



Philip Mezey – President and Chief Executive Officer

Joan Hooper – Senior Vice President and Chief Financial Officer

Tom Deitrich – Executive Vice President and Chief Operating Officer

Barbara Doyle – Vice President, Investor Relations

Ken Gianella – Vice President, Investor Relations (as of Aug. 7, 2018)

Second Quarter 2018
Earnings Conference Call
August 6, 2018

SAFE HARBOR

Certain matters disclosed that are not statements of historical fact constitute forward-looking statements relating to current or future financial performance, management's plans and objectives for future operations, product plans and performance, management's assessment of market factors, and statements regarding the strategy and plans of the Company. Such forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of Itron's future performance. Viewers are cautioned that all forward-looking statements are subject to a number of risks and uncertainties that could cause the Company's actual results in the future to differ materially from these forward-looking statements. These risks and uncertainties are detailed in the Company's filings with the Securities and Exchange Commission, including its latest 10-K and 10-Q, copies of which may be accessed through the SEC's website at <http://www.sec.gov>.

CONFERENCE CALL AGENDA

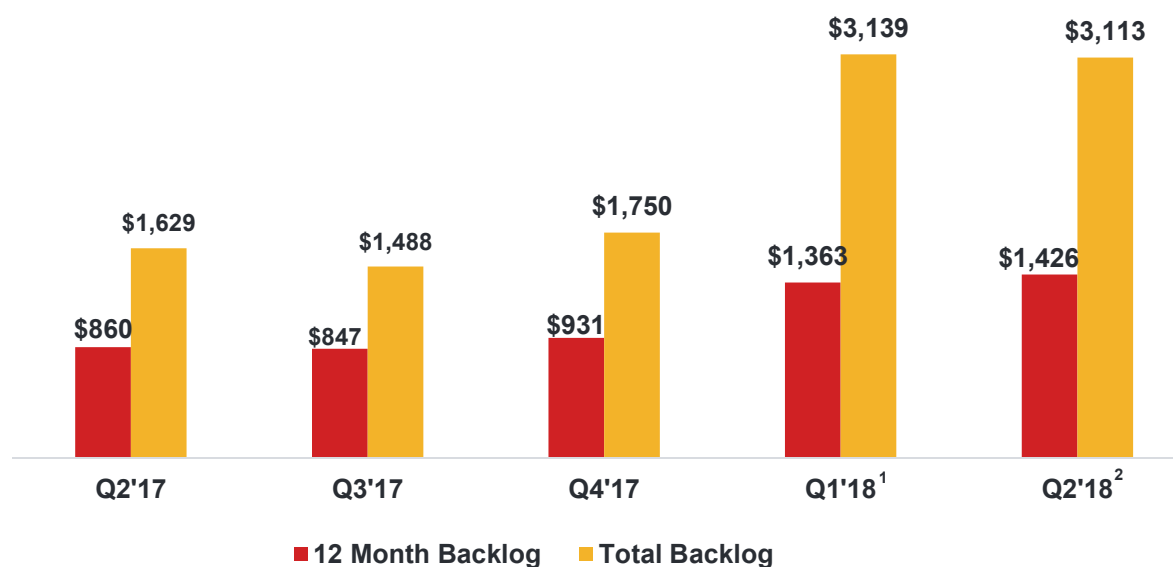
- » **CEO – Business and Operations Update**
- » **CFO – Financial Results and FY'18 Guidance Update**
- » **Q&A**

Q2'18 SUMMARY

- » Revenue up 16% year-over-year
- » Supply chain stabilizing
- » Networks segment integration and synergies progressing well
- » Strong interest in new Intelis ultrasonic water and gas meters
- » Solid customer demand outlook and backlog visibility

Q2'18 BACKLOG

- 12-month backlog of \$1.426 billion, up 5% sequentially
- Q2'18 bookings of \$579 million; book to bill of ~1:1



¹Ending backlog includes \$1.4 billion and \$337 million for total and 12-month backlog, respectively, related to the Networks segment as of March 31, 2018.

²Ending backlog includes \$1.4 billion \$378 million for total and 12-month backlog, respectively, related to the Networks segment as of June 30, 2018.

Chart in millions, actual currency rates.

CONSOLIDATED GAAP RESULTS – Q2'18

<i>\$ in millions (except per share amounts)</i>	Q2 2018	Q2 2017	Change
Revenue	\$585.9	\$503.1	16.5%
<i>Change in constant currency</i>			<i>13.9%</i>
Gross margin	30.1%	35.4%	-530 bps
Operating income	\$20.6	\$37.6	-44%
Net income attributable to Itron	\$2.7	\$14.1	-81%
Earnings per share - diluted	\$0.07	\$0.36	-\$0.29

- » Revenue growth from strong smart solution deliveries and the addition of the Networks segment
- » Gross margin decline due to product mix, supply chain inefficiencies, higher component and commodity costs and \$8 million insurance recovery in prior year
- » Lower operating income primarily driven by higher operating expenses from acquired operations
- » GAAP net income includes higher year-over-year interest expense

Reconciliation of GAAP to Non-GAAP results in Appendix and also available on our website.

CONSOLIDATED NON-GAAP & CASH RESULTS – Q2'18

<i>\$ in millions (except per share amounts)</i>	Q2 2018	Q2 2017	Change
Non-GAAP operating income	\$44.1	\$54.1	-19%
Non-GAAP operating margin	7.5%	10.8%	-330 bps
Non-GAAP net income attributable to Itron	\$20.5	\$27.9	-27%
Adjusted EBITDA	\$56.9	\$60.2	-6%
Adjusted EBITDA margin	9.7%	11.9%	-220 bps
Non-GAAP earnings per share - diluted	\$0.51	\$0.71	-28%
Cash provided by operating activities	\$41.3	\$30.2	+37%
Free cash flow	\$29.5	\$17.4	+70%

- » Lower Non-GAAP operating income includes operating expenses from acquired operations
- » Excluding acquired operations, operating expenses were down driven by lower variable compensation costs
- » Non-GAAP net income reflects lower operating income and increased interest expense, partially offset by a lower tax rate
- » Increase in cash flow primarily driven by improved working capital

Reconciliation of GAAP to Non-GAAP results in Appendix and also available on our website.

REVENUE YEAR-OVER-YEAR BRIDGE – Q2'18

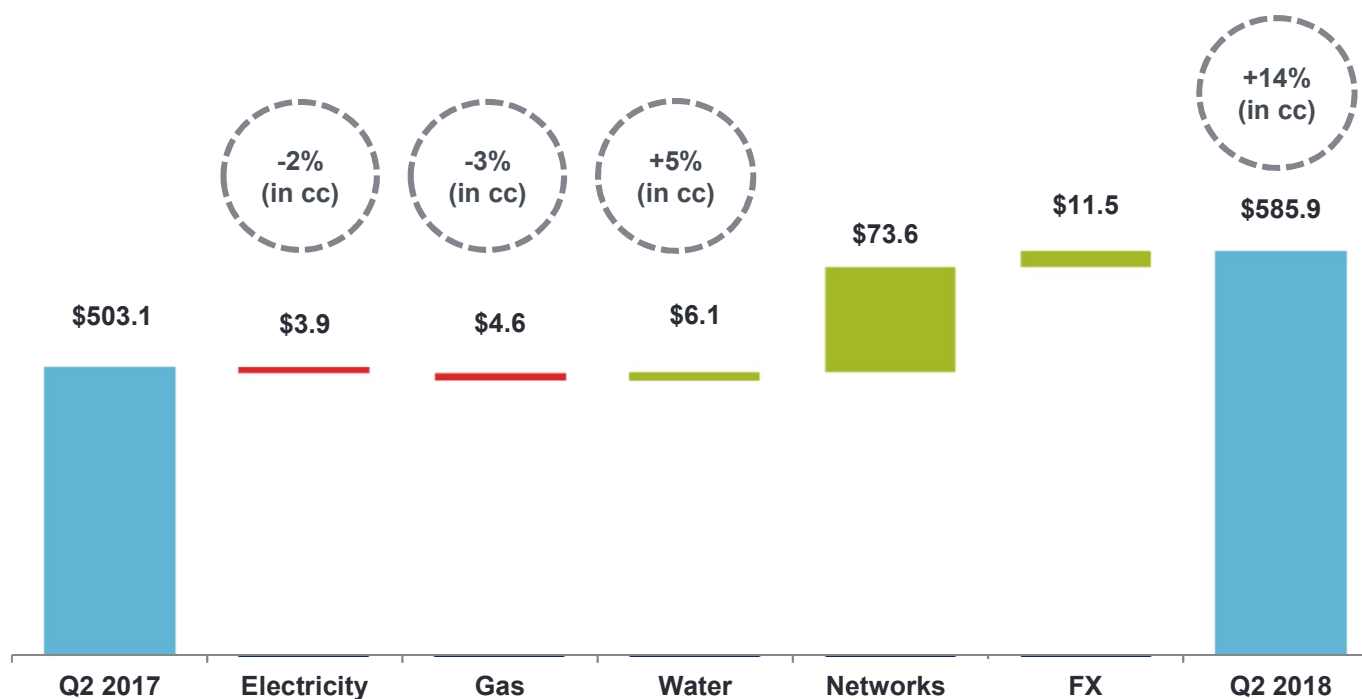
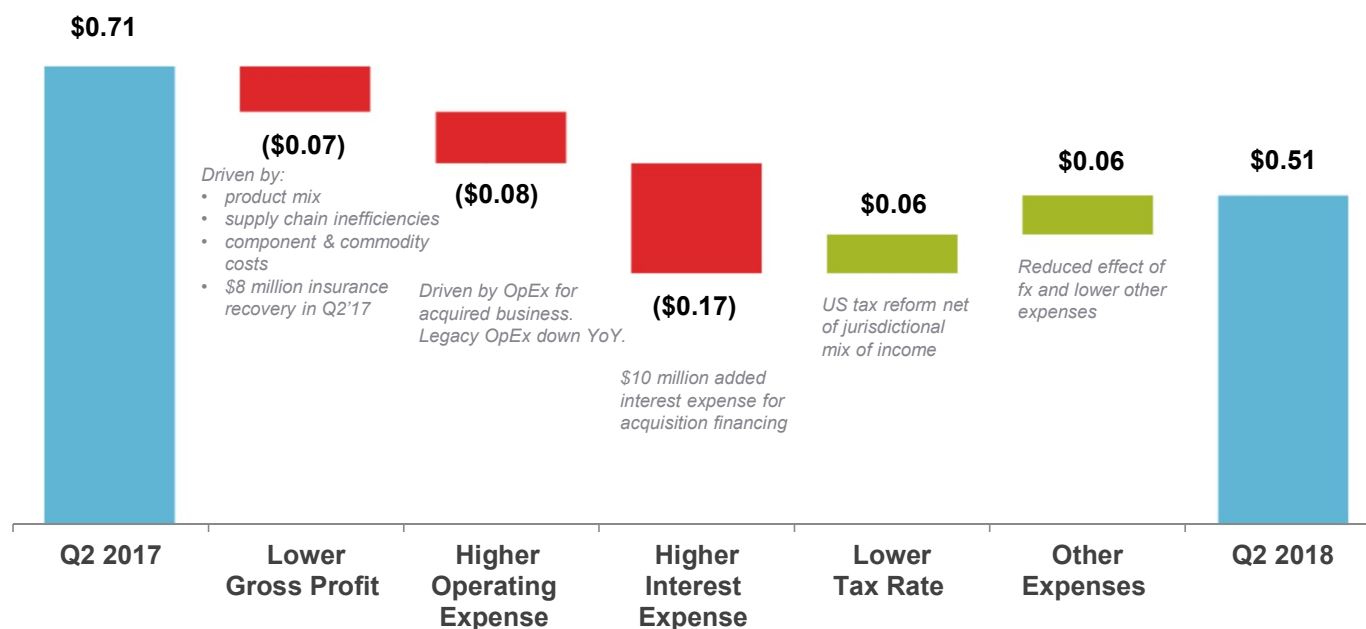


Chart in millions, Q2'17 and Q2'18 totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.

NON-GAAP EPS YEAR-OVER-YEAR BRIDGE – Q2'18

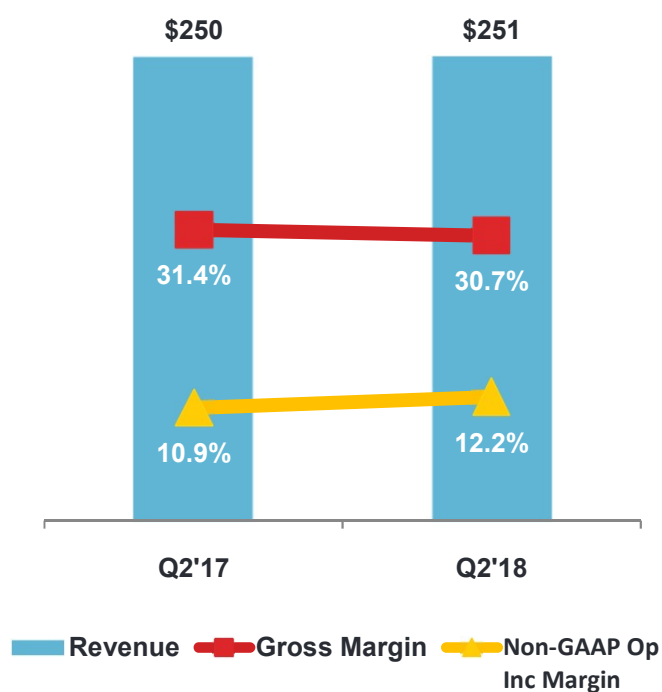


Q2'17 and Q2'18 totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.

ELECTRIC SEGMENT – Q2'18 VS. PRIOR YEAR

REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

\$ in millions, actual currency



» Revenue flat and down 2% in constant currency

- Increased managed services revenue, including DEM
- Continued growth in Riva solutions
- Ramp up of Linky deliveries in France

» Gross margin down 70 bps

- Higher volumes
- Offset by higher component costs and product mix

» Non-GAAP operating margin +130 bps

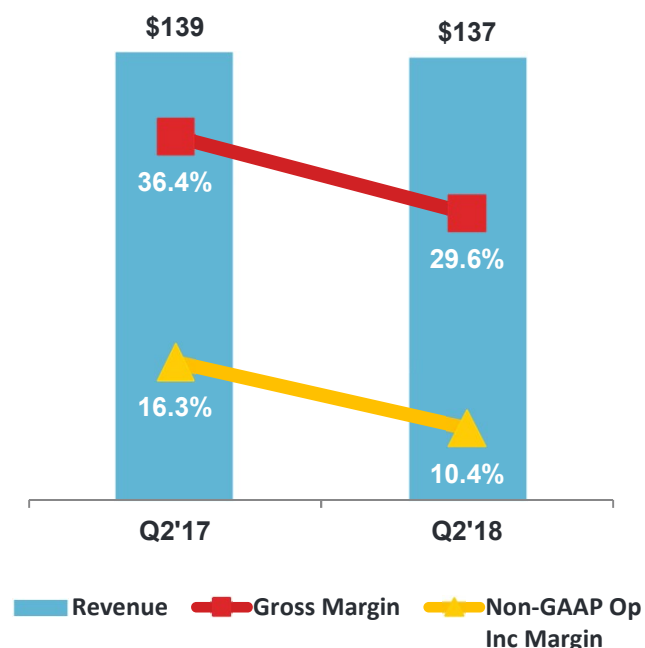
- Benefits from restructuring initiatives
- Reduced OpEx

Reconciliation of GAAP to non-GAAP results in Appendix and also available on our website

GAS SEGMENT – Q2'18 VS. PRIOR YEAR

REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

\$ in millions, actual currency



» Revenue down 1% and 3% in constant currency

- Lower meter and regulator sales in North America
- Accelerating smart deployments in EMEA
- Continued ramp of Riva deployments in North America

» Gross margin down 680 bps

- Higher mix of meters vs. modules
- Supply chain inefficiencies
- Higher component and commodity costs
- Increased warranty expense

» Non-GAAP operating margin down 590 bps

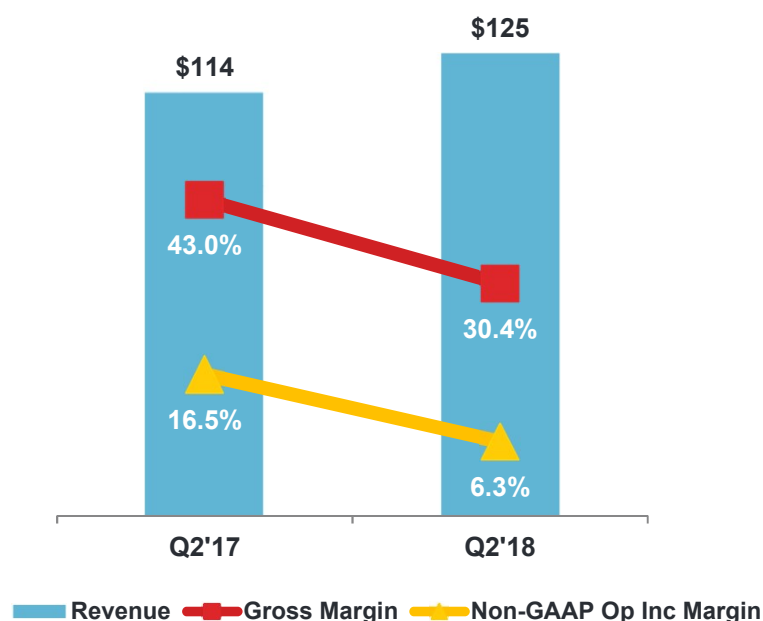
- Lower gross margin partially offset by reduced OpEx

Reconciliation of GAAP to non-GAAP results in Appendix and also available on our website

WATER SEGMENT – Q2'18 VS. PRIOR YEAR

REVENUE, GROSS MARGIN AND NON-GAAP MARGIN OPERATING

\$ in millions, actual currency



» Revenue +9% and +5% in constant currency

- Primarily driven by North America Riva projects
- Continued growth in LAM and APAC

» Gross margin down 12.7 pts (570 bps adj.)¹

- \$8 million warranty recovery benefit in 2017
- Product mix
- Higher commodity and component costs

» Non-GAAP op margin down 10.1 pts (310 bps adj.)¹

- Lower gross margin partially offset by reduced OpEx

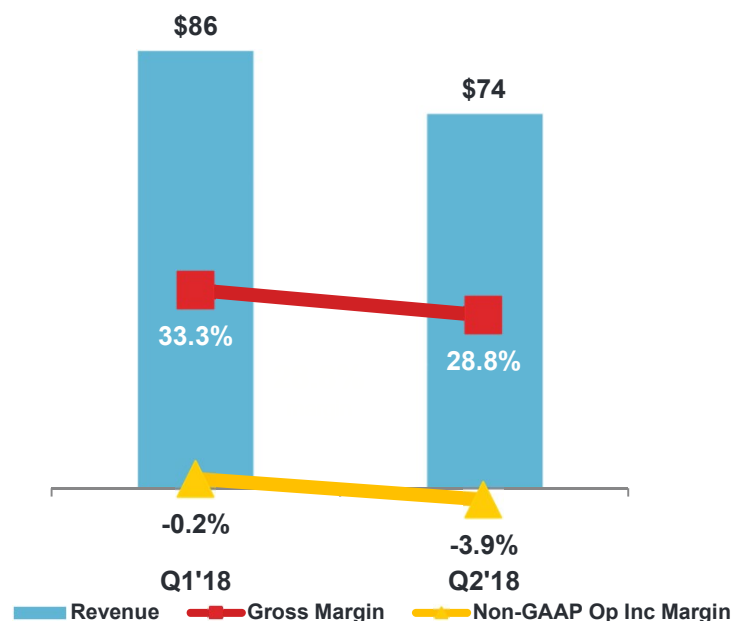
¹Q2'17 results include an \$8 million warranty recovery. Excluding this benefit, Q2'17 gross margin and non-GAAP operating margin were 36.0% and 9.5%, respectively.

Reconciliation of GAAP to non-GAAP results in Appendix and also available on our website

NETWORKS SEGMENT – Q2'18 VS. Q1'18 SEQUENTIAL

REVENUE, GROSS MARGIN AND NON-GAAP MARGIN OPERATING

\$ in millions, actual currency



» Revenue of \$74M

- Decreased sequentially, as anticipated
- Driven by timing of customer deployments

» Gross margin of 28.8%

- Reflects product mix
- Mix impact will vary quarterly based on customer shipments

» Non-GAAP operating margin of -\$3.9%

» 940k endpoints delivered in Q2'18

- \$31.5 million cumulative

Reconciliation of GAAP to non-GAAP results in Appendix and also available on our website

FINANCIAL GUIDANCE UPDATE

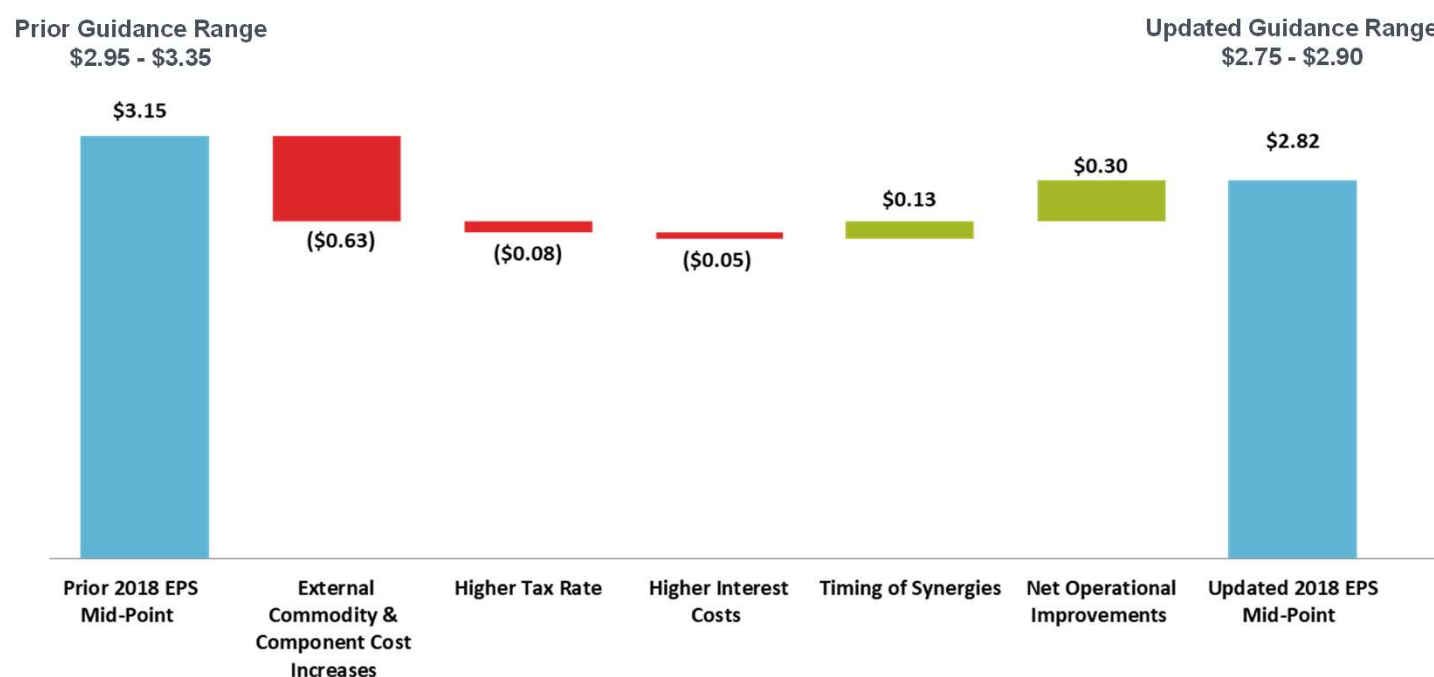
	Updated FY'18 Guidance (provided on 8/6/18)	Original FY'18 Guidance (provided on 2/28/18)
Revenue	\$2.425 - \$2.475B	\$2.33 – 2.43B
Non-GAAP EPS	\$2.75 - \$2.90	\$2.95 - \$3.35

The revised guidance assumes a euro to US dollar foreign exchange rate of 1.18 on average in the second half of 2018, average fully diluted shares outstanding of approximately 40 million for the year, a non-GAAP effective tax rate for the year of approximately 30 percent and interest expense of approximately \$52 million for the full year.

A reconciliation of forward-looking non-GAAP diluted EPS to the GAAP diluted EPS has not been provided because we are unable to predict with reasonable certainty the potential amount or timing of restructuring and acquisition-related expenses and their related tax effects without unreasonable effort. These items are uncertain, depend on various factors, and could have a material impact on GAAP results for the guidance period.

2018 NON-GAAP EPS GUIDANCE BRIDGE ESTIMATES

Mid Point of Prior Guidance to Mid Point of Updated Guidance estimates on a per share basis



Note: Non-GAAP EPS guidance bridge is illustrative at the midpoint of guidance.

APPENDIX

- » YTD'18 Results
- » Revenue - FX impact summary
- » GAAP to Non-GAAP Reconciliations

CONSOLIDATED GAAP RESULTS – YTD'18

<i>\$ in millions (except per share amounts)</i>	YTD 2018	YTD 2017	Change
Revenue	\$1,193.1	\$980.7	21.7%
<i>Growth in constant currency</i>			<i>17.2%</i>
Gross margin	29.9%	34.3%	-440 bps
Operating income (loss)	(\$119.9)	\$68.5	NM
Net income (loss) attributable to Itron	(\$143.0)	\$29.9	NM
Earnings (loss) per share – diluted	(\$3.66)	\$0.76	NM

- » Revenue growth from strong smart solution deliveries and the addition of the Networks segment
- » Gross margin decline on product mix, supply chain inefficiencies, higher component and commodity costs and insurance recovery in prior year
- » Lower GAAP operating income (loss) due to restructuring and acquisition & integration-related charges and the addition of acquired operations
- » GAAP net income (loss) reflects lower operating income and higher interest expense

Reconciliation of GAAP to non-GAAP results in Appendix and also available on our website



CONSOLIDATED NON-GAAP & CASH RESULTS – YTD'18

<i>\$ in millions (except per share amounts)</i>	YTD 2018	YTD 2017	Change
Non-GAAP operating income	\$71.9	\$92.9	-23%
Non-GAAP operating margin	6.0%	9.5%	350 bps
Adjusted EBITDA	\$96.4	\$105.8	-9%
Adjusted EBITDA margin	8.1%	10.8%	-270 bps
Non-GAAP earnings per share - diluted	\$0.64	\$1.28	-50%
Cash flow provided by operations	\$16.9	\$93.4	-82%
Free cash flow	(\$12.4)	\$71.5	NM

- » Higher operating expenses from the addition of acquired businesses
- » Gross margin performance and increased operating expenses drove reduced non-GAAP operating income
- » Non-GAAP net income reflects lower operating income and increased interest expense
- » Cash flow driven by reduced profitability and acquisition & integration expenses

Reconciliation of GAAP to non-GAAP results in Appendix and also available on our website.

REVENUE YEAR-OVER-YEAR BRIDGE – YTD'18

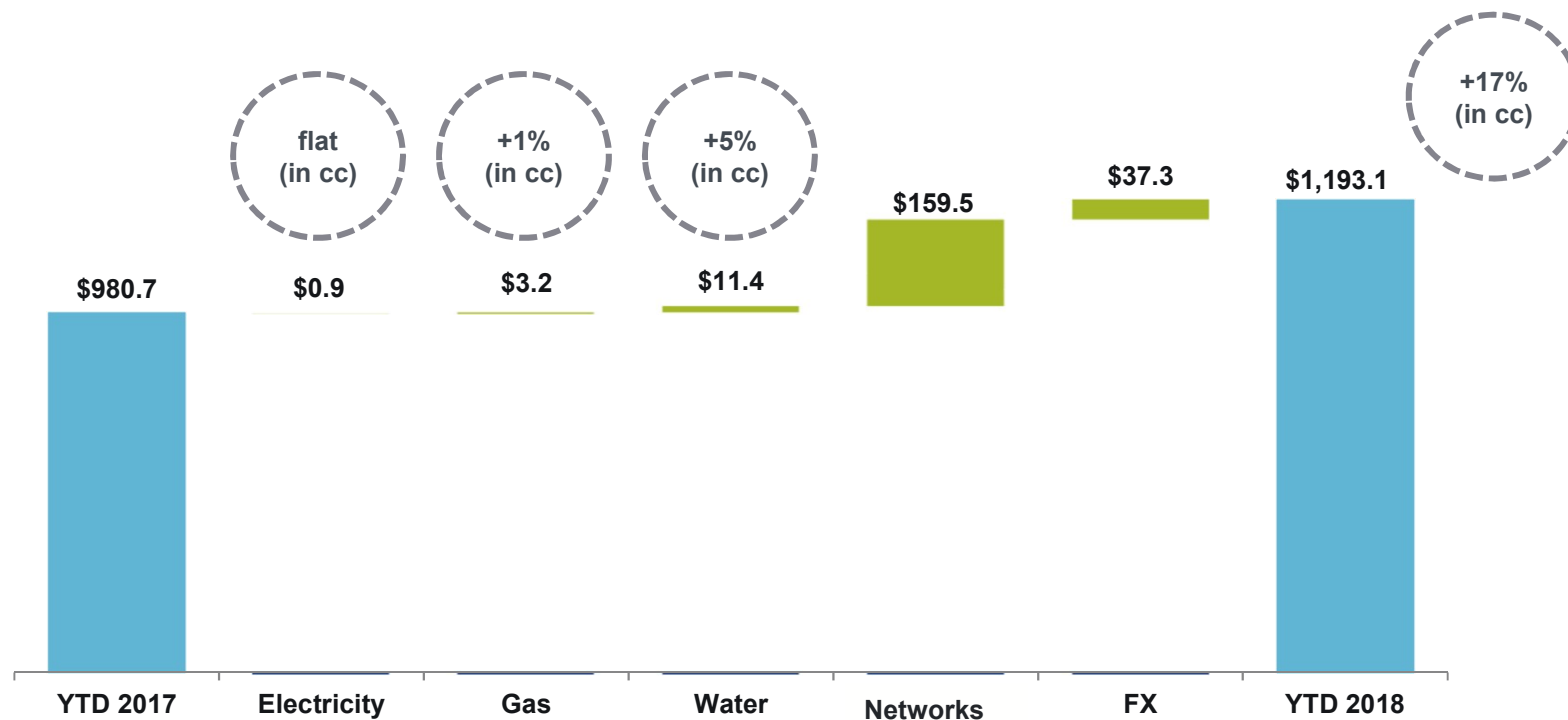
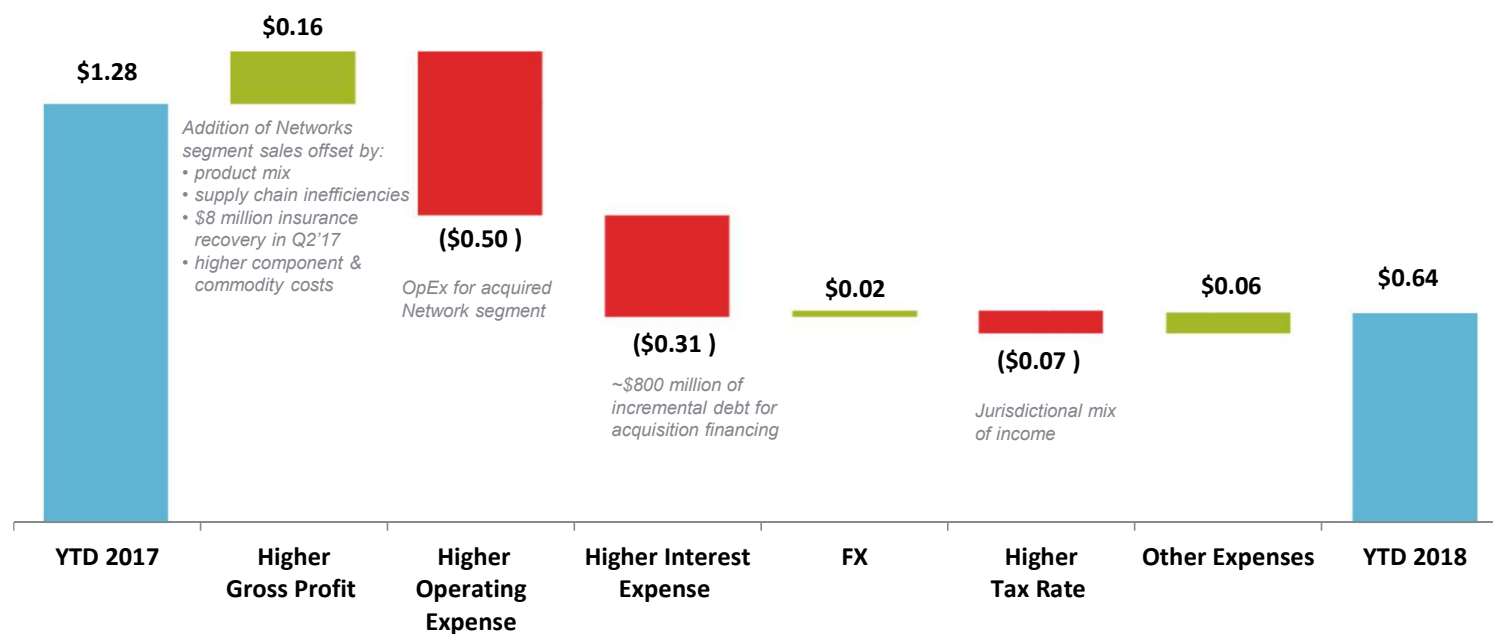


Chart in millions, YTD'17 and YTD'18 totals reflect actual currencies; all variances other than FX exclude currency impact

NON-GAAP EPS YEAR-OVER-YEAR BRIDGE – YTD'18

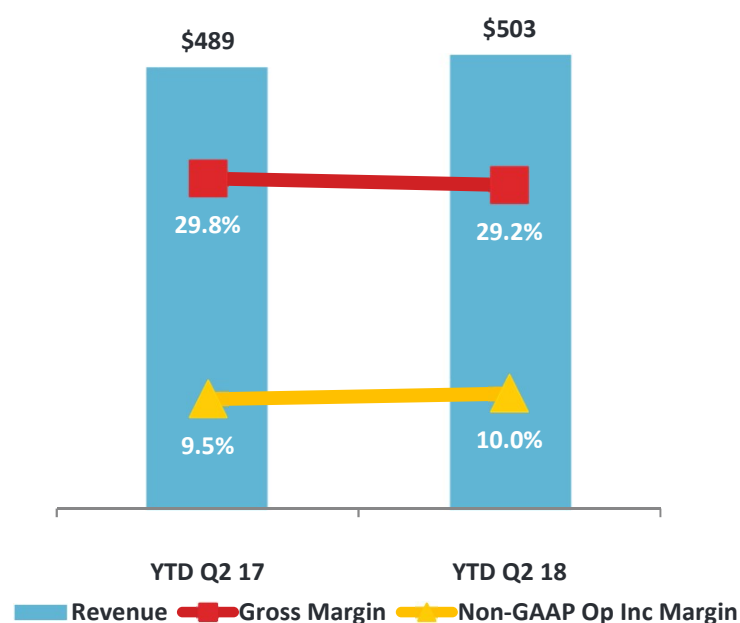


YTD'17 and YTD'18 totals reflect actual currencies; all variances other than FX exclude currency impact

ELECTRICITY SEGMENT – YTD'18 VS. PRIOR YEAR

REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

\$ in millions, actual currency



» Revenue +3% and flat in constant currency

- Strong smart volumes, driven by EMEA
- Riva deployments ramping in North America
- Accelerating Linky shipments in France
- Increased managed services revenue, including DEM

» Gross margin down 60 bps

- Higher smart volumes
- Offset by supply chain inefficiencies and component costs

» Non-GAAP operating margin up 50 bps

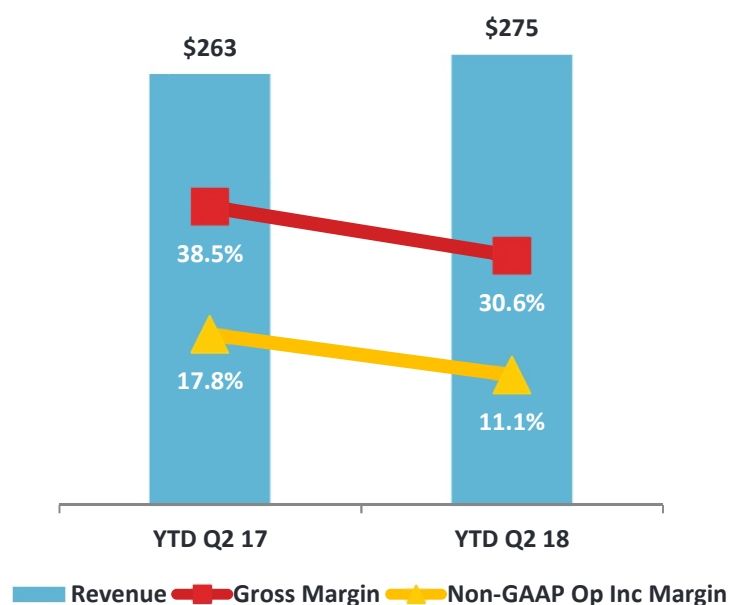
- Benefits from restructuring initiatives and lower OpEx

Reconciliation of GAAP to non-GAAP results in Appendix and also available on our website

GAS SEGMENT – YTD'18 VS. PRIOR YEAR

REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

\$ in millions, actual currency



» Revenue +5% and 1% in constant currency

- Ramp of Riva deployments in North America
- Accelerating smart meters in EMEA

» Gross margin down 790 bps

- Product mix of meters vs. modules
- Supply chain inefficiencies
- Increased warranty expense

» Non-GAAP operating margin down 670 bps

- Lower gross margin partially offset by reduced OpEx

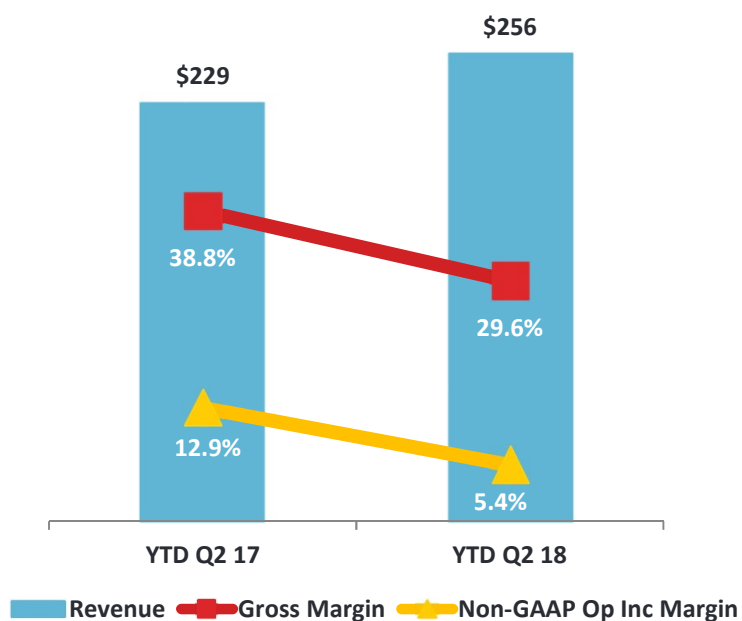
Reconciliation of GAAP to non-GAAP results in Appendix and also available on our website



WATER SEGMENT – YTD'18 VS. PRIOR YEAR

REVENUE, GROSS MARGIN AND NON-GAAP MARGIN OPERATING

\$ in millions, actual currency



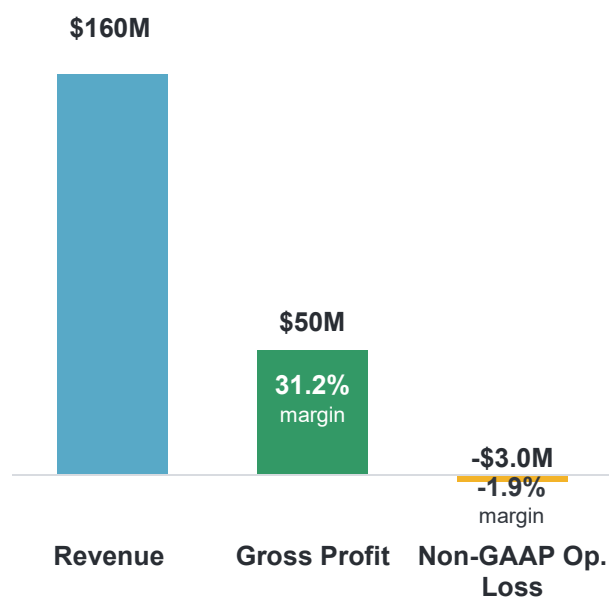
- » **Revenue +12% and +5% in constant currency**
 - Growth driven by North America smart solutions
 - Continued recovery of project funding in Latin America
- » **Gross margin down 920 bps (570 bps adj.)¹**
 - Higher commodity and component costs
 - Insurance recovery in Q2'17
- » **Non-GAAP op margin down 750 bps (400 bps adj.)¹**
 - Decreased gross profit
 - Partially offset by improved operating leverage

¹YTD'17 results include an \$8 million warranty recovery. Excluding this benefit, YTD'17 gross margin and non-GAAP operating margin were 35.3% and 9.4%, respectively.
Reconciliation of GAAP to non-GAAP results in Appendix and also available on our website

NETWORKS SEGMENT – YTD'18 ACTUAL

REVENUE, GROSS MARGIN AND NON-GAAP MARGIN OPERATING

\$ in millions, actual currency



» Revenue of \$160 million

- Strong North America networks and managed service solutions

» Gross margin of 31.2%

- Reflects product mix
- Includes negative 270 bps impact of purchase price accounting

» Non-GAAP operating margin of -1.9%

» 2.1 million endpoints delivered YTD'18

- \$31.5 million cumulative

Reconciliation of GAAP to non-GAAP results in Appendix and also available on our website

REVENUE – FX IMPACT SUMMARY

\$ in millions

Average Euro/USD:
\$1.17 Q2'18 vs \$1.10 Q2'17

Revenue	Q2'18	YoY Change	YoY Change Excluding FX
Electricity	\$250.6	0.1%	-1.5%
Gas	\$137.0	-1.2%	-3.2%
Water	\$124.6	9.3%	5.2%
Networks	\$73.6	--%	--%
Total	\$585.9	16.5%	13.9%

Average Euro/USD:
\$1.17 YTD'18 vs \$1.11 YTD'17

Revenue	YTD'18	YoY Change	YoY Change Excluding FX
Electricity	\$503.0	2.8%	0.2%
Gas	\$274.8	4.5%	1.2%
Water	\$255.8	11.9%	4.7%
Networks	\$159.5	--%	--%
Total	\$1,193.1	21.7%	17.2%

NON-GAAP FINANCIAL MEASURES

- » To supplement our consolidated financial statements presented in accordance with GAAP, we use certain non-GAAP financial measures, including non-GAAP operating expense, non-GAAP operating income, non-GAAP net income, non-GAAP diluted EPS, adjusted EBITDA, constant currency and free cash flow. We provide these non-GAAP financial measures because we believe they provide greater transparency and represent supplemental information used by management in its financial and operational decision making. We exclude certain costs in our non-GAAP financial measures as we believe the net result is a measure of our core business. The company believes these measures facilitate operating performance comparisons from period to period by eliminating potential differences caused by the existence and timing of certain expense items that would not otherwise be apparent on a GAAP basis. Non-GAAP performance measures should be considered in addition to, and not as a substitute for, results prepared in accordance with GAAP. Our non-GAAP financial measures may be different from those reported by other companies. A more detailed discussion of why we use non-GAAP financial measures, the limitations of using such measures, and reconciliations between non-GAAP and the nearest GAAP financial measures are included in the quarterly earnings press release.

GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands, except per share data)

TOTAL COMPANY RECONCILIATIONS	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
NON-GAAP NET INCOME & DILUTED EPS				
GAAP net income (loss) attributable to Itron, Inc.	\$ 2,657	\$ 14,097	\$ (143,009)	\$ 29,942
Amortization of intangible assets	17,999	4,970	35,739	9,519
Amortization of debt placement fees	1,172	242	4,515	483
Restructuring	(5,623)	5,043	82,242	8,095
Acquisition and integration related expense	11,148	6,468	73,795	6,801
Income tax effect of non-GAAP adjustments	(6,897)	(2,896)	(27,732)	(4,730)
Non-GAAP net income attributable to Itron, Inc.	\$ 20,456	\$ 27,924	\$ 25,550	\$ 50,110
Non-GAAP diluted EPS	\$ 0.51	\$ 0.71	\$ 0.64	\$ 1.28
Weighted average common shares outstanding - Diluted	39,789	39,332	39,782	39,274
ADJUSTED EBITDA				
GAAP net income (loss) attributable to Itron, Inc.	\$ 2,657	\$ 14,097	\$ (143,009)	\$ 29,942
Interest income	(633)	(470)	(1,294)	(739)
Interest expense	14,645	3,411	30,149	6,610
Income tax provision (benefit)	3,781	16,560	(7,407)	25,607
Depreciation and amortization	30,907	15,090	61,979	29,468
Restructuring	(5,623)	5,043	82,242	8,095
Acquisition and integration related expense	11,148	6,468	73,795	6,801
Adjusted EBITDA	\$ 56,882	\$ 60,199	\$ 96,455	\$ 105,784

GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands, except per share data)

TOTAL COMPANY RECONCILIATIONS	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
FREE CASH FLOW				
Net cash provided by operating activities	\$ 41,327	\$ 30,187	\$ 16,879	\$ 93,444
Acquisitions of property, plant, and equipment	(11,876)	(12,776)	(29,309)	(21,898)
Free Cash Flow	\$ 29,451	\$ 17,411	\$ (12,430)	\$ 71,546
NON-GAAP OPERATING INCOME				
GAAP operating income (loss)	\$ 20,563	\$ 37,628	\$ (119,885)	\$ 68,455
Amortization of intangible assets	17,999	4,970	35,739	9,519
Restructuring	(5,623)	5,043	82,242	8,095
Acquisition and integration related expense	11,148	6,468	73,795	6,801
Non-GAAP operating income	\$ 44,087	\$ 54,109	\$ 71,891	\$ 92,870
NON-GAAP OPERATING EXPENSES				
GAAP operating expenses	\$ 156,014	\$ 140,649	\$ 476,317	\$ 267,459
Amortization of intangible assets	(17,999)	(4,970)	(35,739)	(9,519)
Restructuring	5,623	(5,043)	(82,242)	(8,095)
Acquisition and integration related expense	(11,148)	(6,468)	(73,795)	(6,801)
Non-GAAP operating expenses	\$ 132,490	\$ 124,168	\$ 284,541	\$ 243,044

GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands)

SEGMENT RECONCILIATIONS	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
NON-GAAP OPERATING INCOME - ELECTRICITY				
Electricity - GAAP operating income	\$ 28,997	\$ 17,839	\$ 26,229	\$ 34,923
Amortization of intangible assets	2,842	2,728	5,722	5,090
Restructuring	(145)	506	19,455	330
Acquisition and integration related expense (recovery)	(1,244)	6,201	(921)	6,201
Electricity - Non-GAAP operating income	<u>\$ 30,450</u>	<u>\$ 27,274</u>	<u>\$ 50,485</u>	<u>\$ 46,544</u>
NON-GAAP OPERATING INCOME - GAS				
Gas - GAAP operating income (loss)	\$ 15,245	\$ 16,977	\$ (13,103)	\$ 38,708
Amortization of intangible assets	1,107	1,309	2,231	2,586
Restructuring	(2,086)	4,339	41,461	5,423
Gas - Non-GAAP operating income	<u>\$ 14,266</u>	<u>\$ 22,625</u>	<u>\$ 30,589</u>	<u>\$ 46,717</u>
NON-GAAP OPERATING INCOME - WATER				
Water - GAAP operating income (loss)	\$ 8,824	\$ 16,866	\$ (2,886)	\$ 25,670
Amortization of intangible assets	808	933	1,643	1,843
Restructuring	(1,721)	995	14,993	2,013
Water - Non-GAAP operating income	<u>\$ 7,911</u>	<u>\$ 18,794</u>	<u>\$ 13,750</u>	<u>\$ 29,526</u>

GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands)

SEGMENT RECONCILIATIONS	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
NON-GAAP OPERATING INCOME - NETWORKS				
Networks - GAAP operating loss	\$ (28,219)\$	—	\$ (103,729)\$	—
Amortization of intangible assets	13,242	—	26,143	—
Acquisition and integration related expense	12,111	—	74,559	—
Networks - Non-GAAP operating loss	\$ (2,866)\$	—	\$ (3,027)\$	—
NON-GAAP OPERATING INCOME - CORPORATE UNALLOCATED				
Corporate unallocated - GAAP operating loss	\$ (4,284)\$	(14,054)	\$ (26,396)\$	(30,846)
Restructuring	(1,671)	(797)	6,333	329
Acquisition and integration related expense	281	267	157	600
Corporate unallocated - Non-GAAP operating loss	\$ (5,674)\$	(14,584)	\$ (19,906)\$	(29,917)



THANK YOU

INVESTOR RELATIONS CONTACTS

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