BADGER METER INC
Form 10-Q
October 29, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended September 30, 2015

BADGER METER, INC.

4545 W. Brown Deer Road
Milwaukee, Wisconsin 53223
(414) 355-0400
A Wisconsin Corporation
IRS Employer Identification No. 39-0143280
Commission File No. 001-06706

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
As of October 13, 2015, there were 14,512,987 shares of Common stock outstanding with a par value of $1 per share.

Table of Contents

BADGER METER, INC.
Quarterly Report on Form 10-Q for the Period Ended September 30, 2015
Index

Table of Contents

Special Note Regarding Forward Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q, as well as other information provided from time to time by Badger Meter, Inc. (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. The words “anticipate,” “believe,” “estimate,” “expect,” “think,” “should,” “could” and “objective” or similar expressions are i to identify forward looking statements. All such forward looking statements are based on the Company’s then current views and assumptions and involve risks and uncertainties. Some risks and uncertainties that could cause actual results to differ materially from those expressed or implied in forward looking statements include those described in Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 that include, among other things:

- the continued shift in the Company’s business from lower cost, manually read meters toward more expensive, value-added automatic meter reading (AMR) systems, advanced metering infrastructure (AMI) systems and advanced metering analytics (AMA) systems that offer more comprehensive solutions to customers’ metering needs;
- the success or failure of newer Company products;
- changes in competitive pricing and bids in both the domestic and foreign marketplaces, and continued intense price competition on government bid contracts for lower cost, manually read meters;
- the actions (or lack thereof) of the Company’s competitors;
- changes in the Company’s relationships with its alliance partners, primarily its alliance partners that provide radio solutions, and particularly those that sell products that do or may compete with the Company’s products;
- changes in the general health of the United States and foreign economies, including to some extent such things as the length and severity of global economic downturns, international or civil conflicts that affect international trade, the ability of municipal water utility customers to authorize and finance purchases of the Company’s products, the Company’s ability to obtain financing, housing starts in the United States, and overall industrial activity;
- unusual weather, weather patterns or other natural phenomena, including related economic and other ancillary effects of any such events;
- the timing and impact of government funding programs that stimulate national and global economies, as well as the impact of government budget cuts or partial shutdowns of governmental operations;
- changes in the cost and/or availability of needed raw materials and parts, such as volatility in the cost of brass castings as a result of fluctuations in commodity prices, particularly for copper and scrap metal at the supplier level, foreign-sourced electronic components as a result of currency exchange fluctuations and/or lead times, and plastic resin as a result of changes in petroleum and natural gas prices;
- the Company’s expanded role as a prime contractor for providing complete technology systems to governmental entities, which brings with it added risks, including but not limited to, the Company’s responsibility for subcontractor performance, additional costs and expenses if the Company and its subcontractors fail to meet the timetable agreed to with the governmental entity, and the Company’s expanded warranty and performance obligations;
- the Company’s ability to successfully identify, complete and integrate acquired businesses or products;
- changes in foreign economic conditions, particularly currency fluctuations in the United States dollar, the Euro and the Mexican peso;
- the inability to develop technologically advanced products;
- the failure of the Company’s products to operate as intended;
- the inability to protect the Company’s proprietary rights to its products;
- disruptions and other damages to information technology and other networks and operations due to breaches in data security;
- transportation delays or interruptions;
- the loss of certain single-source suppliers; and
- changes in laws and regulations, particularly laws dealing with the content or handling of materials used in the Company's products.

All of these factors are beyond the Company's control to varying degrees. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward looking statements contained in this Quarterly Report on Form 10-Q and are cautioned not to place undue reliance on such forward looking statements. The forward looking statements made in this document are made only as of the date of this document and the Company assumes no obligation, and disclaims any obligation, to update any such forward looking statements to reflect subsequent events or circumstances.

Table of Contents

Part I – Financial Information

Item 1 Financial Statements

BADGER METER, INC.

Consolidated Condensed Balance Sheets

	September 30, (Unaudited) (In thousands)	December 31,
Assets	2015	2014
Current assets:		
Cash	$4,075	$6,656
Receivables	59,727	53,967
Inventories:		
Finished goods	26,349	25,362
Work in process	12,168	13,047
Raw materials	37,226	33,365
Total inventories	75,743	71,774
Prepaid expenses and other current assets	5,560	4,538
Deferred income taxes	4,282	4,170
Total current assets	149,387	141,105
Property, plant and equipment, at cost	187,983	177,400
Less accumulated depreciation	(101,475)	(95,594)
Net property, plant and equipment	86,508	81,806
Intangible assets, at cost less accumulated amortization	58,508	61,672
Prepaid pension	740	456
Other assets	9,231	8,397
Goodwill	48,443	47,722
Total assets	$352,817	$341,158
Liabilities and shareholders' equity		
Current liabilities:		
Short-term debt	$67,380	$75,927
Payables	18,946	16,059
Accrued compensation and employee benefits	9,581	11,901
Warranty and after-sale costs	2,351	1,739
Income and other taxes	2,358	1,449
Total current liabilities	100,616	107,075
Other long-term liabilities	4,211	1,735
Deferred income taxes	6,566	6,399
Accrued non-pension postretirement benefits	6,512	6,342
Other accrued employee benefits	5,486	5,276
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Common stock	20,542	20,523
Capital in excess of par value	51,080	48,353
Reinvested earnings	201,451	189,365
Accumulated other comprehensive loss	(11,824)	(11,856)

Less: Employee benefit stock	(870)	(922)
Treasury stock, at cost	(30,953)	(31,132)
Total shareholders’ equity	229,426	214,331
Total liabilities and shareholders’ equity	$352,817	$341,158

See accompanying notes to unaudited consolidated condensed financial statements.

Table of Contents

BADGER METER, INC.

Consolidated Statements of Operations

	Three Months Ended September 30, (Unaudited)		Nine Months Ended September 30, (Unaudited)	
	(In thousands except share and per share amounts)			
	2015	2014	2015	2014
Net sales	$99,388	$96,271	$281,928	$275,429
Cost of sales	63,287	59,806	180,609	175,182
Gross margin	36,101	36,465	101,319	100,247
Selling, engineering and administration	22,477	20,482	68,460	62,353
Operating earnings	13,624	15,983	32,859	37,894
Interest expense, net	305	273	941	875
Earnings before income taxes	13,319	15,710	31,918	37,019
Provision for income taxes	4,992	5,479	11,463	13,342
Net earnings	$8,327	$10,231	$20,455	$23,677
Earnings per share:				
Basic	$0.58	$0.71	$1.42	$1.67
Diluted	$0.58	$0.71	$1.42	$1.66
Dividends declared per common share	$0.20	$0.19	$0.58	$0.55
Shares used in computation of earnings per share:				
Basic	14,392,517	14,312,847	14,373,470	14,177,483
Impact of dilutive securities	64,104	64,108	67,695	70,643
Diluted	14,456,621	14,376,955	14,441,165	14,248,126

See accompanying notes to unaudited consolidated condensed financial statements.

Table of Contents

BADGER METER, INC.

Consolidated Statements of Comprehensive Income

	Three Months Ended September 30, (Unaudited) (In thousands)		Nine Months Ended September 30, (Unaudited)	
	2015	2014	2015	2014
Net earnings	$8,327	$10,231	$20,455	$23,677
Other comprehensive income (loss):				
Foreign currency translation adjustment	(170)	(1,203)	(330)	(1,137)
Pension and postretirement benefits, net of tax	123	567	362	836
Comprehensive income	$8,280	$9,595	$20,487	$23,376

See accompanying notes to unaudited consolidated condensed financial statements.

Table of Contents

BADGER METER, INC.

Consolidated Condensed Statements of Cash Flows

	Nine Months Ended September 30 (Unaudited) (In thousands)	
	2015	2014
Operating activities:		
Net earnings	$20,455	$23,677
Adjustments to reconcile net earnings to net cash provided by (used for) operations:		
Depreciation	7,767	6,942
Amortization	7,627	3,821
Deferred income taxes	10	(98)
Noncurrent employee benefits	300	933
Stock-based compensation expense	1,161	1,089
Changes in:		
Receivables	(5,499)	(8,723)
Inventories	(3,983)	(3,554)
Prepaid expenses and other current assets	(1,232)	(412)
Liabilities other than debt	1,090	4,511
Total adjustments	7,241	4,509
Net cash provided by operations	27,696	28,186
Investing activities:		
Property, plant and equipment expenditures	(12,872)	(8,776)
Acquisitions, net of cash acquired and future payments	(3,273)	(1,500)
Net cash used for investing activities	(16,145)	(10,276)
Financing activities:		
Net decrease in short-term debt	(8,161)	(7,954)
Dividends paid	(8,369)	(7,900)
Proceeds from exercise of stock options	1,270	557
Tax benefit on stock options	296	161
Employee benefit stock purchase, net	(2)	—
Issuance of treasury stock	495	423
Net cash used for financing activities	(14,471)	(14,713)
Effect of foreign exchange rates on cash	339	(94)
Increase (decrease) in cash	(2,581)	3,103
Cash – beginning of period	6,656	7,263
Cash – end of period	$4,075	$10,366

See accompanying notes to unaudited consolidated condensed financial statements.

Table of Contents

BADGER METER, INC.

Notes to Unaudited Consolidated Condensed Financial Statements

Note 1 Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated condensed financial statements of Badger Meter, Inc. (the “Company” or “Badger Meter”) contain all adjustments (consisting only of normal recurring accruals except as otherwise discussed) necessary to present fairly the Company’s consolidated condensed financial position at September 30, 2015, results of operations for the three- and nine-month periods ended September 30, 2015 and 2014, comprehensive income for the three- and nine-month periods ended September 30, 2015 and 2014, and cash flows for the nine-month periods ended September 30, 2015 and 2014. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2 Additional Financial Information Disclosures

The consolidated condensed balance sheet at December 31, 2014 was derived from amounts included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. Refer to the footnotes to the financial statements included in that report for a description of the Company’s accounting policies and for additional details of the Company’s financial condition. The details in those notes have not changed except as discussed below and as a result of normal adjustments in the interim.

Warranty and After-Sale Costs

The Company estimates and records provisions for warranties and other after-sale costs in the period in which the sale is recorded, based on a lag factor and historical warranty claim experience. After-sale costs represent a variety of activities outside of the written warranty policy, such as investigation of unanticipated problems after the customer has installed the product, or analysis of water quality issues. Changes in the Company’s warranty and after-sale costs reserve are as follows:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands)	2015	2014	2015	2014
Balance at beginning of period	$2,360	$1,433	$1,739	$882
Net additions charged to earnings	337	366	1,576	1,544
Costs incurred	(346)	(659)	(964)	(1,286)
Balance at end of period	$2,351	$1,140	$2,351	$1,140

Note 3 Employee Benefit Plans

The Company maintains a non-contributory defined benefit pension plan that covers substantially all U.S. employees who were employed at December 31, 2011. After that date, no further benefits are being accrued in this plan. For the frozen pension plan, benefits are based primarily on years of service and, for certain employees, levels of compensation.

The Company also maintains supplemental non-qualified plans for certain officers and other key employees, and an Employee Savings and Stock Option Plan ("ESSOP").

The Company additionally has a postretirement healthcare benefit plan that provides medical benefits for certain U.S. retirees and eligible dependents hired prior to November 1, 2004. Employees are eligible to receive postretirement healthcare benefits upon meeting certain age and service requirements. No employees hired after October 31, 2004 are eligible to receive these benefits. This plan requires employee contributions to offset benefit costs.

Table of Contents

The following table sets forth the components of net periodic benefit cost for the three months ended September 30, 2015 and 2014 based on December 31, 2014 and 2013 actuarial measurement dates, respectively:

(In thousands)	Defined pension plan benefits 2015	2014	Other postretirement benefits 2015	2014
Service cost – benefits earned during the year	$8	$15	$36	$32
Interest cost on projected benefit obligations	450	496	62	67
Expected return on plan assets	(538)	(703)	—	—
Amortization of prior service cost	—	—	14	41
Amortization of net loss	177	174	—	—
Settlement expense	—	680	—	—
Net periodic benefit cost	$97	$662	$112	$140

The following table sets forth the components of net periodic benefit cost for the nine months ended September 30, 2015 and 2014 based on December 31, 2014 and 2013 actuarial measurement dates, respectively:

(In thousands)	Defined pension plan benefits 2015	2014	Other postretirement benefits 2015	2014
Service cost – benefits earned during the year	$22	$47	$110	$97
Interest cost on projected benefit obligations	1,350	1,489	188	202
Expected return on plan assets	(1,614)	(2,110)	—	—
Amortization of prior service cost	—	—	40	121
Amortization of net loss	532	521	—	—
Settlement expense	—	680	—	—
Net periodic benefit cost	$290	$627	$338	$420

The Company disclosed in its financial statements for the year ended December 31, 2014 that it was not required to make a minimum contribution to the defined benefit pension plan for the 2015 calendar year. The Company continues to believe no additional contributions will be required during 2015. During the third quarter of 2014, the Company began moving assets within its defined pension plan from its equity and fixed income policy towards a strategy more focused on fixed income. The intent was to more closely align assets with the corresponding pension liability and reduce exposure in equities.

The Company also disclosed in its financial statements for the year ended December 31, 2014 that it estimated it would pay $0.4 million in other postretirement benefits in 2015 based on actuarial estimates. As of September 30, 2015, $0.1 million of such benefits have been paid. The Company continues to believe that its estimated payments for the full year are reasonable. However, such estimates contain inherent uncertainties because cash payments can vary significantly depending on the timing of postretirement medical claims and the collection of the retirees’ portion of certain costs. Note that the amount of benefits paid in calendar year 2015 will not impact the expense for postretirement benefits for 2015.

Table of Contents

Note 4 Accumulated Other Comprehensive Loss

Components of and changes in accumulated other comprehensive loss at September 30, 2015 are as follows:

(In thousands)	Unrecognized pension and postretirement benefits	Foreign currency	Total
Balance at beginning of period	$(11,891)	$35	$(11,856)
Other comprehensive loss before reclassifications	—	(330)	(330)
Amounts reclassified from accumulated other comprehensive loss, net of tax of $(0.2) million	362	—	362
Net current period other comprehensive income (loss), net of tax	362	(330)	32
Accumulated other comprehensive loss	$(11,529)	$(295)	$(11,824)

Details of reclassifications out of accumulated other comprehensive loss during the nine months ended September 30, 2015 are as follows:

(In thousands)	Amount reclassified from accumulated other comprehensive loss
Amortization of defined benefit pension items:	
Prior service cost (1)	$40
Amortization of actuarial loss (1)	532
Total before tax	572
Income tax benefit	(210)
Amount reclassified out of accumulated other comprehensive loss	$362

(1) These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost in Note 3 “Employee Benefit Plans.”

Components of and changes in accumulated other comprehensive loss at September 30, 2014 are as follows:

(In thousands)	Unrecognized pension and postretirement benefits	Foreign currency	Total
Balance at beginning of period	$(9,280)	$1,756	$(7,524)
Other comprehensive income before reclassifications	—	(1,137)	(1,137)
Amounts reclassified from accumulated other comprehensive loss, net of tax of $(0.5) million	836	—	836
Net current period other comprehensive income (loss), net of tax	836	(1,137)	(301)
Accumulated other comprehensive (loss) income	$(8,444)	$619	$(7,825)

Table of Contents

Details of reclassifications out of accumulated other comprehensive loss during the nine months ended September 30, 2014 are as follows:

(In thousands)	Amount reclassified from accumulated other comprehensive loss
Amortization of defined benefit pension items:	
Prior service cost (1)	$121
Settlement expense (1)	680
Amortization of actuarial loss (1)	521
Total before tax	1,322
Income tax benefit	(486)
Amount reclassified out of accumulated other comprehensive loss	$836

(1) These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost in Note 3 “Employee Benefit Plans.”

Note 5 Acquisitions

On August 17, 2015, the Company's wholly-owned subsidiary, National Meter & Automation (“National Meter”), acquired the assets of United Utilities, Inc. (“United Utilities”) of Smyrna, Tennessee, which was one of the Company's distributors serving Tennessee and Georgia. National Meter will do business in those and additional areas as United Utilities. The total purchase price was $3.3 million, which included assets of $0.8 million of receivables, $0.4 million of inventory, $0.1 million of fixed assets, and $2.0 million of intangibles and goodwill, offset by $2.9 million of pre-existing receivables. The intangible assets acquired are primarily customer relationships with an estimated average useful life of 12 years. The preliminary allocation of the purchase price to the assets acquired was based upon the estimated fair values at the date of acquisition. As of September 30, 2015, the Company had not completed its analysis for estimating the fair value of the assets acquired.

The United Utilities acquisition was accounted for under the purchase method, and accordingly, the results of operations were included in the Company's financial statements from the date of acquisition. The acquisition did not have a material impact on the Company's consolidated financial statements or the notes thereto at September 30, 2015.

On October 1, 2014, the Company acquired 100% of the outstanding common stock of National Meter and Automation, Inc. of Centennial, Colorado. The purchase was estimated to add approximately $15 million of incremental annual revenues to Badger Meter, after eliminating what would be intercompany sales. National Meter was a major distributor of Badger Meter products for the municipal water utility market, serving customers in Colorado, California, Nevada, Arizona and southern Wyoming. National Meter has become a regional distribution center for Badger Meter in the same areas. In addition to its primary product line of water meters and metering reading systems, National Meter provides services including meter testing, leak detection, water audits, and meter and meter reading system installation.

The total purchase consideration for National Meter was $22.9 million, which included $20.3 million in cash, a small working capital adjustment and settlement of pre-existing receivables. The Consolidated Balance Sheets at December 31, 2014 included $2.5 million of deferred payments, of which $2.0 million is payable in late 2015 and early 2016 and was recorded in payables, and $0.5 million is payable in early 2017 and was recorded in other long-term liabilities. The Company’s allocation of the purchase price as of December 31, 2014 included $3.9 million of receivables, $4.5

million of inventories, $2.8 million of property, plant and equipment, $9.8 million of intangibles, and $3.0 million of goodwill, offset by $0.1 million of current liabilities. The intangible assets acquired are primarily customer relationships with an estimated average useful life of 12 years. The preliminary allocation of the purchase price to the assets acquired and liabilities assumed was based upon the estimated fair values at the date of acquisition. The Company finalized the valuation at September 30, 2015 with no changes.

The National Meter acquisition was accounted for under the purchase method, and accordingly, the results of operations were included in the Company’s financial statements from the date of acquisition. The acquisition did not have a material impact on the Company’s consolidated financial statements or the notes thereto for 2014.

Table of Contents

Note 6 Contingencies, Litigation and Commitments

In the normal course of business, the Company is named in legal proceedings. There are currently no material legal proceedings pending with respect to the Company. The more significant legal proceedings are discussed below.

The Company is subject to contingencies related to environmental laws and regulations. The Company is named as one of many potentially responsible parties in two landfill lawsuits. The landfill sites are impacted by the Federal Comprehensive Environmental Response, Compensation and Liability Act and other environmental laws and regulations. At this time, the Company does not believe the ultimate resolution of these matters will have a material adverse effect on the Company’s financial position or results of operations, either from a cash flow perspective or on the financial statements as a whole. This belief is based on the Company’s assessment of its limited past involvement with these landfill sites as well as the substantial involvement of and government focus on other named third parties with these landfill sites. However, due to the inherent uncertainties of such proceedings, the Company cannot predict the ultimate outcome of any of these matters. A future change in circumstances with respect to these specific matters or with respect to sites formerly or currently owned or operated by the Company, off-site disposal locations used by the Company, and property owned by third parties that is near such sites, could result in future costs to the Company and such amounts could be material. Expenditures for compliance with environmental control provisions and regulations during 2014 and the first three quarters of 2015 were not material.

Like other companies in recent years, the Company is named as a defendant in numerous pending multi-claimant/multi-defendant lawsuits alleging personal injury as a result of exposure to asbestos, manufactured by third parties, and integrated into or sold with a very limited number of the Company’s products. The Company is vigorously defending itself against these claims. Although it is not possible to predict the ultimate outcome of these matters, the Company does not believe the ultimate resolution of these issues will have a material adverse effect on the Company’s financial position or results of operations, either from a cash flow perspective or on the financial statements as a whole. This belief is based in part on the fact that no claimant has proven or substantially demonstrated asbestos exposure caused by products manufactured or sold by the Company and that a number of cases have been voluntarily dismissed.

The Company relies on single suppliers for most brass castings and certain electronic subassemblies in several of its product lines. The Company believes these items would be available from other sources, but that the loss of certain suppliers would result in a higher cost of materials, delivery delays, short-term increases in inventory and higher quality control costs in the short term. The Company attempts to mitigate these risks by working closely with key suppliers, purchasing minimal amounts from alternative suppliers and by purchasing business interruption insurance where appropriate.

The Company reevaluates its exposures on a periodic basis and makes adjustments to reserves as appropriate.

Note 7 Income Taxes

The provision for income taxes as a percentage of earnings before income taxes for the third quarter of 2015 was 37.5% compared to 34.9% in the third quarter of 2014. The provision for income taxes as a percentage of earnings before income taxes for the first three quarters of 2015 was 35.9% compared to 36.0% in the first three quarters of 2014. Interim provisions are tied to an estimate of the overall annual rate which can vary due to state taxes, the relationship of foreign and domestic earnings, and production credits available. These items cause variations between periods.

Note 8 Fair Value Measurements of Financial Instruments

The Company applies the accounting standards for fair value measurements and disclosures for its financial assets and financial liabilities. The carrying amounts of cash, receivables and payables in the financial statements approximate their fair values due to the short-term nature of these financial instruments. Short-term debt is comprised of notes payable drawn against the Company's lines of credit and commercial paper. Because of its short-term nature, the carrying amount of the short-term debt also approximates fair value. Included in other assets are insurance policies on various individuals who were associated with the Company. The carrying amounts of these insurance policies approximate their fair value.

Table of Contents

Note 9 Subsequent Events

The Company evaluates subsequent events at the date of the balance sheet as well as conditions that arise after the balance sheet date but before the financial statements are issued. The effects of conditions that existed at the date of the balance sheet date are recognized in the financial statements. Events and conditions arising after the balance sheet date but before the financial statements are issued are evaluated to determine if disclosure is required to keep the financial statements from being misleading. To the extent such events and conditions exist, if any, disclosures are made regarding the nature of events and the estimated financial effects for those events and conditions. For purposes of preparing the accompanying consolidated financial statements and the notes to these financial statements, the Company evaluated subsequent events through the date the accompanying financial statements were issued.

Note 10 New Pronouncement

In May 2014, the FASB issued ASU No. 2014-09 "Revenue from Contracts with Customers." ASU 2014-09 provides a single principles-based, five-step model to be applied to all contracts with customers. The five steps are to identify the contract(s) with the customer, to identify the performance obligations in the contact, to determine the transaction price, to allocate the transaction price to the performance obligations in the contract and to recognize revenue when each performance obligation is satisfied. Revenue will be recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services.

In April 2015, the FASB tentatively agreed to delay the effective date of ASU 2014-09 for one year and to permit early adoption by entities as of the original effective dates. In July 2015, the FASB affirmed its proposal to defer the effective date of the ASU, which has since been issued in August 2015. Considering the one year deferral, ASU 2014-09 will be effective for the Company beginning on January 1, 2018 and the standard allows for either full retrospective adoption or modified retrospective adoption. The Company is continuing to evaluate the impact that the adoption of this guidance will have on its financial condition, results of operations and the presentation of its financial statements.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Description and Overview

Badger Meter is an innovator in flow measurement and control products, serving water utilities, municipalities, and commercial and industrial customers worldwide. The Company's products measure water, oil, chemicals and other fluids, and are known for accuracy, long-lasting durability and for providing valuable and timely measurement data. The Company's product lines fall into three categories: sales of water meters and related technologies to municipal water utilities (municipal water), sales of meters to various industries for water and other fluids (flow instrumentation), and sales of gas meter radios and concrete vibrators to unique markets (specialty products). The Company estimates that over 75% of its products are used in water applications when all categories are grouped together.

Municipal water, the largest category by sales volume, includes mechanical and electronic (static) water meters and related technologies and services used by water utilities as the basis for generating water and wastewater revenues. The key market for the Company's water meter products is North America, primarily the United States, because most meters are designed and manufactured to conform to standards promulgated by the American Water Works Association. The majority of water meters sold continues to be mechanical in nature. In recent years, the Company has made inroads in selling electronic (static) water meters. The Company's development of static water meters combined with updated radio technology provides the Company with the opportunity to sell into other geographical markets, for example Europe, the Middle East and South America. In the municipal water category, sales of water meters and related technologies and services are commonly referred to as residential or commercial water meter sales, the latter referring to larger sizes of meters.

Flow instrumentation includes meters and valves sold worldwide to measure and control materials flowing through a pipe or pipeline including water, air, steam, oil, and other liquids and gases. These products are used in a variety of applications, such as water/wastewater; heating, ventilating and air conditioning (HVAC); oil and gas; chemical and petrochemical; food and beverage; and pharmaceutical production. Furthermore, the Company’s flow measurement technologies are sold to original equipment manufacturers as the primary flow measurement device within a product or system.

Specialty products include sales of radio technology to natural gas utilities for installation on their gas meters, and concrete vibrators used in the concrete construction process.

Table of Contents

Residential and commercial water meters are generally classified as either manually read meters or remotely read meters via radio technology. A manually read meter consists of a water meter and a register that gives a visual meter reading display. Meters equipped with radio transmitters (endpoints) use encoder registers to convert the measurement data from the meter (mechanical or static) into an encrypted digital format which is then transmitted via radio frequency to a receiver that collects and formats the data appropriately for water utility billing systems. These remotely read, or mobile, systems are either automatic meter reading (AMR) systems, where a vehicle equipped for meter reading purposes, including a radio receiver, computer and reading software, collects the data from utilities' meters; or fixed network advanced metering infrastructure (AMI) systems, where data is gathered utilizing a network of permanent data collectors or gateway receivers that are always active or listening for the radio transmission from the utilities' meters. AMI systems eliminate the need for utility personnel to drive through service territories to collect meter reading data. These systems provide the utilities with more frequent and diverse data at specified intervals from the utilities' meters.

In 2011, the Company introduced what it believes is the next generation of metering technology, advanced metering analytics (AMA), along with a host of automated utility management tools to facilitate the ability of water and gas utilities to increase their productivity and revenue, as well as proactively utilize their data. AMA is comprised of both software and hardware, including the ORION® SE two-way fixed network or GALAXY® one-way fixed network technology, which is complemented by a family of highly accurate and reliable water meters.

The ORION SE system can operate in either a mobile or fixed network mode depending on the deployment needs of the utility. For example, a water or gas utility can begin deployment in mobile mode and transition to a fixed network system without visiting the endpoint. Once deployed, if the system is operating in fixed network mode and the gateway data collector stops functioning, the endpoint will continue to send data that can be captured by a mobile system. Once the gateway data collector functions again, the utility will again receive data through the fixed network system.

In January 2014, the Company enhanced its AMA offering by launching its new BEACON® AMA system. BEACON AMA combines the BEACON analytical software suite with proven ORION AMI technology using fixed and cellular networks in a managed solution, improving utilities' visibility of their water consumption and reducing the need for costly infrastructure. With the release of BEACON AMA, the Company became the first major worldwide water meter company to release a cost-effective cellular-based solution for system-wide deployment. BEACON AMA enables two-way communication between the water meter and the meter reading system.

The BEACON AMA secure, hosted software suite includes a customizable dashboard, the ability to establish alerts for specific conditions, and consumer engagement tools that allow end water customers to view and manage their water usage activity. Benefits to the utility include improved customer service, increased visibility through faster leak detection, the ability to promote and quantify the effects of its water conservation efforts, and easier compliance reporting.

The Company's net sales and corresponding net earnings depend on unit volume and product mix, with the Company generally earning higher margins on meters equipped with radio technology. In addition to selling its proprietary radio products, including the ORION and GALAXY radio technologies combined with the BEACON AMI/AMA software, the Company also remarkets the Itron® radio products under a license and distribution agreement with Itron, Inc. The Company's proprietary radio products generally result in higher margins than the remarketed, non-proprietary technology products. The Company also sells registers and endpoints separately to customers who wish to upgrade their existing meters in the field.

The proprietary ORION endpoint technology has been licensed to other technology providers on a non-exclusive basis, including those providing radio products that communicate over power lines, broadband networks, and proprietary radio frequency networks, allowing ORION a distinct advantage in the radio solutions market. In addition, the ORION universal gateway receiver transmits data over a variety of public wireless networks, which allows for strategic deployments, such as monitoring large commercial users.

Water meter replacement and the adoption and deployment of new technology comprise the majority of water meter product sales, including radio products. To a much lesser extent, housing starts also contribute to the new product sales base. Over the last decade, there has been a growing trend in the conversion from manually read water meters to radio technology. This conversion rate is accelerating and contributes to an increased water meter and radio solutions base of business. The Company estimates that less than 50% of water meters installed in the United States have been converted to a radio solutions technology. The Company's strategy is to fulfill customers' metering expectations and requirements with its proprietary meter reading systems or other systems available through its alliance partners in the marketplace.

Flow instrumentation and specialty products serve flow measurement and control applications across a broad industrial spectrum, occasionally with the same technologies used for municipal water sales. Specialized communication

Table of Contents

protocols that control the entire flow measurement process drive these markets. The Company’s specific flow measurement and control applications and technologies serve the flow measurement market through both customized and standard precision flow measurement technologies.

Business Trends

Increasingly, the electric utility industry relies on AMI technology for two-way communication to monitor and control electrical devices at the customer's site. Although the Company does not sell products for electric market applications, the trend toward AMI affects the markets in which the Company does participate, particularly for those customers in the water utility market that are interested in more frequent and diverse data collection. Specifically, AMI and AMA technologies enable water utilities to capture readings from each meter at more frequent and variable intervals. Similar to the electric utility industry in recent years, the water utility industry is beginning to see the adoption of electronic (static) meters. Electronic water metering has lower barriers to entry which could affect the competitive landscape in North America.

The Company sells its technology solutions to meet customer requirements. Since the technology products have comparable margins, any change in the mix between AMR, AMI or AMA is not expected to have a significant impact on the Company's net sales related to meter reading technology.

There are approximately 52,000 water utilities in the United States and the Company estimates that less than 50% of them have converted to a radio solutions technology. Although there is growing interest in AMI and AMA communication by water utilities, the vast majority of utilities installing such technology continue to select AMR technologies for their applications. The Company's ORION technology has experienced rapid acceptance in the United States as an increasing number of water utilities have selected ORION as their AMR solution. The Company anticipates that even with growing interest in AMI and AMA, AMR will continue to be the primary product of choice for a number of years. For many water utilities, AMR technology is simply the most cost-effective solution available today. However, with the introduction of its newer product offerings, including the recently introduced BEACON AMA system, the Company believes it is well-positioned to meet customers' future needs.

Acquisitions

On August 17, 2015, the Company's wholly-owned subsidiary, National Meter & Automation (“National Meter”), acquired the assets of United Utilities, Inc. (“United Utilities”) of Smyrna, Tennessee, which was one of the Company's distributors serving Tennessee and Georgia. National Meter will do business in those and additional areas as United Utilities. The total purchase price was $3.3 million. As of September 30, 2015, the Company had not completed its analysis for estimating the fair value of the assets acquired. This acquisition is further described in Note 5 “Acquisitions” in the Notes to Unaudited Consolidated Condensed Financial Statements.

On October 1, 2014, the Company acquired 100% of the outstanding common stock of National Meter and Automation, Inc. of Centennial, Colorado. The purchase was estimated to add approximately $15 million of incremental annual revenues to Badger Meter, after eliminating what would be intercompany sales. National Meter was a major distributor of Badger Meter products for the municipal water utility market, serving customers in Colorado, California, Nevada, Arizona and southern Wyoming. National Meter has become a regional distribution center for Badger Meter for the same areas. In addition to its primary product line of water meters and metering reading systems, National Meter provides services including meter testing, leak detection, water audits, and meter and meter reading system installation.

The total purchase consideration for National Meter was $22.9 million, which included $20.3 million in cash, a small working capital adjustment and settlement of pre-existing receivables. The Consolidated Balance Sheets at December

31, 2014 included $2.5 million of deferred payments, of which $2.0 million is payable in October 2015 and early 2016 and was recorded in payables, and $0.5 million is payable in early 2017 and was recorded in other long-term liabilities. As of September 30, 2015, the Company had completed its analysis for estimating the fair value of the assets acquired and liabilities assumed. This acquisition is further described in Note 5 “Acquisitions” in the Notes to Unaudited Consolidated Condensed Financial Statements.

Table of Contents

Revenue and Product Mix

Prior to the Company's introduction of its own proprietary radio products, for example ORION, GALAXY and BEACON, Itron water utility-related products were a dominant radio products contributor to the Company's results. Itron products are sold under an agreement between the Company and Itron, Inc. that has been renewed multiple times and is in effect until early 2016. The Company's radio products directly compete with Itron water radio products. In recent years, many of the Company's customers have selected the Company's proprietary products over Itron products. While the Company's proprietary product sales are generally greater than those of the Itron licensed products, the Company expects that Itron products will remain a significant component of sales to water utilities. Continuing substantial sales in both product lines underscores the continued acceptance of radio technology by water utilities and affirms the Company's strategy of selling Itron products in addition to its own proprietary products.

As the industry continues to evolve, the Company has been vigilant in anticipating and exceeding customer expectations. In 2011, the Company introduced AMA as a hardware and software solution for water and gas utilities, and then in early 2014 launched its new BEACON AMA system as a managed solution which it believes will help maintain the Company's position as a market leader. Results for this new product were neither significant in 2014 nor the first three quarters of 2015, but sales continue to grow.

The Company continues to seek opportunities for additional revenue enhancement. For instance, the Company is periodically asked to oversee and perform field installation of its products for certain customers. The Company assumes the role of general contractor, hiring installation subcontractors and supervising their work. The Company also supports its product and technology sales with the sale of extended service programs that provide additional services beyond the standard warranty. In recent years, the Company has sold ORION radio technology to natural gas utilities for installation on their gas meters. And most recently, the introduction of the BEACON AMA system opens the door to “software as a service” revenues. With the exception of a large sale of gas radios to one particular customer several years ago, revenues from such products and services are not yet significant and the Company is uncertain of the potential growth achievable for such products and services in future periods.

Results of Operations - Three Months Ended September 30, 2015

The Company’s net sales for the three months ended September 30, 2015 increased $3.1 million, or 3.2%, to $99.4 million compared to $96.3 million during the same period in 2014. The increase was the net result of higher sales of municipal water products, offset by lower sales of flow instrumentation and specialty products.

Municipal water sales represented 76.9% of sales in the third quarter of 2015 compared to 72.0% in the third quarter of 2014. These sales increased $7.1 million, or 10.2%, to $76.4 million in the third quarter of 2015 from $69.3 million in the third quarter of 2014. The increase was due primarily to the inclusion of incremental revenue associated with the purchase of National Meter, which was acquired in October 2014. The remainder of the increase was due to higher sales of residential products and commercial meters, primarily in Mexico and the Middle East. Sales in the quarter were negatively affected by an alliance partner’s product issues that delayed sales earlier in the year and continued to impact sales in the third quarter of 2015.

Flow instrumentation products represented 20.4% of sales for the three months ended September 30, 2015 compared to 24.9% in the same period in 2014. These sales decreased $3.7 million, or 15.4%, to $20.3 million from $24.0 million in the same period last year. The decrease was due to the strengthening U.S. dollar’s effect on sales of products sold in Euros, lower sales of Blancett turbine meters due to lower sales to oil and gas customers related to the weak economic conditions and declines in other flow instrumentation product lines due to general softness in the economy.

Specialty application products represented 2.7% of sales for the three months ended September 30, 2015 compared to 3.1% in the same period in 2014. These sales decreased $0.3 million, or 10.0%, in the third quarter of 2015, to $2.7 million from $3.0 million during the same period in 2014. The decrease was due to lower sales of gas radios and concrete vibrators.

Gross margin as a percentage of sales was 36.3% in the third quarter of 2015 compared to 37.9% in the third quarter of 2014. The percentage decrease was due to product mix, with increased sales of municipal water versus flow instrumentation products, which have higher margins, offset somewhat by the incremental gross profit related to National Meter, less expensive raw materials and favorable exchange rates on parts sourced from Europe.

Selling, engineering and administration expenses for the three months ended September 30, 2015 increased $2.0 million, or 9.8%, to $22.5 million from $20.5 million in the same period in 2014. The third quarter of 2015 increase was

Table of Contents

primarily the result of National Meter, which was acquired in October 2014, offset somewhat by lower employee incentive compensation costs.

Operating earnings for the third quarter of 2015 decreased $2.4 million, or 15.0%, to $13.6 million compared to $16.0 million in the same period in 2014 primarily as a result of the lower flow instrumentation meter sales combined with higher selling, engineering and administration expenses.

The provision for income taxes as a percentage of earnings before income taxes for the third quarter of 2015 was 37.5% compared to 34.9% in the third quarter of 2014. Interim provisions are tied to an estimate of the overall annual rate that can vary due to state taxes, the relationship of foreign and domestic earnings and production credits available. Included in the third quarter of 2015 was an additional expense associated with adjusting tax returns filed from their original estimates.

As a result of the above mentioned items, net earnings for the three months ended September 30, 2015 were $8.3 million, or $0.58 per diluted share, compared to $10.2 million, or $0.71 per diluted share, for the same period in 2014.

Results of Operations - Nine Months Ended September 30, 2015

The Company’s net sales for the nine months ended September 30, 2015 increased $6.5 million, or 2.4%, to $281.9 million compared to $275.4 million during the same period in 2014. The increase was the net result of higher sales of municipal water and specialty products, offset by lower sales of flow instrumentation products.

Municipal water sales represented 74.3% of sales for the first nine months of 2015 compared to 70.8% for the first nine months of 2014. These sales increased $14.6 million, or 7.5%, to $209.5 million from $194.9 million in 2014. The increase was due primarily to the inclusion of incremental revenue associated with the purchase of National Meter, which was acquired in October 2014. The remainder of the increase was due to higher sales of residential products primarily in Mexico and the Middle East. Offsetting this were declines in commercial meters sold due to lower volumes. Sales were also negatively affected by an alliance partner’s product issues which delayed sales in the second and third quarters.

Flow instrumentation products represented 22.9% of sales for the nine months ended September 30, 2015 compared to 26.4% in the same period in 2014. These sales decreased $8.4 million, or 11.5%, to $64.4 million from $72.8 million in the same period last year. The decrease was due to the strengthening U.S. dollar’s effect on sales of products sold in Euros, lower sales of Blancett turbine meters due to lower sales to oil and gas customers related to the weak economic conditions and declines in other product lines due to general softness in the economy.

Specialty application products represented 2.8% of sales for the nine months ended September 30, 2015 compared to 2.8% in the same period in 2014. These sales increased $0.3 million, or 3.9%, in the first nine months of 2015 to $8.0 million from $7.7 million during the same period in 2014. The increase was due to higher sales of gas radios and concrete vibrators.

Gross margin as a percentage of sales was 35.9% for the first nine months of 2015 compared to 36.4% in the same period in 2014. The percentage decrease was due to unfavorable exchange rate effects on sales and a product mix that was more oriented to municipal water versus flow instrumentation products, the latter generally carrying higher gross margins, offset somewhat by a number of favorable factors including the incremental gross profit related to National Meter, less expensive raw materials and favorable exchange rates on parts sourced from Europe.

Selling, engineering and administration expenses for the nine months ended September 30, 2015 increased $6.1 million, or 9.8%, to $68.5 million from $62.4 million in the same period in 2014. The 2015 amount included $7.4

million in charges associated with National Meter, which was acquired in October 2014. The 2015 amount also included higher software licensing fees and health care expenses compared to the 2014 amount, offset somewhat by lower employee incentive compensation. The 2014 amount included charges totaling $1.7 million for due diligence and other transaction costs related to a potential acquisition that ultimately was not pursued.

Operating earnings for the first nine months of 2015 decreased $5.0 million, or 13.2%, to $32.9 million compared to $37.9 million in the same period in 2014 primarily as a result of the lower commercial and flow instrumentation meter sales combined with higher selling, engineering and administration expenses.

The provision for income taxes as a percentage of earnings before income taxes for the first nine months of 2015 was 35.9% compared to 36.0% for the same period in 2014. Interim provisions are tied to an estimate of the overall annual rate that can vary due to state taxes, the relationship of foreign and domestic earnings and production credits available.

Table of Contents

As a result of the above mentioned items, net earnings for the nine months ended September 30, 2015 were $20.5 million, or $1.42 per diluted share, compared to $23.7 million, or $1.66 per diluted share, for the same period in 2014.

Liquidity and Capital Resources

The main sources of liquidity for the Company are cash from operations and borrowing capacity. Cash provided by operations was $27.7 million for the first nine months of 2015 compared to $28.2 million in the first nine months of 2014. The decrease was primarily the net effect of lower earnings and receivables not increasing as significantly compared to the same period in 2014.

Receivables increased from $54.0 million at December 31, 2014 to $59.7 million at September 30, 2015. The increase was due to higher sales in the third quarter of 2015 than the fourth quarter of 2014. Generally, sales are lower in the fourth quarter of the year, resulting in lower receivable balances at year end. The Company believes its net receivables balance is fully collectible.

Inventories increased $3.9 million to $75.7 million at September 30, 2015 from $71.8 million at December 31, 2014 due to the timing of inventory purchases and lower sales than initially anticipated. While inventories are normally higher at September 30 compared to a typical year end, there was an increase of certain inventories at December 31, 2014 prior to a planned temporary production halt to move product lines that occurred early in 2015.

Net property, plant and equipment at September 30, 2015 increased to $86.5 million from $81.8 million at December 31, 2014. This was the net effect of $12.4 million of capital expenditures year-to-date, partially offset by depreciation expense.

Intangible assets decreased to $58.5 million at September 30, 2015 from $61.7 million at December 31, 2014 due to normal amortization expense, offset by the intangible assets of United Utilities acquired in August 2015.

Short-term debt at September 30, 2015 decreased to $67.4 million from $75.9 million at December 31, 2014 as cash generated from operations was used to reduce borrowings.

Payables of $18.9 million at September 30, 2015 increased $2.8 million from $16.1 million at December 31, 2014. These balances are affected by the timing of purchases and payments.

Accrued compensation and employee benefits decreased to $9.6 million at September 30, 2015 from $11.9 million at December 31, 2014 due primarily to the payment in the first quarter of 2015 of employee incentive compensation earned in 2014 and lower accruals for current year amounts.

The overall increase in total shareholders' equity from $214.3 million at December 31, 2014 to $229.4 million at September 30, 2015 was the net effect of net earnings and stock options exercised, offset by dividends paid.

The Company's financial condition remains strong. The Company has a $105.0 million line of credit that expires in May 2017 that supports commercial paper (up to $70.0 million) and includes $5.0 million of a Euro line of credit. While the facility is unsecured, there are a number of financial covenants with which the Company is in compliance as of September 30, 2015. The Company believes that its operating cash flows, available borrowing capacity, and its ability to raise capital provide adequate resources to fund ongoing operating requirements, future capital expenditures and the development of new products. The Company continues to take advantage of its local commercial paper market and carefully monitors the current borrowing market. The Company had $45.4 million of unused credit lines available at September 30, 2015.

Other Matters

In the normal course of business, the Company is named in legal proceedings. There are currently no material legal proceedings pending with respect to the Company. The more significant legal proceedings are discussed below.

The Company is subject to contingencies related to environmental laws and regulations. The Company is named as one of many potentially responsible parties in two landfill lawsuits. The landfill sites are impacted by the Federal Comprehensive Environmental Response, Compensation and Liability Act and other environmental laws and regulations. At this time, the Company does not believe the ultimate resolution of these matters will have a material adverse effect on the Company's financial position or results of operations, either from a cash flow perspective or on the financial statements as a whole. This belief is based on the Company's assessment of its limited past involvement with these landfill sites as well as the

Table of Contents

substantial involvement of and government focus on other named third parties with these landfill sites. However, due to the inherent uncertainties of such proceedings, the Company cannot predict the ultimate outcome of any of these matters. A future change in circumstances with respect to these specific matters or with respect to sites formerly or currently owned or operated by the Company, off-site disposal locations used by the Company, and property owned by third parties that is near such sites, could result in future costs to the Company and such amounts could be material. Expenditures for compliance with environmental control provisions and regulations during 2014 and the first three quarters of 2015 were not material.

Like other companies in recent years, the Company is named as a defendant in numerous pending multi-claimant/multi-defendant lawsuits alleging personal injury as a result of exposure to asbestos, manufactured by third parties, and integrated into or sold with a very limited number of the Company’s products. The Company is vigorously defending itself against these claims. Although it is not possible to predict the ultimate outcome of these matters, the Company does not believe the ultimate resolution of these issues will have a material adverse effect on the Company’s financial position or results of operations, either from a cash flow perspective or on the financial statements as a whole. This belief is based in part on the fact that no claimant has proven or substantially demonstrated asbestos exposure caused by products manufactured or sold by the Company and that a number of cases have been voluntarily dismissed.

See the “Special Note Regarding Forward Looking Statements” at the front of this Quarterly Report on Form 10-Q and Part I, Item 1A “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 for a discussion of risks and uncertainties that could impact the Company’s financial performance and results of operations.

Off-Balance Sheet Arrangements and Contractual Obligations

The Company’s off-balance sheet arrangements and contractual obligations are discussed in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the headings “Off-Balance Sheet Arrangements” and “Contractual Obligations” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 and have not materially changed since that report was filed unless otherwise indicated in this Form 10-Q.

Item 3 Quantitative and Qualitative Disclosures about Market Risk

The Company’s quantitative and qualitative disclosures about market risk are included in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the heading “Market Risks” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 and have not materially changed since that report was filed.

Item 4 Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), the Company’s management evaluated, with the participation of the Company’s Chairman, President and Chief Executive Officer and the Company’s Senior Vice President - Finance, Chief Financial Officer and Treasurer, the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the quarter ended September 30, 2015. Based upon their evaluation of these disclosure controls and procedures, the Company’s Chairman, President and Chief Executive Officer and the Company’s Senior Vice President - Finance, Chief Financial Officer and Treasurer concluded that, as of the date of such evaluation, the

Company's disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

Part II – Other Information
Item 6 Exhibits

Exhibit No.	Description
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter and nine months ended September 30, 2015 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Condensed Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Condensed Statements of Cash Flows, (v) Notes to Unaudited Consolidated Condensed Financial Statements, tagged as blocks of text and (vi) document and entity information.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		BADGER METER, INC.
Dated: October 29, 2015	By	/s/ Richard A. Meeusen Richard A. Meeusen Chairman, President and Chief Executive Officer
	By	/s/ Richard E. Johnson Richard E. Johnson Senior Vice President – Finance, Chief Financial Officer and Treasurer
	By	/s/ Beverly L. P. Smiley Beverly L. P. Smiley Vice President – Controller

Table of Contents

BADGER METER, INC.

Quarterly Report on Form 10-Q for the Period Ended September 30, 2015

Exhibit Index

Exhibit No.	Description
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter and nine months ended September 30, 2015 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Condensed Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Condensed Statements of Cash Flows, (v) Notes to Unaudited Consolidated Condensed Financial Statements, tagged as blocks of text and (vi) document and entity information.