

SYNIVERSE HOLDINGS INC
Form 10-Q
August 13, 2018
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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 June 30, 2018

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 30-0041666
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
8125 Highwoods Palm Way
Tampa, Florida 33647
(Address of principal executive office)
(Zip code)
(813) 637-5000
(Registrant's telephone number, including area code)

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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

(Do not check if a smaller
reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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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 August 10, 2018 was 1,000.

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GLOSSARY OF TERMS

| Term | Definition |
|-----------|---|
| 2011 Plan | 2011 Equity Incentive Plan |
| 4G | Fourth generation |
| A2P | Application to Peer |
| 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)

| | June 30, 2018 (Unaudited) | December 31, 2017 |
|---|---------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$81,070 | \$ 127,677 |
| Accounts receivable, net of allowances of \$15,355 and \$16,486, respectively | 163,261 | 168,149 |
| Income taxes receivable | 4,651 | 4,134 |
| Prepaid and other current assets | 26,157 | 23,204 |
| Total current assets | 275,139 | 323,164 |
| Property and equipment, net | 88,539 | 93,203 |
| Capitalized software, net | 94,362 | 102,454 |
| Goodwill | 2,303,763 | 2,314,281 |
| Identifiable intangibles, net | 230,040 | 258,986 |
| Deferred tax assets | 3,389 | 3,608 |
| Investment in unconsolidated subsidiaries | 46,296 | 47,258 |
| Other assets | 6,092 | 4,972 |
| Total assets | \$3,047,620 | \$ 3,147,926 |
| LIABILITIES AND STOCKHOLDER EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$36,966 | \$ 20,837 |
| Income taxes payable | 2,976 | 4,784 |
| Accrued liabilities | 72,579 | 89,249 |
| Deferred revenues | 8,807 | 5,997 |
| Current portion of capital lease obligation | 6,184 | 6,410 |
| Current portion of long-term debt, net of original issue discount and deferred financing costs | 58,221 | 2,595 |
| Total current liabilities | 185,733 | 129,872 |
| Long-term liabilities: | | |
| Deferred tax liabilities | 77,076 | 73,793 |
| Deferred revenues | 2,096 | 2,096 |
| Long-term capital lease obligation, less current portion | 2,174 | 4,340 |
| Long-term debt, net of current portion, original issue discount and deferred financing costs | 1,860,031 | 1,940,613 |
| Other long-term liabilities | 38,145 | 36,805 |
| Total liabilities | 2,165,255 | 2,187,519 |
| Commitments and contingencies (Note 10) | | |
| Stockholder equity: | | |
| Common stock \$0.01 par value; one thousand shares authorized, issued and outstanding as of June 30, 2018 and December 31, 2017 | — | — |
| Additional paid-in capital | 1,281,585 | 1,275,944 |
| Accumulated deficit | (326,071) | (261,615) |

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| | | | |
|---|-------------|-------------|---|
| Accumulated other comprehensive loss | (78,912 |) (63,226 |) |
| Total Syniverse Holdings, Inc. stockholder equity | 876,602 | 951,103 | |
| Noncontrolling interest | 5,763 | 9,304 | |
| Total equity | 882,365 | 960,407 | |
| Total liabilities and stockholder equity | \$3,047,620 | \$3,147,926 | |

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 | | Six Months Ended | |
|---------------------|----------------|------------|------------------|------------|
| | Ended June 30, | | June 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | (Unaudited) | | | |
| Revenues | \$ 190,841 | \$ 194,507 | \$ 379,499 | \$ 380,355 |
| Costs and expenses: | | | | |