BADGER METER
SECOND QUARTER 2020 EARNINGS

July 16, 2020

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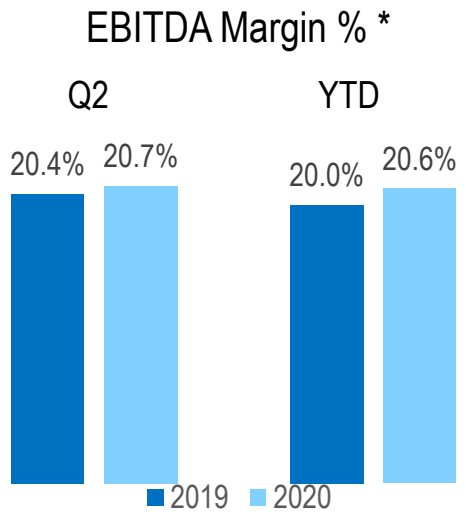
In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation for a reconciliation to the appropriate GAAP measure.

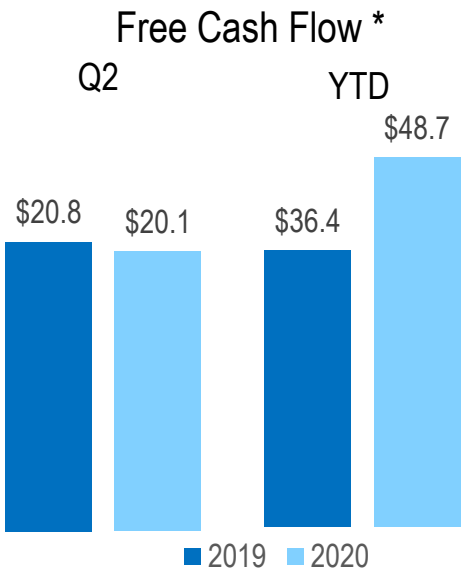


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HIGHLIGHTS

- Navigated rapidly changing COVID-19 conditions and impact to market, customers, suppliers and employees
- Second quarter sales of $91.1 million, down 12% year-over-year
  - Municipal water sales declined 9% with April low point due to stay-at-home orders; growth in SaaS and continued demand for new technology products and solutions
  - Flow instrumentation sales declined 22% with sluggish activity across array of industrial end markets
- Held decremental operating profit margins to 20% with implementation of temporary cost actions, favorable product and SaaS revenue mix, as well as positive price/cost; EBITDA margins >20%
- Strong balance sheet with $81 million in net cash, stable free cash flow and effective working capital management





* See appendix for reconciliation of GAAP to Non-GAAP measures

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SECOND QUARTER FINANCIAL SNAPSHOT

(US$ in millions, except per share data)	Q2 2020	Q2 2019	Change
Sales	$91.1	$103.5	-12.0%
Gross Margin	35.9	40.3	-11.2%
	39.3%	*38.9%*	*40 bps*
SEA	23.2	25.2	-8.0%
	25.4%	*24.4%*	*(100) bps*
Op Income	12.7	15.0	-15.7%
	13.9%	*14.5%*	*(60) bps*
Income Tax Rate	*24.3%*	*23.8%*	
EBITDA	18.9	21.1	-10.6%
	20.7%	*20.4%*	*30 bps*
EPS	0.33	0.39	-15.4%
Free Cash Flow	$20.1	$20.8	

See appendix for reconciliation of GAAP to Non-GAAP measures

- Municipal water sales declined 9% with April trough in demand, improved thereafter. Build of backlog with manufacturing disruption. Mix favorable due to higher technology products and services
- Flow instrumentation sales declined 22%; all end markets down at varying levels
- Gross margin improvement of 40 bps with favorable sales mix and price/cost; the implemented cost reduction actions held decremental operating profit margins to just 20%
- Strong free cash flow including deferral of quarterly federal income tax payment

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CURRENT ENVIRONMENT

- Overall activity in end markets stabilized to varying degrees after April trough
  - Municipal projects/bids/orders proceeding, with some isolated delays as remote work and virtual approval processes impact timing
  - Flow instrumentation industrial markets “lower for longer”
  - Supply chains / logistics nearing normal
- Temporary cost actions delivered anticipated offset to volume decline; certain “natural” cost benefits carry on such as lower travel along with continued management of discretionary spending
- Manufacturing output improving
- Continuing daily Rapid Response Team meetings - closely monitoring customer feedback, supply chain, travel requests and changing health agency and government recommendations/restrictions

Customers/Suppliers/Employees learning to work effectively in “new normal” environment

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OUTLOOK

- Economic environment stabilizing, solid backlog and bid pipeline
- Continued uncertainty could weigh on demand and municipal budgets longer term
- Focus on what we can control:
  - Investing in R&D / launch of new products – E-Series Ultrasonic Plus meter with integrated control valve
  - Adapting manufacturing processes to increase output while optimizing safety; recovery of backlog
  - Managing cash flow and working capital; $85 million cash and untapped $125 million revolver
  - Strategic, tuck-in M&A to expand offerings in attractive adjacencies
  - Remaining nimble to react to market trends





Demonstrated resilience of business model, offerings and culture

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Q & A

Note: For your planning purposes, our Q3 2020 earnings release/call is tentatively scheduled for October 16, 2020



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GAAP TO NON-GAAP RECONCILIATIONS

EBITDA

(US$ in millions)

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Net Earnings (GAAP)	$9.5	$11.4	$21.4	$22.2
Interest expense	0.1	0.1	0.1	0.2
Income tax provision	3.1	3.5	7.1	6.9
Depreciation	3.0	3.1	6.0	6.0
Amortization	3.2	3.0	6.5	6.3
EBITDA	$18.9	$21.1	$41.1	$41.6

Free Cash Flow

(US$ in millions)

	Q2 2020	Q2 2019
Cash from Ops (GAAP)	$21.7	$23.1
Capital Expenditures	(1.6)	(2.3)
Free Cash Flow	$20.1	$20.8

	YTD 2020	YTD 2019
Cash from Ops (GAAP)	$52.3	$40.9
Capital Expenditures	(3.6)	(4.5)
Free Cash Flow	$48.7	$36.4

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