UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-36146

CommScope Holding Company, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**27-4332098**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1100 CommScope Place, SE
Hickory, North Carolina
(Address of principal executive offices)
28602
(Zip Code)
(828) 324-2200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	COMM	The NASDAQ Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 21, 2023, there were 209,789,841 shares of Common Stock outstanding.

CommScope Holding Company, Inc.
Form 10-Q
March 31, 2023
Table of Contents

Part I—Financial Information (Unaudited):	
Item 1. Condensed Consolidated Financial Statements:	
Condensed Consolidated Statements of Operations	2
Condensed Consolidated Statements of Comprehensive Income (Loss)	3
Condensed Consolidated Balance Sheets	4
Condensed Consolidated Statements of Cash Flows	5
Condensed Consolidated Statements of Stockholders’ Deficit	6
Notes to Unaudited Condensed Consolidated Financial Statements	7
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3. Quantitative and Qualitative Disclosures About Market Risk	35
Item 4. Controls and Procedures	36
Part II—Other Information:	
Item 1. Legal Proceedings	37
Item 1A. Risk Factors	37
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3. Defaults Upon Senior Securities	37
Item 4. Mine Safety Disclosures	37
Item 5. Other Information	37
Item 6. Exhibits	38
Signatures	39

PART 1 – FINANCIAL INFORMATION (UNAUDITED)
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net sales	$ 2,001.5	$ 2,228.6
Cost of sales	1,309.8	1,592.3
Gross profit	691.7	636.3
Operating expenses:		
Selling, general and administrative	263.5	286.0
Research and development	153.4	170.7
Amortization of purchased intangible assets	126.4	140.7
Restructuring costs (credits), net	(4.1)	12.1
Total operating expenses	539.2	609.5
Operating income	152.5	26.8
Other income, net	5.7	—
Interest expense	(165.1)	(136.5)
Interest income	2.5	0.7
Loss before income taxes	(4.4)	(109.0)
Income tax (expense) benefit	7.8	(30.9)
Net income (loss)	3.4	(139.9)
Series A convertible preferred stock dividends	(15.1)	(14.5)
Net loss attributable to common stockholders	$ (11.7)	$ (154.4)
Loss per share:		
Basic	$ (0.06)	$ (0.75)
Diluted	$ (0.06)	$ (0.75)
Weighted average shares outstanding:		
Basic	208.9	205.4
Diluted	208.9	205.4

See notes to unaudited condensed consolidated financial statements.

CommScope Holding Company, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited – In millions)

	Three Months Ended March 31,	
	2023	**2022**
Comprehensive income (loss):		
Net income (loss)	$ 3.4	$ (139.9)
Other comprehensive income (loss), net of tax:		
Foreign currency translation gain (loss)	20.4	(16.7)
Pension and other postretirement benefit activity	(0.1)	(1.3)
Gain (loss) on hedging instruments	(1.5)	8.8
Total other comprehensive income (loss), net of tax	18.8	(9.2)
Total comprehensive income (loss)	$ 22.2	$ (149.1)

See notes to unaudited condensed consolidated financial statements.

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

	Unaudited March 31, 2023	December 31, 2022
Assets		
Cash and cash equivalents	$ 327.3	$ 398.1
Accounts receivable, net of allowance for doubtful accounts of $81.2 and $82.8, respectively	1,352.5	1,523.6
Inventories, net	1,622.2	1,588.1
Prepaid expenses and other current assets	207.8	216.4
Total current assets	3,509.8	3,726.2
Property, plant and equipment, net of accumulated depreciation of $905.8 and $873.5, respectively	580.2	609.6
Goodwill	4,078.0	4,072.4
Other intangible assets, net	2,348.0	2,473.5
Other noncurrent assets	821.0	803.7
Total assets	$ 11,337.0	$ 11,685.4
Liabilities and Stockholders' Deficit		
Accounts payable	$ 905.4	$ 1,025.5
Accrued and other liabilities	864.9	1,050.0
Current portion of long-term debt	32.0	32.0
Total current liabilities	1,802.3	2,107.5
Long-term debt	9,410.5	9,469.6
Deferred income taxes	163.8	173.4
Other noncurrent liabilities	375.4	380.6
Total liabilities	11,752.0	12,131.1
Commitments and contingencies		
Series A convertible preferred stock, $0.01 par value	1,115.4	1,100.3
Stockholders' deficit:		
Preferred stock, $0.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: 1,115,439 and 1,100,310, respectively, Series A convertible preferred stock	—	—
Common stock, $0.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 209,777,988 and 208,371,426, respectively	2.2	2.2
Additional paid-in capital	2,541.3	2,542.9
Accumulated deficit	(3,498.8)	(3,502.2)
Accumulated other comprehensive loss	(277.5)	(296.3)
Treasury stock, at cost: 13,427,361 shares and 12,726,695 shares, respectively	(297.6)	(292.6)
Total stockholders' deficit	(1,530.4)	(1,546.0)
Total liabilities and stockholders' deficit	$ 11,337.0	$ 11,685.4

See notes to unaudited condensed consolidated financial statements.

CommScope Holding Company, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited – In millions)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Operating Activities:		
Net income (loss)	$ 3.4	$ (139.9)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	164.1	180.2
Equity-based compensation	13.5	16.5
Deferred income taxes	(30.0)	2.3
Changes in assets and liabilities:		
Accounts receivable	175.3	(60.5)
Inventories	(31.9)	(73.7)
Prepaid expenses and other assets	10.2	29.6
Accounts payable and other liabilities	(318.3)	23.5
Other	(32.4)	7.4
Net cash used in operating activities	(46.1)	(14.6)
Investing Activities:		
Additions to property, plant and equipment	(14.4)	(27.4)
Proceeds from sale of property, plant and equipment	41.0	—
Other	9.3	11.4
Net cash generated by (used in) investing activities	35.9	(16.0)
Financing Activities:		
Long-term debt repaid	(8.0)	(93.0)
Long-term debt repurchases	(50.0)	—
Long-term debt proceeds	—	85.0
Proceeds from the issuance of common shares under equity-based compensation plans	—	0.1
Tax withholding payments for vested equity-based compensation awards	(5.0)	(10.6)
Other	1.9	1.3
Net cash used in financing activities	(61.1)	(17.2)
Effect of exchange rate changes on cash and cash equivalents	0.5	2.2
Change in cash and cash equivalents	(70.8)	(45.6)
Cash and cash equivalents at beginning of period	398.1	360.3
Cash and cash equivalents at end of period	$ 327.3	$ 314.7

See notes to unaudited condensed consolidated financial statements.

CommScope Holding Company, Inc.
Condensed Consolidated Statements of Stockholders' Deficit
(Unaudited – In millions, except share amounts)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Number of common shares outstanding:		
Balance at beginning of period	208,371,426	204,567,294
Issuance of shares under equity-based compensation plans	2,107,228	3,716,067
Shares surrendered under equity-based compensation plans	(700,666)	(1,231,239)
Balance at end of period	209,777,988	207,052,122
Common stock:		
Balance at beginning and end of period	$ 2.2	$ 2.2
Additional paid-in capital:		
Balance at beginning of period	$ 2,542.9	$ 2,540.7
Issuance of shares under equity-based compensation plans	—	0.1
Equity-based compensation	13.5	16.5
Dividends on Series A convertible preferred stock	(15.1)	(14.5)
Balance at end of period	$ 2,541.3	$ 2,542.8
Accumulated deficit:		
Balance at beginning of period	$ (3,502.2)	$ (2,215.3)
Net income (loss)	3.4	(139.9)
Balance at end of period	$ (3,498.8)	$ (2,355.2)
Accumulated other comprehensive loss:		
Balance at beginning of period	$ (296.3)	$ (206.4)
Other comprehensive income (loss), net of tax	18.8	(9.2)
Balance at end of period	$ (277.5)	$ (215.6)
Treasury stock, at cost:		
Balance at beginning of period	$ (292.6)	$ (277.8)
Net shares surrendered under equity-based compensation plans	(5.0)	(10.6)
Balance at end of period	$ (297.6)	$ (288.4)
Total stockholders' deficit	$ (1,530.4)	$ (314.2)

See notes to unaudited condensed consolidated financial statements.

1. BACKGROUND AND BASIS OF PRESENTATION

Background

CommScope Holding Company, Inc., along with its direct and indirect subsidiaries (CommScope or the Company), is a global provider of infrastructure solutions for communication, data center and entertainment networks. The Company’s solutions for wired and wireless networks enable service providers, including cable, telephone and digital broadcast satellite operators and media programmers, to deliver media, voice, Internet Protocol (IP) data services and Wi-Fi to their subscribers and allow enterprises to experience constant wireless and wired connectivity across complex and varied networking environments. The Company’s solutions are complemented by services including technical support, systems design and integration. CommScope is a leader in digital video and IP television distribution systems, broadband access infrastructure platforms and equipment that delivers data and voice networks to homes. CommScope’s global leadership position is built upon innovative technology, broad solution offerings, high-quality and cost-effective customer solutions, and global manufacturing and distribution scale.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited and reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair presentation of the interim period financial statements. The results of operations for these interim periods are not necessarily indicative of the results of operations to be expected for any future period or the full fiscal year.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States (U.S.) for interim financial information and are presented in accordance with the applicable requirements of Regulation S-X. Accordingly, these financial statements do not include all of the information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 (the 2022 Annual Report). The significant accounting policies followed by the Company are set forth in Note 2 within the Company’s audited consolidated financial statements included in the 2022 Annual Report. There were no material changes in the Company’s significant accounting policies during the three months ended March 31, 2023.

Concentrations of Risk and Related Party Transactions

Net sales to Comcast Corporation and affiliates (Comcast) accounted for 11% of the Company's total net sales during the three months ended March 31, 2023. No direct customer accounted for 10% or more of the Company's total net sales during the three months ended March 31, 2022. As of March 31, 2023, no direct customer accounted for 10% or more of the Company’s accounts receivable.

The Company relies on sole suppliers or a limited group of suppliers for certain key components, subassemblies and modules and a limited group of contract manufacturers to manufacture a significant portion of its products. Any disruption or termination of these arrangements could have a material adverse impact on the Company’s results of operations.

As of March 31, 2023, funds affiliated with Carlyle Partners VII S1 Holdings, L.P. (Carlyle) owned 100% of the Series A convertible preferred stock (the Convertible Preferred Stock), which was sold to Carlyle to fund a portion of the acquisition of ARRIS International plc (ARRIS) in 2019. See Note 9 for further discussion of the Convertible Preferred Stock. Other than transactions related to the Convertible Preferred Stock, there were no material related party transactions for the three months ended March 31, 2023.

(In millions, unless otherwise noted)

Commitments and Contingencies

Product Warranties

The Company recognizes a liability for the estimated claims that may be paid under its customer assurance-type warranty agreements to remedy potential deficiencies of quality or performance of the Company’s products. These product warranties extend over various periods, depending on the product subject to the warranty and the terms of the individual agreements. The Company records a provision for estimated future warranty claims as cost of sales based upon the historical relationship of warranty claims to sales and specifically identified warranty issues. The Company bases its estimates on assumptions that are believed to be reasonable under the circumstances and revises its estimates, as appropriate, when events or changes in circumstances indicate that revisions may be necessary. Such revisions may be material.

The following table summarizes the activity in the product warranty accrual, included in accrued and other liabilities and other noncurrent liabilities on the Condensed Consolidated Balance Sheets:

	Three Months Ended March 31,	
	2023	2022
Product warranty accrual, beginning of period	$ 55.0	$ 66.8
Provision for warranty claims	6.5	5.1
Warranty claims paid	(8.5)	(6.0)
Foreign exchange	0.1	0.1
Product warranty accrual, end of period	$ 53.1	$ 66.0

Third-Party Guarantees

The Company was contingently liable under open standby letters of credit issued by its banks to support performance obligations of a third-party contractor that totaled $44.0 million as of March 31, 2023. These amounts represent an estimate of the maximum amounts the Company would expect to incur upon the contractual non-performance of the third-party contractor, but the Company also has cross-indemnities in place that may enable it to recover amounts in the event of non-performance by the third-party contractor. The Company believes the likelihood of having to perform under these guarantees is remote. There were no material amounts recorded in the condensed consolidated financial statements related to third-party guarantee agreements for the three months ended March 31, 2023 or 2022 and as of March 31, 2023 or December 31, 2022. As of March 31, 2023, these instruments reduced the available borrowings under the senior secured asset-based revolving credit facility (the Revolving Credit Facility).

Legal Proceedings

The Company is party to certain intellectual property claims and also periodically receives notices asserting that its products infringe on another party’s patents and other intellectual property rights. These claims and assertions, whether against the Company directly or against its customers, could require the Company to pay damages or royalties, stop offering the relevant products and/or cease other activities. The Company may also be called upon to defend and indemnify certain customers for costs related to products sold to such customers. The outcome of these claims and notices is uncertain and a reasonable estimate of the loss from unfavorable outcomes in certain of these matters either cannot be determined or is estimated at the minimum amount of a range of estimates. The actual loss, through settlement or trial, could be material and may vary significantly from the Company's estimates. From time to time, the Company may also be involved as a plaintiff in certain intellectual property claims. Gain contingencies, if any, are recognized when they are realized.

The Company had liabilities of $27.4 million and $37.1 million as of March 31, 2023 and December 31, 2022, respectively, recorded in accrued and other liabilities and noncurrent liabilities on the Condensed Consolidated Balance Sheets related to certain intellectual property assertions that have been settled or are in the process of settlement. For the three months ended March 31, 2023, the Company released $11.0 million in accrued liabilities related to an intellectual property claim that was settled at an amount that was lower than estimated. Charges related to intellectual property assertions were not material for the three months ended March 31, 2022. The Company did not make any payments to settle intellectual property claims and assertions during the three months ended March 31, 2023. The Company paid $7.1 million during the three months ended March 31, 2022 to settle intellectual property claims and assertions.

The Company is also either a plaintiff or a defendant in certain other pending legal matters in the normal course of business. Management believes that, upon final disposition, none of these other pending legal matters will have a material adverse effect on the Company’s business or financial condition.

In addition, the Company is subject to various federal, state, local and foreign laws and regulations governing the use, discharge, disposal and remediation of hazardous materials. Compliance with current laws and regulations has not had, and is not expected to have, a materially adverse effect on the Company’s financial condition or results of operations.

Asset Impairments

Goodwill is tested for impairment annually or at other times if events have occurred or circumstances exist that indicate the carrying value of the reporting unit may exceed its fair value. There were no goodwill impairments identified during the three months ended March 31, 2023 or 2022.

The Company’s Access Network Solutions (ANS) reporting unit failed the annual goodwill impairment test and a partial impairment was recorded as of October 1, 2022. Also, the amount by which the Company's Building and Data Center Connectivity (BDCC) reporting unit's fair value exceeded its carrying value was lower year over year. The BDCC reporting unit is in the Connectivity and Cable Solutions (CCS) reportable segment. Considering the headroom going forward for each of the ANS and BDCC reporting units, there is a risk for future impairment in the event of declines in general economic, market or business conditions or any significant unfavorable change in the forecasted cash flows, weighted average cost of capital or growth rates. If current and long-term projections for the ANS and BDCC reporting units are not realized or decrease materially, the Company may be required to recognize additional goodwill impairment charges, and these charges could be material to its results of operations.

Property, plant and equipment, intangible assets with finite lives and right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable, based on the undiscounted cash flows expected to be derived from the use and ultimate disposition of the assets. Assets identified as impaired are adjusted to estimated fair value. Equity investments without readily determinable fair values are evaluated each reporting period for impairment based on a qualitative assessment and are then measured at fair value if an impairment is determined to exist. Other than certain assets impaired as a result of restructuring actions, there were no definite-lived intangible or other long-lived asset impairments identified during the three months ended March 31, 2023 or 2022. Changes in the estimates of forecasted net cash flows or changes in classification from held for use may result in future asset impairments that could be material to the Company's results of operations.

Income Taxes

For the three months ended March 31, 2023, the Company recognized an income tax benefit of $7.8 million on a pretax loss of $4.4 million. The Company’s tax benefit was higher than the statutory rate of 21.0% due to a reduction in tax expense of $8.3 million related to the release of various uncertain tax positions. This benefit was partially offset by the unfavorable impacts of U.S. anti-deferral provisions and non-creditable withholding taxes.

For the three months ended March 31, 2022, the Company recognized income tax expense of $30.9 million on a pretax loss of $109.0 million. The Company’s tax expense was driven by the unfavorable impacts of U.S. anti-deferral provisions and non-creditable withholding taxes.

Earnings (Loss) Per Share

Basic earnings (loss) per share (EPS) is computed by dividing net income (loss), less any dividends and deemed dividends related to the Convertible Preferred Stock, by the weighted average number of common shares outstanding during the period. The numerator in diluted EPS is based on the basic EPS numerator, adjusted to add back any dividends and deemed dividends related to the Convertible Preferred Stock, subject to antidilution requirements. The denominator used in diluted EPS is based on the basic EPS computation plus the effect of potentially dilutive common shares related to the Convertible Preferred Stock and equity-based compensation plans, subject to antidilution requirements.

For the three months ended March 31, 2023 and 2022, 15.4 million and 11.5 million shares, respectively, of outstanding equity-based compensation awards were not included in the computation of diluted EPS because the effect was antidilutive or the performance conditions were not met. Of those amounts, for the three months ended March 31, 2023 and 2022, 3.2 million and 3.6 million shares, respectively, would have been considered dilutive if the Company had not been in a net loss attributable to common stockholders position.

For the three months ended March 31, 2023 and 2022, 40.0 million and 38.4 million, respectively, of as-if converted shares related to the Convertible Preferred Stock were excluded from the diluted share count because they were antidilutive; however, they may have been considered dilutive if the Company had not been in a net loss attributable to common stockholders position.

The following table presents the basis for the EPS computations (in millions, except per share data):

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Numerator:		
Net income (loss)	$ 3.4	$ (139.9)
Dividends on Series A convertible preferred stock	(15.1)	(14.5)
Net loss attributable to common stockholders	$ (11.7)	$ (154.4)
Denominator:		
Weighted average common shares outstanding – basic	208.9	205.4
Dilutive effect of as-if converted Series A convertible preferred stock	—	—
Dilutive effect of equity-based awards	—	—
Weighted average common shares outstanding – diluted	208.9	205.4
Loss per share:		
Basic	$ (0.06)	$ (0.75)
Diluted	$ (0.06)	$ (0.75)

Recent Accounting Pronouncements

Adopted During the Three Months Ended March 31, 2023

On January 1, 2023, the Company adopted Accounting Standards Update (ASU) No. 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*. The new guidance improves the transparency of supplier finance programs by requiring that a buyer in a supplier finance program disclose sufficient qualitative and quantitative information about the program to allow a user of its financial statements to understand the program's nature, activity during the period, changes from period to period and potential effect on an entity's financial statements. This guidance has been applied retrospectively to all periods in which a balance sheet is presented, except for the requirement to disclose rollforward information, which is effective prospectively for the Company as of January 1, 2024. The impact of adopting this new guidance was not material to the condensed consolidated financial statements.

Issued but Not Adopted

In March 2020, January 2021 and December 2022, the Financial Accounting Standards Board (FASB) issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope* and ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, respectively. Together, the ASUs provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying GAAP to transactions affected by reference rate reform if certain criteria are met. These transactions include contract modifications, hedging relationships, and sale or transfer of debt securities classified as held-to-maturity. The most recent amendment defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. As of March 31, 2023, the Company had not utilized any of the expedients discussed within these ASUs; however, management continues to assess the Company's agreements to determine whether the expedients would be utilized through the remainder of 2023.

(In millions, unless otherwise noted)

2. GOODWILL

The following table presents the activity in goodwill by reportable segment:

	December 31, 2022			Activity			March 31, 2023		
	Goodwill	Accumulated Impairment Losses	Total	Additions (Deductions)	Impairment	Foreign Exchange and Other	Goodwill	Accumulated Impairment Losses	Total
CCS	$ 2,280.9	$ (51.5)	$ 2,229.4	$ —	$ —	$ 4.0	$ 2,284.9	$ (51.5)	$ 2,233.4
OWN	660.3	(159.5)	500.8	—	—	1.0	661.3	(159.5)	501.8
NICS	649.4	(41.2)	608.2	—	—	0.5	649.9	(41.2)	608.7
ANS	1,995.7	(1,261.7)	734.0	—	—	0.1	1,995.8	(1,261.7)	734.1
Home	413.2	(413.2)	—	—	—	—	413.2	(413.2)	—
Total	$ 5,999.5	$ (1,927.1)	$ 4,072.4	$ —	$ —	$ 5.6	$ 6,005.1	$ (1,927.1)	$ 4,078.0

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated Net Sales

See Note 7 for the presentation of net sales by segment and geographic region.

Allowance for Doubtful Accounts

	Three Months Ended March 31,	
	2023	2022
Allowance for doubtful accounts, beginning of period	$ 82.8	$ 63.7
Provision (benefit)	(0.2)	2.5
Write-offs	(1.7)	(0.9)
Foreign exchange and other	0.3	(0.5)
Allowance for doubtful accounts, end of period	$ 81.2	$ 64.8

Customer Contract Balances

The following table provides the balance sheet location and amounts of contract assets, or unbilled accounts receivable, and contract liabilities, or deferred revenue, from contracts with customers:

Contract Balance Type	Balance Sheet Location	March 31, 2023	December 31, 2022
Unbilled accounts receivable	Accounts receivable, net of allowance for doubtful accounts	$ 45.9	$ 35.3
Deferred revenue - current	Accrued and other liabilities	$ 110.2	$ 97.9
Deferred revenue - noncurrent	Other noncurrent liabilities	60.1	63.4
Total contract liabilities		$ 170.3	$ 161.3

There were no material changes to contract asset balances for the three months ended March 31, 2023 as a result of changes in estimates or impairments. The change in the contract liability balance from December 31, 2022 to March 31, 2023 was primarily due to upfront support billings to be recognized over the support term. During the three months ended March 31, 2023, the Company recognized $38.1 million of revenue related to contract liabilities recorded as of December 31, 2022.

(In millions, unless otherwise noted)

4. SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

Accounts Receivable

	March 31, 2023	December 31, 2022
Accounts receivable - trade	$ 1,387.8	$ 1,545.3
Accounts receivable - other	45.9	61.1
Allowance for doubtful accounts	(81.2)	(82.8)
Total accounts receivable, net	$ 1,352.5	$ 1,523.6

Inventories

	March 31, 2023	December 31, 2022
Raw materials	$ 549.2	$ 535.8
Work in process	185.7	212.7
Finished goods	887.3	839.6
Total inventories, net	$ 1,622.2	$ 1,588.1

Accrued and Other Liabilities

	March 31, 2023	December 31, 2022
Compensation and employee benefit liabilities	$ 182.5	$ 301.3
Deferred revenue	110.2	97.9
Contract manufacturer inventory repurchase obligation	73.5	79.1
Restructuring liabilities	57.0	58.9
Accrued interest	56.8	118.1
Operating lease liabilities	47.3	47.7
Product warranty accrual	43.8	44.8
Other	293.8	302.2
Total accrued and other liabilities	$ 864.9	$ 1,050.0

Operating Lease Information

	Balance Sheet Location	March 31, 2023	December 31, 2022
Right of use assets	Other noncurrent assets	$ 157.3	$ 149.0
Lease liabilities - current	Accrued and other liabilities	$ 47.3	$ 47.7
Lease liabilities - noncurrent	Other noncurrent liabilities	129.2	123.5
Total lease liabilities		$ 176.5	$ 171.2

(In millions, unless otherwise noted)

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive loss (AOCL), net of tax:

	Three Months Ended March 31,	
	2023	2022
Foreign currency translation		
Balance at beginning of period	$ (270.3)	$ (165.8)
Other comprehensive income (loss)	20.4	(16.7)
Balance at end of period	$ (249.9)	$ (182.5)
Defined benefit plan activity		
Balance at beginning of period	$ (14.8)	$ (13.4)
Other comprehensive loss	(0.1)	(1.6)
Amounts reclassified from AOCL	—	0.3
Balance at end of period	$ (14.9)	$ (14.7)
Hedging instruments		
Balance at beginning of period	$ (11.2)	$ (27.2)
Other comprehensive income (loss)	(1.5)	8.8
Balance at end of period	$ (12.7)	$ (18.4)
Net AOCL at end of period	$ (277.5)	$ (215.6)

Amounts reclassified from net AOCL related to defined benefit plans are recorded in other income, net in the Condensed Consolidated Statements of Operations.

Cash Flow Information

	Three Months Ended March 31,	
	2023	2022
Cash paid during the period for:		
Income taxes, net of refunds	$ 20.7	$ 28.7
Interest	219.8	191.7

5. FINANCING

	March 31, 2023	December 31, 2022
7.125% senior notes due July 2028	$ 696.9	$ 700.0
5.00% senior notes due March 2027	750.0	750.0
8.25% senior notes due March 2027	952.6	1,000.0
6.00% senior notes due June 2025	1,293.0	1,300.0
4.75% senior secured notes due September 2029	1,250.0	1,250.0
6.00% senior secured notes due March 2026	1,500.0	1,500.0
Senior secured term loan due April 2026	3,088.0	3,096.0
Senior secured revolving credit facility	—	—
Total principal amount of debt	9,530.5	9,596.0
Less: Original issue discount, net of amortization	(14.8)	(15.9)
Less: Debt issuance costs, net of amortization	(73.2)	(78.5)
Less: Current portion	(32.0)	(32.0)
Total long-term debt	$ 9,410.5	$ 9,469.6

See Note 7 within the Company’s audited consolidated financial statements included in the 2022 Annual Report for additional information on the terms and conditions of the Company’s debt obligations.

Senior Secured Credit Facilities

During the three months ended March 31, 2023, the Company did not borrow under the Revolving Credit Facility. As of March 31, 2023, the Company had no outstanding borrowings under the Revolving Credit Facility and had availability of $907.3 million, after giving effect to borrowing base limitations and outstanding letters of credit.

During the three months ended March 31, 2023, the Company made the quarterly scheduled amortization payment of $8.0 million on the senior secured term loan due in 2026 (the 2026 Term Loan). The current portion of long-term debt reflects $32.0 million of repayments due under the 2026 Term Loan.

As of March 31, 2023, the Company did not reflect any portion of the 2026 Term Loan as a current portion of long-term debt related to the potentially required excess cash flow payment because the amount that may be payable in 2023, if any, cannot currently be reliably estimated. There is no excess cash flow payment required in 2023 related to 2022.

Other Matters

In March 2023, the Company repurchased a portion of its long-term debt. During the three months ended March 31, 2023, the Company repurchased $47.4 million aggregate principal amount of the Company's 8.25% senior notes due 2027 for cash consideration of $40.7 million, $3.1 million aggregate principal amount of the Company's 7.125% senior notes due 2028 for cash consideration of $2.5 million and $7.0 million aggregate principal amount of the Company's 6.00% senior notes due 2025 for cash consideration of $6.8 million, resulting in a total repurchase of $57.5 million aggregate principal amount of senior notes for total cash consideration of $50.0 million. The repurchase of debt resulted in a gain on the early extinguishment of debt of $7.5 million reflected in other income, net and a write-off of debt issuance costs of $0.5 million reflected in interest expense, in the Condensed Consolidated Statements of Operations during the three months ended March 31, 2023.

The Company’s non-guarantor subsidiaries held $3,450 million, or 30%, of total assets and $905 million, or 8%, of total liabilities as of March 31, 2023 and accounted for $528 million, or 26% of net sales for the three months ended March 31, 2023. All amounts presented exclude intercompany balances.

The weighted average effective interest rate on outstanding borrowings, including the impact of the interest rate swap contracts and the amortization of debt issuance costs and original issue discount, was 7.06% and 6.91% as of March 31, 2023 and December 31, 2022, respectively.

6. FAIR VALUE MEASUREMENTS

The Company’s financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables, debt instruments, interest rate swap contracts and foreign currency contracts. For cash and cash equivalents, trade receivables and trade payables, the carrying amounts of these financial instruments as of March 31, 2023 and December 31, 2022 were considered representative of their fair values due to their short terms to maturity. The fair values of the Company’s debt instruments, interest rate swap contracts and foreign currency contracts were based on indicative quotes.

Fair value measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the fair value hierarchy, measurements using significant other observable inputs fall within Level 2, and measurements using significant unobservable inputs fall within Level 3.

(In millions, unless otherwise noted)

The carrying amounts, estimated fair values and valuation input levels of the Company's debt instruments, interest rate swap contracts and foreign currency contracts as of March 31, 2023 and December 31, 2022, are as follows:

	March 31, 2023		December 31, 2022		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Valuation Inputs
Assets:					
Foreign currency contracts	$ 6.6	$ 6.6	$ 9.9	$ 9.9	Level 2
Interest rate swap contracts	6.7	6.7	8.6	8.6	Level 2
Liabilities:					
7.125% senior notes due 2028	$ 696.9	$ 512.2	$ 700.0	$ 502.6	Level 2
5.00% senior notes due 2027	750.0	545.8	750.0	513.4	Level 2
8.25% senior notes due 2027	952.6	758.0	1,000.0	780.8	Level 2
6.00% senior notes due 2025	1,293.0	1,215.4	1,300.0	1,183.4	Level 2
4.75% senior secured notes due 2029	1,250.0	1,038.4	1,250.0	1,000.0	Level 2
6.00% senior secured notes due 2026	1,500.0	1,443.5	1,500.0	1,383.3	Level 2
Senior secured term loan due 2026	3,088.0	2,976.1	3,096.0	2,925.7	Level 2
Foreign currency contracts	4.7	4.7	6.5	6.5	Level 2

These fair value estimates are based on pertinent information available to management as of the valuation date. Although management is not aware of any factors that would significantly affect these fair value estimates, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates, and current estimates of fair value may differ significantly from the amounts presented.

7. SEGMENTS AND GEOGRAPHIC INFORMATION

The Company has five reportable segments as described below.

The Connectivity and Cable Solutions (CCS) segment provides fiber optic and copper connectivity and cable solutions for use in telecommunications, cable television, residential broadband networks, data centers and business enterprises. The CCS portfolio includes network solutions for indoor and outdoor network applications. Indoor network solutions include optical fiber and twisted pair structured cable solutions, intelligent infrastructure management hardware and software and network rack and cabinet enclosures. Outdoor network solutions are used in both local-area and wide-area networks and "last mile" fiber-to-the-home installations, including deployments of fiber-to-the-node, fiber-to-the-premises and fiber-to-the-distribution point to homes, businesses and cell sites.

The Outdoor Wireless Networks (OWN) segment focuses on the macro and metro cell markets. The segment includes base station antennas, radio frequency (RF) filters, tower connectivity, microwave antennas, metro cell products, cabinets, steel, accessories and the wireless spectrum management business, Comsearch.

The Networking, Intelligent Cellular and Security Solutions (NICS) segment provides wireless networks for enterprises and service providers. Product offerings include indoor and outdoor Wi-Fi and long-term evolution (LTE) access points, access and aggregation switches; an Internet of Things suite, on-premises and cloud-based control and management systems; and software and software-as-a-service applications addressing security, location, reporting and analytics.

The Access Network Solutions (ANS) segment's product solutions include cable modem termination systems, video infrastructure, distribution and transmission equipment and cloud solutions that enable facility-based service providers to construct a state-of-the-art residential and metro distribution network.

(In millions, unless otherwise noted)

The Home Networks (Home) segment includes subscriber-based solutions that support broadband and video applications. The broadband offerings in the Home segment include devices that provide residential connectivity to a service provider's network, such as digital subscriber line and cable modems and telephony and data gateways which incorporate routing and Wi-Fi functionality. Video offerings include set top boxes that support cable, satellite and IP television content delivery and include products such as digital video recorders, high definition set top boxes and hybrid set top devices.

The following table provides summary financial information by reportable segment:

	March 31, 2023	December 31, 2022
Identifiable segment-related assets:		
CCS	$ 4,140.2	$ 4,263.8
OWN	1,134.7	1,166.8
NICS	1,358.5	1,338.1
ANS	2,502.8	2,632.6
Home	1,346.4	1,379.3
Total identifiable segment-related assets	10,482.6	10,780.6
Reconciliation to total assets:		
Cash and cash equivalents	327.3	398.1
Deferred income tax assets	527.1	506.7
Total assets	$ 11,337.0	$ 11,685.4

(In millions, unless otherwise noted)

The Company's measurement of segment performance is adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization). The Company defines adjusted EBITDA as operating income (loss), adjusted to exclude depreciation, amortization of intangible assets, restructuring costs, asset impairments, equity-based compensation, transaction, transformation and integration costs and other items that the Company believes are useful to exclude in the evaluation of operating performance from period to period because these items are not representative of the Company's core business.

The following table provides net sales, adjusted EBITDA, depreciation expense and additions to property, plant and equipment by reportable segment:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Net sales:		
CCS	$ 822.8	$ 838.0
OWN	258.4	390.1
NICS	284.5	188.0
ANS	298.7	316.8
Home	337.1	495.7
Consolidated net sales	$ 2,001.5	$ 2,228.6
Segment adjusted EBITDA:		
CCS	$ 147.7	$ 98.6
OWN	59.5	71.0
NICS	58.0	(13.8)
ANS	50.1	74.2
Home	(3.3)	23.3
Total segment adjusted EBITDA	312.0	253.3
Amortization of intangible assets	(126.4)	(140.7)
Restructuring (costs) credits, net	4.1	(12.1)
Equity-based compensation	(13.5)	(16.5)
Transaction, transformation and integration costs	(2.6)	(15.6)
Acquisition accounting adjustments	(0.8)	(2.0)
Patent claims and litigation settlements	11.0	(1.2)
Reserve of Russian accounts receivable	—	(5.4)
Depreciation	(31.3)	(33.0)
Consolidated operating income	$ 152.5	$ 26.8
Depreciation expense:		
CCS	$ 15.4	$ 14.0
OWN	3.2	3.8
NICS	3.4	4.4
ANS	5.7	6.0
Home	3.6	4.8
Consolidated depreciation expense	$ 31.3	$ 33.0
Additions to property, plant and equipment:		
CCS	$ 8.5	$ 17.4
OWN	1.3	2.9
NICS	1.0	2.2
ANS	2.2	2.4
Home	1.4	2.5
Consolidated additions to property, plant and equipment	$ 14.4	$ 27.4

(In millions, unless otherwise noted)

Sales to customers located outside of the U.S. comprised 34.1% of total net sales for the three months ended March 31, 2023 compared to 39.6% of total net sales for the three months ended March 31, 2022. Sales by geographic region, based on the destination of product shipments or service provided, were as follows:

	Three Months Ended March 31, 2023					
	CCS	OWN	NICS	ANS	Home	Total
Geographic Region:						
United States	$ 564.5	$ 184.7	$ 174.7	$ 223.6	$ 170.5	$ 1,318.0
Europe, Middle East and Africa	113.4	47.8	70.0	33.4	61.9	326.5
Asia Pacific	90.1	20.3	29.2	5.0	14.3	158.9
Caribbean and Latin America	37.4	3.2	7.1	21.7	38.5	107.9
Canada	17.4	2.4	3.5	15.0	51.9	90.2
Consolidated net sales	$ 822.8	$ 258.4	$ 284.5	$ 298.7	$ 337.1	$ 2,001.5

	Three Months Ended March 31, 2022					
	CCS	OWN	NICS	ANS	Home	Total
Geographic Region:						
United States	$ 542.4	$ 270.9	$ 97.3	$ 192.2	$ 244.3	$ 1,347.1
Europe, Middle East and Africa	131.6	71.4	61.2	32.0	110.2	406.4
Asia Pacific	101.4	28.2	24.0	29.2	20.6	203.4
Caribbean and Latin America	42.0	8.8	3.2	49.3	59.0	162.3
Canada	20.6	10.8	2.3	14.1	61.6	109.4
Consolidated net sales	$ 838.0	$ 390.1	$ 188.0	$ 316.8	$ 495.7	$ 2,228.6

8. RESTRUCTURING COSTS (CREDITS), NET

The Company incurs costs associated with restructuring initiatives intended to improve overall operating performance and profitability. The costs related to restructuring actions are generally cash-based and primarily consist of employee-related costs, which include severance and other one-time termination benefits.

In addition to the employee-related costs, the Company records other costs associated with restructuring actions, such as the gain or loss on the sale of facilities and impairment costs arising from unutilized real estate or equipment. The Company attempts to sell or lease this unutilized space, but additional impairment charges may be incurred related to these or other excess assets.

The Company’s net pretax restructuring activity included in restructuring costs (credits), net on the Condensed Consolidated Statements of Operations, by segment, was as follows:

	Three Months Ended March 31,	
	2023	2022
CCS	$ (14.9)	$ 2.9
OWN	—	2.2
NICS	1.9	3.6
ANS	1.4	2.6
Home	7.5	0.8
Total	$ (4.1)	$ 12.1

Restructuring liabilities were included in the Company’s Condensed Consolidated Balance Sheets as follows:

	March 31, 2023	December 31, 2022
Accrued and other liabilities	$ 57.0	$ 58.9
Other noncurrent liabilities	0.3	0.5
Total restructuring liabilities	$ 57.3	$ 59.4

(In millions, unless otherwise noted)

CommScope NEXT Restructuring Actions

In the first quarter of 2021, the Company announced and began implementing a business transformation initiative called CommScope NEXT. This initiative is designed to drive shareholder value through three pillars: profitable growth, operational efficiency and portfolio optimization. The activity within the liability established for CommScope NEXT restructuring actions was as follows:

	Employee-Related Costs	Other	Total
Balance at December 31, 2022	$ 58.7	$ —	$ 58.7
Additional expense (credits), net	16.5	(20.2)	(3.7)
Cash received (paid)	(19.0)	38.4	19.4
Foreign exchange and other non-cash items	0.5	(18.2)	(17.7)
Balance at March 31, 2023	$ 56.7	$ —	$ 56.7

CommScope NEXT actions to date have included the closure of an international manufacturing facility, as well as headcount reductions in other manufacturing locations and engineering, marketing, sales and administrative functions. During the three months ended March 31, 2023, the Company completed the sale of an international manufacturing facility. The Company determined it had transferred control of the building to the buyer, and as a result, it has recorded net proceeds of $38.4 million, resulting in a gain on the sale of $20.2 million which is included in the other category in the table above and in restructuring costs (credits), net on the Condensed Consolidated Statements of Operations. The Company simultaneously entered into a sale leaseback transaction where a minor portion of the building used to support research and development operations was then leased back for a term of nine years with annual payments that range from €800 thousand to €1.5 million. The Company determined the lease to be an operating lease and recognized a right of use asset and operating lease liability of $7.5 million based on the present value of the minimum lease payments discounted using an incremental borrowing rate of 7.15%.

The Company has recognized restructuring charges of $146.3 million to date related to CommScope NEXT actions. The Company expects to make cash payments of $55.5 million during the remainder of 2023 and additional cash payments of $1.2 million in 2024 to settle CommScope NEXT restructuring actions. Additional restructuring actions related to CommScope NEXT are expected to be identified, and the resulting charges and cash requirements could be material.

9. SERIES A CONVERTIBLE PREFERRED STOCK

On April 4, 2019, the Company issued and sold 1,000,000 shares of the Convertible Preferred Stock to Carlyle for $1.0 billion, or $1,000 per share, pursuant to an Investment Agreement between the Company and Carlyle, dated November 8, 2018. The Convertible Preferred Stock is convertible, at the option of the holders, at any time into shares of CommScope common stock at an initial conversion rate of 36.3636 shares of common stock per share of the Convertible Preferred Stock (equivalent to $27.50 per common share). The conversion rate is subject to customary antidilution and other adjustments. As of March 31, 2023, the Company had authorized 1,200,000 shares of the Convertible Preferred Stock.

Holders of the Convertible Preferred Stock are entitled to a cumulative dividend at the rate of 5.5% per year, payable quarterly in arrears. Dividends can be paid in cash, in-kind through the issuance of additional shares of the Convertible Preferred Stock or any combination of the two, at the Company’s option. The Company paid dividends in-kind of $15.1 million and $14.5 million during the three months ended March 31, 2023 and 2022, respectively, which was recorded as additional Convertible Preferred Stock in the Condensed Consolidated Balance Sheets.

10. STOCKHOLDERS’ EQUITY

Equity-Based Compensation Plans

As of March 31, 2023, $91.1 million of total unrecognized compensation expense related to unvested stock options, restricted stock units (RSUs) and performance share units (PSUs) is expected to be recognized over a remaining weighted average period of 2.1 years. There were no significant capitalized equity-based compensation costs at March 31, 2023.

The following table shows a summary of the equity-based compensation expense included in the Condensed Consolidated Statements of Operations:

	Three Months Ended March 31,	
	2023	2022
Selling, general and administrative	$ 8.4	$ 9.4
Research and development	3.4	4.9
Cost of sales	1.7	2.2
Total equity-based compensation expense	$ 13.5	$ 16.5

Restricted Stock Units

RSUs entitle the holder to shares of common stock after a vesting period of generally three years. The fair value of the awards is determined on the grant date based on the Company’s stock price.

The following table summarizes the RSU activity (in millions, except per share data):

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share
Non-vested share units at December 31, 2022	11.2	$ 10.66
Granted	1.0	$ 7.10
Vested and shares issued	(2.1)	$ 10.36
Forfeited	(0.3)	$ 10.50
Non-vested share units at March 31, 2023	9.8	$ 10.38

Performance Share Units

PSUs are stock awards in which the number of shares ultimately received by the employee depends on achievement towards a performance measure. Certain of CommScope’s PSUs have an internal performance measure, and the awards vest at the end of three years. The number of shares issued under these awards can vary between 0% and 300% of the number of PSUs granted. The fair value of these awards is determined on the date of grant based on the Company's stock price.

CommScope also has PSUs with a market condition performance measure based on stock price milestones over a three-year period. The number of shares issued under these awards can vary between 0% to 100% of the number of PSUs granted. In addition, the Company has PSUs with a market condition based on the Company's total stockholder return (TSR) ranking relative to the S&P 500 TSR for a three-year period. The number of shares issued under these awards can vary between 0% to 200% of the number of PSUs granted. The Company uses a Monte Carlo simulation model to estimate the fair value of PSUs with a market condition performance measure at the date of grant. Key assumptions used in the model include the risk-free interest rate, which reflects the yield on zero-coupon U.S. treasury securities, and stock price volatility, which is derived based on the historical volatility of the Company's stock.

The following table presents the weighted average assumptions used to estimate the fair value of the awards granted:

	Three Months Ended March 31,	
	2023	2022
Risk-free interest rate	4.5 %	1.5 %
Expected volatility	67.7 %	60.6 %
Weighted average fair value at grant date	$ 9.67	$ 11.47

The following table summarizes the PSU activity (in millions, except per share data):

	Performance Share Units	Weighted Average Grant Date Fair Value Per Share
Non-vested share units at December 31, 2022	2.9	$ 8.14
Granted	1.6	$ 8.13
Vested and shares issued	—	$ —
Forfeited	(0.1)	$ 9.51
Non-vested share units at March 31, 2023	4.4	$ 8.11

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following narrative is an analysis of the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The discussion is provided to increase the understanding of, and should be read in conjunction with, the unaudited condensed consolidated financial statements and accompanying notes included in this report as well as the audited consolidated financial statements, related notes thereto and management's discussion and analysis of financial condition and results of operations, including management's discussion and analysis regarding the application of critical accounting policies and the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2022 (2022 Annual Report).

We discuss certain financial measures in management's discussion and analysis of financial condition and results of operations, including adjusted EBITDA, that differ from measures calculated in accordance with generally accepted accounting principles (GAAP) in the United States (U.S.). See "Reconciliation of Non-GAAP Measures" included below for more information about these non-GAAP financial measures, including our reasons for including the measures and material limitations with respect to the usefulness of the measures.

Overview

We are a global provider of infrastructure solutions for communication, data center and entertainment networks. Our solutions for wired and wireless networks enable service providers including cable, telephone and digital broadcast satellite operators and media programmers to deliver media, voice, Internet Protocol (IP) data services and Wi-Fi to their subscribers and allow enterprises to experience constant wireless and wired connectivity across complex and varied networking environments. Our solutions are complemented by services including technical support, systems design and integration. We are a leader in digital video and IP television distribution systems, broadband access infrastructure platforms and equipment that delivers data and voice networks to homes. Our global leadership position is built upon innovative technology, broad solution offerings, high-quality and cost-effective customer solutions, and global manufacturing and distribution scale.

CommScope NEXT

Since 2021, we have been engaged in a transformation initiative referred to as CommScope NEXT, which is designed to drive shareholder value through three pillars: profitable growth, operational efficiency and portfolio optimization. We believe these efforts are critical to making us more competitive and allowing us to invest in growth, de-lever and maximize stockholder and other stakeholder value in the future. In 2022, we saw positive impacts from CommScope NEXT on net sales, profitability and cash flow from executing on our pricing initiatives, expanding capacity and driving operational efficiencies, and we expect certain of these trends to continue in 2023. We incurred restructuring costs and transaction, transformation and integration costs related to CommScope NEXT during the three months ended March 31, 2023 and 2022. We expect to continue to incur such costs during the remainder of 2023 as we continue executing on CommScope NEXT initiatives and the resulting charges and cash requirements could be material.

As a step in our CommScope NEXT transformation plan, in 2021, we announced a plan to separate the Home Networks (Home) segment. Due to the impact of the uncertain supply chain environment, capital spending pattern of customers and other macroeconomic factors related to the Home segment, we have delayed our separation plan but we continue to analyze the financial results of our "Core" business separately from Home. As such, below we refer to certain supplementary Core financial measures, which reflect the results of our Connectivity and Cable Solutions (CCS), Outdoor Wireless Networks (OWN), Networking, Intelligent Cellular and Security Solutions (NICS) and Access Network Solutions (ANS) segments in the aggregate. See the Segment Results section below for the aggregation of our Core financial measures.

Impacts of Current Economic Conditions

Macroeconomic factors such as higher interest rates, inflation and concerns about a global economic slow-down have softened demand for our products, with certain customers reducing purchases as they right-size their inventories and others pausing capital spending. This has negatively impacted our net sales for the first quarter of 2023 and may continue to negatively impact net sales further into 2023. While supply chain constraints are loosening in some segments, we continue to experience shortages of memory devices, capacitors and silicon chips, which has decreased net sales and increased costs and inventory balances for certain of our segments. These shortages could continue throughout 2023. Conversely, we have seen favorable pricing impacts and declining freight costs that have offset the impact of lower demand and supply chain constraints. We have also proactively implemented cost savings initiatives that have favorably impacted our profitability in the first quarter of 2023.

In 2022, our ANS reporting unit failed the annual goodwill impairment test and a partial impairment of $1,119.6 million was recorded as of October 1, 2022. Also, the amount by which our Building and Data Center Connectivity (BDCC) reporting unit's fair value exceeded its carrying value was lower year over year. The BDCC reporting unit is in our CCS reportable segment. Although we did not identify any indicators of impairment during the three months ended March 31, 2023, considering the low headroom coming out of 2022 for the ANS and BDCC reporting units, there is a risk for future impairment in the event of declines in general economic, market or business conditions or any significant unfavorable change in the forecasted cash flows, weighted average cost of capital or growth rates. If current and long-term projections for our ANS and BDCC reporting units are not realized or decrease materially, we may be required to recognize additional goodwill impairment charges and these charges could be material to our results of operations.

In the fourth quarter of 2022, our Home Networks reporting unit had an indicator of impairment as its carrying amount exceeded its estimated fair value, and as such, we performed a definite-lived asset recoverability test. We did not identify any impairments of definite-lived intangible assets as a result of this test in 2022, and we do not have any indicators of impairment during the three months ended March 31, 2023. However, changes in the estimates of forecasted net cash flows or changes in classification from held for use may result in future asset impairments that could be material to our results of operations.

For more discussion on risks related to our customers, our supply chain and future impairments, see Part I, Item 1A, “Risk Factors” in our 2022 Annual Report.

CRITICAL ACCOUNTING POLICIES

There have been no changes in our critical accounting policies as disclosed in our 2022 Annual Report.

COMPARISON OF RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2023 WITH THE THREE MONTHS ENDED MARCH 31, 2022

	Three Months Ended March 31,					
	2023		2022			
	Amount	% of Net Sales	Amount	% of Net Sales	Change	% Change
	(dollars in millions, except per share amounts)					
Net sales	$ 2,001.5	100.0 %	$ 2,228.6	100.0 %	$ (227.1)	(10.2)%
Core net sales [(1)]	1,664.4	83.2	1,732.9	77.8	(68.5)	(4.0)
Gross profit	691.7	34.6	636.3	28.6	55.4	8.7
Operating income	152.5	7.6	26.8	1.2	125.7	469.0
Core operating income [(1)]	186.2	11.2	40.6	2.3	145.6	358.6
Non-GAAP adjusted EBITDA [(2)]	312.0	15.6	253.3	11.4	58.7	23.2
Core adjusted EBITDA [(1)]	315.3	18.9	230.0	13.3	85.3	37.1
Net income (loss)	3.4	0.2	(139.9)	(6.3)	143.3	NM
Diluted loss per share	$ (0.06)		$ (0.75)		$ 0.70	(92.5)

NM – Not meaningful

(1) Core financial measures reflect the results of our CCS, OWN, NICS and ANS segments, in the aggregate, and exclude the results of our Home segment. See the Segment Results section below for illustration of the aggregation of our Core financial measures.

(2) See “Reconciliation of Non-GAAP Measures” in this Management's Discussion and Analysis of Financial Condition and Results of Operations, below.

Net sales

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change	% Change
	(dollars in millions)			
Net sales	$ 2,001.5	$ 2,228.6	$ (227.1)	(10.2)%
Domestic	1,318.0	1,347.1	(29.1)	(2.2)
International	683.5	881.5	(198.0)	(22.5)

Net sales for the three months ended March 31, 2023 decreased $227.1 million, or 10.2%, compared to the prior year period primarily driven by decreased sales volumes but partially offset by higher pricing. Core net sales for the three months ended March 31, 2023 decreased $68.5 million, or 4.0%, compared to the prior year period with decreases in the OWN segment of $131.7 million, the ANS segment of $18.1 million and the CCS segment of $15.2 million, partially offset by an increase in the NICS segment of $96.5 million. For the three months ended March 31, 2023, net sales in the Home segment decreased $158.6 million compared to the prior year period. Our lower volumes are being driven by certain customers reducing purchases as they right-size their inventories and others pausing capital spending. In addition, while supply chain constraints are loosening in some of our segments, we continue to experience supply shortages for certain materials that negatively impacted our net sales for certain of our products during the three months ended March 31, 2023. For further details by segment, see the discussion of Segment Results below.

From a regional perspective, for the three months ended March 31, 2023 compared to the prior year period, net sales decreased in the Europe, Middle East and Africa (EMEA) region by $79.9 million, the Caribbean and Latin American (CALA) region by $54.4 million, the Asia Pacific (APAC) region by $44.5 million, the U.S. by $29.1 million and Canada by $19.2 million. Net sales to customers located outside of the U.S. comprised 34.1% of total net sales for the three months ended March 31, 2023 compared to 39.6% for the three months ended March 31, 2022. Foreign exchange rate changes impacted net sales unfavorably by approximately 1% for the three months ended March 31, 2023 compared to the prior year period. For additional information on regional sales by segment, see the discussion of Segment Results below and Note 7 in the Notes to Unaudited Condensed Consolidated Financial Statements included herein.

Gross profit, SG&A expense and R&D expense

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change	% Change
	(dollars in millions)			
Gross profit	$ 691.7	$ 636.3	$ 55.4	8.7 %
As a percent of sales	34.6 %	28.6 %		
SG&A expense	263.5	286.0	(22.5)	(7.9)
As a percent of sales	13.2 %	12.8 %		
R&D expense	153.4	170.7	(17.3)	(10.1)
As a percent of sales	7.7 %	7.7 %		

Gross profit (net sales less cost of sales)

Despite lower consolidated net sales, gross profit increased by $55.4 million for the three months ended March 31, 2023 compared to the prior year period primarily due to favorable mix and lower freight costs.

Selling, general and administrative expense

For the three months ended March 31, 2023, selling, general and administrative (SG&A) expense decreased by $22.5 million compared to the prior year period primarily due to a decrease in transaction, transformation and integration costs of $13.0 million.

Research and development expense

Research and development (R&D) expense for the three months ended March 31, 2023 decreased compared to the prior year period primarily due to lower spending across all segments except our CCS segment. R&D activities generally relate to ensuring that our products are capable of meeting the evolving technological needs of our customers, bringing new products to market and modifying existing products to better serve our customers.

Amortization of purchased intangible assets and Restructuring costs (credits), net

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change	% Change
	(dollars in millions)			
Amortization of purchased intangible assets	$ 126.4	$ 140.7	$ (14.3)	(10.2)%
Restructuring costs (credits), net	(4.1)	12.1	(16.2)	NM

NM – Not meaningful

Amortization of purchased intangible assets

For the three months ended March 31, 2023, amortization of purchased intangible assets was lower compared to the prior year period because certain of our intangible assets became fully amortized.

Restructuring costs (credits), net

The net restructuring costs (credits) recorded during the three months ended March 31, 2023 and 2022 were primarily related to CommScope NEXT. The net restructuring costs (credits) for the three months ended March 31, 2023 reflected a gain on the sale of property, primarily related to an international manufacturing facility of $20.2 million. We received proceeds of $38.4 million related to the sale. Excluding the impacts of the sale, for the three months ended March 31, 2023, our restructuring costs were $16.0 million and we paid $19.0 million to settle restructuring liabilities. We expect to pay an additional $55.5 million by the end of 2023 and $1.2 million in 2024 related to restructuring actions that have been initiated. Additional restructuring actions related to CommScope NEXT are expected to be identified and the resulting charges and cash requirements could be material.

Other income, net

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change	% Change
	(dollars in millions)			
Foreign currency loss	$ (1.3)	$ (0.2)	$ (1.1)	550.0%
Other income, net	7.0	0.2	6.8	3,400.0

Foreign currency loss

Foreign currency loss includes the net foreign currency gains and losses resulting from the settlement of receivables and payables, foreign currency contracts and short-term intercompany advances in a currency other than the subsidiary's functional currency. The change in foreign currency loss for the three months ended March 31, 2023 compared to the prior year period was primarily driven by certain unhedged currencies.

Other income, net

The change in other income, net for the three months ended March 31, 2023 compared to the prior year period was primarily driven by a gain of $7.5 million on the early extinguishment of debt related to the debt repurchases of $47.4 million of our 8.25% senior notes due 2027, $3.1 million aggregate principal amount of our 7.125% senior notes due 2028 and $7.0 million aggregate principal amount of our 6.00% senior notes due 2025.

Interest expense, Interest income and Income taxes

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change	% Change
	(dollars in millions)			
Interest expense	$ (165.1)	$ (136.5)	$ (28.6)	21.0 %
Interest income	2.5	0.7	1.8	257.1
Income tax (expense) benefit	7.8	(30.9)	38.7	NM

NM – Not meaningful

Interest expense and interest income

The increase in interest expense for the three months ended March 31, 2023 compared to the prior year period was driven by higher interest expense related to the increased variable interest rate on our senior secured term loan due 2026 (2026 Term Loan) as a result of the Federal Reserve's increases in interest rates beginning in the second quarter of 2022. Our interest expense will continue to increase if the Federal Reserve continues raising interest rates during 2023. Our weighted average effective interest rate on outstanding borrowings, including the impact of the interest rate swap and the amortization of debt issuance costs and original issue discount, was 7.06% at March 31, 2023, 6.91% at December 31, 2022 and 5.77% at March 31, 2022.

Income tax (expense) benefit

For the three months ended March 31, 2023, we recognized an income tax benefit of $7.8 million on a pretax loss of $4.4 million. Our tax benefit was higher than the statutory rate of 21.0% due to a reduction in tax expense of $8.3 million related to the release of various uncertain tax positions. This benefit was partially offset by the unfavorable impacts of U.S. anti-deferral provisions and non-creditable withholding taxes.

For the three months ended March 31, 2022, we recognized income tax expense of $30.9 million on a pretax loss of $109.0 million. Our tax expense was driven by the unfavorable impacts of U.S. anti-deferral provisions and non-creditable withholding taxes.

Segment Results

	Three Months Ended March 31,					
	2023		2022			
	Amount	% of Net Sales	Amount	% of Net Sales	Change	% Change
	(dollars in millions)					
Net sales by segment:						
CCS	$ 822.8	41.1 %	$ 838.0	37.6 %	$ (15.2)	(1.8) %
OWN	258.4	12.9	390.1	17.5	(131.7)	(33.8)
NICS	284.5	14.2	188.0	8.4	96.5	51.3
ANS	298.7	14.9	316.8	14.2	(18.1)	(5.7)
Core net sales (1)	1,664.4	83.2	1,732.9	77.8	(68.5)	(4.0)
Home	337.1	16.8	495.7	22.2	(158.6)	(32.0)
Consolidated net sales	$ 2,001.5	100.0 %	$ 2,228.6	100.0 %	$ (227.1)	(10.2) %
Operating income (loss) by segment:						
CCS	$ 124.0	15.1 %	$ 37.3	4.5 %	$ 86.7	232.4 %
OWN	49.2	19.0	52.9	13.6	(3.7)	(7.0)
NICS	34.9	12.3	(43.0)	(22.9)	77.9	NM
ANS	(21.9)	(7.3)	(6.6)	(2.1)	(15.3)	231.8
Core operating income (1)	186.2	11.2	40.6	2.3	145.6	358.6
Home	(33.7)	(10.0)	(13.8)	(2.8)	(19.9)	144.2
Consolidated operating income	$ 152.5	7.6 %	$ 26.8	1.2 %	$ 125.7	469.0 %
Adjusted EBITDA by segment:						
CCS	$ 147.7	18.0 %	$ 98.6	11.8 %	$ 49.1	49.8 %
OWN	59.5	23.0	71.0	18.2	(11.5)	(16.2)
NICS	58.0	20.4	(13.8)	(7.3)	71.8	NM
ANS	50.1	16.8	74.2	23.4	(24.1)	(32.5)
Core adjusted EBITDA (1)	315.3	18.9	230.0	13.3	85.3	37.1
Home	(3.3)	(1.0)	23.3	4.7	(26.6)	(114.2)
Non-GAAP consolidated adjusted EBITDA (2)	$ 312.0	15.6 %	$ 253.3	11.4 %	$ 58.7	23.2 %

NM – Not meaningful

(1) Core financial measures reflect the results of our CCS, OWN, NICS and ANS segments, in the aggregate, and exclude the results of our Home segment.

(2) See "Reconciliation of Non-GAAP Measures" within this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Connectivity and Cable Solutions Segment

Net sales for the CCS segment decreased for the three months ended March 31, 2023 compared to the prior year period primarily due to lower sales volumes, as certain customers have paused spending as they right-size their inventory levels, but partially offset by higher pricing. From a regional perspective, for the three months ended March 31, 2023, net sales decreased in the EMEA region by $18.2 million, the APAC region by $11.3 million, the CALA region by $4.6 million and Canada by $3.2 million, but increased in the U.S. by $22.1 million compared to the prior year period. Foreign exchange rate changes impacted CCS segment net sales unfavorably by approximately 1% during the three months ended March 31, 2023 compared to the prior year period.

For the three months ended March 31, 2023, CCS segment operating income and adjusted EBITDA both benefitted from favorable pricing impacts, favorable mix and lower material and freight costs. Compared to the prior year period, CCS segment operating income for the three months ended March 31, 2023 was favorably impacted by a reduction of $17.8 million in restructuring costs and a reduction of $10.5 million in amortization expense. The reduction in restructuring costs was driven by the gain on the sale of an international manufacturing facility of $20.2 million recorded during the three months ended March 31, 2023. Restructuring costs and amortization expense are not reflected in adjusted EBITDA. See "Reconciliation of Segment Adjusted EBITDA" below.

Outdoor Wireless Networks Segment

For the three months ended March 31, 2023, OWN segment net sales decreased compared to the prior year period primarily due to lower sales volumes as a result of reductions in spending by certain North American operators. From a regional perspective, for the three months ended March 31, 2023, OWN segment net sales decreased in the U.S. by $86.2 million, the EMEA region by $23.6 million, Canada by $8.4 million, the APAC region by $7.9 million and the CALA region by $5.6 million compared to the prior year period. Foreign exchange rate changes impacted OWN segment net sales unfavorably by approximately 1% during the three months ended March 31, 2023 compared to the same prior year period.

For the three months ended March 31, 2023, OWN segment operating income and adjusted EBITDA both decreased primarily due to lower sales volumes, partially offset by decreases in freight, SG&A and R&D costs. See "Reconciliation of Segment Adjusted EBITDA" below.

Networking, Intelligent Cellular and Security Solutions Segment

For the three months ended March 31, 2023, NICS segment net sales increased compared to the prior year period primarily due to higher sales volumes of our Ruckus products as well as our distributed antenna systems products because of supply chain improvements in the availability of chips and increased pricing. From a regional perspective, for the three months ended March 31, 2023, net sales increased in the U.S. by $77.4 million, the EMEA region by $8.8 million, the APAC region by $5.2 million, the CALA region by $3.9 million and Canada by $1.2 million compared to the prior year period. Foreign exchange rate changes impacted NICS segment net sales unfavorably by approximately 1% during the three months ended March 31, 2023 compared to the prior year period.

For the three months ended March 31, 2023, NICS segment operating income and adjusted EBITDA both increased compared to the prior year period primarily due to higher sales volumes, lower freight costs, lower R&D costs and lower selling expenses. See “Reconciliation of Segment Adjusted EBITDA” below.

Access Network Solutions Segment

For the three months ended March 31, 2023, net sales decreased in the ANS segment due to lower sales volumes compared to the prior year period. From a regional perspective, for the three months ended March 31, 2023, net sales decreased in the CALA region by $27.6 million and the APAC region by $24.2 million, but increased in the U.S. by $31.4 million, the EMEA region by $1.4 million and Canada by $0.9 million, compared to the prior year period. Foreign exchange rate changes impacted ANS segment net sales unfavorably by approximately 1% during the three months ended March 31, 2023 compared to the prior year period.

For the three months ended March 31, 2023, ANS segment operating loss increased and adjusted EBITDA decreased compared to the prior year period primarily due to lower sales volumes and unfavorable product mix, partially offset by lower SG&A and R&D costs. ANS segment operating loss was favorably impacted by a $5.5 million reduction in transaction, transformation and integration costs primarily due to the termination of a supply agreement that was recorded in the prior year period. Transaction, transformation and integration costs are not reflected in adjusted EBITDA. See “Reconciliation of Segment Adjusted EBITDA” below.

Home Networks Segment

Net sales for the Home segment decreased for the three months ended March 31, 2023 due to lower sales volumes compared to the prior year period. We continue to experience some supply shortages related to our Home products, which impacted our ability to meet customer demand. Although we are working to secure components from key suppliers, we still expect to experience some component supply chain challenges throughout 2023. From a regional perspective, for the three months ended March 31, 2023, net sales decreased in the U.S. by $73.8 million, the EMEA region by $48.3 million, the CALA region by $20.5 million, Canada by $9.7 million and the APAC region by $6.3 million compared to the prior year period. Foreign exchange rate changes impacted Home segment net sales unfavorably by less than 1% during the three months ended March 31, 2023 compared to the prior year period.

For the three months ended March 31, 2023, Home segment operating loss increased and adjusted EBITDA decreased compared to the prior year period primarily due to lower sales volumes, higher material costs and higher SG&A costs, partially offset by favorable mix and lower R&D costs. For the three months ended March 31, 2023, Home segment operating loss was favorably impacted by the reversal of $11.0 million in intellectual property litigation settlement charges related to a claim that was settled at an amount that was lower than estimated. This favorable impact was partially offset by an increase of $6.7 million in restructuring costs. Intellectual property litigation settlement charges and restructuring costs are not reflected in adjusted EBITDA. See “Reconciliation of Segment Adjusted EBITDA” below.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes certain key measures of our liquidity and capital resources (in millions, except percentage data):

	March 31, 2023	December 31, 2022	$ Change	% Change
	(dollars in millions)			
Cash and cash equivalents	$ 327.3	$ 398.1	$ (70.8)	(17.8) %
Working capital [(1)], excluding cash and cash equivalents and current portion of long-term debt	1,412.2	1,252.6	159.6	12.7
Availability under Revolving Credit Facility	907.3	908.8	(1.5)	(0.2)
Long-term debt, including current portion	9,442.5	9,501.6	(59.1)	(0.6)
Total capitalization [(2)]	9,027.5	9,055.9	(28.4)	(0.3)
Long-term debt as a percentage of total capitalization	104.6 %	104.9 %		

(1) Working capital consisted of current assets of $3,509.8 million less current liabilities of $1,802.3 million as of March 31, 2023. Working capital consisted of current assets of $3,726.2 million less current liabilities of $2,107.5 million as of December 31, 2022.

(2) Total capitalization includes long-term debt, including the current portion, Series A convertible preferred stock (the Convertible Preferred Stock) and stockholders' deficit.

Our principal sources of liquidity on a short-term basis are cash and cash equivalents, cash flows provided by operations and availability under our credit facilities. On a long-term basis, our potential sources of liquidity also include raising capital through the issuance of additional equity and/or debt.

In the second quarter of 2023, we expect to amend our 2026 Term Loan to replace LIBOR with an adjusted Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York (SOFR) as the reference interest rate in anticipation of the cessation of LIBOR in 2023. We do not anticipate a material impact on our results of operations or cash flows with the transition to SOFR in our variable rate debt, but the impact is still uncertain.

The primary uses of liquidity include debt service requirements, voluntary debt repayments, redemptions or purchases on the open market, working capital requirements, capital expenditures, business separation transaction costs, transformation costs, restructuring costs, dividends related to the Convertible Preferred Stock if we elect to pay such dividends in cash, litigation settlements, income tax payments and other contractual obligations. Our interest payments on our 2026 Term Loan and our Revolving Credit Facility will continue to increase in 2023 if the Federal Reserve continues to raise interest rates. See Part II, Item 7A, "Quantitative and Qualitative Disclosure About Market Risk" in our 2022 Annual Report for further discussion of our interest rate risk. We believe that our existing cash, cash equivalents and cash flows from operations, combined with availability under our Revolving Credit Facility, will be sufficient to meet our presently anticipated future cash needs. We may experience volatility in cash flows between periods due to, among other reasons, variability in the timing of vendor payments and customer receipts. We may, from time to time, borrow additional amounts under our Revolving Credit Facility or issue debt or equity securities, if market conditions are favorable, to meet future cash needs or to reduce our borrowing costs. In addition, we may, from time to time, seek to repurchase our outstanding debt through cash purchases in the open market. Any such repurchases will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions and applicable regulatory, legal and accounting factors. Whether or not we repurchase any of our debt and the size and timing of any such repurchases will be determined at our discretion.

Although there are no financial maintenance covenants under the terms of our senior notes, there is a limitation, among other limitations, on certain future borrowings based on an adjusted leverage ratio or a fixed charge coverage ratio. These ratios are based on financial measures similar to non-GAAP adjusted EBITDA as presented in the "Reconciliation of Non-GAAP Measures" section below, but also give pro forma effect to certain events, including acquisitions, synergies and savings from cost reduction initiatives such as facility closures and headcount reductions. For the twelve months ended March 31, 2023, our non-GAAP pro forma adjusted EBITDA, as measured pursuant to the indentures governing our notes, was $1,400.1 million, which included annualized savings expected from cost reduction initiatives of $64.7 million so that the impact of cost reduction initiatives is fully reflected in the twelve-month period used in the calculation of the ratios. In addition to limitations under these indentures, our senior secured credit facilities contain customary negative covenants based on similar financial measures. We believe we are in compliance with the covenants under our indentures and senior secured credit facilities at March 31, 2023.

Cash and cash equivalents decreased during the three months ended March 31, 2023 primarily driven by cash used in operating activities of $46.1 million, cash paid for debt repurchases of $50.0 million and capital expenditures of $14.4 million, partially offset by proceeds from the sale of property, plant and equipment of $41.0 million. The proceeds on the sale of property, plant and equipment primarily relate to the sale of an international manufacturing facility that was closed as part of CommScope NEXT. As of March 31, 2023, approximately 61% of our cash and cash equivalents were held outside the U.S.

Working capital, excluding cash and cash equivalents and the current portion of long-term debt, increased during the three months ended March 31, 2023 primarily due to reductions in current liabilities with the pay out of our 2022 variable incentive compensation and interest payments as well as reductions in accounts payable due to timing. These impacts were offset by lower accounts receivable due to higher net sales in the fourth quarter of 2022 compared to the first quarter of 2023. During the three months ended March 31, 2023, we sold accounts receivable under customer-sponsored supplier financing agreements. This had an impact of approximately $42 million on working capital, excluding cash and cash equivalents and the current portion of long-term debt, as of March 31, 2023. Under these agreements, we are able to sell certain accounts receivable to a bank, and we retain no interest in and have no servicing responsibilities for the accounts receivable sold. The net reduction in total capitalization during the three months ended March 31, 2023 reflected the net loss for the period.

Cash Flow Overview

	Three Months Ended March 31,		$	%
	2023	2022	Change	Change
	(dollars in millions)			
Net cash used in operating activities	$ (46.1)	$ (14.6)	$ (31.5)	215.8 %
Net cash generated by (used in) investing activities	35.9	(16.0)	51.9	NM
Net cash used in financing activities	(61.1)	(17.2)	(43.9)	255.2

NM – Not meaningful

Operating Activities

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Net income (loss)	$ 3.4	$ (139.9)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	164.1	180.2
Equity-based compensation	13.5	16.5
Deferred income taxes	(30.0)	2.3
Changes in assets and liabilities:		
Accounts receivable	175.3	(60.5)
Inventories	(31.9)	(73.7)
Prepaid expenses and other assets	10.2	29.6
Accounts payable and other liabilities	(318.3)	23.5
Other	(32.4)	7.4
Net cash used in operating activities	$ (46.1)	$ (14.6)

During the three months ended March 31, 2023, cash used in operating activities increased compared to the prior year period primarily as a result of a shift in the timing of certain variable incentive compensation from the second quarter in 2022 to the first quarter in 2023, lower accounts payable due to the timing of payments and higher payments of interest expense, partially offset by higher accounts receivable collections due to the timing of net sales.

Investing Activities

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Additions to property, plant and equipment	$ (14.4)	$ (27.4)
Proceeds from sale of property, plant and equipment	41.0	—
Other	9.3	11.4
Net cash generated by (used in) investing activities	$ 35.9	$ (16.0)

During the three months ended March 31, 2023, the increase in cash generated by investing activities compared to the prior year period was primarily driven by proceeds from the sale of property, plant and equipment of $41.0 million and proceeds of $9.3 million on the sale of certain nonfinancial assets, partially offset by lower capital expenditures. The current period proceeds on the sale of property, plant and equipment primarily relate to the sale of an international manufacturing facility that was closed as part of CommScope NEXT. Cash used in investing activities in the prior year period was impacted favorably by proceeds of $6.9 million related to the sale of an equity method investment and a return of $4.5 million on equity method investments.

Financing Activities

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Long-term debt repaid	$ (8.0)	$ (93.0)
Long-term debt repurchases	(50.0)	—
Long-term debt proceeds	—	85.0
Proceeds from the issuance of common shares under equity-based compensation plans	—	0.1
Tax withholding payments for vested equity-based compensation awards	(5.0)	(10.6)
Other	1.9	1.3
Net cash used in financing activities	$ (61.1)	$ (17.2)

During the three months ended March 31, 2023, we repurchased $47.4 million aggregate principal amount of our 8.25% senior notes due 2027, $3.1 million aggregate principal amount of our 7.125% senior notes due 2028 and $7.0 million aggregate principal amount of our 6.00% senior notes due 2025, for total cash consideration paid of $50.0 million. During the three months ended March 31, 2023, we also paid the quarterly scheduled amortization payment of $8.0 million on the 2026 Term Loan. We did not borrow under our senior secured asset-based revolving credit facility (Revolving Credit Facility) during the three months ended March 31, 2023. As of March 31, 2023, we had no outstanding borrowings under the Revolving Credit Facility and the remaining availability was $907.3 million, reflecting a borrowing base subject to maximum capacity of $1,000.0 million reduced by $92.7 million of letters of credit issued under the Revolving Credit Facility.

During the three months ended March 31, 2022, we borrowed and repaid $85.0 million under the Revolving Credit Facility. We also paid the quarterly scheduled amortization payment of $8.0 million on the 2026 Term Loan during the three months ended March 31, 2022.

During the three months ended March 31, 2023, employees surrendered shares of our common stock to satisfy their tax withholding requirements on vested restricted stock units and performance share units, which reduced cash flows by $5.0 million compared to $10.6 million in the prior year period.

Reconciliation of Non-GAAP Measures

We believe that presenting certain non-GAAP financial measures enhances an investor's understanding of our financial performance. We further believe that these financial measures are useful in assessing our operating performance from period to period by excluding certain items that we believe are not representative of our core business. We also use certain of these financial measures for business planning purposes and in measuring our performance relative to that of our competitors.

We believe these financial measures are commonly used by investors to evaluate our performance and that of our competitors. However, our use of the term "non-GAAP adjusted EBITDA" may vary from that of others in our industry. These financial measures should not be considered as alternatives to operating income (loss), net income (loss) or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance, operating cash flows or liquidity.

We also believe presenting these non-GAAP results for the twelve months ended March 31, 2023 provides an additional tool for assessing our recent performance. Such amounts are unaudited and are derived by subtracting the data for the three months ended March 31, 2022 from the data for the year ended December 31, 2022 and then adding the data for the three months ended March 31, 2023.

Although there are no financial maintenance covenants under the terms of our senior notes, there is a limitation, among other limitations, on certain future borrowings based on an adjusted leverage ratio or a fixed charge coverage ratio. These ratios are based on financial measures similar to non-GAAP adjusted EBITDA as presented in this section, but also give pro forma effect to certain events, including acquisitions and savings from cost reduction initiatives such as facility closures and headcount reductions.

Consolidated

	Three Months Ended March 31,		Year Ended December 31,	Twelve Months Ended March 31,
	2023	2022	2022	2023
	(in millions)			
Net income (loss)	$ 3.4	$ (139.9)	$ (1,286.9)	$ (1,143.6)
Income tax expense (benefit)	(7.8)	30.9	(13.1)	(51.8)
Interest income	(2.5)	(0.7)	(2.8)	(4.6)
Interest expense	165.1	136.5	588.9	617.5
Other (income) expense, net	(5.7)	—	0.1	(5.6)
Operating income (loss)	152.5	26.8	(713.8)	(588.1)
Adjustments:				
Amortization of purchased intangible assets	126.4	140.7	543.0	528.7
Restructuring costs (credits), net	(4.1)	12.1	62.9	46.7
Equity-based compensation	13.5	16.5	61.1	58.1
Asset impairments	—	—	1,119.6	1,119.6
Transaction, transformation and integration costs (1)	2.6	15.6	38.2	25.2
Acquisition accounting adjustments (2)	0.8	2.0	7.3	6.1
Patent claims and litigation settlements	(11.0)	1.2	28.5	16.3
Reserve (recovery) of Russian accounts receivable	—	5.4	2.7	(2.7)
Depreciation	31.3	33.0	127.2	125.5
Non-GAAP adjusted EBITDA	$ 312.0	$ 253.3	$ 1,276.7	$ 1,335.4

(1) In 2023, primarily reflects transaction costs related to certain CommScope NEXT initiatives. In 2022, primarily reflects transformation costs related to CommScope NEXT and integration costs related to the ARRIS acquisition.

(2) In 2023 and 2022, reflects ARRIS acquisition accounting adjustments related to reducing deferred revenue to its estimated fair value.

Reconciliation of Segment Adjusted EBITDA

Segment adjusted EBITDA is provided as a performance measure in Note 7 in the Notes to Unaudited Condensed Consolidated Financial Statements included herein. Below we reconcile segment adjusted EBITDA for each segment individually to operating income (loss) for that segment to supplement the reconciliation of the total segment adjusted EBITDA to consolidated operating income (loss) in that footnote.

Connectivity and Cable Solutions Segment

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Operating income	$ 124.0	$ 37.3
Adjustments:		
Amortization of purchased intangible assets	18.9	29.4
Restructuring costs (credits), net	(14.9)	2.9
Equity-based compensation	4.0	4.0
Transaction, transformation and integration costs	0.1	4.4
Patent claims and litigation settlements	—	1.6
Reserve of Russian accounts receivable	—	4.9
Depreciation	15.4	14.0
Adjusted EBITDA	$ 147.7	$ 98.6

Outdoor Wireless Networks Segment

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Operating income	$ 49.2	$ 52.9
Adjustments:		
Amortization of purchased intangible assets	5.5	8.1
Restructuring costs, net	—	2.2
Equity-based compensation	1.6	1.9
Transaction, transformation and integration costs	0.1	1.8
Reserve of Russian accounts receivable	—	0.1
Depreciation	3.2	3.8
Adjusted EBITDA	$ 59.5	$ 71.0

Networking Intelligent Cellular and Security Solutions Segment

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Operating loss	$ 34.9	$ (43.0)
Adjustments:		
Amortization of purchased intangible assets	14.3	15.5
Restructuring costs, net	1.9	3.6
Equity-based compensation	3.1	3.6
Transaction, transformation and integration costs	—	1.2
Acquisition accounting adjustments	0.4	0.6
Reserve of Russian accounts receivable	—	0.4
Depreciation	3.4	4.4
Adjusted EBITDA	$ 58.0	$ (13.8)

Access Network Solutions Segment

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
	(in millions)	
Operating loss	$ (21.9)	$ (6.6)
Adjustments:		
Amortization of purchased intangible assets	61.7	61.7
Restructuring costs, net	1.4	2.6
Equity-based compensation	3.1	4.2
Transaction, transformation and integration costs	—	5.5
Acquisition accounting adjustments	—	0.8
Depreciation	5.7	6.0
Adjusted EBITDA	$ 50.1	$ 74.2

Home Networks Segment

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
	(in millions)	
Operating loss	$ (33.7)	$ (13.8)
Adjustments:		
Amortization of purchased intangible assets	26.0	26.0
Restructuring costs, net	7.5	0.8
Equity-based compensation	1.7	2.9
Transaction, transformation and integration costs	2.4	2.6
Acquisition accounting adjustments	0.3	0.4
Patent claims and litigation settlements	(11.0)	(0.4)
Depreciation	3.6	4.8
Adjusted EBITDA	$ (3.3)	$ 23.3

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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, targets, 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, our dependence on customers’ capital spending on data, communication and entertainment equipment, which could be negatively impacted by a regional or global economic downturn, among other factors; the potential impact of higher than normal inflation; 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; 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; risks related to the successful execution of CommScope NEXT; 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 on which we rely, 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 and increases in interest rates; our ability to generate cash to service our indebtedness; the potential separation, divestiture or discontinuance of a business or product line, including uncertainty regarding the timing of the separation, achievement of 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; 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; our ability to comply with governmental anti-corruption laws and regulations worldwide; the impact of export and import controls and sanctions worldwide on our supply chain and ability to compete in international markets; 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 social and environmental laws; the impact of litigation and similar regulatory proceedings in which we are involved or may become involved, 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; our stock price volatility; 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 2022 Annual Report on Form 10-K 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 Quarterly Report on Form 10-Q 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the interest rate risk, commodity price risk or foreign currency exchange rate risk information previously reported under Item 7A of our 2022 Annual Report, as filed with the SEC on February 23, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

Reference should be made to our 2022 Annual Report for additional information regarding discussion of the effectiveness of the Company’s controls and procedures. There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to certain intellectual property claims and also periodically receives notices asserting that its products infringe on another party's patents and other intellectual property rights. These claims and assertions, whether against the Company directly or against its customers, could require the Company to pay damages or royalties, stop offering the relevant products and/or cease other activities. The Company may also be called upon to defend and indemnify certain customers for costs related to products sold to such customers. The outcome of these claims and notices is uncertain and a reasonable estimate of the loss from unfavorable outcomes in certain of these matters either cannot be determined or is estimated at the minimum amount of a range of estimates. The actual loss, through settlement or trial, could be material and may vary significantly from the Company's estimates. From time to time, the Company may also be involved as a plaintiff in certain intellectual property claims. Gain contingencies, if any, are recognized when they are realized.

The Company is also either a plaintiff or a defendant in certain other pending legal matters in the normal course of business. Management believes that, upon final disposition, none of these other pending legal matters will have a material adverse effect on the Company's business or financial condition.

In addition, the Company is subject to various federal, state, local and foreign laws and regulations governing the use, discharge, disposal and remediation of hazardous materials. Compliance with current laws and regulations has not had, and is not expected to have, a materially adverse effect on the Company's financial condition or results of operations.

ITEM 1A. RISK FACTORS

The Company's business, financial condition, results of operations and cash flows are subject to various risks which could cause actual results to vary from recent results or from anticipated future results. There have been no material changes to our risk factors disclosed in Part I, Item 1A, "Risk Factors" of our 2022 Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities:

None.

Issuer Purchases of Equity Securities:

The following table summarizes the stock purchase activity for the three months ended March 31, 2023:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Value of Shares that May Yet be Purchased Under the Plans or Programs
January 1, 2023 - January 31, 2023	7,646	$ 7.55	—	$ —
February 1, 2023 - February 28, 2023	31,666	$ 8.59	—	$ —
March 1, 2023 - March 31, 2023	661,354	$ 7.10	—	$ —
Total	700,666	$ 7.17	—	

(1) The shares purchased were withheld to satisfy the withholding tax obligations related to restricted stock units and performance share units that vested during the period.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

3.1*	Amended and Restated Certificate of Incorporation of CommScope Holding Company, Inc. (Incorporated by reference to Exhibit 3.1 of the Registrant’s Form 10-Q (File No. 001-36146), filed with the SEC on November 7, 2013).
3.2*	Certificate of Amendment of Amended and Restated Certificate of Incorporation of CommScope Holding Company, Inc. (Incorporated by reference to Exhibit 3.2 of the Registrant’s Registration Statement on Form S-8 (File No. 333-256539), filed with the SEC on May 27, 2021).
10.1**	CommScope Holding Company, Inc. Annual Incentive Plan, as amended and restated February 21, 2023.
31.1 **	Certification of Principal Executive Officer pursuant to Rule 13a-14(a).
31.2 **	Certification of Principal Financial Officer pursuant to Rule 13a-14(a).
32.1 **	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32)(ii) of Regulation S-K).
101.INS	Inline XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Schema Document, furnished herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* Previously filed.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMSCOPE HOLDING COMPANY, INC.

May 3, 2023	/s/ Kyle D. Lorentzen
Date	Kyle D. Lorentzen
	Executive Vice President and Chief Financial Officer
	(Principal Financial Officer and duly authorized officer)

Exhibit 10.1

COMMSCOPE HOLDING COMPANY, INC.
ANNUAL INCENTIVE PLAN

AS AMENDED AND RESTATED

FEBRUARY 21, 2023

COMMSCOPE HOLDING COMPANY, INC.
ANNUAL INCENTIVE PLAN

ARTICLE 1
ESTABLISHMENT OF PLAN

1.1. PURPOSE. The purpose of this Plan is to enhance the Company's ability to attract, motivate, reward and retain employees, to strengthen their commitment to the success of the Company and to align their interests with those of the Company's stockholders by providing additional compensation to designated employees of the Company based on the achievement of performance objectives. To this end, the Plan provides for the payment of annual cash incentive awards to eligible employees of the Company, the payment of which will be based on the achievement of one or more Performance Objectives during a Plan Year. The Plan shall remain in effect for successive Plan Years unless and until terminated by the Committee pursuant to Article 6. Unless otherwise specified by the Committee or the CEO, as applicable, the Performance Objectives include Company Performance Objectives and Individual Performance Objectives. Company Performance Objectives are designed to focus on overall corporate, segment or business unit financial or operational results that drive stockholder value. Individual Performance Objectives are intended to measure individual goals and competencies and to motivate and reward outstanding individual performance.

1.2. EFFECTIVE DATE. This Plan was approved by the Committee and the Board on October 4, 2013, to be effective as of October 24, 2013. The Plan was amended by the Committee on February 17, 2016 and further amended and restated by the Committee on February 21, 2023.

ARTICLE 2
DEFINITIONS

2.1. DEFINITIONS. The following terms shall have the following meanings for purposes of this Plan, unless the context in which they are used clearly indicates that some other meaning is intended.

(a) "Affiliate" means (i) any Subsidiary or Parent, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.

(b) "Annual Incentive Award" means the cash incentive award payable to a Participant under this Plan calculated by reference to the achievement of applicable Performance Objectives, as determined in accordance with Article 5.

(c) "Base Salary" means a Participant's annual base salary actually paid by the Company and received by the Participant during the applicable performance period, based on salary earnings before reductions for such items as contributions under Section 401(k) of the Code. Base Salary does not include (i) Annual Incentive Awards under the Plan, (ii) long-term incentive awards, (iii) signing bonuses or any similar bonuses, (iv) cash payments received pursuant to the CommScope, Inc. Retirement Savings Plan, (v) imputed income from such programs as executive life insurance, or (vi) nonrecurring earnings such as moving expenses.

(d) "Beneficial Owner" shall have the meaning given such term in Rule 13d-3 of the General Rules and Regulations under the 1934 Act.

(e) “Board” means the Board of Directors of the Company.

(f) “CEO” means the Chief Executive Officer of the Company.

(g) “Change in Control” means and includes the occurrence of any one of the following events:

(i) during any consecutive 12-month period, individuals who, at the beginning of such period, constitute the Board (the “Incumbent Directors”) cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after the beginning of such 12-month period and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors (“Election Contest”) or other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board (“Proxy Contest”), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

(ii) any Person becomes a Beneficial Owner, directly or indirectly, of either (A) 35% or more of the then-outstanding shares of common stock of the Company (“Company Common Stock”) or (B) securities of the Company representing 35% or more of the combined voting power of the Company’s then outstanding securities eligible to vote for the election of directors (the “Company Voting Securities”); provided, however, that for purposes of this subsection (ii), the following acquisitions of Company Common Stock or Company Voting Securities shall not constitute a Change in Control: (w) an acquisition directly from the Company, (x) an acquisition by the Company or a Subsidiary, (y) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, or (z) an acquisition pursuant to a Non-Qualifying Transaction (as defined in subsection (iii) below); or

(iii) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or a Subsidiary (a “Reorganization”), or the sale or other disposition of all or substantially all of the Company’s assets (a “Sale”) or the acquisition of assets or stock of another corporation or other entity (an “Acquisition”), unless immediately following such Reorganization, Sale or Acquisition: (A) all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such Reorganization, Sale or Acquisition beneficially own, directly or indirectly, more than 35% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Reorganization, Sale or Acquisition (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets or stock either directly or through one or more subsidiaries, the “Surviving Entity”) in substantially the same proportions as their ownership, immediately prior to such Reorganization, Sale or Acquisition, of the outstanding Company Common Stock and the outstanding Company Voting Securities, as the case may be, and (B) no person (other than (x) the Company or any Subsidiary, (y) the Surviving Entity or its ultimate parent entity, or (z) any employee benefit plan (or related trust) sponsored or maintained by any of the foregoing) is the Beneficial Owner, directly or indirectly, of 35% or more of the total common stock or 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Entity, and (C) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization, Sale or Acquisition (any Reorganization, Sale or Acquisition which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction"); or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(h) "Code" means the Internal Revenue Code of 1986, as amended.

(i) "Committee" means the Compensation Committee of the Board.

(j) "Company" means CommScope Holding Company, Inc., a Delaware corporation, or any successor corporation

(k) "Company Performance Objectives" means the Company Performance Objectives established by the Committee or the CEO, as applicable, for a Plan Year, as provided in Article 5.

(l) "Disability" shall mean permanent disability, as provided in the Company's long-term disability plan.

(m) "Individual Performance Objectives" means the Individual Performance Objectives established for a Participant by the Committee or the CEO, as applicable, for a Plan Year, as provided in Article 5.

(n) "LTIP" means the CommScope Holding Company, Inc. Amended and Restated 2019 Long-Term Incentive Plan, and any subsequent equity compensation plan approved by the stockholders and designated by the Board as the LTIP for purposes of this Plan.

(o) "Parent" means a corporation, limited liability company, partnership or other entity which owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company.

(p) "Participant" means a person who, as an employee of the Company or any Affiliate, has been granted an Annual Incentive Award opportunity under the Plan; provided that in the case of the death of a Participant, the term "Participant" refers to a beneficiary designated by the Participant or the legal guardian or other legal representative acting in a fiduciary capacity on behalf of the Participant under applicable state law and court supervision.

(q) "Performance Objectives" means collectively, with respect to a Participant, any Company Performance Objectives and Individual Performance Objectives applicable to the Participant, as provided in Article 5.

(r) "Person" means any individual, entity or group, within the meaning of Section 3(a)(9) of the 1934 Act and as used in Section 13(d)(3) or 14(d)(2) of the 1934 Act.

(s) "Plan" means this CommScope Holding Company, Inc. Annual Incentive Plan, as amended from time to time.

(t) "Plan Year" means January 1 to December 31 of each year.

(u) "Retirement" shall mean (i) retirement at or after age 55 and the completion of 10 years of service with the Company or any of its Subsidiaries, (ii) retirement at or after age 65 or (iii) early retirement with the prior written approval of the Company.

(v) "Section 16 Officer" means a Participant who, as of the beginning of the applicable performance period, is an officer subject to Section 16 of the 1934 Act.

(w) "Subsidiary" means any corporation, limited liability company, partnership or other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

(x) "Target Award" has the meaning described in Section 5.2.

(y) "1933 Act" means the Securities Act of 1933, as amended from time to time.

(z) "1934 Act" means the Securities Exchange Act of 1934, as amended from time to time.

ARTICLE 3
ADMINISTRATION

3.1. COMMITTEE. This Plan shall be administered by the Committee.

3.2. AUTHORITY OF COMMITTEE. The Committee has the exclusive power, authority and discretion to:

(a) designate Participants for each Plan Year (by individual or employee class);

(b) establish and review Individual Performance Objectives and weightings for different Individual Performance Objectives for each Plan Year;

(c) establish and review Company Performance Objectives and weightings for different Company Performance Objectives for each Plan Year;

(d) establish Target Awards for Participants for each Plan Year;

(e) determine whether and to what extent Performance Objectives were achieved for each Plan Year;

(f) increase or decrease the Annual Incentive Award otherwise payable to any Participant resulting from the achievement of Company Performance Objectives and Individual Performance Objectives in any Plan Year, based on such objective or subjective factors as the Committee shall deem relevant;

(g) establish, adopt or revise any rules and regulations as it may deem necessary or advisable to administer this Plan;

(h) make all other decisions and determinations that may be required under this Plan or as the Committee deems necessary or advisable to administer this Plan;

(i) amend this Plan as provided herein; and

(j) delegate to the CEO any authority or responsibility to administer the Plan with respect to Participants who are not Section 16 Officers.

3.3. DECISIONS BINDING. The interpretation of this Plan by, and all decisions and determinations by, the Committee or the CEO, as applicable, with respect to this Plan are final, binding, and conclusive on all parties.

ARTICLE 4
ELIGIBILITY

4.1. DESIGNATION OF PARTICIPANTS. Each Plan Year, the Committee shall review and approve (individually, in the case of Section 16 Officers, or by group, in the case of other Participants) the Participants and their Target Awards for that Plan Year. Inclusion as a Participant in the Plan in any Plan Year does not guarantee that such Participant will receive any amount in payment of an Annual Incentive Award.

4.2. PARTIAL YEAR PARTICIPATION. Unless otherwise determined by the Committee or the CEO (with respect to individuals who are not Section 16 Officers) (i) if a Participant begins employment or is promoted to an eligible position after the beginning of a Plan Year but before October 1 of such Plan Year, such Participant will be eligible to receive an Annual Incentive Award for such Plan Year, which will be prorated based on the number of days such person participated in the Plan during the Plan Year; and (ii) if a Participant begins employment or is promoted to an eligible position after October 1 of a Plan Year, the Participant will not be eligible to receive an Annual Incentive Award for such Plan Year. If a Participant takes a leave of absence during the Plan Year for any reason, the Committee or the CEO (with respect to individuals who are not Section 16 Officers) in their discretion, may determine whether such employee may participate in this Plan and the terms of such participation, if any.

4.3. CHANGE IN ELIGIBLE POSITION. Unless otherwise determined by the Committee or the CEO (with respect to individuals who are not Section 16 Officers), if a Participant changes from one eligible position to another during a Plan Year, the Participant's Annual Incentive Award for such Plan Year will be prorated based on the number of days such person participated in the Plan during the Plan year in each respective position and shall be determined with respect to the Target Award and Performance Objectives relevant to such respective positions.

4.4. DEMOTIONS; TERMINATIONS. Unless otherwise determined by the Committee or the CEO (with respect to individuals who are not Section 16 Officers) if a Participant resigns, is terminated, or is demoted to a non-eligible position during the Plan Year, the Participant's Plan participation shall end at that time. Notwithstanding the foregoing, in the event of a Participant's death or Disability, the Committee or the CEO (with respect to individuals who are not Section 16 Officers) in their discretion, may determine whether such employee may participate in this Plan and if so, the terms of such participation pursuant to Section 5.6 hereof.

ARTICLE 5
OPERATION OF THE PLAN

5.1. PLAN STRUCTURE. Subject to the terms and conditions described herein, each Participant shall be eligible to receive an Annual Incentive Award for the Plan Year if certain Performance Objectives are met or exceeded by the Company and, if applicable, the Participant. Each Plan Year, Performance Objectives and their respective weightings and Target Awards shall be established as provided in Sections 5.2, 5.3 and 5.4 hereof.

5.2. ESTABLISHMENT OF TARGET AWARDS. Each Participant shall have a target award, reflected as a specified amount or a percentage of his or her Base Salary, that will be awarded to the Participant for the designated Plan Year if the established Performance Objectives are achieved at the target level (the "Target Award"). Each Plan Year, (i) the Committee shall approve the Target Award for each Participant that is a Section 16 Officer, (ii) the CEO shall approve the Target Award for all Participants other than Section 16 Officers, and (iii) the Committee shall approve the aggregate cost of Target Awards for all Participants other than Section 16 Officers. Each Participant's Target Award percentage will be communicated in writing to the Participant upon such Participant's initial participation in the Plan, and shall remain in effect until any change thereto is communicated to the Participant in writing. The actual Annual Incentive Award to a Participant may be greater or less than his or her Target Award, depending on the level of achievement of applicable Performance Objectives and such other objective or subjective factors as the Committee with respect to Section 16 Officers or the CEO with respect to individuals who are not Section 16 Officers, as applicable, shall deem relevant.

5.3. COMPANY PERFORMANCE OBJECTIVES. Each Plan Year, (i) the Committee shall approve Company Performance Objectives for that Plan Year for the Section 16 Officers, and (ii) the CEO shall approve Company Performance Objectives for that Plan Year for other Participants. The Company Performance Objectives may relate to performance at the corporate, segment or business unit level. The Company Performance Objectives will be communicated in writing to the Participants. In establishing Company Performance Objectives, the Committee or the CEO, as applicable, may take into account such factors as it deems appropriate, including, without limitation, prior year results, planned business results, anticipated business trends, performance relative to peer companies and macroeconomic conditions.

5.4. INDIVIDUAL PERFORMANCE OBJECTIVES. Each Plan Year, (i) the Committee shall approve any Individual Performance Objectives for that Plan Year for the Section 16 Officers, and (ii) the CEO shall approve Individual Performance Objectives for that Plan Year for other Participants. Any such Individual Performance Objectives will be communicated in writing to the Participants. In addition, whether or not written Individual Performance Objectives are established for a Plan Year, the Committee with respect to Section 16 Officers or the CEO with respect to individuals who are not Section 16 Officers, as applicable, reserves the right to increase or decrease a Participant's Annual Incentive Award based on a subjective assessment of the Participant's overall performance during the Plan Year.

5.5. PAYOUT FORM AND TIMING. Annual Incentive Awards will be paid in a lump sum in cash as soon as administratively practicable after the Committee or the CEO (in the case of Participants that are not Section 16 Officers) determines whether and to what extent Performance Objectives were achieved, but in any event during the calendar year following the end of the Plan Year for which the Annual Incentive Awards, if any, were earned; provided that any Annual Incentive Award which is properly deferred by a Participant under a deferred compensation plan or arrangement adopted or approved by the Company shall be paid pursuant to the terms and conditions of such deferral.

5.6. TERMINATION OF EMPLOYMENT. Unless otherwise determined by (i) the Committee in its discretion or (ii) the CEO in his or her discretion with respect to a Participant who is not a Section 16 Officer, and subject to any contrary provision in an individual employment, key position, severance or similar agreement with a Participant, a Participant must be actively employed and in good standing or on approved leave of absence as of the date of payment in order to be eligible to receive an Annual Incentive Award for such Plan Year, and a Participant whose employment terminates for any reason prior to the date of payment shall forfeit his or her right to receive an Annual Incentive Award for such Plan Year. Notwithstanding the foregoing, pursuant to Section 4.4, the Committee or the CEO (with respect to individuals who are not Section 16 Officers) may determine, in their discretion and on a case-by-case basis, that a Participant whose employment is terminated on account of death, Disability or Retirement shall remain eligible to receive a portion of his or her Annual Incentive Award, based on actual achievement of applicable Performance Objectives and prorated based on the number of days that the Participant was actively employed and performed services during the applicable performance period. Any amounts paid on behalf of a deceased Participant will be paid to the Participant's beneficiary.

5.7. CHANGE IN CONTROL. In the event a Change in Control occurs during a Plan Year, unless otherwise determined by the Committee, a pro rata portion of the Target Award amounts for that Plan Year (based on the number of days in the Plan Year preceding the Change in Control, divided by 365) shall be deemed earned, notwithstanding the level of achievement of Performance Objectives. Such prorata Target Awards shall be paid to Participants no later than thirty (30) days after the effective date of the Change in Control and, unless other determined by the Company in its sole discretion, such payments shall be in full satisfaction of any awards under the Plan for such Plan Year and no additional amounts shall be payable to Participants under the Plan with respect to such Plan Year.

ARTICLE 6
AMENDMENT, MODIFICATION AND TERMINATION

6.1. AMENDMENT, MODIFICATION AND TERMINATION. The Committee may, at any time and from time to time, amend, modify or terminate this Plan. The Committee may condition any amendment or modification on the approval of stockholders of the Company if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations.

6.2. TERMINATION DURING PLAN YEAR. Termination or amendment of this Plan during a Plan Year may be retroactive to the beginning of the Plan Year, at the discretion of the Committee. If a Change in Control occurs, no amendment or termination may adversely affect amounts payable to a Participant without the consent of the Participant.

ARTICLE 7
GENERAL PROVISIONS

7.1. NO RIGHT TO PARTICIPATE. No employee shall have any right to be selected to participate in this Plan.

7.2. NO RIGHT TO EMPLOYMENT. Nothing in this Plan shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Affiliate.

7.3. WITHHOLDING. The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy applicable taxes (including, without limitation, federal, state, local and foreign taxes, and the Participant's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of this Plan.

7.4. FUNDING. Benefits payable under this Plan to a Participant or to a beneficiary will be paid by the Company from its general assets. The Company is not required to segregate on its books or otherwise establish any funding procedure for any amount to be used for the payment of benefits under this Plan. The Company may, however, in its sole discretion, set funds aside in investments to meet its anticipated obligations under this Plan. Any such action or set-aside may not be deemed to create a trust of any kind between the Company and any Participant or beneficiary or to constitute the funding of any Plan benefits. Consequently, any person entitled to a payment under this Plan will have no rights greater than the rights of any other unsecured creditor of the Company.

7.5. EXPENSES. The expenses of administering this Plan shall be borne by the Company and its Subsidiaries.

7.6. TITLES AND HEADINGS. The titles and headings of the Sections in this Plan are for convenience of reference only, and in the event of any conflict, the text of this Plan, rather than such titles or headings, shall control.

7.7. GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

7.8. GOVERNING LAW. To the extent not governed by federal law, this Plan shall be construed in accordance with and governed by the laws of the State of Delaware.

7.9. COMPENSATION RECOUPMENT POLICY. Annual Incentive Awards granted under this Plan shall be subject to any compensation recoupment policy that the Company may adopt from time to time that is applicable by its terms to the recipient of such award.

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The foregoing is hereby acknowledged as being the CommScope Holding Company, Inc. Annual Incentive Plan as adopted by the Board to be effective as of October 24, 2013, as amended February 17, 2016, and further amended and restated as of February 21, 2023.

COMMSCOPE HOLDING COMPANY, INC.

By: /s/ Justin C. Choi
Its: Senior Vice President

Exhibit 31.1

MANAGEMENT CERTIFICATION

I, Charles L. Treadway, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CommScope Holding Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 3, 2023

/s/ Charles L. Treadway

Name:	Charles L. Treadway
Title:	President, Chief Executive Officer and Director (Principal Executive Officer)

Exhibit 31.2

MANAGEMENT CERTIFICATION

I, Kyle D. Lorentzen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CommScope Holding Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: May 3, 2023

/s/ Kyle D. Lorentzen

Name:	Kyle D. Lorentzen
Title:	Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of CommScope Holding Company, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Charles L. Treadway, President, Chief Executive Officer and Director of the Company, and Kyle D. Lorentzen, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350 as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 3, 2023

/s/ Charles L. Treadway
Charles L. Treadway
President, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Kyle D. Lorentzen
Kyle D. Lorentzen
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)