GENERAL CABLE CORP /DE/
Form 10-Q
May 07, 2018

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 30, 2018
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: 1-12983

GENERAL CABLE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	06-1398235
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4 Tesseneer Drive Highland Heights, KY	41076-9753
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (859) 572-8000

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 x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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 x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
(Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at May 1, 2018
Common Stock, $0.01 par value	50,729,935

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ON FORM 10-Q

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PART I. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(in millions, except per share data) (unaudited)

	Three Fiscal Months Ended	
	March 30, 2018	March 31, 2017
Net sales	$1,020.5	$ 918.2
Cost of sales	914.8	799.2
Gross profit	105.7	119.0
Selling, general and administrative expenses	71.4	94.8
Operating income	34.3	24.2
Other income (expense)	(15.6)	14.6
Interest income (expense):		
Interest expense	(19.2)	(20.7)
Interest income	0.9	0.6
	(18.3)	(20.1)
Income (loss) before income taxes	0.4	18.7
Income tax (provision) benefit	(4.6)	(6.3)
Net income (loss) including noncontrolling interest	(4.2)	12.4
Less: net income (loss) attributable to noncontrolling interest	0.1	—
Net income (loss) attributable to Company common shareholders	$(4.3)	$ 12.4
Earnings (loss) per share - Net income (loss) attributable to Company common shareholders per common share		
Earnings (loss) per common share-basic	$(0.08)	$ 0.25
Earnings (loss) per common share-assuming dilution	$(0.08)	$ 0.24
Dividends per common share	$0.18	$ 0.18
Comprehensive income (loss):		
Net income (loss)	$(4.2)	$ 12.4
Currency translation gain (loss)	2.9	8.6
Defined benefit plan adjustments, net of tax of $0.2 million in the three fiscal months ended March 30, 2018 and $0.4 million in the three fiscal months ended March 31, 2017	0.8	0.8
Comprehensive income (loss), net of tax	(0.5)	21.8
Comprehensive income (loss) attributable to noncontrolling interest, net of tax	0.1	(0.1)
Comprehensive income (loss) attributable to Company common shareholders, net of tax	$(0.6)	$ 21.9

See accompanying Notes to Condensed Consolidated Financial Statements.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in millions, except share data)
(unaudited)

	March 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$53.5	$ 84.7
Receivables, net of allowances of $19.3 million at March 30, 2018 and $19.2 million at December 31, 2017	811.9	714.2
Inventories	728.7	736.1
Prepaid expenses and other	61.5	60.0
Total current assets	1,655.6	1,595.0
Property, plant and equipment, net	526.1	530.3
Deferred income taxes	7.2	7.9
Goodwill	11.0	11.0
Intangible assets, net	22.1	23.3
Unconsolidated affiliated companies	0.2	0.2
Other non-current assets	58.1	67.6
Total assets	$2,280.3	$ 2,235.3
Liabilities and Total Equity		
Current liabilities:		
Accounts payable	$444.9	$ 437.5
Accrued liabilities	254.5	308.8
Current portion of long-term debt	33.9	46.9
Total current liabilities	733.3	793.2
Long-term debt	1,135.5	1,038.8
Deferred income taxes	114.4	108.6
Other liabilities	163.8	162.9
Total liabilities	2,147.0	2,103.5
Commitments and contingencies (see Note 19)		
Total Equity:		
Common stock, $0.01 par value, issued and outstanding shares:		
March 30, 2018 – 50,728,522 (net of 7,910,174 treasury shares)		
December 31, 2017 – 50,583,870 (net of 8,054,826 treasury shares)	0.6	0.6
Additional paid-in capital	704.7	706.6
Treasury stock	(149.9)	(151.9)
Retained earnings (deficit)	(197.7)	(195.3)
Accumulated other comprehensive income (loss)	(227.1)	(230.8)
Total Company shareholders' equity	130.6	129.2
Noncontrolling interest	2.7	2.6
Total equity	133.3	131.8
Total liabilities and equity	$2,280.3	$ 2,235.3

See accompanying Notes to Condensed Consolidated Financial Statements.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (in millions) (unaudited)

	Three Fiscal Months Ended	
	March 30, 2018	March 31, 2017
Cash flows of operating activities:		
Net income (loss) including noncontrolling interest	$(4.2)	$ 12.4
Adjustments to reconcile net income (loss) to net cash flows of operating activities:		
Depreciation and amortization	17.1	19.5
Foreign currency exchange (gain) loss	2.1	(2.0)
Deferred income taxes	3.4	(2.3)
Non-cash interest charges	1.0	1.0
(Gain) loss on disposal of subsidiaries	—	3.5
(Gain) loss on disposal of property	—	2.9
Changes in operating assets and liabilities, net of effect of divestitures:		
(Increase) decrease in receivables	(24.6)	(1.9)
(Increase) decrease in inventories	(36.5)	(42.8)
(Increase) decrease in other assets	(6.9)	(2.5)
Increase (decrease) in accounts payable	8.2	19.1
Increase (decrease) in accrued and other liabilities	(45.1)	(95.4)
Net cash flows of operating activities	(85.5)	(88.5)
Cash flows of investing activities:		
Capital expenditures	(13.0)	(35.2)
Proceeds from properties sold	—	0.3
Disposal of subsidiaries, net of cash disposed of	—	5.3
Net cash flows of investing activities	(13.0)	(29.6)
Cash flows of financing activities:		
Dividends paid to shareholders	(9.2)	(9.4)
Proceeds from debt	538.8	731.7
Repayments of debt	(459.5)	(622.4)
Net cash flows of financing activities	70.1	99.9
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1.9)	0.8
Increase (decrease) in cash, cash equivalents and restricted cash	(30.3)	(17.4)
Cash, cash equivalents and restricted cash – beginning of period	96.2	103.6
Cash, cash equivalents and restricted cash – end of period	$65.9	$ 86.2
Supplemental Information		
Cash paid during the period for:		
Income tax payments, net of refunds	$6.7	$ 2.6
Interest paid	$21.9	$ 22.9
Non-cash investing and financing activities:		
Capital expenditures included in accounts payable	$3.0	$ 11.1

See accompanying Notes to Condensed Consolidated Financial Statements.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Total Equity
(in millions) (unaudited)

	General Cable Total Equity						
	Total Equity	Common Stock	Additional Paid in Capital	Treasury Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest
Balance, December 31, 2017	$131.8	$0.6	$706.6	$(151.9)	$(195.3)	$(230.8)	$2.6
Cumulative effect of accounting change	11.1				11.1		
Comprehensive income (loss)	(0.5)				(4.3)	3.7	0.1
Common stock dividend	(9.2)				(9.2)		
Stock options and RSU expense	1.7		1.7				
Other – issuance pursuant to restricted stock, stock options and other	(1.6)		(3.6)	2.0			
Balance, March 30, 2018	$133.3	$0.6	$704.7	$(149.9)	$(197.7)	$(227.1)	$2.7

	General Cable Total Equity						
	Total Equity	Common Stock	Additional Paid in Capital	Treasury Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest
Balance, December 31, 2016	$168.9	$0.6	$711.0	$(169.9)	$(102.2)	$(286.4)	$15.8
Comprehensive income (loss)	21.8				12.4	9.5	(0.1)
Common stock dividend	(9.4)				(9.4)		
Stock options and RSU expense	1.6		1.6				
Other – issuance pursuant to restricted stock, stock options and other	(1.9)		(6.7)	3.9	0.9		
Balance, March 31, 2017	$181.0	$0.6	$705.9	$(166.0)	$(98.3)	$(276.9)	$15.7

See accompanying Notes to Condensed Consolidated Financial Statements.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation and Principles of Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements of General Cable Corporation and subsidiaries (“General Cable” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the three fiscal months ended March 30, 2018 are not necessarily indicative of results that may be expected for the full year.

The December 31, 2017 Condensed Consolidated Balance Sheet amounts are derived from the audited financial statements. These financial statements should be read in conjunction with the audited financial statements and notes thereto in General Cable’s 2017 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2018.

The Company’s first three fiscal quarters consist of 13-week periods ending on the Friday nearest to the end of the calendar months of March, June and September. The Company's fourth fiscal quarter consists of the first day following the third quarter through December 31.

The Condensed Consolidated Financial Statements include the accounts of wholly-owned subsidiaries and majority-owned controlled subsidiaries. The Company records its investment in each unconsolidated affiliated Company (generally 20-50 percent ownership in which it has the ability to exercise significant influence) at its respective equity in net assets. Other investments (generally less than 20% percent ownership) are recorded at cost. All intercompany transactions and balances among the consolidated companies have been eliminated.

2. Accounting Standards

The Company’s significant accounting policies are described in Note 2 to the audited financial statements in the 2017 Annual Report on Form 10-K. Except for the changes below, the Company did not change any of its existing accounting policies that are expected to have a significant effect on the Company's condensed consolidated financial statements in the three fiscal months ended March 30, 2018.

The following accounting pronouncements were adopted and became effective with respect to the Company in 2018:

In May 2017, the FASB issued ASU 2017-09 “Compensation-Stock Compensation (Topic 718).” This update provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. This ASU does not change the accounting for modifications but clarifies that modification accounting guidance should only be applied if there is a change to the value, vesting conditions or award classification and would not be required if the changes are considered non-substantive. This update was effective for the Company beginning January 1, 2018. The adoption of this ASU did not have a material effect on the Company’s condensed consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." This update requires presentation of the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of pension expense are required to be presented separately from the service cost component and outside a subtotal of income from operations. The update requires retrospective application and represents a change in accounting principle. This standard was adopted on January 1, 2018 and pension expense of $0.4 million, previously recorded in Cost of sales, is now presented in Other income (expense) on the Company’s Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three fiscal months ended March 31, 2017.

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In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, entities will no longer present transfers between cash and restricted cash in the statement of cash flows and amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance requires retrospective application and was adopted by the Company on January 1, 2018. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Condensed Consolidated Statement of Cash Flows.

(in millions)	March 30, 2018	December 31, 2017
Cash and cash equivalents	$ 53.5	$ 84.7
Restricted cash included in prepaid expenses and other	2.3	1.4
Restricted cash included in other non-current assets	10.1	10.1
Total cash, cash equivalents and restricted cash shown in the Condensed Consolidated Statement of Cash Flows	$ 65.9	$ 96.2

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606).” This ASU outlines a single, comprehensive model for accounting for revenue from contracts with customers which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU requires expanded qualitative and quantitative disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including significant judgments and changes in judgments. The standard accelerates the timing of when revenue is recognized for arrangements involving consignment inventory and arrangements when the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. This standard was adopted on January 1, 2018 using the modified retrospective (cumulative effect) transition method and represents a change in accounting policy. Results for the reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting under Topic 605. The impact to beginning retained earnings was approximately $11.1 million due to the recognition of revenue related to consignment inventory and no alternative use inventory. Refer to Note 6 - Revenue for more information.

The following accounting pronouncements will become effective in future periods with respect to the Company:

In February 2018, the FASB issued ASU 2018-02 “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This update allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Reform Act. This update is effective for annual and interim periods beginning after December 15, 2018 and should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Reform Act is recognized. Early adoption is permitted for any interim and annual financial statements that have not yet been issued. The Company is currently evaluating the impact of this standard on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12 “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.” This update amends and simplifies existing guidance in order to better align hedge accounting with risk management activities, simplify the hedge accounting requirements, and improve the presentation and disclosure of hedging arrangements. The update is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted for any interim and annual financial statements that have not yet been issued. The Company is currently evaluating the impact of this standard on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." This update eliminates Step 2 from the goodwill impairment test that requires the impairment to be measured as the difference between the implied value of a reporting unit's goodwill and the goodwill's carrying amount. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The update is effective for annual and interim reporting periods beginning after December 15, 2019 and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. ASU 2017-04 is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of the pending adoption of ASU 2016-02 on the consolidated financial statements. The Company expects that most of our operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon the adoption of ASU 2016-02. The standard is expected to increase Total assets and Total liabilities on the Company's Consolidated Balance Sheets. The standard is not expected to have a material impact on the Company's Consolidated Statements of Operations and Comprehensive Income (Loss).

3. Merger Agreement with Prysmian S.p.A.

On December 3, 2017, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”), among the Company, Prysmian S.p.A., a company organized under the laws of the Republic of Italy (“Parent”), and Alisea Corp., a Delaware corporation and a wholly-owned subsidiary of Parent (“Merger Sub”), providing for the merger of Merger Sub with and into the Company (the “Merger”), with the Company surviving the Merger as a wholly owned subsidiary of Parent. Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger (the “Effective Time”), each issued and outstanding share of common stock of the Company (each, a “Share”), except for certain excluded shares, will automatically be cancelled and converted into the right to receive $30.00 in cash, without interest.

The board of directors of the Company (i) unanimously determined that the Merger is fair to, and in the best interests of, the Company and its stockholders, (ii) approved and declared advisable the Merger Agreement and the Merger and the other transactions contemplated by the Merger Agreement, (iii) resolved to recommend adoption of the Merger Agreement to the holders of Shares and (iv) directed that the Merger Agreement be submitted to the holders of Shares for their adoption.

Consummation of the Merger is subject to the satisfaction or waiver of specified closing conditions, including (i) the adoption of the Merger Agreement by the holders of a majority of the outstanding Shares entitled to vote on such matter at a meeting of the holders of Shares duly called and held for such purpose, (ii) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (“HSR Act”), (iii) the adoption of a decision by the European Commission pursuant to Regulation (EC) 139/2004 of the European Union (“EU Merger Regulation”) declaring that the Merger is compatible with the internal market, (iv) the approval by certain other requisite governmental regulators and authorities, (v) a thirty-day period beginning on the date the Company provides written notice to the DOJ of the Merger in accordance with the Non-Prosecution Agreement, dated as of December 22, 2016, between the Company and the DOJ (the “DOJ Agreement”), will have expired and the DOJ Agreement will remain in full force and effect, and (vi) other customary closing conditions, including (a) the absence of any law or order prohibiting the Merger or the other transactions contemplated by the Merger Agreement, (b) the accuracy of each party’s representations and warranties (subject to customary materiality qualifiers) and (c) each party’s performance of its obligations and covenants contained in the Merger Agreement.

On February 16, 2018, the Company held a special meeting of its common stockholders to vote on proposals identified in the Company’s definitive proxy statement filed with the Securities and Exchange Commission on January 16, 2018. The proposal to adopt the Merger Agreement received the affirmative vote of approximately 75.34% of the holders of the shares of common stock entitled to vote on this proposal, representing approximately 99% of the total votes cast. The Company provided written notice to the DOJ of the Merger in accordance with the DOJ Agreement on December 19, 2017. The applicable waiting period under the HSR Act expired at 11:59 p.m. on March 7, 2018.

On May 4, 2018, the notice period under International Traffic in Arms Regulations §122.4(b) relating to the Merger expired.

The Merger Agreement includes customary representations, warranties and covenants of the Company, Parent and Merger Sub. The Company has also made certain covenants in the Merger Agreement, including covenants regarding the operation of the business of the Company and its subsidiaries prior to the Effective Time. The Company has also agreed to a customary non-solicitation covenant in the Merger Agreement prohibiting the Company from (a) soliciting, providing information or engaging or participating in any discussions or negotiations regarding proposals relating to alternative business combination transactions, or (b) entering into an acquisition agreement in connection with such an alternative business combination transaction, in each case, except as permitted under the Merger Agreement.

The Merger Agreement may be terminated by each of the Company and Parent under certain circumstances, including if the Merger is not consummated by June 3, 2018 (subject to one 90-day extension that may be elected by either the Company or Parent if certain regulatory approvals required in connection with the Merger have not been obtained). The Merger Agreement provides for

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certain other customary termination rights for the Company and Parent, subject to the payment by the Company of a termination fee in the amount of $47 million in certain circumstances, including if the Company terminates the Merger Agreement in order to accept a superior proposal for an alternative business combination transaction of the type described in the relevant provisions of the Merger Agreement. The parties to the Merger Agreement are also entitled to an injunction or injunctions to prevent breaches of the Merger Agreement, and to specifically enforce the terms and provisions of the Merger Agreement.

The representations, warranties and covenants of each of the Company, Parent, and Merger Sub contained in the Merger Agreement have been made solely for the benefit of the parties to the Merger Agreement. In addition, such representations, warranties and covenants (i) have been made only for purposes of the Merger Agreement, (ii) have been qualified by confidential disclosures made by the Company in connection with the Merger Agreement, (iii) are subject to materiality qualifications contained in the Merger Agreement which may differ from what may be viewed as material by investors, (iv) were made only as of the date of the Merger Agreement or such other date as is specified in the Merger Agreement and (v) have been included in the Merger Agreement for the purpose of allocating risk between the contracting parties rather than establishing matters as facts. Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties or any of its subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the public disclosures by the parties or their subsidiaries. The Merger Agreement should not be read alone, but should instead be read in conjunction with the other information regarding the parties that is or will be contained in, or incorporated by reference into, the Forms 10-K, Forms 10-Q and other documents that the Company files with the SEC.

The foregoing summary of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement.

As of March 30, 2018, the Company has incurred total aggregate merger-related expenses of $18.6 million. During the three fiscal months ended March 30, 2018, the Company recognized $2.4 million of merger-related expenses in the Selling, general and administrative ("SG&A") expenses caption in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Treatment of Stock-Based Awards and Performance Awards

At the effective time of the Merger, each stock option outstanding immediately prior to the effective time of the Merger (whether vested or unvested) will be cancelled and converted into the right to receive (without interest) an amount in cash equal to the excess, if any, of $30.00 over the exercise price per share under such stock option. Each option for which the exercise price per share is equal to or greater than $30.00 shall be cancelled at the effective time without payment of consideration.

At the effective time of the Merger, (i) each Company restricted stock unit (“RSU”) award held by a non-employee director that is outstanding immediately prior to the effective time of the Merger will be accelerated and converted into the right to receive (without interest) an amount in cash equal to $30.00 with respect to each share of Company common stock underlying such award, and (ii) each Company RSU award not held by a non-employee director that is outstanding immediately prior to the effective time of the Merger will be converted into an award representing the right to receive (without interest and less applicable withholding taxes) an amount in cash equal to $30.00, which shall be subject to the same terms and conditions that were applicable to such restricted stock unit award immediately prior to the effective time, provided that any performance-based vesting condition measured over a period of one year will be deemed satisfied and the converted award will vest on the earlier of (A) the originally scheduled vesting date and (B) the date that is six months following the closing date, subject to continued employment with Parent and its subsidiaries through such applicable date (or upon the holder’s earlier termination by Parent, the surviving corporation or any of their respective affiliates without “cause” or for “good reason” (as each term is defined in the Company’s 2015 Stock Incentive Plan)).

At the effective time of the Merger, each Company performance-based stock unit (“PSU”) award outstanding immediately prior to the effective time of the Merger will be cancelled and converted into an award representing the right to receive (without interest and less applicable withholding taxes) an amount in cash equal to the number of shares subject to the award multiplied by $30.00. The number of shares of the Company’s common stock subject to such PSU will be determined (i) for any award with a performance period commencing as of January 1, 2016, based on actual performance as determined by the Compensation Committee of the Board and (ii) for any award with a performance period commencing as of January 1, 2017, based on performance deemed satisfied at the target level. Each converted PSU award will be subject to the same terms and conditions that were applicable immediately prior to the effective time, provided that as of the effective time, the performance-vesting conditions shall no longer apply and each award shall be subject solely to service-based vesting. For Company PSU awards with a performance period commencing as of January 1, 2015, settlement is expected to occur prior to the effective time of the merger and will be based on the actual level of achievement of the applicable performance goals.

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Treatment of Outstanding Debt

The Company has agreed to (and to cause its subsidiaries to) issue, upon Parent's written request, a notice of optional redemption on the closing date for all of the outstanding aggregate principal amount of the Company's 5.75% Senior Notes due 2022 ("5.75% Senior Notes") issued pursuant to the indenture, dated September 25, 2012, among the Company, certain of its subsidiaries party thereto as guarantors, and U.S. Bank National Association and to provide any other cooperation reasonably requested by Parent to facilitate the satisfaction and discharge of the Company's 5.75% Senior Notes, if elected by Parent, effective as of the closing date, or at such later date at Parent's election. Additionally, the Company will, and will cause its subsidiaries to, take all actions required to repay in full on the closing date all obligations then outstanding under the credit agreement and to use reasonable best efforts to cause the release on the closing date of all liens securing obligations under the credit agreement.

The Company and its subsidiaries will also take certain actions with respect to and pursuant to the terms of the Asset-Based Revolving Credit Facility ("Revolving Credit Facility"), the 5.75% Senior Notes and the Subordinated Convertible Notes due 2029 ("Subordinated Convertible Notes") that are required to be performed by the Company or its subsidiaries at or prior to the effective time of the Merger as a result of the execution and delivery of the Merger Agreement, the Merger and the other transactions contemplated thereby, including the giving of notices or execution and delivery of certain documents. If the closing date of the merger would have been March 30, 2018, each holder of a Subordinated Convertible Note with a principal amount of $1,000 who elected to convert such Subordinated Convertible Note in connection with the merger pursuant to the Subordinated Convertible Notes indenture would have been entitled to receive $1,081.58 for such Subordinated Convertible Note.

In addition, the Company will use its reasonable best efforts to (and to cause its subsidiaries to) take any actions that are reasonably requested by Parent with respect to the treatment specified by Parent of any other indebtedness of the Company.

4. Divestitures

Since October 2014, the Company has completed the following as of March 30, 2018 (in millions):

Asia Pacific divestitures

Entity	Sale / Closure	Sale / Closure Date	Gross Proceeds	Pre-tax Gain / (Loss) (1)
General Cable New Zealand Limited ("New Zealand")	Closure	Fourth Quarter 2017	$ 10.3	$ 5.4
General Cable (Tianjin) Alloy Products Company Limited ("China")	Sale	Third Quarter 2017	8.8	(19.9)
General Cable Australia Pty. Ltd. ("Australia")	Closure	Second Quarter 2017	—	(4.2)
Pakistan Cables Limited ("Pakistan") - 24.6% interest	Sale	First Quarter 2017	5.3	(3.5)
General Cable Energy India Private Ltd. ("India")	Sale	First Quarter 2016	10.8	1.6
Phelps Dodge International Thailand ("Thailand") - 75.47% interest	Sale	Third Quarter 2015	88.0	16.1
Dominion Wire and Cables ("Fiji") - 51% interest	Sale	First Quarter 2015	9.3	(2.6)
Keystone Electric Wire and Cable ("Keystone") - 20% interest	Sale	First Quarter 2015	11.0	3.6
Phelps Dodge International Philippines, Inc. ("PDP") - 60% interest and Phelps Dodge Philippines Energy Products Corp ("PDEP"), (together, "the Philippines")	Sale	Fourth Quarter 2014	67.1	17.6

(1)

The pre-tax gain / (loss) for each sale was recorded in the SG&A expenses caption of the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss); the pre-tax gain / (loss) includes the reclassification of foreign currency translation adjustments upon sale or liquidation of the entity. The aggregate net pre-tax loss on the reclassification of foreign currency translation adjustments upon sale or liquidation of the Asia Pacific divestiture entities is $46.9 million.

As of March 30, 2018, the Company's Asia Pacific businesses, and disposals of related operations to date (that occurred over a three year period), are not considered a strategic shift that has or will have a major effect on the Company's operations and financial results. Refer to Note 18 - Segment Information for results of the Africa / Asia Pacific segment.

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Africa divestitures

Entity	Sale / Closure	Sale / Closure Date	Gross Proceeds	Pre-tax Gain / (Loss)[(1)]
Entreprise des Industries du Cable de Biskra SPA ("Algeria") - 70% interest	Sale	Second Quarter 2017	$ 3.8	$ (38.0)
General Cable Phoenix South Africa Pty. Ltd. ("South Africa - Durban")	Closure	Fourth Quarter 2016	—	1.6
National Cables (Pty) Ltd. ("South Africa - National Cables")	Closure	Fourth Quarter 2016	—	(29.4)
Metal Fabricators of Zambia PLC ("Zambia") - 75.39% interest	Sale	Third Quarter 2016	9.8	(14.4)
General Cable S.A.E. ("Egypt")	Sale	Second Quarter 2016	5.8	(8.4)

(1) The pre-tax gain / (loss) for each sale was recorded in the SG&A expenses caption of the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss); the pre-tax gain / (loss) includes the reclassification of foreign currency translation adjustments upon sale or liquidation of the entity. The aggregate pre-tax loss on the reclassification of foreign currency translation adjustments upon sale or liquidation of the Africa divestiture entities is $79.4 million.

The Company's Africa businesses, and disposals of related operations to date, are not considered a strategic shift that has or will have a major effect on the Company's operations and financial results. As of March 30, 2018, the Company determined that the remaining Africa business did not meet the held for sale criteria. Refer to Note 18 - Segment Information for results of the Africa / Asia Pacific segment.

The Company has incurred total aggregate costs of $9.5 million related to its Asia Pacific and Africa divestitures, primarily legal and transaction fees, as of March 30, 2018. Charges incurred for the three fiscal months ended March 30, 2018 and March 31, 2017 were not material.

5. Restructuring

November 2015 restructuring program

In the fourth quarter of 2015, the Company committed to a strategic roadmap focused on growth and optimization of the portfolio, developing leading cost and efficiency positions, growth through innovation and cultivation of a high-performance culture. In 2017, the Company approved additional expenditures to further expand, strengthen and accelerate the Company's program targeting operational effectiveness and efficiencies. As of March 30, 2018 the total remaining costs are not material and the remaining restructuring liability at March 30, 2018 is not material.

Total costs incurred to date by reportable segment are below (in millions):

	North America	Europe	Latin America	Total
Costs incurred 2017 - Cost of sales	$ 1.8	$ 0.4	$ 0.3	$ 2.5
Costs incurred 2017 - SG&A	10.1	1.2	—	11.3
Total costs incurred, March 31, 2017	$ 11.9	$ 1.6	$ 0.3	$ 13.8
Costs incurred 2018 - Cost of sales	$ 0.4	$ —	$ —	$ 0.4
Costs incurred 2018 - SG&A	—	—	—	—
Total costs incurred, March 30, 2018	$ 0.4	$ —	$ —	$ 0.4
Total aggregate costs to date	$ 80.7	$ 21.6	$ 5.5	$ 107.8

Employee Separation Costs

The Company did not record employee separation costs for the three fiscal months ended March 30, 2018. The Company recorded employee separation costs of $2.5 million for the three fiscal months ended March 31, 2017. The employee separation charges for the three fiscal months ended March 31, 2017 were $0.9 million in North America and $1.6 million in Europe.

Employee separation costs include severance and retention bonuses. As of March 30, 2018, cumulative employee separation costs included severance charges for approximately 480 employees; approximately 360 of these employees were classified as manufacturing employees and approximately 120 of these employees were classified as non-manufacturing employees. The charges

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relate to involuntary separations based on current salary levels and past service periods and are either considered one-time employee termination benefits in accordance with ASC 420 - Exit or Disposal Cost Obligations ("ASC 420") or charges for contractual termination benefits under ASC 712 - Compensation - Nonretirement Postemployment Benefits ("ASC 712").

Other Costs

The Company recorded other restructuring-type charges of $0.4 million in North America for the three fiscal months ended March 30, 2018. The Company recorded other restructuring-type charges of $11.3 million for the three fiscal months ended March 31, 2017. The other restructuring-type charges were $11.0 million in North America and $0.3 million in Latin America for the three fiscal months ended March 31, 2017.

Other restructuring-type charges are incurred as a direct result of the restructuring program. These restructuring-type charges primarily include project management costs, such as consulting fees related to the supply chain redesign and the cost to change internal systems and processes to support the underlying organizational changes, as well as working capital write-downs not associated with normal operations, equipment relocation, termination of contracts and other immaterial costs.

July 2014 restructuring program

In the third quarter of 2014, the Company announced a comprehensive restructuring program. As of March 30, 2018, this program is substantially complete and future estimated costs are expected to be immaterial. The restructuring program was focused on the closure of certain underperforming assets as well as the consolidation and realignment of other facilities. The Company also implemented initiatives to reduce SG&A expenses globally. Total aggregate costs incurred as part of the program were approximately $220 million and the remaining restructuring liability at March 30, 2018 is not material. Total costs incurred were immaterial for the three fiscal months ended March 30, 2018 and March 31, 2017.

6. Revenue

The Company generates revenue from the development, design, manufacturing, marketing and distribution of copper, aluminum, and fiber optic wire and cable products. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset and is measured based on considerations specified in contracts with a customer.

Performance obligations

At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or bundle of goods or services) that is distinct. The Company's customer contracts state the final terms of the sale, including the description, quantity, and price of each product or service purchased. To identify the performance obligations, the Company considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Shipping and handling amounts billed to a customer in a sales transaction are classified as revenue. The Company applies the transition practical expedient in ASC 606-10-25-18B and shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are in included in the Cost of sales caption of the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Transaction price

Revenue is measured based on considerations specified in contracts with a customer. A provision for payment discounts, warranty and customer rebates is estimated based upon historical experience and other relevant factors and is recorded within the same period that the revenue is recognized.

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Nature of revenue

Revenue disaggregated by product categories and geographical markets for the Company's reportable segments for the three fiscal months ended March 30, 2018 is as follows (in millions):

	Three Fiscal Months Ended March 30, 2018				
	North America	Europe	Latin America	Africa/Asia Pacific	Total
Major product lines:					
Electric utility	$187.7	$129.8	$ 36.6	$ —	$354.1
Electrical infrastructure	191.6	43.8	30.6	0.2	266.2
Construction	89.5	45.2	89.7	1.4	225.8
Communications	81.3	45.8	0.8	—	127.9
Rod mill products	36.0	—	10.5	—	46.5
Total	$586.1	$264.6	$ 168.2	$ 1.6	$1,020.5
Primary geographical markets:					
United States	$487.4	$12.5	$ —	$ —	$499.9
Canada	88.2	0.6	—	—	88.8
France	0.2	85.0	—	—	85.2
Spain	—	52.3	—	—	52.3
Brazil	—	—	45.9	—	45.9
Others	10.3	114.2	122.3	1.6	248.4
Total	$586.1	$264.6	$ 168.2	$ 1.6	$1,020.5

Timing of revenue recognition

An asset is transferred when (or as) the customer obtains control of that asset. Revenue may be recognized when control passes to the customer either over a period of time or at a point in time. The Company determines, at contract inception, whether control of a good transfers to a customer over time or at a point in time. The Company enters into contracts in which the Company's performance creates an asset with no alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. For these contracts, the Company recognizes revenue over time. Therefore, for such contracts, revenue is recognized progressively based on the cost-to-cost method using reasonably reliable estimates of total revenue, total cost, and the extent of progress toward completion. The Company reviews contract price and cost estimates periodically as the work progresses and reflects adjustments proportionate to the percentage-of-completion to income in the period when those estimates are revised. For these contracts, if a current estimate of total contract cost indicates a loss on a contract, the projected loss is recognized in full in the period when determined. If an entity does not satisfy a performance obligation over a period of time, the performance obligation is satisfied at a point in time. Revenue disaggregated by the timing of revenue recognition for the Company's reportable segments for the three fiscal months ended March 30, 2018 is as follows (in millions):

	Three Fiscal Months Ended March 30, 2018				
	North America	Europe	Latin America	Africa/Asia Pacific	Total
Timing of revenue recognition:					
Transferred at a point in time	$409.1	$181.0	$ 168.2	$ 1.6	$759.9
Transferred over time	177.0	83.6	—	—	260.6
Total	$586.1	$264.6	$ 168.2	$ 1.6	$1,020.5

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Contract balances

The opening and closing balances of the Company’s receivables, contract assets and contract liabilities are as follows (in millions):

	March 30, 2018	January 1, 2018	Increase (Decrease)
Contract assets	$140.3	$ 89.2	$ 51.1
Current contract liabilities	50.7	75.6	(24.9)
Non-current contract liabilities	0.6	0.6	—

Contract assets, current contract liabilities and non-current contract liabilities are included in the Receivables, net of allowances, Accrued liabilities and Other liabilities captions, respectively, on the Company's Condensed Consolidated Balance Sheets. Contract assets primarily relate to the Company's rights to consideration for work completed but not yet billed. Contract liabilities primarily relate to the advance consideration received from customers for which transfer of control has not yet occurred. The difference between the opening and closing balances of the Company’s contract assets and contract liabilities primarily results from timing differences between the Company’s performance and customer payments. The Company recognized revenue of approximately $41.3 million that was included in the current contract liabilities balance at the beginning of the period.

Transaction price allocated to the remaining performance obligations

For contracts that are greater than one year, the estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of March 30, 2018 is approximately $244.0 million, $115.8 million and $0.2 million in the twelve month periods ending March 29, 2019, April 3, 2020 and April 2, 2021, respectively.

The Company applies the transition practical expedient in ASC 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The Company applies the transition practical expedient in ASC 606-10-65-1(f)(3) and does not disclose the amount of the transaction price allocated to the remaining performance obligations at December 31, 2017 or an explanation of when the Company expects to recognize that amount as revenue.

Changes in accounting policies

The Company adopted ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” on January 1, 2018 using the modified retrospective (cumulative effect) transition method. The details of the significant changes and quantitative impacts of the changes are disclosed below.

In accordance with Topic 606, when the Company’s performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date, transfer of control is deemed to take place over time. Therefore, for such contracts, revenue is recognized progressively based on the cost-to-cost method if there are reasonably reliable estimates of total revenue, total cost, and the extent of progress toward completion. The Company reviews contract price and cost estimates periodically as the work progresses and reflects adjustments proportionate to the percentage-of-completion to income in the period when those estimates are revised. For these contracts, if a current estimate of total contract cost indicates a loss on a contract, the projected loss is recognized in full in the period when determined. With the exception of certain long-term product installation contracts, the Company previously recognized revenue for no alternative use inventory when the inventory was shipped to the customer, title and risk of loss had transferred, pricing was fixed and determinable and collectability was reasonably assured. The adoption of Topic 606 resulted in a net reduction for revenue recognition for no alternative use inventory of approximately $3.7 million in the Company’s Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for three fiscal months ended March 30, 2018.

In accordance with Topic 606, the Company recognizes revenue when a customer obtains control of the inventory. Under the Company’s consignment contracts, the Company generally has the present right to payment, title remains with the Company, the customer has physical possession of the inventory, the customer bears the risk of loss and the customer is deemed to have accepted the inventory. Accordingly, control is considered to have transferred to the customer and therefore, for such contracts, revenue is recognized when the inventory is delivered to the consignment location. The Company previously recognized revenue for consignment inventory when the inventory was removed from the consignment stock by the customer, title and risk of loss had transferred, pricing was fixed and determinable and collectability was reasonably assured. The adoption of Topic 606 resulted in additional net revenue recognition for consignment arrangements of approximately $2.3 million in the Company’s Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for three fiscal months ended March 30, 2018.

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The impacts of adopting Topic 606 on the Company's Condensed Consolidated Statement of Operations and Comprehensive Income (Loss) for the three fiscal months ended March 30, 2018 are as follows (in millions):

	Three Fiscal Months Ended March 30, 2018		
	As reported	Balances without adoption of Topic 606	Effect of change increase / (decrease)
Net sales	$1,020.5	$1,021.9	$ (1.4)
Cost of sales	914.8	914.7	0.1
Income tax (provision) benefit	(4.6)	(4.8)	0.2

The impacts of adopting Topic 606 on the Company's Condensed Consolidated Balance Sheet for the three fiscal months ended March 30, 2018 are as follows (in millions).

	March 30, 2018		
	As reported	Balances without adoption of Topic 606	Effect of change increase / (decrease)
Assets			
Receivables, net of allowances	$811.9	$ 750.5	$ 61.4
Inventories	728.7	778.8	(50.1)
Liabilities and Total Equity			