

CommScope

Worsening fundamentals and uncertain debt reduction plan; d/g to Underperform

Rating Change: UNDERPERFORM | PO: 2.00 USD | Price: 2.38 USD

Outlook for next twelve months remains bleak

We are downgrading CommScope to Underperform from Neutral on limited short-term catalysts and risk with paying down debt levels. We see risk with CommScope's growth prospects over the next twelve months and flag that management's plan for dealing with the \$1.275bn of debt due June 2025 remains uncertain. We lower our estimates for FY23/24 revenues by 1%/8% and EPS by 2c/6c, respectively, reflecting the weaker market conditions and worsening demand across CommScope's core businesses (see page 5 for details). We adjust our PO from \$2.10 to \$2.00 due to the lower estimates, and roll our model forward, now based on 8x 2025E EV/EBITDA, vs. prior 10.4x 2024E.

Worsening underlying business trends

The underlying market has worsened across the core segments of CommScope, with legacy CCS and OWN segments (see glossary on page 4), which account for 53%/55% of total sales/EBITDA, seeing revenues decline 24% and 32% YoY through 3Q23, respectively. CCS was down on lower customer order rates and high customer inventory levels, while OWN declined due to lower service provider spending.

Similar weakness in OWN; NICS remains a bright spot

We also flag another layer of risks. We see weakness with ANS and NICS, the only two segments that are potentially monetizable and could help paydown the 2025 debt. ANS revenues, which includes cable modem termination systems, declined 11% YoY YTD23 on elevated customer inventories, slower deployment rates, and intensifying competition. At the same time, NICS (Wi-Fi) revenues increased +23% YoY, yet we expect the growth to moderate to 1% in 4Q and see risk of lower growth in the coming quarters, mainly from weak orders and high backlog levels.

Uncertain debt reduction plan still a key concern

With debt at \$9.4bn and equity value of ~\$600mn, the stock story is centered around the company's ability to refinance its 2025 and 2027 unsecured debt. CommScope has about 9 months to address its June 2025 debt before it turns current to avoid the risk of a going concern clause by the auditors, and management's plans remain unknown. We believe the weak spending environment will linger into 1H24 and continue to put pressure on results as well.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.41	1.66	0.73	0.77	1.33
GAAP EPS	(2.27)	(6.20)	(5.22)	(3.14)	(3.38)
EPS Change (YoY)	-11.9%	17.7%	-56.0%	5.5%	72.7%
Consensus EPS (Bloomberg)			0.73	0.80	1.19
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	1.7x	1.4x	3.3x	3.1x	1.8x
EV / EBITDA*	8.8x	7.8x	9.7x	9.7x	8.5x
Free Cash Flow Yield*	-1.8%	18.0%	56.0%	58.8%	65.0%

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

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Timestamp: 22 January 2024 06:00AM EST

22 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	C-2-9	C-3-9
Inv. Rating	NEUTRAL	UNDERPERFORM
Price Obj.	2.10	2.00
2023E Rev (m)	7,086.4	7,039.2
2024E Rev (m)	7,117.9	6,574.8
2025E Rev (m)	7,944.4	6,894.5
2023E EPS	0.75	0.73
2024E EPS	0.83	0.77
2025E EPS	1.00	1.33

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Stock Data

Price	2.38 USD
Price Objective	2.00 USD
Date Established	22-Jan-2024
Investment Opinion	C-3-9
52-Week Range	1.34 USD - 9.04 USD
Mkt Val (mn) / Shares Out (mn)	494 USD / 207.4
Free Float	95.7%
Average Daily Value (mn)	8.03 USD
BofA Ticker / Exchange	COMM / NAS
Bloomberg / Reuters	COMM US / COMM.OQ
ROE (2023E)	NA
Net Dbt to Eqty (Dec-2022A)	NA
ESGMeter TM	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)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	7.5%	10.0%	8.4%	7.3%	8.0%
Return on Equity	29.9%	182.0%	NM	NM	NM
Operating Margin	11.4%	12.5%	12.8%	12.4%	12.0%
Free Cash Flow	(9)	89	276	290	321

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.4x	0.5x	1.8x	1.7x	1.1x
Asset Replacement Ratio	0.9x	0.8x	0.5x	0.3x	0.2x
Tax Rate	13.4%	1.0%	17.0%	28.0%	28.0%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	1.7x	2.0x	1.3x	1.1x	1.1x

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	8,587	9,228	7,039	6,575	6,894
% Change	1.8%	7.5%	-23.7%	-6.6%	4.9%
Gross Profit	2,684	2,804	2,329	2,078	2,227
% Change	-2.3%	4.5%	-16.9%	-10.8%	7.2%
EBITDA	1,128	1,277	1,025	1,027	1,175
% Change	-7.2%	13.2%	-19.7%	0.2%	14.4%
Net Interest & Other Income	(583)	(586)	(656)	(735)	(793)
Net Income (Adjusted)	344	413	185	196	338
% Change	-7.3%	20.1%	-55.2%	6.3%	72.2%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(463)	(1,287)	(1,101)	(668)	(722)
Depreciation & Amortization	148	127	123	160	200
Change in Working Capital	(147)	(282)	139	302	346
Deferred Taxation Charge	(148)	(118)	(250)	0	0
Other Adjustments, Net	732	1,749	1,425	537	538
Capital Expenditure	(131)	(101)	(59)	(40)	(40)
Free Cash Flow	-9	89	276	290	321
% Change	NM	NM	211.4%	5.0%	10.6%
Share / Issue Repurchase	2	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(32)	(32)	(66)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	360	398	610	900	1,221
Trade Receivables	1,533	1,524	963	880	713
Other Current Assets	1,687	1,805	1,259	1,253	1,030
Property, Plant & Equipment	656	610	524	404	244
Other Non-Current Assets	9,024	7,350	6,214	5,783	5,320
Total Assets	13,260	11,685	9,570	9,219	8,529
Short-Term Debt	32	32	32	32	32
Other Current Liabilities	2,151	2,076	1,148	1,365	1,326
Long-Term Debt	9,479	9,470	9,353	9,353	9,353
Other Non-Current Liabilities	699	554	510	505	501
Total Liabilities	12,360	12,131	11,043	11,255	11,212
Total Equity	900	(446)	(1,472)	(2,036)	(2,683)
Total Equity & Liabilities	13,260	11,685	9,570	9,219	8,529

* 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 3,372,119

Quarterly Earnings Estimates

	2022	2023
Q1	0.26A	0.35A
Q2	0.41A	0.19A
Q3	0.50A	0.13A
Q4	0.49A	0.06E

Negative read-through to Ruckus from Juniper/HPE deal

We also see potential risk to one of CommScope's most attractive assets within the Networking, Intelligent Cellular & Security Solutions (NICS) segment, namely Ruckus for Wireless LAN (WLAN). In particular, one of the key components of HPE's recently announced acquisition of Juniper is the potential synergy in WLAN between HPE's Aruba and Juniper's Mist. Though Cisco remains the market leader in WLAN, HPE and Juniper continue to offer the most technologically advanced and competitive solutions, per Gartner, with all technology and R&D now funneled under one roof.

Additional color on the Wireless LAN market

Given press reports that suggest that the company is considering selling its Ruckus business as a way to finance its 2025 debt, we provide below some analysis of the WLAN market, growth trends and key players.

The wireless LAN (WLAN) market saw significant revenue growth in 2022 and 2021, driven by demand pull-forward from the COVID-19 pandemic, with revenues up 31% and 22% YoY, vs. only 3% and 2% in 2020 and 2019, respectively. NICS revenues increased 23% YoY in the first 9 months of 2023, and we believe some of the more recent trends is attributed to historical backlog, and some growth related to a Wi-Fi 6 refresh cycle.

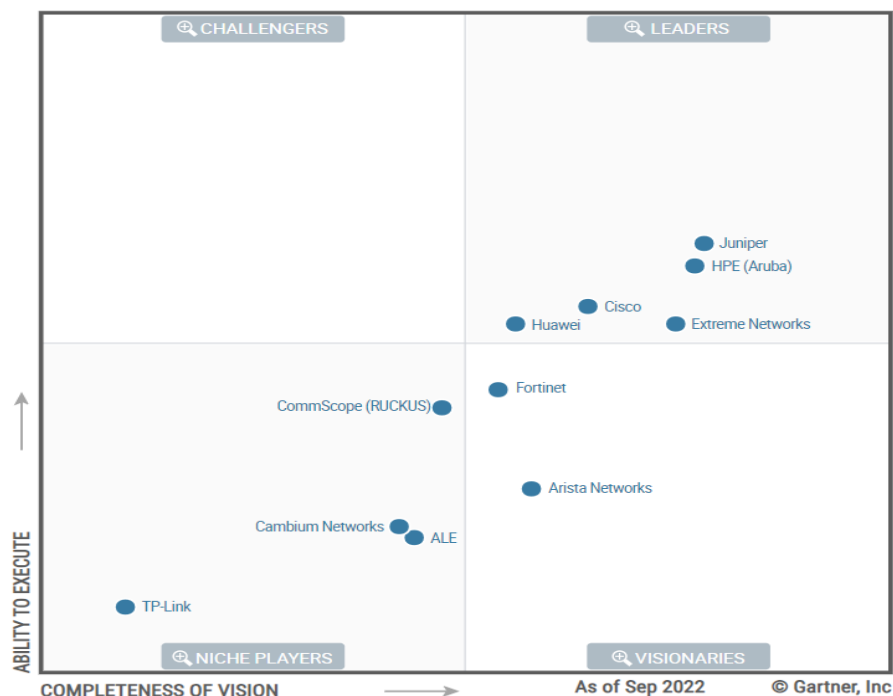
Cisco is the key market leader with revenue of ~\$4bn, which accounted for 41% of the total market in 2022. Juniper carries about 4% share and HP about 13%. CommScope (Ruckus) is a relatively small market, carrying about 4% share.

One of the key trends in the market is the migration to public-cloud managed systems, where Juniper's Mist is taking share from Cisco and HP at Fortune 100 companies. We believe CommScope remains a small player in the market and highlight two main concerns with any potential M&A. First, we remain uncertain on the identity of a potential buyer of such an asset, given that all Networking vendors already acquired assets in this space. Second, we also note that any potential deal would have to be executed above a 10x EV/EBITDA valuation mark to be accretive to CommScope's valuation, which is on the high-end of the realm of possibilities or market valuation levels, in our view.



Exhibit 8: Magic Quadrant for Enterprise Wired and Wireless LAN Infrastructure

CommScope's RUCKUS technology follows behind Cisco, Juniper, HPE, and a few others



Source: Gartner

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Exhibit 2: Snapshot of Wireless LAN equipment market

Per IDC, the W-LAN market has grown at a 26% CAGR between 2020 and 2022, yet CommScope has only grown at an 11% CAGR since 2020

Vendor	2020		2021			2022			
	Revenue	Share (%)	Revenue	YoY growth (%)	Share (%)	Revenue	YoY growth (%)	Share (%)	2020-22 CAGR (%)
Cisco	2,711	43%	3,096	14%	40%	4,143	34%	41%	24%
HP (Aruba)	855	13%	975	14%	13%	1,471	51%	15%	31%
Huawei	394	6%	569	44%	7%	760	34%	8%	39%
Ubiquiti	534	8%	612	15%	8%	682	11%	7%	13%
H3C	273	4%	365	34%	5%	418	14%	4%	24%
CommScope (Ruckus)	305	5%	374	23%	5%	378	1%	4%	11%
Juniper	110	2%	196	78%	3%	349	78%	3%	78%
Extreme	169	3%	180	6%	2%	232	29%	2%	17%
Fortinet	114	2%	130	14%	2%	202	56%	2%	33%
TP-Link	72	1%	91	27%	1%	115	27%	1%	27%
Other	816	13%	1,057	30%	14%	1,300	23%	13%	26%
Total	6,352	100%	7,646	20%	100%	10,049	31%	100%	26%

Source: IDC

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Glossary

- ANS: Access Network Solutions
- NICS: Networking, Intelligent Cellular & Security Solutions
- CCS: Connectivity & Cabling Solutions
- OWN: Outdoor Wireless Networks

Summary of model changes and P&L

Exhibit 1: Summary of model changes

We tweak down our estimates to better reflect the competitive and market risks across CommScope's core business segments

	Sales			EBITDA margin			EPS		
	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
2Q22	\$2,300.2	\$2,300.2	\$0.00	13.0%	13.0%	0.0 bps	\$0.41	\$0.41	\$0.00
3Q22	\$2,381.4	\$2,381.4	\$0.00	14.6%	14.6%	0.0 bps	\$0.50	\$0.50	\$0.00
4Q22	\$2,317.9	\$2,317.9	\$0.00	16.2%	16.2%	0.0 bps	\$0.49	\$0.49	\$0.00
2022	\$9,228.1	\$9,228.1	\$0.00	13.8%	13.8%	0.0 bps	\$1.66	\$1.66	\$0.00
1Q23	\$2,001.5	\$2,001.5	\$0.00	15.6%	15.6%	0.0 bps	\$0.35	\$0.35	\$0.00
2Q23	\$1,918.4	\$1,918.4	\$0.00	15.1%	15.1%	0.0 bps	\$0.19	\$0.19	\$0.00
3Q23	\$1,599.5	\$1,599.5	\$0.00	15.5%	15.5%	0.0 bps	\$0.13	\$0.13	\$0.00
4Q23E	\$1,567.0	\$1,519.8	(\$47.17)	11.1%	11.5%	36.3 bps	\$0.08	\$0.06	(\$0.02)
2023E	\$7,086.4	\$7,039.2	(\$47.17)	14.5%	14.6%	10.1 bps	\$0.75	\$0.73	(\$0.02)
1Q24E	\$1,646.6	\$1,537.6	(\$109.01)	10.0%	11.7%	174.2 bps	\$0.12	\$0.06	(\$0.05)
2Q24E	\$1,716.3	\$1,607.3	(\$108.96)	11.7%	13.5%	173.6 bps	\$0.17	\$0.15	(\$0.02)
3Q24E	\$1,823.7	\$1,685.1	(\$138.60)	18.2%	19.5%	125.8 bps	\$0.25	\$0.25	\$0.00
4Q24E	\$1,931.3	\$1,744.7	(\$186.59)	17.1%	17.3%	19.9 bps	\$0.30	\$0.31	\$0.01
2024E	\$7,117.9	\$6,574.8	(\$543.15)	14.4%	15.6%	117.1 bps	\$0.83	\$0.77	(\$0.06)

Source: BofA Global Research estimates, company report

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Exhibit 3: Income statement

We model 2023E revenues/EPS to reach \$7.04bn/73c, respectively

(\$mn except per share values)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E		2022	2023E	2024E
Total Revenues	2,229	2,300	2,381	2,318	2,002	1,918	1,600	1,520	1,538	1,607	1,685	1,745		9,228	7,039	6,575
YoY Growth	7.6%	5.3%	13.1%	4.2%	-10.2%	-16.6%	-32.8%	-34.4%	-23.2%	-16.2%	5.4%	14.8%		7.5%	-23.7%	-6.6%
Gross Profits	636	683	736	748	692	617	546	474	481	514	536	546		2,804	2,329	2,078
Gross Margin	28.6%	29.7%	30.9%	32.3%	34.6%	32.2%	34.1%	31.2%	31.3%	32.0%	31.8%	31.3%		30.4%	33.1%	31.6%
Research & Development	171	165	162	159	153	101	126	144	145	146	151	148		657	525	590
Selling, General and Administrative	286	277	282	290	264	255	230	299	296	302	314	318		1,135	1,047	1,229
Amortization + Other	153	178	137	1258	122	189	1017	102	107	113	117	115		1725	1430	452
Total GAAP Opex	610	620	581	1708	539	545	1372	545	548	561	581	581		3518	3001	2271
Adjusted Operating Income	220	269	316	344	281	260	218	144	181	216	206	215		1,149	902	818
Operating Margin	9.9%	11.7%	13.3%	14.9%	14.0%	13.5%	13.6%	9.5%	11.7%	13.5%	12.2%	12.3%		12.5%	12.8%	12.4%
Financial Income (Expense)	-136	-139	-145	-167	-157	-164	-162	-173	-172	-197	-177	-187		-586	-656	-735
Income Tax Expense	31	-15	-12	-17	-8	8	-159	-68	-67	-68	-62	-62		-13	-226	-260
Adjusted Net Income	64	101	125	123	89	47	34	15	16	37	63	80		413	185	196
Non-GAAP EPS	\$0.26	\$0.41	\$0.50	\$0.49	\$0.35	\$0.19	\$0.13	\$0.06	\$0.06	\$0.15	\$0.25	\$0.31		\$1.66	\$0.73	\$0.77
GAAP EPS	(\$0.75)	(\$0.36)	\$0.04	(\$5.39)	(\$0.06)	(\$0.55)	(\$3.98)	(\$0.83)	(\$0.81)	(\$0.83)	(\$0.75)	(\$0.75)		(\$6.20)	(\$5.22)	(\$3.14)
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%	35.9%	35.6%	34.9%	34.5%	33.3%		38.1%	42.6%	34.5%
Operating Income	9.9%	11.7%	13.3%	14.9%	14.0%	13.5%	13.6%	9.5%	11.7%	13.5%	12.2%	12.3%		12.5%	12.8%	12.4%
Tax Rate	-28.3%	19.2%	-114.0%	1.5%	177.3%	-9.1%	16.1%	28.0%	28.0%	28.0%	28.0%	28.0%		1.0%	17.0%	28.0%
Non-GAAP Net Income	2.9%	4.4%	5.2%	5.3%	4.4%	2.5%	2.1%	1.0%	1.1%	2.3%	3.8%	4.6%		4.5%	2.6%	3.0%
YoY % Growth																
Connectivity and Cable Solutions (CCS)	23.8%	26.0%	27.9%	18.8%	-1.8%	-29.2%	-37.2%	-37.9%	-28.5%	-12.8%	4.0%	17.3%		24.1%	-27.5%	-7.1%
Outdoor Wireless Networks (OWN)	20.3%	8.6%	6.9%	-18.8%	-33.8%	-16.2%	-45.0%	-35.8%	-25.1%	-35.0%	7.4%	17.7%		3.6%	-32.4%	-13.0%
Networking, Intelligent Cellular & Security Solutions (NICS)	-1.7%	-8.2%	24.5%	20.3%	51.3%	11.4%	12.1%	1.2%	-0.5%	30.6%	8.5%	10.7%		9.0%	16.4%	11.4%
Access Network Solutions (ANS)	-16.3%	-18.9%	1.3%	15.0%	-5.7%	13.7%	-36.2%	-46.5%	-30.7%	-33.6%	3.2%	14.0%		-5.5%	-20.8%	-16.1%
Home Networks (HN)	-1.1%	-7.1%	-5.7%	-17.7%	-32.0%	-22.2%	-36.3%	-39.6%	-21.3%	-19.6%	5.2%	11.9%		-7.9%	-32.3%	-8.2%
Total Revenues	7.6%	5.3%	13.1%	4.2%	-10.2%	-16.6%	-32.8%	-34.4%	-23.2%	-16.2%	5.4%	14.8%		7.5%	-23.7%	-6.6%
Total Opex	-8.1%	-10.4%	-8.1%	163.2%	-11.5%	-12.1%	136.3%	-68.1%	1.7%	2.9%	-57.7%	6.5%		33.5%	-14.7%	-24.3%
EPS	-28.4%	-6.6%	69.0%	56.1%	35.0%	-54.0%	-72.9%	-88.2%	-81.9%	-21.6%	85.4%	442.2%		17.8%	-55.9%	5.8%
QoQ % Growth																
Connectivity and Cable Solutions (CCS)	4.0%	17.7%	2.1%	-5.0%	-14.0%	-15.1%	-9.5%	-6.0%	-1.0%	3.5%	8.0%	6.0%				
Outdoor Wireless Networks (OWN)	3.9%	0.2%	-2.3%	-20.2%	-15.2%	26.8%	-35.8%	-7.0%	-1.0%	10.0%	6.0%	2.0%				
Networking, Intelligent Cellular & Security Solutions (NICS)	-21.6%	9.3%	25.6%	11.9%	-1.4%	-19.6%	26.3%	1.0%	-3.0%	5.5%	5.0%	3.0%				
Access Network Solutions (ANS)	-2.9%	-7.4%	16.7%	9.6%	-20.4%	11.7%	-34.5%	-8.0%	3.0%	7.0%	1.8%	1.6%				
Home Networks (HN)	4.0%	-14.5%	-7.7%	0.3%	-14.1%	-2.2%	-24.3%	-5.0%	12.0%	-0.1%	-1.0%	1.0%				
Revenues	0.2%	3.2%	3.5%	-2.7%	-13.7%	-4.2%	-16.6%	-5.0%	1.2%	4.5%	4.8%	3.5%				
Total Opex	-6.0%	1.7%	-6.4%	194.0%	-68.4%	1.1%	151.7%	-60.3%	0.5%	2.3%	3.6%	0.0%				
Operating Income	-3.1%	22.1%	17.4%	9.1%	-18.5%	-7.6%	-16.0%	-33.8%	25.2%	19.8%	-4.6%	4.1%				
EPS	-16.8%	55.6%	22.3%	-1.4%	-28.0%	-47.0%	-28.1%	-57.0%	10.3%	129.7%	70.0%	25.9%				

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Price objective basis & risk

CommScope (COMM)

Our \$2.00 PO is based on roughly 8x our 2025E adjusted 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
	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
	Qualcomm	QCOM	QCOM US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
NEUTRAL				
	Cellebrite	CLBT	CLBT US	Tal Liani
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
UNDERPERFORM				
	Cloudflare	NET	NET US	Madeline Brooks
	CommScope	COMM	COMM US	Tal Liani
	F5 Inc	FFIV	FFIV US	Tal Liani
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	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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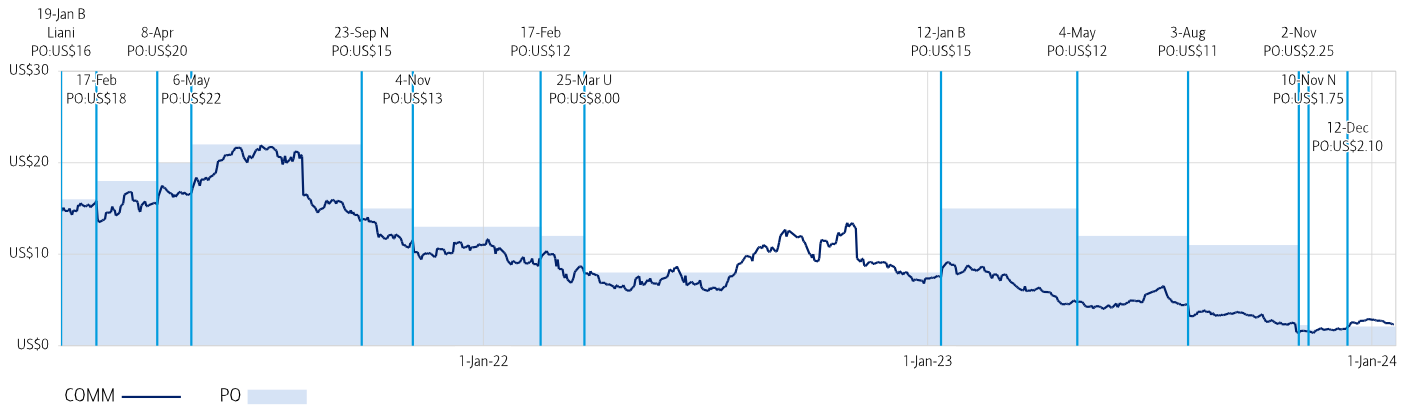
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CommScope (COMM) Price Chart



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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