# BADGER METER
# FOURTH QUARTER/FULL YEAR
# 2019 EARNINGS

February 5, 2020

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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.

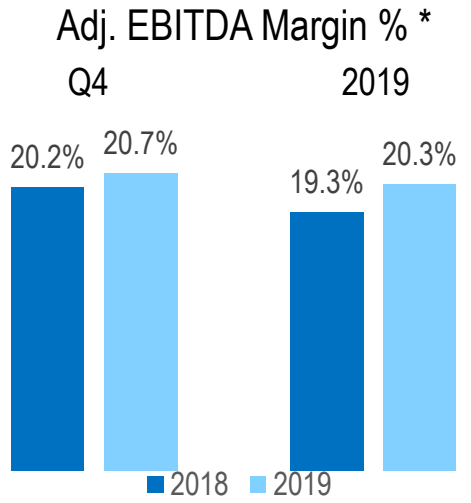
In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation for a reconciliation to the appropriate GAAP measure.

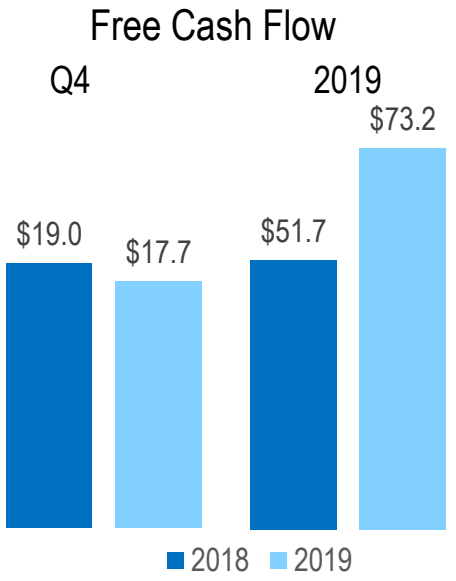


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# HIGHLIGHTS

- Fourth quarter sales growth of 3%
  - Municipal water sales increase of 8%; strong interest in new technology products and solutions
  - Flow instrumentation sales decline of 11%; sluggish industrial demand globally
- Adjusted EBITDA margin improvement in Q4 and full year >20%. Favorable product and SaaS revenue mix, as well as positive price/cost benefitted full year margins.
- Record 2019 free cash flow with robust net earnings conversion of 155%




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

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# FOURTH QUARTER FINANCIAL SNAPSHOT

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

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

- 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

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# ADVANTAGES OF CELLULAR RADIO OFFERINGS CONTINUE TO GAIN MOMENTUM

**Honoring the 50 most transformative smart projects each year**

- Award Winner - City of Columbia, SC AMI and Smart Water Implementation
- Project implementation on time and on budget - city pleased with project
- https://www.badgermeter.com/articles/columbia-sc-case-study-video/



**Consumer Electronics Show Panel - Network Infrastructure Is Key to Smart Cities**

*70% of IoT devices will use cellular connections by 2022*

AT&T's Smart City General manager Mike Zeto, AT&T "…*Badger Meter has led the charge with cellular. We are partnering with them in Columbia, SC where we are now going to serve the 375,000 residents with meters that are cellular connected so you can monitor flow, monitor loss and start to actually prevent problems."*

Badger Meter Cellular AMI Solutions Provide Ultimate Flexibility for Customers

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# OUTLOOK / STRATEGIC INITIATIVES

- Build on leading market position with comprehensive and tailorable solutions across our differentiated metering, communication and data analytics offerings
- Invest in further development of software and actionable intelligence to help customers reduce costs, improve operational efficiencies and promote water conservation
- Positive backdrop with municipal spending trends and our competitive share and positioning
- Momentum in continuous improvement cultural shift – advancements in global operations and supply chain, customer focus, engineering, working capital, etc
- Cash flow generation and capital structure enables significant value creation via investments in growth - M&A activity and pipeline provide potential product and technology extensions
- Further advance our sustainability efforts in our products/solutions and our operations, helping to drive a measurable impact in conserving precious natural resources




Every drop counts.

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# Q & A

Note:  For your planning purposes, our Q1 2020 earnings release/call is tentatively scheduled for April 16, 2020

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# GAAP TO NON-GAAP RECONCILIATIONS

## Adjusted EBITDA

(US$ in millions)

| | Q4 2019 | Q4 2018 | 2019 | 2018 |
|---|---|---|---|---|
| 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 | 3.2 | 3.3 | 12.6 | 12.9 |
| Adj. EBITDA | $22.3 | $21.1 | $86.0 | $83.8 |

## Free Cash Flow

(US$ in millions)

| | Q4 2019 | Q4 2018 |
|---|---|---|
| Cash from Ops (GAAP) | $19.6 | $20.4 |
| Capital Expenditures | (1.9) | (1.4) |
| Free Cash Flow | $17.7 | $19.0 |

| | 2019 | 2018 |
|---|---|---|
| Cash from Ops (GAAP) | $80.7 | $60.3 |
| Capital Expenditures | (7.5) | (8.6) |
| Free Cash Flow | $73.2 | $51.7 |

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# GAAP TO NON-GAAP RECONCILIATIONS

(US$ in millions except per share data)

| | Q4 2018 | | | Full Year 2018 | | |
|---|---|---|---|---|---|---|
| | GAAP | Adjustments | Adjusted | GAAP | Adjustments | Adjusted |
| Sales | $104.4 | | $104.4 | $433.7 | | $433.7 |
| Gross margin | 40.2 | | 40.2 | 162.4 | | 162.4 |
| SEA | 25.3 | (0.5) | 24.9 | 105.5 | (2.6) | 102.9 |
| 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 | 3.3 | 0.1 | 3.4 | 8.1 | 5.3 | 13.4 |
| 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

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