

ALLIANCE DATA SYSTEMS CORP
Form S-3/A
October 22, 2003

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

As filed with the Securities and Exchange Commission on October 22, 2003

Registration No. 333-109713

Securities and Exchange Commission

Washington, D.C. 20549

Amendment No. 1

to

FORM S-3

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

Alliance Data Systems Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

31-1429215

(I.R.S. Employer
Identification Number)

17655 Waterview Parkway

Dallas, Texas 75252

Telephone: (972) 348-5100

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

J. MICHAEL PARKS

Chairman of the Board, Chief Executive Officer and President

17655 Waterview Parkway

Dallas, Texas 75252

Telephone: (972) 348-5100

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

With a copy to:

MICHAEL E. DILLARD, P.C.

ALEX FRUTOS

Akin Gump Strauss Hauer & Feld LLP

1700 Pacific Avenue, Suite 4100

Dallas, Texas 75201

Telephone: (214) 969-2800

Facsimile: (214) 969-4343

WILLIAM M. RUSTUM

Gibson, Dunn & Crutcher LLP

200 Park Avenue

New York, New York 10166

Telephone: (212) 351-4000

Facsimile: (212) 351-4035

Approximate date of commencement of proposed sale to the public:

As soon as practicable on or after the effective date of this Registration Statement.

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

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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, 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 under the Securities Act, please check the following box:

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 Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED OCTOBER 22, 2003

The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS

7,533,376 Shares

Common Stock

All of the shares of the common stock in the offering are being sold by Limited Commerce Corp. We will not receive any of the proceeds from the sale of shares of common stock by Limited Commerce Corp.

Our common stock is listed on the New York Stock Exchange under the symbol "ADS." The last reported sale price of our common stock on the New York Stock Exchange on October 21, 2003 was \$28.25 per share.

See "Risk Factors" beginning on page 7 to read about risks you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body 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
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Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to Limited Commerce Corp.	\$	\$

Welsh, Carson, Anderson & Stowe VI, L.P. and Welsh, Carson, Anderson & Stowe VII, L.P. have together granted to the underwriters a 30-day option to purchase up to an additional 1,130,006 shares of our common stock on the same terms and conditions as set forth above, solely to cover over-allotments, if any.

Delivery of the shares of common stock is expected to be made in New York, New York on or about _____, 2003.

Bear, Stearns & Co. Inc.
Adams, Harkness & Hill, Inc.

Credit Suisse First Boston

JPMorgan

Lehman Brothers

SunTrust Robinson Humphrey

Wachovia Securities

The date of this prospectus is _____, 2003.

PROSPECTUS SUMMARY

This summary contains basic information about us and the offering. Because it is a summary, it does not contain all the information that you should consider before investing. You should read the entire prospectus carefully, including the risk factors, and our financial statements and the related notes to those statements and the documents and information incorporated by reference in this prospectus. Unless otherwise indicated, all information in this prospectus assumes that the underwriters will not exercise their over-allotment option.

Our Company

We are a leading provider of transaction services, credit services and marketing services in North America. We focus on facilitating and managing electronic transactions between our clients and their customers through multiple distribution channels including in-store, catalog and the Internet. Our credit and marketing services assist our clients in identifying and acquiring new customers, as well as helping to increase the loyalty and profitability of their existing customers. We have a client base in excess of 300 companies, consisting mostly of specialty retailers, petroleum retailers, utilities, supermarkets and financial services companies. We generally have long-term relationships with our clients, with contracts typically ranging from three to five years in duration.

Our corporate headquarters are located at 17655 Waterview Parkway, Dallas, Texas 75252, and our telephone number is 972-348-5100.

Our Products and Services

Our products and services are centered around three core capabilities – Transaction Services, Credit Services and Marketing Services. We have traditionally marketed and sold our products and services on a stand-alone basis but increasingly market and sell them on a bundled and integrated basis. Our products and services and target markets are listed below.

Segment	Products and Services	Target Markets
Transaction Services	Issuer Services	Specialty Retail
	Card Processing	Utility
	Billing and Payment Processing	Petroleum Retail

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Segment	Products and Services	Target Markets
	Customer Care	
	Utility Services	
	Customer Information System Hosting	
	Customer Care	
	Billing and Payment Processing	
	Merchant Services	
	Point-of-Sale Services	
	Merchant Bankcard Services	
Credit Services	Private Label Receivables Financing	Specialty Retail
	Underwriting and Risk Management	Petroleum Retail
	Merchant Processing	
	Receivables Funding	
Marketing Services	Loyalty Programs	Financial Services
	AIR MILES® Reward Program	Supermarkets
	One-to-One Loyalty	Petroleum Retail
	Marketing Services	Specialty Retail
		Utility

1

Our Market Opportunity and Growth Strategy

Our services are applicable to the full spectrum of commerce opportunities involving companies that sell products and services to individual consumers. We are well positioned to benefit from trends favoring outsourcing and electronic transactions. Many companies, including retailers, petroleum companies and utilities, lack the economies of scale and core competencies necessary to support their own transaction processing infrastructure and credit card and database operations. Companies are also increasingly outsourcing the development and management of their marketing programs. Additionally, the use of card-based forms of payment by consumers in the United States has steadily increased over the past ten years. According to The Nilson Report, consumer expenditures in the United States using card-based systems are expected to grow from 32% of all payments in 2001 to 46% in 2010.

Our growth strategy is to pursue initiatives to capitalize on our market position and core competencies. Key elements of our strategy are:

expanding relationships with our base of over 300 clients by offering them integrated transaction processing and marketing services;

expanding our client base in existing market sectors;

continuing to establish long-term relationships with our clients that result in a stable and recurring revenue base; and

pursuing focused, strategic acquisitions and alliances to enhance our core capabilities, increase our scale or expand our range of services.

Recent Developments

On October 15, 2003, we announced our third quarter 2003 results. Total third quarter revenue increased 16.9% to \$255.7 million compared to \$218.7 million for the third quarter of 2002. Net income increased 138.5% to \$18.6 million for the third quarter of 2003, or \$0.23 per diluted share, compared to \$7.8 million, or \$0.10 per diluted share, for the third quarter of 2002. EBITDA for the third quarter of 2003 increased 30.4% to \$51.5 million compared to \$39.5 million for the third quarter of 2002. Transaction Services revenue increased 13.6% in the third quarter of 2003 to \$152.2 million. Credit Services revenue increased 26.3% in the third quarter of 2003 to \$107.0 million. Marketing Services revenue increased 10.7% in the third quarter of 2003 to \$68.1 million. See "Use of Non-GAAP Financial Measures" set forth herein for a discussion of

our use of EBITDA and Operating EBITDA and a reconciliation to net income, the most directly comparable GAAP financial measure.

2

The Offering

Common stock offered by Limited Commerce Corp.	7,533,376 shares
Common stock offered by affiliates of Welsh Carson in the over-allotment option	1,130,006 shares
Common stock to be outstanding after the offering	79,639,927 shares
Use of proceeds	We will not receive any of the proceeds from the offering.
New York Stock Exchange symbol	"ADS"

Selling Stockholders

Limited Commerce Corp., which is offering to sell 7,533,376 shares under this prospectus, is our second largest stockholder and a wholly owned subsidiary of Limited Brands, Inc. Limited Brands, together with its retail affiliates, is our largest client, representing approximately 18.8% of our 2002 consolidated revenue. Prior to this offering, Limited Commerce Corp. beneficially owned approximately 9.5% of our common stock and Welsh Carson beneficially owned approximately 47.9% of our common stock. Upon the completion of this offering, assuming all the shares Limited Commerce Corp. is offering are sold, Limited Commerce Corp. will no longer own any of our common stock and will no longer have the right to designate any nominees for election to our board of directors. Messrs. Soll and Finkelman are the current designees of Limited Commerce Corp., whose terms expire in 2004 and 2005, respectively. Welsh Carson, through two of its affiliated entities, has granted the underwriters a 30-day option to purchase up to an additional 1,130,006 shares to cover over-allotments. Welsh Carson is our largest stockholder. If the underwriters exercise their over-allotment option in full, Welsh Carson will beneficially own approximately 46.5% of our common stock. After the offering, Welsh Carson will continue to have the right to designate up to three of the nominees for election to our board of directors as long as it continues to own at least 20% of our common stock. Messrs. Anderson, de Nicola and Minicucci are the current designees of Welsh Carson, whose terms expire in 2005, 2004, and 2006, respectively.

3

Summary Consolidated Financial Data

The following table provides our summary consolidated financial data for the periods ended and as of the dates indicated. You should read the summary consolidated financial data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus and with our consolidated annual and interim financial statements and related notes incorporated by reference in this prospectus.

	For the year ended December 31,			For the six months ended June 30,	
	2000	2001	2002	2002	2003
(amounts in thousands, except per share data)					
Income statement data					
Total revenue	\$ 678,195	\$ 777,351	\$ 871,451	\$ 415,880	\$ 487,756
Cost of operations	547,985	603,493	668,231	325,476	366,946
General and administrative	32,201	45,431	56,097	24,898	27,890
Depreciation and other amortization	26,265	30,698	41,768	19,166	26,295
Amortization of purchased intangibles	49,879	43,506	24,707	13,395	9,462

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	For the year ended December 31,			For the six months ended June 30,	
Total operating expenses	656,330	723,128	790,803	382,935	430,593
Operating income	21,865	54,223	80,648	32,945	57,163
Other expenses	2,477	6,025	834	834	4,275
Fair value loss on interest rate derivative		15,131	12,017	5,260	1,945
Interest expense	38,870	30,097	21,215	11,294	11,663
Income (loss) before income taxes	(19,482)	2,970	46,582	15,557	39,280
Income tax expense	1,841	11,202	20,379	7,706	15,019
Net income (loss)	\$ (21,323)	\$ (8,232)	\$ 26,203	\$ 7,851	\$ 24,261
Net income (loss) per share basic	\$ (0.60)	\$ (0.18)	\$ 0.35	\$ 0.11	\$ 0.32
Net income (loss) per share diluted	\$ (0.60)	\$ (0.18)	\$ 0.34	\$ 0.10	\$ 0.31
Weighted average shares used in computing per share amounts basic	47,538	64,555	74,422	74,040	76,467
Weighted average shares used in computing per share amounts diluted	47,538	64,555	76,696	76,690	78,465
EBITDA and Operating EBITDA(1)					
EBITDA	\$ 98,009				