Mueller Water Products

Where Intelligence Meets Infrastructure®

Earnings Conference Call For The Third Quarter Ended June 30, 2018

August 7, 2018

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 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 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, 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.

THIRD QUARTER HIGHLIGHTS

- Increased consolidated net sales 7.8% after growing net sales 16.8% in second quarter with both Infrastructure and Technologies generating solid volume growth
- Benefiting from price increases implemented in second quarter which more than covered inflation
- Adjusted operating income increased 5.1% and adjusted net income grew 18.1%
- Conversion margin lagged in the quarter due to higher costs associated with inflation, unexpected equipment downtime and repairs, and timing of certain SG&A expenses
- Recorded $14.1 million warranty charge at Technologies after completing new study of our historical warranty experience for products produced and sold through 2017
- Generated adjusted net income per diluted share of $0.19 compared to $0.16 in 2017
- Refinanced outstanding debt with $450 million of 5.5% Senior Notes due 2026 and decreased debt outstanding by $33.9 million

CONSOLIDATED GAAP RESULTS

- Net sales increased 7.8%, or $18.0 million, to $250.2 million driven by higher volumes at both Infrastructure and Technologies, as well as higher pricing at Infrastructure
- Gross profit was $74.5 million with gross profit margin of 29.8%. Excluding the warranty charge, gross profit was $88.6 million with an adjusted gross profit margin of 35.4%
- SG&A expenses of $41.3 million increased compared to 2017 primarily due to timing of personnel-related expenses including share based compensation. SG&A as a percent of net sales was 16.5% in both current and prior year
- Operating income was $30.6 million compared to $43.0 million in 2017
- Net income per diluted share of $0.10 includes $14.1 million warranty charge, $6.2 million charge related to debt refinancing, $2.4 million cash settlement gain on termination of interest rate swap contracts, and other charges of $2.6 million

Third Quarter	2018	2017
Net sales	$ 250.2	$ 232.2
Gross profit	$ 74.5	$ 82.6
Gross margin	29.8%	35.6%
Operating income	$ 30.6	$ 43.0
Net income per diluted share	$ 0.10	$ 0.15

$ in millions except per share amounts

CONSOLIDATED NON-GAAP RESULTS

- Adjusted operating income increased 5.1% to $47.3 million compared with $45.0 million in 2017
- Adjusted operating performance was favorably impacted by higher volumes and higher pricing, which were partially offset by higher costs associated with inflation, unexpected equipment downtime and repairs, and timing of certain SG&A expenses
- Adjusted EBITDA increased 5.7% to $57.9 million compared with $54.8 million in 2017
- LTM Adjusted EBITDA was $176.0 million, or 19.8% of net sales
- Adjusted net income per diluted share was $0.19 compared with $0.16 last year

Third Quarter	2018	2017
Adj. operating income	$ 47.3	$ 45.0
Adj. operating margin	18.9%	19.4%
Adj. net income per share	$ 0.19	$ 0.16
Adj. EBITDA	$ 57.9	$ 54.8
Adj. EBITDA margin	23.1%	23.6%

$ in millions except per share amounts

3Q18 results exclude warranty charge of $14.1 million, $6.2 million charge related to debt refinancing, $2.4 million settlement gain on termination of interest rate swap contracts, and other charges of $2.6 million

3Q17 results exclude $0.8 million inventory purchase accounting adjustment and other charges of $1.2 million

INFRASTRUCTURE RESULTS

- Net sales grew 7.9% to $224.1 million for the quarter compared with $207.6 million last year
- Increase driven by higher shipment volumes and pricing
- Adjusted operating income of $57.0 million increased $2.8 million or 5.2% in the 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

Third Quarter	2018	2017
Net sales	$ 224.1	$ 207.6
Adj. operating income	$ 57.0	$ 54.2
Adj. operating margin	25.4%	26.1%
Adj. EBITDA	$ 66.2	$ 63.0
Adj. EBITDA margin	29.5%	30.3%

$ in millions

3Q17 results exclude $0.8 million inventory purchase accounting adjustment and other charges of $0.4 million

TECHNOLOGIES RESULTS

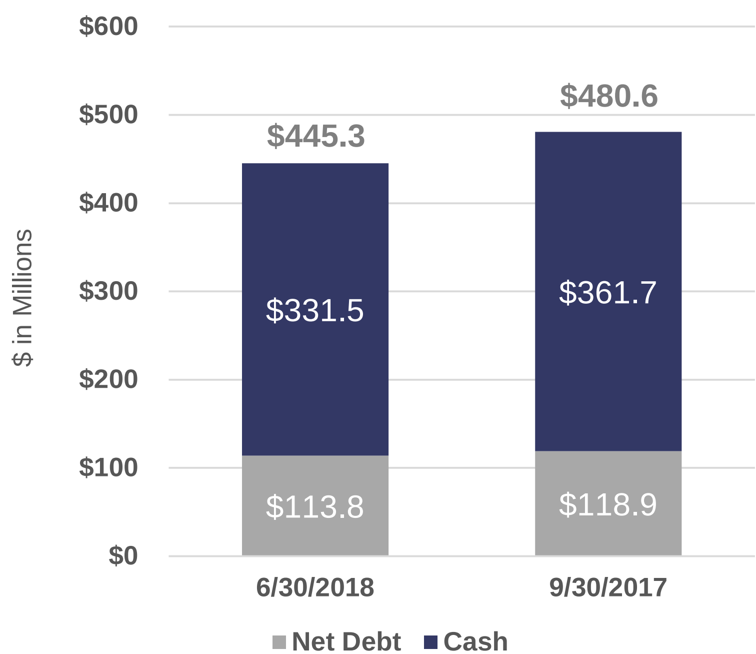
- Net sales increased 6.1% to $26.1 million in the quarter as compared with $24.6 million last year
- Primarily driven by higher volumes at Systems
- Adjusted operating loss was $2.0 million compared with $1.6 million in 2017
- Increased adjusted operating loss primarily due to higher costs associated with unexpected equipment downtime and repairs and inflation, partially offset by higher volumes

Third Quarter	2018	2017
Net sales	$ 26.1	$ 24.6
Adj. operating loss	$ (2.0)	$ (1.6)
Adj. operating margin	(7.7)%	(6.5)%
Adj. EBITDA	$ (0.5)	$ (0.4)
Adj. EBITDA margin	(1.9)%	(1.6)%

$ in millions

3Q18 results exclude warranty charge of $14.1 million

NET DEBT



$ in millions	June 30, 2018
ABL Revolver (LIBOR + 125 basis points)	$ 0.0
5.5% Senior Notes*	443.4
Other	1.9
Total Debt	$ 445.3

* 5.5% Senior Notes net of $6.6 million of deferred debt issuance costs

- Net debt leverage was 0.6x at June 30, 2018
- $112.0 million of excess availability under the ABL at June 30, 2018

Third Quarter Comments and 2018 Full Year Outlook

2018 FULL YEAR OUTLOOK

- Continue to be very encouraged by healthy demand in both municipal and residential end markets
  - Residential construction market growth in the mid to high-single digit range
  - Municipal spending growth in the low to mid-single digit range
- Consolidated net sales growth at high end of 7% to 9% range communicated last quarter
- Based on our current outlook for product mix and inflation, adjusted operating income growth between 9% and 11% compared with $123.3 million of adjusted operating income in FY2017
- Expectations for other full year 2018 key variables include:
  - Corporate SG&A expenses expected to be $33 million to $35 million
  - Depreciation and amortization approximately $44 million (vs. $45 to $47 million)
  - Net interest expense approximately $21 million (vs. $21 to $22 million)
  - Capital expenditures between $52 million and $58 million (vs. $50 to $60 million)
  - Adjusted effective income tax rate to be between 26% and 28%

Q&A

Supplemental Data

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

	Quarter ended June 30, 2018			
	Infrastructure	Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net sales	$ 224.1	$ 26.1	$ —	$ 250.2
Gross profit (loss)	$ 83.4	$ (8.9)	$ —	$ 74.5
Selling, general and administrative expenses	26.4	7.2	7.7	41.3
Strategic reorganization and other charges	—	—	2.6	2.6
Operating income (loss)	$ 57.0	$ (16.1)	$ (10.3)	$ 30.6
Operating margin	25.4%	(61.7)%		12.2%
Capital expenditures	$ 10.7	$ 2.0	$ (0.2)	$ 12.5

Reconciliation of non-GAAP performance measures to GAAP performance measures:	
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

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

	Quarter ended June 30, 2018			
	Infrastructure	Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
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 [(1)]				6.0
Interest expense, net [(1)]				5.3
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	1.5	0.1	10.8
Adjusted EBITDA	$ 66.2	$ (0.5)	$ (7.8)	$ 57.9
Adjusted operating margin	25.4%	(7.7)%		18.9%
Adjusted EBITDA margin	29.5%	(1.9)%		23.1%
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 (net debt divided by trailing twelve months' adjusted EBITDA)				0.6x
Reconciliation of free cash flow to net cash provided by operating activities of continuing operations:				
Net cash provided by operating activities of continuing operations of continuing operations				$ 68.5
Less capital expenditures				(12.5)
Free cash flow				$ 56.0

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

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

	Quarter ended June 30, 2017			
	Infrastructure	Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
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 non-GAAP performance measures to GAAP performance measures:				
Net income				$ 24.0
Loss from discontinued operations (after tax)				0.1
Inventory purchase accounting adjustment				0.8
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

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

	Quarter ended June 30, 2017			
	Infrastructure	Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net income				$ 24.0
Loss from discontinued operations (after tax)				0.1
Income tax expense (1)				13.4
Interest expense, net (1)				5.1
Pension costs other than service				0.4
Operating income (loss)	$ 53.0	$ (1.6)	$ (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%
Adjusted EBITDA	$ 63.0	$ (0.4)	$ (7.8)	$ 54.8
Three prior quarters’ adjusted EBITDA	137.8	(2.6)	(26.9)	108.3
Trailing twelve months’ adjusted EBITDA	$ 200.8	$ (3.0)	$ (34.7)	$ 163.1
Reconciliation of net debt to total debt (end of period):				
Current portion of long-term debt				$ 5.5
Long-term debt				475.7
Total debt				481.2
Less cash and cash equivalents				353.2
Net debt				$ 128.0
Net debt leverage (net debt divided by trailing twelve months’ adjusted EBITDA)				0.8x
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

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

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

	Nine months ended June 30, 2018			
	Infrastructure	Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net sales	$ 595.3	$ 66.4	$ —	$ 661.7
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 expenditures	$ 21.8	$ 5.0	$ 0.1	$ 26.9
Reconciliation of non-GAAP performance measures to GAAP performance measures:				
Net income				$ 80.6
One-time impacts from tax legislation				(35.1)
Warranty charge				14.1
Gain on sale of idle property				(9.0)
Strategic reorganization and other charges				8.4
Loss on early extinguishment of debt				6.2
Gain on settlement of interest rate swap contracts				(2.4)
Income tax benefit of adjusting items				(4.9)
Adjusted net income				$ 57.9
Weighted average diluted shares outstanding				159.5
Adjusted net income per diluted share				$ 0.36

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

	Nine months ended June 30, 2018			
	Infrastructure	Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
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 [1]				15.5
Interest expense, net [1]				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 cash flow to net cash provided by operating activities of continuing operations:

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.

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

	Nine months ended June 30, 2017			
	Infrastructure	Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
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 non-GAAP performance measures to GAAP performance measures:	
Net income	$ 104.0
Income from discontinued operations (after tax)	(69.8)
Discrete warranty charge	9.8
Inventory purchase accounting adjustment	0.8
Strategic reorganization and other charges	5.0
Income tax benefit of adjusting items	(2.7)
Adjusted net income	$ 47.1
Weighted average diluted shares outstanding	162.4
Adjusted net income per diluted share	$ 0.29

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

	Nine months ended June 30, 2017			
	Infrastructure	Technologies	Corporate	Consolidated
	(dollars in millions, except per share amounts)			
Net income				$ 104.0
Income from discontinued operations (after tax)				(69.8)
Income tax expense (1)				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)	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 operating margin	21.8%	(11.9)%		14.0%
Adjusted EBITDA margin	26.7%	(6.0)%		19.0%

Reconciliation of free cash flow to net cash used in operating activities of continuing operations:	
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 to our segments.