

L-1 IDENTITY SOLUTIONS, INC.

Form 10-Q

May 08, 2008

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, 2008.

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 001-33002

L-1 IDENTITY SOLUTIONS, INC.

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(Exact name of registrant as specified in its charter)

Delaware

02-08087887 (State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.) 177 Broad Street, 12th Floor, Stamford, CT 06901 (Address of principal executive offices) (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 7, 2008 Common stock, \$.001 par value		77,585,556

L-1 IDENTITY SOLUTIONS, INC.
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2008

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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,

2008 December 31,

2007 Assets	Current assets:	Cash and cash equivalents	\$ 8,515	\$ 8,203	Accounts receivable,
net 86,815	Inventory	28,935	21,534	Deferred tax asset	13,253
6,801	3,890	Total current assets	144,319	137,090	Property and equipment, net
23,451	Goodwill	1,084,871	1,054,270	Intangible assets, net	191,139
38,756	37,293	Other assets, net	10,508	9,304	Total assets
Shareholders' Equity	Current liabilities:	Accounts payable and accrued expenses	\$ 81,408	\$ 81,549	Current portion of deferred revenue
81,549	98,958	96,221	Deferred revenue, net of current portion	6,510	4,671
269,000	259,000	Other long-term liabilities	1,580	1,036	Total liabilities
Shareholders' Equity:	Common stock, \$0.001 par value; 125,000,000 shares authorized; 77,400,985 and 75,146,940 shares issued and outstanding at March 31, 2008 and December 31, 2007, respectively	78	76	Additional paid-in capital	1,257,972
7,700	6,407	Total shareholders' equity	1,118,098	1,084,717	Total liabilities and shareholders' equity
1,494,146	\$ 1,445,645				

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

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

Three months ended March 31,
 2008 March 31,

2007 Revenues	\$ 115,996	\$ 70,007	Cost of revenues:	Cost of revenues	78,741	46,177
Amortization of acquired intangible assets	5,901	6,474	Total cost of revenues	84,642	52,651	Gross profit
31,354	17,356	Operating expenses:	Sales and marketing	7,485	5,461	Research and development
5,333	4,661	General and administrative	16,789	12,817	Amortization of acquired intangible assets	826
826	431	Total operating expenses	30,433	23,370	Operating income (loss)	921
(6,014)	Interest income	71	67	Interest expense	(3,332)	(1,771)
) Loss before income taxes	(3,348)	(7,743)	Benefit (Provision) for income taxes	1,463	(1,088)	Net loss
\$ (1,885)	\$ (8,831)	Basic and diluted net loss per share	\$ (0.03)	\$ (0.12)	Weighted average basic and dilutive common shares outstanding	72,171
						72,540

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

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L-1 IDENTITY SOLUTIONS, INC.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(In thousands)

(Unaudited)

	Common	Additional	Capital	Accumulated	Deficit	Pre-paid	Forward	Contract	To Purchase	Common	Treasury	Accumulated	Other	Comprehensive
Income	Total Balance, January 1, 2007	\$ 73	\$ 1,153,791	\$ (87,464)	\$ —	\$ —	\$ 685	\$ 1,067,085						
Exercise of employee stock options	1	10,037	—	—	—	—	10,038	Adjustment to fair value of stock options assumed in merger with Identix	—	8,520	—	—	—	8,520
of McClendon	2	32,998	—	—	—	—	33,000	Common stock issued for acquisition of directors' fees	—	545	—	—	—	545
Common stock issued under employee stock purchase plan	—	2,315	—	—	—	—	2,315		—	2,315	—	—	—	2,315
Tax benefit of stock options exercised	—	130	—	—	—	—	130	Retirement plan contributions paid in common stock	—	261	—	—	—	261
Pre-paid forward contract	—	—	—	—	—	—	(69,808)		—	—	—	—	—	(69,808)
Stock-based compensation expense	—	9,243	—	—	—	—	9,243	Foreign currency translation gain	—	—	—	—	—	5,722
Net income	—	—	—	—	—	—	17,666		—	—	—	—	—	17,666
Balance, December 31, 2007	76	1,217,840	(69,798)	(69,808)	—	6,407	1,084,717	Exercise of employee stock options	—	216	—	—	—	216
Common stock and stock options issued for acquisition of Bioscrypt	2	35,748	—	—	—	—	35,750	Common stock issued for directors' fees	—	582	—	—	—	582
Common stock issued under employee stock purchase plan	—	794	—	—	—	—	794		—	794	—	—	—	794
Stock options issued for officers' bonus	—	125	—	—	—	—	125	Repurchase of common stock	—	—	—	—	—	—