

SYNCHRONOSS TECHNOLOGIES INC  
Form 10-Q  
July 02, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q  
(Mark One)

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

For the quarterly period ended March 31, 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 000-52049

SYNCHRONOSS TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	06-1594540
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 Crossing Boulevard, 8th Floor	08807
Bridgewater, New Jersey	
(Address of principal executive offices)	(Zip Code)

(866) 620-3940  
(Registrant's telephone number, including area code)

(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer  Accelerated filer  x  
Non-accelerated filer  (Do not check if a smaller reporting company) 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

Class	Outstanding at June 05, 2018
Common stock, \$0.0001 par value	42,171,671

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## PART I. FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

## SYNCHRONOSS TECHNOLOGIES, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (In thousands)

	March 31, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$310,426	\$156,299
Restricted cash	1,312	89,826
Marketable securities	2,028	3,111
Accounts receivable, net of allowances of \$3,235 and \$3,107 at March 31, 2018 and December 31, 2017, respectively	42,033	78,186
Prepaid expenses and other current assets	34,782	43,557
Total current assets	390,581	370,979
Marketable securities	6,272	—
Property and equipment, net	99,701	111,825
Goodwill	240,035	237,303
Intangible assets, net	130,038	132,167
Deferred tax assets	—	—
Other assets	5,130	5,236
Note receivable from related party	80,724	73,984
Equity method investment	30,419	33,917
Total assets	\$982,900	\$965,411
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	14,518	5,959
Accrued expenses	64,660	72,739
Deferred revenues	34,732	75,829
Mandatorily redeemable financial instrument	—	37,959
Total current liabilities	113,910	192,486
Lease financing obligation	10,855	11,183
Convertible debt, net of debt issuance costs	228,057	227,704
Deferred tax liabilities	14,018	13,735
Deferred revenues	41,240	25,241
Other liabilities	6,255	6,195
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interest	12,500	25,280
Series A Convertible Participating Perpetual Preferred Stock, \$0.0001 par value; 10,000 shares authorized; 185 shares issued and outstanding at March 31, 2018	165,246	—
Stockholders' equity:		
Common stock, \$0.0001 par value; 100,000 shares authorized, 52,274 and 52,024 shares issued; 41,220 and 46,965 outstanding at March 31, 2018 and December 31, 2017, respectively	5	5
Treasury stock, at cost (11,054 and 5,059 shares at March 31, 2018 and December 31, 2017, respectively)	(150,414 )	(105,584 )

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Additional paid-in capital	615,529	597,553
Accumulated other comprehensive loss	(19,693 )	(23,373 )
Accumulated deficit	(54,608 )	(5,014 )
Total stockholders' equity	390,819	463,587
Total liabilities and stockholders' equity	\$982,900	\$965,411

\*\* See Note 5 -Investments in Affiliates and Related Transactions for related party transactions reflected in this account.

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Net revenues	\$83,709	\$86,097
Costs and expenses:		
Cost of revenues*	44,549	46,055
Research and development	20,905	25,489
Selling, general and administrative	38,110	38,815
Restructuring charges	1,108	2,998
Depreciation and amortization	23,271	24,087
Total costs and expenses	127,943	137,444
Loss from continuing operations	(44,234 )	(51,347 )
Interest income	3,552	2,857
Interest expense	(1,247 )	(10,617 )
Other expense, net	4,282	4,186
Equity method investment (loss) income	(205 )	748
Loss from continuing operations, before taxes	(37,852 )	(54,173 )
(Provision) benefit for income taxes	(125 )	8,721
Net loss from continuing operations	(37,977 )	(45,452 )
Net loss from discontinued operations, net of tax	—	(16,134 )
Net loss	(37,977 )	(61,586 )
Net loss attributable to redeemable noncontrolling interests	1,285	2,889
Preferred stock dividend	(3,353 )	—
Net loss attributable to Synchronoss common shareholders	(40,045 )	(58,697 )
Basic:		
Continuing operations	\$(0.95 )	\$(0.96 )
Discontinued operations	—	(0.37 )
	\$(0.95 )	\$(1.33 )
Diluted:		
Continuing operations	\$(0.95 )	\$(0.96 )
Discontinued operations	—	(0.37 )
	\$(0.95 )	\$(1.33 )
Weighted-average common shares outstanding:		
Basic	42,181	44,212
Diluted	42,181	44,212

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\* Cost of revenues excludes depreciation and amortization which is shown separately.

See accompanying notes to condensed consolidated financial statements.



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## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)

(Unaudited) (In thousands)

	Three Months Ended March 31,	
	2018	2017
Net loss	\$(37,977)	\$(61,586)
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	2,872	3,660
Unrealized (loss) gain on available for sale securities	(21	) 8
Net income on intra-entity foreign currency transactions	829	193
Total other comprehensive income, net of tax	3,680	3,861
Comprehensive loss	(34,297	) (27,264 )
Comprehensive loss attributable to redeemable noncontrolling interests	1,285	2,889
Comprehensive loss attributable to Synchronoss	\$(33,012)	\$(24,375)



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SYNCHRONOSS TECHNOLOGIES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited) (In thousands)

	Three months ended March 31,	
	2018	2017
Operating activities:		
Net Income (Loss) - SNCR	\$(37,977)	\$(45,452)
Net Income (Loss) - IL	—	(16,134 )
Adjustments to reconcile Net Income (Loss) - SNCR to net cash provided by operating activities:		
Depreciation and amortization expense	23,272	24,087
Change in fair value of financial instruments	(3,849 )	—
Amortization of debt issuance costs	353	1,870
Accrued PIK interest	(3,447 )	(2,752 )
Earnings (loss) from equity method investments	205	(748 )
Gain on disposals	—	(4,947 )
Assets of discontinued operations	—	26,183
Amortization of bond premium	17	91
Deferred income taxes	191	5,119
Non-cash interest on leased facility	275	269
Stock-based compensation	7,184	8,112
Contingent consideration obligation	—	(2 )
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for doubtful accounts	36,153	9,320
Prepaid expenses and other current assets	9,402	(21,055 )
Other assets	710	(4,925 )
Accounts payable	8,646	11,082
Accrued expenses	(10,873 )	(18,821 )
Other liabilities	(137 )	(39 )
Lease obligation interest payment	—	—
Deferred revenues	(39,514 )	16,143
Net cash used in operating activities	(9,389 )	(12,599 )
Investing activities:		
Purchases of fixed assets	(1,093 )	(4,402 )
Purchases of intangible assets and capitalized software	(7,047 )	(5,353 )
Proceeds from the sale of Speechcycle	—	13,500
Purchases of marketable securities available for sale	(6,676 )	(219 )
Maturity of marketable securities available for sale	1,450	3,975
Investing in discontinued operations	—	(2,704 )
Business acquired, net of cash	—	(815,094)
Net cash used in investing activities	(13,366 )	(810,297)

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## Financing activities:

Share-based compensation-related proceeds, net of taxes paid on withholding shares	2,142	2,406
Debt issuance costs related to the Credit Facility	—	(3,692 )
Debt issuance costs related to long term debt	—	(19,887 )
Proceeds from issuance of long term debt	—	900,000
Repayment of revolving line of credit	—	(29,000 )
Proceeds from sale of Treasury Shares	—	1,047
Proceeds from issuance of preferred stock	86,220	—
Payments on capital obligations	(369 )	(664 )
Net cash provided by financing activities	87,993	850,210
Effect of exchange rate changes on cash	374	2,010
Net increase in cash, restricted cash and cash equivalents	65,612	29,324
Cash, restricted cash and cash equivalents, beginning of period	246,126	211,433
Cash, restricted cash and cash equivalents, end of period	\$311,738	\$240,757

## Supplemental disclosures of non-cash investing and financing activities:

Issuance of common stock in connection with Intralinks acquisition	\$—
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