

NightHawk Radiology Holdings Inc
Form 424B4
October 26, 2006
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Filed Pursuant to Rule 424(b)(4)
Registration Nos. 333-137853 and 333-138221

PROSPECTUS

5,500,000 Shares

COMMON STOCK

The selling stockholders named in this prospectus are offering 5,500,000 shares of our common stock. We will not receive any proceeds from the sale of common stock by the selling stockholders.

*Our common stock is listed on the Nasdaq Global Market under the symbol **NHWK**. The closing price of our common stock on October 25, 2006, as reported by the Nasdaq Global Market, was \$18.66 per share.*

*Investing in our common stock involves risks. See **Risk Factors** beginning on page 8.*

PRICE \$18.50 A SHARE

<i>Price to Public</i>	<i>Underwriting Discounts and Commissions</i>	<i>Proceeds to Selling Stockholders</i>
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<i>Per Share</i>	\$18.50	\$.925	\$17.575
<i>Total</i>	\$101,750,000	\$5,087,500	\$96,662,500

Certain of the selling stockholders have granted the underwriters the right to purchase up to an additional 825,000 shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on October 31, 2006.

MORGAN STANLEY

BANC OF AMERICA SECURITIES LLC

COWEN AND COMPANY

PIPER JAFFRAY

MONTGOMERY & CO., LLC

October 25, 2006

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You should rely only on the information contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission in connection with this offering. We and the selling stockholders have not authorized anyone to provide you with information different from that contained in this prospectus or in a filed free writing prospectus. The selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus and in any filed free writing prospectus is accurate only as of its date, regardless of the time of its delivery or any sale of shares of our common stock.

For investors outside the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information, including our financial statements and the related notes, elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in Risk Factors.

NIGHTHAWK RADIOLOGY HOLDINGS, INC.

Our Business

We believe that we are the leading provider of radiology services to radiology groups and hospitals across the United States. Our team of American Board of Radiology-certified, U.S. state-licensed and hospital-privileged radiologists uses our proprietary workflow technology to provide radiological interpretations, or reads, remotely to our customers in the United States. The reads that we provide consist primarily of off-hours preliminary diagnoses of emergency trauma and non-traumatic conditions. These reads are conducted primarily from our centralized reading facilities located in Sydney, Australia and Zurich, Switzerland. By locating our affiliated radiologists in Australia and Switzerland, we can provide these off-hours reads in the United States during our radiologists' local daylight hours while providing our physicians with the ability to work during the day time in a pleasant environment with dedicated support teams. In addition to preliminary reads, we provide our customers with final reads, which are conducted by our affiliated radiologists in the United States. We anticipate opening our first U.S.-based centralized reading facility in the first quarter of 2007 from which these final reads can be provided.

As of September 30, 2006, our affiliated radiologists provided services to 562 customers serving 981 hospitals, or approximately 18% of all hospitals in the United States. Most of these customers do not currently contract for all of the hours of coverage that we are able to provide. Based on a 2003 survey conducted by the American College of Radiology which estimated the total number of annual reads performed in the United States during all time periods, we believe that we are the leading provider of reads during off-hours periods. Since our first full year of operations, we have experienced significant revenue growth, from \$4.7 million in 2002 to \$64.1 million in 2005 and to \$68.1 million for the nine month period ended September 30, 2006.

The U.S. healthcare market is experiencing a substantial increase in the development and use of diagnostic imaging technologies and procedures. From 2000 to 2003, computed tomography procedures, commonly known as CT scans, which currently comprise approximately 88% of the reads performed by our affiliated radiologists, increased at an average annual rate of 14.0%. In contrast, the number of radiologists is only increasing by approximately 1.5% annually. In addition, U.S. hospitals generally require their contracted radiology groups to provide services 24-hours per day, seven days a week. As a consequence, radiologists have experienced, and we believe will continue to experience, increased workloads and increased demands to provide reads.

For radiology groups, providing off-hours reads often results in the allocation of scarce physician resources to periods during which the volume of diagnostic imaging procedures for any one radiology group is typically low, resulting in operating inefficiencies and related costs. In addition, requirements to provide off-hours reads often limit the growth of radiology groups because of the difficulty of recruiting new radiologists into radiology groups that have off-hours coverage commitments. These radiology groups, which provide substantially all emergency radiology services in the United States, comprise the principal market for our services. By reducing the burdens associated with providing off-hours reads, we believe that we can improve the efficiency and productivity of radiology groups by enabling them to allocate their scarce physician resources to regular business hours, which typically are periods of higher demand. We also believe that our services enable radiology groups to recruit and retain radiologists more effectively, which permits them to pursue additional growth opportunities.

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For individual radiologists, providing off-hours reads often results in a significant quality-of-life burden. During an on-call period, a radiologist may be required to perform reads several times during a night, often waking the radiologist or otherwise disrupting the radiologist's evening. By providing off-hours reads on behalf of radiologists, we believe that our service improves their quality of life.

The substantial majority of the reads that we provide are preliminary diagnoses used by a treating physician to determine whether any immediate action is required in response to symptoms being presented by a patient. Typically, the preliminary diagnosis is followed the next morning by a more exhaustive final read performed by a local radiologist affiliated with our customer.

In the first half of 2006, we began providing our customers with the ability to receive final and subspecialty interpretations in addition to the preliminary reads we have historically provided. This service offering is in response to the needs of our radiology group customers as the growth in imaging continues to put increasing demands on radiologists, requiring radiology groups to work longer hours and/or hire additional radiologists. By offering final read capabilities we can reduce this burden as well as provide our customers with access to our high quality radiologists, many of whom are fellowship-trained in subspecialty fields, which can help improve the quality of care for our customers' patients and serve as a valuable resource for our customers.

We provide our services to our customers typically pursuant to one-year service contracts. Our customer contracts provide for service fees that vary by customer based on a number of factors, including hours of coverage, volume of reads and technical and administrative services provided. Since our inception, more than 97% of our contracts up for renewal have been renewed.

Our Solution

We provide radiology services to our radiology group and hospital customers 24 hours per day, seven days a week, including holidays. The preliminary reads that we provide our customers are conducted primarily from our centralized reading facilities located in Australia and Switzerland, while final reads are conducted by our affiliated radiologists in the United States.

We believe that our solution offers the following benefits to our radiology group customers and the hospitals and patients that they serve:

- improved efficiency,
- enhanced quality of patient care,
- highly-qualified radiologists providing preliminary, final and subspecialty radiology services,
- enhanced ability to recruit and retain radiologists,
- efficient delivery of high-quality services, and

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- no additional cost to patient and third-party payors.

We believe that our business model has resulted in a market-leading position within our industry and several associated benefits for our business, including:

- first-mover advantage,
- strong customer retention,
- enhanced ability to recruit and retain radiologists,
- capital-efficient scalability, and
- licensing and privileging expertise.

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Our Strategy

Our objective is to expand on our position as the leading provider of radiology services to radiology groups across the United States. We intend to capitalize on our strong customer relationships, scalable business model and team of affiliated radiologists to provide high-quality services to our radiology group customers so that they are better able to efficiently manage and expand their practices. Key elements of our strategy include:

- expand our customers' utilization of our services,
- target new customers and territories with expanded sales and marketing efforts,
- continue to expand our service offering to provide additional final and subspecialty services,
- pursue strategic acquisitions, and
- develop markets for our proprietary data and technology solutions.

Our Challenges

Our business is subject to numerous risks, which are highlighted in the section entitled "Risk Factors" immediately following this prospectus summary. These risks represent challenges to the successful implementation of our operating strategy. For instance, the market in which we participate is competitive and rapidly changing and barriers to entry are relatively low. As a result, we expect competition to intensify in the future, which may make it more difficult for us to successfully sell our services to new customers, expand into new territories and expand our customers' utilization of our current service offerings. Increased competition may also result in pricing pressure, reduced revenue and reduced market share. In addition, the current shortage of radiologists has resulted in a very competitive market for their services. If we are unable to continue to recruit and retain qualified radiologists, we may not be able to extend our service offerings to provide greater hours of coverage and to provide final as well as preliminary reads. As a result, our future growth, including through strategic acquisitions, would be limited and our business and operating results would be harmed.

Also, our ability to successfully develop a market for our data and technology solutions depends in part on our ability to protect our intellectual property rights in our workflow technology. If we do not obtain patent protection for our technology or we cannot otherwise prevent third parties from using or misappropriating it, our future growth could be harmed.

If we are unable to successfully address these challenges, and the other risks described in this prospectus, our business and operating results will be harmed.

Corporate Information

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Nighthawk Radiology Services, LLC, which is a wholly-owned subsidiary of NightHawk Radiology Holdings, Inc., was founded in Coeur d Alene, Idaho in 2001 as an Idaho limited liability company and is currently the entity through which we primarily conduct our operations. In March 2004, NightHawk Radiology Holdings, Inc., was formed to facilitate a recapitalization of Nighthawk Radiology Services, LLC. Our principal executive offices are located at 250 Northwest Boulevard, Suite 202, Coeur d Alene, Idaho 83814, and our telephone number is (208) 676-8321. Our website address is www.nighthawkrad.net. The information on or available through our website is not a part of this prospectus.

Except where the context requires otherwise, in this prospectus the Company, NightHawk, NightHawk Radiology, we, us and our refer to NightHawk Radiology Holdings, Inc., a Delaware corporation, and, where appropriate, its subsidiaries. NightHawk Radiology, Nighthawk Radiology Services and NightHawk Radiology Holdings are unregistered trademarks of NightHawk Radiology in the United States and other countries. This prospectus also includes other trademarks of NightHawk Radiology and other persons.

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THE OFFERING

Shares of common stock offered by the selling stockholders	5,500,000 shares
Shares of common stock to be outstanding after this offering	29,872,774 shares
Use of proceeds	We will not receive any proceeds from the sale of our common stock by the selling shareholders
Nasdaq Global Market symbol	NHWK

The number of shares of common stock that will be outstanding after this offering is based on the number of shares outstanding at September 30, 2006, and excludes:

- 1,755,660 shares of common stock issuable upon the exercise of options outstanding at September 30, 2006, at a weighted average exercise price of \$4.52 per share,
- 67,981 shares of common stock issuable upon vesting of restricted stock units outstanding at September 30, 2006,
- 1,550,961 shares of common stock reserved for future issuance under our 2006 Equity Incentive Plan, and
- 195,000 additional shares of common stock that we have estimated may be issued within 90 days of September 30, 2006 in connection with our acquisition of American Teleradiology Nighthawks, Inc. based upon the financial performance of the ATN businesses. See Management's Discussion and Analysis of Financial Condition and Results of Operations Acquisition of American Teleradiology Nighthawks, Inc.

Unless otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their right to purchase up to 825,000 shares of common stock from the selling stockholders to cover over-allotments.

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The following tables summarize historical, consolidated financial data and certain operating data regarding our business and should be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and our pro forma financial statements included elsewhere in this prospectus. The condensed consolidated statements of operations data for the nine months ended September 30, 2005 and 2006 and the condensed consolidated balance sheet data as of September 30, 2006 set forth below are derived from our unaudited historical condensed consolidated financial statements included elsewhere in this prospectus. In the opinion of management, our unaudited condensed consolidated financial statements have been prepared on a basis consistent with our audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair statement of results for these periods. The consolidated statement of operations data for the fiscal years ended December 31, 2003, 2004 and 2005 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of financial results to be achieved in future periods.

	Year Ended December 31,			Nine Months Ended	
	2003	2004	2005	September 30,	2006
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Service revenue	\$ 16,216	\$ 39,283	\$ 64,062	\$ 45,587	\$ 68,075
Operating costs and expenses (1)	11,456	27,569	46,740	33,420	47,306
Operating income	4,760	11,714	17,322	12,167	20,769
Other income (expense):					
Interest expense	(7)	(881)	(1,178)	(723)	(560)
Interest income	4	41	67	34	2,026
Other, net	28	(29)	(51)	(60)	(64)
Change in fair value of redeemable preferred stock conversion feature		(3,857)	(39,729)	(28,110)	(44,184)
Total other income (expense)	25	(4,726)	(40,891)	(28,859)	(42,782)
Income (loss) before income taxes	4,785	6,988	(23,569)	(16,692)	(22,013)
Income tax expense		3,663	6,391	4,430	8,595
Net income (loss)	4,785	3,325	(29,960)	(21,122)	(30,608)
Redeemable preferred stock accretion		(765)	(1,062)	(790)	(118)
Preferred dividends			(5,487)	(5,487)	
Net income (loss) applicable to common stockholders	\$ 4,785	\$ 2,560	\$ (36,509)	\$ (27,399)	\$ (30,726)
Earnings (loss) per common share:					
Basic	\$.10	\$.11	\$ (2.11)	\$ (1.59)	\$ (1.09)
Diluted	\$.10	\$.11	\$ (2.11)	\$ (1.59)	\$ (1.09)
Weighted averages of common shares outstanding (2):					
Basic	49,732	24,196	17,274	17,194	28,062
Diluted	49,732	24,196	17,274	17,194	28,062
Other Financial Data:					
Net Income (loss)	4,785	3,325	(29,960)	(21,122)	(30,608)
Adjusted Net income (3)	4,785	7,182	9,769	6,988	13,575
Adjusted Net income applicable to common stockholders (3)	4,785	7,947	16,318	13,265	13,693
Adjusted Earnings per common share Basic (3)	\$.10	\$.26	\$.69	\$.56	\$.47
Adjusted Earnings per common share Diluted (3)	\$.10	\$.26	\$.68	\$.56	\$.46
Aggregate non-cash stock-based compensation (1)	653	1,690	4,189	3,697	3,994

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	As of December 31,			As of September 30,	
	2003	2004	2005	2005	2006
Selected Operating Data:					
Affiliated radiologists providing services	15	27	47	39	57
Radiology group customers	143	249	372	313	426
Hospital customers	22	48	91	70	136
Total customers	165	297	463	383	562
Hospitals served	319	588	860	746	981

	As of September 30,	
	2006	
(in thousands)		
Consolidated Balance Sheet Data:		
Cash and cash equivalents	\$	50,713
Working capital (4)		82,464
Total current assets		93,849
Total long-term debt (including current portion)		
Total liabilities		11,385
Total stockholders' equity		97,874

- (1) Includes the non-cash stock-based compensation charges set forth in the following table (which amounts include a non-recurring, non-cash professional services charge of approximately \$1.5 million in 2004 associated with the issuance of shares of our common stock to one of our affiliated radiologists and a non-recurring, non-cash sales, general and administrative charge of approximately \$2.9 million in the nine months ended September 30, 2005 associated with the full acceleration of shares of common stock held by a former member of our board of directors).

	Year Ended		Nine
	December 31,		Months Ended
	2003	2004	September 30,
		2005	2005