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Fourth Quarter 2019
Earnings Conference Call
February 24, 2020

FORWARD LOOKING STATEMENTS

Certain matters in this presentation and being discussed today, 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, expectations of market growth, 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. The Company does not intend and does not assume any obligation to update or revise any forward-looking statements in this presentation after the date they are made. Listeners 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 most recently filed 10-K, copies of which may be accessed through the SEC's website at <http://www.sec.gov>.

Current data and other statistical information used throughout this presentation are based on independent industry publications, government publications, and reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys as well as the independent sources listed above. We believe that these sources are reliable.

In an effort to provide additional information regarding the Company's financial results as determined by generally accepted accounting principles (GAAP), this presentation contains certain non-GAAP financial measures such as constant currency, non-GAAP operating income and margin, adjusted EBITDA and margin and free cash flow. The rationale for management's use of non-GAAP information and a reconciliation of the non-GAAP measures and the most directly comparable GAAP measures are included in the Appendix of this presentation. Non-GAAP performance measures should be considered in addition to, and not as a substitute for, results prepared in accordance with GAAP.

CONFERENCE CALL AGENDA

- » **CEO** – Business and Operations Update
- » **CFO** – Financial Results and 2020 Financial Guidance
- » **Q&A**

HIGHLIGHTS

- » Q4'19 and FY'19 revenue growth of 7% and 5%
- » Q4'19 and FY'19 adj EBITDA of \$57M and \$270M
- » Q4'19 and FY'19 non-GAAP EPS of \$0.72 and \$3.32
- » Q4'19 and FY'19 free cash flow of \$29M and \$112M
- » Record backlog of \$3.2 billion; 12-month backlog of \$1.5 billion

BACKLOG

- » Q4'19 bookings of \$767 million
- » Strong demand; Full-year Book to bill over 1:1
- » Record backlog of over \$3.2 billion
- » 12-month backlog of \$1.5 billion

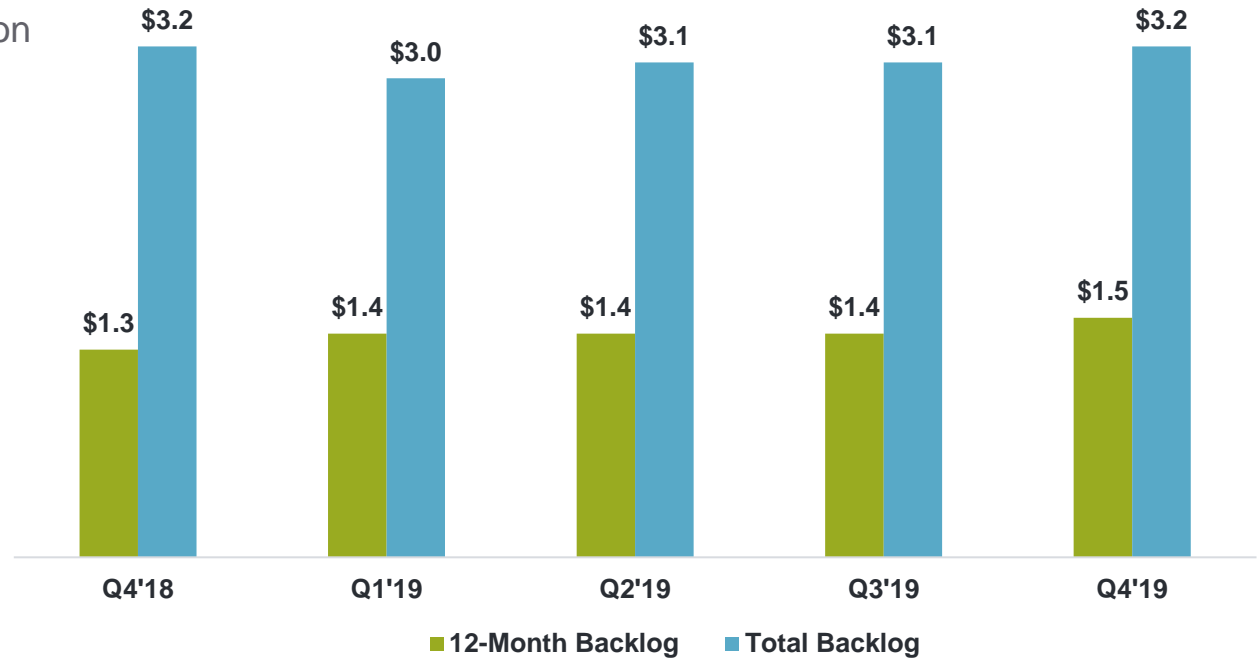


Chart in Billions, actual currency rates.



CONSOLIDATED GAAP RESULTS – Q4'19

<i>\$ in Millions (except per share amounts)</i>	Q4 2019	Q4 2018	Change
Revenue	\$628.4	\$587.0	7%
<i>Change in constant currency</i>			8%
Gross margin	28.2%	30.1%	-190 bps
Operating income	\$28.9	\$28.5	+1%
Net income attributable to Itron, Inc.	\$14.6	\$23.9	-39%
Earnings per share - diluted	\$0.36	\$0.60	-40%

- » Revenue growth of 7% YOY driven by continued strength in North America Networked Solutions
- » Gross margin of 28.2% decreased 190 bps primarily due to product mix
- » GAAP net income lower YOY driven by a higher effective tax rate reflecting unusually favorable discrete tax benefits in 2018

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



CONSOLIDATED NON-GAAP & CASH RESULTS – Q4'19

<i>\$ in Millions (except per share amounts)</i>	Q4 2019	Q4 2018	Change
Non-GAAP operating income	\$46.5	\$48.8	-5%
Non-GAAP operating margin	7.4%	8.3%	-90 bps
Non-GAAP net income attributable to Itron, Inc.	\$28.9	\$35.1	-18%
Adjusted EBITDA	\$56.8	\$58.8	-3%
Adjusted EBITDA margin	9.0%	10.0%	-100 bps
Non-GAAP earnings per share - diluted	\$0.72	\$0.88	-18%
Cash provided by operating activities	\$44.7	\$42.4	6%
Free cash flow	\$28.6	\$24.9	15%

- » Non-GAAP operating income and adj EBITDA decreased primarily due to increased product development investment
- » Non-GAAP net income decreased primarily due to a higher effective tax rate as a result of fewer discrete tax benefits
- » Cash flows increased primarily due to less cash outflows related to restructuring and acquisition-related expenses

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



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Q4 2019 Earnings Conference Call | 7

REVENUE YEAR-OVER-YEAR BRIDGE – Q4'19

US\$M

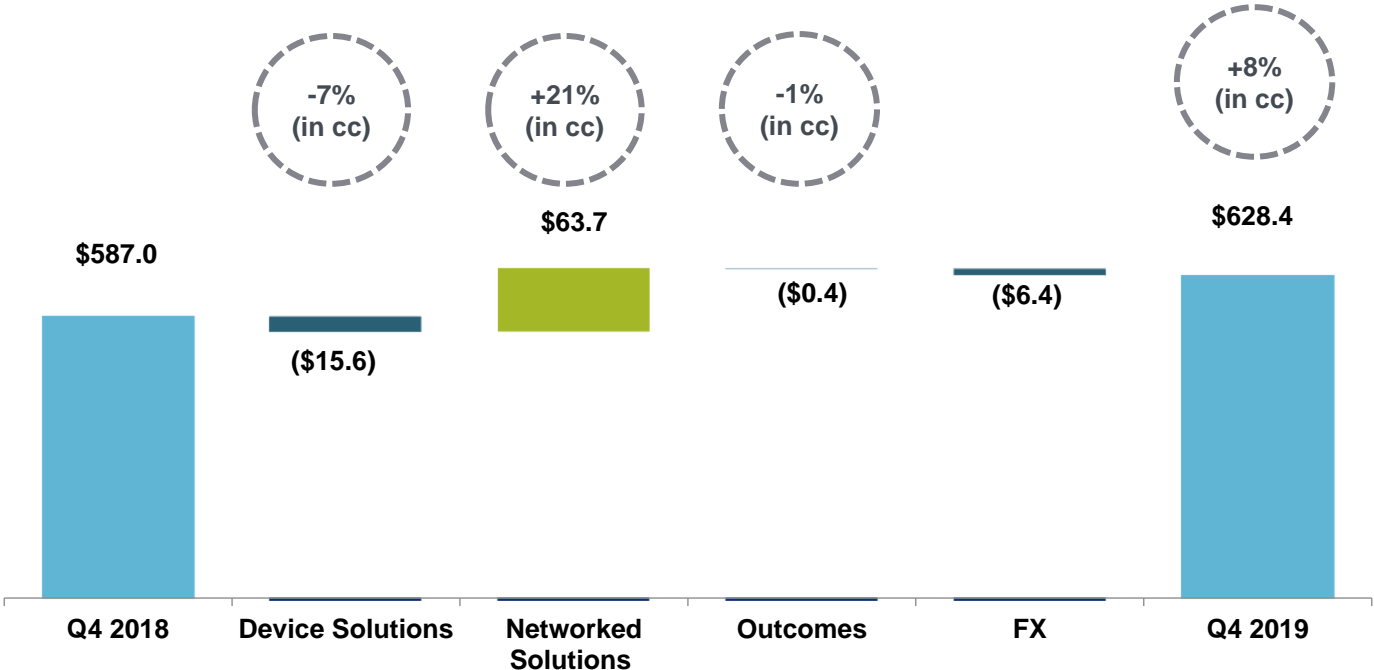


Chart in Millions, Quarterly totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.

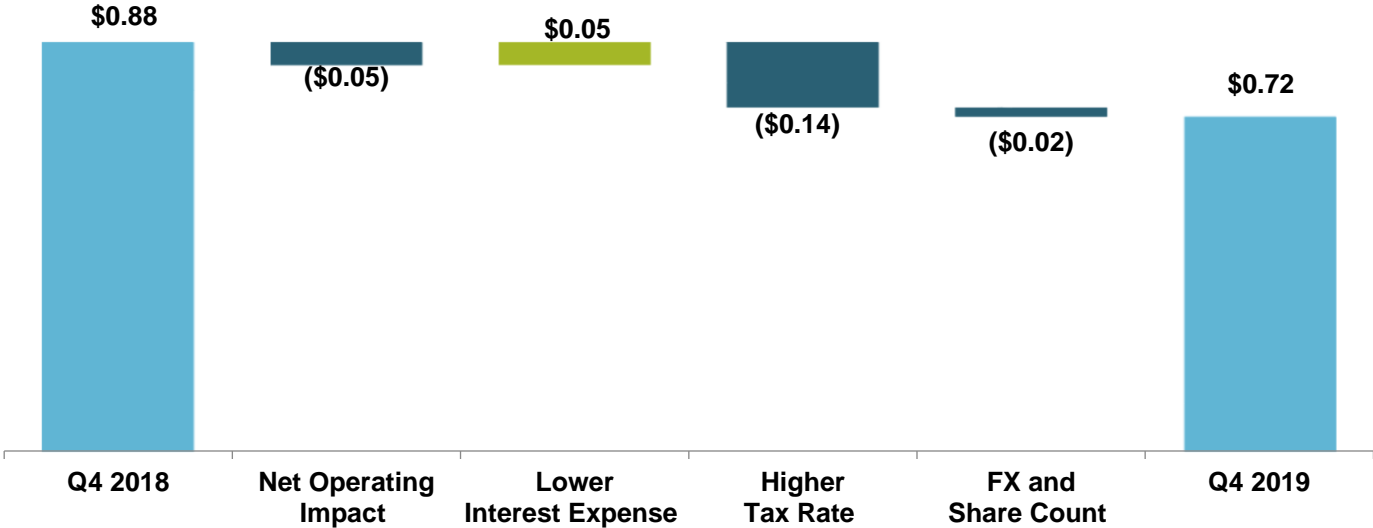


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NON-GAAP EPS YEAR-OVER-YEAR BRIDGE – Q4'19

US\$ per share

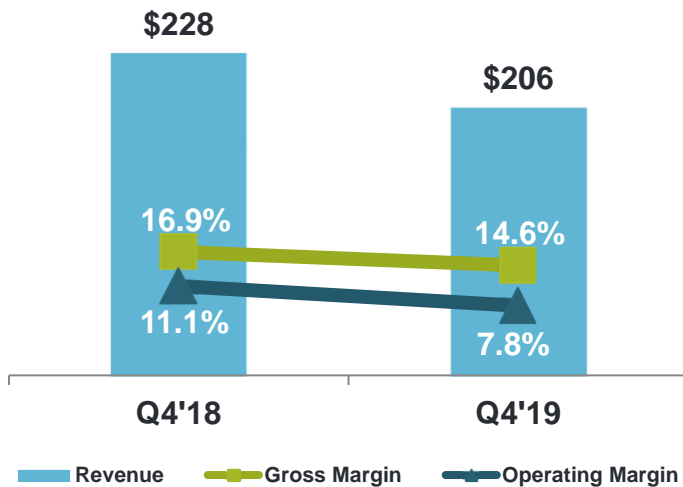


Quarterly totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.

DEVICE SOLUTIONS SEGMENT – Q4'19

REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in Millions, actual currency



» **Revenue down 9% and 7% in constant currency**

- Lower Smart Spec EMEA volumes

» **Gross margin down 230 bps**

- Unfavorable product mix

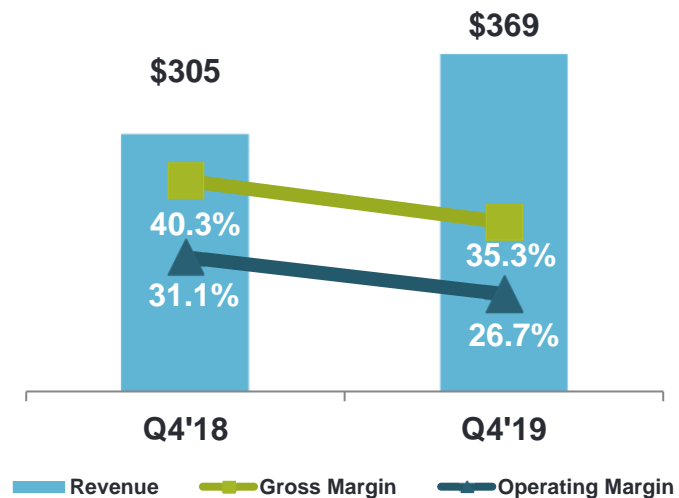
» **Operating margin down 330 bps**

- Fall through of gross margin and higher OpEx

NETWORKED SOLUTIONS SEGMENT – Q4'19

REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in Millions, actual currency

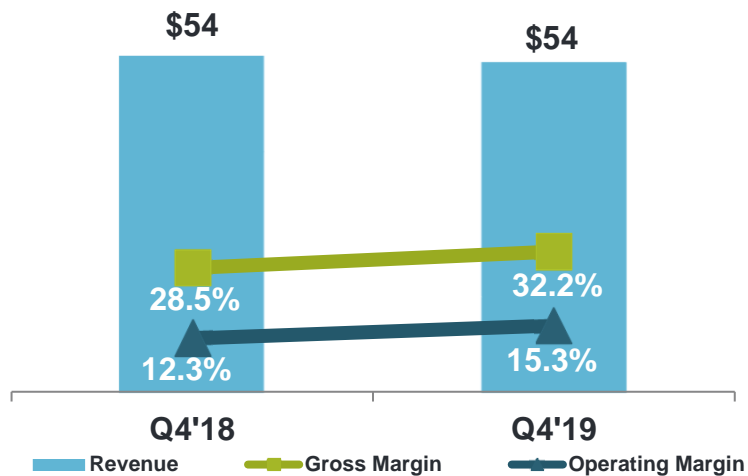


- » **Revenue +21% as reported and in constant currency**
 - Continued growth in North America connected devices
 - Customer deployments ahead of schedule
- » **Gross margin down 500 bps**
 - Unfavorable product and customer mix
- » **Operating margin down 440 bps**
 - Fall through of lower GM partially offset by improved operating leverage

OUTCOMES SEGMENT – Q4'19

REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in Millions, actual currency



» **Revenue down 1% as reported and in constant currency**

- Decrease due to a one-time customer adjustment
- Partially offset by growth in North America services revenue

» **Gross margin +370 bps**

- Product mix and increased software license sales
- Decrease from one-time customer adjustment

» **Operating margin +300 pts**

- Fall through of gross margin partially offset by higher OpEx

Q4'19 CASH, DEBT, AND LIQUIDITY

Free Cash Flow, Cash and equivalents

- » Free cash flow of \$29 million
- » FCF as a percent of revenue was 4.5%; FCF as a percent of adjusted EBITDA was 50%
- » Cash and equivalents was \$150 million

Debt

- » Total debt \$932M; Net leverage 3.0x at end of Q4'19
- » \$30 million elective prepayment on Term Loan
- » Blended interest rate decreased to 4.1%; reflective of ~70% hedged portfolio

Liquidity

- » Further liquidity is provided by a \$500M revolving credit facility

FULL YEAR 2019 SUMMARY

- » Revenue of \$2.5B up 5% vs 2018
- » Gross margin of 30.1%
- » Adj EBITDA of \$270M up 15% vs 2018
- » Non-GAAP EPS of \$3.32 up 25% vs 2018
- » FCF of \$112M, more than double 2018 results

2020 FINANCIAL GUIDANCE

- » Revenue of \$2.475 – \$2.575 billion
- » Non-GAAP diluted EPS of \$3.35 – \$3.85

Assumptions:

- Euro/USD of \$1.12
- Average shares outstanding of ~40.7 million
- Effective Tax Rate of ~25 - 27%

APPENDIX

CONSOLIDATED GAAP RESULTS – FY'19

<i>\$ in Millions (except per share amounts)</i>	FY'19	FY'18	Change
Revenue	\$2,502.5	\$2,376.1	5%
<i>Growth in constant currency</i>			<i>+8%</i>
Gross margin	30.1%	30.7%	-60 bps
Operating income	\$132.7	(\$49.7)	NM
Net income (loss) attributable to Itron, Inc.	\$49.0	(\$99.3)	NM
Earnings (loss) per share	\$1.23	(\$2.53)	NM

- » Revenue growth driven by strength in Networked Solutions and Outcomes segments
- » Operating income increase driven by higher gross profit and lower OpEx, primarily restructuring and acquisition expenses
- » Higher GAAP net income driven by significantly improved operating income

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



CONSOLIDATED NON-GAAP & CASH RESULTS – FY'19

<i>\$ in Millions (except per share amounts)</i>	FY'19	FY'18	Change
Non-GAAP operating income	\$232.4	\$191.1	22%
Non-GAAP operating margin	9.3%	8.0%	+130 bps
Adjusted EBITDA	\$270.0	\$235.8	15%
Adjusted EBITDA margin	10.8%	9.9%	+90 bps
Non-GAAP earnings per share - diluted	\$3.32	\$2.65	25%
Cash provided by operating activities	\$172.8	\$109.8	57%
Free cash flow	\$112.1	\$49.8	125%

- » Higher non-GAAP operating income and adjusted EBITDA due to improved gross profit and lower non-GAAP OpEx
- » Non-GAAP net income increase due to improved non-GAAP operating income
- » Free cash flow more than doubled due to improved profitability and lower restructuring and acquisition payments

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



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Q4 2019 Earnings Conference Call | 18

REVENUE YEAR-OVER-YEAR BRIDGE – FY'19

US\$M

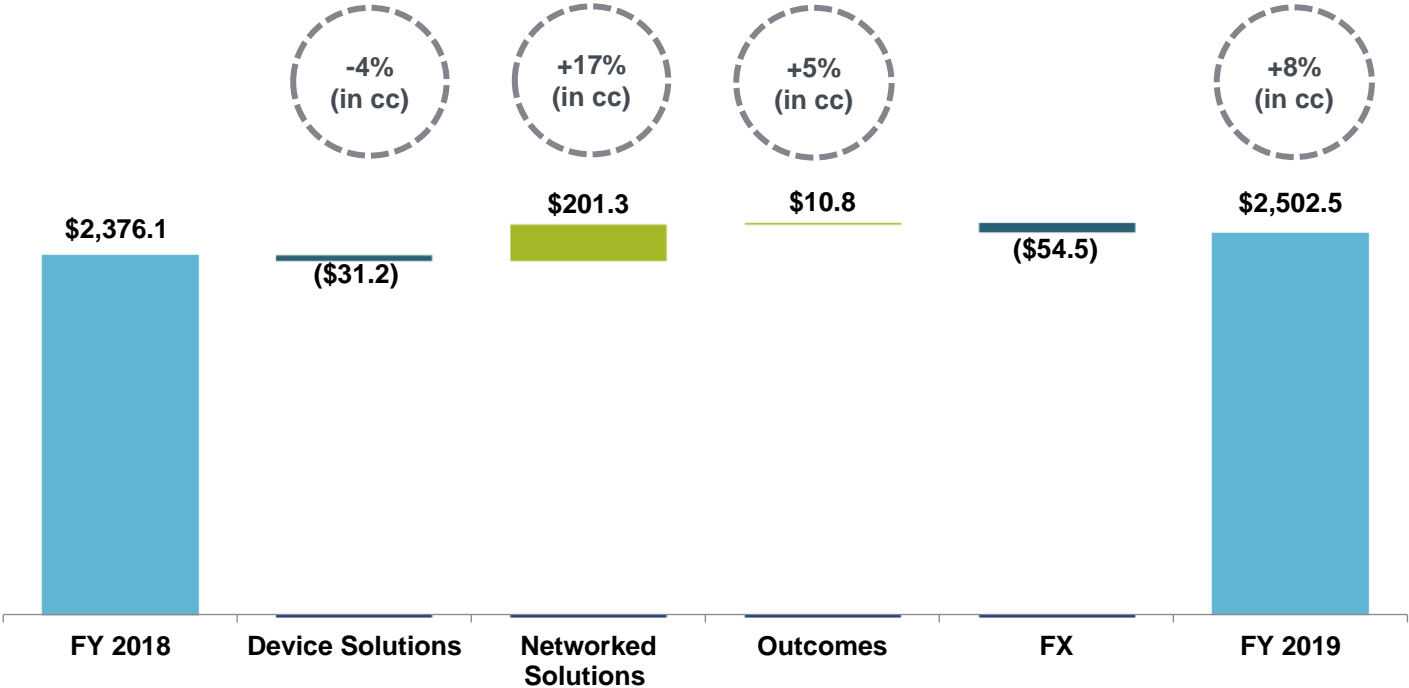
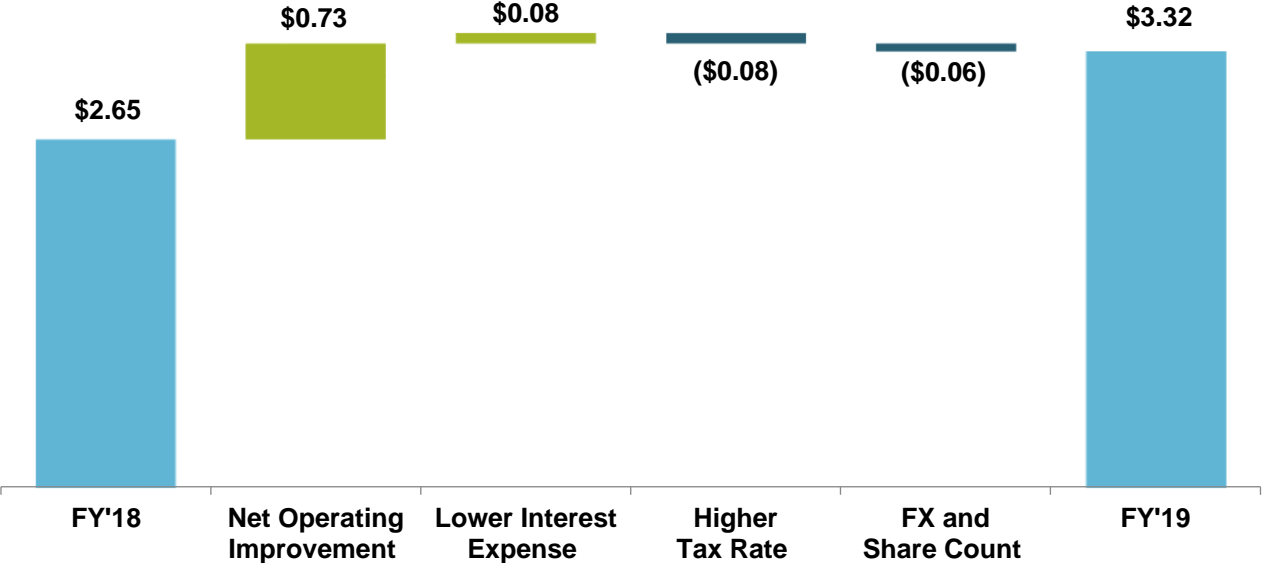


Chart in Millions, YTD totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.



NON-GAAP EPS YEAR-OVER-YEAR BRIDGE – FY'19

US\$ per share



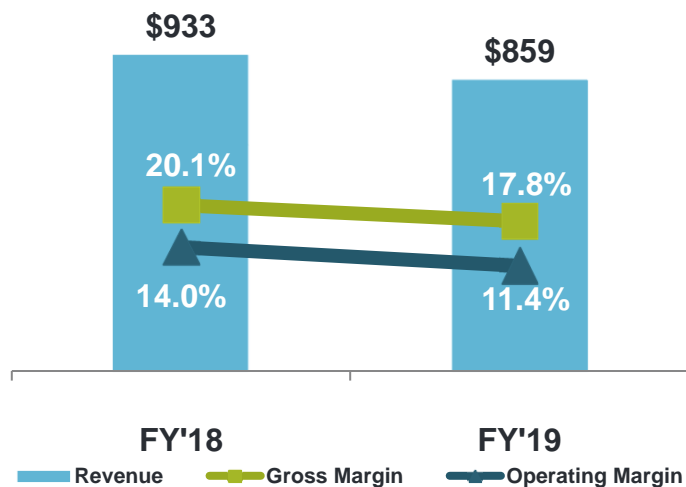
YTD totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.



DEVICE SOLUTIONS SEGMENT – FY'19

REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in Millions, actual currency



» Revenue down 8% and 4% in constant currency

- Lower Smart Spec EMEA volumes
- Impact of changes in foreign currency exchange rates

» Gross margin down 230 bps

- Unfavorable product mix

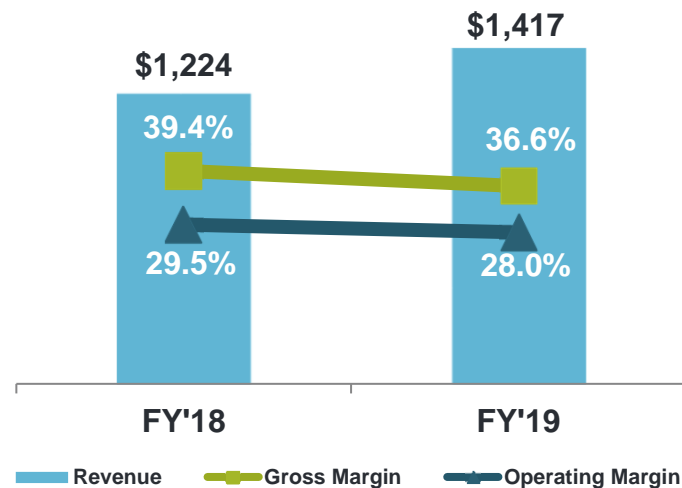
» Operating margin down 260 bps

- Impacted by fall through of lower gross margin

NETWORKED SOLUTIONS SEGMENT – FY'19

REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in Millions, actual currency



» Revenue +16% and +17% in constant currency

- Strong North America AMI market leadership continues
- Ramping new and ongoing customer deployments ahead of schedule

» Gross margin down 280 bps

- Product and customer mix

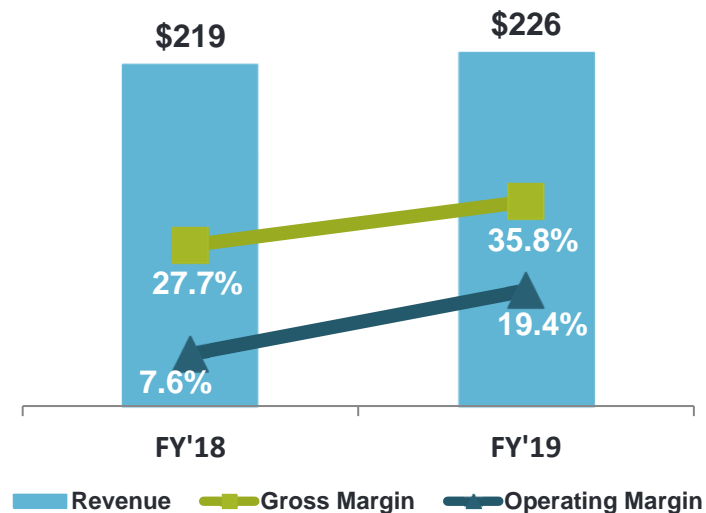
» Operating margin down 150 bps

- Fall through of lower gross margin, partially offset by improved operating leverage

OUTCOMES SEGMENT – FY'19

REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in Millions, actual currency



» Revenue +4% and +5% in constant currency

- Growth driven by North America and new deployments
- Partially offset by a one-time customer adjustment

» Gross margin +810 bps

- Favorable mix of higher-margin software
- Integration and optimization to achieve scale benefits continues

» Operating margin +1180 bps

- Improvement on higher gross margin and lower OpEx

REVENUE – FX IMPACT SUMMARY

\$ in millions

Average Euro/USD:
\$1.11 Q4'19 vs \$1.14 Q4'18

Revenue	Q4'19	YoY Change	YoY Change Excluding FX
Device Solutions	\$206.1	-9.5%	-7.1%
Networked Solutions	\$368.7	20.8%	20.9%
Outcomes	\$53.6	-1.2%	-0.8%
Total	\$628.4	7.0%	8.2%

Average Euro/USD:
\$1.12 FY'19 vs \$1.18 FY'18

Revenue	FY'19	YoY Change	YoY Change Excluding FX
Device Solutions	\$858.9	-8.0%	-3.5%
Networked Solutions	\$1,417.3	15.8%	16.6%
Outcomes	\$226.3	3.5%	5.0%
Total	\$2,502.5	5.3%	7.8%

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, 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 the quarterly earnings press release.

GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands, except per share data)

TOTAL COMPANY RECONCILIATIONS	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
NON-GAAP NET INCOME & DILUTED EPS				
GAAP net income (loss) attributable to Itron, Inc.	\$ 14,620	\$ 23,877	\$ 49,006	\$ (99,250)
Amortization of intangible assets	16,101	18,014	64,286	71,713
Amortization of debt placement fees	1,900	1,176	5,455	6,869
Restructuring	(1,407)	(5,725)	6,278	77,183
Corporate transition cost	907	—	2,520	—
Acquisition and integration related expense	2,005	8,042	26,598	91,916
Income tax effect of non-GAAP adjustments ⁽¹⁾	(5,217)	(10,249)	(21,348)	(42,700)
Non-GAAP net income attributable to Itron, Inc.	\$ 28,909	\$ 35,135	\$ 132,795	\$ 105,731
Non-GAAP diluted EPS	\$ 0.72	\$ 0.88	\$ 3.32	\$ 2.65
Weighted average common shares outstanding - Diluted	40,267	39,885	39,980	39,840
ADJUSTED EBITDA				
GAAP net income (loss) attributable to Itron, Inc.	\$ 14,620	\$ 23,877	\$ 49,006	\$ (99,250)
Interest income	(470)	(428)	(1,849)	(2,153)
Interest expense	12,554	13,883	52,453	58,203
Income tax (benefit) provision	(75)	(10,878)	20,617	(12,570)
Depreciation and amortization	28,709	30,069	114,400	122,497
Restructuring	(1,407)	(5,725)	6,278	77,183
Corporate transition cost	907	—	2,520	—
Acquisition and integration related expense	2,005	8,042	26,598	91,916
Adjusted EBITDA	\$ 56,843	\$ 58,840	\$ 270,023	\$ 235,826

- (1) The income tax effect of non-GAAP adjustments is calculated using the statutory tax rates for the relevant jurisdictions if no valuation allowance exists. If a valuation allowance exists, there is no tax impact to the non-GAAP adjustment. Effective for the first quarter of 2019, we use the budgeted annual effective tax rate (AETR) for interim periods, with adjustments for discrete items, as defined in ASC 740 - Income Taxes. This method impacts interim periods only and does not impact full year tax results, as any difference between the budgeted or revised AETR and the actual AETR for non-GAAP adjustments would be recognized in the fourth quarter of the year. If the revised methodology had been applied in the fourth quarter of 2018, non-GAAP net income would have decreased by \$950 thousand to \$34.1 million, and diluted non-GAAP EPS would have decreased by \$0.01 to \$0.87.

GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands, except per share data)

TOTAL COMPANY RECONCILIATIONS	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2019	2018	2019	2018
FREE CASH FLOW				
Net cash provided by operating activities	\$ 44,740	\$ 42,372	\$ 172,840	\$ 109,755
Acquisitions of property, plant, and equipment	(16,179)	(17,459)	(60,749)	(59,952)
Free Cash Flow	\$ 28,561	\$ 24,913	\$ 112,091	\$ 49,803
NON-GAAP OPERATING INCOME				
GAAP operating income (loss)	\$ 28,863	\$ 28,517	\$ 132,683	\$ (49,692)
Amortization of intangible assets	16,101	18,014	64,286	71,713
Restructuring	(1,407)	(5,725)	6,278	77,183
Corporate transition cost	907	—	2,520	—
Acquisition and integration related expense	2,005	8,042	26,598	91,916
Non-GAAP operating income	\$ 46,469	\$ 48,848	\$ 232,365	\$ 191,120
NON-GAAP OPERATING EXPENSES				
GAAP operating expenses	\$ 148,575	\$ 148,273	\$ 619,636	\$ 780,011
Amortization of intangible assets	(16,101)	(18,014)	(64,286)	(71,713)
Restructuring	1,407	5,725	(6,278)	(77,183)
Corporate transition cost	(907)	—	(2,520)	—
Acquisition and integration related expense	(2,005)	(8,042)	(26,598)	(91,916)
Non-GAAP operating expenses	\$ 130,969	\$ 127,942	\$ 519,954	\$ 539,199



THANK YOU

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