CommScope Holding Company, Inc.
Form 10-Q
July 28, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

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	**27-4332098**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**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 x 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 x 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 x	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 x

As of July 15, 2015 there were 189,989,161 shares of Common Stock outstanding.

Table of Contents

CommScope Holding Company, Inc.

Form 10-Q

June 30, 2015

Table of Contents

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

(Unaudited - In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	$ 867,290	$ 1,066,256	$ 1,692,690	$ 2,001,292
Operating costs and expenses:				
Cost of sales	552,595	654,605	1,084,791	1,251,930
Selling, general and administrative	130,797	121,070	256,468	234,098
Research and development	27,982	33,082	55,718	64,952
Amortization of purchased intangible assets	44,624	44,306	89,410	88,604
Restructuring costs, net	1,894	2,309	3,765	4,289
Asset impairments		7,229		7,229
Total operating costs and expenses	757,892	862,601	1,490,152	1,651,102
Operating income	109,398	203,655	202,538	350,190
Other income (expense), net	86	(88,791)	2,713	(91,986)
Interest expense	(49,036)	(63,625)	(85,365)	(105,905)
Interest income	1,031	1,111	2,060	2,215
Income before income taxes	61,479	52,350	121,946	154,514
Income tax expense	(15,887)	(24,307)	(36,878)	(61,984)
Net income	$ 45,592	$ 28,043	$ 85,068	$ 92,530
Earnings per share:				
Basic	$ 0.24	$ 0.15	$ 0.45	$ 0.50
Diluted	$ 0.24	$ 0.15	$ 0.44	$ 0.49
Weighted average shares outstanding:				
Basic	189,682	186,509	189,084	186,226
Diluted	194,004	190,984	193,570	190,694
Comprehensive income:				
Net income	$ 45,592	$ 28,043	$ 85,068	$ 92,530
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss)	11,638	2,356	(17,850)	3,983
Pension and other postretirement benefit activity	(1,586)	(1,551)	(3,173)	(3,102)

Available-for-sale securities	(1,147)	18,694	(4,136)	18,694
Total other comprehensive income (loss), net of tax	8,905	19,499	(25,159)	19,575
Total comprehensive income	$ 54,497	$ 47,542	$ 59,909	$ 112,105

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, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$ 792,959	$ 729,321
Accounts receivable, less allowance for doubtful accounts of $10,544 and $8,797, respectively	718,333	612,007
Inventories, net	352,777	367,185
Prepaid expenses and other current assets	59,180	67,875
Deferred income taxes	49,627	51,230
Total current assets	1,972,876	1,827,618
Property, plant and equipment, net of accumulated depreciation of $225,599 and $207,342, respectively	286,134	289,371
Goodwill	1,450,847	1,451,887
Other intangible assets, net	1,171,496	1,260,927
Funds restricted for acquisition	2,746,875	
Other noncurrent assets	83,875	87,255
Total assets	$ 7,712,103	$ 4,917,058
Liabilities and Stockholders Equity		
Accounts payable	$ 248,473	$ 177,806
Other accrued liabilities	269,414	289,006
Current portion of long-term debt	12,554	9,001
Total current liabilities	530,441	475,813
Long-term debt	5,346,340	2,659,897
Deferred income taxes	303,093	339,945
Pension and other postretirement benefit liabilities	19,869	29,478
Other noncurrent liabilities	102,088	104,306
Total liabilities	6,301,831	3,609,439
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: None at June 30, 2015 or December 31, 2014		
Common stock, $.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 189,953,618 and 187,831,389 at June 30, 2015 and December 31, 2014, respectively	1,909	1,888
Additional paid-in capital	2,184,156	2,141,433
Retained earnings (accumulated deficit)	(656,451)	(741,519)

Accumulated other comprehensive loss	(108,707)	(83,548)
Treasury stock, at cost: 961,566 shares at June 30, 2015 and December 31, 2014	(10,635)	(10,635)
Total stockholders equity	1,410,272	1,307,619
Total liabilities and stockholders equity	$ 7,712,103	$ 4,917,058

See notes to unaudited condensed consolidated financial statements.

3

Table of Contents

CommScope Holding Company, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited - In thousands)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Operating Activities:		
Net income	$ 85,068	$ 92,530
Adjustments to reconcile net income to net cash generated by (used in) operating activities:		
Depreciation and amortization	125,723	138,481
Equity-based compensation	15,378	10,171
Deferred income taxes	(34,129)	(11,495)
Asset impairments		7,229
Excess tax benefits from equity-based compensation	(14,164)	(6,987)
Changes in assets and liabilities:		
Accounts receivable	(118,257)	(168,817)
Inventories	9,038	(76,456)
Prepaid expenses and other assets	5,877	(19,426)
Accounts payable and other liabilities	(2,269)	(5,182)
Other	1,001	(8,925)
Net cash generated by (used in) operating activities	73,266	(48,877)
Investing Activities:		
Additions to property, plant and equipment	(24,081)	(16,191)
Proceeds from sale of property, plant and equipment	173	1,446
Cash refunded from acquisitions		4,745
Acquisition funds held in escrow	(2,746,875)	
Other	3,097	7,299
Net cash used in investing activities	(2,767,686)	(2,701)
Financing Activities:		
Long-term debt repaid	(502,517)	(1,119,789)
Long-term debt proceeds	3,246,875	1,315,000
Long-term debt financing costs	(9,025)	(22,738)
Proceeds from the issuance of common shares under equity-based compensation plans	16,951	7,942
Excess tax benefits from equity-based compensation	14,164	6,987
Net cash generated by financing activities	2,766,448	187,402
Effect of exchange rate changes on cash and cash equivalents	(8,390)	(1,095)
Change in cash and cash equivalents	63,638	134,729

Cash and cash equivalents, beginning of period	729,321	346,320
Cash and cash equivalents, end of period	$ 792,959	$ 481,049

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,			
	2015		2014	
Number of common shares outstanding:				
Balance at beginning of period		187,831,389		185,861,777
Issuance of shares under equity-based compensation plans		2,122,229		1,309,142
Balance at end of period		189,953,618		187,170,919
Common stock:				
Balance at beginning of period	$	1,888	$	1,868
Issuance of shares under equity-based compensation plans		21		13
Balance at end of period	$	1,909	$	1,881
Additional paid-in capital:				
Balance at beginning of period	$	2,141,433	$	2,101,350
Issuance of shares under equity-based compensation plans		16,930		7,929
Equity-based compensation		11,714		7,778
Tax benefit from shares issued under equity-based compensation plans		14,079		6,987
Balance at end of period	$	2,184,156	$	2,124,044
Retained earnings (accumulated deficit):				
Balance at beginning of period	$	(741,519)	$	(978,291)
Net income		85,068		92,530
Balance at end of period	$	(656,451)	$	(885,761)
Accumulated other comprehensive loss:				
Balance at beginning of period	$	(83,548)	$	(26,276)
Other comprehensive income (loss), net of tax		(25,159)		19,575
Balance at end of period	$	(108,707)	$	(6,701)
Treasury stock, at cost:				
Balance at beginning and end of period	$	(10,635)	$	(10,635)
Total stockholders equity	$	1,410,272	$	1,222,828

See notes to unaudited condensed consolidated financial statements.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

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 essential infrastructure solutions for wireless, business enterprise and residential broadband networks. The Company s solutions and services for wired and wireless networks enable high-bandwidth data, video and voice applications. 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.

In January 2015, the Company announced an agreement to acquire TE Connectivity s Telecom, Enterprise and Wireless business, also referred to as Broadband Network Solutions (BNS), in an all-cash transaction valued at approximately $3.0 billion. This business provides fiber optic connectivity for wireline and wireless networks and generated annual revenues of approximately $1.9 billion in its fiscal year ended September 26, 2014.

In June 2015, the Company borrowed $2.75 billion to be used, along with cash on hand, to fund the BNS acquisition. The proceeds of the financing are being held in escrow until the completion of the BNS acquisition. See Note 5 for additional discussion of the financing transactions. The BNS acquisition is expected to close within the next few months, subject to regulatory approvals and other customary closing conditions. During the three and six months ended June 30, 2015, the Company recorded transaction and integration costs in selling, general and administrative (SG&A) expense of $9.9 million and $21.3 million, respectively, primarily related to the proposed acquisition.

Basis of Presentation

The Condensed Consolidated Balance Sheet as of June 30, 2015, the Condensed Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2015 and 2014, and the Condensed Consolidated Statements of Cash Flows and Stockholders Equity for the six months ended June 30, 2015 and 2014 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 the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) 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. 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 Company s Annual Report on Form 10-K for the year ended December 31, 2014 (the 2014 Annual Report). There were no changes in the Company s significant accounting policies during the three or six months ended June 30, 2015. In addition, the Company reaffirms the use of estimates in the preparation of the financial statements as set forth in the audited consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements.

As of June 30, 2015, the Company adopted new accounting guidance that requires debt issuance costs related to a recognized debt liability be reported as a direct deduction from the carrying amount of that debt liability. The guidance has been applied retrospectively to the prior period presented. The adoption of this accounting guidance reduced the Company s other noncurrent assets and long-term debt by the amount of unamortized debt issuance costs. As of June 30, 2015 and December 31, 2014, this amount was $97.7 million and $38.8 million, respectively.

Concentrations of Risk and Related Party Transactions

Net sales to Anixter International Inc. and its affiliates (Anixter) accounted for approximately 13% of the Company s total net sales during the three and six months ended June 30, 2015. Net sales to Anixter accounted for approximately 11% of the Company s total net sales during the three and six months ended June 30, 2014. Sales to Anixter primarily originate within the Enterprise segment. Other than Anixter, no direct customer accounted for 10% or more of the Company s total net sales for the three or six months ended June 30, 2015 or 2014.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

Accounts receivable from Anixter represented approximately 12% of accounts receivable as of June 30, 2015. Other than Anixter, no direct customer accounted for 10% or more of the Company s accounts receivable as of June 30, 2015.

As of June 30, 2015, funds affiliated with The Carlyle Group (Carlyle) owned 32.2% of the outstanding shares of CommScope.

Product Warranties

The Company recognizes a liability for the estimated claims that may be paid under its customer warranty agreements to remedy potential deficiencies of quality or performance of the Company s products. These product warranties extend over periods ranging from one to twenty-five years from the date of sale, depending upon the product subject to the warranty. 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 other accrued liabilities:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Product warranty accrual, beginning of period	$ 15,366	$ 22,938	$ 17,054	$ 24,838
Provision for warranty claims	2,372	2,662	3,914	4,931
Warranty claims paid	(2,544)	(3,805)	(5,774)	(7,974)
Product warranty accrual, end of period	$ 15,194	$ 21,795	$ 15,194	$ 21,795

Commitments and Contingencies

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

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

Property, plant and equipment and intangible assets with finite lives 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 carried at estimated fair value. There were no significant asset impairments identified during the three or six months ended June 30, 2015. During the three months ended June 30, 2014, as a result of revisions to the business plan for a particular product line, the Company determined that certain intangible assets in the Broadband segment were no longer recoverable and a $7.2 million impairment charge was recorded.

Income Taxes

The effective income tax rate of 25.8% and 30.2% for the three and six months ended June 30, 2015 was lower than the statutory rate of 35% primarily due to the impact of earnings in foreign jurisdictions that the Company does not plan to repatriate. Such earnings are generally taxed at rates lower than the U.S. statutory rate. In addition, the effective income tax rate for the three and six months ended June 30, 2015 was also affected by a reduction in tax expense related to uncertain tax positions as well as an unfavorable rate impact resulting from the provision for state income taxes and losses in certain jurisdictions where the Company did not recognize tax benefits due to the likelihood of them not being realizable.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

The effective income tax rate of 46.4% and 40.1% for the three and six months ended June 30, 2014, respectively, was higher than the statutory rate of 35% primarily due to increases in valuation allowances for foreign tax credit carryforwards, losses in certain jurisdictions where the Company did not recognize tax benefits due to the likelihood of them not being realizable, the provision for state income taxes and certain tax costs associated with repatriation of foreign earnings. In addition, no tax benefit was recognized on the $7.2 million asset impairment charge recorded during the second quarter of 2014. These items were partially offset by gains of $6.6 million and $12.0 million in the three and six months ended June 30, 2014, respectively, that resulted from the reduction in the estimated fair value of contingent consideration payable, which was not subject to tax. The Company also recognized a reduction in tax expense during the six months ended June 30, 2014 related to uncertain tax positions for which the statutes of limitations had lapsed.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on net income divided by the weighted average number of common shares outstanding plus the dilutive effect of potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding equity-based awards (stock options, performance share units and restricted stock units). Certain outstanding equity-based awards were not included in the computation of diluted earnings per share because the effect was either antidilutive or the performance conditions were not met (1.8 million shares and 1.5 million shares for the three and six months ended June 30, 2015, respectively, and 2.2 million shares and 1.9 million shares for the three and six months ended June 30, 2014, respectively).

The following table presents the basis for the earnings per share computations (per share amounts not in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator:				
Net income for basic and diluted earnings per share	$ 45,592	$ 28,043	$ 85,068	$ 92,530
Denominator:				
Weighted average shares outstanding basic	189,682	186,509	189,084	186,226
Dilutive effect of equity-based awards	4,322	4,475	4,486	4,468
Weighted average common shares outstanding diluted	194,004	190,984	193,570	190,694

Earnings per share:								
Basic	$	0.24	$	0.15	$	0.45	$	0.50
Diluted	$	0.24	$	0.15	$	0.44	$	0.49

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. This guidance defines how companies report revenues from contracts with customers and also requires enhanced disclosures. In July 2015, the FASB voted to defer the effective date by one year, with early adoption on the original effective date permitted. The Company will be required to adopt the standard as of January 1, 2018 and early adoption is permitted as of January 1, 2017. The Company has not determined the transition approach that will be utilized or estimated the impact of adopting the new accounting standard.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

2. ACQUISITIONS

Alifabs Group

In July 2014, the Company acquired two businesses of United Kingdom-based Alifabs Group (Alifabs) for $48.8 million ($46.7 million, net of cash acquired). Alifabs is a designer and supplier of enclosures, monopoles, smaller streetworks towers and tower solutions for the United Kingdom telecommunications, utility and energy markets. Sales of Alifabs products reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income were $9.2 million and $20.4 million, respectively, for the three and six months ended June 30, 2015.

The allocation of the purchase price, based on the estimated fair value of assets acquired and liabilities assumed, is as follows (in millions):

Cash and cash equivalents	$ 2.1
Other current assets	15.7
Identifiable intangible assets	26.9
Goodwill	15.3
Other noncurrent assets	0.6
Less: Liabilities assumed	(11.8)
Net acquisition cost	$ 48.8

The goodwill arising from the purchase price allocation of the Alifabs acquisition is believed to result from the company s reputation in the marketplace and assembled workforce and is not expected to be deductible for income tax purposes.

Redwood Systems, Inc.

In July 2013, the Company acquired Redwood Systems, Inc. (Redwood), for an initial payment of $9.8 million and contingent consideration payable in 2015 that had an estimated fair value of $12.4 million as of the acquisition date. During the year ended December 31, 2014, the estimated fair value of the liability for contingent consideration was reduced to zero and no payments have been or are expected to be made. During the three and six months ended June 30, 2014, the Company recorded a $6.6 million and $12.0 million reduction in SG&A expense, respectively, resulting from an adjustment to the estimated fair value of contingent consideration payable related to the Redwood acquisition.

iTRACS Corporation

In March 2013, the Company acquired substantially all the assets and certain liabilities of iTRACS Corporation (iTRACS) for $34.0 million. In March 2014, the Company reached an agreement with the former owners of iTRACS to adjust the purchase price by $4.7 million and that amount was received by the Company in April 2014.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

3. GOODWILL

The following table presents goodwill by reportable segment (in millions):

	Wireless	Enterprise	Broadband	Total
Goodwill, gross, as of December 31, 2014	$ 833.1	$ 653.8	$ 86.3	$ 1,573.2
Foreign exchange	(1.1)			(1.1)
Goodwill, gross, as of June 30, 2015	832.0	653.8	86.3	1,572.1
Accumulated impairment charges as of December 31, 2014 and June 30, 2015	(85.1)		(36.2)	(121.3)
Goodwill, net, as of June 30, 2015	$ 746.9	$ 653.8	$ 50.1	$ 1,450.8

4. SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

Inventories

	June 30, 2015	December 31, 2014
Raw materials	$ 97,299	$ 90,486
Work in process	89,077	105,739
Finished goods	166,401	170,960
	$ 352,777	$ 367,185

Investments

The Company owns shares of Hydrogenics Corporation (Hydrogenics), a publicly traded company that supplies hydrogen generators and hydrogen-based power modules and fuel cells for various uses. These shares are accounted for as available-for-sale securities and are carried at fair value with changes in fair value recorded, net of tax, in other comprehensive income (loss). Investments are recorded in other noncurrent assets on the Condensed Consolidated Balance Sheets.

The following table presents information related to the Company s investment in Hydrogenics:

	June 30, 2015	December 31, 2014
Shares owned	1,332	1,534
Cost basis	$ 997	$ 1,150
Fair value	$ 13,548	$ 20,392
Pretax unrealized gain in accumulated other comprehensive income	$ 12,551	$ 19,242

The following table provides information related to the sale of shares in Hydrogenics:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Shares sold	30	500	202	500
Proceeds received	$ 324	$ 7,106	$ 2,817	$ 7,106
Pretax gain realized	$ 303	$ 6,732	$ 2,666	$ 6,732

Gains on the sale of available-for-sale securities have been determined using the average cost method and are recorded in other income (expense), net on the Condensed Consolidated Statements of Operations and Comprehensive Income.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

Other Accrued Liabilities

	June 30, 2015	December 31, 2014
Compensation and employee benefit liabilities	$ 62,408	$ 122,291
Deferred revenue	19,860	25,888
Product warranty accrual	15,194	17,054
Accrued interest	13,734	8,952
Restructuring reserve	3,747	5,657
Income taxes payable	22,285	35,302
Accrued debt issuance costs	58,026	
Accrued professional fees	9,606	7,147
Other	64,554	66,715
	$ 269,414	$ 289,006

Accumulated Other Comprehensive Loss

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Foreign currency translation				
AOCL balance, beginning of period	$ (109,971)	$ (27,445)	$ (80,483)	$ (29,072)
Other comprehensive income (loss)	11,638	2,356	(17,728)	4,083
Amounts reclassified from AOCL			(122)	(100)
AOCL balance, end of period	$ (98,333)	$ (25,089)	$ (98,333)	$ (25,089)
Pension and other postretirement benefit activity				
AOCI (AOCL) balance, beginning of period	$ (16,544)	$ 1,245	$ (14,957)	$ 2,796
Amounts reclassified from AOCI (AOCL)	(1,586)	(1,551)	(3,173)	(3,102)
AOCL balance, end of period	$ (18,130)	$ (306)	$ (18,130)	$ (306)

Available-for-sale securities				
AOCI balance, beginning of period	$ 8,903	$	$ 11,892	$
Other comprehensive income (loss)	(960)	18,694	(2,488)	18,694
Amounts reclassified from AOCI	(187)		(1,648)	
AOCI balance, end of period	$ 7,756	$ 18,694	$ 7,756	$ 18,694
Net AOCL, end of period	$ (108,707)	$ (6,701)	$ (108,707)	$ (6,701)

Amounts reclassified from net AOCL related to foreign currency translation and available-for-sale securities are recorded in other income (expense), net in the Condensed Consolidated Statements of Operations and Comprehensive Income. Defined benefit plan amounts reclassified from net AOCL are included in the computation of net periodic benefit income and are primarily recorded in cost of sales and selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income.

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

Cash Flow Information

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash paid during the period for:		
Income taxes, net of refunds	$ 60,258	$ 51,383
Interest	$ 67,423	$ 115,656
Non-cash financing activities:		
Accrued and unpaid debt issuance costs	$ 58,026	$ 762

5. FINANCING

	June 30, 2015	December 31, 2014
6.00% senior notes due June 2025	$ 1,500,000	$
5.50% senior notes due June 2024	650,000	650,000
5.00% senior notes due June 2021	650,000	650,000
Senior PIK toggle notes due June 2020	550,000	550,000
4.375% senior secured notes due June 2020	500,000	
Senior secured term loan due December 2022	1,250,000	
Senior secured term loan due January 2018	361,875	518,438
Senior secured term loan due January 2017		345,625
Senior secured revolving credit facility expires May 2020		
Other	54	408
	$ 5,461,929	$ 2,714,471
Less: Original issue discount, net of amortization	(5,337)	(6,746)
Less: Debt issuance costs, net of amortization	(97,698)	(38,827)
Less: Current portion	(12,554)	(9,001)
	$ 5,346,340	$ 2,659,897

See Note 6 in the Notes to Consolidated Financial Statements in the 2014 Annual Report for additional information on the terms and conditions of the 5.00% senior notes (the 2021 Notes), the 5.50% senior notes (the 2024 Notes), the senior secured credit facilities and the 6.625%/7.375% senior payment-in-kind toggle notes (the senior PIK toggle notes).

6.00% Senior Notes Due 2025

In June 2015, CommScope Technologies Finance LLC, a wholly owned subsidiary of the Company, issued $1.5 billion of 6.00% Senior Notes due June 15, 2025 (the 2025 Notes). Interest is payable on the 2025 Notes semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2015. The Company intends to use the proceeds of the offering of the 2025 Notes, together with cash on hand and borrowings under the senior secured term loan facility due December 2022, to finance the acquisition of the BNS business. The proceeds from the issuance of the 2025 Notes are being held in escrow until the completion of the BNS acquisition. If, prior to April 26, 2016, the BNS acquisition is not consummated, the acquisition agreement is terminated or the Company believes the acquisition will not be consummated, the 2025 Notes will be subject to redemption at a price equal to 100% of their principal amount, plus accrued and unpaid interest to the redemption date.

Concurrent with the consummation of the BNS acquisition, CommScope Technologies Finance LLC (an unrestricted subsidiary as defined in the senior secured credit facilities) will merge with and into CommScope Technologies LLC (a wholly owned subsidiary of the Company), with CommScope Technologies LLC continuing as the surviving entity. Upon completion of this merger, CommScope Technologies LLC will become the issuer of the 2025 Notes, and the 2025 Notes will be guaranteed on a senior basis by CommScope, Inc. and its domestic restricted subsidiaries, subject to certain

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

exceptions. The 2025 Notes and guarantees are effectively junior to all of the Company s and the guarantors existing and future secured debt, including its senior secured credit facilities, to the extent of the value of the assets securing such secured debt. In addition, the 2025 Notes are structurally subordinated to all existing and future liabilities (including trade payables) of the Company s subsidiaries that do not guarantee the 2025 Notes, including indebtedness incurred by certain of the Company s non-U.S. subsidiaries under the revolving credit facility.

The 2025 Notes may be redeemed prior to maturity under certain circumstances. Upon certain change of control events, the 2025 Notes may be redeemed at the option of the holders at 101% of their face amount, plus accrued and unpaid interest to the redemption date. Prior to June 15, 2020, the 2025 Notes may be redeemed at a redemption price equal to 100% of their principal amount, plus a make-whole premium (as defined in the indenture governing the 2025 Notes), plus accrued and unpaid interest to the redemption date. On or prior to June 15, 2018, under certain circumstances, the Company may also redeem up to 40% of the aggregate principal amount of the 2025 Notes at a redemption price of 106.0%, plus accrued and unpaid interest to the redemption date using the proceeds of certain equity offerings.

In connection with issuing the 2025 Notes, the Company incurred costs of approximately $33.0 million during the three and six months ended June 30, 2015, which were recorded as a reduction of the carrying amount of the debt and are being amortized over the term of the notes.

4.375% Senior Secured Notes Due 2020

In June 2015, CommScope, Inc., a direct wholly owned subsidiary of the Company, issued $500.0 million of 4.375% Senior Secured Notes due June 15, 2020 (the 2020 Notes). Interest is payable on the 2020 Notes semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2015.

The Company used the net proceeds of the offering of the 2020 Notes, together with cash on hand, to repay the entire principal amount outstanding under the existing term loan due 2017 and a portion of the principal amount outstanding under the existing term loan due 2018.

The 2020 Notes are guaranteed on a senior secured basis by CommScope Holding Company, Inc. and its domestic restricted subsidiaries, subject to certain exceptions, and secured by security interests that secure indebtedness under the Company s term loan facility.

The 2020 Notes may be redeemed prior to maturity under certain circumstances. Upon certain change of control events, the 2020 Notes may be redeemed at the option of the holders at 101% of their face amount, plus accrued and unpaid interest to the redemption date. Prior to June 15, 2017, the 2020 Notes may be redeemed at a redemption price equal to 100% of their principal amount, plus a make-whole premium (as defined in the indenture governing the 2020 Notes), plus accrued and unpaid interest to the redemption date. Prior to June 15, 2017, under certain circumstances, the Company may also redeem up to 40% of the aggregate principal amount of the 2020 Notes at a redemption price of 104.375%, plus accrued and unpaid interest to the redemption date using the proceeds of certain equity offerings.

In connection with issuing the 2020 Notes, the Company incurred costs of approximately $6.9 million during the three and six months ended June 30, 2015, which were recorded as a reduction of the carrying amount of the debt and are being amortized over the term of the notes.

Senior Secured Credit Facilities

In May 2015, the Company amended its asset-based revolving credit facility to, among other things, expand the facility from $400.0 million to $550.0 million and extend the maturity date to May 2020, subject to acceleration under certain circumstances. The ability to access the additional $150.0 million of revolving commitments is conditioned on the consummation of the BNS acquisition and other customary conditions. In connection with this amendment, the Company incurred costs of approximately $0.4 million during the three and six months ended June 30, 2015, which were recorded in other noncurrent assets and are being amortized over the term of the revolving credit facility. As of June 30, 2015, the Company had no outstanding borrowings under its revolving credit facility and the Company did not borrow under its revolving credit facility during the six months ended June 30, 2015. As of June 30, 2015, the Company had availability of approximately $318.9 million under its revolving credit facility, after giving effect to borrowing base limitations and outstanding letters of credit.

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

In June 2015, the Company used the proceeds from the 2020 Notes issuance to repay $500.0 million of its existing term loans. In addition, CommScope Finance LLC (a wholly owned subsidiary of the Company and an unrestricted subsidiary as defined in the senior secured credit facilities) borrowed an additional $1.25 billion, less $3.1 million of original issue discount, in a term loan due December 2022 (the 2022 Term Loan). The Company intends to use the proceeds from the 2022 Term Loan, together with cash on hand and proceeds from the 2025 Notes, to finance the acquisition of the BNS business. The net proceeds from the 2022 Term Loan are being held in escrow until the completion of the BNS acquisition. Concurrent with the consummation of the BNS acquisition, the 2022 Term Loan will be assumed by CommScope, Inc. as a term loan under its senior secured credit facilities. If, prior to April 26, 2016, the BNS acquisition is not consummated, the acquisition agreement is terminated or the Company believes the acquisition will not be consummated, the 2022 Term Loan will be subject to mandatory prepayment, plus accrued and unpaid interest to the prepayment date.

The 2022 Term Loan has scheduled maturities of $12.5 million per year due in equal quarterly installments with the balance due at maturity (commencing after assumption of the 2022 term loan under the senior secured credit facilities of CommScope, Inc.). The current portion of long-term debt reflects $12.5 million of repayments under the 2022 Term Loan. The interest rate margin applicable to the 2022 Term Loan is, prior to the consummation of the BNS acquisition, one-, two-, three- or six-month LIBOR or, if available from all lenders, twelve-month LIBOR (selected at the Company s option) plus a margin of 3.00%, subject to a LIBOR floor of 0.75% (the LIBOR Option) and, after consummation of the BNS acquisition, at the Company s option, either (1) the base rate plus a margin of 2.00% or (2) the LIBOR Option.

During the three and six months ended June 30, 2015, the Company repaid $500.0 million and $502.2 million, respectively, of its existing senior secured term loans. In connection with the repayment of existing term loans, $6.7 million of original issue discount and debt issuance costs were written off and included in interest expense. The Company incurred costs of approximately $26.7 million during the three and six months ended June 30, 2015 related to the additional borrowings under the term loan facility. These costs were recorded as a reduction of the carrying amount of the debt and are being amortized over the term of the 2022 Term Loan.

No portion of the senior secured term loans was reflected as a current portion of long-term debt as of June 30, 2015 related to the potentially required excess cash flow payment because the amount that may be payable in 2016, if any, cannot currently be reliably estimated. There was no excess cash flow payment required in 2015 related to 2014.

Other Matters

The following table summarizes scheduled maturities of long-term debt as of June 30, 2015 (in millions):

	Remainder of 2015	2016	2017	2018	2019	Thereafter

Scheduled maturities of long-term debt	$ 6.3	$ 12.5	$ 12.5	$ 374.4	$ 12.5	$ 5,043.7

The Company s non-guarantor subsidiaries held approximately $1,093 million, or 14%, of total assets and approximately $271 million, or 4%, of total liabilities as of June 30, 2015 and accounted for approximately $378 million, or 44%, and $753 million, or 45%, of net sales for the three and six months ended June 30, 2015, respectively. As of December 31, 2014, the non-guarantor subsidiaries held approximately $1,089 million, or 22%, of total assets and approximately $282 million, or 8%, of total liabilities. For the three and six months ended June 30, 2014, the non-guarantor subsidiaries accounted for approximately $382 million, or 36%, and $702 million, or 35%, of net sales, respectively. All amounts presented exclude intercompany balances.

CommScope, Inc. is a guarantor of the 2025 Notes and the issuer of the 2021 Notes, 2024 Notes and the 2020 Notes. The balance sheet and income statement amounts for CommScope, Inc. are substantially identical to those of the Company other than interest expense and total debt. Interest expense for CommScope, Inc. does not reflect the interest expense incurred in connection with the senior PIK toggle notes. For both the three months ended June 30, 2015 and 2014, interest expense related to the PIK toggle notes was $9.5 million ($6.1 million net of tax). For both the six months ended June 30, 2015 and 2014, interest expense related to the PIK toggle notes was $19.0 million ($12.2 million net of tax). Total debt for CommScope, Inc. and its subsidiaries as of June 30, 2015 was $4,816.8 million, which does not include the senior PIK toggle notes.

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

The weighted average effective interest rate on outstanding borrowings, including the amortization of debt issuance costs and original issue discount, was 5.44% at June 30, 2015 and 5.38% at December 31, 2014.

6. DERIVATIVES AND HEDGING ACTIVITIES

The Company uses forward contracts to hedge a portion of its exposure to balances denominated in currencies other than the functional currency of various subsidiaries and to manage exposure to certain planned foreign currency expenditures in order to mitigate the impact of changes in exchange rates. As of June 30, 2015, the Company had foreign exchange contracts with maturities of up to seven months with an aggregate notional value of $335 million (based on exchange rates as of June 30, 2015). Unrealized gains and losses resulting from these contracts are recognized in other income (expense), net and partially offset corresponding foreign exchange gains and losses on the balances being hedged. These instruments are not held for speculative or trading purposes. These contracts are not designated as hedges for hedge accounting and are marked to market each period through earnings.

The following table presents the balance sheet location and fair value of the Company s derivatives:

	Balance Sheet Location	Fair Value of Asset (Liability) June 30, 2015	December 31, 2014
Foreign currency contracts	Prepaid expenses and other current assets	$ 3,082	$ 1,165
Foreign currency contracts	Other accrued liabilities	(485)	(3,584)
Total derivatives not designated as hedging instruments		$ 2,597	$ (2,419)

The pretax impact of the foreign currency forward contracts on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) is as follows:

Foreign Currency Forward Contracts	Location of Gain (Loss)	Gain (Loss) Recognized
Three Months Ended June 30, 2015	Other expense, net	$ 3,636
Three Months Ended June 30, 2014	Other expense, net	$ (303)
Six Months Ended June 30, 2015	Other expense, net	$ (1,164)

Six Months Ended June 30, 2014	Other expense, net	$	(3,335)

7. FAIR VALUE MEASUREMENTS