



# First Quarter 2018 Results

May 1, 2018

**Eddie Edwards**  
President and  
Chief Executive Officer

**Alex Pease**  
Executive Vice President  
and Chief Financial Officer

# Safe harbor

## Caution Regarding Forward Looking Statements

This presentation or any other oral or written statements made by us or on our behalf may include forward-looking statements that reflect our current views with respect to future events and financial performance. These forward-looking statements are generally identified by their use of such terms and phrases as "intend," "goal," "estimate," "expect," "project," "projections," "plans," "anticipate," "should," "could," "designed to," "foreseeable future," "believe," "think," "scheduled," "outlook," "target," "guidance" and similar expressions, although not all forward-looking statements contain such terms. This list of indicative terms and phrases is not intended to be all-inclusive.

These statements are subject to various risks and uncertainties, many of which are outside our control, including, without limitation, our dependence on customers' capital spending on data and communication systems; concentration of sales among a limited number of customers and channel partners; changes in technology; industry competition and the ability to retain customers through product innovation, introduction and marketing; risks associated with our sales through channel partners; changes to the regulatory environment in which our customers operate; product quality or performance issues and associated warranty claims; our ability to maintain effective management information systems and to successfully implement major systems initiatives; cyber-security incidents, including data security breaches, ransomware or computer viruses; the risk our global manufacturing operations suffer production or shipping delays, causing difficulty in meeting customer demands; the risk that internal production capacity or that of contract manufacturers may be insufficient to meet customer demand or quality standards; changes in cost and availability of key raw materials, components and commodities and the potential effect on customer pricing; risks associated with our dependence on a limited number of key suppliers for certain raw material and components; the risk that contract manufacturers we rely on encounter production, quality, financial or other difficulties; our ability to fully realize anticipated benefits from prior or future acquisitions or equity investments; potential difficulties in realigning global manufacturing capacity and capabilities among our global manufacturing facilities that may affect our ability to meet customer demands for products; possible future restructuring actions; substantial indebtedness and maintaining compliance with debt covenants; our ability to incur additional indebtedness; our ability to generate cash to service our indebtedness; possible future impairment charges for fixed or intangible assets, including goodwill; income tax rate variability and ability to recover amounts recorded as deferred tax assets; our ability to attract and retain qualified key employees; labor unrest; obligations under our defined benefit employee benefit plans may require plan contributions in excess of current estimates; significant international operations exposing us to economic, political and other risks, including the impact of variability in foreign exchange rates; our ability to comply with governmental anti-corruption laws and regulations and export and import controls worldwide; our ability to compete in international markets due to export and import controls to which we may be subject; changes in the laws and policies in the United States affecting trade; cost of protecting or defending intellectual property; costs and challenges of compliance with domestic and foreign environmental laws; risks associated with stockholder activism, which could cause us to incur significant expense, hinder execution of our business strategy and impact the trading value of our securities; and other factors beyond our control. These and other factors are discussed in greater detail in our 2017 Annual Report on Form 10-K. Although the information contained in this presentation represents our best judgment as of the date of this report based on information currently available and reasonable assumptions, we can give no assurance that the expectations will be attained or that any deviation will not be material. Given these uncertainties, we caution you not to place undue reliance on these forward-looking statements, which speak only as of the date made. We are not undertaking any duty or obligation to update this information to reflect developments or information obtained after the date of this report, except as otherwise may be required by law.

## Non-GAAP Financial Measures

CommScope management believes that presenting certain non-GAAP financial measures provides meaningful information to investors in understanding operating results and may enhance investors' ability to analyze financial and business trends. Non-GAAP measures are not a substitute for GAAP measures and should be considered together with the GAAP financial measures. As calculated, our non-GAAP measures may not be comparable to other similarly titled measures of other companies. In addition, CommScope management believes that these non-GAAP financial measures allow investors to compare period to period more easily by excluding items that could have a disproportionately negative or positive impact on results in any particular period. GAAP to non-GAAP reconciliations are included in this presentation.

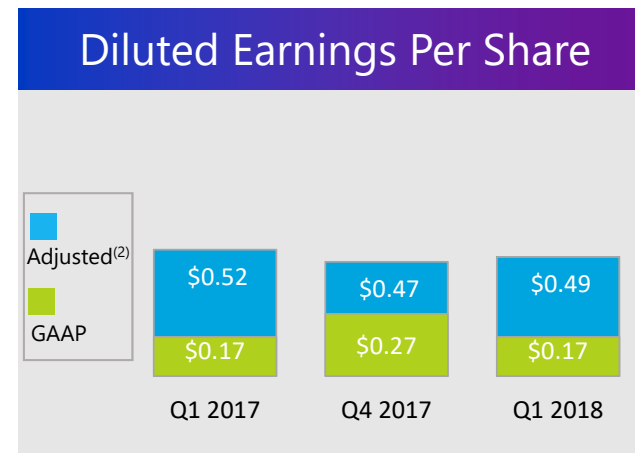
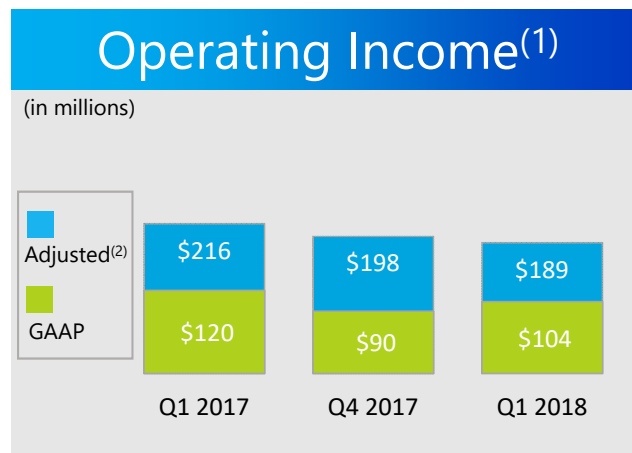
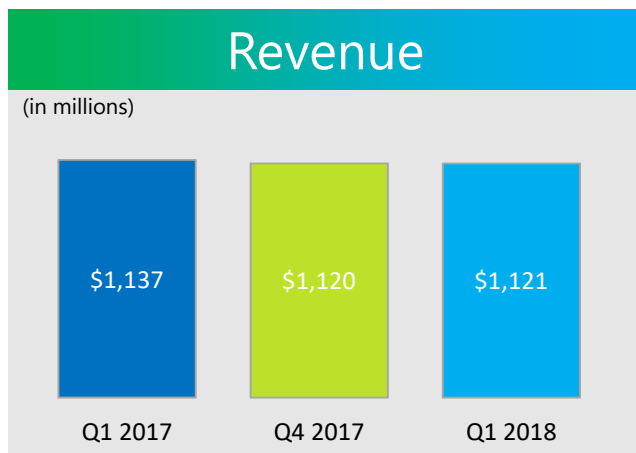
# Agenda

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- First quarter 2018 results
- Segment review
- Cash flow and capital allocation priorities
- Second quarter and full year 2018 outlook
- Path to 5G

# Q1 2018 Results

*Consistent with guidance*



### Sales & Orders:

- Sales of \$1.12 billion, down 1% YOY
  - Growth in EMEA and APAC more than offset by declines in other regions, most notably in the U.S.
- Orders of \$1.22 billion
  - Book-to-bill ratio of 1.09
    - Above year-ago level of 0.99

### Operating Results:

- Operating Income of \$104 million
- Non-GAAP Adjusted Operating Income<sup>(2)</sup> of \$189 million, or 17% of sales

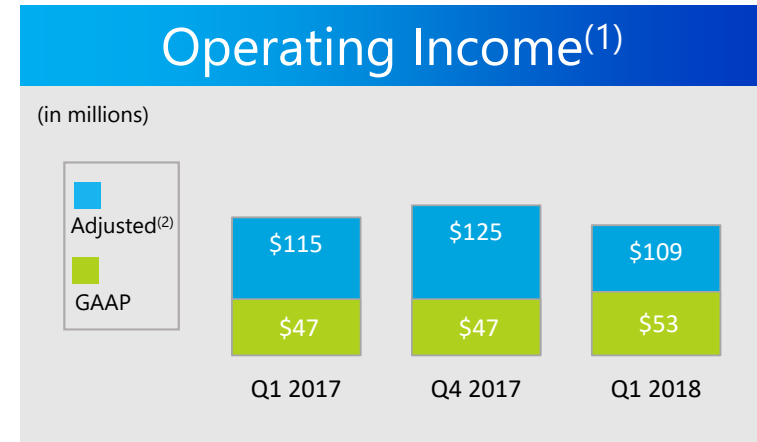
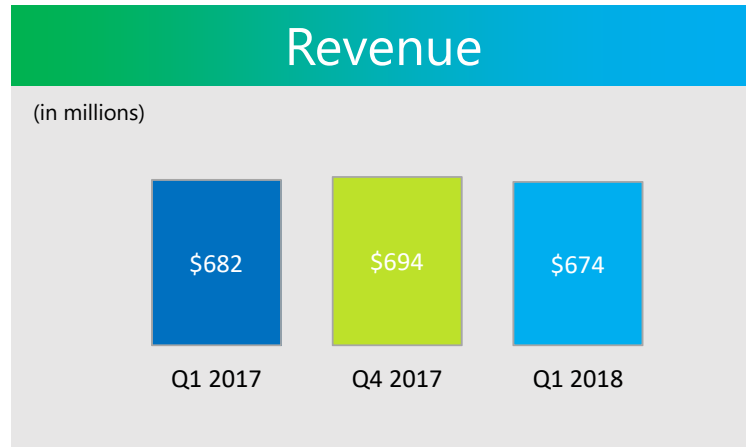
### Net Income & EPS:

- Net Income of \$34 million, or \$0.17 per diluted share
- Non-GAAP Adjusted Net Income<sup>(2)</sup> of \$95 million, or \$0.49 per diluted share
- Adjusted effective tax rate of 29%

(1) Q1 2017 and Q4 2017 results reflect a reclassification of certain components of pension and other postretirement benefit expense from operating income to other income (expense), net as required by ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*.

(2) See appendix for reconciliation of non-GAAP adjusted measures.

# CommScope Connectivity Solutions (CCS)

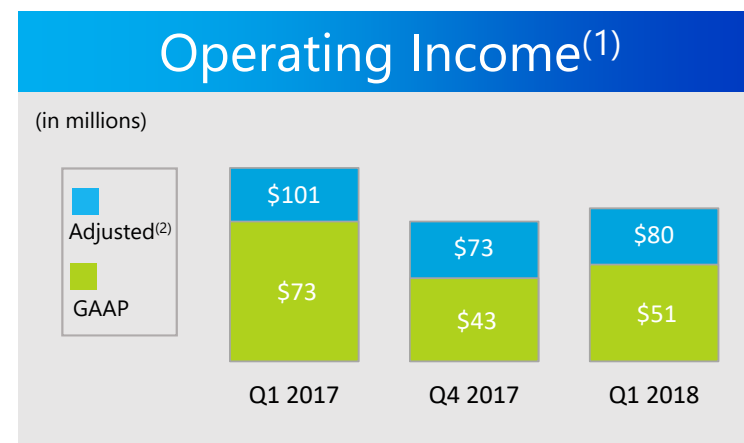
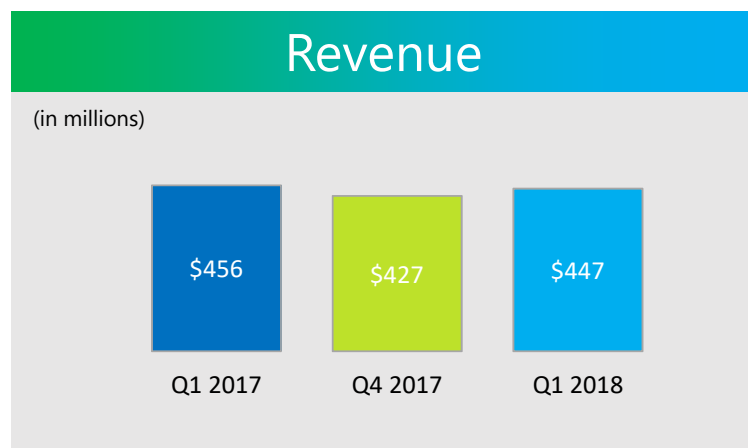


- Modest growth in Indoor Network Solutions offset by modest decline in Outdoor Network Solutions
- Improving sales to hyperscale customers
- Some success in offsetting higher material costs

(1) Q1 2017 and Q4 2017 results reflect a reclassification of certain components of pension and other postretirement benefit expense from operating income to other income (expense), net as required by ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*.

(2) See appendix for reconciliation of non-GAAP adjusted measures.

# CommScope Mobility Solutions (CMS)



- Growth in India and EMEA offset by declines in other regions, most notably in the U.S.
- Sales related to FirstNet deployments ramped throughout the quarter – remain confident in FirstNet opportunities
- Ongoing progress with OneCell<sup>®</sup> - an innovative small cell solution

(1) Q1 2017 and Q4 2017 results reflect a reclassification of certain components of pension and other postretirement benefit expense from operating income to other income (expense), net as required by ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*.

(2) See appendix for reconciliation of non-GAAP adjusted measures.

# Cash Flow and Capital Allocation Priorities

## Cash Flow Highlights

(in millions)	Q1 2017	Q1 2018 <sup>1</sup>
<b>Cash flow from operations</b>	<b>\$ 103</b>	<b>\$ 35</b>
Capital expenditures	(13)	(14)
Cash paid for integration & transaction costs	13	-
<b>Adjusted free cash flow</b>	<b>\$ 103</b>	<b>\$ 22</b>
Cash taxes paid	\$ 17	\$ 22
Cash interest paid	\$ 17	\$ 32

1) \$60M in customer payments received in late 2017 before invoices due and \$20M in higher cash tax and interest payments YOY

Note: Components may not sum to total due to rounding.

## Priorities for Cash



Reinvest in the business



Debt reduction



Returns to shareholders

## Targeted Price Pressure on Certain Products





# Outlook<sup>(1)</sup>

## Q2 2018 Guidance

- Sales of \$1.21 billion - \$1.26 billion
- Operating income of \$151 million - \$166 million
- Non-GAAP adjusted operating income of \$230 million - \$250 million
- Non-GAAP adjusted effective tax rate of approximately 29% - 30%
- Earnings per diluted share of \$0.31 - \$0.34, based on 196 million weighted average diluted shares
- Non-GAAP adjusted earnings per diluted share of \$0.63 - \$0.68

- FirstNet ramp
- Margin pressure due to price reductions on certain products and higher input costs

## Full Year 2018 Guidance

- Sales of \$4.675 billion - \$4.825 billion
- Operating income of \$545 million - \$590 million
- Non-GAAP adjusted operating income of \$870 million - \$920 million
- Non-GAAP adjusted effective tax rate of approximately 29% - 30%
- Earnings per diluted share of \$1.20 - \$1.32, based on 196 million weighted average diluted shares
- Non-GAAP adjusted earnings per diluted share of \$2.33 - \$2.48
- Cash flow from operations > \$550 million

- Expect mid-single digit top-line growth
  - North American wireless and fiber deployments
- Near-term margin pressure

Expect mid-single digit revenue growth and double-digit earnings growth at midpoint of FY guidance

# Path to 5G

Massive MIMO  
integrated antenna

5TONIC deployed  
OneCell®

SAS interoperability  
testing for CBRS

Open interface,  
integrated antenna  
solution for fixed  
wireless market

CommScope and Nokia  
teamed up to reduce  
active DAS complexity



# Appendix

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## **Non-GAAP Financial Measures**

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# Statements of Operations

(Unaudited -- In thousands,  
except per share amounts)

	Three Months Ended	
	March 31,	
	2018	2017
Net sales	\$ 1,120,517	\$ 1,137,285
Operating costs and expenses:		
Cost of sales	709,117	683,478
Selling, general and administrative	185,131	211,821
Research and development	49,864	48,988
Amortization of purchased intangible assets	67,229	67,638
Restructuring costs, net	5,450	5,388
Total operating costs and expenses	<u>1,016,791</u>	<u>1,017,313</u>
Operating income	103,726	119,972
Other income (expense), net	983	(15,357)
Interest expense	(59,807)	(69,554)
Interest income	1,434	874
Income before income taxes	46,336	35,935
Income tax expense	(12,601)	(2,373)
Net income	<u>\$ 33,735</u>	<u>\$ 33,562</u>
Earnings per share:		
Basic	\$ 0.18	\$ 0.17
Diluted (a)	\$ 0.17	\$ 0.17
Weighted average shares outstanding:		
Basic	191,366	194,068
Diluted (a)	195,459	199,140
(a) Calculation of diluted earnings per share:		
Net income (basic and diluted)	\$ 33,735	\$ 33,562
Weighted average shares (basic)	191,366	194,068
Dilutive effect of equity-based awards	4,093	5,072
Denominator (diluted)	<u>195,459</u>	<u>199,140</u>

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

# Balance Sheets

(Unaudited -- In thousands,  
except per share amounts)

	March 31, 2018	December 31, 2017
<b>Assets</b>		
Cash and cash equivalents	\$ 472,733	\$ 453,977
Accounts receivable, less allowance for doubtful accounts of \$15,107 and \$13,976, respectively	984,847	898,829
Inventories, net	470,946	444,941
Prepaid expenses and other current assets	153,681	146,112
Total current assets	2,082,207	1,943,859
Property, plant and equipment, net of accumulated depreciation of \$407,331 and \$390,389, respectively	464,306	467,289
Goodwill	2,900,958	2,886,630
Other intangible assets, net	1,578,003	1,636,084
Other noncurrent assets	124,993	107,804
Total assets	\$ 7,150,467	\$ 7,041,666
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$ 460,498	\$ 436,737
Other accrued liabilities	301,380	286,980
Total current liabilities	761,878	723,717
Long-term debt	4,371,821	4,369,401
Deferred income taxes	128,965	134,241
Pension and other postretirement benefit liabilities	25,212	25,140
Other noncurrent liabilities	131,234	141,341
Total liabilities	5,419,110	5,393,840
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: None	—	—
Common stock, \$.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 192,077,678 and 190,906,110, respectively	1,988	1,972
Additional paid-in capital	2,348,498	2,334,071
Retained earnings (accumulated deficit)	(356,259)	(395,998)
Accumulated other comprehensive loss	(41,848)	(86,603)
Treasury stock, at cost: 6,733,285 shares and 6,336,144 shares, respectively	(221,022)	(205,616)
Total stockholders' equity	1,731,357	1,647,826
Total liabilities and stockholders' equity	\$ 7,150,467	\$ 7,041,666

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

# Statements of Cash Flows

(Unaudited -- In thousands)

	Three Months Ended March 31,	
	2018	2017
<b>Operating Activities:</b>		
Net income	\$ 33,735	\$ 33,562
Adjustments to reconcile net income to net cash generated by operating activities:		
Depreciation and amortization	89,405	100,401
Equity-based compensation	10,547	9,412
Deferred income taxes	(5,444)	(16,444)
Changes in assets and liabilities:		
Accounts receivable	(71,108)	19,683
Inventories	(25,207)	(19,132)
Prepaid expenses and other assets	(24,502)	(12,314)
Accounts payable and other liabilities	15,412	(28,032)
Other	12,422	15,653
Net cash generated by operating activities	35,260	102,789
<b>Investing Activities:</b>		
Additions to property, plant and equipment	(13,576)	(12,910)
Proceeds from sale of property, plant and equipment	2,984	355
Other	—	639
Net cash used in investing activities	(10,592)	(11,916)
<b>Financing Activities:</b>		
Long-term debt repaid	—	(750,000)
Long-term debt proceeds	—	750,000
Debt issuance and modification costs	—	(6,115)
Debt extinguishment costs	—	(14,800)
Cash paid for repurchase of common stock	—	(58,770)
Proceeds from the issuance of common shares under equity-based compensation plans	3,929	5,805
Tax withholding payments for vested equity-based compensation awards	(15,406)	(14,758)
Net cash used in financing activities	(11,477)	(88,638)
Effect of exchange rate changes on cash and cash equivalents	5,565	7,174
Change in cash and cash equivalents	18,756	9,409
Cash and cash equivalents at beginning of period	453,977	428,228
Cash and cash equivalents at end of period	<u>\$ 472,733</u>	<u>\$ 437,637</u>

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

# Sales by Region

(Unaudited -- In millions)

## Sales by Region

	<u>Q1 2018</u>	<u>Q1 2017</u>	<u>% Change</u> <u>YOY</u>
United States	\$ 607.5	\$ 648.3	(6.3) %
Europe, Middle East and Africa	249.7	231.8	7.7
Asia Pacific	188.6	181.9	3.7
Central and Latin America	56.1	58.8	(4.6)
Canada	18.6	16.5	12.7
<b>Total Net Sales</b>	<u>\$ 1,120.5</u>	<u>\$ 1,137.3</u>	(1.5) %

# Segment Information

(Unaudited -- In millions)

## Sales by Segment

	Q1 2018	Q4 2017	Q1 2017	% Change	
				Sequential	YOY
Connectivity Solutions	\$ 673.6	\$ 693.8	\$ 681.6	(2.9) %	(1.2) %
Mobility Solutions	446.9	426.6	455.7	4.8 %	(1.9) %
<b>Total Net Sales</b>	<b>\$ 1,120.5</b>	<b>\$ 1,120.4</b>	<b>\$ 1,137.3</b>	<b>0.0 %</b>	<b>(1.5) %</b>

## Non-GAAP Adjusted Operating Income by Segment

	Q1 2018	Q4 2017	Q1 2017	% Change	
				Sequential	YOY
Connectivity Solutions	\$ 108.7	\$ 124.7	\$ 114.5	(12.8) %	(5.1) %
Mobility Solutions	79.9	73.0	101.4	9.5 %	(21.2) %
<b>Total Non-GAAP Adjusted Operating Income</b>	<b>\$ 188.6</b>	<b>\$ 197.7</b>	<b>\$ 215.9</b>	<b>(4.6) %</b>	<b>(12.6) %</b>

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



# Adjusted Operating Income and Adjusted EBITDA Reconciliation by Quarter

(Unaudited -- In millions)

## GAAP to Non-GAAP Adjusted Operating Income and Adjusted EBITDA Reconciliation

	<u>Q1 2018</u>	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>
<b>Operating income, as reported</b>	<b>\$ 103.7</b>	<b>\$ 90.3</b>	<b>\$ 125.4</b>	<b>\$ 136.4</b>	<b>\$ 120.0</b>
Amortization of purchased intangible assets	67.2	68.1	68.3	67.0	67.6
Restructuring costs, net	5.5	19.3	5.4	13.8	5.4
Equity-based compensation	10.5	10.3	11.0	11.2	9.4
Integration and transaction costs	1.7	9.8	12.0	12.6	13.5
<b>Non-GAAP adjusted operating income</b>	<b>\$ 188.6</b>	<b>\$ 197.7</b>	<b>\$ 222.1</b>	<b>\$ 241.0</b>	<b>\$ 215.9</b>
<b>Non-GAAP adjusted operating margin %</b>	<b>16.8%</b>	<b>17.6%</b>	<b>19.7%</b>	<b>20.5%</b>	<b>19.0%</b>
Depreciation	19.6	20.8	20.6	20.2	20.0
<b>Non-GAAP adjusted EBITDA</b>	<b>\$ 208.1</b>	<b>\$ 218.5</b>	<b>\$ 242.7</b>	<b>\$ 261.3</b>	<b>\$ 235.9</b>

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See Description of Non-GAAP Financial Measures

# Quarterly Adjusted Operating Income Reconciliation by Segment

(Unaudited -- In millions)

## First Quarter 2018 Non-GAAP Adjusted Operating Income Reconciliation by Segment

	<u>Connectivity Solutions</u>	<u>Mobility Solutions</u>	<u>Total</u>
<b>Operating income, as reported</b>	<b>\$ 53.2</b>	<b>\$ 50.5</b>	<b>\$ 103.7</b>
Amortization of purchased intangible assets	45.5	21.8	67.2
Restructuring costs, net	2.4	3.1	5.5
Equity-based compensation	6.4	4.1	10.5
Integration and transaction costs	1.2	0.4	1.7
<b>Non-GAAP adjusted operating income</b>	<b>\$ 108.7</b>	<b>\$ 79.9</b>	<b>\$ 188.6</b>
<b>Non-GAAP adjusted operating margin %</b>	<b>16.1%</b>	<b>17.9%</b>	<b>16.8%</b>

## Fourth Quarter 2017 Non-GAAP Adjusted Operating Income Reconciliation by Segment

	<u>Connectivity Solutions</u>	<u>Mobility Solutions</u>	<u>Total</u>
<b>Operating income, as reported</b>	<b>47.5</b>	<b>\$ 42.8</b>	<b>\$ 90.3</b>
Amortization of purchased intangible assets	44.8	23.3	68.1
Restructuring costs, net	16.6	2.6	19.3
Equity-based compensation	6.0	4.3	10.3
Integration and transaction costs	9.8	—	9.8
<b>Non-GAAP adjusted operating income</b>	<b>\$ 124.7</b>	<b>\$ 73.0</b>	<b>\$ 197.7</b>
<b>Non-GAAP adjusted operating margin %</b>	<b>18.0%</b>	<b>17.1%</b>	<b>17.6%</b>

## First Quarter 2017 Non-GAAP Adjusted Operating Income Reconciliation by Segment

	<u>Connectivity Solutions</u>	<u>Mobility Solutions</u>	<u>Total</u>
<b>Operating income, as reported</b>	<b>\$ 47.1</b>	<b>\$ 72.9</b>	<b>\$ 120.0</b>
Amortization of purchased intangible assets	43.6	24.1	67.6
Restructuring costs, net	4.8	0.6	5.4
Equity-based compensation	5.5	3.9	9.4
Integration and transaction costs	13.7	(0.2)	13.5
<b>Non-GAAP adjusted operating income</b>	<b>\$ 114.5</b>	<b>\$ 101.4</b>	<b>\$ 215.9</b>
<b>Non-GAAP adjusted operating margin %</b>	<b>16.8%</b>	<b>22.3%</b>	<b>19.0%</b>

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

# Adjusted Net Income Reconciliation

(Unaudited – In millions)

	Three Months Ended March 31,	
	2018	2017
<b>Operating income, as reported</b>	<b>\$ 103.7</b>	<b>\$ 120.0</b>
Adjustments:		
Amortization of purchased intangible assets	67.2	67.6
Restructuring costs, net	5.5	5.4
Equity-based compensation	10.5	9.4
Integration and transaction costs	1.7	13.5
Total adjustments to operating income	84.9	95.9
<b>Non-GAAP adjusted operating income</b>	<b>\$ 188.6</b>	<b>\$ 215.9</b>
Income before income taxes, as reported	\$ 46.3	\$ 35.9
Income tax expense, as reported	(12.6)	(2.4)
<b>Net income, as reported</b>	<b>\$ 33.7</b>	<b>\$ 33.6</b>
Adjustments:		
Total pretax adjustments to operating income	84.9	95.9
Pretax amortization of deferred financing costs & OID <sup>(1)</sup>	2.6	12.7
Pretax loss on debt transactions <sup>(2)</sup>	—	14.8
Pretax net investment gains <sup>(2)</sup>	—	(0.6)
Tax effects of adjustments and other tax items <sup>(3)</sup>	(26.1)	(53.2)
<b>Non-GAAP adjusted net income</b>	<b>\$ 95.1</b>	<b>\$ 103.2</b>
<b>Diluted EPS, as reported</b>	<b>\$ 0.17</b>	<b>\$ 0.17</b>
<b>Non-GAAP adjusted diluted EPS</b>	<b>\$ 0.49</b>	<b>\$ 0.52</b>

(1) Included in interest expense.

(2) Included in other income (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.

Note: Components may not sum to total due to rounding

See Description of Non-GAAP Financial Measures

# Outlook GAAP to Non-GAAP Reconciliation

(Unaudited -- In millions)

	Outlook	
	Three Months Ended June 30, 2018	Full Year 2018
<b>Operating income</b>	<b>\$151 - \$166</b>	<b>\$545 - \$590</b>
Adjustments:		
Amortization of purchased intangible assets	\$66	\$265
Equity-based compensation	\$13	\$50
Restructuring costs, integration costs and other <sup>(1)</sup>	\$0 - \$5	\$10 - \$15
Total adjustments to operating income	\$79 - \$84	\$325 - \$330
<b>Non-GAAP adjusted operating income</b>	<b>\$230 - \$250</b>	<b>\$870 - \$920</b>
<b>Diluted earnings per share</b>	<b>\$0.31 - \$0.34</b>	<b>\$1.20 - \$1.32</b>
Adjustments <sup>(2)</sup> :		
Total adjustments to operating income	\$0.31 - \$0.33	\$1.23 - \$1.28
Debt-related costs and other special items <sup>(3)</sup>	\$0.01	\$(0.10) - \$(0.12)
<b>Non-GAAP adjusted diluted earnings per share</b>	<b>\$0.63 - \$0.68</b>	<b>\$2.33 - \$2.48</b>

(1) Reflects projections for restructuring costs, 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, loss on debt extinguishment, gains on defined benefit plan terminations and tax items. Actual adjustments may vary from projections.

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.