

BUILDING BLOCKS FOR A DIGITAL FUTURE Q4 2018

SYNCHRONOSS OVERVIEW



SYNCHRONOSS COMPANY OVERVIEW



BUILDING BLOCKS FOR A DIGITAL FUTURE Q4 2018

Synchronoss fulfills an integral role in helping companies provide services to and enhancing interactions with their customers.

200+ Customers

1500 Employees

135+ Patents

2000

2004

2006

2007

2013

2018



Synchronoss is Founded



Supported AT&T
Wireless .COM



IPO on NASDAQ



Supported 1st iPhone Launch



Largest White Label Cloud



Honey Bee Acquisition

About Synchronoss

Mission

To help the world's leading companies deliver transformative customer experiences that create high value engagement and new monetization opportunities



Vision

With our help, the world's leading companies routinely create game changing interactions with their customers that were previously considered unachievable

World-Class Leadership Team



Glenn Lurie

Chief
Executive
Officer



Jeff Miller

Chief
Commercial
Officer



David Clark

Chief Financial
Officer



Mary Clark

Chief Product,
Marketing
Officer



Pat Doran

Chief
Technology
Officer



Ronald Prague

Chief Legal
Officer



Kevin Hunsaker

Chief People
Officer

28+ years of experience

- Previously President and CEO of AT&T's Mobility Operations
- Led Negotiations for 1st iPhone
- Led building of AT&T's IoT, Cricket – Flanker Brand, and Digital Life Businesses

30+ years of experience

- Previously President of Ideal Industries Technology Group
- VPGM Motorola North America

30+ years of experience

- Previously CFO of Nutrisystem (NASDAQ:NTRI)
- Suncom Wireless (NASDAQ:TPCS)
- The Meet Group (NASDAQ: MEET)

25+ years of experience

- Previously CMO and SVP of Roaming for Syniverse
- VP Cibernet

20+ years of experience

- Joined Synchronoss in 2002.
- Previously Agility Communications

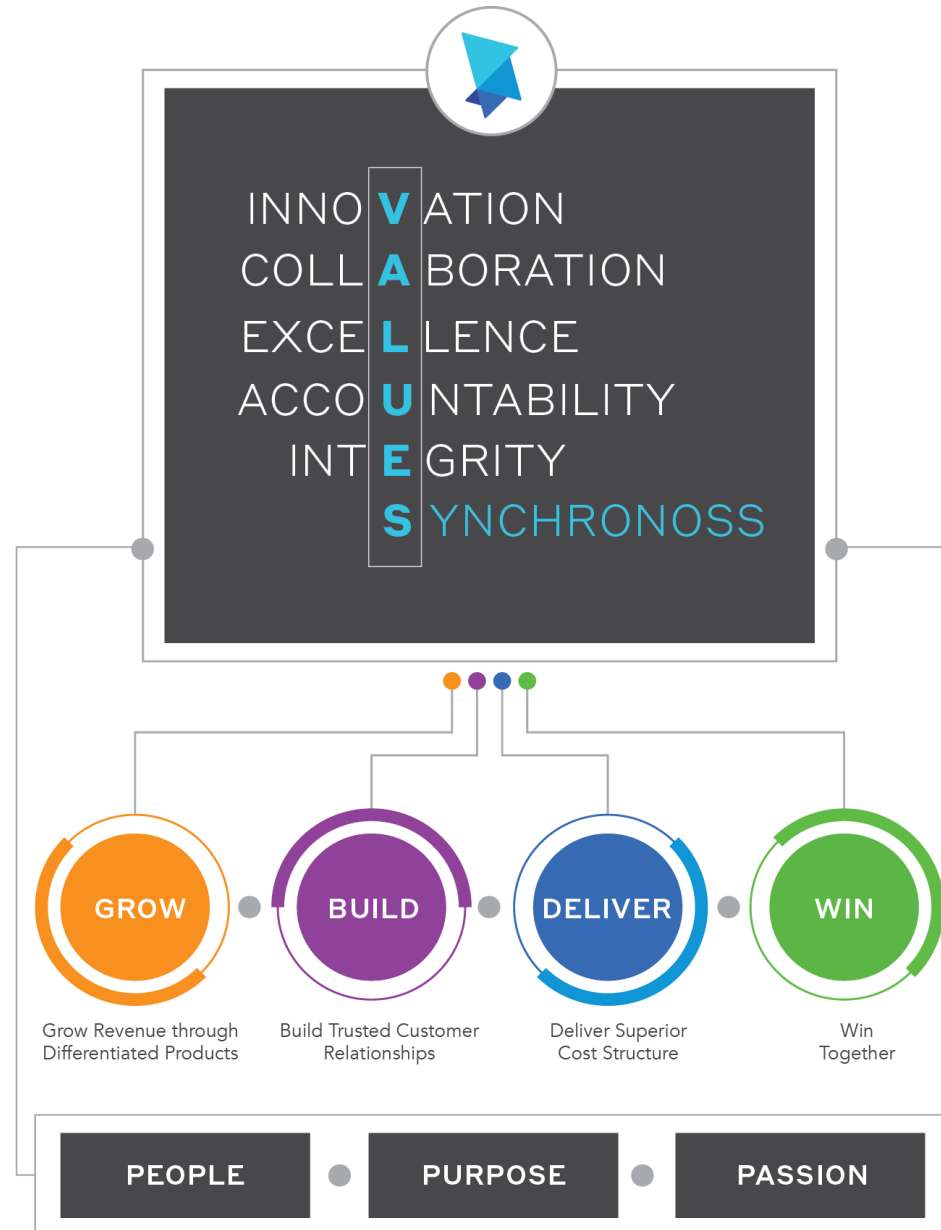
25+ years of experience

- Joined Synchronoss in 2006.
- Previously Group Counsel, Intel

25+ years of experience

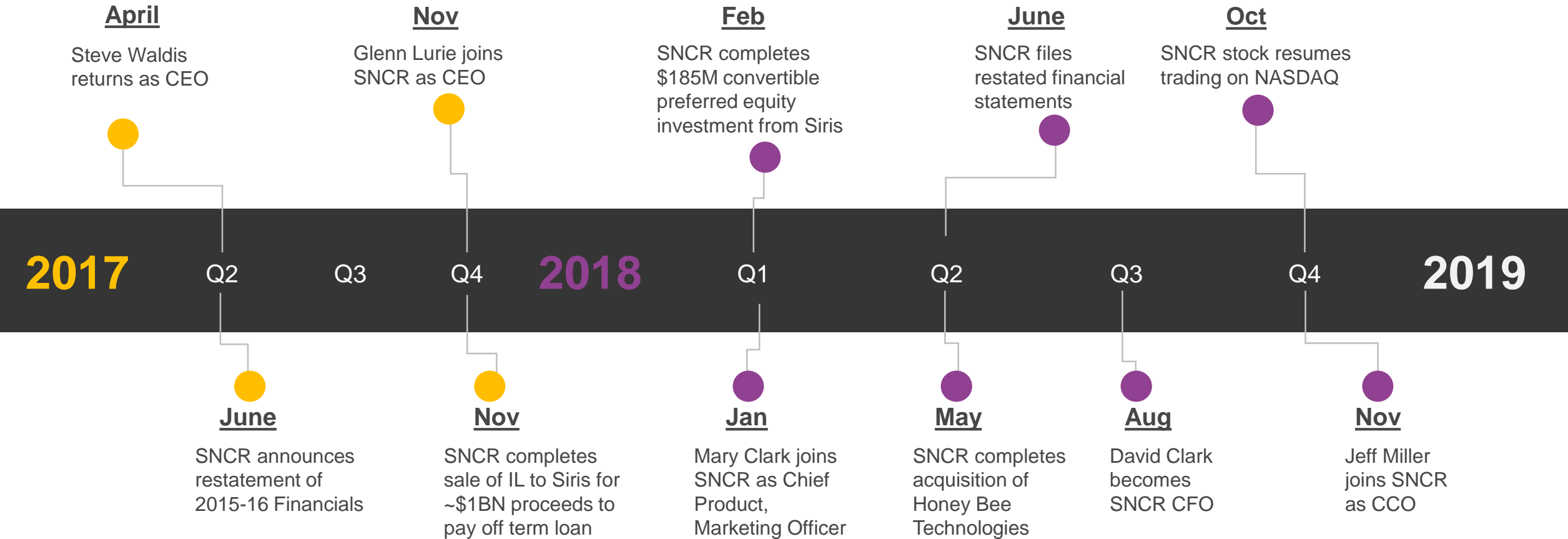
- Joined Synchronoss in 2016.
- Previously WWVP HR Openwave
- VP HR Deem

Synchronoss is Driven By Our Culture

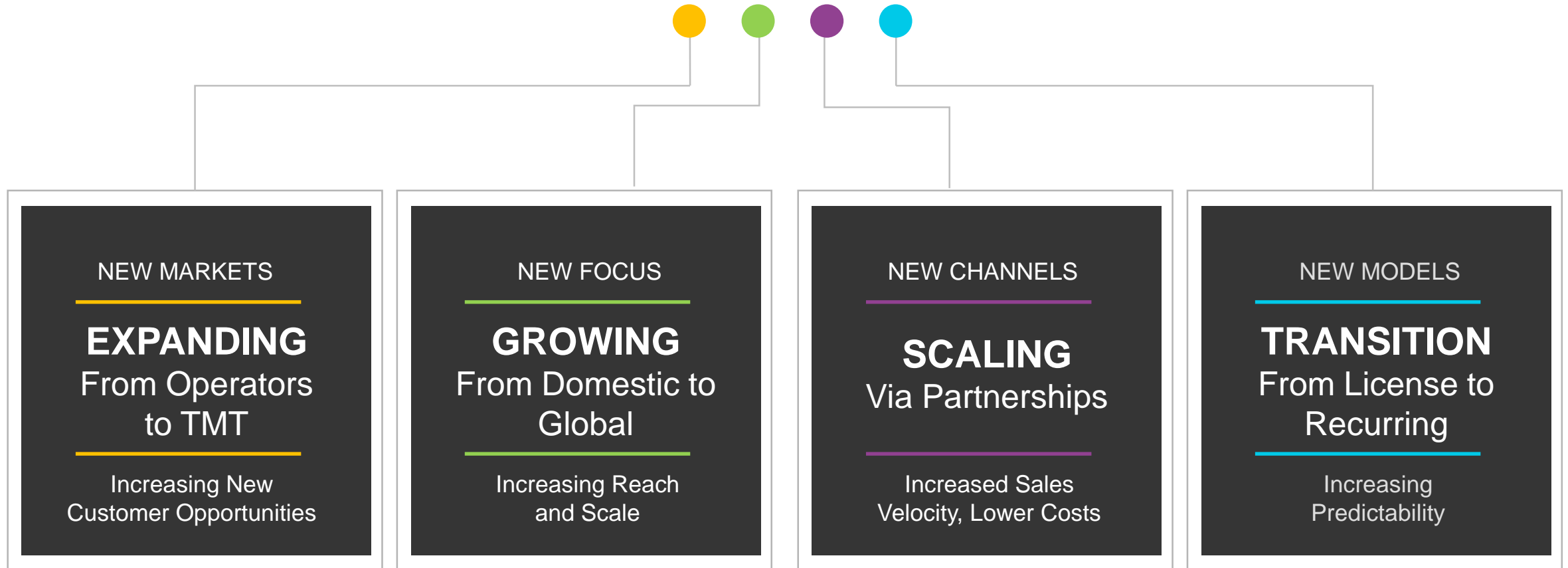


“Our goal at Synchronoss is to be the best partners in the world to our customers.”

Synchronoss Company Timeline



Synchronoss Strategy Evolution



INDUSTRY OVERVIEW



BUILDING BLOCKS FOR A DIGITAL FUTURE Q4 2018

Trends in the TMT Market



CONVERGENCE

Communications companies moving into different spaces (Entertainment, Content, etc.) for growth



DIGITAL TRANSFORMATION

Companies are using digital technology to grow revenue, cut cost, improve customer experience



FAANG

Digital companies re-setting customer expectations on experience



DISINTERMEDIATION

Operators are losing revenue and opportunity to provide growth-oriented value-add services

TMT/Telecommunications Companies

➤ REVENUE GROWTH SLOWING

Wireless service revenue declined 5% to \$179 billion (2nd year in a row of decline)¹

➤ SMART PHONE GROWTH SLOWING

Overall global smartphones expected to decline 0.7 percent to 1.455 billion units in 2018²

➤ CAPEX INCREASING

Operators will pay ~ \$275BN for 5G (U.S.)³

➤ OTT DISINTERMEDIATION

Disintermediation cost operators \$104 billion in 2017 (~12% of service revenues)⁴

Sources:

1 – Fortune

2 – IDC

3 – CTIA

4 – RCRWireless News

TMT/Media Companies

➤ **OTT, TV EVERYWHERE GROWING**

1M Cord Cutters in 3rd Quarter (most ever in a quarter) (U.S.)⁵

➤ **CONTENT COSTS RISING**

OTT competitors driving content costs up, Netflix plans to spend \$8B on content
Last year, Amazon, \$4.5B⁶

➤ **SOCIAL MEDIA INFLUENCE**

Facebook and Google are now two of the largest funders of media in the world⁷

➤ **WIRELESS CARRIERS MOVING INTO MEDIA**

Acquisition of MSO's and content companies (e.g. AT&T DTV & TWC, Verizon's formation of OATH, etc.)

Sources:
5 – eMarketer
6 – The Diffusion Group
7 – Columbia Journalism Review

➤ **FAANG DISRUPTION**

By 2020, customer experience will overtake price and product as the key brand differentiator ⁸

➤ **NEW CUSTOMER EXPERIENCES**

In the last year, 1 in 5 U.S. shoppers made a purchase using voice (e.g. Alexa) ⁹

➤ **DIGITAL TRANSFORMATION**

Enterprises can increase revenues by 23% with digital-first strategies, ¹⁰
costs cut up to 90% ¹¹

➤ **INTELLIGENCE (AI, ML, NLP) CHANGING THE GAME**

10% of all Global Assets (\$8 trillion), will be managed by robots by 2020 ¹²

Sources:

8 – Microsoft

9 – Supply Chain Brain

10 – Forbes

11 – McKinsey

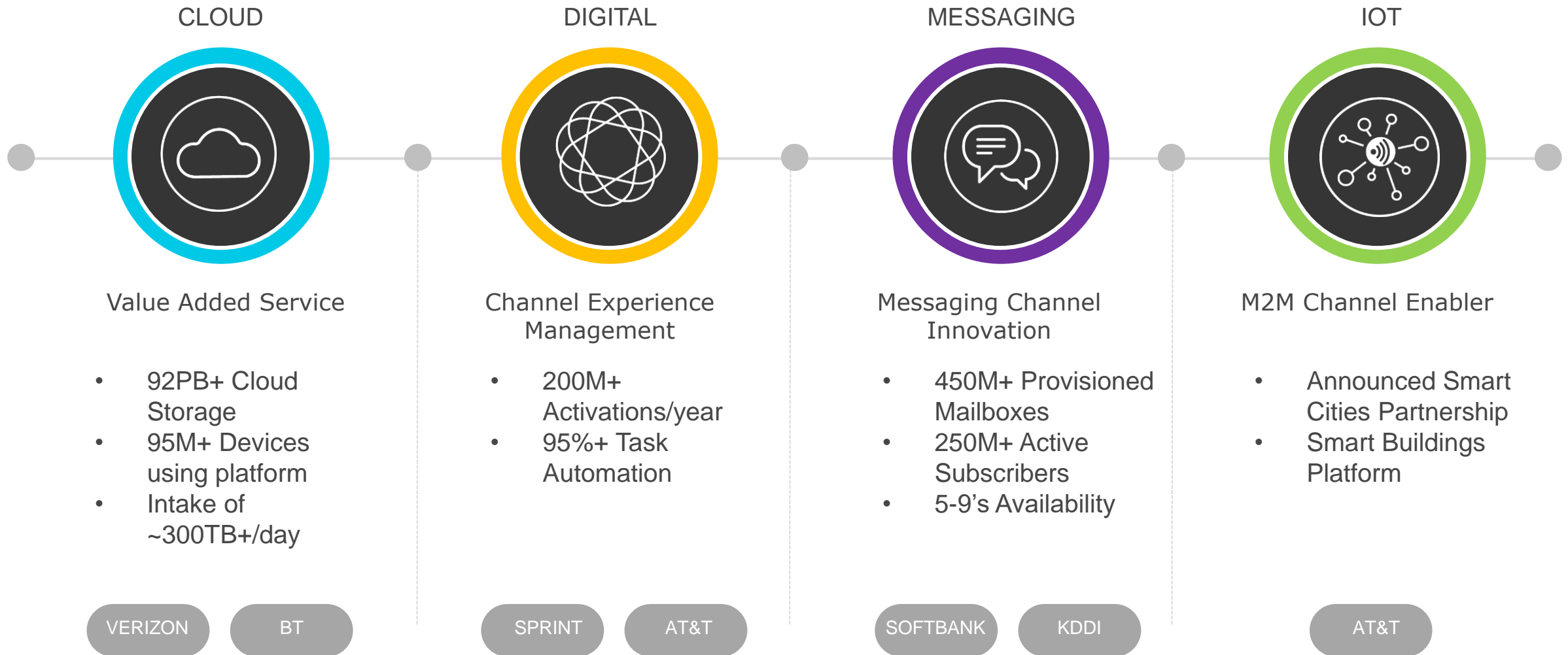
12 – Business Insider Intelligence

PLATFORM OVERVIEW



BUILDING BLOCKS FOR A DIGITAL FUTURE Q4 2018

Synchronoss Platform Overview



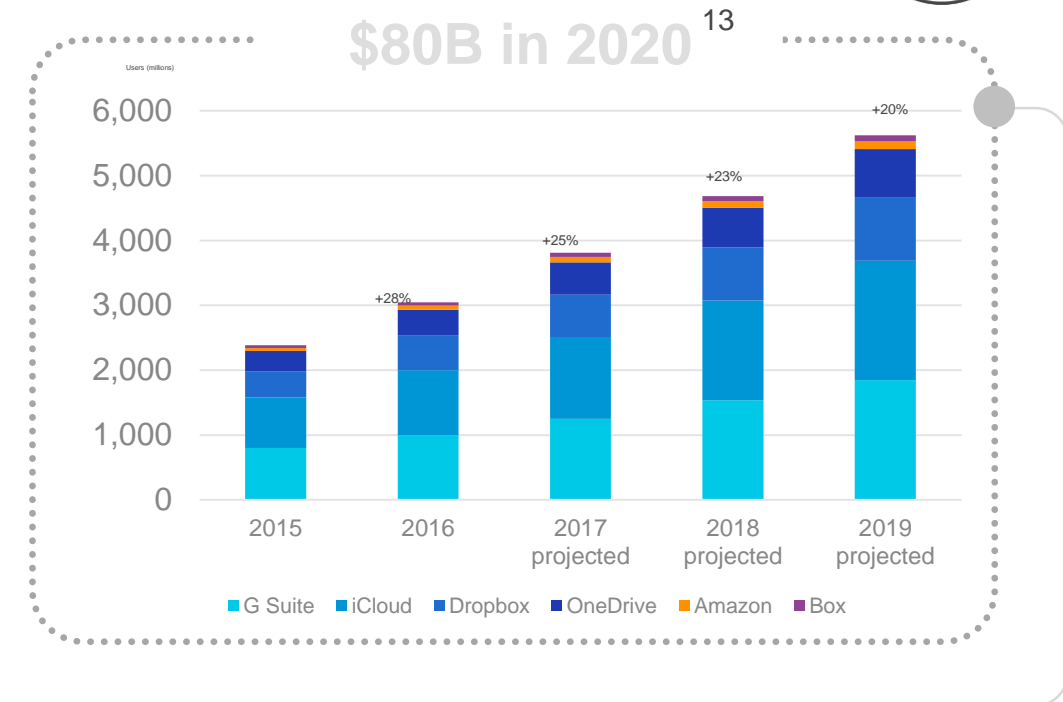
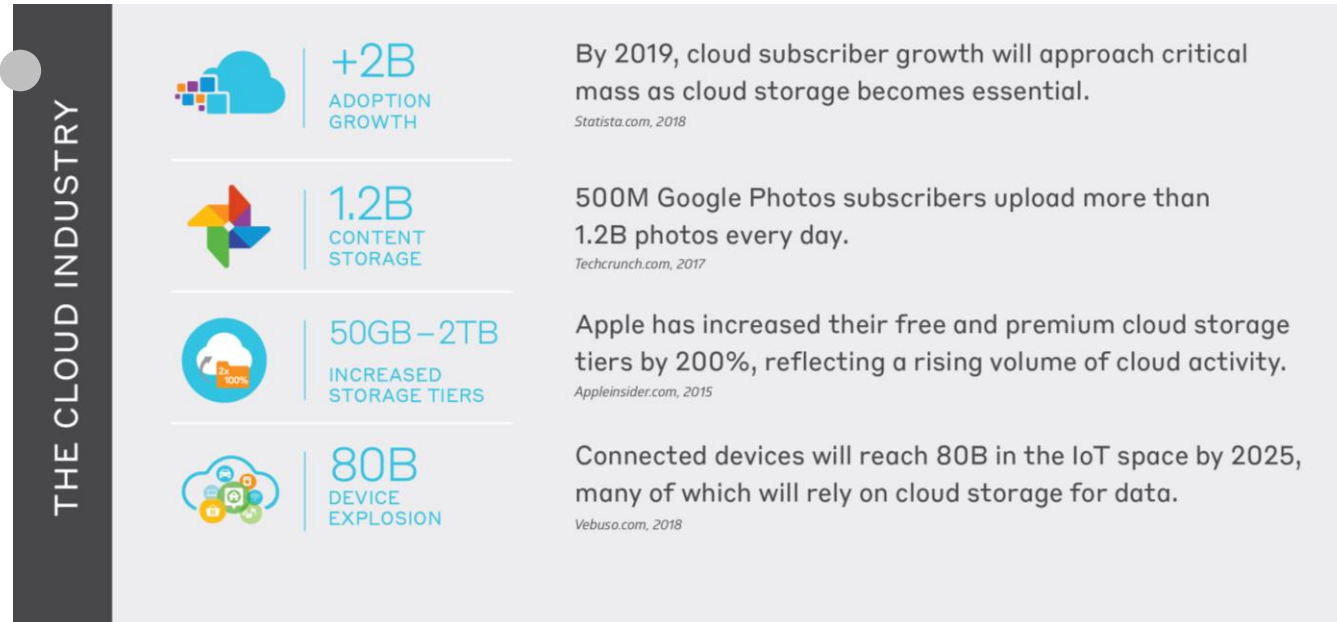


SYNCHRONOSS CLOUD PLATFORM



BUILDING BLOCKS FOR A DIGITAL FUTURE Q4 2018

TMT/Trends in Cloud



- Operators looking to create new services revenue, own total customer experience
- Data is becoming more valuable than devices in the minds of subscribers
- Cloud delivers intelligent edge data transfer, prepares Operators for 5G

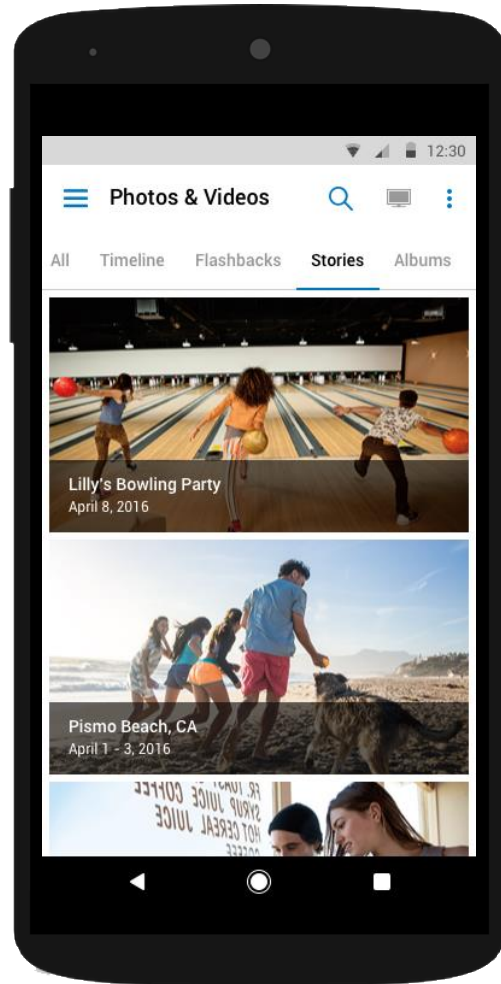
Sources:
13 – StreetAuthority

Synchronoss is Positioned to Win In Cloud

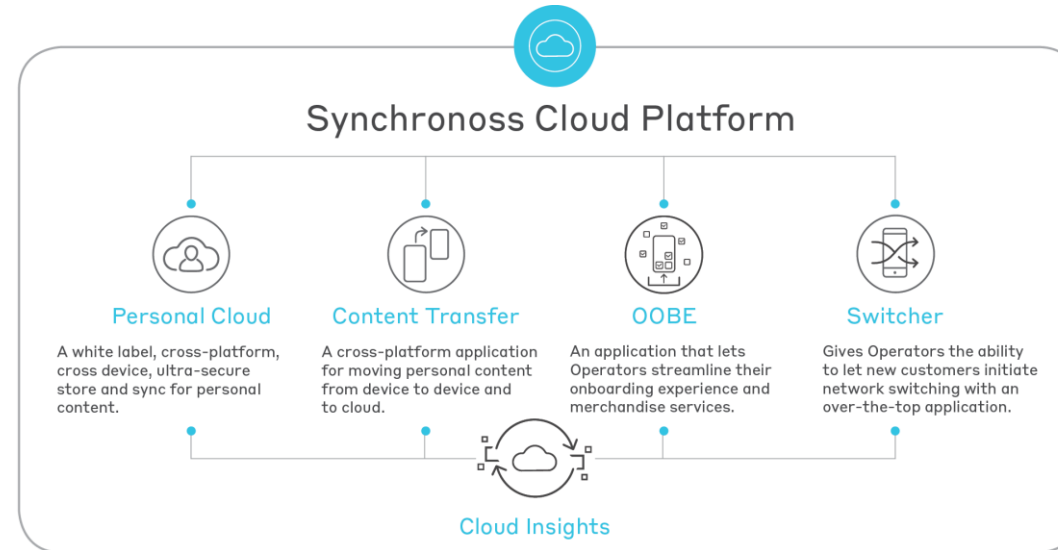


- **THE WORLD'S LARGEST WHITE LABEL CLOUD SOLUTION**
Operators can retain the total customer experience and not give away data
- **SECURE AND SCALABLE PLATFORM**
Carrier grade secure, scalable cloud model based on AWS, absorbing ~300TB+/day
- **PROVEN PREMIUM BUSINESS MODEL**
Over-achieving on conversion rates from free trial offers to a premium recurring charge
- **WORLD WIDE PARTNER DISTRIBUTION**
Strategic relationships with global distributors that will re-sell our cloud solution

Synchronoss Cloud Platform & Products



PERSONAL CLOUD APPLICATION



White label applications delivered across multiple devices and operating systems.

CUSTOMERS:



AT&T

VERIZON

SFR

PROXIMUS

95M

DEVICES

20B

CLOUD ENTITIES
MANAGED

4M
PER DAY

UPLOADS FROM
UNIQUE USERS

92PB

CLOUD
STORAGE

SNCR internal



SYNCHRONOSS DIGITAL EXPERIENCE PLATFORM (DXP)



BUILDING BLOCKS FOR A DIGITAL FUTURE Q4 2018

TMT/Trends in Digital Transformation



\$16.91B
MARKET
SIZE

Customer experience management market is projected to grow to \$16.91 billion by 2022.

Customer Experience Management Market by Touch Point, 2017



\$1.3T
TRANSFORMATION
SPEND

Companies will spend \$1.3 trillion on digital transformation initiatives by 2018.

The Boston Consulting Group, 2017



90%
TALENT
GAP

90% of companies lack the essential skill sets to execute and manage transformation initiatives.

Santoku Partners, 2013



+30%
LIFETIME
VALUE

Businesses with Omni-channel experiences have a 30% higher customer lifetime value than those who offer only one channel.

10 Notable Omni-channel Trends and Statistics, 2016

THE DIGITAL INDUSTRY

Global Digital Transformation Market, 2015 – 2021 (USD Billion)¹⁴



- TMT companies struggle in delivering compelling, Omni-channel customer journeys
- Revenue growth and cost cutting benefits can't be realized without integration to legacy systems of record
- TMT companies need to respond with speed-to-market customer experience innovation

Sources:
14 – Zion Market Research

Synchronoss is Positioned to Win in Digital



OMNI AND SINGLE CHANNEL

Ability to centrally manage and create better experiences within and across channels (Online, Service, Retail, Mobile Apps)



SIMPLE INTEGRATION

Integrates seamlessly to legacy IT systems, works well with systems of record



EASY TO OPERATE

Drag and drop software enables real-time creation and deployment of digital journeys



CREATES FAANG-LIKE EXPERIENCES

A platform that enables companies to deliver compelling customer experiences

DXP Solves a Critical Problem in Experience Management



Today...
There is a hole in the IT Stack



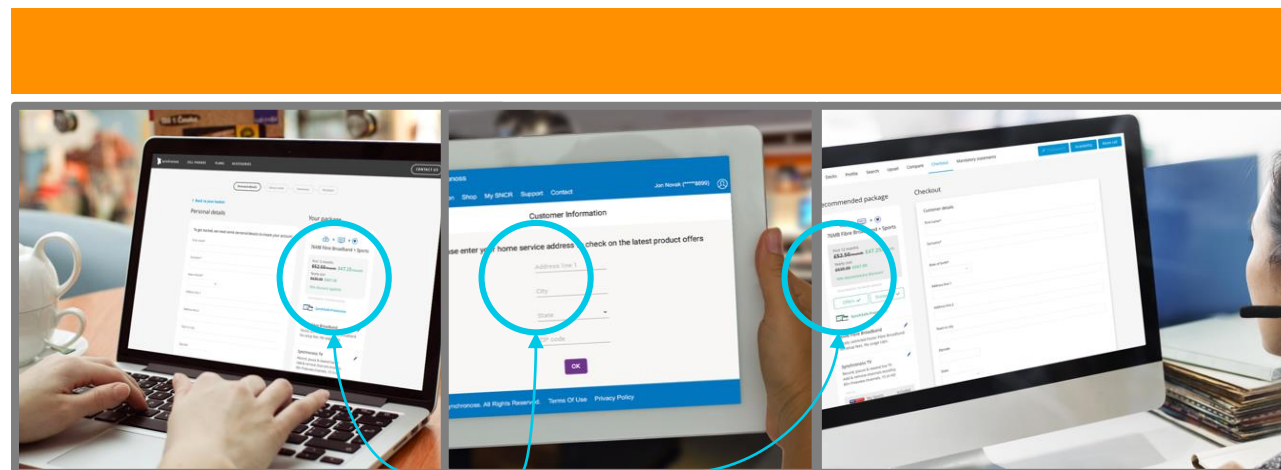
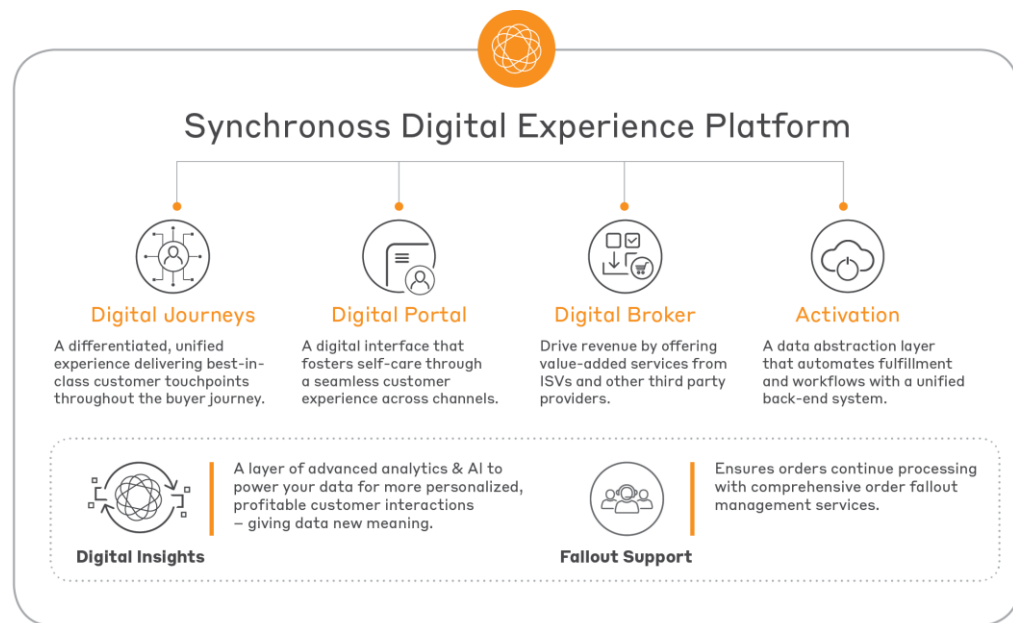
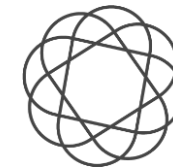
- All channels must be integrated to back end
- Each channel requires its own work flow
- Each customer experience is hand coded

Now, Digital Journeys creates...
“An Omni-Channel Experience”



- Coordinated pause and resume customer experiences
- Agile teams of IT and marketing working closely together
- Increased NPS from seamless, insightful experiences

Synchronoss Digital Platform & Products



**COORDINATED PAUSE
AND RESUME
CUSTOMER
EXPERIENCES ACROSS
CHANNELS**



SYNCHRONOSS MESSAGING PLATFORM



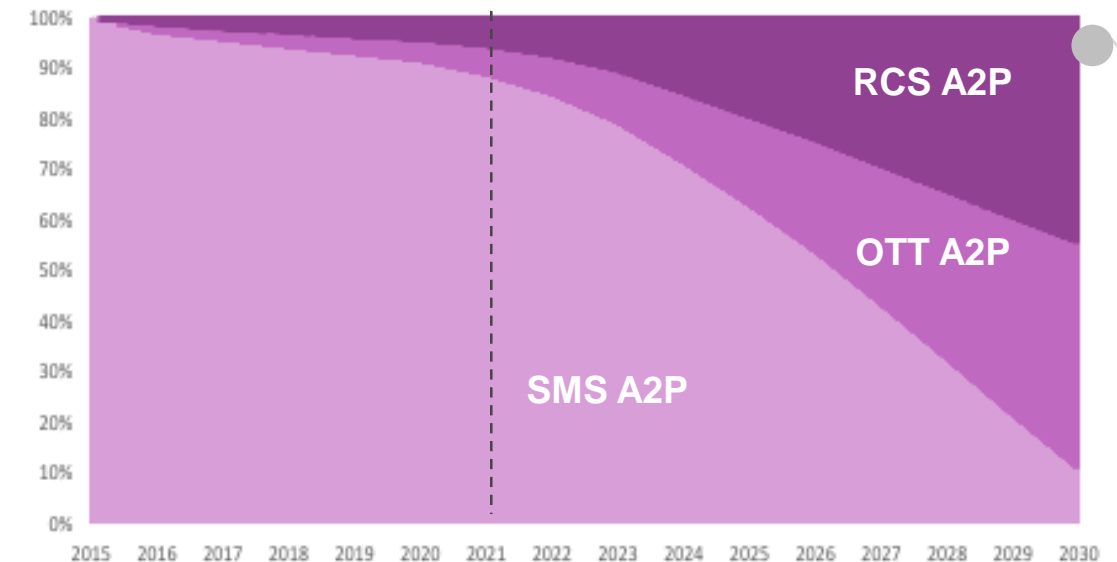
BUILDING BLOCKS FOR A DIGITAL FUTURE Q4 2018

TMT/Trends in Messaging



Estimated A2P Messaging Revenue Share, by type 2015-2030*¹⁵

\$73bn → \$124bn

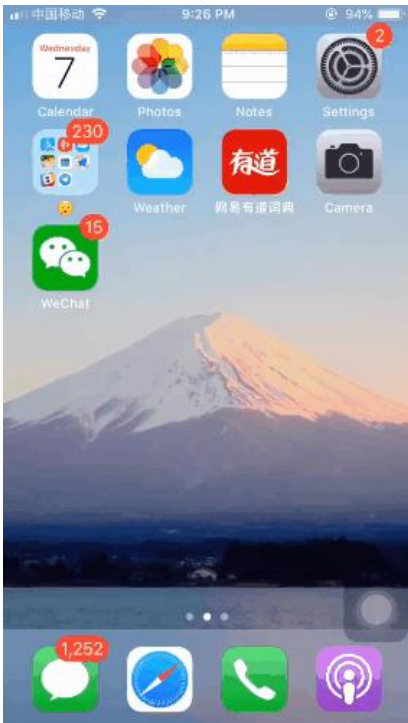


- Mobile Messaging increases customer engagement over apps and web
- OTT Companies are disintermediating the total Operator experience
- Brands are driving more successful interactions via rich messaging

Sources:
15 – GSMA

Messaging is Becoming Its Own Operating System

WeChat may become China's identity system.



WeChat (launched 2011, China)¹⁶

- MAU = **1.06B**
- Revenue = **\$1.55B** (2015)
- Business Accounts: **14M**



LINE (launched 2011, Japan)¹⁷

- MAU = 165MM
- Messages Sent/Day = 25B
- Revenue = **\$1.47B** (2017)
- Business Accounts: **8.5M** (677 enterprise business)

1BN+

MONTHLY USERS IN CHINA



1M+

MINI-PROGRAMS
(Apple has 2.1M)¹⁸

200M Active App users (800M users in China)



How China Is Changing Your Internet | The New York Times

<https://youtu.be/VAesMQ6VtK8>

Sources:
16 – Statista, Quartz, DMR
17 – LINE company financials
18 – TechCrunch

Synchronoss is Positioned to Win in Messaging



DEPLOYED ADVANCED MESSAGING SOLUTION

Commercially deployed across Japanese Operator Partnership, fully operational and at scale



MARKET LEADING CLIENT

Proven client that delivers consistent, powerful Application to Person (A2P) messaging experiences across operating systems and networks



ECOSYSTEM MANAGEMENT PLATFORM

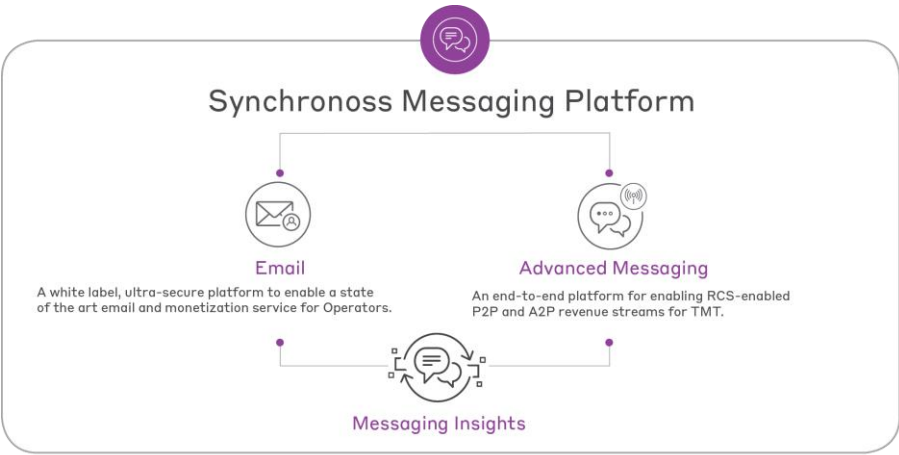
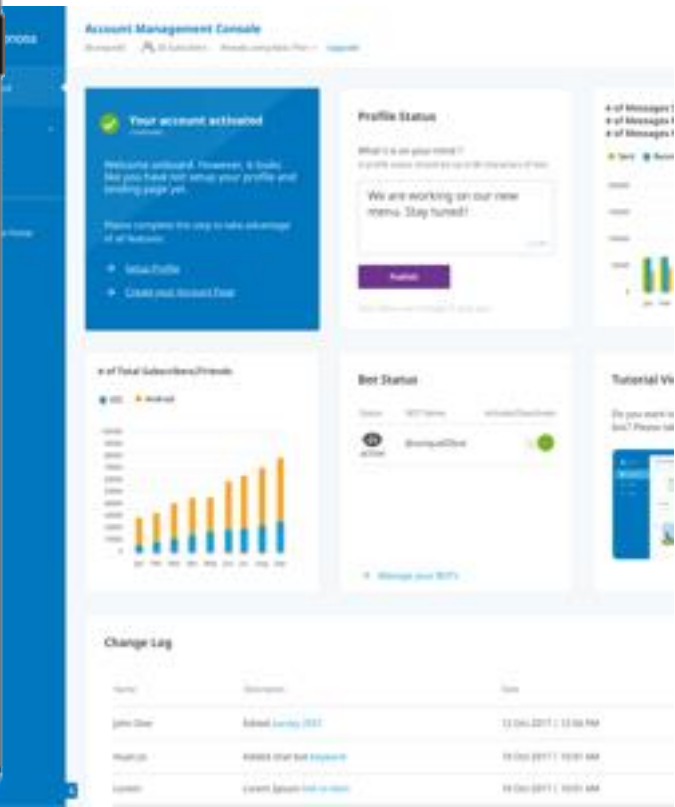
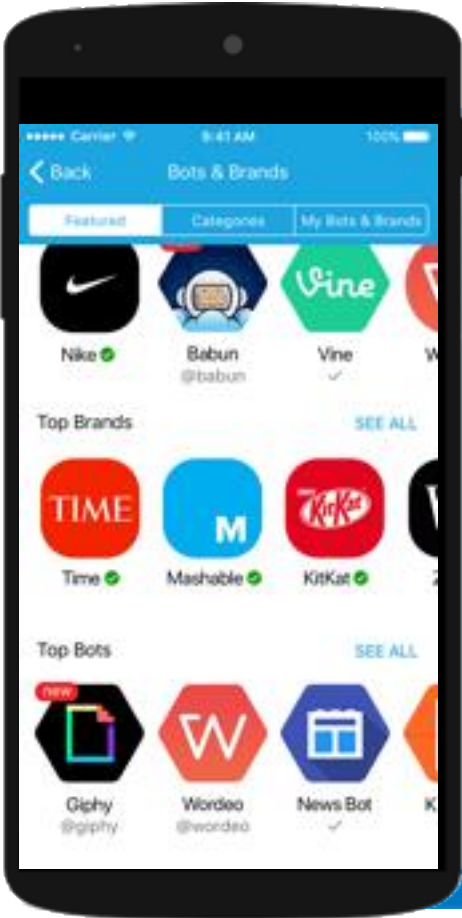
Only platform to enable Operators to deliver an end-to-end platform to monetize third party brands at scale



WELL POSITIONED WITH OPERATORS

Uniquely positioned to help Operators capitalize on creating new revenue from their messaging channel.

Synchronoss Messaging Platform & Products



POWERING JAPAN'S OPERATOR PARTNERSHIP

Synchronoss was selected to help create the world's first unified Operator messaging experience.



A single RCS client creating powerful experiences across major Operators



Advanced Messaging



A single source opportunity for Brands to interact with Operator Customers in an RCS client

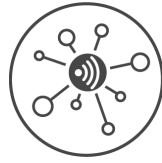


SYNCHRONOSS IOT PLATFORM



BUILDING BLOCKS FOR A DIGITAL FUTURE Q4 2018

TMT/Trends in IoT



THE IoT INDUSTRY



3.3B
DEVICE
INCREASE

The 1.5B M2M connections in 2018 will more than double to 3.3B in 2021.

Cisco®, 2017



\$1T+
IoT SPEND

Internet of Things spend will surpass \$1 trillion by 2020.

IDC, 2017



75%
CONNECTED
CARS

75% of new cars will come with built-in IoT connectivity by 2020.

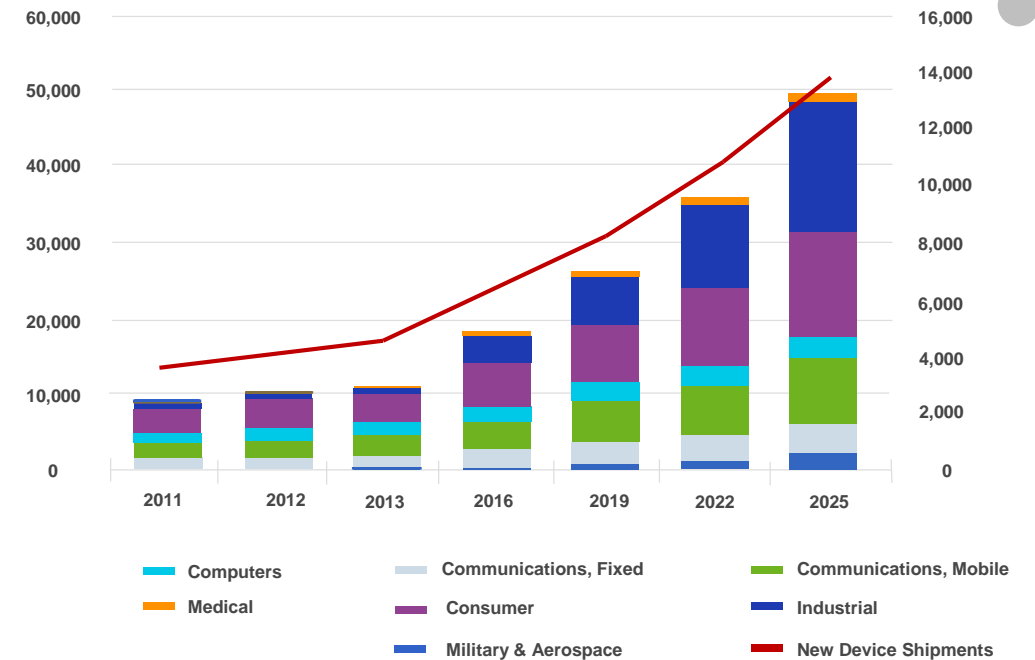
Frontier, 2017



There will be an estimated 88 smart cities in 2025 worldwide, compared to 21 in 2013.

IHS Technology, 2014

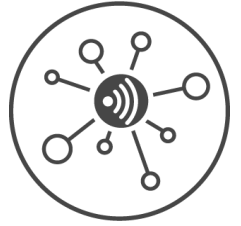
World Market for Internet Connected Devices – Installed Base & New Shipments ¹⁹



- Disparate device data sources and OS's need to merge in a single pane of glass
- Smart Buildings Platform is a key revenue building block of smart cities deployment
- Operators need a turnkey package in order to monetize IoT

Sources:
19 – IHS

Synchronoss is Positioned to Win in IoT



➤ **END-TO-END SOLUTION APPROACH**

Plug and play end-to-end solutions to make IoT use cases deployed quickly and easily and revenue accretive for Operators

➤ **SMART BUILDINGS PLATFORM**

Orchestrated platform brings disparate building systems together, creating energy efficiencies, insights and an easier point of management.

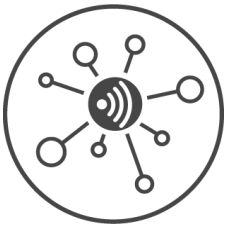
➤ **WELL POSITIONED WITH OPERATORS**

Announced partnerships with AT&T Smart Cities and Softbank Blockchain Initiatives

➤ **IoT TRACK RECORD**

Legacy offers in market with connected car, wearables and smart cities

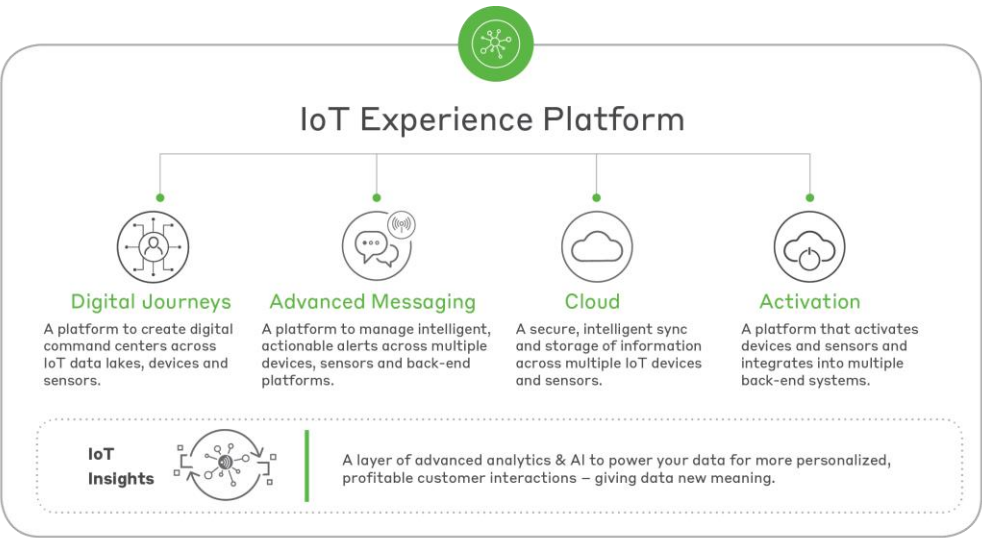
Synchronoss IoT Platform & Products



The Smart Building Platform partnership that adds a new energy and building management offering to AT&T's Smart Cities offering

\$10.2BN²⁰ **35%**²¹ **20%**
Estimated CAGR Return based on
Market Size by between 2017- savings per
2026 2025 engagement

Sources:
20 – Navigant Research
21 – Variant Market Research



FINANCIAL OVERVIEW



BUILDING BLOCKS FOR A DIGITAL FUTURE Q4 2018

Business Model Objectives

- Build recurring revenue
- Leverage cost base
- Improve gross margin
- Grow EBITDA
- Increase capital efficiency

Third Quarter Highlights

- **\$83.3M** of revenue compared to \$76.7M in Q2, **up 8.5%** Q/Q
- \$4.5M of adjusted EBITDA, which includes a one-time expense of \$4.9M. Normalized adjusted EBITDA for Q3 was **\$9.4M** with an EBITDA margin of **11.2%**
- On track to achieve **\$20M** of annualized cost savings in 2018 and another **\$25M** in 2019
- Retired over **50%** of convertible debt, resulting in the dismissed litigation with debt holders
- Paid cash instead of issuing additional shares for payment of a Q3 dividend on convertible preferred stock
- Resumed NASDAQ trading on October 1st

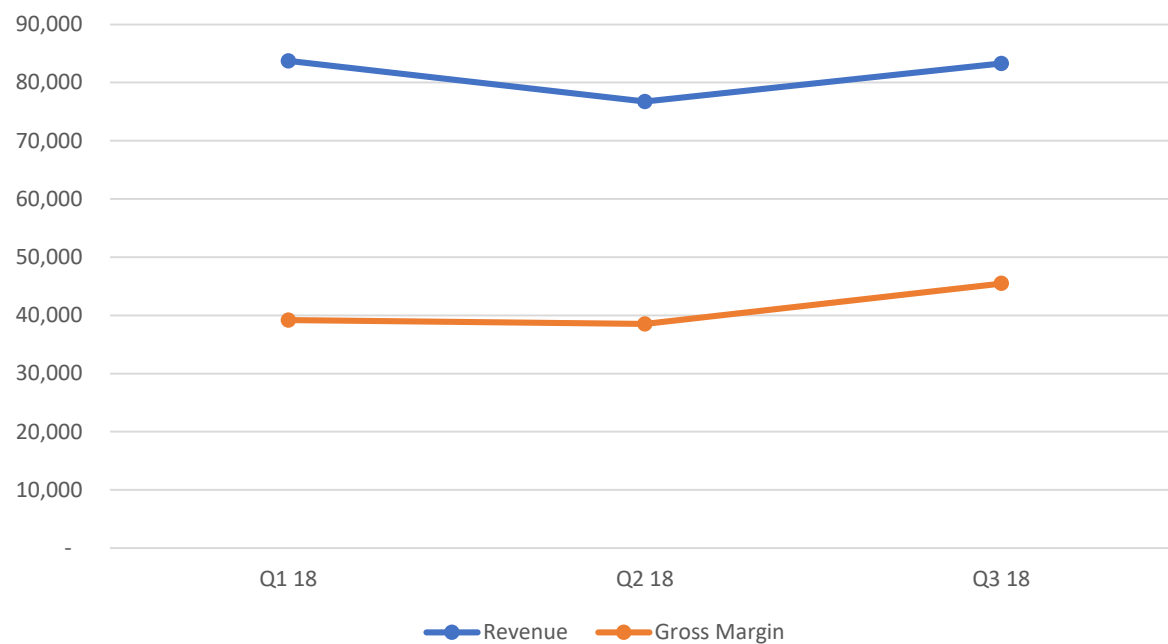
Product Portfolio Performance

- **Cloud** revenue was **\$43.0M, up 11.0% sequentially** and down 16.1% Y/Y
 - Improvement over Q2 reflects strong growth in Premium Cloud subscribers
 - Y/Y decline primarily due to transition from a Freemium to a Premium Subscriber business model and moving away from cloud hosting business
- **Digital** revenue was **\$28.9M, up 30.1% sequentially** and down 4.9% Y/Y
 - Growth primarily due to increases in business volume and revenue associated with transition of contracts within the honeybee acquisition
 - Y/Y decline primarily due to a license sale and incremental transaction revenue recorded in Q3, 2017 as a result of cash received and accounting rules under ASC 605

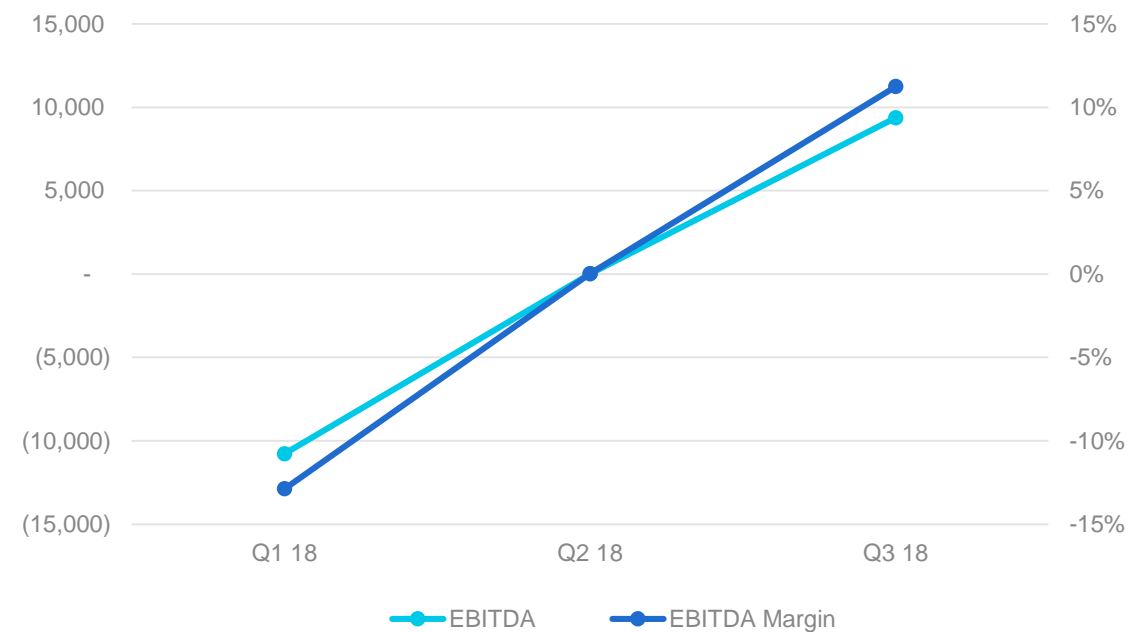
Product Portfolio Performance

- **Messaging** revenue of **\$11.4M**, down 27.8% sequentially and up **21.5% Y/Y**
 - Sequential decrease was primarily caused by one-time license revenues in the Japanese market recorded in the Q2 but partially offset by an increase in recurring messaging revenue
 - The Y/Y increase was primarily due to business volume increases in our core messaging business
- **IoT** continues to gain traction with our announced **partnership with AT&T** to provide a cloud based **Smart Building** solution to help increase transparency and efficiency into management of facilities in **buildings and networks of buildings** with a simple **mobile dashboard**

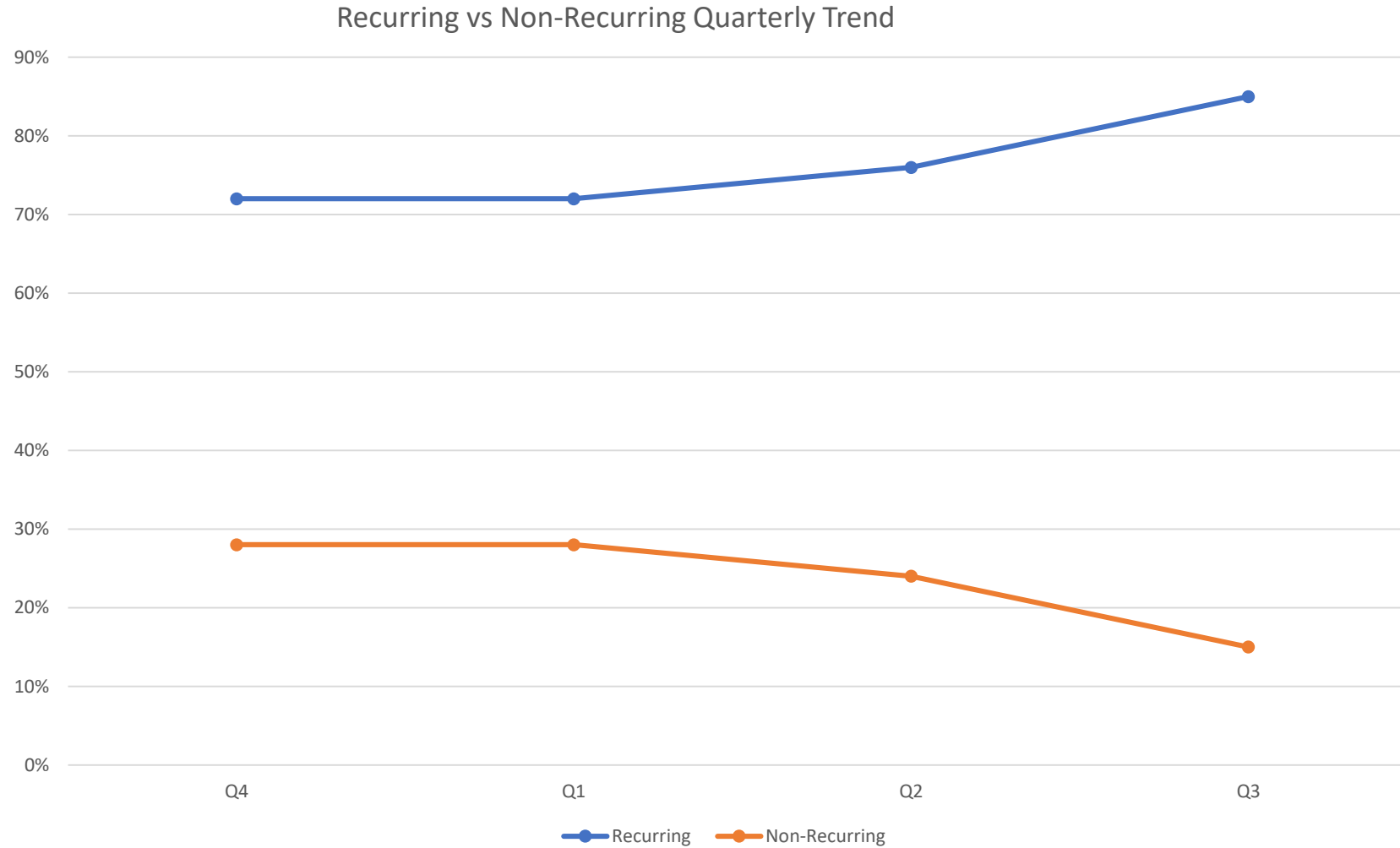
Revenue & Gross Margin Quarterly Trend



EBITDA & EBITDA Margin Quarterly Trend



	Q1 18	Q2 18	Q3 18
Gross Margin	46.78%	50.20%	54.60%



Consolidated Statement of Operations

(In Thousands)
(Unaudited)

	Three Months Ended		
	March 31, 2018	June 30, 2018	September 30, 2018
Net revenues	\$ 83,709	\$ 76,742	\$ 83,286
Costs and expenses:			
Cost of revenues	44,549	39,525	43,714
Research and development	25,805	20,200	13,784
Selling, general and administrative	38,110	33,938	27,320
Restructuring charges	1,108	2,778	4,539
Depreciation and amortization	23,271	23,401	23,658
Total costs and expenses	132,843	119,842	113,015
Loss from continuing operations	(49,134)	(43,100)	(29,729)
Other income and expense, net	6,382	2,415	(14,323)
Loss from continuing operations, before taxes	(42,752)	(40,685)	(44,052)
(Provision) benefit for income taxes	(125)	(579)	2,308
Net (income) loss attributable to redeemable noncontrolling interests	1,285	1,259	(422)
Preferred stock dividend	(3,353)	(7,260)	(7,463)
Net loss attributable to Synchronoss	\$ (44,945)	\$ (47,265)	\$ (49,629)
Adjusted EBITDA	(10,785)	12	9,360

Consolidated Balance Sheet

(In Thousands)

(Unaudited)

	December 31, 2017	September 30, 2018
ASSETS		
Current assets:		
Cash, cash equivalents, and marketable securities	\$ 249,236	\$ 242,520
Other current assets	121,743	113,654
Total current assets	370,979	356,174
Property and equipment, net	111,825	80,519
Goodwill	237,303	234,480
Intangible assets, net	132,167	117,448
Other assets	5,236	8,940
Note receivable from related party	73,984	66,089
Equity method investment	33,917	30,694
Total assets	\$ 965,411	\$ 894,344
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term current liabilities	\$ 154,527	\$ 122,140
Short-term debt	-	228,764
Mandatorily redeemable financial instrument	37,959	-
Total current liabilities	192,486	350,904
Lease financing obligation	11,183	10,006
Convertible debt, net of debt issuance costs	227,704	-
Other liabilities	70,451	65,753
Commitments and contingencies (Note 12)		
Series A Convertible Participating Perpetual Preferred Stock, \$0.0001 par value; 10,000 shares authorized; 195 shares issued and outstanding at September 30, 2018	-	176,160
Stockholders' equity	468,601	448,505
Accumulated deficit	(5,014)	(156,984)
Total stockholders' equity	463,587	291,521
Total liabilities and stockholders' equity	\$ 965,411	\$ 894,344

BUILDING BLOCKS FOR A DIGITAL FUTURE Q4 2018

THANK YOU.

