



# Second Quarter 2018 Results

July 31, 2018

Eddie Edwards  
President and  
Chief Executive Officer

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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 integrate and 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, including the risk and uncertainty related to tariffs or a potential global trade war that may impact our products; 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.

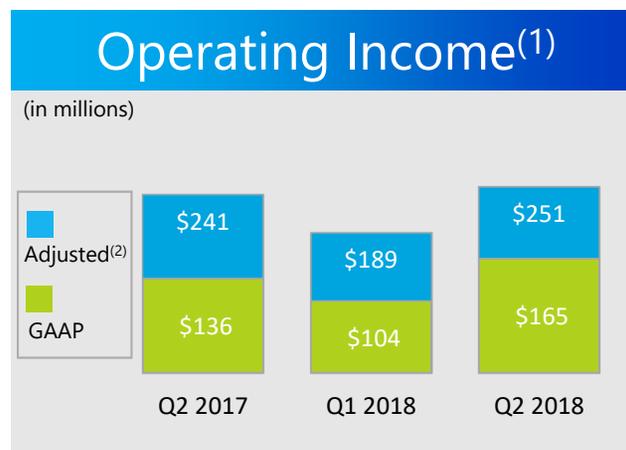
# Agenda

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- Second quarter 2018 results
- Year-over-year growth across segments
- Cash flow and liquidity
- Enhancing balance sheet flexibility / strategic debt repayment
- Third quarter and reaffirmed full year 2018 outlook

# Q2 2018 Results

*Upper end of guidance range*



### Sales & Orders:

- Sales of \$1.24 billion, up 6% YOY
  - Growth in North America, EMEA & Latin America
- Orders of \$1.20 billion
  - Book-to-bill ratio of 0.97

### Operating Results:

- Operating Income of \$165 million
- Non-GAAP Adjusted Operating Income<sup>(2)</sup> of \$251 million, or 20% of sales

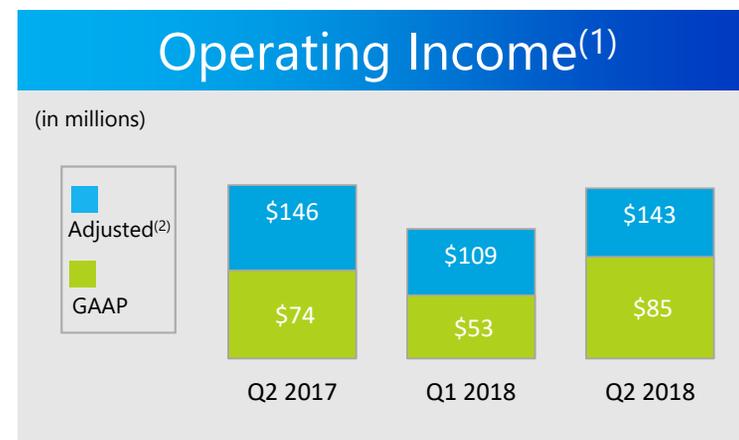
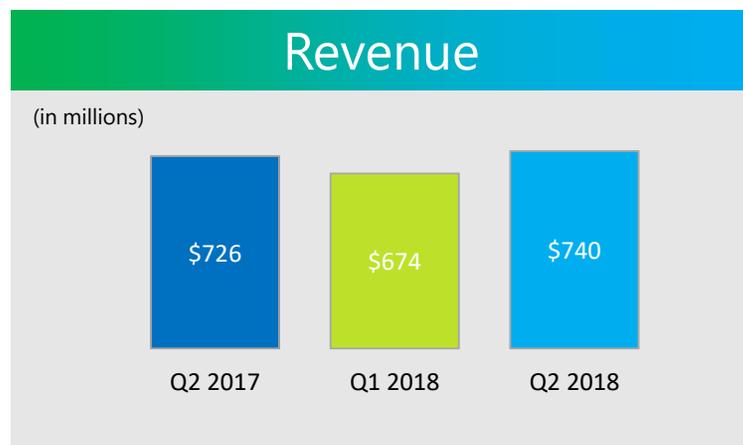
### Net Income & EPS:

- Net Income of \$66 million, or \$0.34 per diluted share
- Non-GAAP Adjusted Net Income<sup>(2)</sup> of \$133 million, or \$0.68 per diluted share
- Adjusted effective tax rate of 30.7%

(1) Q2 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)



- Mid-single-digit Outdoor Network Solutions growth driven by the North American market
- Modest Indoor Fiber growth offset by modest Indoor Copper decline
- Benefits from cost reduction initiatives and higher sales volumes offset by higher input costs, unfavorable pricing and foreign exchange rate changes

(1) Q2 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)



- Strong, double-digit growth in North America
- Growth in Latin America and EMEA more than offset by declines in APAC
- Higher North American sales volumes partially offset by unfavorable pricing and foreign exchange rate changes

(1) Q2 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 Liquidity

*Expect to achieve more than \$550m in cash from operations in 2018*

(in millions)	Q2 2017	Q2 2018	LTM Q2 2017	LTM Q2 2018
<b>Cash flow from operations</b>	<b>\$ 87</b>	<b>\$ 100</b>	<b>\$ 545</b>	<b>\$ 531</b>
Capital expenditures, net of capex related to BNS integration <sup>(1)</sup>	(18)	(17)	(63)	(69)
Cash paid for integration & transaction costs	17	-	64	21
<b>Adjusted free cash flow</b>	<b>\$ 86</b>	<b>\$ 83</b>	<b>\$ 546</b>	<b>\$ 483</b>
Cash taxes paid	\$ 60	\$ 42	\$ 188	\$ 87
Cash interest paid	\$ 89	\$ 88	\$ 228	\$ 232

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

(1) Capex related to BNS integration for LTM Q2 2017 was \$4 million

Liquidity of \$1.05 billion at June 30, 2018

Cash and Cash Equivalents: \$546 million

Availability under Revolver: \$506 million

## Solid progress on identifying growth opportunities

1. Identifying additional opportunities to expand addressable markets
2. Strategic debt paydown
  - Will repay \$400 million of term loan on July 31, 2018<sup>(1)</sup>
3. Focus on driving operational efficiency
4. Active M&A pipeline

**Gross Leverage Ratio<sup>(2)</sup>:**  
4.7x  
**Net Leverage Ratio<sup>(2)</sup>:**  
4.1x

Committed to driving solid growth in core and adjacent markets through innovation and accretive acquisitions

(1) Utilizing \$250 million of cash on hand and borrowing \$150 million on asset-based revolving credit facility

(2) Gross and net leverage ratios as of June 30, 2018

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

## Q3 2018 Guidance

- Sales of \$1.19 billion - \$1.24 billion
- Operating income of \$145 million - \$169 million
- Non-GAAP adjusted operating income of \$225 million - \$250 million
- Non-GAAP adjusted effective tax rate of approximately 29% - 30%
- Earnings per diluted share of \$0.41 - \$0.45, based on 195 million weighted average diluted shares
- Non-GAAP adjusted earnings per diluted share of \$0.63 - \$0.68

## Reaffirmed Full Year 2018 Guidance

- Sales of \$4.675 billion - \$4.825 billion
- Operating income of \$540 million - \$585 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 \$1.18 - \$1.30, 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 revenue growth and double-digit earnings growth at midpoint of FY guidance

(1) Assumes relatively stable business conditions and no material changes in trade policies. See appendix for reconciliation of non-GAAP adjusted measures.

# Appendix

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## **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.

# Statements of Operations

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net sales	\$ 1,239,856	\$ 1,174,090	\$ 2,360,373	\$ 2,311,375
Operating costs and expenses:				
Cost of sales	768,546	702,325	1,477,663	1,385,803
Selling, general and administrative	185,197	207,640	370,328	419,461
Research and development	47,765	46,982	97,629	95,970
Amortization of purchased intangible assets	66,442	66,981	133,671	134,619
Restructuring costs, net	7,218	13,773	12,668	19,161
Total operating costs and expenses	<u>1,075,168</u>	<u>1,037,701</u>	<u>2,091,959</u>	<u>2,055,014</u>
Operating income	164,688	136,389	268,414	256,361
Other income (expense), net	(3,094)	2,900	(2,111)	(12,457)
Interest expense	(60,726)	(61,417)	(120,533)	(130,971)
Interest income	2,057	1,730	3,491	2,604
Income before income taxes	102,925	79,602	149,261	115,537
Income tax expense	(37,003)	(24,138)	(49,604)	(26,511)
Net income	<u>\$ 65,922</u>	<u>\$ 55,464</u>	<u>\$ 99,657</u>	<u>\$ 89,026</u>
Earnings per share:				
Basic	\$ 0.34	\$ 0.29	\$ 0.52	\$ 0.46
Diluted (a)	\$ 0.34	\$ 0.28	\$ 0.51	\$ 0.45
Weighted average shares outstanding:				
Basic	192,162	193,092	191,767	193,555
Diluted (a)	195,186	197,218	195,346	198,173
(a) Calculation of diluted earnings per share:				
Net income (basic and diluted)	\$ 65,922	\$ 55,464	\$ 99,657	\$ 89,026
Weighted average shares (basic)	192,162	193,092	191,767	193,555
Dilutive effect of equity-based awards	3,024	4,126	3,579	4,618
Denominator (diluted)	<u>195,186</u>	<u>197,218</u>	<u>195,346</u>	<u>198,173</u>

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

# Balance Sheets

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 545,701	\$ 453,977
Accounts receivable, less allowance for doubtful accounts of \$19,123 and \$13,976, respectively	1,023,716	898,829
Inventories, net	479,468	444,941
Prepaid expenses and other current assets	123,371	146,112
Total current assets	<u>2,172,256</u>	<u>1,943,859</u>
Property, plant and equipment, net of accumulated depreciation of \$413,832 and \$390,389, respectively	446,954	467,289
Goodwill	2,866,319	2,886,630
Other intangible assets, net	1,491,007	1,636,084
Other noncurrent assets	129,344	107,804
Total assets	<u>\$ 7,105,880</u>	<u>\$ 7,041,666</u>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$ 487,521	\$ 436,737
Other accrued liabilities	297,755	286,980
Total current liabilities	785,276	723,717
Long-term debt	4,374,209	4,369,401
Deferred income taxes	108,529	134,241
Pension and other postretirement benefit liabilities	23,006	25,140
Other noncurrent liabilities	111,591	141,341
Total liabilities	5,402,611	5,393,840
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: None	—	—
Common stock, \$0.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 192,214,497 and 190,906,110, respectively	1,989	1,972
Additional paid-in capital	2,361,365	2,334,071
Retained earnings (accumulated deficit)	(290,337)	(395,998)
Accumulated other comprehensive loss	(148,632)	(86,603)
Treasury stock, at cost: 6,735,330 shares and 6,336,144 shares, respectively	(221,116)	(205,616)
Total stockholders' equity	<u>1,703,269</u>	<u>1,647,826</u>
Total liabilities and stockholders' equity	<u>\$ 7,105,880</u>	<u>\$ 7,041,666</u>

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

# Statements of Cash Flows

(Unaudited -- In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
<b>Operating Activities:</b>				
Net income	\$ 65,922	\$ 55,464	\$ 99,657	\$ 89,026
Adjustments to reconcile net income to net cash generated by operating activities:				
Depreciation and amortization	88,944	90,052	178,349	190,453
Equity-based compensation	11,849	11,186	22,396	20,598
Deferred income taxes	(19,166)	2,371	(24,610)	(14,073)
Changes in assets and liabilities:				
Accounts receivable	(65,915)	24,292	(137,023)	43,975
Inventories	(22,786)	(23,111)	(47,993)	(42,243)
Prepaid expenses and other assets	23,894	10,541	(608)	(1,773)
Accounts payable and other liabilities	25,469	(92,745)	40,881	(120,777)
Other	(8,408)	9,194	4,014	24,847
Net cash generated by operating activities	99,803	87,244	135,063	190,033
<b>Investing Activities:</b>				
Additions to property, plant and equipment	(17,268)	(17,667)	(30,844)	(30,577)
Proceeds from sale of property, plant and equipment	3,241	4,623	6,225	4,978
Proceeds upon settlement of net investment hedge	1,331	—	1,331	—
Other	—	6,139	—	6,778
Net cash used in investing activities	(12,696)	(6,905)	(23,288)	(18,821)
<b>Financing Activities:</b>				
Long-term debt repaid	—	(30,379)	—	(780,379)
Long-term debt proceeds	—	30,379	—	780,379
Debt issuance and modification costs	—	(2,248)	—	(8,363)
Debt extinguishment costs	—	—	—	(14,800)
Cash paid for repurchase of common stock	—	(41,230)	—	(100,000)
Proceeds from the issuance of common shares under equity-based compensation plans	986	2,701	4,915	8,506
Tax withholding payments for vested equity-based compensation awards	(94)	(100)	(15,500)	(14,858)
Net cash generated by (used in) financing activities	892	(40,877)	(10,585)	(129,515)
Effect of exchange rate changes on cash and cash equivalents	(15,031)	7,392	(9,466)	14,566
Change in cash and cash equivalents	72,968	46,854	91,724	56,263
Cash and cash equivalents at beginning of period	472,733	437,637	453,977	428,228
Cash and cash equivalents at end of period	\$ 545,701	\$ 484,491	\$ 545,701	\$ 484,491

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

# Sales by Region

(Unaudited -- In millions)

	<u>Q2 2018</u>	<u>Q2 2017</u>	<u>% Change</u> <u>YOY</u>
United States	\$ 714.6	\$ 643.9	11.0 %
Europe, Middle East and Africa	253.4	235.8	7.5
Asia Pacific	183.2	203.8	(10.1)
Caribbean and Latin America	61.6	56.1	9.8
Canada	27.1	34.5	(21.4)
<b>Total Net Sales</b>	<u>\$ 1,239.9</u>	<u>\$ 1,174.1</u>	5.6 %

# Segment Information

(Unaudited -- In millions)

## Sales by Segment

	Q2 2018	Q1 2018	Q2 2017	% Change	
				Sequential	YOY
Connectivity Solutions	\$ 740.5	\$ 673.6	\$ 725.7	9.9 %	2.0 %
Mobility Solutions	499.4	446.9	448.4	11.7 %	11.4 %
<b>Total Net Sales</b>	<b>\$ 1,239.9</b>	<b>\$ 1,120.5</b>	<b>\$ 1,174.1</b>	<b>10.7 %</b>	<b>5.6 %</b>

## Non-GAAP Adjusted Operating Income by Segment

	Q2 2018	Q1 2018	Q2 2017	% Change	
				Sequential	YOY
Connectivity Solutions	\$ 142.9	\$ 108.7	\$ 145.6	31.5 %	(1.9) %
Mobility Solutions	108.2	79.9	95.4	35.4 %	13.4 %
<b>Total Non-GAAP Adjusted Operating Income</b>	<b>\$ 251.1</b>	<b>\$ 188.6</b>	<b>\$ 241.0</b>	<b>33.1 %</b>	<b>4.2 %</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)

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
<b>Operating income, as reported</b>	<b>\$ 164.7</b>	<b>\$ 103.7</b>	<b>\$ 90.3</b>	<b>\$ 125.4</b>	<b>\$ 136.4</b>
Amortization of purchased intangible assets	66.4	67.2	68.1	68.3	67.0
Restructuring costs, net	7.2	5.5	19.3	5.4	13.8
Equity-based compensation	11.8	10.5	10.3	11.0	11.2
Integration and transaction costs	1.0	1.7	9.8	12.0	12.6
<b>Non-GAAP adjusted operating income</b>	<b>\$ 251.1</b>	<b>\$ 188.6</b>	<b>\$ 197.7</b>	<b>\$ 222.1</b>	<b>\$ 241.0</b>
<b>Non-GAAP adjusted operating margin %</b>	<b>20.3%</b>	<b>16.8%</b>	<b>17.6%</b>	<b>19.7%</b>	<b>20.5%</b>
Depreciation	19.9	19.6	20.8	20.6	20.2
<b>Non-GAAP adjusted EBITDA</b>	<b>\$ 271.1</b>	<b>\$ 208.1</b>	<b>\$ 218.5</b>	<b>\$ 242.7</b>	<b>\$ 261.3</b>

# Quarterly Adjusted Operating Income Reconciliation by Segment

(Unaudited -- In millions)

	Connectivity Solutions	Mobility Solutions	Total
<b>Operating income, as reported</b>	<b>\$ 85.4</b>	<b>\$ 79.3</b>	<b>\$ 164.7</b>
Amortization of purchased intangible assets	45.0	21.4	66.4
Restructuring costs, net	4.7	2.5	7.2
Equity-based compensation	7.2	4.6	11.8
Integration and transaction costs	0.7	0.3	1.0
<b>Non-GAAP adjusted operating income</b>	<b>\$ 142.9</b>	<b>\$ 108.2</b>	<b>\$ 251.1</b>
<b>Non-GAAP adjusted operating margin %</b>	<b>19.3%</b>	<b>21.7%</b>	<b>20.3%</b>

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

	Connectivity Solutions	Mobility Solutions	Total
<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>

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

	Connectivity Solutions	Mobility Solutions	Total
<b>Operating income, as reported</b>	<b>\$ 74.1</b>	<b>\$ 62.3</b>	<b>\$ 136.4</b>
Amortization of purchased intangible assets	42.9	24.1	67.0
Restructuring costs, net	9.6	4.2	13.8
Equity-based compensation	6.5	4.7	11.2
Integration and transaction costs	12.5	0.2	12.6
<b>Non-GAAP adjusted operating income</b>	<b>\$ 145.6</b>	<b>\$ 95.4</b>	<b>\$ 241.0</b>
<b>Non-GAAP adjusted operating margin %</b>	<b>20.1%</b>	<b>21.3%</b>	<b>20.5%</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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<b>Operating income, as reported</b>	<b>\$ 164.7</b>	<b>\$ 136.4</b>	<b>\$ 268.4</b>	<b>\$ 256.4</b>
Adjustments:				
Amortization of purchased intangible assets	66.4	67.0	133.7	134.6
Restructuring costs, net	7.2	13.8	12.7	19.2
Equity-based compensation	11.8	11.2	22.4	20.6
Integration and transaction costs	1.0	12.6	2.5	26.2
Total adjustments to operating income	86.4	104.6	171.3	200.6
<b>Non-GAAP adjusted operating income</b>	<b>\$ 251.1</b>	<b>\$ 241.0</b>	<b>\$ 439.7</b>	<b>\$ 457.0</b>
Income before income taxes, as reported	\$ 102.9	\$ 79.6	\$ 149.3	\$ 115.5
Income tax expense, as reported	(37.0)	(24.1)	(49.6)	(26.5)
<b>Net income, as reported</b>	<b>\$ 65.9</b>	<b>\$ 55.5</b>	<b>\$ 99.7</b>	<b>\$ 89.0</b>
Adjustments:				
Total pretax adjustments to operating income	86.4	104.6	171.3	200.6
Pretax amortization of deferred financing costs & OID <sup>(1)</sup>	2.6	2.8	5.2	15.6
Pretax loss on debt transactions <sup>(2)</sup>	—	1.1	—	16.0
Pretax net investment gains <sup>(2)</sup>	—	(6.0)	—	(6.6)
Tax effects of adjustments and other tax items <sup>(3)</sup>	(21.8)	(39.4)	(48.0)	(92.8)
<b>Non-GAAP adjusted net income</b>	<b>\$ 133.1</b>	<b>\$ 118.6</b>	<b>\$ 228.2</b>	<b>\$ 221.8</b>
<b>Diluted EPS, as reported</b>	<b>\$ 0.34</b>	<b>\$ 0.28</b>	<b>\$ 0.51</b>	<b>\$ 0.45</b>
<b>Non-GAAP adjusted diluted EPS</b>	<b>\$ 0.68</b>	<b>\$ 0.60</b>	<b>\$ 1.17</b>	<b>\$ 1.12</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)

	<b>Outlook</b>	
	<b>Three Months Ended</b>	<b>Full Year</b>
	<b>September 30,</b> <b>2018</b>	<b>2018</b>
<b>Operating income</b>	<b>\$145 - \$169</b>	<b>\$540 - \$585</b>
Adjustments:		
Amortization of purchased intangible assets	\$66	\$265
Equity-based compensation	\$12	\$50
Restructuring costs, integration costs and other <sup>(1)</sup>	\$2 - \$3	\$15 - \$20
Total adjustments to operating income	\$80 - \$81	\$330 - \$335
<b>Non-GAAP adjusted operating income</b>	<b>\$225 - \$250</b>	<b>\$870 - \$920</b>
<b>Diluted earnings per share</b>	<b>\$0.41 - \$0.45</b>	<b>\$1.18 - \$1.30</b>
Adjustments <sup>(2)</sup> :		
Total adjustments to operating income	\$0.31 - \$0.33	\$1.25 - \$1.30
Debt-related costs and other special items <sup>(3)</sup>	\$(0.09) - \$(0.10)	\$(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.