

SYNIVERSE HOLDINGS INC
Form 10-Q
November 07, 2018
Table of Contents

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 September 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 333-176382

SYNIVERSE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware 30-0041666
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
8125 Highwoods Palm Way
Tampa, Florida 33647
(Address of principal executive office)
(Zip code)
(813) 637-5000
(Registrant's telephone number, including area code)

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 past 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 Regulations 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

(Do not check if a smaller
reporting 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.

Table of Contents

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

The number of shares of common stock of the registrant outstanding at November 2, 2018 was 1,000.

Table of Contents

TABLE OF CONTENTS

	Page
<u>Glossary of Terms</u>	<u>4</u>
<u>PART I</u>	
Item 1. <u>Financial Statements</u>	<u>5</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>5</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>6</u>
<u>Condensed Consolidated Statements of Comprehensive Loss</u>	<u>7</u>
<u>Condensed Consolidated Statements of Changes in Stockholder Equity</u>	<u>8</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>9</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>10</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>40</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>58</u>
Item 4. <u>Controls and Procedures</u>	<u>58</u>
<u>PART II</u>	
Item 1. <u>Legal Proceedings</u>	<u>59</u>
Item 1A. <u>Risk Factors</u>	<u>59</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>59</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>59</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>59</u>
Item 5. <u>Other Information</u>	<u>59</u>
Item 6. <u>Exhibits</u>	<u>60</u>
<u>Signatures</u>	<u>61</u>

Table of Contents

GLOSSARY OF TERMS

Term	Definition
2011 Plan	2011 Equity Incentive Plan
4G	Fourth generation
A2P	Application to Peer
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Carlyle	Investment funds affiliated with The Carlyle Group
CDMA	Code division multiple access
CNAM	Caller name directory
EIS	Enterprise & Intelligence Solutions
E.U.	European Union
FASB	Financial Accounting Standards Board
FCC	Federal Communications Commission
FCPA	Foreign Corrupt Practices Act
GMAC	Guideline merged and acquired company
GPC	Guideline public company
GSM	Global system for mobiles
IASB	International Accounting Standards Board
IPX	Interworking packet exchange
LTE	Long-term evolution
M2M	Machine-to-machine
MNO	Mobile network operator
MTS	Mobile Transaction Services
MVNO	Mobile virtual network operators
NOL	Net operating loss
OFAC	The Office of Foreign Assets Control of the U.S. Department of the Treasury
OTT	Over-the-top provider
SEC	Securities and Exchange Commission
SS7	Signaling System 7
U.S.	United States of America
U.S. GAAP	Accounting principles generally accepted in the United States
VIE	Variable interest entity
VoLTE	Voice over LTE

Table of ContentsPART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SYNIVERSE HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	September 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 75,684	\$ 127,677
Accounts receivable, net of allowances of \$16,693 and \$16,486, respectively	168,331	168,149
Income taxes receivable	4,645	4,134
Prepaid and other current assets	30,607	23,204
Total current assets	279,267	323,164
Property and equipment, net	84,429	93,203
Capitalized software, net	91,018	102,454
Goodwill	2,301,320	2,314,281
Identifiable intangibles, net	215,981	258,986
Deferred tax assets	3,242	3,608
Investment in unconsolidated subsidiaries	45,259	47,258
Other assets	16,901	4,972
Total assets	\$ 3,037,417	\$ 3,147,926
LIABILITIES AND STOCKHOLDER EQUITY		
Current liabilities:		
Accounts payable	\$ 39,225	\$ 20,837
Income taxes payable	2,370	4,784
Accrued liabilities	83,401	89,249
Deferred revenues	8,282	5,997
Current portion of capital lease obligation	5,310	6,410
Current portion of long-term debt, net of original issue discount and deferred financing costs	58,315	2,595
Total current liabilities	196,903	129,872
Long-term liabilities:		
Deferred tax liabilities	75,724	73,793
Deferred revenues	1,908	2,096
Long-term capital lease obligation, less current portion	1,350	4,340
Long-term debt, net of current portion, original issue discount and deferred financing costs	1,857,550	1,940,613
Other long-term liabilities	38,512	36,805
Total liabilities	2,171,947	2,187,519
Commitments and contingencies (Note 10)		
Stockholder equity:		
Common stock \$0.01 par value; one thousand shares authorized, issued and outstanding as of September 30, 2018 and December 31, 2017	—	—
Additional paid-in capital	1,284,372	1,275,944

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Accumulated deficit	(345,031) (261,615)
Accumulated other comprehensive loss	(79,677) (63,226)
Total Syniverse Holdings, Inc. stockholder equity	859,664	951,103	
Noncontrolling interest	5,806	9,304	
Total equity	865,470	960,407	
Total liabilities and stockholder equity	\$ 3,037,417	\$ 3,147,926	

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

SYNIVERSE HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (IN THOUSANDS)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	2017	2018	2017	2018
Revenues		\$202,700	\$207,009	\$582,199
Costs and expenses:				\$587,364
Cost of operations (excluding depreciation and amortization shown separately below)	90,580	90,483	259,531	265,010
Sales and marketing	18,073	17,295	54,090	54,059
General and administrative	26,389	24,638	85,370	71,876
Depreciation and amortization	37,197	49,834	115,114	145,271
Employee termination benefits	415	457	5,735	609
Restructuring charges	8,294	1,097	8,510	5,126
	180,948	183,804	528,350	541,951
Operating income	21,752	23,205	53,849	45,413
Other income (expense), net:				
Interest expense, net	(40,855)	(30,959)	(122,348)	(101,041)
(Loss) gain on early extinguishment of debt, net	—	(56)	(4,868)	306
Equity loss in investees	(1,020)	(125)	(1,848)	(639)
Other, net	1,124	(896)	1,876	(2,137)
	(40,751)	(32,036)	(127,188)	(103,511)
Loss before (benefit from) provision for income taxes	(18,999)	(8,831)	(73,339)	(58,098)
(Benefit from) provision for income taxes	(229)	16,125	7,485	6,493
Net loss	(18,770)	(24,956)	(80,824)	(64,591)
Net income attributable to noncontrolling interest	190	809	460	2,199
Net loss attributable to Syniverse Holdings, Inc.	\$(18,960)	\$(25,765)	\$(81,284)	\$(66,790)

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

SYNIVERSE HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
 (IN THOUSANDS)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	2017	2018	2017	2018
	(Unaudited)			
Net loss	\$(18,770)	\$(24,956)	\$(80,824)	\$(64,591)
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	(5,073)	12,716	(21,085)	48,783
Changes related to cash flow derivative hedges	4,112	—	4,112	—
Amortization of unrecognized loss included in net periodic pension cost (1)	49	62	152	177
Other comprehensive (loss) income	(912)	12,778	(16,821)	48,960
Comprehensive loss	(19,682)	(12,178)	(97,645)	(15,631)
Less: comprehensive income attributable to noncontrolling interest	43	720	90	2,347
Comprehensive loss attributable to Syniverse Holdings, Inc.	\$(19,725)	\$(12,898)	\$(97,735)	\$(17,978)

Amortization of unrecognized loss included in net periodic pension cost is shown net of income tax expense of \$22 (1) and \$67 for the three and nine months ended September 30, 2018, respectively, and net of income tax expense of \$28 and \$79 for the three and nine months ended September 30, 2017, respectively.

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

SYNIVERSE HOLDINGS, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER EQUITY
 (IN THOUSANDS)

	Stockholder of Syniverse Holdings, Inc.							
	Common Stock							
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Comprehensive (Loss) Income	Other Nonredeemable Noncontrolling Interest	Total	
Balance, December 31, 2016	1	\$	—	\$1,265,752	\$(237,021)	\$ (120,042)	\$ 7,513	\$916,202
Net (loss) income	—	—	—	(66,790)	—	—	2,199	(64,591)
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustment	—	—	—	—	48,635	—	148	48,783
Amortization of unrecognized loss included in net periodic pension cost, net of tax expense of \$79	—	—	—	—	177	—	—	177
Stock-based compensation	—	—	11,209	—	—	—	—	11,209
Distribution to noncontrolling interest	—	—	—	—	—	—	(2,311)	(2,311)