

HARMONIC INC
Form 10-Q
November 06, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended October 2, 2015

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File No. 000-25826

HARMONIC INC.
(Exact name of registrant as specified in its charter)

Delaware	77-0201147
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

4300 North First Street
San Jose, CA 95134
(408) 542-2500

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
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Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's Common Stock, \$.001 par value, outstanding on November 2, 2015 was 87,072,661.

Table of Contents

TABLE OF CONTENTS

PART I

<u>ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)</u>	<u>3</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>26</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>36</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>38</u>

PART II

<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>39</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>39</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>58</u>
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	<u>58</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>58</u>
<u>ITEM 5. OTHER INFORMATION</u>	<u>58</u>
<u>ITEM 6. EXHIBITS</u>	<u>59</u>
<u>SIGNATURES</u>	<u>60</u>

Table of Contents

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HARMONIC INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except per share data)

	October 2, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$61,571	\$73,032
Short-term investments	25,990	31,847
Accounts receivable, net	64,128	74,144
Inventories	39,873	32,747
Deferred income taxes, short-term	3,375	3,375
Prepaid expenses and other current assets	31,709	17,539
Total current assets	226,646	232,684
Property and equipment, net	26,619	27,221
Goodwill	197,825	197,884
Intangibles, net	5,628	10,599
Other assets	10,190	12,130
Total assets	\$466,908	\$480,518
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$16,626	\$15,318
Income taxes payable	176	893
Deferred revenue	43,350	38,601
Accrued liabilities	29,139	35,118
Total current liabilities	89,291	89,930
Income taxes payable, long-term	4,296	4,969
Deferred tax liabilities, long-term	3,095	3,095
Other non-current liabilities	10,358	10,711
Total liabilities	107,040	108,705
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.001 par value, 150,000 shares authorized; 87,477 and 87,700 shares issued and outstanding at October 2, 2015 and December 31, 2014, respectively	87	88
Additional paid-in capital	2,259,757	2,261,952
Accumulated deficit	(1,896,709)	(1,888,247)
Accumulated other comprehensive loss	(3,267)	(1,980)
Total stockholders' equity	359,868	371,813
Total liabilities and stockholders' equity	\$466,908	\$480,518
The accompanying notes are an integral part of these condensed consolidated financial statements.		

Table of Contents

HARMONIC INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three months ended		Nine months ended		
	October 2, 2015	September 26, 2014	October 2, 2015	September 26, 2014	
Revenue:					
Product	\$57,245	\$84,583	\$215,165	\$259,371	
Services	26,060	23,478	75,259	66,311	
Total net revenue	83,305	108,061	290,424	325,682	
Cost of revenue:					
Product	23,584	41,802	95,021	134,336	
Services	13,490	12,831	39,759	35,789	
Total cost of revenue	37,074	54,633	134,780	170,125	
Total gross profit	46,231	53,428	155,644	155,557	
Operating expenses:					
Research and development	21,679	22,803	65,824	70,176	
Selling, general and administrative	28,966	32,114	91,443	98,640	
Amortization of intangibles	1,446	1,661	4,338	5,329	
Restructuring and related charges	397	388	626	821	
Total operating expenses	52,488	56,966	162,231	174,966	
Loss from operations	(6,257) (3,538) (6,587) (19,409)
Interest income, net	30	47	102	191	
Other income (expense), net	148	(261) (299) (376)
Loss on impairment of long-term investment	—	—	(2,505) —	
Loss before income taxes	(6,079) (3,752)		