

I2 TECHNOLOGIES INC
Form 10-Q
August 14, 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 June 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

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 August 2, 2006, the Registrant had 20,779,588 shares of \$0.00025 par value Common Stock outstanding.

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i2 TECHNOLOGIES, INC.

QUARTERLY REPORT ON FORM 10-Q

June 30, 2006

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

	June 30,	December 31,
	2006	2005
	(unaudited)	(unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 128,600	\$ 112,882
Restricted cash	5,035	4,773
Accounts receivable, net	22,845	25,887
Deferred contract costs	311	311
Other current assets	16,172	19,219
Total current assets	172,963	163,072
Premises and equipment, net	12,656	14,056
Intangible assets, net	4,843	4,906
Goodwill	14,760	14,440
Non-current deferred tax asset	5,766	5,971
Total assets	\$ 210,988	\$ 202,445
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 10,643	\$ 11,766
Accrued liabilities	26,469	36,925
Accrued compensation and related expenses	19,225	23,847
Deferred revenue	103,487	99,870
Current portion of long-term debt	21,848	25,000
Total current liabilities	181,672	197,408
Total long-term debt, net	83,507	75,691
Total liabilities	265,179	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	101,472	100,065
Common stock, \$0.00025 par value, 2,000,000 shares authorized, 20,778 shares issued and outstanding	5	5
Warrants for common stock	3,125	3,125
Additional paid-in capital	10,429,941	10,420,262
Accumulated other comprehensive income (loss)	1,045	(1,147)

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Accumulated deficit	(10,589,779)	(10,592,964)
Net stockholders' deficit	(54,191)	(70,654)
Total liabilities and stockholders' deficit	\$ 210,988	\$ 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)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006 (unaudited)	2005 (unaudited)	2006 (unaudited)	2005 (unaudited)
Revenues:				
Software solutions	\$ 15,388	\$ 23,489	\$ 32,310	\$ 48,898
Services	26,143	27,534	50,017	55,161
Maintenance	23,120	25,496	46,335	51,314
Contract	33	15,343	66	18,400
Total revenues	64,684	91,862	128,728	173,773
Costs and expenses:				
Cost of revenues:				
Software solutions	2,447	3,459	5,850	8,386
Services and maintenance	24,376	26,656	47,846	55,341
Contract		1,575		1,575
Sales and marketing	12,573	15,155	23,669	33,523
Research and development	8,932	9,085	17,879	20,885
General and administrative	11,843	11,592	25,381	37,235
Restructuring charges and adjustments	(95)	(235)	(145)	11,613
Total costs and expenses	60,076	67,287	120,480	168,558
Operating income	4,608	24,575	8,248	5,215
Non-operating (expense) income, net:				
Realized gains on investments, net		11,000	591	10,697
Other expense, net	(510)	(5,021)	(944)	(9,478)
Total non-operating (expense) income, net	(510)	5,979	(353)	1,219
Income before income taxes	4,098	30,554	7,895	6,434
Income tax expense	1,297	1,825	3,311	3,407
Income from continuing operations	2,801	28,729	4,584	3,027
Income from discontinued operations, net of taxes		3,496		4,706
Net income	\$ 2,801	\$ 32,225	\$ 4,584	\$ 7,733
Preferred stock dividend and accretion of discount	770	749	1,399	1,492
Net income applicable to common stockholders	\$ 2,031	\$ 31,476	\$ 3,185	\$ 6,241
Net income per common share applicable to common stockholders:				
Total:				

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Basic	\$ 0.08	\$ 1.36	\$ 0.13	\$ 0.27
Diluted	\$ 0.08	\$ 1.33	\$ 0.12	\$ 0.26
Discontinued operations				
Basic	\$	\$ 0.15	\$	\$ 0.20
Diluted	\$	\$ 0.15	\$	\$ 0.19
Continuing operations including preferred stock dividend and accretion of discount				
Basic	\$ 0.08	\$ 1.21	\$ 0.13	\$ 0.07
Diluted	\$ 0.08	\$ 1.18	\$ 0.12	\$ 0.07
Weighted-average common shares outstanding:				
Basic	25,247	23,160	25,221	23,077
Diluted	25,699	23,638	25,738	23,610

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)**

	Three Months Ended		Six Months Ended	
	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)	June 30, 2006 (unaudited)	June 30, 2005 (unaudited)
Comprehensive income:				
Net income applicable to common stockholders	\$ 2,031	\$ 31,476	\$ 3,185	\$ 6,241
Other comprehensive income (loss):				
Unrealized gain on available-for-sale securities arising during the period		115		121
Foreign currency translation adjustments	1,776	(2,130)	2,192	(3,626)
Tax effect of other comprehensive income		(40)		(42)