

ITRON INC /WA/
Form 10-Q
November 06, 2006
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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, 2006

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 0-22418

ITRON, INC.

(Exact name of registrant as specified in its charter)

Washington
(State of incorporation)

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

2111 North 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 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 September 29, 2006, there were outstanding 25,588,807 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 September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(in thousands, except per share data)			
Revenues				
Sales	\$ 152,023	\$ 128,683	\$ 446,934	\$ 355,696
Service	12,683	12,462	37,135	37,042
Total revenues	164,706	141,145	484,069	392,738
Cost of revenues				
Sales	90,319	73,179	260,279	203,188
Service	6,962	6,936	20,559	20,783
Total cost of revenues	97,281	80,115	280,838	223,971
Gross profit	67,425	61,030	203,231	168,767
Operating expenses				
Sales and marketing	15,176	13,688	46,978	40,456
Product development	15,626	11,807	43,416	35,135
General and administrative	12,463	11,645	37,104	33,381
Amortization of intangible assets	8,284	9,712	23,209	29,143
Restructurings	-	-	-	390
Total operating expenses	51,549	46,852	150,707	138,505
Operating income	15,876	14,178	52,524	30,262
Other income (expense)				
Interest income	3,467	69	4,189	167
Interest expense	(4,028)	(4,328)	(12,359)	(15,280)
Other income (expense), net	(187)	(535)	(876)	20
Total other income (expense)	(748)	(4,794)	(9,046)	(15,093)
Income before income taxes	15,128	9,384	43,478	15,169
Income tax (provision) benefit	(5,913)	(3,382)	(16,990)	963
Net income	\$ 9,215	\$ 6,002	\$ 26,488	\$ 16,132
Earnings per share				
Basic net income per share	\$ 0.36	\$ 0.25	\$ 1.05	\$ 0.70

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Diluted net income per share	\$	0.35	\$	0.23	\$	1.01	\$	0.66
Weighted average number of shares outstanding								
Basic		25,552		24,441		25,343		22,912
Diluted		26,336		25,919		26,251		24,471

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,	December 31,
	2006	2005
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 234,521	\$ 33,638
Short-term investments, held to maturity	171,733	-
Accounts receivable, net	97,033	104,428
Inventories	58,953	49,456
Deferred income taxes, net	22,455	23,194
Other	23,047	10,941
Total current assets	607,742	221,657
Property, plant and equipment, net	83,819	77,623
Intangible assets, net	109,937	123,293
Goodwill	119,586	116,032
Deferred income taxes, net	46,775	48,955
Other	17,161	11,324
Total assets	\$ 985,020	\$ 598,884
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 52,666	\$ 46,215
Wages and benefits payable	24,802	23,732
Current portion of debt	-	4,376
Current portion of warranty	9,141	8,497
Unearned revenue	27,605	22,758
Total current liabilities	114,214	105,578
Long-term debt	469,299	160,186
Project financing debt	-	2,367
Warranty	9,463	6,779
Contingent purchase price	5,686	-
Other obligations	8,208	6,440
Total liabilities	606,870	281,350
Commitments and contingencies		
Shareholders' equity		
Preferred stock	-	-
Common stock	345,404	312,046
Accumulated other comprehensive income, net	1,641	871
Retained earnings	31,105	4,617

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Total shareholders' equity		378,150		317,534
Total liabilities and shareholders' equity		\$ 985,020	\$	598,884

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,	
	2006	2005
	(in thousands)	
Operating activities		
Net income	\$ 26,488	\$ 16,132
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,266	38,785
Employee stock plans income tax benefits	12,686	14,399
Excess tax benefits from stock-based compensation	(9,108)	-
Stock-based compensation	6,811	399
Amortization of prepaid debt fees	3,766	4,330
Deferred income taxes, net	2,784	(16,313)
Other, net	(1,208)	1,534
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	9,416	(4,738)
Inventories	(8,549)	(5,199)
Accounts payable and accrued expenses	3,622	360
Wages and benefits payable	1,088	7,412
Unearned revenue	5,758	(3,085)
Warranty	3,328	(194)
Other long-term obligations	(237)	(436)
Other, net	(3,923)	(3,832)
Net cash provided by operating activities	86,988	49,554
Investing activities		
Purchases of investments held to maturity	(170,434)	-
Acquisitions of property, plant and equipment	(25,878)	(10,264)
Business acquisitions, net of cash and cash equivalents acquired	(7,321)	-
Other, net	1,507	1,780
Net cash used in investing activities	(202,126)	(8,484)
Financing activities		
Proceeds from borrowings	345,000	-
Payments on debt	(42,703)	(122,704)
Issuance of common stock	13,375	82,269
Excess tax benefits from stock-based compensation	9,108	-
Prepaid debt fees	(8,759)	(391)
Other, net	-	28
Net cash provided by (used in) financing activities	316,021	(40,798)
Increase in cash and cash equivalents	200,883	272
Cash and cash equivalents at beginning of period	33,638	11,624
Cash and cash equivalents at end of period	\$ 234,521	\$ 11,896

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Non-cash operating and investing transactions:

Property, plant and equipment purchased but not yet paid	\$	3,452	\$	-
Non-cash affects of acquisitions		637		-

Supplemental disclosure of cash flow information: