



Itron Reports Strong Third Quarter 2000 Results

EPS of \$.07 Verses Net Loss of \$.39 One Year Ago Backlog of Booked Business Shippable Over Next 12 Months Climbs by \$7 Million

SPOKANE, WA. — Oct. 19, 2000 — Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the quarter-ended September 30, 2000.

Net income was \$1.0 million or 7 cents per share for the third quarter of 2000. That compares with a net loss of \$5.9 million or 39 cents per share for the third quarter of 1999, which included \$8.8 million in pre-tax restructuring charges.

For the nine months ended September 30, 2000, net income was \$3.7 million, or 24 cents per share. Those results include an after-tax extraordinary gain from the repurchase of convertible debt of \$1 million. For the nine months ended September 30, 1999, we reported a net loss of \$4.0 million or 27 cents per share. Those results included \$9.9 million pre-tax, or approximately \$6.1 million after-tax, of restructuring charges as well as a \$3.7 million after-tax gain on the exchange of convertible debt. Excluding restructuring charges and the extraordinary gains, year-to-date net income would have been \$2.5 million, or 17 cents per share, in 2000, compared with a net loss of \$700,000, or 5 cents per share, in 1999.

"We had a good quarter in terms of booking new business which resulted in a \$7 million increase in backlog at quarter-end," commented LeRoy Nosbaum, president and CEO. "We launched two new products at the Automatic Meter Reading Association annual conference, held the last week in September in Tampa – our Commercial & Industrial Network and a new G5 handheld computer – both of which were well received by attendees. Sales leads were up roughly 65% from last year's show which is especially encouraging."

Total revenues for the third quarter of 2000 were \$42.5 million, down slightly from \$44.8 million in the previous quarter. In comparison with the previous quarter, revenues were down \$1.3 million in our Energy Information Systems (EIS) business as a result of the Ontario, Canada wholesale energy market transition being delayed approximately six months until mid-2001. This pushed out certain revenues for EIS from the last half of this year to the first half of 2001. Also, revenues were down \$1.7 million in our Water & Public Power segment due to completion of shipments in the second quarter on several large orders and a slower than anticipated installation start-up for one new contract in the third quarter.

Total gross margin for the second quarter of 2000 was 40%, up from 38% in the previous quarter, and 36% in the third quarter of 1999. Our margin improvement was due to lower manufacturing costs and quality improvements.

Operating expenses of \$14.6 million were approximately \$500,000 lower than the previous quarter, primarily in product development. Our lower product development spending results from the completion of restructuring activities begun in 1999, which included office closures and staff reductions as certain projects were completed.

We used \$8.8 million in cash for operations during the third quarter of 2000. Year-to-date, cash used for operations was \$1.2 million. Our cash usage in the third quarter, compared with cash generated in the first six months, results from a small number of operational items such as a last time buy of inventory due to a parts change, more favorable payment terms for a contract manufacturer, and an increase in receivables relative to collections due to late shipments in the quarter. During the first nine months of this year, we used cash to pay restructuring related expenses accrued in 1999 of \$9.1 million. Excluding those cash payments, we would have generated \$7.9 million in cash from operations in the first nine months of 2000. At September 30, 2000, we had \$19.7 million in cash and cash equivalents and no borrowings under our line of credit.

We had \$47 million in twelve-month backlog at September 30, 2000 compared with \$40 million at June 30, 2000. Total backlog, including revenues beyond the next twelve months, was \$164 million at September 30, 2000 compared with \$163 million at June 30, 2000. Significant bookings during the quarter included a previously announced Mobile AMR order from Bay State Gas for 261,000 meters, which is expected to be shipped over the next four years. Also, we are announcing today, that we received a large Mobile AMR order late in the quarter from an electric utility for 301,000 meters, which is expected to be shipped over the next twelve months.

"Our primary goal for this year is to return the Company to profitability," commented Nosbaum. "Three consecutive quarters of increasing profitability demonstrate our continuing focus on bottom line performance. Going forward, our goal is to line-up these bottom line efficiencies with increased revenue growth to provide our shareholders with the returns they deserve."

Business Outlook

In light of the recent adoption by the SEC of Regulation Fair Disclosure, Itron is including the following outlook information in our earnings release for this quarter. Throughout the quarter, we will continue our current practice of having corporate representatives meet privately with investors, analysts and others. To the extent those discussions pertain to earnings related information, we will continue to provide additional commentary and discussion on details of the financial statements and outlook as long as we are providing information that we believe is already publicly available or clearly non-material. As the quarter progresses, we will refrain from commenting on previously issued guidance from the standpoint of confirming it, or indicating we have revised expectations, either better or worse, unless we choose to provide updated guidance in the form of a press release or other public documents.

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

"We expect gross margin and operating expenses to be similar to the levels we have experienced over the last few quarters," commented Nosbaum. "While a 10% revenue increase is towards the high end of our expectations, we are actively pursuing a number of contracts that could result in that kind of growth in the fourth quarter."

We expect to have neutral cash flow from operations for the year, which reflects the use of approximately \$10 million in cash in 2000 for 1999 restructuring actions.

Based on our preliminary outlook, we believe revenues from our current businesses in 2001 could be 5% to 10% higher than in 2000. Our estimate is based upon several major utilities, with whom we are engaged, moving forward with their planned projects. As we have sometimes experienced in the past, customer delays in planned projects can occur as a result of industry or customer specific operational issues.

Itron will host a conference call with analysts and institutional investors to discuss further the results of the quarter at 4:45 p.m. EDT on October 19, 2000. The call will be webcast live in a listen only mode, and later archived. To access the webcast, please visit the Investor Relations section of Itron's website, at www.itron.com, www.streetfusion.com or www.streetevents.com. An audio replay of the call will be available following the conclusion of the call for 48 hours and is accessible by dialing (800)-633-8284, and entering passcode 16541911.

This release contains forward-looking statements concerning Itron's operations, economic performance, sales, earnings growth and cost reduction programs. These statements reflect the Company's current plans and expectations and are based on information currently available to it. They rely on a number of assumptions and estimates, which could be inaccurate, and which are subject to risks and uncertainties that could cause the Company's actual results to vary materially from those anticipated. Risks and uncertainties include the rate of customer demand for the Company's products, effectiveness of cost reduction programs, the ability of the Company to effectuate additional initiatives for improving growth and profitability, changes in law and regulation (including FCC licensing actions), and other factors which are more fully described in the Company's Annual Report on Form 10K and Quarterly Reports on Form 10Q on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

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