



Every drop counts.

BADGER METER, INC.

INVESTOR OVERVIEW PRESENTATION

February 2020



FORWARD LOOKING STATEMENTS

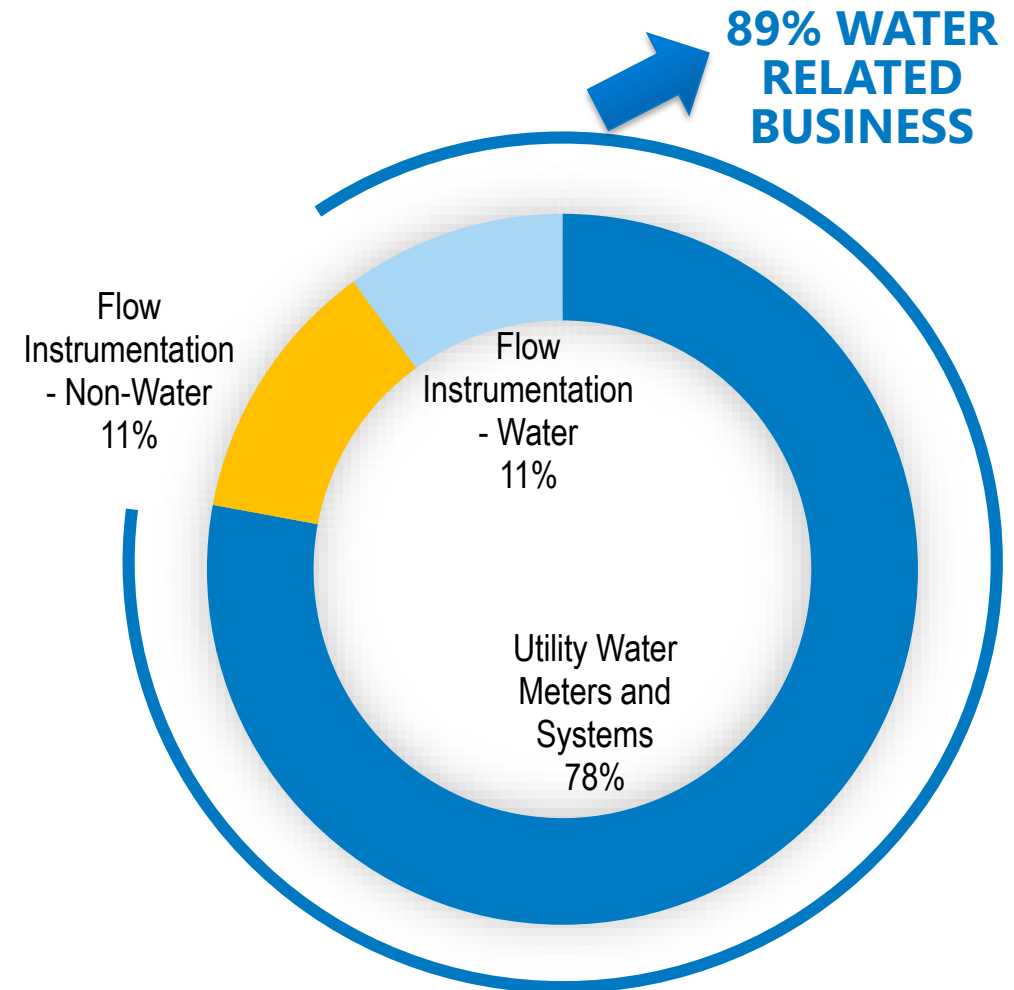
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BADGER METER IS A WATER FOCUSED, FLOW MEASUREMENT LEADER

- Integrated technology company providing a comprehensive suite of flow measurement, connectivity and software / analytics solutions to a diverse customer base
- Industry leader in North American water metering, with a strong global position in flow metering technologies
- Attractive, long-term industry growth fundamentals:
 - Stable business model supported by replacement demand
 - Strong position in growing markets
- Culture of innovation and investment in R&D drives new product/service expansions
- Premium financial profile and exceptional operational track record



Market Leader in the Best Smart Water Market in the World

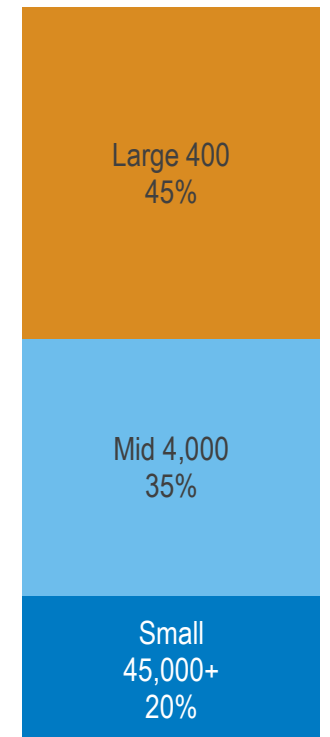


COMPETITIVE ADVANTAGES – WHY BADGER METER WINS

Broadest Range of Offerings – Choice Matters	<ul style="list-style-type: none">• Brass and polymer• Mechanical and electronic (ultrasonic)• Drive by, fixed and cellular radio technology
Technology Leadership	<ul style="list-style-type: none">• Well established E-Series Ultrasonic expertise – maintains accuracy and lower cost circuit boards• ORION Cellular – leverages existing infrastructure and coverage• BEACON/EyeOnWater – actionable data for utility and homeowner
Innovation	<ul style="list-style-type: none">• D-Flow technology for performance enhancement and cost reduction• LTE-M (low power data communication) – “Smart City” ready
High Service Levels and Customer Support	<ul style="list-style-type: none">• Strong brand preference• Channel coverage - regional service center and local distribution to cover smaller utilities• Highly trained Solution Architect, customer care and field technology support
Low Lifecycle Costs	<ul style="list-style-type: none">• Highly accurate and quality products / low warranty• Exceptional battery life• Leverage existing cellular technology network

>50K Water Utilities in US

Utility Size/Share of Meters



Strong Market Position in North American Oligopoly; Significant Customer Diversity



CELLULAR COMMUNICATION VS. FIXED NETWORK

DATA COLLECTOR FIXED NETWORK

SINGLE PURPOSE NETWORK



SYSTEM ENGINEERING / DEPLOYMENT



ONGOING SYSTEM MAINTENANCE / FEES

CELLULAR FIXED NETWORK

LONG-TERM EVOLUTION M2M (LTE-M) / SMART CITY / IoT NETWORK



SYSTEM ENGINEERING / DEPLOYMENT



ONGOING SYSTEM MAINTENANCE / FEES

- *Easy*
- *Flexible*
- *Resilient*
- *Savings*
- *Standard*

LTE-M Cellular Communication Technology – Example of Innovation Leadership



SMART WATER ACCELERATION

The Business Case

Why are utilities willing to pay more?

- Reduce non-revenue water (NRW)
 - Mechanical meters lose some accuracy over time
 - Leak detection
- Lower operating cost / improve efficiencies
 - Move out reads / billings
 - Remote shut-off for non-payers
- Encourage conservation
 - Manage what you measure
 - Leak avoidance / fix

The Solutions

How our leading technologies deliver

- Meters
 - Static (E-series ultrasonic) holds accuracy over lifetime; commercial sizes
- Radio
 - Data and analytics – more data, more often
 - Cellular – infrastructure-free for utilities; enables efficiencies for remote shut-offs, move-outs, installation pacing
- Software
 - Leak identification / detection
 - EyeOnWater App for consumer awareness

Overall Served Available Market Value Continues to Trend Higher



FOURTH QUARTER FINANCIAL SNAPSHOT

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

	<u>Q4 2019</u>	<u>Q4 2018*</u>	<u>Change</u>
Sales	\$107.6	\$104.4	3.0%
Gross Margin	41.1 38.2%	40.2 38.5%	2.4% (30) bps
SEA	24.8 23.0%	24.9 23.8%	-0.3% 80 bps
Adj. Op Income	16.3 15.2%	15.3 14.6%	6.9% 60 bps
Adj. Income Tax Rate	24.3%	23.0%	
Adj. EBITDA	22.3 20.7%	21.1 20.2%	5.7% 50 bps
Adj. EPS	0.42	0.40	5.0%
Free Cash Flow	\$17.7	\$19.0	

- Municipal water sales increased 8%; favorable mix to higher technology products and services
- Flow instrumentation sales declined 11% with weaker industrial end markets; most notably internationally
- Strong margins on positive product sales mix; price/cost negligible
- SEA leverage with solid spend controls
- Solid cash flow and free cash flow conversion

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



BACKGROUND INFORMATION



STRATEGIC FRAMEWORK



Preserve the legacy of trusted solutions, broad offerings and innovation earned since Badger Meter's founding in 1905



Accelerate customer-focused **growth**

- Emphasis on profitable growth over quantity
- R&D and capital investments leveraged across served markets



Execution as a differentiator and value driver

- Operational excellence as the foundation
- Superior cash conversion



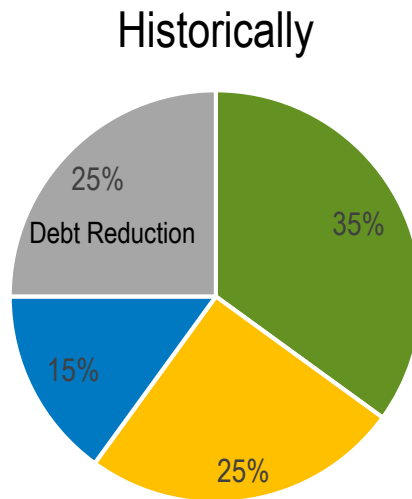
Disciplined **investment** where there is a compelling competitive advantage

- Software / Analytics / Internet of Things
- Water quality assurance

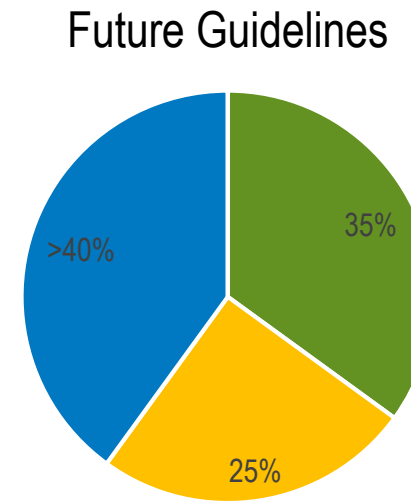


CAPITAL ALLOCATION PRIORITIES

- 1 **Internal Investment** to support organic growth and sustain core business
- 2 Grow the **dividend** annually in line with earnings
- 3 Accelerate **acquisitions** that align to strategy and return targets

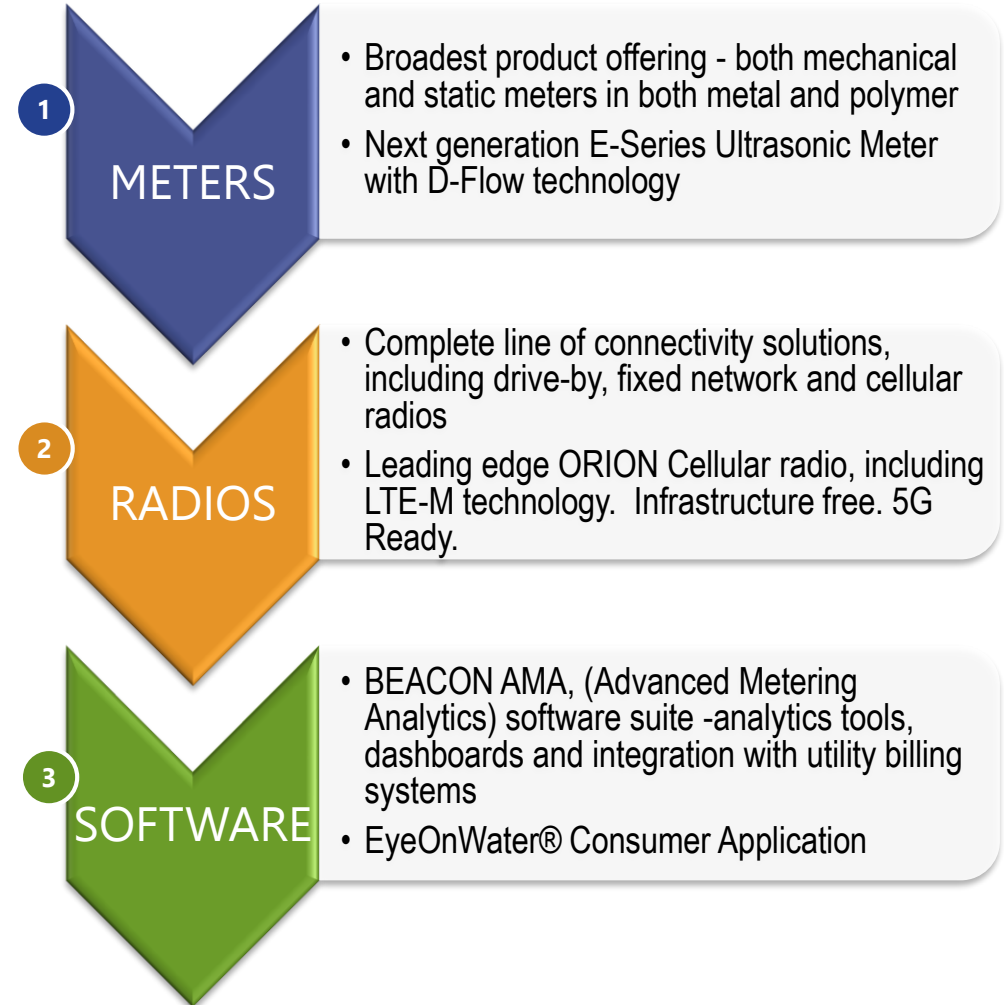
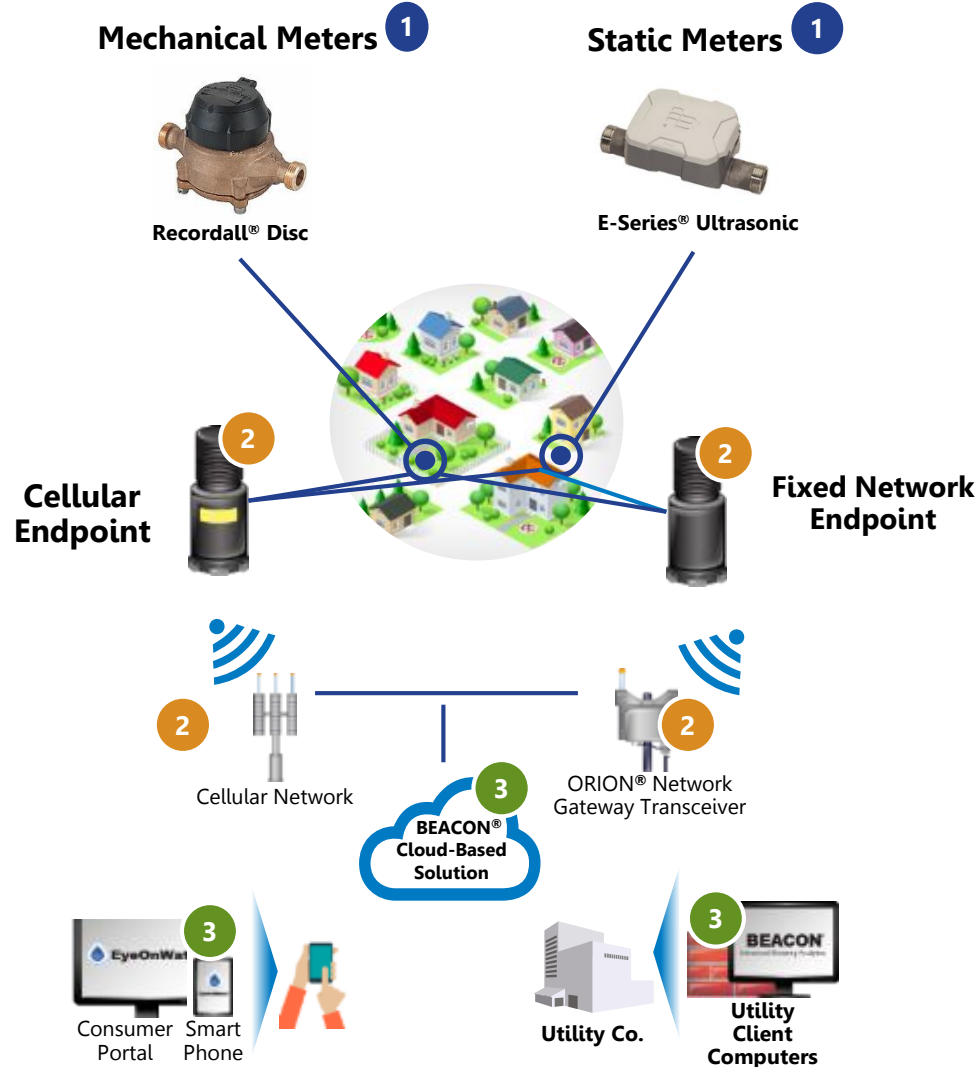


Approximate percent spend
of gross operating cash flow





UTILITY WATER-INTEGRATED SOLUTION OFFERING



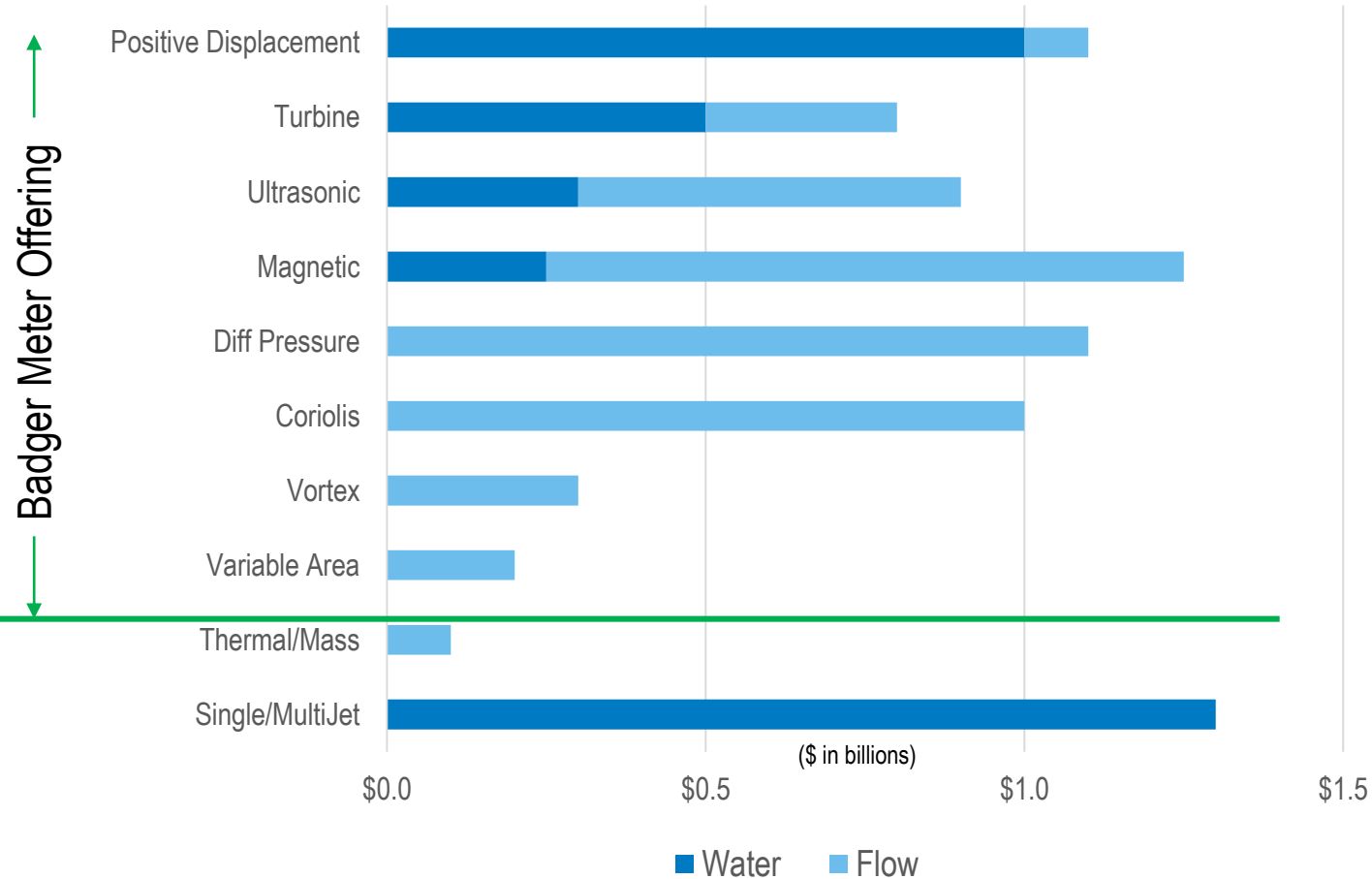


GLOBAL MANUFACTURING AND INNOVATION





FLOW MEASUREMENT METHODS



- Badger Meter offers eight of the ten common flow technologies
- North American water meter market primarily uses nutating disc meters, a type of positive displacement technology
- Global water meter markets are starting to shift from mechanical to static meters, such as magnetic and ultrasonic
- Rest of world water meter market primarily uses single/multi-jet, turbine or piston (also positive displacement) meters



WATER METERING KEY GROWTH STRATEGIES

- Maintain leading position in the North American water metering market through continued development of leading-edge technologies for
 - Meters
 - Radios
 - Software
- Penetrate and grow select international markets (e.g. Middle East) with leading solutions
- Leverage AT&T alliance to gain access to Mayor/"C-office" decision makers
- Identify strategic acquisition opportunities to enhance technology and market channels – e.g. actionable information through analytics and sensors





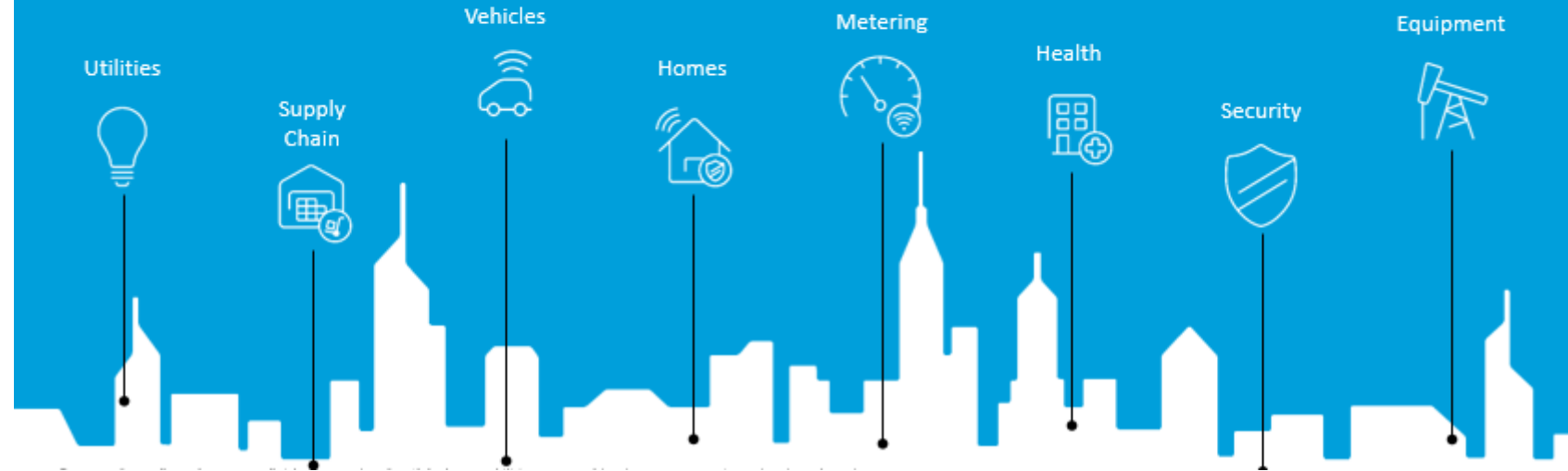
SMART CITY ALLIANCE

- One of 11 companies aligned with AT&T to drive initiatives
- Initiative includes improving utilization of limited budget resources
 - Efficient city operations
 - Deployment of resources
 - Service and delivery
- Smart water metering increases utility revenue and drives conservation and sustainability



What is a Smart City?

The integration of technology with a strategic approach to sustainability, cost reduction, citizen well-being and economic development.

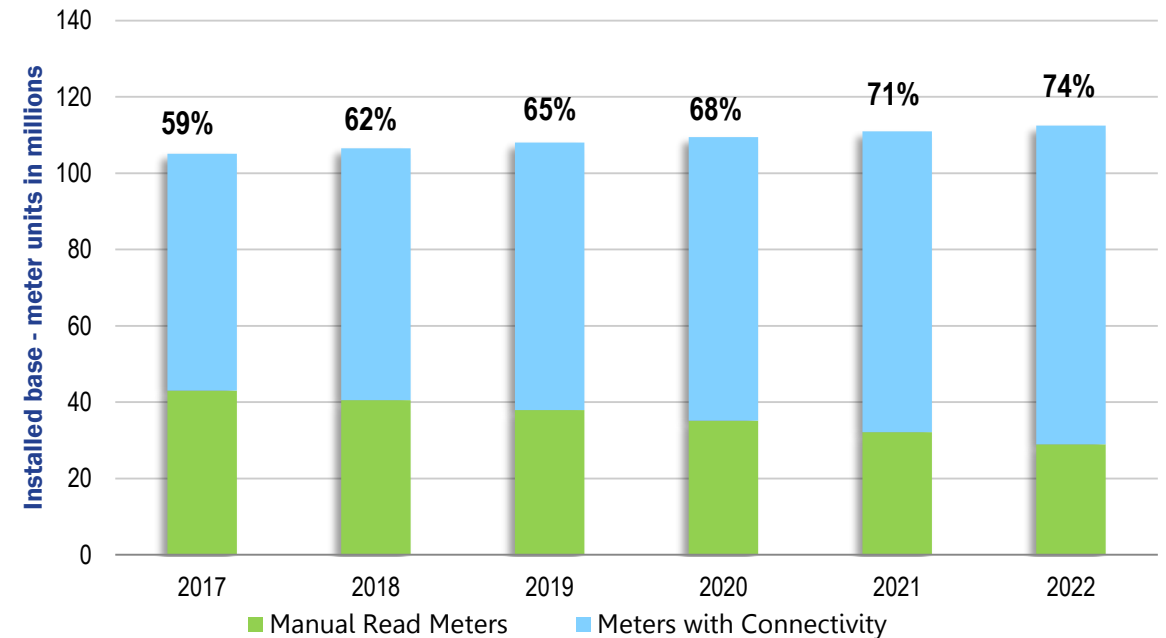
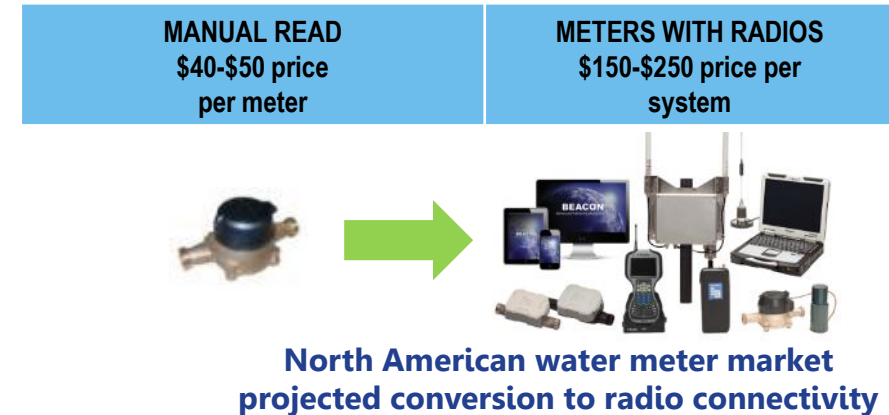




RADIO CONNECTIVITY - PENETRATION

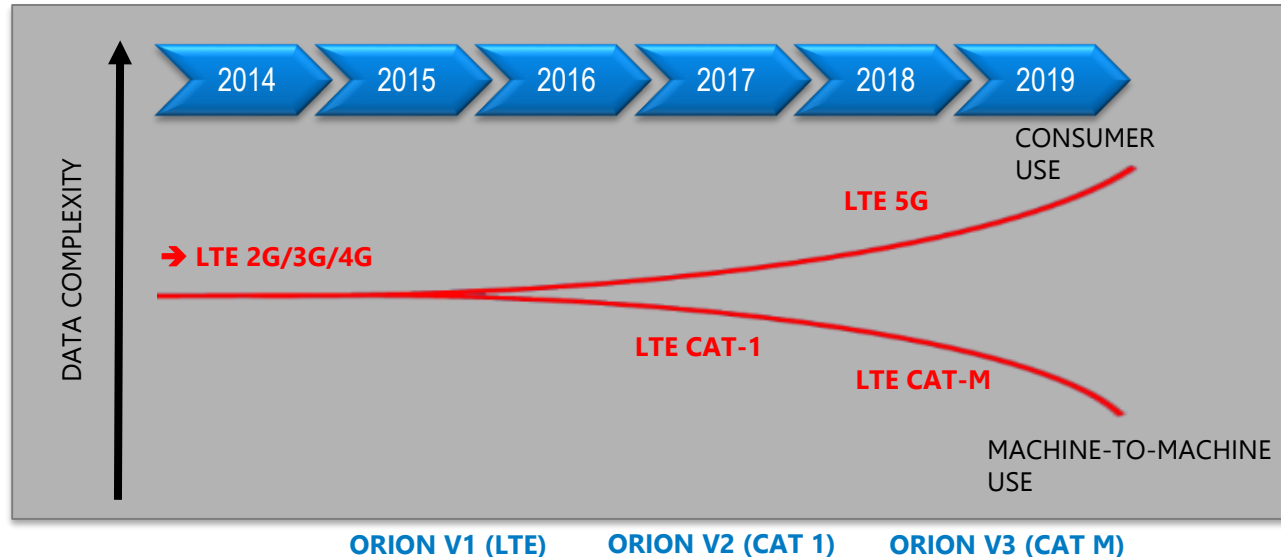
CONVERSION TO CONTINUE

- Badger Meter was the first US company to offer radios on water meters (1988)
- Radio connectivity allows for automated metering and integration of real-time data with analytics software
- Radio connectivity reduces utility costs, improves billing accuracy, aids in leak detection and encourages conservation
- Approximately 60% of the U.S. market has been converted (per IHS) – every 1% additional conversion represents significant increased sales opportunity for Badger Meter





CELLULAR TECHNOLOGY ROADMAP



- First cellular radio for North American in 2014 using 2G/3G networks
- Version 2 introduced in 2017 using the LTE CAT-1 networks for machine-to-machine data communication – first step to IoT and “Smart City” applications
- Cellular network technology splitting between LTE 5G for consumers (i.e. video streaming) vs LTE-M technology for IoT/Smart City
 - ORION LTE-M launched mid-2019
 - Performance improvement, enhanced reads, battery life and cost reduction

Advantages of Cellular Technology

- Compared to fixed networks, no infrastructure for the water utility to maintain (cost advantage)
- 100% coverage: no “hard-to-read” locations compared to fixed networks
- Facilitates pacing of upgrades at customers’ requirements
- Technology upgrades do not require water utility to replace equipment on towers
- After natural disasters, cellular systems are the first to come back on line



FLOW INSTRUMENTATION KEY GROWTH STRATEGIES

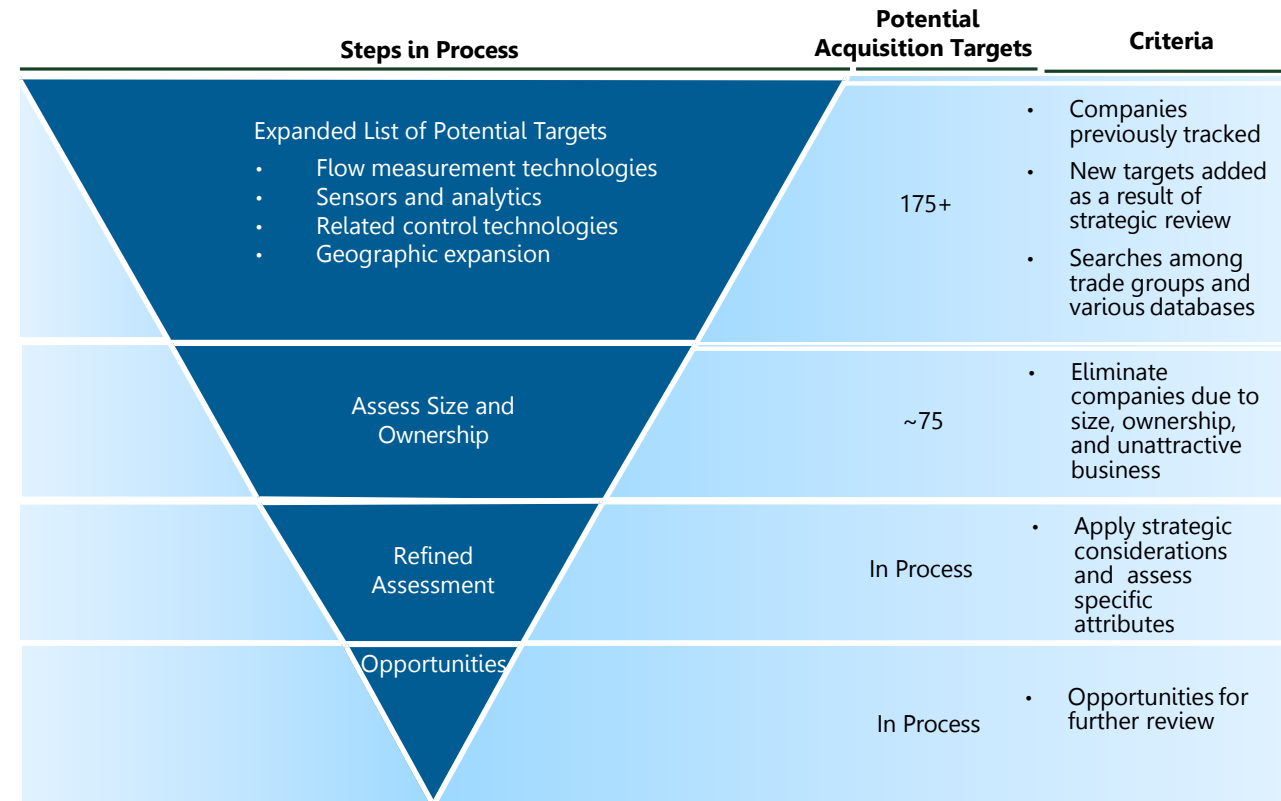
- Expand niche share by targeting four faster growing core markets:
 - Building Automation/HVAC/Sustainability
 - Water and Wastewater
 - Chemical/Petrochemical
 - Oil & Gas
- Continue to expand new product development to target niche market gaps
- Align with key market focused Reps to further penetrate sales channels (e.g. DNOW)
- Identify strategic acquisition opportunities to enhance technology and market channels





STRATEGIC ACQUISITIONS

- Technology solutions that can be leveraged across both utility and flow instrumentation markets
- Smart City / Internet of Things – water usage reduction, cleanliness, leaks, shut-offs, etc.
- SaaS
- International penetration
- Flow instrumentation core market penetration (caveat that total mix no more than 30% of consolidated revenue)
- Disciplined capital allocation





ACQUISITION HISTORY

Year	Company	Type	Location	Price
Water Utility Instrumentation and Connectivity:				
2018	Innovative Metering Solutions	Distributor	Tampa, FL	\$8M
2017	Carolina Meter	Distributor	Wilmington, NC	\$6M
2017	D-Flow	Technology/R&D	Lulea, Sweden	\$23M
2015	United Utilities	Distributor	Smyrna, TN	\$3M
2014	National Meter	Distributor	Denver, CO	\$23M
2013	Aquacue	Technology/R&D	Los Gatos, CA	\$14M
Flow and Industrial Instrumentation:				
2012	Racine Federated	Technology/Manufacturing	Racine, WI	\$57M
2011	Remag	Technology/Manufacturing	Bern, Switzerland	\$5M
2010	Cox Instruments	Technology/Manufacturing	Scottsdale, AZ	\$8M

The distribution acquisition strategy is now completed



ANNUAL FINANCIAL TRENDS

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Sales	\$402.4	\$433.7	\$424.6
Adj Oper Earnings	56.6 14.1%	59.4 13.7%	62.2 14.6%
Adj EBITDA	80.0 19.9%	83.8 19.3%	86.0 20.3%
Adj EPS	1.19	1.54	1.61
Free Cash Flow	\$34.7	\$51.7	\$73.2
FCF Conversion	100%	115%	155%

- Sales growth driven primarily by smart water solution penetration
 - Radios and SaaS
- Margins driven predominately by volume, price/cost and favorable sales mix
- Favorable SEA leverage
- Solid cash flow generation with conversion above 100%
- Ample balance sheet flexibility

Note: Adjusted figures exclude pension termination settlement and executive retirement charges in 2018.
See Annual Report for GAAP to Non-GAAP reconciliations.



GAAP TO NON-GAAP RECONCILIATIONS

Adjusted EBITDA

(US\$ in millions)

	<u>Q4 2019</u>	<u>Q4 2018</u>	<u>2019</u>	<u>2018</u>
Net Earnings (GAAP)	\$12.3	\$11.2	\$47.2	\$27.8
Pension settlement charge	0.0	0.0	0.0	19.9
Executive retirement charge	0.0	0.5	0.0	2.6
Interest expense	0.0	0.2	0.3	1.2
Income tax provision	3.9	3.3	14.4	8.1
Depreciation	2.9	2.6	11.5	11.3
Amortization	<u>3.2</u>	<u>3.3</u>	<u>12.6</u>	<u>12.9</u>
Adj. EBITDA	\$22.3	\$21.1	\$86.0	\$83.8

Free Cash Flow

	<u>Q4 2019</u>	<u>Q4 2018</u>
	(US\$ in millions)	
Cash from Ops (GAAP)	\$19.6	\$20.4
Capital Expenditures	<u>(1.9)</u>	<u>(1.4)</u>
Free Cash Flow	\$17.7	\$19.0
	<u>2019</u>	<u>2018</u>
Cash from Ops (GAAP)	\$80.7	\$60.3
Capital Expenditures	<u>(7.5)</u>	<u>(8.6)</u>
Free Cash Flow	\$73.2	\$51.7

Consolidated Results

(US\$ in millions except per share data)

	<u>Q4 2018</u>			<u>Full Year 2018</u>		
	<u>GAAP</u>	<u>Adjustments</u>	<u>Adjusted</u>	<u>GAAP</u>	<u>Adjustments</u>	<u>Adjusted</u>
Sales	\$104.4		\$104.4	\$433.7		\$433.7
Gross margin	40.2		40.2	162.4		162.4
SEA	<u>25.3</u>	<u>(0.5)</u>	<u>24.9</u>	<u>105.5</u>	<u>(2.6)</u>	<u>102.9</u>
Operating income	14.8	0.5	15.3	56.9	2.6	59.4
Other pension and postretirement costs	0.1		0.1	19.9	(19.9)	0.0
Interest expense	0.2		0.2	1.2		1.2
Income taxes	<u>3.3</u>	<u>0.1</u>	<u>3.4</u>	<u>8.1</u>	<u>5.3</u>	<u>13.4</u>
Net earnings	11.2	0.4	11.6	27.8	17.2	44.9
Diluted EPS	\$0.39	\$0.01	\$0.40	\$0.95	\$0.59	\$1.54

Note: Adjustments reflect pension termination settlement and executive retirement charges