SYNIVERSE HOLDINGS INC
Form 10-Q
November 08, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
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)

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

Large accelerated filer 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 number of shares of common stock of the registrant outstanding at November 4, 2016 was 1,000.

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GLOSSARY OF TERMS

| Term | Definition |
|---|---|
| 2011 Plan | 2011 Equity Incentive Plan |
| 4G | Fourth generation |
| A2P | Application to Peer |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |
| Carlyle | Investment funds affiliated with The Carlyle Group |
| CDMA | Code division multiple access |
| CNAM | Caller name directory |
| EIS | Enterprise & Intelligence Solutions |
| E.U. | European Union |
| FASB | Financial Accounting Standards Board |
| FCC | Federal Communications Commission |
| FCPA | Foreign Corrupt Practices Act |
| GMAC | Guideline merged and acquired company |
| GPC | Guideline public company |
| GSM | Global system for mobiles |
| IASB | International Accounting Standards Board |
| IPX | Interworking packet exchange |
| LTE | Long-term evolution |
| M2M | Machine-to-machine |
| MNO | Mobile network operator |
| MTS | Mobile Transaction Services |
| MVNO | Mobile virtual network operators |
| NOL | Net operating loss |
| OFAC | The Office of Foreign Assets Control of the U.S. Department of the Treasury |
| OTT | Over-the-top provider |
| SEC | Securities and Exchange Commission |
| SS7 | Signaling System 7 |
| U.S. | United States of America |
| U.S. GAAP | Accounting principles generally accepted in the United States |
| VIE | Variable interest entity |
| VoLTE | Voice over LTE |

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

| | September 30, 2016 (Unaudited) | December 31, 2015 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 106,895 | $ 166,581 |
| Accounts receivable, net of allowances of $23,397 and $24,343, respectively | 174,887 | 194,259 |
| Income taxes receivable | 9,261 | 6,058 |
| Prepaid and other current assets | 29,502 | 26,113 |
| Total current assets | 320,545 | 393,011 |
| Property and equipment, net | 110,887 | 114,504 |
| Capitalized software, net | 156,802 | 191,078 |
| Goodwill | 2,293,206 | 2,286,876 |
| Identifiable intangibles, net | 342,880 | 400,321 |
| Deferred tax assets | 3,307 | 3,280 |
| Investment in unconsolidated subsidiaries | 48,304 | 3,771 |
| Other assets | 8,954 | 13,499 |
| Total assets | $ 3,284,885 | $ 3,406,340 |
| LIABILITIES AND STOCKHOLDER EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 33,355 | $ 50,443 |
| Income taxes payable | 859 | 2,112 |
| Accrued liabilities | 87,382 | 98,761 |
| Deferred revenues | 4,552 | 4,558 |
| Current portion of capital lease obligation | 18,148 | 14,667 |
| Current portion of long-term debt, net of original issue discount and deferred financing costs | — | 35,445 |
| Total current liabilities | 144,296 | 205,986 |
| Long-term liabilities: | | |
| Deferred tax liabilities | 129,452 | 165,570 |
| Long-term capital lease obligation, less current portion | 10,468 | 18,563 |
| Long-term debt, net of current portion, original issue discount and deferred financing costs | 1,991,931 | 1,981,655 |
| Other long-term liabilities | 47,714 | 44,717 |
| Total liabilities | 2,323,861 | 2,416,491 |
| Commitments and contingencies | | |
| Stockholder equity: | | |
| Common stock $0.01 par value; one thousand shares authorized, issued and outstanding as of September 30, 2016 and December 31, 2015 | — | — |
| Additional paid-in capital | 1,263,142 | 1,250,139 |
| Accumulated deficit | (218,807 ) | (169,838 ) |

| | | |
|---|---|---|
| Accumulated other comprehensive loss | (90,309 ) | (97,586 ) |
| Total Syniverse Holdings, Inc. stockholder equity | 954,026 | 982,715 |
| Noncontrolling interest | 6,998 | 7,134 |
| Total equity | 961,024 | 989,849 |
| Total liabilities and stockholder equity | $ 3,284,885 | $ 3,406,340 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (Unaudited) | | | |
| Revenues | $196,617 | $223,899 | $588,779 | $649,701 |
| Costs and expenses: | | | | |
| Cost of operations (excluding depreciation and amortization shown separately below) | 88,293 | 96,302 | 272,959 | 296,109 |
| Sales and marketing | 16,212 | 19,399 | 54,071 | 57,755 |
| General and administrative | 25,863 | 34,873 | 87,412 | 101,717 |
| Depreciation and amortization | 52,739 | 55,477 | 155,976 | 165,338 |
| Employee termination benefits | (247) | 366 | 747 | 501 |
| Restructuring charges | 1,087 | (172) | 14,530 | (280) |
| Acquisition | — | — | — | 111 |
| Other operating income | (5,499) | — | (5,499) | — |
| | 178,448 | 206,245 | 580,196 | 621,251 |
| Operating income | 18,169 | 17,654 | 8,583 | 28,450 |
| Other income (expense), net: | | | | |
| Interest expense, net | (30,515) | (30,846) | (92,304) | (91,807) |
| Equity loss in investees | (213) | (2) | (122) | (1) |
| Other, net | 532 | 2,397 | 2,714 | (426) |
| | (30,196) | (28,451) | (89,712) | (92,234) |
| Loss before provision for (benefit from) income taxes | (12,027) | (10,797) | (81,129) | (63,784) |
| Provision for (benefit from) income taxes | 5,136 | (4,959) | (33,553) | (25,530) |
| Net loss | (17,163) | (5,838) | (47,576) | (38,254) |
| Net income attributable to nonredeemable noncontrolling interest | 458 | 370 | 1,393 | 980 |
| Net loss attributable to Syniverse Holdings, Inc. | $(17,621) | $(6,208) | $(48,969) | $(39,234) |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | (Unaudited) | | | |
| Net loss | $(17,163) | $(5,838) | $(47,576) | $(38,254) |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustment (1) | 6,351 | 1,129 | 7,130 | (36,411) |
| Amortization of unrecognized loss included in net periodic pension cost (2) | 61 | 50 | 138 | 149 |
| Other comprehensive income (loss) | 6,412 | 1,179 | 7,268 | (36,262) |
| Comprehensive loss | (10,751) | (4,659) | (40,308) | (74,516) |
| Less: comprehensive income attributable to nonredeemable noncontrolling interest | 558 | 188 | 1,384 | 866 |
| Comprehensive loss attributable to Syniverse Holdings, Inc. | $(11,309) | $(4,847) | $(41,692) | $(75,382) |

(1) Foreign currency translation adjustments are shown net of income tax expense of $204 for the nine months ended September 30, 2016, and net of income tax (benefit) expense of $(24) and $209 for the three and nine months ended September 30, 2015, respectively.

(2) Amortization of unrecognized loss included in net periodic pension cost is shown net of income tax expense of $27 and $61 for the three and nine months ended September 30, 2016, respectively, and net of income tax benefit of $22 and $65 for the three and nine months ended September 30, 2015, respectively.

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | Stockholder of Syniverse Holdings, Inc. | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | | | | | |
| | Shares | Amount | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive (Loss) Income | Nonredeemable Noncontrolling Interest | Total |
| Balance, December 31, 2014 | 1 | $ — | $1,232,108 | $(119,247) | $ (44,222) | $ 7,153 | $1,075,792 |
| Net (loss) income | — | — | — | (39,234) | — | 980 | (38,254) |
| Other comprehensive income (loss), net of tax: | | | | | | | |
| Foreign currency translation adjustment, net of tax expense of $209 | — | — | — | — | (36,297) | (114) | (36,411) |
| Amortization of unrecognized loss included in net periodic pension cost, net of tax benefit of $65 | — | — | — | — | 149 | — | 149 |
| Stock-based compensation | — | — | 11,752 | — | — | — | 11,752 |
| Distribution to nonredeemable noncontrolling interest | — | — | — | — | — | (1,211) | (1,211) |
| Contribution from Syniverse Corporation | — | — | 885 | — | — | — | 885 |
| Balance, September 30, 2015 (Unaudited) | 1 | $ — | $1,244,745 | $(158,481) | $ (80,370) | $ 6,808 | $1,012,702 |
| | | | | | | | |
| Balance, December 31, 2015 | 1 | $ — | $1,250,139 | $(169,838) | $ (97,586) | $ 7,134 | $989,849 |
| Net (loss) income | — | — | — | (48,969) | — | 1,393 | (47,576) |
| Other comprehensive (loss) income, net of tax: | | | | | | | |
| Foreign currency translation adjustment, net of tax expense of $204 | — | — | — | — | 7,139 | (9) | 7,130 |
| Amortization of unrecognized loss included in net periodic pension cost, net of tax expense of $61 | — | — | — | — | 138 | — | 138 |
| Stock-based compensation | — | — | 13,049 | — | — | — | 13,049 |
| Distribution to nonredeemable noncontrolling interest | — | — | — | — | — | (1,520) | (1,520) |
| Distribution to Syniverse Corporation | — | — | (46) | — | — | — | (46) |
| Balance, September 30, 2016 (Unaudited) | 1 | $ — | $1,263,142 | $(218,807) | $ (90,309) | $ 6,998 | $961,024 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| | (Unaudited) | |
| Cash flows from operating activities | | |
| Net loss | $(47,576) | $(38,254) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 155,976 | 165,338 |
| Amortization of original issue discount and deferred financing costs | 11,074 | 9,849 |
| Allowance for credit memos and uncollectible accounts | 14,460 | 17,113 |
| Deferred income tax benefit | (34,879) | (27,218) |
| Stock-based compensation | 13,049 | 11,752 |
| Other operating income | (5,499) | — |
| Other, net | (572) | 2,591 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 5,683 | (27,293) |
| Income taxes receivable or payable | (4,428) | (5,911) |
| Prepaid and other current assets | (4,154) | (1,491) |
| Accounts payable | (17,214) | 3,363 |
| Accrued liabilities and deferred revenues | (12,629) | (12,624) |
| Other assets and other long-term liabilities | 5,526 | 200 |
| Net cash provided by operating activities | 78,817 | 97,415 |
| Cash flows from investing activities | | |
| Capital expenditures | (43,178) | (47,071) |
| Investment in unconsolidated subsidiaries | (40,544) | — |
| Redemption (purchase) of certificate of deposit | 317 | (90) |
| Proceeds from divestitures | — | 2,225 |
| Net cash used in investing activities | (83,405) | (44,936) |
| Cash flows from financing activities | | |
| Proceeds from Revolving Credit Facility | 15,000 | — |
| Principal payments on Revolving Credit Facility | (15,000) | (10,000) |
| Debt modification costs paid | — | (177) |
| Principal payments on debt | (36,243) | — |
| Payments on capital lease obligations | (12,534) | (5,764) |
| (Distribution to) contribution from Syniverse Corporation | (5,046) | 885 |
| Distribution to nonredeemable noncontrolling interest | (1,520) | (1,211) |
| Net cash used in financing activities | (55,343) | (16,267) |
| Effect of exchange rate changes on cash | 245 | (1,417) |
| Net (decrease) increase in cash | (59,686) | 34,795 |
| Cash and cash equivalents at beginning of period | 166,581 | 89,347 |
| Cash and cash equivalents at end of period | $106,895 | $124,142 |
| | | |
| Supplemental noncash investing and financing activities | | |
| Assets acquired under capital lease | $8,955 | $21,635 |
| Issuance of Syniverse Corporation stock for investment in unconsolidated subsidiaries | $5,000 | $— |
| Supplemental cash flow information | | |

| | | |
|---|---|---|
| Interest paid | $92,536 | $92,879 |
| Income taxes paid | $5,755 | $7,590 |

See accompanying notes to unaudited condensed consolidated financial statements.

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SYNIVERSE HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Syniverse is the leading global transaction processor that connects MNOs and enterprises in nearly 200 countries enabling seamless mobile communications across disparate and rapidly evolving networks, devices and applications. We process transactions that include the authorization and delivery of end user traffic, clearing of billing records and settlement of payments. We also offer a unique portfolio of intelligent policy and charging tools that enable our customers to use real-time data generated by these transactions to deliver customized service 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 nearly 4 billion billable transactions daily and settle approximately $17 billion annually between our customers.

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

Our diverse customer base includes a broad range of participants in the mobile ecosystem, including approximately 1,000 MNOs and over 500 OTTs and enterprises. Our customers include 99 of the top 100 MNOs globally, such as Verizon Wireless, América Móvil, Vodafone, Telefónica, China Unicom and Reliance Communications; OTTs, including 3 of the 4 largest social networking sites in the U.S. and one of the largest social networking sites in China; and blue-chip enterprise customers, including the top 3 credit card networks worldwide and 2 multinational hotel brands.

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of Syniverse Holdings, Inc. have been prepared in accordance with U.S. GAAP for interim financial information and on a basis that is consistent with the accounting principles applied in our audited financial statements for the fiscal year ended December 31, 2015 (the “2015 financial statements”). In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal, recurring nature. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes included in our 2015 financial statements. Operating results for the interim periods noted herein are not necessarily indicative of the results that may be achieved for a full year.

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

In May 2016, we acquired a noncontrolling interest in Vibes Media LLC (“Vibes”) for $45 million. The investment consists of $40 million in cash and common shares of Syniverse Corporation valued at $5 million. The carrying amount of the investment in the equity method investee as of September 30, 2016 was $44.3 million and is included in Investment in unconsolidated subsidiaries in the unaudited condensed consolidated balance sheets. In addition to our investment in Vibes, Syniverse and Vibes will partner to distribute Vibes' cloud-based mobile marketing software platform. Expenses incurred from commercial transactions with Vibes were $0.3 million and $0.5 million during the three months ended September 30, 2016 and the period from the investment date through September 30, 2016, respectively.

Use of Estimates

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

Customer Accounts

We provide financial settlement services to wireless operators to support the payment of roaming related charges to their roaming network partners. In accordance with our customer contracts, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other operators. These funds and the corresponding liability are not reflected in our condensed consolidated balance sheets. The off-balance sheet amounts totaled approximately $309.7 million and $321.0 million as of September 30, 2016 and December 31, 2015, respectively.

Capitalized Software Costs

We capitalize the cost of externally purchased software, software licenses, internal-use software and developed technology that has a useful life in excess of one year. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they enable the software to perform a task it previously was unable to perform. Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized software and developed technology are amortized using the straight-line method over a period of 3 to 5 years and 3 to 8 years, respectively.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill is not amortized, but is instead tested for impairment, at least annually on October 1, or more frequently if indicators of impairment arise. Goodwill is tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment, referred to as a component. We have not identified any components within our single operating segment and, hence, have a single reporting unit for purposes of our goodwill impairment analysis.

When evaluating goodwill 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 two-step impairment test. In connection with our annual goodwill impairment analysis at October 1, 2015, the fair value of our reporting unit exceeded its carrying value. In the first quarter of 2016, we observed a decline in the fair value of our senior notes when evaluating whether events or changes in circumstances indicated that it is more likely than not that a potential goodwill impairment exists. We concluded that the decline in the fair value of our senior notes at that time was not suggestive of a material decline in the fair value of our reporting unit from the annual goodwill impairment analysis date. In the future, our reporting unit may be at risk of impairment if our operating results decline.

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 a two-step impairment test.

The methodology used to determine the fair value of a reporting unit and other indefinite-lived intangible assets includes assumptions with inherent uncertainty, including projected sales volumes and related projected revenues, profitability and cash

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flows, long-term growth rates, royalty rates that a market participant might assume and judgments regarding the factors to develop an applied discount rate. The carrying value of goodwill and other indefinite-lived intangible assets is at risk of impairment if future projected revenues, long-term growth rates or long-term profitability and cash flows are lower than those currently projected, or if factors used in the development of a discount rate result in the application of a higher discount rate.

Foreign Currencies

We have operations in subsidiaries in Europe (primarily the United Kingdom, Germany and Luxembourg), India and the Asia-Pacific region, each of whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the relevant functional currencies are included in Other, net in the unaudited condensed consolidated statements of operations. For the three and nine months ended September 30, 2016, we recorded foreign currency transaction gains of $0.5 million and $2.7 million, respectively. For the three and nine months ended September 30, 2015, we recorded foreign currency transaction gains of $2.4 million and losses of $0.4 million, respectively.

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

Segment Information

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

Revenues by service offerings were as follows:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| (in thousands) | (Unaudited) | |
| Mobile Transaction Services | $163,659 | $191,073 |
| Enterprise & Intelligence Solutions | 32,958 | 32,826 |
| Revenues | $196,617 | $223,899 |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| (in thousands) | (Unaudited) | |
| Mobile Transaction Services | $490,235 | $553,813 |
| Enterprise & Intelligence Solutions | 98,544 | 95,888 |
| Revenues | $588,779 | $649,701 |

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

| | Three Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| (in thousands) | (Unaudited) | |
| North America | $120,609 | $139,631 |
| Europe, Middle East and Africa | 34,559 | 37,306 |
| Asia Pacific | 29,262 | 32,857 |
| Caribbean and Latin America | 12,187 | 14,105 |
| Revenues | $196,617 | $223,899 |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| (in thousands) | (Unaudited) | |
| North America | $364,829 | $402,767 |
| Europe, Middle East and Africa | 100,254 | 109,250 |
| Asia Pacific | 87,172 | 94,572 |
| Caribbean and Latin America | 36,524 | 43,112 |
| Revenues | $588,779 | $649,701 |

Reclassifications of Prior Year Presentation

We reclassified investments in unconsolidated subsidiaries, which included our equity method investment in Link2One at December 31, 2015, from Other assets to Investments in unconsolidated subsidiaries in the condensed consolidated balance sheets to conform to the current year presentation. The reclassification had no effect on our reported results of operations or cash flows.

3. Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments, which is included in ASC Topic 230. ASU 2016-15 includes multiple provisions intended to simplify various treatments of certain cash receipts and cash payments in the statement of cash flows under ASC Topic 230. The update is effective for the Company beginning January 1, 2018. Early adoption is permitted. The amendments in this update should be applied retrospectively to each period presented. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses, which is included in the ASC in Topic 326. ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The update will replace the incurred loss approach with an expected credit loss model. It also would require entities to present unrealized losses from available-for-sale debt securities as allowances rather than as a reduction in the amortized cost of the securities. The update is effective for the Company beginning January 1, 2020. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09, Stock Compensation - Improvements to Employee Share-Based Payment Accounting, which is included in the ASC in Topic 718. ASU 2016-09 includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. The update is effective for the Company beginning January 1, 2017. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-07, Simplifying the Transition to the Equity Method of Accounting, which is included in the ASC in Topic 323. ASU 2016-07 eliminates the requirement to apply the equity method of accounting

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retrospectively when a reporting entity obtains significant influence over a previously held investment. Instead, the equity method of accounting will be applied prospectively from the date significant influence is obtained. The update is effective for the Company beginning January 1, 2017. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases, which is included in the ASC in Topic 842. ASU 2016-02 is intended to improve financial reporting related to leasing transactions. ASU 2016-02 requires recognition of lease assets and lease liabilities by lessees for most leases. The effect on the statement of comprehensive income and the statement of cash flows is largely unchanged from current GAAP. The update is effective for the Company beginning January 1, 2019. Early adoption is permitted. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which is included in the ASC in Topic 606. ASU 2014-09 was issued as a converged guidance with the IASB on recognizing revenue in contracts with customers and is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principle based approach to the recognition of revenue. The update includes a five-step framework with applicable guidance, which supersedes existing revenue recognition guidance. This update is effective for the Company beginning January 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early application of the standard is permitted on January 1, 2017. We are currently assessing the impact of implementing this guidance on our consolidated financial statements and related disclosures.

4. Detail of Accrued Liabilities

Accrued liabilities consisted of the following:

| (in thousands) | September 30, 2016 (Unaudited) | December 31, 2015 |
|---|---|---|
| Accrued payroll and related benefits | $ 36,282 | $ 34,642 |
| Accrued interest | 15,799 | 26,743 |
| Accrued network payables | 13,997 | 15,368 |
| Accrued revenue share expenses | 3,100 | 2,805 |
| Other accrued liabilities | 18,204 | 19,203 |
| Total accrued liabilities | $ 87,382 | $ 98,761 |

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5. Debt and Credit Facilities

Our total outstanding debt as of September 30, 2016 and December 31, 2015 was as follows:

| (in thousands) | September 30, 2016 (Unaudited) | December 31, 2015 |
|---|---|---|
| Senior Credit Facility: | | |
| Initial Term Loans, due 2019 | $891,057 | $911,835 |
| Original issue discount | (5,145) | (6,830) |
| Deferred financing costs | (11,939) | (15,373) |
| Tranche B Term Loans, due 2019 | 663,200 | 678,665 |
| Original issue discount | (1,542) | (2,008) |
| Deferred financing costs | (11,118) | (14,475) |
| Senior Notes: | | |
| 9.125% senior unsecured notes, due 2019 | 475,000 | 475,000 |
| Deferred financing costs | (7,582) | (9,714) |
| Total Debt and Credit Facilities | 1,991,931 | 2,017,100 |
| Less: Current portion | | |
| Long-term debt, current portion | $— | $(36,243) |
| Original issue discount, current portion | — | 192 |
| Deferred financing costs, current portion | — | 606 |
| Long-term debt | $1,991,931 | $1,981,655 |

Amortization of original issue discount and deferred financing costs for the three and nine months ended September 30, 2016 was $3.5 million and $11.1 million, respectively. Amortization of original issue discount and deferred financing costs for the three and nine months ended September 30, 2015 was $3.3 million and $9.8 million, respectively. Amortization is included in interest expense in the unaudited condensed consolidated statements of operations.

Senior Credit Facility

On April 23, 2012, we entered into a credit agreement (the “Credit Agreement”) with Buccaneer LLC (as successor by merger to Buccaneer Holdings, Inc.), Barclays Bank PLC, as administrative agent, swing line lender and letters of credit issuer, and the other financial institutions and lenders from time to time party thereto, providing for a senior credit facility (the “Senior Credit Facility”) consisting of (i) a $950.0 million term loan facility (the “Initial Term Loans”); and (ii) a $150.0 million revolving credit facility (the “Revolving Credit Facility”) for the making of revolving loans, swing line loans and issuance of letters of credit. The unused commitment under the Revolving Credit Facility was $150.0 million at September 30, 2016.

On June 28, 2013, the Company borrowed $700.0 million of incremental term loans (the “Tranche B Term Loans”), pursuant to an incremental amendment to the Credit Agreement.

On April 15, 2016, we made principal payments of approximately $36.2 million toward the Initial Term Loans and Tranche B Term Loans as required pursuant to the Excess Cash Flow provision of the Credit Agreement. Commencing on December 31, 2018, our Initial Term Loans and Tranche B Term Loans will resume amortizing in quarterly installments in an amount equal to 0.25% per quarter of the original principal amount thereof, with the remaining balance due at the final maturity.

9.125% senior unsecured notes due 2019

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

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6. Stock-Based Compensation

Effective April 6, 2011, Syniverse Corporation, our indirect parent, established the 2011 Plan for the employees, consultants and directors of Syniverse Corporation and its subsidiaries. The 2011 Plan provides incentive compensation through grants of incentive or non-qualified stock options, stock purchase rights, restricted stock awards, restricted stock units or any combination of the foregoing. Syniverse Corporation will issue shares of its common stock to satisfy equity based compensation instruments.

Stock-based compensation expense for the three and nine months ended September 30, 2016 and 2015 was as follows:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| (in thousands) | (Unaudited) | |
| Cost of operations | $122 | $191 |
| Sales and marketing | 692 | 1,642 |
| General and administrative | 2,798 | 3,506 |
| Stock-based compensation | $3,612 | $5,339 |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2016 | 2015 |
| (in thousands) | (Unaudited) | |
| Cost of operations | $458 | $374 |
| Sales and marketing | 2,976 | 3,609 |
| General and administrative | 9,615 | 7,769 |
| Stock-based compensation | $13,049 | $ |