Mueller Water Products Reports Fiscal 2013 Second Quarter Results

April 30, 2013

EPS from Continuing Operations of $0.05

Net Sales Increase of 12.6 Percent

ATLANTA--(BUSINESS WIRE)-- Mueller Water Products, Inc. (NYSE: MWA) today reported net sales of $283.1 million and net income of $6.2 million for the fiscal 2013 second quarter ended March 31, 2013. The following compares 2013 second quarter results from continuing operations to the prior year period. In the second quarter, the Company:

- Increased net sales to $283.1 million from $251.5 million, a $31.6 million increase.
- More than doubled adjusted operating income to $24.7 million from $11.5 million.
- Improved adjusted net income per diluted share to $0.05 from an adjusted net loss of $0.01.
- Increased adjusted EBITDA 48.7 percent to $39.7 million from $26.7 million.
- Redeemed $22.5 million principal amount of 8.75% Senior Unsecured Notes and reduced net debt leverage to 4.0x.

"We are pleased with our strong second-quarter results, having achieved net sales growth of 12.6 percent while our adjusted operating income more than doubled from a year ago. This quarter was our best overall second quarter performance since 2008," said Gregory E. Hyland, president, chairman and chief executive officer of Mueller Water Products.

"The quarter's results demonstrate the operating leverage of our Mueller Co. business. Mueller Co. achieved 21.7 percent net sales growth in the quarter and improved adjusted operating margin by 670 basis points to 12.5 percent. In addition, Mueller Co. converted 43 percent of the incremental net sales to adjusted operating income due to higher volume and a favorable product mix.

"Mueller Co. continued to see shipment volumes of its valves, hydrants and brass products increase. Additionally, net sales of Mueller Co.'s newer technology products and

services more than doubled in the quarter on a year-over-year basis demonstrating the traction we believe these products and services continue to gain in the marketplace.

"Anvil's results came in as expected, and we believe we could see some improvement in the second half of the year as conditions in its end markets improve.

"As our second-quarter results demonstrate, we should see attractive incremental margins in future periods as our end markets recover and we increase production, particularly at Mueller Co."

Second Quarter Consolidated Results

Net sales for the 2013 second quarter increased $31.6 million, or 12.6 percent, to $283.1 million, from 2012 second quarter net sales of $251.5 million, due primarily to higher shipment volumes.

Adjusted operating income for the 2013 second quarter increased 115 percent to $24.7 million from adjusted operating income of $11.5 million for the 2012 second quarter. This increase was driven primarily by higher shipment volumes and higher sales prices, partially offset by higher selling, general and administrative expenses.

Selling, general and administrative expenses decreased as a percent of net sales to 18.6 percent for the 2013 second quarter from 20.1 percent for the 2012 second quarter.

Second Quarter Segment Results

Mueller Co.

Net sales for the 2013 second quarter increased 21.7 percent to $188.1 million from net sales of $154.5 million for the 2012 second quarter. This increase was due to higher shipment volumes of all of Mueller Co.'s key products, especially metering systems, valves, hydrants and brass products.

Adjusted operating income for the 2013 second quarter improved 161 percent to $23.5 million as compared with $9.0 million for the 2012 second quarter. Adjusted operating margin for the 2013 second quarter improved 670 basis points to 12.5 percent as compared with 5.8 percent for the 2012 second quarter.

Anvil

Net sales for the 2013 second quarter decreased 2.1 percent to $95.0 million as compared with $97.0 million for the 2012 second quarter. The decrease resulted primarily from lower shipment volumes.

Adjusted operating income for the 2013 second quarter was $9.2 million as compared with adjusted operating income for the 2012 second quarter of $10.0 million. Anvil's adjusted operating margin was 9.7 percent as compared with 10.3 percent for the 2012 second quarter.

Interest Expense, Net

Interest expense, net for the 2013 second quarter declined $1.2 million to $12.8 million from $14.0 million for the 2012 second quarter, excluding $1.6 million of non-cash costs for terminated interest rate swap contracts for the 2012 second quarter. This decrease was due to lower levels of total debt outstanding.

Loss on Early Extinguishment of Debt

The Company redeemed $22.5 million principal amount of its 8.75% Senior Unsecured Notes in February 2013 for $23.2 million, plus accrued and unpaid interest. The resulting loss on early extinguishment of debt of $1.4 million includes the premium paid, and deferred financing costs and original issue discount that were written off.

Income Taxes

During the 2013 second quarter, income tax expense was $2.5 million on pre-tax income of $10.1 million, or an effective income tax rate of 24.8 percent. The 2013 second quarter expense was reduced by $1.3 million related to a deferred tax asset valuation allowance adjustment. Excluding this adjustment, the effective tax rate for the 2013 second quarter was 37.6 percent. Net operating loss carryforwards remain available to offset future taxable earnings.

Use of Non-GAAP 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 (loss), adjusted operating margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income (loss), adjusted net income (loss) per diluted share, free cash flow, net debt and net debt leverage as non-GAAP measures. Adjusted operating income (loss) represents operating income (loss) excluding restructuring. This amount divided by net sales is adjusted operating margin. Adjusted EBITDA represents operating income (loss) excluding restructuring, depreciation and amortization. This amount divided by net sales is adjusted EBITDA margin. The Company presents adjusted operating income (loss), 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 (loss) and adjusted net income (loss) per diluted share exclude, on an after-tax basis, discontinued operations, restructuring, certain costs from settled interest rate swap contracts, certain tax adjustments and expenses related to the early extinguishment of debt. These items are excluded because they are not considered indicative of recurring operations. Free cash flow represents cash flows from operating activities less capital expenditures from continuing operations. 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 non-GAAP to GAAP results is included as an attachment to this press release and has been posted online at www.muellerwaterproducts.com.

Conference Call Webcast

Mueller Water Products' quarterly earnings conference call will take place Wednesday, May 1, 2013 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 after the call. To access the replay, please dial 1-866-470-7045. The replay will also be available as a webcast on the Investor Relations section of the Company's website.

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. Examples of forward-looking statements include, but are not limited to, statements we make regarding recovery in our end markets, the traction we believe Mueller Co.'s newer technology products and services are gaining in the marketplace and the incremental margins we may see in future periods. 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. 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. 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™. The piping component systems produced by Anvil help build connections that last in commercial, industrial and oil & gas applications. Visit us at www.muellerwaterproducts.com.

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	March 31, 2013	September 30, 2012
	(in millions)	
Assets:		
Cash and cash equivalents	$ 37.9	$ 83.0
Receivables, net	176.5	166.1
Inventories	200.2	183.2
Deferred income taxes	34.9	19.6
Other current assets	46.9	38.0
Total current assets	496.4	489.9
Property, plant and equipment, net	143.8	144.7
Identifiable intangible assets	559.7	573.7
Other noncurrent assets	18.9	32.6
Total assets	$ 1,218.8	$ 1,240.9
Liabilities and stockholders' equity:		
Current portion of long-term debt	$ 1.3	$ 1.1
Accounts payable	79.2	84.5

Other current liabilities	67.5	82.8
Total current liabilities	148.0	168.4
Long-term debt	599.6	621.7
Deferred income taxes	142.8	132.8
Other noncurrent liabilities	82.2	86.8
Total liabilities	972.6	1,009.7
Commitments and contingencies		
Common stock: 600,000,000 shares authorized;		
157,810,884 shares and 156,840,648 shares outstanding at March		
31, 2013 and September 30, 2012, respectively	1.6	1.6
Additional paid-in capital	1,585.3	1,587.3
Accumulated deficit	(1,256.8)	(1,270.0)
Accumulated other comprehensive loss	(83.9)	(87.7)
Total stockholders' equity	246.2	231.2
Total liabilities and stockholders' equity	$ 1,218.8	$ 1,240.9

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three months ended	Six months ended

	March 31,		March 31,	
	2013	2012	2013	2012
	(in millions)		(in millions)	
Net sales	$ 283.1	$ 251.5	$ 528.2	$ 466.9
Cost of sales	205.8	189.4	393.8	352.0
Gross profit	77.3	62.1	134.4	114.9
Operating expenses:				
Selling, general and administrative	52.6	50.6	102.1	97.1
Restructuring	0.4	0.9	1.1	1.3
Total operating expenses	53.0	51.5	103.2	98.4
Operating income	24.3	10.6	31.2	16.5
Interest expense, net	12.8	15.6	26.3	31.2
Loss on early extinguishment of debt	1.4	-	1.4	-
Income (loss) before income taxes	10.1	(5.0)	3.5	(14.7)
Income tax expense	2.5	3.9	0.9	0.7
Income (loss) from continuing operations	7.6	(8.9)	2.6	(15.4)
Income (loss) from discontinued operations, net of tax	(1.4)	(100.9)	10.6	(106.3)

Net income (loss)	$ 6.2	$ (109.8)	$ 13.2	$ (121.7)
Net income (loss) per basic share:				
Continuing operations	$ 0.05	$ (0.06)	$ 0.01	$ (0.10)
Discontinued operations	(0.01)	(0.64)	0.07	(0.68)
Net income (loss)	$ 0.04	$ (0.70)	$ 0.08	$ (0.78)
Net income (loss) per diluted share:				
Continuing operations	$ 0.05	$ (0.06)	$ 0.01	$ (0.10)
Discontinued operations	(0.01)	(0.64)	0.07	(0.68)
Net income (loss)	$ 0.04	$ (0.70)	$ 0.08	$ (0.78)
Weighted average shares outstanding:				
Basic	157.7	156.5	157.4	156.2
Diluted	160.0	156.5	159.6	156.2
Dividends declared per share	$0.0175	$0.0175	$0.0350	$0.0350

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six months ended

	March 31,	
	2013	2012
	(in millions)	
Operating activities:		
Net income (loss)	$ 13.2	$(121.7)
Adjustments to reconcile net income (loss) to net cash		
provided by (used in) operating activities:		
(Income) loss from discontinued operations	(10.6)	106.3
Income (loss) from continuing operations	2.6	(15.4)
Depreciation	15.0	15.5
Amortization	14.8	14.7
Stock-based compensation	3.9	2.6
Deferred income taxes	1.3	11.4
Early extinguishment of debt	1.4	-
Retirement plans	2.1	1.8
Interest rate swap contracts	-	3.0
Other, net	1.3	1.5
Changes in assets and liabilities:		
Receivables	(10.8)	(3.3)
Inventories	(17.5)	(14.5)
Other assets	0.8	1.7
Liabilities	(18.5)	1.5
Net cash provided by (used in) operating activities		
from continuing operations	(3.6)	20.5
Investing activities:		

Capital expenditures	(14.3)	(12.1)
Acquisition of technology	(0.8)	0.5
Proceeds from the sale of assets	0.1	3.1
Net cash used in investing activities		
from continuing operations	(15.0)	(8.5)
Financing activities:		
Early retirement of debt	(23.2)	-
Proceeds from debt	-	14.0
Dividends paid	(5.5)	(5.5)
Shares retained for employee taxes	(1.5)	(0.3)
Stock issued under compensation plans	1.1	0.4
Payment of deferred financing fees	(0.7)	-
Other	2.0	(0.4)
Net cash provided by (used in) financing activities		
from continuing operations	(27.8)	8.2
Net cash flows from discontinued operations:		
Operating activities	(2.2)	(44.8)
Investing activities	4.5	(3.1)
Net cash provided by (used in) discontinued operations	2.3	(47.9)
Effect of currency exchange rate changes on cash	(1.0)	1.0
Net change in cash and cash equivalents	(45.1)	(26.7)

Cash and cash equivalents at beginning of period	83.0	61.0
Cash and cash equivalents at end of period	$ 37.9	$ 34.3

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARI

SEGMENT RESULTS AND RECONCILIATION OF GAAP TO NON-GAAP PER

(UNAUDITED)

(dollars in millions, except per share amounts)

	Three months e	
	Mueller Co.	**Anvil**
GAAP results:		
Net sales	$188.1	$ 95.0
Gross profit	$ 50.5	$ 26.8
Selling, general and administrative expenses	27.0	17.6
Restructuring expenses	0.3	0.1
Operating income (loss)	$ 23.2	$ 9.1
Interest expense, net		
Loss on early extinguishment of debt		
Income tax expense		
Income from continuing operations		
Loss from discontinued operations, net of tax		
Net income		
Net income per diluted share:		

Continuing operations		
Discontinued operations		
Net income		
Capital expenditures	$ 4.9	$ 3.2
Non-GAAP results:		
Adjusted operating income (loss) and EBITDA:		
Operating income (loss)	$ 23.2	$ 9.1
Restructuring	0.3	0.1
Adjusted operating income (loss)	23.5	9.2
Depreciation and amortization	11.4	3.5
Adjusted EBITDA	$ 34.9	$ 12.7
Adjusted operating margin	12.5%	9.7%
Adjusted EBITDA margin	18.6%	13.4%
Adjusted net income:		
Net income		
Discontinued operations, net of tax		
Restructuring, net of tax		
Loss on early extinguishment of debt, net of tax		
Deferred tax asset valuation allowance adjustment		
Adjusted net income		
Adjusted net income per diluted share		
Free cash flow:		
Net cash used in operating activities		

Less capital expenditures	
Free cash flow	
Net debt (end of period):	
Current portion of long-term debt	
Long-term debt	
Total debt	
Less cash and cash equivalents	
Net debt	
Adjusted EBITDA:	
Current quarter	
Three prior quarters	
Adjusted EBITDA	
Net debt leverage (net debt divided by adjusted EBITDA)	

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES

SEGMENT RESULTS AND RECONCILIATION OF GAAP TO NON-GAAP PERFOR

(UNAUDITED)

(dollars in millions, except per share amounts)

	Three months ended Ma		
	Mueller Co.	**Anvil**	**Corp**
GAAP results:			
Net sales	$154.5	$ 97.0	$

Gross profit	$ 33.6	$ 28.5	$
Selling, general and administrative expenses	24.6	18.5	
Restructuring expenses	0.8	0.1	
Operating income (loss)	$ 8.2	$ 9.9	$
Interest expense, net			
Income tax expense			
Loss from continuing operations			
Loss from discontinued operations, net of tax			
Net loss			
Net loss per diluted share:			
Continuing operations			
Discontinued operations			
Net loss			
Capital expenditures	$ 3.8	$ 3.0	$
Non-GAAP results:			
Adjusted operating income (loss) and EBITDA:			
Operating income (loss)	$ 8.2	$ 9.9	$
Restructuring	0.8	0.1	
Adjusted operating income (loss)	9.0	10.0	
Depreciation and amortization	11.6	3.5	
Adjusted EBITDA	$ 20.6	$ 13.5	$
Adjusted operating margin	5.8%	10.3%	
Adjusted EBITDA margin	13.3%	13.9%	

Adjusted net loss:		
Net loss		
Discontinued operations, net of tax		
Interest rate swap settlement costs, net of tax		
Restructuring, net of tax		
Valuation allowance against beginning of the year		
deferred taxes		
Adjusted net loss		
Adjusted net loss per diluted share		
Free cash flow:		
Net cash provided by operating activities		
Less capital expenditures		
Free cash flow		

MUELLER WATER PRODUCTS, INC. AND SUBSIDIAR		
SEGMENT RESULTS AND RECONCILIATION OF GAAP TO NON-GAAP PE		
(UNAUDITED)		
(dollars in millions, except per share amounts)		
		Six months e
	Mueller Co.	**Anvil**
GAAP results:		

Net sales	$339.2	$ 189.0
Gross profit	$ 83.4	$ 51.0
Selling, general and administrative expenses	51.1	35.9
Restructuring expenses	1.0	0.1
Operating income (loss)	$ 31.3	$ 15.0
Interest expense, net		
Loss on early extinguishment of debt		
Income tax benefit		
Income from continuing operations		
Income from discontinued operations, net of tax		
Net income		
Net income per diluted share:		
Continuing operations		
Discontinued operations		
Net income		
Capital expenditures	$ 8.3	$ 6.0
Non-GAAP results:		
Adjusted operating income (loss) and EBITDA:		
Operating income (loss)	$ 31.3	$ 15.0
Restructuring	1.0	0.1
Adjusted operating income (loss)	32.3	15.1
Depreciation and amortization	22.6	7.0
Adjusted EBITDA	$ 54.9	$ 22.1

Adjusted operating margin	9.5%	8.0%
Adjusted EBITDA margin	16.2%	11.7%
Adjusted net income:		
Net income		
Discontinued operations, net of tax		
Restructuring, net of tax		
Loss on early extinguishment of debt, net of tax		
Deferred tax asset valuation allowance adjustment		
Adjusted net income		
Adjusted net income per diluted share		
Free cash flow:		
Net cash used in operating activities		
Less capital expenditures		
Free cash flow		
Net debt (end of period):		
Current portion of long-term debt		
Long-term debt		
Total debt		
Less cash and cash equivalents		
Net debt		
Adjusted EBITDA:		
Current quarter		
Three prior quarters		
Adjusted EBITDA		

Net debt leverage (net debt divided by adjusted EBITDA)

MUELLER WATER PRODUCTS, INC. AND SUBSIDIARIES

SEGMENT RESULTS AND RECONCILIATION OF GAAP TO NON-GAAP PERFO

(UNAUDITED)

(dollars in millions, except per share amounts)

	Six months ended M		
	Mueller Co.	**Anvil**	**C**
GAAP results:			
Net sales	$282.6	$ 184.3	$
Gross profit	$ 62.1	$ 52.8	$
Selling, general and administrative expenses	48.0	35.0	
Restructuring expenses	1.2	0.2	
Operating income (loss)	$ 12.9	$ 17.6	$
Interest expense, net			
Income tax benefit			
Loss from continuing operations			
Loss from discontinued operations, net of tax			
Net loss			
Net loss per diluted share:			
Continuing operations			
Discontinued operations			

Net loss			
Capital expenditures	$ 7.2	$ 4.9	$
Non-GAAP results:			
Adjusted operating income (loss) and EBITDA:			
Operating income (loss)	$ 12.9	$ 17.6	$
Restructuring	1.2	0.2	
Adjusted operating income (loss)	14.1	17.8	
Depreciation and amortization	22.8	7.1	
Adjusted EBITDA	$ 36.9	$ 24.9	$
Adjusted operating margin	5.0%	9.7%	
Adjusted EBITDA margin	13.1%	13.5%	
Adjusted net loss:			
Net loss			
Discontinued operations, net of tax			
Interest rate swap settlement costs, net of tax			
Restructuring, net of tax			
Valuation allowance against beginning of the year			
deferred taxes			
Adjusted net loss			
Adjusted net loss per diluted share			
Free cash flow:			
Net cash provided by operating activities			
Less capital expenditures			

	Free cash flow

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