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CommScope Reports Second Quarter 2022 Results

August 4, 2022

- **Net sales increased 5% year-over-year for consolidated company**
- **Core CommScope net sales increased 9% year-over-year***
- **Momentum continues to build in Connectivity and Cable Solutions as net sales increased 26% year-over-year and 18% quarter-over-quarter**

Second Quarter Highlights

- Net sales of \$2.300 billion
- Core net sales of \$1.876 billion*
- GAAP net loss of \$61.0 million
- Non-GAAP adjusted EBITDA of \$299.6 million
- Core adjusted EBITDA of \$286.8 million*
- Cash flow used in operations of \$(94.6) million and non-GAAP adjusted free cash flow of \$(90.6) million

* References to certain supplementary "Core" financial measures reflect the results of the Connectivity and Cable Solutions; Outdoor Wireless Networks; Networking, Intelligent Cellular and Security Solutions; and Access Network Solutions segments, in the aggregate. Core financial measures exclude the results and performance of the Home Networks segment. See the second quarter segment comparison tables below showing the aggregation of the Core financial measures.

HICKORY, N.C.--(BUSINESS WIRE)--Aug. 4, 2022-- CommScope Holding Company, Inc. (NASDAQ: COMM), a global leader in network connectivity solutions, today reported results for the quarter ended June 30, 2022.

Summary of Consolidated Results

	Q2	Q1	Q2	% Change	% Change
	2022	2022	2021	Sequential	YOY
(in millions, except per share amounts)					
Net sales	\$ 2,300.2	\$ 2,228.6	\$ 2,185.3	3.2 %	5.3 %
Core net sales ⁽¹⁾	1,876.3	1,732.9	1,728.8	8.3	8.5
GAAP net loss	(61.0)	(139.9)	(153.8)	(56.4)	(60.3)
GAAP net loss per share	(0.36)	(0.75)	(0.82)	(52.0)	(56.1)
Non-GAAP adjusted EBITDA ⁽²⁾	299.6	253.3	307.7	18.3	(2.6)
Core adjusted EBITDA ⁽¹⁾	286.8	230.0	293.1	24.7	(2.1)
Non-GAAP adjusted net income per diluted share ⁽²⁾	0.41	0.26	0.43	57.7	(4.7)

(1) "Core" financial measures reflect the results of the Connectivity and Cable Solutions; Outdoor Wireless Networks; Networking, Intelligent Cellular and Security Solutions; and Access Network Solutions segments, in the aggregate. Core financial measures exclude the results of the Home Networks segment. See the second quarter segment comparison tables below showing the aggregation of the Core financial measures.

(2) See description of Non-GAAP Financial Measures and Reconciliation of GAAP Measures to Non-GAAP Adjusted Measures below.

"I am pleased to share that we delivered Core net sales of \$1.88 billion and Core adjusted EBITDA of \$287 million for the second quarter of 2022. As discussed over the last several quarters, we have taken actions to continue to grow our business and offset inflationary impacts. Our second quarter results are a step in that direction, as we have sequentially improved our top-line and profitability, a trend that we expect to continue. Despite supply chain and other macroeconomic challenges, with our robust backlog and solid demand in our key end markets, we believe we are positioned to deliver a stronger second half," said Chuck Treadway, President and Chief Executive Officer.

Treadway added, "We continue to make great progress on our CommScope NEXT initiatives. We are ramping capacity to fuel top-line growth, while our general manager model and re-segmenting are helping drive greater focus, accountability and operational efficiencies in our business. In addition, as part of our transformation, we are investing heavily in R&D and new product introductions for the future growth of the Company – with exciting new technology advancements and strategic partnerships such as our DOCSIS[®] 4.0 RMD Node Platform selection with Liberty Global and Microsoft for our wireless networking products, and developments in our ONECELL[®], NOVUX[®], PROPEL[™], XGS-PON and MOSAIC[™] product lines. As our CommScope NEXT initiatives begin to drive results and pricing improvements work through our backlog, we expect to see improved adjusted EBITDA and cash flow."

"With the continued progress we are making through CommScope NEXT, we are re-affirming our commitment to full year 2022 Core adjusted EBITDA between \$1.15 - \$1.25 billion, as well as our year-end net leverage target of 6.8x – 7.2x," said Kyle Lorentzen, Chief Financial Officer. "As we drive our refocused investments in technology innovation, capacity expansion and operational efficiency throughout our portfolio, we believe CommScope is well positioned to deliver on our targets and create significant incremental shareholder value."

CommScope NEXT

In 2021, CommScope announced a transformation initiative called CommScope NEXT designed to drive shareholder value through three pillars: profitable growth, operational efficiency and portfolio optimization. As a step toward optimizing its portfolio through CommScope NEXT, as of January 1, 2022, the Company reorganized its internal management and reporting structure to align its portfolio of products and solutions more closely with the markets it serves and bring better performance clarity with its competitive peer set. As a result, the Company is reporting financial performance for the 2022 year based on the following operating segments: (i) Connectivity and Cable Solutions, (ii) Outdoor Wireless Networks, (iii) Networking, Intelligent Cellular and Security Solutions, (iv) Access Network Solutions and (v) Home Networks. All prior period amounts have been recast to reflect these operating segment changes.

Also as a step in the CommScope NEXT transformation plan, in 2021, the Company announced a plan to separate the Home Networks business via a spin-off transaction. Due to the impact of the uncertain supply chain environment on the Home Networks business, the Company delayed its separation plan, but it continues to analyze the financial results of its "Core" business separately from Home Networks. As such, in this comparison discussion, reference is made to certain supplementary Core financial measures, which reflect the results of the Connectivity and Cable Solutions; Outdoor Wireless Networks; Networking, Intelligent Cellular and Security Solutions; and Access Network Solutions segments, in the aggregate. Core financial measures exclude the results of the Home Networks segment.

Impacts of Supply Chain Constraints

The negative impacts of COVID-19 on CommScope's financial performance have receded as the Company is seeing a recovery in demand for its products over the past year, but this has created negative indirect consequences such as inflation, shortages in materials and components and increased logistic costs. Prices for certain commodities that it uses have experienced significant volatility as a result of changes in the levels of global demand, supply disruptions and other factors. As a result, the Company has seen a significant increase in costs that has negatively impacted its results of operations. CommScope is also experiencing limited supply of memory devices, capacitors and silicon chips, which has increased its costs and has impacted its ability to deliver on a timely basis due to extended lead times. The Company is trying to mitigate the increasing component and logistics costs by implementing higher prices on its products and services. CommScope is also mitigating certain shortages by purchasing components in advance and maintaining higher levels of inventory or finding alternate vendors for some components. The Company believes the global supply chain challenges and their adverse impact on its business and financial results will ease in the second half of 2022 but certain shortages are expected to continue for the remainder of 2022 and possibly into 2023.

Second Quarter Results and Comparison

Net sales in the second quarter of 2022 increased 5.3% year-over-year to \$2.30 billion. Core net sales increased 8.5% year-over-year primarily due to higher net sales in the Connectivity and Cable Solutions and Outdoor Wireless Networks segments.

Net loss of \$(61.0) million, or \$(0.36) per share, in the second quarter of 2022, decreased 60.3% compared to the prior year period's net loss of \$(153.8) million, or \$(0.82) per share. Non-GAAP adjusted net income for the second quarter of 2022 was \$100.5 million, or \$0.41 per share, versus \$105.7 million, or \$0.43 per share, in the second quarter of 2021.

Non-GAAP adjusted EBITDA decreased 2.6% to \$299.6 million in the second quarter of 2022 compared to the same period last year. Non-GAAP adjusted EBITDA as a percentage of net sales decreased to 13.0% in the second quarter of 2022 compared to 14.1% in the same prior year period. Core segment adjusted EBITDA decreased 2.1% to \$286.8 million in the second quarter of 2022 compared to the same prior year period. Core segment adjusted EBITDA as a percentage of net sales decreased to 15.3% in the second quarter of 2022 compared to 17.0% in the same prior year period.

Reconciliations of the reported GAAP results to non-GAAP adjusted results can be found at <https://ir.commscope.com/>.

Second Quarter Comparisons

Sales by Region

% Change % Change

	Q2 2022	Q1 2022	Q2 2021	Sequential YOY			
United States	\$ 1,424.3	\$ 1,347.1	\$ 1,254.2	5.7	%	13.6	%
Europe, Middle East and Africa	378.4	406.4	408.8	(6.9)	(7.4)
Asia Pacific	223.1	203.4	244.1	9.7		(8.6)
Caribbean and Latin America	150.4	162.3	190.3	(7.3)	(21.0)
Canada	124.0	109.4	87.9	13.3		41.1	
Total net sales	\$ 2,300.2	\$ 2,228.6	\$ 2,185.3	3.2	%	5.3	%

Segment Net Sales

				% Change	
	Q2 2022	Q1 2022	Q2 2021	Sequential	YOY
Connectivity and Cable Solutions	\$ 986.7	\$ 838.0	\$ 783.4	17.7	% 26.0 %
Outdoor Wireless Networks	390.9	390.1	360.1	0.2	8.6
Networking, Intelligent Cellular and Security Solutions	205.4	188.0	223.7	9.3	(8.2)
Access Network Solutions	293.3	316.8	361.6	(7.4)	(18.9)
Core net sales	1,876.3	1,732.9	1,728.8	8.3	8.5
Home Networks	423.9	495.7	456.5	(14.5)	(7.1)
Total net sales	\$ 2,300.2	\$ 2,228.6	\$ 2,185.3	3.2	% 5.3 %

Segment Operating Income (Loss)

				% Change	
	Q2 2022	Q1 2022	Q2 2021	Sequential	YOY
Connectivity and Cable Solutions	\$ 111.7	\$ 37.3	\$ 5.6	199.5	% 1,894.6 %
Outdoor Wireless Networks	43.5	52.9	63.4	(17.8)	(31.4)
Networking, Intelligent Cellular and Security Solutions	(43.7)	(43.0)	(21.7)	1.6	101.4
Access Network Solutions	(25.7)	(6.6)	(12.3)	289.4	108.9
Core operating income	85.8	40.6	35.0	111.3	145.1
Home Networks	(22.7)	(13.8)	(53.4)	64.5	(57.5)%
Total operating income	\$ 63.1	\$ 26.8	\$ (18.4)	135.4	% NM

NM - Not meaningful

Segment Adjusted EBITDA (See Description of Non-GAAP Financial Measures)

				% Change	% Change	
	Q2 2022	Q1 2022	Q2 2021	Sequential	YOY	
Connectivity and Cable Solutions	\$ 169.0	\$ 98.6	\$ 124.5	71.4	% 35.7	%
Outdoor Wireless Networks	75.3	71.0	79.6	6.1	(5.4)	
Networking, Intelligent Cellular and Security Solutions	(15.3)	(13.8)	4.5	10.9	(440.0)	
Access Network Solutions	57.8	74.2	84.5	(22.1)	(31.6)	
Core adjusted EBITDA	286.8	230.0	293.1	24.7	(2.1)	
Home Networks	12.8	23.3	14.6	(45.1)	(12.3)	
Total segment adjusted EBITDA	\$ 299.6	\$ 253.3	\$ 307.7	18.3	% (2.6)%	

Connectivity and Cable Solutions

- Net sales of \$986.7 million, increased 26.0% from the prior year period driven by growth in Network Cable and Connectivity.

Outdoor Wireless Networks

- Net sales of \$390.9 million, increased 8.6% from the prior year period primarily driven by growth in Integrated Solutions.

Networking, Intelligent Cellular and Security Solutions

- Net sales of \$205.4 million, decreased 8.2% from the prior year period driven by a decline in Ruckus Networks and Intelligent Cellular Networks.

Access Network Solutions

- Net sales of \$293.3 million, decreased 18.9% from the prior year period primarily driven by declines in CMTS and Access Technologies.

Home Networks

- Net sales of \$423.9 million, decreased 7.1% from the prior year period primarily driven by declines in Video Solutions, partially offset by growth in Broadband Home Solutions.

Cash Flow and Balance Sheet

- GAAP cash flow used in operations was \$(94.6) million.
- Non-GAAP adjusted free cash flow was \$(90.6) million after adjusting operating cash flow for \$27.7 million of additions to property, plant and equipment, \$18.7 million of cash paid for restructuring costs and \$13.0 million of cash paid for transaction, transformation and integration costs.
- Ended the quarter with \$229.3 million in cash and cash equivalents.
- As of June 30, 2022, the Company had \$50.0 million of outstanding borrowings under its asset-based revolving credit facility and had availability of \$671.1 million, after giving effect to borrowing base limitations and outstanding letters of credit. The Company ended the quarter with total liquidity of approximately \$900.4 million.

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Conference Call, Webcast and Investor Presentation

As previously announced, CommScope will host a conference call today at 8:30 a.m. ET in which management will discuss second quarter 2022 results. The conference call will also be webcast.

The live, listen-only audio of the call will be available through a link on the [Events and Presentations](#) page of CommScope's Investor Relations website.

A webcast replay will be archived on [CommScope's website](#) for a limited period of time following the conference call.

During the conference call, the Company may discuss and answer questions concerning business and financial developments and trends that have occurred after quarter-end, including questions relating to the planned separation of the Home Networks business. The Company's responses to questions, as well as other matters discussed during the conference call, may contain or constitute information that has not been disclosed previously.

About CommScope:

CommScope (NASDAQ: COMM) is pushing the boundaries of technology to create the world's most advanced wired and wireless networks. Our global team of employees, innovators and technologists empower customers to anticipate what's next and invent what's possible. Discover more at www.commscope.com.

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Non-GAAP Financial Measures

CommScope management believes that presenting certain non-GAAP financial measures enhances an investor's understanding of our financial performance. CommScope management further believes that these financial measures are useful in assessing CommScope's operating performance from period to period by excluding certain items that we believe are not representative of our core business. CommScope management also uses certain of these financial measures for business planning purposes and in measuring CommScope's performance relative to that of its competitors. CommScope management believes these financial measures are commonly used by investors to evaluate CommScope's performance and that of its competitors. However, CommScope's use of certain non-GAAP terms may vary from that of others in its industry. Non-GAAP financial measures should not be considered as alternatives to operating income (loss), net income (loss), cash flow from operations or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance, operating cash flows or liquidity. A reconciliation of each of the non-GAAP measures discussed herein to their most comparable GAAP measures is below.

Core Measures

CommScope believes that presenting Core financial measures enhances the investor's understanding of the financial performance of the Company's core businesses. Core financial measures are the aggregate of the Connectivity and Cable Solutions, Access Network Solutions, Networking, Intelligent Cellular and Security Solutions and Outdoor Wireless Networks segments. They do not include the results of the Home Networks segment. The Core segments and the Home Networks segment represent the business segments as currently managed and reported by CommScope. Future results and the composition of any business divested in the future may vary and differ materially from the presentation of the Core financial measures.

Forward Looking Statements

This press release 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 statements may discuss goals, intentions or expectations as to future plans, trends, events, results of operations or financial condition or otherwise, in each case, based on current beliefs and expectations of management, as well as assumptions made by, and information currently available to, management. These forward-looking statements are generally identified by their use of such terms and phrases as "intend," "goal," "estimate," "expect," "project," "projections," "plans," "potential," "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 forward-looking statements are subject to various risks and uncertainties, many of which are outside our control, including, without limitation, risks related to the successful execution of CommScope NEXT; changes in cost and availability of key raw materials, components and commodities and the potential effect on customer pricing and timing of delivery of products to customers; risks related to our ability to implement price increases on our products and services; risks associated with our dependence on a limited number of key suppliers for certain raw materials and components; potential difficulties in realigning global manufacturing capacity and capabilities among our global manufacturing facilities or those of our contract manufacturers that may affect our ability to meet customer demands for products; possible future restructuring actions; the risk that our manufacturing operations, including our contract manufacturers that we rely on, encounter capacity, production, quality, financial or other difficulties causing difficulty in meeting customer demands; substantial indebtedness and restrictive debt covenants; our ability to incur additional indebtedness; our ability to generate cash to service our indebtedness; the potential separation of the Home Networks business or any other potential separation, divestiture or discontinuance of a business or product line, including uncertainty regarding the timing of the separation, achieving the expected benefits and the potential disruption to the business; our ability to integrate and fully realize anticipated benefits from prior or future divestitures, acquisitions or equity investments; our dependence on customers' capital spending on data and communication systems, which could be negatively impacted by a regional or global economic downturn, among other factors; concentration of sales among a limited number of customers and channel partners; risks associated with our sales through channel partners; changes to the regulatory environment in which we and our customers operate; changes in technology; industry competition and the ability to retain customers through product innovation, introduction, and marketing; possible future impairment charges for fixed or intangible assets, including goodwill; our ability to attract and retain qualified key employees; labor unrest; product quality or performance issues, including those associated with our suppliers or contract manufacturers, and associated warranty claims; our ability to maintain effective management information technology systems and to successfully implement major systems initiatives; cyber-security incidents, including data security breaches, ransomware or computer viruses; the use of open standards; the long-term impact of climate change; significant international operations exposing us to economic risks like variability in foreign exchange rates and inflation as well as political and other risks, including the impact of wars, regional conflicts and terrorism; the potential impact of higher than normal inflation; our ability to comply with governmental anti-corruption laws and regulations and export and import controls and sanctions 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, including the risk and uncertainty related to tariffs or potential trade wars and potential changes to laws and policies, that may impact our products; cost of

protecting or defending intellectual property; costs and challenges of compliance with domestic and foreign environmental laws; the impact of litigation and similar regulatory proceedings that we are involved in or may become involved in, including the costs of such litigation; the scope, duration and impact of disease outbreaks and pandemics, such as COVID-19, on our business including employees, sites, operations, customers, supply chain logistics and the global economy; income tax rate variability and ability to recover amounts recorded as deferred tax assets; and other factors beyond our control. These and other factors are discussed in greater detail in our 2021 Annual Report and may be updated from time to time in our annual reports, quarterly reports, current reports and other filings we make with the Securities and Exchange Commission. Although the information contained in this press release represents our best judgment as of the date of this release 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 press release, except as otherwise may be required by law.

Source: CommScope

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