



Itron Reports Best Quarter Ever of Financial Performance

Revenues of \$72.4 Million and EPS of 28 Cents Are New Quarterly Highs

SPOKANE, WA. — July 17, 2002 — Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the quarter ended June 30, 2002. Second quarter revenues grew 37% to \$72.4 million from \$53.0 million in the second quarter of 2001 with net income growth of 100% to \$6.3 million. Diluted earnings per share (EPS) increased 56% to 28 cents. Pro forma EPS was 29 cents for the quarter compared with 16 cents for the second quarter of 2001. Pro forma results exclude in-process R&D charges, intangible asset amortization expenses and restructuring charges.

"Our utility customers are increasingly focused on reducing costs, improving operational efficiencies and enhancing the level of service provided to their customers," commented LeRoy Nosbaum, Itron Chairman and CEO. "This, along with the desire by most utilities to increase their knowledge about how and when their customers use vital energy and water resources, are driving the AMR industry and Itron's growth. We expect this aspect of our markets will persist for quite some time."

Income statement highlights for the second quarter of 2002 include:

Double digit revenue growth in the second quarter of 2002 compared to 2001 in all three of Itron's domestic market segments – Electric, Natural Gas and Water & Public Power:

\$3.7 million in sales and services from LineSoft, Itron's Transmission and Distribution Solutions (TDS) product line, which Itron acquired in March 2002.

Greater customer diversification with one customer in Electric systems accounting for 10.8% of total company revenues during the quarter, down from 15-16% in each of the last four quarters.

Second quarter gross margins grew to 46.7% in 2002 from 43.6% in 2001, primarily reflecting higher manufacturing volumes and supply chain management efficiencies.

Operating income rose to 12.8% of revenues from 11.0% in the second quarter of 2001:

Product development expenses were 14.3% of revenues for the quarter, which is comparable with the second quarter of last year, but higher than the 12% amount in the previous quarter as a result of increased spending with outside contract developers and the TDS acquisition.

Amortization of intangible assets during the quarter includes \$380,000 of amortization from the March 2002 TDS product line acquisition. Amortization in the 2001 quarter included \$162,000 of goodwill amortization which is no longer being amortized in 2002 in accordance with new accounting standards.

There was a \$200,000 reduction in the quarter for in-process R&D expenses as valuations for the TDS acquisition were finalized.

Net interest and other of \$705,000 for the quarter includes an \$841,000 gain from the sale of Itron's Raleigh, NC facility as those operations were moved to a larger leased facility. Net interest expense was \$366,000 in the quarter, down significantly from \$780,000 in the 2001 quarter due primarily to the conversion of convertible debt to equity in 2002.

Other second quarter 2002 highlights include:

Cash generated by operations was \$15.1 million for the quarter with year-to-date cash from operations of \$21.8 million, a 15% increase over 2001. Cash, cash equivalents and short-term investments totaled \$42.4 million at June 30, 2002.

During the quarter, the Company completed the conversion of all remaining convertible debt, \$53.3 million, to equity.

At June 30, 2002 long-term debt was \$5.1 million, down from \$64.8 million one year ago.

New order bookings were \$45 million in the second quarter. Twelve-month backlog and total backlog were \$95 million and \$179 million, respectively, at June 30, 2002 compared with \$79 million and \$184 million, respectively at June 30, 2001.

"We had a record second quarter, some of which was the result of shipments earlier in the year than planned on several gas contracts," Nosbaum said. "We remain comfortable with our previously communicated revenue target for 2002 of \$275 to \$285 million. We anticipate that pro forma EPS will be \$1.06 to \$1.10, slightly higher than our previous guidance of \$1.00 to \$1.05 per share." Itron commented that the range for GAAP, or reported earnings, is anticipated to be between \$.79 and \$.83.

Commenting on the Company's outlook for 2003, Nosbaum said, "Our outlook for 2003, while preliminary, is beginning to take shape. We anticipate revenue growth between 11% and 17%, 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 2003."

Itron will host a conference call to discuss the financial results for the quarter at 1:45 p.m. Pacific Time on July 17, 2002. The call will be webcast live in a listen only mode, and later archived. The call will be hosted by CCBN. The webcasts will be assessible online at www.itron.com, "About Itron – Investor Events." Investors may also listen to the call through CCBN's investor centers at www.companyboardroom.com or www.streetevents.com. The webcast replay will begin shortly after the conclusion of the call and will be available for approximately 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 (800) 428-6051 (Domestic) or (973) 709-2089 (International), and entering reservation #251008.

Itron is a leading technology provider and critical source of knowledge to the global energy and water industries. More than 2,000 utilities worldwide rely on Itron technology to deliver the knowledge they require to optimize the delivery and use of energy and water. Itron clients use this knowledge to run their businesses more efficiently, reliably and profitably, to strengthen connectivity to their customers, and to meet the new business requirements of deregulated energy markets. Itron's solution portfolio includes automatic meter reading systems to meet the requirements of all customer classes and service environments; web-enabled workforce management solutions; as well as transmission and distribution system design solutions and services. Itron also provides advanced software solutions and consulting services for collection, analysis and application of load profile data, including enterprise-wide data access, data warehousing, load research, complex billing and settlement, and web-based data access and exchange. To know more, start here: www.itron.com.

Caution concerning forward-looking statements:

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, risks associated with making additional acquisitions and investments which are an important part of the Company's business strategy, 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 reports 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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Itron's website can be found at www.itron.com

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