

BLUE MARTINI SOFTWARE INC

Form 8-K/A

August 15, 2002

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K/A

**Amended Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of earliest event reported: April 16, 2002

BLUE MARTINI SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

0-30925
(Commission File No.)

94-3319751
(I.R.S. Employer
Identification No.)

2600 Campus Drive
San Mateo, California 94403
(Address of principal executive offices)

Telephone Number (650) 356-4000
(Registrant's telephone number, including area code)

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Explanatory Note

On May 1, 2002, Blue Martini Software, Inc. (Blue Martini) filed a Current Report on Form 8-K to report its acquisition of The Cybrant Corp. (Cybrant) on April 16, 2002 (the Original Form 8-K). On June 28, 2002, Blue Martini filed an Amendment to the Original Form 8-K (the Original Form 8-K/A) to provide certain financial information under Item 7 of Form 8-K. This Amendment is being filed to amend certain information under Item 7 that was included in the Original Form 8-K/A.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(b) Pro Forma Financial Information.

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**BLUE MARTINI SOFTWARE
UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION**

On April 16, 2002, Blue Martini Software, Inc. (Blue Martini) completed the acquisition of The Cybrant Corp. (Cybrant), through the merger of a wholly owned subsidiary of Blue Martini with and into Cybrant, with Cybrant surviving as a wholly owned subsidiary of Blue Martini (the Merger).

The following unaudited pro forma combined condensed financial information has been prepared to give effect to the Merger. This financial information reflects certain assumptions deemed probable by management regarding the Merger. The total estimated purchase consideration of the Merger has been allocated on a preliminary basis to assets and liabilities based on management's best estimates of their fair value with the excess cost over the net assets acquired allocated to goodwill. The adjustments to the unaudited pro forma combined condensed financial information are subject to change pending a final analysis of the total purchase cost and the fair value of the assets and liabilities assumed. The impact of these changes could be material.

The unaudited pro forma combined condensed balance sheet as of December 31, 2001 gives effect to the Merger as if it had occurred on December 31, 2001, and combines the historical consolidated balance sheet of Blue Martini and the historical balance sheet of Cybrant as of that date.

The unaudited pro forma combined condensed statement of operations for the year ended December 31, 2001 combines the historical consolidated statement of operations of Blue Martini for the year ended December 31, 2001 with the historical statement of operations of Cybrant for the year ended December 31, 2001, and assumes that the merger had occurred on January 1, 2001.

The unaudited pro forma combined condensed financial information is based on estimates and assumptions. These estimates and assumptions are preliminary and have been made solely for purposes of developing this pro forma information. Unaudited pro forma combined condensed financial information is presented for illustrative purposes only and is not necessarily indicative of the combined financial position or results of operations of future periods or the results that actually would have been realized had the entities been a single entity during this period. This unaudited pro forma combined financial information is based upon the respective historical consolidated financial statements of Blue Martini and notes thereto, previously filed with the Securities and Exchange Commission and the historical financial statements of Cybrant and notes thereto, previously filed with the Securities and Exchange Commission, and should be read in conjunction with those statements and the related notes.

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BLUE MARTINI SOFTWARE, INC.
UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
December 31, 2001
(In thousands)

	<u>Blue Martini</u>	<u>Cybrant</u>	<u>Pro Forma Adjustment</u>	<u>Pro Forma Combined</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 12,945	\$ 1,744		\$ 14,689
Short-term investments	84,554			84,554
Accounts receivable, net	5,558	1,506		7,064
Prepays and other current assets	2,370	1,179	\$ (89)(A)	3,460
	<u>105,427</u>	<u>4,429</u>	<u>(89)</u>	<u>109,767</u>
Total current assets	105,427	4,429	(89)	109,767
Property and equipment, net	4,654	1,724	(1,586)(A)	4,792
Intangible assets and other, net	12,340	164	2,700(A)	15,204
Goodwill			3,667(A)	3,667
	<u>122,421</u>	<u>6,317</u>	<u>4,692</u>	<u>133,430</u>
Total assets	\$ 122,421	\$ 6,317	\$ 4,692	\$ 133,430
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS DEFICIT				
Current liabilities:				
Accounts payable	\$ 1,848	\$ 208		\$ 2,056
Accrued liabilities and other current liabilities	12,940	1,927	\$ 552(A)	15,419
Deferred revenues	5,061	1,000	(802)(A)	5,259
Long-term obligations current	110	1,668	96(A)	1,874
	<u>19,959</u>	<u>4,803</u>	<u>(154)</u>	<u>24,608</u>
Total current liabilities	19,959	4,803	(154)	24,608
Long-term obligations non current		218		218
	<u>19,959</u>	<u>5,021</u>	<u>(154)</u>	<u>24,826</u>
Total liabilities	19,959	5,021	(154)	24,826
Redeemable convertible preferred stock		37,178	(37,178)(B)	
Stockholders' deficit:				
Common stock	68	2	(2)(B)	68
Additional paid-in capital	253,946	2,770	(2,770)(B)	260,981
			7,035(A)	
Deferred stock compensation	(8,000)			(8,000)
Notes receivable from stockholders		(93)		(93)
Accumulated other comprehensive income	595			595
Accumulated deficit	(144,147)	(38,561)	38,561(B)	(144,947)
	<u>102,462</u>	<u>(35,882)</u>	<u>42,024</u>	<u>108,604</u>
Total stockholders' deficit	102,462	(35,882)	42,024	108,604
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	\$ 122,421	\$ 6,317	\$ 4,692	\$ 133,430

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

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BLUE MARTINI SOFTWARE, INC.
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2001
(In thousands, except per share data)

	<u>Blue Martini</u>	<u>Cybrant</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
Revenues:				
License	\$ 20,438	\$ 4,074		\$ 24,512
Service	39,476	3,902		43,378
Total revenues	59,914	7,976		67,890
Cost of revenues:				
License	2,122	1,000		3,122
Service	37,359	5,297		42,656
Amortization of purchased technology	2,000		\$ 1,200(C)	3,200
Total cost of revenues	41,481	6,297	1,200	48,978
Gross profit	18,433	1,679	(1,200)	18,912
Operating expenses:				
Sales and marketing	46,661	8,041		54,702
Research & development	18,623	7,066		25,689
General & administrative	10,900	1,243		12,143
Charges for stock compensation	12,014			12,014
Amortization of acquired other intangibles			150(C)	150
Restructuring charges	6,257			6,257
Total operating expenses	94,455	16,350	150	110,955
Loss from operations	(76,022)	(14,671)	(1,350)	(92,043)
Interest & other, net	6,418	(5)		6,413
Net loss	\$ (69,604)	\$ (14,676)	\$ (1,350)	\$ (85,630)
Basic and diluted net loss per common share	\$ (1.09)			\$ (1.26)
Shares used in computing basic and diluted net loss per common share	63,970		4,027	67,997

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

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BLUE MARTINI SOFTWARE, INC.
NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

(A) To record the application of the purchase accounting.

The total estimated purchase price is \$7,587,000 and is comprised of:

1. The issuance of 4,027,022 shares of Blue Martini common stock to Cybrant shareholders. The fair value of the Blue Martini shares issued is based on a per share value of \$1.58, which is equal to the average market price as reported on the Nasdaq National Market for the period from two days prior to two days subsequent to the public announcement of the merger.
2. The exchange of warrants assumed in the Merger exercisable for up to an aggregate of 507,914 shares of Blue Martini common stock at an exercise price of \$0.92 per share that expire in 2007. The warrants have been valued based on the Black-Scholes option pricing model.
3. Estimated restructuring and exit costs consisting primarily of severance payments, facility and equipment related charges.
4. Estimated direct costs of the transactions consisting primarily of fees for legal, accounting and valuation services.

The amounts and components of the estimated purchase price is presented below (in thousands):

Fair value of Blue Martini common stock issued	\$ 6,363
Estimated fair value of warrants exchanged	672
Estimated restructuring and exit costs	352
Estimated acquisition-related costs	200
	\$ 7,587

Under purchase accounting, the total purchase price will be allocated to Cybrant's assets and liabilities based on their fair values. Allocations are subject to valuations as of the date of the consummation of the merger. The total price is expected to be allocated to tangible assets and liabilities, identifiable intangible assets, including in-process research and development (IPRD) and purchased technology, and goodwill. The purchased technology is expected to be amortized over two years beginning at acquisition date and the IPRD will be charged to expense in the second quarter of 2002.

The following represents the preliminary allocation of the purchase price to the acquired assets and assumed liabilities of Cybrant. The allocation is preliminary and based on Cybrant's assets and liabilities as of December 31, 2001 (in thousands):

Net assets assumed	\$ 420
Purchased technology	2,400
Other intangible assets	300
Goodwill	3,667
In-process research and development	800
	\$ 7,587

The actual allocation of the purchase price is based on the composition of Cybrant's net assets on April 16, 2002 (the Merger closing date.) Consequently, the actual allocation of the purchase price differs from that presented above. The actual purchase price allocation is detailed in Note 3 to Notes to Financial Statements in Blue Martini's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

Net assets assumed were adjusted primarily for the adjustments of certain fixed assets to fair values, the reduction of deferred revenue to the fair value of the obligation assumed and additional liabilities in connection with payoff of certain lease obligations.

Goodwill represents the excess of the purchase price over the fair value of the tangible and identifiable assets. The unaudited pro forma combined statement of operations does not include the amortization of goodwill acquired in the acquisition in accordance with Financial Accounting Standards Board Statement No. 142, Goodwill and Other Intangible Assets.

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- (B) The pro forma adjustment represents the elimination of Cybrant's stockholders' equity accounts.
- (C) Acquired intangible assets are amortized over a period of two years.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: August 13, 2002

BLUE MARTINI SOFTWARE , INC .

By:

/s/ MONTE ZWEBEN

Monte Zweben
Chairman and Chief Executive Officer