Harmonic Inc.

Harmonic has been a core portfolio position since 2018 when they introduced Cable OS, a virtualized broadband software platform that allows cable operators to modernize their networks giving them the ability to deliver gigabit ethernet services which we view essential to Cable TV viability longer term.

They have been the only technology winner in the cable equipment supply business over the past decade as the explosion of streaming alternatives and the corresponding cable subscriber losses have been a persistent headwind for cable capital spending. Harmonic's two biggest customers are the two largest domestic cable tv service providers and both are in early stages of deployment. Their deployments have been stalled in 2025 awaiting the supply chain to adjust to a new technology standard.

Harmonic operates in two segments, broadband and video, and both have been through a dramatic change in landscape over the past decade. Through the efforts of the R& D team, Harmonic has transformed the video business into a scalable recurring SaaS model. The legacy video business is in decline as it sells equipment to broadcasters who face the same challenges as the cable companies. The SaaS model launched just 5 years ago is selling software to emerging and growing streaming content providers. In 2026 we expect the video business to exceed greater that 50% of revenues from Saas which is up from zero five years ago.

Harmonic's stock has lagged many tech peers for years. Harmonic has a history of disappointments and failures meeting longer term growth estimates. We are in a lesser now, more later mode, with growth expected to resume in the second half of 2025.

Despite consistent innovation, we believe Harmonic has proven itself an unreliable public company with swings in profitability, strategy, and stock price. We believe Harmonic management should retain an investment banker and seek alternatives to maximize shareholder value.