

ITRON INC /WA/
Form 10-Q
November 04, 2005
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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 September 30, 2005

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 000-22418

ITRON, INC.

(Exact name of registrant as specified in its charter)

Washington
(State of Incorporation)

91-1011792
(I.R.S. Employer Identification Number)

2818 North Sullivan Road
Spokane, Washington 99216-1897
(509) 924-9900

(Address and telephone number of registrant's principal executive offices)

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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 October 31, 2005, there were outstanding 24,782,504 shares of the registrant's common stock, no par value, which is the only class of common stock of the registrant.

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Table of Contents**PART I: FINANCIAL INFORMATION****Item 1: Financial Statements (Unaudited)****ITRON, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
	(in thousands, except per share data)			
Revenues				
Sales	\$ 128,683	\$ 107,327	\$ 355,696	\$ 230,358
Service	12,462	15,177	37,042	37,390
Total revenues	141,145	122,504	392,738	267,748
Cost of revenues				
Sales	73,179	63,534	203,188	130,993
Service	6,936	9,485	20,783	21,140
Total cost of revenues	80,115	73,019	223,971	152,133
Gross profit	61,030	49,485	168,767	115,615
Operating expenses				
Sales and marketing	13,688	12,045	40,456	31,971
Product development	11,807	11,893	35,135	32,669
General and administrative	11,645	9,201	33,381	24,479
Amortization of intangible assets	9,712	7,217	29,143	11,271
Restructurings		1,571	390	4,005
Total operating expenses	46,852	41,927	138,505	104,395
Operating income	14,178	7,558	30,262	11,220
Other income (expense)				
Interest income	69	24	167	152
Interest expense	(4,328)	(5,147)	(15,280)	(8,162)
Other income (expense), net	(535)	261	20	(474)
Total other income (expense)	(4,794)	(4,862)	(15,093)	(8,484)
Income before income taxes	9,384	2,696	15,169	2,736
Income tax (provision) benefit	(3,382)	(1,026)	963	(986)

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Net income	\$ 6,002	\$ 1,670	\$ 16,132	\$ 1,750
Earnings per share				
Basic net income per share	\$ 0.25	\$ 0.08	\$ 0.70	\$ 0.08
Diluted net income per share	\$ 0.23	\$ 0.08	\$ 0.66	\$ 0.08
Weighted average number of shares outstanding				
Basic	24,441	20,978	22,912	20,827
Diluted	25,919	22,050	24,471	22,005

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

Table of Contents**ITRON, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

	September 30, 2005	December 31, 2004
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,896	\$ 11,624
Accounts receivable, net	94,983	90,097
Inventories	50,658	45,459
Deferred income taxes, net	8,018	22,733
Other	9,530	5,477
Total current assets	175,085	175,390
Property, plant and equipment, net	55,411	59,690
Intangible assets, net	132,996	162,137
Goodwill	116,079	117,471
Deferred income taxes, net	58,426	27,252
Other	11,963	15,211
Total assets	\$ 549,960	\$ 557,151
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 38,000	\$ 37,439
Wages and benefits payable	21,569	13,947
Current portion of debt	2,139	35,647
Current portion of warranty	5,323	7,243
Unearned revenue	20,256	22,991
Total current liabilities	87,287	117,267
Long-term debt	150,871	239,361
Project financing debt	2,588	3,227
Warranty	5,928	6,331
Other obligations	5,706	6,535
Total liabilities	252,380	372,721
Commitments and contingencies (Notes 7 and 10)		
Shareholders' equity		
Preferred stock		
Common stock	308,841	211,920
Accumulated other comprehensive income, net	1,051	954
Accumulated deficit	(12,312)	(28,444)
Total shareholders' equity	297,580	184,430

Total liabilities and shareholders' equity	\$ 549,960	\$ 557,151
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The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**ITRON, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Nine Months Ended September 30,	
	2005	2004
(in thousands)		
Operating activities		
Net income	\$ 16,132	\$ 1,750
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,785	19,260
Employee stock plan income tax benefits	14,399	1,366
Amortization of prepaid debt fees	4,330	1,165
Realized currency translation gains	(391)	(279)
Deferred income tax benefit	(16,313)	(1,278)
Other, net	2,178	1,560
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(4,738)	25,711
Inventories	(5,199)	(9,013)
Accounts payable and accrued expenses	360	(860)
Wages and benefits payable	7,605	437
Unearned revenue	(3,085)	(1,130)
Warranty	(194)	(9,211)
Other long-term obligations	(436)	(808)
Other, net	(3,879)	(1,126)
Cash provided by operating activities	49,554	27,544
Investing activities		
Proceeds from the sale of property,		