



Every drop counts.

# **BADGER METER FIRST QUARTER 2019 EARNINGS**

April 17, 2019



## FORWARD LOOKING STATEMENTS

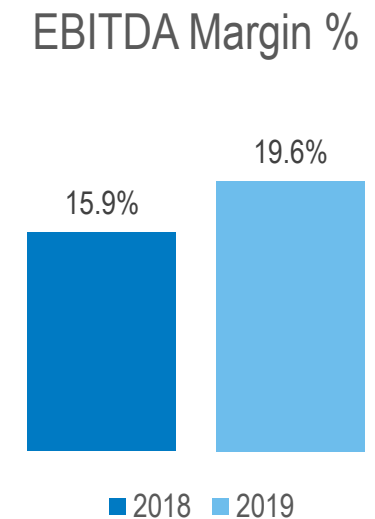
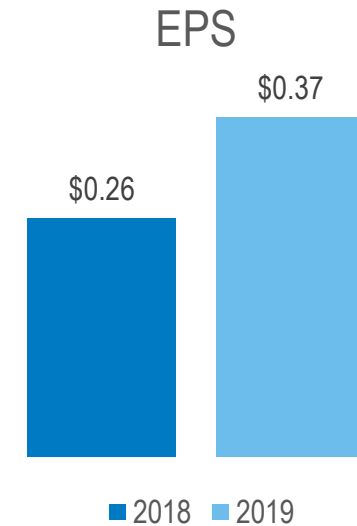
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In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation for a reconciliation to the appropriate GAAP measure.



# FIRST QUARTER HIGHLIGHTS

- Significant profitability improvement year-over-year including 42% increase in diluted earnings per share
- Flat sales with inclement weather; favorable technology product/service mix trend continues
- Good progress in the continued roll-out of commercial E-series Ultrasonic meters with D-flow technology and LTE-M cellular radios
- Strong cash flow and financial position
- Smart water technology wins demonstrate competitive differentiation





# FIRST QUARTER FINANCIAL SNAPSHOT

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

	<u>Q1 2019</u>	<u>Q1 2018</u>	<u>Change</u>
Sales	\$104.9	\$105.0	-0.1%
Gross Profit	40.5	36.8	10.1%
	38.6%	35.0%	360 bps
SEA	26.1	26.8	-2.5%
	24.9%	25.5%	60 bps
Operating Income	14.3	10.0	43.6%
	13.7%	9.5%	420 bps
Income Tax Rate	23.5%	22.2%	
EBITDA	20.5	16.7	22.9%
	19.6%	15.9%	370 bps
EPS	0.37	0.26	42.3%
Free Cash Flow	\$15.7	\$3.7	

- Municipal water sales up 1% year-over-year – favorable mix to higher technology products and services; offset by weather and order deferrals
- Flow instrumentation sales down 3% with unfavorable FX, industrial demand offset by de-emphasized markets
- Strong margins on price/cost, sales mix and absence of facility closure costs
- Favorable SEA leverage
- EPS growth of 42% year-over-year



# LEADING TECHNOLOGIES – SMART WATER PARTNERSHIPS

## Columbia, South Carolina

- 150,000 connections
- ORION® LTE-M end points – 20+ year service contract
- Recordall® mechanical meters
- BEACON® AMA software
- Three-year installation



## Aurora, Colorado

- 87,000 connections
- ORION® LTE-M end points – 20+ year service contract
- BEACON® AMA software; EyeOnWater® App for consumers
- Four-year installation



Increasing acceptance of infrastructure-free cellular as AMI system of choice



# PROGRESS ON STRATEGIC INITIATIVES

- Unmatched breadth of products and technologies
  - Launch of E-Series Ultrasonic meter in additional sizes - both a technology enhancement and cost improvement
  - ORION LTE-M cellular endpoints which are 5G ready - coverage, performance and lower cost
- International penetration in select regional markets – leadership changes and focus
- Continuous improvement and global operations and supply chain leverage
- Disciplined and strategic tuck-in acquisitions

*E-Series Ultrasonic Meters*



*ORION Cellular End Points*



*BEACON Analytics*





## Q & A

Note: For your planning purposes, our Q2 2019 earnings release/call is tentatively scheduled for July 18, 2019



# GAAP TO NON-GAAP RECONCILIATIONS

## EBITDA

	(US\$ in millions)	
	<u>Q1 2019</u>	<u>Q1 2018</u>
Net Earnings (GAAP)	\$10.8	\$7.5
Interest expense	0.1	0.3
Income tax provision	3.3	2.2
Depreciation	3.0	3.2
Amortization	<u>3.3</u>	<u>3.5</u>
EBITDA	\$20.5	\$16.7

## Free Cash Flow

	(US\$ in millions)	
	<u>Q1 2019</u>	<u>Q1 2018</u>
Cash from Ops (GAAP)	\$17.8	\$6.8
Capital Expenditures	<u>(2.1)</u>	<u>(3.1)</u>
Free Cash Flow	\$15.7	\$3.7