

Synchronoss Technologies

NASDAQ: SNCR

Investor Presentation
January 2020



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Synchronoss Technologies at a Glance

- We are a **Software Services Company**, providing transformative **SaaS and PaaS offerings** to the TMT market.
- NASDAQ: SNCR
- 2018 Revenue: \$326 million
- Market capitalization: \$271 million (1/14/2020)
- 200+ Customers, 1,500 Employees, 135+ Patents
- Newly configured leadership team driving significant turnaround and refocus of business model:

NEW MARKETS

EXPANDING

From Operators to
TMT

Increasing New Customer
Opportunities

NEW FOCUS

GROWING

From Domestic to
Global

Increasing Reach and
Scale

NEW CHANNELS

SCALING

Via Partnerships

Increased Sales Velocity,
Lower Costs

NEW MODELS

TRANSITION

From License to
Recurring

Increasing
Predictability

Our Golden Thread: What We Do

We help companies **maximize growth, reduce operating costs and improve customer experiences and engagement** in order to be competitive.

CLOUD



50% of
revenue

MESSAGING



20% of
revenue

DIGITAL



30% of
revenue

IoT

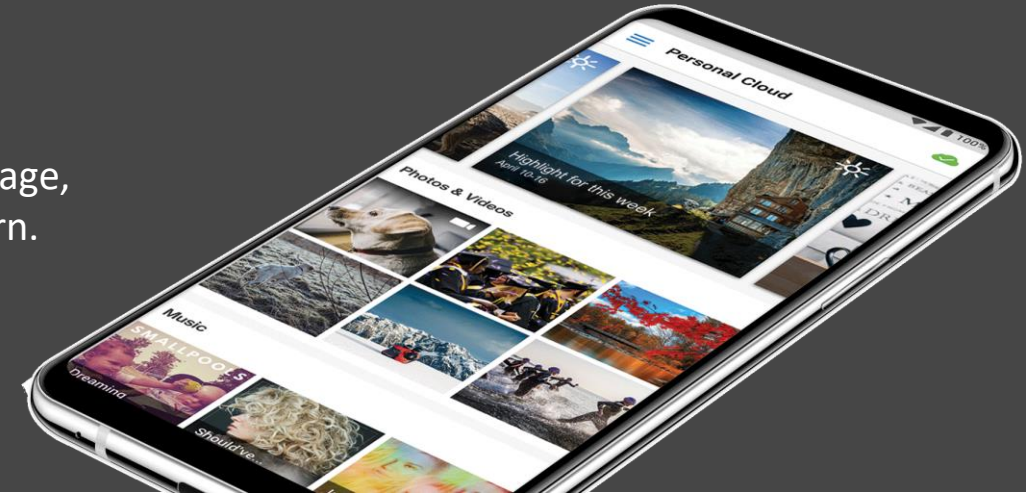


*New
Business*

Note: Revenue percentages based on trailing twelve months ended 9/30/19

Synchronoss Cloud Platform

A platform that provides operators new service revenue for personal data storage, content transfer and faster device set-up, while also improving subscriber churn.



GLOBAL MARKET OPPORTUNITY

3.5B+

Personal Cloud
Users (2019)

Statista.com 2019

\$80B

Global opportunity
by 2020

Nasdaq

PRODUCTS:



Personal Cloud: Store, Sync and Engagement in Subscriber Media from any device



Content Transfer: Wirelessly transfer content from/to a device, all OS's, cloud in retail, online



Out of the Box Experience (OOBE): Wirelessly transfer content from/to a device, all OS's, cloud in retail, online



Switcher: Initiate MNO "switch" to simplify and reduce time at retail, online

NEW DEALS ANNOUNCED IN 2019:

New **U.S. based Tier 1 carrier** expected to launch Synchronoss white label cloud in 2020

TracFone launching first brand on Synchronoss white label cloud in January 2020

AT&T selects Synchronoss Out-of-the-Box-Experience Solution to Deliver Mobile Offers to its Subscribers

White-label cloud agreement with **Assurant**

5-year extension of **BT** white-label cloud agreement

Synchronoss Cloud Applications

Personal App



Personal Cloud

Store, Sync and Engagement in Subscriber Media from any device

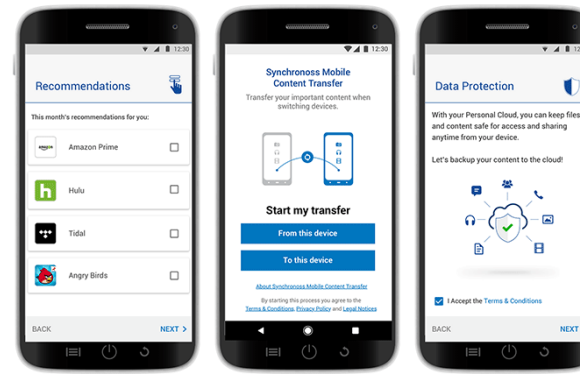
Retail, Online



Content Transfer

Wirelessly transfer content from/to a device, all OS's, cloud in retail, online

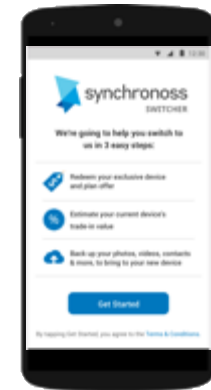
Device Set Up



O.O.B.E.

Embedded in device setup with service promotion, upgrades and provisioning (Android)

Retail, Online

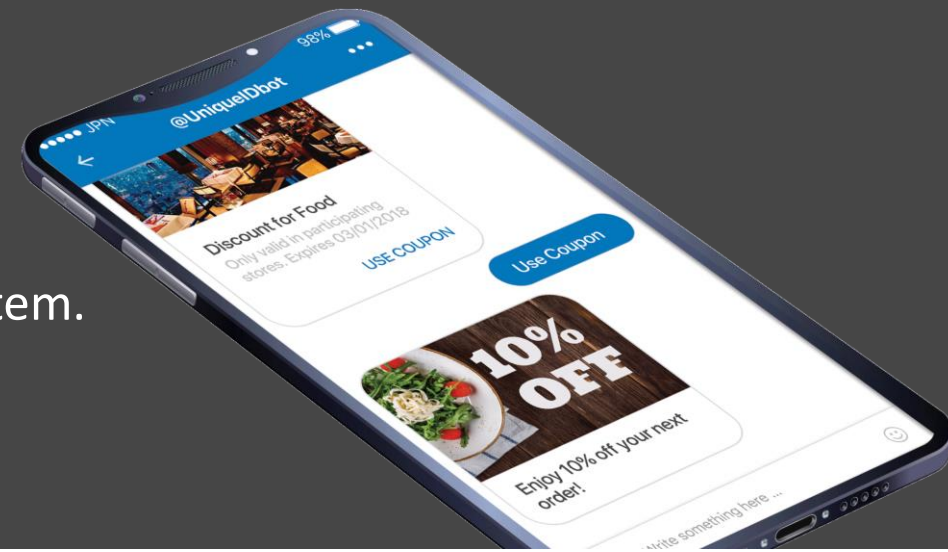


Switcher

Initiate MNO "switch" to simplify and reduce time at retail, online

Synchronoss Messaging Platform

An end-to-end platform and client suite that creates an advanced messaging experience that powers a third-party commerce ecosystem.



GLOBAL MARKET OPPORTUNITY

4B+

Global messaging
users

Statista.com, 2018

\$1B+

Annual revenue from
WeChat, LINE, KakaoTalk

Company Financials, 2019

PRODUCTS:



Messaging as a Platform: Integration of messaging technology into Operator networks and devices.



Messaging Marketplace: A real-time portal for brand onboarding and consumer engagement.



Advanced Messaging App: RCS-powered application that delivers P2P and A2P experiences.

NEW DEALS ANNOUNCED IN 2019:

Phase II of Japan Advanced Messaging Partnership

Selected by CCMi joint venture of AT&T, Sprint, T-Mobile, and Verizon to roll out RCS-based advanced messaging in the United States.

A2P Messaging is Redefining How we Communicate

Messaging is consumers preferred communication channel. SMS Traffic will migrate to RCS. The number of RCS Messages/User will exceed SMS.

Customers are about to get a serious upgrade in functionality, delivering higher engagement and a better experience through RCS.

100B A2P Messages / Yr.
US Market (SMS Today)
Mobile Squared 2019 Report

MESSAGING

98%

Open Rate

90 Seconds

Response Time

EMAIL

20%

Open Rate

2%

Response Rate

APPS

20%

Open Rate

2%

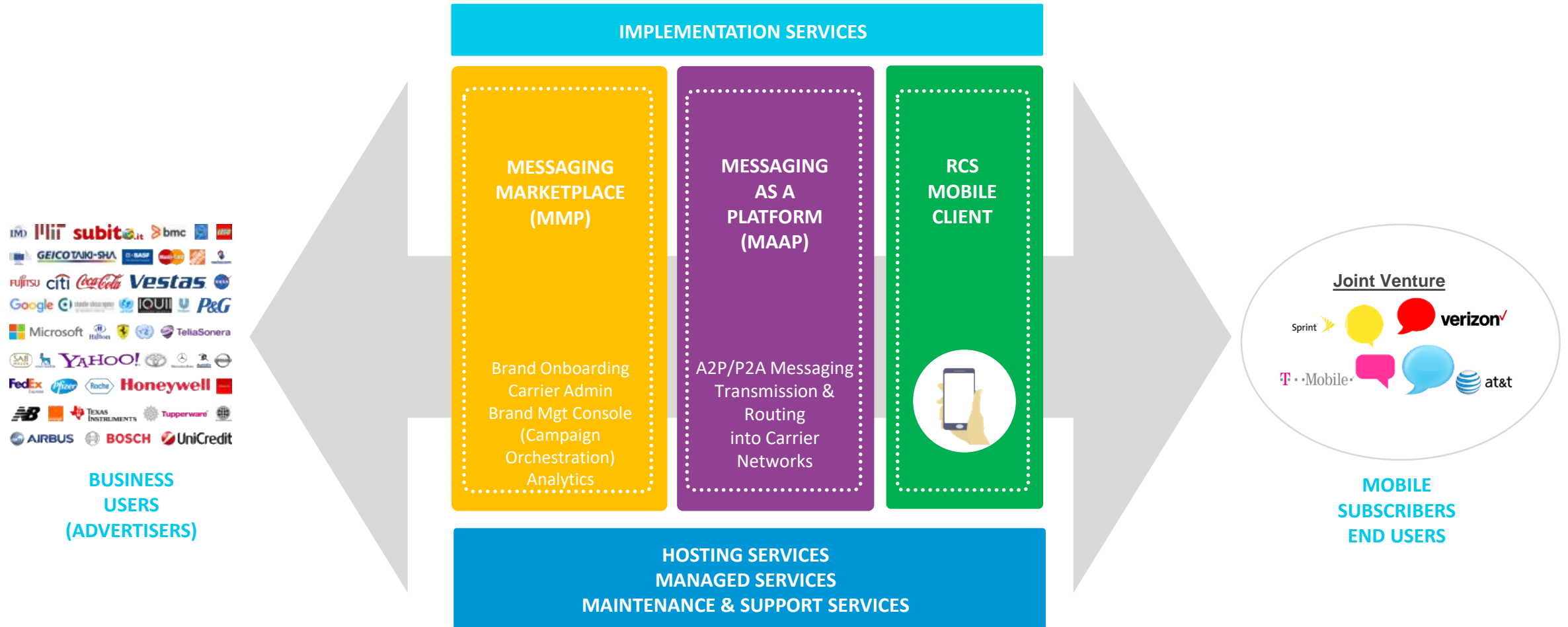
Response Rate

A2P SMS is a \$650M Annual Market today and growing

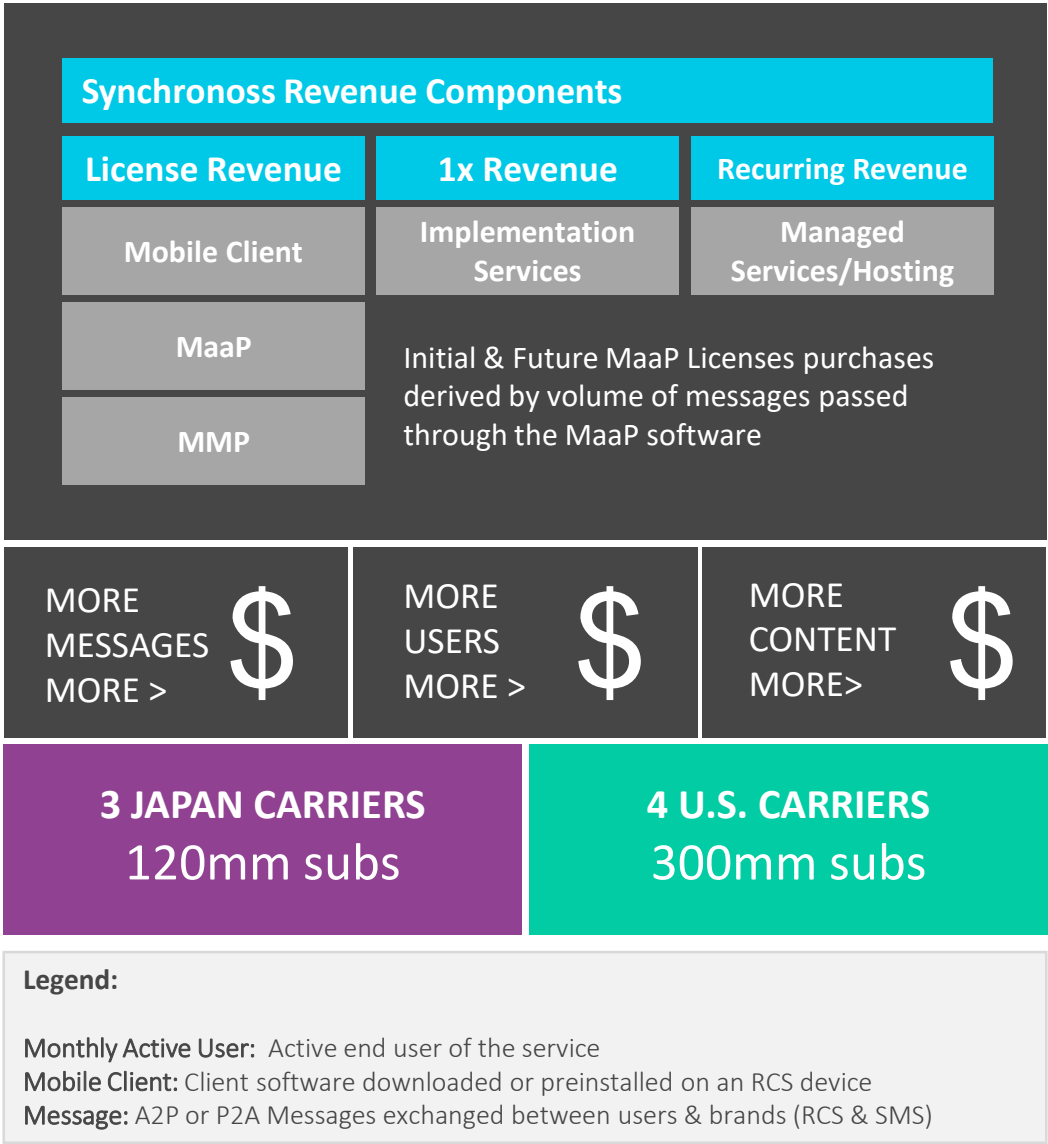
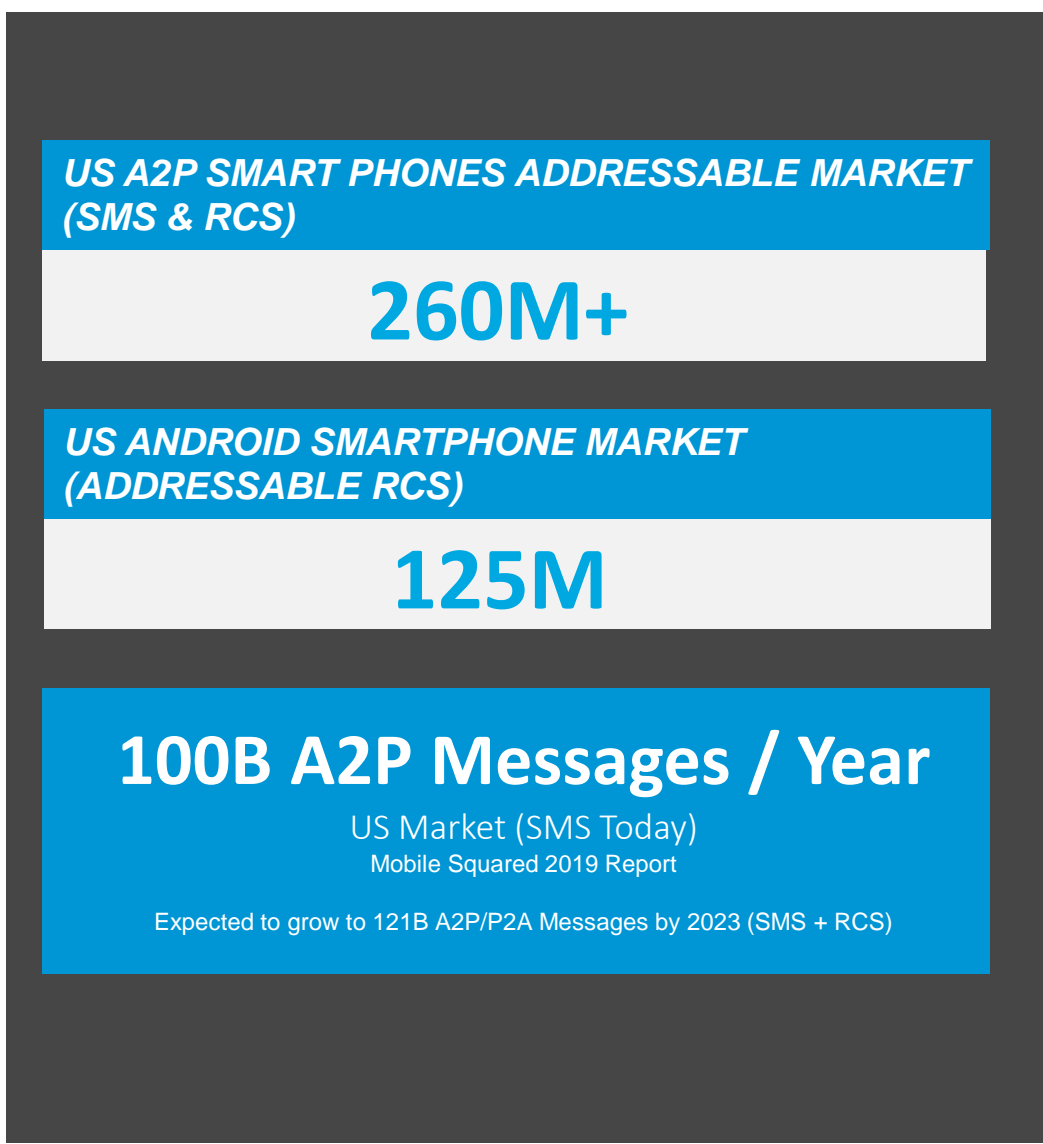


Advanced Messaging Solution

US Carriers Messaging Joint Venture (CCMI) delivers an enhanced end user experience, ubiquitous interoperability, greater economies of scale and single business model for brands

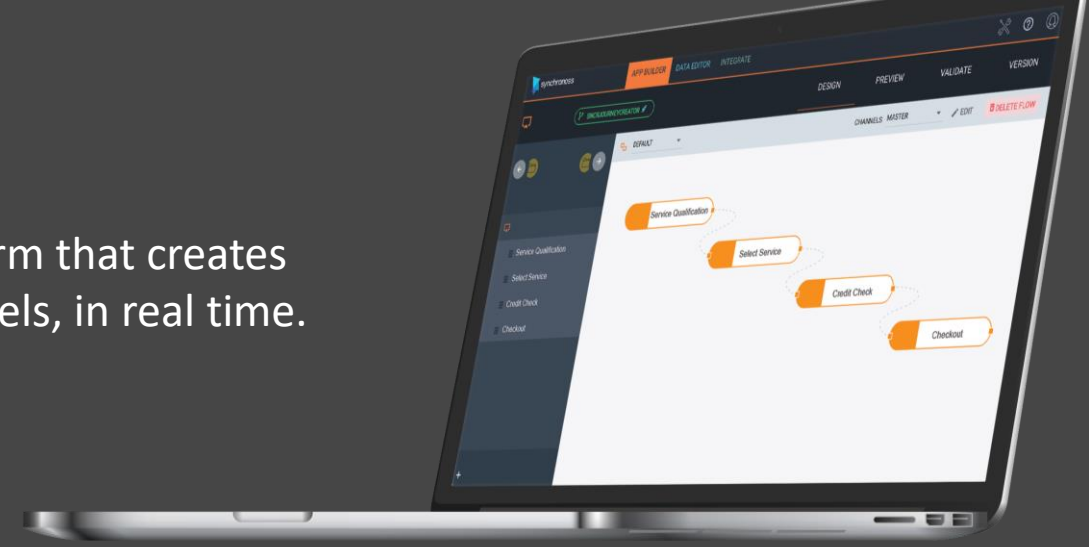


Advanced Messaging Opportunity



Synchronoss Digital Platform

A next gen platform layered over existing legacy systems platform that creates and manages digital experiences and journeys, across all channels, in real time.



GLOBAL MARKET OPPORTUNITY

94%

Customers frustrated by poor experiences

Thunderhead, 2019

\$14.5B

Expected spend on customer experience management in 2024

Statista, 2019

PRODUCTS:



Journey Creator: A low/no-code, drag and drop tool set for customer journey creation and management.



Journey Integrator: Seamlessly integrates into any legacy IT system, extracting data, workflows and enterprise services.



Journey Publisher: Ability for Journey Creator to instruct and populate existing UI in any existing channel – dramatically reduces need for software releases.



Data Analytics: Insights and AI to track and fine-tune the effectiveness of customer journeys.

NEW DEALS ANNOUNCED IN 2019:

Multi-country pilot with **British American Tobacco**

DXP agreement with **Indosat Ooredoo**

DXP agreement with **Amazon**

Financial Analytics deal and DXP reseller agreement with **Rackspace**

Digital Journeys agreements with **Wireless Advocates** and **Telkom Indonesia**

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 IoT Platform

A platform that unifies utility and security systems and data into a cloud-based, single dashboard that provides near real-time controls and insights on building management.



GLOBAL MARKET OPPORTUNITY

3.3B+

M2M connections
by 2021
Cisco, 2017

\$1T+

Spend by 2020

IDC, 2017

PRODUCTS:



Differentiated Dashboards: Configurable dashboards customized for the needs of different stakeholders in facility management.



System and Sensor Integration: Integration of power, water, HVAC, security and other control points.



Synchronoss Insights Platform (SIP): Data aggregation and applied insights across systems.



Command and Control Panel: A single control point for utilities and security systems and data.

NEW DEALS ANNOUNCED IN 2019:

New Smart Buildings partnerships with **CityFM, Accruent, Microsoft, Arrow Electronics, and Tridium**

Completed Smart Buildings proof of concept with **Rackspace**

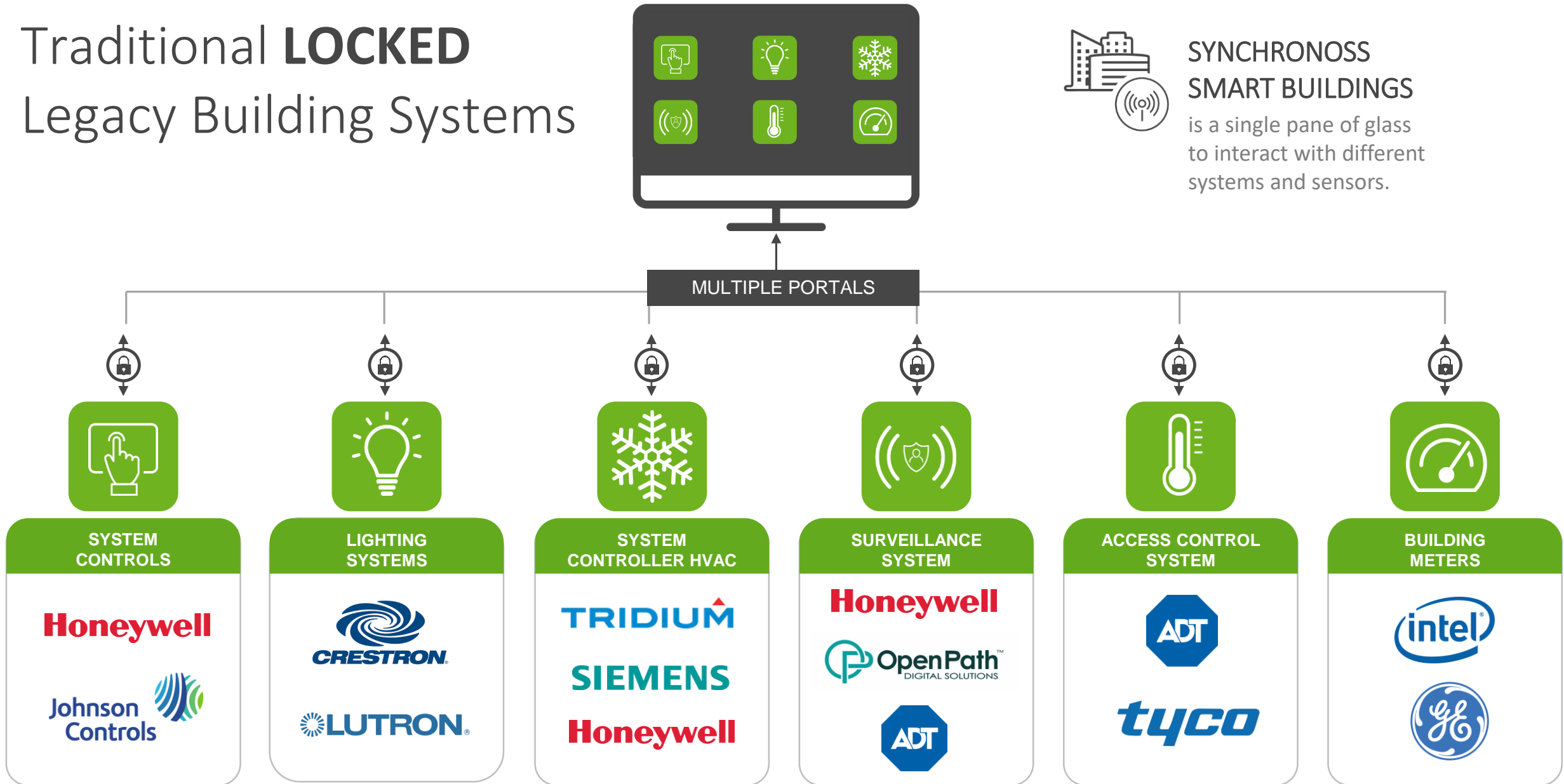
Commercial launch of **AT&T** IoT Smart Cities initiative – first two customers

Traditional **LOCKED** Legacy Building Systems



SYNCHRONOSS SMART BUILDINGS

is a single pane of glass
to interact with different
systems and sensors.



Synchronoss Financial Overview

David Clark, Chief Financial Officer



INVESTOR DAY 2019

Financial Priorities

- Continued cost reduction / drive continued improvement in operating leverage
- Optimize capital structure
- Continue to improve investor understanding of Synchronoss value proposition
- Complete Control Remediation

Third Quarter 2019 Results

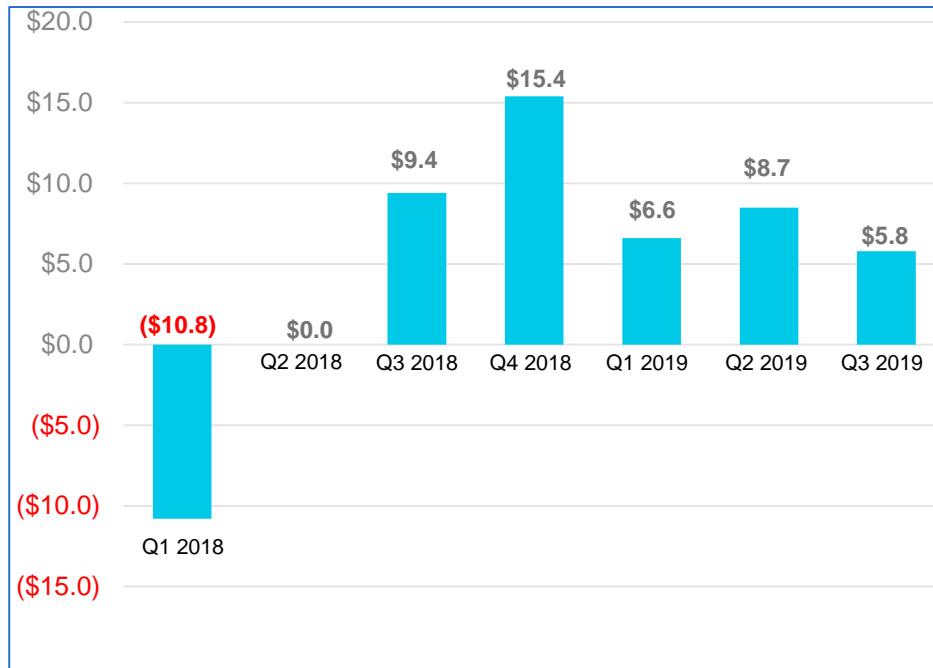
CONTINUED IMPROVEMENT IN PROFITABILITY

(000s)	Q3 2019	Q3 2018		9 mos 2019	9 mos 2018
Revenue (Pre-STI Writedown)	\$78,210	\$83,286		\$244,161	\$243,737
GAAP Revenue	52,210	83,286		218,161	243,737
Adjusted Gross Profit	43,596	40,607		138,799	119,396
Adjusted Gross Margin	55.7%	48.8%		56.9%	49.0%
Adjusted EBITDA	5,799	9,360		21,098	(1,413)
Operating Expenses	67,580	74,201		199,802	237,912
GAAP Net Loss	(69,432)	(54,529)		(122,049)	(141,839)
Non-GAAP Net Loss from Continuing Operations	(6,901)	(10,726)		(18,750)	(46,621)

Financials Are Improving

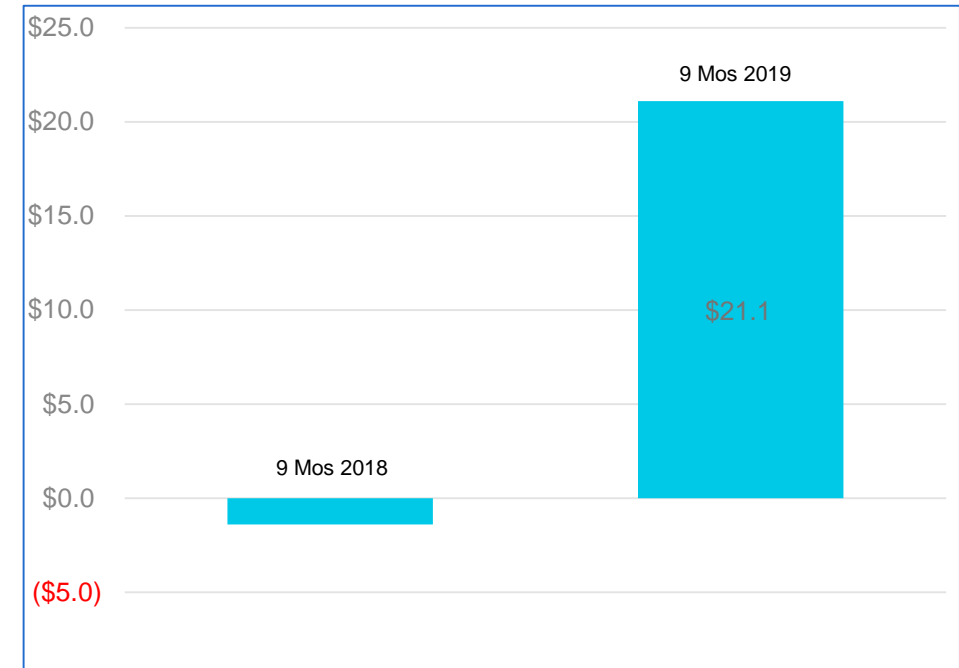
ADJUSTED EBITDA TREND

Quarterly EBITDA Trend (\$mil)



- Consistent improvement in Adjusted EBITDA

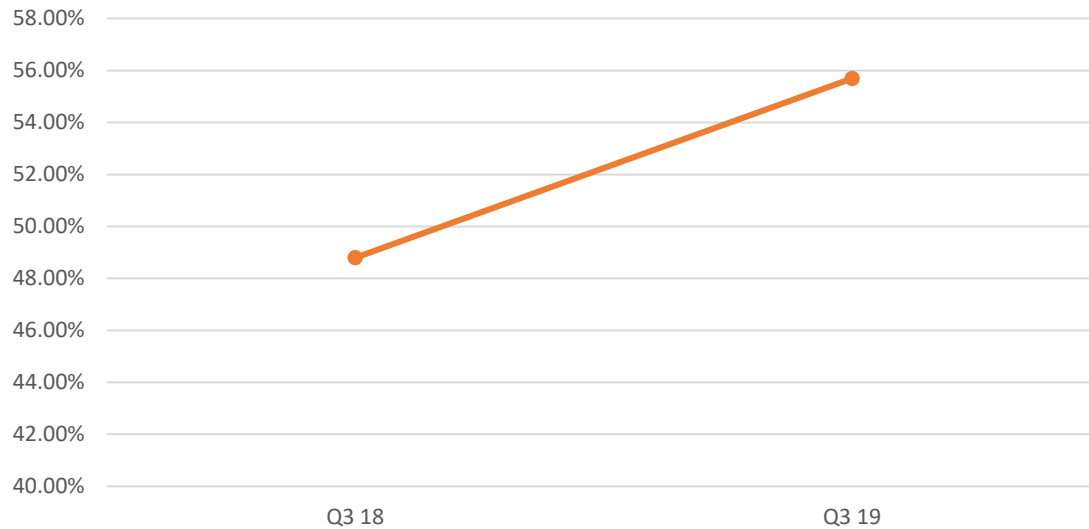
9 Mos 2019 vs. 9 Mos 2018 (\$mil)



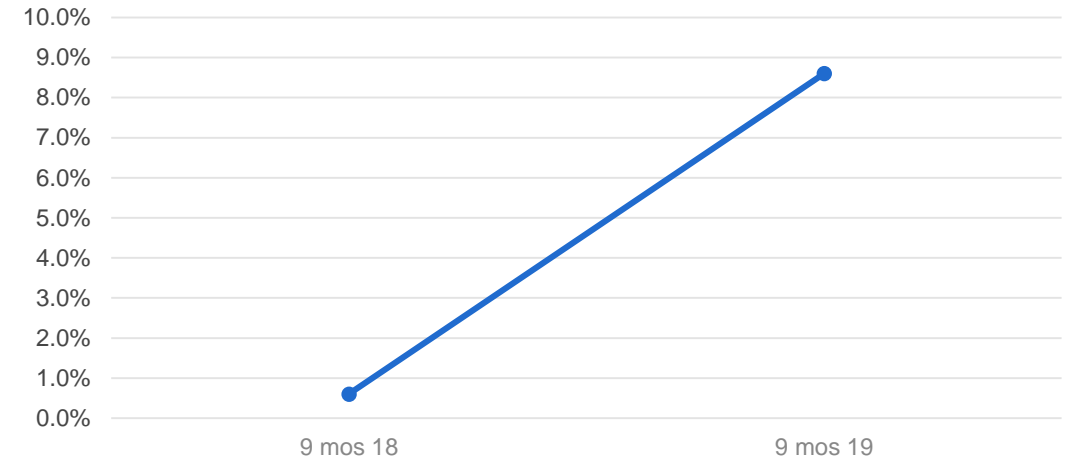
- Year over year improvement in adjusted EBITDA demonstrates effectiveness of 2018 cost reduction efforts

Improving Earnings Leverage Due to Cost Reduction Efforts

Adjusted Gross Margin – Year Over Year Improvement



Adjusted EBITDA Margin – Year Over Year Improvement



- ✓ Significant improvement in gross margin and EBITDA margin throughout 2018 and 2019
- ✓ Earnings leverage driven by cost reduction efforts – transition from data centers to cloud for storage, office consolidation, headcount reductions, etc.

Capital/Financing Strategy

	ACTION	TIMING
STEP 1	Pay off balance of convertible notes Current balance: \$47.1 million	Completed August 2019
STEP 2	Explore working capital financing for additional capital flexibility <ul style="list-style-type: none">• Bank line of credit• Supply chain financing• Factoring	Completed October 2019
STEP 3	Evaluate long term capital needs	Preferred stock PIPE can be prepaid without penalty in August 2020

Series A Convertible Participating Perpetual Preferred Stock

Holder:	Siris Capital
Original Issue Amount:	\$185 million
Dividend:	14.5% per annum, payable in kind or in cash at Company's sole discretion
Issue Date:	February 15, 2018
Maturity:	February 15, 2023 At maturity, company has the option to issue a senior unsecured note with principal equal to the Redemption Price and interest rate equal to the Dividend Rate with an additional term to maturity of one year
Prepayment:	SNCR has the <u>option</u> to <u>prepay</u> without penalty beginning August 15, 2020
Redemption Value:	\$243.1 million through August 15, 2020 (including prepayment penalty)

Summary



We are participating in large markets with growth potential



We have existing relationships to leverage across our portfolio



We are penetrating new vertical markets through direct and partner channels



We are participating in recurring revenue business models that scale with time

Thank You

Appendix

Reconciliation of GAAP to non-GAAP Financial Measures – Adjusted EBITDA (\$000s, unaudited)

	Three Months Ended				Nine Months Ended		
	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Sep 30, 2019	Sep 30, 2018
Net (loss) income attributable to Synchronoss	\$ (54,529)	\$ (101,909)	\$ (27,587)	\$ (25,030)	\$ (69,432)	\$ (122,049)	\$ (141,839)
Add / (Less):							
Restructuring and cease-use lease expense	4,539	3,950	740	474	6,215	7,429	8,425
Net change in contingent consideration obligation	—	—	—	—	—	—	—
Depreciation and amortization	23,658	47,324	20,143	20,269	18,508	58,920	70,330
Interest income	(203)	(252)	(189)	(299)	(228)	(716)	(7,518)
Interest Expense	1,370	976	585	463	203	1,251	3,935
Gain on Extinguishment of debt	—	(1,760)	(387)	(430)	(5)	(822)	—
Other Income (expense), net	13,439	65,737	(463)	24	422	(17)	9,180
Equity method investment income (loss), net	(283)	28,671	1,243	376	—	1,619	(71)
Benefit for income taxes	(2,308)	(16,290)	(1,391)	(1,844)	9,849	6,614	(1,604)
Net (loss) income attributable to noncontrolling interests	422	(6,715)	313	593	25	931	(2,122)
Preferred dividend	7,463	7,517	7,537	7,859	8,194	23,590	18,076
Stock-based compensation expense	7,216	5,566	5,554	5,474	6,000	17,028	22,038
Acquisition costs	38	109	(188)	(42)	—	(230)	149
Integration	—	—	—	—	—	—	—
Cumulative adjustment to STI receivable	—	—	—	—	26,044	26,044	—
One-Time Expenses due to Restatement, etc.	3,638	800	720	782	4	1,506	19,608
Net income from discontinued operations, net of taxes	—	(18,288)	—	—	—	—	—
Reclassification of expenses	4,900	—	—	—	—	—	—
Adjusted EBITDA (non-GAAP)	<u>\$ 9,360</u>	<u>\$ 15,436</u>	<u>\$ 6,630</u>	<u>\$ 8,669</u>	<u>\$ 5,799</u>	<u>\$ 21,098</u>	<u>\$ (1,413)</u>

Reconciliation of GAAP to non-GAAP Financial Measures

(\$000s, unaudited)

	Three Months Ended Sep 30,		Nine Months Ended Sep 30,	
	2019	2018	2019	2018
<u>Non-GAAP financial measures and reconciliation:</u>				
GAAP Revenue	\$ 52,210	\$ 83,286	\$ 218,161	\$ 243,737
Less: Cost of revenues	35,602	43,714	107,958	127,788
Gross Profit	16,608	39,572	110,203	115,949
Add / (Less):				
Stock-based compensation expense	803	1,035	2,147	3,447
Restructuring and cease-use lease expense	141	—	405	—
Cumulative adjustment to STI receivable	26,044	—	26,044	—
Adjusted Gross Profit	\$ 43,596	\$ 40,607	\$ 138,799	\$ 119,396
Adjusted Gross Margin	83.5%	48.8%	63.6%	49.0%
 GAAP loss from continuing operations	 (50,972)	 (34,629)	 (89,599)	 (121,963)
Add / (Less):				
Stock-based compensation expense	6,000	7,216	17,028	22,038
Acquisition costs	—	38	(230)	149
Restructuring and cease-use lease expense	6,215	4,539	7,429	8,425
Amortization expense	5,808	8,472	19,072	25,122
Cumulative adjustment to STI receivable	26,044	—	26,044	—
One-Time Expenses due to Restatement, etc.	4	3,638	1,506	19,608
Non-GAAP loss from continuing operations	\$ (6,901)	\$ (10,726)	\$ (18,750)	\$ (46,621)
 GAAP Net loss attributable to Synchronoss	 \$ (69,432)	 \$ (54,529)	 \$ (122,049)	 \$ (141,839)