BADGER METER
THIRD QUARTER 2019 EARNINGS

October 17, 2019

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FORWARD LOOKING STATEMENTS

Certain statements contained in this presentation as well as other information provided from time to time by 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 in the forward looking statements. Please refer to our Form 10-K and other SEC filings for a list of words or expressions that identify such statements.

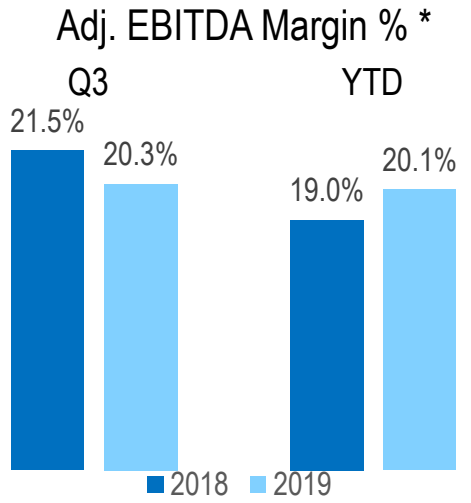
In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation for a reconciliation to the appropriate GAAP measure.

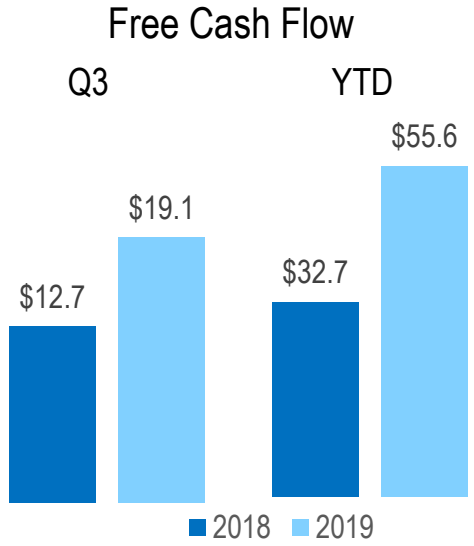


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THIRD QUARTER HIGHLIGHTS

- Sales growth in domestic municipal water market; strong interest in new technology products and solutions. Flow instrumentation growth of 1%.
- Adjusted EBITDA margins remain above 20%; favorable product and SaaS mix, as well as positive price/cost.
- Strong cash flow and working capital management.





* 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 2019	Q3 2018*	Change
Sales	$108.6	$110.6	-1.8%
Gross Margin	41.7	43.9	-5.2%
	38.4%	*39.7%*	*(130) bps*
SEA	25.2	26.1	-3.3%
	23.2%	*23.6%*	*40 bps*
Adj. Op Income	16.4	17.8	-7.9%
	15.1%	*16.1%*	*(100) bps*
Adj. Income Tax Rate	*22.1%*	*22.8%*	
Adj. EBITDA	22.1	23.8	-7.1%
	20.3%	*21.5%*	*(120) bps*
Adj. EPS	0.44	0.46	-4.3%
Free Cash Flow	$19.1	$12.7	

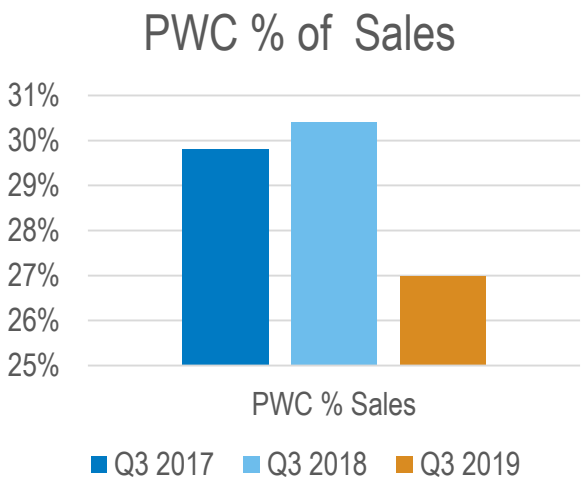
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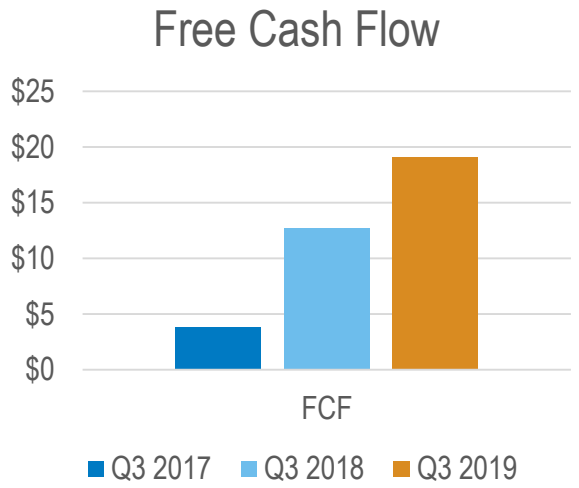
- Global municipal water sales down 3%; up 2% in domestic market against a near-record comparison; favorable mix to higher technology products and services
- Flow instrumentation sales increased 1% across various industrial end markets
- Strong margins on positive product and regional sales mix, as well as favorable price/cost; discrete warranty provision outside North America
- SEA leverage; lower incentive comp and spend controls
- Free cash flow increase of 50%

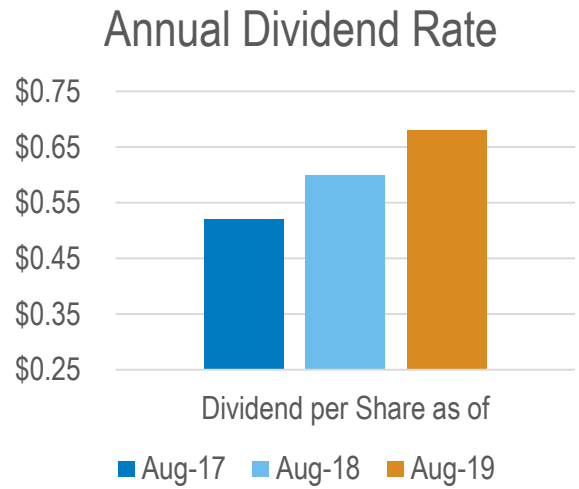
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CASH FLOW / WORKING CAPITAL

- AR – collection processes reduced DSO from 55 at Q3 2018 to 49 at Q3 2019
- DPO – payment term extension initiatives
- Inventory initiatives – SIOP and higher turns while maintaining the choice customers desire
- FCF conversion > 100% - capital allocation flexibility
- 27 consecutive years of dividend increases







Continuous Improvement in Processes and Management of Working Capital to Drive FCF Conversion

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OUTLOOK / STRATEGIC INITIATIVES

- Quote activity, opportunity funnel and backlog to support our growth plans
- Positive backdrop with municipal spending trends and our competitive share and positioning
- Continuous improvement in global operations and supply chain, working capital, etc
- Voice of Customer at forefront of product and technology roadmap
- SIOP – Building sales, inventory and operations planning capabilities to aid customer service/delivery and inventory management
- M&A activity and pipeline provide potential technology extensions

BEACON data and analytics



Prototype: E-Series with Integrated Flow Limiting Valve



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Q & A

Note: For your planning purposes, our Q4/Year End 2019 earnings release/call is tentatively scheduled for February 5, 2020

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GAAP TO NON-GAAP RECONCILIATIONS

EBITDA

(US$ in millions)

	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Net Earnings (GAAP)	$12.7	$2.9	$34.9	$16.5
Pension settlement charge	0.0	11.7	0.0	19.9
Executive retirement charge	0.0	2.1	0.0	2.1
Interest expense	0.1	0.3	0.3	1.0
Income tax provision	3.6	0.8	10.5	4.7
Depreciation	2.6	2.9	8.7	8.8
Amortization	3.1	3.1	9.3	9.7
Adj. EBITDA	$22.1	$23.8	$63.7	$62.7

Free Cash Flow

(US$ in millions)

	Q3 2019	Q3 2018
Cash from Ops (GAAP)	$20.2	$14.7
Capital Expenditures	(1.1)	(2.0)
Free Cash Flow	$19.1	$12.7

	YTD 2019	YTD 2018
Cash from Ops (GAAP)	$61.1	$39.9
Capital Expenditures	(5.5)	(7.2)
Free Cash Flow	$55.6	$32.7

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GAAP TO NON-GAAP RECONCILIATIONS

(US$ in millions except per share data)

	Q3 2018			YTD 2018		
	GAAP	Adjustments	Adjusted	GAAP	Adjustments	Adjusted
Sales	$110.6		$110.6	$329.3		$329.3
Gross margin	43.9		43.9	122.2		122.2
SEA	28.2	(2.1)	26.1	80.1	(2.1)	78.0
Operating income	15.7	2.1	17.8	42.1		44.2
Other pension and postretirment costs	11.8	(11.7)	0.1	19.8	(19.9)	(0.1)
Interest expense	0.3		0.3	1.0		1.0
Income taxes	0.8	(3.2)	4.0	4.7	(5.2)	9.9
Net earnings	2.8	10.6	13.4	16.6	14.7	33.4
Diluted EPS	$0.10	$0.36	$0.46	$0.57	$0.57	$1.14

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