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Third Quarter 2016  
Earnings Conference Call  
November 2, 2016

# 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 10-K filed on June 30, 2016, copies of which may be accessed through the SEC's website at <http://www.sec.gov>.

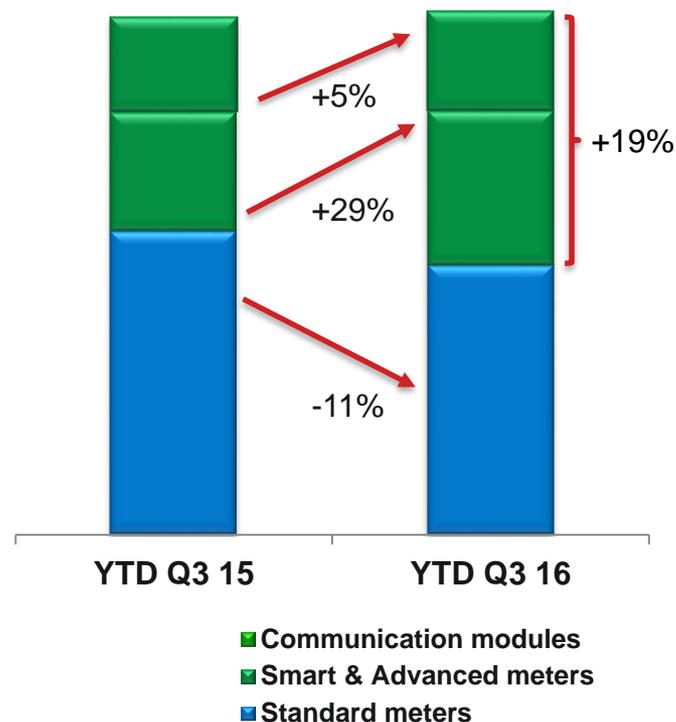
# CONFERENCE CALL AGENDA

- » **CEO – Business Highlights**
- » **CFO – Financial Results**
- » **Q&A**

# Q3'16 FINANCIAL HIGHLIGHTS

- » Continued successful execution of Itron's growth and margin improvement strategies
- » Revenue growth of 9% excluding FX impacts
  - Electricity up 19% year-over-year
  - Strong Gas performance in North America
  - Slower Water sales outside of North America
- » Non-GAAP adjusted EBITDA margin increased to 12%
  - Highest quarterly adjusted EBITDA margin since Q3 2012
  - Strong revenue growth & higher mix of smart products
  - Gross margin improvement to 33.7%
  - Increasingly realizing operational and restructuring benefits
- » Book-to-bill of 1.3 and ending backlog of \$1.5B

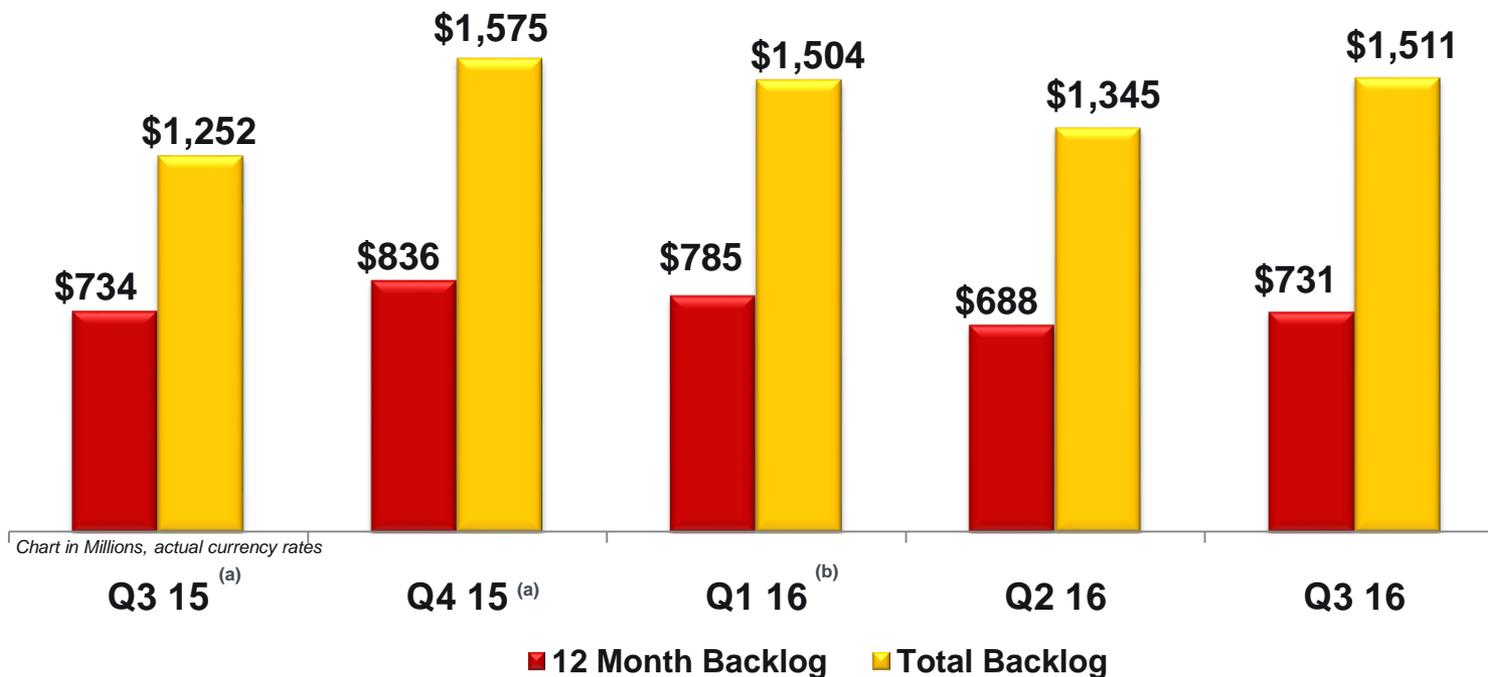
## Transition to smart increasing globally



# Q3 2016 QUARTERLY BACKLOG

Total Q3'16 bookings of \$670M

Book-to-bill of 1.3, with each segment >1.0



(a) 2015 quarterly backlog balances have been revised to reflect the impact of prior period accounting revisions.

(b) Q1'16 ending backlog was adjusted upward by approximately \$29 million for an error as the prior periods' revised backlog did not reflect the deferral of 2011 and 2012 revenues as disclosed in our 2015 Form 10-K. The deferral of 2011 and 2012 revenue was properly recorded as a beginning retained earnings balance adjustment for the year ended December 31, 2013 in the 2015 Form 10-K.

# Q3 2016 REVENUE YEAR-OVER-YEAR BRIDGE

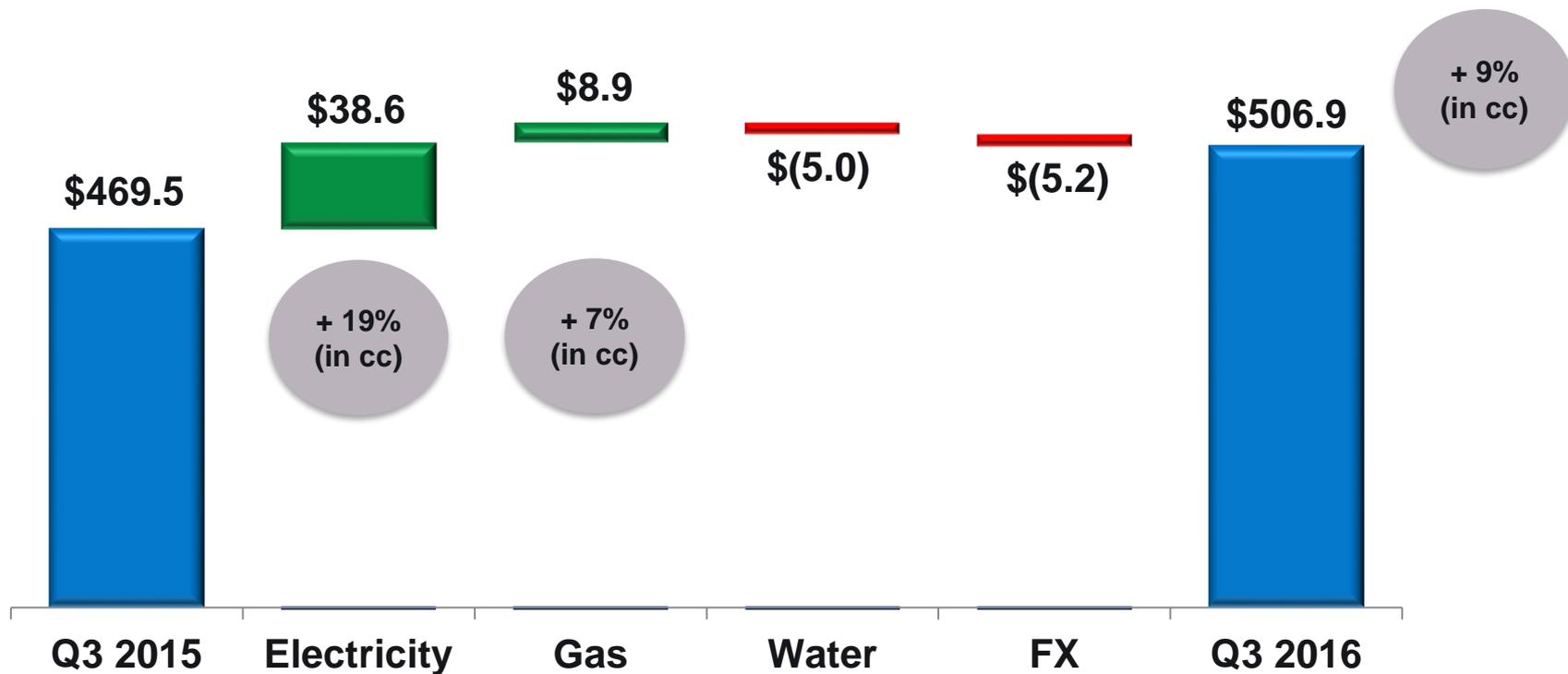


Chart in Millions, actual currency rates

# Q3 2016 NON-GAAP EPS YEAR-OVER-YEAR BRIDGE

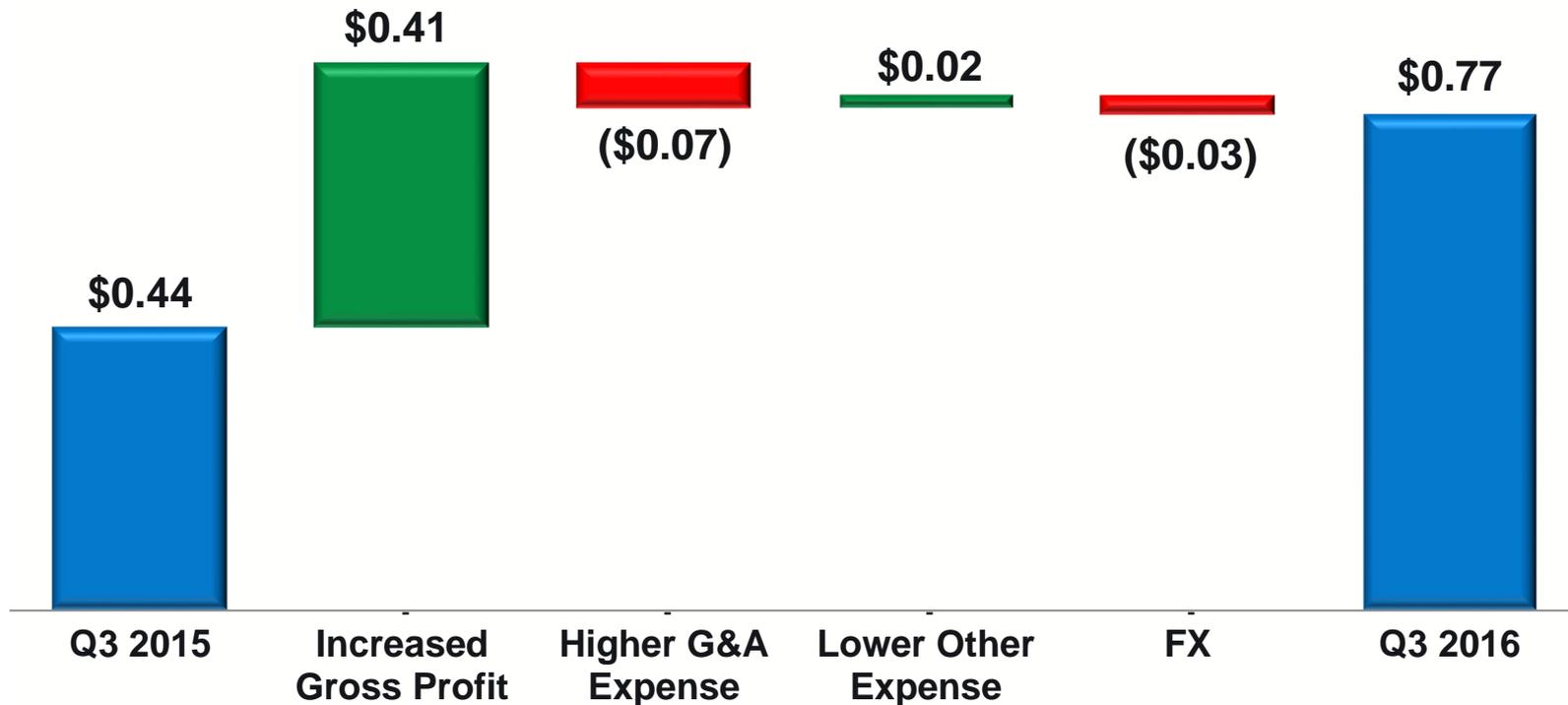


Chart in Millions, actual currency rates

# CONSOLIDATED GAAP RESULTS – Q3 2016

	Q3 2016	Q3 2015	Change
Revenue	\$506.9	\$469.5	8.0%
Gross margin	33.7%	31.4%	+230 bps
Operating income/(loss)	\$6.4	\$26.9	-\$20.5
Net income/(loss)	(\$9.9)	\$12.6	-\$22.5
Earnings/(loss) per share - diluted	(\$0.26)	\$0.33	-\$0.59
Net cash from operating activities	\$30.8	\$2.6	+\$28.2

*\$ in millions (except per share amounts)*

- » Revenue growth driven by global smart meter projects in Electricity and Gas
- » Gross margin increased 230 bps due to favorable product mix, benefits from increased volumes and efficiencies in the Electricity and Gas segments
- » GAAP operating and net income impacted by \$41M restructuring charge, increased professional services and legal costs in G&A and a higher tax rate
- » Increased cash from operations from improved profitability (adjusted for non-cash items) and working capital management

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

# CONSOLIDATED NON-GAAP RESULTS – Q3 2016

	Q3 2016	Q3 2015	Change
Non-GAAP operating income	\$51.9	\$32.1	+\$19.8
Non-GAAP operating margin	10.2%	6.8%	+340 bps
Adjusted EBITDA	\$62.7	\$41.5	+\$21.2
Adjusted EBITDA margin	12.4%	8.8%	+360 bps
Non-GAAP earnings per share - diluted	\$0.77	\$0.44	+\$0.33
Free cash flow	\$20.1	(\$9.7)	+\$29.8

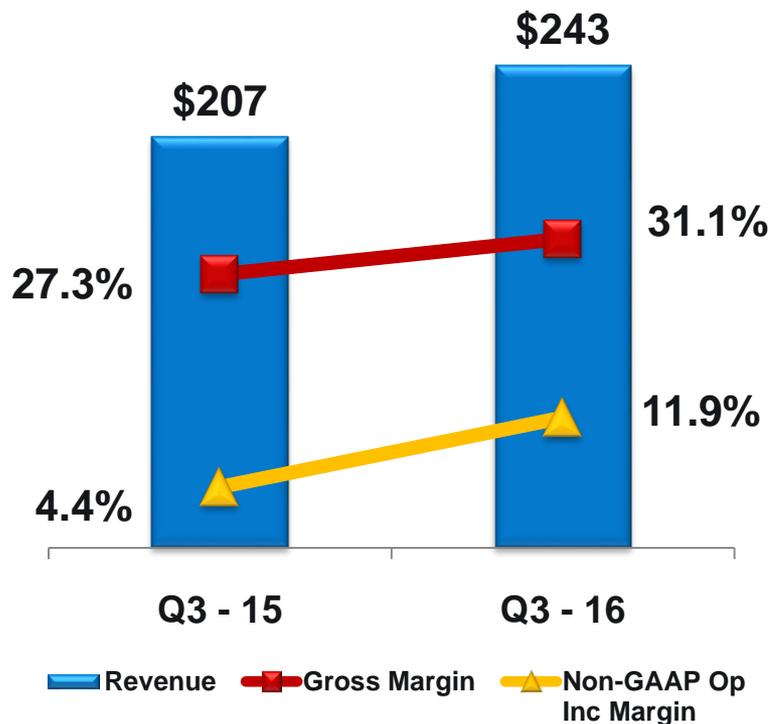
*\$ in millions (except per share amounts)*

- » Improved non-GAAP operating income, earnings per share & adjusted EBITDA driven by revenue growth and higher gross margin
- » Increased free cash flow from improved profitability (adjusted for non-cash items) and working capital management

# ELECTRICITY SEGMENT - Q3'16

## REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

Actual currency



### » Revenue growth +17% and +19% in constant currency

- Increased global smart metering
- Strong growth offset ~\$10m YoY of planned reduction in lower-margin standard metering business

### » Gross margin +380 basis points

- Increased total volumes with favorable smart vs standard mix
- Restructuring benefits and manufacturing efficiencies

### » Non-GAAP operating margin +750 basis points

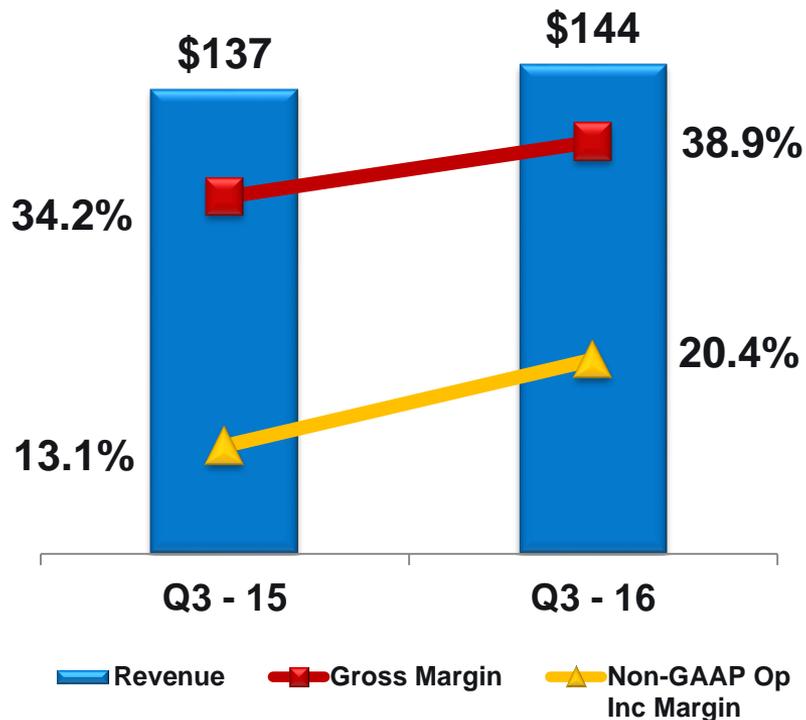
- Increased gross profit
- Restructuring & efficiency benefits

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

# GAS SEGMENT – Q3'16

## REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

Actual currency



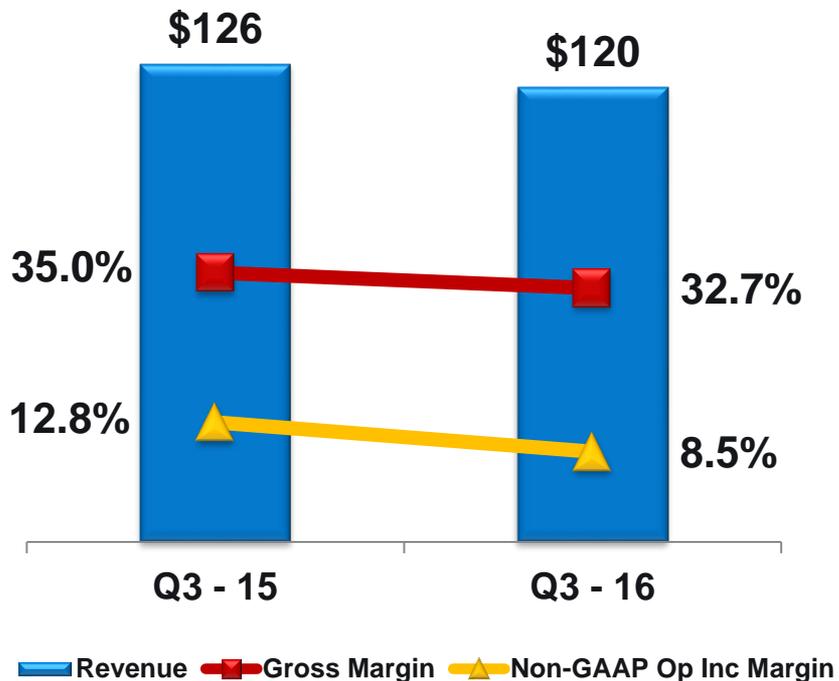
- » **Revenue growth +5% and +7% in constant currency**
  - Record revenue in North America driven by communication modules
- » **Gross margin +470 basis points**
  - Benefits from product mix and improved EMEA margin
- » **Non-GAAP operating margin +730 basis points**
  - Strong revenue and higher gross profit

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

# WATER SEGMENT – Q3'16

## REVENUE, GROSS MARGIN AND NON-GAAP MARGIN OPERATING

Actual currency



- » **Revenue down 5% and 4% in constant currency**
  - Lower sales in EMEA, Asia Pacific and Latin America
  - Timing of certain project activity
- » **Gross margin down 230 basis points**
  - Lower volumes and mix
- » **Non-GAAP operating margin down 430 basis points**
  - Decreased gross profit
  - Increased sales and G&A costs

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

# APPENDIX

- » Revenue - FX impact summary
- » YTD Q3 2016 Results
- » GAAP to Non-GAAP Reconciliations

# 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. 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.

# REVENUE - FX IMPACT SUMMARY

Average Euro/USD:  
\$1.12 Q3'16 vs \$1.11 Q3'15

Revenue	Q3 2016	YoY Change	YoY Change Excluding FX
Electricity	\$ 242.7	17.3%	18.9%
Gas	144.2	5.5%	6.6%
Water	120.0	-4.8%	-4.0%
Total	\$ 506.9	8.0%	9.2%

Average Euro/USD:  
\$1.12 YTD Q3'16 & \$1.12 YTD Q3'15

Revenue	YTD Q3 2016	YoY Change	YoY Change Excluding FX
Electricity	\$ 692.8	14.9%	17.7%
Gas	433.7	8.1%	9.5%
Water	391.0	2.1%	4.3%
Total	\$ 1,517.5	9.4%	11.6%

# CONSOLIDATED GAAP RESULTS – YTD Q3 2016

	YTD 2016	YTD 2015	Change
Revenue	\$1,517.5	\$1,387.1	9.4%
Gross margin	33.2%	29.1%	+410 bps
Operating income	\$65.5	\$36.5	+\$29.0
Net income	\$20.1	\$3.7	+16.4
Earnings per share - diluted	\$0.52	\$0.10	+\$0.42
Net cash from operating activities	\$81.9	\$20.2	+\$61.7

*\$ in millions (except per share amounts)*

- » Strong revenue growth in all segments driven by global smart meter projects
- » Gross margin increased 410 bps with improvements in all segments driven by lower warranty costs, favorable product mix and benefits from increased volumes and efficiencies
- » Operating income & net earnings per share improved due to higher revenue and gross margin offsetting increased operating expenses driven by restructuring and increases professional services and legal/litigation settlement costs in G&A
- » Increase in cash from operations due to improved profitability and working capital management

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

# CONSOLIDATED NON-GAAP RESULTS – YTD Q3 2016

	YTD 2016	YTD 2015	Change
Non-GAAP operating income	\$125.6	\$45.8	174.0%
Non-GAAP operating margin	8.3%	3.3%	+500 bps
Adjusted EBITDA	\$154.8	\$75.1	106.2%
Adjusted EBITDA margin	10.2%	5.4%	+480 bps
Non-GAAP net income	\$71.9	\$10.6	+\$61.3
Non-GAAP earnings per share - diluted	\$1.87	\$0.28	+\$1.59
Free cash flow	\$51.3	(\$13.1)	+\$64.4

*\$ in millions (except per share amounts)*

- » Improved operating and net income & adjusted EBITDA driven by higher revenue and gross margin, offsetting increased non-GAAP operating expenses driven by R&D investments and increased professional services and legal/litigation settlement costs in G&A
- » Increased free cash flow driven by improved profitability and working capital management

# YTD Q3 2016 REVENUE YEAR-OVER-YEAR BRIDGE

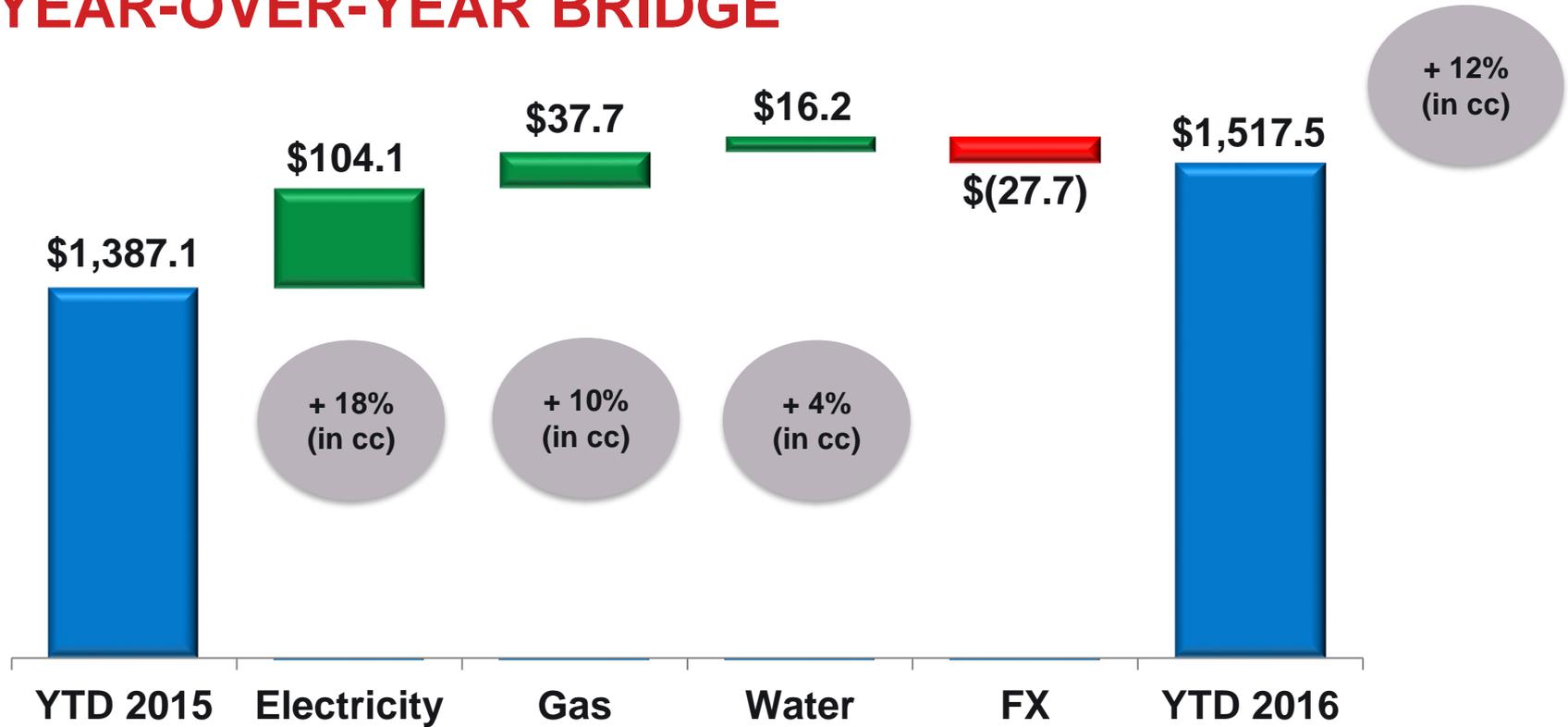
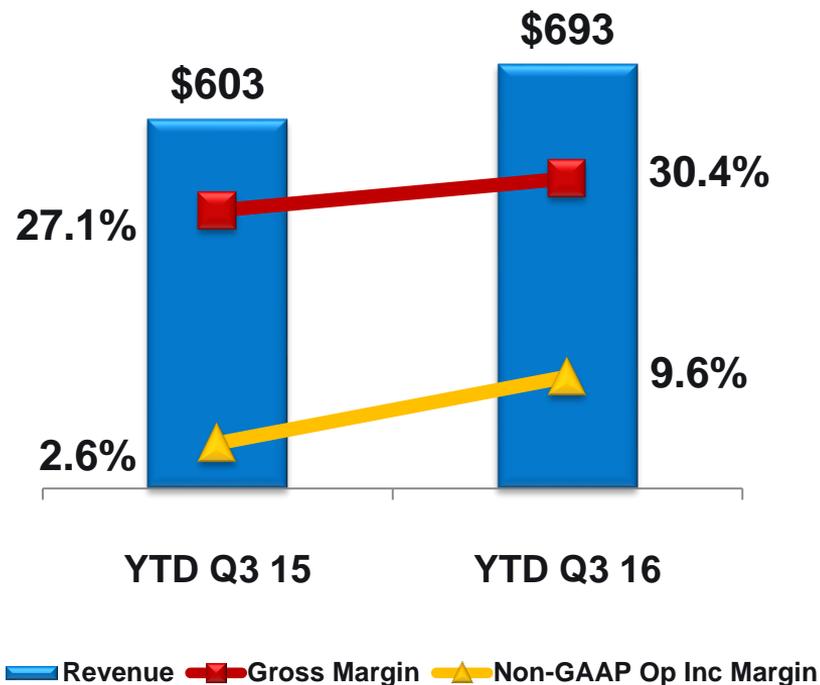


Chart in Millions, actual currency rates

# ELECTRICITY SEGMENT - YTD Q3'16

## REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

Actual currency



### » Revenue growth +15% and +18% in constant currency

- Double-digit growth in all regions driven by global smart metering
- Strong growth offset ~\$30m YoY from planned reduction in lower-margin standard metering business

### » Gross margin +330 basis points

- Favorable smart vs standard mix
- Restructuring benefits and manufacturing efficiencies

### » Non-GAAP operating margin +700 basis points

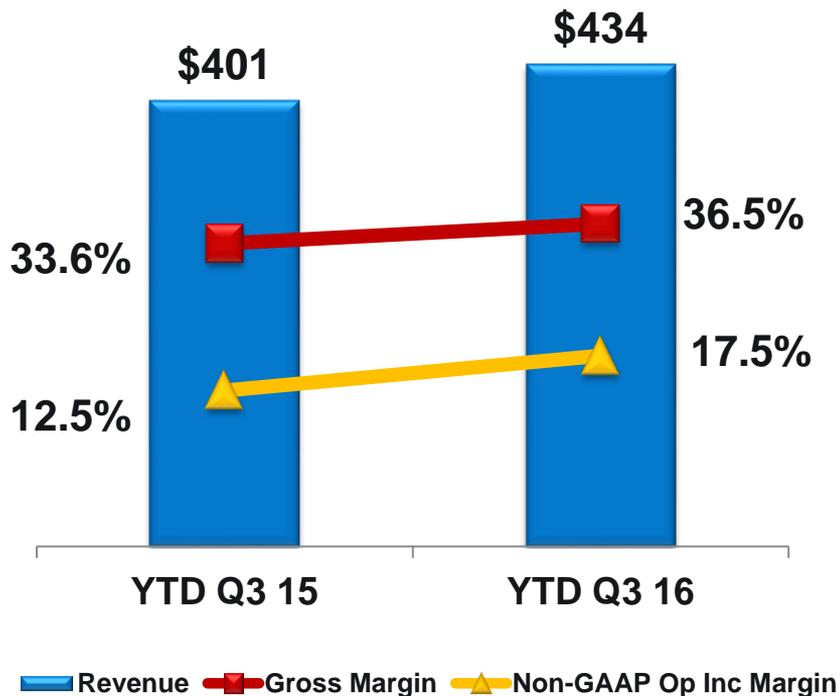
- Increased gross profit
- Restructuring & efficiency benefits

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

# GAS SEGMENT – YTD Q3'16

## REVENUE, GROSS MARGIN AND NON-GAAP OPERATING MARGIN

Actual currency



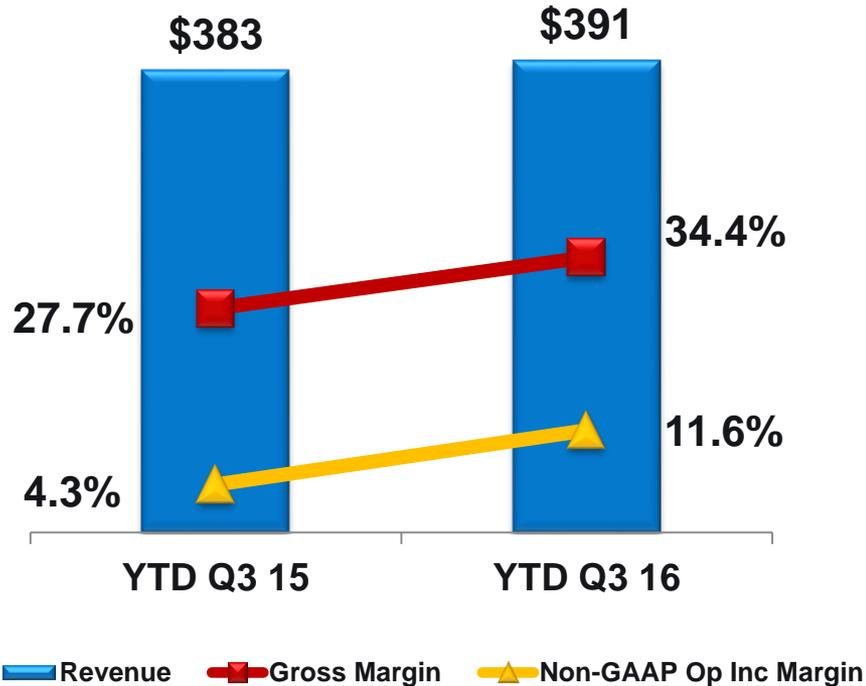
- » **Revenue growth +8% and +10% in constant currency**
  - Growth in every region (in cc)
  - Record level of smart meter shipments and strong communication modules driven by EMEA and North America
- » **Gross margin +290 basis points**
  - Benefits from higher volumes and product mix
- » **Non-GAAP operating margin +500 basis points**
  - Strong revenue and higher gross profit
  - Expense efficiencies

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

# WATER SEGMENT - YTD Q3'16

## REVENUE, GROSS MARGIN AND NON-GAAP MARGIN OPERATING

Actual currency



### » Revenue growth +2% and +4% in constant currency

- Increased smart metering projects in EMEA and North America
- Decreased revenue in Latin America

### » Gross margin +670 basis points

- Improvement driven by lower warranty costs (\$28m warranty charge YTD Q3'15)

### » Non-GAAP operating margin +730 basis points

- Increased gross profit driven by lower warranty costs

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

# GAAP TO NON-GAAP RECONCILIATIONS

TOTAL COMPANY RECONCILIATIONS	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(Unaudited, in thousands, except per share data)	2016	2015	2016	2015
<b>NON-GAAP NET INCOME &amp; DILUTED EPS</b>				
GAAP net income (loss) attributable to Itron, Inc.	\$ (9,885)	\$ 12,640	\$ 20,121	\$ 3,692
Amortization of intangible assets	4,996	7,869	19,002	23,730
Amortization of debt placement fees	247	244	742	1,773
Restructuring	40,679	587	41,294	(8,828)
Acquisition-related expenses	(180)	(3,271)	(202)	(5,554)
Income tax effect of non-GAAP adjustments	(5,961)	(1,095)	(9,086)	(4,198)
Non-GAAP net income attributable to Itron, Inc.	<u>\$ 29,896</u>	<u>\$ 16,974</u>	<u>\$ 71,871</u>	<u>\$ 10,615</u>
Non-GAAP diluted EPS	<u>\$ 0.77</u>	<u>\$ 0.44</u>	<u>\$ 1.87</u>	<u>\$ 0.28</u>
Weighted average common shares outstanding - Diluted	<u>38,651</u>	<u>38,358</u>	<u>38,515</u>	<u>38,591</u>
<b>ADJUSTED EBITDA</b>				
GAAP net income (loss) attributable to Itron, Inc.	\$ (9,885)	\$ 12,640	\$ 20,121	\$ 3,692
Interest income	(102)	(180)	(594)	(440)
Interest expense	2,691	2,799	8,344	9,336
Income tax provision	13,430	9,932	34,249	19,060
Depreciation and amortization	16,082	18,998	51,563	57,790
Restructuring	40,679	587	41,294	(8,828)
Acquisition-related expenses	(180)	(3,271)	(202)	(5,554)
Adjusted EBITDA	<u>\$ 62,715</u>	<u>\$ 41,505</u>	<u>\$ 154,775</u>	<u>\$ 75,056</u>

# GAAP TO NON-GAAP RECONCILIATIONS

TOTAL COMPANY RECONCILIATIONS (Unaudited, in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<b>FREE CASH FLOW</b>				
Net cash provided by operating activities	\$ 30,754	\$ 2,587	\$ 81,881	\$ 20,154
Acquisitions of property, plant, and equipment	(10,679)	(12,332)	(30,563)	(33,324)
Free Cash Flow	<u>\$ 20,075</u>	<u>\$ (9,745)</u>	<u>\$ 51,318</u>	<u>\$ (13,170)</u>
<b>NON-GAAP OPERATING INCOME</b>				
GAAP operating income	\$ 6,410	\$ 26,940	\$ 65,457	\$ 36,468
Amortization of intangible assets	4,996	7,869	19,002	23,730
Restructuring	40,679	587	41,294	(8,828)
Acquisition-related expenses	(180)	(3,271)	(202)	(5,554)
Non-GAAP operating income	<u>\$ 51,905</u>	<u>\$ 32,125</u>	<u>\$ 125,551</u>	<u>\$ 45,816</u>
<b>NON-GAAP OPERATING EXPENSES</b>				
GAAP operating expenses	\$ 164,339	\$ 120,350	\$ 438,200	\$ 367,798
Amortization of intangible assets	(4,996)	(7,869)	(19,002)	(23,730)
Restructuring	(40,679)	(587)	(41,294)	8,828
Acquisition-related expenses	180	3,271	202	5,554
Non-GAAP operating expenses	<u>\$ 118,844</u>	<u>\$ 115,165</u>	<u>\$ 378,106</u>	<u>\$ 358,450</u>

# GAAP TO NON-GAAP RECONCILIATIONS

SEGMENT RECONCILIATIONS	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(Unaudited, in thousands)	2016	2015	2016	2015
<b>NON-GAAP OPERATING INCOME - ELECTRICITY</b>				
Electricity - GAAP operating income	\$ 20,452	\$ 9,819	\$ 51,092	\$ 14,958
Amortization of intangible assets	2,183	4,413	10,050	13,296
Restructuring	6,443	(1,678)	5,411	(7,143)
Acquisition-related expenses	(180)	(3,390)	(202)	(5,673)
Electricity - Non-GAAP operating income	<u>\$ 28,898</u>	<u>\$ 9,164</u>	<u>\$ 66,351</u>	<u>\$ 15,438</u>
<b>NON-GAAP OPERATING INCOME - GAS</b>				
Gas - GAAP operating income	\$ 7,136	\$ 15,836	\$ 48,811	\$ 44,986
Amortization of intangible assets	1,513	1,950	4,888	5,865
Restructuring	20,738	160	21,990	(901)
Gas - Non-GAAP operating income	<u>\$ 29,387</u>	<u>\$ 17,946</u>	<u>\$ 75,689</u>	<u>\$ 49,950</u>
<b>NON-GAAP OPERATING INCOME - WATER</b>				
Water - GAAP operating income (loss)	\$ (3,546)	\$ 14,265	\$ 28,707	\$ 11,415
Amortization of intangible assets	1,300	1,506	4,064	4,569
Restructuring	12,414	273	12,465	546
Acquisition-related expenses	-	104	-	104
Water - Non-GAAP operating income (loss)	<u>\$ 10,168</u>	<u>\$ 16,148</u>	<u>\$ 45,236</u>	<u>\$ 16,634</u>
<b>NON-GAAP OPERATING INCOME - CORPORATE UNALLOCATED</b>				
Corporate unallocated - GAAP operating loss	\$ (17,632)	\$ (12,980)	\$ (63,153)	\$ (34,891)
Restructuring	1,084	1,832	1,428	(1,330)
Acquisition-related expenses	-	15	-	15
Corporate unallocated - Non-GAAP operating loss	<u>\$ (16,548)</u>	<u>\$ (11,133)</u>	<u>\$ (61,725)</u>	<u>\$ (36,206)</u>



# THANK YOU

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