

SYNIVERSE HOLDINGS INC  
Form 10-Q  
May 12, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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(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, 2015

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 333-176382

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SYNIVERSE HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of incorporation or organization)  
8125 Highwoods Palm Way  
Tampa, Florida 33647  
(Address of principal executive office)  
(Zip code)  
(813) 637-5000  
(Registrant's telephone number, including area code)

30-0041666  
(I.R.S. Employer Identification No.)

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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 past 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 Regulations S-T (§232.405 of this chapter) 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Smaller reporting company

(Do not check if a 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

The number of shares of common stock of the registrant outstanding at May 8, 2015 was 1,000.

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GLOSSARY OF TERMS

Defined below are certain terms used in this report:

| Term      | Definition  |
|-----------|---|
| 2011 Plan | 2011 Equity Incentive Plan  |
| ASC       | Accounting Standards Codification   |
| ASU       | Accounting Standards Update   |
| Carlyle   | Investment funds affiliated with The Carlyle Group                          |
| CDMA      | Code division multiple access   |
| CNAM      | Caller name directory   |
| EIS       | Enterprise & Intelligence Solutions   |
| E.U.      | European Union  |
| FASB      | Financial Accounting Standards Board  |
| FCC       | Federal Communications Commission   |
| FCPA      | Foreign Corrupt Practices Act   |
| GMAC      | Guideline merged and acquired company                                       |
| GPC       | Guideline public company  |
| GSM       | Global system for mobiles   |
| IASB      | International Accounting Standards Board                                    |
| IPX       | Interworking packet exchange  |
| LTE       | Long-term evolution   |
| M2M       | Machine-to-machine  |
| MNO       | Mobile network operator   |
| MTS       | Mobile Transaction Services   |
| MVNO      | Mobile virtual network operators  |
| NOL       | Net operating loss  |
| OFAC      | The Office of Foreign Assets Control of the U.S. Department of the Treasury |
| OTT       | Over-the-top provider   |
| SEC       | Securities and Exchange Commission  |
| SS7       | Signaling System 7  |
| U.S.      | United States of America  |
| U.S. GAAP | Accounting principles generally accepted in the United States               |
| VIE       | Variable interest entity  |
| VoLTE     | Voice over LTE  |

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FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

SYNIVERSE HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

|  | March 31,<br>2015<br>(Unaudited) | December 31,<br>2014 |
|--|----------------------------------|----------------------|
| <b>ASSETS</b>  |                                  |                      |
| Current assets:  |                                  |                      |
| Cash and cash equivalents  | \$74,263                         | \$89,347             |
| Accounts receivable, net of allowances of \$33,354 and \$25,608, respectively  | 181,247                          | 195,963              |
| Deferred tax assets  | 5,426                            | 5,240                |
| Income taxes receivable  | 10,948                           | 8,549                |
| Prepaid and other current assets   | 34,756                           | 36,547               |
| Total current assets   | 306,640                          | 335,646              |
| Property and equipment, net  | 122,546                          | 117,374              |
| Capitalized software, net  | 213,964                          | 226,611              |
| Deferred costs, net  | 46,034                           | 48,573               |
| Goodwill   | 2,285,702                        | 2,319,790            |
| Identifiable intangibles, net  | 465,163                          | 496,500              |
| Deferred tax assets  | 5,428                            | 6,240                |
| Other assets   | 13,980                           | 13,867               |
| Total assets   | \$3,459,457                      | \$3,564,601          |
| <b>LIABILITIES AND STOCKHOLDER EQUITY</b>  |                                  |                      |
| Current liabilities:   |                                  |                      |
| Accounts payable   | \$37,768                         | \$34,967             |
| Income taxes payable   | 4,312                            | 5,939                |
| Accrued liabilities  | 87,474                           | 106,887              |
| Deferred revenues  | 6,660                            | 8,249                |
| Deferred tax liabilities   | 4,777                            | 4,777                |
| Current portion of capital lease obligation  | 8,531                            | 6,862                |
| Total current liabilities  | 149,522                          | 167,681              |
| Long-term liabilities:   |                                  |                      |
| Deferred tax liabilities   | 197,589                          | 206,951              |
| Long-term capital lease obligation, net of current maturities  | 17,896                           | 8,937                |
| Long-term debt, net of original issue discount   | 2,054,626                        | 2,063,958            |
| Other long-term liabilities  | 38,766                           | 41,282               |
| Total liabilities  | 2,458,399                        | 2,488,809            |
| Commitments and contingencies  |                                  |                      |
| Stockholder equity:  |                                  |                      |
| Common stock \$0.01 par value; one thousand shares authorized, issued and outstanding as of March 31, 2015 and December 31, 2014 | —                                | —                    |
| Additional paid-in capital   | 1,233,470                        | 1,232,108            |
| Accumulated deficit  | (145,352)                        | (119,247)            |
| Accumulated other comprehensive loss   | (93,229)                         | (44,222)             |

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|   |             |             |
|---|-------------|-------------|
| Total Syniverse Holdings, Inc. stockholder equity                               | 994,889     | 1,068,639   |
| Nonredeemable noncontrolling interest   | 6,169       | 7,153       |
| Total equity  | 1,001,058   | 1,075,792   |
| Total liabilities and stockholder equity  | \$3,459,457 | \$3,564,601 |
| See accompanying notes to unaudited condensed consolidated financial statements |             |             |

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SYNIVERSE HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (IN THOUSANDS)

|   | Three Months Ended March |             |   |
|---|--------------------------|-------------|---|
|   | 2015                     | 2014        |   |
|   | (Unaudited)              |             |   |
| Revenues  | \$209,617                | \$219,700   |   |
| Costs and expenses:   |                          |             |   |
| Cost of operations (excluding depreciation and amortization shown separately below) | 101,540                  | 88,392      |   |
| Sales and marketing   | 19,166                   | 22,553      |   |
| General and administrative  | 33,931                   | 38,039      |   |
| Depreciation and amortization   | 54,848                   | 55,807      |   |
| Employee termination benefits   | 52                       | 2,967       |   |
| Restructuring   | (200                     | ) 22        |   |
| Acquisitions  | 100                      | —           |   |
|   | 209,437                  | 207,780     |   |
| Operating income  | 180                      | 11,920      |   |
| Other income (expense), net:  |                          |             |   |
| Interest expense, net   | (30,528                  | ) (29,990   | ) |
| Equity income in investee   | 54                       | 307         |   |
| Other, net  | (1,547                   | ) 1,307     |   |
|   | (32,021                  | ) (28,376   | ) |
| Loss before benefit from income taxes   | (31,841                  | ) (16,456   | ) |
| Benefit from income taxes   | (5,860                   | ) (239      | ) |
| Net loss  | (25,981                  | ) (16,217   | ) |
| Net income attributable to nonredeemable noncontrolling interest                    | 124                      | 280         |   |
| Net loss attributable to Syniverse Holdings, Inc.                                   | \$(26,105                | ) \$(16,497 | ) |

See accompanying notes to unaudited condensed consolidated financial statements

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SYNIVERSE HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
 (IN THOUSANDS)

|  | Three Months Ended March<br>31, |              |
|--|---------------------------------|--------------|
|  | 2015                            | 2014         |
|  | (Unaudited)                     |              |
| Net loss   | \$ (25,981 )                    | \$ (16,217 ) |
| Other comprehensive (loss) income, net of tax:                                   |                                 |              |
| Foreign currency translation adjustment (1)                                      | (48,954 )                       | (439 )       |
| Amortization of unrecognized loss included in net periodic pension cost (2)      | 50                              | 104          |
| Other comprehensive loss   | (48,904 )                       | (335 )       |
| Comprehensive loss   | (74,885 )                       | (16,552 )    |
| Less: comprehensive income attributable to nonredeemable noncontrolling interest | 227                             | 490          |
| Comprehensive loss attributable to Syniverse Holdings, Inc.                      | \$ (75,112 )                    | \$ (17,042 ) |

(1) Foreign currency translation adjustments are shown net of income tax expense (benefit) of \$273 and \$(235) for the three months ended March 31, 2015 and 2014, respectively.

(2) Amortization of unrecognized loss included in net periodic pension cost is shown net of income tax benefit of \$22 and \$43 for the three months ended March 31, 2015 and 2014, respectively.

See accompanying notes to unaudited condensed consolidated financial statements



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SYNIVERSE HOLDINGS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER EQUITY  
(IN THOUSANDS)

|   | Stockholder of Syniverse Holdings, Inc. |        |                                  |                        |   |  |             |
|---|---|--------|----------------------------------|------------------------|---|--|-------------|
|   | Common<br>Stock                         |        | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Accumulated<br>Comprehensive<br>(Loss) Income | Other<br>Nonredeemable<br>Noncontrolling<br>Interest | Total       |
|   | Shares                                  | Amount |                                  |                        |   |  |             |
| Balance, December 31, 2013  | 1                                       | \$—    | \$1,225,374                      | \$(71,244)             | \$ 27,735                                     | \$ 6,781   | \$1,188,646 |
| Net (loss) income   | —                                       | —      | —                                | (16,497)               | —   | 280  | (16,217)    |
| Other comprehensive income (loss), net of tax:  |   |        |                                  |                        |   |  |             |
| Foreign currency translation adjustment, net of tax benefit of \$235                                | —                                       | —      | —                                | —                      | (649)   | 210  | (439)       |
| Amortization of unrecognized loss included in net periodic pension cost, net of tax benefit of \$43 | —                                       | —      | —                                | —                      | 104   | —  | 104         |
| Stock-based compensation  | —                                       | —      | 2,019                            | —                      | —   | —  | 2,019       |
| Distribution to nonredeemable noncontrolling interest   | —                                       | —      | —                                | —                      | —   | (889)  | (889)       |
| Distribution to Syniverse Corporation   | —                                       | —      | (389)                            | —                      | —   | —  | (389)       |
| Balance, March 31, 2014 (Unaudited)   | 1                                       | \$—    | \$1,227,004                      | \$(87,741)             | \$ 27,190                                     | \$ 6,382   | \$1,172,835 |
| Balance, December 31, 2014  | 1                                       | \$—    | \$1,232,108                      | \$(119,247)            | \$(44,222)                                    | \$ 7,153   | \$1,075,792 |
| Net (loss) income   | —                                       | —      | —                                | (26,105)               | —   | 124  | (25,981)    |
| Other comprehensive (loss) income, net of tax:  |   |        |                                  |                        |   |  |             |
| Foreign currency translation adjustment, net of tax expense of \$273                                | —                                       | —      | —                                | —                      | (49,057)                                      | 103  | (48,954)    |
| Amortization of unrecognized loss included in net periodic pension cost, net of tax benefit of \$22 | —                                       | —      | —                                | —                      | 50  | —  | 50          |
| Stock-based compensation  | —                                       | —      | 2,251                            | —                      | —   | —  | 2,251       |
| Distribution to nonredeemable noncontrolling interest   | —                                       | —      | —                                | —                      | —   | (1,211)  | (1,211)     |
| Distribution to Syniverse Corporation   | —                                       | —      | (889)                            | —                      | —   | —  | (889)       |

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|  |   |     |             |              |              |          |             |
|--|---|-----|-------------|--------------|--------------|----------|-------------|
| Balance, March 31, 2015<br>(Unaudited) | 1 | \$— | \$1,233,470 | \$(145,352 ) | \$ (93,229 ) | \$ 6,169 | \$1,001,058 |
|--|---|-----|-------------|--------------|--------------|----------|-------------|

See accompanying notes to unaudited condensed consolidated financial statements

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SYNIVERSE HOLDINGS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (IN THOUSANDS)

|   | Three Months Ended March 31, |             |
|---|------------------------------|-------------|
|   | 2015                         | 2014        |
|   | (Unaudited)                  |             |
| Cash flows from operating activities  |                              |             |
| Net loss  | \$(25,981                    | ) \$(16,217 |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                              |             |
| Depreciation and amortization   | 54,848                       | 55,807      |
| Amortization of deferred debt issuance costs and original issue discount        | 3,207                        | 3,026       |
| Allowance for credit memos and uncollectible accounts                           | 11,312                       | 4,530       |
| Deferred income tax benefit   | (7,565                       | ) 846       |
| Stock-based compensation  | 2,251                        | 2,019       |
| Other, net  | 1,679                        | 1,333       |
| Changes in operating assets and liabilities:                                    |                              |             |
| Accounts receivable   | 2,654                        | (2,429      |
| Income taxes receivable or payable  | (3,991                       | ) (6,632    |
| Prepaid and other current assets  | (464                         | ) (1,423    |
| Accounts payable  | 3,014                        | 12,179      |
| Accrued liabilities and deferred revenues                                       | (18,479                      | ) (33,064   |
| Other assets and other long-term liabilities                                    | (1,748                       | ) (1,835    |
| Net cash provided by operating activities                                       | 20,737                       | 18,140      |
| Cash flows from investing activities  |                              |             |
| Capital expenditures  | (18,221                      | ) (30,921   |
| Redemption of certificate of deposit  | 56                           | 3,701       |
| Net cash used in investing activities   | (18,165                      | ) (27,220   |
| Cash flows from financing activities  |                              |             |
| Debt modification costs paid  | (147                         | ) —         |
| Principal payments on long-term debt  | (10,000                      | ) —         |
| Payments on capital lease obligation  | (1,052                       | ) (670      |
| Distribution to Syniverse Corporation   | (889                         | ) (389      |
| Purchase of redeemable noncontrolling interest                                  | —                            | (501        |
| Distribution to nonredeemable noncontrolling interest                           | (1,211                       | ) (889      |
| Net cash used in financing activities   | (13,299                      | ) (2,449    |
| Effect of exchange rate changes on cash   | (4,357                       | ) (909      |
| Net decrease in cash  | (15,084                      | ) (12,438   |
| Cash at beginning of period   | 89,347                       | 306,400     |
| Cash at end of period   | \$74,263                     | \$293,962   |
| Supplemental noncash investing and financing activities                         |                              |             |
| Assets acquired under capital lease   | \$16,213                     | \$3,783     |
| Supplemental cash flow information  |                              |             |
| Interest paid   | \$38,236                     | \$38,853    |
| Income taxes paid   | \$5,674                      | \$5,546     |
| See accompanying notes to unaudited condensed consolidated financial statements |                              |             |

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SYNIVERSE HOLDINGS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Syniverse is the leading global transaction processor that connects MNOs and enterprises in nearly 200 countries enabling seamless mobile communications across disparate and rapidly evolving networks, devices and applications. We process transactions that include the authorization and delivery of end-user traffic, clearing of billing records and settlement of payments. We also analyze a unique portfolio of real-time data generated by these transactions to deliver a wide range of intelligence tools to our customers. Our portfolio of mission-critical services enables our customers to connect to the mobile ecosystem, optimize their businesses and enhance and personalize the mobile experience for their end-users. We process nearly 3 billion billable transactions daily and settle approximately \$17 billion annually between our customers.

We are the leader in LTE roaming and interconnect, offering superior connectivity critical for delivering the advanced mobile experiences end-users have come to expect from 4G and other advanced mobile network technologies, including VoLTE. Our IPX network currently directly connects to nearly half of the global mobile population. We believe our global footprint and operational scale are unmatched in our industry. As a trusted partner with over 25 years of experience and a history of innovation, we believe we are well positioned to solve the technical, operational and financial complexities of the mobile ecosystem.

Our diverse and growing customer base includes a broad range of participants in the mobile ecosystem, including over 1,000 MNOs and over 575 OTTs and enterprises. Our customers include 99 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 4 largest social networking sites in the U.S. and one of the largest social networking sites in China; and blue-chip enterprise customers, including the top 3 credit card networks worldwide, 3 of the top 5 airlines and 2 multinational hotel brands.

The mobile experience is a critical and pervasive component of modern life and has become increasingly complex. Mobile devices have evolved from basic cellular phones to include smartphones, tablets, wearables and other connected devices that people now use to conduct an expanding set of activities in real-time, such as streaming videos, posting social media updates, working and shopping. As a result, today's mobile experience requires seamless and ubiquitous connectivity and coordination between MNOs, OTTs and enterprises across disparate and rapidly evolving networks, devices and applications. The failure to integrate any of these elements can disrupt service, resulting in frustrated end-users, erosion of our customers' brands and loss of revenue by our customers. Our proprietary services bridge these technological and operational complexities.

Syniverse provides approximately 60 mission-critical services to manage the real-time exchange of information and traffic across the mobile ecosystem, enhance our customers' brands and provide valuable intelligence about end-users. Our customers demand, and we deliver, high quality service as evidenced by our over 99.999% network availability.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of Syniverse Holdings, Inc. have been prepared in accordance with U.S. GAAP for interim financial information and on a basis that is consistent with the accounting principles applied in our audited financial statements for the fiscal year ended December 31, 2014 (the "2014 financial statements"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal, recurring nature. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our 2014 financial statements. Operating results for the interim periods noted herein are not necessarily indicative of the results that may be achieved for a full year.

The unaudited condensed consolidated financial statements include the accounts of Syniverse Holdings, Inc. and all of its wholly owned subsidiaries and a VIE for which Syniverse is deemed to be the primary beneficiary. References to “Syniverse”, “the Company,” “us,” or “we” include all of the consolidated companies. Redeemable and nonredeemable noncontrolling interest is recognized for the portion of consolidated joint ventures not owned by us. All significant intercompany balances and transactions have been eliminated.

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### Use of Estimates

We have prepared our financial statements in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the period. Actual results could differ from those estimates.

### Customer Accounts

We provide financial settlement services to wireless operators to support the payment of roaming related charges to their roaming network partners. In accordance with our customer contracts, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other operators. These funds and the corresponding liability are not reflected in our unaudited condensed consolidated balance sheets. The off-balance sheet amounts totaled approximately \$446.1 million and \$488.5 million as of March 31, 2015 and December 31, 2014, respectively.

### Capitalized Software Costs

We capitalize the cost of externally purchased software and certain software licenses, internal-use software and developed technology that has a useful life in excess of one year. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they enable the software to perform a task it previously was unable to perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized software and developed technology are amortized using the straight-line method over a period of 3 years and 2 to 8 years, respectively.

### Foreign Currencies

We have operations in subsidiaries in Europe (primarily the United Kingdom, Germany and Luxembourg), India and the Asia-Pacific region, each of whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the relevant functional currencies are included in Other, net in the unaudited condensed consolidated statements of operations. For the three months ended March 31, 2015, we recorded foreign currency transaction losses of \$1.5 million, which includes a \$3.8 million out-of-period foreign currency transaction gain. For the three months ended March 31, 2014, we recorded foreign currency transaction gains of \$1.3 million.

The assets and liabilities of subsidiaries whose functional currency is other than the U.S. dollar are translated at the period-end rate of exchange. The resulting translation adjustment is recorded as a component of Accumulated other comprehensive loss and is included in Stockholder equity in the unaudited condensed consolidated balance sheets. Transaction gains and losses on intercompany balances which are deemed to be of a long-term investment nature are also recorded as a component of Accumulated other comprehensive loss. Items within the unaudited condensed consolidated statements of operations are translated at the average rates prevailing during the period.

### Segment Information

We have evaluated our portfolio of service offerings, reportable segment and the financial information reviewed by our chief operating decision maker for purposes of making resource allocation decisions. We operate as a single operating segment as our Chief Executive Officer, serving as our chief operating decision maker, reviews financial information on the basis of our consolidated financial results for purposes of making resource allocation decisions.

Revenues by service offerings were as follows:

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| (in thousands)                      | Three Months Ended March 31, |           |
|-------------------------------------|------------------------------|-----------|
|                                     | 2015                         | 2014      |
|                                     | (Unaudited)                  |           |
| Mobile Transaction Services         | \$178,957                    | \$187,074 |
| Enterprise & Intelligence Solutions | 30,660                       | 32,626    |
| Revenues                            | \$209,617                    | \$219,700 |

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Revenues by geographic region, based on the “bill to” location on the invoice, were as follows:

| (in thousands)                 | Three Months Ended March 31, |           |
|--------------------------------|------------------------------|-----------|
|                                | 2015<br>(Unaudited)          | 2014      |
| North America                  | \$128,424                    | \$144,950 |
| Europe, Middle East and Africa | 35,633                       | 37,842    |
| Asia Pacific                   | 30,897                       | 19,768    |
| Caribbean and Latin America    | 14,663                       | 17,140    |
| Revenues                       | \$209,617                    | \$219,700 |

### Reclassifications of Prior Year Presentation

For the three months ended March 31, 2014, we reclassified Interest income into the Interest expense, net line item in our unaudited condensed consolidated statements of operations to conform to the current year presentation. The reclassification had no effect on our reported results of operations.

### 3. Recent Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-05, Intangibles-Goodwill and Other-Internal-Use Software - Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, which is included in the ASC in Topic 350. ASU 2015-05 provides guidance about whether a cloud computing arrangement includes a software license. The update only applies to internal-use software that a customer obtains access to in a hosting arrangement if the following criteria are met i) the customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty and ii) it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software. The update is effective for the Company for arrangements entered into after January 1, 2016. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs, which is included in the ASC in Topic 835. ASU 2015-03 requires an entity to present debt issuance costs on the balance sheet as a direct deduction from the related debt liability as opposed to an asset. Amortization of the costs will continue to be reported as interest expense. The update is effective for our financial statements beginning January 1, 2016. Early adoption is permitted for financial statements that have not been previously issued, and the guidance would be applied retrospectively to all prior periods presented. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements and related disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation - Amendments to the Consolidation Analysis, which is included in the ASC in Topic 810. ASU 2015-02 amends the consolidation analysis currently required under U.S. GAAP. The update modifies the process used to evaluate whether limited partnerships and similar entities are VIEs or voting interest entities; affects the analysis performed by reporting entities regarding VIEs, particularly those with fee arrangements and related party relationships; and provides a scope exception for certain investment funds. The amendments in this update are effective for our financial statements beginning January 1, 2016. Early adoption is permitted. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement-Extraordinary and Unusual Items - Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, which is included in the ASC in



Topic 225. ASU 2015-01 eliminates the concept of extraordinary items. Under this guidance, entities will no longer be required to separately classify, present and disclose extraordinary events and transactions. The amendments in this update are effective for our financial statements beginning January 1, 2016. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment, which is included in the ASC in Topic 205 and 360. ASU 2014-08 changes the requirement for reporting discontinued operations.

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Under this guidance, a disposal of a component of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on an entity's operations and financial results. Fewer disposals are expected to qualify as discontinued operations under the new guidance. It also requires the disclosure of pretax income of disposals that do not qualify as discontinued operations. The guidance was effective for the Company for disposals that occur after January 1, 2015. The adoption of this standard was applied prospectively and had no impact on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which is included in the ASC in Topic 606 "Revenue from Contracts with Customers". ASU 2014-09 was issued as a converged guidance with the IASB on recognizing revenue in contracts with customers and is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principle based approach to the recognition of revenue. The update includes a five-step framework with applicable guidance, which supersedes existing revenue recognition guidance. This accounting standard is effective for our financial statements beginning January 1, 2017 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early application of the standard is not permitted. We are currently assessing the impact of implementing this guidance on our consolidated financial statements.

## 4. Acquisitions

## Aicent Acquisition

On August 4, 2014 (the "Aicent Acquisition Date"), Syniverse Technologies, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Syniverse Holdings, Inc. acquired all of the outstanding equity interests of Aicent Holdings Corporation, a Delaware corporation ("Aicent") from its existing stockholders in accordance with the terms of an agreement and plan of merger for approximately \$292.1 million (the "Aicent Acquisition").

The Aicent Acquisition was accounted for under the acquisition method of accounting. The total purchase price was allocated to the acquired assets and liabilities assumed based on their estimated fair values at the Aicent Acquisition Date. The excess of the purchase price over the fair value of the net assets acquired resulted in goodwill of \$212.7 million, which is primarily attributable to operating synergies and potential expansion into other global markets. Goodwill is not deductible for tax purposes.

## 5. Detail of Accrued Liabilities

Accrued liabilities consisted of the following:

| (in thousands)                       | March 31, 2015<br>(Unaudited) | December 31, 2014 |
|--------------------------------------|-------------------------------|-------------------|
| Accrued payroll and related benefits | \$31,386                      | \$36,454          |
| Accrued interest                     | 15,530                        | 26,419            |
| Accrued network payables             | 10,158                        | 11,049            |
| Accrued revenue share expenses       | 3,554                         | 4,256             |
| Other accrued liabilities            | 26,846                        | 28,709            |
| Accrued Liabilities                  | \$87,474                      | \$106,887         |

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## 6. Debt and Credit Facilities

Our total outstanding debt as of March 31, 2015 and December 31, 2014 was as follows:

| (in thousands)                          | March 31, 2015<br>(Unaudited) | December 31, 2014 |
|---|-------------------------------|-------------------|
| Senior Credit Facility:                 |                               |                   |
| Initial Term Loans, due 2019            | \$911,835                     | \$911,835         |
| Original issue discount                 | (8,447                        | ) (8,982 )        |
| Tranche B Term Loans, due 2019          | 678,665                       | 678,665           |
| Original issue discount                 | (2,427                        | ) (2,560 )        |
| Revolving Credit Facility               | —                             | 10,000            |
| Senior Notes:                           |                               |                   |
| 9.125% senior unsecured notes, due 2019 | 475,000                       | 475,000           |
| Debt and Credit Facilities              | \$2,054,626                   | \$2,063,958       |

Amortization of original issue discount and deferred financing fees for the three months ended March 31, 2015 and 2014 was \$3.2 million and \$3.0 million, respectively. Amortization is included in interest expense in the unaudited condensed consolidated statements of operations.

## Senior Credit Facility

On April 23, 2012, we entered into a Credit Agreement with Buccaneer LLC, Barclays Bank PLC, as administrative agent, swing line lender and letters of credit issuer, and the other financial institutions and lenders from time to time party thereto, providing for a new senior credit facility (the “Senior Credit Facility”) consisting of (i) a \$950.0 million term loan facility (the “Initial Term Loans”); and (ii) a \$150.0 million revolving credit facility (the “Revolving Credit Facility”) for the making of revolving loans, swing line loans and issuance of letters of credit.

On June 28, 2013, the Company borrowed \$700.0 million of incremental term loans (the “Tranche B Term Loans”), pursuant to an incremental amendment to its Credit Agreement. The proceeds of the Tranche B Term Loans were used to refinance, in full, the delayed draw credit facility, a portion of which was used to fund the the purchase of WP Roaming (the “MACH Acquisition”).

In March 2015, we entered into an amendment (the “Amendment”) to the credit agreement governing our Revolving Credit Facility. Prior to the Amendment, the Revolving Credit Facility required that under certain circumstances we comply with a financial maintenance covenant. Pursuant to the Amendment, the financial maintenance covenant has been modified to require that our consolidated senior secured debt ratio, as of March 31, 2015, June 30, 2015, September 30, 2015, December 31, 2015 and March 31, 2016, be less than or equal to 5.25:1.00 and, as of June 30, 2016 and the end of each fiscal quarter ended thereafter, 5.00:1.00, in each case if required to be tested. We are only required to comply with the covenant if the aggregate amount of any revolving credit loans, any swing line loans or any letter of credit obligations (excluding letter of credit obligations not in excess of \$10 million and any letters of credit which are cash collateralized to at least 105% of their maximum stated amount) outstanding exceeds 25% of all revolving credit commitments.

## 7. Stock-Based Compensation

Effective April 6, 2011, our parent established the 2011 Plan for the employees, consultants, and directors of Syniverse Corporation and its subsidiaries. The 2011 Plan provides incentive compensation through grants of

incentive or non-qualified stock options, stock purchase rights, restricted stock awards, restricted stock units, or any combination of the foregoing. Syniverse Corporation will issue shares of its common stock to satisfy equity based compensation instruments.

In February 2015, the Compensation Committee granted our Chief Executive Officer the option to purchase 1,500,000 shares of common stock and 700,000 restricted stock units under the 2011 Plan, subject to vesting conditions.

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Stock-based compensation expense for the three months ended March 31, 2015 and 2014 was as follows:

| (in thousands)             | Three Months Ended March 31, |         |
|----------------------------|------------------------------|---------|
|                            | 2015<br>(Unaudited)          | 2014    |
| Cost of operations         | \$59                         | \$71    |
| Sales and marketing        | 765                          | 841     |
| General and administrative | 1,427                        | 1,107   |
| Stock-Based Compensation   | \$2,251                      | \$2,019 |

The following table summarizes our stock option activity under the 2011 Plan for the three months ended March 31, 2015:

| Stock Options                    | Shares    | Weighted-Average Exercise Price |
|----------------------------------|-----------|---------------------------------|
| Outstanding at December 31, 2014 | 8,212,746 | \$11.15                         |
| Granted                          | 2,199,998 | 11.25                           |
| Exercised                        | (858,001) | ) 10.00                         |
| Canceled or expired              | (173,334) | ) 14.48                         |
| Outstanding at March 31, 2015    | 9,381,409 | \$11.22                         |

The fair value of options granted during the three months ended March 31, 2015 was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

|  |        |
|--|--------|
| Risk-free interest rate                              | 1.83%  |
| Volatility factor                                    | 44.00% |
| Dividend yield                                       | —%     |
| Weighted average expected life of options (in years) | 6.50   |

Restricted stock awards are issued and measured at market value on the date of grant. Vesting of restricted stock is based solely on time vesting. The following table summarizes our restricted stock activity under the 2011 Plan for the three months ended March 31, 2015:

| Restricted Stock                 | Shares  | Weighted-Average Grant-Date Fair Value |
|----------------------------------|---------|--|
| Outstanding at December 31, 2014 | 63,217  | \$14.64                                |
| Granted                          | 700,000 | 11.25                                  |
| Outstanding at March 31, 2015    | 763,217 | \$11.53                                |

## 8. Employee Termination Benefits and Restructuring

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The following table summarizes the activity in our employee termination benefit liabilities for the three months ended March 31, 2015:

| (in thousands)                | December 31, 2014 |           |          |             | March 31, 2015 |
|-------------------------------|-------------------|-----------|----------|-------------|----------------|
|                               | Balance           | Additions | Payments | Adjustments | Balance        |
| Employee termination benefits | \$4,179           | 52        | (1,764 ) | (44 )       | \$2,423        |

Employee termination benefits represents non-retirement post-employment benefit costs including severance, benefits and other employee related costs that are unrelated to a restructuring plan.

The following table summarizes the activity in our restructuring liabilities for the three months ended March 31, 2015:

| (in thousands)     | December 31, 2014 |           |            |             | March 31, 2015 |
|--------------------|-------------------|-----------|------------|-------------|----------------|
|                    | Balance           | Additions | Payments   | Adjustments | Balance        |
| December 2010 Plan | 547               | —         | —          | (59 )       | 488            |
| December 2011 Plan | 262               | (17 )     | 10         | —           | 255            |
| October 2014 Plan  | 14,622            | (183 )    | (3,039 )   | (992 )      | 10,408         |
| Total              | \$15,431          | \$(200 )  | \$(3,029 ) | \$(1,051 )  | \$11,151       |

In October 2014, we implemented a restructuring plan primarily due to the realignment of our costs and expenses with our current revenue trends across our portfolio. As a result of this plan, we incurred severance related costs of \$16.9 million and contract termination costs of \$0.7 million related to the exit of leased facilities. We have paid \$6.1 million related to this plan as of March 31, 2015.

In December 2011, we implemented a restructuring plan primarily to regionalize our customer support workforce for better alignment with our customers' needs. As a result of this plan, we incurred severance related costs of \$3.7 million and contract termination costs of \$0.4 million related to the exit of a leased facility. We have paid \$3.8 million related to this plan as of March 31, 2015.

In December 2010, we implemented a restructuring plan primarily to realign certain senior management functions. As a result of this plan, we incurred severance related costs of \$2.6 million. We have paid \$2.1 million related to this plan as of March 31, 2015.

We expect to pay the remainder of the benefits outstanding under each of these plans by the end of the second quarter of 2016.

## 9. Income Taxes

We provide for federal, state and foreign income taxes currently payable, as well as for those deferred due to timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates is recognized as income or expense in the period that includes the enactment date. The effective tax rate for the three months ended March 31, 2015 and 2014, was a benefit of 18.4% and 1.5%, respectively. The tax benefit recognized for the three months ended March 31, 2015 was limited to the amount that would be recognized if the ordinary loss was the anticipated loss for the fiscal year. The change in our effective tax rate was chiefly attributable to (i) the loss limitation described above, (ii) impact of certain discrete items and (iii) relative mix of earnings and losses in the U.S. versus foreign tax jurisdictions.

We, and our eligible subsidiaries, file a consolidated U.S. federal income tax return under Syniverse Corporation. All subsidiaries incorporated outside of the U.S. are consolidated for financial reporting purposes; however, they are not eligible to be included in our consolidated U.S. federal income tax return. Separate provisions for income taxes have been recorded for these entities. We intend to reinvest substantially all of the unremitted earnings of our non-U.S. subsidiaries and postpone their

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remittance indefinitely. Accordingly, no provision for U.S. income taxes for these non-U.S. subsidiaries was recorded in the accompanying unaudited condensed consolidated statements of operations.

## 10. Commitments and Contingencies

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition, results of operations or cash flows. As of March 31, 2015, we have considered all of the claims and disputes of which we are aware and have provided for probable losses, which are not significant.

## 11. Fair Value Measurements

The accounting standards for fair value require disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of inputs. The three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1—Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Unobservable inputs for the asset or liability.

Transfers between levels are determined at the end of the reporting period. No transfers between levels have been recognized for the three months ended March 31, 2015 and 2014.

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the financial statements at their carrying value, which approximate their fair value due to their short maturity.

From time to time, we measure certain assets at fair value on a non-recurring basis, specifically long-lived assets evaluated for impairment. We estimate the fair value of our long-lived assets using company-specific assumptions which would be categorized within Level 3 of the fair value hierarchy.

The carrying amounts and fair values of our long-term debt as of March 31, 2015 and December 31, 2014 were as follows:

|                           | March 31, 2015 |            | December 31, 2014 |            |
|---------------------------|----------------|------------|-------------------|------------|
|                           | Carrying Value | Fair Value | Carrying Value    | Fair Value |
| (in thousands)            | (Unaudited)    |            |                   |            |
| Initial Term Loans        | \$911,835      | \$859,404  | \$911,835         | \$891,319  |
| Tranche B Term Loans      | 678,665        | 639,642    | 678,665           | 663,395    |
| Revolving Credit Facility | —              | —          | 10,000            | 10,000     |
| Senior Notes              | 475,000        | 465,500    | 475,000           | 491,625    |

The fair values of the Initial Term Loans, the Tranche B Term Loans and the Senior Notes were based upon quoted market prices in inactive markets for similar instruments (Level 2). The Revolving Credit Facility bore interest at a floating rate, therefore the Company believes that the carrying value approximates fair value and is classified within Level 2 of the fair value hierarchy.



12. Related Party Transactions

Consulting Agreement with Carlyle

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On January 13, 2011, we entered into a ten-year consulting agreement with Carlyle under which we pay Carlyle a fee for consulting services Carlyle provides to us and our subsidiaries. During the three months ended March 31, 2015 and 2014, we recorded \$0.8 million under this agreement.

Carlyle, from time to time, participates as a debt holder within the syndicate under our Initial Term Loans and Tranche B Term Loans. As of March 31, 2015, Carlyle held \$57.8 million and \$22.5 million of our Initial Term Loans and Tranche B Term Loans, respectively. As of December 31, 2014, Carlyle held \$52.0 million and \$17.5 million of our Initial Term Loans and Tranche B Term Loans, respectively.

### 13. Supplemental Consolidating Financial Information

We have presented supplemental condensed consolidating balance sheets, statements of operations, statements of comprehensive (loss) income and statements of cash flows for Syniverse Holdings, Inc., which we refer to in this footnote only as Syniverse, Inc., the subsidiary guarantors and the subsidiary non-guarantors for all periods presented to reflect the guarantor structure under the Senior Notes. The supplemental financial information reflects the investment of Syniverse, Inc. using the equity method of accounting.

Syniverse, Inc.'s payment obligations under the Senior Notes are guaranteed by the 100% owned subsidiary guarantors. Syniverse, Inc.'s other subsidiaries are included as non-guarantors (collectively, the "Subsidiary Non-Guarantors"). Such guarantees are irrevocable, full, unconditional and joint and several.

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## CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF MARCH 31, 2015

(IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments    | Consolidated |
|---|--------------------|--------------------------|------------------------------|----------------|--------------|
| <b>ASSETS</b>   |                    |                          |                              |                |              |
| Current assets:   |                    |                          |                              |                |              |
| Cash and cash equivalents                                     | \$—                | \$25,248                 | \$ 49,015                    | \$—            | \$74,263     |
| Accounts receivable, net of allowances                        | —                  | 134,351                  | 46,896                       | —              | 181,247      |
| Accounts receivable - affiliates                              | 2,024,909          | 2,231,512                | 415,292                      | (4,671,713 )   | —            |
| Interest receivable - affiliates                              | 348                | —                        | —                            | (348 )         | —            |
| Deferred tax assets   | —                  | 706                      | 4,720                        | —              | 5,426        |
| Income taxes receivable                                       | —                  | 2,759                    | 8,189                        | —              | 10,948       |
| Prepaid and other current assets                              | 1,543              | 17,873                   | 15,340                       | —              | 34,756       |
| Total current assets  | 2,026,800          | 2,412,449                | 539,452                      | (4,672,061 )   | 306,640      |
| Property and equipment, net                                   | —                  | 97,860                   | 24,686                       | —              | 122,546      |
| Capitalized software, net                                     | —                  | 174,297                  | 39,667                       | —              | 213,964      |
| Deferred costs, net   | 46,034             | —                        | —                            | —              | 46,034       |
| Goodwill  | —                  | 1,924,005                | 361,697                      | —              | 2,285,702    |
| Identifiable intangibles, net                                 | —                  | 383,302                  | 81,861                       | —              | 465,163      |
| Long-term note receivable - affiliates                        | 4,717              | —                        | 7,183                        | (11,900 )      | —            |
| Deferred tax assets   | 35,832             | —                        | 5,428                        | (35,832 )      | 5,428        |
| Other assets  | —                  | 5,969                    | 8,011                        | —              | 13,980       |
| Investment in subsidiaries                                    | 2,192,003          | 648,696                  | —                            | (2,840,699 )   | —            |
| Total assets  | \$4,305,386        | \$5,646,578              | \$ 1,067,985                 | \$(7,560,492 ) | \$3,459,457  |
| <b>LIABILITIES AND STOCKHOLDER EQUITY</b>                     |                    |                          |                              |                |              |
| Current liabilities:  |                    |                          |                              |                |              |
| Accounts payable  | \$—                | \$28,069                 | \$ 9,699                     | \$—            | \$37,768     |
| Accounts payable - affiliates                                 | 1,247,620          | 3,148,387                | 275,706                      | (4,671,713 )   | —            |
| Income taxes payable  | —                  | 1,880                    | 2,432                        | —              | 4,312        |
| Accrued liabilities   | 15,408             | 38,355                   | 33,711                       | —              | 87,474       |
| Accrued interest - affiliates                                 | —                  | —                        | 348                          | (348 )         | —            |
| Deferred revenues   | —                  | 2,507                    | 4,153                        | —              | 6,660        |
| Deferred tax liabilities                                      | —                  | —                        | 4,777                        | —              | 4,777        |
| Current portion of capital lease obligation                   | —                  | 8,486                    | 45                           | —              | 8,531        |
| Total current liabilities                                     | 1,263,028          | 3,227,684                | 330,871                      | (4,672,061 )   | 149,522      |
| Long-term liabilities:  |                    |                          |                              |                |              |
| Long-term note payable - affiliates                           | —                  | 7,183                    | 4,705                        | (11,888 )      | —            |
| Deferred tax liabilities                                      | —                  | 187,704                  | 45,715                       | (35,830 )      | 197,589      |
| Long-term capital lease obligation, net of current maturities | —                  | 17,896                   | —                            | —              | 17,896       |
| Long-term debt, net of original issue discount                | 2,054,626          | —                        | —                            | —              | 2,054,626    |
| Other long-term liabilities                                   | —                  | 14,108                   | 31,829                       | (7,171 )       | 38,766       |
| Total liabilities   | 3,317,654          | 3,454,575                | 413,120                      | (4,726,950 )   | 2,458,399    |
| Commitments and contingencies:                                |                    |                          |                              |                |              |

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Stockholder equity:

|   |             |             |              |              |               |
|---|-------------|-------------|--------------|--------------|---------------|
| Common stock                                  | —           | —           | 136,929      | (136,929     | ) —           |
| Additional paid-in capital                    | 1,132,790   | 2,170,376   | 559,846      | (2,629,542   | ) 1,233,470   |
| (Accumulated deficit) retained earnings       | (144,088    | ) 21,094    | 52,005       | (74,363      | ) (145,352    |
| Accumulated other comprehensive (loss) income | (970        | ) 533       | (93,915      | ) 1,123      | (93,229       |
| Total Syniverse, Inc. stockholder equity      | 987,732     | 2,192,003   | 654,865      | (2,839,711   | ) 994,889     |
| Nonredeemable noncontrolling interest         | —           | —           | —            | 6,169        | 6,169         |
| Total equity                                  | 987,732     | 2,192,003   | 654,865      | (2,833,542   | ) 1,001,058   |
| Total liabilities and stockholder equity      | \$4,305,386 | \$5,646,578 | \$ 1,067,985 | \$(7,560,492 | ) \$3,459,457 |

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2015  
(IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |   |
|---|--------------------|--------------------------|------------------------------|-------------|--------------|---|
| Revenues  | \$—                | \$161,410                | \$ 48,207                    | \$—         | \$209,617    |   |
| Costs and expenses:   |                    |                          |                              |             |              |   |
| Cost of operations (excluding<br>depreciation and amortization shown<br>separately below) | —                  | 87,216                   | 14,324                       | —           | 101,540      |   |
| Sales and marketing   | —                  | 11,578                   | 7,588                        | —           | 19,166       |   |
| General and administrative  | —                  | 22,572                   | 11,359                       | —           | 33,931       |   |
| Depreciation and amortization   | —                  | 43,377                   | 11,471                       | —           | 54,848       |   |
| Employee termination benefits   | —                  | (15                      | ) 67                         | —           | 52           |   |
| Restructuring   | —                  | (114                     | ) (86                        | ) —         | (200         | ) |
| Acquisitions  | —                  | 100                      | —                            | —           | 100          |   |
|   | —                  | 164,714                  | 44,723                       | —           | 209,437      |   |
| Operating income (loss)   | —                  | (3,304                   | ) 3,484                      | —           | 180          |   |
| Other income (expense), net:  |                    |                          |                              |             |              |   |
| (Loss) income from equity investment  | (99,281            | ) (38,087                | ) —                          | 137,368     | —            |   |
| Interest expense, net   | (30,447            | ) (160                   | ) 79                         | —           | (30,528      | ) |
| Interest expense - affiliate, net   | 48                 | —                        | (48                          | ) —         | —            |   |
| Equity income in investee   | —                  | —                        | 54                           | —           | 54           |   |
| Other, net  | 67,512             | (72,170                  | ) 7,241                      | (4,130      | ) (1,547     | ) |
|   | (62,168            | ) (110,417               | ) 7,326                      | 133,238     | (32,021      | ) |
| (Loss) income before (benefit from)<br>provision for income taxes                         | (62,168            | ) (113,721               | ) 10,810                     | 133,238     | (31,841      | ) |
| (Benefit from) provision for income<br>taxes  | (37,302            | ) (14,440                | ) 45,882                     | —           | (5,860       | ) |
| Net (loss) income   | (24,866            | ) (99,281                | ) (35,072                    | ) 133,238   | (25,981      | ) |
| Net income attributable to<br>nonredeemable noncontrolling interest                       | —                  | —                        | —                            | 124         | 124          |   |
| Net (loss) income attributable to<br>Syniverse, Inc.                                      | \$(24,866          | ) \$(99,281              | ) \$ (35,072                 | ) \$133,114 | \$(26,105    | ) |

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)  
 FOR THE THREE MONTHS ENDED MARCH 31, 2015  
 (IN THOUSANDS)

|  | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |
|--|--------------------|--------------------------|------------------------------|-------------|--------------|
| Net (loss) income  | \$(24,866 )        | \$(99,281 )              | \$ (35,072 )                 | \$133,238   | \$(25,981 )  |
| Other comprehensive (loss) income, net of tax:   |                    |                          |                              |             |              |
| Foreign currency translation adjustments are shown net of income tax expense of \$273                              | —                  | —                        | (48,954 )                    | —           | (48,954 )    |
| Amortization of unrecognized loss included in net periodic pension cost is shown net of income tax benefit of \$22 | —                  | —                        | 50                           | —           | 50           |
| Other comprehensive loss   | —                  | —                        | (48,904 )                    | —           | (48,904 )    |
| Comprehensive (loss) income  | (24,866 )          | (99,281 )                | (83,976 )                    | 133,238     | (74,885 )    |
| Less: comprehensive (loss) income attributable to nonredeemable noncontrolling interest                            | —                  | —                        | —                            | 227         | 227          |
| Comprehensive (loss) income attributable to Syniverse, Inc.  | \$(24,866 )        | \$(99,281 )              | \$ (83,976 )                 | \$133,011   | \$(75,112 )  |

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)  
 FOR THE THREE MONTHS ENDED MARCH 31, 2015  
 (IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |
|---|--------------------|--------------------------|------------------------------|-------------|--------------|
| Net cash provided by operating activities             | 11,036             | 3,109                    | 6,592                        | —           | 20,737       |
| Cash flows from investing activities                  |                    |                          |                              |             |              |
| Capital expenditures                                  | —                  | (15,545                  | ) (2,676                     | ) —         | (18,221 )    |
| Redemption of certificate of deposit                  | —                  | —                        | 56                           | —           | 56           |
| Net cash provided by (used in) investing activities   | —                  | (15,545                  | ) (2,620                     | ) —         | (18,165 )    |
| Cash flows from financing activities                  |                    |                          |                              |             |              |
| Debt modification costs paid                          | (147               | ) —                      | —                            | —           | (147 )       |
| Principal payments on long-term debt                  | (10,000            | ) —                      | —                            | —           | (10,000 )    |
| Payments on capital lease obligation                  | —                  | (1,001                   | ) (51                        | ) —         | (1,052 )     |
| Distribution to Syniverse Corporation                 | (889               | ) —                      | —                            | —           | (889 )       |
| Purchase of redeemable noncontrolling interest        | —                  | —                        | —                            | —           | —            |
| Distribution to nonredeemable noncontrolling interest | —                  | —                        | (1,211                       | ) —         | (1,211 )     |
| Net cash (used in) provided by financing activities   | (11,036            | ) (1,001                 | ) (1,262                     | ) —         | (13,299 )    |
| Effect of exchange rate changes on cash               | —                  | —                        | (4,357                       | ) —         | (4,357 )     |
| Net increase (decrease) in cash                       | —                  | (13,437                  | ) (1,647                     | ) —         | (15,084 )    |
| Cash and cash equivalents at beginning of period      | —                  | 38,685                   | 50,662                       | —           | 89,347       |
| Cash and cash equivalents at end of period            | \$—                | \$25,248                 | \$ 49,015                    | \$—         | \$74,263     |

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CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2014  
(IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments    | Consolidated |
|---|--------------------|--------------------------|------------------------------|----------------|--------------|
| <b>ASSETS</b>   |                    |                          |                              |                |              |
| Current assets:   |                    |                          |                              |                |              |
| Cash and cash equivalents                                     | \$—                | \$38,685                 | \$ 50,662                    | \$—            | \$89,347     |
| Accounts receivable, net of allowances                        | —                  | 142,793                  | 53,170                       | —              | 195,963      |
| Accounts receivable - affiliates                              | 2,024,262          | 2,180,581                | 414,014                      | (4,618,857 )   | —            |
| Interest receivable - affiliates                              | 337                | —                        | —                            | (337 )         | —            |
| Deferred tax assets   | 10,635             | 706                      | 4,534                        | (10,635 )      | 5,240        |
| Income taxes receivable                                       | —                  | 3,195                    | 5,354                        | —              | 8,549        |
| Prepaid and other current assets                              | 1,543              | 17,251                   | 17,753                       | —              | 36,547       |
| Total current assets  | 2,036,777          | 2,383,211                | 545,487                      | (4,629,829 )   | 335,646      |
| Property and equipment, net                                   | —                  | 90,186                   | 27,188                       | —              | 117,374      |
| Capitalized software, net                                     | —                  | 181,465                  | 45,146                       | —              | 226,611      |
| Deferred costs, net   | 48,573             | —                        | —                            | —              | 48,573       |
| Goodwill  | —                  | 1,924,005                | 395,785                      | —              | 2,319,790    |
| Identifiable intangibles, net                                 | —                  | 400,017                  | 96,483                       | —              | 496,500      |
| Long-term note receivable - affiliates                        | 5,284              | —                        | 7,182                        | (12,466 )      | —            |
| Deferred tax assets   | —                  | —                        | 6,240                        | —              | 6,240        |
| Other assets  | —                  | 5,311                    | 8,556                        | —              | 13,867       |
| Investment in subsidiaries                                    | 2,330,367          | 735,309                  | —                            | (3,065,676 )   | —            |
| Total assets  | \$4,421,001        | \$5,719,504              | \$ 1,132,067                 | \$(7,707,971 ) | \$3,564,601  |
| <b>LIABILITIES AND STOCKHOLDER EQUITY</b>                     |                    |                          |                              |                |              |
| Current liabilities:  |                    |                          |                              |                |              |
| Accounts payable  | \$—                | \$25,883                 | \$ 9,084                     | \$—            | \$34,967     |
| Accounts payable - affiliates                                 | 1,268,265          | 3,077,728                | 272,864                      | (4,618,857 )   | —            |
| Income taxes payable  | —                  | 1,894                    | 4,045                        | —              | 5,939        |
| Accrued liabilities   | 26,347             | 43,669                   | 36,871                       | —              | 106,887      |
| Accrued interest - affiliates                                 | —                  | 140                      | 197                          | (337 )         | —            |
| Deferred revenues   | —                  | 2,839                    | 5,410                        | —              | 8,249        |
| Deferred tax liabilities                                      | —                  | —                        | 4,777                        | —              | 4,777        |
| Current portion of capital lease obligation                   | —                  | 6,788                    | 74                           | —              | 6,862        |
| Total current liabilities                                     | 1,294,612          | 3,158,941                | 333,322                      | (4,619,194 )   | 167,681      |
| Long-term liabilities:  |                    |                          |                              |                |              |
| Long-term note payable - affiliates                           | —                  | 7,183                    | 5,296                        | (12,479 )      | —            |
| Deferred tax liabilities                                      | —                  | 199,557                  | 18,029                       | (10,635 )      | 206,951      |
| Long-term capital lease obligation, net of current maturities | —                  | 8,937                    | —                            | —              | 8,937        |
| Long-term debt, net of original issue discount                | 2,063,958          | —                        | —                            | —              | 2,063,958    |
| Other long-term liabilities                                   | —                  | 14,519                   | 32,958                       | (6,195 )       | 41,282       |
| Total liabilities   | 3,358,570          | 3,389,137                | 389,605                      | (4,648,503 )   | 2,488,809    |
| Commitments and contingencies                                 |                    |                          |                              |                |              |



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Stockholder equity:

|   |             |             |              |              |               |
|---|-------------|-------------|--------------|--------------|---------------|
| Common stock                                  | —           | —           | 136,929      | (136,929     | ) —           |
| Additional paid-in capital                    | 1,182,622   | 2,209,459   | 559,359      | (2,719,332   | ) 1,232,108   |
| (Accumulated deficit) retained earnings       | (119,221    | ) 120,375   | 91,082       | (211,483     | ) (119,247    |
| Accumulated other comprehensive (loss) income | (970        | ) 533       | (44,908      | ) 1,123      | (44,222       |
| Total Syniverse, Inc. stockholder equity      | 1,062,431   | 2,330,367   | 742,462      | (3,066,621   | ) 1,068,639   |
| Nonredeemable noncontrolling interest         | —           | —           | —            | 7,153        | 7,153         |
| Total equity                                  | 1,062,431   | 2,330,367   | 742,462      | (3,059,468   | ) 1,075,792   |
| Total liabilities and stockholder equity      | \$4,421,001 | \$5,719,504 | \$ 1,132,067 | \$(7,707,971 | ) \$3,564,601 |

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)  
 FOR THE THREE MONTHS ENDED MARCH 31, 2014  
 (IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |   |
|---|--------------------|--------------------------|------------------------------|-------------|--------------|---|
| Revenues  | \$—                | \$ 165,825               | \$ 53,875                    | \$—         | \$ 219,700   |   |
| Costs and expenses:   |                    |                          |                              |             |              |   |
| Cost of operations (excluding<br>depreciation and amortization shown<br>separately below) | —                  | 66,490                   | 21,902                       | —           | 88,392       |   |
| Sales and marketing   | —                  | 13,037                   | 9,516                        | —           | 22,553       |   |
| General and administrative  | —                  | 31,917                   | 6,122                        | —           | 38,039       |   |
| Depreciation and amortization   | —                  | 44,333                   | 11,474                       | —           | 55,807       |   |
| Employee termination benefits   | —                  | 1,680                    | 1,287                        | —           | 2,967        |   |
| Restructuring   | —                  | 22                       | —                            | —           | 22           |   |
|   | —                  | 157,479                  | 50,301                       | —           | 207,780      |   |
| Operating income  | —                  | 8,346                    | 3,574                        | —           | 11,920       |   |
| Other income (expense), net:  |                    |                          |                              |             |              |   |
| Income (loss) from equity investment  | 16,805             | (4,099                   | ) —                          | (12,706     | ) —          |   |
| Interest expense, net   | (30,013            | ) (87                    | ) 110                        | —           | (29,990      | ) |
| Interest expense - affiliate, net   | 64                 | —                        | (64                          | ) —         | —            |   |
| Equity income in investee   | —                  | —                        | 307                          | —           | 307          |   |
| Other, net  | 731                | 462                      | 114                          | —           | 1,307        |   |
|   | (12,413            | ) (3,724                 | ) 467                        | (12,706     | ) (28,376    | ) |
| (Loss) income before provision for<br>(benefit from) income taxes                         | (12,413            | ) 4,622                  | 4,041                        | (12,706     | ) (16,456    | ) |
| Provision for (benefit from) income<br>taxes  | 4,084              | (12,183                  | ) 7,860                      | —           | (239         | ) |
| Net (loss) income   | (16,497            | ) 16,805                 | (3,819                       | ) (12,706   | ) (16,217    | ) |
| Net income attributable to<br>nonredeemable noncontrolling interest                       | —                  | —                        | —                            | 280         | 280          |   |
| Net (loss) income attributable to<br>Syniverse, Inc.                                      | \$(16,497          | ) \$ 16,805              | \$ (3,819                    | ) \$(12,986 | ) \$(16,497  | ) |

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CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)  
 FOR THE THREE MONTHS ENDED MARCH 31, 2014  
 (IN THOUSANDS)

|  | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |
|--|--------------------|--------------------------|------------------------------|-------------|--------------|
| Net (loss) income  | \$(16,497 )        | \$16,805                 | \$ (3,819 )                  | \$(12,706 ) | \$(16,217 )  |
| Other comprehensive (loss) income, net of tax:   |                    |                          |                              |             |              |
| Foreign currency translation adjustments are shown net of income tax benefit of \$235                              | —                  | —                        | (439 )                       | —           | (439 )       |
| Amortization of unrecognized loss included in net periodic pension cost is shown net of income tax benefit of \$43 | —                  | —                        | 104                          | —           | 104          |
| Other comprehensive loss   | —                  | —                        | (335 )                       | —           | (335 )       |
| Comprehensive (loss) income  | (16,497 )          | 16,805                   | (4,154 )                     | (12,706 )   | (16,552 )    |
| Less: comprehensive (loss) income attributable to nonredeemable noncontrolling interest                            | —                  | —                        | —                            | 490         | 490          |
| Comprehensive (loss) income attributable to Syniverse, Inc.  | \$(16,497 )        | \$16,805                 | \$ (4,154 )                  | \$(13,196 ) | \$(17,042 )  |

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 31, 2014  
(IN THOUSANDS)

|   | Syniverse,<br>Inc. | Subsidiary<br>Guarantors | Subsidiary<br>Non-Guarantors | Adjustments | Consolidated |   |
|---|--------------------|--------------------------|------------------------------|-------------|--------------|---|
| Net cash provided by operating activities             | 389                | 12,620                   | 5,131                        | —           | 18,140       |   |
| Cash flows from investing activities                  |                    |                          |                              |             |              |   |
| Capital expenditures                                  | —                  | (19,120                  | ) (11,801                    | ) —         | (30,921      | ) |
| Redemption of certificate of deposit                  | —                  | —                        | 3,701                        | —           | 3,701        |   |
| Net cash provided by (used in) investing activities   | —                  | (19,120                  | ) (8,100                     | ) —         | (27,220      | ) |
| Cash flows from financing activities                  |                    |                          |                              |             |              |   |
| Payments on capital lease obligation                  | —                  | (640                     | ) (30                        | ) —         | (670         | ) |
| Distribution to Syniverse Corporation                 | (389               | ) —                      | —                            | —           | (389         | ) |
| Purchase of redeemable noncontrolling interest        | —                  | —                        | (501                         | ) —         | (501         | ) |
| Distribution to nonredeemable noncontrolling interest | —                  | —                        | (889                         | ) —         | (889         | ) |
| Net cash (used in) provided by financing activities   | (389               | ) (640                   | ) (1,420                     | ) —         | (2,449       | ) |
| Effect of exchange rate changes on cash               | —                  | (18                      | ) (891                       | ) —         | (909         | ) |
| Net increase (decrease) in cash                       | —                  | (7,158                   | ) (5,280                     | ) —         | (12,438      | ) |
| Cash and cash equivalents at beginning of period      | —                  | 207,314                  | 99,086                       | —           | 306,400      |   |
| Cash and cash equivalents at end of period            | \$—                | \$200,156                | \$ 93,806                    | \$—         | \$293,962    |   |

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

Certain of the statements in this Quarterly Report on Form 10-Q, including, without limitation, those under the caption entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," may constitute "forward-looking statements" for purposes of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Some of the forward-looking statements can be identified by the use of terms such as "believes," "expects," "may," "will," "should," "could," "seeks," "intends," "plans," "estimates," "anticipates" or other comparable terms. These forward-looking statements include all matters that are not related to present facts or current conditions or that are not historical facts. They appear in a number of places throughout this Quarterly Report on Form 10-Q and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our consolidated results of operations, financial condition, liquidity, prospects and growth strategies and the industries in which we operate and including, without limitation, statements relating to our future performance.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which are beyond our control. We caution you that forward-looking statements are not guarantees of future performance and that our actual consolidated results of operations, financial condition and liquidity, and industry development may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report on Form 10-Q.

In addition, even if our consolidated results of operations, financial condition and liquidity, and industry development are consistent with the forward-looking statements contained in this Quarterly Report on Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods. A number of important factors could cause actual results to differ materially from those contained in or implied by the forward-looking statements, including the risks and uncertainties described in “Risk Factors.” Factors that could cause actual results to differ from those reflected in forward-looking statements relating to our operations and business include:

- system failures or delays which could harm our reputation;
- our reliance on third-party providers for communications software, hardware and infrastructure;
- our ability to acquire and integrate complementary businesses and technologies and realize the expected benefits from those acquisitions;
- our ability to realize the expected benefits of the MACH (defined above) and Aicent (defined above) acquisitions;
- our ability to adapt quickly to technological change;
- our newly offered services may not perform as anticipated;
- the loss of any of our significant customers;

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- the failure to achieve or sustain desired pricing levels;
- consolidation among, or network build-outs by, customers could cause us to lose transaction volume and affect pricing;
- the reduction of services by existing customers;
- our customers may develop in-house solutions and no longer use our services;
- the success of our international expansion is uncertain, including our ability to receive or retain the required licenses or authorizations;
- political instability in certain countries where we operate;
- our compliance with anti-corruption laws and regulations;
- our ability to receive and retain licenses or authorizations required to conduct our business internationally, including in countries targeted by economic sanctions;
- our compliance with international tax laws and regulations
- security breaches which could result in significant liabilities;
- changes in the regulatory landscape affecting us and our customers;
- additional costs and liabilities for maintaining customer privacy;
- failure to protect our intellectual property rights or claims by third parties that we infringe on their intellectual property rights;
- fluctuations in currency exchange rates that could adversely affect our results of operations
- our ability to achieve desired organic growth;
- our ability to service our debt; and
- the significant influence Carlyle has over corporate decisions.

All forward-looking statements are made only as of the date of this Quarterly Report on Form 10-Q and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data.

## Business

Syniverse is the leading global transaction processor that connects MNOs and enterprises in nearly 200 countries enabling seamless mobile communications across disparate and rapidly evolving networks, devices and applications. We process transactions that include the authorization and delivery of end-user traffic, clearing of billing records and settlement of payments. We also analyze a unique portfolio of real-time data generated by these transactions to deliver a wide range of intelligence tools to our customers. Our portfolio of mission-critical services enables our customers to connect to the mobile ecosystem, optimize their businesses and enhance and personalize the mobile experience for their end-users. We process nearly 3 billion billable transactions daily and settle approximately \$17 billion annually between our customers.

We are the leader in LTE roaming and interconnect, offering superior connectivity critical for delivering the advanced mobile experiences end-users have come to expect from 4G and other advanced mobile network technologies, including VoLTE. Our IPX network currently directly connects to nearly half of the global mobile population. We believe our global footprint and operational scale are unmatched in our industry. As a trusted partner with over 25 years of experience and a history of innovation, we believe we are well positioned to solve the technical, operational and financial complexities of the mobile ecosystem.

Our diverse and growing customer base includes a broad range of participants in the mobile ecosystem, including over 1,000 MNOs and over 575 OTTs and enterprises. Our customers include 99 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 4 largest social networking sites in the U.S. and one of the largest social networking sites in China; and blue-chip enterprise customers, including the top 3 credit card networks worldwide, 3 of the top 5 airlines and 2

multinational hotel brands.

The mobile experience is a critical and pervasive component of modern life and has become increasingly complex. Mobile devices have evolved from basic cellular phones to include smartphones, tablets, wearables and other connected devices that people now use to conduct an expanding set of activities in real-time, such as streaming videos, posting social media updates, working and shopping. As a result, today's mobile experience requires seamless and ubiquitous connectivity and coordination between MNOs, OTTs and enterprises across disparate and rapidly evolving networks, devices and applications. The failure to integrate any of these elements can disrupt service, resulting in frustrated end-users, erosion of our customers' brands and loss of revenue by our customers. Our proprietary services bridge these technological and operational complexities.

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Syniverse provides approximately 60 mission-critical services to manage the real-time exchange of information and traffic across the mobile ecosystem, enhance our customers' brands and provide valuable intelligence about end-users. Our customers demand, and we deliver, high quality service as evidenced by our over 99.999% network availability. Our comprehensive suite of Mobile Transaction Services and Enterprise & Intelligence Solutions includes the services described below.

**Mobile Transaction Services:** Transaction-based services that are designed to support the long-term success of our MNO customers. Through Mobile Transaction Services, we:

- Clear, process, and exchange end-user billing records.
- Process and settle payments between participants in the mobile ecosystem.
- Activate, authenticate and authorize end-user mobile activities.
- Manage the worldwide routing and delivery of text (SMS), multimedia (MMS) and next generation messaging.
- Provide data transport services over our global IP data network regardless of technology protocol.
- Enable real-time policy management for improved end-user experience.
- Provide business intelligence tools to MNOs for fraud control.

**Enterprise & Intelligence Solutions:** Services that bridge OTTs and enterprises with MNOs and incorporate our real-time intelligence capabilities to enable all of our customers to serve their end-users. Through Enterprise & Intelligence Solutions, we:

- Connect enterprises to the mobile ecosystem to allow them to reliably reach and interact with their customers and employees via mobile devices.
- Bridge OTTs to the mobile ecosystem allowing OTT end-users to seamlessly interact with traditional mobile end-users.
- Provide mobile campaign management services that enable enterprises to optimize their mobile communications strategies through the delivery of customized offers and information to end-users.
- Provide data analytics and business intelligence services designed to measure, enhance and secure the end-user experience for our enterprise and OTT customers.
- Provide data collection and analysis services to enable MNOs to measure and manage the subscriber experience across networks.

## Executive Overview

### Financial Highlights

For the three months ended March 31, 2015, revenues decreased \$10.1 million, or 4.6%, to \$209.6 million from \$219.7 million for the comparable prior year period. Operating income decreased \$11.7 million to \$0.2 million for the three months ended March 31, 2015 from \$11.9 million for the same period in 2014. Net loss increased \$9.8 million to \$26.0 million for the three months ended March 31, 2015, from \$16.2 million for the same period in 2014. Net loss for the three months ended March 31, 2015 includes an increase in benefit from income taxes of \$5.6 million. Adjusted EBITDA decreased \$16.2 million, or 20.8%, to \$62.0 million for the three months ended March 31, 2015 from \$78.2 million for the same period in 2014. See "Non-GAAP Financial Measures" below for a reconciliation of Adjusted EBITDA to Net loss.

During the fourth quarter of 2014, we entered into a contract with a European wholesale enterprise messaging customer, primarily to provide wholesale messaging delivery services. We began providing services in December 2014, and messaging volumes became meaningful in the first quarter of 2015. During the first quarter of 2015, we learned that the United Kingdom ("UK") Secretary of State for Business, Innovation and Skills initiated liquidation proceedings against the customer in the public interest arising out of an investigation into the customer's affairs. A liquidator was duly appointed to dissolve the customer company, resulting in it terminating all business activities. As a result of this action, we determined that collectibility of the revenue earned from this customer was no longer reasonably assured and were therefore unable to record approximately \$7.0 million of revenue for services provided to the customer. To date, we have not received any payment for services provided to this customer. We are taking all



commercially reasonable actions (legal and otherwise) and are cooperating with UK authorities to pursue financial recovery. However, there can be no assurance that any recovery will be achieved. In connection with providing these services, we incurred \$6.0 million of message termination fees which are recorded in cost of operations, negatively impacting our results of operations during the first quarter of 2015. We have terminated our relationship with the customer and future periods will not be impacted.

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### Business Developments

#### Amendment to Credit Agreement

On March 6, 2015, we entered into an amendment (the “Amendment”) to the credit agreement governing our Revolving Credit Facility. Prior to the Amendment, the Revolving Credit Facility required that under certain circumstances we comply with a financial maintenance covenant. Pursuant to the Amendment, the financial maintenance covenant has been modified to require that our consolidated senior secured debt ratio, as of March 31, 2015, June 30, 2015, September 30, 2015, December 31, 2015 and March 31, 2016, be less than or equal to 5.25:1.00 and, as of June 30, 2016 and the end of each fiscal quarter ended thereafter, 5.00:1.00, in each case if required to be tested. We are only required to comply with the covenant if the aggregate amount of any revolving credit loans, any swing line loans or any letter of credit obligations (excluding letter of credit obligations not in excess of \$10 million and any letters of credit which are cash collateralized to at least 105% of their maximum stated amount) outstanding exceeds 25% of all revolving credit commitments.

#### Factors and Trends Affecting Our Results of Operations

Our results of operations have been, and we expect them to continue to be, affected by the following factors, which may cause our future results of operations to differ from our historical results of operations discussed under “Results of Operations” below:

- rapid technological change in the industries we serve, including the decline of CDMA technology, increasing demand for seamless and ubiquitous connectivity, personalized mobile services and the proliferation of new and increasingly complex mobile devices, which could lead to growth in our potential customer base, increased opportunities to provide new services to our customers and increased transaction volumes. We may also increase investment in our business in order to develop new technologies and services to effectively serve our customers in light of these developments. In addition, our failure or inability to respond to these developments through the provision of new or updated services or otherwise could have a negative effect on our ability to grow or retain our customer base and on our transaction volumes;

- the rate at which new entrants to the mobile ecosystem adopt our services in order to connect to other mobile participants which will affect the extent to which new entrants potentially seek to utilize our services, which will affect growth in transaction volumes and revenue;

- downward pressure on the prices we charge for our services from our existing customers as we enter into contract renewals, which could have a negative impact on our revenues and margin;

- the extent to which our customers build-out or expand their own networks, which could have a negative impact on transaction volume from those customers and on our revenue;

- our ability to realize some or all of the anticipated benefits from our ongoing integration of the MACH and Aicent businesses;

- costs associated with our international operations, including integration of acquired international operations, compliance with applicable foreign regulations and fluctuations in foreign currency exchange rates may differ from historical experience and our projections, which could impact our earnings;

- the rate of growth associated with our expanded international operations and geographic reach, which may lead to an increase in our number of customer and transaction volumes and would affect our future revenue growth;

- our ability to execute on currently pending and future cost savings initiatives, including efficient resource allocation, management realignment and other activities;

- the extent to which current or future customers develop in-house solutions to provide analogous services or seek alternative providers of our services, which could reduce the number of services we provide their customers and our overall termination volumes which would have a negative impact on our revenue;

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consolidation in the mobile industry which may result in reduced transaction volumes, and, as a result, have a negative impact on our revenue; the extent to which increasingly complex requirements and changes in the regulatory landscape drive the need for enhancements to our existing services and infrastructure, the development of new compliance oriented services and the design and implementation of internal control procedures and processes, any of which may increase operational costs and burdens which could reduce our operating margins. Our ability to adapt to these new requirements and provide compliant services also could improve our competitive

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position and generally drive growth in demand for our services, which would drive growth in our revenue; and proposed European Commission regulations that may affect our MNO customers' roaming charges and increase downward pressure on the prices we charge for our data clearing services. A decrease in roaming charges may also lead to an increase in the number of roaming transactions, as the cost to end-users for such transactions would be reduced, and such an increase could drive growth in the number of transactions we process, which could positively affect our revenue.

### Revenues

Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered or delivery has occurred, the selling price is fixed or determinable and collectability is reasonably assured. The majority of our revenues are derived from transaction-based charges under long-term contracts, typically with three-year terms. From time to time, if a contract expires and we have not previously negotiated a new contract or renewal with the customer, we continue to provide services under the terms of the expired contract as we negotiate new agreements or renewals. A majority of the services and solutions we offer to our customers are provided through applications, connectivity, and technology platforms owned and operated by us.

Revenues for our services are generated primarily on transaction-based fees, such as the number of records or transactions processed or the size of data records processed. A majority of our revenues were generated by transaction-based fees during the first three months of 2015. For all of our transaction-based services, we recognize revenues at the time the transactions are processed. We also recognize fixed fees as revenues on a monthly basis as the related services are performed. We defer revenues and incremental customer-specific costs related to customer implementations and recognize related fees and costs on a straight-line basis over the life of the initial customer contract.

### Costs and Expenses

Our costs and expenses consist of cost of operations, sales and marketing, general and administrative, depreciation and amortization, employee termination benefits, restructuring and acquisitions expense.

Cost of operations includes data processing costs, network costs, variable costs, such as revenue share service provider arrangements and message termination fees, facilities costs, hardware costs, licensing fees, personnel costs associated with service implementation, training and customer care and off-network database query charges. Variable costs are paid to third party providers and are direct costs that fluctuate either as a percentage of revenue or by the number of transactions processed.

Sales and marketing includes personnel costs, advertising and website costs, trade show costs and related marketing costs.

General and administrative includes research and development expenses, a portion of the expenses associated with our facilities, business development expenses, and expenses for executive, finance, legal, human resources and other administrative departments and professional service fees relating to those functions. Our research and development expenses, consisting primarily of personnel costs, relate to technology creation, enhancement and maintenance of new and existing services.

Depreciation and amortization relate primarily to our property and equipment and identifiable intangibles including our network infrastructure, computer equipment, infrastructure facilities related to information management, capitalized software and other intangible assets recorded as a result of purchase accounting.

Employee termination benefits represents non-retirement post-employment benefit costs including severance, benefits and other employee related costs that are unrelated to a restructuring plan.

Restructuring represents costs related to certain exit activities such as involuntary termination costs and contract termination costs associated with the exit of leased facilities.

Acquisitions include professional services costs, such as legal, tax, audit and transaction advisory costs related to the Aicent Acquisition.

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## Results of Operations

The following table presents an overview of our results of operations for the three months ended March 31, 2015 and 2014:

| (in thousands)  | Three Months<br>Ended March<br>31,<br>2015 | % of<br>Revenues | Three Months<br>Ended March<br>31,<br>2014 | % of<br>Revenues | 2015 compared to 2014 |            |   |
|---|--|------------------|--|------------------|-----------------------|------------|---|
|   |  |                  |  |                  | \$ change             | % change   |   |
| <b>Revenues:</b>  |  |                  |  |                  |                       |            |   |
| Mobile Transaction Services   | \$ 178,957                                 | 85.4             | % \$ 187,074                               | 85.1             | % \$(8,117 )          | (4.3 )     | % |
| Enterprise & Intelligence Solutions   | 30,660                                     | 14.6             | % 32,626                                   | 14.9             | % (1,966 )            | (6.0 )     | % |
| Revenues  | 209,617                                    | 100.0            | % 219,700                                  | 100.0            | % (10,083 )           | (4.6 )     | % |
| <b>Costs and expenses:</b>  |  |                  |  |                  |                       |            |   |
| Cost of operations (excluding depreciation and amortization shown separately below) | 101,540                                    | 48.4             | % 88,392                                   | 40.2             | % 13,148              | 14.9       | % |
| Sales and marketing   | 19,166                                     | 9.1              | % 22,553                                   | 10.3             | % (3,387 )            | (15.0 )    | % |
| General and administrative  | 33,931                                     | 16.2             | % 38,039                                   | 17.3             | % (4,108 )            | (10.8 )    | % |
| Depreciation and amortization   | 54,848                                     | 26.2             | % 55,807                                   | 25.4             | % (959 )              | (1.7 )     | % |
| Employee termination benefits   | 52   | —                | % 2,967                                    | 1.4              | % (2,915 )            | (98.2 )    | % |
| Restructuring   | (200 )                                     | (0.1 )           | % 22                                       | —                | % (222 )              | (1,009.1 ) | % |
| Acquisitions  | 100  | —                | % —  | —                | % 100                 | 100.0      | % |
|   | 209,437                                    | 99.9             | % 207,780                                  | 94.6             | % 1,657               | 0.8        | % |
| Operating income  | 180  | 0.1              | % 11,920                                   | 5.4              | % (11,740 )           | (98.5 )    | % |
| <b>Other income (expense), net:</b>   |  |                  |  |                  |                       |            |   |
| Interest expense, net   | (30,528 )                                  | (14.6 )          | % (29,990 )                                | (13.7 )          | % (538 )              | 1.8        | % |
| Equity income in investee   | 54   | —                | % 307                                      | 0.1              | % (253 )              | (82.4 )    | % |
| Other, net  | (1,547 )                                   | (0.7 )           | % 1,307                                    | 0.6              | % (2,854 )            | (218.4 )   | % |
|   | (32,021 )                                  | (15.3 )          | % (28,376 )                                | (12.9 )          | % (3,645 )            | 12.8       | % |
| Loss before benefit from income taxes   | (31,841 )                                  | (15.2 )          | % (16,456 )                                | (7.5 )           | % (15,385 )           | 93.5       | % |
| Benefit from income taxes   | (5,860 )                                   | (2.8 )           | % (239 )                                   | (0.1 )           | % (5,621 )            | 2,351.9    | % |
| Net loss  | \$(25,981 )                                | (12.4 )          | % \$(16,217 )                              | (7.4 )           | % \$(9,764 )          | 60.2       | % |

## Revenues

Revenues decreased \$10.1 million to \$209.6 million for the three months ended March 31, 2015 from \$219.7 million for the same period in 2014. Excluding the impact of the Aicent Acquisition, which contributed \$12.7 million of revenue for the three months ended March 31, 2015, revenues declined \$22.8 million. Foreign currency translation contributed \$7.5 million to the decline in revenue due primarily to the strengthening of the U.S. dollar against the Euro.

Revenue from Mobile Transaction Services decreased \$8.1 million, or 4.3%, to \$179.0 million for the three months ended March 31, 2015 from \$187.1 million for the same period in 2014. Excluding the impact of the Aicent Acquisition, which contributed \$11.5 million during the first quarter, revenues declined \$19.6 million. Foreign currency translation contributed \$6.5 million to the decline in revenue. The remainder of the decline was primarily

attributable to declines in our clearing and settlement services driven by volume reductions across our CDMA portfolio of \$10.2 million, competitive pricing pressure, partially offset by volume increases across our GSM clearing and settlement suite of \$2.4 million and the impact of a legacy messaging service that went end-of-life in May 2014 of \$7.2 million. These declines were partially offset by continued volume growth within our advanced network interoperability services, including growth in our IPX services as well as network services provided to our large MVNO customers of \$5.9 million.

Revenue from Enterprise & Intelligence Solutions decreased \$2.0 million, or 6.0%, to \$30.7 million for the three months ended March 31, 2015 from \$32.6 million for the same period in 2014. Excluding the impact of the Aicent Acquisition, which

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contributed \$1.2 million during the first quarter, revenues declined \$3.2 million. Foreign currency translation contributed \$1.0 million to the decline in revenue. The remaining decline was primarily driven by volume declines in our enterprise mobility services, as we focus on higher margin services in our enterprise messaging business.

## Costs and Expenses

Costs and expenses increased \$1.7 million to \$209.4 million for the three months ended March 31, 2015 from \$207.8 million for the three months ended March 31, 2014. Excluding the impact of the Aicent Acquisition, which added \$14.9 million of costs and expenses for the three months ended March 31, 2015 (including \$3.8 million of depreciation and amortization), costs and expenses declined \$13.2 million. Foreign currency translation contributed \$5.9 million to the decline due primarily to the strengthening of the US dollar against the Euro.

Cost of operations increased \$13.1 million to \$101.5 million for the three months ended March 31, 2015 from \$88.4 million for the three months ended March 31, 2014. The table below summarizes our cost of operations by category of spending.

| (in thousands)                             | Three Months Ended March 31, |          | 2015 compared to 2014 |          |    |
|--|------------------------------|----------|-----------------------|----------|----|
|  | 2015                         | 2014     | \$ change             | % change |    |
| Cost of Operations:                        |                              |          |                       |          |    |
| Headcount and related costs                | \$25,419                     | \$26,068 | \$(649)               | (2.5)    | )% |
| Variable costs                             | 32,970                       | 25,628   | 7,342                 | 28.6     | %  |
| Data processing, hosting and support costs | 23,997                       | 21,938   | 2,059                 | 9.4      | %  |
| Network costs                              | 15,589                       | 11,647   | 3,942                 | 33.8     | %  |
| Other operating related costs              | 3,565                        | 3,111    | 454                   | 14.6     | %  |
| Cost of Operations                         | \$101,540                    | \$88,392 | \$13,148              | 14.9     | %  |

The decrease in headcount and related costs for the three months ended March 31, 2015 was driven by a regional shift in workforce, partially offset by a \$1.2 million increase in headcount resulting primarily from the workforce acquired in the Aicent Acquisition.

The increase in variable costs for the three months ended March 31, 2015 was due primarily to higher message termination fees, most of which resulted from the incremental traffic processed for the new wholesale enterprise messaging customer referenced earlier in "Executive Overview - Financial Highlights". The Company incurred approximately \$6.0 million in message termination fees related to this traffic and has since ended its relationship with the customer. This incremental cost was isolated to the three months ended March 31, 2015 and will not impact future periods. In addition, the Aicent Acquisition contributed \$3.0 million to the increase in variable costs. Excluding the impact of the incremental message termination fees and the Aicent Acquisition, variable costs decreased \$1.7 million due primarily to organic volume declines in our enterprise mobility services. Variable costs as a percentage of operating costs, which management defines as cost of operations, sales and marketing and general and administrative expenses, were 21.3% for the three months ended March 31, 2015 compared to 17.2% for the three months ended March 31, 2014.

The increase in data processing, hosting and support costs was primarily due to investments in data center expansion to support additional capacity related to global and service offering expansion efforts and anticipated volume increases, partially offset by lower software maintenance costs.

The increase in network costs was primarily driven by expansion of our network infrastructure to support global business growth as well as additional costs of \$3.2 million resulting from the Aicent Acquisition. We intend to continue expanding our network infrastructure on an as-needed basis to support future growth opportunities, however,

integration efforts resulting from the MACH and Aicent Acquisitions will drive consolidation across our current infrastructure and are expected to result in network cost reductions over time.

As a percentage of revenues, cost of operations increased to 48.4% for the three months ended March 31, 2015 from 40.2% for the three months ended March 31, 2014.

Sales and marketing expense decreased \$3.4 million to \$19.2 million for the three months ended March 31, 2015 from \$22.6 million for the same period in 2014. The Aicent Acquisition contributed \$1.0 million during the three months ended



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March 31, 2015, primarily due to headcount related costs for the acquired sales force employees. Excluding the impact of the Aicent Acquisition, sales and marketing expense decreased \$4.4 million due primarily to a reduction in headcount resulting from our October 2014 restructuring plan as well as other cost savings initiatives. As a percentage of revenues, sales and marketing expense was 9.1% and 10.3% for the three months ended March 31, 2015 and 2014, respectively.

General and administrative expense decreased \$4.1 million to \$33.9 million for the three months ended March 31, 2015 from \$38.0 million for the same period in 2014. The Aicent Acquisition contributed \$1.7 million primarily due to headcount related costs for the acquired employees. Excluding the impact of the Aicent Acquisition, general and administrative expense decreased \$5.8 million due primarily to lower headcount related costs resulting from our October 2014 restructuring plan, a reduction in professional services costs as well as lower performance-based compensation. As a percentage of revenues, general and administrative expense was 16.2% and 17.3% for the three months ended March 31, 2015 and 2014, respectively.

Depreciation and amortization expense decreased \$1.0 million to \$54.8 million for the three months ended March 31, 2015 from \$55.8 million for the same period in 2014. The decrease was driven by \$2.7 million lower amortization of intangible assets, including capitalized software, resulting from our pattern of consumption amortization method for customer related intangibles valued in the MACH Acquisition, partially offset by an increase of \$1.7 million of depreciation of property and equipment primarily driven by assets acquired under capital leases in the latter part of 2014 and the first quarter of 2015.

Employee termination benefits expense was \$0.1 million and \$3.0 million for the three months ended March 31, 2015 and 2014, respectively. The decrease was driven primarily by severance costs related to a reduction-in-force in the prior year period as a result of cost saving initiatives.

### Other Income (Expense), net

Interest expense, net increased \$0.5 million to \$30.5 million for the three months ended March 31, 2015 from \$30.0 million for the same period in 2014. The increase was due primarily to financing costs associated with the amendment to our credit agreement.

Other, net decreased \$2.9 million to a \$1.5 million loss, which includes a \$3.8 million out-of-period foreign currency transaction gain, for the three months ended March 31, 2015 from a \$1.3 million gain for the same period in 2014. The decrease was primarily due to the unfavorable foreign currency impact of the decline in the Euro value.

### Benefit from Income Taxes

We recorded an income tax benefit of \$5.9 million for the three months ended March 31, 2015, compared to a benefit of \$0.2 million for the three months ended March 31, 2014. During the three months ended March 31, 2015, the effective tax rate was a benefit of 18.4%. During the three months ended March 31, 2014, the effective tax rate was a benefit of 1.5%. The tax benefit recognized for the three months ended March 31, 2015 was limited to the amount that would be recognized if the ordinary loss was the anticipated loss for the fiscal year. The change in our effective tax rate was chiefly attributable to (i) the loss limitation described above, (ii) impact of certain discrete items and (iii) relative mix of earnings and losses in the U.S. versus foreign tax jurisdictions.

### Liquidity and Capital Resources

Our operations are conducted almost entirely through our subsidiaries and our ability to generate cash to meet our debt service obligations or to pay dividends is highly dependent on the earnings and the receipt of funds from our

subsidiaries via dividends or intercompany loans.

Our primary sources of liquidity are expected to be cash flow from operations as well as funds available under the Revolving Credit Facility. We believe that we have sufficient liquidity to meet currently anticipated growth plans, including short and long-term capital expenditures and working capital requirements. In addition, we believe that our liquidity is sufficient to fund our debt repayment obligations. Our ability to make payments on our indebtedness will depend on our ability to generate cash flow from operating activities in the future. Our indebtedness requires us to dedicate a substantial portion of our cash flow from operations to debt service, thereby reducing the availability of our cash flow to fund acquisitions, working capital, capital expenditures, research and development efforts and other general corporate purposes. Historically, we have been successful in obtaining financing, although the marketplace for such financing may become restricted depending on a variety of economic and other factors. As of March 31, 2015 approximately 66% of our cash and cash equivalents were held by our foreign subsidiaries.

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The Revolving Credit Facility had an outstanding Euro letter of credit of \$1.9 million at March 31, 2015, which reduced availability under the Revolving Credit Facility. The unused commitment under the Revolving Credit Facility was \$148.1 million at March 31, 2015.

We believe that our cash on hand, together with cash flow from operations and, if required, borrowings under the Revolving Credit Facility will be sufficient to meet our cash requirements for the next twelve months. To the extent we require supplemental funding for our operating activities, we may need access to the debt and equity markets; however, there can be no assurances such funding will be available on acceptable terms or at all.

## Cash Flow

Cash and cash equivalents were \$74.3 million at March 31, 2015 as compared to \$89.3 million at December 31, 2014. The following table summarizes the activity within our unaudited condensed consolidated statements of cash flows.

| (in thousands)                            | Three Months Ended March 31, |             |
|---|------------------------------|-------------|
|   | 2015                         | 2014        |
| Net cash provided by operating activities | \$20,737                     | \$18,140    |
| Net cash used in investing activities     | (18,165                      | ) (27,220   |
| Net cash used in financing activities     | (13,299                      | ) (2,449    |
| Effect of exchange rate changes on cash   | (4,357                       | ) (909      |
| Net decrease in cash                      | \$(15,084                    | ) \$(12,438 |

Net cash provided by operating activities increased \$2.6 million to \$20.7 million for the three months ended March 31, 2015 from \$18.1 million for the same period in 2014. The increase was primarily due to:

increased cash provided by working capital of \$14.2 million due primarily to a decrease in the payment of performance-based compensation awards and lower accounts receivable driven by the reduction in revenue, partially offset by timing of payments to vendors.

The increase was partially offset by:

decreased net income adjusted for non-cash items of \$11.6 million primarily due to lower operating income as compared to the prior year period.

Net cash used in investing activities was \$18.2 million for the three months ended March 31, 2015, as compared to \$27.2 million for the three months ended March 31, 2014. The decrease was driven by:

decreased capital expenditures of \$12.7 million, primarily due to higher costs in 2014 associated with capitalized software to support new services, data center capacity increases and investments in our internal infrastructure.

The decrease was partially offset by:

the redemption of a \$0.1 million certificate of deposit during the three months ended March 31, 2015 compared to \$3.7 million in the prior period.

Net cash used in financing activities was \$13.3 million for the three months ended March 31, 2015 as compared to \$2.4 million for the three months ended March 31, 2014. The increase was primarily due to a \$10.0 million payment on our Revolving Credit Facility during the first quarter of 2015.

## Debt and Credit Facilities

Senior Credit Facility

On April 23, 2012, we entered into a Credit Agreement with Buccaneer LLC (as successor by merger to Buccaneer), Barclays Bank PLC, as administrative agent, swing line lender and letters of credit issuer, and the other financial institutions

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and lenders from time to time party thereto, providing for the Senior Credit Facility consisting of (i) the Initial Term Loans; and (ii) the Revolving Credit Facility for the making of revolving loans, swing line loans and issuance of letters of credit.

On June 28, 2013 the Company borrowed \$700.0 million of Tranche B Term Loans, pursuant to the Incremental Amendment to its Credit Agreement. The proceeds of the Tranche B Term Loans were used to refinance, in full, the delayed draw credit agreement, a portion of which were used to fund the MACH Acquisition.

As of March 31, 2015, the carrying amount of our outstanding indebtedness under the Initial Term Loans and Tranche B Term Loans, excluding original issue discount, was \$911.8 million and \$678.7 million, respectively. At March 31, 2015, the applicable interest rate was 4.00% on these Term Loan Facilities based on the Eurodollar rate loan option.

### Non-GAAP Financial Measures

Adjusted EBITDA and Free Cash Flow are not presentations made in accordance with U.S. GAAP. Adjusted EBITDA should not be considered as alternatives to net loss, operating income, revenues or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance or operating cash flows or liquidity. We believe that Adjusted EBITDA and Free Cash Flow are measures commonly used by investors to evaluate our performance and that of our competitors. We further believe that the disclosure of Adjusted EBITDA and Free Cash Flow is useful to investors, as these non GAAP measures form the basis of how our executive team and Board of Directors evaluate our performance. By disclosing these non GAAP measures, we believe that we create for investors a greater understanding of, and an enhanced level of transparency into, some of the means by which our management team operates and evaluates our Company and facilitates comparisons of current period's results with prior periods.

In addition, these non GAAP measures may not be comparable to other similarly titled measures of other companies in our industry or otherwise. Because of these limitations, Adjusted EBITDA and Free Cash Flow should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We attempt to compensate for these limitations by relying primarily upon our U.S. GAAP results and using Adjusted EBITDA and Free Cash Flow as supplemental information only.

Adjusted EBITDA and Free Cash Flow have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under U.S. GAAP. For example, some of the limitations of Adjusted EBITDA are as follows:

- excludes certain tax payments or the cash requirements necessary to service interest or principal payments on our debt that may represent a reduction in cash available to us;
- does not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- does not reflect cash outlays for future contractual commitments;
- does not reflect changes in, or cash requirements for, our working capital needs; and
- does not reflect the significant interest expense on our debt.

Adjusted EBITDA is determined by adding the following items to net loss: other income (expense), net, excluding the impact of equity income in investee, benefit from income taxes, depreciation and amortization, employee termination benefits, restructuring, non-cash stock-based compensation, Acquisition expense, business development, integration and other related expenses including transition and integration costs generally, CEO transition costs and fees and expenses paid to Carlyle pursuant to our consulting agreement.

We believe that Adjusted EBITDA is a useful financial metric to assess our operating performance from period to period by excluding certain items that we believe are not representative of our core business. We rely on Adjusted EBITDA as a primary measure to review and assess the operating performance of our management team in connection with our executive compensation and bonus plans. We also review Adjusted EBITDA to compare our current operating results with prior periods and with the operating results of other companies in our industry. In addition, we utilize Adjusted EBITDA as an assessment of our overall liquidity and our ability to meet our debt service obligations. Adjusted EBITDA is also a measure used under the indenture governing our Senior Notes.



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## Reconciliation of Non-GAAP Measures to GAAP

A reconciliation of net loss, the closest GAAP measure, to Adjusted EBITDA is presented in the following table:

| (in thousands)   | Three Months Ended March 31, |             |
|--|------------------------------|-------------|
|  | 2015                         | 2014        |
| Reconciliation to Adjusted EBITDA                        |                              |             |
| Net loss   | \$(25,981                    | ) \$(16,217 |
| Equity income in investee                                | 54                           | 307         |
| Other expense, net                                       | 32,021                       | 28,376      |
| Benefit from income taxes                                | (5,860                       | ) (239      |
| Depreciation and amortization                            | 54,848                       | 55,807      |
| Employee termination benefits (a)                        | 52                           | 2,967       |
| Restructuring (b)  | (200                         | ) 22        |
| Non-cash stock-based compensation (c)                    | 2,251                        | 2,019       |
| Acquisitions (d)   | 100                          | —           |
| Business development, integration and other expenses (e) | 2,282                        | 4,404       |
| CEO transition costs (f)                                 | 1,643                        | —           |
| Consulting fee and related expenses (g)                  | 795                          | 798         |
| Adjusted EBITDA  | \$62,005                     | \$78,244    |

(a) Reflects employee termination benefits expense which is comprised primarily of severance benefits that are unrelated to a restructuring plan.

(b) Reflects restructuring expense which is comprised primarily of certain exit activities such as involuntary termination costs and contract termination costs associated with the exit of leased facilities.

(c) Reflects non-cash expenses related to equity compensation awards.

(d) Reflects expenses associated with acquisitions, including professional services costs, such as legal, tax, audit and transaction advisory costs.

(e) Reflects items associated with business development activities, integration expenses, such as incremental contractor, travel and marketing costs and certain advisory services and employee retention costs.

(f) Reflects costs associated with the transition of our Chief Executive Officer, including recruiting and travel expenses.

(g) Reflects consulting fees paid to Carlyle and related expenses pursuant to a consulting agreement with Carlyle.

Free Cash Flow is determined by adding the result of net cash provided by operating activities adjusted for acquisitions expense less capital expenditures.

We believe that Free Cash Flow is a useful financial metric to assess our ability to pursue opportunities to enhance our growth. We also use Free Cash Flow as a measure to review and evaluate the operating performance of our management team in connection with our executive compensation and bonus plans. Additionally, we believe this is a useful metric for investors to assess our ability to repay our outstanding indebtedness.

A reconciliation of net cash provided by operating activities, the closest GAAP measure, to Free Cash Flow is presented in the following table:

| (in thousands)                            | Three Months Ended March 31, |           |
|---|------------------------------|-----------|
|   | 2015                         | 2014      |
| Reconciliation to Free Cash Flow          |                              |           |
| Net cash provided by operating activities | \$20,737                     | \$18,140  |
| Acquisitions                              | 100                          | —         |
| Capital expenditures                      | (18,221                      | ) (30,921 |
| Free Cash Flow                            | \$2,616                      | \$(12,781 |





#### Off-Balance Sheet Arrangements

We provide financial settlement services to MNOs to support the payment of roaming related charges to their roaming network partners. In accordance with our customer contracts, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other MNOs. These funds and the corresponding liability are not reflected in our unaudited condensed consolidated balance sheets. The off-balance sheet amounts totaled approximately \$446.1 million and \$488.5 million as of March 31, 2015 and December 31, 2014, respectively.

We have also used off-balance sheet financing in recent years primarily in the form of operating leases for facility space and equipment, and we expect to continue these practices. We do not use any other type of joint venture or special purpose entities that would create off-balance sheet financing. We believe that our decision to lease office space is similar to that used by many other companies of our size and does not have a material impact on our financial statements. We intend to continue to enter into operating leases for facilities and equipment as these leases expire or additional capacity is required.

#### Related Party Transactions

##### Consulting Agreement with Carlyle

On January 13, 2011, we entered into a ten-year consulting agreement with Carlyle under which we pay Carlyle a fee for consulting services Carlyle provides to us and our subsidiaries. During the three months ended March 31, 2015 and 2014, we recorded \$0.8 million under this agreement.

Carlyle, from time to time, participates as a debt holder within the syndicate under our Initial Term Loans and Tranche B Term Loans. As of March 31, 2015, Carlyle held \$57.8 million and \$22.5 million of our Initial Term Loans and Tranche B Term Loans, respectively. As of December 31, 2014, Carlyle held \$52.0 million and \$17.5 million of our Initial Term Loans and Tranche B Term Loans, respectively.

#### Contractual Obligations

Our total capital lease obligations increased \$16.2 million during the three months ended March 31, 2015 due to equipment leases and software licensing arrangements entered into during the first quarter of 2015. The leases have terms of three to five years with payments due at the beginning of each quarter.

There have been no other material changes to our Contractual Obligations disclosure as filed in our Annual Report on Form 10-K for the year ended December 31, 2014.

#### Critical Accounting Policies and Estimates

The preparation of our unaudited condensed consolidated financial statements and related disclosures in conformity with U.S. GAAP requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses. We consider an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate or different estimates that could have been selected could have a material impact on our results of operations or financial condition. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. We believe that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances.

There have been no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our Annual Report on Form 10-K for the year ended December 31, 2014.



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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Market Risk

We have exposure to fluctuations in interest rates on our Term Loan Facilities. Our Term Loan Facilities are subject to variable interest rates dependent upon the Eurodollar rate floor. Under the credit agreement governing our Term Loan Facilities, the Eurodollar rate floor is 1.00% and the base rate floor is 2.00%. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. As of March 31, 2015, a one-eighth percent change in assumed interest rates on our Term Loan Facilities would result in \$2.0 million of additional interest expense.

Foreign Currency Market Risk

Although the majority of our operations are conducted in U.S. dollars, a portion of our foreign operations are conducted in Euros and Great British Pounds. On a less significant basis, we conduct operations in the various currencies of the Asia-Pacific region, Canada and Latin America. Consequently, a portion of our revenues and expenses are affected by fluctuations in foreign currency exchange rates. We are also affected by fluctuations in exchange rates on assets and liabilities related to our foreign operations. We have not hedged our translation risk on foreign currency exposure through the use of derivative instruments.

A 10% change in average foreign currency rates against the U.S. dollar during the three months ended March 31, 2015 would have increased or decreased our revenues and net loss by approximately \$4.3 million and \$1.9 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls

Our management, including our principal executive officer and principal financial officer, concluded an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of March 31, 2015. Based on the evaluation, as of March 31, 2015, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. For a discussion identifying additional risk factors and important factors that could cause actual results to differ materially from those anticipated, see the discussion of risk factors disclosed under the caption "Risk Factors" in our 2014 Annual Report on Form 10-K. There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

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.

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ITEM 6. EXHIBITS

Exhibit No. Description

|        |  |
|--------|--|
| 10.1   | Third Amendment, dated as of March 6, 2015, by and among Syniverse Holdings, Inc., Buccaneer Holdings, LLC, the financial institutions and lenders from time to time party thereto and Barclays Bank PLC as administrative agent. (1)  |
| #10.2  | Employment Agreement, dated as of February 25, 2015 among Syniverse Corporation and Stephen C. Gray (2)  |
| *#10.3 | Stock Option Agreement, dated as of February 25, 2015 among Syniverse Corporation and Stephen C. Gray  |
| *#10.4 | Restricted Stock Unit Award Agreement, dated as of February 25, 2015 among Syniverse Corporation and Stephen C. Gray (2)   |
| #10.5  | Employment Agreement, dated as of March 19, 2015 among Syniverse Corporation and Robert F. Reich (3)   |
| *31.1  | Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.   |
| *31.2  | Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.   |
| **32.1 | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.   |
| **32.2 | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.   |
| 101    | The following financial information from Syniverse Holdings, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2015, filed with the SEC, formatted in Extensible Business Reporting Language (XBRL): (i) the Unaudited Condensed Consolidated Balance Sheets, (ii) the Unaudited Condensed Consolidated Statements of Operations, (iii) the Unaudited Condensed Consolidated Statements of Comprehensive (Loss) Income, (iv) the Unaudited Condensed Consolidated Statement of Changes in Stockholders Equity, (v) the Unaudited Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Unaudited Condensed Consolidated Financial Statements. |

Notes:

- (1) Incorporated by reference from the Current Report on Form 8-K filed by Syniverse Holdings, Inc. on March 9, 2015.
- (2) Incorporated by reference from the Current Report on Form 8-K filed by Syniverse Holdings, Inc. on February 25, 2015.
- (3) Incorporated by reference from the Current Report on Form 8-K filed by Syniverse Holdings, Inc. on March 20, 2015.
- \* Filed herewith
- \*\* Furnished herewith
- # Management contract of compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYNIVERSE HOLDINGS, INC.  
By: /s/ ROBERT F. REICH  
Robert F. Reich  
Chief Financial Officer

Date: May 12, 2015

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