



# Investor Update

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May 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.

Due to the fluid nature of the COVID-19 pandemic that has had global economic impacts including disrupting global supply chains and creating market volatility, the Company estimates regarding the impact of COVID-19 on current or on forward-looking statements are made in a good faith attempt to provide appropriate insight to our current and future operating and financial environment. Materials discussed as "estimates", "insight", or "beliefs" are made as of today, May 4, 2020 and may materially change due to such factors including, but are not limited to, uncertainties caused by adverse economic conditions, extraordinary events or circumstances and their impact on our customers' businesses and workforce levels, disruptions of our business and operations, including limitations on, or closures of, our facilities, or the business and operations of our customers or suppliers. For more information on risks associated with the COVID-19 pandemic, please see Itron's filings with the SEC.

# OUR PURPOSE AND VISION

## ITRON IS DEDICATED TO CREATING A MORE RESOURCEFUL WORLD

We believe that the way we manage energy and water will define this century.

By working with our customers to ensure their success, we can **improve the quality of life, ensure the safety and promote the well-being of people** around the globe.



# ITRON AT-A-GLANCE

Itron enables utilities and cities to safely, securely and reliably deliver critical infrastructure services that measure, manage, and provide data analytics that enable them to responsibly and efficiently manage resources in the communities they serve. With over 40 years of experience and over...



**8,000**

CUSTOMERS IN  
100 COUNTRIES



**>200M**

COMMUNICATING  
ENDPOINTS



**>60M**

ENDPOINTS UNDER  
MANAGEMENT



**~3M**

STREETLIGHTS UNDER  
MANAGEMENT



**7,900**

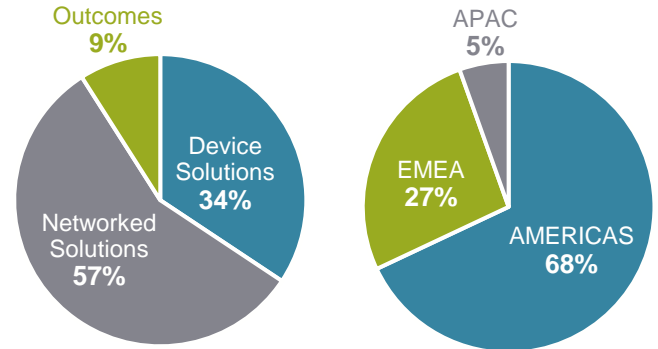
PEOPLE  
ACROSS THE GLOBE



**+250**

PARTNERS IN A BROAD  
ECOSYSTEM OF SOLUTIONS

**\$2.5B 2019 REVENUE  
& REVENUE MIX OF:**



With a Q1'2020:

**>\$3.0B**  
BACKLOG

**>\$1.3B**  
12-MONTH BACKLOG

Note: Revenue reported year ending December 31, 2019 and Backlog as of March 31, 2020, all other data points rounded or estimated based on internal Itron source material

# STATE OF THE BUSINESS

## Q1'20 performance dampened by COVID-19

- » Q1 revenue decreased 1% YOY in constant currency due to disruptions related to COVID-19
- » Sufficient liquidity to fund operations with Cash and Equivalents of \$555 million
- » Total backlog of \$3.0B and 12-month backlog of \$1.3B as of March 31 is similar to prior year

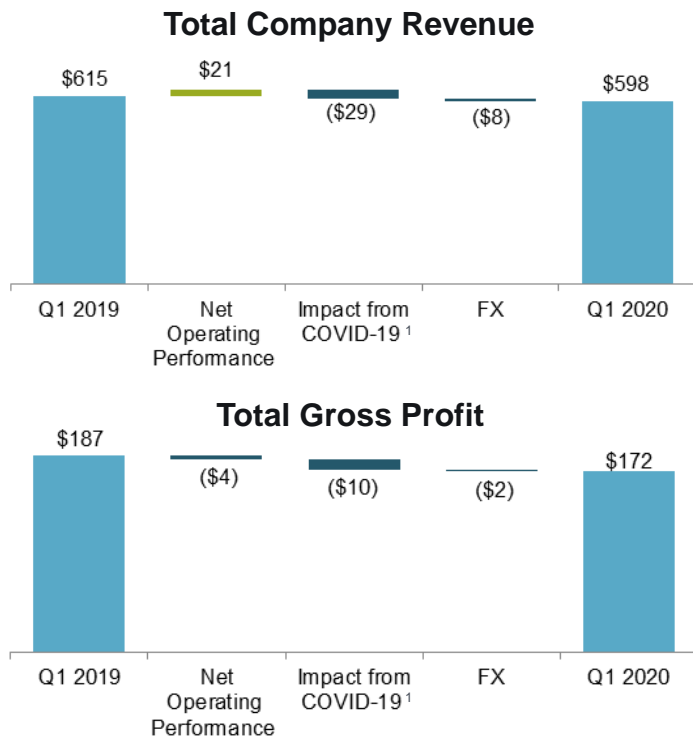
## The operational impact of COVID-19 remains fluid

- » Our priority is the health and safety of our employees while meeting the customer demand
- » Suspended full year 2020 financial guidance due to uncertainty of impact; Provided insight into Q2'20
- » Actively monitoring “key signals” for the recovery

## Long-term strategy remains intact

- » Extending leadership position in smart energy and smart city solutions
- » Converged product portfolio of Gen X network and Riva Distributed Intelligent devices
- » Partnering with utilities through strategic initiatives to support smart city and smart community programs

# NAVIGATING COVID-19 IMPACT IN Q1'20



Note: The above figures include rounded numbers.

1. The estimated impact from COVID-19 is based on management's best estimates.

## » Employees

- Our employee's health and safety is our priority; Instituted additional processes to protect them
- Implemented social distancing, extended sick leave, and work from home where possible

## » Customers

- Remain dedicated to supporting our customers who provide critical infrastructure
- Some temporal deployment delays; Working with customers and governments on timing to resume

## » Supply Chain

- Temporarily suspended production in some facilities, but ramp-up now in process in a safe manner
- Constrained component and logistics landscape; Seeing recovery in earliest hit regions

# INDUSTRY AND ITRON OVERVIEW

# DYNAMIC FORCES IMPACTING OUR INDUSTRY

Recent pandemic highlights critical role Itron technology plays in utility eco-system

## INFRASTRUCTURE



- » Managing Demand Needs
- » Aging Infrastructure
- » Grid Security
- » Clean Energy & Storage
- » Electric Vehicles

## ENVIRONMENTAL



- » Remote Pandemic Management
- » Extreme Weather
- » Resource Sustainability
- » Safety and Prevention
- » Monitoring and Management

## SOCIAL



- » Supporting Critical Need Customers
- » Enhanced Customer Experience
- » Global Urbanization
- » Internet of Things
- » Generating “Big Data”

**Itron enables customers to leverage the power of a smart platform**



# IN A RESILIENT INDUSTRY, OUR PATH TO RECOVERY

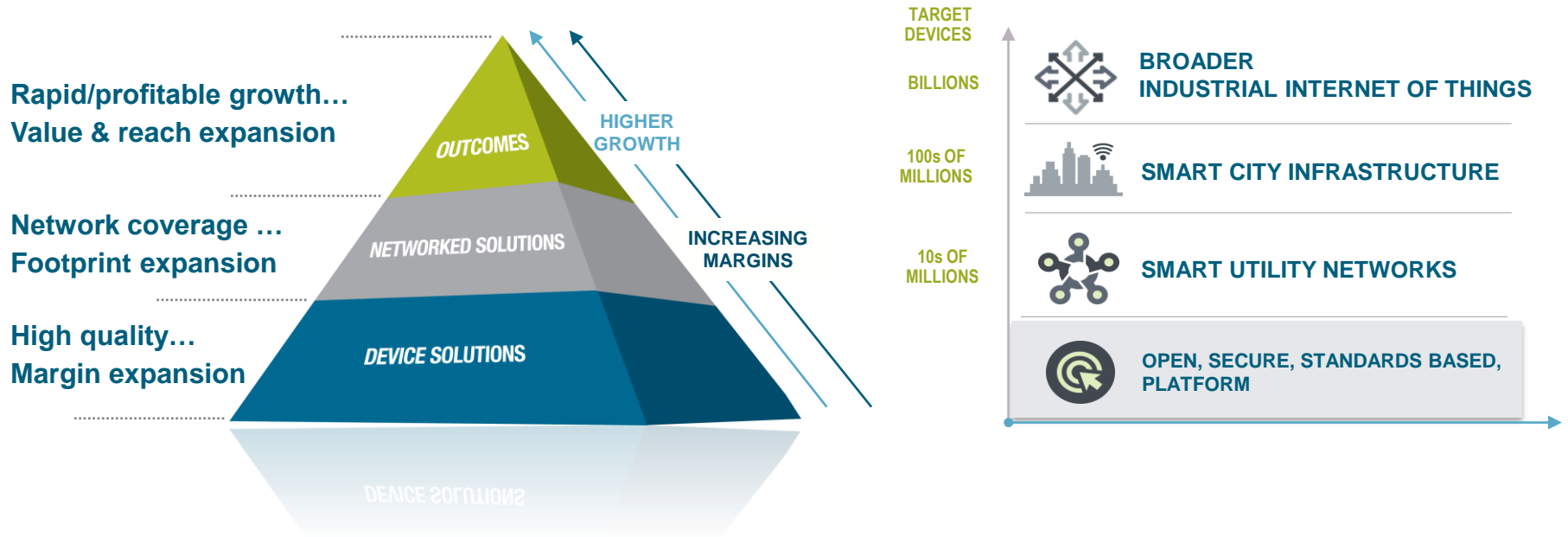
Leading indicators to signal that Itron's operating environment is improving

- » Local shelter in place restrictions being lifted / local businesses reopening
- » Itron local factories being operational
- » Global supply chain & logistics stabilization
- » Existing projects and deployments resume
  - » Anticipate Larger IOU and State Grids to recover faster
  - » Smaller utilities and municipalities may face near term challenges
- » Customer capital is prioritized to new projects and deployments
- » Regulatory cycle in current economic conditions



# OUR MODEL SUPPORTS CRITICAL INFRASTRUCTURE

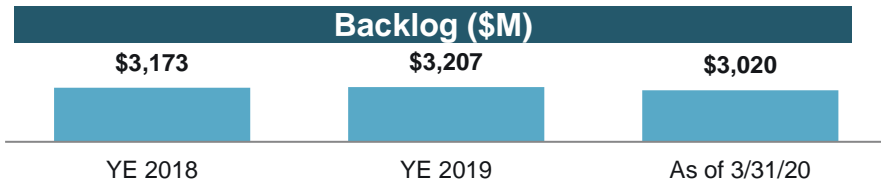
Solutions via open standards-based technology that transcend multiple verticals



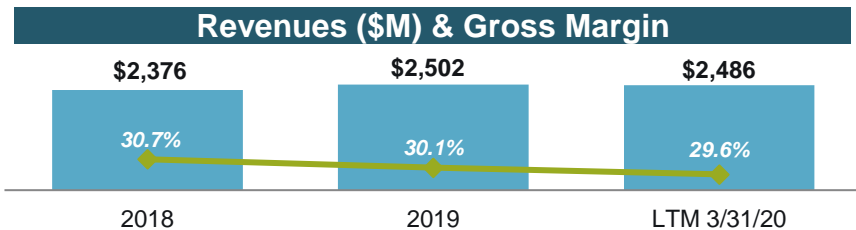
Unified go-to-market organization, focused on accelerating growth and delivering customer success

# FINANCIAL PERSPECTIVES

# TRENDED FINANCIAL METRICS

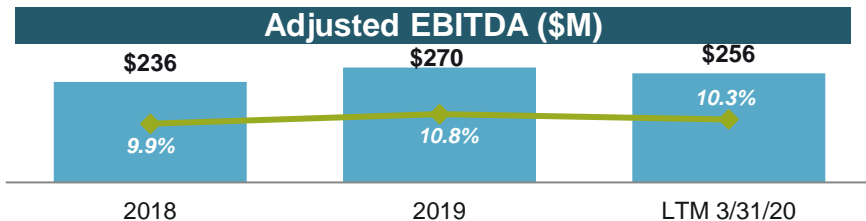


» Strong backlog with multi-year projects

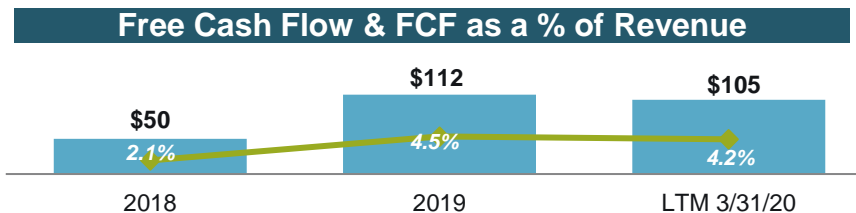


» Q1'20 impact from COVID-19 related delays impact LTM

» Early stages in rotation to higher growth smart solutions;



» Positioned for strong FCF as operating environment improves



# DEBT AND LIQUIDITY OVERVIEW

US\$M



1. Total debt includes unamortized prepaid debt fees.

## Debt

- » Net leverage 3.1x at end of Q1'20
- » No debt payments due in 2020
- » Term Loan due 2024 and Senior Note 2026

## Free Cash Flow and Liquidity

- » Free cash flow of \$6 million
- » \$400M draw on revolving credit facility to ensure sufficient liquidity in an uncertain environment
- » Cash and equivalents was \$555 million
- » Capital priority is cash conservation
- » Post-COVID priority repay revolver and delever

# Q2'20 INSIGHT

- » Suspending prior full year 2020 guidance due to uncertainty around the impact of COVID-19
- » Insight into Q2'20:
  - Revenue between \$475M - \$500M
  - Non-GAAP EPS between negative \$(0.30) - \$(0.10)
  - Free Cash Flow of negative \$(85)M to \$(70)M
- » Anticipate Q2'20 being the low point for these metrics

# ITRON INVESTMENT THESIS

## POSITIONED TO NAVIGATE NEAR-TERM



Support a Resilient Industry  
with Critical Utility and  
Smart City Infrastructure



Only U.S.-based  
Industrial IoT “pureplay”  
in our industry



Sufficient Liquidity and  
no Debt payments due  
in 2020

## BUILT FOR THE LONG-TERM



Improving Operating  
Leverage and Earnings Power



Positioned for  
Free Cash Flow  
Growth



ESG Principles  
Embedded in DNA

# APPENDIX



# Q1'2020 ITRON SUMMARY OF RESULTS

# CONSOLIDATED GAAP RESULTS – Q1'20

<i>\$ in millions (except per share amounts)</i>	Q1 2020	Q1 2019	Change
Revenue	<b>\$598.4</b>	\$614.6	-3%
<i>Change in constant currency</i>			-1%
Gross margin	<b>28.7%</b>	30.5%	-180 bps
Operating income	<b>\$26.4</b>	\$20.8	27%
Net income attributable to Itron, Inc.	<b>\$8.7</b>	(\$1.9)	NM
Earnings per share - diluted	<b>\$0.21</b>	(\$0.05)	NM

- » Revenue down 3% YOY driven primarily by missed shipments or logistics delays due to COVID-19
- » Gross margin of 28.7% decreased 180 bps primarily due to the impact of product mix and manufacturing inefficiencies
- » GAAP net income improved YOY due to lower acquisition and amortization expenses and a lower GAAP effective tax rate

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

# CONSOLIDATED NON-GAAP & CASH RESULTS – Q1'20

<i>\$ in millions (except per share amounts)</i>	Q1 2020	Q1 2019	Change
Non-GAAP operating income	<b>\$38.5</b>	\$56.7	-32%
Non-GAAP operating margin	<b>6.4%</b>	9.2%	-280 bps
Non-GAAP net income attributable to Itron, Inc.	<b>\$23.0</b>	\$27.9	-18%
Non-GAAP earnings per share - diluted	<b>\$0.57</b>	\$0.70	-19%
Adjusted EBITDA	<b>\$52.0</b>	\$65.8	-21%
Adjusted EBITDA margin	<b>8.7%</b>	10.7%	-200 bps
Net cash provided by operating activities	<b>\$18.9</b>	\$24.9	-24%
Free cash flow	<b>\$6.3</b>	\$13.5	-53%

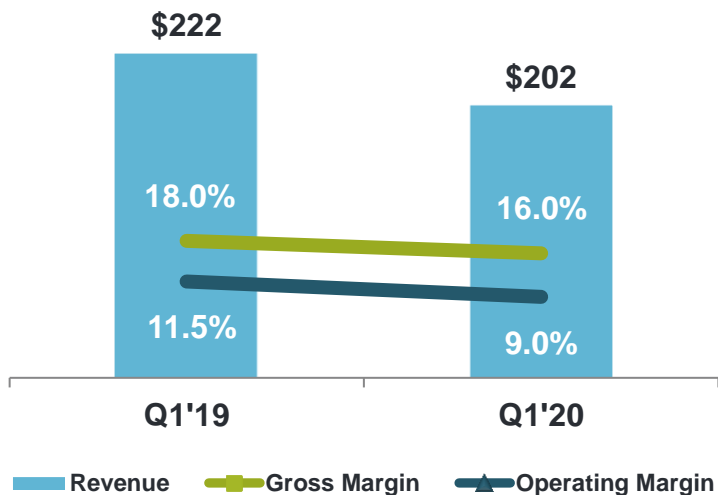
- » Non-GAAP op inc and adj EBITDA decreased due to lower gross profit and increased product development investment
- » Non-GAAP net income decreased primarily due to lower non-GAAP operating income
- » Free cash flow decreased to \$6.3M from \$13.5M in the prior year

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

# DEVICE SOLUTIONS SEGMENT – Q1'20

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in Millions, actual currency



### » Revenue down 9% and 6% in constant currency

- Decrease primarily due to COVID-19 related delays

### » Gross margin down 200 bps

- Due to product mix and manufacturing inefficiencies

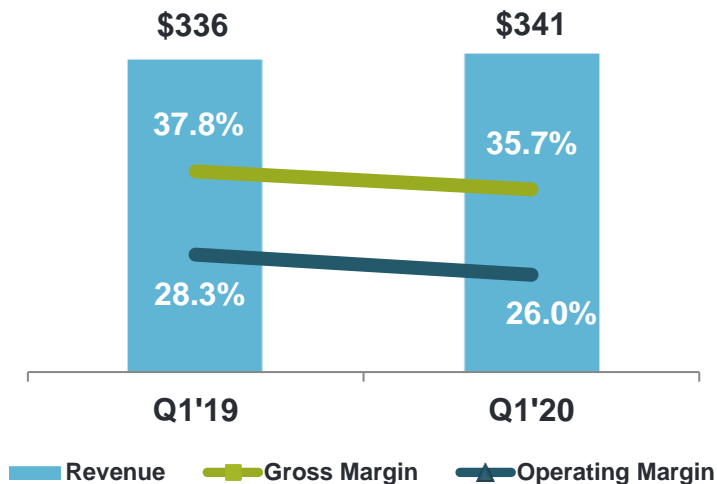
### » Operating margin down 250 bps

- Fall through of lower gross profit

# NETWORKED SOLUTIONS SEGMENT – Q1'20

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in Millions, actual currency



### » Revenue +1% as reported and in constant currency

- Continue strength in North America AMI deployments
- Offset by missed shipments and delays related to COVID-19

### » Gross margin down 210 bps

- Due to product mix and manufacturing inefficiencies
- Higher deployment costs

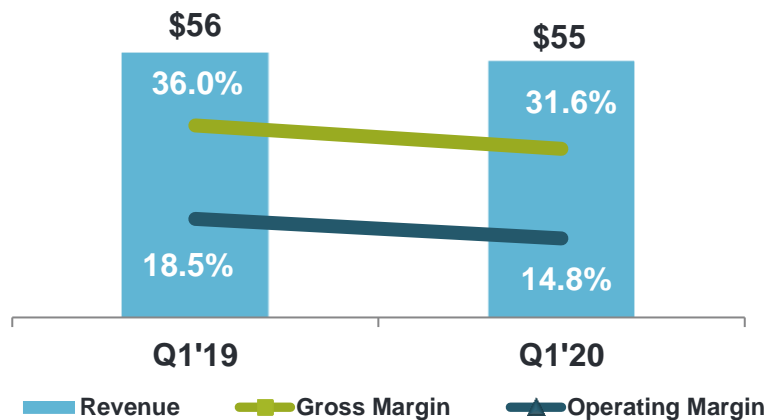
### » Operating margin down 230 bps

- Increased investment in product development

# OUTCOMES SEGMENT – Q1'20

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in Millions, actual currency



- » **Revenue down 2% and 1% in constant currency**
  - Decrease due to timing of customer projects
- » **Gross margin down 440 bps**
  - Tough YoY compare with strong mix of higher-margin software in Q1'19
- » **Operating margin down 370 bps**
  - Fall through of lower gross margin partially offset by lower OpEx

# 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 March 31,	
	2020	2019
<b>NON-GAAP OPERATING EXPENSES</b>		
GAAP operating expenses	\$ 145,196	\$ 166,440
Amortization of intangible assets	(11,165)	(15,973)
Restructuring	248	(7,262)
Corporate transition cost	40	(1,083)
Acquisition and integration related expense	(1,272)	(11,565)
Non-GAAP operating expenses	<u>\$ 133,047</u>	<u>\$ 130,557</u>
<b>NON-GAAP OPERATING INCOME</b>		
GAAP operating income	\$ 26,370	\$ 20,823
Amortization of intangible assets	11,165	15,973
Restructuring	(248)	7,262
Corporate transition cost	(40)	1,083
Acquisition and integration related expense	1,272	11,565
Non-GAAP operating income	<u>\$ 38,519</u>	<u>\$ 56,706</u>
<b>NON-GAAP NET INCOME &amp; DILUTED EPS</b>		
GAAP net income (loss) attributable to Itron, Inc.	\$ 8,684	\$ (1,907)
Amortization of intangible assets	11,165	15,973
Amortization of debt placement fees	963	1,156
Restructuring	(248)	7,262
Corporate transition cost	(40)	1,083
Acquisition and integration related expense	1,272	11,565
Income tax effect of non-GAAP adjustments	1,173	(7,242)
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 22,969</u>	<u>\$ 27,890</u>
Non-GAAP diluted EPS	<u>\$ 0.57</u>	<u>\$ 0.70</u>
Weighted average common shares outstanding - Diluted	<u>40,474</u>	<u>40,066</u>



# GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands, except per share data)

## TOTAL COMPANY RECONCILIATIONS

	Three Months Ended March 31,	
	2020	2019
<b>ADJUSTED EBITDA</b>		
GAAP net income (loss) attributable to Itron, Inc.	\$ 8,684	\$ (1,907)
Interest income	(553)	(328)
Interest expense	11,277	13,535
Income tax provision	7,550	6,121
Depreciation and amortization	24,031	28,427
Restructuring	(248)	7,262
Corporate transition cost	(40)	1,083
Acquisition and integration related expense	1,272	11,565
Adjusted EBITDA	<u>\$ 51,973</u>	<u>\$ 65,758</u>
<b>FREE CASH FLOW</b>		
Net cash provided by operating activities	\$ 18,894	\$ 24,924
Acquisitions of property, plant, and equipment	(12,602)	(11,415)
Free Cash Flow	<u>\$ 6,292</u>	<u>\$ 13,509</u>

# ITRON ACRONYM GLOSSARY

AMI = Advanced Metering Infrastructure

AMM = Advanced Metering Manager, SSNI Product Name

AMR = Automated Meter Reading

ASP = Average Selling Price

AP = Access Point

BOM = Bill of Material(s)

BYOD = Bring Your Own Device

BYOT = Bring Your Own Thermostat

C & I = Commercial and Industrial

CAGR = Compounded Annual Growth Rate

CCE = Commercial and Customer Enablement

CDMA = Code Division Multiple Access

CGR = Connected Grid Router

CM = Contract Manufacturer / Manufacturing

DA = Distribution Automation

DEM = Distributed Energy Management

DER = Distributed Energy Resources

DERMS = Distributed Energy Resource Management

DI = Distributed Intelligence

DNO = Device Solutions, Networked Solutions, Outcomes

EDI = Electronic Data Interchange

ERP = Enterprise Resource Planning

ERT = Encoder Receiver Transmitter

FAN = Field Area Network

GENX = Generation 2, 3, 4, and 5 of the Silver Spring Networks platform

GDPR = General Data Protection Regulation

IaaS = Infrastructure as a Service

IEC = International Electrotechnical Commission

IMP = Itron Mobile Platform

INS = Itron Networks Segment

IOU = Investor Owned Utility

IoT = Internet of Things

LoRa = "LOng RANge" (Marketing Alliance)

LPWAN = Low Power Wide Area Network

LTE = Long Term Evolution

M2C = Meter to Cash

M2M = Machine to Machine

MDM = Meter Data Management

MV = Multi Vender

NaaS = Network as a Service

NB-IoT = Narrow Band Internet of Things

NEMA = National Electrical Manufacturers Association

NIC = Network Interface Card

NMS = Network Management System

OaaS = Outcome as a Service

OCOGS = Operating Cost of Goods Sold

OFDM = Orthogonal Frequency Division Multiplexing

O&M = Operation and Maintenance

OWR = OpenWay Riva

PaaS = Platform as a Service

PBU = Product Business Unit

PCBA = Printed Circuit Board Assembly

PLC = Power Line Carrier

RF = Radio Frequency

RPMA = Random Phase Multiple Access

S & OP = Sales and Operations Planning

S & OE = Sales and Operations Execution

SaaS = Software as a Service

SLV = Streetlight Vision

SS = Spread Spectrum

TAM = Total Available Market

TDMA = Time Division Multiple Access

TCO = Total Cost of Ownership

TMC = Total Manufacturing Cost

UIQ = Utility IQ, Product Name

Wi-Fi = Wireless Fidelity

WW = World Wide

VAVE = Value Analysis and Value Engineering

VVO = Voltage Var Optimization

# THANK YOU

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