

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

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 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

75-2294945
(I.R.S. Employer

Identification No.)

75234

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11701 Luna Road

Dallas, Texas

(Address of principal executive offices)

(469) 357-1000

(Zip code)

(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 May 3, 2006, the Registrant had 20,768,872 shares of \$0.00025 par value Common Stock outstanding.

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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)**

	March 31	December 31,
	2006	2005
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 109,227	\$ 112,882
Restricted cash	5,903	4,773
Accounts receivable, net	22,732	25,887
Deferred contract costs	311	311
Other current assets	18,373	19,219
Total current assets	156,546	163,072
Premises and equipment, net	13,295	14,056
Intangible assets, net	5,154	4,906
Goodwill	14,760	14,440
Non-current deferred tax asset	5,373	5,971
Total assets	\$ 195,128	\$ 202,445
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 10,569	\$ 11,766
Accrued liabilities	33,452	36,925
Accrued compensation and related expenses	14,907	23,847
Deferred revenue	93,678	99,870
Current portion of long-term debt	23,860	25,000
Total current liabilities	176,466	197,408
Long-term debt	83,349	75,691
Total liabilities	259,815	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, 104 issued and outstanding	100,077	100,065
Common stock, \$0.00025 par value, 2,000,000 shares authorized, 20,703 shares issued and outstanding	5	5
Warrants for common stock	3,125	3,125

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Additional paid-in capital	10,424,058	10,420,262
Accumulated other comprehensive loss	(735)	(1,147)
Accumulated deficit	(10,591,217)	(10,592,964)
Net stockholders' deficit	(64,687)	(70,654)
Total liabilities and stockholders' deficit	\$ 195,128	\$ 202,445

See accompanying notes to condensed consolidated financial statements.

Table of Contents**I2 TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)****(In thousands, except per share data)**

	Three Months Ended March 31,	
	2006	2005
	(unaudited)	(unaudited)
Revenues:		
Software solutions	\$ 16,922	\$ 25,409
Services	23,874	27,627
Maintenance	23,214	25,818
Contract	33	3,057
Total revenues	64,043	81,911
Costs and expenses:		
Cost of revenues:		
Software solutions	3,403	4,927
Services and maintenance	23,336	28,685
Sales and marketing	10,954	18,368
Research and development	8,698	11,800
General and administrative	13,455	25,643
Restructuring charges and adjustments	(50)	11,848
Total costs and expenses	59,796	101,271
Operating income (loss)	4,247	(19,360)
Non-operating income (expense), net	157	(4,760)
Income (loss) before income taxes	4,404	(24,120)
Income tax expense	2,014	1,582
Income (loss) from continuing operations	2,390	(25,702)
Income from discontinued operations, net of taxes		1,210
Net income (loss)	\$ 2,390	\$ (24,492)
Preferred stock dividend and accretion of discount	629	743
Net income (loss) applicable to common shareholders	\$ 1,761	\$ (25,235)
Net income (loss) per common share applicable to common shareholders:		
Total:		
Basic	\$ 0.07	\$ (1.36)
Diluted	\$ 0.07	\$ (1.36)
Discontinued operations		
Basic	\$	\$ 0.06

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Diluted	\$	\$	0.06
Continuing operations including preferred dividend and accretion of discount			
Basic	\$	0.07	\$ (1.42)
Diluted	\$	0.07	\$ (1.42)
Weighted-average common shares outstanding:			
Basic		25,195	18,613
Diluted		25,653	18,613

See accompanying notes to condensed consolidated financial statements.

Table of Contents**I2 TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)****(In thousands, except per share data)**

	Three Months Ended	
	March 31, 2006 (unaudited)	2005 (unaudited)
Comprehensive income (loss):		
Net income (loss) applicable to common shareholders	\$ 1,761	\$ (25,235)
Other comprehensive income (loss):		
Unrealized gain on available-for-sale securities arising during the period		4
Foreign currency translation adjustments	412	(1,496)
Total other comprehensive income (loss)	412	(1,492)
Total comprehensive income (loss)	\$ 2,173	\$ (26,727)

See accompanying notes to condensed consolidated financial statements.

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	Three Months Ended March 31	
	2006	2005
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net income (loss)	\$ 2,390	\$ (24,492)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	1,814	1,713
Stock option expense	3,652	
Amortization of deferred compensation	138	188
Gain on sale of securities	(501)	
(Gain) loss on disposal of equipment	(29)	718
Provision (credit) for bad debts charged to costs and expenses	(34)	163
Deferred income taxes	905	230
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable, net	3,254	3,431
Other current assets	625	(491)
Accounts payable	(1,181)	964
Accrued liabilities	(4,049)	15,873
Accrued compensation and related expenses	(8,916)	(4,991)
Deferred revenue	(6,042)	1,189
Net cash used in operating activities	(7,974)	(5,505)
Cash flows from investing activities:		
Restrictions (added to) released from cash	(1,130)	1,720
Purchases of premises and equipment	(578)	(1,008)
Proceeds from sale of premises and equipment	141	
Purchases of short-term investments		(20,000)
Proceeds from sale of short-term investments		16,850
Proceeds from sale of securities	501	
Business acquisition	(569)	
Purchases of long-term investments		(500)
Net cash used in investing activities	(1,635)	(2,938)
Cash flows from financing activities:		
Repurchase of debt	(1,140)	
Proceeds from sale of convertible debt	7,500	
Payment of debt issuance costs	(493)	
Net proceeds from common stock issuance from options and employee stock purchase plans	6	8
Net cash provided by financing activities	5,873	8
Effect of exchange rates on cash	81	(1,319)
Net change in cash and cash equivalents	(3,655)	(9,754)
Cash and cash equivalents at beginning of period	112,882	133,273

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Cash and cash equivalents at end of period	\$ 109,227	\$ 123,519
Supplemental cash flow information		
Income taxes paid (net of refunds received)	\$ 1,769	