



Itron Reports Record Financial Results for Q4 and Full Year 2002

2002 revenues up 26% over 2001 to a record level of \$284.8 million Pro forma EPS of \$1.12 is 47% higher than 2001

SPOKANE, WA. — February 5, 2003 — Itron, Inc. (NASDAQ:ITRI), today reported its financial results for the quarter and full year ended December 31, 2002.

Fourth quarter revenues of \$77.3 million were 20% higher than fourth quarter 2001 revenues, and were a new record, slightly exceeding the record set last quarter of \$73.1 million. Full year 2002 revenues were \$284.8 million, 26% higher than 2001 and were also a new record. Acquisitions during 2002 contributed \$4.5 million and \$11.2 million in revenues for the fourth quarter and full year. We shipped 3.7 million AMR endpoints in 2002, up from 2.9 million in 2001.

Due to an expense accrual in connection with patent litigation, there was a net loss for the fourth quarter of 2002 of \$640,000 or 3 cents per diluted share, compared with net income of \$4.9 million, or 26 cents per diluted share, in the fourth quarter of 2001. Full year net income was \$8.7 million, or 41 cents per diluted share in 2002 compared with \$13.5 million, or 75 cents per diluted share in 2001.

Pro forma net income for the fourth quarter of 2002 was \$6.5 million, or 30 cents per diluted share, compared with \$5.5 million, or 26 cents per diluted share, in the fourth quarter of 2001. Full year 2002 pro forma net income was \$24.0 million, 76% higher than full year 2001 pro forma net income of \$13.6 million. Pro forma diluted earnings per share were \$1.12 in 2002 compared with 76 cents in 2001, a 47% increase. Pro forma results in both 2002 and 2001 exclude intangible asset amortization expenses and restructuring charges. In addition, in 2002, pro forma results exclude pre-tax in-process R&D charges of \$7.2 million related to an acquisition and a \$7.4 million charge for actual damages awarded by the jury in the Benghiat patent infringement suit.

"We achieved numerous financial records in 2002 and exceeded the expectations we had at the start of the year for both revenue and earnings growth by a healthy margin," commented LeRoy Nosbaum, Itron's chairman and CEO. "In addition, we acquired three companies during 2002, and have just announced plans to acquire a fourth, strategically positioning us to expand our core business and technology. We now have many of the major pieces in place to more fully deliver on our vision of optimizing the delivery and use of energy and water."

Commenting on Itron's acquisition strategy, Nosbaum added, "Our goal is to achieve our vision by growing the company profitably through acquisitions and internal development of new products and services. Itron's acquisition strategy involves more than stacking up various companies. We are looking to put together complementary core competencies that provide end-to-end, comprehensive and critical value propositions that enable our customers to be more efficient providers and users of energy and water in the years ahead."

Gross margin climbed to 47.6% for the fourth quarter of 2002, a new quarterly high. Full year gross margin of 46.4% for 2002 was also a new annual record. Gross margin was 45.1% in the fourth quarter of 2001, and 43.4% for the full year 2001. The increased gross margin in 2002 reflects higher manufacturing volumes and supply chain management efficiencies in Itron's AMR business.

Operating expenses for the fourth quarter and full year 2002 included a number of unusual items, pre-tax:

Restructuring charges were \$3.1 million for the fourth quarter and full year 2002 for expenses associated with the restructuring of our operations in Europe. By comparison, in 2001, we reversed previously accrued restructuring charges from 1999 of \$412,000 in the fourth quarter, and \$1.2 million for the full year.

Fourth quarter and full year 2002 general and administrative expenses include a \$7.4 million charge for actual damages awarded by the jury in the Benghiat patent infringement suit. As noted in our release dated January 27, 2003, the Court has not entered a judgment in this lawsuit.

2002 full year results include a \$7.2 million charge for in-process R&D associated with the acquisition of LineSoft in March 2002.

Intangible asset amortization increased during 2002 as a result of acquisitions. In accordance with SFAS No. 142, we are no longer amortizing goodwill effective January 1, 2002. We had approximately \$648,000 in goodwill amortization expense in 2001.

Excluding the items detailed above, fourth quarter 2002 operating income was 13.3% of revenues, compared with 14% of revenues in 2001. Full year operating income grew to 13.4% of revenues in 2002 compared with 11.6% of revenues in 2001.

Additional highlights for the fourth quarter and full year 2002 include:

Operating cash flow was \$16.4 million for the quarter with full year operating cash flow of \$49.2 million, a 52% increase over 2001.

During the fourth quarter we completed the acquisitions of RER and eMobile Data, using \$21.2 million in cash. For the full year, we used \$42.9 million in cash for acquisitions, and \$12.6 million for the repurchase of common stock. Cash and investments totaled \$32.6 million at December 31, 2002.

Pro forma EBITDA was \$12.6 million for the quarter and \$48.8 million for the full year in 2002. Full year pro forma EBITDA in 2001 was \$35.2 million.

New order bookings were \$61 million for the quarter and \$231 million for the full year 2002, down slightly from \$244 million in 2001. Bookings in 2001 included \$52 million in new orders from one customer. By comparison, the largest amount of new orders booked with any customer in 2002 was \$29 million.

For manufactured and related supporting products and services (e.g., inherent system software and installation services), total backlog at December 31, 2002 was \$197 million, down slightly from \$203 million last year. Twelve-month backlog at December 31, 2002 was \$100 million, down from \$115 million at the end of last year.

At December 31, 2002, annual maintenance contracts, joint pole use and engineering services contracts, none of which are included in backlog, are expected to generate revenues of approximately \$45 million over the next twelve months, which is approximately \$10 million more than at the end of last year.

Sales through meter manufacturers and business associates, which often book and ship within a quarter and are generally not included in quarter-end backlog, grew 47% in 2002 and were approximately 17% of 2002 revenues.

Software licensing revenues generally are derived from book and ship business as well, with little to no backlog.

We had approximately 300 utilities begin initial deployments of our AMR technology in 2002, compared with 200 in 2001. As of December 31, 2002, more than 1,150 utilities have deployed our AMR technology.

Subsequent Event:

In January 2003, we announced a definitive purchase agreement to acquire Silicon Energy for a total consideration of \$71.2 million. The transaction is expected to close by the end of February 2003. Silicon Energy, privately-held and based in Alameda, Calif., provides enterprise energy management solutions that enable utilities, energy service providers, governments, and commercial and industrial energy users to efficiently manage and apply energy consumption data, optimize the delivery and use of energy, mitigate risk, control energy costs, and optimize energy procurement.

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.

The Company expects that revenues for 2003 will be \$330 to \$340 million, representing growth of 16% to 19% over 2002. That expectation includes approximately \$15 million in revenues for the Silicon Energy acquisition, which is expected to close by the end of February 2003. Pro forma EPS is expected to be between \$1.20 and \$1.25 in 2003, and reflects the expectation that the acquisition of Silicon Energy will be approximately 5 cents dilutive in 2003 on a pro forma basis.

"We are projecting solid growth for Itron in 2003, even as we factor in some continued weakness in the overall economy, and a small amount of dilution from the acquisition we are about to complete," said Nosbaum. "During 2002, we acquired new customers, new markets and new capabilities that enhance our opportunities for growth over the next several years."

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 February 5, 2003. The call will be webcast live in a listen only mode, and later archived. The call will be hosted by CCBN. The webcast 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) and webcast replays 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 #281105.

About Itron:

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 delivers value to its clients by providing industry-leading solutions for meter data collection, energy information management, demand side management and response, load forecasting, analysis and consulting services, transmission and distribution system design and optimization, web-based workforce automation, C&I customer care and residential energy management. For more information visit Itron's website at 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 and signing of orders for the Company's products, the ability of the Company to effectuate additional initiatives for improving growth and profitability, the timing of the Silicon Energy acquisition closing, the failure to finalize satisfactory credit arrangements for that acquisition, the inability to predict the outcome of appeals or any negotiation efforts associated with the Benghiat litigation including the uncertainty as to whether the court will award enhanced damages or future royalties, estimating costs associated with litigation defense, 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, 2001 and Forms 10-Q for 2002 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 Earnings Statement](#)