

SYNIVERSE HOLDINGS INC
Form 10-Q
November 12, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
COMMISSION FILE NUMBER 333-176382

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

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.)

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 November 7, 2014 was 1,000.

Table of Contents

TABLE OF CONTENTS

	Page
	<u>PART I</u>
Item 1.	<u>Financial Statements (Unaudited)</u> 3
	<u>Condensed Consolidated Balance Sheets</u> 3
	<u>Condensed Consolidated Statements of Operations</u> 4
	<u>Condensed Consolidated Statements of Comprehensive (Loss) Income</u> 5
	<u>Condensed Consolidated Statements of Changes in Stockholder Equity</u> 6
	<u>Condensed Consolidated Statements of Cash Flows</u> 7
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u> 8
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 32
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 48
Item 4.	<u>Controls and Procedures</u> 48
	<u>PART II</u>
Item 1.	<u>Legal Proceedings</u> 49
Item 1A.	<u>Risk Factors</u> 49
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 49
Item 3.	<u>Defaults Upon Senior Securities</u> 49
Item 4.	<u>Mine Safety Disclosures</u> 49
Item 5.	<u>Other Information</u> 49
Item 6.	<u>Exhibits</u> 49
	<u>Signatures</u> 51
	<u>Index of Exhibits</u> 52

Table of ContentsPART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 137,877	\$ 306,400
Accounts receivable, net of allowances of \$16,177 and \$8,717, respectively	207,703	187,704
Deferred tax assets	15,062	14,964
Income taxes receivable	16,777	9,849
Prepaid and other current assets	35,036	39,525
Total current assets	412,455	558,442
Property and equipment, net	125,881	106,406
Capitalized software, net	229,442	238,288
Deferred costs, net	51,107	58,375
Goodwill	2,334,394	2,150,364
Identifiable intangibles, net	531,039	539,088
Deferred tax assets	5,585	5,584
Other assets	11,435	12,471
Total assets	\$3,701,338	\$3,669,018
LIABILITIES AND STOCKHOLDER EQUITY		
Current liabilities:		
Accounts payable	\$ 34,916	\$ 25,291
Income taxes payable	3,798	10,179
Accrued liabilities	84,626	113,757
Deferred revenues	9,389	6,164
Deferred tax liabilities	4,103	4,115
Current portion of capital lease obligation	2,625	6,571
Total current liabilities	139,457	166,077
Long-term liabilities:		
Deferred tax liabilities	223,641	214,428
Long-term capital lease obligation, net of current maturities	4,462	409
Long-term debt, net of original issue discount	2,153,275	2,051,248
Other long-term liabilities	45,192	47,709
Total liabilities	2,566,027	2,479,871
Commitments and contingencies		
Redeemable noncontrolling interest	—	501
Stockholder equity:		
Common stock \$0.01 par value; one thousand shares authorized, issued and outstanding as of September 30, 2014 and December 31, 2013	—	—
Additional paid-in capital	1,231,058	1,225,374
Accumulated deficit	(82,005	) (71,244)

Edgar Filing: SYNIVERSE HOLDINGS INC - Form 10-Q

Accumulated other comprehensive (loss) income	(20,653	) 27,735
Total Syniverse Holdings, Inc. stockholder equity	1,128,400	1,181,865
Nonredeemable noncontrolling interest	6,911	6,781
Total equity	1,135,311	1,188,646
Total liabilities and stockholder equity	\$3,701,338	\$3,669,018
See accompanying notes to unaudited condensed consolidated financial statements		

3

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Unaudited)			
Revenues	\$239,822	\$238,890	\$686,658	\$616,042
Costs and expenses:				
Cost of operations (excluding depreciation and amortization shown separately below)	96,820	85,931	277,580	229,796
Sales and marketing	18,328	18,289	60,919	54,966
General and administrative	33,674	33,489	103,879	93,320
Depreciation and amortization	62,214	59,698	174,120	154,285
Employee termination benefits	4,548	1,324	9,403	4,338
Restructuring	18	(2)	40	494
Acquisitions	536	677	2,012	21,622
	216,138	199,406	627,953	558,821
Operating income	23,684	39,484	58,705	57,221
Other income (expense), net:				
Interest income	196	200	610	412
Interest expense	(31,113)	(37,119)	(91,653)	(95,079)
Debt extinguishment costs	—	(2,802)	—	(2,802)
Equity income in investee	156	236	59	236
Other, net	977	(3,303)	682	(4,540)
	(29,784)	(42,788)	(90,302)	(101,773)
Loss before benefit from income taxes	(6,100)	(3,304)	(31,597)	(44,552)
Benefit from income taxes	(21,824)	(1,833)	(22,087)	(5,890)
Net income (loss) from continuing operations	15,724	(1,471)	(9,510)	(38,662)
Loss from discontinued operations, net of tax	—	(4,980)	(560)	(4,980)
Net income (loss)	15,724	(6,451)	(10,070)	(43,642)
Net income attributable to nonredeemable noncontrolling interest	309	83	691	687
Net income (loss) attributable to Syniverse Holdings, Inc.	\$15,415	\$(6,534)	\$(10,761)	\$(44,329)
Amounts attributable to Syniverse Holdings, Inc.:				
Income (loss) from continuing operations, net of tax	\$15,415	\$(1,554)	\$(10,201)	\$(39,349)
Loss from discontinued operations, net of tax	—	(4,980)	(560)	(4,980)
Net income (loss) attributable to Syniverse Holdings, Inc.	\$15,415	\$(6,534)	\$(10,761)	\$(44,329)

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents

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

	Three Months Ended September 30, 2014		2013		Nine Months Ended September 30, 2014		2013	
			(Unaudited)					
Net income (loss)	\$15,724		\$(6,451)	)	\$(10,070)	)	\$(43,642))
Other comprehensive (loss) income, net of tax:								
Foreign currency translation adjustment (1)	(44,677)	)	26,135		(48,211)	)	24,136	
Amortization of unrecognized loss included in net periodic pension cost (2)	23		18		151		54	
Other comprehensive (loss) income	(44,654)	)	26,153		(48,060)	)	24,190	
Comprehensive (loss) income	(28,930)	)	19,702		(58,130)	)	(19,452))
Less: comprehensive income (loss) attributable to nonredeemable noncontrolling interest	223		(12)	)	1,019		375	
Comprehensive (loss) income attributable to Syniverse Holdings, Inc.	\$(29,153)	)	\$19,714		\$(59,149)	)	\$(19,827))

Foreign currency translation adjustment is shown net of income tax expense of \$573 and \$450 for the three and (1) nine months ended September 30, 2014, respectively, and net of income tax expense of \$319 and \$46 for the three and nine months ended September 30, 2013, respectively.

Amortization of unrecognized loss included in net periodic pension cost is shown net of income tax expense of \$10 (2) and \$63 for the three and nine months ended September 30, 2014, respectively, and net of income tax expense of \$8 and \$22 for the three and nine months ended September 30, 2013.

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents

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

	Stockholder of Syniverse Holdings, Inc.							Total
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Comprehensive (Loss) Income	Other Nonredeemable Noncontrolling Interest		
	Shares	Amount						
Balance, December 31, 2012	1	\$—	\$1,215,350	\$(24,713)	\$ (970)	\$ 6,760		\$1,196,427
Net (loss) income	—	—	—	(44,329)	—	687		(43,642)
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustment	—	—	—	—	24,448	(312)		24,136
Amortization of unrecognized loss included in net periodic pension cost	—	—	—	—	54	—		54
Stock-based compensation	—	—	7,236	—	—	—		7,236
Distribution to nonredeemable noncontrolling interest	—	—	—	—	—	(940)		(940)
Distribution to Syniverse Corporation	—	—	(185)	—	—	—		(185)
Balance, September 30, 2013 (Unaudited)	1	\$—	\$1,222,401	\$(69,042)	\$ 23,532	\$ 6,195		\$1,183,086
Balance, December 31, 2013	1	\$—	\$1,225,374	\$(71,244)	\$ 27,735	\$ 6,781		\$1,188,646
Net (loss) income	—	—	—	(10,761)	—	691		(10,070)
Other comprehensive (loss) income, net of tax:								
Foreign currency translation adjustment	—	—	—	—	(48,539)	328		(48,211)
Amortization of unrecognized loss included in net periodic pension cost	—	—	—	—	151	—		151
Stock-based compensation	—	—	6,935	—	—	—		6,935
Distribution to nonredeemable noncontrolling interest	—	—	—	—	—	(889)		(889)
Distribution to Syniverse Corporation	—	—	(1,251)	—	—	—		(1,251)
Balance, September 30, 2014 (Unaudited)	1	\$—	\$1,231,058	\$(82,005)	\$ (20,653)	\$ 6,911		\$1,135,311

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents

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

	Nine Months Ended September	
	30,	2013
	2014	2013
	(Unaudited)	
Cash flows from operating activities		
Net loss	\$(10,070	) \$(43,642
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	174,120	154,285
Amortization of deferred debt issuance costs and original issue discount	9,295	9,539
Allowance for credit memos and uncollectible accounts	11,951	7,667
Deferred income tax benefit	(22,870	) (11,121
Debt modification costs	—	1,681
Debt extinguishment costs	—	2,802
Stock-based compensation	6,935	7,236
Fair value adjustment to assets and liabilities related to assets held for sale	—	3,284
Other, net	5,097	3,129
Changes in operating assets and liabilities:		
Accounts receivable	(23,516	) (24,356
Income taxes receivable or payable	(14,726	) (4,694
Prepaid and other current assets	(3,341	) (5,929
Accounts payable	5,651	3,884
Accrued liabilities and deferred revenues	(28,552	) (22,831
Assets and liabilities related to assets held for sale	—	(2,492
Other assets and other long-term liabilities	(604	) (2,456
Net cash provided by operating activities	109,370	75,986
Cash flows from investing activities		
Capital expenditures	(77,898	) (55,846
Acquisitions, net of acquired cash	(290,042	) (628,191
Redemption (purchase) of certificate of deposit	3,694	(3,753
Capital expenditures, assets held for sale	—	(6,689
Proceeds from sale of Divestment Business	717	—
Net cash used in investing activities	(363,529	) (694,479
Cash flows from financing activities		
Proceeds from issuance of long-term debt	100,000	1,608,335
Debt issuance costs paid	—	(26,917
Principal payments on long-term debt	—	(966,585
Payments on capital lease obligation	(6,483	) (5,576
Distribution to Syniverse Corporation	(1,251	) (185
Purchase of redeemable noncontrolling interest	(501) —
Distribution to nonredeemable noncontrolling interest	(889	) (940
Net cash provided by financing activities	90,876	608,132
Effect of exchange rate changes on cash	(5,240	) 4,005
Net decrease in cash	(168,523	) (6,356
Cash at beginning of period	306,400	232,195
Cash at end of period	\$137,877	\$225,839

Edgar Filing: SYNIVERSE HOLDINGS INC - Form 10-Q

Supplemental noncash investing and financing activities		
Assets acquired under capital lease	\$6,588	\$4,985
Supplemental cash flow information		
Interest paid	\$93,903	\$96,233
Income taxes paid	\$15,555	\$9,826
See accompanying notes to unaudited condensed consolidated financial statements		

7

Table of Contents

SYNIVERSE HOLDINGS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Syniverse is the leading global transaction processor that connects mobile network operators (“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 long term evolution (“LTE”) roaming and interconnect, offering superior connectivity critical for delivering the advanced mobile experiences end-users expect in 4G and beyond, including voice over LTE (“VoLTE”). We currently enable direct reach to nearly half of the global mobile population and cover 16 of the top 20 international roaming routes. 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 550 over-the-top providers (“OTTs”) and enterprises. Our customers include 97 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 4 of the top 10 global social networking sites, including one of the largest social networking sites in China; blue-chip enterprise customers, including 7 of the 10 largest U.S. banks, 3 major banks in Asia, the top 3 credit card networks worldwide, top travel and hospitality companies including 3 of the top 5 airlines and 2 multinational hotel brands, the top global e-commerce provider and one of the top 5 department store retailers globally.

Founded in 1987, Syniverse now 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, a high quality of 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 accounting principles generally accepted in the United States (“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, 2013 (the “2013 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 2013 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 variable interest entity for which Syniverse Holdings, Inc. 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.

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.

Table of Contents

Restricted Cash

On occasion, we are required to maintain cash or certificates of deposit with certain banks with respect to contractual obligations related to acquisitions or other collateral required under certain contractual or other terms. As of September 30, 2014, the amount of restricted cash was \$1.1 million, of which \$0.9 million was included in Prepaid and other current assets and \$0.2 million was included in Other assets in the unaudited condensed consolidated balance sheets. As of December 31, 2013, the amount of restricted cash was \$6.2 million, of which \$5.5 million was included in Prepaid and other current assets and \$0.7 million was included in Other assets in the unaudited condensed consolidated balance sheets.

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 \$544.6 million and \$492.9 million as of September 30, 2014 and December 31, 2013, respectively.

Capitalized Software Costs

We capitalize the cost of externally purchased software, 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 3 to 7 years, respectively.

Foreign Currencies

We have operations through 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 and nine months ended September 30, 2014, we recorded foreign currency transaction gains of \$1.0 million and \$0.7 million, respectively. For the three and nine months ended September 30, 2013, we recorded foreign currency transaction losses of \$3.3 million and \$4.5 million, respectively.

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) income 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) income. 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:

(in thousands)	Three Months Ended September 30,	
	2014	2013
	(Unaudited)	
Mobile Transaction Services	\$205,794	\$207,451
Enterprise & Intelligence Solutions	34,028	31,439
Revenues	\$239,822	\$238,890

9

Table of Contents

	Nine Months Ended September 30,	
	2014	2013
(in thousands)	(Unaudited)	
Mobile Transaction Services	\$587,165	\$539,057
Enterprise & Intelligence Solutions	99,493	76,985
Revenues	\$686,658	\$616,042

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

	Three Months Ended September 30,	
	2014	2013
(in thousands)	(Unaudited)	
North America	\$153,966	\$153,341
Europe, Middle East and Africa	42,489	44,572
Asia Pacific	28,111	23,205
Caribbean and Latin America	15,256	17,772
Revenues	\$239,822	\$238,890

	Nine Months Ended September 30,	
	2014	2013
(in thousands)	(Unaudited)	
North America	\$448,568	\$435,254
Europe, Middle East and Africa	121,471	76,338
Asia Pacific	68,832	56,071
Caribbean and Latin America	47,787	48,379
Revenues	\$686,658	\$616,042

Acquisitions

The Acquisitions line item in our unaudited condensed consolidated statements of operations includes professional services costs, such as legal, tax, audit and transaction advisory costs related to the MACH (defined below) acquisition completed in 2013 and the Aicent (defined below) acquisition completed in 2014 (collectively, the “Acquisitions”). See Note 4 for additional details regarding the Acquisitions.

Reclassifications of Prior Year Presentation

Certain reclassifications of 2013 financial information have been made to conform to the current year presentation. The reclassifications had no effect on our reported results of operations. For the three and nine months ended September 30, 2013, we reclassified certain non-retirement post-employment benefits out of Restructuring into the Employee termination benefits line item in our unaudited condensed consolidated statements of operations. For the nine months ended September 30, 2013, we reclassified Borrowings under Initial Term Loans and Borrowings under Tranche B Term Loans into the Proceeds from issuance of long-term debt line item and Principal payments on Initial Term Loans and Principal payments on Tranche B Term Loans into the Principal payments on long-term debt line items in our unaudited condensed consolidated statements of cash flows.

3. Recent Accounting Pronouncements

In March 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2013-05, Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity, which is included in the Accounting Standard Codification (“ASC”) in Topic 830 “Foreign Currency Matters”. ASU 2013-05 clarifies the

treatment of cumulative translation adjustment (“CTA”) for entities that cease to hold a controlling financial interest in a subsidiary or group of assets within a foreign entity

10

Table of Contents

and those that acquire a business in stages by increasing an investment in a foreign entity from one accounted for under the equity method to one accounted for as a consolidated investment. The amendments in this update provide for the release of the CTA into net income only if a sale or transfer represents a sale or complete or substantially complete liquidation of an investment in a foreign entity. Additionally, the amendments in this ASU clarify that the sale of an investment in a foreign entity includes both (1) events that result in the loss of a controlling financial interest in a foreign entity (that is, irrespective of any retained investment) and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events. This accounting standard was effective for our financial statements beginning January 1, 2014 and was applied prospectively. The adoption of this standard did not have a material impact on our unaudited condensed consolidated financial statements and related disclosures.

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, which is included in the ASC in Topic 740 "Income Taxes". ASU 2013-11 eliminates the diversity in practice in the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Under this guidance, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. This accounting standard was effective for our financial statements beginning January 1, 2014. The adoption of this standard was applied prospectively and did not have a material impact on our unaudited condensed consolidated financial statements and related disclosures.

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. 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 new guidance is effective for us with disposals that occur after January 1, 2015.

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 International Accounting Standards Board ("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 position, results of operations, and cash flows.

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 \$292.2 million (the "Aicent Acquisition"). The Aicent

Acquisition was funded with cash of \$192.2 million and a draw down of Syniverse's existing revolving credit facility with Barclays Bank PLC in the amount of \$100.0 million.

Table of Contents

The Aicent Acquisition is expected to further expand our global communications network, drive increased service and value to customers through real-time intelligence, and extend our global reach to mobile subscribers, enterprises and mobile operators in Asia.

The Aicent Acquisition was accounted for under the purchase 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 fair value of the net assets acquired was based on a preliminary valuation and our estimates and assumptions are subject to change within the measurement period. The Company is continuing to evaluate (i) valuation of intangible assets; (ii) deferred tax assets and liabilities; (iii) income tax and non-income tax accruals; and (iv) other long-term liabilities including certain employee related accruals. Syniverse will finalize the purchase price allocation as soon as practicable within the measurement period, but in no event later than one year following the Aicent Acquisition Date.

The following table summarizes the preliminary allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed in connection with the Aicent Acquisition based on their fair values on the Aicent Acquisition Date:

(in thousands)		
Total purchase price		\$292,162
Less: cash acquired		2,039
Cash consideration		290,123
Fair value of net assets acquired:		
Cash		\$2,039
Accounts receivable		11,858
Prepaid and other current assets		807
Property and equipment		3,266
Customer relationships		85,300
Capitalized Software		16,209
Other identifiable intangible assets		2,500
Deferred tax assets		1,960
Other assets		241
Accounts payable	(4,437)
Income taxes payable	(634)
Accrued liabilities	(4,525)
Deferred revenues	(126)
Deferred tax liabilities	(33,788)
Other long-term liabilities	(801)
Net assets acquired		79,869
Allocation to goodwill		\$212,293

The excess of the purchase price over the fair value of the net assets acquired resulted in goodwill of \$212.3 million, which is primarily attributable to operating synergies and potential expansion into other global markets. We do not expect goodwill to be deductible for tax purposes. We incurred Aicent Acquisition related expenses of \$0.5 million and \$2.0 million for the three and nine months ended September 30, 2014, respectively. These costs were recorded in the Acquisitions line item in our unaudited condensed consolidated statements of operations.

Customer relationships were valued using discounted future cash flows. The future cash flows for the customer relationships were discounted using a weighted-average cost of capital, which was based on an analysis of the cost of

capital for guideline companies within the technology industry. We determined useful lives of the customer relationships based on the period over which we expect those assets to contribute directly or indirectly to future cash flows. Customer relationships are amortized using the straight-line method over a shortened useful life of 10 years.

Table of Contents

The results of operations of Aicent have been included in our operating results subsequent to the Aicent Acquisition Date. During the three and nine months ended September 30, 2014, the Aicent Acquisition contributed \$8.0 million to revenue.

MACH Acquisition

On June 28, 2013 (the “MACH Acquisition Date”), we completed our acquisition of WP Roaming III S.à r.l. (“WP Roaming”), for a total purchase price of approximately \$712.0 million. WP Roaming is a holding company which conducted the business of MACH S.à r.l. (“MACH”). As part of the transaction, we acquired from WP Roaming, a Luxembourg limited liability company (the “Seller”), all the shares and preferred equity certificates (whether convertible or not) in WP Roaming (the “MACH Acquisition”). The purchase price was funded through a portion of the net proceeds from a new \$700.0 million senior secured credit facility and a deposit of €30.0 million paid to the Seller on July 2, 2012.

The MACH Acquisition was accounted for under the purchase method of accounting. The total purchase price was allocated to the acquired assets and liabilities assumed based on their estimated fair values at the MACH Acquisition Date. The following table summarizes the allocation of the purchase price, including adjustments to previously reported figures on June 30, 2013, to the estimated fair values of the assets acquired and liabilities assumed in connection with the MACH Acquisition based on their fair values on the MACH Acquisition Date:

	As initially reported on June 30, 2013	Measurement period adjustments	June 30, 2013 (as adjusted)
(in thousands)			
Total purchase price	\$712,009	\$—	\$712,009
Less: cash acquired	44,644	—	44,644
Cash consideration	\$667,365	\$—	\$667,365
Fair value of net assets acquired:			
Cash	\$44,644	\$—	\$44,644
Accounts receivable	26,887	(1,011	) 25,876
Prepaid and other current assets	10,456	(530	) 9,926
Assets held for sale	11,046	(226	) 10,820
Property and equipment	7,157	—	7,157
Capitalized software	74,229	(1,952	) 72,277
Customer relationships	207,037	(41,381	) 165,656
Other identifiable intangible assets	2,103	—	2,103
Deferred tax assets	897	2,752	3,649
Other assets	5,657	(390	) 5,267
Accounts payable	(8,847	) —	(8,847
Income taxes payable	(1,993	) 584	(1,409
Accrued liabilities	(32,638	) (15,021	) (47,659
Deferred revenues	(1,484	) —	(1,484
Liabilities related to assets held for sale	(2,693	) 226	(2,467
Deferred tax liabilities	(27,636	) 2,890	(24,746
Redeemable noncontrolling interest	(203	) (298	) (501
Net assets acquired	314,619	(54,357	) 260,262
Allocation to goodwill	\$397,390	\$54,357	\$451,746

The excess of the purchase price over the fair value of the net assets acquired resulted in goodwill of \$451.7 million, which is primarily attributable to assembled workforce, operating synergies and potential expansion into other global

markets. Goodwill is not deductible for tax purposes. We incurred MACH Acquisition related expenses of \$0.7 million and \$21.6 million for the three and nine months ended September 30, 2013, respectively. These costs were recorded in the Acquisitions line item in our unaudited condensed consolidated statements of operations. We did not incur any MACH Acquisition related expenses for the three and nine months ended September 30, 2014, nor do we expect to incur any further costs in the future.

Table of Contents

Discontinued Operations

During the fourth quarter of 2013, we completed the sale of certain assets supporting MACH's data clearing and near real-time roaming data exchange business in the European Economic Area, including technology platforms, necessary employees, customer contracts and the MACH brand (the "Divestment Business"). During the second quarter of 2014, we received \$0.7 million in proceeds related to a purchase price adjustment allowed for under the purchase agreement, and recognized a loss of \$0.6 million in Loss from discontinued operations, net of tax, in the unaudited condensed consolidated statement of operations.

Supplemental Pro Forma Financial Information

The following unaudited pro forma financial information for the nine months ended September 30, 2013 represent combined revenue and loss from continuing operations as if the MACH Acquisition had taken place on January 1, 2013. The unaudited pro forma results reflect certain adjustments including additional estimated amortization expense associated with acquired intangible assets and interest expense associated with debt used to fund the MACH Acquisition. The pro forma financial information does not purport to be indicative of the results of operations that would have been achieved had the MACH Acquisition taken place on the date indicated or the results of operations that may result in the future.

(in thousands)	Nine Months Ended September 30, 2013
Revenues	\$690,382
Income from continuing operations attributable to Syniverse Holdings, Inc.	\$(14,536)

5. Detail of Accrued Liabilities

Accrued liabilities consisted of the following:

(in thousands)	September 30, 2014 (Unaudited)	December 31, 2013
Accrued payroll and related benefits	\$25,865	\$41,036
Accrued interest	15,519	27,245
Accrued network payables	10,469	8,596
Accrued revenue share expenses	6,413	3,560
Other accrued liabilities	26,360	33,320
Total accrued liabilities	\$84,626	\$113,757

6. Debt and Credit Facilities

Our total outstanding debt as of September 30, 2014 and December 31, 2013 was as follows:

(in thousands)	September 30, 2014 (Unaudited)	December 31, 2013
Senior Credit Facility:		
Initial Term Loans, due 2019	\$911,835	\$911,835
Original issue discount	(9,530)	(11,166)
Tranche B Term Loans, due 2019	678,665	678,665
Original issue discount	(2,695)	(3,086)
Revolving Credit Facility	100,000	—

Edgar Filing: SYNIVERSE HOLDINGS INC - Form 10-Q

Senior Notes:

9.125% senior unsecured notes, due 2019	475,000	475,000
Total debt	2,153,275	2,051,248
Total long-term debt	\$2,153,275	\$2,051,248

14

Table of Contents

Amortization of original issue discount and deferred financing fees for the three and nine months ended September 30, 2014 was \$3.2 million and \$9.3 million, respectively, and was related to our Senior Credit Facility (as defined below) and senior unsecured notes bearing interest at 9.125% that will mature on January 15, 2019 (the “Senior Notes”). Amortization of original issue discount and deferred financing fees for the three and nine months ended September 30, 2013 was \$5.1 million and \$9.5 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 (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 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 Escrow Term Loans (as defined below), a portion of which were used to fund the MACH Acquisition.

On September 23, 2013, the Company made a prepayment of \$50.0 million on the Term Loan Facilities, of which \$28.7 million was applied to the Initial Term Loans and \$21.3 million was applied to the Tranche B Term Loans. In relation to the prepayment, Syniverse accelerated the amortization of \$0.4 million of original issue discount and \$0.6 million of deferred financing costs. In addition, on September 23, 2013 we refinanced the Initial Term Loans under the Credit Agreement to reduce the interest rate. We recorded \$2.8 million of debt extinguishment costs and \$1.7 million of debt modification costs associated with the refinancing of the Initial Term Loans.

On August 4, 2014, the Company drew \$100.0 million on the Revolving Credit Facility to fund a portion of the Aicent Acquisition. See Note 4 for additional details regarding the Aicent Acquisition.

Tranche B Term Loans

On June 28, 2013, we received net proceeds of \$696.5 million under the Tranche B Term Loans, the proceeds of which were used to refinance the Escrow Term Loans (as defined below) in full. We paid upfront fees of \$3.5 million associated with the Escrow Term Loans which were recorded as original issue discount to be amortized over the life of the Tranche B Term Loans using the effective interest method. We incurred \$25.2 million of debt issuance costs which were recorded as deferred financing costs to be amortized over the life of the Tranche B Term Loans using the effective interest method.

Delayed Draw Credit Agreement

On February 4, 2013, Syniverse Magellan Finance, LLC (the “Finance Sub”), our wholly owned subsidiary, entered into a delayed draw credit agreement (the “Delayed Draw Credit Agreement”) with Barclays Bank PLC, as administrative agent, and the other financial institutions and lenders from time to time party thereto, providing for a new senior credit facility consisting of a \$700.0 million delayed draw term loan facility (the “Delayed Draw Facility”). On May 28, 2013, Finance Sub entered into an amendment to the Delayed Draw Credit Agreement. Upon the closing of this amendment, the lenders funded the Delayed Draw Facility into an escrow account (“Escrow Term Loans”) and the Company

pre-funded the interest, upfront fees and ticking fees of \$7.2 million, \$3.5 million and \$3.6 million, respectively (the "Escrowed Funds"). The Escrowed Funds were released to Finance Sub on June 28, 2013 (the "Release"). In addition to the pre-funded amount, we paid additional ticking fees of \$1.0 million during the second quarter of 2013. These fees were paid to our committing arranger banks to compensate for a backstop commitment during the time lag between the commitment allocation and actual funding for the Delayed Draw Facility.

7. Stock-Based Compensation

Effective April 6, 2011, our parent established the 2011 Equity Incentive Plan (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

Table of Contents

combination of the foregoing, Syniverse Corporation will issue shares of its common stock to satisfy equity based compensation instruments.

Stock-based compensation expense for the three and nine months ended September 30, 2014 and 2013 was as follows:

	Three Months Ended September 30,	
	2014	2013
(in thousands)	(Unaudited)	
Cost of operations	\$ 79	\$ 86
Sales and marketing	1,001	641
General and administrative	1,942	1,329
Total stock-based compensation	\$ 3,022	\$ 2,056
	Nine Months Ended September 30,	
	2014	2013
(in thousands)	(Unaudited)	
Cost of operations	\$ 222	\$ 455
Sales and marketing	2,701	2,793
General and administrative	4,012	3,988
Total stock-based compensation	\$ 6,935	\$ 7,236

In February 2013, the Compensation Committee of our Board of Directors, utilizing the discretion afforded under the 2011 Plan, approved the vesting of the 2012 performance-based stock options resulting in a modification of the vesting terms, for which we recorded additional stock compensation expense of \$2.1 million.

The following table summarizes our stock option activity under the 2011 Plan for the nine months ended September 30, 2014:

Stock Options	Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2013	9,203,082	\$ 11.07
Granted	651,663	15.00
Exercised	(431,666	) 10.87
Canceled or expired	(970,334	) 11.70
Outstanding at September 30, 2014	8,452,745	\$ 11.32

The fair value of options granted during the nine months ended September 30, 2014 was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate	2.18%
Volatility factor	50.00%
Dividend yield	—%
Weighted average expected life of options (in years)	6.43

Table of Contents

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 nine months ended September 30, 2014:

Restricted Stock	Shares	Weighted-Average Grant-Date Fair Value
Balance at December 31, 2013	86,205	\$14.50
Vested	(22,988	) 14.50
Forfeited	(17,241	) 14.50
Balance at September 30, 2014	45,976	\$14.50

8. Employee Termination Benefits and Restructuring

The following table summarizes the activity in our employee termination benefit liabilities for the nine months ended September 30, 2014:

(in thousands)	December 31, 2013 Balance	Additions	Payments	Adjustments	September 30, 2014 Balance
Employee termination benefits	\$2,698	9,416	(6,480	) (19	) \$5,615

Employee termination benefits represents non-retirement post-employment benefit costs including severance, benefits and other employee related costs.

The following table summarizes the activity in our restructuring liabilities for the nine months ended September 30, 2014:

(in thousands)	December 31, 2013 Balance ⁽¹⁾	Additions	Payments	Adjustments	September 30, 2014 Balance
December 2011 Plan	264	40	1	—	305
December 2010 Plan	619	—	—	(49	) 570
Total	\$883	\$40	\$1	\$(49	) \$875

(1) December 31, 2013 balance has been adjusted to exclude Employee termination benefits, which has been reclassified into a single line item in our unaudited condensed consolidated statements of operations.

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 September 30, 2014.

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. As of September 30, 2014, we have paid \$2.1 million related to this plan.

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

Table of Contents

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 and nine months ended September 30, 2014, was a benefit of 357.8% and 69.9%, respectively. The effective tax rate for the three and nine months ended September 30, 2013, was a benefit of 55.5% and 13.2%, respectively. The tax benefit recognized for the nine months ended September 30, 2013 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 inclusion of a full year of the actual and forecasted earnings impact of the MACH entities in our 2014 effective tax rate, (ii) the prior year effects of costs related to the acquisition of MACH, some of which were nondeductible for income tax purposes, (iii) the prior year effects of the loss limitation described above, and (iv) a shift of taxable income to lower foreign tax rate 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 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 September 30, 2014, 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 and nine months ended September 30, 2014 and 2013.

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.

Restricted cash included \$1.1 million and \$4.8 million of certificates of deposit at September 30, 2014 and December 31, 2013, respectively. The fair value of certificates of deposit is the balance at the reporting date less early withdrawal penalties, if applicable, and is based on observable inputs of rates offered on deposits of similar remaining maturities (Level 2). Certificates of deposit are reflected in the financial statements at their carrying value, which

approximates their fair value, due to the insignificant nature of early withdrawal penalties.

At December 31, 2013, restricted cash also included \$1.3 million of cash held in escrow related to additional cash payments that will be made to the former owner of an entity acquired by MACH in 2011 as required under a purchase agreement existing at the Acquisition Date. This amount is reflected in the financial statements at its carrying value, which approximates its fair value (Level 3).

Table of Contents

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 September 30, 2014 and December 31, 2013 were as follows:

	September 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(in thousands)	(Unaudited)			
Initial Term Loans	\$911,835	\$898,157	\$911,835	\$916,394
Tranche B Term Loans	678,665	668,485	678,665	683,331
Revolving Credit Facility	100,000	100,000	—	—
Senior Notes	475,000	498,750	475,000	520,125

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 3 of the fair value hierarchy.

12. Related Party Transactions

Consulting Agreement with Carlyle

On January 13, 2011, we entered into a ten-year consulting agreement with investment funds affiliated with The Carlyle Group (along with its associated investment funds, or any successor to its investment management business, “Carlyle”) under which we pay Carlyle a management fee for consulting services Carlyle provides to us and our subsidiaries. Under this agreement, subject to certain conditions, we pay an annual management fee to Carlyle of \$3.0 million and reimburse their out-of-pocket expenses. During the three and nine months ended September 30, 2014, we recorded \$0.8 million and \$2.4 million, respectively, associated with the management fee and the reimbursement of out-of-pocket expenses. During the three and nine months ended September 30, 2013, we recorded \$0.7 million and \$2.6 million, respectively.

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 September 30, 2014 and December 31, 2013, Carlyle held \$49.0 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.

Table of Contents

CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF SEPTEMBER 30, 2014

(IN THOUSANDS)

	Syniverse, Inc.	Subsidiary Guarantors	Subsidiary Non-Guarantors	Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$—	\$58,744	\$ 79,133	\$—	\$137,877
Accounts receivable, net of allowances	—	155,928	51,775	—	207,703
Accounts receivable - affiliates	2,022,655	2,062,762	378,690	(4,464,107)	—
Interest receivable - affiliates	296	—	5,197	(5,493)	—
Deferred tax assets	9,312	4,487	1,263	—	15,062
Income taxes receivable	—	9,109	7,668	—	16,777
Prepaid and other current assets	1,543	24,036	9,457	—	35,036
Total current assets	2,033,806	2,315,066	533,183	(4,469,600)	412,455
Property and equipment, net	—	95,952	29,929	—	125,881
Capitalized software, net	—	181,982	47,460	—	229,442
Deferred costs, net	51,107	—	—	—	51,107
Goodwill	—	1,924,730	409,664	—	2,334,394
Identifiable intangibles, net	—	423,568	107,471	—	531,039
Long-term note receivable - affiliates	5,515	—	5,768	(11,283)	—
Deferred tax assets	—	—	5,585	—	5,585
Other assets	—	2,490	8,945	—	11,435
Investment in subsidiaries	2,496,069	830,069	—	(3,326,138)	—
Total assets	\$4,586,497	\$5,773,857	\$ 1,148,005	\$(7,807,021)	\$3,701,338