

Mueller Water Products

Where Intelligence Meets Infrastructure®

Earnings Conference Call For The
Second Quarter Ended March 31, 2016

April 27, 2016

*These slides are not intended to be a stand-alone presentation,
but are for use in conjunction with the earnings call*



NON-GAAP FINANCIAL MEASURES

The Company reports its financial results under accounting principles generally accepted in the United States (“GAAP”), as well as through the use of non-GAAP measures. The Company presents adjusted operating income, adjusted operating margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted net income per diluted share, free cash flow, net debt and net debt leverage as non-GAAP measures. Adjusted operating income represents operating income excluding restructuring. This amount divided by net sales is adjusted operating margin. Adjusted EBITDA represents operating income excluding restructuring, depreciation and amortization. This amount divided by net sales is adjusted EBITDA margin. The Company presents adjusted operating income, adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin because these are measures management believes are frequently used by securities analysts, investors and other interested parties in the evaluation of financial performance. Adjusted net income and adjusted net income per diluted share exclude, on an after-tax basis, restructuring. Restructuring is excluded because it is not considered indicative of recurring operations.

Free cash flow represents cash flows from operating activities less capital expenditures. It is presented as a measurement of cash flows because management believes it is commonly used by the investment community. Net debt represents total debt less cash and cash equivalents. Net debt leverage represents net debt divided by trailing 12 months adjusted EBITDA. Net debt and net debt leverage are commonly used by the investment community as measures of indebtedness. These non-GAAP measures have limitations as analytical tools, and securities analysts, investors and other interested parties should not consider any of these non-GAAP measures in isolation or as a substitute for analysis of the Company's results as reported under GAAP. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

A reconciliation of GAAP to non-GAAP results is included as an attachment to this presentation and has been posted online at www.muellerwaterproducts.com.

FORWARD-LOOKING STATEMENTS

This presentation contains certain statements that may be deemed “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements that address activities, events or developments that we intend, expect, plan, project, believe or anticipate will or may occur in the future are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding our expectations for growth in our key end markets, anticipated stronger operating leverage, and 2016 full year earnings per share.

Forward-looking statements are based on certain assumptions and assessments made by us in light of our experience and perception of historical trends, current conditions and expected future developments. Actual results and the timing of events may differ materially from those contemplated by the forward-looking statements due to a number of factors, including regional, national or global political, economic, business, competitive, market and regulatory conditions and the other factors that are described in the section entitled “RISK FACTORS” in Item 1A of our most recent Annual Report on Form 10-K and any subsequent quarterly reports on Form 10-Q. Undue reliance should not be placed on any forward-looking statements. We do not intend to update forward-looking statements, except as required by law.

CONSOLIDATED NON-GAAP RESULTS

Overall, second quarter's results came in about as expected.

Adjusted operating income increased 14.8 percent, despite slightly lower net sales, and adjusted net income per share for the quarter was \$0.10 versus \$0.08 a year ago.

Mueller Co. had a 9.0 percent increase in adjusted operating income and a 110 basis point improvement in adjusted operating margin.

Anvil's adjusted operating income increased 14.9 percent, despite overall net sales declining \$4.7 million to \$86.4 million. Anvil sales increased 3.3% year-over-year, excluding sales to the oil & gas market.

Mueller Technologies remains focused on growing sales of its higher-margin AMI and leak detection technologies, and on improving operating performance over the course of the year.

Backlog and projects awarded at both Mueller Systems and Echologics continued to be up substantially on a year-over-year basis at the end of the quarter.

Second Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$283.6	\$290.3
Adj. operating income	\$30.2	\$26.3
Adj. operating margin	10.6%	9.1%
Adj. net income per diluted share	\$0.10	\$0.08
Adj. EBITDA	\$43.3	\$40.7
Adj. EBITDA margin	15.3%	14.0%
\$ in millions except per share amounts		

2Q16 adjustments were restructuring expenses (\$0.9M, \$0.6M net of tax)

2Q15 adjustments were restructuring expenses (\$0.7M, \$0.4M net of tax)

CONSOLIDATED GAAP RESULTS

Gross profit

Gross profit improved to \$84.9 million for the 2016 second quarter from \$82.1 million last year

Gross margin increased 160 basis points to 29.9 percent from 28.3 percent in 2015

SG&A

Selling, general and administrative expenses were \$54.7 million in the quarter, compared with \$55.8 million last year, primarily due to lower personnel-related expenses

Net income per diluted share

Net income per diluted share improved to \$0.10 for the 2016 second quarter compared with \$0.08 last year

Income tax expense of \$7.7 million was 32.9 percent of income before income taxes and included an income tax benefit of \$0.7 million associated with the adoption of new accounting rules related to income taxes for stock compensation plans.

Second Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$283.6	\$290.3
Gross profit	\$84.9	\$82.1
Gross margin	29.9%	28.3%
Operating income	\$29.3	\$25.6
Net income per diluted share	\$0.10	\$0.08

\$ in millions except per share amounts

CONSOLIDATED NON-GAAP RESULTS

Adjusted operating income

Adjusted operating income for the 2016 second quarter increased 14.8 percent, or \$3.9 million, to \$30.2 million as compared with \$26.3 million last year

The increase in adjusted operating income was primarily due to improved operating performance at Mueller Co. and Anvil of \$2.9 million and \$1.1 million, respectively

Adjusted EBITDA

Adjusted EBITDA for the 2016 second quarter increased to \$43.3 million compared with \$40.7 million last year

Trailing 12 months adjusted EBITDA was \$189.7 million

Interest expense

Interest expense, net for the 2016 second quarter was \$5.9 million, slightly down from \$6.1 million last year

Adjusted net income per diluted share

Adjusted net income per diluted share improved to \$0.10 from \$0.08

Note, adjusted net income per diluted share would also have been \$0.10 without the \$0.7 million income tax benefit

Second Quarter	<u>2016</u>	<u>2015</u>
Adj. operating income	\$30.2	\$26.3
Adj. operating margin	10.6%	9.1%
Adj. net income per diluted share	\$0.10	\$0.08
Adj. EBITDA	\$43.3	\$40.7
Adj. EBITDA margin	15.3%	14.0%

\$ in millions except per share amounts

MUELLER CO. SEGMENT NON-GAAP RESULTS

Net sales

Net sales for the 2016 second quarter of \$182.2 million increased \$4.9 million as compared with \$177.3 million last year

Mueller Co.'s sales increased 6.5 percent, excluding sales of Henry Pratt water treatment valves, which decreased \$4.4 million in the quarter

Adjusted operating income

Strong improvement in adjusted operating income in the 2016 second quarter was largely due to lower raw material costs and improved operational efficiencies

Adjusted operating income improved 9.0 percent to \$35.3 million as compared with \$32.4 million last year

Adjusted operating margin improved 110 basis points to 19.4 percent as compared with 18.3 percent last year

Adjusted EBITDA

Adjusted EBITDA for the 2016 second quarter increased to \$43.9 million compared with \$42.1 million last year

Adjusted EBITDA margin increased 40 basis points to 24.1 percent from 23.7 percent last year

Second Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$182.2	\$177.3
Adj. operating income	\$35.3	\$32.4
Adj. operating margin	19.4%	18.3%
Adj. EBITDA	\$43.9	\$42.1
Adj. EBITDA margin	24.1%	23.7%

\$ in millions

2Q16 results exclude restructuring expenses of \$0.4 million

ANVIL SEGMENT NON-GAAP RESULTS

Net sales

Net sales decreased 5.2 percent to \$86.4 million for the 2016 second quarter from \$91.1 million last year

An increase in sales of fire protection products and a large engineered pipe support job were more than offset by a 60 percent decrease in net sales to the oil & gas market

Adjusted operating income

Adjusted operating income for the 2016 second quarter improved 14.9 percent to \$8.5 million as compared with \$7.4 million last year

This improvement reflects lower raw material costs and other cost savings despite lower sales in what have historically been our higher-margin products

Second Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$86.4	\$91.1
Adj. operating income	\$8.5	\$7.4
Adj. operating margin	9.8%	8.1%
Adj. EBITDA	\$11.7	\$11.0
Adj. EBITDA margin	13.5%	12.1%

\$ in millions

2Q16 results exclude restructuring expenses of \$0.5 million

2Q15 results exclude restructuring expenses of \$0.2 million

MUELLER TECHNOLOGIES SEGMENT NON-GAAP RESULTS

Net sales

Net sales for the 2016 second quarter decreased to \$15.0 million as compared with \$21.9 million last year

Net sales of our AMI systems increased 26 percent

Backlog and projects awarded for both AMI and in total were up year-over-year by about 30 percent at the end of the quarter

Adjusted operating loss

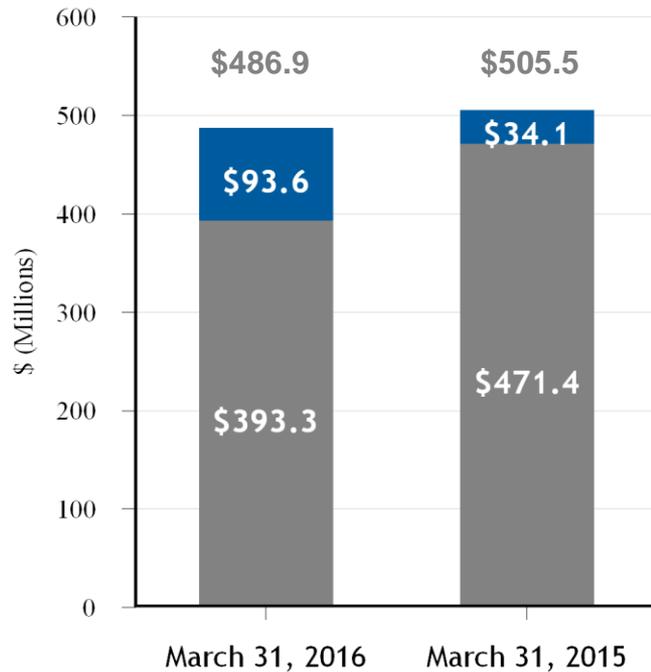
Adjusted operating loss for the 2016 second quarter was \$4.9 million as compared with \$4.6 million last year

Second Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$15.0	\$21.9
Adj. operating loss	\$(4.9)	\$(4.6)
Adj. operating margin	(32.7)%	(21.0)%
Adj. EBITDA	\$(3.7)	\$(3.6)
Adj. EBITDA margin	(24.7)%	(16.4)%

\$ in millions

2Q15 results exclude restructuring expense of \$0.1 million

NET DEBT



■ Net Debt ■ Cash

\$ in millions

	<u>March 31, 2016</u>
ABL Revolver (LIBOR + 175 basis points)	\$0.0
Term Loan B (LIBOR* + 325 basis points)	484.8
Other	2.1
Total Debt	<u>\$486.9</u>

Net debt leverage was 2.1x at March 31, 2016

Approximately \$180 million of excess availability under the ABL at March 31, 2016

* Subject to a floor of 75 basis points

Second Quarter Comments and 2016 Third Quarter and Full Year Outlook



Supplemental Data



SEGMENT RESULTS AND RECONCILIATION OF GAAP TO NON-GAAP PERFORMANCE MEASURES

	Quarter ended March 31, 2016				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(in millions, except per share amounts)				
GAAP Results:					
Net sales	\$ 182.2	\$ 86.4	\$ 15.0	\$ —	\$ 283.6
Gross profit	\$ 57.7	\$ 25.6	\$ 1.6	\$ —	\$ 84.9
Selling, general and administrative expenses	22.4	17.1	6.5	8.7	54.7
Restructuring expense	0.4	0.5	—	—	0.9
Operating income (loss)	\$ 34.9	\$ 8.0	\$ (4.9)	\$ (8.7)	\$ 29.3
Interest expense, net					5.9
Income tax expense					7.7
Net income					\$ 15.7
Net income per diluted share					\$ 0.10
Capital expenditures	\$ 5.2	\$ 1.7	\$ 2.1	\$ —	\$ 9.0
Non-GAAP results:					
Adjusted operating income (loss) and EBITDA:					
Operating income (loss)	\$ 34.9	\$ 8.0	\$ (4.9)	\$ (8.7)	\$ 29.3
Restructuring expense	0.4	0.5	—	—	0.9
Adjusted operating income (loss)	35.3	8.5	(4.9)	(8.7)	30.2
Depreciation and amortization	8.6	3.2	1.2	0.1	13.1
Adjusted EBITDA	\$ 43.9	\$ 11.7	\$ (3.7)	\$ (8.6)	\$ 43.3
Adjusted operating margin	19.4%	9.8%	(32.7)%		10.6%
Adjusted EBITDA margin	24.1%	13.5%	(24.7)%		15.3%
Adjusted net income:					
Net income					\$ 15.7
Restructuring expense, net of tax					0.6
Adjusted net income					\$ 16.3
Adjusted net income per diluted share					\$ 0.10
Free cash flow:					
Net cash provided by operating activities					\$ 4.4
Less capital expenditures					(9.0)
Free cash flow					\$ (4.6)
Net debt (end of period):					
Current portion of long-term debt					\$ 5.9
Long-term debt					481.0
Total debt					486.9
Less cash and cash equivalents					(93.6)
Net debt					\$ 393.3
Adjusted EBITDA:					
Current quarter					\$ 43.3
Three prior quarters					146.4
Adjusted EBITDA					\$ 189.7
Net debt leverage (net debt divided by adjusted EBITDA)					2.1x

SEGMENT RESULTS AND RECONCILIATION OF GAAP TO NON-GAAP PERFORMANCE MEASURES

	Quarter ended March 31, 2015				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(in millions, except per share amounts)				
GAAP results:					
Net sales	\$ 177.3	\$ 91.1	\$ 21.9	\$ —	\$ 290.3
Gross profit	\$ 54.1	\$ 25.5	\$ 2.5	\$ —	\$ 82.1
Selling, general and administrative expenses	21.7	18.1	7.1	8.9	55.8
Restructuring expense	—	0.2	0.1	0.4	0.7
Operating income (loss)	\$ 32.4	\$ 7.2	\$ (4.7)	\$ (9.3)	25.6
Interest expense, net					6.1
Income tax expense					7.2
Net income					\$ 12.3
Net income per diluted share					\$ 0.08
Capital expenditures	\$ 4.9	\$ 3.4	\$ 1.5	\$ —	\$ 9.8
Non-GAAP results:					
Adjusted operating income (loss) and EBITDA:					
Operating income (loss)	\$ 32.4	\$ 7.2	\$ (4.7)	\$ (9.3)	\$ 25.6
Restructuring expense	—	0.2	0.1	0.4	0.7
Adjusted operating income (loss)	32.4	7.4	(4.6)	(8.9)	26.3
Depreciation and amortization	9.7	3.6	1.0	0.1	14.4
Adjusted EBITDA	\$ 42.1	\$ 11.0	\$ (3.6)	\$ (8.8)	\$ 40.7
Adjusted operating margin	18.3%	8.1%	(21.0)%		9.1%
Adjusted EBITDA margin	23.7%	12.1%	(16.4)%		14.0%
Adjusted net income:					
Net income					\$ 12.3
Restructuring expense, net of tax					0.4
Adjusted net income					\$ 12.7
Adjusted net income per diluted share					\$ 0.08
Free cash flow:					
=if(J39<0, "Net cash used in operating activities", "Net cash provided by operating activities")					\$ (11.8)
Less capital expenditures					(9.8)
Free cash flow					\$ (21.6)
Net debt (end of period):					
Current portion of long-term debt					\$ 6.1
Long-term debt					499.4
Total debt					505.5
Less cash and cash equivalents					(34.1)
Net debt					\$ 471.4
Adjusted EBITDA:					
Current quarter					\$ 40.7
Three prior quarters					143.9
Adjusted EBITDA					\$ 184.6
Net debt leverage (net debt divided by adjusted EBITDA)					2.6x

SEGMENT RESULTS AND RECONCILIATION OF GAAP TO NON-GAAP PERFORMANCE MEASURES

	Six months ended March 31, 2016				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(in millions, except per share amounts)				
GAAP Results:					
Net sales	\$ 326.9	\$ 166.0	\$ 33.4	\$ —	\$ 526.3
Gross profit	\$ 101.7	\$ 46.7	\$ 5.2	\$ —	\$ 153.6
Selling, general and administrative expenses	42.4	34.5	13.4	17.4	107.7
Restructuring expense	0.6	0.6	0.5	—	1.7
Operating income (loss)	\$ 58.7	\$ 11.6	\$ (8.7)	\$ (17.4)	44.2
Interest expense, net					12.0
Income tax expense					10.3
Net income					\$ 21.9
Net income per diluted share					\$ 0.13
Capital expenditures	\$ 8.8	\$ 3.3	\$ 3.1	\$ 0.1	\$ 15.3
Non-GAAP results:					
Adjusted operating income (loss) and EBITDA:					
Operating income (loss)	\$ 58.7	\$ 11.6	\$ (8.7)	\$ (17.4)	\$ 44.2
Restructuring expense	0.6	0.6	0.5	—	1.7
Adjusted operating income (loss)	59.3	12.2	(8.2)	(17.4)	45.9
Depreciation and amortization	17.0	6.6	2.3	0.2	26.1
Adjusted EBITDA	\$ 76.3	\$ 18.8	\$ (5.9)	\$ (17.2)	\$ 72.0
Adjusted operating margin	18.1%	7.3%	(24.6)%		8.7%
Adjusted EBITDA margin	23.3%	11.3%	(17.7)%		13.7%
Adjusted net income:					
Net income					\$ 21.9
Restructuring expense, net of tax					1.1
					\$ 23.0
Adjusted net income per diluted share					\$ 0.14
Free cash flow:					
Net cash provided by operating activities					\$ 6.9
Less capital expenditures					(15.3)
Free cash flow					\$ (8.4)

SEGMENT RESULTS AND RECONCILIATION OF GAAP TO NON-GAAP PERFORMANCE MEASURES

	Six months ended March 31, 2015				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(in millions, except per share amounts)				
GAAP results:					
Net sales	\$ 322.4	\$ 188.2	\$ 41.5	\$ —	\$ 552.1
Gross profit	\$ 95.4	\$ 51.6	\$ 6.4	\$ —	\$ 153.4
Selling, general and administrative expenses	42.5	37.0	13.9	17.4	110.8
Restructuring expense	8.1	0.2	0.1	0.5	8.9
Operating income (loss)	\$ 44.8	\$ 14.4	\$ (7.6)	\$ (17.9)	33.7
Interest expense, net					15.5
Loss on early extinguishment of debt					31.3
Income tax benefit					(5.2)
Net loss					\$ (7.9)
Net loss per diluted share					\$ (0.05)
Capital expenditures	\$ 8.3	\$ 6.0	\$ 2.7	\$ —	\$ 17.0
Non-GAAP results:					
Adjusted operating income (loss) and EBITDA:					
Operating income (loss)	\$ 44.8	\$ 14.4	\$ (7.6)	\$ (17.9)	\$ 33.7
Restructuring expense	8.1	0.2	0.1	0.5	8.9
Adjusted operating income (loss)	52.9	14.6	(7.5)	(17.4)	42.6
Depreciation and amortization	19.4	7.2	1.9	0.2	28.7
Adjusted EBITDA	\$ 72.3	\$ 21.8	\$ (5.6)	\$ (17.2)	\$ 71.3
Adjusted operating margin	16.4%	7.8%	(18.1)%		7.7%
Adjusted EBITDA margin	22.4%	11.6%	(13.5)%		12.9%
Adjusted net income:					
Net loss					\$ (7.9)
Loss on early extinguishment of debt, net of tax					19.6
Restructuring expense, net of tax					5.6
Adjusted net income					\$ 17.3
Adjusted net income per diluted share					\$ 0.11
Free cash flow:					
Net cash used in operating activities					\$ (38.9)
Less capital expenditures					(17.0)
Free cash flow					\$ (55.9)

Q&A

