

NAVTEQ CORP
Form S-1/A
August 05, 2004

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The information in this 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 prospectus is not an offer to sell these securities and neither we nor the selling stockholders are soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 5, 2004.

PROSPECTUS

39,168,402 Shares

Common Stock

This is the initial public offering of our common stock. All of the shares of common stock being sold in this offering are being sold by Philips Consumer Electronic Services B.V. and NavPart I B.V., our principal stockholders. Prior to this offering, Philips and NavPart beneficially owned 83.5% and 9.8%, respectively, of our common stock. We are not selling any shares in this offering and will not receive any proceeds from the sale of the shares by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. The initial public offering price is expected to be between \$20.50 and \$22.50 per share. Our common stock has been approved for listing on the New York Stock Exchange under the symbol "NVT."

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

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

The underwriters may also purchase up to an additional 5,875,260 shares from the selling stockholders at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that 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 _____, 2004.

Credit Suisse First Boston

Merrill Lynch & Co.

**Deutsche Bank Securities
Dresdner Kleinwort Wasserstein**

**UBS Investment Bank
Piper Jaffray**

The date of this prospectus is _____, 2004

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You should rely only on the information contained in this prospectus. We have not, and the selling stockholders and the underwriters have not, authorized any other person to provide you with different information. This prospectus is not an offer to sell or a solicitation of an offer to buy shares in any jurisdiction where the offer or sale is not permitted. The information in this prospectus is complete and accurate only as of the date on the front cover regardless of the time of delivery of this prospectus or of any sale of the shares.

For investors outside the United States: Neither we, the selling stockholders 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. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

Dealer Prospectus Delivery Obligation

Through and including _____, 2004 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights some of the information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including "Risk Factors" and our financial statements and notes to those financial statements, before you decide to invest in our common stock.

Our Business

We are a leading provider of comprehensive digital map information for automotive navigation systems, mobile navigation devices and Internet-based mapping applications. Our map database, which is our principal product, is a highly accurate and detailed digital representation of road transportation networks in the United States, Canada, Western Europe and other regions. This database enables our customers to offer a broad range of dynamic navigation, route planning, location-based information and other geographic information products and services to consumer and commercial users. Products and services that use our database include a variety of features such as real-time, detailed turn-by-turn route guidance, driving directions, route optimization and map displays. We had net revenue of \$273 million for the year ended December 31, 2003 and \$79 million for the quarter ended March 28, 2004.

We believe that our database is the most used source of digital map information for automotive and Internet-based navigation products and services in North America and Europe, and that we are a leading provider of such information for use in mobile devices. Every major automobile manufacturer that currently offers a navigation system in North America and Europe uses our database in one or more of its models, and virtually all of the European, Japanese and United States vehicle navigation systems manufacturers that currently offer a navigation system in North America and Europe, including Harman Becker, Alpine and Siemens, license our database. Since 1999, over 5 million vehicles have been equipped with navigation systems that use our database. Our principal Internet-based customers include AOL/MapQuest, Microsoft/MSN and Yahoo!. In 2003, these leading Internet portals and websites accounted for more than 6 billion route planning transactions derived from our database in North America.

Our database offers extensive geographic coverage, including data at various levels of detail for 40 countries on four continents, covering approximately 8.7 million miles of roadway. Our most detailed coverage includes extensive road, route and related travel information, including road classifications, details regarding ramps, road barriers, sign information, street names and addresses and traffic rules and regulations. In addition, our database currently includes over 15 million points of interest, such as airports, hotels, restaurants, retailers, civic offices and cultural sites.

Our multi-step database creation, maintenance and delivery process combines our use of proprietary software and technologies with the efforts of a dedicated field force of approximately 480 employees around the world. This process allows us to effectively collect, update and verify road network data with a level of quality and accuracy that allows us to deliver a superior product to our customers. Due to the complexity of our database building process and the depth and breadth of the information it contains, we believe it would take substantial time and resources for a new market entrant to build a digital map database with a comparable level of detail and accuracy.

Our Market Opportunity

Consumers have traditionally relied on printed maps for vehicle navigation and route planning information. In more recent years, the use of maps in digital form has proliferated, both as a substitute for the uses provided by paper maps and for more advanced functions. In particular, the development of the digital map database industry has been, and continues to be, accelerated by the commercialization of Global Positioning System (GPS) technology. The automotive industry led the

early adoption of GPS-enabled navigation technologies and is currently the largest consumer of digital map databases such as ours. In addition, a variety of mobile devices have been introduced in recent years that are GPS-enabled and capable of supporting dynamic navigation and location-based service applications.

Vehicle navigation systems that provide dynamic navigation assistance have been available to consumers in Western Europe since 1994. The popularity of these systems has increased since their introduction. Over the last three years, an average of 16.2 million new light vehicles were sold annually in Western Europe. We estimate that navigation systems were available as either a standard feature or an option on over 80% of the new vehicles sold in Western Europe in 2003. In a September 2003 report, the independent market research firm of Frost & Sullivan projected that 1.8 million vehicles in Europe in 2003 were equipped with navigation systems, up from 1.2 million vehicles in 2001. In the same report, Frost & Sullivan projected that the number of vehicles equipped with navigation systems in Europe will grow at a compound annual rate of more than 20% over the next five years, reaching a total of 4.6 million units in 2008.

Although the U.S. and Canadian light vehicle market is larger in size than that of Western Europe with an average of 18.5 million new light vehicles sold annually over the last three years, the introduction of vehicle navigation systems in North America occurred later than in Western Europe. In 2003, we estimate that navigation systems were available for over 20% of new vehicles sold in North America, primarily in the luxury and sport utility vehicle classes. Frost & Sullivan, in a March 2003 report, projected that the shipments of vehicle navigation units were 430,000 in North America in 2003, up from 220,000 units in 2001. In the same report, Frost & Sullivan also projected shipments of vehicle navigation systems in North America will grow by a compound annual rate of more than 30% over the next five years, reaching a total of 1.7 million units in 2008.

The market for consumer GPS-enabled devices such as personal digital assistants, or PDAs, wireless telephones, personal navigation devices, or PNDs, and laptop computers is expected to grow rapidly. Business Communications Company, Inc. (BCC), an independent industry research firm, in a December 2003 report, projected that at least half of all cellular handsets sold in the United States, or 37.5 million units, will incorporate GPS technology by 2008. Furthermore, BCC projected that the United States market for consumer GPS applications other than wireless phones, including PDAs, PNDs and portable vehicular systems, will grow at a rate of 25% per year through 2008. Consumer demand for navigation and location-based services is growing as consumers become familiar with and depend upon real-time electronically delivered information. According to a March 2004 study of wireless telephone users by In-Stat/MDR, an independent market research firm, respondents were interested in practical mapping services and over 60% of these respondents expressed an interest in location-based services such as finding friends or family.

We believe opportunities for the use of our map database will increase due to the following reasons:

Growing consumer awareness of the value of navigation systems and location-based services;

Current low market penetration in all key end markets;

Declining prices of navigation systems;

Increasing availability of navigation systems for additional classes of vehicles and mobile devices;

Advances in navigation technologies, user interfaces and data accuracy;

Ability to benefit from new technology and product developments in any navigation devices where a digital map database is an essential component; and

Proliferation of new map-oriented services such as location-based information and traffic data.

Our Competitive Strengths

We believe that we enjoy a number of important competitive strengths that drive our success and differentiate us from our competitors, including:

Market Leadership. We are the leader in providing digital map data to automobile manufacturers and automotive navigation systems manufacturers in North America and Europe and navigation-related Internet application providers in North America. We are well-positioned to penetrate other industries utilizing highly accurate digital map data, such as the emerging GPS-enabled mobile device industry.

Extensive Global Coverage. We offer extensive coverage, including 40 countries on four continents covering approximately 8.7 million miles of roadway.

Detail and Richness of Our Database. Our database enables real-time door-to-door, turn-by-turn route guidance to specific addresses, points of interest and other locations.

Integrated Data Collection Process. We have a data collection process that combines proprietary technology with a global field force of approximately 480 trained technicians that enables us to effectively collect, update and verify detailed road network data.

Strong Business Relationships. We have long-standing, collaborative relationships with manufacturers of automobiles, vehicle navigation systems and mobile devices.

Consistent Global Specification. Our maintenance of common data standards and a uniform digital mapping approach worldwide enables us to deliver highly accurate, timely and consistent data to our customers and allows us to more rapidly enhance maps and add attributes in new or existing coverage areas.

Our Operating Strategy

We are committed to enhancing the value of our map database to our customers. Key elements of our operating strategy, which is focused on sustaining our market leadership and competitive differentiation, include:

Continuing to Improve Detail, Scope and Value of Our Map Database. We continually improve our database in key regions, such as the United States, Canada and Western Europe.

Focusing on Quality and Consistency. We are dedicated to delivering accurate and consistent information in order to increase customer and end-user satisfaction and enhance our position as a high-quality provider of digital map information.

Providing a Range of Value-Added Services. We assist our customers in using our database in their products and services and marketing those products and services to their customers and end-users.

Improving Our Data Collection, Production and Delivery Technologies. We strive to continually improve our data collection, processing, distribution and deployment capabilities.

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Our Growth Strategy

Our objective is to be the leading provider of digital map information and enabling technology for navigation and other geographic information-based products and services. Key elements of our growth strategy include:

Capitalizing on Growth in Demand for Vehicle Navigation. We intend to capitalize on the expected growth of the vehicle navigation industry by leveraging our market leadership position and relationships with automobile manufacturers and navigation systems manufacturers.

Facilitating Development of New Consumer Applications. We assist our customers in the development and deployment of navigation, route planning and location-based products and services to increase the number of products and services that can use our map database.

Expanding Geographically. We intend to strengthen our global presence by expanding into areas that we believe, in collaboration with our customers, have high potential demand.

Enhancing and Extending Product Offering. We continually work with our customers to enhance and extend our database product offering and improve functionality to meet the evolving demands of our customers and end-users.

Increasing Sales of Map Updates. Our installed base provides growth opportunities via sales of map updates and we are developing a number of initiatives targeted at increasing consumer awareness of the availability and utility of updated map data and simplifying fulfillment logistics in order to promote update purchases.

Our Relationship with Philips

Philips Consumer Electronic Services B.V., or Philips B.V., is our principal stockholder. As of June 1, 2004, Philips B.V. owned, in the aggregate, 73,132,232 shares of our common stock (approximately 83% of the total issued and outstanding common stock). Following this offering, Philips B.V. will continue to own approximately 42.1% of our issued and outstanding common stock, or 35.8% if the underwriters exercise their overallotment option in full. In addition, the shares of NavPart II B.V., which is the recordholder of 2,580,430 shares of our common stock, are subject to certain put and call rights between NavPart I B.V. and Philips. If Philips acquires the shares of NavPart II pursuant to these rights, Philips would own approximately 45.0% of our issued and outstanding common stock, or 38.8% if the underwriters exercise their overallotment option in full. NavPart I has expressed its intention to require Philips, to the extent Philips does not exercise its right to purchase the shares of NavPart II, to purchase the shares of NavPart II on or about the time of this offering. As a result, Philips B.V. will continue to own a substantial portion of our common stock and may exercise significant influence over corporate decisions requiring stockholder approval.

Koninklijke Philips Electronics N.V., or Royal Philips Electronics, is the parent company of Philips B.V. and other subsidiaries that currently have, or have in the past had, relationships with us. In this prospectus, we sometimes refer to Philips B.V., Royal Philips Electronics and these other subsidiaries as Philips.

We have had a relationship with Philips since 1988. Philips has provided us with equity and debt financing, and we have procured various goods and services through our relationship with them. Two of our directors currently are employed by Royal Philips Electronics or its subsidiaries, and the Chairman of our board of directors was employed by Royal Philips Electronics or one of its subsidiaries until June 2002 and is currently advising Royal Philips Electronics. These matters are described in further detail under "Certain Relationships and Related Transactions."

Recent Developments

Our second quarter ended June 27, 2004. Set forth below is a discussion of our preliminary unaudited financial information for the three and six months ended June 29, 2003 and June 27, 2004. However, we have not finalized our financial statements for this period, and it is possible that our actual results may vary from the information discussed below. Our results of operations for the three months and six months ended June 27, 2004 are not necessarily indicative of the results to be expected for the entire fiscal year 2004. Certain components of the June 27, 2004 results are based upon an assumed initial public offering price of \$21.50 per share.

Net revenues for the three months ended June 27, 2004 were \$97 million compared to \$68 million for the three months ended June 29, 2003. Net revenues for the six months ended June 27, 2004 were \$176 million compared to \$120 million for the six months ended June 29, 2003. The increase in total revenue in both periods was due to increased unit sales to customers, as well as a higher proportion of unit sales where we provided distribution services.

Operating income for the three months ended June 27, 2004 was \$25 million compared to \$21 million for the three months ended June 29, 2003. Operating income for the six months ended June 27, 2004 was \$41 million compared to \$32 million for the six months ended June 29, 2003. The increase in operating income in both periods was due primarily to our revenue growth in 2004, partially offset by higher operating expenses. The higher operating expenses for the three and six months ended June 27, 2004 primarily arose from increases in expenses of approximately \$10 million and \$19 million, respectively, associated with the higher proportion of unit sales where we provided distribution services; an increased investment in our database due to geographic expansion, primarily in North America and Europe, and quality improvements of approximately \$6 million and \$14 million, respectively; increased investments to grow our sales force and expand our product offerings of approximately \$5 million and \$10 million, respectively; and expenses related to our initial public offering of approximately \$1 million in both periods and stock-based compensation charges of approximately \$1 million and \$2 million, respectively.

Net income for the three months ended June 27, 2004 was \$15 million compared to \$23 million for the three months ended June 29, 2003. Net income for the six months ended June 27, 2004 was \$25 million compared to \$38 million for the six months ended June 29, 2003. The decrease in net income in both periods was due primarily to foreign currency gains we recognized in the three and six months ended June 29, 2003 of \$2 million and \$6 million, respectively and the recording of income tax provisions for the three and six months ended June 27, 2004 of \$9 million and \$15 million, respectively, following the reversal of the valuation allowance related to our net operating loss carryforwards in the fourth quarter of 2003.

Basic income per share of common stock for the three months ended June 27, 2004 was \$0.18 compared to \$0.27 for the three months ended June 29, 2003. Basic income per share of common stock for the six months ended June 27, 2004 was \$0.29 compared to \$0.46 for the six months ended June 29, 2003. Diluted income per share of common stock for the three months ended June 27, 2004 was \$0.17 compared to \$0.26 for the three months ended June 29, 2003. Diluted income per share of common stock for the six months ended June 27, 2004 was \$0.27 compared to \$0.44 for the six months ended June 29, 2003.

Corporate Information

We originally incorporated in the State of California in August 1985 as Karlin & Collins, Inc., and reincorporated in the State of Delaware in September 1987 as Navigation Technologies Corporation. In February 2004, we changed our name to NAVTEQ Corporation. Our principal executive offices are located at 222 Merchandise Mart, Suite 900, Chicago, Illinois 60654, and our telephone number at that address is (312) 894-7000. We maintain a web site at www.navteq.com. Information contained on, or that may be accessed through, our web site is not part of this prospectus.

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The Offering

Common stock offered by the selling stockholders	39,168,402 shares
Common stock to be outstanding after this offering	87,621,435 shares
Use of proceeds	We will not receive any of the proceeds from the sale of shares in this offering. The selling stockholders will receive all net proceeds from the sale of the shares.
Dividend policy	Except for a special cash dividend in the aggregate amount of approximately \$47.2 million paid to our common stockholders on June 18, 2004, we have never declared or paid cash dividends on our common stock. We do not expect to pay any cash dividends in the foreseeable future. See "Dividend Policy" on page 25 for a discussion of the factors that will affect the determination by our board of directors to declare dividends, the restrictions on our ability to pay dividends imposed by our existing credit agreement and other matters concerning our dividend policy.
Risk factors	See "Risk Factors" on page 9 and the other information in this prospectus for a discussion of the factors you should consider before you decide to invest in our common stock.
New York Stock Exchange symbol	NVT

The number of shares of common stock to be outstanding immediately after this offering is based on shares outstanding as of June 1, 2004 and excludes:

8,111,099 shares of common stock issuable upon the exercise of outstanding stock options as of June 1, 2004 under our 1988 Stock Option Plan, 1996 Stock Option Plan, 1998 California Stock Option Plan, 2001 Stock Incentive Plan and individual option agreements with certain of our executive officers with a weighted average exercise price of \$3.33 per share;

619,335 shares of common stock issuable pursuant to outstanding restricted stock units under our 2001 Stock Incentive Plan as of June 1, 2004; and

an aggregate of 11,079,486 shares of common stock available for future issuance under our 2001 Stock Incentive Plan as of June 1, 2004 which includes 495,779 shares of common stock (based on an assumed initial public offering price of \$21.50 per share) issuable upon the exercise of stock options and 143,776 shares of common stock (based on an assumed initial public offering price of \$21.50 per share) issuable pursuant to restricted stock units expected to be granted on the date of this prospectus.

On August 5, 2004, we effected a reverse split of our common stock. The ratio for our reverse stock split was 1-for-14, and all information in this prospectus gives effect to the reverse split.

Unless otherwise noted, the number of shares of common stock offered by the selling stockholders does not include 5,875,260 shares that may be purchased from the selling stockholders if the overallotment option is exercised.

Summary Consolidated Financial Data

The table below sets forth summary consolidated financial data for the periods indicated. The data for the three years ended December 31, 2003 has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The data as of March 28, 2004 and for the quarters ended March 30, 2003 and March 28, 2004 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus and, in the opinion of management, contain all adjustments necessary to present fairly the information set forth below. The historical results presented below are not necessarily indicative of the results to be expected in any future period. It is important that you read this information together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 29 and our consolidated financial statements and notes to those consolidated financial statements beginning on page F-1 of this prospectus.

	Year Ended December 31,			Quarter Ended	
	2001	2002	2003	March 30, 2003	March 28, 2004
(In thousands, except per share amounts)					
Consolidated Statement of Operations Data:					
Net revenue	\$ 110,431	165,849	272,623	52,035	79,465
Operating costs and expenses:					
Database licensing and production costs	82,343	92,499	125,841	23,586	40,435
Selling, general and administrative expenses	56,979	63,422	83,024	16,821	23,096
Total operating costs and expenses	139,322	155,921	208,865	40,407	63,531
Operating income (loss)	(28,891)	9,928	63,758	11,628	15,934
Interest income (expense), net ⁽¹⁾	(17,383)	(668)	380	30	142
Other income (expense), net ⁽¹⁾	(70,235)		6,163	4,119	(347)
Income (loss) before income taxes	(116,509)	9,260	70,301	15,777	15,729
Income tax benefit (expense) ⁽²⁾		(1,105)	165,514	(300)	(6,010)
Net income (loss)	(116,509)	8,155	235,815	15,477	9,719
Cumulative preferred stock dividends	(91,417)	(110,464)			
Net income (loss) applicable to common stockholders	\$ (207,926)	(102,309)	235,815	15,477	9,719
Earnings (loss) per share of common stock:					
Basic	\$ (7.31)	(2.41)	2.81	0.18	0.12
Diluted	\$ (7.31)	(2.41)	2.69	0.18	0.11
Weighted average shares used in per share computation:					
Basic	28,441	42,446	84,062	83,984	84,178
Diluted	28,441	42,446	87,593	87,030	91,125

As of March 28, 2004

	As of March 28, 2004	
	Actual	Pro Forma ⁽³⁾
(In thousands)		
Consolidated Balance Sheet Data:		
Cash and cash equivalents	\$ 2,371	2,371
Cash on deposit with affiliate	65,029	17,744
Working capital	106,709	59,424
Total deferred income tax assets	163,982	163,982
Total assets	358,953	311,668
Long-term debt		
Total stockholders' equity	230,619	183,334

	Year Ended December 31,			Quarter Ended	
	2001	2002	2003	March 30, 2003	March 28, 2004
	(In thousands)				

Consolidated Statement of Cash Flow Data:

	2001	2002	2003	March 30, 2003	March 28, 2004
Cash flow provided by (used in) operating activities	\$ (11,501)	22,234	65,948	3,320	4,745
Capital expenditures	(5,119)	(2,156)	(9,269)	(483)	(1,776)
Capitalized software development costs	(10,773)	(10,027)	(9,966)	(2,581)	(2,911)
Total capital expenditures and capitalized software development costs	(15,892)	(12,183)	(19,235)	(3,064)	(4,687)
Depreciation and amortization	8,541	10,563	12,030	2,830	2,896

(1) Our outstanding borrowings with Philips were extinguished in exchange for preferred stock during 2001. We recognized a loss on the extinguishment of \$69,568, which is reflected in other income (expense), net for 2001.

(2) During 2003, a portion of the valuation allowance on deferred tax assets was reversed, resulting in a benefit of \$168,752.

(3) The "Pro Forma" balance sheet data as of March 28, 2004 reflects a special cash dividend to our stockholders of record as of April 19, 2004 in the amount of \$47,159 that was paid on June 18, 2004, the payment of expenses relating to this offering estimated at \$600, net of tax, and the exercise by Philips of warrants to purchase 3,384 of our common stock on April 28, 2004.

RISK FACTORS

You should carefully consider the risk factors described below and all other information contained in this prospectus before you decide to invest in our common stock. If any of the following risk factors, as well as other risks and uncertainties that are not currently known to us or that we currently believe are not material, actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose part or all of your investment.

Risks Related to Our Business

We derive a significant portion of our revenue from a limited number of customers, and if we are unable to maintain these customer relationships or attract additional customers, our revenue will be adversely affected.

For the years ended December 31, 2001, 2002 and 2003, revenue from BMW AG and Harman International Industries, Inc., our top two customers, accounted for approximately 30%, 28% and 29%, respectively, of our total revenue. In addition, during those three years, sales to our top 15 customers accounted for approximately 80%, 75% and 75% of our revenue, respectively. For the quarter ended March 28, 2004, revenue from our top two customers accounted for approximately 29% of our total revenue and sales to our top 15 customers accounted for approximately 75% of our revenue. Although we have achieved some success in expanding our customer base, we anticipate that a limited number of customers will continue to represent a significant percentage of our revenue for the foreseeable future. In addition, although we have contractual arrangements with most of our key customers, the majority of these arrangements are not long term and generally do not obligate our key customers to make any minimum or specified level of purchases. Therefore, our relationships with these key customers may or may not continue in the future, and we are not guaranteed any minimum level of revenue from them. We cannot assure you that our revenue from our current customers will reach or exceed historical levels in any future period. The loss of one or more of our key customers, or fewer or smaller orders from them, would adversely affect our revenue.

We have historically incurred operating losses and we may not achieve sustained profitability.

Prior to the year ended December 31, 2002, we had been unprofitable on an annual basis since our inception. For the years ended December 31, 2000 and 2001, we had operating losses of \$51.3 million and \$28.9 million, respectively, and net losses of \$109.6 million and \$116.5 million, respectively. As of March 28, 2004, we had an accumulated deficit of \$512.1 million. Although we have achieved an operating profit and a net profit in each of the last two fiscal years, we cannot assure you that our revenue will continue to grow at its current rate or that we will be able to maintain profitability in the future.

The market for products and services incorporating our map database is evolving and its rate of growth is uncertain.

Our success depends upon our customers' abilities to successfully market and sell their products incorporating our database. Continued growth in the adoption of route guidance products in the automotive industry and in the consumer mobile devices industry (in products such as personal digital assistants, wireless telephones, personal navigation devices and laptop computers), additional technological improvements in wireless devices, such as inclusion of GPS capabilities in mobile devices and increases in functional memory, and continued development by our current and potential customers of dynamic navigation, route planning, location-based information, asset tracking and other geographic-related products and services incorporating our database, are critical to our future growth. If our customers do not continue to successfully develop and market new products and services

incorporating our database, or the products that our customers develop and market do not meet consumer expectations, our revenue and operating results will be adversely affected.

Growth in the market for vehicle navigation products and services historically has occurred first in Europe and then in North America. If the market growth in North America is not consistent with the growth we have experienced in Europe, our ability to grow our revenue will be adversely affected.

Our product offering is not diversified and if we attempt to diversify, we may not be successful.

Our map database is our principal product, and a substantial majority of our revenue is attributable to the licensing of our database for route guidance applications. Consequently, if the market for existing and new products and services incorporating our database declines or does not continue to grow, our business would be seriously harmed because we currently do not have additional products or services that would generate sufficient revenue to enable us to sustain our business while seeking new markets and applications for our database. In addition, any attempt by us to diversify our product and service offerings may not be successful and may cause us to divert resources and management attention away from our core business, which could adversely affect our financial position, reputation and relationships with our customers.

If we are unable to manage our growth effectively, our profitability and ability to implement our strategy will be adversely affected.

Our continued growth has and will continue to place significant demands on our managerial, operational and financial resources. To accommodate this growth and successfully execute our strategy, we will need to continue to hire additional qualified personnel and implement new or upgraded operating and financial systems and internal operating and financial controls and procedures throughout our company. Our inability to expand and integrate these additions and upgrades in an efficient and timely manner could cause our expenses to increase, revenue to decline and could otherwise adversely affect our profitability and ability to implement our strategy.

We derive the majority of our revenue from the use of our map database in vehicle navigation systems and fluctuations in the condition of the automotive market may result in fluctuations in the demand for products incorporating our database.

The use of our database in vehicle navigation systems, which we supply directly and indirectly to automobile manufacturers, historically has accounted for a substantial majority of our revenue. Approximately 82%, 82% and 83% of our revenue for the years ended December 31, 2001, 2002 and 2003, respectively, and approximately 85% of our revenue for the quarter ended March 28, 2004, were generated by the sale of our database for use in new automobiles equipped with navigation systems. Any significant downturn in the demand for these products would materially decrease our revenue. The automotive market historically has experienced fluctuations due to increased competition, economic conditions and circumstances affecting the global market for automobiles generally, and additional fluctuations are likely to occur in the future. To the extent that our future revenue depends materially on sales of new automobiles equipped with navigation systems enabled by digital maps, our business may be vulnerable to these fluctuations.

Our profitability will suffer if we are not able to maintain our license fees.

Our profitability depends significantly on the prices we are able to charge customers for our data and other services. The license fees we charge our customers are affected by a number of factors, including:

our customers' perception of the quality of our data and other products and services;

the proliferation of navigation applications in lower-cost products and services and market acceptance of those products and services;

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our customers' expectations of lower license fees as a result of economies of scale, customer-imposed efficiency improvements and decreases in prices of hardware and software incorporating our database;

competition;

advances in technology that reduce the cost of geographic data acquisition;

introduction of new services or products by us or our competitors;

pricing policies of our competitors;

price sensitivity of end-users of navigation products and services; and

general economic conditions.

Any one or a combination of these factors could cause a decline in our license fees and thus, adversely affect our revenue and profitability. In addition, the success of our pricing policies is based, in part, on our assessment of the evolution of the market for products and services incorporating navigation applications, which is uncertain, and our ability to correlate the price we charge for various uses of our database. If either our assessment of the market evolution or our price correlations turn out to be incorrect, then our revenue and profitability may be adversely affected.

The automotive market and the market for mobile devices are highly competitive and manufacturers in these markets are continually looking for ways to reduce the costs of components included in their products in order to maintain or broaden consumer acceptance of those products. Because our map database is a component incorporated in automotive, wireless telephone and handheld navigational systems, we face pressure, from time to time, from our customers to lower our database license fees. We have in the past, and may in the future, need to lower our license fees to preserve customer relationships or extend use of our database to a broader range of products. To the extent we lower our license fees in the future, we cannot assure you that we will be able to achieve related increases in the use of our database or other benefits to offset fully the effects of these adjustments.

In addition, increased competition has affected our ability to maintain the level of our prices. If price adjustments resulting from increased competition are not offset by increases in sales of our database, our revenue and profitability could be adversely affected.

Increased competition could result in price reductions, reduced profit margins or loss of market share by us.

The market for map information is highly competitive. We compete with other companies and governmental and quasi-governmental agencies that provide map information to a wide variety of users in a wide range of applications with varying levels of functionality.

We currently have several major competitors in providing map information, including Tele Atlas N.V., Geographic Data Technology, Inc. (GDT) and numerous European governmental and quasi-governmental mapping agencies (e.g., Ordnance Survey in the United Kingdom) that license map data for commercial use. Tele Atlas offers detailed map data for Western Europe. In addition, GDT and Tele Atlas are now offering more detailed map data for the United States than previously had been available from those companies, which enhances their ability to compete with us in the United States market. In July 2004, Tele Atlas acquired GDT and, as a result, it may be more difficult for us to compete effectively with the combined company. Governmental and quasi-governmental agencies also are making more map data information available free of charge or at lower prices, which may encourage new market entrants or reduce the demand for fee-based products and services which incorporate our map database.

In addition, some of our customers prefer to license data from several vendors in order to diversify their sources of supply and to maintain competitive and pricing pressures. Increased competition from our current competitors or new market entrants (which may include our customers), actions taken by our customers to diversify their sources of supply and increase pricing pressure, the acquisition of GDT by Tele Atlas and other competitive pressures, may result in price reductions, reduced profit margins or loss of market share by us.

Our dependence on our vehicle navigation systems manufacturer customers for compilation services could result in a material decrease in our revenue or otherwise adversely affect our business.

For vehicle navigation systems, we rely on our vehicle navigation systems manufacturer customers to compile copies of our map database into their proprietary formats. This can be a time and labor intensive and complex process. In some cases, these customers also are responsible for distributing the compiled database to the automobile manufacturers. If these customers do not compile or distribute our map database in a timely manner and consistent with the requirements of the automobile manufacturers, our reputation and relationships with the automobile manufacturers could be adversely affected. In other cases, our navigation systems manufacturer customers compile our map database and then return a master copy to us. We then distribute copies of the database to the automobile manufacturers in exchange for a distribution fee. If these customers do not fulfill their obligations to us to compile our map database, or to the extent we have not entered into agreements clearly specifying their obligations or fail to do so in the future, we may not be able to satisfy our obligations to automobile manufacturers, which could result in our contractual liability to these automobile manufacturers, and would likely decrease our revenue and adversely affect our business. Our vehicle navigation systems manufacturer customers also could decide to not provide compilation services to us, which would prevent us from providing distribution services to the automobile manufacturers with respect to these customers' navigation systems, and would result in a material decrease in our revenue.

We derive a significant portion of our revenue from our international operations and economic, political and other inherent risks of international operations may adversely affect our financial performance.

We have approximately 110 field and administrative offices in 19 countries worldwide. We have substantial operations in Europe. Approximately 64%, 68% and 66% of our total revenue in 2001, 2002 and 2003, respectively, and approximately 69% of our total revenue during the quarter ended March 28, 2004 were attributable to our European operations. We expect a significant portion of our revenue and expenses will be generated by our European operations in the future. Accordingly, our operating results are and will continue to be subject to the risks of doing business in foreign countries, which could have a material adverse effect on our business. We also collect data in various foreign jurisdictions and outsource some software development and data production functions in foreign jurisdictions. The key risks to us of operating in foreign countries include:

reduced or inadequate intellectual property protections and/or high rates of intellectual property piracy in some jurisdictions;

multiple, conflicting, vague and changing laws and regulations, including tax laws, employment laws, governmental approvals, permits and licenses;

restrictions on the movement of cash;

general political and economic instability;

restrictions on the import and export of technologies;

price controls or restrictions on exchange of foreign currencies;

trade barriers, including tariffs and other laws and practices that favor local companies;

maintenance of quality standards for outsourced work; and

difficulties and costs in staffing and managing foreign subsidiary operations, including cultural differences.

We expect to continue to expand internationally into other countries and regions, including into emerging economies, where we believe that many of these risks are increased.

Currency translation risk and currency transaction risk may adversely affect our results of operations.

Material portions of our revenue and expenses have been generated by our European operations, and we expect that our European operations will account for a material portion of our revenue and expenses in the future. Substantially all of our international expenses and revenue are denominated in foreign currencies, principally, the euro. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in Europe and other foreign markets in which we have operations. Accordingly, fluctuations in the value of those currencies in relation to the U.S. dollar have caused and will continue to cause dollar-translated amounts to vary from one period to another. In addition to currency translation risks, we incur currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or a sales transaction using a currency other than the local currency in which it receives revenue and pays expenses.

Historically, we had not engaged in activities to hedge our foreign currency exposures. On April 22, 2003, we entered into a foreign currency derivative instrument to hedge certain foreign currency exposures related to intercompany transactions. For the year ended December 31, 2003 and the quarter ended March 28, 2004, we generated approximately 66% and 69% of our total revenue, respectively, and incurred approximately 45% and 50% of our total costs, respectively, in foreign currencies. Our European operations reported revenue of \$181 million and \$55 million for the year ended December 31, 2003 and for the quarter ended March 28, 2004, respectively. For the year ended December 31, 2003, approximately \$28 million (or approximately 10%) of our revenue was a result of an increase in the exchange rate of the euro against the dollar, as compared to 2002, with every \$0.01 change in the exchange ratio of the euro against the dollar resulting in a \$1.6 million change in our revenue and a \$0.8 million change in our operating income. For the quarter ended March 28, 2004, approximately \$6 million (or approximately 7%) of our revenue was a result of an increase in the exchange rate of the euro against the dollar, as compared to the same period in 2003, with every \$0.01 change in the exchange ratio of the euro against the dollar resulting in a \$0.4 million change in our revenue and a \$0.2 million change in our operating income. Our analysis does not consider the implications that such fluctuations could have on the overall economic activity that could exist in such an environment in the United States or Europe. Given the volatility of exchange rates, we may not be able to effectively manage our currency translation and/or transaction risks, which may adversely affect our financial condition and results of operations.

We are subject to income taxes in many countries because of our international operations and we exercise judgment in order to determine our provision for income taxes. Because that determination is an estimate, we cannot be certain that our income tax provisions and accruals will be adequate.

We are subject to income taxes in many countries, jurisdictions and provinces. Our international operations require us to exercise judgment in determining our global provision for income taxes. Regularly, we make estimates where the ultimate tax determination is uncertain. While we believe our estimates are reasonable, we cannot assure you that the final determination of any tax audit or tax-related litigation will not be materially different from that reflected in our historical income tax provisions and accruals. The assessment of additional taxes, interest and penalties as a result of audits, litigation or otherwise, could be materially adverse to our current and future results of operations and financial condition.

We may not generate sufficient future taxable income to allow us to realize our deferred tax assets.

We have a significant amount of tax loss carryforwards and interest expense carryforwards that will be available to reduce the taxes we would otherwise owe in the future. We have recognized the value of a portion of these future tax deductions in our consolidated balance sheet at March 28, 2004. The realization of our deferred tax assets is dependent upon our generation of future taxable income during the periods in which we are permitted, by law, to use those assets. We exercise judgment in evaluating our ability to realize the recorded value of these assets, and consider a variety of factors, including the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Our evaluation of the realizability of deferred tax assets must consider both positive and negative evidence, and the weight given to the potential effects of positive and negative evidence is based on the extent to which the evidence can be verified objectively. While we believe that sufficient positive evidence exists to support our determination that the realization of our deferred tax assets is more likely than not, we cannot assure you that we will have profitable operations in the future that will allow us to fully realize those assets.

Increased governmental regulation may place additional burdens on our business and adversely affect our ability to compete.

Although we do not believe governmental regulation has had a material effect on our business and operations to date, it is possible that we will experience the effects of increased regulation in the future. In the United States and Europe, the combination of heightened security concerns and the increase in the breadth and accuracy of our map database could result in more restrictive laws and regulations, such as export control laws, applicable to our database. In addition, automobile safety initiatives may result in restrictions on devices that use our database. As we continue to expand our geographic coverage, policies favoring local companies and other regulatory initiatives may result in export control laws and other restrictions on our ability to access, collect and use map data or otherwise conduct business in various countries throughout the world. Our failure to comply with local policies and regulations could result in a number of adverse consequences, including loss of access to map data, restrictions or prohibitions on our use of map information, financial penalties, criminal sanctions or loss of licenses or other authority to do business in those jurisdictions. Any of these occurrences could adversely affect our ability to complete, improve, license or distribute our database, which could result in a competitive disadvantage for us and the possible loss of customers and revenue.

If we cannot retain our existing management team or attract and retain highly skilled and qualified personnel, our business could be adversely affected.

Our success depends to a significant degree on the skills, experience and efforts of our current executive officers, including Judson C. Green, President and Chief Executive Officer, David B. Mullen, Executive Vice President and Chief Financial Officer, John K. MacLeod, Executive Vice President, Global Marketing and Strategy and M. Salahuddin Khan, Senior Vice President, Technology & Development and Chief Technology Officer and our other key employees, including management, sales, support, technical and services personnel. Qualified employees are in high demand throughout technology-based industries, and our future success depends in significant part on our ability to attract, train, motivate and retain highly skilled employees and the ability of our executive officers and other members of senior management to work effectively as a team.

If we fail to adapt our map database to changes in technology, we could lose our existing customers and be unable to attract new business.

The market for products and services incorporating digital map information is evolving and is characterized by rapid technological change, changes in customer requirements, the introduction of new products and services and enhancements to existing products and services. Although our database

currently can be used by our customers in a wide variety of applications, we will need to be able to maintain the compatibility of our map database with new products and services introduced as a result of technological changes. If we are unable to do so, demand for our database could decline and our revenue would be adversely affected.

If we fail to establish and maintain relationships with third party sources of data used in our map database, our business is likely to suffer.

We depend upon third party sources for data to build, maintain and enhance our database. In certain cases, this data is readily available only from limited third party sources and/or at significant cost. We cannot assure you that we will be successful in maintaining our relationships with our current third party sources or that we will be able to continue to obtain data from them on acceptable terms or at all. We also cannot assure you that we will be able to obtain data from alternative sources if our current sources become unavailable. In some cases, we may obtain data on less favorable terms in order to satisfy our customers' requirements. In addition, we may be unable to obtain data from additional sources that would allow us to enhance our existing coverage and expand our geographic coverage. Our rights to use any data we obtain may be limited in scope and duration and subject to various other terms and restrictions that may reduce its usefulness to us. Our inability to obtain data from our current sources or additional or alternative sources, or to use the acquired data for our intended purposes, may impair or delay the further development, updating and distribution of our database. Any impairments or delays may adversely affect our relationships with our customers and cause us to lose revenue. Further, if we must pay more for the data than we have in the past or acquire data on unfavorable terms to satisfy customer requirements, our profitability may be adversely affected.

If our customers do not accurately report the amount of license fees owed to us, we will not receive all of the revenue to which we are entitled.

Except with respect to our automobile manufacturer customers for whom we make and distribute copies of our database, we rely on our customers to report the amount of license fees owed to us under our agreements with them. The majority of our agreements, including those with our key customers, give us the right to audit their records to verify this information. However, these audits can be expensive, time-consuming and possibly detrimental to our ongoing business relationships with our customers. As a result, to date we have only audited a small number of customers in any given year and have relied primarily on the accuracy of our customers' reports. To the extent those reports are inaccurate, the revenue we collect from our customers could be materially less than the amount we should be receiving from them. Though we believe the revenue lost from underreporting has not been material historically, we cannot estimate the impact of underpayments in the future.

Errors or defects in the database we deliver to customers may expose us to risks of product liability claims and adversely affect our reputation, which could result in customer loss, decreased revenue, unexpected expenses and loss of market share.

The use of our data in route guidance products and other navigation products and applications involves an inherent risk of product liability claims and associated adverse publicity. Claims could be made by our customers if errors or defects result in failure of their products or services, or by end-users of those products or services or others alleging loss or harm as a result of actual or perceived errors or defects in our map database. Our potential exposure may increase as products and services incorporating our map database begin to be used more widely in emergency response or other safety-related applications and as the information included in earlier versions of our map database becomes dated or obsolete. In addition, errors or defects in our database may require us to participate in product recalls, or cause us to voluntarily initiate a recall in order to maintain good customer relationships.

Product liability claims present a risk of protracted litigation, substantial money damages, attorneys' fees, costs and expenses, and diversion of management's attention from the operation of our business. Although we have not had any product liability claims brought against us to date, we cannot assure you that claims will not be brought in the future. We attempt to mitigate the risks of product liability claims through the use of disclaimers, limitations of liability and similar provisions in our license agreements; however, we cannot assure you that any of these provisions will prove to be effective barriers to claims. Recalls also may be costly and divert management's attention from the operation of our business. In some circumstances, we are contractually obligated to indemnify our customers for liabilities, costs and expenses arising out of product liability claims. Providing indemnification or contesting indemnification claims from our customers may result in our incurring substantial costs and expenses. In some cases, purchase orders submitted by our customers purport to incorporate certain customer-favorable contractual terms and conditions which, if given effect, could increase our potential product liability and recall liability exposure. In addition, adverse publicity may reduce our customers' willingness to incorporate our database and related applications into their products, which would adversely affect our revenue.

Our inability to adequately protect our map database property could enable others to market databases with similar coverage and features that may reduce demand for our database and adversely affect our revenue.

We rely primarily on a combination of copyright laws, trade secrets, patents, database laws and contractual rights to establish and protect our intellectual property rights in our database, software and related technology. We cannot assure you that the steps we have taken or will take to protect our intellectual property from infringement, misappropriation or piracy will prove to be sufficient. Current or potential competitors may use our intellectual property without our authorization in the development of databases, software or technologies that are substantially equivalent or superior to ours, and even if we discover evidence of infringement, misappropriation or intellectual property piracy, our recourse against them may be limited or could require us to pursue litigation, which could involve substantial attorneys' fees, costs and expenses and diversion of management's attention from the operation of our business. Our database is a compilation of public domain, licensed, otherwise-acquired and independently developed information obtained from various sources such as aerial photographs, commercially available maps and data, government records, other data sources and field observation. Current or potential competitors may be able to use publicly available sources of information and techniques similar to ours to independently create a database containing substantially the same information as our database. Any of these events likely would harm our competitive position.

The laws of some countries in which we operate do not protect our intellectual property rights to the same extent as the laws of other countries. For example, although our database and software are protected in part by copyright, database and trade secret rights, copyright protection does not extend to facts and legislative database protections that relate to compilations of facts currently exist only in certain countries of Europe and do not exist in the United States or Canada. In addition, as we continue to expand our geographic coverage outside of North America and Europe, there may be little or no intellectual property protection and increased rates of piracy. Further, we recently have begun to outsource some software development and data production functions to third parties located in foreign countries where we believe there is an increased risk of infringement, misappropriation and piracy and an increased possibility that we may not be able to enforce our contractual and intellectual property rights.

Copies of our database that are distributed to end-users do not always include effective protection against unlawful copying. While we attempt to stop data piracy, our database is sometimes illegally copied and sold through auction sites and other channels.

We may face intellectual property infringement claims that could be time consuming, costly to defend and result in our loss of significant rights.

Due to the uncertain and developing nature of this area of intellectual property law, we cannot assure you that claims of infringement or similar claims will not be asserted against us. Various public authorities and private entities claim copyright or other ownership of or protection with respect to certain data and map information that we use in our database. Although our general policy is to seek to obtain licenses or other rights where necessary or appropriate, we cannot assure you that we have obtained or will be successful in obtaining all of these licenses or rights. In the event that claims are asserted against us, we may be required to obtain one or more licenses from third parties. We may or may not be able to obtain those licenses at a reasonable cost or at all. Also, if we are found to have infringed the intellectual property rights of a third party, we may be subject to payment of substantial royalties or damages, or enjoined or otherwise prevented from marketing part or all of our database, software or related technologies and/or products which would incorporate our database, software or related technologies, any of which could cause us to lose revenue, impair our customer relationships and damage our reputation.

We also claim rights in our trademarks and service marks. Certain of our marks are registered in the United States, Europe and elsewhere and we have filed applications to register certain other marks in these jurisdictions. Marks of others that are the same or similar to certain of our marks currently exist or may exist in the future. We cannot assure you that we will be able to continue using certain marks or that certain of our marks do not infringe the marks of others. We have licensed others to use certain of our marks in connection with our database and software and expect to continue licensing certain of our marks in the future. Licensees of our marks may take actions that might materially and adversely affect the value of our marks or reputation.

Our intellectual property indemnification practices and potential obligations may adversely affect our business.

Our license agreements with our customers generally contain indemnification provisions which, in certain circumstances may require us to indemnify our customers for liabilities, costs and expenses arising out of violations of intellectual property rights. These indemnification provisions and other actions by us may result in indemnification claims or claims of intellectual property right infringement. In some instances, the potential amount of the indemnities may be greater than the revenue we receive from the customer. Any indemnification claims or related disputes or litigation, whether ultimately we are or are not required to provide indemnification, could be time-consuming and costly, damage our reputation, prevent us from offering some services or products, or require us to enter into royalty or licensing arrangements, which may not be on terms favorable to us.

Our technology systems may suffer failures and business interruptions that could increase our operating costs and cause delays in our operations.

Our operations face the risk of systems failures. Although we believe we have sufficient disaster recovery plans and redundant systems in place, our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, computer hardware and software failure, telecommunications failure, computer hacking break-ins and similar events. The occurrence of a natural disaster or unanticipated problems with our technology systems at our production facility in Fargo, North Dakota, at the location of the mainframe computer that stores our map database or at our offices in Chicago, Illinois and Veldhoven, The Netherlands could cause interruptions or delays in the ongoing development and enhancement of our map database and related software, and inhibit our ability to

timely deliver our database to our customers, which in turn could cause us to lose customers or revenue. Our technology systems may also be subject to capacity constraints which would cause increased operating costs in order to overcome these constraints.

In addition, we are in the process of migrating our computer systems related to our database to a new platform, and during this process we are incurring both the costs associated with the migration and of maintaining our legacy systems. While we cannot assure you that there will not be unanticipated costs, we do not believe that the costs associated with the migration will be material to our results of operations. Hardware failure or software errors occurring in our legacy systems or during repair or after the completion of this migration could result in errors in our database, which could cause us to have to repair and re-ship our database to some customers and hinder our ability to timely deliver our database to our customers. Repairs and reshipments of our data could result in a material increase in our operating costs and subject us to liability from our customers and end-users. Delays in completing the migration also could inhibit our ability to enhance and improve our database, which could adversely affect our ability to compete.

We are required to achieve and maintain various quality assurance standards, and if we are unable to do so, our key customers may not do business with us.

Many of our customers, particularly those in the automotive industry, require their suppliers to maintain certain quality assurance standards and certifications, including those pursuant to the ISO series of international standards. Although we have achieved many of these certifications, we cannot assure you that we will be able to continue to meet these standards in the future or that our customers will not require us to obtain and maintain certifications under different or more stringent standards in the future, which we may or may not be able to accomplish. If we are unable to do so, those customers may refuse to do business with us, which could materially reduce our revenue and adversely affect our reputation.

Changes to financial accounting standards may affect our results of operations and cause us to change our business practices.

We prepare our financial statements to conform with generally accepted accounting principles, or GAAP, in the United States. These accounting principles are subject to interpretation by the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, or FASB, the SEC and various bodies formed to promulgate and interpret appropriate accounting policies. A change in those accounting principles or interpretations could have a significant effect on our reported financial results and may affect our reporting of transactions completed before a change is announced or adopted.

Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business. For example, accounting policies affecting certain aspects of our business, including rules relating to employee stock option grants, have recently been revised or are under review. There has been ongoing public debate whether employee stock options should be recognized as compensation expense and, if so, how to properly value these charges. Although standards have not been finalized, and the timing of a final statement has not been established, the FASB has announced preliminary guidance for expensing stock option grants based upon their fair value at the time of grant. If we elect or were required to change our accounting policy and record an expense for our stock-based compensation plans using the fair value method, we could have significant accounting charges.

**Risk Related to
Our Relationship with Philips**

Following this offering, Philips will continue to own a significant portion of our common stock and may exercise significant influence over us, and its interests may differ from those of our other stockholders.

Philips B.V. is our principal stockholder. As of June 1, 2004, Philips B.V. held approximately 83% of the issued and outstanding shares of our common stock. Following this offering, Philips will continue to own approximately 42.1% of our issued and outstanding common stock, or 35.8% if the underwriters exercise their overallotment option in full. In addition, the shares of NavPart II B.V., which is the recordholder of 2,580,430 shares of our common stock, are subject to certain put and call rights between NavPart I B.V. and Philips. If Philips acquires the shares of NavPart II pursuant to these rights, Philips would own approximately 45.0% of our issued and outstanding common stock, or 38.8% if the underwriters exercise their overallotment option in full. NavPart I has expressed its intention to require Philips, to the extent Philips does not exercise its right to purchase the shares of NavPart II, to purchase the shares of NavPart II on or about the time of this offering.

As a result, Philips B.V. could delay or prevent a change in control of us that may be favored by other stockholders and otherwise exercise significant influence over all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including:

the election of directors;

any amendment of our certificate of incorporation or bylaws;

the approval of mergers and other significant corporate transactions, including a sale of substantially all of our assets; or

the defeat of any non-negotiated takeover attempt.

In taking any of these actions, Philips B.V. may act in its own interest, which may conflict with or be unfavorable to the interests of our other stockholders.

By exercising its registration rights and selling a large number of shares, our principal stockholder could cause the price of our common stock to decline and impede our ability to raise capital through the issuance of equity securities in the future.

Philips holds certain registration rights that allow it to require us to register its shares of our common stock for sale under the Securities Act. Pursuant to these "demand" rights, Philips may require us to register some or all of its shares as many as four times following completion of this offering, subject to Philips' agreement with the underwriters in this offering not to demand any registrations or sell any shares of our stock that it holds for the 180-day period following the closing of this offering, subject to certain exceptions. In addition to these demand registration rights, if we propose to register any shares of our common stock for public sale under the Securities Act, either for our own account or the account of any other person, Philips may require that we include some or all of its shares in that registration. Including Philips' shares in such a registration does not reduce the number of times it may require us to register its shares pursuant to its "demand" rights. We are obligated to pay all of the expenses incurred in connection with any of these demand registrations (other than underwriting commissions or discounts and legal expenses of Philips). In addition, in order to fulfill our obligations to effect these registrations, our senior management must devote substantial time and effort to the registration process. The registration rights will terminate upon the earlier of (i) the date that is five years after the offering contemplated by this prospectus or (ii) the date on which Philips is able to sell the shares held by it within a 180-day period under Rule 144 of the Securities Act. Although Philips has not informed us of its intention with respect to making additional registration requests, sales of substantial amounts of our common stock by Philips, or the perception

that these sales may occur, through a registered offering or otherwise, may adversely affect the price of our common stock and impede our ability to raise capital through the issuance of equity securities in the future.

In connection with this offering, we and Philips have entered into a separation agreement to terminate certain services and programs provided to us by or through Philips. As a result, we may lose operating expense savings and other benefits.

We have obtained software, software-related consulting services, treasury services, tax consulting services, insurance services and purchasing services on favorable terms through our participation in Philips' programs, which we believe have resulted in operating expense savings for us of approximately \$2.0 to \$2.5 million per year. Following this offering, Philips will own less than 50% of our common stock. We and Philips have entered into a separation agreement to, among other things, terminate these services and programs provided to us by or through Philips. As a result, we will no longer obtain software, software-related consulting services, treasury services, tax consulting services and insurance from or through Philips and we will only be able to continue to participate in certain Philips' purchasing programs until December 31, 2004. In some instances, due to vendor-imposed ownership threshold requirements, we will be unable to participate in certain other Philips' purchasing programs following the completion of the offering. Following the termination of those services and programs, to the extent we are unable to obtain goods and services at prices and/or on terms as favorable as those currently available to us, we will incur increased operating expenses which could adversely affect our financial condition and results of operations.

Our directors who own Philips common stock or options to acquire Philips common stock or who hold positions with Philips may have potential conflicts of interest.

Ownership of Philips common stock, options to acquire Philips common stock and other equity securities by our directors after this offering and the presence of Philips officers on our board of directors could create, or appear to create, potential conflicts of interest when our directors are faced with decisions that could have different implications for Philips than they do for us. At this time, we have not established any procedural mechanisms to address actual or perceived conflicts of interest of these directors, although we expect that our board of directors, in the exercise of its fiduciary duties, will determine how to address any actual or perceived conflicts of interest on a case-by-case basis.

Sales of our stock by Philips B.V. or other stockholders could reduce our ability to use our net operating losses.

We have incurred net operating losses in prior years that we intend to use in future years to reduce our income taxes as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Income Taxes." Because of certain tax regulations, the amount of net operating losses that we can use may become limited under certain circumstances, including a cumulative stock ownership change of more than 50% at any time during any three-year period. Under the applicable tax regulations, an ownership change occurs if, as of a measurement date, the increase in the ownership of our stock by certain stockholders during the prior three years, when added together, totals more than 50% of our equity. In the event of such an ownership change, we may need to pay taxes earlier or in larger amounts than would be the case if all of our net operating losses were available to reduce income taxes without restriction.

**Risks Related to this Offering and
Your Ownership of Our Common Stock**

Our stock price may decline due to sales of shares by our other stockholders.

Sales of substantial amounts of our common stock, or the perception that these sales may occur, may adversely affect the price of our common stock and impede our ability to raise capital through the issuance of equity securities in the future. All shares sold in this offering and all of our other outstanding shares of common stock will be freely transferable without restriction or further registration under the Securities Act of 1933, subject to restrictions that may be applicable to our "affiliates," as that term is defined in Rule 144 of the Securities Act and subject to the 180-day "lock-up" restrictions described in the "Underwriting" section of this prospectus. Shares issuable upon exercise of our options also may be sold in the market in the future, subject to restrictions on resale following underwritten offerings contained in some of our option agreements, and sales of substantial amounts of those shares, or the perception that these sales may occur, also may adversely affect the price of our common stock.

There has been no prior market for our common stock, and it may trade at prices below the initial public offering price.

Prior to this offering, you could not buy or sell our common stock publicly. We cannot predict the extent to which a trading market for our common stock will develop or be sustained after this offering. The initial public offering price will be determined by negotiations between the selling stockholders and the representatives of the underwriters based on factors that may not be indicative of future performance, and may not bear any relationship to the price at which our common stock will trade upon completion of this offering.

Our stock price may be volatile, and you may not be able to resell shares of our common stock at or above the price you paid or at all.

The price of our common stock after the offering may fluctuate widely, depending upon many factors, including the market's perception of our prospects and those of geographic data providers in general, differences between our actual financial and operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general economic or market conditions and broad market fluctuations. Broad market and industry factors may decrease the market price of our common stock, regardless of our actual operating performance. Stock prices for technology-related companies have experienced significant price and volume volatility. Companies that experience volatility in the market price of their securities often are subject to securities class action litigation. This type of litigation, if instituted against us, could result in substantial costs and divert management's attention and resources away from our business. In addition, our common stock may not be traded actively following this offering. An illiquid market for our common stock may result in lower trading prices and increased volatility, which could adversely affect the value of your investment.

Our quarterly revenue and operating results are difficult to predict and if we do not meet quarterly financial expectations our stock price may experience increased volatility.

Our quarterly revenue and operating results are difficult to predict due to a variety of factors, including the timing of purchases by our customers, the introduction of new products or services by them incorporating our map database and changes in our pricing policies or those of our competitors. These or other factors, many of which are beyond our control, may result in this unpredictability continuing in the future. This could cause our operating results in some quarters to vary from market expectations and lead to volatility in our stock price.

If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

As a new investor, you will experience immediate and substantial dilution.

Our net tangible book value at March 28, 2004 was approximately \$230.6 million, or approximately \$2.74 per share. Net tangible book value per share represents the amount of our total consolidated tangible assets less our total consolidated liabilities, divided by the total number of shares of common stock outstanding. After giving effect to the special cash dividend that was paid to common stockholders on June 18, 2004, and the exercise of warrants held by Philips on April 28, 2004, the pro forma net tangible book value as of March 28, 2004 was approximately \$183.9 million, or \$2.10 per share. The initial public offering price of the common stock being sold by the selling stockholders in this offering is considerably more than the pro forma net tangible book value per share of our outstanding common stock. Accordingly, if you purchase shares in this offering you will suffer immediate dilution of \$19.40 per share in net tangible book value, based on an assumed initial offering price of \$21.50 per share of common stock. This dilution is due in large part to the fact that our earlier investors paid substantially less than the initial public offering price when they purchased their shares of our capital stock. You may suffer additional dilution to the extent outstanding options to purchase shares of our common stock are exercised.

We may require additional capital in the future, which may not be available to us. Sales of our equity securities to provide this capital may dilute your ownership in us.

We may need to raise additional funds through public or private debt or equity financings in order to:

take advantage of expansion opportunities;

acquire complementary businesses or technologies;

develop new services and products; or

respond to competitive pressures.

Any additional capital raised through the sale of our equity securities may dilute your percentage ownership interest in us. Historically, we have relied on significant debt and equity financing from Philips to operate our business. Philips is not under any obligation to provide financing to us on terms favorable to us or at all in the future. Furthermore, any additional financing we may need may not be available on terms favorable to us or at all. The unavailability of needed financing could adversely affect our ability to execute our growth strategy.

We do not intend to pay dividends for the foreseeable future.

Except for a special cash dividend that was paid to our common stockholders on June 18, 2004, we have never declared or paid any cash dividends on our common stock. Payment of future cash dividends will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion, and any limitations on dividend payments included in any financing or other agreements that we may be party to at the time. Our existing credit facility currently restricts our ability to pay

dividends. Consequently, investors cannot rely on dividend income and your opportunity to achieve a return on your investment in our common stock will likely depend entirely upon any future appreciation in the price of our stock. There is no guarantee that the price of our common stock will appreciate after this offering or that the price at which you purchased your shares will be maintained.

Delaware law and our certificate of incorporation and bylaws contain provisions that could delay and discourage takeover attempts that stockholders may consider favorable.

Certain provisions of our certificate of incorporation and bylaws that will be in effect upon completion of this offering and applicable provisions of Delaware corporate law may make it more difficult for or prevent a third party from acquiring control of us or changing our board of directors and management. These provisions include:

the ability by our board of directors to issue preferred stock with voting or other rights or preferences;

our stockholders may only take action at a meeting of our stockholders and not by written consent; and

our stockholders must comply with advance notice procedures in order to nominate candidates for election to our board of directors or to place stockholders' proposals on the agenda for consideration at meetings of the stockholders.

Any delay or prevention of a change of control transaction or changes in our board of directors or management could deter potential acquirors or prevent the completion of a transaction in which our stockholders could receive a substantial premium over the then current market price for their shares.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections about our industry, our beliefs and our assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "may," "will," "should" and "estimates," and variations of these words and similar expressions, are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed, implied or forecast in the forward-looking statements. In addition, the forward-looking events discussed in this prospectus might not occur. These risks and uncertainties include, among others, those described in "Risk Factors" and elsewhere in this prospectus. You are cautioned not to place undue reliance on these forward-looking statements. You should read this prospectus, and the documents that we refer to in this prospectus and have filed as exhibits to the registration statement of which this prospectus is a part, with the understanding that actual future results and events may be materially different from what we currently expect.

The forward-looking statements included in this prospectus reflect our views and assumptions only as of the date of this prospectus. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

This prospectus also contains or refers to market data and industry statistics, forecasts and projections that we obtained from industry publications and publicly-available data. These sources generally indicated that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy or completeness of their information. We do not guarantee, and we have not independently verified, this information. Accordingly, you should not place undue reliance on this information.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the common stock by the selling stockholders in this offering.

DIVIDEND POLICY

Except for a special cash dividend that was paid to our common stockholders on June 18, 2004, we have never declared or paid any cash dividends on our common stock. We currently intend to retain future earnings, if any, to finance the expansion of our business and do not expect to pay any cash dividends in the foreseeable future. In addition, our wholly-owned operating subsidiary for North America may not pay any dividends with respect to any shares of any class of its capital stock in accordance with its existing revolving credit agreement. This restriction, along with other restrictions contained in the revolving credit agreement, materially limit our ability to pay dividends on our common stock. Payment of future cash dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion, and in accordance with the revolving credit agreement. Our ability to pay dividends also may be limited by financing or other agreements that we may enter into in the future.

In April 2004, our Board of Directors considered the payment of a special dividend to stockholders as a means to provide a return on investment to our long-term investors. After taking into account our financial condition, recent financial performance and short-term cash requirements, our Board of Directors declared a special cash dividend to our common stockholders of record as of April 19, 2004 in the amount of approximately \$47.2 million, which was paid on June 18, 2004.

CAPITALIZATION

The following table sets forth our capitalization as of March 28, 2004. The "Pro Forma" amounts reflect a special cash dividend in the amount of approximately \$47.2 million that was paid on June 18, 2004 to our common stockholders of record as of April 19, 2004, the issuance of 3,384,286 shares of our common stock to Philips pursuant to the exercise of its warrants on April 28, 2004 and the payment of the estimated expenses of this offering. It is important that you read this information together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes to those consolidated financial statements beginning on page F-1 of this prospectus.

(In thousands, except per share amounts)

	March 28, 2004	
	Actual	Pro Forma
Cash and cash equivalents	\$ 2,371	2,371
Cash on deposit with affiliate	65,029	17,744
Total cash, cash equivalents and cash on deposit with affiliate	\$ 67,400	20,115
Long-term debt	\$	
Stockholders' equity:		
Common stock, par value \$0.001 per share, 400,000 shares authorized, 84,203 shares issued and outstanding (and 87,621 shares issued and outstanding upon completion of this offering)	\$ 1,179	1,226
Additional paid-in-capital	767,993	721,261
Note receivable for common stock	(219)	(219)
Deferred stock compensation expense	(2,131)	(2,131)
Accumulated other comprehensive loss	(24,142)	(24,142)
Accumulated deficit	(512,061)	(512,661)
Total stockholders' equity	230,619	183,334
Total capitalization	\$ 230,619	183,334

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected historical consolidated financial data have been derived from our historical financial statements. The selected historical financial data as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 have been derived from our audited consolidated financial statements, appearing elsewhere in this prospectus. The selected historical consolidated financial data as of December 31, 1999, 2000 and 2001 and for the years ended December 31, 1999 and 2000 have been derived from our audited consolidated financial statements, which are not included in this prospectus. The selected historical consolidated financial data as of March 28, 2004 and for the quarters ended March 30, 2003 and March 28, 2004 have been derived from unaudited interim financial statements appearing elsewhere in this prospectus and, in the opinion of management, contain all adjustments necessary to present fairly the information set forth below. The historical results presented below are not necessarily indicative of the results to be expected in any future period. It is important that you read this information together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes to those consolidated financial statements beginning on page F-1 of this prospectus.

	Year Ended December 31,					Quarter Ended	
	1999	2000	2001	2002	2003	March 30, 2003	March 28, 2004
(In thousands, except per share amounts)							
Consolidated Statement of Operations Data:							
Net revenue	\$ 51,088	82,195	110,431	165,849	272,623	52,035	79,465
Operating costs and expenses:							
Database licensing and production costs	72,862	79,548	82,343	92,499	125,841	23,586	40,435
Selling, general and administrative expenses	57,168	53,966	56,979	63,422	83,024	16,821	23,096
Total operating costs and expenses	130,030	133,514	139,322	155,921	208,865	40,407	63,531
Operating income (loss)	(78,942)	(51,319)	(28,891)	9,928	63,758	11,628	15,934
Interest income (expense), net ⁽¹⁾	(41,199)	(57,743)	(17,383)	(668)	380	30	142
Other income (expense), net ⁽¹⁾	(854)	(506)	(70,235)		6,163	4,119	(347)
Income (loss) before income taxes	(120,995)	(109,568)	(116,509)	9,260	70,301	15,777	15,729
Income tax benefit (expense) ⁽²⁾				(1,105)	165,514	(300)	(6,010)
Net income (loss)	(120,995)	(109,568)	(116,509)	8,155	235,815	15,477	9,719
Cumulative preferred stock dividends			(91,417)	(110,464)			
Net income (loss) applicable to common stockholders	\$ (120,995)	(109,568)	(207,926)	(102,309)	235,815	15,477	9,719
Earnings (loss) per share of common stock:							
Basic	\$ (4.45)	(3.87)	(7.31)	(2.41)	2.81	0.18	0.12
Diluted	\$ (4.45)	(3.87)	(7.31)	(2.41)	2.69	0.18	0.11

Weighted average shares used in per share computation:

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							Quarter Ended	
Basic	27,190	28,333	28,441	42,446	84,062	84,178		
Diluted	27,190	28,333	28,441	42,446	87,593	87,980	91,125	

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As of December 31,

	1999	2000	2001	2002	2003	As of March 28, 2004
(In thousands)						
Consolidated Balance Sheet Data:						
Cash and cash equivalents	\$ 3,997	7,516	7,506	9,427	1,982	2,371
Cash on deposit with affiliate			5,000	10,000	65,307	65,029
Working capital (deficit)	(25,597)	(24,481)	(16,388)	(8,633)	77,653	106,709
Deferred income tax assets ⁽²⁾					170,942	163,982
Total assets	22,220	51,263	62,476	80,327	325,185	358,953
Long-term debt ⁽¹⁾	237,632	339,733				
Total stockholders' equity (deficit) ⁽¹⁾	(259,360)	(345,908)	3,571	11,237	217,911	230,619

Year Ended December 31,

Quarter Ended

	1999	2000	2001	2002	2003	March 30, 2003	March 28, 2004
(In thousands)							

**Consolidated Statement of Cash
Flow Data:**

Cash flow provided by (used in) operating activities	\$ (60,888)	(45,602)	(11,501)	22,234	65,948	3,320	4,745
Capital expenditures	(2,697)	(10,314)	(5,119)	(2,156)	(9,269)	(483)	(1,776)
Capitalized software development costs		(7,848)	(10,773)	(10,027)	(9,966)	(2,581)	(2,911)
Total capital expenditures and capitalized software development costs	(2,697)	(18,162)	(15,892)	(12,183)	(19,235)	(3,064)	(4,687)
Depreciation and amortization	3,345	5,193	8,541	10,563	12,030	2,830	2,896
Amortization of goodwill	11,677						

(1) Our outstanding borrowings with Philips were extinguished in exchange for preferred stock during 2001. We recognized a loss on the extinguishment of \$69,568, which is reflected in other income (expense), net for 2001.

(2) During 2003, a portion of the valuation allowance on deferred tax assets was reversed, resulting in a benefit of \$168,752.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**
(Amounts in thousands, except per share amounts)

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the notes to those consolidated financial statements beginning on page F-1 of this prospectus. Certain information contained in this discussion and analysis and presented elsewhere in this document, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risk and uncertainties. In evaluating these statements, you should specifically consider the various risk factors set forth under "Risk Factors" beginning on page 9 of this prospectus that could cause results to differ materially from those expressed in these forward-looking statements.

Overview

General

We are a leading provider of comprehensive digital map information for automotive navigation systems, mobile navigation devices and Internet-based mapping applications. Our map database enables providers of these products and services to offer dynamic navigation, route planning, location-based information and other geographic information products and services to consumer and commercial users.

Revenue

We generate revenue primarily through the licensing of our database in North America and Europe. Revenue grew 50.2% and 64.4% in 2002 and 2003, respectively, and 52.7% in the first quarter of 2004 as compared to the corresponding prior period. The largest portion of our revenue comes from digital map data used in self-contained hardware and software systems installed in vehicles. We believe that there are two key market factors that affect our performance with respect to this revenue: the number of automobiles sold for which navigation systems are either standard or an option ("adoption") and the rate at which car buyers select navigation systems as an option ("take-rate").

The adoption of navigation systems in automobiles and the take-rates have increased during recent years and we expect that these will continue to increase for at least the next few years as a result of market acceptance by our customers of products and services that use our database. As the adoption of navigation systems in automobiles and the take-rates increase, we believe each of these can have a positive effect on our revenue, subject to our ability to maintain our license fee structure and customer base.

In addition, the market for products and services that use our database is evolving, and we believe that much of our future success depends upon the development of markets for a wider variety of products and services that use our database. This includes growth in GPS-enabled mobile devices, such as personal navigation devices, personal digital assistants, wireless telephones and other products and services that use digital map data. While use of our map database in wireless telephones and in location-based products and services is still largely in development and just beginning to enter the marketplace, there are a number of personal digital assistants and personal navigation devices currently on the market in both Europe and North America that use our map database for turn-by-turn route guidance, including products offered by Garmin, Hewlett-Packard and Thales. Our revenue growth is driven in part by the rate at which consumers and businesses purchase these products and services, which in turn is affected by the availability and functionality of such products and services. We believe that both of these factors have increased in recent years and will continue to increase for at least the next few years. However, even if these products and services continue to be developed and marketed by our customers and gain market acceptance, we may not be able to license the database at prices that will enable us to maintain profitable operations. Moreover, the market for map information is highly

competitive, and competitive pressures in this area may result in price reductions for our database, which could materially adversely affect our business and prospects.

We have also experienced, and expect to continue to experience, difficulty in maintaining the license fees we charge for our digital map database due to a number of factors, including automotive and mobile device customer expectations of continually lower license fees each year and a highly competitive environment. As a consequence of Tele Atlas' acquisition of GDT in July 2004, there may be additional price pressure on our license fees in order for us to compete effectively with the combined company. In addition, governmental and quasi-governmental entities are increasingly making map data information with higher quality and greater coverage available free of charge or at lower prices. Customers may determine that the data offered by such entities is an adequate alternative to our map database for some of their applications. Additionally, the availability of this data may encourage new entrants into the market by decreasing the cost to build a map database similar to ours. In response to these pressures, we are focused on:

Offering a digital map database with superior quality, detail and coverage;

Providing value-added services to our customers such as distribution services, and technical and marketing support; and

Enhancing and extending our product offering by adding additional content to our map database such as integrated real-time traffic data, enhancements to support advanced driver assistance systems applications that improve vehicle safety and performance, and enriched points of interest, such as restaurant reviews, hours of operation and parking availability.

We also believe that in the foreseeable future the effect on our revenue and profitability as a result of any decreases in our license fees will be offset by volume increases as the market for products and services that use our database grows, although we cannot assure you that these increases will occur.

During the first half of 2004, unit sales to customers where we provide distribution services have increased as a percentage of total unit sales. These sales have higher incremental costs than sales where we do not provide distribution services. In future periods, we expect the percentage of total unit sales where we provide distribution services to be consistent with the first half of 2004.

Operating Expenses

Our operating expenses are comprised of database licensing and production costs and selling, general and administrative expenses. Database licensing and production costs primarily include the purchase and licensing of source maps and employee compensation related to the construction, maintenance and delivery of our database.

Selling, general and administrative expenses primarily include employee compensation, marketing, facilities and other administrative expenses. Our operating expenses have increased as we have made investments related to the development, improvement and commercialization of our database. Our operating expenses grew 11.9% and 34.0% in 2002 and 2003, respectively, and 57.2% in the first quarter of 2004, as compared to the corresponding prior period. Operating expenses as a percentage of revenue were 126%, 94% and 77% in 2001, 2002 and 2003, respectively and 80% in the first quarter of 2004. We anticipate that operating expenses will continue to increase as our growth and development activities continue, including further development and enhancement of our database and increasing our sales and marketing efforts.

During the second quarter of 2004, we granted to our President and Chief Executive Officer approximately 619 restricted stock units. On the date of this prospectus, we expect to grant to certain of our directors and employees an aggregate of 144 restricted stock units (based on an assumed initial public offering price of \$21.50 per share) under our 2001 Stock Incentive Plan. Restricted stock units

are securities that require us to deliver to the holder one share of our common stock for each vested unit. Restricted stock units granted to our President and Chief Executive Officer and restricted stock units that we expect to grant to other officers and directors on the date of this prospectus will vest in four equal annual installments. We expect to record total compensation expense (based on an assumed initial public offering price of \$21.50 per share) in the amount of approximately \$13,300 related to the restricted stock unit grant to our President and Chief Executive Officer and approximately \$3,100 related to the restricted stock unit grants to such other employees and directors, of which we expect to record approximately \$6,000 for the remainder of 2004. The expense related to the restricted stock units will be recognized ratably over the vesting periods of the restricted stock units.

We have obtained software, software-related consulting services, treasury services, tax consulting services, insurance services and purchasing services on favorable terms through our participation in Philips' programs, which we believe have resulted in operating expense savings for us of approximately \$2,000 to \$2,500 per year. We have entered into a separation agreement with Philips. As a result, we will no longer obtain software, software-related consulting services, treasury services, tax consulting services and insurance from or through Philips and we will only be able to continue to participate in certain Philips' purchasing programs until December 31, 2004. In some instances, due to vendor-imposed ownership threshold requirements, we will be unable to participate in certain other Philips' purchasing programs following the completion of the offering. To the extent we are unable to obtain goods and services at prices and/or on terms as favorable as those currently available to us, we expect that we will incur increased operating expenses in future periods.

Income Taxes

As of December 31, 2003, we had U.S. net operating loss carryforwards for Federal and state income tax purposes of approximately \$201,737 and \$78,144, respectively. The difference between the Federal and state loss carryforwards relate to certain limitations applicable to us because our principal operations were previously located in California. These include a 50% limitation on California loss carryforwards, capitalized research and development costs for California income tax purposes and a five-year limit on California net operating loss carryforwards. Net operating loss carryforwards are available to reduce future taxable income subject to expiration. Various amounts of our net operating loss carryforwards expire, if not utilized, each year until 2023. The following table details the timing of the expiration of our net operating loss carryforwards:

Year of expiration	Federal net operating loss carryforwards	State net operating loss carryforwards
2004	\$	\$ 1,472
2005		2,907
2006		601
2007		713
2008	15,492	346
Thereafter through 2023	\$ 186,245	\$ 72,105
	\$ 201,737	\$ 78,144

As of December 31, 2003, we also had net operating loss carryforwards in Europe and Canada of approximately \$258,956 and \$1,407, respectively. The European loss carryforwards have no expiration date and the Canadian loss carryforwards generally have a seven-year carryforward period.

Prior to 2003, we had fully provided a valuation allowance for the potential benefits of the net operating loss carryforwards mentioned above and interest expense carryforwards as we believed it was more likely than not that the benefits would not be realized. During 2003, we reversed the valuation allowance related to the net operating loss carryforwards and other temporary items as we believe it is

now more likely than not that we will be able to use the benefit to reduce future tax liabilities. The reversal resulted in recognition of an income tax benefit of \$168,752 in 2003 and an increase in the deferred tax asset on the consolidated balance sheet. In the first quarter of 2004, we recorded our income tax provision based on our pretax income and our expected tax rate for the full year, and will continue to do so in future periods.

In addition, as of December 31, 2003, we had U.S. interest expense carryforwards for both Federal and state income tax purposes of approximately \$215,963. As of December 31, 2003, we had fully reserved the interest expense carryforwards as we believed it was more likely than not that the benefits would not be realized.

Philips will no longer have a controlling interest in us after this offering. At that time, we will reevaluate whether it is more likely than not that the tax benefit associated with our net operating loss carryforwards and our interest expense carryforwards will be realized.

Cash and Liquidity

Prior to the year ended December 31, 2002, we had been unprofitable on an annual basis since our inception, and, as of March 28, 2004, we had an accumulated deficit of \$512,061. We had historically financed our operations with borrowings from Philips and the sale of preferred stock to Philips. Philips has no obligation to provide us with any additional financing in the future.

As of March 28, 2004, our balance of cash, cash equivalents and cash on deposit with Philips was \$67,400, an increase of \$111 from December 31, 2003. In addition, we have generated positive cash flow from operations for the past nine quarters. After giving effect to the special cash dividend that was paid to our common stockholders on June 18, 2004, our balance of cash, cash equivalents and cash on deposit with Philips was reduced by approximately \$47,159.

Foreign Currency Risk

Material portions of our revenue and expenses have been generated by our European operations, and we expect that our European operations will account for a material portion of our revenue and expenses in the future. Substantially all of our international expenses and revenue are denominated in foreign currencies, principally the euro. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in Europe and other foreign markets in which we have operations. Accordingly, fluctuations in the value of those currencies in relation to the U.S. dollar have caused and will continue to cause dollar-translated amounts to vary from one period to another. In addition to currency translation risks, we incur currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or a sales transaction using a currency other than the local currency in which it receives revenue and pays expenses.

Historically, we had not engaged in activities to hedge our foreign currency exposures. On April 22, 2003, we entered into a foreign currency derivative instrument to hedge certain foreign currency exposures related to intercompany transactions. See " Quantitative and Qualitative Disclosures About Market Risk." For the year ended December 31, 2003 and the quarter ended March 28, 2004, we generated approximately 66% and 69% of our total revenue, respectively, and incurred approximately 45% and 50% of our total costs, respectively, in foreign currencies. Our European operations reported revenue of \$180,959 for the year ended December 31, 2003 and \$54,567 for the quarter ended March 28, 2004. For the year ended December 31, 2003, approximately \$27,700 (or approximately 10%) of our revenue was a result of an increase in the exchange rate of the euro against the dollar, as compared to 2002, with every one cent change in the exchange ratio of the euro against the dollar resulting in a \$1,600 change in our revenue and a \$800 change in our operating income. For the quarter ended March 28, 2004, approximately \$5,600 (or approximately 7%) of our revenue was a result of an increase in the exchange rate of the euro against the dollar, as compared to

the same period in 2003, with every one cent change in the exchange ratio of the euro against the dollar resulting in a \$400 change in our revenue and a \$200 change in our operating income. Our analysis does not consider the implications that these fluctuations could have on the overall economic activity that could exist in such an environment in the United States or Europe.

Customer Concentration

Material portions of our revenue have been generated by a small number of customers, and we expect that a small number of customers will account for a material portion of our revenue in the future. Approximately 29% of our revenue for the quarter ended March 28, 2004 was from two customers, accounting for approximately 20% and 9%, respectively, of our revenue. Approximately 29% of our revenue for the year ended December 31, 2003 was from two customers, accounting for approximately 18% and 12%, respectively, of our revenue. Approximately 28% of our revenue for the year ended December 31, 2002 was from two customers, accounting for 15% and 13%, respectively, of our revenue. Approximately 30% of our revenue for the year ended December 31, 2001 was from two customers, accounting for 19% and 11%, respectively, of our revenue. Our top fifteen customers accounted for approximately 80%, 75% and 75% of our revenue for the years ended December 31, 2001, 2002 and 2003, respectively, and approximately 75% of our revenue for the quarter ended March 28, 2004.

The majority of our significant customers are automobile manufacturers and suppliers to automobile manufacturers. Conditions in the market for new automobiles generally and conditions affecting specific automobile manufacturers and suppliers may affect sales of vehicle navigation systems incorporating our database. Fluctuations in the automotive market have occurred in the past and are likely to occur in the future. To the extent that our future revenue depends materially on sales of new automobiles equipped with navigation systems enabled by digital maps, our business may be vulnerable to these fluctuations.

Reverse Stock Split

On April 27, 2004, our board of directors and stockholders approved a reverse stock split of our common stock. The ratio for the reverse stock split was 1-for-14, as determined by our board of directors. We effected this reverse split on August 5, 2004 by amending our amended and restated certificate of incorporation. All previously reported share amounts have been retroactively adjusted to give effect to the reverse split.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates based on historical experience and make various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that, of the significant policies used in the preparation of our consolidated financial statements (see Note 1 of Notes to Consolidated Financial Statements), the following are critical accounting estimates, which may involve a higher degree of judgment and complexity. Management has discussed the development and selection of these critical accounting estimates with our Audit Committee, and our Audit Committee has reviewed this disclosure.

Revenue Recognition

We derive a substantial majority of our revenue from licensing our database. Revenue is recognized net of provisions for estimated uncollectible amounts and anticipated returns. Database licensing revenue includes revenue that is associated with nonrefundable minimum licensing fees, license fees from usage (including license fees in excess of nonrefundable minimum fees), recognition of prepaid licensing fees from our distributors and customers and direct sales to end-users.

Nonrefundable minimum annual licensing fees are received upfront and represent a minimum guarantee of fees to be received from the licensee (for sales made by that party to end-users) during the period of the arrangement. We generally cannot determine the amount of up-front license fees that have been earned during a given period until we receive a report from the customer. Accordingly, we amortize the total up-front fee paid by the customer ratably over the term of the arrangement. When we determine that the actual amount of licensing fees earned exceeds the cumulative revenue recognized under the amortization method (because the customer reports licensing fees to us that exceed this amount), we recognize the additional licensing revenue.

License fees from usage (including license fees in excess of the nonrefundable minimum fees) are recognized in the period in which they are reported by the customer to us. Prepaid licensing fees are recognized in the period in which the distributor or customer reports that it has shipped our database to the end-user. Revenue for direct sales is recognized when the database is shipped to the end-user.

Revenue from licensing arrangements consisting of an original database plus a second copy of the database are allocated equally to the two shipments of our database to the customer. The second copy of the database is considered to have a value equal to the original database provided under these arrangements, which is consistent with their relative fair values. Licensing arrangements that entitle the customer to unspecified updates over a period of time are recognized as revenue ratably over the period of the arrangement.

Our map database license agreements provide evidence of our arrangements with our customers, and identify key contract terms related to pricing, delivery and payment. We do not recognize revenue from licensing our database until delivery has occurred and collection is considered probable. We provide for estimated product returns at the time of revenue recognition based on our historical experience for such returns, which have not been material. As a result, we do not believe there is significant risk of recognizing revenue prematurely.

Allowance for Doubtful Accounts

We record allowances for estimated losses from uncollectible accounts based upon specifically identified amounts that we believe to be uncollectible. In addition, we record additional allowances based on historical experience and our assessment of the general financial condition of our customer base. If our actual collections experience changes, revisions to our allowances may be required. We have a number of customers with individually large amounts due at any given balance sheet date. Any unanticipated change in the creditworthiness of one of these customers or other matters affecting the collectibility of amounts due from these customers could have a material adverse affect on our results of operations in the period in which these changes or events occur.

The allowance for doubtful accounts as reflected in our consolidated balance sheet reflects our best estimate of the amount of our gross accounts receivable that will not be collected. Over time, our allowance for doubtful accounts has increased in amount reflecting our revenue growth and higher levels of concentration risk within our receivables portfolio. Our actual level of bad debts has been relatively stable in recent years, which we believe is due to our practice of requiring customer prepayments in certain instances together with prompt identification of potential problem accounts. We continue to refine our estimates for bad debts as our business grows, and while our credit losses have

historically been within both our expectations and the provision recorded, fluctuations in credit loss rates in the future may impact our financial results.

Database Licensing, Production and Software Development Costs

We have invested significant amounts in creating and updating our database and developing related software applications for internal use. Database licensing and production costs consist of database creation and updating, database licensing and distribution, and database-related software development. Database creation and updating costs are expensed as incurred. These costs include the direct costs of database creation and validation, costs to obtain information used to construct the database, and ongoing costs for updating and enhancing the database content. Database licensing and distribution costs include the direct costs related to reproduction of the database for licensing and per-copy sales and shipping and handling costs. Database-related software development costs consist primarily of costs for the development of software as follows: (i) applications used internally to improve the effectiveness of database creation and updating activities, (ii) enhancements to internal applications that enable our core database to operate with emerging technologies, and (iii) applications to facilitate customer use of our database. Costs of internal-use software are accounted for in accordance with AICPA Statement of Position ("SOP") No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Accordingly, certain application development costs relating to internal-use software have been capitalized and are being amortized on a straight-line basis over the estimated useful lives of the assets. It is possible that our estimates of the remaining economic life of the technology could change from the current amortization periods. In that event, impairment charges or shortened useful lives of internal-use software could be required.

Impairment of Long-lived Assets

As of December 31, 2002, December 31, 2003 and March 28, 2004, our long-lived assets consisted of property and equipment and internal-use software. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Significant management judgment is required in determining the fair value of our long-lived assets to measure impairment, including projections of future discounted cash flows. During the third quarter of 2002, we determined that certain capitalized software development costs were impaired. Accordingly, we recorded a charge of \$2,114 to write down the balance.

Realizability of Deferred Tax Assets

The assessment of the realizability of deferred tax assets involves a high degree of judgment and complexity. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences, as determined pursuant to Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management's evaluation of the realizability of deferred tax assets must consider both positive and negative evidence, and the weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. We have generated significant taxable losses since our inception, and prior to the year ended December 31, 2003, management had concluded that a valuation allowance against substantially all of

our deferred tax assets was required. However, our European operations generated taxable profits throughout 2002, and for the year ended December 31, 2003, both our European and U.S. operations generated taxable income. During 2003, we assessed the realizability of our deferred tax assets by weighing both positive and negative evidence. Positive evidence included qualitative factors such as growing market acceptance of navigation products in Europe and North America, particularly in automobiles, our leading competitive positions in both Europe and the U.S., and the significant time required and cost involved in building a database such as ours. Positive quantitative evidence included our strong recent operating performance in both Europe and the U.S., our projections of our future operating results that indicate that we will be able to generate sufficient taxable income to fully realize the benefits of our existing loss carryforwards before they expire, and the length of carryforward periods related to our net operating losses, approximately half of which have no statutory expiration date. Negative evidence included our history of operating losses through 2001, the likelihood of increased competition and the loss of a large customer. After evaluating the available evidence, management determined that sufficient objective evidence existed to conclude that it is now more likely than not that a portion of the deferred tax assets would be realized. Accordingly, we reversed the valuation allowance related to net operating loss carryforwards and other deductible temporary differences in Europe and the United States, resulting in the recognition of an income tax benefit of \$168,752 in 2003. To fully realize these deferred tax assets, we will need to generate future taxable income of approximately \$258,956 in Europe and approximately \$201,737 of taxable income in the United States, which must include approximately \$78,144 of taxable state income. By generating taxable income in Europe and the U.S. at the levels realized in 2003 in future years, we would be able to realize the benefits of all existing net operating losses in these jurisdictions before they expire. However, we cannot assure you that we will continue to experience taxable income at levels consistent with recent performance in some or all of the jurisdictions in which we do business. In the event that actual taxable income differs from our projections of taxable income by jurisdiction, changes in the valuation allowance, which could impact our financial position and net income, may be required.

As of March 28, 2004, we had a valuation allowance for deferred tax assets of \$85,411 related to interest expense carryforwards and Canadian net operating loss carryforwards. At that time, we believed it was more likely than not that we would not realize the benefit associated with the interest expense carryforwards due to (1) restrictions placed on the deductibility of the interest as a result of Philips' controlling interest in us and (2) our ability to generate sufficient incremental future taxable income in the United States to offset the additional interest expense deductions.

Philips will no longer have a controlling interest as a result of this offering. At that time, we will reevaluate whether it is more likely than not that the tax benefit associated with our net operating loss carryforwards and our interest expense carryforwards will be realized.

Results of Operations

Comparison of Quarters Ended March 30, 2003 and March 28, 2004

Operating Income, Net Income and Net Income Per Share of Common Stock. Our operating income increased from \$11,628 during the first quarter of 2003 to \$15,934 in the first quarter of 2004, due primarily to our revenue growth in 2004. This revenue growth was partially offset by higher operating expenses. Our net income decreased from \$15,477 in the first quarter of 2003 to \$9,719 in the first quarter of 2004, due primarily to a foreign currency gain of \$4,119 we recognized in 2003 and the recording of a full income tax provision of \$6,010 in 2004 following the reversal of the valuation allowance related to our net operating loss carryforwards in the fourth quarter of 2003. Basic and diluted net income per share of common stock was \$0.18 in the first quarter of 2003. Basic and diluted net income per share of common stock was \$0.12 and \$0.11, respectively, in the first quarter of 2004.

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The following table highlights changes in selected financial statement line items, which are material to our results of operations. An analysis of the factors affecting each line is provided in the paragraphs that appear after the table. In addition, the percentage change for other income (expense) and income tax expense as compared to the prior year is not specified below. We believe that these percentages are not meaningful since the changes are unusually large due to non-recurring items affecting each item as more fully described in the narrative section for each.

	Quarter Ended			
	March 30, 2003	March 28, 2004	Change	% Change
Net revenue	\$ 52,035	79,465	27,430	52.7%
Database licensing and production costs	23,586	40,435	16,849	71.4%
Selling, general and administrative expenses	16,821	23,096	6,275	37.3%
Other income (expense)	4,149	(205)	(4,354)	
Income tax expense	(300)	(6,010)	(5,710)	

Net Revenue. The increase in total revenue was due to a significant increase in database licensing, resulting primarily from increased unit sales to existing customers. Growth occurred in all geographic regions during the first quarter of 2004, as North American revenue increased 50.1% from \$16,588 in the first quarter of 2003 to \$24,898 in the first quarter of 2004, and European revenue increased 53.9% from \$35,447 in the first quarter of 2003 to \$54,567 in the first quarter of 2004. North American and European revenue both increased primarily due to an increase in unit sales to vehicle navigation system vendors and automobile manufacturers during the first quarter of 2004. Foreign currency translation increased revenue within the European operations by approximately \$5,600 during the first quarter of 2004 due to the strengthening of the euro. Excluding the effect of foreign currency translation, European revenue would have grown 38.1%. Approximately 31% of our revenue in the first quarter of 2003 came from two customers (accounting for approximately 19% and 12% of total revenue, respectively), while approximately 29% of our revenue for the first quarter of 2004 came from two customers (accounting for approximately 20% and 9% of total revenue, respectively).

Database Licensing and Production Costs. The increase in database licensing and production costs was due primarily to increased production costs of approximately \$8,200 in the first quarter of 2004 as compared to the first quarter of 2003 as a result of growth in database licensing activities, and our continued investment in updating, improving, and maintaining the coverage of our database that resulted in an increase of approximately \$5,100 in the first quarter of 2004 as compared to the first quarter of 2003, as well as increased efforts related to technological enhancements to our database in both North America and Europe that resulted in an increase during the first quarter of 2004 of approximately \$1,800 as compared to the first quarter of 2003. In addition, there was an unfavorable foreign currency translation effect within European operations of approximately \$2,200 due to the strengthening euro. Reducing these expenses was the capitalization of \$2,581 and \$2,911 of development costs for internal-use software in the first quarter of 2003 and 2004, respectively.

Selling, General and Administrative Expenses. The increase in selling, general and administrative expenses was due primarily to our investments in growing the size of our worldwide sales force and marketing initiatives to expand the breadth of our product offerings and to diversify our customer base that together resulted in an increase in the first quarter of 2004 of approximately \$3,900 as compared to the first quarter of 2003. Also contributing to the increase were expenses related to improving our infrastructure to support future growth that resulted in an increase in the first quarter of 2004 of approximately \$1,200 as compared to the first quarter of 2003 and an unfavorable foreign currency translation effect within European operations of approximately \$1,100 due to the strengthening euro.

Other Income (Expense). As of January 1, 2003, the U.S. dollar denominated intercompany loan obligation of one of our European subsidiaries to us and one of our U.S. subsidiaries was re-classified

from a permanent advance to an obligation that management intends to settle. This change in classification was based on management's intention that the loan be repaid in full and on the ability of the European subsidiary to repay the loan. In accordance with SFAS No. 52, "Foreign Currency Translation," the foreign currency gain resulting from the change in the U.S. dollar/euro exchange rate is reflected as a component of other income (expense). During the first quarter of 2003, we recognized a net foreign currency gain of \$4,119 compared to a net foreign currency loss of \$(329) in the first quarter of 2004. The gain in 2003 occurred before we entered into a foreign currency swap agreement to hedge the translation effects of the aforementioned intercompany loan.

Income Tax Expense. The increase in income tax expense in the first quarter of 2004 as compared to 2003 is primarily due to our recording of a full income tax provision based on our pretax income for the period and our estimated effective tax rate for the year. During the fourth quarter of 2003, we determined that it was more likely than not that we would be able to realize the benefit of the net operating loss carryforwards in Europe and the United States. No income tax benefit was recorded for our domestic losses during the first quarter of 2003, because a full valuation allowance was recorded against our net deferred tax assets. The tax expense recorded in the first quarter of 2003 related to various foreign countries where we do not have tax loss carryforwards.

Comparison of Years Ended December 31, 2002 and 2003

Operating Income, Net Income and Net Income (Loss) Per Share of Common Stock. Our operating income increased from \$9,928 in 2002 to \$63,758 in 2003, due primarily to our revenue growth in 2003. Our net income increased from \$8,155 in 2002 to \$235,815 in 2003, due primarily to our revenue growth combined with the \$168,752 effect of the reversal of the valuation allowance on our deferred tax assets related to net operating loss carryforwards and other temporary items. In 2002, net loss applicable to common stockholders was \$(102,309), which included a reduction of \$110,464 from net income related to the cumulative preferred stock dividends paid in 2002 on our preferred stock previously held by Philips. These shares of preferred stock were converted into common stock during the fourth quarter of 2002. Basic net income (loss) per share of common stock changed from a net loss per share of \$(2.41) in 2002 to net income per share of \$2.81 in 2003. Diluted net income (loss) per share of common stock changed from a net loss per share of \$(2.41) in 2002 to net income per share of \$2.69 in 2003.

The following table highlights changes in selected line items, which are material to our results of operations. An analysis of the factors affecting each line is provided in the paragraphs that appear after the table. In addition, the percentage change for other income (expense) and income tax benefit (expense) as compared to the prior year is not specified below. We believe that these percentages are not meaningful since the changes are unusually large due to non-recurring items more fully described in the narrative section for each.

	<u>2002</u>	<u>2003</u>	<u>Change</u>	<u>% Change</u>
Net revenue	\$ 165,849	272,623	106,774	64.4%
Database licensing and production costs	92,499	125,841	33,342	36.0%
Selling, general and administrative expenses	63,422	83,024	19,602	30.9%
Other income (expense)	(668)	6,543	7,211	
Income tax benefit (expense)	(1,105)	165,514	166,619	

Net Revenue. The increase in total revenue was due to a significant increase in database licensing, resulting primarily from increased unit sales to existing customers. Growth occurred in all geographic regions in 2003, as North American revenue increased 73.6% from \$52,807 in 2002 to \$91,664 in 2003, and European revenue increased 60.1% from \$113,042 in 2002 to \$180,959 in 2003. North American and European revenue both increased primarily due to the increase in unit sales to vehicle navigation systems vendors and automobile manufacturers during 2003. Foreign currency translation increased

revenue within the European operations by approximately \$27,700 during 2003 due to the strengthening of the euro. Excluding the effect of foreign currency translation, European revenue would have grown 35.6%. Approximately 28% of our revenue in 2002 came from two customers (accounting for 15% and 13% of total revenue, respectively), while approximately 29% of our revenue for 2003 came from two customers (accounting for approximately 18% and 12% of total revenue, respectively).

Database Licensing and Production Costs. The increase in database licensing and production costs was due primarily to increased production costs of approximately \$15,000 in 2003 as compared to 2002, as a result of growth in database licensing activities, and our continued investment in updating, improving and maintaining the coverage of our database that resulted in an increase of approximately \$7,100 in 2003 as compared to 2002, as well as increased efforts related to technological enhancements to our database in both North America and Europe that resulted in an increase of approximately \$1,600 in 2003 as compared to 2002. In addition, there was an unfavorable foreign currency translation effect within European operations of approximately \$8,900 due to the strengthening euro. Reducing these expenses was the capitalization of \$10,027 and \$9,966 of development costs for internal-use software in 2002 and 2003, respectively.

Selling, General and Administrative Expenses. The increase in selling, general and administrative expenses was due primarily to our investments in growing the size of our worldwide sales force and marketing initiatives to expand the breadth of our product offerings and to diversify our customer base that together resulted in an increase of approximately \$12,100 in 2003 as compared to 2002. Also contributing to the increase were expenses related to improving our infrastructure to support future growth that resulted in an increase of approximately \$3,100 in 2003 as compared to 2002 plus an unfavorable foreign currency translation effect within European operations of approximately \$4,400 due to the strengthening euro.

Other Income (Expense). As of January 1, 2003, the U.S. dollar denominated intercompany loan obligation of one of our European subsidiaries to us and one of our North American subsidiaries was re-classified from a permanent advance to an obligation that management intends to settle. This change in classification was based on management's intention that the loan be repaid in full and on the ability of the European subsidiary to repay the loan. In accordance with SFAS No. 52, "Foreign Currency Translation," the foreign currency gain resulting from the change in the U.S. dollar/euro exchange rate during the period from January 1, through December 31, 2003 is reflected as a component of other income (expense). For the year ended December 31, 2003, we recognized a net foreign currency gain of \$6,174, consisting of \$29,546 in foreign currency transaction gains primarily due to the impact of the strengthening of the euro on the U.S. dollar denominated intercompany loan offset by \$21,997 in foreign currency derivative losses and \$1,375 of net interest expense related to the foreign currency derivative (See Note 10 of Notes to Consolidated Financial Statements). Interest expense decreased by \$806 due to the settlement of an interest bearing refundable deferred licensing advance in 2002.

Income Tax Benefit (Expense). The income tax benefit in 2003 was primarily due to the reversal of the valuation allowance on deferred tax assets related to net operating loss carryforwards. During 2003, we determined that it was more likely than not that we would be able to realize the benefit of the net operating loss carryforwards in Europe and the United States. The reversal of the valuation allowance together with the recognition of changes in other temporary differences resulted in our recording of a deferred income tax benefit of \$168,752 and the recognition of a corresponding net deferred tax asset on our consolidated balance sheet. Current tax expense of \$1,105 and \$3,238 in 2002 and 2003, respectively, related to various foreign countries where we do not have tax loss carryforwards as well as \$400 arising from a tax audit during 2002. The remaining foreign operations did not incur income tax expense in 2002, because taxable income was applied against available loss carryforwards. No income tax benefit was recorded for our domestic losses during 2002, because a full valuation allowance was recorded against our net deferred tax assets in the United States.

Comparison of Years Ended December 31, 2001 and 2002

Operating Income (Loss), Net Income (Loss) and Net Loss Per Share of Common Stock. Our operating income (loss) changed from an operating loss of \$(28,891) in 2001 to \$9,928 of operating income in 2002, due primarily to our revenue growth in 2002. Our net income (loss) changed from a net loss of \$(116,509) in 2001 to \$8,155 of net income in 2002, primarily because the 2001 results included a \$(69,568) loss from the extinguishment of debt that we incurred in connection with the exchange of the shares of our preferred stock for our outstanding indebtedness to Philips and \$(17,053) of interest charges related to the debt outstanding prior to the exchange. Basic and diluted net loss per share of common stock decreased from \$(7.31) in 2001 to \$(2.41) in 2002. This change primarily reflects the impact of our improved operating results, reduced interest expense and no debt extinguishment costs in 2002. In addition, the cumulative preferred stock dividends of \$91,417 and \$110,464 in 2001 and 2002, respectively, on our preferred stock previously held by Philips also affected the reported results on a per share basis. The preferred stock was converted into common stock during the fourth quarter of 2002.

The following table highlights changes in selected line items, which are material to our results of operations. An analysis of the factors affecting each line is provided in the paragraphs that appear after the table. In addition, the percentage change for other expense and income tax expense as compared to the prior year is not specified below. We believe that these percentages are not meaningful since they are unusually large due to items more fully described in the narrative section for each.

	2001	2002	Change	% Change
Net revenue	\$ 110,431	165,849	55,418	50.2%
Database licensing and production costs	82,343	92,499	10,156	12.3%
Selling, general and administrative expenses	56,979	63,422	6,443	11.3%
Other income (expense)	(87,618)	(668)	86,950	
Income tax benefit (expense)		(1,105)	(1,105)	

Net Revenue. The increase in total revenue in 2002 was due to a significant increase in database licensing, resulting primarily from increased unit sales to existing customers. Growth occurred in all geographic regions in 2002, as North American revenue increased 32.7% from \$39,796 in 2001 to \$52,807 in 2002, and European revenue increased 60.0% from \$70,635 in 2001 to \$113,042 in 2002. North American and European revenue was positively affected by the increase in unit sales to vehicle navigation systems vendors and automobile manufacturers during 2002. Foreign currency translation increased revenue within the European operations by approximately \$11,700 during 2002 due to the strengthening of the euro against the U.S. dollar. Excluding the effect of foreign currency translation, European revenue would have grown 43.5%. Approximately 38% of our revenue in 2001 came from three customers (accounting for 19%, 11% and 8% of total revenue, respectively), while approximately 36% of our revenue for 2002 came from three customers (accounting for 15%, 13% and 8% of total revenue, respectively).

Database Licensing and Production Costs. The increase in database licensing and production costs in 2002 was due primarily to the increased database licensing and production costs of approximately \$3,400 in 2002 as compared to 2001 as a result of growth in database licensing activities, and, to a lesser extent, a \$2,114 net write-down for impairment of internal-use software during 2002. The remaining increase was due to our continued investment in updating, improving, and maintaining the coverage of our database that resulted in an increase of approximately \$300 in 2002 as compared to 2001 as well as increased efforts related to technological enhancements to our database in both North America and Europe that resulted in an increase of approximately \$2,200 in 2002 as compared to 2001, plus an unfavorable foreign currency translation effect within European operations of approximately \$3,900 due to the strengthening euro against the U.S. dollar. Reducing these expenses was the

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capitalization of \$10,773 and \$10,027 of development costs for internal-use software in 2001 and 2002, respectively, in accordance with SOP 98-1.

Selling, General and Administrative Expenses. The increase in selling, general and administrative expenses was due primarily to our investments in growing the size of our worldwide sales force and marketing initiatives that resulted in an increase of approximately \$300 in 2002 as compared to 2001, and in improving our infrastructure to support future growth that resulted in an increase of approximately \$4,300 in 2002 as compared to 2001 plus an unfavorable foreign currency translation effect within European operations of approximately \$1,800 due to the strengthening of the euro against the US dollar.

Other Income (Expense). The decrease in other income (expense) was due primarily to the reduction of our indebtedness during the first quarter of 2001 through the exchange of shares of our Series A and Series B preferred stock for our outstanding borrowings from Philips. This transaction resulted in a charge of \$69,568 in 2001 related to the debt extinguishment. In addition, in the first quarter of 2001, we recorded interest expense of \$17,053 on debt outstanding prior to the debt extinguishment.

Income Tax Benefit (Expense). The increase in income tax benefit (expense) was primarily due to current taxes payable in various foreign countries where we do not have tax loss carryforwards, as well as an additional provision of \$400 arising from a tax audit during 2002. The remaining foreign operations did not incur income tax expense in 2002, because taxable income was applied against available loss carryforwards. No income tax benefit was recorded for domestic or foreign losses during 2001, because a full valuation allowance was recorded against our net deferred tax assets in all jurisdictions. No income tax benefit was recorded for our domestic losses during 2002, because a full valuation allowance was recorded against our net deferred tax assets in the United States.

Liquidity and Capital Resources

We have financed our operations through private placements of equity securities, borrowings from Philips and cash generated from operations. As of March 28, 2004, cash and cash equivalents totaled \$2,371, and we had \$65,029 of cash on deposit with Philips (See Note 9 of the notes to our consolidated financial statements). After giving effect to the special cash dividend that was paid to our common stockholders on June 18, 2004, our cash and cash equivalents and cash on deposit with Philips has been reduced by approximately \$47,159. Prior to 2002, we were substantially dependent upon Philips for funding. Philips has no obligation to provide any additional financing to us in the future.

On November 10, 2003 we obtained, through our operating subsidiary for North America, a bank revolving line of credit that is scheduled to mature on November 8, 2004. Pursuant to the terms of the line of credit, we may borrow up to \$15,000 at an interest rate of either U.S. LIBOR plus 1% or the greater of the prime rate or the Federal funds rate plus 0.5%. We are required to pay to the bank a quarterly facility fee of 37.5 basis points per annum on the average daily unused commitment. As of March 28, 2004, there were no borrowings on the line of credit. We intend to renew the line of credit upon maturity.

The following table presents a trend of cash flows from operations for the quarters ended:

	2002				2003				2004
	Mar. 31,	June 30,	Sept. 29,	Dec. 31,	Mar. 31,	June 29,	Sept. 28,	Dec. 31,	Mar. 28,
Cash flows from operations	\$ 1,354	3,369	8,686	8,825	3,320	23,032	17,514	22,082	4,745

Since the first quarter of 2002, our operations have continued to produce positive cash flows. The cash flows have been driven by increased demand for our products and our ability to deliver these

products profitably and collect receivables from our customers effectively. These funds have allowed us to make investments required to grow the business and provide additional cash to invest. We have entered into deposit agreements with Philips for optimizing the returns on cash which is in excess of our short-term operational needs. The deposits bear interest at a rate of U.S. LIBOR minus $\frac{1}{4}\%$ for a U.S. dollar deposit and EURIBOR/EONIA minus $\frac{1}{4}\%$ for euro deposits, and have maturities of one to seven days. The deposit agreements will expire upon completion of this offering, at which time we expect to invest cash balances in excess of our short-term operational needs in short-term investment grade instruments. As of March 28, 2004, we had \$65,029 on deposit with Philips.

The following tables present our contractual cash obligations and commercial commitments as of December 31, 2003:

Payments Due by Period

Contractual Cash Obligations	Total	1 year or less	1-3 years	4-5 years	After 5 years
Operating leases	\$ 37,757	11,976	15,822	6,343	3,616
Long-term source material obligations	1,185	349	673	163	
Total contractual cash obligations	\$ 38,942	12,325	16,495	6,506	3,616

Amount Expiring Per Period

Commercial Commitments	Total	1 year or less	1-3 years	4-5 years	After 5 years
Standby letter of credit	\$ 1,428	286	571	571	
Total commercial commitments	\$ 1,428	286	571	571	

We do not have any off-balance sheet arrangements, other than the operating leases identified in the table above. In addition to operating lease commitments for our facilities, we currently have an obligation to pay upon demand long-term source material obligations of \$1,185, which are payable based upon future revenue generated from our licensing of our database containing the source material. The long-term source material obligations are reported in other long-term liabilities on our consolidated balance sheet. As of December 31, 2003, we had a contingent obligation to repay a \$1,428 reducing standby letter of credit commitment supporting a facility lease. The letter of credit was cancelled on June 18, 2004.

We believe that, after giving effect to the special cash dividend, our current cash resources on hand, temporary excess cash deposited with Philips, and cash flows from operations, together with the funds available from the revolving line of credit, will be adequate to satisfy our anticipated working capital needs and capital expenditure requirements at our current level of operations for at least the next twelve months. We do, however, consider additional debt and equity financing from time to time and may enter into these financings in the future. Philips is not obligated to provide any future financing to us.

Cash and cash equivalents decreased by \$7,445 during the year ended December 31, 2003 and increased by \$389 during the quarter ended March 28, 2004. If we included our amounts on deposit with Philips, which we consider highly liquid, our cash and cash equivalents balance would have

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increased \$47,862 during 2003 and \$111 during the first quarter of 2004 to a balance of \$67,400 as of March 28, 2004. The changes in cash and cash equivalents for the periods ended are as follows:

	Year ended Dec. 31,			Quarter ended	
	2001	2002	2003	Mar. 30 2003	Mar. 28, 2004
Cash provided by (used in) operations	\$ (11,501)	22,234	65,948	3,320	4,745
Cash used in investing activities	(20,892)	(17,183)	(74,542)	(10,264)	(4,603)
Cash provided by (used in) financing activities	32,595	(3,923)	288	37	299
Effect of exchange rates on cash	(212)	793	861	92	(52)
Increase (decrease) in cash and cash equivalents	\$ (10)	1,921	(7,445)	(6,815)	389

Operating Activities

For each of the past three fiscal years and the quarter ended March 28, 2004, net cash provided by (used in) operating activities has improved significantly primarily as a result of improved operating results driven by increased demand for our products. In general, the growth in our operating assets and liabilities has coincided with the profitable growth in our business. Accounts receivable increased \$9,634 and \$12,061 for the years ended December 31, 2002 and 2003, respectively, primarily due to the overall growth in our revenue. Accounts receivable increased \$8,836 and \$11,700 for the quarters ended March 30, 2003 and March 28, 2004, respectively, primarily due to revenue growth and the timing of sales toward the end of the respective quarters. Accounts payable increased \$9,876 during the year ended December 31, 2003 primarily due to expenses incurred related to the growth of our operations. Accounts payable decreased \$5,470 during the quarter ended March 28, 2004 related to the payment of obligations outstanding at December 31, 2003. Other accrued expenses increased \$5,908 during the quarter ended March 28, 2004 due to the accrual of amounts related to vendor payments that become payable later in 2004. Deferred revenue increased \$9,333 during the year ended December 31, 2001, primarily due to the receipt in advance of an \$8,000 licensing fee from one customer. Deferred revenue decreased \$6,040 during the year ended December 31, 2003, as previous customer prepayments were recognized as revenue during the period. We also expect to spend between \$10,000 and \$12,000 for additional third party content for our database during 2004.

During the first half of 2004, we entered into an agreement with a customer whereby the customer agreed to prepay \$30,000 (less any payments made by the customer to us on license fees accrued between March 1, 2004 and the date of prepayment) within ninety days of the date of the agreement. The customer may apply a portion of the prepayment for license fees due to us in any calendar year under the agreement. In the event the prepayment is not fully exhausted by the end of calendar year 2009, the customer may extend the term of the agreement to the end of calendar year 2010. We received a payment of approximately \$30,000 in the second quarter of 2004 from this customer. The prepayment will be initially recorded as deferred revenue and will be recognized according to our revenue recognition policy as we receive royalty reports from the customer evidencing their use of the prepaid licenses. The amount of recognition for prepaid licenses will be limited to \$10,000 each fiscal year for 2004, 2005 and 2006. Accordingly, \$10,000 of the prepayment will be reported in short-term deferred revenue. With respect to the prepayment, we have no obligation to refund any unused amounts nor are there any restrictions on the nature or timing of our use of the cash received.

Investing Activities

Cash used in investing activities has primarily consisted of capitalized costs related to software developed for internal use, amounts placed on deposit with Philips, and capital expenditures. We have experienced temporary excess funds that were provided from operations for all or parts of the last three fiscal years. We have put those funds on deposit with Philips for the purpose of optimizing our

returns on those funds. The net increases in our deposits were \$5,000, \$5,000 and \$55,307 for 2001, 2002 and 2003, respectively. There was no significant change in the balance of our cash on deposit with Philips during the first quarter of 2004.

Costs for software developed for internal use have been capitalized in accordance with SOP 98-1 and are related to applications used internally to improve the effectiveness of database creation and updating activities, enhancements to internal applications that enable our core database to operate with emerging technologies and applications to facilitate usage of our map database by customers. Capitalized costs totaled \$10,773, \$10,027, and \$9,966 for 2001, 2002 and 2003, respectively, and \$2,581 and \$2,911 for the first quarters of 2003 and 2004, respectively. For the remainder of 2004, we expect the capitalized costs related to software developed for internal use to be approximately \$2,000 to \$3,000 per quarter.

We have continued to invest in property and equipment to meet the demands of growing our business by expanding our facilities and providing the necessary infrastructure. Capital expenditures totaled \$5,119, \$2,156 and \$9,269 during 2001, 2002 and 2003, respectively, and \$483 and \$1,776 during the first quarters of 2003 and 2004, respectively. For 2004, we expect capital expenditures to be approximately \$8,000 to \$12,000.

Financing Activities

We entered into a stock purchase agreement with Philips dated as of March 29, 2001, pursuant to which Philips converted an aggregate of \$442,954 of our indebtedness to Philips into approximately 121 shares of our Series A cumulative convertible preferred stock and approximately 3,043 shares of our Series B cumulative convertible preferred stock. In conjunction with the closing of the stock purchase agreement, Philips purchased 51 additional shares of Series A preferred stock for \$7,100. Philips also purchased an additional 114 shares of Series A preferred stock for \$16,000 after the closing in 2001 in accordance with the agreement and received 130 shares of Series A and 1,312 shares of Series B preferred stock in connection with dividends accrued pursuant to the stock purchase agreement. The Series A and Series B preferred stock were converted to common stock as of October 1, 2002.

As we have improved cash flows to fund our operating and investing activities over the past three years, our need for financing has diminished. During 2001, loans from Philips provided \$16,600 of cash and issuance of our preferred stock, net of issuance costs, to Philips provided cash of \$22,600. Except for payment of preferred stock issued as dividends-in-kind on the Series A and Series B preferred stock, there were no loans from, or issuance of our preferred stock to, Philips in 2002 or 2003. The \$6,770 and \$4,000 repayments of a refundable licensing advance were the primary uses of cash in financing activities for the years ended December 31, 2001 and 2002, respectively.

New Accounting Pronouncements

On April 30, 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds SFAS No. 4, which required all gains and losses from the extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. SFAS No. 145 was effective for fiscal years beginning after May 15, 2002. We adopted SFAS No. 145 on January 1, 2003, at which time the extraordinary loss on early extinguishment of debt that was incurred during 2001 was reclassified as a component of other income (expense) in our consolidated statements of operations.

In November 2002, the FASB issued Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34."

This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and did not have a material effect on our consolidated financial statements. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure", an amendment of FASB Statement No. 123. This Statement amends FASB Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. While we continue to apply the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations for stock-based compensation expense, the disclosures required by SFAS No. 148 are included in the notes to our consolidated financial statements.

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," which was issued in January 2003. We will be required to apply FIN 46R to variable interests in VIEs created after December 31, 2003. For variable interests in VIEs created before January 1, 2004, the Interpretation will be applied beginning on January 1, 2005. For any VIEs that must be consolidated under FIN 46R that were created before January 1, 2004, the assets, liabilities and noncontrolling interests of the VIE initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and noncontrolling interest of the VIE. We do not believe that adoption will have a material effect on our consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends SFAS No. 133 to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities. Adoption did not affect our financial condition or results of operations.

FASB Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," was issued in May 2003. This Statement establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The Statement also includes required disclosures for financial instruments within its scope. For us, the Statement was effective for instruments entered into or modified after May 31, 2003 and otherwise will be effective as of January 1, 2004, except for mandatorily redeemable financial instruments. For certain mandatorily redeemable financial instruments, the Statement will be effective for us on January 1, 2005. The effective date has been deferred indefinitely for certain other types of mandatorily redeemable financial instruments. We currently do not have any financial instruments that are within the scope of this Statement.

In May 2003, the Emerging Issues Task Force ("EITF") reached a consensus on Issue 01-08, "Determining Whether an Arrangement Contains a Lease." Issue 01-08 provides guidance on how to determine whether an arrangement contains a lease that is within the scope of FASB Statement No. 13,

"Accounting for Leases." The guidance in Issue 01-08 is based on whether the arrangement conveys to the purchaser (lessee) the right to use a specific asset. Issue 01-08 is effective for arrangements entered into or modified beginning in the fourth quarter of fiscal 2003. We have adopted Issue 01-08. Adoption did not have a material impact on our consolidated financial position and results of operations.

In May 2003, the EITF reached a consensus on Issue 00-21, "Revenue Arrangements with Multiple Deliverables." Issue 00-21 provides guidance on how to recognize revenue for arrangements that have multiple deliverables. The guidance in 00-21 was effective for arrangements entered into in fiscal periods beginning after June 15, 2003. We have adopted the consensus reached in Issue 00-21. Adoption did not affect our financial condition or results of operations.

In November 2003, the EITF reached a consensus on Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." Issue 03-1 requires certain disclosures related to debt and marketable equity securities that are impaired at the balance sheet date but for which an other-than-temporary impairment has not been recognized. We have adopted the consensus reached in Issue 03-1. Adoption did not affect our financial condition, results of operations or related disclosures.

In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition." SAB 104 updates the guidance in SAB 101, "Revenue Recognition in Financial Statements", integrates the related set of Frequently Asked Questions, and recognizes the role of EITF Issue 00-21 in revenue recognition. We have adopted the guidance in SAB 104. Adoption did not affect our financial condition or results of operations.

In December 2003, the FASB re-issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." The revised SFAS No. 132 requires additional disclosures to those required in the original SFAS No. 132 related to defined benefit plans. We have adopted the guidance in SFAS No. 132. Adoption did not affect our financial condition, results of operations or related disclosures.

Quantitative and Qualitative Disclosures About Market Risk

We invest our cash in highly liquid cash equivalents. We do not believe that our exposure to interest rate risk is material to our results of operations.

Material portions of our revenue and expenses have been generated by our European operations, and we expect that our European operations will account for a material portion of our revenue and expenses in the future. In addition, substantially all of our expenses and revenue related to our international operations are denominated in foreign currencies, principally the euro.

We are also subject to foreign currency exposure between the U.S. dollar and the euro on the expected repayment of an intercompany obligation. The intercompany balance is payable by one of our European subsidiaries to us and one of our U.S. subsidiaries, and is due in U.S. dollars. Through December 31, 2002, this intercompany balance was considered permanent in nature, as repayment was not expected to occur in the foreseeable future. However, primarily as a result of improved operating performance in our European business, management concluded that cash flows would be sufficient to support repayment over the next several years. Accordingly, effective January 1, 2003, we adopted a plan for repayment and the loan was no longer designated as permanent in nature.

Historically, we had not engaged in activities to hedge our foreign currency exposures. On April 22, 2003, we entered into a U.S. dollar/euro currency swap agreement (the "Swap") with Philips to minimize the exchange rate exposure between the U.S. dollar and the euro on the expected repayment of the intercompany obligation. The Swap was not designated for hedge accounting. Under the terms of the Swap, one of our European subsidiaries makes payments to Philips in euros in exchange for the U.S. dollar equivalent at a fixed exchange rate of \$1.0947 U.S. dollar/euro. The U.S.

dollar proceeds obtained under the Swap are utilized to make payments of principal on the intercompany loan. The intercompany loan, which becomes due March 28, 2007, had an outstanding principal balance of \$187,136 at April 22, 2003. The Swap has a maturity date of December 22, 2006 and provides for settlement on a monthly basis in proportion to the repayment of the intercompany obligation. As of March 28, 2004, the outstanding intercompany obligation (net of payments) was \$148,986. In July 2004, Philips assigned the Swap to an unaffiliated third party.

For purposes of specific risk analysis, we use sensitivity analysis to determine the effects that market risk exposures may have on the fair value of our Swap. The foreign currency exchange risk is computed based on the market value of future cash flows as affected by the changes in the rates attributable to the market risk being measured. The sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the opposite gain or loss on the underlying transaction. As of March 28, 2004, a 10% decrease in the value of the euro against the U.S. dollar with all other variables held constant would result in a decrease in the fair value of our Swap liability of \$16,600, while a 10% increase in the value of the euro against the U.S. dollar would result in an increase in the fair value of our Swap liability of \$16,600.

BUSINESS

Our Company

We are a leading provider of comprehensive digital map information for automotive navigation systems, mobile navigation devices and Internet-based mapping applications. Our map database enables providers of these products and services to offer dynamic navigation, route planning, location-based information and other geographic information products and services to consumer and commercial users. We believe that our database is the most used source of digital map information for automotive and Internet-based navigation products and services in North America and Europe, and that we are a leading provider of such information for use in mobile devices.

By developing software applications that interface with our map database, our customers offer a broad range of navigation- and geographic-based products and services to consumers and businesses. Our database enables these providers to offer:

Dynamic Navigation. Our map database enables real-time, detailed turn-by-turn route guidance through vehicle navigation systems, as well as through GPS-enabled handheld navigation devices, wireless telephones, and other mobile devices. Customers that use our map database to provide dynamic navigation applications include vehicle navigation systems manufacturers, such as Harman Becker, Alpine and Siemens, and mobile navigation device manufacturers, such as Garmin, Hewlett-Packard and Thales. Every major automobile manufacturer that currently offers a navigation system in North America or Europe uses our database in one or more of its models. Since 1999, over 5 million vehicles have been equipped with navigation systems that use our database. From 2001 to 2003, the number of units of our database shipped to customers incorporating our database into mobile devices has increased over 200% annually.

Route Planning. Our database enables driving directions, route optimization and map display through services provided by Internet portals and through computer software for personal and commercial use. Customers that use our map database to provide route planning applications include leading Internet portals and websites, such as AOL/MapQuest, Microsoft/MSN and Yahoo!, software developers, such as Microsoft and Rand McNally, and leading parcel and overnight delivery service companies. In 2003, there were more than 6 billion route planning transactions derived from our database in North America on the leading Internet portals and websites.

Location-Based Services. Our database enables location-specific information services, providing geographic information about people and places that is tailored to the immediate proximity of the specific user. Current applications using our map database include points of interest locators, mobile directory assistance and emergency response systems, and vehicle-based telematics services. Customers that use our map database to provide location-based products and services include directory assistance providers, police and emergency care providers and wireless telephone service providers.

Geographic Information Systems. Our database enables software applications that render geographic representations of information and assets for management analysis and decision making. Examples of these applications include infrastructure cataloging and tracking for government agencies and utility companies, asset tracking and fleet management for commercial logistics companies and demographic analysis, such as new location identification for restaurants and policyholder and claims analysis for insurance companies.

Our map database is a highly accurate and detailed digital representation of road transportation networks in the United States, Canada, Western Europe and other regions. Our database offers extensive geographic coverage, including data at various levels of detail for 40 countries on four

continents, covering approximately 8.7 million miles of roadway. We currently provide coverage relating to approximately 5.4 million miles of roadway in the United States and Canada, which includes detailed coverage in areas in which a majority of the population live and work. In Europe, our database covers virtually all main arterial roads within Western Europe's major highways network and has detailed coverage for numerous cities throughout Europe. Our most detailed coverage includes extensive road, route and related travel information, including attributes collected by road segment that are essential for routing and navigation, such as road classifications, details regarding ramps, road barriers, sign information, street names and addresses and traffic rules and regulations. In addition, our database currently includes over 15 million points of interest, such as airports, hotels, restaurants, retailers, civic offices and cultural sites.

We use a multi-step process to create, maintain and deliver a high-quality database. The process involves utilization of proprietary software and technologies combined with our dedicated field force of approximately 480 employees around the world. Due to the complexity of our database building process and the depth and breadth of the information it contains, we believe it would take substantial time and resources for a new market entrant to build a digital map database with a comparable level of detail and accuracy.

Industry Overview

Consumers have traditionally relied on printed maps for vehicle navigation and route planning information. In more recent years, the use of maps in digital form has proliferated, both as a substitute for the uses provided by paper maps and for more advanced functions. In particular, the development of the digital map database industry has been, and continues to be, accelerated by the commercialization of GPS technology. Originally developed for military applications, GPS technology has been increasingly used for consumer applications and commercial usage has begun to expand as cheaper and smaller GPS chipsets have been introduced. GPS technology provides a precise latitude and longitude of an object in digital form. The usefulness of this information is enhanced by referencing it to the location of other objects. A digital map database provides a means to accurately reference relative positions of objects to each other in an automated fashion.

We are focused primarily on the segment of the digital map database industry that provides digital map information for a wide range of navigation, mapping and geographic-related applications in vehicle navigation, mobile devices and Internet-based mapping. This segment of the industry is currently experiencing rapid growth as a result of increasing consumer acceptance of navigation systems and route planning services and the active efforts today of a variety of businesses in several industries to develop and market a wide range of applications and services that incorporate a digital map database. Currently, the principal providers of digital map information within this industry segment range from several commercial providers (primarily, NAVTEQ, Tele Atlas N.V. and Geographic Data Technology, Inc. (GDT)) to numerous governmental and quasi-governmental mapping agencies (such as Ordnance Survey in the United Kingdom) that license map data for commercial use. We believe that we are the number one provider in North America and Europe within this industry segment based on revenue.

We believe that the digital map database industry will grow and evolve due to the rapid adoption of new technologies, applications and products. A variety of businesses in several industries are actively developing and marketing a wide range of applications and services that incorporate a digital map database.

Currently, we provide our digital map database and related services in several primary areas, as described below.

Vehicle Navigation

The vehicle navigation industry, consisting primarily of automobile manufacturers and their navigation systems suppliers, is currently our primary channel. The automotive industry led the early adoption of GPS-enabled navigation technologies and is currently the largest consumer of highly detailed digital map databases such as ours. In 2003, more than 80% of our revenue was generated from sales of our map database for use in self-contained navigation hardware and software systems installed in vehicles. Although we expect our revenue generated from sales to the vehicle navigation industry will continue to grow, we expect that these sales as a percentage of our total revenue will decline over time primarily due to anticipated higher growth rates in the use of our database in GPS-enabled mobile devices. Western Europe and North America are the two principal automotive markets that we currently address.

Vehicle navigation systems that provide dynamic navigation assistance have been available to consumers in Western Europe since 1994. The popularity of these systems has increased since their introduction. Over the last three years an average of 16.2 million new light vehicles were sold annually in Western Europe. We estimate that navigation systems were available as either a standard feature or an option for over 80% of the new vehicles sold in Western Europe in 2003. In a September 2003 report, the independent market research firm of Frost & Sullivan projected that 1.8 million vehicles in Europe in 2003 were equipped with navigation systems, up from 1.2 million vehicles in 2001. In the same report, Frost & Sullivan projected that the number of vehicles equipped with navigation systems in Europe will grow at a compound annual rate of more than 20% over the next five years, reaching a total of 4.6 million units in 2008.

Although the U.S. and Canadian light vehicle market is larger in size than that of Western Europe with an average of 18.5 million new light vehicles sold annually over the last three years, the introduction of vehicle navigation systems in North America occurred later than in Western Europe. We estimate that, in 2003, navigation systems were available for over 20% of new vehicles sold in North America, primarily in the luxury and sport utility vehicle classes. Frost & Sullivan, in a March 2003 report, projected that the shipments of vehicle navigation units were 430,000 in North America in 2003, up from 220,000 units in 2001. In the same report, Frost & Sullivan also projected that shipments of vehicle navigation systems in North America will grow by a compound annual rate of more than 30% over the next five years reaching a total of 1.7 million units in 2008.

A number of factors are expected to continue to drive growth in the penetration of navigation systems in the North American and European markets. Technological advancements and manufacturing economies from higher production volumes are expected to lead to a continual decrease in the average price of vehicle navigation systems. According to a March 2003 report, Frost & Sullivan expected the current average price in North America charged by navigation systems manufacturers to the automotive manufacturers for a fully functional navigation system with color screen and turn-by-turn voice instructions to decrease from \$1,230 in 2003 to approximately \$700 by 2008. Additionally, as competition among automobile manufacturers intensifies, they will increasingly look for ways to differentiate their product offerings. As a result, we expect automobile manufacturers in North America to expand beyond offering navigation systems primarily in the luxury and sport utility vehicle classes to other vehicle classes.

Mobile Devices

A variety of mobile devices have been introduced in recent years that are GPS-enabled and capable of supporting dynamic navigation and location-based services applications. These include personal digital assistants (PDAs), wireless telephones, personal navigation devices (PNDs) and laptop computers. Demand for navigation and location-based products and services is growing as consumers become familiar with and depend upon real-time electronically delivered information. According to a

March 2004 study of wireless telephone users by In-Stat/MDR, respondents were interested in practical mapping services and over 60% of these respondents expressed an interest in location-based services such as finding friends or family.

The market for these consumer GPS-enabled devices is growing rapidly. For example, according to a December 2003 report (Report GB285) by Business Communications Company, Inc. (BCC), an independent industry research firm, 72 million cellular handsets were sold in the U.S. in 2002, relatively few of which were GPS-enabled or could support dynamic navigation and location-based service applications. However, BCC projected that at least half of all cellular handsets sold in the U.S., or 37.5 million units, will incorporate GPS technology by 2008. BCC also projected that the U.S. market for consumer GPS applications other than wireless telephones, including PDAs, PNDs and portable vehicular systems, will grow at a rate of 25% per year through 2008.

In addition, in the United States, the Federal Communications Commission currently has mandated that by December 31, 2005 all wireless carriers must ensure that 95% of their customers have location-capable handsets. This mandate is commonly referred to as E911. There is also an initiative called E112 in Europe which encourages wireless carriers to offer location-capable services. We believe that the confluence of nascent market demand for location-based services, government regulation and the desire of wireless service providers to increase their average revenue per user will continue to drive the development of location-based applications and result in accelerated growth in this area in the future.

Internet-based Mapping Applications

Leading websites and portals, such as AOL/MapQuest, Microsoft/MSN and Yahoo!, derive a substantial amount of traffic from consumers seeking route planning services such as static digital maps and point-to-point driving directions. Many of the leading websites and portals offering route planning services use our database to provide these services. The revenue we receive from these websites/portals does not represent a substantial portion of our business; however, we view this business to be an important driver of consumer awareness of digital route planning services and increased comfort levels with the more advanced dynamic navigation offerings in the vehicle and mobile device industries. In 2003, the leading websites and portals in North America generated over 6 billion map and route planning transactions derived from our data.

Other Applications

Commercial enterprises and government agencies also deploy location-based applications to manage certain aspects of their business. Businesses with large fleets of vehicles benefit from understanding the changing location of the vehicles and optimizing routing in order to achieve fuel and labor efficiencies. Many consumer businesses such as insurers and retailers use geographic information to analyze their customer bases, while utility companies use precise geographic information to understand the location of their assets.

Competitive Strengths

We believe that we enjoy a number of important competitive strengths that drive our success and differentiate us in the various industries we serve, including:

Market Leadership. We are the leader in providing digital map information to automobile manufacturers and automotive navigation systems manufacturers in North America and Europe. Every automobile manufacturer that currently offers a navigation system in North America and Europe uses our database in one or more of their models. Since 1999, over 5 million vehicles have been equipped with navigation systems using our database. We believe that we are the leading provider to Internet sites providing route planning services

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in North America. We also believe that our experience and reputation in serving these markets enhances our ability to penetrate other industries utilizing highly accurate digital map data, such as the emerging GPS-enabled mobile device market.

Extensive Global Coverage. An important consideration to automobile manufacturers, navigation systems suppliers and Internet portals is the ability to provide a comprehensive global product offering. We offer extensive geographic coverage, including 40 countries on four continents covering approximately 8.7 million miles of roadway.

Detail and Richness of Our Database. We offer a highly-detailed database, enabling real-time door-to-door, turn-by-turn route guidance to specific addresses, points of interest and other locations. Unlike basic road maps, our map database currently can have up to 160 unique attributes for a particular road segment, including details regarding ramps, road barriers, sign information, street names and addresses and traffic rules and regulations. Our database also includes information on an array of points of interest, such as airports, hotels, restaurants, retailers, civic offices and cultural sites. We believe that the inclusion of detailed navigation-related information as well as points of interest make our product more useful and relevant to users, enhancing the overall navigation experience. We continue to expand the detail and breadth of coverage of the database through direct collection and third party sources.

Integrated Data Collection Process. We have a data collection process that combines proprietary technology with a global field force of approximately 480 trained technicians, enables us to effectively collect, update and verify detailed road network data. We also believe that our data collection process provides superior quality and accuracy, as our field force experiences the roadway in the same manner as our end-users, and that this quality and accuracy provides us with a distinct competitive advantage over comparable databases that are aggregated solely from third party sources.

Strong Business Relationships. We have long-standing, collaborative relationships with manufacturers of automobiles, vehicle navigation systems and mobile devices. We are a direct supplier to a number of the major automobile manufacturers, including BMW, DaimlerChrysler, Fiat, Ford, General Motors, Porsche, PSA Peugeot Citroën, Renault and Volkswagen. We also supply automobile manufacturers indirectly through relationships with the major navigation systems manufacturers, including AISIN AW, Alpine, Harman Becker, Siemens and Mitsubishi. In addition, we have established relationships with a number of GPS-enabled mobile device manufacturers, such as Garmin, Hewlett-Packard and Thales. We work closely with these manufacturers at various points in the product life cycle to facilitate their use of our database. We strive to collaborate with our customers in their engineering, marketing, information technology and sales functions and in any other areas within their organizations that are integral to their use of our map database. We believe this approach improves the product offerings by our customers.

Consistent Global Specification. Our maintenance of common data standards and a uniform digital mapping approach worldwide enables us to deliver highly accurate, timely and consistent data to our customers. Maintaining a consistent global specification not only enables us to rapidly enhance maps and add attributes in new or existing coverage areas but also allows us to meet our customers' objectives of uniform quality and format on a global basis. This minimizes their costs and time required to process our data and incorporate it into their products and services.

Operating Strategy

We are committed to enhancing the value of our map database to our customers. Key elements of our operating strategy, which is focused on sustaining our market leadership and competitive differentiation, include:

Continuing to Improve Detail, Scope and Value of Our Map Database. We continually improve the detail of the coverage of our database in key regions, such as the United States, Canada and Western Europe. We typically build out our detailed coverage first in more densely populated areas along with the major navigable routes connecting these areas. We then build out detailed coverage for less densely populated areas over time. Concurrently, we remain focused on expanding the scope and improving the value of our database through the addition of new features and attributes, such as speed limits, elevation contours and phonetic data for use in advanced voice guidance.

Focusing on Quality and Consistency. We are dedicated to delivering accurate and consistent information to our customers. We perform a series of quality checks and validation tests for all critical elements throughout the map creation, update and production process. Over 400 discrete validation tests are run prior to each release of the database. We believe this focus on quality and consistency increases customer and end-user satisfaction and enhances our position as a high-quality provider of digital map information. Further, our dedicated field force provides a level of accuracy that we believe cannot be replicated without direct observation of the road network.

Providing a Range of Value-Added Services. We provide our customers with a variety of support services that facilitate the development, marketing and distribution of products that utilize our map database. We provide technical support and consulting services to assist our customers in integrating our data into their products and services. In addition, we provide enhanced distribution services, enabling customers to outsource the production and distribution of storage media containing our database for inclusion with their products. Finally, we offer marketing services that assist our customers in selling their navigation products, including automobile dealer education and training, direct mail marketing materials and on-site displays and promotional materials.

Improving Collection, Production and Delivery Technologies. We strive to continually improve our data collection, processing, distribution and deployment capabilities. We are currently migrating to an enhanced database platform that will enable us to support electronic, incremental delivery of map data and reduce latency between data collection, database updates and distribution of information to end-users. The new system will also enable us to provide on-demand delivery to customers of updates to our map databases.

Growth Strategy

Our objective is to be the leading provider of digital map information for navigation and other geographic-information-based products and services. Key elements of our growth strategy include:

Capitalizing on Growth in Vehicle Navigation Industry. We believe a primary driver of our growth will be an increase in the number of vehicles sold with navigation systems. We estimate that less than 5% and 10% of the new vehicles sold in North America and Europe, respectively, in 2003 were equipped with navigation systems. We believe that navigation systems sales will grow as a result of a number of factors, including availability beyond the luxury and sport utility vehicle classes in North America, increased consumer awareness and a decrease in the prices for navigation systems. We intend to leverage our market leadership

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position and relationships with automobile and navigation systems manufacturers to capitalize on the expected growth of the vehicle navigation market.

Facilitating Development of New Consumer Applications. We believe that the increasing inclusion of GPS capabilities in wireless telephones as well as technological advances in other mobile consumer devices, such as digital organizers and personal navigation devices, are driving the development and adoption of additional navigation, route planning and location-based products and services. We collaborate with various software application developers and mobile device manufacturers to assist them in the development and deployment of navigation, route planning and location-based products and services. We also provide manufacturers with technical support, software tools and marketing services to accelerate time to market for their products, which can reduce their development costs and increase interoperability and standardization of applications that use our database.

Expanding Geographically. We intend to strengthen our global presence by expanding into areas that we, in collaboration with our customers, believe have high potential demand. In newer geographic markets, such as Eastern Europe and Asia, we expand coverage by first focusing on establishing detailed coverage of the most populated cities and tourist areas as well as completing links between cities to maximize connectivity along primary navigation routes.

Enhancing and Extending Product Offering. We continually work with manufacturers of automobiles, navigation systems and mobile devices to enhance and extend our database product offering and improve functionality to meet the evolving demands of our customers and end-users. We strive to solicit and respond to feedback from customers and end-users of our database. Future initiatives that we believe offer long term potential include integrated real-time traffic data, enhancements to support advanced driver assistance systems applications that improve vehicle safety and performance and enriched points of interest information, such as restaurant reviews, hours of operation and parking availability.

Increasing Sales of Map Updates. As the use of navigation systems expands and consumers of navigation products become more aware of the availability of more detailed, extensive and current map data, we believe they will place increasing value on purchasing map updates. Accordingly, we believe our installed base provides future growth opportunities via sales of map updates and we are developing a number of initiatives targeted at increasing consumer awareness and simplifying fulfillment logistics in order to promote update purchases, such as multi-year data update subscriptions.

Our Database

Our principal product is a map database that is a digital representation of road transportation networks in the United States, Canada, Western Europe and other regions. Our database is constructed to provide the high level of accuracy and detail necessary to support a variety of applications providing dynamic navigation, route planning, location-based information and other geographic information products and services. We believe our digital map has the most extensive navigable geographic coverage of any commercially available today, currently including coverage at various levels of detail for 40 countries on four continents, covering approximately 8.7 million miles of roadway.

We devote significant resources to creating, updating and enhancing our data and maintaining its quality. We also have made significant investments in software and related tools for database creation and updating. Our database is constructed to the same overall specifications regardless of coverage area so that product developers, manufacturers and service providers generally can design a single product that can be sold globally.

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We provide varying levels of coverage ranging from intertown coverage, which is our base coverage, to detailed coverage, which is our most comprehensive coverage. Detailed coverage provides sufficient detail to allow door-to-door, turn-by-turn route guidance to addresses, points of interest and other locations within detailed coverage areas. Road network coverage, which is the coverage level in between detailed coverage and intertown coverage, typically includes most roads in the covered area with the exception of some local, residential or rural roads (referred to as functional class 5 roads) with verification made of roads that typically contain the most complex driving and navigating decisions (referred to as functional class 1-4 roads). Intertown coverage includes the major roadways and select local travel information, and seamlessly connects the detailed coverages. Route guidance products typically incorporate both detailed and intertown information.

In the United States and Canada, our database covers close to 100% of both the population and the public road network. Detailed coverage is complete for cities and their respective surrounding areas, covering in the aggregate approximately 64% of the total combined population of the United States and Canada. In Europe, our database covers 80% of the population and 77% of the public road network of 27 countries (as listed in the table below under Europe). For these 27 countries in Europe, detailed coverage is complete for urban and rural areas covering approximately 75% of the total combined population.

We currently offer coverage in the following countries:

North America

United States

Canada

Mexico

Europe

Andorra

Greece

Portugal

Austria

Ireland

San Marino

Belgium

Italy

Scotland

Czech Republic

Liechtenstein

Slovak Republic

Denmark

Luxembourg

Spain

England

Monaco

Sweden

Finland

Northern Ireland

Switzerland

France

The Netherlands

Vatican City

Germany

Norway

Wales

Rest of World