

CommScope Holding Company, Inc.

Form 10-Q

July 31, 2014

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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, 2014

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 333 - 190354

CommScope Holding Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
27-4332098
(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)

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 23, 2014 there were 187,213,819 shares of Common Stock outstanding.

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Form 10-Q

June 30, 2014

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Table of Contents**Part 1 Financial Information (Unaudited)****ITEM 1. Condensed Consolidated Financial Statements****CommScope Holding Company, Inc.****Condensed Consolidated Statements of Operations****and Comprehensive Income (Loss)****(Unaudited - In thousands, except per share amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net sales	\$ 1,066,256	\$ 940,859	\$ 2,001,292	\$ 1,745,548
Operating costs and expenses:				
Cost of sales	654,605	607,035	1,251,930	1,146,650
Selling, general and administrative	121,070	123,411	234,098	232,393
Research and development	33,082	33,846	64,952	63,796
Amortization of purchased intangible assets	44,306	43,685	88,604	86,965
Restructuring costs, net	2,309	9,730	4,289	11,533
Asset impairments	7,229	28,848	7,229	34,482
Total operating costs and expenses	862,601	846,555	1,651,102	1,575,819
Operating income	203,655	94,304	350,190	169,729
Other expense, net	(88,791)	(1,831)	(91,986)	(5,272)
Interest expense	(63,625)	(48,052)	(105,905)	(93,837)
Interest income	1,111	906	2,215	1,610
Income before income taxes	52,350	45,327	154,514	72,230
Income tax expense	(24,307)	(44,206)	(61,984)	(55,209)
Net income	\$ 28,043	\$ 1,121	\$ 92,530	\$ 17,021
Earnings per share:				
Basic	\$ 0.15	\$ 0.01	\$ 0.50	\$ 0.11
Diluted	\$ 0.15	\$ 0.01	\$ 0.49	\$ 0.11
Weighted average shares outstanding:				
Basic	186,509	154,885	186,226	154,883
Diluted	190,984	158,316	190,694	157,480

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Comprehensive income (loss):								
Net income	\$	28,043	\$	1,121	\$	92,530	\$	17,021
Other comprehensive income (loss), net of tax:								
Foreign currency gain (loss)		2,356		(10,682)		3,983		(16,613)
Pension and other postretirement benefit activity		(1,551)		(1,355)		(3,102)		(2,712)
Gain on available-for-sale securities		18,694				18,694		
Total other comprehensive income (loss), net of tax		19,499		(12,037)		19,575		(19,325)
Total comprehensive income (loss)	\$	47,542	\$	(10,916)	\$	112,105	\$	(2,304)

See notes to unaudited condensed consolidated financial statements.

Table of Contents**CommScope Holding Company, Inc.****Condensed Consolidated Balance Sheets****(Unaudited - In thousands, except share amounts)**

	June 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 481,049	\$ 346,320
Accounts receivable, less allowance for doubtful accounts of \$12,823 and \$12,617, respectively	777,768	607,489
Inventories, net	449,367	372,187
Prepaid expenses and other current assets	82,923	71,818
Deferred income taxes	51,752	55,609
Total current assets	1,842,859	1,453,423
Property, plant and equipment, net of accumulated depreciation of \$203,392 and \$183,965, respectively	300,816	310,143
Goodwill	1,446,109	1,450,506
Other intangible assets, net	1,326,586	1,422,192
Other noncurrent assets	138,009	97,791
Total assets	\$ 5,054,379	\$ 4,734,055
Liabilities and Stockholders Equity		
Accounts payable	\$ 312,303	\$ 251,639
Other accrued liabilities	281,777	332,280
Current portion of long-term debt	9,063	9,462
Total current liabilities	603,143	593,381
Long-term debt	2,701,987	2,505,090
Deferred income taxes	383,462	386,527
Pension and other postretirement benefit liabilities	33,027	40,349
Other noncurrent liabilities	109,932	120,692
Total liabilities	3,831,551	3,646,039
Commitments and contingencies		
Stockholders equity:		
Preferred stock, \$.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: None at June 30, 2014 and December 31, 2013		
Common stock, \$.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 187,170,919 and 185,861,777 at June 30, 2014 and December 31, 2013, respectively	1,881	1,868

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Additional paid-in capital	2,124,044	2,101,350
Retained earnings (accumulated deficit)	(885,761)	(978,291)
Accumulated other comprehensive loss	(6,701)	(26,276)
Treasury stock, at cost: 961,566 shares at June 30, 2014 and December 31, 2013	(10,635)	(10,635)
Total stockholders' equity	1,222,828	1,088,016
Total liabilities and stockholders' equity	\$ 5,054,379	\$ 4,734,055

See notes to unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2014	2013
Operating Activities:		
Net income	\$ 92,530	\$ 17,021
Adjustments to reconcile net income to net cash (used in) generated by operating activities:		
Depreciation and amortization	138,481	121,937
Equity-based compensation	10,171	9,087
Deferred income taxes	(11,495)	5,776
Asset impairments	7,229	34,482
Excess tax benefits from equity-based compensation	(6,987)	(9)
Changes in assets and liabilities:		
Accounts receivable	(168,817)	(130,207)
Inventories	(76,456)	(61,142)
Prepaid expenses and other assets	(19,426)	(8,835)
Accounts payable and other liabilities	(5,182)	25,182
Other	(8,925)	10,859
Net cash (used in) generated by operating activities	(48,877)	24,151
Investing Activities:		
Additions to property, plant and equipment	(16,191)	(16,027)
Proceeds from sale of property, plant and equipment	1,446	1,056
Cash refunded from (paid for) acquisitions	4,745	(34,000)
Other	7,299	2,902
Net cash used in investing activities	(2,701)	(46,069)
Financing Activities:		
Long-term debt repaid	(1,119,789)	(172,449)
Long-term debt proceeds	1,315,000	716,963
Long-term debt financing costs	(22,738)	(12,803)
Proceeds from the issuance of common shares under equity-based compensation plans	7,942	
Excess tax benefits from equity-based compensation	6,987	9
Dividends paid		(538,705)
Cash paid to stock option holders		(7,188)
Other		(32)
Net cash generated by (used in) financing activities	187,402	(14,205)

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Effect of exchange rate changes on cash and cash equivalents	(1,095)	(4,642)
Change in cash and cash equivalents	134,729	(40,765)
Cash and cash equivalents, beginning of period	346,320	264,375
Cash and cash equivalents, end of period	\$ 481,049	\$ 223,610

See notes to unaudited condensed consolidated financial statements.

Table of Contents**CommScope Holding Company, Inc.****Condensed Consolidated Statements of Stockholders Equity****(Unaudited - In thousands, except share amounts)**

	Six Months Ended June 30,	
	2014	2013
Number of common shares outstanding:		
Balance at beginning of period	185,861,777	154,879,299
Issuance of shares under equity-based compensation plans	1,309,142	30,567
Shares repurchased under equity-based compensation plans		(25,266)
Balance at end of period	187,170,919	154,884,600
Common stock:		
Balance at beginning and end of period	\$ 1,868	\$ 1,558
Issuance of shares under equity-based compensation plans	13	
Balance at end of period	\$ 1,881	\$ 1,558
Additional paid-in capital:		
Balance at beginning of period	\$ 2,101,350	\$ 1,655,379
Issuance of shares under equity-based compensation plans	7,929	279
Equity-based compensation	7,778	6,630
Tax benefit from shares issued under equity-based compensation plans	6,987	9
Balance at end of period	\$ 2,124,044	\$ 1,662,297
Retained earnings (accumulated deficit):		
Balance at beginning of period	\$ (978,291)	\$ (447,687)
Net income	92,530	17,021
Dividends paid		(538,705)
Cash paid to stock option holders		(11,295)
Balance at end of period	\$ (885,761)	\$ (980,666)