SYNIVERSE HOLDINGS INC
Form S-1/A
December 22, 2004
Table of Contents

As filed with the Securities and Exchange Commission on December 21, 2004.

No. 333-120444

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

SYNIVERSE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**4899**	**30-0041666**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

One Tampa City Center, Suite 700

Tampa, Florida 33602

Telephone: (813) 273-3000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Raymond L. Lawless

Chief Financial Officer

One Tampa City Center, Suite 700

Tampa, Florida 33602

Telephone: (813) 273-3000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications, including communications sent to agent for service, should be sent to:

Dennis M. Myers, P.C.

Douglas D. Timmer, Esq.

Kirkland & Ellis LLP

200 E. Randolph Drive

Chicago, Illinois 60601

Telephone: (312) 861-2000

Kirk A. Davenport II, Esq.

Andrew S. Williamson, Esq.

Latham & Watkins LLP

885 Third Avenue, Suite 1000

New York, New York 10022

Telephone: (212) 906-1200

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1) (2)	Amount of Registration Fee
Common Stock, par value $0.001 per share	$ 425,500,000	$ 53,910.85(3)

(1) Includes amount attributable to shares of common stock that may be purchased by the underwriters under an option to purchase additional shares at the public offering price less the underwriter s discount.
(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(3) Previously paid.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

Subject to Completion, Dated December 21, 2004

Shares

Common Stock

We are selling shares of our common stock.

This is the initial public offering of our common stock. We currently expect the initial public offering price to be between $ and $ per share. We have applied to list our common stock on the New York Stock Exchange under the symbol SVR.

Investing in our common stock involves risks. See Risk Factors beginning on page 9 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the shares or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$	$

Underwriting Discounts and Commissions	$	$
Proceeds to Syniverse (before expenses)	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from us and the selling stockholders at the initial public offering price less the underwriting discount. The selling stockholders are selling an aggregate of shares of common stock.

The underwriters expect to deliver the shares to purchasers on or about , 2005.

LEHMAN BROTHERS **GOLDMAN, SACHS & CO.** **BEAR, STEARNS & CO. INC.**

DEUTSCHE BANK SECURITIES

ROBERT W. BAIRD & CO. **FRIEDMAN BILLINGS RAMSEY** **RAYMOND JAMES**

, 2005

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We and the selling stockholders have not authorized anyone to provide you with different information. We and the selling stockholders are not making an offer of these securities in any state where such an offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

Market, Ranking and Other Data

The data included in this prospectus regarding markets and ranking, including the size of certain service markets and our position and the position of our competitors and customers within these markets, is based on independent industry publications, reports from government agencies or other published industry sources and our estimates are based on our management s knowledge and experience in the markets in which we operate. When we rank our customers by size, we base those rankings on the number of subscribers our customers serve. When we describe our market position, we base those descriptions on the number of subscribers serviced by our customers. Our estimates have been based on information obtained from our customers, suppliers, trade and business organizations and other contacts in the markets in which we operate. We believe these estimates to be accurate as of the date of this prospectus. However, this information may prove to be inaccurate because of the methods by which we obtained some of the data for our estimates, because this information cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in a survey of market size. In addition, the provided market data is not a guaranty of future market characteristics because consumption patterns and consumer preferences can and do change.

Table of Contents

PROSPECTUS SUMMARY

The following summary highlights certain information contained elsewhere in this prospectus. For a more complete understanding of the information that you may consider important in making your investment decision, you should read this entire prospectus, including our consolidated financial statements and related notes included in this prospectus and the information set forth under the heading Risk Factors.

BUSINESS

Overview

We are a leading provider of mission-critical technology services to wireless telecommunications companies worldwide. We serve over 300 telecommunications carriers worldwide. Many of these carriers depend on our integrated suite of transaction-based services to solve the complexities associated with offering seamless wireless services, connecting disparate carrier networks and facilitating the rapid deployment of next-generation wireless services. Our services enable wireless carriers to provide their customers with enhanced wireless services including national and international wireless roaming, caller ID, Short Message Service (SMS) messaging, wireless number portability and wireless data content.

The global wireless industry relies on an extensive and complex set of communication standards, technical protocols, network interfaces and systems that must successfully interoperate in order to provide global voice and data services. The proliferation of these standards has resulted in technological incompatibilities, both within and between carriers. These incompatabilities have become increasingly difficult to manage as new wireless technologies and services are introduced and deployed.

Our position as a trusted and neutral intermediary between carriers allows us to solve these technical and operational challenges for the wireless industry. By providing our carrier customers a single point of system and network connectivity, we are able to translate otherwise incompatible communication standards and protocols, route telephone calls and SMS messages to support national and international roaming and provide access to intelligent network services such as wireless number portability and caller ID. Our services platform also enables carriers to rapidly and cost-effectively deploy next-generation services such as wireless data content, wireless fidelity (Wi-Fi) and Voice-over-Internet Protocol (VoIP).

We provide these services to telecommunications carriers in approximately 40 countries, including the ten largest U.S. wireless carriers and six of the ten largest international wireless carriers. Our domestic customers include Cingular Wireless, Sprint PCS, T-Mobile and Verizon Wireless. We serve approximately 80 international carriers including China Unicom, KDDI and SK Telecom.

We generate the majority of our revenue on a per-transaction basis, often generating multiple transactions from a single subscriber call or data session. The remainder of our revenues are generated from recurring, non-transaction fees for network connections and software maintenance. Demand for our services is driven primarily by the volume of wireless voice calls and data sessions, the frequency of subscriber roaming activity, the number of SMS messages exchanged and subscriber adoption of new wireless data services. Our total revenues for the nine months ended September 30, 2004 were approximately $244.1 million as compared to approximately $201.2 million for the nine months ended September 30, 2003, an increase of approximately 21.3%. Our net income was $10.8 million and $1.2 million and our net loss applicable to common stockholders was $12.6 million and $21.6 million for the same periods, respectively.

Table of Contents

Suite of Services

We have built our reputation over the past 17 years by designing comprehensive solutions that solve wireless industry technology complexities. Our integrated suite of services includes:

Technology Interoperability Services. We operate the largest wireless clearinghouse in North America that enables the accurate invoicing and settlement of domestic and international wireless roaming telephone calls, wireless data events and Wi-Fi sessions. We also provide SMS routing and translation services between carriers.

Network Services. Through our Signaling System 7 (SS7) network, we connect disparate wireless carrier networks and enable access to intelligent network database services like caller ID and 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 carriers to enable critical telecommunications functions such as line busy signals, toll-free calling services and caller ID.

Number Portability Services. Our leading wireless local number portability (WLNP) services are used by many wireless carriers, including the five largest domestic carriers, to enable wireless subscribers to switch service providers while keeping the same telephone number. Historically, wireless subscribers had to surrender their telephone number when canceling wireless services from one provider and moving to another. With the introduction of WLNP, wireless subscribers are now able to transfer their telephone number between carriers.

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

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

Competitive Strengths

We believe that the following strengths differentiate us in the marketplace:

Comprehensive suite of services makes us a leading provider of mission-critical services to wireless carriers. We believe that the mission-critical nature of our services, our established carrier relationships and our performance track record make us the technology services provider of choice for many of our customers.

Transaction-based business model with recurring revenues and strong operating cash flows. Our historical success in customer retention, our growth in transaction volumes and our ability to leverage our existing technology platforms to serve additional customers enable us to generate a high level of recurring revenues and strong operating cash flows to support strategic activities.

Proven track record of technology innovation enables us to capitalize on ongoing needs of our customers. We believe that we are and will continue to be a leading developer of mission-critical technology services to wireless carriers. We expect to continue to capitalize on carrier deployment of next-generation technologies such as Wi-Fi, wireless data and VoIP.

Role as an independent, trusted intermediary provides enhanced market access. Unlike some of our competitors, we do not compete for our customers subscribers. We believe that this market position

2

Table of Contents

provides us a unique ability to collaborate with our customers on new product development and enables us to most effectively anticipate, identify and address the evolving requirements of the global wireless industry.

Extensive and collaborative customer relationships. We provide our services to over 300 telecommunications carriers in approximately 40 countries. Through our relationships with such carriers, we have developed a highly active and respected customer users group that has helped facilitate the continued development, enhancement and evolution of our services.

Experienced management team with strong customer relationships. Our senior management team has strong customer relationships developed over an average of 19 years of telecommunications industry experience.

Growth Strategy

In order to strengthen our market leadership position, enhance growth and maximize profitability, we intend to:

Expand our global customer base. We are aggressively pursuing global expansion opportunities where we believe there are significant markets for our services. We recently established sales and support offices in Europe, Latin America and Asia Pacific. This expansion has helped us sign contracts with leading carriers in France, China, Brazil, Italy, Saudi Arabia and India.

Further penetrate our existing customer base. We intend to continue to cross-sell services to our existing customers to further diversify our revenue stream and increase per-customer revenues. For example, we have signed contracts and implemented our WLNP solutions for over 80 of our existing U.S. customers, including all of the five largest wireless carriers.

Enhance our existing services suite through the development of innovative new services. We believe that we are well positioned to develop innovative services that respond to and solve industry complexities associated with new market participants and new technologies. Our development of a Wi-Fi clearinghouse service and our signing of contracts with two major U.S. carrier providers of Wi-Fi services are recent examples of our capabilities.

Pursue strategic acquisitions. We will continue to seek opportunities to acquire businesses that expand our range of services, provide opportunities to increase our customer base and enter new markets. In September 2004, we acquired the North American wireless clearinghouse business of Electronic Data Systems (EDS).

Summary Risks

We face many risks, including those related to:

Infrastructure Failure. Damage to or failure of the infrastructure that we rely on, including that of our customers and vendors, could result in the loss of customers, harm our operating performance and expose us to potential customer liability.

Concentration of Revenue Sources. Of our revenues for the nine months ended September 30, 2004, approximately 20% came from Verizon and 60% came from our top ten customers. Any negative development in our relationships with such significant customers could harm our business.

Limited Guaranteed Revenue. If our customers decide not to continue to purchase services from us at current levels and prices, it could harm our business and operating results.

Industry Consolidation. Future consolidation among our customers may cause us to lose transaction volume and reduce our prices and could harm our financial performance. In the past, consolidation among our customers has caused us to lose transaction volume and has impacted pricing.

Technological Change. Significant technological changes could make our technology and services obsolete. If we do not rapidly adapt to technological change in the telecommunications industry, we could lose customers or market share.

Intense Competition. The market for our services is intensely competitive. Existing and future competition could adversely affect our revenues, pricing and operating margins.

International Execution. Our expansion into international markets is subject to uncertainties and risks that could harm our operating results.

For a more complete discussion of these risks and other risks related to our business and this offering, please see the section Risk Factors.

Company History

Our business was founded in 1987 as GTE Telecommunication Services Inc., a unit of GTE. In early 2000, GTE combined our business with its Intelligent Network Services business to further broaden our network services offering. In June 2000, when GTE and Bell Atlantic merged to form Verizon Communications Inc., 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. Effective March 1, 2004, we changed our corporate name from TSI to Syniverse.

Our Company

Syniverse Technologies, Inc., our principal operating subsidiary and a wholly owned subsidiary of Syniverse Holdings, Inc., is the borrower under our existing senior credit facility and the issuer of the 12 $^{3}/4\%$ senior subordinated notes. Syniverse Holdings, Inc. is in turn a wholly owned subsidiary of Syniverse Holdings, LLC, which is the ultimate parent of the consolidated group of Syniverse entities. In connection with this offering, Syniverse Holdings, LLC will distribute all of the shares of Class A cumulative redeemable convertible preferred stock and common stock of Syniverse Holdings, Inc. that it owns to its members and will dissolve. Following this dissolution and distribution, Syniverse Holdings, Inc. will become the ultimate parent of the consolidated group of Syniverse entities. See Certain Relationships and Related Party Transactions Dissolution Agreement.

Our principal executive offices are located at One Tampa City Center, Suite 700, Tampa, Florida 33602, and our telephone number is (813) 273-3000. Our website is www.syniverse.com. Our website and the information included therein are not part of this prospectus.

Summary of the Offering

Common stock offered by us	shares, which represents approximately % of our common stock outstanding after this offering.
Option	We and the selling stockholders have granted the underwriters a 30-day option to purchase up to an aggregate of additional shares of common stock. The selling stockholders include members of our senior management team.
Common stock outstanding after this offering	shares
Use of proceeds	We intend to use net proceeds from this offering, together with borrowings under our new senior credit facility, to redeem a portion of our class A cumulative redeemable convertible preferred stock, most of which is indirectly held by funds controlled by GTCR and some of which is indirectly held by current and former employees of Lehman Brothers Inc., to repay all borrowings outstanding under our existing senior credit facility and to tender for a portion of our 12 $^{3}/4$% senior subordinated notes. If the underwriters exercise their option, we will use any additional net proceeds we receive to redeem additional shares of our class A cumulative redeemable convertible preferred stock. We will not receive any proceeds from the sale of shares, if any, by the selling stockholders. See Use of Proceeds.
New York Stock Exchange symbol	SVR

We base the number of shares that will be outstanding after this offering on shares outstanding as of , 2004 and exclude:

- shares of our common stock issuable upon exercise of options outstanding as of September 30, 2004 at a weighted average exercise price of $ per share; and
- shares of our common stock reserved for issuance pursuant to future grants under our stock option plans.

Except as otherwise indicated, all of the information presented in this prospectus assumes the following:

- an initial public offering price of per share, the mid-point of the range set forth on the cover page of this prospectus;
- the effectiveness of our new senior credit facility to be entered into in connection with this offering;
- the contribution by Syniverse Holdings, LLC of all of the shares of non-voting common stock of Syniverse Networks, Inc. to Syniverse Holdings, Inc. and then the contribution by Syniverse Holdings, Inc. of those shares to Syniverse Technologies, Inc;

the effectiveness of our restated certificate of incorporation and restated by-laws, which will become effective prior to the completion of this offering;

the effectiveness of a 1-for- reverse stock split of our common stock, which will occur prior to the completion of this offering;

the redemption of shares of our outstanding class A cumulative redeemable convertible preferred stock in connection with this offering;

the conversion of each outstanding share of our class A cumulative redeemable convertible preferred stock that we do not redeem in connection with this offering into shares of our common stock at the initial public offering price within 40 days after completion of this offering; and

no exercise of the underwriters option.

Table of Contents

Summary Historical Condensed Consolidated Financial Data

The following table sets forth our summary historical and unaudited condensed consolidated financial data for the periods ended and at the dates indicated since our acquisition from Verizon. We have derived the summary historical consolidated financial data as of September 30, 2004 and for the period from February 14, 2002 to December 31, 2002, the year ended December 31, 2003 and the nine months ended September 30, 2004 from our audited financial statements and the related notes included elsewhere in this prospectus. We have derived the historical consolidated financial data for the nine months ended September 30, 2003 from our unaudited consolidated financial statements included elsewhere in this prospectus.

	Period from February 14 to December 31, 2002	Year Ended December 31, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2004
	(in thousands except per share data)			
Statement of Operations Data:				
Revenues (excluding Off-Network Database Query Fees)	$ 234,927	$ 241,879	$ 176,698	$ 223,485
Off-Network Database Query Fees	61,117	29,529	24,538	20,606
Total Revenues	296,044	271,408	201,236	244,091
Costs and expenses	231,137	261,917	153,300	187,524
Operating income	64,907	9,491	47,936	56,567
Interest expense (1)	(54,105)	(58,128)	(44,525)	(40,165)
Net income (loss)	631	(57,926)	1,222	10,809
Preferred dividends	(33,340)	(30,230)	(22,814)	(23,379)
Net loss attributable to common stockholders	(32,709)	(88,156)	(21,592)	(12,570)
Net loss per share:				
Basic and diluted	$ (0.33)	$ (0.88)	$ (0.22)	$ (0.13)
Weighted average common shares outstanding:				
Basic and diluted	100,000	100,000	100,000	100,000
Pro forma net income (loss) per share: (2)				
Basic	$	$	$	$
Diluted				
Other Financial Information:				
Depreciation and amortization (1)	$ 33,285	$ 37,319	$ 27,567	$ 30,323
EBITDA (3)	96,376	46,810	75,502	86,878
Capital expenditures	12,278	18,280	12,121	17,403

	At September 30, 2004 Actual	At September 30, 2004 As Adjusted (unaudited) (4)
	(dollars in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 13,026	$ 13,026

Working capital	43,830	44,763
Property and equipment, net	37,077	37,077
Total assets	777,041	771,774
Total debt, net of discount, and redeemable preferred stock	804,642	398,127
Total stockholders (deficit) equity	(103,032)	300,040

6

Table of Contents

(1) Depreciation and amortization amounts exclude accretion of debt discount and amortization of deferred finance costs, which are both included in interest expense in the statement of operations data.

(2) The pro forma net income per share data give effect to the sale of million shares of our common stock, borrowings of $ under our new senior credit facility, conversion of shares of our class A cumulative redeemable convertible preferred stock into shares of our common stock, and the application of the estimated net proceeds therefrom as described under the caption Use of Proceeds as if such transactions and our acquisition of EDS s North American clearinghouse business had been completed on January 1, 2003.

We will incur a substantial charge for the write-off of unamortized deferred financing costs and unamortized debt discount related to repayment of our existing senior credit facility and a portion of the senior subordinated notes and for the premium we pay to tender a portion of the senior subordinated notes in the quarter in which this offering is consummated and that charge is not included in the pro forma financial data presented in this prospectus. The pro forma financial data does not purport to represent what our results of operations actually would have been if this offering had occurred as of the date indicated or what our results will be in any future period. See Pro Forma Condensed Consolidated Financial Statements.

(3) EBITDA is determined by adding net interest expense, income taxes, depreciation and amortization to net income (loss). We present EBITDA because we believe that EBITDA provides useful information regarding our operating results. We rely on EBITDA as a primary measure to review and assess the operating performance of our company and our management team in connection with our executive compensation and bonus plans. We also use EBITDA to compare our current operating results with corresponding periods and with the operating results of other companies in our industry. We believe that it is useful to investors to provide disclosures of our operating results on the same basis as that used by our management. We also believe that it can assist investors in comparing our performance to that of other companies on a consistent basis without regard to depreciation, amortization, interest or taxes, which do not directly affect our operating performance. In addition, we also utilize EBITDA as a measure of our liquidity and our ability to meet our debt service obligations and satisfy our debt covenants, which are partially based on EBITDA.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for net income, cash flows from operating activities and other consolidated income or cash flows statement data prepared in accordance with accounting principles generally accepted in the United States. Some of these limitations are:

- EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements;
- EBITDA does not reflect income taxes or the cash requirements for any tax payments; and
- Other companies in our industry may calculate EBITDA differently than we do, thereby limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of performance in compliance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA only supplementally. See our consolidated statements of operations and our consolidated statements of cash flows included in our financial statements included elsewhere in this prospectus.

Table of Contents

The following table reconciles net income (loss) to EBITDA for the periods presented. We have also provided supplemental information regarding items associated with our restructurings, intangible asset impairments and pre-acquisition Brience negative EBITDA.