

ITRON INC /WA/  
Form 10-Q  
May 05, 2009

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

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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, 2009

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)

2111 N Molter Road, Liberty Lake, Washington 99019  
(509) 924-9900  
(Address and telephone number of registrant's principal executive offices)

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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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).\* Yes  No

\* Itron is a voluntary filer of Interactive Data File

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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 April 30, 2009 there were outstanding 36,801,662 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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Itron, Inc.

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## PART I: FINANCIAL INFORMATION

## Item 1: Financial Statements (Unaudited)

ITRON, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended March 31,	
	2009	2008
	(in thousands, except per share data)	
Revenues	\$ 388,518	\$ 478,476
Cost of revenues	258,934	315,917
Gross profit	129,584	162,559
Operating expenses		
Sales and marketing	36,975	41,966
Product development	31,158	29,031
General and administrative	29,024	33,023
Amortization of intangible assets	23,478	31,252
Total operating expenses	120,635	135,272
Operating income	8,949	27,287
Other income (expense)		
Interest income	535	1,424
Interest expense	(16,845)	(28,537)
Loss on extinguishment of debt, net	(10,340)	-
Other income (expense), net	(2,034)	188
Total other income (expense)	(28,684)	(26,925)
Income (loss) before income taxes	(19,735)	362
Income tax benefit	6	591
Net income (loss)	\$ (19,729)	\$ 953
Earnings (loss) per common share		
Basic	\$ (0.55)	\$ 0.03
Diluted	\$ (0.55)	\$ 0.03
Weighted average common shares outstanding		
Basic	36,151	30,696
Diluted	36,151	32,745

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



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ITRON, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands)

	March 31, 2009 (unaudited)	December 31, 2008
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 102,091	\$ 144,390
Accounts receivable, net	309,977	321,278
Inventories	162,244	164,210
Deferred income taxes, net	28,711	31,807
Other	60,355	56,032
Total current assets	663,378	717,717
Property, plant, and equipment, net		
Prepaid debt fees	11,155	12,943
Deferred income taxes, net	34,482	30,917
Other	20,608	19,315
Intangible assets, net	433,198	481,886
Goodwill	1,215,562	1,285,853
Total assets	\$ 2,673,321	\$ 2,856,348
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 192,274	\$ 200,725
Other current liabilities	66,469	66,365
Wages and benefits payable	70,097	78,336
Taxes payable	27,565	18,595
Current portion of long-term debt	10,501	10,769
Current portion of warranty	20,370	23,375
Unearned revenue	36,582	24,329
Deferred income taxes, net	1,927	1,927
Total current liabilities	425,785	424,421
Long-term debt		
Warranty	945,566	1,140,998
Pension plan benefits	14,468	14,880
Deferred income taxes, net	53,511	55,810
Other obligations	90,835	102,720
Total liabilities	62,889	58,743
	1,593,054	1,797,572
Commitments and contingencies		
Shareholders' equity		
Preferred stock	-	-

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Common stock	1,120,934	992,184
Accumulated other comprehensive income (loss), net	(53,437)	34,093
Retained earnings	12,770	50,291
Cumulative effect of change in accounting principle	-	(17,792)
Total shareholders' equity	1,080,267	1,058,776
Total liabilities and shareholders' equity	\$ 2,673,321	\$ 2,856,348

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

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ITRON, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
<b>Operating activities</b>		
Net income (loss)	\$ (19,729)	\$ 953
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	36,236	44,318
Stock-based compensation	4,487	3,890
Amortization of prepaid debt fees	1,840	1,858
Amortization of convertible debt discount	2,570	3,271
Loss on extinguishment of debt, net	9,960	-
Deferred income taxes, net	(7,654)	(19,227)
Other, net	3,102	86
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	11,301	(19,952)
Inventories	1,966	(16,237)
Accounts payables, other current liabilities, and taxes payable	316	36,501
Wages and benefits payable	(7,078)	5,394
Unearned revenue	15,796	13,889
Warranty	(3,417)	2,654
Effect of foreign exchange rate changes	(5,886)	7,867
Other, net	(1,084)	(8,845)
Net cash provided by operating activities	42,726	56,420
<b>Investing activities</b>		
Acquisitions of property, plant, and equipment	(13,712)	(13,117)
Business acquisitions & contingent consideration, net of cash equivalents acquired	(1,217)	(95)
Other, net	664	897
Net cash used in investing activities	(14,265)	(12,315)
<b>Financing activities</b>		
Payments on debt	(67,551)	(46,770)
Issuance of common stock	724	2,569
Other, net	(587)	3,587
Net cash used in financing activities	(67,414)	(40,614)
Effect of foreign exchange rate changes on cash and cash equivalents		
	(3,346)	40
Increase (decrease) in cash and cash equivalents	(42,299)	3,531
Cash and cash equivalents at beginning of period	144,390	91,988



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Cash and cash equivalents at end of period	\$	102,091	\$	95,519
Non-cash transactions:				
Fixed assets purchased but not yet paid	\$	5,560	\$	2,604
Exchange of debt for common stock (see Note 6)		120,984		-
Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Income taxes	\$	1,494	\$	3,903
Interest		15,445		18,385

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

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ITRON, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2009  
(UNAUDITED)

In this Quarterly Report on Form 10-Q, the terms “we,” “us,” “our,” “Itron,” and the “Company” refer to Itron, Inc.

Note 1: Summary of Significant Accounting Policies

We were incorporated in the state of Washington in 1977. We provide a portfolio of products and services to utilities for the energy and water markets throughout the world.

Financial Statement Preparation

The condensed consolidated financial statements presented in this Quarterly Report on Form 10-Q are unaudited and reflect entries necessary for the fair presentation of the Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008, Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008, and Consolidated Statements of Cash Flows for the three months ended March 31, 2009 and 2008 of Itron, Inc. and its subsidiaries. All entries required for the fair presentation of the financial statements are of a normal recurring nature, except as disclosed.

Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) regarding interim results. These condensed consolidated financial statements should be read in conjunction with the 2008 audited financial statements and notes included in our Annual Report on Form 10-K, as filed with the SEC on February 26, 2009. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results expected for the full fiscal year or for any other fiscal period.

Basis of Consolidation

We consolidate all entities in which we have a greater than 50% ownership interest. We also consolidate entities in which we have a 50% or less investment and over which we have control. We use the equity method of accounting for entities in which we have a 50% or less investment and exercise significant influence. Entities in which we have less than a 20% investment and where we do not exercise significant influence are accounted for under the cost method. We consider for consolidation any variable interest entity of which we are the primary beneficiary. At March 31, 2009, we had no material investments in variable interest entities. Intercompany transactions and balances have been eliminated upon consolidation.

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFA