BELDEN INC.
Form 10-Q
November 07, 2016

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 2, 2016
Commission File No. 001-12561

BELDEN INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3601505
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 North Brentwood Boulevard
15th Floor
St. Louis, Missouri 63105
(Address of principal executive offices)
(314) 854-8000
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 Act 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 þ No ¨.
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 þ No ¨.
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ.
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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a smaller reporting company)
As of November 4, 2016, the Registrant had 42,144,409 outstanding shares of common stock.

PART I FINANCIAL INFORMATION
Item 1. Financial Statements
BELDEN INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	October 2, 2016	December 31, 2015
	(Unaudited)	
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$748,305	$216,751
Receivables, net	400,528	387,386
Inventories, net	193,500	195,942
Other current assets	55,345	37,079
Total current assets	1,397,678	837,158
Property, plant and equipment, less accumulated depreciation	323,110	310,629
Goodwill	1,399,847	1,385,115
Intangible assets, less accumulated amortization	590,785	655,871
Deferred income taxes	30,596	34,295
Other long-lived assets	69,947	67,534
	$3,811,963	$3,290,602
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$220,827	$223,514
Accrued liabilities	294,209	323,249
Current maturities of long-term debt	2,500	2,500
Total current liabilities	517,536	549,263
Long-term debt	1,690,932	1,725,282
Postretirement benefits	106,779	105,230
Deferred income taxes	45,381	46,034
Other long-term liabilities	38,283	39,270
Stockholders' equity:		
Preferred stock	1	—
Common stock	503	503
Additional paid-in capital	1,114,348	605,660
Retained earnings	760,688	679,716
Accumulated other comprehensive loss	(62,876)	(58,987)
Treasury stock	(400,718)	(402,793)
Total Belden stockholders' equity	1,411,946	824,099
Noncontrolling interest	1,106	1,424
Total stockholders' equity	1,413,052	825,523
	$3,811,963	$3,290,602

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

BELDEN INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
	(In thousands, except per share data)			
Revenues	$601,109	$ 579,266	$1,744,237	$1,711,978
Cost of sales	(355,147)	(353,135)	(1,025,027)	(1,043,922)
Gross profit	245,962	226,131	719,210	668,056
Selling, general and administrative expenses	(126,662)	(127,792)	(372,125)	(395,424)
Research and development	(33,512)	(38,168)	(106,297)	(110,999)
Amortization of intangibles	(23,808)	(25,669)	(75,603)	(78,090)
Operating income	61,980	34,502	165,185	83,543
Interest expense, net	(23,513)	(25,416)	(71,958)	(74,031)
Income from continuing operations before taxes	38,467	9,086	93,227	9,512
Income tax benefit (expense)	(2,902)	5,725	513	7,340
Income from continuing operations	35,565	14,811	93,740	16,852
Loss from discontinued operations, net of tax	—	(242)	—	(242)
Loss from disposal of discontinued operations, net of tax	—	—	—	(86)
Net income	35,565	14,569	93,740	16,524
Less: Net loss attributable to noncontrolling interest	(88)	—	(286)	—
Net income attributable to Belden	35,653	14,569	94,026	16,524
Less: Preferred stock dividends	6,695	—	6,695	—
Net income attributable to Belden common stockholders	$28,958	$ 14,569	$87,331	$16,524
Weighted average number of common shares and equivalents:				
Basic	42,126	42,417	42,073	42,536
Diluted	42,601	42,908	42,532	43,117
Basic income (loss) per share attributable to Belden common stockholders:				
Continuing operations	$0.69	$ 0.35	$2.08	$0.40
Discontinued operations	—	(0.01)	—	(0.01)
Disposal of discontinued operations	—	—	—	—
Net income	$0.69	$ 0.34	$2.08	$0.39
Diluted income (loss) per share attributable to Belden common stockholders:				
Continuing operations	$0.68	$ 0.35	$2.05	$0.39
Discontinued operations	—	(0.01)	—	(0.01)
Disposal of discontinued operations	—	—	—	—
Net income	$0.68	$ 0.34	$2.05	$0.38
Comprehensive income (loss) attributable to Belden	$31,846	$ (9,803)	$90,137	$4,036
Common stock dividends declared per share	$0.05	$ 0.05	$0.15	$0.15

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

BELDEN INC.
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
(Unaudited)

	Nine Months Ended	
	October 2, 2016	September 27, 2015
	(In thousands)	
Cash flows from operating activities:		
Net income	$93,740	$ 16,524
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	110,857	113,141
Share-based compensation	13,943	13,814
Tax benefit related to share-based compensation	(623)	(5,064)
Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses:		
Receivables	(9,843)	(6,532)
Inventories	5,626	7,979
Accounts payable	(3,889)	(55,973)
Accrued liabilities	(43,594)	29,354
Accrued taxes	(16,752)	(23,884)
Other assets	2,798	1,935
Other liabilities	(5,457)	687
Net cash provided by operating activities	146,806	91,981
Cash flows from investing activities:		
Capital expenditures	(36,057)	(39,106)
Cash used to acquire businesses, net of cash acquired	(17,848)	(695,345)
Proceeds from disposal of tangible assets	282	145
Proceeds from disposable of business	—	3,527
Other	(971)	—
Net cash used for investing activities	(54,594)	(730,779)
Cash flows from financing activities:		
Proceeds from issuance of preferred stock, net	501,498	—
Tax benefit related to share-based compensation	623	5,064
Borrowings under credit arrangements	—	200,000
Payments under borrowing arrangements	(51,875)	(1,250)
Dividends paid on common stock	(6,307)	(6,386)
Withholding tax payments for share-based payment awards, net of proceeds from the exercise of stock options	(5,302)	(11,517)
Debt issuance costs paid	—	(643)
Payments under share repurchase program	—	(39,053)
Net cash provided by financing activities	438,637	146,215
Effect of foreign currency exchange rate changes on cash and cash equivalents	705	(6,682)
Increase (decrease) in cash and cash equivalents	531,554	(499,265)
Cash and cash equivalents, beginning of period	216,751	741,162
Cash and cash equivalents, end of period	$748,305	$ 241,897

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

BELDEN INC.
CONDENSED CONSOLIDATED STOCKHOLDERS' EQUITY STATEMENT
NINE MONTHS ENDED OCTOBER 2, 2016
(Unaudited)

	Belden Inc. Stockholders										
	Mandatory Convertible Preferred Stock		Common Stock		Additional Paid-In	Retained	Treasury Stock		Accumulated Other Comprehensive	Non-controlling	
	Shares	Amount	Shares	Amount	Capital	Earnings	Shares	Amount	Income (Loss)	Interest	Total
	(In thousands)										
Balance at December 31, 2015	—	$—	50,335	$503	$605,660	$679,716	(8,354)	$(402,793)	$(58,987)	$1,424	$825,523
Net income (loss)	—	—	—	—	—	94,026	—	—	—	(286)	93,740
Foreign currency translation, net of $1.5 million tax	—	—	—	—	—	—	—	—	(9,823)	(32)	(9,855)
Adjustments to pension and postretirement liability, net of $3.7 million tax	—	—	—	—	—	—	—	—	5,934	—	5,934
Other comprehensive loss, net of tax											(3,921)
Preferred stock issuance, net	52	1	—	—	501,497	—	—	—	—	—	501,498
Exercise of stock options, net of tax withholding forfeitures	—	—	—	—	(2,388)	—	42	327	—	—	(2,061)
Conversion of restricted stock units into common stock, net of tax withholding forfeitures	—	—	—	—	(4,987)	—	121	1,748	—	—	(3,239)
Share-based compensation	—	—	—	—	14,566	—	—	—	—	—	14,566
	—	—	—	—	—	(6,695)	—	—	—	—	(6,695)

Preferred stock dividends											
Common stock dividends ($0.15 per share)	—	—	—	—	—	(6,359)	—	—	—	—	(6,359)
Balance at October 2, 2016	52	$1	50,335	$503	$1,114,348	$760,688	(8,191)	$(400,718)	$(62,876)	$1,106	$1,413,052

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

BELDEN INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements include Belden Inc. and all of its subsidiaries (the Company, us, we, or our). We eliminate all significant affiliate accounts and transactions in consolidation.

The accompanying Condensed Consolidated Financial Statements presented as of any date other than December 31, 2015:

- Are prepared from the books and records without audit, and
- Are prepared in accordance with the instructions for Form 10-Q and do not include all of the information required by accounting principles generally accepted in the United States for complete statements, but
- Include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial statements.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Supplementary Data contained in our 2015 Annual Report on Form 10-K and Current Report on Form 8-K filed with the Securities and Exchange Commission on May 31, 2016.

Business Description

We are an innovative signal transmission solutions provider built around five global business platforms – Broadcast Solutions, Enterprise Connectivity Solutions, Industrial Connectivity Solutions, Industrial IT Solutions, and Network Security Solutions. Our comprehensive portfolio of signal transmission solutions provides industry leading secure and reliable transmission of data, sound and video for mission critical applications.

Reporting Periods

Our fiscal year and fiscal fourth quarter both end on December 31. Our fiscal first quarter ends on the Sunday falling closest to 91 days after December 31, which was April 3, 2016, the 94th day of our fiscal year 2016. Our fiscal second and third quarters each have 91 days. The nine months ended October 2, 2016 and September 27, 2015 included 276 days and 270 days, respectively.

Reclassifications

We have made certain reclassifications to the 2015 Condensed Consolidated Financial Statements with no impact to reported net income in order to conform to the 2016 presentation.

Fair Value Measurement

Accounting guidance for fair value measurements specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources or reflect our own assumptions of market participant valuation. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

- Level 1 – Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets, or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As of and during the three and nine months ended October 2, 2016 and September 27, 2015, we utilized Level 1 inputs to determine the fair value of cash equivalents and Level 3 inputs to determine the fair value of the estimated earn-out liability related to an

acquisition. See Note 2 for further discussion. We did not have any transfers between Level 1 and Level 2 fair value measurements during the nine months ended October 2, 2016 and September 27, 2015.

Cash and Cash Equivalents

We classify cash on hand and deposits in banks, including commercial paper, money market accounts, and other investments with an original maturity of three months or less, that we hold from time to time, as cash and cash equivalents. We periodically have cash equivalents consisting of short-term money market funds and other investments. The primary objective of our investment activities is to preserve our capital for the purpose of funding operations. We do not enter into investments for trading or speculative purposes. As of October 2, 2016, we did not have any significant cash equivalents.

Contingent Liabilities

We have established liabilities for environmental and legal contingencies that are probable of occurrence and reasonably estimable, the amounts of which are currently not material. We accrue environmental remediation costs based on estimates of known environmental remediation exposures developed in consultation with our environmental consultants and legal counsel. We are, from time to time, subject to routine litigation incidental to our business. These lawsuits primarily involve claims for damages arising out of the use of our products, allegations of patent or trademark infringement, and litigation and administrative proceedings involving employment matters and commercial disputes. Based on facts currently available, we believe the disposition of the claims that are pending or asserted will not have a materially adverse effect on our financial position, results of operations, or cash flow.

As of October 2, 2016, we were party to standby letters of credit, bank guaranties, and surety bonds totaling $8.6 million, $3.0 million, and $2.4 million, respectively.

Revenue Recognition

We recognize revenue when all of the following circumstances are satisfied: (1) persuasive evidence of an arrangement exists, (2) price is fixed or determinable, (3) collectability is reasonably assured, and (4) delivery has occurred. Delivery occurs in the period in which the customer takes title and assumes the risks and rewards of ownership of the products specified in the customer’s purchase order or sales agreement. At times, we enter into arrangements that involve the delivery of multiple elements. For these arrangements, when the elements can be separated, the revenue is allocated to each deliverable based on that element’s relative selling price and recognized based on the period of delivery for each element. Generally, we determine relative selling price using our best estimate of selling price, unless we have established vendor specific objective evidence (VSOE) or third party evidence of fair value exists for such arrangements.

We record revenue net of estimated rebates, price allowances, invoicing adjustments, and product returns. We record revisions to these estimates in the period in which the facts that give rise to each revision become known.

We have certain products subject to the accounting guidance on software revenue recognition. For such products, software license revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred, the fee is fixed or determinable, collection is probable and VSOE of the fair value of undelivered elements exists. As substantially all of the software licenses are sold in multiple-element arrangements that include either support or both support and professional services, we use the residual method to determine the amount of software license revenue to be recognized. Under the residual method, consideration is allocated to undelivered elements based upon VSOE of the fair value of those elements, with the residual of the arrangement fee allocated to and recognized as software license revenue. In our Network Security Solutions segment, we have established VSOE of the fair value of support, subscription-based software licenses and professional services. Software license revenue is generally recognized upon delivery of the software if all revenue recognition criteria are met.

Revenue allocated to support services under our Network Security Solutions support contracts, subscription-based software, and remote ongoing operational services is paid in advance and recognized ratably over the term of the service. Revenue allocated to professional services, including remote implementation services, is recognized as the services are performed.

Discontinued Operations

In the nine months ended September 27, 2015, we recognized a $0.2 million ($0.1 million net of tax) loss from disposal of discontinued operations for a final escrow settlement related to the 2010 disposition of Trapeze Networks,

Inc. Additionally, in both the three and nine months ended September 27, 2015, we recognized a $0.2 million net loss from discontinued operations for income tax expense related to this disposed business.

Subsequent Events

We have evaluated subsequent events after the balance sheet date through the financial statement issuance date for appropriate accounting and disclosure. See Note 13.

Current-Year Adoption of Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard is effective for fiscal years beginning after December 15, 2015. We adopted ASU 2015-03 effective January 1, 2016, retrospectively. Adoption resulted in a $6.0 million decrease in total current assets, a $19.2 million decrease in other long-lived assets, and a $25.2 million decrease in long-term debt in our Consolidated Balance Sheet as of December 31, 2015 compared to the prior period presentation. Adoption had no impact on our results of operations.

Pending Adoption of Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 will be effective for us beginning January 1, 2018, and allows for both retrospective and modified retrospective methods of adoption. Early adoption beginning January 1, 2017 is permitted. We are continuing the process of determining the method and timing of adoption and assessing the impact of ASU 2014-09 on our Consolidated Financial Statements. Our initial assessment indicates that the overall impact of adopting ASU 2014-09 is expected to be minimal. Any significant impact is expected to be limited to a software product line within our Broadcast segment that generates an immaterial amount of annual revenues.

In August 2014, the FASB issued disclosure guidance that requires us to evaluate, at each annual and interim period, whether substantial doubt exists about our ability to continue as a going concern, and if applicable, to provide related disclosures. The new guidance will be effective for us for our annual period ending December 31, 2016. This guidance is not currently expected to have a material effect on our financial statement disclosures upon adoption, although the ultimate impact will be dependent on our financial condition and expected operating outlook at such time.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (ASU 2016-02), a leasing standard for both lessees and lessors. Under its core principle, a lessee will recognize lease assets and liabilities on the balance sheet for all arrangements with terms longer than 12 months. Lessor accounting remains largely consistent with existing U.S. generally accepted accounting principles. The new standard will be effective for us beginning January 1, 2019. Early adoption is permitted. The standard requires the use of a modified retrospective transition method. We are evaluating the effect that ASU 2016-02 will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09), which requires entities to recognize the income tax effects of stock awards in the income statement when the awards vest or are settled. Further, ASU 2016-09 allows entities to withhold up to the maximum individual statutory tax rate without classifying the stock awards as a liability and to account for forfeitures either upon occurrence or by estimating forfeitures. The new standard will be effective for us beginning January 1, 2017. Early adoption is permitted. We are evaluating the effect that ASU 2016-09 will have on our consolidated financial statements and related disclosures.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory (ASU 2016-16), which requires recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the standard eliminates the exception to the recognition of current and deferred income taxes for an intra-entity asset transfer other than for inventory until the asset has been sold to an outside party. The new standard will be effective for us beginning January 1, 2017. Early

adoption is permitted. We are evaluating the effect that ASU 2016-16 will have on our consolidated financial statements and related disclosures.

Note 2: Acquisitions

M2FX

We acquired 100% of the shares of M2FX Limited (M2FX) on January 7, 2016 for a preliminary purchase price of $18.9 million. Of the total purchase price, $3.3 million has been preliminarily deferred as estimated earn-out consideration. The estimated earn-out is scheduled to be paid in early 2017, if certain financial targets are achieved. We determined the estimated fair value of the earn-out with the assistance of a third party valuation specialist using a probability weighted discounted cash flow model. M2FX is a manufacturer of fiber optic cable and fiber protective solutions for broadband access and telecommunications networks. M2FX is located in the United Kingdom. The results of M2FX have been included in our Consolidated Financial Statements from January 7, 2016, and are reported within the Broadcast segment. The M2FX acquisition was not material to our financial position or results of operations.

Note 3: Operating Segments

We are organized around five global business platforms: Broadcast, Enterprise Connectivity, Industrial Connectivity, Industrial IT, and Network Security. Each of the global business platforms represents a reportable segment.

To capitalize on the adoption of IP technology and accelerate our penetration of the commercial audio-video market, we transferred responsibility of audio-video cable and connectors from our Broadcast platform to our Enterprise Connectivity platform effective January 1, 2016. We have revised the prior period segment information to conform to the change in the composition of these reportable segments. This transfer had no impact to our reporting units for purposes of goodwill impairment testing.

The key measures of segment profit or loss reviewed by our chief operating decision maker are Segment Revenues and Segment EBITDA. Segment Revenues represent non-affiliate revenues and include revenues that would have otherwise been recorded by acquired businesses as independent entities but were not recognized in our Consolidated Statements of Operations due to the effects of purchase accounting and the associated write-down of acquired deferred revenue to fair value. Segment EBITDA excludes certain items, including depreciation expense; amortization of intangibles; asset impairment; severance, restructuring, and acquisition integration costs; purchase accounting effects related to acquisitions, such as the adjustment of acquired inventory and deferred revenue to fair value; and other costs. We allocate corporate expenses to the segments for purposes of measuring Segment EBITDA. Corporate expenses are allocated on the basis of each segment’s relative EBITDA prior to the allocation.

Our measure of segment assets does not include cash, goodwill, intangible assets, deferred tax assets, or corporate assets. All goodwill is allocated to reporting units of our segments for purposes of impairment testing.

	Broadcast Solutions	Enterprise Connectivity Solutions	Industrial Connectivity Solutions	Industrial IT Solutions	Network Security Solutions	Total Segments
	(In thousands)					
As of and for the three months ended October 2, 2016						
Segment revenues	$196,173	$ 156,658	$ 149,847	$ 60,168	$ 39,622	$602,468
Affiliate revenues	46	1,587	511	13	—	2,157
Segment EBITDA	36,545	27,294	23,649	12,771	11,677	111,936
Depreciation expense	4,063	3,210	2,738	565	1,027	11,603
Amortization expense	10,955	431	604	1,501	10,317	23,808
Severance, restructuring, and acquisition integration costs	174	5,573	4,746	2,302	—	12,795
Deferred gross profit adjustments	283	—	—	—	1,076	1,359
Segment assets	314,020	265,085	261,923	62,828	43,110	946,966
As of and for the three months ended September 27, 2015						
Segment revenues	$186,722	$ 155,148	$ 147,702	$ 59,184	$ 41,359	$590,115
Affiliate revenues	42	1,630	355	37	—	2,064
Segment EBITDA	27,369	25,705	23,225	10,466	11,240	98,005
Depreciation expense	4,027	3,156	2,810	570	1,255	11,818
Amortization expense	12,354	429	799	1,480	10,607	25,669
Severance, restructuring, and acquisition integration costs	13,722	192	118	54	57	14,143
Deferred gross profit adjustments	419	—	—	—	10,909	11,328
Segment assets	346,271	266,248	250,622	61,441	41,520	966,102
As of and for the nine months ended October 2, 2016						
Segment revenues	$560,966	$ 452,951	$ 438,746	$ 176,560	$ 120,426	$ 1,749,649
Affiliate revenues	644	4,615	906	44	—	6,209
Segment EBITDA	89,317	80,605	73,700	34,056	32,659	310,337
Depreciation expense	12,086	10,028	8,165	1,749	3,225	35,253
Amortization expense	37,306	1,292	1,796	4,517	30,692	75,603
Severance, restructuring, and acquisition integration costs	5,871	7,280	7,982	5,910	29	27,072
Purchase accounting effects of acquisitions	195	—	—	—	—	195
Deferred gross profit adjustments	1,391	—	—	—	4,021	5,412
Segment assets	314,020	265,085	261,923	62,828	43,110	946,966
As of and for the nine months ended September 27, 2015						
Segment revenues	$538,145	$ 458,756	$ 461,549	$ 181,527	$ 118,102	$ 1,758,079
Affiliate revenues	24	5,328	1,086	68	8	6,514
Segment EBITDA	73,374	75,506	76,078	31,731	29,913	286,602
Depreciation expense	12,140	9,550	8,530	1,713	3,118	35,051
Amortization expense	37,375	1,290	2,429	4,369	32,627	78,090
Severance, restructuring, and acquisition integration costs	28,532	843	3,054	2	1,102	33,533

Purchase accounting effects of acquisitions	—	—	267	—	9,155	9,422
Deferred gross profit adjustments	2,789	—	—	—	43,637	46,426
Segment assets	346,271	266,248	250,622	61,441	41,520	966,102

The following table is a reconciliation of the total of the reportable segments' Revenues and EBITDA to consolidated revenues and consolidated income from continuing operations before taxes, respectively.

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
	(In thousands)		(In thousands)	
Total Segment Revenues	$602,468	$ 590,115	$1,749,649	$ 1,758,079
Deferred revenue adjustments (1)	(1,359)	(10,849)	(5,412)	(46,101)
Consolidated Revenues	$601,109	$ 579,266	$1,744,237	$ 1,711,978
Total Segment EBITDA	$111,936	$ 98,005	$310,337	$ 286,602
Amortization of intangibles	(23,808)	(25,669)	(75,603)	(78,090)
Deferred gross profit adjustments (1)	(1,359)	(11,328)	(5,412)	(46,426)
Severance, restructuring, and acquisition integration costs (2)	(12,795)	(14,143)	(27,072)	(33,533)
Depreciation expense	(11,603)	(11,818)	(35,253)	(35,051)
Purchase accounting effects related to acquisitions (3)	—	—	(195)	(9,422)
Income from equity method investment	586	348	1,077	1,459
Eliminations	(977)	(893)	(2,694)	(1,996)
Consolidated operating income	61,980	34,502	165,185	83,543
Interest expense, net	(23,513)	(25,416)	(71,958)	(74,031)
Consolidated income from continuing operations before taxes	$38,467	$ 9,086	$93,227	$ 9,512

(1) For both the three and nine months ended October 2, 2016 and September 27, 2015, both our consolidated revenues and gross profit were negatively impacted by the reduction of the acquired deferred revenue balance to fair value associated with our 2015 acquisition of Tripwire.

(2) See Note 7, Severance, Restructuring, and Acquisition Integration Activities, for details.

(3) For the nine months ended October 2, 2016, we recognized $0.2 million of cost of sales related to the adjustment of acquired inventory to fair value related to our acquisition of M2FX. For the nine months ended September 27, 2015, we recognized $9.2 million of compensation expense related to the accelerated vesting of acquiree stock based compensation awards associated with our acquisition of Tripwire. In addition, we recognized $0.3 million of cost of sales related to the adjustment of acquired inventory to fair value related to our acquisition of Coast.

Note 4: Income per Share

The following table presents the basis for the income per share computations:

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
	(In thousands)			
Numerator:				
Income from continuing operations	$35,565	$ 14,811	$93,740	$ 16,852
Less: Net loss attributable to noncontrolling interest	(88)	—	(286)	—
Less: Preferred stock dividends	6,695	—	6,695	—
Income from continuing operations attributable to Belden common stockholders	28,958	14,811	87,331	16,852
Loss from discontinued operations, net of tax, attributable to Belden common stockholders	—	(242)	—	(242)
Loss from disposal of discontinued operations, net of tax, attributable to Belden common stockholders	—	—	—	(86)
Net income attributable to Belden common stockholders	$28,958	$ 14,569	$87,331	$ 16,524
Denominator:				
Weighted average shares outstanding, basic	42,126	42,417	42,073	42,536

Effect of dilutive common stock equivalents	475	491	459	581
Weighted average shares outstanding, diluted	42,601	42,908	42,532	43,117

For the three and nine months ended October 2, 2016, diluted weighted average shares outstanding do not include outstanding equity awards of 0.2 million and 0.5 million, respectively, and also do not include preferred shares that are convertible into 5.2 million and 1.7 million common shares, respectively, because to do so would have been anti-dilutive. For the three and nine months

ended September 27, 2015, diluted weighted average shares outstanding do not include outstanding equity awards of 0.5 million and 0.3 million, respectively, because to do so would have been anti-dilutive.
For purposes of calculating basic earnings per share, unvested restricted stock units are not included in the calculation of basic weighted average shares outstanding until all necessary conditions have been satisfied and issuance of the shares underlying the restricted stock units is no longer contingent. Necessary conditions are not satisfied until the vesting date, at which time holders of our restricted stock units receive shares of our common stock.
For purposes of calculating diluted earnings per share, unvested restricted stock units are included to the extent that they are dilutive. In determining whether unvested restricted stock units are dilutive, each issuance of restricted stock units is considered separately.
Once a restricted stock unit has vested, it is included in the calculation of both basic and diluted weighted average shares outstanding.
Note 5: Inventories
The major classes of inventories were as follows:

	October 2, 2016	December 31, 2015
	(In thousands)	
Raw materials	$94,789	$92,929
Work-in-process	24,627	27,730
Finished goods	99,477	97,814
Gross inventories	218,893	218,473
Excess and obsolete reserves	(25,393)	(22,531)
Net inventories	$193,500	$195,942

Note 6: Long-Lived Assets
Depreciation and Amortization Expense
We recognized depreciation expense of $11.6 million and $35.3 million in the three and nine months ended October 2, 2016, respectively. We recognized depreciation expense of $11.8 million and $35.1 million in the three and nine months ended September 27, 2015, respectively.
We recognized amortization expense related to our intangible assets of $23.8 million and $75.6 million in the three and nine months ended October 2, 2016, respectively. We recognized amortization expense related to our intangible assets of $25.7 million and $78.1 million in the three and nine months ended September 27, 2015, respectively.
Note 7: Severance, Restructuring, and Acquisition Integration Activities
Industrial Restructuring Program
Both our Industrial Connectivity and Industrial IT segments have been negatively impacted by a decline in sales volume. Global demand for industrial products has been negatively impacted by the strengthened U.S. dollar and lower energy prices. Our customers have reduced capital spending in response to these conditions, and we expect these conditions to continue to negatively impact our industrial segments' sales volume. In response to these industrial market conditions, we began to execute a restructuring program in the fourth quarter of 2015 to reduce our cost structure. We recognized $2.6 million and $8.4 million of severance and other restructuring costs for this program during the three and nine months ended October 2, 2016, respectively. We do not expect to incur any more restructuring costs for this program. We expect the restructuring program to generate approximately $18 million of savings on an annualized basis, which we began to realize in the first quarter of 2016.
Industrial Manufacturing Footprint Program
In further response to the industrial market conditions described above, in the first quarter of 2016 we began a program to further consolidate our manufacturing footprint. The manufacturing consolidation is expected to be completed by the end of 2017. We recognized $10.0 million and $12.5 million of severance and other restructuring costs for this program during the three and nine

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months ended October 2, 2016, respectively. The costs were incurred by the Enterprise and Industrial Connectivity segments, as the manufacturing locations involved in the program serve both platforms. We expect to incur approximately $5 million and $15 million of additional severance and other restructuring costs for this program in 2016 and 2017, respectively. We expect the program to generate approximately $10 million of savings on an annualized basis, beginning in the second half of 2017.

Grass Valley Restructuring Program

Our Broadcast segment's Grass Valley brand was negatively impacted by a decline in global demand of broadcast technology infrastructure products. Outside of the U.S., demand for these products was impacted by the relative price increase of products due to the strengthened U.S. dollar as well as the impact of weaker economic conditions which have resulted in lower capital spending. Within the U.S., demand for these products was impacted by deferred capital spending. We believe broadcast customers have deferred their capital spending as they navigate through a number of important industry transitions and a changing media landscape. In response to these broadcast market conditions, we began to execute a restructuring program beginning in the third quarter of 2015 to further reduce our cost structure. We recognized $0.1 million and $5.1 million of severance and other restructuring costs for this program during the three and nine months ended October 2, 2016, respectively. We expect to incur approximately $1 million of additional severance and other restructuring costs for this program in the fourth quarter of 2016. We expect the restructuring program to generate approximately $30 million of savings on an annualized basis, which we began to realize in the fourth quarter of 2015.

Productivity Improvement Program and Acquisition Integration

In 2014, we began a productivity improvement program and the integration of our acquisition of Grass Valley. The productivity improvement program focused on improving the productivity of our sales, marketing, finance, and human resources functions relative to our peers. The majority of the costs for the productivity improvement program related to the Industrial Connectivity, Enterprise, and Industrial IT segments. The restructuring and integration activities related to our acquisition of Grass Valley focused on achieving desired cost savings by consolidating existing and acquired operating facilities and other support functions. We substantially completed the productivity improvement program and the acquisition integration activities in 2015. In the three and nine months ended September 27, 2015, we recorded severance, restructuring, and integration costs of $0.1 million and $19.5 million, respectively, related to these two significant programs, as well as other cost reduction actions and the integration of our acquisitions of ProSoft, Coast, and Tripwire. In the three and nine months ended October 2, 2016, we recognized $0.1 million and $1.1 million of costs, respectively, primarily related to our 2016 acquisition of M2FX.

The following table summarizes the costs by segment of the various programs described above:

Three Months Ended October 2, 2016	Severance	Other Restructuring and Integration Costs	Total Costs
	(In thousands)		
Broadcast Solutions	$(114)	$ 288	$ 174
Enterprise Connectivity Solutions	(21)	5,594	5,573
Industrial Connectivity Solutions	184	4,562	4,746
Industrial IT Solutions	1,103	1,199	2,302
Network Security Solutions	—	—	—
Total	$1,152	$ 11,643	$ 12,795
Three Months Ended September 27, 2015			
Broadcast Solutions	$11,978	$ 1,744	$ 13,722
Enterprise Connectivity Solutions	99	93	192
Industrial Connectivity Solutions	—	118	118
Industrial IT Solutions	—	54	54
Network Security Solutions	—	57	57
Total	$12,077	$ 2,066	$ 14,143
Nine Months Ended October 2, 2016			
Broadcast Solutions	$(865)	$ 6,736	$ 5,871
Enterprise Connectivity Solutions	55	7,225	7,280
Industrial Connectivity Solutions	1,961	6,021	7,982
Industrial IT Solutions	3,734	2,176	5,910
Network Security Solutions	—	29	29
Total	$4,885	$ 22,187	$ 27,072
Nine Months Ended September 27, 2015			
Broadcast Solutions	$12,691	$ 15,852	$ 28,543
Enterprise Connectivity Solutions	171	661	832
Industrial Connectivity Solutions	967	2,087	3,054
Industrial IT Solutions	(740)	742	2
Network Security Solutions	—	1,102	1,102
Total	$13,089	$ 20,444	$ 33,533

Of the total severance, restructuring, and acquisition integration costs recognized in the three months ended October 2, 2016, $2.9 million, $9.9 million, and $0.0 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively. Of the total severance, restructuring, and acquisition integration costs recognized in the three months ended September 27, 2015, $3.2 million, $9.3 million, and $1.6 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively.

Of the total severance, restructuring, and acquisition integration costs recognized in the nine months ended October 2, 2016, $6.8 million, $19.6 million, and $0.7 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively. Of the total severance, restructuring, and acquisition integration costs recognized in the nine months ended September 27, 2015, $6.3 million, $23.8 million, and $3.4 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively.

The other restructuring and integration costs primarily consisted of non-cash pension settlement charges due in part to our restructuring activities as well as equipment transfer, costs to consolidate operating and support facilities, retention bonuses, relocation, travel, legal, and other costs. The majority of the other cash restructuring and integration costs related to these actions were paid as incurred or are payable within the next 60 days.

Accrued Severance

The table below sets forth the activity that occurred for the programs described above with significant severance costs. The balances are included in accrued liabilities.

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	Grass Valley Restructuring	Industrial Restructuring
	(In thousands)	
Balance at December 31, 2015	$12,076	$ 2,947
New charges	886	2,919
Cash payments	(4,404)	(1,967)
Foreign currency translation	167	94
Other adjustments	(1,528)	—
Balance at April 3, 2016	$7,197	$ 3,993
New charges	251	1,489
Cash payments	(3,356)	(1,685)
Foreign currency translation	(13)	(42)
Other adjustments	(360)	—
Balance at July 3, 2016	$3,719	$ 3,755
New charges	148	1,287
Cash payments	(1,945)	(743)
Foreign currency translation	32	51
Other adjustments	(262)	—
Balance at October 2, 2016	$1,692	$ 4,350

The other adjustments were the result of changes in estimates. We experienced higher than expected voluntary turnover, and as a result, certain approved severance actions were not taken. We expect the majority of the liabilities for these programs to be paid in the fourth quarter of 2016.

Note 8: Long-Term Debt and Other Borrowing Arrangements

The carrying values of our long-term debt and other borrowing arrangements were as follows:

	October 2, 2016	December 31, 2015
	(In thousands)	
Revolving credit agreement due 2018	$—	$50,000
Variable rate term loan due 2020	242,152	243,965
Senior subordinated notes:		
5.25% Senior subordinated notes due 2024	200,000	200,000
5.50% Senior subordinated notes due 2023	568,449	553,835
5.50% Senior subordinated notes due 2022	700,000	700,000
9.25% Senior subordinated notes due 2019	5,221	5,221
Total senior subordinated notes	1,473,670	1,459,056
Total gross debt and other borrowing arrangements	1,715,822	1,753,021
Less unamortized debt issuance costs	(22,390)	(25,239)
Total net debt and other borrowing arrangements	1,693,432	1,727,782
Less current maturities of Term Loan	(2,500)	(2,500)
Long-term debt	$1,690,932	$1,725,282

Revolving Credit Agreement due 2018

Our revolving credit agreement provides a $400.0 million multi-currency asset-based revolving credit facility (the Revolver). The borrowing base under the Revolver includes eligible accounts receivable; inventory; and property, plant and equipment of certain

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of our subsidiaries in the U.S., Canada, Germany, the Netherlands, and the UK. In January 2015, we borrowed $200.0 million under the Revolver in order to fund a portion of the purchase price for the acquisition of Tripwire. During the fourth quarter of 2015 and first quarter of 2016, we repaid $150.0 million and $50.0 million, respectively, of the Revolver borrowings. As of October 2, 2016, we had no borrowings outstanding on our revolver, and our available borrowing capacity was $275.1 million. The Revolver matures in 2018. Interest on outstanding borrowings is variable, based upon LIBOR or other similar indices in foreign jurisdictions, plus a spread that ranges from 1.25% - 1.75%, depending upon our leverage position. We pay a commitment fee on our available borrowing capacity of 0.375%. In the event we borrow more than 90% of our borrowing base, we are subject to a fixed charge coverage ratio covenant.

Variable Rate Term Loan due 2020

In 2013, we borrowed $250.0 million under a Term Loan Credit Agreement (the Term Loan). The Term Loan is secured on a second lien basis by the assets securing the Revolving Credit Agreement due 2018 discussed above and on a first lien basis by the stock of certain of our subsidiaries. The borrowings under the Term Loan are scheduled to mature in 2020 and require quarterly amortization payments of approximately $0.6 million. Interest under the Term Loan is variable, based upon the three-month LIBOR plus an applicable spread. The interest rate as of October 2, 2016 was 5.00%. We paid off the Term Loan in the fourth quarter of 2016. See Note 13 for further discussion.

Senior Subordinated Notes

We have outstanding $200.0 million aggregate principal amount of 5.25% senior subordinated notes due 2024 (the 2024 Notes). The 2024 Notes are guaranteed on a senior subordinated basis by certain of our subsidiaries.The 2024 Notes rank equal in right of payment with our senior subordinated notes due 2023, 2022, and 2019 and with any future subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan and Revolver. Interest is payable semiannually on January 15 and July 15 of each year.

We have outstanding €500.0 million aggregate principal amount of 5.5% senior subordinated notes due 2023 (the 2023 Notes). The carrying value of the 2023 Notes as of October 2, 2016 is $568.4 million. The 2023 Notes are guaranteed on a senior subordinated basis by certain of our subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2024, 2022, and 2019 and with any future subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan and Revolver. Interest is payable semiannually on April 15 and October 15 of each year.

We have outstanding $700.0 million aggregate principal amount of 5.5% senior subordinated notes due 2022 (the 2022 Notes). The 2022 Notes are guaranteed on a senior subordinated basis by certain of our subsidiaries. The 2022 Notes rank equal in right of payment with our senior subordinated notes due 2024, 2023, and 2019, and with any future subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan and Revolver. Interest is payable semiannually on March 1 and September 1 of each year.

We have outstanding $5.2 million aggregate principal amount of our senior subordinated notes due 2019 (the 2019 Notes). The 2019 Notes have a coupon interest rate of 9.25% and an effective interest rate of 9.75%. The interest on the 2019 Notes is payable semiannually on June 15 and December 15. The 2019 notes are guaranteed on a senior subordinated basis by certain of our subsidiaries.The notes rank equal in right of payment with our senior subordinated notes due 2024, 2023, and 2022, and with any future senior subordinated debt, and are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan and Revolver.

Fair Value of Long-Term Debt

The fair value of our senior subordinated notes as of October 2, 2016 was approximately $1,524.7 million based on quoted prices of the debt instruments in inactive markets (Level 2 valuation). This amount represents the fair values of our senior subordinated notes with a carrying value of $1,473.7 million as of October 2, 2016. We believe the fair value of our Term Loan approximates book value.

Note 9: Income Taxes

We recognized income tax expense of $2.9 million for the three months ended October 2, 2016, representing an effective tax rate of 7.5% . We recognized an income tax benefit of $0.5 million for the nine months ended October 2, 2016, representing an effective tax rate of (0.6%). The effective tax rates were impacted by the following significant factors:

- We recognized $2.9 million and $11.0 million of tax benefit in the three and nine months ended October 2, 2016, respectively, as the result of securing a significant tax deduction for a foreign currency loss by implementing several transactions related to our international tax structure.
- We also recognized a $7.0 million tax benefit in the nine months ended October 2, 2016 for the reduction of deferred tax liabilities related to a previously completed acquisition. As part of an implemented tax planning strategy, we secured a Private Letter Ruling from the Internal Revenue Service that effectively increased the tax basis in the acquired assets to the full fair value. Accordingly, a book-tax difference was eliminated, and we reversed deferred tax liabilities previously recorded, resulting in the tax benefit.
- In the three and nine months ended October 2, 2016, we recognized tax benefits of $2.2 million and $6.0 million, respectively, as a result of reducing a deferred tax valuation allowance related to net operating loss carryforwards in a foreign jurisdiction. Based on certain restructuring transactions in the nine months ended October 2, 2016, the net operating loss carryforwards are expected to be realizable.

The tax benefits described above for the nine months ended October 2, 2016 were partially offset by a $2.7 million tax expense to record a liability for uncertain tax positions in one of our foreign jurisdictions.

We recognized income tax benefits of $5.7 million and $7.3 million for the three and nine months ended September 27, 2015, respectively, representing effective tax rates of (63.0%) and (77.2%), respectively. A significant factor impacting the income tax benefit for the nine months ended September 27, 2015 was the recognition of a $1.5 million tax benefit as a result of reducing a deferred tax asset valuation allowance related to a capital loss carryforward. Based on transactions in the nine months ended September 27, 2015, the capital loss carryforward became fully realizable. In addition, our effective tax rate in 2015 benefited from a tax planning strategy that allowed us to recognize a significant balance of foreign tax credits related to one of our foreign jurisdictions.

Note 10: Pension and Other Postretirement Obligations

The following table provides the components of net periodic benefit costs for our pension and other postretirement benefit plans:

Three Months Ended	Pension Obligations October 2, 2016	Pension Obligations September 27, 2015	Other Postretirement Obligations October 2, 2016	Other Postretirement Obligations September 27, 2015
	(In thousands)			
Service cost	$1,282	$ 1,344	$ 11	$ 11
Interest cost	2,202	2,164	305	274
Expected return on plan assets	(2,931)	(3,202)	—	—
Amortization of prior service credit	(11)	(15)	(11)	(16)
Actuarial losses	659	1,349	29	107
Settlement loss	7,385	—	—	—
Net periodic benefit cost	$8,586	$ 1,640	$ 334	$ 376
Nine Months Ended				
Service cost	$4,118	$ 4,562	$ 40	$ 43
Interest cost	7,020	6,909	1,152	1,076
Expected return on plan assets	(9,339)	(9,515)	—	—
Amortization of prior service credit	(29)	(41)	(33)	(66)
Actuarial losses	2,067	3,923	260	359

Settlement loss	7,385	—	—	—
Net periodic benefit cost	$11,222	$ 5,838	$ 1,419	$ 1,412

Note 11: Comprehensive Income and Accumulated Other Comprehensive Income (Loss)

The following table summarizes total comprehensive income (loss):

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
	(In thousands)			
Net income	$35,565	$14,569	$93,740	$16,524
Foreign currency translation loss, net of $0.4 million, $2.1 million, $1.5 million, and $0.0 million tax, respectively	(8,762)	(25,249)	(9,855)	(15,056)
Adjustments to pension and postretirement liability, net of $3.1 million, $0.5 million, $3.7 million, and $1.6 million tax, respectively	4,952	877	5,934	2,568
Total comprehensive income (loss)	$31,755	$(9,803)	$89,819	$4,036
Less: Comprehensive loss attributable to noncontrolling interest	(91)	—	(318)	—
Comprehensive income (loss) attributable to Belden	$31,846	$(9,803)	$90,137	$4,036

The accumulated balances related to each component of other comprehensive income (loss), net of tax, are as follows:

	Foreign Currency Translation Component	Pension and Other Postretirement Benefit Plans	Accumulated Other Comprehensive Income (Loss)
	(In thousands)		
Balance at December 31, 2015	$(23,411)	$ (35,576)	$ (58,987)
Other comprehensive loss attributable to Belden before reclassifications	(9,823)	—	(9,823)
Amounts reclassified from accumulated other comprehensive income (loss)	—	5,934	5,934
Net current period other comprehensive loss attributable to Belden	(9,823)	5,934	(3,889)
Balance at October 2, 2016	$(33,234)	$ (29,642)	$ (62,876)

The following table summarizes the effects of reclassifications from accumulated other comprehensive income (loss) for the nine months ended October 2, 2016:

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Consolidated Statements of Operations and Comprehensive Income
	(In thousands)	
Amortization of pension and other postretirement benefit plan items:		
Settlement loss	$ 7,385	(1)
Actuarial losses	2,327	(1)
Prior service credit	(62)	(1)
Total before tax	9,650	
Tax benefit	(3,716)	
Net of tax	$ 5,934	

(1) The amortization of these accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit costs (see Note 10).

Note 12: Preferred Stock

On July 26, 2016, we issued 5.2 million depositary shares, each of which represents 1/100th interest in a share of 6.75% Series B Mandatory Convertible Preferred Stock (the Preferred Stock), for an offering price of $100 per depositary share. Holders of the Preferred Stock may elect to convert their shares into common stock at any time prior to the mandatory conversion date. Unless earlier converted, each share of Preferred Stock will automatically convert into common stock on or around July 15, 2019 into between 120.46 and 132.50 shares of Belden common stock, subject to customary anti-dilution adjustments. This represents a range of 6.2 million to 6.9 million shares of Belden common stock to be issued upon conversion. The number of shares of Belden common stock issuable upon the mandatory conversion of the Preferred Stock will be determined based upon the volume-weighted average price of Belden’s common stock over the 20 day trading period beginning on, and including, the 22nd scheduled trading day prior to July 15, 2019. The net proceeds from this offering were approximately $501 million. We intend to use the proceeds for general corporate purposes. During the three and nine months ended October 2, 2016, the Preferred Stock accrued $6.7 million of dividends. With respect to dividend and liquidation rights, the Preferred Stock ranks senior to our common stock and junior to all of our existing and future indebtedness.

Note 13: Subsequent Events

On October 10, 2016, we completed an offering for €200.0 million ($222.2 million) aggregate principal amount of 4.125% senior subordinated notes due 2026 (the 2026 Notes). The 2026 Notes are guaranteed on a senior subordinated basis by our current and future domestic subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2024, 2023, 2022, and 2019 and with any future subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Revolver. Interest is payable semiannually on April 15 and October 15 of each year, beginning on April 15, 2017. The proceeds from the debt issuance were used to pay off the variable rate term loan due 2020, for which we will recognize a $2.2 million loss on debt extinguishment during the fourth quarter of 2016.

On July 5, 2011, our wholly-owned subsidiary, PPC Broadband, Inc. (PPC), filed an action for patent infringement against Corning Optical Communications RF LLC (Corning). The Complaint alleged that Corning infringed two of PPC’s patents. On July 23, 2015, a jury found that Corning willfully infringed both patents and awarded damages in the amount of $23.9 million. On November 3, 2016, following a series of post-trial motions, the trial judge issued a ruling granting us enhanced damages of $47.7 million plus a yet-to-be-determined amount of pre-judgment interest. We have not recorded any amounts in our consolidated financial statements related to this matter, as Corning may appeal the ruling.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Belden Inc. (the Company, us, we, or our) is an innovative signal transmission solutions company built around five global business platforms – Broadcast Solutions, Enterprise Connectivity Solutions, Industrial Connectivity Solutions, Industrial IT Solutions, and Network Security Solutions. Our comprehensive portfolio of signal transmission solutions provides industry leading secure and reliable transmission of data, sound, and video for mission critical applications. We strive for operational excellence through the execution of our Belden Business System, which includes three areas of focus: Lean enterprise initiatives, our Market Delivery System, and our Talent Management System. Through operational excellence we generate significant free cash flow on an annual basis. We utilize the cash flow generated by our business to fuel our continued transformation and generate shareholder value. We believe our business system, balance across markets and geographies, systematic go-to-market approach, extensive portfolio of innovative solutions, commitment to Lean principles, and improving margins present a unique value proposition for shareholders. We use a set of tools and processes that are designed to continuously improve business performance in the critical areas of quality, delivery, cost, and innovation. We consider revenue growth, Adjusted EBITDA margin, free cash flows, and return on invested capital to be our key operating performance indicators. We also seek to acquire businesses that we believe can help us achieve these objectives.

Trends and Events

The following trends and events during 2016 have had varying effects on our financial condition, results of operations, and cash flows.

Foreign currency

Our exposure to currency rate fluctuations primarily relates to exchange rate movements between the U.S. dollar and the Euro, Canadian dollar, Hong Kong dollar, Chinese yuan, Japanese yen, Mexican peso, Australian dollar, British pound, and Brazilian real. Generally, as the U.S. dollar strengthens against these foreign currencies, our revenues and earnings are negatively impacted as our foreign denominated revenues and earnings are translated into U.S. dollars at a lower rate. Conversely, as the U.S. dollar weakens against foreign currencies, our revenues and earnings are positively impacted.

In addition to the translation impact described above, currency rate fluctuations have an economic impact on our financial results. As the U.S. dollar strengthens or weakens against foreign currencies, it results in a relative price increase or decrease for certain of our products that are priced in U.S. dollars in a foreign location.

Commodity prices

Our operating results can be affected by changes in prices of commodities, primarily copper and compounds, which are components in some of the products we sell. Generally, as the costs of inventory purchases increase due to higher commodity prices, we raise selling prices to customers to cover the increase in costs, resulting in higher sales revenue but a lower gross profit percentage. Conversely, a decrease in commodity prices would result in lower sales revenue but a higher gross profit percentage. Selling prices of our products are affected by many factors, including end market demand, capacity utilization, overall economic conditions, and commodity prices. Importantly, however, there is no exact measure of the effect of changing commodity prices, as there are thousands of transactions in any given quarter, each of which has various factors involved in the individual pricing decisions. Therefore, all references to the effect of copper prices or other commodity prices are estimates.

Channel Inventory

Our operating results also can be affected by the levels of Belden products purchased and held as inventory by our channel partners and customers. Our channel partners and customers purchase and hold the products they bought from us in their inventory in order to meet the service and on-time delivery requirements of their customers. Generally, as our channel partners and customers change the level of products they bought from us and hold in their inventory, it impacts our revenues. Comparisons of our results between periods can be impacted by changes in the levels of channel inventory. We use information provided to us by our channel partners and make certain assumptions based on our sales to them to determine the amount of products they bought from us and hold in their inventory. As such, all references to the effect of channel inventory changes are estimates.

Market Growth and Market Share

The broadcast, enterprise, industrial, and network security markets in which we operate can generally be characterized as highly competitive and highly fragmented, with many players. Based on available data for our served markets, we estimate that our market shares range from approximately 5% - 20%. A substantial acquisition in one of our served markets would be necessary to meaningfully change our estimated market share percentage. We monitor available data regarding market growth, including independent market research reports, publicly available indices, and the financial results of our direct and indirect peer companies, in order to estimate the extent to which our served markets grew or contracted during a particular period. We expect that our unit sales volume will increase or decrease consistently with the market growth rate. Our strategic goal is to utilize our Market Delivery System to target faster growing geographies, applications, and trends within our end markets, in order to achieve growth that is higher than the general market growth rate. To the extent that we exceed the market growth rates, we consider it to be the result of capturing market share.

Operating Segments

To capitalize on the adoption of IP technology and accelerate our penetration of the commercial audio-video market, we transferred responsibility of audio-video cable and connectors from our Broadcast platform to our Enterprise Connectivity platform effective January 1, 2016. We have revised the prior period segment information to conform to the change in the composition of these reportable segments.

Acquisitions

We completed the acquisitions of M2FX Limited (M2FX) on January 7, 2016 and Tripwire Inc. (Tripwire) on January 2, 2015. The results of M2FX and Tripwire have been included in our Consolidated Financial Statements from their respective acquisition dates and are reported in the Broadcast and Network Security segments, respectively.

Long-Term Debt and Equity

During the first quarter of 2016, we repaid $50.0 million of the Revolver borrowings. As of October 2, 2016, we had no borrowings outstanding on our revolver, and our available borrowing capacity was $275.1 million.

During the third quarter of 2016, we issued 5.2 million depositary shares, each of which represents 1/100th interest in a share of 6.75% Series B Mandatory Convertible Preferred Stock (the Preferred Stock), for an offering price of $100 per depositary share. Unless earlier converted, each share of Preferred Stock will automatically convert into common stock on or around July 15, 2019 into between 120.46 and 132.50 shares of Belden common stock, subject to customary anti-dilution adjustments. This represents a range of 6.2 million to 6.9 million shares of Belden common stock to be issued upon conversion. The net proceeds from this offering were approximately $501 million. We intend to use the proceeds for general corporate purposes. During the three and nine months ended October 2, 2016, the Preferred Stock accrued $6.7 million of dividends.

Productivity Improvement Programs

Industrial Restructuring Program

Both our Industrial Connectivity and Industrial IT segments have been negatively impacted by a decline in sales volume. Global demand for industrial products has been negatively impacted by the strengthened U.S. dollar and lower energy prices. Our customers have reduced capital spending in response to these conditions, and we expect these conditions to continue to negatively impact our industrial segments’ sales volume. In response to these industrial market conditions, we began to execute a restructuring program in the fourth quarter of 2015 to reduce our cost structure. We recognized $2.6 million and $8.4 million of severance and other restructuring costs for this program during the three and nine months ended October 2, 2016, respectively. We do not expect to incur any more restructuring costs for this program. We expect the restructuring program to generate approximately $18 million of savings on an annualized basis, which we began to realize in the first quarter of 2016.

Industrial Manufacturing Footprint Program

In further response to the industrial market conditions described above, in the first quarter of 2016 we began a program to further consolidate our manufacturing footprint. The manufacturing consolidation is expected to be completed by the end of 2017. We recognized $10.0 million and $12.5 million of severance and other restructuring costs for this program during the three and nine months ended October 2, 2016, respectively. The costs were incurred by the Enterprise and Industrial Connectivity segments, as the manufacturing locations involved in the program serve

both platforms. We expect to incur approximately $5 million and $15 million of additional severance and other restructuring costs for this program in 2016 and 2017, respectively. We expect the program to generate approximately $10 million of savings on an annualized basis, beginning in the second half of 2017.

Grass Valley Restructuring Program

Our Broadcast segment's Grass Valley brand was negatively impacted by a decline in global demand of broadcast technology infrastructure products. Outside of the U.S., demand for these products was impacted by the relative price increase of products due to the strengthened U.S. dollar as well as the impact of weaker economic conditions which have resulted in lower capital spending. Within the U.S., demand for these products was impacted by deferred capital spending. We believe broadcast customers have deferred their capital spending as they navigate through a number of important industry transitions and a changing media landscape. In response to these broadcast market conditions, we began to execute a restructuring program beginning in the third quarter of 2015 to further reduce our cost structure. We recognized $0.1 million and $5.1 million of severance and other restructuring costs for this program during the three and nine months ended October 2, 2016, respectively. We expect to incur approximately $1 million of additional severance and other restructuring costs for this program in the fourth quarter of 2016. We expect the restructuring program to generate approximately $30 million of savings on an annualized basis, which we began to realize in the fourth quarter of 2015.

Productivity Improvement Program and Acquisition Integration

In 2014, we began a productivity improvement program and the integration of our acquisition of Grass Valley. The productivity improvement program focused on improving the productivity of our sales, marketing, finance, and human resources functions relative to our peers. The majority of the costs for the productivity improvement program related to the Industrial Connectivity, Enterprise, and Industrial IT segments. The restructuring and integration activities related to our acquisition of Grass Valley focused on achieving desired cost savings by consolidating existing and acquired operating facilities and other support functions. We substantially completed the productivity improvement program and the acquisition integration activities in 2015. In the three and nine months ended September 27, 2015, we recorded severance, restructuring, and integration costs of $0.1 million and $19.5 million, respectively, related to these two significant programs, as well as other cost reduction actions and the integration of our acquisitions of ProSoft, Coast, and Tripwire. In the three and nine months ended October 2, 2016, we recognized $0.1 million and $1.1 million of costs, respectively, primarily related to our 2016 acquisition of M2FX.

United Kingdom Referendum

The United Kingdom's (the UK's) June 2016 vote in favor of exiting the European Union (the EU) adversely impacted global markets, including currencies, and resulted in a sharp decline in the value of the British pound, as compared to the U.S. dollar and other currencies. Volatility in exchange rates is expected to continue in the short term as the UK negotiates its exit from the EU. A weaker British pound compared to the U.S. dollar during a reporting period causes local currency results of our UK operations to be translated into fewer U.S. dollars. For the nine months ended October 2, 2016, approximately 3% of our revenues were to customers located in the UK. In the longer term, any impact on our results of operations from the potential exit of the UK from the EU will depend, in part, on the outcome of tariff, trade, regulatory, and other negotiations between the UK and the EU.

Subsequent Event

On October 10, 2016, we completed an offering for €200.0 million ($222.2 million) aggregate principal amount of 4.125% senior subordinated notes due 2026 (the 2026 Notes). The proceeds from the debt issuance were used to pay off the variable rate term loan due 2020, for which we will recognize a $2.2 million loss on debt extinguishment in the fourth quarter of 2016.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, results of operations, or cash flows that are or would be considered material to investors.

Critical Accounting Policies

During the nine months ended October 2, 2016:

- We did not change any of our existing critical accounting policies from those listed in our 2015 Annual Report on Form 10-K;
- No existing accounting policies became critical accounting policies because of an increase in the materiality of associated transactions or changes in the circumstances to which associated judgments and estimates relate; and
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There were no significant changes in the manner in which critical accounting policies were applied or in which related judgments and estimates were developed.

Results of Operations

Consolidated Income from Continuing Operations before Taxes

	Three Months Ended			Nine Months Ended		
	October 2, 2016	September 27, 2015	% Change	October 2, 2016	September 27, 2015	% Change
	(In thousands, except percentages)					
Revenues	$601,109	$579,266	3.8 %	$1,744,237	$1,711,978	1.9 %
Gross profit	245,962	226,131	8.8 %	719,210	668,056	7.7 %
Selling, general and administrative expenses	(126,662)	(127,792)	(0.9)%	(372,125)	(395,424)	(5.9)%
Research and development	(33,512)	(38,168)	(12.2)%	(106,297)	(110,999)	(4.2)%
Amortization of intangibles	(23,808)	(25,669)	(7.2)%	(75,603)	(78,090)	(3.2)%
Operating income	61,980	34,502	79.6 %	165,185	83,543	97.7 %
Interest expense, net	(23,513)	(25,416)	(7.5)%	(71,958)	(74,031)	(2.8)%
Income from continuing operations before taxes	38,467	9,086	323.4 %	93,227	9,512	880.1 %

Revenues increased in the three and nine months ended October 2, 2016 from the comparable periods of 2015 due to the following factors:

- Increases in unit sales volume resulted in increases in revenues of $25.0 million and $66.0 million, respectively. Volume growth was the strongest in our broadcast and enterprise markets.
- Acquisitions contributed $1.8 million and $5.4 million of revenues, respectively.
- Lower copper costs resulted in revenue decreases of $4.1 million and $26.1 million, respectively.
- Unfavorable currency translation resulted in revenue decreases of $0.9 million and $13.1 million, respectively.

Gross profit increased in the three and nine months ended October 2, 2016 from the comparable periods of 2015 due to the increases in sales volume noted above and improved productivity as a result of our restructuring actions. The increases in productivity and sales volume that led to increases in gross profit were most notable in our Broadcast and Enterprise segments.

Selling, general and administrative expenses decreased in the three months ended October 2, 2016 from the comparable period of 2015 primarily due to improved productivity as a result of our restructuring actions. Additionally, favorable currency translation resulted in a $0.7 million decrease in expense. These factors were partially offset by a $0.6 million increase in severance, restructuring and acquisition integration costs.

Selling, general and administrative expenses decreased in the nine months ended October 2, 2016 from the comparable period of 2015 primarily due to $9.2 million of compensation expense that we recognized in the prior year as a result of accelerating the vesting of certain acquiree equity awards at the closing of the Tripwire acquisition. In addition, favorable currency translation resulted in a $4.3 million decrease in selling, general and administrative expenses. The remaining decrease was due to improved productivity from our restructuring actions.

Operating income increased in both the three and nine months ended October 2, 2016 from the comparable periods of 2015 primarily due to the increases in gross profit and decreases in selling, general and administrative expenses discussed above. Favorable currency translation contributed $0.9 million and $6.4 million of the increase in operating income, respectively.

Income before taxes increased in both the three and nine months ended October 2, 2016 from the comparable periods of 2015 primarily due to the increases in operating income discussed above.

Income Taxes

	Three Months Ended			Nine Months Ended		
	October 2, 2016	September 27, 2015	% Change	October 2, 2016	September 27, 2015	% Change
	(In thousands, except percentages)					
Income from continuing operations before taxes	$38,467	$9,086	323.4 %	$93,227	$9,512	880.1 %
Income tax benefit (expense)	(2,902)	5,725	(150.7)%	513	7,340	(93.0)%
Effective tax rate	7.5 %	(63.0)%		(0.6)%	(77.2)%	

We recognized income tax expense of $2.9 million for the three months ended October 2, 2016, representing an effective tax rate of 7.5% . We recognized an income tax benefit of $0.5 million for the nine months ended October 2, 2016, representing an effective tax rate of (0.6%). The effective tax rates were impacted by the following significant factors:

- We recognized $2.9 million and $11.0 million of tax benefit in the three and nine months ended October 2, 2016, respectively, as the result of securing a significant tax deduction for a foreign currency loss by implementing several transactions related to our international tax structure.
- We also recognized a $7.0 million tax benefit in the nine months ended October 2, 2016 for the reduction of deferred tax liabilities related to a previously completed acquisition. As part of an implemented tax planning strategy, we secured a Private Letter Ruling from the Internal Revenue Service that effectively increased the tax basis in the acquired assets to the full fair value. Accordingly, a book-tax difference was eliminated, and we reversed deferred tax liabilities previously recorded, resulting in the tax benefit.
- In the three and nine months ended October 2, 2016, we recognized tax benefits of $2.2 million and $6.0 million, respectively, as a result of reducing a deferred tax valuation allowance related to net operating loss carryforwards in a foreign jurisdiction. Based on certain restructuring transactions in the nine months ended October 2, 2016, the net operating loss carryforwards are expected to be realizable.

The tax benefits described above for the nine months ended October 2, 2016 were partially offset by a $2.7 million tax expense to record a liability for uncertain tax positions in one of our foreign jurisdictions.

We recognized income tax benefits of $5.7 million and $7.3 million for the three and nine months ended September 27, 2015, respectively, representing effective tax rates of (63.0%) and (77.2%), respectively. A significant factor impacting the income tax benefit for the nine months ended September 27, 2015 was the recognition of a $1.5 million tax benefit as a result of reducing a deferred tax asset valuation allowance related to a capital loss carryforward. Based on transactions in the nine months ended September 27, 2015, the capital loss carryforward became fully realizable. In addition, our effective tax rate in 2015 benefited from a tax planning strategy that allowed us to recognize a significant balance of foreign tax credits related to one of our foreign jurisdictions.

Our income tax expense was also impacted by foreign tax rate differences. The statutory tax rates associated with our foreign earnings generally are lower than the statutory U.S. tax rate of 35%. This had the greatest impact on our income from continuing operations before taxes that is generated in Germany, Canada, and the Netherlands, which have statutory tax rates of approximately 28%, 26%, and 25%, respectively. Foreign tax rate differences reduced our income tax expense by approximately $9.0 million and $2.0 million for the nine months ended October 2, 2016 and September 27, 2015, respectively.

Our income tax expense and effective tax rate in future periods may be impacted by many factors, including our geographic mix of income and changes in tax laws.

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Consolidated Adjusted Revenues and Adjusted EBITDA

	Three Months Ended			Nine Months Ended		
	October 2, 2016	September 27, 2015	% Change	October 2, 2016	September 27, 2015	% Change
	(In thousands, except percentages)					
Adjusted Revenues	$602,468	$590,115	2.1 %	$1,749,649	$1,758,079	(0.5)%
Adjusted EBITDA	111,545	97,460	14.5 %	308,720	286,065	7.9 %
as a percent of adjusted revenues	18.5 %	16.5 %		17.6 %	16.3 %	

Adjusted Revenues increased in the three months ended October 2, 2016 and decreased in the nine months ended October 2, 2016 from the comparable periods of 2015 due to the following factors:

- Increases in unit sales volume resulted in increases in revenues of $15.6 million and $25.4 million, respectively. Volume growth was the strongest in our broadcast and enterprise markets.
- The acquisition of M2FX contributed $1.8 million and $5.4 million of revenues, respectively.
- Lower copper costs resulted in revenue decreases of $4.1 million and $26.1 million, respectively.
- Unfavorable currency translation resulted in revenue decreases of $0.9 million and $13.1 million, respectively.

Adjusted EBITDA increased in the three and nine months ended October 2, 2016 from the comparable periods of 2015 primarily due to leverage on higher sales volume, as discussed above. Additionally, adjusted EBITDA increased due to improved productivity as a result of our restructuring actions. Further, favorable currency translation resulted in increases in Adjusted EBITDA of $1.5 million and $4.3 million, respectively. Accordingly, EBITDA margins for the three and nine months ended October 2, 2016 expanded to 18.5% and 17.6%, respectively.

Use of Non-GAAP Financial Information

Adjusted Revenues and Adjusted EBITDA are non-GAAP financial measures. In addition to reporting financial results in accordance with accounting principles generally accepted in the United States, we provide non-GAAP operating results adjusted for certain items, including: asset impairments; accelerated depreciation expense due to plant consolidation activities; purchase accounting effects related to acquisitions, such as the adjustment of acquired inventory and deferred revenue to fair value and transaction costs; severance, restructuring, and acquisition integration costs; gains (losses) recognized on the disposal of businesses and tangible assets; amortization of intangible assets; gains (losses) on debt extinguishment; discontinued operations; and other costs. We adjust for the items listed above in all periods presented, unless the impact is clearly immaterial to our financial statements. When we calculate the tax effect of the adjustments, we include all current and deferred income tax expense commensurate with the adjusted measure of pre-tax profitability.

We utilize the adjusted results to review our ongoing operations without the effect of these adjustments and for comparison to budgeted operating results. We believe the adjusted results are useful to investors because they help them compare our results to previous periods and provide important insights into underlying trends in the business and how management oversees our business operations on a day-to-day basis. As an example, we adjust for the purchase accounting effect of recording deferred revenue at fair value in order to reflect the revenues that would have otherwise been recorded by acquired businesses had they remained as independent entities. We believe this presentation is useful in evaluating the underlying performance of acquired companies. Similarly, we adjust for other acquisition-related expenses, such as amortization of intangibles and other impacts of fair value adjustments because they generally are not related to the acquired business' core business performance. As an additional example, we exclude the costs of restructuring programs, which can occur from time to time for our current businesses and/or recently acquired businesses. We exclude the costs in calculating adjusted results to allow us and investors to evaluate the performance of the business based upon its expected ongoing operating structure. We believe the adjusted measures, accompanied by the disclosure of the costs of these programs, provides valuable insight.

Adjusted results should be considered only in conjunction with results reported according to accounting principles generally accepted in the United States. The following tables reconcile our GAAP results to our non-GAAP financial

measures:

	Three Months Ended		Nine Months Ended	
	October 2, 2016	September 27, 2015	October 2, 2016	September 27, 2015
	(In thousands, except percentages)			
GAAP revenues	$601,109	$579,266	$1,744,237	$1,711,978
Deferred revenue adjustments (1)	1,359	10,849	5,412	46,101
Adjusted revenues	$602,468	$590,115	$1,749,649	$1,758,079
GAAP net income attributable to Belden	$35,653	$14,569	$94,026	$16,524
Interest expense, net	23,513	25,416	71,958	74,031
Loss from discontinued operations	—	242	—	242
Loss from disposal of discontinued operations	—	—	—	86
Noncontrolling interest	(88)	—	(286)	—
Income tax expense (benefit)	2,902	(5,725)	(513)	(7,340)
Amortization of intangible assets	23,808	25,669	75,603	78,090
Deferred gross profit adjustments (1)	1,359	11,328	5,412	46,426
Severance, restructuring, and acquisition integration costs (2)	12,795	14,143	27,072	33,533
Purchase accounting effects related to acquisitions (3)	—	—	195	9,422
Depreciation expense	11,603	11,818	35,253	35,051
Adjusted EBITDA	$111,545	$97,460	$308,720	$286,065
GAAP net income margin	5.9 %	2.5 %	5.4 %	1.0 %
Adjusted EBITDA margin	18.5 %	16.5 %	17.6 %	16.3 %

(1) For both the nine months ended October 2, 2016 and September 27, 2015, both our consolidated revenues and gross profit were negatively impacted by the reduction of the acquired deferred revenue balance to fair value associated with our 2015 acquisition of Tripwire.
(2) See Note 7 to the Condensed Consolidated Financial Statements, Severance, Restructuring, and Acquisition Integration Activities, for details.
(3) For the nine months ended October 2, 2016, we recognized $0.2 million of cost of sales related to the adjustment of acquired inventory to fair value related to our acquisition of M2FX. For the nine months ended September 27, 2015, we recognized $9.2 million of compensation expense related to the accelerated vesting of acquiree stock based compensation awards associated with our acquisition of Tripwire. In addition, we recognized $0.3 million of cost of sales related to the adjustment of acquired inventory to fair value related to our acquisition of Coast.

Segment Results of Operations

For additional information regarding our segment measures, see Note 3 to the Condensed Consolidated Financial Statements.

Broadcast Solutions

	Three Months Ended			Nine Months Ended		
	October 2, 2016	September 27, 2015	% Change	October 2, 2016	September 27, 2015	% Change
	(In thousands, except percentages)					
Segment Revenues	$196,173	$186,722	5.1 %	$560,966	$538,145	4.2 %
Segment EBITDA	36,545	27,369	33.5 %	89,317	73,374	21.7 %
as a percent of segment revenues	18.6 %	14.7 %		15.9 %	13.6 %	

Broadcast revenues increased in both the three and nine months ended October 2, 2016 from the comparable periods of 2015 due to increases in unit sales volume of $8.4 million and $22.2 million, respectively. Sales of our broadcast infrastructure products benefited from a more stable U.S. dollar as well as increased domestic advertising spending by broadcasters and their customers. The increase in volume was most notable outside of the United States. Sales of our

broadband connectivity products benefited from continued capital investments by our customers to meet consumer demand for increased bandwidth. The acquisition of M2FX contributed $1.8 million and $5.4 million of revenues, respectively. These factors were partially offset by unfavorable currency translation, which resulted in decreases in revenues of $0.7 million and $4.7 million, respectively.

Broadcast EBITDA increased in the three and nine months ended October 2, 2016 from the comparable periods of 2015 primarily due to leverage on the increases in revenues discussed above. Additionally, EBITDA increased due to improved productivity as a result of our restructuring actions and acquisition integration activities. Accordingly, Broadcast EBITDA margins increased to 18.6% and 15.9% for the three and nine months ended October 2, 2016, respectively.

Enterprise Connectivity Solutions

	Three Months Ended			Nine Months Ended		
	October 2, 2016	September 27, 2015	% Change	October 2, 2016	September 27, 2015	% Change
	(In thousands, except percentages)					
Segment Revenues	$156,658	$155,148	1.0 %	$452,951	$458,756	(1.3)%
Segment EBITDA	27,294	25,705	6.2 %	80,605	75,506	6.8 %
as a percent of segment revenues	17.4 %	16.6 %		17.8 %	16.5 %	

Enterprise Connectivity revenues increased in the three months ended October 2, 2016 from the comparable period of 2015 due to increases in unit sales volume, which contributed $4.1 million to the increase in revenues. We believe sales volume benefited from market share gains due to the execution of our Market Delivery System. Revenue growth was most notable in the U.S., Canada, and Asia. The growth in volume was partially offset by lower copper costs and unfavorable currency translation of $2.1 million and $0.5 million, respectively.

Enterprise Connectivity revenues decreased in the nine months ended October 2, 2016 from the comparable period of 2015. Lower copper costs and unfavorable currency translation resulted in revenue decreases of $11.7 million and $4.0 million, respectively. These factors were partially offset by increases in unit sales volume, which resulted in revenue growth of $9.9 million. The increase in sales volume is primarily attributable to share capture.

Enterprise Connectivity EBITDA increased in both the three and nine months ended October 2, 2016 from the comparable periods of 2015 due to leverage on the higher sales volume discussed above. EBITDA also increased due to favorable currency translation of $1.0 million and $3.3 million in the three and nine months ended October 2, 2016, respectively. Accordingly, EBITDA margins improved to 17.4% and 17.8%, respectively.

Industrial Connectivity Solutions

	Three Months Ended			Nine Months Ended		
	October 2, 2016	September 27, 2015	% Change	October 2, 2016	September 27, 2015	% Change
	(In thousands, except percentages)					
Segment Revenues	$149,847	$147,702	1.5 %	$438,746	$461,549	(4.9)%
Segment EBITDA	23,649	23,225	1.8 %	73,700	76,078	(3.1)%
as a percent of segment revenues	15.8 %	15.7 %		16.8 %	16.5 %	

Industrial Connectivity revenues increased $2.1 million in the three months ended October 2, 2016 from the comparable period of 2015. Increases in unit sales volume and favorable currency translation resulted in revenue growth of $4.0 million and $0.1 million, respectively. These factors were partially offset by lower copper costs, which resulted in a $2.0 million decline in revenues.

Industrial Connectivity revenues decreased in the nine months ended October 2, 2016 from the comparable period of 2015 due to lower copper costs, unfavorable currency translation, and decreases in unit sales volume, which resulted in revenue decreases of $14.2 million, $4.6 million, and $4.0 million, respectively. The decline in sales volume stems from the impact of lower energy prices, which result in lower capital spending for industrial projects. Sales volume was most notably down in Latin America.

Industrial Connectivity EBITDA margins increased in the three and nine months ended October 2, 2016 from the comparable periods of 2015 primarily due to productivity improvements resulting from our restructuring actions,

coupled with the revenue growth in the third quarter of 2016.

Industrial IT Solutions

	Three Months Ended			Nine Months Ended		
	October 2, 2016	September 27, 2015	% Change	October 2, 2016	September 27, 2015	% Change
	(In thousands, except percentages)					
Segment Revenues	$60,168	$59,184	1.7 %	$176,560	$181,527	(2.7)%
Segment EBITDA	12,771	10,466	22.0 %	34,056	31,731	7.3 %
as a percent of segment revenues	21.2 %	17.7 %		19.3 %	17.5 %	

Industrial IT revenues increased $1.0 million in the three months ended October 2, 2016 from the comparable period of 2015 due to increases in unit sales volume. Industrial IT EBITDA increased by $2.3 million due to the leverage on the higher sales volume and improved productivity. Favorable currency translation contributed $0.1 million of the increase in EBITDA. Accordingly, EBITDA margins increased from 17.7% for the three months ended September 27, 2015 to 21.2% for the three months ended October 2, 2016.
Industrial IT revenues decreased in the nine months ended October 2, 2016 from the comparable period of 2015 primarily due to a decrease in unit sales volume of $4.7 million. The sales volume declines stemmed from the impact of lower energy prices, which result in lower capital spending for industrial projects. Unfavorable currency translation resulted in a decrease in revenues of $0.3 million. Despite the decrease in revenues for the nine months ended October 2, 2016, Industrial IT EBITDA increased by $2.3 million from the comparable period of 2015, due to improved productivity as a result of restructuring actions.
Network Security Solutions

	Three Months Ended			Nine Months Ended		
	October 2, 2016	September 27, 2015	% Change	October 2, 2016	September 27, 2015	% Change
	(In thousands, except percentages)					
Segment Revenues	$39,622	$41,359	(4.2)%	$120,426	$118,102	2.0 %
Segment EBITDA	11,677	11,240	3.9 %	32,659	29,913	9.2 %
as a percent of segment revenues	29.5 %	27.2 %		27.1 %	25.3 %	

Network Security revenues decreased in the three months ended October 2, 2016 from the comparable period of 2015 by $1.7 million due to a decline in unit sales volume. For the nine months ended October 2, 2016, revenues increased by $2.3 million due to a $2.1 million increase in sales volume and $0.2 million of favorable currency translation. Network Security EBITDA increased by $0.4 million from the comparable period of 2015, due to improved productivity. EBITDA for the nine months ended October 2, 2016 increased by $2.7 million, due to both leverage on the increase in revenues and improved productivity. EBITDA margins expanded to 29.5% and 27.1% for the three and nine months ended October 2, 2016, respectively.
Discontinued Operations
In the nine months ended September 27, 2015, we recognized a $0.2 million ($0.1 million net of tax) loss from disposal of discontinued operations for a final escrow settlement related to the 2010 disposition of Trapeze Networks, Inc. Additionally, in both the three and nine months ended September 27, 2015, we recognized a $0.2 million net loss from discontinued operations for income tax expense related to this disposed business.

Liquidity and Capital Resources
Significant factors affecting our cash liquidity include (1) cash from operating activities, (2) disposals of businesses and tangible assets, (3) cash used for acquisitions, restructuring actions, capital expenditures, share repurchases, dividends, and senior subordinated note repurchases, (4) our available credit facilities and other borrowing arrangements, and (5) cash proceeds from

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equity offerings. We expect our operating activities to generate cash in 2016 and believe our sources of liquidity are sufficient to fund current working capital requirements, capital expenditures, contributions to our retirement plans, share repurchases, senior subordinated note repurchases, quarterly dividend payments, and our short-term operating strategies. However, we may require external financing were we to complete a significant acquisition. Our ability to continue to fund our future needs from business operations could be affected by many factors, including, but not limited to: economic conditions worldwide, customer demand, competitive market forces, customer acceptance of our product mix, and commodities pricing.
The following table is derived from our Condensed Consolidated Cash Flow Statements:

	Nine Months Ended	
	October 2, 2016	September 27, 2015
	(In thousands)	
Net cash provided by (used for):		
Operating activities	$ 146,806	$ 91,981
Investing activities	(54,594)	(730,779)
Financing activities	438,637	146,215
Effects of currency exchange rate changes on cash and cash equivalents	705	(6,682)
Increase (decrease) in cash and cash equivalents	531,554	(499,265)
Cash and cash equivalents, beginning of period	216,751	741,162
Cash and cash equivalents, end of period	$ 748,305	$ 241,897

Net cash provided by operating activities totaled $146.8 million for the nine months ended October 2, 2016, compared to $92.0 million for the comparable period of 2015. This $54.8 million improvement was primarily due to an increase in net income of $77.2 million partially offset by a $24.7 million deterioration in operating assets and liabilities, which was driven primarily from a decrease in accrued liabilities.
Net cash used for investing activities totaled $54.6 million for the nine months ended October 2, 2016, compared to $730.8 million for the comparable period of 2015. Investing activities for the nine months ended October 2, 2016 included payments, net of cash acquired, for the acquisition of M2FX of $15.3 million, and payments of $2.5 million related to our 2015 acquisition of Tripwire that had previously been deferred. Investing activities for the nine months ended October 2, 2016 also included capital expenditures of $36.1 million. Investing activities for the nine months ended September 27, 2015 included payments for acquisitions, net of cash acquired, of $695.3 million and capital expenditures of $39.1 million.
Net cash provided by financing activities for the nine months ended October 2, 2016 totaled $438.6 million, compared to $146.2 million for the nine months ended September 27, 2015. Financing activities for the nine months ended October 2, 2016 included net proceeds from the issuance of preferred stock of $501.5 million, payments under borrowing arrangements of $51.9 million, cash dividend payments of $6.3 million, and net payments related to share based compensation activities of $4.7 million. Financing activities for the nine months ended September 27, 2015 included borrowings of $200.0 million to partially fund the acquisition of Tripwire, payments under our share

repurchase program of $39.1 million, net payments related to share based compensation activities of $6.5 million, and cash dividend payments of $6.4 million.

Our cash and cash equivalents balance was $748.3 million as of October 2, 2016. Of this amount, $144.5 million was held outside of the U.S. in our foreign operations. Substantially all of the foreign cash and cash equivalents are readily convertible into U.S. dollars or other foreign currencies. Our strategic plan does not require the repatriation of foreign cash in order to fund our operations in the U.S., and it is our current intention to permanently reinvest the foreign cash and cash equivalents outside of the U.S. If we were to repatriate the foreign cash to the U.S., we may be required to accrue and pay U.S. taxes in accordance with applicable U.S. tax rules and regulations as a result of the repatriation.

Our outstanding debt obligations as of October 2, 2016 consisted of $1.5 billion of senior subordinated notes and $242.2 million of term loan borrowings. Additional discussion regarding our various borrowing arrangements is included in Note 8 and Note 13 to the Condensed Consolidated Financial Statements. As of October 2, 2016, we had $275.1 million in available borrowing capacity under our Revolver.

Forward-Looking Statements

Statements in this report other than historical facts are “forward-looking statements” made in reliance upon the safe harbor of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding future financial performance (including revenues, expenses, earnings, margins, cash flows, dividends, capital expenditures and financial condition), plans and objectives, and related assumptions. These forward-looking statements reflect management’s current beliefs and expectations and are not guarantees of future performance. Actual results may differ materially from those suggested by any forward-looking statements for a number of reasons, including, without limitation: the impact of a challenging global economy or a downturn in served markets; the cost and availability of raw materials including copper, plastic compounds, electronic components, and other materials; the competitiveness of the global broadcast, enterprise, and industrial markets; disruption of, or changes in, the Company’s key distribution channels; volatility in credit and foreign exchange markets; the inability to execute and realize the expected benefits from strategic initiatives (including revenue growth, cost control, and productivity improvement programs); the inability to successfully complete and integrate acquisitions in furtherance of the Company’s strategic plan; the inability of the Company to develop and introduce new products and competitive responses to our products; assertions that the Company violates the intellectual property of others and the ownership of intellectual property by competitors and others that prevents the use of that intellectual property by the Company; risks related to the use of open source software; the inability to retain senior management and key employees; disruptions in the Company’s information systems including due to cyber-attacks; variability in the Company’s quarterly and annual effective tax rates; perceived or actual product failures; political and economic uncertainties in the countries where the Company conducts business, including emerging markets; the impairment of goodwill and other intangible assets and the resulting impact on financial performance; the impact of regulatory requirements and other legal compliance issues; disruptions and increased costs attendant to collective bargaining groups and other labor matters; and other factors. For a more complete discussion of risk factors, please see our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission on February 25, 2016 and our Current Report on Form 8-K filed on May 31, 2016. We disclaim any duty to update any forward-looking statements as a result of new information, future developments, or otherwise.

Item 3: Quantitative and Qualitative Disclosures about Market Risks

The following table provides information about our financial instruments that are sensitive to changes in interest rates. The table presents principal amounts by expected maturity dates and fair values as of October 2, 2016.

	Principal Amount by Expected Maturity			Fair
	2016	Thereafter	Total	Value
	(In thousands, except interest rates)			
Variable-rate term loan due 2020	$625	$241,527	$242,152	$242,152
Average interest rate	5.00 %	5.00 %		
Fixed-rate senior subordinated notes due 2022	$—	$700,000	$700,000	$729,750
Average interest rate		5.50 %		
Fixed-rate senior subordinated notes due 2023	$—	$568,449	$568,449	$586,689
Average interest rate		5.50 %		
Fixed-rate senior subordinated notes due 2024	$—	$200,000	$200,000	$203,000
Average interest rate		5.25 %		
Fixed-rate senior subordinated notes due 2019	$—	$5,221	$5,221	$5,221
Average interest rate		9.25 %		
Total			$1,715,822	$1,766,812

Item 7A of our 2015 Annual Report on Form 10-K provides information as to the practices and instruments that we use to manage market risks. There were no material changes in our exposure to market risks since December 31, 2015.

Item 4: Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1: Legal Proceedings

PPC Broadband, Inc. v. Corning Optical Communications RF, LLC (U.S. Dist. Ct., N.D.N.Y. Civil Action No. 5:11-cv-00761-GLS-DEP)—On July 5, 2011, the Company's wholly-owned subsidiary, PPC Broadband, Inc. (f/k/a John Mezzalingua Associates, Inc., d/b/a PPC) ("PPC"), filed an action for patent infringement in the U.S. District Court for the Northern District of New York against Corning Optical Communications RF LLC (f/k/a Corning Gilbert, Inc.) ("Corning"). The Complaint alleged that Corning infringed two of PPC's patents – U.S. Patent Nos. 6,558,194 and 6,848,940 – each entitled "Connector and Method of Operation." On July 23, 2015, a jury found that Corning willfully infringed both patents and awarded damages in the amount of $23.9 million. On November 3, 2016, following a series of post-trial motions, the trial judge issued a ruling granting us enhanced damages of $47.7 million plus a yet-to-be-determined amount of pre-judgment interest. We have not recorded any amounts in our consolidated financial statements related to this matter, as Corning may appeal the ruling.

We are a party to various legal proceedings and administrative actions that are incidental to our operations. In our opinion, the proceedings and actions in which we are involved should not, individually or in the aggregate, have a material adverse effect on our financial condition, operating results, or cash flows. However, since the trends and outcome of this litigation are inherently uncertain, we cannot give absolute assurance regarding the future resolution of such litigation, or that such litigation may not become material in the future.

Item 1A: Risk Factors

There have been no material changes with respect to risk factors as previously disclosed in our 2015 Annual Report on Form 10-K.

Item 6: Exhibits

Exhibits

Exhibit 31.1	Certificate of the Chief Executive Officer pursuant to § 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certificate of the Chief Financial Officer pursuant to § 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certificate of the Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certificate of the Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation
Exhibit 101.DEF	XBRL Taxonomy Extension Definition
Exhibit 101.LAB	XBRL Taxonomy Extension Label
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation

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.

BELDEN INC.

Date:	November 7, 2016	By:	/s/ John S. Stroup
			John S. Stroup President, Chief Executive Officer and Director
Date:	November 7, 2016	By:	/s/ Henk Derksen
			Henk Derksen Senior Vice President, Finance, and Chief Financial Officer
Date:	November 7, 2016	By:	/s/ Douglas R. Zink
			Douglas R. Zink Vice President and Chief Accounting Officer