



# Badger Meter (BMI)

Updated May 8<sup>th</sup>, 2025, by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$226	<b>5 Year CAGR Estimate:</b>	9.5%	<b>Market Cap:</b>	\$6.7 billion
<b>Fair Value Price:</b>	\$172	<b>5 Year Growth Estimate:</b>	15.0%	<b>Ex-Dividend Date:</b>	05/23/25
<b>% Fair Value:</b>	132%	<b>5 Year Valuation Multiple Estimate:</b>	-5.4%	<b>Dividend Payment Date:</b>	06/06/25
<b>Dividend Yield:</b>	0.6%	<b>5 Year Price Target</b>	\$345	<b>Years Of Dividend Growth:</b>	32
<b>Dividend Risk Score:</b>	A	<b>Sector:</b>	Information Technology	<b>Rating:</b>	Hold

## 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 ~\$925 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 12<sup>th</sup>, 2024, Badger Meter increased its quarterly dividend 25.9% to \$0.34 per share for the September 6<sup>th</sup> payment date, extending the company's dividend growth streak to 32 consecutive years.

On April 17<sup>th</sup>, 2025, Badger Meter reported first quarter earnings results for the period ending March 31<sup>st</sup>, 2025. For the quarter, revenue grew 13.25% to \$222.2 million, which beat estimates by \$1.44 million. Earnings-per-share of \$1.30 compared favorably to earnings-per-share of \$0.99 in the prior year and was \$0.27 better than expected.

The utility water business grew 16% for the quarter, partially due to an acquisition. Excluding this, sales were up 12%. As with prior periods, this growth was led by higher demand for ORION Cellular endpoint, E-Series Ultrasonic meters, and BEACON Software as a Service. Revenue for flow instrumentation products grew 5% year-over-year as gains in the water-focused end markets were once again offset by deemphasized applications globally. Gross margins expanded 360 basis points to 42.9% while the operating margin also improved by 360 basis points to new record 22.2%.

We forecast that Badger Meter will earn \$4.90 in 2025, up from \$4.85 previously. This would represent a nearly 16% improvement from the prior year. We have updated our forecast accordingly.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$0.90	\$1.11	\$1.19	\$1.54	\$1.61	\$1.69	\$2.08	\$2.26	\$3.14	\$4.23	<b>\$4.90</b>	<b>\$9.86</b>
<b>DPS</b>	\$0.39	\$0.43	\$0.49	\$0.56	\$0.68	\$0.72	\$0.76	\$0.85	\$0.99	\$1.22	<b>\$1.36</b>	<b>\$2.74</b>
<b>Shares<sup>1</sup></b>	29	29	29	29	29	29	29	29	29	29	<b>29</b>	<b>29</b>

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.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
<b>Avg. P/E</b>	33.2	30.6	34.8	31.8	34.9	39.1	51.2	48.2	49.2	50.1	<b>46.1</b>	<b>35.0</b>
<b>Avg. Yld.</b>	1.3%	1.3%	1.2%	1.1%	1.1%	1.1%	0.7%	0.8%	0.6%	0.6%	<b>0.6%</b>	<b>0.8%</b>

<sup>1</sup> 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.



# Badger Meter (BMI)

Updated May 8<sup>th</sup>, 2025, by Nathan Parsh

Shares of Badger Meter have increased \$12, or 5.6%, since our February 1<sup>st</sup>, 2025 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 46 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 5.4% 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%

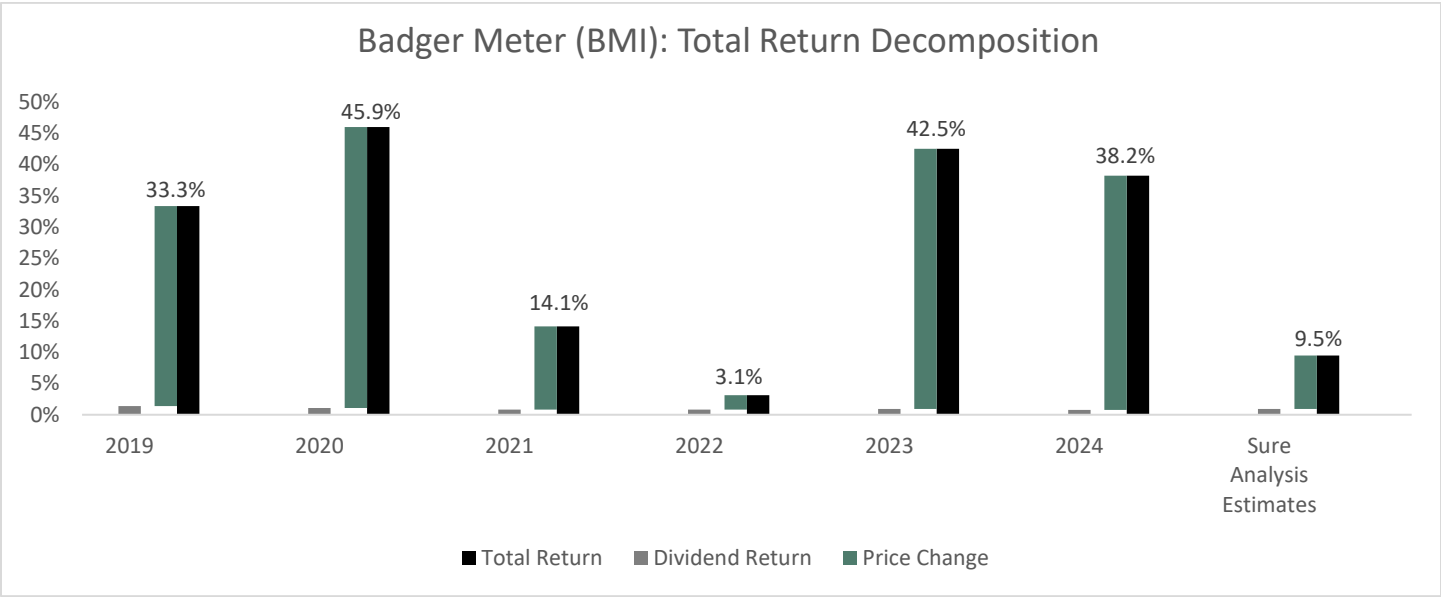
Given Badger Meter’s 32-year dividend increase streak and reasonable payout ratio, the dividend is very safe today. We also see plenty of room for growth in the payout, so Badger Meter is certainly attractive from a dividend growth perspective.

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

After first quarter earnings results, Badger Meter is projected to return 9.5% annually through 2030, down from our prior estimate of 10.5%. 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 for this segment’s products. The margin improvement on top of already strong results is impressive as well. We have raised our five-year price target \$4 to \$345 due to earnings estimates for the year. Shares are not cheap, but the company has turned in excellent results recently. We now view shares of Badger Meter as a hold due to projected returns, but note the stock’s high dividend risk score.

## Total Return Breakdown by Year



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.



# Badger Meter (BMI)

Updated May 8<sup>th</sup>, 2025, by Nathan Parsh

## 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.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.