

Mueller Water Products

Where Intelligence Meets Infrastructure®

Earnings Conference Call For The
Third Quarter Ended June 30, 2016

August 4, 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

In an effort to provide investors with additional information regarding the Company's results as determined by GAAP, the Company also provides non-GAAP information that management believes is useful to investors. 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.

The Company presents adjusted net income, adjusted net income per share, adjusted operating income, adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin as performance measures because management uses these measures in evaluating the Company's underlying performance on a consistent basis across periods and in making decisions about operational strategies. Management also believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of the Company's recurring performance.

The Company presents net debt and net debt leverage as performance measures because management uses them in evaluating its capital management and the investment community commonly uses them as measures of indebtedness. The Company presents free cash flow because management believes it is commonly used by the investment community to measure the Company's ability to create liquidity.

The calculation of these non-GAAP measures and a reconciliation to GAAP results are 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 and 2016 full year financial results.

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 recently filed Annual Report on Form 10-K and 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

- ❖ We were pleased with the third quarter's results. Adjusted operating income increased 18.2 percent, with all three business segments contributing to the improvement
- ❖ Mueller Co.'s domestic net sales of valves, hydrants and brass products increased 9 percent in the quarter, helping drive this increase in adjusted operating income
- ❖ Anvil's third quarter net sales were down 4.3 percent, primarily due to lower shipment volumes into the oil & gas market, although we did have strong sales growth of our fire protection products
- ❖ Net sales at Mueller Technologies grew 8.3 percent. Shipments of AMI products were more than 50 percent of Mueller Systems' net sales this quarter
- ❖ Mueller Systems was slightly profitable this quarter and Mueller Technologies' operating performance improved by \$2.0 million
- ❖ Adjusted net income per share for the quarter was \$0.18 versus \$0.15 a year ago
- ❖ Expect increased demand for our products driven by residential construction and municipal spending

Third Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$ 310.1	\$ 301.0
Adj. operating income	\$ 51.2	\$ 43.3
Adj. operating margin	16.5%	14.4%
Adj. net income per share	\$ 0.18	\$ 0.15
Adj. EBITDA	\$ 64.3	\$ 57.8
Adj. EBITDA margin	20.7%	19.2%

\$ in millions except per share amounts

3Q16 adjustments were pension settlement and other charges (\$21.5M, \$13.8M net of tax)

3Q15 adjustments were loss on Walter receivable and other charges (\$11.8M, \$7.3M net of tax)

CONSOLIDATED GAAP RESULTS

Gross profit

- ❖ Gross profit improved to \$107.1 million for the 2016 third quarter from \$96.2 million last year. Gross margin increased 250 basis points to 34.5 percent from 32.0 percent in 2015

SG&A

- ❖ Selling, general and administrative expenses were \$55.9 million in the quarter, compared with \$52.9 million last year. The increase was due primarily to personnel-related expenses

Net income per diluted share

- ❖ Net income per diluted share declined to \$0.09 from \$0.10 last year
- ❖ Income tax expense of \$8.2 million was 34.6 percent of income before income taxes
- ❖ Note, 2016 third quarter results include a non-cash pension settlement charge and other charges primarily associated with an idle foundry property

Third Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$ 310.1	\$ 301.0
Gross profit	\$ 107.1	\$ 96.2
Gross margin	34.5%	32.0%
Operating income	\$ 29.7	\$ 31.5
Net income per diluted share	\$ 0.09	\$ 0.10

\$ in millions except per share amounts

CONSOLIDATED NON-GAAP RESULTS

- ❖ Adjusted operating income for the 2016 third quarter increased 18.2 percent, or \$7.9 million, to \$51.2 million from \$43.3 million last year
- ❖ The increase in adjusted operating income was due to improved operating performance at Mueller Co., Mueller Technologies and Anvil
- ❖ Adjusted EBITDA for the 2016 third quarter increased to \$64.3 million from \$57.8 million last year. For the trailing 12 months, adjusted EBITDA was \$196.2 million
- ❖ Interest expense, net for the 2016 third quarter was \$6.0 million, slightly down from \$6.3 million last year
- ❖ Adjusted net income per share improved to \$0.18 from \$0.15

Third Quarter	<u>2016</u>	<u>2015</u>
Adj. operating income	\$ 51.2	\$ 43.3
Adj. operating margin	16.5%	14.4%
Adj. net income per share	\$ 0.18	\$ 0.15
Adj. EBITDA	\$ 64.3	\$ 57.8
Adj. EBITDA margin	20.7%	19.2%

\$ in millions except per share amounts

MUELLER CO. SEGMENT NON-GAAP RESULTS

Net sales

- ❖ Net sales for the 2016 third quarter of \$198.7 million increased \$10.9 million from \$187.8 million last year, primarily due to a 9 percent increase in domestic shipments of valves, hydrants and brass products

Adjusted operating income

- ❖ We experienced strong improvement in adjusted operating income in the 2016 third quarter, largely due to higher shipment volumes, lower raw material costs and improved operating efficiencies
- ❖ Adjusted operating income improved 15.6 percent to \$54.1 million from \$46.8 million last year
- ❖ Adjusted operating margin improved 230 basis points to 27.2 percent from 24.9 percent last year

Adjusted EBITDA

- ❖ Adjusted EBITDA for the 2016 third quarter increased to \$62.6 million from \$56.5 million last year
- ❖ Adjusted EBITDA margin increased 140 basis points to 31.5 percent from 30.1 percent last year.

Third Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$ 198.7	\$ 187.8
Adj. operating income	\$ 54.1	\$ 46.8
Adj. operating margin	27.2%	24.9%
Adj. EBITDA	\$ 62.6	\$ 56.5
Adj. EBITDA margin	31.5%	30.1%

\$ in millions

3Q16 results exclude pension settlement and other charges of \$2.4 million

ANVIL SEGMENT NON-GAAP RESULTS

Net sales

- ❖ Net sales decreased 4.3 percent to \$85.4 million for the 2016 third quarter from \$89.2 million last year
- ❖ An increase in sales of fire protection products was more than offset by a \$3.2 million decrease in sales into the oil & gas market

Adjusted operating income

- ❖ Adjusted operating income for the 2016 third quarter improved to \$7.4 million from \$7.2 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

Third Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$ 85.4	\$ 89.2
Adj. operating income	\$ 7.4	\$ 7.2
Adj. operating margin	8.7%	8.1%
Adj. EBITDA	\$ 10.7	\$ 10.8
Adj. EBITDA margin	12.5%	12.1%

\$ in millions

3Q16 results exclude pension settlement and other charges of \$0.9 million

MUELLER TECHNOLOGIES SEGMENT NON-GAAP RESULTS

Net sales

- ❖ Net sales for the 2016 third quarter increased to \$26.0 million from \$24.0 million last year
- ❖ This 8.3 percent increase was primarily due to \$9.3 million in higher year-over-year shipments of AMI products, substantially offset by an \$8.0 million decrease in sales of AMR products to one customer
- ❖ Backlog and projects awarded for AMI products were up year-over-year by about 10 percent at the end of the quarter

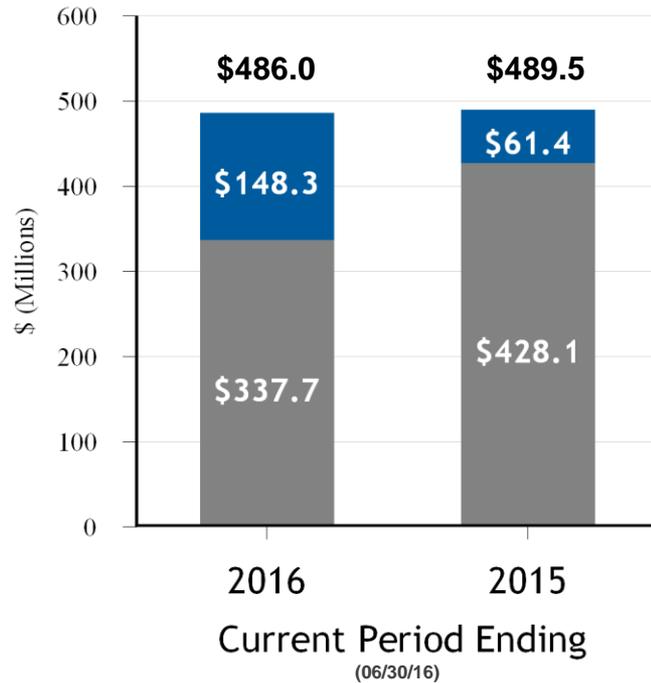
Adjusted operating loss

- ❖ Adjusted operating loss for the 2016 third quarter improved \$2.0 million to \$1.5 million from \$3.5 million last year
- ❖ This year-over-year improvement is due to the increase in net sales, improved product mix and lower selling, general and administrative expenses

Third Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$ 26.0	\$ 24.0
Adj. operating loss	\$ (1.5)	\$ (3.5)
Adj. operating margin	(5.8)%	(14.6)%
Adj. EBITDA	\$ (0.3)	\$ (2.4)
Adj. EBITDA margin	(1.2)%	(10.0)%

\$ in millions

NET DEBT



June 30, 2016

\$ in millions

ABL Revolver (LIBOR + 125 basis points)	\$	0.0
Term Loan B (LIBOR * + 325 basis points)		484.0
Other		2.0
Total Debt	\$	486.0

■ Net Debt ■ Cash

Net debt leverage was 1.7x at June 30, 2016

About \$173 million of excess availability under the ABL at June 30, 2016

* Subject to a floor of 75 basis points

Third Quarter Comments and 2016 Fourth Quarter Outlook



Supplemental Data



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

	Quarter ended June 30, 2016				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)				
Net sales	\$ 198.7	\$ 85.4	\$ 26.0	\$ —	\$ 310.1
Gross profit	\$ 77.5	\$ 23.9	\$ 5.7	\$ —	\$ 107.1
Selling, general and administrative expenses	23.4	16.5	7.2	8.8	55.9
Pension settlement	2.2	0.5	—	13.9	16.6
Other charges	0.2	0.4	—	4.3	4.9
Operating income (loss)	<u>\$ 51.7</u>	<u>\$ 6.5</u>	<u>\$ (1.5)</u>	<u>\$ (27.0)</u>	<u>\$ 29.7</u>
Interest expense, net					6.0
Income tax expense					8.2
Net income					<u>\$ 15.5</u>
Net income per diluted share					<u>\$ 0.09</u>
Capital expenditures	\$ 3.6	\$ 2.3	\$ 1.4	\$ —	\$ 7.3
Operating margin	<u>26.0%</u>	<u>7.6%</u>	<u>(5.8)%</u>		<u>9.6%</u>
Reconciliation of Non-GAAP performance measures to GAAP performance measures:					
Net income					\$ 15.5
Pension settlement					16.6
Other charges					4.9
Income tax benefit of adjusting items					<u>(7.7)</u>
Adjusted net income					<u>\$ 29.3</u>
Weighted average diluted shares outstanding					<u>163.6</u>
Adjusted net income per share					<u>\$ 0.18</u>

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

Quarter ended June 30, 2016

	Mueller Co.	Anvil	Mueller Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)				
Net income					\$ 15.5
Interest expense, net ⁽¹⁾					6.0
Income tax expense ⁽¹⁾					8.2
Operating income (loss)	\$ 51.7	\$ 6.5	\$ (1.5)	\$ (27.0)	\$ 29.7
Pension settlement	2.2	0.5	—	13.9	16.6
Other charges	0.2	0.4	—	4.3	4.9
Adjusted operating income (loss)	\$ 54.1	\$ 7.4	\$ (1.5)	\$ (8.8)	\$ 51.2
Depreciation and amortization	8.5	3.3	1.2	0.1	13.1
Adjusted EBITDA	\$ 62.6	\$ 10.7	\$ (0.3)	\$ (8.7)	\$ 64.3
Adjusted operating margin	27.2%	8.7%	(5.8)%		16.5%
Adjusted EBITDA margin	31.5%	12.5%	(1.2)%		20.7%
 ⁽¹⁾ We do not allocate interest or income taxes to our segments.					
Adjusted EBITDA	\$ 62.6	\$ 10.7	\$ (0.3)	\$ (8.7)	\$ 64.3
Three prior quarters' adjusted EBITDA	131.6	31.6	(6.5)	(24.8)	131.9
Trailing twelve months' adjusted EBITDA	\$ 194.2	\$ 42.3	\$ (6.8)	\$ (33.5)	\$ 196.2
 Reconciliation of net debt to total debt (end of period):					
Current portion of long-term debt					\$ 5.9
Long-term debt					480.1
Total debt					486.0
Less cash and cash equivalents					(148.3)
Net debt					\$ 337.7
Net debt leverage (net debt divided by trailing twelve months' adjusted EBITDA)					1.7x
 Reconciliation of free cash flow to net cash provided by operating activities:					
Net cash provided by operating activities					\$ 66.7
Less capital expenditures					(7.3)
Free cash flow					\$ 59.4

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

	Quarter ended June 30, 2015				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)				
Net sales	\$ 187.8	\$ 89.2	\$ 24.0	\$ —	\$ 301.0
Gross profit	\$ 67.9	\$ 24.0	\$ 4.3	\$ —	\$ 96.2
Selling, general and administrative expenses	21.1	16.8	7.8	7.2	52.9
Loss on Walter receivable	—	—	—	11.6	11.6
Other charges	0.1	0.2	—	(0.1)	0.2
Operating income (loss)	\$ 46.7	\$ 7.0	\$ (3.5)	\$ (18.7)	\$ 31.5
Interest expense, net					6.3
Income tax expense					8.7
Net income					\$ 16.5
Net income per diluted share					\$ 0.10
Capital expenditures	\$ 4.8	\$ 2.5	\$ 1.9	\$ 0.1	\$ 9.3
Operating margin	24.9%	7.8%	(14.6)%		10.5%
Reconciliation of Non-GAAP performance measures to GAAP performance measures:					
Net income					\$ 16.5
Loss on Walter receivable					11.6
Other charges					0.2
Income tax benefit of adjusting items					(4.5)
Adjusted net income					\$ 23.8
Weighted average diluted shares outstanding					165.5
Adjusted net income per share					\$ 0.15

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

	Quarter ended June 30, 2015				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)				
Net income					\$ 16.5
Interest expense, net (1)					6.3
Income tax expense (1)					8.7
Operating income (loss)	\$ 46.7	\$ 7.0	\$ (3.5)	\$ (18.7)	\$ 31.5
Loss on Walter receivable	—	—	—	11.6	11.6
Other charges	0.1	0.2	—	(0.1)	0.2
Adjusted operating income (loss)	\$ 46.8	\$ 7.2	\$ (3.5)	\$ (7.2)	\$ 43.3
Depreciation and amortization	9.7	3.6	1.1	0.1	14.5
Adjusted EBITDA	\$ 56.5	\$ 10.8	\$ (2.4)	\$ (7.1)	\$ 57.8
Adjusted operating margin	24.9%	8.1%	(14.6)%		14.4%
Adjusted EBITDA margin	30.1%	12.1%	(10.0)%		19.2%
⁽¹⁾ We do not allocate interest or income taxes to our segments.					
Adjusted EBITDA	\$ 56.5	\$ 10.8	\$ (2.4)	\$ (7.1)	\$ 57.8
Three prior quarters' adjusted EBITDA	122.4	42.2	(6.9)	(29.1)	128.6
Trailing twelve months' adjusted EBITDA	\$ 178.9	\$ 53.0	\$ (9.3)	\$ (36.2)	\$ 186.4
Reconciliation of net debt to total debt (end of period):					
Current portion of long-term debt					\$ 6.0
Long-term debt					483.5
Total debt					489.5
Less cash and cash equivalents					(61.4)
Net debt					\$ 428.1
Net debt leverage (net debt divided by trailing twelve months' adjusted EBITDA)					2.3x
Reconciliation of free cash flow to net cash provided by operating activities:					
Net cash provided by operating activities					\$ 58.1
Less capital expenditures					(9.3)
Free cash flow					\$ 48.8

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

	Nine months ended June 30, 2016				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(dollars in millions, except per share amounts)				
GAAP Results:					
Net sales	\$ 525.6	\$ 251.4	\$ 59.4	\$ —	\$ 836.4
Gross profit	\$ 179.2	\$ 70.6	\$ 10.9	\$ —	\$ 260.7
Selling, general and administrative expenses	65.8	51.0	20.6	26.2	163.6
Pension settlement	2.2	0.5	—	13.9	16.6
Other charges	0.8	1.0	0.5	4.3	6.6
Operating income (loss)	<u>\$ 110.4</u>	<u>\$ 18.1</u>	<u>\$ (10.2)</u>	<u>\$ (44.4)</u>	\$ 73.9
Interest expense, net					18.0
Income tax expense					18.5
Net income					<u>\$ 37.4</u>
Net income per diluted share					<u>\$ 0.23</u>
Capital expenditures	<u>\$ 12.4</u>	<u>\$ 5.6</u>	<u>\$ 4.5</u>	<u>\$ 0.1</u>	<u>\$ 22.6</u>
Reconciliation of Non-GAAP performance measures to GAAP performance measures:					
Net income					\$ 37.4
Pension settlement					16.6
Other charges					6.6
Income tax benefit of adjusting items					(8.3)
Adjusted net income					<u>\$ 52.3</u>
Weighted average diluted shares outstanding					<u>163.3</u>
Adjusted net income per share					<u>\$ 0.32</u>

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

Nine months ended June 30, 2016

	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(dollars in millions, except per share amounts)				
Net income					\$ 37.4
Interest expense, net ⁽¹⁾					18.0
Income tax expense ⁽¹⁾					18.5
Operating income (loss)	\$ 110.4	\$ 18.1	\$ (10.2)	\$ (44.4)	\$ 73.9
Pension settlement	2.2	0.5	—	13.9	16.6
Other charges	0.8	1.0	0.5	4.3	6.6
Adjusted operating income (loss)	\$ 113.4	\$ 19.6	\$ (9.7)	\$ (26.2)	\$ 97.1
Depreciation and amortization	25.5	9.9	3.5	0.3	39.2
Adjusted EBITDA	\$ 138.9	\$ 29.5	\$ (6.2)	\$ (25.9)	\$ 136.3
Adjusted operating margin	21.6%	7.8%	(16.3)%		11.6%
Adjusted EBITDA margin	26.4%	11.7%	(10.4)%		16.3%
Free cash flow:					
Net cash provided by operating activities					\$ 73.6
Less capital expenditures					(22.6)
Free cash flow					\$ 51.0

⁽¹⁾ We do not allocate interest or income taxes to our segments.

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

	Nine months ended June 30, 2015				Total
	Mueller Co.	Anvil	Mueller Technologies	Corporate	
	(dollars in millions, except per share amounts)				
GAAP results:					
Net sales	\$ 510.2	\$ 277.4	\$ 65.5	\$ —	\$ 853.1
Gross profit	\$ 163.3	\$ 75.6	\$ 10.7	\$ —	\$ 249.6
Selling, general and administrative expenses	63.6	53.8	21.7	24.6	163.7
Loss on Walter receivable	—	—	—	11.6	11.6
Other charges	8.2	0.4	0.1	0.4	9.1
Operating income (loss)	\$ 91.5	\$ 21.4	\$ (11.1)	\$ (36.6)	\$ 65.2
Interest expense, net					21.8
Loss on early extinguishment of debt					31.3
Income tax benefit					3.5
Net income					\$ 8.6
Net income per diluted share					\$ 0.05
Capital expenditures	\$ 13.1	\$ 8.5	\$ 4.6	\$ 0.1	\$ 26.3
Reconciliation of Non-GAAP performance measures to GAAP performance measures:					
Net income					\$ 8.6
Loss on early extinguishment of debt					31.3
Loss on Walter receivable					11.6
Restructuring expense, net of tax					9.1
Income tax benefit of adjusting items					(19.6)
Adjusted net income					\$ 41.0
Weighted average diluted shares outstanding					163.3
Adjusted net income per share					\$ 0.25

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

Nine months ended June 30, 2015

	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(dollars in millions, except per share amounts)				
Net income					\$ 8.6
Interest expense, net ⁽¹⁾					21.8
Loss on early extinguishment of debt ⁽¹⁾					31.3
Income tax benefit ⁽¹⁾					3.5
Operating income (loss)	\$ 91.5	\$ 21.4	\$ (11.1)	\$ (36.6)	\$ 65.2
Loss on Walter receivable	—	—	—	11.6	11.6
Other charges	8.2	0.4	0.1	0.4	9.1
Adjusted operating income (loss)	\$ 99.7	\$ 21.8	\$ (11.0)	\$ (24.6)	\$ 85.9
Depreciation and amortization	29.1	10.8	3.0	0.3	43.2
Adjusted EBITDA	\$ 128.8	\$ 32.6	\$ (8.0)	\$ (24.3)	\$ 129.1
Adjusted operating margin	19.5%	7.9%	(16.8)%		10.1%
Adjusted EBITDA margin	25.2%	11.8%	(12.2)%		15.1%
Free cash flow:					
Net cash provided by operating activities					\$ 19.2
Less capital expenditures					(26.3)
Free cash flow					\$ (7.1)

⁽¹⁾ We do not allocate interest, loss on early extinguishment of debt, or income taxes to our segments.

Q&A

