

ITRON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended September 30.		Nine Months Ended September 30.	
	2023	2022	2023	2022
Revenues				
Product revenues	\$ 480,355	\$ 347,791	\$ 1,361,482	\$ 1,107,499
Service revenues	80,417	73,069	234,978	220,574
Total revenues	560,772	420,860	1,596,460	1,328,073
Cost of revenues				
Product cost of revenues	332,035	258,541	951,666	818,639
Service cost of revenues	41,534	42,257	127,276	128,043
Total cost of revenues	373,569	300,798	1,078,942	946,682
Gross profit	187,203	120,062	517,518	381,391
Operating expenses				
Sales, general and administrative	76,576	63,446	231,176	212,724
Research and development	51,644	43,820	154,769	138,471
Amortization of intangible assets	4,663	6,413	14,433	19,451
Restructuring	(615)	(1,272)	36,868	(11,097)
Loss on sale of business	45	767	675	3,182
Goodwill impairment	—	—	—	38,480
Total operating expenses	132,313	113,174	437,921	401,211
Operating income (loss)	54,890	6,888	79,597	(19,820)
Other income (expense)				
Interest income	2,642	801	5,968	1,367
Interest expense	(2,445)	(1,679)	(6,479)	(4,931)
Other income (expense), net	646	(1,065)	(1,162)	(3,140)
Total other income (expense)	843	(1,943)	(1,673)	(6,704)
Income (loss) before income taxes	55,733	4,945	77,924	(26,524)
Income tax provision	(15,388)	(473)	(24,513)	(4,973)
Net income (loss)	40,345	4,472	53,411	(31,497)
Net income attributable to noncontrolling interests	173	355	874	447
Net income (loss) attributable to Itron, Inc.	\$ 40,172	\$ 4,117	\$ 52,537	\$ (31,944)
Net income (loss) per common share - Basic	\$ 0.88	\$ 0.09	\$ 1.16	\$ (0.71)
Net income (loss) per common share - Diluted	\$ 0.87	\$ 0.09	\$ 1.15	\$ (0.71)
Weighted average common shares outstanding - Basic	45,462	45,139	45,393	45,075
Weighted average common shares outstanding - Diluted	45,950	45,330	45,768	45,075

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ITRON, INC.
SEGMENT INFORMATION

(Unaudited, in thousands)

	Three Months Ended September 30.		Nine Months Ended September 30.	
	2023	2022	2023	2022
Product revenues				
Device Solutions	\$ 110,138	\$ 92,893	\$ 340,098	\$ 334,212
Networked Solutions	352,771	240,498	964,909	731,358
Outcomes	17,446	14,400	56,475	41,929
Total Company	\$ 480,355	\$ 347,791	\$ 1,361,482	\$ 1,107,499
Service revenues				
Device Solutions	\$ 631	\$ 1,110	\$ 2,085	\$ 4,166
Networked Solutions	32,200	29,374	94,460	86,796
Outcomes	47,586	42,585	138,433	129,612
Total Company	\$ 80,417	\$ 73,069	\$ 234,978	\$ 220,574
Total revenues				
Device Solutions	\$ 110,769	\$ 94,003	\$ 342,183	\$ 338,378
Networked Solutions	384,971	269,872	1,059,369	818,154
Outcomes	65,032	56,985	194,908	171,541
Total Company	\$ 560,772	\$ 420,860	\$ 1,596,460	\$ 1,328,073
Gross profit				
Device Solutions	\$ 26,919	\$ 14,805	\$ 75,351	\$ 50,489
Networked Solutions	135,203	81,895	362,852	263,155
Outcomes	25,081	23,362	79,315	67,747
Total Company	\$ 187,203	\$ 120,062	\$ 517,518	\$ 381,391
Operating income (loss)				
Device Solutions	\$ 17,675	\$ 7,066	\$ 45,837	\$ 24,103
Networked Solutions	102,503	54,640	266,052	177,929
Outcomes	10,280	11,339	35,867	28,789
Corporate unallocated	(75,568)	(66,157)	(268,159)	(250,641)
Total Company	\$ 54,890	\$ 6,888	\$ 79,597	\$ (19,820)
Total Gross Margin	33.4 %	28.5 %	32.4 %	28.7 %

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ITRON, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands)

	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 254,771	\$ 202,007
Accounts receivable, net	318,104	280,435
Inventories	276,099	228,701
Other current assets	160,768	118,441
Total current assets	1,009,742	829,584
Property, plant, and equipment, net	129,714	140,123
Deferred tax assets, net	209,153	211,982
Other long-term assets	35,348	39,901
Operating lease right-of-use assets, net	41,285	52,826
Intangible assets, net	50,408	64,941
Goodwill	1,035,761	1,038,721
Total assets	\$ 2,511,411	\$ 2,378,078
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 224,308	\$ 237,178
Other current liabilities	54,508	42,869
Wages and benefits payable	106,941	89,431
Taxes payable	17,407	15,324
Current portion of warranty	16,221	18,203
Unearned revenue	136,539	95,567
Total current liabilities	555,924	498,572
Long-term debt, net	454,247	452,526
Long-term warranty	7,262	7,495
Pension benefit obligation	58,079	57,839
Deferred tax liabilities, net	823	833
Operating lease liabilities	33,024	44,370
Other long-term obligations	144,322	124,887
Total liabilities	1,253,681	1,186,522
Equity		
Common stock	1,811,365	1,788,479
Accumulated other comprehensive loss, net	(100,840)	(94,674)
Accumulated deficit	(472,795)	(525,332)
Total Itron, Inc. shareholders' equity	1,237,730	1,168,473
Noncontrolling interests	20,000	23,083
Total equity	1,257,730	1,191,556
Total liabilities and equity	\$ 2,511,411	\$ 2,378,078

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ITRON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2023	2022
Operating activities		
Net income (loss)	\$ 53,411	\$ (31,497)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	42,013	50,612
Non-cash operating lease expense	12,197	12,250
Stock-based compensation	20,531	17,416
Amortization of prepaid debt fees	2,761	2,610
Deferred taxes, net	1,938	(6,428)
Loss on sale of business	675	3,182
Goodwill impairment	—	38,480
Restructuring, non-cash	910	(879)
Other adjustments, net	(318)	2,148
Changes in operating assets and liabilities, net of acquisition and sale of business:		
Accounts receivable	(37,832)	12,270
Inventories	(48,280)	(48,377)
Other current assets	(43,240)	(15,907)
Other long-term assets	3,392	(7,897)
Accounts payable, other current liabilities, and taxes payable	220	55,032
Wages and benefits payable	17,361	(30,877)
Unearned revenue	38,619	32,151
Warranty	(2,177)	(5,031)
Restructuring	23,966	(34,410)
Other operating, net	(9,071)	(7,318)
Net cash provided by operating activities	<u>77,076</u>	<u>37,530</u>
Investing activities		
Net proceeds (payments) related to the sale of business	(772)	55,933
Acquisitions of property, plant, and equipment	(18,304)	(14,886)
Business acquisitions, net of cash and cash equivalents acquired	—	23
Other investing, net	73	2,424
Net cash provided by (used in) investing activities	<u>(19,003)</u>	<u>43,494</u>
Financing activities		
Issuance of common stock	2,366	2,631
Repurchase of common stock	—	(16,972)
Prepaid debt fees	(517)	(697)
Other financing, net	(4,488)	(4,358)
Net cash used in financing activities	<u>(2,639)</u>	<u>(19,396)</u>

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Effect of foreign exchange rate changes on cash and cash equivalents	(2,670)	(8,794)
Increase in cash and cash equivalents	52,764	52,834
Cash and cash equivalents at beginning of period	202,007	162,579
Cash and cash equivalents at end of period	<u>\$ 254,771</u>	<u>\$ 215,413</u>

About 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 a reconciliation of each non-GAAP measure to the most comparable financial measure prepared and presented in accordance with GAAP, 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 restructuring, loss on sale of business, strategic initiative expenses, Russian currency translation write-off, goodwill impairment, or acquisition and integration related expenses. 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, strategic initiative expenses, Russian currency translation write-off, goodwill impairment, and acquisition and integration related expenses. 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, strategic initiative expenses, Russian currency translation write-off, goodwill impairment, and acquisition and integration related expenses. 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 not related to our core operating results. 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

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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, restructuring, loss on sale of business, strategic initiative expenses, Russian currency translation write-off, goodwill impairment, acquisition and integration related expenses, 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 transactions 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 (loss) 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, restructuring, loss on sale of business, strategic initiative expenses, Russian currency translation write-off, goodwill impairment, acquisition and integration related expenses, 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

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flow. We compensate for these limitations by providing specific information regarding the GAAP amounts in the reconciliation.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
NON-GAAP OPERATING EXPENSES				
GAAP operating expenses	\$ 132,313	\$ 113,174	\$ 437,921	\$ 401,211
Amortization of intangible assets	(4,663)	(6,413)	(14,433)	(19,451)
Restructuring	615	1,272	(36,868)	11,097
Loss on sale of business	(45)	(767)	(675)	(3,182)
Strategic initiative	5	35	5	(675)
Russian currency translation write-off	—	(1,885)	—	(1,885)
Goodwill impairment	—	—	—	(38,480)
Acquisition and integration	(28)	(154)	(117)	(370)
Non-GAAP operating expenses	\$ 128,197	\$ 105,262	\$ 385,833	\$ 348,265
NON-GAAP OPERATING INCOME				
GAAP operating income (loss)	\$ 54,890	\$ 6,888	\$ 79,597	\$ (19,820)
Amortization of intangible assets	4,663	6,413	14,433	19,451
Restructuring	(615)	(1,272)	36,868	(11,097)
Loss on sale of business	45	767	675	3,182
Strategic initiative	(5)	(35)	(5)	675
Russian currency translation write-off	—	1,885	—	1,885
Goodwill impairment	—	—	—	38,480
Acquisition and integration	28	154	117	370
Non-GAAP operating income	\$ 59,006	\$ 14,800	\$ 131,685	\$ 33,126
NON-GAAP NET INCOME & DILUTED EPS				
GAAP net income (loss) attributable to Itron, Inc.	\$ 40,172	\$ 4,117	\$ 52,537	\$ (31,944)
Amortization of intangible assets	4,663	6,413	14,433	19,451
Amortization of debt placement fees	897	846	2,629	2,478
Restructuring	(615)	(1,272)	36,868	(11,097)
Loss on sale of business	45	767	675	3,182
Strategic initiative	(5)	(35)	(5)	675
Russian currency translation write-off	—	1,885	—	1,885
Goodwill impairment	—	—	—	38,480
Acquisition and integration	28	154	117	370
Income tax effect of non-GAAP adjustments	(293)	(2,362)	(10,156)	(4,663)
Non-GAAP net income attributable to Itron, Inc.	\$ 44,892	\$ 10,513	\$ 97,098	\$ 18,817
Non-GAAP diluted EPS	\$ 0.98	\$ 0.23	\$ 2.12	\$ 0.42
Non-GAAP weighted average common shares outstanding - Diluted	45,950	45,330	45,768	45,267
ADJUSTED EBITDA				
GAAP net income (loss) attributable to Itron, Inc.	\$ 40,172	\$ 4,117	\$ 52,537	\$ (31,944)
Interest income	(2,642)	(801)	(5,968)	(1,367)
Interest expense	2,445	1,679	6,479	4,931
Income tax provision	15,388	473	24,513	4,973
Depreciation and amortization	13,645	17,361	42,013	50,612
Restructuring	(615)	(1,272)	36,868	(11,097)
Loss on sale of business	45	767	675	3,182
Strategic initiative	(5)	(35)	(5)	675
Russian currency translation write-off	—	1,885	—	1,885
Goodwill impairment	—	—	—	38,480

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Acquisition and integration	28	154	117	370
Adjusted EBITDA	\$ 68,461	\$ 24,328	\$ 157,229	\$ 60,700
FREE CASH FLOW				
Net cash provided by operating activities	\$ 34,087	\$ 14,874	\$ 77,076	\$ 37,530
Acquisitions of property, plant, and equipment	(5,806)	(4,223)	(18,304)	(14,886)
Free Cash Flow	\$ 28,281	\$ 10,651	\$ 58,772	\$ 22,644