SYNIVERSE HOLDINGS INC
Form 10-Q
May 12, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2008

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

COMMISSION FILE NUMBER 001-32432

333-88168

SYNIVERSE HOLDINGS, INC.

SYNIVERSE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**30-0041666**
Delaware	**06-1262301**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

8125 Highwoods Palm Way

Tampa, Florida 33647

(Address of principal executive office)

(Zip code)

(813) 637-5000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of Common Stock, as of the latest practicable date.

Shares Outstanding as of May 7, 2008

Syniverse Holdings, Inc.: 68,317,912 shares of common stock, $0.001 par value

Syniverse Technologies, Inc.: 2,000 shares of common stock, no par value,

all of which are owned by Syniverse Holdings, Inc.

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PART 1

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SYNIVERSE HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	March 31, 2008 (unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash	$ 64,525	$ 49,086
Accounts receivable, net of allowances of $927 and $762, respectively	84,244	79,378
Prepaid and other current assets	16,091	12,240
Total current assets	164,860	140,704
Property and equipment, net	43,084	43,856
Capitalized software, net	62,833	62,615
Deferred costs, net	10,343	10,786
Goodwill	630,249	616,304
Identifiable intangibles, net	231,104	232,023
Other assets	2,507	1,262
Total assets	$ 1,144,980	$ 1,107,550
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 5,077	$ 5,006
Accrued payroll and related benefits	11,968	12,016
Accrued interest	1,792	5,910
Deferred revenues	4,511	5,327
Other accrued liabilities	31,889	34,789
Current portion of Term Note B	3,585	3,459
Total current liabilities	58,822	66,507
Long-term liabilities:		
Deferred tax liabilities	57,579	43,587
7 $^{3}/4$% senior subordinated notes due 2013	175,000	175,000
Term Note B, less current maturities	353,097	344,476
Other long-term liabilities	7,241	7,188
Total long-term liabilities	592,917	570,251

Commitments and contingencies		
Stockholders equity:		
Preferred stock, $0.001 par value; 300,000 shares authorized; no shares issued		
Common stock, $0.001 par value; 100,300,000 shares authorized; 68,711,605 shares issued and 68,319,607 shares outstanding and 68,683,075 shares issued and 68,302,956 shares outstanding at March 31, 2008 and December 31, 2007, respectively	68	68
Additional paid-in capital	464,804	463,711
Retained earnings	20,240	4,851
Accumulated other comprehensive income	8,159	2,191
Common stock held in treasury, at cost; 391,998 and 380,119 at March 31, 2008 and December 31, 2007, respectively	(30)	(29)
Total stockholders equity	493,241	470,792
Total liabilities and stockholders equity	$ 1,144,980	$ 1,107,550

See Notes to Condensed Unaudited Consolidated Financial Statements

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SYNIVERSE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Revenues	$ 115,645	$ 84,378
Costs and expenses:		
Cost of operations (excluding depreciation and amortization shown separately below)	37,978	33,441
Sales and marketing	10,754	6,812
General and administrative	18,142	13,987
Depreciation and amortization	13,633	10,279
Restructuring	17	1,782
	80,524	66,301
Operating income	35,121	18,077
Other income (expense), net:		
Interest income	430	436
Interest expense	(9,720)	(6,060)
Other, net	57	53
	(9,233)	(5,571)
Income before provision for income taxes	25,888	12,506
Provision for income taxes	10,495	4,860
Net income	$ 15,393	$ 7,646
Net income per common share:		
Basic	$ 0.23	$ 0.11
Diluted	$ 0.23	$ 0.11
Weighted average common shares outstanding:		
Basic	67,509	67,221
Diluted	67,909	67,353

See Notes to Condensed Unaudited Consolidated Financial Statements

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SYNIVERSE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(DOLLARS IN THOUSANDS)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Cash flows from operating activities		
Net income	$ 15,393	$ 7,646
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including amortization of deferred debt issuance costs	14,076	10,496
Provision for uncollectible accounts	169	78
Deferred income tax expense	8,760	3,432
Stock-based compensation	1,077	486
Loss on disposition of property		294
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(4,535)	1,207
Other current assets	(3,546)	(2,578)
Accounts payable	9	(1,690)
Other current liabilities	(8,178)	2,055
Other assets and liabilities	37	(396)
Net cash provided by operating activities	23,262	21,030
Cash flows from investing activities		
Capital expenditures	(7,341)	(9,589)
Acquisition of BSG Wireless	(767)	
Acquisition of ITHL		(735)
Net cash used in investing activities	(8,108)	(10,324)
Cash flows from financing activities		
Principal payments on senior credit facility	(891)	(348)
Employee stock purchase plan	3	
Stock options exercised	194	16
Minimum tax withholding on restricted stock awards	(181)	(80)
Purchase of treasury stock	(1)	(1)
Net cash used in financing activities	(876)	(413)
Effect of exchange rate changes on cash	1,161	54
Net increase in cash	15,439	10,347
Cash at beginning of period	49,086	26,704
Cash at end of period	$ 64,525	$ 37,051
Supplemental cash flow information		
Interest paid	$ 13,351	$ 9,252
Income taxes paid	1,510	

See Notes to Condensed Unaudited Consolidated Financial Statements

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SYNIVERSE HOLDINGS, INC.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(AMOUNTS IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

1. Business

We are a leading enabler of wireless voice and data services for telecommunications companies worldwide. For over 20 years, we have served a critical role as one of the wireless industry s only operator-neutral intermediaries, solving the challenges that arise as new technologies, standards and protocols emerge. Our mission-critical data clearinghouse, network and technology services solve technical and operational challenges for the wireless industry by translating incompatible communication standards and protocols and simplifying operator interconnectivity. Our fully-integrated suite of transaction-based services allows operators to deliver seamless voice, data and next generation services to wireless subscribers, including roaming, Short Message Service (SMS), Multimedia Messaging Services (MMS), caller ID, number portability and wireless video services. We provide our services to more than 500 operators in over 100 countries. The majority of our revenues are transaction-based and derived from long-term contracts, typically averaging three years in duration.

On February 10, 2005, we completed an initial public offering of 17,620,000 shares of common stock at a price of $16.00 per common share. The net proceeds of the offering of $260,966, after deducting underwriting discounts, commissions and expenses, along with $240,000 received from our credit facility, were used primarily to redeem 124,876 shares of our class A cumulative redeemable preferred stock and tender for $85,750 of our 12 3/4% senior subordinated notes due 2009 and repay and terminate our previous senior credit facility.

On June 16, 2006, we acquired the capital stock of Perfect Profits International (PPIL), which comprises the Interactive Technologies Holdings Limited business (ITHL), from Interactive Technologies Holdings Limited for $45,747 in cash including working capital adjustments and earn-out to the sellers of $6,894, which was paid in April 2007. Additionally, in connection with the acquisition, we incurred $1,106 in acquisition related costs. Headquartered in Hong Kong, ITHL is a leading provider of value-added services to operators in the Asia Pacific region. We believe the acquisition expands our footprint in the Asia Pacific region and adds a complementary customer base, new products, advanced development capabilities and in-region customer support

2. Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements of Syniverse Holdings, Inc., (Syniverse Inc.) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

The consolidated financial statements include the accounts of Syniverse Holdings, Inc. (Syniverse Inc.), Syniverse, Syniverse Technologies, BV (Syniverse BV), Syniverse Brience, LLC (Syniverse Brience), Syniverse Holdings Limited (Syniverse Limited), Perfect Profits International Limited (PPIL) and Syniverse Technologies Limited Luxembourg S.a.r.l. (BSG Wireless). References to the Company , us , or we include all of the consolidated companies. All significant intercompany balances and transactions have been eliminated.

3. Summary of Significant Accounting Policies

Revenue Recognition

The majority of our revenues are transaction-based and derived from long-term contracts, typically averaging three years in duration. Our revenues are primarily the result of the sale of our technology interoperability services, network services, number portability services, call processing services and enterprise solutions to wireless operators throughout the world. In order to encourage higher customer transaction volumes, we generally negotiate tiered pricing schedules with our customers based on certain established transaction volume levels. Generally, there is a seasonal increase in wireless roaming telephone usage and corresponding revenues in the high-travel months of the second and third fiscal quarters.

Technology Interoperability Services primarily generate revenues by charging per-transaction processing fees. For our wireless roaming clearinghouse, Short Message Service (SMS) and Multimedia Messaging Services (MMS), revenues vary based on the number of data/messaging records provided to us by wireless operators for aggregation, translation and distribution among operators. We recognize revenues at the time the transactions are processed. For our financial clearinghouse and settlement services, revenues vary based on the number of invoices or roaming agreements managed on the customer s behalf. We recognize revenues at the time the transactions are processed. Additionally, we provide solutions with multiple product and service elements which may include software and hardware products, as well as

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installation services, post-contract customer support and training. In those cases, we recognize revenues in accordance with the American Institute of Certified Public Accountants Statement of Position 97-2 (SOP 97-2), *Software Revenue Recognition,* as amended by SOP 98-9, *Modification of SOP 97-2, Software Revenue Recognition With Respect to Certain Transactions.* Under SOP 97-2, revenue attributable to an element in a customer arrangement is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

Network Services primarily generate revenues by charging per-transaction processing fees. In addition, our customers pay monthly connection fees based on the number of network connections as well as the number of switches with which a customer communicates. The per-transaction fees are based on the number of intelligent network messages and intelligent network database queries made through our network and are recognized as revenues at the time the transactions are processed. In addition, a small amount of our revenues are generated through software license fees, maintenance agreements and professional services. Software license fees are generally recognized over the contract period. Maintenance agreements call for us to provide technical support and software enhancements to customers. Revenues on technical support and software enhancement rights are recognized ratably over the term of the support agreement. Professional services include consulting, training and installation services to our customers. Revenues from such services are generally recognized on a straight-line basis over the same period as the software license fees.

Number Portability Services primarily generate revenues by charging per-transaction processing fees, monthly fixed fees, and fees for customer implementations. We recognize processing revenues at the time the transactions are processed. We recognize monthly fixed fees as revenues on a monthly basis as the services are performed. We defer revenues and incremental customer-specific costs related to customer implementations and recognize these fees and costs on a straight-line basis over the life of the initial customer agreements.

Call Processing Services primarily generate revenues by charging per-transaction processing fees. The per-transaction fee is based on the number of validation, authorization and other call processing messages generated by wireless subscribers. We recognize processing fee revenues at the time the transactions are processed.

Enterprise Solutions Services primarily generate revenues by charging per-subscriber fees. We recognize these revenues at the time the service is performed.

Off-Network Database Query Fees primarily generate revenues by providing access to database providers. We pass these charges onto our customers, with little or no margin, based upon the charges we receive from the third party intelligent network database providers. We recognize revenues at the time the transaction is processed.

Due to our billing cycles, which for some products lag as much as 40 days after the month in which the services are rendered, we estimate the amounts of unbilled revenue each reporting period. Our estimates are based on recent volume and pricing trends adjusted for material changes in contracted services. Historically, our estimates have not been materially different from our actual billed revenue. Unanticipated changes in volume and pricing trends or material changes in contracted services could adversely affect our estimates of unbilled revenue. As of March 31, 2008 and December 31, 2007, our estimates of unbilled revenues were $8,211 and $7,117, respectively.

Net Income Per Common Share

We compute net income per common share in accordance with Statement of Financial Accounting Standards No. 128, *Earnings Per Share* (SFAS 128). Basic net income per common share includes no dilution and is computed by dividing net income by the weighted average number of fully vested common shares outstanding for the period. Our basic weighted average shares outstanding for the three months ended March 31, 2008 excludes 5,939 shares held by our management, which represent the weighted average number of shares, which were not fully vested. Diluted net income per common share includes the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. As of March 31, 2008 and 2007, options to purchase 1,429,492 and 820,748 shares of common stock, respectively, were outstanding. For the three months ended March 31, 2008 and 2007, unvested common stock held by our management and the outstanding options to purchase common stock were used in the calculation of dilutive net income per common share.

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The following table displays the computation of net income per common share:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Basic and diluted net income per common share:		
Net income	$ 15,393	$ 7,646
Determination of basic and diluted shares:		
Basic weighted-average common shares outstanding	67,508,523	67,220,607
Unvested common stock	5,939	66,965
Potentially dilutive stock options and restricted stock	394,042	65,333
Diluted weighted-average common shares outstanding	67,908,504	67,352,905
Basic net income per common share	$ 0.23	$ 0.11
Diluted net income per common share	$ 0.23	$ 0.11

Comprehensive Income

Comprehensive income includes foreign currency translation adjustments. Comprehensive income for the three months ended March 31, 2008 and 2007 is as follows:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Net income	$ 15,393	$ 7,646
Foreign currency translation adjustments, net of taxes	5,968	350
Total comprehensive income	$ 21,361	$ 7,996

The balance in accumulated other comprehensive income as of March 31, 2008 is comprised of foreign currency translation adjustments of $8,159.

Interest in Joint Venture

We hold a 5% interest in the joint venture mTLD Top Level Domain, Ltd., a joint venture formed to provide mobile data and content domain name registry services and development guidelines. We account for this investment using the cost method of accounting. As of March 31, 2008 and December 31, 2007, our investment was $888 and is included in other assets.

Foreign Currency Translation

In accordance with Statement of Financial Accounting Standards No. 52, *Foreign Currency Translation* (SFAS 52), income and expense accounts of foreign operations are translated at the weighted average exchange rates during the year. Assets, including goodwill, and liabilities of foreign operations that operate in a local currency environment are translated to U.S. dollars at the exchange rates in effect at the balance sheet date, with the related translation gains or losses reported as a separate component of stockholder s equity.

Segment Information

For all periods reported, we operated as a single segment, since our chief operating decision maker decides resource allocations on the basis of our consolidated financial results. For the three months ended March 31, 2008 and 2007, we derived 66.9%, and 73.2% respectively, of our revenues from customers in the United States.

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Revenues by service offerings were as follows:

	Three Months Ended March 31, 2008	2007
Technology Interoperability Services	$ 68,701	$ 37,795
Network Services	29,741	30,424
Number Portability Services	6,950	6,106
Call Processing Services	8,389	7,208
Enterprise Solutions	786	1,191
Off-Network Database Queries	1,078	1,654
Total Revenues	$ 115,645	$ 84,378

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

	Three Months Ended March 31, 2008	2007
North America	$ 82,213	$ 65,352
Asia Pacific	10,218	9,721
Caribbean and Latin America	7,859	5,190
Europe, Middle East and Africa	14,277	2,461
Off-Network Database Queries (i)	1,078	1,654
Total Revenues	$ 115,645	$ 84,378

(i) Off-Network Database Queries are not allocated to geographic regions.

Derivatives

Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), requires companies to recognize all of their derivative instruments as either assets or liabilities in the statement of financial position at fair value. As of March 31, 2008 and December 31, 2007, we do not have any derivative instruments or have engaged in any hedging activities.

Stock-Based Compensation

On May 16, 2002, Syniverse Inc. s Board of Directors adopted a Founders Stock Option Plan for non-employee directors, executives and other key employees and a Directors Stock Option Plan for directors. On May 9, 2006, our Board of Directors adopted the 2006 Long-Term Equity Incentive Plan and 2006 Employee Stock Purchase Plan. We account for these plans and related grants thereunder under Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)). Please refer to Note 5 for further discussion regarding stock-based compensation.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements would be separately disclosed by level within the fair value hierarchy. SFAS 157 was effective January 1, 2008. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2 which delays the effective date of SFAS 157 for one year, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 and FSP 157-2 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We elected a partial deferral of SFAS 157 under the provisions of FSP 157-2. The partial adoption of SFAS 157 effective January 1, 2008 did not have any impact on our financial position or results of operations.

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In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* (SFAS 159) . This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. The fair value option permits a company to choose to measure eligible items at fair value at specified election dates. A company will report unrealized gains and losses on items for which the fair value option has been elected in earnings after adoption. SFAS 159 was effective on January 1, 2008. As we did not elect to fair value any of our financial instruments under the provisions of SFAS 159, the adoption of this statement did not have any impact on our financial position or results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R provides revised guidance on how acquirers recognize and measure the consideration transferred, identifiable assets acquired, liabilities assumed, noncontrolling interests, and goodwill acquired in a business combination. SFAS 141R also expands required disclosures surrounding the nature and financial effects of business combinations. SFAS 141R is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. We are currently assessing the impact of SFAS 141R on our financial position and results of operations.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently assessing the impact of SFAS 161 on our financial position and results of operations.

4. Acquisition of BSG Wireless

On December 19, 2007, we acquired the wireless data clearing and financial settlement business (BSG Wireless) of Billing Services Group Limited (BSG) pursuant to a Share Purchase Agreement, dated April 1, 2007. Under the Purchase Agreement, we acquired all of the outstanding share capital of Billing Services Group Luxembourg S. à r.l. and Billing Services Group Asia Limited from BSG for an aggregate purchase price of $293,578 in cash including acquisition related costs of $6,608. The acquisition was funded through the draw down of our amended and restated credit facility, which included a delayed draw term loan of $160,000 in aggregate principal amount and a Euro-denominated delayed draw term loan facility of the equivalent of $130,000 intended to finance this acquisition. The acquisition was accounted for using the purchase method of accounting. The total purchase price of $293,578 was allocated to the assets and liabilities, on a preliminary basis, based upon their estimated fair value as of the date of the acquisition. As a result, the purchase price allocation is not yet finalized and preliminary estimates and assumptions are subject to change.

5. Stock-Based Compensation

We have three stock-based compensation plans, the Founders Stock Option Plan for non-employee directors, executives and other key employees of Syniverse Inc., the Directors Stock Option Plan, which provided for grants to independent directors, and the 2006 Long-Term Equity Incentive Plan, which provides incentive compensation through grants of incentive or non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights (SARs), performance awards or any combination of the foregoing, all of which are described below. Prior to the adoption of SFAS 123(R), we accounted for those plans under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related Interpretations, as permitted by Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation* (SFAS 123). Compensation costs related to stock options granted at fair value under those plans were not recognized in the consolidated statements of income. In December 2004, the FASB issued SFAS 123 (revised 2004) *Share-Based Payment* (SFAS 123(R)). Under the new standard, companies are no longer able to account for stock-based compensation transactions using the intrinsic value method in accordance with APB 25.

Effective January 1, 2006, we adopted SFAS 123(R), which requires companies to account for such stock-based compensation using a fair-value method and recognize the expense in the consolidated statement of income. Using the modified-prospective-transition method, stock-based compensation cost recognized beginning January 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, and (b) compensation cost for all share-based payments granted on or subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated. The impact to our income from operations of recording stock-based compensation for the three months ended March 31, 2008 and 2007 was as follows:

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	Three Months Ended March 31, 2008	2007
Cost of operations	$ 7	$ 9
Sales and marketing	264	(27)
General and administrative	806	504
Total stock-based compensation	$ 1,077	$ 486

Accounting for Stock-Based Compensation

Stock Options

The fair values of stock option grants are amortized as compensation expense on a straight-line basis over the vesting period of the grants. Compensation expense recognized is shown in the operating activities section of the consolidated statements of cash flows. The fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	Three Months Ended March 31, 2008	2007
Risk-free interest rate	4.50%	4.82%
Volatility factor	34.0	34.0
Dividend yield		
Weighted average expected life of options	5	5

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Prior to February 10, 2005, Syniverse Inc. s common stock was not traded on public markets. Therefore a volatility of 0% was used in the Black-Scholes option valuation model for options issued prior to our initial public offering. Due to the limited time in which our stock has been publicly traded, we used the average volatility factor of comparable companies.

SFAS 123(R) requires companies to estimate potential forfeitures of stock grants and adjust compensation cost recorded accordingly. Due to the minimal number of forfeitures we have experienced during the limited life of our option plans, our forfeiture rate is not material to our fair value calculation; therefore, we currently use actual forfeitures in our calculations.

Option Plans

On May 16, 2002, our Board of Directors adopted a Founders Stock Option Plan for non-employee directors, executives and other key employees of Syniverse Inc. In addition, the Board of Directors adopted a Directors Stock Option Plan on August 2, 2002, which provides for grants to independent directors to purchase up to 20,000 shares upon election to the board. The plans had a term of five years and provided for the granting of options to purchase shares of Syniverse Inc. s non-voting Class B common stock. As part of our initial public offering, we reclassified the Class B common stock into our common stock and hence all of our options now provide for purchase of our common stock.

Under the plans, the options have or will have an initial exercise price based on the fair value of each share, as determined by the Board. The per share exercise price of each stock option will not be less than the fair market value of the stock on the date of the grant or, in the case of an equity holder owning more than 10% of the outstanding stock of Syniverse Inc., the price for incentive stock options is not less than 110% of such fair market value. The Board of Syniverse Inc. reserved 402,400 shares of common stock, par value $.001 per share for issuance under the Founders plan and 160,360 shares under the Directors plan.

Both the Founder s Stock Option Plan and the Directors Stock Option Plan have expired and the Board of Syniverse, Inc. no longer grants options for these plans. There were options to purchase 218,553 shares outstanding under the Founder s Stock Option Plan and options to purchase 100,240 shares outstanding under the Directors Stock Option Plan at March 31, 2008.

All options issued under the plans are presumed to be nonqualified stock options unless otherwise indicated in the option agreement. Each option has an exercisable life of no more than 10 years from the date of grant for both nonqualified and incentive stock options in the case of grants under the Founders Stock Option Plan and under the Directors Stock Option Plan. Generally, the options under these plans vest 20% after the first year and 5% per quarter thereafter.

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2006 Long-Term Equity Incentive Plan

On May 9, 2006, our Board of Directors adopted the 2006 Long-Term Equity Incentive Plan (the Incentive Plan). The Incentive Plan provides incentive compensation through grants of incentive or non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights (SARs), performance awards, or any combination of the foregoing. The Incentive Plan is designed to allow for the grant of long term incentive awards that conform to the requirements for tax deductible performance based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended.

Under the Incentive Plan, 6,000,000 shares of common stock were authorized for issuance, of which 1,000,000 shares may be issued as restricted stock, restricted stock units or performance shares. The number of shares and price per share is determined by the Compensation Committee (the Committee) for those awards granted. However, the exercise price of any option may not be less than 100% of the fair market value of a share of common stock on the date of grant and the exercise price of an incentive option awarded to a person who owns stock constituting more than 10% of Syniverse s voting power may not be less than 110% of the fair market value on the date of grant. Those eligible to participate in the Incentive Plan are limited to directors (including non-employee directors), officers (including non-employee officers) and employees of Syniverse, Inc. and its subsidiaries selected by the Committee, including participants located outside the United States. Determinations made by the Committee under the Incentive Plan need not be uniform and may be made selectively among eligible individuals under the Incentive Plan.

As of March 31, 2008, 1,110,699 options outstanding, which vest 33 $^{1/3}$ % per year, were granted to certain executive officers. As of March 31, 2008, 773,580 unvested restricted shares outstanding, which vest 20% per year, were granted to certain executive officers and other employees.

Employee Stock Purchase Plan

On May 9, 2006, our Board of Directors adopted the 2006 Employee Stock Purchase Plan (the Purchase Plan). All employees, including Directors who are employees and all employees of any subsidiary, are eligible to participate in any one or more of the offerings to purchase common stock under the Purchase Plan. Eligible employees may purchase a limited number of shares of Syniverse, Inc. s common stock at 85% of the market value during a series of offering periods. The purchase price is set based on the price on the New York Stock Exchange at the close of either the first or the last trading day of the offering period, whichever is lower. The fair value of shares issued under the Purchase Plan is estimated on the commencement date of each offering period using the Black-Scholes option pricing model.

As of March 31, 2008, approximately 435,130 shares were reserved for future issuance. As of March 31, 2008, there were 89 enrollments under the Purchase Plan.

6. Restructurings

In August 2006, we completed a restructuring plan in our operations and marketing groups, resulting in the termination of 30 employees. As a result, we incurred $741 in severance related costs. The balance in this restructuring accrual was reduced to zero during the first quarter of 2008.

In January 2007, we completed a restructuring plan resulting in the closure of our Oklahoma office, the elimination of certain executive positions, and the termination of 10 employees. As a result, we incurred $664 in severance related costs and $1,384 in costs associated with the lease termination of our corporate aircraft. We expect to pay the remainder of the liabilities relating to this restructuring by the end of the second quarter of 2008.

In June 2007, we committed to a restructuring plan affecting our technology development and support groups. We estimated that the plan would result in the elimination of 56 employees over the remainder of the year. As a result, we accrued $572 in severance related costs. During the third and fourth quarter of 2007, we experienced a higher than expected level of attrition among the employees impacted by the offshoring plan resulting in a reduction of our severance liability of $449. We expect to pay the remainder of the liabilities relating to this restructuring by the end of the second quarter of 2008.

In connection with the BSG Wireless acquisition in December 2007, we began to formulate a restructuring plan, which consists primarily of the elimination of redundant positions. As a result of this plan, we estimated $2,027 of employee termination benefits as liabilities in our purchase accounting in accordance with Emerging Issues Task Force Issue No. 95-3 (EITF 95-3), *Recognition of Liabilities in Connection with a Purchase Business Combination*. This estimate is subject to change as we continue to formulate our plan. We expect to pay the remainder of these benefits in 2008 and 2009.

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As of March 31, 2008, the balance in our restructuring accrual was $1,627. In the three months ended March 31, 2008, we had the following activity in our restructuring accruals:

	December 31, 2007 Balance	Additions	Payments	Reductions	March 31, 2008 Balance
August 2006 Restructuring					
Termination costs	$ 20	$	$	$ (20)	$
January 2007 Restructuring					
Termination costs	185		(155)		30
June 2007 Restructuring					
Termination costs	123	37	(65)		95
December 2007 Restructuring *					
Termination costs	2,027		(525)		1,502
Total	$ 2,355	$ 37	$ (745)	$ (20)	$ 1,627

* These accruals were reflected in purchase accounting.

7. Commitments and Contingencies

We are currently a party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations. As of March 31, 2008, we have considered all of the claims and disputes of which we are aware and have provided for probable losses as part of the allowance for doubtful accounts, allowance for credit memos or accrued liabilities.

The most significant of these claims, in terms of dollars sought, are described below:

On August 9, 2005, we filed a complaint seeking injunctive relief and damages in Hillsborough County, Florida against Electronic Data Systems Corporation (EDS) and EDS Information Services LLC alleging a breach of contract, tortious interference with prospective business relations and unfair competition. This complaint was based on our discovery in the second quarter of 2005 that EDS was offering to provide clearing services to one of our customers when the customer s contract with Syniverse expires in 2006. We believe this offer to provide clearing services to that customer constitutes a breach of certain non-compete obligations of EDS contained in the asset purchase agreement between EDS and us. On August 11, 2005, the Circuit Court of the 13^{th} Judicial Circuit for the State of Florida granted our motion for a temporary injunction and enjoined the EDS defendants from selling the assets of their European subsidiaries unless the prospective purchaser assumed the non-compete obligations of EDS. The injunction is conditioned upon Syniverse providing a $100 surety bond, which we have provided. We intend to continue to pursue this matter vigorously.

8. Supplemental Consolidating Financial Information

Syniverse s payment obligations under the senior notes are guaranteed by Syniverse Inc. and all domestic subsidiaries of Syniverse including Syniverse Brience (collectively, the Guarantors). The results of Syniverse BV, Syniverse Limited, ITHL and BSG Wireless are included as non-guarantors. Such guarantees are full, unconditional and joint and several. The following supplemental financial information sets forth, on an unconsolidated basis, balance sheets, statements of income, and statements of cash flows information for Syniverse Inc., Syniverse and for the guarantor and non-guarantor subsidiaries. The supplemental financial information reflects the investment, Syniverse, Inc., using the equity method of accounting.

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CONSOLIDATING BALANCE SHEET (UNAUDITED)

AS OF MARCH 31, 2008

	Syniverse Inc.	Syniverse	Subsidiary Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash	$ 43	$ 23,275	$ 41,207	$	$ 64,525
Accounts receivable, net of allowances		65,349	18,895		84,244
Accounts receivable - affiliates	2,094	5,452	1,780	(9,326)	
Prepaid and other current assets		9,454	6,637		16,091
Total current assets	2,137	103,530	68,519	(9,326)	164,860
Property and equipment, net		41,280	1,804		43,084
Capitalized software, net		42,366	20,467		62,833
Deferred costs, net		10,343			10,343
Goodwill		361,319	268,930		630,249
Identifiable intangibles, net		163,076	68,028		231,104
Other assets		2,305	202		2,507
Investment in subsidiaries	491,438	374,749		(866,187)	
Total assets	$ 493,575	$ 1,098,968	$ 427,950	$ (875,513)	$ 1,144,980
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$	$ 3,182	$ 1,895	$	$ 5,077
Accounts payable - affiliates	299		9,027	(9,326)	
Accrued payroll and related benefits	66	7,068	4,834		11,968
Accrued interest		1,792			1,792
Deferred revenues		1,004	3,507		4,511
Other accrued liabilities	(31)	20,591	11,329		31,889
Current portion of Term Note B		3,585			3,585
Total current liabilities	334	37,222	30,592	(9,326)	58,822
Long-term liabilities:					
Deferred tax liabilities		40,475	17,104		57,579
7 $^{3}/4$% Senior Subordinated Notes due 2013		175,000			175,000
Term Note B, less current maturities		353,097			353,097
Other long-term liabilities		1,736	5,505		7,241
Total long-term liabilities		570,308	22,609		592,917
Stockholders equity:					
Common stock	68		115	(115)	68
Additional paid-in capital	464,804	463,039	342,234	(805,273)	464,804
Retained earnings	20,240	20,240	6,596	(26,836)	20,240
Accumulated other comprehensive income	8,159	8,159	25,804	(33,963)	8,159
Common stock held in treasury, at cost	(30)				(30)
Total stockholders equity	493,241	491,438	374,749	(866,187)	493,241

Total liabilities and stockholders equity	$ 493,575	$ 1,098,968	$ 427,950	$ (875,513)	$ 1,144,980

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CONSOLIDATING STATEMENT OF INCOME (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2008

	Syniverse Inc.	Syniverse	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenues	$	$ 93,448	$ 22,197	$	$ 115,645
Costs and expenses:					
Cost of operations (excluding depreciation and amortization shown separately below)	7	30,889	7,082		37,978
Sales and marketing	264	6,933	3,557		10,754
General and administrative	806	13,929	3,407		18,142
Depreciation and amortization		10,199	3,434		13,633
Restructuring		17			17
	1,077	61,967	17,480		80,524
Operating income (loss)	(1,077)	31,481	4,717		35,121
Other income (expense), net:					
Income from equity investment	26,964	5,126		(32,090)	
Interest income	1	133	296		430
Interest expense		(9,720)			(9,720)
Other, net		(56)	113		57
	26,965	(4,517)	409	(32,090)	(9,233)
Income before provision for income taxes	25,888	26,964	5,126	(32,090)	25,888
Provision for income taxes	10,495	10,327	168	(10,495)	10,495
Net income	15,393	16,637	4,958	(21,595)	15,393

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2008

	Syniverse Inc.	Syniverse	Subsidiary Non-Guarantors	Eliminations	Consolidated
Cash flows from operating activities					
Net income	$ 15,393	$ 16,637	$ 4,958	$ (21,595)	$ 15,393
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization including amortization of deferred debt issuance costs		10,703	3,373		14,076
Provision for uncollectible accounts		169			169
Deferred income tax expense		8,793	(33)		8,760
Income from equity investment	(26,964)	(5,126)		32,090	
Stock-based compensation	1,077				1,077
Changes in operating assets and liabilities, net of acquisition:					
Accounts receivable		(5,874)	1,339		(4,535)
Other current assets		(3,015)	(531)		(3,546)
Accounts payable		(184)	193		9
Other current liabilities	10,495	(6,126)	(2,052)	(10,495)	(8,178)
Other assets and liabilities	(16)	175	(122)		37
Net cash provided by (used in) operating activities	(15)	16,152	7,125		23,262
Cash flows from investing activities					
Capital expenditures		(6,340)	(1,001)		(7,341)
Acquisition of BSG Wireless		(767)			(767)
Net cash used in investing activities		(7,107)	(1,001)		(8,108)
Cash flows from financing activities					
Principal payments on senior credit facility		(891)			(891)
Employee stock purchase plan	3				3
Stock options exercised	194				194
Minimum tax withholding on restricted stock awards	(181)				(181)
Purchase of treasury stock	(1)				(1)
Net cash provided by (used in) financing activities	15	(891)			(876)
Effect of exchange rate changes on cash			1,161		1,161
Net increase in cash		8,154	7,285		15,439
Cash at beginning of period	43	15,121	33,922		49,086
Cash at end of period	$ 43	$ 23,275	$ 41,207	$	$ 64,525

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CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2007

	Syniverse Inc.	Syniverse	Subsidiary Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash	$ 43	$ 15,121	$ 33,922	$	$ 49,086
Accounts receivable, net of allowances		57,861	21,517		79,378
Accounts receivable - affiliates	2,051	5,799		(7,850)	
Prepaid and other current assets		6,516	5,724		12,240
Total current assets	2,094	85,297	61,163	(7,850)	140,704
Property and equipment, net		41,862	1,994		43,856
Capitalized software, net		42,765	19,850		62,615
Deferred costs, net		10,786			10,786
Goodwill		361,318	254,986		616,304
Identifiable intangibles, net		166,069	65,954		232,023
Other assets		1,062	200		1,262
Investment in subsidiaries	469,003	349,348		(818,351)	
Total assets	$ 471,097	$ 1,058,507	$ 404,147	$ (826,201)	$ 1,107,550
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$	$ 2,399	$ 2,607	$	$ 5,006
Accounts payable - affiliates	298		7,552	(7,850)	
Accrued payroll and related benefits	38	9,844	2,134		12,016
Accrued interest		5,910			5,910
Deferred revenues		1,003	4,324		5,327
Other accrued liabilities	(31)	19,343	15,477		34,789
Current portion of Term Note B		3,459			3,459
Total current liabilities	305	41,958	32,094	(7,850)	66,507
Long-term liabilities:					
Deferred tax liabilities		21,103	22,484		43,587
7 3/4% Senior Subordinated Notes due 2013		175,000			175,000
Term Note B, less current maturities		344,476			344,476
Other long-term liabilities		6,967	221		7,188
Total long-term liabilities		547,546	22,705		570,251
Stockholders equity:					
Common stock	68		115	(115)	68
Additional paid-in capital	463,711	461,961	341,466	(803,427)	463,711
Retained earnings	4,851	4,851	1,461	(6,312)	4,851
Accumulated other comprehensive income	2,191	2,191	6,306	(8,497)	2,191
Common stock held in treasury, at cost	(29)				(29)
Total stockholders equity	470,792	469,003	349,348	(818,351)	470,792

Total liabilities and stockholders equity	$ 471,097	$ 1,058,507	$ 404,147	$ (826,201)	$ 1,107,550

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CONSOLIDATING STATEMENT OF INCOME (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2007

	Syniverse Inc.	Syniverse	Subsidiary Non-Guarantors	Eliminations	Consolidated
Revenues	$	$ 76,284	$ 8,094	$	$ 84,378
Costs and expenses:					
Cost of operations (excluding depreciation and amortization shown separately below)	8	29,350	4,083		33,441
Sales and marketing	(27)	5,306	1,533		6,812
General and administrative	504	12,155	1,328		13,987
Depreciation and amortization		9,636	643		10,279
Restructuring		1,782			1,782
	485	58,229	7,587		66,301
Operating income (loss)	(485)	18,055	507		18,077
Other income (expense), net:					
Equity in subsidiaries	12,991	603		(13,594)	
Interest income		393	43		436
Interest expense		(6,060)			(6,060)
Other, net			53		53
	12,991	(5,064)	96	(13,594)	(5,571)
Income before provision for income taxes	12,506	12,991	603	(13,594)	12,506
Provision for income taxes	4,860	4,641	218	(4,859)	4,860
Net income	$ 7,646	$ 8,350	$ 385	$ (8,735)	$ 7,646

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CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2007

	Syniverse Inc.	Syniverse	Subsidiary Non-Guarantors	Eliminations	Consolidated
Cash flows from operating activities					
Net income	$ 7,646	$ 8,350	$ 385	$ (8,735)	$ 7,646
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization including amortization of deferred debt issuance costs		9,901	595		10,496
Provision for uncollectible accounts		78			78
Deferred income tax expense		3,432			3,432
Equity in subsidiaries	(12,991)	(603)		13,594	
Stock-based compensation	486				486
Loss on disposition of property		294			294
Changes in operating assets and liabilities, net of acquisition:					
Accounts receivable		510	697		1,207
Other current assets		(3,567)	989		(2,578)
Accounts payable		(3,209)	1,519		(1,690)
Other current liabilities	4,859	1,969	86	(4,859)	2,055
Other assets and liabilities	65	(558)	97		(396)
Net cash provided by operating activities	65	16,597	4,368		21,030
Cash flows from investing activities					
Capital expenditures		(9,242)	(347)		(9,589)
Acquisition of ITHL		(735)			(735)
Net cash used in investing activities		(9,977)	(347)		(10,324)
Cash flows from financing activities					
Minimum tax withholding on restricted stock awards	(80)				(80)
Principal payments on senior credit facility		(348)			(348)
Stock options exercised	16				16
Purchase of treasury stock	(1)				(1)
Net cash used in financing activities	(65)	(348)			(413)
Effect of exchange rate changes on cash			54		54
Net increase in cash		6,272	4,075		10,347
Cash at beginning of period	41	18,920	7,743		26,704
Cash at end of period	$ 41	$ 25,192	$ 11,818	$	$ 37,051

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

Overview

We are a leading enabler of wireless voice and data services for telecommunications companies worldwide. For over 20 years, we have served a critical role as one of the wireless industry s only operator-neutral intermediaries, solving the challenges that arise as new technologies, standards and protocols emerge. Our mission-critical data clearinghouse, network and technology services solve technical and operational challenges for the wireless industry by translating incompatible communication standards and protocols and simplifying operator interconnectivity. Our fully-integrated suite of transaction-based services allows operators to deliver seamless voice, data and next generation services to wireless subscribers, including roaming, Short Message Service (SMS), Multimedia Messaging Services (MMS), caller ID, number portability and wireless video services. We provide our services to more than 500 operators in over 100 countries. The majority of our revenues are transaction-based and derived from long-term contracts, typically averaging three years in duration.

Company History

We were founded in 1987 as GTE Telecommunication Services Inc. (TSI), a unit of GTE, to address the industry-wide need for inter-operator wireless roaming telephone service. As the wireless industry has grown, we have continuously enhanced and extended our service offerings to meet the evolving technology service requirements of the telecommunications industry.

In early 2000, GTE combined our business with its Intelligent Network Services business, a leading Signaling System 7 (SS7) network and intelligent network database provider. This combination further enhanced our services suite to include national SS7 signaling and intelligent network database management capabilities. In June 2000, GTE and Bell Atlantic merged to form Verizon Communications. As a result of this transaction, we became an indirect, wholly owned subsidiary of Verizon Communications.

In February 2002, we were acquired by certain members of our senior management team and an investor group led by GTCR Golder Rauner, LLC (GTCR). Following the acquisition, we became an independent corporate entity separate from Verizon. Syniverse Holdings, Inc. was a wholly owned subsidiary of Syniverse Holdings, LLC, which was the ultimate parent of the consolidated group of Syniverse entities. In connection with our initial public offering in February 2005, Syniverse Holdings, LLC distributed all of the shares of Class A cumulative redeemable convertible preferred stock and common stock of Syniverse Holdings, Inc. that it owned to its members and subsequently dissolved. Following this dissolution and distribution, Syniverse Holdings, Inc. became the ultimate parent of the consolidated group of Syniverse entities.

On November 7, 2007, we completed a registered secondary offering on behalf of the selling stockholders of 20,000,000 shares of common stock, plus 3,000,000 shares sold pursuant to the underwriters exercise of the over-allotment option, pursuant to a shelf registration statement previously filed with the Securities and Exchange Commission on June 8, 2007. The offering was priced at $14.84125, reflecting a price to the public of $15.50 per share, less underwriting discounts and commissions of $0.65875 per share. We incurred approximately $0.7 million of offering expenses related to the sale which were recorded to general and administrative expenses in the fourth quarter of 2007. We did not receive any proceeds from the sale.

Acquisitions

On June 16, 2006, we acquired the capital stock of Perfect Profits International, which comprises the Interactive Technologies Holdings Limited business (ITHL), from Interactive Technologies Holdings Limited for $45.7 million in cash including $1.1 million in acquisition related costs and working capital adjustments and earn-out to the sellers of $6.9 million, which was paid in April 2007. Headquartered in Hong Kong, ITHL is a leading provider of value-added services to operators in the Asia Pacific region. We believe the acquisition expands our footprint in the Asia Pacific region and adds a complementary customer base, new products, advanced development capabilities and in-region customer support.

On December 19, 2007, we acquired the wireless data clearing and financial settlement business (BSG Wireless) of Billing Services Group Limited for an aggregate purchase price of $293.6 million in cash (which included debt repaid at closing). The acquisition was funded through the draw down of our amended and restated credit facility which included a delayed draw term loan of $160.0 million in aggregate principal amount and a Euro-denominated delayed draw term loan facility of the equivalent of $130.0 million intended to finance this acquisition. The acquisition allows us to combine our industry-leading technology interoperability and network services capabilities with BSG Wireless strong GSM data clearing expertise, excellent European, Middle Eastern and Asian operator relationships, and leading financial clearing and settlement capabilities.

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Introduction

We provide an integrated suite of services to wireless telecommunications operators that meet the evolving technology requirements of the wireless industry. These services include:

Technology Interoperability Services. We operate one of the largest wireless data clearinghouses globally, enabling the accurate invoicing and settlement of domestic and global wireless roaming telephone calls and wireless data events. With the acquisition of BSG Wireless, we provide financial settlement services to GSM operators worldwide and a suite of ancillary value-added roaming services. We also provide SMS and MMS routing and translation services between operators. In addition, we have expanded our mobile data solutions to include interactive video and mobile broadband solutions, prepaid applications and value-added roaming services.

Network Services. Through our SS7 network, we connect disparate wireless operator networks and enable access to intelligent network database services like caller ID and provide translation and routing services to support the establishment and delivery of telephone calls. SS7 is the telecommunications industry s standard network signaling protocol used by substantially all operators to enable critical telecommunications functions such as line busy signals, toll-free calling services and caller ID.

Number Portability Services. Our leading number portability services are used by many wireless operators, including most domestic operators, to enable wireless subscribers to switch service providers while keeping the same telephone number. We also provide these services to all Canadian wireless operators, and we expect to begin providing number porting services in Singapore in the second quarter of 2008.

Call Processing Services. We provide wireless operators with global call handling, signaling and fraud management solutions that allow wireless subscribers from one operator to make and accept telephone calls while roaming on another operator s network.

Enterprise Solutions. Our enterprise wireless data management platform allows operators to offer large corporate customers reporting and analysis tools to manage telecom-related expenses.

Off-Network Database Queries. We provide our network customers with access to various third-party intelligent network databases.

Revenues

Most of our revenues are transaction-based and derived from 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. For example, we are currently providing services under several contracts with Verizon that expired in October 2007 while we negotiate the terms of new agreements. 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 also generate revenues through the sale of software licenses, hardware and professional services. We generate our revenues through the sale of our technology interoperability services, network services, number portability services, call processing services and enterprise solutions to telecommunications operators throughout the world. In order to encourage higher customer transaction volumes, we generally negotiate tiered and flat rate pricing schedules with our customers based on certain established transaction volume levels. As a result, the average per-transaction fee for many of our products has declined over time as customers have increasingly used our services and transaction volumes have grown. We expect this trend to continue. Generally, there is also a slight increase in wireless roaming telephone usage and corresponding revenues in the high-travel months of the second and third fiscal quarters.

Future increases or decreases in revenues are dependent on many factors, such as industry subscriber growth, with few of these factors known in advance. From time to time, specific events such as customer contract renewals at different terms, a customer contract termination, a customer s decision to change technologies or to provide solutions in-house, will be known to us and then we can estimate their impact on our revenues.

Set forth below is a brief description of our primary service offerings and associated revenue recognition:

Technology Interoperability Services. We operate one of the largest wireless clearinghouses globally, enabling the accurate invoicing and settlement of domestic and global wireless roaming telephone calls and wireless data events. We also provide SMS and MMS routing and translation services between operators. Wireless operators send data records to our service platforms for processing, aggregation, translation and distribution among operators. We primarily generate revenues by charging per-transaction processing fees based on the number of data/messaging records provided to us by wireless operators for our wireless roaming clearinghouse and SMS and MMS routing services. We recognize revenues at the time the transactions are processed. Over time, we expect the average per-transaction fee for certain services to continue to decline as a result of our volume-based and service bundling pricing strategy for most of our offerings as well as competitive pricing pressure. With our acquisition of BSG Wireless, we provide financial settlement services to GSM

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operators. We primarily generate revenues by charging fees based on the number of invoices or roaming agreements managed on the customer s behalf. We recognize revenues at the time the transactions are processed. Additionally, we provide mobile data solutions that include interactive video and mobile broadband solutions, prepaid applications and value-added roaming services. Some of these solutions contain multiple product and service elements which may include software and hardware products, as well as installation services, post-contract customer support and training. In those cases, we recognize revenues in accordance with the American Institute of Certified Public Accountants Statement of Position 97-2 (SOP 97-2), *Software Revenue Recognition,* as amended by SOP 98-9, *Modification of SOP 97-2, Software Revenue Recognition With Respect to Certain Transactions.* Under SOP 97-2, revenue attributable to an element in a customer arrangement is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

Network Services. Through our SS7 network, we connect disparate wireless operator networks and enable access to intelligent network database services such as caller ID. We also provide translation and routing services to support the delivery and establishment of telephone calls. SS7 is the telecommunications industry s standard network signaling protocol used by substantially all operators to enable critical telecommunications functions such as line busy signals, toll-free calling services and caller ID. We primarily generate revenues by charging either per-transaction or fixed processing fees determined by expected customer volumes. In addition, our customers pay monthly connection fees based on the number of network connections as well as the number of switches with which a customer communicates. The per-transaction fees are based on the number of intelligent network messages and intelligent network database queries made through our network and are recognized as revenues at the time the transactions are processed. Over time, we expect the average per-transaction fee for certain services will continue to decline as a result of our volume-based and service bundling pricing strategy and competitive pricing pressures.

Number Portability Services. We provide number portability services to the wireless industry. When wireless subscribers choose to change operators but keep their existing telephone number, the former operator must send the subscribers information to the new operator. Our services perform the necessary processing between the two operators to allow the subscribers to change service providers while keeping their existing telephone number. We primarily generate revenues by charging per-transaction processing fees, monthly fixed fees and fees for customer implementations. We recognize processing revenues at the time the transactions and services are processed. We recognize monthly fixed fees as revenues on a monthly basis as the services are performed. We defer revenues and incremental customer-specific costs related to customer implementations and recognize these fees and costs on a straight-line basis over the shorter of the life of the initial customer agreement or the period remaining until the amended contract end date for those contracts terminated early.

Call Processing Services. We provide wireless operators global call handling, signaling and fraud management solutions that allow wireless subscribers from one operator to make and accept calls while roaming on another operator s network. We primarily generate revenues by charging per-transaction processing fees based on the number of validation, authorization and other call processing messages generated by wireless subscribers. We recognize processing fee revenues at the time the transactions are processed.

Enterprise Solutions Services. Our enterprise wireless data management platform allows operators to offer large corporate customers reporting and analysis tools to manage telecom-related expenses. We primarily generate revenues by charging per-subscriber fees. We recognize these revenues at the time the service is performed. We expect a continued decline in these revenues as customers migrate off of our wireless data management platform.

Off-Network Database Queries. Through interconnection with other operator networks, we have access to other service providers databases that support caller ID and toll-free routing. If one of our customers uses our network to access another service provider s database, we are charged fees for access to that database. We pass these charges onto our customers, with little or no margin, based upon the charges we receive from these database providers. We recognize revenues at the time the transaction is performed. We expect a continued decline in these revenues as customers seek direct connections with the database providers.

Costs and Expenses

Our costs and expenses consist of cost of operations, sales and marketing, general and administrative and depreciation and amortization.

Cost of operations includes data processing costs, network costs, royalty costs, hardware costs, personnel costs associated with service implementation, training and customer care and off-network database query charges.

Sales and marketing includes personnel costs, advertising costs, trade show costs and relationship marketing costs.

General and administrative consists primarily of research and development expenses, a portion of the expenses associated with our facilities, internal management expenses, business development expenses, and expenses for finance, legal, human resources and other administrative departments. In addition, we incur significant service development costs. These costs, which are primarily personnel, relate to technology creation, enhancement and maintenance of new and existing services.

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Historically, most of these costs are expensed and recorded as general and administrative expenses. The capitalized portion, which is recorded as capitalized software costs, relates to costs incurred during the application development stage for the new service offerings and significant service enhancements.

Depreciation and amortization relate primarily to our property and equipment including our SS7 network, infrastructure facilities related to information management and other intangible assets recorded in purchase accounting.

Results of Operations

The following tables present an overview of our results of operations for the three months ended March 31, 2008 and 2007:

	Three Months Ended March 31, 2008	% of Revenues	Three Months Ended March 31, 2007	% of Revenues	2008 vs. 2007 $	$ Change %
			(dollars in thousands)			
Revenues:						
Technology Interoperability Services	$ 68,701	59.4%	$ 37,795	44.8%	$ 30,906	81.8%
Network Services	29,741	25.7%	30,424	36.1%	(683)	(2.2)%
Number Porting Services	6,950	6.0%	6,106	7.2%	844	13.8%
Call Processing Services	8,389	7.3%	7,208	8.5%	1,181	16.4%
Enterprise Solutions	786	0.7%	1,191	1.4%	(405)	(34.0)%
Revenues excluding Off-Network Data Base Query Fees	114,567	99.1%	82,724	98.0%	31,843	38.5%
Off-Network Database Query Fees	1,078	0.9%	1,654	2.0%	(576)	(34.8)%
Total revenues	115,645	100.0%	84,378	100.0%	31,267	37.1%
Costs and expenses:						
Cost of operations	37,978	32.8%	33,441	39.6%	4,537	13.6%
Sales and marketing	10,754	9.3%	6,812	8.1%	3,942	57.9%
General and administrative	18,142	15.7%	13,987	16.6%	4,155	29.7%
Depreciation and amortization	13,633	11.8%	10,279	12.2%	3,354	32.6%
Restructuring	17	0.0%	1,782	2.1%	(1,765)	(99.0)%
	80,524	69.6%	66,301	78.6%	14,223	21.5%
Operating income	35,121	30.4%	18,077	21.4%	17,044	94.3%
Other income (expense), net:						
Interest income	430	0.4%	436	0.5%	(6)	(1.4)%
Interest expense	(9,720)	(8.4)%	(6,060)	(7.2)%	3,660	60.4%
Loss on extinguishment of debt		0.0%		0.0%		0.0%
Other, net	57	0.0%	53	0.1%	4	7.5%
	(9,233)	(8.0)%	(5,571)	(6.6)%	3,662	65.7%
Income before provision for income taxes	25,888	22.4%	12,506	14.8%	13,382	107.0%
Provision for income taxes	10,495	9.1%	4,860	5.7%	5,635	115.9%
Net income	$ 15,393	13.3%	$ 7,646	9.1%	$ 7,747	101.3%

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Revenues by geographic region for the three months ended March 31, 2008 and 2007 were as follows:

	Three Months Ended March 31, 2008	% of Revenues	Three Months Ended March 31, 2007	% of Revenues	2008 vs. 2007 $	$ Change %
North America	$ 82,213	71.1%	$ 65,352	77.5%	$ 16,861	25.8%
Asia Pacific	10,218	8.8%	9,721	11.5%	497	5.1%
Caribbean and Latin America	7,859	6.8%	5,190	6.2%	2,669	51.4%
Europe, Middle East and Africa	14,277	12.3%	2,461	2.9%	11,816	480.1%
Subtotal non- North American Revenue	32,354	28.0%	17,372	20.6%	14,982	86.2%
Revenues excluding Off Network Database Queries	114,567	99.1%	82,724	98.0%	31,843	38.5%
Off-Network Database Queries	1,078	0.9%	1,654	2.0%	(576)	(34.8)%
Total Revenues	$ 115,645	100.0%	$ 84,378	100.0%	$ 31,267	37.1%

Comparison of the Three Months Ended March 31, 2008 and 2007

Revenues

Total revenues increased $31.3 million to $115.6 million for the three months ended March 31, 2008 from $84.4 million for the same period in 2007. The increase in revenues was primarily due to increases in Technology Interoperability Services, Number Portability Services and Call Processing Services, offset in part by decreases in Network Services, Enterprise Solutions and Off-Network Database Query Fees.

Technology Interoperability Services revenues increased $30.9 million to $68.7 million for the three months ended March 31, 2008 from $37.8 million for the same period in 2007. The increase in revenues was primarily due to organic volume growth in our wireless data clearinghouse services, SMS interoperability, mobile data roaming services and the addition of $12.8 million of revenues from BSG Wireless.

Network Services revenues decreased $0.7 million to $29.7 million for the three months ended March 31, 2008 from $30.4 million for the same period in 2007. The decrease in revenues was primarily due to customer migrations off our services platform.

Number Portability Services revenues increased $0.8 million to $7.0 million for the three months ended March 31, 2008 from $6.1 million for the same period in 2007. The increase in revenues was primarily due to a full quarter of revenues from new services provided to Canadian operators in 2008 as compared to a partial quarter in 2007.

Call Processing Services revenues increased $1.2 million to $8.4 million for the three months ended March 31, 2008 from $7.2 million for the same period in 2007. This increase primarily results from increased international roaming volumes driving increased demand for our Signaling Solutions services, offset by a reduction of our legacy fraud-related services.

Enterprise Solutions Services revenues decreased $0.4 million to $0.8 million for the three months ended March 31, 2008 from $1.2 million for the same period in 2007. The decrease in revenues was primarily due to a lower number of subscribers on our enterprise wireless data management platform. We expect this decline to continue.

Off-Network Database Queries revenues decreased $0.6 million to $1.1 million for the three months ended March 31, 2008 from $1.7 million for the same period in 2007. The decrease in revenues was primarily driven by customers moving to direct access and billing arrangements with third-party intelligent network database providers. We pass these off-network database query fees onto our customers, with little or no margin, based upon the charges we receive from the third-party database providers. We expect this decline to continue.

Revenues by Geographic Region

North America revenues increased $16.9 million to $82.2 million for the three months ended March 31, 2008 from $65.4 million for the same period in 2007. The increase in revenues was primarily due to increases in Technology Interoperability Services, Number Portability Services and Call Processing Services.

Asia Pacific revenues increased $0.5 million to $10.2 million for the three months ended March 31, 2008 from $9.7 million for the same period in 2007. The increase in revenues was primarily due to increases in our Technology Interoperability Services.

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Caribbean and Latin America revenues increased $2.7 million to $7.9 million for the three months ended March 31, 2008 from $5.2 million for the same period in 2007. The increase in revenues was primarily due to organic growth in Technology Interoperability Services, which also included revenues from BSG Wireless.

Europe, Middle East and Africa revenues increased $11.8 million to $14.3 million for the three months ended March 31, 2008 from $2.5 million for the same period in 2007. The increase in revenues was primarily related to the addition of BSG Wireless and organic growth from new and existing customers.

Expenses

Cost of operations increased $4.5 million to $38.0 million for the three months ended March 31, 2008 from $33.4 million for the same period in 2007. The increase was primarily due to expenses incurred by BSG Wireless and higher data processing costs commensurate with higher revenues.

Sales and marketing expenses increased $3.9 million to $10.7 million for the three months ended March 31, 2008 from $6.8 million for the same period in 2007. The increase was primarily due to higher employee-related expenses for our global expansion and expenses incurred by BSG Wireless.

General and administrative expenses increased $4.2 million to $18.1 million for the three months ended March 31, 2008 from $14.0 million for the same period in 2007. The increase was primarily due to expenses incurred by BSG Wireless and severance and relocation expenses associated with the evolution of our senior management team.

Depreciation and amortization expenses increased $3.4 million to $13.6 million for the three months ended March 31, 2008 from $10.3 million for the same period in 2007. The increase was primarily due to additional amortization of intangible assets from our acquisition of BSG Wireless. Included in our depreciation and amortization expenses for the three months ended March 31, 2008 and 2007 is approximately $7.1 million and $4.7 million, respectively, of amortization related to intangible assets recorded in purchase accounting due to acquisitions we have made beginning with our February 2002 acquisition from Verizon and ending with our December 2007 acquisition of BSG Wireless.

Restructuring expense was $1.8 million for the three months ended March 31, 2007. In January 2007, we completed a restructuring plan resulting in the closure of our Oklahoma office, the elimination of certain executive positions, and the termination of 10 employees. As a result, we incurred $0.7 million in severance related costs and $1.3 million in costs associated with the lease of our corporate aircraft.

Interest income was $0.4 million for both the three months ended March 31, 2008 and 2007. Interest income was primarily earned on outstanding cash balances.

Interest expense increased $3.7 million to $9.7 million for the three months ended March 31, 2008 from $6.1 million for the same period in 2007. The increase was primarily due to higher outstanding debt resulting from the financing of our acquisition of BSG Wireless in December 2007.

Provision for income taxes increased $5.6 million to $10.5 million for the three months ended March 31, 2008 from $4.9 million for the same period in 2007. Our effective tax rate for the three months ended March 31, 2008 was approximately 40.5% as compared to 38.9% for the same period in 2007.

Liquidity and Capital Resources

Cash Flow Information

The following table sets forth, for the periods indicated, selected consolidated cash flow information (in thousands).

	Three Months Ended March 31,	
	2008	2007
Net cash provided by operating activities	$ 23,262	$ 21,030

Net cash used in investing activities	(8,108)	(10,324)
Net cash used in financing activities	(876)	(413)
Effect of exchange rate changes on cash	1,161	54
Net increase in cash	$ 15,439	