

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

---

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**November 5, 2018**

Date of Report (Date of Earliest Event Reported)

**ITRON, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Washington**

(State or Other Jurisdiction  
of Incorporation)

**000-22418**

(Commission File No.)

**91-1011792**

(IRS Employer  
Identification No.)

**2111 N. Molter Road, Liberty Lake, WA 99019**

(Address of Principal Executive Offices, Zip Code)

**(509) 924-9900**

(Registrant's Telephone Number, Including Area Code)

---

(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 (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

---

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

On November 5, 2018, Itron, Inc. (the Company) issued a press release announcing its financial results for the three and nine months ended September 30, 2018. A copy of this press release and accompanying financial statements are attached as Exhibit 99.1.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

| <u>Exhibit Number</u> | <u>Description</u>                     |
|-----------------------|--|
| 99.1                  | Press Release dated November 5, 2018.* |

\* This exhibit is intended to be furnished and shall not be deemed "filed" for purposes of the Exchange Act.

The information presented in this Current Report on Form 8-K may contain forward-looking statements within in the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our expectations about revenues, operations, financial performance, earnings, earnings per share, cash flows, and other financial results. Although we believe the estimates and assumptions upon which these forward-looking statements are based are reasonable, any of these estimates or assumptions could prove to be inaccurate and the forward-looking statements based on these estimates and assumptions could be incorrect. Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. Actual results and trends in the future may differ materially from those suggested or implied by the forward-looking statements depending on a variety of factors. Some of the factors that we believe could affect our results include our ability to execute on our restructuring plans, our ability to achieve estimated cost savings, the rate and timing of customer demand for our products, rescheduling of current customer orders, changes in estimated liabilities for product warranties, adverse impacts of litigation, changes in laws and regulations, our dependence on new product development and intellectual property, future acquisitions, changes in estimates for stock-based and bonus compensation, increasing volatility in foreign exchange rates, international business risks and other factors that are more fully described in our Annual Report on Form 10-K for the year ended December 31, 2017 and other reports on file with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any information.

**SIGNATURE**

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

ITRON, INC.

Dated: November 5, 2018

By: /s/ Joan S. Hooper

Joan S. Hooper

Senior Vice President and Chief Financial Officer

---

## EXHIBIT INDEX

| Exhibit<br>Number    | Description  |
|----------------------|--|
| <a href="#">99.1</a> | <a href="#">Press release dated November 5, 2018.*</a> |

\* This exhibit is intended to be furnished and shall not be deemed "filed" for purposes of the Exchange Act.

## Itron Announces Third Quarter 2018 Financial Results

LIBERTY LAKE, Wash.--(BUSINESS WIRE)--November 5, 2018--Itron, Inc. (NASDAQ:ITRI) announced today financial results for its third quarter ended Sept. 30, 2018. Key results for the quarter include:

- Revenue of \$596 million, compared with \$487 million in the third quarter of 2017;
- Gross margin of 33.1 percent, compared with 34.1 percent in the third quarter of 2017;
- GAAP diluted earnings per share (EPS) of 50 cents, compared with 65 cents in the third quarter of 2017;
- Non-GAAP diluted EPS of \$1.13, compared with 77 cents in the third quarter of 2017;
- Adjusted EBITDA of \$81 million, compared with \$58 million in the third quarter of 2017; and
- Total backlog of \$3.1 billion, compared with \$1.5 billion at the end of the third quarter of 2017.

"Our third quarter results were in line with our expectations," said Philip Mezey, Itron's president and chief executive officer. "We achieved strong revenue growth year over year - both organic and through the addition of the Networks segment - and have seen significant improvement year over year and sequentially in our operating income.

"However, we continue to experience external and operational supply chain headwinds, which are expected to remain in the fourth quarter and into 2019," continued Mezey. "We are executing on initiatives to mitigate these cost headwinds, but extended lead times and component shortages are now impacting our top line, resulting in lower revenue guidance for the full year 2018.

"We believe these headwinds will subside somewhat in 2019 and do not change our fundamental long-term model. We continue to implement our operational restructuring programs and integration of recent acquisitions, deliver new and innovative products to market and execute our strategy."

### Summary of Third Quarter Consolidated Financial Results

(All comparisons made are against the prior year period unless otherwise noted)

#### Revenue

Total revenue of \$596 million increased 22 percent in the third quarter. Excluding \$90 million from the acquired Networks segment, total revenue increased 4 percent.

Gas segment revenue grew 19 percent driven by record North America communication module shipments. Electricity segment revenues were in line with the prior year and Water revenue, while decreasing 2 percent as reported, was up 1 percent excluding changes in foreign exchange rates.

---

### Gross Margin

Consolidated company gross margin of 33.1 percent decreased from 34.1 percent in the prior year. The decline was primarily driven by higher component and commodity costs, supply chain inefficiencies and the release of special warranty reserves in the prior year.

### Operating Expenses and Operating Income

GAAP operating expenses of \$155 million and non-GAAP operating expenses of \$127 million increased compared with last year, driven by the acquired operations. Excluding the Silver Spring Networks acquisition, operating expenses were down year-over-year due to lower discretionary spending, including variable compensation, and benefits from restructuring initiatives.

GAAP operating income increased to \$42 million from \$38 million in the third quarter of 2017. Non-GAAP operating income increased to \$70 million from \$50 million in 2017 driven by increased gross profit from the Silver Spring Networks acquisition and the Gas segment as well as cost controls.

### Net Income and Earnings per Share

Net income attributable to Itron for the quarter was \$20 million, or 50 cents per diluted share, a decrease from net income of \$26 million, or 65 cents per diluted share, in 2017. Net income decreased due to \$11 million in higher interest expense related to acquisition financing, partially offset by higher operating income and lower tax expense.

Non-GAAP net income, which excludes certain charges including restructuring, acquisition and integration-related expenses, and amortization of intangible assets and debt placement fees, was \$45 million, or \$1.13 per diluted share, compared with \$31 million, or 77 cents per diluted share, in 2017. The increase in non-GAAP EPS was due to higher non-GAAP operating income and a lower effective tax rate, partially offset by higher interest expense.

### Cash Flow

Net cash provided by operating activities was \$51 million in the third quarter compared with \$21 million in the same quarter of 2017. Free cash flow was \$37 million in the third quarter compared with \$9 million in the prior year. Higher cash flow was driven primarily by increased profitability and improved working capital.

### **Other Measures**

Total backlog was \$3.1 billion and 12 month backlog was \$1.4 billion at the end of the quarter, compared with \$1.5 billion and \$847 million, respectively, in the prior year quarter. Bookings in the quarter totaled \$593 million.

---

## Financial Guidance Update

Itron's guidance for the full year 2018 is as follows:

- Revenue between \$2.370 - \$2.390 billion from previous guidance of \$2.425 to \$2.475 billion
- Non-GAAP diluted EPS between \$2.40 - \$2.50 from previous guidance of \$2.75 - \$2.90

The revised guidance assumes a Euro to U.S. dollar foreign currency exchange rate of 1.15 on average in the fourth quarter of 2018, average fully diluted shares outstanding of approximately 40 million for the year, non-GAAP effective tax rate for the year of approximately 27 percent and total interest expense of approximately \$51 million for the 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 and integration-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.

## Earnings Conference Call

Itron will host a conference call to discuss the financial results and guidance contained in this release at 5 p.m. EST on Nov. 5, 2018. The call will be webcast in a listen-only mode. Webcast information and conference call materials will be made available 10 minutes before the start of the call and will be accessible on Itron's website at <http://investors.itron.com/events.cfm>. A replay of the audio webcast will be made available at <http://investors.itron.com/events.cfm>. A telephone replay of the conference call will be available through Nov. 10, 2018. To access the telephone replay, dial 888-203-1112 or 719-457-0820, and enter passcode **5203944**.

## About Itron

Itron enables utilities and cities to safely, securely and reliably deliver critical infrastructure services to communities in more than 100 countries. Our portfolio of smart networks, software, services, meters and sensors helps our customers better manage electricity, gas and water resources for the people they serve. By working with our customers to ensure their success, we help improve the quality of life, ensure the safety and promote the well-being of millions of people around the globe. Itron is dedicated to creating a more resourceful world. Join us: [www.itron.com](http://www.itron.com).

Itron® and OpenWay® are registered trademarks of Itron, Inc. All third-party trademarks are property of their respective owners and any usage herein does not suggest or imply any relationship between Itron and the third party unless expressly stated.

---

## **Forward Looking Statements**

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our expectations about revenues, operations, financial performance, earnings, earnings per share and cash flows. Although we believe the estimates and assumptions upon which these forward-looking statements are based are reasonable, any of these estimates or assumptions could prove to be inaccurate and the forward-looking statements based on these estimates and assumptions could be incorrect. Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. Actual results and trends in the future may differ materially from those suggested or implied by the forward-looking statements depending on a variety of factors. Some of the factors that we believe could affect our results include our ability to achieve estimated cost savings, the rate and timing of customer demand for our products, rescheduling of current customer orders, changes in estimated liabilities for product warranties, adverse impacts of litigation, changes in laws and regulations, our dependence on new product development and intellectual property, future acquisitions, changes in estimates for stock-based and bonus compensation, increasing volatility in foreign exchange rates, international business risks and other factors that are more fully described in our Annual Report on Form 10-K for the year ended Dec. 31, 2017 and other reports on file with the Securities and Exchange Commission. Itron undertakes no obligation to update or revise any information in this press release.

## **Non-GAAP Financial Information**

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, adjusted EBITDA margin, 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 this press release.

---



**ITRON, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited, in thousands, except per share data)

|  | <b>Three Months Ended<br/>September 30,</b> |                  | <b>Nine Months Ended<br/>September 30,</b> |                  |
|--|---|------------------|--|------------------|
|  | <b>2018</b>                                 | <b>2017</b>      | <b>2018</b>                                | <b>2017</b>      |
| Revenues   |   |                  |  |                  |
| Product revenues   | \$ 525,716                                  | \$ 433,984       | \$ 1,578,740                               | \$ 1,321,062     |
| Service revenues   | 70,246                                      | 52,763           | 210,333                                    | 146,359          |
| Total revenues   | <u>595,962</u>                              | <u>486,747</u>   | <u>1,789,073</u>                           | <u>1,467,421</u> |
| Cost of revenues   |   |                  |  |                  |
| Product cost of revenues                                   | 357,194                                     | 284,762          | 1,106,586                                  | 865,288          |
| Service cost of revenues                                   | 41,671                                      | 36,230           | 128,958                                    | 100,464          |
| Total cost of revenues                                     | <u>398,865</u>                              | <u>320,992</u>   | <u>1,235,544</u>                           | <u>965,752</u>   |
| Gross profit   | <u>197,097</u>                              | <u>165,755</u>   | <u>553,529</u>                             | <u>501,669</u>   |
| Operating expenses   |   |                  |  |                  |
| Sales and marketing  | 47,204                                      | 40,529           | 144,573                                    | 126,298          |
| Product development  | 47,239                                      | 42,455           | 162,298                                    | 126,246          |
| General and administrative                                 | 42,352                                      | 39,598           | 188,260                                    | 119,883          |
| Amortization of intangible assets                          | 17,960                                      | 5,625            | 53,699                                     | 15,144           |
| Restructuring  | 666   | (678)            | 82,908                                     | 7,417            |
| Total operating expenses                                   | <u>155,421</u>                              | <u>127,529</u>   | <u>631,738</u>                             | <u>394,988</u>   |
| Operating income (loss)                                    | 41,676                                      | 38,226           | (78,209)                                   | 106,681          |
| Other income (expense)                                     |   |                  |  |                  |
| Interest income  | 431   | 729              | 1,725                                      | 1,468            |
| Interest expense   | (14,171)                                    | (3,466)          | (44,320)                                   | (10,076)         |
| Other income (expense), net                                | (2,434)                                     | (1,995)          | (2,598)                                    | (7,951)          |
| Total other income (expense)                               | <u>(16,174)</u>                             | <u>(4,732)</u>   | <u>(45,193)</u>                            | <u>(16,559)</u>  |
| Income (loss) before income taxes                          | 25,502                                      | 33,494           | (123,402)                                  | 90,122           |
| Income tax benefit (provision)                             | (5,715)                                     | (6,640)          | 1,692                                      | (32,247)         |
| Net income (loss)  | <u>19,787</u>                               | <u>26,854</u>    | <u>(121,710)</u>                           | <u>57,875</u>    |
| Net income (loss) attributable to noncontrolling interests | (95)  | 1,278            | 1,417                                      | 2,357            |
| Net income (loss) attributable to Itron, Inc.              | <u>\$ 19,882</u>                            | <u>\$ 25,576</u> | <u>\$ (123,127)</u>                        | <u>\$ 55,518</u> |
| Earnings (loss) per common share - Basic                   | <u>\$ 0.51</u>                              | <u>\$ 0.66</u>   | <u>\$ (3.14)</u>                           | <u>\$ 1.44</u>   |
| Earnings (loss) per common share - Diluted                 | <u>\$ 0.50</u>                              | <u>\$ 0.65</u>   | <u>\$ (3.14)</u>                           | <u>\$ 1.41</u>   |
| Weighted average common shares outstanding - Basic         | 39,340                                      | 38,713           | 39,177                                     | 38,624           |
| Weighted average common shares outstanding - Diluted       | 39,909                                      | 39,467           | 39,177                                     | 39,339           |

**ITRON, INC.**  
**SEGMENT INFORMATION**

(Unaudited, in thousands)

|                                | Three Months Ended<br>September 30, |                   | Nine Months Ended<br>September 30, |                     |
|--------------------------------|-------------------------------------|-------------------|------------------------------------|---------------------|
|                                | 2018                                | 2017              | 2018                               | 2017                |
| <b>Product revenues</b>        |                                     |                   |                                    |                     |
| Electricity                    | \$ 198,026                          | \$ 199,784        | \$ 624,139                         | \$ 620,958          |
| Gas                            | 148,660                             | 124,556           | 408,300                            | 372,555             |
| Water                          | 106,653                             | 109,644           | 350,814                            | 327,549             |
| Networks                       | 72,377                              | —                 | 195,487                            | —                   |
| Total Company                  | <u>\$ 525,716</u>                   | <u>\$ 433,984</u> | <u>\$ 1,578,740</u>                | <u>\$ 1,321,062</u> |
| <b>Service revenues</b>        |                                     |                   |                                    |                     |
| Electricity                    | \$ 38,816                           | \$ 40,358         | \$ 115,686                         | \$ 108,267          |
| Gas                            | 8,087                               | 7,224             | 23,218                             | 22,136              |
| Water                          | 5,931                               | 5,181             | 17,601                             | 15,956              |
| Networks                       | 17,412                              | —                 | 53,828                             | —                   |
| Total Company                  | <u>\$ 70,246</u>                    | <u>\$ 52,763</u>  | <u>\$ 210,333</u>                  | <u>\$ 146,359</u>   |
| <b>Total revenues</b>          |                                     |                   |                                    |                     |
| Electricity                    | \$ 236,842                          | \$ 240,142        | \$ 739,825                         | \$ 729,225          |
| Gas                            | 156,747                             | 131,780           | 431,518                            | 394,691             |
| Water                          | 112,584                             | 114,825           | 368,415                            | 343,505             |
| Networks                       | 89,789                              | —                 | 249,315                            | —                   |
| Total Company                  | <u>\$ 595,962</u>                   | <u>\$ 486,747</u> | <u>\$ 1,789,073</u>                | <u>\$ 1,467,421</u> |
| <b>Gross profit</b>            |                                     |                   |                                    |                     |
| Electricity                    | \$ 74,549                           | \$ 76,492         | \$ 221,511                         | \$ 222,387          |
| Gas                            | 55,812                              | 46,529            | 139,826                            | 147,880             |
| Water                          | 35,139                              | 42,734            | 110,779                            | 131,402             |
| Networks                       | 31,597                              | —                 | 81,413                             | —                   |
| Total Company                  | <u>\$ 197,097</u>                   | <u>\$ 165,755</u> | <u>\$ 553,529</u>                  | <u>\$ 501,669</u>   |
| <b>Operating income (loss)</b> |                                     |                   |                                    |                     |
| Electricity                    | \$ 25,853                           | \$ 17,317         | \$ 52,082                          | \$ 52,240           |
| Gas                            | 31,279                              | 20,469            | 18,176                             | 59,177              |
| Water                          | 6,859                               | 15,032            | 3,973                              | 40,702              |
| Networks                       | (15,624)                            | —                 | (119,353)                          | —                   |
| Corporate unallocated          | (6,691)                             | (14,592)          | (33,087)                           | (45,438)            |
| Total Company                  | <u>\$ 41,676</u>                    | <u>\$ 38,226</u>  | <u>\$ (78,209)</u>                 | <u>\$ 106,681</u>   |

## METER AND MODULE SUMMARY

(Units in thousands)

|  | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |               |
|--|-------------------------------------|--------------|------------------------------------|---------------|
|  | 2018                                | 2017         | 2018                               | 2017          |
| <b>Meters</b>                                      |                                     |              |                                    |               |
| Standard   | 4,050                               | 3,640        | 12,220                             | 12,000        |
| Smart  | 2,460                               | 2,590        | 8,390                              | 7,600         |
| Total meters                                       | <u>6,510</u>                        | <u>6,230</u> | <u>20,610</u>                      | <u>19,600</u> |
| <b>Stand-alone communication modules and cards</b> |                                     |              |                                    |               |
| Smart  | <u>2,970</u>                        | <u>1,480</u> | <u>7,980</u>                       | <u>4,410</u>  |

(1) The Networks segment shipped an immaterial number of meters during the three and nine months ended September 30, 2018.

(2) The Networks segment shipped approximately 1,090 thousand and 3,140 thousand network interface cards, respectively, during the three and nine months ended September 30, 2018.

The stand-alone communication modules and cards category includes communicating radio modules shipped in Electric, Gas and Water segments and network interface cards, the primary product sold by our Networks segment.

---

**ITRON, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited, in thousands)

|   | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| <b>ASSETS</b>                             |                    |                   |
| Current assets                            |                    |                   |
| Cash and cash equivalents                 | \$ 109,044         | \$ 176,274        |
| Accounts receivable, net                  | 449,592            | 398,029           |
| Inventories                               | 208,038            | 193,835           |
| Other current assets                      | 101,511            | 81,604            |
| Total current assets                      | 868,185            | 849,742           |
| Property, plant, and equipment, net       | 220,795            | 200,768           |
| Deferred tax assets, net                  | 56,874             | 49,971            |
| Restricted cash                           | 2,055              | 311,010           |
| Other long-term assets                    | 48,746             | 43,666            |
| Intangible assets, net                    | 278,192            | 95,228            |
| Goodwill                                  | 1,121,895          | 555,762           |
| Total assets                              | \$ 2,596,742       | \$ 2,106,147      |
| <b>LIABILITIES AND EQUITY</b>             |                    |                   |
| Current liabilities                       |                    |                   |
| Accounts payable                          | \$ 274,950         | \$ 262,166        |
| Other current liabilities                 | 72,385             | 56,736            |
| Wages and benefits payable                | 101,491            | 90,505            |
| Taxes payable                             | 20,558             | 16,100            |
| Current portion of debt                   | 24,375             | 19,688            |
| Current portion of warranty               | 29,736             | 21,150            |
| Unearned revenue                          | 92,350             | 41,438            |
| Total current liabilities                 | 615,845            | 507,783           |
| Long-term debt                            | 1,005,377          | 593,572           |
| Long-term warranty                        | 13,624             | 13,712            |
| Pension benefit obligation                | 96,081             | 95,717            |
| Deferred tax liabilities, net             | 1,462              | 1,525             |
| Other long-term obligations               | 152,021            | 88,206            |
| Total liabilities                         | 1,884,410          | 1,300,515         |
| Equity                                    |                    |                   |
| Common stock                              | 1,326,719          | 1,294,767         |
| Accumulated other comprehensive loss, net | (185,246)          | (170,478)         |
| Accumulated deficit                       | (449,273)          | (337,873)         |
| Total Itron, Inc. shareholders' equity    | 692,200            | 786,416           |
| Non-controlling interests                 | 20,132             | 19,216            |
| Total equity                              | 712,332            | 805,632           |
| Total liabilities and equity              | \$ 2,596,742       | \$ 2,106,147      |

**ITRON, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited, in thousands)

|  | <b>Nine Months Ended September 30,</b> |                   |
|--|--|-------------------|
|  | <b>2018</b>                            | <b>2017</b>       |
| <b>Operating activities</b>  |  |                   |
| Net income (loss)  | \$ (121,710)                           | \$ 57,875         |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |  |                   |
| Depreciation and amortization  | 92,428                                 | 46,000            |
| Stock-based compensation   | 23,069                                 | 15,254            |
| Amortization of prepaid debt fees  | 5,825                                  | 800               |
| Deferred taxes, net  | (13,141)                               | 7,615             |
| Restructuring, non-cash  | 569                                    | (720)             |
| Other adjustments, net   | (30)                                   | 3,111             |
| Changes in operating assets and liabilities, net of acquisitions                                   |  |                   |
| Accounts receivable  | 7,774                                  | 2,537             |
| Inventories  | (10,072)                               | (30,843)          |
| Other current assets   | (9,797)                                | (23,492)          |
| Other long-term assets   | 3,817                                  | 10,460            |
| Accounts payable, other current liabilities, and taxes payable                                     | 4,494                                  | 34,987            |
| Wages and benefits payable   | 2,166                                  | 6,218             |
| Unearned revenue   | 27,869                                 | (5,679)           |
| Warranty   | 3,167                                  | (10,285)          |
| Other operating, net   | 50,955                                 | 663               |
| Net cash provided by operating activities  | <u>67,383</u>                          | <u>114,501</u>    |
| <b>Investing activities</b>  |  |                   |
| Acquisitions of property, plant, and equipment   | (42,493)                               | (33,493)          |
| Business acquisitions, net of cash equivalents acquired  | (803,075)                              | (98,848)          |
| Other investing, net   | (181)                                  | 10                |
| Net cash used in investing activities  | <u>(845,749)</u>                       | <u>(132,331)</u>  |
| <b>Financing activities</b>  |  |                   |
| Proceeds from borrowings   | 611,938                                | 35,000            |
| Payments on debt   | (182,297)                              | (24,844)          |
| Issuance of common stock   | 8,283                                  | 2,797             |
| Prepaid debt fees  | (24,042)                               | —                 |
| Other financing, net   | (5,526)                                | 1,216             |
| Net cash provided by (used in) financing activities  | <u>408,356</u>                         | <u>14,169</u>     |
| Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash             | (6,175)                                | 7,680             |
| Decrease in cash, cash equivalents, and restricted cash  | <u>(376,185)</u>                       | <u>4,019</u>      |
| Cash, cash equivalents, and restricted cash at beginning of period                                 | 487,335                                | 133,565           |
| Cash, cash equivalents, and restricted cash at end of period                                       | <u>\$ 111,150</u>                      | <u>\$ 137,584</u> |

### **About Non-GAAP Financial Measures**

The accompanying press release contains non-GAAP financial measures. To supplement our consolidated financial statements, which are prepared 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. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and other companies may define such measures differently. For more information on these non-GAAP financial measures please see the table captioned "Reconciliations of Non-GAAP Financial Measures to Most Directly Comparable GAAP Financial Measures."

We use these non-GAAP financial measures for financial and operational decision making and/or as a means for determining executive compensation. Management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and ability to service debt by excluding certain expenses that may not be indicative of our recurring core operating results. These non-GAAP financial measures facilitate management's internal comparisons to our historical performance as well as comparisons to our competitors' operating results. Our executive compensation plans exclude non-cash charges related to amortization of intangibles and certain discrete cash and non-cash charges such as acquisition and integration related expenses, restructuring charges or goodwill impairment charges. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe these non-GAAP financial measures are useful to investors because they provide greater transparency with respect to key metrics used by management in its financial and operational decision making and because they are used by our institutional investors and the analyst community to analyze the health of our business.

Non-GAAP operating expenses and non-GAAP operating income - We define non-GAAP operating expenses as operating expenses excluding certain expenses related to the amortization of intangible assets, restructuring, acquisition and integration, and goodwill impairment. We define non-GAAP operating income as operating income excluding the expenses related to the amortization of intangible assets, restructuring, acquisition and integration, and goodwill impairment. Acquisition and integration related expenses include costs which are incurred to affect and integrate business combinations, such as professional fees, certain employee retention and salaries related to integration, severances, contract terminations, travel costs related to knowledge transfer, system conversion costs, and asset impairment charges. We consider these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of expenses that are related to acquisitions and restructuring projects. By excluding these expenses, we believe that it is easier for management and investors to compare our financial results over multiple periods and analyze trends in our operations. For example, in certain periods expenses related to amortization of intangible assets may decrease, which would improve GAAP operating margins, yet the improvement in GAAP operating margins due to this lower expense is not necessarily reflective of an improvement in our core business. There are some limitations related to the use of non-GAAP operating expenses and non-GAAP operating income versus operating expenses and operating income calculated in accordance with GAAP. We compensate for these limitations by providing specific information about the GAAP amounts excluded from non-GAAP operating expense and non-GAAP operating income and evaluating non-GAAP operating expense and non-GAAP operating income together with GAAP operating expense and GAAP operating income.

---

Non-GAAP net income and non-GAAP diluted EPS - We define non-GAAP net income as net income attributable to Itron, Inc. excluding the expenses associated with amortization of intangible assets, restructuring, acquisition and integration, goodwill impairment, amortization of debt placement fees, the transition to the Tax Cuts and Jobs Act, and the tax effect of excluding these expenses. We define non-GAAP diluted EPS as non-GAAP net income divided by the weighted average shares, on a diluted basis, outstanding during each period. We consider these financial measures to be useful metrics for management and investors for the same reasons that we use non-GAAP operating income. The same limitations described above regarding our use of non-GAAP operating income apply to our use of non-GAAP net income and non-GAAP diluted EPS. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP measures and evaluating non-GAAP net income and non-GAAP diluted EPS together with GAAP net income attributable to Itron, Inc. and GAAP diluted EPS.

Adjusted EBITDA - We define adjusted EBITDA as net income (a) minus interest income, (b) plus interest expense, depreciation and amortization, restructuring, acquisition and integration related expense, goodwill impairment and (c) excluding income tax provision or benefit. Management uses adjusted EBITDA as a performance measure for executive compensation. A limitation to using adjusted EBITDA is that it does not represent the total increase or decrease in the cash balance for the period and the measure includes some non-cash items and excludes other non-cash items. Additionally, the items that we exclude in our calculation of adjusted EBITDA may differ from the items that our peer companies exclude when they report their results. We compensate for these limitations by providing a reconciliation of this measure to GAAP net income.

Free cash flow - We define free cash flow as net cash provided by operating activities less cash used for acquisitions of property, plant and equipment. We believe free cash flow provides investors with a relevant measure of liquidity and a useful basis for assessing our ability to fund our operations and repay our debt. The same limitations described above regarding our use of adjusted EBITDA apply to our use of free cash flow. We compensate for these limitations by providing specific information regarding the GAAP amounts and reconciling to free cash flow.

Constant currency - We refer to the impact of foreign currency exchange rate fluctuations in our discussions of financial results, which references the differences between the foreign currency exchange rates used to translate operating results from local currencies into U.S. dollars for financial reporting purposes. We also use the term "constant currency," which represents financial results adjusted to exclude changes in foreign currency exchange rates as compared with the rates in the comparable prior year period. We calculate the constant currency change as the difference between the current period results and the comparable prior period's results restated using current period foreign currency exchange rates.

The accompanying tables have more detail on the GAAP financial measures that are most directly comparable to the non-GAAP financial measures and the related reconciliations between these financial measures.

---

**ITRON, INC.**  
**RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES**  
**TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES**

(Unaudited, in thousands, except per share data)

| <b>TOTAL COMPANY RECONCILIATIONS</b>                     | <b>Three Months Ended September 30,</b> |             | <b>Nine Months Ended September 30,</b> |             |
|--|---|-------------|--|-------------|
|  | <b>2018</b>                             | <b>2017</b> | <b>2018</b>                            | <b>2017</b> |
| <b>NON-GAAP NET INCOME &amp; DILUTED EPS</b>             |   |             |  |             |
| GAAP net income (loss) attributable to Itron, Inc.       | \$ 19,882                               | \$ 25,576   | \$ (123,127)                           | \$ 55,518   |
| Amortization of intangible assets                        | 17,960                                  | 5,625       | 53,699                                 | 15,144      |
| Amortization of debt placement fees                      | 1,178                                   | 242         | 5,693                                  | 725         |
| Restructuring  | 666                                     | (678)       | 82,908                                 | 7,417       |
| Acquisition and integration related expense              | 10,079                                  | 7,243       | 83,874                                 | 14,044      |
| Income tax effect of non-GAAP adjustments                | (4,719)                                 | (7,423)     | (32,451)                               | (12,153)    |
| Non-GAAP net income attributable to Itron, Inc.          | \$ 45,046                               | \$ 30,585   | \$ 70,596                              | \$ 80,695   |
| <br>Non-GAAP diluted EPS                                 | \$ 1.13                                 | \$ 0.77     | \$ 1.77                                | \$ 2.05     |
| <br>Weighted average common shares outstanding - Diluted | 39,909                                  | 39,467      | 39,825                                 | 39,339      |
| <b>ADJUSTED EBITDA</b>                                   |   |             |  |             |
| GAAP net income (loss) attributable to Itron, Inc.       | \$ 19,882                               | \$ 25,576   | \$ (123,127)                           | \$ 55,518   |
| Interest income  | (431)                                   | (729)       | (1,725)                                | (1,468)     |
| Interest expense   | 14,171                                  | 3,466       | 44,320                                 | 10,076      |
| Income tax provision (benefit)                           | 5,715                                   | 6,640       | (1,692)                                | 32,247      |
| Depreciation and amortization                            | 30,449                                  | 16,532      | 92,428                                 | 46,000      |
| Restructuring  | 666                                     | (678)       | 82,908                                 | 7,417       |
| Acquisition and integration related expense              | 10,079                                  | 7,243       | 83,874                                 | 14,044      |
| Adjusted EBITDA  | \$ 80,531                               | \$ 58,050   | \$ 176,986                             | \$ 163,834  |
| <b>FREE CASH FLOW</b>                                    |   |             |  |             |
| Net cash provided (used) by operating activities         | \$ 50,504                               | \$ 21,057   | \$ 67,383                              | \$ 114,501  |
| Acquisitions of property, plant, and equipment           | (13,184)                                | (11,595)    | (42,493)                               | (33,493)    |
| Free Cash Flow   | \$ 37,320                               | \$ 9,462    | \$ 24,890                              | \$ 81,008   |
| <b>NON-GAAP OPERATING INCOME</b>                         |   |             |  |             |
| GAAP operating income (loss)                             | \$ 41,676                               | \$ 38,226   | \$ (78,209)                            | \$ 106,681  |
| Amortization of intangible assets                        | 17,960                                  | 5,625       | 53,699                                 | 15,144      |
| Restructuring  | 666                                     | (678)       | 82,908                                 | 7,417       |
| Acquisition and integration related expense              | 10,079                                  | 7,243       | 83,874                                 | 14,044      |
| Non-GAAP operating income                                | \$ 70,381                               | \$ 50,416   | \$ 142,272                             | \$ 143,286  |
| <b>NON-GAAP OPERATING EXPENSES</b>                       |   |             |  |             |
| GAAP operating expenses                                  | \$ 155,421                              | \$ 127,529  | \$ 631,738                             | \$ 394,988  |
| Amortization of intangible assets                        | (17,960)                                | (5,625)     | (53,699)                               | (15,144)    |
| Restructuring  | (666)                                   | 678         | (82,908)                               | (7,417)     |
| Acquisition and integration related expense              | (10,079)                                | (7,243)     | (83,874)                               | (14,044)    |
| Non-GAAP operating expenses                              | \$ 126,716                              | \$ 115,339  | \$ 411,257                             | \$ 358,383  |



**ITRON, INC.**  
**RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES**  
**TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES**

(Unaudited, in thousands)

| <b>SEGMENT RECONCILIATIONS</b>                           | <b>Three Months Ended September 30,</b> |                    | <b>Nine Months Ended September 30,</b> |                    |
|--|---|--------------------|--|--------------------|
|  | <b>2018</b>                             | <b>2017</b>        | <b>2018</b>                            | <b>2017</b>        |
| <b>NON-GAAP OPERATING INCOME - ELECTRICITY</b>           |   |                    |  |                    |
| Electricity - GAAP operating income                      | \$ 25,853                               | \$ 17,317          | \$ 52,082                              | \$ 52,240          |
| Amortization of intangible assets                        | 2,772                                   | 3,260              | 8,494                                  | 8,350              |
| Restructuring  | 350                                     | 1,227              | 19,805                                 | 1,557              |
| Acquisition and integration related expense (recovery)   | 45                                      | 3,586              | (876)                                  | 9,787              |
| Electricity - Non-GAAP operating income                  | <u>\$ 29,020</u>                        | <u>\$ 25,390</u>   | <u>\$ 79,505</u>                       | <u>\$ 71,934</u>   |
| <b>NON-GAAP OPERATING INCOME - GAS</b>                   |   |                    |  |                    |
| Gas - GAAP operating income                              | \$ 31,279                               | \$ 20,469          | \$ 18,176                              | \$ 59,177          |
| Amortization of intangible assets                        | 1,078                                   | 1,375              | 3,309                                  | 3,961              |
| Restructuring  | (669)                                   | (706)              | 40,792                                 | 4,717              |
| Gas - Non-GAAP operating income                          | <u>\$ 31,688</u>                        | <u>\$ 21,138</u>   | <u>\$ 62,277</u>                       | <u>\$ 67,855</u>   |
| <b>NON-GAAP OPERATING INCOME - WATER</b>                 |   |                    |  |                    |
| Water - GAAP operating income                            | \$ 6,859                                | \$ 15,032          | \$ 3,973                               | \$ 40,702          |
| Amortization of intangible assets                        | 809                                     | 990                | 2,452                                  | 2,833              |
| Restructuring  | 639                                     | (1,567)            | 15,632                                 | 446                |
| Acquisition and integration related expense              | 49                                      | —                  | 49                                     | —                  |
| Water - Non-GAAP operating income                        | <u>\$ 8,356</u>                         | <u>\$ 14,455</u>   | <u>\$ 22,106</u>                       | <u>\$ 43,981</u>   |
| <b>NON-GAAP OPERATING INCOME - NETWORKS</b>              |   |                    |  |                    |
| Networks - GAAP operating loss                           | \$ (15,624)                             | \$ —               | \$ (119,353)                           | \$ —               |
| Amortization of intangible assets                        | 13,301                                  | —                  | 39,444                                 | —                  |
| Acquisition and integration related expense              | 9,381                                   | —                  | 83,940                                 | —                  |
| Networks - Non-GAAP operating income                     | <u>\$ 7,058</u>                         | <u>\$ —</u>        | <u>\$ 4,031</u>                        | <u>\$ —</u>        |
| <b>NON-GAAP OPERATING INCOME - CORPORATE UNALLOCATED</b> |   |                    |  |                    |
| Corporate unallocated - GAAP operating loss              | \$ (6,691)                              | \$ (14,592)        | \$ (33,087)                            | \$ (45,438)        |
| Restructuring  | 346                                     | 368                | 6,679                                  | 697                |
| Acquisition and integration related expense              | 604                                     | 3,657              | 761                                    | 4,257              |
| Corporate unallocated - Non-GAAP operating loss          | <u>\$ (5,741)</u>                       | <u>\$ (10,567)</u> | <u>\$ (25,647)</u>                     | <u>\$ (40,484)</u> |

**CONTACT:**

**Itron, Inc.**

Kenneth P. Gianella, 669-770-4643

Vice President, Investor Relations

or

Rebecca Hussey, 509-891-3574

Manager, Investor Relations