

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, 2023

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 001-40574

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, 3rd Floor
Bridgewater, New Jersey
(Address of principal executive offices)

08807
(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	x
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, \$.0001 par value	SNCR	The Nasdaq Stock Market, LLC
8.375% Senior Notes due 2026	SNCR.L	The Nasdaq Stock Market, LLC

As of May 08, 2023, there were 93,490,629 shares of common stock issued and outstanding.

SYNCHRONOSS TECHNOLOGIES, INC.
FORM 10-Q INDEX

	<u>Page</u>	
<u>PART I.</u>	<u>FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1.</u>	<u>Condensed Consolidated Financial Statements and Notes</u>	<u>3</u>
	<u>Condensed Consolidated Balance Sheets (unaudited)</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations (unaudited)</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Comprehensive (Loss) Income (unaudited)</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Stockholders' Equity (unaudited)</u>	<u>6</u>
	<u>Condensed Consolidated Statements of Cash Flows (unaudited)</u>	<u>7</u>
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>8</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>31</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>32</u>
<u>PART II.</u>	<u>OTHER INFORMATION</u>	<u>33</u>
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>33</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>33</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>34</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>34</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>34</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>35</u>
	<u>SIGNATURES</u>	<u>36</u>

PART I. FINANCIAL INFORMATION**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES**

SYNCHRONOSS TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (In thousands)

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,560	\$ 21,921
Accounts receivable, net	48,035	47,024
Prepaid & other current assets	36,385	36,342
Total current assets	<u>99,980</u>	<u>105,287</u>
Non-current assets:		
Property and equipment, net	4,775	4,582
Operating lease right-of-use assets	20,033	20,863
Goodwill	212,170	210,889
Intangible assets, net	45,651	47,536
Loan receivable	4,834	4,834
Other assets, non-current	3,886	4,081
Total non-current assets	<u>291,349</u>	<u>292,785</u>
Total assets	<u>\$ 391,329</u>	<u>\$ 398,072</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,793	\$ 14,209
Accrued expenses	56,310	52,115
Deferred revenues, current	15,042	13,859
Total current liabilities	<u>83,145</u>	<u>80,183</u>
Long-term debt, net of debt issuance costs	134,977	134,584
Deferred tax liabilities	468	466
Deferred revenues, non-current	618	324
Leases, non-current	28,374	29,637
Other non-current liabilities	2,324	3,933
Total liabilities	<u>249,906</u>	<u>249,127</u>
Commitments and contingencies:		
Series B Non-Convertible Perpetual Preferred Stock, \$0.0001 par value; 150 shares authorized, 71 and 71 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	68,348	68,348
Redeemable noncontrolling interest	12,500	12,500
Stockholders' equity:		
Common stock, \$0.0001 par value; 150,000 shares authorized, 93,547 and 90,853 issued and outstanding at March 31, 2023 and December 31, 2022, respectively	9	9
Additional paid-in capital	487,673	488,848
Accumulated other comprehensive loss	(39,561)	(44,131)
Accumulated deficit	(387,546)	(376,629)
Total stockholders' equity	<u>60,575</u>	<u>68,097</u>
Total liabilities and stockholders' equity	<u>\$ 391,329</u>	<u>\$ 398,072</u>

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,	
	2023	2022
Net revenues	\$ 57,708	\$ 65,866
Costs and expenses:		
Cost of revenues ¹	20,381	24,839
Research and development	14,735	15,791
Selling, general and administrative	18,309	17,897
Restructuring charges	345	685
Depreciation and amortization	7,520	8,034
Total costs and expenses	61,290	67,246
Loss from operations	(3,582)	(1,380)
Interest income	95	92
Interest expense	(3,454)	(3,325)
Other (expense) income, net	(2,931)	1,704
Loss from operations, before taxes	(9,872)	(2,909)
Provision for income taxes	(1,059)	(128)
Net loss	(10,931)	(3,037)
Net income (loss) attributable to redeemable noncontrolling interests	14	(115)
Preferred stock dividend	(2,474)	(2,438)
Net loss attributable to Synchronoss	\$ (13,391)	\$ (5,590)
Earnings (loss) per share:		
Basic	\$ (0.15)	\$ (0.07)
Diluted	\$ (0.15)	\$ (0.07)
Weighted-average common shares outstanding:		
Basic	86,501	85,866
Diluted	86,501	85,866

¹ 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)

	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (10,931)	\$ (3,037)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	4,570	(3,159)
Net income on inter-company foreign currency transactions	—	18
Total other comprehensive income (loss)	4,570	(3,141)
Comprehensive loss	(6,361)	(6,178)
Comprehensive income (loss) attributable to redeemable noncontrolling interests	14	(115)
Comprehensive loss attributable to Synchronoss	\$ (6,347)	\$ (6,293)

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, 2023						
	Common Stock			Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated deficit	Total Stockholders' Equity
	Shares	Par Value	9				
Balance at December 31, 2022	90,853	\$	9	\$ 488,848	\$ (44,131)	\$ (376,629)	\$ 68,097
Stock based compensation	—			1,314	—	—	1,314
Issuance of restricted stock	2,695			—	—	—	—
Preferred stock dividend	—			(2,474)	—	—	(2,474)
Shares withheld for taxes in connection with issuance of restricted stock	(1)			(1)	—	—	(1)
Net income (loss) attributable to Synchronoss	—			—	—	(10,931)	(10,931)
Non-controlling interest	—			(14)	—	14	—
Total other comprehensive income (loss)	—			—	4,570	—	4,570
Balance at March 31, 2023	93,547	\$	9	\$ 487,673	\$ (39,561)	\$ (387,546)	\$ 60,575

	Three Months Ended March 31, 2022						
	Common Stock			Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated deficit	Total Stockholders' Equity
	Shares	Par Value	9				
Balance at December 31, 2021	88,305	\$	9	\$ 492,512	\$ (32,985)	\$ (368,713)	\$ 90,823
Stock based compensation	—			1,777	—	—	1,777
Issuance of restricted stock	(61)			—	—	—	—
Preferred stock dividend	—			(2,438)	—	—	(2,438)
Net income (loss) attributable to Synchronoss	—			—	—	(3,037)	(3,037)
Non-controlling interest	—			115	—	(115)	—
Total other comprehensive income (loss)	—			—	(3,141)	—	(3,141)
Balance at March 31, 2022	88,244	\$	9	\$ 491,966	\$ (36,126)	\$ (371,865)	\$ 83,984

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,	
	2023	2022
Operating activities:		
Net loss from continuing operations	\$ (10,931)	\$ (3,037)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	7,520	8,034
Amortization of debt issuance costs	370	335
Loss on disposals of fixed assets	24	—
Amortization of bond discount	23	22
Deferred income taxes	—	(11)
Stock-based compensation	1,739	1,927
Operating lease impairment, net	(3)	443
Changes in operating assets and liabilities:		
Accounts receivable, net	(845)	(703)
Prepaid expenses and other current assets	13	(3,969)
Accounts payable	(2,348)	1,019
Accrued expenses	3,457	(2,356)
Deferred revenues	1,365	(2,617)
Other liabilities	911	(1,780)
Net cash provided by (used in) operating activities	1,295	(2,693)
Investing activities:		
Purchases of fixed assets	(876)	(154)
Additions to capitalized software	(4,594)	(5,245)
Net cash used in investing activities	(5,470)	(5,399)
Financing activities:		
Taxes paid on withholding shares	(1)	—
Series B Preferred dividend paid in cash	(2,298)	(1,781)
Net cash used in financing activities	(2,299)	(1,781)
Effect of exchange rate changes on cash	113	96
Net decrease in cash and cash equivalents	(6,361)	(9,777)
Cash and cash equivalents, beginning of period	21,921	31,504
Cash and cash equivalents, end of period	\$ 15,560	\$ 21,727

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”) is a leading provider of white label cloud, messaging, digital and network management solutions that enable our customers to keep subscribers, systems, networks and content in sync.

The Synchronoss Personal Cloud™ solution is designed to create an engaging and trusted customer experience through ongoing content management and engagement. The Synchronoss Personal Cloud™ platform is a secure and highly scalable, white label platform that allows our customers’ subscribers to backup and protect, engage with, and manage their personal content and gives our operator customers the ability to increase average revenue per user (“ARPU”) and reduce churn. Our Synchronoss Personal Cloud™ platform is specifically designed to support smartphones, tablets, desktops computers, laptops, wearables for health and wellness, cameras, TVs, security cameras, routers, as well as connected automobiles and homes.

Synchronoss’ Messaging platform powers mobile messaging and mailboxes for hundreds of millions of telecommunication subscribers. Our Advanced Messaging platform is a powerful, secure, intelligent, white label messaging platform that expands capabilities for communications service provider and multi-service providers to offer P2P messaging via Rich Communications Services (“RCS”). Our Mobile Messaging Platform (“MMP”) is poised to provide a single standard ecosystem for onboarding and management to brands, advertisers and message wholesalers.

The Synchronoss NetworkX (formerly Digital) products provide operators with the tools and software to design their physical network, streamline their infrastructure purchases, and manage and optimize comprehensive network expenses for leading top tier carriers around the globe.

2. Basis of Presentation and Consolidation

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, 2022. The results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023.

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.

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, 2022.

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 StandardsRecent accounting pronouncements adopted

Standard	Description	Effect on the financial statements
Update 2022-04 - Liabilities—Supplier Finance Programs (Subtopic 405-50). Disclosure of Supplier Finance Program Obligations	The amendments in this Update apply to all entities that use supplier finance programs in connection with the purchase of goods and services (herein described as buyer parties). Supplier finance programs, which also may be referred to as reverse factoring, payables finance, or structured payables arrangements, allow a buyer to offer its suppliers the option for access to payment in advance of an invoice due date, which is paid by a third-party finance provider or intermediary on the basis of invoices that the buyer has confirmed as valid. The amendments in this Update require that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. To achieve that objective, the buyer should disclose qualitative and quantitative information about its supplier finance programs.	The Company evaluated these changes and determined that they have no material impact on the Company's consolidated financial position or results of operations upon adoption.
Date of adoption: January 1, 2023		

Digital Experience Platform and Activation Solutions Sale

On March 7, 2022, Synchronoss Technologies, Inc. and iQmetrix Global Ltd. ("iQmetrix"), entered into an Asset Purchase Agreement, pursuant to which Synchronoss has agreed to sell its Digital Experience Platform and activation solutions (the "DXP Business") to iQmetrix for up to a total purchase price of \$14 million. The purchase price is payable as follows: (i) \$7.5 million on the closing date of the Transaction, (ii) \$0.5 million deposited into an escrow account on the Closing Date, (iii) \$1 million paid twelve (12) months from the Closing Date, and (iv) \$5 million that may be payable as an earn-out.

This transaction closed on May 11, 2022. The Company received the \$7.5 million cash payment on the transaction close date. The Company received the \$0.5 million payment in escrow during the third quarter of 2022 in accordance with the terms of the Asset Purchase Agreement. The remaining \$1 million escrow payment was recorded into other current assets. This consideration is not contingent on any further actions.

The Company determined the fair value of the earn-out provision was \$3.6 million of which \$3.0 million was recorded as an other current asset and the remaining portion was recorded as non-current other asset. In the fourth quarter of fiscal 2022, iQmetrix and the Company agreed that the required performance conditions were not met. This resulted in a write-off of the asset recorded within the Selling, general and administrative expenses line item on the income statement.

The book value of the divested intangible assets associated with the DXP Business was \$2.3 million. For the goodwill allocation, the fair value of the core reporting unit was estimated using a combination of the income approach, which incorporates the use of the discounted cash flow method, and the market approach, which incorporates the use of earnings and revenue multiples based on market data. Based on the fair value of the core reporting unit and the aggregate consideration received in the transaction, the Company determined the attributable fair value of goodwill to the DXP Business was \$7.6 million. The transaction resulted in a \$2.5 million gain for the year ended December 31, 2022.

Accounts Receivable Securitization Facility

On June 23, 2022 (the "Closing Date"), the Company and certain of its subsidiaries (together with the Company, the "Company Group") entered into a \$15 million accounts receivable securitization facility (the "A/R Facility") with Norddeutsche Landesbank Girozentrale.

The A/R Facility transaction includes (i) Receivables Purchase Agreements (the "Receivables Purchase Agreements") dated as of the Closing Date, among the Company, as initial servicer, SN Technologies, LLC, a wholly owned special purpose subsidiary of the Company ("SN Technologies"), as seller, Norddeutsche Landesbank Girozentrale, as administrative agent (the

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

“Administrative Agent”), and the purchasers party thereto, the group agents party thereto and the originators party thereto; (ii) Purchase and Sale Agreements (the “Purchase and Sale Agreements”) dated as of the Closing Date, between the Company Group, as originators (the “Originators”), and SN Technologies, as purchaser; (iii) the Administration Agreement (the “Administration Agreement”) dated as of the Closing Date, between the Company, as servicer, and Finacity Corporation, as administrator; and (iv) the Performance Guaranty (the “Performance Guaranty”) dated as of the Closing Date made by the Company in favor of the Administrative Agent.

Pursuant to the Purchase and Sale Agreements, the Originators will sell existing and future accounts receivable [and related assets] (the “Receivables”) to SN Technologies in exchange for cash and/or subordinated notes. The Originators and SN Technologies intend the transactions contemplated by the Purchase and Sale Agreements to be true sales to SN Technologies by the respective Originators. Pursuant to the Receivables Purchase Agreement, SN Technologies will in turn grant an undivided security interest to the Administrative Agent in the Receivables in exchange for a credit facility permitting borrowings of up to \$15 million outstanding from time to time. Yield is payable to the Administrative Agent under the Receivables Purchase Agreements at a variable rate based on the Norddeutsche Landesbank Girozentrale’s Hanover funding rate plus a 2.35% margin. The Company pays a commitment fee that shall equal 0.85% per annum on the average daily unused outstanding capital. Pursuant to the Performance Guaranty, the Company guarantees the performance of the Originators of their obligations under the Purchase and Sale Agreements.

The Company has not agreed to guarantee any obligations of SN Technologies or the collection of any of the receivables and will not be responsible for any obligations to the extent the failure to perform such obligations by the Company or any Originators results from receivables being uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness or other financial inability to pay of the related obligor.

Unless earlier terminated or subsequently extended pursuant to the terms of the Receivables Purchase Agreement, the A/R Facility will expire on June 23, 2025.

The foregoing description of the A/R Facility and the respective transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the full text of the Receivables Purchase Agreements, Purchase and Sale Agreements, Administration Agreement and Performance Guaranty, copies of which are filed as Exhibits 10.1, 10.2, 10.3 and 10.4, respectively, on Form 8-K filed with Securities and Exchange Commission on June 23, 2022.

The Company has not drawn on the A/R Facility as of March 31, 2023.

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

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 TMT sector.

	Three Months Ended March 31, 2023				Three Months Ended March 31, 2022			
	Cloud	NetworkX	Messaging	Total	Cloud	NetworkX	Messaging	Total
Geography:								
Americas	\$ 37,414	\$ 6,353	\$ 1,994	\$ 45,761	\$ 39,715	\$ 10,455	\$ 2,692	\$ 52,862
APAC	1,647	792	4,915	7,354	56	759	6,816	7,631
EMEA	2,017	—	2,576	4,593	1,730	950	2,693	5,373
Total	\$ 41,078	\$ 7,145	\$ 9,485	\$ 57,708	\$ 41,501	\$ 12,164	\$ 12,201	\$ 65,866
Service Line:								
Professional Services	\$ 4,661	\$ 346	\$ 1,691	\$ 6,698	\$ 3,354	\$ 1,636	\$ 3,141	\$ 8,131
Transaction Services	127	853	—	980	336	1,028	23	1,387
Subscription Services	35,886	5,350	7,768	49,004	37,811	8,210	8,515	54,536
License	404	596	26	1,026	—	1,290	522	1,812
Total	\$ 41,078	\$ 7,145	\$ 9,485	\$ 57,708	\$ 41,501	\$ 12,164	\$ 12,201	\$ 65,866

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 it records revenue on a professional services engagement but are not entitled to bill until the Company achieves specified milestones. Contract assets balance at March 31, 2023 is \$13.8 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.

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

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

	Contract Liabilities¹
Balance - January 1, 2023	\$ 14,183
Revenue recognized in the period	(57,628)
Amounts billed but not recognized as revenue	59,105
Balance - March 31, 2023	\$ 15,660

¹ Comprised of Deferred Revenue. \$10.8 million of revenue recognized in the period was included in the contract liability balance at the beginning of the period.

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, 2023. 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, 2023, the aggregate amount of transaction price allocated to remaining performance obligations, other than those meeting the exclusion criteria above, was \$104.5 million, of which approximately 95.0 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.

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

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

	March 31, 2023			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Cash and cash equivalents	\$ 15,560	\$ 15,560	\$ —	\$ —
Total assets	\$ 15,560	\$ 15,560	\$ —	\$ —
Temporary equity				
Redeemable noncontrolling interests ¹	\$ 12,500	\$ —	\$ —	\$ 12,500
Total temporary equity	\$ 12,500	\$ —	\$ —	\$ 12,500
	December 31, 2022			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Cash and cash equivalents	\$ 21,921	\$ 21,921	\$ —	\$ —
Total assets	\$ 21,921	\$ 21,921	\$ —	\$ —
Temporary Equity				
Redeemable noncontrolling interests ¹	\$ 12,500	\$ —	\$ —	\$ 12,500
Total temporary equity	\$ 12,500	\$ —	\$ —	\$ 12,500

¹ Put arrangements held by the noncontrolling interests in certain of the Company's joint venture.

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.

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 Company reflects finance leases as a component of Leases, non-current on the Condensed Consolidated Balance Sheet. The finance leases were not material for the period ended March 31, 2023.

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

The following table presents information about the Company's Right of Use (ROU) assets and lease liabilities:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
ROU assets:		
Non-current operating lease ROU assets	\$ 20,033	\$ 20,863
Operating lease liabilities:		
Current operating lease liabilities ¹	\$ 5,673	\$ 5,497
Non-current operating lease liabilities	27,857	29,222
Total operating lease liabilities	\$ 33,530	\$ 34,719

¹ Amounts are included in Accrued Expenses on the Condensed Consolidated Balance Sheet.

The following table presents information about lease expense and sublease income:

	<u>Three Months Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Operating lease cost ¹	\$ 1,617	\$ 2,042
Other lease costs and income:		
Variable lease costs ¹	349	435
Operating lease impairments, net ¹	(3)	443
Sublease income ¹	(716)	(646)
Total net lease cost	\$ 1,247	\$ 2,274

¹ 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.

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

The following table provides the undiscounted amount of future cash flows included in our lease liabilities at March 31, 2023 for each of the five years subsequent to December 31, 2022 and thereafter, as well as a reconciliation of such undiscounted cash flows to our lease liabilities at March 31, 2023:

Year	Operating Leases
2023	\$ 6,032
2024	8,192
2025	8,042
2026	7,881
2027	6,205
Thereafter	4,275
Total future lease payments	40,627
Less: amount representing interest	(7,097)
Present value of future lease payments (lease liability)	\$ 33,530

The following table provides the weighted-average remaining lease term and weighted-average discount rates for our leases:

	March 31, 2023	December 31, 2022
Operating Leases:		
Weighted-average remaining lease term (years), weighted based on lease liability balances	5.07	5.31
Weighted-average discount rate (percentages), weighted based on the remaining balance of lease payments	8.0%	8.0%

The following table provides certain cash flow and supplemental noncash information related to our lease liabilities:

	Three Months Ended March 31,	
	2023	2022
Operating Leases:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,997	\$ 2,603

6. Loan Receivable

Sequential Technology International, LLC

During the second quarter of 2020, the Company entered into an agreement with Sequential Technology International, LLC (“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 the maturity date is April 27, 2025. As of March 31, 2023 and December 31, 2022, the carrying value of the Note after the consideration of the allowance for credit loss was approximately \$4.8 million. The Company determined the allowance on the Note using a discounted cash flow analysis, which discounts the expected future cash flows of the asset to determine the collectible amount.

In accordance with the terms of the agreement, STIN has made the required payments to the Company as of March 31, 2023.

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

7. Debt

Offering of Senior Notes

On June 30, 2021, the Company closed its underwritten public offering of \$120.0 million aggregate principal amount of 8.375% senior notes due 2026 at a par value of \$25.00 per senior note (the “Senior Notes”). The offering was conducted pursuant to an underwriting agreement (the “Notes Underwriting Agreement”) dated June 25, 2021, by and among the Company and B. Riley Securities, Inc., as representative of the several underwriters (the “Notes Underwriters”). At the closing, the Company issued \$125.0 million aggregate principal amount of Senior Notes, inclusive of \$5.0 million aggregate principal amount of Senior Notes issued pursuant to the full exercise of the Notes Underwriters’ option to purchase additional Senior Notes.

The Notes Underwriting Agreement contains customary representations, warranties and covenants of the Company, customary conditions to closing, indemnification obligations of the Company and the Notes Underwriters, including for liabilities under the Securities Act, other obligations of the parties and termination provisions.

On June 30, 2021, the Company entered into an indenture (the “Base Indenture”) and a supplemental indenture (the “First Supplemental Indenture” and, together with the Base Indenture, the “Indenture”) with The Bank of New York Mellon Trust Company National Association, as trustee (the “Trustee”), between the Company and the Trustee. The Indenture establishes the form and provides for the issuance of the Senior Notes.

The Senior Notes are senior unsecured obligations of the Company and rank equally in right of payment with all of the Company’s existing and future senior unsecured and unsubordinated indebtedness. The Senior Notes are effectively subordinated in right of payment to all of the Company’s existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally subordinated to all existing and future indebtedness of the Company’s subsidiaries, including trade payables. The Senior Notes bear interest at the rate of 8.375% per annum. Interest on the Senior Notes is payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year, commencing on July 31, 2021. The Senior Notes will mature on June 30, 2026, unless redeemed prior to maturity.

The Company may, at its option, at any time and from time to time, redeem the Senior Notes for cash in whole or in part (i) on or after June 30, 2022 and prior to June 30, 2023, at a price equal to \$25.75 per Senior Note, plus accrued and unpaid interest to, but excluding, the date of redemption, (ii) on or after June 30, 2023 and prior to June 30, 2024, at a price equal to \$25.50 per Senior Note, plus accrued and unpaid interest to, but excluding, the date of redemption, (iii) on or after June 30, 2024 and prior to June 30, 2025, at a price equal to \$25.25 per Senior Note, plus accrued and unpaid interest to, but excluding, the date of redemption, and (iv) on or after June 30, 2025 and prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption. On and after any redemption date, interest will cease to accrue on the redeemed Senior Notes.

The Company has not redeemed any of the Senior Notes as of March 31, 2023.

The Indenture contains customary events of default and cure provisions. If an uncured default occurs and is continuing, the Trustee or the holders of at least 25% of the principal amount of the Senior Notes may declare the entire amount of the Senior Notes, together with accrued and unpaid interest, if any, to be immediately due and payable. In the case of an event of default involving the Company’s bankruptcy, insolvency or reorganization, the principal of, and accrued and unpaid interest on, the principal amount of the Senior Notes, together with accrued and unpaid interest, if any, will automatically, and without any declaration or other action on the part of the Trustee or the holders of the Senior Notes, become due and payable.

On October 25, 2021, the Company entered into an At Market Issuance Sales Agreement (the “Sales Agreement”) between the Company and B. Riley Securities, Inc. (the “Agent”), a related party, pursuant to which the Company may offer and sell, from time to time, up to \$18.0 million of the Company’s 8.375% Senior Notes due 2026. Sales of the additional Senior Notes pursuant to the Sales Agreement, if any, may be made in transactions that are deemed to be “at the market offerings” as defined in Rule 415 under the Securities Act of 1933, as amended (the “Securities Act”). Under the Sales Agreement, the Agent will be entitled to compensation of 2.0% of the gross proceeds of all notes sold through it as the Company’s agent.

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

During the fourth quarter of 2021, the Company sold an additional \$16.1 million aggregate principal amount of Senior Notes pursuant to the Sales Agreement. The additional Senior Notes sold have terms identical to the initial Senior Notes and are fungible and vote together with, the initial Senior Notes. The Senior Notes are listed and trade on The Nasdaq Global Market under the symbol “SNCRL.”

The carrying amounts of the Company’s borrowings were as follows:

Senior Notes	March 31, 2023	December 31, 2022
8.375% Senior Notes due 2026	\$ 141,077	\$ 141,077
Unamortized discount and debt issuance cost ¹	(6,100)	(6,493)
Carrying value of Senior Notes	\$ 134,977	\$ 134,584

¹ Debt issuance costs are deferred and amortized into interest expense using the effective interest method.

The total fair value of the outstanding Senior Notes was \$97.8 million as of March 31, 2023. The Company is in compliance with its debt covenants as of March 31, 2023.

Interest expense

The following table summarizes the Company’s interest expense:

	Three Months Ended March 31,	
	2023	2022
2021 Non-Convertible Senior Notes due 2026:		
Amortization of debt issuance costs	\$ 370	\$ 335
Interest on borrowings	2,954	2,954
Amortization of debt discount	23	22
Tax - ASC 740/FIN 48 Interest	73	—
Other	34	14
Total	\$ 3,454	\$ 3,325

8. Accumulated Other Comprehensive (Loss) / Income

The changes in accumulated other comprehensive (loss) income during the three months ended March 31, 2023 were as follows:

	Balance at December 31, 2022	Other comprehensive income	Tax effect	Balance at March 31, 2023
Foreign currency	\$ (40,611)	\$ 4,570	\$ —	\$ (36,041)
Unrealized loss on intercompany foreign currency transactions	(3,520)	—	—	(3,520)
Total	\$ (44,131)	\$ 4,570	\$ —	\$ (39,561)

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

9. Capital Structure

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.

Shelf Registration Statement

On August 19, 2020, the Company filed a universal shelf registration statement with the SEC for the issuance of common stock, preferred stock, debt securities, guarantees of debt securities, warrants and units up to an aggregate amount of \$250.0 million ("the 2020 Shelf Registration Statement"). On August 28, 2020, the 2020 Shelf Registration Statement was declared effective by the SEC. As of March 31, 2023, except for the Common Stock offering and the issuance of Senior Notes, the Company has not raised additional capital using the 2020 Shelf Registration Statement.

Preferred Stock

The Company's Board of Directors (the "Board") 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.

Series B Non-Convertible Preferred Stock

On June 30, 2021, the Company closed a private placement of 75,000 shares of its Series B Perpetual Non-Convertible Preferred Stock, par value \$0.0001 per share, with an initial liquidation preference of \$1,000 per share (the "Series B Preferred Stock"), for net proceeds of \$72.5 million (the "Series B Transaction"). The sale of the Series B Preferred Stock was pursuant to the Series B Preferred Stock Purchase Agreement, dated as of June 24, 2021 (the "Series B Purchase Agreement"), between the Company and B. Riley Principal Investments, LLC ("BRPI").

In connection with the closing of the Series B Transaction, the Company (i) filed a Certificate of Designation with the State of Delaware setting forth the rights, preferences, privileges, qualifications, restrictions and limitations on the Series B Preferred Stock (the "Series B Certificate") and (ii) entered into an Investor Rights Agreement with B. Riley Financial, Inc. ("B. Riley Financial") and BRPI setting forth certain governance and registration rights of B. Riley Financial with respect to the Company.

Certificate of Designation of the Series B Preferred Stock

The rights, preferences, privileges, qualifications, restrictions and limitations of the shares of Series B Preferred Stock are set forth in the Series B Certificate. Under the Series B Certificate, the holders of the Series B Preferred Stock are entitled to receive, on each share of Series B Preferred Stock on a quarterly basis, an amount equal to the dividend rate, as described in the following sentence, divided by four and multiplied by the then-applicable Liquidation Preference per share of Series B Preferred Stock (collectively, the "Preferred Dividends"). The dividend rate is (1) 9.5% per annum for the period commencing on June 30, 2021 and ending on and including December 31, 2021, (2) 13% per annum for the year commencing on January 1, 2022 and ending on and including December 31, 2022; and (3) 14% per annum for the year commencing on January 1, 2023 and thereafter. The Preferred Dividends will be due in cash on January 1, April 1, July 1 and October 1 of each year (each, a "Series B Dividend Payment Date"). The Company may choose to pay the Series B Preferred Dividends in cash or in additional shares of Series B Preferred Stock. In the event the Company does not declare and pay a dividend in cash on any Series B Dividend Payment Date, the unpaid amount of the Preferred Dividend will be added to the Liquidation Preference. As of March 31, 2023, the Liquidation Value and Redemption Value of the Series B Preferred Shares was \$73.2 million.

On and after the fifth anniversary of the date of issuance, holders of shares of Series B Preferred Stock will have the right to cause the Company to redeem each share of Series B Preferred Stock for cash in an amount equal to the sum of the current liquidation preference and any accrued dividends. Each share of Series B Preferred Stock will also be redeemable at the option of the holder upon the occurrence of a "Fundamental Change" at (i) par in the case of a payment in cash or (ii) 1.5 times par in

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

the case of payment in shares of Common Stock (such shares being, “Registrable Securities”), subject to certain limitations on the amount of stock that could be issued to the holders of Series B Stock. In addition, the Company will be permitted to redeem outstanding shares of the Series B Preferred Stock at any time for the sum of the then-applicable Liquidation Preference and the accrued but unpaid dividends. Pursuant to the Series B Certificate, the Company will be required to use (i) the first \$50.0 million of proceeds from certain transactions (i.e., disposition, sale of assets, tax refunds) received by the Company to redeem for cash, shares of the Series B Preferred Stock, on a pro rata basis among each holder of Series B Preferred Stock and (ii) the next \$25.0 million of proceeds from certain transactions received by the Company may be used by the Company to buy back shares of Common Stock and to the extent, not used for such purpose by the Company, to redeem, for cash, shares of the Series B Preferred Stock, on a pro rata basis among each holder of the Series B Preferred Stock.

The Company shall be required to obtain the prior written consent of the holders holding at least a majority of the outstanding shares of the Series B Preferred Stock before 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 B Preferred Stock; and (iii) issuances of stock ranking senior or equivalent to shares of the Series B Preferred Stock (including additional shares of the Series B 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. Other than with respect to the foregoing consent rights, the Series B Preferred Stock is non-voting stock.

Investor Rights Agreement

On June 30, 2021, the Company, B. Riley Financial and BRPI entered into an Investor Rights Agreement (the “Investor Rights Agreement”). Pursuant to the Investor Rights Agreement, for so long as affiliates of B. Riley Financial beneficially own at least 10% of the outstanding shares of common stock (unless such equity threshold percentage is not met due to dilution from equity issuances), B. Riley Financial is entitled to nominate one Class II director (the “B. Riley Nominee”) to the Company’s board of directors (the “Board”), who shall be an employee of B. Riley Financial or its affiliates and is approved by the Board, such approval not to be unreasonably withheld. For so long as affiliates of B. Riley Financial beneficially own 5% or more but less than 10% of the outstanding shares of common stock (unless such equity threshold percentage is not met due to dilution from equity issuances), B. Riley Financial is entitled to certain board observer rights.

A summary of the Company’s Series B Perpetual Non-Convertible Preferred Stock balance at March 31, 2023 and changes during the three months ended March 31, 2023, are presented below:

	Series B Preferred Stock	
	Shares	Amount
Balance at December 31, 2022	71	\$ 68,348
Amortization of preferred stock issuance costs	—	—
Issuance of preferred PIK dividend	—	—
Redemption of Series B preferred shares	—	—
Balance at March 31, 2023 ¹	<u>71</u>	<u>\$ 68,348</u>

¹ Series B preferred stock net principal balance of \$68.3 million is presented as gross principal balance of \$70.7 million net of \$2.35 million unamortized issuance costs.

On January 3, 2023 the Company paid the accrued Series B Perpetual Non-Convertible Preferred Stock dividend of \$2.30 million in form of cash. On April 3, 2023 the Company paid the accrued Series B Perpetual Non-Convertible Preferred Stock dividend of \$2.47 million in form of cash.

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

Stock Plans

At the annual meeting of stockholders the Company held on June 16, 2022, the stockholders of the Company approved and adopted the Certificate of Amendment of the Company's restated certificate of incorporation to increase the total number of shares of authorized common stock from 100 million shares to 150 million shares.

As of March 31, 2023, there were 4.1 million shares available for the grant or award under the Company's 2015 Equity Incentive Plan and 1.1 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 the Company has reflected such awards in accrued expenses. As of March 31, 2023, the liability for such awards is approximately \$0.8 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,	
	2023	2022
Cost of revenues	\$ 224	\$ 221
Research and development	542	556
Selling, general and administrative	973	1,150
Total stock-based compensation expense	<u>\$ 1,739</u>	<u>\$ 1,927</u>

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

	Three Months Ended March 31,	
	2023	2022
Stock options	\$ 528	\$ 794
Restricted stock awards	785	878
Performance Based Cash Units	426	255
Total stock-based compensation before taxes	<u>\$ 1,739</u>	<u>\$ 1,927</u>
Tax benefit	<u>\$ 345</u>	<u>\$ 377</u>

The total stock-based compensation cost related to unvested equity awards as of March 31, 2023 was approximately \$9.2 million. The expense is expected to be recognized over a weighted-average period of approximately 2.1 years.

The total stock-based compensation cost related to unvested performance based cash units as of March 31, 2023 was approximately \$1.1 million. The expense is expected to be recognized over a weighted-average period of approximately 2.2 years.

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

Stock Options

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:

	Three Months Ended March 31,	
	2023	2022
Expected stock price volatility	72.5 %	71.9 %
Risk-free interest rate	4.3 %	1.5 %
Expected life of options (in years)	4.28	4.15
Expected dividend yield	0.0 %	0.0 %
Weighted-average fair value (PSV) of the options	\$ 0.60	\$ 1.13

The following table summarizes information about stock options outstanding as of March 31, 2023:

Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2022	6,641	\$ 3.80		
Options Granted	19	1.02		
Options Exercised	—	—		
Options Cancelled	(160)	8.04		
Outstanding at March 31, 2023	6,500	\$ 3.69	5.07	\$ 1
Vested and exercisable at March 31, 2023	2,635	\$ 6.67	3.71	\$ —

The total intrinsic value of stock options exercisable was nil at March 31, 2023 and 2022, respectively. The total intrinsic value of stock options exercised was nil and nil during the three months ended March 31, 2023 and 2022, respectively.

Awards of Restricted Stock and Performance Stock

A summary of the Company's unvested restricted stock at March 31, 2023, and changes during the three months ended March 31, 2023, is presented below:

Unvested Restricted Stock	Number of Awards	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2022	4,385	\$ 1.82
Granted	3,161	0.95
Granted adjustment ¹	(395)	3.25
Vested	(94)	4.47
Forfeited	(71)	2.32
Unvested at March 31, 2023	6,986	\$ 1.31

¹ Represents performance based cash units grants that vested and were paid out in form of shares of stock during the period and changes in unvested performance based restricted stock awards due to performance adjustments.

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

Restricted stock awards are granted subject to service conditions or service and performance conditions. Restricted stock awards (“RSA”) and performance based restricted stock awards (“PRSA”) are measured at the closing stock price at the date of grant and the expense is recognized straight line over the requisite service period.

Performance Based Cash Units

Performance based cash units (“PBCU”) generally 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 outstanding performance based cash units at March 31, 2023 and changes during the three months ended March 31, 2023, is presented below:

Outstanding Cash Units	Number of Units	Period End Fair Value
Outstanding at December 31, 2022	5,872	\$ 0.62
Granted	1,206	—
Granted adjustment ¹	—	—
Vested and distributed ²	—	—
Forfeited	(56)	—
Outstanding at March 31, 2023	<u>7,022</u>	<u>\$ 0.94</u>

¹ Includes changes in the outstanding performance based cash units due to performance adjustments.

² Includes earned PBCU that vested and were distributed to participants during the period.

Performance based cash units are measured at the closing stock price at the reporting period end date and the expense is recognized straight line over the requisite service period. The expense for the period will increase or decrease based on updated fair values of these units at each reporting date. Unvested units’ fluctuations are shown as adjustments to units granted in the table above. These fluctuations are based on the percentage achievement of the performance metrics at the end of each reporting period.

10. Income Taxes

The Company recognized an income tax expense of approximately \$1.1 million and \$0.1 million during the three months ended March 31, 2023 and 2022, respectively. The effective tax rate was approximately (10.7)% for the three months ended March 31, 2023, which was lower than the U.S. federal statutory rate primarily due to pre-tax losses in jurisdictions where full valuation allowances have been recorded and certain jurisdictions projecting current income tax expense. The Company’s income tax expense for the period is mainly driven by the enacted Section 174 rules that require the Company to amortize qualifying research and development expenses over five years in the U.S. and fifteen years in foreign jurisdictions. The Company’s effective tax rate was approximately (4.4)% for the three months ended March 31, 2022, which was lower than the U.S. federal statutory rate primarily due to pre-tax losses in jurisdictions where full valuation allowances have been recorded and certain foreign jurisdictions projecting current income tax expense. This decrease was partially offset by a discrete income tax benefit recorded in the period associated with the release of certain reserves for uncertain tax benefits. 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, 2023.

On August 16, 2022, the Inflation Reduction Act of 2022 (“IRA”) was signed into law. This legislation includes significant changes relating to tax, climate change, energy and health care. Among other provisions, the IRA introduces a corporate alternative minimum tax assessed on financial statement income of certain large corporations and an excise tax on share repurchases. The IRA does not have a material impact on the Company’s financial statements in the period ending March 31, 2023.

During 2021 the Internal Revenue Service commenced an audit of certain of the Company’s prior year U.S. federal income tax filings, including the 2013 through 2020 tax years. The audit is currently ongoing and the while receipt of the associated

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

refunds would materially improve its financial position, the Company does not believe that the results of this audit will have a material effect on its results of operations.

The Company received \$4.3 million in federal tax refunds in the second quarter of 2022. There is no change to the Company's position on the remaining tax refunds.

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, 2023 and changes during the three months ended March 31, 2023, are presented below:

	Balance at December 31, 2022		Charges		Payments		Other Adjustments		Balance at March 31, 2023
Employment termination costs	\$ 832	\$	345	\$	(698)	\$	—	\$	479

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.

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

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 operations.

	Three Months Ended March 31,	
	2023	2022
Numerator - Basic:		
Net loss from operations	\$ (10,931)	\$ (3,037)
Net income (loss) attributable to redeemable noncontrolling interests	14	(115)
Preferred stock dividend	(2,474)	(2,438)
Net loss attributable to Synchronoss	<u>\$ (13,391)</u>	<u>\$ (5,590)</u>
Numerator - Diluted:		
Net loss attributable to Synchronoss	\$ (13,391)	\$ (5,590)
Net loss attributable to Synchronoss	<u>\$ (13,391)</u>	<u>\$ (5,590)</u>
Denominator:		
Weighted average common shares outstanding — basic	86,501	85,866
Weighted average common shares outstanding — diluted	<u>86,501</u>	<u>85,866</u>
Earnings (loss) per share:		
Basic	<u>\$ (0.15)</u>	<u>\$ (0.07)</u>
Diluted	<u>\$ (0.15)</u>	<u>\$ (0.07)</u>
Anti-dilutive stock options excluded	—	—
Unvested shares of restricted stock awards	6,986	2,162

13. Commitments, Contingencies and Other

Non-cancelable agreements

The Company has various non-cancelable arrangements such as services for hosting, support, and software that expire at various dates, with the latest expiration in 2025.

Aggregate annual future minimum payments under non-cancelable agreements as of March 31, 2023 are as follows:

Year	Non-cancelable agreements
2023	\$ 13,471
2024	17,511
2025	10,690
Total	<u>\$ 41,672</u>

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

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

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.

In the third quarter of 2017, the SEC and Department of Justice (the "DoJ") initiated investigations in connection with certain financial transactions that the Company effected in 2015 and 2016 and its disclosure of and accounting for such transactions, which the Company restated in the third quarter of 2018 in its restated annual and quarterly financial statements for 2015 and 2016. On June 7, 2022 the SEC approved the Offer of Settlement and filed an Order Instituting Cease-And-Desist Proceedings pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-And-Desist Order (the "SEC Order"). Pursuant to the terms of the SEC Order, the Company consented to pay a civil penalty in the amount of \$12.5 million in equal quarterly installments over two years and to cease and desist from committing or causing any violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and the associated rules thereunder. The expense associated with this settlement of the SEC Order has previously been accrued in the Company's financial statements. Also on June 7, 2022, the SEC filed a civil action against two former members of the Company's management team, alleging misconduct arising out of the restated transactions that took place in 2015 and 2016 investigated by the SEC as set forth above. The Company may be required to indemnify the former members of management in that action. Due to the inherent uncertainty of litigation, the Company cannot predict the outcome of the litigation and can give no assurance that the asserted claims will not have a material adverse effect on its financial position, prospects, or results of operations. In addition, failure to comply with the provisions of the SEC Order could result in further actions by one or both governmental agencies which could have a material adverse effect on the Company's results of operations.

Except as set forth above, the Company is not currently subject to any other legal proceedings that could have a material adverse effect on its operations; however, the Company may from time to time become a party to various legal proceedings arising in the ordinary course of our business.

14. Additional Financial Information

Other Income (expense), net

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

	Three Months Ended March 31,	
	2023	2022
FX (losses) gains ¹	\$ (2,908)	\$ 1,718
Other ²	(23)	(14)
Total	<u>\$ (2,931)</u>	<u>\$ 1,704</u>

¹ Represents foreign exchange gains and losses

² Represents an aggregate of individually immaterial transactions

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 is a leading provider of white label cloud, messaging, digital and network management solutions that enable our customers to keep subscribers, systems, networks and content in sync. We help our customers to connect, engage and monetize subscribers in more meaningful ways by providing trusted platforms through which end users can sync and store content and connect with one another and the brands they love. Our mission is to help our customers create new revenue streams, reduce the cost of innovation, and captivate their subscribers.

Our core product sets allow our customers to create a positive experience throughout their subscribers' lifecycle by engaging, onboarding and managing the network to ensure reliable service.

- EngageX:
 - Personal Cloud: Backup, manage and engage with content.
 - Advanced Messaging: multi-channel messaging, peer-to-peer ("P2P") communications and application-to-person ("A2P") commerce solutions.
 - Email Suite: White label consumer email solutions.

- OnboardingX:
 - Backup and Restore: Backup, view and restore subscriber content across operating systems and devices.
 - Out of Box Experience: Streamline the activation of new services and devices.
 - Content Transfer: Effortlessly move content between mobile devices.

- NetworkX:
 - NetworkX: integrated application suite that designs, procures, manages and optimizes telecom network infrastructure.

The Company currently operates in and markets its solutions and services directly through its sales organizations in North America, Europe and Asia-Pacific.

Revenues

We generate most 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 and Digital 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 continue to be subject to currency translation that could affect our future net sales as reported in U.S. dollars.

Our top five customers accounted for 76.1% and 71.4% of net revenues for the three months ended March 31, 2023 and March 31, 2022, 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 2023 and 2022. 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

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 an essential need and subscriber expectation. Such devices include smartphones, connected cars, personal health and wellness devices and connected home devices. The need for the content from these devices to be stored in a common cloud is also expected to drive our business in the longer term.

Business from our traditional Synchronoss Messaging business (email) 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 advanced 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 provides a 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 MNOs 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.

To support our growth, which we expect to be driven by these favorable industry trends mentioned above, we plan to 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, and Digital spaces to enable connected devices to do more things across multiple networks, brands and communities. Our initiatives with our customers continue to grow both with regard to our current business as well as our new product offerings. We are also exploring additional opportunities to support our customer, product and geographic diversification strategies.

Discussion of the Condensed Consolidated Statements of Operations**Three months ended March 31, 2023 compared to the three months ended March 31, 2022**

The following table presents an overview of our results of operations for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,		\$ Change
	2023	2022	2023 vs 2022
Net revenues	\$ 57,708	\$ 65,866	\$ (8,158)
Cost of revenues ¹	20,381	24,839	(4,458)
Research and development	14,735	15,791	(1,056)
Selling, general and administrative	18,309	17,897	412
Restructuring charges	345	685	(340)
Depreciation and amortization	7,520	8,034	(514)
Total costs and expenses	61,290	67,246	(5,956)
Loss from operations	\$ (3,582)	\$ (1,380)	\$ (2,202)

¹ Cost of revenues excludes depreciation and amortization which are shown separately.

Net revenues decreased \$8.2 million to \$57.7 million for the three months ended March 31, 2023, compared to the same period in 2022. The overall change in revenue was a result of the expected impact from the sale and product sunsetting of the non-strategic DXP and Activation assets in the first half of 2022, the expected deferred revenue run-off in the current quarter, temporary slowdowns in purchasing activity and unfavorable foreign exchange impact related to current macroeconomic conditions. The change in revenue was partially offset by Cloud subscriber growth.

Cost of revenues decreased \$4.5 million to \$20.4 million for the three months ended March 31, 2023, compared to the same period in 2022. The 2023 decrease was primarily attributable to changes in revenue mix and continued efforts to streamline our business operations, reduce costs and focus on higher margin products.

Research and development expense decreased \$1.1 million to \$14.7 million for the three months ended March 31, 2023, compared to the same period in 2022. The research and development costs decreased year over year mainly as a result of executed cost savings initiatives to streamline our workforce and reduce vendor spend and overhead costs.

Selling, general and administrative expense remained flat for the three months ended March 31, 2023, compared to the same period in 2022. The Company executed significant cost savings initiatives for selling, general and administrative costs in fiscal 2021 and 2022. These savings and optimization efforts are reflected in the current and prior quarter results.

Restructuring charges were \$0.3 million and \$0.7 million for the three months ended March 31, 2023 and 2022, respectively, which primarily related to employment termination costs as a result of the work-force reductions initiated to reduce operating costs and align our resources with our key strategic priorities.

Depreciation and amortization expense decreased \$0.5 million to \$7.5 million for the three months ended March 31, 2023, compared to the same period in 2022. The 2023 decrease was primarily attributable to the expiration of amortizable acquired assets in combination with reduced capital expenditures mainly as a result of efforts to streamline business operations, partially offset by the increased amortization of capitalized software.

Income tax. The Company recognized an income tax expense of approximately \$1.1 million and approximately \$0.1 million during the three months ended March 31, 2023 and 2022, respectively. The effective tax rate was approximately (10.7)% for the three months ended March 31, 2023, which was lower than the U.S. federal statutory rate primarily due to pre-tax losses in jurisdictions where full valuation allowances have been recorded and certain jurisdictions projecting current income tax expense. The Company's income tax expense for the period is mainly driven by the enacted Section 174 rules that require the Company to amortize qualifying research and development expenses over five years in the U.S. and fifteen years in

foreign jurisdictions. The Company's effective tax rate was approximately (4.4)% for the three months ended March 31, 2022, which was lower than the U.S. federal statutory rate primarily due to pre-tax losses in jurisdictions where full valuation allowances have been recorded and certain foreign jurisdictions projecting current income tax expense. This decrease was partially offset by a discrete income tax benefit recorded in the period associated with the release of certain reserves for uncertain tax benefits.

Liquidity and Capital Resources

As of March 31, 2023, our principal sources of liquidity were cash provided by operations and the remaining proceeds from the financing transactions. Our cash and cash equivalents balance was \$15.6 million at March 31, 2023. We anticipate that our principal uses of cash and cash equivalents will be to fund our business, including technology expansion and working capital.

At March 31, 2023, our non-U.S. subsidiaries held approximately \$9.7 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 cash, cash equivalents, financing sources, 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 filing date of this Form 10-Q based on our current business plans. 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" in our Annual Report on Form 10-K for the year ended December 31, 2022, some of which are outside of our control.

For further details, see *Note 7. Debt* and *Note 9. Capital Structure* of the Notes to Condensed Consolidated Financial Statements in Item 1 of this Form 10-Q.

Discussion of Cash Flows

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

	Three Months Ended March 31,	
	2023	2022
Net cash provided by (used in):		
Operating activities	\$ 1,295	\$ (2,693)
Investing activities	(5,470)	(5,399)
Financing activities	\$ (2,299)	\$ (1,781)

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 provided by operating activities for the three months ended March 31, 2023 was \$1.3 million as compared to \$2.7 million of cash used in operating activities for the same period in 2022. In the current period, the Company generated cash from operations mainly driven by continued growth in cloud subscribers, reduced operating costs and favorable movements in working capital compared to the first quarter of 2022.

Cash used in investing activities for the three months ended March 31, 2023 was \$5.5 million as compared to \$5.4 million in cash used in investing activities during the same period in 2022. The cash used for investing activities in the current year and

prior year was primarily related to continued investment in product development for our Cloud offering and capitalization of associated labor costs.

Cash used in financing activities for the three months ended March 31, 2023 was \$2.3 million primarily due to dividend payments on the Series B Preferred Stock. In 2022, \$1.8 million of cash used was to pay the dividend on the Series B Preferred Stock.

Effect of Inflation

Inflationary increases in certain input costs, such as occupancy, labor and benefits, and general administrative costs, have impacted our business. Management does not believe these impacts however have had a material impact on our results of operations during the three months March 31, 2023 and 2022. We cannot assure you, however, that we will not be affected by general inflation in the future.

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, 2023 (in thousands):

	Payments Due by Period			
	Total	2023	2024-2026	2027-2028
Finance lease obligations	\$ 1,145	\$ 440	\$ 705	\$ —
Interest	41,353	8,861	32,492	—
Operating lease obligations	40,627	6,032	24,115	10,480
Purchase obligations ¹	41,672	13,471	28,201	—
Senior Note Payable	141,077	—	141,077	—
Total	\$ 265,874	\$ 28,804	\$ 226,590	\$ 10,480

¹ Amount represents obligations associated with colocation agreements and other customer delivery related purchase obligations.

Uncertain Tax Positions

Unrecognized tax positions of \$4.4 million at March 31, 2023 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 anticipate that the balance of unrecognized tax benefits will decrease by approximately \$0.3 million 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 continuing to arise 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, 2023, there were no significant changes in our critical accounting policies and estimates discussed in our Form 10-K for the year ended December 31, 2022. 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, 2022 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, 2023 and December 31, 2022 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, 2023 and December 31, 2022 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, 2023 would increase interest income by approximately \$0.2 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, 2023.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our 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

Other than set forth 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, 2022.

We have engaged UBS Securities, LLC as its financial advisor to assist in exploring and evaluating potential strategic transactions. Additionally, we have received a non-binding proposal from B. Riley Financial, Inc. and its affiliates (“BRF”), and there can be no assurance that a transaction will be agreed to or consummated.

In March 2023, we announced that we have engaged UBS Securities, LLC as our financial advisor to assist in exploring and evaluating potential strategic transactions, and the receipt from BRF of a non-binding acquisition proposal (the “BRF Offer”). Management and our board of directors, in accordance with their fiduciary duties and consistent with their commitment to maximize shareholder value, are reviewing the BRF Offer and are evaluating potential strategic transactions. There can be no assurance that any transaction will ultimately be consummated. The price of the common stock may be impacted by the outcome of the board of directors’ review of the BRF Offer and any potential strategic transactions, and whether or not any transaction is agreed to or consummated.

Securities class action lawsuits and derivative lawsuits are often brought against public companies and their directors when companies either reject acquisition proposals or enter into agreements for transactions similar to those contemplated by the BRF Offer, and such lawsuits may be brought against our company and our directors in connection with the BRF Offer or a potential strategic transaction, whether or not a transaction is ultimately agreed to or consummated. Even if the lawsuits are without merit, these claims can result in substantial costs and divert management time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on our liquidity and financial condition.

In addition, perceived uncertainties as to our future direction, strategy or leadership created as a consequence of new activist shareholder initiatives may result in the loss of potential business opportunities, harm our ability to attract new investors, customers, and employees, and cause our stock price to experience periods of volatility or stagnation.

Adverse developments affecting financial institutions, companies in the financial services industry or the financial services industry generally, such as actual events or concerns involving liquidity, defaults or non-performance, could adversely affect our operations and liquidity.

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank (“SVB”) was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation (“FDIC”) as receiver. Although a statement by the U.S. Department of the Treasury, the Federal Reserve and the FDIC stated that all depositors of SVB would have access to all of their money after only one business day following the date of closure, uncertainty and liquidity concerns in the broader financial services industry remain. Inflation and rapid increases in interest rates have led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. The U.S. Department of Treasury, FDIC and Federal Reserve Board have announced a program to provide up to \$25 billion of loans to financial institutions secured by such government securities held by financial institutions to mitigate the risk of potential losses on the sale of such instruments. However, widespread demands for customer withdrawals or other needs of financial institutions for immediate liquidity may exceed the capacity of such program. There is no guarantee that the U.S. Department of Treasury,

FDIC and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of other banks or financial institutions in a timely fashion or at all.

Our access to our cash and cash equivalents in amounts adequate to finance our operations could be significantly impaired by the financial institutions with which we have arrangements directly facing liquidity constraints or failures. In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any material decline in available funding or our ability to access our cash and cash equivalents could adversely impact our ability to meet our operating expenses, result in breaches of our contractual obligations or result in violations of federal or state wage and hour laws, any of which could have material adverse impacts on our operations and liquidity.

Our cash and cash equivalents could be adversely affected if the financial institutions in which we hold our cash and cash equivalents fail.

We regularly maintain cash balances at third-party financial institutions in excess of the Federal Deposit Insurance Corporation insurance limit. A failure of a depository institution to return these deposits, or if a depository institution is subject to other adverse conditions in the financial or credit markets, could further impact access to our invested cash or cash equivalents and could adversely impact our operating liquidity and financial performance.

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

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Restated Certificate of Incorporation of the Registrant.	10-K	001-40574	3.1	March 15, 2023	
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of the Registrant.	8-K	001-40574	3.1	June 23, 2022	
3.3	Amended and Restated Bylaws of the Registrant.	S-1	333-132080	3.4	May 9, 2006	
3.4	Amendment No. 1 to Amended and Restated Bylaws of the Registrant.	8-K	000-52049	3.2	February 20, 2018	
3.5	Amendment No. 2 to the Amended and Restated Bylaws of the Registrant.	8-K	000-52049	3.3	June 30, 2021	
3.6	Certificate of Designations of the Series B Perpetual Non-Convertible Preferred Stock.	8-K	000-52049	3.1	June 30, 2021	
31.1	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.					X
31.2	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.					X
32.1	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.					X
32.2	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.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Schema Document					X
101.CAL	XBRL Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase					X
101.LAB	XBRL Labels Linkbase Document					X
101.PRE	XBRL Presentation Linkbase Document					X

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/ Jeff Miller

Jeff Miller
Chief Executive Officer
(Principal Executive Officer)

/s/ Louis Ferraro

Louis Ferraro
Chief Financial Officer

May 9, 2023

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

I, **Jeff Miller**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Synchronoss Technologies, Inc. for the quarter ended March 31, 2023;
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 9, 2023

/s/ Jeff Miller

Jeff Miller
Chief Executive Officer
(Principal Executive Officer)

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

I, **Louis Ferraro**, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Synchronoss Technologies, Inc. for the quarter ended March 31, 2023;
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 9, 2023

/s/ Louis Ferraro

Louis Ferraro
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, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Jeff Miller**, 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 9, 2023

/s/ Jeff Miller

Jeff Miller
Chief Executive Officer
(Principal 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, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Louis Ferraro**, 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 9, 2023

/s/ Louis Ferraro

Louis Ferraro
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.