



Itron Reports another Strong Quarter of Financial Performance

Third Quarter Net Income Increases 53% Over 2001 on Revenue Increase of 20% Near Record Level of New Order Bookings in Q3 of \$87 Million

SPOKANE, WA. — October 16, 2002 — Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the quarter ended September 30, 2002. Third quarter revenues of \$73.1 million were 20% higher than third quarter 2001 revenues, and were a new record, slightly exceeding the record set last quarter of \$72.4 million. Year-to-date revenues of \$207.6 million were up 29% over 2001.

Net income for the third quarter of 2002 was \$6.0 million, a 53% increase from \$3.9 million in net income in 2001. The slight decrease in net income from \$6.3 million in the prior quarter results primarily from an \$841,000 pretax gain from the sale of a facility included in second quarter 2002 results. Year-to-date 2002 net income of \$9.3 million was up only slightly from 2001 due to a \$7.2 million pretax IPR&D charge related to the acquisition of LineSoft in the first quarter of 2002.

Pro forma net income for the third quarter was \$6.4 million compared with \$4.1 million in 2001, while year-to-date pro forma net income of \$17.5 million was double that in the first nine months of 2001. Pro forma results exclude in-process R&D charges, intangible asset amortization expenses and restructuring charges.

Diluted earnings per share (EPS) for the quarter was 27 cents, a 29% increase from third quarter 2001, and compares with 28 cents in the previous quarter. Pro forma EPS was 29 cents for the quarter compared with 23 cents for the third quarter of 2001 and 29 cents in the previous quarter. Year-to-date EPS in 2002 of 45 cents compares with 49 cents in 2001, with the lower 2002 EPS reflecting the above IPR&D charge. Pro Forma EPS for the first nine months of 2002 was 82 cents, up 64% from 50 cents in 2001.

"With three quarters of 2002 behind us, we are well on our way to producing another outstanding year in terms of financial results," commented LeRoy Nosbaum, Itron Chairman and CEO. "With tightening budgets, utilities are keenly interested in saving money and improving service, which is good for Itron. Helping our customers collect metering-based data in the most reliable and efficient manner is Itron's core competency and will continue to be a critical part of our business for some time to come."

Highlights for the third quarter of 2002 include:

Demand for automatic meter reading systems, in particular mobile AMR, remained strong, offsetting weaker demand for certain software systems and International business.

Third quarter year over year revenue growth, primarily driven by increased AMR business, was 29% for Electric Systems, 46% for Natural Gas Systems, and 19% for Water & Public Power Systems. Year-to-date, all three of those segments reflect revenue growth in excess of 30% compared to the same period one year ago.

Sales and service revenues from LineSoft, which Itron acquired in March 2002, are reflected in Electric Systems and were \$2.3 million and \$6.7 million for the quarter and year-to-date period, respectively, and are less than expectations due to an industry-wide slowdown in IT and software spending.

Year-to-date International revenues are down \$11.7 million mainly due to a large handheld system sale to Japan in 2001 that has not been replaced with a comparable sized order in 2002.

There were no customers in the third quarter of 2002 representing more than 10% of revenues. By comparison, in the third quarter of 2001, one customer represented 16% of total revenues.

Gross margin for the quarter was 47%, up slightly from 46.7% last quarter and up 2.5% from gross margin in the third quarter last year. Year-to-date gross margin was 46% compared with 42.7% for the same period last year.

Increased gross margin in 2002 reflects higher manufacturing volumes and supply chain management efficiencies in Itron's AMR business.

Without the impact of the LineSoft acquisition in 2002, gross margin would have been approximately 1% - 2% higher for the quarter and year-to-date period.

New order bookings for the third quarter were \$87 million, a near record level. This compares to \$38 million and \$45 million in the first two quarters of this year.

Included in new order bookings for the quarter were approximately 750,000 AMR endpoints that will be installed on traditional electromechanical meters.

In addition, approximately \$4.5 million in joint use and engineering services contracts were signed during the third quarter of 2002 that are not included in the above bookings number. These contracts are part of our Transmission and Distributions solutions offering, a new business for Itron created from the acquisition of LineSoft in March 2002, and will be recognized as bookings in the quarter in which services are provided.

Twelve-month and total backlog grew to \$109 million and \$200 million respectively, compared with \$95 million and \$179 million at the end of last quarter and \$98 million and \$195 million at September 30, 2001.

As of September 30, 2002, annual maintenance contracts, and joint use and engineering services contracts not included in backlog, are expected to generate revenues of approximately \$45 - \$50 million over the next twelve months.

Cash and short-term investments were \$38.4 million at September 30, 2002 compared with \$42.4 million at June 30, 2002.

Operating cash flow was \$11.1 million for the third quarter with year-to-date operating cash flow of \$32.8 million, a 70% increase over 2001.

In July 2002, we used approximately \$12.3 million in cash to repurchase 798,700 shares, or approximately 4% of our outstanding Common Stock.

Subsequent to quarter end, we used \$20.2 million for closing on two acquisitions described below.

On October 1, 2002, as previously announced, we completed the acquisitions of Regional Economic Research, Inc., a company specializing in energy consulting, analysis and forecasting services and software, and eMobile Data, a provider of web-based workforce management solutions to utilities, with cash payments totaling \$20.2 million at closing.

EBITDA for the quarter was \$12.1 million compared to \$9.7 million in the third quarter of last year. Year-to-date EBITDA was \$35.2 million compared to \$24.2 million last year.

"In addition to record-breaking sales, shipments and financial results thus far in 2002, we've been busy adding some new and very valuable capabilities to Itron's solution portfolio," added Nosbaum. "This quarter, we announced two additional acquisitions that expand our knowledge base far beyond meter reading. These two follow last spring's acquisition of LineSoft Corporation, a leading provider of software and services for utility transmission and distribution system line design.

"Each of these acquisitions, by themselves, will in a short period of time, represents a solid, well-run business that can stand on its own two feet. The opportunity for Itron now, is to integrate these acquisitions with our other solutions so that we can truly fulfill our mission of optimizing the delivery and use of energy and water."

Business Outlook:

In addition to announcing third quarter results, Itron reaffirmed its previous guidance for 2002 and 2003. The Company expects that revenues for 2002 will be \$275 to \$285 million with pro forma EPS of \$1.06 to \$1.10. The Company anticipates revenue growth between 11% and 17% in 2003, with pro forma EPS growth of 15% to 25%.

Earnings Conference Call:

Itron will host a conference call to discuss the financial results for the quarter at 1:45 p.m. Pacific Time on October 16, 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 accessible 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 live webcast will begin at 1:45 p.m. (PT) on Wednesday, October 16, 2002. 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 passcode #261627.

About Itron:

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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Related Documents

[Itron Q3 Earnings Statement](#)