

**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, 2020**

**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**

(State or other jurisdiction of  
incorporation or organization)

**06-1594540**

(I.R.S. Employer  
Identification No.)

**200 Crossing Boulevard, 8th Floor  
Bridgewater, New Jersey**

(Address of principal executive offices)

**8807**

(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 x No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.0001 par value	SNCR	The Nasdaq Stock Market, LLC

As of May 18, 2020, there were 44,541,776 shares of common stock issued and outstanding.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
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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, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash, restricted cash and cash equivalents	\$ 30,906	\$ 39,001
Marketable securities, current	—	11
Accounts receivable, net	60,817	65,863
Prepaid & Other Current Assets	43,919	38,022
<b>Total current assets</b>	<b>135,642</b>	<b>142,897</b>
<b>Non-Current Assets:</b>		
Property and equipment, net	22,160	26,525
Operating lease right-of-use assets	52,576	53,965
Goodwill	219,825	222,969
Intangible assets, net	74,812	77,613
Other Assets, non-current	7,779	8,054
<b>Total Non-Current Assets</b>	<b>377,152</b>	<b>389,126</b>
<b>Total assets</b>	<b>\$ 512,794</b>	<b>\$ 532,023</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 17,955	\$ 21,551
Accrued expenses	65,456	65,987
Deferred revenues, current	49,042	65,858
Debt, current	10,000	—
<b>Total current liabilities</b>	<b>142,453</b>	<b>153,396</b>
Deferred tax liabilities	1,656	1,679
Deferred revenues, non-current	18,046	21,941
Leases, non-current	59,085	60,976
Other non-current liabilities	4,655	4,589
Redeemable noncontrolling interest	12,500	12,500
<b>Commitments and contingencies</b>		
Series A Convertible Participating Perpetual Preferred Stock, \$0.0001 par value; 10,000 shares authorized; 225 shares issued and outstanding at March 31, 2020	209,488	200,865
<b>Stockholders' equity:</b>		
Common stock, \$0.0001 par value; 100,000 shares authorized, 51,758 and 51,704 shares issued; 44,596 and 44,542 outstanding at March 31, 2020 and December 31, 2019, respectively	5	5
Treasury stock, at cost (7,162 and 7,162 shares at March 31, 2020 and December 31, 2019, respectively)	(82,087)	(82,087)
Additional paid-in capital	522,164	525,739
Accumulated other comprehensive loss	(36,823)	(33,261)
Accumulated deficit	(338,348)	(334,319)
<b>Total stockholders' equity</b>	<b>64,911</b>	<b>76,077</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 512,794</b>	<b>\$ 532,023</b>

See accompanying notes to condensed consolidated financial statements.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
**(In thousands, except per share data)**

	Three Months Ended March 31,	
	2020	2019
Net revenues	\$ 77,122	\$ 88,105
Costs and expenses:		
Cost of revenues*	35,471	38,953
Research and development	19,788	19,681
Selling, general and administrative	26,344	29,246
Restructuring charges	1,450	421
Depreciation and amortization	11,356	20,143
Total costs and expenses	94,409	108,444
Loss from continuing operations	(17,287)	(20,339)
Interest income	58	189
Interest expense	(245)	(585)
Gain (loss) on extinguishment of debt	—	387
Other Income, net	1,692	463
Equity method investment loss	—	(1,243)
Loss from continuing operations, before taxes	(15,782)	(21,128)
Benefit for income taxes	12,432	1,391
Net loss	(3,350)	(19,737)
Net loss attributable to redeemable noncontrolling interests	(17)	(313)
Preferred stock dividend	(8,909)	(7,537)
Net loss attributable to Synchronoss	\$ (12,276)	\$ (27,587)
<b>Earnings per share</b>		
Basic	\$ (0.30)	\$ (0.68)
Diluted	\$ (0.30)	\$ (0.68)
<b>Weighted-average common shares outstanding:</b>		
Basic	41,483	40,320
Diluted	41,483	40,320

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

See accompanying notes to condensed consolidated financial statements.

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

	<u>Three Months Ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Net loss	\$ (3,350)	\$ (19,737)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(3,941)	(295)
Unrealized gain (loss) on available for sale securities	751	(905)
Net loss on inter-company foreign currency transactions	(372)	(383)
Total other comprehensive loss	(3,562)	(1,583)
Comprehensive loss	(6,912)	(21,320)
Comprehensive loss attributable to redeemable noncontrolling interests	(17)	(313)
Comprehensive loss attributable to Synchronoss	<u>\$ (6,929)</u>	<u>\$ (21,633)</u>

See accompanying notes to condensed consolidated financial statements.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(Unaudited) (In thousands)**

	Three Months Ended March 31, 2020							
	Common Stock		Treasury Stock		Additional	Accumulated Other	Accumulated deficit	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)		
<b>Balance at December 31, 2019</b>	51,704	\$ 5	(7,162)	\$ (82,087)	\$ 525,739	\$ (33,261)	\$ (334,319)	\$ 76,077
Stock based compensation	—	—	—	—	5,316	—	—	5,316
Issuance of restricted stock	55	—	—	—	—	—	—	—
Preferred stock dividends declared	—	—	—	—	(8,158)	—	—	(8,158)
Amortization of preferred stock issuance costs	—	—	—	—	(750)	—	—	(750)
Shares withheld for taxes in connection with issuance of restricted stock	(1)	—	—	—	—	—	—	—
Net loss attributable to Synchronoss	—	—	—	—	—	—	(3,350)	(3,350)
Non-controlling interest	—	—	—	—	17	—	(17)	—
Total other comprehensive income (loss)	—	—	—	—	—	(3,562)	—	(3,562)
Adoption of new credit loss accounting standard	—	—	—	—	—	—	(768)	(768)
Other	—	—	—	—	—	—	106	106
<b>Balance at March 31, 2020</b>	<u>51,758</u>	<u>\$ 5</u>	<u>(7,162)</u>	<u>\$ (82,087)</u>	<u>\$ 522,164</u>	<u>\$ (36,823)</u>	<u>\$ (338,348)</u>	<u>\$ 64,911</u>

	Three Months Ended March 31, 2019							
	Common Stock		Treasury Stock		Additional	Accumulated Other	Accumulated deficit	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)		
<b>Balance at December 31, 2018</b>	49,836	\$ 5	(7,162)	\$ (82,087)	\$ 534,673	\$ (30,383)	\$ (233,299)	\$ 188,909
Stock based compensation	—	—	—	—	5,779	—	—	5,779
Issuance of restricted stock	73	—	—	—	—	—	—	—
Preferred stock dividends declared	—	—	—	—	(7,075)	—	—	(7,075)
Amortization of preferred stock issuance costs	—	—	—	—	(462)	—	—	(462)
Shares withheld for taxes in connection with issuance of restricted stock	(1)	—	—	—	(4)	—	—	(4)
Adoption of new lease accounting standard	—	—	—	—	—	—	3,573	3,573
Net loss attributable to Synchronoss	—	—	—	—	—	—	(20,050)	(20,050)
Non-controlling interest	—	—	—	—	313	—	—	313
Total other comprehensive income (loss)	—	—	—	—	—	(1,583)	—	(1,583)
<b>Balance at March 31, 2019</b>	<u>49,908</u>	<u>\$ 5</u>	<u>(7,162)</u>	<u>\$ (82,087)</u>	<u>\$ 533,224</u>	<u>\$ (31,966)</u>	<u>\$ (249,776)</u>	<u>\$ 169,400</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2020	2019
<b>Operating activities:</b>		
Net loss continuing operations	\$ (3,350)	\$ (19,737)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11,357	20,143
Amortization of debt issuance costs	—	155
(Gain) loss on extinguishment of debt	—	(387)
Loss (earnings) from Equity method investments	—	1,243
(Gain) loss on Disposals of intangible assets	(1,843)	—
Amortization of bond premium	—	(36)
Deferred income taxes	(10)	(525)
Stock-based compensation	5,186	5,555
Changes in operating assets and liabilities:		
Accounts receivable, net	(6,961)	(6,141)
Prepaid expenses and other current assets	(6,240)	4,272
Other assets	198	(242)
Accounts payable	7,515	6,084
Accrued expenses	1	(10,780)
Other liabilities	(415)	(370)
Deferred revenues	(20,454)	(4,918)
<b>Net cash used in operating activities</b>	<b>(15,016)</b>	<b>(5,684)</b>
<b>Investing activities:</b>		
Purchases of fixed assets	(249)	(2,627)
Purchases of intangible assets and capitalized software	(4,428)	(2,704)
Proceeds from the sale of intangibles	1,843	—
Purchases of marketable securities available for sale	—	(11,278)
Maturity of marketable securities available for sale	11	26,207
<b>Net cash (used in) provided by investing activities</b>	<b>(2,823)</b>	<b>9,598</b>
<b>Financing activities:</b>		
Taxes paid on withholding shares	(4)	—
Retirement of Convertible Senior Notes & related costs	—	(16,106)
Borrowings on revolving line of credit	10,000	—
Preferred dividend payment	—	(7,075)
Payments on capital obligations	—	(280)
<b>Net cash provided by (used in) financing activities</b>	<b>9,996</b>	<b>(23,461)</b>
Effect of exchange rate changes on cash	(252)	(19)
Net decrease in cash and cash equivalents	(8,095)	(19,566)
<b>Cash, restricted cash and cash equivalents, beginning of period</b>	<b>39,001</b>	<b>109,860</b>
<b>Cash, restricted cash and cash equivalents, end of period</b>	<b>\$ 30,906</b>	<b>\$ 90,294</b>
<b>Supplemental disclosures of non-cash investing and financing activities:</b>		
Paid in kind dividends on Series A Convertible Participating Perpetual Preferred Stock	\$ 8,623	\$ 7,075

See accompanying notes to condensed consolidated financial statements.

**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”) Digital, Cloud, Messaging and IoT platforms help the world’s leading companies, including operators, original equipment manufacturers (“OEMs”), and Technology, Media and Telecom (“TMT”) providers to deliver continuously transformative customer experiences that create high value engagement and new monetization opportunities.

The Company currently operates in and markets solutions and services directly through the Company’s sales organizations in North America, Europe and Asia-Pacific. The Company’s platforms give customers new opportunities in TMT space, taking advantage of the rapidly converging services, connected devices, networks and applications.

The Company delivers platforms, products and solutions including:

- Cloud sync, backup, storage, device set up, content transfer and content engagement for user generated content
- Advanced, multi-channel messaging peer-to-peer (“P2P”) communications and application-to-person (“A2P”) commerce solutions
- Digital experience management (Platform as a Service) - including digital journey creation, and journey design products that use analytics that power digital advisor products for IT and Business Channel Owners
- IoT management technology for Smart Cities, Smart Buildings and more

The Synchronoss Personal Cloud Platform™ is a secure and highly scalable white label platform designed to store and sync subscriber’s personally created content seamlessly to and from current and new devices. This allows an Operator’s customers to protect, engage with and manage their personal content and gives the Company’s Operator customers the ability to increase average revenue per user (“ARPU”) through a new monthly recurring charge (“MRC”) and opportunities to mine valuable data that will give subscribers access to new, beneficial services. Additionally, the Company’s Personal Cloud Platform performs an expanding set of value-add services including facilitating an Operator’s initial device setup and enhancing visibility and control across disparate devices within subscribers’ smart homes.

The Synchronoss Messaging Platform powers hundreds of millions of subscribers’ mail boxes worldwide. The Company’s Advanced Messaging Product is a powerful, secure and intelligent white label messaging platform that expands capabilities for Operators and TMT companies to offer P2P messaging via Rich Communications Services (“RCS”). Additionally, the Company’s Advanced Messaging Product powers commerce and a robust ecosystem for Operators, brands and advertisers to execute Application to Person (“A2P”) commerce and data-rich dialogue with subscribers.

The Synchronoss Digital Experience Platform (“DXP”) is a purpose-built experience management toolset that sits between the Company’s customers end-user facing applications and their existing back end systems, enabling the authoring and management of customer journeys in a cloud-native no/low-code environment. This platform uses products such as Journey Creator, Journey Advisor, CX Baseline and Digital Coach to create a wide variety of insight-driven customer experiences across existing channels (digital and analogue) including creating the ability to pause and resume continuous, intelligent experiences in an omni-channel environment. DXP can be operated by IT professionals and “citizen” developers (business analysts, etc.) enabling the Company’s customers to bring more compelling and complex experiences to market in less time with fewer and more diverse resources in a real-time, collaborative environment.

The Synchronoss IoT Platform creates an easy to use environment and extensible ecosystem making the management of disparate devices, sensors, data pools and networks easier to manage by IoT administrators and drives the propagation of new IoT applications and monetization models for TMT companies. The Company’s IoT platform utilizes Synchronoss platforms (DXP, Cloud, Messaging), products and solutions to make IoT more accessible and actionable for Smart Building facility managers, Smart City planners, Automotive OEMs and TMT ecosystem players.

## **2. Basis of Presentation and Consolidation**



**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED**  
**(Amounts in tables in thousands, except for per share data or unless otherwise noted)**

***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 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 for the year ended December 31, 2019. The results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020.

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 for the year ended December 31, 2019.

***Reclassifications***

Certain prior year amounts have been reclassified to conform with the current year presentation.

***Risks and Uncertainties***

There are many uncertainties regarding the current coronavirus ("COVID-19") pandemic, and the Company is closely monitoring the impact of the pandemic on all aspects of its business, including how it will impact its customers, employees, suppliers, vendors, business partners and distribution channels. While the pandemic did not materially affect the Company's financial results and business operations in the Company's first quarter ended March 31, 2020, the Company is unable to predict the impact that COVID-19 will have on its financial position and operating results due to numerous uncertainties. The Company will continue to assess the evolving impact of the COVID-19 pandemic and will make adjustments to its operations as necessary.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED**  
**(Amounts in tables in thousands, except for per share data or unless otherwise noted)**

**Recently Issued Accounting Standards**Recent accounting pronouncements adopted

Standard	Description	Effect on the financial statements
ASU 2016-13, ASU 2019-4 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 U.S. 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.	We adopted Topic 326 beginning on January 1, 2020 using the modified retrospective approach with a cumulative effect adjustment to opening retained earnings recorded at the beginning of the period of adoption. Upon adoption, we changed our impairment model to utilize a forward-looking current expected credit losses (CECL) model in place of the incurred loss methodology for financial instruments measured at amortized cost, including our accounts receivable. CECL estimates on accounts receivable are recorded as general and administrative expenses on our condensed consolidated statements of income. The cumulative effect adjustment from adoption was immaterial to our condensed consolidated financial statements.

Date of adoption: January 1, 2020.

Standards issued not yet adopted

Standard	Description	Effect on the financial statements
Update 2019-12 - Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes	The ASU removes the exception to the general principles in ASC 740, Income Taxes, associated with the incremental approach for intra-period tax allocation, accounting for basis differences when there are ownership changes in foreign investments and interim-period income tax accounting for year-to-date losses that exceed anticipated losses. In addition, the ASU improves the application of income tax related guidance and simplifies U.S. GAAP when accounting for franchise taxes that are partially based on income, transactions with government resulting in a step-up in tax basis goodwill, separate financial statements of legal entities not subject to tax, and enacted changes in tax laws in interim periods. Different transition approaches, retrospective, modified retrospective, or prospective, will apply to each income tax simplification provision.	The Company is still evaluating these changes and does not anticipate any material impact on the Company's consolidated financial position or results of operations upon adoption.

Date of adoption: January 1, 2021.

**3. Revenue**Disaggregation of revenue

The Company disaggregates revenue from contracts with customers into the nature of the products and services and geographical regions. The Company's geographic regions are the Americas, Europe, the Middle East and Africa ("EMEA"), and Asia Pacific ("APAC"). The majority of the Company's revenue is from the Technology, Media and Telecom (collectively, "TMT") sector.

**SYNCHRONOSS TECHNOLOGIES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — UNAUDITED**  
(Amounts in tables in thousands, except for per share data or unless otherwise noted)

	Three Months Ended March 31, 2020				Three Months Ended March 31, 2019			
	Cloud	Digital	Messaging	Total	Cloud	Digital	Messaging	Total
<b>Geography</b>								
Americas	\$ 39,322	\$ 10,937	\$ 10,903	\$ 61,162	\$ 38,914	\$ 20,764	\$ 2,069	\$ 61,747
APAC	—	558	9,175	9,733	—	998	18,155	19,153
EMEA	1,722	1,257	3,248	6,227	1,796	1,089	4,320	7,205
<b>Total</b>	<b>\$ 41,044</b>	<b>\$ 12,752</b>	<b>\$ 23,326</b>	<b>\$ 77,122</b>	<b>\$ 40,710</b>	<b>\$ 22,851</b>	<b>\$ 24,544</b>	<b>\$ 88,105</b>
<b>Service Line</b>								
Professional Services	\$ 4,161	\$ 4,536	\$ 5,230	\$ 13,927	\$ 3,718	\$ 4,303	\$ 12,487	\$ 20,508
Transaction Services	1,307	1,074	—	2,381	1,362	2,016	—	3,378
Subscription Services	35,576	7,002	10,617	53,195	35,594	16,402	9,165	61,161
License	—	140	7,479	7,619	36	130	2,892	3,058
<b>Total</b>	<b>\$ 41,044</b>	<b>\$ 12,752</b>	<b>\$ 23,326</b>	<b>\$ 77,122</b>	<b>\$ 40,710</b>	<b>\$ 22,851</b>	<b>\$ 24,544</b>	<b>\$ 88,105</b>

#### Trade Accounts Receivable and Contract balances

The Company classifies its right to consideration in exchange for deliverables as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional (i.e. only the passage of time is required before payment is due). For example, the Company recognizes a receivable for revenues related to its time and materials and transaction or volume-based contracts. The Company presents such receivables in Trade accounts receivable, net in its condensed consolidated statements of financial position at their net estimated realizable value. The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that may not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables and other economic indicators.

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. For example, the Company would record a contract asset if its records revenue on a professional services engagement but are not entitled to bill until the Company achieves specified milestones. Contract asset balance at March 31, 2020 is \$4.9 million.

Amounts collected in advance of services being provided are accounted for as contract liabilities, which are presented as deferred revenue on the accompanying Condensed Consolidated Balance Sheets and are realized with the associated revenue recognized under the contract. Nearly all of the Company's contract liabilities balance is related to services revenue, primarily subscription services contracts.

The Company's contract assets and liabilities are reported in a net position on a customer basis at the end of each reporting period.

Significant changes in the contract liabilities balance (current and noncurrent) during the period are as follows (in thousands):

	<b>Contract Liabilities*</b>
Balance - January 1, 2020	\$ 87,799
Revenue recognized in the period	(74,882)
Amounts billed but not recognized as revenue	54,171
Balance - March 31, 2020	<b>\$ 67,088</b>

\* Comprised of Deferred Revenue

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Transaction price allocated to the remaining performance obligations

Topic 606 requires that the Company disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as of March 31, 2020. The Company has elected not to disclose transaction price allocated to remaining performance obligations for:

1. Contracts with an original duration of one year or less, including contracts that can be terminated for convenience without a substantive penalty;
2. Contracts for which the Company recognizes revenues based on the right to invoice for services performed;
3. Variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in accordance with Topic 606 Section 10-25-14(b), for which the criteria in Topic 606 Section 10-32-40 have been met. This applies to a limited number of situations where the Company is dependent upon data from a third party or where fees are highly variable.

Many of the Company's performance obligations meet one or more of these exemptions. Specifically, the Company has excluded the following from the Company's remaining performance obligations, all of which will be resolved in the period in which amounts are known:

- consideration for future transactions, above any contractual minimums
- consideration for success-based transactions contingent on third party data
- credits for failure to meet future service level requirements

As of March 31, 2020, the aggregate amount of transaction price allocated to remaining performance obligations, other than those meeting the exclusion criteria above, was \$173.4 million, of which approximately 86.7 percent is expected to be recognized as revenues within 2 years, and the remainder thereafter.

Estimates of revenue expected to be recognized in future periods also exclude unexercised customer options to purchase services that do not represent material rights to the customer. Customer options that do not represent a material right are only accounted for in accordance with Topic 606 when the customer exercises its option to purchase additional goods or services.

#### **4. Fair Value Measurements**

In accordance with accounting principles generally accepted in the United States, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy prioritizes the inputs used to measure fair value as follows:

- Level 1 - Observable inputs - quoted prices in active markets for identical assets and liabilities;
- Level 2 - Observable inputs other than the quoted prices in active markets for identical assets and liabilities includes quoted prices for similar instruments, quoted prices for identical or similar instruments in inactive markets, and amounts derived from valuation models where all significant inputs are observable in active markets; and
- Level 3 - Unobservable inputs - includes amounts derived from valuation models where one or more significant inputs are unobservable and require the Company to develop relevant assumptions.

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The following is a summary of assets, liabilities and redeemable noncontrolling interests and their related classifications under the fair value hierarchy:

	<b>March 31, 2020</b>			
	<b>Total</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Assets</b>				
Cash, cash equivalents and restricted cash <sup>(1)</sup>	\$ 30,906	\$ 30,906	\$ —	\$ —
<b>Total assets</b>	<b>\$ 30,906</b>	<b>\$ 30,906</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Temporary equity</b>				
Redeemable noncontrolling interests <sup>(3)</sup>	\$ 12,500	\$ —	\$ —	\$ 12,500
<b>Total temporary equity</b>	<b>\$ 12,500</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 12,500</b>

  

	<b>December 31, 2019</b>			
	<b>Total</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Assets</b>				
Cash, cash equivalents and restricted cash <sup>(1)</sup>	\$ 39,001	\$ 39,001	\$ —	\$ —
Marketable securities-short term <sup>(2)</sup>	11	—	11	—
<b>Total assets</b>	<b>\$ 39,012</b>	<b>\$ 39,001</b>	<b>\$ 11</b>	<b>\$ —</b>
<b>Temporary Equity</b>				
Redeemable noncontrolling interests <sup>(3)</sup>	\$ 12,500	\$ —	\$ —	\$ 12,500
<b>Total temporary equity</b>	<b>\$ 12,500</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 12,500</b>

<sup>(1)</sup> Cash equivalents primarily included money market funds.

<sup>(2)</sup> Marketable securities are comprised of municipal bonds, certificates of deposit, corporate bonds, treasury bonds, and mutual funds.

<sup>(3)</sup> Put arrangements held by the noncontrolling interests in certain of the Company's joint ventures.

#### ***Redeemable Noncontrolling Interests***

The redeemable noncontrolling interests recorded at fair value are put arrangements held by the noncontrolling interests in certain of the Company's joint ventures. The Company recognizes changes in the redemption value immediately as they occur and adjusts the carrying value of the noncontrolling interest to the greater of the estimated redemption value, which approximates fair value, at the end of each reporting period or the initial carrying amount.

The fair value of the redeemable noncontrolling interests was estimated by applying an income approach using a discounted cash flow analysis. This fair value measurement is based on significant inputs that are not observable in the market and thus represents a Level 3 measurement. Significant changes in the underlying assumptions used to value the redeemable noncontrolling interests could significantly increase or decrease the fair value estimates recorded in the Condensed Consolidated Balance Sheets.

The changes in fair value of the Company's Level 3 redeemable noncontrolling interests during the three months ended March 31, 2020 were as follows:

<b>Balance at December 31, 2019</b>	<b>\$ 12,500</b>
Fair value adjustment	(17)
Net income attributable to redeemable noncontrolling interests	17
<b>Balance at March 31, 2020</b>	<b>\$ 12,500</b>

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**5. Leases**

The Company has entered into contracts with third parties to lease a variety of assets, including certain real estate, equipment, automobiles and other assets. The Company's leases frequently allow for lease payments that could vary based on factors such as inflation or the degree of utilization of the underlying asset. For example, certain of the Company's real estate leases could require us to make payments that vary based on common area maintenance charges, insurance and other charges. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company is party to certain sublease arrangements, primarily related to the Company's real estate leases, where it acts as the lessee and intermediate lessor.

The following table presents information about the Company's Right of Use (ROU) assets and lease liabilities at March 31, 2020 (in thousands):

<b>ROU assets:</b>	
Non-current operating lease ROU assets	\$ 52,576
<b>Operating lease liabilities:</b>	
Current operating lease liabilities*	\$ 8,639
Non-current operating lease liabilities	59,085
<b>Total operating lease liabilities</b>	<b>\$ 67,724</b>

\* Amounts are included in Accrued Expenses on Condensed Consolidated Balance Sheets.

The following table presents information about lease expense and sublease income for the three months ended March 31, 2020 (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31, 2020</b>	
Operating lease cost*	\$	3,050
Other lease costs and income:		
Variable lease costs*		325
Sublease income*		(966)
<b>Total net lease cost</b>	<b>\$</b>	<b>2,409</b>

\* Amounts are included in Cost of revenues, Selling, general and administrative and/or Research and development based on the function that the underlying leased asset supports which are reflected in the Condensed Consolidated Statements of Operations.

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The following table provides the undiscounted amount of future cash flows included in our lease liabilities at March 31, 2020 for each of the five years subsequent to December 31, 2019 and thereafter, as well as a reconciliation of such undiscounted cash flows to our lease liabilities at March 31, 2020 (in thousands):

	<b>Operating Leases</b>
Remaining 2020	\$ 10,242
2021	13,077
2022	12,470
2023	10,168
2024	10,269
Thereafter	33,841
Total future lease payments	90,067
Less: amount representing interest	(22,343)
Present value of future lease payments (lease liability)	<u>\$ 67,724</u>

The following table provides the weighted-average remaining lease term and weighted-average discount rates for our leases as of March 31, 2020:

<b>Operating Leases:</b>	
Weighted-average remaining lease term (years), weighted based on lease liability balances	7.43
Weighted-average discount rate (percentages), weighted based on the remaining balance of lease payments	8.0 %

The following table provides certain cash flow and supplemental noncash information related to our lease liabilities for the three months ended March 31, 2020 (in thousands):

<b>Operating Leases:</b>	
Cash paid for amounts included in the measurement of lease liabilities	\$ 3,290
Lease liabilities arising from obtaining right-of-use assets	805

## **6. Investments in Affiliates and Related Transactions**

### ***Sequential Technology International, LLC***

In connection with the divestiture of the exception handling business of the Company in 2017, Synchronoss entered into a three-year Cloud Telephony and Support services agreement (“CTS Agreement”) to grant Sequential Technology International, LLC (“STIN”) access to certain Synchronoss software and private branch exchange systems to facilitate exception handling operations required to support STIN customers.

The CTS agreement expired in the first quarter of 2020. At the time of the expiration, the Company entered into an Asset Purchase Agreement with STIN. As part of the agreement, the Company received \$1.6 million in exchange for certain hardware and system assets for the cloud telephony and remaining support service business.

Subsequent to March 31, 2020, the Company entered into an agreement with STIN and AP Capital Holdings II, LLC (“APC”) to divest its remaining equity interest in STIN as well as settle its paid-in-kind purchase money note (“PIK note”) and certain amounts due as of December 31, 2019 in consideration for a \$9.0 million secured promissory note (the “Note”), which includes contingent consideration of up to \$16.0 million. The Note has an 8% interest rate and a 3-year stated term. As part of the arrangement, APC acquired a majority stake of STIN. The Company has secured a new commercial agreement with STIN.

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**7. Debt****2019 Revolving Credit Facility**

On October 4, 2019, the Company entered into a Credit Agreement with Citizens Bank, N.A., for a \$10.0 million Revolving Credit Facility. Borrowings under the Revolving Credit Facility bear interest at a rate equal to, at the Company's option, either (1) the arithmetic average of the LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period (one, three or six months (or 12 months if agreed to by all applicable Lenders)) as selected by the Company relevant to such borrowing plus the applicable margin, or (2) a base rate determined by reference to the greatest of the federal funds rate plus 0.50%, the prime commercial lending rate as determined by the Agent, and the daily LIBOR rate plus 1.00%, in each case plus an applicable margin and subject to a floor of 0%. In addition, on a quarterly basis, the Company is required to pay each lender under the Revolving Credit Facility a 0.2% commitment fee in respect of commitments under the Revolving Credit Facility, which may be subject to adjustment based on the Company's total leverage ratio. The outstanding balance under the Revolving Credit Facility as of March 31, 2020 is \$10.0 million.

**Interest expense**

The following table summarizes the Company's interest expense:

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Convertible Senior Notes</b>		
Amortization of debt issuance costs	\$ —	\$ 155
Interest on borrowings	—	191
<b>2019 Revolving Credit Facility</b>		
Amortization of debt issuance costs	16	—
Commitment fee	4	—
Interest on borrowings	14	—
Other	211	239
<b>Total</b>	<b>\$ 245</b>	<b>\$ 585</b>

**8. Accumulated Other Comprehensive (Loss) / Income**

The changes in accumulated other comprehensive (loss) income during the three months ended March 31, 2020 were as follows:

	<b>Balance at December 31, 2019</b>	<b>Other comprehensive loss</b>	<b>Tax effect</b>	<b>Balance at March 31, 2020</b>
Foreign currency	\$ (28,204)	\$ (3,941)	\$ —	\$ (32,145)
Unrealized loss on intra-entity foreign currency transactions	(4,306)	(486)	114	(4,678)
Unrealized holding gains (losses) on marketable debt securities	(751)	751	—	—
Total	<b>\$ (33,261)</b>	<b>\$ (3,676)</b>	<b>\$ 114</b>	<b>\$ (36,823)</b>

**9. Stockholders' Equity**

There were no significant changes to Company's authorized capital stock and preferred stock during the three months ended March 31, 2020.



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**Common Stock**

Each holder of common stock is entitled to vote on all matters and is entitled to one vote for each share held. Dividends on common stock will be paid when, and if, declared by the Company's Board of Directors. No dividends have ever been declared or paid by the Company.

**Preferred Stock**

The Board of Directors is authorized to issue preferred shares and has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences of preferred stock.

In accordance with the terms of the Share Purchase Agreement dated as of October 17, 2017 (the "PIPE Purchase Agreement"), with Silver Private Holdings I, LLC, an affiliate of Siris ("Silver"), on February 15, 2018, the Company issued to Silver 185,000 shares of its newly issued Series A Convertible Participating Perpetual Preferred Stock (the "Series A Preferred Stock"), par value \$0.0001 per share, with an initial liquidation preference of \$1,000 per share, in exchange for \$97.7 million in cash and the transfer from Silver to the Company of the 5,994,667 shares of the Company's common stock held by Silver (the "Preferred Transaction").

As of March 31, 2020, there were 225,059 shares of Series A Preferred Stock outstanding, including the initial issuance of 185,000 shares of Series A Preferred Stock and the issuance of 40,059 shares of Series A Preferred Stock as dividends.

**Certificate of Designation of the Series A Preferred Stock**

The rights, preferences, privileges, qualifications, restrictions and limitations of the shares of Series A Preferred Stock are set forth in the Series A Certificate. Under the Series A Certificate, the holders of the Series A Preferred Stock are entitled to receive, on each share of Series A Preferred Stock on a quarterly basis, an amount equal to the dividend rate of 14.5% divided by four and multiplied by the then-applicable Liquidation Preference (as defined in the Series A Certificate) per share of Series A Preferred Stock (collectively, the "Preferred Dividends"). The Preferred Dividends are due on January 1, April 1, July 1 and October 1 of each year (each, a "Series A Dividend Payment Date"). The Company may choose to pay the Preferred Dividends in cash or in additional shares of Series A Preferred Stock. In the event the Company does not declare and pay a dividend in-kind or in cash on any Series A Dividend Payment Date, the unpaid amount of the Preferred Dividend will be added to the Liquidation Preference. In addition, the Series A Preferred Stock participates in dividends declared and paid on shares of the Company's common stock.

Each share of Series A Preferred Stock is convertible, at the option of the holder, into the number of shares of common stock equal to the "Conversion Price" (as that term is defined in the Series A Certificate) multiplied by the then applicable "Conversion Rate" (as that term is defined in the Series A Certificate). Each share of Series A Preferred Stock is initially convertible into 55.5556 shares of common stock, representing an initial "conversion price" of approximately \$18.00 per share of common stock. The Conversion Rate is subject to equitable proportionate adjustment in the event of stock splits, recapitalizations and other events set forth in the Series A Certificate.

On and after the fifth anniversary of February 15, 2018, holders of shares of Series A Preferred Stock have the right to cause the Company to redeem each share of Series A Preferred Stock for cash in an amount equal to the sum of the current liquidation preference and any accrued dividends. Each share of Series A Preferred Stock is also redeemable at the option of the holder upon the occurrence of a "Fundamental Change" (as that term is defined in the Series A Certificate) at a specified premium ("Liquidation Value"). In addition, the Company is also permitted to redeem all outstanding shares of the Series A Preferred Stock at any time (i) within the first 30 months of the date of issuance for the sum of the then-applicable Liquidation Preference, accrued but unpaid dividends and a make whole amount (known as "Redemption Value") and (ii) following the 30-month anniversary of the date of issuance for the sum of the then-applicable Liquidation Preference and the accrued but unpaid dividends. As of March 31, 2020, the Liquidation Value and Redemption Value of the Preferred Shares was \$243.1 million.

The holders of a majority of the Series A Preferred Stock, voting separately as a class, are entitled at each of the Company's annual meetings of stockholders or at any special meeting called for the purpose of electing directors (or by written

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consent signed by the holders of a majority of the then-outstanding shares of Series A Preferred Stock in lieu of such a meeting): (i) to nominate and elect two members of the Company's Board of Directors for so long as the Preferred Percentage (as defined in the Series A Certificate) is equal to or greater than 10%; and (ii) to nominate and elect one member of the Company's Board of Directors for so long as the Preferred Percentage is equal to or greater than 5% but less than 10%.

For so long as the holders of shares of Series A Preferred Stock have the right to nominate at least one director, the Company is required to obtain the prior approval of Silver prior to taking certain actions, including: (i) certain dividends, repayments and redemptions; (ii) any amendment to the Company's certificate of incorporation that adversely affects the rights, preferences, privileges or voting powers of the Series A Preferred Stock; (iii) issuances of stock ranking senior or equivalent to shares of Series A Preferred Stock (including additional shares of Series A Preferred Stock) in the priority of payment of dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Company; (iv) changes in the size of the Company's Board of Directors; (v) any amendment, alteration, modification or repeal of the charter of the Company's Nominating and Corporate Governance Committee of the Board of Directors and related documents; and (vi) any change in the Company's principal business or the entry into any line of business outside of the Company's existing lines of businesses. In addition, in the event that the Company is in EBITDA Non-Compliance (as defined in the Series A Certificate) or the undertaking of certain actions would result in the Company exceeding a specified pro forma leverage ratio, then the prior approval of Silver would be required to incur indebtedness (or alter any debt document) in excess of \$10.0 million, enter or consummate any transaction where the fair market value exceeds \$5.0 million individually or \$10.0 million in the aggregate in a fiscal year or authorize or commit to capital expenditures in excess of \$25.0 million in a fiscal year.

Each holder of Series A Preferred Stock has one vote per share on any matter on which holders of Series A Preferred Stock are entitled to vote separately as a class, whether at a meeting or by written consent. The holders of Series A Preferred Stock are permitted to take any action or consent to any action with respect to such rights without a meeting by delivering a consent in writing or electronic transmission of the holders of the Series A Preferred Stock entitled to cast not less than the minimum number of votes that would be necessary to authorize, take or consent to such action at a meeting of stockholders. In addition to any vote (or action taken by written consent) of the holders of the shares of Series A Preferred Stock as a separate class provided for in the Series A Certificate or by the General Corporation Law of the State of Delaware, the holders of shares of the Series A Preferred Stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote on an as-converted basis with the holders of common stock) on all matters submitted to a vote or to the consent of the stockholders of the Company (including the election of directors) as one class.

Under the Series A Certificate, if Silver and certain of its affiliates have elected to effect a conversion of some or all of their shares of Series A Preferred Stock and if the sum, without duplication, of (i) the aggregate number of shares of the Company's common stock issued to such holders upon such conversion and any shares of the Company's common stock previously issued to such holders upon conversion of Series A Preferred Stock and then held by such holders, plus (ii) the number of shares of the Company's common stock underlying shares of Series A Preferred Stock that would be held at such time by such holders (after giving effect to such conversion), would exceed the 19.9% of the issued and outstanding shares of the Company's voting stock on an as converted basis (the "Conversion Cap"), then such holders would only be entitled to convert such number of shares as would result in the sum of clauses (i) and (ii) (after giving effect to such conversion) being equal to the Conversion Cap (after giving effect to any such limitation on conversion). Any shares of Series A Preferred Stock which a holder has elected to convert but which, by reason of the previous sentence, are not so converted, will be treated as if the holder had not made such election to convert and such shares of Series A Preferred Stock will remain outstanding. Also, under the Series A Certificate, if the sum, without duplication, of (i) the aggregate voting power of the shares previously issued to Silver and certain of its affiliates held by such holders at the record date, plus (ii) the aggregate voting power of the shares of Series A Preferred Stock held by such holders as of such record date, would exceed 19.99% of the total voting power of the Company's outstanding voting stock at such record date, then, with respect to such shares, Silver and certain of its affiliates are only entitled to cast a number of votes equal to 19.99% of such total voting power. The limitation on conversion and voting ceases to apply upon receipt of the requisite approval of holders of the Company's common stock under the applicable listing standards.

#### Investor Rights Agreement

Concurrently with the closing of the Preferred Transaction, Synchronoss and Silver entered into an Investor Rights Agreement. Under the terms of the Investor Rights Agreement, Silver and Synchronoss have agreed that, effective as of the

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closing of the Preferred Transaction, the Board of Directors of Synchronoss will consist of ten members. From and after the closing of the Preferred Transaction, so long as the holders of Series A Preferred Stock have the right to nominate a member to the Board of Directors pursuant to the Series A Certificate, the Board of Directors of Synchronoss will consist of (i) two directors nominated and elected by the holders of shares of Series A Preferred Stock; (ii) four directors who meet the independence criteria set forth in the applicable listing standards (each of whom will be initially agreed upon by Synchronoss and Silver); and (iii) four other directors, two of whom shall satisfy the independence criteria of the applicable listing standards and, as of the closing of the Preferred Transaction, one of whom shall be the individual then serving as chief executive officer of Synchronoss and one of whom shall be the current chairman of the Board of Directors of Synchronoss as of the date of execution of the Investors Rights Agreement. Following the closing of the Preferred Transaction, so long as the holders of Series A Preferred Stock have the right to nominate at least one director to the Board of Directors of Synchronoss pursuant to the Series A Certificate, Silver will have the right to designate two members of the Nominating and Corporate Governance Committee of the Board of Directors.

Pursuant to the terms of the Investor Rights Agreement, neither Silver nor its affiliates may transfer any shares of Series A Preferred Stock subject to certain exceptions (including transfers to affiliates that agree to be bound by the terms of the Investor Rights Agreement).

For so long as Silver has the right to appoint a director to the Board of Directors of Synchronoss, without the prior approval by a majority of directors voting who are not appointed by the holders of shares of Series A Preferred Stock, neither Silver nor its affiliates will directly or indirectly purchase or acquire any debt or equity securities of Synchronoss (including equity-linked derivative securities) if such purchase or acquisition would result in Silver's Standstill Percentage (as defined in the Investor Rights Agreement) being in excess of 30%. However, the foregoing standstill restrictions would not prohibit the purchase of shares pursuant to the PIPE Purchase Agreement or the receipt of shares of Series A Preferred Stock issued as Preferred Dividends pursuant to the Series A Certificate, shares of Common Stock received upon conversion of shares of Series A Preferred Stock or receipt of any shares of Series A Preferred Stock, Common Stock or other securities of the Company otherwise paid as dividends or as an increase of the Liquidation Preference (as defined in the Series A Certificate) or distributions thereon. Silver will also have preemptive rights with respect to issuances of securities of Synchronoss to maintain its ownership percentage.

Under the terms of the Investor Rights Agreement, Silver will be entitled to (i) three demand registrations, with no more than two demand registrations in any single calendar year and provided that each demand registration must include at least 10% of the shares of Common Stock held by Silver, including shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock and (ii) unlimited piggyback registration rights with respect to primary issuances and all other issuances.

A summary of the Company's Series A Convertible Participating Perpetual Preferred Stock balance at March 31, 2020 and changes during the three months ended March 31, 2020, are presented below:

	Preferred Stock	
	Shares	Amount
Balance at December 31, 2019	217	\$ 200,865
Issuance of preferred stock	8	—
Initial discount and issuance costs related to preferred stock	—	—
Amortization of preferred stock issuance costs	—	750
Issuance of preferred PIK dividend	—	7,873
Balance at March 31, 2020	225	\$ 209,488

### **Registration Rights**

There were no significant changes to the Company's registration rights during the three months ended March 31, 2020.

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**Stock Plans**

There were no significant changes to the Company's Stock Plans during the three months ended March 31, 2020. As of March 31, 2020, there were 0.3 million shares available for the grant or award under the Company's 2015 Plan and 0.3 million shares available for the grant or award under the Company's 2017 New Hire Equity Incentive Plan.

The Company's performance cash awards granted to executives under the Long Term Incentive ("LTI") Plans have been accounted for as liability awards, due to the Company's intent and the ability to settle such awards in cash upon vesting and has reflected such awards in accrued expenses. As of March 31, 2020, the liability for such awards is approximately \$0.5 million.

**Stock-Based Compensation**

The following table summarizes stock-based compensation expense related to all of the Company's stock awards included by operating expense categories, as follows:

	Three Months Ended March 31,	
	2020	2019
Cost of revenues	\$ 752	\$ 686
Research and development	1,431	1,225
Selling, general and administrative	2,986	3,644
Total stock-based compensation expense	<u>\$ 5,169</u>	<u>\$ 5,555</u>

The following table summarizes stock-based compensation expense related to all of the Company's stock awards included by award types, as follows:

	Three Months Ended March 31,	
	2020	2019
Stock options	\$ 1,783	\$ 1,697
Restricted stock awards	3,334	3,798
Performance Based Cash Units	52	60
Total stock-based compensation before taxes	<u>\$ 5,169</u>	<u>\$ 5,555</u>
Tax benefit	<u>\$ 924</u>	<u>\$ 1,058</u>

The total stock-based compensation cost related to unvested equity awards as of March 31, 2020 was approximately \$30.5 million. The expense is expected to be recognized over a weighted-average period of approximately 1.53 years.

The total stock-based compensation cost related to unvested performance based cash units as of March 31, 2020 was approximately \$1.2 million. The expense is expected to be recognized over a weighted-average period of approximately 2.15 years.

**Stock Options**

There were no significant changes to the Company's Stock Option Plans during the three months ended March 31, 2020.

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The Company uses the Black-Scholes option pricing model for determining the estimated fair value for stock options. The weighted-average assumptions used in the Black-Scholes option pricing model are as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Expected stock price volatility	72.5 %	69.2 %
Risk-free interest rate	1.4 %	2.5 %
Expected life of options (in years)	4.45	4.23
Expected dividend yield	0.0 %	0.0 %
Weighted-average fair value (grant date) of the options	\$ 3.09	\$ 3.95

The following table summarizes information about stock options outstanding as of March 31, 2020:

<b>Options</b>	<b>Number of Options</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted-Average Remaining Contractual Term (Years)</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at December 31, 2019	4,922	\$ 14.54		
Options Granted	1,524	5.43		
Options Exercised	—	—		
Options Cancelled	(132)	24.36		
Outstanding at March 31, 2020	6,314	\$ 12.13	5.17	\$ —
Vested at March 31, 2020	1,859	\$ 22.34	3.61	\$ —
Exercisable at March 31, 2020	1,859	\$ 22.34	3.61	\$ —

The total intrinsic value of stock options exercisable at March 31, 2020 and 2019 was nil and nil, respectively. The total intrinsic value of stock options exercised during the three months ended March 31, 2020 and 2019 was nil and nil, respectively.

#### ***Awards of Restricted Stock and Performance Stock***

There were no significant changes to the Company's restricted stock award ("Restricted Stock") and performance stock plan during the three months ended March 31, 2020.

A summary of the Company's unvested restricted stock at March 31, 2020, and changes during the three months ended March 31, 2020, is presented below:

<b>Unvested Restricted Stock</b>	<b>Number of Awards</b>	<b>Weighted- Average Grant Date Fair Value</b>
Unvested at December 31, 2019	3,375	\$ 8.68
Granted	248	5.24
Vested	(209)	14.40
Forfeited	(192)	7.83
Unvested at March 31, 2020	3,222	\$ 7.64

Restricted stock awards are granted subject to other service conditions or service and performance conditions ("Performance-Based Awards"). Restricted stock and Performance-Based Awards are measured at the closing stock price at the date of grant and are recognized straight line over the requisite service period.

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

### **Performance Based Cash Units**

Performance based cash units granted under the Company's 2015 Plan vest at the end of a three-year period based on service and achievement of certain performance objectives determined by the Company's Board of Directors.

A summary of the Company's unvested performance-based cash units at March 31, 2020 and changes during the three months ended March 31, 2020, is presented below:

<b>Unvested Cash Units</b>	<b>Number of Units</b>	<b>Weighted- Average Period End Fair Value</b>
Unvested at December 31, 2019	1,046	\$ 4.75
Granted	1,391	—
Vested	—	—
Forfeited	—	—
Unvested at March 31, 2020	<u>2,437</u>	<u>\$ 3.05</u>

Performance based cash units are measured at the closing stock price at the reporting period end date and are recognized straight line over the requisite service period. The expense for the period will increase or decrease based on updated fair values of these awards at each reporting date.

### **10. Income Taxes**

In March 2020, in response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses. The CARES Act amends the Net Operating Loss ("NOL") provisions of the Tax Cuts and Jobs Act, allowing for the carryback of losses arising in tax years 2018, 2019 and 2020, to each of the five taxable years preceding the taxable year of loss. The Company filed a carryback claim in the second quarter of 2020 for the NOL generated in tax year 2018, which will result in a refund of previously paid taxes. The carryback of the 2018 NOL will result in an increase in the Company's 2019 tax liability, so the Company has also recorded an estimate of the additional 2019 current tax expense in the first quarter income tax provision. The estimated net income tax benefit associated with the 2018 NOL carryback is approximately \$9 million, and this was recorded discretely in the first quarter income tax provision.

The Company recognized approximately \$12.4 million and \$1.4 million in related income tax benefit during the three months ended March 31, 2020 and 2019, respectively. The effective tax rate was approximately 78.8% for the three months ended March 31, 2020. The effective tax rate was primarily driven by the impact of the new NOL carryback provisions discussed above and valuation allowances recorded in domestic and foreign jurisdictions, partially offset by the impact of permanent book-tax differences. The Company continues to consider all available evidence, including historical profitability and projections of future taxable income together with new evidence, both positive and negative, that could affect the view of the future realization of deferred tax assets. As a result of the assessment, no change was recorded by the Company to the valuation allowance during the three months ended March 31, 2020.

### **11. Restructuring**

The Company continues to execute certain restructurings to identify workforce optimization opportunities to better align the Company's resources with its key strategic priorities. A summary of the Company's restructuring accrual at March 31, 2020 and changes during the three months ended March 31, 2020, are presented below:

	<b>Balance at December 31, 2019</b>	<b>Charges</b>	<b>Payments</b>	<b>Other Adjustments<sup>1</sup></b>	<b>Balance at March 31, 2020</b>
Employment termination costs	\$ 90	\$ 1,450	\$ (223)	\$ (1)	\$ 1,316

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## 12. Earnings per Common Share (“EPS”)

Basic EPS is computed based upon the weighted average number of common shares outstanding for the year. Diluted EPS is computed based upon the weighted average number of common shares outstanding for the year plus the dilutive effect of common stock equivalents using the treasury stock method and the average market price of the Company’s common stock for the year. The Company includes participating securities (Redeemable Convertible Preferred Stock - Participation with Dividends on Common Stock that contain preferred dividend) in the computation of EPS pursuant to the two-class method. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company.

The following table provides a reconciliation of the numerator and denominator used in computing basic and diluted net income attributable to common stockholders per common share from continued and discontinued operations.

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Numerator - Basic:</b>		
Net loss from continuing operations	\$ (3,350)	\$ (19,737)
Net loss attributable to redeemable noncontrolling interests	(17)	(313)
Preferred stock dividend	(8,909)	(7,537)
Net loss attributable to Synchronoss	<u>\$ (12,276)</u>	<u>\$ (27,587)</u>
<b>Numerator - Diluted:</b>		
Net loss from continuing operations attributable to Synchronoss	\$ (12,276)	\$ (27,587)
Income effect for interest on convertible debt, net of tax	—	—
Net loss attributable to Synchronoss	<u>\$ (12,276)</u>	<u>\$ (27,587)</u>
<b>Denominator:</b>		
Weighted average common shares outstanding — basic	41,483	40,320
Dilutive effect of:		
Shares from assumed conversion of convertible debt <sup>1</sup>	—	—
Shares from assumed conversion of preferred stock <sup>2</sup>	—	—
Options and unvested restricted shares	—	—
Weighted average common shares outstanding — diluted	<u>41,483</u>	<u>40,320</u>
<b>Earnings per share:</b>		
Basic	\$ (0.30)	\$ (0.68)
Diluted	\$ (0.30)	\$ (0.68)
Anti-dilutive stock options excluded	—	—
Unvested shares of restricted stock awards	3,222	2,365

<sup>(1)</sup> The calculation does not include the effect of assumed conversion of convertible debt of 1,957,105 shares for the three months ended March 31, 2019, which is based on 18.8072 shares per \$1,000 principal amount of the Senior Convertible Notes.

<sup>(2)</sup> The calculation does not include the effect of assumed conversion of preferred stock of 12,503,264 and 10,843,394 shares, for the three months ended March 31, 2020 and 2019, respectively, which is based on 55.5556 shares per \$1,000 principal amount of the preferred stock, because the effect would have been anti-dilutive.

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### 13. Commitments, Contingencies and Other

#### *Purchase Obligations*

Aggregate annual future minimum payments under non-cancelable agreements are as follows:

<b>As of March 31, 2020</b>	<b>Non-cancelable agreements</b>
2020	\$ 19,628
2021	2,562
2022	2,207
2023 and thereafter	920
<b>Total</b>	<b>\$ 25,317</b>

#### *Legal Matters*

In the ordinary course of business, the Company is regularly subject to various claims, suits, regulatory inquiries and investigations. The Company records a liability for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable, and the loss can be reasonably estimated. Management has also identified certain other legal matters where they believe an unfavorable outcome is not probable and, therefore, no reserve is established. Although management currently believes that resolving claims against the Company, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on the Company's business, financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. The Company also evaluates other contingent matters, including income and non-income tax contingencies, to assess the likelihood of an unfavorable outcome and estimated extent of potential loss. It is possible that an unfavorable outcome of one or more of these lawsuits or other contingencies could have a material impact on the liquidity, results of operations, or financial condition of the Company.

On May 1, 2017, May 2, 2017, June 8, 2017 and June 14, 2017, four putative class actions were filed against the Company and certain of its current and former officers and directors in the United States District Court for the District of New Jersey (the "Securities Law Action"). After these cases were consolidated, the court appointed as lead plaintiff Employees' Retirement System of the State of Hawaii, which filed, on November 20, 2017, a consolidated complaint purportedly on behalf of purchasers of the Company's common stock between February 3, 2016 and June 13, 2017. On February 2, 2018, the defendants moved to dismiss the consolidated complaint in its entirety, with prejudice. Before that motion was decided, on August 24, 2018, lead plaintiff filed a consolidated amended complaint purportedly on behalf of purchasers of the Company's common stock between October 28, 2014 and June 13, 2017. On June 28, 2019, the Court granted defendants' motion to dismiss the consolidated amended complaint in its entirety, without prejudice, allowing lead plaintiff to leave to amend its complaint. On August 14, 2019, lead plaintiff filed a second amended complaint. The second amended complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and it alleges, among other things, that the defendants made false and misleading statements of material information concerning the Company's financial results, business operations, and prospects. On October 4, 2019, the defendants moved to dismiss the second amended complaint in its entirety, with prejudice. Defendants' motion to dismiss is pending before the Court. The Company believes that the asserted claims lack merit and intends to defend against all of the claims vigorously. The plaintiff seeks unspecified damages, fees, interest, and costs. Due to the inherent uncertainties of litigation, the Company cannot predict the outcome of the actions at this time and can give no assurance that the asserted claims will not have a material adverse effect on its financial position or results of operations.

On September 15, 2017, October 24, 2017, October 27, 2017 and October 30, 2017, the Company's shareholders filed derivative lawsuits against certain of its officers and directors and the Company (as nominal defendant) in the United States District Court for the District of New Jersey (the "Derivative Suits"). On May 24, 2018, the Court consolidated the Derivative Suits and appointed Lisa LeBoeuf as lead plaintiff. The lead plaintiff designated as the Operative Complaint the complaint she previously had filed on October 27, 2017, which alleges claims related to breaches of fiduciary duties and unjust enrichment.



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The Operative Complaint’s allegations relate to substantially the same facts as those underlying the Securities Law Action described above. Plaintiff seeks unspecified damages and for the Company to take steps to improve its corporate governance and internal procedures. On March 11, 2019, the defendants filed a motion to dismiss the Operative Complaint, which the Court granted in substantial part on November 26, 2019. On December 10, 2019, the defendants filed a motion for reconsideration respecting the only claim to survive the motion to dismiss, which motion is pending before the Court.

On March 7, 2019, Synchronoss shareholders, Beth Daniel and Juan Solis, filed a separate derivative lawsuit against certain of the Company’s current and former officers and directors and the Company (as nominal defendant) in the Court of Chancery of the State of Delaware, asserting substantially the same allegations as those underlying the Derivative Suits and the Securities Law Action described above. Plaintiffs seek unspecified damages and for the Company to take steps to improve its corporate governance and internal procedures. On May 20, 2019, the parties stipulated to a stay of the action pending a ruling on the pending motion to dismiss in the Derivative Suits. The Company believes that the asserted claims lack merit and intends to defend against all of the claims vigorously. Due to the inherent uncertainties of litigation, the Company cannot predict the outcome of the Derivative Suits at this time and can give no assurance that the asserted claims will not have a material adverse effect on our financial position or results of operations.

Except as set forth above, the Company is not currently subject to any legal proceedings that could have a material adverse effect on its operations; however, it may from time to time become a party to various legal proceedings arising in the ordinary course of its business. The Company is currently the plaintiff in several patent infringement cases. The defendants in several of these cases have filed counterclaims. Although the Company cannot predict the outcome of the cases at this time due to the inherent uncertainties of litigation, the Company continues to pursue its claims and believes that the counterclaims are without merit, and the Company intends to defend against all of such counterclaims.

#### 14. Additional Financial Information

##### *Other Income, net*

The following table sets forth the components of included in the Other Income, net included in the Condensed Consolidated Statements of Operations:

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
FX gains (losses) <sup>(1)</sup>	\$ (212)	\$ 157
Income from sale of intangible assets <sup>(2)</sup>	1,843	—
Other <sup>(3)</sup>	61	306
<b>Total</b>	<b>\$ 1,692</b>	<b>\$ 463</b>

<sup>(1)</sup> Fair value of foreign exchange gains and losses

<sup>(2)</sup> Represents gain on sale on the Company’s IP addresses

<sup>(3)</sup> Represents an aggregate of individually immaterial transactions

#### 15. Subsequent Events

##### *Sequential Technology International, LLC*

Subsequent to March 31, 2020, the Company agreed to divest its equity interest in STIN. Please refer to **Note 6. Investments in Affiliates and Related Transactions** of this Quarterly Report on Form 10-Q for further detail.

##### *Preferred Dividends*

Subsequent to March 31, 2020, the Company paid in-kind the accrued Preferred Dividends of \$8.2 million.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. The following discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes included in Item 1 "Financial Information" of this Form 10-Q.*

*The words "Synchronoss," "we," "our," "ours," "us," and the "Company" refer to Synchronoss Technologies, Inc. and its consolidated subsidiaries. This quarterly report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties and are based on the beliefs and assumptions of our management based on information currently available to our management. Use of words such as "believes," "expects," "anticipates," "intends," "plans," "hopes," "should," "continues," "seeks," "likely" or similar expressions, indicate a forward-looking statement. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions, including, but not limited to, risks, uncertainties and assumptions relating to the duration and severity of the COVID-19 pandemic and its impact on our business and financial performance. Actual results may differ materially from the forward-looking statements we make. We caution investors not to place substantial reliance on the forward-looking statements included in this quarterly report. These statements speak only as of the date of this quarterly report, and we undertake no obligation to update or revise the statements in light of future developments. All numbers are expressed in thousands unless otherwise stated.*

### **Overview**

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 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 the Company's customers 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 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 its solutions and services directly through its sales organizations in North America, Europe and Asia-Pacific.

### **Impacts of the Recent Novel Coronavirus (COVID-19)**

This disclosure discusses the actions the Company has taken in response to the COVID-19 crisis and the impacts that the situation has had on our business, as well as related known or expected trends.

COVID-19 was identified in China in late 2019 and has since spread throughout the world, including throughout the United States (U.S.). COVID-19 has resulted in authorities implementing numerous preventative measures to contain or mitigate the outbreak of the virus, such as travel bans and restrictions, limitations on business activity, quarantines, and shelter-in-place orders.

These restrictions and our responses to them are impacting our customers and their use of our products and services. In addition, governments have imposed a wide variety of consumer protection measures that limit how certain businesses, including TMT companies, can operate their businesses and interact with their customers. The crisis and governmental responses to the crisis have also resulted in a slowdown of global economic activity, which has impacted our customers. As a result, prior trends in our business may not be applicable to our operations during the pendency of the crisis.

The impact of COVID-19 for the remainder of the year and beyond will depend significantly on the duration and potential cyclicity of the health crisis and the related public policy actions, additional initiatives we undertake in response to employee, market or regulatory needs or demands, the length and severity of the global economic slowdown, and whether and how our customers change their behaviors over the longer term. As a result, the demand for our products and services, as well as our overall results of operations, may be materially and adversely impacted by the pandemic for the duration of 2020 or longer, and we are unable to predict the duration or degree of such impact with any certainty.

In response to COVID-19, we have been executing our business continuity plans and evolving our operations to protect the safety of our employees while continuing to provide critical products and services to our customers. Some of the initiatives the Company has undertaken include:

- Working with our customers to continue to provide our products and services through the pandemic
- Enhancing our safety protocols moving the majority of our employees to remote work arrangements
- Adjusting business operations to address circumstances created by COVID-19
- Maintaining effective governance and internal controls in a remote work environment

As the crisis continues, we may revise our approach to these initiatives or take additional actions to meet the needs of our employees, customers and the Company and to continue to provide our products and services.

### **Revenues**

We generate a majority of our revenues on a per transaction or subscription basis, which is derived from contracts that extend up to 60 months from execution.

The future success of our business depends on the continued growth of Business-to-Business and Business-to-Business-to-Consumer driving customer transactions, and continued expansion of our platforms into the TMT Market globally through Cloud, Messaging, Digital Transformation and Internet of Things (“IoT”) markets. As such, the volume of transactions and our ability to expand our footprint in TMT and globally may result in revenue fluctuations on a quarterly basis.

Most of our revenues are recorded in U.S. dollars but as we continue to expand our footprint with international carriers, we will become subject to currency translation that could affect our future net sales as reported in U.S. dollars.

Our top five customers accounted for 74.7% and 66.0% of net revenues for the three months ended March 31, 2020 and March 31, 2019, respectively. Contracts with these customers typically run for three to five years. Of these customers, Verizon accounted for more than 10% of our revenues in 2020 and 2019. The loss of Verizon as a customer would have a material negative impact on our company. However, we believe that the costs incurred and subscriber disruption by Verizon to replace Synchronoss’ solutions would be substantial.

### **Current Trends Affecting Our Results of Operations**

As the full impact of the COVID-19 pandemic on our business continues to develop, we are actively monitoring the global situation. The extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers and our sales cycles, impact on our business operations, impact on our customer, employee or industry events, and effect on our vendors, all of which are uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may impact our business, financial condition or results of operations is uncertain, but may include, without limitation, impacts to our paying user growth as well as disruptions to our business operations as a result of travel restrictions, shutdown of workplaces and potential impacts to our vendors. Additionally, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency

exchange rates relative to U.S. dollars, our reporting currency, as well as changes in interest rates. Volatile market conditions arising from the COVID-19 pandemic have and may continue to negatively impact our results of operations and cash flows, due to a weakening of foreign currencies relative to the U.S. dollar, which may cause our revenues to decline relative to our costs.

Business from our Synchronoss Personal Cloud solution has been driven by the growth in mobile devices globally that are becoming content rich. As these devices replace other traditional devices like PCs, the ability to securely back up content from mobile devices, sync it with other devices and share it with family, friends and business associates have become essential needs and subscriber expectations. Such devices include smartphones, connected cars, personal health and wellness devices and connected home devices. The need for the contents of these devices to be stored in a common cloud are also expected to be drivers of our business in the longer term.

Business from our traditional Synchronoss Messaging business has been driven by a resurgence in the need for white label secure messaging platforms that favor the Mobile Network Operator's ("MNO") business objectives and are not beholden to the objectives of a sponsoring over-the-top ("OTT") platform. We believe that messaging drives higher subscriber engagement than any other application in the market today and holds the potential to stimulate new revenue from traditional services and third-party brands. OTT global success has driven MNOs to look at opportunities to preempt and compete with the OTTs which has potential opportunity for Synchronoss' future growth to be driven by the need of TMT companies including (and especially) MNOs to embrace Messaging as a Platform ("MaaP"). MaaP will allow TMT and MNO's to converse with subscribers in an efficient, automated way by streamlining the costs and increasing the effectiveness of self-care, as well as yielding cross-sell upselling of service plans, devices, bundles, etc.. The Synchronoss Advanced Messaging Platform provides state of the art RCS-driven features including the ability to support advanced Peer to Peer communications and introduce new revenue streams driven by commerce and advertising via Application-to-Person capabilities.

Companies in the TMT market all face the dilemma of attempting to pivot their businesses to digital execution in order to create experiences that meet the expectations of their subscribers, generate new revenues and streamline costs creating healthier margins at a faster time to market than they have ever operated before. Their challenges feature the lack of skill sets to conceptualize and run day to day digital operations and the lack of resources to integrate their legacy back end systems to enact digital experiences that achieve their business objectives. The growth of Synchronoss Digital Platforms will be driven by the ability to provide TMT companies' desire to obtain digital transformation solutions as quickly as possible while educating them on the ability to operate a digital business efficiently. Our Platform as a Service ("PaaS") model provides a desirable alternative to heavy capital expenditure spending options often tried internally. The ability for our platforms to create low/no code, new customer digital journeys, virtually on the fly, gives TMT Companies the ability to operate new experiences and businesses without heavily investing in development resources.

Synchronoss Advanced Messaging, Cloud and Digital Platforms are poised to bring IoT initiatives to life across MNO and TMT companies creating new use cases that will help stimulate the commercial growth of the robust potential of the IoT market. As new devices and sensors come online in connected cities, Synchronoss, partnering with carriers like AT&T, has technology to unify and harness data from legacy systems; provide analytic insights that fuel automated communications, via our Advanced Messaging Platform between sensors, devices and people; and create a common storage reservoir with our secure Cloud. There is opportunity in many areas of the IoT ecosystem for Synchronoss to support utilizing our Activation, Cloud and Analytics tools.

To support our growth, which will be driven by these favorable industry trends mentioned above, we will leverage modular components from our existing software platforms to build new products. We believe that these opportunities will continue to provide future benefits and position us for future revenue growth. We are also making investments in research and development of new products designed to enable us to grow rapidly in the mobile wireless market. Our purchase of capital assets and equipment may also increase based on aggressive deployment, subscriber growth and promotional offers for free or bundled storage by our major Tier 1 carrier customers.

We continue to expand our platforms into the converging TMT, MNO, Digital and IoT spaces to enable connected devices to do more things across multiple networks, brands and communities. Our initiatives with AT&T, Verizon, Sprint, British Telecom, Softbank and other CSPs continue to grow both with regard to our current business as well as our new product offerings. We are also exploring additional opportunities through merger and acquisition activities to support our customer, product and geographic diversification strategies.

**Three months ended March 31, 2020 compared to the three months ended March 31, 2019**

The following table presents an overview of our results of operations for the three months ended March 31, 2020 and 2019 (in thousands):

	Three months ended March 31,		2020 vs 2019
	2020	2019	\$ Change
Net revenues	\$ 77,122	\$ 88,105	\$ (10,983)
Cost of revenues*	35,471	38,953	(3,482)
Research and development	19,788	19,681	107
Selling, general and administrative	26,344	29,246	(2,902)
Restructuring charges	1,450	421	1,029
Depreciation and amortization	11,356	20,143	(8,787)
Total costs and expenses	94,409	108,444	(14,035)
Loss from continuing operations	\$ (17,287)	\$ (20,339)	\$ 3,052

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

**Net revenues** decreased \$11.0 million to \$77.1 million for the three months ended March 31, 2020, compared to the same period in 2019. The decrease in revenue is primarily driven by the expiration of the STIN Cloud Telephony and Support services agreement and the sunset of certain legacy products.

**Cost of revenues** decreased \$3.5 million to \$35.5 million for the three months ended March 31, 2020, compared to the same period in 2019. The 2020 decrease was primarily due to cost savings initiatives implemented by the Company. These initiatives resulted in a significant decrease in cost of revenues driven mainly by data center consolidation and operating expense savings.

**Research and development** expense increased \$0.1 million to \$19.8 million for the three months ended March 31, 2020, compared to the same period in 2019. Research and development remained relatively flat against the comparable period.

**Selling, general and administrative** expense decreased \$2.9 million to \$26.3 million for the three months ended March 31, 2020, compared to the same period in 2019. The 2020 decrease was primarily driven by a continued effort to streamline external costs related to outside consultants and legal fees.

**Restructuring charges** were \$1.5 million and \$0.4 million for the three months ended March 31, 2020 and 2019, respectively, which primarily related to employment termination costs as a result of the work-force reductions initiated in the current year to reduce operating costs and align our resources with our key strategic priorities.

**Depreciation and amortization** expense decreased \$8.8 million to \$11.4 million for the three months ended March 31, 2020, compared to the same period in 2019. The 2020 decrease was primarily attributable to the expiration of amortizable acquired assets in combination with reduced capital expenditures mainly as a result of the data center consolidation efforts, partially offset by the increased amortization of capitalized software.

**Income tax.** The Company recognized approximately \$12.4 million and \$1.4 million in related income tax benefit during the three months ended March 31, 2020 and 2019, respectively. The effective tax rate was approximately 78.8% for the three months ended March 31, 2020. The effective tax rate was primarily driven by the Company's ability to recognize certain loss carrybacks as a result of the enactment of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in the first quarter. The Company's effective tax rate was approximately 6.6% for the three months ended March 31, 2019, which was lower than the U.S. federal statutory rate primarily due to the full valuation allowance recorded in the fourth quarter of 2018 and the tax benefits recorded discretely in the third quarter of 2018 from the expiration of the statute of limitations for uncertain tax positions and the reversal of a deferred tax liability related to a change in foreign tax residency.

## **Liquidity and Capital Resources**

As of March 31, 2020, our principal sources of liquidity have been cash provided by operations and capital from our revolving credit facility. Our cash, cash equivalents, marketable securities and restricted cash balance was \$30.9 million at March 31, 2020. We anticipate that our principal uses of cash, cash equivalents, and marketable securities will be to fund the expansion of our business through both organic growth and the expansion of our customer base. Uses of cash will also include technology expansion, capital expenditures, and working capital.

At March 31, 2020, our non-U.S. subsidiaries held approximately \$5.8 million of cash and cash equivalents that are available for use by our operations around the world. At this time, we believe the funds held by all non-U.S. subsidiaries will be permanently reinvested outside of the U.S. However, if these funds were repatriated to the U.S. or used for U.S. operations, certain amounts could be subject to U.S. tax for the incremental amount in excess of the foreign tax paid. Due to the timing and circumstances of repatriation of these earnings, if any, it is not practical to determine the unrecognized deferred tax liability related to the amount.

We believe that our existing cash, cash equivalents, marketable securities, credit facility, and our ability to manage working capital and expected positive cash flows generated from operations in combination with continued expense reductions will be sufficient to fund our operations for the next twelve months from the date of filing based on our current business plans. However, as the impact of the COVID-19 pandemic on the economy and our operations evolves, we will continue to assess our liquidity needs. Given the economic uncertainty as a result of the pandemic, we have taken actions to improve our current liquidity position, including, reducing working capital, reducing operating by and substantially reducing discretionary spending. Even with these actions however, an extended period of economic disruption as a result of COVID-19 could materially affect our business, results of operations, ability to meet debt covenants, access to sources of liquidity and financial condition. Our liquidity plans are subject to a number of risks and uncertainties, including those described in the "Forward-Looking Statements" section of this MD&A and Part I, Item 1A. "Risk Factors", some of which are outside of our control.

### ***Revolving Credit Facility***

During the quarter, the Company drew the \$10.0 million from our Revolving Credit Facility. For further details, see **Note 7. Debt** of the Notes to Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q.

### ***Share Repurchase Program***

There were no repurchases in 2020.

### ***Shares of Preferred Stock***

In accordance with the terms of the Share Purchase Agreement dated as of October 17, 2017 (the "PIPE Purchase Agreement"), with Silver Private Holdings I, LLC, an affiliate of Siris ("Silver"), on February 15, 2018, we issued to Silver 185,000 shares of our newly issued Series A Preferred Stock, par value \$0.0001 per share, with an initial liquidation preference of \$1,000 per share, in exchange for \$97.7 million in cash and the transfer from Silver to us of the 5,994,667 shares of our common stock held by Silver (the "Preferred Transaction"). In connection with the issuance of the Series A Preferred Stock, we (i) filed the Series A Certificate and (ii) entered into an Investor Rights Agreement with Silver setting forth certain registration, governance and preemptive rights of Silver with respect to us (the "Investor Rights Agreement"). Pursuant to the PIPE Purchase Agreement, at the closing, we paid to Siris \$5.0 million as a reimbursement of Silver's reasonable costs and expenses incurred in connection with the Preferred Transaction.

### Certificate of Designation of the Series A Preferred Stock

The rights, preferences, privileges, qualifications, restrictions and limitations of the shares of Series A Preferred Stock are set forth in the Series A Certificate. Under the Series A Certificate, the holders of the Series A Preferred Stock are entitled to receive Preferred Dividends. The Preferred Dividends are due on each Series A Dividend Payment Date. We may choose to pay the Preferred Dividends in cash or in additional shares of Series A Preferred Stock. In the event we do not declare and pay a dividend in-kind or in cash on any Series A Dividend Payment Date, the unpaid amount of the Preferred Dividend will be added to the Liquidation Preference. In addition, the Series A Preferred Stock participates in dividends declared and paid on shares of our common stock.

Each share of Series A Preferred Stock is convertible, at the option of the holder, into the number of shares of common stock equal to the "Conversion Price" (as that term is defined in the Series A Certificate) multiplied by the then applicable "Conversion Rate" (as that term is defined in the Series A Certificate). Each share of Series A Preferred Stock is initially convertible into 55.5556 shares of common stock, representing an initial "conversion price" of approximately \$18.00 per share of common stock. The Conversion Rate is subject to equitable proportionate adjustment in the event of stock splits, recapitalizations and other events set forth in the Series A Certificate.

On and after the fifth anniversary of February 15, 2018, holders of shares of Series A Preferred Stock have the right to cause the Company to redeem each share of Series A Preferred Stock for cash in an amount equal to the sum of the current liquidation preference and any accrued dividends. Each share of Series A Preferred Stock is also redeemable at the option of the holder upon the occurrence of a "Fundamental Change" (as that term is defined in the Series A Certificate) at a specified premium ("Liquidation Value"). In addition, the Company is also permitted to redeem all outstanding shares of the Series A Preferred Stock at any time (i) within the first 30 months of the date of issuance for the sum of the then-applicable Liquidation Preference, accrued but unpaid dividends and a make whole amount (known as "Redemption Value") and (ii) following the 30-month anniversary of the date of issuance for the sum of the then-applicable Liquidation Preference and the accrued but unpaid dividends. As of March 31, 2020, the Liquidation Value and Redemption Value of the Preferred Shares was \$243.1 million.

The holders of a majority of the Series A Preferred Stock, voting separately as a class, are entitled at each of our annual meetings of stockholders or at any special meeting called for the purpose of electing directors (or by written consent signed by the holders of a majority of the then-outstanding shares of Series A Preferred Stock in lieu of such a meeting): (i) to nominate and elect two members of our Board of Directors for so long as the Preferred Percentage (as defined in the Series A Certificate) is equal to or greater than 10%; and (ii) to nominate and elect one member of our Board of Directors for so long as the Preferred Percentage is equal to or greater than 5% but less than 10%.

For so long as the holders of shares of Series A Preferred Stock have the right to nominate at least one director, we are required to obtain the prior approval of Silver prior to taking certain actions, including: (i) certain dividends, repayments and redemptions; (ii) any amendment to our certificate of incorporation that adversely effects the rights, preferences, privileges or voting powers of the Series A Preferred Stock; (iii) issuances of stock ranking senior or equivalent to shares of Series A Preferred Stock (including additional shares of Series A Preferred Stock) in the priority of payment of dividends or in the distribution of assets upon any liquidation, dissolution or winding up of us; (iv) changes in the size of our Board of Directors; (v) any amendment, alteration, modification or repeal of the charter of our Nominating and Corporate Governance Committee of the Board of Directors and related documents; and (vi) any change in our principal business or the entry into any line of business outside of our existing lines of businesses. In addition, in the event that we are in EBITDA Non-Compliance (as defined in the Series A Certificate) or the undertaking of certain actions would result in us exceeding a specified pro forma leverage ratio, then the prior approval of Silver would be required to incur indebtedness (or alter any debt document) in excess of \$10.0 million, enter or consummate any transaction where the fair market value exceeds \$5.0 million individually or \$10.0 million in the aggregate in a fiscal year or authorize or commit to capital expenditures in excess of \$25.0 million in a fiscal year.

Each holder of Series A Preferred Stock has one vote per share on any matter on which holders of Series A Preferred Stock are entitled to vote separately as a class, whether at a meeting or by written consent. The holders of Series A Preferred Stock are permitted to take any action or consent to any action with respect to such rights without a meeting by delivering a consent in writing or electronic transmission of the holders of the Series A Preferred Stock entitled to cast not less than the minimum number of votes that would be necessary to authorize, take or consent to such action at a meeting of stockholders. In addition to any vote (or action taken by written consent) of the holders of the shares of Series A Preferred Stock as a separate class

provided for in the Series A Certificate or by the General Corporation Law of the State of Delaware, the holders of shares of the Series A Preferred Stock are entitled to vote with the holders of shares of common stock (and any other class or series that may similarly be entitled to vote on an as-converted basis with the holders of common stock) on all matters submitted to a vote or to the consent of the stockholders of the Company (including the election of directors) as one class.

Under the Series A Certificate, if Silver and certain of its affiliates have elected to effect a conversion of some or all of their shares of Series A Preferred Stock and if the sum, without duplication, of (i) the aggregate number of shares of our common stock issued to such holders upon such conversion and any shares of our common stock previously issued to such holders upon conversion of Series A Preferred Stock and then held by such holders, plus (ii) the number of shares of our common stock underlying shares of Series A Preferred Stock that would be held at such time by such holders (after giving effect to such conversion), would exceed the 19.9% of the issued and outstanding shares of our voting stock on an as converted basis (the "Conversion Cap"), then such holders would only be entitled to convert such number of shares as would result in the sum of clauses (i) and (ii) (after giving effect to such conversion) being equal to the Conversion Cap (after giving effect to any such limitation on conversion). Any shares of Series A Preferred Stock which a holder has elected to convert but which, by reason of the previous sentence, are not so converted, will be treated as if the holder had not made such election to convert and such shares of Series A Preferred Stock will remain outstanding. Also, under the Series A Certificate, if the sum, without duplication, of (i) the aggregate voting power of the shares previously issued to Silver and certain of its affiliates held by such holders at the record date, plus (ii) the aggregate voting power of the shares of Series A Preferred Stock held by such holders as of such record date, would exceed 19.99% of the total voting power of our outstanding voting stock at such record date, then, with respect to such shares, Silver and certain of its affiliates are only entitled to cast a number of votes equal to 19.99% of such total voting power. The limitation on conversion and voting ceases to apply upon receipt of the requisite approval of holders of our common stock under the applicable listing standards.

#### Investor Rights Agreement

Concurrently with the closing of the Preferred Transaction, Synchronoss and Silver entered into an Investor Rights Agreement. Under the terms of the Investor Rights Agreement, Silver and Synchronoss have agreed that, effective as of the closing of the Preferred Transaction, the Board of Directors of Synchronoss will consist of ten members. From and after the closing of the Preferred Transaction, so long as the holders of Series A Preferred Stock have the right to nominate a member to the Board of Directors pursuant to the Series A Certificate, the Board of Directors of Synchronoss will consist of (i) two directors nominated and elected by the holders of shares of Series A Preferred Stock; (ii) four directors who meet the independence criteria set forth in the applicable listing standards (each of whom will be initially agreed upon by Synchronoss and Silver); and (iii) four other directors, two of whom shall satisfy the independence criteria of the applicable listing standards and, as of the closing of the Preferred Transaction, one of whom shall be the individual then serving as chief executive officer of Synchronoss and one of whom shall be the current chairman of the Board of Directors of Synchronoss as of the date of execution of the Investors Rights Agreement. Following the closing of the Preferred Transaction, so long as the holders of Series A Preferred Stock have the right to nominate at least one director to the Board of Directors of Synchronoss pursuant to the Series A Certificate, Silver will have the right to designate two members of the Nominating and Corporate Governance Committee of the Board of Directors.

Pursuant to the terms of the Investor Rights Agreement, neither Silver nor its affiliates may transfer any shares of Series A Preferred Stock subject to certain exceptions (including transfers to affiliates that agree to be bound by the terms of the Investor Rights Agreement).

For so long as Silver has the right to appoint a director to the Board of Directors of Synchronoss, without the prior approval by a majority of directors voting who are not appointed by the holders of shares of Series A Preferred Stock, neither Silver nor its affiliates will directly or indirectly purchase or acquire any debt or equity securities of Synchronoss (including equity-linked derivative securities) if such purchase or acquisition would result in Silver's Standstill Percentage (as defined in the Investor Rights Agreement) being in excess of 30%. However, the foregoing standstill restrictions would not prohibit the purchase of shares pursuant to the PIPE Purchase Agreement or the receipt of shares of Series A Preferred Stock issued as Preferred Dividends pursuant to the Series A Certificate, shares of Common Stock received upon conversion of shares of Series A Preferred Stock or receipt of any shares of Series A Preferred Stock, Common Stock or other securities of the Company otherwise paid as dividends or as an increase of the Liquidation Preference (as defined in the Series A Certificate) or



distributions thereon. Silver will also have preemptive rights with respect to issuances of securities of Synchronoss in order to maintain its ownership percentage.

Under the terms of the Investor Rights Agreement, Silver will be entitled to (i) three demand registrations, with no more than two demand registrations in any single calendar year and provided that each demand registration must include at least 10% of the shares of Common Stock held by Silver, including shares of Common Stock issuable upon conversion of shares of Series A Preferred Stock and (ii) unlimited piggyback registration rights with respect to primary issuances and all other issuances.

### Discussion of Cash Flows

A summary of net cash flows follows (in thousands):

	Three Months Ended March 31,		Change
	2020	2019	2020 vs 2019
Net cash provided by (used in):			
Operating activities	\$ (15,016)	\$ (5,684)	\$ (9,332)
Investing activities	(2,823)	9,598	(12,421)
Financing activities	9,996	(23,461)	33,457

Our primary source of cash is receipts from revenue. The primary uses of cash are personnel and related costs, telecommunications and facility costs related primarily to our cost of revenue and general operating expenses including professional service fees, consulting fees, building and equipment maintenance and marketing expense.

**Cash flows from operating activities** for the three months ended March 31, 2020 was \$15.0 million cash used in operating activities, as compared to \$5.7 million of cash used in operating activities for the same period in 2019. The increase of cash used by operating activities of \$9.3 million was primarily due to favorable changes in cash earnings of \$4.9 million in 2020 vs 2019 and an unfavorable change in working capital of \$14.3 million.

**Cash flows from investing** for the three months ended March 31, 2020 was \$2.8 million cash used for investing, as compared to \$9.6 million in cash provided by investing activities during the same period in 2019. The cash used for investing in the current year was primarily related to the purchase of fixed assets and investment in capitalized software offset by the sale of certain IP address assets. The net decrease in cash from investing activities from the prior year mainly related to the net proceeds from the purchases and sales of marketable securities in the prior year that were not present in the current period.

**Cash flows from financing** for three months ended March 31, 2020 was \$10.0 million of cash provided, as compared to \$23.5 million of cash used by financing activities for the same period in 2019. The cash provided from investing activities was attributable to the \$10.0 million drawdown from our Revolving Credit Facility in the current quarter. The net change in cash provided from financing activities from the prior year is primarily attributable to the cash provided from the Revolving Credit Facility in the current quarter offset by first quarter repayments for our Convertible Senior Notes in 2019.

### Effect of Inflation

Although inflation generally affects us by increasing our cost of labor and equipment, we do not believe that inflation has had any material effect on our results of operations during 2020 and 2019. We do not expect the current rate of inflation to have a material impact on our business.

## Contractual Obligations

Our contractual obligations consist of contingent consideration, office equipment and colocation services and contractual commitments under third-party hosting, software licenses and maintenance agreements. The following table summarizes our long-term contractual obligations as of March 31, 2020 (in thousands).

	Payments Due by Period				
	Total	2020	2021-2023	2024-2025	Thereafter
Revolving Credit Facility	\$ 10,000	\$ 10,000	\$ —	\$ —	\$ —
Interest	18	18	—	—	—
Operating lease obligations	90,067	10,242	35,715	20,163	23,947
Purchase obligations *	25,317	19,628	5,689	—	—
<b>Total</b>	<b>\$ 125,402</b>	<b>\$ 39,888</b>	<b>\$ 41,404</b>	<b>\$ 20,163</b>	<b>\$ 23,947</b>

\* Amount represents obligations associated with colocation agreements and other customer delivery related purchase obligations.

## Uncertain Tax Positions

Unrecognized tax positions of \$3.5 million at March 31, 2020 are excluded from the table above as we are not able to reasonably estimate when we would make any cash payments required to settle these liabilities, but we do not believe that the ultimate settlement of our obligations will materially affect our liquidity. We do not expect that the balance of unrecognized tax benefits will significantly increase or decrease over the next twelve months.

## Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and accompanying notes have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements in accordance with U.S. GAAP requires us to utilize accounting policies and make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during a fiscal period. The SEC considers an accounting policy to be critical if it is important to a company's financial condition and results of operations, and if it requires significant judgment and estimates on the part of management in its application.

These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable, including but not limited to the potential impacts arising from COVID-19 and public and private sector policies and initiatives aimed at reducing its transmission. As the extent and duration of the impacts from COVID-19 remain unclear, the Company's estimates and assumptions may evolve as conditions change. Actual results could differ significantly from those estimates. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected. See Part II, "Item 1A. Risk Factors" in this Form 10-Q for certain matters bearing risks on our future results of operations.

During the three months ended March 31, 2020, the Company made changes in its accounting policies over Accounting Standards Update No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. These updates are described in detail in **Note 2. Basis of Presentation and Consolidation**. Aside from the adoption of Topic 326, there were no significant changes in our critical accounting policies and estimates discussed in our Form 10-K for the year ended December 31, 2019 during the three months ended March 31, 2020. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019 for a more complete discussion of our critical accounting policies and estimates.

## Recently Issued Accounting Standards

For a discussion of recently issued accounting standards see *Note 2. Basis of Presentation and Consolidation* included in Part I, Item 1. “Notes to Condensed Consolidated Financial Statements (unaudited)” of this Quarterly Report on Form 10-Q.

## Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 31, 2020 and December 31, 2019 that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Market Risk

The following discussion about market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We deposit our excess cash in what we believe are high-quality financial instruments, primarily money market funds and certificates of deposit and, we may be exposed to market risks related to changes in interest rates. We do not actively manage the risk of interest rate fluctuations on our marketable securities; however, such risk is mitigated by the relatively short-term nature of these investments. These investments are denominated in United States dollars.

The primary objective of our investment activities is to preserve our capital for the purpose of funding operations, while at the same time maximizing the income, we receive from our investments without significantly increasing risk. To achieve these objectives, our investment policy allows us to maintain a portfolio of cash equivalents and short- and long-term investments in a variety of securities, which could include commercial paper, money market funds and corporate and government debt securities. Our cash, cash equivalents and marketable securities at March 31, 2020 and December 31, 2019 were invested in liquid money market accounts, certificates of deposit and government securities. All market-risk sensitive instruments were entered into for non-trading purposes.

### Foreign Currency Exchange Risk

We are exposed to translation risk because certain of our foreign operations utilize the local currency as their functional currency and those financial results must be translated into U.S. dollars. As currency exchange rates fluctuate, translation of the financial statements of foreign businesses into U.S. dollars affects the comparability of financial results between years.

We do not hold any derivative instruments and do not engage in any hedging activities. Although our reporting currency is the U.S. dollar, we may conduct business and incur costs in the local currencies of other countries in which we may operate, make sales and buy materials and services. As a result, we are subject to foreign currency transaction risk. Further, changes in exchange rates between foreign currencies and the U.S. dollar could affect our future net sales, cost of sales and expenses and could result in foreign currency transaction gains or losses.

We cannot accurately predict future exchange rates or the overall impact of future exchange rate fluctuations on our business, results of operations and financial condition. To the extent that our international activities recorded in local currencies increase in the future, our exposure to fluctuations in currency exchange rates will correspondingly increase and hedging activities may be considered if appropriate.

### Interest Rate Risk

We are exposed to the risk of interest rate fluctuations on the interest income earned on our cash and cash equivalents. A hypothetical 100 basis point movement in interest rates applicable to our cash and cash equivalents outstanding at March 31, 2020 would increase interest income by approximately \$0.3 million on an annual basis.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **Evaluation of Disclosure Controls and Procedures**

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934), as of the end of the period covered by this quarterly report, that ensure that information relating to the registrant which is required to be disclosed in this report is recorded, processed, summarized and reported within required time periods using the criteria for effective internal control established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the registrant's disclosure controls and procedures were effective as of March 31, 2020.

##### **Changes in Internal Control Over Financial Reporting**

We completed an implementation of a new enterprise resource planning, or ERP, system during the first quarter of 2020. The ERP system replaced or enhanced certain internal financial, operating and other systems that are critical to our business operations. The ERP implementation affected the processes that constitute our internal control over financial reporting. Management has taken steps to ensure that appropriate controls were designed and implemented as the new ERP system was implemented.

With the exception of the ERP implementation described above, there were no changes in the Company's internal control over financial reporting that occurred during the quarterly period ended March 31, 2020 that have materially affected, or are reasonably likely to materially effect, the Company's internal control over financial reporting.

##### **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

For a discussion of our material pending legal proceedings that could impact our results of operations, financial condition or cash flows see **Note 13. Commitments, Contingencies and Other** included in Part I, Item 1. “Notes to Condensed Consolidated Financial Statements (unaudited)” of this Quarterly Report on Form 10-Q.

### **ITEM 1A. RISK FACTORS**

Except as stated below, there have been no material changes to our risk factors as previously disclosed in Part I, Item 1A. included in our Annual Report on Form 10-K for the year ended December 31, 2019. In addition, the impacts of COVID-19 and any worsening of the economic environment may exacerbate the risks described below and in our Annual Report on Form 10-K for the year ended December 31, 2019, any of which could have a material impact on us.

#### **Operational Risks**

Public health crises, including the recent novel coronavirus (COVID-19) outbreak, could materially adversely affect our business, financial condition and results of operations. Our business is based on our ability to provide products and services to customers throughout the United States and around the world and the ability of those customers to utilize and pay for those products and services for their businesses. As a result, our business could be materially adversely affected by a crisis, like the COVID-19 outbreak, that significantly impacts our current and potential customers and vendors. In addition, such a crisis could significantly increase the probability or consequences of the risks our business faces in ordinary circumstances, such as risks associated with our supplier and vendor relationships, risks of an economic slowdown, regulatory risks, and the costs and availability of financing. Because the severity, magnitude and duration of the COVID-19 outbreak and its economic consequences are uncertain and rapidly changing, the impact on our business, financial condition and results of operations remains uncertain and difficult to predict. In addition, the ultimate impact of the COVID-19 outbreak on our business, financial condition and results of operations depends on many factors, including those discussed above, that are not within our control.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

### **ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">Restated Certificate of Incorporation of the Registrant, incorporated by reference to Registrant's Registration Statement on Form S-1 (Commission File No. 333-132080).</a>
3.2	<a href="#">Amended and Restated Bylaws of the Registrant, incorporated by reference to Registrant's Registration Statement on Form S-1 (Commission File No. 333-132080).</a>
3.3	<a href="#">Amendment No. 1 to Amended and Restated Bylaws of Registration, incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on February 20, 2018.</a>
10.1	<a href="#">Release Agreement dated as of April 22, 2020 between the Registrant and Mary Clark.</a>
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>
32.1	<a href="#">Certification of Principal Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and section 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>
32.2	<a href="#">Certification of Principal Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and section 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

**SIGNATURES**

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Synchronoss Technologies, Inc.

*/s/ Glenn Lurie*

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**Glenn Lurie**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

*/s/ David Clark*

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David Clark  
**Chief Financial Officer**

May 21, 2020

## RELEASE AGREEMENT

This Release Agreement (the “Agreement”) is dated as of April 22, 2020 by and between Synchronoss Technologies, Inc. (the “Company”) and Mary Clark.

**WHEREAS**, you are a Tier 1 Executive of the Company and subject to the Tier 1 Executive Plan (the “Executive Plan”), which was communicated to you in writing on or about April 6, 2018; and

**WHEREAS**, you and the Company have agreed that your employment will be terminated without “Cause” (as defined in the Executive Plan) from your position as Chief Product Officer and CMO, effective as of the Separation Date (as defined below).

**NOW, THEREFORE**, in consideration of the promises and mutual covenants contained herein, the Parties hereby agree as follows:

- 1. Termination.** You agree to continue to serve as Chief Product Officer and CMO of the Company until May 1, 2020 (the “Separation Date”). As of the Separation Date, you hereby resign as an officer of the Company and from any position you hold at any of its subsidiaries, affiliates and joint ventures (collectively, the “Affiliates”), to the extent applicable. You confirm and agree that your employment with the Company will be terminated effective as of the Separation Date. To the extent that the Company has not already done so, the Company shall pay to you within seven (7) business days of the Separation Date a lump-sum amount equal to any accrued and unpaid salary.
- 2. Severance Benefits.** In consideration of the execution of this Agreement, the Company agrees to pay you severance in the amount of **\$849,188.00**, less all applicable federal and state tax withholdings. Provided you sign and do not revoke this Agreement as set forth in Section 12 below, this severance will be paid to you as follows:
  - (a) **Semi-Monthly Payments.** The Company agrees to pay you **\$540,750.00**, less all applicable federal and state withholdings, in equal semi-monthly payments, commencing on the May 15, 2020 pay date or the first pay date immediately following the Effective Date of this Agreement, whichever occurs later in time, and continuing for thirty-five (35) successive pay dates thereafter.
  - (b) **Lump Sum Payment.** In addition to the foregoing, the Company agrees to pay you **\$308,438.00**, less all applicable federal and state withholdings, in a lump sum payment on March 15, 2021.
- 3. Benefits.** Your current group health insurance coverage will continue through May 31, 2020. No later than the 7<sup>th</sup> business day following the Effective Date of this Agreement, the Company will pay you a lump sum payment equal to **\$11,937.00**, representing the employer portion of your health insurance premiums for a period of 12 months, which shall be reported as wages for purposes of Federal income tax.



**4. Release of Claims.**

(a) You voluntarily and irrevocably release and discharge the Company, each related or affiliated entity, employee benefit plans, and the predecessors, successors, and assigns of each of them, and each of their respective current and former officers, directors, shareholders, employees, and agents (any and all of which are referred to as “Releasees”) generally from all charges, complaints, claims, promises, agreements, causes of action, damages, and debts that relate in any manner to your employment with or services for the Company, known or unknown (“Claims”), which you have, claim to have, ever had, or ever claimed to have had against any of the Releasees through the date on which you execute this Agreement. This general release of Claims includes, without implication of limitation, all Claims related to the compensation provided to you by the Company, your decision to resign from your employment, your termination of employment with the Company, your resignation from directorships, offices and other positions with the Company, or your activities on behalf of the Company, including, without implication of limitation, any Claims of wrongful discharge, breach of contract, breach of an implied covenant of good faith and fair dealing, tortious interference with advantageous relations, any intentional or negligent misrepresentation, and unlawful discrimination or deprivation of rights under the common law or any statute or constitutional provision (including, without implication of limitation, the Employee Retirement Income Security Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act and the Americans with Disabilities Act. You also waive any Claim for reinstatement, damages of any nature, severance pay, attorney’s fees, or costs.

(b) You agree that you will not hereafter pursue any Claim against any Releasee, by filing a lawsuit in any local, state or federal court for or on account of anything which has occurred up to the present time as a result of your previous employment and you shall not seek reinstatement, damages of any nature, severance pay, attorney’s fees, or costs, provided, however, that nothing in this general release shall be construed to include a release of Claims that (i) arise from the Company’s obligations under this Agreement, the Executive Plan, any equity award/grant agreements (of whatever name or kind), and any shareholder agreements between you and the Company, (ii) relate to your status as a shareholder in the Company, (iii) relate to Section 1(d) of the Executive Plan, (iv) relate to the Company’s obligation to defend and indemnify you under the Company’s certificate of incorporation and by-laws, Delaware law and any applicable directors and officers liability insurance policy, and (v) cannot be released as a matter of law. You represent you have not assigned to any third party and you have not filed with any agency or court any Claim released by this Agreement.

**5. Exceptions.** You are not releasing any claim that cannot be waived under applicable state or federal law, and you are not releasing any rights that you have to be indemnified (including any right to reimbursement of expenses) arising under applicable law, the certificate of incorporation or by-laws (or similar constituent documents of the Company), any indemnification agreement between you and the Company, or any directors’ and officers’ liability insurance policy of the Company. You understand that nothing contained in this Agreement limits your ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the

Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission (“Government Agencies”). Notwithstanding any provision in this Agreement or any other agreement between you and the Company, you may communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit your right to receive an award for information provided to any Government Agencies. However, you understand and agree that you shall not be entitled to, and shall not seek nor permit anyone to seek on your behalf, any personal, equitable or monetary relief for any claims or causes of action released by you in this Agreement, to the fullest extent permitted by law.

**6. Proprietary Information/Confidentiality.** You agree and acknowledge your ongoing covenants under the Proprietary Information and Inventions Agreement you executed in connection with your employment. You agree that you will not discuss your employment by the Company or circumstances of your departure with any non-governmental entity or person (other than information that is publicly available in connection with the Company’s filings with the Securities and Exchange Commission) unless (i) required to do so by a court of law, by any governmental agency having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with jurisdiction to order you to divulge, disclose or make accessible such Confidential Information; provided that you shall give prompt written notice to the Company of such requirement, disclose no more information than is so required, and reasonably cooperate with any attempts by the Company to obtain a protective order or similar treatment and (ii) to your spouse, attorney and/or personal tax and financial advisors as reasonably necessary or appropriate to assist in your tax, financial and other personal planning (each an “Exempt Person”), provided, however, that any disclosure or use of Confidential Information by an Exempt Person shall be deemed to be a breach of this Section 6 by you. In the event this Section 6 is breached by you at any time, then the Company shall have the right to terminate this Agreement and the parties agree that in such event no payments shall be paid to you under this Agreement including but not limited to Section 2 or 3.

**7. Return of Property.** All documents, records, material and all copies of any of the foregoing pertaining to Company confidential information, and all software, equipment, and other supplies, whether or not pertaining to confidential information, that have come into your possession or been produced by you in connection with your employment or performance of the (“Property”) have been and remain the sole property of the Company and you confirm that you have returned to the Company all Property. In no event should this provision be construed to require you to return to the Company any document or other materials concerning your remuneration and benefits during your employment with the Company.

**8. Litigation Cooperation.** You agree to fully cooperate with the Company in the defense or prosecution of any claims or actions which already have been brought or which may be brought in the future against or on behalf of the Company which relate to events or occurrences that you were involved in or which you gained knowledge of during your employment with the Company. Your cooperation in connection with such claims or actions shall include, without implication of limitation, being available to meet with counsel to prepare for discovery or trial

and to testify truthfully as a witness when reasonably requested by the Company, at reasonable times. You agree that you will not voluntarily disclose any information to any non-governmental person or party that is adverse to the Company and that you will maintain the confidences and privileges of the Company.

**9. Protective Covenants.** You acknowledge and affirm the ongoing validity of the protective covenants set forth in Section 6 of the Executive Plan which covenants are incorporated herein by this reference. You acknowledge and affirm the Company's right to seek injunctive relief as provided in Section 6 of the Executive Plan to restrain any violations under Section 6 of the Executive Plan.

**10. Nondisparagement.** You agree not to make any disparaging statements concerning the Company or any of its affiliates, subsidiaries or current or former officers, directors, shareholders, employees or agents. The Company shall not, and shall cause its officers, directors, and Investor Relations personnel not to, (a) make any disparaging statements concerning you or your performance as an executive officer of the Company, and/or (b) take any action or make any statement, orally or in writing, which disparages or criticizes you or that would harm your reputation.

**11. Notices, Acknowledgments and Other Terms.** You are advised to consult with an attorney before signing this Agreement. This Agreement and the Executive Plan set forth the entire agreement between you and the Company, and all previous agreements, or promises between you and the Company relating to the subject matter of this Agreement and the Executive Plan are superseded, null, and void, with the exception of any equity grant/award agreements (of whatever name or kind), shareholder agreements, and indemnification agreements between you and the Company, the terms of which remain in full force and effect; provided that nothing in this Agreement shall supersede Section 5(c) of the Executive Plan in the event that a Change in Control (as defined in the Executive Plan) of the Company occurs within 120 days following the Separation Date.

**12. Consideration/Revocation.** You acknowledge that you have been given the opportunity, if you so desired, to consider this Agreement for 21 days before executing it. If not signed by you and returned to me so that the Company's general counsel receives it by close of business on the day next following the foregoing period, this Agreement will be invalid. In addition, if you breach any of the conditions of the Agreement within the 21-day period, the offer of this Agreement will be withdrawn and your execution of the Agreement will not be valid. In the event that you execute and return this Agreement in less than the 21-day period you have been provided, you acknowledge that such decision was entirely voluntary and that you had the opportunity to consider this letter agreement for the entire period. The Company acknowledges that for a period of seven days from the date of the execution of this Agreement, you shall retain the right to revoke this Agreement by written notice that the Company's General Counsel actually receive before the end of such period, and that this Agreement shall not become effective or enforceable until the later of the expiration of such revocation period or the Separation Date (the "Effective Date").

13. **Counterparts.** This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

**[Remainder of Page Intentionally Left Blank]**

**IN WITNESS WHEREOF**, each of the parties has executed this Agreement, in the case of the Company by their duly authorized officers, as of the day and year first above written.

**SYNCHRONOSS TECHNOLOGIES, INC.**

By: /s/ Glenn Lurie

Title: President and CEO

Accepted and agreed to:

/s/ Mary Clark April 22, 2020

**Mary Clark** Date

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)**

I, **Glenn Lurie**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Synchronoss Technologies, Inc. for the quarter ended March 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 21, 2020

/s/ Glenn Lurie

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**Glenn Lurie**  
**Chief Executive Officer**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 13a-14(a)**

I, David Clark, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Synchronoss Technologies, Inc. for the quarter ended March 31, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 21, 2020

/s/ David Clark

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**David Clark**  
**Chief Financial Officer**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Synchronoss Technologies, Inc. (the "Company") for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Glenn Lurie**, the Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being provided pursuant to 18 U.S.C. 1350 and is not to be deemed a part of the Report, nor is it to be deemed to be "filed" for any purpose whatsoever.

Date: May 21, 2020

/s/ Glenn Lurie

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**Glenn Lurie**  
**Chief Executive Officer**

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Synchronoss Technologies, Inc. (the "Company") for the quarter ended March 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Clark, the Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being provided pursuant to 18 U.S.C. 1350 and is not to be deemed a part of the Report, nor is it to be deemed to be "filed" for any purpose whatsoever.

Date: May 21, 2020

/s/ David Clark

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**David Clark**  
**Chief Financial Officer**

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.