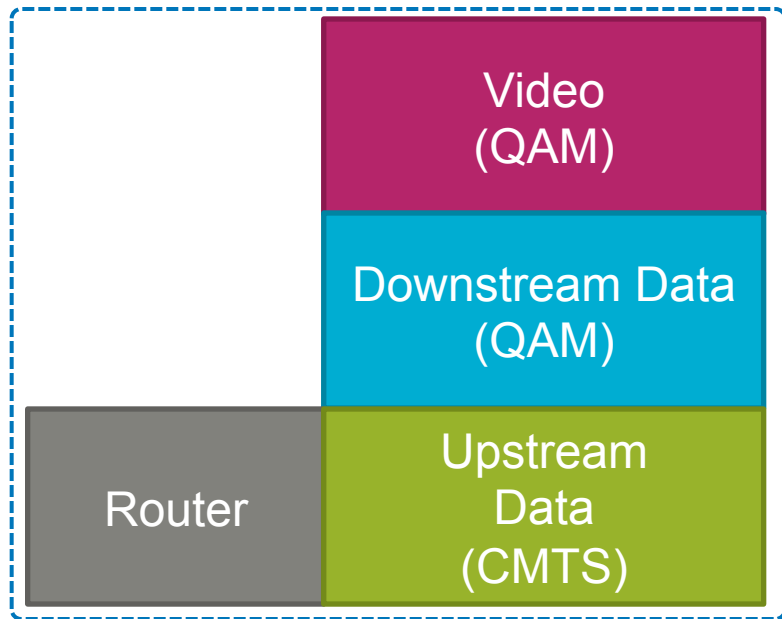
harmonic®



Cable Head End - Today

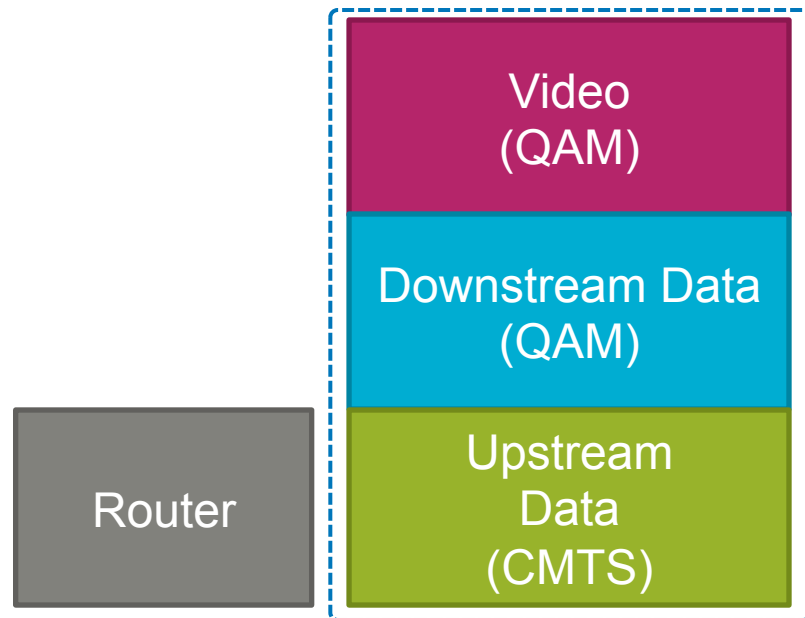


Cable Head End – CCAP Architecture



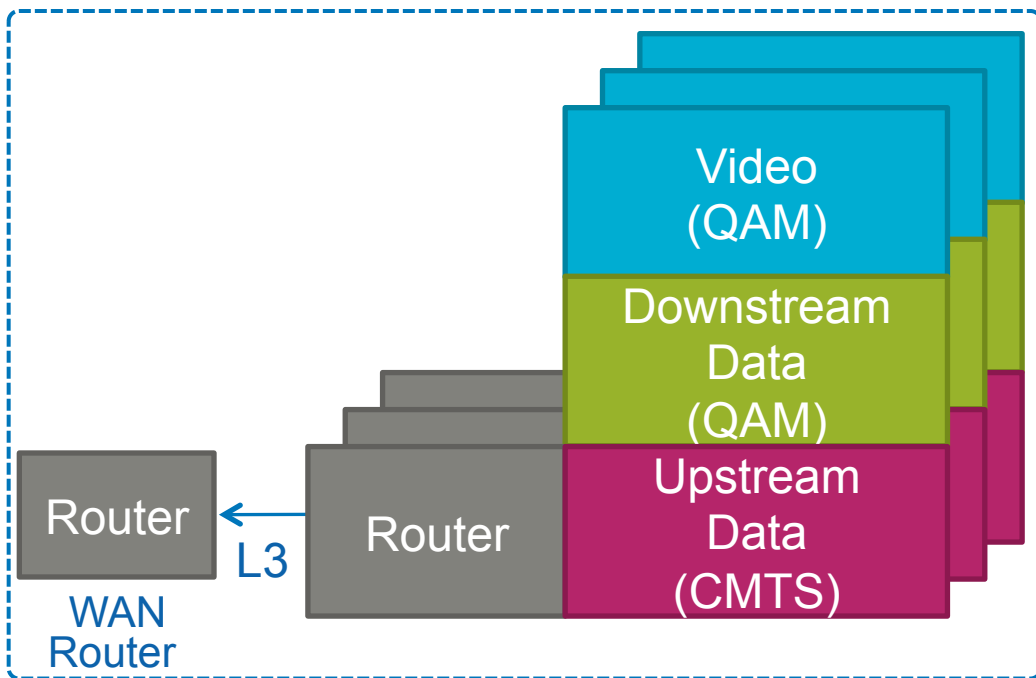
Routing CCAP

-OR-

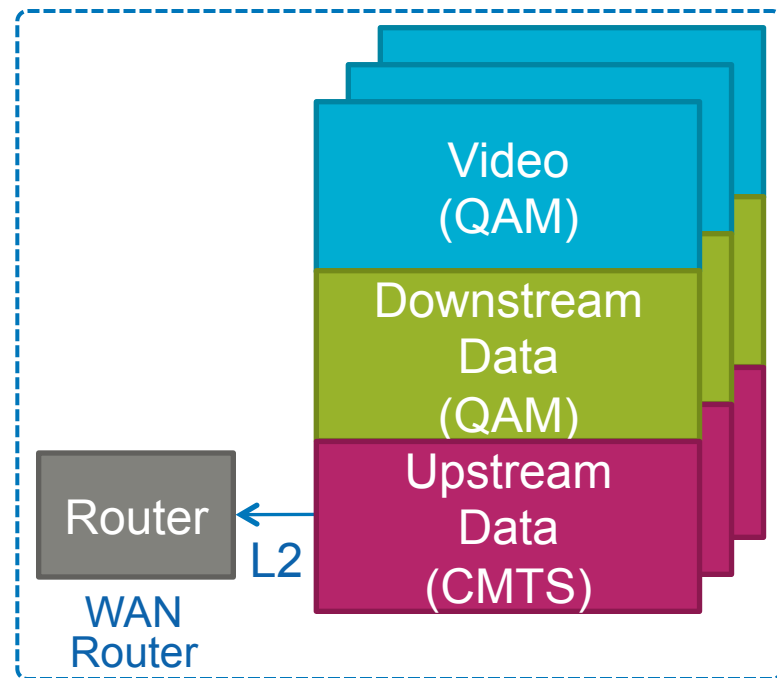


L2 Forwarding CCAP

Cable Head End – CCAP Architecture

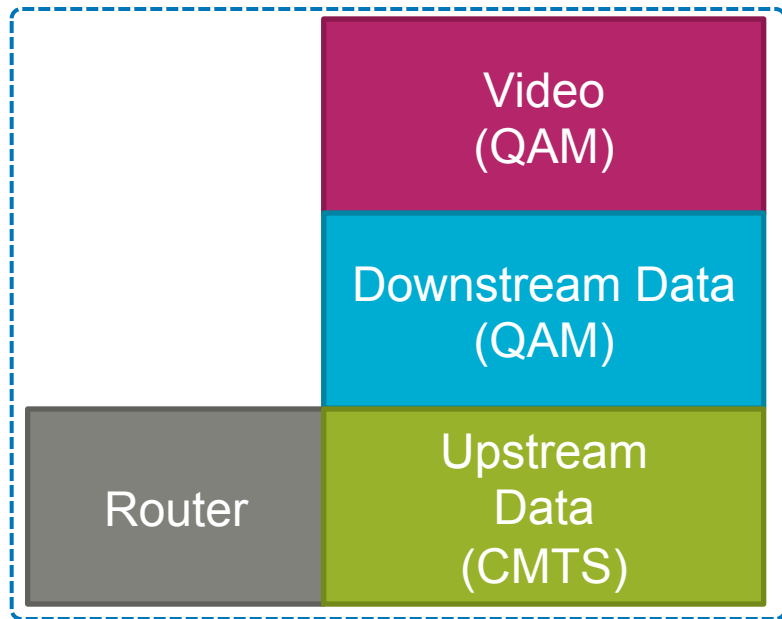


Networking Complexity –
“N” Routers + WAN Router

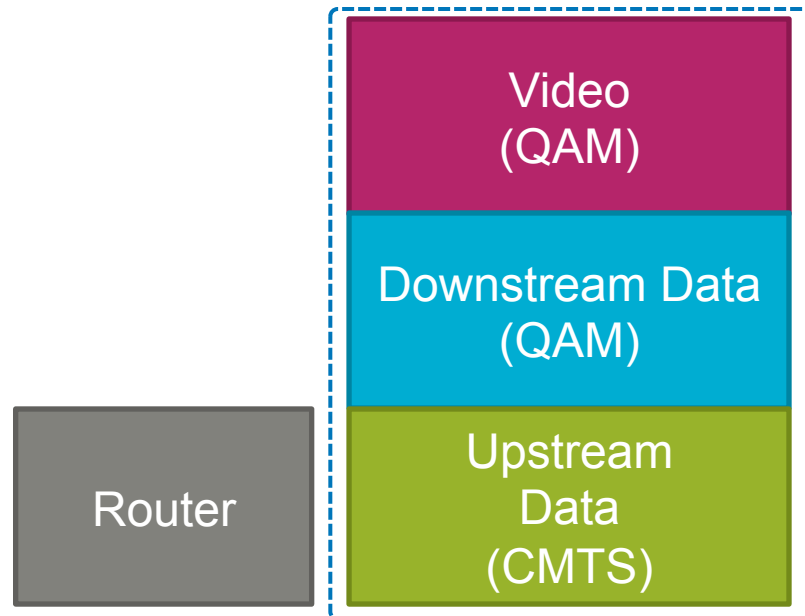


Networking Performance,
Simplicity, & Flexibility

Cable Head End – CCAP Alternatives



-OR-



Integrated Router
Cisco
cBR

Arris
E6000



Any Router
Cisco
Alcalu
Huawei
Juniper

+

Harmonic

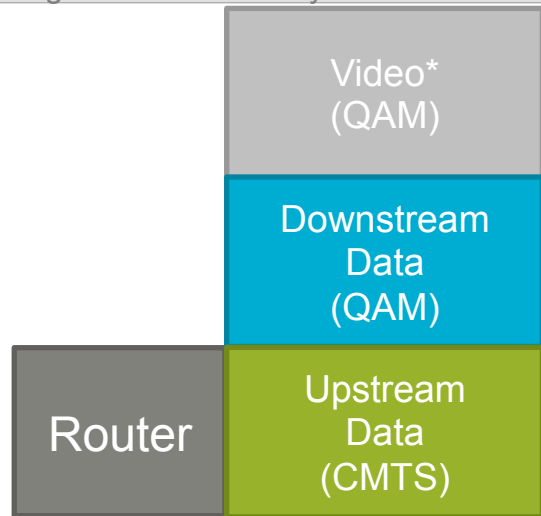


NSG
Pro

CCAP Status Today

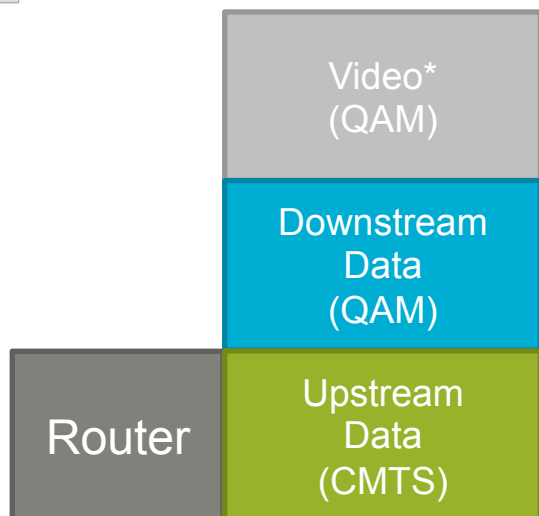


*Integrated Functionality Not Yet Delivered



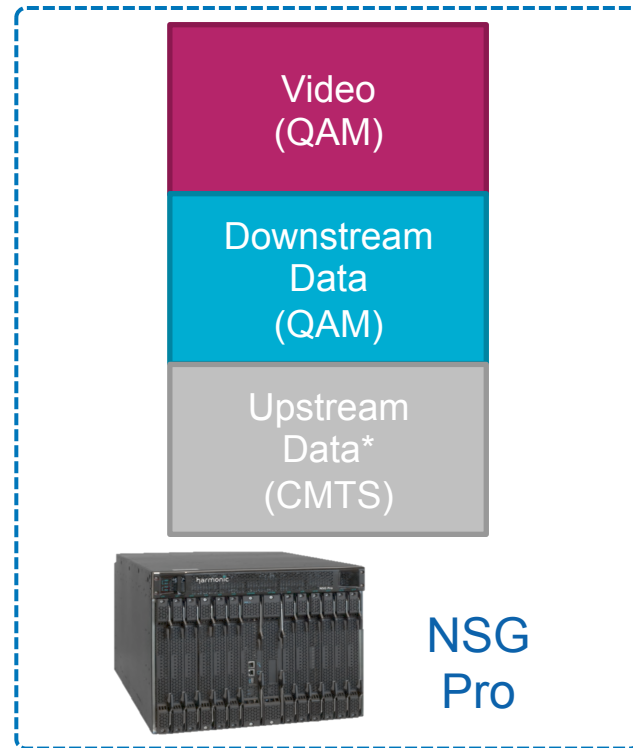
Casa
C100G

16-32
Narrowcast QAMs



Arris
E6000

16-32
Narrowcast QAMs



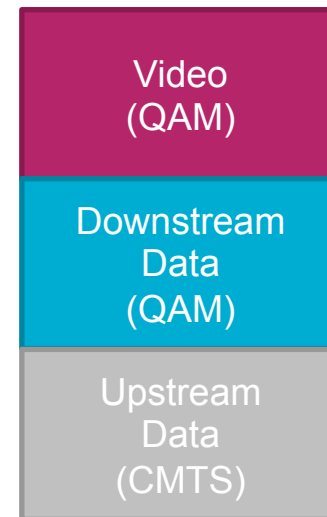
NSG
Pro

48+
Narrowcast QAMs

NSG Pro Differentiators



- Most narrowcast QAMs per service group
- Router-independent architecture
- Operational and capital efficiency
 - Software control of all downstream services
 - Highest service group density per RU
 - Software licensing
 - Price per port



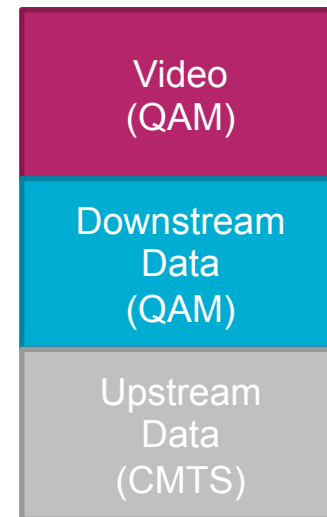
NSG
Pro



NSG Pro Phase 1 Milestones



- October 2012 – NSG Pro announced
- Q2 2013
 - NSG Pro first customer approval
 - First order
- Q3 2013 – First production shipment
- Q4 2013
 - First revenue recognized
 - First multi-million dollar order
- Q2 2014 – Deployed to 1 million subscribers



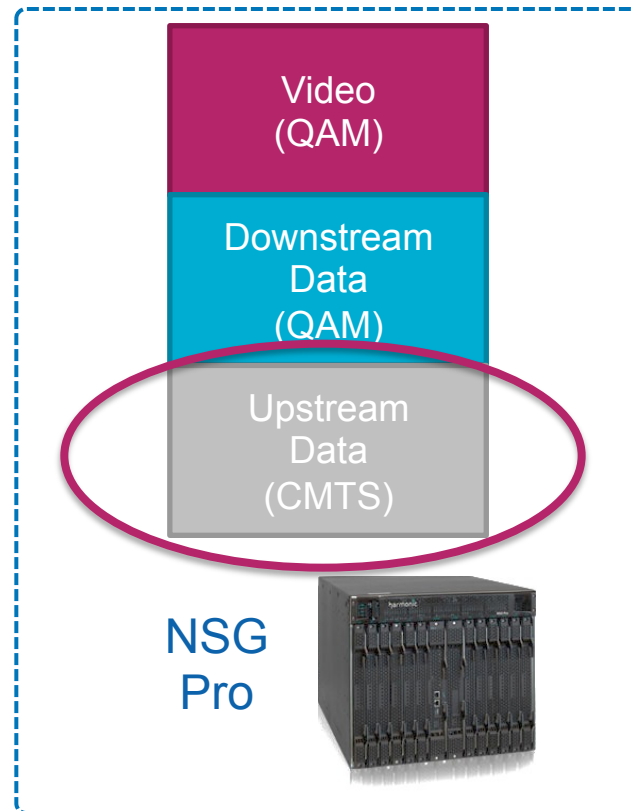
NSG
Pro



NSG Pro Phase 2 Milestones

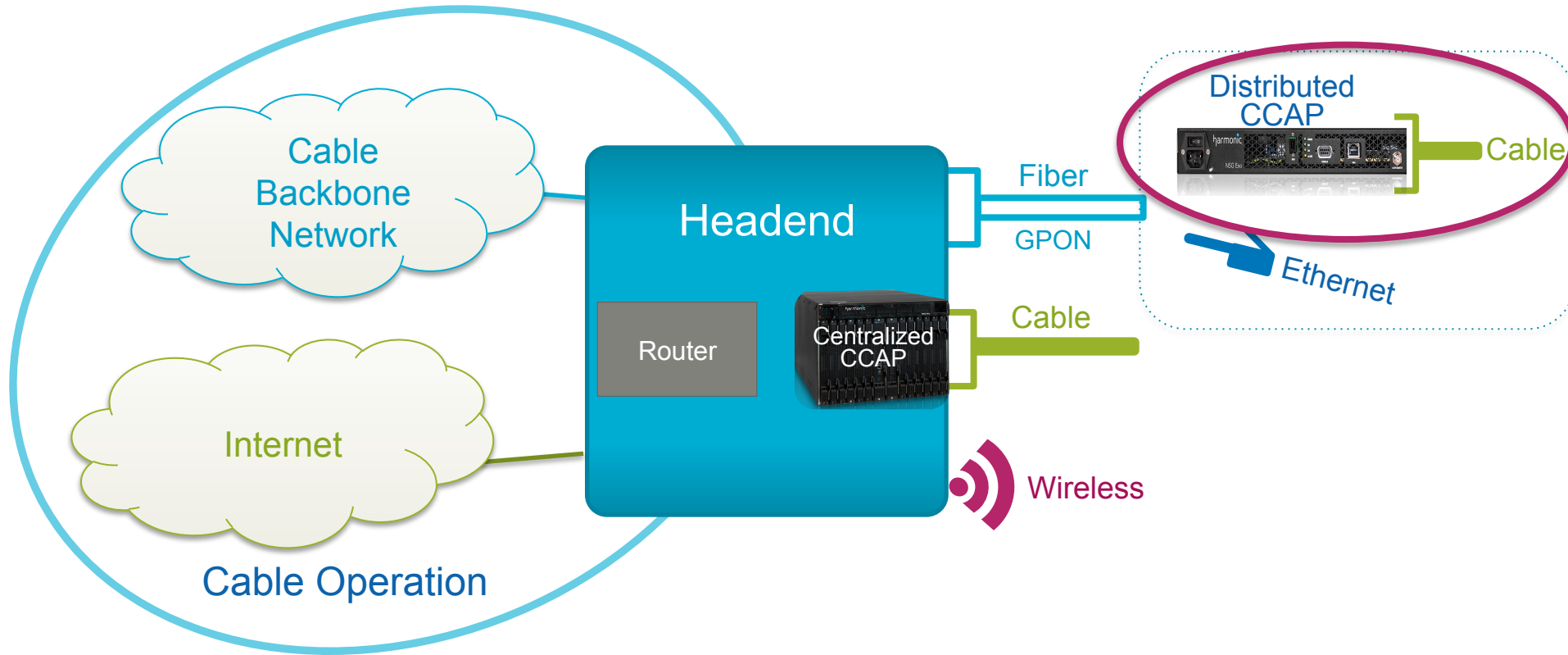


- CMTS upstream card prototype demonstrated and interoperability tested
- Production card in customer labs by end of year
- Q1 2015 – CMTS first customer approval expected
- Mid-2015 – CMTS first customer shipment expected



The New Cable Network

harmonic.



The New Cable Network

Centralized

NSG Pro

Router

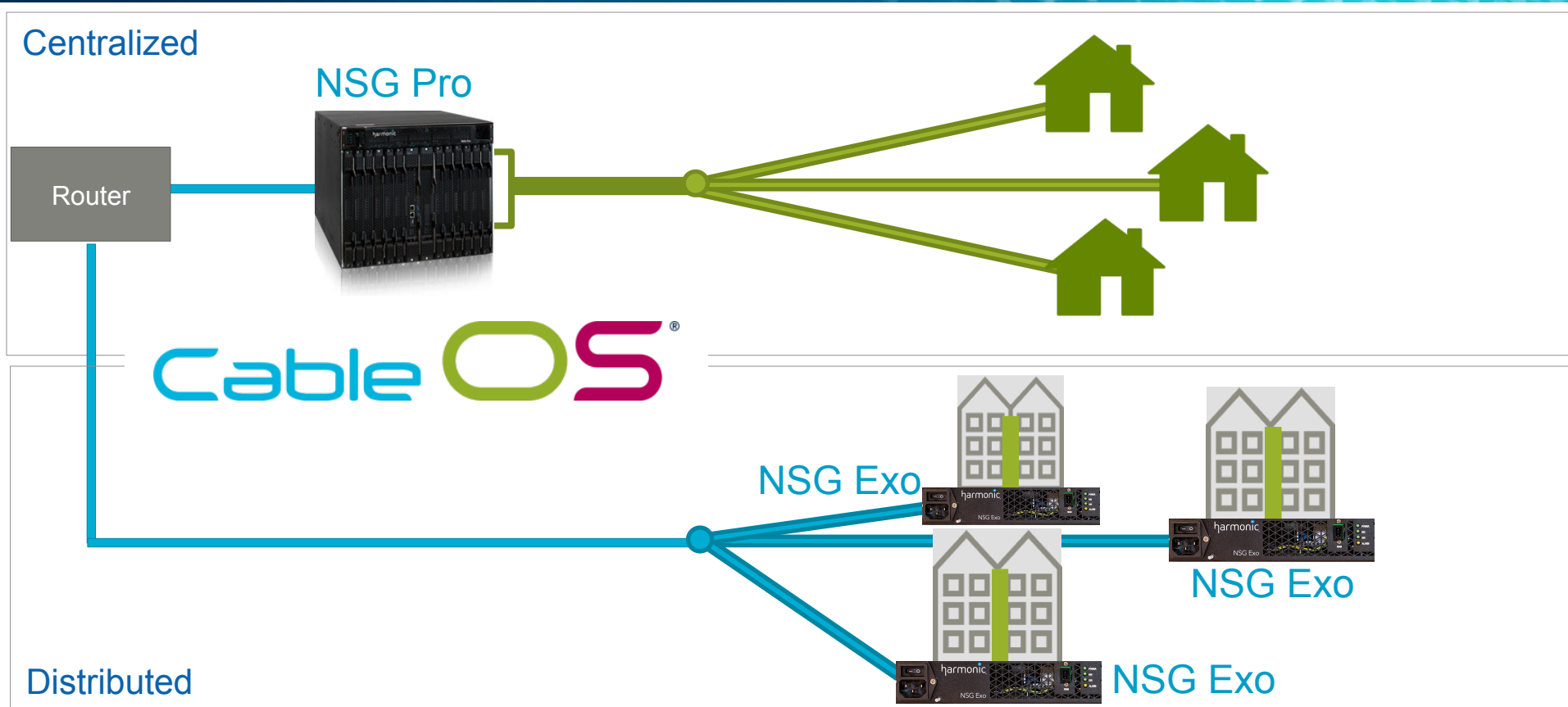
Cable OS[®]

NSG Exo

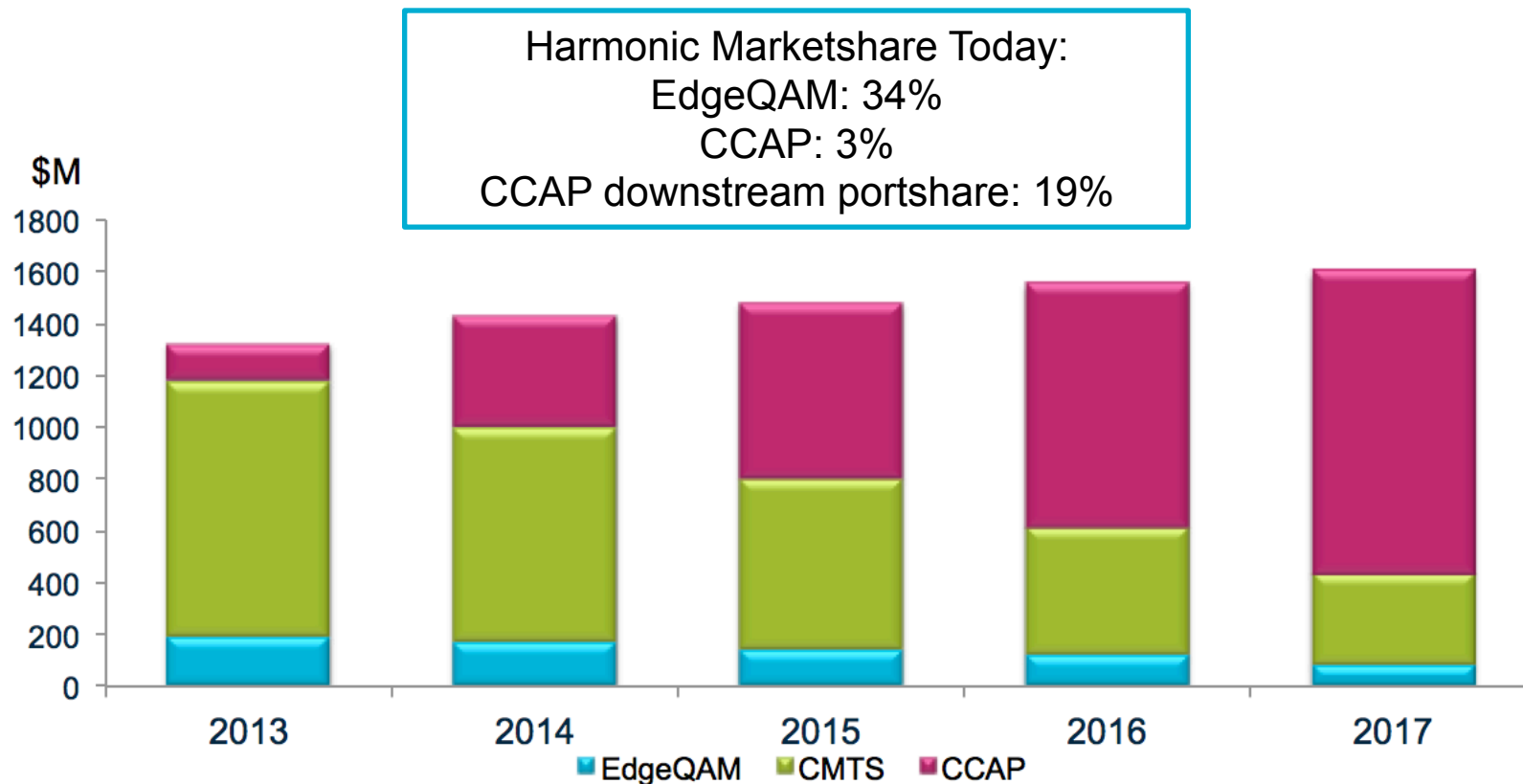
NSG Exo

NSG Exo

Distributed



Cable Edge Market Outlook



- Managing business in investment mode
 - Doubled engineering team over last 18 months
 - Current annual investment exceeds \$20M
- Successfully seeding the market
 - Strong customer feedback and relationships
 - Early NSG Pro market share success
- Driving for significant revenue growth and margin expansion

Competitively positioned to capture significant CCAP share



Break



Go-to-Market

George Stromeyer
SVP, Sales

Market and Customer Breadth

harmonic.

Broadcast & Media



Satellite



Telco



Cable



OTT / New Media

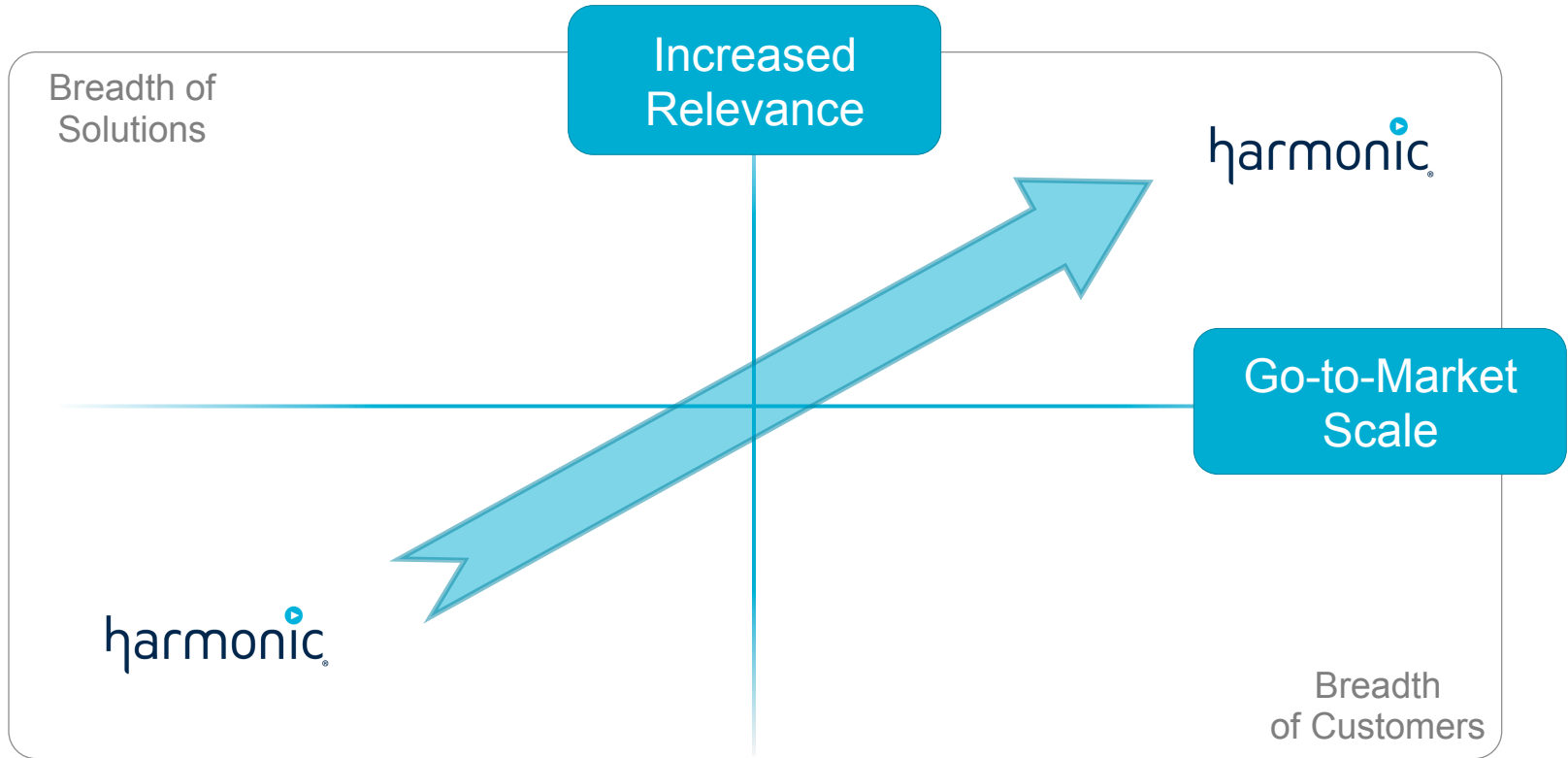


Global Sales & Service Coverage

harmonic.



Clear Opportunity: Solutions and Customer Breadth



Go-to-Market Dynamics



Market

Fragmented single-platform players

Consolidated multi-platform players

Best of breed decisions dominate

Total value proposition dominates

Video teams decide purchases:
CAPEX focus

Video and IT teams decide purchases:
TCO focus

Harmonic

Video appliances

Virtualized & IP converged solutions

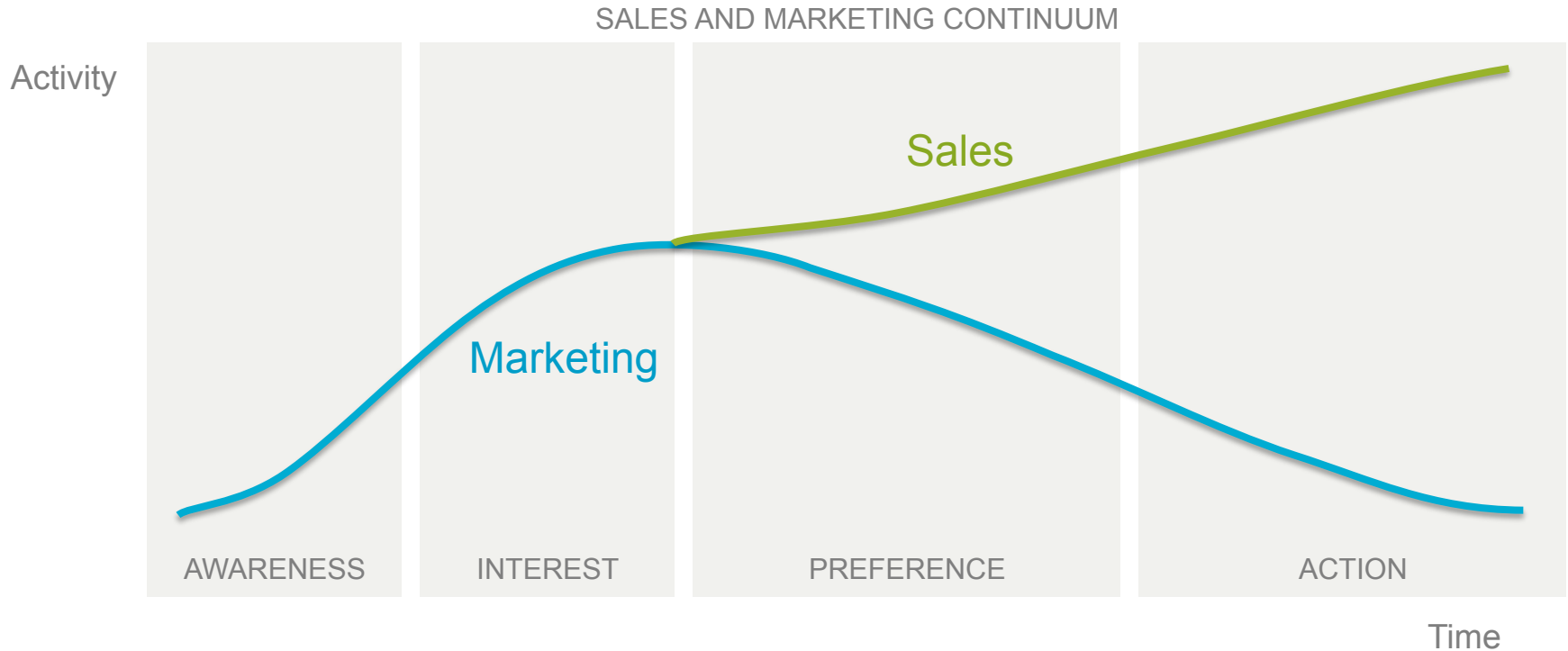
Feature-led product discussions

Business-based solution discussions

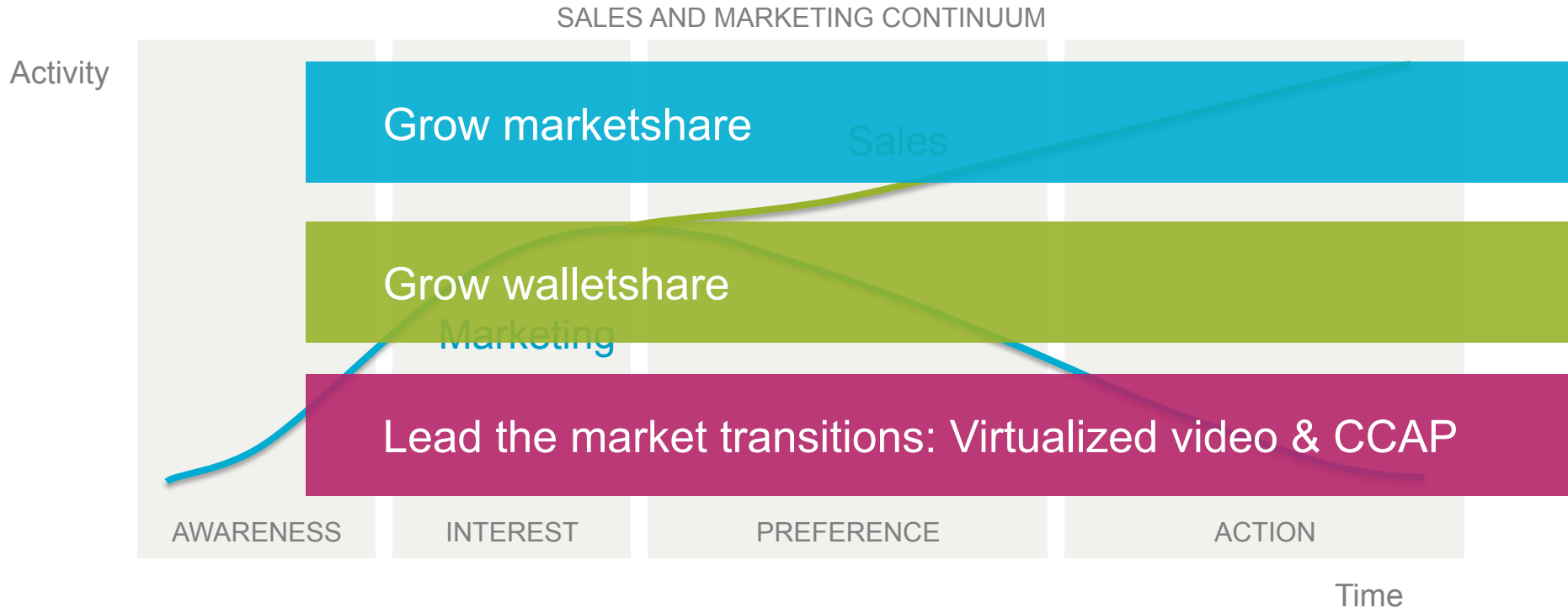
Customer & engineering centric

Customer and GTM centric

Go-to-Market Goals

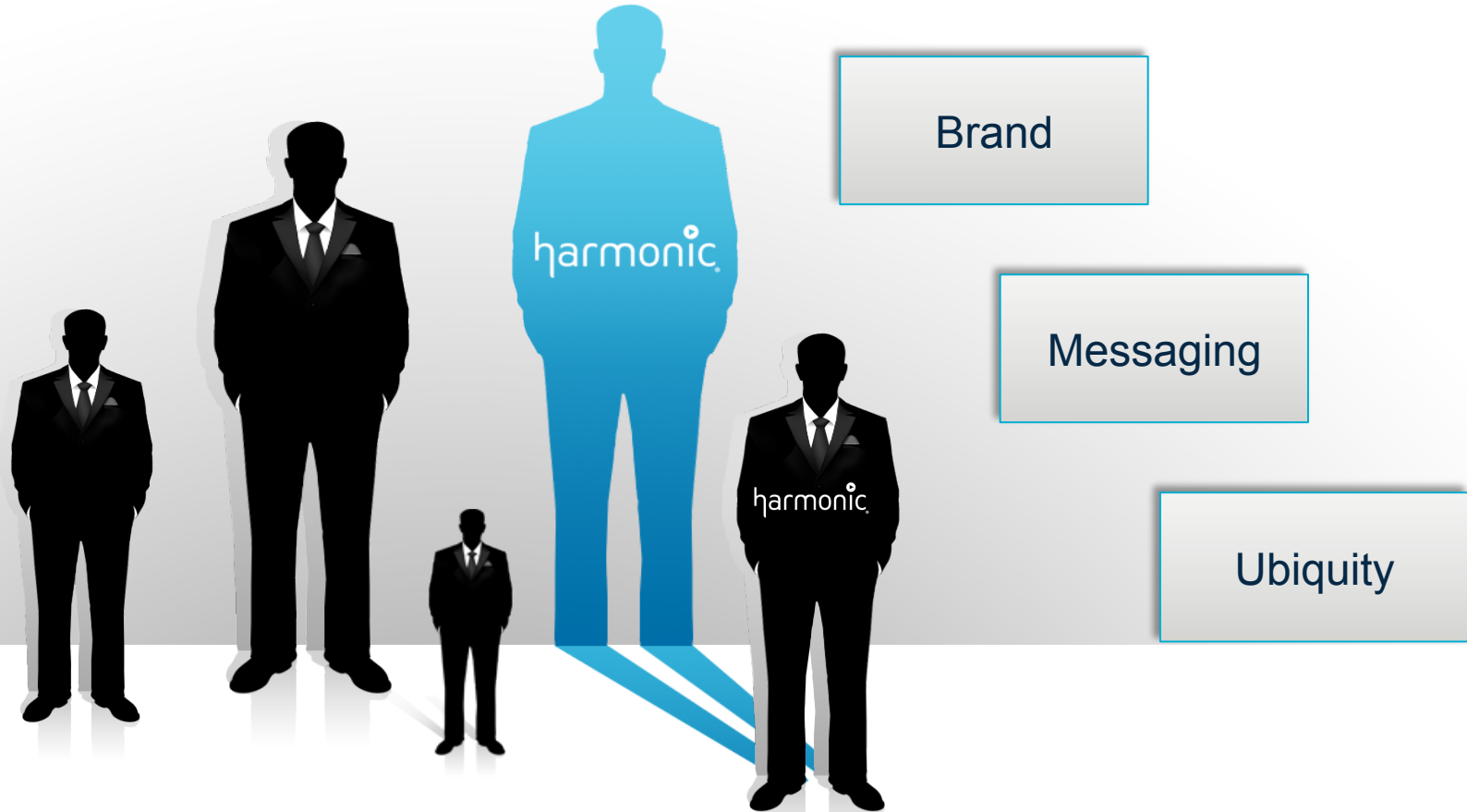


Go-to-Market Goals



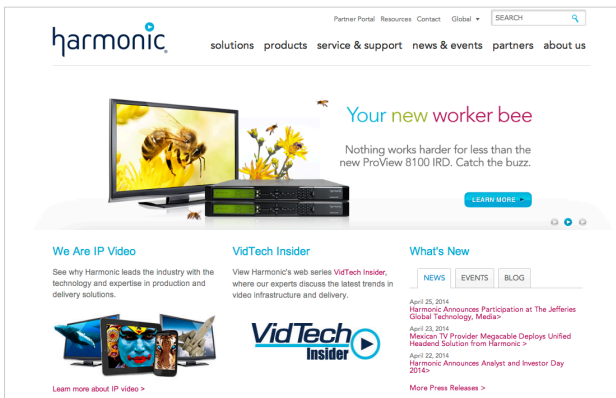
Marketing Strategy

harmonic.



Marketing Execution

harmonic.



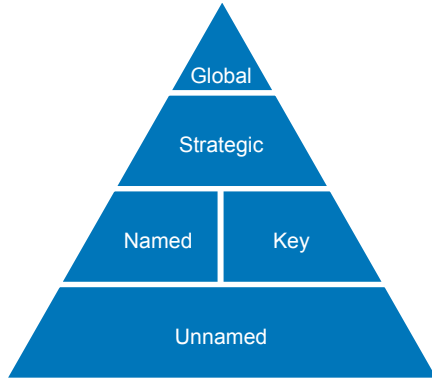
Web & Social

Video

Events

Driving Sales Pipeline

Sales Strategy



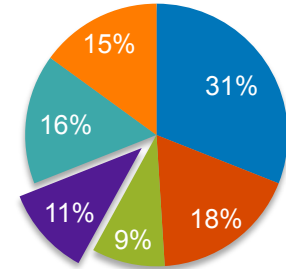
Coverage Models



Customer Engagement



A Day in the Life of a Typical Salesperson

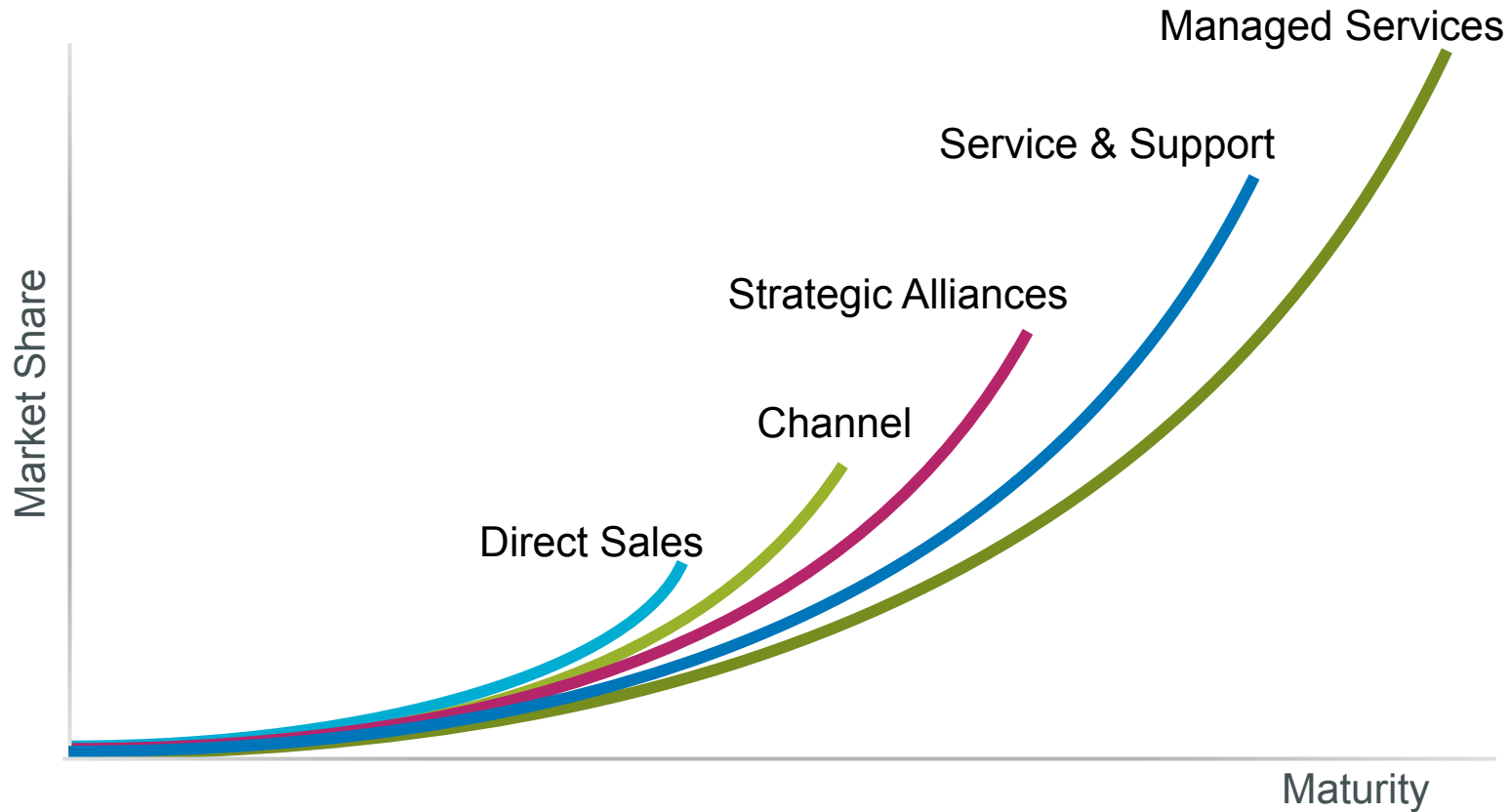


Sales Efficiency



Driving Marketshare, Walletshare, & Productivity

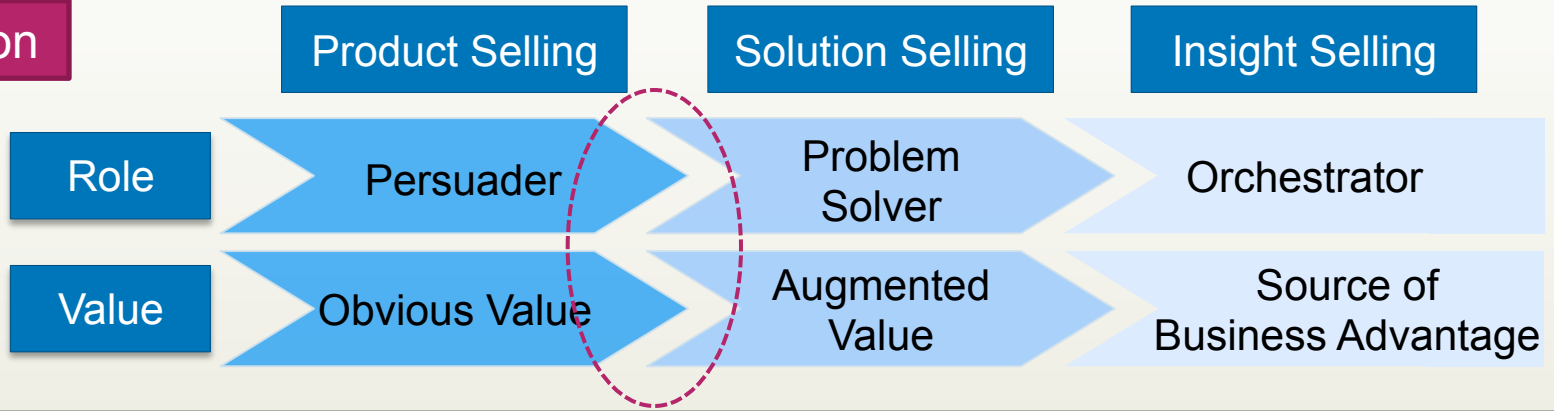
Leveraging and Expanding the Coverage Model



Transforming our Customer Engagement



Selling Motion



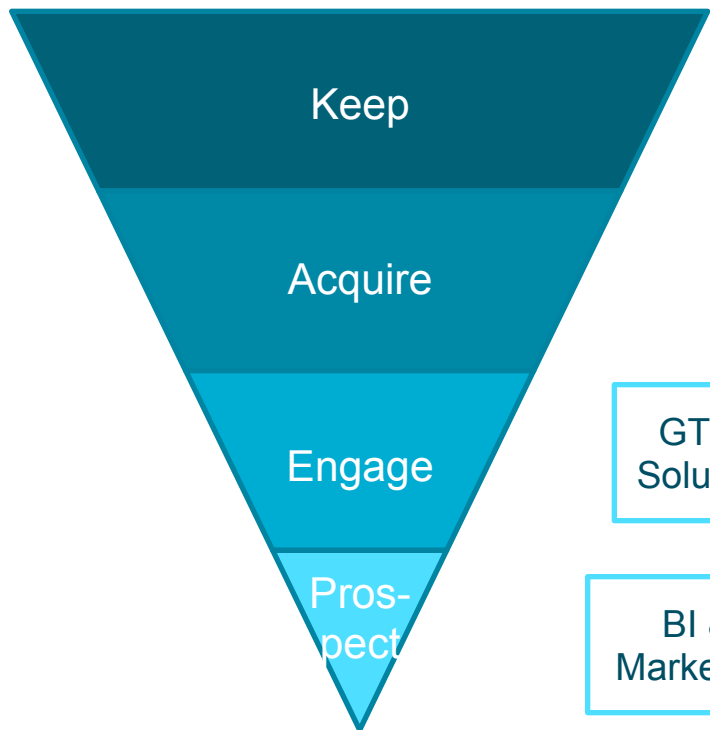
Selling Levers



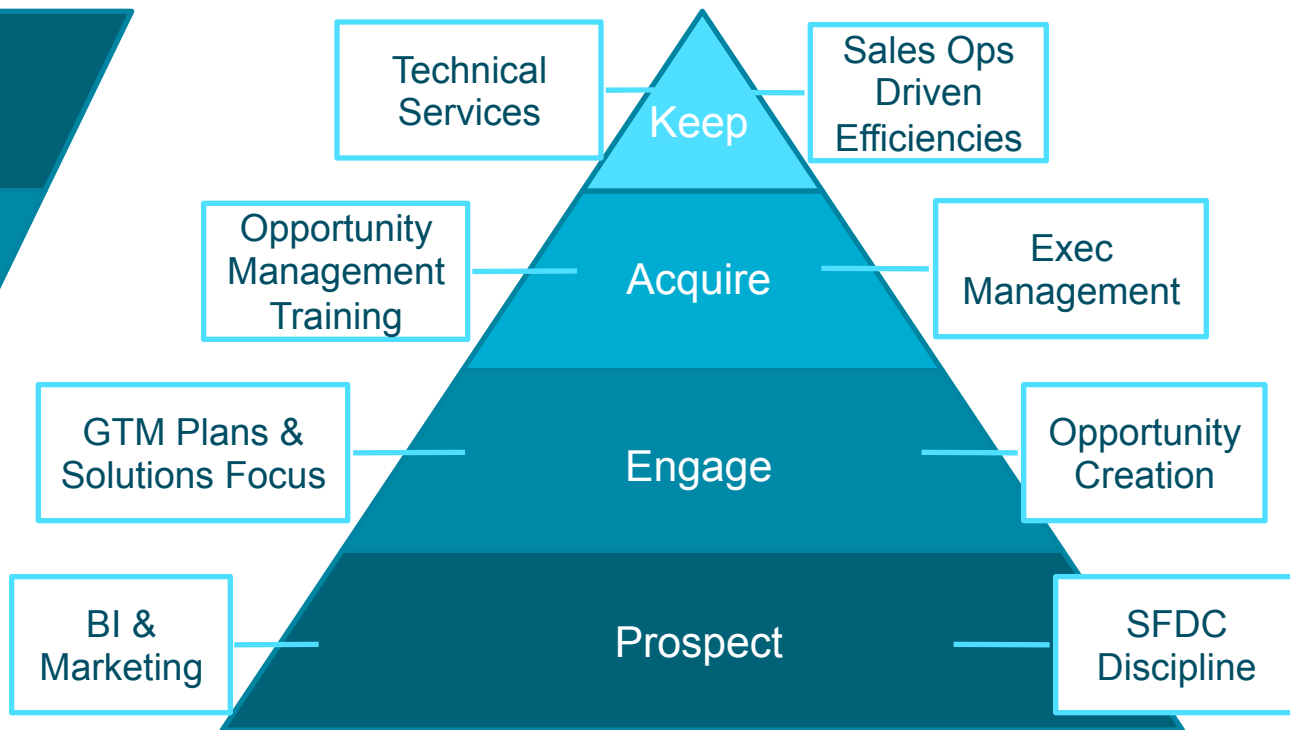
Sales Efficiency

harmonic.

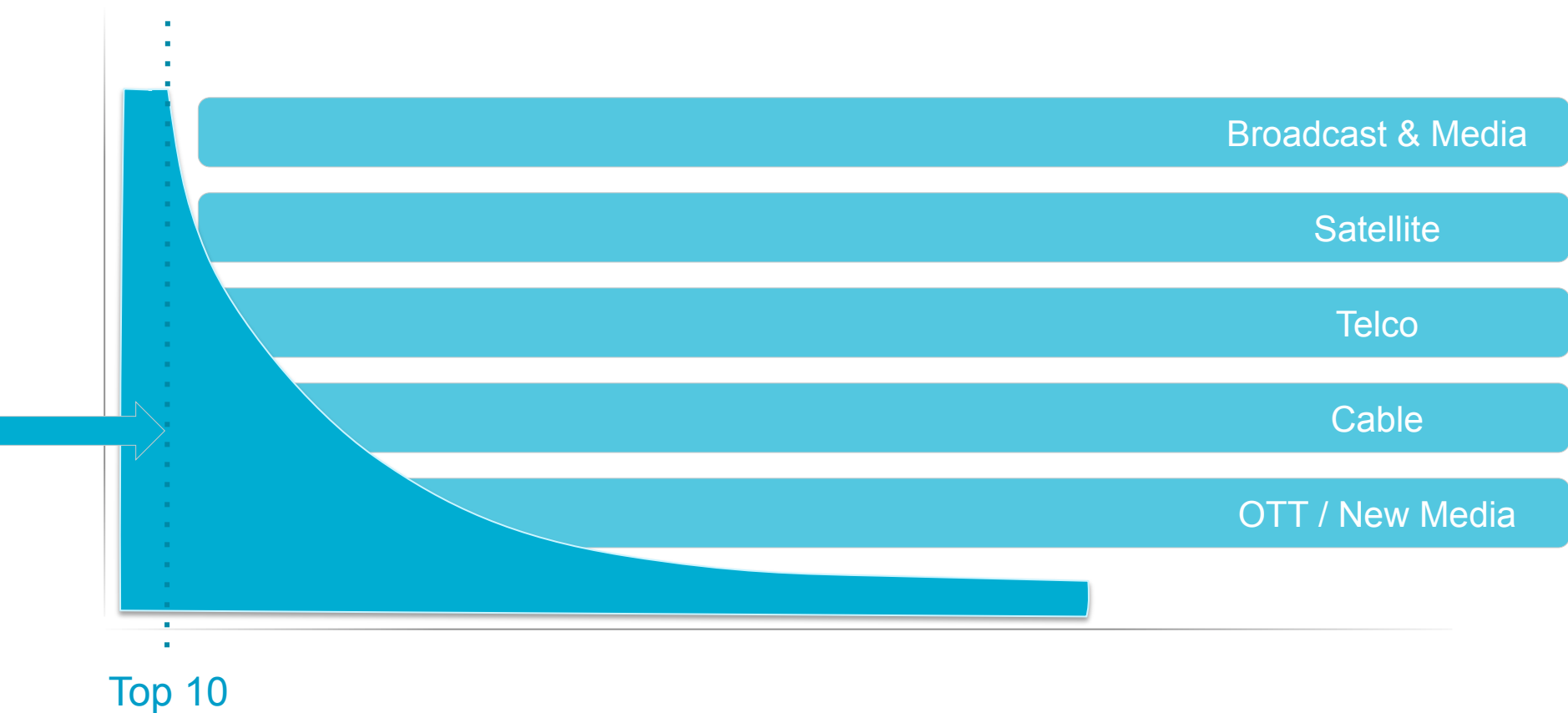
Flat Business



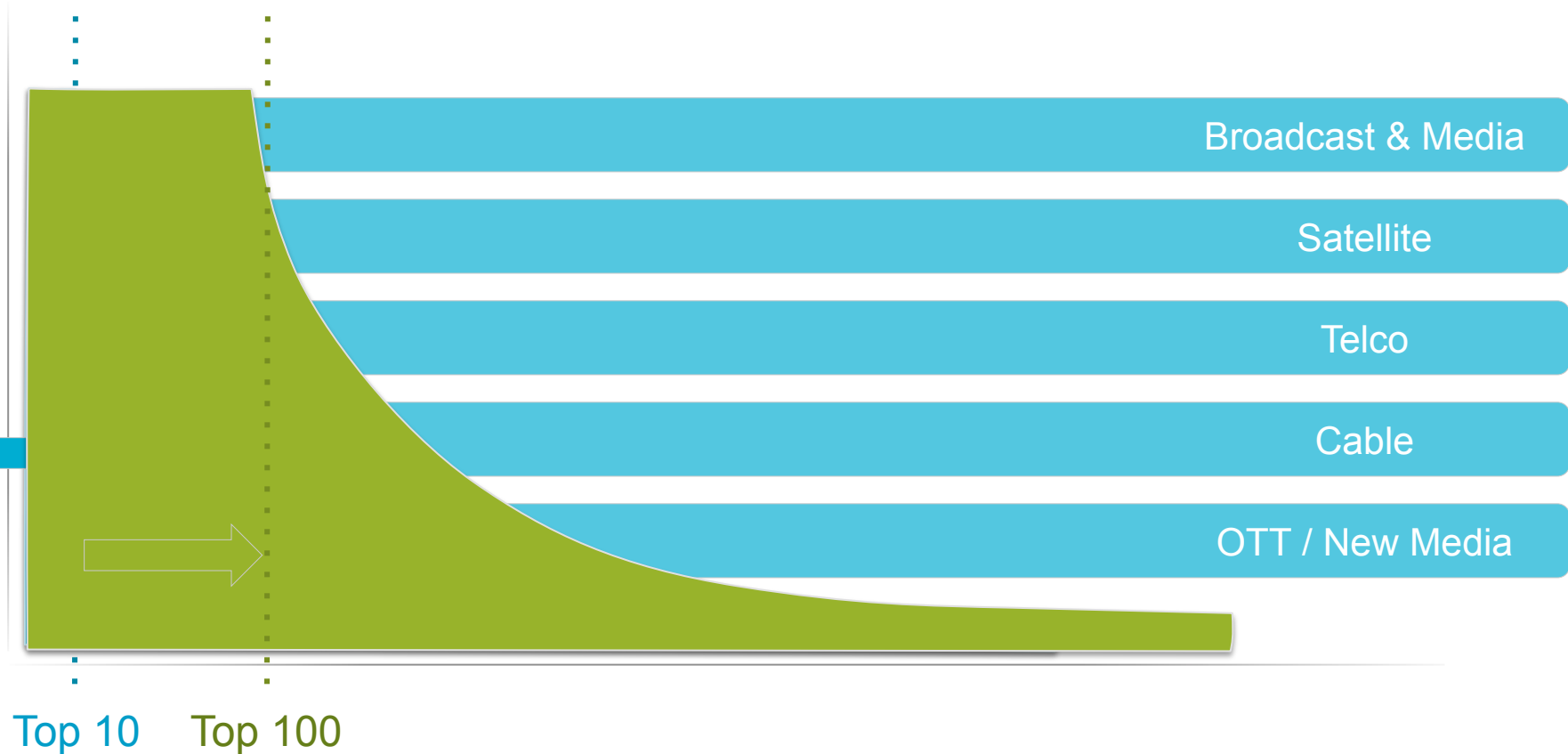
Growth Business



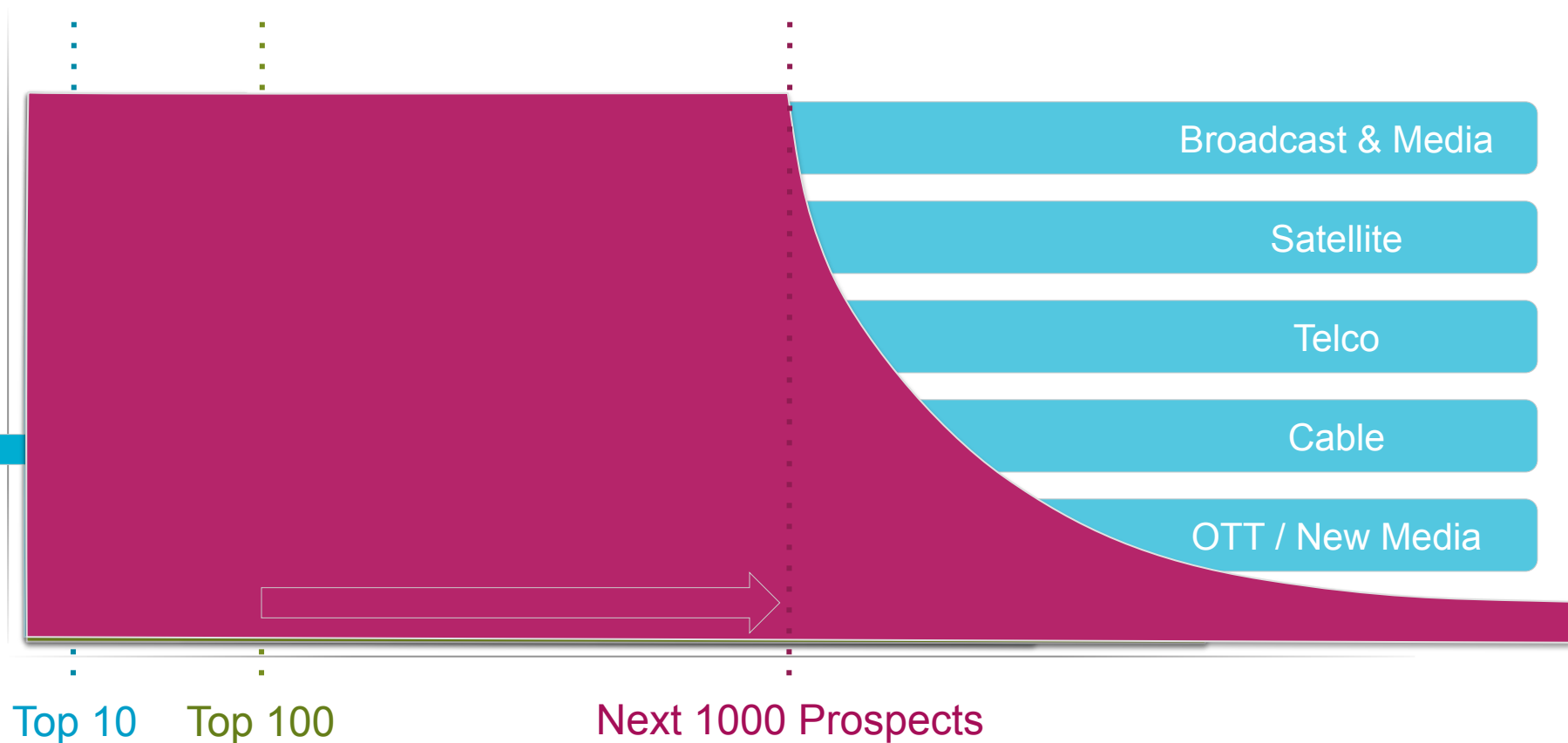
Customer Breadth Momentum



Customer Breadth Momentum



Customer Breadth Momentum



Signs of Success: New Solutions

harmonic.

Video



Cable



NSG Pro

Key Takeaways: Go-to-Market



- Strong business portfolio to drive growth
-
- Focusing on both depth and breadth through targeted coverage and new engagement models while improving productivity
-
- Commitment to commercial leadership

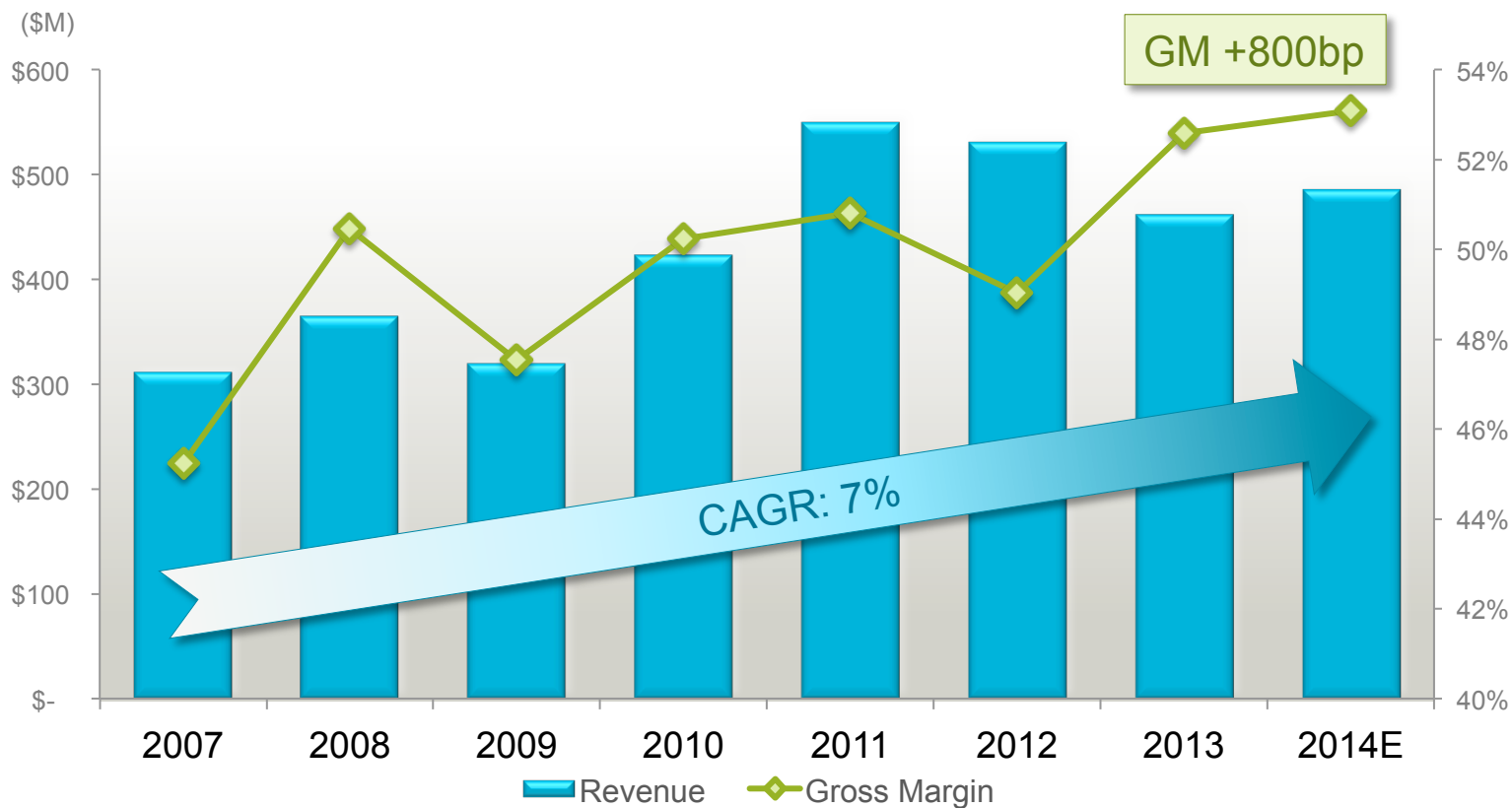


Financial Overview

Carolyn Aver
Chief Financial Officer

Becoming a More Strategic Video Supplier

harmonic.

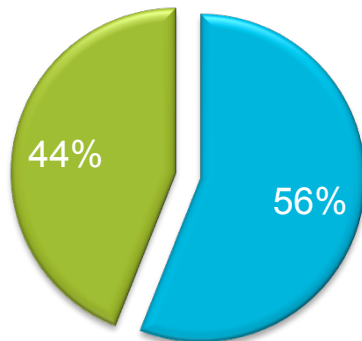


Diversifying the Business

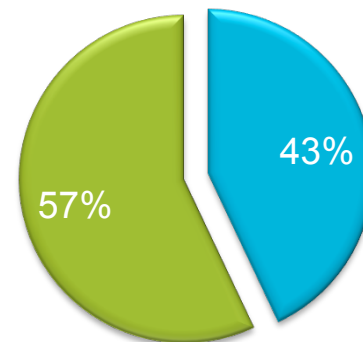
Geography

- U.S.
- International

2007

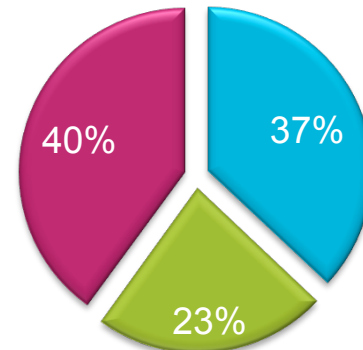
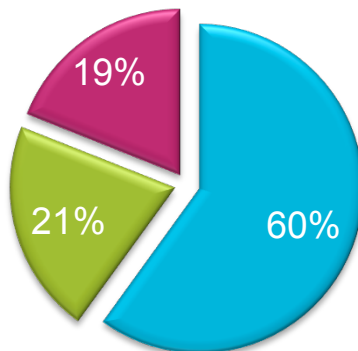


2013



Market

- Cable
- Satellite & Telco
- Broadcast & Media



Improved Balance Sheet Leverage

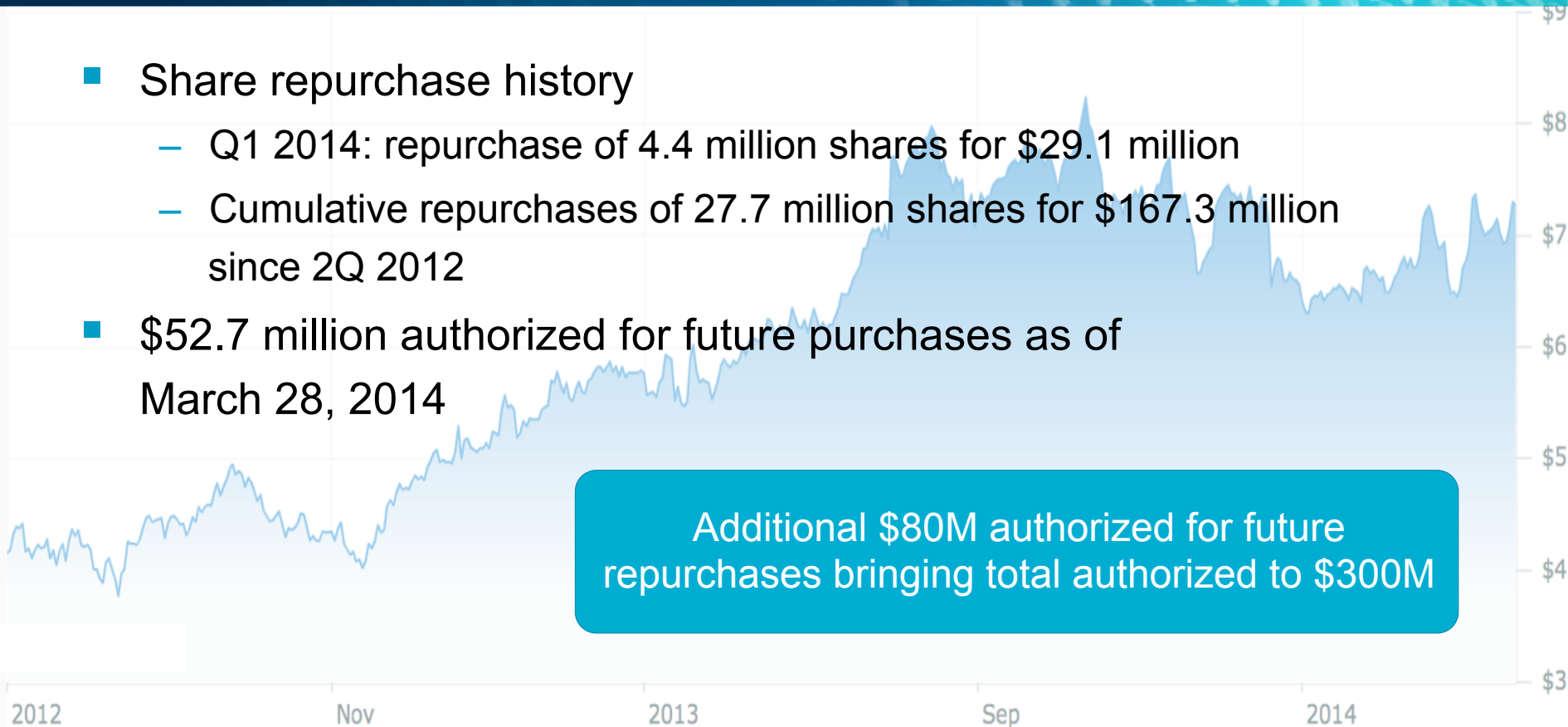
	2011	2012	2013	1Q 14
Cash	\$162M	\$201M	\$171M	\$148M
Accounts Receivable	\$110M	\$86M	\$75M	\$78M
Inventory	\$71M	\$64M	\$37M	\$30M
Cumulative Free Cash Flow	\$28M	\$86M	\$125M	\$133M
Cumulative Share Repurchase	--	\$23M	\$139M	\$167M
Shares Outstanding	116M	114M	99M	96M

- Strong cash generation
- Leverage balance sheet
- Enhanced shareholder returns through share repurchase

Aggressive Buyer of Our Stock

- Share repurchase history
 - Q1 2014: repurchase of 4.4 million shares for \$29.1 million
 - Cumulative repurchases of 27.7 million shares for \$167.3 million since 2Q 2012
- \$52.7 million authorized for future purchases as of March 28, 2014

Additional \$80M authorized for future repurchases bringing total authorized to \$300M



More Transparent Reporting

Two Businesses

- Video
 - Video Processing, Production & Playout, and associated services
- Cable Edge
 - Cable Edge and associated services

Three Geographies

- Americas
- EMEA
- APAC

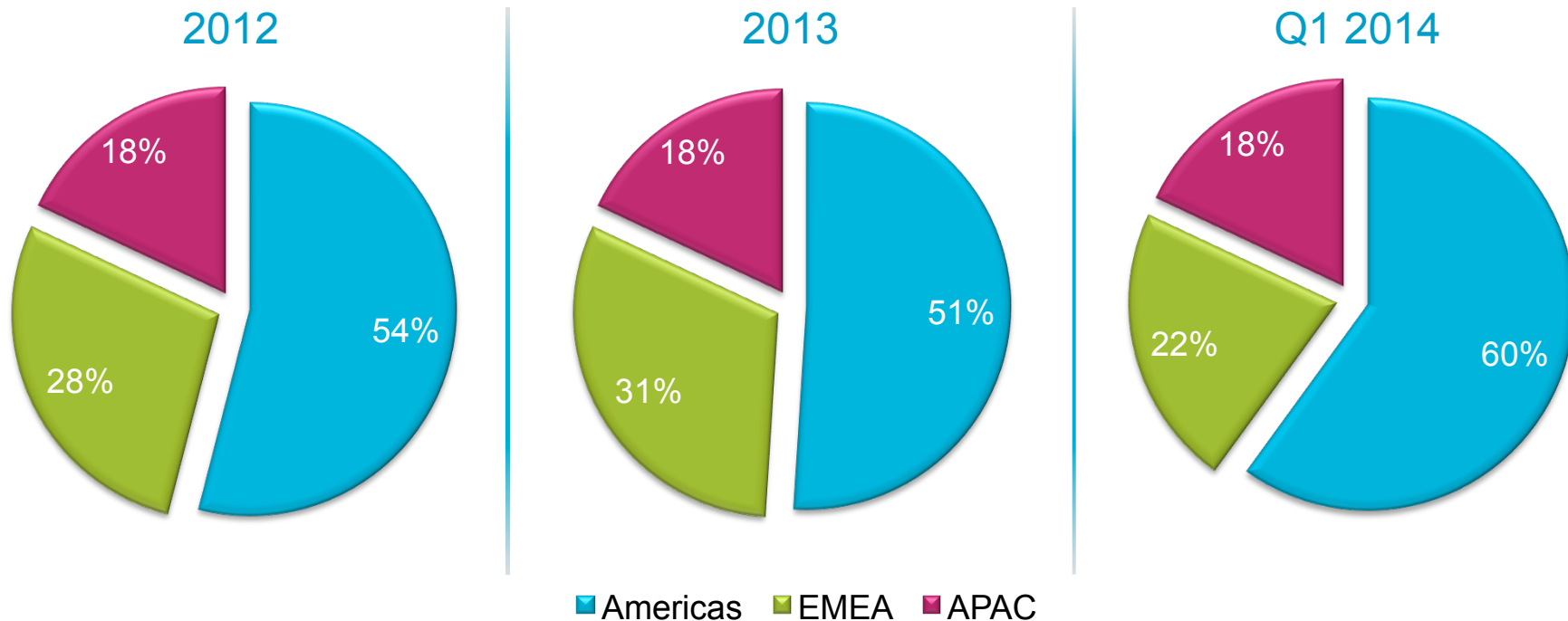
Two Markets

- Broadcast & Media
- Service Providers

Implementation Timeframe

- Business, revenue and operating margin:
 - High level → Now
 - Detail → No later than 2015
- Geography and Market → Now

Revenue by Geography



Two Lines of Business



Video	2013	2014 - 2015	Beyond
Revenue	\$382M	Mid single digit growth	Faster than market growth
Operating Margin	7%	10 – 15%	15%+

Cable Edge	2013	2014 - 2015	Beyond
Revenue	\$80M	High teens – low 20's growth	Faster than market growth
Operating Margin	Investing	Investing - 5%	10% – 15%

Company Target Model



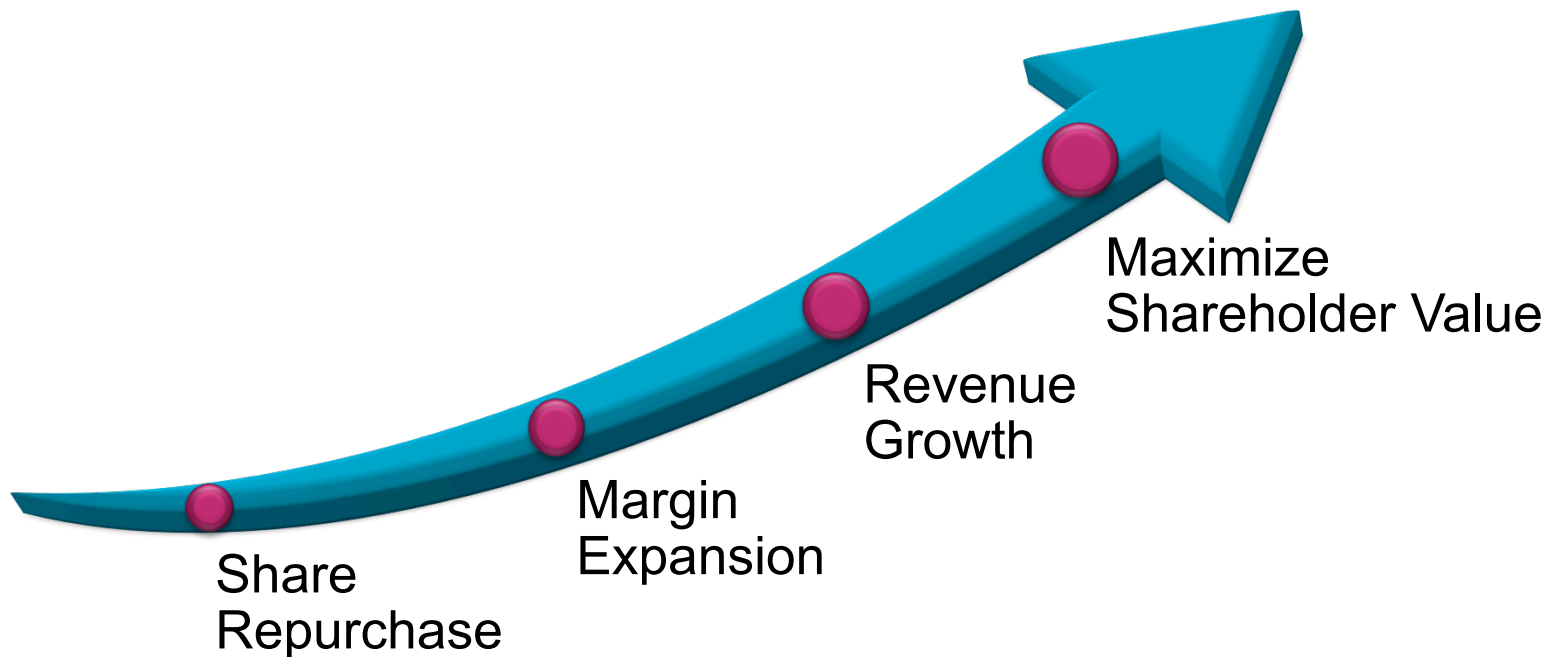
	2014 - 2015	Beyond
Long Term Growth Rate	Mid single digit+	Faster than market
Gross Margin	53% - 56%	56% - 60%
2014 Operating Margin	8% - 12%	15%+

Financial Guidance



	Q2 2014	2014
Revenue	\$113M - \$123M	Mid-single digit growth
Non-GAAP Gross Margin*	52.5% - 53.5%	53%+
Non-GAAP Operating Expenses*	\$54.5M - \$55.5M	\$220M
Non-GAAP Tax Rate	21%	21%
*Excludes charges for stock-based compensation, the amortization of intangibles and restructuring and related charges.		

Focus on Increasing Shareholder Value





Q&A and Wrap-up

Building Shareholder Value



- Continued focus on growth opportunities
 - Capitalize on new strategic platforms
 - Expand global customer base
- Accelerate core market share leadership
- Enhance margin profile
- Optimize balance sheet
- Drive long-term earnings accretion





Thank You!



Disclosure

Revenue By Geography



Revenue by Region (external)

Revenue (In \$M)	Q1'12 Actual	Q2'12 Actual	Q3'12 Actual	Q4'12 Actual	Q1'13 Actual	Q2'13 Actual	Q3'13 Actual	Q4'13 Actual	Q1'14 Actual	2012 Actual	2013 Actual
AMERICAS	68.0	69.6	59.8	60.2	50.6	66.8	61.7	58.8	64.9	257.5	237.8
EMEA	31.3	33.6	34.1	35.0	32.7	34.6	37.7	35.9	24.2	134.0	140.9
APAC	17.2	18.8	26.5	22.8	18.4	15.7	23.5	25.6	19.0	85.4	83.2
Total	116.4	122.1	120.4	118.0	101.7	117.1	122.9	120.2	108.0	476.9	461.9

% of Revenue

AMERICAS	58%	57%	50%	51%	50%	57%	50%	49%	60%	54%	51%
EMEA	27%	28%	28%	30%	32%	30%	31%	30%	22%	28%	31%
APAC	15%	15%	22%	19%	18%	13%	19%	21%	18%	18%	18%

Excluding Cable Access product