

HARMONIC INC
Form 10-Q
May 08, 2013
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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, 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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

77-0201147
(I.R.S. Employer

Identification Number)

4300 North First Street

San Jose, CA 95134

(408) 542-2500

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

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

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

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

Large accelerated filer 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 April 19, 2013 was 113,262,063.

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Table of Contents**PART I****FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****HARMONIC INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

	March 29, 2013	December 31, 2012
	(In thousands, except par value amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 118,464	\$ 96,670
Short-term investments	109,790	104,506
Accounts receivable, net	95,692	85,920
Inventories	46,385	64,270
Deferred income taxes	20,145	21,870
Prepaid expenses and other current assets	28,977	23,636
Total current assets	419,453	396,872
Property and equipment, net	37,201	38,122
Goodwill	197,820	212,518
Intangibles, net	51,414	58,447
Other assets	9,256	11,572
Total assets	\$ 715,144	\$ 717,531
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 22,815	\$ 25,447
Income taxes payable		1,797
Deferred revenue	31,575	33,235
Accrued liabilities	42,294	42,415
Total current liabilities	96,684	102,894
Income taxes payable, long-term	50,669	49,309
Other non-current liabilities	11,732	11,915
Total liabilities	159,085	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; 114,336 and 114,193 shares issued and outstanding at March 29, 2013 and December 31, 2012, respectively	114	114
Additional paid-in capital	2,429,631	2,432,790
Accumulated deficit	(1,872,605)	(1,879,026)
Accumulated other comprehensive loss	(1,081)	(465)

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Total stockholders' equity	556,059	553,413
Total liabilities and stockholders' equity	\$ 715,144	\$ 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	
	March 29, 2013	March 30, 2012
	<small>(In thousands, except per share amounts)</small>	
Product revenue	\$ 82,475	\$ 99,498
Service revenue	19,197	16,941
Net revenue	101,672	116,439
Product cost of revenue	45,237	59,176
Service cost of revenue	10,270	6,801
Total cost of revenue	55,507	65,977
Gross profit	46,165	50,462
Operating expenses:		
Research and development	25,251	26,763
Selling, general and administrative	33,269	31,403
Amortization of intangibles	2,088	2,179
Restructuring and related charges	424	
Total operating expenses	61,032	60,345
Loss from operations	(14,867)	(9,883)
Interest income, net	64	119
Other income (expense), net	(167)	403
Loss from continuing operations before income taxes	(14,970)	(9,361)
Benefit from income taxes	(5,467)	(626)
Loss from continuing operations	(9,503)	(8,735)
Income from discontinued operations, net of tax (including gain on disposal of \$14,956, net of tax, for the three months ended March 29, 2013)	15,924	1,207
Net Income (loss)	\$ 6,421	\$ (7,528)
Basic net income (loss) per share from:		
Continuing operations	\$ (0.08)	\$ (0.07)
Discontinued operations	\$ 0.14	\$ 0.01
Net Income (loss)	\$ 0.06	\$ (0.06)
Diluted net income (loss) per share from:		
Continuing operations	\$ (0.08)	\$ (0.07)
Discontinued operations	\$ 0.14	\$ 0.01

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Net Income (loss)	\$ 0.06	\$ (0.06)
Shares used in per share calculation:		
Basic	115,219	117,275
Diluted	115,219	117,275

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

Table of Contents**HARMONIC INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(UNAUDITED)**

	Three months ended	
	March 29, 2013	March 30, 2012
	(In thousands)	
Net income (loss)	\$ 6,421	\$ (7,528)
Other comprehensive income (loss), net of tax:		
Changes in cumulative translation adjustments	(624)	314
Foreign currency translation adjustments	(624)	314
Changes in unrealized gain (loss) on investment arising during the period	5	39
Gain on investments	5	39
Other comprehensive (loss) income before tax	(619)	353
Income tax (benefit) provision related to items of other comprehensive income (loss)	(3)	15
Other comprehensive income (loss), net of tax	(616)	338
Comprehensive income (loss)	\$ 5,805	\$ (7,190)

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

Table of Contents**HARMONIC INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Three months ended	
	March 29,	March 30,
	2013	2012
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 6,421	\$ (7,528)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of intangibles	7,033	7,539
Depreciation	4,040	3,798
Stock-based compensation	3,986	4,800
Gain on sale of discontinued operations, net of tax	(14,956)	
Loss on impairment of fixed assets	101	
Deferred income taxes	(204)	(1,262)
Provision for inventories	567	784
Allowance for doubtful accounts, returns and discounts	1,116	(180)
Excess tax benefits from stock-based compensation		(73)
Other non-cash adjustments, net	408	(8)
Changes in assets and liabilities:		
Accounts receivable	(10,888)	(1,683)
Inventories	6,832	4,320
Prepaid expenses and other assets	(8,597)	1,892
Accounts payable	(2,796)	936
Deferred revenue	2,667	2,740
Income taxes payable	(1,257)	(929)
Accrued and other liabilities	(216)	(7,255)
Net cash (used in) provided by operating activities	(5,743)	7,891
Cash flows from investing activities:		
Purchases of investments	(25,908)	(36,654)
Proceeds from maturities of investments	16,249	18,791
Proceeds from sales of investments	4,000	1,042