BADGER METER
THIRD QUARTER 2020 EARNINGS

October 16, 2020

© 2020 Badger Meter, Inc.

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. Potential factors that could affect such forward-looking statements include the duration, severity and geographic spread of the COVID-19 pandemic, government actions to address or mitigate the impact of the COVID-19 pandemic, and the potential negative impacts of COVID-19 on the global economy, the company’s operations and those of our customers and suppliers. In addition, the company’s results are subject to general economic conditions, variation in demand from customers, continued market acceptance of new products, the successful integration of acquisitions, competitive pricing and operating efficiencies, supply chain risk, material and labor cost increases, tax reform and foreign currency risk. See the company’s Form 10-K filed with the Securities and Exchange Commission for further information regarding risk factors, which are incorporated herein by reference. Badger Meter disclaims any obligation to publicly update or revise any forward-looking statements as a result of new information, future events or any other reason.

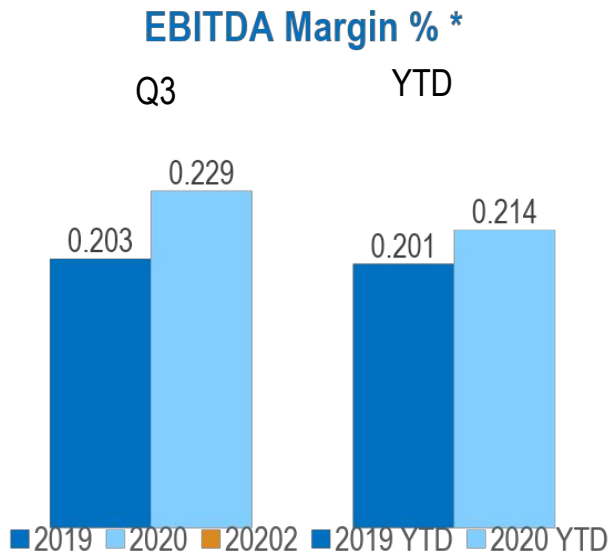
In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation for a reconciliation to the appropriate GAAP measure.

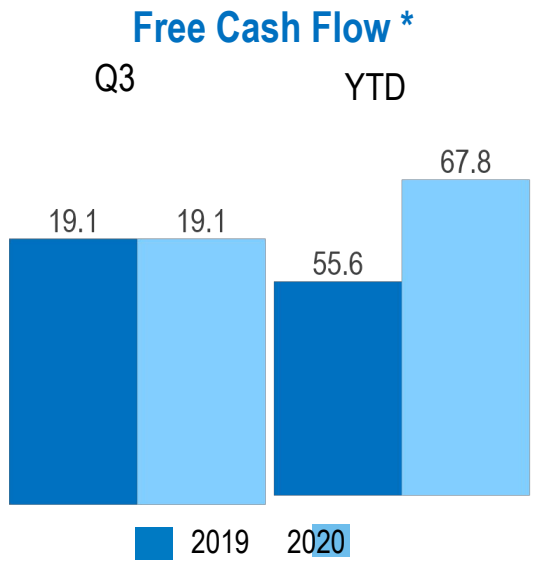


© 2020 Badger Meter, Inc.

HIGHLIGHTS

- Continue to manage evolving COVID-19 implications to customers, employees and other constituencies
- Third quarter sales of $113.6 million, up 5% year-over-year
  - Municipal water sales increased 11% with recovering orders and backlog conversion; growth in BEACON Software as a Service (SaaS) revenue and continued demand for higher technology products and solutions
  - Flow instrumentation sales declined 18% as anticipated on weak industrial end markets
- EBITDA and operating profit margins expand with higher sales and favorable product and SaaS revenue mix
- Strong cash flow and solid balance sheet with $94 million in net cash





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

© 2020 Badger Meter, Inc.

THIRD QUARTER FINANCIAL SNAPSHOT

(US$ in millions, except per share data)	Q3 2020	Q3 2019	Change
Sales	$113.6	$108.6	4.6%
Gross Margin	45.0	41.7	7.8%
	39.6%	*38.4%*	*120 bps*
SEA	25.5	25.2	1.2%
	22.5%	*23.2%*	*(70) bps*
Op Income	19.5	16.4	18.7%
	17.2%	*15.1%*	*210 bps*
Income Tax Rate	*23.9%*	*22.1%*	
EBITDA	26.0	22.1	17.7%
	22.9%	*20.3%*	*260 bps*
EPS	0.51	0.44	15.9%
Free Cash Flow	$19.1	$19.1	

See appendix for reconciliation of GAAP to Non-GAAP measures

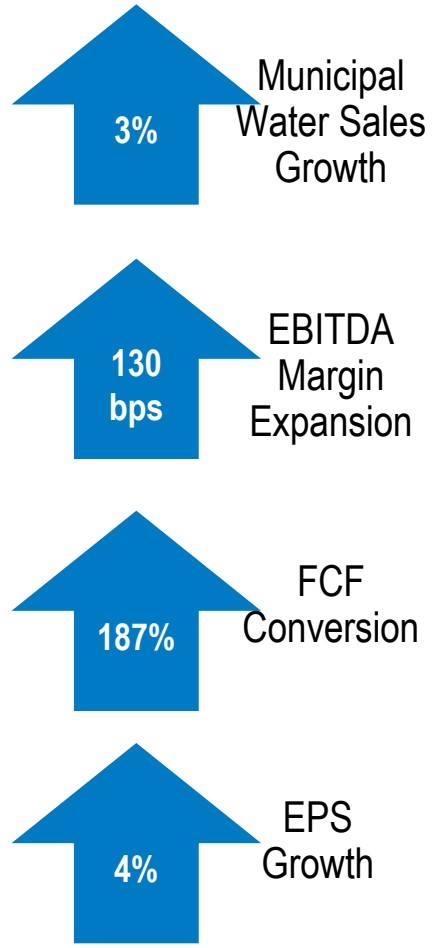
- Municipal water sales increased 11% with recovery of order demand from Q2 trough and conversion of backlog built due to COVID-19 manufacturing disruptions. Favorable sales mix with higher technology products and services
- Flow instrumentation sales declined 18% with weakness across all end markets
- Gross margin expansion on higher sales, favorable sales mix and prior year non-recurring discrete warranty charge
- Strong free cash flow despite double quarterly federal income tax payment; YTD free cash flow conversion of 187%

© 2020 Badger Meter, Inc.

CURRENT ENVIRONMENT

- Extremely pleased with execution and adaptability of organization to serve customers and deliver solid results in this unprecedented environment
- Overall activity in end markets returning to more normal/consistent patterns
  - Municipal projects/bids/orders proceeding, with minor disruptions or budget implications
  - Flow instrumentation industrial markets “lower for longer”; modest sequential improvements in water/wastewater
- Operations, supply chain and logistics functioning well with robust health and safety protocols in place; minor regional interruptions
- Continue to see benefit of “natural” cost reductions such as lower travel, along with continued management of discretionary spending

Year-to-Date 2020



Remaining nimble and responsive to market trends as they emerge

© 2020 Badger Meter, Inc.

OUTLOOK

- Criticality of water industry evident; municipalities returning to “operating as usual”, orders more consistent, solid backlog and bid pipeline
- Large and diverse customer base; small fraction could face budget constraints, consolidation or project deferrals
- Macro drivers of Advanced Metering Infrastructure (AMI) / smart water expanding from traditional non-revenue water (NRW) conservation and aging workforce to include pandemic-driven need for safer, remote solutions that reduce overall costs
- Continue to invest in digital solutions that operationalize real-time data to enhance efficiency
- Balance sheet flexibility and strong cash flow to enable strategic, tuck-in M&A to expand offerings in attractive adjacencies



Demonstrated resilience of business model, offerings and culture

© 2020 Badger Meter, Inc.

Q & A

Note: For your planning purposes, our Q4 2020 earnings release/call is tentatively scheduled for January 29, 2021



© 2020 Badger Meter, Inc.

GAAP TO NON-GAAP RECONCILIATIONS

EBITDA

(US$ in millions)

	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Net Earnings (GAAP)	$14.9	$12.7	$36.2	$34.9
Interest expense	0.0	0.1	0.0	0.3
Income tax provision	4.7	3.6	11.8	10.5
Depreciation	3.1	2.6	9.1	8.7
Amortization	3.3	3.1	9.8	9.3
EBITDA	$26.0	$22.1	$67.0	$63.7

Free Cash Flow

(US$ in millions)

	Q3 2020	Q3 2019
Cash from Ops (GAAP)	$21.4	$20.2
Capital Expenditures	(2.3)	(1.1)
Free Cash Flow	$19.1	$19.1

	YTD 2020	YTD 2019
Cash from Ops (GAAP)	$73.7	$61.1
Capital Expenditures	(5.9)	(5.6)
Free Cash Flow	$67.8	$55.6
Net Earnings (GAAP)	$36.2	$34.9
FCF Conversion	187%	159%

© 2020 Badger Meter, Inc.