

SYNIVERSE HOLDINGS INC
Form 10-Q
November 06, 2017
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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 September 30, 2017

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 November 3, 2017 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)

	September 30, 2017	December 31, 2016
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 121,267	\$ 136,174
Accounts receivable, net of allowances of \$19,722 and \$21,650, respectively	172,325	166,107
Income taxes receivable	6,607	8,296
Prepaid and other current assets	28,512	28,390
Total current assets	328,711	338,967
Property and equipment, net	100,575	108,782
Capitalized software, net	115,852	143,291
Goodwill	2,309,014	2,272,796
Identifiable intangibles, net	275,127	319,441
Deferred tax assets	1,410	1,338
Investment in unconsolidated subsidiaries	46,965	47,181
Other assets	5,402	8,304
Total assets	\$ 3,183,056	\$ 3,240,100
LIABILITIES AND STOCKHOLDER EQUITY		
Current liabilities:		
Accounts payable	\$ 26,498	\$ 30,557
Income taxes payable	1,666	5,049
Accrued liabilities	80,271	107,164
Deferred revenues	6,382	3,014
Current portion of capital lease obligation	8,059	16,354
Current portion of long-term debt, net of original issue discount and deferred financing costs	—	1,853
Total current liabilities	122,876	163,991
Long-term liabilities:		
Deferred tax liabilities	119,182	112,730
Long-term capital lease obligation, less current portion	5,759	8,366
Long-term debt, net of current portion, original issue discount and deferred financing costs	1,979,672	1,993,596
Other long-term liabilities	49,177	45,215
Total liabilities	2,276,666	2,323,898
Commitments and contingencies		
Stockholder equity:		
Common stock \$0.01 par value; one thousand shares authorized, issued and outstanding as of September 30, 2017 and December 31, 2016	—	—
Additional paid-in capital	1,273,882	1,265,752
Accumulated deficit	(303,811) (237,021)

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Accumulated other comprehensive loss	(71,230) (120,042)
Total Syniverse Holdings, Inc. stockholder equity	898,841	908,689	
Noncontrolling interest	7,549	7,513	
Total equity	906,390	916,202	
Total liabilities and stockholder equity	\$ 3,183,056	\$ 3,240,100	

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 September 30, 2017		Nine Months Ended September 30, 2017	
	2016	2017	2016	2017
Revenues		\$207,009	\$196,617	\$587,364
Costs and expenses:				
Cost of operations (excluding depreciation and amortization shown separately below)	90,483	88,293	265,010	272,959
Sales and marketing	17,295	16,212	54,059	54,071
General and administrative	24,638	25,863	71,876	87,412
Depreciation and amortization	49,834	52,739	145,271	155,976
Employee termination benefits	457	(247)	609	747
Restructuring charges	1,097	1,087	5,126	14,530
Other operating income	—	(5,499)	—	(5,499)
	183,804	178,448	541,951	580,196
Operating income	23,205	18,169	45,413	8,583
Other income (expense), net:				
Interest expense, net	(30,959)	(30,515)	(101,041)	(92,304)
(Loss) gain on early extinguishment of debt, net	(56)	—	306	—
Equity loss in investees	(125)	(213)	(639)	(122)
Other, net	(896)	532	(2,137)	2,714
	(32,036)	(30,196)	(103,511)	(89,712)
Loss before provision for (benefit from) income taxes	(8,831)	(12,027)	(58,098)	(81,129)
Provision for (benefit from) income taxes	16,125	5,136	6,493	(33,553)
Net loss	(24,956)	(17,163)	(64,591)	(47,576)
Net income attributable to noncontrolling interest	809	458	2,199	1,393
Net loss attributable to Syniverse Holdings, Inc.	\$(25,765)	\$(17,621)	\$(66,790)	\$(48,969)

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	2016	2017	2016	2017
	(Unaudited)			
Net loss	\$(24,956)	\$(17,163)	\$(64,591)	\$(47,576)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment ⁽¹⁾	12,716	6,351	48,783	7,130
Amortization of unrecognized loss included in net periodic pension cost ⁽²⁾	62	61	177	138
Other comprehensive income	12,778	6,412	48,960	7,268
Comprehensive loss	(12,178)	(10,751)	(15,631)	(40,308)
Less: comprehensive income attributable to noncontrolling interest	720	558	2,347	1,384
Comprehensive loss attributable to Syniverse Holdings, Inc.	\$(12,898)	\$(11,309)	\$(17,978)	\$(41,692)

(1) Foreign currency translation adjustments are shown net of income tax expense of \$204 for the nine months ended September 30, 2016.

(2) Amortization of unrecognized loss included in net periodic pension cost is shown net of income tax expense of \$28 and \$79 for the three and nine months ended September 30, 2017, respectively, and net of income tax expense of \$27 and \$61 for the three and nine months ended September 30, 2016, 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 Stock		Accumulated Deficit	Accumulated Comprehensive (Loss) Income	Other Nonredeemable Noncontrolling Interest	Total	
Shares	Amount	Paid-In Capital					
Balance, December 31, 2015	1	\$	—\$1,250,139	\$(169,838)	\$ (97,586)	\$ 7,134	\$989,849
Net (loss) income	—	—	—	(48,969)	—	1,393	(47,576)
Other comprehensive income (loss), net of tax:							
Foreign currency translation adjustment, net of tax expense of \$204	—	—	—	—	7,139	(9)	7,130
Amortization of unrecognized loss included in net periodic pension cost, net of tax expense of \$61	—	—	—	—	138	—	138
Stock-based compensation	—	—	13,049	—	—	—	13,049
Distribution to noncontrolling interest	—	—	—	—	—	(1,520)	(1,520)
Distribution to Syniverse Corporation	—	—	(46)	—	—	—	(46)
Balance, September 30, 2016 (Unaudited)	1	\$	—\$1,263,142	\$(218,807)	\$ (90,309)	\$ 6,998	\$961,024
Balance, December 31, 2016	1	\$	—\$1,265,752	\$(237,021)	\$ (120,042)	\$ 7,513	\$916,202
Net (loss) income	—	—	—	(66,790)	—	2,199	(64,591)
Other comprehensive (loss) income, net of tax:							
Foreign currency translation adjustment	—	—	—	—	48,635	148	48,783
Amortization of unrecognized loss included in net periodic pension cost, net of tax expense of \$79	—	—	—	—	177	—	177
Stock-based compensation	—	—	11,209	—	—	—	11,209
Distribution to noncontrolling interest	—	—	—	—	—	(2,311)	(2,311)
Distribution to Syniverse Corporation	—	—	(3,079)	—	—	—	(3,079)
Balance, September 30, 2017 (Unaudited)	1	\$	—\$1,273,882	\$(303,811)	\$ (71,230)	\$ 7,549	\$906,390

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2017 2016 (Unaudited)	
Cash flows from operating activities		
Net loss	\$(64,591)	\$(47,576)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	145,271	155,976
Amortization of original issue discount and deferred financing costs	9,859	11,074
Allowance for credit memos and uncollectible accounts	8,837	14,460
Deferred income tax expense (benefit)	5,648	(34,879)
Debt modification costs	9,780	—
Gain on early extinguishment of debt, net	(306)	—
Stock-based compensation	11,209	13,049
Other operating income	—	(5,499)
Other, net	1,328	(572)
Changes in operating assets and liabilities:		
Accounts receivable	(11,336)	5,683
Income taxes receivable or payable	(2,001)	(4,428)
Prepaid and other current assets	(3,679)	(4,154)
Accounts payable	(4,539)	(17,214)
Accrued liabilities and deferred revenues	(22,045)	(12,629)
Other assets and other long-term liabilities	3,066	5,526
Net cash provided by operating activities	86,501	78,817
Cash flows from investing activities		
Capital expenditures	(50,167)	(43,178)
Investment in unconsolidated subsidiaries	—	(40,544)
Redemption of certificate of deposit	506	317
Net cash used in investing activities	(49,661)	(83,405)
Cash flows from financing activities		
Proceeds from Revolving Credit Facility	—	15,000
Debt issuance costs paid	(1,143)	—
Principal payments on Revolving Credit Facility	—	(15,000)
Debt modification costs paid	(9,768)	—
Principal payments on debt	(25,032)	(36,243)
Payments on capital lease obligations	(14,464)	(12,534)
Distribution to Syniverse Corporation	(3,079)	(5,046)
Distribution to noncontrolling interest	(2,311)	(1,520)
Net cash used in financing activities	(55,797)	(55,343)
Effect of exchange rate changes on cash	4,050	245
Net decrease in cash	(14,907)	(59,686)
Cash and cash equivalents at beginning of period	136,174	166,581
Cash and cash equivalents at end of period	\$ 121,267	\$ 106,895
Supplemental noncash investing and financing activities		
Assets acquired under capital lease and non-cash financing obligations	\$5,929	\$8,955

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Issuance of Syniverse Corporation stock for investment in unconsolidated subsidiaries	\$—	\$5,000
Supplemental cash flow information		
Interest paid	\$92,516	\$92,536
Income taxes paid	\$2,809	\$5,755

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 offer a unique portfolio of intelligent policy and charging tools that enable our customers to use the real-time data generated by these transactions to deliver customized services and choices to their end-users. 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 over 4 billion billable transactions daily and settle over \$16 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 customer base includes a broad range of participants in the mobile ecosystem, including approximately 900 MNOs and 450 OTTs and enterprises. Our customers include 98 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 5 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 and a multinational hotel brand.

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. 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.
- Provide intelligent policy and charging tools that enable our customers to use real-time data for improved end-user experience.
- Provide risk management tools to prevent fraudulent activity on operator networks and identify problem areas in the end to end billing cycle.

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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.
- Enable enterprises to rapidly execute and optimize their mobile communications initiatives.
- Provide data analytics and business intelligence solutions designed to measure, enhance and secure the end-user experience for our enterprise customers.
- Provide solutions to enable MNOs to measure and manage the subscriber experience across networks.

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, 2016 (the “2016 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 annual report on Form 10-K filed with the SEC on March 7, 2017. 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. Noncontrolling interest is recognized for the portion of consolidated joint ventures not owned by us. All significant intercompany balances and transactions have been eliminated.

In May 2016, we acquired a noncontrolling interest in Vibes Media LLC (“Vibes”) for \$45 million. The investment consisted of \$40 million in cash and common shares of Syniverse Corporation valued at \$5 million. The carrying amount of the investment in the equity method investee as of September 30, 2017 and December 31, 2016 was \$42.9 million and \$43.7 million, respectively and is included in Investment in unconsolidated subsidiaries in the unaudited condensed consolidated balance sheets. In addition to our investment in Vibes, Syniverse and Vibes have partnered to distribute Vibes’ cloud-based mobile marketing software platform. Expenses incurred from transactions with Vibes were \$2.2 million and \$3.2 million during the three and nine months ended September 30, 2017, respectively, and \$0.3 million and \$0.5 million for the three months ended September 30, 2016 and the period from the investment date through September 30, 2016, respectively.

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 condensed consolidated balance sheets. The off-balance sheet amounts totaled approximately \$390.4 million and \$297.9 million as of September 30, 2017 and December 31, 2016, respectively.

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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 of one year or greater. 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 1 to 5 years and 3 to 8 years, respectively.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill is not amortized, but is instead tested for impairment, at least annually on October 1, or more frequently if indicators of impairment arise. Goodwill is tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment, referred to as a component. We have not identified any components within our single operating segment and, hence, have a single reporting unit for purposes of our goodwill impairment analysis. In connection with our annual goodwill impairment analysis at October 1, 2016, the fair value of our reporting unit was not substantially in excess of its carrying value. In the future, our reporting unit may be at risk of impairment due to lower operating results caused by volume declines in our CDMA portfolio as well as pricing pressure across many of our other services and other market factors. A goodwill impairment charge would not impact Adjusted EBITDA or Free Cash Flow.

Indefinite-lived intangible assets are comprised of tradenames and trademarks. Indefinite-lived intangible assets are not amortized, but instead are tested for impairment, at least annually on October 1, or more frequently if indicators of impairment arise. When evaluating indefinite-lived identifiable intangible assets for impairment, the Company may first perform an assessment of qualitative factors to determine whether it is more likely than not that the asset is impaired. If, based on the review of the qualitative factors, the Company determines it is more-likely-than-not that the identifiable intangible asset is impaired, the Company performs a one-step impairment test.

Foreign Currencies

We have operations in subsidiaries in Europe (primarily the United Kingdom, Germany and Luxembourg), India, the Asia-Pacific region and Latin America, 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, 2017 we recorded foreign currency transaction losses of \$0.8 million and \$1.9 million, respectively. For the three and nine months ended September 30, 2016 we recorded foreign currency transaction gains of \$0.5 million and \$2.7 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 and is included in Stockholder equity in the 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. Revenues and expenses 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.

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Revenues by service offerings were as follows:

	Three Months Ended September 30,	
	2017	2016
(in thousands)	(Unaudited)	
Mobile Transaction Services	\$164,646	\$163,659
Enterprise & Intelligence Solutions	42,363	32,958
Revenues	\$207,009	\$196,617
	Nine Months Ended September 30,	
	2017	2016
(in thousands)	(Unaudited)	
Mobile Transaction Services	\$471,196	\$490,235
Enterprise & Intelligence Solutions	116,168	98,544
Revenues	\$587,364	\$588,779

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

	Three Months Ended September 30,	
	2017	2016
(in thousands)	(Unaudited)	
North America	\$120,593	\$120,609
Europe, Middle East and Africa	38,594	34,559
Asia Pacific	31,249	29,262
Caribbean and Latin America	16,573	12,187
Revenues	\$207,009	\$196,617
	Nine Months Ended September 30,	
	2017	2016
(in thousands)	(Unaudited)	
North America	\$347,386	\$364,829
Europe, Middle East and Africa	105,545	100,254
Asia Pacific	90,643	87,172
Caribbean and Latin America	43,790	36,524
Revenues	\$587,364	\$588,779

3. Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which is included in the ASC in Topic 606. 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 update is effective for the Company beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently finalizing its review of the impact

of adopting this new guidance and developing a comprehensive implementation plan. In-depth reviews of a significant portion of commercial contracts have been completed, additional contracts are presently being reviewed and changes to processes and internal controls are being identified to meet the standard's reporting and disclosure requirements. We currently anticipate adopting the standard effective January 1, 2018, using the modified

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retrospective method such that each prior reporting period will remain unchanged and the new guidance will only affect the post-adoption period.

We have substantially completed the review of our revenue contracts and while we continue to assess all the potential impacts of adopting the standard, we currently expect the revenue recognition for our broad portfolio of services to remain unchanged. However, the guidance is expected to change the timing of revenue recognition in certain areas, including for certain implementation and development activities, which are generally highly dependent on, and interrelated with, the underlying services. In these cases, the implementation and development activities and the underlying services are accounted for as a single performance obligation and such revenue shall be recognized over time instead of upon completion. In addition, the timing of revenue recognition may change for certain contracts with collection uncertainty for which revenue is currently recorded on a cash basis. These changes are not expected to be material to revenue or operating results. We continue to make significant progress on our contract reviews and are also in the process of evaluating the impact, if any, on changes to our business processes, systems and controls to support recognition and disclosures under the standard upon adoption.

4. Detail of Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2017	December 31, 2016
(in thousands)	(Unaudited)	
Accrued payroll and related benefits	\$ 27,835	\$37,278
Accrued interest	15,577	26,543
Accrued network payables	8,459	13,467
Accrued revenue share expenses	3,441	3,654
Other accrued liabilities	24,959	26,222
Total accrued liabilities	\$ 80,271	\$107,164

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5. Debt and Credit Facilities

Our total outstanding debt was as follows:

	September 30, 2017	December 31, 2016
(in thousands)		
	(Unaudited)	
Senior Credit Facility:		
Initial Term Loans, due 2019	\$889,976	\$891,057
Original issue discount	(3,133)	(4,644)
Deferred financing costs	(7,543)	(10,849)
Tranche B Term Loans, due 2019	662,396	663,200
Original issue discount	(960)	(1,398)
Deferred financing costs	(6,923)	(10,081)
Senior Notes:		
Syniverse Notes, due 2019	81,727	475,000
Deferred financing costs	(775)	(6,836)
SFHC Notes, due 2022	369,547	—
Deferred financing costs	(4,640)	—
Total Debt and Credit Facilities	1,979,672	1,995,449
Less: Current portion		
Long-term debt, current portion	\$—	\$(1,885)
Original issue discount, current portion	—	7
Deferred financing costs, current portion	—	25
Total current portion of long-term debt	\$—	\$(1,853)
Long-term debt	\$1,979,672	\$1,993,596

Amortization of original issue discount and deferred financing costs for the three and nine months ended September 30, 2017 was \$3.4 million and \$9.9 million, respectively. Amortization of original issue discount and deferred financing costs for the three and nine months ended September 30, 2016 was \$3.5 million and \$11.1 million, respectively. Amortization is related to our Senior Credit Facility (as defined below) and our Senior Notes (as defined below) and is recorded in interest expense in the unaudited condensed consolidated statements of operations.

Senior Credit Facility

On April 23, 2012, we entered into a credit agreement (the “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 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. As of September 30, 2017, there were no amounts outstanding under the Revolving Credit Facility.

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 the Credit Agreement.

On April 15, 2016, we made principal payments of approximately \$36.2 million toward the Initial Term Loans and Tranche B Term Loans as required pursuant to the Excess Cash Flow provision of the Credit Agreement.

On March 24, 2017, we made principal payments of approximately \$1.9 million toward the Initial Term Loans and Tranche B Term Loans as required pursuant to the Excess Cash Flow provision of the Credit Agreement. Commencing on December 31, 2018, our Initial Term Loans and Tranche B Term Loans will resume amortizing in quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at the final maturity.

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On April 14, 2017, we entered into an amendment (the “Amendment”) to the Credit Agreement governing our Revolving Credit Facility to, among other things, (i) extend the scheduled maturity date of the revolving credit commitments to the earlier of (x) January 15, 2019 and (y) the date of termination in whole of the revolving credit commitments, the letter of credit sublimit, and the swing line facility; provided that (1) in the event that more than \$50 million of the Syniverse Notes remains outstanding on the date that is 180 days prior to the stated maturity of the Syniverse Notes (the “First Revolver Springing Maturity Date”), the maturity date for the revolving credit facility will be the First Revolver Springing Maturity Date and (2) in the event that more than \$50 million in aggregate principal amount of any refinancing indebtedness in respect of the Syniverse Notes remains outstanding on the date that is 180 days prior to the stated maturity of such refinancing indebtedness (the “Second Revolver Springing Maturity Date”), the maturity date for the revolving credit facility will be the earlier of the Second Revolver Springing Maturity Date and January 15, 2019, (ii) make certain modifications to the financial maintenance covenant, including, among other things, by increasing the financial maintenance covenant level for so long as certain conditions such as, for example, conditions limiting usage of certain negative covenant baskets, are satisfied and (iii) provide for a flat commitment fee payable to each revolving credit lender of 0.50%. In addition, in connection with the Amendment, we reduced the aggregate revolving credit commitments from \$150.0 million to \$85.6 million and the letter of credit sublimit from \$50.0 million to \$40.0 million. Pursuant to the Amendment and subject to the aforementioned conditions, the financial maintenance covenant has been modified to require that our consolidated senior secured debt ratio, as of June 30, 2017 and September 30, 2017, be less than or equal to 6.25:1.00, as of December 31, 2017 and March 31, 2018 be less than or equal to 6.00:1.00 and, as of June 30, 2018 and the end of each fiscal quarter ended thereafter be less than or equal to 5.75:1.00.

The financial maintenance covenant, as amended by the Amendment, is tested only for the benefit of the Revolving Credit Facility lenders and is required to be tested only (i) when, at the end of any fiscal quarter, 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) are outstanding, (ii) upon an extension of credit under the Credit Agreement in the form of the making of a revolving credit loan or a swing line loan, or the issuance of a letter of credit and (iii) if certain financial maintenance covenant conditions are not satisfied.

The Initial Term Loans and the Tranche B Loans (collectively the “Term Loan Facilities”) will mature at the earliest of (i) April 23, 2019, (ii) the date of termination in whole of the commitments under the Term Loan Facilities or (iii) the date the loans under the Term Loan Facilities are declared due and payable in connection with an event of default; provided that (a) in the event that more than \$50.0 million of the Syniverse Notes remain outstanding on the date that is 91 days prior to the stated maturity of the Syniverse Notes (the “First Springing Maturity Date”), the maturity date for the Term Loan Facilities will be the First Springing Maturity Date and (b) in the event that more than \$50.0 million in aggregate principal amount of any refinancing indebtedness in respect of the Syniverse Notes remains outstanding on the date that is 91 days prior to the stated maturity of such refinancing indebtedness (the “Second Springing Maturity Date”), the maturity date for the Term Loan Facilities will be the earlier of the Second Springing Maturity Date and April 23, 2019.

Senior Notes

SFHC Notes

On January 11, 2017, Syniverse Foreign Holdings Corporation (“SFHC”), our wholly-owned subsidiary, completed its offer to exchange (the “Exchange Offer”) the Syniverse Notes (defined below) for new senior unsecured notes issued by SFHC bearing interest at 9.125% per annum that will mature on January 15, 2022 (the “SFHC Notes” and, together with the Syniverse Notes, the “Senior Notes”). Interest on the SFHC notes is paid on January 15 and July 15 of each year.

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Pursuant to the Exchange Offer, SFHC issued \$369.5 million of SFHC Notes, and a like amount of Syniverse Notes were cancelled.

On or after January 15, 2019, SFHC may redeem some or all of the SFHC Notes at any time at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest to, but excluding, the redemption date, if redeemed during the 12-month period commencing on January 15 of the years set forth below:

Period	Redemption Price
2019	104.563 %
2020	102.281 %
2021 and thereafter	100.000 %

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If we undertake a repayment, repurchase, redemption or refinancing, in whole or in part, in one or a series of transactions, of the outstanding indebtedness under the Senior Credit Facility and/or the Syniverse Notes or other comprehensive refinancing or recapitalization of our existing debt and/or equity capital structure, or if we experience certain kinds of changes of control, in each case at any time prior to January 15, 2019, we may redeem the SFHC Notes at a redemption price of 101%, plus accrued and unpaid interest, if any, to the redemption date.

The SFHC Notes are guaranteed on a senior basis by Syniverse and the subsidiary guarantors that guarantee the Senior Credit Facility and the Syniverse Notes (the “Subsidiary Guarantors”). The right of noteholders to receive payment on the SFHC Notes is effectively subordinated to the rights of any future secured creditors of SFHC.

The SFHC Notes contain customary negative covenants including, but not limited to, (i) restrictions on SFHC’s and its restricted subsidiaries’ ability to merge and consolidate, sell, transfer or otherwise dispose of assets, incur additional debt or issue certain preferred shares, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends on or make other distributions in respect of SFHC’s capital stock or make other restricted payments, enter into certain transactions with affiliates or designate SFHC’s subsidiaries as unrestricted, subject to certain exceptions, and (ii) restrictions on Syniverse’s and its restricted subsidiaries’ (other than SFHC and its restricted subsidiaries) ability to merge and consolidate, sell, transfer or otherwise dispose of assets, make acquisitions, loans, advances or investments, pay dividends on or make other distributions in respect of Syniverse’s capital stock or make other restricted payments or designate Syniverse’s subsidiaries as unrestricted, subject to certain exceptions.

We incurred debt modification fees of \$9.8 million in connection with the Exchange Offer in the period ended March 31, 2017 which is recorded in Interest expense in the unaudited condensed consolidated statements of operations.

Syniverse Notes

On December 22, 2010, we issued \$475.0 million senior unsecured notes bearing interest at 9.125% that will mature on January 15, 2019 (the “Syniverse Notes”). Interest on the Syniverse Notes is paid on January 15 and July 15 of each year.

The Syniverse Notes are guaranteed on a senior basis by the Subsidiary Guarantors. In addition, we have the ability to designate certain of our subsidiaries as unrestricted subsidiaries pursuant to the terms of the indenture governing our Syniverse Notes, and any subsidiary so designated will not be a guarantor of the notes. The right of noteholders to receive payment on the Syniverse Notes is effectively subordinated to the rights of our existing and future secured creditors.

We may redeem the Syniverse Notes, at our option, in whole at any time or in part from time to time, at 100% of the principal amount of the Syniverse Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date.

The Syniverse Notes contain customary negative covenants including, but not limited to, restrictions on our and our restricted subsidiaries’ ability to merge and consolidate, sell, transfer or otherwise dispose of assets, incur additional debt or issue certain preferred shares, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends on or make other distributions in respect of Syniverse’s capital stock or make other restricted payments or enter into certain transactions with affiliates, subject to certain exceptions.

On January 11, 2017 pursuant to the Exchange Offer, \$369.5 million of Syniverse Notes were cancelled. On April 25, 2017 and September 18, 2017, we repurchased \$16.0 million and \$7.7 million aggregate principal amount of the Syniverse Notes, respectively, and submitted them to Wilmington Trust, National Association, as trustee, for

cancellation. Following the Exchange Offer and partial repurchases, \$81.7 million aggregate principal amount of the Syniverse Notes remains outstanding at September 30, 2017.

6. Stock-Based Compensation

Effective April 6, 2011, Syniverse Corporation, our indirect 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.

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Stock-based compensation expense was as follows:

	Three Months Ended September 30, 2017 2016	
(in thousands)	(Unaudited)	
Cost of operations	\$ 195	\$ 122
Sales and marketing	850	692
General and administrative	2,518	2,798
Stock-based compensation	\$ 3,563	\$ 3,612
	Nine Months Ended September 30, 2017 2016	
(in thousands)	(Unaudited)	
Cost of operations	\$ 615	\$ 458
Sales and marketing	2,353	2,976
General and administrative	8,241	9,615
Stock-based compensation	\$ 11,209	\$ 13,049

The following table summarizes our stock option activity under the 2011 Plan for the nine months ended September 30, 2017:

Stock Options	Options	Weighted- Average Exercise Price
Outstanding at December 31, 2016	8,952,912	\$ 11.04
Granted	1,688,667	10.00
Cancelled or expired	(1,674,745)	11.49
Outstanding at September 30, 2017	8,966,834	\$ 10.76

The fair value of options granted during the nine months ended September 30, 2017 was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

Risk-free interest rate	1.96%
Volatility factor	29.60%
Dividend yield	—%
Weighted average expected life of options (in years)	6.25

Restricted stock is issued and measured at fair value on the date of grant. The following table summarizes our restricted stock activity under the 2011 Plan for the nine months ended September 30, 2017:

Restricted Stock	Shares	Weighted- Average Grant-Date Fair Value
Outstanding at December 31, 2016	2,050,000	\$ 10.59
Granted	692,759	10.00
Vested	(564,500)	11.10
Forfeited	(156,750)	11.01
Outstanding at September 30, 2017	2,021,509	\$ 10.22

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7. Employee Termination Benefits and Restructuring

The following table summarizes the activity in our employee termination benefit liabilities for the nine months ended September 30, 2017:

	December 31, 2016			September 30, 2017	
(in thousands)	Balance	Additions	Payments	Adjustments	Balance
Employee termination benefits	\$ 1,131	609	(1,177)	27	\$ 590

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 nine months ended September 30, 2017:

	December 31, 2016			September 30, 2017	
(in thousands)	Balance	Additions	Payments	Adjustments	Balance
December 2016 Plan	\$ 6,450	2,083	(6,876)	54	\$ 1,711
March 2016 Plan	\$ 4,981	3,189	(6,221)	—	\$ 1,949
October 2014 Plan	\$ 3,672	(146)	(3,348)	95	\$ 273
December 2010 Plan	\$ 48	—	—	6	\$ 54
Total	\$ 15,151	5,126	(16,445)	155	\$ 3,987

In December 2016, we implemented a restructuring plan (the “December 2016 restructuring plan”) to realign costs and expenses with revenue trends across our portfolio. As a result of this plan, we incurred severance related costs of \$8.8 million which is included in Restructuring expense in the unaudited condensed consolidated statements of operations. We have paid \$7.2 million related to this plan as of September 30, 2017 and anticipate all cash outlays to be completed by June 30, 2018.

In March 2016, we implemented a restructuring plan (the “March 2016 restructuring plan”) to realign costs and expenses with revenue trends across our portfolio, reducing costs associated with certain of our legacy products and services to provide for increased investment in our growth businesses. As a result of this plan, we incurred severance related costs of \$14.3 million and contract termination costs of \$8.0 million related to the exit of data center leases. We have paid \$20.4 million related to this plan as of September 30, 2017 and anticipate all cash outlays to be completed by June 30, 2018.

In October 2014, we implemented a restructuring plan (the “October 2014 restructuring plan”) to realign costs and expenses with revenue trends across our portfolio. As a result of this plan, we incurred severance related costs of \$13.9 million and contract termination costs of \$3.7 million related to the exit of leased facilities, data centers and networking services. We have paid \$16.2 million related to this plan as of September 30, 2017 and anticipate all cash outlays to be completed by January 31, 2018.

8. 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 and nine months ended September 30, 2017, was a provision of (182.6)% and (11.2)%, respectively. The effective tax rate for the three and nine months ended September 30, 2016, was a provision of (42.7)% and a benefit of 41.4%, respectively. The change in our effective tax rate was chiefly attributable to (i) impact of certain discrete items in the prior and current year, (ii) relative mix of earnings and losses in the U.S. versus foreign tax jurisdictions and (iii) the current year establishment of a valuation allowance against U.S. deferred tax assets.

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As of March 31, 2017, we established a full valuation allowance on U.S. net deferred tax assets, after considering the effect of the deferred tax liabilities related to indefinite lived intangible assets. Evaluating the need for a valuation allowance of deferred tax assets requires significant judgment in assessing the likelihood of the realization of those assets. We currently do not believe that it is more likely than not that our net U.S. deferred tax assets will be realized. In making this determination we evaluated both positive and negative evidence. An accumulation of three years of pre-tax losses is considered strong negative evidence in this evaluation. While we believe that positive evidence exists with regards to the realizability of our deferred tax assets, this evidence is not considered sufficient to outweigh the objectively verifiable negative evidence, including the recent history of pre-tax losses.

We, and our eligible subsidiaries, file a consolidated U.S. federal income tax return under Syniverse Corporation, our parent company. 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.

9. 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, 2017, we have considered all of the claims and disputes of which we are aware and have provided for probable losses, which are not material to the unaudited condensed consolidated financial statements.

10. 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, 2017 and 2016.

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the condensed consolidated balance sheets 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.

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The carrying value and fair value of our long-term debt, excluding original issue discount and deferred financing costs was as follows:

	September 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(in thousands)	(Unaudited)			
Initial Term Loans	\$889,976	\$862,164	\$891,057	\$788,585
Tranche B Term Loans	662,396	641,696	663,200	583,616
Syniverse Notes	81,727	81,216	475,000	418,000
SFHC Notes	369,547	376,014	—	—

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).

11. Related Party Transactions

Arrangements 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 and nine months ended September 30, 2017 we recorded \$0.8 million and \$2.4 million, respectively, of expenses associated with the consulting fee and the reimbursement of out-of-pocket expenses. During the three and nine months ended September 30, 2016 we recorded \$0.8 million and \$2.4 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, 2017, Carlyle held \$12.4 million and \$24.4 million of our Initial Term Loans and Tranche B Term Loans, respectively. As of December 31, 2016, Carlyle held \$37.2 million and \$25.6 million of our Initial Term Loans and Tranche B Term Loans, respectively.

From time to time, and in the ordinary course of business we may engage other Carlyle portfolio companies as service providers and other Carlyle portfolio companies may engage us as a service provider. Revenues and expenses associated with these related parties were not material during the three and nine months ended September 30, 2017 and 2016.

12. Supplemental Consolidating Financial Information

On December 22, 2010, Syniverse issued \$475.0 million of Syniverse Notes guaranteed on a joint and several basis by each of its existing and future domestic restricted subsidiaries that guarantee the Senior Credit Facility (collectively, the "Subsidiary Guarantors"). Such guarantees are irrevocable, full, unconditional and joint and several. On January 11, 2017, pursuant to the Exchange Offer, SFHC issued \$369.5 million of SFHC Notes and a like amount of Syniverse Notes were cancelled. The SFHC Notes are unconditionally guaranteed on a joint and several basis by Syniverse and the Subsidiary Guarantors. SFHC is a wholly-owned indirect subsidiary of Syniverse that holds no material assets other than the equity interests of substantially all of Syniverse's foreign subsidiaries. SFHC and its subsidiaries are not guarantors of the Senior Credit Facility or the Syniverse Notes.

The following tables set forth supplemental consolidating balance sheets, statements of operations, statements of comprehensive (loss) income and statements of cash flows as of and for the period ended September 30, 2017 and consolidating balance sheets as of December 31, 2016 for (i) Syniverse, (ii) the Subsidiary Guarantors, (iii) SFHC and its subsidiaries on a combined basis (the "SFHC Group Non-Guarantors"), (iv) all other direct and indirect subsidiaries

of Syniverse on a combined basis (the “Other Non-Guarantors” and, together with the SFHC Group Non-Guarantors, the “Non-Guarantors”), (v) the eliminations necessary to arrive at the information for the total Non-Guarantors on a combined basis, (vi) the Non-Guarantors on a combined basis and (vii) the eliminations necessary to arrive at the information for Syniverse and all of its subsidiaries on a consolidated basis and for the period ended September 30, 2016 for (i) Syniverse, (ii) the Subsidiary Guarantors, (iii) the Non-Guarantors and (iv) the eliminations necessary to arrive at the information for Syniverse and all of its subsidiaries on a consolidated basis. The supplemental financial information reflects the investment of Syniverse using the equity method of accounting.

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The Company is presenting the tables below in order to comply with the covenants contained in the indentures for both the Syniverse Notes and the SFHC Notes.

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CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF SEPTEMBER 30, 2017

(IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	SFHC Group Non-Guarantors	Other Non-Guarantors	Non-Guarantors Adjustments	Total Non-Guarantors	Adjustments	Consolidated
ASSETS								
Current assets:								
Cash and cash equivalents	\$—	\$69,102	\$44,319	\$7,846	\$—	\$52,165	\$—	\$121,267
Accounts receivable, net of allowances	—	124,016	44,415	3,894	—	48,309	—	172,325
Accounts receivable - affiliates	2,068,483	1,643,913	53,840	5,135	(2,232)	56,743	(3,769,139)	—
Income taxes receivable	—	336	4,094	2,177	—	6,271	—	6,607
Prepaid and other current assets	653	19,882	6,925	1,052	—	7,977	—	28,512
Total current assets	2,069,136	1,857,249	153,593	20,104	(2,232)	171,465	(3,769,139)	328,711
Property and equipment, net	—	75,880	21,958	2,737	—	24,695	—	100,575
Capitalized software, net	—	90,288	25,333	231	—	25,564	—	115,852
Goodwill	—	1,922,343	386,671	—	—	386,671	—	2,309,014
Identifiable intangibles, net	—	231,475	43,652	—	—	43,652	—	275,127
Deferred tax assets	25,819	—	12,261	2,486	—	14,747	(39,156)	1,410
Investment in unconsolidated subsidiaries	—	42,926	4,039	—	—	4,039	—	46,965
Other assets	190	2,970	2,009	233	—	2,242	—	5,402
Investment in subsidiaries	2,066,412	188,512	—	—	—	—	(2,254,924)	—
Total assets	\$4,161,557	\$4,411,643	\$649,516	\$25,791	\$(2,232)	\$673,075	\$(6,063,219)	\$3,183,056
LIABILITIES AND STOCKHOLDER EQUITY								
Current liabilities:								
Accounts payable	\$—	\$18,984	\$7,155	\$359	\$—	\$7,514	\$—	\$26,498
Accounts payable - affiliates	1,639,610	2,090,055	35,348	6,358	(2,232)	39,474	(3,769,139)	—
Income taxes payable	—	—	1,619	47	—	1,666	—	1,666
Accrued liabilities	8,341	39,525	30,599	1,806	—	32,405	—	80,271

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Deferred revenues	—	4,145	2,237	—	—	2,237	—	6,382
Current portion of capital lease obligation	—	7,970	83	6	—	89	—	8,059
Total current liabilities	1,647,951	2,160,679	77,041	8,576	(2,232)	83,385	(3,769,139)	122,876
Long-term liabilities:								
Deferred tax liabilities	—	158,338	—	—	—	—	(39,156)	119,182
Long-term capital lease obligation, net of current portion	—	5,654	92	13	—	105	—	5,759
Long-term debt, net of current portion, original issue discount and deferred financing costs	1,614,765	—	364,907	—	—	364,907	—	1,979,672
Other long-term liabilities	—	20,560	28,014	603	—	28,617	—	49,177
Total liabilities	3,262,716	2,345,231	470,054	9,192	(2,232)	477,014	(3,808,295)	2,276,666
Commitments and contingencies:								
Stockholder equity:								
Common stock	—	—	—	—	—	—	—	—
Additional paid-in capital	1,204,862	1,900,318	5,447	148,782	—	154,229	(1,985,527)	1,273,882
(Accumulated deficit) retained earnings	(305,051)	165,561	245,268	(139,069)	—	106,199	(270,520)	(303,811)
Accumulated other comprehensive (loss) income	(970)	533	(71,253)	(663)	—	(71,916)	1,123	(71,230)
Total Syniverse, Inc. stockholder equity	898,841	2,066,412	179,462	9,050	—	188,512	(2,254,924)	898,841
Noncontrolling interest	—	—	—	7,549	—	7,549	—	7,549
Total equity	898,841	2,066,412	179,462	16,599	—	196,061	(2,254,924)	906,390
Total liabilities and stockholder equity	\$4,161,557	\$4,411,643	\$649,516	\$25,791	\$(2,232)	\$673,075	\$(6,063,219)	\$3,183,056

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017
 (IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	SFHC Group Non-Guarantors	Other Non-Guarantors	Total Non-Guarantors	Adjustments	Consolidated
Revenues	\$—	\$ 154,687	\$ 45,338	\$ 6,984	\$ 52,322	\$—	\$ 207,009
Costs and expenses:							
Cost of operations (excluding depreciation and amortization shown separately below)	—	79,574	9,005	1,904	10,909	—	90,483
Sales and marketing	—	11,258	5,401	636	6,037	—	17,295
General and administrative	—	15,601	7,429	1,608	9,037	—	24,638
Depreciation and amortization	—	40,204	9,376	254	9,630	—	49,834
Employee termination benefits	—	161	296	—	296	—	457
Restructuring	—	1,073	24	—	24	—	1,097
	—	147,871	31,531	4,402	35,933	—	183,804
Operating income	—	6,816	13,807	2,582	16,389	—	23,205
Other income (expense), net:							
Income (loss) from equity investment	55,465	29,380	—	—	—	(84,845)	—
Interest (expense) income, net	(22,255)	(144)	(8,618)	58	(8,560)	—	(30,959)
Interest income (expense) - affiliate	—	—	—	—	—	—	—
Gain on early extinguishment of debt, net	(56)	—	—	—	—	—	(56)
Equity income in investee	—	(172)	47	—	47	—	(125)
Other, net	(21,384)	20,797	(322)	13	(309)	—	(896)
	11,770	49,861	(8,893)	71	(8,822)	(84,845)	(32,036)
Income (loss) before provision for (benefit from) income taxes	11,770	56,677	4,914	2,653	7,567	(84,845)	(8,831)
Provision for (benefit from) income taxes	37,535	1,212	(18,454)	(4,168)	(22,622)	—	16,125
Net (loss) income	(25,765)	55,465	23,368	6,821	30,189	(84,845)	(24,956)
Net income attributable to noncontrolling interest	—	—	—	809	809	—	809
Net (loss) income attributable to Syniverse, Inc.	\$(25,765)	\$55,465	\$ 23,368	\$ 6,012	\$ 29,380	\$(84,845)	\$(25,765)

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CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017
 (IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	SFHC Group Non- Guarantors	Other Non-Guarantors	Total Non-Guarantors	Adjustments	Consolidated
Net (loss) income	\$(25,765)	\$ 55,465	\$ 23,368	\$ 6,821	\$ 30,189	\$(84,845)	\$(24,956)
Other comprehensive income (loss), net of tax:							
Foreign currency translation adjustments	—	—	12,797	(81)	12,716	—	12,716
Amortization of unrecognized loss included in net periodic pension cost, net of income tax expense of \$28	—	—	62	—	62	—	62
Other comprehensive income	—	—	12,859	(81)	12,778	—	12,778
Comprehensive (loss) income	(25,765)	55,465	36,227	6,740	42,967	(84,845)	(12,178)
Less: comprehensive income attributable to noncontrolling interest	—	—	—	720	720	—	720
Comprehensive (loss) income attributable to Syniverse, Inc.	\$(25,765)	\$ 55,465	\$ 36,227	\$ 6,020	\$ 42,247	\$(84,845)	\$(12,898)

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
 (IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	SFHC Group Non-Guarantors	Other Non-Guarantors	Total Non-Guarantors	Adjustments	Consolidated
Revenues	\$—	\$450,923	\$123,894	\$12,547	\$136,441	\$—	\$587,364
Costs and expenses:							
Cost of operations (excluding depreciation and amortization shown separately below)	—	241,181	25,606	(1,777)	23,829	—	265,010
Sales and marketing	—	36,837	15,413	1,809	17,222	—	54,059
General and administrative	—	48,522	18,644	4,710	23,354	—	71,876
Depreciation and amortization	—	118,430	26,294	547	26,841	—	145,271
Employee termination benefits	—	130	479	—	479	—	609
Restructuring	—	4,891	235	—	235	—	5,126
	—	449,991	86,671	5,289	91,960	—	541,951
Operating income	—	932	37,223	7,258	44,481	—	45,413
Other income (expense), net:							
Income (loss) from equity investment	93,036	19,615	—	—	—	(112,651)	—
Interest expense, net	(66,109)	(485)	(34,573)	126	(34,447)	—	(101,041)
Interest expense - affiliate, net	—	10	(10)	—	(10)	—	—
Gain on early extinguishment of debt, net	306	—	—	—	—	—	306
Equity income in investee	—	(804)	165	—	165	—	(639)
Other, net	(73,432)	72,212	(941)	24	(917)	—	(2,137)
	(46,199)	90,548	(35,359)	150	(35,209)	(112,651)	(103,511)
(Loss) income before provision for (benefit from) income taxes	(46,199)	91,480	1,864	7,408	9,272	(112,651)	(58,098)
Provision for (benefit from) income taxes	20,591	(1,556)	(10,226)	(2,316)	(12,542)	—	6,493
Net (loss) income	(66,790)	93,036	12,090	9,724	21,814	(112,651)	(64,591)
Net income attributable to noncontrolling interest	—	—	—	2,199	2,199	—	2,199
Net (loss) income attributable to Syniverse, Inc.	\$(66,790)	\$93,036	\$12,090	\$7,525	\$19,615	\$(112,651)	\$(66,790)

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CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
 (IN THOUSANDS)

	Syniverse	Subsidiary Group Guarantors	SFHC Non- Guarantors	Other Non-Guarantors	Total Non-Guarantors	Adjustments	Consolidated
Net (loss) income	\$(66,790)	\$ 93,036	\$ 12,090	\$ 9,724	\$ 21,814	\$(112,651)	\$(64,591)
Other comprehensive income (loss), net of tax:							
Foreign currency translation adjustments	—	—	48,003	780	48,783	—	48,783
Amortization of unrecognized loss included in net periodic pension cost, net of income tax expense of \$79	—	—	177	—	177	—	177
Other comprehensive income	—	—	48,180	780	48,960	—	48,960
Comprehensive (loss) income	(66,790)	93,036	60,270	10,504	70,774	(112,651)	(15,631)
Less: comprehensive income attributable to nonredeemable noncontrolling interest	—	—	—	2,347	2,347	—	2,347
Comprehensive (loss) income attributable to Syniverse, Inc.	\$(66,790)	\$ 93,036	\$ 60,270	\$ 8,157	\$ 68,427	\$(112,651)	\$(17,978)

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	SFHC Group Non-Guarantors	Other Non-Guarantors	Total Non-Guarantors	Adjustments	Consolidated
Cash flows from operating activities							
Net cash provided by operating activities	28,111	15,510	39,823	3,057	42,880	—	86,501
Cash flows from investing activities							
Capital expenditures	—	(38,474)	(10,500)	(1,193)	(11,693)	—	(50,167)
Redemption (purchase) of certificate of deposit	—	697	(188)	(3)	(191)	—	506
Capital contribution to subsidiary	—	(453)	—	—	—	453	—
Return of capital from subsidiary	—	16,000	—	—	—	(16,000)	—
Receipts on intercompany notes	—	12,000	—	—	—	(12,000)	—
Net cash used in investing activities	—	(10,230)	(10,688)	(1,196)	(11,884)	(27,547)	(49,661)
Cash flows from financing activities							
Debt issuance costs paid	—	(1,143)	—	—	—	—	(1,143)
Debt modification costs paid	—	(9,768)	—	—	—	—	(9,768)
Principal payments on debt	(25,032)	—	—	—	—	—	(25,032)
Payments on capital lease obligation	—	(13,910)	(549)	(5)	(554)	—	(14,464)
Contribution from parent	—	—	—	453	453	(453)	—
Dividends paid	—	—	(16,000)	—	(16,000)	16,000	—
Distribution to Syniverse Corporation	(3,079)	—	—	—	—	—	(3,079)
Distribution to noncontrolling interest	—	—	—	(2,311)	(2,311)	—	(2,311)
Payments on intercompany notes	—	—	(12,000)	—	(12,000)	12,000	—
Net cash (used in) provided by financing activities	(28,111)	(24,821)	(28,549)	(1,863)	(30,412)	27,547	(55,797)
Effect of exchange rate changes on cash	—	—	3,420	630	4,050	—	4,050
Net (decrease) increase in cash	—	(19,541)	4,006	628	4,634	—	(14,907)
Cash and cash equivalents at beginning of period	—	88,643	40,313	7,218	47,531	—	136,174
Cash and cash equivalents at end of period	\$ —	\$ 69,102	\$ 44,319	\$ 7,846	\$ 52,165	\$ —	\$ 121,267

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CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2016
(IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	SFHC Group Non-Guarantors	Other Non-Guarantors	Non-Guarantors Adjustments	Total Non-Guarantors	Adjustments	Consolidated
ASSETS								
Current assets:								
Cash and cash equivalents	\$—	\$88,643	\$40,313	\$7,218	\$—	\$47,531	\$—	\$136,174
Accounts receivable, net of allowances	—	122,479	41,100	2,528	—	43,628	—	166,107
Accounts receivable - affiliates	2,056,771	1,460,905	50,574	4,603	(3,170)	52,007	(3,569,683)	—
Interest receivable - affiliates	—	25	—	—	—	—	(25)	—
Income taxes receivable	—	2,255	5,717	324	—	6,041	—	8,296
Prepaid and other current assets	—	14,378	13,121	891	—	14,012	—	28,390
Total current assets	2,056,771	1,688,685	150,825	15,564	(3,170)	163,219	(3,569,708)	338,967
Property and equipment, net	—	84,771	22,077	1,934	—	24,011	—	108,782
Capitalized software, net	—	116,981	25,985	325	—	26,310	—	143,291
Goodwill	—	1,922,343	350,453	—	—	350,453	—	2,272,796
Identifiable intangibles, net	—	270,900	48,541	—	—	48,541	—	319,441
Long-term note receivable - affiliates	—	12,000	—	—	—	—	(12,000)	—
Deferred tax assets	55,587	—	1,100	238	—	1,338	(55,587)	1,338
Investment in unconsolidated subsidiaries	—	43,730	3,451	—	—	3,451	—	47,181
Other assets	—	6,311	1,760	233	—	1,993	—	8,304
Investment in subsidiaries	2,279,683	484,037	—	—	—	—	(2,763,720)	—
Total assets	\$4,392,041	\$4,629,758	\$604,192	\$18,294	\$(3,170)	\$619,316	\$(6,401,015)	\$3,240,100
LIABILITIES AND STOCKHOLDER EQUITY								
Current liabilities:								
Accounts payable	\$—	\$22,795	\$7,178	\$584	\$—	\$7,762	\$—	\$30,557

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Accounts payable - affiliates	1,461,626	2,075,563	30,621	5,043	(3,170)	32,494	(3,569,683)	—
Income taxes payable	—	194	3,897	958	—	4,855	—	5,049
Accrued liabilities	26,277	45,747	32,987	2,153	—	35,140	—	107,164
Accrued interest - affiliates	—	—	25	—	—	25	(25)	—
Deferred revenues	—	1,529	1,485	—	—	1,485	—	3,014
Current portion of capital lease obligation	—	16,279	69	6	—	75	—	16,354
Current portion of long-term debt, net of original issue discount and deferred financing costs	1,853	—	—	—	—	—	—	1,853
Total current liabilities	1,489,756	2,162,107	76,262	8,744	(3,170)	81,836	(3,569,708)	163,991
Long-term liabilities:								
Long-term note payable - affiliates	—	—	12,000	—	—	12,000	(12,000)	—
Deferred tax liabilities	—	158,339	9,978	—	—	9,978	(55,587)	112,730
Long-term capital lease obligation, net of current portion	—	8,209	140	17	—	157	—	8,366
Long-term debt, net of current portion, original issue discount and deferred financing costs	1,993,596	—	—	—	—	—	—	1,993,596
Other long-term liabilities	—	21,420	23,300	495	—	23,795	—	45,215
Total liabilities	3,483,352	2,350,075	121,680	9,256	(3,170)	127,766	(3,637,295)	2,323,898
Commitments and contingencies								
Stockholder equity:								
Common stock	—	—	—	—	—	—	—	—
Additional paid-in capital	1,147,920	2,208,012	339,079	145,716	—	484,795	(2,574,975)	1,265,752
(Accumulated deficit) retained earnings	(238,261)	71,138	262,866	(142,896)	—	119,970	(189,868)	(237,021)
Accumulated other comprehensive (loss) income	(970)	533	(119,433)	(1,295)	—	(120,728)	1,123	(120,042)

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Total Syniverse, Inc. stockholder equity	908,689	2,279,683	482,512	1,525	—	484,037	(2,763,720)	908,689
Noncontrolling interest	—	—	—	7,513	—	7,513	—	7,513
Total equity	908,689	2,279,683	482,512	9,038	—	491,550	(2,763,720)	916,202
Total liabilities and stockholder equity	\$4,392,041	\$4,629,758	\$604,192	\$18,294	\$(3,170)	\$619,316	\$(6,401,015)	\$3,240,100

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016
 (IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Adjustments	Consolidated
Revenues	\$—	\$ 153,838	\$ 42,779	\$ —	\$ 196,617
Costs and expenses:					
Cost of operations (excluding depreciation and amortization shown separately below)	—	80,745	7,548	—	88,293
Sales and marketing	—	9,471	6,741	—	16,212
General and administrative	—	16,603	9,260	—	25,863
Depreciation and amortization	—	43,468	9,271	—	52,739
Employee termination benefits	—	(247	) —	—	(247)
Restructuring	—	338	749	—	1,087
Other Operating Income	—	(5,499	) —	—	(5,499)
	—	144,879	33,569	—	178,448
Operating income	—	8,959	9,210	—	18,169
Other income (expense), net:					
(Loss) income from equity investment	(21,741)	(25,191)	—	46,932	—
Interest expense, net	(30,598)	(217)	300	—	(30,515)
Equity income in investee	—	(255)	42	—	(213)
Other, net	(3,884)	8,315	(3,899)	—	532
	(56,223)	(17,348)	(3,557)	46,932	(30,196)
(Loss) income before (benefit from) provision for income taxes	(56,223)	(8,389)	5,653	46,932	(12,027)
(Benefit from) provision for income taxes	(38,602)	13,352	30,386	—	5,136
Net (loss) income	(17,621)	(21,741)	(24,733)	46,932	(17,163)
Net income attributable to noncontrolling interest	—	—	458	—	458
Net (loss) income attributable to Syniverse, Inc.	\$(17,621)	\$(21,741)	\$ (25,191)	\$ 46,932	\$(17,621)

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CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016
 (IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Adjustments	Consolidated
Net (loss) income	\$(17,621)	\$(21,741)	\$ (24,733)	\$ 46,932	\$ (17,163)
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments, net of income tax expense of \$0	—	—	6,351	—	6,351
Amortization of unrecognized loss included in net periodic pension cost, net of income tax expense of \$27	—	—	61	—	61
Other comprehensive income	—	—	6,412	—	6,412
Comprehensive (loss) income	(17,621)	(21,741)	(18,321)	46,932	(10,751)
Less: comprehensive income attributable to noncontrolling interest	—	—	558	—	558
Comprehensive (loss) income attributable to Syniverse, Inc.	\$(17,621)	\$(21,741)	\$ (18,879)	\$ 46,932	\$ (11,309)

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
 (IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Adjustments	Consolidated
Revenues	\$—	\$ 459,878	\$ 128,901	\$ —	\$ 588,779
Costs and expenses:					
Cost of operations (excluding depreciation and amortization shown separately below)	—	250,782	22,177	—	272,959
Sales and marketing	—	33,644	20,427	—	54,071
General and administrative	—	58,051	29,361	—	87,412
Depreciation and amortization	—	127,812	28,164	—	155,976
Employee termination benefits	—	698	49	—	747
Restructuring	—	9,784	4,746	—	14,530
Other Operating Income	—	(5,499)	—	—	(5,499)
	—	475,272	104,924	—	580,196
Operating (loss) income	—	(15,394)	23,977	—	8,583
Other income (expense), net:					
(Loss) income from equity investment	(63,618)	(89,505)	—	153,123	—
Interest expense, net	(92,217)	(686)	599	—	(92,304)
Interest expense - affiliate, net	54	—	(54)	—	—
Equity income in investee	—	(255)	133	—	(122)
Other, net	(10,371)	15,203	(2,118)	—	2,714
	(166,152)	(75,243)	(1,440)	153,123	(89,712)
(Loss) income before (benefit from) provision for income taxes	(166,152)	(90,637)	22,537	153,123	(81,129)
(Benefit from) provision for income taxes	(117,183)	(27,019)	110,649	—	(33,553)
Net (loss) income	(48,969)	(63,618)	(88,112)	153,123	(47,576)
Net income attributable to noncontrolling interest	—	—	1,393	—	1,393
Net (loss) income attributable to Syniverse, Inc.	\$(48,969)	\$(63,618)	\$(89,505)	\$ 153,123	\$(48,969)

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CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
 (IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Adjustments	Consolidated
Net (loss) income	\$(48,969)	\$(63,618)	\$ (88,112)	\$ 153,123	\$ (47,576)
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments, net of income tax expense of \$204	—	—	7,130	—	7,130
Amortization of unrecognized loss included in net periodic pension cost, net of income tax expense of \$61	—	—	138	—	138
Other comprehensive income	—	—	7,268	—	7,268
Comprehensive (loss) income	(48,969)	(63,618)	(80,844)	153,123	(40,308)
Less: comprehensive income attributable to noncontrolling interest	—	—	1,384	—	1,384
Comprehensive (loss) income attributable to Syniverse, Inc.	\$(48,969)	\$(63,618)	\$ (82,228)	\$ 153,123	\$ (41,692)

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
 (IN THOUSANDS)

	Syniverse	Subsidiary Guarantors	Subsidiary Non-Guarantors	Adjustments	Consolidated
Cash flows from operating activities					
Net cash provided by (used in) operating activities	36,611	56,789	(14,583	) —	78,817
Cash flows from investing activities					
Capital expenditures	—	(34,625	) (8,553	) —	(43,178)
Investment in unconsolidated subsidiaries	—	(40,544	) —	—	(40,544)
Redemption of certificate of deposit	—	107	210	—	317
Receipts on intercompany notes	4,917	—	—	(4,917)	—
Net cash provided by (used in) investing activities	4,917	(75,062	) (8,343	) (4,917)	(83,405)
Cash flows from financing activities					
Proceeds from Revolving Credit Facility	15,000	—	—	—	15,000
Principal payments on Revolving Credit Facility	(15,000)	—	—	—	(15,000)
Principal payments on debt	(36,243)	—	—	—	(36,243)
Payments on capital lease obligation	—	(12,484	) (50	) —	(12,534)
Distribution to Syniverse Corporation	(5,046)	—	—	—	(5,046)
Distribution to noncontrolling interest	—	—	(1,520	) —	(1,520)
Payments on intercompany notes	—	—	(4,917	) 4,917	—
Net cash (used in) provided by financing activities	(41,289)	(12,484	) (6,487	) 4,917	(55,343)
Effect of exchange rate changes on cash	(239)	—	484	—	245
Net decrease in cash	—	(30,757	) (28,929	) —	(59,686)
Cash and cash equivalents at beginning of period	—	79,585	86,996	—	166,581
Cash and cash equivalents at end of period	\$ —	\$ 48,828	\$ 58,067	\$ —	\$ 106,895

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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 included in this “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 and similar expressions. 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 and you should not place undue reliance on these forward-looking statements. 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 or referenced in Part II, Item 1A “Risk Factors” of this Quarterly Report on Form 10-Q. 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;
- our ability to adapt quickly to technological and other changes;
- our newly offered services may not perform as anticipated;
- the loss of any of our significant customers;
- the failure to achieve or sustain desired pricing levels;
- consolidation among, or network buildouts by, customers could cause us to lose transaction volume and affect pricing;
- the reduction of services by existing customers;
- increased competition;
- our customers may develop in-house solutions and no longer use our services;
- the success of our international expansion is uncertain;
- our ability to attract and retain key personnel;
- 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;
- 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;

- our ability to achieve desired organic growth;
- our ability to service our indebtedness;
- the effects of our substantial indebtedness and the limitations contained in the agreements governing such indebtedness;
- the significant influence Carlyle has over corporate decisions;
- fluctuation in currency exchange rates and international tax compliance risks; and
- impairment of our intangible assets or goodwill.

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These cautionary statements should not be construed by you to be exhaustive and are made only as of the date of this Quarterly Report on Form 10-Q and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. 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 offer a unique portfolio of intelligent policy and charging tools that enable our customers to use the real-time data generated by these transactions to deliver customized services and choices to their end users. 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 over 4 billion billable transactions daily and settle over \$16 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 customer base includes a broad range of participants in the mobile ecosystem, including approximately 900 MNOs and 450 OTTs and enterprises. Our customers include 98 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 5 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 and a multinational hotel brand.

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. 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.
- Provide intelligent policy and charging tools that enable our customers to use real-time data for improved end-user experience.
- Provide risk management tools to prevent fraudulent activity on operator networks and identify problem areas in the end to end billing cycle.

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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.
- Enable enterprises to rapidly execute and optimize their mobile communications initiatives.
- Provide data analytics and business intelligence solutions designed to measure, enhance and secure the end-user experience for our enterprise customers.
- Provide solutions to enable MNOs to measure and manage the subscriber experience across networks.

Executive Overview

Financial Highlights

Revenues increased \$10.4 million, or 5.3%, to \$207.0 million for the three months ended September 30, 2017 from \$196.6 million for the same period in 2016. Operating income increased \$5.0 million to \$23.2 million for the three months ended September 30, 2017 from \$18.2 million for the same period in 2016. Net loss increased \$7.8 million to \$25.0 million for the three months ended September 30, 2017 from \$17.2 million for the same period in 2016. Net loss for the three months ended September 30, 2017 includes an increase in the provision for income taxes of \$11.0 million to \$16.1 million for the three months ended September 30, 2017. Adjusted EBITDA increased \$6.5 million, or 8.9%, to \$79.3 million for the three months ended September 30, 2017 from \$72.8 million for the same period in 2016. See “Non-GAAP Financial Measures” below for a reconciliation of Adjusted EBITDA to Net loss.

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

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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;

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 position and generally drive growth in demand for our services, which would drive growth in our revenue; and

the abolition of retail roaming charges beginning June 15, 2017 in the E.U. as a result of actions taken by the European Commission will 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.

We derive revenues primarily from transaction-based and monthly recurring fees paid to us by our customers for various types of mobile services. A majority of our revenues were generated by transaction-based fees. These fees are based upon the number of records or transactions processed or the size of data records processed or both, and may include tier-based pricing and additional fees for volume above an agreed-upon threshold. Monthly recurring fees are based upon contractual provisions that require set, predictable payments each month. Due to the nature of our services, any single end-user call, data session or message often generates multiple transactions and payments from multiple customers. 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 related incremental customer-specific costs for customer implementations and recognize such revenues and related costs on a straight-line basis over the life of the initial customer contract.

Certain of our customer contracts include bundled services and are therefore accounted for as multiple-element arrangements. We evaluate multiple-element arrangements to determine whether the deliverables included in the arrangement represent separate units of accounting. We allocate the arrangement consideration among the separate units of accounting using the relative selling price method. Then, we apply the applicable revenue recognition criteria in ASC 605 to each of the separate units of accounting to determine the appropriate period and pattern of recognition.

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 acquisition 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.

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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, capitalized software and identifiable intangibles including our SS7 network, computer equipment, infrastructure facilities related to information management and other identifiable intangible assets recorded as a result of purchase accounting.

Employee termination benefits represents benefit costs related to severance 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 a restructuring plan.

Results of Operations - Three Months Ended September 30, 2017 and 2016

The following table presents an overview of our results of operations for the three months ended September 30, 2017 and 2016:

(in thousands)	Three Months Ended September 30, 2017		Three Months Ended September 30, 2016		2017 compared to 2016			
	Revenues	% of Revenues	Revenues	% of Revenues	\$ change	% change		
Revenues:								
Mobile Transaction Services	\$ 164,646	79.5 %	\$ 163,659	83.2 %	\$ 987	0.6 %		
Enterprise & Intelligence Solutions	42,363	20.5 %	32,958	16.8 %	9,405	28.5 %		
Revenues	207,009	100.0 %	196,617	100.0 %	10,392	5.3 %		
Costs and expenses:								
Cost of operations (excluding depreciation and amortization shown separately below)	90,483	43.7 %	88,293	44.9 %	2,190	2.5 %		
Sales and marketing	17,295	8.4 %	16,212	8.2 %	1,083	6.7 %		
General and administrative	24,638	11.9 %	25,863	13.2 %	(1,225)	(4.7)%		
Depreciation and amortization	49,834	24.1 %	52,739	26.8 %	(2,905)	(5.5)%		
Employee termination benefits	457	0.2 %	(247)	(0.1)%	704	(285.0)%		
Restructuring charges	1,097	0.5 %	1,087	0.6 %	10	0.9 %		
Other operating income	—	— %	(5,499)	(2.8)%	5,499	— %		
	183,804	88.8 %	178,448	90.8 %	5,356	3.0 %		
Operating income	23,205	11.2 %	18,169	9.2 %	5,036	27.7 %		
Other income (expense), net:								
Interest expense, net	(30,959)	(15.0)%	(30,515)	(15.5)%	(444)	1.5 %		
(Loss) gain on early extinguishment of debt, net	(56)	— %	—	— %	(56)	— %		
Equity loss in investees	(125)	(0.1)%	(213)	(0.1)%	88	(41.3)%		
Other, net	(896)	(0.4)%	532	0.3 %	(1,428)	(268.4)%		
	(32,036)	(15.5)%	(30,196)	(15.4)%	(1,840)	6.1 %		
Loss before provision for income taxes	(8,831)	(4.3)%	(12,027)	(6.1)%	3,196	(26.6)%		
Provision for income taxes	16,125	7.8 %	5,136	2.6 %	10,989	214.0 %		
Net loss	\$(24,956)	(12.1)%	\$(17,163)	(8.7)%	\$(7,793)	45.4 %		

Revenues

Revenues increased \$10.4 million, or 5.3%, to \$207.0 million for the three months ended September 30, 2017 from \$196.6 million for the same period in 2016. Foreign currency translation contributed \$1.7 million to the increase in revenue.

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Revenue from Mobile Transaction Services increased \$1.0 million, or 0.6%, to \$164.6 million for the three months ended September 30, 2017 from \$163.7 million for the same period in 2016. Volume reductions across our CDMA clearing and settlement and signaling portfolio totaled \$5.5 million, while revenue from our GSM clearing and settlement and signaling portfolio was unchanged. The CDMA decline was more than offset by growth within our LTE portfolio, which includes our IPX and LTE signaling products, as well as strong growth within our policy and charging solutions. Our LTE-based solutions, in particular, continue to benefit from the ongoing global transition from 3G to LTE technology as we expand the reach of our IPX network and the consumption of LTE bandwidth continues to grow.

Revenue from Enterprise & Intelligence Solutions increased \$9.4 million, or 28.5%, to \$42.4 million for the three months ended September 30, 2017 from \$33.0 million for the same period in 2016. The increase was primarily driven by volume growth in our Enterprise A2P messaging services, as well as organic growth in our mobile engagement revenues as more enterprise customers adopt and implement mobile marketing strategies.

Costs and Expenses

Costs and expenses increased \$5.4 million to \$183.8 million for the three months ended September 30, 2017 from \$178.4 million for the same period in 2016. Foreign currency translation contributed \$1.2 million to the increase.

Cost of operations increased \$2.2 million to \$90.5 million for the three months ended September 30, 2017 from \$88.3 million for the same period in 2016. The table below summarizes our cost of operations by category:

(in thousands)	Three Months Ended September 30,		2017 compared to 2016	
	2017	2016	\$ change	% change
Cost of Operations:				
Headcount and related costs	\$19,532	\$23,458	\$(3,926)	(16.7)%
Variable costs	38,752	31,019	7,733	24.9 %
Data processing, hosting and support costs	18,327	20,200	(1,873)	(9.3)%
Network costs	11,216	11,004	212	1.9 %
Other operating related costs	2,656	2,612	44	1.7 %
Cost of Operations	\$90,483	\$88,293	\$2,190	2.5 %

The decrease in headcount and related costs for the three months ended September 30, 2017 was driven by a reduction in headcount costs resulting from our December 2016 restructuring plan.

Variable costs increased \$7.7 million for the three months ended September 30, 2017 compared to the prior year period. The increase in variable costs was primarily due to volume growth in our messaging services. Other elements of Cost of Operations for the three months ended September 30, 2017 were generally lower as a result of lower data center costs associated with our data center migrations, partially offset by higher revenue related data processing costs.

As a percentage of revenues, cost of operations was 43.7% and 44.9% for the three months ended September 30, 2017 and 2016, respectively.

Sales and marketing expense increased \$1.1 million to \$17.3 million for the three months ended September 30, 2017 from \$16.2 million for the same period in 2016. The increase in sales and marketing expense was due primarily to higher professional fees associated with our go-to-market sales and marketing initiatives and higher variable and

share-based compensation. As a percentage of revenues, sales and marketing expense was 8.4% and 8.2% for the three months ended September 30, 2017 and 2016, respectively.

General and administrative expense decreased \$1.2 million to \$24.6 million for the three months ended September 30, 2017 from \$25.9 million for the same period in 2016. The decrease in general and administrative expense was due primarily to lower headcount and related costs and lower bad debt expense associated with the collection of certain aged receivables, partially offset by an increase in performance-based compensation. As a percentage of revenues, general and administrative expense was 11.9% and 13.2% for the three months ended September 30, 2017 and 2016, respectively.

Depreciation and amortization expense decreased \$2.9 million to \$49.8 million for the three months ended September 30, 2017 from \$52.7 million for the same period in 2016. The decrease was primarily driven by \$3.0 million of lower amortization

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of intangible assets resulting from the pattern of consumption amortization method for customer related intangibles acquired in the Carlyle and MACH Acquisitions.

Other operating income includes a gain of \$5.5 million as a result of a one-time transfer of certain data center equipment to Syniverse at no cost during the three months ended September 30, 2016.

Other Income (Expense), net

Interest expense, net increased \$0.4 million to \$31.0 million for the three months ended September 30, 2017 from \$30.5 million for the same period in 2016. The increase was due primarily to higher interest rates on our Initial Term Loans and Tranche B Term Loans, partially offset by lower interest as a result of our repurchase of \$23.7 million aggregate principal amount of the Syniverse Notes during 2017.

Other, net decreased \$1.4 million to a \$0.9 million loss for the three months ended September 30, 2017 from a \$0.5 million gain for the same period in 2016 primarily due to the strengthening of the Euro value in 2017 and weakening of the pound sterling in 2016.

Provision for Income Taxes

We recorded an income tax provision of \$16.1 million for the three months ended September 30, 2017, compared to a provision of \$5.1 million for the three months ended September 30, 2016. During the three months ended September 30, 2017 and 2016, the effective tax rate was a provision of (182.6)% and (42.7)%, respectively. The change in our effective tax rate was chiefly attributable to (i) impact of certain discrete items in the prior and current year, (ii) relative mix of earnings and losses in the U.S. versus foreign tax jurisdictions and (iii) the current year establishment of a valuation allowance against U.S. deferred tax assets.

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Results of Operations - Nine Months Ended September 30, 2017 and 2016

The following table presents an overview of our results of operations for the nine months ended September 30, 2017 and 2016:

(in thousands)	Nine Months Ended September 30, 2017		Nine Months Ended September 30, 2016		2017 compared to 2016	
		% of Revenues		% of Revenues	\$ change	% change
Revenues:						
Mobile Transaction Services	\$471,196	80.2 %	\$490,235	83.3 %	\$(19,039)	(3.9) %
Enterprise & Intelligence Solutions	116,168	19.8 %	98,544	16.7 %	17,624	17.9 %
Revenues	587,364	100.0 %	588,779	100.0 %	(1,415)	(0.2) %
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	265,010	45.1 %	272,959	46.4 %	(7,949)	(2.9) %
Sales and marketing	54,059	9.2 %	54,071	9.2 %	(12)	— %
General and administrative	71,876	12.2 %	87,412	14.8 %	(15,536)	(17.8) %
Depreciation and amortization	145,271	24.7 %	155,976	26.5 %	(10,705)	(6.9) %
Employee termination benefits	609	0.1 %	747	0.1 %	(138)	(18.5) %
Restructuring charges	5,126	0.9 %	14,530	2.5 %	(9,404)	(64.7) %
Other operating income	—	— %	(5,499)	(0.9) %	5,499	— %
	541,951	92.3 %	580,196	98.5 %	(38,245)	(6.6) %
Operating income	45,413	7.7 %	8,583	1.5 %	36,830	429.1 %
Other income (expense), net:						
Interest expense, net	(101,041)	(17.2) %	(92,304)	(15.7) %	(8,737)	9.5 %
(Loss) gain on early extinguishment of debt, net	306	0.1 %	—	— %	306	— %
Equity loss in investees	(639)	(0.1) %	(122)	— %	(517)	423.8 %
Other, net	(2,137)	(0.4) %	2,714	0.5 %	(4,851)	(178.7) %
	(103,511)	(17.6) %	(89,712)	(15.2) %	(13,799)	15.4 %
Loss before provision for (benefit from) income taxes	(58,098)	(9.9) %	(81,129)	(13.8) %	23,031	(28.4) %
Provision for (benefit from) income taxes	6,493	1.1 %	(33,553)	(5.7) %	40,046	(119.4) %
Net loss	\$(64,591)	(11.0) %	\$(47,576)	(8.1) %	\$(17,015)	35.8 %

Revenues

Revenues decreased \$1.4 million, or 0.2%, to \$587.4 million for the nine months ended September 30, 2017 from \$588.8 million for the same period in 2016. Foreign currency translation contributed a \$0.2 million increase in revenue.

Revenue from Mobile Transaction Services decreased \$19.0 million, or 3.9%, to \$471.2 million for the nine months ended September 30, 2017 from \$490.2 million for the same period in 2016. The decline was primarily attributable to volume reductions across our CDMA clearing and settlement and signaling portfolio totaling \$28.5 million. Revenue from our GSM portfolio declined slightly, as competitive pricing pressure in our clearing and settlement suite was substantially offset by growth in GSM signaling. We also experienced small declines in certain lower margin non-strategic services that management has decided to de-emphasize. These declines were partially offset by nearly 20 percent growth within our LTE portfolio, which includes our IPX and LTE signaling products, as well as strong

growth within our policy and charging solutions. Our LTE-based solutions, in particular, continue to benefit from the ongoing global transition from 3G to LTE technology as we expand the reach of our IPX network and the consumption of LTE bandwidth continues to grow.

Revenue from Enterprise & Intelligence Solutions increased \$17.6 million, or 17.9%, to \$116.2 million for the nine months ended September 30, 2017 from \$98.5 million for the same period in 2016. The increase was primarily driven by volume growth in our Enterprise A2P messaging services, as well as growth in revenue from mobile intelligence services and organic growth in our mobile engagement revenues as more enterprise customers adopt and implement mobile marketing strategies.

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Costs and Expenses

Costs and expenses decreased \$38.2 million to \$542.0 million for the nine months ended September 30, 2017 from \$580.2 million for the same period in 2016. Foreign currency translation contributed \$1.0 million to the decline.

Cost of operations decreased \$7.9 million to \$265.0 million for the nine months ended September 30, 2017 from \$273.0 million for the same period in 2016. The table below summarizes our cost of operations by category:

(in thousands)	Nine Months Ended		2017 compared to	
	September 30,	September 30,	\$ change	% change
	2017	2016		
Cost of Operations:				
Headcount and related costs	\$62,042	\$75,287	\$(13,245)	(17.6)%
Variable costs	106,750	91,394	15,356	16.8 %
Data processing, hosting and support costs	53,612	59,466	(5,854)	(9.8)%
Network costs	33,491	34,713	(1,222)	(3.5)%
Other operating related costs	9,115	12,099	(2,984)	(24.7)%
Cost of Operations	\$265,010	\$272,959	\$(7,949)	(2.9)%

The decrease in headcount and related costs for the nine months ended September 30, 2017 was primarily driven by a reduction in headcount costs resulting primarily from our March 2016 and December 2016 restructuring plans.

Variable costs increased \$15.4 million for the nine months ended September 30, 2017 compared to the prior year period. The increase in variable costs was primarily due to volume growth in our messaging services. Other elements of Cost of Operations for the nine months ended September 30, 2017 were generally lower as a result of lower data center and network circuit costs and professional fees associated with our data center migrations, partially offset by higher revenue related data processing costs.

As a percentage of revenues, cost of operations was 45.1% and 46.4% for the nine months ended September 30, 2017 and 2016, respectively.

Sales and marketing expense was unchanged for the nine months ended September 30, 2017 compared to the same period in 2016. Sales and marketing expense was impacted by lower headcount and related costs resulting from our March 2016 and December 2016 restructuring plans, partially offset by higher professional fees associated with our go-to-market sales and marketing initiatives. As a percentage of revenues, sales and marketing expense was 9.2% for the nine months ended September 30, 2017 and 2016.

General and administrative expense decreased \$15.5 million to \$71.9 million for the nine months ended September 30, 2017 from \$87.4 million for the same period in 2016. The decrease in general and administrative expense was due primarily to lower headcount and related costs resulting from our March 2016 and December 2016 restructuring plans as well as the favorable outcome of an indirect tax examination in one of our European jurisdictions. As a percentage of revenues, general and administrative expense was 12.2% and 14.8% for the nine months ended September 30, 2017 and 2016, respectively.

Depreciation and amortization expense decreased \$10.7 million to \$145.3 million for the nine months ended September 30, 2017 from \$156.0 million for the same period in 2016. The decrease was primarily driven by \$9.4 million of lower amortization of intangible assets resulting from the pattern of consumption amortization method for customer related intangibles acquired in the Carlyle and MACH Acquisitions.

Restructuring expense decreased \$9.4 million to \$5.1 million for the nine months ended September 30, 2017 from \$14.5 million for the same period in 2016. The decrease was primarily driven by severance costs related to the March 2016 restructuring plan in 2016, partially offset by data center contract termination and severance costs incurred in 2017. See Note 7 to our unaudited condensed consolidated financial statements for additional details regarding our restructuring plans.

Other operating income includes a gain of \$5.5 million as a result of a one-time transfer of certain data center equipment to Syniverse at no cost during the three months ended September 30, 2016.

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Other Income (Expense), net

Interest expense, net increased \$8.7 million to \$101.0 million for the nine months ended September 30, 2017 from \$92.3 million for the same period in 2016. The increase was due primarily to debt modification costs associated with the Exchange Offer completed in January 2017 and higher interest rates on our Initial Term Loans and Tranche B Term Loans, partially offset by lower interest as a result of our repurchase of \$23.7 million aggregate principal amount of the Syniverse Notes in April 2017.

Other, net decreased \$4.9 million to a \$2.1 million loss for the nine months ended September 30, 2017 from a \$2.7 million gain for the same period in 2016 primarily due to the strengthening of the Euro value in 2017 and weakening of the pound sterling in 2016.

Provision for Income Taxes

We recorded an income tax provision of \$6.5 million for the nine months ended September 30, 2017, compared to a benefit of \$33.6 million for the nine months ended September 30, 2016. During the nine months ended September 30, 2017 and 2016, the effective tax rate was a provision of (11.2)% and a benefit of 41.4%, respectively. The change in our effective tax rate was chiefly attributable to (i) impact of certain discrete items in the prior and current year, (ii) relative mix of earnings and losses in the U.S. versus foreign tax jurisdictions and (iii) the current year establishment of a valuation allowance against U.S. deferred tax assets.

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 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 and we believe that we have sufficient liquidity to meet our currently anticipated business needs, 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. Annually as required pursuant to the Excess Cash Flow provision of the Credit Agreement (as defined below) we are required to make a mandatory principal payment on our Senior Credit Facilities equal to 50% of the Excess Cash Flow as defined in the Credit Agreement and determined as of December of each year. 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 September 30, 2017, approximately 43% of our cash and cash equivalents were held by our foreign subsidiaries. Our Revolving Credit Facility requires that we comply with the financial maintenance covenant on a pro forma basis to receive extensions of credit under the facility.

We may from time to time seek to prepay, repurchase or otherwise retire or extend our debt or debt securities and/or take other steps to reduce our debt or otherwise improve our financial position. These actions may include open market debt repurchases, privately negotiated repurchases, other retirements of outstanding debt, and/or opportunistic refinancing of debt. The amount of debt that may be repurchased or otherwise retired or refinanced, if any, will depend on market conditions and prices, our cash position, contractual restrictions, including compliance with debt covenants and other considerations. Our affiliates may also purchase our debt or debt securities from time to time,

through open market purchases or other transactions. In such cases, our debt may not be retired, in which case we would continue to pay interest in accordance with the terms of the debt, and we would continue to reflect the debt as outstanding in our consolidated financial statements.

We believe that our cash on hand, together with cash flow from operations and our 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.

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Cash Flow

Cash and cash equivalents were \$121.3 million at September 30, 2017 as compared to \$136.2 million at December 31, 2016. The following table summarizes the activity within our unaudited condensed consolidated statements of cash flows:

(in thousands)	Nine Months Ended	
	September 30,	
	2017	2016
Net cash provided by operating activities	\$86,501	\$78,817
Net cash used in investing activities	(49,661)	(83,405)
Net cash used in financing activities	(55,797)	(55,343)
Effect of exchange rate changes on cash	4,050	245
Net decrease in cash and cash equivalents	\$(14,907)	\$(59,686)

Net cash provided by operating activities was \$86.5 million for the nine months ended September 30, 2017 as compared to \$78.8 million for the nine months ended September 30, 2016. The increase was primarily due to:

- improved operating results;
- lower payments for income taxes;
- lower payments for professional fees associated with data center migrations; and
- timing of payments to vendors.

These increases were partially offset by:

- increased payments for restructuring activities; and
- increased working capital usage associated with accounts receivable.

Net cash used in investing activities was \$49.7 million for the nine months ended September 30, 2017 as compared to \$83.4 million for the nine months ended September 30, 2016. The decrease was driven by:

- decreased cash used for investment in Vibes of \$40.5 million in 2016.

This decrease was partially offset by:

- increased capital expenditures of \$7.0 million primarily due to investments in security and network infrastructure to enhance our platform, partially offset by lower data center migration capital expenditures.

Net cash used in financing activities was \$55.8 million for the nine months ended September 30, 2017 as compared to \$55.3 million for the nine months ended September 30, 2016. The increase was due to:

- payment of debt modification costs of \$9.8 million during 2017 in connection with the Exchange Offer;
- increased payments on capital lease obligations of \$1.9 million in 2017 as compared to 2016;
-

payment of debt issuance costs of \$1.1 million during 2017 in connection with the Amendment of our Revolving Credit Facility; and

• increased distributions to noncontrolling interest of \$0.8 million in 2017 as compared to 2016.

This increase was substantially offset by:

• decreased debt principal payments of \$11.2 million during 2017 as compared to 2016; and

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decreased distributions to Syniverse Corporation of \$2.0 million in 2017 as compared to 2016 due to decreased share repurchases in connection with share-based compensation.

Debt and Credit Facilities

Senior Credit Facility

On April 23, 2012, we entered into a credit agreement (the “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 that are from time to time a party thereto, providing for a 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 the Incremental Amendment to the Credit Agreement. The proceeds of the Tranche B Term Loans were used to refinance, in full, the Escrow Term Loans, a portion of which were used to fund the MACH Acquisition.

On April 15, 2016, we made principal payments of approximately \$36.2 million toward the Initial Term Loans and Tranche B Term Loans as required pursuant to the Excess Cash Flow provision of the Credit Agreement.

On March 24, 2017, we made principal payments of approximately \$1.9 million toward the Initial Term Loans and Tranche B Term Loans as required pursuant to the Excess Cash Flow provision of the Credit Agreement. Commencing on December 31, 2018, our Initial Term Loans and Tranche B Term Loans will resume amortizing in quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at the final maturity.

As of September 30, 2017, the carrying amount of our outstanding indebtedness under the Initial Term Loans and Tranche B Term Loans, excluding original issue discount and deferred financing costs, was \$890.0 million and \$662.4 million, respectively. At September 30, 2017, the applicable interest rate were 4.31% and 4.33% on the Initial Term Loans and the Tranche B Term Loans, respectively, based on the Eurodollar rate loan option.

On April 14, 2017, we entered into an amendment (the “Amendment”) to the Credit Agreement governing our Revolving Credit Facility to, among other things, (i) extend the scheduled maturity date of the revolving credit commitments to the earlier of (x) January 15, 2019 and (y) the date of termination in whole of the revolving credit commitments, the letter of credit sublimit, and the swing line facility; provided that (1) in the event that more than \$50 million of the Syniverse Notes remains outstanding on the date that is 180 days prior to the stated maturity of the Syniverse Notes (the “First Revolver Springing Maturity Date”), the maturity date for the revolving credit facility will be the First Revolver Springing Maturity Date and (2) in the event that more than \$50 million in aggregate principal amount of any refinancing indebtedness in respect of the Syniverse Notes remains outstanding on the date that is 180 days prior to the stated maturity of such refinancing indebtedness (the “Second Revolver Springing Maturity Date”), the maturity date for the revolving credit facility will be the earlier of the Second Revolver Springing Maturity Date and January 15, 2019, (ii) make certain modifications to the financial maintenance covenant, including, among other things, by increasing the financial maintenance covenant level for so long as certain conditions such as, for example, conditions limiting usage of certain negative covenant baskets, are satisfied and (iii) provide for a flat commitment fee payable to each revolving credit lender of 0.50%. In addition, in connection with the Amendment, we reduced the aggregate revolving credit commitments from \$150.0 million to \$85.6 million and the letter of credit sublimit from \$50.0 million to \$40.0 million. Pursuant to the Amendment and subject to the aforementioned conditions, the financial maintenance covenant has been modified to require that our consolidated senior secured debt ratio, as of June 30,

2017 and September 30, 2017, be less than or equal to 6.25:1.00, as of December 31, 2017 and March 31, 2018 be less than or equal to 6.00:1.00 and, as of June 30, 2018 and the end of each fiscal quarter ended thereafter be less than or equal to 5.75:1.00.

The financial maintenance covenant, as amended by the Amendment, is tested only for the benefit of the Revolving Credit Facility lenders and is required to be tested only (i) when, at the end of any fiscal quarter, 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) are outstanding, (ii) upon an extension of credit under the Credit Agreement in the form of the making of a revolving credit loan or a swing line loan, or the

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issuance of a letter of credit and (iii) if certain financial maintenance covenant conditions are not satisfied. As of March 31, 2017, there were no amounts outstanding under the Revolving Credit Facility.

The Initial Term Loans and the Tranche B Loans (collectively the “Term Loan Facilities”) will mature at the earliest of (i) April 23, 2019, (ii) the date of termination in whole of the commitments under the Term Loan Facilities or (iii) the date the loans under the Term Loan Facilities are declared due and payable in connection with an event of default; provided that (a) in the event that more than \$50.0 million of the Syniverse Notes remain outstanding on the date that is 91 days prior to the stated maturity of the Syniverse Notes (the “First Springing Maturity Date”), the maturity date for the Term Loan Facilities will be the First Springing Maturity Date and (b) in the event that more than \$50.0 million in aggregate principal amount of any refinancing indebtedness in respect of the Syniverse Notes remains outstanding on the date that is 91 days prior to the stated maturity of such refinancing indebtedness (the “Second Springing Maturity Date”), the maturity date for the Term Loan Facilities will be the earlier of the Second Springing Maturity Date and April 23, 2019.

Senior Notes

SFHC Notes

On January 11, 2017, pursuant to the Exchange Offer, SFHC, our wholly-owned subsidiary, issued \$369.5 million of SFHC Notes bearing interest at 9.125% that will mature on January 15, 2022, and a like amount of Syniverse Notes were cancelled. Interest on the SFHC Notes is paid on January 15 and July 15 of each year.

If we undertake a repayment, repurchase, redemption or refinancing, in whole or in part, in one or a series of transactions, of the outstanding indebtedness under the Senior Credit Facility and/or the Syniverse Notes or other comprehensive refinancing or recapitalization of our existing debt and/or equity capital structure, or if we experience certain kinds of changes of control, in each case at any time prior to January 15, 2019, we may redeem the SFHC Notes at a redemption price of 101%, plus accrued and unpaid interest, if any, to the redemption date.

The SFHC Notes are guaranteed on a senior basis by Syniverse and the subsidiary guarantors that guarantee the Senior Credit Facility and the Syniverse Notes (the “Subsidiary Guarantors”). The right of noteholders to receive payment on the SFHC Notes is effectively subordinated to the rights of any future secured creditors of SFHC.

The SFHC Notes contain customary negative covenants including, but not limited to, (i) restrictions on SFHC’s and its restricted subsidiaries’ ability to merge and consolidate, sell, transfer or otherwise dispose of assets, incur additional debt or issue certain preferred shares, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends on or make other distributions in respect of SFHC’s capital stock or make other restricted payments, enter into certain transactions with affiliates or designate SFHC’s subsidiaries as unrestricted, subject to certain exceptions, and (ii) restrictions on Syniverse’s and its restricted subsidiaries’ (other than SFHC and its restricted subsidiaries) ability to merge and consolidate, sell, transfer or otherwise dispose of assets, make acquisitions, loans, advances or investments, pay dividends on or make other distributions in respect of Syniverse’s capital stock or make other restricted payments or designate Syniverse’s subsidiaries as unrestricted, subject to certain exceptions.

We incurred debt modification fees of \$9.8 million in connection with the Exchange Offer in the period ended March 31, 2017 which is recorded in Interest expense in the unaudited condensed consolidated statements of operations.

Syniverse Notes

On December 2, 2010, we issued \$475.0 million of Syniverse Notes bearing interest at 9.125% that will mature on January 15, 2019. Interest on the Syniverse Notes is paid on January 15 and July 15 of each year.

The Syniverse Notes are guaranteed on a senior basis by the Subsidiary Guarantors. In addition, we have the ability to designate certain of our subsidiaries as unrestricted subsidiaries pursuant to the terms of the indenture governing our Syniverse Notes, and any subsidiary so designated will not be a guarantor of the notes. The right of noteholders to receive payment on the Syniverse Notes is effectively subordinated to the rights of our existing and future secured creditors.

We may redeem the Syniverse Notes, at our option, in whole at any time or in part from time to time, at 100% of the principal amount of the Syniverse Notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date.

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The Syniverse Notes contain customary negative covenants including, but not limited to, restrictions on our and our restricted subsidiaries' ability to merge and consolidate, sell, transfer or otherwise dispose of assets, incur additional debt or issue certain preferred shares, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends on or make other distributions in respect of Syniverse's capital stock or make other restricted payments or enter into certain transactions with affiliates, subject to certain exceptions.

On January 11, 2017 pursuant to the Exchange Offer, \$369.5 million of Syniverse Notes were cancelled. On April 25, 2017 and September 18, 2017, we repurchased \$16.0 million and \$7.7 million aggregate principal amount of the Syniverse Notes, respectively, and submitted them to Wilmington Trust, National Association, as trustee, for cancellation. Following the Exchange Offer and partial repurchases, \$81.7 million aggregate principal amount of the Syniverse Notes remains outstanding at September 30, 2017.

Non-GAAP Financial Measures

Adjusted EBITDA, Free Cash Flow and SFHC Adjusted EBITDA are not presentations made in accordance with U.S. GAAP. Adjusted EBITDA, Free Cash Flow and SFHC 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 the current period's results with those of 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, Free Cash Flow and SFHC Adjusted EBITDA 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, Free Cash Flow and SFHC Adjusted EBITDA as supplemental information only.

Adjusted EBITDA, Free Cash Flow and SFHC Adjusted EBITDA 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 expense, net, excluding the impact of equity income in investees; provision for (benefit from) income taxes; depreciation and amortization; employee termination benefits; restructuring; non-cash stock-based compensation; business development, integration and other expenses; and the Carlyle annual management fee including related expenses.

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 calculated in accordance with our Credit Agreement and used under the

indentures governing the Syniverse Notes and the SFHC Notes; however, the credit agreement governing our Senior Credit Facility and the indentures governing the Syniverse Notes and the SFHC Notes permit us to make certain additional adjustments, such as projected cost savings, unusual or non-recurring charges, and pro forma EBITDA and anticipated synergies from acquisitions, which are not reflected in the Adjusted EBITDA data presented herein.

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Reconciliation of Non-GAAP Measures to GAAP

A reconciliation of Syniverse Holdings, Inc. net loss, the closest GAAP measure, to Adjusted EBITDA is presented in the following tables:

(in thousands)	Three Months Ended	
	September 30,	
	2017	2016
Reconciliation to Adjusted EBITDA		
Net loss	\$(24,956)	\$(17,163)
Other expense, net	32,036	30,196
Provision for income taxes	16,125	5,136
Depreciation and amortization	49,834	52,739
Employee termination benefits (a)	457	(247)
Restructuring (b)	1,097	1,087
Non-cash stock-based compensation (c)	3,563	3,612
Other operating income (d)	—	(5,499)
Business development, integration and other expenses (e)	308	2,202
Consulting fee and related expenses (f)	845	780
Adjusted EBITDA	\$79,309	\$72,843
(in thousands)	Nine Months Ended	
	September 30,	
	2017	2016
Reconciliation to Adjusted EBITDA		
Net loss	\$(64,591)	\$(47,576)
Equity loss in investees	—	91
Other expense, net	103,511	89,712
Provision for (benefit from) income taxes	6,493	(33,553)
Depreciation and amortization	145,271	155,976
Employee termination benefits (a)	609	747
Restructuring (b)	5,126	14,530
Non-cash stock-based compensation (c)	11,209	13,049
Other operating income (d)	—	(5,499)
Business development, integration and other expenses (e)	5,026	11,080
Consulting fee and related expenses (f)	2,401	2,281
Adjusted EBITDA	\$215,055	\$200,838

(a) Reflects employee termination benefits expense which represents severance and other employee related costs that are unrelated to a restructuring plan.

(b) Reflects restructuring expense which represents costs related to certain exit activities such as involuntary termination costs and contract termination costs associated with a restructuring plan.

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

(d) Reflects a one-time transfer of certain data center equipment to Syniverse at no cost.

(e) Reflects items associated with business development activities; integration activities, such as incremental contractor, travel and marketing costs; CEO transition costs; and other expenses such as certain advisory services, employee retention costs, and certain data center migration costs.

(f) Reflects management fees to Carlyle and related expenses pursuant to a consulting agreement with Carlyle.

Free Cash Flow is defined as net cash provided by operating activities 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 debt.

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

(in thousands)	Nine Months Ended September 30,	
	2017	2016
Reconciliation to Free Cash Flow		
Net cash provided by operating activities	\$86,501	\$78,817
Capital expenditures	(50,167)	(43,178)
Free Cash Flow	\$36,334	\$35,639

SFHC Adjusted EBITDA is determined by adding the following items to SFHC net income: other expense, net, excluding the impact of equity income in investees; provision for (benefit from) income taxes; depreciation and amortization; employee termination benefits; restructuring; non-cash stock-based compensation; business development, integration and other expenses. SFHC Adjusted EBITDA is a measure used under the indenture that governs the SFHC Notes.

A reconciliation of SFHC net income, the closest GAAP measure, to SFHC Adjusted EBITDA is presented in the following tables:

(in thousands)	Three Months Ended September 30,	
	2017	2016
Reconciliation to SFHC Adjusted EBITDA		
SFHC net income	\$23,368	\$(24,258)
Other expense, net	8,893	3,625
(Benefit from) provision for income taxes	(18,454)	28,186
Depreciation and amortization	9,376	9,135
Employee termination benefits (a)	296	—
Restructuring (b)	24	748
Non-cash stock-based compensation (c)	241	270
Business development, integration and other expenses (d)	—	336
SFHC Adjusted EBITDA	23,744	18,042

(in thousands)	Nine Months Ended September 30,	
	2017	2016
Reconciliation to SFHC Adjusted EBITDA		
SFHC net income	\$12,090	\$(86,623)
Equity income in investees	—	91
Other expense, net	35,359	1,682
(Benefit from) provision for income taxes	(10,226)	103,902
Depreciation and amortization	26,294	27,780
Employee termination benefits (a)	479	49
Restructuring (b)	235	4,509
Non-cash stock-based compensation (c)	855	969
Business development, integration and other expenses (d)	34	1,345
SFHC Adjusted EBITDA	\$65,120	\$53,704

- (a) Reflects employee termination benefits expense which represents severance and other employee related costs that are unrelated to a restructuring plan.
- (b) Reflects restructuring expense which represents costs related to certain exit activities such as involuntary termination costs and contract termination costs associated with a restructuring plan.
- (c) Reflects non-cash expenses related to equity compensation awards.

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Reflects items associated with business development activities; integration activities, such as incremental (d)contractor, travel and marketing costs; and other expenses such as certain advisory services, employee retention costs and certain data center migration costs.

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 condensed consolidated balance sheets. The off-balance sheet amounts totaled approximately \$390.4 million and \$297.9 million as of September 30, 2017 and December 31, 2016, 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. 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

Arrangements 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 and nine months ended September 30, 2017 we recorded \$0.8 million and \$2.4 million, respectively, of expenses associated with the consulting fee and the reimbursement of out-of-pocket expenses. During the three and nine months ended September 30, 2016 we recorded \$0.8 million and \$2.4 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, 2017, Carlyle held \$12.4 million and \$24.4 million of our Initial Term Loans and Tranche B Term Loans, respectively. As of December 31, 2016, Carlyle held \$37.2 million and \$25.6 million of our Initial Term Loans and Tranche B Term Loans, respectively.

From time to time, and in the ordinary course of business we may engage other Carlyle portfolio companies as service providers and other Carlyle portfolio companies may engage us as a service provider. Revenues and expenses associated with these related parties were not material during the three and nine months ended September 30, 2017 and 2016.

Contractual Obligations

There have been no material changes to our Contractual Obligations disclosure as filed in our Annual Report on Form 10-K for the year ended December 31, 2016.

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, 2016, except as discussed in Note 3. Recent Accounting Pronouncements of our unaudited condensed consolidated financial statements.

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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 Senior Credit Facility. Our Senior Credit Facility is subject to variable interest rates dependent upon the Eurodollar rate floor. Under the Senior Credit Facility, the Eurodollar rate floor was 1.00% and the base rate floor was 2.00% as of September 30, 2017. Interest rate changes therefore generally do not affect the fair 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 September 30, 2017, a one-eighth percent change in assumed interest rates on our Senior Credit Facility 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 foreign currency exposure through the use of derivative instruments.

A 10% change in average foreign currency rates against the U.S. dollar during the nine months ended September 30, 2017 would have increased or decreased our revenues and net loss by approximately \$11.0 million and \$0.7 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 September 30, 2017. Based on the evaluation, as of September 30, 2017, 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 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 2016 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, 2016.

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

*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 September 30, 2017, 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, (iv) the Unaudited Condensed Consolidated Statement of Changes in Stockholder Equity, (v) the Unaudited Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.

Notes:

* Filed herewith

** Furnished herewith

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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

Executive Vice President and Chief Financial Officer

Date: November 6, 2017