



## **Itron Reports Fourth Quarter and Full Year 2001 Financial Results**

### **Year-Over-Year Revenue Growth of 25%; Full Year EPS of 77 Cents**

SPOKANE, WA. — February 6, 2002 — Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the quarter and full year ended December 31, 2001.

Revenues for the fourth quarter of 2001 were \$64.2 million, up 34.5% from the same period last year. Full year revenues for 2001 were \$225.6 million, 25% higher than 2000. Revenue growth for the full year was driven largely by expansion orders from existing customers for mobile automatic meter reading ("AMR") systems, including one significant customer in Electric Systems. Additional growth in the fourth quarter came from initial AMR deployments with several utilities.

Net income for the fourth quarter of 2001 was \$4.9 million, or 26 cents per diluted share compared with \$2.2 million, or 14 cents per diluted share in the fourth quarter of 2000. Full year net income was \$13.4 million, or 77 cents per diluted share in 2001, compared with \$2.7 million or 18 cents per diluted share in 2000. Pro forma net income per diluted share, which excludes restructurings, extraordinary gains, and the cumulative effect of accounting changes, all net of related tax effects, was 25 cents for the fourth quarter of 2001, compared with 14 cents in 2000. For the full year 2001, pro forma net income per diluted share was 73 cents compared with 27 cents in 2000. Prior year amounts have been revised to give effect to a change in the method of recognizing revenues on certain contracts as discussed more fully below.

"We entered 2001 with high expectations for our financial performance," commented LeRoy Nosbaum, Itron's CEO. "I am very happy to report we surpassed them all. We are seeing the results of changes we've made in the last two years to improve our business practices and focus on the bottom line. During 2001, our internal improvements converged with energy and water market trends that underscore the rising need for the technology Itron delivers, allowing us to produce the superb financial results we are reporting today."

Gross margins climbed to 45.1% for the fourth quarter of 2001 and were 43.4% for the full year 2001. Year-over-year, gross margins improved by 4% as we began to reap the full benefit of manufacturing consolidations and supply chain management initiatives that began in 2000. Increased production volumes and lower electronic component pricing in the overall market also contributed to gross margin improvements.

Operating income in the fourth quarter was 14.0% of revenues in 2001 compared with 8.7% in 2000. Full year operating income in 2001 increased to 11.5% of revenues, up from 5.4% of revenues in 2000. Higher spending in sales and marketing, principally related to a new web-based customer relationship management system, and higher new product development investments were offset by lower general and administrative spending.

### **Additional Highlights for the Fourth Quarter and Full Year 2001 include:**

We generated over \$31 million in cash from operations in 2001 and at December 31, 2001 had over \$42 million in unrestricted cash and short-term investments.

Fourth quarter new order bookings were \$63 million, slightly higher than the figure we pre-released in early January 2002. For the full year 2001, new order bookings totaled \$244 million, 66% more than in 2000.

Total backlog at December 31, 2001 was \$203 million, up from \$151 million a year ago. Twelve-month backlog at December 31, 2001 of \$115 million reflects a 100% increase from the \$56 million in twelve-month backlog at December 31, 2000.

We set new records for AMR meter module shipments with over 900,000 shipped in the fourth quarter alone, and over 2.9 million shipped during all of 2001.

We added over 200 utilities as first-time AMR customers during 2001, bringing our total number of AMR customers to over 850. We increased our quality system certification during 2001 from ISO 9002 to ISO 9001.

We introduced a number of new products for commercial and industrial meter data collection and analysis, including our C&I Network and MV-90 Enterprise Edition Software.

"We made great strides financially in 2001," added Nosbaum. "Equally important, we made significant progress in further clarifying our vision and strategy – optimizing the delivery and use of energy and water – moving beyond our solid base of business in meter reading. Our financial success in 2001 provides us with the financial strength to put our strategies for growth into action."

## **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 look for revenue growth of 10% to 15% in 2002, with a range of EPS between \$.88 and \$.95, which represents EPS growth of 20% to 30%. Commenting on this guidance, Nosbaum said, "We built our operational plans and projections for 2002 around 10-15% revenue growth with contingency plans for larger growth scenarios. These scenarios primarily include additional orders from customers whose territories are expanding and international opportunities."

## **SFAS 142**

We expect to adopt Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) as of January 1, 2002. SFAS 142 requires that goodwill not be amortized but instead tested periodically for impairment, and requires intangible assets with a finite life to be amortized.

While we have not completed our analysis of the impact of SFAS 142, we believe there will be no impairment of the \$6.6 million in net goodwill at December 31, 2001. During 2001, we recorded \$648,000 in goodwill amortization expense, which we expect to no longer report with the adoption of SFAS 142.

## **Change in Accounting Method**

The Company implemented a change to its accounting method for outsourcing contracts, where we own and operate meter reading systems. This change affects two contracts, which were previously reported under the percentage of completion method, and will now be reported under service contract accounting. We are making this change in order to conform our revenue recognition on these contracts to the Securities and Exchange Commission's Staff Accounting Bulletin No. 101 (SAB No. 101) – Revenue Recognition in Financial Statements.

The impact of this change was positive in terms of 2001 financial results and will also be positive in future years as this change will cause certain revenues previously recognized from past periods to be recognized in future periods. There is no impact on total revenues under these contracts or to cash flows or the services under the contracts. While the impact on future results will be an increase in revenue and net income, the impact is not expected to be material.

The financial statements attached to this release reflect the Company's estimates of the impact of the change in revenue recognition retroactive to January 1, 2000, the date we initially implemented SAB No. 101. We intend to refile our Annual Report on Form 10-K for 2000 and our 2001 Quarterly Reports on Form 10-Q to reflect this change.

For FY 2001, the impact of this change in accounting method was to increase revenue by \$463,000 (0.2%) and increase net income by \$60,000 (0.4%). We expect similar annual impacts in future years. For FY 2000, the impact was to lower revenues by \$4.0 million (2.2%) and to decrease net income before extraordinary items from \$5.3 million to \$4.2 million, or from 34 cents to 28 cents per share. The change also resulted in an increase to the cumulative effect of change in accounting principle from \$1.6 million to \$2.5 million to reflect the impact of the change from inception through January 1, 2000. Net income was reduced from \$4.7 million to \$2.7 million, or from 30 cents to 18 cents per share.

## **Conference Call**

Itron will host a conference call to discuss the financial results for the quarter at 1:45 p.m. Pacific Time on February 6, 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 assessable online at [www.itron.com](http://www.itron.com), "About Itron – Investor Events." Investors may also listen to the call through CCBN's investor centers at [www.companyboardroom.com](http://www.companyboardroom.com) or [www.streetevents.com](http://www.streetevents.com). The live webcast will begin at 1:45 p.m. (PT) on Wednesday, February 6, 2002. The 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 following the conclusion of the live call for 48 hours and is accessible by dialing (800)-633-8284 (Domestic) or (858)-812-6440 (International), and entering reservation # 20285523.

## **About Itron**

Itron Inc. is a leading technology provider and source of knowledge to the energy and water industries 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 more than 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 850 customers use Itron's radio and telephone-based technology to automatically collect information from over 20 million of those meters. Itron's software systems are also in use at a number of the wholesale energy markets in the U.S. and Canada to provide critical billing and settlement systems. Knowledge to Shape Your Future – that's Itron.

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 Forms 10-Q for the 2001 quarters 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 Q4 and Year End 2001 Earnings Statement](#)