

Mueller Water Products Reports 2018 Third Quarter Results

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August 06, 2018

Increased Net Sales 7.8%

Earned Net Income per Diluted Share of \$0.10

Delivered Adjusted Net Income per Diluted Share of \$0.19

ATLANTA, Aug. 06, 2018 (GLOBE NEWSWIRE) -- Mueller Water Products, Inc. (NYSE:MWA) announced today that for its fiscal 2018 third quarter ended June 30, 2018 net sales were \$250.2 million and net income was \$15.3 million.

In the 2018 third quarter, the Company:

- Increased net sales 7.8 percent, or \$18.0 million, to \$250.2 million as compared with \$232.2 million in the prior year quarter.
- Generated operating income of \$30.6 million and adjusted operating income of \$47.3 million as compared with \$43.0 million and \$45.0 million, respectively, in the prior year quarter.
- Reported income from continuing operations of \$15.3 million as compared with \$24.1 million in the prior year quarter. Improved adjusted net income to \$30.0 million as compared with \$25.4 million in the prior year quarter.
- Recorded a \$14.1 million warranty charge at Technologies, a \$6.2 million charge related to debt refinancing, a \$2.4 million settlement gain on termination of interest rate swap contracts and other charges of \$2.6 million.
- Reported net income per diluted share of \$0.10 and adjusted net income per diluted share of \$0.19 as compared with net income per diluted share of \$0.15 and adjusted net income per diluted share of \$0.16 in the prior year quarter.
- Generated \$43.2 million of free cash flow through the first nine months as compared with \$3.8 million in the prior year period.
- Refinanced outstanding debt with \$450 million of 5.5% Senior Notes due 2026 and decreased outstanding debt by \$33.9 million.

"With net sales growth of 7.8 percent in the quarter, we continue to be very encouraged by the healthy demand in both municipal and residential end markets. Infrastructure and Technologies each generated solid volume growth in the quarter. In addition, we are

benefiting from the price increases we implemented in the second quarter, which more than covered inflation. We also increased our adjusted operating income and adjusted net income per share. However, conversion margin lagged in the quarter primarily due to higher costs associated with inflation, some unexpected equipment downtime and repairs, and timing of certain SG&A expenses," said Scott Hall, President and Chief Executive Officer of Mueller Water Products.

"We continue to make solid progress on our key initiatives to execute our go-to-market strategies as a customer-focused organization, drive operational excellence and accelerate new product development. Our new product development initiatives are gaining momentum. At the American Water Works Association Annual Conference, we introduced a smart fire hydrant that monitors pressure and detects leaks, and at Singapore International Water Week, we showcased the deployment of our EchoShore® TX leak detection monitoring system being used by PUB, Singapore's National Water Agency.

"We anticipate continued growth in our end markets in 2018. For full year 2018, we expect our consolidated net sales increase to be at the high end of the 7 to 9 percent range we provided last quarter, with adjusted operating income growing between 9 and 11 percent.

"I am excited about where we are with our strategic initiatives and the contribution they should provide to our performance going forward. Our growth strategies are supported by our strong balance sheet and free cash flow with a capital allocation strategy focused on enhancing our position as a leading water infrastructure company."

Consolidated Results

Net sales for the 2018 third quarter increased \$18.0 million, or 7.8 percent, to \$250.2 million as compared with \$232.2 million in the 2017 third quarter with growth in both segments.

Adjusted operating income increased to \$47.3 million for the 2018 third quarter as compared with \$45.0 million in the 2017 third quarter.

Segment Results

Infrastructure

Net sales for the 2018 third quarter increased \$16.5 million, or 7.9 percent, to \$224.1 million as compared with \$207.6 million in the 2017 third quarter, primarily due to higher shipment volumes and higher pricing.

Operating income was \$57.0 million in the quarter. Adjusted operating income for the 2018 third quarter increased 5.2 percent to \$57.0 million as compared with \$54.2 million in the 2017 third quarter. Adjusted operating income increased primarily due to higher pricing and higher shipment volumes, which were partially offset by higher costs

associated with inflation, unexpected equipment downtime and repairs, and timing of certain SG&A expenses.

Technologies

Net sales for the 2018 third quarter increased \$1.5 million, or 6.1 percent, to \$26.1 million, as compared with \$24.6 million in the 2017 third quarter, due to higher volumes.

During the quarter, we completed a new study of our historical warranty experience. As a result of this new information, we recorded a warranty charge of \$14.1 million during the quarter.

Operating loss was \$16.1 million in the 2018 third quarter, which includes the \$14.1 million warranty charge mentioned above, and was \$1.6 million in the prior year quarter. Adjusted operating loss was \$2.0 million in the 2018 third quarter and was \$1.6 million in the 2017 third quarter. Adjusted operating loss increased primarily due to increased costs associated with unexpected equipment downtime and repairs and inflation, partially offset by higher volumes.

Interest Expense, Net and Related Items

Interest expense, net for the 2018 third quarter was \$5.3 million as compared with \$5.1 million in the 2017 third quarter. During the third quarter, we issued \$450 million of 5.5% Senior Notes due in 2026. We repaid our outstanding term loan with proceeds from the offering and cash on hand. We wrote-off the deferred financing costs and unamortized original issue discount associated with the term loan, resulting in a one-time non-cash charge of \$6.2 million. In addition, we terminated our interest swap contracts and recorded a one-time \$2.4 million cash gain.

Income Taxes

For the 2018 third quarter, the Company reported income tax expense of \$6.0 million, or 28.2 percent of income before income taxes. This rate differs from the statutory rate primarily due to the effects of state income taxes, manufacturing deductions and discrete items.

Conference Call Webcast

Mueller Water Products' quarterly earnings conference call will take place Tuesday, August 7, 2018, at 9:00 a.m. ET. Members of Mueller Water Products' leadership team will discuss the Company's recent financial performance and respond to questions from financial analysts. A live webcast of the call will be available on the Investor Relations section of the Company's website. Please go to the website (www.muellerwaterproducts.com) at least 15 minutes prior to the start of the call to register, download and install any necessary software. A replay of the call will be available for 30 days and can be accessed by dialing 1-888-566-0438. An archive of the webcast will also be available on the Investor Relations section of the Company's website.

Use of Non-GAAP Measures

In an effort to provide investors with additional information regarding the Company's results as determined under 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 diluted 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 calculations of these non-GAAP measures and reconciliations to GAAP results are included as an attachment to this press release and have been posted online at www.muellerwaterproducts.com.

Forward-Looking Statements

This press release 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, including statements regarding our go-to-market strategies, operational excellence, acceleration of new product development, continued growth in our end markets in this fiscal year, net sales growth and adjusted operating income targets, growth and capital allocation strategies and future warranty charges. 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 or regulatory conditions, manufacturing and product performance, warranty assumptions (including the adequacy of our reserves related thereto), expectations regarding higher volumes, continued execution of our cost productivity initiatives and improved pricing, as well as 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 our Quarterly Report on

Form 10-Q for the quarter ended March 31, 2018. Undue reliance should not be placed on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements, except as required by law.

About Mueller Water Products, Inc.

Mueller Water Products, Inc. (NYSE:MWA) is a leading manufacturer and marketer of products and services used in the transmission, distribution and measurement of water in North America. Our broad product and service portfolio includes engineered valves, fire hydrants, metering products and systems, leak detection and pipe condition assessment. We help municipalities increase operational efficiencies, improve customer service and prioritize capital spending, demonstrating why Mueller Water Products is Where Intelligence Meets Infrastructure[®]. Visit us at www.muellerwaterproducts.com.

Investor Relations Contact: Whit Kincaid 770-206-4116 wkincaid@muellerwp.com

Media Contact: Yolanda Kokayi

770-206-4131

ykokayi@muellerwp.com

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

June 30,	September 30,
2018	2017

Assets:	(in millions, except sh amounts)					
Cash and cash equivalents	\$	331.5	\$	361.7		
Receivables, net		145.8		145.3		
Inventories		156.1		138.9		
Other current assets		20.2		24.4		
Total current assets		653.6		670.3		
Property, plant and equipment, net		129.0		122.3		

Intangible assets	424.6	439.3
Other noncurrent assets	26.1	26.4
Total assets	\$ 1,233.3	\$ 1,258.3
Liabilities and equity:		
Current portion of long-term debt	\$ 0.8	\$ 5.6
Accounts payable	63.8	82.5
Other current liabilities	62.8	53.5
Total current liabilities	127.4	141.6
Long-term debt	444.5	475.0
Deferred income taxes	76.9	115.1
Other noncurrent liabilities	46.4	37.1
Total liabilities	695.2	768.8
Commitments and contingencies		
Common stock: 600,000,000 shares authorized; 158,126,171 and 158,590,383 shares outstanding at June 30, 2018 and September 30, 2017, respectively	1.6	1.6
Additional paid-in capital	1,461.1	1,494.2
Accumulated deficit	(875.0)	(955.6
Accumulated other comprehensive loss	(50.9)	(51.8
Total Company stockholders' equity	536.8	488.4
Noncontrolling interest	1.3	1.1
Total equity	538.1	489.5
Total liabilities and equity	\$ 1,233.3	\$ 1,258.3

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three mo	nths ended	Nine mon	ths ended		
		e 30,		e 30,		
	2018	2018 2017		2017		
	(in m	nillions, excep	t per share amo	unts)		
Net sales	\$ 250.2	\$ 232.2	\$ 661.7	\$ 599.1		
Cost of sales ⁽¹⁾	175.7	149.6	457.3	412.2		
Gross profit	74.5	82.6	204.4	186.9		
Operating expenses:						
Selling, general and administrative	41.3	38.4	123.8	113.4		
Gain on sale of idle property	_	_	(9.0)	_		
Strategic reorganization and other charges	2.6	1.2	8.4	5.0		
Total operating expenses	43.9	39.6	123.2	118.4		
Operating income	30.6	43.0	81.2	68.5		
Pension costs other than service	0.2	0.4	0.7	1.1		
Interest expense, net	5.3	5.1	15.7	17.0		
Loss on early extinguishment of debt ⁽²⁾	6.2	_	6.2	_		
Gain on settlement of interest rate swap contracts ⁽²⁾	(2.4)	_	(2.4)	_		
Income before income taxes	21.3	37.5	61.0	50.4		
Income taxes:						
Recurring-basis income tax expense	6.0	13.4	15.5	16.2		

One time impacts from tax								
One-time impacts from tax legislation ⁽³⁾		_		_		(35.1)		_
Income tax expense (benefit)		6.0		13.4		(19.6)		16.2
Income from continuing operations		15.3		24.1		80.6		34.2
Income (loss) from discontinued operations		_		(0.1)		_		69.8
Net income	\$	15.3	\$	24.0	\$	80.6	\$	104.0
Income per basic share:								
Continuing operations	\$	0.10	\$	0.15	\$	0.51	\$	0.21
Discontinued operations		_		_		_		0.44
Net income	\$	0.10	\$	0.15	\$	0.51	\$	0.65
Income per diluted share:								
Continuing operations	\$	0.10	\$	0.15	\$	0.51	\$	0.21
Discontinued operations		_		_		_		0.43
	\$	0.10	¢	0.15	\$	0. [1	_	0.64
Net income	Ψ —	0.10	\$	0.13	P	0.51	\$	
Net income Weighted average shares outstanding:	<u> </u>	0.10	<u></u>	0.13	P	0.51	\$ 	
Weighted average shares	Ψ	158.1	P	159.1	P	158.3	\$	160.6
Weighted average shares outstanding:			7		7		\$	160.6 162.4

discrete warranty charge. The nine month period ended June 30, 2017 includes a similar charge of \$9.8 million.

⁽²⁾ During the quarter ended June 30, 2018, the Company issued new debt and retired its term loan and terminated its related interest rate swap contracts.

(3) U.S. federal income tax legislation was enacted during the quarter ended December 31, 2017. The quarter ended March 31, 2018 included a provisional \$7.5 million one-time transition tax on undistributed foreign earnings due to this legislation. The quarter ended December 31, 2017 also included a provisional \$42.6 million income tax benefit for the required remeasurement of net deferred tax liabilities to reflect the enacted tax rates in effect when the Company expects to recognize the related tax expenses or benefits.

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

Nine months ended		
June 30,		
2018	2017	

	(in millions)				
Operating activities:					
Net income	\$	80.6	\$	104.0	
Less income from discontinued operations		_		69.8	
Income from continuing operations		80.6		34.2	
Adjustments to reconcile income from continuing operations to net cash provided by operating activities of continuing operations:					
Depreciation		15.3		14.9	
Amortization		17.0		16.2	
Loss on early extinguishment of debt		6.2		_	
Stock-based compensation		4.3		3.5	
Retirement plans		2.1		2.6	

Deferred income taxes	(39.7)	(14.4)
Gain on sale	(9.0)	_
Other, net	4.5		1.4
Changes in assets and liabilities, net of acquisitions:			
Receivables	(0.6)	(5.8)
Inventories	(18.0)	(4.6)
Other assets	(3.5)	(4.0)
Liabilities	10.9		(18.6)
Net cash provided by operating activities of continuing operations	70.1		25.4
Investing activities:			
Capital expenditures	(26.9)	(21.6)
Proceeds from sales of assets	7.4		0.2
Business acquisitions, net of cash acquired	_		(26.0)
Net cash used in investing activities of continuing operations	(19.5)	(47.4)
Financing activities:	-		
Repayments of debt	(486.3)	(3.7)
Issuance of debt	450.0		_
Dividends	(22.2)	(17.6)
Stock repurchased under buyback program	(20.0)	(55.0)
Debt issuance costs	(6.6)	(1.0)
Employee taxes related to stock-based compensation	(2.1)	(2.7)
Common stock issued	6.9		5.2
Other	0.2		0.2
Net cash used in financing activities of continuing operations	(80.1)	(74.6)
Net cash flows from discontinued operations:			
Operating activities	_		(42.5)
Investing activities	_		297.2
Financing activities	_		(0.1)

Net cash provided by discontinued operations	_		254.6
Effect of currency exchange rate changes on cash	(0.7)		0.2
Net change in cash and cash equivalents	(30.2)		158.2
Cash and cash equivalents at beginning of period	361.7		195.0
Cash and cash equivalents at end of period	\$ 331.5	\$	353.2
	 	-	

Quarter ended June 30, 2018

Corporate **Infrastructure Technologies Consolidated** (dollars in millions, except per share amounts) 250.2 Net sales \$ 224.1 \$ 26.1 \$ \$ 83.4 74.5 Gross profit (loss) \$ \$ (8.9)\$ \$ Selling, general and administrative 26.4 7.2 7.7 41.3 expenses Strategic reorganization and other charges 2.6 2.6 Operating income \$ 57.0 (16.1)\$ (10.3)\$ 30.6 (loss) 25.4 % (61.7)% 12.2 % Operating margin

	'					
Capital expenditures	\$	10.7	\$	2.0	\$ (0.2)	\$ 12.5
onponance:			т		 (01=)	
Reconciliation of nor performance measu performance measu	res to					
Net income						\$ 15.3
Warranty charge						14.1
Strategic reorganization and other charges						2.6
Loss on early extinguishment of debt						6.2
Gain on settlement of interest rate swap contracts						(2.4)
Income tax benefit of adjusting items						(5.8)
Adjusted net income						\$ 30.0
Weighted average diluted shares outstanding						 159.2
Adjusted net income per diluted share						\$ 0.19
Net income						\$ 15.3
Loss on early extinguishment of debt						6.2
Gain on settlement of interest rate swap contracts						(2.4)
Income tax expense						6.0

Pension costs other									
than service									0.2
Operating income (loss)	\$ 57.0)	\$	(16.1)	\$	(10.3)	30.6
Warranty charge	_	-		14.1			_		14.1
Strategic reorganization and other charges	_	-		_			2.6		2.6
Adjusted operating income (loss)	57.0)		(2.0)		(7.7)	47.3
Pension costs other than service	_	-		_			(0.2)	(0.2)
Depreciation and amortization	9.2	2		1.5			0.1		10.8
Adjusted EBITDA	\$ 66.2	2	\$	(0.5)	\$	(7.8)	\$ 57.9
Adjusted operating margin	25.4	1 %		(7.7)%				 18.9 %
Adjusted EBITDA margin	29.5	5 %		(1.9)%				23.1 %
¹⁾ We do not alloca segments.	te interest o	r incom	ne ta	xes to	our				
		(Qua	rter en	ded J	une	30, 201	L8	
						Co	rporat	e	

	(dollar	s in mi	llions, ex	cept p	er share	am	noui	nts)
Adjusted EBITDA	\$ 66.2	\$	(0.5)	\$	(7.8)	\$	57.9
Three prior quarters' adjusted EBITDA	151.8		(6.4)		(27.3)		118.1
Trailing twelve months' adjusted EBITDA	\$ 218.0	\$	(6.9)	\$	(35.1)	\$	176.0
Reconciliation of net debt to total debt (end of period):								
Current portion of long-term debt							\$	0.8
Long-term debt								444.5
Total debt								445.3
Less cash and cash equivalents								331.5
Net debt							\$	113.8
Net debt leverage (by trailing twelve m EBITDA)								0.6 ×
Reconciliation of fre				ру				
Net cash provided by operating activities of continuing operations							\$	68.5
Less capital expenditures								(12.5)
								56.0

			Qua	rter ended 3	June 3	30, 2017		
	Inf	rastructure	Te	chnologies	Со	rporate	Со	nsolidated
		(dollars i	n mi	Ilions, exce	pt pe	r share aı	noui	nts)
Net sales	\$	207.6	\$	24.6	\$	_	\$	232.2
Gross profit	\$	77.0	\$	5.6	\$	_	\$	82.6
Selling, general and administrative expenses		23.6		7.2		7.6		38.4
Other charges		0.4		_		0.8		1.2
Operating income (loss)	\$	53.0	\$	(1.6)	\$	(8.4)	\$	43.0
Operating margin		25.5 %		(6.5)%				18.5 %
Capital expenditures	\$	6.1	\$	1.3	\$	0.1	\$	7.5
Reconciliation of nor performance measure performance measure	res t							
Net income							\$	24.0
Loss from discontinued operations (after tax)								0.1
Inventory purchase accounting								0.8

adjustment							
Strategic reorganization and other charges							1.2
Income tax benefit of adjusting items							(0.7)
Adjusted net income							\$ 25.4
Weighted average diluted shares outstanding							 160.6
Adjusted net income per diluted share							\$ 0.16
Net income							\$ 24.0
Loss from discontinued operations (after tax)							0.1
Income tax expense							13.4
Interest expense, net							5.1
Pension costs other than service							0.4
Operating income (loss)	\$ 53.0	\$ (1	.6)	\$ 3	(8.4)	43.0
Inventory purchase accounting adjustment	0.8		_		_		0.8
Strategic reorganization and other charges	0.4		_		0.8		1.2
Adjusted operating income (loss)	54.2	(1	.6)		(7.6)	45.0
Pension costs other than service	(0.1)				(0.3)	(0.4)
Depreciation and amortization	8.9	1	.2		0.1		10.2
Adjusted EBITDA	\$ 63.0	\$ (0	.4)	\$	(7.8)	\$ 54.8

				_		_		
Adjusted operating margin		26.1 %		(6.5)%				19.4 %
Adjusted EBITDA margin		30.3 %		(1.6)%				23.6 %
(1) We do not allocate segments.	ite in	terest or incor	ne ta	xes to our				
			Quai	rter ended J	une	30, 2017		
					C	- un o un to		
	Inf	rastructure	Te	chnologies	Co	orporate	Со	nsolidated
	Inf							
	Inf			chnologies Ilions, exce _l				
Adjusted EBITDA	Inf							
Adjusted EBITDA Three prior quarters' adjusted EBITDA		(dollars i	in mi	llions, exce	pt pe	er share ar	mour	nts)
Three prior quarters' adjusted EBITDA Trailing twelve		(dollars i	in mi	llions, exception (0.4)	pt pe	e r share ar (7.8)	mour	1 ts) 54.8
Three prior quarters' adjusted EBITDA		(dollars i	in mi	llions, exception (0.4)	pt pe	(7.8)	mour \$	54.8 108.3
Three prior quarters' adjusted EBITDA Trailing twelve months' adjusted	\$	(dollars i 63.0 137.8	in mi	(0.4) (2.6)	pt pe	(7.8)	mour \$	54.8 108.3
Three prior quarters' adjusted EBITDA Trailing twelve months' adjusted	\$	(dollars i 63.0 137.8	in mi	(0.4) (2.6)	pt pe	(7.8)	mour \$	54.8 108.3
Three prior quarters' adjusted EBITDA Trailing twelve months' adjusted EBITDA Reconciliation of net debt to total debt (end of	\$	(dollars i 63.0 137.8	in mi	(0.4) (2.6)	pt pe	(7.8)	mour \$	54.8 108.3
Three prior quarters' adjusted EBITDA Trailing twelve months' adjusted EBITDA Reconciliation of net debt to total debt (end of period): Current portion of	\$	(dollars i 63.0 137.8	in mi	(0.4) (2.6)	pt pe	(7.8)	*	54.8 108.3 163.1

Less cash and cash equivalents	353.2
Net debt	\$ 128.0
Net debt leverage (net debt divided	
by trailing twelve months' adjusted EBITDA)	 0.8 x
Reconciliation of free cash flow to net cash provided by operating activities of continuing operations:	
Net cash provided by	
operating activities of continuing operations	\$ 41.7
Less capital expenditures	(7.5)
Free cash flow	\$ 34.2

Nine months ended June 30, 2018 Corporate **Infrastructure Technologies Consolidated** (dollars in millions, except per share amounts) 595.3 \$ \$ 66.4 \$ 661.7 Net sales Gross profit (loss) \$ 207.3 \$ (2.9)\$ \$ 204.4

Selling, general and administrative expenses		77.2	21.7	24.9		123.8
Gain on sale of idle property		_	_	(9.0)		(9.0)
Strategic reorganization and other charges		0.1	0.1	8.2		8.4
Operating income (loss)	\$	130.0	\$ (24.7)	\$ (24.1)	\$	81.2
Operating margin		21.8 %	 (37.2)%			12.3 %
Capital	<u></u>	21.8	\$ 5.0	\$ 0.1	\$	26.9
Passanciliation of non	\$			 		
Reconciliation of non performance measur performance measur	-GAA	Λ P			4	80.6
Reconciliation of non performance measur performance measur Net income One-time impacts	-GAA	Λ P			\$	80.6
Reconciliation of non performance measur performance measur	-GAA	Λ P			\$	
Reconciliation of non performance measur performance measur Net income One-time impacts from tax legislation	-GAA	Λ P			\$	(35.1)
Reconciliation of non performance measur performance measur Net income One-time impacts from tax legislation Warranty charge Gain on sale of idle	-GAA	Λ P			\$	(35.1) 14.1
Reconciliation of non performance measur performance measur Net income One-time impacts from tax legislation Warranty charge Gain on sale of idle property Strategic reorganization and	-GAA	Λ P			\$	(35.1) 14.1 (9.0)
Reconciliation of non performance measur performance measur Net income One-time impacts from tax legislation Warranty charge Gain on sale of idle property Strategic reorganization and other charges Loss on early extinguishment of	-GAA	Λ P			\$	(35.1) 14.1 (9.0)
Reconciliation of non performance measur performance measur Net income One-time impacts from tax legislation Warranty charge Gain on sale of idle property Strategic reorganization and other charges Loss on early extinguishment of debt Gain on settlement of interest rate swap	-GAA	Λ P			\$	(35.1) 14.1 (9.0) 8.4 6.2

Weighted average diluted shares outstanding						 159.5
Adjusted net income per diluted share						\$ 0.36
Net income						\$ 80.6
One-time impacts from tax legislation						(35.1)
Loss on early extinguishment of debt						6.2
Gain on settlement of interest rate swap contracts						(2.4)
Income tax expense						15.5
Interest expense, net						15.7
Pension costs other than service						0.7
Operating income (loss)	\$ 130.0	\$ (24.7)	\$	(24.1)	81.2
Warranty charge	_	14.1		_		14.1
Gain on sale of idle property	_	_		(9.0)	(9.0)
Strategic reorganization and other charges	0.1	0.1		8.2		8.4
Adjusted operating income (loss)	130.1	(10.5)		(24.9)	94.7
Pension costs other than service	_	_		(0.7)	(0.7)
Depreciation and amortization	27.7	4.4		0.2		32.3
Adjusted EBITDA	\$ 157.8	\$ (6.1)	\$	(25.4)	\$ 126.3
Adjusted operating margin	21.9 %	 (15.8)%	_			 14.3 %

Adjusted EBITDA margin	26.5 %	(9.2)%	19.1 %
Reconciliation of free ca			
Net cash provided by operating activities of continuing operations			\$ 70.1
Less capital expenditures			(26.9)
Free cash flow			\$ 43.2
⁽¹⁾ We do not allocate interest or income taxes to our segments.			

		Nine months ended June 30, 2017							
	T 6		т.	ala wa la wi a		porate	6-	n a a li da ta d	
	TUT	rastructure	ı e	chnologie	<u> </u>		Co	nsolidated	
		(dollars	in m	nillions, ex	cept pe	r share a	amoı	unts)	
Net sales	\$	535.5	\$	63.6	\$	_	\$	599.1	

Gross profit	\$	183.6	\$ 3.3	\$ _	\$ 186.9
Selling, general and administrative					
expenses		67.9	20.7	24.8	113.4
Other charges		2.1	0.1	2.8	5.0
Operating income (loss)	\$	113.6	\$ (17.5)	\$ (27.6)	\$ 68.5
Operating margin		21.2 %	 (27.5)%		11.4 %
Capital expenditures	\$	13.8	\$ 7.6	\$ 0.2	\$ 21.6
Reconciliation of n performance meas performance meas	sures	to GAAP			
performance meas	sures	to GAAP			\$ 104.0
performance meas performance meas Net income Income from discontinued	sures	to GAAP			\$ 104.0
performance meas performance meas Net income Income from	sures	to GAAP			\$ 104.0
performance meas performance meas Net income Income from discontinued operations (after	sures	to GAAP			\$
performance measing performance measing performance measing performance measing performance measing performance from discontinued operations (after tax) Discrete warranty charge Inventory purchase accounting	sures	to GAAP			\$ (69.8)
performance mease performance mease Net income Income from discontinued operations (after tax) Discrete warranty charge Inventory purchase accounting adjustment Strategic reorganization and	sures	to GAAP			\$ (69.8) 9.8
performance mease performance mease Net income Income from discontinued operations (after tax) Discrete warranty charge Inventory purchase accounting adjustment Strategic	sures	to GAAP			\$ (69.8) 9.8 0.8

Weighted average diluted shares outstanding						162.4	
Adjusted net income per diluted share					\$	0.29	
Net income					\$	5 104.0	
Income from discontinued operations (after tax)						(69.8)
Income tax expense						16.2	
Interest expense, net ⁽¹⁾						17.0	
Pension costs other than service						1.1	
Operating income (loss)	\$ 113.6	\$ (17.5))	\$ (27.6)		68.5	
Warranty charge	_	9.8		_		9.8	
Inventory purchase accounting adjustment	0.8	_		_		0.8	
Strategic reorganization and other charges	2.1	0.1		2.8		5.0	
Adjusted operating income (loss)	116.5	(7.6))	(24.8)	1	84.1	
Pension costs other than service	(0.3)	_		(0.8)		(1.1)
Depreciation and amortization	27.0	3.8		0.3		31.1	
Adjusted EBITDA	\$ 143.2	\$ (3.8))	\$ (25.3)	\$	114.1	
Adjusted enerating							
Adjusted operating margin	21.8 %	(11.9))%			14.0	%

Adjusted EBITDA margin	26.7 %	(6.0)%	 19.0 %
Reconciliation of free capperating activities of c			
Net cash provided by operating activities of continuing			
operations			\$ 25.4
Less capital expenditures			(21.6)
Free cash flow			\$ 3.8
1) We do not			
allocate interest			
or income taxes			
o our segments.			



Source: Mueller Water Products

