

Spansion Inc.
Form S-1
September 17, 2010
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As filed with the Securities and Exchange Commission on September 17, 2010

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SPANSION INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

3674
(Primary Standard Industrial
Classification Code Number)

20-3898239
(I.R.S. Employer
Identification Number)

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915 DeGuigne Drive

P.O. Box 3453

Sunnyvale, CA 94088

(408) 962-2500

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

John H. Kispert

President and Chief Executive Officer

Spansion Inc.

915 DeGuigne Drive

P.O. Box 3453

Sunnyvale, CA 94088

(408) 962-2500

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

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Approximate date of commencement of the proposed sale to the public:

As soon as practicable after this Registration Statement becomes effective.

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

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

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

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

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered ⁽¹⁾	Proposed Maximum Offering Price per Share ⁽²⁾	Proposed Maximum Aggregate Offering Price ⁽²⁾	Amount of Registration Fee ⁽³⁾
Class A Common Stock, par value \$0.001 per share	7,762,500 shares	\$14.54	\$112,866,750	\$8,047.40

(1) Includes 1,013,856 shares of common stock subject to the underwriters' over-allotment option to purchase additional shares.

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended.

(3) Calculated pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low trading prices for the common stock on The New York Stock Exchange on September 16, 2010.

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 preliminary prospectus is not complete and may be changed. These securities may not be sold 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.

PRELIMINARY PROSPECTUS

Subject to Completion, dated September 17, 2010.

6,750,000 Shares

Common Stock

We are offering 6,750,000 shares of our common stock.

Our common stock is traded on the New York Stock Exchange under the symbol CODE. On September 16, 2010, the last reported sale price of our common stock was \$14.79 per share.

See Risk Factors on page 9 to read about factors you should consider before buying shares of our common stock.

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 Spansion		

To the extent that the underwriters sell more than 6,750,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,012,500 shares from us at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares on or about _____, 2010.

Morgan Stanley

**Barclays
Capital**

Prospectus dated _____, 2010.

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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PROSPECTUS SUMMARY

This summary highlights information contained in greater detail elsewhere in this prospectus. This summary may not contain all the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including Risk Factors beginning on page 9 and our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision. Unless otherwise indicated, the terms Spansion, we, us and our refer to Spansion Inc. and its subsidiaries.

Overview

We are a leading designer, manufacturer and developer of Flash memory semiconductors and software technologies. We are focused on the embedded Flash market providing our software solutions to more than 4,000 customers worldwide. Our Flash memory products primarily store data and software code for microprocessors, controllers and other programmable semiconductors which run applications in a broad range of electronics systems. These electronic systems include computing and communications, automotive and industrial, consumer and gaming, wireless and machine-to-machine, or M2M, devices. In addition to Flash memory products, we assist our customers in developing and prototyping their designs by providing software and hardware development tools, drivers and simulation models for system-level integration.

Our Flash memory solutions are incorporated in products from leading original equipment manufacturers, or OEMs, including Huawei Technologies Co., Ltd., Harman/Becker Automotive Systems GmbH, Motorola, Inc., LG Electronics, Technicolor S.A., Continental AG, PACE, Inc., The Bosch Group, Alpine Electronics of America, Inc., ZTE Corporation, Panasonic Corporation of North America, Sagem Télécommunications, Sharp Electronics Corporation, Pioneer Electronics (USA) Inc., and Future Designs, Inc. Our products are designed to address various voltages, interfaces and memory densities for a wide range of specific applications and customer platforms. The majority of our new product designs are based on our proprietary two-bit-per-cell MirrorBit technology which has a simpler cell architecture requiring fewer manufacturing steps, supporting higher yields and lower costs as compared to competing floating gate NOR Flash technology. As of June 27, 2010, we held over 2,300 patents.

For fiscal 2009, our total net sales were approximately \$1.4 billion as compared with total net sales of approximately \$2.3 billion for fiscal 2008. For the six months ended June 27, 2010, our total net sales were approximately \$533.0 million. According to market research firm iSuppli, in 2009, we were responsible for 31.2 percent of all NOR Flash memory sales, making us the second largest supplier of NOR Flash memory in the world.

Our Addressable Market

The Flash memory market can be divided into two major categories based on application: the integrated category, which includes wireless and embedded applications, and the removable storage category, which includes Flash memory cards and USB drives. Within the integrated category, we refer to portable, battery-powered communications applications as wireless and all other applications, such as consumer, telecommunications, automotive and industrial electronics, as embedded. We have focused historically on the integrated category of the Flash memory market, including wireless and embedded applications. In early 2009, we narrowed our strategic focus to the embedded portion of the Flash memory market and intend to continue to selectively engage in portions of the wireless market where we believe we can do so advantageously. The embedded Flash memory market is characterized by long design and life cycles, low capital and technology investments, stable average selling prices, or ASPs, and fragmented competition with multiple suppliers.

In addition to our focus on our traditional embedded NOR Flash memory applications, we plan to expand our presence in growing portions of the embedded Flash memory market, including embedded NOR and

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embedded NAND. We believe our proprietary MirrorBit technology, licensing partners, customer relationships and broad product portfolio will enable us to extend our leadership in the attractive embedded Flash memory markets.

Competitive Advantages

Focus on Embedded Flash Products. We focus on the embedded portion of the Flash memory market. In order to service this market, we leverage our broad product set and software programmability to provide a diverse range of application-specific solutions. We believe that our focus on the embedded Flash market and our superior customer service distinguishes us from our competitors who generate a large portion of their sales from other markets, such as mobile handsets and PCs.

Customer-Centric, Application Focused Go-To-Market Strategy. We focus on application-specific solutions for our customers embedded Flash requirements. Our field application engineers, or FAEs, are located in close proximity to our customers' design centers across the globe. This enables us to better support our customers by enhancing our ability to anticipate customer needs and industry trends which we believe will allow us to gain market share. We believe that this application and design-win focused approach enables a deeper relationship with our customers and strengthens our position in their product lifecycles.

Application-Specific Customizable Software. In addition to our advanced hardware technology, we provide customized, application specific software to our customers. Specifically, we supply customers the necessary software and hardware development tools, drivers and simulation models for system-level integration. We believe our focused software service strategy contributes to our success with OEMs.

Leading-Edge Technology Platform. Our proprietary MirrorBit technology drives our lower cost, high performance product platform. MirrorBit technology is simpler, has a lower manufacturing cost and can store more data than traditional floating gate technology. We believe leveraging our MirrorBit technology will help us retain and enhance our market position from entry-level to high-end applications.

Process Technology Leverage. Our MirrorBit technology provides enhanced geometric scalability when shifting to smaller process nodes in comparison to floating gate technology as it has a simpler cell architecture requiring fewer manufacturing steps and supporting higher yields. We invested over \$1.2 billion in R&D between 2006 and 2008 primarily on the development of next-generation process technologies. We have 65-nanometer products in production which currently represent only a small portion of our revenues. With the majority of our customers presently using 110- and 90-nanometer technologies, we anticipate migrating customers to 65- and 4x-nanometer and then eventually to 3x-nanometer technology over the next several years.

Broad Product Portfolio. Our products and solutions deliver a combination of high performance and competitive cost for a wide range of customer platforms and applications. These product offerings support various voltages, interfaces and memory densities, enabling us to pursue diverse embedded Flash end markets which have differing density and performance requirements.

Our Strategy

Our principal objective is to be the leading global supplier of embedded Flash memory products and solutions. We plan to achieve this objective by aggressively pursuing the following strategies:

Regain Embedded Flash Market Share. We intend to continue to focus on regaining market share that we lost due to the negative impact of our reorganization under Chapter 11 of the U.S. Bankruptcy

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Code, or the Chapter 11 Cases. We have already begun to regain lost market share and we plan to continue regaining market share by securing new design-wins and by further deepening our relationships with our key end-customers and distribution partners through our application specific solutions, our superior customer service and continued investment in our FAEs.

Continue Product Innovation and New Market Expansion. We aim to expand our products and solutions by selectively targeting embedded Flash applications within our target markets. We plan to achieve this by developing and bringing to market products that allow us to offer higher densities and faster performance. We also intend to increase our presence in high growth emerging markets such as China and India. Further, we intend to evaluate and potentially make acquisitions of technologies and products that we can integrate into our solutions in order to broaden our product portfolio functionality and accelerate growth and entry into new markets.

Expand Addressable Market with Embedded Flash Products. We will continue to seek opportunities to develop and commercialize memory solutions based on our MirrorBit technology, our software and other design capabilities. We believe that our proprietary charge-trapping NAND solution is more scalable, has a simpler cell structure and offers superior performance, faster read and faster programming speeds when compared to traditional floating gate NAND Flash solutions. Our strategy is to bring our high reliability Flash solutions to support the low-density single-level cell NAND Flash market by leveraging our relationships with our partners and customers.

Flexible, Scalable and Cost-efficient Manufacturing Strategy. As part of our restructuring efforts, we substantially reduced our overall manufacturing footprint. We plan to maintain our low capital intensive model by outsourcing a significant amount of manufacturing activity to our foundry partners while focusing our internal captive manufacturing capacity on products and solutions that differentiate us in terms of process technologies, product features, quality and cost. We believe that a flexible, highly scalable and low-cost operating model will enable us to respond to rapidly changing product mix and market demand.

License our Intellectual Property. We intend to evaluate potential licensing arrangements with semiconductor designers and manufacturers who may integrate our MirrorBit technology into their future products and solutions. We also intend to license our process technology to third party manufacturers to help increase our external manufacturing capacity.

Chapter 11 Cases

On March 1, 2009, we filed a voluntary petition for relief under the Chapter 11 Cases as part of our substantial reorganization of the company to better align our operations with the business environment. The key components of this reorganization were: revamping our management team; streamlining our operations; focusing on embedded Flash memory solutions and implementing a flexible manufacturing strategy. On April 16, 2010, the U.S. Bankruptcy Court confirmed our Plan of Reorganization and on May 10, 2010, we emerged from the Chapter 11 Cases. For more information regarding the Chapter 11 Cases and our Plan of Reorganization, see Management's Discussion and Analysis of Financial Condition and Results of Operations elsewhere in this prospectus.

Risks Affecting Us

Our business is subject to numerous risks, which are highlighted in the section entitled Risk Factors. These risks represent challenges to the successful implication of our strategy and to the growth and future profitability of our business. Some of these risks are:

our ability to continue transforming our business after emergence from the Chapter 11 Cases and implement our new business strategy focused primarily on the embedded Flash memory market;

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a significant shift in the Flash memory market from NOR to NAND architecture;

the cyclical nature of the Flash memory market and recent severe downturns therein;

declining average selling prices over time;

our ability to accurately forecast customer demand for our products;

our ability to successfully develop, introduce and commercialize new products and technologies;

our reliance on third-party manufacturers and distributors;

our ability to successfully develop new applications and markets for our products;

inaccurate forecasting of customer demand leading to excess inventory and low gross margins; and

worldwide economic and political conditions.

Corporate Information

We were originally incorporated in Delaware in November 2005. Our principal executive offices are located at 915 DeGuigne Drive, Sunnyvale, California 94088, and our telephone number is (408) 962-2500. Our website address is www.spansion.com. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

Spansion, the Spansion logo, and other trademarks or service marks of Spansion appearing in this prospectus are the property of Spansion. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of the respective holders.

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THE OFFERING

Common stock offered by us	6,750,000 shares (or 7,762,500 shares if the underwriters exercise in full their over-allotment option).
Shares outstanding after the offering	66,020,916 shares (or 67,033,416 shares if the underwriters exercise in full their over-allotment option).
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately \$92.8 million based on an assumed public offering price of \$14.79 per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We will use 50 percent of the net proceeds to reduce amounts outstanding under our Term Loan and the remaining net proceeds will be used for general corporate purposes. See Use of Proceeds.
Risk factors	See Risk Factors beginning on page 9 and the other information included elsewhere in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

New York Stock Exchange symbol

CODE.

The number of shares of our common stock outstanding after this offering is based on 59,270,916 shares outstanding as of June 27, 2010, includes all of the shares issued and remaining for distribution in accordance with the Plan of Reorganization, and excludes:

3,031,436 shares of common stock issuable upon the exercise of options to purchase our common stock outstanding as of June 27, 2010 at a weighted average exercise price of \$10.51 per share;

2,969,821 shares of common stock issuable upon the vesting of restricted stock units outstanding as of June 27, 2010; and

an aggregate of 530,323 additional shares of common stock reserved for issuance under our equity incentive plans.

Except as otherwise indicated, all information in this prospectus assumes no exercise of the underwriters' option to purchase additional shares to cover over-allotments, if any.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables present our summary historical consolidated financial and other data for our business for the periods indicated. We derived the consolidated statements of operations data for the years ended December 30, 2007, December 28, 2008 and December 27, 2009 from our audited consolidated financial statements included elsewhere in this prospectus. Fiscal 2007, 2008 and 2009 each consisted of 52 weeks. We derived the condensed consolidated statements of operations data for the six months ended June 27, 2010 and June 29, 2009 and the condensed consolidated balance sheet data as of June 27, 2010 from our unaudited consolidated financial statements included elsewhere in this prospectus. The six months ended June 27, 2010 and June 29, 2009 each consisted of 26 weeks.

Our historical results are not necessarily indicative of the results to be expected in the future, and the results for the six months ended June 27, 2010 should not be considered indicative of results to be expected for the full fiscal year. Upon emergence from the Chapter 11 Cases on May 10, 2010, or the Emergence Date, we adopted fresh start accounting as prescribed under Accounting Standards Codification (ASC) 852 *Reorganizations*, which requires us to revalue our assets and liabilities to their related fair values. As such, we adjusted our stockholders' deficit to equal the reorganization value at the Emergence Date. Items such as accumulated depreciation, accumulated deficit, accumulated other comprehensive income (loss) and allowances for doubtful debt were reset to zero. We allocated the reorganization value to the individual assets and liabilities based on their estimated fair values. Items such as accounts receivable, auction rate securities and cash, whose fair values approximated their book values, reflected values similar to those reported prior to emergence. Items such as prepaid and other current assets, inventory, property, plant and equipment, deferred income tax asset and liability, accounts payable, income tax payable, and deferred income were significantly adjusted from amounts previously reported. Because we adopted fresh start accounting at emergence and because of the significance of liabilities subject to compromise that were relieved upon emergence, the historical financial statements of the predecessor entity, or Predecessor, and the financial statements of the successor entity, or Successor, are not comparable. Refer to the notes to our financial statements included in this prospectus for further details relating to fresh start accounting.

You should read this summary consolidated financial data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes, all included elsewhere in this prospectus.

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	Successor ⁽¹⁾ Period from May 11, 2010 to June 27, 2010	Predecessor ⁽¹⁾ Period from December 28, 2009 to May 10, 2010	Six Months Ended June 28, 2009	Predecessor ⁽¹⁾		
				Year Ended December 27, 2009	Year Ended December 28, 2008 ⁽²⁾	Year Ended December 30, 2007 ⁽²⁾
Consolidated Statements of Operations:						
<i>(in thousands, except per share amounts)</i>						
Net sales	\$ 124,569	\$ 324,914	\$ 630,000	\$ 1,059,408	\$ 1,630,573	\$ 1,627,253
Net sales to related parties	4,801	78,705	145,929	351,245	651,230	873,560
Total net sales	129,370	403,619	775,929	1,410,653	2,281,803	2,500,813
Cost of sales	111,413	274,817	663,301	1,103,757	2,193,345	2,065,143
Gross profit	17,957	128,802	112,628	306,896	88,458	435,670
Research and development	13,420	35,068	82,635	136,449	431,808	436,785
Sales, general and administrative	18,259	68,105	137,817	216,298	253,878	239,317
In-process research and development					10,800	
Restructuring charges (credits)		(2,772)	38,154	46,852	11,161	
Asset impairment charges ⁽³⁾				12,538	1,652,622	
Operating loss before reorganization items	(13,722)	28,401	(145,978)	(105,241)	(2,271,811)	(240,432)
Interest and other income (expense), net	364	(2,904)	2,396	4,038	5,200	32,595
Interest expense ⁽⁴⁾	(4,877)	(30,573)	(33,678)	(50,976)	(105,536)	(87,460)
Gain on deconsolidation of subsidiary ⁽⁵⁾			30,100	30,100		
Loss before reorganization items and income taxes	(18,235)	(5,076)	(147,160)	(122,079)	(2,372,147)	(295,297)