SPECTRASITE INC
Form 424B3
February 06, 2004

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Registration No. 333-112154
and 333- 112540

9,000,000 Shares
SpectraSite, Inc.
Common Stock

This is a public offering of shares of common stock of SpectraSite, Inc. All of the 9,000,000 shares of common stock are being sold by the selling stockholders. We will not receive any of the proceeds from the shares being sold by these selling stockholders.

On February 5, 2004, the last reported sale price of our common stock, which is quoted on the New York Stock Exchange under the ticker symbol SSI, was $35.50 per share. See Price Range of Common Stock.

See Risk Factors on page 10 to read about factors you should consider before buying shares of the common stock.

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

	Per Share	Total
Initial price to public	$35.00	$315,000,000
Underwriting discount	$ 1.40	$ 12,600,000
Proceeds to the selling stockholders	$33.60	$302,400,000

To the extent that the underwriters sell more than 9,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,350,000 shares from the selling stockholders at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on February 11, 2004.

Goldman, Sachs & Co.

Bear, Stearns & Co. Inc.
Citigroup
Lehman Brothers
Raymond James

Prospectus dated February 5, 2004.

PROSPECTUS SUMMARY

You should read this entire prospectus carefully, especially the Risk Factors section and the consolidated financial statements.

SpectraSite

Overview

We are one of the largest, in terms of number of towers, and fastest growing, in terms of revenue growth, wireless tower operators in the United States. Our business is owning, leasing and licensing antenna sites on wireless and broadcast towers, owning and licensing in-building shared infrastructure systems and managing access to rooftop telecommunications on commercial real estate. For the nine months ended September 30, 2003, 100% of our revenues came from our leasing and licensing operations.

We have a portfolio of over 7,500 towers, primarily located in the top 100 basic trading area, or BTA, markets in the United States. We believe that the growing use of wireless communications services together with capacity constraints in the top 100 BTA markets will continue to increase the demand for tower assets located in these markets and drive the growth of our business.

We emerged from bankruptcy on February 10, 2003. Under our Plan of Reorganization, we extinguished $1.76 billion of indebtedness. Our reorganization is discussed in greater detail in other sections of this prospectus.

Our business is characterized by stable and recurring revenues, predictable operating costs and a low level of capital expenditures. We expect to continue to increase our revenues by adding new customers to our towers and by providing additional space to our existing customers. Revenues from our existing customers are expected to grow because of contractual provisions that increase our customers payments to us on an annual basis. We also experience minimal customer turnover due to long-term customer contracts, the quality of our assets and the significant relocation costs for our existing customers. Approximately 83% of our revenues from our site leasing and licensing operations are derived from the six largest wireless service providers and their affiliates. For the nine months ended September 30, 2003, two of these wireless service providers and their affiliates were responsible for 51% of our revenues from our site leasing and licensing operations. In addition, we currently operate with the lowest levels of debt and leverage among publicly traded tower companies.

We incurred a net loss of approximately $6.1 million in the eight months ended September 30, 2003 and generated net income of $345.0 million in the one month ended January 31, 2003. Our net income for the one month ended January 31, 2003 includes non-recurring amounts related to our reorganization, including a gain on debt discharge of approximately $1.03 billion and reorganization expense items of $668.6 million. We incurred net losses of approximately $775.0 million in 2002, $654.8 million in 2001 and $157.6 million in 2000. As of December 31, 2002, prior to our emergence from bankruptcy, we had an accumulated deficit of $1.7 billion and a stockholders deficit of $75.1 million.

Our Business

Our business consists of site leasing and licensing operations. As of September 30, 2003, we owned or operated 7,437 wireless towers and in-building systems and 72 broadcast towers. We have major metropolitan market clusters in Los Angeles, Chicago, San Francisco, Philadelphia, Detroit and Dallas. Our principal business is the leasing of space on our antenna sites to wireless carriers, which represents more than 93% of our monthly revenues. Additionally, we have the exclusive rights to provide in-building systems to wireless carriers in over 300 retail

shopping malls, casino/hotel resorts and office buildings. We are also the exclusive site manager for over 10,000 rooftop real estate properties in the United States. Because the costs of operating a tower are largely fixed, we believe that our highest returns will be achieved by leasing and licensing additional space on our existing sites.

Recent Developments

Unaudited Fourth Quarter 2003 Results. On February 2, 2004, we reported unaudited results for the fourth quarter ended December 31, 2003. As a result of the implementation of fresh start accounting as of January 31, 2003, our financial statements after that date are not comparable to our financial statements for prior periods because of the differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company.

Total revenues for the fourth quarter of 2003 were $81.6 million, compared to $74.9 million for the fourth quarter of 2002, representing an increase of 8.9%. Net of the revenues contributed by the 545 SBC towers that we sold in February, 2003, revenues increased 16.6% from the fourth quarter of 2002 to the fourth quarter of 2003. Operating income for the fourth quarter of 2003 was $16.6 million, an increase from an operating loss of $11.8 million for the same period in 2002.

Other expense during the fourth quarter of 2003 was $0.8 million as compared to $1.7 million during the fourth quarter of 2002. Other expense items during the fourth quarter of 2003 primarily related to losses incurred on disposal of property, plant and equipment.

Our net loss was $13.6 million for the fourth quarter of 2003 versus a net loss of $60.3 million during the fourth quarter of 2002. Basic net loss per share was $0.29 during the fourth quarter of 2003 as compared to a basic net loss of $0.39 per share during the fourth quarter of 2002.

Adjusted EBITDA increased 29.6% to $41.5 million during the fourth quarter of 2003 from $32.0 million during the same period in the prior year. Net of the contribution from 545 SBC towers sold by us in February 2003, Adjusted EBITDA increased 45.2% from the fourth quarter of 2002 to the fourth quarter of 2003. Other expense items in the amount of $0.8 million during the fourth quarter of 2003 and $1.7 million during the fourth quarter of 2002 are included in the Adjusted EBITDA calculations.

Net cash provided by operating activities decreased to $29.5 million during the fourth quarter of 2003 as compared to net cash provided by operating activities of $34.8 million during the fourth quarter of 2002, primarily due to normal fluctuations in working capital. Purchases of property and equipment during the fourth quarter of 2003 were $11.6 million, an increase from $8.8 million for the same period in 2002. Free cash flow, defined as net cash provided by operating activities less purchases of property and equipment, during the fourth quarter of 2003 was $18.0 million as compared to free cash flow of $26.0 during the prior year s period. At December 31, 2003, we had $60.4 million of cash on hand and $639.6 million of long term debt. During the fourth quarter of 2003, we leased or subleased 56 SBC towers, for which we paid approximately $15.6 million in cash.

Adjusted EBITDA for periods after January 31, 2003 consists of net income (loss) before depreciation, amortization and accretion, interest, income tax expense (benefit) and, if applicable, before discontinued operations and cumulative effect of change in accounting principle. For periods prior to January 31, 2003, Adjusted EBITDA also excludes gain on debt discharge, reorganization items, and write-offs of investments in and loans to affiliates. We use a different definition of Adjusted EBITDA for the fiscal periods prior to our reorganization to enable investors to view our operating performance on a consistent basis before the impact of the items discussed above on the predecessor company. Each of these historical items was incurred prior

to, or in connection with, our reorganization and is excluded from Adjusted EBITDA to reflect the results of our core operations. Adjusted EBITDA may not be comparable to a similarly titled measure employed by other companies and is not a measure of performance calculated in accordance with accounting principles generally accepted in the United States. For a discussion of non-GAAP financial measures, including their usefulness to investors and material limitations, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures.

Adjusted EBITDA for the three months ended December 31, 2002 and 2003, was calculated as follows:

	Predecessor Company Three Months Ended December 31, 2002	Reorganized Company Three Months Ended December 31, 2003
	(in thousands)	
Net loss	$(60,293)	$(13,634)
Depreciation, amortization and accretion expense	45,580	25,794
Interest income	(330)	(177)
Interest expense	39,026	10,435
Reorganization expense	2,475	
Income tax expense	637	1,486
Loss from operations of discontinued segment, net of income tax expense	3,578	643
Loss on disposal of discontinued segment	1,357	16,977
Adjusted EBITDA	$ 32,030	$ 41,524

Free cash flow for the three months ended December 31, 2002 and 2003, was calculated as follows:

	Predecessor Company Three Months Ended December 31, 2002	Reorganized Company Three Months Ended December 31, 2003
	(in thousands)	
Net cash provided by operating activities	$34,753	$ 29,540
Less: Purchases of property and equipment	(8,750)	(11,569)
Free cash flow	$26,003	$ 17,971

Amendments to Credit Facility. Effective October 24, 2003, we completed an amendment to our credit facility to replace the existing term loan with a new term loan that is substantially the same as the existing term loan, except that the interest rate was reduced from, at our option, Canadian Imperial Bank of Commerce s base rate plus 2.75% per annum or the Eurodollar rate plus 4.00% per annum to Canadian Imperial Bank of Commerce s base rate plus 1.75% per annum or the Eurodollar rate plus 3.00% per annum.

We have asked our lenders to approve an amendment to our credit facility which, if completed, would replace the term loan portion of our credit facility with a new term loan that is substantially the same as the existing term loan, except that the interest rate will be reduced from, at our option, Canadian Imperial Bank of Commerce s base rate plus 1.75% per annum or the Eurodollar rate plus 3.00% per annum to Canadian Imperial Bank of Commerce s base rate

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plus 1% per annum or the Eurodollar rate plus 2.25% per annum. The proposed amendment would also provide that the interest rate margins would automatically be further reduced if our credit ratings improve. There can be no assurance that the lenders will agree to complete the amendment.

Secondary Offering and NYSE Listing. On October 8, 2003, we completed an underwritten public offering of our common stock, whereby 10.35 million shares of common stock were sold by four of our existing stockholders, including an over-allotment option exercised by the underwriters. The selling stockholders received net proceeds of $292.0 million from the offering. In connection with this offering, we incurred costs of approximately $1.2 million in the three months ended September 30, 2003, which are included in Other income (expense). In connection with the offering, on October 3, 2003, our common stock began trading on the New York Stock Exchange under the symbol SSI .

Discontinuation of Broadcast Services Division. On December 16, 2003, we decided to discontinue our broadcast services division, after evaluating the broadcast services sector and the continuing trend of declining sales and profitability. The assets and liabilities associated with this division have been classified as held for sale. The results of broadcast services operations have been reported separately as discontinued operations in the balance sheets and statements of operations. Prior period financial statements have been restated to present the operations of the division as a discontinued operation.

Reorganization. The financial difficulties experienced by the telecommunications and broadcast industries in recent years have severely impacted capital availability within the wireless telecommunications and broadcast sectors. Many of our customers were forced to reduce scheduled capital expenditures, which in turn impeded our revenue and earnings growth and, therefore, our ability to service our long-term debt. In November 2002, after a review of our business and our prospects, we concluded that recoveries to creditors and equity holders would be maximized by a consensual restructuring implemented under chapter 11 of the Bankruptcy Code. In connection with this restructuring, we extinguished $1.76 billion of indebtedness in return for issuing approximately 47.5 million shares of our common stock. Also, in connection with this restructuring, all of our common stock outstanding prior to our bankruptcy was cancelled in exchange for warrants to purchase an aggregate of approximately 2.5 million shares of our common stock.

Our operating subsidiaries, including SpectraSite Communications, Inc., or Communications, were not part of the bankruptcy reorganization. Our senior management team remained with us through the reorganization. After our emergence from bankruptcy, our largest stockholders are affiliates of Apollo Management V, L.P. and certain funds managed by Oaktree Capital Management, LLC.

The Offering

Common stock offered by the selling stockholders	9,000,000 shares
Common stock outstanding before and after this offering	47,750,453 shares
Dividend policy	We have not paid any cash dividends on our common stock in the past and currently do not expect to pay dividends or make any other distributions on our common stock in the immediate future.
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholders.
New York Stock Exchange symbol	SSI

All of the shares of common stock in this offering are being sold by the selling stockholders.

The number of shares of common stock outstanding before and after this offering excludes 5,222,799 shares of common stock issuable upon exercise of outstanding stock options, an additional 393,978 shares of common stock available for future awards under our equity incentive plan, 2,496,854 shares of common stock issuable upon exercise of outstanding warrants and 135,866 shares of common stock issuable in connection with further distributions pursuant to our Plan of Reorganization.

Except as otherwise indicated, information regarding the number of shares of our common stock reflects amounts outstanding as of December 31, 2003 and gives effect to our two-for-one stock split that was effected on August 21, 2003.

As of December 31, 2003, the selling stockholders held approximately 47.0% of our outstanding common stock. After giving effect to this offering and assuming the full exercise of the underwriters option to purchase 1,350,000 additional shares, the selling stockholders will own approximately 25.2% of our outstanding common stock as of February 5, 2004.

Unless otherwise indicated, the information in this prospectus assumes that the underwriters will not exercise the over-allotment option granted to them by the selling stockholders.

Risk Factors

See Risk Factors following this summary for a discussion of some of the risks relating to investing in our common stock.

Information About SpectraSite

We were incorporated in Delaware in 1997. Our principal executive offices are located at 400 Regency Forest Drive, Cary, North Carolina 27511, and our telephone number at that address is (919) 468-0112. Our World Wide Web site address is www.spectrasite.com. The information in our website is not part of this prospectus.

Summary Consolidated Financial and Other Data

The following table sets forth summary historical consolidated financial and other data. We refer to the periods prior to our emergence from chapter 11 as predecessor company and to the periods subsequent to that date as reorganized company. The balance sheet data as of December 31, 2000, 2001 and 2002 and the statement of operations data for the years ended December 31, 2000, 2001 and 2002 are derived from our audited consolidated financial statements. The balance sheet data as of September 30, 2002, January 31, 2003 and September 30, 2003 and the statement of operations data for the nine months ended September 30, 2002 and for the one month ended January 31, 2003 for the predecessor company and for the eight months ended September 30, 2003 for the reorganized company are derived from our unaudited financial statements. In our opinion, the unaudited financial data include all adjustments (consisting only of normal recurring adjustments for the predecessor company for the nine months ended September 30, 2002 and normal recurring adjustments and fresh start accounting adjustments for the predecessor company for the one month period ended January 31, 2003 and for the reorganized company for the eight months ended September 30, 2003) necessary to present fairly the information set forth therein.

On December 31, 2002, we sold our network services division. On December 16, 2003, we decided to discontinue our broadcast services division. The results of the network and broadcast services divisions operations have been reported separately as discontinued operations in the balance sheets and statements of operations. Prior period information has been restated to present the operations of the network and broadcast services divisions as discontinued operations.

As a result of the implementation of fresh start accounting as of January 31, 2003, our financial statements after that date are not comparable to our financial statements for prior periods because of the differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company. Operating results for the one month ended January 31, 2003 for the predecessor company and for the eight months ended September 30, 2003 for the reorganized company are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

The information set forth below should be read in conjunction with Use of Proceeds, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Predecessor Company(1)					Reorganized Company(1)
	Year Ended December 31,			Nine Months Ended September 30, 2002(2)	One Month Ended January 31, 2003(2)	Eight Months Ended September 30, 2003(2)
	2000	2001	2002			
	(dollars in thousands)					
Statement of Operations Data:						
Revenues	$ 117,970	$ 221,735	$ 282,525	$ 207,615	$ 25,626	$ 208,173
Operating expenses:						
Costs of operations (excluding depreciation, amortization and accretion expense)	$ 46,667	$ 91,694	$ 108,540	$ 79,675	$ 8,901	$ 68,859
Selling, general and administrative expenses	42,977	65,540	54,812	42,543	4,003	33,027
Depreciation, amortization and accretion expense(3)	76,986	163,628	188,176	142,596	15,930	67,404
Restructuring and non-recurring charges		140,871	27,394	27,394		
Total operating expenses	166,630	461,733	378,922	292,208	28,834	169,290
Operating income (loss)	$ (48,660)	$ (239,998)	$ (96,397)	$ (84,593)	$ (3,208)	$ 38,883
Gain on debt discharge					1,034,764	
Income (loss) from continuing operations	$ (163,812)	$ (658,935)	$ (338,558)	$ (283,200)	$ 1,026,474	$ (4,112)
Statement of Cash Flows Data:						
Net cash provided by (used in) operating activities	$ 11,365	$ (12,133)	$ 36,286	$ 1,533	$ 5,892	$ 67,422
Net cash provided by (used in) investing activities	(1,108,690)	(984,724)	(69,966)	(54,465)	(2,737)	63,543
Net cash provided by (used in) financing activities	1,612,200	475,751	83,094	85,631	(10,884)	(148,347)
Purchases of property and equipment	658,283	958,945	71,248	52,431	2,737	10,143
Balance Sheet Data (at end of period):						
Cash and cash equivalents	$ 552,653	$ 31,547	$ 80,961	$ 64,246	$ 73,442	$ 55,850
Total assets	3,054,105	3,203,425	2,578,456	2,622,633	2,577,575	1,527,471
Total long-term obligations	1,708,273	2,326,012	791,992	796,110	849,240	677,516
Liabilities subject to compromise			1,763,286		1,763,286	
Total stockholders equity (deficit)	1,224,800	719,345	(75,127)	(16,450)	(96,678)	682,092
Selected Operating Data:						
Adjusted EBITDA(4)	$ 19,752	$ (143,227)	$ 80,959	$ 48,929	$ 12,229	$ 104,351
Number of owned or operated towers (at end of period)	5,030	7,925	8,036	7,999	8,036	7,509

(1) On February 10, 2003, we emerged from chapter 11. In accordance with AICPA Statement of Position 90-7 *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7), we adopted fresh start accounting as of January 31, 2003 and our emergence from chapter 11 resulted in a new reporting entity. Under fresh start accounting, the reorganization value of the entity is allocated to the entity s assets based on fair values, and liabilities are stated at the present value of amounts to be paid determined at appropriate current interest rates. The net effect of all fresh start accounting adjustments resulted in a charge of $644.7 million, which is reflected in the statement of operations for the one month ended January 31, 2003. The effective date is considered to be the close of business on January 31, 2003 for financial reporting purposes. The periods presented prior to January 31, 2003 have been designated predecessor company and the periods subsequent to January 31, 2003 have been designated reorganized company. As a result

of the implementation of fresh start accounting as of January 31, 2003, our financial statements after the effective date are not comparable to our financial statements for prior periods because of differences in the bases of accounting and the capital structure for the predecessor company and the reorganized company.

(2) On February 10, 2003, we sold 545 SBC towers to Cingular. See Management s Discussion and Analysis of Financial Condition and Results of Operations Tower Acquisitions and Dispositions for a discussion of the impact of the sale of these towers on our results of operations and financial position.

(3) Depreciation, amortization and accretion expense for the one-month and eight-month periods are not proportional because the predecessor company and the reorganized company used different bases of accounting.

(4) Adjusted EBITDA consists of net income (loss) before depreciation, amortization and accretion, interest, income tax expense (benefit) and, if applicable, before discontinued operations and cumulative effect of change in accounting principle. For the periods prior to January 31, 2003, Adjusted EBITDA also excludes gain on debt discharge, reorganization items and writeoffs of investments in and loans to affiliates. We use a different definition of Adjusted EBITDA for the fiscal periods prior to our reorganization to enable investors to view our operating performance on a consistent basis before the impact of the items discussed above on the predecessor company. Each of these historical items was incurred prior to, or in connection with, our bankruptcy and is excluded from Adjusted EBITDA to reflect, as accurately as possible, the results of our core operations. Management does not expect any of our pre-reorganization items to have a material financial impact on our operations on a going-forward basis because none of these pre-reorganization items is expected to occur in the foreseeable future. Investors may use both of these definitions of Adjusted EBITDA to evaluate and compare the results of our operations from period to period before the impact of our capital structure (primarily interest charges from our outstanding debt) and asset base (primarily depreciation and amortization) on our operating results. We more fully discuss Adjusted EBITDA and the limitations of this financial measure under Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures Adjusted EBITDA.

Adjusted EBITDA was calculated as follows for the periods indicated:

	Predecessor Company					Reorganized Company
	Year Ended December 31,			Nine Months Ended September 30,	One Month Ended January 31,	Eight Months Ended September 30,
	2000	2001	2002	2002	2003	2003
	(in thousands)					
Net income (loss)	$(157,616)	$(654,769)	$(774,984)	$(714,691)	$ 344,970	$ (6,052)
Depreciation, amortization and accretion expense	76,986	163,628	188,176	142,596	15,930	67,404
Interest income	(28,391)	(17,037)	(855)	(525)	(137)	(639)
Interest expense	134,664	212,174	226,536	187,510	4,721	40,428
Gain on debt discharge					(1,034,764)	
Reorganization expense			4,329	1,854		
Writeoff of investments in affiliates		129,404				
Writeoff of loans to affiliates		26,980				
Income tax expense	305	559	1,331	694	5	1,270
Reorganization items:						
Adjust accounts to fair value					644,688	
Professional and other fees					23,894	
Loss (income) from operations of discontinued divisions, net of income taxes	(6,196)	(4,166)	12,689	9,111	686	1,344
Loss on disposal of discontinued divisions			46,984	45,627		596
Cumulative effect of change in accounting principle			376,753	376,753	12,236	
Adjusted EBITDA	$ 19,752	$(143,227)	$ 80,959	$ 48,929	$ 12,229	$104,351

RISK FACTORS

Investing in our common stock involves substantial risks. In addition to the other information in this prospectus, you should carefully consider the following factors before investing in our common stock.

We recently emerged from a chapter 11 bankruptcy reorganization, have a history of losses and may not achieve and maintain profitability.

Because we recently emerged from bankruptcy and have a history of losses, we cannot assure you that we will achieve and maintain profitability in the future. We emerged from our chapter 11 bankruptcy reorganization as a new reporting entity on February 10, 2003, approximately three months after filing a voluntary petition for bankruptcy reorganization. Prior to our reorganization, we incurred net losses of approximately $157.6 million in 2000, $654.8 million in 2001 and $775.0 million in 2002. In connection with our reorganization, we adopted fresh start accounting as of January 31, 2003. The net effect of all fresh start accounting adjustments resulted in a charge of $644.7 million, which is reflected in the statement of operations for the one month ended January 31, 2003. If we cannot achieve and maintain profitability, the value of your investment in our company may decline.

You may not be able to compare our historical financial information to our current financial information, which will make it more difficult to evaluate an investment in our company.

As a result of our emergence