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DELTA REPORT

10-Q

HLIT - HARMONIC INC

10-Q - JUNE 28, 2024 COMPARED TO 10-Q - MARCH 29, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	616
CHANGES	127
DELETIONS	251
ADDITIONS	238

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 **March 29, 2024** ~~June 28, 2024~~

☐ 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
(State or other jurisdiction of
incorporation or organization)

77-0201147
(I.R.S. Employer
Identification Number)

2590 Orchard Parkway
San Jose, CA 95131
(408) 542-2500
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.001 par value	HLIT	NASDAQ Global Select Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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, \$0.001 par value, outstanding on April 29, 2024 July 29, 2024 was 116,542,186 116,326,955.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HARMONIC INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except par value)

	March 29, 2024	December 31, 2023
	June 28, 2024	December 31, 2023
ASSETS		
Current assets:		
Current assets:		
Current assets:		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Accounts receivable, net		
Accounts receivable, net		
Restricted cash		

Accounts receivable, net
Inventories
Prepaid expenses and other current assets
Total current assets
Property and equipment, net
Operating lease right-of-use assets
Goodwill
Deferred income taxes
Other non-current assets
Total assets
LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities:
Current liabilities:
Current liabilities:
Convertible debt, current
Convertible debt, current
Convertible debt, current
Other debts, current
Convertible debt
Convertible debt
Convertible debt
Current portion of long-term debt
Current portion of other borrowings
Accounts payable
Deferred revenue
Operating lease liabilities, current
Operating lease liabilities
Other current liabilities
Total current liabilities
Other debts, non-current
Other debts, non-current
Other debts, non-current
Long-term debt
Other long-term borrowings
Operating lease liabilities, non-current
Other non-current liabilities
Total liabilities
Commitments and contingencies (Note 13)
Stockholders' equity:
Stockholders' equity:
Commitments and contingencies (Note 12)
Stockholders' equity:
Preferred stock, \$0.001 par value, 5,000 shares authorized; no shares issued or outstanding
Preferred stock, \$0.001 par value, 5,000 shares authorized; no shares issued or outstanding
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; 111,946 and 112,407 shares issued and outstanding at March 29, 2024 and December 31, 2023, respectively
Common stock, \$0.001 par value, 150,000 shares authorized; 115,998 and 112,407 shares issued and outstanding at June 28, 2024 and December 31, 2023, respectively
Additional paid-in capital
Accumulated deficit
Accumulated other comprehensive loss
Total stockholders' equity

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

HARMONIC INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Revenue:				
Revenue:				
Revenue:				
Appliance and integration				
Appliance and integration				
Appliance and integration				
SaaS and service				
SaaS and service				
SaaS and service				
Total net revenue				
Total net revenue				
Total net revenue				
Cost of revenue:				
Cost of revenue:				
Cost of revenue:				
Appliance and integration				
Appliance and integration				
Appliance and integration				
SaaS and service				
SaaS and service				
SaaS and service				
Total cost of revenue				
Total cost of revenue				
Total cost of revenue				
Total gross profit				
Total gross profit				
Total gross profit				
Operating expenses:				
Operating expenses:				
Operating expenses:				
Research and development				
Research and development				
Research and development				
Selling, general and administrative				
Selling, general and administrative				
Selling, general and administrative				
Restructuring and related charges				
Restructuring and related charges				

Lease-related asset impairment and other charges
Restructuring and related charges
Total operating expenses
Total operating expenses
Total operating expenses
Income (loss) from operations
Income (loss) from operations
Income (loss) from operations
Interest expense, net
Interest expense, net
Interest expense, net
Other expense, net
Other expense, net
Other expense, net
Income (loss) before income taxes
Income (loss) before income taxes
Other income (expense), net
Other income (expense), net
Other income (expense), net
Income (loss) before income taxes
Provision for (benefit from) income taxes
Provision for (benefit from) income taxes
Provision for (benefit from) income taxes
Net income (loss)
Net income (loss)
Net income (loss)
Net income (loss) per share:
Net income (loss) per share:
Net income (loss) per share:
Basic
Basic
Basic
Diluted
Diluted
Diluted
Weighted average shares outstanding:
Weighted average shares outstanding:
Weighted average shares outstanding:
Basic
Basic
Basic
Diluted
Diluted
Diluted

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, in thousands)

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net income (loss)				
Net income (loss)				
Net income (loss)				
Foreign currency translation adjustments				
Foreign currency translation adjustments				
Foreign currency translation adjustments				
Other comprehensive income (loss) before tax				
Other comprehensive income (loss) before tax				
Other comprehensive income (loss) before tax				
Provision for (benefit from) income taxes				
Provision for (benefit from) income taxes				
Provision for (benefit from) income taxes				
Other comprehensive income (loss), net of tax				
Other comprehensive income (loss), net of tax				
Other comprehensive income (loss), net of tax				
Total comprehensive income (loss)				
Total comprehensive income (loss)				
Total comprehensive income (loss)				

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

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HARMONIC INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in thousands)

	Three Months Ended March 29, 2024				Three Months Ended June 28, 2024						
Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	
Shares											
Balance at December 31, 2023											
Balance at December 31, 2023											
Balance at December 31, 2023											
Balance at March 29, 2024											
Balance at March 29, 2024											
Balance at March 29, 2024											
Net loss											
Other comprehensive loss, net of tax											
Issuance of common stock under award and purchase plans, net											
Repurchase of common stock											
Excise tax on share repurchases											
Stock-based compensation											
Balance at March 29, 2024											
Issuance of common stock upon conversion of 2024 Notes											

Balance at June 28, 2024

	Three Months Ended March 31, 2023					Three Months Ended June 30, 2023				
	Common Stock	Additional		Accumulated		Common Stock	Additional		Accumulated	
		Paid-in	Accumulated	Other	Total		Paid-in	Accumulated	Other	Total
	Shares	Capital	Deficit	Comprehensive Loss	Stockholders' Equity		Capital	Deficit	Comprehensive Loss	Stockholders' Equity
Balance at December 31, 2022										
Balance at December 31, 2022										
Balance at December 31, 2022										
Balance at March 31, 2023										
Balance at March 31, 2023										
Balance at March 31, 2023										
Net income										
Other comprehensive income, net of tax										
Issuance of common stock under stock option, award and purchase plans, net										
Stock-based compensation										
Stock-based compensation										
Stock-based compensation										
Balance at March 31, 2023										
Balance at March 31, 2023										
Balance at March 31, 2023										
Balance at June 30, 2023										
Balance at June 30, 2023										
Balance at June 30, 2023										

	Six Months Ended June 28, 2024						
	Common Stock		Additional		Accumulated	Accumulated	Total
			Paid-in		Accumulated	Other	Stockholders'
	Shares	Amount	Capital		Deficit	Comprehensive Loss	Equity
Balance at December 31, 2023	112,407	\$ 112	\$ 2,405,043	\$	(1,962,575)	\$ (5,706)	\$ 436,874
Net loss	—	—	—		(20,621)	—	(20,621)
Other comprehensive loss, net of tax	—	—	—		—	(4,421)	(4,421)
Issuance of common stock under award and purchase plans, net	1,422	1	(2,711)		—	—	(2,710)
Repurchase of common stock	(2,409)	(2)	—		(30,047)	—	(30,049)
Excise tax on share repurchases	—	—	—		(90)	—	(90)
Stock-based compensation	—	—	13,877		—	—	13,877
Issuance of common stock upon conversion of 2024 Notes	4,578	5	(57)		—	—	(52)
Balance at June 28, 2024	115,998	\$ 116	\$ 2,416,152	\$	(2,013,333)	\$ (10,127)	\$ 392,808

	Six Months Ended June 30, 2023						
	Common Stock		Additional		Accumulated	Accumulated	Total
			Paid-in		Accumulated	Other	Stockholders'
	Shares	Amount	Capital		Deficit	Comprehensive Loss	Equity
Balance at December 31, 2022	109,871	\$ 110	\$ 2,380,651	\$	(2,046,569)	\$ (9,686)	\$ 324,506
Net income	—	—	—		6,648	—	6,648
Other comprehensive income, net of tax	—	—	—		—	2,723	2,723
Issuance of common stock under award and purchase plans, net	1,713	2	(4,561)		—	—	(4,559)

Stock-based compensation	—	—	13,483	—	—	13,483
Balance at June 30, 2023	111,584	\$ 112	\$ 2,389,573	\$ (2,039,921)	\$ (6,963)	\$ 342,801

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

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HARMONIC INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended	
	June 28, 2024	June 30, 2023
Cash flows from operating activities:		
Net income (loss)	\$ (20,621)	\$ 6,648
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	6,311	6,089
Lease related asset impairment and other charges	9,000	—
Stock-based compensation	13,877	13,483
Foreign currency remeasurement	2,469	991
Deferred income taxes, net	(8,897)	1,321
Provision for excess and obsolete inventories	2,152	3,383
Other adjustments	354	1,292
Changes in operating assets and liabilities:		
Accounts receivable, net	20,765	(10,392)
Inventories	(3,929)	6,894
Other assets	(6,761)	2,060
Accounts payable	(8,680)	(30,527)
Deferred revenues	6,179	1,223
Other liabilities	(7,553)	(12,717)
Net cash provided by (used in) operating activities	4,666	(10,252)
Cash flows from investing activities:		
Purchases of property and equipment	(3,856)	(3,833)
Net cash used in investing activities	(3,856)	(3,833)
Cash flows from financing activities:		
Proceeds from long-term debt	115,000	—
Repayment of convertible debt	(115,500)	—
Payments for debt issuance costs	(332)	—
Repurchase of common stock	(30,047)	—
Proceeds from other borrowings	—	3,829
Repayment of other borrowings	(1,334)	(4,721)
Proceeds from common stock issued to employees	3,542	3,084
Taxes paid related to net share settlement of equity awards	(6,252)	(7,643)
Net cash used in financing activities	(34,923)	(5,451)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1,391)	981
Net decrease in cash and cash equivalents and restricted cash	(35,504)	(18,555)
Cash and cash equivalents and restricted cash at beginning of period	84,269	89,586
Cash and cash equivalents and restricted cash at end of period	\$ 48,765	\$ 71,031
Cash and cash equivalents and restricted cash at end of period		

Cash and cash equivalents	\$	45,850	\$	71,031
Restricted cash included in prepaid expenses and other current assets		2,827		—
Restricted cash included in other non-current assets		88		—
Total cash, cash equivalents and restricted cash as shown in the condensed consolidated statement of cash flows	\$	48,765	\$	71,031

HARMONIC INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended	
	March 29, 2024	March 31, 2023
Cash flows from operating activities:		
Net income (loss)	\$ (8,089)	\$ 5,093
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	3,085	3,030
Stock-based compensation	6,923	7,424
Foreign currency remeasurement	(1,108)	1,290
Deferred income taxes, net	(3,806)	547
Provision for excess and obsolete inventories	757	2,027
Other adjustments	240	703
Changes in operating assets and liabilities:		
Accounts receivable	35,187	20,530
Inventories	(4,571)	(10,547)
Other assets	(5,041)	(2,566)
Accounts payable	5,988	(12,507)
Deferred revenues	5,071	1,721
Other liabilities	(7,816)	(10,475)
Net cash provided by operating activities	26,820	6,270
Cash flows from investing activities:		
Purchases of property and equipment	(1,911)	(2,331)
Net cash used in investing activities	(1,911)	(2,331)
Cash flows from financing activities:		
Payments for debt issuance costs	(327)	—
Repurchase of common stock	(21,675)	—
Repayment of other debts	—	(152)
Proceeds from common stock issued to employees	3,542	3,085
Taxes paid related to net share settlement of equity awards	(5,413)	(6,353)
Net cash used in financing activities	(23,873)	(3,420)
Effect of exchange rate changes on cash and cash equivalents	(1,000)	772
Net increase in cash and cash equivalents	36	1,291
Cash and cash equivalents at beginning of period	84,269	89,586
Cash and cash equivalents at end of period	\$ 84,305	\$ 90,877
Supplemental schedule of non-cash investing activities:		
Capital expenditures incurred but not yet paid	\$ 396	\$ 881

	Six Months Ended	
	June 28, 2024	June 30, 2023
Supplemental cash flow disclosure:		

Net cash paid for income taxes	\$	11,407	\$	5,008
Cash paid for interest	\$	1,895	\$	1,015
Supplemental schedule of non-cash investing activities:				
Capital expenditures incurred but not yet paid	\$	282	\$	1,189
Supplemental schedule of non-cash financing activities:				
Shares of common stock issued upon redemption of the 2024 Notes		4,578		—

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

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HARMONIC INC. NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP" ("GAAP")) and applicable rules and regulations of the Securities and Exchange Commission regarding ("SEC") for interim financial reporting. Certain information. As permitted under those rules, certain footnotes or other financial information and note disclosures that are normally included required by GAAP can be condensed or omitted. These financial statements have been prepared on the same basis as our annual consolidated financial statements and, in the opinion of management, reflect all normal recurring adjustments, which are necessary for the fair statement of our financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. information. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2023 ("2023 Form 10-K"). The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Company's financial position as of balance sheet dates and its operating results and cash flows for the interim periods presented. Operating results for interim periods are not necessarily indicative of the results that may be expected for any subsequent quarter or for the fiscal year ending December 31, 2024. All intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Company's significant accounting policies are described in Note 2 to its audited Consolidated Financial Statements included in the 2023 Form 10-K. There have been no significant changes to these policies during the three six months ended March 29, 2024 June 28, 2024.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The updated standard is effective for our annual periods fiscal years beginning in fiscal 2024 after December 15, 2023, and interim periods within fiscal years beginning in the first quarter after December 15, 2024; this ASU allows for early adoption. The adoption of fiscal 2025. Early adoption this ASU is permitted. The Company is currently evaluating the not expected to have a material impact the new accounting standard will have on its segment reporting disclosures in the notes to the our consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures. This ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The This ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. This ASU will result in the required additional disclosures being included in our consolidated financial statements, once adopted.

NOTE 3: INVESTMENTS IN EQUITY SECURITIES

In May 2022, the Company sold its investment in Encoding.com, Inc. for total consideration of up to approximately \$10.7 million. The Company received \$7.8 million in May 2022 and recognized a gain of \$4.2 million. The balance of the consideration of up to approximately \$2.9 million is subject to certain conditions and indemnity obligations, and will be recorded upon receipt by the Company. As of March 29, 2024, the Company has not received any of the balance of the consideration.

NOTE 4: 3: CONTRACT ASSETS AND DEFERRED REVENUE

Contract assets exist when the Company has satisfied a performance obligation but does not have an unconditional right to consideration (e.g., because the entity first must satisfy another performance obligation in the contract before it is entitled to invoice the customer). Deferred revenue represents the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

Contract assets and deferred revenue consisted of the following:

(in thousands)	As of	
	March 29, 2024	December 31, 2023

Contract assets	\$	4,380	\$	4,772
Deferred revenue	\$	64,694	\$	59,705

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(in thousands)	As of	
	June 28, 2024	December 31, 2023
Contract assets	\$ 3,700	\$ 4,772
Deferred revenue	\$ 65,762	\$ 59,705

Contract assets and the non-current portion of deferred revenue are reported as components of "Prepaid expenses and other current assets" and "Other non-current liabilities," respectively, on the condensed consolidated balance sheets.

The amount of revenues Revenue recognized during the three months ended March 29, 2024 June 28, 2024 and March 31, 2023 June 30, 2023, that were was included in within the opening deferred revenue balance as of at January 1, 2024 and 2023, respectively, were \$16.3 January 1, 2023, was \$10.3 million and \$21.2 million, \$14.1 million, respectively. Revenue recognized during the six months ended June 28, 2024 and June 30, 2023, that was included within the deferred revenue balance at January 1, 2024 and January 1, 2023, was \$26.6 million and \$35.3 million, respectively.

Remaining performance obligations represent contracted revenues that have not yet been recognized and include deferred revenue and unbilled amounts that will be recognized as revenue in the future. The aggregate balance of the Company's remaining performance obligations as of March 29, 2024 June 28, 2024 was \$677.8 million \$613.1 million, 54% 52% of which is expected to be recognized as revenue over the next 12 months and the remainder thereafter.

Refer to Note 11, 10, "Segment Information" for disaggregated revenue information.

NOTE 5: 4: LEASES

The components of lease expense are as follows:

(in thousands)	Three Months Ended		Three Months Ended		Six Months Ended	
	Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended	Six Months Ended	Six Months Ended
(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
Operating lease cost	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Operating lease cost						
Operating lease cost						
Variable lease cost						
Variable lease cost						
Variable lease cost						
Total lease cost						
Total lease cost						
Total lease cost						

Supplemental information related to leases are as follows:

(in thousands)	Three Months Ended		Three Months Ended		Six Months Ended	
	Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended	Six Months Ended	Six Months Ended
(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)	(in thousands)
Cash paid for operating lease liabilities	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Cash paid for operating lease liabilities						
Cash paid for operating lease liabilities						

In the second quarter of fiscal 2024, we reviewed the right-of-use lease assets and other fixed assets associated with our San Jose headquarters and our facilities in the United Kingdom ("UK") for potential impairment due to an intended change in the use of these spaces. Following our analysis, we recorded total lease-related impairment and other

charges of \$9.0 million which primarily consisted of right-of-use asset impairment charges of \$2.9 million, related leasehold improvement impairment charges of \$4.2 million, and fair value of other unrecoverable facility costs of \$1.9 million.

For asset groups where impairment was triggered, the Company utilized an income approach to value the asset groups by developing discounted cash flow models. The significant assumptions used in the discounted cash flow models for each of the asset groups included projected sublease income over the remaining lease terms, expected downtime prior to the commencement of future subleases, expected lease incentives offered to future tenants, and discount rates that reflected the level of risk associated with these future cash flows.

NOTE 6: 5: OTHER FINANCIAL STATEMENT INFORMATION

The following tables provide details of selected balance sheet components:

Accounts receivable, net:		Accounts receivable, net:		Accounts receivable, net:	
		As of		As of	
(in thousands)	(in thousands)	March 29, 2024	December 31, 2023	(in thousands)	June 28, 2024
Accounts receivable					
Less: allowances for expected credit losses and sales returns					
Total					
Inventories:		As of			
Inventories, net:		As of			
(in thousands)	(in thousands)	March 29, 2024	December 31, 2023	(in thousands)	June 28, 2024
Finished goods					
Raw materials					
Work-in-process					
Service-related spares					
Total					
Prepaid expenses and other current assets:			As of		
			March 29, 2024	December 31, 2023	
(in thousands)					
Prepaid expenses			\$ 3,869	\$ 3,789	
Contract assets			4,380	4,772	
Other current assets			15,770	12,389	
Total			\$ 24,019	\$ 20,950	

Property and equipment, net:		As of	
		March 29, 2024	December 31, 2023
(in thousands)			
Machinery and equipment		\$ 74,964	\$ 74,659
Capitalized software		27,036	27,129
Leasehold improvements		40,873	40,931
Furniture and fixtures		2,557	2,547
Construction-in-progress		2,094	1,789
Property and equipment, gross		147,524	147,055
Less: accumulated depreciation and amortization		(112,285)	(110,372)
Total		\$ 35,239	\$ 36,683

Prepaid expenses and other current assets:		As of	
		June 28, 2024	December 31, 2023
(in thousands)			
Prepaid expenses		\$ 9,592	\$ 3,789
Contract assets		3,700	4,772
Other current assets		18,450	12,389
Total		\$ 31,742	\$ 20,950

Other current liabilities:	As of	
	March 29, 2024	December 31, 2023
(in thousands)		
Accrued employee compensation and related expenses	\$ 20,360	\$ 22,779
Other	32,685	38,245
Total	\$ 53,045	\$ 61,024

Property and equipment, net:	As of	
	June 28, 2024	December 31, 2023
(in thousands)		
Machinery and equipment	\$ 75,300	\$ 74,659
Capitalized software	26,992	27,129
Leasehold improvements	36,797	40,931
Furniture and fixtures	2,561	2,547
Construction-in-progress	2,349	1,789
Property and equipment, gross	143,999	147,055
Less: accumulated depreciation and amortization	(114,396)	(110,372)
Total	\$ 29,603	\$ 36,683

During the second quarter of fiscal 2024, we recorded an impairment charge of \$4.2 million related to our leasehold improvements. Refer to Note 4, "Leases" for more details.

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Other current liabilities:	As of	
	June 28, 2024	December 31, 2023
(in thousands)		
Accrued employee compensation and related expenses	\$ 22,225	\$ 22,779
Other	31,059	38,245
Total	\$ 53,284	\$ 61,024

NOTE 7: CONVERTIBLE 6: DEBT

2.00% Convertible Senior Notes due 2024 (the "2024 Notes")

In September 2019, the Company issued \$115.5 million of the 2024 Notes pursuant to an indenture (the "2024 Notes Indenture"), dated September 13, 2019, by and between the Company and U.S. Bank Trust Company, National Association (as successor in interest to U.S. Bank National Association), as trustee. The 2024 Notes bore interest at a rate of 2.00% per year, payable semi-annually on March 1 and September 1 of each year, beginning March 1, 2020. The 2024 Notes would have matured on September 1, 2024, unless earlier repurchased by the Company, redeemed by the Company or converted pursuant to their terms.

The 2024 Notes were initially convertible into cash, shares of the Company's common stock, or a combination thereof, at the Company's election, at an initial conversion rate of 115.5001 shares of the Company's common stock per \$1,000 principal amount of the 2024 Notes (which is equivalent to an initial conversion price of approximately \$8.66 per share). Pursuant to the supplemental indenture entered into by the Company and the trustee during the fourth quarter of the fiscal year ended December 31, 2021, the Company made an irrevocable election to settle the principal amounts of the 2024 Notes solely with cash and **may would** pay or deliver, as the case may be, any conversion value greater than the principal amount in cash, shares of the Company's common stock or a combination thereof, at the Company's election. The **conversion rate, and thus the effective conversion price, could be adjusted under certain circumstances, including in connection with conversions made following certain fundamental changes or a notice of redemption and under other circumstances, in each case, as set forth in the 2024 Notes Indenture.** The 2024 Notes are recorded at face value less unamortized debt issuance costs. Amortization costs are reported as a component of interest expenses and are computed using the effective interest method.

On **January 30, 2024**, the Company issued a notice to redeem the outstanding 2024 Notes in full pursuant to the terms of the 2024 Notes Indenture, which gave holders the **right to convert their 2024 Notes prior to the redemption date.** On April 18, 2024, the Company settled the **conversions conversion** of the entire \$115.5 million in aggregate principal amount of the 2024 Notes. In accordance with the provisions of the 2024 Notes Indenture, the Company settled such conversions of the 2024 Notes by paying and delivering, as applicable, **in** a combination of \$115.5 million in cash and 4.6 million shares of the Company's common stock. **Refer to Note 14, "Subsequent Event", of the Notes to the condensed consolidated financial statements for details regarding the 2024 Notes redemption.**

The following table presents the components of the 2024 Notes:

As of	

(in thousands, except for years and percentages)		March 29, 2024	December 31, 2023
Liability:			
Principal amount		\$ 115,500	\$ 115,500
Less: Debt issuance costs, net of amortization		(391)	(620)
Carrying amount		\$ 115,109	\$ 114,880

The following table presents interest expense recognized for the 2024 Notes:

	Three Months Ended		Three Months Ended		Six Months Ended
	Three Months Ended				
	Three Months Ended				
(in thousands)	(in thousands)	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
(in thousands)					
(in thousands)					
Contractual interest expense					
Contractual interest expense					
Contractual interest expense					
Amortization of debt issuance costs					
Amortization of debt issuance costs					
Amortization of debt issuance costs					
Total interest expense recognized					
Total interest expense recognized					
Total interest expense recognized					

Revolving and Term Facilities

In December 2023, the Company entered into a five-year Credit Agreement (the “Credit Agreement”), by and among the Company, certain subsidiaries of the Company from time to time party thereto, the lenders from time to time party thereto, and Citibank N.A., as administrative agent for the lenders. The Credit Agreement provides for a secured revolving credit facility in an aggregate principal amount of up to \$120.0 million (“the Revolving Facility”), with a \$10.0 million sublimit for the issuance of letters of credit, and a secured delayed draw term loan facility in an aggregate principal amount of up to \$40.0 million (the “Term Facility”). The Revolving Facility and the Term Facility both mature on December 21, 2028. The proceeds of the loans under the Revolving Facility may be used for general corporate purposes. The proceeds of the loans under the Term Facility must be used to repurchase, redeem, acquire or otherwise settle the 2024 Notes. The Credit Agreement also includes an uncommitted accordion feature whereby the Company may increase the Revolving Facility by an aggregate amount not to exceed \$100 million, subject to certain conditions, including lender consent.

Loans under the Revolving and Term Facilities bear interest, at a floating rate per annum equal to an adjusted Term Secured Overnight Financing Rate (“SOFR”) rate (based on one-, three- or six-month interest periods), plus a SOFR premium fee of 0.1% and an applicable margin of between 2.00% to 2.75% (“Adjusted Term SOFR Loans”), determined based on the Company’s consolidated net leverage ratio. Unused commitments under the Revolving Facility are subject to a quarterly fee ranging from 0.25% to 0.35%, determined based on the Company’s consolidated net leverage ratio.

The Credit Agreement contains customary affirmative and negative covenants. The Company is also required to maintain compliance with a maximum consolidated net leverage ratio and a minimum fixed charge coverage ratio, in each case, determined in accordance with the terms of the Credit Agreement. As of June 28, 2024, the Company was in compliance with the covenant under the Credit Agreement.

As of June 28, 2024, the Company had borrowings of \$75.0 million and \$40.0 million under the Revolving Facility and the Term Facility, respectively.

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Beginning December 31, 2024, the principal amount of the term loans shall be repaid in quarterly installments equal to 1.25% of the principal amount of such Term Loans outstanding as of September 1, 2024, increasing to 1.875% beginning December 31, 2025, and to 2.50% beginning December 31, 2027. As of June 28, 2024, \$1.0 million of such installment payments were due in twelve months and therefore classified as current portion of long-term debt on the condensed consolidated balance sheet. The carrying value of the borrowings under the Credit Agreement approximate their fair value because they bear interest at a market rate.

NOTE 8: 7: STOCKHOLDERS' EQUITY

Share-based Compensation Plans

The following table sets forth the detailed allocation of the share-based compensation expense which was included in the Company’s condensed consolidated statements of operations:

	Three Months Ended	Six Months Ended
--	--------------------	------------------

(in thousands)	(in thousands)	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
(in thousands)					
(in thousands)					
Cost of revenue					
Cost of revenue					
Cost of revenue					
Research and development expense					
Research and development expense					
Research and development expense					
Selling, general and administrative expense					
Selling, general and administrative expense					
Selling, general and administrative expense					
Total					
Total					
Total					

Restricted Stock Units:

(in thousands, except per share amounts)	(in thousands, except per share amounts)	Number of Shares	Weighted Average Grant-Date Fair Value Per Share	(in thousands, except per share amounts)	Number of Shares	Weighted Average Grant-Date Fair Value Per Share
Balance at December 31, 2023						
Granted	Granted	1,412	13.78	13.78	Granted 2,046	13.12
Vested	Vested	(1,278)	11.58	11.58	Vested (1,577)	11.91
Forfeited	Forfeited	(91)	12.36	12.36	Forfeited (732)	14.08
Balance at March 29, 2024						
Balance at June 28, 2024						

The Company's stock benefit plans include the 2002 Employee Stock Purchase Plan ("ESPP") and current active stock plans adopted in 1995 and 2002 ("1995 Stock Plan" and "2002 Director Plan", respectively). Refer to Note 12, "Employee Benefit Plans" of Notes to Consolidated Financial Statements in the 2023 Form 10-K for details pertaining to each plan.

At the Company's 2024 annual meeting, the Company's stockholders approved amendments to the 1995 Stock Plan and the 2002 ESPP, increasing the number of shares of common stock reserved for issuance by 5,000,000 shares and 400,000 shares, respectively. As of March 29, 2024 June 28, 2024, an aggregate of 7,301,248 7,009,404 shares of common stock were reserved for issuance under the 1995 Stock Plan, of which 4,223,142 3,691,826 shares remained available for future grants. As of March 29, 2024 June 28, 2024, an aggregate of 595,887 588,191 shares of common stock were reserved for issuance under the 2002 Director Plan, of which 388,881 387,581 shares remained available available for future grants.

Share Repurchase Program

In February 2022, the Board of Directors of the Company ("Board") authorized the Company to repurchase up to \$100 million of the Company's outstanding shares of common stock through February 2025. The Company is authorized to repurchase, from time-to-time, shares of its outstanding common stock through open market purchases and 10b5-1 trading plans, in accordance with applicable rules and regulations, at such time and such prices as management may decide. The program does not obligate the Company to repurchase any specific number of shares and may be discontinued at any time. The actual timing and amount of repurchases are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors.

During the three six months ended March 29, 2024 June 28, 2024, the company repurchased and retired approximately 1.7 million 2.4 million shares of the Company's common stock for an aggregate amount of \$21.7 million \$30.0 million. As of March 29, 2024 June 28, 2024, approximately \$73.2 million \$64.8 million of the share repurchase authorization remained available for repurchases under this program.

NOTE 9: FAIR VALUE MEASUREMENTS

The applicable accounting guidance establishes a framework for measuring fair value and requires disclosure about the fair value measurements of assets and liabilities. This guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance requires the Company to classify and disclose assets and liabilities measured at fair value on a recurring basis, as well as fair value measurements of assets and liabilities measured on a nonrecurring basis in periods subsequent to initial measurement, in a three-tier fair value hierarchy as follows:

- Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying value of the Company's financial instruments, including cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to their short maturities.

The following table sets forth the fair value of the Company's financial assets measured at fair value on a recurring basis based on the three-tier fair value hierarchy (in thousands):

March 29, 2024					December 31, 2023				
June 28, 2024					December 31, 2023				
(in thousands)	(in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(in thousands)	(in thousands)	Level 1	Level 2	Level 3	Total	(in thousands)	Level 1	Level 2	Level 3
Cash equivalents									
Money market funds									
Money market funds									
Money market funds									

The Company's financial instruments not recorded at fair value on a recurring basis were as follows:

March 29, 2024					December 31, 2023				
June 28, 2024					December 31, 2023				
Carrying	Carrying	Fair Value			Carrying	Fair Value			Fair Value
(in thousands)	(in thousands)	Level 1	Level 2	Level 3	(in thousands)	Level 1	Level 2	Level 3	(in thousands)
2024 Notes									
2024 Notes									
2024 Notes									
Long-term debt									
Current portion of other borrowings									
Other long-term borrowings									

The fair value of the Company's convertible notes is influenced by interest rates, the price of the Company's common stock and stock market volatility. The difference between the carrying value and the fair value is primarily due to the spread between the conversion price and the market value of the shares underlying the conversion as of each respective balance sheet date.

NOTE 10: 9: NET INCOME (LOSS) PER SHARE

Basic earnings per share is computed by dividing net income (loss) for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted-average number of common shares and potentially dilutive securities outstanding during the period using the treasury stock method for the Company's stock options, restricted stock units, and shares issuable under the ESPP, and the if-converted method for the 2024 Notes.

As noted in Note 7, "Convertible Debt," the principal amount of the 2024 Notes was required to be settled in cash. Therefore, for the purpose of calculating diluted net income (loss) per share, it is assumed that cash while the conversion spread value will be was settled in shares.

The following table sets forth the computation of the basic and diluted net income per share:

		Three Months Ended		Six Months Ended	
(in thousands, except per share amounts)	(in thousands, except per share amounts)	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
(in thousands, except per share amounts)					
(in thousands, except per share amounts)					
Numerator:					
Numerator:					
Numerator:					

Net income (loss)
Net income (loss)
Net income (loss)
Denominator:
Denominator:
Denominator:
Weighted average number of shares outstanding:
Weighted average number of shares outstanding:
Weighted average number of shares outstanding:
Basic
Basic
Basic
2024 Notes
2024 Notes
2024 Notes
Restricted stock units
Restricted stock units
Restricted stock units
Stock purchase rights under the ESPP
Diluted
Diluted
Diluted
Net income (loss) per share:
Net income (loss) per share:
Net income (loss) per share:
Basic
Basic
Basic
Diluted
Diluted
Diluted

The following table sets forth the potential dilutive shares that were excluded from the computation of diluted net income (loss) per share, because their effects were anti-dilutive:

	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
(in thousands)	(in thousands)			
(in thousands)				
(in thousands)				
2024 Notes				
2024 Notes				
2024 Notes				
Restricted stock units				
Restricted stock units				
Restricted stock units				
Stock purchase rights under the ESPP				
Stock purchase rights under the ESPP				
Stock purchase rights under the ESPP				
Total				
Total				
Total				

NOTE 11: 10: SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that engage in business activities for which separate financial information is available and evaluated regularly by the Company's Chief Operating Decision Maker (the "CODM"), which for the Company is its Chief Executive Officer, in deciding how to allocate resources and assess performance. Based on the internal reporting structure, the Company consists of two operating segments: Broadband and Video. The operating segments were determined based on the nature of the products offered. The Broadband segment provides broadband access solutions and related services to broadband operators globally. A measure of assets by segment is not applicable as segment assets are not included in the discrete financial information provided to the CODM. The Video segment provides video processing, production and playout solutions and services worldwide to broadcast and media companies, new streaming media companies, broadband operators, and satellite and telecommunications ("telco") Pay-TV service providers.

The following table provides summary financial information by reportable segment:

	Three Months Ended		Three Months Ended		Six Months Ended
	Three Months Ended				
	Three Months Ended				
(in thousands)	(in thousands) June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	
(in thousands)					
(in thousands)					
Broadband					
Broadband					
Broadband					
Revenue					
Revenue					
Revenue					
Operating income					
Operating income					
Operating income					
Video					
Video					
Video					
Revenue					
Revenue					
Revenue					
Operating loss					
Operating loss					
Operating loss					
Total					
Total					
Operating income (loss)					
Total					
Revenue					
Revenue					
Revenue					
Operating income					
Operating income					
Operating income					

A reconciliation of the Company's consolidated segment operating income to consolidated income before income taxes is as follows:

	Three Months Ended		Three Months Ended		Six Months Ended
	Three Months Ended				
	Three Months Ended				
(in thousands)	(in thousands) June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	
(in thousands)					
(in thousands)					
Total consolidated segment operating income					

Total consolidated segment operating income
Total consolidated segment operating income
Stock-based compensation ⁽¹⁾
Restructuring and related charges ⁽¹⁾
Lease-related asset impairment and other charges ⁽¹⁾
Unallocated corporate expenses ⁽¹⁾
Unallocated corporate expenses ⁽¹⁾
Unallocated corporate expenses ⁽¹⁾
Stock-based compensation
Stock-based compensation
Stock-based compensation
Consolidated income (loss) from operations
Consolidated income (loss) from operations
Consolidated income (loss) from operations
Non-operating expense, net
Non-operating expense, net
Non-operating expense, net
Income (loss) before income taxes
Income (loss) before income taxes
Income (loss) before income taxes

(1) Together with stock-based compensation, the Company does not allocate restructuring and related charges, lease-related asset impairment and other non-recurring expenses to the operating income (loss) for each segment because management does not include this information in the measurement of the performance of the operating segments.

Disaggregation of Revenues

The following table provides a summary of total revenues disaggregated by type:

(in thousands)	Three Months Ended	
	March 29, 2024	March 31, 2023
Product sales	\$ 73,916	\$ 107,824
Professional services	7,679	6,970
Total Appliance and integration	81,595	114,794
SaaS	12,864	11,583
Support services	27,601	31,272
Total SaaS and services	40,465	42,855
Total revenue	\$ 122,060	\$ 157,649

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(in thousands)	Three Months Ended		Six Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Product sales	\$ 87,441	\$ 99,594	\$ 161,357	\$ 207,418
Professional services	6,743	11,533	14,422	18,503
Total Appliance and integration	94,184	111,127	175,779	225,921
SaaS	14,023	13,584	26,887	25,167
Support services	30,533	31,252	58,134	62,524
Total SaaS and services	44,556	44,836	85,021	87,691
Total revenue	\$ 138,740	\$ 155,963	\$ 260,800	\$ 313,612

The following table provides a summary of total revenues by geographic region:

	Three Months Ended		Three Months Ended		Six Months Ended
	Three Months Ended				
	Three Months Ended				
(in thousands)					
(in thousands)					
(in thousands)	(in thousands)	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
United States ⁽¹⁾					
United States ⁽¹⁾					
United States ⁽¹⁾					
Other countries ⁽¹⁾					
Other countries ⁽¹⁾					
Other countries ⁽¹⁾					
Total revenue					
Total revenue					
Total revenue					

(1) Revenue is attributed to countries based on the location of the customer.

No single country, other than the United States, accounted for 10% or more of the Company's net revenues for the three and six months ended **March 29, 2024** **June 28, 2024** and **March 31, 2023** **June 30, 2023**, respectively.

NOTE 12: 11: RESTRUCTURING AND RELATED CHARGES

The Company has implemented several restructuring plans in the past few years. The goal of these plans was to bring operational expenses to appropriate levels relative to the Company's net revenue, while simultaneously implementing extensive company-wide expense control programs. The restructuring plans have primarily been comprised of severance payments and termination benefits related to headcount reductions.

During the first quarter of 2024, management initiated restructuring plans to further improve the Video business efficiencies in order to drive long-term growth and profitability. The total restructuring cost associated with these 2024 restructuring activities is currently estimated to be **\$17** **\$15.4** million and and will primarily be recorded to the restructuring expense line item within our condensed consolidated statements of operations. We recorded **\$3.5** **\$11.5** million of restructuring expense in the **first** **second** quarter of fiscal 2024 and we expect to incur substantially all of the remaining restructuring expense through the end of fiscal 2024.

The following table summarizes the activities related to the Company's restructuring plans **accrual, reported as components of "Other current liabilities" on the Consolidated**

Balance Sheets:

accrual:

(in thousands)	Severance and Benefits
Balance at December 31, 2023	\$ 313
Charges for current period	3,497 14,979
Cash payments	(2,841) (6,389)
Other adjustments ⁽¹⁾	(119) 1,235
Balance at March 29, 2024 June 28, 2024	\$ 850 10,138
Included in other current liabilities	\$ 4,263
Included in other non-current liabilities	5,875
Balance at June 28, 2024	\$ 10,138

(1) Other adjustments include \$1.6 million transfer from pension liabilities and \$(0.4) million foreign exchange impact.

NOTE 13: 12: COMMITMENTS AND CONTINGENCIES

Legal proceedings

From time to time, the Company is involved in lawsuits as well as subject to various legal proceedings, claims, threats of litigation, and investigations in the ordinary course of business, including claims of alleged infringement of third-party patents and other intellectual property rights, commercial, employment, and other matters. The Company assesses potential liabilities in connection with each lawsuit and threatened lawsuits and accrues an estimated loss for these loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. While certain matters to which the Company is a party specify the damages claimed, such claims may not represent reasonably probable losses. Given the inherent uncertainties of litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated.

NOTE 14: SUBSEQUENT EVENTS**Redemption of the 2024 Notes**

On January 30, 2024, the Company issued a notice to redeem the outstanding 2024 Notes in full pursuant to the terms of the 2024 Notes Indenture, which gave holders the right to convert their 2024 Notes prior to the redemption date. On April 18, 2024, the Company settled the conversions of the entire \$115.5 million in aggregate principal amount of the 2024 Notes. In accordance with the provisions of the 2024 Notes Indenture, the Company settled such conversions of the 2024 Notes by paying and delivering, as applicable, a combination of \$115.5 million in cash and 4.6 million shares of the Company's common stock. To finance the conversion of the 2024 Notes, the Company borrowed \$75 million under the Revolving Facility and \$40 million on the Term Facility, in each case, under its Credit Agreement (each as defined below).

As of April 18, 2024, the Company has \$45.0 million remaining available for borrowing under the Revolving Facility and no remaining amounts available for borrowing under the Term Facility.

Lease

In April, 2024, the Company announced a decision to reduce the use of leased space for its headquarters in San Jose, California. The Company plans to consolidate its operations and market the excess space for sublease. Depending on the outcome of marketing the sublease, the Company believes this decision could result in an impairment of the right-of-use assets and the associated leasehold improvement assets for the leased property. The estimated impairment loss is expected to be between \$5.5 million and \$6.5 million for the quarter ending June 28, 2024.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The terms "Harmonic," "Company," "we," "us," "its," and "our," as used in this Quarterly Report on Form 10-Q (this "Form 10-Q"), refer to Harmonic Inc. and its subsidiaries and its predecessors as a combined entity, except where the context requires otherwise.

Some of the statements contained in this Quarterly Report on Form 10-Q are forward-looking statements that involve risk and uncertainties. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Acts"), and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, including, without limitation, statements regarding our expectations, beliefs, intentions or strategies regarding the future. In some cases, you can identify forward-looking statements by terminology such as, "may," "will," "should," "expects," "plans," "anticipates," "could," "believes," "intends," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements regarding:

- developing trends and demands in the markets we address, particularly emerging markets;
- macroeconomic conditions, including inflation, rising changes in interest rates, volatility and uncertainty in the banking and financial services sector, supply chain disruptions, and volatile capital markets and foreign currency fluctuations, particularly in certain geographies, and in financial markets; geographies;
- the impact of geopolitical events, including the conflicts in the Middle East and Russia-Ukraine conflicts and risks of escalation and broader regional conflicts, and tensions between China and Taiwan and China and the United States, on our business and the markets in which we operate;
- new and future products and services;
- spending of our customers;
- our strategic direction, future business plans and growth strategy, including our plans with respect to the Video Business;
- industry and customer consolidation;
- expected demand for and benefits of our products and services;
- concentration of revenue sources;
- expectations regarding our Broadband and Video solutions;
- potential future acquisitions and dispositions;
- anticipated results of potential or actual litigation;
- our competitive environment;
- the impact of our restructuring plans;
- the impact of governmental regulations, including with respect to tariffs and economic sanctions;

- anticipated revenue and expenses, including the sources of such revenue and expenses;
- expected impacts of changes in accounting rules;
- expectations regarding the usability of our inventory and the risk that inventory will exceed forecasted demand;
- expectations and estimates related to goodwill and its associated carrying value; and
- use of cash, cash needs and ability to raise capital, including repurchasing our common stock.

These statements are subject to known and unknown risks, uncertainties and other factors, any of which may cause our actual results to differ materially from those implied by the forward-looking statements. Important factors that may cause actual results to differ from expectations include those discussed in "Risk Factors" in Item 1A of Part II of this Quarterly Report on Form 10-Q. All forward-looking statements included in this Quarterly Report on Form 10-Q are based on information available to us on the date thereof, and we assume no obligation to update any such forward-looking statements.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in the section titled "Risk Factors" and in other parts of this Quarterly Report on Form 10-Q.

OVERVIEW

We are a leading global provider of (i) broadband solutions that enable broadband operators to more efficiently and effectively deploy high-speed internet, for data, voice and video services for their customers and (ii) versatile and high performance video delivery software, products, system solutions and services that enable our customers to efficiently create, prepare, store, playout and deliver a full range of high-quality broadcast and streaming video services to consumer devices, including televisions, personal computers, laptops, tablets and smart phones.

We classify our total revenue in two categories, "Appliance and integration" and "SaaS and service." The "Appliance and integration" revenue category includes hardware, licenses and professional services and is reflective of non-recurring revenue, while the "SaaS and service" category includes usage fees for our SaaS platform and support service revenue from our appliance-based customers and reflects our recurring revenue stream.

We conduct business in three geographic regions—the Americas, EMEA and APAC—and operate in two segments, Broadband and Video. Our Broadband business sells broadband access solutions and related services, including our cOS cOS™ software-based broadband access solutions, to broadband operators globally. Our Video business sells video processing, production and playout solutions, and services worldwide to cable operators and satellite and telco Pay-TV service providers, which we refer to collectively as "service providers," as well as to broadcast and media companies, including streaming media companies. Our Video business infrastructure solutions are delivered either through shipment of our products, software licenses or as SaaS subscriptions.

Historically, our revenue has been dependent upon spending in the cable, satellite, telco, broadcast and media industries, including streaming media. Our customers' spending patterns are dependent on a variety of factors, including but not limited to: economic conditions in the United States and international markets, and impact of factors such as the conflict in the Middle East and Russia-Ukraine conflicts, inflation, rising changes in interest rates, potential supply chain disruptions, volatility in capital markets and foreign currency fluctuations; volatility and uncertainty in the banking and financial services sector; access to financing; annual budget cycles of each of the industries we serve; impact of industry consolidations; customer end-market conditions; customers suspending or reducing spending in anticipation of new products or new standards; and new industry trends and/or technology shifts. If our product portfolio and product development plans do not position us well to capture an increased portion of the spending in the markets in which we compete, our revenue may decline. As we attempt to further diversify our customer base in these markets, we may need to continue to build alliances with other equipment manufacturers and suppliers, cloud service providers, content providers, resellers and system integrators, managed services providers and software developers; adapt our products for new applications; take orders at prices resulting in lower margins; and build internal expertise to handle the particular operational, payment, financing and/or contractual demands of our customers, which could result in higher operating costs for us.

More recently, the United States has experienced high levels of inflation, which has resulted, and may continue to result, in decreased demand for our products and services, increases in our operating costs including our labor costs, constrained credit and liquidity, reduced customer spending and volatility in financial markets. The Federal Reserve has raised, and may continue to raise, interest rates in response to concerns over inflation risk. There continues to be uncertainty in the changing market and economic conditions, including the possibility of additional measures that could be taken by the Federal Reserve and other government agencies, related to macroeconomic conditions, adverse business conditions and liquidity concerns, or bank failures or instability in the financial services sector, geopolitical disruptions and concerns over inflation risk.

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Our Broadband strategy is focused on continuing to develop and deliver software-based broadband access technologies, which we refer to as our cOS solutions, to our broadband operator customers. We believe our cOS software-based broadband access solutions are superior to hardware-based systems and deliver unprecedented scalability, agility and cost savings for our customers. Our cOS solutions, which can be deployed based on a centralized, DAA or hybrid architecture, enable our customers to migrate to multi-

gigabit broadband capacity and the fast deployment of DOCSIS and/or FTTH data, video and voice services. We believe our cOS solutions resolve space and power constraints in broadband operator facilities, eliminate dependence on hardware upgrade cycles and significantly reduce total cost of ownership, and are helping us become a major player in the broadband access market. In the meantime, we believe our Broadband segment will continue to gain momentum in the marketplace as our customers adopt and deploy our virtualized DOCSIS, CMTS and FTTH solutions and distributed access architectures. We continue to make progress in the development of our cOS solutions and in the growth of our Broadband business, with expanded commercial deployments, lab and field trials, and customer engagements.

We believe a material and growing portion of the opportunities for our Video business are linked to the industry and our customers (i) continuing to adopt streaming technologies to capture, process and deliver video content to consumers and, increasingly, utilizing public cloud solutions like our VOS SaaS platform to do so; (ii) transforming existing broadcast infrastructure workflows into more flexible, efficient and cost-effective operations running in public clouds; and (iii) for those customers maintaining on-premise video delivery infrastructure, continuing to upgrade and replace aging equipment with next-generation software-based appliances that significantly reduce operational complexity. Our Video business strategy is focused on continuing to develop and deliver products, solutions and services to enable and support these trends. Currently, in recent quarters, we are seeing have seen a slow-down in capital spending by some of our Video business customers, which is causing has caused delays for some of our appliance-based projects and creating projects. While market activity leads us to believe these near-term headwinds for our Video appliance business.

RECENT DEVELOPMENTS

Video Business Review

As previously announced in April 2024, following a formal strategic review process to evaluate potential strategic alternatives for our Video business with may be receding, the assistance of independent financial and legal advisors, our Board determined that current market conditions do not support its value creation objectives for the Video business. This determination was made after carefully evaluating a range of alternatives.

The go-forward strategy for our Video business will be centered on driving profitable growth by focusing on scalable market opportunities, streamlining operations and optimizing its cost structure. Consistent with its ongoing focus on value creation, our board of directors will remain open to further opportunities and alternatives should they arise.

CEO Succession

As previously announced in April 2024, our President and Chief Executive Officer, Patrick Harshman, will retire and Nimrod Ben-Natan, our current Senior Vice President and General Manager of our Broadband business, has been appointed by our Board as Mr. Harshman's successor, effective June 11, 2024. capital spending slow-down may persist longer than expected.

CRITICAL ACCOUNTING ESTIMATES

Our unaudited condensed consolidated financial statements and the related notes included elsewhere in this report are prepared in accordance with U.S. GAAP. The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Our critical accounting estimates are disclosed in our 2023 Annual Report on Form 10-K, as filed with the SEC. There have been no significant changes to these estimates during the three months ended March 29, 2024 June 28, 2024.

ACCOUNTING PRONOUNCEMENTS

For a summary of recent accounting pronouncements applicable to our condensed consolidated financial statements, refer to Note 2 to the Condensed Consolidated Financial Statements in Item 1, which is incorporated herein by reference.

RESULTS OF OPERATIONS

Net Revenue

Three Months Ended
Three Months Ended
Three Months Ended

(in thousands, except percentages)

(in thousands, except percentages)

(in thousands, except percentages)		June 28, 2024		June 30, 2023		Change		June 28, 2024		June 30, 2023		Change	
Appliance and integration	Appliance and integration	\$94,184	\$	\$111,127	\$	\$(16,943)	(15) (15)%	\$175,779	\$	\$225,921	\$	\$(50,142)	(22) (2)%
Appliance and integration	Appliance and integration												
Appliance and integration	Appliance and integration												
as % of total net revenue	as % of total net revenue												
as % of total net revenue	as % of total net revenue												
as % of total net revenue	as % of total net revenue												
SaaS and service	SaaS and service												
SaaS and service	SaaS and service												
SaaS and service	SaaS and service	44,556	44,836	44,836	(280)	(280)	(1) (1)%	85,021	87,691	87,691	(2,670)	(2,670)	
as % of total net revenue	as % of total net revenue												
as % of total net revenue	as % of total net revenue												
as % of total net revenue	as % of total net revenue												
Total net revenue	Total net revenue												
Total net revenue	Total net revenue												
Total net revenue	Total net revenue	\$ 138,740	\$	\$155,963	\$	\$(17,223)	(11) (11) %	\$260,800	\$	\$313,612	\$	\$(52,812)	(17) (17) %

Appliance and integration net revenue decreased by **\$33.2 million** \$16.9 million during the three months ended **March 29, 2024** June 28, 2024, compared to the corresponding period in 2023, primarily due to a decrease of **\$20.2 million** \$12.2 million in our **Broadband Video** segment revenue and a decrease of **\$13.0 million** \$4.8 million in our **Broadband** segment revenue.

Appliance and integration net revenue decreased by \$50.1 million during the six months ended June 28, 2024, compared to the corresponding period in 2023, primarily due to a decrease of \$25.1 million in our Video segment revenue and a decrease of \$25.0 million in our Broadband segment revenue. The decrease in our **Broadband Video** segment revenue was primarily attributed in the fiscal 2024 periods presented, relative to a customer delaying orders due to a technology transition. The decrease in our Video segment revenue corresponding prior fiscal year periods, was primarily attributed to lower sales across most regions due to order and project delays by our customers. The decrease in our Broadband segment revenue in the fiscal 2024 periods presented, relative to the corresponding prior fiscal year periods, was primarily attributed to a customer adjusting its shipment schedule to later periods in the current fiscal year due to a technology transition that will ramp throughout 2024.

Total SaaS and service net revenue decreased by **\$2.4 million** \$0.3 million during the three months ended **March 29, 2024** June 28, 2024, compared to the corresponding period in 2023, primarily due to a decrease of **\$3.7 million** \$0.6 million in support services mainly driven by lower contract renewals in Video segment, partially offset by an **\$0.4 million** increase in SaaS revenue, mainly due to the acquisition of new customers.

Total SaaS and service net revenue decreased by \$2.7 million during the six months ended June 28, 2024, compared to the corresponding period in 2023, primarily due to a decrease of \$4.4 million in support services mainly driven by lower contract renewals in the Video segment, partially offset by an increase in SaaS revenue of \$1.3 million \$1.7 million, mainly due to the acquisition of new customers.

Gross Profit

	Three Months Ended			Three Months Ended			Three Months Ended		
(in thousands, except percentages)									
(in thousands, except percentages)									
(in thousands, except percentages)									
	June 28, 2024	June 30, 2023	Change	June 28, 2024	June 30, 2023	Change	June 28, 2024	June 30, 2023	Change
Gross profit	\$ 73,457	\$ 84,940	\$ (11,483) (14) (14)%	\$ 136,538	\$ 168,994	\$ (32,456) (19) (19)%			
Gross profit									
Gross profit									
as % of total net revenue ("gross margin")									
as % of total net revenue ("gross margin")									
as % of total net revenue ("gross margin")									

Our gross margins are dependent upon, among other factors, the proportion of software sales, product mix, supply chain impacts, customer mix, product introduction costs, price reductions granted to customers and achievement of cost reductions.

Our gross margin decreased by 160 60 basis points (bps) and 150 basis points in the three and six months ended March 29, 2024 June 28, 2024, respectively, compared to the corresponding period periods in 2023, primarily from margin contraction in our Broadband segment, mainly due to unfavorable product mix. This decrease was partially offset from by margin expansion in our Video segment, mainly due to an increase in SaaS and services as a percentage of segment revenue.

Research and Development Expenses

(in thousands, except percentages)									
(in thousands, except percentages)									
(in thousands, except percentages)									
	June 28, 2024	June 30, 2023	Change	June 28, 2024	June 30, 2023	Change	June 28, 2024	June 30, 2023	Change
Research and development	\$ 28,784	\$ 32,205	\$ (3,421) (11) (11)%	\$ 59,489	\$ 65,714	\$ (6,225) (9) (9)%			
Research and development									
Research and development									
as % of total net revenue									
as % of total net revenue									
as % of total net revenue									

Our research and development expenses consist primarily of employee salaries and related expenses, contractors and outside consultants, supplies and materials, equipment depreciation and facilities costs, all of which are associated with the design and development of new products and enhancements of existing products. The research and development expenses are net of French Research and Development ("French R&D") credits.

Research and development expenses decreased by \$2.8 million \$3.4 million and \$6.2 million in the three and six months ended March 29, 2024 June 28, 2024, respectively, compared to the corresponding period periods in 2023, mainly 2023. The primary reasons for these decreases include headcount reductions related to restructuring activities, which resulted in \$1.3 million and \$1.5 million decreases in the Video business for the three and six-month periods, respectively. Additionally, there were \$2.1 million and \$4.3 million decreases in the Broadband business for the three and six-month periods, respectively, due to lower spending resources being redeployed to support the Video business. certain customer projects.

Selling, General and Administrative Expenses

(in thousands, except percentages)									
(in thousands, except percentages)									
(in thousands, except percentages)									
	June 28, 2024	June 30, 2023	Change	June 28, 2024	June 30, 2023	Change	June 28, 2024	June 30, 2023	Change
Selling, general and administrative	\$ 39,821	\$ 42,773	\$ (2,952) (7) (7)%	\$ 78,686	\$ 82,055	\$ (3,369) (4) (4)%			
Selling, general and administrative									
Selling, general and administrative									
as % of total net revenue									

as % of total net revenue

as % of total net revenue

Selling, general and administrative expenses decreased by \$0.4 million \$3.0 million in the three months ended March 29, 2024 June 28, 2024, compared to the corresponding period in 2023, primarily due to a reduction of \$0.8 million in spending partially offset resulting from headcount reductions related to restructuring activities in the Video business.

Selling, general and administrative expenses decreased by \$3.4 million in the six months ended June 28, 2024, compared to the corresponding period in 2023, primarily due to lower spending of \$2.0 million resulting from headcount reductions related to restructuring activities in the Video business and a decrease of \$1.4 million in non-recurring advisory fees of \$0.4 million incurred for the strategic review of the Video business. These decreases were partially offset by higher stock-based compensation primarily related to the acceleration of expenses for the awards granted to our former CEO.

Lease Related Impairment and Other Charges

(in thousands, except percentages)	Three Months Ended				Six Months Ended			
	June 28, 2024	June 30, 2023	Change		June 28, 2024	June 30, 2023	Change	
Impairment charges	\$ 9,000	\$ —	\$ 9,000	*	\$ 9,000	\$ —	\$ 9,000	*

*Not meaningful

In the second quarter of fiscal 2024, we reviewed the right-of-use lease assets and other fixed assets associated with our San Jose headquarters and our facilities in the UK for potential impairment due to an intended change in the use of these spaces. Following our analysis, we recorded total lease-related impairment and other charges of \$9.0 million which primarily consisted of right-of-use asset impairment charges of \$2.9 million, related leasehold improvement impairment charges of \$4.2 million, and the fair value of other unrecoverable facility costs of \$1.9 million. Refer to Note 4, "Leases", of the Notes to our condensed consolidated financial statements for additional information.

Restructuring and Related Charges

We have implemented several restructuring plans in the past few years. The goal of these plans is to bring operational expenses to appropriate levels relative to our net revenues, while simultaneously implementing appropriate expense control programs. We account for our restructuring plans under the authoritative guidance for exit or disposal activities. The restructuring and related charges are primarily included in "Cost of revenue" and "Operating expenses-restructuring and related charges" in the condensed consolidated statement of operations. Refer to Note 12, 11, "Restructuring and related charges" Related Charges", of the Notes to our condensed consolidated financial statements for additional information regarding our restructuring activities.

(in thousands, except percentages)

(in thousands, except percentages)

(in thousands, except percentages)

	June 28, 2024	June 30, 2023	Change	June 28, 2024	June 30, 2023	Change
Total restructuring and related charges	\$ 11,482	\$ —	\$ 11,482	\$ 14,979	\$ 83	\$ 14,896
Total restructuring and related charges						
Total restructuring and related charges						

*Not meaningful

Restructuring and related charges increased in the three and six months ended March 29, 2024 June 28, 2024, compared to the corresponding period periods in 2023, primarily driven by higher severance and employee benefit costs recorded in 2024, in connection with the 2024 restructuring activities. Refer to Note 11, "Restructuring and Related Charges", of the Notes to our condensed consolidated financial statements for additional information.

Interest Expense, Net

Three Months Ended

Three Months Ended

Three Months Ended

(in thousands, except percentages)

(in thousands, except percentages)

(in thousands, except percentages)

	June 28, 2024	June 30, 2023	Change	June 28, 2024	June 30, 2023	Change
Interest expense, net	\$ (1,424)	\$ (800)	\$ (624)	78	78	%
Interest expense, net						
Interest expense, net						

Interest expense, net in the three and six months ended March 29, 2024 was relatively flat, June 28, 2024 increased by \$0.6 million, compared to the corresponding period periods in 2023. 2023, primarily due to higher interest rates for the borrowings under the Credit Agreement compared to the interest rate for the 2024 Notes. Refer to Note 6, "Debt", of the Notes to our condensed consolidated financial statements for additional information regarding the interest rates applicable to our outstanding loans.

Other Expense, Income (Expense), Net

(in thousands, except percentages)

(in thousands, except percentages)

(in thousands, except percentages)	June 28, 2024	June 30, 2023	Change	June 28, 2024	June 30, 2023	Change
Other expense, net						
Other expense, net						
Other expense, net						
Other income (expense), net	\$ 619	\$ (136)	\$ 755 (555) %	\$ 330	\$ (429)	\$ 759 (177) %

Other expense, income (expense), net in the three and six months ended March 29, 2024 was relatively flat June 28, 2024 increased by \$0.8 million compared to the corresponding period periods in 2023. 2023, primarily due to the fluctuation of foreign exchange gains and losses.

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Income Taxes

(in thousands, except percentages)

(in thousands, except percentages)

(in thousands, except percentages)	June 28, 2024				June 30, 2023				Change					
	June 28, 2024		June 30, 2023		June 28, 2024		June 30, 2023		June 28, 2024		June 30, 2023		Change	
Provision for (benefit from) income taxes	Provision for (benefit from) income taxes	\$ (3,903)	\$ 7,471	\$ (11,374)	(152)	(152)%	\$ (6,352)	\$ 12,559	\$ (18,911)	(151)	(151)%			
Provision for (benefit from) income taxes														
Provision for (benefit from) income taxes														

The change changes in provision for (benefit from) income taxes during the three and six months ended March 29, 2024 June 28, 2024, compared to the corresponding period periods in 2023, was were primarily due to the year-to-date pre-tax loss losses in the current fiscal quarter, year, which resulted in a tax benefit since there is no longer a full valuation allowance in the U.S. United States. The Company is forecasting pre-tax book income for the year, and anticipates recording tax expense during the remainder of 2024. The mandatory capitalization and amortization of research and development expenses in the United States were required starting January 1, 2022, by the Tax Cuts and Jobs Act, which resulted in income tax expense in the United States in the prior period due to the full valuation allowance in the U.S. United States at that time.

Segment Financial Results

Below is a table of our segment financial results.

(in thousands, except percentages)

(in thousands, except percentages)

(in thousands, except percentages)	June 28, 2024	June 30, 2023	Change	June 28, 2024	June 30, 2023	Change
Broadband						
Broadband						
Broadband						
Revenue						
Revenue						
Revenue	\$ 92,937	\$ 97,096	\$ (4,159) (4) (4) %	\$ 171,834	\$ 197,447	\$ (25,613) (13) (13) %
as % of total revenue						
as % of total revenue						
as % of total revenue						
Operating income (1)						
Operating income (1)						
Operating income (1)	13,781	18,066	(4,285) (4,285) (24) (24)%	22,375	38,179	(15,804) (15,804) (41) (41)%
Operating margin % (1)						
Operating margin % (1)						

Operating margin % (1)																								
Video																								
Video																								
Video																								
Revenue																								
Revenue																								
Revenue	\$	45,803	\$		\$	58,867	\$	(13,064)	(22)	(22)	%	\$	88,966	\$		\$	116,165	\$		\$	(27,199)	(23)	(23)	%
as % of total revenue																								
as % of total revenue																								
as % of total revenue																								
Operating income (1)																								
Operating income (1)																								
Operating income (1)		(1,569)	90		90	(1,659)		(1,659)	(1,843)	(1,843)	%	(8,920)	(1,336)		(1,336)	(7,584)		(7,584)	568	568	%			
Operating margin % (1)																								
Operating margin % (1)																								
Operating margin % (1)																								
Total																								
Total																								
Total																								
Revenue																								
Revenue																								
Revenue	\$	138,740	\$		\$	155,963	\$	(17,223)	(11)	(11)	%	\$	260,800	\$		\$	313,612	\$		\$	(52,812)	(17)	(17)	%

Broadband

Our Broadband segment revenue decreased by \$21.5 million \$4.2 million and \$25.6 million, respectively, during the three and six months ended March 29, 2024 June 28, 2024, compared to the corresponding period periods in 2023, 2023. The decreases were primarily due attributed to lower appliance and integration revenue, primarily driven by a customer delaying orders adjusting its shipment schedule to later periods in 2024 due to a technology transition. transition that will ramp throughout 2024. Our Broadband segment operating margin decreased during the three and six months ended March 29, 2024 June 28, 2024, compared to the corresponding period periods in 2023, primarily due to the decrease in revenue.

Video

Our Video segment revenue decreased by \$14.1 million \$13.1 million for the three months ended March 29, 2024 June 28, 2024, compared to the corresponding period in 2023, primarily due to lower a \$12.2 million decrease in product sales across all regions, mainly driven by order and project delays by our customers, and a \$1.3 million decrease in support services, mainly due to lower customer contract renewals, partially offset by a \$0.4 million increase in SaaS revenue, mainly driven by the acquisition of new customers.

Our Video segment revenue decreased by \$27.2 million for the six months ended June 28, 2024, compared to the corresponding period in 2023, primarily due to a \$25.1 million decrease in product sales across most regions, mainly driven by order and project delays by our customers, and a \$3.8 million decrease in support services, mainly due to lower customer contract renewals, partially offset by a \$1.7 million increase in SaaS revenue, mainly driven by the acquisition of new customers.

Video segment operating margin decreased during the three and six months ended March 29, 2024 June 28, 2024, compared to the corresponding periods in 2023, primarily due to the decrease in revenue.

Liquidity and Capital Resources

We expect to continue to manage our cash from operations effectively, together with deploying cash in working capital for growth. The cash we generate from our operations enables us to fund ongoing operations, our research and development projects for new products and technologies, and other business activities. We continually evaluate our cash needs and may decide it is best to raise additional capital or seek alternative financing sources to fund our operations and the growth of our business, to take advantage of unanticipated strategic opportunities, or to strengthen our financial position, including through drawdowns on existing or new debt facilities or new financing (debt and equity) funds. In the future, we may enter into other arrangements for potential investments in, or acquisitions of, complementary businesses, services or technologies, which could require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all. Conversely, we may also from time to time determine that it is in our best interests to voluntarily repay certain indebtedness early. We believe that our current sources of funds will provide us with adequate liquidity during the 12-month period following March 29, 2024 June 28, 2024, as well as in the long-term.

Material Cash Requirements

Our principal uses of cash will include repayments of debt and related interest, purchases of inventory, stock repurchases, payments for payroll, restructuring expenses, and other operating expenses related to the development and marketing of our products, purchases of property and equipment, facility leases, and other contractual obligations for the foreseeable future.

As of **March 29, 2024** **June 28, 2024**, we had outstanding **\$130.6** **\$128.3** million in aggregate principal amount of indebtedness, consisting of our **2024 Notes**, **\$75.0 million** Revolving Facility and our **\$40.0 million** Term Facility loan under our Credit Agreement, and other debts, of which **\$119.9 million** **\$9.3 million** is scheduled to become due in the 12-month period following **March 29, 2024** **June 28, 2024**. As of **March 29, 2024** **June 28, 2024**, our total minimum lease payments are **\$28.7 million** **\$26.9 million**, of which **\$5.3 million** **\$3.5 million** is due before December 31, 2024, and **\$6.4 million** is due within 12 months.

In February 2022, the Board of Directors authorized us to repurchase, from time to time, up to \$100 million of our outstanding shares of common stock through February 2025, at such time and such prices as management may decide. The program does not obligate us to repurchase any specific number of shares and may be discontinued at any time. As of **March 29, 2024** **June 28, 2024**, approximately **\$73.2 million** **\$64.8 million** of the share repurchase authorization remained available for repurchases under this program.

Sources and Conditions of Liquidity

Our sources to fund our material cash requirements are predominantly from the sales of our products and services and, when applicable, proceeds from debt facilities and debt and equity offerings.

As of **March 29, 2024** **June 28, 2024**, our principal sources of liquidity consisted of cash and cash equivalents of **\$84.3 million** **\$45.9 million**, net accounts receivable of **\$105.9 million** **\$120.0 million**, \$30.0 million from our **receivables purchase arrangement**, **\$160.0 million** from **Master Receivables Purchase Agreement** (described below), **\$45.0 million** remaining available under the **Revolving Facility** of our Credit Agreement, and financing from French government agencies.

In September 2023, we entered into a Master Receivables Purchase Agreement with JPMorgan Chase Bank N.A, as purchaser. The agreement allows us, from time to time, to sell certain eligible billed receivables in an aggregate outstanding amount of up to \$30 million. As of **June 28, 2024**, there were no receivables sold under this agreement.

Our cash and cash equivalents of **\$84.3 million** **\$45.9 million** as of **March 29, 2024** **June 28, 2024** consisted of bank deposits held throughout the world and money market funds, of which **\$41.9** **\$26.6** million was held outside of the United States. At present, such foreign funds are considered to be indefinitely reinvested in foreign countries to the extent of indefinitely reinvested foreign earnings. In the event funds from foreign operations are needed to fund cash needs in the United States and if U.S. taxes have not already been previously accrued, we may be required to accrue and pay additional U.S. and foreign withholding taxes in order to repatriate these funds.

In September 2023, we entered into a Master Receivables Purchase Agreement with JPMorgan Chase Bank N.A, as purchaser. The agreement allows us, from time to time, to sell certain eligible billed receivables in an aggregate outstanding amount of up to \$30 million. As of **March 29, 2024**, there were no receivables sold under this agreement.

In December 2023, we entered into a Credit Agreement by and among us, certain of our subsidiaries from time to time party thereto, the lenders from time to time party thereto, and Citibank, N.A., as administrative agent for the lenders (the "Credit Agreement"). The Credit Agreement provides for a secured revolving loan facility in an aggregate principal amount of up to \$120.0 million (the "Revolving Facility"), with a \$10.0 million sublimit for the issuance of letters of credit, and a secured delayed draw term loan facility in an aggregate principal amount of up to \$40.0 million (the "Term Facility"). The Credit Agreement refinances and replaces our prior credit agreement, dated as of December 19, 2019, as amended, with JPMorgan Chase Bank, N.A., as lender. The proceeds of the loans under the Term Facility must be used to repurchase, redeem, acquire or otherwise settle our **2024 Notes**. As of **March 29, 2024**, there were no borrowings outstanding.

As of **March 29, 2024**, there were approximately \$2.9 million of letters of credit outstanding.

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On January 30, 2024, we issued a notice to redeem our outstanding 2024 Notes in full pursuant to the terms of the 2024 Notes Indenture, which have holders the right to convert their 2024 Notes prior to the redemption date. On April 18, 2024, we settled the conversions of the entire \$115.5 million in aggregate principal amount of the 2024 Notes. In accordance with the provisions of the 2024 Notes Indenture, we settled such conversions of the 2024 Notes by paying and delivering, as applicable, a combination of \$115.5 million in cash and 4.6 million shares of our common stock. To finance the conversion of the 2024 Notes, we borrowed \$75.0 million under the Revolving Facility and \$40.0 million on the Term Facility, in each case, under our Credit Agreement. As of April 18, 2024, we had \$45.0 million remaining available for borrowing under the Revolving Facility and no remaining amounts available for borrowing under the Term Facility.

Summary of Cash Flows

The table below sets forth selected cash flow data:

	Three Months Ended				Six Months Ended	
(in thousands)	(in thousands)	March 29, 2024	March 31, 2023	(in thousands)	June 28, 2024	June 30, 2023
Net cash provided by (used in):						
Operating activities						
Operating activities						
Operating activities						
Investing activities						
Financing activities						
Effect of foreign exchange rate changes on cash and cash equivalents						

Net decrease in cash and cash equivalents

Operating Activities

Net cash provided by operating activities increased by **\$20.6 million** **\$14.9 million** during the first **three six** months of fiscal 2024, compared to the corresponding period in fiscal 2023, primarily due to a decrease in cash used in our working capital, partially offset by a net loss in the first **three six** months of fiscal 2024, compared to a net income in the first **three six** months of fiscal 2023.

We expect that cash provided by or used in operating activities may fluctuate in future periods as a result of a number of factors, including, but not limited to, instability and uncertainty in the financial services sector, risk of regional escalation of the conflicts in the Middle East and Russia-Ukraine conflicts and related macroeconomic conditions on demand for our offerings as well as potential impact on our operations in Israel and Ukraine, fluctuations in our operating results, shipment linearity, accounts receivable collections performance, inventory and supply chain management, and the timing and amount of compensation and other payments.

Investing Activities

Net cash used in investing activities decreased by \$0.4 million remained flat during the first three six months of fiscal 2024, compared to the corresponding period in 2023, 2023. Our investing activities were primarily due attributed to fewer purchases of property and equipment in the first three month of fiscal 2024, for both periods.

Financing Activities

Net cash used in financing activities increased by \$20.5 million \$29.5 million during the first three six months of fiscal 2024, compared to the corresponding period in 2023, primarily due to the \$115.5 million repayment of the 2024 Notes and the \$30.0 million of stock repurchases of \$21.7 million in the first three six months of fiscal 2024, partially offset by \$0.9 million lower payment the proceeds of tax withholding obligations related to net share settlement of restricted stock units, \$75 million in loans under the Revolving Facility and \$40 million in loans under the Term Facility.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our operating results, financial position or liquidity due to adverse changes in market prices and rates. We are exposed to market risk because of changes in interest rates, foreign currency exchange rates, when other currencies held by our subsidiaries are measured against the U.S. dollar, and to changes in the value of financial instruments held by us.

For quantitative and qualitative disclosures about foreign currency exchange risk and interest rate risk affecting the Company, see Item 7A "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Our exposure related to foreign currency exchange risk and interest rate risk has not changed materially since December 31, 2023.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

Our Chief Executive Officer and Chief Financial Officer evaluated the changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q. Based on their evaluation, it is concluded that there had been no change in our internal control over financial reporting during the quarter ended March 29, 2024 June 28, 2024 that had materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in lawsuits as well as subject to various legal proceedings, claims, threats of litigation, and investigations in the ordinary course of business, including claims of alleged infringement of third-party patents and other intellectual property rights, and commercial, employment, and other matters. While certain matters to which

we are a party may specify the damages claimed, such claims may not represent reasonably possible losses. Given the inherent uncertainties of litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated.

An unfavorable outcome on any litigation matters could require us to pay substantial damages, or, in connection with any intellectual property infringement claims, could require us to pay ongoing royalty payments or could prevent us from selling certain of our products. As a result, a settlement of, or an unfavorable outcome on, any of the matters referenced above or other litigation matters could have a material adverse effect on our business, operating results, financial condition and cash flows.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. From time to time, third parties have asserted, and may in the future assert, exclusive patent, copyright, trademark and other intellectual property rights against us or our customers. Such assertions arise in the normal course of our operations. The resolution of any such assertions and claims cannot be predicted with certainty. Refer to Note 13.12 of the Notes to the condensed consolidated financial statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q for details on legal proceedings.

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ITEM 1A. RISK FACTORS

Risk Factor Summary

Our business is subject to significant risks and uncertainties that make an investment in us speculative and risky. Below we summarize what we believe are the principal risk factors but these risks are not the only ones we face, and you should carefully review and consider the full discussion of our risk factors in the section titled "Risk Factors," together with the other information in this Quarterly Report on Form 10-Q. If any of the following risks actually occurs (or if any of those listed elsewhere in this Quarterly Report on Form 10-Q occur), our business, reputation, financial condition, results of operations, revenue, and future prospects could be seriously harmed. In that event, the market price of our common stock could decline, and you could lose part or all of your investment. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business.

- We depend on cable, satellite and telco, and broadcast and media industry spending for our revenue and any material decrease or delay in spending in any of these industries would negatively impact our operating results, financial condition and cash flows;
- The loss of one or more of our key customers, a failure to continue diversifying our customer base, or a decrease in the number of larger transactions could harm our business and our operating results;
- We need to develop and introduce new and enhanced products and solutions in a timely manner to meet the needs of our customers and to remain competitive;
- The markets in which we operate are intensely competitive;
- Our future growth depends on a number of video broadband and broadband video industry trends;
- Our software-based broadband product initiatives expose us to certain technology transition risks that may adversely impact our operating results, financial condition and cash flows;
- Our operating results are likely to fluctuate significantly and, as a result, may fail to meet or exceed the expectations of securities analysts or investors, causing our stock price to decline;
- We purchase several key components, subassemblies and modules used in the manufacture or integration of our products from sole or limited sources, and we rely on contract manufacturers and other subcontractors;
- We face risks associated with having employees and operations in Israel and outsourced engineering resources located in Ukraine; and
- We rely on resellers, value-added resellers and systems integrators for a significant portion of our Video business revenue, and disruptions to, or our failure to develop and manage our relationships with these customers or the processes and procedures that support them could adversely affect our business.

Risks Related to Our Business and Our Industry

We depend on cable, satellite and telco, and broadcast and media industry spending for our revenue and any material decrease or delay in spending in any of these industries would negatively impact our operating results, financial condition and cash flows.

Our revenue has been derived from worldwide sales to service providers and broadcast and media companies, and streaming media companies. We expect that these markets will provide our revenue for the foreseeable future. Demand for our products and solutions will depend on the magnitude and timing of spending by customers in each of these markets for the purpose of creating, expanding or upgrading their systems. These spending patterns are dependent on a variety of factors, including:

- the impact of general economic conditions, actual and projected, including inflation, rising changing interest rates, lower consumer confidence, volatile capital markets, supply chain disruptions, uncertainty and volatility in the financial services sector and the impact of the conflicts in the Middle East and Russia-Ukraine conflicts, and government and business responses thereto, on the global economy and regional economies;
- access to financing;
- annual budget cycles of customers in each of the industries we serve;

- the impact of industry consolidation;
- customers suspending, reducing or shifting spending due to: (i) new video broadband or broadband video industry standards; (ii) industry trends and technology shifts, such as virtualization and cloud-based solutions, and (iii) new products and solutions, such as products and services based on our VOS software platform or our cOS (formerly CableOS) software-based broadband access solutions; solutions or VOS software platform;
- delayed or reduced near-term spending as customers transition away from video appliance solutions and adopt new business and operating models enabled by software- and cloud-based solutions, including SaaS unified video processing solutions;
- federal, state, local and foreign government regulation of broadband, telco, television broadcasting and streaming media;
- overall demand for communication services and consumer acceptance of new video and data technologies and services;
- competitive pressures, including pricing pressures;
- the impact of fluctuations in currency exchange rates, such as the strengthening of the U.S. dollar; and
- discretionary end-user customer spending patterns.

In the past, specific factors contributing to reduced spending have included:

- weak or uncertain economic and financial conditions in the United States or one or more international markets;
- uncertainty related to development of industry technology;
- delays in evaluations of new services, new standards and systems architectures by certain customers;
- emphasis by certain of our customers on generating revenue from existing subscribers or end-customers, rather than from new subscribers or end-customers, through construction, expansion or upgrades;
- a reduction in the amount of capital available to finance projects of our customers and potential customers;
- proposed and completed business combinations and divestitures by our customers and the length of regulatory review of each;
- completion of a new system or significant expansion or upgrade to a system; and
- bankruptcies and financial restructuring of major customers.

In the past, adverse economic conditions in one or more of the geographies in which we offer our products have adversely affected our customers' spending in those geographies and, as a result, our business. During challenging economic times, such as those caused by the conflicts in the Middle East and the Russia-Ukraine conflicts, inflation, currency devaluation, and bank insolvencies and related uncertainty and volatility in the financial services sector and in tight credit markets, many customers have delayed and reduced and may continue to delay or reduce capital expenditures. This has resulted and could continue to result in reductions in revenue from our products, longer sales cycles, difficulties in collection of accounts receivable, slower adoption of new technologies and increased price competition. If global economic and market conditions, or economic conditions in the United States, Europe or other key markets, remain uncertain or deteriorate, we could experience a material and adverse effect on our business, results of operations, financial condition and cash flows. Additionally, since most of our international revenue is denominated in U.S. dollars, global economic and market conditions may impact currency exchange rates and cause our products to become relatively more expensive to customers in a particular country or region, which could lead to delayed or reduced spending in those countries or regions, thereby negatively impacting our business and financial condition.

In addition, industry consolidation has in the past constrained, and may in the future constrain or delay, spending by our customers. Further, if our product portfolio and product development plans do not position us well to capture an increased portion of the spending of customers in the markets on which we focus, our revenue may decline.

As a result of these various factors and potential issues related to customer spending, we may not be able to maintain or increase our revenue in the future, and our operating results, financial condition and cash flows could be materially and adversely affected.

The loss of one or more of our key customers, a failure to continue diversifying our customer base, or a decrease in the number of larger transactions could harm our business and our operating results.

Historically, a significant portion of our revenue has been derived from relatively few customers, due in part to the consolidation of media customers, customer consolidation. Sales to our top 10 customers in the three and six months ended March 29, 2024, June 28, 2024 accounted for approximately 65% 68% and 67%, respectively, of our net revenue, compared to 68% and 67%, respectively, for the corresponding period periods in 2023. Although we continue to seek to broaden our customer base by penetrating new markets and further expanding internationally, we expect to see continuing industry consolidation and customer concentration.

During the three months ended March 29, 2024 June 28, 2024, Comcast accounted for approximately 48% of our net revenue. During the six months ended June 28, 2024, Comcast and Charter Communications accounted for approximately 29% 39% and 17% 13%, respectively, of our net revenue, respectively. revenue. For the corresponding period in 2023, three months and six months ended June 30, 2023, Comcast accounted for 47% of our net revenue. revenue in both periods. Further consolidation in the cable industry could lead to additional revenue concentration for us. The loss of any significant customer, or any material reduction in orders from any other significant customer, or our failure to qualify our new products with any significant customer could materially and adversely affect, either long term or in a particular quarter, our operating results, financial condition and cash flows. If Comcast or other significant Broadband customers deploy our solutions slower or at a scale that is lower than we anticipate, our operating results, financial condition and cash flows could be materially and adversely effected.

In addition, in most quarters, we are involved in one or more relatively large individual transactions. transactions with respect to our Broadband and/or Video business. A decrease in the number of the relatively larger individual transactions in which we are involved in any quarter could materially and adversely affect our the operating results for that quarter. quarter for the applicable business unit or the Company as a whole.

As a result of these and other factors, we may be unable to increase our revenues from some or all of the markets we address, or to do so profitably, and any failure to increase revenues and profits from these customers could materially and adversely affect our operating results, financial condition and cash flows.

We need to develop and introduce new and enhanced products and solutions in a timely manner to meet the needs of our customers and to remain competitive.

All of the markets we address are characterized by continuing technological advancement, changes in customer requirements and evolving industry standards. To compete successfully, we must continually design, develop, manufacture and sell new or enhanced products and solutions that provide increasingly higher levels of performance and reliability and meet our customers' changing needs. However, we may not be successful in those efforts if, among other things, our products and solutions:

- are not cost effective;
- are not brought to market in a timely manner;
- are not in accordance with evolving industry standards;
- fail to meet market acceptance or customer requirements; or
- are ahead of the needs of their markets.

If new standards or some of our new products are adopted later than we predict or not adopted at all, or if adoption occurs earlier than we are able to deliver the applicable products or functionality, we risk spending significant research and development time and dollars on products or features that may never achieve market acceptance or that miss the customer demand window and thus do not produce the revenue that a timely introduction would have likely produced.

If we fail to develop and market new and enhanced products and solutions on a timely basis, our operating results, financial condition and cash flows could be materially and adversely affected.

The markets in which we operate are intensely competitive.

The markets for our products are extremely competitive and have been characterized by rapid technological change and declining average sales prices in the past.

Our competitors in our Broadband business include a number of suppliers of networking and communications equipment and solutions to broadband service providers. Our competitors in our Video appliance business are primarily comprised of providers of video delivery and video processing and compression products and solutions, broadcast equipment and solutions providers, and certain network infrastructure providers. Our competitors in our Video SaaS business include companies that offer video delivery and processing SaaS solutions to SaaS video streaming platform providers, and certain public cloud service providers.

A number of our principal business competitors in both of our business segments are substantially larger and/or may have access to greater financial, technical, marketing or other resources than we have. Consolidation in the Video industry has led to the acquisition of a number of our historic competitors over the last several years by private equity firms and by Amazon Web Services. With respect to our Broadband business, certain competitors are substantially larger than us.

In addition, some of our larger competitors may have more long-standing and established relationships with certain domestic and foreign customers. Many of these large enterprises are in a better position to withstand any significant reduction in spending by customers in our markets and may be better able to navigate periods of market uncertainty, such as the uncertainty caused by the conflicts in the Middle East and the Russia-Ukraine conflicts and related risks of escalation or broader regional conflicts, bank insolvency and related uncertainty and volatility in the financial services sector and inflation. They often have broader product lines and market focus, and may not be as susceptible to downturns in a particular market. These competitors may also be able to bundle their products together to meet the needs of a particular customer, and may be capable of delivering more complete solutions than we are able to provide. To the extent large enterprises that currently do not compete directly with us choose to enter our markets by acquisition or otherwise, competition would likely intensify.

Further, some of our competitors have offered, and in the future may offer, their products at lower prices than we offer for our competing products or on more attractive financing or payment terms, which has in the past caused, and may in the future cause, us to lose sales opportunities and the resulting revenue or to reduce our prices in response to that competition. Also, some competitors that are smaller than us have engaged in, and may continue to engage in, aggressive price competition in order to gain customer traction and market share. Reductions in prices for any of our products could materially and adversely affect our operating margins and revenue.

Additionally, certain customers and potential customers have developed, and may continue to develop, their own solutions that may cause such customers or potential customers to not consider our product offerings or to displace our installed products with their own solutions. The growing availability of open source codecs and related software, as well as new server chipsets that incorporate encoding technology, has, in certain respects, lowered the barriers to entry for the video processing industry. The development of solutions by potential and existing customers and the reduction of the barriers to entry to enter the video processing industry could result in increased competition and adversely affect our results of operations and business.

If any of our competitors' products or technologies were to become the industry standard, our business could be seriously harmed. If our competitors are successful in bringing their products to market earlier than us, or if these products are more technologically capable than ours, our revenue could be materially and adversely affected.

Our future growth depends on a number of video broadband and broadband video industry trends.

Technology, industry and regulatory trends and requirements may affect the growth of our business. These trends and requirements include the following:

- more consumers with more connected devices and applications;
 - convergence, whereby network operators bundle video, voice and data services to consumers, including mobile delivery options;
 - continued strong consumer demand for bandwidth-intensive video-on-demand and streaming video services; services, and interactive cloud applications;
 - the pace of adoption and deployment of high-bandwidth technology, such as DOCSIS 3.x, DOCSIS 4.0, next generation LTE and FTTP, along with virtualized broadband access solutions and distributed multiple access architectures;
 - continued adoption of public cloud SaaS platforms to stream video content to consumers, as well as for broadcast infrastructure workflows;
 - continued growth in targeted advertising as a key revenue source for video streaming service providers;
 - the pace of adoption and deployment of high-bandwidth technology, such as DOCSIS 3.x, DOCSIS 4.0, next generation LTE and FTTP;
 - the use of digital video by businesses, governments and educational institutions globally;
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- efforts by regulators and governments in the United States and internationally to encourage the adoption of broadband and digital technologies, including 5G broadband networks, as well as to regulate broadband access and delivery;

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- the need to develop partnerships with other companies involved in broadband services and video infrastructure workflow and broadband services; workflow;
- the extent and nature of regulatory attitudes towards issues such as network neutrality, competition between operators, access by third parties to networks of other operators, local franchising requirements for telcos to offer video, and other new services, such as mobile video; and
- the outcome of disputes and negotiations between content owners and service providers regarding rights of service providers to store and distribute recorded broadcast content, which outcomes may drive adoption of one technology over another in some cases.

If we fail to recognize and respond to these trends, by timely developing products, features and services required by these trends, we are likely to lose revenue opportunities and our operating results, financial condition and cash flows could be materially and adversely affected.

Our software-based broadband access product initiatives expose us to certain technology transition risks that may adversely impact our operating results, financial condition and cash flows.

We believe our cOS software-based broadband access solutions, supporting centralized, DAA or hybrid configurations, will significantly reduce broadband operator headend costs and increase operational efficiency, and are an important step in operators' transition to all-IP networks. If we are unsuccessful in continuing to innovate, develop, and deploy our broadband access solutions in a timely manner, or are otherwise delayed in making our solutions available to our customers, our business may be adversely impacted, particularly if our competitors develop and market similar or superior products and solutions.

We believe our software-based broadband access solutions will continue to replace and make obsolete current CMTS solutions, which is a market our products have historically not addressed, as well as cable edge-QAM products. If demand for our software-based broadband access solutions is weaker than expected, our near and long-term operating results, financial condition and cash flows could be adversely impacted. Moreover, if competitors adapt new broadband industry technology standards into competing broadband access solutions faster than we do, or promulgate a new or competitive architecture for next-generation broadband access solutions that renders our cOS solution obsolete, our business may be adversely impacted.

The sales cycle for our cOS solutions tends to be long. For broadband operators, upgrading or expanding network infrastructure is complex and expensive, and investing in a cOS solution is a significant strategic decision that may require considerable time to evaluate, test and qualify. Potential customers need to ensure our cOS solution will interoperate with the various components of its existing network infrastructure, including third-party equipment, servers and software. In addition, since we are a relatively new entrant into the CMTS market, we need to demonstrate significant performance, functionality and/or cost advantages with our cOS solutions that outweigh customer switching costs. If sales cycles are significantly longer than anticipated or we are otherwise unsuccessful in growing our cOS sales, our operating results, financial condition and cash flows could be materially and adversely affected.

Our operating results are likely to fluctuate significantly and, as a result, may fail to meet or exceed the expectations of securities analysts or investors, causing our stock price to decline.

Our operating results have fluctuated in the past and are likely to continue to fluctuate in the future, on an annual and a quarterly basis, as a result of several factors, many of which are outside of our control. Some of the factors that may cause these fluctuations include:

- the level and timing of spending of our customers in the United States, Europe and in other markets;
- economic and financial conditions specific to each of the cable, satellite and telco, and broadcast and media industries; general economic and financial market conditions, including impacts from the conflicts in the Middle East and the Russia-Ukraine conflicts and related risks of escalation or broader regional conflicts, tensions between China and Taiwan and China and the United States; bank insolvencies and related uncertainty and volatility in the financial services sector; and inflation and government and business responses thereto as well as related supply chain and labor shortage issues;
- changes in market acceptance of and demand for our products or our customers' services or products;
- the timing and amount of orders, especially from large individual transactions and transactions with our significant customers;
- the mix of our products sold and the effect it has on gross margins;

- the timing of revenue recognition, including revenue recognition on sales arrangements and from transactions with significant service and support components, which may span several quarters;
- our transition to a SaaS subscription model for our Video business, which may cause near-term declines in revenue in our Video segment since, unlike Video appliance sales, SaaS revenue is recognized over the applicable subscription term based on service usage;
- the timing of completion of our customers' projects;
- the length of each customer product upgrade cycle and the volume of purchases during the cycle;
- competitive market conditions, including pricing actions by our competitors;
- the level and mix of our domestic and international revenue;
- new product introductions by our competitors or by us;
- uncertainty in the European Union due to unrest or violence in Ukraine that the ongoing military conflict with the Russian Federation has caused, which could adversely affect our results, financial condition and prospects;
- uncertainty in the Middle East due to the latest developments in the conflicts in the Middle East and the risk of escalation and broader conflict in the region, which could also adversely affect our results, financial condition and prospects;
- changes in domestic and international regulatory environments affecting our business;
- the evaluation of new services, new standards and system architectures by our customers;
- the cost and timely availability to us of components, subassemblies and modules;
- the mix of our customer base, by industry and size, and sales channels;
- changes in our operating and extraordinary expenses;
- the timing of acquisitions and dispositions by us and the financial impact of such transactions;
- impairment of our goodwill;
- the impact of litigation, such as related litigation expenses and settlement costs;
- write-downs of inventory and investments;
- changes in our effective federal tax rate, including as a result of changes in our valuation allowance against our deferred tax assets, and changes in our effective state tax rates, including as a result of apportionment;
- changes to tax rules related to the deferral of foreign earnings and compliance with foreign tax rules;
- the impact of applicable accounting guidance on accounting for uncertainty in income taxes that requires us to establish reserves for uncertain tax positions and accrue potential tax penalties and interest; and
- the impact of applicable accounting guidance on business combinations that requires us to record charges for certain acquisition related costs and expenses and generally to expense restructuring costs associated with a business combination subsequent to the acquisition date.

The timing of deployment of our products by our customers can be subject to a number of other risks, including the availability of skilled engineering and technical personnel, and the availability of third-party equipment and services. For our Video business, deployment risks may also include our customers' ability to negotiate and enter into rights agreements with video content owners that provide our customers with the right to deliver certain video content, and our customers' need for local franchise and licensing approvals.

We often recognize a substantial portion of our quarterly revenue in the last month of the quarter. We establish our expenditure levels for product development and other operating expenses based on projected revenue levels for a specified period, and expenses are relatively fixed in the short term. Accordingly, even small variations in the timing of revenue, particularly from relatively large individual transactions, can cause significant fluctuations in operating results in a particular quarter.

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As a result of these factors and other factors, our operating results in one or more future periods may fail to meet or exceed the expectations of securities analysts or investors. In that event, the trading price of our common stock would likely decline.

We purchase several key components, subassemblies and modules used in the manufacture or integration of our products from sole or limited sources, and we rely on contract manufacturers and other subcontractors.

Our reliance on sole or limited suppliers, particularly foreign suppliers, and our reliance on contractors for manufacturing and installation of our products, involves several risks, including a potential inability to obtain an adequate supply of required components, subassemblies or modules; reduced control over costs, quality and timely delivery of components, subassemblies or modules; supplier discontinuation of components, subassemblies or modules we require; and timely installation of products. In addition, our financial results may be impacted by tariffs imposed by the United States on goods from other countries and tariffs imposed by other countries on U.S. goods. If any such tariffs are imposed on products or components that we import, including those obtained from a sole supplier or a limited group of suppliers, we could experience reduced revenues or may have to raise our prices, either of which could have an adverse effect on our business, financial condition and operating results.

These risks could be heightened during a substantial economic slowdown because our suppliers and subcontractors are more likely to experience adverse changes in their financial condition and operations during such a period. Further, these risks could materially and adversely affect our business if one of our sole sources, or a sole source of one of our suppliers or contract manufacturers, is adversely affected by a natural disaster or the outbreak of disease, epidemics and pandemics. These risks could also be heightened by geopolitical factors. For example, a number of the components we use in our products are sourced through Taiwan. Deterioration of relations between Taiwan and China and the United States, the resulting actions taken by any of these parties, and other factors affecting the political or economic conditions of Taiwan in the future, could adversely impact our supply chain, international sales and operations. While we expend resources to qualify additional component sources, consolidation of suppliers and the small number of viable alternatives have limited the results of these efforts. Managing our supplier and contractor relationships is particularly difficult during time periods in which we introduce new products and during time periods in which demand for our products is increasing, especially if demand increases more quickly than we expect.

Plexus Services Corp. ("Plexus"), which manufactures our products at its facilities in Malaysia, currently serves as our primary contract manufacturer, and currently accounts for a majority, by dollar amount, of the products that we purchase from our contract manufacturers. From time to time, we assess our relationship with our contract manufacturers, and we do not generally maintain long-term agreements with any of our suppliers or contract manufacturers. Our agreement with Plexus has automatic annual renewals, unless prior notice is given by either party, and has been automatically renewed for a term expiring in October 2024.

Difficulties in managing relationships with any of our current contract manufacturers, particularly Plexus, that manufacture our products off-shore, or any of our suppliers of key components, subassemblies and modules used in our products, could impede our ability to meet our customers' requirements and adversely affect our operating results. An inability to obtain adequate and timely deliveries of our products or any components or materials used in our products, or the inability of any of our contract manufacturers to scale their production to meet demand, or any other circumstance that would require us to seek alternative sources of supply, would negatively affect our ability to ship our products on a timely basis, which could damage relationships with current and prospective customers and harm our business and materially and adversely affect our revenue and other operating results. Furthermore, if we fail to meet customers' supply expectations, our revenue would be adversely affected and we may lose sales opportunities, both short and long term, which could materially and adversely affect our business and our operating results, financial condition and cash flows. Increases, from time to time, in demand on our suppliers and subcontractors from our customers or from other parties have, on occasion, caused delays in the availability of certain components and products. In response, we may increase our inventories of certain components and products and expedite shipments of our products when necessary. These actions could increase our costs and could also increase our risk of holding obsolete or excess inventory, which, despite our use of a demand order fulfillment model, could materially and adversely affect our business, operating results, financial condition and cash flows.

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Operational Risks

We rely on resellers, value-added resellers and systems integrators for a significant portion of our Video business revenue, and disruptions to, or our failure to develop and manage our relationships with these customers or the processes and procedures that support them could adversely affect our business.

We generate a significant percentage of our revenue, particularly in our Video business, through sales to resellers, value-added resellers (“VARs”) and systems integrators that assist us with fulfillment or installation obligations. We expect that these sales will continue to generate a significant percentage of our revenue in the future. Accordingly, our future success is highly dependent upon establishing and maintaining successful relationships with a variety of channel partners.

We generally have no long-term contracts or minimum purchase commitments with any of our resellers, VAR or system integrator customers, and our contracts with these parties do not prohibit them from purchasing or offering products or services that compete with ours. Our competitors may provide incentives to any of our resellers, VAR or systems integrator customers to favor their products or, in effect, to prevent or reduce sales of our products. Any of our resellers, VAR or systems integrator customers may independently choose not to purchase or offer our products. Many of our resellers, and some of our VARs and system integrators are small, are based in a variety of international locations, and may have relatively unsophisticated processes and limited financial resources to conduct their business. Any significant disruption of our sales to these customers, including as a result of the inability or unwillingness of these customers to continue purchasing our products, or their failure to properly manage their business with respect to the purchase of, and payment for, our products, or their ability to comply with our policies and procedures as well as applicable laws, could materially and adversely affect our business, operating results, financial condition and cash flows. In addition, our failure to continue to establish or maintain successful relationships with reseller, VAR and systems integrator customers could likewise materially and adversely affect our business, operating results, financial condition and cash flows.

We face risks associated with having outsourced engineering resources located in Ukraine.

We outsource a portion of our research and development and product support activities to our third-party partner, GlobalLogic, a Hitachi group company. Through GlobalLogic, we have a significant number of engineering resources located in Kyiv, Ukraine that are dedicated to our Broadband and Video business segments. Political, social and economic instability and unrest or violence in Ukraine from the ongoing military conflict with the Russian Federation have caused, and may continue to cause, disruptions to the business and operations of GlobalLogic, which could slow or delay the development work our outsourced engineering teams are undertaking for us. Any escalation of political tensions, military activity, instability, unrest or conflict could disrupt or prevent the work of our outsourced engineering teams; limit or prevent our employees from traveling to, from, or within Ukraine to direct and coordinate our outsourced engineering teams; or cause us to shift all or portions of the development work occurring in Ukraine, and/or cause GlobalLogic to relocate personnel to other locations or countries pursuant to its business continuity plans. Any resulting delays could negatively impact our product development efforts, operating results and our business. In addition, increased costs associated with managing or relocating our outsourced engineering teams in Ukraine, or engaging with alternative engineering resources outside of Ukraine, could negatively impact our operating results and financial condition.

We may not be able to effectively manage our operations.

As of March 29, 2024 June 28, 2024, we had 948 926 employees in our international operations, representing approximately 73% of our worldwide workforce. Our ability to manage our business effectively in the future, including including with respect to any future growth, our operation as both a hardware and increasingly software and SaaS-centric business, the integration of any acquisition efforts, and the breadth of our international operations, will require us to train, motivate and manage our employees successfully, to attract and integrate new employees into our overall operations, to retain key employees and to continue to improve and evolve our operational, financial and management systems. There can be no assurance that we will be successful in any of these efforts, and our failure to effectively manage our operations could have a material and adverse effect on our business, operating results, cash flows and financial condition.

We face risks associated with having facilities and employees located in Israel.

As of March 29, 2024 June 28, 2024, we maintained facilities in Israel with a total of 252 249 employees, or approximately 19% 20% of our worldwide workforce. Our employees in Israel engage in a number of activities, for both our Broadband and Video business segments, including research and development, product development, product management, supply chain management for certain product lines and sales activities.

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As such, we are directly affected by the political, economic and military conditions affecting Israel, such as the ongoing conflict in the Middle East and the risk of escalation and broader conflict in the region. Any significant conflict involving Israel could have a direct effect on our business, in the form of physical damage or injury, restrictions from traveling or reluctance to travel to, from, or within Israel by our Israeli and other employees or those of our subcontractors, or the loss of Israeli employees to active military duty. Most of our employees in Israel are currently obligated to perform annual reserve duty in the Israel Defense Forces, and approximately 14% of those employees were called for active military duty in 2023. Approximately 10% of our employees in Israel have been called for military duty in connection with the conflict in the Middle East and in the event that more of our employees are called to active duty, certain of our research and development, product development and other activities may be significantly delayed and adversely affected. Further, the interruption or curtailment of trade between Israel and its trading partners, as a result of terrorist attacks or hostilities, conflicts between Israel and any other Middle Eastern country or organization, or any other cause, could significantly harm our business. Additionally, current or future tensions or conflicts in the Middle East, such as the ongoing Hamas-Israel and Iran-Israel conflicts, could materially and adversely affect our business, operating results, financial condition and cash flows.

In order to manage our growth, we must be successful in addressing management succession issues and attracting and retaining qualified personnel.

Our future success will depend, to a significant extent, on the ability of our management to operate effectively, both individually and as a group. We must successfully manage transition and replacement issues that may result from the departure or retirement of members of our executive management. For example, we announced in April 2024 the retirement of our President and Chief Executive Officer, Patrick Harshman, and the appointment of Nimrod Ben-Natan, the current former Senior Vice President and General Manager of our Broadband business, by our Board succeeded Patrick Harshman as Mr. Harshman's successor, effective President and Chief Executive Officer of the Company on June 11, 2024. Any significant leadership change or senior management transition involves inherent risks and any failure to ensure timely and suitable replacements and smooth transition could hinder our strategic planning, business execution, and future performance. We cannot provide assurances that any current or future changes of management personnel in the future will not cause disruption to operations or customer relationships or a decline in our operating results.

We are also dependent on our ability to retain and motivate our existing highly qualified personnel, in addition to attracting new highly qualified personnel. Competition for qualified management, technical and other personnel is often intense, particularly in Silicon Valley, Israel and Hong Kong where we have significant research and development activities, and we may not be successful in attracting and retaining such personnel. Competitors and others have in the past attempted, and are likely in the future to attempt, to recruit our employees. While our employees are required to sign standard agreements concerning confidentiality, non-solicitation and ownership of inventions, other than in Israel, we generally do not have non-competition agreements with our personnel. The loss of the services of any of our key personnel, the inability to attract or retain highly qualified

personnel in the future or delays in hiring such personnel, particularly senior management and engineers and other technical personnel, could negatively affect our business and operating results. Furthermore, a certain portion of our personnel in the United States is comprised of foreign nationals whose ability to work for us depends on obtaining the necessary visas. Our ability to hire and retain foreign nationals in the United States, and their ability to remain and work in the United States, is affected by various laws and regulations, including limitations on the availability of visas. Changes in U.S. laws or regulations affecting the availability of visas have, and may continue to adversely affect, our ability to hire or retain key personnel and as a result may impair our operations.

Our products include third-party technology and intellectual property, and our inability to acquire new technologies or use third-party technology in the future could harm our business.

In order to successfully develop and market certain of our planned products, we may be required to enter into technology development or licensing agreements with third parties. Although companies with technology useful to us are often willing to enter into technology development or licensing agreements with respect to such technology, we cannot provide assurances that such agreements may be negotiated on commercially reasonable terms, or at all. The failure to enter, or a delay in entering, into such technology development or licensing agreements, when necessary or desirable, could limit our ability to develop and market new products and could materially and adversely affect our business.

We incorporate certain third-party technologies, including software programs, into our products, and, as noted, intend to utilize additional third-party technologies in the future. In addition, the technologies that we license may not operate properly or as specified, and we may not be able to secure alternatives in a timely manner, either of which could harm our business. We could face delays in product releases until alternative technology can be identified, licensed or developed, and integrated into our products, if we are able to do so at all. These delays, or a failure to secure or develop adequate technology, could materially and adversely affect our business, operating results, financial condition and cash flows.

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Cybersecurity incidents, including data security breaches or computer viruses, could harm our business by disrupting our business operations, compromising our products and services, damaging our reputation or exposing us to liability.

Cyber criminals and hackers may attempt to penetrate our network security, or the network security of third parties we work with, including our third-party vendors, service providers, manufacturers, solution providers, partners and consultants, misappropriate our proprietary information or cause business interruptions, or access or misappropriate other sensitive data. Because the techniques used by such computer programmers to access or sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In the past, we and relevant third parties have faced compromises to our network security, though no prior incidents we have identified to date have materially affected our business, results of operations or financial condition. Companies are facing additional attacks as workforces have become more distributed as a result of remote and hybrid working arrangements. Additionally, geopolitical events such as the conflicts in the Middle East and the Russia-Ukraine conflicts and heightened tension between Israel and Iran may increase the cybersecurity risks we and the third parties we work with face. Our business operations utilize and rely upon numerous third-party vendors, service providers, manufacturers, solution providers, partners and consultants, and any failure of such third parties' cybersecurity measures could materially and adversely affect or disrupt our business.

While we have invested in and continue to update our network security and cybersecurity infrastructure and systems, if our cybersecurity systems, or the cybersecurity systems of relevant third parties, fail to protect against unauthorized access, sophisticated cyber-attacks, phishing schemes, ransomware and other malicious code, data protection breaches, computer viruses, denial-of-service attacks, or disruptions from unauthorized tampering or human error, our ability to conduct our business effectively could be damaged in a number of ways, including:

- our intellectual property and other proprietary data, or financial assets, could be stolen, lost, altered, or otherwise unavailable;
- our ability to manage and conduct our business operations could be seriously disrupted;
- defects and security vulnerabilities could be introduced into our product, software and SaaS offerings, thereby damaging the reputation and perceived reliability and security of our products; and
- confidential or otherwise sensitive information, including personal data of our customers, employees and business partners, could be compromised and lead to unauthorized, unlawful, or accidental access to, or acquisition, use, corruption, loss, destruction, unavailability, alteration or dissemination of, or damage to, such information.

In addition, our systems, and the systems of third parties we work with, are potentially vulnerable to breakdown or other damage or interruption from service interruptions, system malfunctions, natural disasters, terrorism, war and telecommunication and electrical failures, as well as security breaches and incidents from inadvertent or intentional actions by our employees, contractors, consultants, business partners, and/or other third parties, which may compromise our system infrastructure or lead to the loss, destruction, alteration, prevention of access to, disclosure, or dissemination of, or damage or unauthorized access to, our data (including trade secrets or other confidential information, intellectual property, proprietary business information, and personal information) or data that is processed or maintained on our behalf, or other assets.

Should any of the above events occur, or be perceived to have occurred, our reputation, competitive position and business could be significantly harmed, and we could be subject to claims, demands and litigation from customers, third parties, and other individuals and groups, and investigations or other proceedings by governmental authorities, and may be subject to fines, penalties, damages, and other liabilities. Additionally, we could incur significant costs in order to upgrade our cybersecurity systems and remediate damages and otherwise respond to the incident. Consequently, our business, operating results, financial condition and cash flows could be materially and adversely affected.

We may not have applicable or otherwise adequate insurance to protect us from, or adequately mitigate, liabilities or damages resulting from security breaches or incidents. The successful assertion of one or more large claims against us that exceeds any available insurance coverage that we might have, or results in changes to insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that insurance coverage will be available on acceptable terms or that insurers will not deny coverage as to any future claim.

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Our operating results could be adversely affected by natural disasters affecting us or impacting our third-party manufacturers, suppliers, resellers or customers.

Our corporate headquarters is located in California, which is prone to earthquakes. In addition, climate change is contributing to an increase in erratic weather patterns globally and intensifying the impact of certain types of catastrophes, such as floods, wildfires and droughts. We have employees, consultants and contractors located in regions and countries around the world. In the event that any of our business, sales or research and development centers or offices in the United States or internationally are adversely affected by an earthquake, flood, wildfire or by any other natural disaster, we may sustain damage to our operations and properties, which could cause a sustained interruption or loss of affected operations, and cause us to suffer significant financial losses.

We rely on third-party contract manufacturers for the production of our products. Any significant disruption in the business or operations of such manufacturers or of their or our suppliers could adversely impact our business. Our principal contract manufacturers and several of their and our suppliers and our resellers have operations in locations that are subject to natural disasters, such as severe weather, tsunamis, floods, fires and earthquakes, which could disrupt their operations and, in turn, our operations.

In addition, if there is a natural disaster in any of the locations in which our significant customers are located, we face the risk that our customers may incur losses or sustained business interruption, or both, which may materially impair their ability to continue their purchase of products from us. Accordingly, natural disaster in one of the geographies in which we, or our third-party manufacturers, their or our suppliers or our customers, operate could have a material and adverse effect on our business, operating results, cash flows and financial condition.

Financial, Transactional and Tax Risks

We may need additional capital in the future and may not be able to secure adequate funds at all or on terms acceptable to us.

We engage in the design, development and manufacture and sale of a variety of video and broadband products and system solutions, which has required, and will continue to require, significant research and development expenditures.

We are monitoring and managing our cash position in light of ongoing market conditions due to the volatility and uncertainty in the banking and financial services sector, and the conflicts in the Middle East and the Russia-Ukraine conflicts and related macroeconomic conditions. We believe that our existing cash of approximately **\$84.3 million** **\$45.9 million** as of **March 29, 2024** **June 28, 2024** will satisfy our cash requirements for at least the next 12 months. However, we may need to raise additional funds to take advantage of presently unanticipated strategic opportunities, satisfy our other cash requirements from time to time, or strengthen our financial position. Our ability to raise funds may be adversely affected by a number of factors, including factors beyond our control, such as weakness in the economic conditions in markets in which we sell our products, bank failures and continued uncertainty in financial, capital and credit markets. There can be no assurance that equity or debt financing will be available to us on reasonable terms, if at all, when and if it is needed.

We may raise additional financing through public or private equity or convertible debt offerings, debt financings, or corporate partnership or licensing arrangements. To the extent we raise additional capital by issuing equity securities or convertible debt, our stockholders may experience dilution, and any new equity or convertible debt securities we issue could have rights, preferences, and privileges superior to holders of our common stock. Further, volatility in equity capital markets may adversely affect market prices of our common stock. This may materially and adversely affect our ability to raise additional capital through public or private equity offerings. To the extent that we raise additional funds through collaboration and licensing arrangements, it may be necessary to relinquish some rights to our technologies or products, or grant licenses on terms that are not favorable to us. Our current debt agreements **require**, and any debt financing that we secure in the future, **require or** may require us to pledge assets or enter into covenants that could restrict our operations or our ability to incur further indebtedness and **the our interest on obligations with respect to** such debt may adversely affect our operating results. Further, historically high interest rates and tightening credit markets may reduce our access to debt financing, which may adversely affect our future business plans and expected growth and would increase the cost of long-term fixed rate and short-term variable rate borrowings, which could reduce our earnings.

If adequate capital is not available, or is not available on reasonable terms, when needed, we may not be able to take advantage of acquisitions or other market opportunities, to timely develop new products, or to otherwise respond to competitive pressures.

Our Credit Agreement imposes operating and financial restrictions on us.

On December 21, 2023, we entered into a Credit Agreement, among the Company, certain subsidiaries of the Company from time to time party thereto, the lenders party thereto from time to time and Citibank, N.A., as administrative agent (the "Credit Agreement"). The obligations under the Credit Agreement and the other loan documents are required to be guaranteed by certain of our material subsidiaries and secured by substantially all of the assets of the Company and such subsidiary guarantors. The Credit Agreement provides for a \$120.0 million secured revolving loan facility (the "Revolving Facility"), with a \$10.0 million sublimit for the issuance of letters of credit, and a \$40.0 million secured delayed draw term loan facility (the "Term Facility"). **The proceeds of the loans under the Revolving Facility may be used for general corporate purposes. The proceeds of the loans under the Term Facility must be used to repurchase, redeem, acquire or otherwise settle our 2024 Notes. We may borrow term loans in up to three drawings through September 1, 2024, on which date any undrawn commitments under the Term Facility expire.** To finance the settlement of the conversions of the 2024 Notes in connection with our delivery of the notice of redemption for such notes, we drew down \$75.0 million on the Revolving Facility and \$40.0 million on the Term Facility, respectively. As of **April 18, 2024** **June 28, 2024**, we had \$45.0 million remaining available for borrowing under the Revolving Facility and no remaining amounts available for borrowing under the Term Facility.

Our Credit Agreement contains covenants that limit our ability and the ability of our subsidiaries to, subject to certain limitations and exceptions:

- grant liens;
- incur debt;
- make acquisitions and other investments;

- undergo certain fundamental changes;
- dispose of assets;
- make certain restricted payments;
- enter into transactions with affiliates; and
- enter into burdensome agreements.

Further, the Credit Agreement contains financial covenants that require compliance with a maximum consolidated net leverage ratio and minimum fixed charge coverage ratio, in each case, determined in accordance with the terms of the Credit Agreement. These covenants may adversely affect our ability to finance our operations, meet or otherwise address our capital needs, pursue business opportunities or react to market conditions, or otherwise restrict our activities or business plans. In addition, our obligations to repay principal and interest on our indebtedness could make us vulnerable to economic or market downturns.

A breach of any of these covenants could result in an event of default under the Credit Agreement. As of **March 29, 2024** **June 28, 2024**, we were in compliance with all covenants under the Credit Agreement; however, if an event of default occurs, the lenders may terminate their commitments and accelerate our obligations under the Credit Agreement. We might not be able to repay our debt or borrow sufficient funds to refinance it on terms that are acceptable to us.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including any amounts borrowed under our Credit Agreement, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on our ability to borrow under the terms of the Credit Agreement, the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations, including any outstanding loans under the Credit Agreement.

Despite our current debt levels, we may still incur substantially more debt or take other actions which would intensify the risks discussed above.

Despite our current consolidated debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. Such additional indebtedness could have the effect of diminishing our ability to make payments on our debt when due. Our Credit Agreement permits us to incur certain additional indebtedness and grant certain liens on our assets, subject to limitations and requirements as set forth in the Credit Agreement, that could intensify the risks discussed above.

We have made, and may continue to make, acquisitions, and any acquisition could disrupt our operations, cause dilution to our stockholders and materially and adversely affect our business, operating results, cash flows and financial condition.

As part of our business strategy, from time to time we have acquired, and we may continue to acquire, businesses, technologies, assets and product lines that we believe complement or expand our existing business. Acquisitions involve numerous risks, including the following:

- unanticipated costs or delays associated with an acquisition;
- difficulties in the assimilation and integration of acquired operations, technologies and/or products;
- potential disruption of our business and the diversion of management's attention from the regular operations of the business during the acquisition process;
- the challenges of managing a larger and more geographically widespread operation and product portfolio after the closing of the acquisition;
- potential adverse effects on new and existing business relationships with suppliers, contract manufacturers, resellers, partners and customers;
- compliance with regulatory requirements, such as local employment regulations and organized labor requirements;
- risks associated with entering markets in which we may have no or limited prior experience;
- the potential loss of key employees of acquired businesses and our own business as a result of integration;
- difficulties in bringing acquired products and businesses into compliance with applicable legal requirements in jurisdictions in which we operate and sell products;
- impact of known potential liabilities or unknown liabilities, including litigation and infringement claims, associated with companies we acquire;
- substantial charges for acquisition costs or for the amortization of certain purchased intangible assets, deferred stock compensation or similar items;
- substantial impairments to goodwill or intangible assets in the event that an acquisition proves to be less valuable than the price we paid for it;
- difficulties in establishing and maintaining uniform financial and other standards, controls, procedures and policies;
- delays in realizing, or failure to realize, the anticipated benefits of an acquisition; and

- the possibility that any acquisition may be viewed negatively by our customers or investors or the financial markets.

Competition within our industry for acquisitions of businesses, technologies, assets and product lines has been, and is likely to continue to be, intense. As such, even if we are able to identify an acquisition that we would like to consummate, we may not be able to complete the acquisition on commercially reasonable terms or because the target chooses to be acquired by another company. Furthermore, in the event that we are able to identify and consummate any future acquisitions, we may, in each of those acquisitions:

- issue equity securities which would dilute current stockholders' percentage ownership;
- incur substantial debt to finance the acquisition or assume substantial debt in the acquisition;

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- incur significant acquisition-related expenses;
- assume substantial liabilities, contingent or otherwise; or
- expend significant cash.

These financing activities or expenditures could materially and adversely affect our operating results, cash flows and financial condition or the price of our common stock. Alternatively, due to difficulties in the capital or credit markets that may exist at the time, we may be unable to secure capital necessary to complete an acquisition on reasonable terms, or at all. Moreover, even if we were to obtain benefits from acquisitions in the form of increased revenue and earnings per share, there may be a delay between the time the expenses associated with an acquisition are incurred and the time we recognize such benefits.

As of **March 29, 2024** **June 28, 2024**, we had approximately **\$238.3 million** **\$237.9 million** of goodwill recorded on our balance sheet associated with prior acquisitions. In the event we determine that our goodwill is impaired, we would be required to write down all or a portion of such goodwill, which could result in a material non-cash charge to our results of operations in the period in which such write-down occurs.

If we are unable to successfully address one or more of these risks, our business, operating results, financial condition and cash flows could be materially and adversely affected.

We may sell one or more of our product lines, from time to time, as a result of our evaluation of our products and markets, and any such divestiture could adversely affect our continuing business and our expenses, revenues, results of operation, cash flows and financial position.

We periodically evaluate our various product lines and may, as a result, consider the divestiture of one or more of those product lines. Such evaluations, may disrupt our business by causing distractions to management, shifts in strategy, decreased employee morale and productivity, and increased turnover. We have **considered selling and** sold product lines in the past, and any prior or future divestiture could adversely affect our continuing business and expenses, revenues, results of operations, cash flows and financial position.

Divestitures of product lines have inherent risks, including the expense of selling the product line, the possibility that any anticipated sale will not occur, delays in closing any sale, the risk of lower-than-expected proceeds from the sale of the divested business, unexpected costs associated with the separation of the business to be sold from the seller's information technology and other operating systems, and potential post-closing claims for indemnification or breach of transition services obligations of the seller. Expected cost savings, which are offset by revenue losses from divested businesses, may also be difficult to achieve or maximize due to the seller's fixed cost structure, and a seller may experience varying success in reducing fixed costs or transferring liabilities previously associated with the divested business.

The nature of our business requires the application of complex revenue and expense recognition rules and the current legislative and regulatory environment affecting generally accepted accounting principles is uncertain. Significant changes in current principles could affect our financial statements going forward and changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and harm our operating results.

United States generally accepted accounting principles ("U.S. GAAP") are subject to interpretation by the Financial Standards Accounting Board ("FASB"), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. We are also subject to evolving rules and regulations of the countries in which we do business. Changes to accounting standards or interpretations thereof may result in different accounting principles under U.S. GAAP that have a significant effect on our reported financial results and require us to incur costs and expenses in order to comply with the updated standards or interpretations.

In addition, we have in the past and may in the future need to modify our customer contracts, accounting systems and processes when we adopt future or proposed changes in accounting principles. The cost and effect of these changes may negatively impact our results of operations during the periods of transition.

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Fluctuations in our future effective tax rates could affect our future operating results, financial condition and cash flows.

We are required to periodically review our deferred tax assets and determine whether, based on available evidence, a valuation allowance is necessary. The realization of our deferred tax assets, which are predominantly in the United States, is dependent upon the generation of sufficient U.S. and foreign taxable income in the future to offset these assets. Based on our evaluation, we recorded a net decrease in valuation allowance of \$63.9 million and a net increase of \$10.8 million in 2023 and 2022, respectively, against the net deferred tax assets. In 2023, there was a full release of the valuation allowance against U.S. Federal and certain state deferred tax assets due to improved historical earnings and projected earnings. Changes in the amount of the valuation allowance in the U.S. and in foreign jurisdictions could result in a material non-cash expense or benefit in the period in which the valuation allowance is adjusted, and our results of operations could be materially affected.

The calculation of tax liabilities involves dealing with uncertainties in the application of complex global tax regulations. We recognize potential liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. In the event we determine that it is appropriate to create a reserve or increase an existing reserve for any such potential liabilities, the amount of the additional reserve will be charged as an expense in the period in which it is determined. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If the estimate of tax liabilities proves to be less than the ultimate tax assessment for the applicable period, a further charge to expense in the period such shortfall is determined would result. Either such charge to expense could have a material and adverse effect on our operating results for the applicable period.

Our future effective income tax rates could be adversely affected if tax authorities challenge our international tax structure or if our relative mix of U.S. and international income changes for any reason. Accordingly, there can be no assurance that our effective income tax rate will be less than the U.S. federal statutory rate in future periods, remain consistent.

We are subject to taxation-related risks in multiple jurisdictions, and the adoption and interpretation of new tax legislation, tax regulations, tax rulings, or exposure to additional tax liabilities could materially affect our business, financial condition and results of operations.

Tax laws are regularly re-examined and evaluated globally. New laws and interpretations of the law are considered for financial statement purposes in the quarter or year that they are enacted. Tax authorities are increasingly scrutinizing the tax positions of multinational companies. If U.S. or other foreign tax authorities change applicable tax laws, or if there is a change in interpretation of existing law, our overall liability could increase, and our business, financial condition and results of operations may be harmed.

For example, effective as of January 1, 2022, the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures currently and requires such expenditures to be capitalized and amortized ratably over a five-year period for domestic expenditures or a fifteen-year period for foreign expenditures. The Internal Revenue Service has not issued Treasury Regulations that provide guidance on how to apply this new tax law. If or when Treasury Regulations are released, it may impact the Company's estimate of capitalized costs or the Company's current interpretation of the tax law. However, recently proposed tax legislation, if enacted, would restore the ability to deduct domestic research and development expenditures in the current year through 2025 and would retroactively restore this benefit for 2022 and 2023. Any change in tax law will be accounted for in the period of enactment.

Further, the Inflation Reduction Act of 2022, among other things, imposes a one-percent non-deductible excise tax on certain repurchases of stock that are made by U.S. publicly traded corporations on or after January 1, 2023, which may affect our share repurchase program.

In addition, the Organization for Economic Co-operation and Development (the "OECD"), the European Union, as well as a number of other countries and organizations have recently enacted new laws, and proposed or recommended changes to existing tax laws, that may increase our tax obligations in many countries where we do business or require us to change the manner in which we operate our business. For example, the OECD has introduced a framework to implement a 15% global minimum corporate tax, referred to as Pillar 2, which Member States in the European Union have implemented into national legislation as of the end of 2023 and may be has been adopted by certain other jurisdictions. As we expand the scale of our business activities, any changes in U.S. or foreign tax laws that apply to such activities may increase our worldwide effective tax rate and harm our business, financial condition and results of operations.

Legal, Regulatory and Compliance Risks

We or our customers may face intellectual property infringement claims from third parties.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. In particular, leading companies in the telco industry have extensive patent portfolios. Also, patent infringement claims and litigation by entities that purchase or control patents, but do not produce goods or services covered by the claims of such patents (so-called "non-practicing entities" or "NPEs"), have increased rapidly over the last decade or so. From time to time, third parties, including NPEs, have asserted, and may assert in the future, patent, copyright, trademark and other intellectual property rights against us or our customers, and have initiated audits to determine whether we have missed royalty payments for technology that we license. Our suppliers and their customers, including us, may have similar claims asserted against them. A number of third parties, including companies with greater financial and other resources than us, have asserted patent rights to technologies that are important to us.

Any intellectual property litigation, regardless of its outcome, could result in substantial expense and significant diversion of the efforts of our management and technical personnel. An adverse determination in any such proceeding could subject us to significant liabilities and temporary or permanent injunctions and require us to seek licenses from third parties or pay royalties that may be substantial. Furthermore, necessary licenses may not be available on terms satisfactory to us, or at all. An unfavorable outcome on any such litigation matter could require that we pay substantial damages, could require that we pay ongoing royalty payments, or could prohibit us from selling certain of our products. Any such outcome could have a material and adverse effect on our business, operating results, financial condition and cash flows.

Our suppliers and customers may have intellectual property claims relating to our products asserted against them. We have agreed to indemnify some of our suppliers and most of our customers for patent infringement relating to our products. The scope of this indemnity varies, but, in some instances, includes indemnification for damages and expenses (including reasonable attorney's fees) incurred by the supplier or customer in connection with such claims. If a supplier or a customer seeks to enforce a claim for indemnification against us, we could incur significant costs defending such claim, the underlying claim or both. An adverse determination in either such proceeding could subject us to significant liabilities and have a material and adverse effect on our operating results, cash flows and financial condition.

We may be the subject of litigation which, if adversely determined, could harm our business and operating results.

We may be subject to claims arising in the normal course of business. The costs of defending any litigation, whether in cash expenses or in management time, could harm our business and materially and adversely affect our operating results and cash flows. An unfavorable outcome on any litigation matter could require that we pay substantial damages, or, in connection with any intellectual property infringement claims, could require that we pay ongoing royalty payments or prohibit us from selling certain of our products. In addition,

we may decide to settle any litigation, which could cause us to incur significant settlement costs. A settlement or an unfavorable outcome on any litigation matter could have a material and adverse effect on our business, operating results, financial condition and cash flows.

Our failure to adequately protect our proprietary rights and data may adversely affect us.

As of March 29, 2024 June 28, 2024, we held 134 held 133 issued U.S. patents and 47 issued foreign patents, and had 43 44 patent applications pending. Although we attempt to protect our intellectual property rights through patents, trademarks, copyrights, licensing arrangements, maintaining certain technology as trade secrets and other measures, we can give no assurances that any patent, trademark, copyright or other intellectual property rights owned by us will not be invalidated, circumvented or challenged, that such intellectual property rights will provide competitive advantages to us, or that any of our pending or future patent applications will be issued with the scope of the claims sought by us, if at all. We can give no assurances that others will not develop technologies that are similar or superior to our technologies, duplicate our technologies or design around the patents that we own. In addition, effective patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries in which we do business or may do business in the future.

We may enter into confidentiality or license agreements with our employees, consultants, and vendors and our customers, as needed, and generally limit access to, and distribution of, our proprietary information. Nevertheless, we cannot provide assurances that the steps taken by us will prevent misappropriation of our technology. In addition, we have taken in the past, and may take in the future, legal action to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of management time and other resources, and could materially and adversely affect our business, operating results, financial condition and cash flows.

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Our use of open source software in some of our products may expose us to certain risks.

Some of our products contain software modules licensed for use from third-party authors under open source licenses. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software to the public. This could allow our competitors to create similar products with lower development effort and in less time and ultimately could result in a loss of product sales for us.

Although we monitor our use of open source closely, it is possible our past, present or future use of open source has triggered or may trigger the foregoing requirements. Furthermore, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. In such event, we could be required to seek licenses from third parties in order to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis, any of which could materially and adversely affect our operating results, financial condition and cash flows.

We are subject to import and export control and trade and economic sanction laws and regulations that could subject us to liability or impair our ability to compete in international markets.

Our products are subject to U.S. export control laws and may be exported outside the United States only with the required export license or through an export license exception, in most cases because we incorporate encryption technology into certain of our products. We are also subject to U.S. trade and economic sanction regulations which include prohibitions on the sale or supply of certain products and services to the United States embargoed or sanctioned countries, governments, persons and entities. In addition, various countries regulate the import of certain technology and have enacted laws that could limit our ability to distribute our products, or could limit our customers' ability to implement our products, in those countries. Although we take precautions and have processes in place to prevent our products and services from being provided in violation of such laws, our products may have been in the past, and could in the future be, provided inadvertently in violation of such laws, despite the precautions we take. In March 2020, we received an administrative subpoena from the U.S. Treasury Department's office of Foreign Assets Control ("OFAC") requesting information about transactions involving Iran. The transactions were by the French company TVN, which we acquired in early 2016. Pursuant to regulations that remained in place until 2018, foreign subsidiaries of U.S. companies were allowed to engage in transactions with Iran if certain requirements were met. In February 2023, OFAC notified us that it had completed its review of these matters and closed its review with the issuance of a Cautionary Letter. While OFAC did not assess any penalties, the Cautionary Letter does not preclude OFAC from taking future enforcement actions if additional information warrants renewed attention. Furthermore, OFAC may consider our regulatory history, including this subpoena, our disclosures and the Cautionary Letter, if we are involved in future enforcement cases for failure to comply with export control laws and regulations. If we are found to have violated U.S. export control laws as a result of future investigations, we and certain of our employees could be subject to civil or criminal penalties, including the possible loss of export privileges, monetary penalties, and, in extreme cases, imprisonment of responsible employees for knowing and willful violations of these laws which could lead to penalties, reputational harm, loss of access to certain markets, or otherwise.

In addition, we may be subject to customs duties that could have a significant adverse impact on our operating results or, if we are able to pass on the related costs in any particular situation, would increase the cost of the related product to our customers. As a result, the future imposition of significant increases in the level of customs duties or the creation of import quotas on our products in Europe or in other jurisdictions, or any of the limitations on international sales described above, could have a material adverse effect on our business, operating results, financial condition and cash flows. Further, some of our customers in Europe have been, or are being, audited by local governmental authorities regarding the tariff classifications used for importation of our products. Import duties and tariffs vary by country and a different tariff classification for any of our products may result in higher duties or tariffs, which could have an adverse impact on our operating results and potentially increase the cost of the related products to our customers.

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Our business and industry are subject to various laws and regulations that could adversely affect our business, operating results, cash flows and financial condition.

Our business and industry are regulated under various federal, state, local and international laws. For example, we are subject to environmental regulations such as the European Union's Waste Electrical and Electronic Equipment ("WEEE") and Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS") directives and similar legislation enacted in other jurisdictions worldwide. Our failure to comply with these laws could result in our being directly or indirectly liable for costs, fines or penalties and third-party claims, and could jeopardize our ability to conduct business in such regions and countries. We expect that our operations will be affected by other new environmental laws and regulations on an ongoing basis. Although we cannot predict the ultimate impact of any such new laws and regulations, they would likely result in additional costs, and could require that we redesign or change how we manufacture our products, any of which could have a material and adverse effect on our operating results, financial condition and cash flows.

We are subject to the Sarbanes-Oxley Act of 2002 which, among other things, requires an annual review and evaluation of our internal control over financial reporting. If we conclude in future periods that our internal control over financial reporting is not effective or if our independent registered public accounting firm is unable to provide an unqualified attestation as of future year-ends, we may incur substantial additional costs in an effort to correct such problems, and investors may lose confidence in our financial statements, and our stock price may decrease in the short term, until we correct such problems, and perhaps in the long term, as well.

We are subject to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 that require us to conduct research, disclose, and report whether or not our products contain certain conflict minerals sourced from the Democratic Republic of Congo or its surrounding countries. The implementation of these requirements could adversely affect the sourcing, availability, and pricing of the materials used in the manufacture of components used in our products. In addition, we may incur certain additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used or necessary to the production of our products and, if applicable, potential changes to products, processes or sources of supply as a consequence of such verification activities. It is also possible that we may face reputational harm if we determine that certain of our products contain minerals not determined to be conflict-free and/or we are unable to alter our products, processes or sources of supply to avoid such materials.

Changes in telco legislation and regulations in the United States and other countries could affect our sales and the revenue we are able to derive from our products. In particular, on December 14, 2017, the U.S. Federal Communications Commission ("FCC") voted to repeal the "net neutrality" rules and return to a "light-touch" regulatory framework. The FCC's new rules, which took effect in June 2018, granted providers of broadband internet access services greater freedom to make changes to their services, including, potentially, changes that may discriminate against or otherwise harm our business. However, a number of parties have appealed these rules, which appeals are currently being reviewed by the D.C. Circuit Court of Appeals; thus, the future impact of the FCC's repeal and any changes thereto remains uncertain. Additionally, on September 30, 2018, California enacted the California Internet Consumer Protection and Net Neutrality Act of 2018. Since the FCC repealed its nationwide regulations, seven states have also enacted a state-level net neutrality law and a number of other states are considering legislation or executive actions that would regulate the conduct of broadband providers. We cannot predict whether the FCC order or state initiatives will be modified, overturned, or vacated by legal action of the court, federal legislation, or the FCC. The repeal of the net neutrality rules or other regulations dealing with access by competitors to the networks of incumbent operators could slow or stop infrastructure and services investments or expansion by service providers. Increased regulation of our customers' pricing or service offerings could limit their investments and, consequently, revenue from our products. The impact of new or revised legislation or regulations could have a material adverse effect on our business, operating results, financial condition and cash flows.

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We are also subject to laws and regulations to our collection and other processing of personal data of our employees, customers, and others. These laws and regulations are subject to frequent modifications and updates and require ongoing supervision. For example, the European Union adopted a General Data Protection Regulation ("GDPR") that became effective in May 2018, and has established new, and in some cases more stringent, requirements for data protection in Europe, and which provides for substantial penalties for noncompliance. Additionally, California has the California Consumer Privacy Act ("CCPA"), which went into effect on January 1, 2020. In November 2020, California passed the California Privacy Rights Act ("CPRA"), which went into effect on January 1, 2023. The CPRA amends and augments the CCPA including by expanding individuals' rights and the obligations of businesses that handle personal data. Other legislation relating to these matters, in many cases general legislation similar to the CCPA, has been proposed or adopted in several other states. Aspects of the CCPA, CPRA and these other laws and regulations, as well as their enforcement, remain unclear. The U.S. federal government also is contemplating federal privacy legislation. The effects and impact of these or other laws and regulations relating to privacy and data protection are potentially significant and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in efforts to comply. Laws and regulations relating to privacy and data protection continue to evolve in various jurisdictions, with existing laws and regulations subject to new and differing interpretations and new laws and regulations being proposed and adopted. It is possible that our practices may be deemed not to comply with those privacy and data protection legal requirements that apply to us now or in the future. Our failure or perceived failure to comply with any of the foregoing legal and regulatory requirements, or other actual or asserted obligations relating to privacy, data protection or information security could result in increased costs for our products, monetary penalties, damage to our reputation, government inquiries, investigations and other legal proceeds, legal claims, demands and litigation and other obligations and liabilities.

We depend significantly on our international revenue and are subject to the risks associated with international operations, including those of our resellers, contract manufacturers and outsourcing partners, which may negatively affect our operating results.

Revenue derived from customers outside of the United States represented approximately 33% 30% and 34% of our revenue for both the the three six months ended March 29, 2024 June 28, 2024, and March 31, 2023 June 30, 2023, respectively. Although no assurance can be given with respect to international sales growth in any one or more regions, we expect that international revenue will likely continue to represent, from year to year, a significant, and potentially increasing, percentage of our annual revenue for the foreseeable future. A significant percentage of our revenue is generated from sales to resellers, VARs and systems integrators, particularly in emerging market countries. Furthermore, the majority of our employees are based in our international offices and locations, and most of our contract manufacturing occurs outside of the United States. In addition, we outsource a portion of our research and development activities to certain third-party partners with development centers located in different countries, particularly Ukraine and India.

Our international operations, international operations of our resellers, contract manufacturers and outsourcing partners, and our efforts to maintain and increase revenue in international markets are subject to a number of risks, which are generally greater with respect to emerging market countries, including the following:

- growth and stability of the economy in one or more international regions, including regional economic impacts of the conflict in the Middle East and the Russia-Ukraine conflicts and potential escalations and broader regional conflicts, and tensions between China and Taiwan and the United States;

- fluctuations in currency exchange rates;
 - ability of certain non-U.S. customers to timely make payments in U.S. dollar due to local government currency controls;
 - changes in foreign government regulations and telco standards;
 - import and export license requirements, tariffs, taxes, economic sanctions, contractual limitations and other trade barriers;
 - our significant reliance on resellers and others to purchase and resell our products and solutions, particularly in our Video business and in emerging market countries;
 - availability of credit, particularly in emerging market countries;
 - longer collection periods and greater difficulty in enforcing contracts and collecting accounts receivable, especially from smaller customers and resellers, particularly in emerging market countries;
 - compliance with the FCPA, the U.K. Bribery Act and/or similar anti-corruption and anti-bribery laws, particularly in emerging market countries;
-
- the burden of complying with a wide variety of foreign laws, regulations, treaties and technical standards;

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- fulfilling "country of origin" requirements for our products for certain customers;
- difficulty in staffing and managing foreign operations;
- business and operational disruptions or delays caused by political, social and/or economic instability and unrest (e.g., Ukraine and Israel), including risks related to terrorist activity, particularly in emerging market countries;
- changes in economic policies by foreign governments, including the imposition and potential continued expansion of economic sanctions by the United States and the European Union on the Russian Federation;
- changes in diplomatic and trade relationships, including the imposition of new trade restrictions, trade protection measures, import or export requirements, trade embargoes and other trade barriers, including those between the United States and China;
- any negative economic impacts resulting from the political environment in the United States or the United Kingdoms' exit from the European Union; and
- business and economic disruptions and delays caused by outbreaks of disease, epidemics and potential pandemics.

We have certain international customers who are billed in their local currency, primarily the Euro, British pound and Japanese yen, which subjects us to foreign currency risk. In addition, a portion of our operating expenses relating to the cost of certain international employees, are denominated in foreign currencies, primarily the Euro, Israeli shekel, British pound, Singapore dollar, Chinese yuan and Indian rupee. Although we do hedge against the Euro, British pound, Israeli shekel and Japanese yen, gains and losses on the conversion to U.S. dollars of accounts receivable, accounts payable and other monetary assets and liabilities arising from international operations may contribute to fluctuations in our operating results. Furthermore, payment cycles for international customers are typically longer than those for customers in the United States. Unpredictable payment cycles could cause us to fail to meet or exceed the expectations of security analysts and investors for any given period.

Most of our international revenue is denominated in U.S. dollars, and fluctuations in currency exchange rates could cause our products to become relatively more expensive to customers in a particular country or region, leading to a reduction in revenue or profitability from sales in that country or region. The potential negative impact of a strong U.S. dollar on our business may be exacerbated by the significant devaluation of a number of foreign currencies. Also, if the U.S. dollar were to weaken against many foreign currencies, there can be no assurance that a weaker dollar would lead to growth in customer spending in foreign markets.

Our operations outside the United States also require us to comply with a number of U.S. and international regulations that prohibit improper payments or offers of payments to foreign governments and their officials and political parties for corrupt purposes. For example, our operations in countries outside the United States are subject to the FCPA and similar laws, including the U.K. Bribery Act. Our activities in certain emerging countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or channel partners that could be in violation of various anti-corruption laws, even though these parties may not be under our control. Under the FCPA and U.K. Bribery Act, companies may be held liable for the corrupt actions taken by their directors, officers, employees, channel partners, sales agents, consultants, or other strategic or local partners or representatives. We have internal control policies and procedures with respect to FCPA compliance, have implemented FCPA training and compliance programs for our employees, and include in our agreements with resellers a requirement that those parties comply with the FCPA. However, we cannot provide assurances that our policies, procedures and programs will prevent violations of the FCPA or similar laws by our employees or agents, particularly in emerging market countries, and as we expand our international operations. Any such violation, even if prohibited by our policies, could result in criminal or civil sanctions against us.

The effect of one or more of these international risks could have a material and adverse effect on our business, financial condition, operating results and cash flows.

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Risks Related to Ownership of Our Common Stock

Some anti-takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

We have provisions in our certificate of incorporation and bylaws that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our Board. These include provisions:

- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call, and bring business before, special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board;
- controlling the procedures for conducting and scheduling of Board and stockholder meetings; and
- providing our Board with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings.

These provisions could delay hostile takeovers, changes in control of the Company or changes in our management. As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Our common stock price may be extremely volatile, and the value of an investment in our stock may decline.

Our common stock price has been highly volatile. We expect that this volatility will continue in the future due to factors such as:

- general market and economic conditions, including inflation, **rising** interest rates, volatile capital markets, uncertainty and volatility in the financial services sector, the conflict in the Middle East and the Russia-Ukraine conflicts and potential escalations and broader regional conflicts, and rising tensions between China and Taiwan and the United States;
- actual or anticipated variations in operating results;
- increases or decreases in the general stock market or to the stock prices of technology companies;
- announcements of technological innovations, new products or new services by us or by our competitors or customers;
- changes in financial estimates or recommendations by stock market analysts regarding us or our competitors;
- announcements by us or our competitors of significant acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;
- announcements by our customers regarding end user market conditions and the status of existing and future infrastructure network deployments;
- additions or departures of key personnel; and
- future equity or debt offerings or our announcements of these offerings.

In addition, in recent years, the stock market in general, and The NASDAQ Global Select Market and the securities of technology companies in particular, have experienced extreme price and volume fluctuations. These fluctuations have often been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations have in the past, and may in the future, materially and adversely affect our stock price, regardless of our operating results. In these circumstances, investors may be unable to sell their shares of our common stock at or above their purchase price over the short term, or at all.

We cannot guarantee that our stock repurchase program will be fully implemented or that it will enhance long-term stockholder value.

In February 2022, our Board of Directors approved a stock repurchase program for the repurchase of up to \$100 million of the outstanding shares of our common stock. The repurchase program expires in February 2025, and we are not obligated to repurchase a specified number or dollar value of shares. Share repurchases will be made from time to time in open market purchases and 10b5-1 trading plans, as permitted by securities laws and other legal requirements. Any share repurchases remain subject to the circumstances in place at that time, including prevailing market prices. As a result, there can be no guarantee around the timing or volume of our share repurchases. The stock repurchase program could affect the price of our common stock, increase volatility and diminish our cash reserves. Our repurchase program may be suspended or terminated at any time and, even if fully implemented, may not enhance long-term stockholder value.

Our stock price may decline if additional shares are sold in the market or if analysts drop coverage of or downgrade our stock.

Future sales of substantial amounts of shares of our common stock by our existing stockholders in the public market, or the perception that these sales could occur, may cause the market price of our common stock to decline. In addition, we issue additional shares upon exercise of stock options, including under our 2002 **Employee Stock Purchase Plan, ESPP**, and in connection with grants of restricted stock units on an ongoing basis. Increased sales of our common stock in the market after exercise of outstanding stock options or grants of restricted stock units could exert downward pressure on our stock price. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price we deem appropriate.

The trading market for our common stock relies in part on the availability of research and reports that third-party industry or securities analysts publish about us and our business. If we do not maintain adequate research coverage or if one or more of the analysts who do cover us downgrade our stock or publishes inaccurate or unfavorable research about our business, our stock price may decline. If one or more of these analysts cease coverage of us or fails to publish reports on us regularly, we could lose visibility in the market, which in turn could cause the liquidity of our stock and our stock price to decline.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

In February 2022, the Board of Directors authorized the Company to repurchase up to \$100 million of the Company's outstanding shares of common stock through February 2025. The Company is authorized to repurchase, from time-to-time, shares of its outstanding common stock through open market purchases and 10b5-1 trading plans, in accordance with applicable rules and regulations, at such time and such prices as management may decide. The program does not obligate the Company to repurchase any specific number of shares and may be discontinued at any time. The actual timing and amount of repurchases are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors. As of **March 29, 2024** **June 28, 2024**, approximately **\$73.2 million** **\$64.8 million** of the share repurchase authorization remained available.

The following table summarizes the repurchase activity for the three months ended **March 29, 2024** **June 28, 2024**:

Period	Total Number of Shares		Total Number of Shares		Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plan or Program (in millions)
	Purchased	Average Price Paid per Share ⁽¹⁾	Purchased as Part of Publicly Announced Plans or Programs		
January 1, 2024 - January 26, 2024	n/a	n/a	n/a		n/a
January 27, 2024 - February 23, 2024	1,236,572	\$ 13.04	1,236,572	\$	78.7
February 24, 2024 - March 29, 2024	421,336	\$ 13.17	421,336	\$	73.2
Total	1,657,908		1,657,908		

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Period	Total Number of Shares		Total Number of Shares		Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plan or Program (in millions)
	Purchased	Average Price Paid per Share ⁽¹⁾	Purchased as Part of Publicly Announced Plans or Programs		
March 30, 2024 - April 26, 2024	751,300	\$ 11.14	751,300	\$	65
April 27, 2024 - May 24, 2024	0	n/a	0	\$	65
May 25, 2024 - June 28, 2024	0	n/a	0	\$	65
Total	751,300		751,300		

(1) Average price paid per share in the period includes commission.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the three months ended **March 29, 2024** **June 28, 2024**, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Index
10.1(i) 10.1 (i)*	Settlement Agreement by and between the Company and Ian Graham, dated April 15, 2024.
10.2(ii)*	CEO Appointment Letter between Harmonic Video Networks, Ltd. and Nimrod Ben-Natan, signed April 29, 2024.
10.3(ii)*	Change of Control Severance Agreement between the Company and Nimrod Ben-Natan, as amended and restated, effective June 11, 2024.
10.4(ii)*	Consulting Agreement between the Company and Patrick Harshman, signed April 29, 2024, April 29, 2024
31.1	Section 302 Certification of Principal Executive Officer
31.2	Section 302 Certification of Principal Financial Officer
32.1**	Section 906 Certification of Principal Executive Officer
32.2**	Section 906 Certification of Principal Financial Officer
101	The following materials from Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 2024 June 28, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL) include: (i) Condensed Consolidated Balance Sheets at March 29, 2024 June 28, 2024 and December 31, 2023, (ii) Condensed Consolidated Statements of Operations for the three and six months ended March 29, 2024 June 28, 2024 and March 31, 2023 June 30, 2023, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended March 29, 2024 June 28, 2024 and March 31, 2023 June 30, 2023, (iv) Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended March 29, 2024 June 28, 2024 and March 31, 2023 June 30, 2023, (v) Condensed Consolidated Statements of Cash Flows for the three six months ended March 29, 2024 June 28, 2024 and March 31, 2023 June 30, 2023, and (vi) Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

*Indicates a management contract or compensatory plan or arrangement relating to executive officers or directors of the company.

**The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Harmonic Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

(i) Previously filed as an exhibit to the Company's Current Report on Form 8-K dated April, 18, 2024.

(ii) Previously filed as an exhibit to the Company's Current Report on Form 8-K dated April, 29, 2024.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HARMONIC INC.

By: /s/ Walter Jankovic
Walter Jankovic
Title: Chief Financial Officer
Date: May 2, 2024August 2, 2024

Harmonic Inc.
Certification of Principal Executive Officer
Pursuant to Section 302 of

The Sarbanes-Oxley Act of 2002

I, Patrick J. Harshman, Nimrod Ben-Natan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Harmonic Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024 August 2, 2024

By: /s/ Patrick J. Harshman Nimrod Ben-Natan
Patrick J. Harshman Nimrod Ben-Natan
President and Chief Executive Officer

Exhibit 31.2

Harmonic Inc.
Certification of Principal Financial Officer
Pursuant to Section 302 of
The Sarbanes-Oxley Act of 2002

I, Walter Jankovic, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Harmonic Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant, and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024 August 2, 2024

By: /s/ Walter Jankovic
Walter Jankovic
Chief Financial Officer

Exhibit 32.1

Harmonic Inc.
Certification of Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

As of the date hereof, I, Patrick J. Harshman, Nimrod Ben-Natan, President and Chief Executive Officer of Harmonic Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 2024 June 28, 2024, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This written statement is being furnished to the Securities and Exchange Commission as an exhibit accompanying such Report and shall not be deemed filed pursuant to the Securities Exchange Act of 1934, as amended.

Date: May 2, 2024 August 2, 2024

/s/ Patrick J. Harshman Nimrod Ben-Natan
Patrick J. Harshman Nimrod Ben-Natan
President and Chief Executive Officer

Exhibit 32.2

Harmonic Inc.
Certification of Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

As of the date hereof, I, Walter Jankovic, Chief Financial Officer of Harmonic Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Company's Quarterly Report on Form 10-Q for the quarter ended **March 29, 2024** **June 28, 2024**, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This written statement is being furnished to the Securities and Exchange Commission as an exhibit accompanying such Report and shall not be deemed filed pursuant to the Securities Exchange Act of 1934, as amended.

Date: **May 2, 2024** **August 2, 2024**

/s/ Walter Jankovic

Walter Jankovic

Chief Financial Officer

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