Pipeline

Pipeline's Q and A with Synchronoss CEO Steve Waldis.

Q: First and foremost, can you give our readers a 50-mile view of Synchronoss? What makes Synchronoss different from other competitors in the field?

A: There are a couple of things that differentiate us. First of all, our technology, the ActivationNow Platform. The way that we have built it in a way that has allowed us to automate that customer experience specifically around each CSPs goal in terms of how they would like to experience that customer. We have found a way to allow them to, essentially, market it and apply the bundles that they would like to in the marketplace and whatever triple play or bundle type offers. Because we have structured our tech in a way that allows them to configure that workflow, to customize that customer experience, but do so in a rapid fashion, has gone over very well with our clients, because what we have allowed them to do is to market with a high degree of quality in a very rapid fashion.

The second thing that has made us unique is the way that we offer our technology model to our customers. We're willing to stand up and not only take your order, and guarantee that it will be shipped or activated or provisioned as the customer requires, but also sell it to them in a transaction model that allows the service providers to see us as an operational expense as they grow their business. Secondly, we are willing to stand up to the service levels around those transactions, so they're getting a higher degree of comfort that as a partner we're sharing the risk with them. We're putting our money where our mouth is and allowing us to get right in the middle of their critical path and ensuring that through SLAs we'll be successful.

Q: Can you talk a little bit about Synchronoss's June IPO?

A: It was the second fundraising event in the history of the company. We had raised a series A round back in 2001 of $34 million. We were excited to have an opportunity to go out into the public market and gather more capital. As you can see from our filings, we have a history at Synchronoss of using our proceeds from fundraising events to not necessarily handle the day-to-day funding of the company. Our business models support that. We've used the dollars, every step of the way, to build out growth into our platform so that we're always ahead from a capital expenditure and we can handle the increased volumes. When I raised the initial funds in 2001, it was with the idea that I wanted to build the first generation of our platform. We successfully did that and got some of the leading CSPs on board. In June, the reason for the IPO was that we saw an opportunity to get to the forefront of the bundled or x-play type of offerings that are coming into the marketplace. There's a huge rush for fixed-mobile convergence and services that the SPs want to roll out to their customers in a timely fashion. Raising that money over the summer has allowed us to stay ahead of the curve and stay fresh.

Q: When asked, in an interview published by Pipeline two years ago, this month, what makes Synchronoss unique, you responded: "Ours is a 'software as a service' business model, which has gotten stronger every year. The differentiation we offer is in taking over the whole fulfillment function and giving our customers a fixed cost per transaction and a

guaranteed service level for each transaction."   Is this still an accurate representation of your business model?

A: Yes: This has proven to be very effective and we're excited that we're changing the market as it relates to the marketing of these complex orders. I use a lot of analogies. If you go back x amount of years, payroll was mission-critical to a company, but most companies today rely on companies like ADP to do that transaction processing. Why? It's reliable. It's a trusted as an ATM machine. It gives you an easy-to-use customer experience, and companies can focus on what they do best, which is the marketing and creation of the services or products that they bring to market. Why I'm excited today is that I believe we are changing the industry in the sense that all of our CSPs are coming to Synchronoss and saying "what you do for our company is mission-critical. Our customers have to be fulfilled in a high-quality, efficient manner. We can entrust you to manage that on our behalf." In turn, we're seeing our customers put more money into either their network or acquiring new customers. We service the top player in every market that we serve. Whether that's wireless with Cingular, Verizon or AT&T on the IXC side, or some of the emerging companies like Vonage, and cable MSOs like Comcast, we serve the number one or number two company across the board.

Q: Do you feel that Synchronoss is a trendsetter?

A: I do believe we set the trend. We got funded during one of the worst times in history of telecom. I think that was one of the best events that happened to us. It forced the CSPs to realize that money is not in endless supply. Capital needs to be deployed and it needs to be employed very intelligently. We had a much more open mindset about our model, because we were essentially telling people, "There's a better way to put your capital to work. You should be able to preserve that capital, because it's not as easy to get anymore." What I'm seeing now is that the CSPs are saying that this is the way, and with more complex bundles and x-play offers the market, they want to write to our technology once and let us

manage all of the moving parts associated with putting the customer into service. In the old days, we had a 'less filling' value proposition, and that's migrated to a 'tastes great' value proposition.

We've always been able to stay two steps ahead because we are pretty true to our knitting. From day one, I was very consciously deciding that we were going to be the best software solution from the time a customer says "I want to buy this wireless device or put this circuit into motion" all the way up to where that device is up and running. We're not the guys to go to for network optimization or the company you would call to land a new customer. We've found a pretty clear knitting. Because we've built a market in that space, we can go fairly deep. You need deep domain expertise to be successful.

Q: What can we expect from Synchronoss in 2007?

A: We see two big market trends driving the business. If you saw earlier this year, we made a press announcement around us moving up the stack and allowing, on a device or a video phone, the ability to do a direct activation or content associated with an actual order. Synchronoss sees the high growth areas in 2007 being around the two fronts in which x-plays are happening. They're happening in the networks as well as in the devices themselves. We see the two trends of convergence in the networks and the handheld devices to drive the market.

Q: You've recently touted your success with Cingular Wireless. To what do you attribute this success

A: Our Cingular relationship dates back to our days with AT&T wireless. A big component in that was a very innovative way of thinking in terms of Cingular's new approach of using the online or virtual channel as a primary means of driving customer revenue. Most SPs, on average 2-4% take rates in e-commerce sales on a daily basis. Cingular's numbers are in the low teens. Ultimately, it's been about a push to drive as much automation and empower the customer as much as they can.

Q: How important is the race for X-Play?:

We think that it's going to be one of the biggest differentiators between the providers today. Synchronoss serves the big cable providers as well as traditional telecoms. I believe that as those forces compete over the next few years, the ability to get wallet share and mind share over their customers and provide value added services will be big. This is a great opportunity for Synchronoss. The more you try to drive these features to market, the more you drive the complexity in the ordering ends up becoming an issue, and the stronger our value prop becomes.