



## **Itron Reports Strong First Quarter 2005 Financial Results**

### **GAAP EPS of 4 cents and Pro forma EPS of 32 cents on Revenues of \$116.5 Million**

SPOKANE, WA. — April 26, 2005 — Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the quarter ended March 31, 2005. Revenues were \$116.5 million for the quarter, compared with \$65.6 million in the first quarter of 2004. The majority of the increase results from the Electricity Metering acquisition completed July 1, 2004.

We shipped approximately 935,000 automatic meter reading (AMR) modules in the first quarter of 2005 compared with 820,000 in the first quarter of 2004. In addition, we shipped approximately 375,000 electricity meters with embedded Itron AMR in the first quarter of 2005. Prior to the Electricity Metering acquisition on July 1, 2004, revenues from shipments of electricity meters with our AMR embedded were in the form of royalties only.

Electricity Metering revenues, which include electricity meters with embedded AMR, were \$54.1 million in the first quarter of 2005.

Meter Data Collection (MDC) revenues in the quarter were \$49.7 million compared with \$54.7 million in the first quarter of 2004. The lower 2005 revenues result primarily from lower average selling prices for standalone electric AMR modules and lower royalty revenues.

Software Solutions revenues were \$12.7 million in the quarter, up from \$10.9 million in the first quarter of last year.

On a GAAP basis, net income was \$817,000, or 4 cents per diluted share for the quarter, compared with a net loss in the first quarter of 2004 of \$738,000, or 4 cents per diluted share. Pro forma net income for the quarter was \$7.3 million, or 32 cents per diluted share, compared with \$2.2 million, or 10 cents per diluted share in the first quarter of 2004. Pro forma earnings exclude the amortization of intangible assets and debt placement fees, restructurings and non-cash stock compensation. A schedule reconciling GAAP income and EPS to pro forma income and EPS is attached to this release.

New order bookings were \$117 million for the quarter compared with \$66 million in the first quarter of last year, and \$128 million in the fourth quarter of 2004. Twelve-month backlog, which represents the portion of backlog that will be earned over the next twelve months, was \$116 million at March 31, 2005, compared with \$79 million a year ago and \$97 million at December 31, 2004. Total backlog was \$190 million compared with \$155 million a year ago and \$179 million at December 31, 2004.

"We are off to a great start in 2005," said LeRoy Nosbaum, chairman and CEO. "AMR projects are moving forward at a number of utilities this year and we are very pleased with the flow of orders so far. The addition of electricity metering and our actions to streamline operations last year resulted in solid operating margins during the quarter."

Gross margin was 44% during the quarter compared with 46% in the first quarter of last year and 42% in the fourth quarter of 2004.

Meter Data Collection segment gross margin of 42% in the first quarter of 2005 reflects a decline of 7 points from MDC gross margin in the first quarter of 2004, and is primarily attributable to lower average selling prices for separate electric AMR modules and lower royalty revenues.

Software Solutions gross margins improved from 29% in the first quarter of 2004 to 45% in the first quarter of 2005 due to better utilization of professional services staffing as a result of workforce reductions during 2004, along with higher maintenance revenue due to a larger installed base.

Electricity Metering gross margin of 45% for the quarter was approximately 5 points higher than in the previous quarter due to higher volumes, product mix changes and the phasing out of low margin manufacturing support services as of December 31, 2004.

Sales and marketing, product development and general and administrative expenses were \$35.1 million for the quarter, compared with \$26.5 million in the first quarter last year. However, as a percentage of revenues, those expenses were 30% of revenues for the quarter compared with 40% in the first quarter of last year. The improved operating leverage in 2005 reflects the lower level of spending required for Electricity Metering marketing and product development due to its more narrowly focused product line, as well as operating efficiencies and cost savings from headcount reductions in 2004.

Intangible asset amortization expenses were \$9.7 million in the first quarter of 2005 compared with \$2.0 million in the first quarter of 2004. Interest expense was \$4.6 million for the quarter compared with \$754,000 in the first quarter of last year. Increases in both are attributable to our Electricity Metering acquisition.

Operating activities generated \$24.9 million in cash during the quarter compared with \$14.0 million in the first quarter of 2004. We made a total of \$20.0 million of optional repayments during the first quarter of 2005 on our senior credit facility term loan, bringing the balance to \$129.6 million at March 31, 2005. Total debt was \$257.6 million at March 31, 2005 compared with \$278.2 million at December 31, 2004.

On April 19, 2005, we completed two amendments to our senior secured credit facility. Those amendments resulted in a 50 basis point reduction in the term loan interest rate, an increase to our maximum consolidated leverage and consolidated senior debt ratios, and increases in our letter of credit limit and our revolver commitment. On April 25, 2005, we made another optional repayment of \$5.0 million on the term loan.

### **Business Outlook**

Our outlook for 2005 does not include any impact related to the expensing of stock options. We expect to implement FASB's Statement 123R, which requires the expensing of stock options and ESPP shares issued at a discount, in 2006. Expensing of stock options will decrease gross margin, increase operating expenses and influence our effective tax rate.

"Prospects for large new meter/AMR projects are indeed encouraging," said Nosbaum. "However, orders on a number of projects that have been publicly talked about by customers have not yet been placed. As such, the upward revision to our outlook for 2005 is primarily based on our stronger than expected first quarter results."

### **For the full year 2005, we expect:**

Revenues to be between \$510 and \$520 million (previous guidance was \$505 to \$515 million).

Pro forma diluted earnings per share between \$1.50 and \$1.55 (previous guidance was \$1.40 to \$1.45).

Operating cash flow between \$75 and \$85 million (previous guidance was \$70 to \$80 million).

### **Use of Non-GAAP Financial Information**

To supplement our consolidated financial statements presented in accordance with GAAP, we use certain non-GAAP measures, including pro forma earnings and EPS and EBITDA. Pro forma earnings and EPS are adjusted from GAAP-based results to exclude certain costs and expenses that we believe are not indicative of our core operating results. Pro forma results are one of the primary indicators management uses for evaluating historical results and for planning and forecasting future periods. We believe pro forma results provide consistency in our financial reporting which enhances our investor's understanding of our current financial performance as well as our future prospects. Pro forma results along with EBITDA measures should be viewed in addition to, and not in lieu of, GAAP results.

### **Earnings Conference Call**

Itron will host a conference call to discuss the financial results contained in this release at 1:45 p.m. PST on April 26, 2005. The call will be webcast in a listen only mode by Thomson/CCBN and can be accessed online at [www.itron.com](http://www.itron.com), "About Itron – Investor Events." Investors may also listen to the live call through Thomson's StreetEvents Network at [www.fulldisclosure.com](http://www.fulldisclosure.com) or [www.streetevents.com](http://www.streetevents.com). The live webcast will begin at 1:45 p.m. (PST) and webcast replays will begin shortly after the conclusion of the live call and will be available for two weeks. A telephone replay of the call will also be available approximately one hour after the conclusion of the live call, for 48 hours, and is accessible by dialing (888) 203-1112 (Domestic) or (719) 457-0820 (International) and entering passcode #3013943.

### **Forward Looking Statements**

This release contains forward-looking statements concerning Itron's operations, financial performance, sales, earnings and cash flow. These statements reflect our current plans and expectations and are based on information currently available. They rely on a number of assumptions and estimates, which could be inaccurate, and which are subject to risks and uncertainties that could cause our actual results to vary materially from those anticipated. Risks and uncertainties include the rate and timing of customer demand for the Company's products, rescheduling of current customer orders, changes in estimated liabilities for product warranties, changes in laws and regulations, and other factors which are more fully described in our Annual Report on Form 10-K for the year ended December 31, 2004 on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

### **About Itron**

Itron is a leading technology provider and critical source of knowledge to the global energy and water industries. More than 2,800 utilities worldwide rely on Itron technology to deliver the knowledge they require to optimize the delivery and use of energy and water. Itron delivers value to its clients by providing industry-leading solutions for electricity metering, meter data collection, energy information management, demand side management and response, load forecasting, analysis and consulting services, distribution system design and optimization, Web-based workforce automation, commercial and industrial customer care and residential energy management. To know more, start here: [www.itron.com](http://www.itron.com).

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