

HARMONIC INC
Form 10-Q
November 04, 2013
Table of Contents

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

Form 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended September 27, 2013

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

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

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

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

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

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

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

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

Large accelerated filer Accelerated filer

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant’s Common Stock, \$.001 par value, outstanding on October 14, 2013 was 100,808,712.

Table of Contents

TABLE OF CONTENTS

PART I

<u>ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)</u>	<u>3</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>22</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>32</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>32</u>

PART II

<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>34</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>34</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>53</u>
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	<u>54</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>54</u>
<u>ITEM 5. OTHER INFORMATION</u>	<u>54</u>
<u>ITEM 6. EXHIBITS</u>	<u>55</u>
<u>SIGNATURES</u>	<u>56</u>

Table of ContentsPART I
FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTSHARMONIC INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 27, 2013	December 31, 2012
	(In thousands, except par value amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$93,330	\$96,670
Short-term investments	75,966	104,506
Accounts receivable, net	85,069	85,920
Inventories	40,369	64,270
Deferred income taxes	20,144	21,870
Prepaid expenses and other current assets	14,757	23,636
Total current assets	329,635	396,872
Property and equipment, net	35,551	38,122
Goodwill	197,956	212,518
Intangibles, net	37,878	58,447
Other assets	16,133	11,572
Total assets	\$617,153	\$717,531
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$19,987	\$25,447
Income taxes payable	577	1,797
Deferred revenue	34,115	33,235
Accrued liabilities	33,118	42,415
Total current liabilities	87,797	102,894
Income taxes payable, long-term	12,155	49,309
Other non-current liabilities	11,694	11,915
Total liabilities	111,646	164,118
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.001 par value, 150,000 shares authorized; 100,901 and 114,193 shares issued and outstanding at September 27, 2013 and December 31, 2012, respectively	101	114
Additional paid-in capital	2,345,512	2,432,790
Accumulated deficit	(1,839,639	) (1,879,026
Accumulated other comprehensive loss	(467	) (465
Total stockholders' equity	505,507	553,413
Total liabilities and stockholders' equity	\$617,153	\$717,531

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

Table of Contents

HARMONIC INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (UNAUDITED)

	Three months ended		Nine months ended	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
	(In thousands, except per share amounts)			
Product revenue	\$98,713	\$97,881	\$277,965	\$300,731
Service revenue	24,205	22,510	63,753	58,159
Net revenue	122,918	120,391	341,718	358,890
Product cost of revenue	52,747	53,995	146,916	167,039
Service cost of revenue	13,379	11,518	33,953	31,430
Total cost of revenue	66,126	65,513	180,869	198,469
Gross profit	56,792	54,878	160,849	160,421
Operating expenses:				
Research and development	24,560	25,586	75,631	77,205
Selling, general and administrative	32,527	31,132	100,220	93,862
Amortization of intangibles	2,001	2,179	6,099	6,548
Restructuring and related charges	259	—	925	—
Total operating expenses	59,347	58,897	182,875	177,615
Loss from operations	(2,555	) (4,019	) (22,026	) (17,194
Interest income, net	47	128	141	363
Other income (expense), net	230	(164	) (70	) 119
Loss from continuing operations before income taxes	(2,278	) (4,055	) (21,955	) (16,712
(Benefit from) provision for income taxes	(38,953	) 414	(45,723	) 367
Income (loss) from continuing operations	36,675	(4,469	) 23,768	(17,079
Income (loss) from discontinued operations, net of taxes (including gain on disposal of \$14,813, net of taxes, for the nine months ended Septemb				