

BADGER METER INC  
Form 10-Q  
April 23, 2014  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the quarterly period ended March 31, 2014

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BADGER METER, INC.

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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

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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  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  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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a 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

As of April 9, 2014, there were 14,440,419 shares of Common stock outstanding with a par value of \$1 per share.

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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 used 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, 2013 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 particularly in 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, 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 and other natural phenomena, including related economic and other ancillary effects of any such events;
- the timing and impact of government programs to 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 connectivity 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 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 failure of the Company's technology products to operate as intended;
- the inability to protect the Company's proprietary rights to its software and related products;
- the loss of certain single-source suppliers; and
- changes in laws and regulations, particularly laws dealing with the use of lead (which can be used in the manufacture of certain meters incorporating brass housings) and the United States Federal Communications Commission rules affecting the use and/or licensing of radio frequencies necessary for radio 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.

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## Part I – Financial Information

## Item 1 Financial Statements

## BADGER METER, INC.

## Consolidated Condensed Balance Sheets

	March 31, (Unaudited) (In thousands) 2014	December 31, 2013
Assets		
Current assets:		
Cash	\$6,408	\$7,263
Receivables	54,658	50,133
Inventories:		
Finished goods	18,113	17,704
Work in process	11,678	12,330
Raw materials	34,187	30,905
Total inventories	63,978	60,939
Prepaid expenses and other current assets	3,354	3,994
Deferred income taxes	4,900	4,834
Total current assets	133,298	127,163
Property, plant and equipment, at cost	167,537	164,138
Less accumulated depreciation	(90,236	) (87,722
Net property, plant and equipment	77,301	76,416
Intangible assets, at cost less accumulated amortization	56,058	57,317
Prepaid pension	4,540	4,312
Other assets	7,786	6,155
Goodwill	44,695	44,695
Total assets	\$323,678	\$316,058
Liabilities and shareholders' equity		
Current liabilities:		
Short-term debt	\$73,869	\$70,045
Payables	17,433	18,554
Accrued compensation and employee benefits	7,184	7,337
Warranty and after-sale costs	1,199	882
Income and other taxes	3,072	1,223
Total current liabilities	102,757	98,041
Other long-term liabilities	1,335	1,324
Deferred income taxes	9,798	9,790
Accrued non-pension postretirement benefits	5,918	5,934
Other accrued employee benefits	4,067	4,406
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Common stock	20,518	20,504
Capital in excess of par value	46,339	45,627
Reinvested earnings	172,371	170,318
Accumulated other comprehensive loss	(7,263	) (7,524

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Less: Employee benefit stock	(995	) (1,075	)
Treasury stock, at cost	(31,167	) (31,287	)
Total shareholders' equity	199,803	196,563	
Total liabilities and shareholders' equity	\$323,678	\$316,058	

See accompanying notes to unaudited consolidated condensed financial statements.

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BADGER METER, INC.

Consolidated Statements of Operations

	Three Months Ended March 31, (Unaudited) (Dollars in thousands except share and per share amounts)	
	2014	2013
Net sales	\$83,496	\$71,808
Cost of sales	54,545	46,771
Gross margin	28,951	25,037
Selling, engineering and administration	21,261	20,312
Operating earnings	7,690	4,725
Interest expense, net	291	248
Earnings before income taxes	7,399	4,477
Provision for income taxes	2,767	1,570
Net earnings	\$4,632	