

VIISAGE TECHNOLOGY INC
Form S-3/A
July 22, 2004
Table of Contents

As filed with the Securities and Exchange Commission on July 22, 2004

Registration No. 333-116698

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Viisage Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

04-3320515
(I.R.S. Employer Identification No.)

296 Concord Road, Third Floor, Billerica, MA 01821, (978) 932-2200

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

Bernard C. Bailey

Chief Executive Officer

Viisage Technology, Inc., 296 Concord Road, Third Floor, Billerica, MA 01821, (978) 932-2200

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

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Approximate date of commencement of proposed sale to public: From time to time, after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

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, as amended, or the Securities Act, other than securities offered only in connection with dividend or interest reinvestment plans 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 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	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock	7,500,000 shares	\$9.21	\$ 69,075,000	\$ 8,751.81(1)
Common Stock	1,125,000 shares(2)	\$6.49(3)	\$ 7,301,250	\$ 925.07

(1) Previously paid.

(2) Represents shares to be purchased upon exercise by the underwriters of their over-allotment option.

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- (3) Estimated pursuant to Rule 457(c) under the Securities Act solely for the purpose of calculating the registration fee, based upon the average of the high and low sale prices of our common stock on July 19, 2004 on the Nasdaq National Market.
-

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 the 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 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 is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

Subject to completion, dated July 22, 2004

7,500,000 Shares of Common Stock

We are offering 7,200,000 shares of our common stock, par value \$0.001 per share. We will receive all of the net proceeds from the sale of such common stock. The selling shareholders identified in this prospectus are selling an additional 300,000 shares of our common stock. We will not receive any of the proceeds from the sale of the shares by the selling shareholders.

Our common stock is listed on the Nasdaq National Market under the symbol VISG. The last reported sale price of our common stock on July 20, 2004 was \$7.16 per share.

Investing in our common stock involves a high degree of risk. Before buying any of these shares of our common stock, you should carefully consider the risk factors described in Risk Factors beginning on page 7 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$
Proceeds to selling shareholders, before expenses	\$	\$

The underwriters may also purchase up to an additional 525,000 shares of our common stock from us and up to an additional 600,000 shares from the selling shareholders at the public offering price, less the underwriting discounts and commissions payable by us and the selling shareholders, to cover overallocments, if any, within 30 days from the date of this prospectus. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be \$ and the total proceeds, before expenses, to us will be \$.

The underwriters are offering the shares of our common stock as described in Underwriting. Delivery of the shares will be made on or about , 2004.

JPMorgan

UBS Investment Bank

Piper Jaffray

JMP Securities

Janney Montgomery Scott LLC

Roth Capital Partners

Table of Contents

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide information different from that contained or incorporated by reference in this prospectus. Neither the delivery of this prospectus nor the sale of shares of common stock means that information contained or incorporated by reference in this prospectus is correct after the date of this prospectus. These documents do not constitute an offer to sell or solicitation of an offer to buy in any jurisdiction where offers or sales are not permitted. In this prospectus, Viisage, we, our, us, and the Company refer to Viisage Technology, Inc. and its consolidated subsidiaries, unless the context otherwise requires.

Prospectus

<u>Forward-Looking Statements</u>	ii
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	7
<u>Use of Proceeds</u>	18
<u>Dilution</u>	19
<u>Capitalization</u>	20
<u>Price Range of Common Stock</u>	21
<u>Dividend Policy</u>	21
<u>Selected Consolidated Financial Data</u>	22
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>Business</u>	42
<u>Management</u>	53
<u>Principal and Selling Shareholders</u>	55
<u>Description of Capital Stock</u>	57
<u>Underwriting</u>	60
<u>Where You Can Find More Information</u>	63
<u>Legal Matters</u>	64
<u>Experts</u>	64
<u>Index to Consolidated Financial Statements</u>	F-1

Our trademarks, service marks and trade names include Viisage, Viisage Technology, FaceEXPLORER, FaceTOOLS, FaceFINDER, FacePASS and SensorMast. This prospectus also contains trademarks, service marks, copyrights and trade names of other companies.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate and management's beliefs and assumptions. In addition, other written or oral statements that constitute forward-looking statements may be made by or on our behalf. Words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. We have included important factors in the cautionary statements below under the heading "Risk Factors" that we believe could cause our actual results to differ materially from the forward-looking statements we make. We do not intend to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

PROSPECTUS SUMMARY

*This summary highlights selected information from this prospectus and the documents that we have incorporated by reference and may not contain all the information that is important to you. As a result, it does not contain all of the information that you should consider before investing in our common stock. You should read the following summary together with the more detailed information and financial statements and notes to the financial statements contained elsewhere or incorporated by reference in this prospectus, as described under the heading **Where You Can Find More Information**. To fully understand this offering, you should read all these documents. Unless otherwise indicated, the information in this prospectus assumes the underwriters have not exercised their over-allotment option. All currency amounts in this prospectus are stated in U.S. dollars.*

Viisage Technology, Inc.

We are a leading provider of advanced technology identity solutions that enable governments, law enforcement agencies and businesses to enhance security, reduce identity theft and protect personal privacy. Our identity solutions include secure credential provisioning systems, biometric software and systems and real-time identity databases, as well as systems design, development, integration and support services. These solutions enable our customers to manage the entire life cycle of an individual's identity for a variety of applications including civil identification, criminal identification and border management. Our customers use our solutions to help solve the following four critical problems in identity verification and management:

assurance that the identification document is authentic;

assurance that the document has been issued to the correct person;

confidence that the person holding the identification is uniquely tied to and authorized to use the document; and

verification of the privileges the individual is entitled to at a particular point in time.

Our solutions annually produce more than 30 million secure government-issued credentials at more than 2,000 locations. We are the second largest provider of U.S. drivers' licenses with a 30% market share. We are the sole source provider of passport production capability to the U.S. Department of State. We also are a recognized leader in biometrics in the field of face recognition. Our customers include governments, law enforcement agencies and businesses in more than 15 countries.

As our market has become increasingly complex and more frequently requires the integration of various technologies and capabilities, we have established ourselves as a provider of end-to-end identity solutions. In January 2004, we acquired ZN Vision Technologies AG, or ZN, which solidified our leadership position in face recognition technology. In addition, in February 2004, we acquired Trans Digital Technologies Corporation, or TDT, which provides us with a significant presence in the U.S. federal government market and strengthens our capability and credibility in the border management market worldwide.

We believe that our installed base of secure credential customers together with our leading face recognition technology provide us with a competitive advantage in delivering unified identity solutions for both the physical and digital domains. For example, in April 2004, we were

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selected by the U.S. Department of Defense, or DoD, for the production of secure, smart credentials as part of the agency's Common Access Card, or CAC, program. The CAC is a single means of identification for access to both physical locations and computer networks. We expect the demand for these types of solutions to grow significantly in the future.

We generate revenue through the sale and license of products and services for verifying and managing identities. Our revenues increased from \$8.2 million in the first quarter of 2003 to \$12.3 million in the first

Table of Contents

quarter of 2004. Our net loss during the same periods decreased from \$2.4 million to \$1.6 million, excluding the one-time charge of \$12.1 million in connection with our change in accounting principle as of January 1, 2003.

Market Opportunity

The ability to confirm an individual's identity is playing an increasingly important role in national and international security, personal privacy and commerce. Failure to provide adequate identification can lead to breaches of security and identity theft, the consequences of which can range from national security threats and loss of life to significant economic loss. Within this context, we believe that there is increasing pressure on governments and businesses to accelerate the adoption of advanced technology identity solutions. The concern over homeland security, in which identity solutions play a part, is exemplified by the size of the budget for the U.S. Department of Homeland Security, which was approximately \$31 billion for the fiscal year ended September 30, 2003, and is projected to be approximately \$37 billion for the fiscal year ended September 30, 2004. Furthermore, identity theft is the nation's fastest growing crime, and the Federal Trade Commission has estimated that the total cost of identity theft approaches \$50 billion per year.

Government-issued credentials serve as the primary means for confirming the physical identity of an individual. The effectiveness, however, of these credentials is impaired by the following issues:

the credential can be counterfeited or altered;

the credential can be issued under false pretenses; and

the credential rarely is linked to an identity database.

To address these complex problems, credential issuing agencies are seeking advanced technology identity solutions, which increasingly include secure credential provisioning systems, biometrics and real-time identity databases. We believe the global market for these solutions is driven by the following key trends:

Growth in government-initiated security programs. Budgets for U.S. federal government agencies, such as the Department of Homeland Security, include spending for identity initiatives and we believe that government agencies will continue to be key drivers for the growth and development of the market for advanced technology identity solutions.

Development of industry standards and requirements. Several organizations responsible for standards in a number of our markets have recently implemented requirements for the use of face recognition biometrics. We believe this will help stimulate the development of our target markets.

Growing use of biometrics. Governments are increasingly mandating biometrics as an integral component of identity solutions. This increased demand, coupled with the maturation of the technology, is driving the market adoption of biometrics.

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Increasing cost of identity theft and financial fraud. The growing direct and indirect cost of identity theft and financial fraud is increasing the pressure on businesses and individuals to accelerate the adoption of advanced technology identity solutions.

Convergence of physical and logical security systems. There is a growing need for governments and businesses to provide a highly secure, unified system for user authentication to both physical assets, such as buildings, and digital assets, such as computer networks.

Table of Contents

Our Strategy

Our objective is to be the leading provider of advanced technology identity solutions for governments, law enforcement agencies and businesses. Key elements of our strategy to achieve this objective include:

Focus on customer needs. We are committed to solving our customers' problems and will continue to develop and market solutions to meet their evolving increasingly complex identity security needs.

Continue to enhance and expand our product suite and solutions. We intend to continue to broaden our product and solution offerings to meet our customer needs. We intend to continue to engage in product development activities to expand the scope and enhance the performance of our solutions.

Leverage existing customer base to provide additional advanced technology identity solutions. Many of our customers do not yet use the full range of our total solutions offerings. Accordingly, we will continue to provide thought and product leadership to these customers as they migrate toward more sophisticated identity solutions.

Expand customer base both domestically and abroad. We intend to focus our sales efforts on broadening our customer base in both domestic and international markets.

Pursue strategic acquisitions and alliances. We intend to augment our competitive position through acquisitions and alliances.

Recent Operating Results

On July 21, 2003, we announced our unaudited consolidated financial results for the three and six months ended June 27, 2004. We reported revenue of approximately \$16.3 million for the second quarter of 2004, representing an increase of 85.2% over our revenue of approximately \$8.8 million for the second quarter of 2003. For the six months ended June 27, 2004, our revenue increased 68.4% from approximately \$16.9 million in the first six months of 2003 to approximately \$28.5 million in the first six months of 2004. Gross margins increased to 30.5% in the second quarter of 2004 from 22.3% in the second quarter of 2003. Gross margins increased to 29.2% for the first six months of 2004 from 19.6% for the first six months of 2003. Our net loss during the second quarter of 2004 was \$317,000, or \$0.01 per basic and diluted share, compared to a net loss during the comparable period of 2003 of \$1.4 million, or \$0.07 per basic and diluted share. For the first six months of 2004, our net loss was \$1.9 million, or \$0.06 per basic and diluted share, compared to a net loss during the comparable period of 2003 of \$3.7 million, or \$0.18 per basic and diluted share, excluding the one-time charge of \$12.1 million in connection with our change in accounting principle as of January 1, 2003. As of June 27, 2004 we had approximately \$12.6 million of cash and cash equivalents, and \$29.8 million in total debt obligations. In addition, our backlog was approximately \$171.0 million which will be reduced by \$19.7 million in the third quarter as a result of the settlement with Georgia. Our operating results for the three and six months ended June 27, 2004 include the impact of our acquisitions of ZN and TDT in the first quarter of 2004.

Corporate Information

We were incorporated in Delaware in May 1996. Our principal executive offices are located at 296 Concord Road, Third Floor, Billerica, Massachusetts 01821, our telephone number at that location is (978) 932-2200 and our website address is www.viisage.com. The information contained on, or that can be accessed through, our website is not a part of this prospectus.

Table of Contents

THE OFFERING

Common stock we are offering	7,200,000 shares
Common stock offered by the selling shareholders	300,000 shares
Common stock to be outstanding after the offering	43,070,327 shares
Nasdaq National Market symbol	VISG
Use of proceeds after expenses	We will use the proceeds of the common stock we are offering to repay approximately \$30.3 million of indebtedness and for general corporate purposes. We will not receive any proceeds from the sale of common stock by the selling shareholders. See Use of Proceeds.
Risk Factors	See Risk Factors beginning on page 7 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

The number of shares of common stock to be outstanding after this offering is based on the number of shares of common stock outstanding as of July 15, 2004, assumes no exercise of the underwriters' over-allotment option to purchase an additional 1,125,000 shares of common stock and does not include shares issuable upon the exercise of 4,550,621 options outstanding as of July 15, 2004 with a weighted-average exercise price of \$3.70 per share, or 812,469 shares issuable upon the exercise of warrants outstanding as of July 15, 2004 with a weighted-average exercise price of \$11.94 per share.

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL DATA**

The following table summarizes our consolidated financial data for the periods, and as of the dates, indicated. You should read the summary consolidated financial data set forth below in conjunction with Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and the accompanying notes thereto included elsewhere in this prospectus. The historical and as adjusted results presented here are not necessarily indicative of future results.

The as adjusted balance sheet data gives effect to the sale of 7,200,000 shares of our common stock in this offering at an assumed offering price of \$7.16 per share and after deducting underwriting discounts and commissions and estimated offering expenses.

	For the Years Ended			For the	
	December 31,			Three Months Ended(2)	
	2001(1)	2002(1)	2003(2)	March 30, 2003	March 28, 2004
	(unaudited)				
	(dollars in thousands, except per share data)				
Statement of Operations Data:					
Revenue	\$ 26,280	\$ 32,302	\$ 37,371	\$ 8,155	\$ 12,259
Cost of revenue	19,602	25,239	27,844	6,789	8,906
Gross margin	6,678	7,063	9,527	1,366	3,353
Operating expenses:					
Sales and marketing	809	5,368	5,282	1,411	1,493
Research and development	2,054	4,457	3,650	945	959
General and administrative	2,500	5,069	5,110	1,093	2,137
Acquisition expenses	1,639				
Restructuring charges		824			
Total operating expenses	7,002	15,718	14,042	3,449	4,589
Operating loss	(324)	(8,655)	(4,515)	(2,083)	(1,236)
Interest expense, net	(1,210)	(875)	(969)	(219)	(392)
Other income			18		21
Loss before income taxes and cumulative effect of change in accounting principle	(1,534)	(9,530)	(5,466)	(2,302)	(1,607)
Provision for income taxes			(63)	(63)	(25)
Loss before cumulative effect of change in accounting principle	(1,534)	(9,530)	(5,529)	(2,365)	(1,632)
Cumulative effect of change in accounting principle (3)			(12,131)	(12,131)	
Net loss	(1,534)	(9,530)	(17,660)	(14,496)	(1,632)
Preferred stock dividends	(5)				

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Loss applicable to common shareholders	\$ (1,539)	\$ (9,530)	\$ (17,660)	\$ (14,496)	\$ (1,632)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Basic and diluted loss per share before cumulative effect	\$ (0.09)	\$ (0.48)	\$ (0.26)	\$ (0.12)	\$ (0.05)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Basic and diluted net loss per share applicable to common shareholders (4)	\$ (0.09)	\$ (0.48)	\$ (0.82)	\$ (0.72)	\$ (0.05)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average basic and diluted common shares outstanding	16,265	20,046	21,445	20,258	31,362
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pro forma operating loss (for application of EITF 00-21)	\$ (494)	\$ (11,176)	\$ (5,529)	\$ (2,365)	