



Itron Reports Record Third Quarter Financial Results

Revenues for the Quarter and Year-To-Date were up 45% and 19%, Respectively Over Last Year 2001 EPS up Significantly to 21 Cents and 51 Cents for the Quarter and Year-To-Date Compared with 6 Cents and 16 Cents Last Year

SPOKANE, WA. — October 18, 2001 — Itron, Inc. (NASDAQ:ITRI), a leading technology provider and source of knowledge to the energy and water industries, today reported its financial results for the quarter-ended September 30, 2001. Higher revenues and increased gross and operating margins resulted in the Company's highest ever third quarter earnings.

Net income for the third quarter of 2001 was \$3.9 million, or 6.4% of revenues, compared with \$853,000, or 2.0% of revenues in the third quarter of last year. Diluted earnings per share were 21 cents for the third quarter of 2001, more than triple the six cents reported for the third quarter of last year.

Year-to-date net income for 2001 was \$8.5 million, or 5.3% of revenues, compared with \$2.4 million, or 1.8% of revenues for the first nine months of last year. Diluted earnings per share for the first nine months of 2001 were 51 cents, compared with 16 cents last year.

"These outstanding results – the best third quarter in Itron history – were generated as a result of strong demand for our industry leading solutions that help our customers reduce costs, operate more efficiently, and provide better customer service, combined with our ongoing efforts to improve efficiencies throughout Itron," commented LeRoy Nosbaum, Itron CEO. "We are delighted to be able to consistently deliver such good financial results to our shareholders."

Revenues were \$60.7 million in the third quarter of 2001, up 45% over the third quarter of last year, and up 15% from the second quarter of 2001. Year-to-date 2001 revenues were \$161.1 million, 19% higher than the \$135.8 million in the first nine months of last year. The increased revenues for the quarter and year were driven largely by Mobile automatic meter reading (AMR) systems sales to electric and water utilities, which includes significant expansion orders from existing customers. Year-to-date revenue increases also reflect a large handheld system sale to a utility in Japan.

The gross margin for the quarter was 44.5% of revenues, slightly higher than the previous quarter's gross margin of 43.7%, and significantly higher than the 39.9% gross margin in the third quarter of last year. The year-to-date gross margin was 42.8% in 2001, compared with 38.9% last year. The improved margins reflect increased manufacturing efficiencies resulting from higher production volumes, lower material costs resulting from favorable market conditions for electronic components, and a favorable mix of customer business.

As forecast earlier in the year, operating expenses increased in terms of actual dollars, but decreased as a percentage of revenue compared with last year. Third quarter operating expenses were \$19.8 million, or 32.5% of revenues in 2001, compared with \$14.5 million, or 34.8% of revenues last year. Year-to-date operating expenses in 2001 were \$52.0 million, or 32.3% of revenues, compared with \$45.7 million, or 33.7% of revenues in the first nine months of last year. Increased gross spending primarily reflects higher commissions, investments in new marketing programs and systems, and new hardware and software products under development.

As a result of our performance, operating income grew to 11.9% and 10.5% of revenues for the third quarter and year-to-date period in 2001, up substantially from 5.2% for the same periods last year.

Cash generated from operations was \$317,000 during the third quarter of 2001, compared with a use of cash of \$8.8 million in the third quarter of 2000. Cash flow from operations was lower than expected in the quarter due to the receipt of approximately \$6 million from one customer in early October. Through September 30, 2001, operations have generated \$19.2 million in cash compared with a use of \$933,000 in the first nine months of 2000.

New orders continued at a strong pace in the third quarter of 2001, with \$61 million in new orders booked during the quarter, bringing the total of new bookings so far this year to \$181 million. Comparatively, new order bookings were \$57 million and \$108 million for the third quarter and year-to-date periods in 2000. Twelve-month backlog at September 30, 2001 increased to \$98 million, up from \$79 million at June 30, 2001. Total backlog, including revenues beyond the next twelve months, was \$195 million at September 30, 2001 compared with \$184 million at June 30, 2001.

Itron also announced today that Rob Neilson, Chief Operating Officer and an 18-year Itron veteran, has been promoted to President and Chief Operating Officer. Commenting on the management change Nosbaum said, "Rob has been key in directing the transformation of Itron over the last two years and has demonstrated the ability to deliver significant, tangible results in every facet of the company's operations. This promotion is well deserved. This new structure will allow Rob to concentrate on running Itron's day-to-day business focusing on revenue and earnings growth targets, while I concentrate on external growth opportunities for Itron.

Together, we will work on strategy for we share a common vision for furthering Itron's abundant opportunities to provide our customers with knowledge to optimize both the delivery and use of energy and water."

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.

We are revising our previous expectations for revenue and earnings in 2001 upwards and now expect that revenues for the full year 2001 will be approximately \$220 million, or 20% higher than in 2000. Diluted EPS is now anticipated to be between 70 cents and 72 cents for 2001. We continue to anticipate that revenues in 2002 will be at least 10% to 15% higher than in 2001, with EPS growth approximately twice the revenue growth rate.

"Normally, our fourth quarter is our best quarter of the year in terms of financial performance," added Nosbaum. "However, with such an exceptionally strong third quarter, we are not expecting fourth quarter revenues or earnings to be significantly higher than the third quarter levels."

Itron will host a conference call to discuss further the results of the quarter at 1:45 p.m. Pacific Time on October 18, 2001. The call will be webcast live in a listen only mode, and later archived. To access the live or archived webcasts, please visit the "Investor Relations Overview" section of Itron's website, www.itron.com. A telephone replay of the call will be also be available following the conclusion of the live call for 48 hours and is accessible by dialing (800)-633-8284 (Domestic) or (858)-812-6440 (International), and entering reservation no. 19553078.

About Itron

Itron Inc. is a leading technology provider and source of knowledge to the energy and water industry for collecting, analyzing, and applying critical data about electric, gas, and water usage. Itron technology touches more than \$200 billion in energy and water transactions annually. Today, Itron systems are installed at approximately 2,000 utilities in over 45 countries around the world and are being used to collect data from 275 million electric, gas, and water meters. Of those, more than 700 customers use Itron's radio and telephone-based technology to automatically collect information from more than 19 million of those meters. Itron technology is also in use at a number of the newly created wholesale energy markets in the U.S. and Canada to provide critical billing and settlement systems for the power flowing into and out of those deregulating markets.

This release contains forward-looking statements concerning Itron's operations, economic performance, and revenue and earnings growth. 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, the ability of the Company to effectuate additional initiatives for improving profitability, 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, 2000 and Form 10-Qs for 2001 on file with the Securities and Exchange Commission. Itron undertakes no obligation to update publicly or revise any forward-looking statements.

For additional information, contact:

Deloris Duquette

Vice President, Investor Relations and Corporate Communications

(509) 891-3523

deloris.duquette@itron.com

Related Documents

[Itron Q3 Earnings Statement](#)