SYNIVERSE HOLDINGS INC
Form 10-K
March 14, 2018
Table of Contents

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

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
o 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)

Securities registered pursuant to section 12(b) of the Act: None
Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes x No o
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 o No x
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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

1

Table of Contents

Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller reporting company o

(Do not check if a smaller reporting company)

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

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant is $0 as the registrant is a privately held corporation and its common stock is not publicly traded. The number of shares of common stock of the registrant outstanding at March 2, 2018 was 1,000.

Documents Incorporated by Reference

None

Table of Contents

SYNIVERSE HOLDINGS, INC.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2017
TABLE OF CONTENTS

Table of Contents

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
GSMA	Global System for Mobile Communications Association
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
VoIP	Voice over IP
VoLTE	Voice over LTE

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements in this Annual Report on Form 10-K, including, without limitation, those under the caption entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” may constitute “forward-looking statements” for purposes of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Some of the forward-looking statements can be identified by the use of terms such as “believes,” “expects,” “may,” “will,” “should,” “could,” “seeks,” “intends,” “plans,” “estimates,” “anticipates” or other com 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K, 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 under the heading “Risk Factors.” Factors that could cause actual results to differ from those reflected in forward-looking statements relating to our operations and business include:

- system failures or delays which could harm our reputation;
- we do not control the networks over which many of our services are transmitted;
- our reliance on third-party providers for communications software, hardware and infrastructure;
- security breaches which could result in significant liabilities;
- 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;
- political instability in certain countries where we operate;
- our compliance with anti-corruption laws and regulations;
- our limited business in countries targeted by economic sanctions which could harm our reputation;
- our compliance with domestic and international tax law;
- our ability to receive and retain licenses or authorizations required to conduct our business internationally;
- our ability to acquire and integrate complementary business and technologies;
- unfavorable general economic conditions in the United States or in other major global markets;
- additional costs and liabilities for maintaining privacy compliance;
- our failure to generate the capital necessary to expand our operations and invest in new services;
- changes in the regulatory landscape affecting us and our customers;

- our ability to attract and retain key personnel;
- failure to protect our intellectual property rights or claims by third parties that we infringe on or are in violation of their intellectual property rights;
- fluctuation in currency exchange rates;
- impairment of our intangible assets or goodwill;
- potential litigation;
- our ability to achieve desired organic growth;
- our ability to maintain effective internal controls over financial reporting;
- the significant influence Carlyle has over corporate decisions;

Table of Contents

• our ability to service our indebtedness.

These cautionary statements should not be construed by you to be exhaustive and are made only as of the date of this Annual Report on Form 10-K 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.

MARKET, RANKING AND INDUSTRY DATA

The data included herein regarding markets and ranking, including the size of certain markets and our position and the position of our competitors and customers within these markets, is based on independent industry publications, reports from government agencies or other published industry sources and our estimates are based on our management's knowledge and experience in the markets in which we operate. When we rank our customers by size, we base those rankings on the number of transactions processed and other market-specific factors. When we describe our market position, we base those descriptions on the number of subscribers serviced by our customers. Our estimates have been based on information obtained from our customers, suppliers, trade and business organizations and other contacts in the markets in which we operate. We believe these estimates to be accurate as of the date of this Annual Report on Form 10-K. However, this information may prove to be inaccurate because of the methods by which we obtain certain data for our estimates, because this information cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in a survey of market size. In addition, the provided market data is not a guarantee of future market characteristics because consumption patterns and consumer preferences can and do change. See also "Special Note Regarding Forward-Looking Statements."

OTHER DATA

Numerical figures included in this Annual Report on Form 10-K have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

Table of Contents

PART I

ITEM 1. BUSINESS

Overview

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 approximately $15 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 30 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 97 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.

Table of Contents

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.

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 includes 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. We have long-standing customer relationships, with an average tenure of 19 years among our top 10 customers and have maintained a customer contract renewal rate of 95% or higher over the past ten years. Our transaction-based and monthly recurring fee revenue model coupled with our long-term contracts and customer relationships provides us with a highly predictable and recurring revenue stream, with approximately 90% of our annual revenue for each of the last eight years earned under contracts in place at the beginning of the year. Our scalable infrastructure provides significant operating leverage, allowing us to benefit from volume growth and rapidly scale our services across customers, markets, and geographies with relatively low marginal costs. Our efficient management of capital expenditures and low working capital needs lead to significant free cash flow that we may use to repay indebtedness, make acquisitions and fund future growth in the business.

Our principal executive offices are located at 8125 Highwoods Palm Way, Tampa, Florida 33647. Our telephone number is +1 (813) 637-5000, and our website is www.syniverse.com. The information on or linked to our website is not part of this Annual Report on Form 10-K, nor is such content incorporated by reference herein.

Business Information

Syniverse provides mission-critical technology and business services that enable the seamless provision of the mobile experience to end-users regardless of network, device or application. Our comprehensive suite of services includes Mobile Transaction Services and Enterprise & Intelligence Solutions.

Revenues by service offerings were as follows:

	Year Ended December 31,		
(in thousands)	2017	2016	2015
Mobile Transaction Services	$634,364	$649,948	$731,496
Enterprise & Intelligence Solutions	159,148	131,944	129,979
Revenues	$793,512	$781,892	$861,475

Table of Contents

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

	Year Ended December 31,		
(in thousands)	2017	2016	2015
North America	$464,436	$483,329	$534,178
Europe, Middle East and Africa	143,264	133,293	143,837
Asia Pacific	124,769	116,960	125,175
Caribbean and Latin America	61,043	48,310	58,285
Revenues	$793,512	$781,892	$861,475

For the years ended December 31, 2017, 2016 and 2015, we derived 53.6%, 57.0% and 57.8% of our revenues from customers in the United States, respectively.

Long-lived assets, which consist of property and equipment, net and capitalized software, net, by geographic location were as follows:

	December 31,	
(in thousands)	2017	2016
North America	$148,566	$201,753
Europe, Middle East and Africa	33,681	35,624
Asia Pacific	13,016	14,058
Caribbean and Latin America	394	638
Long-lived assets, net	$195,657	$252,073

For the years ended December 31, 2017 and 2016, 76.0% and 80.0%, respectively, of our long-lived assets were located in the United States.

Mobile Transaction Services

With the emergence of new technologies and market entrants within the mobile ecosystem, it remains critical to connect disparate networks and partners to deliver seamless and ubiquitous services to end-users. In order for an end-user to complete a call, initiate a data session, send a message, or perform numerous other functions using their mobile device, MNOs must connect with one another and exchange information. These connections and exchanges vary in complexity depending upon geography, technology, application and device. Our core strength is solving that complexity, bridging parties together to deliver seamless service to end-users. We provide the interconnection between approximately 900 MNOs, processing over 4 billion billable transactions each day between and among these MNOs. This transaction processing facilitates clearing of transaction records, settlement of transaction fees, authentication and activation of subscribers and advanced data transport services, among other mission-critical services. Any time information passes from one network to another, we can provide the connection and process the transaction that enables the exchange.

Clear, Process and Exchange Inter-operator Billing Records

We are the largest global clearinghouse providing transaction processing services to over 500 MNOs globally to validate, clear, process and exchange inter-operator billing records. Several times per day our customers send us billing detail records related to all of the roaming end-users to whom they are providing service. Our clearinghouse service verifies the accuracy and rates on these records and routes the records to the related operator. We ensure for our customers that any change in technology is seamless, moving from 2G to 3G and LTE, as well as any future evolutions.

MNOs rely on a multitude of wholesale roaming agreements among one another to provide their end-users with a seamless experience outside their end-user's home coverage area. These agreements define the terms and wholesale rates that a visited MNO charges to the home MNO in exchange for providing service to roaming end-users. When MNOs offer nationwide

Table of Contents

coverage plans, they often fill the gaps in their home network through wholesale roaming agreements with other MNOs, even if they do not charge their end-users for such roaming. MNOs use clearinghouses to manage the complex exchange of wholesale end-user billing records and monthly settlement of fees.

Process and Settle Payments between Participants in the Mobile Ecosystem

We are the largest wholesale provider of financial settlement services to the mobile industry, providing these services to MNOs to settle approximately $15 billion annually between our customers. On a monthly basis we determine the wholesale fees owed between and among our MNO customers and their roaming partners and perform the reconciliation, generate the invoicing and settle the payment of these wholesale roaming fees.

Activate, Authenticate and Authorize End-user Mobile Activities

We provide signaling solutions that deliver over 12 billion records daily while operating with 99.999% availability. These records authenticate the identity of end-users while roaming and authorize the appropriate level of service in the visited network. Our signaling solutions and ability to interact with specialized MNO databases are used by MNOs to communicate with each other regarding the activities taking place outside their home 2G, 3G, LTE or Wi-Fi networks. Our number portability services, active in several countries, allow end-users to keep their mobile numbers when activating service on a new network. As service providers continue to leverage their networks to introduce new services, we work with our customers to develop and manage new signaling solutions to activate, authenticate and authorize these new services between MNOs.

Manage the Worldwide Routing and Delivery of SMS, MMS and Next Generation Messaging

We operate a worldwide inter-carrier messaging platform that handles over 30 billion messages monthly and includes the most extensive direct connections to MNOs in the Americas and Asia. MNOs rely on messaging gateways to provide the reach necessary to exchange messages between end-users on any network or service globally. As one of the largest messaging gateways globally, our platform verifies routing of messages to the proper destination, translates between protocols to handle incompatibility, analyzes the traffic to identify and eliminate potential fraud and spam and manages traffic volumes to accommodate each customer’s messaging platform volume limitations.

Provide Data Transport Services over Our Global IP Data Network Regardless of Technology Protocol

We operate the largest independent global IPX network with more than 400 direct MNO connections and 36 network access points through which we provide both interconnectivity and roaming services between MNOs. We launched our IPX network in 2009 with a broad range of services, including a comprehensive LTE portfolio. LTE roaming services have been available since January 2012 with over 140 live LTE roaming customers across more than 4,000 LTE roaming routes. IP networks are used by MNOs and M2M providers for the transport of end-user data and content. With the explosive growth of high speed data networks, smart phones and applications, our customers have increased their reliance on IP networks to meet the insatiable demand for bandwidth. MNOs rely on private secure IPX gateways to provide connectivity between their internal IP networks for the secure exchange of end-user content. M2M and MVNO providers often use IPX networks to manage all internet access for their end-users. We also provide a diameter signaling service that currently delivers approximately 800 million daily transactions, which is reflective of the technological evolution from 3G signaling to next generation LTE. Diameter signaling services enables MNOs to better manage mobile data and signaling traffic growth across LTE and IMS networks.

When end-users roam outside of their home network, all of their data traffic is routed back through their home MNO to control access and ensure a consistent end-user experience, regardless of location. This data traffic is exchanged between the home and visited MNO via an IPX gateway. Additionally, LTE standards define IPX gateways as the platform to securely exchange data between end-users on different home networks. VoLTE will migrate traditional voice transport to IPX networks. Our IPX network currently covers 9 of the top 10 international voice routes. IPX gateways allow differentiated class of service based on applications such as dynamic bandwidth provisioning and traffic prioritization. This creates opportunities for MNOs to deliver new services designed to optimize the end-user experience, including VoLTE, video and other advanced services. We believe our global reach establishes us as the provider of choice for MNOs as they migrate to LTE networks.

Table of Contents

Provide Intelligent Policy and Charging Tools that Enable Our Customers to Use Real-time Data for Improved End-user Experience

We provide dynamic policy management solutions that allow MNOs to proactively monitor and evaluate an end user's profile and offer incremental services or resolve network issues in real-time. For example, when a subscriber is roaming in a foreign country without a proper roaming plan, our solution allows a subscriber to select a suitable plan and provisions that plan in real-time.

Provide Risk Management Tools to Prevent Fraudulent Activity

Our risk management capabilities extend to a variety of revenue assurance, fraud prevention and other mobile security services. These include the real-time exchange and analysis of roaming activity records and end-user subscription information for the development of fraud profiles to identify and prevent fraudulent activity, messaging spam and unauthorized access to MNO networks. These services enable MNOs to minimize disruption to their networks, mitigate financial losses and optimize the quality of the end-user experience.

Enterprise & Intelligence Solutions

As mobile becomes the preferred real-time communications medium for OTTs and enterprises, end-users now demand seamless and ubiquitous access to these services. OTTs and enterprises need an experienced partner who can provide them with global access to their customers across disparate mobile networks, each with unique attributes and specifications. MNOs require the ability to measure and manage end-user service availability in real-time. We provide the tools to manage a standardized and seamless roll-out of end-user engagement strategies and best practices to efficiently and effectively integrate their platform into the mobile ecosystem.

Connect Enterprises to the Mobile Ecosystem for Enhanced Customer and Employee Engagement

We provide enterprises, such as banks, retailers, airlines and hotels, with the ability to reliably reach and interact with all of their customers and employees via mobile devices regardless of geography, network, device or application. Our high-volume processing capabilities currently support in excess of 30 million messages being sent by our enterprise customers to end-users daily.

Bridge OTTs to the Mobile Ecosystem Allowing OTT End-users to Interact with Traditional Mobile End-users

Our IP messaging gateway bridges OTT messaging applications with MNOs allowing OTT end-users to seamlessly interact with traditional mobile messaging. For example our service allows an end user of a VoIP service to send and receive messages from multiple platforms (smartphone app, tablet, PC, etc.) and appear as if the messages were originating or terminating to a mobile phone number. By connecting these OTTs to the larger mobile ecosystem, we effectively remove barriers between end-users and expand the addressable messaging market.

Enable Enterprises to Rapidly Execute and Optimize their Mobile Initiatives

We provide mobile campaign management services that enable enterprises to optimize and differentiate their mobile interactions with various audiences. These interactions can take the form of mobile marketing or alert services or other types of communications with customers or employees. The enterprises we serve interact with a large number of customers and employees on a regular, and sometimes daily, basis. These services are "opted-in" by the end-user and our solutions provide our enterprise customers with the ability to outsource the end-user permission process. Many of these end-users are most effectively reached in a targeted and customized fashion that accounts for their individual preferences and priorities. As a result, it has become increasingly important for enterprises to structure their mobile outreach initiatives to allow for targeting of specific audiences. By analyzing and processing end-user information, our services allow enterprises to intelligently segment their different constituents and then selectively schedule and deliver relevant and customized offers and information to end-users. Our service allows for the rapid deployment of mobile campaigns, real-time processing of end-user communications, and, ultimately, serve to reinforce our customer's brand with its end-users.

Table of Contents

Provide Data Analytics and Business Intelligence Solutions Designed to Measure, Enhance and Secure the End-user Experience

We provide customizable services that leverage end-user real-time activity to develop trend analysis, and profile information to support personalized services for mobile end-users. These services provide enterprises the type of mobile technology enablement that is needed to deliver secure, reliable mobile interactions, while also building brand loyalty and creating clear value exchange with the enterprise's end-users. The contextual data that informs our business intelligence solutions includes current end-user network usage, geo-location and mobile identity verification. Specifically, our mobile identity services verify a broad set of end-user data and information, including subscriber identity, network, device and phone number. These data elements can be used to deliver services such as mobile payment authorizations and two-way messaging capabilities. Specific examples of some of our solutions are:

- We can identify a user of a social network who has landed in a foreign country but is not using data services. We can then offer the end-user a data roaming plan paid for and branded by the social network. This strategy enables the social network to reinforce its brand value with the end-user while facilitating the user's social network engagement when traveling abroad, at no cost to the end-user.
- We can provide a financial institution with the capability to send reward redemption offers for opted-in customers to fulfill by simply replying to a text message (reply-to-redeem). The solution allows end-users to check their point balances and to redeem eligible rewards by simply texting a dedicated code (text-to-redeem) which enhances the financial institutions customer loyalty program and drives better engagement with points redemption.

Provide Solutions to Enable MNOs to Measure and Manage the Subscriber Experience across Networks

We collect, correlate and analyze billions of end-user data records to provide MNOs with unique insights into subscriber behavior that allow them to identify new revenue opportunities and potential service issues in real-time. Our data analysis can identify network failures or individual subscriber conditions that are causing service disruptions and enable the MNOs to resolve the issue with minimal end-user impact. Additionally, our platform identifies long-term trends and issues in network performance that assist with network planning and partnership negotiations.

Industry Overview and Trends

We operate at the center of the global mobile ecosystem, which continues to grow rapidly as evidenced by the increasing number of mobile subscribers, devices and traffic. Concurrent with this growth, mobile is becoming the preferred medium for communication and other daily activities. For example, emails are often accessed on mobile devices rather than desktop computers, users access their social media accounts, view content and shop online using their mobile devices and use mobile wearables, such as watches and health monitors to monitor daily activities.

The introduction of new and diverse technologies, services and market participants has increased the complexity of providing a seamless and ubiquitous end user experience. Key contributors to this increasing complexity include the continued deployment of evolving LTE and Wi-Fi networks, the proliferation, increasing sophistication and diversity of mobile devices and their underlying operating systems and technologies and the emergence of OTTs and enterprises and their rapid introduction of innovative applications and services to the mobile ecosystem.

The increased complexity of the mobile ecosystem has created a growing demand for intelligence and analytical solutions. Business intelligence solutions derived from the processing of end user transaction data have become a key element in delivering superior business performance across a wide range of industries. Driving the growth of this market is end user demand for seamless, personalized mobile services that offer customized functionality to address their individual preferences. As a result, participants in the mobile ecosystem require business intelligence solutions that provide operational optimization, end user personalization, end user engagement and mobile identity.

Our customers continually face new and technical challenges as the mobile ecosystem rapidly grows in size, complexity and end user expectations. As a result, there is a significant and growing need for a trusted intermediary that can connect participants to provide end users with a seamless mobile experience.

Table of Contents

Our Solution and Competitive Strengths

Syniverse addresses the need of mobile ecosystem participants for a neutral and trusted intermediary. For 30 years we have simplified the complexity of the mobile ecosystem by leveraging economies of scale to efficiently enable the secure, real-time processing of the billions of transactions required each day to enable a ubiquitous and seamless mobile experience. Every mobile ecosystem participant to which we connect increases the value of our services for all of our customers. We have the following key capabilities:

- Ability to operate across and translate between all network technology types, including 2G, 3G, 4G, LTE and Wi-Fi, device types such as smartphones, tablets and PCs, and business models introduced by new entrants to the mobile ecosystem.
- Market-leading proprietary technology applications and robust global networks with network availability exceeding 99.999%.
- Platform integration into and trusted deep relationships with approximately 900 MNOs and 450 OTTs and enterprises in nearly 200 countries.
- Ability to independently monitor and enforce complex contractual arrangements between our customers.
- Access to a unique portfolio of real-time data and the ability to produce analytical insights from this data enabling our customers to enhance their end-user experience.

We believe the following strengths provide competitive advantages that position us well to enhance our position at the center of the mobile ecosystem and to capitalize on the growth trends in our industry.

Industry Leader with Global Scale

We are the leading global provider of transaction processing and intelligence solutions across the mobile ecosystem. We are a primary connection point and a trusted neutral intermediary to approximately 1,350 MNOs, OTTs and enterprises, creating significant value for our customers and, ultimately, their end-users. We believe our geographic footprint, scope of operations, and established relationships with blue-chip customers make our business model and global scale difficult, time-intensive and costly to replicate. Our technology platforms are highly scalable, processing nearly two trillion billable transactions annually, and can easily support new services, new customers and transaction volume growth without incurring significant additional costs.

Operational Excellence Supported by Proprietary and Secure Technology Platforms

We have a proven track record of operational excellence. Our network operates with over 99.999% availability and all of our platforms have high reliability as a result of our investment in our technology infrastructure and platforms, system redundancy and automated recovery, security and the expertise of our highly skilled workforce. Our mission-critical services directly impact our customers' operational and financial performance and, as a result, we believe that the operational reliability of our technology platform is a critical competitive differentiator. Our proprietary and secure technology platforms, located across 18 countries on 4 continents, are situated in 23 data centers and 36 network access points, supporting our global IP backbone. Our state-of-the-art network and application monitoring centers ensure global connectivity and respond to service degradation notifications and other alarms, enhancing and maintaining our customers' ability to provide a seamless and ubiquitous end-user experience.

Broad and Differentiated Portfolio of Services

Our comprehensive suite of services is unmatched by any single competitor in the market. We provide approximately 60 mission-critical services that enable seamless mobile usage across disparate networks and technologies, enable enterprises to access their customers and employees, manage business-to-business transaction processing between and among our customers and their partners, and provide data analytics and intelligence. Our cloud-based solutions allow our customers to bring new services to market quickly with a low cost of service. Our comprehensive portfolio allows us to function as a one-stop shop for our customers and to offer customized solution suites that are unique in the marketplace.

Real-Time Data Analytics & Intelligence Capabilities

Our unique position at the center of the mobile ecosystem provides us with access to a unique portfolio of real-time data derived from the processing of end-user transaction information. With insight derived from end-users' information, behavior and locations, which we refer to as mobile context, MNOs can optimize the subscriber experience and OTTs and enterprises can enhance their end-user relationships with the deployment of new and personalized engagement capabilities. MNOs use our business intelligence tools to proactively resolve performance issues and utilize real-time subscriber information to provide customized service to their end-users. We are further developing these intelligence solutions to provide enterprises, including OTT customers, to utilize contextual data to achieve personalized and interactive engagement with customers and employees in the mobile environment. We believe that our unique position at the center of the mobile ecosystem as well as the substantial amount of real-time data we process on behalf of our customers positions us well to develop innovative business intelligence solutions, including identity, location and security services, to address the needs of our customers as they seek to provide seamless and personalized experiences for their end-users.

Uniquely Positioned to Drive Innovation in the Mobile Ecosystem

We believe that our expertise and experience in the mobile ecosystem, long-standing customer relationships and integrated position with MNOs uniquely positions us to provide innovative and relevant new services to a variety of customers in response to changing technologies, the needs of new and non-traditional market entrants as well as the ever-changing preferences of end-users. We have a history of investing in and developing new services that anticipate and respond to our customers’ needs as new technologies, standards, entrants and business models are introduced into the mobile ecosystem. Over the last seven years, we have invested over $250 million in the development of new services and new features for our portfolio of existing services. We often develop services in collaboration with our customers, enabling us to mitigate the financial risk associated with our R&D investments. We believe our culture of innovation positions us well to capitalize on future growth opportunities. To support this effort, we have a talented workforce, including approximately 500 product developers and engineers who participate in, and often lead, industry groups responsible for developing new mobile technology standards. We are an active participant in the international wireless community as a member of GSMA and have been consistently recognized as an innovation leader, having received numerous awards, including Global Telecoms Business Innovation Awards, GSMA Global Mobile Awards and Total Telecom World Vendor Awards, among many others.

Longstanding Customer Relationships and Diverse Customer Base

We have provided services to our top 10 customers for an average of 19 years. The mission-critical nature and superior quality of our services have allowed us to maintain a customer contract renewal rate of 95% or higher over the past ten years. We have a diverse set of approximately 1,350 customers in nearly 200 countries. These customers include MNOs, 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 United States 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.

Experienced Management Team

Our executive management team has extensive customer and industry expertise, significant experience with emerging technologies and a proven track record of driving growth with an average of over 20 years of industry experience, and we continuously seek to augment our experienced leadership team with exceptional management talent. The team has fostered a strong culture focused on delivering superior value to our customers and shareholders, as demonstrated by our diverse customer base and expanded geographical diversity since 2009. We employ a disciplined acquisition strategy, having successfully executed over $1 billion of acquisitions since 2007, including our acquisitions of MACH in June 2013, which significantly expanded our presence in Europe, Asia and Africa, while also providing numerous cost saving and cross-selling opportunities, and Aicent in August 2014, which expanded our Asian footprint, and positioned us as a leader in the enablement of IPX and LTE roaming interconnectivity. Our successful integration of these businesses has enhanced our market position, expanded our capabilities and geographic reach, and resulted in substantial cost savings.

Business Strategy

We intend to execute the following strategies:

Grow and Globalize Our Business

We intend to leverage our existing technology and infrastructure, our portfolio of services and our market leading position and reputation to capitalize on robust mobile growth in the markets we serve, particularly in emerging markets, including China, India and countries in Latin America and Africa. In support of our growth initiatives, we intend to:

- Build upon our extensive access to transaction data, mobile ecosystem expertise and deep trusted relationships with our existing customers to increase the number of services sold to them.
- Deepen our existing relationships with our international customers by cross-selling a more diverse set of services to our existing customers outside of North America.
- Build relationships with new customers by capitalizing on our globally recognized reputation for customer service, reliability and innovation.
- Further develop our international operations, including our regionalized sales force, network infrastructure and operational support capabilities.
- Partner with our enterprise customers as they expand their businesses into developing and emerging markets and seek to realize value from customer data generated across the global mobile ecosystem.

Continue to Develop Innovative Services

We will continue to invest substantial resources in the development of new services to address trends affecting the mobile ecosystem. For example, we have developed a cloud based mobile protection and revenue assurance offering that allows our customers to implement domestic and roaming fraud prevention services quickly and cost effectively. Similarly, we have developed a simplified interface for enterprise application developers that allows enterprises to easily integrate their services with our mobile communications infrastructure, such as our messaging platform, to accelerate the deployment of their services to mobile end users. We believe we will continue to successfully develop new, innovative services individually and through partnerships and joint initiatives with our customers. We will continue to focus on meeting our MNO and enterprise customers’ growing needs for diverse intelligence and analytic solutions, leveraging our unique position at the center of the mobile ecosystem and the substantial amount of data we have access to and process on behalf of our customers. We have grown the average number of customers per service for our top 10 services from 106 in 2011 to over 200 in 2017.

Continue to Support New Entrants to the Mobile Ecosystem

We intend to capitalize on our deep industry and technical knowledge, leading market position and role as a centralized gateway to be the provider of choice for new and non-traditional entrants. The mobile market is undergoing significant business model innovation and evolution, as shown by the continued emergence of non-traditional service providers such as multi-service operators, MVNO and M2M service providers requiring integration into the mobile ecosystem. In addition, OTTs and enterprises view mobile as central to their strategies, and demand the ability to communicate and interact with their customers and employees on their mobile devices anywhere in the world. We will continue to provide and develop services that meet the unique needs of these new entrants.

Continue to Pursue Strategic Acquisitions and Partnerships

We intend to continue to follow a disciplined strategy of pursuing strategic acquisitions focused on companies with compatible business models that we believe will be accretive. We have historically used and expect to continue to use acquisitions to expand our service offerings for existing customers and gain access to new geographic markets. We have a strong track record as a disciplined acquirer that quickly and efficiently integrates acquired businesses. In June 2013, we acquired MACH, which significantly expanded our presence in Europe, Asia and Africa while also providing numerous cost saving and cross-selling opportunities. In August 2014, we acquired Aicent, which expanded our Asian footprint, and positioned us as a leader in the enablement of IPX and LTE roaming interconnectivity. In the second quarter of 2016, we acquired a noncontrolling interest in Vibes Media LLC, a scaled cloud-based mobile marketing software platform. We believe that these strategic partnerships will enable us to further enhance our end-to-end enterprise solutions.

Continue to Focus on Operational Excellence and Efficiency

We intend to maintain our high quality of service and reputation for reliability while continuing to focus on opportunities to optimize our operating efficiency and lower our cost structure through automation and cost management initiatives. Recent operational efficiency initiatives have included automation efforts designed to ensure higher customer satisfaction, improved resource management and refined product development processes. In March and December 2016, we implemented restructuring plans to realign costs and expenses with revenue trends across our portfolio, reducing costs associated with certain of our legacy products and services to allow for increased investment in our growth businesses. Our continued focus on operational excellence should continue to drive efficiency, effectiveness and quality of service for our customers' end-users.

Table of Contents

Employees

As of December 31, 2017, we had 2,179 full-time equivalent employees, with approximately 63% located outside the United States. Certain of our employees in various countries outside the United States are subject to laws providing representation rights to employees under collective bargaining agreements and/or on workers' councils. We believe that employee relations are positive.

Sales and Marketing

As of December 31, 2017, our sales and marketing organizations included 287 people who identify and address customer needs and concerns, deliver comprehensive services and offer a complete customer support system.

- Sales. Our sales team is geographically diverse and regionally focused. Sales executives, product specialists and client support personnel are organized geographically within regional offices responsible for customers in North America, Caribbean and Latin America, Asia Pacific and Europe, Middle East and Africa.
- Marketing. Our marketing organization is comprised of marketing and communications employees. This organization is responsible for consistent communications and global brand management as well as market planning and analysis and industry relations. This includes product marketing and competitive analysis, media relations, event planning, web marketing and marketing communications.
- Product Management. Working with the sales organization, product managers are responsible for managing the product's positioning throughout its life cycle as well as managing costs and pricing. These responsibilities include developing strategic product and market plans, specifying product requirements, planning development resources and managing product launches.

Technology and Operations

Technology

As of December 31, 2017, our technology group was comprised of 502 professionals. This group performs all functions associated with the design, development, testing, implementation and operational support of our services. The primary functions of the technology group include Product Development and Life Cycle, Operational Support Services, Technology Services and Innovation.

- Product Development and Life Cycle. Delivers new product development, enhancements and maintenance releases and develops integrated solutions that address customer needs.
- Operational Support Services. Provides 24 hours per day, seven days per week, 365 days per year operational product support to ensure a high level of service and system availability.
- Technology Services. Maintains the high quality of customer service through centralized testing, system/data base administration, configuration management, security and network engineering and operations.
- Innovation. Researches new technologies to identify innovative solutions, develops proof of concepts and launches new services all in support of the evolving needs of our customers.

Operations

As of December 31, 2017, we had 932 employees dedicated to managing internal operations and customer support functions. Key functions include:

-

Customer Service, Documentation and Training. Provides “front-line” support for our global customers. Our Documentation and Training group publishes the technical documentation accompanying portfolio of services in multiple languages and also travels nationally and globally to provide strategic customer training.

- Operator Business Process Outsourcing. Provides flexible services designed with features for planning, reporting, monitoring and analyzing customer roaming agreements.
- Internal Operations Support. Manages internal hardware and software technology programs as well as the Local Area Network, internet, email and departmental servers for our employees. Other internal operations functions include information security, facilities management and disaster recovery.

Table of Contents

As of December 31, 2017, we had 158 employees dedicated to network provisioning, monitoring and support.

- Network Operations Center. We maintain a state-of-the-art Network Operations Center that actively monitors applications, network and connections to customers. The Network Operations Center provides support both domestically and globally 24 hours per day, seven days per week, 365 days per year. The Network Operations Center proactively identifies potential issues with our applications, operating system, network, switch connectivity and call processing. These issues are managed through resolution with customers in conjunction with Inter-Exchange Operators, Local Exchange Operators, field engineering, our internal product support and development teams and vendors.
- Network Services. Designs, develops and supports our signaling and IP networks. Employees within Network Services work closely with other functional departments and vendors to ensure that we are engineering and maintaining cost effective and reliable network services that meet customers' needs.

Competition

There is no single company that competes across all of the services we offer. We believe that the breadth of our services, global scale, and customer relationships will enable us to continue our market leadership. We face competition from several companies that provide similar offerings to some of our services in certain geographic markets. For Mobile Transaction Services, our competitors include regional providers of specific services, wholesale service divisions of incumbent network providers and, in limited cases, MNOs that create in-house solutions. For Enterprise & Intelligence Solutions, our competitors include enterprise database and application companies, specialized application integration consultants and, in some cases, MNOs.

While we maintain a leading position in most of the markets in which we operate, our future success will depend on our ability to enhance and expand our suite of services, provide reliable connectivity and services, strengthen and expand our geographic footprint and drive innovation that anticipates and responds to emerging customer needs and the growth and evolution of the mobile ecosystem.

Customers

We have a diverse set of customers consisting of approximately 1,350 customers in nearly 200 countries. Our customers include 97 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 5 largest social networking sites in the United States 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. Our customer base has remained stable over time, as we have been providing services to our top 10 customers for an average of 19 years. We believe these longstanding relationships, and the mission-critical nature and superior quality of our services, have allowed us to maintain a customer contract renewal rate of 95% or higher over the past ten years.

Our two largest customers, Verizon Wireless and AT&T Mobility, generated 14.6% and 10.2%, respectively, of total revenues for the year ended December 31, 2017. No other customer generated more than 10% of total revenues for the year ended December 31, 2017.

Litigation

There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Company, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, by or against the Company or any of the Company's restricted subsidiaries, or against any of their properties or revenues that either individually or in the aggregate, could reasonably be expected to have a material adverse effect on our business, results of operation and financial condition.

Government Regulations

The majority of our services are not heavily regulated. In the United States we do not offer services that are deemed to be common carrier telecommunications services. However, certain services we offer in the United States are subject to limited regulation by the United States FCC. In particular, end-user revenues from selected services are used to determine our contribution to the FCC's Universal Service Fund. In addition, certain services we offer outside of the United States are also subject to regulation. Some of our financial clearing services require that we maintain a license as a money service business in the United Kingdom and follow certain "know your customer" and anti-money laundering regulations in the provision of these services. Finally, our number portability businesses in India and Singapore are provided under government issued licenses with specific

Table of Contents

terms and conditions. For example, in India our number portability license sets the price we can charge for our services. If we violate the terms of our licenses in India or Singapore we are subject to fine and could lose our ability to continue to offer these services.

Intellectual Property

We currently maintain approximately 237 registrations and 30 pending applications covering our service and trade marks in the United States and foreign countries; approximately 98 issued patents and 45 pending patent applications in the United States and foreign countries, 11 of which are jointly owned with Verizon Communications; and 60 U.S. Copyright Registrations. We also rely on trade secret and copyright laws as well as contractual arrangements to protect our trade secrets and copyrightable works.

ITEM 1A. RISK FACTORS

Any of the following risks could materially and adversely affect our business, financial condition or results of operations. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Annual Report on Form 10-K, including our audited consolidated financial statements and related notes. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition or results of operations. If these events were to occur, we may not be able to pay all or part of the interest or principal on our indebtedness, including the Syniverse Notes. Information contained in this section may be considered “forward-looking statements.” See “Special Note Regarding Forward-Looking Statements” for a discussion of certain qualifications regarding such statements.

Risks Related to Our Business

System failures, delays and other problems could harm our reputation and business, cause us to lose customers and expose us to customer liability.

Our success depends on our ability to provide reliable services to our customers. Our operations could be interrupted or degraded by any damage to or failure of:

- our computer software or hardware, or our customers’ or suppliers’ computer software or hardware;
- our network, our customers’ networks or our suppliers’ networks; and
- our connections and outsourced service arrangements with third parties.

Our systems and operations are also vulnerable to damage or interruption from:

- power loss, transmission cable cuts and other telecommunications and utility failures;
- hurricanes, fires, earthquakes, floods and other natural disasters;
- a terrorist attack in the U.S. or in another country in which we operate;
- interruption of service arising from facility migrations, resulting from changes in business operations including acquisitions and planned data center migrations;
- computer viruses or software defects;
- loss or misuse of proprietary information or customer data that compromises security, confidentiality or integrity; and
- errors by our employees or third-party service providers.

From time to time in the ordinary course of our business, our network nodes and other systems experience temporary outages. As a means of ensuring continuity in the services we provide to customers, we have invested in system redundancies, proactive alarm monitoring and other back-up infrastructure, though we cannot assure you that we will be able to re-route our services over our back-up facilities and provide continuous service to customers in all circumstances without material degradation. Because many of our services play a mission-critical role for our customers, any damage to or failure of the infrastructure we rely on, including that of our customers and vendors, could disrupt or degrade the operation of our network and the provision of our services, result in the loss of current and potential customers and expose us to potential liability under our customer contracts.

18

Table of Contents

We do not control the networks over which many of our services are transmitted, and a failure in the operations of such networks could adversely affect our business.

Our platform is dependent on the reliability of the sophisticated and complex networks of others in the mobile ecosystem, as well as our ability to deliver services across such networks at prices that enable us to realize a profit. These networks could fail for a variety of reasons, including new technology incompatibility, the degradation of network performance under the strain of too many mobile consumers using the network, a general failure from natural disaster or a political or regulatory shut-down. Individuals and groups who develop and deploy viruses, worms and other malicious software programs or engage in denial of service attacks or other similar activities could also attack mobile networks and the devices that run on those networks. If a network upon which we rely should fail for any reason, we would not be able to effectively provide our services to our customers using that network. This in turn could hurt our reputation and cause us to lose significant revenue.

Our reliance on third-party providers for communications software, hardware and infrastructure exposes us to a variety of risks we cannot control.

Our success depends on software, equipment, network connectivity and infrastructure hosting services supplied by our vendors and customers. We cannot assure you that we will be able to continue to purchase the necessary software, equipment and services from these vendors on acceptable terms or at all. If we are unable to maintain current purchasing terms or ensure service availability with these vendors and customers, we may lose customers during any disruption or degradation in services and experience an increase in costs in seeking alternative supplier services, migration of equipment or services or incur additional capital expenditure costs.

Our business also depends upon the capacity, reliability and security of the infrastructure owned and managed by third parties, including our vendors and customers, that is used to deliver our services. We have no control over the operation, quality or maintenance of a significant portion of that infrastructure and whether those third parties will upgrade or improve their software, equipment and services to meet our and our customers' evolving requirements. We depend on these companies to maintain the operational integrity of our services. If one or more of these companies is unable or unwilling to supply or expand its levels of service to us in the future, our operations could be severely impacted. In addition, rapid changes in the telecommunications industry have led to industry consolidation. This consolidation may cause the availability, pricing and quality of the services we use to vary and could lengthen the amount of time it takes to deliver the services that we use, in particular for those services for which we need access to mobile operators' networks in order to deliver.

Interruptions in the proper functioning of our information technology, or "IT" systems, including from cybersecurity threats, could damage our reputation, harm our operating results and result in significant liabilities.

Our IT systems are subject to security risks and we may incur increasing costs in an effort to minimize those risks. Our services require that we electronically receive, process, store and transmit customer information, which includes certain sensitive consumer and end-user data. As a result, the proper functioning of our IT systems is critical to the successful operation of our business. We believe the risk that a security breach could seriously harm our business is high and is likely to increase as we expand our technology and network footprint. Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity attacks in particular are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data (either directly or through our vendors and customers) and other electronic security breaches. Despite our security measures, our IT systems and infrastructure or those of our third parties may be vulnerable to such cyber incidents. The result of these incidents could include, but are not limited to, disrupted operations, misstated or misappropriated financial data, theft of our intellectual property or other confidential information (including of our customers, vendors and employees), liability for stolen assets or information, increased cyber security protection costs and reputational damage adversely affecting customer or investor confidence. In addition, if any information about our customers, including payment information, were the subject of a successful cybersecurity attack against us, we could be subject to litigation or other claims by the affected customers. We have incurred costs and may incur significant additional costs in order to implement the security measures we feel are appropriate to protect our IT systems. If our services are perceived as not being secure, our strategy to be a leading provider of technology solutions to the wireless ecosystem may be adversely impacted.

Our information systems include proprietary systems developed and maintained by us and IT systems of third parties. Although our IT systems are protected through physical and software safeguards and remote processing capabilities exist, our IT systems or those of third parties whom we depend upon are still vulnerable to natural disasters, power losses, unauthorized

Table of Contents

access, telecommunication failures and other problems. If critical proprietary or third-party IT systems fail or are otherwise unavailable, including as a result of system upgrades and transitions, our ability to operate our business would be adversely affected.

If we do not adapt to rapid technological or other changes in the industries we serve, we could lose customers or market share.

Our industry is characterized by rapid technological change and changing customer demands, such as the evolution of LTE and 5G networks, the replacement of CDMA networks and the evolution of the OTT ecosystem that may bypass or compete with MNO networks for certain services, such as messaging. Our success depends on our ability to adapt to our rapidly changing market by continually improving the features, functionality, reliability and responsiveness of our existing services and by successfully developing, introducing and marketing new features, services and applications to meet changing customer needs. Significant technological changes or changes in the needs of our customers have in the past, and are likely to continue to in the future, make certain of our services obsolete, such as our CDMA services. In addition, technological and other changes may result in a shift in end-user preferences or a decline in reliance on the mobile ecosystem, including, but not limited to, further advances in web-based personal communication. We cannot assure you that we will be able to adapt to these challenges or respond successfully or in a cost-effective way to adequately meet them. Our failure to do so would impair our ability to compete, retain customers or maintain our financial performance. Our future revenues and profits will depend, in part, on our ability to sell to new market participants.

Our new services, such as our data analytics, business intelligence, mobile engagement, anti-fraud, policy and charging, IPX and Enterprise A2P messaging solutions, may not be widely adopted by our current or targeted customers.

In order to continue to meet the rapidly evolving needs of our customers and their end-users, we must continue to develop new services that are responsive to those needs. In particular, we have recently begun to expand our offerings of data analytics, business intelligence, mobile engagement, anti-fraud, policy and charging, IPX and Enterprise A2P messaging solutions to our customers. Our ability to realize the benefits of these and other new services depends, in part, on the adoption and utilization of such services and solutions by our customers, and we cannot be certain that existing or targeted customers will adopt such offerings in the near term or at all. If we are not successful in our efforts to develop and monetize new services, including data analytics and business intelligence solutions, our prospects, financial condition and results of operation would be materially adversely affected.

We depend on a small number of customers for a significant portion of our revenues and the loss of any of our major customers would negatively impact our financial performance.

Our 10 largest customers for the years ended December 31, 2017 and 2016 represented approximately 50% and 51% of our reported revenues in the aggregate, respectively. We expect to continue to depend upon a small number of customers for a significant percentage of our revenues going forward. Since our major customers represent such a large part of our business, the loss of any of our major customers or any services provided to these customers would negatively impact our business. Any non-renewal of contracts with these customers could materially reduce our revenues.

Our failure to achieve or sustain desired pricing levels or to offset price reductions with increased transaction volumes, could impact our ability to maintain profitability or positive cash flow.

Competition and industry consolidation have resulted in pricing pressure in certain circumstances. In addition, regulatory or other market forces have lowered the retail prices our customers can charge for roaming services which has increased pricing pressure for our services that support roaming. We expect this pricing pressure to continue in the future. This pricing pressure could negatively impact the selling price of our services at the time of contract renewal or cause our customers to otherwise request pricing reductions or other concessions. For example, consolidation in the wireless services industry in the U.S. over the past several years has given some of our customers increased leverage in pricing negotiations. Our competitors or our customers' in-house solutions may also provide services at a lower cost, significantly increasing pricing pressures on us. While lower retail prices may lead to increased volumes as end users are more willing to use international roaming services, we may not be able to offset the effects of price reductions with volume increases or the introduction of new services.

Table of Contents

Future consolidation among, or network buildouts by, our customers may cause us to lose transaction volume and reduce our prices, which would negatively impact our financial performance.

In the past, consolidation among our customers has at times caused us to lose transaction volume and to reduce prices. In the future, our transaction volume and pricing may decline for similar reasons. Such consolidation activities may take the form of business combinations, strategic partnerships, or other business arrangements between the operators. In addition, our customers have in the past, and may in the future, buildout their networks which could result in decreased transaction volumes as their home network expands.

We may not be able to expand our customer base to make up for any revenue declines if we lose customers or if our transaction volumes decline as a result of consolidation activities. Our attempts to diversify our customer base and reduce our reliance on particular customers may not be successful.

Most of our customer contracts do not provide for minimum payments at or near our historical levels of revenues from these customers.

Although some of our customer contracts require our customers to make minimum payments to us, these minimum payments are substantially less than the revenues that we have historically earned from these customers. While our contracts are generally subject to a multi-year term, the amount of revenue produced by the contract is not guaranteed. If our customers decide for any reason not to continue to purchase services from us at current levels or at current prices, or not to renew their contracts with us, our revenues would decline.

The market for our services is intensely competitive, including from our customers as they look to develop in-house alternatives to our services.

We compete in markets that are intensely competitive and rapidly changing. Increased competition could result in fewer customer orders, reduced pricing, reduced gross and operating margins and loss of market share, any of which could harm our business and results of operations. We face competition from large, well-funded providers of similar services, including existing communications, billing and technology companies. We are aware of major internet service providers, software developers and smaller entrepreneurial companies that are focusing significant resources on developing and marketing services that will compete with one or more of the services we offer. In addition, we believe that certain of our customers may choose to internally develop and deploy certain functionality currently provided by our services. In recent years, we have experienced a loss of revenue streams from certain of our services as some of our customers have decided to meet their needs for these services in-house or by directly connecting with others in the mobile ecosystem.

We expect that competition for our services will remain intense in the near term and that our primary long-term competitors may not yet have entered the market. Certain of our current and potential competitors, including our customers, have significant financial, technical, marketing and other resources. Our competitors may be able to respond more quickly to new or emerging technologies and changes in end-user requirements than we can.

Our continued expansion into international markets is subject to uncertainties that could adversely affect our operating results.

Our growth strategy contemplates continued expansion of our operations into foreign jurisdictions. These international operations and business expansion plans are subject to numerous risks, including:

- the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- fluctuations in currency exchange rates;
- foreign customers may have longer payment cycles than customers in the U.S., including in order to comply with local currency laws;
- U.S. and foreign import, export and related regulatory controls on trade;
- tax rates in some foreign countries may exceed those of the U.S. and foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls, taxes upon repatriation or other restrictions;
- reputational harm or other adverse consequences due to our operations in jurisdictions subject to the OFAC laws and regulations. See “We currently conduct limited business operations and expect to continue such operations in countries targeted by U.S. and E.U. economic sanctions;”

- general economic and political conditions in the countries where we operate may have an adverse effect on our operations in those countries or not be favorable to our growth strategy;
- unexpected changes in regulatory requirements;
- the difficulties associated with managing a large organization spread throughout various countries, including recruiting and hiring adequate and competent personnel and maintaining our standards, controls, information systems and procedures;
- the risk that foreign governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on our business and market opportunities, including for example TRAI's recent rate reduction for number portability services in India; and
- the potential difficulty in enforcing intellectual property rights in certain foreign countries.

For the year ended December 31, 2017, 46.4% of our total revenue was generated outside of the U.S. as compared to 43.0% for the year ended December 31, 2016. As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could result in higher costs or reduced revenues for our international operations.

Political instability in certain countries in which we operate could have an adverse impact on our business and operations.

We operate in nearly 200 countries across the globe, including in countries and regions subject to political unrest and instability. Internal unrest, acts of violence or strained relations between a foreign government and the U.S. or our company may adversely affect our operations. Such instability must be carefully considered by management when evaluating the level of current and future activity in such countries. These risks are beyond our control and could have a material adverse effect on our business.

Our international operations require us to comply with anti-corruption laws and regulations of the U.S. government and various international jurisdictions.

Doing business on a worldwide basis requires us and our subsidiaries to comply with the laws and regulations of the U.S. government and various international jurisdictions, and our failure to successfully comply with these rules and regulations may expose us to liabilities. These laws and regulations apply to companies, individual directors, officers, employees and agents, and may restrict our operations, trade practices, investment decisions and partnering activities. In particular, our international operations are subject to U.S. and foreign anti-corruption laws and regulations, such as the FCPA and the UK Bribery Act (the "UK Act"). The FCPA prohibits us from providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment, and requires companies to maintain adequate record-keeping and internal accounting practices to accurately reflect the transactions of the company. As part of our business, we deal with state-owned business enterprises, the employees and representatives of which may be considered foreign officials for purposes of the FCPA. The UK Act prohibits us from making payments to private citizens as well as government officials. In addition, some of the international locations in which we operate lack a developed legal system and have elevated levels of corruption. As a result of the above activities, we are exposed to the risk of violating anti-corruption laws. Violations of these legal requirements are punishable by criminal fines and imprisonment, civil penalties, disgorgement of profits, injunctions, debarment from government contracts as well as other remedial measures. We have established policies and procedures designed to assist us and our personnel to comply with applicable U.S. and international laws and regulations. However, there can be no assurance that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage, and such a violation could adversely affect our reputation, business, financial condition and results of operations.

We currently conduct limited business operations and expect to continue such operations in countries targeted by United States and European Union economic sanctions.

OFAC enforces certain laws and regulations ("OFAC Sanctions") that impose restrictions upon U.S. nationals, U.S. permanent residents, persons located in the U.S., or entities organized under the laws of a U.S. jurisdiction (collectively, "U.S. Persons"), upon business conducted in whole or in part in the U.S., and, in some instances, upon foreign entities owned or controlled by U.S. Persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of OFAC Sanctions ("U.S. Sanctions Targets"). U.S. Persons are also prohibited from facilitating such activities or transactions conducted by others. Similarly, the E.U. and its member nations enforce certain laws and regulations ("E.U. Sanctions") that impose restrictions upon nationals of E.U. member states, persons located within E.U. member states,

Table of Contents

entities incorporated or constituted under the law of an E.U. member state, or business conducted in whole or in part in E.U. member states with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of E.U. Sanctions (“E.U. Sanctions Targets” and together with U.S. Sanctions Targets, “Sanctions Targets”). E.U. persons are also generally prohibited from activities that promote such activities or transactions conducted by others. Additionally, U.S. law authorizes the imposition of various disabilities (“U.S. Secondary Sanctions”) on non-U.S. companies that engage in certain specified types of business involving Iran or Cuba. We engage in limited business activities in countries that are Sanctions Targets, including Iran, Syria, Sudan and Cuba. Our activities and investments in Iran, Syria, Sudan and Cuba in the aggregate accounted for approximately 0.2% of our consolidated revenues during the year ended December 31, 2017. We expect to continue to engage in these limited business activities in countries that are deemed Sanctions Targets over the foreseeable future. Although we believe that OFAC and E.U. Sanctions under their current terms do not prohibit our current activities, and that our current activities will not cause us to be subject to potential U.S. Secondary Sanctions under current U.S. law, our reputation may be adversely affected and investors may divest their investments in us as a result of internal investment policies or may decide for reputational reasons to divest such investments. In addition, the sanctions laws and regulations could be changed in ways that would require us to discontinue or limit our current activities involving Iran, Syria, Sudan or Cuba, or involving other countries, individuals or entities that are not currently designated as Sanctions Targets. We cannot assure you that the foregoing will not occur or that such occurrence will not have a material adverse effect on the value of our securities.

We conduct business in both domestic and international markets with complex and evolving tax rules, which subjects us to taxation related risks.

Some tax jurisdictions in which we operate have complex and subjective rules regarding the valuation of inter-company services, cross-border payments between affiliated companies and the related effects on the taxes to which we are subject, including income tax, value-added tax and transfer tax. From time to time, our foreign subsidiaries are subject to tax audits and may be required to pay additional taxes, interest or penalties should the taxing authority assert different interpretations, or different allocations or valuations of our services. There is a risk, if one or more taxing authorities significantly disagrees with our interpretations, allocations or valuations, that any additional taxes, interest or penalties which may result could be material and could reduce our income and cash flow from our international subsidiaries.

On December 22, 2017, the United States enacted comprehensive tax legislation called the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code which could have an overall unfavorable effect on our prospective cash tax obligations as well as our effective income tax rate.

We may not be able to receive or retain licenses or authorizations that may be required for us to sell our services internationally.

The sales and marketing of our services internationally are subject to the U.S. Export Control regime and similar regulations in other countries. In the U.S., items of a commercial nature are generally subject to regulatory control by the U.S. Department of Commerce’s Bureau of Industry and Security and to Export Administration Regulations, and other international trade regulations may apply as well. In the future, regulatory authorities may require us to obtain export licenses or other authorizations to export our services abroad, depending upon the nature of items being exported, as well as the country to which the export is to be made. We cannot assure you that any of our applications for export licenses or other authorizations will be granted or approved. Furthermore, the export license/export authorization process is often time-consuming. Violation of export control regulations could subject us to fines and other penalties, such as losing the ability to export for a period of years, which would limit our revenue growth opportunities and significantly hinder our attempts to expand our business internationally.

The costs and difficulties of acquiring and integrating complementary businesses and technologies could impede our future growth, diminish our competitiveness and harm our operations.

As part of our growth strategy, from time to time, we consider selective acquisitions of complementary businesses. Future acquisitions could result in the incurrence of debt and contingent liabilities, which could harm our business, financial condition and results of operations. Risks we currently and will continue to face with respect to acquisitions include:

- greater than expected costs, management time and effort involved in identifying, completing and integrating acquisitions;
- potential disruption of our ongoing business and difficulty in maintaining our standards, controls, information systems and procedures;

Table of Contents

- diversion of management's attention from other business concerns;
- entering into markets and acquiring technologies in areas in which we have little experience;
- acquiring intellectual property which may be subject to various challenges from others;
- the inability to successfully integrate the services and personnel of any acquisition into our operations;
- the inability to achieve expected synergies, business growth opportunities, cost savings and other benefits we anticipate;
- a need to incur debt, which may reduce our cash available for operations and other uses;
- incurrence of liabilities and claims arising out of acquired businesses; and
- unforeseen integration difficulties that may cause service disruptions.

Unfavorable general economic conditions in the United States or in other major global markets could negatively impact our financial performance.

Unfavorable general economic conditions may exist globally, or in one or more regions, due to a number of factors, including, but not limited to, the decreased availability of credit resulting from slower economic activity, concerns about inflation and deflation, volatility in energy costs, decreased consumer confidence, reduced corporate profits and capital spending. Currency fluctuations and adverse business conditions in some emerging markets have impacted profitability and credit availability for certain of our customers. In addition, geopolitical factors in the Middle East, Africa and Venezuela have created economic and political uncertainties that continue to impact worldwide markets. These conditions make it difficult for our customers, our vendors and us to accurately forecast and plan future business activities, and they could cause further slow spending on our services. Furthermore, during challenging economic times such as recession or economic slowdown, our customers or vendors may face issues gaining timely access to sufficient credit, which could impair their ability to make timely payments or provide services to us. If that were to occur, we may be required to increase our allowance for doubtful accounts and our cash collections would be negatively impacted. Any future economic downturn may reduce our revenues or our percentage of revenue growth on a quarter-to-quarter basis. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery, worldwide, or in the telecommunications industry. If the economy or the markets in which we operate do not improve from their current condition or if they deteriorate, our customers or potential customers could reduce or further delay their use of our services, which would adversely impact our revenues and ultimately our profitability. In addition, we may record additional charges related to the restructuring of our business and the impairment of our goodwill and other long-lived assets, and our business, financial condition and results of operations will likely be materially and adversely affected.

Demand for our services is driven primarily by wireless voice and data traffic. Changes in end-user usage patterns could be affected in any recession or economic downturn in the U.S. or any other country where we do business and could negatively impact the number of transactions processed and adversely affect our revenues and earnings.

Because some of our services are used to collect and store personal information of our customers' employees or customers, privacy concerns could result in additional costs and liability to us or inhibit sales of our services.

Personal privacy has become a significant issue in the U.S., European nations and in other countries where we offer our services. The regulatory framework for privacy issues worldwide is currently complex and evolving, and we believe it is likely to remain uncertain for the foreseeable future. Many federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use and disclosure of personal information. In the U.S., these include rules and regulations promulgated under the authority of the Federal Trade Commission and state breach notification laws. Internationally, many of the jurisdictions in which we operate have established their own data security and privacy legal framework with which we or our customers must comply. For example, the E.U. has issued the General Data Protection Regulation ("GDPR") which will be effective May 25, 2018 and will apply to anyone doing business in Europe. In general GDPR sets a higher bar for privacy compliance, including new data subject rights (such as the right to be forgotten, the right to portability and the right to restriction of data), new mandatory security breach notification requirements, requirements to conduct data protection impact assessments and extensive record keeping requirements. Failure to comply with GDPR can have significant consequences with fines up to 4% of global annual revenue. In addition, the Company may incur significant costs in ensuring that its systems and services comply with GDPR.

Our services require that we electronically receive, process, store and transmit customer information, which includes certain sensitive consumer and end-user data. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and harm our business.

Table of Contents

Our failure to generate the capital necessary to expand our operations and invest in new services could reduce our ability to compete and could harm our business.

We may need to raise additional funds in the future from debt or equity financing. We cannot assure you that additional financing will be available on terms favorable to us or at all. The terms of available financing may place limits on our financial and operating flexibility. In addition, the agreements governing our indebtedness contain financial and other restrictive covenants that limit our ability to incur indebtedness or obtain financing. See Note 8 to our consolidated financial statements for additional information regarding our debt and credit facilities. If adequate funds are not available on acceptable terms, or at all, we may be forced to reduce our operations or abandon expansion opportunities. Moreover, even if we are able to continue our operations, our failure to obtain additional financing could reduce our competitiveness as our competitors may provide better-maintained networks or offer an expanded range of services.

If we need additional capital and cannot raise it on acceptable terms, or at all, we may not be able to:

- adequately fund our operations;
- enhance and expand the range of services we offer;
- maintain and expand our network;
- respond to competitive pressures and potential strategic opportunities, such as investments, acquisitions and international expansion;
- acquire or invest in complementary businesses, services or technologies;
- hire, train and retain key employees; or
- respond to unanticipated capital requirements.

Our failure to do any of these things could adversely affect our business, financial condition and operating results.

Regulations affecting our customers and us and future regulations to which they or we may become subject may harm our business.

Although our services have not been heavily regulated in the past, we are authorized by the FCC to offer certain of our services on an interstate and international basis. We operate our number portability operations in Singapore and India pursuant to licenses granted by these governments, and we are registered as a money service business in the United Kingdom in connection with our financial clearing business. Each of these authorizations subjects us to certain regulatory obligations.

In addition, the majority of our customers are MNOs and are subject to significant government regulation by various regulatory bodies, such as the FCC and European Commission. The abolition of retail roaming charges beginning June 15, 2017 in the E.U. as a result of actions taken by the European Commission capped the price that carriers could charge one another for roaming minutes, which lowered the roaming revenues of our customers and could put downward pricing pressure on our data clearing services. Any change in current or future laws or regulations that negatively impact our customers could harm our business and results of operations. Several services that we offer also may be indirectly affected by regulations imposed upon the customers and end-users of those services. These regulations may increase our costs of operations and affect whether and in what form we are able to provide a given service at all.

We cannot predict when, or upon what terms and conditions, further regulation, or deregulation, might occur or the effects, adverse or otherwise, that such regulation may have on our business.

We depend on key personnel to manage our business effectively and may not be successful in attracting and retaining such personnel.

We depend on the performance of our executive management team and other key employees that have acquired specialized knowledge and skills with respect to our business and operations. Following changes at our executive management level recently, including our Chief Executive Officer, our future success depends on our newly hired executives to deliver on performance goals. Our success also depends on our ability to attract, integrate, train, retain and motivate other key employees and additional highly skilled technical and sales and marketing personnel, both in the U.S. and abroad. Competition for key technical personnel in high-technology industries such as ours is intense and the costs associated with attracting and retaining key technical personnel are significant. The loss of the services of any of our executive management team or other key employees or failure to attract, integrate, train, retain and motivate additional key employees could harm our business.

Table of Contents

Failure to protect our intellectual property rights adequately may have a material adverse effect on our results of operations or our ability to compete.

We attempt to protect our intellectual property rights in the U.S. and in foreign countries through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and agreements preventing the unauthorized disclosure and use of our intellectual property. We cannot assure you that these protections will be adequate to prevent competitors from copying or reverse engineering our services, or independently developing and marketing services that are substantially equivalent to or superior to our own. Moreover, third parties may be able to successfully challenge, oppose, invalidate, render unenforceable or circumvent our patents, trademarks, copyrights and other intellectual property rights. Furthermore, we cannot provide assurance that any pending patent application filed by us will result in an issued patent or, if patents are issued to us, that those patents will provide meaningful protection against competitors or against competitive technologies. We may fail or be unable to obtain or maintain adequate protections for certain of our intellectual property in the U.S. or certain foreign countries. Further, our intellectual property rights may not receive the same degree of protection in foreign countries as they would in the U.S. because of the differences in foreign trademark, patent and other laws concerning proprietary rights. Such failure or inability to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

Monitoring and protecting our intellectual property rights can be challenging and costly. From time to time, we may be required to initiate litigation or other action to enforce our intellectual property rights or to establish their validity and enforceability. Such action could result in substantial cost and diversion of resources and management attention, and we cannot assure you that any such action will be successful.

If third parties claim that we are in violation of their intellectual property rights, it could have a negative impact on our results of operations and ability to compete.

We face the risk of claims that we have infringed or misappropriated the intellectual property rights of third parties. For example, significant litigation regarding patent rights exists in our industry. Our competitors in both the U.S. and foreign countries, many of which have substantially greater resources than we have and have made substantial investments in competing software and technologies, may have applied for or obtained, or may in the future apply for and obtain, patents or registered copyrights that will prevent, limit or otherwise interfere with our ability to make and sell our services. We have not conducted an independent review of patents or registered copyrights owned by third parties. The large number of patents, the rapid rate of new patent issuances, the complexities of the technology involved and uncertainty of litigation increase the risk of business assets and management’s attention being diverted to patent or other intellectual property litigation.

It is possible that third parties will make claims of infringement against us, or against our licensees or customers, in connection with their use of our technology. Any claims, even those without merit, could:

- be expensive and time-consuming to defend;
- adversely affect our relationships with our current or future customers;
- cause us to cease making, licensing, using or selling equipment or services that incorporate the challenged intellectual property;
- require us to redesign our equipment or services, if feasible;
- divert management’s attention and resources; and
- require us to enter into royalty or licensing agreements in order to obtain the right to use necessary intellectual property.

Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. A successful claim of infringement or misappropriation against us or one of our licensees or customers in connection with the use of our services could result in our being required to pay significant damages, enter into costly license or royalty agreements or stop the sale of certain services, any of which could have a negative impact on our business, results of operations and financial condition and harm our future prospects.

If third parties claim that our services infringe on their intellectual property rights, we may be required to indemnify our customers for any damages or costs they incur in connection with such claims.

We generally indemnify our customers with respect to claims that our services infringe upon the proprietary rights of third parties. Third parties may assert infringement claims against our customers. These claims may require us to initiate or

Table of Contents

defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or may be required to obtain licenses for the services they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our services. A successful claim or inability to obtain necessary licenses could have a negative impact on our business, results of operations and financial condition and harm our future prospects.

Fluctuations in currency exchange rates may adversely affect our results of operations.

A significant part of our business consists of sales made to customers outside the U.S. During the year ended December 31, 2017, approximately 19% of the revenues we received from such sales were denominated in currencies other than the U.S. dollar. Additionally, portions of our operating expenses are incurred by our international operations and denominated in local currencies. We cannot assure you that adverse currency exchange rate fluctuations will not have a material impact in the future. In addition, our balance sheet reflects non U.S. dollar denominated assets and liabilities, including inter-company balances eliminated in consolidation, which can be adversely affected by fluctuations in currency exchange rates. Currently, we do not engage in currency hedging contracts.

Our financial results may be adversely affected if we have to impair our intangible assets or goodwill.

As a result of our acquisitions, a significant portion of our total assets consist of intangible assets, including goodwill. Goodwill and identifiable intangible assets, including capitalized software, net of amortization, together accounted for approximately 85.0% of the total assets on our balance sheet as of December 31, 2017. We may not realize the full fair value of our intangible assets and goodwill. We may engage in additional acquisitions, which may result in our recognition of additional intangible assets and goodwill. Under current accounting standards, we are able to amortize certain intangible assets over the useful life of the asset, while goodwill is not amortized. We currently evaluate, and will continue to evaluate, on a regular basis whether all or a portion of our goodwill or other intangible assets may be impaired. Under current accounting standards, any determination that impairment has occurred would require us to write-off the impaired portion of goodwill and such intangible assets, resulting in a charge to our earnings. Such a write-off could adversely affect our results of operations.

We are a party to a number of lawsuits that arise in the ordinary course of business and may become a party to others in the future.

We are a party to a number of lawsuits that arise in the ordinary course of business and may become a party to others in the future. The possibility of such litigation, and its timing, is in large part outside our control. While none of the current lawsuits in which we are involved are reasonably estimated to be material as of the date of this Annual Report on Form 10-K, it is possible that future litigation could arise, or developments could occur in existing litigation, that could have material adverse effects on us. Refer to Item 1. Business -"Litigation."

We may be unsuccessful in achieving our organic growth strategies, which could limit our revenue growth.

Our ability to generate organic growth will be affected by, among other factors, our ability to:

- expand the range of services we offer to customers to address their evolving needs;
- attract new customers;
- increase the number of services provided to existing customers; and
- achieve expected revenue from new customer contracts.

Many of the factors affecting our ability to generate organic growth may be beyond our control, and we cannot be certain that our strategies for achieving internal growth will occur or be successful.

If we fail to maintain effective internal controls over financial reporting at a reasonable assurance level, we may not be able to accurately report our financial results and may be required to restate previously published financial information.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports. If we cannot provide reliable financial reports, our business and operating results could be harmed. The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), as well as related rules and regulations implemented by the SEC, have required changes in the corporate governance practices and financial reporting standards for SEC reporting companies. These laws, rules and regulations, including compliance with Section 404 of Sarbanes-Oxley, have and may continue to increase our legal and financial compliance costs.

The costs of compliance with these laws, rules and regulations may adversely affect our financial results. Moreover, we run the risk of non-compliance, which could adversely affect our financial condition or results of operations.
Our ability to successfully implement our business plan and comply with Sarbanes-Oxley requires us to be able to prepare timely and accurate financial statements. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, may cause our operations to suffer and we may be unable to conclude that our internal control over financial reporting is effective. Moreover, we cannot be certain that these measures would ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we were to conclude that our internal control over financial reporting provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements.

We are controlled by Carlyle, whose interests in our business may be different than yours.

As of February 28, 2018, investment funds affiliated with Carlyle owned 98.6% of the common stock of our indirect parent, Syniverse Corporation, and are able to control our affairs. Carlyle also controls the election of directors, the appointment of management, the entry into mergers, sales of substantially all our assets and other extraordinary transactions. The directors so elected have authority, subject to the terms of our debt, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions. If we encounter financial difficulties or are unable to pay our debts as they mature, the interests of Carlyle and certain of its affiliates as equity holders might conflict with the interests of holders of our indebtedness. In addition, Carlyle is in the business of making investments in companies and may, from time to time, acquire interests in businesses that directly or indirectly compete with our business, as well as businesses that are significant existing or potential customers. Carlyle may acquire or seek to acquire assets that we seek to acquire and, as a result, those acquisition opportunities may not be available to us or may be more expensive for us to pursue.

Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our financial health, reduce our profitability, limit our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations with respect to our indebtedness.

We have a significant amount of indebtedness. As of December 31, 2017, the aggregate amount of our indebtedness (excluding capital lease obligations), net of original issue discount and deferred financing costs, was $1,943.2 million (with approximately $85.6 million of unused commitments under our revolving credit facility (the “Revolving Credit Facility”)) on a consolidated basis, of which approximately $1,536.7 million was secured. The aggregate principal amount of our indebtedness as of December 31, 2017 was $1,963.6 million, of which $1,552.4 million was secured.
On March 9, 2018, we completed the refinancing (the “2018 Refinancing”) of our existing first lien credit facility (the “Old First Lien Credit Facility”) with the fifth amendment to the Old First Lien Credit Facility to, among other things, establish a new tranche of term loans maturing on March 9, 2023, in an aggregate principal amount of $1,702 million (the “New First Lien Credit Facility”) and to extend the revolving credit facility (the “New Extended Revolving Credit Facility”) until December 9, 2022. On the same date, we entered into a $220 million second lien term loan facility maturing on March 11, 2024 (the “New Second Lien Credit Facility” and, together with the New First Lien Credit Facility, the “New Credit Facilities”). We used the borrowings under the New Credit Facilities to prepay in full (i) all term loans outstanding under the Old First Lien Credit Facility and (ii) the SFHC Notes.
Our substantial indebtedness could have important consequences to our investors. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, research and development efforts and other purposes. During the year ended December 31, 2017, interest and other payments on our indebtedness totaled $117.7 million, which accounted for approximately 44.7% of net cash provided by operating activities excluding interest payments. Following the 2018 Refinancing, we expect to make interest payments of $149.7 million in 2018 and $141.9 million in 2019, which is approximately 56.8% and 53.8%, respectively, of our fiscal 2017 net cash provided by operating activities excluding interest payments. We currently expect to make principal payments for a total of approximately $12.8 million in 2018, as required pursuant to the quarterly principal amortization under the New Credit Facilities. In addition, we expect to pay $41.7 million of our Syniverse Notes at its maturity in January 2019 or earlier if we so elect;

Table of Contents

- increase our vulnerability to and limit our flexibility in planning for, or reacting to, a potential downturn in general economic conditions or in one or more of our businesses;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- expose us to the risk of increased interest rates as borrowings under the New Credit Facilities and the New Extended Revolving Credit Facility are subject to variable rates of interest;
- expose us to additional risks related to currency exchange rates and repatriation of funds;
- place us at a competitive disadvantage compared to certain of our competitors who have less debt, including during times of adverse economic and industry conditions; and
- limit our ability to obtain additional debt or equity financing for working capital, capital expenditures, business development, debt service requirements, acquisitions and general corporate or other purposes.

In addition, the agreements governing our indebtedness contain affirmative and negative covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of substantially all of our indebtedness. See Note 8 to our consolidated financial statements for additional information regarding our debt and credit facilities.

Despite current indebtedness levels, we and our subsidiaries may incur additional indebtedness. This could further exacerbate the risks associated with our substantial financial leverage.

We and our subsidiaries may incur significant additional indebtedness in the future under the agreements governing our indebtedness. Although the agreements governing our indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of thresholds, qualifications and exceptions, and the additional indebtedness incurred, and distributions paid, in compliance with these restrictions could be substantial. Additionally, these restrictions also will not prevent us from incurring obligations that do not constitute indebtedness, including obligations under lease arrangements that are currently recorded as operating leases even if operating leases were to be treated as debt under U.S. GAAP.

In addition, if new debt is added to our or our subsidiaries' debt levels, the related risks that we now face as a result of our leverage would intensify.

Restrictive covenants in the agreements governing our indebtedness contain restrictions and limitations that could impact our ability to pursue our business strategies.

The indenture governing the Syniverse Notes and the credit agreements governing the New Credit Facilities and New Extended Revolving Credit Facility limit our ability, and the terms of any future indebtedness may limit our ability, among other things, to:

- incur or guarantee additional indebtedness;
- issue disqualified and preferred stock;
- make certain investments;
- pay dividends or make distributions on our capital stock;
- sell assets, including capital stock of restricted subsidiaries;
- agree to payment restrictions affecting our restricted subsidiaries;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into transactions with our affiliates;
- incur liens; and
- designate any of our subsidiaries as unrestricted subsidiaries.

Table of Contents

The restrictions contained in the agreements governing our indebtedness could also limit our ability to plan for or react to market conditions, meet capital needs or make acquisitions or otherwise restrict our activities or business plans.

Our failure to comply with these covenants and restrictions could result in an event of default which, if not cured or waived, could result in the acceleration of substantially all of our indebtedness. Following an event of default, the lenders under the New Extended Revolving Credit Facility will also have the right to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under the New Credit Facilities will also have the right to proceed against the collateral that secures those borrowings. If the indebtedness under the New Credit Facilities, and the Syniverse Notes were to be accelerated, it could cause us to become bankrupt or insolvent.

To service our indebtedness, we will require a significant amount of cash and our ability to generate cash depends on many factors beyond our control.

Our ability to make cash payments on and to refinance our indebtedness and to fund planned capital expenditures will depend on our ability to generate significant operating cash flow in the future. This, to a significant extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond our control.

Our business may not generate sufficient cash flow from operations and future borrowings may not be available in an amount sufficient to enable us to pay our indebtedness when due or to fund our other liquidity needs. In such circumstances, we may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness, including the New Credit Facilities, on commercially reasonable terms or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. Such actions, if necessary, may not be effected on commercially reasonable terms or at all. Our indebtedness will restrict our ability to sell assets and use the proceeds from such sales.

If we are unable to generate sufficient cash flow or are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants and limitations in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable. If we are unable to repay indebtedness, lenders having secured obligations, such as the lenders under the New Credit Facilities and New Extended Revolving Credit Facility, could proceed against the collateral securing such secured obligations. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent.

The right of holders of Syniverse Notes to receive payments on the Syniverse Notes is effectively subordinated to the rights of our existing and future secured creditors to the extent of the value of the assets securing that indebtedness. Further, the guarantees of the Syniverse Notes are effectively subordinated to all our guarantors' existing and future secured indebtedness.

The Syniverse Notes are not secured by any of our or our subsidiaries' assets. Holders of our secured indebtedness and the secured indebtedness of the guarantors could have claims that are prior to the claims of holders of the Syniverse Notes to the extent of the value of the assets securing that other indebtedness. Notably, we and certain of our subsidiaries, including the guarantors, are parties to the New Credit Facilities and New Extended Credit Facility, which are secured by liens on a substantial portion of our assets and the assets of the guarantors. The Syniverse Notes are effectively subordinated to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, holders of secured indebtedness will have a prior claim to those of our assets that constitute their collateral. Holders of the Syniverse Notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the Syniverse Notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Syniverse Notes. As a result, holders of the Syniverse Notes may receive less, ratably, than holders of our secured indebtedness.

Following the 2018 Refinancing, as of March 9, 2018, the aggregate amount of Syniverse's secured indebtedness (excluding capital lease obligations) was approximately $1,922.0 million, and we had $85.6 million of unused commitments under our New Extended Revolving Credit Facility. We are permitted to incur substantial additional indebtedness, including secured debt, in the future under the terms of the indenture governing the Syniverse Notes.

Claims of noteholders are effectively subordinated to claims of creditors of all of our non-guarantor subsidiaries.

Table of Contents

The Syniverse Notes are guaranteed on a senior basis by our existing and future wholly owned domestic restricted subsidiaries that are guarantors of the New Credit Facilities. Our non-guarantor subsidiaries held approximately $625.0 million, or 19.9%, of our total assets and $458.4 million, or 21.0%, of our total liabilities as of December 31, 2017 and accounted for approximately $187.5 million, or 23.6%, of our revenues for the year ended December 31, 2017 (all amounts presented exclude intercompany balances). In addition, we have the ability to designate certain of our subsidiaries as unrestricted subsidiaries pursuant to the terms of the indenture and the New Credit Facilities, and any subsidiary so designated will not be a guarantor of the Syniverse Notes or the New Credit Facilities.

Our non-guarantor subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Syniverse Notes, or to make any funds available therefore, whether by dividends, loans, distributions or other payments. Any right that we or the subsidiary guarantors have to receive any assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of noteholders to realize proceeds from the sale of any of those subsidiaries' assets, are effectively subordinated to the claims of those subsidiaries' creditors, including trade creditors and holders of debt of those subsidiaries. In addition, the indenture governing the Syniverse Notes and the credit agreements governing the New Credit Facilities permit non-guarantor subsidiaries to incur significant additional indebtedness.

We are a holding company with no operations and may not have access to sufficient cash to fund all of our operations and expenses, including to make payments on our indebtedness.

We are a holding company and have limited direct operations. Our operations are conducted almost entirely through our subsidiaries. As a result, 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 inter-company loans and such dividends may be restricted by law or the agreements of our subsidiaries.

The lenders under the New Credit Facilities have the discretion to release the guarantors under the New Credit Facilities in a variety of circumstances, which will cause those guarantors to be released from their guarantees of the Syniverse Notes.

While any obligations under the New Credit Facilities remain outstanding, any guarantee of the Syniverse Notes may be released without action by, or consent of, any holder of the Syniverse Notes or the trustee under the indenture governing the Syniverse Notes, at the discretion of lenders under the New Credit Facilities, if such guarantor is no longer a guarantor of obligations under the New Credit Facilities or any other indebtedness. The lenders under the New Credit Facilities will have the discretion to release the guarantees under the New Credit Facilities in a variety of circumstances. Holders of the Syniverse Notes will not have a claim as a creditor against any subsidiary that is no longer a guarantor of the Syniverse Notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will effectively be senior to claims of noteholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in a 198,750 square foot leased office space in Tampa, Florida. The lease term for the headquarters facility ends on January 31, 2027. At our option, we have the right to renew the lease for two additional periods of seven years each. The headquarters facility is a multi-purpose facility that supports our corporate administrative, North American sales, technology and operations functions. We occupy 15,749 square feet of office space in Campbell, California, which supports our messaging technology and operations functions. In May 2014, we entered into a ten-year lease for 19,928 square feet of office space in Tampa, Florida. This facility primarily supports our administrative functions.

We lease several offices for our Asia Pacific operations including 14,404 square feet in Hong Kong, China and a facility totaling 21,351 square feet in Beijing, China. In January 2014, we entered into a lease for 80,784 square feet of office space in Bangalore, India. This facility primarily supports our technology and operations functions.

In Europe, we have leases for office space as follows: 31,064 square feet in Contern, Luxembourg, a facility totaling 20,782 square feet in Russelsheim, Germany and 7,338 square feet in London, England. These facilities support technology, operations, administrative and customer service functions.

In addition to three sales offices in the Caribbean and Latin America region, we lease 28,966 square feet in San Jose, Costa Rica, which serves as a customer service center supporting our global operations.

In addition, we have a secure physical network infrastructure, consisting of 23 data centers and 36 network access points worldwide which are primarily facilitated through co-location leases.

We consider our facilities and equipment suitable and adequate for our business as currently conducted.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Common Stock

As of the date of this Annual Report on Form 10-K, there is one record holder of our common stock, and there is no public market for our common stock.

Dividend Policy

Future determination as to the payment of cash or stock dividends on our common stock to our only stockholder, Buccaneer Holdings, LLC, will depend upon our results of operations, financial condition, capital requirements, restrictions contained in the New Credit Facilities, limitations contained in the indenture governing the Syniverse Notes, and such other factors as our Board of Directors considers appropriate.

For additional information, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" and Note 8 "Debt and Credit Facilities" to the consolidated financial statements included herein.

Equity Compensation Plan Information

As of December 31, 2017, we did not have any compensation plans under which our equity securities were authorized for issuance. See Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for information regarding the compensation plans under which equity securities of our indirect parent company, Syniverse Corporation, are authorized for issuance.

Recent Sales of Unregistered Securities

Not applicable.

Issuer Purchases of Equity Securities

The Company does not have any class of equity securities registered under Section 12 of the Exchange Act.

ITEM 6. SELECTED FINANCIAL DATA

The table below sets forth our selected historical consolidated financial information. The selected historical consolidated balance sheet data as of December 31, 2017, 2016, 2015, 2014 and 2013 and the selected historical consolidated statements of operations data for the years then ended have been derived from our consolidated financial statements.

The selected financial data set forth below is not necessarily indicative of the results of our future operations and should be read in conjunction with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere herein.

	Year Ended December 31,				
(in thousands)	2017	2016	2015	2014	2013
Statement of Operations Data (1):					
Revenues	$793,512	$781,892	$861,475	$916,295	$858,961
Costs and expenses:					
Cost of operations (excluding depreciation and amortization shown separately below)	349,698	355,394	389,163	378,052	320,796
Sales and marketing	69,916	70,803	76,693	77,670	74,995
General and administrative	99,919	114,550	135,812	140,450	129,354
Depreciation and amortization (2)	194,550	208,130	215,167	237,577	216,198
Employee termination benefits (3)	1,923	869	948	9,140	5,939
Restructuring (4)	6,198	25,220	387	17,826	483
Acquisitions (5)(6)	—	—	111	1,974	21,632
Other operating income (7)	—	(5,499)	—	—	—
	722,204	769,467	818,281	862,689	769,397
Operating income	71,308	12,425	43,194	53,606	89,564
Other income (expense), net:					
Interest expense, net (8)	(132,117)	(122,837)	(122,726)	(122,383)	(124,970)
Loss on early extinguishment of debt, net	(5)	—	—	—	(2,802)
Equity (loss) income in investees	(404)	(466)	36	35	422
Other, net	(3,527)	2,901	(1,093)	(2,651)	(6,837)
	(136,053)	(120,402)	(123,783)	(124,999)	(134,187)
Loss before benefit from income taxes	(64,745)	(107,977)	(80,589)	(71,393)	(44,623)
Benefit from income taxes	(43,946)	(42,807)	(31,277)	(25,093)	(4,328)
Net loss from continuing operations	(20,799)	(65,170)	(49,312)	(46,300)	(40,295)
Loss from discontinued operations, net of tax	—	—	—	(688)	(5,092)
Net loss	(20,799)	(65,170)	(49,312)	(46,988)	(45,387)
Net income attributable to noncontrolling interest	3,795	2,013	1,279	1,015	1,144
Net loss attributable to Syniverse Holdings, Inc.	$(24,594)	$(67,183)	$(50,591)	$(48,003)	$(46,531)
Balance Sheet Data (at end of period):					
Total assets (9)(10)	$3,147,926	$3,240,100	$3,406,340	$3,505,206	$3,609,100
Total debt and capital lease obligations (9)	$1,953,958	$2,020,169	$2,050,330	$2,029,641	$1,998,310

---

(1) Results include the following acquisitions in the respective periods subsequent to the acquisition date: Aicent acquisition completed in August 2014 and the MACH acquisition completed in June 2013.

(2) Depreciation and amortization excludes accretion of debt discount and amortization of deferred finance costs, which are both included in Interest expense within the Statement of Operations Data.

(3) Employee termination benefits represents costs related to severance and other employee related costs that are unrelated to a restructuring plan. See Note 11 to our consolidated financial statements for additional information regarding Employee termination benefits.

(4) Restructuring represents costs related to certain exit activities such as involuntary termination costs and contract termination costs. See Note 11 to our consolidated financial statements for additional information regarding Restructuring.

(5) The years ended December 31, 2015 and 2014 reflects costs associated with the acquisition of Aicent and includes professional services costs, such as legal, tax, audit and transaction advisory costs.

(6) The year ended December 31, 2013 reflects costs associated with the acquisition of MACH and includes professional services costs, such as legal, tax, audit and transaction advisory costs.

(7) The year ended December 31, 2016 reflects a gain related to a one-time transfer of certain data center equipment from a vendor to Syniverse at no cost.

(8) The years ended December 31, 2014 and 2013 reflect a reclassification of Interest income into the Interest expense, net line item in our consolidated statements of operations to conform to the current year presentation. The reclassification had no effect on our reported results of operations.

(9) The years ended December 31, 2014 and 2013 reflect a reclassification of deferred financing costs from Prepaid and other current assets and Deferred costs, net into the Long-term debt, net of original issue discount and deferred financing costs line item in the consolidated balance sheets to conform with ASU 2015-03.

(10) The year ended December 31, 2014 reflect a reclassification of the current portion of Deferred tax assets and Deferred tax liabilities to long-term Deferred tax assets and long-term Deferred tax liabilities in the consolidated balance sheets to conform with ASU 2015-17.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. It should be read in conjunction with "Selected Financial Data," and our consolidated financial statements and related notes in this Annual Report on form 10-K. This discussion contains forward-looking statements about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of many factors, including those we describe under "Risk Factors" and elsewhere in this Annual Report on form 10-K. See "Special Note Regarding Forward-Looking Statements."

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 approximately $15 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 30 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 97 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.

Table of Contents

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

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 and OTT customers.
- Provide solutions to enable MNOs to measure and manage the subscriber experience across networks.

Executive Overview

Financial Highlights

Revenues increased $11.6 million, or 1.5%, to $793.5 million for the year ended December 31, 2017, from $781.9 million for the same period in 2016. Operating income increased $58.9 million to $71.3 million for the year ended December 31, 2017 from $12.4 million for the same period in 2016. Net loss decreased $44.4 million to $20.8 million for the year ended December 31, 2017 from $65.2 million for the same period in 2016. Adjusted EBITDA increased $21.7 million, or 7.9%, to $297.2 million for the year ended December 31, 2017 from $275.5 million for the same period in 2016. See “Non-GAAP Financial Measures” below for a reconciliation of Net loss to Adjusted EBITDA.

Business Developments

On January 11, 2017, Syniverse Foreign Holdings Corporation (“SFHC”), a wholly-owned subsidiary of Syniverse Holdings, Inc., completed its offer to exchange (the “Exchange Offer”) the Company’s outstanding 9.125% Senior Notes due 2019 (the “Syniverse Notes”) for new senior unsecured notes issued by SFHC bearing interest at 9.125% per annum with a maturity date of January 15, 2022 (the “SFHC Notes” and, together with the Syniverse Notes, the “Senior Notes”). According to the information and exchange agent for the Exchange Offer, 91.26% of the outstanding principal amount of the Syniverse Notes was tendered. Pursuant to the Exchange Offer, SFHC issued $369.5 million of SFHC Notes, and a like amount of Syniverse Notes were cancelled.

On December 29, 2017, we redeemed $40.0 million aggregate principal amount of the Syniverse Notes. Pursuant to the indenture governing the Notes, the Notes were redeemed at 100% of the principal amount, plus accrued and unpaid interest. As a result of fewer than $50.0 million aggregate principal amount of the Syniverse Notes remaining outstanding, as of December 29, 2017, the “springing maturity date” under the Old First Lien Credit Facility was no longer applicable.

On December 22, 2017, the United States enacted comprehensive tax legislation called the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code including reducing the US federal corporate tax rate from 35% to 21%, requiring a mandatory transition tax on unremitted foreign earnings, a move from a worldwide to a territorial tax system and placing potential limits on the deductibility of interest expense. We have recorded a deferred income tax benefit of $36.8 million related to the revaluation of the Company’s net deferred tax assets and liabilities at the December 22, 2017 enactment date using the new 21% statutory rate. The calculation of the one-time transition tax is based on our total post-1986 deferred foreign income held in cash and other assets. Due to the timing of the enactment and the complexity of the Tax Act, the Company is unable to estimate a reasonable range of its post-1986 deferred foreign income and the related one-time impact associated with the mandatory transition tax. In addition, we continue to assess the other provisions of the Tax Act and will provide additional disclosures in the quarterly report on Form 10-Q for the period ending March 31, 2018.

On March 9, 2018, we completed the 2018 Refinancing with the fifth amendment to the Old First Lien Credit Facility to, among other things, establish a new tranche of term loans maturing on March 9, 2023, in an aggregate principal amount of

Table of Contents

$1,702 million (the “New First Lien Credit Facility”) and to extend the Revolving Credit Facility (the “New Extended Revolving Credit Facility”) until December 9, 2022. On the same date, we entered into the $220 million New Second Lien Credit Facility maturing on March 11, 2024. We used the borrowings under the New Credit Facilities to prepay in full (i) all term loans outstanding under the Old First Lien Credit Facility and (ii) the SFHC Notes.

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 growth in transaction volumes and revenue;
- downward pressure on the prices we charge for our services from our existing customers as we enter into contract renewals, which could have a negative impact on our revenues and margin;
- the extent to which our customers 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;
- 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 could 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 and monthly recurring fees 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

Table of Contents

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 includes 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 acquisitions expense.

- Cost of operations includes data processing costs, network costs, variable costs, such as revenue share service provider arrangements and message termination fees, facilities costs, hardware costs, licensing fees, personnel costs associated with service implementation, training and customer care and off-network database query charges. Variable costs are paid to third party providers and are direct costs that fluctuate either as a percentage of revenue or by the number of transactions processed.
- Sales and marketing includes personnel costs, advertising and website costs, trade show costs and related marketing costs.
- General and administrative includes research and development expenses, a portion of the expenses associated with our facilities, business development expenses, and expenses for executive, finance, legal, human resources and other administrative departments and professional service fees relating to those functions. Our research and development expenses, consisting primarily of personnel costs, relate to technology creation, enhancement and maintenance of new and existing services.
- Depreciation and amortization relate primarily to our property and equipment, 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 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.
- Acquisition includes professional services costs, such as legal, tax, audit and transaction advisory costs related to the Aicent Acquisition.

Operating Segments

We currently operate as a single operating segment, as our Chief Executive Officer reviews financial information on the basis of our consolidated financial results for the purposes of making resource allocation decisions.

38

Table of Contents

Results of Operations

Comparison of results of operations for the year ended December 31, 2017 with the year ended December 31, 2016

(in thousands)	Year ended December 31, 2017	% of Revenues	Year ended December 31, 2016	% of Revenues	2017 compared to 2016 $ change	% change
Revenues:						
Mobile Transaction Services	$634,364	79.9 %	$649,948	83.1 %	$(15,584)	(2.4)%
Enterprise & Intelligence Solutions	159,148	20.1 %	131,944	16.9 %	27,204	20.6 %
Revenues	793,512	100.0 %	781,892	100.0 %	11,620	1.5 %
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	349,698	44.1 %	355,394	45.5 %	(5,696)	(1.6)%
Sales and marketing	69,916	8.8 %	70,803	9.1 %	(887)	(1.3)%
General and administrative	99,919	12.6 %	114,550	14.7 %	(14,631)	(12.8)%
Depreciation and amortization	194,550	24.5 %	208,130	26.6 %	(13,580)	(6.5)%
Employee termination benefits	1,923	0.2 %	869	0.1 %	1,054	121.3 %
Restructuring	6,198	0.8 %	25,220	3.2 %	(19,022)	(75.4)%
Other operating income	—	— %	(5,499)	(0.7)%	5,499	(100.0)%
	722,204	91.0 %	769,467	98.4 %	(47,263)	(6.1)%
Operating income	71,308	9.0 %	12,425	1.6 %	58,883	473.9 %
Other income (expense), net:						
Interest expense, net	(132,117)	(16.6)%	(122,837)	(15.7)%	(9,280)	7.6 %
Loss on early extinguishment of debt, net	(5)	— %	—	— %	(5)	— %
Equity loss in investees	(404)	(0.1)%	(466)	(0.1)%	62	(13.3)%
Other, net	(3,527)	(0.4)%	2,901	0.4 %	(6,428)	(221.6)%
	(136,053)	(17.1)%	(120,402)	(15.4)%	(15,651)	13.0 %
Loss before benefit from income taxes	(64,745)	(8.2)%	(107,977)	(13.8)%	43,232	(40.0)%
Benefit from income taxes	(43,946)	(5.5)%	(42,807)	(5.5)%	(1,139)	2.7 %
Net loss	$(20,799)	(2.6)%	$(65,170)	(8.3)%	$44,371	(68.1)%

Revenues

Revenues increased $11.6 million, or 1.5%, to $793.5 million for the year ended December 31, 2017 from $781.9 million for the same period in 2016.

Revenue from Mobile Transaction Services decreased $15.6 million, or 2.4%, to $634.4 million for the year ended December 31, 2017 from $649.9 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 $31.2 million. Revenue from our GSM portfolio declined slightly, as competitive pricing pressure in our clearing and settlement suite was partially offset by an increase in GSM signaling. We also experienced a $6.5 million decline in certain lower margin non-strategic services that management has decided to de-emphasize. These declines were partially offset by a $22.1 million increase in our MTS growth products primarily from 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 $27.2 million, or 20.6%, to $159.1 million for the year ended December 31, 2017 from $131.9 million for the same period in 2016. The increase was primarily attributable to a $25.4 million increase in our Enterprise A2P messaging services, driven by volume growth from our enterprise and OTT customers, 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.

Table of Contents

Costs and Expenses

Costs and expenses decreased $47.3 million to $722.2 million for the year ended December 31, 2017 from $769.5 million for the same period in 2016.

Cost of operations decreased $5.7 million to $349.7 million for the year ended December 31, 2017 from $355.4 million for the same period in 2016. The table below summarizes our cost of operations by category:

	Year ended December 31,		2017 compared to 2016	
(in thousands)	2017	2016	$ change	% change
Cost of operations:				
Headcount and related costs	$80,604	$97,115	$(16,511)	(17.0)%
Variable costs	142,728	119,898	22,830	19.0 %
Data processing, hosting and support costs	69,980	77,592	(7,612)	(9.8)%
Network costs	44,877	45,600	(723)	(1.6)%
Other operating related costs	11,509	15,189	(3,680)	(24.2)%
Cost of operations	$349,698	$355,394	$(5,696)	(1.6)%

The decrease in headcount and related costs for the year ended December 31, 2017 was driven by our March 2016 and December 2016 restructuring plans, which lowered the costs associated with headcount.

Variable costs increased $22.8 million for the year ended December 31, 2017 compared to the same period in 2016. The increase in variable costs was primarily due to volume growth in our messaging services. Other elements of Cost of Operations for the year ended December 31, 2017 were generally lower as a result of a $10.6 million decrease in data center facility costs and a $3.5 million decrease in professional service fees primarily associated with our data center migrations that were completed in 2017. The decrease was partially offset by higher revenue related data processing costs.

As a percentage of revenues, cost of operations was 44.1% and 45.5% for the years ended December 31, 2017 and 2016, respectively.

Sales and marketing expense decreased $0.9 million to $69.9 million for the year ended December 31, 2017 from $70.8 million for the same period in 2016. The decrease in sales and marketing expense was primarily due to lower headcount 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 8.8% and 9.1% for the years ended December 31, 2017 and 2016, respectively.

General and administrative expense decreased $14.6 million to $99.9 million for the year ended December 31, 2017 from $114.6 million for the same period in 2016. The decrease in general and administrative expense was primarily due to a decrease of $10.7 million in headcount and related costs resulting from our March 2016 and December 2016 restructuring plans, lower medical expenses attributable to lower claims, higher product development productivity and lower stock compensation expense. In addition, general and administrative expense benefited by $3.6 million from a favorable outcome of an indirect tax examination in one of our European jurisdictions. As a percentage of revenues, general and administrative expense was 12.6% and 14.7% for the years ended December 31, 2017 and 2016, respectively.

Depreciation and amortization expense decreased $13.6 million to $194.6 million for the year ended December 31, 2017 from $208.1 million for the same period in 2016. The decrease was driven by $12.4 million of lower amortization of intangible assets resulting from our pattern of consumption amortization method for customer related intangibles acquired in the Carlyle and MACH acquisitions and $3.0 million of lower depreciation of property and equipment primarily driven by lower capital expenditures, partially offset by $1.8 million of higher amortization of capitalized software.

Restructuring expense was $6.2 million for the year ended December 31, 2017 compared to $25.2 million for the same period in 2016. The decrease in restructuring expense was primarily driven by severance costs related to the March 2016 and December 2016 restructuring plans in 2016, partially offset by data center contract termination and severance costs incurred in 2017. See Note 11 to our consolidated financial statements for additional details regarding our restructuring plans.

Table of Contents

Other operating income decreased for the year ended December 31, 2017 compared to the same period in 2016 due to a gain of $5.5 million in 2016 as a result of a one-time transfer of certain data center equipment to Syniverse at no cost.

Other Income (Expense), net

Interest expense, net increased $9.3 million to $132.1 million for the year ended December 31, 2017 from $122.8 million for the same period in 2016. The increase was primarily due to $9.8 million of debt modification costs associated with the Exchange Offer completed in January 2017 and a higher interest rate on our Initial Term Loans and Tranche B Term Loans, partially offset by lower interest as a result of the repurchase of $16.0 million and $7.7 million aggregate principal amount of the Syniverse Notes in April 2017 and September 2017, respectively, and the redemption of $40.0 million aggregate principal amount of the Syniverse Notes in December 2017.

Other, net was a $3.5 million loss for the year ended December 31, 2017 compared to a $2.9 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.

Benefit from Income Taxes

We recorded an income tax benefit of $43.9 million for the year ended December 31, 2017 compared to a benefit of $42.8 million for the same period in 2016. During the years ended December 31, 2017 and 2016, the effective tax rate was a benefit of 67.9% and 39.6%, respectively. The change in our effective tax rate was chiefly attributable to (i) the relative mix of earnings and losses in the U.S. versus foreign tax jurisdictions, (ii) a benefit related to the release of certain unrecognized tax positions, (iii) the current year establishment of a valuation allowance against U.S. deferred tax assets, and (iv) the provisional impact of the Tax Act related to the change in the U.S. federal corporate rate.

Comparison of results of operations for the year ended December 31, 2016 with the year ended December 31, 2015

(in thousands)	Year ended December 31, 2016	% of Revenues	Year ended December 31, 2015	% of Revenues	2016 compared to 2015 $ change	% change
Revenues:						
Mobile Transaction Services	$649,948	83.1 %	$731,496	84.9 %	$(81,548)	(11.1)%
Enterprise & Intelligence Solutions	131,944	16.9 %	129,979	15.1 %	1,965	1.5 %
Revenues	781,892	100.0 %	861,475	100.0 %	(79,583)	(9.2)%
Costs and expenses:						
Cost of operations (excluding depreciation and amortization shown separately below)	355,394	45.5 %	389,163	45.2 %	(33,769)	(8.7)%
Sales and marketing	70,803	9.1 %	76,693	8.9 %	(5,890)	(7.7)%
General and administrative	114,550	14.7 %	135,812	15.8 %	(21,262)	(15.7)%
Depreciation and amortization	208,130	26.6 %	215,167	25.0 %	(7,037)	(3.3)%
Employee termination benefits	869	0.1 %	948	0.1 %	(79)	(8.3)%
Restructuring	25,220	3.2 %	387	— %	24,833	6,416.8 %
Acquisition	—	— %	111	— %	(111)	(100.0)%
Other operating income	(5,499)	(0.7)%	—	— %	(5,499)	— %
	769,467	98.4 %	818,281	95.0 %	(48,814)	(6.0)%
Operating income	12,425	1.6 %	43,194	5.0 %	(30,769)	(71.2)%
Other income (expense), net:						

Interest expense, net	(122,837)	(15.7)%	(122,726)	(14.2)%	(111)	0.1 %
Equity (loss) income in investee	(466)	(0.1)%	36	— %	(502)	(1,394.4)%
Other, net	2,901	0.4 %	(1,093)	(0.1)%	3,994	(365.4)%
	(120,402)	(15.4)%	(123,783)	(14.4)%	3,381	(2.7)%
Loss before benefit from income taxes	(107,977)	(13.8)%	(80,589)	(9.4)%	(27,388)	34.0 %
Benefit from income taxes	(42,807)	(5.5)%	(31,277)	(3.6)%	(11,530)	36.9 %
Net loss	$(65,170)	(8.3)%	$(49,312)	(5.7)%	$(15,858)	32.2 %

Table of Contents

Revenues

Revenues decreased $79.6 million, or 9.2%, to $781.9 million for the year ended December 31, 2016 from $861.5 million for the same period in 2015. Foreign currency translation contributed $2.2 million to the decline in revenue.

Revenue from Mobile Transaction Services decreased $81.5 million, or 11.1%, to $649.9 million for the year ended December 31, 2016 from $731.5 million for the same period in 2015. Foreign currency translation contributed $1.9 million to the decline in revenue. The balance of the decline was primarily attributable to declines in our clearing and settlement services driven by volume reductions across our CDMA portfolio of $34.3 million and competitive pricing pressure partially offset by volume increases across our GSM clearing and settlement suite of $10.0 million. Also contributing to the reduction were declines in our messaging and data optimization services totaling $20.7 million as a result of the loss of a large MVNO customer in the third quarter of 2015 and declines in our signaling services of $10.4 million, primarily related to volume reductions in CDMA partially offset by volume growth in GSM/LTE. The remaining declines were the result of discontinued services related to end-of-life Blackberry technology that came with the Aicent acquisition as well as management's decision to rationalize certain lower margin non-strategic services. These declines were substantially offset by growth within our IPX, fraud and policy and charging solutions.

Revenue from Enterprise & Intelligence Solutions increased $2.0 million, or 1.5%, to $131.9 million for the year ended December 31, 2016 from $130.0 million for the same period in 2015. The increase was driven by a combination of volume growth in our Enterprise A2P messaging services and organic growth in our mobile engagement revenues as more enterprise customers adopt and implement mobile marketing strategies, partially offset by declines in mobile intelligence services provided to certain mobile operators.

Costs and Expenses

Costs and expenses decreased $48.8 million to $769.5 million for the year ended December 31, 2016 from $818.3 million for the same period in 2015. Included in costs and expenses for the year ended December 31, 2016 was a $25.2 million charge related to the implementation of the March 2016 and December 2016 restructuring plans. Total headcount costs for the year ended December 31, 2016 were not significantly impacted by the December 2016 restructuring plan given timing of the plan. Foreign currency translation contributed $4.9 million to the decline due primarily to the strengthening of the U.S. dollar.

Cost of operations decreased $33.8 million to $355.4 million for the year ended December 31, 2016 from $389.2 million for the same period in 2015. The table below summarizes our cost of operations by category:

	Year ended December 31,		2016 compared to 2015	
(in thousands)	2016	2015	$ change	% change
Cost of operations:				
Headcount and related costs	$97,115	$108,205	$(11,090)	(10.2)%
Variable costs	119,898	111,880	8,018	7.2 %
Data processing, hosting and support costs	77,592	92,425	(14,833)	(16.0)%
Network costs	45,600	62,585	(16,985)	(27.1)%
Other operating related costs	15,189	14,068	1,121	8.0 %
Cost of operations	$355,394	$389,163	$(33,769)	(8.7)%

The decrease in headcount and related costs for the year ended December 31, 2016 was driven by a reduction in headcount resulting from the March 2016 restructuring plan.

Variable costs increased $8.0 million for the year ended December 31, 2016 compared to the prior year period. The increase in variable costs was primarily due to volume growth in our messaging services, partially offset by a one-time message termination expense in 2015. Other elements of Cost of Operations for the year ended December 31, 2016 were generally lower as a result of lower volume related costs, reductions in data center costs and lower network circuit costs as a result of our cost savings initiatives.

As a percentage of revenues, cost of operations was 45.5% and 45.2% for the years ended December 31, 2016 and 2015, respectively.

Table of Contents

Sales and marketing expense decreased $5.9 million to $70.8 million for the year ended December 31, 2016 from $76.7 million for the same period in 2015. The decrease in sales and marketing expense was primarily due to lower headcount related costs and share-based and variable compensation resulting from the March 2016 restructuring plan and reductions in other discretionary expenses as a result of our cost savings initiatives. As a percentage of revenues, sales and marketing expense was 9.1% and 8.9% for the years ended December 31, 2016 and 2015, respectively.

General and administrative expense decreased $21.3 million to $114.6 million for the year ended December 31, 2016 from $135.8 million for the same period in 2015. The decrease in general and administrative expense was primarily due to lower headcount related costs resulting from the March 2016 restructuring plan, a reduction in professional services costs and other discretionary expenses as a result of our cost saving initiatives, partially offset by an increase in share-based and variable compensation. As a percentage of revenues, general and administrative expense was 14.7% and 15.8% for the years ended December 31, 2016 and 2015, respectively.

Depreciation and amortization expense decreased $7.0 million to $208.1 million for the year ended December 31, 2016 from $215.2 million for the same period in 2015. The decrease was driven by $8.1 million of lower amortization of intangible assets resulting from our pattern of consumption amortization method for customer related intangibles acquired in the Carlyle and MACH acquisitions and $3.3 million of lower depreciation of property and equipment primarily driven by lower capital expenditures, partially offset by $4.3 million of higher amortization of capitalized software.

Restructuring expense was $25.2 million for the year ended December 31, 2016 compared to $0.4 million for the same period in 2015. The increase was primarily driven by severance costs and costs related to the exit of certain data centers related to the March 2016 and December 2016 restructuring plans. See Note 11 to our 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 2016.

Other Income (Expense), net

Other, net increased $4.0 million to a $2.9 million gain for the year ended December 31, 2016 from a $1.1 million loss for the same period in 2015. The increase was primarily due to the weakening of the pound sterling and the Euro value in 2016.

Benefit from Income Taxes

We recorded an income tax benefit of $42.8 million for the year ended December 31, 2016 compared to a benefit of $31.3 million for the same period in 2015. During the years ended December 31, 2016 and 2015, the effective tax rate was a benefit of 39.6% and 38.8%, respectively. The change in our effective tax rate was chiefly attributable to (i) the impact of certain permanent items and (ii) the relative mix of earnings and losses in the U.S. versus foreign tax jurisdictions.

Liquidity and Capital Resources

Our operations are conducted almost entirely through our subsidiaries and our ability to generate cash to meet our debt service obligations 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 New Extended 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, commencing with a payment in 2019 for the fiscal year of 2018, 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 New Credit Facilities equal to 50% of the Excess Cash Flow as defined in the Credit Agreement and determined as of December of each year. For the fiscal year 2018, no payment is required pursuant to the Excess Cash Flow provision. As of December 31, 2017 approximately 58% of our cash and cash equivalents was held by our foreign subsidiaries. Our New Extended 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.

Table of Contents

We may from time to time seek to prepay, repurchase or otherwise retire or extend our debt or debt securities, including the Syniverse Notes 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, will be sufficient to meet our cash requirements for the next twelve months. To the extent we require supplemental funding for our operating activities, we may need access to the debt and equity markets; however, there can be no assurances such funding will be available on acceptable terms or at all.

Cash Flow

Cash and cash equivalents were $127.7 million at December 31, 2017 as compared to $136.2 million at December 31, 2016. The following table summarizes the activity within our consolidated statements of cash flows.

	Year ended December 31,	
(in thousands)	2017	2016
Net cash provided by operating activities	$145,947	$136,118
Net cash used in investing activities	(60,681)	(102,966)
Net cash used in financing activities	(99,350)	(60,669)
Effect of exchange rate changes on cash	5,587	(2,890)
Net decrease in cash	$(8,497)	$(30,407)

Net cash provided by operating activities was $145.9 million for the year ended December 31, 2017, as compared to $136.1 million for the same period in 2016. The increase was primarily due to:

- improved operating results, as derived from net loss adjusted for non-cash items excluding allowance for credit memos and uncollectible accounts in the consolidated statements of cash flows, for the amount of $40.4 million in 2017 as compared to the same period in 2016;

The increase was substantially offset by:

- increased cash used for working capital of $30.5 million primarily due to an increase in working capital usage associated with accounts receivable and higher interest paid, partially offset by an improvement in working capital usage associated with accounts payable, lower income taxes paid and lower payments from professional fees associated with data center migrations in 2017.

Net cash used in investing activities was $60.7 million for the year ended December 31, 2017, as compared to $103.0 million for the same period in 2016. The decrease of $42.3 million was mainly driven by cash used for our investment in Vibes of $40.5 million in 2016.

Net cash used in financing activities was $99.4 million for the year ended December 31, 2017, as compared to $60.7 million for the same period in 2016. The increase of $38.7 million was primarily due to:

- $63.1 million aggregate debt repayments on the Syniverse Notes and $1.9 million of excess cash flow payments for the term loans during 2017 as compared to $36.2 million of aggregate debt repayments in 2016;

Table of Contents

- payment of debt modification costs of $9.8 million during 2017 in connection with the Exchange Offer and the payment of debt issuance costs of $1.1 million during 2017 in connection with the Amendment of our Revolving Credit Facility; and

- increased payments on capital lease obligations of $1.1 million in 2017 as compared to 2016.

The increase was partially offset by:

- decreased distributions to Syniverse Corporation of $2.9 million in 2017 as compared to 2016 due to decreased share repurchases in connection with share-based compensation.

Debt and Credit Facilities

First Lien 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 consisting of (i) a $950.0 million term loan facility (the “Initial Term Loans”); and (ii) a $150.0 million 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 indebtedness used to fund the MACH Acquisition.

On September 23, 2013, the Company entered into the Second Amendment to the Credit Agreement. Under the Second Amendment, the rate at which the Initial Term Loans under the Credit Agreement bear interest was amended to reduce (i) the margin for Eurodollar rate loans from 3.75% to 3.00%, (ii) the margin for base rate loans from 2.75% to 2.00%, (iii) the Eurodollar rate floor from 1.25% to 1.00% and (iv) the base rate floor from 2.25% to 2.00%.

On April 15, 2016, we made principal payments of approximately $36.2 million toward the Initial Term Loans and Tranche B Term Loans 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.

On April 14, 2017, we entered into an amendment (the “Amendment”) to the Credit Agreement to, among other things, (i) extend the scheduled maturity date of the revolving credit commitments to January 15, 2019, (ii) make certain modifications to the financial maintenance covenant, 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.

On March 9, 2018 (the “Closing Date”), we completed the refinancing of our Old First Lien Credit Facility with the fifth amendment to the Old First Lien Credit Facility. The New First Lien Credit Facility, among other things, (i) extends the scheduled maturity date of the Revolving Credit Facility, by converting the Revolving Credit Facility into a new tranche of revolving credit commitments, (ii) provides for a new tranche of term loans “C” in an aggregate principal amount of $1,702 million (the “Tranche C Term Loans”), (iii) amends the Old First Lien Credit Facility to, among other things, permit incurrence of the Tranche C Term Loans and the Second Lien Term Loans (as defined below) and (iv) further amends certain terms and conditions of the Old First Lien Credit Facility and the security agreement and guarantees entered into in connection therewith.

Proceeds of the Tranche C Term Loans, together with proceeds of the Second Lien Term Loans and cash on hand, were used to (i) prepay in full the Initial Term Loans and the Tranche B Term Loans, in each case, under and as defined in the Old First Lien Credit Facility (collectively, the "Existing Term Loans"), (ii) satisfy and discharge the SFHC Notes and the SFHC Indenture (each, as defined below) and redeem in full the SFHC Notes and (iii) pay interest, premiums, costs, fees and expenses in connection with the foregoing. The New Extended Revolving Credit Facility replaced the Revolving Credit Facility in its entirety. The New Extended Revolving Credit Facility will be used to finance the working capital needs of the company and for general corporate purposes.

Table of Contents

The New Extended Revolving Credit Facility will mature on December 9, 2022 and the Tranche C Term Loans will mature on March 9, 2023.

Beginning with the end of the first full fiscal quarter commencing after the Closing Date, the Tranche C Term Loans will begin amortizing in equal quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at final maturity.

The Company may voluntarily prepay the Tranche C Term Loans, in whole or in part, subject to minimum amounts, with prior notice but without premium or penalty, except that prepayments and certain refinancings of, and certain replacements of lenders under, the Tranche C Term Loans on or prior to the six month anniversary of the Closing Date, in each case, in connection with a repricing event, will be subject to a prepayment premium of 1.0% of the principal amount so prepaid, refinanced or replaced. The Company must prepay the Tranche C Term Loans with the net cash proceeds of asset sales, casualty and condemnation events, the incurrence or issuance of indebtedness (other than indebtedness permitted to be incurred under the New First Lien Credit Facility unless specifically incurred to refinance a portion of the Tranche C Term Loans) and, for the year ended December 31, 2018 and thereafter, 50% of excess cash flow (such percentage to be subject to a reduction to 25% on the achievement of a net first lien leverage ratio of less than 3.75:1.0 and a further reduction to zero on the achievement of a net first lien leverage ratio of less than 2.75:1.0), in each case, subject to certain reinvestment rights and other exceptions, including for the ratable prepayment or redemption of pari passu indebtedness, as well as the right of the lenders to decline certain prepayments.

Borrowings under the New Extended Revolving Credit Facility and the Tranche C Term Loans bear interest at a floating rate which can be, at the Company’s option, either (i) a Eurodollar borrowing rate for a specified interest period plus an applicable margin or, (ii) an alternative base rate plus an applicable margin, subject to, a base rate floor of 0.00%, and in the case of the Tranche C Term Loans, a Eurodollar rate floor of 1.00%. The applicable margin for borrowings under the New Extended Revolving Credit Facility ranges from 4.50% to 5.00% per annum for Eurodollar loans and from 3.50% to 4.00% per annum for base rate loans and is determined by reference to a pricing grid based on the Company’s consolidated net first lien leverage ratio. The applicable margin for the Tranche C Term Loans is 5.00% per annum for Eurodollar loans and 4.00% per annum for base rate loans.

The following fees are applicable under the New Extended Revolving Credit Facility: (i) an unused line fee of 0.50% per annum, subject to an adjustment to 0.375% per annum based on a net first lien leverage ratio of 4.00:1.00, (ii) a letter of credit participation fee on the aggregate stated amount of each letter of credit available to be drawn equal to the applicable margin for Eurodollar rate loans under the New Extended Revolving Credit Facility, (iii) a letter of credit fronting fee equal to 0.125% per annum on the daily amount of each letter of credit available to be drawn and (iv) certain other customary fees and expenses payable to letter of credit issuers.

The Company’s obligations under the New Extended Revolving Credit Facility and the Tranche C Term Loans are guaranteed by the same guarantors, and secured by the same assets, that guaranteed and secured the Revolving Credit Facility and the Existing Term Loans.

The New First Lien Credit Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are subject to customary exceptions and limited to the following: limitations on the incurrence of debt, liens, fundamental changes, restrictions on subsidiary distributions, transactions with affiliates, further negative pledge, asset sales, restricted equity and debt payments, investments and acquisitions, repayment of certain debt in the event of a change of control, amendments of certain debt documents and the activities of Buccaneer Holdings, LLC.

There are no financial covenants included in the New First Lien Credit Facility other than a springing maximum net first lien leverage ratio of (i) 6.50:1.00 for the fiscal quarters ended on June 30, 2018 and September 30, 2018 and (ii) 6.00:1.00 for the fiscal quarter ended on December 31, 2018 and each fiscal quarter ended thereafter, which is tested only for the benefit of the revolving lenders and only (x) commencing with the first full fiscal quarter of the Company after the Closing Date, when, at the end of any fiscal quarter, any revolving loans, any swing line loans or any letter of credit obligations (excluding undrawn letters of credit not in excess of $10.0 million in the aggregate and any letters of credit which are cash collateralized to at least 105.0% of their maximum stated amount) are outstanding and (y) upon an extension of credit under the New Extended Revolving Credit Facility in the form of the making of a revolving loan or a swing line loan, or the issuance of a letter of credit.

The New First Lien Credit Facility provides that, upon the occurrence of certain events of default, the Company's obligations thereunder may be accelerated and the lending commitments terminated. Such events of default include payment

Table of Contents

defaults to the lenders, material inaccuracies of representations and warranties, covenant defaults, cross-defaults to other material indebtedness, voluntary and involuntary bankruptcy proceedings, material money judgments, material ERISA/pension plan events, certain change of control events and other customary events of default. The events of default are subject to exceptions and cure rights.

As of December 31, 2017, we were in compliance with all of the covenants contained in the Old First Lien Credit Facility, to the extent such covenants were required to be tested as of December 31, 2017.

As of December 31, 2017, the aggregate principal amount of our outstanding indebtedness under the Initial Term Loans and Tranche B Term Loans, was $890.0 million and $662.4 million, respectively. At December 31, 2017, the applicable interest rate was 4.57% on these term loans under the Old First Lien Credit Facility based on the Eurodollar rate loan option.

At December 31, 2017, there were no borrowings outstanding under the Revolving Credit Facility.

Second Lien Credit Facility

On the Closing Date, the Company entered into a second lien credit agreement (the “Second Lien Credit Agreement”). The Second Lien Credit Agreement established the New Second Lien Credit Facility in an aggregate principal amount of $220 million. Proceeds of the term loans under the New Second Lien Credit Facility (the “Second Lien Term Loans”), together with proceeds of the Tranche C Term Loans and cash on hand, were used to fund the 2018 Refinancing. The Second Lien Term Loans will mature on March 11, 2024 and have no scheduled amortization prior to maturity.

The Company’s obligations under the New Second Lien Credit Facility will be guaranteed by Buccaneer Holdings, LLC and certain subsidiary guarantors, which is junior to the lien securing facilities under the New First Lien Credit Facility.

The Company may voluntarily prepay the Second Lien Term Loans, in whole or in part, subject to minimum amounts, with prior notice but without premium or penalty, except that prepayments and certain refinancings of the Second Lien Term Loans and certain amendments or replacements of lenders under the Second Lien Term Loans in connection with a repricing event, in each case, prior to the third anniversary of the Closing Date will be subject to a prepayment premium as follows: (i) 3% of the aggregate principal amount of the Second Lien Term Loans so prepaid, refinanced, amended or replaced prior to the first anniversary of the Closing Date, (ii) 2% of the aggregate principal amount of the Second Lien Term Loans so prepaid, refinanced, amended or replaced on or after the first anniversary of the Closing Date but prior to the second anniversary of the Closing date and (iii) 1% of the aggregate principal amount of the Second Lien Term Loans so prepaid, refinanced, amended or replaced on or after the second anniversary of the Closing Date but prior to the third anniversary of the Closing date. The Company must prepay the Second Lien Term Loans with the net cash proceeds of asset sales, casualty and condemnation events, the incurrence or issuance of indebtedness (other than indebtedness permitted to be incurred under the New First Lien Credit Facility unless specifically incurred to refinance a portion of the Second Lien Term Loans) and, for the year ended December 31, 2018 and thereafter, 50% of excess cash flow (such percentage to be subject to a reduction to 25% on the achievement of a net senior secured leverage ratio of less than 5.25:1.0 and a further reduction to zero on the achievement of a net senior secured leverage ratio of less than 4.25:1.0), in each case, subject to credit for voluntary prepayment or redemption of the New First Lien Credit Facility and other senior priority indebtedness, certain reinvestment rights and other exceptions, including for the ratable prepayment or redemption of pari passu indebtedness, as well as the right of the lenders to decline certain prepayments. Until Discharge of Senior Obligations under, and as defined in, the Intercreditor Agreement, no mandatory prepayments of the Second Lien Term Loans with the net cash from asset sales, casualty and condemnation events and excess cash flow will be required, except to the extent of the respective mandatory prepayments under the New First Lien Credit Facility or other senior priority indebtedness declined by the lenders thereunder and only to the extent permitted thereunder.

Borrowings under the Second Lien Term Loans bear interest at a floating rate which can be, at the Company’s option, either (i) a Eurodollar borrowing rate for a specified interest period plus an applicable margin or, (ii) an alternative base rate plus an applicable margin, subject to a Eurodollar rate floor of 1.00% or a base rate floor of 0.00%, as applicable. The applicable margin for the Second Lien Term Loans is 9.00% per annum for Eurodollar loans and 8.00% per annum for base rate loans.

The Second Lien Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are subject to customary exceptions and limited to the following: limitations on the incurrence of debt, liens, fundamental changes, restrictions on subsidiary distributions, transactions with affiliates, further negative pledge, asset sales, restricted equity and debt payments, investments and acquisitions, repayment of certain debt in the event of a change of control, amendments of certain debt documents and the activities of Buccaneer Holdings, LLC.

Table of Contents

There are no financial covenants included in the New Second Lien Credit Facility.

The Second Lien Credit Agreement provides that, upon the occurrence of certain events of default, the Company's obligations thereunder may be accelerated and the lending commitments terminated. Such events of default include payment defaults to the lenders, material inaccuracies of representations and warranties, covenant defaults, cross-payment defaults and cross-acceleration to other material indebtedness, voluntary and involuntary bankruptcy proceedings, material money judgments, material ERISA/pension plan events, certain change of control events and other customary events of default. The events of default are subject to exceptions and cure rights.

Senior Notes

Syniverse Notes

On December 22, 2010, we issued $475.0 million of Syniverse Notes bearing interest at 9.125% that will mature on January 15, 2019. Interest on the notes is paid on January 15 and July 15 of each year. 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. On December 29, 2017, we redeemed an additional $40.0 million aggregate principal amount of the Syniverse Notes. Pursuant to the indenture governing the Syniverse Notes, the Syniverse Notes were redeemed at 100% of the principal amount, plus accrued and unpaid interest.

Following the Exchange Offer, the partial repurchases and the redemption, $41.7 million aggregate principal amount of the Syniverse Notes remained outstanding at December 31, 2017.

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.

We incurred financing fees of $20.4 million in connection with the issuance of the Syniverse Notes which have been amortized over the term of the notes using the effective interest method.

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% with a maturity date of January 15, 2022, and a like amount of Syniverse

Notes were cancelled. We incurred debt modification fees of $9.8 million in connection with the Exchange Offer in the year ended December 31, 2017 which is recorded in Interest expense in the accompanying consolidated statements of operations. On March 12, 2018, the SFHC Notes were redeemed in full in connection with the 2018 Refinancing.

Non-GAAP Financial Measures

Adjusted EBITDA and Free Cash Flow are not presentations made in accordance with U.S. GAAP. Adjusted EBITDA and Free Cash Flow 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,

Table of Contents

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 and Free Cash Flow should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We attempt to compensate for these limitations by relying primarily upon our U.S. GAAP results and using Adjusted EBITDA and Free Cash Flow as supplemental information only.

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

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

Adjusted EBITDA is determined by adding the following items to net loss: other expense, net; benefit from income taxes; depreciation and amortization; employee termination benefits; restructuring; non-cash stock-based compensation, acquisition expense; other operating income; 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 indenture governing the Syniverse Notes; however, the credit agreement governing the New Credit Facilities and the indenture governing the Syniverse 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.

Table of Contents

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 table:

	Year ended December 31,		
(in thousands)	2017	2016	2015
Reconciliation to Adjusted EBITDA			
Net loss	$(20,799)	$(65,170)	$(49,312)
Equity income in investees	—	91	36
Other expense, net	136,053	120,402	123,783
Benefit from income taxes	(43,946)	(42,807)	(31,277)
Depreciation and amortization	194,550	208,130	215,167
Employee termination benefits (a)	1,923	869	948
Restructuring (b)	6,198	25,220	387
Non-cash stock-based compensation (c)	14,209	17,070	17,262
Acquisition (d)	—	—	111
Other Operating Income (e)	—	(5,499)	—
Business development, integration and other expenses (f)	5,644	14,147	12,108
Consulting fee and related expenses (g)	3,344	3,061	3,079
Adjusted EBITDA	$297,176	$275,514	$292,292

(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 expenses associated with the Aicent acquisition, including professional services costs, such as legal, tax, audit and transaction advisory costs.

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

(f) 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.

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

Free Cash Flow is determined by the difference between net cash provided by operating activities less capital expenditures and acquisition costs.

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.

Table of Contents

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:

	Year ended December 31,		
(in thousands)	2017	2016	2015
Reconciliation to Free Cash Flow			
Net cash provided by operating activities	$145,947	$136,118	$161,838
Acquisition	—	—	111
Capital expenditures	(61,187)	(62,887)	(68,220)
Free Cash Flow	$84,760	$73,231	$93,729

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 consolidated balance sheets. The off-balance sheet amounts totaled approximately $372.3 million and $297.9 million as of December 31, 2017 and 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.

Contractual Obligations

The following table set forth the schedule of future payments under certain existing contracts, including debt agreements, as of December 31, 2017.

		Payments Due by Period			
(in thousands)		Less Than 1	1 to 3	3 to 5	More Than 5
Contractual Obligations	Total	Year	Years	Years	Years
Long-term debt obligations including interest (1)(2)	$2,216,069	$112,876	$1,683,064	$420,129	$ —
Operating lease obligations (3)	57,532	10,276	14,411	11,379	21,466
Purchase and contractual obligations (4)	22,610	18,139	4,471	—	—
Capital lease obligations including interest (5)	11,138	6,700	4,418	20	—
Pension obligation (6)	15,153	290	551	645	13,667
Contractual Obligations (7)	$2,322,502	$148,281	$1,706,915	$432,173	$ 35,133

(1) Based on an assumed interest rate on the Old First Lien Credit Facility of 4.57% based on the Eurodollar rate loan option at December 31, 2017 and the 9.125% interest rate on the Senior Notes.

(2) On January 11, 2017, pursuant to the Exchange Offer, SFHC issued $369.5 million of SFHC Notes and a like amount of Syniverse Notes that would have matured on January 15, 2019 were cancelled.

(3) Reflects estimated office space and property and equipment operating lease payments based on contractual rates.

(4) Reflects purchase and contractual obligations for property and equipment, software licenses and services.

(5) Reflects capital lease obligations for certain software licenses and computer equipment.

(6) Reflects estimated obligations from a noncontributory, defined benefit retirement plan associated with one of our foreign subsidiaries.

(7) The timing of cash outflows related to liabilities for uncertain tax positions, and the interest thereon, cannot be estimated and, therefore, has not been included in the table. See Note 12 to our consolidated financial statements for additional information regarding the liabilities for uncertain tax positions.

Effect of Inflation

Inflation generally affects us by increasing our cost of labor, equipment and new materials. We do not believe that inflation has had a material effect on our results of operations during the years ended December 31, 2017, 2016 or 2015.

Critical Accounting Policies and Estimates

The preparation of our 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.

During the year ended December 31, 2017, we did not adopt or change the application of any critical accounting policies from the year ended December 31, 2016 that have had a material impact on our financial statements.

Revenue Recognition

We recognize revenue in accordance with ASC 605 - Revenue Recognition. Our revenues are generated through the sale of Mobile Transaction Services and Enterprise & Intelligence Solutions to mobile operators and enterprise customers throughout the world. The majority of our revenues are generated by transaction-based fees, including a per-transaction fee, tier-based pricing and additional fees for volume above an agreed upon threshold, primarily through long-term contracts typically averaging three years in duration. We also generate revenues through monthly recurring charges and customer implementation services.

For all of our transaction-based services, we recognize revenues at the time the transactions are processed. We 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 them on a straight-line basis over the life of the initial customer agreements.

On January 1, 2018, we will adopt ASU 2014-09, Revenue from Contracts with Customers, which is included in the ASC in Topic 606. The adoption of this guidance will not have a material impact to our consolidated financial statements. See Note 2 to our consolidated financial statements for a detailed discussion of our service offerings and revenue recognition.

Impairment of Goodwill and Indefinite-Lived Intangible Assets

We evaluate goodwill and indefinite-lived intangible assets for impairment at least annually, or more frequently if indicators of impairment arise. When evaluating goodwill and indefinite-lived 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 fair value of a reporting unit is less than its carrying amount. This qualitative assessment is commonly referred to as a "step zero" approach. If, based on the review of the qualitative factors, the Company determines it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, the Company performs a quantitative impairment test. If based on this assessment an impairment exits, a charge is recorded for the excess of the reporting unit's carrying amount over its fair value in the consolidated statement of operations. We performed the quantitative assessment for all periods presented in the consolidated financials and determined that goodwill was not impaired during any period contained herein.

In connection with our annual goodwill impairment analysis at October 1, 2017, the fair value of our reporting unit was not impaired. In the future, our reporting unit may be at risk of impairment due to lower operating results caused by 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 affect our adjusted EBITDA or free cash flows.

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 assess 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 an impairment test. We did not record any impairment loss on indefinite-lived intangible assets for the years ended December 31, 2017, 2016 or 2015.

Income Taxes

We are subject to income taxes in the United States as well as in several foreign jurisdictions. The determination of our provision for income taxes requires management's judgment in the use of estimates and the interpretation and application of complex tax laws. Judgment is also required in assessing the timing and amounts of deductible and taxable items. We believe our tax return positions are fully supportable; however, we establish liabilities for material tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. Issues raised by a tax authority may be finally resolved at an amount different than the related liability. When facts and circumstances change (including a resolution of an issue or statute of limitations expiration), these liabilities are adjusted through the provision for income taxes in the period of change.

Judgment is required to determine whether or not some portion or all of our deferred tax assets will not be realized. To the extent we determine that we will not realize the benefit of some or all of our deferred tax assets, these deferred tax assets will be adjusted through our provision for income taxes in the period in which this determination is made. See Note 12 to our consolidated financial statements for additional information regarding income taxes.

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 these deferred tax assets, this evidence is not considered sufficient to outweigh the objectively verifiable negative evidence, including the recent history of pre-tax losses.

Stock-Based Compensation

Our stock-based compensation expense is estimated at the grant date based on an award’s fair value as calculated by the Black-Scholes option-pricing model for stock options and share price for restricted stock, and is recognized as expense over the requisite service period. The Black-Scholes model requires various subjective assumptions including expected volatility and option life. If any of the assumptions used in the Black-Scholes model changes significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. In addition, we estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience. To the extent our actual forfeiture rate is different from our estimate, stock-based compensation expense is adjusted accordingly. See Note 10 to our consolidated financial statements for additional information regarding our stock-based compensation.

Common Stock Valuation

In the absence of a public trading market, our Compensation Committee of the Board of Directors, with input from management, determined a reasonable estimate of the then-current fair value of Syniverse Corporation’s common stock for purposes of determining fair value of stock options on the date of grant. We determined the fair value of Syniverse Corporation’s common stock utilizing methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Aid, “Valuation of Privately-Held-Company Equity Securities Issued as Compensation." Our approach considered contemporaneous common stock valuations in determining the equity value of our parent using a weighted combination of various methodologies, each of which can be categorized under either of the following two valuation approaches: the income approach and the market approach. In addition, we exercised judgment in evaluating and assessing the foregoing based on several factors including: (i) the nature and history of our business; (ii) our current and historical operating performance; (iii) our expected future operating performance; (iv) our financial condition at the grant date; (v) the lack of marketability of our common stock; (vi) the value of companies we consider peers based on a number of factors, including, but not limited to, similarity to us with respect to industry, business model, stage of growth, intangible value, company size, geographic diversification, profitability, financial risk and other factors; (vii) the likelihood of achieving a liquidity event, such as an IPO or a merger or acquisition of our company given prevailing market conditions; (viii) industry information such as market size and growth; and (ix) macroeconomic conditions.