BADGER METER
FIRST QUARTER 2022 EARNINGS

April 19, 2022

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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.

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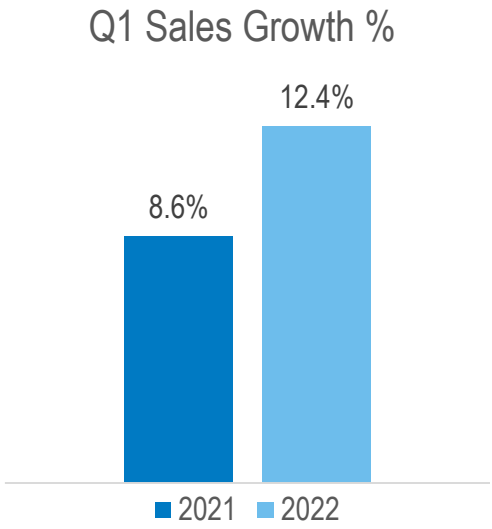
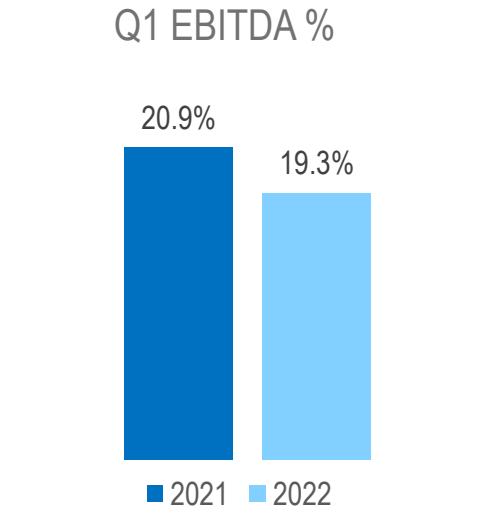
HIGHLIGHTS

- Record order pace with strong momentum in adoption of smart water offerings. Exiting quarter with record backlog
- First quarter sales of $132.4 million, up 12% year-over-year
  - Utility water sales increased 15%. Robust orders/backlog exceeded sales conversion due to manufacturing disruption from ongoing component constraints
  - Flow instrumentation sales flat; component availability limiting output despite strong demand
- Margins within “normalized” range despite widespread inflation and manufacturing inefficiencies from erratic component availability. Difficult prior year margin comparison which benefitted from “leading” price-cost dynamic
- Ongoing efforts to temper profit impact with pricing, product mix and spending controls





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FIRST QUARTER FINANCIAL SNAPSHOT

(US$ in millions, except per share data)	Q1 2022	Q1 2021	Change
Sales	$132.4	$117.8	12.4%
Gross Margin	50.7	49.4	2.8%
	38.3%	*41.9%*	*(360) bps*
SEA	31.9	31.6	0.8%
	24.1%	*26.8%*	*(270) bps*
Op Income	18.9	17.7	6.3%
	14.2%	*15.1%*	*(90) bps*
Income Tax Rate	*23.7%*	*22.2%*	
EBITDA	25.6	24.7	3.8%
	19.3%	*20.9%*	*(160) bps*
EPS	0.49	0.47	4.3%
Free Cash Flow	$8.1	$28.8	

See appendix for reconciliation of GAAP to Non-GAAP measures

- Utility water sales increased robust 15%, yet were limited by component availability; growth most notable in ultrasonic meters, cellular endpoints and BEACON SaaS
- Flow instrumentation sales flat as manufacturing output limited by supply chain despite strong demand
- Difficult margin comparison against record in prior year. Widespread inflation and manufacturing inefficiencies from ongoing component constraints more than offset realized pricing
- SEA leverage improved; spending controls
- Seasonally low cash flow; temporary working capital increase related to supply chain impacts

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CASH FLOW / WORKING CAPITAL

- Business model lends itself to resilient free cash flow generation, with conversion of earnings at 100% plus
- Embarked on a cash flow conversion / working capital structural improvement process beginning in 2019 – targeted “low hanging fruit” such as collections processes, supplier terms & conditions, etc
- While we anticipate continued strong cash conversion, pace of improvement moderating
  - Smaller incremental working capital gains
  - Certain temporary factors impact 2022 vs. 2021, notably
    - Inventory valuation (inflation) and strategic safety stock
    - Intermittent component delays creating intra-quarter shipment unevenness
    - CDMA cellular sunset warranty fulfillment
  - Certain operating factors impact seasonality, notably Q1 with incentive compensation payment, 401(k) funding change
- Remain committed to free cash flow conversion at 100% plus

Free cash flow conversion of net earnings trend *

2018	115%
2019	155%
2020	163%
2021	133%
2022 +	100% +

**See last page of 2021 annual report for reconciliation of GAAP to non-GAAP free cash flow conversion data*

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OUTLOOK / MACRO-TRENDS

- Capitalizing on robust customer demand for our leading water instrumentation and digital software offerings enabling efficiency, resiliency and sustainability – “choice matters” portfolio to meet wide-ranging customer needs
- Differentiating performance with disciplined execution, enhancing our competitive position
- Continually adapting to acute and dynamic macro challenges exacerbated by recent geopolitical events including component availability, pervasive inflation and logistics challenges. “Whack-a-mole” continues in various forms.
- Pace and breadth of macro improvement not expected to be linear; remaining nimble and communicative with customers
- Strong balance sheet to innovate both organically and via acquisitions

Orders/Backlog Supportive of Durable Multi-Year Growth; Executing Against Macro Headwinds

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Q & A

Note: For your planning purposes, our Q2 2022 earnings release/call is tentatively scheduled for July 20, 2022



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GAAP TO NON-GAAP RECONCILIATIONS

EBITDA

(US$ in millions)

	Q1 2022	Q1 2021
Net Earnings (GAAP)	$14.4	$13.8
Interest expense	0.0	0.0
Income tax provision	4.4	3.9
Depreciation	2.8	2.9
Amortization	4.0	4.1
EBITDA	$25.6	$24.7

Free Cash Flow

(US$ in millions)

	Q1 2022	Q1 2021
Cash from Ops (GAAP)	$9.2	$30.6
Capital Expenditures	(1.1)	(1.8)
Free Cash Flow	$8.1	$28.8

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