# BADGER METER
# THIRD QUARTER 2021 EARNINGS

October 15, 2021

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# FORWARD LOOKING STATEMENTS

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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.

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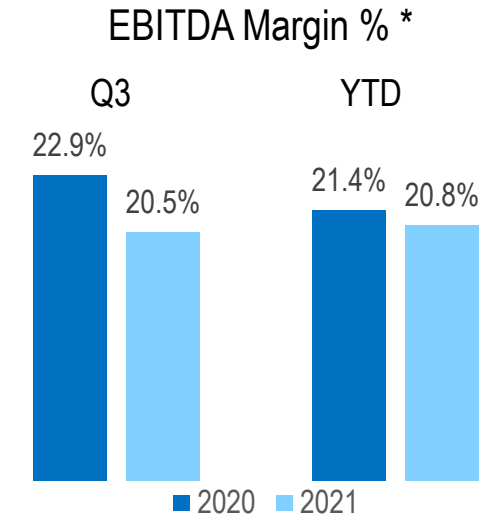
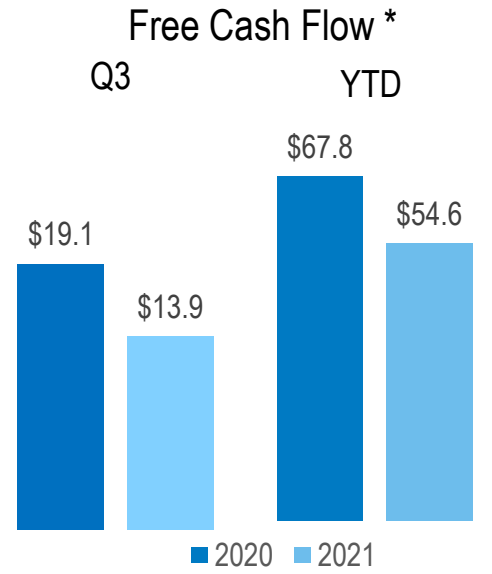
# HIGHLIGHTS

- Record sales and earnings with strong order pace continuing; record backlog exiting the quarter
- Executing well across many fronts to mitigate broad supply chain, logistics and inflation challenges to support customers
- Third quarter sales of $128.7 million, up 13.3% year-over-year despite constrained conversion of orders to net sales due to supply chain delays
  - Difficult comparison against prior year COVID-19 manufacturing & backlog recovery in utility water
  - Flow instrumentation recovery continues
  - Water quality demand meeting expectations
- Strong YTD free cash flow conversion of earnings at 125%




* See appendix for reconciliation of GAAP to Non-GAAP measures

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# THIRD QUARTER FINANCIAL SNAPSHOT

| (US$ in millions, except per share data) | Q3 2021 | Q3 2020 | Change |
|---|---|---|---|
| Sales | $128.7 | $113.6 | 13.3% |
| Gross Margin | 51.2 | 45.0 | 13.7% |
| | *39.8%* | *39.6%* | *20 bps* |
| SEA | 31.7 | 25.5 | 24.4% |
| | *24.7%* | *22.5%* | *220 bps* |
| Op Income | 19.4 | 19.5 | -0.4% |
| | *15.1%* | *17.2%* | *(210) bps* |
| Income Tax Rate | *18.3%* | *23.9%* | |
| EBITDA | 26.4 | 26.0 | 1.8% |
| | *20.5%* | *22.9%* | *(240) bps* |
| EPS | 0.54 | 0.51 | 5.9% |
| Free Cash Flow | $13.9 | $19.1 | |

See appendix for reconciliation of GAAP to Non-GAAP measures

- Utility water sales increased 12.2%, acquisitions contributed $10M with 1.7% core growth. Strong order activity and SaaS growth more than offset impact of supply chain constraints and difficult COVID-19-impacted comparisons
- Flow instrumentation sales increased 18.5% with solid demand trends and easier comparisons across array of end markets
- Gross margin expansion on volume, favorable sales and acquisition mix and pricing, which offset increasing scope and breadth of supply chain and inflation challenges
- SEA includes base acquisition spending levels and related intangible amortization; prior year includes benefit of lower pandemic-impacted expenses (e.g. travel)
- Free cash flow reflects higher working capital, transitory repercussions of the current supply chain environment

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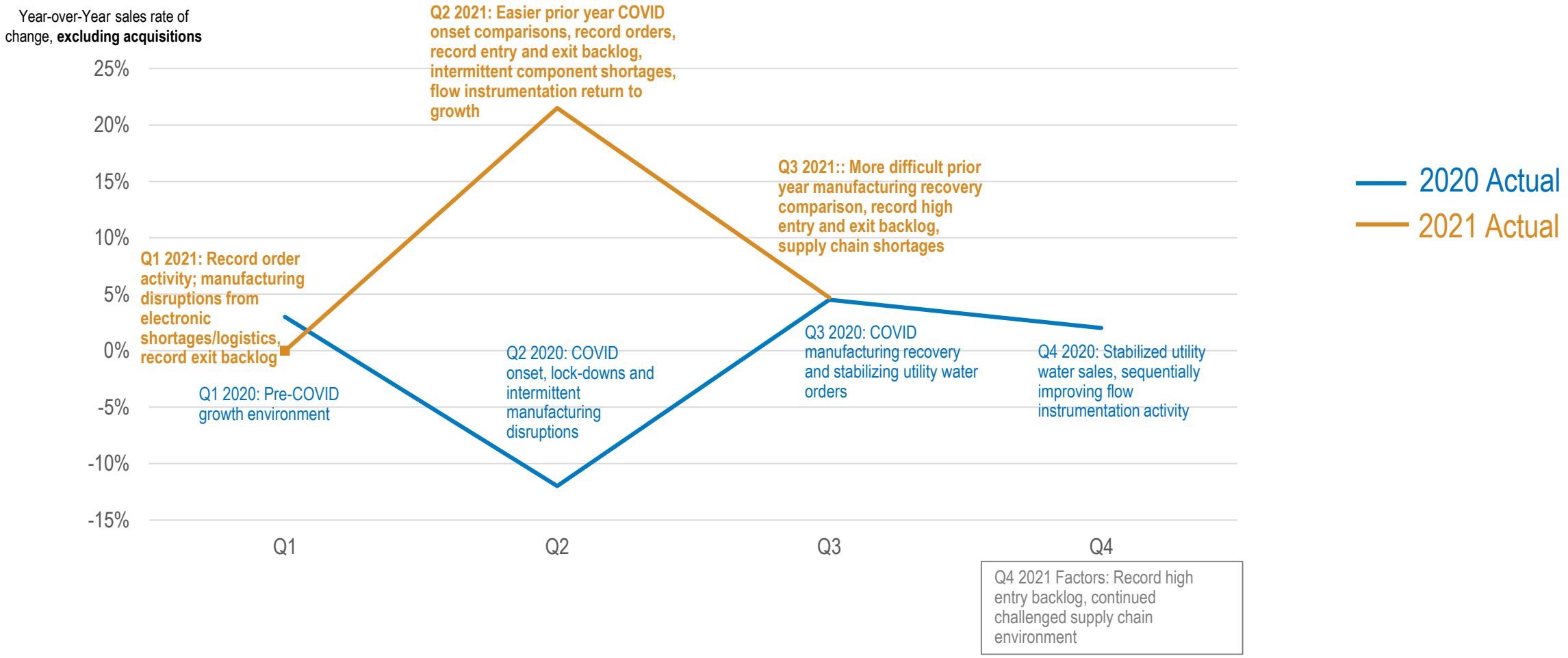
# CADENCE OF QUARTERLY SALES GROWTH TO REMAIN UNEVEN




**Backlog Supportive of Sustainable Sales Growth**

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# OUTLOOK / SUMMARY

- Demonstrated success in managing myriad of macroeconomic challenges and delivering for our customers – strong execution of supply chain, logistics and inflation dynamics. Anticipate continuation of these headwinds into Q4 and 2022
- Investing in and advancing digital solutions to address holistic water system requirements; “choice matters” portfolio of offerings provides differentiation and resilience in supply-constrained environment
- Strong cash flow and balance sheet flexibility to execute capital allocation priorities including dividend increases as well as organic and acquisition growth
- Partnerships to advance ESG goals
  - One of several AT&T Connected Climate Initiative collaborators utilizing the power of IoT to reduce emissions
  - ORION® cellular endpoints enable infrastructure-free AMI, helping to preserve and protect the world’s most precious resource




*AT&T Connected Climate Press Release:* [https://about.att.com/story/2021/gigaton_global_emissions_2035.html](https://about.att.com/story/2021/gigaton_global_emissions_2035.html)

*Badger Meter Smart Water Show #30– Climate water event resiliency:* [https://www.badgermeter.com/the-smart-water-show/](https://www.badgermeter.com/the-smart-water-show/)

**Executing Strategic Growth Priorities and Actively Managing Market Dynamics**

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# Q & A

Note:  For your planning purposes, our Q4 2021 earnings release/call is tentatively scheduled for Friday January 28, 2022



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# GAAP TO NON-GAAP RECONCILIATIONS

## EBITDA

(US$ in millions)

| | Q3 2021 | Q3 2020 | YTD 2021 | YTD 2020 |
|---|---|---|---|---|
| Net Earnings (GAAP) | $15.9 | $14.9 | $43.6 | $36.2 |
| Interest expense | 0.0 | 0.0 | 0.0 | 0.0 |
| Income tax provision | 3.5 | 4.7 | 12.1 | 11.8 |
| Depreciation | 2.7 | 3.1 | 8.6 | 9.2 |
| Amortization | 4.3 | 3.3 | 12.4 | 9.8 |
| EBITDA | $26.4 | $26.0 | $76.7 | $67.0 |

## Free Cash Flow

(US$ in millions)

| | Q3 2021 | Q3 2020 |
|---|---|---|
| Cash from Ops (GAAP) | $17.7 | $21.4 |
| Capital Expenditures | (3.8) | (2.3) |
| Free Cash Flow | $13.9 | $19.1 |

| | YTD 2021 | YTD 2020 |
|---|---|---|
| Cash from Ops (GAAP) | $62.8 | $73.7 |
| Capital Expenditures | (8.2) | (5.9) |
| Free Cash Flow | $54.6 | $67.8 |

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