

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues				
Product revenues	\$ 411,719	\$ 438,985	\$ 854,523	\$ 967,122
Service revenues	77,693	70,609	154,463	140,887
Total revenues	489,412	509,594	1,008,986	1,108,009
Cost of revenues				
Product cost of revenues	295,064	329,293	602,755	713,974
Service cost of revenues	44,473	41,784	89,312	83,952
Total cost of revenues	339,537	371,077	692,067	797,926
Gross profit	149,875	138,517	316,919	310,083
Operating expenses				
Sales, general and administrative	74,144	69,538	150,136	150,036
Research and development	48,763	48,994	100,490	102,775
Amortization of intangible assets	8,997	11,140	17,970	22,305
Restructuring	192	(2,683)	(1,788)	(2,931)
Loss on sale of business	24,711	56,915	26,103	56,915
Total operating expenses	156,807	183,904	292,911	329,100
Operating income (loss)	(6,932)	(45,387)	24,008	(19,017)
Other income (expense)				
Interest income	432	1,258	974	1,811
Interest expense	(14,004)	(11,684)	(24,479)	(22,961)
Other income (expense), net	(12,157)	(1,873)	(14,923)	(807)
Total other income (expense)	(25,729)	(12,299)	(38,428)	(21,957)
Loss before income taxes	(32,661)	(57,686)	(14,420)	(40,974)
Income tax benefit (provision)	216	(4,801)	(4,445)	(12,351)
Net loss	(32,445)	(62,487)	(18,865)	(53,325)
Net income attributable to noncontrolling interests	678	315	1,655	793
Net loss attributable to Itron, Inc.	\$ (33,123)	\$ (62,802)	\$ (20,520)	\$ (54,118)
Net loss per common share - Basic	\$ (0.73)	\$ (1.56)	\$ (0.47)	\$ (1.35)
Net loss per common share - Diluted	\$ (0.73)	\$ (1.56)	\$ (0.47)	\$ (1.35)
Weighted average common shares outstanding - Basic	45,142	40,216	43,344	40,130
Weighted average common shares outstanding - Diluted	45,142	40,216	43,344	40,130

ITRON

2111 North Molter Road
Liberty Lake, WA 99019

www.itron.com

ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Product revenues				
Device Solutions	\$ 160,647	\$ 126,950	\$ 330,978	\$ 327,118
Networked Solutions	235,167	300,351	493,870	615,788
Outcomes	15,905	11,684	29,675	24,216
Total Company	\$ 411,719	\$ 438,985	\$ 854,523	\$ 967,122
Service revenues				
Device Solutions	\$ 2,320	\$ 2,215	\$ 4,770	\$ 4,326
Networked Solutions	29,891	24,129	59,502	49,537
Outcomes	45,482	44,265	90,191	87,024
Total Company	\$ 77,693	\$ 70,609	\$ 154,463	\$ 140,887
Total revenues				
Device Solutions	\$ 162,967	\$ 129,165	\$ 335,748	\$ 331,444
Networked Solutions	265,058	324,480	553,372	665,325
Outcomes	61,387	55,949	119,866	111,240
Total Company	\$ 489,412	\$ 509,594	\$ 1,008,986	\$ 1,108,009
Gross profit				
Device Solutions	\$ 30,452	\$ 11,948	\$ 62,748	\$ 44,315
Networked Solutions	95,953	108,323	208,712	230,073
Outcomes	23,470	18,246	45,459	35,695
Total Company	\$ 149,875	\$ 138,517	\$ 316,919	\$ 310,083
Operating income (loss)				
Device Solutions	\$ 19,988	\$ (1,120)	\$ 41,689	\$ 17,078
Networked Solutions	64,630	77,382	143,921	166,062
Outcomes	12,537	9,226	22,873	17,424
Corporate unallocated	(104,087)	(130,875)	(184,475)	(219,581)
Total Company	\$ (6,932)	\$ (45,387)	\$ 24,008	\$ (19,017)

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ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 207,131	\$ 206,933
Accounts receivable, net	336,071	369,828
Inventories	179,347	182,377
Other current assets	120,351	171,124
Total current assets	<u>842,900</u>	<u>930,262</u>
Property, plant, and equipment, net	196,209	207,816
Deferred tax assets, net	99,297	76,142
Other long-term assets	41,293	51,656
Operating lease right-of-use assets, net	72,059	76,276
Intangible assets, net	113,672	132,955
Goodwill	1,123,155	1,131,916
Total assets	<u>\$ 2,488,585</u>	<u>\$ 2,607,023</u>
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 175,546	\$ 215,639
Other current liabilities	70,525	72,591
Wages and benefits payable	103,642	86,249
Taxes payable	14,235	15,804
Current portion of debt	—	18,359
Current portion of warranty	20,299	28,329
Unearned revenue	130,118	112,928
Total current liabilities	<u>514,365</u>	<u>549,899</u>
Long-term debt, net	479,034	902,577
Long-term warranty	15,911	13,061
Pension benefit obligation	116,666	119,457
Deferred tax liabilities, net	1,832	1,921
Operating lease liabilities	62,785	66,823
Other long-term obligations	97,334	113,012
Total liabilities	<u>1,287,927</u>	<u>1,766,750</u>
Equity		
Common stock	1,775,315	1,389,419
Accumulated other comprehensive loss, net	(145,172)	(138,526)
Accumulated deficit	(454,865)	(434,345)
Total Itron, Inc. shareholders' equity	<u>1,175,278</u>	<u>816,548</u>
Noncontrolling interests	25,380	23,725
Total equity	<u>1,200,658</u>	<u>840,273</u>
Total liabilities and equity	<u>\$ 2,488,585</u>	<u>\$ 2,607,023</u>

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ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Six Months Ended June 30,	
	2021	2020
Operating activities		
Net loss	\$ (18,865)	\$ (53,325)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	42,919	48,230
Non-cash operating lease expense	8,647	9,909
Stock-based compensation	12,586	15,581
Amortization of prepaid debt fees	4,315	2,013
Deferred taxes, net	(2,942)	5,904
Loss on sale of business	26,103	56,915
Loss on extinguishment of debt	10,000	—
Restructuring, non-cash	878	(1,146)
Other adjustments, net	13,913	287
Changes in operating assets and liabilities, net of sale of business:		
Accounts receivable	29,549	52,031
Inventories	70	(16,529)
Other current assets	22,164	(7,861)
Other long-term assets	6,207	(3,919)
Accounts payable, other current liabilities, and taxes payable	(43,115)	(76,144)
Wages and benefits payable	17,815	(11,145)
Unearned revenue	17,106	23,099
Warranty	(4,744)	(8,417)
Other operating, net	(19,926)	(9,697)
Net cash provided by operating activities	<u>122,680</u>	<u>25,786</u>
Investing activities		
Net proceeds (payments) related to the sale of business	3,142	(3,630)
Acquisitions of property, plant, and equipment	(20,476)	(29,049)
Other investing, net	2,819	3,520
Net cash used in investing activities	<u>(14,515)</u>	<u>(29,159)</u>
Financing activities		
Proceeds from borrowings	460,000	400,000
Payments on debt	(915,000)	—
Issuance of common stock	3,255	4,183
Proceeds from common stock offering	389,419	—
Proceeds from sale of warrants	45,349	—
Purchases of convertible note hedge contracts	(84,139)	—
Prepaid debt fees	(12,021)	(184)
Other financing, net	4,993	(2,036)
Net cash (used in) provided by financing activities	<u>(108,144)</u>	<u>401,963</u>
Effect of foreign exchange rate changes on cash and cash equivalents	177	(3,671)
Increase in cash and cash equivalents	198	394,919
Cash and cash equivalents at beginning of period	<u>206,933</u>	<u>149,904</u>

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Cash and cash equivalents at end of period

\$	207,131	\$	544,823
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About Non-GAAP Financial Measures

The accompanying press release contains non-GAAP financial measures. To supplement our consolidated financial statements, which are prepared 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, free cash flow, and constant currency. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP, and other companies may define such measures differently. For more information on these non-GAAP financial measures, please see the table captioned Reconciliations of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures.

We use these non-GAAP financial measures for financial and operational decision making and/or as a means for determining executive compensation. Management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and ability to service debt by excluding certain expenses that may not be indicative of our recurring core operating results. These non-GAAP financial measures facilitate management's internal comparisons to our historical performance, as well as comparisons to our competitors' operating results. Our executive compensation plans exclude non-cash charges related to amortization of intangibles and certain discrete cash and non-cash charges, such as acquisition and integration related expenses, loss on sale of business, or restructuring charges. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe these non-GAAP financial measures are useful to investors because they provide greater transparency with respect to key metrics used by management in its financial and operational decision making and because they are used by our institutional investors and the analyst community to analyze the health of our business.

Non-GAAP operating expenses and non-GAAP operating income – We define non-GAAP operating expenses as operating expenses excluding certain expenses related to the amortization of intangible assets, restructuring, loss on sale of business, corporate transition cost, and acquisition and integration. We define non-GAAP operating income as operating income (loss) excluding the expenses related to the amortization of intangible assets, restructuring, loss on sale of business, corporate transition cost, and acquisition and integration. Acquisition and integration related expenses include costs, which are incurred to affect and integrate business combinations, such as professional fees, certain employee retention and salaries related to integration, severances, contract terminations, travel costs related to knowledge transfer, system conversion costs, and asset impairment charges. We consider these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of expenses that are related to acquisitions and restructuring projects. By excluding these expenses, we believe that it is easier for management and investors to compare our financial results over multiple periods and analyze trends in our operations. For example, in certain periods, expenses related to amortization of intangible assets may decrease, which would improve GAAP operating margins, yet the improvement in GAAP operating margins due to this lower expense is not necessarily reflective of an improvement in our core business. There are some limitations related to the use of non-GAAP operating expenses and non-GAAP operating income versus operating expenses and operating income calculated in accordance with GAAP. We compensate for these limitations by providing specific information about the GAAP amounts excluded from non-GAAP operating expense and non-GAAP operating income and evaluating non-GAAP operating expense and non-GAAP operating income together with GAAP operating expense and operating income.

Non-GAAP net income and non-GAAP diluted EPS – We define non-GAAP net income as net income (loss) attributable to Itron, Inc. excluding the expenses associated with amortization of intangible assets, amortization of debt placement fees, debt extinguishment, restructuring, loss on sale of business, corporate transition cost, acquisition and integration, and the tax effect of excluding these expenses. We define non-GAAP diluted EPS as non-GAAP net income divided by diluted weighted-average shares outstanding during the period calculated on a GAAP basis and then reduced to reflect the anti-dilutive impact of the convertible note hedge transaction entered into in connection with the 0% Convertible Notes due 2026 issued in March 2021. We consider these financial measures to be useful metrics for management and investors for the same reasons that we use non-GAAP operating income. The same limitations described above regarding our use of non-GAAP operating income apply to our use of non-GAAP net income and non-GAAP diluted EPS. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP measures and evaluating non-GAAP net income and non-GAAP diluted EPS together with GAAP net income attributable to Itron, Inc. and GAAP diluted EPS.

For interim periods the budgeted annual effective tax rate (AETR) is used, adjusted for any discrete items, as defined in Accounting Standards Codification (ASC) 740 - Income Taxes. The budgeted AETR is determined at the beginning of the fiscal year. The AETR is revised throughout the year based on changes to our full-year forecast. If the revised AETR increases or decreases by 200 basis points or more from the budgeted AETR due to changes in the full-year forecast during the year, the revised AETR is used in place of the budgeted AETR beginning with the quarter the 200 basis point threshold is exceeded and going forward for all subsequent interim quarters in the year. We continue to assess the AETR based on latest forecast throughout the year and use the most recent AETR anytime it increases or decreases by 200 basis points or more from the prior interim period.

Adjusted EBITDA – We define adjusted EBITDA as net income (loss) (a) minus interest income, (b) plus interest expense, depreciation and amortization, debt extinguishment, restructuring, loss on sale of business, corporate transition cost, acquisition and integration related expense, and (c) excluding income tax provision or benefit. Management uses adjusted EBITDA as a performance measure for executive compensation. A limitation to using adjusted EBITDA is that it does not represent the total increase or decrease in the cash balance for the period and the measure includes some non-cash items and excludes other non-cash items. Additionally, the items that we exclude in our calculation of adjusted EBITDA may differ from the items that our peer companies exclude when they report their results. We compensate for these limitations by providing a reconciliation of this measure to GAAP net income (loss).

Free cash flow – We define free cash flow as net cash provided by operating activities less cash used for acquisitions of property, plant and equipment. We believe free cash flow provides investors with a relevant measure of liquidity and a useful basis for assessing our ability to fund our operations and repay our debt. The same limitations described above regarding our use of adjusted EBITDA apply to our use of free cash flow. We compensate for these limitations by providing specific information regarding the GAAP amounts and reconciling to free cash flow.

Constant currency – We refer to the impact of foreign currency exchange rate fluctuations in our discussions of financial results, which references the differences between the foreign currency exchange rates used to translate operating results from the entity's functional currency into U.S. dollars for financial reporting purposes. We also use the term "constant currency", which represents financial results adjusted to exclude changes in foreign currency exchange rates as compared with the rates in the comparable prior year period. We calculate the constant currency change as the difference between the current period results and the comparable prior period's results restated using current period foreign currency exchange rates.

The tables below reconcile the non-GAAP financial measures of operating expenses, operating income, net income, diluted EPS, adjusted EBITDA, and free cash flow with the most directly comparable GAAP financial measures.

ITRON, INC.
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES
TO THE MOST DIRECTLY COMPARABLE GAAP FINANCIAL MEASURES

(Unaudited, in thousands, except per share data)

TOTAL COMPANY RECONCILIATIONS	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
NON-GAAP OPERATING EXPENSES				
GAAP operating expenses	\$ 156,807	\$ 183,904	\$ 292,911	\$ 329,100
Amortization of intangible assets	(8,997)	(11,140)	(17,970)	(22,305)
Restructuring	(192)	2,683	1,788	2,931
Loss on sale of business	(24,711)	(56,915)	(26,103)	(56,915)
Corporate transition cost	—	(7)	—	33
Acquisition and integration related expense	109	(338)	486	(1,610)
Non-GAAP operating expenses	\$ 123,016	\$ 118,187	\$ 251,112	\$ 251,234
NON-GAAP OPERATING INCOME				
GAAP operating income (loss)	\$ (6,932)	\$ (45,387)	\$ 24,008	\$ (19,017)
Amortization of intangible assets	8,997	11,140	17,970	22,305
Restructuring	192	(2,683)	(1,788)	(2,931)
Loss on sale of business	24,711	56,915	26,103	56,915
Corporate transition cost	—	7	—	(33)
Acquisition and integration related expense	(109)	338	(486)	1,610
Non-GAAP operating income	\$ 26,859	\$ 20,330	\$ 65,807	\$ 58,849
NON-GAAP NET INCOME & DILUTED EPS				
GAAP net loss attributable to Itron, Inc.	\$ (33,123)	\$ (62,802)	\$ (20,520)	\$ (54,118)
Amortization of intangible assets	8,997	11,140	17,970	22,305
Amortization of debt placement fees	12,695	963	15,347	1,926
Debt extinguishment	10,000	—	11,681	—
Restructuring	192	(2,683)	(1,788)	(2,931)
Loss on sale of business	24,711	56,915	26,103	56,915
Corporate transition cost	—	7	—	(33)
Acquisition and integration related expense	(109)	338	(486)	1,610
Income tax effect of non-GAAP adjustments	(10,719)	(2,552)	(13,716)	(1,379)
Non-GAAP net income attributable to Itron, Inc.	\$ 12,644	\$ 1,326	\$ 34,591	\$ 24,295
Non-GAAP diluted EPS	\$ 0.28	\$ 0.03	\$ 0.79	\$ 0.60
Non-GAAP weighted average common shares outstanding - Diluted	45,478	40,488	43,731	40,481
ADJUSTED EBITDA				
GAAP net loss attributable to Itron, Inc.	\$ (33,123)	\$ (62,802)	\$ (20,520)	\$ (54,118)
Interest income	(432)	(1,258)	(974)	(1,811)
Interest expense	14,004	11,684	24,479	22,961
Income tax provision (benefit)	(216)	4,801	4,445	12,351
Debt extinguishment	10,000	—	11,681	—
Depreciation and amortization	21,109	24,199	42,919	48,230
Restructuring	192	(2,683)	(1,788)	(2,931)
Loss on sale of business	24,711	56,915	26,103	56,915
Corporate transition cost	—	7	—	(33)
Acquisition and integration related expense	(109)	338	(486)	1,610
Adjusted EBITDA	\$ 36,136	\$ 31,201	\$ 85,859	\$ 83,174
FREE CASH FLOW				
Net cash provided by operating activities	\$ 72,725	\$ 6,892	\$ 122,680	\$ 25,786
Acquisitions of property, plant, and equipment	(9,064)	(16,447)	(20,476)	(29,049)
Free Cash Flow	\$ 63,661	\$ (9,555)	\$ 102,204	\$ (3,263)