

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

August 5, 2021

Date of Report (Date of Earliest Event Reported)

ITRON, INC.

(Exact Name of Registrant as Specified in its Charter)

Washington

(State or Other Jurisdiction
of Incorporation)

000-22418

(Commission File No.)

91-1011792

(IRS Employer
Identification No.)

2111 N. Molter Road, Liberty Lake, Washington 99019

(Address of Principal Executive Offices, Zip Code)

(509) 924-9900

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|----------------------------|--------------------------|--|
| Common stock, no par value | ITRI | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On August 5, 2021, Itron, Inc. issued a press release announcing its financial results for the three and six months ended June 30, 2021. A copy of this press release and accompanying financial statements are attached as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | Description |
|-----------------------------|--|
| 99.1 104 | Press Release Dated August 5, 2021. * Cover Page Interactive Data File (embedded within the Inline XBRL document) |

*This exhibit is intended to be furnished and shall not be deemed "filed" for purposes of the Exchange Act.

Forward Looking Statements

This release contains, and our officers and representatives may from time to time make, "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither historical factors nor assurances of future performance. These statements are based on our expectations about, among others, revenues, operations, financial performance, earnings, liquidity, earnings per share, cash flows and restructuring activities including headcount reductions and other cost savings initiatives. This document reflects our current strategy, plans and expectations and is based on information currently available as of the date of this release. When we use words such as "expect", "intend", "anticipate", "believe", "plan", "goal", "seek", "project", "estimate", "future", "strategy", "objective", "may", "likely", "should", "will", "will continue", and similar expressions, including related to future periods, they are intended to identify forward-looking statements. Forward-looking statements rely on a number of assumptions and estimates. Although we believe the estimates and assumptions upon which these forward-looking statements are based are reasonable, any of these estimates or assumptions could prove to be inaccurate and the forward-looking statements based on these estimates and assumptions could be incorrect. Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. Actual results and trends in the future may differ materially from those suggested or implied by the forward-looking statements depending on a variety of factors. Therefore, you should not rely on any of these forward-looking statements. Some of the factors that we believe could affect our results include our ability to execute on our restructuring plan, our ability to achieve estimated cost savings, the rate and timing of customer demand for our products, rescheduling of current customer orders, changes in estimated liabilities for product warranties, adverse impacts of litigation, changes in laws and regulations, our dependence on new product development and intellectual property, future acquisitions, changes in estimates for stock-based and bonus compensation, increasing volatility in foreign exchange rates, international business risks, uncertainties caused by adverse economic conditions, including, without limitation those resulting from extraordinary events or circumstances such as the COVID-19 pandemic and other factors that are more fully described in Part I, Item 1A: Risk Factors included in our 2020 Annual Report and other reports on file with the SEC. We undertake no obligation to update or revise any forward-looking statement, whether written or oral.

The impact caused by the ongoing COVID-19 pandemic includes uncertainty as to the duration, spread, severity, and any resurgence of the COVID-19 pandemic including other factors contributing to infection rates, such as reinfection or mutation of the virus, the effectiveness or widespread availability and application of vaccines, the duration and scope of related government orders and restrictions, impact on overall demand, impact on our customers' businesses and workforce levels, disruptions of our business and operations, including the impact on our employees, limitations on, or closures of, our facilities, or the business and operations of our customers or suppliers. Our estimates and statements regarding the impact of COVID-19 are made in good faith to provide insight to our current and future operating and financial environment and any of these may materially change due to factors outside our control. For more information on risks associated with the COVID-19 pandemic, please see our risk in Part I, Item 1A: Risk Factors in our 2020 Annual Report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ITRON, INC.

By:

/s/ JOAN S. HOOPER

Joan S. Hooper

Senior Vice President and Chief Financial Officer

August 5, 2021

Date

Itron Announces Second Quarter 2021 Financial Results and Updated Full-Year 2021 Guidance

LIBERTY LAKE, Wash.--(BUSINESS WIRE)--August 5, 2021--Itron, Inc. (NASDAQ:ITRI) announced today financial results for its second quarter ended June 30, 2021. Key results for the quarter include (compared with the second quarter of 2020):

- Revenue of \$489 million, compared with \$510 million;
- Gross margin of 30.6%; compared with 27.2%;
- GAAP net loss of \$(33) million, compared with \$(63) million;
- GAAP loss per share (EPS) of \$(0.73), compared with \$(1.56);
- Non-GAAP diluted EPS of \$0.28, compared with \$0.03;
- Adjusted EBITDA of \$36 million, compared with \$31 million;
- Free cash flow of \$64 million compared with \$(10) million; and
- Total backlog of \$3.5 billion, compared with \$2.9 billion.

"While we saw demand recovery in the second quarter, our results were negatively impacted by component constraints, which affected both our ability to meet customer demand and our cost structure," said Tom Deitrich, Itron's president and chief executive officer.

"We anticipate that the component supply will remain constrained in the second half of the year and into 2022. Despite these near-term challenges, we remain positive on the overall outlook for the company as we continued to execute on our strategy and see demand recovery from the COVID-19 pandemic. With our strong balance sheet, I believe we are well positioned to drive our business forward."

Summary of Second Quarter Consolidated Financial Results

(All comparisons made are against the prior year period unless otherwise noted)

Revenue

Total second quarter revenue decreased 4% to \$489 million, or 7%, excluding the impact of changes in foreign currency exchange rates. The decrease was primarily due to component constraints, which negatively impacted revenue by approximately \$40-\$50 million.

Device Solutions revenue increased 26% and Outcomes revenue increased 10%. Networked Solutions revenue decreased 18% with the majority of the decline due to component constraints in the quarter.

Gross Margin

Consolidated company gross margin of 30.6% increased 340 basis points from the prior year, primarily due to product mix and the reduced impact of COVID-19 related manufacturing inefficiencies that impacted 2020.

Operating Expenses and Operating Income

GAAP operating expenses of \$157 million decreased \$27 million from the prior year, primarily due to lower loss on sale of business compared with the prior year. Non-GAAP operating expenses of \$123 million increased \$5 million from the prior year due to higher sales, general and administrative expenses in part due to higher variable compensation.

GAAP operating loss of \$(7) million was \$38 million lower than the prior year due to lower operating expenses. Non-GAAP operating income of \$27 million was \$7 million higher than last year due to higher gross profit.

Net Income (loss) and Earnings per Share

The net loss attributable to Itron, Inc. for the quarter was \$(33) million, or \$(0.73) per diluted share, an improvement from a net loss of \$(63) million, or \$(1.56) per diluted share in 2020. The improvement was driven by a lower GAAP operating loss related to the 2020 sale of our Latin America operations.

Non-GAAP net income, which excludes certain charges including amortization of intangible assets, amortization of debt placement fees, debt extinguishment, restructuring, loss on sale of business, corporate transition cost, acquisition and integration related expenses and the income tax effect of those adjustments, was \$13 million, or \$0.28 per diluted share, compared with \$1 million, or \$0.03 per diluted share, in 2020. The higher year over year results were due to higher non-GAAP operating income and lower interest expense.

Cash Flow

Net cash provided by operating activities was \$73 million in the second quarter compared with \$7 million in the same quarter of 2020. Free cash flow was \$64 million in the second quarter compared with \$(10) million in the prior year. The year over year improvement in cash flow was primarily due to improved working capital and lower interest expense.

Other Measures

Total backlog was a record \$3.5 billion and 12-month backlog was \$1.4 billion, compared with \$2.9 billion and \$1.3 billion, respectively, in the prior year. Bookings in the quarter totaled \$596 million.

Financial Guidance Update

Itron's guidance for the full year 2021 has been updated to reflect the impact of component constraints and is as follows:

- Revenue between \$2.05 to \$2.15 billion vs. previous guidance of \$2.23 to \$2.33 billion
- Non-GAAP diluted EPS between \$1.00 to \$1.50 vs. previous guidance of \$2.30 to \$2.70

The guidance assumes a Euro to U.S. dollar foreign currency exchange rate of 1.20 on average in the second half of 2021, average fully diluted shares outstanding of approximately 44.7 million for the full year, non-GAAP effective tax rate for the full year of approximately 32-34% and total non-GAAP interest expense of approximately \$11 million for the full year. The updated guidance also assumes that component constraints lowers revenue by \$150 to \$200 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 and integration-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.

Earnings Conference Call

Itron will host a conference call to discuss the financial results and guidance contained in this release at 10 a.m. EDT on Aug. 5, 2021. The call will be webcast in a listen-only mode. Webcast information and conference call materials will be made available 10 minutes before the start of the call and will be accessible on Itron's website at <http://investors.itron.com/events.cfm>. A replay of the audio webcast will be made available at <http://investors.itron.com/events.cfm>. A telephone replay of the conference call will be available through Aug. 10, 2021. To access the telephone replay, dial 888-203-1112 or 719-457-0820 and enter passcode **3115180**.

About Itron

Itron® enables utilities and cities to safely, securely and reliably deliver critical infrastructure services to communities in more than 100 countries. Our portfolio of smart networks, software, services, meters and sensors helps our customers better manage electricity, gas and water resources for the people they serve. By working with our customers to ensure their success, we help improve the quality of life, ensure the safety and promote the well-being of millions of people around the globe. Itron is dedicated to creating a more resourceful world. Join us: www.itron.com.

Itron® is a registered trademark of Itron, Inc. All third-party trademarks are property of their respective owners and any usage herein does not suggest or imply any relationship between Itron and the third party unless expressly stated.

Cautionary Note Regarding Forward Looking Statements

This release contains, and our officers and representatives may from time to time make, "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither historical factors nor assurances of future performance. These statements are based on our expectations about, among others, revenues, operations, financial performance, earnings, liquidity, earnings per share, cash flows and restructuring activities including headcount reductions and other cost savings initiatives. This document reflects our current strategy, plans and expectations and is based on information currently available as of the date of this release. When we use words such as "expect", "intend", "anticipate", "believe", "plan", "goal", "seek", "project", "estimate", "future", "strategy", "objective", "may", "likely", "should", "will", "will continue", and similar expressions, including related to future periods, they are intended to identify forward-looking statements. Forward-looking statements rely on a number of assumptions and estimates. Although we believe the estimates and assumptions upon which these forward-looking statements are based are reasonable, any of these estimates or assumptions could prove to be inaccurate and the forward-looking statements based on these estimates and assumptions could be incorrect. Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. Actual results and trends in the future may differ materially from those suggested or implied by the forward-looking statements depending on a variety of factors. Therefore, you should not rely on any of these forward-looking statements. Some of the factors that we believe could affect our results include our ability to execute on our restructuring plan, our ability to achieve estimated cost savings, the rate and timing of customer demand for our products, rescheduling of current customer orders, changes in estimated liabilities for product warranties, adverse impacts of litigation, changes in laws and regulations, our dependence on new product development and intellectual property, future acquisitions, changes in estimates for stock-based and bonus compensation, increasing volatility in foreign exchange rates, international business risks, uncertainties caused by adverse economic conditions, including, without limitation those resulting from extraordinary events or circumstances such as the COVID-19 pandemic and other factors that are more fully described in Part I, Item 1A: Risk Factors included in our 2020 Annual Report and other reports on file with the SEC. We undertake no obligation to update or revise any forward-looking statement, whether written or oral.

The impact caused by the ongoing COVID-19 pandemic includes uncertainty as to the duration, spread, severity, and any resurgence of the COVID-19 pandemic including other factors contributing to infection rates, such as reinfection or mutation of the virus, the effectiveness or widespread availability and application of vaccines, the duration and scope of related government orders and restrictions, impact on overall demand, impact on our customers' businesses and workforce levels, disruptions of our business and operations, including the impact on our employees, limitations on, or closures of, our facilities, or the business and operations of our customers or suppliers. Our estimates and statements regarding the impact of COVID-19 are made in good faith to provide insight to our current and future operating and financial environment and any of these may materially change due to factors outside our control. For more information on risks associated with the COVID-19 pandemic, please see our risk in Part I, Item 1A: Risk Factors in our 2020 Annual Report.

Non-GAAP Financial Information

To supplement our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States (GAAP), we use certain adjusted or non-GAAP financial measures, including non-GAAP operating expense, non-GAAP operating income, non-GAAP net income, non-GAAP diluted earnings per share (EPS), adjusted EBITDA, adjusted EBITDA margin, 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. We believe 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. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Our non-GAAP financial measures may be different from those reported by other companies.

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------------------|-------------|----------------------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | |
| Product revenues | \$ 411,719 | \$ 438,985 | \$ 854,523 | \$ 967,122 |
| Service revenues | 77,693 | 70,609 | 154,463 | 140,887 |
| Total revenues | 489,412 | 509,594 | 1,008,986 | 1,108,009 |
| Cost of revenues | | | | |
| Product cost of revenues | 295,064 | 329,293 | 602,755 | 713,974 |
| Service cost of revenues | 44,473 | 41,784 | 89,312 | 83,952 |
| Total cost of revenues | 339,537 | 371,077 | 692,067 | 797,926 |
| Gross profit | 149,875 | 138,517 | 316,919 | 310,083 |
| Operating expenses | | | | |
| Sales, general and administrative | 74,144 | 69,538 | 150,136 | 150,036 |
| Research and development | 48,763 | 48,994 | 100,490 | 102,775 |
| Amortization of intangible assets | 8,997 | 11,140 | 17,970 | 22,305 |
| Restructuring | 192 | (2,683) | (1,788) | (2,931) |
| Loss on sale of business | 24,711 | 56,915 | 26,103 | 56,915 |
| Total operating expenses | 156,807 | 183,904 | 292,911 | 329,100 |
| Operating income (loss) | (6,932) | (45,387) | 24,008 | (19,017) |
| Other income (expense) | | | | |
| Interest income | 432 | 1,258 | 974 | 1,811 |
| Interest expense | (14,004) | (11,684) | (24,479) | (22,961) |
| Other income (expense), net | (12,157) | (1,873) | (14,923) | (807) |
| Total other income (expense) | (25,729) | (12,299) | (38,428) | (21,957) |
| Loss before income taxes | (32,661) | (57,686) | (14,420) | (40,974) |
| Income tax benefit (provision) | 216 | (4,801) | (4,445) | (12,351) |
| Net loss | (32,445) | (62,487) | (18,865) | (53,325) |
| Net income attributable to noncontrolling interests | 678 | 315 | 1,655 | 793 |
| Net loss attributable to Itron, Inc. | \$ (33,123) | \$ (62,802) | \$ (20,520) | \$ (54,118) |
| Net loss per common share - Basic | \$ (0.73) | \$ (1.56) | \$ (0.47) | \$ (1.35) |
| Net loss per common share - Diluted | \$ (0.73) | \$ (1.56) | \$ (0.47) | \$ (1.35) |
| Weighted average common shares outstanding - Basic | 45,142 | 40,216 | 43,344 | 40,130 |
| Weighted average common shares outstanding - Diluted | 45,142 | 40,216 | 43,344 | 40,130 |

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--------------------------------|------------------------------------|--------------------|----------------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Product revenues | | | | |
| Device Solutions | \$ 160,647 | \$ 126,950 | \$ 330,978 | \$ 327,118 |
| Networked Solutions | 235,167 | 300,351 | 493,870 | 615,788 |
| Outcomes | 15,905 | 11,684 | 29,675 | 24,216 |
| Total Company | <u>\$ 411,719</u> | <u>\$ 438,985</u> | <u>\$ 854,523</u> | <u>\$ 967,122</u> |
| Service revenues | | | | |
| Device Solutions | \$ 2,320 | \$ 2,215 | \$ 4,770 | \$ 4,326 |
| Networked Solutions | 29,891 | 24,129 | 59,502 | 49,537 |
| Outcomes | 45,482 | 44,265 | 90,191 | 87,024 |
| Total Company | <u>\$ 77,693</u> | <u>\$ 70,609</u> | <u>\$ 154,463</u> | <u>\$ 140,887</u> |
| Total revenues | | | | |
| Device Solutions | \$ 162,967 | \$ 129,165 | \$ 335,748 | \$ 331,444 |
| Networked Solutions | 265,058 | 324,480 | 553,372 | 665,325 |
| Outcomes | 61,387 | 55,949 | 119,866 | 111,240 |
| Total Company | <u>\$ 489,412</u> | <u>\$ 509,594</u> | <u>\$ 1,008,986</u> | <u>\$ 1,108,009</u> |
| Gross profit | | | | |
| Device Solutions | \$ 30,452 | \$ 11,948 | \$ 62,748 | \$ 44,315 |
| Networked Solutions | 95,953 | 108,323 | 208,712 | 230,073 |
| Outcomes | 23,470 | 18,246 | 45,459 | 35,695 |
| Total Company | <u>\$ 149,875</u> | <u>\$ 138,517</u> | <u>\$ 316,919</u> | <u>\$ 310,083</u> |
| Operating income (loss) | | | | |
| Device Solutions | \$ 19,988 | \$ (1,120) | \$ 41,689 | \$ 17,078 |
| Networked Solutions | 64,630 | 77,382 | 143,921 | 166,062 |
| Outcomes | 12,537 | 9,226 | 22,873 | 17,424 |
| Corporate unallocated | (104,087) | (130,875) | (184,475) | (219,581) |
| Total Company | <u>\$ (6,932)</u> | <u>\$ (45,387)</u> | <u>\$ 24,008</u> | <u>\$ (19,017)</u> |

ITRON, INC.
CONSOLIDATED BALANCE SHEETS

| (Unaudited, in thousands) | <u>June 30, 2021</u> | <u>December 31, 2020</u> |
|---|----------------------|--------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 207,131 | \$ 206,933 |
| Accounts receivable, net | 336,071 | 369,828 |
| Inventories | 179,347 | 182,377 |
| Other current assets | 120,351 | 171,124 |
| Total current assets | <u>842,900</u> | <u>930,262</u> |
| Property, plant, and equipment, net | 196,209 | 207,816 |
| Deferred tax assets, net | 99,297 | 76,142 |
| Other long-term assets | 41,293 | 51,656 |
| Operating lease right-of-use assets, net | 72,059 | 76,276 |
| Intangible assets, net | 113,672 | 132,955 |
| Goodwill | 1,123,155 | 1,131,916 |
| Total assets | <u>\$ 2,488,585</u> | <u>\$ 2,607,023</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 175,546 | \$ 215,639 |
| Other current liabilities | 70,525 | 72,591 |
| Wages and benefits payable | 103,642 | 86,249 |
| Taxes payable | 14,235 | 15,804 |
| Current portion of debt | — | 18,359 |
| Current portion of warranty | 20,299 | 28,329 |
| Unearned revenue | 130,118 | 112,928 |
| Total current liabilities | <u>514,365</u> | <u>549,899</u> |
| Long-term debt, net | 479,034 | 902,577 |
| Long-term warranty | 15,911 | 13,061 |
| Pension benefit obligation | 116,666 | 119,457 |
| Deferred tax liabilities, net | 1,832 | 1,921 |
| Operating lease liabilities | 62,785 | 66,823 |
| Other long-term obligations | 97,334 | 113,012 |
| Total liabilities | <u>1,287,927</u> | <u>1,766,750</u> |
| Equity | | |
| Common stock | 1,775,315 | 1,389,419 |
| Accumulated other comprehensive loss, net | (145,172) | (138,526) |
| Accumulated deficit | (454,865) | (434,345) |
| Total Itron, Inc. shareholders' equity | <u>1,175,278</u> | <u>816,548</u> |
| Noncontrolling interests | 25,380 | 23,725 |
| Total equity | <u>1,200,658</u> | <u>840,273</u> |
| Total liabilities and equity | <u>\$ 2,488,585</u> | <u>\$ 2,607,023</u> |

ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

| | Six Months Ended June 30, | |
|---|----------------------------------|-------------------|
| | 2021 | 2020 |
| Operating activities | | |
| Net loss | \$ (18,865) | \$ (53,325) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 42,919 | 48,230 |
| Non-cash operating lease expense | 8,647 | 9,909 |
| Stock-based compensation | 12,586 | 15,581 |
| Amortization of prepaid debt fees | 4,315 | 2,013 |
| Deferred taxes, net | (2,942) | 5,904 |
| Loss on sale of business | 26,103 | 56,915 |
| Loss on extinguishment of debt | 10,000 | — |
| Restructuring, non-cash | 878 | (1,146) |
| Other adjustments, net | 13,913 | 287 |
| Changes in operating assets and liabilities, net of sale of business: | | |
| Accounts receivable | 29,549 | 52,031 |
| Inventories | 70 | (16,529) |
| Other current assets | 22,164 | (7,861) |
| Other long-term assets | 6,207 | (3,919) |
| Accounts payable, other current liabilities, and taxes payable | (43,115) | (76,144) |
| Wages and benefits payable | 17,815 | (11,145) |
| Unearned revenue | 17,106 | 23,099 |
| Warranty | (4,744) | (8,417) |
| Other operating, net | (19,926) | (9,697) |
| Net cash provided by operating activities | <u>122,680</u> | <u>25,786</u> |
| Investing activities | | |
| Net proceeds (payments) related to the sale of business | 3,142 | (3,630) |
| Acquisitions of property, plant, and equipment | (20,476) | (29,049) |
| Other investing, net | 2,819 | 3,520 |
| Net cash used in investing activities | <u>(14,515)</u> | <u>(29,159)</u> |
| Financing activities | | |
| Proceeds from borrowings | 460,000 | 400,000 |
| Payments on debt | (915,000) | — |
| Issuance of common stock | 3,255 | 4,183 |
| Proceeds from common stock offering | 389,419 | — |
| Proceeds from sale of warrants | 45,349 | — |
| Purchases of convertible note hedge contracts | (84,139) | — |
| Prepaid debt fees | (12,021) | (184) |
| Other financing, net | 4,993 | (2,036) |
| Net cash (used in) provided by financing activities | <u>(108,144)</u> | <u>401,963</u> |
| Effect of foreign exchange rate changes on cash and cash equivalents | 177 | (3,671) |
| Increase in cash and cash equivalents | 198 | 394,919 |
| Cash and cash equivalents at beginning of period | 206,933 | 149,904 |
| Cash and cash equivalents at end of period | <u>\$ 207,131</u> | <u>\$ 544,823</u> |

About Non-GAAP Financial Measures

The accompanying press release contains non-GAAP financial measures. To supplement our consolidated financial statements, which are prepared 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, free cash flow, and constant currency. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and other companies may define such measures differently. For more information on these non-GAAP financial measures, please see the table captioned Reconciliations of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures.

We use these non-GAAP financial measures for financial and operational decision making and/or as a means for determining executive compensation. Management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and ability to service debt by excluding certain expenses that may not be indicative of our recurring core operating results. These non-GAAP financial measures facilitate management's internal comparisons to our historical performance, as well as comparisons to our competitors' operating results. Our executive compensation plans exclude non-cash charges related to amortization of intangibles and certain discrete cash and non-cash charges, such as acquisition and integration related expenses, loss on sale of business, or restructuring charges. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe these non-GAAP financial measures are useful to investors because they provide greater transparency with respect to key metrics used by management in its financial and operational decision making and because they are used by our institutional investors and the analyst community to analyze the health of our business.

Non-GAAP operating expenses and non-GAAP operating income – We define non-GAAP operating expenses as operating expenses excluding certain expenses related to the amortization of intangible assets, restructuring, loss on sale of business, corporate transition cost, and acquisition and integration. We define non-GAAP operating income as operating income (loss) excluding the expenses related to the amortization of intangible assets, restructuring, loss on sale of business, corporate transition cost, and acquisition and integration. Acquisition and integration related expenses include costs, which are incurred to affect and integrate business combinations, such as professional fees, certain employee retention and salaries related to integration, severances, contract terminations, travel costs related to knowledge transfer, system conversion costs, and asset impairment charges. We consider these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of expenses that are related to acquisitions and restructuring projects. By excluding these expenses, we believe that it is easier for management and investors to compare our financial results over multiple periods and analyze trends in our operations. For example, in certain periods, expenses related to amortization of intangible assets may decrease, which would improve GAAP operating margins, yet the improvement in GAAP operating margins due to this lower expense is not necessarily reflective of an improvement in our core business. There are some limitations related to the use of non-GAAP operating expenses and non-GAAP operating income versus operating expenses and operating income calculated in accordance with GAAP. We compensate for these limitations by providing specific information about the GAAP amounts excluded from non-GAAP operating expense and non-GAAP operating income and evaluating non-GAAP operating expense and non-GAAP operating income together with GAAP operating expense and operating income.

Non-GAAP net income and non-GAAP diluted EPS – We define non-GAAP net income as net income (loss) attributable to Itron, Inc. excluding the expenses associated with amortization of intangible assets, amortization of debt placement fees, debt extinguishment, restructuring, loss on sale of business, corporate transition cost, acquisition and integration, and the tax effect of excluding these expenses. We define non-GAAP diluted EPS as non-GAAP net income divided by diluted weighted-average shares outstanding during the period calculated on a GAAP basis and then reduced to reflect the anti-dilutive impact of the convertible note hedge transaction entered into in connection with the 0% Convertible Notes due 2026 issued in March 2021. We consider these financial measures to be useful metrics for management and investors for the same reasons that we use non-GAAP operating income. The same limitations described above regarding our use of non-GAAP operating income apply to our use of non-GAAP net income and non-GAAP diluted EPS. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP measures and evaluating non-GAAP net income and non-GAAP diluted EPS together with GAAP net income attributable to Itron, Inc. and GAAP diluted EPS.

For interim periods the budgeted annual effective tax rate (AETR) is used, adjusted for any discrete items, as defined in Accounting Standards Codification (ASC) 740 - Income Taxes. The budgeted AETR is determined at the beginning of the fiscal year. The AETR is revised throughout the year based on changes to our full-year forecast. If the revised AETR increases or decreases by 200 basis points or more from the budgeted AETR due to changes in the full-year forecast during the year, the revised AETR is used in place of the budgeted AETR beginning with the quarter the 200 basis point threshold is exceeded and going forward for all subsequent interim quarters in the year. We continue to assess the AETR based on latest forecast throughout the year and use the most recent AETR anytime it increases or decreases by 200 basis points or more from the prior interim period.

Adjusted EBITDA – We define adjusted EBITDA as net income (loss) (a) minus interest income, (b) plus interest expense, depreciation and amortization, debt extinguishment, restructuring, loss on sale of business, corporate transition cost, acquisition and integration related expense, and (c) excluding income tax provision or benefit. Management uses adjusted EBITDA as a performance measure for executive compensation. A limitation to using adjusted EBITDA is that it does not represent the total increase or decrease in the cash balance for the period and the measure includes some non-cash items and excludes other non-cash items. Additionally, the items that we exclude in our calculation of adjusted EBITDA may differ from the items that our peer companies exclude when they report their results. We compensate for these limitations by providing a reconciliation of this measure to GAAP net income (loss).

Free cash flow – We define free cash flow as net cash provided by operating activities less cash used for acquisitions of property, plant and equipment. We believe free cash flow provides investors with a relevant measure of liquidity and a useful basis for assessing our ability to fund our operations and repay our debt. The same limitations described above regarding our use of adjusted EBITDA apply to our use of free cash flow. We compensate for these limitations by providing specific information regarding the GAAP amounts and reconciling to free cash flow.

Constant currency – We refer to the impact of foreign currency exchange rate fluctuations in our discussions of financial results, which references the differences between the foreign currency exchange rates used to translate operating results from the entity's functional currency into U.S. dollars for financial reporting purposes. We also use the term "constant currency", which represents financial results adjusted to exclude changes in foreign currency exchange rates as compared with the rates in the comparable prior year period. We calculate the constant currency change as the difference between the current period results and the comparable prior period's results restated using current period foreign currency exchange rates.

The tables below reconcile the non-GAAP financial measures of operating expenses, operating income, net income, diluted EPS, adjusted EBITDA, and free cash flow with the most directly comparable GAAP financial measures.

ITRON, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES

(Unaudited, in thousands, except per share data)

| TOTAL COMPANY RECONCILIATIONS | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------------------|-------------------|----------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| NON-GAAP OPERATING EXPENSES | | | | |
| GAAP operating expenses | \$ 156,807 | \$ 183,904 | \$ 292,911 | \$ 329,100 |
| Amortization of intangible assets | (8,997) | (11,140) | (17,970) | (22,305) |
| Restructuring | (192) | 2,683 | 1,788 | 2,931 |
| Loss on sale of business | (24,711) | (56,915) | (26,103) | (56,915) |
| Corporate transition cost | — | (7) | — | 33 |
| Acquisition and integration related expense | 109 | (338) | 486 | (1,610) |
| Non-GAAP operating expenses | <u>\$ 123,016</u> | <u>\$ 118,187</u> | <u>\$ 251,112</u> | <u>\$ 251,234</u> |
| NON-GAAP OPERATING INCOME | | | | |
| GAAP operating income (loss) | \$ (6,932) | \$ (45,387) | \$ 24,008 | \$ (19,017) |
| Amortization of intangible assets | 8,997 | 11,140 | 17,970 | 22,305 |
| Restructuring | 192 | (2,683) | (1,788) | (2,931) |
| Loss on sale of business | 24,711 | 56,915 | 26,103 | 56,915 |
| Corporate transition cost | — | 7 | — | (33) |
| Acquisition and integration related expense | (109) | 338 | (486) | 1,610 |
| Non-GAAP operating income | <u>\$ 26,859</u> | <u>\$ 20,330</u> | <u>\$ 65,807</u> | <u>\$ 58,849</u> |
| NON-GAAP NET INCOME & DILUTED EPS | | | | |
| GAAP net loss attributable to Itron, Inc. | \$ (33,123) | \$ (62,802) | \$ (20,520) | \$ (54,118) |
| Amortization of intangible assets | 8,997 | 11,140 | 17,970 | 22,305 |
| Amortization of debt placement fees | 12,695 | 963 | 15,347 | 1,926 |
| Debt extinguishment | 10,000 | — | 11,681 | — |
| Restructuring | 192 | (2,683) | (1,788) | (2,931) |
| Loss on sale of business | 24,711 | 56,915 | 26,103 | 56,915 |
| Corporate transition cost | — | 7 | — | (33) |
| Acquisition and integration related expense | (109) | 338 | (486) | 1,610 |
| Income tax effect of non-GAAP adjustments | (10,719) | (2,552) | (13,716) | (1,379) |
| Non-GAAP net income attributable to Itron, Inc. | <u>\$ 12,644</u> | <u>\$ 1,326</u> | <u>\$ 34,591</u> | <u>\$ 24,295</u> |
| Non-GAAP diluted EPS | <u>\$ 0.28</u> | <u>\$ 0.03</u> | <u>\$ 0.79</u> | <u>\$ 0.60</u> |
| Non-GAAP weighted average common shares outstanding - Diluted | <u>45,478</u> | <u>40,488</u> | <u>43,731</u> | <u>40,481</u> |
| ADJUSTED EBITDA | | | | |
| GAAP net loss attributable to Itron, Inc. | \$ (33,123) | \$ (62,802) | \$ (20,520) | \$ (54,118) |
| Interest income | (432) | (1,258) | (974) | (1,811) |
| Interest expense | 14,004 | 11,684 | 24,479 | 22,961 |
| Income tax provision (benefit) | (216) | 4,801 | 4,445 | 12,351 |
| Debt extinguishment | 10,000 | — | 11,681 | — |
| Depreciation and amortization | 21,109 | 24,199 | 42,919 | 48,230 |
| Restructuring | 192 | (2,683) | (1,788) | (2,931) |
| Loss on sale of business | 24,711 | 56,915 | 26,103 | 56,915 |
| Corporate transition cost | — | 7 | — | (33) |
| Acquisition and integration related expense | (109) | 338 | (486) | 1,610 |
| Adjusted EBITDA | <u>\$ 36,136</u> | <u>\$ 31,201</u> | <u>\$ 85,859</u> | <u>\$ 83,174</u> |
| FREE CASH FLOW | | | | |
| Net cash provided by operating activities | \$ 72,725 | \$ 6,892 | \$ 122,680 | \$ 25,786 |
| Acquisitions of property, plant, and equipment | (9,064) | (16,447) | (20,476) | (29,049) |
| Free Cash Flow | <u>\$ 63,661</u> | <u>\$ (9,555)</u> | <u>\$ 102,204</u> | <u>\$ (3,263)</u> |

Contacts

Itron, Inc.

Kenneth P. Gianella
Vice President, Investor Relations
(669) 770-4643

David Means
Director, Investor Relations
(737) 242-8448

Rebecca Hussey
Manager, Investor Relations
(509) 891-3574