

CommScope Holding Company, Inc.  
Form 10-Q  
July 28, 2016

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 June 30, 2016

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 (I.R.S. Employer  
incorporation or organization) Identification No.)

1100 CommScope Place, SE

Hickory, North Carolina

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(Address of principal executive offices)

28602

(Zip Code)

(828) 324-2200

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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 July 14, 2016 there were 192,638,390 shares of Common Stock outstanding.

CommScope Holding Company, Inc.

Form 10-Q

June 30, 2016

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## Part 1 -- Financial Information (Unaudited)

## ITEM 1. Condensed Consolidated Financial Statements

CommScope Holding Company, Inc.

Condensed Consolidated Statements of Operations

and Comprehensive Income

(Unaudited - In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
Net sales	\$1,306,788	\$867,290	\$2,450,767	\$1,692,690
Operating costs and expenses:				
Cost of sales	753,029	552,595	1,449,917	1,084,791
Selling, general and administrative	234,333	130,797	443,530	256,468
Research and development	51,934	27,982	104,124	55,718
Amortization of purchased intangible assets	76,015	44,624	149,631	89,410
Restructuring costs, net	7,605	1,894	13,677	3,765
Asset impairments	—	—	15,293	—
Total operating costs and expenses	1,122,916	757,892	2,176,172	1,490,152
Operating income	183,872	109,398	274,595	202,538
Other income (expense), net	(14,653 )	86	(14,352 )	2,713
Interest expense	(74,113 )	(49,036 )	(146,675 )	(85,365 )
Interest income	1,148	1,031	3,727	2,060
Income before income taxes	96,254	61,479	117,295	121,946
Income tax expense	(34,293 )	(15,887 )	(42,754 )	(36,878 )
Net income	\$61,961	\$45,592	\$74,541	\$85,068
Earnings per share:				
Basic	\$0.32	\$0.24	\$0.39	\$0.45
Diluted	\$0.32	\$0.24	\$0.38	\$0.44
Weighted average shares outstanding:				
Basic	192,241	189,682	191,996	189,084
Diluted	196,073	194,004	195,815	193,570
Comprehensive income:				
Net income	\$61,961	\$45,592	\$74,541	\$85,068
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss)	(46,591 )	11,638	(307 )	(17,850 )
Pension and other postretirement benefit activity	(2,404 )	(1,586 )	(3,135 )	(3,173 )
Available-for-sale securities	(1,411 )	(1,147 )	(2,134 )	(4,136 )
Total other comprehensive income (loss), net of tax	(50,406 )	8,905	(5,576 )	(25,159 )
Total comprehensive income	\$11,555	\$54,497	\$68,965	\$59,909

See notes to unaudited condensed consolidated financial statements.

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CommScope Holding Company, Inc.

Condensed Consolidated Balance Sheets

(Unaudited - In thousands, except share amounts)

	June 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$516,043	\$ 562,884
Accounts receivable, less allowance for doubtful accounts of \$16,365 and \$19,392, respectively	993,013	833,041
Inventories, net	465,685	441,815
Prepaid expenses and other current assets	128,756	166,900
Total current assets	2,103,497	2,004,640
Property, plant and equipment, net of accumulated depreciation of \$275,457 and \$243,806, respectively	505,432	528,706
Goodwill	2,797,234	2,690,636
Other intangible assets, net	1,982,792	2,147,483
Other noncurrent assets	125,593	131,166
Total assets	\$7,514,548	\$ 7,502,631
Liabilities and Stockholders' Equity		
Accounts payable	\$456,830	\$ 300,829
Other accrued liabilities	400,540	371,743
Current portion of long-term debt	12,500	12,520
Total current liabilities	869,870	685,092
Long-term debt	4,935,355	5,231,131
Deferred income taxes	227,060	202,487
Pension and other postretirement benefit liabilities	38,633	37,102
Other noncurrent liabilities	123,425	124,099
Total liabilities	6,194,343	6,279,911
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: None	—	—
Common stock, \$0.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 192,618,113 and 191,368,727, respectively	1,937	1,923
Additional paid-in capital	2,247,504	2,216,202
Retained earnings (accumulated deficit)	(737,853 )	(812,394 )
Accumulated other comprehensive loss	(177,254 )	(171,678 )
Treasury stock, at cost: 1,096,926 shares and 986,222 shares, respectively	(14,129 )	(11,333 )
Total stockholders' equity	1,320,205	1,222,720
Total liabilities and stockholders' equity	\$7,514,548	\$ 7,502,631

See notes to unaudited condensed consolidated financial statements.



## CommScope Holding Company, Inc.

## Condensed Consolidated Statements of Cash Flows

(Unaudited - In thousands)

	Six Months Ended June 30,	
	2016	2015
<b>Operating Activities:</b>		
Net income	\$74,541	\$85,068
Adjustments to reconcile net income to net cash generated by operating activities:		
Depreciation and amortization	200,497	125,723
Equity-based compensation	18,246	15,378
Deferred income taxes	(48,319 )	(34,129 )
Asset impairments	15,293	—
Excess tax benefits from equity-based compensation	(6,728 )	(14,164 )
Changes in assets and liabilities:		
Accounts receivable	(137,532)	(118,257 )
Inventories	(18,386 )	9,038
Prepaid expenses and other assets	10,139	5,877
Accounts payable and other liabilities	164,855	(2,269 )
Other	(4,010 )	1,001
Net cash generated by operating activities	268,596	73,266
<b>Investing Activities:</b>		
Additions to property, plant and equipment	(32,184 )	(24,081 )
Proceeds from sale of property, plant and equipment	3,740	173
Net purchase price adjustment	6,263	—
Acquisition funds held in escrow	—	(2,746,875)
Other	1,656	3,097
Net cash used in investing activities	(20,525 )	(2,767,686)
<b>Financing Activities:</b>		
Long-term debt repaid	(306,270)	(502,517 )
Long-term debt proceeds	—	3,246,875
Long-term debt financing costs	—	(9,025 )
Proceeds from the issuance of common shares under equity-based compensation plans		
	6,991	16,951
Excess tax benefits from equity-based compensation	6,728	14,164
Tax withholding payments for vested equity-based compensation awards	(2,796 )	—
Net cash generated by (used in) financing activities	(295,347)	2,766,448
Effect of exchange rate changes on cash and cash equivalents		