

HARMONIC INC  
Form 10-Q  
November 09, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q

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(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Quarterly Period Ended September 30, 2016

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

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

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

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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  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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, 2016 was 78,347,865.

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## PART I

## FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## HARMONIC INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except per share data)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$44,741	\$126,190
Short-term investments	7,931	26,604
Accounts receivable, net	99,078	69,515
Inventories	35,828	38,819
Prepaid expenses and other current assets	38,519	25,003
Total current assets	226,097	286,131
Property and equipment, net	35,145	27,012
Goodwill	239,880	197,781
Intangibles, net	33,121	4,097
Other long-term assets	31,218	9,936
Total assets	\$565,461	\$524,957
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Other debts and capital lease obligations, current	\$6,825	\$—
Accounts payable	31,407	19,364
Income taxes payable	545	307
Deferred revenue	54,319	33,856
Accrued liabilities	50,369	31,354
Total current liabilities	143,465	84,881
Convertible notes, long-term	101,964	98,295
Other debts and capital lease obligations, long-term	15,949	—
Income taxes payable, long-term	2,863	3,886
Deferred tax liabilities, long-term	2,163	—
Other non-current liabilities	17,604	9,727
Total liabilities	284,008	196,789
Commitments and contingencies (Note 18)		
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; 78,311 and 76,015 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	78	76
Additional paid-in capital	2,249,857	2,236,418
Accumulated deficit	(1,965,779)	(1,903,908)
Accumulated other comprehensive loss	(2,703 )	(4,418 )
Total stockholders' equity	281,453	328,168
Total liabilities and stockholders' equity	\$565,461	\$524,957

The accompanying notes are an integral part of these condensed consolidated financial statements.

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## HARMONIC INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three months ended		Nine months ended	
	September 30, 2016	October 2, 2015	September 30, 2016	October 2, 2015
Revenue:				
Product	\$70,285	\$57,245	\$205,342	\$215,165
Services	31,121	26,060	87,467	75,259
Total net revenue	101,406	83,305	292,809	290,424
Cost of revenue:				
Product	34,460	23,584	105,698	95,021
Services	15,583	13,490	44,054	39,759
Total cost of revenue	50,043	37,074	149,752	134,780
Total gross profit	51,363	46,231	143,057	155,644
Operating expenses:				
Research and development	24,202	21,679	74,272	65,824
Selling, general and administrative	36,112	28,966	105,498	91,443
Amortization of intangibles	3,009	1,446	9,606	4,338
Restructuring and related charges	(27 )	397	4,488	626
Total operating expenses	63,296	52,488	193,864	162,231
Loss from operations	(11,933 )	(6,257 )	(50,807 )	(6,587 )
Interest (expense) income, net	(2,734 )	30	(7,806 )	102
Other income (expense), net	(328 )	148	(5 )	(299 )
Loss on impairment of long-term investment	(1,259 )	—		