

L-1 IDENTITY SOLUTIONS, INC.
Form 10-Q
May 09, 2007

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 March 31, 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 001-21559

L-1 IDENTITY SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

04-3320515
(I.R.S. Employer
Identification No.)

177 Broad Street, 12th Floor, Stamford, CT
(Address of principal executive offices)

06901
(Zip Code)

(203) 504-1100
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 a check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 8, 2007
_____	_____

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Common stock, \$.001 par value

72,841,528

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PART 1 FINANCIAL INFORMATION**ITEM 1 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

L-1 IDENTITY SOLUTIONS, INC.
Condensed Consolidated Balance Sheets

(in thousands)

(Unaudited)

March 31, December 31,
2007 2006

Assets

Current assets:

Cash and cash equivalents	\$ 4,077	\$ 4,993
Accounts receivable, net	54,094	61,513
Inventory	14,078	10,967
Other current assets	4,135	4,529
	<hr/>	<hr/>
Total current assets	76,384	82,002
Property and equipment, net	20,025	19,928
Goodwill	972,455	951,443
Intangible assets, net	168,046	170,098
Other assets, net	4,714	3,754
	<hr/>	<hr/>
Total assets	\$ 1,241,624	\$ 1,227,225

Liabilities and Shareholders Equity

Current liabilities:

Accounts payable and accrued expenses	\$ 53,958	\$ 54,807
Current portion of deferred revenue	11,732	10,331
Other current liabilities	4,918	5,206
	<hr/>	<hr/>
Total current liabilities	70,608	70,344
Deferred tax liability	5,435	4,394
Deferred revenue, net of current portion	3,977	3,734
Long-term debt	98,000	80,000
Other long-term liabilities	966	1,668
	<hr/>	<hr/>
Total liabilities	178,986	160,140
Shareholders equity	1,062,638	1,067,085
	<hr/>	<hr/>
Total liabilities and shareholders equity	\$ 1,241,624	\$ 1,227,225

The accompanying notes are an integral part of these condensed consolidated financial statements.

L-1 IDENTITY SOLUTIONS, INC.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Three Months Ended	
	March 31, 2007	March 31, 2006
Revenues	\$ 70,007	\$ 23,438
Cost of revenues:		
Cost of revenues	46,177	15,171
Amortization of purchased intangible assets	6,474	1,868
	52,651	17,039
Gross Profit	17,356	6,399
Operating expenses:		
Sales and marketing	5,461	2,369
Research and development	4,661	1,611
General and administrative	12,817	4,577
Amortization of purchased intangible assets	431	117
	23,370	8,674
Operating Loss	(6,014)	(2,275)
Interest income	67	671
Interest expense	(1,771)	(6)
Other (expense) income, net	(25)	17
	(7,743)	(1,593)
Loss before income taxes	(7,743)	(1,593)
Provision for income taxes	(1,088)	(565)
	\$ (8,831)	\$ (2,158)
Net Loss	\$ (8,831)	\$ (2,158)
Basic and diluted net loss per share	\$ (0.12)	\$ (0.07)
Weighted average basic and diluted common shares outstanding	72,540	29,008

The accompanying notes are an integral part of these condensed consolidated financial statements.

L-1 IDENTITY SOLUTIONS, INC.

Condensed Consolidated Statements of Changes in Shareholders Equity and Comprehensive Loss

(In thousands)

(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total	Comprehensive Loss
Balance, January 1, 2006	\$ 29	\$ 333,456	\$ (56,427)	\$ (2,398)	\$ 274,660	
Exercise of employee stock options	1	7,180			7,181	
Common stock issued for directors fees		288			288	
Common stock issued under employee stock purchase plan		53			53	
Common stock issued for acquisition, net of issuing costs	43	769,931			769,974	
Fair value of vested stock options and warrants assumed for acquisition		35,103			35,103	
Retirement plan contributions paid in common stock		288			288	
Stock-based compensation expense		7,492			7,492	
Comprehensive loss:						
Foreign currency translation adjustment				3,083	3,083	\$ 3,083
Net loss			(31,037)		(31,037)	(31,037)
Comprehensive loss						\$ (27,954)
Balance, December 31, 2006	73	1,153,791	(87,464)	685	1,067,085	
Exercise of employee stock options		1,706			1,706	
Common stock issued for directors fees		136			136	
Common stock issued under employee stock purchase plan		511			511	
Retirement plan contributions paid in common stock		148			148	
Stock-based compensation expense		1,781			1,781	
Comprehensive loss:						
Foreign currency translation adjustment				102	102	\$ 102
Net loss			(8,831)		(8,831)	(8,831)

Comprehensive loss						<u>\$ (8,729)</u>
Balance, March 31, 2007	<u>\$</u>	<u>73</u>	<u>\$ 1,158,073</u>	<u>\$ (96,295)</u>	<u>\$</u>	<u>787</u>
						<u>\$ 1,062,638</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

L-1 IDENTITY SOLUTIONS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Three Months Ended	
	March 31, 2007	March 31, 2006
Cash Flow from Operating Activities:		
Net loss	\$ (8,831)	\$ (2,158)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	9,060	4,094
Stock-based compensation expense	2,579	659
Retirement plan contributions paid in common stock	148	
Deferred income taxes	1,041	508
Amortization of deferred financing costs	134	
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	10,244	(373)
Inventory	(1,800)	(862)
Other assets	(172)	(969)
Accounts payable and accrued expenses	(10,174)	1,877
Deferred revenue	(836)	925
	1,393	3,701
Cash Flow from Investing Activities:		
Cash paid for acquisitions, net of cash acquired	(20,441)	(29,362)
Capital expenditures	(1,817)	(1,311)
Other assets	(65)	
	(22,323)	(30,673)
Cash Flow from Financing Activities		
Borrowings under revolving credit agreement, net	18,000	
Principal payments on long-term debt	(59)	(131)
Financing costs	(106)	
Proceeds of issuance of common stock and warrants	2,105	1,159
	19,940	1,028
Effect of exchange rate changes on cash and cash equivalents	74	(13)
	(916)	(25,957)
Net decrease in cash and cash equivalents		
Cash and cash equivalents, beginning of period		