



Badger Meter

2017 ANNUAL REPORT

Eye on Innovation

Eye on Innovation

Ahead of the curve. First to market. Focused on the future. Dedicated to our customers. That's the mindset Badger Meter (NYSE: BMI) has cultivated throughout its history.

While we are proud to be the oldest independent water meter manufacturer in the country, we're not content to rest on our laurels. Instead, we're working every single day to shape the future of water conservation, consumption and process control.

At Badger Meter, our eye is always on innovation as we continue to serve our customers around the globe.

Badger Meter

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

2017 Badger Meter Sales Mix

76%
Municipal Water

24%
Flow Instrumentation

Municipal Water Market Served:

Water utilities



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.

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





Executive Officers

(from left to right)

Gregory M. Gomez

Vice President – Business Development and Flow Instrumentation

Kimberly K. Stoll

Vice President – Sales and Marketing

William R. Bergum

Vice President – General Counsel and Secretary

Richard E. Johnson

Senior Vice President – Finance, Chief Financial Officer and Treasurer

Horst E. Gras

Vice President – International Operations

Richard A. Meeusen

Chairman, President and Chief Executive Officer

Trina L. Jashinsky

Vice President – Human Resources

Raymond G. Serdynski

Vice President – Manufacturing

Kenneth C. Bockhorst

Senior Vice President – Chief Operating Officer

Fred J. Begale

Vice President – Engineering

Beverly L.P. Smiley

Vice President – Controller

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Dear Shareholders



The ancient Romans were experts at innovation, particularly in warfare and engineering. They also invented Janus, a god with two faces – one looking to the past and the other keeping an eye on the future. While the Romans copied all of their gods from the Greeks, Janus was the exception: he was a purely Roman invention. The Romans looked to Janus for guidance, as he was also their god of time and transitions.

Although we don't look to mythical gods for guidance, we too must keep an eye on our past successes and our future innovations. Let me share a few comments on both.

Keeping an Eye on the Past

Looking back on 2017, we are very proud to have generated another record year for our shareholders. Net sales exceeded \$400 million for the first time in our 113-year history. In addition, our operating earnings increased 9.6% and our net earnings were up 7%.

Our growth and financial results continue to be driven by our strategy to innovate leading-edge technologies. Our strong margins in 2017 were driven by increased sales of our newest products, including the ORION® Cellular radio, the E-Series® Ultrasonic water meter and our BEACON® software systems. These products provide our utility customers with the latest technology, best quality and fullest features in the industry.

In 2017, flow instrumentation sales saw the long-anticipated rebound with a 7% increase over 2016. As oil prices stabilized, well operators and refineries have begun upgrading their operations with our newer oil and gas meters. In addition, valve and magnetic meter sales also saw significant increases in 2017, as global economies continue to expand. Our sales force reorganization and restructuring efforts of the past few years have helped position us to take advantage of these growth opportunities.

The year also had some tax adjustments that raised our effective rate to 37% for the year. However, going forward, the Tax Cut and Jobs Act of 2017 will reduce

the U.S. federal corporate tax rate and should provide a significant benefit to Badger Meter due to our higher percentage of sales in the United States. We estimate that our future effective tax rate, starting in 2018, will decrease from over 35% to around 24%. This reduction will generate additional operating income for future capital investments, to fund strategic acquisitions and to support strong dividend returns for our shareholders.

Speaking of dividends, 2017 marked our 25th year of consecutive dividend increases. We are proud of this track record, along with our continued strong financial performance. We have a solid balance sheet, with a debt to EBITDA (earnings before interest, taxes, depreciation and amortization) ratio of 0.6 to 1.0, and a debt to total capitalization ratio below 14%.

Keeping an Eye on Innovation

As the market technology leaders, we never take our eye off product innovation.

We acquired D-Flow Technologies, a Swedish company with patented technologies for use in ultrasonic metering, in the first half of 2017. We immediately began to develop our next generation E-Series meters, incorporating the D-Flow technology. Not only will this development improve the capabilities of our ultrasonic meters, but we also anticipate a cost reduction driven by the use of D-Flow's transducers and integrated circuits. We expect this project to be completed in the second half of 2018.

Net sales exceeded \$400 million for the first time in our 113-year history. In addition, our operating earnings increased 9.6% and our net earnings were up 7%.

We also introduced the new LTE version of our ORION Cellular radio in early 2017, allowing our customers to transition from the previous 3G cellular networks to the latest LTE networks. This development keeps our ORION Cellular technology on the leading edge of cellular radio offerings. Strong customer demand has supported our strategy to minimize customer-owned infrastructure through the use of cellular technology and existing networks.

We are continually upgrading our BEACON Advanced Metering Analytics solution with new features that permit our utility customers to better manage their water service territories. Our EyeOnWater® consumer portal continues to be upgraded with new features. These systems are an essential part of our utility product offerings.

On the flow instrumentation side of our business, we have continued to upgrade our products, optimize our production operations and focus our sales channels. With the rebound in the oil and gas markets, as well as increased strength in other markets we serve, these improvements have positioned us well to take advantage of growth opportunities.

We completed our third utility distributor acquisition during the fourth quarter. Carolina Meter & Supply is now part of the Badger Meter family, along with their skilled sales team and professional support personnel. This move continued our strategy, started three years ago, of making key acquisitions to expand our owned distributor channel in order to provide a higher level of service and support for our utility customers.

Looking to the Future

As we plan for the future, we will continue to invest in new product development to help our customers better manage their precious resources, such as water, chemicals, oil and gas. And we will continue to evaluate strategic acquisition opportunities that can enhance our value proposition for our customers and shareholders.

We were excited to have Ken Bockhorst, our new senior vice president and chief operating officer, join the Badger Meter team last fall. Ken brings a wealth of experience, having managed global operations for other leading companies. In the short time Ken has been with us, he has already made significant contributions to our organization and will certainly be a key part of our management team in the coming years.

Lastly, my thanks to Ronald Dix and Steve Smith, who concluded their tenure on our Board of Directors in 2017. Our team remains grateful for their years of service and expertise.

Like ancient Janus, we are proud to look back on our 113-year history of success, while keeping a second eye on our future. We firmly believe that the combined strength of our people, our brand, our markets and our innovative products will continue to drive growth in shareholder value for many years.

A handwritten signature in black ink, reading "Richard A. Meeusen". The signature is written in a cursive style with a large, prominent "R" and "M".

Richard A. Meeusen
Chairman, President and Chief Executive Officer

Eye on Technology

The needs of our customers continue to be a top priority and drive our technological innovations in water and flow metering – both through R&D and strategic acquisitions. The advantages of ultrasonic technology, for example, led to the 2017 strategic acquisition of D-Flow Technology. This acquisition helps ensure our market leadership for years to come, brings further enhancements to our already successful E-Series® Ultrasonic product line and will extend our family of ultrasonic meters into larger sizes for our customers' commercial applications.

Anticipating our customers' needs, we were also the first to market with our ORION® Cellular endpoint, which uses existing secure cellular networks to deliver meter reading data to the utility, providing the first truly viable infrastructure-free fixed network solution. Another "first" is our EyeOnWater® consumer application, available exclusively through our BEACON® Advanced Metering Analytics (AMA) software suite. The EyeOnWater app allows utility customers to view and understand their water usage, leading to improved customer service and greater water conservation.

With our eye on serving an ever-wider range of customer needs, we are also continuously developing solutions for flow instrumentation applications, including a new ultrasonic flow meter for open channel flow measurement and a digital-signal flow monitor used in harsh surroundings.





Eye on Culture

We believe that innovations spring from our highly skilled, engaged and collaborative team of flow measurement professionals. Innovation requires hiring the best and brightest individuals from all over the world, and retaining the best and brightest through new opportunities and continuous professional development. Our employees come from different backgrounds, roles and geographic locations to make up a team that we believe is second to none.

We are engineers who creatively problem solve, and can take a process or design that is already working well and make it better. We are customer service representatives who always put the customer first. We are technicians and manufacturing experts who put quality above all else. We are leaders who push the team to think strategically and take smart risks.



Meet Ken Bockhorst

Senior Vice President and Chief Operating Officer

In September 2017, Kenneth C. Bockhorst was appointed to the newly created position of senior vice president and chief operating officer. Ken brings more than 20 years of global experience to Badger Meter. As chief operating officer, Ken oversees our municipal water and flow instrumentation manufacturing, engineering, sales, marketing and acquisition activities. He has also assumed responsibility for continuous improvement initiatives and new product development. Ken is a key part of the next generation of Badger Meter leaders, and is expected to play a vital role in developing strategies for our continued growth and innovation, both domestically and internationally.



Eye on Customer Experience

We are focused on making sure the “voice of the customer” is reflected in everything we do. We regularly collect feedback from our customers through a variety of channels, including one-on-one discussions, surveys, customer advisory councils and feedback cards shipped with our products.

Badger Meter uses those customer insights to enhance our products and services to provide the very best – and continuously improving – experience possible. We continue to execute on our strategy of acquiring utility distributors throughout the country. Through our owned utility distributor network and independent distribution partners, we provide improved delivery times, expanded customer support services and increased customer touchpoints in key geographic areas. Aligning our industry-leading products with locally delivered, high-touch service is a winning combination for customers, making us much more nimble in addressing their needs.





Eye on Performance

When you stay ahead of the curve, you can better weather a year when your major market softens. Despite the more challenging municipal water market in 2017, sales crossed the \$400 million threshold for the first time, capping off another record year at Badger Meter that also achieved increases in earnings and earnings per share. For the 25th consecutive year, shareholders received increased dividend payments, and over the past five years, we delivered an annualized total return to shareholders of 16.4%.

We manage for the long term. Building on our history of creating industry disruption, we remain committed to investing in R&D and strategic acquisitions that bring us new technologies and innovative products to improve how our customers measure and use data to drive their operations. And we remain committed to expanding our market share both domestically and internationally, where opportunities abound.

Badger Meter is helping to shape the future of water, which we believe is a solid long-term investment for our shareholders.



Performance Data

December 31,	2017	2016	% Change
Operations (dollars in thousands)			
Net sales	\$ 402,440	\$ 393,761	2.2
Net earnings	\$ 34,571	\$ 32,295	7.0
Diluted per Common Share Amounts			
Diluted earnings	\$ 1.19	\$ 1.11	7.2
Cash dividends	\$ 0.49	\$ 0.43	14.0
Net book value	\$ 9.53	\$ 8.80	8.3
Year-End Financial Position (dollars in thousands)			
Total assets	\$ 391,727	\$ 349,669	12.0
Total debt	\$ 44,550	\$ 37,950	17.4
Shareholders' equity	\$ 277,452	\$ 256,209	8.3
Debt as a percent of total debt and equity	13.8%	12.9%	7.0
Net earnings as a percent of ending equity	12.5%	12.6%	(0.8)
Other			
Number of employees	1,632	1,562	4.5
Number of shareholders:			
in employee plans	586	607	(3.5)
of record	909	922	(1.4)
Shares outstanding at December 31	29,118,532	29,118,532	0.0



Board of Directors

Richard A. Meeusen

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

Todd A. Adams¹

President and Chief Executive Officer, Rexnord Corporation

Thomas J. Fischer^{1,3}

President, Fischer Financial Consulting LLC and Retired Managing Partner, Arthur Andersen LLP (Milwaukee office)

Gale E. Klappa^{2,3}

Chairman and Chief Executive Officer, WEC Energy Group

Gail A. Lione^{2,3}

Senior Counsel, Dentons; 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. Policano³

Former Dean, Paul Merage School of Business, University of California – Irvine

James F. Stern^{1,2}

Executive Vice President, General Counsel and Secretary, A.O. Smith Corporation

Glen E. Tellock¹

President and Chief Executive Officer, Lakeside Foods

Todd J. Teske (Lead Director)^{2,3}

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

Committees of the Board

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

Corporate Information

Badger Meter, Inc. Headquarters

4545 West Brown Deer Road
P.O. Box 245036
Milwaukee, Wisconsin 53224-9536
(414) 355-0400
www.badgermeter.com

Domestic Facilities

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

Foreign Facilities

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

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



Form 10-K Report/Shareholder Information

A copy of the company's fiscal 2017 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. 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 2018 annual meeting at 8:30 a.m. on Friday, April 27, 2018, at Badger Meter, Inc., 4545 West Brown Deer Road, Milwaukee, Wisconsin 53224.

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 website 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 certifications 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 2017 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 2017 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.



Badger Meter

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