**Philip Mezey –** President and Chief Executive Officer

**Joan Hooper –** Senior Vice President and Chief Financial Officer

**Tom Deitrich –** Executive Vice President and Chief Operating Officer

**Kenneth Gianella** – Vice President, Investor Relations

# Fourth Quarter & Year-End 2018 Earnings Conference Call

February 27, 2019

# 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 and Operations Update
- CFO – Financial Results and FY'19 Guidance
- Q&A

# Q4'18 SUMMARY

- Solid fourth quarter execution as we transitioned to our new business segmentation
- Revenue $587M, up +7% driven by growth in North America and Networked Solutions
- Adjusted EBITDA of $59M and Non-GAAP EPS of $0.88
- Free Cash Flow of $25M
- Book to Bill of over 1.3x for an ending backlog of $3.2B and a 12-month backlog of $1.3B

# Q4’18 BACKLOG

- Q4’18 bookings of $786 million
- Book to Bill of 1.3:1 in Q4’18; >1:1 for FY’18
- Backlog of $3.2 billion
- 12-month backlog of $1.3 billion

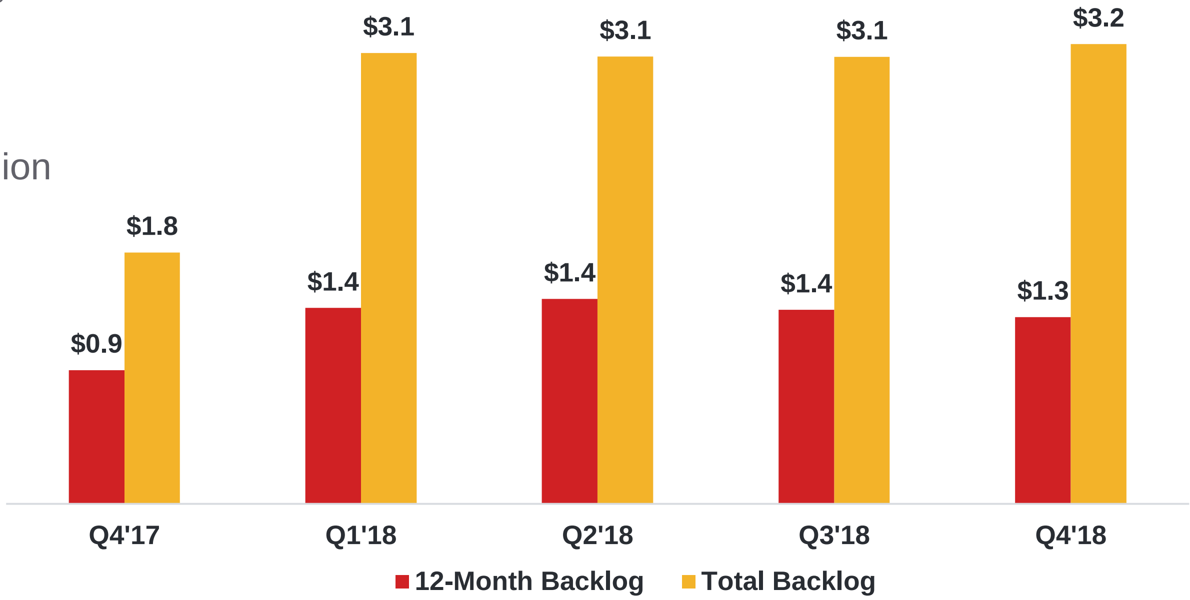



*Chart in billions, actual currency rates.*

# STRATEGIC MILESTONE CHECKLIST

- Extended leadership position in Smart Energy and Smart City Solutions
- Roadmap for a transport agnostic, IoT platform that securely and efficiently manages device proliferation
- Prioritized investment to expand reoccurring revenue in software and services
- Continued execution on restructuring, integration, and supply chain optimization

# CONSOLIDATED GAAP RESULTS – Q4'18

| *$ in millions (except per share amounts)* | Q4 2018 | Q4 2017 | Change |
|---|---|---|---|
| Revenue<br>*Change in constant currency* | **$587.0** | $550.8 | +7%<br>*+9%* |
| Gross margin | **30.1%** | 31.8% | -170 bps |
| Operating income | **$28.5** | $48.2 | -41% |
| Net income attributable to Itron | **$23.9** | $1.8 | +$22.1 |
| Earnings per share - diluted | **$0.60** | $0.05 | +$0.55 |

- Revenue growth driven by strong performance in Networked Solutions segment.
- Gross margin decline primarily due to higher special warranty expense.
- Lower operating income driven by lower gross margin and higher operating expenses due to Silver Spring Networks acquisition.
- Higher GAAP net income primarily driven by a tax benefit due to favorable discrete tax items.

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

# CONSOLIDATED NON-GAAP & CASH RESULTS – Q4'18

| *$ in millions (except per share amounts)* | Q4 2018 | Q4 2017 | Change |
|---|---|---|---|
| Non-GAAP operating income | **$48.8** | $55.9 | -13% |
| Non-GAAP operating margin | **8.3%** | 10.2% | -190 bps |
| Non-GAAP net income attributable to Itron | **$35.1** | $39.8 | -12% |
| Adjusted EBITDA | **$58.8** | $66.3 | -11% |
| Adjusted EBITDA margin | **10.0%** | 12.0% | -200 bps |
| Non-GAAP earnings per share - diluted | **$0.88** | $1.01 | -13% |
| Cash provided by operating activities | **$42.4** | $76.9 | -45% |
| Free cash flow | **$24.9** | $60.9 | -59% |

» Decrease in Non-GAAP operating income driven by lower gross margin and higher operating expenses due to Silver Spring Networks acquisition.

» Non-GAAP net income reflects lower operating income partially offset by a tax benefit driven by favorable discrete tax items.

» Lower cash flow driven by timing of working capital and restructuring and acquisition related expenses.

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

# DEBT, LIQUIDITY AND INTEREST COSTS

## Debt / Leverage

- Continue to pay down debt in Q4; Total debt decreased to ~$1.04B
- Over 70% of debt is hedged to fixed rates
- Net leverage 3.9x at end of Q4; in line with Q3.

## Interest

- Blended interest rate stable at 4.4% in rising rate environment, reflecting hedged portfolio

## Liquidity

- Further liquidity is provided by a $500M revolving credit facility

# REVENUE YEAR-OVER-YEAR BRIDGE – Q4’18

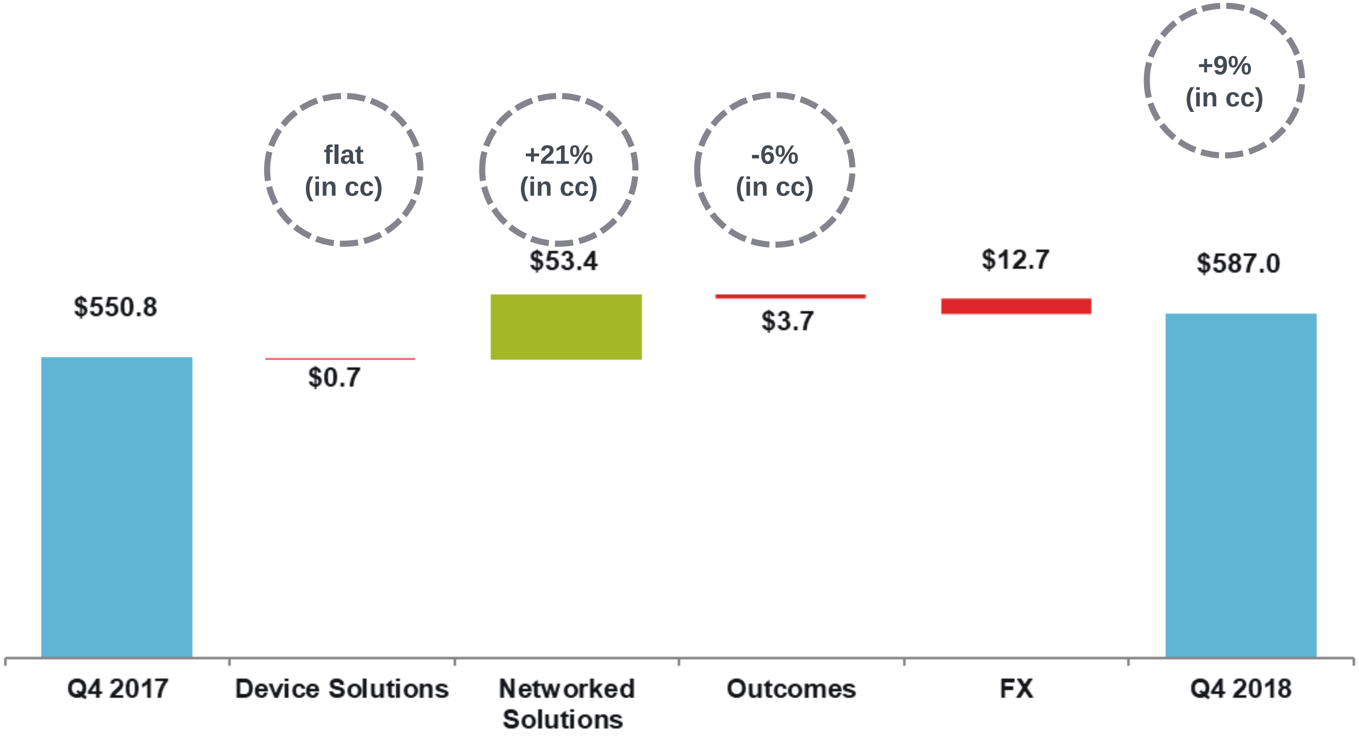
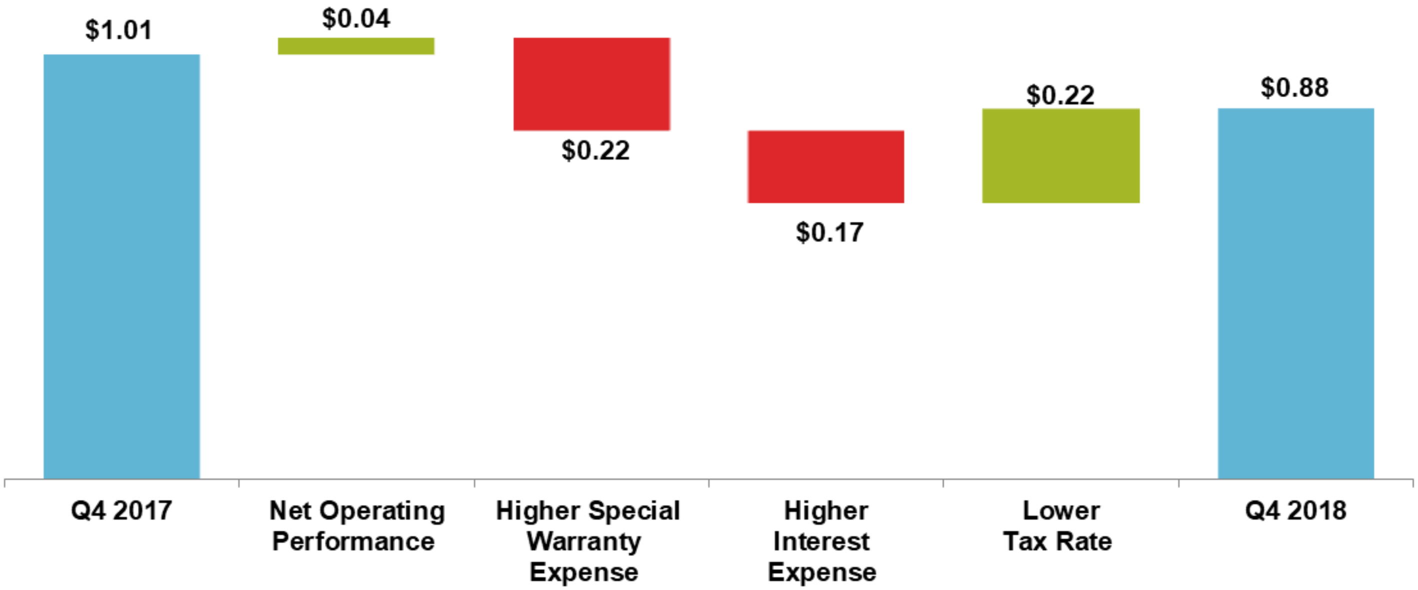



*Chart in millions, Q4’17 and Q4’18 totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.*

# NON-GAAP EPS YEAR-OVER-YEAR BRIDGE – Q4'18

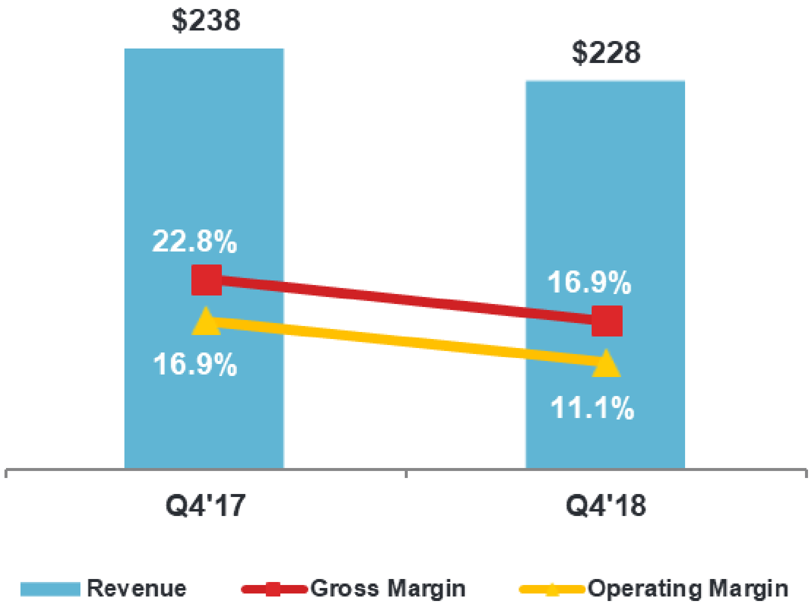



*Q4'17 and Q4'18 totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.*

# DEVICE SOLUTIONS SEGMENT – Q4’18

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

$ in millions, actual currency




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

- Down $10M on FX impact in Euro
- Lower EMEA volumes in gas and water
- Offset by strong Electric meters, Water OEM, Gas Regulators

### » Gross margin down 590 bps

- Special warranty charges
- Higher component costs and supply chain inefficiencies
- Unfavorable product mix on higher Water OEM meters

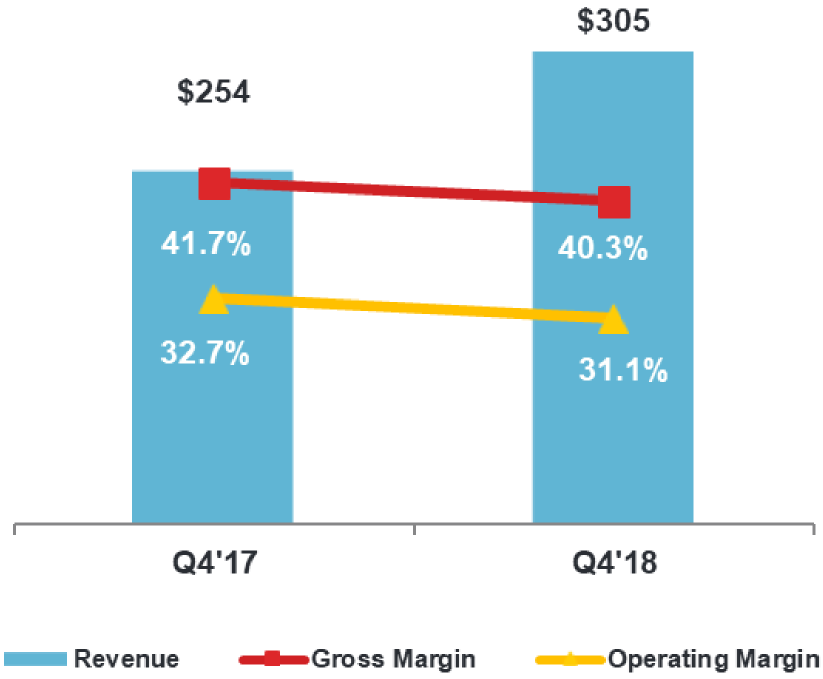
### » Operating margin down 580 bps

- Lower gross margin slightly offset by lower product development expense

# NETWORKED SOLUTIONS SEGMENT – Q4'18

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

$ in millions, actual currency




» **Revenue +20% and +21% in constant currency**
- Strong North America AMI market leadership continues
- Wind down of two large legacy deployments offset by acquisition

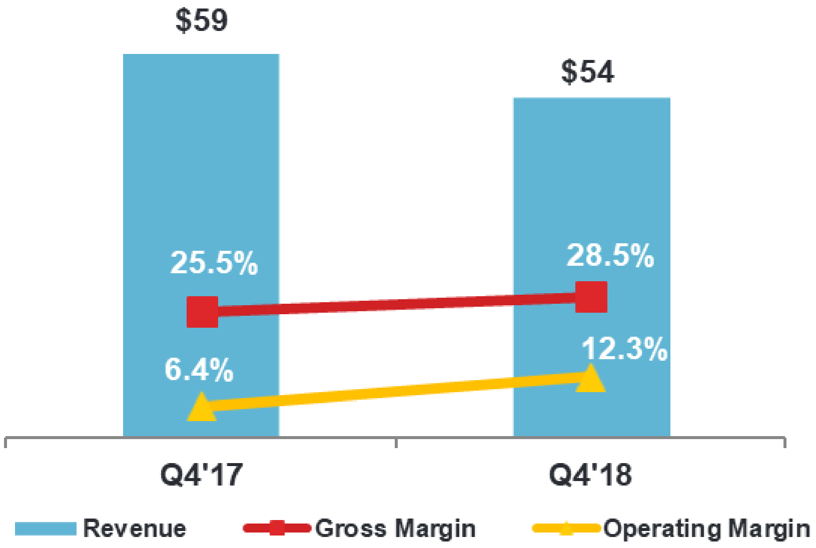
» **Gross margin down 140 bps**
- Lower OpenWay shipments partially offset by higher software mix

» **Operating margin down 160 bps**
- Higher product development expense aligned with Silver Spring Networks acquisition and technology convergence roadmap acceleration

# OUTCOMES SEGMENT – Q4’18

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

$ in millions, actual currency




» **Revenue down 8% and 6% in constant currency**
- Lower EMEA business
- Unfavorable YOY compare with large software project completions in Q4’17

» **Gross margin +300 bps**
- Continue rationalization for scale in global business
- Integration of former Silver Spring Networks continues

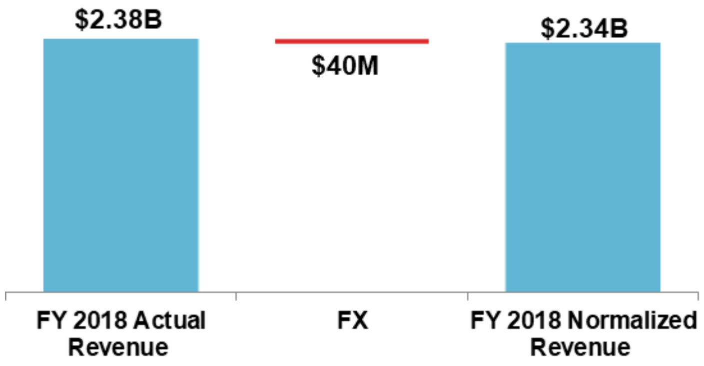
» **Operating margin +590 bps**
- Lower operating expenses

# NORMALIZED 2018 REVENUE & NON-GAAP EPS

## BASELINE FOR 2019 GUIDANCE COMPARE

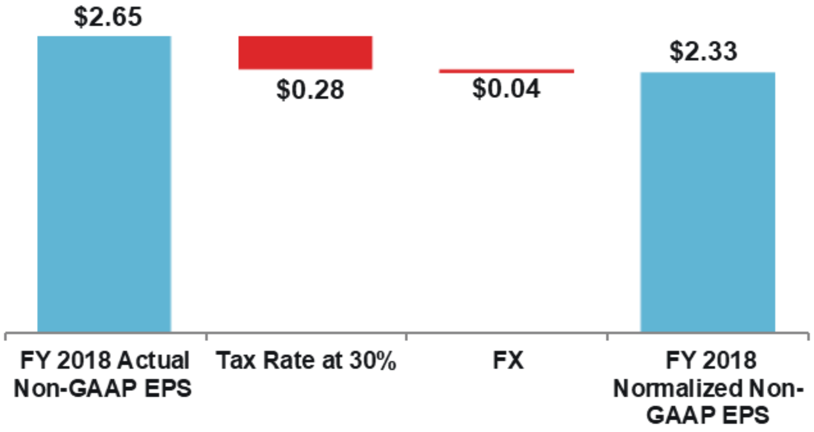
**Revenue***

*Normalized to a Constant Currency for 2019 YOY Change in FX*




**Non-GAAP Earnings Per Share***

*Normalized for a 30% Tax Rate and Change in FX*




**Bridges reflect 2018 actual results restated in constant currency for the forecasted USD to Euro foreign exchange rate of 1.14 in 2019 vs 1.18 realized in 2018. The non-GAAP EPS bridge is also restated using the normalized tax rate of 30% vs 22% realized in 2018 due to one-time discrete tax items.*

# 2019 FINANCIAL GUIDANCE

» **Revenue of $2.35 – 2.45 billion** *(normalized YOY growth +1 to 5%)*

» **Non-GAAP EPS of $2.35 - $2.75** *(normalized YOY growth +1 to 18%)*

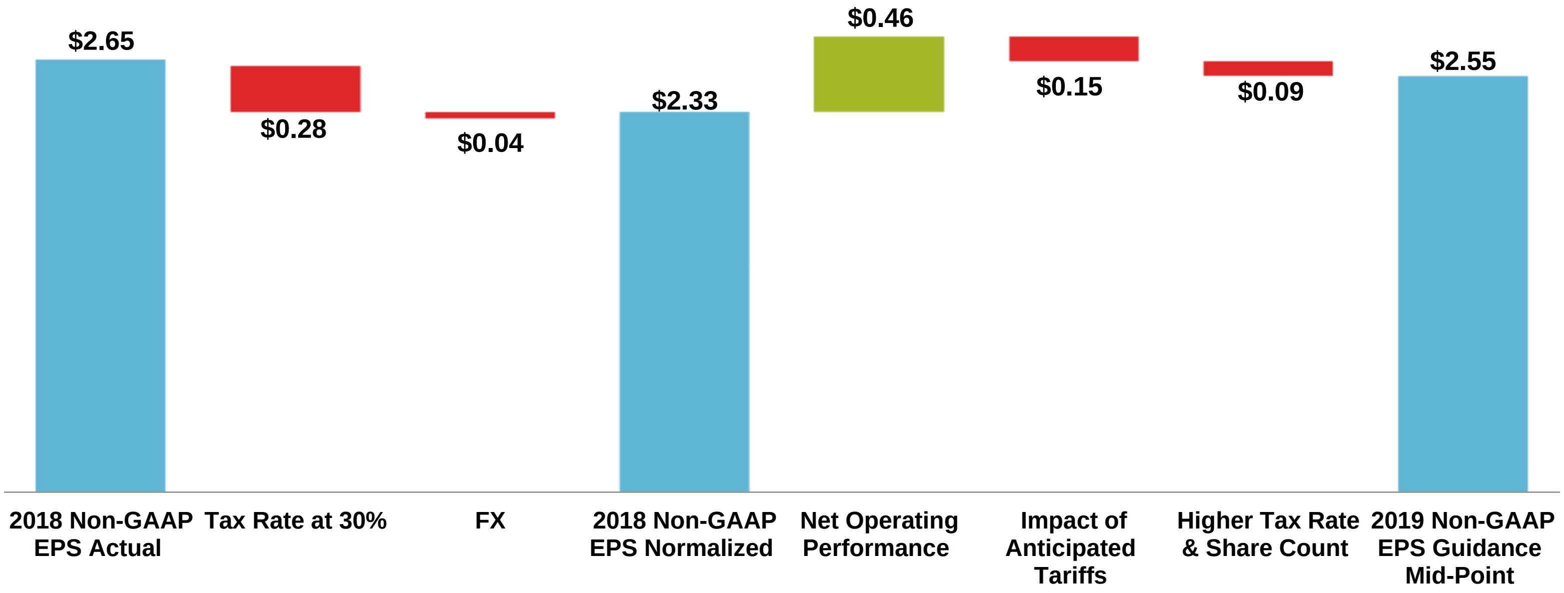
**Assumptions & commentary:**

- Average euro to U.S. dollar foreign currency exchange rate of $1.14
- Average shares outstanding of ~40.65 million for the year
- Non-GAAP effective tax rate for the year of ~31%
- Total interest expense of $50 million

A reconciliation of forward-looking non-GAAP diluted EPS to the GAAP diluted EPS has not been provided because we are unable to predict with reasonable certainty the potential amount or timing of restructuring and acquisition-related expenses and their related tax effects without unreasonable effort. These items are uncertain, depend on various factors, and could have a material impact on GAAP results for the guidance period.

# 2018 TO 2019 NON-GAAP EPS GUIDANCE BRIDGE

2018 actual to 2018 normalized to the midpoint of 2019 guidance



# APPENDIX

- FY'18 Results
- Revenue - FX impact summary
- GAAP to Non-GAAP Reconciliations

# CONSOLIDATED GAAP RESULTS – FY'18

| *$ in millions (except per share amounts)* | **FY 2018** | **FY 2017** | **Change** |
|---|---|---|---|
| Revenue | $2,376.1 | $2,018.2 | +18% |
| *Growth in constant currency* | | | *+17%* |
| Gross margin | 30.7% | 33.5% | -280 bps |
| Operating income (loss) | ($49.7) | $154.9 | NM |
| Net income (loss) attributable to Itron | ($99.3) | $57.3 | NM |
| Earnings (loss) per share – diluted | ($2.53) | $1.45 | NM |

- » Revenue growth in all three segments; Almost 30% YOY growth in Networks segment.
- » Gross margin decline on product mix, higher special warranty, supply chain inefficiencies, higher component and commodity costs and an insurance recovery in prior year.
- » Lower GAAP operating income (loss) due to restructuring and acquisition & integration-related charges.
- » GAAP net income (loss) reflects lower operating income and $44 million higher interest expense.

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

# CONSOLIDATED NON-GAAP & CASH RESULTS – FY'18

| *$ in millions (except per share amounts)* | FY 2018 | FY 2017 | Change |
|---|---|---|---|
| Non-GAAP operating income | $191.1 | $199.2 | -4% |
| Non-GAAP operating margin | 8.0% | 9.9% | -190 bps |
| Adjusted EBITDA | $235.8 | $230.1 | +2% |
| Adjusted EBITDA margin | 9.9% | 11.4% | -150 bps |
| Non-GAAP earnings per share - diluted | $2.65 | $3.06 | -13% |
| Net cash from operating activities | $109.8 | $191.4 | -43% |
| Free cash flow | $49.8 | $141.9 | -65% |

» Lower non-GAAP operating income driven by higher operating expenses from Silver Spring acquisition.

» Non-GAAP net income reflects lower operating income and increased interest expense, partially offset by a lower tax rate

» Lower cash flow driven by timing of working capital, restructuring and acquisition related expenses and higher interest expense.

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

# REVENUE YEAR-OVER-YEAR BRIDGE – FY’18

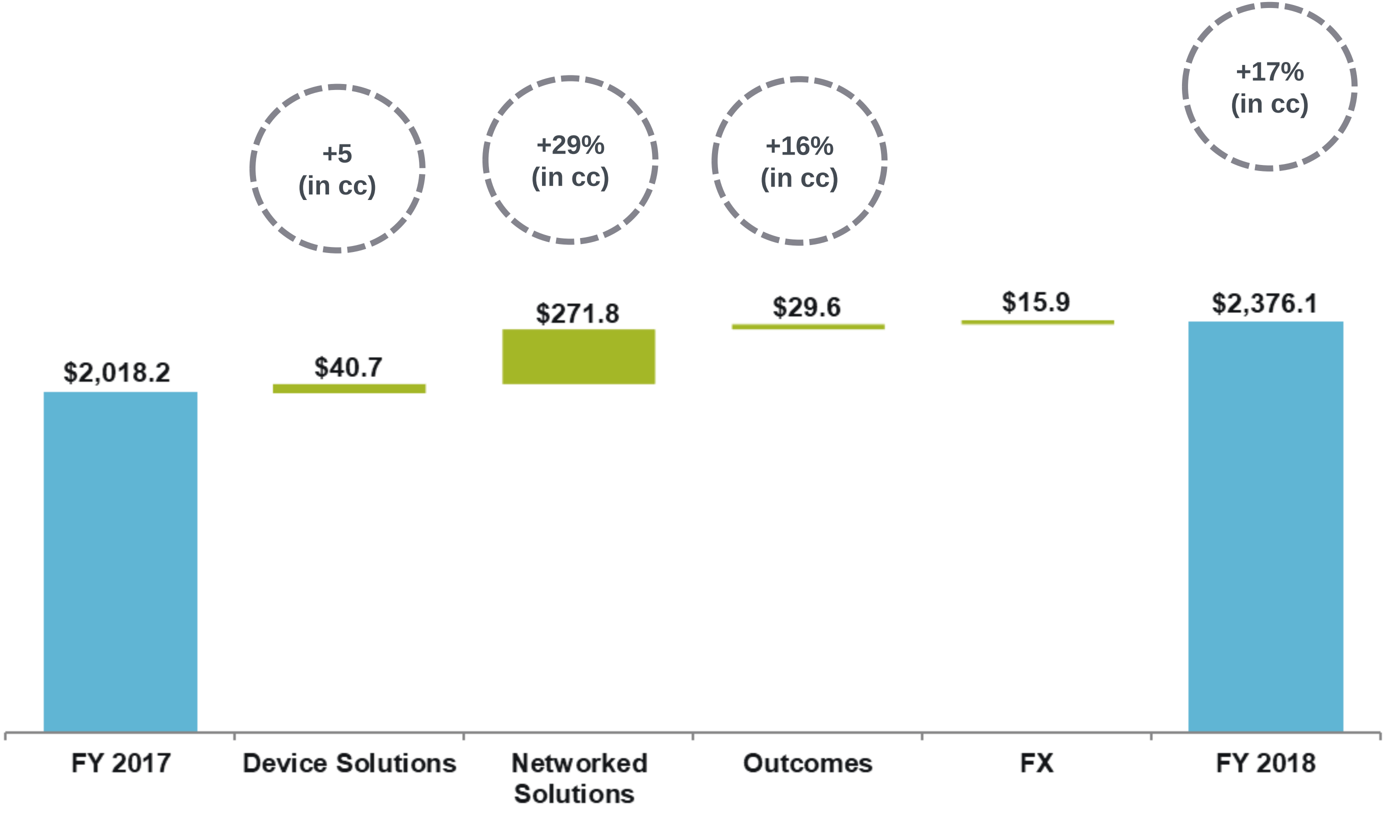
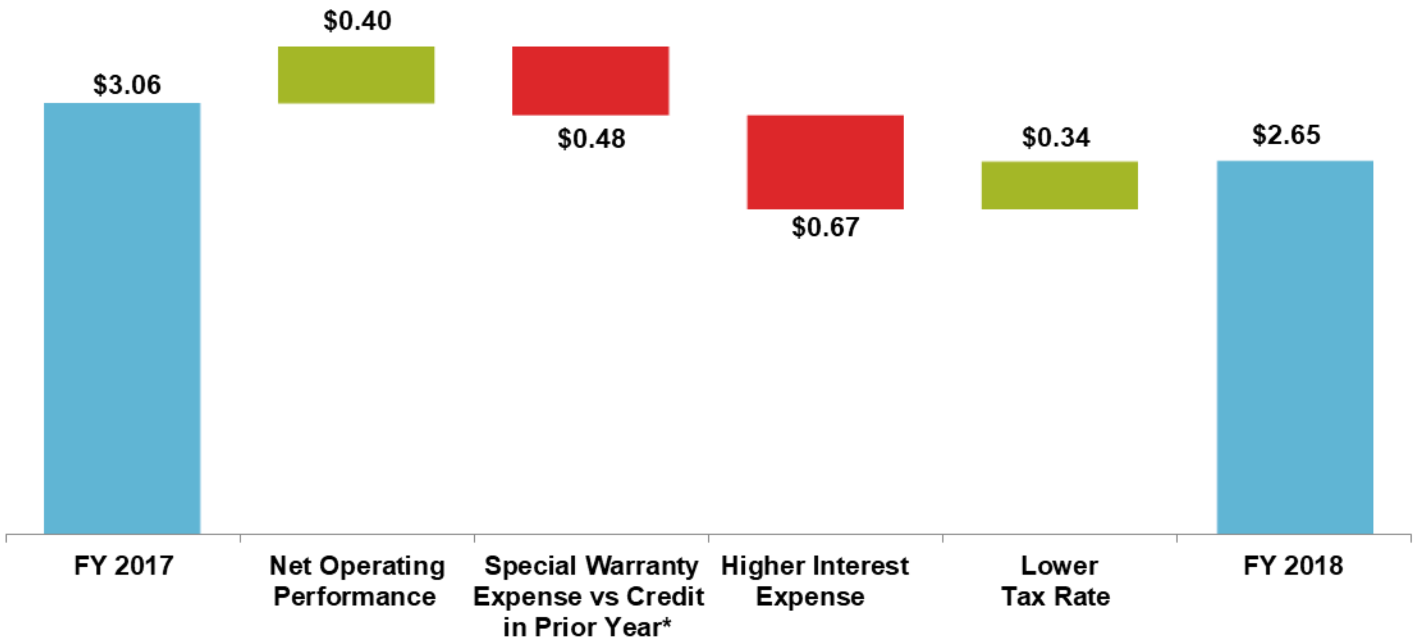



*Chart in millions, FY’17 and FY’18 totals reflect actual currencies; all variances other than FX exclude currency impact*

# NON-GAAP EPS YEAR-OVER-YEAR BRIDGE – FY'18

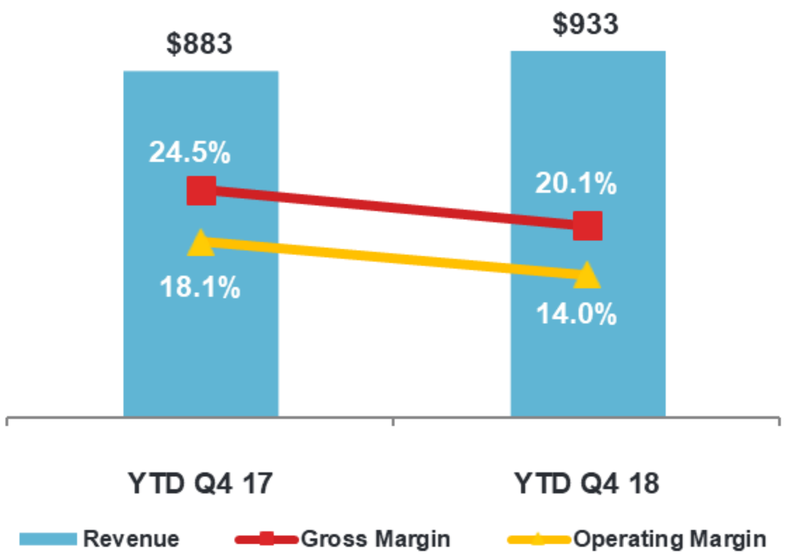



**Special Warranty year-over-year change reflects an $11M expense in 2018 compared with a $17M insurance recovery and release in 2017. The benefit from a lower tax rate reflects actual rates of 31% in 2017 vs 22% in 2018.*
*FY'17 and FY'18 totals reflect actual currencies; all variances other than FX exclude currency impact*

# DEVICE SOLUTIONS SEGMENT – FY'18

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

$ in millions, actual currency




» **Revenue +6% and +5% in constant currency**
- Ramp up of Linky deployment in EMEA

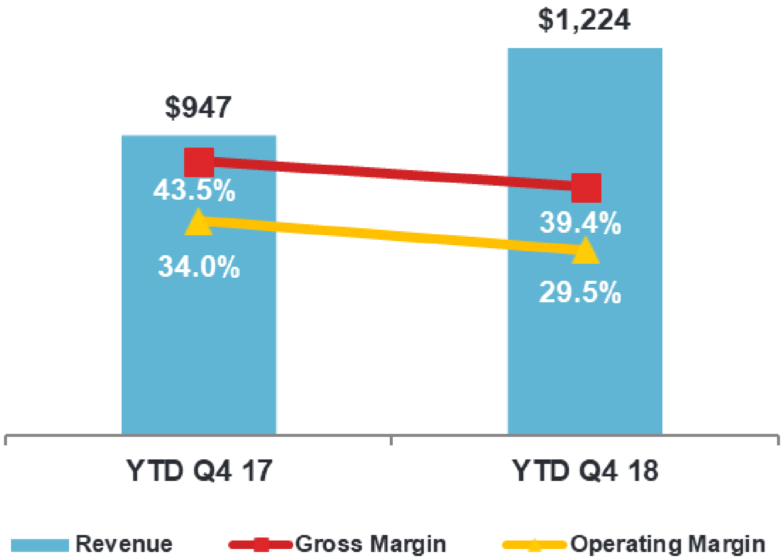
» **Gross margin down 440 bps**
- Product mix
- Higher component costs and supply chain inefficiencies
- Higher special warranty charges

» **Operating margin down 410 bps**
- Lower gross margin partially offset by lower product development expense

# NETWORKED SOLUTIONS SEGMENT – FY'18

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

$ in millions, actual currency




» **Revenue +29% as reported and in constant currency**
- Increase in smart deployments and acquisition

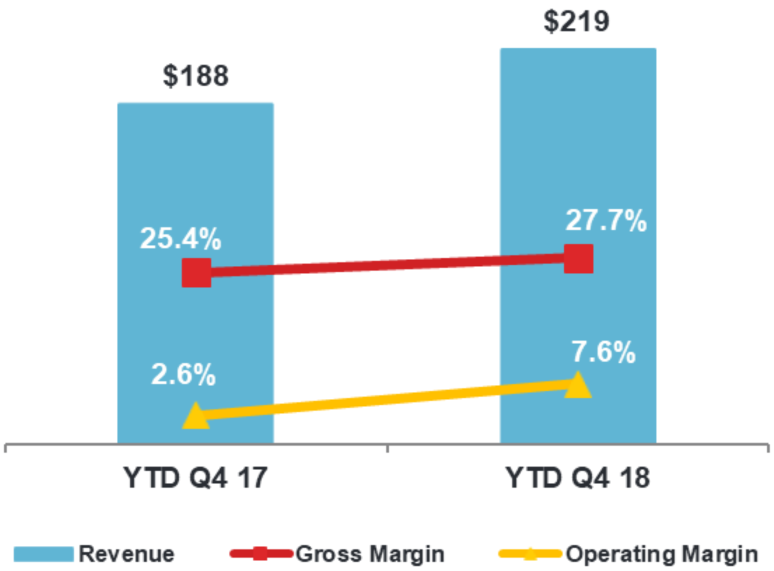
» **Gross margin down 410 bps**
- Product mix
- Insurance recovery & release of special warranty reserve in 2017

» **Operating margin down 450 bps**
- Higher product development expense aligned with Silver Spring acquisition and technology convergence roadmap acceleration

# OUTCOMES SEGMENT – FY’18

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

$ in millions, actual currency




» **Revenue +16% as reported and in constant currency**
- Driven by strong North America software and managed services and acquisition

» **Gross margin +230 bps**
- Rationalization for scale in global business
- Integration of former Silver Spring Networks

» **Operating margin +500 bps**
- Improved operating leverage

# REVENUE – FX IMPACT SUMMARY

$ in millions

Average Euro/USD:
$1.14 Q4'18 vs $1.18 Q4'17

| Revenue | Q4'18 | YoY Change | YoY Change Excl FX |
|---|---|---|---|
| Device Solutions | $227.6 | -4.5% | -0.3% |
| Networked Solutions | $305.1 | 20.3% | 21.2% |
| Outcomes | $54.3 | -7.6% | -6.4% |
| **Total** | **$587.0** | **6.6%** | **9.1%** |

Average Euro/USD:
$1.18 FY'18 vs $1.13 FY'17

| Revenue | FY 2018 | YoY Change | YoY Change Excl FX |
|---|---|---|---|
| Device Solutions | $933.4 | 5.7% | 4.6% |
| Networked Solutions | $1,224.1 | 29.2% | 28.5% |
| Outcomes | $218.6 | 16.3% | 15.6% |
| **Total** | **$2,376.1** | **17.7%** | **16.8%** |

# 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 December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **NON-GAAP NET INCOME & DILUTED EPS** | | | | |
| GAAP net income (loss) attributable to Itron, Inc. | $ 23,877 | $ 1,780 | $ (99,250) | $ 57,298 |
| Amortization of intangible assets | 18,014 | 5,641 | 71,713 | 20,785 |
| Amortization of debt placement fees | 1,176 | 241 | 6,869 | 966 |
| Restructuring | (5,725) | (999) | 77,183 | 6,418 |
| Acquisition and integration related expense | 8,042 | 3,095 | 91,916 | 17,139 |
| Tax Cuts and Jobs Act adjustment | — | 30,424 | — | 30,424 |
| Income tax effect of non-GAAP adjustments | (10,249) | (391) | (42,700) | (12,544) |
| Non-GAAP net income attributable to Itron. Inc. | $ 35,135 | $ 39,791 | $ 105,731 | $ 120,486 |
| Non-GAAP diluted EPS | $ 0.88 | $ 1.01 | $ 2.65 | $ 3.06 |
| Weighted average common shares outstanding - Diluted | 39,885 | 39,530 | 39,840 | 39,387 |
| **ADJUSTED EBITDA** | | | | |
| GAAP net income (loss) attributable to Itron, Inc. | $ 23,877 | $ 1,780 | $ (99,250) | $ 57,298 |
| Interest income | (428) | (658) | (2,153) | (2,126) |
| Interest expense | 13,883 | 3,769 | 58,203 | 13,845 |
| Income tax (benefit) provision | (10,878) | 42,079 | (12,570) | 74,326 |
| Depreciation and amortization | 30,069 | 17,215 | 122,497 | 63,215 |
| Restructuring | (5,725) | (999) | 77,183 | 6,418 |
| Acquisition and integration related expense | 8,042 | 3,095 | 91,916 | 17,139 |
| Adjusted EBITDA | $ 58,840 | $ 66,281 | $ 235,826 | $ 230,115 |

# GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands, except per share data)

| TOTAL COMPANY RECONCILIATIONS | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **FREE CASH FLOW** | | | | |
| Net cash provided by operating activities | $ 42,372 | $ 76,853 | $ 109,755 | $ 191,354 |
| Acquisitions of property, plant, and equipment | (17,459) | (16,002) | (59,952) | (49,495) |
| Free Cash Flow | $ 24,913 | $ 60,851 | $ 49,803 | $ 141,859 |
| **NON-GAAP OPERATING INCOME** | | | | |
| GAAP operating income (loss) | $ 28,517 | $ 48,196 | $ (49,692) | $ 154,877 |
| Amortization of intangible assets | 18,014 | 5,641 | 71,713 | 20,785 |
| Restructuring | (5,725) | (999) | 77,183 | 6,418 |
| Acquisition and integration related expense | 8,042 | 3,095 | 91,916 | 17,139 |
| Non-GAAP operating income | $ 48,848 | $ 55,933 | $ 191,120 | $ 199,219 |
| **NON-GAAP OPERATING EXPENSES** | | | | |
| GAAP operating expenses | $ 148,273 | $ 126,886 | $ 780,011 | $ 521,874 |
| Amortization of intangible assets | (18,014) | (5,641) | (71,713) | (20,785) |
| Restructuring | 5,725 | 999 | (77,183) | (6,418) |
| Acquisition and integration related expense | (8,042) | (3,095) | (91,916) | (17,139) |
| Non-GAAP operating expenses | $ 127,942 | $ 119,149 | $ 539,199 | $ 477,532 |

## INVESTOR RELATIONS CONTACTS

**Kenneth P. Gianella**
Vice President, Investor Relations
669-770-4643
ken.gianella@itron.com

**Rebecca Hussey**
Manager, Investor Relations
509-891-3574
rebecca.hussey@itron.com