

# Investor Update

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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.



## OUR VISION

The way we manage energy and water will define this century. By applying knowledge and technology, together we can **create a more resourceful world.**

# ITRON AT-A-GLANCE\*



**>200m**

COMMUNICATING  
ENDPOINTS



**8,000**

CUSTOMERS IN  
100 COUNTRIES



**8,000**

EMPLOYEES



**2.4bn**

2018 REVENUE USD

**>64 million endpoints under active management**

**>80% of electricity in North America** is forecast by Itron software

**75% of power in the US** touches Itron technology

**~3 million streetlights** globally are managed with Itron technology

**Over 1400 issued patents and pending applications**

**Broad ecosystem with 125+ partners**

\*Including endpoint, customers, and employees from Itron's recent acquisition of Silver Spring Networks, Inc. (completed Jan. 2018)



# STATE OF THE BUSINESS

## **Strong Q1'19 results**

- » Q1'19 revenue up 1% year-over-year; growth driven by Networked Solutions and Outcomes segments
- » EBITDA of \$66M and Non-GAAP EPS of \$0.70
- » Continued strong cash flow generation from operations

## **Customer activity very healthy**

- » Extended leadership position in smart energy and smart city solutions
- » Total backlog of \$3.0 billion; 12-month backlog of \$1.4 billion

## **Executing on strategic milestones**

- » New business segments are executing and performing
- » Positive supply chain outlook with improving lead times and execution
- » Continued to de-lever with advanced debt payments; Board approved \$50M share repurchase

# INDUSTRY OVERVIEW

# EVOLUTION OF AN INDUSTRY

Ittron's contributions to an evolving industry



## FIRST TO BRING HANDHELDS

Removing paper,  
streamlining field work



## INVENTED AMR

Remote reading and  
data collection for  
operational efficiency



## SMART METERING LEADER

Continued commitment  
to utilities and cities,  
leveraging more data



## SMART CITY & IOT LEADER

Market-leading smart lighting  
provider expanding to Industrial  
IoT networks, applications and  
cloud services

# TODAY'S INDUSTRY DRIVERS



EVOLVING UTILITY AND  
CITY SERVICE MODELS



INTEGRATING DISTRIBUTED  
ENERGY RESOURCES



RESOURCE  
EFFICIENCY



RESOURCE  
MONITORING & SAFETY



GREATER CUSTOMER  
EXPECTATIONS & RELATIONS



INTERNET  
OF THINGS

***LEVERAGING THE POWER OF A SMART PLATFORM***



# SMART PLATFORM ADOPTION CONTINUES

## NORTH AMERICA

~ 60% of 356M meters automated



**Electricity** - 64% of 163 million Electric meters automated

**Gas** - 52% of 80 million Gas meters automated

**Water** - 52% of 111 million Water meters automated

## GLOBAL

~20% of 3.0B meters automated



**Electricity** - 31% of 1.4 billion Electric meters automated

**Gas** - 11% of 500 million Gas meters automated

**Water** - 9% of 1.1 billion Water meters automated

■ Total Meters

■ Total Automated

Source: IHS Research - Global Electricity, Gas and Water Metering Reports, 2017 Editions (includes China)

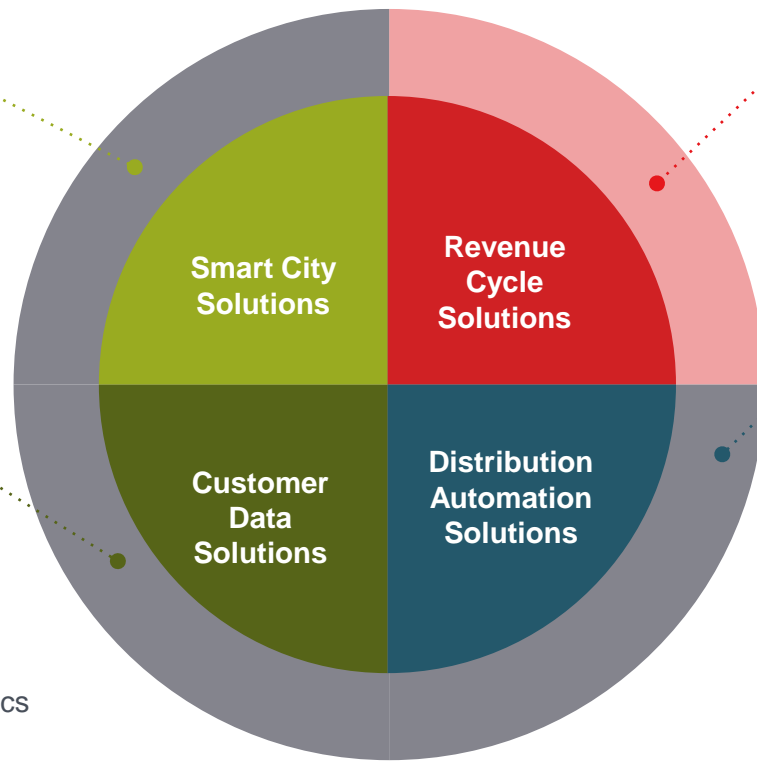
# FROM AMI TO DATA DRIVEN OUTCOMES

## BEYOND THE GRID

- » Streetlight management
- » EV charging
- » Traffic/parking monitoring
- » Air/water quality monitoring
- » Waste/recycling management
- » Public safety

## DATA DRIVEN OUTCOMES

- » Consumer engagement 2.0
- » Active demand response
- » Local power pool transaction management
- » Load disaggregation
- » Managed services and analytics



## BASIC AMI

- » Advanced monthly billing
- » Diversion detection
- » Theft detection and non-technical loss reduction
- » Outage notification
- » Enhanced customer satisfaction

## SMART GRID TO ACTIVE GRID

- » Outage detection location and analysis
- » High impedance detection
- » Primary phase detection/location
- » Asset monitoring & control
- » Active transformer load management
- » Pipeline safety
- » Leak detection

# ITRON OVERVIEW

Helping customers create a more resourceful world.

# ITRON ADVANTAGE



## INDUSTRY LEADER

Itron has deployed **>200 million** smart, communicating devices



## LEADING INNOVATOR

We began as a multi-vendor endpoint & collection communications company



## DATA LEADER

Focused on outcomes with industry-leading software, consulting and forecasting



## STRATEGIC PARTNER

Partner with Cisco to bring enterprise networking with FAN



## BEST SERVICE & SUPPORT

Our service people are the most tenured and experienced in the industry

# OUR GROWING PORTFOLIO

Continuing to move up the value pyramid



Over **1,400 utilities** trust Itron Global Managed Services

Over **7,300 virtual machines** maintained by Itron Global Managed Services



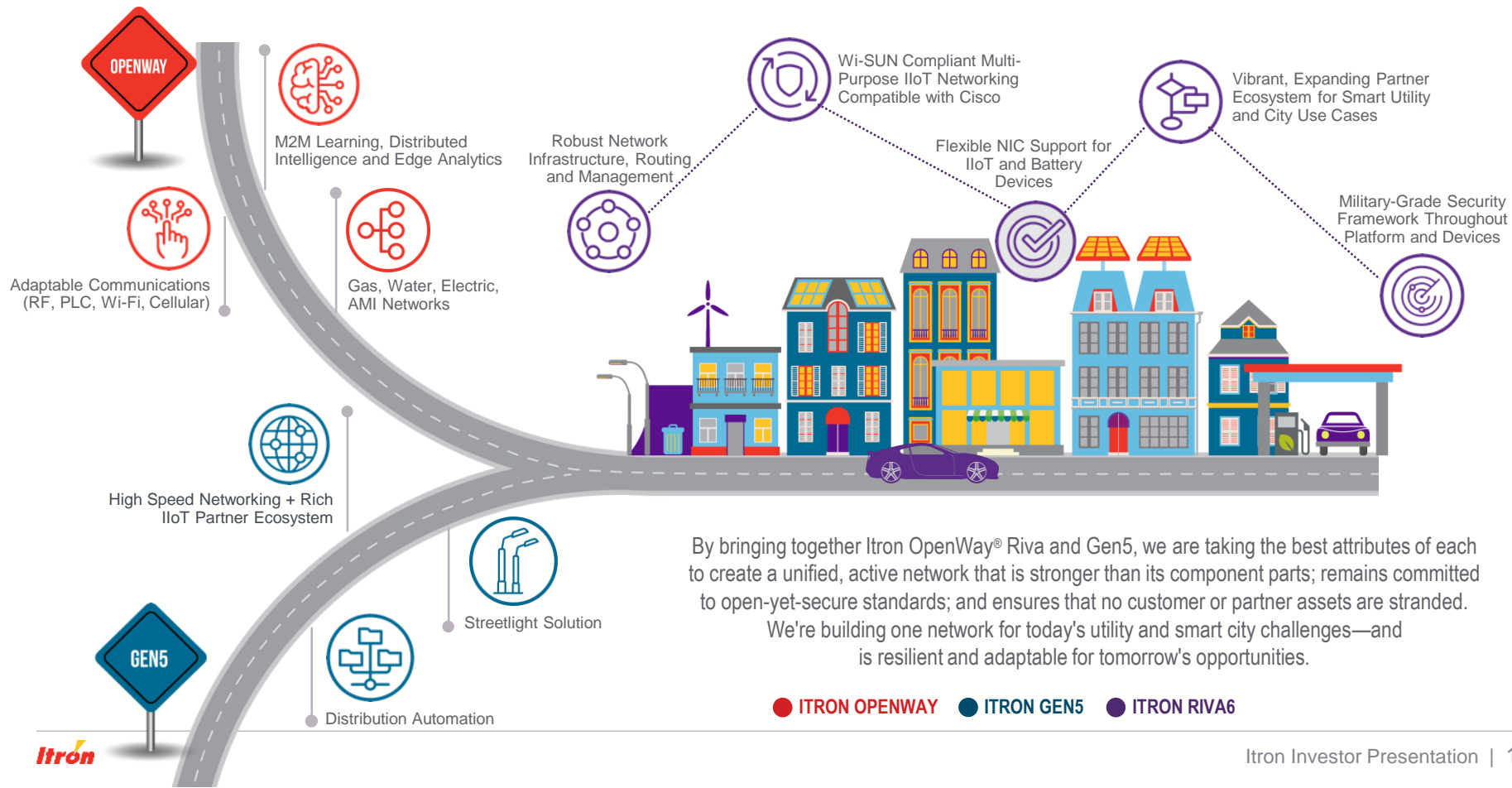
Over **64.2 million endpoints** on Itron Global Managed Services

- » 38.0 million in NAM
- » 26.1 million in EMEA
- » 120k in APAC



Over **227 million network reads** performed by Itron Global Managed Services every day

# ROAD TO A CONVERGED NETWORK



# A LEGACY OF SUCCESS

Delivering successful customer outcomes



Proven multi-application platform enabling >27 million devices worldwide



Diverse partner ecosystem supported by widely adopted standards



Robust, reliable and secure connectivity for critical applications



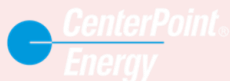
Future-proof technology with full backward and forward compatibility



A trusted partner with expert professional services to maximize results



# DELIVERING BENEFITS TO OUR CUSTOMERS



- Over 2.2 million electric and gas endpoints deployed
- Improved electric service reliability by 25%
- 17M reduced truck rolls
- 15.6 metric tons of CO2 saved; 1.7M gallons fuel saved
- EEI Emergency Response Award 2018 for Harvey



- 19% reduction in energy usage
- \$26M in savings
- 19% reduction in CO2 emissions
- Equivalent to 11,000 cars



- >20,000 networked LEDs with motion sensors and advanced controls for remote dimming and scheduling
- 76% energy savings from networked LED's
- 50% reduction in operations & maintenance costs

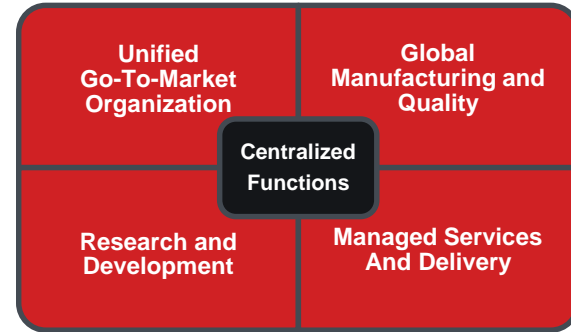
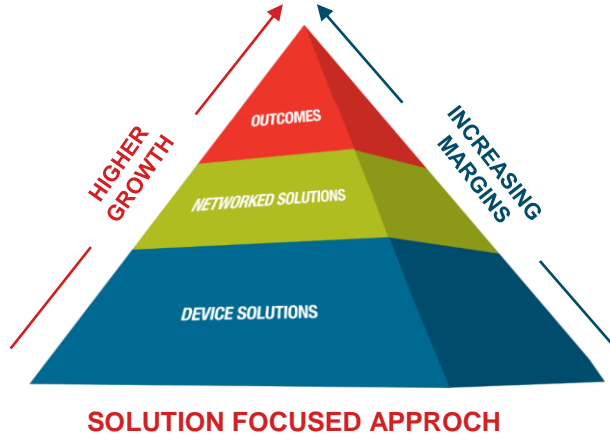


- DA performance had ~\$46M in annual opex savings
  - 10k Customer outages avoided due to technology
  - >100k Avoided field visits
  - 25% improvement in service reliability since 2010
- AMI Hurricane Irma: Automated Feeder Switches rerouted electricity around faults, preventing outages.
  - 2.7M customer outages restore within 48 hours
  - 4.4 M customer outages restored within 1 week

Source: Florida Power & Light 10/23/15 and 5/25/15 PR,

# 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

# 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>

# GLOBAL INDUSTRY GROWTH POTENTIAL

	2018 World Wide TAM (USD)	2021 World Wide TAM (USD)	CAGR (%)
Outcomes & Analytics	\$2.5B	\$3.4B	12%
Networking & Communciations	\$8.1B	\$10.1B	8%
Device Metering & Sensing	\$10.4B	\$11.4B	3%

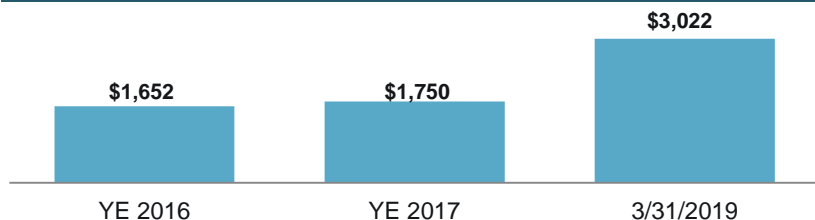
Source: Management Estimates using data from Navigant, IHS, Gartner, and Cognyst (Scott Report) as of October 2018.

# FINANCIAL AND OPERATIONS PERSPECTIVES

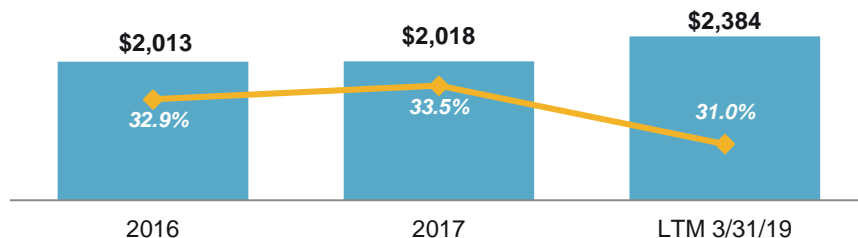
Business transformation becoming evident.

# TRENDED FINANCIAL METRICS

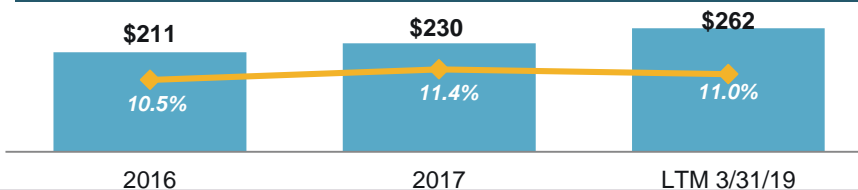
## Backlog (\$M)



## Revenues (\$M) & Gross Margin



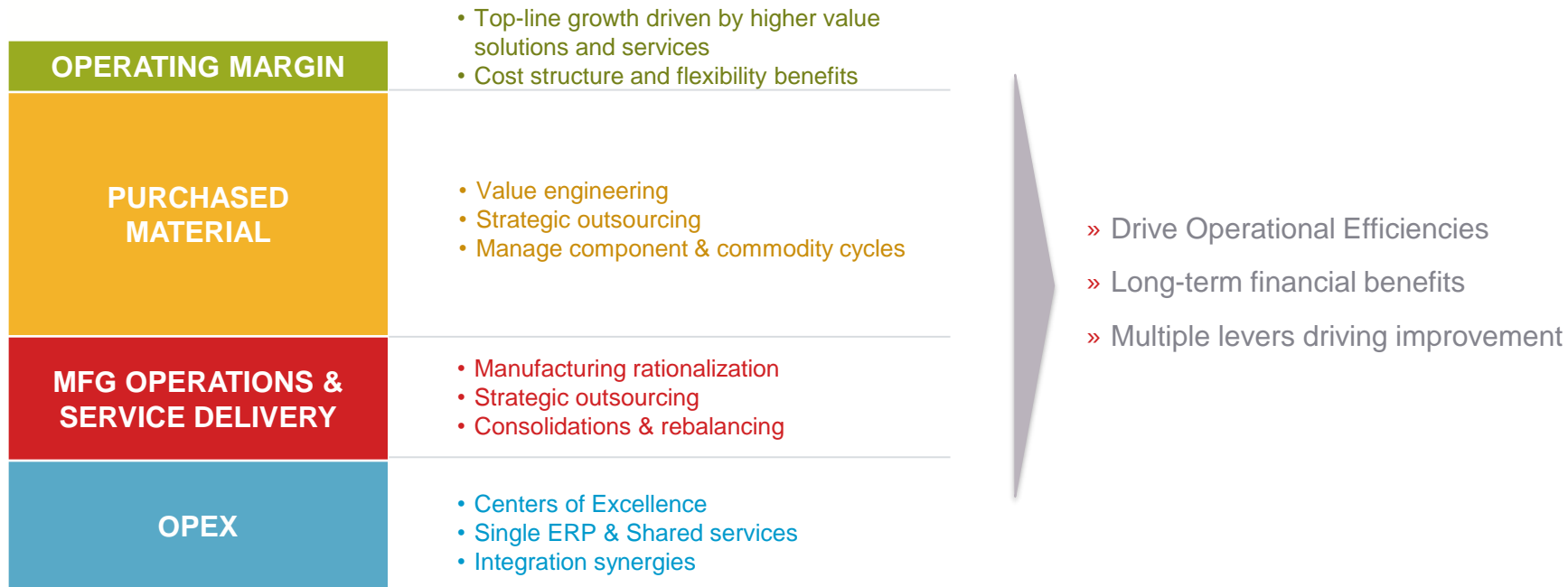
## Adjusted EBITDA (\$M)



- » Robust backlog of multi-year projects
- » Higher-value smart solutions growth, exit from lower-margin business, benefits from restructurings and operational initiatives to drive higher gross margin
- » Temporal margin impacts from elevated costs due to supply chain and factory transitions
- » Growth in strategic higher-margin businesses, acquisition synergies and operational restructuring partially offsets integration dilution

# FINANCIAL OPERATING PERSPECTIVE

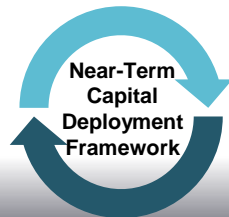
Targeting mid-teens Non-GAAP EBITDA





# NEAR-TERM CAPITAL ALLOCATION STRATEGY

Focus on De-Leveraging



## De-Lever

- ✓ Anticipate sufficient cash flow for de-leveraging
- ✓ Path to achieve net leverage of ~2.0x in 2020

## Organic Investment

- ✓ Continuing shift to capital-light business model
- ✓ Silver Spring already capital light
- ✓ R&D fully expensed and reflected in existing margin profile

## Capital Allocation

- ✓ No additional significant capital allocation until leverage returns to equilibrium levels
- ✓ Authorized \$50M share repurchase program over 12-months; completed full \$25M planned for 2019
- ✓ Potential small, opportunistic bolt-on M&A possible though nothing currently planned

# APPENDIX

- Summary of consolidated Q1'19 results
- Segment performance year-over-year
- GAAP to Non-GAAP Reconciliations

# CONSOLIDATED GAAP RESULTS – Q1'19

<i>\$ in millions (except per share amounts)</i>	Q1 2019	Q1 2018	Change
Revenue	<b>\$614.6</b>	\$607.2	+1%
<i>Change in constant currency</i>			+5%
Gross margin	<b>30.5%</b>	29.6%	+90 bps
Operating income	<b>\$20.8</b>	(\$140.4)	NM
Net income (loss) attributable to Itron	<b>(\$1.9)</b>	(\$145.7)	NM
Earnings per share - diluted	<b>(\$0.05)</b>	(\$3.74)	NM

- » Revenue growth driven by strong deliveries in North America Networked Solutions and Outcomes
- » Gross margin improvement driven by product mix, including higher-margin software deliveries
- » Higher operating income primarily driven by higher gross profit and lower restructuring, acquisition and integration-related expenses
- » Higher GAAP net income driven by improved operating income

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

# CONSOLIDATED NON-GAAP & CASH RESULTS – Q1'19

<i>\$ in millions (except per share amounts)</i>	Q1 2019	Q1 2018	Change
Non-GAAP operating income	<b>\$56.7</b>	\$27.8	104%
Non-GAAP operating margin	<b>9.2%</b>	4.6%	+460 bps
Non-GAAP net income attributable to Itron	<b>\$27.9</b>	\$5.1	+447%
Adjusted EBITDA	<b>\$65.7</b>	\$39.6	+66%
Adjusted EBITDA margin	<b>10.7%</b>	6.5%	+420 bps
Non-GAAP earnings per share - diluted	<b>\$0.70</b>	\$0.13	438%
Cash provided by operating activities	<b>\$24.9</b>	(\$24.4)	NM
Free cash flow	<b>\$13.5</b>	(\$41.9)	NM

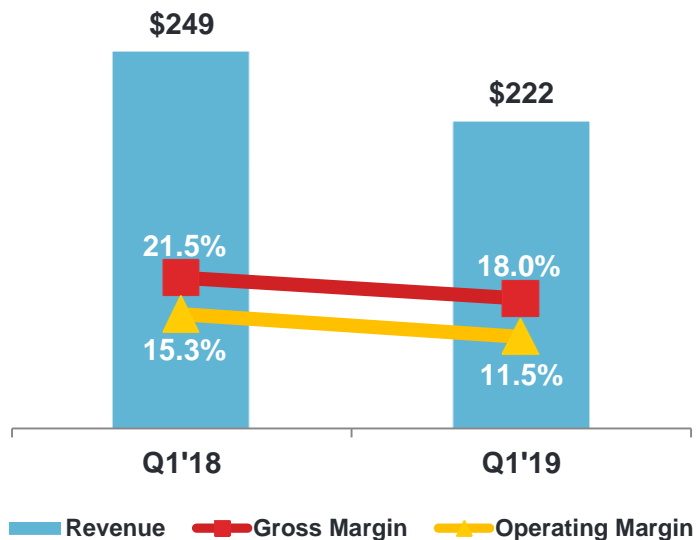
- » Increase in non-GAAP operating income and adjusted EBITDA driven by higher gross profit and lower operating expenses in part due to benefits from restructuring and integration initiatives
- » Higher non-GAAP net income driven by operating income and a lower non-GAAP effective tax rate<sup>1</sup>
- » Improved cash flow driven by higher operating income and less restructuring, acquisition and integration-related outlays

1. Q1 2018 non-GAAP effective tax rate was 64% and Q1 2019 non-GAAP effective tax rate was 31%. See note 1 on slide 19 for a description of our non-GAAP effective tax rate methodology. Reconciliation of GAAP to Non-GAAP results in Appendix and also available on our website.

# DEVICE SOLUTIONS SEGMENT – Q1'19

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency



### » Revenue down 11% and 5% in constant currency

- Down \$17M on FX and Lower EMEA volumes as expected
- Decline partially offset by strong book and ship demand

### » Gross margin down 350 bps

- Higher component costs compared with prior year
- Supply chain environment improving sequentially

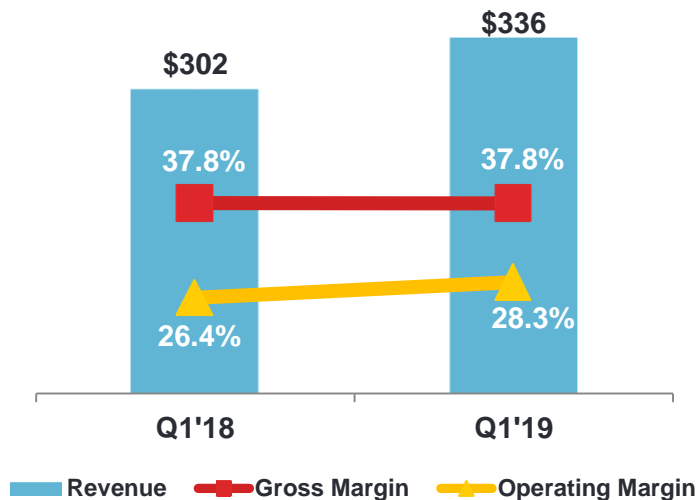
### » Operating margin down 380 bps

- Fall through of gross margin

# NETWORKED SOLUTIONS SEGMENT – Q1'19

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency



### » Revenue +11% and +13% in constant currency

- Strong North America AML market leadership continues
- Ramping new customer deployments

### » Gross margin flat

- Benefit from timing of higher-margin software sales
- Offset by product mix and higher service costs

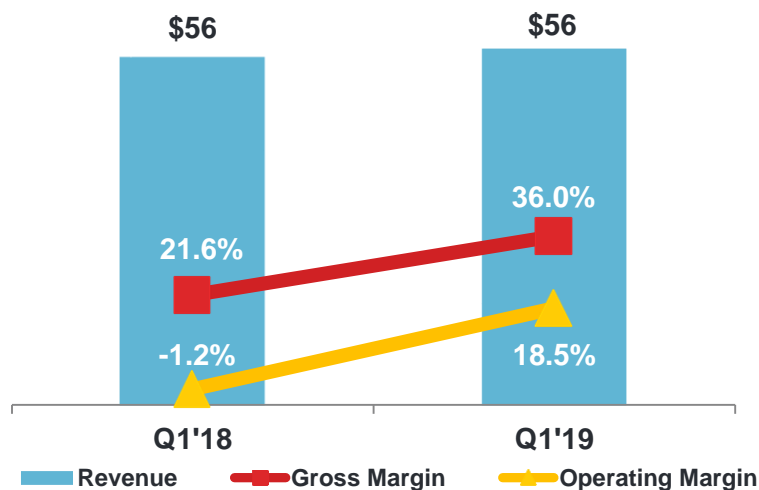
### » Operating margin +190 bps

- OpEx improvement includes integration synergies

# OUTCOMES SEGMENT – Q1'19

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency



### » Revenue +2% and +4% in constant currency

- Continued strength in North America deployments
- Growth continues in recurring managed service offerings

### » Gross margin +14.4 pts

- Scale benefits realized driven by integration of acquisitions
- Favorable mix of higher-margin software and managed services

### » Operating margin +19.6 pts

- OpEx improvement includes integration synergies





**When:** Thursday, June 27, 2019

**Where:** Nasdaq Market Site, 4 Times Square, New York, NY  
10036

Join us for updates on our strategy and market outlook, details on our long-term operating model as well as outlook for each of our realigned business segments and updates on our technology roadmap and restructuring efforts.

Register at [itron.com/investorday](https://itron.com/investorday)

# 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,	
	2019	2018
<b>NON-GAAP NET INCOME &amp; DILUTED EPS</b>		
GAAP loss attributable to Itron, Inc.	\$ (1,907)	\$ (145,666)
Amortization of intangible assets	15,973	17,740
Amortization of debt placement fees	1,156	3,343
Restructuring	7,262	87,865
Corporate transition cost	1,083	—
Acquisition and integration related expense	11,565	62,647
Income tax effect of non-GAAP adjustments <sup>(1)</sup>	(7,242)	(20,835)
Non-GAAP net income attributable to Itron, Inc. <sup>(1)</sup>	\$ 27,890	\$ 5,094
Non-GAAP diluted EPS <sup>(1)</sup>	\$ 0.70	\$ 0.13
Weighted average common shares outstanding - Diluted	40,066	39,773
<b>ADJUSTED EBITDA</b>		
GAAP loss attributable to Itron, Inc.	\$ (1,907)	\$ (145,666)
Interest income	(328)	(661)
Interest expense	13,535	15,504
Income tax provision (benefit)	6,121	(11,188)
Depreciation and amortization	28,427	31,072
Restructuring	7,262	87,865
Corporate transition cost	1,083	—
Acquisition and integration related expense	11,565	62,647
Adjusted EBITDA	\$ 65,758	\$ 39,573

- (1) The income tax effect of non-GAAP adjustments is calculated using the statutory tax rates for the relevant jurisdictions, provided 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 first quarter of 2018, the non-GAAP effective tax rate would have been 36.9% compared with the actual rate of 63.7%. Non-GAAP net income would have increased by \$4.1 million to \$9.2 million, diluted non-GAAP EPS would have increased by \$0.10 to \$0.23.

# GAAP TO NON-GAAP RECONCILIATIONS

TOTAL COMPANY RECONCILIATIONS	Three Months Ended March 31,	
	2019	2018
<b>FREE CASH FLOW</b>		
Net cash provided (used) by operating activities	\$ 24,924	\$ (24,448)
Acquisitions of property, plant, and equipment	(11,415)	(17,433)
Free Cash Flow	<u>\$ 13,509</u>	<u>\$ (41,881)</u>
<b>NON-GAAP OPERATING INCOME</b>		
GAAP operating income (loss)	\$ 20,823	\$ (140,448)
Amortization of intangible assets	15,973	17,740
Restructuring	7,262	87,865
Corporate transition cost	1,083	—
Acquisition and integration related expense	11,565	62,647
Non-GAAP operating income	<u>\$ 56,706</u>	<u>\$ 27,804</u>
<b>NON-GAAP OPERATING EXPENSES</b>		
GAAP operating expenses	\$ 166,440	\$ 320,303
Amortization of intangible assets	(15,973)	(17,740)
Restructuring	(7,262)	(87,865)
Corporate transition cost	(1,083)	—
Acquisition and integration related expense	(11,565)	(62,647)
Non-GAAP operating expenses	<u>\$ 130,557</u>	<u>\$ 152,051</u>



# THANK YOU

## INVESTOR RELATIONS CONTACTS

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