Mueller Water Products

Where Intelligence Meets Infrastructure®

Earnings Conference Call For The Fourth Quarter and Year Ended September 30, 2022

November 8, 2022

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 accounting principles generally accepted in the United States ("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 investor 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 presentation, and which has been posted online at www.muellerwaterproducts.com. The Company does not reconcile forward-looking adjusted EBITDA to the comparable GAAP measure, as permitted by Regulation S-K, as certain items, e.g., expenses related to corporate development activities, transactions, pension benefits and corporate restructuring, may have not yet occurred, are out of the Company's control and/or cannot be reasonably predicted without unreasonable efforts. Additionally, such reconciliation would imply a degree of precision and certainty regarding relevant items that may be confusing to investors. Such items could have a substantial impact on GAAP measures of the Company's financial performance.

Forward-Looking Statements

This presentation contains certain statements that may be deemed “forward-looking statements” within the meaning of the federal securities laws. All statements that address activities, events or developments that the Company intends, expects, plans, projects, believes or anticipates will or may occur in the future are forward-looking statements, including, without limitation, statements regarding outlooks, projections, forecasts, expectations, commitments, trend descriptions and the ability to capitalize on trends, value creation, Board and committee composition plans, long-term strategies and the execution or acceleration thereof, operational improvements and excellence, the benefits of capital investments, financial or operating performance including improving sales growth and driving increased margins, capital allocation and growth strategy plans, positioning the Company’s product portfolio and the demand for the Company’s products. Forward-looking statements are based on certain assumptions and assessments made by the Company in light of the Company’s 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, without limitation, including the future impact of the COVID-19 pandemic on the Company’s operations and results, such as effects on the financial health of customers (including collections); logistical challenges and supply chain disruptions, geopolitical conditions, or other events; an inability to realize the anticipated benefits from our operational initiatives, including our large capital investments in Chattanooga and Kimball, Tennessee, and Decatur, Illinois, plant closures, and our reorganization and related strategic realignment activities; an inability to attract or retain a skilled and diverse workforce, increased competition related to the workforce and labor markets; an inability to protect the Company’s information systems against service interruption, misappropriation of data or breaches of security; failure to comply with personal data protection and privacy laws; cyclical and changing demand in core markets such as municipal spending, residential construction, and natural gas distribution; government monetary or fiscal policies; the impact of adverse weather conditions; the impact of manufacturing and product performance; the impact of wage, commodity and materials price inflation; the impact of warranty claims; an inability to successfully resolve significant legal proceedings or government investigations; compliance with environmental, trade and anti-corruption laws and regulations; climate change and legal or regulatory responses thereto; changing regulatory, trade and tariff conditions; the failure to integrate and/or realize any of the anticipated benefits of recent acquisitions or divestitures; an inability to achieve some or all of our Environmental, Social, and Governance goals; and other factors that are described in the section entitled “RISK FACTORS” in Item 1A of the Company’s most recent Annual Report on Form 10-K and later filings on Form 10-Q.

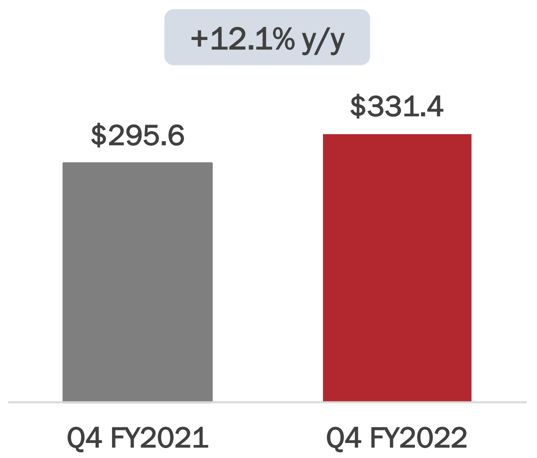
Forward-looking statements do not guarantee future performance and are only as of the date they are made. The Company undertakes no duty to update its forward-looking statements except as required by law. Undue reliance should not be placed on any forward-looking statements. You are advised to review any further disclosures the Company makes on related subjects in subsequent Forms 10-K, 10-Q, 8-K and other reports filed with the U.S. Securities and Exchange Commission.

Fourth Quarter Highlights

- Delivered second consecutive year of double-digit net sales growth
  - Fourth quarter net sales growth exceeded our expectations driven by continued higher price realization
- Healthy order activity during the quarter and ended the year with record backlog
  - Sequential increase in orders testament to resiliency of end market demand in the face of evolving macro environment
- Fourth quarter results disappointing as lower than expected shipment volumes of service brass products and manufacturing inefficiencies at our brass foundry more than offset the higher net sales
  - Improved price realization has helped offset current level of inflationary pressures
  - Continued to experience headwinds from the ongoing supply chain disruptions and inflationary pressures
  - Teams maintained their focus on executing our large capital projects
- Confident we will deliver the benefits of our key initiatives, including large domestic capital investments
- Announced several corporate governance changes, including the appointment of two new Board members
  - Board believes in the importance of having best-in-class corporate governance, including a proactive board refreshment process and ongoing shareholder engagement
- Paul McAndrew new operations leader replacing Bill Cofield, Sr. V.P of Operations, who recently announced his retirement
  - Paul served most recently as Vice President of Global Operations and Supply Chain for Emerson Commercial and Residential Services

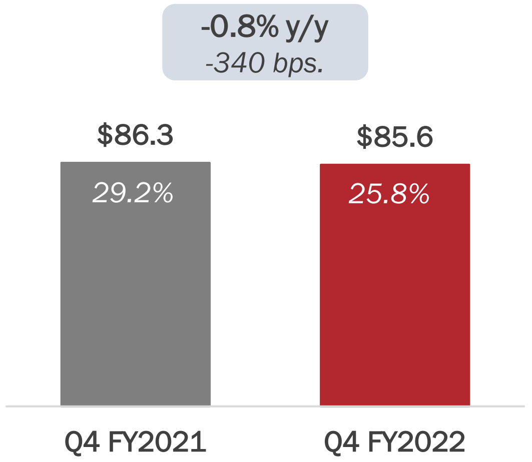
Consolidated GAAP Results

Net Sales ($M)



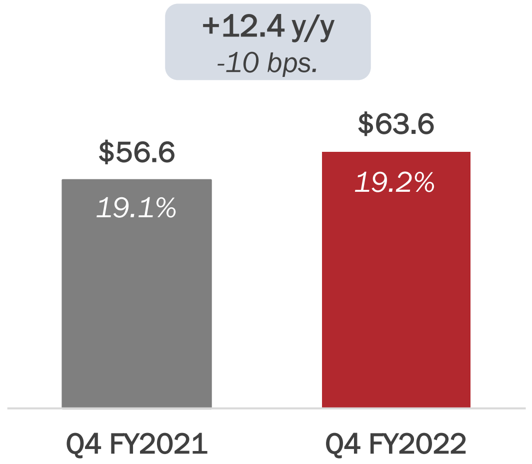
- Increased net sales in Water Flow Solutions (+8.8% y/y) and Water Management Solutions (+16.3% y/y)
- Growth at both segments primarily due to higher pricing across our most product lines, partially offset by decrease in volumes mainly in service brass products
- FY2022 consolidated net sales increased 12.3% y/y due to both higher pricing and increased volumes

Gross Profit ($M)
% of Net Sales



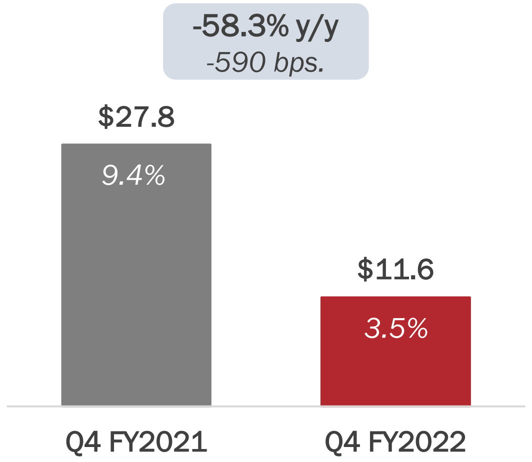
- Gross margin decreased 340 bps. as benefits from higher pricing were more than offset by higher costs associated with inflation, unfavorable manufacturing performance and lower volumes
  - Unfavorable manufacturing performance primarily driven by our brass foundry and specialty valve operations
  - Inflation increased sequentially due to higher raw and purchased materials, tariffs, utilities, freight and labor

SG&A ($M)
% of Net Sales



- Increase was primarily driven by inflation, investments in personnel, T&E, trade show activity and professional fees
- SG&A as a percent of net sales increased to 19.2% in the quarter compared with 19.1% in the prior year

Operating Income ($M)
% of Net Sales



- Decreased $16.2M compared to the prior year as higher pricing more than offset by higher costs associated with inflation, unfavorable manufacturing performance, SG&A expenses, goodwill impairment and lower volumes
- Includes $3.6M of strategic reorganization and other charges and $6.8M of non-cash goodwill impairment

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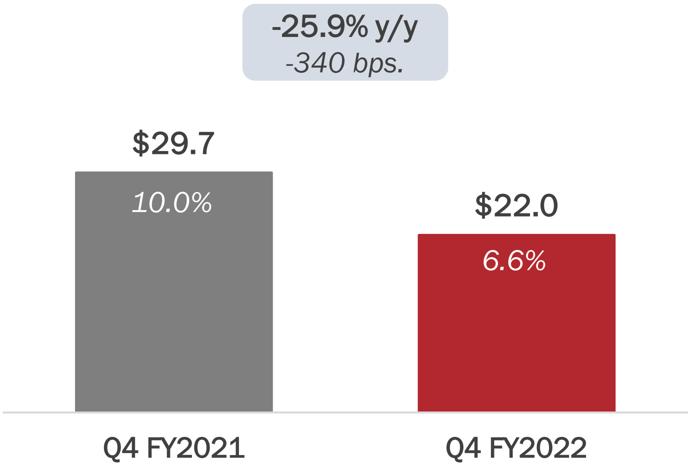
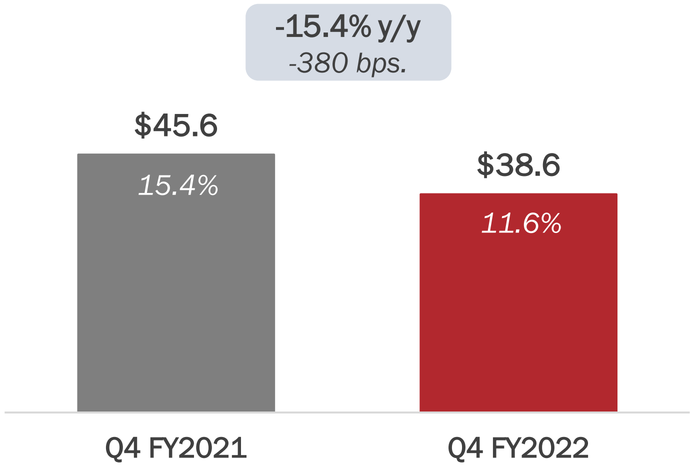
Consolidated GAAP Results (1)

Adj. Operating Income ($M)
% of Net Sales



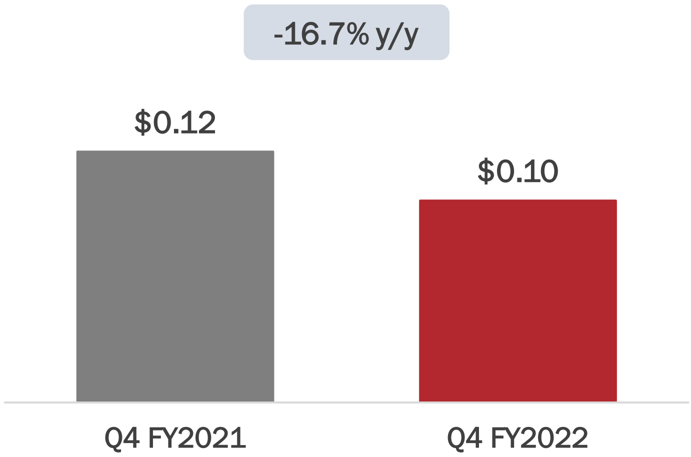
- Decreased $7.7M as benefits from higher pricing were more than offset by higher costs associated with inflation, unfavorable manufacturing performance, SG&A expenses and lower volumes

Adj. EBITDA ($M)
% of Net Sales



- Adjusted EBITDA margin of 11.6% decreased 380 bps. from prior year
- FY2022 adjusted EBITDA was $194.5M, or 15.6% of net sales

Adj. Net Income per share



- Net interest expense declined $0.5M to $3.9M primarily due to higher interest income
- FY2022 effective tax rate was 22.3% as compared with 25.8% last year, primarily due to benefits from R&D tax credits and lower foreign tax rates
- FY2022 adjusted net income per share increased 3.6% to $0.58 compared with $0.56 in the prior year

(1) See Appendix for reconciliation of non-GAAP measures to their corresponding GAAP measures.

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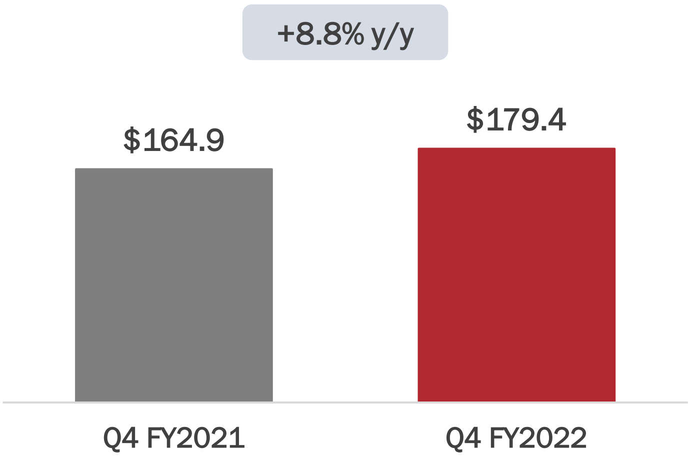
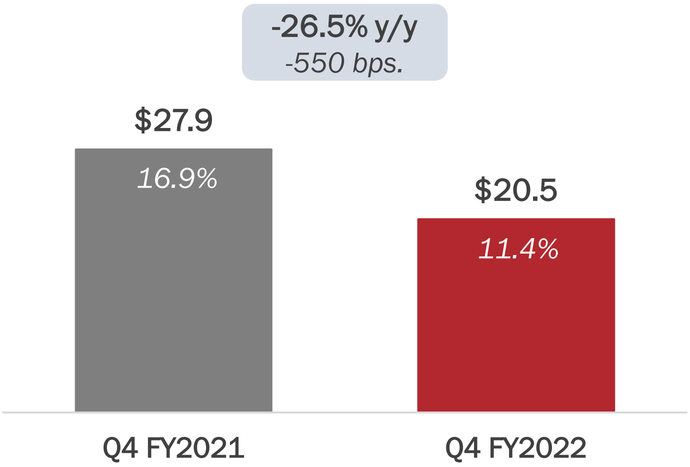
Water Flow Solutions

Net Sales ($M)



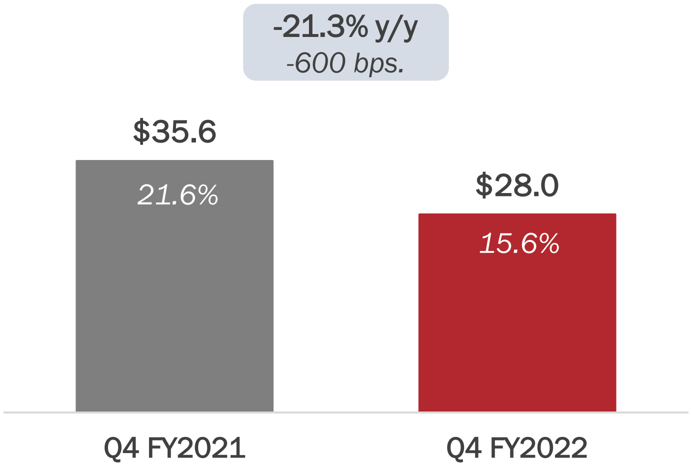
- Increased 8.8% due to higher pricing across most of the segment's product lines
- Double-digit sales growth in iron gate valves and specialty valves more than offset lower volumes of service brass products resulting from manufacturing inefficiencies

Adj. Operating Income ($M) (1)
% of Net Sales



- Decreased $7.4M as benefits from higher pricing were more than offset by higher costs associated with unfavorable manufacturing performance, primarily at our brass foundry and specialty valve operations, inflation and lower volumes

Adj. EBITDA ($M) (1)
% of Net Sales

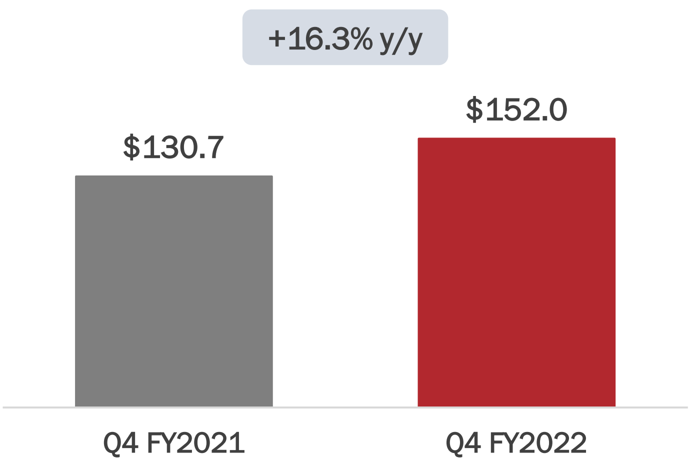


- Decreased $7.6M due to same drivers as adjusted Operating Income
- Adjusted EBITDA margin decreased 600 basis points to 15.6%
- FY2022 adjusted EBITDA margin was 21.7%

(1) See Appendix for reconciliation of non-GAAP measures to their corresponding GAAP measures.

Water Management Solutions

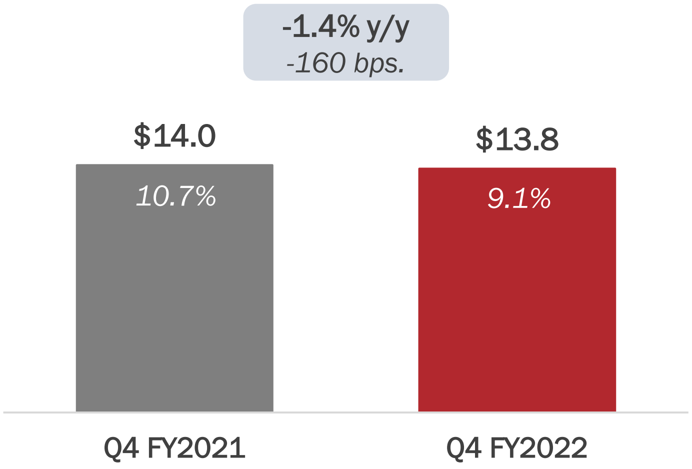
Net Sales ($M)



- Increased 16.3% due to higher pricing across the segment's product lines
- Hydrants, gas, and repair and installation products experienced double-digit net sales growth compared to the prior year driven by higher pricing and increased volumes

Adj. Operating Income ($M) (1)

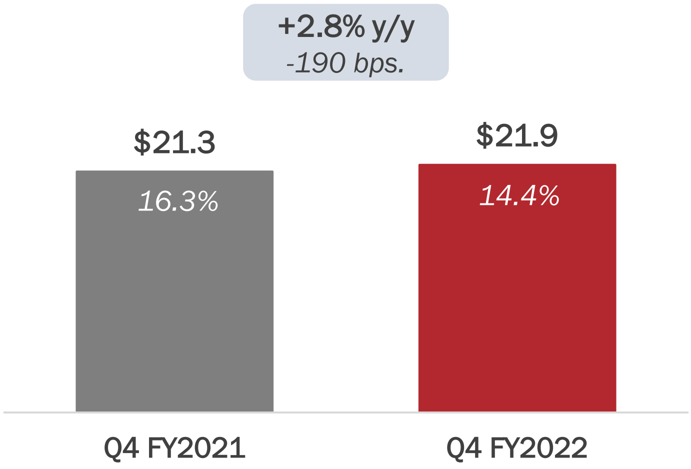
% of Net Sales



- Decreased $0.2M as benefits from higher pricing and increased volumes were more than offset by higher costs associated with inflation, SG&A expenses and unfavorable manufacturing performance

Adj. EBITDA ($M) (1)

% of Net Sales

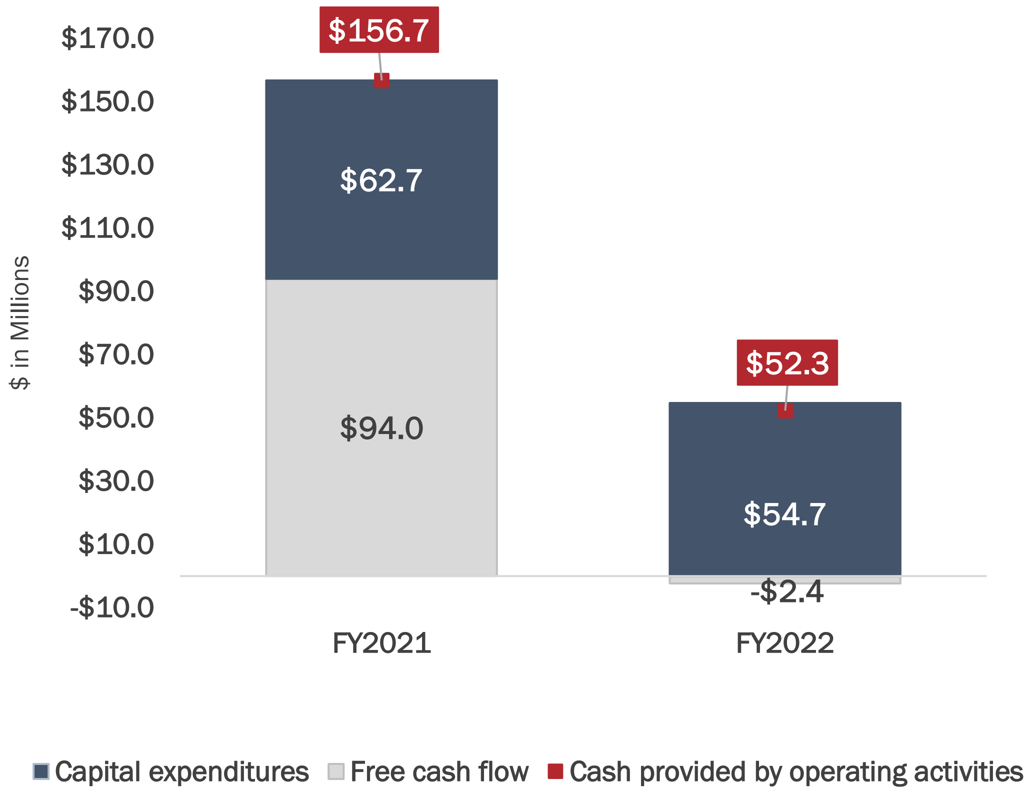


- Increased $0.6M due to same drivers as adjusted Operating Income
- Adjusted EBITDA margin decreased 190 basis points to 14.4%
- FY2022 adjusted EBITDA margin was 15.7%

(1) See Appendix for reconciliation of non-GAAP measures to their corresponding GAAP measures.

Free Cash Flow

- Net cash provided by operating activities for FY2022 was $52.3M compared with $156.7M in prior year
- Decrease primarily due to an increase in inventories primarily driven by higher volumes and the supply chain disruptions, as well as inflation
  - Inventories of $278.7M at end of FY2022 increased $94.0M y/y
  - Average net working capital increased to 27.5% end of FY2022 compared with 25.7% end of FY2021 (1)
- Invested $54.7M in capital expenditures in FY2022 compared to $62.7M in prior year
- Free cash flow was negative $2.4M for FY2022, primarily due to decrease in cash provided by operating activities partially offset by lower capital expenditures
- Repurchased $10.0M of common stock in Q4 and $35.0M in FY2022 with $100.0M remaining under share repurchase authorization as of Sep. 30, 2022



(1) Average Net Working Capital defined as the average of Net Receivables + Net Inventories – Accounts Payable for last 5 quarters.

Balance Sheet and Liquidity

Continue to have ample liquidity and capacity to support our strategic priorities, including acquisitions

Credit Rating

- Moody's: Ba1 Corporate Rating, Ba1 Notes Rating, Stable Outlook
- S&P: BB Corporate and Notes Ratings, Stable Outlook

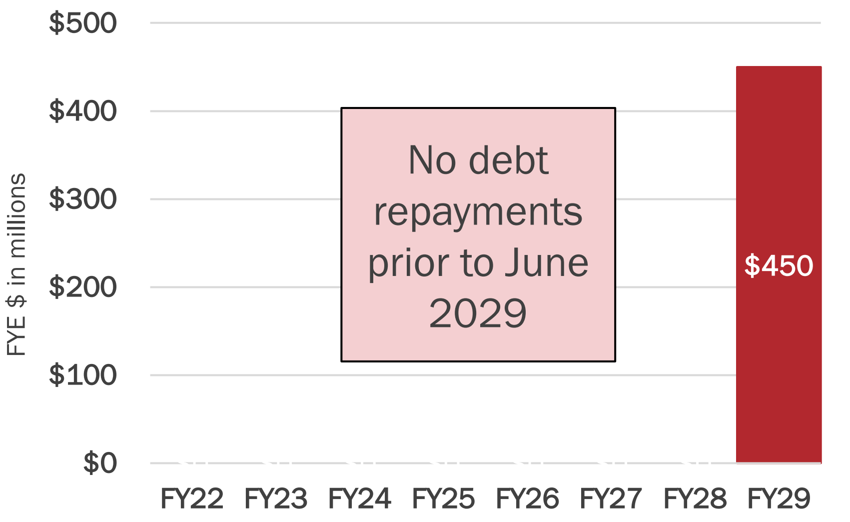
Debt Structure

- $450M of 4.0% Senior Notes (mature June 2029)
- Asset based lending agreement ("ABL") provides up to $175M revolving credit facility subject to borrowing base (LIBOR + 200 to 225 bps.) with none outstanding (terminates July 29, 2025)

Net Debt Leverage & Liquidity

- $300.4M net debt with total debt of $446.9M and total cash of $146.5M (1)
- Net debt leverage was 1.5x at Sep. 30, 2022, vs. 1.1x at Sep. 30, 2021
- No debt maturities prior to June 2029
- $307.2M of total liquidity including $160.7M of excess availability under the ABL, based on data as of Sep. 30, 2022

Debt Maturities



Financial Covenants

- No financial maintenance covenants on Senior Notes
- ABL not subject to any financial maintenance covenants unless excess availability is less than the greater of $17.5M and 10% of the Loan Cap; consolidated Fixed Charge Ratio permitted to be <1x unless threshold is triggered

(1) 4.0% Senior Notes include $4.7M of deferred financing costs.

Key Updates:

Fourth Quarter Performance, End Markets and Full-Year 2023 Outlook

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Fourth Quarter Performance

- Manufacturing challenges primary reason for disappointing gross margin and adjusted EBITDA conversion compared with the expectations provided on our last earnings call
  - Adjusted EBITDA gap was around $10M primarily due to a gross margin gap of around 400 bps. partially offset by lower SG&A
- Primary driver of the gap versus our expectations was the manufacturing performance at our brass foundry as machine downtime challenges did not improve as anticipated for August and September
  - Due to the downtime in the brass foundry, melt production was more than 20% below our forecast with foundry production down about 35% sequentially and more than 50% below the prior year
  - Machine uptime has had periods of improvement; however, have been unable to get foundry production up to 2021 levels
  - Lower foundry production impacted service brass shipments in the quarter and led to a significant amount of under-absorbed labor and overhead costs
  - Foundry supplies brass parts to our other facilities, so incurred higher outsourcing costs to meet our needs for brass purchased parts
  - While we expect challenges to continue into 2023, believe we can get the foundry production back to 2021 levels in the second half of the year
- New brass foundry start-up and progression to full run rate critical as it is the best long-term solution for manufacturing inefficiencies
  - On track to begin the initial start-up phase later this quarter; in the new year, expect the production parts approval process to begin; will prioritize developing tooling for the highest volume brass parts first
  - New foundry will have more than two production lines to provide capacity for maintenance and contingency planning and will have significantly more capacity
- Outsourcing has unfavorably impacted product costs compared with the prior year as manufacturing inefficiencies have added pressure to other plants since the foundry has historically made some of the brass parts used in iron gate valves and hydrants
  - Anticipate material outsourcing to continue until the new foundry is able to take over the production for these parts
- Additional price actions taken during the quarter due to these higher costs and ongoing inflationary pressures

End Markets

- Healthy order activity again during the quarter primarily due to strong municipal repair and replacement activity offsetting slower new residential construction
- Municipal Repair and Replacement End Market
  - Expect municipal repair and replacement activity to remain healthy in 2023 as utilities try to proactively address the aging water infrastructure, while they also deal with unplanned maintenance issues like water main breaks
  - Estimate that approximately two-thirds of our net sales are related to repair and replacement activities of utilities, which provides resiliency for our business
  - Believe initial phase of new funding from the infrastructure bill could flow into projects later in 2023
  - While improvements in the ongoing supply chain and labor availability challenges could improve the timing of projects, don't expect to see meaningful benefit until 2024
- New Residential Construction End Market
  - Continue to anticipate that the higher interest rates will lead to lower levels of lot and land development activity as the housing market adjusts to lower demand
  - Expect to see slowdown in residential construction activity in 2023
  - However, expect new residential construction activity to normalize above pre-pandemic levels due to relatively low inventories, demographics and population shifts

* Complete full-year fiscal 2023 outlook provided with Q4FY22 earnings press release on November 7, 2022.

Full-Year 2023 Outlook*

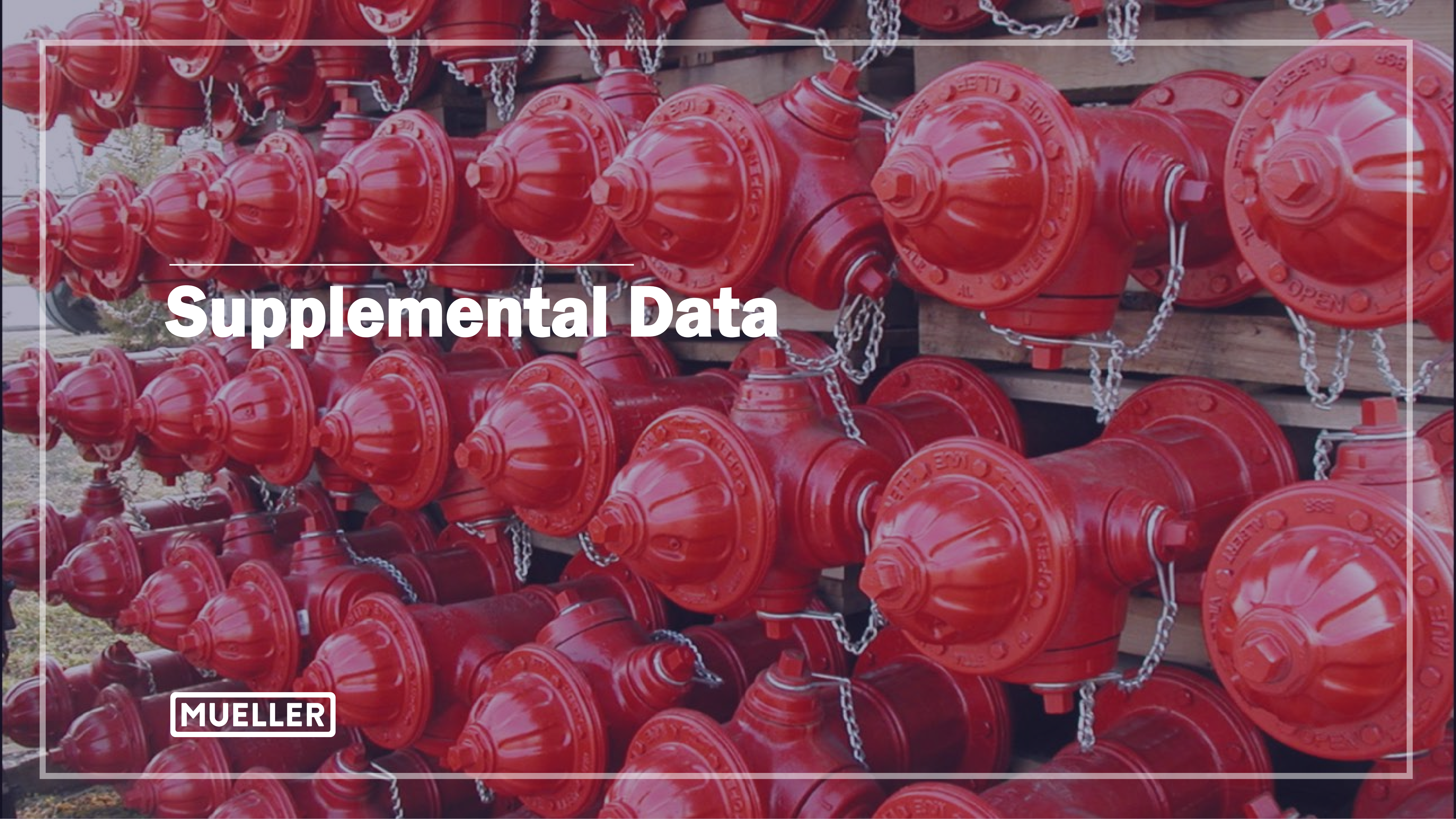
- Consolidated net sales increase between 6% and 8%
  - Record backlog at end of 2022 across our short-cycle products
  - Expected realization from higher pricing position us to deliver net sales growth in 2023
  - Slowdown in order activity in October; however, isn't surprising given timing of the most recent price increases in August and evolving macro environment
- Adjusted EBITDA increase between 10% and 14%
  - Includes headwind from higher pension expense, primarily due to the stock market's performance, with estimated expense of approximately $3.8M, or a -$7.7M vs. prior year
  - Adjusted operating income, which excludes impact of pension expense, expected to increase more than 20% vs. prior year
- Free cash flow to increase vs. prior year driven by improved cash flow from operations with free cash flow as a percentage of adjusted net income to be between 40% and 60%
  - Forecast includes higher capital expenditures between $70M and 80M from both carryover spending and the completion of the new brass foundry, in addition to other capital investments
- Other items:
  - Total SG&A expense between $255M and $265M
  - Net interest expense approximately $18M
  - Effective income tax rate between 23% and 25%
  - Depreciation and amortization between $61M and $63M

* Complete full-year fiscal 2023 outlook provided with Q4FY22 earnings press release on November 7, 2022.

Key Takeaways

- Well positioned to help water utilities address challenges from aging infrastructure, climate change and workforce demographics with broad portfolio of water infrastructure products and solutions
- Top priorities for 2023 include:
  - Executing operational improvements
  - Delivering benefits from our large domestic capital investments
  - Accelerating development and commercialization of new products
  - Generating ongoing price realization
- Focused on capitalizing on the key trends in water including:
  - Increased demand for water infrastructure products that qualify for the federal domestic production requirements
  - Growing need for technology-enabled products and solutions to help customers address challenges with the aging water infrastructure
- Continue to reinvest in our business to support key strategies to grow the business while returning cash to shareholders
  - Announced another increase to our quarterly dividend recently
  - Repurchased $35M of common stock in 2022 with $100M remaining in share repurchase authorization

Q&A



Supplemental Data

Segment Results and Reconciliation of Non-GAAP to GAAP Performance Measures (UNAUDITED)

	Quarter ended September 30, 2022			
	Water Flow Solutions	Water Management Solutions	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net sales	$ 179.4	$ 152.0	$ —	$ 331.4
Gross profit	$ 42.5	$ 43.1	$ —	$ 85.6
Selling, general and administrative expenses	22.0	29.3	12.3	63.6
Strategic reorganization and other charges (1)	0.2	0.2	3.2	3.6
Goodwill impairment	6.8	—	—	6.8
Operating income (loss)	$ 13.5	$ 13.6	$ (15.5)	$ 11.6
Operating margin	7.5 %	8.9 %		3.5 %
Capital expenditures	$ 13.8	$ 4.2	$ —	$ 18.0
Reconciliation of non-GAAP to GAAP performance measures:				
Net income				$ 7.1
Strategic reorganization and other charges				3.6
Goodwill impairment				6.8
Income tax benefit of adjusting items				(1.9)
Adjusted net income				$ 15.6
Weighted average diluted shares outstanding				157.0
Adjusted net income per diluted share				$ 0.10

(1) Strategic reorganization and other charges primarily relate to transaction expenses.
(2) The Company does not allocate interest, income taxes or pension benefit (expense) other than service to its segments.

Segment Results and Reconciliation of Non-GAAP to GAAP Performance Measures (UNAUDITED)

	Quarter ended September 30, 2022			
	Water Flow Solutions	Water Management Solutions	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net income				$ 7.1
Income tax expense (2)				1.6
Interest expense, net (2)				3.9
Pension benefit other than service (2)				(1.0)
Operating income (loss)	$ 13.5	$ 13.6	$ (15.5)	11.6
Strategic reorganization and other charges	0.2	0.2	3.2	3.6
Goodwill impairment	6.8	—	—	6.8
Adjusted operating income (loss)	20.5	13.8	(12.3)	22.0
Pension benefit other than service	—	—	1.0	1.0
Depreciation and amortization	7.5	8.1	—	15.6
Adjusted EBITDA	$ 28.0	$ 21.9	$ (11.3)	$ 38.6
Adjusted operating margin	11.4 %	9.1 %		6.6 %
Adjusted EBITDA margin	15.6 %	14.4 %		11.6 %

Reconciliation of free cash flow to net cash provided by operating activities:	
Net cash provided by operating activities	$ 31.8
Less capital expenditures	(18.0)
Free cash flow	$ 13.8

(1) Strategic reorganization and other charges primarily relate to transaction expenses.
(2) The Company does not allocate interest, income taxes or pension benefit (expense) other than service to its segments.

Segment Results and Reconciliation of Non-GAAP to GAAP Performance Measures (UNAUDITED)

	Quarter ended September 30, 2021			
	Water Flow Solutions	Water Management Solutions	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net sales	$ 164.9	$ 130.7	$ —	$ 295.6
Gross profit	$ 50.4	$ 35.9	$ —	$ 86.3
Selling, general and administrative expenses	22.5	21.9	12.2	56.6
Strategic reorganization and other charges (1)	—	0.1	1.8	1.9
Operating income (loss)	$ 27.9	$ 13.9	$ (14.0)	$ 27.8
Operating margin	16.9 %	10.6 %		9.4 %
Capital expenditures	$ 13.4	$ 3.2	$ —	$ 16.6
Reconciliation of non-GAAP performance measures to GAAP performance measures:				
Net income				$ 18.4
Strategic reorganization and other charges				1.9
Income tax benefit of adjusting items				(0.5)
Adjusted net income				$ 19.8
Weighted average diluted shares outstanding				159.3
Adjusted net income per diluted share				$ 0.12

(1) Strategic reorganization and other charges primarily relate to transaction expenses.
(2) The Company does not allocate interest, income taxes or pension benefit (expense) other than service to its segments.

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Segment Results and Reconciliation of Non-GAAP to GAAP Performance Measures (UNAUDITED)

	Quarter ended September 30, 2021			
	Water Flow Solutions	Water Management Solutions	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net income				$ 18.4
Income tax expense (2)				5.9
Interest expense, net (2)				4.4
Pension benefit other than service (2)				(0.9)
Operating income (loss)	$ 27.9	$ 13.9	$ (14.0)	27.8
Strategic reorganization and other charges	—	0.1	1.8	1.9
Adjusted operating income (loss)	27.9	14.0	(12.2)	29.7
Pension benefit other than service	—	—	0.9	0.9
Depreciation and amortization	7.7	7.3	—	15.0
Adjusted EBITDA	$ 35.6	$ 21.3	$ (11.3)	$ 45.6
Adjusted operating margin	16.9 %	10.7 %		10.0 %
Adjusted EBITDA margin	21.6 %	16.3 %		15.4 %
Reconciliation of free cash flow to net cash provided by operating activities:				
Net cash provided by operating activities				$ 33.4
Less capital expenditures				(16.6)
Free cash flow				$ 16.8

(1) Strategic reorganization and other charges primarily relate to transaction expenses.
(2) The Company does not allocate interest, income taxes or pension benefit (expense) other than service to its segments.

Segment Results and Reconciliation of Non-GAAP to GAAP Performance Measures (UNAUDITED)

	Year ended September 30, 2022			
	Water Flow Solutions	Water Management Solutions	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net sales	$ 714.1	$ 533.3	$ —	$ 1,247.4
Gross profit	$ 212.4	$ 151.9	$ —	$ 364.3
Selling, general and administrative expenses	87.1	102.8	48.8	238.7
Strategic reorganization and other (benefits) charges (1)	0.2	0.4	6.6	7.2
Goodwill impairment	6.8	—	—	6.8
Operating income (loss)	$ 118.3	$ 48.7	$ (55.4)	$ 111.6
Operating margin	16.6 %	9.1 %		8.9 %
Capital expenditures	$ 43.4	$ 11.3	$ —	$ 54.7
Reconciliation of non-GAAP to GAAP performance measures:				
Net income				$ 76.6
Warranty charge (2)				4.5
Strategic reorganization and other charges				7.2
Goodwill impairment				6.8
Income tax benefit of adjusting items				(4.1)
Adjusted net income				$ 91.0
Weighted average diluted shares outstanding				158.0
Adjusted net income per diluted share				$ 0.58

(1) Strategic reorganization and other charges primarily relate to transaction expenses, plant closures in Aurora, Illinois and Surrey, British Columbia, Canada, and the Albertville tragedy.
(2) Gross profit includes a charge of $4.5 million in connection with warranty obligations.
(3) The Company does not allocate interest, income taxes or pension benefit (expense) other than service to its segments.

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Segment Results and Reconciliation of Non-GAAP to GAAP Performance Measures (UNAUDITED)

	Year ended September 30, 2022			
	Water Flow Solutions	Water Management Solutions	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net income				$ 76.6
Income tax expense [3]				22.0
Interest expense, net [3]				16.9
Pension benefit other than service [3]				(3.9)
Operating income (loss)	$ 118.3	$ 48.7	$ (55.4)	111.6
Warranty charge [2]	—	4.5	—	4.5
Strategic reorganization and other (benefits) charges	0.2	0.4	6.6	7.2
Goodwill impairment	6.8	—	—	6.8
Adjusted operating income (loss)	125.3	53.6	(48.8)	130.1
Pension benefit other than service	—	—	3.9	3.9
Depreciation and amortization	30.0	30.3	0.2	60.5
Adjusted EBITDA	$ 155.3	$ 83.9	$ (44.7)	$ 194.5
Adjusted operating margin	17.5 %	10.1 %		10.4 %
Adjusted EBITDA margin	21.7 %	15.7 %		15.6 %
Reconciliation of net debt to total debt (end of period):				
Current portion of long-term debt				$ 0.8
Long-term debt				446.1
Total debt				$ 446.9
Less cash and cash equivalents				146.5
Net debt				$ 300.4
Net debt leverage (net debt divided by trailing twelve months' adjusted EBITDA)				1.5 x
Reconciliation of free cash flow to net cash provided by operating activities:				
Net cash provided by operating activities				$ 52.3
Less capital expenditures				(54.7)
Free cash flow				$ (2.4)

(1) Strategic reorganization and other charges primarily relate to transaction expenses, plant closures in Aurora, Illinois and Surrey, British Columbia, Canada, and the Albertville tragedy.
(2) Gross profit includes a charge of $4.5 million in connection with warranty obligations.
(3) The Company does not allocate interest, income taxes or pension benefit (expense) other than service to its segments.

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Segment Results and Reconciliation of Non-GAAP to GAAP Performance Measures (UNAUDITED)

	Year ended September 30, 2021			
	Water Flow Solutions	Water Management Solutions	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net sales (1)	$ 617.8	$ 493.2	$ —	$ 1,111.0
Gross profit (2)	$ 202.8	$ 155.7	$ —	$ 358.5
Selling, general and administrative expenses	81.8	85.8	51.2	218.8
Strategic reorganization and other charges (3)	0.1	(0.4)	8.3	8.0
Operating income (loss) (1)	$ 120.9	$ 70.3	$ (59.5)	$ 131.7
Operating margin	19.6 %	14.3 %		11.9 %
Capital expenditures	$ 51.0	$ 11.6	$ 0.1	$ 62.7
Reconciliation of non-GAAP to GAAP performance measures:				
Net income				$ 70.4
Strategic reorganization and other charges				8.0
Loss on early extinguishment of debt				16.7
Inventory restructuring write-down				2.4
Benefit of one-month results related to elimination of reporting lag				(1.4)
Income tax benefit of adjusting items				(6.6)
Adjusted net income				$ 89.5
Weighted average diluted shares outstanding				159.2
Adjusted net income per diluted share				$ 0.56

(1) As a result of the elimination of the one-month reporting lag, the year ended September 30, 2021, includes an additional $6.0 million of Net sales, and an additional $1.4 million in Operating income in Water Management Solutions and Consolidated.
(2) Gross profit includes $2.4 million in Inventory write-downs associated with the closures of the Company's facilities in Aurora, Illinois, and Surrey, British Columbia, Canada.
(3) Strategic reorganization and other charges include termination benefits associated with the Company's plant closures in Aurora, Illinois and Surrey, British Columbia, Canada, the Albertville tragedy, and certain transaction-related costs, partially offset by a one-time settlement gain in connection with an indemnification from a previously owned property.
(4) The denominator in the adjusted margin calculations for Water Management Solutions and Consolidated excludes Net sales of $6.0 million associated with the elimination of the one-month reporting lag.
(5) The Company does not allocate interest, income taxes or pension benefit (expense) other than service to its segments.

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Segment Results and Reconciliation of Non-GAAP to GAAP Performance Measures (UNAUDITED)

	Year ended September 30, 2021			
	Water Flow Solutions	Water Management Solutions	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net income				$ 70.4
Income tax benefit [5]				24.5
Interest expense, net [5]				23.4
Loss on early extinguishment of debt				16.7
Pension benefit other than service [5]				(3.3)
Operating income (loss)	$ 120.9	$ 70.3	$ (59.5)	131.7
Strategic reorganization and other (benefits) charges	0.1	(0.4)	8.3	8.0
Inventory restructuring write-down	2.4	—	—	2.4
Benefit of one-month results related to elimination of reporting lag	—	(1.4)	—	(1.4)
Adjusted operating income (loss)	123.4	68.5	(51.2)	140.7
Pension benefit other than service	—	—	3.3	3.3
Depreciation and amortization	30.5	28.9	0.2	59.6
Adjusted EBITDA	$ 153.9	$ 97.4	$ (47.7)	$ 203.6
Adjusted operating margin [4]	20.0 %	14.1 %		12.7 %
Adjusted EBITDA margin [4]	24.9 %	20.0 %		18.4 %
Reconciliation of net debt to total debt (end of period):				
Current portion of long-term debt				$ 1.0
Long-term debt				445.9
Total debt				446.9
Less cash and cash equivalents				227.5
Net debt				$ 219.4
Net debt leverage (net debt divided by trailing twelve months' adjusted EBITDA)				1.1 x
Reconciliation of free cash flow to net cash provided by operating activities:				
Net cash provided by operating activities				$ 156.7
Less capital expenditures				(62.7)
Free cash flow				$ 94.0

(1) As a result of the elimination of the one-month reporting lag, the year ended September 30, 2021, includes an additional $6.0 million of Net sales, and an additional $1.4 million in Operating income in Water Management Solutions and Consolidated.
(2) Gross profit includes $2.4 million in Inventory write-downs associated with the closures of the Company's facilities in Aurora, Illinois, and Surrey, British Columbia, Canada.
(3) Strategic reorganization and other charges include termination benefits associated with the Company's plant closures in Aurora, Illinois and Surrey, British Columbia, Canada, the Albertville tragedy, and certain transaction-related costs, partially offset by a one-time settlement gain in connection with an indemnification from a previously owned property.
(4) The denominator in the adjusted margin calculations for Water Management Solutions and Consolidated excludes Net sales of $6.0 million associated with the elimination of the one-month reporting lag.
(5) The Company does not allocate interest, income taxes or pension benefit (expense) other than service to its segments.

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