

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,	
	2020	2019	2020	2019
Net sales	\$ 2,102.8	\$ 2,566.7	\$ 4,136.0	\$ 3,666.3
Cost of sales	1,446.7	1,906.7	2,838.7	2,608.2
Gross profit	656.1	660.0	1,297.3	1,058.1
Operating expenses:				
Selling, general and administrative	290.9	480.9	602.0	666.3
Research and development	176.1	177.8	356.5	228.0
Amortization of purchased intangible assets	157.6	164.1	315.4	223.5
Restructuring costs, net	19.6	46.4	43.3	58.8
Asset impairments	206.7	—	206.7	—
Total operating expenses	850.9	869.2	1,523.9	1,176.6
Operating loss	(194.8)	(209.2)	(226.6)	(118.5)
Other income (expense), net	(0.8)	0.7	(13.3)	(5.0)
Interest expense	(141.4)	(165.3)	(290.5)	(262.8)
Interest income	0.8	2.3	2.9	14.1
Loss before income taxes	(336.2)	(371.5)	(527.5)	(372.2)
Income tax benefit	15.1	37.5	46.5	35.9
Net loss	(321.1)	(334.0)	(481.0)	(336.3)
Series A convertible preferred stock dividend	(13.9)	(13.1)	(27.7)	(13.1)
Deemed dividend on Series A convertible preferred stock	—	(3.0)	—	(3.0)
Net loss attributable to common stockholders	\$ (335.0)	\$ (350.1)	\$ (508.7)	\$ (352.4)
Loss per share:				
Basic	\$ (1.71)	\$ (1.81)	\$ (2.60)	\$ (1.82)
Diluted (a)	\$ (1.71)	\$ (1.81)	\$ (2.60)	\$ (1.82)
Weighted average shares outstanding:				
Basic	195.9	193.6	195.4	193.2
Diluted (a)	195.9	193.6	195.4	193.2
(a) Calculation of diluted loss per share:				
Net loss (basic and diluted)	\$ (335.0)	\$ (350.1)	\$ (508.7)	\$ (352.4)
Weighted average shares (basic)	195.9	193.6	195.4	193.2
Dilutive effect of equity-based awards	—	—	—	—
Denominator (diluted)	195.9	193.6	195.4	193.2

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 June 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 823.4	\$ 598.2
Accounts receivable, less allowance for doubtful accounts of \$43.4 and \$35.4, respectively	1,649.3	1,698.8
Inventories, net	1,038.4	975.9
Prepaid expenses and other current assets	236.7	238.9
Total current assets	3,747.8	3,511.8
Property, plant and equipment, net of accumulated depreciation of \$624.3 and \$553.8, respectively	681.4	723.8
Goodwill	5,231.2	5,471.7
Other intangible assets, net	3,944.6	4,263.6
Other noncurrent assets	533.2	460.7
Total assets	<u>\$ 14,138.2</u>	<u>\$ 14,431.6</u>
Liabilities and Stockholders' Equity		
Accounts payable	\$ 1,222.1	\$ 1,148.0
Accrued and other liabilities	887.3	862.0
Current portion of long-term debt	32.0	32.0
Total current liabilities	2,141.4	2,042.0
Long-term debt	9,946.8	9,800.4
Deferred income taxes	196.2	215.1
Other noncurrent liabilities	526.3	537.8
Total liabilities	12,810.7	12,595.3
Commitments and contingencies		
Series A convertible preferred stock, \$0.01 par value	1,027.7	1,000.0
Stockholders' equity:		
Preferred stock, \$0.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: 1,027,689 Series A convertible preferred stock	—	—
Common stock, \$0.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 195,997,230 and 194,563,530, respectively	2.0	2.0
Additional paid-in capital	2,474.3	2,445.1
Retained earnings (accumulated deficit)	(1,660.3)	(1,179.3)
Accumulated other comprehensive loss	(275.4)	(197.0)
Treasury stock, at cost: 8,021,551 shares and 7,411,382 shares, respectively	(240.8)	(234.5)
Total stockholders' equity	299.8	836.3
Total liabilities and stockholders' equity	<u>\$ 14,138.2</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		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating Activities:				
Net loss	\$ (321.1)	\$ (334.0)	\$ (481.0)	\$ (336.3)
Adjustments to reconcile net loss to net cash generated by (used in) operating activities:				
Depreciation and amortization	203.5	217.3	408.9	301.0
Equity-based compensation	32.5	23.1	56.0	30.7
Deferred income taxes	(31.1)	(104.8)	(69.4)	(105.4)
Asset impairments	206.7	—	206.7	—
Changes in assets and liabilities:				
Accounts receivable	(35.5)	(153.3)	33.5	(304.0)
Inventories	(124.1)	194.6	(73.5)	132.2
Prepaid expenses and other assets	(3.5)	48.6	11.7	24.2
Accounts payable and other liabilities	279.9	(137.1)	62.7	(1.0)
Other	1.8	(6.1)	10.7	(3.0)
Net cash generated by (used in) operating activities	209.1	(251.7)	166.3	(261.6)
Investing Activities:				
Additions to property, plant and equipment	(23.8)	(26.6)	(47.7)	(48.0)
Proceeds from sale of property, plant and equipment	—	0.1	0.1	0.8
Acquisition funds held in escrow	—	3,750.0	—	—
Cash paid for ARRIS acquisition, net of cash acquired	—	(5,038.9)	—	(5,049.9)
Cash paid for Cable Exchange acquisition	—	(11.0)	—	(11.0)
Other	—	6.7	—	6.6
Net cash used in investing activities	(23.8)	(1,319.7)	(47.6)	(5,101.5)
Financing Activities:				
Long-term debt repaid	(8.0)	(2,328.3)	(116.0)	(2,553.3)
Long-term debt proceeds	250.0	3,183.0	250.0	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	0.9	2.7
Tax withholding payments for vested equity-based compensation awards	(0.4)	(1.8)	(6.3)	(9.3)
Net cash generated by financing activities	241.6	1,742.5	128.6	5,252.0
Effect of exchange rate changes on cash and cash equivalents	2.2	0.5	(22.1)	0.9
Change in cash and cash equivalents	429.1	171.6	225.2	(110.2)
Cash and cash equivalents at beginning of period	394.3	176.4	598.2	458.2
Cash and cash equivalents at end of period	<u>\$ 823.4</u>	<u>\$ 348.0</u>	<u>\$ 823.4</u>	<u>\$ 348.0</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 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2020		2020		2019	
	2020	2019	2020	2019	2020	2019
Net loss, as reported	\$ (159.9)	\$ (321.1)	\$ (334.0)	\$ (481.0)	\$ (336.3)	
Income tax benefit, as reported	(31.4)	(15.1)	(37.5)	(46.5)	(35.9)	
Interest income, as reported	(2.1)	(0.8)	(2.3)	(2.9)	(14.1)	
Interest expense, as reported	149.1	141.4	165.3	290.5	262.8	
Other (income) expense, net, as reported	12.5	0.8	(0.7)	13.3	5.0	
Operating loss, as reported	\$ (31.8)	\$ (194.8)	\$ (209.2)	\$ (226.6)	\$ (118.5)	
Adjustments:						
Amortization of purchased intangible assets	157.8	157.6	164.1	315.4	223.5	
Restructuring costs, net	23.7	19.6	46.4	43.3	58.8	
Equity-based compensation	23.5	32.5	23.1	56.0	30.7	
Asset Impairments	—	206.7	—	206.7	—	
Transaction and integration costs	5.4	7.6	167.0	13.0	187.7	
Acquisition accounting adjustments	5.5	5.2	164.1	10.7	164.1	
Patent claims and litigation	5.3	7.5	—	12.8	—	
Depreciation	41.8	37.9	40.1	79.7	57.8	
Total adjustments to operating loss	263.0	474.5	604.8	737.6	722.6	
Non-GAAP adjusted EBITDA	\$ 231.2	\$ 279.8	\$ 395.6	\$ 511.0	\$ 604.1	
Net loss, as reported	\$ (159.9)	\$ (321.1)	\$ (334.0)	\$ (481.0)	\$ (336.3)	
Adjustments:						
Total pretax adjustments to adjusted EBITDA	221.2	436.7	564.7	657.9	664.8	
Pretax amortization of debt issuance costs & OID (1)	6.9	6.7	11.4	13.7	18.1	
Pretax acquisition related interest (1)	—	—	2.8	—	30.2	
Tax effects of adjustments and other tax items (2)	(41.0)	(45.3)	(92.1)	(86.6)	(131.1)	
Non-GAAP adjusted net income	\$ 27.2	\$ 76.9	\$ 152.8	\$ 104.0	\$ 245.7	
GAAP EPS, as reported (3)	\$ (0.89)	\$ (1.71)	\$ (1.81)	\$ (2.60)	\$ (1.82)	
Non-GAAP adjusted diluted EPS (4)	\$ 0.12	\$ 0.32	\$ 0.66	\$ 0.44	\$ 1.15	

(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) For the three and six months ended June 30, 2020 and 2019, GAAP EPS was calculated using net 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.

(4) 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

	<u>Q2 2020</u>	<u>Q1 2020</u>	<u>Q2 2019</u>	<u>% Change</u> <u>Sequential</u>	<u>%</u> <u>Change</u> <u>YOY</u>
United States	\$ 1,353.6	\$ 1,220.4	\$ 1,500.7	10.9 %	(9.8) %
Europe, Middle East and Africa	359.0	395.0	471.3	(9.1)	(23.8)
Asia Pacific	201.9	177.6	267.4	13.7	(24.5)
Caribbean and Latin America	124.0	158.4	225.4	(21.7)	(45.0)
Canada	64.3	81.8	101.9	(21.4)	(36.9)
Total net sales	<u>\$ 2,102.8</u>	<u>\$ 2,033.2</u>	<u>\$ 2,566.7</u>	3.4 %	(18.1) %

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

Sales by Segment (1)

	<u>Q2 2020</u>	<u>Q1 2020</u>	Combined Company (2) <u>Q2 2019</u>	<u>% Change</u>	<u>% Change</u>
				Sequential	YOY
Broadband	\$ 671.9	\$ 613.4	\$ 673.3	9.5 %	(0.2) %
Home	624.0	601.4	912.4	3.8 %	(31.6) %
Outdoor Wireless	328.4	348.9	458.1	(5.9) %	(28.3) %
Venue and Campus	478.5	469.5	551.5	1.9 %	(13.2) %
Total net sales	<u>\$ 2,102.8</u>	<u>\$ 2,033.2</u>	<u>\$ 2,595.3</u>	3.4 %	(19.0) %

Segment Adjusted EBITDA (1)

	<u>Q2 2020</u>	<u>Q1 2020</u>	Combined Company (2) <u>Q2 2019</u>	<u>% Change</u>	<u>% Change</u>
				Sequential	YOY
Broadband	\$ 130.2	\$ 92.7	\$ 108.0	40.5 %	20.6 %
Home	35.4	11.9	60.3	197.5 %	(41.3) %
Outdoor Wireless	76.0	88.9	136.3	(14.5) %	(44.2) %
Venue and Campus	38.2	37.7	76.0	1.3 %	(49.7) %
Total segment adjusted EBITDA	<u>\$ 279.8</u>	<u>\$ 231.2</u>	<u>\$ 380.5</u>	21.0 %	(26.5) %

(1) As of January 1, 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) Combined company results include the consolidated company results previously reported and the ARRIS business results for the three days prior to the acquisition date, April 4, 2019.

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)

Second Quarter 2020 Segment Adjusted EBITDA Reconciliation (1)

	Broadband	Home	Outdoor Wireless	Venue and Campus	Total
Operating income (loss), as reported	\$ 8.9	\$ (222.9)	\$ 51.4	\$ (32.2)	\$ (194.8)
Amortization of purchased intangible assets	76.8	26.0	11.4	43.4	157.5
Restructuring costs, net	8.9	4.9	3.9	1.9	19.6
Equity-based compensation	12.5	6.2	3.8	9.9	32.5
Asset impairments	—	206.7	—	—	206.7
Transaction and integration costs	2.7	1.4	1.4	2.1	7.6
Acquisition accounting adjustments	3.0	0.5	—	1.7	5.2
Patent claims and litigation	3.0	4.5	—	—	7.5
Depreciation	14.5	8.0	4.0	11.4	37.9
Segment adjusted EBITDA	\$ 130.2	\$ 35.4	\$ 76.0	\$ 38.2	\$ 279.8
Segment adjusted EBITDA % of sales	19.4%	5.7%	23.1%	8.0%	13.3%

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
Acquisition 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%

Second Quarter 2019 Segment Adjusted EBITDA Reconciliation (1)

	Broadband	Home	Outdoor Wireless	Venue and Campus	Combined Company (2) Total
Operating income (loss), as reported	\$ (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
Acquisition 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
Segment adjusted EBITDA % of sales	16.0%	6.6%	29.8%	13.8%	14.7%

(1) As of January 1, 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) Combined company results include the consolidated company results previously reported and the ARRIS business results for the three days prior to the acquisition date, April 4, 2019.

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>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
Cash flow from operations	\$ (251.7)	\$ 522.1	\$ 336.0	\$ (42.7)	\$ 209.1
Capital expenditures	(26.6)	(24.3)	(31.8)	(23.9)	(23.8)
Free cash flow	(278.3)	497.8	304.2	(66.6)	185.3
Transaction and integration costs	187.8	10.0	5.5	3.4	9.1
Restructuring	23.9	27.2	12.9	20.1	23.0
Adjusted Free Cash Flow	<u>\$ (66.6)</u>	<u>\$ 535.0</u>	<u>\$ 322.6</u>	<u>\$ (43.1)</u>	<u>\$ 217.4</u>

See Description of Non-GAAP Financial Measures

CommScope Holding Company, Inc.
Quarterly Adjusted Gross Profit and Adjusted Operating Expense
(Unaudited -- In millions)

GAAP to Non-GAAP Adjusted Gross Profit

	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
Gross profit, as reported	\$ 660.0	\$ 609.9	\$ 736.2	\$ 641.2	\$ 656.1
Equity-based compensation	3.1	3.7	5.8	3.8	5.2
Acquisition accounting adjustments	164.1	108.7	(8.6)	5.5	5.2
Patent claims and litigation	—	55.0	—	5.3	7.5
Adjusted gross profit	\$ 827.2	\$ 777.3	\$ 733.4	\$ 655.8	\$ 674.0
Adjusted gross profit as % of sales	32.2%	32.7%	31.9%	32.3%	32.1%

GAAP to Non-GAAP Adjusted Operating Expense

	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>	<u>Q1 2020</u>	<u>Q2 2020</u>
Selling, general and administrative, as reported	\$ 480.9	\$ 305.8	\$ 305.1	\$ 311.1	\$ 290.9
Research and development, as reported	177.8	171.5	179.1	180.4	176.1
Operating expenses	\$ 658.7	\$ 477.3	\$ 484.2	\$ 491.5	\$ 467.0
Equity-based compensation	20.0	24.3	26.2	19.7	27.3
Transaction and integration costs	167.0	2.2	5.3	5.4	7.6
Adjusted operating expense	\$ 471.7	\$ 450.8	\$ 452.7	\$ 466.4	\$ 432.1
Adjusted operating expense as % of sales	18.4%	18.9%	19.7%	22.9%	20.5%

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