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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 August 06, 2018
Common stock, \$0.0001 par value	42,629,469

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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)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$222,785	\$156,299
Restricted cash**	3,480	89,826
Marketable securities	5,411	3,111
Accounts receivable, net of allowances of \$3,992 and \$3,107 at June 30, 2018 and December 31, 2017, respectively	51,439	78,186
Prepaid expenses and other current assets	57,387	43,557
Total current assets	340,502	370,979
Marketable securities	9,021	—
Property and equipment, net	89,310	111,825
Goodwill	233,298	237,303
Intangible assets, net	128,164	132,167
Other assets	13,090	5,236
Note receivable from related party**	84,314	73,984
Equity method investment	30,412	33,917
Total assets	\$928,111	\$965,411
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	13,924	5,959
Accrued expenses	54,540	72,739
Deferred revenues, current	31,391	75,829
Mandatorily redeemable financial instrument	—	37,959
Total current liabilities	99,855	192,486
Lease financing obligation	10,319	11,183
Convertible debt, net of debt issuance costs	228,410	227,704
Deferred tax liabilities	12,472	13,735
Deferred revenues, non-current	39,475	25,241
Other liabilities	15,390	6,195
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interest	12,500	25,280
Series A Convertible Participating Perpetual Preferred Stock, \$0.0001 par value; 10,000 shares authorized; 188 shares issued and outstanding at June 30, 2018	168,945	—
Stockholders' equity:		
Common stock, \$0.0001 par value; 100,000 shares authorized, 49,439 and 52,024 shares issued; 42,277 and 46,965 outstanding at June 30, 2018 and December 31, 2017, respectively	5	5
Treasury stock, at cost (7,162 and 5,059 shares at June 30, 2018 and December 31, 2017, respectively)	(82,084)	(105,584)

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Additional paid-in capital	554,218	597,553
Accumulated other comprehensive loss	(28,938)	(23,373)
Accumulated deficit	(102,456)	(5,014)
Total stockholders' equity	340,745	463,587
Total liabilities and stockholders' equity	\$928,111	\$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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SYNCHRONOSS TECHNOLOGIES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)
 (In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net revenues	\$76,742	\$118,990	\$160,451	\$205,087
Costs and expenses:				
Cost of revenues*	39,525	47,755	84,074	93,810
Research and development	20,200	20,819	41,105	46,308
Selling, general and administrative	33,938	29,353	72,048	68,168
Restructuring charges	2,778	6,405	3,886	9,403
Depreciation and amortization	23,401	23,552	46,672	47,639
Total costs and expenses	119,842	127,884	247,785	265,328
Loss from continuing operations	(43,100)	(8,894)	(87,334)	(60,241)
Interest income	3,763	3,026	7,315	5,883
Interest expense	(1,318)	(11,844)	(2,565)	(22,461)
Other (expense) income, net	(23)	(1,556)	4,259	2,630
Equity method investment (loss) income	(7)	233	(212)	981
Loss from continuing operations, before taxes	(40,685)	(19,035)	(78,537)	(73,208)
(Provision) benefit for income taxes	(579)	(3,573)	(704)	5,148
Net loss from continuing operations	(41,264)	(22,608)	(79,241)	(68,060)
Net loss from discontinued operations, net of tax**	—	(6,775)	—	(22,909)
Net loss	(41,264)	(29,383)	(79,241)	(90,969)
Net loss attributable to redeemable noncontrolling interests	1,259	2,815	2,544	5,704
Preferred stock dividend	(7,260)	—	(10,613)	—
Net loss attributable to Synchronoss	\$(47,265)	\$(26,568)	\$(87,310)	\$(85,265)
Basic:				
Continuing operations	\$(1.20)	\$(0.44)	\$(2.14)	\$(1.40)
Discontinued operations**	—	(0.16)	—	(0.52)
	\$(1.20)	\$(0.60)	\$(2.14)	\$(1.92)
Diluted:				
Continuing operations	\$(1.20)	\$(0.44)	\$(2.14)	\$(1.40)
Discontinued operations**	—	(0.16)	—	(0.52)
	\$(1.20)	\$(0.60)	\$(2.14)	\$(1.92)
Weighted-average common shares outstanding:				
Basic	39,456	44,618	40,812	44,416
Diluted	39,456	44,618	40,812	44,416

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

**See Note 3 - Acquisitions and Divestitures for transactions classified as discontinued operations.

See accompanying notes to condensed consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)
 (Unaudited) (In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	\$(41,264)	\$(29,383)	\$(79,241)	\$(90,969)
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(7,857)	9,064	(4,985)	12,724
Unrealized (loss) gain on available for sale securities	(28)	10	(49)	18
Net (loss) income on intra-entity foreign currency transactions	(1,360)	1,160	(531)	1,353
Total other comprehensive (loss) income	(9,245)	10,234	(5,565)	14,095
Comprehensive loss	(50,509)	(19,149)	(84,806)	(76,874)
Comprehensive loss attributable to redeemable noncontrolling interests	1,259	2,815	2,544	5,704
Comprehensive loss attributable to Synchronoss	\$(49,250)	\$(16,334)	\$(82,262)	\$(71,170)

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

	Six months ended June 30, 2018	2017
Operating activities:		
Net loss from continuing operations	\$ (79,241)	\$ (68,060)
Net loss from discontinued operations**	—	(22,909)
Adjustments to reconcile Net Loss to net cash used in operating activities:		
Depreciation and amortization expense	46,672	47,639
Change in fair value of financial instruments	(3,849)	—
Amortization of debt issuance costs	706	3,147
Accrued PIK interest	(7,037)	(5,643)
Loss (earnings) from equity method investments	212	(981)
Gain on disposals	—	(4,947)
Discontinued operations non-cash and working capital adjustments**	—	59,278
Amortization of bond premium	44	177
Deferred income taxes	(1,223)	(13,304)
Non-cash interest on leased facility	547	533
Stock-based compensation	14,824	10,749
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for doubtful accounts	29,334	623
Prepaid expenses and other current assets	(13,415)	(14,869)
Other assets	1,260	2,351
Accounts payable	8,109	(9,847)
Accrued expenses	(24,685)	(18,746)

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Other liabilities	632		(31)
Lease obligation interest payment	(483)	—	
Deferred revenues	(43,788)	14,539	
Net cash used in operating activities	(71,381)	(20,301)
Investing activities:				
Purchases of fixed assets	(3,820)	(5,235)
Purchases of intangible assets and capitalized software	(8,201)	(5,300)
Proceeds from the sale of SpeechCycle	—		13,500	
Purchases of marketable securities available for sale	(13,383)	(219)
Maturity of marketable securities available for sale	1,970		7,191	
Equity investment	—		608	
Investing in discontinued operations**	—		(7,213)
Investment in note receivable	—		(6,187)
Business acquired, net of cash	(9,798)	(815,008)
Net cash used in investing activities	(33,232)	(817,863)

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Financing activities:

Share-based compensation-related proceeds, net of taxes paid on withholding shares	—	2,460
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 long term debt	—	(2,250)
Repayment of revolving line of credit	—	(29,000)
Proceeds from the sale of treasury stock in connection with an employee stock purchase plan	—	1,047
Proceeds from issuance of preferred stock	86,220	—
Payments on capital obligations	(718)	(1,359)
Net cash provided by financing activities	85,502	847,319
Effect of exchange rate changes on cash	(749)	2,550
Net decrease in cash, restricted cash and cash equivalents	(19,860)	11,705
Cash, restricted cash and cash equivalents, beginning of period	246,125	211,433
Cash, restricted cash and cash equivalents, end of period	\$226,265	\$223,138
Supplemental disclosures of non-cash investing and financing activities:		
Issuance of common stock in connection with Intralinks acquisition	\$—	\$4,700
Cash and cash equivalents per the Consolidated Balance Sheets	\$222,785	\$216,558
Restricted cash per the Consolidated Balance Sheets	3,480	6,580
Total cash, cash equivalents and restricted cash	\$226,265	\$223,138

**See Note 3 - Acquisitions and Divestitures for transactions classified as discontinued operations.

See accompanying notes to condensed consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

1. Description of Business

General

Synchronoss Technologies, Inc. (“Synchronoss” or the “Company”) is a global software and services company that provides essential technologies for the mobile transformation of business. The Company’s portfolio, which is targeted at the Consumer and Enterprise markets, contains offerings such as personal cloud, secure-mobility, identity management and scalable messaging platforms, products and solutions. These essential technologies create a better way of delivering the transformative mobile experiences that service providers and enterprises need to help them stay ahead of the curve in competition, innovation, productivity, growth and operational efficiency.

Synchronoss’ products and platforms are designed to be carrier-grade, flexible and scalable, enabling multiple converged communication services to be managed across a range of distribution channels including e-commerce, m-commerce, telesales, customer stores, indirect and other retail outlets. This business model allows the Company to meet the rapidly changing converged services and connected devices offered by their customers. Synchronoss’ products, platforms and solutions enable its enterprise and service provider customers to acquire, retain and service subscribers and employees quickly, reliably and cost-effectively with white label and custom-branded solutions. Synchronoss customers can simplify the processes associated with managing the customer experience for procuring, activating, connecting, backing-up, synchronizing and sharing/collaboration with connected devices and contents from these devices and associated services. The extensibility, scalability, reliability and relevance of the Company’s platforms enable new revenue streams and retention opportunities for their customers through new subscriber acquisitions, sale of new devices, accessories and new value-added service offerings in the Cloud. By using the Company’s technologies, Synchronoss customers can optimize their cost of operations while enhancing their customer experience.

The Company currently operates in and markets their solutions and services directly through their sales organizations in the United States, Canada and Latin America (collectively, the “Americas”); Europe, Middle East and Africa (collectively, “EMEA”); and Australia, Japan, Southeast Asia and China (collectively, “APAC”). Synchronoss delivers essential technologies for mobile transformation to two primary types of customers: service provider and enterprise customers in regulated verticals and use cases.

Service Providers, Retailers, OEMs, Re-sellers and Service Integrators

The Company’s products and platforms provide end-to-end seamless integration between customer-facing channels/applications, communication services, or devices and “back-office” infrastructure-related systems and processes. Synchronoss’ customers rely on these solutions and technology to automate the process of activation and content and settings management for their subscribers’ devices while delivering additional communication services. Synchronoss’ portfolio includes: cloud-based sync, backup, storage and content engagement capabilities, broadband connectivity solutions, analytics, white label messaging, identity/access management that enable communications service providers (“CSPs”), cable operators/multi-services operators (“MSOs”) and original equipment manufacturers (“OEMs”) with embedded connectivity (e.g. smartphones, laptops, tablets and mobile internet devices (“MIDs”) such as automobiles, wearables for personal health and wellness, and connected homes), multi-channel retailers, as well as other customers to accelerate and monetize value-add services for secure and broadband networks and connected devices.

2. Basis of Presentation and Consolidation

Basis of Presentation and Consolidation

The accompanying interim unaudited condensed consolidated financial statements have been prepared by Synchronoss and in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the interim periods. They do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements and should be read in conjunction with the Company's audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2017. The results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018.

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SYNCHRONOSS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

The condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and variable interest entities (“VIE”) in which the Company is the primary beneficiary and entities in which the Company has a controlling interest. Investments in less than majority-owned companies in which the Company does not have a controlling interest, but does have significant influence, are accounted for as equity method investments. Investments in less than majority-owned companies in which the Company does not have the ability to exert significant influence over the operating and financial policies of the investee are accounted for using the cost method. All material intercompany transactions and accounts are eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation.

For further information about the Company’s basis of presentation and consolidation or its significant accounting policies, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K/A for the year ended December 31, 2017.

Restricted Cash

Restricted cash includes amounts to various deposits, escrows and other cash collateral that are restricted by contractual obligation. During the six months ended June 30, 2018, \$87.3 million was released from escrow on notification that Siris would exercise its option on the issuance of preferred stock. These funds were restricted from the proceeds received upon the sale of Intralinks, through the date of issuance of preferred stock. Remaining amounts were primarily attributed to cash held in transit, and operating cash held by the Company’s consolidated joint venture Zentry, LLC (“Zentry”), which cannot be used to fulfill the obligations of the Company as a whole.

Recently Issued Accounting Standards

Recent accounting pronouncements adopted

Standard	Description	Effect on the financial statements
Accounting Standards Update (“ASU”) 2017-09 Stock Compensation (Topic 718), Scope of Modification	In May 2017, the Financial Accounting Standards Board (“FASB”) issued guidance which clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Entities will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. The guidance also clarifies that a modification to an award could be significant and therefore require disclosure, even if modification accounting is not required. ASU 2017-09 is effective for fiscal years, and interim periods within those years, beginning after December 31, 2017. Early adoption is permitted as of the beginning of an annual period for which financial statements have not been issued. ASU 2017-09 should be applied prospectively to an award modified on or after the adoption date.	This ASU did not have a material effect on the Company’s condensed consolidated financial statements.

Date of adoption:
January 1, 2018.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

Standards issued not yet adopted

Standard	Description	Effect on the financial statements
ASU 2017-09 Stock Compensation (Topic 718), Scope of Modification	In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Liabilities (“ASU 2016-01”), which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for the Company in its first quarter of fiscal 2019, and earlier adoption is not permitted except for certain provisions.	The Company does not expect that the pending adoption of this ASU will have a material effect on its condensed consolidated financial statements.
Date of adoption: January 1, 2019.		
ASU 2016-13 Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	In June 2016, the FASB issued ASU 2016-13 which replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for public companies in annual periods beginning after December 15, 2019, and interim periods within those years. Early adoption is permitted beginning after December 15, 2018 and interim periods within those years.	The Company is currently evaluating the impact of the adoption of this ASU on its condensed consolidated financial statements.
Date of adoption: January 1, 2020.		
ASU 2016-02 Leases (Topic 842)	In February 2016, the FASB issued ASU 2016-02 which requires lessees to recognize, for all leases of 12 months or more, a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the lease term. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature of an entity’s leasing activities. This ASU is effective for public reporting companies for interim and annual periods beginning after December 15, 2018, with early adoption permitted, and must be adopted using a modified retrospective approach.	The Company is in the process of evaluating the effect of the new guidance on its condensed consolidated financial statements and disclosures. This guidance may be adopted using a modified retrospective approach. The Company is in the process of forming a project team to evaluate and implement this guidance and is reviewing its practical expedient elections.
Date of adoption: January 1, 2019.		
In May 2014, the FASB issued a new accounting standard related to revenue recognition, ASU 2014-09, “Revenue from Contracts with Customers,” (“Topic 606”). The new standard supersedes the existing revenue recognition requirements under U.S. GAAP and requires entities to recognize revenue when they transfer control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. It also requires increased disclosures regarding the nature, amount, timing,		

and uncertainty of revenues and cash flows arising from contracts with customers.

On January 1, 2018, the Company adopted Topic 606 applying the modified retrospective method to all contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The Company recorded a net reduction to opening retained earnings of approximately \$10.1 million as of January 1, 2018 due to the cumulative impact of adopting Topic 606. The impact to revenues for the six months ended June 30, 2018 was an increase of \$20.3 million as a result of adopting Topic 606. The impact to costs is not material.

The impact of adoption primarily relates to (1) the delayed pattern of recognition under Topic 606 for certain professional services revenue when such professional services involve the customization of features and functionality for subscription services customers, (2) the earlier pattern of recognition under Topic 606 for license revenue when the Company provides hosting services for on-premise license customers. In the case of professional services that involve the customization of features and functionality for subscription services, under historic accounting policies the professional services were considered to have standalone value, and as a result were recognized as the services were performed. Under Topic 606, such professional services are not considered to be a distinct performance obligation within the context of the subscription services contract, and as such each month's customization services revenue is recognized over the shorter of the estimated remaining life of the subscription software (typically three years) or the remaining term of the subscription services contract. In the case of license contracts sold in association with

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SYNCHRONOSS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

hosting, under historic accounting policies the license revenue was recognized over the hosting term due to the lack of vendor specific objective evidence (“VSOE”) of fair value for the hosting services. Under Topic 606, VSOE is no longer required in order separate revenue between the license and the hosting elements, and the license revenue is generally recognized upon delivery of the software based on the relative allocation of the contract price based on the established standalone selling price (“SSP”).

Additional impacts of adoption include (1) in certain cases changes in the amount allocated to the various performance obligations in accordance with the relative standalone selling price method required by Topic 606 compared to the amount allocated to the various elements in accordance with the residual method or the relative selling price method, as applicable, under historic accounting policies, (2) the capitalization and subsequent amortization of certain sales commissions as costs to obtain a contract under ASC 340-40, whereas under historic accounting policies all such amounts were expensed as incurred (3) the timing and amount of revenue recognition for certain sales contracts that are considered to involve variable consideration under Topic 606, but were considered to either not be fixed or determinable or to involve contingent revenue features under historic accounting policies, (4) in certain limited cases, the accounting for discounted customer options to purchase future software or services as material rights under Topic 606, as well as (5) the income tax impact of the above items, as applicable.

Changes in accounting policies as a result of adopting Topic 606 and nature of goods

The following is a description of principal activities from which the Company generates revenue. Revenues are recognized when control of the promised goods or services are transferred to the Company’s customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company generates all of its revenue from contracts with customers.

Subscription and Transaction revenues consist of revenues derived from the processing of transactions through the Company’s service platforms, providing enterprise portal management services on a subscription basis and maintenance agreements on software licenses. The Company generates revenue from Subscription services from monthly active user fees, software as a service (“SaaS”) fees, hosting and storage fees, and fees for the related maintenance support for those services. In most cases, the subscription or transaction arrangement is a single performance obligation comprised of a series of distinct services that are substantially the same and that have the same pattern of transfer (i.e., distinct days of service). The Company applies a measure of progress (typically time-based) to any fixed consideration and allocates variable consideration to the distinct periods of service based on usage. When the Company does not allocate variable consideration to distinct periods of service, the total estimated transaction price is recognized ratably over the term of the contract.

Transaction service arrangements include services such as processing equipment orders, new account set up and activation, number port requests, credit checks and inventory management.

Transaction revenues are principally based on a contractual price per transaction and are recognized based on the number of transactions processed during each reporting period. Revenues are recorded based on the total number of transactions processed at the applicable price established in the relevant contract.

Many of the Company’s contracts guarantee minimum volume transactions from the customer. In these instances, if the customer’s total estimated transaction volume for the period is expected to be less than the contractual amount, the Company records revenues at the minimum guaranteed amount on a straight line based over the period covered by the

minimum. Set up fees for transactional service arrangements are deferred until set up activities are completed and recognized on a straight line basis over remaining expected customer relationship period. Revenues are presented net of discounts, which are volume level driven, or credits, which are performance driven, and are determined in the period in which the volume thresholds are met, or the services are provided. The Company recognizes revenues from support and maintenance performance obligations over the service delivery period.

The Company's software licenses typically provide for a perpetual or term right to use the Company's software. The Company has concluded that in most cases its software license is distinct as the customer can benefit from the software on its own. Software revenue is typically recognized when the software is delivered to the customer. Contracts that include software customization or specified upgrades may result in the combination of the customization services with the software license as one performance obligation.

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SYNCHRONOSS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

The Company's professional services include software development and customization. The contracts generally include project deliverables specified by each customer. The performance obligations in the agreements are generally combined into one deliverable and generally result in the transfer of control over time. The underlying deliverable is owned and controlled by the customer and does not create an asset with an alternative use to us. The Company recognizes revenue on fixed fee contracts on the proportion of labor hours expended to the total hours expected to complete the contract performance obligation.

Most of the Company's contracts with customers contain multiple performance obligations which generally include either 1) a perpetual software license with support and maintenance and sometimes a hosting agreement or 2) a term SaaS agreement, in many cases these are sold along with professional services. For these contracts, the Company accounts for individual goods and services separately if they are distinct performance obligations, this often requires significant judgment based upon knowledge of the products, the solution provided and the structure of the sales contract. In SaaS agreements, the Company provides a service to the customer which combines the software functionality, maintenance and hosting into a single performance obligation when the customer doesn't have the ability to take possession of the underlying software license. The Company may also sell the same three goods and services in a contract, but they may be three performance obligations, where the customer has the right to take possession of the software license without significant penalty.

The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company estimates standalone selling prices of software based on observable inputs of past transactions to similarly situated customers. When such observable data is not available for certain software licenses because there is a limited number of transactions or prices are highly variable, the Company will estimate the standalone selling price using the residual approach. Standalone selling prices of services are typically determined based on observable transactions when these services are sold on a standalone basis to similarly situated customers or estimated using a cost plus margin approach.

Estimating the transaction price of variable consideration including the variable quantity subscription or transaction contracts in a multiple performance obligation arrangement requires significant judgment. The Company generally estimates this variable consideration at the most likely amount to which the Company expects to be entitled and in certain cases based on the expected value. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. The Company reviews and update these estimates on a quarterly basis.

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SYNCHRONOSS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED

(Amounts in tables in thousands, except for per share data or unless otherwise noted)

The Company's typical performance obligations include the following:

Performance Obligation When Performance Obligation is Typically Satisfied