

Synchronoss Technologies, Inc. Announces Third Quarter 2013 Financial Results

November 4, 2013

- *Third quarter non-GAAP total revenue of \$90.3 million increases 30% year-over-year*
- *Third quarter non-GAAP operating income of \$21.0 million represents 23% non-GAAP operating margin and drives non-GAAP EPS of \$0.34*

BRIDGEWATER, N.J.--(BUSINESS WIRE)--Nov. 4, 2013-- [Synchronoss Technologies, Inc.](#) (NASDAQ: SNCR), the mobile innovation leader that provides personal cloud solutions and software-based activation for connected devices across the globe, today announced financial results for the third quarter of 2013.

"We are pleased to announce our strong third quarter results," said Stephen G. Waldis, Founder and Chief Executive Officer of Synchronoss. "We are excited by the positive adoption trends we are seeing across our Personal Cloud Services deployments. Our software is enabling our mobile operator customers to provide compelling cloud services that have become a critical part of their overall strategic initiatives. At the same time our Activation Services offering continues to be positively impacted by industry trends and marketing initiatives by mobile operators to drive more frequent upgrade activity and enable more family share plans. We believe Synchronoss is well positioned to continue driving strong top line growth, and our differentiated value proposition is further reinforced as our Tier One customers such as AT&T and Verizon commit to new and expanded multi-year agreements."

On a GAAP basis, Synchronoss reported net revenues of \$89.7 million, representing an increase of 30% compared to the third quarter of 2012. Gross profit was \$51.6 million and income from operations was \$8.8 million in the third quarter of 2013. Net income applicable to common stock was \$3.6 million, leading to diluted earnings per share of \$0.09, compared to \$0.16 for the third quarter of 2012.

On a non-GAAP basis, Synchronoss reported net revenues of \$90.3 million, an increase of 30% compared to the third quarter of 2012. Gross profit for the third quarter of 2013 was \$53.9 million, representing a gross margin of 60%. Income from operations was \$21.0 million in the third quarter of 2013, representing an operating margin of 23%. Net income was \$13.5 million in the third quarter of 2013, compared to \$10.7 million in the year ago period. Diluted earnings per share were \$0.34 for the third quarter of 2013, compared to \$0.28 for the third quarter of 2012.

A reconciliation of GAAP to non-GAAP results has been provided in the financial statement tables included in this press release. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

"Our third quarter results were driven by solid performance in both our cloud services and activation services platforms," said Lawrence R. Irving, Chief Financial Officer and Treasurer. "The growing adoption of our Personal Cloud platform, along with positive activation trends around an expanding array of devices, makes us increasingly confident that the investments we are making in 2013 will generate significant value for Synchronoss, our customers and our shareholders going forward."

Other Third Quarter and Recent Business Highlights:

- Cloud Services revenue accounted for approximately \$26.9 million of non-GAAP revenue, representing approximately 30% of total revenue and growing 55% on a year-over-year basis.
- Activation Services revenue accounted for approximately \$63.4 million of non-GAAP revenue, representing approximately 70% of total revenue and growing 22% on a year-over-year basis.
- Executed a new three-year contract with AT&T that extends our successful ten-year plus relationship.
- Entered into a \$100 million Credit Agreement to further enhance the company's financial flexibility and facilitate general corporate purposes. This Credit Agreement can be expanded to \$150 million and expires in September 2018.

Conference Call Details

In conjunction with this announcement, Synchronoss will host a conference call today, November 4, 2013, at 4:30 p.m. (ET) to discuss the company's financial results. To access this call, dial 866-202-3048 (domestic) or 617-213-8843 (international). The pass code for the call is 92967348. Additionally, a live web cast of the conference call will be available on the "Investor Relations" page on the company's web site, www.synchronoss.com.

Following the conference call, a replay will be available at 888-286-8010 (domestic) or 617-801-6888 (international). The replay pass code is 27040474. An archived web cast of this conference call will also be available on the "Investor Relations" page of the company's web site, www.synchronoss.com.

Non-GAAP Financial Measures

Synchronoss has provided in this release selected financial information that has not been prepared in accordance with GAAP. This information includes historical non-GAAP revenues, gross profit, operating income, net income, effective tax rate, earnings per share and cash flows from operating activities. Synchronoss uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to GAAP measures, in evaluating Synchronoss' ongoing operational performance. Synchronoss believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends, and in comparing its financial results with other companies in Synchronoss' industry, many of which present similar non-GAAP financial measures to investors. As noted, the non-GAAP financial results discussed above add back the deferred revenue write-down associated with acquisitions, fair value stock-based compensation expense, acquisition-related costs, changes in the contingent consideration obligation, deferred compensation

expense related to earn outs and amortization of intangibles associated with acquisitions.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures as detailed above. As previously mentioned, a reconciliation of GAAP to non-GAAP results has been provided in the financial statement tables included in this press release.

About Synchronoss Technologies, Inc.

Synchronoss Technologies (NASDAQ: SNCR) is the mobile innovation leader that provides personal cloud solutions and software-based activation for connected devices across the globe. The company's proven and scalable technology solutions allow customers to connect, synchronize and activate connected devices and services that empower enterprises and consumers to live in a connected world. For more information visit us at:

Web: www.synchronoss.com

Blog: <http://blog.synchronoss.com>

Twitter: <http://twitter.com/synchronoss>

Forward-looking Statements

This document may include certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts and statements identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "outlook" or words of similar meanings. These statements are based on our current beliefs or expectations and are inherently subject to various risks and uncertainties, including those set forth under the caption "Risk Factors" in Synchronoss' Annual Report on Form 10-K for the year ended December 31, 2012 and other documents filed with the U.S. Securities and Exchange Commission. Actual results may differ materially from these expectations due to changes in global political, economic, business, competitive, market and regulatory factors. Synchronoss does not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

SYNCHRONOSS TECHNOLOGIES, INC.
BALANCE SHEETS
(in thousands, except per share data)
(Unaudited)

| | <u>September 30, 2013</u> | <u>December 31, 2012¹</u> |
|--|-------------------------------|--|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 37,087 | \$ 36,028 |
| Marketable securities | 7,894 | 20,188 |
| Accounts receivable, net of allowance for doubtful accounts of \$440 and \$258 at September 30, 2013 and December 31, 2012, respectively | 88,694 | 74,980 |
| Prepaid expenses and other assets | 23,710 | 24,012 |
| Deferred tax assets | 4,120 | 4,114 |
| | <hr/> | <hr/> |
| Total current assets | 161,505 | 159,322 |
| Marketable securities | 5,787 | 653 |
| Property and equipment, net | 95,821 | 58,162 |
| Goodwill | 125,998 | 127,322 |
| Intangible assets, net | 100,764 | 110,760 |
| Deferred tax assets | 4,047 | 6,961 |
| Other assets | 9,821 | 3,482 |
| | <hr/> | <hr/> |
| Total assets | <u>\$ 503,743</u> | <u>\$ 466,662</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 11,660 | \$ 8,980 |
| Accrued expenses | 29,756 | 41,658 |
| Deferred revenues | 22,031 | 20,954 |
| Contingent consideration obligation | 9,037 | 3,279 |
| | <hr/> | <hr/> |
| Total current liabilities | 72,484 | 74,871 |

| | | |
|---|------------|------------|
| Lease financing obligation - long term | 9,257 | 9,540 |
| Contingent consideration obligation - long-term | - | 5,100 |
| Other liabilities | 3,139 | 2,494 |
| Stockholders' equity: | | |
| Preferred stock, \$0.0001 par value; 10,000 shares authorized, 0 shares issued and outstanding at September 30, 2013 and December 31, 2012 | — | — |
| Common stock, \$0.0001 par value; 100,000 shares authorized, 44,303 and 42,533 shares issued; 40,510 and 38,674 outstanding at September 30, 2013 and December 31, 2012, respectively | 4 | 4 |
| Treasury stock, at cost (3,793 and 3,859 shares at September 30, 2013 and December 31, 2012, respectively) | (67,104) | (67,918) |
| Additional paid-in capital | 381,919 | 344,469 |
| Accumulated other comprehensive loss | (1,901) | (365) |
| Retained earnings | 105,945 | 98,467 |
| Total stockholders' equity | 418,863 | 374,657 |
| Total liabilities and stockholders' equity | \$ 503,743 | \$ 466,662 |

¹ Certain prior period amounts have been recast in connection with ASC 805, Business Combinations.

SYNCHRONOSS TECHNOLOGIES, INC.
STATEMENT OF INCOME
(in thousands, except per share data)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-----------|---------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net revenues | \$ 89,716 | \$ 68,961 | \$ 251,840 | \$ 200,511 |
| Costs and expenses: | | | | |
| Cost of services (1)(2)(3)* | 38,133 | 29,136 | 105,791 | 84,388 |
| Research and development (1)(2)(3) | 16,554 | 12,645 | 49,630 | 38,091 |
| Selling, general and administrative (1)(2)(3) | 15,562 | 10,278 | 45,157 | 31,728 |
| Net change in contingent consideration obligation | 500 | (327) | 2,676 | (5,735) |
| Restructuring charges | - | - | 5,172 | - |
| Depreciation and amortization | 10,213 | 6,068 | 28,792 | 17,201 |
| Total costs and expenses | 80,962 | 57,800 | 237,218 | 165,673 |
| Income from operations | 8,754 | 11,161 | 14,622 | 34,838 |
| Interest income | 149 | 295 | 432 | 1,023 |
| Interest expense | (235) | (222) | (714) | (702) |
| Other (expense) income (4) | (369) | (207) | (326) | 586 |
| Income before income tax expense | 8,299 | 11,027 | 14,014 | 35,745 |
| Income tax expense | (4,709) | (4,825) | (6,536) | (12,111) |
| Net income | \$ 3,590 | \$ 6,202 | \$ 7,478 | \$ 23,634 |
| Net income per common share: | | | | |
| Basic | \$ 0.09 | \$ 0.16 | \$ 0.19 | \$ 0.62 |
| Diluted | \$ 0.09 | \$ 0.16 | \$ 0.19 | \$ 0.60 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 38,960 | 38,107 | 38,589 | 38,219 |

| | | | | |
|--|-----------------|-----------------|------------------|------------------|
| Diluted | <u>40,056</u> | <u>38,872</u> | <u>39,662</u> | <u>39,192</u> |
| * Cost of services excludes depreciation which is shown separately. | | | | |
| (1) Amounts include fair value stock-based compensation as follows: | | | | |
| Cost of services | \$ 1,470 | \$ 925 | \$ 3,874 | \$ 3,061 |
| Research and development | 1,538 | 1,201 | 4,484 | 3,856 |
| Selling, general and administrative | <u>4,264</u> | <u>2,511</u> | <u>9,954</u> | <u>7,470</u> |
| Total fair value stock-based compensation expense | <u>\$ 7,272</u> | <u>\$ 4,637</u> | <u>\$ 18,312</u> | <u>\$ 14,387</u> |
| (2) Amounts include acquisition costs as follows: | | | | |
| Cost of services | \$ 254 | \$ - | \$ 254 | \$ - |
| Research and development | 353 | - | 353 | 209 |
| Selling, general and administrative | <u>(269)</u> | <u>-</u> | <u>668</u> | <u>424</u> |
| Total acquisition costs | <u>\$ 338</u> | <u>\$ -</u> | <u>\$ 1,275</u> | <u>\$ 633</u> |
| (3) Amounts include fair value earn-out cash and stock compensation as follows: | | | | |
| Cost of services | \$ - | \$ 199 | \$ 247 | \$ 199 |
| Research and development | - | 353 | 105 | 469 |
| Selling, general and administrative | <u>-</u> | <u>183</u> | <u>190</u> | <u>319</u> |
| Total fair value earn-out cash and stock compensation expense | <u>\$ -</u> | <u>\$ 735</u> | <u>\$ 542</u> | <u>\$ 987</u> |
| (4) Amounts include Fx change of the contingent consideration obligation as follows: | | | | |
| Other (expense) income | \$ 107 | \$ (32) | \$ 122 | \$ 82 |

SYNCHRONOSS TECHNOLOGIES, INC.
Reconciliation of GAAP to Non-GAAP Financial Measures
(in thousands, except per share data)
(Unaudited)

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|---|---|------------------|--|-------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Non-GAAP financial measures and reconciliation: | | | | |
| GAAP Revenue | \$ 89,716 | \$ 68,961 | \$ 251,840 | \$ 200,511 |
| Add: Deferred Revenue Write-Down | <u>558</u> | <u>232</u> | <u>3,104</u> | <u>748</u> |
| Non-GAAP Revenue | <u>\$ 90,274</u> | <u>\$ 69,193</u> | <u>\$ 254,944</u> | <u>\$ 201,259</u> |
| GAAP Revenue | \$ 89,716 | \$ 68,961 | \$ 251,840 | \$ 200,511 |
| Less: Cost of Services | <u>38,133</u> | <u>29,136</u> | <u>105,791</u> | <u>84,388</u> |
| GAAP Gross Margin | 51,583 | 39,825 | 146,049 | 116,123 |
| Add: Deferred revenue write-down | 558 | 232 | 3,104 | 748 |
| Add: Fair value stock-based compensation | 1,470 | 925 | 3,874 | 3,061 |
| Add: Acquisition and restructuring costs | 254 | - | 254 | - |

| | | | | |
|--|------------------|------------------|-------------------|-------------------|
| Add: Deferred compensation expense - earn-out | - | 199 | 247 | 199 |
| Non-GAAP Gross Margin | <u>\$ 53,865</u> | <u>\$ 41,181</u> | <u>\$ 153,528</u> | <u>\$ 120,131</u> |
| Non-GAAP Gross Margin % | 60% | 60% | 60% | 60% |
| GAAP income from operations | \$ 8,754 | \$ 11,161 | \$ 14,622 | \$ 34,838 |
| Add: Deferred revenue write-down | 558 | 232 | 3,104 | 748 |
| Add: Fair value stock-based compensation | 7,272 | 4,637 | 18,312 | 14,387 |
| Add: Acquisition and restructuring costs | 338 | - | 6,447 | 633 |
| Add: Net change in contingent consideration obligation | 500 | (327) | 2,676 | (5,735) |
| Add: Deferred compensation expense - earn-out | - | 735 | 542 | 987 |
| Add: Amortization expense | 3,534 | 1,955 | 10,681 | 5,250 |
| Non-GAAP income from operations | <u>\$ 20,956</u> | <u>\$ 18,393</u> | <u>\$ 56,384</u> | <u>\$ 51,108</u> |
| GAAP net income attributable to common stockholders | \$ 3,590 | \$ 6,202 | \$ 7,478 | \$ 23,634 |
| Add: Deferred revenue write-down, net of tax | 519 | 148 | 2,120 | 486 |
| Add: Fair value stock-based compensation, net of tax | 5,561 | 2,954 | 12,504 | 9,334 |
| Add: Acquisition and restructuring costs, net of taxes | 564 | - | 4,406 | 414 |
| Add: Net change in contingent consideration obligation, net of Fx change, net of tax | 393 | (295) | 2,554 | (5,817) |
| Add: Deferred compensation expense - earn-out, net of tax | 29 | 476 | 370 | 641 |
| Add: Amortization expense, net of tax | 2,801 | 1,252 | 7,296 | 3,408 |
| Non-GAAP net income | <u>\$ 13,457</u> | <u>\$ 10,737</u> | <u>\$ 36,728</u> | <u>\$ 32,100</u> |
| Diluted non-GAAP net income per share | <u>\$ 0.34</u> | <u>\$ 0.28</u> | <u>\$ 0.93</u> | <u>\$ 0.82</u> |
| Weighted shares outstanding - Diluted | <u>40,056</u> | <u>38,872</u> | <u>39,662</u> | <u>39,192</u> |

SYNCHRONOSS TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
(in thousands)
(Unaudited)

Nine Months Ended September 30,
2013 **2012**

| | | |
|---|---------------|---------------|
| Operating activities: | | |
| Net income | \$ 7,478 | \$ 23,634 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 28,792 | 17,199 |
| Loss on disposal of asset | - | 198 |
| Amortization of bond premium | 225 | 1,000 |
| Deferred income taxes | 3,401 | 32 |
| Non-cash interest on leased facility | 691 | 690 |
| Stock-based compensation | 18,313 | 14,387 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net of allowance for doubtful accounts | (13,714) | (6,733) |
| Prepaid expenses and other current assets | 1,656 | 7,022 |
| Other assets | (6,724) | (122) |
| Accounts payable | 2,680 | (2,665) |
| Accrued expenses | (11,952) | (3,042) |
| Contingent consideration obligation | 1,724 | (8,396) |
| Excess tax benefit from the exercise of stock options | (983) | (6,592) |
| Other liabilities | 1,063 | (146) |
| Deferred revenues | 760 | (1,707) |
| Net cash provided by operating activities | 33,410 | 34,759 |

| | | |
|---|-----------|-----------|
| Investing activities: | | |
| Purchases of fixed assets | (55,216) | (25,377) |
| Purchases of marketable securities available-for-sale | (6,703) | (13,082) |
| Maturity of marketable securities available-for-sale | 13,635 | 15,531 |
| Business acquired, net of cash | - | (26,572) |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (48,284) | (49,500) |
| Financing activities: | | |
| Proceeds from the exercise of stock options | 17,495 | 7,330 |
| Payments on contingent consideration obligation | (1,090) | (2,268) |
| Excess tax benefit from the exercise of stock options | 983 | 6,592 |
| Repurchase of common stock | - | (13,898) |
| Proceeds from the sale of Treasury Stock in connection with an employee stock purchase plan | 1,474 | 612 |
| Proceeds from capital obligations | - | 38 |
| Payments on capital obligations | (1,236) | (750) |
| | <hr/> | <hr/> |
| Net cash provided (used) by financing activities | 17,626 | (2,344) |
| Effect of exchange rate changes on cash | (1,693) | 391 |
| | <hr/> | <hr/> |
| Net increase (decrease) in cash and cash equivalents | 1,059 | (16,694) |
| Cash and cash equivalents at beginning of year | 36,028 | 69,430 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of period | \$ 37,087 | \$ 52,736 |

SYNCHRONOSS TECHNOLOGIES, INC.
Reconciliation of GAAP to Non-GAAP Cash Provided by Operating Activities
(in thousands)
(Unaudited)

Nine Months Ended September 30,
2013 **2012**

Non-GAAP cash provided by operating activities and reconciliation:

| | | |
|---|------------------|------------------|
| Net cash provided by operating activities (GAAP) | \$ 33,410 | \$ 34,759 |
| Add: Tax benefits from stock options exercised | 983 | 6,592 |
| Add: Cash payments on settlement of Earn-out | 1,463 | 3,533 |
| | <hr/> | <hr/> |
| Adjusted cash flow provided by operating activities (Non-GAAP) | \$ 35,856 | \$ 44,884 |



Source: Synchronoss Technologies, Inc.

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