



Mueller Water Products

Where Intelligence Meets Infrastructure®

Earnings Conference Call For The
Fourth Quarter Ended September 30, 2016

November 3, 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 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 calculations of these non-GAAP measures and reconciliations to GAAP results are included as supplemental data in this presentation and have 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.

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 have any intent to update forward-looking statements, except as required by law.

CONSOLIDATED NON-GAAP RESULTS

- Pleased that we continued to see margin expansion in all three of our businesses with a 7.6% increase in adjusted operating income
- Mueller Co.'s domestic sales of valves, hydrants and brass products increased 4.4%. Mueller Co. again had strong margin improvement with adjusted EBITDA margin of 30.3%
- Anvil's net sales decreased 7.3% due to lower shipment volumes into the mechanical and oil & gas markets. Anvil's adjusted EBITDA margin increased 90 basis points
- Mueller Technologies had meaningful operating improvement on essentially flat year-over-year net sales
- Adjusted net income per share for the quarter was up 21.4% to \$0.17
- 2016 adjusted net income per share increased 25% to \$0.49
- 7th consecutive year of operating margin expansion at MWP
- 2016 adjusted EBITDA margin highest in our history

Fourth Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$ 302.5	\$ 311.4
Adj. operating income	\$ 48.4	\$ 45.0
Adj. operating margin	16.0%	14.5%
Adj. net income per share	\$ 0.17	\$ 0.14
Adj. EBITDA	\$ 61.8	\$ 59.9
Adj. EBITDA margin	20.4%	19.2%

\$ in millions except per share amounts

4Q16 results exclude certain charges totaling \$1.7 million, \$1.1 million net of tax

4Q15 results exclude certain charges totaling \$0.6 million, \$0.4 million net of tax

CONSOLIDATED GAAP RESULTS

Gross profit

- Gross profit improved to \$103.6 million from \$97.7 million last year.
- Gross margin increased 280 basis points to 34.2% from 31.4% in 2015.

SG&A

- Selling, general and administrative expenses were \$55.2 million versus \$52.7 million last year. Increase was primarily personnel-related expenses.

Net income per diluted share

- Net income per diluted share increased to \$0.16 from \$0.14
- Income tax expense of \$14.6 million with 35.5% effective tax rate

Fourth Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$ 302.5	\$ 311.4
Gross profit	\$ 103.6	\$ 97.7
Gross margin	34.2%	31.4%
Operating income	\$ 46.7	\$ 44.4
Net income per diluted share	\$ 0.16	\$ 0.14

\$ in millions except per share amounts

CONSOLIDATED NON-GAAP RESULTS

- Adjusted operating income increased 7.6% to \$48.4 million as compared with \$45.0 million
- Operating performance improved at Mueller Co., Anvil and Mueller Technologies
- Adjusted EBITDA increased to \$61.8 million compared with \$59.9 million last year.
- 2016 adjusted EBITDA was \$198.1 million
- Interest expense, net was \$5.6 million down from \$5.8 million last year.
- 2016 interest expense, net was \$23.6 million - the lowest in our history
- Adjusted net income per share improved to \$0.17 compared with \$0.14 last year

Fourth Quarter	<u>2016</u>	<u>2015</u>
Adj. operating income	\$ 48.4	\$ 45.0
Adj. operating margin	16.0%	14.5%
Adj. net income per share	\$ 0.17	\$ 0.14
Adj. EBITDA	\$ 61.8	\$ 59.9
Adj. EBITDA margin	20.4%	19.2%

\$ in millions except per share amounts

MUELLER CO. SEGMENT NON-GAAP RESULTS

Net sales

- Net sales of \$190.1 million decreased \$1.9 million.
- Domestic shipments of valves, hydrants and brass products increased 4.4%
- More than offset by lower shipments of water treatment valves at Henry Pratt.

Adjusted operating income

- Strong improvement in adjusted operating income in the quarter, largely due to favorable product mix, lower raw material costs and other cost savings
- Adjusted operating income improved 7.2% to \$48.9 million
- Adjusted operating margin improved 190 basis points to 25.7%

Adjusted EBITDA

- Adjusted EBITDA increased to \$57.6 million
- Adjusted EBITDA margin increased 150 basis points to 30.3%

Fourth Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$ 190.1	\$ 192.0
Adj. operating income	\$ 48.9	\$ 45.6
Adj. operating margin	25.7%	23.8%
Adj. EBITDA	\$ 57.6	\$ 55.3
Adj. EBITDA margin	30.3%	28.8%

\$ in millions

4Q15 results exclude certain charges totaling \$0.2 million

ANVIL SEGMENT NON-GAAP RESULTS

Net sales

- Net sales decreased 7.3% to \$86.9 million
- Lower shipment volumes primarily of mechanical and oil & gas products were partially offset by increased sales of fire protection products

Adjusted operating income

- Adjusted operating income improved to \$9.5 million versus \$8.9 million last year
- Operating efficiencies and other cost savings more than offset the impact of lower net sales

Fourth Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$ 86.9	\$ 93.7
Adj. operating income	\$ 9.5	\$ 8.9
Adj. operating margin	10.9%	9.5%
Adj. EBITDA	\$ 9.5	\$ 8.9
Adj. EBITDA margin	14.6%	13.7%

\$ in millions

4Q16 results exclude certain charges totaling \$0.8 million

4Q15 results exclude certain charges totaling \$0.3 million

MUELLER TECHNOLOGIES SEGMENT NON-GAAP RESULTS

Net sales

- Net sales were essentially flat year-over-year
- Shipments of our higher margin AMI products increased \$3.1 million or 42% year-over-year - but were more than offset by lower AMR shipments
- AMI shipments represented almost 50 percent of Mueller Systems' total net sales in the quarter

Adjusted operating loss

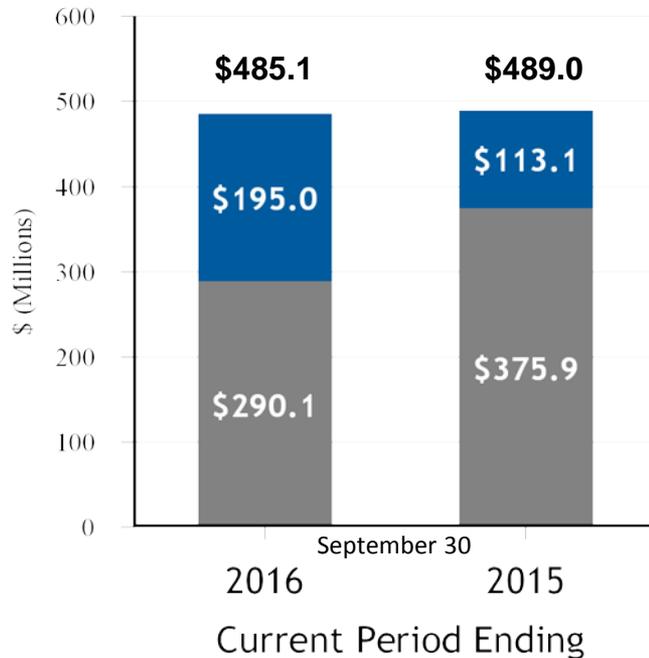
- Adjusted operating loss improved \$1.3 million despite essentially flat sales
- Adjusted operating margin improved 500 basis points due to favorable mix and lower overhead cost

Fourth Quarter	<u>2016</u>	<u>2015</u>
Net sales	\$ 25.5	\$ 25.7
Adj. operating loss	\$ (0.5)	\$ (1.8)
Adj. operating margin	(2.0)%	(7.0)%
Adj. EBITDA	\$ 0.8	\$ (0.6)
Adj. EBITDA margin	3.1%	(2.3)%

\$ in millions

4Q16 results exclude certain charges totaling \$0.4 million

NET DEBT



September 30, 2016

\$ in millions

ABL Revolver (LIBOR + 175 basis points)	\$ 0.0
Term Loan B (LIBOR* + 325 basis points)	483.1
Other	2.0
Total Debt	<u>\$ 485.1</u>

■ Net Debt ■ Cash

Net debt leverage was 1.5x at September 30, 2016

\$169.1 million of excess availability under the ABL at September 30, 2016

* Subject to a floor of 75 basis points

Fourth Quarter Comments, 2017 Full Year and 2017 First Quarter Outlook



Supplemental Data



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

	Quarter ended September 30, 2016				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(in millions, except per share amounts)				
GAAP Results:					
Net sales	\$ 190.1	\$ 86.9	\$ 25.5	\$ —	\$ 302.5
Gross profit	\$ 71.5	\$ 25.8	\$ 6.3	\$ —	\$ 103.6
Selling, general and administrative expenses	22.6	16.3	6.8	9.5	55.2
Other charges	—	0.8	0.4	0.5	1.7
Operating income (loss)	\$ 48.9	\$ 8.7	\$ (0.9)	\$ (10.0)	46.7
Interest expense, net					5.6
Income tax expense					14.6
Net income					\$ 26.5
Net income per diluted share					\$ 0.16
Capital expenditures	\$ 11.9	\$ 2.3	\$ 2.5	\$ 0.1	\$ 16.8
Operating margin	25.7%	10.0%	(3.5)%		15.4%
Reconciliation of Non-GAAP performance measures to GAAP performance measures:					
Net income					\$ 26.5
Other charges					1.7
Income tax benefit of adjusting items					(0.6)
Adjusted net income					\$ 27.6
Weighted average diluted shares outstanding					163.9
Adjusted net income per diluted share					\$ 0.17

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

	Quarter ended September 30, 2016				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(in millions, except per share amounts)				
Net income					\$ 26.5
Interest expense, net ⁽¹⁾					5.6
Income tax expense ⁽¹⁾					14.6
Operating income (loss)	\$ 48.9	\$ 8.7	\$ (0.9)	\$ (10.0)	46.7
Other charges	—	0.8	0.4	0.5	1.7
Adjusted operating income (loss)	48.9	9.5	(0.5)	(9.5)	48.4
Depreciation and amortization	8.7	3.2	1.3	0.2	13.4
Adjusted EBITDA	\$ 57.6	\$ 12.7	\$ 0.8	\$ (9.3)	\$ 61.8
Adjusted operating margin	25.7%	10.9%	(2.0)%		16.0%
Adjusted EBITDA margin	30.3%	14.6%	3.1%		20.4%
Reconciliation of free cash flow to net cash provided by operating activities:					
Net cash provided by operating activities					\$ 71.5
Less capital expenditures					(16.8)
Free cash flow					\$ 54.7

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

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

	Quarter ended September 30, 2015				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(in millions, except per share amounts)				
GAAP results:					
Net sales	\$ 192.0	\$ 93.7	\$ 25.7	\$ —	\$ 311.4
Gross profit	\$ 65.8	\$ 25.5	\$ 6.4	\$ —	\$ 97.7
Selling, general and administrative expenses	20.2	16.6	8.2	7.7	52.7
Pension settlement	0.2	0.3	—	—	0.5
Other charges	—	—	—	0.1	0.1
Operating income (loss)	\$ 45.4	\$ 8.6	\$ (1.8)	\$ (7.8)	44.4
Interest expense, net					5.8
Income tax expense					16.3
Net income					\$ 22.3
Net income per diluted share					\$ 0.14
Capital expenditures	\$ 7.4	\$ 1.8	\$ 1.9	\$ 0.1	\$ 11.2
Operating margin	23.6%	9.2%	(7.0)%		14.3%
Reconciliation of non-GAAP performance measures to GAAP performance measures:					
Net income					\$ 22.3
Pension settlement					0.5
Other charges					0.1
Income tax benefit of adjusting items					(0.2)
Income tax asset valuation allowance					0.3
Adjusted net income					\$ 23.0
Weighted average diluted shares outstanding					163.1
Adjusted net income per diluted share					\$ 0.14

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

	Quarter ended September 30, 2015				Total
	Mueller Co.	Anvil	Mueller Technologies	Corporate	
	(in millions, except per share amounts)				
Net income					\$ 22.3
Pension settlement					0.5
Other charges					0.1
Income tax benefit of adjusting items					(0.2)
Income tax asset valuation allowance					0.3
Adjusted net income					\$ 23.0
Weighted average diluted shares outstanding					163.1
Adjusted net income per diluted share					\$ 0.14
Net income					\$ 22.3
Interest expense, net ⁽¹⁾					5.8
Income tax expense ⁽¹⁾					16.3
Operating income (loss)	\$ 45.4	\$ 8.6	\$ (1.8)	\$ (7.8)	\$ 44.4
Pension settlement	0.2	0.3	—	—	0.5
Other charges	—	—	—	0.1	0.1
Adjusted operating income (loss)	45.6	8.9	(1.8)	(7.7)	45.0
Depreciation and amortization	9.7	3.9	1.2	0.1	14.9
Adjusted EBITDA	\$ 55.3	\$ 12.8	\$ (0.6)	\$ (7.6)	\$ 59.9
Adjusted operating margin	23.8%	9.5%	(7.0)%		14.5%
Adjusted EBITDA margin	28.8%	13.7%	(2.3)%		19.2%
Reconciliation of free cash flow to net cash provided by operating activities:					
Net cash provided by operating activities					\$ 68.6
Less capital expenditures					(11.2)
Free cash flow					\$ 57.4

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

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

Year ended September 30, 2016

	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(in millions, except per share amounts)				
GAAP Results:					
Net sales	\$ 715.7	\$ 338.3	\$ 84.9	\$ —	\$ 1,138.9
Gross profit	\$ 250.7	\$ 96.4	\$ 17.2	\$ —	\$ 364.3
Selling, general and administrative expenses	88.4	67.3	27.4	35.7	218.8
Pension settlement	2.2	0.5	—	13.9	16.6
Other charges	0.8	1.8	0.9	4.8	8.3
Operating income (loss)	<u>\$ 159.3</u>	<u>\$ 26.8</u>	<u>\$ (11.1)</u>	<u>\$ (54.4)</u>	120.6
Interest expense, net					23.6
Income tax expense					33.1
Net income					<u>\$ 63.9</u>
Net income per diluted share					<u>\$ 0.39</u>
Capital expenditures	<u>\$ 24.3</u>	<u>\$ 7.9</u>	<u>\$ 7.0</u>	<u>\$ 0.2</u>	<u>\$ 39.4</u>
Operating margin	<u>22.3%</u>	<u>7.9%</u>	<u>(13.1)%</u>		<u>10.6%</u>
Reconciliation of Non-GAAP performance measures to GAAP performance measures:					
Net income					\$ 63.9
Pension settlement					16.6
Other charges					8.3
Income tax benefit of adjusting items					(8.9)
Adjusted net income					<u>\$ 79.9</u>
Weighted average diluted shares outstanding					<u>163.4</u>
Adjusted net income per diluted share					<u>\$ 0.49</u>

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

Year ended September 30, 2016

	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(in millions, except per share amounts)				
Net income					\$ 63.9
Interest expense, net ⁽¹⁾					23.6
Income tax expense ⁽¹⁾					33.1
Operating income (loss)	\$ 159.3	\$ 26.8	\$ (11.1)	\$ (54.4)	120.6
Pension settlement	2.2	0.5	—	13.9	16.6
Other charges	0.8	1.8	0.9	4.8	8.3
Adjusted operating income (loss)	162.3	29.1	(10.2)	(35.7)	145.5
Depreciation and amortization	34.2	13.1	4.8	0.5	52.6
Adjusted EBITDA	\$ 196.5	\$ 42.2	\$ (5.4)	\$ (35.2)	\$ 198.1
Adjusted operating margin	22.7%	8.6%	(12.0)%		12.8%
Adjusted EBITDA margin	27.5%	12.5%	(6.4)%		17.4%
Reconciliation of net debt to total debt (end of period):					
Current portion of long-term debt					\$ 5.9
Long-term debt					479.2
Total debt					485.1
Less cash and cash equivalents					(195.0)
Net debt					\$ 290.1
Net debt leverage (net debt divided by adjusted EBITDA)					1.5x
Reconciliation of free cash flow to net cash provided by operating activities:					
Net cash provided by operating activities					\$ 145.1
Less capital expenditures					(39.4)
Free cash flow					\$ 105.7

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

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

	Year ended September 30, 2015				
	Mueller Co.	Anvil	Mueller Technologies	Corporate	Total
	(in millions, except per share amounts)				
GAAP results:					
Net sales	\$ 702.2	\$ 371.1	\$ 91.2	\$ —	\$ 1,164.5
Gross profit	\$ 229.1	\$ 101.1	\$ 17.1	\$ —	\$ 347.3
Selling, general and administrative expenses	83.8	70.4	29.9	32.3	216.4
Pension settlement	0.2	0.3	—	—	0.5
Loss on Walter receivable	—	—	—	11.6	11.6
Other charges	8.2	0.4	0.1	0.5	9.2
Operating income (loss)	\$ 136.9	\$ 30.0	\$ (12.9)	\$ (44.4)	109.6
Interest expense, net					27.6
Loss on early extinguishment of debt					31.3
Income tax expense					19.8
Net income					\$ 30.9
Net income per diluted share					\$ 0.19
Capital expenditures	\$ 20.5	\$ 10.3	\$ 6.5	\$ 0.2	\$ 37.5
Reconciliation of Non-GAAP performance measures to GAAP performance measures:					
Net income					\$ 30.9
Pension settlement					0.5
Loss on Walter receivable					11.6
Other charges					9.2
Loss on early extinguishment of debt					31.3
Income tax benefit of adjusting items					(19.8)
Income tax valuation allowance					0.3
Adjusted net income					\$ 64.0
Weighted average diluted shares outstanding					163.2
Adjusted net income per diluted share					\$ 0.39

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

Year ended September 30, 2015

	Year ended September 30, 2015				Total
	Mueller Co.	Anvil	Mueller Technologies	Corporate	
	(in millions, except per share amounts)				
Net income					\$ 30.9
Interest expense, net ⁽¹⁾					27.6
Loss on early extinguishment of debt					31.3
Income tax expense ⁽¹⁾					19.8
Operating income (loss)	\$ 136.9	\$ 30.0	\$ (12.9)	\$ (44.4)	109.6
Pension settlement	0.2	0.3	—	—	0.5
Loss on Walter receivable	—	—	—	11.6	11.6
Other charges	8.2	0.4	0.1	0.5	9.2
Adjusted operating income (loss)	145.3	30.7	(12.8)	(32.3)	130.9
Depreciation and amortization	38.8	14.7	4.2	0.4	58.1
Adjusted EBITDA	\$ 184.1	\$ 45.4	\$ (8.6)	\$ (31.9)	\$ 189.0
Adjusted operating margin	20.7%	8.3%	(14.0)%		11.2%
Adjusted EBITDA margin	26.2%	12.2%	(9.4)%		16.2%
Reconciliation of net debt to total debt (end of period):					
Current portion of long-term debt					\$ 6.1
Long-term debt					482.9
Total debt					489.0
Less cash and cash equivalents					(113.1)
Net debt					\$ 375.9
Net debt leverage (net debt divided by adjusted EBITDA)					2.0x
Reconciliation of free cash flow to net cash provided by operating activities:					
Net cash provided by operating activities					\$ 87.8
Less capital expenditures					(37.5)
Free cash flow					\$ 50.3

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

Q&A

