



Philip Mezey

President and Chief Executive Officer

Mark Schmitz

Executive Vice President and Chief Financial Officer

Barbara Doyle

Vice President, Investor Relations

Fourth Quarter 2016
Earnings Conference Call
February 28, 2017

SAFE HARBOR

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

CONFERENCE CALL AGENDA

- » **CEO – Business Highlights and Operations Update**
- » **CFO – Financial Results and FY'17 Financial Guidance**
- » **Q&A**

Q4'16 BUSINESS HIGHLIGHTS

Successfully Executing our Predictability, Profitability & Growth Objectives

» Revenues increased 1%, excluding FX impacts

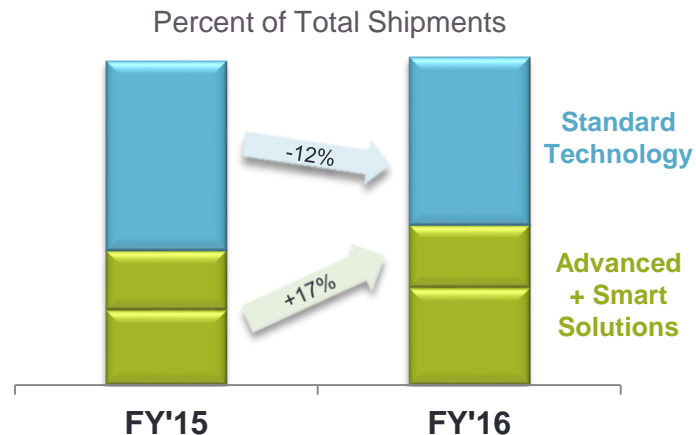
- Electricity up 13% year-over-year (+15% in CC)
- Smart solutions driving robust North American Electricity growth
- Global investment in smart grid infrastructure & projects continues to move forward

» Adjusted EBITDA of 11% of revenue

- Growth in smart solutions and higher gross margin
- Operational and restructuring benefits
- Increased operational rigor and predictability

» Healthy bookings and backlog

- Q4'16 book-to-bill of 1.3:1
- Book-to-bill greater than 1:1 in each segment
- Total ending backlog of \$1.7B up 5% over 2015



Benefits from our investment in advanced and smart solutions continues to drive Itron's business

- OpenWay Riva™ platform, IDEA labs, TOTAL Outcomes
- Purposeful reduction in standard technology business

PURPOSEFUL IMPROVEMENTS

Predictability

- Increased operational discipline and company-wide coordination
- Unified and aligned incentive plans
- Increased discipline in portfolio management at segment and product level
- Reduced tax volatility
- Exceeded financial guidance

Profitability

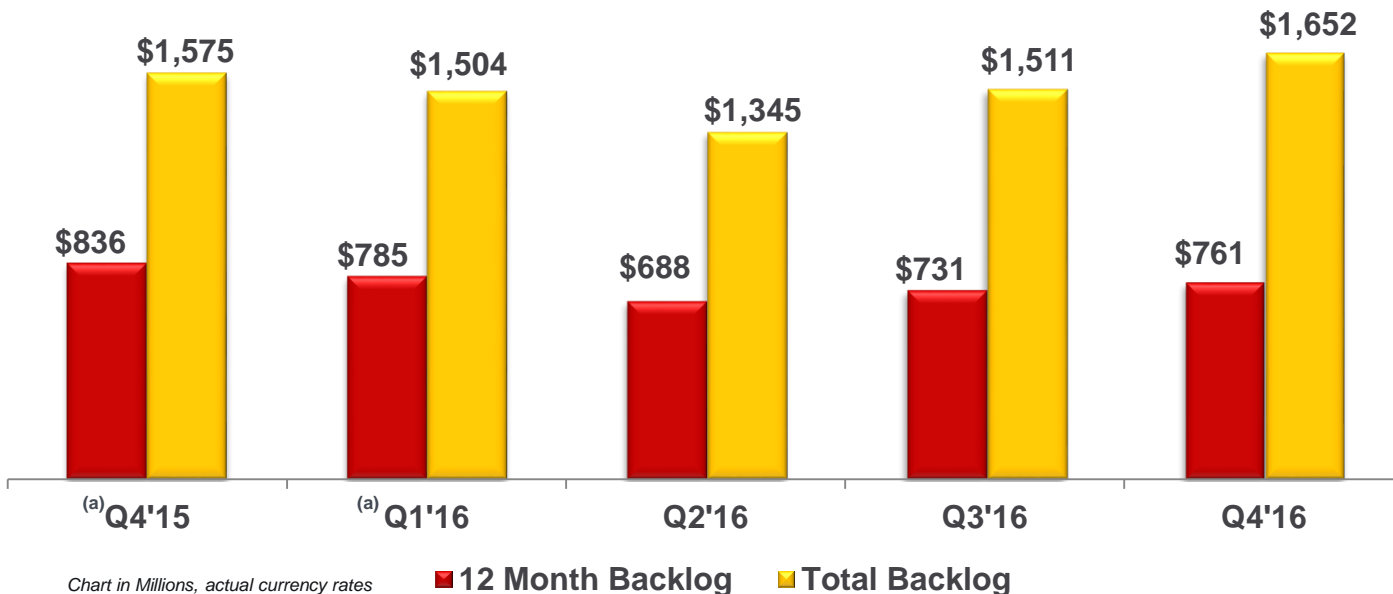
- New SVP of Supply Chain
- Elevated focus on quality
- Revised product development process for R&D effectiveness
- Continued focus on geographic profitability measures and decisions
- 9% YoY reduction in G&A staff through efficiencies

Growth

- Consolidated sales pipeline and operational planning processes
- Accelerated cloud based solutions to compliment Riva[®] platform capability
- Created Itron Idea Labs for product / business innovation
- Enhanced our Corporate Development team & process

Q4'16 QUARTERLY BACKLOG

- Q4'16 bookings of \$653M; book-to-bill ratio of 1.3:1 and each segment >1:1
- More than \$325M in projects announced but not yet booked as of year-end 2016



(a) Q4'15 and Q1'16 quarterly backlog balances were previously revised to reflect the impact of prior period accounting revisions consistent with the 2015 Form 10-K

Q4'16 REVENUE YEAR-OVER-YEAR BRIDGE

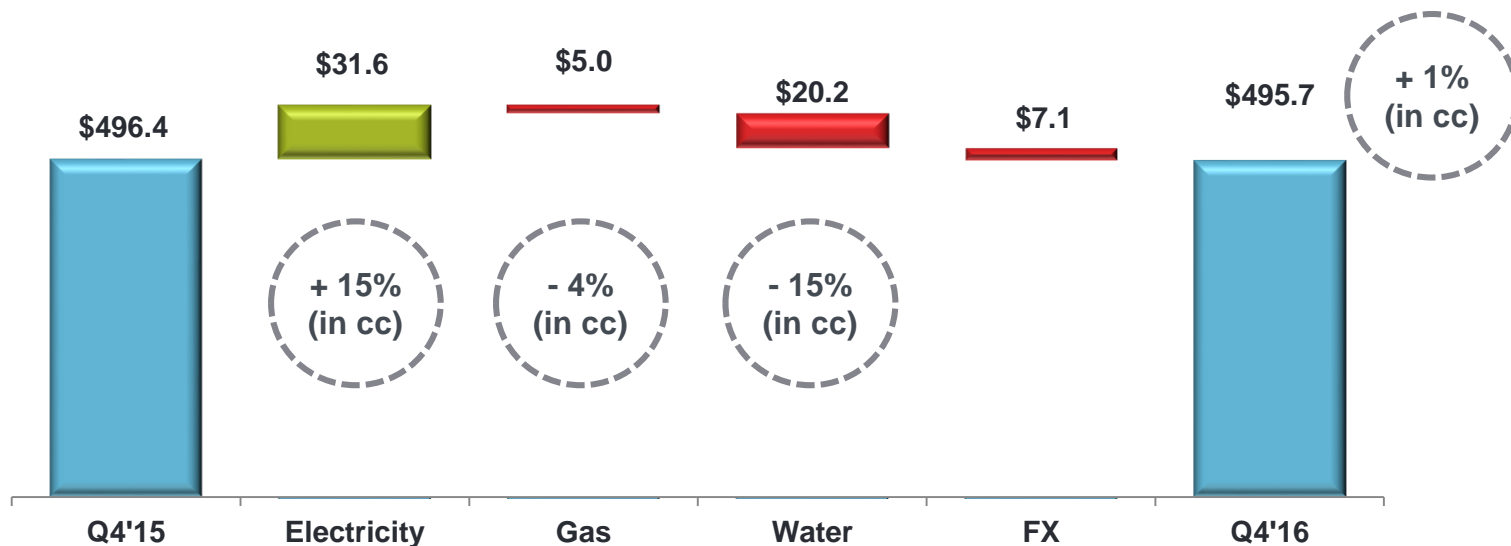
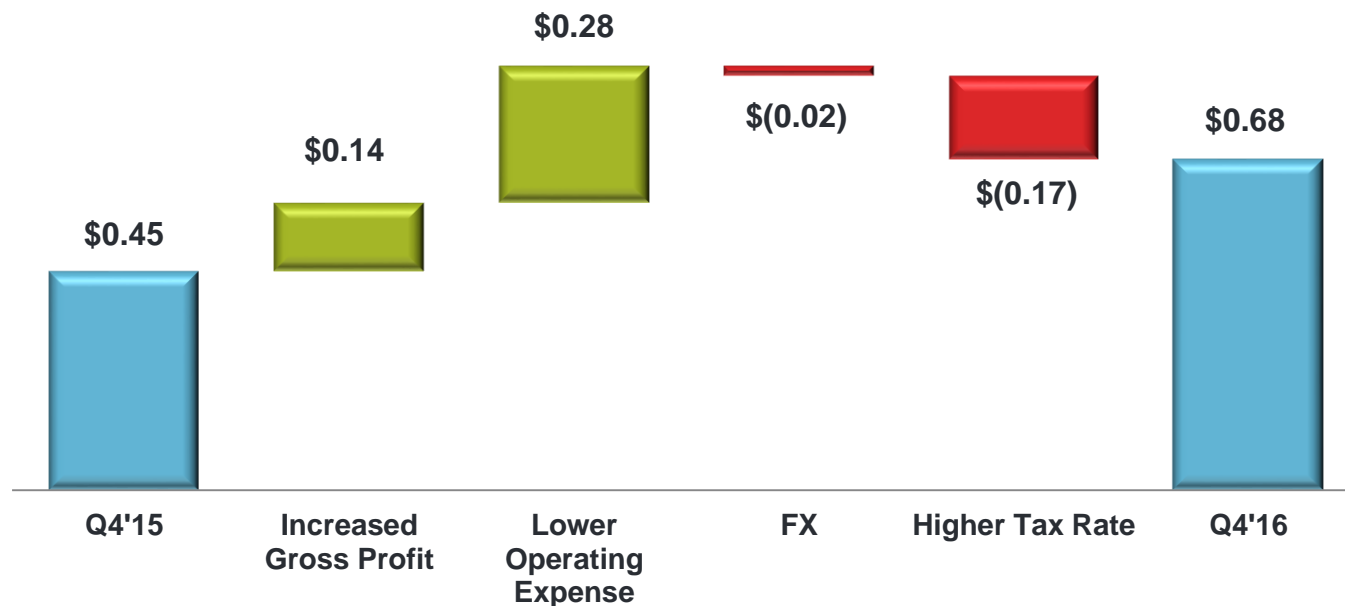


Chart in Millions, actual currency rates

Q4'16 NON-GAAP EPS YEAR-OVER-YEAR BRIDGE



Actual currency rates

CONSOLIDATED GAAP RESULTS – Q4'16

<i>\$ in millions (except per share amounts)</i>	Q4'16	Q4'15	Change
Revenue	\$495.7	\$496.4	-0.1%
<i>Growth in constant currency</i>			<i>+1.3%</i>
Gross margin	31.6%	30.7%	+90 bps
Operating income	\$30.8	\$16.4	+\$14.4
Net income attributable to Itron	\$11.6	\$9.0	+\$2.7
Earnings per share - diluted	\$0.30	\$0.23	+\$0.07
Cash provided by operating activities	\$34.0	\$53.2	-\$19.2

- » Gross margin increased 90 bps due to higher smart volumes and favorable smart vs. standard mix. Lower special warranty costs offset increased variable compensation.
- » Higher operating income resulting from improved gross margin and lower legal expense in G&A offsetting higher variable compensation and restructuring
- » Improvement in net income due to higher operating income partially offset by higher effective tax rate due to taxable income by jurisdiction, timing of R&D tax credit and other discrete items

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

CONSOLIDATED NON-GAAP RESULTS – Q4'16

<i>\$ in millions (except per share amounts)</i>	Q4'16	Q4'15	Change
Non-GAAP operating income	\$44.7	\$25.9	+\$18.8
Non-GAAP operating margin	9.0%	5.2%	+380 bps
Non-GAAP net income attributable to Itron	\$26.4	\$17.4	+\$9.0
Adjusted EBITDA	\$53.9	\$34.4	+\$19.4
Adjusted EBITDA margin	10.9%	6.9%	+400 bps
Free cash flow	\$21.0	\$42.6	-\$21.6

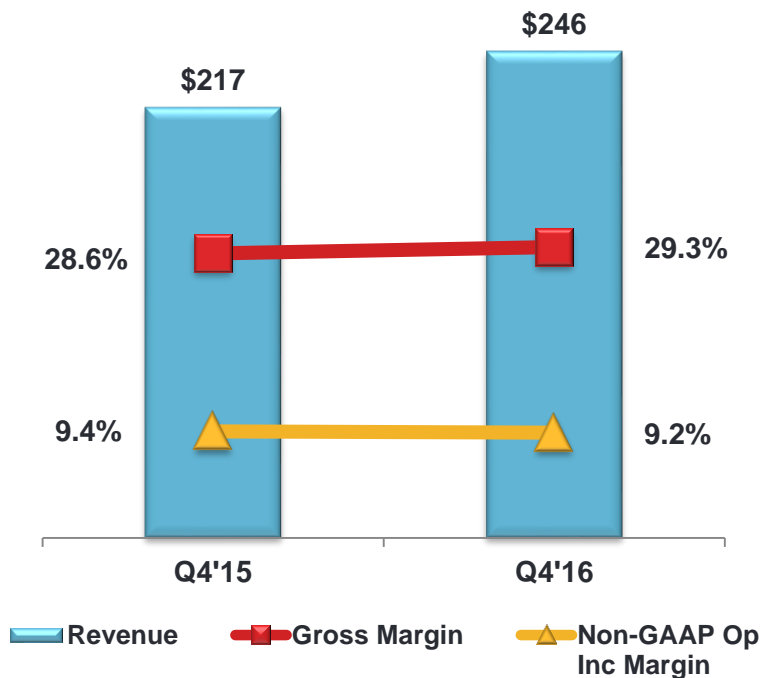
- » Higher non-GAAP operating income and adjusted EBITDA driven by improved gross margin and lower legal expense in G&A offsetting higher variable compensation
- » Higher non-GAAP net income due to improved non-GAAP operating margin partially offset by higher effective tax rate due to taxable income by jurisdiction, timing of R&D tax credit and other discrete items
- » Lower free cash flow driven by timing of accounts payables, timing of remittances on certain large contracts in Q4'15 and an increase of \$2.4 million in capital expenditures

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

ELECTRICITY SEGMENT - Q4'16

REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

\$ in millions, actual currency



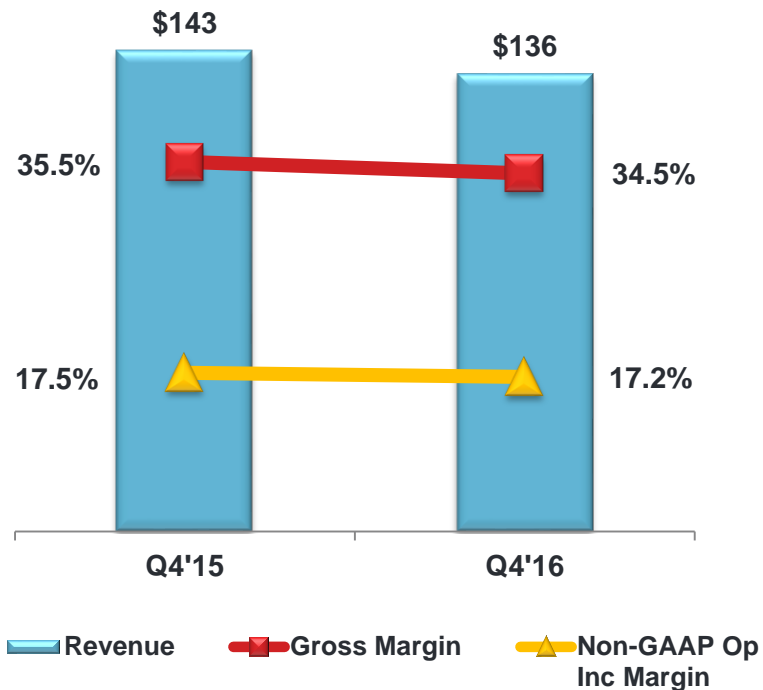
- » **Revenue growth +13% and +15% in constant currency**
 - Increased global smart metering volumes
 - Strong growth from North American projects
- » **Gross margin +70 basis points**
 - Increased total volumes with favorable smart vs standard mix
 - Restructuring benefits and manufacturing efficiencies
- » **Non-GAAP operating margin down 20 basis points**
 - Increased gross profit, restructuring & efficiency benefits offset by higher variable compensation

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

GAS SEGMENT – Q4'16

REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

\$ in millions, actual currency



» Revenue down 5% and 4% in constant currency

- Comparison to record Q4'15 volume quarter

» Gross margin down 100 basis points

- Decrease due to global product mix, partially offset by higher smart volumes in North America

» Non-GAAP operating margin down 30 basis points

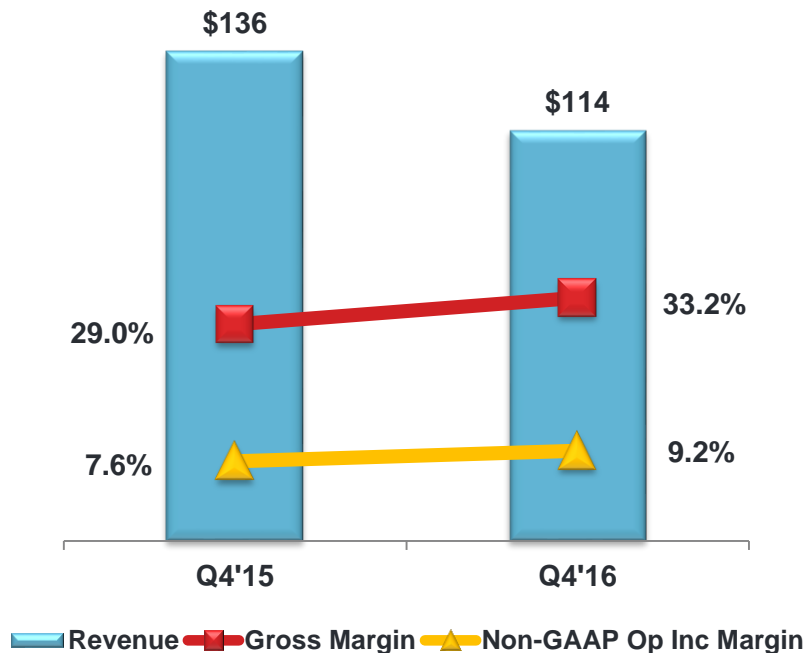
- Impacted by lower revenue and gross profit
- Lower operating expenses partially offset gross margin decline

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

WATER SEGMENT – Q4'16

REVENUE, GROSS MARGIN AND NON-GAAP MARGIN OPERATING

\$ in millions, actual currency



» Revenue down 16% and 15% in constant currency

- 2 large projects shipped in Q4'15
- Volume slowdown in EMEA
- Latin America showing signs of increased water investment

» Gross margin +420 basis points

- Lower warranty costs

» Non-GAAP operating margin +160 basis points

- Lower G&A, sales and marketing partially offset by increased R&D investments
- Higher variable compensation

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

FY'17 FINANCIAL GUIDANCE

- » **Revenue** between **\$1.9 and \$2.0 billion**
- » **Non-GAAP diluted EPS** between **\$2.80 and \$3.10**

Assumptions:

- » Foreign currency exchange rates remain near current levels on average in 2017
- » Average shares outstanding of approximately 39.5 million for the year
- » Non-GAAP effective tax rate for the year of approximately 35 percent

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

APPENDIX

- » Revenue - FX impact summary
- » FY'16 Results
- » GAAP to Non-GAAP Reconciliations

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.

REVENUE - FX IMPACT SUMMARY

\$ in millions

Average Euro/USD:
\$1.08 Q4'16 vs \$1.10 Q4'15

Revenue	Q4'16	YoY Change	YoY Change Excluding FX
Electricity	\$ 245.6	13.0%	14.8%
Gas	135.7	-4.9%	-3.6%
Water	114.4	-16.2%	-15.0%
Total	\$ 495.7	-0.1%	1.3%

Average Euro/USD:
\$1.11 FY'16 & \$1.11 FY'15

Revenue	FY'16	YoY Change	YoY Change Excluding FX
Electricity	\$ 938.4	14.4%	16.9%
Gas	569.5	4.7%	6.1%
Water	505.3	-2.7%	-0.8%
Total	\$ 2,013.2	6.9%	8.9%

CONSOLIDATED GAAP RESULTS – FY'16

<i>\$ in millions (except per share amounts)</i>	FY'16	FY'15	Change
Revenue	\$2,013.2	\$1,883.5	6.9%
<i>Growth in constant currency</i>			<i>8.9%</i>
Gross margin	32.8%	29.6%	+320 bps
Operating income	\$96.2	\$52.8	+\$43.4
Net income attributable to Itron	\$31.8	\$12.7	+\$19.1
Earnings per share - diluted	\$0.82	\$0.33	+\$0.49
Net cash from operating activities	\$115.8	\$73.4	+42.4

- » Strong revenue growth driven by global smart meter projects
- » Gross margin increased on higher smart volumes, favorable smart vs. standard mix, lower special warranty costs and restructuring efficiencies which offset increased variable compensation
- » Operating income & earnings improved on higher revenues and gross margin which offset increases in R&D investments, professional services (audit-related), variable compensation and restructuring offsetting restructuring efficiencies and lower legal costs
- » Increase in cash from operations due to improved profitability and working capital improvements

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

CONSOLIDATED NON-GAAP RESULTS – FY'16

<i>\$ in millions (except per share amounts)</i>	FY'16	FY'15	Change
Non-GAAP operating income	\$170.2	\$71.7	+\$98.5
Non-GAAP operating margin	8.5%	3.8%	+470 bps
Adjusted EBITDA	\$208.6	\$109.5	+\$99.1
Adjusted EBITDA margin	10.4%	5.8%	+460 bps
Non-GAAP earnings per share - diluted	\$2.54	\$0.73	\$1.81
Free cash flow	\$72.3	\$29.4	+\$42.9

- » Improved operating income, net income & adjusted EBITDA driven by higher revenue and gross margin, which offset increased non-GAAP operating expenses driven by R&D investments, audit-related professional services expenses and higher variable compensation
- » Increased free cash flow driven by improved profitability and working capital management with flat capital expenditures

FY'16 REVENUE YEAR-OVER-YEAR BRIDGE

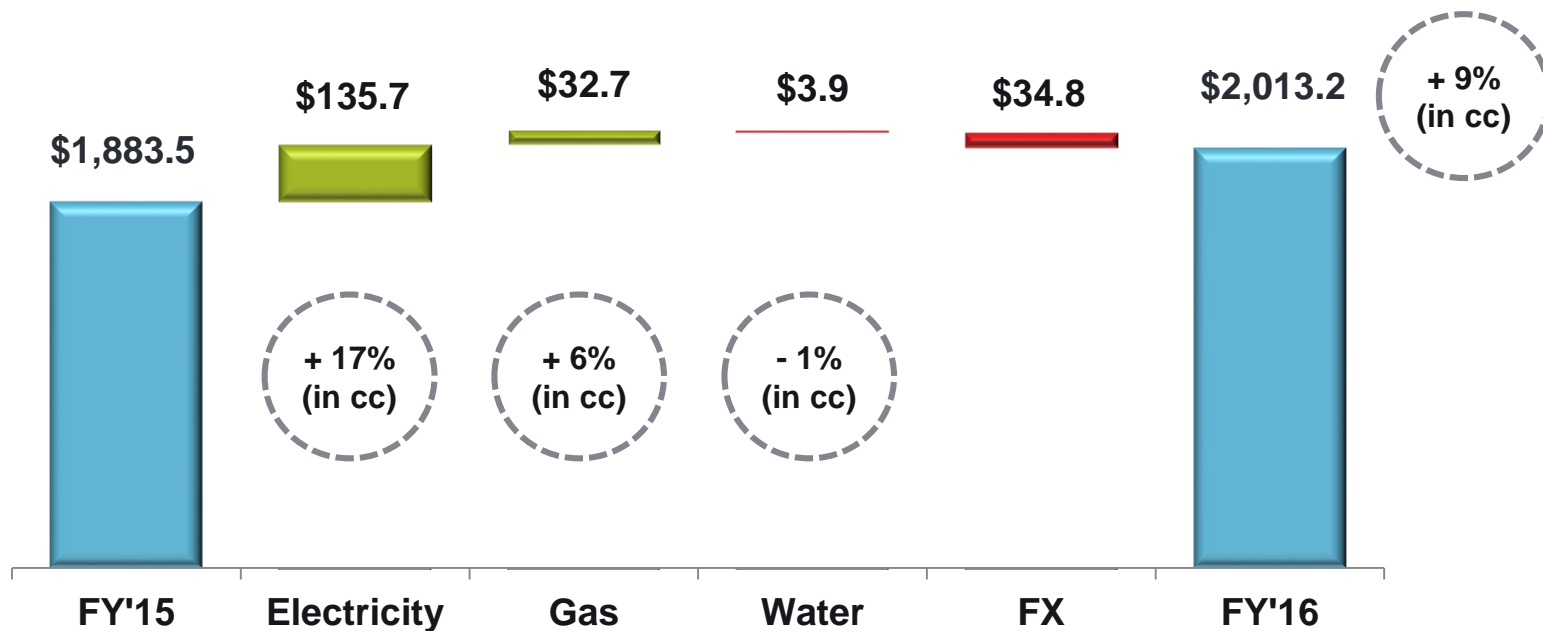


Chart in Millions, actual currency rates

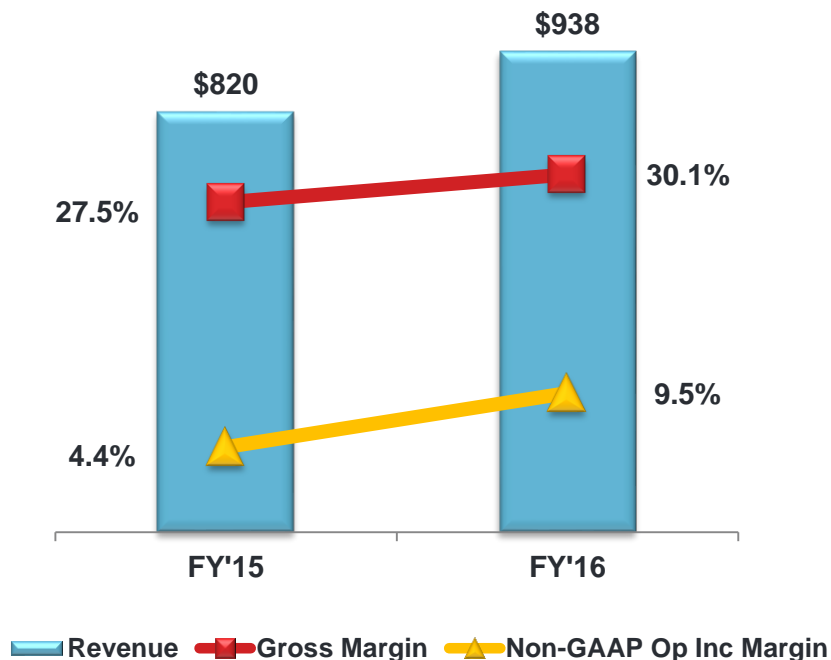
FY'16 NON-GAAP EPS BRIDGE YEAR-OVER-YEAR



ELECTRICITY SEGMENT - FY'16

REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

\$ in millions, actual currency



» Revenue growth +14% and +17% in constant currency

- Driven by strong growth in North America, APAC, and EMEA

» Gross margin +260 basis points

- Favorable smart vs standard mix
- Restructuring benefits and manufacturing efficiencies

» Non-GAAP operating margin +510 basis points

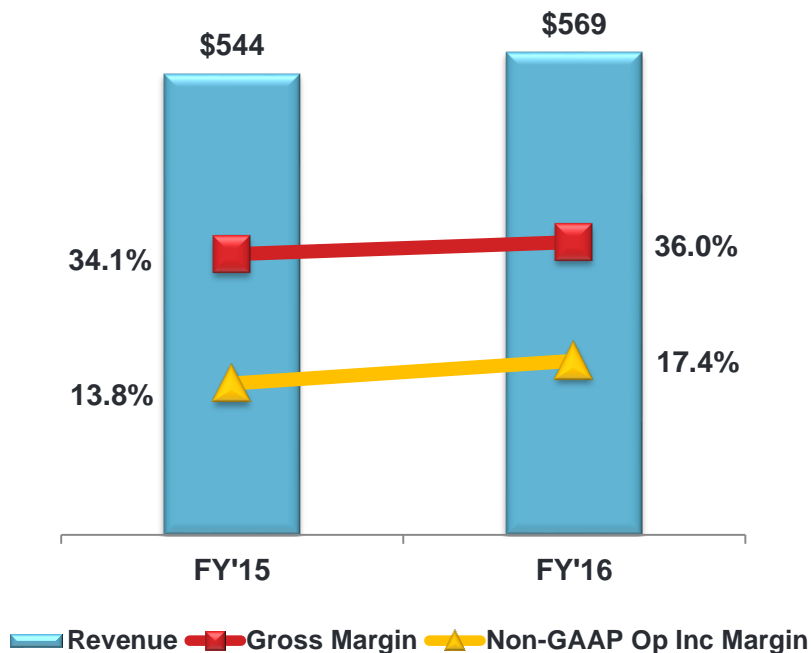
- Increased gross profit
- Restructuring & efficiency benefits
- Offset higher variable compensation

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

GAS SEGMENT – FY'16

REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

\$ in millions, actual currency



» Revenue growth +5% and +6% in constant currency

- Growth in every region (in cc)
- Strong smart meter and communication module shipments driven by EMEA and North America

» Gross margin +190 basis points

- Benefits from higher volumes and product mix
- Improved EMEA smart margin

» Non-GAAP operating margin +360 basis points

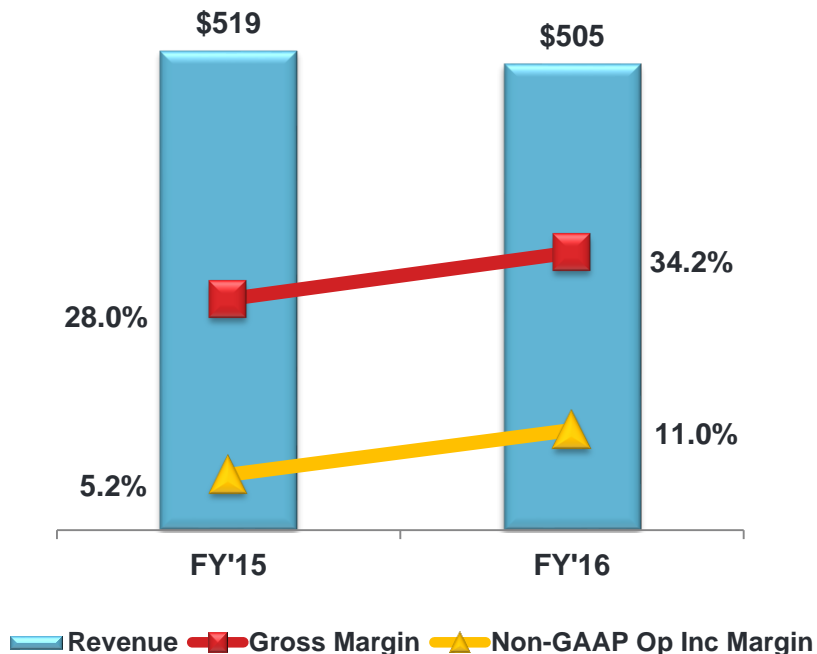
- Strong revenue and higher gross profit
- Lower operating expenses in addition to improved gross margin

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

WATER SEGMENT - FY'16

REVENUE, GROSS MARGIN AND NON-GAAP MARGIN OPERATING

\$ in millions, actual currency



» Revenue modestly down 3% and 1% in constant currency

- Increased smart metering projects in North America and APAC
- Weak customer spending in Latin Am & EMEA

» Gross margin +620 basis points

- Improvement driven by lower special warranty costs (\$29M certain warranty charge in 2015)

» Non-GAAP operating margin +580 basis points

- Increased gross profit
- Offset increased R&D investment and higher variable compensation

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

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,	
	2016	2015	2016	2015
NON-GAAP NET INCOME & DILUTED EPS				
GAAP net income attributable to Itron, Inc.	\$ 11,649	\$ 8,986	\$ 31,770	\$ 12,678
Amortization of intangible assets	6,110	7,943	25,112	31,673
Amortization of debt placement fees	245	248	987	2,021
Restructuring	7,796	1,565	49,090	(7,263)
Acquisition-related expense (recovery)	5	16	(197)	(5,538)
Income tax effect of non-GAAP adjustments	608	(1,392)	(8,478)	(5,590)
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 26,413</u>	<u>\$ 17,366</u>	<u>\$ 98,284</u>	<u>\$ 27,981</u>
Non-GAAP diluted EPS	<u>\$ 0.68</u>	<u>\$ 0.45</u>	<u>\$ 2.54</u>	<u>\$ 0.73</u>
Weighted average common shares outstanding - Diluted	<u>39,028</u>	<u>38,256</u>	<u>38,643</u>	<u>38,506</u>
ADJUSTED EBITDA				
GAAP net income attributable to Itron, Inc.	\$ 11,649	\$ 8,986	\$ 31,770	\$ 12,678
Interest income	(271)	(321)	(865)	(761)
Interest expense	2,604	2,953	10,948	12,289
Income tax provision	15,325	3,039	49,574	22,099
Depreciation and amortization	16,755	18,203	68,318	75,993
Restructuring	7,796	1,565	49,090	(7,263)
Acquisition-related expense (recovery)	5	16	(197)	(5,538)
Adjusted EBITDA	<u>\$ 53,863</u>	<u>\$ 34,441</u>	<u>\$ 208,638</u>	<u>\$ 109,497</u>

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,	
	2016	2015	2016	2015
FREE CASH FLOW				
Net cash provided by operating activities	\$ 33,961	\$ 53,196	\$ 115,842	\$ 73,350
Acquisitions of property, plant, and equipment	(12,980)	(10,594)	(43,543)	(43,918)
Free Cash Flow	<u>\$ 20,981</u>	<u>\$ 42,602</u>	<u>\$ 72,299</u>	<u>\$ 29,432</u>
NON-GAAP OPERATING INCOME				
GAAP operating income	\$ 30,754	\$ 16,378	\$ 96,211	\$ 52,846
Amortization of intangible assets	6,110	7,943	25,112	31,673
Restructuring	7,796	1,565	49,090	(7,263)
Acquisition-related expense (recovery)	5	16	(197)	(5,538)
Non-GAAP operating income	<u>\$ 44,665</u>	<u>\$ 25,902</u>	<u>\$ 170,216</u>	<u>\$ 71,718</u>
NON-GAAP OPERATING EXPENSE				
GAAP operating expense	\$ 125,909	\$ 136,041	\$ 564,109	\$ 503,839
Amortization of intangible assets	(6,110)	(7,943)	(25,112)	(31,673)
Restructuring	(7,796)	(1,565)	(49,090)	7,263
Acquisition-related recovery (expense)	(5)	(16)	197	5,538
Non-GAAP operating expense	<u>\$ 111,998</u>	<u>\$ 126,517</u>	<u>\$ 490,104</u>	<u>\$ 484,967</u>

GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands)

SEGMENT RECONCILIATIONS	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
NON-GAAP OPERATING INCOME - ELECTRICITY				
Electricity - GAAP operating income	\$ 17,195	\$ 16,146	\$ 68,287	\$ 31,104
Amortization of intangible assets	3,223	4,367	13,273	17,663
Restructuring	2,283	(110)	7,694	(7,253)
Acquisition-related expense (recovery)	5	18	(197)	(5,655)
Electricity - Non-GAAP operating income	<u>\$ 22,706</u>	<u>\$ 20,421</u>	<u>\$ 89,057</u>	<u>\$ 35,859</u>
NON-GAAP OPERATING INCOME - GAS				
Gas - GAAP operating income	\$ 18,002	\$ 22,485	\$ 66,813	\$ 67,471
Amortization of intangible assets	1,568	1,922	6,456	7,787
Restructuring	3,754	614	25,744	(287)
Gas - Non-GAAP operating income	<u>\$ 23,324</u>	<u>\$ 25,021</u>	<u>\$ 99,013</u>	<u>\$ 74,971</u>
NON-GAAP OPERATING INCOME - WATER				
Water - GAAP operating income	\$ 8,559	\$ 8,449	\$ 37,266	\$ 19,864
Amortization of intangible assets	1,319	1,654	5,383	6,223
Restructuring	651	232	13,116	778
Acquisition-related expense	-	-	-	104
Water - Non-GAAP operating income	<u>\$ 10,529</u>	<u>\$ 10,335</u>	<u>\$ 55,765</u>	<u>\$ 26,969</u>
NON-GAAP OPERATING INCOME - CORPORATE UNALLOCATED				
Corporate unallocated - GAAP operating loss	\$ (13,002)	\$ (30,702)	\$ (76,155)	\$ (65,593)
Restructuring	1,108	829	2,536	(501)
Acquisition-related expense (recovery)	-	(2)	-	13
Corporate unallocated - Non-GAAP operating loss	<u>\$ (11,894)</u>	<u>\$ (29,875)</u>	<u>\$ (73,619)</u>	<u>\$ (66,081)</u>



THANK YOU

INVESTOR RELATIONS CONTACTS

Barbara Doyle

Vice President, Investor Relations

509-891-3443

barbara.doyle@itron.com

Rebecca Hussey

Program Manager, Investor Relations

509-891-3574

rebecca.hussey@itron.com