

# Investor Update

## New Segmentation Informational Review 2016 to Q3'2018

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# 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.

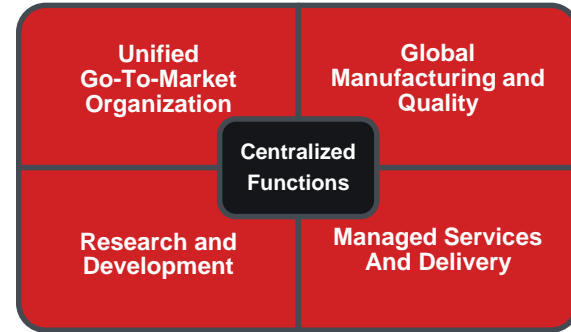
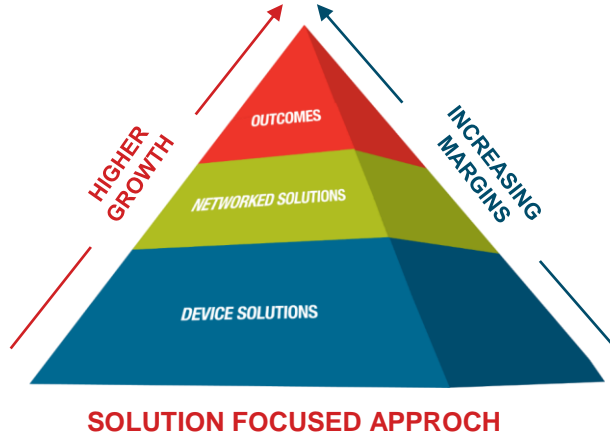
In an effort to provide additional information regarding the Company's financial results as determined by generally accepted accounting principles (GAAP), this presentation contains certain non-GAAP financial measures such as constant currency, non-GAAP operating income and margin, adjusted EBITDA and 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.

# 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.

# ITRON'S NEW SEGMENT ALIGNMENT

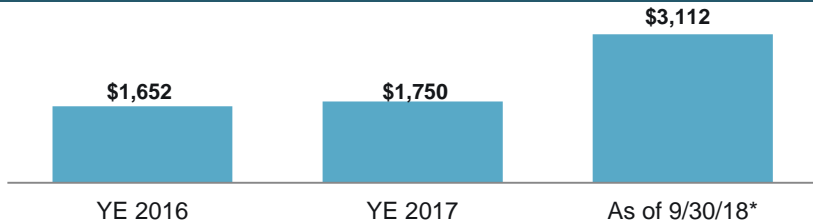
Transitioning our operating model



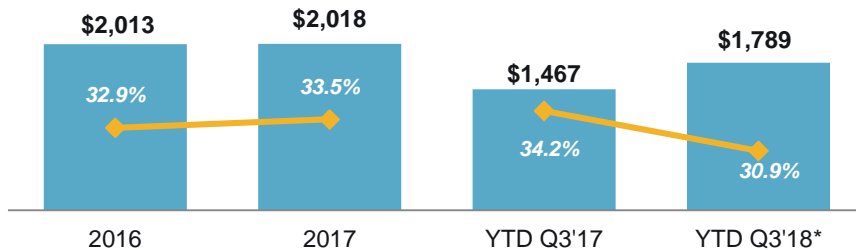
- » Business aligned to customer solutions with centralized shared functions for scale
- » Driven by evolving customers and markets; plus the integration of recent acquisitions
- » Solution focused business units with a single, global “Go-To-Market” team
- » Improved visibility of business to investors

# TOTAL COMPANY FINANCIAL METRICS

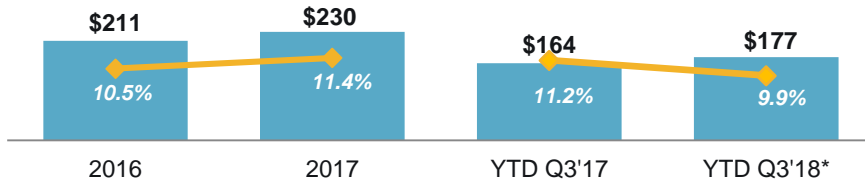
## Backlog (\$M)\*



## Revenues (\$M) & Gross Margin\*



## Adjusted EBITDA (\$M)\*



- » Total company prior operational and financial performance does not change with new segmentation.
- » New segmentation will focus to drive higher-value smart solutions growth, rotate to higher gross margin offerings, optimize and drive benefits from restructurings and operational initiatives to improve margins.
- » Margin impacts from elevated costs due to supply chain and factory transitions in 2018.
- » Growth in strategic higher-margin businesses, acquisition synergies and operational restructuring partially offsets added acquisition cost.

\* Reflects the acquisition of SSNI which closed on January 5, 2018.

# NEW SEGMENTATION METHODOLOGY

## Business Alignment

- » New product business segment alignment improves visibility to our operational focus
- » Operational leaders of each segment drive revenue, gross margin, and operating income
- » Only expenses with a direct link to the product business unit are allocated to the segments

## Product Development

- » Segments are allocated their portion of project costs, which is ~80% of total product development expenses
- » Centralized management ensures interoperability between segments and reduce redundant overhead
- » CTO and system interoperability testing are all examples of centralized functions

## Sales, General, and Administrative

- » SG&A remains in Corporate with little allocation to the product business unit segments

## Depreciation, Goodwill, Amortization, Interest and Other Income and Expense

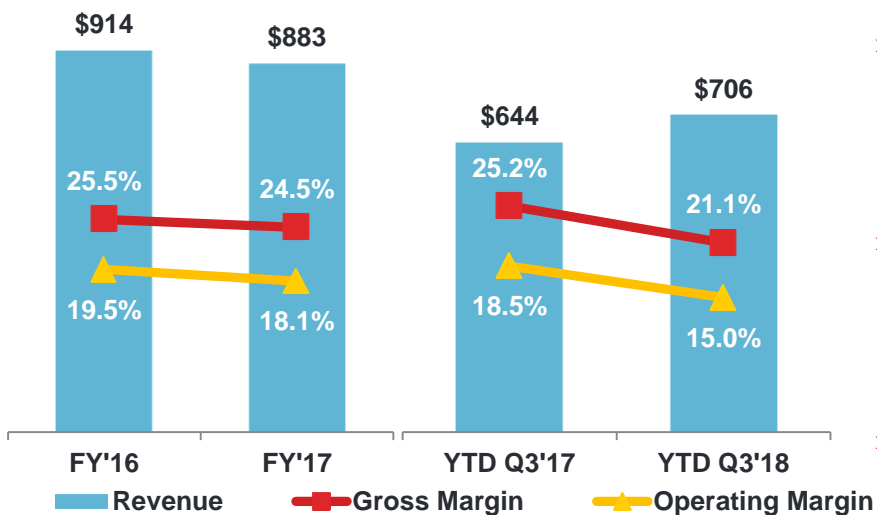
- » Depreciation and Goodwill impairment associated with segment initiatives will be reported in the segments
- » Amortization, Interest Expense and OI&E will remain in Corporate

# DEVICE SOLUTIONS SEGMENT – 2016 TO Q3'18

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency

*Hardware without communications; where Itron is not promoting an “End-to-End” solution*



### » Revenue

- Non-communicating electric, gas and water endpoints
- Majority of revenue is frame contract and book & ship orders
- Volume tends to be weighted toward EMEA-based business

### » Gross margin

- Product and regional mix can be lumpy period to period
- Large portion of supply chain issues in 2018
- Special warranty impacts profitability

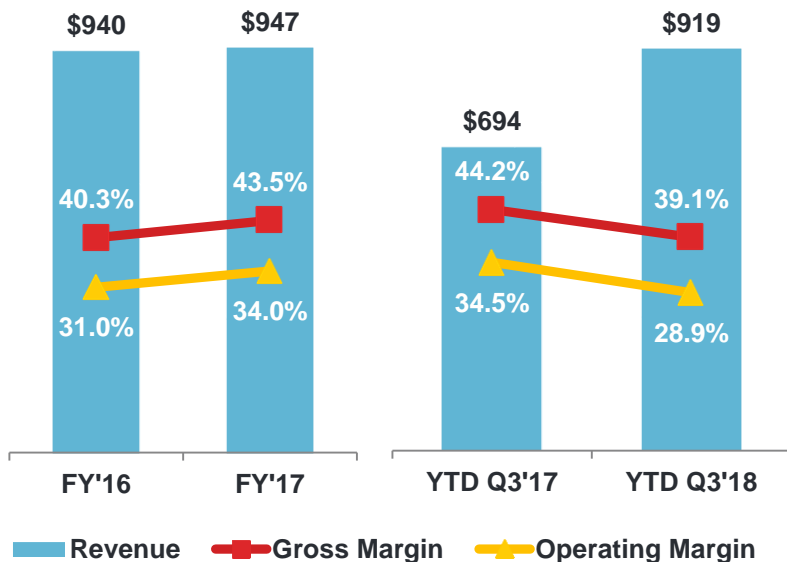
### » Operating margin

- Restructuring and supply chain optimization focus to improve operating margin offset by supply chain headwinds

# NETWORKED SOLUTIONS SEGMENT – 2016 TO Q3'18

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency



*Complete solution of smart connected endpoints and network infrastructure designed to collect application-specific data*

### » Revenue

- Predominantly legacy Itron's network business and majority of Silver Spring Networks acquisition
- Growth driven by North America deployments
- Majority of Itron backlog; Strong AMI market leadership

### » Gross margin

- Release of special warranty in 2017; Impact of supply chain inefficiencies and legacy deployment roll offs in 2018

### » Operating margin

- Product development aligned with technology convergence roadmap, higher OpEx with Silver Spring Networks acquisition

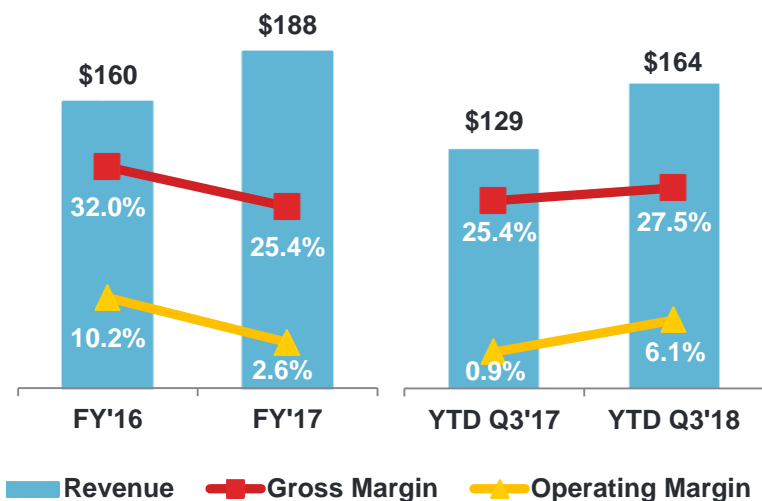


# OUTCOMES SEGMENT – 2016 TO Q3'18

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency

*Value added services, software and products that organize, analyze and interpret data for the purpose of gaining insights, making decisions and informing actions.*



### » Revenue

- Former Comverge, SaaS and Managed Services of Silver Spring Networks and legacy Itron networking
- Growth driven by increased networked endpoint deployments and upsell of value-added software and services

### » Gross margin

- Segment still working through efficiencies of scale
- Higher margin SaaS mixed with lower margin deployment costs
- Acquisition of Silver Spring Networks in 2018 positive impact

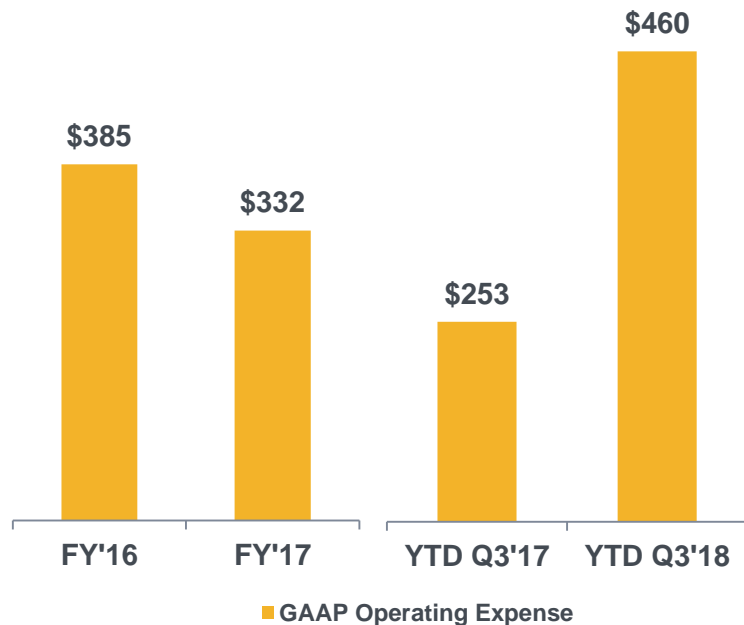
### » Operating margin

- Product development aligned with technology convergence roadmap, higher with Silver Spring Networks acquisition
- Continued investment in value added services and software

# CORPORATE – 2016 TO Q3'18

## GAAP OPERATING EXPENSE

\$ in millions, actual currency



- » Unallocated portions of Product Development, SG&A, Amortization, and other expenses
- » Increased amortization from Silver Spring Networks acquisition
- » Increased costs due to acquisitions being off set by restructuring and operational efficiencies
- » Synergies from Silver Spring Networks integration on going

# APPENDIX

- Summary of trended financials for new segmentation

# NEW SEGMENTATION OVERVIEW

Device Solutions	Networked Solutions	Outcomes
<p>Typically hardware products used for measurement, control, or sensing without communications capability or utilizing communications standards where Itron does not intend to promote an “End-to-End” solution.</p> <p><u>Examples:</u> Basic Meter, or “Linky” Meter <small>(France Smart Spec)</small></p>	<p>Combination of end points and network infrastructure designed and sold as a complete solution for purpose of robustly acquiring and transporting application specific data.</p> <p><u>Example:</u> RIVA Meter + Collection Hardware + Network Management Software</p>	<p>Value added services, software, and products that organize, analyze and interpret data for the purpose of gaining insights, making decisions, and informing actions.</p> <p><u>Examples:</u> Managed Services to run AMI System, or Theft Detection Algorithm</p>

# DEVICE SOLUTIONS 2016 TO Q3'2018

Device Solutions <i>(unaudited, \$ in thousands)</i>	2016				Full Year 2016	2017				Full Year 2017	2018			YTD 9/30/2018
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	
Product Revenue	\$ 233,737	\$ 241,044	\$ 214,370	\$ 205,432	\$ 894,583	\$ 201,903	\$ 207,258	\$ 222,642	\$ 234,225	\$ 866,028	\$ 245,423	\$ 231,750	\$ 216,371	\$ 693,544
Service Revenue	4,498	4,459	5,492	4,489	18,938	4,740	4,663	3,252	4,213	16,868	3,944	4,396	3,879	12,219
Total Revenue	\$ 238,235	\$ 245,503	\$ 219,862	\$ 209,921	\$ 913,521	\$ 206,643	\$ 211,921	\$ 225,894	\$ 238,438	\$ 882,896	\$ 249,367	\$ 236,146	\$ 220,250	\$ 705,763
Gross Profit	\$ 63,091	\$ 64,903	\$ 60,072	\$ 44,830	\$ 232,896	\$ 54,803	\$ 49,826	\$ 57,758	\$ 54,244	\$ 216,631	\$ 53,604	\$ 48,743	\$ 46,484	\$ 148,831
Gross Margin %	26.5%	26.4%	27.3%	21.4%	25.5%	26.5%	23.5%	25.6%	22.7%	24.5%	21.5%	20.6%	21.1%	21.1%
Operating income	\$ 48,471	\$ 51,351	\$ 45,901	\$ 32,438	\$ 178,161	\$ 40,947	\$ 34,537	\$ 43,833	\$ 40,324	\$ 159,641	\$ 38,192	\$ 34,510	\$ 33,019	\$ 105,721
Depreciation	\$ 5,784	\$ 6,358	\$ 6,673	\$ 6,343	\$ 25,158	\$ 6,002	\$ 6,241	\$ 6,680	\$ 6,834	\$ 25,757	\$ 6,474	\$ 6,442	\$ 6,127	\$ 19,043

# NETWORKED SOLUTIONS 2016 TO Q3'2018

Networked Solutions <i>(unaudited, \$ in thousands)</i>	2016				Full Year 2016	2017				Full Year 2017	2018			YTD 9/30/2018
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	
Product revenue	\$ 204,232	\$ 214,727	\$ 232,749	\$ 230,389	\$ 882,097	\$ 217,481	\$ 234,028	\$ 195,635	\$ 233,898	\$ 881,042	\$ 279,795	\$ 275,298	\$ 297,726	\$ 852,819
Service revenue	14,216	14,541	14,142	14,685	57,584	15,129	15,634	15,889	19,690	66,342	22,543	20,868	22,782	66,193
Total revenue	\$ 218,448	\$ 229,268	\$ 246,891	\$ 245,074	\$ 939,681	\$ 232,610	\$ 249,662	\$ 211,524	\$ 253,588	\$ 947,384	\$ 302,338	\$ 296,166	\$ 320,508	\$ 919,012
Gross profit	\$ 87,767	\$ 93,726	\$ 97,815	\$ 99,074	\$ 378,382	\$ 94,428	\$ 117,793	\$ 94,286	\$ 105,868	\$ 412,375	\$ 114,241	\$ 112,290	\$ 133,057	\$ 359,588
Gross Margin %	40.2%	40.9%	39.6%	40.4%	40.3%	40.6%	47.2%	44.6%	41.7%	43.5%	37.8%	37.9%	41.5%	39.1%
Operating income	\$ 63,890	\$ 72,643	\$ 77,293	\$ 77,409	\$ 291,235	\$ 72,877	\$ 94,599	\$ 72,024	\$ 82,867	\$ 322,367	\$ 79,943	\$ 81,941	\$ 103,998	\$ 265,882
Depreciation	\$ 2,452	\$ 2,368	\$ 2,268	\$ 2,049	\$ 9,137	\$ 1,904	\$ 1,894	\$ 1,899	\$ 2,061	\$ 7,758	\$ 3,244	\$ 3,071	\$ 3,152	\$ 9,467

# OUTCOMES 2016 TO Q3'2018

Outcomes <i>(unaudited, \$ in thousands)</i>	2016				Full Year 2016	2017				Full year 2017	2018			YTD 9/30/2018
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	
Product Revenue	\$ 11,844	\$ 12,170	\$ 14,023	\$ 15,353	\$ 53,390	\$ 12,981	\$ 13,427	\$ 15,707	\$ 24,740	\$ 66,855	\$ 11,892	\$ 8,866	\$ 11,619	\$ 32,377
Service Revenue	29,062	26,083	26,082	25,367	106,594	25,358	28,072	33,622	34,010	121,062	43,624	44,712	43,585	131,921
Total Revenue	\$ 40,906	\$ 38,253	\$ 40,105	\$ 40,720	\$ 159,984	\$ 38,339	\$ 41,499	\$ 49,329	\$ 58,750	\$ 187,917	\$ 55,516	\$ 53,578	\$ 55,204	\$ 164,298
Gross Profit	\$ 12,721	\$ 11,491	\$ 13,527	\$ 13,515	\$ 51,254	\$ 8,406	\$ 10,658	\$ 13,711	\$ 14,970	\$ 47,745	\$ 12,010	\$ 15,544	\$ 17,556	\$ 45,110
Gross Margin%	31.1%	30.0%	33.7%	33.2%	32.0%	21.9%	25.7%	27.8%	25.5%	25.4%	21.6%	29.0%	31.8%	27.5%
Operating Income	\$ 2,799	\$ 3,636	\$ 5,056	\$ 4,748	\$ 16,239	\$ (1,058)	\$ (504)	\$ 2,725	\$ 3,752	\$ 4,915	\$ (655)	\$ 4,249	\$ 6,372	\$ 9,966
Depreciation	\$ 771	\$ 736	\$ 760	\$ 774	\$ 3,041	\$ 867	\$ 887	\$ 965	\$ 1,107	\$ 3,826	\$ 1,709	\$ 1,638	\$ 1,621	\$ 4,968

# CORPORATE 2016 TO Q3'2018

Corporate <i>(unaudited, \$ in thousands)</i>	2016				Full Year 2016	2017				Full Year 2017	2018			YTD 9/30/2018
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	
Product Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Profit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Margin %	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income	\$ (90,740)	\$ (91,293)	\$ (120,478)	\$ (82,131)	\$ (384,642)	\$ (81,939)	\$ (91,004)	\$ (80,356)	\$ (78,747)	\$ (332,046)	\$ (257,928)	\$ (100,137)	\$ (101,713)	\$ (459,778)
Depreciation	\$ 1,457	\$ 1,549	\$ 1,385	\$ 1,479	\$ 5,870	\$ 1,056	\$ 1,098	\$ 1,363	\$ 1,572	\$ 5,089	\$ 1,905	\$ 1,757	\$ 1,589	\$ 5,251
Amortization of intangible assets	6,210	7,796	4,996	6,110	25,112	4,549	4,970	5,625	5,641	20,785	17,740	17,999	17,960	53,699
Restructuring	2,237	(1,622)	40,679	7,796	49,090	3,052	5,043	(678)	(999)	6,418	87,865	(5,623)	666	82,908
Acquisition and Integration related expense (recovery)	3	(25)	(180)	5	(197)	333	6,468	7,243	3,095	17,139	62,647	11,148	10,079	83,874



# NON-GAAP RECONCILIATION

(Unaudited, \$ in thousands, except per share amounts)

## ADJUSTED EBITDA

GAAP net income (loss) attributable to Itron, Inc.
Interest income
Interest expense
Income tax provision (benefit)
Depreciation and amortization
Restructuring
Acquisition and integration related expense
Goodwill impairment
Adjusted EBITDA
<i>Adjusted EBITDA margin %</i>

	2016 Full Year	2017 Full Year
\$	31,770	\$ 57,298
	(865)	(2,126)
	13,521	13,845
	49,574	74,326
	68,318	63,215
	49,090	6,418
	(197)	17,139
	—	—
\$	211,211	\$ 230,115
	10.5 %	11.4 %

	2017 Q3 YTD	2018 Q3 YTD
\$	55,518	\$ (123,127)
	(1,468)	(1,725)
	10,076	44,320
	32,247	(1,692)
	46,000	92,428
	7,417	82,908
	14,044	83,874
	—	—
\$	163,834	\$ 176,986
	11.2 %	9.9 %



# THANK YOU

## INVESTOR RELATIONS CONTACTS

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