

COMMScope INC
Form 10-Q
November 07, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

OR

☐

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

For the transition period from

to

Commission file number 001-12929

CommScope, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

36-4135495
(I.R.S. Employer
Identification No.)

1100 CommScope Place, SE

P.O. Box 339

Hickory, North Carolina

(Address of principal executive offices)

28602

(Zip Code)

(828) 324-2200

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Exchange Act Rule 12b-2). Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of October 31, 2007 there were 61,697,941 shares of Common Stock outstanding.

CommScope, Inc.

Form 10-Q

September 30, 2007

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CommScope, Inc.

Condensed Consolidated Statements of Operations

(Unaudited In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net sales	\$ 513,608	\$ 466,100	\$ 1,468,204	\$ 1,230,235
Operating costs and expenses:				
Cost of sales	354,324	326,287	1,014,382	897,135
Selling, general and administrative	69,416	62,799	196,659	175,229
Research and development	8,288	9,151	24,610	24,821
Restructuring costs	215	3,011	1,113	10,764
Total operating costs and expenses	432,243	401,248	1,236,764	1,107,949
Operating income	81,365	64,852	231,440	122,286
Other income (expense), net	2,824	207	2,542	872
Interest expense	(1,665)	(2,110)	(5,339)	(6,082)
Interest income	5,962	3,145	16,248	7,541
Income before income taxes and gain on OFS BrightWave note receivable	88,486	66,094	244,891	124,617
Income tax expense before income tax provision on gain on OFS BrightWave note receivable	(28,213)	(22,504)	(77,634)	(40,279)
Income before gain on OFS BrightWave note receivable	60,273	43,590	167,257	84,338
Gain on OFS BrightWave note receivable, net of tax of \$11,175				18,625
Net income	\$ 60,273	\$ 43,590	\$ 167,257	\$ 102,963
Net income per share:				
Basic	\$ 0.98	\$ 0.74	\$ 2.74	\$ 1.77
Assuming dilution	\$ 0.81	\$ 0.61	\$ 2.27	\$ 1.46
Weighted average shares outstanding:				
Basic	61,661	59,166	61,105	58,146
Assuming dilution	74,978	72,662	74,500	71,917

See notes to condensed consolidated financial statements.

CommScope, Inc.

Condensed Consolidated Balance Sheets

(Unaudited In thousands, except share amounts)

	September 30, 2007	December 31, 2006
Assets		
Cash and cash equivalents	\$ 333,316	\$ 276,042
Short-term investments	238,575	151,868
Total cash, cash equivalents and short-term investments	571,891	427,910
Accounts receivable, less allowance for doubtful accounts of \$14,558 and \$13,461, respectively	257,564	186,824
Inventories, net	190,288	153,596
Prepaid expenses and other current assets	18,982	14,914
Deferred income taxes	27,361	24,556
Total current assets	1,066,086	807,800
Property, plant and equipment, net	222,707	242,012
Goodwill	154,454	151,378
Other intangibles, net	68,184	63,967
Deferred income taxes	18,470	15,493
Other assets	20,316	21,823
Total Assets	\$ 1,550,217	\$ 1,302,473
Liabilities and Stockholders Equity		
Accounts payable	\$ 84,391	\$ 74,927
Other accrued liabilities	114,754	95,316
Current portion of long-term debt	11,550	13,000
Total current liabilities	210,695	183,243
Long-term debt	250,000	271,100
Pension and postretirement benefit liabilities	89,272	89,995
Other noncurrent liabilities	33,154	19,031
Total Liabilities	583,121	563,369
Commitments and contingencies		
Stockholders Equity:		
Preferred stock, \$.01 par value; Authorized shares: 20,000,000;		
Issued and outstanding shares: None at September 30, 2007 and December 31, 2006		
Common stock, \$.01 par value; Authorized shares: 300,000,000;		
Issued shares, including treasury stock: 71,882,441 at September 30, 2007 and 69,934,533 at December 31, 2006;		
Issued and outstanding shares: 61,682,441 at September 30, 2007 and 59,734,533 at December 31, 2006		
Additional paid-in capital	719	699
Retained earnings	591,043	532,344
Accumulated other comprehensive income	508,023	346,821
Treasury stock, at cost: 10,200,000 shares at September 30, 2007 and December 31, 2006	12,846	4,775
Total Stockholders Equity	(145,535)	(145,535)
	967,096	739,104

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Total Liabilities and Stockholders	Equity	\$	1,550,217	\$	1,302,473
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See notes to condensed consolidated financial statements.

CommScope, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited In thousands)

	Nine Months Ended September 30,	
	2007	2006
Operating Activities:		
Net income	\$ 167,257	\$ 102,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,285	41,858
Equity-based compensation	7,747	3,384
Deferred income taxes	(10,096)	9,967
Gain on OFS BrightWave note receivable		(29,800)
Changes in assets and liabilities:		
Accounts receivable	(65,526)	(88,289)
Inventories	(30,634)	(30,061)
Prepaid expenses and other current assets	(3,679)	(1,208)
Accounts payable and other accrued liabilities	30,210	32,260
Other noncurrent liabilities	4,922	(6,031)
Other	1,027	(3,575)
Net cash provided by operating activities	138,513	31,468
Investing Activities:		
Additions to property, plant and equipment	(18,284)	(22,625)
Proceeds from OFS BrightWave note receivable		29,800
Net purchases of short-term investments	(86,707)	(10,022)
Proceeds from disposal of fixed assets	10,957	4,599
Cash paid for acquisitions	(16,976)	(13,810)
Net cash used in investing activities	(111,010)	(12,058)
Financing Activities:		
Principal payments on long-term debt	(22,550)	(9,950)
Proceeds from the issuance of shares under equity-based compensation plans	34,667	48,969
Tax benefit from the issuance of shares under equity-based compensation plans	16,305	15,857
Net cash provided by financing activities	28,422	54,876
Effect of exchange rate changes on cash	1,349	775
Change in cash and cash equivalents	57,274	