



Iteris Reports Record Nine-Month Revenue of \$129.2 Million, 14% Higher Than Prior Year Period, and GAAP Net Income of \$3.0 Million, a \$17.3 Million Improvement from the Prior Year Period

Nine-Month Adjusted EBITDA of \$10.0 million, an \$18.1 million improvement from the prior year period

AUSTIN, TX – February 8, 2024 – [Iteris, Inc.](#) (NASDAQ: ITI), the global leader in smart mobility infrastructure management, today reported financial results for its fiscal 2024 third quarter ended December 31, 2023.

Fiscal 2024 Third Quarter Financial and Business Highlights

- Revenue of \$42.1 million, up 4% year over year compared to an unusually strong prior year period
- Gross margins of 36.9%, up 780 basis points year over year
- GAAP net income of \$0.4 million, or \$0.01 per share, a \$2.4 million, or \$0.06 per share, improvement from the prior year
- Adjusted EBITDA of \$3.1 million, equivalent to \$0.07 per share, a \$3.5 million, or \$0.08 per share equivalent, improvement from the prior year (see “Non-GAAP Financial Measures and Reconciliation” below for important information)
- Cash and cash equivalents of \$21.2 million as of December 31, 2023, reflecting positive net cashflow of \$0.9 million, including \$0.2 million used in the third quarter for share repurchases and \$0.9 million for investing activities
- Released cutting-edge integrated detection and connected vehicle system for safety applications
- Awarded contract to develop intelligent transportation systems master plan for the Cebu metropolitan area, a major domestic and international port in the Philippines
- Recently announced a new partnership with Arity, a mobility data and analytics company, founded by The Allstate Corporation

Fiscal 2024 Year-to-Date Financial Highlights

- Record revenue of \$129.2 million, up 14% year over year
- Gross margins of 37.6%, up 1,250 basis points year over year
- GAAP net income of \$3.0 million, or \$0.07 per share, \$17.3 million, or \$0.41 per share, higher than the prior year
- Adjusted EBITDA of \$10.0 million, equivalent to \$0.23 per share, an \$18.1 million, or \$0.42 per share equivalent, improvement from the prior year (see “Non-GAAP Financial Measures and Reconciliation” below for important information)
- Net cash flow of \$4.8 million, \$18.1 million higher than the prior year reflecting earnings improvement and strong working capital management

Management Commentary:

“We are pleased to report year-to-date organic revenue increased 14% from last year despite a return to normal pre-COVID seasonality in the third quarter,” said Joe Bergera, President and CEO of Iteris. “In addition to the strong nine-month revenue performance, improvements in our gross margins drove a significant, \$18.1 million year-to-date increase in adjusted EBITDA relative to the same prior year period.

“Although the return to pre-COVID seasonality will also affect fiscal 2024 fourth quarter prior year comparisons, we continue to experience strong demand for our [ClearMobility® Platform](#) and expect to end the fiscal year with 10% revenue growth at the midpoint of our guidance range. Over the long term, we continue to anticipate strong organic revenue growth consistent

with our Vision 2027 targets, which assume a five-year organic revenue CAGR of approximately 14%, as well as expanding operating leverage that will drive further adjusted EBITDA margin improvement.”

Fiscal Year 2024 Full Year Outlook

- Tightening full-year total revenue guidance to a range of \$171.0 million to \$173.0 million, representing organic growth of 10% year over year at the mid-point, which reflects temporary customer delays largely due to current budget uncertainty and agency labor constraints
- Reiterating our full-year adjusted EBITDA margin guidance in the range of 7% to 9%, representing a significant year-over-year improvement (see “Non-GAAP Financial Measures and Reconciliation” below for important information)
- Adjusting full-year net cash flow guidance in the range of \$8.0 million to \$12.0 million, which would represent a \$17.1 million increase year over year at the midpoint driven by adjusted EBITDA improvement and continued working capital management

GAAP Fiscal Year 2024 Third Quarter Financial Results

- Total revenue in the third quarter of fiscal year 2024 increased 4% to \$42.1 million, compared with \$40.7 million in the same quarter a year ago. This revenue growth was driven primarily by an increase in revenues related to consulting services. Product revenues also increased, but at a lower rate when compared to the prior year which reflected a return to pre-Covid seasonality.
- Operating expenses in the third quarter increased 8% to \$15.2 million, compared with \$14.0 million in the same quarter a year ago.
- Net income in the third quarter was \$0.4 million, or \$0.01 per share, compared with a net loss of \$(2.0) million, or \$(0.05) per share, in the same quarter a year ago. The improvement was primarily attributable to higher gross margin, which was impacted in the prior period by supply chain constraints and resulting high raw material costs.

Non-GAAP Fiscal 2024 Third Quarter Results

In addition to results presented in accordance with generally accepted accounting principles in the United States (“GAAP”), Iteris (the “Company”) has included the following non-GAAP financial measure: net income (loss) before interest, taxes, depreciation, amortization, stock-based compensation expense, restructuring charges, project loss reserves, other legal expenses, and executive severance and transition costs (“Adjusted EBITDA”). A discussion of the Company’s use of this non-GAAP financial measure is set forth below in the financial statements portion of this release under the heading “Non-GAAP Financial Measures and Reconciliation,” along with a reconciliation of Adjusted EBITDA to net income (loss).

Adjusted EBITDA in the third quarter of fiscal 2024 was \$3.1 million, or 7.4% of total revenues, compared with a \$0.4 million loss, or (1.0)% of total revenues, in the same quarter a year ago. The improvement primarily mirrors the increase in GAAP earnings.

Earnings Conference Call

Iteris will conduct a conference call today to discuss its fiscal 2024 third quarter results.

Date: Thursday, February 8, 2024

Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)

Toll-free dial-in number: 888-506-0062

International dial-in number: +1 973-528-0011

Participant access code: 537202

If joining by phone, please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact MKR Investor Relations at 1-213-277-5550.

To listen to the live webcast or view the press release, please visit the [investor relations](https://www.iteris.com/investor-relations) section of the Iteris website at www.iteris.com.

A telephone replay of the conference call will be available approximately two hours following the end of the call and will remain available for one week. To access the replay, dial +1-877-481-4010 (US Toll Free), or +1 919-882-2331 (International) and enter replay passcode 49720.

About Iteris, Inc.

Iteris is the world's trusted technology ecosystem for smart mobility infrastructure management. Delivered through Iteris' ClearMobility[®] Platform, our AI-powered end-to-end solutions monitor, visualize and optimize mobility infrastructure around the world, and help bridge legacy technology silos to unlock the future of transportation. That's why more than 10,000 public agencies and private-sector enterprises focused on mobility rely on Iteris every day. Visit www.iteris.com for more information, and join the conversation on [Twitter](https://twitter.com/iteris), [LinkedIn](https://www.linkedin.com/company/iteris) and [Facebook](https://www.facebook.com/iteris).

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:

This release may contain forward-looking statements, which speak only as of the date hereof and are based upon our current expectations and the information available to us at this time. Words such as "believes," "anticipates," "expects," "intends," "plans," "seeks," "estimates," "may," "will," "can," and variations of these words or similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, statements about the Company's anticipated demand and growth opportunities, conversion of bookings to revenue, the impact and success of new solution offerings, the Company's acquisitions, our future performance, growth and profitability, operating results, and financial condition and prospects. Such statements are subject to certain risks, uncertainties, and assumptions that are difficult to predict, and actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors.

Important factors that may cause such a difference include, but are not limited to, federal, state and local government budgetary issues, spending and scheduling changes, funding constraints and delays, and impact related to the federal government debt ceiling; uncertainties regarding potential multiple negative impacts that may occur in the future due to COVID-19 or other similar global health emergencies; our ability to source key raw materials in the global supply chain; the timing and amount of government funds allocated to overall transportation infrastructure projects and the transportation industry; risks related to our ability to recruit, integrate and/or retain key talent; our ability to replace large contracts once they have been completed; the effectiveness of efficiency, cost, and expense reduction efforts; our ability to successfully complete and integrate acquired assets and companies; our ability to specify, develop, complete, introduce, market and gain broad acceptance of our new and existing product and service offerings; the potential unforeseen impact of product and service offerings from competitors, increased competition in certain market segments, and such competitors' patent coverage and claims; any softness in the markets that we address; and the impact of general economic and political conditions and specific conditions in the markets we address, and the possible disruption in government spending and commercial activities, such as import/export tariffs, terrorist activities or armed conflicts in the United States and internationally. Further information on Iteris, Inc., including additional risk factors that may affect our forward-looking statements, as contained in our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and our other SEC filings that are available through the SEC's website (www.sec.gov).

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ITERIS, INC.
UNAUDITED CONDENSED
BALANCE SHEETS
(in thousands)

	December 31, 2023	March 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,185	\$ 16,587
Restricted cash	338	140
Trade accounts receivable, net	24,859	23,809
Unbilled accounts receivable	8,596	8,349
Inventories	11,456	10,841
Prepaid expenses and other current assets	3,615	3,128
Total current assets	70,049	62,854
Property and equipment, net	1,290	1,297
Right-of-use assets	7,332	8,345
Intangible assets, net	10,021	10,190
Goodwill	28,340	28,340
Other assets	570	768
Total assets	<u>\$ 117,602</u>	<u>\$ 111,794</u>
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 14,249	\$ 12,943
Accrued payroll and related expenses	10,877	12,923
Accrued liabilities	5,304	5,453
Deferred revenue	8,619	6,720
Total current liabilities	39,049	38,039
Long-term liabilities	9,981	10,849
Total liabilities	49,030	48,888
Stockholders' equity	68,572	62,906
Total liabilities and stockholders' equity	<u>\$ 117,602</u>	<u>\$ 111,794</u>

ITERIS, INC.
UNAUDITED CONDENSED
STATEMENT OF OPERATIONS
(in thousands, except per share amounts)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
Product revenues	\$ 23,133	\$ 22,852	\$ 70,189	\$ 60,021
Service revenues	18,996	17,834	59,048	53,591
Total revenues	42,129	40,686	129,237	113,612
Cost of product revenues	12,985	15,981	38,175	47,664
Cost of service revenues	13,595	12,885	42,446	37,418
Cost of revenues	26,580	28,866	80,621	85,082
Gross profit	15,549	11,820	48,616	28,530
Operating expenses:				
General and administrative	5,226	5,499	17,371	16,904
Sales and marketing	6,421	5,780	18,947	16,652
Research and development	2,858	2,047	7,531	6,356
Amortization of intangible assets	650	651	1,952	1,970
Restructuring charges	—	—	—	707
Total operating expenses	15,155	13,977	45,801	42,589
Operating income (loss)	394	(2,157)	2,815	(14,059)
Non-operating income (expense):				
Other income, net	141	135	388	229
Interest income (expense), net	39	—	109	(332)
Income (loss) before income taxes	574	(2,022)	3,312	(14,162)
Provision for income taxes	(219)	(27)	(281)	(149)
Net income (loss)	<u>\$ 355</u>	<u>\$ (2,049)</u>	<u>\$ 3,031</u>	<u>\$ (14,311)</u>
Net income (loss) per common share				
Basic net income (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.05)</u>	<u>\$ 0.07</u>	<u>\$ (0.34)</u>
Diluted net income (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.05)</u>	<u>\$ 0.07</u>	<u>\$ (0.34)</u>
Shares used in basic per share calculations	<u>42,944</u>	<u>42,341</u>	<u>42,798</u>	<u>42,336</u>
Shares used in diluted per share calculations	<u>43,784</u>	<u>42,341</u>	<u>43,762</u>	<u>42,336</u>

ITERIS, INC.

Non-GAAP Financial Measures and Reconciliation

In addition to results presented in accordance with GAAP, the Company has included the following non-GAAP financial measure in this release: net income (loss) before interest, taxes, depreciation, amortization, stock-based compensation expense, restructuring charges, project loss reserves, other legal expenses, and executive severance and transition costs ("Adjusted EBITDA").

When viewed with our financial results prepared in accordance with GAAP and accompanying reconciliations, we believe Adjusted EBITDA and the related financial ratios provide additional useful information to clarify and enhance the understanding of the factors and trends affecting our past performance and future prospects. We define these measures, explain how they are calculated and provide reconciliations of these measures to the most comparable GAAP measure in the table below. Adjusted EBITDA and the related financial ratios, as presented in this press release, are supplemental measures of our performance that are not required by or presented in accordance with GAAP. They are not a measurement of our financial performance under GAAP and should not be considered as alternatives to net income (loss) or any other performance measures derived in accordance with GAAP, or as alternatives to net cash provided by (used in) operating activities as a measure of our liquidity. The presentation of these measures should not be interpreted to mean that our future results will be unaffected by unusual or nonrecurring items.

We use Adjusted EBITDA non-GAAP operating performance measures internally as complementary financial measures to evaluate the performance and trends of our businesses. We present Adjusted EBITDA and the related financial ratios, as applicable, because we believe that measures such as these provide useful information with respect to our ability to meet our operating commitments.

Adjusted EBITDA and the related financial ratios have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- They generally do not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- They do not reflect changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- They are not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- They do not reflect the impact on earnings of charges resulting from matters unrelated to our ongoing operations; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as comparative measures.

Because of these limitations, Adjusted EBITDA and the related financial ratio should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as supplemental information. See our Unaudited Condensed Financial Statements contained in this Press Release. However, in spite of the above limitations, we believe that Adjusted EBITDA and the related ratio are useful to an investor in evaluating our results of operations because these measures:

- Are widely used by investors to measure a company's operating performance without regard to items excluded from the calculation of such terms, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired, among other factors;

- Help investors to evaluate and compare the results of our operations from period to period by removing the effect of our capital structure from our operating performance; and
- Are used by our management team for various other purposes in presentations to our Board of Directors as a basis for strategic planning and forecasting.

The following financial items have been added back to or subtracted from our net income (loss) when calculating Adjusted EBITDA:

- *Income tax.* This amount may be useful to investors because it represents the taxes that might be payable for the period and the change in deferred taxes during the period, and therefore could reduce cash flow available for use in our business.
- *Depreciation expense.* Iteris excludes depreciation expense primarily because it is a non-cash expense. These amounts may be useful to investors because it generally represents the wear and tear on our property and equipment used in our operations.
- *Amortization expense.* Iteris incurs amortization of intangible assets in connection with acquisitions. Iteris also incurs amortization related to capitalized software development costs. Iteris excludes these items because it does not believe that these expenses are reflective of ongoing operating results in the period incurred. These amounts may be useful to investors because they represent the estimated attrition of our acquired customer base and the diminishing value of product rights.
- *Interest income and expense.* Iteris excludes interest income and expense because it does not believe this item is reflective of ongoing business and operating results. This amount may be useful to investors for determining current cash flow. For the nine months ended December 31, 2022, interest expense includes amortization of the remaining capitalized deferred financing costs due to the termination of the Credit Agreement in Fiscal 2023.
- *Stock-based compensation.* These expenses consist primarily of expenses from employee and director equity-based compensation plans. Iteris excludes stock-based compensation primarily because they are non-cash expenses and Iteris believes that it is useful to investors to understand the impact of stock-based compensation to its results of operations and current cash flow.
- *Other legal expenses.* Iteris excludes legal expenses that it believes are infrequent, unusual and not reflective of ongoing operating results in the period incurred. These amounts may be useful to our investors in evaluating our core operating performance. We do not adjust for any ordinary course legal expenses. For the three and nine months ended December 31, 2023, other legal expenses consist of costs related to a specific breach of contract dispute for which the Company previously expected a settlement to be reached, however, due to a change in facts and circumstances that now point to a more protracted and costly process, we included the legal costs of \$0.8 million incurred during the three months ended December 31, 2023 and \$1.9 million for the nine months ended December 31, 2023. This matter is currently scheduled to go to trial in April 2024, so related costs will likely increase in the near term. The Company believes that an outcome resulting in a loss is remote. There were no such costs in the prior year periods.
- *Restructuring charges.* These expenses consist primarily of employee separation expenses, facility termination costs, and other expenses associated with Company restructuring activities. Iteris excludes these expenses as it does not believe that these expenses are reflective of ongoing operating results in the period incurred. These amounts may be useful to our investors in evaluating our core operating performance.

It is impractical to attempt to reconcile expected Adjusted EBITDA to expected GAAP net income (loss) because many of the adjustments are difficult to forecast, including stock-based compensation because it depends on the price of our stock in the future, which is difficult to predict. Reconciliations of historical net income (loss) to Adjusted EBITDA and the presentation of Adjusted EBITDA as a percentage of net revenues were as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2022	2023	2022
	(In Thousands)			
Net income (loss)	\$ 355	\$ (2,049)	\$ 3,031	\$ (14,311)
Provision for income taxes	219	27	281	149
Depreciation expense	136	153	422	461
Amortization expense	779	770	2,349	2,396
Interest (income) expense	(39)	—	(109)	332
Stock-based compensation	822	438	2,218	1,982
Other adjustments:				
Restructuring charges	—	—	—	707
Other legal expenses	835	—	1,854	—
Acquisition earnout payments	—	248	—	248
Adjusted EBITDA	\$ 3,107	\$ (413)	\$ 10,046	\$ (8,036)
Percentage of total revenues	7.4 %	(1.0)%	7.8 %	(7.1)%