



Badger Meter (BMI)

Updated February 1st, 2025, by Nathan Parsh

Key Metrics

Current Price:	\$214	5 Year CAGR Estimate:	10.5%	Market Cap:	\$6.3 billion
Fair Value Price:	\$170	5 Year Growth Estimate:	15.0%	Ex-Dividend Date:	02/24/25 ¹
% Fair Value:	126%	5 Year Valuation Multiple Estimate:	-4.5%	Dividend Payment Date:	03/10/25 ²
Dividend Yield:	0.6%	5 Year Price Target	\$341	Years Of Dividend Growth:	32
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Badger Meter was founded in 1905 in Milwaukee, WI. The company's first product was a "frost proof" water meter. Today, Badger Meter manufactures and markets meters and valves that are used to measure and control the flow of liquids, such as water, oil and various chemicals. The company's products are also used to control the flow of air and other gases. Badger Meter generates ~\$827 million in annual revenues. The company is also a founding member of the American Water Works Association, a trade group that sets water measurement standards in the U.S.

On August 12th, 2024, Badger Meter increased its quarterly dividend 25.9% to \$0.34 per share for the September 6th payment date, extending the company's dividend growth streak to 32 consecutive years.

On January 31st, 2025, Badger Meter announced fourth quarter and full year earnings results for the period ending December 31st, 2025. For the quarter, revenue improved 12.5% to \$205.2 million, which topped estimates by \$2.45 million. Earnings-per-share of \$1.04 compared favorably to earnings-per-share of \$0.84 in the prior year and was \$0.04 more than expected. For the year, revenue grew 18% to a new record \$826.6 million. Earnings-per-share totaled \$4.23, which was a new record and was up from \$3.14 in 2023.

The utility water business once again grew 14% for the quarter. As with prior periods, this growth was led by an increase in demand for ORION Cellular endpoint, E-Series Ultrasonic meters, and BEACON Software as a Service. Revenue for flow instrumentation products grew 1% year-over-year as modest gains once again in the water-focused end markets were offset by deemphasized applications globally. Gross margins expanded 110 basis points to 40.3% while the operating margin improved by 150 basis points to 19.1%.

We forecast that Badger Meter will earn \$4.85 in 2025, which would represent a nearly 15% improvement from the prior year. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.90	\$1.11	\$1.19	\$1.54	\$1.61	\$1.69	\$2.08	\$2.26	\$3.14	\$4.23	\$4.85	\$9.76
DPS	\$0.39	\$0.43	\$0.49	\$0.56	\$0.68	\$0.72	\$0.76	\$0.85	\$0.99	\$1.22	\$1.36	\$2.74
Shares³	29	29	29	29	29	29	29	29	29	29	29	29

Badger Meter has increased earnings per share by 18.8% per year over the past decade and 23.5% over the last five years. The company's business was resilient in the face of the pandemic in 2020, showing Badger Meter's underlying strength. We have increased projected earnings growth rate to 15% from 10% as this is more in-line with the long-term growth rate and to also account for the quality of earnings results, Badger Meter has also impressively improved its margins. Furthermore, we expect that dividend growth will mirror earnings growth.

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ In millions of shares

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	33.2	30.6	34.8	31.8	34.9	39.1	51.2	48.2	49.2	50.1	44.1	35.0
Avg. Yld.	1.3%	1.3%	1.2%	1.1%	1.1%	1.1%	0.7%	0.8%	0.6%	0.6%	0.6%	0.8%

Shares of Badger Meter have increased \$7, or 3.4%, since our October 18th, 2024 update. The stock has an average price-to-earnings ratio of 40.3 over the last decade. We reaffirm our target P/E ratio of 35.0 to bring it more in-line with the stock's long-term average valuation. The stock has a current P/E ratio of more than 44 times expected earnings, meaning that shareholders are very likely to see headwinds from valuation reversion in the coming years. Reverting to our target valuation by 2030 would reduce annual returns by 4.5% over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	43%	39%	41%	36%	42%	43%	37%	38%	32%	29%	28%	28%

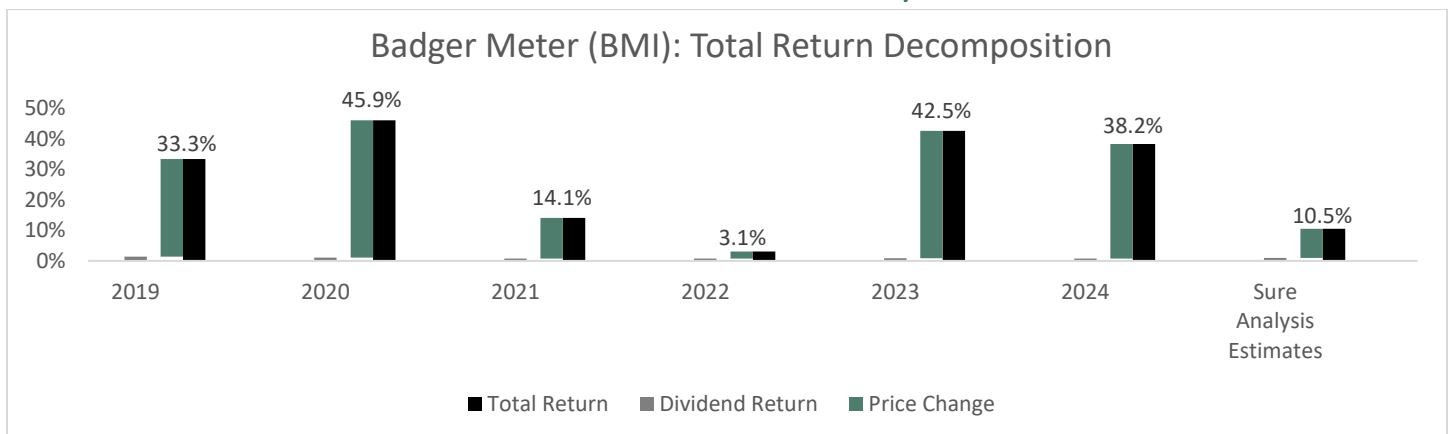
Given Badger Meter's 32-year dividend increase streak and reasonable payout ratio, the dividend is very safe today. We also see plenty of room for growth in the payout, so Badger Meter is certainly attractive from a dividend growth perspective.

Unlike many companies at the height of the last recession, earnings-per-share for Badger Meter improved. Most of the company's sales are made to municipal water utilities. A key competitive advantage that Badger Meter possess is that consumers require access to water, regardless of economic conditions. In addition, it is estimated that there are more than 30 million water meters in the U.S. that are not monitored with the advanced equipment that Badger Meter offers. And with some states, like California, looking to improve its water monitoring systems for use in times of droughts, the company is in a prime position to benefit from upgrades and improvements.

Final Thoughts & Recommendation

Following fourth quarter earnings results, Badger Meter is projected to return 10.5% annually through 2030, up from our prior estimate of 3.7%. This projected return stems from a 15% earnings growth rate and starting yield of 0.6% that are offset by a mid-single-digit headwind multiple compression. Badger Meter continues to see impressive results from its water utility business as demand remains very high nearly across the board. The margin improvement is also notable. We have raised our five-year price target \$101 to \$341 due to earnings estimates for the year and a higher valuation target. Shares are not cheap, but the company has turned in excellent results recently. We now view shares of Badger Meter as a buy due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	378	394	402	434	425	426	505	566	704	827
Gross Profit	136	151	156	162	164	168	205	220	276	329
Gross Margin	35.9%	38.2%	38.7%	37.4%	38.5%	39.5%	40.7%	38.9%	39.3%	39.8%
SG&A Exp.	93	98	99	105	101	103	127	133	158	171
D&A Exp.	21	22	24	24	24	25	28	26	28	32
Operating Profit	42	53	57	57	62	65	79	87	118	158
Operating Margin	11.2%	13.4%	14.1%	13.1%	14.6%	15.3%	15.6%	15.4%	16.8%	19.1%
Net Profit	26	32	35	28	47	49	61	66	93	125
Net Margin	6.9%	8.2%	8.6%	6.4%	11.1%	11.6%	12.1%	11.8%	13.2%	15.1%
Free Cash Flow	16	46	35	52	73	81	81	77	98	142
Income Tax	15	18	20	8	14	16	18	21	29	42

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	355	350	392	393	422	471	531	603	717	816
Cash & Equivalents	8	7	11	13	49	72	87	138	192	295
Accounts Receivable	57	60	58	66	61	62	66	77	84	84
Inventories	79	78	85	81	82	82	100	120	154	143
Goodwill & Int. Ass.	105	101	133	132	125	148	174	155	167	157
Total Liabilities	123	93	114	89	91	110	128	161	200	210
Accounts Payable	19	18	29	22	32	35	42	71	82	56
Long-Term Debt	71	38	45	18	4	-	-	-	-	-
Shareholder's Equity	232	256	277	304	331	361	403	442	516	606
LTD/E Ratio	0.31	0.15	0.16	0.06	0.01	-	-	-	-	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.4%	9.2%	9.3%	7.1%	11.6%	11.0%	12.2%	11.7%	14.0%	16.3%
Return on Equity	11.6%	13.2%	13.0%	9.6%	14.9%	14.3%	15.9%	15.7%	19.3%	22.3%
ROIC	8.7%	10.8%	11.2%	8.6%	14.4%	14.2%	15.9%	15.7%	19.3%	22.3%
Shares Out.	29	29	29	29	29	29	29	29	29	29
Revenue/Share	13.07	13.55	13.82	14.86	14.53	14.56	17.22	19.25	23.89	27.99
FCF/Share	0.56	1.57	1.19	1.77	2.51	2.75	2.75	2.61	3.33	4.82

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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