



# Badger Meter

## Fourth Quarter / Full Year 2024 Financial Results

January 31, 2025



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.

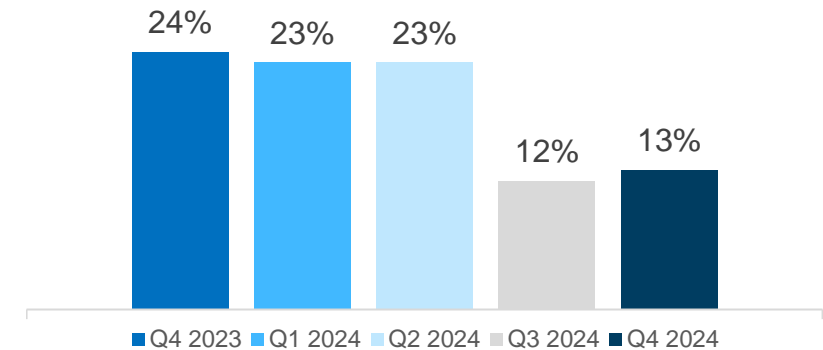
In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation for a reconciliation to the appropriate GAAP measure.



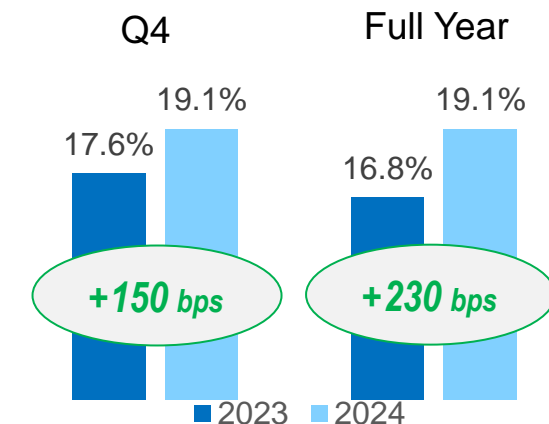
# Strong Fourth Quarter Results to Close Out Record 2024

- Sales of \$205.2M in Q4, up 13% vs the prior year on difficult comparisons; full year revenue of \$826.6M, +18% year-over-year
- Strong execution with operating margins in Q4 again above 19% at 19.1%; 230 bps full year operating margin improvement reflective of higher volumes, favorable mix and SEA leverage
- EPS growth of 24% year-over-year to \$1.04 in Q4; 35% full year EPS improvement
- Record free cash flow generation for both Q4 at \$47M and full year 2024 at \$142M; free cash flow conversion of earnings of 114% for full year 2024
- Solid order pace and demand environment for smart water solutions continued; expanded water management solutions offerings with acquisition of SmartCover Systems® in late January

Consolidated Y-O-Y Sales Growth Trend



Operating Profit Margin





# Fourth Quarter Financial Snapshot Reflects Strong Performance Across an Array of Metrics

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

	<u>Q4 2024</u>	<u>Q4 2023</u>	<u>Change</u>
Sales	\$205.2	\$182.4	12.5%
Gross Margin	82.8 40.3%	71.5 39.2%	15.8% 110 bps
SEA	43.5 21.2%	39.4 21.6%	10.5% (40) bps
Op Income	39.2 19.1%	32.1 17.6%	22.3% 150 bps
Income Tax Rate	27.1%	26.1%	
EBITDA	47.3 23.0%	39.2 21.5%	20.5% 150 bps
EPS	1.04	0.84	23.8%
Free Cash Flow	\$47.4	\$35.9	32.0%

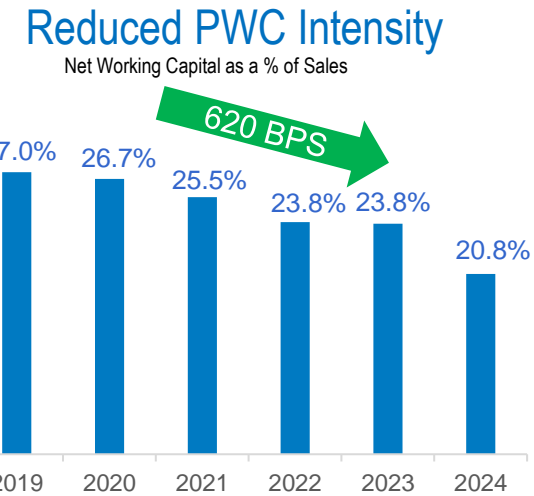
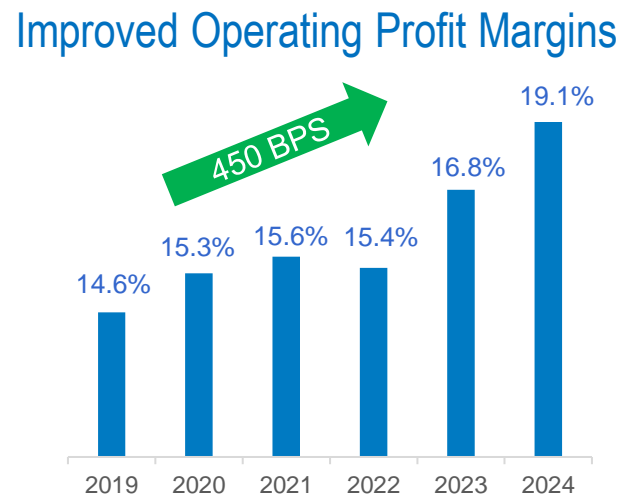
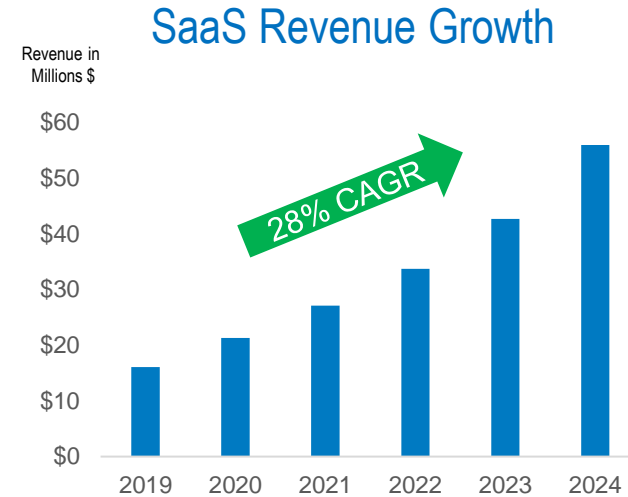
- Utility water sales increased 14% with solid adoption across the tailorable BlueEdge suite of solutions most notably for Cellular AMI including meters, ORION Cellular endpoints and BEACON SaaS
- Flow instrumentation sales increased 1% with steady demand trends across water-focused end markets
- Gross margins improved 110 bps on higher volumes, favorable sales mix and price/cost dynamics
- Continued favorable SEA spend leverage reflected ongoing investments for growth, inclusive of transaction-related costs
- 24% year-over-year increase in EPS
- Record quarterly free cash flow reflected both improved earnings and working capital management

See appendix for reconciliation of GAAP to Non-GAAP measures

# Continue to Demonstrate Strong Financial Outcomes from Execution of Strategic Growth Investments - Both Organic and Acquisition-Related

Full Year 2024

- 18% Sales Growth**
- SaaS revenue 6.7% of sales**
- +230 bps Operating Margin**
- 114% Free Cash Flow Conversion**
- 35% EPS Growth**



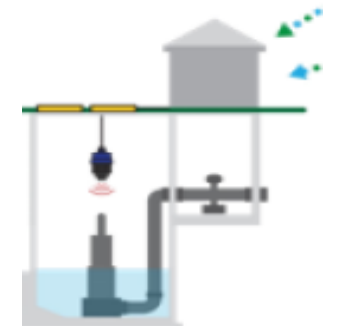
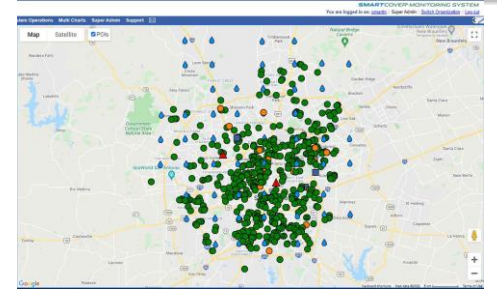
# SmartCover's Solutions Allow Utility Customers To Visualize and Optimally Manage Wastewater Collection Systems



## Snapshot

- Founded 2005; XPV Water Partners investment in 2016
- High attach rates to recurring software and support revenues
- Strong track record of organic revenue growth; 20+% CAGR
- Diverse U.S. utility customer base
- Will be included in utility water product line
- \$185M purchase price; ~5x 2024 sales of \$35M
- 2024 HSD EBITDA %; Accretive to EPS after year one

- Provide sewer and lift station monitoring solutions
  - Sensors at the manhole for 24/7 monitoring and notification; data-driven information to anticipate events before they happen
  - Other use cases include odor monitoring, sewer inflow and infiltration detection and cleaning optimization
  - Remote lift station monitoring and control – at both the pump and network level; complementary to existing Telog monitoring solution
- Hardware-enabled software – sensors and instruments with recurring, low-churn software and support
- Leadership position in sewer line monitoring with ~50% share





# SmartCover Acquisition Enhances Network Monitoring in BlueEdge Addressing Sewer and Lift Station Monitoring Capabilities

## Profitable but Subscale Asset Primed for Growth

- U.S. market share leader in “1<sup>st</sup> inning” of sewer monitoring adoption
- Utility demand for collection and stormwater management driven by increasing frequency of extreme weather events
- High recurring revenue with software and after-market collaboration and support

## Laneways for Future Growth and Profitability

- Leverage Badger Meter sales network to accelerate municipal adoption of sewer and lift station monitoring through BlueEdge suite of solutions
- Leverage Badger Meter’s corporate and manufacturing footprint to improve operating costs
- Leverage cellular communication expertise to advance and extend connectivity resilience





# Outlook Continues to Support Long-Term Shareholder Value Creation with Favorable Demand and Industry Dynamics

- Innovation leader with expanding technology-enabled software offerings
- Attractive bid funnel and 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 despite evolving macro-challenges
- Positive structural sales mix and SEA leverage drive margins

**Differentiated Execution**



- Strong engagement
- Values-driven
- Customer-focused execution
- Continuous improvement focus across enterprise

**Exceptional Team**





# Questions

**For your planning purposes, Badger Meter Q1 2025 earnings are tentatively scheduled for April 17, 2025**



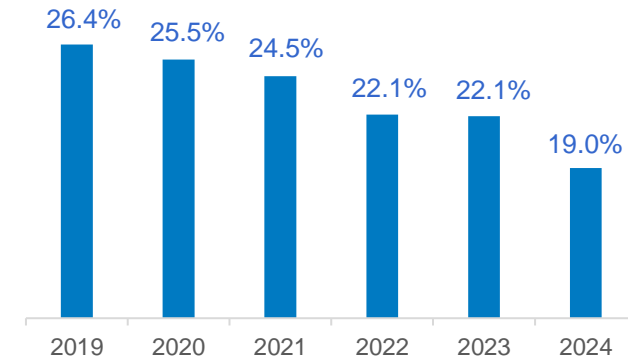


# Appendix Information: Prospective Reclassification of Balance Sheet Item and Pro Forma Working Capital Intensity

- Reclassified the current portion of deferred revenue from payables to other current liabilities on the balance sheet
- Prior periods are NOT restated, Q4 2024 and going forward change only
- Does NOT change overall balance sheet, cash from operations or free cash flow
- It does change our management metric of primary working capital and primary working capital as a percent of sales – as noted on these charts
- The general trajectory of improvement remains the same, but the absolute percentages are modestly different under the revised presentation method

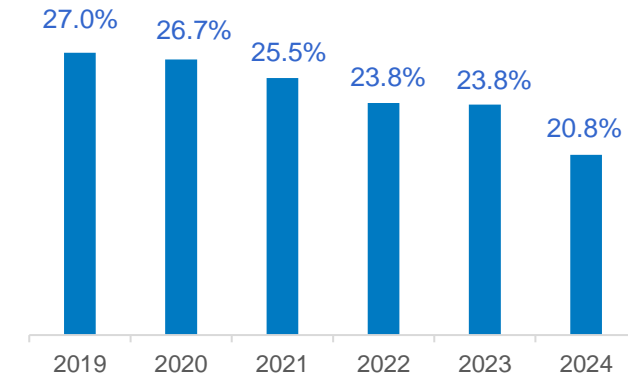
## Working Capital Intensity- As Previously Presented

Net Working Capital as a % of Sales



## Working Capital Intensity – After Reclassification of Deferred Revenue

Net Working Capital as a % of Sales





# GAAP To Non-GAAP Reconciliations

## EBITDA

	(US\$ in millions)			
	<u>Q4 2024</u>	<u>Q4 2023</u>	<u>2024</u>	<u>2023</u>
Net Earnings (GAAP)	\$30.7	\$24.7	\$124.9	\$92.6
Interest income	(2.9)	(1.4)	(8.6)	(4.0)
Income tax provision	11.4	8.7	41.6	29.4
Depreciation	2.8	2.8	11.1	10.9
Amortization	<u>5.3</u>	<u>4.4</u>	<u>21.1</u>	<u>17.1</u>
EBITDA	\$47.3	\$39.2	\$190.1	\$146.0

## Free Cash Flow / Conversion

	(US\$ in millions)	
	<u>Q4 2024</u>	<u>Q4 2023</u>
Cash from Ops (GAAP)	\$52.1	\$37.9
Capital Expenditures	<u>(4.7)</u>	<u>(2.0)</u>
Free Cash Flow	\$47.4	\$35.9
	<u>2024</u>	<u>2023</u>
Cash from Ops (GAAP)	\$155.0	\$110.1
Capital Expenditures	<u>(12.8)</u>	<u>(12.0)</u>
Free Cash Flow	\$142.2	\$98.1
Earnings (GAAP)	\$124.9	\$92.6
Free Cash Flow Conversion	114%	106%