

L-1 IDENTITY SOLUTIONS, INC.

Form 10-Q

November 05, 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 September 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 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 November 1, 2007	Common
stock, \$.001 par value		75,089,397	

L-1 IDENTITY SOLUTIONS, INC.  
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2007

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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)

September 30, 2007	December 31, 2006	Assets	Current assets:	Cash and cash equivalents	\$ 11,941	\$ 4,993	Accounts receivable, net	97,565	61,513	Inventory	16,041	10,967	Other current assets	4,793	4,529	Total current assets	130,340	82,002	Property and equipment, net	21,607	19,928	Goodwill	1,074,419	951,443	Intangible assets, net	200,229	170,098	Other assets, net	9,256	3,754	Total assets	\$ 1,435,851	\$ 1,227,225	Liabilities and Shareholders' Equity	Current liabilities:	Accounts payable and accrued expenses	\$ 78,739	\$ 54,807	Current portion of deferred revenue	12,795	10,331	Other current liabilities	3,277	5,206	Total current liabilities	94,811	70,344	Deferred tax liability	7,691	4,394	Deferred revenue, net of current portion	4,167	3,734	Long-term debt	277,000	80,000	Other long-term liabilities	1,073	1,668	Total liabilities	384,742	160,140	Shareholders' equity	1,051,109	1,067,085	Total liabilities and shareholders' equity	\$ 1,435,851	\$ 1,227,225
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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	Nine months ended	September 30,						
	2007	September 30,	2006	September 30,	2007	September 30,	2006	Revenues	
		\$ 115,539	\$ 39,767	\$ 275,645	\$ 88,073	Cost of revenues:		Cost of	
revenues	71,054	26,675	172,271	57,453	Amortization of purchased intangible assets	6,873	3,405		
	19,838	7,293	Total cost of revenues	77,927	30,080	192,109	64,746	Gross profit	37,612
9,687	83,536	23,327	Operating expenses:			Sales and marketing	7,493	3,366	
20,397	8,703	Research and development	5,255	3,323	14,467	6,868	General and administrative		
17,468	9,008	44,309	17,126	Asset impairments and merger related expenses	—	22,767	—	22,767	
		Amortization of purchased intangible assets	743	102	1,611	359	Total operating expenses	30,959	
38,566	80,784	55,823	Operating income (loss)	6,653	(28,879)	2,752	(32,496)	Interest income	
143	377	308	1,543	Interest expense	(3,651)	(56)	(7,694)	(105)	Other (expense) income,
net	(189)	—	(142)	27	Income (loss) before income taxes	2,956	(28,558)	(4,776)	(31,031)
Provision for income taxes	(1,486)	(698)	(3,781)	(2,013)	Net income (loss)	\$ 1,470	\$ (29,256)		
\$ (8,557)	\$ (33,044)	Basic net income (loss) per share	\$ 0.02	\$ (0.66)	\$ (0.12)	\$ (0.97)	Weighted		
average basic common shares outstanding	71,256	44,448	71,680	34,234	Diluted net income (loss) per				
share	\$ 0.02	\$ (0.66)	\$ (0.12)	\$ (0.97)	Weighted average diluted common shares outstanding	71,265			
	44,448	71,680	34,234						

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

(In thousands)

(Unaudited)

	Common		Additional		Accumulated		Pre-paid		Forward		Contract		To Purchase		Common		Other		Comprehensive																							
	Gain (Loss)	Total 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 stock options and warrants assumed in merger with Identix	—	35,103	—	—	—	35,103	Retirement plan contributions paid in common stock	—	288	—	—	—	288	Stock-based compensation expense	—	7,492																			
—	—	—	7,492	Foreign currency translation gain	—	—	—	3,083	3,083	Net loss	—	—																														
(31,037)	—	—	(31,037)	Balance, December 31, 2006	73	1,153,791	(87,464)	—	685																																	
1,067,085	Exercise of employee stock options	—	9,036	—	—	—	9,036	Adjustment to fair value of stock options assumed in merger with Identix																																		