

SYNCHRONOSS TECHNOLOGIES INC
Form 10-Q
October 31, 2014
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 September 30, 2014

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 000-52049

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.)

Edgar Filing: SYNCHRONOSS TECHNOLOGIES INC - Form 10-Q

200 Crossing Boulevard, 8th Floor

Bridgewater, New Jersey 08807
(Address of principal executive offices) (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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Shares outstanding of the Registrant's common stock:

Class	Outstanding at October 24, 2014
-------	---------------------------------------

Common stock, \$0.0001 par value 42,454,989

Table of Contents

SYNCHRONOSS TECHNOLOGIES, INC.

FORM 10-Q INDEX

	PAGE NO.
PART I. FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements and Notes	
<u>Consolidated Balance Sheets (unaudited)</u>	2
<u>Consolidated Statements of Income and Comprehensive Income (unaudited)</u>	3
<u>Consolidated Statements of Cash Flows (unaudited)</u>	4
<u>Notes to Consolidated Financial Statements (unaudited)</u>	5
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	24
<u>Item 4. Controls and Procedures</u>	24
<u>PART II. OTHER INFORMATION</u>	25
<u>Item 1. Legal Proceedings</u>	25
<u>Item 1A. Risk Factors</u>	25
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
<u>Item 3. Defaults Upon Senior Securities</u>	25
<u>Item 4. Mine Safety Disclosures</u>	25
<u>Item 5. Other Information</u>	25
<u>Item 6. Exhibits</u>	26
<u>SIGNATURES</u>	27

Table of Contents

SYNCHRONOSS TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 265,623	\$ 63,512
Marketable securities	37,626	9,105
Accounts receivable, net of allowance for doubtful accounts of \$194 and \$237 at September 30, 2014 and December 31, 2013, respectively	109,190	64,933
Prepaid expenses and other assets	24,659	19,451
Deferred tax assets	3,691	4,626
Total current assets	440,789	161,627
Marketable securities	1,800	4,988
Property and equipment, net	130,623	106,106
Goodwill	151,055	137,743
Intangible assets, net	107,350	101,963
Deferred tax assets	5,596	4,210
Other assets	19,830	10,382
Total assets	\$ 857,043	\$ 527,019
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 50,549	\$ 9,528
Accrued expenses	39,448	37,919
Deferred revenues	12,159	15,372
Contingent consideration obligation	7,370	22
Total current liabilities	109,526	62,841
Lease financing obligation - long term	9,226	9,252
Contingent consideration obligation - long-term	—	4,468
Convertible debt	230,000	—
Other liabilities	3,579	2,819
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 10,000 shares authorized, 0 shares issued and outstanding at September 30, 2014 and December 31, 2013	—	—

Edgar Filing: SYNCHRONOSS TECHNOLOGIES INC - Form 10-Q

Common stock, \$0.0001 par value; 100,000 shares authorized, 46,076 and 44,456 shares issued; 42,343 and 40,663 outstanding at September 30, 2014 and December 31, 2013, respectively	4	4
Treasury stock, at cost (3,733 and 3,793 shares at September 30, 2014 and December 31, 2013, respectively)	(66,336)	(67,104)
Additional paid-in capital	436,503	393,644
Accumulated other comprehensive loss	(12,552)	(723)
Retained earnings	147,093	121,818
Total stockholders' equity	504,712	447,639
Total liabilities and stockholders' equity	\$ 857,043	\$ 527,019

See accompanying notes to consolidated financial statements.

Table of Contents

SYNCHRONOSS TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net revenues	\$ 125,175	\$ 89,716	\$ 327,103	\$ 251,840
Costs and expenses:				
Cost of services*	50,496	38,133	131,766	105,791
Research and development	21,056	16,554	53,902	49,630
Selling, general and administrative	21,382	15,562	55,656	45,157
Net change in contingent consideration obligation	355	500	1,680	2,676
Restructuring charges	—	—	—	5,172
Depreciation and amortization	16,268	10,213	42,292	28,792
Total costs and expenses	109,557	80,962	285,296	237,218
Income from operations	15,618	8,754	41,807	14,622
Interest income	326	149	440	432
Interest expense	(1,132)	(235)	(1,831)	(714)
Other income (expense)	3	(369)	1,052	(326)
Income before income tax expense	14,815	8,299	41,468	14,014
Income tax expense	(5,488)	(4,709)	(16,193)	(6,536)
Net income	\$ 9,327	\$ 3,590	\$ 25,275	\$ 7,478