

I2 TECHNOLOGIES INC
Form 10-Q
August 09, 2007
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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, 2007

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 1, 2007, the Registrant had 21,308,220 shares of \$0.00025 par value Common Stock outstanding.

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**i2 TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q**

June 30, 2007

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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)**

	June 30,	December 31,
	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 110,989	\$ 109,419
Restricted cash	6,282	4,626
Accounts receivable, net	26,294	25,677
Other current assets	8,330	9,231
Total current assets	151,895	148,953
Premises and equipment, net	9,519	10,691
Goodwill	16,685	14,760
Non-current deferred tax asset	8,719	8,060
Other non-current assets	8,117	7,605
Total assets	\$ 194,935	\$ 190,069
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 6,847	\$ 11,283
Accrued liabilities	16,981	22,245
Accrued compensation and related expenses	16,731	24,010
Deferred revenue	72,287	74,047
Total current liabilities	112,846	131,585
Total long-term debt, net	84,138	83,822
Taxes payable	4,044	
Total liabilities	201,028	215,407
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 issued and outstanding at June 30, 2007 and December 31, 2006		
	101,903	101,686
Common stock, \$0.00025 par value, 2,000,000 shares authorized, 21,298 and 21,005 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively		
	5	5

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Additional paid-in capital	10,452,568	10,442,261
Accumulated other comprehensive income	6,041	2,398
Accumulated deficit	(10,566,610)	(10,571,688)
Net stockholders' deficit	(6,093)	(25,338)
Total liabilities and stockholders' deficit	\$ 194,935	\$ 190,069

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 June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues:				
Software solutions	\$ 11,412	\$ 15,388	\$ 24,845	\$ 32,310
Services	31,553	26,143	60,248	50,017
Maintenance	22,018	23,120	43,027	46,335
Contract		33	2,450	66
Total revenues	64,983	64,684	130,570	128,728
Costs and expenses:				
Cost of revenues:				
Software solutions	2,175	2,447	4,649	5,850
Services and maintenance	27,267	24,376	54,047	47,846
Amortization of acquired technology	6		12	
Sales and marketing	12,957	12,573	24,654	23,669
Research and development	8,750	8,932	17,555	17,879
General and administrative	10,549	11,843	20,928	25,381
Amortization of intangibles	25		28	
Restructuring charges and adjustments	(49)	(95)	(75)	(145)
Total costs and expenses	61,680	60,076	121,798	120,480
Operating income	3,303	4,608	8,772	8,248
Non-operating (expense) income, net:				
Interest income	1,302	1,172	2,648	2,218
Interest expense	(1,236)	(1,532)	(2,476)	(3,072)
Realized gains on investments, net		6		591
Foreign currency hedge and transaction losses, net	(74)	177	(191)	(39)
Other expense, net	(231)	(333)	(553)	(51)
Total non-operating expense, net	(239)	(510)	(572)	(353)
Income before income taxes	3,064	4,098	8,200	7,895
Income tax expense	740	1,297	1,598	3,311
Net income	\$ 2,324	\$ 2,801	\$ 6,602	\$ 4,584
Preferred stock dividend and accretion of discount	765	770	1,524	1,399
Net income applicable to common stockholders	\$ 1,559	\$ 2,031	\$ 5,078	\$ 3,185
Net income per common share applicable to common stockholders:				

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Basic	\$ 0.06	\$ 0.08	\$ 0.20	\$ 0.13
Diluted	\$ 0.06	\$ 0.08	\$ 0.19	\$ 0.12

Weighted-average common shares outstanding:

Basic	25,770	25,247	25,690	25,221
Diluted	26,806	25,699	26,870	25,738

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 June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Comprehensive income:				
Net income applicable to common stockholders	\$ 1,559	\$ 2,031	\$ 5,078	\$ 3,185
Other comprehensive income:				
Foreign currency translation adjustments	2,918	1,776	3,643	2,192
Total other comprehensive income	2,918	1,776	3,643	2,192
Total comprehensive income	\$ 4,477	\$ 3,807	\$ 8,721	\$ 5,377

See accompanying notes to condensed consolidated financial statements.

Table of Contents**i2 TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(unaudited)**

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 6,602	\$ 4,584
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,290	3,695
Stock based compensation	7,347	8,930
Gain on extinguishment of debt		(3)
Gain on sale of securities		(501)
Loss (gain) on disposal of equipment	222	(29)
Provision (credit) for bad debts charged to costs and expenses	(116)	64
Deferred income taxes	(92)	549
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	(440)	3,195
Other assets	3,791	