

ITRON INC /WA/
Form 10-Q/A
February 07, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2004

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)

2818 North Sullivan Road

Spokane, Washington 99216-1897

(509) 924-9900

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

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class

Common stock, no par value

Preferred share purchase rights

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

As of April 30, 2004, there were outstanding 20,847,896 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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EXPLANATORY NOTE

This Amendment No. 1 to our Quarterly Report on Form 10-Q for the three months ended March 31, 2004 (the Form 10-Q/A), which was originally filed with the Securities and Exchange Commission on May 10, 2004, is being filed to restate warranty expense as a cost of sales rather than as a cost of services as previously reported. The effect of the restatement on the accompanying condensed consolidated statements of operations is presented in Note 17 to the Company's condensed consolidated financial statements. In addition, as a result of our change in operating segments in the third quarter of 2004, we have restated the information in our segment footnote and revised management's discussion and analysis of financial condition and results of operations to reflect the new segment reporting structure as of September 30, 2004. For purposes of this Form 10-Q/A, and in accordance with Rule 12b-15 under the Securities and Exchange Act of 1934, as amended, the Company has amended and restated Part I, Item 1, Item 2 and Item 4 of the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2004. The other items and disclosures included in this Form 10-Q/A have not been updated for any events subsequent to the previously filed Quarterly Report on Form 10-Q.

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Itron, Inc.

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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 March 31,	
	2004	2003
	(in thousands, except per share data)	
Revenues		
Sales	\$ 55,016	\$ 63,917
Service	10,586	10,728
Total revenues	65,602	74,645
Cost of revenues		
Sales (as restated, see Note 17)	29,607	32,198
Service (as restated, see Note 17)	6,123	5,585
Total cost of revenues	35,730	37,783
Gross profit	29,872	36,862
Operating expenses		
Sales and marketing	9,073	8,437
Product development	10,515	10,158
General and administrative	6,914	7,773
Amortization of intangibles	2,027	1,888
Restructurings	2,382	2,165
In-process research and development		900
Total operating expenses	30,911	31,321
Operating income (loss)	(1,039)	5,541
Other income (expense)		
Equity in affiliates	(8)	22
Interest income	17	169
Interest expense	(754)	(456)
Other income (expense), net	274	25
Total other income (expense)	(471)	(240)

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Income (loss) before income taxes	(1,510)	5,301
Income tax (provision) benefit	772	(2,385)
	<u> </u>	<u> </u>
Net income (loss)	\$ (738)	\$ 2,916
	<u> </u>	<u> </u>
Earnings per share		
Basic net income (loss) per share	\$ (0.04)	\$ 0.14
	<u> </u>	<u> </u>
Diluted net income (loss) per share	\$ (0.04)	\$ 0.14
	<u> </u>	<u> </u>
Weighted average number of shares outstanding		
Basic	20,656	20,239
Diluted	20,656	21,428

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

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

	At March 31, 2004	At December 31, 2003
	(in thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,289	\$ 6,240
Accounts receivable, net	47,417	70,782
Inventories	19,416	16,037
Deferred income taxes, net	11,920	11,673
Other	4,493	4,557
	<u>88,535</u>	<u>109,289</u>
Total current assets	88,535	109,289
Property, plant and equipment, net	44,684	42,818
Intangible assets, net	20,952	22,979
Goodwill	90,626	90,385
Deferred income taxes, net	32,586	31,755
Other	7,818	6,263
	<u>\$ 285,201</u>	<u>\$ 303,489</u>
Total assets	\$ 285,201	\$ 303,489
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 21,823	\$ 26,236
Wages and benefits payable	10,179	10,711
Short-term borrowings	5,000	10,000
Current portion of debt	34,088	38,245
Current portion of warranty	10,442	13,939
Unearned revenue	10,558	12,004
	<u>92,090</u>	<u>111,135</u>
Total current liabilities	92,090	111,135
Project financing debt	3,830	4,024
Warranty	3,733	3,536
Other obligations	7,335	7,550
	<u>106,988</u>	<u>126,245</u>
Total liabilities	106,988	126,245
Commitments and contingencies (Notes 7 and 12)		
Shareholders' equity		
Preferred stock		
Common stock	202,502	200,567
Accumulated other comprehensive loss	(364)	(136)
Accumulated deficit	(23,925)	(23,187)
	<u>178,213</u>	<u>177,244</u>
Total shareholders' equity	178,213	177,244
Total liabilities and shareholders' equity	<u>\$ 285,201</u>	<u>\$ 303,489</u>

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)**

	Three Months Ended March 31,	
	2004	2003
	(in thousands)	
Operating activities		
Net income (loss)	\$ (738)	\$ 2,916
Non-cash charges (credits) to income:		
Depreciation and amortization	4,440	4,121
Stock option and employee stock purchase plan income tax benefits	403	122
Equity in affiliates	8	(22)
Acquired in-process research and development		900
Realization of accumulative currency translation gains	(279)	
Deferred income taxes provision (benefit)	(1,288)	2,511
Other, net	288	214
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	23,365	11,348
Inventories	(3,379)	(355)
Accounts payable, accrued expenses and current portion of warranty	(6,839)	(1,200)
Wages and benefits payable	(532)	(9,276)
Unearned revenue	(1,536)	(2,249)
Long-term warranty and other obligations	72	(548)
Other, net	43	(708)
Cash provided by operating activities	14,028	7,774
Investing activities		
Proceeds from the sale of property, plant and equipment	2	
Acquisition of property, plant and equipment	(4,294)	(2,705)
Issuance of notes receivable		(405)
Acquisitions, net of cash and cash equivalents		(73,061)
Pre-acquisition costs	(1,626)	
Payment of contingent purchase price for RER acquisition	(1,184)	
Other, net	196	89
Cash used by investing activities	(6,906)	(76,082)
Financing activities		
New borrowings		50,000
Change in short-term borrowings, net	(5,000)	
Payments on debt	(4,347)	(166)
Issuance of common stock	1,442	585
Other, net	(168)	(1,812)
Cash provided (used) by financing activities	(8,073)	48,607
Decrease in cash and cash equivalents	(951)	(19,701)
Cash and cash equivalents at beginning of period	6,240	32,564

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Cash and cash equivalents at end of period	\$ 5,289	\$ 12,863
<i>Non-cash transactions:</i>		
Acquisition of RER, contingent purchase price payable	\$ 113	\$

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, 2004

(Unaudited)

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

Note 1: Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements presented in this Form 10-Q/A are unaudited and reflect entries necessary for the fair presentation of the Condensed Consolidated Statements of Operations for the three months ended March 31, 2004 and 2003, Condensed Consolidated Balance Sheets as of March 31, 2004 and December 31, 2003, and Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2004 and 2003, of Itron and our wholly owned subsidiaries. All such entries are of a normal recurring nature. Significant inter-company transactions and balances are eliminated upon consolidation. We consolidate all entities in which we have a greater than 50% ownership interest and over which we have control. We account for entities in which we have a 50% or less investment and exercise significant influence under the equity method of accounting. Entities in which we have less than a 20% investment and do not exercise significant influence are accounted for under the cost method. Any variable interest entity of which we are the primary beneficiary is also considered for consolidation. We are not the primary beneficiary of any variable interest entities. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim