

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

	Three Months Ended	
	March 31,	
	2020	2019
Net sales	\$ 2,033.2	\$ 1,099.5
Cost of sales	1,392.0	701.5
Gross profit	641.2	398.0
Operating expenses:		
Selling, general and administrative	311.1	185.4
Research and development	180.4	50.2
Amortization of purchased intangible assets	157.8	59.3
Restructuring costs, net	23.7	12.4
Total operating expenses	673.0	307.3
Operating income (loss)	(31.8)	90.7
Other income (expense), net	(12.5)	(5.7)
Interest expense	(149.1)	(97.5)
Interest income	2.1	11.8
Loss before income taxes	(191.3)	(0.7)
Income tax (expense) benefit	31.4	(1.6)
Net loss	(159.9)	(2.3)
Series A convertible preferred stock dividend	(13.8)	—
Net loss attributable to common stockholders	\$ (173.7)	\$ (2.3)
Loss per share:		
Basic	\$ (0.89)	\$ (0.01)
Diluted (a)	\$ (0.89)	\$ (0.01)
Weighted average shares outstanding:		
Basic	194.9	192.8
Diluted (a)	194.9	192.8
(a) Calculation of diluted earnings (loss) per share:		
Net loss (basic and diluted)	\$ (173.7)	\$ (2.3)
Weighted average shares (basic)	194.9	192.8
Dilutive effect of equity-based awards	—	—
Denominator (diluted)	194.9	192.8

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

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

	Unaudited March 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 394.3	\$ 598.2
Accounts receivable, less allowance for doubtful accounts of \$40.0 and \$35.4, respectively	1,604.0	1,698.8
Inventories, net	909.4	975.9
Prepaid expenses and other current assets	238.1	238.9
Total current assets	3,145.8	3,511.8
Property, plant and equipment, net of accumulated depreciation of \$585.0 and \$553.8, respectively	693.5	723.8
Goodwill	5,424.6	5,471.7
Other intangible assets, net	4,096.4	4,263.6
Other noncurrent assets	512.5	460.7
Total assets	<u>\$ 13,872.8</u>	<u>\$ 14,431.6</u>
Liabilities and Stockholders' Equity		
Accounts payable	\$ 974.0	\$ 1,148.0
Accrued and other liabilities	846.9	862.0
Current portion of long-term debt	32.0	32.0
Total current liabilities	1,852.9	2,042.0
Long-term debt	9,698.7	9,800.4
Deferred income taxes	206.9	215.1
Other noncurrent liabilities	527.1	537.8
Total liabilities	12,285.6	12,595.3
Commitments and contingencies		
Series A convertible preferred stock, \$0.01 par value	1,013.8	1,000.0
Stockholders' equity:		
Preferred stock, \$0.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: 1,013,750 Series A convertible preferred stock	—	—
Common stock, \$0.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 195,807,913 and 194,563,530, respectively	2.0	2.0
Additional paid-in capital	2,455.7	2,445.1
Retained earnings (accumulated deficit)	(1,339.2)	(1,179.3)
Accumulated other comprehensive loss	(304.7)	(197.0)
Treasury stock, at cost: 7,981,297 shares and 7,411,382 shares, respectively	(240.4)	(234.5)
Total stockholders' equity	573.4	836.3
Total liabilities and stockholders' equity	<u>\$ 13,872.8</u>	<u>\$ 14,431.6</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	
	March 31,	
	2020	2019
Operating Activities:		
Net loss	\$ (159.9)	\$ (2.3)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	205.4	83.7
Equity-based compensation	23.5	7.5
Deferred income taxes	(38.3)	(1.4)
Changes in assets and liabilities:		
Accounts receivable	69.0	(150.7)
Inventories	50.6	(62.4)
Prepaid expenses and other assets	15.2	(24.5)
Accounts payable and other liabilities	(217.2)	136.8
Other	9.0	3.3
Net cash used in operating activities	(42.7)	(10.0)
Investing Activities:		
Additions to property, plant and equipment	(23.9)	(21.4)
Proceeds from sale of property, plant and equipment	0.1	0.6
Acquisition funds held in escrow	—	(3,750.0)
Cash paid for Cable Exchange acquisition	—	(11.0)
Net cash used in investing activities	(23.8)	(3,781.8)
Financing Activities:		
Long-term debt repaid	(108.0)	(225.0)
Long-term debt proceeds	—	3,750.0
Debt issuance costs	—	(9.3)
Proceeds from the issuance of common shares under equity-based compensation plans	0.9	1.3
Tax withholding payments for vested equity-based compensation awards	(5.9)	(7.5)
Net cash generated by (used in) financing activities	(113.0)	3,509.5
Effect of exchange rate changes on cash and cash equivalents	(24.4)	0.5
Change in cash and cash equivalents	(203.9)	(281.8)
Cash and cash equivalents at beginning of period	598.2	458.2
Cash and cash equivalents at end of period	<u>\$ 394.3</u>	<u>\$ 176.4</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 March 31,	
	2020	2019
Net loss, as reported	\$ (159.9)	\$ (2.3)
Income tax expense (benefit), as reported	(31.4)	1.6
Interest income, as reported	(2.1)	(11.8)
Interest expense, as reported	149.1	97.5
Other expense, net, as reported	12.5	5.7
Operating income (loss), as reported	\$ (31.8)	\$ 90.7
Adjustments:		
Amortization of purchased intangible assets	157.8	59.3
Restructuring costs, net	23.7	12.4
Equity-based compensation	23.5	7.5
Transaction and integration costs	5.4	20.8
Purchase accounting adjustments	5.5	—
Patent claims and litigation	5.3	—
Depreciation	41.8	17.7
Total adjustments to operating income (loss)	263.0	117.7
Non-GAAP adjusted EBITDA	\$ 231.2	\$ 208.4
Loss before income taxes, as reported	\$ (191.3)	\$ (0.7)
Income tax (expense) benefit, as reported	31.4	(1.6)
Net loss, as reported	\$ (159.9)	\$ (2.3)
Adjustments:		
Total pretax adjustments to adjusted EBITDA	221.2	100.0
Pretax amortization of debt issuance costs & OID ⁽¹⁾	6.9	6.7
Pretax acquisition related interest ⁽¹⁾	—	27.4
Tax effects of adjustments and other tax items ⁽³⁾	(41.0)	(38.8)
Non-GAAP adjusted net income	\$ 27.2	\$ 93.0
GAAP EPS, as reported ⁽⁴⁾	\$ (0.89)	\$ (0.01)
Non-GAAP adjusted diluted EPS ⁽⁵⁾	\$ 0.12	\$ 0.48

(1) Included in interest expense.

(2) Included in other expense, net.

(3) 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.

(4) For the three months ended March 31, 2020, GAAP EPS was calculated using Net income (loss) attributable to common stockholders, which includes the impact of the Series A convertible preferred stock dividend, in the numerator because of the net loss position.

(5) The Company's definition of non-GAAP adjusted diluted EPS is non-GAAP adjusted net income, excluding the Series A convertible preferred stock dividend, divided by weighted average shares outstanding assuming the if-converted method, which reflects the conversion of the Series A convertible preferred stock.

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

	Q1 2020	Q1 2019	% Change YOY
United States	\$ 1,220.4	\$ 639.1	91.0 %
Europe, Middle East and Africa	395.0	229.9	71.8
Asia Pacific	177.6	147.2	20.7
Caribbean and Latin America	158.4	63.5	149.4
Canada	81.8	19.8	313.1
Total net sales	<u>\$ 2,033.2</u>	<u>\$ 1,099.5</u>	84.9 %

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

Sales by Segment ⁽¹⁾

	Q1 2020	Combined Company ⁽²⁾ Q1 2019	% Change YOY
Broadband	\$ 613.4	\$ 766.7	(20.0) %
Home	601.4	824.2	(27.0) %
Outdoor Wireless	348.9	390.8	(10.7) %
Venue and Campus	469.5	499.1	(5.9) %
Total net sales	\$ 2,033.2	\$ 2,480.8	(18.0) %

Segment Operating Income (Loss) ⁽¹⁾

	Q1 2020	Combined Company ⁽²⁾ Q1 2019	% Change YOY
Broadband	\$ (18.6)	\$ 57.3	(132.5) %
Home	(37.6)	(23.8)	58.0 %
Outdoor Wireless	65.0	70.9	(8.3) %
Venue and Campus	(40.6)	(59.7)	(32.0) %
Total segment operating income (loss)	\$ (31.8)	\$ 44.8	(171.0) %

Segment Adjusted EBITDA ⁽¹⁾

	Q1 2020	Combined Company ⁽²⁾ Q1 2019	% Change YOY
Broadband	\$ 92.7	\$ 137.3	(32.5) %
Home	11.9	35.8	(66.8) %
Outdoor Wireless	88.9	101.0	(12.0) %
Venue and Campus	37.7	20.2	86.6 %
Total segment adjusted EBITDA	\$ 231.2	\$ 294.3	(21.4) %

(1) During the three months ended March 31, 2020, the company began reporting in the following four operating segments: Broadband Networks, Home Networks, Outdoor Wireless Networks and Venue and Campus Networks. All prior period amounts have been restated to reflect these operating segment changes.

(2) Periods prior to the acquisition date, April 4, 2019, are presented for the combined company to include previously reported CommScope results plus the historical results of the ARRIS business.

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

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

First Quarter 2020 Segment Adjusted EBITDA Reconciliation ⁽¹⁾

	Broadband	Home	Outdoor Wireless	Venue and Campus	Total
Operating income (loss), as reported	\$ (18.6)	\$ (37.6)	\$ 65.0	\$ (40.6)	\$ (31.8)
Amortization of purchased intangible assets	77.0	26.0	11.6	43.3	157.8
Restructuring costs, net	5.2	2.4	4.1	12.0	23.7
Equity-based compensation	9.0	4.5	2.8	7.1	23.5
Transaction and integration costs	1.7	0.9	0.9	1.9	5.4
Purchase accounting adjustments	2.8	0.5	—	2.2	5.5
Patent claims and litigation	—	5.3	—	—	5.3
Depreciation	15.6	10.0	4.5	11.7	41.8
Segment adjusted EBITDA	\$ 92.7	\$ 11.9	\$ 88.9	\$ 37.7	\$ 231.2
Segment adjusted EBITDA % of sales	15.1%	2.0%	25.5%	8.0%	11.4%

First Quarter 2019 Segment Adjusted EBITDA Reconciliation ⁽¹⁾

	Broadband	Home	Outdoor Wireless	Venue and Campus	Combined Company (2) Total
Operating income (loss), as reported	\$ 57.3	\$ (23.8)	\$ 70.9	\$ (59.7)	\$ 44.8
Amortization of purchased intangible assets	38.4	43.7	12.9	46.3	141.3
Restructuring costs, net	3.2	0.5	3.8	5.4	12.9
Equity-based compensation	12.8	6.1	2.4	7.1	28.3
Transaction and integration costs	11.1	2.3	6.6	8.6	28.7
Purchase accounting adjustments	—	—	—	1.5	1.5
Depreciation	14.4	7.0	4.3	11.0	36.8
Segment adjusted EBITDA	\$ 137.3	\$ 35.8	\$ 101.0	\$ 20.2	\$ 294.3
Segment adjusted EBITDA % of sales	17.9%	4.3%	25.8%	4.0%	11.9%

(1) During the three months ended March 31, 2020, the company began reporting in the following four operating segments: Broadband Networks (Broadband), Home Networks (Home), Outdoor Wireless Networks (OWN) and Venue & Campus Networks (VCN). All prior period amounts have been restated to reflect these operating segment changes.

(2) Periods prior to the acquisition date, April 4, 2019, are presented for the combined company to include previously reported CommScope results plus the historical results of the ARRIS business.

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

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

Adjusted Free Cash Flow

	<u>Q1 2020</u>	<u>Q1 2019</u>
Cash flow from operations	\$ (42.7)	\$ (10.0)
Capital expenditures	(23.9)	(21.4)
Free cash flow	(66.6)	(31.4)
Transaction and integration costs	3.4	7.3
Restructuring	20.1	25.9
Adjusted Free Cash Flow ⁽¹⁾	<u><u>\$ (43.1)</u></u>	<u><u>\$ 1.8</u></u>

(1) Non-GAAP adjusted free cash flow reflects \$78.0 million of certain payments that should have occurred in the fourth quarter of 2019 but were made in the first quarter of 2020.

See Description of Non-GAAP Financial Measures

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

Net Sales by Segment ⁽¹⁾

	Q1 2019 ⁽²⁾	Q2 2019 ⁽²⁾	Q3 2019	Q4 2019	Total ⁽²⁾
Broadband	\$ 766.7	\$ 673.3	\$ 694.8	\$ 673.1	\$ 2,807.9
Home	824.2	912.4	826.4	823.6	3,386.6
Outdoor Wireless	390.8	458.1	334.4	291.6	1,474.9
Venue and Campus	499.1	551.5	524.6	510.4	2,085.6
Total net sales	\$ 2,480.8	\$ 2,595.3	\$ 2,380.2	\$ 2,298.7	\$ 9,755.0

Segment Adjusted EBITDA ⁽¹⁾

	Q1 2019 ⁽²⁾	Q2 2019 ⁽²⁾	Q3 2019	Q4 2019	Total ⁽²⁾
Broadband	\$ 137.3	\$ 108.0	\$ 153.4	\$ 143.5	\$ 542.3
Home	35.8	60.3	59.7	71.9	227.7
Outdoor Wireless	101.0	136.3	75.3	48.6	361.2
Venue and Campus	20.2	76.0	81.3	59.5	237.0
Segment adjusted EBITDA	\$ 294.3	\$ 380.5	\$ 369.8	\$ 323.6	\$ 1,368.2
Segment adjusted EBITDA % of sales	11.9%	14.7%	15.5%	14.1%	14.0%

(1) Represents our recasting of net sales and segment adjusted EBITDA to conform to our new segment reporting structure effective January 1, 2020.

(2) Periods prior to the acquisition date, April 4, 2019, are presented for the combined company to include previously reported CommScope results plus the historical results of the ARRIS business.

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

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

First Quarter 2019 Segment Adjusted EBITDA Reconciliation ⁽¹⁾

	Broadband	Home	Outdoor Wireless	Venue and Campus	Total
Operating income (loss)	\$ 57.3	\$ (23.8)	\$ 70.9	\$ (59.7)	\$ 44.8
Amortization of purchased intangible assets	38.4	43.7	12.9	46.3	141.3
Restructuring costs, net	3.2	0.5	3.8	5.4	12.9
Equity-based compensation	12.8	6.1	2.4	7.1	28.3
Transaction and integration costs	11.1	2.3	6.6	8.6	28.7
Purchase accounting adjustments	—	—	—	1.5	1.5
Depreciation	14.4	7.0	4.3	11.0	36.8
Segment adjusted EBITDA	\$ 137.3	\$ 35.8	\$ 101.0	\$ 20.2	\$ 294.3

Second Quarter 2019 Segment Adjusted EBITDA Reconciliation ⁽¹⁾

	Broadband	Home	Outdoor Wireless	Venue and Campus	Total
Operating income (loss)	\$ (203.5)	\$ (28.7)	\$ 104.5	\$ (100.5)	\$ (228.2)
Amortization of purchased intangible assets	73.0	35.2	12.3	46.4	166.9
Restructuring costs, net	23.1	15.1	1.9	6.2	46.4
Equity-based compensation	9.7	3.8	3.4	6.9	23.7
Transaction and integration costs	109.8	1.2	9.7	46.4	167.0
Purchase accounting adjustments	80.0	24.0	—	60.1	164.1
Depreciation	15.9	9.7	4.5	10.6	40.7
Segment adjusted EBITDA	\$ 108.0	\$ 60.3	\$ 136.3	\$ 76.0	\$ 380.5

Third Quarter 2019 Segment Adjusted EBITDA Reconciliation

	Broadband	Home	Outdoor Wireless	Venue and Campus	Total
Operating income (loss)	\$ (13.0)	\$ 3.8	\$ (2.2)	\$ (39.4)	\$ (50.8)
Amortization of purchased intangible assets	72.2	33.7	12.2	45.8	163.9
Restructuring costs, net	5.6	6.8	1.1	5.9	19.5
Equity-based compensation	11.2	4.9	3.5	8.4	28.0
Transaction and integration costs	2.0	(3.5)	1.4	2.2	2.2
Purchase accounting adjustments	57.7	3.3	—	47.8	108.7
Patent claims and litigation	—	—	55.0	—	55.0
Depreciation	17.6	10.7	4.3	10.6	43.3
Segment adjusted EBITDA	\$ 153.4	\$ 59.7	\$ 75.3	\$ 81.3	\$ 369.8

Fourth Quarter 2019 Segment Adjusted EBITDA Reconciliation

	Broadband	Home	Outdoor Wireless	Venue and Campus	Total
Operating income (loss)	\$ (145.8)	\$ (174.8)	\$ 27.1	\$ (45.7)	\$ (339.2)
Amortization of purchased intangible assets	113.2	36.5	12.0	44.3	205.9
Restructuring costs, net	5.2	1.3	(0.0)	3.0	9.4
Equity-based compensation	12.9	5.6	3.8	9.8	32.0
Asset impairments	142.1	192.8	—	41.2	376.1
Transaction and integration costs	1.8	0.0	1.4	2.1	5.3
Purchase accounting adjustments	(1.9)	0.5	—	(7.3)	(8.6)
Depreciation	16.1	10.1	4.3	12.1	42.7
Segment adjusted EBITDA	\$ 143.5	\$ 71.9	\$ 48.6	\$ 59.5	\$ 323.6

(1) Periods prior to the acquisition date, April 4, 2019, are presented for the combined company to include previously reported CommScope results plus the historical results of the ARRIS business.