

CommScope

Weak 4Q results; Bleak 12-month outlook; Reiterating Underperform

Reiterate Rating: UNDERPERFORM | PO: 1.00 USD | Price: 1.52 USD

Expecting a few tough quarters ahead

Tough market conditions and weak underlying demand continue to drive soft results, with 4Q23 revenues of \$1.19bn missing Street's \$1.26bn. We see risk with the company's growth outlook over the next year and model 2024E EBITDA to decline -37% YoY, and flag that management's plan for the June 2025 \$1.275bn debt repayment/restructuring remain uncertain. We also flag further risk with CommScope's capital structure, as net leverage increased to 8.0x in 4Q, vs. 6.7x in the prior quarter due to lower EBITDA. Management continues to see challenging underlying demand and expects a difficult start to the year, with 1Q24 revenues and adjusted EBITDA guided to be down significantly sequentially. We reiterate our Underperform, reduce our estimates (see page 5 for details), which also prompts our lower PO, now at \$1.00 vs. \$2.00 prior. Our new PO is based on 8x FY26E EV/EBITDA vs. 8x 2025E EV/EBITDA before.

Underlying business trends continue to worsen

CommScope continues to see elevated inventory levels and lower order rates at key customers, as well as market demand challenges across all key segments. CCS revenues fell -42% YoY in 4Q to \$556mn due to weak overall demand, while OWN declined -40% YoY from lower order rates and weaker carrier spending. NICS and ANS were down -25% and -38% in 4Q, respectively, on elevated customer inventories, elevated backlog, slower deployment rates, and intensifying competition. We see risk of headwinds throughout 2024 and model NICS and ANS to both decline -13% YoY next year from continued weak orders and soft demand. Despite the weakness, these two segments remain the only monetizable assets, in our view, that could help pay down the 2025 debt.

The debt story remains the key focus

Debt remains high, at \$9.3bn, and net leverage is 8.0x. With only ~300mn in equity value, the stock story remains centered around management's ability to refinance its 2025 and 2027 unsecured debt. CommScope's plans remain unknown and management has roughly 8 months to address its June 2025 debt before it turns current to avoid the risk of a going concern clause by the auditors. However, we also flag upside risk to the stock, should CommScope successfully navigate its currently debt-leaning balance sheet. Any debt reduction and subsequent transfer of value into equity could be a key positive driver for the stock. With CommScope historically trading at 8-9x EV/EBITDA, a \$1bn of debt reduction could translate into ~250% upside to the current stock price.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.66	0.66	(0.15)	0.43	0.51
GAAP EPS	(6.20)	(6.00)	(1.90)	(2.29)	(2.76)
EPS Change (YoY)	17.7%	-60.2%	NM	NM	18.6%
Consensus EPS (Bloomberg)			(0.21)	0.45	0.41
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	0.9x	2.3x	NM	3.5x	3.0x
EV / EBITDA*	7.7x	9.4x	14.9x	11.4x	8.2x
Free Cash Flow Yield*	28.1%	70.1%	51.5%	61.4%	75.6%

* For full definitions of *IQmethod*SM measures, see page 8.

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Timestamp: 12 March 2024 12:54PM EDT

12 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	2.00	1.00
2024E Rev (m)	6,574.8	4,907.8
2025E Rev (m)	6,894.5	5,206.0
2026E Rev (m)	NA	5,344.7
2024E EPS	0.77	-0.15
2025E EPS	1.33	0.43
2026E EPS	NA	0.51

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Stock Data

Price	1.52 USD
Price Objective	1.00 USD
Date Established	12-Mar-2024
Investment Opinion	C-3-9
52-Week Range	0.89 USD - 6.92 USD
Mkt Val (mn) / Shares Out (mn)	315 USD / 207.4
Free Float	95.0%
Average Daily Value (mn)	5.01 USD
BoFA Ticker / Exchange	COMM / NAS
Bloomberg / Reuters	COMM US / COMM.OQ
ROE (2024E)	NA
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BoFA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BoFA ESGMeter Methodology".

iQprofileSM CommScope

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	10.0%	9.8%	4.2%	5.1%	2.5%
Return on Equity	182.0%	NM	NM	NM	NM
Operating Margin	12.5%	14.2%	9.2%	9.9%	4.3%
Free Cash Flow	89	221	162	194	238

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.5x	1.6x	NM	2.1x	2.1x
Asset Replacement Ratio	0.8x	0.4x	0.3x	0.2x	0.3x
Tax Rate	1.0%	0.2%	28.0%	28.0%	28.0%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	2.0x	1.4x	0.6x	0.7x	0.3x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	9,228	6,705	4,908	5,206	5,345
% Change	7.5%	-27.3%	-26.8%	6.1%	2.7%
Gross Profit	2,804	2,303	1,620	1,682	1,727
% Change	4.5%	-17.9%	-29.7%	3.8%	2.7%
EBITDA	1,277	1,041	659	862	1,190
% Change	13.2%	-18.4%	-36.8%	30.8%	38.2%
Net Interest & Other Income	(586)	(604)	(535)	(593)	(651)
Net Income (Adjusted)	413	166	(38)	110	130
% Change	20.1%	-59.7%	NM	NM	18.0%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(1,287)	(1,265)	(404)	(488)	(591)
Depreciation & Amortization	127	120	160	200	120
Change in Working Capital	(282)	98	101	118	371
Deferred Taxation Charge	(118)	(183)	0	0	0
Other Adjustments, Net	1,749	1,504	346	403	377
Capital Expenditure	(101)	(53)	(40)	(40)	(40)
Free Cash Flow	89	221	162	194	238
% Change	NM	149.0%	-26.5%	19.2%	23.0%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(32)	(125)	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	398	544	706	900	1,138
Trade Receivables	1,524	815	652	651	571
Other Current Assets	1,805	1,504	1,183	1,057	835
Property, Plant & Equipment	610	501	381	221	141
Other Non-Current Assets	7,350	6,009	5,703	5,374	5,022
Total Assets	11,685	9,372	8,624	8,202	7,706
Short-Term Debt	32	32	32	32	32
Other Current Liabilities	2,076	1,377	998	994	1,064
Long-Term Debt	9,470	9,247	9,247	9,247	9,247
Other Non-Current Liabilities	554	523	518	514	514
Total Liabilities	12,131	11,179	10,795	10,787	10,856
Total Equity	(446)	(1,807)	(2,171)	(2,584)	(3,150)
Total Equity & Liabilities	11,685	9,372	8,624	8,202	7,706

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Telecom Equipment-Wireless/Cellular

Company Description

CommScope is a leading provider of antennas, cabling, connectors and other connectivity equipment for enterprise and service provider customers. The company is a market leader in its three segments: Wireless, Enterprise and Broadband.

Investment Rationale

We rate CommScope at Underperform based on tough market conditions and overhang from the high debt levels. Small cell deployments in N. America, COMM's largest market, have slowed but new spectrum deployment and 5G upside for CommScope may materialize throughout 2024 and beyond. We see risk from the underlying fundamentals, but could see solid LT catalysts from the restructuring plan and believe revenues could catch up to orders and growth could accelerate as backlog continues to normalize.

Stock Data

Average Daily Volume 3,296,557

Quarterly Earnings Estimates

	2023	2024
Q1	0.35A	-0.16E
Q2	0.19A	-0.10E
Q3	0.13A	0E
Q4	-0.02A	0.11E

Key takeaways from management call

Financials

- Due to the lack of visibility for a market recovery, management did not provide annual guidance for revenue, adjusted EBITDA, or free cash flow. Should the market not meaningfully recover throughout the year, the company believes 2024 adjusted EBITDA and FCF could be significantly down YoY.
- 1Q24 adjusted EBITDA is expected to be in the range of \$100mn-\$125mn.
- Backlog has normalized across all key segments, and management expects order rates to be a direct driver of revenue growth throughout 2024.

Cabling and Connectivity Solutions (CCS)

- Management has seen some signs of recovery with order rates as customers are nearing more normalized inventory levels, but overall demand within CCS remains weak. CommScope expects the CCS segment to have a strong 2H24.
- Solid long-term secular tailwinds within CCS, as continued buildout of fiber networks and data centers should drive significant spending commitments in late 2024 and throughout 2025.
- CommScope sees positive signs within the building and data center portions of the CCS business, which directly support enterprise customers. Further proliferation of AI should continue to drive investments in hyperscale and cloud businesses, supported by Generative AI projects.

Networking, Intelligent Cellular & Security Solutions (NICS)

- Strong FY23 results, slightly offset by weaker-than-expected 4Q23 due to substantial declines in demand for RUCKUS products. The weaker demand was largely driven by excess inventory and backlog drawdown, with purchasing decisions pushed out to future quarters in certain instances.
- Lower levels of demand are expected to continue throughout 1H24 and weak RUCKUS sales will be a key driver for the expected weak 1Q24. However, management believes order rates within the NICS segment should recover in 2H24.
- Though CommScope remains well-positioned with its RUCKUS products, the company expects the W-LAN (Wireless Local-Area Network) market to decline in 2024 and may see significant pressure on adjusted EBITDA from NICS in 1Q24 on a sequential basis.

Outdoor Wireless Networks (OWN)

- Lower U.S. carrier capital spending throughout 2023 drove declining order rates within OWN. CommScope remains well-positioned within the outdoor wireless market, but continues to see weaker growth due to customer spending levels.
- Management saw a slight recovery to overall order rates in 4Q, yet believes that 2024 may continue to be a challenging year based on recent conversations with customers. Overall, we expect OWN to see similar growth levels YoY in 2024, with a stronger 2H24 on an annual basis.
- OWN revenues and EBITDA in 1Q24 should be in-line with 4Q23 levels.

Access Network Solutions (ANS)

- Though management remains optimistic on DOCSIS 4.0 upgrades, solid customer adoption and increasing momentum may not materialize on the P&L until 2H24. In



the latest quarter, customers faced higher-than-expected inventory levels which impacted shipments levels and order rates.

- As a result, CommScope expects order rates and revenues within the ANS segment could be negatively impacted in the first few quarters of next year.

Glossary

NICS: Networking, Intelligent Cellular & Security Solutions

CCS: Connectivity and Cabling Solutions

OWN: Outdoor Wireless Networks

ANS: Access Network Solutions

Financial highlights

Exhibit 1: Actual versus estimated results

CommScope's 4Q23 results missed our expectations for revenues and EPS, while operating income and EBITDA slightly beat our forecasts

	Dec	Mar	Jun	Sep	Dec	BofA Est.			
in \$mn except EPS	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23E	Delta	QoQ	YoY
Net Sales	\$1,925.5	\$2,001.5	\$1,918.4	\$1,599.5	\$1,185.9	\$1,519.8	(333.9)	-25.9%	-38.4%
QoQ % Chg	-19.1%	3.9%	-4.2%	-16.6%	-25.9%	-5.0%			
YoY % Chg	-13.4%	-10.2%	-16.6%	-32.8%	-38.4%	-34.4%			
Gross profit (GAAP)	\$725.4	\$691.7	\$617.2	\$546.2	\$448.3	\$474.2	(25.9)	-17.9%	-38.2%
Operating expenses:									
SG&A (GAAP)	265.3	263.5	254.9	229.7	202.3	298.6	(96.3)	-11.9%	-23.7%
Amortization of purchased intangible assets (GAAP)	102.9	126.4	153.2	101.3	75.3	102.3	(27.0)	-25.7%	-26.8%
R&D (GAAP)	130.7	153.4	101.4	125.5	103.2	144.3	(41.1)	-17.8%	-21.0%
Total opex (GAAP)	\$1,628.2	\$539.2	\$545.0	\$1,372.0	\$510.4	\$545.2	(34.8)	-62.8%	-68.7%
Operating Income (GAAP)	(\$902.8)	\$152.5	\$72.2	(\$825.8)	(\$62.1)	(\$71.1)	9.0	-92.5%	-93.1%
Total financial income (expense) (GAAP)	(\$166.9)	(\$156.9)	(\$164.2)	(\$161.5)	(\$121.8)	(\$172.9)	51.1	-24.6%	-27.0%
Pretax income (GAAP)	(1,069.7)	(4.4)	(92.0)	(987.3)	(183.9)	(244.0)	60.1	-81.4%	-82.8%
Income tax expense (benefit) (GAAP)	(9.4)	(7.8)	8.4	(158.6)	155.0	(68.3)	223.3	-197.7%	-1748.9%
GAAP Net Income (Loss)	(\$1,060.3)	\$3.4	(\$100.4)	(\$828.7)	(\$338.9)	(\$175.7)	(163.2)	-59.1%	-68.0%
Pro-forma Adjusted EPS	\$0.58	\$0.35	\$0.19	\$0.13	(\$0.02)	\$0.06	(0.07)	-111.5%	-102.7%
Weighted average shares outstanding, diluted	251.700	252.100	253.100	253.000	253.253	253.253	0.000	0.1%	0.6%
MARGIN ANALYSIS									
Total gross margin (GAAP)	37.7%	34.6%	32.2%	34.1%	37.8%	31.2%	660 bps	365 bps	13 bps
Operating margin (GAAP)	-46.9%	7.6%	3.8%	-51.6%	-5.2%	-4.7%	-56 bps	4639 bps	4165 bps
Income tax rate (GAAP)	0.9%	177.3%	-9.1%	16.1%	-84.3%	28.0%	-11228 bps	-10035 bps	-8516 bps
GAAP Net Margin	-55.1%	0.2%	-5.2%	-51.8%	-28.6%	-11.6%	-1702 bps	2323 bps	2649 bps
Adjusted Operating Income (non-GAAP)	375.0	280.7	259.5	217.9	190.7	144.2	46.5	-12.5%	-49.1%
QoQ % Chg	18.7%	-25.1%	-7.6%	-16.0%	-12.5%	-33.8%			
YoY % Chg	64.9%	27.4%	-3.5%	-31.0%	-49.1%	-58.1%			
Adjusted Operating Margin (non-GAAP)	19.5%	14.0%	13.5%	13.6%	16.1%	9.5%	659 bps	246 bps	-339 bps
Adjusted Net Income (non-GAAP)	146.0	88.9	47.3	34.0	(3.9)	14.7	(18.6)	-111.5%	-102.7%
Adjusted Net Margin (non-GAAP)	7.6%	4.4%	2.5%	2.1%	-0.3%	1.0%	-129 bps	-245 bps	-791 bps
Adjusted EBITDA (calculated)	406.8	312.0	290.1	248.6	190.7	174.2	16.5	-23.3%	-53.1%
Adjusted EBITDA Margin (non-GAAP)	21.1%	15.6%	15.1%	15.5%	16.1%	11.5%	462 bps	54 bps	-505 bps

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 2: Summary of model changes

We tweak down our expectations to reflect management's latest guidance targets

	Sales			EBITDA margin			EPS			Gross margin			Operating margin		
	Old	New	Delta	Old	New	Delta	Old	New	Delta	Old	New	Delta	Old	New	Delta
1Q22	\$2,228.6	\$2,228.6	\$0.00	11.4%	11.4%	0.0 bps	\$0.26	\$0.26	\$0.00	28.6%	28.6%	0.0 bps	9.9%	9.9%	0.0 bps
2Q22	\$2,300.2	\$2,300.2	\$0.00	13.0%	13.0%	0.0 bps	\$0.41	\$0.41	\$0.00	29.7%	29.7%	0.0 bps	11.7%	11.7%	0.0 bps
3Q22	\$2,381.4	\$2,381.4	\$0.00	14.6%	14.6%	0.0 bps	\$0.50	\$0.50	\$0.00	30.9%	30.9%	0.0 bps	13.3%	13.3%	0.0 bps
4Q22	\$2,317.9	\$2,317.9	\$0.00	16.2%	16.2%	0.0 bps	\$0.49	\$0.49	\$0.00	32.3%	32.3%	0.0 bps	14.9%	14.9%	0.0 bps
2022	\$9,228.1	\$9,228.1	\$0.00	13.8%	13.8%	0.0 bps	\$1.66	\$1.66	\$0.00	30.4%	30.4%	0.0 bps	12.5%	12.5%	0.0 bps
1Q23	\$2,001.5	\$2,001.5	\$0.00	15.6%	15.6%	0.0 bps	\$0.35	\$0.35	\$0.00	34.6%	34.6%	0.0 bps	14.0%	14.0%	0.0 bps
2Q23	\$1,918.4	\$1,918.4	\$0.00	15.1%	15.1%	0.0 bps	\$0.19	\$0.19	\$0.00	32.2%	32.2%	0.0 bps	13.5%	13.5%	0.0 bps
3Q23	\$1,599.5	\$1,599.5	\$0.00	15.5%	15.5%	0.0 bps	\$0.13	\$0.13	\$0.00	34.1%	34.1%	0.0 bps	13.6%	13.6%	0.0 bps
4Q23	\$1,519.8	\$1,185.9	(\$333.89)	11.5%	16.1%	461.6 bps	\$0.06	(\$0.02)	(\$0.07)	31.2%	37.8%	660.3 bps	9.5%	16.1%	659.0 bps
2023	\$7,039.2	\$6,705.3	(\$333.89)	14.6%	15.5%	97.1 bps	\$0.73	\$0.66	(\$0.07)	33.1%	34.4%	126.2 bps	12.8%	14.2%	133.1 bps
1Q24E	\$1,537.6	\$1,124.3	(\$413.29)	11.7%	9.4%	-234.8 bps	\$0.06	(\$0.16)	(\$0.22)	31.3%	32.5%	120.0 bps	11.7%	9.4%	-234.8 bps
2Q24E	\$1,607.3	\$1,182.6	(\$424.73)	13.5%	10.4%	-302.6 bps	\$0.15	(\$0.10)	(\$0.25)	32.0%	32.0%	0.0 bps	13.5%	10.4%	-302.6 bps
3Q24E	\$1,685.1	\$1,279.2	(\$405.92)	19.5%	16.2%	-331.7 bps	\$0.25	(\$0.00)	(\$0.25)	31.8%	31.8%	0.0 bps	12.2%	6.6%	-561.8 bps
4Q24E	\$1,744.7	\$1,321.7	(\$423.06)	17.3%	16.8%	-43.5 bps	\$0.31	\$0.11	(\$0.20)	31.3%	35.5%	420.0 bps	12.3%	10.3%	-202.4 bps
2024E	\$6,574.8	\$4,907.8	(\$1,667.01)	15.6%	13.4%	-219.9 bps	\$0.77	(\$0.15)	(\$0.92)	31.6%	33.0%	140.6 bps	12.4%	9.2%	-327.8 bps
1Q25E	\$1,705.6	\$1,278.3	(\$427.26)	16.9%	14.8%	-208.7 bps	\$0.26	(\$0.01)	(\$0.27)	31.5%	31.5%	0.0 bps	12.1%	8.4%	-368.8 bps
2Q25E	\$1,703.9	\$1,294.7	(\$409.25)	16.7%	16.6%	-10.5 bps	\$0.24	\$0.10	(\$0.14)	32.3%	32.3%	0.0 bps	11.9%	10.3%	-161.4 bps
3Q25E	\$1,725.8	\$1,313.5	(\$412.27)	16.3%	16.6%	36.7 bps	\$0.37	\$0.16	(\$0.21)	32.4%	32.4%	0.0 bps	11.5%	10.3%	-114.0 bps
4Q25E	\$1,759.2	\$1,319.5	(\$439.68)	18.3%	18.1%	-15.5 bps	\$0.46	\$0.19	(\$0.27)	33.0%	33.0%	0.0 bps	12.5%	10.4%	-208.6 bps
2025E	\$6,894.5	\$5,206.0	(\$1,688.45)	17.0%	16.5%	-48.9 bps	\$1.33	\$0.43	(\$0.89)	32.3%	32.3%	0.0 bps	12.0%	9.9%	-212.6 bps

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 3: Income statement

We model FY24E revenues/EPS to reach \$4.9bn/-15c, respectively

(\$mn except per share values)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E		2022	2023	2024E
Total Revenues	2,229	2,300	2,381	2,318	2,002	1,918	1,600	1,186	1,124	1,183	1,279	1,322		9,228	6,705	4,908
YoY Growth	7.6%	5.3%	13.1%	4.2%	-10.2%	-16.6%	-32.8%	-48.8%	-43.8%	-38.4%	-20.0%	11.5%		7.5%	-27.3%	-26.8%
Gross Profits	636	683	736	748	692	617	546	448	365	378	407	469		2,804	2,303	1,620
Gross Margin	28.6%	29.7%	30.9%	32.3%	34.6%	32.2%	34.1%	37.8%	32.5%	32.0%	31.8%	35.5%		30.4%	34.4%	33.0%
Research & Development	171	165	162	159	153	101	126	103	107	108	112	109		657	484	437
Selling, General and Administrative	286	277	282	290	264	255	230	202	212	217	225	229		1,135	950	883
Amortization + Other	153	178	137	1258	122	189	1017	205	78	81	84	83		1725	1533	326
Total GAAP Opex	610	620	581	1708	539	545	1372	510	397	407	421	421		3518	2967	1646
Adjusted Operating Income	220	269	316	344	281	260	218	191	106	123	85	136		1,149	949	450
Operating Margin	9.9%	11.7%	13.3%	14.9%	14.0%	13.5%	13.6%	16.1%	9.4%	10.4%	6.6%	10.3%		12.5%	14.2%	9.2%
Financial Income (Expense)	-136	-139	-145	-167	-157	-164	-162	-122	-123	-148	-128	-138		-586	-604	-535
Income Tax Expense	31	-15	-12	-17	-8	8	-159	155	-43	-49	-40	-25		-13	-3	-157
Adjusted Net Income	64	101	125	123	89	47	34	-4	-41	-25	-1	28		413	166	-38
Non-GAAP EPS	\$0.26	\$0.41	\$0.50	\$0.49	\$0.35	\$0.19	\$0.13	(\$0.02)	(\$0.16)	(\$0.10)	(\$0.00)	\$0.11		\$1.66	\$0.66	(\$0.15)
GAAP EPS	(\$0.75)	(\$0.36)	\$0.04	(\$5.39)	(\$0.06)	(\$0.55)	(\$3.98)	(\$2.55)	(\$0.52)	(\$0.60)	(\$0.48)	(\$0.30)		(\$6.20)	(\$6.00)	(\$1.90)
Diluted share count	247	247	251	252	252	253	253	253	254	254	254	254		249	253	254
Margin Analysis																
Gross Margin	64.70%	64.30%	65.00%	65.00%	64.10%	64.30%	65.00%	64.10%	64.10%	64.30%	65.00%	64.10%		164.10%	164.10%	164.10%
Total Opex	27.3%	27.0%	24.4%	73.7%	26.9%	28.4%	85.8%	43.0%	35.3%	34.4%	32.9%	31.9%		38.1%	44.2%	33.5%
Operating Income	9.9%	11.7%	13.3%	14.9%	14.0%	13.5%	13.6%	16.1%	9.4%	10.4%	6.6%	10.3%		12.5%	14.2%	9.2%
Tax Rate	-28.3%	19.2%	-114.0%	1.5%	177.3%	-9.1%	16.1%	-84.3%	28.0%	28.0%	28.0%	28.0%		1.0%	0.2%	28.0%
Non-GAAP Net Income	2.9%	4.4%	5.2%	5.3%	4.4%	2.5%	2.1%	-0.3%	-3.6%	-2.1%	-0.1%	2.2%		4.5%	2.5%	-0.8%
YoY % Growth																
Connectivity and Cable Solutions (CCS)	23.8%	26.0%	27.9%	18.8%	-1.8%	-29.2%	-37.2%	-41.9%	-35.2%	-20.6%	-6.1%	12.2%		24.1%	-28.5%	-14.9%
Outdoor Wireless Networks (OWN)	20.3%	8.6%	6.9%	-18.8%	-33.8%	-16.2%	-45.0%	-40.1%	-30.1%	-41.0%	-4.4%	8.0%		3.6%	-33.3%	-21.1%
Networking, Intelligent Cellular & Security Solutions (NICS)	-1.7%	-8.2%	24.5%	20.3%	51.3%	11.4%	12.1%	-24.9%	-33.0%	-10.8%	-15.3%	14.1%		9.0%	8.4%	-13.0%
Access Network Solutions (ANS)	-16.3%	-18.9%	1.3%	15.0%	-5.7%	13.7%	-36.2%	-38.4%	-26.6%	-30.9%	9.7%	10.0%		-5.5%	-18.5%	-12.8%
Home Networks (HN)	-1.1%	-7.1%	-5.7%	-17.7%	-32.0%	-22.2%	-36.3%	-100.0%	-100.0%	-100.0%	-100.0%	#DIV/0!		-7.9%	-46.2%	-100.0%
Total Revenues	7.6%	5.3%	13.1%	4.2%	-10.2%	-16.6%	-32.8%	-48.8%	-43.8%	-38.4%	-20.0%	11.5%		7.5%	-27.3%	-26.8%
Total Opex	-8.1%	-10.4%	-8.1%	163.2%	-11.5%	-12.1%	136.3%	-70.1%	-26.3%	-25.4%	-69.3%	-17.5%		33.5%	-15.7%	-44.5%
EPS	-28.4%	-6.6%	69.0%	56.1%	35.0%	-54.0%	-72.9%	-103.1%	-145.5%	-152.8%	-103.1%	-827.8%		17.8%	-60.3%	-122.9%
QoQ % Growth																
Connectivity and Cable Solutions (CCS)	4.0%	17.7%	2.1%	-5.0%	-14.0%	-15.1%	-9.5%	-12.1%	-4.0%	4.0%	7.0%	5.0%				
Outdoor Wireless Networks (OWN)	3.9%	0.2%	-2.3%	-20.2%	-15.2%	26.8%	-35.8%	-13.2%	-1.0%	7.0%	4.0%	-2.0%				
Networking, Intelligent Cellular & Security Solutions (NICS)	-21.6%	9.3%	25.6%	11.9%	-1.4%	-19.6%	26.3%	-25.0%	-12.0%	7.0%	20.0%	1.0%				
Access Network Solutions (ANS)	-2.9%	-7.4%	16.7%	9.6%	-20.4%	11.7%	-34.5%	5.8%	-5.0%	5.0%	4.0%	6.0%				
Home Networks (HN)	4.0%	-14.5%	-7.7%	0.3%	-14.1%	-2.2%	-24.3%	-100.0%	0.0%	0.0%	0.0%	0.0%				
Revenues	0.2%	3.2%	3.5%	-2.7%	-13.7%	-4.2%	-16.6%	-25.9%	-5.2%	5.2%	8.2%	3.3%				
Total Opex	-6.0%	1.7%	-6.4%	194.0%	-68.4%	1.1%	151.7%	-62.8%	-22.2%	2.3%	3.6%	0.0%				
Operating Income	-3.1%	22.1%	17.4%	9.1%	-18.5%	-7.6%	-16.0%	-12.5%	-44.6%	16.8%	-31.3%	60.5%				
EPS	-16.8%	55.6%	22.3%	-1.4%	-28.0%	-47.0%	-28.1%	-111.5%	94.2%	-38.5%	-95.8%	-2786.8%				

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Price objective basis & risk

CommScope (COMM)

Our \$1.00 PO is based on roughly 8x our 2026E EV/EBITDA, which is in-line with CommScope's historical multiple range (7x-12x). Given the on-going restructuring and potential for significant EBITDA and FCF growth combined with lower debt and net leverage levels, we believe this valuation is justified. However, we flag the company's high debt levels and tough overall business conditions, which have been pressured by macro pressures. We also see execution risks with the restructuring as a key risk to the stock.

Upside risks are better-than-expected EBITDA generation and FCF growth, both of which could support better debt paydown, strength in the fiber cabling market, improvements in macro conditions, and potential upside from the NEXT restructuring plan. We also flag potential upside if CommScope can sell potential assets for premium valuations to help cover the high debt levels.

Downside risks are CommScope's high net debt/EBITDA ratio, further weakness in wireless, macro pressures, delays in fiber buildouts, and lower FCF generation.

Analyst Certification

I, Tal Liani, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Akamai	AKAM	AKAM US	Madeline Brooks
	Amdocs	DOX	DOX US	Tal Liani
	Arista Networks	ANET	ANET US	Tal Liani
	Cellebrite	CLBT	CLBT US	Tomer Zilberman
	Check Point Software Technologies	CHKP	CHKP US	Tal Liani
	Ciena	CIEN	CIEN US	Tal Liani
	CrowdStrike Holdings Inc.	CRWD	CRWD US	Tal Liani
	CyberArk	CYBR	CYBR US	Tal Liani
	Fastly	FSLY	FSLY US	Madeline Brooks
	Fortinet	FTNT	FTNT US	Tal Liani
	Gen Digital, Inc.	GEN	GEN US	Jonathan Eisenson
	InterDigital, Inc.	IDCC	IDCC US	Tal Liani
	Motorola Solutions	MSI	MSI US	Tomer Zilberman
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	Qualcomm	QCOM	QCOM US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
NEUTRAL				
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
UNDERPERFORM				
	Cloudflare	NET	NET US	Madeline Brooks
	CommScope	COMM	COMM US	Tal Liani
	F5 Inc	FFIV	FFIV US	Tal Liani
	SecureWorks	SCWX	SCWX US	Tal Liani



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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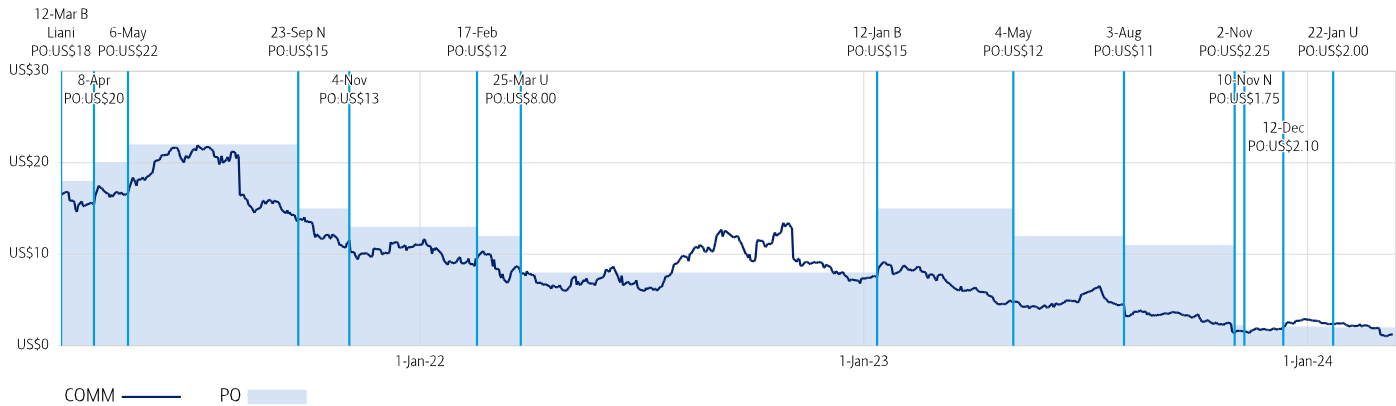
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Important Disclosures

CommScope (COMM) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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