

SYNCHRONOSS TECHNOLOGIES INC  
Form 10-Q  
August 01, 2014  
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 June 30, 2014

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          | (I.R.S. Employer    |
| incorporation or organization)           | Identification No.) |
| 200 Crossing Boulevard, 8th Floor        |                     |
| Bridgewater, New Jersey                  | 08807               |
| (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):

Large accelerated filer    Accelerated filer    Non-accelerated filer    Smaller Reporting Company

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

Shares outstanding of the Registrant's common stock:

| Class                            | Outstanding<br>at July 25,<br>2014 |
|----------------------------------|------------------------------------|
| Common stock, \$0.0001 par value | 41,838,908                         |



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SYNCHRONOSS TECHNOLOGIES, INC.

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands)

|   | June 30,<br>2014 | December<br>31, 2013 |
|---|------------------|----------------------|
| <b>ASSETS</b>   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents   | \$ 66,940        | \$ 63,512            |
| Marketable securities   | 13,540           | 9,105                |
| Accounts receivable, net of allowance for doubtful accounts of \$321 and \$237 at June 30, 2014 and December 31, 2013, respectively   | 86,681           | 64,933               |
| Prepaid expenses and other assets   | 24,705           | 19,451               |
| Deferred tax assets   | 3,780            | 4,626                |
| Total current assets  | 195,646          | 161,627              |
| Marketable securities   | 3,582            | 4,988                |
| Property and equipment, net   | 102,696          | 106,106              |
| Goodwill  | 140,282          | 137,743              |
| Intangible assets, net  | 99,808           | 101,963              |
| Deferred tax assets   | 4,150            | 4,210                |
| Other assets  | 9,413            | 10,382               |
| Total assets  | \$ 555,577       | \$ 527,019           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                  |                      |
| Current liabilities:  |                  |                      |
| Accounts payable  | \$ 7,976         | \$ 9,528             |
| Accrued expenses  | 29,264           | 37,919               |
| Deferred revenues   | 12,279           | 15,372               |
| Contingent consideration obligation   | 6,616            | 22                   |
| Total current liabilities   | 56,135           | 62,841               |
| Lease financing obligation - long term  | 9,258            | 9,252                |
| Contingent consideration obligation - long-term   | —                | 4,468                |
| Other liabilities   | 3,577            | 2,819                |
| Stockholders' equity:   |                  |                      |
| Preferred stock, \$0.0001 par value; 10,000 shares authorized, 0 shares issued and outstanding at June 30, 2014 and December 31, 2013 | —                | —                    |
|   | 4                | 4                    |

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Common stock, \$0.0001 par value; 100,000 shares authorized, 45,565 and 44,456 shares issued; 41,798 and 40,663 outstanding at June 30, 2014 and December 31, 2013, respectively

|   |            |            |
|---|------------|------------|
| Treasury stock, at cost (3,767 and 3,793 shares at June 30, 2014 and December 31, 2013, respectively) | (66,770)   | (67,104)   |
| Additional paid-in capital  | 415,827    | 393,644    |
| Accumulated other comprehensive loss  | (221)      | (723)      |
| Retained earnings   | 137,767    | 121,818    |
| Total stockholders' equity  | 486,607    | 447,639    |
| Total liabilities and stockholders' equity  | \$ 555,577 | \$ 527,019 |

See accompanying notes to consolidated financial statements.

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SYNCHRONOSS TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

(In thousands, except per share data)

|   | Three Months Ended<br>June 30, |           | Six Months Ended June<br>30, |            |
|---|--------------------------------|-----------|------------------------------|------------|
|   | 2014                           | 2013      | 2014                         | 2013       |
| Net revenues                                      | \$ 103,451                     | \$ 83,848 | \$ 201,928                   | \$ 162,124 |
| Costs and expenses:                               |                                |           |                              |            |
| Cost of services*                                 | 41,290                         | 35,527    | 81,269                       | 67,658     |
| Research and development                          | 17,305                         | 16,358    | 32,845                       | 33,076     |
| Selling, general and administrative               | 17,149                         | 14,943    | 34,274                       | 29,595     |
| Net change in contingent consideration obligation | 115                            | 1,743     | 1,326                        | 2,176      |
| Restructuring charges                             | —                              | —         | —                            | 5,172      |
| Depreciation and amortization                     | 13,758                         | 9,610     | 26,024                       | 18,579     |
| Total costs and expenses                          | 89,617                         | 78,181    | 175,738                      | 156,256    |
| Income from operations                            | 13,834                         | 5,667     | 26,190                       | 5,868      |
| Interest income                                   | 62                             | 197       | 111                          | 283        |
| Interest expense                                  | (279)                          | (247)     | (699)                        | (479)      |
| Other income                                      | 256                            | 301       | 1,052                        | 43         |
| Income before income tax expense                  | 13,873                         | 5,918     |                              |            |