



Badger Meter

Third Quarter 2023 Financial Results

October 19, 2023



Badger Meter





Forward Looking Statements

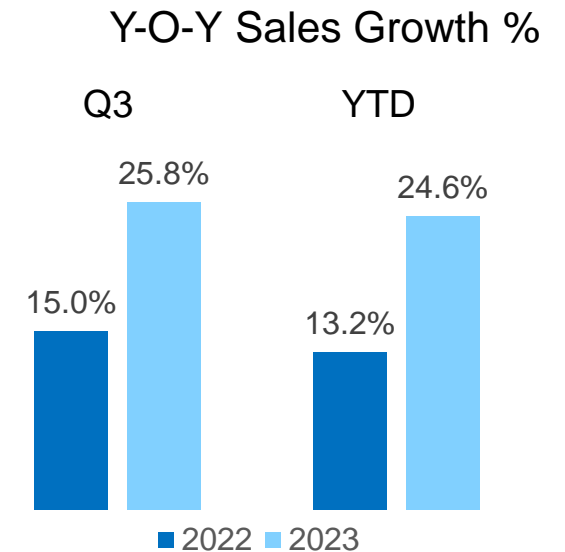
Certain statements contained in this presentation as well as other information provided from time to time by Badger Meter, Inc. (the “Company”) or its employees, may contain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those statements. The words “anticipate,” “believe,” “estimate,” “expect,” “think,” “should,” “could” and “objective” or similar expressions are intended to identify forward looking statements. All such forward looking statements are based on the Company’s then current views and assumptions and involve risks and uncertainties. The Company’s results are subject to its ability to develop and manufacture technologically advanced products that are accepted by the market, supply chain risk, legal and regulatory risks, political and general economic risks, risks related to doing business in foreign countries, including foreign currency risk, competition for skilled employees, material and labor cost increases, competitive pricing and operating efficiencies, the effects of climate change, cybersecurity attacks and disruptions to our information technology and the successful integration of acquisitions. See the Company’s Form 10-K filed with the SEC for further information regarding risk factors, which are incorporated herein by reference. The Company 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.



Third Quarter Highlights

- Record financial results for the third quarter 2023
- Robust order pace for smart water solutions continued
- All-time sales record of \$186.2 million in Q3, up 26% year-over-year
 - Utility water sales increased 31% with robust AMI adoption, improving supply chain dynamics and water quality / pressure growth
 - Flow instrumentation sales up 2% with favorable water-related demand offset by ongoing de-emphasis of certain industrial applications
- Operating margin improvement reflective of higher volumes, favorable mix and SEA leverage
- Strong free cash flow generation
- 31st consecutive year of annual dividend increases – 20%





Third Quarter Financial Snapshot Highlights Strong Operating Performance

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

	<u>Q3 2023</u>	<u>Q3 2022</u>	<u>Change</u>
Sales	\$186.2	\$148.0	25.8%
Gross Margin	72.7 39.1%	57.5 38.9%	26.4% 20 bps
SEA	41.3 22.2%	33.7 22.7%	22.7% (50) bps
Op Income	31.4 16.9%	23.9 16.1%	31.4% 80 bps
Income Tax Rate	20.3%	25.1%	
EBITDA	38.5 20.7%	30.5 20.6%	26.2% 10 bps
EPS	0.88	0.61	44.3%
Free Cash Flow	\$28.4	\$21.9	

- Utility water sales increased robust 31% with strong AMI demand inclusive of cellular endpoints, BEACON SaaS and ultrasonic meters; water quality, pressure and supply chain improvement also contributed
- Flow instrumentation sales up 2% on water-related application demand
- Gross margin at upper half of normalized range with strong volumes and favorable mix
- Continued favorable SEA spend leverage despite higher personnel-related costs
- Exceptional 44% year-over-year increase in EPS
- Cash flow improved on higher earnings

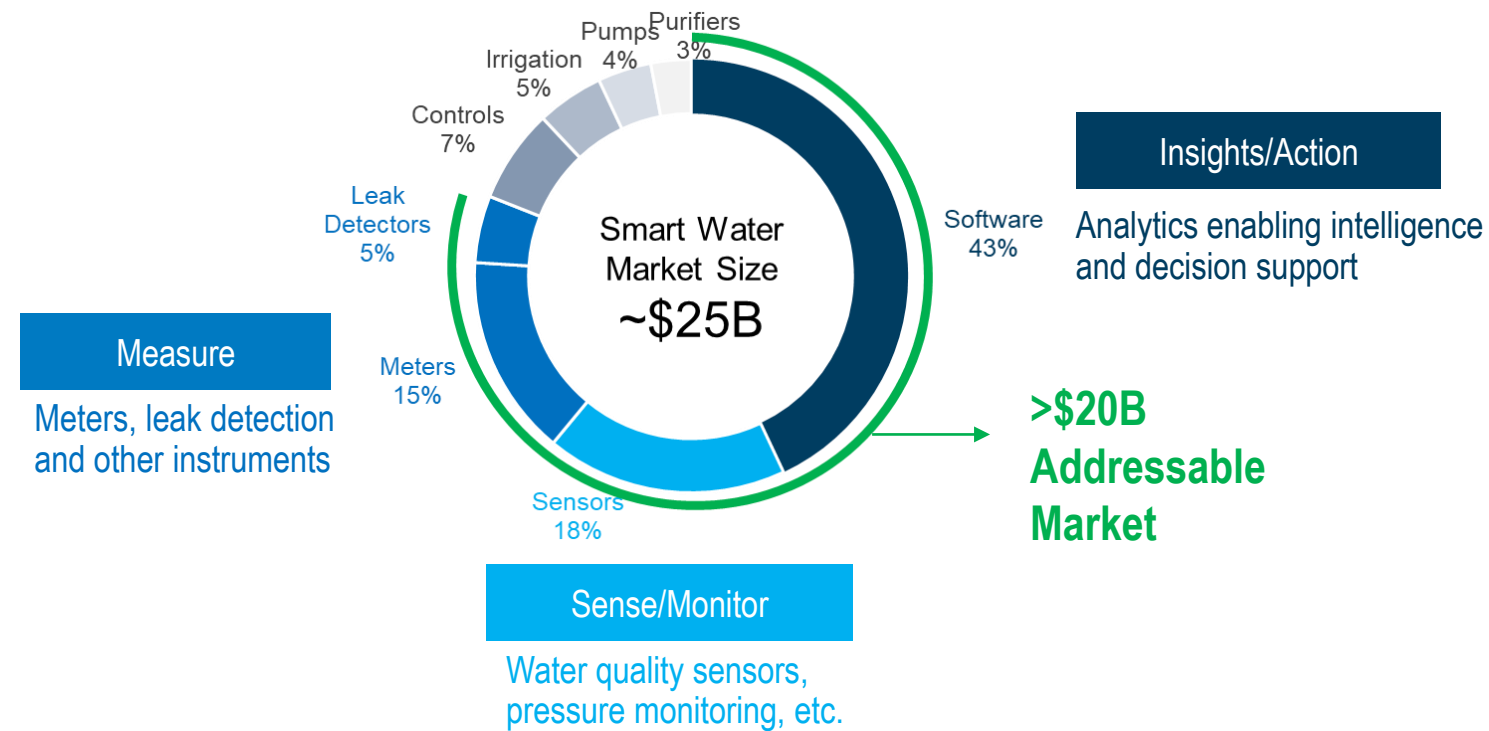
See appendix for reconciliation of GAAP to Non-GAAP measures



Badger Meter Participates in \$20 Billion Smart Water Solutions Market with Differentiated, Tailorable Offerings

- Not just “metering” – hardware-enabled software providing actionable insights
- Increasing utility RFP specifications for broad-based digital / turnkey solutions:
 - Hardware – meters, pressure monitoring, water quality and communication solutions
 - Software – data and analytics that enable intelligence and decision support
 - Training, project management, installation oversight, support
- Organic and M&A investments to broaden solution offerings

“Smart Water” Market Breakdown



Source: JPMorgan (Frost & Sullivan, Technavio, research, estimates)



Creating Long-Term Shareholder Value by Enabling Sustainability-Driven Outcomes for Customers

- Innovation leader with expanding technology-enabled software offerings
- Elevated backlog, strong order rates
- Growing SaaS revenue base

Consistently Resilient Results



- Durable macro trends support long-term smart water solution adoption
- 85% replacement-driven base demand
- Demonstrated benefits of efficiency, resiliency and sustainability

Constructive Industry Backdrop



- Strong cash flow and borrowing capacity
- Organic and inorganic strategic growth investments
- Dividend aristocrat

Investing for Growth



- Differentiated performance on evolving macro-challenges related to inflation, component availability, etc.
- Positive structural mix and SEA leverage drive margins

Differentiated Execution



- Strong engagement
- Values-driven
- Customer-focused execution

Exceptional Team





Questions

For your planning purposes, Badger Meter Q4 2023 earnings are tentatively scheduled for January 26, 2024



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GAAP To Non-GAAP Reconciliations

EBITDA

	(US\$ in millions)			
	<u>Q3 2023</u>	<u>Q3 2022</u>	<u>YTD 2023</u>	<u>YTD 2022</u>
Net Earnings (GAAP)	\$26.0	\$17.9	\$67.9	\$49.0
Interest income	(1.2)	(0.1)	(2.6)	(0.1)
Income tax provision	6.6	6.0	20.6	15.9
Depreciation	2.7	2.8	8.1	8.4
Amortization	<u>4.4</u>	<u>3.9</u>	<u>12.8</u>	<u>11.7</u>
EBITDA	\$38.5	\$30.5	\$106.8	\$84.9
Sales	\$186.2	\$148.0	\$521.2	\$418.2
EBITDA %	20.7%	20.6%	20.5%	20.3%

Free Cash Flow

	(US\$ in millions)	
	<u>Q3 2023</u>	<u>Q3 2022</u>
Cash from Ops (GAAP)	\$31.4	\$23.8
Capital Expenditures	<u>(3.0)</u>	<u>(1.9)</u>
Free Cash Flow	\$28.4	\$21.9
	<u>YTD 2023</u>	<u>YTD 2022</u>
Cash from Ops (GAAP)	\$72.2	\$52.7
Capital Expenditures	<u>(10.0)</u>	<u>(4.7)</u>
Free Cash Flow	\$62.2	\$48.0