

CommScope Holding Company, Inc.
Condensed Consolidated Statements of Operations
(Unaudited -- In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net sales	\$ 2,380.2	\$ 1,150.4	\$ 6,046.4	\$ 3,510.8
Cost of sales	1,770.3	740.7	4,378.5	2,246.1
Gross profit	609.9	409.7	1,667.9	1,264.7
Operating expenses:				
Selling, general and administrative	305.8	159.8	972.0	502.5
Research and development	171.5	44.8	399.5	142.4
Amortization of purchased intangible assets	163.9	65.8	387.3	199.5
Restructuring costs, net	19.5	7.1	78.3	19.7
Total operating expenses	660.7	277.5	1,837.1	864.1
Operating income (loss)	(50.8)	132.2	(169.2)	400.6
Other income (expense), net	1.5	(2.4)	(3.6)	(4.4)
Interest expense	(160.7)	(66.1)	(423.5)	(186.7)
Interest income	1.8	1.9	15.9	5.4
Income (loss) before income taxes	(208.2)	65.6	(580.4)	214.9
Income tax (expense) benefit	51.7	(1.8)	87.6	(51.4)
Net income (loss)	(156.5)	63.8	(492.8)	163.5
Series A convertible preferred stock dividend	(13.8)	—	(26.9)	—
Deemed dividend on Series A convertible preferred stock	—	—	(3.0)	—
Net income (loss) attributable to common stockholders	<u>\$ (170.3)</u>	<u>\$ 63.8</u>	<u>\$ (522.7)</u>	<u>\$ 163.5</u>
Earnings (loss) per share:				
Basic	\$ (0.88)	\$ 0.33	\$ (2.70)	\$ 0.85
Diluted (a)	\$ (0.88)	\$ 0.33	\$ (2.70)	\$ 0.84
Weighted average shares outstanding:				
Basic	194.1	192.2	193.5	191.9
Diluted (a)	194.1	195.4	193.5	195.4
(a) Calculation of diluted earnings (loss) per share:				
Net income (loss) (basic and diluted)	\$ (170.3)	\$ 63.8	\$ (522.7)	\$ 163.5
Weighted average shares (basic)	194.1	192.2	193.5	191.9
Dilutive effect of equity-based awards	—	3.1	—	3.5
Denominator (diluted)	<u>194.1</u>	<u>195.4</u>	<u>193.5</u>	<u>195.4</u>

See notes to unaudited condensed consolidated financial statements included in our Form 10-Q.

CommScope Holding Company, Inc.
Condensed Consolidated Balance Sheets
(Unaudited -- In millions, except share amounts)

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Assets		
Cash and cash equivalents	\$ 609.1	\$ 458.2
Accounts receivable, less allowance for doubtful accounts of \$32.6 and \$17.4, respectively	1,778.9	810.4
Inventories, net	1,169.2	473.3
Prepaid expenses and other current assets	245.5	135.9
Total current assets	3,802.7	1,877.8
Property, plant and equipment, net of accumulated depreciation of \$510.1 and \$437.7, respectively	737.0	450.9
Goodwill	5,722.7	2,852.3
Other intangible assets, net	4,493.5	1,352.0
Other noncurrent assets	417.9	97.5
Total assets	<u>\$ 15,173.8</u>	<u>\$ 6,630.5</u>
Liabilities and Stockholders' Equity		
Accounts payable	\$ 1,226.4	\$ 399.2
Accrued and other liabilities	782.3	291.4
Current portion of long-term debt	32.0	—
Total current liabilities	2,040.7	690.6
Long-term debt	10,101.2	3,985.9
Deferred income taxes	268.7	83.3
Other noncurrent liabilities	552.1	113.9
Total liabilities	12,962.7	4,873.7
Commitments and contingencies		
Series A convertible preferred stock, \$0.01 par value	1,000.0	—
Stockholders' equity:		
Preferred stock, \$0.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: 1,000,000 Series A convertible preferred stock	—	—
Common stock, \$0.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 194,250,722 and 192,376,255, respectively	2.0	2.0
Additional paid-in capital	2,425.2	2,385.1
Retained earnings (accumulated deficit)	(742.6)	(249.8)
Accumulated other comprehensive loss	(239.9)	(159.2)
Treasury stock, at cost: 7,345,794 shares and 6,744,082 shares, respectively	(233.6)	(221.3)
Total stockholders' equity	1,211.1	1,756.8
Total liabilities and stockholders' equity	<u>\$ 15,173.8</u>	<u>\$ 6,630.5</u>

See notes to unaudited condensed consolidated financial statements included in our Form 10-Q.

CommScope Holding Company, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited -- In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating Activities:				
Net income (loss)	\$ (156.5)	\$ 63.8	\$ (492.8)	\$ 163.5
Adjustments to reconcile net income (loss) to net cash generated by operating activities:				
Depreciation and amortization	213.5	94.3	514.5	272.6
Equity-based compensation	28.0	11.3	58.7	33.7
Deferred income taxes	(66.9)	(8.0)	(172.4)	(32.6)
Changes in assets and liabilities:				
Accounts receivable	469.3	113.5	165.3	(23.5)
Inventories	224.0	(17.8)	356.3	(65.8)
Prepaid expenses and other assets	39.6	(3.2)	63.8	(3.8)
Accounts payable and other liabilities	(226.9)	(28.6)	(228.0)	12.3
Other	(2.0)	1.5	(5.0)	5.5
Net cash generated by operating activities	522.1	226.8	260.4	361.9
Investing Activities:				
Additions to property, plant and equipment	(24.3)	(24.6)	(72.3)	(55.4)
Proceeds from sale of property, plant and equipment	0.5	6.5	1.2	12.7
Proceeds from sale of long-term investments	3.8	—	9.3	—
Cash paid for current year acquisitions, net of cash acquired	(3.5)	—	(5,053.4)	—
Cash paid for prior year acquisition	—	—	(11.0)	—
Other	—	(0.1)	1.1	1.3
Net cash used in investing activities	(23.5)	(18.1)	(5,125.1)	(41.4)
Financing Activities:				
Long-term debt repaid	(200.0)	(550.0)	(2,753.3)	(550.0)
Long-term debt proceeds	—	150.0	6,933.0	150.0
Debt issuance costs	(2.7)	—	(120.8)	—
Series A convertible preferred stock proceeds	—	—	1,000.0	—
Dividends paid on Series A convertible preferred stock	(26.9)	—	(29.9)	—
Proceeds from the issuance of common shares under equity-based compensation plans	0.3	0.1	3.0	5.0
Tax withholding payments for vested equity-based compensation awards	(2.9)	(0.1)	(12.3)	(15.6)
Net cash generated by (used in) financing activities	(232.2)	(400.0)	5,019.7	(410.6)
Effect of exchange rate changes on cash and cash equivalents	(5.3)	(2.0)	(4.1)	(11.5)
Change in cash and cash equivalents	261.1	(193.3)	150.9	(101.6)
Cash and cash equivalents at beginning of period	348.0	545.7	458.2	454.0
Cash and cash equivalents at end of period	<u>\$ 609.1</u>	<u>\$ 352.4</u>	<u>\$ 609.1</u>	<u>\$ 352.4</u>

See notes to unaudited condensed consolidated financial statements included in our Form 10-Q.

CommScope Holding Company, Inc.
Reconciliation of GAAP Measures to Non-GAAP Adjusted Measures
(Unaudited -- In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Operating income (loss), as reported	\$ (50.8)	\$ 132.2	\$ (169.1)	\$ 400.6
Adjustments:				
Amortization of purchased intangible assets	163.9	65.8	387.3	199.5
Restructuring costs, net	19.5	7.1	78.3	19.7
Equity-based compensation	28.0	11.3	58.7	33.7
Transaction and integration costs	2.2	2.7	189.8	5.3
Purchase accounting adjustments	108.7	—	272.9	—
Other	55.0	—	55.0	—
Total adjustments to operating income	377.3	86.8	1,042.0	258.2
Non-GAAP adjusted operating income	\$ 326.6	\$ 219.0	\$ 872.9	\$ 658.8
Depreciation	43.3	18.7	101.0	58.2
Non-GAAP adjusted EBITDA	\$ 369.8	\$ 237.8	\$ 973.8	\$ 717.0
Income (loss) before income taxes, as reported	\$ (208.2)	\$ 65.6	\$ (580.4)	\$ 214.9
Income tax (expense) benefit, as reported	51.7	(1.8)	87.6	(51.4)
Net income (loss), as reported	\$ (156.5)	\$ 63.8	\$ (492.8)	\$ 163.5
Adjustments:				
Total pretax adjustments to adjusted EBITDA	377.3	86.8	1,042.0	258.2
Pretax amortization of debt issuance costs & OID ⁽¹⁾	7.4	9.7	25.5	15.0
Pretax acquisition related interest ⁽¹⁾	—	—	30.2	—
Tax effects of adjustments and other tax items ⁽²⁾	(101.3)	(45.9)	(232.2)	(93.9)
Non-GAAP adjusted net income	\$ 126.9	\$ 114.5	\$ 372.7	\$ 342.7
Diluted EPS, as reported ⁽³⁾	\$ (0.88)	\$ 0.33	\$ (2.70)	\$ 0.84
Non-GAAP adjusted diluted EPS	\$ 0.55	\$ 0.59	\$ 1.70	\$ 1.75

(1) Included in interest expense.

(2) The tax rates applied to adjustments reflect the tax expense or benefit based on the tax jurisdiction of the entity generating the adjustment. There are certain items for which we expect little or no tax effect.

(3) See the Condensed Consolidated Statements of Operations for Net income (loss) attributable to common stockholders.

Note: Components may not sum to total due to rounding
See Description of Non-GAAP Financial Measures

CommScope Holding Company, Inc.
Sales by Region
(Unaudited -- In millions)

Sales by Region

	<u>Q3 2019</u>	<u>Q3 2018</u>	<u>% Change</u> <u>YOY</u>
United States	\$ 1,432.7	\$ 653.0	119.4 %
Europe, Middle East and Africa	423.1	235.6	79.6
Asia Pacific	251.3	179.3	40.2
Caribbean and Latin America	187.6	59.4	215.8
Canada	85.5	23.1	270.1
Total net sales	<u>\$ 2,380.2</u>	<u>\$ 1,150.4</u>	106.9 %

CommScope Holding Company, Inc.
Segment Information
(Unaudited -- In millions)

Sales by Segment

	As Reported	Pro	% Change
	Q3 2019	forma (1)	YOY
		Q3 2018	
Connectivity	\$ 634.5	\$ 731.7	(13.3) %
Mobility	405.9	418.7	(3.1)
CPE	826.4	941.5	(12.2)
N&C	376.9	532.0	(29.2)
Ruckus	136.5	177.8	(23.2)
Total net sales	\$ 2,380.2	\$ 2,801.7	(15.0) %

Non-GAAP Adjusted EBITDA by Segment

	As Reported	Pro	% Change
	Q3 2019	forma (1)	YOY
		Q3 2018	
Connectivity	\$ 121.0	\$ 160.8	(24.8) %
Mobility	83.4	77.0	8.3
CPE	59.7	38.6	54.7
N&C	94.9	137.9	(31.2)
Ruckus	10.8	13.3	(18.8)
Total non-GAAP adjusted EBITDA	\$ 369.8	\$ 427.6	(13.5) %

(1) Periods prior to the acquisition date, April 4, 2019, are presented pro forma to include previously reported CommScope results plus previously disclosed historical results of the ARRIS segments.

Components may not sum due to rounding
See descriptions of Non-GAAP Financial Measures

CommScope Holding Company, Inc.
Reconciliation of GAAP to Non-GAAP Adjusted EBITDA by Segment
(Unaudited -- In millions)

Third Quarter 2019 Non-GAAP Adjusted EBITDA Reconciliation by Segment

	<u>Connectivity</u>	<u>Mobility</u>	<u>CPE</u>	<u>N&C</u>	<u>Ruckus</u>	<u>Total</u>
Operating income (loss), as reported	\$ 55.1	\$ (2.0)	\$ 3.8	\$ (45.5)	\$ (62.1)	\$ (50.8)
Amortization of purchased intangible assets	40.1	17.6	33.7	57.2	15.2	163.9
Restructuring costs, net	3.1	1.2	6.8	5.5	2.9	19.5
Equity-based compensation	6.6	4.5	4.9	8.5	3.6	28.0
Transaction and integration costs	3.8	1.7	(3.5)	—	0.1	2.2
Purchase accounting adjustments	—	—	3.3	57.7	47.8	108.7
Other	—	55.0	—	—	—	55.0
Depreciation	12.3	5.5	10.7	11.5	3.3	43.3
Non-GAAP adjusted EBITDA	\$ 121.0	\$ 83.4	\$ 59.7	\$ 94.9	\$ 10.8	\$ 369.8
Non-GAAP adjusted EBITDA margin %	19.1%	20.6%	7.2%	25.2%	7.9%	15.5%

Third Quarter 2018 Non-GAAP Adjusted EBITDA Reconciliation by Segment

	<u>Connectivity</u>	<u>Mobility</u>	<u>CPE</u>	<u>N&C</u>	<u>Ruckus</u>	<u>Pro forma (1) Total</u>
Operating income (loss), as reported	\$ 94.9	\$ 37.3	\$ (26.3)	\$ 91.3	\$ (12.7)	\$ 184.6
Amortization of purchased intangible assets	44.4	21.4	47.9	24.7	15.7	154.1
Restructuring costs, net	(0.4)	7.5	3.0	1.4	(0.1)	11.4
Equity-based compensation	6.9	4.4	6.1	10.6	3.6	31.7
Transaction and integration costs	1.7	1.0	—	—	0.7	3.4
Purchase accounting adjustments	—	—	—	—	2.4	2.4
Depreciation	13.3	5.4	7.9	9.9	3.7	40.2
Non-GAAP adjusted EBITDA	\$ 160.8	\$ 77.0	\$ 38.6	\$ 137.9	\$ 13.3	\$ 427.6
Non-GAAP adjusted EBITDA margin %	22.0%	18.4%	4.1%	25.9%	7.5%	15.3%

Components may not sum to total due to rounding
See Description of Non-GAAP Financial Measures

(1) Periods prior to the acquisition date, April 4, 2019, are presented pro forma to include previously reported CommScope results plus previously disclosed historical results of the ARRIS segments.

CommScope Holding Company, Inc.
Adjusted Free Cash Flow
(Unaudited -- In millions)

Adjusted Free Cash Flow

	<u>Q4 2018</u>	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>TTM Q3 2019</u>
Cash flow from operations	\$ 132.3	\$ (10.0)	\$ (251.7)	\$ 522.1	\$ 392.7
Capital expenditures	(26.9)	(21.4)	(26.6)	(24.3)	(99.2)
Free cash flow	105.4	(31.4)	(278.3)	497.8	293.5
Transaction and integration costs	4.5	7.3	187.8	10.0	209.6
Restructuring costs	9.4	25.9	23.9	27.2	86.4
Adjusted free cash flow	\$ 119.3	\$ 1.8	\$ (66.6)	\$ 535.0	\$ 589.5

See Description of Non-GAAP Financial Measures

CommScope Holding Company, Inc.
Reconciliation of GAAP to Non-GAAP Pro Forma Adjusted EBITDA
(Unaudited -- In millions)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>		<u>Year Ended December 31,</u>	<u>Twelve Months Ended September 30,</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
	Operating income (loss)	\$ (50.8)	\$ 132.2	\$ (169.2)	\$ 400.6	\$ 450.0
Adjustments:						
Amortization of purchased intangible assets	163.9	65.8	387.3	199.5	264.6	452.4
Restructuring costs, net	19.5	7.1	78.3	19.7	44.0	102.6
Equity-based compensation	28.0	11.3	58.7	33.7	44.9	69.9
Asset impairments	—	—	—	—	15.0	15.0
Transaction and integration costs ⁽¹⁾	2.2	2.7	189.8	5.3	19.5	204.0
Purchase accounting adjustments	108.7	—	272.9	—	—	272.9
Patent litigation settlement	55.0	—	55.0	—	—	55.0
Non-GAAP adjusted operating income	\$ 326.6	\$ 219.0	\$ 872.9	\$ 658.8	\$ 838.0	\$ 1,052.1
Depreciation	43.3	18.7	101.0	58.2	75.6	118.4
Non-GAAP adjusted EBITDA	<u>\$ 369.8</u>	<u>\$ 237.8</u>	<u>\$ 973.8</u>	<u>\$ 717.0</u>	<u>\$ 913.6</u>	<u>\$ 1,170.4</u>
ARRIS acquisition ⁽²⁾						284.1
ARRIS synergies ⁽³⁾						120.0
Cost reduction initiatives ⁽⁴⁾						20.0
Non-GAAP pro forma adjusted EBITDA						<u>\$ 1,594.5</u>

(1) Primarily reflects transaction and integration costs related to the ARRIS acquisition in 2019 and BNS acquisition integration costs in 2018.

(2) Reflects adjusted EBITDA related to the ARRIS business from October 1, 2018 to the Acquisition date calculated in accordance with CommScope's definition.

(3) Reflects annualized synergies expected to be realized in the three years following the close of the ARRIS acquisition.

(4) Represents annualized savings expected from announced cost reduction initiatives.

CommScope Holding Company, Inc.
Reconciliation of GAAP Measures to Non-GAAP Adjusted Measures
(Unaudited – In millions, except per share amounts)

	Outlook
	Three Months Ended December 30, 2019
Operating income	\$55 - \$92
Adjustments:	
Amortization of purchased intangible assets	\$141 - \$144
Restructuring costs, transaction and integration costs and other ⁽¹⁾	\$7 - \$15
Purchase accounting	\$3 - \$9
Equity-based compensation	\$27 - \$29
Depreciation	\$42 - \$46
Total adjustments to operating income	\$220 - \$243
Non-GAAP adjusted EBITDA	\$275 - \$335
Basic loss per share	\$(0.45) - \$(0.42)
Adjustments ⁽²⁾ :	
Total adjustments to operating income	\$0.66 - \$0.73
Debt-related costs and other special items ⁽³⁾	\$0.05 - \$0.05
Impact of Series A convertible preferred stock ⁽⁴⁾	\$0.01 - \$0.01
Non-GAAP adjusted diluted earnings per share ⁽⁵⁾	\$0.27 - \$0.37

(1) Reflects projections for restructuring costs, transaction and integration costs and other special items. Actual adjustments may vary from projections.

(2) The tax rates applied to projected adjustments reflect the tax expense or benefit based on the expected tax jurisdiction of the entity generating the projected adjustments. There are certain items for which we expect little or no tax effect.

(3) Reflects projections for amortization of debt issuance costs, amortization of original issue discount and tax items. Actual adjustments may vary from projections.

(4) Reflects the impacts of the Series A convertible preferred stock on the earnings per share calculation, including the impact of if-converted dilutive shares that were considered anti-dilutive with a GAAP net loss.

(5) Weighted average diluted shares calculated assuming the if-converted method is applied for the Series A convertible preferred stock.

Our actual results may be impacted by additional events for which information is not currently available, such as additional restructuring activities, asset impairments, debt extinguishments, additional transaction and integration costs, foreign exchange rate fluctuations and other gains or losses related to events that are not currently known or measurable.

See Caution Regarding Forward-Looking Statements and Description of Non-GAAP Financial Measures.