

2015 annual report



Badger Meter

A photograph of a person's profile on the right side of the frame, looking towards a large body of water. The person is holding a clear glass filled with water. The water in the glass is perfectly clear and reflects the sky and the forest in the background. The background shows a calm lake with a dense line of green trees on the far shore under a bright blue sky with scattered white clouds. The text "measurement matters" is overlaid in white, bold, sans-serif font across the middle of the image, partially overlapping the glass and the water.

measurement matters



Badger Meter

Badger Meter

is an innovator in flow measurement, control and communications solutions, serving water utilities, municipalities, and commercial and industrial customers worldwide.

measure

Our products accurately and reliably measure whatever moves through a pipe or pipeline — including water, air, steam, oil, and other liquids and gases.

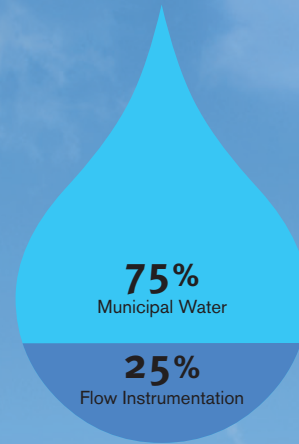
monitor

Our products and solutions give customers the tools to improve visibility and understanding of what is happening within their systems.

control

Optimized operational management starts with the highest quality measurement and monitoring solutions from Badger Meter.

2015 Badger Meter sales mix



municipal water

MARKET SERVED:
Water utilities



flow instrumentation

MARKETS SERVED:
Chemical and petrochemical
Oil and gas
Building automation / HVAC
Water and wastewater
Test and measurement
Industrial process
Research and development
Food and beverage
Pharmaceutical
Power generation
Mining
Aerospace
Semiconductor





measurement matters

The need to conserve our fresh water resources for future generations is more critical today than ever before. But you can't conserve what you don't measure. Badger Meter has an important role in helping water utilities and commercial and industrial customers measure, monitor and manage our precious water resources. That's why measurement matters to our world, to our company and to our shareholders.

Measurement matters in almost everything we do. Whether it is home repairs, education, sports or any other activity, we set objectives and measure against those goals. The same is true for Badger Meter, both for our customers and for our business.



dear shareholders,

I'm not a handy guy. I have never claimed to be handy. When I attempt home projects, they invariably fail. Doors don't close right, pictures are crooked, shelves are not level. After 20 years at Badger Meter, you would think that I would have learned one valuable lesson: measurement matters.

When you think about it, measurement matters in almost everything we do. Whether it is home repairs, education, sports or any other activity, we set objectives and measure against those goals. The same is true for Badger Meter, both for our customers and for our business.

measurement matters for our customers

Our customers around the globe want to conserve our precious resources for future generations. But you can't monitor what you don't measure. With the broadest portfolio of flow measurement products and technologies in the industry, we are well positioned to help water utilities and industrial customers with their conservation initiatives. In turn, our ability to provide the products our customers need to accurately measure and monitor water usage, efficiently operate their water and wastewater systems and engage with their end customers provides long-term growth opportunities for Badger Meter. The same is true for our industrial customers, who rely on our products and solutions to improve their operational efficiency.

Several of our newest products continue to gain market share and were strong contributors to our record sales in 2015. Sales of our E-Series® Ultrasonic meters increased 85 percent from the prior year. These meters use solid-state, high-frequency sound waves to measure flows. They have no moving parts, making them ideal for applications in harsh environments such as the Middle East.

Sales of our ORION® cellular endpoints grew more than six fold in 2015. Because they use cellular systems to transmit meter data, the ORION cellular technology can be used virtually anywhere,

without the need for costly infrastructure. More and more customers are selecting our BEACON® Advanced Metering Analytics (AMA) managed solution for their meter reading, system management, reporting and outreach capabilities.

We recently introduced new mobile software that enables utilities using our ORION meter reading technologies to transition their existing systems to BEACON AMA. With this new enhancement, customers can begin to introduce our ORION cellular endpoints into their systems, proactively utilize the system's extensive decision-making information and make our EyeOnWater® app available to their end customers as a valuable conservation tool.

Our flow instrumentation products have an important role in conserving water and wastewater, as well as oil and natural gas, in commercial and industrial applications. Here too, we have a broad product line, serving customers in markets ranging from water utilities and industrial processes to HVAC, food & beverage and research and development.

Our extensive product portfolio helped us to win a new three-year contract to supply our complete line of water meters, meter reading systems and analytics technologies to American Water, the nation's largest publicly traded water and wastewater utility company. American Water serves an estimated 15 million people, representing a significant opportunity for Badger Meter. We are excited about this new relationship and the opportunity to help American Water continue to deliver safe, clean, reliable and affordable water to its customers.

Our growth strategy also includes targeted acquisitions in our distribution channel to strengthen relationships with current customers and efficiently reach more new customers. In 2014, we acquired our largest distributor, National Meter and Automation, which serves the western United States. In 2015, we expanded our presence in the eastern U.S. with the acquisition of United Utilities, a smaller distributor based in Tennessee. We plan to acquire additional distributors over the coming years as appropriate opportunities arise.

measurement matters for our business

Net sales were a record \$377.7 million for 2015, a 3.5 percent increase over the prior year. Our strong 2015 sales surpassed our prior record in spite of a weak start to the year. Higher sales of both residential and commercial municipal water products were somewhat offset by lower sales of flow instrumentation products due to continued weakness in the oil and gas market and the general slow-growth economy.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased two percent in 2015, also setting a new record. This reflects our solid operational performance for the year.

Net earnings of \$25.9 million and diluted earnings per share of \$1.80 were both down from the record levels of 2014. This was due primarily to the softness in the flow instrumentation markets, lower than expected growth in utility sales and higher depreciation and amortization expenses.

Badger Meter remains financially strong. We generated \$35.8 million in cash from operations in 2015, while continuing to invest in new product development and product enhancements. We increased the quarterly dividend rate for the 23rd consecutive year. With a debt-to-total capitalization ratio of 23.5 percent at the end of the year, we believe our solid balance sheet provides a strong foundation for our continued growth.

measurement matters for our future

Water is vital to human survival, as well as for the food, energy and products that sustain us. While the amount of fresh water on the planet has remained fairly constant, the population that relies on that water has increased dramatically. This higher demand, combined with drought conditions and lower lake levels, is creating a water crisis that is a critical concern across the globe. In fact, some researchers predict that 30 to 40 percent of the world will experience water scarcity by the year 2020. That's only four years from now.

The growing global need for fresh, clean water is one of the fundamental drivers of our business. Our products provide accurate, reliable information that helps our customers measure, monitor and conserve water. With the increased focus on global conservation and sustainability, we believe Badger Meter products will be needed more in the future than ever before.

Companies that recognize the importance of accurate measurement will always be successful. When I look around my house today, I see level shelves, straight pictures and well-hung doors – but only because I hire experts for the job. And experts, like Badger Meter, recognize that measurement matters.



Richard A. Meeusen
Chairman, President &
Chief Executive Officer



measurement matters:

conserving our water resources



BEACON® ADVANCED
METERING ANALYTICS (AMA)



EYEONWATER® APP



ORION® AMR/AMI METER
READING SYSTEMS



RECORDALL® AND
E-SERIES® METER FAMILY

One in 10 people in the world lack access to safe water. Every 20 seconds, a child dies from a water-related disease. Globally, one-third of all schools lack access to safe water and adequate sanitation.

For all of these reasons and many more, in January 2015, the World Economic Forum listed the water crisis as the #1 global risk based on impact to society.



The continued growth in worldwide population, household size, and commercial and industrial needs makes managing the sustainability of our fresh water resources more critical than ever.

Conservation is a key element in ensuring fresh clean water will be available for future generations. Measurement matters, because when people know how much water they use, they typically use less. In fact, the U.S. Environmental Protection Agency estimates that metering alone can reduce water consumption by 20 to 40 percent.

In addition to its role in reducing water consumption, metering helps to conserve water in other important ways. Metering provides accurate water usage data not only for billing purposes, but also to help water utilities monitor and manage their water and wastewater systems. It assists in identifying leaks and above-average consumption, and can also engage consumers by educating them on how much water they use.

With the broadest portfolio of flow measurement products and meter-reading technologies in the industry, we are well positioned to help water utilities measure water consumption, monitor their systems and track the results of conservation initiatives. 💧

Above: Our latest enhancement enables customers using our ORION® meter reading technologies to easily transition to BEACON® AMA.

Left: The need to conserve our fresh water resources is a global concern.

measurement matters:

optimizing data for water utilities

Utilities choose our accurate and reliable disc and ultrasonic meters to measure water usage and generate billings for their residential and commercial customers.

But it's the next step – optimizing that information – where the power of our meter reading solutions helps utilities to better understand, monitor and manage their operations.



BEACON® Advanced Metering Analytics (AMA) is our cloud-based software analytics platform that provides actionable information utilities need for improved efficiency, faster leak detection, better revenue management and easier reporting. It's a customizable managed system that obtains meter readings through our **ORION®** fixed-network and

Above: Leak detection is a key feature of our meter reading systems that helps to reduce water consumption.

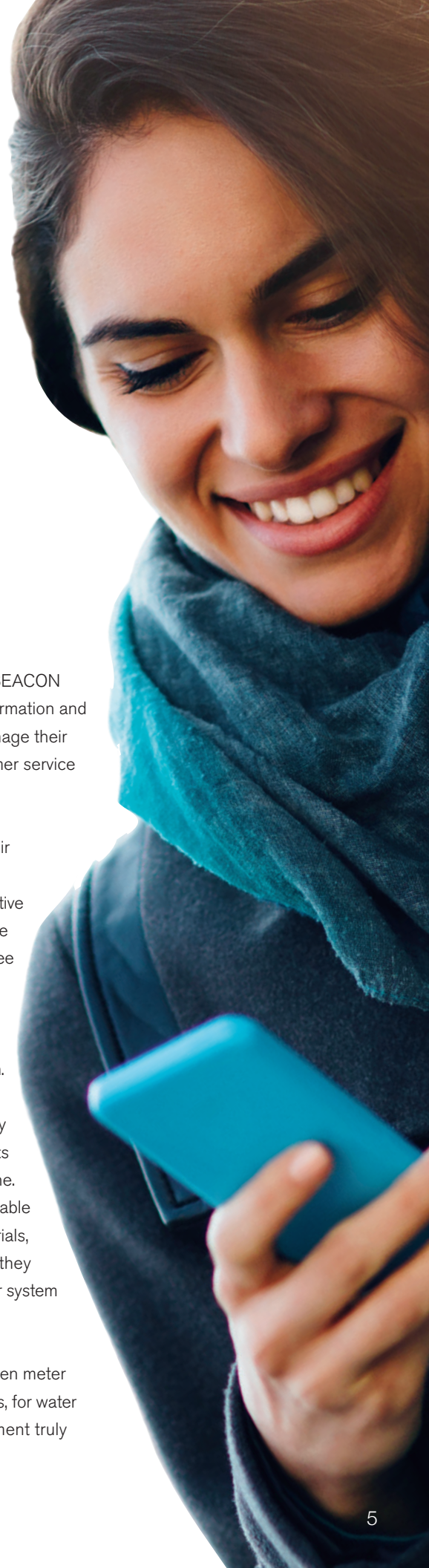
Right: Consumers can see how much water they use with our EyeOnWater® mobile app.

industry-leading cellular technology. BEACON AMA gives utilities of all sizes the information and analytics they need to proactively manage their water supply systems, improve customer service and conserve precious resources.

Many utilities also want to engage their customers in water conservation. Our **EyeOnWater®** mobile app is an innovative feature of the BEACON AMA software platform that enables consumers to see and understand their water use, with graphics showing recent water usage, comparisons against the average, usage trends and historical information.

The powerful data analytics provided by BEACON AMA and EyeOnWater starts with our broad water meter product line. With one of the widest ranges of available measurement technologies and materials, we give customers the meter choice they need to meet the unique needs of their system and their customers.

From reliable, accurate meters to proven meter reading systems and powerful analytics, for water utilities across the country, measurement truly does matter. 💧



measurement matters: improving processes and performance



IMPELLER FLOW
METER



MODMAG M-SERIES®
ELECTROMAGNETIC METER



E-SERIES®
ULTRASONIC METER



DYNASONICS® ULTRA
FLOW BTU METER

From water and wastewater systems to buildings and industrial processes, we help commercial and industrial customers to measure what matters.

Our products can measure or control whatever moves through a pipe or pipeline, including water, air, steam, oil and other liquids and gases. As a result, our broad product portfolio meets customer needs for literally thousands of commercial applications.



Top: Our impeller meters help customers manage their irrigation systems.

Bottom: Complex water treatment processes require the highest flow meter accuracy and reliability.

Right: Our E-Series® Ultrasonic meters can withstand the high temperatures and harsh environments of the Middle East.

One of these applications is water and wastewater operations. Utility and industrial customers want accurate, dependable flow data and control, while meeting the increasing demand for water, adhering to new, higher standards for water quality and pollution controls, and saving energy. Their complex water treatment processes require the highest flow meter accuracy and reliability. At the same time, our commercial and industrial customers are continually working to improve efficiency and manage costs.

Our products are used across the entire water eco-system to enable customers around the globe to achieve their goals.

One example is irrigation, a growing market for our impeller meters and sensors. Drought conditions in the western United States and inadequate rainfall in other parts of the country are driving the focus on efficient irrigation as a solution for growing crops, maintaining landscapes and timing the water supply for maximum plant yield. Specifically designed for use below ground level and in wet locations, our impeller meters help customers to better manage their irrigation systems and monitor water usage through both direct and wireless systems. 💧

measurement matters:


driving growth opportunities

While water utilities in many cities have metered their customers' homes and businesses for decades, others still charge users a flat rate.

As of 2014, 68 percent of the total water supply in the U.S. was connected to water meters, according to the Smart Water Meter Report compiled by IHS, Inc. When it comes to meter reading technologies, about 50 percent of the installed meters are read through mobile and fixed network technologies. Both statistics highlight the opportunities we have for long-term growth in sales of both meters and flow technologies.

Another growth driver is our broad product line. We offer eight of the ten common flow technologies in the industry, more than any of our major competitors. Our product portfolio includes the primary water meter technology used in the U.S., as well as the technologies increasingly used in other parts of the world.

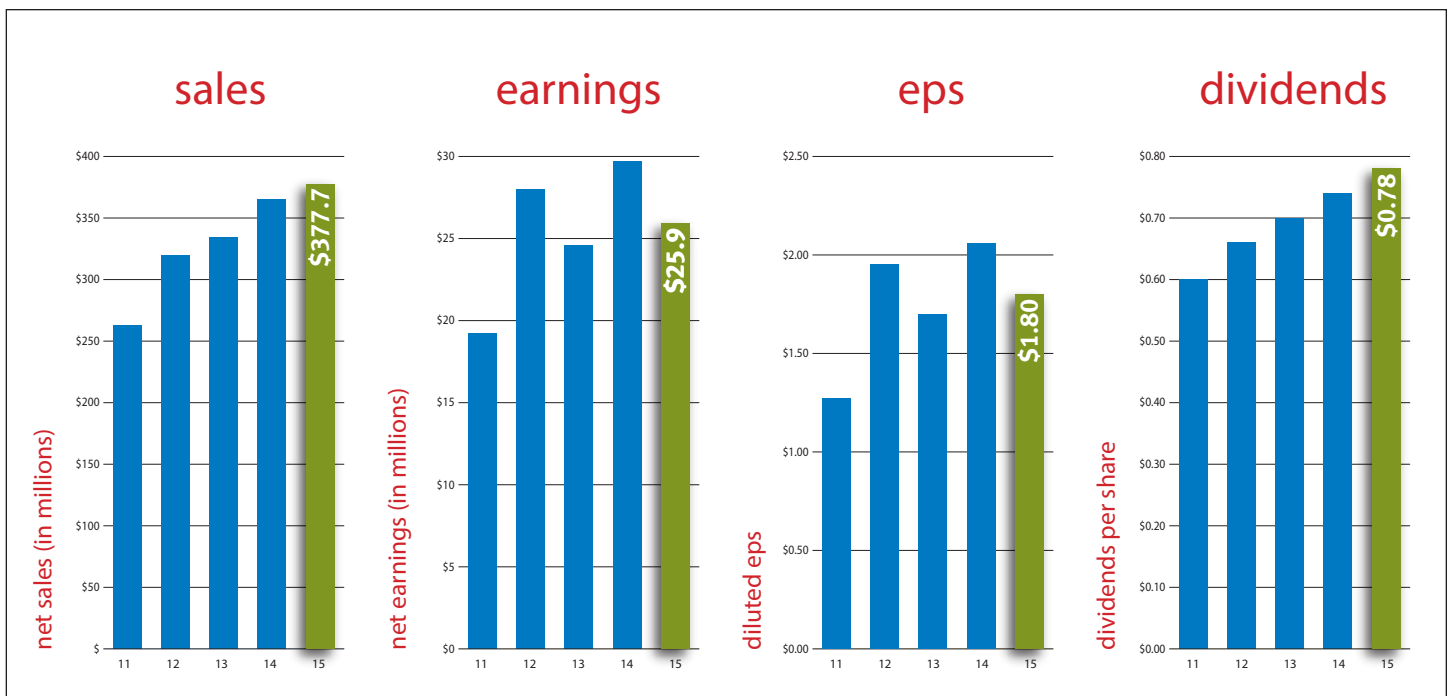
While the majority of our current sales are to customers in North America, the global water meter market is beginning to shift from mechanical to electronic meters, such as our E-Series® Ultrasonic meters with solid-state technology. This provides additional growth opportunities for us in regions such as the Middle East, where water utilities have specified our E-Series meters because of their durable housings that can withstand the region's high temperatures and harsh environment. Our Dynasonics® transit-time ultrasonic meters are also being used by customers in the Middle East to calculate the energy used in HVAC systems cooled by sea water.

All across the globe, measurement matters, and in turn provides long-term growth opportunities for Badger Meter. 



december 31,	2015	2014	% change
operations (dollars in thousands)			
Net sales	\$ 377,698	\$ 364,768	3.5
Net earnings	\$ 25,938	\$ 29,678	(12.6)
diluted per common share amounts			
Diluted earnings	\$ 1.80	\$ 2.06	(12.6)
Cash dividends	\$ 0.78	\$ 0.74	5.4
Net book value	\$ 16.08	\$ 14.82	8.5
year-end financial position (dollars in thousands)			
Total assets	\$ 355,480	\$ 341,158	4.2
Total debt	\$ 71,360	\$ 75,927	(6.0)
Shareholders' equity	\$ 232,275	\$ 214,331	8.4
Debt as a percent of total debt and equity	23.5%	26.2%	(10.3)
Net earnings as a percent of ending equity	11.2%	13.8%	(18.8)
other			
Number of employees	1,514	1,431	5.8
Number of shareholders:			
in employee plans	599	579	3.5
of record	948	948	—
Shares outstanding at December 31	14,524,822	14,461,193	0.4

performance data



board of directors

Richard A. Meeusen

Chairman, President and Chief Executive Officer, Badger Meter, Inc.

Ronald H. Dix (3)

Retired Senior Vice President – Administration, Badger Meter, Inc.

Thomas J. Fischer (1, 3)

Consultant in Corporate Financial and Accounting Matters; Retired Partner, Arthur Andersen LLP

Gale E. Klappa (1, 2)

Chairman and Chief Executive Officer, WEC Energy Group

Gail A. Lione (lead director) (2, 3)

Adjunct Professor, Georgetown University School of Law; Retired President, The Harley-Davidson Foundation; and former Executive Vice President, General Counsel and Secretary, Harley-Davidson, Inc.

Andrew J. Policano (3)

Chaired Professor and Director, Paul Merage School of Business, University of California - Irvine

Steven J. Smith (1,2)

Chairman of the Board, Journal Media Group

Todd J. Teske (1,2)

Chairman, President and Chief Executive Officer, Briggs & Stratton Corporation

Committees of the Board

1. Audit and Compliance
2. Compensation
3. Corporate Governance

executive officers

Richard A. Meeusen

Chairman, President and Chief Executive Officer

Richard E. Johnson

Sr. Vice President – Finance, Chief Financial Officer and Treasurer

Fred J. Begale

Vice President – Engineering

William R. Bergum

Vice President – General Counsel and Secretary

Gregory M. Gomez

Vice President – Flow Instrumentation

Horst Gras

Vice President – International Operations

Raymond G. Serdyski

Vice President – Manufacturing

Beverly L. Smiley

Vice President – Controller

Kimberly K. Stoll

Vice President – Sales and Marketing

corporate information

Badger Meter, Inc., Headquarters

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Milwaukee, Wisconsin 53224-9536
(414) 355-0400
www.badgermeter.com

Domestic Facilities

Milwaukee, Wisconsin
Racine, Wisconsin
Tulsa, Oklahoma
Scottsdale, Arizona
Los Gatos, California
Centennial, Colorado

Foreign Facilities

Stuttgart, Germany
Nogales, Sonora, Mexico
Brno, Czech Republic
Bern, Switzerland

Independent Registered Public Accounting Firm

Ernst & Young LLP, Milwaukee, Wisconsin

Transfer Agent

American Stock Transfer & Trust Company, LLC
New York, New York
(877) 248-6415
www.amstock.com

Listing of Common Stock

New York Stock Exchange; Symbol—BMI

BMI
LISTED
NYSE

Form 10-K Report/Shareholder Information

A copy of the company's fiscal 2015 Form 10-K annual report (without exhibits) as filed with the Securities and Exchange Commission is included in this report. Shareholder information, including news releases and Form 10-K, are available on the company's website: www.badgermeter.com. Shareholders who hold their stock in nominee or "street" name can receive shareholder information directly from the company by being placed on our mailing list. Please direct inquiries to: Shareholder Relations, Badger Meter, Inc., P.O. Box 245036, Milwaukee, WI 53224-9536, or call (414) 355-0400.

Annual Meeting

Shareholders are encouraged to attend the 2016 annual meeting at 8:30 a.m. on Friday, April 29, 2016, at the Milwaukee Public Museum, 800 W. Wells Street, Milwaukee, Wisconsin 53233.

Forward Looking Statements

Certain statements contained in this document, as well as other information provided from time to time by the company or its employees, may contain forward looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward looking statements. Please see page one of the enclosed Form 10-K for a list of words or expressions that identify such statements.

Automatic Dividend Reinvestment and Stock Purchase Plan

Badger Meter's Dividend Reinvestment and Stock Purchase Plan is a convenient way to acquire shares of company stock. To receive a prospectus describing the plan and an enrollment card, please contact our plan administrator, American Stock Transfer at (877) 248-6415, or visit their Web site at: www.amstock.com.

Direct Registration System

Shareholders of Badger Meter common stock can hold their shares in uncertificated/book entry form at the Transfer Agent. Current shareholders who wish to transfer their existing shares to Direct Registration should mail their stock certificates to American Stock Transfer per the instructions on their website at www.amstock.com. For more information, please call American Stock Transfer, (877) 248-6415.

Certifications

The company filed as exhibits to its fiscal 2015 Form 10-K the certifications of the Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act. The company also submitted to the New York Stock Exchange during 2015 the Annual CEO Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

Trademarks

Trademarks appearing in this document are the property of their respective entities.



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