

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net sales	\$ 2,566.7	\$ 1,239.9	\$ 3,666.3	\$ 2,360.4
Cost of sales	1,906.7	782.7	2,608.2	1,505.4
Gross profit	660.0	457.2	1,058.1	855.0
Operating costs and expenses:				
Selling, general and administrative	480.9	171.1	666.3	342.6
Research and development	177.8	47.8	228.0	97.6
Amortization of purchased intangible assets	164.1	66.4	223.5	133.7
Restructuring costs, net	46.4	7.2	58.8	12.7
Total operating expenses	869.2	292.5	1,176.6	586.6
Operating income (loss)	(209.2)	164.7	(118.5)	268.4
Other income (expense), net	0.7	(3.2)	(5.0)	(2.1)
Interest expense	(165.3)	(60.7)	(262.8)	(120.5)
Interest income	2.3	2.1	14.1	3.5
Income (loss) before income taxes	(371.5)	102.9	(372.2)	149.3
Income tax (expense) benefit	37.5	(37.0)	35.9	(49.6)
Net income (loss)	(334.0)	65.9	(336.3)	99.7
Series A convertible preferred stock dividend	(13.1)	—	(13.1)	—
Deemed dividend on Series A convertible preferred stock	(3.0)	—	(3.0)	—
Net income (loss) attributable to common stockholders	<u>\$ (350.1)</u>	<u>\$ 65.9</u>	<u>\$ (352.4)</u>	<u>\$ 99.7</u>
Earnings (loss) per share:				
Basic	\$ (1.81)	\$ 0.34	\$ (1.82)	\$ 0.52
Diluted (a)	\$ (1.81)	\$ 0.34	\$ (1.82)	\$ 0.51
Weighted average shares outstanding:				
Basic	193.6	192.2	193.2	191.8
Diluted (a)	193.6	195.2	193.2	195.3
(a) Calculation of diluted earnings (loss) per share:				
Net income (loss) (basic and diluted)	\$ (350.1)	\$ 65.9	\$ (352.4)	\$ 99.7
Weighted average shares (basic)	193.6	192.2	\$ 193.2	\$ 191.8
Dilutive effect of equity-based awards	—	3.0	\$ —	\$ 3.6
Denominator (diluted)	<u>193.6</u>	<u>195.2</u>	<u>\$ 193.2</u>	<u>\$ 195.3</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)

	June 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents	\$ 348.0	\$ 458.2
Accounts receivable, less allowance for doubtful accounts of \$25.6 and \$17.4, respectively	2,264.7	810.4
Inventories, net	1,404.1	473.3
Prepaid expenses and other current assets	284.4	135.9
Total current assets	4,301.2	1,877.8
Property, plant and equipment, net of accumulated depreciation of \$482.2 and \$437.7, respectively	767.3	450.9
Goodwill	5,759.1	2,852.3
Other intangible assets, net	4,670.6	1,352.0
Other noncurrent assets	438.5	97.5
Total assets	<u>\$ 15,936.7</u>	<u>\$ 6,630.5</u>
Liabilities and Stockholders' Equity		
Accounts payable	\$ 1,406.5	\$ 399.2
Accrued and other liabilities	854.9	291.4
Current portion of long-term debt	24.0	—
Total current liabilities	2,285.4	690.6
Long-term debt	10,302.5	3,985.9
Deferred income taxes	345.1	83.3
Other noncurrent liabilities	578.8	113.9
Total liabilities	13,511.8	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: 193,873,919 and 192,376,255, respectively	2.0	2.0
Additional paid-in capital	2,410.7	2,385.1
Retained earnings (accumulated deficit)	(586.1)	(249.8)
Accumulated other comprehensive loss	(171.1)	(159.2)
Treasury stock, at cost: 7,153,511 shares and 6,744,082 shares, respectively	(230.6)	(221.3)
Total stockholders' equity	1,424.9	1,756.8
Total liabilities and stockholders' equity	<u>\$ 15,936.7</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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Operating Activities:				
Net income (loss)	\$ (334.0)	\$ 65.9	\$ (336.3)	\$ 99.7
Adjustments to reconcile net income (loss) to net cash generated by (used in) operating activities:				
Depreciation and amortization	217.3	88.9	301.0	178.3
Equity-based compensation	23.1	11.9	30.7	22.4
Deferred income taxes	(104.8)	(19.2)	(105.4)	(24.6)
Changes in assets and liabilities:				
Accounts receivable	(153.3)	(65.9)	(304.0)	(137.0)
Inventories	194.6	(22.8)	132.2	(48.0)
Prepaid expenses and other assets	48.6	23.9	24.2	(0.6)
Accounts payable and other liabilities	(137.1)	25.5	(1.0)	40.9
Other	(6.1)	(8.4)	(3.0)	4.0
Net cash generated by (used in) operating activities	(251.7)	99.8	(261.6)	135.1
Investing Activities:				
Additions to property, plant and equipment	(26.6)	(17.3)	(48.0)	(30.8)
Proceeds from sale of property, plant and equipment	0.1	3.2	0.8	6.2
Acquisition funds held in escrow	3,750.0	—	—	—
Cash paid for current year acquisitions, net of cash acquired	(5,049.9)	—	(5,049.9)	—
Cash paid for prior year acquisition	—	—	(11.0)	—
Other	6.7	1.3	6.6	1.3
Net cash used in investing activities	(1,319.7)	(12.7)	(5,101.5)	(23.3)
Financing Activities:				
Long-term debt repaid	(2,328.3)	—	(2,553.3)	—
Long-term debt proceeds	3,183.0	—	6,933.0	—
Debt issuance costs	(108.9)	—	(118.1)	—
Series A convertible preferred stock proceeds	1,000.0	—	1,000.0	—
Deemed dividend paid on Series A convertible preferred stock	(3.0)	—	(3.0)	—
Proceeds from the issuance of common shares under equity-based compensation plans	1.5	1.0	2.7	4.9
Tax withholding payments for vested equity-based compensation awards	(1.8)	(0.1)	(9.3)	(15.5)
Net cash generated by (used in) financing activities	1,742.5	0.9	5,252.0	(10.6)
Effect of exchange rate changes on cash and cash equivalents	0.5	(15.0)	0.9	(9.5)
Change in cash and cash equivalents	171.6	73.0	(110.2)	91.7
Cash and cash equivalents at beginning of period	176.4	472.7	458.2	454.0
Cash and cash equivalents at end of period	<u>\$ 348.0</u>	<u>\$ 545.7</u>	<u>\$ 348.0</u>	<u>\$ 545.7</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		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating income (loss), as reported	\$ (209.2)	\$ 164.7	\$ (118.5)	\$ 268.4
Adjustments:				
Amortization of purchased intangible assets	164.1	66.4	223.5	133.7
Restructuring costs, net	46.4	7.2	58.8	12.7
Equity-based compensation	23.1	11.8	30.7	22.4
Transaction and integration costs	167.0	1.0	187.7	2.5
Purchase accounting adjustments	164.1	—	164.1	—
Total adjustments to operating income	564.7	86.4	664.8	171.3
Non-GAAP adjusted operating income	\$ 355.5	\$ 251.1	\$ 546.2	\$ 439.7
Depreciation	40.1	19.9	57.8	39.5
Non-GAAP adjusted EBITDA	\$ 395.6	\$ 271.1	\$ 604.1	\$ 479.2
Income (loss) before income taxes, as reported	\$ (371.5)	\$ 102.9	\$ (372.3)	\$ 149.3
Income tax (expense) benefit, as reported	37.5	(37.0)	35.9	(49.6)
Net income (loss), as reported	\$ (334.0)	\$ 65.9	\$ (336.3)	\$ 99.7
Series A convertible preferred stock dividend	(13.1)	—	(13.1)	—
Deemed dividend on Series A convertible preferred stock	(3.0)	—	(3.0)	—
Net income (loss) attributable to common stockholders, as reported	\$ (350.1)	\$ 65.9	\$ (352.4)	\$ 99.7
Adjustments:				
Total pretax adjustments to adjusted EBITDA	564.7	86.4	664.8	171.3
Pretax amortization of debt issuance costs & OID ⁽¹⁾	11.4	2.6	18.1	5.2
Pretax acquisition related interest ⁽¹⁾	2.8	—	30.2	—
Tax effects of adjustments and other tax items ⁽²⁾	(92.1)	(21.8)	(131.1)	(48.0)
Non-GAAP adjusted net income	\$ 152.8	\$ 133.1	\$ 245.7	\$ 228.2
Diluted EPS, as reported	\$ (1.81)	\$ 0.34	\$ (1.82)	\$ 0.51
Non-GAAP adjusted diluted EPS	\$ 0.66	\$ 0.68	\$ 1.15	\$ 1.17

(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.

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>Q2 2019</u>	<u>Q2 2018</u>	<u>% Change</u> <u>YOY</u>
United States	\$ 1,500.7	\$ 714.6	110.0 %
Europe, Middle East and Africa	471.3	253.4	86.0
Asia Pacific	267.4	183.2	46.0
Caribbean and Latin America	225.4	61.6	265.9
Canada	101.9	27.1	276.0
Total net sales	<u>\$ 2,566.7</u>	<u>\$ 1,239.9</u>	107.0 %

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

Sales by Segment

	As reported	Deferred Revenue	As Adjusted	(2) Apr 1 - Apr 3	Pro forma (3) Q2 2019	Pro forma (4) Q1 2019	Pro forma (4) Q2 2018	% Change	
	Q2 2019	Adj (1)	Q2 2019	Apr 3	Q2 2019	Q1 2019	Q2 2018	Sequential	YOY
Connectivity	\$ 670.9	\$ —	\$ 670.9	\$ —	\$ 670.9	\$ 646.1	\$ 740.5	3.8 %	(9.4)%
Mobility	529.4	—	529.4	—	529.4	453.4	499.4	16.8	6.0
CPE	889.0	0.7	889.7	23.4	913.1	824.2	1,008.1	10.8	(9.4)
N&C	330.6	13.3	343.9	3.8	347.7	440.2	549.5	(21.0)	(36.7)
Ruckus	146.8	4.3	151.1	1.4	152.5	116.9	168.9	30.5	(9.7)
Total net sales	\$2,566.7	\$ 18.3	\$2,585.0	\$ 28.6	\$ 2,613.6	\$ 2,480.8	\$ 2,966.4	5.4 %	(11.9)%

Non-GAAP Adjusted EBITDA by Segment

	As reported	(2) Apr 1 - Apr 3	Pro forma (5) Q2 2019	Pro forma (4) Q1 2019	Pro forma (4) Q2 2018	% Change	
	Q2 2019	Apr 3	Q2 2019	Q1 2019	Q2 2018	Sequential	YOY
Connectivity	\$ 142.2	\$ —	\$ 142.2	\$ 107.7	\$ 157.2	32.0 %	(9.5)%
Mobility	140.4	—	140.4	100.7	113.9	39.4	23.3
CPE	62.1	(1.8)	60.3	35.8	61.4	68.4	(1.8)
N&C	45.0	(10.0)	35.0	79.0	128.5	(55.7)	(72.8)
Ruckus	5.9	(3.3)	2.6	(29.0)	15.4	(109.0)	(83.1)
Total non-GAAP adjusted EBITDA ⁽²⁾	\$ 395.6	\$ (15.1)	\$ 380.5	\$ 294.2	\$ 476.4	29.3 %	(20.1)%

(1) Represents acquisition accounting adjustments related to deferred revenue.

(2) Represents ARRIS segments' results excluded from Q2 2019 as reported for the three days April 1 - April 3, 2019, prior to the acquisition date, April 4, 2019.

(3) Presented pro forma to include as reported Q2 2019 results plus the impact of acquisition accounting adjustments related to deferred revenue and the results of the ARRIS segments for April 1 - April 3, 2019.

(4) 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.

(5) Presented pro forma to include as reported Q2 2019 results plus the results of the ARRIS segments for April 1 - April 3, 2019.

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)

Second 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	\$ 60.5	\$ 98.5	\$(25.0)	\$(229.6)	\$(113.6)	\$(209.2)
Amortization of purchased intangible assets	40.3	17.7	33.7	57.2	15.2	164.1
Restructuring costs, net	3.3	2.6	15.1	21.5	3.9	46.4
Equity-based compensation	6.4	4.4	3.6	6.7	2.0	23.1
Transaction and integration costs	19.2	11.6	1.2	99.9	35.1	167.0
Purchase accounting adjustments	—	—	24.0	80.0	60.1	164.1
Depreciation	12.5	5.7	9.5	9.2	3.2	40.1
Non-GAAP adjusted EBITDA	\$ 142.2	\$ 140.4	\$ 62.1	\$ 45.0	\$ 5.9	\$ 395.6
Non-GAAP adjusted EBITDA margin %	21.2%	26.5%	7.0%	13.6%	4.0%	15.4%

First 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>	Pro forma (1)
Operating income (loss), as reported	\$ 29.9	\$ 60.7	\$(23.8)	\$ 32.4	\$(54.5)	\$ 44.8	
Amortization of purchased intangible assets	41.0	18.3	43.7	22.7	15.6	141.3	
Restructuring costs, net	7.4	5.1	0.5	0.1	(0.1)	12.9	
Equity-based compensation	4.5	3.1	6.1	10.8	3.8	28.3	
Transaction and integration costs	12.7	8.0	2.3	4.7	1.1	28.7	
Purchase accounting adjustments	—	—	—	—	1.5	1.5	
Depreciation	12.2	5.5	7.0	8.4	3.8	36.8	
Non-GAAP adjusted EBITDA	\$ 107.7	\$ 100.7	\$ 35.8	\$ 79.0	\$(29.0)	\$ 294.3	
Non-GAAP adjusted EBITDA margin %	16.7%	22.2%	4.3%	17.9%	(24.8%)	11.9%	

Second 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>Total</u>	Pro forma (1)
Operating income (loss), as reported	\$ 85.4	\$ 79.3	\$(19.4)	\$ 75.6	\$(12.3)	\$ 208.6	
Amortization of purchased intangible assets	45.0	21.4	51.4	24.7	14.3	156.9	
Restructuring costs, net	4.7	2.5	14.6	6.6	—	28.4	
Equity-based compensation	7.2	4.6	6.9	11.8	4.8	35.4	
Transaction and integration costs	0.7	0.3	—	—	1.6	2.6	
Purchase accounting adjustments	—	—	—	—	3.3	3.3	
Depreciation	14.2	5.7	7.8	9.7	3.7	41.2	
Non-GAAP adjusted EBITDA	\$ 157.2	\$ 113.9	\$ 61.4	\$ 128.5	\$ 15.4	\$ 476.4	
Non-GAAP adjusted EBITDA margin %	21.2%	22.8%	6.1%	23.4%	9.1%	16.1%	

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

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	TTM Q2 2019
Cash flow from operations	\$ 226.8	\$ 132.3	\$ (10.0)	\$ (251.7)	\$ 97.4
Capital expenditures	(24.6)	(26.9)	(21.4)	(26.6)	(99.5)
Free cash flow	202.2	105.4	(31.4)	(278.3)	(2.1)
Transaction and integration costs	2.1	4.5	7.3	187.8	201.7
Restructuring costs	7.7	9.4	25.9	23.9	66.9
Adjusted free cash flow	\$ 212.0	\$ 119.3	\$ 1.8	\$ (66.6)	\$ 266.5

See Description of Non-GAAP Financial Measures

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

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,	Twelve Months Ended June 30,
	2019	2018	2019	2018	2018	2019
Operating income (loss)	\$ (209.2)	\$ 164.7	\$ (118.5)	\$ 268.4	\$ 450.0	\$ 63.1
Adjustments:						
Amortization of purchased intangible assets	164.1	66.4	223.5	133.7	264.6	354.4
Restructuring costs, net	46.4	7.2	58.8	12.7	44.0	90.1
Equity-based compensation	23.1	11.9	30.7	22.4	44.9	53.2
Asset impairments	—	—	—	—	15.0	15.0
Transaction and integration costs ⁽¹⁾	167.0	1.0	187.7	2.5	19.5	204.7
Purchase accounting adjustments	164.1	—	164.1	—	—	164.1
Non-GAAP adjusted operating income	\$ 355.5	\$ 251.1	\$ 546.2	\$ 439.7	\$ 838.0	\$ 944.5
Depreciation	40.1	19.9	57.8	39.5	75.6	93.9
Non-GAAP adjusted EBITDA	\$ 395.6	\$ 271.1	\$ 604.1	\$ 479.2	\$ 913.6	\$ 1,038.5
ARRIS acquisition ⁽²⁾						473.9
ARRIS synergies ⁽³⁾						135.0
Cost reduction initiatives ⁽⁴⁾						31.1
Non-GAAP pro forma adjusted EBITDA						\$ 1,678.5

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

(2) Reflects adjusted EBITDA related to the ARRIS business from July 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 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 September 30, 2019
Operating income (loss)	\$(5) - \$5
Adjustments:	
Amortization of purchased intangible assets	\$163 - \$167
Restructuring costs, transaction and integration costs and other ⁽¹⁾	\$5 - \$20
Purchase accounting	\$81 - \$104
Equity-based compensation	\$24 - \$28
Depreciation	\$42 - \$46
Total adjustments to operating income	\$315 - \$365
Non-GAAP adjusted EBITDA	\$310 - \$370
Basic loss per share	\$(0.81) - \$(0.85)
Adjustments ⁽²⁾ :	
Total adjustments to operating income	\$0.94 - \$1.06
Debt-related costs and other special items ⁽³⁾	\$0.07 - \$0.07
Impact of Series A convertible preferred stock ⁽⁴⁾	\$0.17 - \$0.19
Non-GAAP adjusted diluted earnings per share ⁽⁵⁾	\$0.37 - \$0.47

(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.