



# Q3 2015 Earnings Call

**Synchronoss**

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# Forward Looking Statements.

Statements in this presentation that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. They include, for example, statements about our business outlook, assessment of market conditions, anticipated trends in our business strategies, future plans, future sales, prices for our major products, capital spending and tax rates. These forward-looking statements are not guarantees of future performance. They are based on management’s current expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. The risks and uncertainties relating to the forward-looking statements in this presentation include those described under the caption “Risk Factors” in Synchronoss Technologies, Inc. SEC filings including our most recent filed annual report on Form 10-K.

# Q3 Financial Summary 2015 Non-GAAP Results.

Exceeded \$600m annualized revenue run rate while growing 21% and delivering greater than 25% non-GAAP operating margins

## Revenue

Total Revenue of  
**\$151.3m**

**21%**  
Y/Y

Cloud Services  
Revenue of  
**\$76.1m**

**31%**  
Y/Y

Activation Services  
Revenue of  
**\$75.2m**

**11%**  
Y/Y

**Revenue composition:**  
**73%** transactional/  
subscription

## Operating Profit

Operating  
income margin of

**29%**

## EPS

EPS of  
**\$0.58**

**26%**  
Y/Y





# Synchronoss' progress on growth initiatives.

## Building a Billion Dollar Business



**CLOUD**



**ACTIVATION**



**INTERNATIONAL**



**ENTERPRISE**



# Personal cloud.

Proven and scalable solutions around the world

Exceeded  
**\$300 million**  
annualized revenue run rate

**31% YOY**

Growth driven by strong volumes as we scale our customers around the globe



Making good progress with AT&T's personal cloud offering - remain on track to deploy the first generation of our personal cloud platforms in the first half of 2016



Good early progress with T-Mobile, which is a new customer on our personal cloud platform as of last quarter. Mobile Content Transfer will begin launching in stores Q4 2015.



Moving into the cloud engagement and monetization phases with Verizon.





# Activation.

Synchronoss is a trusted partner that simplifies the mobile device activation and provisioning process at scale, to securely orchestrate new services.



Solid volumes  
from our North  
American  
Operators



AT&T Enterprise  
Business  
Broadband  
win for Order  
Management  
and Activation



Connected car  
wins at Land  
Rover and Jaguar  
via our AT&T  
relationship



Successful start  
supporting the  
new AT&T/DirectTV  
offerings



New  
international  
Activation wins

# International.

Synchronoss gains more traction in both Activation and Cloud as we move into new geographic regions

The Mobifone logo consists of the word "mobifone" in a lowercase, sans-serif font, with "mobi" in blue and "fone" in red.

Master services agreement signed to deploy Synchronoss Mobile Content Transfer™, Synchronoss Personal Cloud™ and Synchronoss Activation Services

Estimated value to exceed

**\$80 Million**

over the next 3 years

Approximately

**42 Million**

of country's 137M subscribers

The SingTel logo features a red square icon with a white swoosh, followed by the word "SingTel" in a bold, black, sans-serif font.

Recent Personal Cloud win at SingTel in the Philippines

The BT América Móvil logo includes the "BT" logo (a blue circle with a white "B" and "T") and the words "américa" and "móvil" in a blue, sans-serif font, with a colorful globe icon.

Additional international opportunities in other geographies that are in the very early stages, including America Movil and British Telecom



# Direct to Enterprise.

Carefully planned and worked over the last year

## 1. Comprehensive Market Analysis

- SNCR has established leverage with many existing assets
- Market needs better solutions as BYOD (Bring your own device) industry trends power forward
- Market needs a better platform as substandard experience has lowered enterprise adoption of BYOD programs

## 2. Execution and Results

- Established venture to expand mobile security IP and influence customers with anchor clients
- Partnership with best mobile security and risk consultants in the industry
- Recruited enterprise-focused executives with deep industry expertise in our target markets
- Established powerful customer advisory board with enterprise and mobile operator representatives





# New Venture to Drive Scale.

Synchronoss Forms New Venture to Develop  
Advanced Secure Mobility Solutions

## Synchronoss Venture Structure

- Leveraging technology contributed by Goldman Sachs
- Focused on establishing industry standards in secure mobility
- Synchronoss will leverage our mobile operator relationships to drive adoption and scale
- Initial focus will be on Communications, Financial Services, Life Sciences, and Healthcare
- Goldman Sachs holds a minority equity interest in the venture
- Additional equity may be used to attract new marquee target institutions to accelerate the success of the venture



# Introducing the Synchronoss Secure Mobility Suite™.

## SYNCHRONOSS ORBIT™



### Personal Information Management

Deliver secure mobile  
business messaging and  
collaboration services

## SYNCHRONOSS WORKSPACE™



### Mobile Content Management

Mobilize content with  
cross platform document  
access and workflow

## SYNCHRONOSS LAGOON™



### Mobile Data Protection

Containerize mobile  
apps with enhanced  
security and control



# Synchronoss Orbit™

## Secure Business Communications.



- Secure mobile client for corporate email, contacts, calendar, tasks, notes
- Integrated with document management and messaging
- Dual-factor authentication for enhanced identity management
- Secure intranet browsing without requiring a VPN
- Remote provisioning, policies and management

# Synchronoss WorkSpace™

## Simplified Document Workflow.

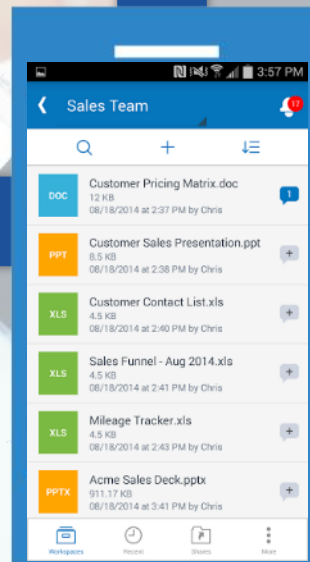
Enables employee productivity, collaboration, and sharing without sacrificing security.

### COLLABORATION & SHARING

- Centralized content collaboration
- Share files and folders internally and externally

### CROSS-PLATFORM FILE SYNC AND ACCESS

- Sync and access files on major platforms
- Create, copy, move, edit, and delete documents on-the-go



### SECURITY & CONTROL

- Administrative control over users, groups, shares, storage and settings
- Secure document hosting with access, network and data protection



# Synchronoss Lagoon™ Mobile Data Protection.

Containerized Business Apps on Employee Mobile Devices



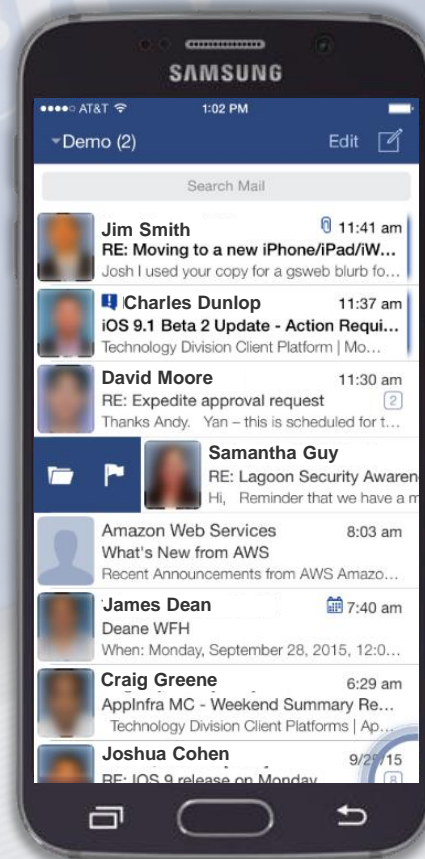
- **Secure Mobile App SDK & Wrapping:**
- Authentication & Single Sign On (SSO)
- Strong password policy & enforcement
- Data at rest and in transit encryption
- Securely share information between apps
- Enforce copy & paste restrictions
- Compromised mobile device detection
- Selectively wipe enterprise data



# Our First Global Investment Bank Client.



- Model similar to successful partnerships bringing together best in class partners in technology
- Anchor Client in Financial Services
- Other Major Banks expected as Venture grows





# Fully Experienced Management Team in Place Today.

- Dave Schuette is named EVP/President of the Enterprise Business (EB)
  - Dave has a very successful track record in starting and growing solutions oriented businesses that focus on enterprise clients...
  - ...and more specifically doing it with the industries that we will initially focus on due to the need to have more advanced mobility solutions like financial services, pharmaceuticals and healthcare companies...
- Experienced Technology leadership from Goldman Sachs will also move over to the new Synchronoss EB
- Initial EB Customer Advisory Board is also in place with executives from leading service providers and financial institutions

# Diversified Go-To-Market Strategy.

## Go-To-Market Channels



### Direct Sales

- Direct to Enterprise sales model
- Existing sales organization to initially target Mobile Operators customer base, Communications, Financial, Healthcare, and Life Sciences markets.



### Partner

- Goldman Sachs as anchor client and advocate for other major financial institutions
- Other partners are being recruited to solidify additional anchor customers and drive influence and network effect in the market
- Use partnership relationships to optimize a distribution model to maximize market share and meet profitability goals



### Mobile Operators

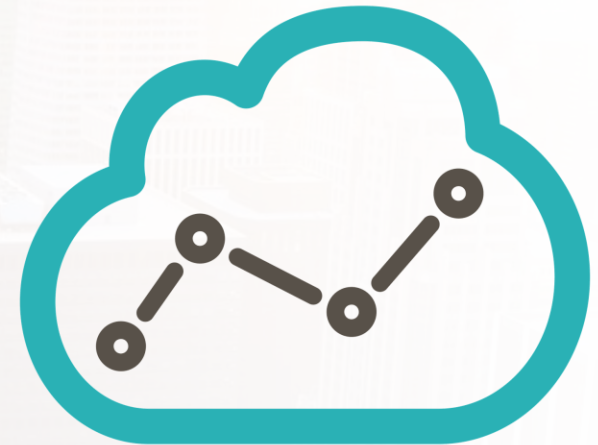
- Broader Synchronoss solutions footprint to sell to their enterprise customers
- Leverage Mobile Operator OEM relationships to preload Secure Mobile Suite™ on mobile devices to drive massive adoption
- Develop bundles that include mobile device + security to differentiated enterprise offerings



# Razorsight Acquisition.

*Advanced analytics to expand value proposition and customer relationships*

- Strategic technology acquisition of privately-held Razorsight
- Advanced data and analytics company that is focused on providing predictive analytics for the communications industry
- Helps operators proactively and precisely target subscriber acquisition, cross-sell their offerings, improve subscriber retention, and increase customer lifetime value
- Leverage massive amounts of data that Synchronoss collects
- Expect Razorsight capabilities to be highly applicable across our overall product offerings and client base







# Financial Results

**Synchronoss**

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# Financial Results.

	GAAP	Non-GAAP	Non-GAAP Highlights
Revenue	\$150.9m	\$151.3m	Up 21% YoY
Cloud Revenue	\$76.1m	\$76.1m	Up 31% YoY
Activation	\$74.8m	\$75.2m	Up 11% YoY
Gross Margin	\$87.4m	\$92.1m	61% GM
Operating Income	\$22.3m	\$43.2m	29% OM
EPS	\$0.21	\$0.58	Up 26% YoY

- 73% of our third quarter non-GAAP revenue came from recurring sources, namely transaction processing and subscription arrangements, while the other 27% came from non-recurring sources, namely professional services and licenses
- Balance Sheet – Cash, Cash Equivalents and Marketable Securities - \$227.0m compared to \$249.3m as of June 30<sup>th</sup>
- During the third quarter we generated \$15.4m in non-GAAP cash from operations, compared to the year ago period during which we generated \$25.3m
- On a year-to-date basis, we have generated \$64.6m of non-GAAP operating cash flow, which is up 41% compared to \$45.8m over the same time period last year

# Non-GAAP Financial Reconciliation

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Q1 2015	Q2 2015	Q3 2015
<b>GAAP Revenue</b>	\$ 165,969	\$ 229,084	\$ 273,692	\$ 349,047	\$ 457,314	\$ 132,926	\$ 137,820	\$ 150,874
Add: Deferred revenue write-down	4,277	1,387	1,484	3,460	1,299	179	38	475
<b>Non-GAAP Revenue</b>	<b>\$ 170,246</b>	<b>\$ 230,471</b>	<b>\$ 275,176</b>	<b>\$ 352,507</b>	<b>\$ 458,613</b>	<b>\$ 133,105</b>	<b>\$ 137,858</b>	<b>\$ 151,349</b>
<b>GAAP Revenue</b>	165,969	229,084	273,692	349,047	457,314	132,926	137,820	150,874
Less: Cost of services	83,217	106,595	115,670	146,238	184,414	53,655	54,920	63,438
<b>GAAP Gross Margin</b>	<b>82,752</b>	<b>122,489</b>	<b>158,022</b>	<b>202,809</b>	<b>272,900</b>	<b>79,271</b>	<b>82,900</b>	<b>87,436</b>
Add: Deferred revenue write-down	4,277	1,387	1,484	3,460	1,299	179	38	475
Add: Fair value stock-based compensation	4,057	4,981	4,244	5,184	5,924	1,482	1,603	1,884
Add: Acquisition and restructuring costs	—	15	73	252	31	—	898	2,304
Add: Deferred compensation expense - earn-out	81	432	482	257	16	—	—	—
<b>Non-GAAP Gross Margin</b>	<b>\$ 91,167</b>	<b>\$ 129,304</b>	<b>\$ 164,305</b>	<b>\$ 211,962</b>	<b>\$ 280,170</b>	<b>\$ 80,932</b>	<b>\$ 85,439</b>	<b>\$ 92,099</b>
Non-GAAP Gross Margin %	54%	56%	60%	60%	61%	61%	62%	61%
<b>GAAP income from operations</b>	9,303	18,369	41,458	34,894	62,298	18,289	23,638	22,294
Add: Deferred revenue write-down	4,277	1,387	1,484	3,460	1,299	179	38	475
Add: Fair value stock-based compensation	12,972	20,727	20,425	25,214	28,987	6,629	6,458	8,147
Add: Acquisition and restructuring costs	3,540	2,759	3,668	6,920	2,938	4,619	3,928	5,126
Add: Net change in contingent consideration obligation	4,295	2,954	(6,235)	(5,324)	1,799	—	—	—
Add: Deferred compensation expense - earn-out	1,164	3,903	1,658	909	1,783	—	—	—
Add: Amortization expense	1,185	2,640	7,360	15,404	18,953	5,175	6,150	7,184
<b>Non-GAAP income from operations</b>	<b>\$ 36,736</b>	<b>\$ 52,739</b>	<b>\$ 69,818</b>	<b>\$ 81,477</b>	<b>\$ 118,057</b>	<b>\$ 34,891</b>	<b>\$ 40,212</b>	<b>\$ 43,226</b>
Non-GAAP Operating Margin %	22%	23%	25%	23%	26%	26%	29%	29%
Add: Depreciation	8,218	12,099	16,452	25,722	37,003	9,660	10,482	12,570
<b>Non-GAAP EBITDA</b>	<b>\$ 44,954</b>	<b>\$ 64,838</b>	<b>\$ 86,270</b>	<b>\$ 107,199</b>	<b>\$ 155,060</b>	<b>\$ 44,551</b>	<b>\$ 50,694</b>	<b>\$ 55,796</b>
Non-GAAP EBITDA Margin %	26%	28%	31%	30%	34%	33%	37%	37%
GAAP net income attributable to common stockholders	3,874	15,126	27,083	23,351	38,895	10,561	15,154	9,645
Add: Deferred revenue write-down, net of tax	2,987	922	959	2,346	868	127	21	365
Add: Fair value stock-based compensation, net of tax	9,058	13,773	13,199	17,095	19,358	4,697	4,234	6,799
Add: Acquisition and restructuring costs, net of taxes	2,472	1,833	2,370	4,692	1,962	3,273	2,559	4,297
Add: Net change in contingent consideration obligation, net of Fx change, net of tax	2,999	1,963	(6,255)	(5,417)	1,855	—	—	—
Add: Deferred compensation expense - earn-out, net of tax	813	2,594	1,071	616	1,191	—	—	—
Add: Amortization expense, net of tax	827	1,754	4,756	10,444	12,657	3,666	4,060	5,983
<b>Non-GAAP net income</b>	<b>\$ 23,030</b>	<b>\$ 37,965</b>	<b>\$ 43,183</b>	<b>\$ 53,127</b>	<b>\$ 76,786</b>	<b>\$ 22,324</b>	<b>\$ 26,028</b>	<b>\$ 27,089</b>
Net Income attributable to Synchronoss	23,030	37,965	43,183	53,127	76,786	22,324	26,028	27,089
Add: After-tax interest on convertible debt	—	—	—	—	776	514	514	516
Net Income attributable to Synchronoss	23,030	37,965	43,183	53,127	77,562	22,838	26,542	27,605
<b>Diluted non-GAAP net income per share</b>	<b>\$ 0.70</b>	<b>\$ 0.98</b>	<b>\$ 1.10</b>	<b>\$ 1.33</b>	<b>\$ 1.79</b>	<b>\$ 0.49</b>	<b>\$ 0.56</b>	<b>\$ 0.58</b>
Weighted shares outstanding - Diluted	33,011	38,619	39,126	40,009	43,297	47,080	47,271	47,692
<b>GAAP net cash provided by (used in) operating activities</b>	<b>\$ 21,742</b>	<b>\$ 42,585</b>	<b>\$ 55,874</b>	<b>\$ 81,092</b>	<b>\$ 70,979</b>	<b>\$ (135)</b>	<b>\$ 41,902</b>	<b>\$ 14,625</b>
Add: Tax benefits from stock options exercised	2,361	3,575	6,920	2,961	1,203	1,981	1,917	812
Add: Cash payments on settlement of Earn-out	—	3,026	3,533	(6,133)	—	3,532	—	—
<b>Non-GAAP cash flow provided by operating activities</b>	<b>\$ 24,103</b>	<b>\$ 49,186</b>	<b>\$ 66,327</b>	<b>\$ 77,920</b>	<b>\$ 72,182</b>	<b>\$ 5,378</b>	<b>\$ 43,819</b>	<b>\$ 15,437</b>