Crexendo, Inc.
Form 4
February 11, 2014

# FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
| Expires: | January 31, 2005 |
| Estimated average burden hours per response... | 0.5 |

(Print or Type Responses)

1. Name and Address of Reporting Person *
MIHAYLO STEVEN G

(Last) (First) (Middle)

1615 SOUTH 52ND STREET

(Street)

TEMPE, AZ 85281

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Crexendo, Inc. [EXE]

3. Date of Earliest Transaction (Month/Day/Year)
02/10/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director __X__ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Executive Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 02/10/2014(1) | | P | | 60 | A | $ 3.1 | 4,906,011 | I | via trust |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| MIHAYLO STEVEN G<br>1615 SOUTH 52ND STREET<br>TEMPE, AZ 85281 | X | X | Chief Executive Officer | |

# Signatures

| | |
|---|---|
| /s/ Steven G. Mihaylo | 02/11/2014 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Purchase made pursuant to 10(b)(5)(1) plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. :2px;">

Accounts payable
$
—

$
14,213

$
3,548

$
—

$
17,761

Accounts payable - affiliates
193,976

1,635,043

59,362

(1,888,381
)

—

Income taxes payable
—

—

6,197

—

6,197

Accrued liabilities
29,178

39,216

11,196

—

79,590

Accrued interest - affiliates
—

14,894

—

(14,894
)

—

Deferred revenues
—

2,346

3,365

—

5,711

Deferred tax liabilities
—

—

243

—

243

Current portion of capital lease obligation
—

Explanation of Responses:

3,791

152

—

3,943

Current portion of long term debt, net of original issue discount
7,082

—

—

—

7,082

Total current liabilities
230,236

1,709,503

84,063

(1,903,275
)

120,527

Long-term liabilities:

Long-term note payable - affiliates
—

7,183

—

(7,183
)

—

Deferred tax liabilities
4,569

192,361

15,746

—

212,676

Long-term capital lease obligation, net of current maturities
—

4,075

245

—

4,320

Long-term debt, net of current portion and original issue discount
1,398,136

—

—

—

1,398,136

Other long-term liabilities
—

15,050

11,903

—

26,953

Total liabilities
1,632,941

1,928,172

111,957

(1,910,458
)

1,762,612

Stockholder equity:

Common stock
—

—

207

(207
)

—

Additional paid-in capital
1,215,350

1,489,267

45,377

(1,534,644
)

1,215,350

(Accumulated deficit) retained earnings
(24,713
)

114,122

59,540

(173,662
)

(24,713
)
Accumulated other comprehensive (loss) income
(970
)

533

(1,503
)

970

(970
)
Total Syniverse Holdings Inc. stockholder equity
1,189,667

1,603,922

103,621

(1,707,543
)

1,189,667

Noncontrolling interest
—

—

—

6,760

6,760

Total equity
1,189,667

1,603,922

103,621

(1,700,783
)

1,196,427

Total liabilities and stockholder equity
$
2,822,608

$
3,532,094

$
215,578

$
(3,611,241
)

$
2,959,039

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012
(IN THOUSANDS)

| | Syniverse, Inc. | Subsidiary Guarantors | Subsidiary Non-Guarantors | Adjustments | Consolidated |
|---|---|---|---|---|---|
| Revenues | $— | $163,556 | $ 25,800 | $— | $189,356 |
| Costs and expenses: | | | — | | |
| Cost of operations (excluding depreciation and amortization shown separately below) | — | 59,814 | 9,778 | — | 69,592 |
| Sales and marketing | — | 11,204 | 4,853 | — | 16,057 |
| General and administrative | — | 22,987 | 103 | — | 23,090 |
| Depreciation and amortization | — | 43,057 | 1,354 | — | 44,411 |
| Restructuring and management termination benefits | — | (60) | — | — | (60) |
| Acquisition expenses | — | 2,654 | — | — | 2,654 |
| | — | 139,656 | 16,088 | — | 155,744 |
| Operating income | — | 23,900 | 9,712 | — | 33,612 |
| Other income (expense), net: | | | | | |
| Income from equity investment | 60,067 | 1,325 | — | (61,392) | — |
| Interest income | — | 74 | 92 | — | 166 |
| Interest expense | (25,304) | — | — | — | (25,304) |
| Other, net | — | 788 | 2,298 | — | 3,086 |
| | 34,763 | 2,187 | 2,390 | (61,392) | (22,052) |
| Income (loss) before provision for (benefit from) income taxes | 34,763 | 26,087 | 12,102 | (61,392) | 11,560 |
| Provision for (benefit from) income taxes | 19,324 | (33,980) | 9,150 | — | (5,506) |
| Net income | 15,439 | 60,067 | 2,952 | (61,392) | 17,066 |
| Net income attributable to noncontrolling interest | — | — | — | 1,627 | 1,627 |
| Net income attributable to Syniverse Holdings, Inc. | $15,439 | $60,067 | $ 2,952 | $(63,019) | $15,439 |

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012
(IN THOUSANDS)

| | Syniverse, Inc. | Subsidiary Guarantors | Subsidiary Non-Guarantors | Adjustments | Consolidated |
|---|---|---|---|---|---|
| Net income | $15,439 | $60,067 | $ 2,952 | $(61,392 ) | $17,066 |
| Other comprehensive loss: | | | | | |
| Foreign currency translation adjustment, net of tax expense of $419 | — | — | (1,648 ) | — | (1,648 ) |
| Other comprehensive loss | — | — | (1,648 ) | — | (1,648 ) |
| Comprehensive income | 15,439 | 60,067 | 1,304 | (61,392 ) | 15,418 |
| Less: comprehensive income attributable to noncontrolling interest | — | — | — | 2,062 | 2,062 |
| Comprehensive income attributable to Syniverse Holdings, Inc. | $15,439 | $60,067 | $ 1,304 | $(63,454 ) | $13,356 |

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CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(IN THOUSANDS)

| | Syniverse, Inc. | Subsidiary Guarantors | Subsidiary Non-Guarantors | Adjustments | Consolidated |
|---|---|---|---|---|---|
| Revenues | $— | $483,233 | $ 74,396 | $— | $557,629 |
| Costs and expenses: | | | — | | |
| Cost of operations (excluding depreciation and amortization shown separately below) | — | 175,733 | 28,183 | — | 203,916 |
| Sales and marketing | — | 35,681 | 15,133 | — | 50,814 |
| General and administrative | — | 78,756 | (2,645) | — | 76,111 |
| Depreciation and amortization | — | 127,036 | 4,649 | — | 131,685 |
| Restructuring and management termination benefits | — | 533 | 38 | — | 571 |
| Acquisition expenses | — | 8,144 | — | — | 8,144 |
| | — | 425,883 | 45,358 | — | 471,241 |
| Operating income | — | 57,350 | 29,038 | — | 86,388 |
| Other income (expense), net: | | | | | |
| Income from equity investment | 106,688 | 26,467 | — | (133,155) | — |
| Interest income | — | 317 | 353 | — | 670 |
| Interest expense | (83,405) | — | — | — | (83,405) |
| Debt extinguishment costs | (6,458) | — | — | — | (6,458) |
| Other, net | — | 383 | 3,184 | — | 3,567 |
| | 16,825 | 27,167 | 3,537 | (133,155) | (85,626) |
| Income (loss) before provision for (benefit from) income taxes | 16,825 | 84,517 | 32,575 | (133,155) | 762 |
| Provision for (benefit from) income taxes | 13,875 | (22,171) | 2,825 | — | (5,471) |
| Net income | 2,950 | 106,688 | 29,750 | (133,155) | 6,233 |
| Net income attributable to noncontrolling interest | — | — | — | 3,283 | 3,283 |
| Net income attributable to Syniverse Holdings, Inc. | $2,950 | $106,688 | $ 29,750 | $(136,438) | $2,950 |

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(IN THOUSANDS)

| | Syniverse, Inc. | Subsidiary Guarantors | Subsidiary Non-Guarantors | Adjustments | Consolidated |
|---|---|---|---|---|---|
| Net income | $2,950 | $106,688 | $ 29,750 | $(133,155 ) | $6,233 |
| Other comprehensive loss: | | | | | |
| Foreign currency translation adjustment, net of tax benefit of ($1,203) | — | — | (2,746 ) | — | (2,746 ) |
| Other comprehensive loss | — | — | (2,746 ) | — | (2,746 ) |
| Comprehensive income | 2,950 | 106,688 | 27,004 | (133,155 ) | 3,487 |
| Less: comprehensive income attributable to noncontrolling interest | — | — | 2,062 | 1,306 | 3,368 |
| Comprehensive income attributable to Syniverse Holdings, Inc. | $2,950 | $106,688 | $ 24,942 | $(134,461 ) | $119 |

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(IN THOUSANDS)

| | Syniverse, Inc. | Subsidiary Guarantors | Subsidiary Non-Guarantors | Adjustments | Consolidated |
|---|---|---|---|---|---|
| Cash flows from operating activities | | | | | |
| Net income | $2,950 | $106,688 | $ 29,750 | $(133,155 ) | $6,233 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | — | 127,036 | 4,649 | — | 131,685 |
| Amortization of deferred debt issuance costs and original issue discount | 5,946 | — | — | — | 5,946 |
| Allowance for credit memos and uncollectible accounts | — | 4,127 | 2,005 | — | 6,132 |
| Deferred income tax benefit | — | (1,970 ) | — | — | (1,970 ) |
| Debt modification costs | 6,115 | — | — | — | 6,115 |
| Debt extinguishment costs | 6,458 | — | — | — | 6,458 |
| Income from equity investment | (106,688 ) | (26,467 ) | — | 133,155 | — |
| Stock-based compensation | 4,984 | — | — | — | 4,984 |
| Other, net | — | 4,842 | (5,252 ) | — | (410 ) |
| Changes in operating assets and liabilities, net of acquisition: | | | | | |
| Accounts receivable | — | (8,684 ) | (3,779 ) | — | (12,463 ) |
| Accounts receivable - affiliates | 132,134 | — | 1,535 | (133,669 ) | — |
| Income taxes receivable or payable | — | (4,391 ) | (4,299 ) | — | (8,690 ) |
| Prepaid and other current assets | (38 ) | (3,555 ) | (338 ) | — | (3,931 ) |
| Accounts payable | — | 4,398 | 719 | — | 5,117 |
| Accounts payable - affiliates | — | (133,669 ) | — | 133,669 | — |
| Accrued liabilities and deferred revenues | (13,459 ) | (9,491 ) | (841 ) | — | (23,791 ) |
| Other assets and other long-term liabilities | — | (665 ) | 683 | — | 18 |
| Net cash provided by operating activities | 38,402 | 58,199 | 24,832 | — | 121,433 |
| Cash flows from investing activities | | | | | |
| Capital expenditures | — | (47,459 ) | (3,447 ) | — | (50,906 ) |
| Deposit on Acquisition | — | (37,980 ) | — | — | (37,980 ) |
| Net cash used in investing activities | — | (85,439 ) | (3,447 ) | — | (88,886 ) |
| Cash flows from financing activities | | | | | |
| Debt issuance costs paid | (10,181 ) | — | — | — | (10,181 ) |
| Payments on capital lease obligation | — | (4,056 ) | — | — | (4,056 ) |
| Principal payment on Old Senior Credit Facility | (1,014,750 ) | — | — | — | (1,014,750 ) |
| Principal payments on Initial Term Loans | (2,375 ) | — | — | — | (2,375 ) |
| Borrowings under Initial Term Loans, net of original issue discount | 940,500 | — | — | — | 940,500 |
| Distribution to Buccaneer Holdings, Inc. | (77 ) | — | — | — | (77 ) |

| | | | | | |
|---|---|---|---|---|---|
| Distribution to nonredeemable noncontrolling interest | — | — | (1,070 ) | — | (1,070 ) |
| Net cash used in financing activities | (86,883 ) | (4,056 ) | (1,070 ) | — | (92,009 ) |
| Effect of exchange rate changes on cash | — | — | 1,051 | — | 1,051 |
| Net (decrease) increase in cash | (48,481 ) | (31,296 ) | 21,366 | — | (58,411 ) |
| Cash at beginning of period | 44 | 201,750 | 24,959 | — | 226,753 |
| Cash at end of period | $(48,437 ) | $170,454 | $ 46,325 | $— | $168,342 |

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Explanation of Responses:

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## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

Certain of the statements in this Quarterly Report on Form 10-Q, including, without limitation, those related to our future operations or results 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, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, targets, expectations, anticipations, assumptions, estimates, intentions and future performance, and involve known and unknown risks, uncertainties and other factors, many of which may be beyond our control, and which may cause our actual results, performance or achievements, or the performance of the global telecommunications industry or economy generally, to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that may be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "will," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "estimate," "continue," "plan," "target," "point to," "project," "predic "potential," and other similar words and expressions of the future or otherwise regarding the outlook for our future business and financial performance and/or the performance of the global telecommunications industry and economy generally. Such forward-looking statements include, without limitation, statements regarding:

- expectations of growth of the global wireless telecommunications industry, including increases in new wireless technologies such as smartphones and other connected devices, wireless subscribers, wireless usage, roaming, mobile data, number portability and text and multimedia messaging;
- increases in demand for our services due to growth of the global wireless telecommunications industry, greater technology complexity and the introduction of new and incompatible wireless technologies;
- expectations of changes in our revenues from prior periods to future periods;
- our beliefs concerning the effects that the current economic conditions will have on our business;
- the cost and difficulties of acquiring and integrating complementary businesses and technologies, including the integration of MACH;
- capital expenditures in future periods; and
- the sufficiency of our cash on hand, cash available from operations and cash available from the revolving portion of our New Senior Credit Facility (as defined under Note 9 to the unaudited condensed consolidated financial statements) to fund our operations, debt service and capital expenditures.

These statements are based on certain assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate in these circumstances. As you read and consider this Quarterly Report on Form 10-Q, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. Many factors could affect our actual financial results and could cause actual results to differ materially from those expressed in the forward-looking statements.

The forward-looking statements may not be realized due to a variety of factors, including, without limitation:

- system failures, delays and other problems;
- security breaches;
- the loss of major customers and the resulting decrease in revenue;
- the lack of minimum payments in our customer contracts;
- future consolidation among our customers that may cause decreased transaction volume and/or a reduction in our pricing;
- the failure to adapt to rapid technological changes in the telecommunications industry;

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- intense competition in our market for services and the advantages that many of our competitors have or may develop over us, through acquisitions or technological innovations;
- customer migrations from our services to in-house solutions;
- the failure to achieve or sustain desired pricing levels or transaction volumes;
- certain risks with our continued expansion into international markets, including risks associated with anti-corruption laws and international tax compliance;
- the costs and difficulties of acquiring and integrating complementary businesses and technologies, including the integration of MACH;
- the inability of our customers to successfully implement our services;
- the risk exposure related to our reliance on third-party providers for communications software, hardware and infrastructure;
- our inability to develop or maintain relationships with material vendors;
- fluctuations in currency exchange rates;
- the failure to obtain additional capital on acceptable terms, or at all;
- the impairment of our intangible assets or goodwill;
- regulations affecting our customers and us and future regulations to which they or we become subject;
- the capacity limits on our network and application platforms and inabilities to expand and upgrade our systems to meet demand;
- the inability to obtain or retain licenses or authorizations that may be required to sell our services internationally;
- the failure to protect our intellectual property rights;
- claims that we are in violation of intellectual property rights of others and any indemnities to our customers that may result therefrom;
- the loss of key personnel and the potential inability to successfully attract and retain personnel;
- unfavorable general economic conditions in the U.S. or in other major global markets;
- our exposure to, and the expense of defending and resolving, lawsuits that arise in the ordinary course of business;
- other factors disclosed in this Quarterly Report on Form 10-Q; and
- other factors beyond our control.

In light of these risks, uncertainties and assumptions, the forward-looking statements contained in this Quarterly Report on Form 10-Q might not prove to be accurate and you should not place undue reliance upon them. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as otherwise may be required by law.

The following discussion of our financial condition and results of operations is provided as a supplement to, and should be read in conjunction with, the audited consolidated financial statements, the accompanying notes, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 6, 2013, as well as the unaudited condensed consolidated financial statements and the related notes presented in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Business

In today's evolving and highly competitive wireless industry, a key priority is the need to provide a seamless user experience to mobile subscribers across varied networks, devices, standards, and content types. When subscribers communicate on their own mobile operator's network or with other subscribers of the same mobile operator, this objective is easily achieved. However, when subscribers roam on other networks or communicate with subscribers of a different mobile operator, new layers of complexity are introduced as a result of varying and incompatible technologies, networks and devices. The latter scenario

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requires inter-carrier roaming agreements and physical access by the mobile operator to other mobile operators' networks. It is often preferable to have a neutral and trusted third-party intermediary, such as Syniverse, to sit between mobile operators.

We clear, process, route, translate and transport over two billion transactions each day on average. A "transaction" is generated by, among other things, an individual phone call, a text or a multimedia message that is sent or received, or the initiation of a mobile data session between different operators' networks or while roaming. We also operate a secure physical network infrastructure that provides the connections required to complete these transactions. After consummating our acquisition of MACH on June 28, 2013, our physical network infrastructure consists of 27 data centers globally, of which 17 are network points-of-presence. The connections provided by our network infrastructure can be between mobile operators or between mobile operators and enterprises, multiple service operators ("MSOs") or others. Our Network services provide connectivity to mobile operators and other telecommunications providers, allow subscribers to keep (or "port") their phone numbers when switching mobile operators, and allow subscribers to utilize caller identification ("caller ID") services. Our Messaging services allow mobile operators' subscribers to send text and multimedia messages to other mobile operators' subscribers and also facilitate text and multimedia messaging between enterprises and their customers. Through the use of our Roaming services, mobile operators enable their subscribers to make phone calls, send and receive text messages, multimedia messages, and email and browse the web or use applications while roaming on another mobile operator's network.

We generate the majority of our revenues on a per-transaction basis, often generating multiple transactions from a single subscriber call, text message or data session. Growing demand for transactions is driven primarily by the volume of wireless voice calls and data sessions, the frequency of subscriber roaming activity, the amount of data downloaded while roaming, the number of text and multimedia messages exchanged, subscriber adoption of new wireless data services and evolving wireless technology.

Services

We provide an integrated suite of Network, Messaging and Roaming services for our customers, which are primarily utilized when mobile operators need to interact with one another. We also provide technology turnkey solutions to customers primarily in the Asia Pacific region. Most of our customers utilize two or more of our service offerings. Our primary service offerings are as follows:

Network services. We offer Network services which primarily consist of our intelligent network products such as Signaling System 7 ("SS7") solutions, interstandard roaming solutions, Mobile Data Roaming ("MDR"), call setup and tear down, internet protocol ("IP") platform solutions, Real-Time Intelligence ("RTI") tools, database solutions and number portability services.

- Signaling solutions provide cost effective connectivity to other networks, thereby avoiding the cost and complexity of managing individual network connections with multiple operators, and facilitate the signaling requirements for call delivery and Short Messaging Service ("SMS") delivery when roaming on Global System for Mobile Communication ("GSM") and Code Division Multiple Access ("CDMA") Networks around the world. We have recently enhanced this platform to address interoperability for 4G devices to enable effective, real-time communication between devices on 4G networks and devices on networks that utilize other technology. For example, this platform now supports communication between 4G and 3G networks.
- Interstandard roaming solutions and MDR services enable CDMA roaming. Interstandard roaming solutions allow certain CDMA handsets to roam on GSM networks. MDR services allow CDMA data devices to roam on other CDMA operator networks.
- Call setup and tear down involves the process of retrieving, processing and routing information in order for a call to transpire.
- IP platform solutions provide operators a means of secure transport of roaming, messaging, interworking packet exchange ("IPX") and signaling traffic to consolidate global network connections via one network for all traffic types. These services optimize streams of data delivered to mobile devices accelerating download speeds and relieving network load by reducing the volume of data being exchanged between our customers' networks.
- RTI tools analyze the real and near real time traffic data being processed through our platforms and networks to provide multiple use cases that enable our customers to more effectively manage their subscriber's quality of

experience (“QoE”) and satisfaction.

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- Database solutions enable caller ID on various technology platforms provided to subscriber devices and intelligent network-based queries to support accurate call routing.
- Number portability services allow subscribers to retain their phone numbers when changing mobile service providers.

In addition to the services described above, we provide our customers with the ability to connect to various third-party intelligent network database providers (“Off-Network Database Queries”).

Messaging services. We provide mobile operators with routing, translation and delivery services for SMS and Multimedia Messaging Service (“MMS”) messages sent from one operator’s network to another. While mobile operators have routing and delivery capabilities for subscribers within their own networks, they do not generally have an efficient way to directly route and deliver messages to other operators’ networks as this would require a direct connection with each of over a thousand mobile operators throughout the world, as well as sophisticated translation capabilities between numerous mobile standards. Once one of our customers has determined that an SMS or an MMS message needs to be delivered outside of its network, the message is sent to us. From there, we determine where the message is going, translate the message so it can be read by the receiving network and deliver it. This is known as Peer-to-Peer (“P2P”) messaging. As part of our enterprise messaging business, known as Application-to-Peer (“A2P”) messaging, we provide enterprise customers with routing, translation and delivery services for direct communication with their customers and employees via SMS and MMS alerts.

Roaming services. We operate the largest roaming clearing house in the world and process hundreds of billions of roaming transactions each year. A roaming transaction is generated when a subscriber from one mobile operator makes or receives a call, sends or receives an SMS or MMS message, or initiates a data session, in each case, while roaming on another operator’s network. Subscribers typically roam in places where their home operator’s network coverage is relatively limited or non-existent. In order to provide seamless global coverage, mobile operators enter into roaming agreements with one another to provide access for their subscribers to other operators’ networks in a given geography. When its subscribers roam, the home operator must pay the visited operator for use of the network. Through our clearing house, we clear and settle these roaming transactions. The information we provide determines the amount of roaming charges owed by one mobile operator to another and enables the home operator to issue retail bills to its subscribers for their usage while roaming. Fees are paid to us by the visited operator who ultimately bills the home operator for use of its network. In addition to this core service, we provide mobile operators a number of other value-added services, including roaming data analytics, roaming agreement management, fraud prevention and financial settlement services.

Other services. We provide technology turnkey solutions, including operator solutions for number portability readiness, prepaid applications, interactive video, value-added roaming services and mobile broadband solutions. Our turnkey solutions business provides software services to customers primarily in the Asia Pacific region.

Acquisition. The acquisition of MACH (as more fully described in Note 4 to the unaudited condensed consolidated financial statements included herein) supplemented our existing Clearing and Settlement and Messaging portfolios of services and enhanced our global customer base due to MACH’s strong presence in the EMEA (Europe, Middle East and Africa) and Asia Pacific regions. Through the Acquisition (defined below), we will integrate Direct Operator Billing and Data Roaming Engine services from MACH and use MACH’s Real-Time Intelligence and Fraud Protection products to enhance our existing offerings.

As of September 30, 2013, management is continuing to evaluate the impact that the MACH acquisition will have on our financial reporting structure. The financial information reported to the chief operating decision maker will remain consistent with historical reporting until management’s evaluation of the post-MACH acquisition operating structure and related reporting is completed. As such, the revenues and cost of operations related to MACH are included in the Acquisition line item in the results of operations and cost of operations tables below.

Generally, there is a seasonal increase in wireless roaming usage and corresponding revenues in the high-travel months of our second and third fiscal quarters. Products primarily affected by this seasonality include signaling solutions, interstandard roaming, MDR and roaming clearing house.

Executive Overview

Financial Highlights

For the three months ended September 30, 2013, revenues increased $49.5 million, or 26.2%, to $238.9 million from $189.4 million for the comparable prior year period. The increase was driven primarily by the addition of $36.4 million of

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revenue attributable to the Acquisition (defined below). In addition, new business and volume increases in our Network service offering, specifically signaling solutions and MDR, and new business and volume increases in our enterprise messaging business led to the increase in the current quarter. The increase was partially offset by a decline in wireless local number portability revenue due to lower volumes compared to the prior year period and a decline in SMS revenues due to lower volumes resulting from higher amounts of messaging traffic competing with over the top (“OTT”) messaging platforms and group text messages carried over alternative MMS platforms.
For the three months ended September 30, 2013, cost of operations increased $16.3 million due primarily to the addition of $12.9 million in operating costs resulting from the Acquisition as well as higher message termination fees. Sales, marketing, general and administrative expenses increased $12.6 million due primarily to the Acquisition, higher compensation costs driven by an increase in headcount as compared to the prior year associated with resources to support global business growth and new product development initiatives and an increase in integration planning costs. Depreciation and amortization expenses increased $15.3 million to $59.7 million for the three months ended September 30, 2013 from $44.4 million for the same period in 2012 primarily due to additional property and equipment and intangible assets acquired in the Acquisition. Restructuring and management termination benefits expense increased $1.4 million due to severance costs resulting from a restructuring plan entered into during the quarter. Acquisition expenses were $0.7 million for the three months ended September 30, 2013 and consisted of professional services costs including legal, tax, audit and transaction advisory costs related to the Acquisition. Operating income increased $5.9 million to $39.5 million for the three months ended September 30, 2013 from $33.6 million for the same period in 2012.

Business Developments

Refinancing of Initial Term Loans

On September 23, 2013, Syniverse entered into a second amendment (the “Second Amendment”) to its New 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 over the LIBOR rate from 3.75% to 3.00%, (ii) the margin over the base rate from 2.75% to 2.00%, (iii) the “LIBOR floor” from 1.25% to 1.00% and (iv) the “base rate floor” from 2.25% to 2.00%. Syniverse recorded $2.8 million of debt extinguishment costs and $1.7 million of debt modification costs associated with the refinancing of the Initial Term Loans. Refer to Note 9 to the unaudited condensed consolidated financial statements included herein for additional information regarding the refinancing.

Principal Prepayment on Term Facilities

On September 23, 2013, prior to the refinancing of the Initial Term Loans, Syniverse made a prepayment of $50.0 million on the Term Loan Facilities, of which $28.7 million was applied to the Initial Term Loans and $21.3 million was applied to the Tranche B Term Loans. In relation to the prepayment, Syniverse accelerated the amortization of $0.4 million of original issue discount and $0.6 million of deferred financing costs.

MACH Acquisition

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

WP Roaming is a holding company which conducts the business of MACH S.à r.l. (“MACH”). The purpose of the Acquisition is to give Syniverse added global scale and increased reach with more direct connections to support roaming, messaging and network solutions that will enable its customers to deliver superior experiences to their end users.

At the closing of the Acquisition, Syniverse paid to the Seller an amount equal to approximately €140.0 million, representing €172.7 million (the “Base Amount”), less preliminary adjustments of €37.2 million, plus €4.5 million, representing €250.0 per month from December 31, 2011 through the Acquisition Date, reflecting a “locked box” approach, such that Syniverse Holdings, Inc. acquired WP Roaming with economic effect from December 31, 2011. In addition, at the Acquisition Date, Syniverse, on behalf of WP Roaming, paid €313.0 million and $81.5 million, respectively, for amounts outstanding to WP

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Roaming's two third-party lenders in order to ensure the release of all related guarantees and security interests. On July 2, 2012, Syniverse Holdings, Inc. paid the Seller an initial deposit of €30.0 million (the “Deposit”) which was applied to the purchase price at the Acquisition Date. For purposes of the purchase price allocation, the Deposit and amounts paid in Euros at the Acquisition Date were converted to U.S. dollars using an exchange rate of 1.3058 or $630.5 million.

Refer to Note 4 to the unaudited condensed consolidated financial statements included herein for additional information regarding the Acquisition.

Assets and Liabilities Related to Assets Held for Sale

The approval of the Acquisition granted by the European Commission (the “Commission”) was conditioned upon the Company's commitment to divest certain assets supporting MACH's data clearing and near real-time roaming data exchange (“NRTRDE”) business in the European Economic Area, which includes European Union countries plus Iceland, Liechtenstein and Norway (the “EEA”), including technology platforms, necessary employees, customer contracts and the MACH brand (the “Divestment Business”).

On June 3, 2013, Interfact S.à r.l., a Luxembourg limited liability company and the MACH group company that is the immediate shareholder of the Divestment Business, signed a definitive agreement (the “Divestment Agreement”) to sell the Divestment Business to Starhome, B.V. (“Starhome”), a private limited liability company incorporated under the laws of The Netherlands, upon the completion of the Acquisition.

On October 1, 2013, Syniverse completed the sale of the Divestment Business to Starhome for €9.9 million, subject to purchase price adjustments expected to be completed in the fourth quarter of 2013. As of September 30, 2013, Syniverse remeasured the related net assets held for sale at fair value, less cost to sell and recorded a loss of approximately $3.3 million, which is included in Net loss from discontinued operations, net of tax in the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2013.

Refer to Notes 5 and 15 to the unaudited condensed consolidated financial statements included herein for additional information regarding assets classified as held for sale.

Tranche B Term Loans

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

Borrowings bear interest at a floating rate which can be, at our 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, in the case of the Tranche B Term Loans under the New Senior Credit Facility, subject to a Eurodollar rate floor of 1.00% or a base rate floor of 2.00%, as applicable. The applicable margin for the Tranche B Term Loans under our New Senior Credit Facility is 3.00% per annum for Eurodollar loans and 2.00% per annum for base rate loans.

Commencing on September 30, 2016, our Tranche B Term Loans will begin 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 final maturity.

Refer to Note 9 to the unaudited condensed consolidated financial statements included herein for additional details regarding the Tranche B Term Loans.

Revenues

The majority of our revenues are derived from transaction-based charges under long-term contracts, typically with terms averaging three years in duration. 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. Most of the services and solutions we offer to our customers are based on applications, network connectivity and technology platforms owned and operated by us. We generate our revenues through the sale of our Network,

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Messaging, Roaming and Other services, including the services acquired in the Acquisition, to telecommunications operators and enterprise customers throughout the world. Generally, there is a seasonal increase in wireless roaming usage and corresponding revenues in the high-travel months of our second and third fiscal quarters. Products primarily affected by this seasonality include signaling solutions, interstandard roaming, MDR and roaming clearing house. Future increases or decreases in revenues are dependent on many factors, such as industry subscriber growth, subscriber habits, and volume and pricing trends, with few of these factors known in advance. From time to time, specific events such as a customer contract renewal at different terms, a customer contract termination, a customer's decision to change technologies or to provide solutions in-house, or a consolidation of operators will be known to us and we can then estimate their impact on our revenues.

Costs and Expenses

Our costs and expenses consist of cost of operations, sales and marketing, general and administrative, depreciation and amortization, restructuring and management termination benefits expenses and Acquisition expenses.

- Cost of operations includes data processing costs, network costs, revenue share service provider arrangements, 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.
- 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 including our SS7 network, computer equipment, infrastructure facilities related to information management, capitalized software and other intangible assets recorded as a result of purchase accounting.
- Restructuring and management termination benefits represents termination costs including severance, benefits and other employee related costs as well as contract termination costs.
- Acquisition expenses include professional services costs, such as legal, tax, audit and transaction advisory costs related to the Acquisition.

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Results of Operations

The following tables present an overview of our results of operations for the three and nine months ended September 30, 2013 and 2012:

| (In thousands) | Three months ended September 30, 2013 | % of Revenues | Three months ended September 30, 2012 | % of Revenues | Three months ended September 30, 2013 vs. 2012 $ | Three months ended September 30, 2013 vs. 2012 % |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Network services | $99,783 | 41.8 % | $90,654 | 47.9 % | $9,129 | 10.1 % |
| Messaging services | 46,988 | 19.7 % | 44,329 | 23.4 % | 2,659 | 6.0 % |
| Roaming services | 51,373 | 21.5 % | 50,219 | 26.5 % | 1,154 | 2.3 % |
| Acquisition | 36,431 | 15.3 % | — | 0.0 % | 36,431 | 100.0 % |
| Other services | 4,315 | 1.8 % | 4,154 | 2.2 % | 161 | 3.9 % |
| Revenues | 238,890 | 100.0 % | 189,356 | 100.0 % | 49,534 | 26.2 % |
| Costs and expenses: | | | | | | |
| Cost of operations (excluding depreciation and amortization shown separately below) | 85,931 | 36.0 % | 69,592 | 36.8 % | 16,339 | 23.5 % |
| Sales and marketing | 18,289 | 7.7 % | 16,057 | 8.5 % | 2,232 | 13.9 % |
| General and administrative | 33,489 | 14.0 % | 23,090 | 12.2 % | 10,399 | 45.0 % |
| Depreciation and amortization | 59,698 | 25.0 % | 44,411 | 23.5 % | 15,287 | 34.4 % |
| Restructuring and management termination benefits | 1,322 | 0.6 % | (60) | 0.0 % | 1,382 | (2,303.3)% |
| Acquisition expenses | 677 | 0.3 % | 2,654 | 1.4 % | (1,977) | (74.5)% |
| | 199,406 | 83.5 % | 155,744 | 82.2 % | 43,662 | 28.0 % |
| Operating income | 39,484 | 16.5 % | 33,612 | 17.8 % | 5,872 | 17.5 % |
| Other income (expense), net: | | | | | | |
| Interest income | 200 | 0.1 % | 166 | 0.1 % | 34 | 20.5 % |
| Interest expense | (37,119) | (15.5)% | (25,304) | (13.4)% | (11,815) | 46.7 % |
| Debt extinguishment costs | (2,802) | (1.2)% | — | 0.0 % | (2,802) | — % |
| Equity income in investee | 236 | 0.1 % | — | 0.0 % | 236 | — % |
| Other, net | (3,303) | (1.3)% | 3,086 | 1.6 % | (6,389) | (207.0)% |
| | (42,788) | (17.9)% | (22,052) | (11.6)% | (20,736) | 94.0 % |
| (Loss) income before benefit from income taxes | (3,304) | (1.4)% | 11,560 | 6.1 % | (14,864) | (128.6)% |
| Benefit from income taxes | (1,833) | (0.8)% | (5,506) | (2.9)% | 3,673 | (66.7)% |
| Net (loss) income from continuing operations | $(1,471) | (0.6)% | $17,066 | 9.0 % | $(18,537) | (108.6)% |

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| (In thousands) | Nine months ended September 30, 2013 | % of Revenues | Nine months ended September 30, 2012 | % of Revenues | Nine months ended September 30, 2013 vs. 2012 $ | 2013 vs. 2012 % |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Network services | $282,986 | 45.9% | $260,150 | 46.7% | $22,836 | 8.8% |
| Messaging services | 140,463 | 22.8% | 135,780 | 24.3% | 4,683 | 3.4% |
| Roaming services | 144,554 | 23.5% | 147,449 | 26.4% | (2,895) | (2.0)% |
| Acquisition | 36,431 | 5.9% | — | 0.0% | 36,431 | 100.0% |
| Other services | 11,608 | 1.9% | 14,250 | 2.7% | (2,642) | (18.5)% |
| Revenues | 616,042 | 100.0% | 557,629 | 100.0% | 58,413 | 10.5% |
| Costs and expenses: | | | | | | |
| Cost of operations (excluding depreciation and amortization shown separately below) | 229,796 | 37.3% | 203,916 | 36.6% | 25,880 | 12.7% |
| Sales and marketing | 54,966 | 8.9% | 50,814 | 9.1% | 4,152 | 8.2% |
| General and administrative | 93,320 | 15.1% | 76,111 | 13.6% | 17,209 | 22.6% |
| Depreciation and amortization | 154,285 | 25.0% | 131,685 | 23.6% | 22,600 | 17.2% |
| Restructuring and management termination benefits | 4,832 | 0.8% | 571 | 0.1% | 4,261 | 746.2% |
| Acquisition expenses | 21,622 | 3.5% | 8,144 | 1.5% | 13,478 | 165.5% |
| | 558,821 | 90.7% | 471,241 | 84.5% | 87,580 | 18.6% |
| Operating income | 57,221 | 9.3% | 86,388 | 15.5% | (29,167) | (33.8)% |
| Other income (expense), net: | | | | | | |
| Interest income | 412 | 0.1% | 670 | 0.1% | (258) | (38.5)% |
| Interest expense | (95,079) | (15.4)% | (83,405) | (15.0)% | (11,674) | 14.0% |
| Debt extinguishment costs | (2,802) | (0.5)% | (6,458) | (1.2)% | 3,656 | 0.0% |
| Equity income in investee | 236 | —% | — | 0.0% | 236 | —% |
| Other, net | (4,540) | (0.6)% | 3,567 | 0.6% | (8,107) | (227.3)% |
| | (101,773) | (16.5)% | (85,626) | (15.4)% | (16,147) | 18.9% |
| (Loss) income before benefit from income taxes | (44,552) | (7.2)% | 762 | 0.1% | (45,314) | (5,946.7)% |
| Benefit from income taxes | (5,890) | (1.0)% | (5,471) | (1.0)% | (419) | 7.7% |
| Net (loss) income from continuing operations | $(38,662) | (6.3)% | $6,233 | 1.1% | $(44,895) | (720.3)% |

Revenues

Revenues increased $49.5 million to $238.9 million for the three months ended September 30, 2013 from $189.4 million for the same period in 2012. Revenues increased $58.4 million to $616.0 million for the nine months ended September 30, 2013 from $557.6 million for the same period in 2012. The Acquisition contributed $36.4 million to the increase in revenues for the three and nine months ended September 30, 2013. On a pro forma basis, assuming the Acquisition had taken place at January 1, 2012, revenue for the three and nine months ended September 30, 2013 was $238.9 million and $690.4 million, respectively, as compared to $227.1 million and $673.6 million for the three and nine months ended September 30, 2012, respectively.

Network services revenue increased $9.1 million, or 10.1%, to $99.8 million for the three months ended September 30, 2013 from $90.7 million for the same period in 2012. Network services revenue increased $22.8 million, or 8.8%, to $283.0 million for the nine months ended September 30, 2013 from $260.2 million for the same period in 2012. These increases were driven by new business and continued volume growth across signaling solutions, MDR, interstandard roaming solutions and IPX. The increases were partially offset by a decline in volumes from our wireless local number portability services compared to the prior year period.

Messaging services revenue increased $2.7 million, or 6.0%, to $47.0 million for the three months ended September 30, 2013 from $44.3 million for the same period in 2012. Messaging services revenue increased $4.7 million, or 3.4%, to $140.5

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million for the nine months ended September 30, 2013 from $135.8 million for the same period in 2012. The increase in revenue was primarily due to new business and volume growth in our enterprise messaging business, partially offset by a decline in SMS driven by lower volumes resulting from increased use of OTT messaging platforms and group text messages carried over alternative MMS platforms. In addition, PictureMail revenue declined primarily as a result of contractual price reductions from a 2010 renewal that included progressive rate reductions through the end of the contract term.

Roaming services revenue increased $1.2 million, or 2.3%, to $51.4 million for the three months ended September 30, 2013 from $50.2 million for the same period in 2012 driven by growth in our value added roaming services products. While we experienced volume growth in our data clearing house, this growth was offset by the impact of lower pricing for customer contract renewals completed in the last twelve months. For the nine months ended September 30, 2013, roaming services revenue decreased $2.9 million, or 2.0%, to $144.6 million from $147.4 million for the same period in 2012 primarily due to the pricing impact of the Verizon Wireless contract renewal in May 2012. The decrease was partially offset by volume growth in data clearing house and growth in our value added roaming services products.

Other services revenue increased $0.2 million, or 3.9%, to $4.3 million for the three months ended September 30, 2013 from $4.2 million for the same period in 2012. Other services revenue decreased $2.6 million, or 18.5%, to $11.6 million for the nine months ended September 30, 2013 from $14.3 million for the same period in 2012. The decrease was driven by the timing of completion of customers' projects.

Costs and Expenses

Cost of operations increased $16.3 million to $85.9 million for the three months ended September 30, 2013 from $69.6 million for the three months ended September 30, 2012. Cost of operations increased $25.9 million to $229.8 million for the nine months ended September 30, 2013 from $203.9 million for the comparable prior year period. The table below summarizes our cost of operations by category of spending.

| | Three months ended September 30, | | Increase/ | Increase/ |
|---|---|---|---|---|
| (In thousands) | 2013 | 2012 | (Decrease) $ | (Decrease) % |
| Cost of operations: | | | | |
| Headcount and related costs | $21,410 | $22,710 | $(1,300) | (5.7)% |
| Variable costs | 16,728 | 14,427 | 2,301 | 15.9 % |
| Data processing, hosting and support costs | 19,846 | 20,142 | (296) | (1.5)% |
| Network costs | 11,185 | 9,260 | 1,925 | 20.8 % |
| Acquisition | 12,865 | — | 12,865 | 100.0 % |
| Other operating related costs | 3,897 | 3,053 | 844 | 27.6 % |
| Cost of operations | $85,931 | $69,592 | $16,339 | 23.5 % |

| | Nine months ended September 30, | | Increase/ | Increase/ |
|---|---|---|---|---|
| (In thousands) | 2013 | 2012 | (Decrease) $ | (Decrease) % |
| Cost of operations: | | | | |
| Headcount and related costs | $67,179 | $68,396 | $(1,217) | (1.8)% |
| Variable costs | 48,409 | 41,422 | 6,987 | 16.9 % |
| Data processing, hosting and support costs | 59,185 | 57,589 | 1,596 | 2.8 % |
| Network costs | 32,704 | 27,905 | 4,799 | 17.2 % |
| Acquisition | 12,865 | — | 12,865 | 100.0 % |
| Other operating related costs | 9,454 | 8,604 | 850 | 9.9 % |
| Cost of operations | $229,796 | $203,916 | $25,880 | 12.7 % |

The decrease in headcount and related costs was driven by a reduction in product support costs as we focus on research and development of new products and feature sets. Variable costs increased during the quarter- and year-to-date periods primarily due to higher volumes in our enterprise messaging business resulting in higher messaging termination fees. The year-to-date increase in data processing, hosting and support costs was primarily due to data center expansion to support additional capacity and additional network points of presence, as well as higher processing costs resulting from transactional volume growth. The increase in network costs was primarily driven by investments in our internal infrastructure to support global business growth.

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We intend to continue investing in our network infrastructure in the foreseeable future in order to support future growth opportunities.

As a percentage of revenues, cost of operations decreased to 36.0% for the three months ended September 30, 2013 from 36.8% during the same period in 2012. As a percentage of revenues, cost of operations increased to 37.3% for the nine months ended September 30, 2013 from 36.6% during the same period in 2012. On a pro forma basis, assuming the Acquisition had taken place on January 1, 2012, cost of operations was 36.0% and 37.4% of revenues for the three and nine months ended September 30, 2012, respectively.

Sales and marketing expense increased $2.2 million to $18.3 million for the three months ended September 30, 2013 from $16.1 million for the same period in 2012. The Acquisition contributed $2.3 million primarily due to headcount related costs for the acquired sales force employees. Excluding the impact of the acquisition, sales and marketing expense declined $0.1 million. As a percentage of revenues, sales and marketing expense decreased to 7.7% for the three months ended September 30, 2013 from 8.5% for the three months ended September 30, 2012.

Sales and marketing expense increased $4.2 million to $55.0 million for the nine months ended September 30, 2013 from $50.8 million for the same period in 2012. The Acquisition contributed $2.3 million as discussed above. Excluding the impact of the Acquisition, sales and marketing expense increased $1.9 million primarily driven by headcount related costs of $1.6 million associated with the expansion of our global sales force and an increase in stock-based compensation of $0.9 million, partially offset by lower travel expenses. As a percentage of revenues, sales and marketing expense decreased to 8.9% for the nine months ended September 30, 2013 from 9.1% for the nine months ended September 30, 2012.

General and administrative expense increased $10.4 million to $33.5 million for the three months ended September 30, 2013 from $23.1 million for the same period in 2012. The Acquisition contributed $6.3 million primarily due to headcount related and facilities costs. Excluding the impact of the Acquisition, general and administrative expense increased $4.1 million due primarily to an increase in headcount related costs of $3.2 million associated with additional resources to support global business growth and new product development initiatives, as well as an increase in integration planning costs of $2.3 million. This increase was partially offset by lower performance-based compensation of $0.9 million. As a percentage of revenues, general and administrative expense increased to 14.0% for the three months ended September 30, 2013, from 12.2% for the comparable prior year period.

General and administrative expense increased $17.2 million to $93.3 million for the nine months ended September 30, 2013 from $76.1 million for the same period in 2012. The Acquisition contributed $6.3 million as discussed above. Excluding the impact of the Acquisition, general and administrative expense increased $10.9 million driven primarily by higher headcount related costs of $7.5 million, an increase in integration planning costs of $4.3 million and higher stock-based compensation of $0.9 million. This increase was partially offset by a $2.7 million reduction in business development activities unrelated to the Acquisition. As a percentage of revenues, general and administrative expense increased to 15.1% for the nine months ended September 30, 2013, from 13.6% for the comparable prior year period.

Depreciation and amortization expense increased $15.3 million to $59.7 million for the three months ended September 30, 2013 from $44.4 million for the same period in 2012. Depreciation and amortization expense increased $22.6 million to $154.3 million for the nine months ended September 30, 2013 from $131.7 million for the comparable prior year period. The increase for the quarter- and year-to-date periods was driven by $12.8 million of amortization of customer relationships and capitalized software and $0.9 million of depreciation of property and equipment acquired in the Acquisition. In addition, the year-to-date increase was driven by accelerated amortization of $4.3 million resulting from the abandonment of a software development project.

Restructuring and management termination benefits expense was $1.3 million and $4.8 million for the three and nine months ended September 30, 2013, respectively, driven by severance costs related to restructuring plans entered into during the current year. See Note 13 to the unaudited condensed consolidated financial statements included herein for additional details regarding our restructuring plans.

Acquisition expenses were $0.7 million and $21.6 million for the three and nine months ended September 30, 2013, respectively, and consisted primarily of professional services costs including legal, tax, audit and transaction advisory costs.

Other Income (Expense), net

Interest expense increased $11.8 million to $37.1 million for the three months ended September 30, 2013 from $25.3 million for the same period in 2012. The increase was primarily due to $9.1 million of interest expense related to the Tranche B

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Term Loans entered into during June 2013, $1.7 million of debt modification costs associated with the refinancing of our Initial Term Loans and $1.0 million of accelerated amortization of original issue discount and deferred financing costs associated with principal prepayments on the Term Loan Facilities.

Interest expense increased $11.7 million to $95.1 million for the nine months ended September 30, 2013 from $83.4 million for the same period in 2012. The increase was primarily due to $12.1 million of interest expense related to the Tranche B Term Loans and ticking fees of $4.6 million paid to Barclays Bank PLC as administrative agent to compensate for the time lag between the commitment allocation and actual funding for the Delayed Draw Facility. This increase was mostly offset by $6.1 million of debt modification costs incurred in the prior year period associated with our debt refinancing on April 23, 2012 as compared to $1.7 million of debt modification costs incurred in the current year period associated with our debt refinancing on September 23, 2013. We expect to incur approximately $27.5 million of interest expense and $3.0 million of amortization of deferred financing fees and original issue discount on a quarterly basis.

Equity income in investee was $0.2 million for the three months ended September 30, 2013 and was comprised of income from our equity investment in a subsidiary acquired in the Acquisition.

Other, net decreased $6.4 million to a $3.3 million loss for the three months ended September 30, 2013 from a $3.1 million gain for the same period in 2012. Other, net decreased $8.1 million to a $4.5 million loss for the nine months ended September 30, 2013 from a $3.6 million gain for the same period in 2012. The quarter- and year-to-date decrease was primarily due to foreign exchange losses driven by our expanded global operations resulting from the Acquisition.

Provision for (Benefit from) Income Taxes

We recorded an income tax benefit of $1.8 million and $5.9 million for the three and nine months ended September 30, 2013, respectively, compared to a benefit of $5.5 million and $5.5 million for the same periods in 2012, respectively. During the three and nine months ended September 30, 2013, the effective tax rate was a benefit of 55.5% and 13.2%, respectively. During the three and nine months ended September 30, 2012, the effective tax rate was a benefit of 47.6% and 718.2%, respectively. The tax benefit recognized for the nine months ended September 30, 2013 was limited to the amount that would be recognized if the ordinary loss was the anticipated loss for the fiscal year. The change in our effective tax rate was chiefly attributable to (i) the release of uncertain tax positions where statutes of limitations had expired, (ii) certain return to provision true-ups recorded in 2012 and 2013, (iii) costs related to the acquisition of MACH, some of which are non-deductible for income tax purposes, (iv) the inclusion of the forecasted earnings impact of the MACH entities in calculating the effective tax rate, (v) the loss limitation described above, offset by certain favorable permanent items, (vi) a shift in taxable income to lower foreign tax rate jurisdictions, and (vii) state and local related effective income tax rate changes.

Liquidity and Capital Resources

Our primary sources of liquidity are expected to be cash flow from operations as well as funds available under the revolving portion of our New Senior Credit Facility. We believe that we have sufficient liquidity to meet currently anticipated growth plans, 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 and to refinance our indebtedness will depend on our ability to generate cash 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. Historically, we have been successful in obtaining financing, although the marketplace for such investment capital can become restricted depending on a variety of economic factors. On June 28, 2013, we completed the Acquisition. The Acquisition was funded primarily through proceeds from the Escrow Term Loans, which were refinanced through the Tranche B Term Loans as described in “Debt and Credit Facilities” below.

We believe that our cash on hand, together with cash flow from operations and, if required, borrowings under the revolving portion of our New Senior Credit Facility, will be sufficient to meet our cash requirements for the next twelve months. We may need supplemental funding for those activities, which we believe could be available from the debt markets.

Cash Flow

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Cash and cash equivalents were $225.8 million at September 30, 2013 as compared to $232.2 million at December 31, 2012. The following table summarizes the activity within our unaudited condensed consolidated statement of cash flows.

| | Nine months ended September 30, | |
|---|---|---|
| (In thousands) | 2013 | 2012 |
| Net cash provided by operating activities | $75,986 | $121,433 |
| Net cash used in investing activities | (694,479) | (88,886) |
| Net cash provided by (used in) financing activities | 608,132 | (92,009) |
| Effect of exchange rate changes on cash | 4,005 | 1,051 |
| Net decrease in cash | $(6,356) | $(58,411) |

Net cash provided by operating activities decreased $45.4 million to $76.0 million for the nine months ended September 30, 2013 from $121.4 million for the same period in 2012. The decrease from the prior year period reflects $4.2 million used in discontinued operations activities. We do not expect cash flows from discontinued operations to have a material impact on future liquidity and capital resources. Net income adjusted for non-cash items decreased $30.3 million, primarily due to Acquisition expenses and related integration costs, and higher interest payments as compared to the prior year period. Cash used for working capital increased $15.1 million due primarily to higher accounts receivable resulting from the increase in revenue combined with the timing of collections and higher prepaid and other current assets driven by an increase in prepaid software maintenance.

Net cash used in investing activities was $694.5 million for the nine months ended September 30, 2013, and included $628.2 million of cash consideration, net of cash acquired for the Acquisition, $55.8 million for capital expenditures and $6.7 million for capital expenditures to support the assets held for sale, as a condition of closing the sale transaction. Net cash used in investing activities was $88.9 million for the nine months ended September 30, 2012, and included $50.9 million of capital expenditures and $38.0 million for the deposit paid in conjunction with the Acquisition. The increase in capital expenditures was driven by higher costs associated with capitalized software for new products and services, data center capacity increases and investments in our internal infrastructure.

Net cash provided by financing activities was $608.1 million for the nine months ended September 30, 2013, which included $696.5 million of net proceeds under the Tranche B Term Loans, $26.9 million of debt issuance costs paid and principal payments on our Initial Term Loans and Tranche B Term Loans of $945.3 million and $21.3 million, respectively. Net cash used in financing activities was $92.0 million for the nine months ended September 30, 2012, which included $940.5 million of net proceeds under the New Senior Credit Facility offset by $1.0 billion of principal payments on our Old Senior Credit Facility and $10.2 million of debt issuance costs paid.

Debt and Credit Facilities

New Senior Credit Facility

On April 23, 2012, we entered into the New Credit Agreement with 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 the New Senior Credit Facility consisting of (i) the Initial Term Loans; and (ii) the Revolving Credit Facility for the making of revolving loans, swing line loans and issuance of letters of credit.

On June 28, 2013 the Company borrowed $700.0 million of Tranche B Term Loans, pursuant to the Incremental Amendment to its New Credit Agreement. The proceeds of the Tranche B Term Loans were used to refinance, in full, the Escrow Term Loans (as defined below), a portion of which were used to fund the Acquisition.

On September 23, 2013, the Company entered into a Second Amendment (the “Second Amendment”) to its New 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 over the LIBOR rate from 3.75% to 3.00%, (ii) the margin over the base rate from 2.75% to 2.00%, (iii) the “LIBOR floor” from 1.25% to 1.00% and (iv) the “base rate floor” from 2.25% to 2.00%.

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On September 23, 2013, prior to entering into the Second Amendment, the Company made a prepayment of $50.0 million on the Term Loan Facilities of which $28.7 million was applied to the Initial Term Loans and $21.3 million was applied to the Tranche B Term Loans.

Subject to specified conditions, without the consent of the then existing lenders (but subject to the receipt of commitments), the Initial Term Loans, the Tranche B Term Loans (together the "Term Loan Facilities") or the Revolving Credit Facility may be expanded (or a new term loan facility or revolving credit facility added to the New Senior Credit Facility) by an amount as will not cause the net senior secured leverage ratio after giving effect to the incurrence of such additional amount to exceed 4.0:1.0 (calculated by treating any unsecured debt incurred in reliance on this ratio as if it were secured).

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

Our Revolving Credit Facility will mature at the earlier of (i) April 23, 2017 and (ii) the date of termination in whole of the commitments under the Revolving Credit Facility, the letter of credit sublimit, and the swing line facility under the New Credit Agreement.

As of September 30, 2013, we had a carrying amount of $911.8 million and $678.7 million, excluding original issue discount, of outstanding indebtedness under the Initial Term Loans and Tranche B Term Loans, respectively. At September 30, 2013, the applicable interest rate was 4.00% on these Term Loan Facilities based on the Eurodollar option.

Our Revolving Credit Facility had an outstanding Euro letter of credit of $1.9 million at September 30, 2013, which was considered a reduction against our Revolving Credit Facility under the New Credit Agreement. The unused commitment under the Revolving Credit Facility was $148.1 million at September 30, 2013.

9.125% Senior Unsecured Notes Due 2019

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

The indenture governing our outstanding Senior Notes contains certain covenants that among other things, limit our ability to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of our subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates. As of September 30, 2013, we are in compliance with all of the covenants contained in the indenture governing our outstanding Senior Notes.

Delayed Draw Credit Agreement

On February 4, 2013, Finance Sub, our direct wholly-owned subsidiary entered into the Delayed Draw Credit Agreement with Barclays Bank PLC, as administrative agent, and the other financial institutions and lenders from time to time party thereto, providing for the Delayed Draw Facility. On May 28, 2013, Finance Sub entered into the Escrow Credit Agreement. Upon the closing of this amendment, the lenders funded the Delayed Draw Facility into an escrow account and the Company pre-funded the interest, upfront fees and ticking fees of $7.2 million, $3.5 million and $3.6 million, respectively. The Escrowed Funds were released to Finance Sub on June 28, 2013.

Following the Release, Finance Sub merged with and into the Company with the Company as the survivor to such merger. In connection with the Merger the Company assumed the obligations of Finance Sub under the Escrow Credit Agreement.

Following the Debt Assumption, on June 28, 2013 the Company borrowed $700.0 million of Tranche B Term Loans, pursuant to the Incremental Amendment to its New Credit Agreement. The proceeds of the Tranche B Term Loans were used to refinance the Escrow Term Loans in full.

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Non-GAAP Financial Measures

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 believe issuers of "high-yield" debt securities also present Adjusted EBITDA and the related ratio data because investors, analysts and rating agencies consider it useful in measuring the ability of those issuers to meet debt service obligations. We further believe that the disclosure of Adjusted EBITDA and Free Cash Flow is useful to investors, as these non-GAAP measures form the basis of how our executive team and Board of Directors evaluate our performance. By disclosing these non-GAAP measures, we believe that we create for investors a greater understanding of, and an enhanced level of transparency into, some of the means by which our management team operates and evaluates our company. Adjusted EBITDA and Free Cash Flow are not presentations made in accordance with U.S. GAAP and our use of the terms Adjusted EBITDA and Free Cash Flow may vary from that of others in our industry. Adjusted EBITDA and Free Cash Flow should not be considered as alternatives to net income (loss), operating income (loss), revenues or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance or operating cash flows or liquidity.

In addition, these non-GAAP measures may not be comparable to other similarly titled measures of other companies. 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, Adjusted EBITDA:

- excludes certain tax payments 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 changes in, or cash requirements for, our working capital needs; and
- does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt, including original issue discount amortization on our Initial Term Loans and Tranche B Term Loans.

Adjusted EBITDA is determined by adding the following items to net (loss) income from continuing operations: other income (expense), net, provision for (benefit from) income taxes, depreciation and amortization, restructuring and management termination benefits, non-cash stock compensation, Acquisition expenses, business development, integration and other related expenses including transition and integration costs generally 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.

Free Cash Flow is determined by adding the result of net cash provided by or used in operating activities adjusted for loss from discontinued operations, net of tax, fair value adjustment to assets and liabilities related to assets held for sale, working capital adjustment related to discontinued operations and Acquisition expenses less capital expenditures. We believe that Free Cash Flow is a useful financial metric to assess our ability to pursue opportunities to enhance our growth. We also use Free Cash Flow as a measure to review and assess the operating performance of our management team in connection with our executive compensation and bonus plans. Additionally, we believe this is a useful metric for investors to assess our ability to repay debt.

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Reconciliation of Non-GAAP Measures to GAAP

A reconciliation of net (loss) income, the closest GAAP measure, to Adjusted EBITDA is presented in the following table:

| | Three months ended September 30, | |
|---|---|---|
| (In thousands) | 2013 | 2012 |
| Reconciliation to Adjusted EBITDA | | |
| Net (loss) income from continuing operations | $(1,471) | $17,066 |
| Equity income in investee | 236 | — |
| Other expense, net | 42,788 | 22,052 |
| Provision for (benefit from) income taxes | (1,833) | (5,506) |
| Depreciation and amortization | 59,698 | 44,411 |
| Restructuring and management termination benefits (a) | 1,322 | (60) |
| Non-cash stock compensation (b) | 2,056 | 559 |
| Acquisition expenses (c) | 677 | 2,654 |
| Business development, integration and other expenses (d) | 2,728 | (108) |
| Management fee and related expenses (e) | 742 | 906 |
| Adjusted EBITDA | $106,943 | $81,974 |

| | Nine months ended September 30, | |
|---|---|---|
| (In thousands) | 2013 | 2012 |
| Reconciliation to Adjusted EBITDA | | |
| Net (loss) income from continuing operations | $(38,662) | $6,233 |
| Equity income in investee | 236 | — |
| Other expense, net | 101,773 | 85,626 |
| Benefit from income taxes | (5,890) | (5,471) |
| Depreciation and amortization | 154,285 | 131,685 |
| Restructuring and management termination benefits (a) | 4,832 | 571 |
| Non-cash stock compensation (b) | 7,236 | 4,984 |
| Acquisition expenses (c) | 21,622 | 8,144 |
| Business development, integration and other expenses (d) | 7,120 | 5,520 |
| Management fee and related expenses (e) | 2,571 | 2,392 |
| Adjusted EBITDA | $255,123 | $239,684 |

(a) Reflects restructuring and management termination benefits expense which is comprised primarily of severance benefits associated with our cost rationalization initiatives and contract termination costs associated with the exit of a leased facility.

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

(c) Reflects items associated with the Acquisition including professional services costs, such as legal, tax, audit and transaction advisory costs.

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

(e) Reflects management fees paid to Carlyle and related expenses.

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

| | Three months ended September 30, | |
|---|---|---|
| (In thousands) | 2013 | 2012 |
| Reconciliation to Free Cash Flow | | |
| Net cash provided by operating activities | $21,168 | $31,517 |
| Loss from discontinued operations, net of tax | 4,980 | — |
| Fair value adjustment to assets and liabilities related to assets held for sale | (3,284) | — |
| Working capital adjustment related to discontinued operations | 2,492 | — |
| Acquisition expenses | 677 | 2,654 |
| Capital expenditures | (14,103) | (11,216) |
| Free Cash Flow | $11,930 | $22,955 |

| | Nine months ended September 30, | |
|---|---|---|
| (In thousands) | 2013 | 2012 |
| Reconciliation to Free Cash Flow | | |
| Net cash provided by operating activities | $75,986 | $121,433 |
| Loss from discontinued operations, net of tax | 4,980 | — |
| Fair value adjustment to assets and liabilities related to assets held for sale | (3,284) | — |
| Working capital adjustment related to discontinued operations | 2,492 | — |
| Acquisition expenses | 21,622 | 8,144 |
| Capital expenditures | (55,846) | (50,906) |
| Free Cash Flow | $45,950 | $78,671 |

Off-Balance Sheet Arrangements

We provide financial settlement services to mobile operators to support the payment of roaming related charges to their roaming network partners. In accordance with our customer contracts, funds are held by us as an agent on behalf of our customers to settle their roaming related charges to other operators. These funds and the corresponding liability are not reflected in our unaudited condensed consolidated balance sheets. The off-balance sheet amounts totaled approximately $485.3 million and $132.4 million as of September 30, 2013 and December 31, 2012, respectively. Off-balance sheet amounts at September 30, 2013 included $311.3 million resulting from the Acquisition.

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 and does not have a material impact on our financial statements. We intend to continue to enter into operating leases for facilities and equipment as these leases expire or additional capacity is required.

Related Party Transactions

Consulting Agreement with Carlyle

On January 13, 2011, we entered into a ten-year consulting agreement with Carlyle under which we pay Carlyle a fee for consulting services Carlyle provides to us and our subsidiaries. During the three and nine months ended September 30, 2013, we recorded $0.7 million and $2.6 million, respectively, associated with the consulting fee and the reimbursement of out-of-pocket expenses. During the three and nine months ended September 30, 2012, we recorded $0.9 million and $2.4 million, respectively.

During the three months ended June 30, 2013, we paid a $10.0 million transaction fee associated with the Acquisition and related debt issuance under the Consulting Agreement with Carlyle. $5.0 million of the transaction fee was recorded in Acquisition expenses and $5.0 million was included in deferred financing costs.

Carlyle, from time to time, participates in the trading of the debt securities under our Initial Term Loans and Tranche B Term loans.

Contractual Obligations

Our total long-term debt obligations (excluding interest and net of unamortized original issue discount) increased to $2.1 billion as of September 30, 2013 from $1.4 billion at December 31, 2012 resulting from $700.0 million of borrowings under the Tranche B Term Loans during the three months ended June 30, 2013, partially offset by principal prepayments of $28.7 million and $21.3 million on our Initial Term Loans and Tranche B Term Loans, respectively, during the three months ended September 30, 2013. As a result of the principal prepayments which were applied in direct order of maturity, our Initial Term Loans will resume amortizing and our Tranche B Term Loans will begin amortizing in quarterly installments commencing on September 30, 2016, in an amount equal to 0.25% per quarter of the original principal amount with the remaining balance due at final maturity.

The Acquisition did not have a material impact on our contractual obligations as of September 30, 2013 other than as noted above.

There have been no other material changes to the disclosure on this matter made in our Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

The preparation of our unaudited condensed consolidated financial statements and related disclosures in conformity with U.S. GAAP requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses. We consider an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate or different estimates that could have been selected could have a material impact on our results of operations or financial condition. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. We believe that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances.

We have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our Annual Report on Form 10-K for the year ended December 31, 2012.

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## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Market Risk

We have exposure to fluctuations in interest rates on our Term Loan Facilities. Our Term Loan Facilities are subject to variable interest rates dependent upon the Eurodollar floor. Under the credit agreement governing our Term Loan Facilities, the Eurodollar rate floor was 1.00% and the base rate floor was 2.00% as of September 30, 2013. Interest rate changes therefore generally do not affect the market value of such debt but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. As of September 30, 2013, a one-eighth percent change in assumed interest rates on our Term Loan Facilities would result in $2.0 million of additional interest expense during the next year.

Foreign Currency Market Risk

Although the majority of our operations are conducted in U.S. dollars, a portion of our foreign operations are conducted in Euros and Great British Pounds. On a less significant basis, we conduct operations in the various currencies of the Asia-Pacific region, Canada and Latin America. Consequently, a portion of our revenues and expenses are affected by fluctuations in foreign currency exchange rates. We are also affected by fluctuations in exchange rates on assets and liabilities related to our foreign operations. We have not hedged our translation risk on foreign currency exposure through the use of derivative instruments.

A 10% change in average foreign currency rates against the U.S. dollar during the nine months ended September 30, 2013 would have increased or decreased our revenues and net loss from continuing operations by approximately $10.5 million and $0.5 million, respectively.

## ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls

Our management, including our principal executive officer and principal financial officer, concluded an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of September 30, 2013. Based on the evaluation, as of September 30, 2013, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

In making its assessment of changes in internal control over financial reporting as of September 30, 2013, management has excluded MACH as it was acquired on June 28, 2013. We are currently assessing the control environment and intend to disclose all material changes resulting from the Acquisition within or prior to the time our first annual assessment of internal control over financial reporting that is required to include this entity.

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## PART II

## OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

### ITEM 1A. RISK FACTORS

Our business, financial condition, operating results and cash flows can be impacted by a number of factors, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. For a discussion identifying additional risk factors and important factors that could cause actual results to differ materially from those anticipated, see the discussion of risk factors disclosed under the caption “Risk Factors” in our 2012 Annual Report on Form 10-K, and disclosed elsewhere in this Quarterly Report on Form 10-Q. There have been no material changes with respect to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

### ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

| Exhibit No. | Description |
|---|---|
| 3.1 | Third Amended and Restated Certificate of Incorporation of Syniverse Holdings, Inc. (1) |
| 3.2 | Amended and Restated Bylaws of Syniverse Holdings, Inc. (1) |
| 4.1 | Indenture, dated as of December 22, 2010, as supplemented on January 13, 2011 by the First Supplemental Indenture, among Buccaneer Merger Sub, Inc. (which merged into Syniverse Holdings, Inc.) and Wilmington Trust, National Association, as successor by merger to Wilmington Trust FSB, as trustee, governing the 9.125% Senior Notes due 2019 (1) |
| 4.2 | Form of Senior Notes due 2019 (1) |
| *10.1 | Second Amendment, dated as of September 23, 2013, by and among Syniverse Holdings, Inc., Buccaneer Holdings, Inc., the financial institutions and lenders from time to time party thereto and Barclays Bank PLC as administrative agent. |
| *31.1 | Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer. |
| *31.2 | Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer. |
| **32.1 | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer. |
| **32.2 | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer. |
| ***101 | The following financial information from Syniverse Holdings, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2013, filed with the SEC, formatted in Extensible Business Reporting Language (XBRL): (i) the Unaudited Condensed Consolidated Balance Sheets, (ii) the Unaudited Condensed Consolidated Statements of Operations, (iii) the Unaudited Condensed Consolidated Statement of Changes in Stockholders Equity, (iv) the Unaudited Condensed Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements. |

Notes:

(1) Incorporated by reference from the Registrants' Registration Statement on Form S-4 (Registration No. 333-176382) filed by the Company and the co-registrants named therein on August 18, 2011.

* Filed herewith

** Furnished herewith

*** Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act and shall not be deemed part of a registration statement, prospectus or other document filed under Sections 11 or 12 of the Securities Act, except as shall be expressly set forth by specific reference in such filings, and otherwise subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYNIVERSE HOLDINGS, INC.

By: /S/ DAVID W. HITCHCOCK
David W. Hitchcock
Chief Financial and Administrative Officer
(Principal Financial Officer)

/S/ MARTIN A. PICCIANO
Martin A. Picciano
Chief Accounting Officer
(Principal Accounting Officer)

Date: November 13, 2013

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| 4.2 | Form of Senior Notes due 2019 (1) |
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| *31.1 | Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer. |
| *31.2 | Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer. |
| **32.1 | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer. |
| **32.2 | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer. |
| ***101 | The following financial information from Syniverse Holdings, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2013, filed with the SEC, formatted in Extensible Business Reporting Language (XBRL): (i) the Unaudited Condensed Consolidated Balance Sheets, (ii) the Unaudited Condensed Consolidated Statements of Operations, (iii) the Unaudited Condensed Consolidated Statement of Changes in Stockholders Equity, (iv) the Unaudited Condensed Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements. |

Notes:

(1) Incorporated by reference from the Registrants' Registration Statement on Form S-4 (Registration No. 333-176382) filed by the Company and the co-registrants named therein on August 18, 2011.

*Filed herewith

**Furnished herewith

***Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act and shall not be deemed part of a registration statement, prospectus or other document filed under Sections 11 or 12 of the Securities Act, except as shall be expressly set forth by specific reference in such filings, and otherwise subject to liability under these sections.

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