

Synacor, Inc.
Form S-1/A
December 23, 2011
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As filed with the Securities and Exchange Commission on December 22, 2011.

Registration No. 333-178049

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1
TO
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SYNACOR, INC.

(Exact Name of Registrant as Specified in its Charter)

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Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

7370
*(Primary Standard Industrial
Classification Code Number)*
40 La Riviere Drive, Suite 300

16-1542712
*(I.R.S. Employer
Identification Number)*

Buffalo, NY 14202

(716) 853-1362

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

Ronald N. Frankel

President and Chief Executive Officer

Synacor, Inc.

40 La Riviere Drive, Suite 300

Buffalo, NY 14202

(716) 853-1362

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

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

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, 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, check the following box and list the Securities Act registration statement number of earlier effective registration statement for the same offering. "

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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. "

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

Large accelerated filer Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Proposed Maximum Aggregate Offering Price (1)(2) | Amount of Registration Fee (1)(3) |
|---|--|--------------------------------------|
| Common stock, par value \$0.01 per share | \$75,000,000 | \$8,595 |

- (1) Includes offering price of shares of common stock that may be purchased by the underwriters to cover over-allotments, if any.
- (2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.
- (3) Of the total fee, \$5,947 was paid concurrently with the initial filing of this registration statement. Pursuant to Rule 457(p) under the Securities Act, the registration fee was offset by the \$2,648 registration fee previously paid by the registrant, Synacor, Inc., in connection with the registration statement on Form S-1 (File No. 333-145077) initially filed by the registrant on August 2, 2007 and subsequently withdrawn.

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.

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

Subject to Completion

Preliminary Prospectus dated December 22, 2011

PROSPECTUS

Shares

Common Stock

This is Synacor, Inc.'s initial public offering. We are selling _____ shares of our common stock.

We expect the public offering price to be between \$ _____ and \$ _____ per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on The NASDAQ Global Market under the symbol SYNC.

Investing in the common stock involves risks that are described in the Risk Factors section beginning on page 11 of this prospectus.

| | Per Share | Total |
|----------------------------------|------------------|--------------|
| Public offering price | \$ _____ | \$ _____ |
| Underwriting discount | \$ _____ | \$ _____ |
| Proceeds, before expenses, to us | \$ _____ | \$ _____ |

The underwriters may also exercise their option to purchase up to an additional _____ shares from us, at the public offering price less the underwriting discount, for 30 days after the date of this prospectus.

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

The shares will be ready for delivery on or about _____, _____.

BofA Merrill Lynch

Citigroup

Stifel Nicolaus Weisel

BMO Capital Markets

Needham & Company, LLC

Oppenheimer & Co.

The date of this prospectus is _____, _____.

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PROSPECTUS SUMMARY

This summary highlights selected information contained in greater detail elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our common stock. You should carefully read the entire prospectus, including Risk Factors and our financial statements and related notes, before making an investment decision. Unless the context otherwise requires, we use the terms Synacor, the company, we, us and our in this prospectus to refer to Synacor, Inc.

Our Business

We are a leading provider of authentication and aggregation solutions for delivery of online content and services. We deliver our solutions as a set of services through our hosted and managed platform, enabling cable and telecom service providers and consumer electronics manufacturers to provide the online content and services that their consumers increasingly demand. Our platform allows our customers to package a wide array of online content and services with their high-speed Internet, communications, television and other offerings. Our customers offer our services under their own brands on Internet-enabled devices such as PCs, tablets, smartphones and connected TVs. As of September 30, 2011, our high-speed Internet service provider customers used our platform to offer an engaging Internet experience to over 25% of the estimated 79 million United States high-speed Internet households.

Our hosted and managed platform allows our customers to enhance their consumers' online experience. Individuals are spending more time consuming online content at home and on the go, and as a result, it has become increasingly important for our customers to provide consumers with choice, a personalized experience and seamless, single sign-on, access to online content and services. We believe the increased functionality we offer through our platform results in an enhanced experience for consumers and a broadened relationship between our customers and their consumers, both of which increase the traffic associated with our platform. This increased traffic creates an opportunity, through our revenue-share agreements, for increased monetization for both us and our customers.

Our platform provides single sign-on capability, enabling consumers to seamlessly sign in and consume packaged online content and services from numerous programmers and content providers. These services include e-mail, security, online games, music and authentication of TV Everywhere, a technology enabling consumers with applicable rights to access on-demand television online via multiple devices including PCs, tablets, smartphones and connected TVs. We enable our customers to up-sell a menu of content and services to their consumers either on a pay-per-view basis or as a new service tier added to their existing subscription relationship.

Our customers direct consumers to their branded websites, which comprise the consumer-facing components of our platform, where consumers have access to the online content and services available to them at their respective subscription levels. We monetize the online traffic generated by these consumers through search and display advertising. We also charge fees for value added services delivered through our platform. Our business model creates deep customer relationships: as we monetize our customers' online traffic, we share a portion of this revenue with our customers, resulting in a mutually beneficial partnership.

We have historically experienced growth in the number of consumers whose online traffic can generate search and display advertising revenues through our platform. The number of these consumers who are subscribers through our high-speed Internet customers has increased from 5.2 million in December 2006 to 9.5 million in December 2009 to 21.1 million in September 2011. These subscribers, along with other consumers, such as those attributable to our consumer electronics manufacturer customer, have driven a 71% increase in average monthly unique visitors to our customers' websites, an 81% increase in average monthly search queries by consumers on our platform and a 64% increase in average monthly advertising impressions, each on a comparative quarterly basis since the first quarter of 2010.

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For the nine months ended September 30, 2011, our revenue was \$62.1 million, which represented a 29.3% increase over \$48.0 million in the same period in 2010. For the nine months ended September 30, 2011, our net income was \$2.2 million, compared to a net loss of \$3.2 million in the same period in 2010. For the nine months ended September 30, 2011, adjusted EBITDA was \$4.9 million compared to \$(0.5) million over the same period in 2010. Adjusted EBITDA is a non-GAAP financial measure, and thus should be considered in addition to, not as substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. For additional information on adjusted EBITDA, including its limitations, and for a reconciliation of adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, for each of these periods, see Selected Financial Data.

Market Overview

According to a June 2011 report published by PricewaterhouseCoopers LLP, or PwC, from 2006 through 2010, high-speed Internet penetration (measured on a household basis) has increased substantially both within the United States and globally, from 46% and 18% to 69% and 34%, respectively. This represents an increase from 50 million subscribers with high-speed Internet to 79 million subscribers in the United States, and from 248 million subscribers to 490 million subscribers globally. Individuals are spending more time online driven by a growing selection of online services, higher bandwidth speeds, the increased amount of content available online and the societal shift towards virtual socialization. According to a report published by Forrester Research, Inc., or Forrester, in May 2011, in 2010, people consumed 36% of their media on the Internet compared with only 19% in 2005. This growth in Internet usage has driven advertisers to expand their reach and market to these consumers who are increasingly spending their time online. According to the PwC report, Internet advertising is expected to continue to grow rapidly, with United States search advertising revenue growing at an average rate of approximately 10% per annum from 2011 to 2015, and United States display advertising revenue growing at an average rate of approximately 12% per annum over the same period. Taken together, the market for search and display advertising in the United States is expected to grow from \$21 billion in 2011 to \$31 billion in 2015.

High-speed Internet service providers have continuously upgraded their networks in recent years, providing users with significantly faster connection speeds and enabling online access through multiple types of devices, thus reinforcing and enabling the growth in Internet usage. These higher speeds and increased number of platforms have resulted in an increased number of services available online. In addition, the proliferation of new types of connected mobile devices, such as smartphones and tablets, has enabled consumers to increase the amount and type of content they consume online. Rapid innovations in technology have made it possible for users to easily transition between smartphones, tablets, laptops and desktops, thereby significantly increasing the total amount of time spent online and the quality of the viewing experience.

The rapid growth of online content offerings across a multitude of websites and applications, while embraced by consumers, has also created a new challenge, as consumers sometimes find it difficult to ascertain

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which online content they already have rights to access. Furthermore, the disaggregation of content forces consumers to sign on across multiple online platforms, making it cumbersome for them to access authorized content. Consumers want a simplified solution that allows them to sign on once and view all of their content in a seamless manner.

Increasingly available Internet connectivity, increases in high-speed Internet penetration and speed, and the expansion of online video content services, have driven explosive growth in consumption of video content delivered over the Internet to televisions, computers, tablets and smartphones, more commonly referred to as over-the-top (OTT). Nevertheless, the OTT landscape remains highly fragmented, making specific content often difficult to find or consume. We believe high-speed Internet providers that also provide television services face a growing threat of disintermediation from these OTT providers, and are increasingly seeking compelling solutions to help them compete.

The Synacor Solution

Our customers face a number of challenges, including responding to changing consumer preferences, maintaining relevance in the face of increasing competitive pressure, addressing OTT and finding new ways to increase their average revenue per subscriber. We tailored our platform to provide solutions to these challenges and to enable our customers to:

Deliver a compelling consumer experience. Our platform simplifies the consumer Internet experience by packaging online content and services with the goal of providing consumers easy access to the content they are entitled to receive anytime, anywhere, on any device.

Broaden relationships with consumers. We provide our customers with a platform that enables multiple touch points with consumers and increases engagement through an extensive offering of online content and services across multiple devices.

Increase monetization. We enable our customers to generate additional revenue by monetizing their consumer Internet traffic and packaging value added services which we partner with them to provide.

Our Strengths

Robust platform at scale. We benefit from scalable technology, our customers' large subscriber base and extensive relationships with content providers. By applying our proprietary platform and investment in research and development, we are able to offer our services to new and existing customers on what we believe are highly competitive terms. As a result, we believe our customers benefit from the decrease in capital expenditures and ongoing maintenance expense required to implement and operate their own platform. In addition, we believe that our scale enables us to obtain more favorable terms from third parties (such as search and display advertising partners) than our customers could obtain on their own. Finally, our customers' large subscriber base draws many programmers and content providers with whom we have content licensing agreements. We believe that our economies of scale make it difficult for our customers to cost-effectively develop comparable solutions in-house or for a competitor to replicate our comprehensive suite of solutions.

Flexible and easily integrated solution. Our flexible platform allows our customers to package content that meets the specific requirements of their consumers. We designed our platform to fully integrate with our customers' billing and subscriber management systems, enabling consumers to access content and services that they are authorized to receive across multiple devices. Our

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integration also provides our customers with an opportunity to package, cross-sell and up-sell premium content and additional tiers of service to their consumers.

Large and engaged consumer base. Over the three months ended September 30, 2011, we had an average of 14.1 million unique visitors per month, as measured by comScore. These unique visitor levels represent a large and engaged consumer base that has developed as we have attracted new customers and added more content and services to our platform. We have the ability to target specific consumer segments, enabling us to attract advertisers seeking to target specific local and national audiences.

Established customer relationships. We have long-term relationships with many of our customers which, together with what we believe is a high cost of switching (from our platform to another solution), have resulted in very low levels of customer turnover over time. While we derive a substantial majority of our revenue from a small number of customers, the majority of our revenue attributable to our established customers is generated through search and display advertising. Consumer search and page view behavior patterns on our platform have historically followed consistent patterns as our customers have made our offerings available to their consumers. The combination of established customer relationships, low customer turnover and historically consistent search and page view behavior patterns has generally provided us with a high level of visibility on our search and display advertising revenue once a new customer is brought online.

Well positioned in large and growing market. The market for Internet-delivered content has grown rapidly over the past several years. We believe we are one of the only companies that has a platform solution with the scale and functionality to allow the largest high-speed Internet service providers and consumer electronics manufacturers to develop or expand their online video or other online content offerings.

Our Strategy

We intend to:

Increase penetration and monetization of existing customers.

Acquire new customers.

Continue to invest in platform enhancements and technology solutions.

Expand internationally.

Risks Related to Our Business

Our business is subject to a number of risks that you should be aware of before making an investment decision. These risks are discussed more fully in **Risk Factors** beginning on page 11.

Some of these risks are:

We have a history of significant net losses and may not be profitable in future periods.

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Google Inc., or Google, accounts for a significant portion of our revenue, and any loss of, or diminution in, our business relationship with Google would materially and adversely affect our financial performance.

We derive a substantial portion of our revenue from a small number of customers, and a loss of any of these customers would likely negatively affect our financial performance.

Our sales growth will be adversely affected if we are unable to expand the breadth of our services and products or to introduce new services and products on a timely basis.

The market for Internet-based services and products in which we operate is highly competitive, and if we cannot compete effectively, our business may be harmed.

Our History and Corporate Information

Synacor was originally formed as a New York corporation in January 1998 with the name Chek, Inc., or Chek. Chek, an Internet messaging technology provider, designed and managed a proprietary messaging platform that supported the hosting of branded e-mail and time management applications. In December 2000, Chek acquired MyPersonal.com, Inc., or MyPersonal, through a recapitalization and stock swap and changed its name to CKMP, Inc. MyPersonal developed white-label Internet community portals and built and managed a flexible platform for delivering content-rich, branded portals to affinity groups with a focus on the educational marketplace. In July 2001, CKMP, Inc. changed its name to Synacor, Inc., and in November 2002, Synacor re-incorporated under the laws of the State of Delaware. MyPersonal remained a subsidiary of Synacor until May 2007 when it was dissolved. As of the date of this prospectus, Synacor has no subsidiaries.

Our corporate headquarters are located at 40 La Riviere Drive, Suite 300, Buffalo, New York 14202. Our telephone number is (716) 853-1362. Our website address is www.synacor.com. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus or in deciding whether to invest in our common stock.

Synacor® and other trademarks of Synacor appearing in this prospectus are the property of Synacor. All other service marks, trademarks and trade names appearing in this prospectus are the property of their respective holders. We do not intend our use or display of other companies trade names or trademarks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

Industry Data

We make statements in this prospectus about our industry, including statements about historical and projected future high-speed Internet subscribers and usage and online advertising expenditures. We have derived this information from reports and analyses prepared by third-party market research firms, including the following: PwC, Cisco Systems, Inc., or Cisco, Forrester, Google AdSense, DoubleClick, comScore and Veronis Suhler Stevenson, or VSS.

Key Business Metrics

In addition to the line items in our financial statements, we regularly review a number of business metrics related to Internet traffic and search and display advertising to evaluate our business, determine the allocation of resources and make decisions regarding business strategies. Specifically, we measure our business by using the following key business metrics: unique visitors, search queries and advertising impressions. We believe information on these metrics is useful for investors and analysts to understand the underlying trends in our business. For a description of how our key business metrics are defined and measured, see the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations Key Business Metrics.

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The Offering

Common stock offered by Synacor shares

Common stock to be outstanding after this offering shares

Use of proceeds We intend to use the net proceeds from this offering for working capital and other general corporate purposes. We may also use a portion of the net proceeds to acquire other businesses, products or technologies. We do not have agreements or commitments for any specific acquisitions at this time. See Use of Proceeds.

Dividend policy We do not anticipate paying cash dividends for the foreseeable future. See Dividend Policy.

Proposed trading symbol SYNC

The number of shares of our common stock to be outstanding following this offering is based on 39,990,379 shares of our common stock outstanding as of September 30, 2011, which assumes the conversion of all outstanding shares of our preferred stock, but excludes:

9,929,693 shares of common stock issuable upon exercise of options outstanding as of September 30, 2011 at a weighted average exercise price of \$0.93 per share; and

shares of common stock reserved for future issuance under our 2012 Equity Incentive Plan, which will become effective on the effective date of the registration statement of which this prospectus is a part.

Unless otherwise indicated, this prospectus reflects and assumes the following:

a 3-for-1 forward split of our common stock that became effective July 31, 2008;

the automatic conversion of all outstanding shares of our preferred stock into 34,790,277 shares of common stock concurrently with the closing of the offering;

the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws immediately prior to the closing of this offering; and

no exercise by the underwriters of their option to purchase up to an additional shares from Synacor in the offering. In addition, we anticipate effecting a -for- stock split prior to the completion of this offering. This prospectus does not reflect the effects of this stock split.

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Summary Financial and Other Data

The following tables summarize the financial and other data for our business for the periods presented. You should read this summary financial data in conjunction with Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes, all included elsewhere in this prospectus.

We derived the summary financial data for the years ended December 31, 2008, 2009 and 2010 and as of December 31, 2009 and 2010 from our audited financial statements and related notes, which are included in this prospectus. The summary financial data for the nine months ended September 30, 2010 and 2011 and as of September 30, 2011 are derived from our unaudited condensed financial statements appearing elsewhere in this prospectus. We have prepared the unaudited financial data on the same basis as the audited financial statements. We have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of the results that should be expected in the future, and our interim results are not necessarily indicative of the results that should be expected for the full year.

The pro forma basic and diluted net income (loss) per share attributable to common stockholders data for the year ended December 31, 2010 and for the nine months ended September 30, 2011 reflect the conversion of all of our outstanding shares of preferred stock into 34,790,277 shares of common stock in connection with this offering. See Note 1 of Notes to the Financial Statements and Note 1 of Notes to the Condensed Financial Statements Unaudited for an explanation of the method used to determine the number of shares used in computing pro forma basic and diluted net income (loss) per share.

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| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|--|---|-----------|-----------|------------------------------------|-----------|
| | 2008 | 2009 | 2010 | 2010 | 2011 |
| Statements of Operations Data: | (in thousands except share and per-share data) | | | | |
| Revenue | \$ 52,571 | \$ 60,798 | \$ 66,232 | \$ 48,041 | \$ 62,115 |
| Costs and operating expenses: | | | | | |
| Cost of revenue (1) | 28,575 | 34,074 | 36,703 | 26,907 | 32,872 |
| Research and development (1)(2) | 12,783 | 13,627 | 18,494 | 13,710 | 14,270 |
| Sales and marketing (2) | 5,732 | 5,591 | 6,211 | 4,597 | 5,811 |
| General and administrative (1)(2) | 4,997 | 4,966 | 5,656 | 3,941 | 4,887 |
| Withdrawn initial public offering expenses | 3,405 | | | | |
| Depreciation | 1,574 | 2,005 | 2,506 | 1,884 | 1,950 |
| Other operating expenses | 1,121 | | | | |
| Total costs and operating expenses | 58,187 | 60,263 | 69,570 | 51,039 | 59,790 |
| Income (loss) from operations | (5,616) | 535 | (3,338) | (2,998) | 2,325 |
| Other income (expense) | 156 | 69 | (2) | (17) | (18) |
| Interest expense | 294 | 285 | 240 | 189 | 64 |
| Income (loss) before income taxes | (5,754) | 319 | (3,580) | (3,204) | 2,243 |
| Provision for income taxes | 10 | 15 | 11 | 18 | 55 |
| Net income (loss) | (5,764) | 304 | (3,591) | (3,222) | 2,188 |