

COMMSCOPE INC  
Form 10-Q  
August 09, 2004

# 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, 2004**

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 **001-12929**

## CommScope, Inc.

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**36-4135495**

(I.R.S. Employer  
Identification No.)

**1100 CommScope Place, SE  
P.O. Box 339  
Hickory, North Carolina**

(Address of principal executive offices)

**28602**

(Zip Code)

**(828) 324-2200**

(Registrant's telephone number, including area code)

Edgar Filing: COMMSCOPE INC - Form 10-Q

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of July 31, 2004 there were 54,066,431 shares of Common Stock outstanding.

---

CommScope, Inc.  
 Form 10-Q  
 June 30, 2004  
 Table of Contents

	Page No.
Part I Financial Information (Unaudited):	
Item 1. Condensed Consolidated Financial Statements:	
<u>Condensed Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7 25
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26 41
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	41
<u>Item 4. Controls and Procedures</u>	41
Part II Other Information:	
<u>Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities</u>	42
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	42
<u>Item 6. Exhibits and Reports on Form 8-K</u>	43
<u>Signatures</u>	44

**CommScope, Inc.**  
**Condensed Consolidated Statements of Operations**  
(Unaudited In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2004	2003	June 30, 2004	2003
Net sales	\$ 312,949	\$ 141,422	\$ 548,010	\$ 270,790
Operating costs and expenses:				
Cost of sales	240,772	112,623	438,449	217,874
Selling, general and administrative	51,743	21,811	87,727	41,881
Research and development	8,145	1,455	13,011	3,044
Impairment charges for fixed assets		31,728		31,728
In-process research and development charges			3,894	
Acquisition-related transition and startup costs	1,242		7,981	
Total operating costs and expenses	301,902	167,617	551,062	294,527
Operating income (loss)	11,047	(26,195 )	(3,052 )	(23,737 )
Other income (expense), net	241	(4 )	(885 )	205
Loss on early extinguishment of debt			(5,029 )	
Interest expense	(2,440 )	(2,183 )	(5,199 )	(4,341 )
Interest income	445	715	924	1,332
Income (loss) before income taxes, equity in losses of OFS				
BrightWave, LLC and net gain on OFS BrightWave, LLC transaction	9,293	(27,667 )	(13,241 )	(26,541 )
Income tax benefit (expense)	(1,038 )	10,237	5,941	9,820
Income (loss) before equity in losses of OFS BrightWave, LLC and				
net gain on OFS BrightWave, LLC transaction	8,255	(17,430 )	(7,300 )	(16,721 )
Equity in losses of OFS BrightWave, LLC, net of tax	(578 )	(33,945 )	(1,393 )	(37,727 )
Net gain on OFS BrightWave, LLC transaction, net of tax	76,437		76,437	
Net income (loss)	\$ 84,114	\$ (51,375 )	\$ 67,744	\$ (54,448 )
Net income (loss) per share:				
Basic	\$ 1.40	\$ (0.87 )	\$ 1.12	\$ (0.92 )
Assuming dilution	\$ 1.37	\$ (0.87 )	\$ 1.10	\$ (0.92 )
Weighted average shares outstanding:				
Basic	60,193	59,220	60,436	59,220
Assuming dilution	61,494	59,220	61,791	59,220

See notes to condensed consolidated financial statements.

**CommScope, Inc.**  
**Condensed Consolidated Balance Sheets**  
(Unaudited In thousands, except share amounts)

	June 30, 2004	December 31, 2003
<b>Assets</b>		
Cash and cash equivalents	\$ 139,064	\$ 206,038
Accounts receivable, less allowance for doubtful accounts of \$14,199 and \$12,145, respectively	153,357	69,461
Inventories	103,998	32,723
Prepaid expenses and other current assets	15,116	8,389
Deferred income taxes	16,600	14,061
Total current assets	428,135	330,672
Property, plant and equipment, net	342,996	176,290
Goodwill	151,361	151,368
Other intangibles, net of accumulated amortization of \$48,003 and \$42,435, respectively	88,257	6,330
Deferred income taxes	15,229	44,756
Advances to OFS BrightWave, LLC		13,361
Other assets	21,573	17,004
Total Assets	\$ 1,047,551	\$ 739,781
<b>Liabilities and Stockholders Equity</b>		
Accounts payable	\$ 60,227	\$ 14,659
Other accrued liabilities	106,761	35,377
Current portion of long-term debt	22,000	
Total current liabilities	188,988	50,036
Long-term debt	306,300	183,300
Pension and postretirement benefit liabilities	97,522	30,397
Other noncurrent liabilities	27,149	20,342
Total Liabilities	619,959	284,075
Commitments and contingencies		
Stockholders Equity:		
Preferred stock, \$.01 par value; Authorized shares: 20,000,000; Issued and outstanding shares: None at June 30, 2004 and December 31, 2003		
Common stock, \$.01 par value; Authorized shares: 300,000,000; Issued shares, including treasury stock: 64,167,545 at June 30, 2004 and 61,861,376 at December 31, 2003; Issued and outstanding shares: 53,967,545 at June 30, 2004 and 59,318,276 at December 31, 2003	641	619
Additional paid-in capital	423,946	384,889
Retained earnings	158,699	90,955
Accumulated other comprehensive loss	(10,159)	(7,533)
Treasury stock, at cost: 10,200,000 shares at June 30, 2004 and 2,543,100 at December 31, 2003	(145,535)	(13,224)
Total Stockholders' Equity	427,592	455,706
Total Liabilities and Stockholders Equity	\$ 1,047,551	\$ 739,781

See notes to condensed consolidated financial statements.

**CommScope, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited In thousands)**

	<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>2003</b>
	<b>2004</b>	<b>2003</b>
<b>Operating Activities:</b>		
Net income (loss)	\$ 67,744	\$ (54,448 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	30,253	17,433
In-process research and development charges	3,894	
Gain on OFS BrightWave, LLC transaction, pretax	(132,425 )	
Impairment of note receivable from OFS BrightWave, LLC, pretax	11,098	
Equity in losses of OFS BrightWave, LLC, pretax	2,258	59,970
Impairment charges for fixed assets		31,728
Deferred income taxes	26,968	(27,463 )
Tax benefit from stock option exercises	909	
Changes in assets and liabilities:		
Accounts receivable	(34,997 )	(5,750 )
Inventories	42,578	(338 )
Prepaid expenses and other current assets	(1,196 )	(4,584 )
Accounts payable and other accrued liabilities	34,649	2,965
Other noncurrent liabilities	6,680	2,609
Other	(443 )	478
Net cash provided by operating activities	57,970	22,600
<b>Investing Activities:</b>		
Additions to property, plant and equipment	(4,507 )	(2,512 )
Acquisition of Connectivity Solutions	(293,375 )	
Proceeds from disposal of fixed assets	170	75
Net cash used in investing activities	(297,712 )	(2,437 )
<b>Financing Activities:</b>		
Proceeds from issuance of long-term debt	75,000	
Principal payments on long-term debt	(7,500 )	
Proceeds from issuance of convertible debentures	250,000	
Repayment of convertible notes	(172,500 )	
Proceeds from issuance of stock	32,853	
Long-term financing costs	(10,656 )	(1,195 )
Proceeds from exercise of stock options	5,817	
Net cash provided by (used in) financing activities	173,014	(1,195 )
Effect of exchange rate changes on cash	(246 )	1,211
Change in cash and cash equivalents	(66,974 )	20,179
Cash and cash equivalents, beginning of period	206,038	120,102
Cash and cash equivalents, end of period	\$ 139,064	\$ 140,281

See notes to condensed consolidated financial statements.

**CommScope, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**and Comprehensive Income (Loss)**  
**(Unaudited - In thousands, except share amounts)**

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2004</b>	<b>2003</b>
Number of common shares outstanding:		
Balance at beginning of period	59,318,276	59,219,567
Issuance of shares to Avaya Inc.	1,761,538	
Shares received from Furukawa in OFS BrightWave, LLC transaction		