



Philip Mezey

President and Chief Executive Officer

Rob Farrow

Interim Chief Financial Officer

Barbara Doyle

Vice President, Investor Relations

First Quarter 2017
Earnings Conference Call
May 3, 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

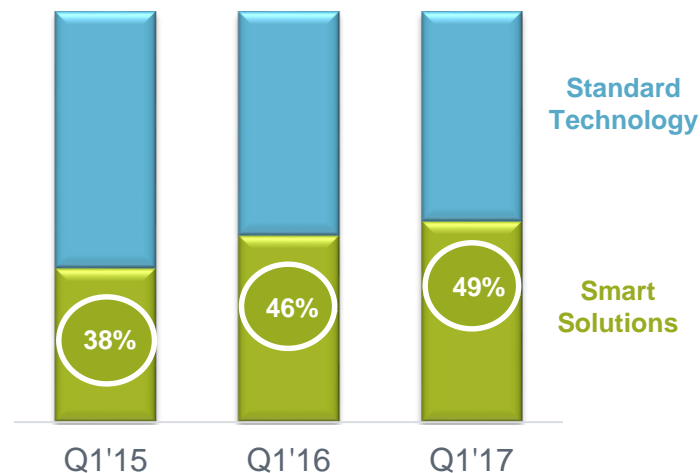
- » **CEO – Business Highlights and Operations Update**
- » **CFO – Financial Results**
- » **Q&A**

Q1'17 BUSINESS HIGHLIGHTS

Successfully Executing our Predictability, Profitability & Growth Objectives

- » Solid start to the year
- » Q1'17 margins and earnings improvements driven by:
 - favorable product mix to higher-value solutions
 - operational improvements across the company
- » Higher cash flow; strong financial flexibility and liquidity

Percentage of Total Shipments



Consistent trend of increasing smart solution business

Q1'17 QUARTERLY BACKLOG

- Total backlog and 12-month backlog up 7% and 4%, respectively, year-over-year
- Q1'17 bookings of \$424M; book-to-bill ratio of 0.9:1

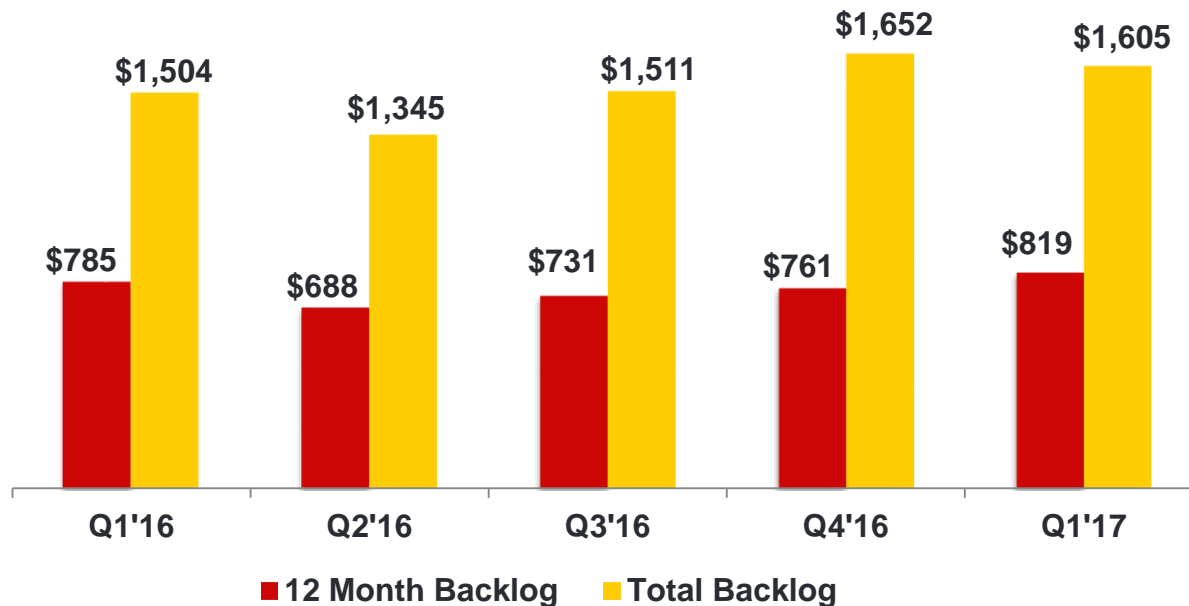


Chart in Millions, actual currency rates

CONSOLIDATED GAAP RESULTS – Q1'17

<i>\$ in millions (except per share amounts)</i>	Q1 2016	Q1 2017	Change
Revenue	\$497.6	\$477.6	-4.0%
<i>Change in constant currency</i>			-3.0%
Gross margin	32.8%	32.9%	+10 bps
Operating income	\$23.6	\$30.0	+27%
Operating income margin	4.7%	6.3%	+160 bps
Net income attributable to Itron, Inc.	\$10.1	\$15.8	+57%
Earnings per share - diluted	\$0.26	\$0.40	+54%
Cash provided by operating activities	\$33.8	\$63.3	+87%

- » Gross margin increased 10 bps primarily due to favorable product mix
- » Higher operating income from improved gross margin and lower operating expenses (G&A, product development and amortization of intangibles)
- » Improved net income and EPS resulting from higher operating income and improved effective tax rate
- » Cash from operations nearly doubled: strong working capital management, offsetting higher variable compensation

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

CONSOLIDATED NON-GAAP RESULTS – Q1'17

<i>\$ in millions (except per share amounts)</i>	Q1 2016	Q1 2017	Change
Non-GAAP operating income	\$32.0	\$38.0	+19%
Non-GAAP operating margin	6.4%	8.0%	+160 bps
Non-GAAP net income attributable to Itron, Inc.	\$16.8	\$22.2	+32%
Adjusted EBITDA	\$40.3	\$45.1	+12%
Adjusted EBITDA margin	8.1%	9.4%	+130 bps
Non-GAAP earnings per share - diluted	\$0.44	\$0.57	+30%
Free cash flow	\$25.0	\$54.1	+116%

- » Higher non-GAAP operating income and adjusted EBITDA driven by improved gross margin and lower operating expenses (G&A and product development)
- » Higher non-GAAP net income and EPS due to improved operating income and lower tax rate
- » Free cash flow more than doubled due to strong working capital management

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Q1'17 REVENUE YEAR-OVER-YEAR BRIDGE

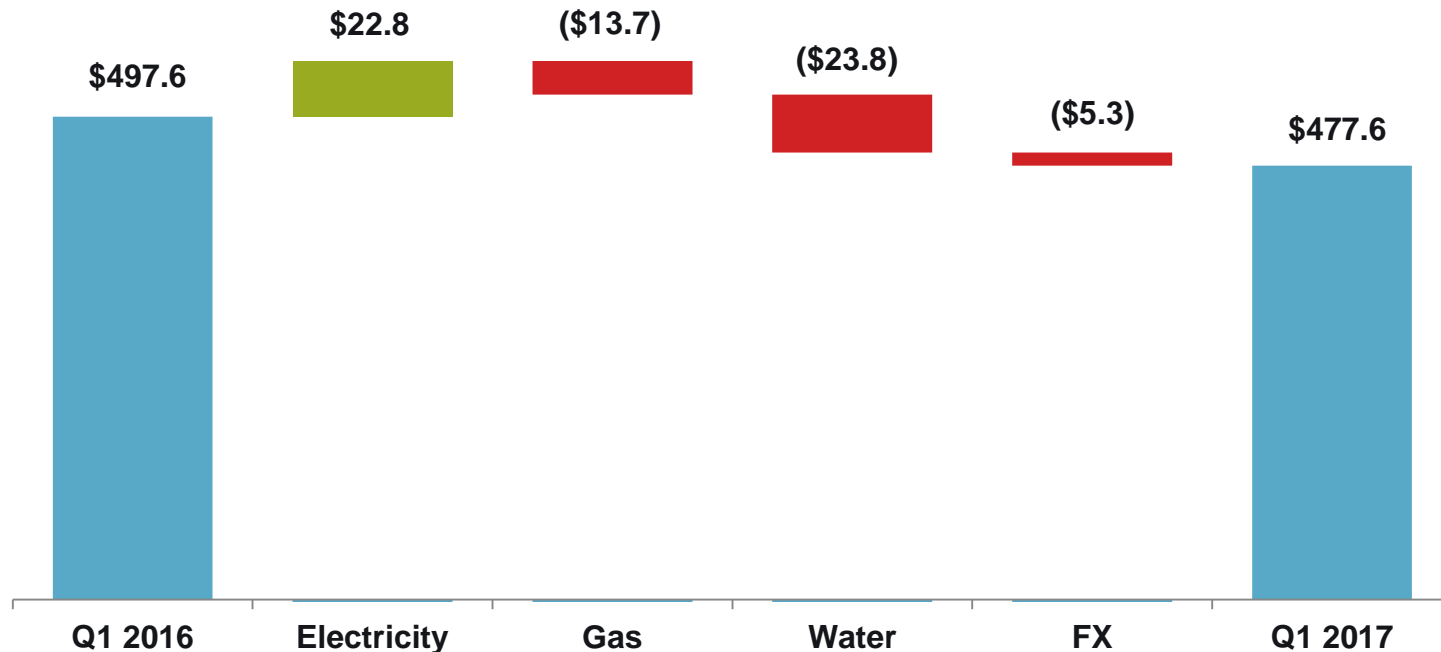
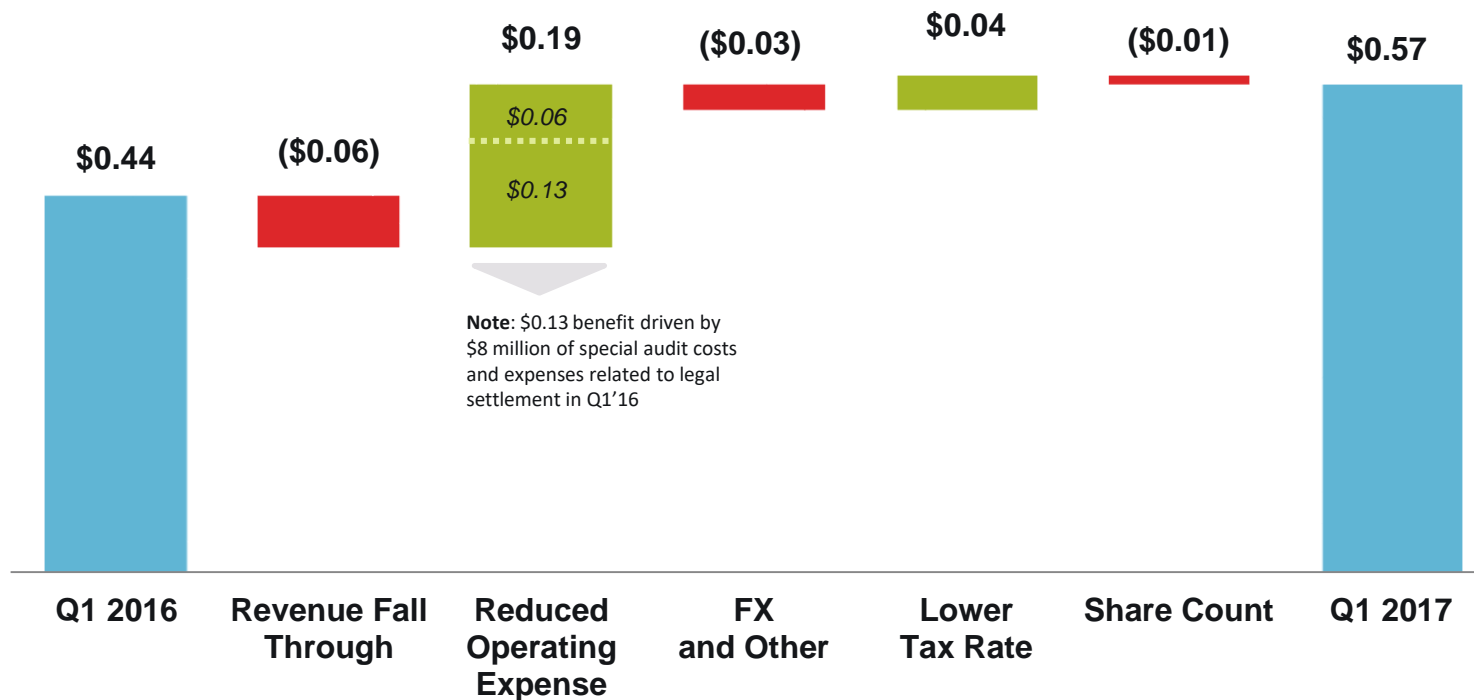


Chart in Millions, actual currency rates

Q1'17 NON-GAAP EPS YEAR-OVER-YEAR BRIDGE

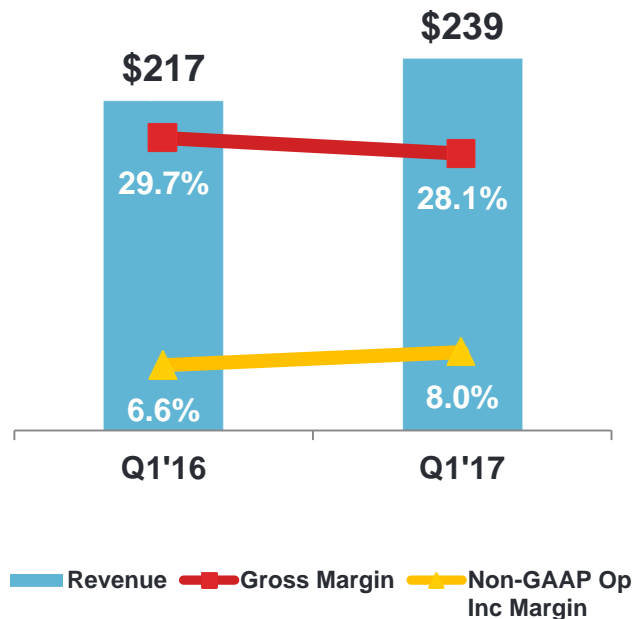


Actual currency rates

ELECTRICITY SEGMENT - Q1'17

REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

\$ in millions, actual currency



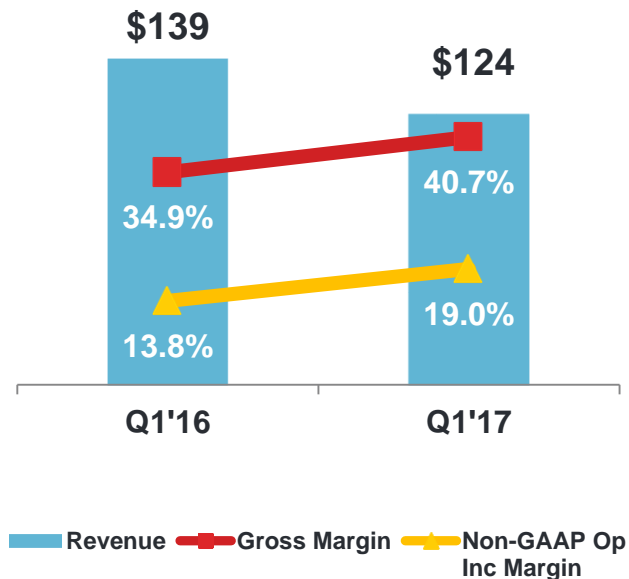
- » **Revenue growth of +10% and +11% in constant currency**
 - Strong growth driven by North America and APAC smart projects
- » **Gross margin down 160 bps**
 - Decrease primarily due to mix of product
- » **Non-GAAP operating margin +140 bps**
 - Increased revenue, operating and restructuring efficiencies more than offset gross margin

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

GAS SEGMENT – Q1'17

REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

\$ in millions, actual currency



» Revenue down 11% and 10% at constant currency

- Compared to a strong Q1'16 metering project business in North America and EMEA

» Gross margin +580 bps

- Driven by favorable mix of product shipped
- Record GM% for Gas segment

» Non-GAAP operating margin +520 bps

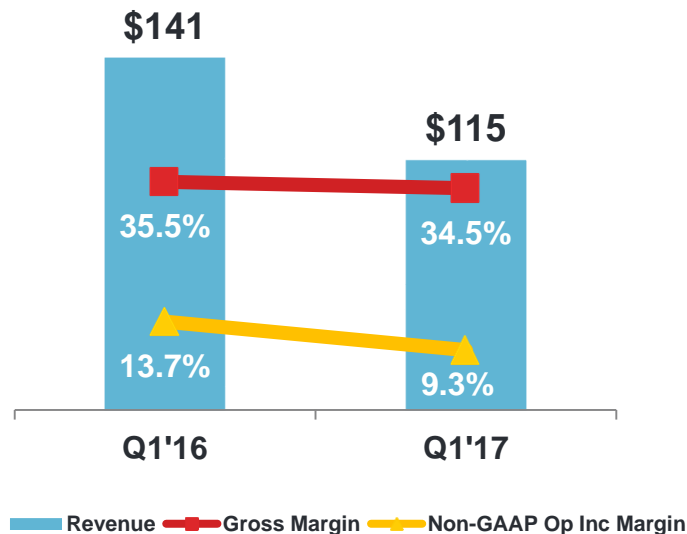
- Strong gross margin fall through plus operational efficiencies

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

WATER SEGMENT – Q1'17

REVENUE, GROSS MARGIN AND NON-GAAP MARGIN OPERATING

\$ in millions, actual currency



» Revenue down 19% and 17% in constant currency

- Compared to strong Q1'16 business in North America and EMEA
- Residential project funding in Latin American beginning to recover

» Gross margin down 100 bps

- Unfavorable product mix and lower volumes

» Non-GAAP operating margin down 440 bps

- Reduced operating expenses offset by volume/revenue decline

» 3rd consecutive quarter of Book:Bill > 1

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

APPENDIX

- » Revenue - FX impact summary
- » 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:
\$1.06 Q1'17 vs \$1.10 Q1'16

Revenue	Q1'17	YoY Change	YoY Change Excluding FX
Electricity	\$238.8	9.9%	10.5%
Gas	\$124.2	-10.8%	-9.9%
Water	\$114.6	-18.7%	-17.2%
Total	\$477.6	-4.0%	-3.0%

GAAP TO NON-GAAP RECONCILIATIONS

(in thousands, expect per share data)

TOTAL COMPANY RECONCILIATIONS	Three Months Ended March 31,	
	2017	2016
NON-GAAP NET INCOME & DILUTED EPS		
GAAP net income attributable to Itron, Inc.	\$ 15,845	\$ 10,089
Amortization of intangible assets	4,549	6,210
Amortization of debt placement fees	241	247
Restructuring	3,052	2,237
Acquisition-related expenses	333	3
Income tax effect of non-GAAP adjustments	(1,834)	(1,955)
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 22,186</u>	<u>\$ 16,831</u>
Non-GAAP diluted EPS	<u>\$ 0.57</u>	<u>\$ 0.44</u>
Weighted average common shares outstanding - Diluted	<u>39,215</u>	<u>38,376</u>
ADJUSTED EBITDA		
GAAP net income attributable to Itron, Inc.	\$ 15,845	\$ 10,089
Interest income	(269)	(271)
Interest expense	2,674	2,918
Income tax provision	9,047	8,626
Depreciation and amortization	14,378	16,674
Restructuring	3,052	2,237
Acquisition-related expenses	333	3
Adjusted EBITDA	<u>\$ 45,060</u>	<u>\$ 40,276</u>

GAAP TO NON-GAAP RECONCILIATIONS

(in thousands)

TOTAL COMPANY RECONCILIATIONS

Three Months Ended March 31,

2017

2016

FREE CASH FLOW

Net cash provided by operating activities	\$	63,257	\$	33,805
Acquisitions of property, plant, and equipment		(9,122)		(8,791)
Free Cash Flow	\$	54,135	\$	25,014

NON-GAAP OPERATING INCOME

GAAP operating income	\$	30,042	\$	23,574
Amortization of intangible assets		4,549		6,210
Restructuring		3,052		2,237
Acquisition-related expenses		333		3
Non-GAAP operating income	\$	37,976	\$	32,024

NON-GAAP OPERATING EXPENSES

GAAP operating expenses	\$	127,183	\$	139,629
Amortization of intangible assets		(4,549)		(6,210)
Restructuring		(3,052)		(2,237)
Acquisition-related expenses		(333)		(3)
Non-GAAP operating expenses	\$	119,249	\$	131,179

GAAP TO NON-GAAP RECONCILIATIONS

(in thousands)

SEGMENT RECONCILIATIONS

Three Months Ended March 31,

	2017	2016
NON-GAAP OPERATING INCOME - ELECTRICITY		
Electricity - GAAP operating income	\$ 16,862	\$ 10,632
Amortization of intangible assets	2,362	3,250
Restructuring	(176)	528
Acquisition-related expenses	—	3
Electricity - Non-GAAP operating income	<u>\$ 19,048</u>	<u>\$ 14,413</u>
NON-GAAP OPERATING INCOME - GAS		
Gas - GAAP operating income	\$ 21,256	\$ 16,299
Amortization of intangible assets	1,277	1,619
Restructuring	1,084	1,264
Gas - Non-GAAP operating income	<u>\$ 23,617</u>	<u>\$ 19,182</u>
NON-GAAP OPERATING INCOME - WATER		
Water - GAAP operating income	\$ 8,735	\$ 18,076
Amortization of intangible assets	910	1,341
Restructuring	1,018	(64)
Acquisition-related expenses	—	—
Water - Non-GAAP operating income	<u>\$ 10,663</u>	<u>\$ 19,353</u>
NON-GAAP OPERATING INCOME - CORPORATE UNALLOCATED		
Corporate unallocated - GAAP operating loss	\$ (16,811)	\$ (21,433)
Restructuring	1,126	509
Acquisition-related expenses	333	—
Corporate unallocated - Non-GAAP operating loss	<u>\$ (15,352)</u>	<u>\$ (20,924)</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