BADGER METER
SECOND QUARTER 2022 EARNINGS

July 20, 2022

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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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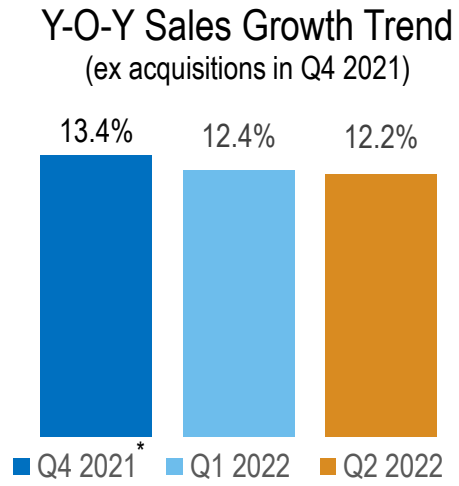
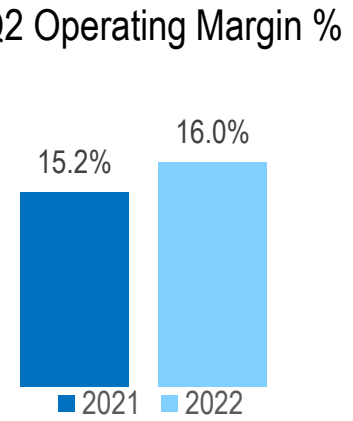
HIGHLIGHTS

- Strong order pace/momentum continued; record backlog exiting the quarter
- Record sales in second quarter of $137.8 million, up 12% year-over-year (nearly 14% ex currency)
  - Utility water sales increased 14% - third quarter of organic mid-teens growth. Sales conversion hampered by sporadic component constraints
  - Flow instrumentation sales up 4%; component availability limiting output despite strong demand
- Operating margins improved 80 bps year-over-year; gross margins improved sequentially with higher volumes and improving price-cost dynamics. Benefits of SEA leverage evident
- Continued strong execution on supply chain, inflation and other macro challenges differentiating performance





* Core sales growth, excluding y-o-y impact of water quality acquisitions in Q4 2021

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SECOND QUARTER FINANCIAL SNAPSHOT

(US$ in millions, except per share data)	Q2 2022	Q2 2021	Change
Sales	$137.8	$122.9	12.2%
Gross Margin	54.8	50.1	9.3%
	39.7%	*40.8%*	*(110) bps*
SEA	32.7	31.4	3.9%
	23.7%	*25.6%*	*(190) bps*
Operating Earnings	22.1	18.7	18.3%
	16.0%	*15.2%*	*80 bps*
Income Tax Rate	*24.4%*	*25.0%*	
EBITDA	28.7	25.8	11.2%
	20.8%	*21.0%*	*(20) bps*
EPS	0.57	0.48	19.1%
Free Cash Flow	$18.1	$11.9	

See appendix for reconciliation of GAAP to Non-GAAP measures

- Utility water sales increased 14%, growth most notable in ultrasonic meters, cellular endpoints and BEACON SaaS
- Flow instrumentation sales up 4% with FX and manufacturing output limited by supply chain constraints
- Operating margins up 80 bps year-over-year
  - Gross margin at high end of normalized range and up 140 bps sequentially; difficult prior year comparison
  - SEA spend increase on growth investments, yet strong leverage on higher sales
- Higher free cash flow generation due to higher earnings and working capital timing between years

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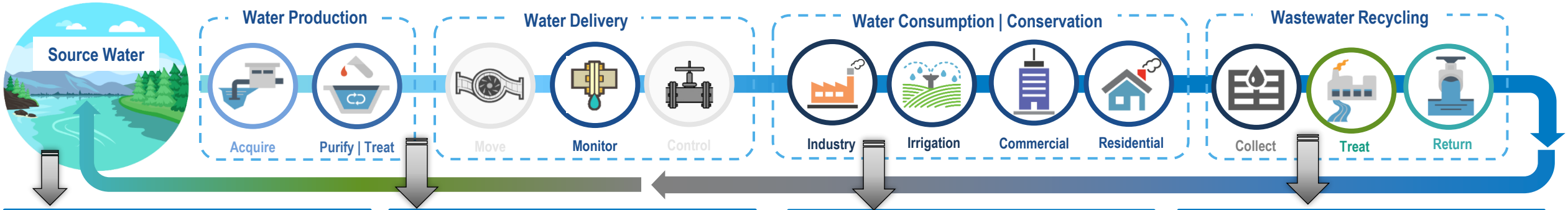
WATER QUALITY MONITORING – APPLICATIONS ACROSS THE ECO-SYSTEM



Source Water Monitoring For Safe Drinking Water in Ohio

Seasonal storms increase agriculture run-off causing high levels of nitrates, a potential public heath concern

Solution: s::can spectro::lysers installed upstream of water treatment plant to detect nitrate levels. Alert staff to changes needed for treatment dosing and/or potential consumer warnings



Chlorine Monitoring Delivers Cost Savings to UK Utility

Current chlorine monitoring equipment used by UK utility serving 3.5M people uses chemical reagents, is labor intensive and expensive

Solution: Chemical-free monitoring utilizing 300 ATi Q46 devices saving $300K annually



Brewery Saves Costs and Ensures Compliance

Canadian brewery required to monitor discharge by collecting daily samples for lab analysis with costly and delayed results

Solution: s::can spectro::lysers provide 24x7 real-time compliance monitoring, including detecting unintended beer discharge avoiding significant loss



Memphis Wastewater Treatment Facility Tracks Industrial Discharge

Industrial pH violations caused sewer erosion and disrupted treatment processes

Solution: Six smart sensor stations installed providing online dashboard of real-time conditions. Experienced 80% reduction in non-compliance and increased efficiency of treatment processes



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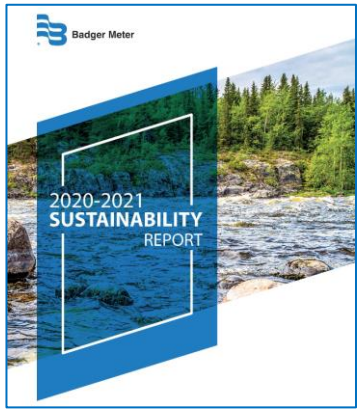
OUTLOOK / MACRO-TRENDS

- Resilient and recession-resistant industry fundamentals – 85% replacement driven, long-duration AMI project runway (no precedent for cancellations) and recurring SaaS revenue
- Strong execution throughout dynamic macro challenges; successfully navigating inflation, component availability and other adverse conditions
- While component supply not “recovered” it is beginning to normalize; copper prices moderating
- Well-positioned to capitalize on secular tailwinds behind robust demand for our smart water solutions that enable efficiency, resiliency and sustainability – “choice matters” portfolio to meet wide-ranging customer needs
- Strong balance sheet to invest in growth and innovation both organically and via acquisitions
- Published sustainability report highlighting advancements across our four pillars – products, operations, people and governance. TCFD disclosures and continuous improvement actions in focus





Orders/Backlog Supportive of Durable Multi-Year Growth; Executing Against Macro Headwinds

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Q & A

Note: For your planning purposes, our Q3 2022 earnings release/call is tentatively scheduled for October 19, 2022



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GAAP TO NON-GAAP RECONCILIATIONS

EBITDA

(US$ in millions)

	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Net Earnings (GAAP)	$16.7	$14.0	$31.0	$27.8
Interest expense	0.0	0.0	0.0	0.0
Income tax provision	5.4	4.7	9.9	8.6
Depreciation	2.8	3.0	5.6	5.8
Amortization	3.8	4.1	7.8	8.3
EBITDA	$28.7	$25.8	$54.3	$50.5

Free Cash Flow

(US$ in millions)

	Q2 2022	Q2 2021
Cash from Ops (GAAP)	$19.7	$14.5
Capital Expenditures	(1.6)	(2.6)
Free Cash Flow	$18.1	$11.9

	YTD 2022	YTD 2021
Cash from Ops (GAAP)	$28.9	$45.1
Capital Expenditures	(2.8)	(4.4)
Free Cash Flow	$26.1	$40.7

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