

I2 TECHNOLOGIES INC
Form 10-Q
November 07, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2006

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-28030

i2 Technologies, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

One i2 Place 11701 Luna Road Dallas, Texas
(Address of principal executive offices)

75-2294945
(I.R.S. Employer

Identification No.)

75234
(Zip code)

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(469) 357-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 1, 2006, the Registrant had 20,948,945 shares of \$0.00025 par value Common Stock outstanding.

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QUARTERLY REPORT ON FORM 10-Q

September 30, 2006

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Table of Contents**PART 1. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****i2 TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except par value)****(Unaudited)**

	September 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 124,955	\$ 112,882
Restricted cash	5,098	4,773
Accounts receivable, net	26,461	25,887
Deferred contract costs	311	311
Other current assets	15,028	19,219
Total current assets	171,853	163,072
Premises and equipment, net	11,639	14,056
Intangible assets, net	4,537	4,906
Goodwill	14,760	14,440
Non-current deferred tax asset	5,732	5,971
Total assets	\$ 208,521	\$ 202,445
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 11,564	\$ 11,766
Accrued liabilities	29,749	36,925
Accrued compensation and related expenses	18,552	23,847
Deferred revenue	89,105	99,870
Current portion of long-term debt	21,848	25,000
Total current liabilities	170,818	197,408
Total long-term debt, net	83,665	75,691
Total liabilities	254,483	273,099
Commitments and contingencies		
Stockholders' deficit:		
Preferred Stock, \$0.001 par value, 5,000 shares authorized, none issued and outstanding		
Series A junior participating preferred stock, \$0.001 par value, 2,000 shares authorized, none issued and outstanding		
Series B 2.5% convertible preferred stock, \$1,000 par value, 150 shares authorized, 105 and 104 issued and outstanding at September 30, 2006 and December 31, 2005, respectively	101,578	100,065
	5	5

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Common stock, \$0.00025 par value, 2,000,000 shares authorized, 20,877 and 20,702 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively		
Warrants for common stock	3,125	3,125
Additional paid-in capital	10,434,109	10,420,262
Accumulated other comprehensive income (loss)	1,219	(1,147)
Accumulated deficit	(10,585,998)	(10,592,964)
Net stockholders' deficit	(45,962)	(70,654)
Total liabilities and stockholders' deficit	\$ 208,521	\$ 202,445

See accompanying notes to condensed consolidated financial statements.

Table of Contents**i2 TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****(In thousands, except per share data)****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Revenues:				
Software solutions	\$ 20,569	\$ 18,048	\$ 52,879	\$ 66,946
Services	27,007	23,272	77,023	78,433
Maintenance	23,745	24,268	70,080	75,582
Contract	33	899	99	19,299
Total revenues	71,354	66,487	200,081	240,260
Costs and expenses:				
Cost of revenues:				
Software solutions	3,271	3,013	9,121	11,399
Services and maintenance	25,156	24,445	73,002	79,786
Contract				1,575
Sales and marketing	12,307	8,035	35,976	41,558
Research and development	8,818	8,281	26,698	29,166
General and administrative	15,252	12,138	40,634	49,373
Restructuring charges and adjustments	(103)	(256)	(248)	11,357
Total costs and expenses	64,701	55,656	185,183	224,214
Operating income	6,653	10,831	14,898	16,046
Non-operating (expense) income, net:				
Realized gains on investments, net		34	501	11,034
Other expense, net	(504)	(2,998)	(1,358)	(12,779)
Total non-operating (expense) income, net	(504)	(2,964)	(857)	(1,745)
Income before income taxes	6,149	7,867	14,041	14,301
Income tax expense	1,595	2,436	4,906	5,843
Income from continuing operations	4,554	5,431	9,135	8,458
Income from discontinued operations, net of taxes.		3,960		8,666
Net income	\$ 4,554	\$ 9,391	\$ 9,135	\$ 17,124
Preferred stock dividend and accretion of discount	770	764	2,169	2,256
Net income applicable to common stockholders	\$ 3,784	\$ 8,627	\$ 6,966	\$ 14,868

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Net income per common share applicable to common stockholders:				
Total:				
Basic	\$ 0.15	\$ 0.34	\$ 0.28	\$ 0.63
Diluted	\$ 0.15	\$ 0.33	\$ 0.27	\$ 0.62
Discontinued operations				
Basic	\$	\$ 0.16	\$	\$ 0.37
Diluted	\$	\$ 0.15	\$	\$ 0.36
Continuing operations including preferred stock dividend and accretion of discount				
Basic	\$ 0.15	\$ 0.18	\$ 0.28	\$ 0.26
Diluted	\$ 0.15	\$ 0.18	\$ 0.27	\$ 0.26
Weighted-average common shares outstanding:				
Basic	25,370	25,063	25,271	23,739
Diluted	25,892	25,958	25,770	24,038

See accompanying notes to condensed consolidated financial statements.

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Comprehensive income:				
Net income applicable to common stockholders	\$ 3,784	\$ 8,627	\$ 6,966	\$ 14,868
Other comprehensive income (loss):				
Unrealized gain on available-for-sale securities arising during the period		115		234
Foreign currency translation adjustments	173	193	2,366	(3,433)
Tax effect of other comprehensive income		(40)		(77)
Total other comprehensive income (loss)	173	268	2,366	(3,276)