



Itron Reports Stronger than Expected Q2 2001 Financial Results

Net Income Up 128% In The Second Quarter Of 2001 Compared To Last Year Positive Operating Cash Flow Of \$9.7 Million For Q2 01 Bookings Continue At A Strong Pace With \$45 Million In New Orders Booked In Q2 01

SPOKANE, WA. — July 17, 2001 — Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the quarter-ended June 30, 2001.

Net income for the second quarter of 2001 was \$2.6 million, or 5.0% of revenues, compared with \$1.2 million, or 2.5% of revenues in the second quarter of last year. Diluted earnings per share were 15 cents for the second quarter of 2001, almost double the eight cents reported for the second quarter of last year, and up 50% from the first quarter of 2001.

On a year-to-date basis, net income for 2001 was \$4.2 million, or 4.2% of revenues, compared with \$1.6 million, or 1.7% of revenues for the first six months of last year. Diluted earnings per share for the first six months of 2001 were 25 cents, compared with 10 cents last year.

Revenues of \$52.9 million for the second quarter of 2001 were up 17% compared with the second quarter of last year, and were up 11% from the first quarter of 2001. For the first six months of 2001, revenues were \$100.4 million compared with \$94.0 million in the first six months of last year.

Gross margin climbed to 44% of revenues for the second quarter of 2001, compared with 39% in the second quarter of last year. Year-to-date, gross margin was 42% for the first six months of 2001, compared with 38% for the first six months of last year. The improved margins reflect increased domestic manufacturing efficiencies as well as lower material costs resulting from favorable market conditions for electronic components.

Operating expenses were \$18.1 million, or 34% of revenues, for the second quarter of 2001, compared with \$15 million, or 33% of revenues, in the second quarter last year. Year-to-date operating expenses were \$33.1 million, or 33% of revenues, compared with \$31.1 million, or 33% of revenues in the first six months of last year. The higher spending in 2001 primarily reflects increased product development spending on new hardware and software programs.

Operating income grew to 9.5% of revenues in the second quarter of 2001, compared with 5.7% of revenues in the second quarter of last year. Year-to-date 2001 operating income was 8.8% of revenues, compared with 5.2% last year.

Commenting on the results for the quarter, LeRoy Nosbaum, president and CEO said, "In 2000, we were focused on returning Itron to profitability. We accomplished that and came out of 2000 with a commitment to growing both revenue and earnings. Our results for the first six months of this year speak to our progress towards that goal. We are very pleased, not only with our results so far this year, but also with our business outlook for the remainder of this year and next year."

There were 15.5 million shares of Itron stock outstanding at June 30, 2001, compared with 15.1 million shares outstanding one year ago. Diluted shares outstanding rose to 18.7 million and 18.1 million for the quarter and six months ended June 30, 2001, up from 15.3 million and 15.4 million diluted shares in the quarter and six month periods of last year. The increase in dilutive shares outstanding reflects the significant increase in the average price of Itron stock in 2001, which resulted in an increase in the number of options and convertible note shares included in the calculation.

Diluted earnings per share were 15 cents for the second quarter of 2001, compared with eight cents for the second quarter of last year. Diluted earnings per share for the first six months of 2001 were 25 cents, compared with 14 cents in the first six months of last year, excluding extraordinary items. Including the impact of an extraordinary gain on the repurchase of debt, and the cumulative impact of a change in accounting policy, diluted earnings per share were 10 cents for the first six months of 2000.

We generated \$9.7 million in cash from operations during the second quarter of 2001, compared with \$700,000 in the second quarter of 2000. For the first six months of 2001, cash generated from operations was \$18.9 million, compared with \$7.9 million in the first six months of last year. In the first six months of 2000, we used approximately \$7.5 million in operating cash to pay severance and other restructuring-related accruals from 1999.

Twelve-month backlog at June 30, 2001 was \$79 million, up from \$71 million at March 31, 2001. Total backlog, including revenues beyond the next twelve months, was \$184 million at June 30, 2001 compared with \$186 million at March 31, 2001.

Business Outlook

The following statements are based on management's current expectations. These statements are forward-looking and are made as of the date of this press release. Actual results may differ materially due to a number of risks and uncertainties. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

We expect that revenues for the full year 2001 will be approximately 15% higher than in 2000. We expect increased product development spending in the second half of 2001 compared to the first half of 2001, but look for operating margins to improve as a percentage of revenues in the second half of 2001 compared with the first half. Diluted EPS, after extraordinary items for the full year 2001, is anticipated to be between 55 cents and 60 cents per share.

Commenting on the Company's outlook for 2002, Nosbaum said, "Our outlook for 2002 is preliminary at this point in time, but next year appears to be shaping up nicely. We anticipate revenue growth between 10% and 15% in 2002, with solid EPS growth as well. As we get further through this year, we will be able to communicate a clearer picture of our outlook for 2002."

Itron will host a conference call to discuss further the results of the quarter at 1:45 p.m. Pacific Time on July 17, 2001. The call will be webcast live in a listen only mode, and later archived. To access the live or archived webcasts, please visit the "Investor Relations Overview" section of Itron's website, www.itron.com. A telephone replay of the call will be also be available following the conclusion of the live call for 48 hours and is accessible by dialing (800)-633-8284 (Domestic) or (858)-587-5842 (International), and entering reservation # 19197447.

About Itron

Itron Inc. is a leading technology provider and source of knowledge to the energy and water industry for collecting, analyzing, and applying critical data about electric, gas, and water usage. Itron technology touches more than \$200 billion in energy and water transactions annually. Today, Itron systems are installed at approximately 2,000 utilities in over 45 countries around the world and are being used to collect data from 275 million electric, gas, and water meters. Of those, more than 700 customers use Itron's radio and telephone-based technology to automatically collect information from almost 19 million of those meters. Itron technology is also in use at a number of the newly created wholesale energy markets in the U.S. and Canada to provide critical billing and settlement systems for the power flowing into and out of those deregulating markets.

This release contains forward-looking statements concerning Itron's operations, economic performance, sales, earnings growth and cost reduction programs. These statements reflect the Company's current plans and expectations and are based on information currently available to it. They rely on a number of assumptions and estimates, which could be inaccurate, and which are subject to risks and uncertainties that could cause the Company's actual results to vary materially from those anticipated. Risks and uncertainties include the rate and timing of customer demand for the Company's products, the ability of the Company to effectuate additional initiatives for improving growth and profitability, changes in law and regulation (including FCC licensing actions), and other factors which are more fully described in the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and Form 10-Q for the quarter ended March 31, 2001 on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

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Related Documents

[Itron Q2 Earnings Statement](#)