Company Name: Synchronoss
Company Ticker: SNCR US
Date: 2017-02-08
Event Description: Q4 2016 Earnings Call

Market Cap: 1,603.66
Current PX: 35.38
YTD Change($): -2.92
YTD Change(%): -7.624

Bloomberg Estimates - EPS
Current Quarter: 0.456
Current Year: 2.538
Bloomberg Estimates - Sales
Current Quarter: 161.167
Current Year: 815.000

Q4 2016 Earnings Call

Company Participants

- Daniel Harlan Ives
- Stephen G. Waldis
- Karen L. Rosenberger
- Ronald W. Hovsepian

Other Participants

- Samad Samana
- Sterling Auty
- Nandan G. Amladi
- Alexander Hu
- Greg J. Burns
- Tavis C. McCourt
- Greg Mesniaeff
- Tom Roderick

MANAGEMENT DISCUSSION SECTION

Operator

Good day, ladies and gentlemen, and thank you for your patience. You've joined the Q4 2016 Synchronoss Technologies Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will be given at that time. [Operator Instructions] As a reminder, this conference may be recorded.

I would now like to turn the call over to your host, the SVP of Finance and Corporate Development, Mr. Daniel Ives. Sir, you may begin.

Daniel Harlan Ives

Thank you. Good afternoon, and welcome to the Synchronoss Technologies fourth quarter 2016 earnings call. We will be discussing the results announced in the press release issued after the market closed today. I am Daniel Ives, SVP of Finance and Corporate Development of Synchronoss, and with me on the call is Karen Rosenberger, our CFO; Ron Hovsepian, CEO; and Steve Waldis, Founder and Executive Chairman.

During the call, we will make statements related to our business that may be considered forward-looking statements under federal security laws. These statements reflect our views only as of today and should not be reflected upon as representing our views as of any subsequent date. These statements reflect our current views regarding the future and are subject to a variety of risks and uncertainties that could cause actual results to differ materially from expectations.

For discussion of the material risks and other important factors that could affect our actual results, please refer to those listed in our SEC filings included in our most recently filed annual report on Form 10-K and quarterly report on Form 10-Q. I want to also let investors know we will be presenting at the Raymond James conference in Orlando on March 7 and look forward to seeing many of you there.

With that said, I will turn the call over to Steve, and then Ron, Karen will come back a bit later to provide some further details regarding our financials and forward-looking outlook. Steve?

Stephen G. Waldis

Thanks, Dan, and thanks to all of you for joining us this afternoon to review our fourth quarter financial results, which were in line with our revised guidance given on December 6, when we announced the sale of our activation assets to Sequential Technology International.

Now, before I hand over the call to Karen and our new CEO, Ron Hovsepian, I wanted to give some thoughts on the quarter and our emerging Synchronoss 3.0 vision with the Intralinks acquisition now close.

Total non-GAAP revenues in the quarter were $147.8 million, including both cloud continuing operations revenue and discontinued activation revenue sold during the quarter. From a profitability perspective, we generated non-GAAP EPS of $0.24, which was in line with our revised guidance of $0.23 to $0.28. We are very proud of our team's cloud success during the fourth quarter and full year 2016 as we continue to scale our cloud solutions that Verizon, América Móvil, British Telecom and others heading into 2017.

With a core focus on cloud, analytics and enterprise moving forward, we believe that Synchronoss 3.0 is laying the groundwork for our new growth vision. And Karen will discuss more details on our fourth quarter results and guidance a little later on this call.

In December, we made a number of major announcements, which will help define the future strategy at Synchronoss. We view the Intralinks deal, which officially closed on January 19, as a defining move into the enterprise market. The acquisition of Intralinks is a major step forward in our enterprise strategy that gives us the immediate enterprise pedigree and experience upon which to leverage the Synchronoss product portfolio, go-to-market strategy and diversified customer footprint.

We believe this sets the stage for massive cross-selling opportunities by accelerating our enterprise playbook. Together with Synchronoss and Intralinks as one company, we believe we can deploy enhanced enterprise and mobile solutions to our customers, while opening up new enterprise distribution channels across the world.

With the Intralinks acquisition, enterprise will now represent over a third of our total revenues, thus helping us further diversify our business model over the coming years. On our carrier business, messaging has proved to be a key linchpin of cloud adoption, engagement and monetization with our existing customers. Key customer wins in the North America and Asia-Pacific regions are some of the strategic highlights over the past year and will be major building blocks in our growth story headed into 2017 and beyond.

And on the enterprise front, while the Intralinks acquisition and integration was a core focus, we are also progressing well with the Goldman strategic partnership as we have successfully built the strong pipeline of customer enterprise pilots across various verticals with a core focus on financial and healthcare.

Now, during the fourth quarter, we had a number of successful conversions from our pipeline into signed deals, including a handful of replacements of existing competitive deployments. We are pleased that how quickly our sales force and strategic partnerships have translated into some early enterprise success, which is leading to our ramping subscription bookings in our enterprise business, which will now be part of our broader enterprise strategy of the combined Intralinks-Synchronoss team in driving our success forward.

We believe this foundation will serve Synchronoss well as we build a comprehensive product roadmap and a go-to-market strategy for the enterprise market around identity, secure mobility, collaboration, and secure workflow platforms. Now, key contributor to our cloud performance in 2016 was the continued success of our carrier relations.

For example, our expanded partnership with Verizon during the course of 2016 on the heels of our Personal Cloud success. And overall, we had a strong quarter in cloud, which gives the company healthy momentum to gain adoption into 2017 as a testament to our innovative product development, solid customer relationships and strategic partnerships.

With respect to the activation business, as discussed during the fourth quarter, we completed the sale of our main carrier activation business to Sequential Technology International, while also selling our other remaining pieces of the activation business in order to focus and streamline on business cloud, analytics and enterprise.

To this point, we have separately sold our Mirapoint activation business as well as our SpeechCycle business in two separate transactions over the past few months in steps with our outlined strategy to exit this business.

In addition, we have formed a new strategic partnership with one of our traditional carrier partners that involves integrating our core business control points activation into our cloud offerings, and we believe this will help grow new cloud opportunities. And we look forward to highlighting and demonstrating this new combined solution next month at Mobile World Congress in Barcelona, Spain.

I also wanted to announce that Karen Rosenberger will be stepping down as CFO of Synchronoss after 17 years at the company. Karen has been an invaluable asset to Synchronoss since our inception and an integral part of establishing our solid financial foundation.

As we prepare for this transition, we are fortunate to have a number of excellent CFO candidates from the technology world in the pipeline with our hopes to formally name a new CFO during the course of this first quarter. Karen will remain in her current role until a successor is announced and then with us in an advisory role throughout 2017 to ensure a smooth transition for the new CFO.

We wish Karen the best on her next chapter and new endeavors. And as for me, I look forward to my new role at Synchronoss as Executive Chairman of the board, focused on expanding our unique cloud and enterprise market opportunities around the globe starting at Mobile World Congress next month in which I already have a number of strategic customer meetings set up and will be giving one of the keynote speeches, while at the same time helping Ron and ensuring his success in his new role.

In the first few weeks working together, I feel confident that we have selected the right leader for scaling Synchronoss to the next level and I look forward to a smooth transition and congratulate him, again, on being named as the next CEO of Synchronoss.

With that said, let me turn it over to Karen to discuss the quarter in more detail.

Karen L. Rosenberger

Thanks, Steve, for the kind words and good afternoon, everyone. It has been an honor and pleasure to serve as Synchronoss' CFO during this transformational time in the company's history. I am proud of the progress we have made over the past few years in our strategy, growth prospects and product transition.

I look forward to working with the team over the next few months in an advisory role to ensure a smooth transition for the new CFO. Before I move on to discussing our fourth quarter results, I want to thank our board, broader executive and finance teams for all the support over the years. I now believe this is the right time for me to take on my next endeavor and look forward to watching Synchronoss succeed on its 3.0 vision over the coming years.

Now, turning to our results, GAAP revenues from continued operations were $121.7 million. All the numbers I will be going through will be non-GAAP. A reconciliation of non-GAAP to GAAP numbers as well as discontinued operations associated with our activation business can be found in our press release and on our Investor Relations site.

Starting with the top line, non-GAAP revenues from continued operations were $123.9 million. Non-GAAP revenue from discontinued and continued operations equaled $147.8 million in the fourth quarter. This was in line with the $145 million to $150 million revised revenue guidance given on December 6, when we announced the sale of the main part of our activation business to Sequential Technology.

Cloud revenue from continued operations were $123.9 million and was at the high end of our original guidance from $122 million to $125 million. Our cloud services for the fourth quarter consisted of Personal Cloud and cloud analytics related revenue.

As we have highlighted over the past few conference calls, we have roughly 3.5 billion subscribers around the world on our platform with the major potential growth opportunity around mining and analyzing this data for our customers. While small today, this cloud analytics solution, which has started with our Razorsight acquisition, has blossomed through organic, innovative R&D initiatives over the past 18 months.

We also believe that while exiting the traditional activation software and service business, there are a number of initiatives underway to further monetize traditional activation customers through our broadening analytics software product portfolio. As Steve highlighted, our cloud business has hit an inflection point as our success at Verizon on the Personal Cloud front enabled us to further expand our addressable market at this key customer and led to a number of broader cloud deployments at our other customers globally.

Discontinued operations of $23.9 million in revenue was related to the sale of our carrier activation business to Sequential Technology. We note we also sold assets related to our SpeechCycle and Mirapoint businesses within the past few weeks. While we have some pieces of activation software remaining, we are excited to be partnering to build a new innovative platform that will accelerate the adoption of cloud and digital services, using our activation software API. We look forward to demonstrating this innovative software at Mobile World Congress in Barcelona.

Breaking revenue down further, 70% of our fourth quarter non-GAAP revenue came from recurring sources. The other 30% came from non-recurring sources such as professional services, licenses, in line with the range of our historical mix.

With our enterprise solution going GA in June, we saw healthy customer activity in our enterprise business again during the course of the quarter with a growing subscription pipeline heading into 2017. With international revenue comprising more than 10% of overall revenue, together with Intralinks' heavy international presence, we are well on our way to reach our strategic goal of over 25% derived from international revenue.

Before I turn to cost and expenses, as we outlined in our 8-K filed in late December in connection with Sequential Technology transaction, discontinued operations information was prepared assuming this transaction was consummated at the beginning of each fiscal year for 2013 through 2016 in accordance with GAAP.

Non-GAAP operating profit was $13.1 million for an operating margin of 11%. This led to non-GAAP EPS of $0.24 based on 30% non-GAAP tax rate, which was in line with our revised guidance of $0.23 to $0.28. On a GAAP basis, our EPS was $0.51.

We note that as part of our ongoing restructuring, cost cutting and related efforts, we saw some non-cash charges in the quarter. We are in the midst of a broader restructuring effort related to the divestiture of our activation business, the integration of the Intralinks deal and a focused cost efficiency exercise, which I will discuss in a few minutes around guidance.

All of the full year 2016 numbers I will be discussing are from continued operations. We note for the year 2016 non-GAAP revenue from continued operations was $490.2 million compared to $429.4 million in 2015. Non-GAAP operating margins were $82 million and 17% compared to $96.2 million and 22% in 2015. Non-GAAP diluted EPS for 2016 was $1.28, unchanged from 2015.

Looking at our cash, total cash, cash equivalents, restricted cash and marketable securities were $226.5 million, a significant increase from $144.3 million at the end of the third quarter as our cash balance was positively impacted by healthy cash collections in the quarter, and the initial payment related to the Sequential Technology transaction.

In early January, we successfully completed our total credit facility raise of $1.1 billion, consisting of $900 million of Term Loan B financing and a $200 million revolver, which replaces our current revolver. The $900 billion (sic) [$900 million] (14:32) Term Loan B will be reflected on the balance sheet in Q1, which priced at LIBOR plus 275 basis points and was better than our initial expectation. The revolver remains undrawn as of this date.

On the collections front, we collected over $200 million of cash in the quarter versus collections of approximately $100 million in Q3. DSO came in at 104 days for Q4 and we expect DSO to return to more normalized levels in 2015. Non-GAAP cash flow from operations was $86 million during the quarter and free cash flow from operations was $73.7 million.

For the full year 2016, non-GAAP cash flow from operations was $142.5 million versus $143.4 million in 2015. On a related note, CapEx in the quarter was $12 million versus $19.3 million in the prior quarter, as we continue to recognize the efficiencies of moving toward a more virtualized software-centric model.

Now, let me move to guidance for the first quarter and full year 2017 now with the Intralinks transaction closed. For 2017, non-GAAP revenues are expected to be in the range of $810 million to $820 million, unchanged from our initial guidance given on December 6 for the combined company.

On a normalized basis, when adjusting for divestitures and the Intralinks acquisition, this would imply year-over-year growth of between 13% and 15%. The revenue mix in our guidance is expected to be roughly 65% of revenues derived from our cloud carrier-based business and 35% through our cloud enterprise business, which is primarily a subscription-based model.

While we would like investors to use these ranges, the revenue mix and its timing could be impacted by the structure of certain large and complex opportunities. For the first quarter, we expect total revenues of between $173 million and $178 million.

Turning to profitability, we currently expect non-GAAP gross margins of between 70% and 71% for the full year 2017. In terms of operating profitability, we are slightly widening the range to between 25% and 27% as we have identified some significant enterprise booking opportunities, which may require some upfront investments in the first half of this year.

Including the impact from our $900 million debt raised in January with a better-than-expected interest rate, we are maintaining our non-GAAP EPS range of between $2.45 and $2.60 per share, assuming a tax rate of 30% on a diluted share count of approximately 50 million shares.

Importantly, we also note that we are proceeding on target around realizing the $40 million in annual combined cost synergies first outlined when we discussed the deal. We expect integration and restructuring charges during the course of the year as we continue to execute on our synergy plan and will update investors on our next conference call.

For the first quarter, we anticipate non-GAAP operating margin of between 18% and 20%. Non-GAAP EPS is expected to be in the range of $0.39 and $0.43 on a diluted share count of approximately 49 million shares, assuming a tax rate of 30%. We expect a restructuring charge of between $5 million and $10 million in the first quarter.

Now, I'm going to hand the call over to our CEO, Ron?

Ronald W. Hovsepian

Thanks, Karen. Hi, everyone, and I'm excited about the opportunity to be the CEO of Synchronoss following the acquisition of Intralinks. First, I would like to thank Steve and the board for this opportunity, and I wanted to reiterate Steve's comments about Karen, and I would like to thank her on behalf of the Synchronoss employees and the board for all of her valuable efforts over the years.

As you heard earlier from Steve, we have developed very deep and trusted relationships with our carriers over many years, which positions us for helping them with their growth objectives and allows us to gain leverage through their reach. Additionally, we've acquired an enterprise cloud business that has deep and trusted relationships with enterprises with one of the most widely-accepted use cases for secure intercompany collaboration. In the spirit of Synchronoss 3.0, the opportunity lies in how we're going to leverage our company's assets in these evolving markets and capture key growth trends.

Now, let me share with you how I intend on building our plan for long-term success for our customers, shareholders and employees. In the long term, we need to focus on developing a clear value proposition and strategy centered on the bring-your-own-device or BYOD market that targets the opportunities that are at the intersection of consumers and enterprises worldwide. This value proposition needs to be repeatable and predictable with the right growth profile. We have engaged a management consulting firm to further refine our strategy.

Next, we will align and evolve our technology and product plans to the strategic market research work underway. In addition, we will need to gain a more consistent and repeatable development practice with our own technologies in order to gain the best leverage with our customers and, financially, for our shareholders.

Our go-to-market success will leverage the Synchronoss carrier relationships that have broad reach to consumers and the deep Intralinks enterprise relationships. We believe we have a competitive edge in the market when we combine our go-to-market capabilities with our differentiated value proposition for secure collaboration for the BYOD market. This will fulfill the need for enterprises to seamlessly separate personal and business lives, while increasing productivity.

As we look at our long-term financial model, we are focused on driving growth and profitability, while building more recurring revenues into our mix. The recurring nature of the Intralinks core business, coupled with our growing subscription opportunities, in both the enterprise and cloud markets, sets the stage for driving enhanced visibility and unpredictability. As we lay the groundwork for the new Synchronoss 3.0, I look forward to updating you on our long-term progress over the coming quarters.

Over the next 90 days, I'm spending time out in the field to learn more about our markets, customers and employees. In parallel, I will be managing the leadership team's efforts on driving the long-term goals. Also, I will be focused on delivering the cost synergies that Karen referenced earlier.

Finally, we've already begun executing our integration plans, which will be critical to catalyzing our Synchronoss 3.0 vision. In summary, we are pleased with our 2016 performance and excited about the transformation of our company and the new opportunities it's created for the future.

Now, I'll ask the operator to take question.

Q&A

Operator

Thank you. [Operator Instructions]. Our first question comes from the line of Samad Samana of Stephens, Incorporated. Your question, please.

<Q - Samad Samana>: Hi. Good afternoon. Few questions on my end. So, could you please help us understand why guidance wasn't increased for the top line for 2017, given that the Intralinks deal closed sooner than expected, so you should be collecting revenues sooner than expected? And then same thing on the bottom line, maybe walk us through why there wouldn't be EPS upside since the debt deal closed a little bit later and Intralinks closed earlier?

<A - Karen L. Rosenberger>: Yeah. Hi, Samad, how are you?

<Q - Samad Samana>: I'm good. Thanks for asking.

<A - Karen L. Rosenberger>: Sure. So, as far as the guidance goes, how we're viewing the guidance is a 13% to 15% year-over-year growth story, and what that's based on is clearly the fact that that is the normalized revenues associated with the continuing operations business as well as normalized contribution from Intralinks. So if you break that down a little bit further, you know that our base cloud revenue was about $411 million as we left 2016, plus some revenues associated with analytics. And then the remaining contribution is from Intralinks. And so, when you look at that baseline and you get to the midpoint of $815 million, that's growth year-over-year of about 13% to 15%.

<Q - Samad Samana>: I understand, and not to force the issue, but you closed it roughly, call it, 35, 40 days early. That's 35 to 40 more days of revenue that Intralinks should be generating. So, I'm just trying to understand whether there was less revenue than anticipated from Intralinks or less from the core Synchronoss business versus when you gave guidance when you first announced the acquisition?

<A - Ronald W. Hovsepian>: Hi. This is Ron. How are you doing? To answer your question, there is some currency headwinds inside of those numbers that did affect the Intralinks business because of the global nature of how we operate. And then secondly, from an overall perspective, when we put those pieces together and then did the normalization on the year-over-year comparison, those are the pieces that went into it. I'm also very focused on the integration. As you know there is always some fallout as you go through an integration process, whether you lose a key rep here or there, or some personnel. So, we were just taking a good solid approach to the planning process of how we look at it, and we looked at the guidance and we felt, at this point, that was the right approach to take.

Obviously, as I get to learn the business more and we see where things go and how the market evolves, I'm excited about what opportunities get created that I see that are out there for us to leverage. But at this point, just a little premature as we go through that integration.

<Q - Samad Samana>: And then maybe one for Steve, I know that the efforts in Japan and the bookings numbers that were mentioned for Japan were very positive last year. Maybe a little bit of an update on what you're seeing there now that we're into calendar 2017, especially in the context of all the global macro noise that we're hearing from a lot of enterprise vendors?

<A - Stephen G. Waldis>: Yeah. So, in terms of – from a messaging perspective, it's been – the success of messaging with our cloud's really been a good linchpin for engagement and monetization. As we go through many of the clients that are out there today, once you win them under contract, then you focus on adoption, and adoption immediately goes to modernization and engaging. Messaging has been a huge part across the business – not just in the Asia-Pac region, but across here in the U.S. And we're excited I'll be giving a keynote speech down at Mobile World, and you'll see a little bit more at the end of the month in terms of how we're pleased with the way that's progressing.

<Q - Samad Samana>: And then, lastly, as you think about the technical integration, Ron, and the products going forward, have you already started selling to customers together? And any maybe anecdotes on how customers are receiving the new Synchronoss 3.0? That's the last one for me, guys.

<A - Ronald W. Hovsepian>: Sure. That was kind of what I was referencing about earlier to your question was, it is pretty interesting and pretty exciting. So when you take a look at the technology that's in the joint venture from Goldman, which is a secure container capability, and you combine that with our content engine, we've already been out together at two customers earlier on as we began the relationship from a partnership perspective, and that has gone extremely well in front of the customers. So, we're already out there discussing it and the teams have already now begun the integration planning process and execution against that.

So, I feel very confident that there's two things here that you should walk away with. One is that there is a good technological set of leverage in our two enterprise businesses, but then the real ecosystem is the second one, is where the real pop is, from my perspective. That is where – if we can get the right relationship leverage out of the carriers into the enterprise business and really attack that space that exists between the consumer on the device and the enterprise on the same device, that's where there is a lot of money to be made, because we can take a lot of costs out for people and bring a lot of leverage to the carriers. So, that's where I'm really focused, and the answer is, yes, I see that. And Steve and I have been talking about this for a little while since we started working a whole 15, 20 days ago, whatever it's been, about this is really the key part of the market that we can get leverage out of.

So, leverage the Synchronoss channel and reach through the carriers to the consumer, while taking the content and the secure capabilities of managing that content down on to the device. So, that's really where you will see us focus going forward. And we'll talk more about that in the future.

<Q - Samad Samana>: Great. Thanks for taking my questions.

<A - Ronald W. Hovsepian>: Thank you.

Operator

Thank you. Our next question comes from Sterling Auty of JPMorgan. Your line is open.

<Q - Sterling Auty>: Yeah. Thanks. Hi, guys. I have a couple of questions as well, and then I'll hand it off. Ron, just on the Intralinks business, just to maybe level set for those that are still – those of us still getting to know the business, what was the average contract structure? Meaning, was it multi-year? Was it single year? What percentage of the revenue was recurring? And then, Karen, can you give us a sense of how much in terms of dollars are you losing in terms of deferred revenue write-down through the acquisition?

<A - Ronald W. Hovsepian>: Yeah. I'd be happy to. So, when you look at our revenue, all of our revenue is – not all of it. 98% of our revenue is subscription, about 2% is PS-based, our professional services. Of the 98% that is subscription, we break that down into two buckets. The first bucket is around a use case. So when you think of our platform, we've got a platform that allows for multiple use cases. The first use case that we brought to market was one around the M&A marketplace. That particular one is our strongest one right now and that has the attributes associated with M&A, which is contracts that are less than a year. However, the channel that we go through, our advisors, that has a very high recurring rate of over 75% through that channel. So, it's a very high recurring rate with a lower transaction dollar volume.

On the second part of it, which is about a third of the business, the first part is the two-thirds on those transactions of subscriptions, is really what we call around our organizational work. And that's where a client takes a longer-than-a-year contract that's renewable, and that they run that out over a long period of time. That part of the business is all subscription-based and that one averages longer than a single-year-type contract.

So, all of it's subscription-based. It falls into two buckets; things that are usually less than a year and things that are usually longer than a year is how we've broken that down, all using the same platform is the simple answer.

<A - Karen L. Rosenberger>: And Sterling, to answer your question on the deferred revenue write-down, what I would say is, clearly, the transaction closed after year-end. At this point, it's too early to have any type of estimate on that number, as we have just started to – we're finishing closing year-end, obviously, and we're going to be going through the fair value analysis as we move into the first quarter. But what I would say is that consistent with every acquisition that we've ever done, typically if there is a deferred revenue balance, which there is at Intralinks, you're going to see some type of a haircut as we go through our purchase accounting.

<Q - Sterling Auty>: Okay. And then, you mentioned the $411 million kind of run rate cloud business plus the cloud analytics. Can you give us a sense of what kind of revenue and margin is associated with that cloud analytics business that you're holding on to?

<A - Karen L. Rosenberger>: We don't break that out separately.

<Q - Sterling Auty>: Okay. And last one and I'll turn it over and hop back in the queue. Can you give us a sense, what were the transaction details or did you get anything from Mirapoint and SpeechCycle, or were these lower margin businesses? Because what I really want, you've got a lot of moving parts here. I'd love to see a bridge that helps me understand, okay, we had X amount of dollars broken down between activation and cloud. Here are the pieces that were made up of it. Here are the pieces that are gone. Here's the pieces that are left in terms of the revenue on the go-forward basis, and then what you actually received in terms of compensation for each of the others. Because even looking at the STI deal, if I look at the 8-K, I see the $83 million, I see the $30 million note, that's about $113 million. I'm still going through – trying to find where is the other $33 million to get to the $146 million? And then, did you get anything from the Mirapoint and SpeechCycle?

<A - Karen L. Rosenberger>: Yeah. So, a couple of – I'll go through a couple of pieces of your question. So, first, yes, we did receive some consideration for the sale of the SpeechCycle and Mirapoint assets. Those were immaterial deals, but let me walk you through the bridge. From an activation perspective, if you think of activation in total, would have been around $275 million for the year. What we sold off in terms of revenue forecasted to Sequential was around $200 million.

Of that $60 million to $70 million remaining, about half of the revenues associated with SpeechCycle were revenues associated with the SpeechCycle, Mirapoint sales. And then, obviously, we're going to sunset a piece of it, small amount, maybe $20 million or so of revenues. And then, the remaining component, we're going to talk about at Mobile World. Remember, I referenced that partnership that was going to be announced at Mobile World in the upcoming months.

<Q - Sterling Auty>: Great. That's very helpful. Thank you.

<A - Karen L. Rosenberger>: Sure.

Operator

Thank you. The next question comes from Nandan Amladi of Deutsche Bank. Your question please.

<Q - Nandan G. Amladi>: Yeah. Thanks for taking my question. So, building a little bit on what Sterling just asked, right. With so many moving parts this year and Intralinks becoming sort of a part of the business, but a SaaS business, can we start using some leading indicators, like billings and so on as we look forward?

<A - Ronald W. Hovsepian>: Hi. This is Ron. How are you?

<Q - Nandan G. Amladi>: Hi.

<A - Ronald W. Hovsepian>: Hi. These are things that we absolutely are going to look at and will be part of our go-forward set of conversations that we would have. As you appropriately pointed out, there are leading indicators around the bookings or billings numbers that we will figure out what we can get out to you and how we'll organize it. And I don't want to preview too much in that area, but that's part of the evolution. I want to make sure we get properly packaged up for you to align with what Steve and Karen talked about in the evolution of the company and to what Steve referred to as the Synchronoss 3.0. I want to make sure that we really give you those metrics, we really have them worked out. So, we're working with the team really closely on that. And as soon as that stuff is ready, we will definitely get that out to you as quickly as possible.

<Q - Nandan G. Amladi>: And maybe this is a question for Steve. Can you characterize your progress on all of the international initiatives, particularly Japan?

<A - Stephen G. Waldis>: Yeah. We're very pleased with the progress we're making. As I said earlier, when you go through the adoption to engagement phase, messaging and incorporating that with our cloud functionality is something that is really helpful, especially if you think of the market today, right, the market's actually working for us for a change, and the fact that a lot of the over-the-top providers are in the market today and the carriers are looking for revenue opportunities, and our products provide a great opportunity not only for them to cement the customer relationship, but to maintain that ability to monetize that.

And so, each carrier looks at it differently. Those carriers that have more – actual [ph] add (35:51) or cloud assets that can monetize it through [ph] add (35:54). Others look at it as just ways to control that new experience going forward. So, when I look at that region as well as here in the U.S., that's a big part of – coming back from our Openwave acquisition over a year ago, a big contributor as to why we feel very well-positioned. And again, I think it's going to be the key highlight of the show if everybody is going to be – anybody is going to be attending out in Barcelona at the end of this month.

<Q - Nandan G. Amladi>: Thank you.

Operator

Thank you. Our next question comes from Michael Nemeroff of Credit Suisse. Your line is open.

<**Q - Alexander Hu**>: Hey, guys. This is Alex Hu on for Michael. Thanks for taking my questions. So, I recently received a notification from AT& T stating that beginning in April of 2017, the AT&T Address Book is going away. Should we interpret this as a precursor to, perhaps, a broader release of the AT&T Personal Cloud Locker product and even maybe a more significant marketing push by AT&T similar to that of Verizon in the past?

<**A - Stephen G. Waldis**>: Yeah. This is Steve. It's hard for us to comment. Obviously, you can imagine on what our clients' marketing program would be. I would point you back to the early days where with Verizon, the Network Address Book did get incorporated into what eventually was our Personal Cloud product at Verizon. So again, it's not for us to comment in terms of what marketing campaigns they have coming up in the near future.

<**Q - Alexander Hu**>: Okay. Good. And then just following on just Verizon, I know you guys touched or signed some recent strategic initiatives on your last quarter just like a $25 million license deal. I was just curious if you could give us some color on what those are?

<**A - Stephen G. Waldis**>: Those are opportunities that I think you'll get some exposure to as well in the next month or so, especially at Mobile World. And those are expansions off of our current success at Verizon. And we're excited to be part of that partnership. And obviously, we're following their lead as it becomes publicly available information, which we believe will happen this quarter.

<**Q - Alexander Hu**>: Okay. Great. And then, just one quick one for Karen. I might have missed this in your prepared remarks, but how should we think about CapEx and free cash flow for full year 2017?

<**A - Karen L. Rosenberger**>: So as far as CapEx is concerned, we've been pretty consistent in the 9% to 10% of revenue range. As we move further into the model and the business shifts a little bit heavier focused in the enterprise phase, I think, over time, we would expect to see some improvements in that. And then as far as cash flow is concerned, at this point, we're awaiting and updating that at our Investor – or our Analyst Day, because as we move through the integrations, we are still getting to know the respective company and we're more comfortable giving more details out at a later date on that.

<**Q - Alexander Hu**>: Okay. Great. Thank you very much. Thanks for taking the questions.

Operator

Thank you. Our next question comes from Greg Burns of Sidoti & Company. Your question, please.

<**Q - Greg J. Burns**>: Just a question in regards to Japan. I think on the last call you mentioned expecting about $100 million of bookings this year. Do you still feel comfortable with that number? And then, when we look out beyond 2017, what kind of opportunity do you see longer term over the course of that full contract? What is coming behind that $100 million in terms of expanding that deal?

<**A - Stephen G. Waldis**>: It's a multitude of opportunities and contracts that exists within that region. And they're very much – what I can tell you is that they're very connected into our ability to leverage engagement through our cloud through messaging. Again, you're going to see a lot more – no surprise in the industry today. Engaging on these mobile devices is incredibly important. The operators around the world realize that they've got a nice competitive positioning in the messaging world in terms of how they want to leverage their assets and their intimacy with their customers.

And so, that piece of it, going back to a year ago, has really come together nice for us. And I think the main message is that it really gives us the functionality that we believe will lead to engagement, which leads to monetization and allows us to get the right ARPUs. It's one thing to adopt the customer. But if that customer doesn't engage and monetize and grow and engage with your application, then in the long run, you're capping your revenue opportunities. And so, that's the level of excitement in terms of what we see the operators are going to be doing with their partners as it relates to the technology that we're offering them.

<Q - Greg J. Burns>: Okay. Thanks. And then in terms of distribution with the Intralinks acquisition, have the carriers begun to distribute that through their channels yet or is that still coming down the pike? And do you have any other third-party distribution lined up outside of the carrier channel to sell those services?

<A - Ronald W. Hovsepian>: This is Ron. The answer is, no, those conversations have not happened. Obviously, with Mobile World Congress coming up, that's a big opportunity to lay a lot of that foundational work. We have had inbound inquiries about doing that already and we're dispatching someone actually out to see one of them right away next week. Obviously, we're not going to hide from those opportunities. But that, I believe, will take its natural course very quickly.

I think the one thing that I want to be extra careful of is, when we go into those relationships, I want to make sure we're able to leverage all of the enterprise assets, not just the Intralinks' one. So I want to make sure we have our proper story together as we go into those carriers and take advantage of them, because you'll get one good chance with them. And if we deliver revenue to them, then we know it will be successful. And I want to make sure we get all those pieces lined up appropriately. But it literally starts next week.

<Q - Greg J. Burns>: Okay. Thank you.

<A - Daniel Harlan Ives>: You're welcome.

Operator

Thank you. Our next question comes from Tavis McCourt of Raymond James. Your line is open.

<Q - Tavis C. McCourt>: Hey. Thanks for taking my questions. I have got a couple of them. First one, I think, for you, Karen. You mentioned on the mix, 65% cloud this year, and so if I kind of do the math on the midpoint of the range, that's the same $530 million number for cloud you've been talking about for six or nine months now. But then you also mentioned that that could – I forgot what your verbiage was, but it sounded like it could change around quarter-to-quarter. Is that because of the lumpiness of the revenue rec when some of these new customers ramp?

<A - Daniel Harlan Ives>: Yeah. And Tavis, what I'd say to that point, Karen could add, that also talks about a lot of the cross-sell opportunities that we have that we've talked about. We give the general mix. But as you've seen, that's been pretty consistent [ph] from ours (42:38) as a core business.

<A - Karen L. Rosenberger>: Yeah. That's correct. Yeah. I mean, we're still expecting elements of non-recurring revenue in the Synchronoss side of the mix, consistent with prior years.

<Q - Tavis C. McCourt>: Okay. And then, just some details on the Sequential sale. So, can you give us a sense of the size of the revenues that you will be generating from Sequential for providing them services during the transition period and maybe the margins on those revenues and kind of the timing of when you would expect them to go away?

<A - Karen L. Rosenberger>: Yeah. So, I can give you some information on that, Tavis. I think as we went through the transaction, we talked about the fact that we were going to provide ongoing services for a three-year term to Sequential Technology and, obviously, contractual around $30 million in revenue per year over the next three years associated with those services. As far as margins, et cetera, we don't give those details, but it's clearly consistent with our mix of business.

<Q - Tavis C. McCourt>: Great. And then last question, are there terms on $83 million receivable in terms of – is there a due date on that?

<A - Karen L. Rosenberger>: Yes, there is. It is a couple of years out from a due date perspective. The one thing that I would really note on any of the Sequential Technology's information that made it to our balance sheet is, obviously, it's a partnership with Sequential, but we are anticipating that we will – they will likely refinance that over the next couple of quarters. And Steve may want to add to that one as well.

<A - Stephen G. Waldis>: Yeah. That's right. There's couple of things. One is, when we did the original financing and we ran a process with various different folks, one of the things that we did is we kept it to a small group because we didn't want any, obviously, leaks on the financing side. So, we expect them to refinance and are in the process of that already. In fact, we had mentioned about our 30% ownership in the entity being kind of cashed out or sold out is the expectation during 2017. And then the other part on the analytics piece, Tavis, because it's important. One of the things we had to focus on when we split out the activation business, the one piece that we had to think through was the active – the API component of it that allow us to get that valuable information on the activation process. We do not want to lose that, because it makes our cloud analytics product that much more solid. And that success has continued to blossom. In fact, we're going to demonstrate kind of the integration of some of that down at Mobile World. But that's a prime example where we're able to kind of keep the components that we wanted as it relates to those APIs to give us the information we need from a cloud perspective.

<Q - Tavis C. McCourt>: Great. Thanks very much.

Operator

Thank you. Our next question comes from Greg Mesniaeff of Drexel Hamilton. Your question please.

<Q - Greg Mesniaeff>: Yes. Thank you. Now that the Intralinks deal has closed, can you give us an update on the expected integration of the two sales forces and how that will affect the cost synergies guidance you've given us? I think it was $40 million for the next 12 months post closing.

<A - Ronald W. Hovsepian>: Hi. This is Ron. Nice to meet you. The quick answer is the integration actually began about two weeks ago. We had a global sales kickoff, in particular, taking the enterprise team from Synchronoss and combining that with the enterprise team from Intralinks. That has already happened and we already had the teams together at kickoff, a lot of great energy coming out of that. And we've hit the ground very quickly on that particular piece in terms of attacking the marketplace.

In terms of the synergy costs, I had a line item by line item focus on what we committed to ourselves and to the board and to all of you publicly, as to how we're going to take those costs out and we're tracking that literally weekly. So, I feel very good about what we'll be able to accomplish in achieving that $40 million and we will absolutely get ourselves there.

<Q - Greg Mesniaeff>: Okay. Great. And just as a quick follow-up to that. With the sales force kind of evolving as per the work you're doing on the integration, how do you envision that working in tandem with the carriers acting as a sales agent to the enterprise products?

<A - Ronald W. Hovsepian>: Yeah. It's a great question. And I wouldn't say we have the answer perfectly worked out, because it's the early days. But what I will tell you is by the time I leave Mobile World Congress with Steve, we will have tightened up an awful lot of that. But here is the quick high level. What our sales teams do today with the carriers is they really do a great job of getting engaged in early, in where the business is going for the carriers. What that does is that gives us an advantage in the way they leverage the distribution network for the carriers. What we will do as part of that strategy is to make sure that our enterprise sales teams get access to this carrier sales teams network and [ph] to any (48:09) network into the company, not the technical network, but into the company so that we then leverage the ability to do the proper sell-through of the enterprise assets. And that, to me, is going to be the key piece of it is making sure that we're able to take advantage of those enterprise assets flowing through that carrier.

<A - Stephen G. Waldis>: Yes. It's great. And to add – this is Steve. Just to add a little color. Part of our thesis early on when we talked about the acquisition with Intralinks is I actually met with a lot of our carrier customers. In fact, as many of you know, we have a joint venture on enterprise with Verizon and got a high degree of excitement. So just give you an idea how those channels can work for us just in a year, we ended up becoming the largest online prescription authenticator in the U.S. So, we've got great channel opportunities. We had an opportunity to talk to some of our folks in Japan, like SoftBank and others. So, it's very early, how the full model work out. But we're very confident and we've got a lot of high interest from the current carrier base in terms of how they can fit that into our existing distribution, which we've had success with.

<Q - Greg Mesniaeff>: Great.

<A - Ronald W. Hovsepian>: Yeah I think just to add one more piece of color. I think Steve's point, one of the things that we've learned in the enterprise world that's really use case-based and focusing on the use cases is really paramount to success at the end user. So if we're going to drive revenue, we've really got to drive revenue for the carriers through that use case. So, you'll hear us talk more about that as we reflect on how to leverage that part of the platform, that we'll be bringing to market as Synchronoss.

<Q - Greg Mesniaeff>: Great. Thank you. See you in Barcelona.

<A - Ronald W. Hovsepian>: Sounds good.

Operator

Thank you. Our next question comes from Tom Roderick of Stifel. Your line is open.

<Q - Tom Roderick>: Hi guys. Good afternoon. Thanks for taking my question. Start with you, Karen, best of luck on the next steps here and congratulations on that. And Karen, let me throw you the first question and just sort of trying to reconcile through some of the numbers here, because in looking at the numbers, they make perfect sense as far as cloud being sort of all of the continuing revenue for this quarter. But when I look at the year-on-year compare to what cloud was I guess around $91 million in the number last year, the continuing number here suggests sort of $122 million or so was the 2015 Q4 number.

Can you help just reconcile what the delta – kind of a $30 million delta is there between how we looked at cloud revenue a year ago versus why the continuing number would have been, say, $30 million higher? That will be first question, then I've got a follow-up for you.

<A - Karen L. Rosenberger>: Yeah. Thanks, Tom, for your remarks. Anyway, as far as the cloud goes, some of that is obviously – not everything was pulled out as a discontinued operation item. So, that's some of the reason for the difference. But also, associated with the cloud revenue last year there was that one-time license revenue associated with that in addition to what we had talked about earlier on the call today. But if you think about that $30 million delta or so, a lot of that, as I said, is related to that ongoing piece that did not come down into the discontinued ops line.

<Q - Tom Roderick>: Got it. I think I got it. And then this maybe related to your commentary on the ongoing piece, but just so I understand what that piece is. Because I know you were sort of highlighting – you guys were highlighting in the calculation around the financing documents that service agreement, which probably is what you're referring to with Sequential. But can you talk a little bit more about what that agreement is? How you're still supporting them as a partner? And will all of that revenue then flow into continuing ops going forward? Or is that $32 million annual agreement, is that all just thrown into discontinuing ops, so we won't have to worry about it?

<A - Karen L. Rosenberger>: Actually, that will be part of continuing operations. And if you want to think about the services that we provide for Sequential, remember the fact that we had software revenues associated with some of that activation business in that analytics area. And that particular IP was obviously kept by Synchronoss and Synchronoss will be providing services around that.

<Q - Tom Roderick>: Okay. Can you explain that maybe just a little more?

<A - Stephen G. Waldis>: Yeah, so...

<Q - Tom Roderick>: So, that's the analytics piece, Steve, it's the old Razorsight stuff?

<A - Stephen G. Waldis>: Yes. Think, Tom, of the APIs that we had access to, I guess, specific on the activation stuff that we could pull in, we needed those APIs, because they also fed our cloud analytics piece that had the component that we do for AT&T. So when we broke out the different businesses, obviously, you try to go through and you have to maintain pieces of the software that at least from API interface perspective links it together. And that's something that we're excited about, because as you – we think of some of our newer partnerships, we're going to be demoing at Mobile World how that brings together. But essentially, it's your cloud analytics piece and what it's doing is providing the information that they get off of the businesses that they have today to fuel some of our initiatives that we're dealing directly today.

<Q - Tom Roderick>: Got it. So, that will just be an ongoing ratable reoccurring type of situation?

<A - Stephen G. Waldis>: Correct.

<Q - Tom Roderick>: It's not like a one year – one-time-a-year payment?

<A - Stephen G. Waldis>: Correct.

<A - Karen L. Rosenberger>: No, it's ratable.

<A - Stephen G. Waldis>: Yeah. It's ratable. I'm sorry.

<Q - Tom Roderick>: It's ratable. Okay. And that's all baked into the guidance already, Karen?

<A - Karen L. Rosenberger>: Yes, it is.

<A - Stephen G. Waldis>: Yeah.

<Q - Tom Roderick>: Good. That's really helpful. Thank you, guys.

<A - Stephen G. Waldis>: Thanks, Tom.

Operator

Thank you. We have a follow-up question from Samad Samana of Stephens, Incorporated. Your line is open.

<Q - Samad Samana>: Hi. I actually wanted to follow-up on the $32 million payment. I'm curious, so when you gave the original $520 million of cloud revenue guidance for calendar 2017, did that assume the $32 million services agreement or how much of this analytics revenue that's now being put into cloud was previously in activation? I guess, I'm just trying to bridge, the math of guidance didn't change, but there is this $32 million payment now that you're getting. Help me understand where that was classified before or where you thought that would be classified into?

<A - Karen L. Rosenberger>: No, this is new analytics revenue as we talked about. Clearly, the $32 million is part of a TSA arrangement, but it is all around the analytics.

<A - Daniel Harlan Ives>: And Samad, just to be clear, that was all part of our guidance.

<A - Karen L. Rosenberger>: That's right.

<A - Daniel Harlan Ives>: Remember, we gave the guidance, that was all part of the guidance. And this is something we'll be talking about more on Mobile World Congress. But this cloud analytics, Tom hit on it, with Razorsight a lot of organic initiatives, we believe that's going to be a bigger piece that we'll be highlighting going forward [ph] it's a good (54:57) platform here.

<A - Ronald W. Hovsepian>: Yeah.

<Q - Samad Samana>: And then one last question, if I may. The Verizon, the $25 million payment that was announced last quarter, we've been told that that's a new product or new initiative. Is that separate from what you're talking about at Mobile World Congress on the analytics side or is that the same announcement? Maybe help us understand that.

<A - Stephen G. Waldis>: Two different things. The Verizon opportunity is a relationship that you'll hear more about in Q1 that's not publicly announced. The latter that we're referring to is a separate. It's two different.

<Q - Samad Samana>: Okay. I just wanted to make that clear. Thanks for the answers.

<A - Daniel Harlan Ives>: Yeah. Thanks.

Operator

Thank you. At this time, I'd like to turn the call back over to Mr. Ives for any closing remarks. Sir?

Daniel Harlan Ives

Yeah. Thanks for everyone joining us. We look forward to seeing, hopefully, many of you at Mobile World Congress where we expect a lot of these announcements. Thanks.

Operator

Thank you, Mr. Ives, and thank you, ladies and gentlemen, for your participation. That does conclude Q4 2016 Synchronoss Technologies earnings conference call. You may disconnect your lines at this time. Have a wonderful day.