

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 8-K**

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

Date of report (Date of earliest event reported): **May 28, 2009**

**ITERIS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation)

**001-08762**  
(Commission File Number)

**95-2588496**  
(IRS Employer Identification No.)

**1700 Carnegie Ave., Suite 100, Santa Ana, California**  
(Address of Principal Executive Offices)

**92705**  
(Zip Code)

Registrant's telephone number, including area code: **(949) 270-9400**

**Not Applicable**

(Former Name or Former Address, if Changed since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act
  - ☐ Pre-commencement communications pursuant to Rule 4d-2(b) under the Exchange Act
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act
- 
- 
-

**Item 2.02            Results of Operations and Financial Condition.**

The information in this Current Report, including the accompanying exhibit, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, regardless of any general incorporation language in such filing.

On May 28, 2009, Iteris, Inc. issued a press release announcing its financial results for the fourth quarter ended March 31, 2009. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated by reference herein.

**Item 9.01            Financial Statements and Exhibits.**

(d)           Exhibits

99.1           Press Release dated May 28, 2009 of the Registrant.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 28, 2009

ITERIS, INC.,  
a Delaware corporation

By: /s/ James S. Miele  
James S. Miele  
Vice President of Finance and  
Chief Financial Officer



**For Information Contact:**  
**Brett Maas**  
**Hayden IR (646) 536-7331**  
**brett@haydenir.com**  
Iteris Home Page: <http://www.iteris.com>

**For Release at 1:05 p.m., PDT 05/28/09**

**Iteris, Inc. Reports Fourth Quarter Revenue of \$16.4 Million**

*— The Company's Transportation Systems group records record revenues of \$8.6 million or 24 percent growth compared to the prior year period —*

**SANTA ANA, Calif. — May 28, 2009** — Iteris, Inc. (NYSE Amex: ITI), a leader in the traffic management market that focuses on the application and development of advanced technologies, today reported financial results for its fourth fiscal quarter ended March 31, 2009.

For the quarter ended March 31, 2009, Iteris, Inc. (the "Company") reported net sales and contract revenues of \$16.4 million, representing a 4.0 percent decrease compared to net sales and contract revenues of \$17.1 million reported in the same quarter of the prior fiscal year. Despite the challenging economic environment, the Company's Transportation Systems group reported record revenues of \$8.6 million which represented a 24.3 percent increase compared to the same quarter in the prior fiscal year. This growth was offset by an 18.3 percent decrease in Roadway Sensors revenues to \$5.9 million and a 36.0 percent decrease in Vehicle Sensors revenues to \$1.9 million.

Gross margins declined to 35.3 percent in the current fiscal quarter compared to 43.6 percent reported in the same quarter of the prior fiscal year. The decrease in gross margins was primarily as a result of a higher mix of Transportation Systems contract revenues which also included a higher sub-consultant content when compared to the prior year period.

Operating expenses during the current fiscal quarter were \$4.7 million, representing a decrease of approximately 8 percent from \$5.2 million reported in the same quarter of the prior fiscal year and a decline of approximately 10 percent from the December 31, 2008 quarter.

The Company reported operating income of \$1.1 million and net income of \$8.0 million, or \$0.23 per fully diluted share, for the quarter ended March 31, 2009 compared to operating income of \$2.3 million and net income of \$7.9 million, or \$0.23 per fully diluted share, in the same quarter of the prior fiscal year. In both the current and prior year quarters, net income was positively affected by income tax benefits of approximately \$7.0 million and \$5.7 million, respectively, generated through the release of valuation allowance against certain deferred tax assets.

For the fiscal year ended March 31, 2009, net sales and contract revenues were \$69.4 million, representing an increase of 6.4 percent compared to net sales and contract revenues of \$65.2 million in the prior fiscal year. The Company reported operating income of \$5.7 million and net income of \$10.5 million, or \$0.30 per fully diluted share, for the fiscal year ended March 31, 2009 compared to operating income of \$7.3 million and net income of \$12.2 million, or \$0.35 per fully diluted share, in the prior fiscal year.

Abbas Mohaddes, the Company's president and chief executive officer, commented, "We faced a challenging economic environment, particularly in the first part of our fourth quarter where we experienced a decline in product orders. However, Iteris was successful in continuing its profitability for the fourth quarter and for the full year, demonstrating careful expense management and attention to operating efficiency. We continued to innovate, launch new products, open important new markets, and reinforce our competitive position as the leader in traffic management. I remain bullish on the long-term prospects for the Traffic Management products and services and I believe Iteris

is well-positioned and poised to benefit from ongoing efforts to reduce congestion. Our Transportation Systems group reported 24 percent year-over-year growth and expanded its backlog approximately 40 percent to \$34.5 million as of the end of the fiscal year. In addition, we expect to participate in a significant number of projects funded in the Federal stimulus package, as we provide proven value through our services and products in roadway and transit design, construction support, and transportation system management. I also believe that Iteris is well-positioned to succeed during these challenging times due to our strong balance sheet and consistent profitability.”

The Company ended the current quarter with approximately \$6.4 million in cash on hand and no borrowings on its \$12.0 million working capital line of credit. On March 31, 2009, there were 34.2 million shares of common stock outstanding.

“We ended this fiscal year in the strongest financial position in Company history.” Mr. Mohaddes continued, “We plan to continue to focus on strengthening our balance sheet, improving our working capital position, and growing our operating cash flows. I’m pleased that our cash balances, as of the end of the quarter and in the weeks since, have remained strong. We believe the weakness in the U.S. and global economies continues to impact our product sales, but we also believe that the demand for Iteris’ products and services remains robust. We plan to continue our investment in R&D which should result in the introduction of several new innovative and attractive products in the coming quarters. In addition, we will continue to invest in sales and marketing which we expect will expand our addressable markets and further penetrate new geographic regions, while remaining carefully focused on preserving ongoing profitability, to further strengthen our leadership position in the traffic management market.”

#### **Operational Highlights**

- Approximately \$9.4 million in new Transportation Systems consulting contracts were signed during the quarter ended March 31, 2009. Transportation Systems consulting backlog was \$34.5 million as of March 31, 2009, up from \$33.9 million reported at the end of the prior fiscal quarter, and representing a year-over-year increase of approximately 40 percent.

- On May 3, 2009, PeopleNet, a provider of innovative Internet-based and integrated onboard computing and mobile communications systems for effective fleet management announced a new partnership with Iteris, Inc. to integrate Iteris' Safety Direct™ software which analyzes driver performance data captured by Iteris' AutoVue® Lane Departure Warning system. This driver performance information can now be delivered directly to fleet operators through integration with PeopleNet's onboard and mobile communications systems and Iteris' Safety Direct data server.
- On April 7, 2009, the Company announced the acquisition of the assets and intellectual property of Hamilton Signal including the Abacus™ system. The Abacus system's proprietary technology provides departments of transportation and traffic engineers a cost effective tool to collect traffic data, rapidly identify incidents, and gain access to additional traffic flow information by leveraging their existing video surveillance infrastructure.
- On January 28, 2009, the Company announced that the Los Angeles County Metropolitan Transportation Authority (Metro) authorized Metro's CEO to negotiate a \$4.5 million modification of its contract with Iteris, Inc. for further design development and engineering support services during construction for the Metro Orange Line (MOL) Extension Project, as well as for final design services to support acceleration of the MOL Extension Project. This modification increased the total contract value from approximately \$6.0 million to \$10.5 million.
- During the fiscal fourth quarter the Company's Roadway Sensors segment achieved several engineering milestones which resulted in the following:
  - First production shipments of a wide angle version of our VersiCam™ product, the VersiCam Flex™. This version of VersiCam is expected to expand our served market by providing traffic engineers with a wider range of camera mounting geometries, increasing flexibility and versatility.
  - Iteris introduced a PAL version of the VersiCam product. PAL is the European video standard, and dozens of countries around the world use this standard. The PAL VersiCam enables Iteris to address a broader range of international opportunities.
  - Overall acceptance of recently announced new products is strong. The RZ4 Advanced camera, EdgeConnect, and VersiCam are all receiving favorable end user feedback.
  - During the current quarter the Company's Vehicle Sensors segment fully transitioned the test and assembly of LDW units to a new contract manufacturer in order to improve efficiency and realize cost savings.

## **Conference Call**

As previously announced, the Company will conduct a conference call with analysts and investors to discuss the financial results for the fourth quarter ended March 31, 2009 today at 1:30 p.m. Pacific Time (4:30 p.m. Eastern Time). The Company will broadcast the conference call over the Internet. To listen to the webcast please visit the Investor Relations page on Company's website at [www.iteris.com](http://www.iteris.com). The webcast will be recorded and available for replay until Thursday, June 11, 2009.

## **About Iteris, Inc.**

Iteris, Inc. is a leader in the traffic management market focused on the development and application of advanced technologies that reduce traffic congestion, minimize the environmental impact of traffic congestion, and improve the safety of surface transportation systems infrastructure. Combining outdoor image processing, traffic engineering, and information technology, Iteris offers a broad range of Intelligent Transportation Systems and driver safety solutions to customers worldwide. Iteris is headquartered in Santa Ana, California, with offices throughout North America, Europe, and Asia. Investors are encouraged to contact us at 888-329-4483, or at [www.iteris.com](http://www.iteris.com).

## **Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:**

This news release contains forward-looking statements based on our current expectations, estimates, and projections about our business, our industry, the U.S. and global economies as well as management's beliefs, and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will," and variations of these words are intended to identify forward-looking statements. Such statements speak only as of the date hereof and are subject to change. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. These statements include, but are not limited to the market demand for our products, technologies, and services, the Company's expansion strategies, and statements about our future performance, operating results, financial condition, and prospects. Such statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict. Accordingly, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors.

Important factors that may cause such a difference include, but are not limited to, federal, state, and local budgetary issues as well as constraints and funding delays; the potential unforeseen impact of product offerings from competitors and other competitive pressures; our ability to secure additional Transportation Systems consulting contracts and successfully complete such contracts on a timely basis; the timing and amount of stimulus on other funds allocated to overall infrastructure projects and the transportation



industry; our ability to further expand our revenues and introduce and gain broad acceptance for new technologies or products; our customers' production schedules, agendas, and plans for the deployment of our LDW system as a standard safety feature or as an option; our customers' ability to meet their planned manufacturing and sales schedules; the success of our customer's products that incorporate our active safety and other technologies; our ability to specify, develop, complete, introduce, market, and transition our products and technologies to volume production in a timely manner; the timing and successful completion of customer qualification of our products and the risks of non-qualification; the availability of components used in the manufacture of certain of our products; the ability of our partner, Valeo, to expand sales of LDW systems into passenger car markets; the effectiveness of efficiency, cost, and expense reduction efforts; warranty and support issues; and the general economic and political conditions and specific conditions in the markets we address, including general economic slowdown and volatility in the technology sector, the housing and commercial development markets, the heavy truck and passenger car markets, and the possible disruption in government spending and commercial activities related to terrorist activity or armed conflict in the United States and other locations. Further information on Iteris, Inc., including additional risk factors that may affect our forward looking statements, is contained in our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and our other SEC filings that are available through the SEC's website ([www.sec.gov](http://www.sec.gov)).

**ITERIS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

|   | March 31,<br>2009<br>(unaudited) | March 31,<br>2008 |
|---|----------------------------------|-------------------|
| <b>ASSETS:</b>  |                                  |                   |
| Cash  | \$ 6,372                         | \$ 421            |
| Trade accounts receivable, net  | 12,448                           | 13,108            |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 4,217                            | 5,351             |
| Inventories   | 5,681                            | 4,226             |
| Prepaid expenses  | 272                              | 371               |
| Deferred tax assets   | 15,746                           | 10,348            |
| Property and equipment, net   | 3,244                            | 3,467             |
| Goodwill  | 27,774                           | 27,774            |
| Intangible assets, net  | 110                              | 257               |
| Other assets  | 202                              | 322               |
| Total assets  | <u>\$ 76,066</u>                 | <u>\$ 65,645</u>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>                                |                                  |                   |
| Accounts payable and other liabilities                                      | \$ 12,298                        | \$ 13,243         |
| Revolving line of credit  | —                                | —                 |
| Unrecognized tax benefits   | 1,117                            | 1,381             |
| Term and other debt   | 6,543                            | 244               |
| Convertible debentures, net   | 750                              | 7,566             |
| Total liabilities   | <u>20,708</u>                    | <u>22,434</u>     |
| Total stockholders' equity  | <u>55,358</u>                    | <u>43,211</u>     |
| Total liabilities and stockholders' equity                                  | <u>\$ 76,066</u>                 | <u>\$ 65,645</u>  |

**ITERIS, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED**  
**STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)

|   | Three Months Ended<br>March 31, |           | Twelve Months Ended<br>March 31, |           |
|---|---------------------------------|-----------|----------------------------------|-----------|
|   | 2009                            | 2008      | 2009                             | 2008      |
| Net sales and contract revenues:          |                                 |           |                                  |           |
| Net sales                                 | \$ 7,740                        | \$ 10,111 | \$ 38,427                        | \$ 40,326 |
| Contract revenues                         | 8,649                           | 6,956     | 30,932                           | 24,837    |
| Total net sales and contract revenues     | 16,389                          | 17,067    | 69,359                           | 65,163    |
| Costs of net sales and contract revenues: |                                 |           |                                  |           |
| Cost of net sales                         | 4,303                           | 5,197     | 20,346                           | 20,499    |
| Cost of contract revenues                 | 6,298                           | 4,429     | 21,094                           | 16,367    |
| Gross profit                              | 5,788                           | 7,441     | 27,919                           | 28,297    |
| Operating expenses:                       |                                 |           |                                  |           |
| Selling, general, and administrative      | 3,842                           | 4,170     | 18,035                           | 17,289    |
| Research and development                  | 850                             | 943       | 4,030                            | 3,566     |
| Amortization of intangible assets         | 37                              | 37        | 147                              | 147       |
| Total operating expenses                  | 4,729                           | 5,150     | 22,212                           | 21,002    |
| Operating income                          | 1,059                           | 2,291     | 5,707                            | 7,295     |
| Non-operating income (expense):           |                                 |           |                                  |           |
| Other income, net                         | 26                              | 211       | 116                              | 252       |
| Interest expense, net                     | (109)                           | (238)     | (646)                            | (1,284)   |
| Income before income taxes                | 976                             | 2,264     | 5,177                            | 6,263     |
| Income tax benefit                        | 7,024                           | 5,679     | 5,297                            | 5,900     |
| Net income                                | \$ 8,000                        | \$ 7,943  | \$ 10,474                        | \$ 12,163 |
| Earnings per share:                       |                                 |           |                                  |           |
| Basic                                     | \$ 0.23                         | \$ 0.24   | \$ 0.31                          | \$ 0.37   |
| Diluted                                   | \$ 0.23                         | \$ 0.23   | \$ 0.30                          | \$ 0.35   |
| Weighted average shares outstanding:      |                                 |           |                                  |           |
| Basic                                     | 34,170                          | 33,188    | 33,964                           | 32,723    |
| Diluted                                   | 34,295                          | 34,829    | 34,638                           | 34,713    |