



Every drop counts.

BADGER METER FIRST QUARTER 2020 EARNINGS

April 16, 2020



FORWARD LOOKING STATEMENTS

Certain statements contained in this presentation, as well as other information provided from time to time by Badger Meter, Inc. (the “company”) or its employees, may contain forward looking statements that involve risks and uncertainties that could cause actual results to differ materially from those statements. Potential factors that could affect such forward-looking statements include the duration, severity and geographic spread of the COVID-19 pandemic, government actions to address or mitigate the impact of the COVID-19 pandemic, and the potential negative impacts of COVID-19 on the global economy, the company’s operations and those of our customers and suppliers. In addition, the company’s results are subject to general economic conditions, variation in demand from customers, continued market acceptance of new products, the successful integration of acquisitions, competitive pricing and operating efficiencies, supply chain risk, material and labor cost increases, tax reform and foreign currency risk. See the company’s Form 10-K filed with the Securities and Exchange Commission for further information regarding risk factors, which are incorporated herein by reference. Badger Meter disclaims any obligation to publicly update or revise any forward-looking statements as a result of new information, future events or any other reason.

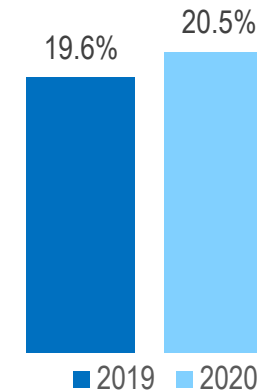
In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation for a reconciliation to the appropriate GAAP measure.



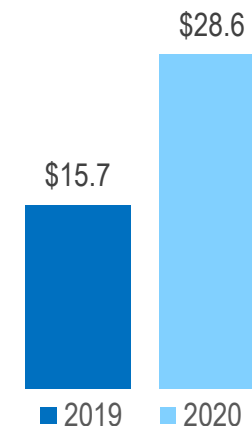
HIGHLIGHTS

- Rapidly implemented health, safety and business continuity plans to operate in support of our essential industries
- First quarter sales growth of 3%
 - Municipal water sales increased 6% with strong interest in new technology products and solutions
 - Flow instrumentation sales declined 4%; lower oil & gas offsetting higher HVAC
- Continued margin improvement with favorable product and SaaS revenue mix, as well as positive price/cost; EBITDA margins >20%
- Strong balance sheet with \$70.4 million in cash, \$28.6 million in first quarter free cash flow and effective working capital management

Q1 EBITDA Margin %



Q1 Free Cash Flow





FIRST QUARTER FINANCIAL SNAPSHOT

(US\$ in millions, except per share data)

	<u>Q1 2020</u>	<u>Q1 2019</u>	<u>Change</u>
Sales	\$108.5	\$104.9	3.4%
Gross Margin	43.3 39.9%	40.5 38.6%	6.9% 130 bps
SEA	27.3 25.2%	26.1 24.9%	4.6% 30 bps
Op Income	16.0 14.8%	14.3 13.7%	11.9% 110 bps
Income Tax Rate	25.6%	23.5%	
EBITDA	22.2 20.5%	20.5 19.6%	8.3% 90 bps
EPS	0.41	0.37	10.8%
Free Cash Flow	\$28.6	\$15.7	

- Municipal water sales increased 6%; favorable mix to higher technology products and services
- Flow instrumentation sales declined 4% with weaker oil & gas
- Strong margins on positive product sales mix; favorable price/cost
- SEA increase in personnel and R&D spend
- Strong working capital management and free cash flow

See appendix for reconciliation of GAAP to Non-GAAP measures



CURRENT STATE / ACTIONS

- Overall activity in end markets slowing
 - Project delays, order deferrals and channel inventory destocking
 - Potential supply disruption, cargo capacity constraints, component shortages
- Our facilities are operating, at various capacity levels, in line with demand
- Temporary cost actions taken given current expectations
 - US employees reduced schedules (i.e. 4-day work weeks at commensurate pay); comparable actions at non-US locations
 - Executives 20% pay reduction
 - Discretionary spend controls
 - ESSOP defined contribution reduction

Meters in northern US are in basements. However, in the south and west, they are in front yard pits.

Current Status of BMI Plants

- US facilities – 32-hour work week schedules through mid-May
- Mexico – temporary reduced capacity due to government restrictions/labor concerns
- ROW – “short-week” or volunteer programs

Contingency plans in place covering wide range of potential economic scenarios



OUTLOOK

- Near-term business outlook remains highly uncertain – length and severity of economic impact unknown
- What we do know:
 - Record first quarter 2020 – across all financial metrics
 - Strong bid pipeline
 - Solid financial position – cash and available liquidity
 - Trailing nine-month domestic municipal water sales growth MSD (after innovation pause)
- Two potential long term trends emerging from pandemic could favor our solutions
 - Accelerated transition to automated meter reading (AMR/AMI)
 - Remote actuated flow restriction technology adoption

Solid Financial Position

At 3/31/2020

(in millions)

Cash \$70.4

Debt (\$ 4.4)

Net Cash \$66.0

Available Credit facility
of \$125M



Well positioned to emerge from this crisis financially strong, ready to build on 115-year legacy



Every drop counts.

Q & A

Note: For your planning purposes, our Q2 2020 earnings release/call is tentatively scheduled for July 16, 2020





GAAP TO NON-GAAP RECONCILIATIONS

EBITDA

	(US\$ in millions)	
	<u>Q1 2020</u>	<u>Q1 2019</u>
Net Earnings (GAAP)	\$11.9	\$10.8
Interest expense	0.0	0.1
Income tax provision	4.1	3.3
Depreciation	3.0	3.0
Amortization	<u>3.2</u>	<u>3.3</u>
EBITDA	\$22.2	\$20.5

Free Cash Flow

	(US\$ in millions)	
	<u>Q1 2020</u>	<u>Q1 2019</u>
Cash from Ops (GAAP)	\$30.5	\$17.8
Capital Expenditures	<u>(1.9)</u>	<u>(2.2)</u>
Free Cash Flow	\$28.6	\$15.7