



**Tom Deitrich** – President and Chief Executive Officer  
**Joan Hooper** – Senior Vice President and Chief Financial Officer  
**Kenneth Gianella** – Vice President, Investor Relations

Third Quarter 2019  
Earnings Conference Call  
November 4, 2019

# FORWARD LOOKING STATEMENTS

Certain matters in this presentation and being discussed today 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, expectations of market growth, 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. The Company does not intend and does not assume any obligation to update or revise any forward-looking statements in this presentation after the date they are made. Listeners 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 most recently filed 10-K, copies of which may be accessed through the SEC's website at <http://www.sec.gov>.

Current data and other statistical information used throughout this presentation are based on independent industry publications, government publications, and reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys as well as the independent sources listed above. We believe that these sources are reliable.

In an effort to provide additional information regarding the Company's financial results as determined by generally accepted accounting principles (GAAP), this presentation contains certain non-GAAP financial measures such as constant currency, non-GAAP operating income and margin, adjusted EBITDA and margin and free cash flow. The rationale for management's use of non-GAAP information and a reconciliation of the non-GAAP measures and the most directly comparable GAAP measures are included in the Appendix of this presentation. Non-GAAP performance measures should be considered in addition to, and not as a substitute for, results prepared in accordance with GAAP.

# CONFERENCE CALL AGENDA

- » **CEO** – Business and Operations Update
- » **CFO** – Financial Results
- » **Q&A**

# Q3'19 HIGHLIGHTS

- » Revenue growth of 5% year over year
- » Adjusted EBITDA of \$74M and non-GAAP EPS of \$1.04
- » Free cash flow of \$32M or 5% of revenue
- » Strong backlog of \$3.1 billion; 12-month backlog of \$1.4 billion

# Q3'19 BACKLOG

- » Q3'19 bookings of \$609 million
- » Strong demand; Full year outlook for Book to Bill ~1:1
- » Backlog of \$3.1 billion
- » 12-month backlog of \$1.4 billion

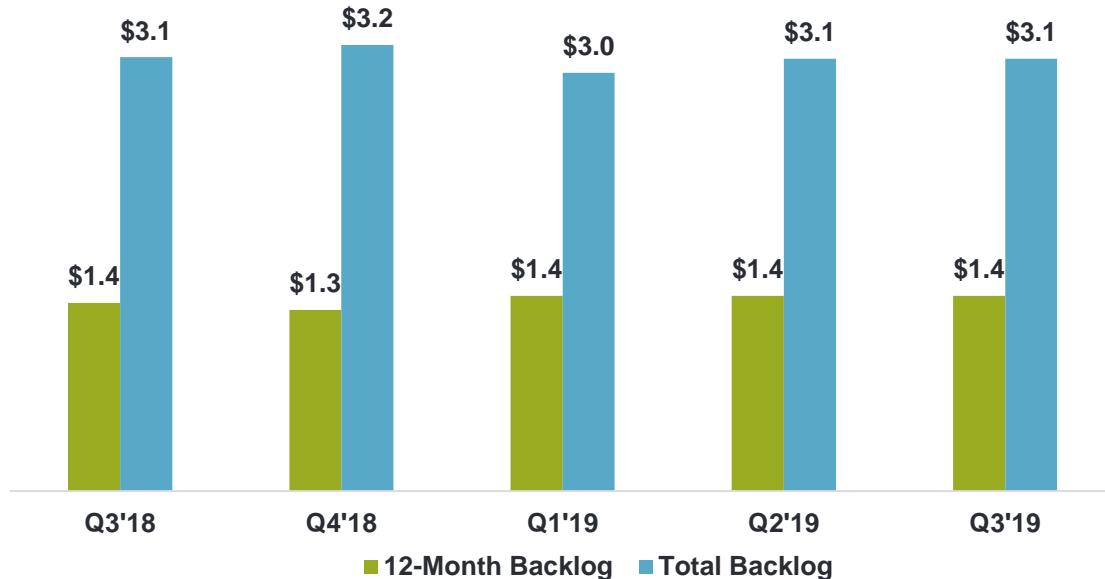


Chart in billions, actual currency rates.

# CONSOLIDATED GAAP RESULTS – Q3'19

<i>\$ in millions (except per share amounts)</i>	Q3 2019	Q3 2018	Change
Revenue	<b>\$624.5</b>	\$596.0	5%
<i>Change in constant currency</i>			7%
Gross margin	<b>31.5%</b>	33.1%	-160 bps
Operating income	<b>\$39.4</b>	\$41.7	-5%
Net income attributable to Itron, Inc.	<b>\$16.8</b>	\$19.9	-15%
Earnings per share - diluted	<b>\$0.42</b>	\$0.50	-16%

- » Revenue growth of 5% YOY driven by strength in North America Networked Solutions
- » Gross margin of 31.5% decreased 160 bps due to higher warranty and variable comp, partially offset by restructuring benefits
- » GAAP operating income and net income decreased due to higher OpEx and the impact of changes in fx rates

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

# CONSOLIDATED NON-GAAP & CASH RESULTS – Q3'19

<i>\$ in millions (except per share amounts)</i>	Q3 2019	Q3 2018	Change
Non-GAAP operating income	<b>\$66.0</b>	\$70.4	-6%
Non-GAAP operating margin	<b>10.6%</b>	11.8%	-120 bps
Non-GAAP net income attributable to Itron, Inc.	<b>\$41.4</b>	\$45.0	-8%
Adjusted EBITDA	<b>\$74.5</b>	\$80.5	-8%
Adjusted EBITDA margin	<b>11.9%</b>	13.5%	-160 bps
Non-GAAP earnings per share - diluted	<b>\$1.04</b>	\$1.13	-8%
Cash provided by operating activities	<b>\$50.0</b>	\$50.5	-1%
Free cash flow	<b>\$32.0</b>	\$37.3	-14%

- » Non-GAAP operating income and adj EBITDA decreased due to higher OpEx and the impact of changes in fx rates
- » Lower Non-GAAP net income due to lower operating income
- » Decrease in free cash flow primarily due to the timing of working capital and capital expenditures

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

# REVENUE YEAR-OVER-YEAR BRIDGE – Q3'19

US\$M

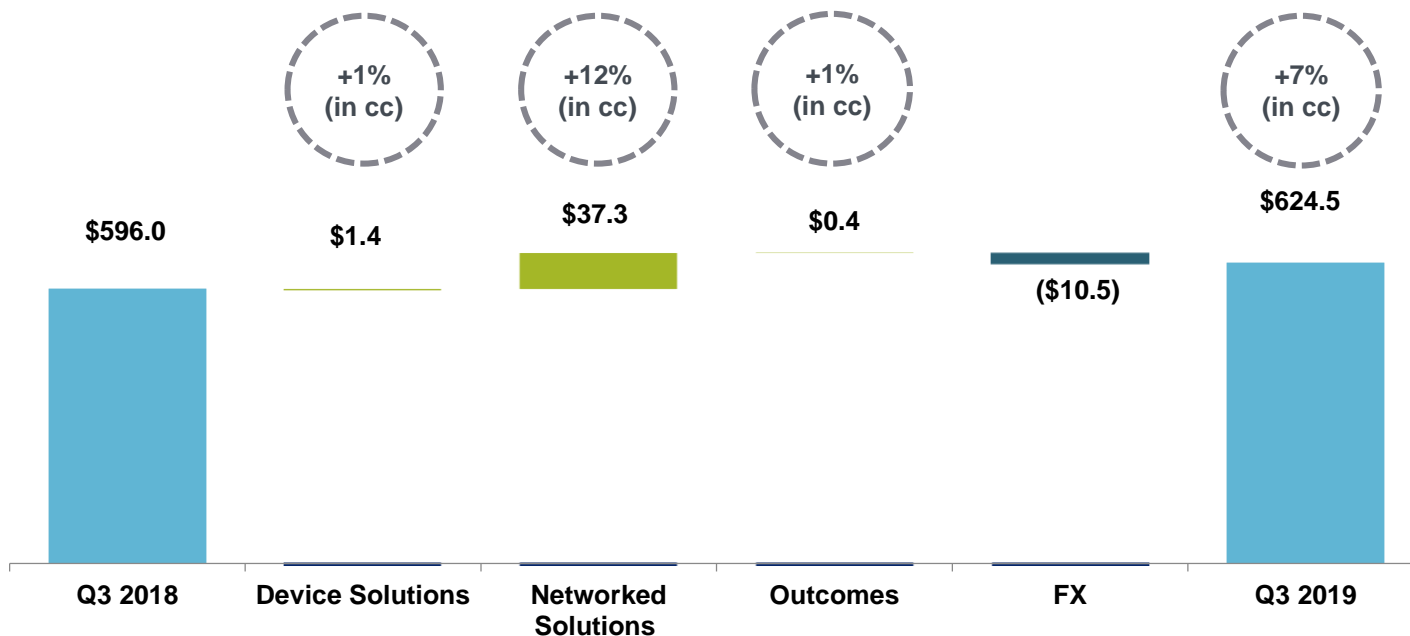


Chart in millions, Quarterly totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.



# NON-GAAP EPS YEAR-OVER-YEAR BRIDGE – Q3'19

US\$ per share

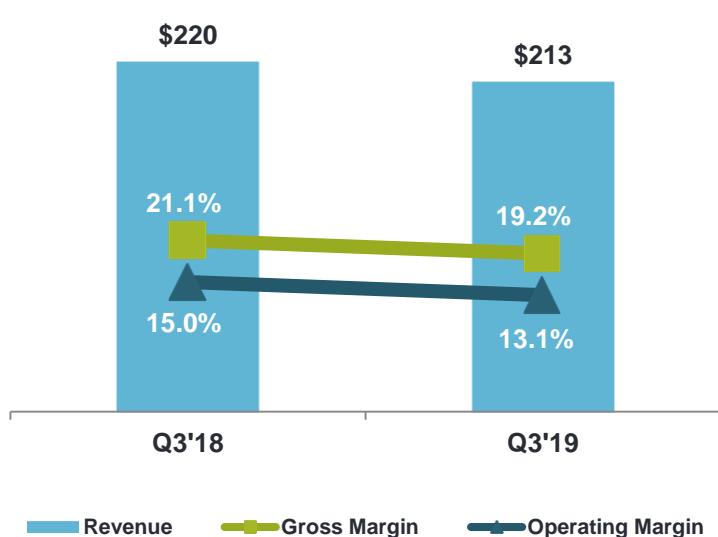


Quarterly totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.

# DEVICE SOLUTIONS SEGMENT – Q3'19

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency



### » Revenue down 3% and +1% in constant currency

- Decrease primarily due to FX changes
- Lower smart spec electric volumes offset by higher water

### » Gross margin down 190 bps

- Unfavorable product mix
- Increased warranty cost

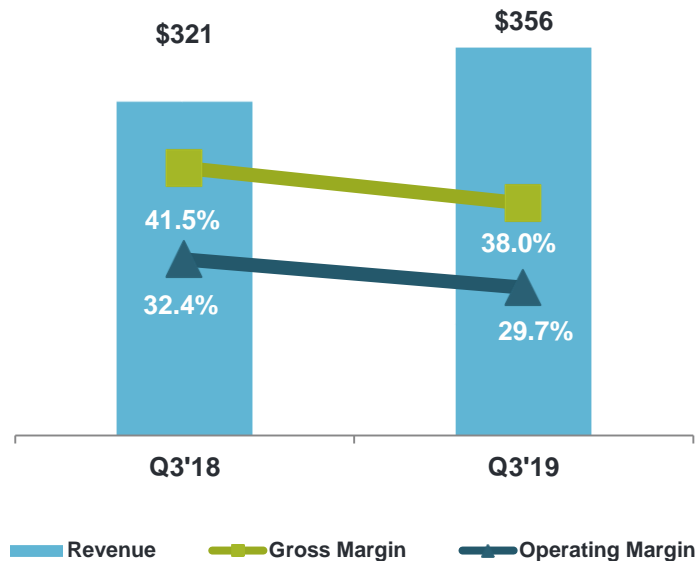
### » Operating margin down 190 bps

- Fall through of gross margin

# NETWORKED SOLUTIONS SEGMENT – Q3'19

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency



### » Revenue +11% and +12% in constant currency

- Growing footprint of connected devices, primarily in North America
- Ramping new and ongoing customer deployments

### » Gross margin down 350 bps

- Unfavorable compare on prior year product mix
- Higher warranty cost

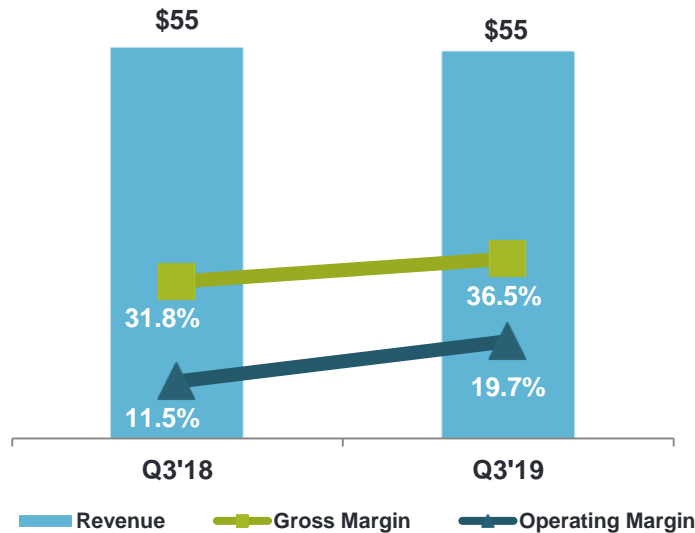
### » Operating margin down 270 bps

- Fall through of lower GM partially offset by improved operating leverage

# OUTCOMES SEGMENT – Q3'19

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency



### » Revenue down 1% and +1% in constant currency

- Decrease in prepay shipments
- Continued Strength in North America managed services

### » Gross margin +470 bps

- Integration and optimization to achieve scale benefits continues

### » Operating margin +820 pts

- Improving gross profit and lower OpEx

# Q3'19 CASH, DEBT, AND LIQUIDITY

## Free Cash Flow, Cash and equivalents

- » Free cash flow of \$32 million
- » FCF as a percent of revenue was 5%; FCF as a percent of adjusted EBITDA 43%
- » Cash and equivalents was \$141 million

## Debt

- » Total debt ~\$970M; Net leverage 3.1x at end of Q3'19
- » \$28M pay down on Term Loan
- » Refinanced credit agreement to lower costs and extend due date to 2024
- » Blended interest rate decreased to 4.4%; reflective of ~70% hedged portfolio

## Liquidity

- » Further liquidity is provided by a \$500M revolving credit facility

# APPENDIX

# CONSOLIDATED GAAP RESULTS – YTD'19

<i>\$ in millions (except per share amounts)</i>	YTD 2019	YTD 2018	Change
Revenue	\$1,874.1	\$1,789.1	5%
<i>Growth in constant currency</i>			+8%
Gross margin	30.7%	30.9%	-20 bps
Operating income	\$103.8	(\$78.2)	NM
Net income attributable to Itron, Inc.	\$34.4	(\$123.1)	NM
Earnings per share - diluted	\$0.86	(\$3.14)	NM

- » Revenue growth driven by strength in Networked Solutions and Outcomes segments
- » Operating income increase driven by higher gross profit and lower OpEx, primarily restructuring and acquisition expenses
- » Higher GAAP net income driven by significantly improved operating income

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

# CONSOLIDATED NON-GAAP & CASH RESULTS – YTD'19

<i>\$ in millions (except per share amounts)</i>	YTD 2019	YTD 2018	Change
Non-GAAP operating income	\$185.9	\$142.3	+31%
Non-GAAP operating margin	9.9%	8.0%	+190 bps
Adjusted EBITDA	\$213.2	\$177.0	+20%
Adjusted EBITDA margin	11.4%	9.9%	+150 bps
Non-GAAP earnings per share - diluted	\$2.60	\$1.77	+47%
Net cash from operating activities	\$128.1	\$67.4	+90%
Free cash flow	\$83.5	\$24.9	+236%

- » Higher Non-GAAP operating income and adjusted EBITDA due to improved gross profit and lower non-GAAP OpEx
- » Non-GAAP net income increase due to higher operating income and lower effective tax rate
- » Higher cash flow driven by improved profitability and lower restructuring and acquisition payments

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



# REVENUE YEAR-OVER-YEAR BRIDGE – YTD'19

US\$M

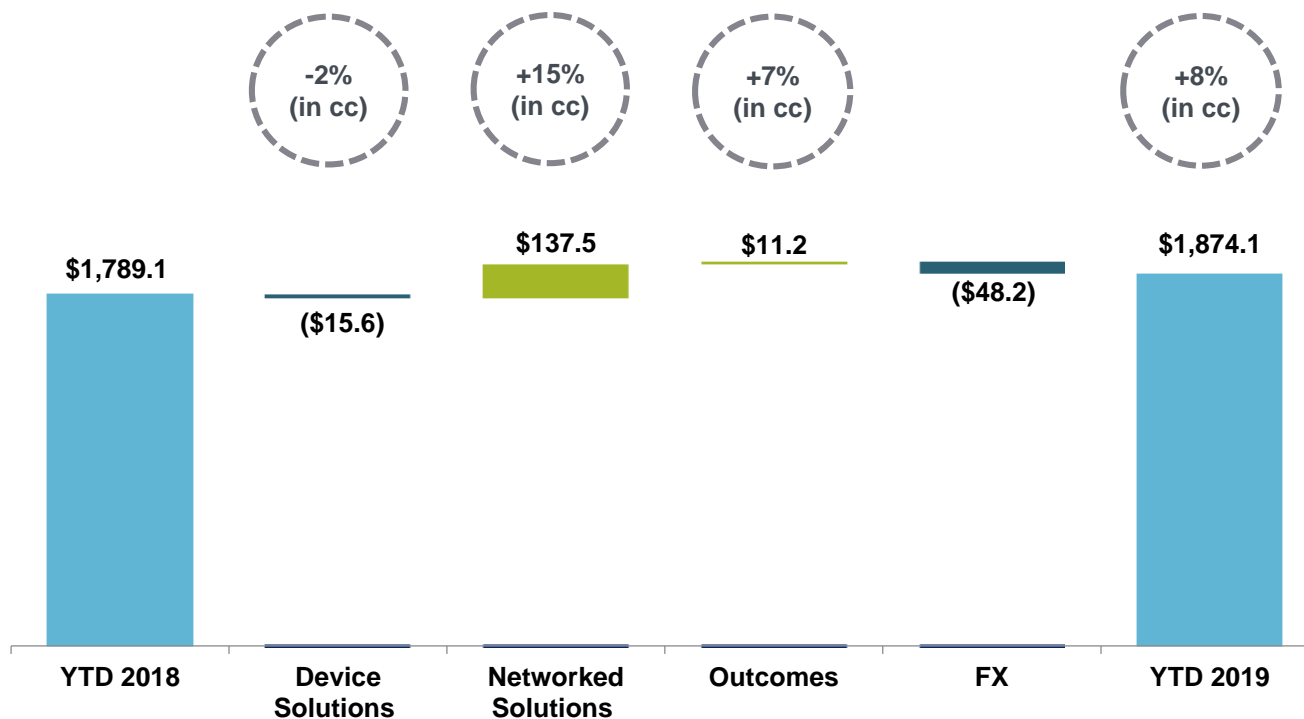
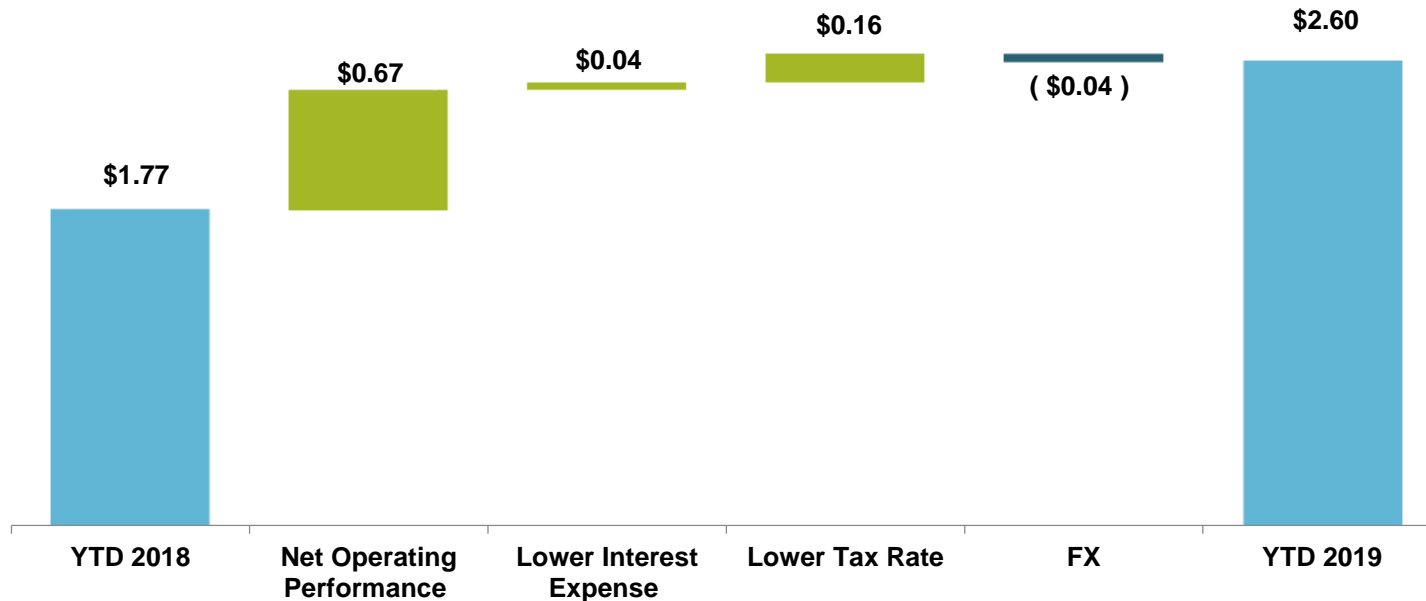


Chart in millions, YTD totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.

# NON-GAAP EPS YEAR-OVER-YEAR BRIDGE – YTD'19

US\$ per share

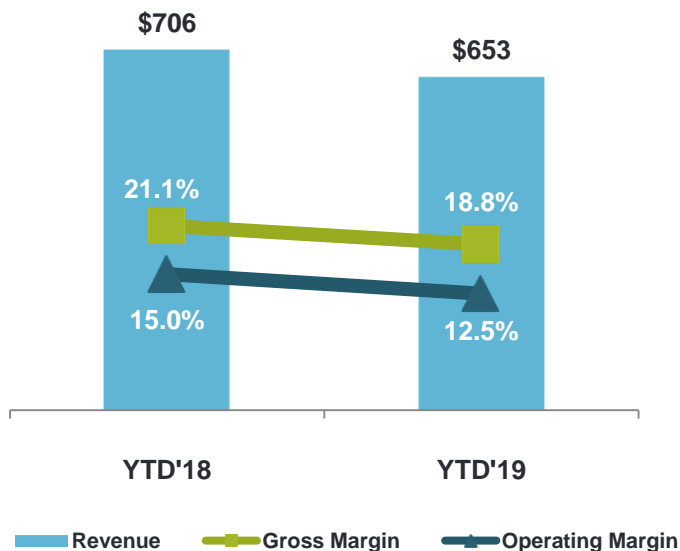


YTD totals reflect actual currencies; all variances other than FX exclude currency impact. Chart includes rounding.

# DEVICE SOLUTIONS SEGMENT – YTD'19

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency



### » Revenue down 8% and 2% in constant currency

- Lower Smart Spec EMEA volumes
- Impact of changes in foreign currency exchange rates

### » Gross margin down 230 bps

- Unfavorable product mix
- Higher supply chain costs compared with prior year

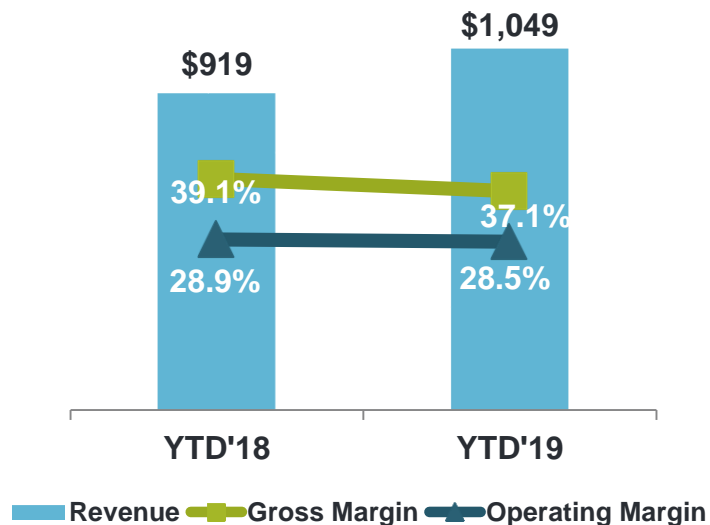
### » Operating margin down 250 bps

- Impacted by lower fall through of gross margin

# NETWORKED SOLUTIONS SEGMENT – YTD'19

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency



### » Revenue +14% and +15% in constant currency

- Strong North America AMI market leadership continues
- Ramping new and ongoing customer deployments ahead of schedule

### » Gross margin down 200 bps

- Product and customer mix
- Higher warranty cost

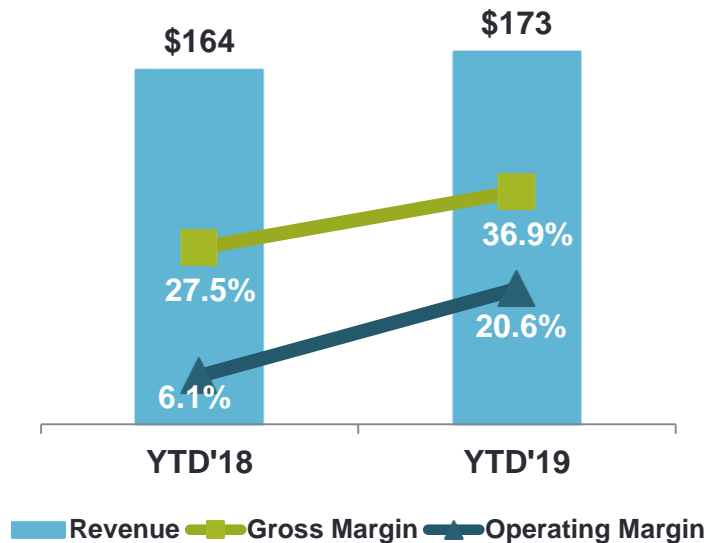
### » Operating margin down 40 bps

- OpEx includes underspend and timing of R&D projects

# OUTCOMES SEGMENT – YTD'19

## REVENUE, GROSS MARGIN AND OPERATING MARGIN

\$ in millions, actual currency



### » Revenue +5% and +7% in constant currency

- Continued strength in North America deployments
- Ramping new customer deployments ahead of schedule

### » Gross margin +9.4 pts

- Favorable mix of higher-margin software
- Integration and optimization to achieve scale benefits continues

### » Operating margin +14.5 pts

- Improvement on higher gross margin

# REVENUE – FX IMPACT SUMMARY

\$ in millions

Average Euro/USD:  
\$1.11 Q3'19 vs \$1.16 Q3'18

Revenue	Q3'19	YoY Change	YoY Change Excluding FX
Device Solutions	\$213.3	-3.1%	0.6%
Networked Solutions	\$356.2	11.1%	11.7%
Outcomes	\$54.9	-0.5%	0.7%
<b>Total</b>	<b>\$624.5</b>	<b>4.8%</b>	<b>6.7%</b>

Average Euro/USD:  
\$1.12 YTD'19 vs \$1.17 YTD'18

Revenue	YTD'19	YoY Change	YoY Change Excluding FX
Device Solutions	\$652.8	-7.5%	-2.3%
Networked Solutions	\$1,048.6	14.1%	15.1%
Outcomes	\$172.7	5.1%	7.0%
<b>Total</b>	<b>\$1,874.1</b>	<b>4.8%</b>	<b>7.7%</b>

# 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, 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. 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. Non-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.

# GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands, except per share data)

TOTAL COMPANY RECONCILIATIONS	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>NON-GAAP NET INCOME &amp; DILUTED EPS</b>				
GAAP income (loss) attributable to Itron, Inc.	\$ 16,847	\$ 19,882	\$ 34,386	\$ (123,127)
Amortization of intangible assets	16,095	17,960	48,185	53,699
Amortization of debt placement fees	1,240	1,178	3,555	5,693
Restructuring	6,592	666	7,685	82,908
Corporate transition cost	57	—	1,613	—
Acquisition and integration related expense	3,834	10,079	24,593	83,874
Income tax effect of non-GAAP adjustments <sup>(1)</sup>	(3,269)	(4,719)	(16,131)	(32,451)
Non-GAAP net income attributable to Itron, Inc. <sup>(1)</sup>	\$ 41,396	\$ 45,046	\$ 103,886	\$ 70,596
Non-GAAP diluted EPS <sup>(1)</sup>	\$ 1.04	\$ 1.13	\$ 2.60	\$ 1.77
Weighted average common shares outstanding - Diluted	39,903	39,909	39,884	39,825
<b>ADJUSTED EBITDA</b>				
GAAP income (loss) attributable to Itron, Inc.	\$ 16,847	\$ 19,882	\$ 34,386	\$ (123,127)
Interest income	(517)	(431)	(1,379)	(1,725)
Interest expense	12,868	14,171	39,899	44,320
Income tax provision (benefit)	6,152	5,715	20,692	(1,692)
Depreciation and amortization of intangible assets	28,623	30,449	85,691	92,428
Restructuring	6,592	666	7,685	82,908
Corporate transition cost	57	—	1,613	—
Acquisition and integration related expense	3,834	10,079	24,593	83,874
Adjusted EBITDA	\$ 74,456	\$ 80,531	\$ 213,180	\$ 176,986

(1) The income tax effect of non-GAAP adjustments is calculated using the statutory tax rates for the relevant jurisdictions, provided no valuation allowance exists. If a valuation allowance exists, there is no tax impact to the non-GAAP adjustment. Effective for the first quarter of 2019, we use the budgeted annual effective tax rate (AETR) for interim periods, with adjustments for discrete items, as defined in ASC 740 - Income Taxes. This method impacts interim periods only and does not impact full year tax results, as any difference between the budgeted or revised AETR and the actual AETR for non-GAAP adjustments would be recognized in the fourth quarter of the year. If the revised methodology had been applied in the third quarter of 2018, non-GAAP net income would have decreased by \$4.8 million to \$40.2 million, and diluted non-GAAP EPS would have decreased by \$0.12 to \$1.01. If the methodology had been applied in the nine months ended September 30, 2018 non-GAAP net income would have increased by \$1 million to \$71.5 million, and diluted non-GAAP EPS would have increased by \$0.03 to \$1.80.



# GAAP TO NON-GAAP RECONCILIATIONS

(Unaudited, in thousands, except per share data)

TOTAL COMPANY RECONCILIATIONS	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>FREE CASH FLOW</b>				
Net cash provided by operating activities	\$ 50,037	\$ 50,504	\$ 128,100	\$ 67,383
Acquisitions of property, plant, and equipment	(18,059)	(13,184)	(44,570)	(42,493)
Free Cash Flow	\$ 31,978	\$ 37,320	\$ 83,530	\$ 24,890
<b>NON-GAAP OPERATING INCOME</b>				
GAAP operating income (loss)	\$ 39,439	\$ 41,676	\$ 103,820	\$ (78,209)
Amortization of intangible assets	16,095	17,960	48,185	53,699
Restructuring	6,592	666	7,685	82,908
Corporate transition cost	57	—	1,613	—
Acquisition and integration related expense	3,834	10,079	24,593	83,874
Non-GAAP operating income	\$ 66,017	\$ 70,381	\$ 185,896	\$ 142,272
<b>NON-GAAP OPERATING EXPENSES</b>				
GAAP operating expenses	\$ 156,965	\$ 155,421	\$ 471,061	\$ 631,738
Amortization of intangible assets	(16,095)	(17,960)	(48,185)	(53,699)
Restructuring	(6,592)	(666)	(7,685)	(82,908)
Corporate transition cost	(57)	—	(1,613)	—
Acquisition and integration related expense	(3,834)	(10,079)	(24,593)	(83,874)
Non-GAAP operating expenses	\$ 130,387	\$ 126,716	\$ 388,985	\$ 411,257



# THANK YOU

## INVESTOR RELATIONS CONTACTS

### **Kenneth P. Gianella**

Vice President, Investor Relations  
669-770-4643  
[ken.gianella@itron.com](mailto:ken.gianella@itron.com)

### **Rebecca Hussey**

Manager, Investor Relations  
509-891-3574  
[rebecca.hussey@itron.com](mailto:rebecca.hussey@itron.com)