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PRESENTATION

Operator

Ladies and gentlemen, welcome to the Q3 2025 Badger Meter Earnings Conference Call. (Operator Instructions) As a reminder, today's conference is being recorded.

It is now my pleasure to turn the conference over to Barbara Noverini Head of Investor Relations. Please go ahead.

Barbara Noverini - *Badger Meter Inc - Senior Director - Investor Relations*

Thank you for joining the Badger Meter Third Quarter 2025 Earnings Conference Call. I'm here today with Ken Bockhorst, our Chairman, President and Chief Executive Officer; and Bob Wrocklage, our Chief Financial Officer. This morning, we made the earnings release and related slide presentation available on our website at investors.badgermeter.com.

As a reminder, any forward-looking statements made on this call are subject to various risks and uncertainties, the most important of which are outlined in our news release and SEC filings. On today's call, we will refer to certain non-GAAP financial metrics, including certain base metrics use of the term base for these purposes is intended to refer to certain financial metrics, excluding the Smart Cover acquisition. Our earnings presentation provides a reconciliation between the most directly comparable GAAP measure and any non-GAAP or base financial measures discussed.

With that, I'll turn the call over to Ken.

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Thanks, Barb. Welcome to our third quarter 2025 earnings call. I'm happy to report another quarter of strong financial performance as 13% year-over-year sales growth drove solid operating profit performance and record free cash flows. As these results demonstrate, demand for our industry-leading cellular AMI solution and BlueEdge suite of modular smart water management solutions remain steady, supported by durable macroeconomic drivers that encourage technology adoption across the water cycle.

We also managed persistent tariff and trade-related cost headwinds effectively as evidenced by gross margins remaining above our historic normalized range of 38% to 40%. Amidst macroeconomic and trade environment uncertainty, our business has once again proven to be resilient, thanks to the dedicated Badger Meter employees that serve our customers every day.

Bob will review more of the financial details, and then I'll be back to provide some color on a few other topics along with our outlook. Go ahead, Bob.

Robert Wrocklage - *Badger Meter Inc - Senior Vice President, Chief Financial Officer*

Thanks, Ken, and good morning, everyone. Turning to slide 3. Total sales of \$236 million in the third quarter of 2025, represented an increase of 13% year-over-year or 8% base sales growth. As expected, while absolute sales dollars declined sequentially from the second quarter, base sales growth of 8% this quarter did increase sequentially from 5% growth in the second quarter of the year. Total utility water product line sales increased year-over-year by 14% or 8% excluding SmartCover.

The underlying sales increase was driven by higher ultrasonic meter unit volumes increased BEACON Software as a Service and water quality product sales. Sales for the flow instrumentation product line increased 4% year-over-year as strength in water-related markets offset lower demand in deemphasized non-water-related applications. Turning to profitability. Operating earnings increased 13% year-over-year to \$46.1 million, with operating margins up 10 basis points to 19.6% from the prior year's 19.5%.

Importantly, when excluding the results of the SmartCover acquisition, base operating earnings of \$46.6 million increased 15% year-over-year and base operating margins expanded by 120 basis points. Gross margins expanded 50 basis points to 40.7% from 40.2% in the prior year quarter. Gross margin continued to benefit from ongoing structural mix improvement while implemented price increases partially mitigated certain tariff-related cost pressures in the quarter. Even though the trade environment remains very fluid, we are increasing our gross margin range from 38% to 40% historically, to a new normalized range of 39% to 42%. Note that the low end of our new range takes into account our scenario planning related to all currently known trade and tariff conditions.

SEA expenses in the third quarter were \$49.8 million, with the increase of approximately \$6.5 million year-over-year, driven primarily by the SmartCover acquisition. When excluding SmartCover related SEA expenses, including \$1.6 million of intangible asset amortization, base SEA expenses increased \$1.2 million or 3% year-over-year. When further accounting for the \$1.8 million deferred compensation benefit in the quarter that we referenced in the release, underlying SEA expense increased \$3 million or 7% year-over-year. The higher year-over-year base SEA expense was mainly driven by increased bonus and incentive expense based upon business performance and higher personnel costs to support the business. The income tax provision in the third quarter of 2025 was 26.1%, modestly higher than the prior year's 25.3%.

Consolidated EPS was \$1.19 versus \$1.08 in the prior year quarter representing a 10% year-over-year increase. Primary working capital as a percent of sales at September 30, 2025, was 22%, 20 basis points higher than the prior quarter end and 150 basis points better than a year ago. Record free cash flow of \$48.2 million increased by approximately \$6 million year-over-year, largely due to lower cash taxes in 2025 resulting from timing aspects associated with tax law changes pertaining to the deductibility of research and development costs.

With that, I'll turn the call back over to Ken.

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Thanks, Bob. Over the past few months, Bob and I have spent a lot of time with customers at Webtech an annual trade show centered on water quality and Engage Live, which is an annual gathering of Badger Meter customers presenting customer curated roundtable and case study discussions. What we've heard over the course of these events strengthens our conviction in the value of BlueEdge both to our customers as they seek to solve complex problems across their operations and to us as a long-term driver of growth for our business in advanced metering infrastructure and beyond the meter solutions.

At Webtech, we presented our full suite of smart water solutions spanning the entire water cycle for a variety of water treatment, metering and network monitoring applications. Five years ago, we had a limited presence at this show. Now we exhibit a full complement of solutions that spans the water cycle. It's remarkable to see how far we've come in such a short amount of time. Customers that engage live expressed enthusiasm for our ability to grow with them as they prioritize where they'll allocate their budget dollars over the coming years.

Despite federal funding noise, our utility customers continue to plan for the long term due largely to current labor challenges but also because they recognize the inevitability of adopting new technologies in their operations for efficiency and resiliency. Our solutions are modular, and we're capable of enabling where and when our customers should begin or continue to adopt BlueEdge components. Rolling out these solutions over time at a pace that works for them and making sure they achieve the outcomes they expect from our advanced technologies, we remain very excited about this growing portion of our long-term strategy.

From our vantage point, we continue to see healthy levels of activity across our opportunity pipeline from planning to bidding to awards to deployment and order activity. While we fully expect to experience the unevenness that's inherent in our industry and business, we remain confident in an average top line growth rate of high single digits over the coming five-year time horizon. Finally, turning to the outlook. Let me provide our standard fourth quarter reminder, which should sound familiar to those of you that have followed us for a long time.

The fourth quarter usually has 5% fewer operating days due to utility holiday schedules. Nevertheless, our year-to-date trajectory implies a solid close to the year. I remain encouraged that despite ongoing macroeconomic trade and policy uncertainty, our business has proven to be resilient. This is because our products and solutions have an important place within the critical utility water infrastructure.

The long-term secular trends driving change in the water industry will continue encouraging our customers to evolve and we're well positioned to enable them to do just that. With solid cash flow generation capabilities and an approximately \$200 million net cash position, we continue to demonstrate significant financial flexibility allowing us to invest in both organic and value-added inorganic growth.

In the third quarter, we also returned cash to shareholders by increasing our dividend for the 33rd consecutive year. We remain on track to deliver the anticipated cost and sales synergies associated with the SmartCover acquisition. For example, we've successfully transitioned certain manufacturing operations to our facility in Racine, Wisconsin, and we continue to identify attractive sales leads for SmartCover as part of our BlueEdge suite of solutions. In summary, we're executing very well, and we'll continue to manage the near term while staying true to a long-term strategy that we expect will compound value for both our customers and our shareholders.

With that, operator, please open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Rob Mason, Baird.

Robert Mason - Robert W. Baird & Co., Inc. - Analyst

Ken. First question, just, again, the increase in the gross profit, expected gross profit margin over time, I think we may perhaps have been anticipating this just given the uplift in structural mix. But Bob, you have been citing kind of the backdrop of tariff cost pressures as some of the reluctance. And so I'm just curious maybe if anything changed in the quarter or if you can reposition some of your suppliers where you feel better insulated or just maybe the catalyst to take this up at the point that you did?

Robert Wrocklage - *Badger Meter Inc - Senior Vice President, Chief Financial Officer*

Yes, I think -- thanks, Rob, for the question. And you're exactly right. We've said in prior quarters were it not for some of those evolving tariff situations, we likely would have done the normalized gross margin change sooner. I think that's simply all that the timing now means is that Q1, we are right on the heels of Liberation Day. In Q2, we were right on the heels of rumored tariff on copper, which, of course, didn't prove to be as meaningful to us. So I just think it's the lack of news.

And of course, the environment is changing day by day, but I think it's that lack of new news that I think has us with confidence and then another quarter of above target level performance. And I think it's also an enduring I think, endorsement, if you will, of the structural mix benefit that we all know is resident in our sales volumes. And so I think you combine that entire picture and that's what gives us confidence in that higher range, realizing that just like the 38% to 40% we put in place for a number of years. Our expectation is this new range will be something that's enduring for a number of years, not necessarily that's something that we're revising quarter-to-quarter.

Robert Mason - *Robert W. Baird & Co., Inc. - Analyst*

Sure. Just as a follow-up. I think coming into the third quarter, the thought was you were expecting some sequential decline in the core business and some of that just revolved around normal project timing as projects roll on and roll off. I'm just curious as you go, has anything changed in perhaps maybe perhaps maybe closing that gap as we go into the fourth quarter? I know, Ken, you called out the normal seasonal impacts, but anything that you could comment on just on project timing? And frankly, just as you've gone through the year, how are your customers moving forward on their decision-making? Has it -- it's been a noisy year on many fronts. I'm just curious if anything has changed on their decision-making timelines.

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. Thanks, Rob. Yes, I mean just to clarify a little bit. So what we didn't signal was a decline in the business, but we were trying to leave the breadcrumbs well, if you will, that quarter-over-quarter, it wouldn't be a stack bar growth and that inherent in the industry and the business is this common unevenness and sometimes projects are rolling in and sometimes projects are rolling off. So we were just calling out that you shouldn't expect a sequential Q3 being larger than Q2. That wasn't meant to create any concern that perhaps we were expecting declines in the business.

And as far as Q4 goes, yes, it's the typical disclaimer that we've put out there for the last five or six years. For our customers, days working matters for the work that happens in the field, people need to be working. So anytime that there's fewer workdays, I would call it seasonality. It's just literally the amount of work that can be done within a quarter is less in Q4 than it was in Q3.

Robert Mason - *Robert W. Baird & Co., Inc. - Analyst*

But could you address -- I think you referenced just federal funding noise. Is that -- any sense that, that's impacted the decision-making process or timelines --

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

I would tend to argue the noise is more external than internal to the industry and the business. The customers that we've talked to, I referenced we were just at WEFTEC and saw tons of customers literally -- and also at Engage Live. And the excitement and the views that people have about the future haven't changed. And while there is that noise out there, and again, we've never debated that there could be budget concerns or questions through parts of the water industry. And I think what we've confirmed over the last quarter since that noise has come out is that our customers who are in various stages of completed AMI projects, in the middle of AMI projects, are contemplating AMI projects are finding the budget to do that.

Operator

Nathan Jones, Stifel.

Nathan Jones - *Stifel, Nicolaus & Company, Inc. - Analyst*

I wanted to ask about SmartCover. It looks like based on the report, SmartCover had something like 25% growth in the quarter. Maybe you could just comment on the growth that you're seeing there and the growth expectations going forward?

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. So now that we're another quarter into integrating SmartCover into the business, we remain extremely excited about the opportunity to continue to grow this at a really outsized level. Again, when we acquired it, it was in the five-year CAGR of 22%-ish and being part of the BlueEdge suite of solutions, the feedback we've received from customers, the excitement we have across the sales force. We're every bit as excited today as we were the day we acquired it. It is what we thought it was, and all things are progressing as we expected.

Nathan Jones - *Stifel, Nicolaus & Company, Inc. - Analyst*

And then maybe secondarily on SmartCover. I mean, the published numbers show that it's slightly unprofitable on a reported basis. I know there's some -- probably some amortization and stuff in there. And obviously, the focus is on growth. How should we think about maybe the incremental margins on growth there, just given that at this point in its life cycle, it probably requires plenty of investment to support that growth, maybe it doesn't grow profitability as quickly as that otherwise would.

Robert Wrocklage - *Badger Meter Inc - Senior Vice President, Chief Financial Officer*

Yes. I would say the commentary is very consistent with what we've said in prior quarters, which is absolutely the opportunity here is growth. Again, I'll remind everyone, at least the sewer line or the monitoring at the manhole, if you will, is an extremely underpenetrated market and one ripe for digital adoption, and that will lead to robust growth. And as we've talked about in prior quarters, while the SEA portion or the core SEA of the business is above line average, even without the amortization and certainly well above line average with the amortization, we believe while still investing in the business to support that growth, that we can lever SEA significantly as a percentage of sales that by default then mathematically leads to above-line average incrementals. And so incrementals that would be more in line with the business that's a durable hardware sales supported by in the case of software, 100% attachment rate to software.

And in the case of post-service support, a high attachment rate to another element of annual recurring revenue. So that's a long way of saying the incrementals on the SmartCover business are well above line average, and we'll add to op and EBITDA margin accretion going forward. We've long said year 1 EPS accretive, both in the numbers that you can now see in a separate reconciliation as well as when accounting for the opportunity cost of the \$185 million of cash deployed. We've also long said since acquisition that we expect that to become EPS accretive in year 2. So that should give you a flavor for a bit of the top line performance expectations combined with than the incrementals that drive that to be accretive in year 2.

Operator

Jeffrey Reive, RBC.

Jeffrey Reive - *RBC Capital Markets Wealth Management - Analyst*

You called out pricing partially mitigating tariff impacts this quarter. Can you size the price increase that you passed through? And what was the price capture? And any update on how you're tracking on price cost for the year?

Robert Wrocklage - *Badger Meter Inc - Senior Vice President, Chief Financial Officer*

Yes. So I think, Jeffrey, you know us well enough that we won't size it. I think the way we should think about -- first off, when we talk about tariff and tariff-related costs, we're absolutely talking about the pure line item of tariff costs we see upon importation to whether it's our US market or whether US manufacturing or whether that's in other inbound material flows. But we're also talking about the knock-on effects of bismuth cost increases that remain elevated and very consistent with the story that we told back in the first quarter when those bismuth tariff pressures became available.

We have implemented, I would say, not across the board, pre-targeted product-specific price increases as early as Q2. And that continues on an ongoing basis, whether that's on PO-to-PO business or annual contract renewals. So there's a series of actions consistently occurring that's allowing essentially that price realization effect to catch up to those cost effects that were experienced immediately. And so I would tell you, without sizing it, Q3 was still a bit of the lagging effect of price versus cost, but we fully expect that to reach parity as we move forward.

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Yes, Jeffrey, I think I would like to add to that, that (inaudible) what we are really confident in is that we've got a really strong process for understanding in very short order, the impacts that we see from tariffs, our ability to maneuver is while there is a quarter lag, sometimes we are able to move pretty quickly. And I feel like we have a really strong understanding of our costs and what the value is that we can get from the market for the solutions that we offer. So overall, we've had a really strong process in place around pricing since we did our value-based pricing initiatives in 2020, and that has helped guide us through this.

Jeffrey Reive - *RBC Capital Markets Wealth Management - Analyst*

Got it. And then can you comment on the water quality performance this quarter, maybe as well as the growth rate? But also from recent customer discussions, are there any testing needs or parameters they're asking for that aren't currently in the portfolio today?

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. So typically, since we've integrated this, it is part of the utility business. When we do call something out in the quarter, we're particularly excited, though, about the recent performance of it. So as we're into the fifth year now of having water quality in the portfolio, we're really excited about the offering that we have. We're seeing extremely strong traction, really walked away from the WEFTEC show feeling more and more invigorated every year.

In terms of parameters, we have a really strong collection of the parameters that are required for our customers. So we're not getting into -- you know for sure the pragmatic view that we had on PFAS and not chasing that. So for the areas that we're playing throughout the distribution network or in treatment, we feel really strong about the parameters that we have.

Robert Wrocklage - *Badger Meter Inc - Senior Vice President, Chief Financial Officer*

And I would also say the capability or the comprehensive nature of our solution, it extends beyond just the pure mechanical parameters and reaches into the means by which those parameters are gathered, whether that's optical or whether that's electrochemistry, it spans beyond not just the

technical capability, but also where deployed. We've got capabilities not only in remote network monitoring type applications but also inside the fence at water treatment and at commercial and industrial customers.

So certainly, one of our -- and I'm sure the question is going in the direction of what about M&A type activity. Certainly, one of our acquisition laneways is around augmenting our capabilities around the core of water quality and network monitoring more generally. But I would tell you that we do have a very competitive not only parameter offering, but technology offering and application offering that positions us to deliver forward growth consistent or relatively similarly to what we just delivered in the third quarter.

Operator

Andrew Krill, Deutsche Bank.

Andrew Krill - *Deutsche Bank Securities Inc. - Analyst*

I want to ask, looking forward a little bit more based on your current customer conversations sound good, your backlogs, any initial views on 2026 and the potential for you to deliver on your high single digit through the cycle growth target. I think this should be your easiest comp on a year-over-year basis since COVID. But sympathetic, there's still tariff uncertainty, other things. So just maybe how are you thinking about next year and the potential to deliver high single-digit growth.

Robert Wrocklage - *Badger Meter Inc - Senior Vice President, Chief Financial Officer*

Yes. So as you know, Andrew, we don't provide guidance, so we'll probably clearly stop short of your expectations and giving you a number related to 2026. I would just tell you the confidence that we have in that high single-digit forward look is over that cycle, recognizing that, that can be uneven year-to-year. I think it's interesting. Your comment is it's the easiest quarter or easiest year-over-year comparison since COVID.

But unfortunately, that's not how bigger numbers work, right? It's more challenging to generate growth off of that. That being said, we still, as you heard in the prepared remarks, regardless of what aspect of the opportunity funnel that we talk to customers about, whether that's starting from the planning phase and the engagement of engineering firms to assist with consulting on one end, all the way down to our projects deploying and moving. We remain confident in that outlook. And I would tell you that '26 is no different than any other year.

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. And just to add to that a little bit. And it's not trying to be cagey or anything. It's just when you're selling to 50,000 utilities, small, medium, large that all move at different rates and sizes. This is why we talk about this five-year cycle and how we've segmented that down into where people are within the cycle. We feel great through the cycle, but it is difficult at times to predict a particular year or quarter. But overall confidence, it remains solid.

Andrew Krill - *Deutsche Bank Securities Inc. - Analyst*

Fair enough. And then on capital allocation, I think the multiple of the company is the lowest it's been in some time. So maybe has there been any change in thinking on the potential for buybacks, the balance sheet, clearly, net cash position. So if there aren't any like more deals that get across the finish line, like could that be an outcome that's more likely than it has been in some time.

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. So our capital allocation priorities that we've lived by since Bob and I have been here have been around, number one, investing in organic growth to remain the R&D leader in the space, still feel extremely strong on doing that. Number two has been increasing dividends, and we've done that now for a 33rd consecutive year at, I think, an interesting rate aligned with operating profit growth. And third has been on the M&A front, where I think we've built out an extremely compelling portfolio that is driving this long-term growth that we've seen. So I am not unhappy with our capital allocation priorities and how the business has performed and grown through the last several years.

So I would never rule anything out, but I would tell you that we are on a path that I think has been working really well for the company, our customers and our shareholders.

Operator

Bobby Zolper, Raymond James.

Bobby Zolper - *Raymond James & Associates, Inc. - Analyst*

To add to the federal stimulus noise, could you provide some context on what your customers say about ARPA specifically? And if you have a sense of how much of that money has gone to metering.

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Bobby, so very little of that money has gone toward metering. I'm sure throughout the 50,000 utilities, you could probably find some examples where it has. But for the most part, that has not been a meaningful driver. When we talk about the many, many conversations that we've had over the last quarter or the last year, the macro drivers of available labor, adopting technology, nonrevenue water conservation, adopting new technologies. Those all remain the same. And when the utilities are dealing with these problems, they do have the budget to solve the most critical issues that they have within the utility. So I know you're looking for us to size it, but there's really not much there to size.

Bobby Zolper - *Raymond James & Associates, Inc. - Analyst*

Okay. Fair enough. I think what some investors are concerned about is making the comparison to the 2011 time period when they read back through the transcripts from then when organic sales were down. I guess, could you expand on why that comparison period is not relevant today?

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Well, I could compare it for several reasons. I think in 2011, the industry was primarily buying mechanical meters that were not battery operated. We've been selling battery-operated meters now in the ultrasonics for 15 years. We've been selling battery-operated radios. And the idea that in 2025, when metering, which again acts the cash register for the utility, when batteries go end of life and when utilities don't have the available labor, they're not going to stop doing billing. They're not going to find people to go out and start reading meters and radio meters manually. So software in the business. I mean, I could go on and on about how the world has changed from a technology point of view and how our company has changed since then. So those transcripts are history, but I wouldn't say that they predict the future.

Bobby Zolper - *Raymond James & Associates, Inc. - Analyst*

Okay. Fair enough. And then last one for me. The forward -- five-year forward view, excuse me, is that organic? Or does that include the contribution of potential M&A?

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

That is organic.

Operator

Scott Graham, Seaport Research Partners.

Scott Graham - *Seaport Global Securities LLC - Analyst*

Nice quarter. I wanted to maybe talk a little bit about mix. And I know in the context of your high single-digit long-term planning horizon growth. I know that volume is still most of that, and hopefully, you'll tell us if that's changed or anything. But this year has been a very interesting year, right? A lot of puts and takes. We have the onset of tariffs, we had an increase in your non-metering businesses. And I was just wondering if there was anything in 2025 mix-wise, that has changed that could carry into '26 either positive or negative?

Robert Wrocklage - *Badger Meter Inc - Senior Vice President, Chief Financial Officer*

Well, I think if you're speaking specific to 2025, the first thing I would remind you is that Q1 was an abnormally rich degree of mix, which drove a gross margin of 42.9%, which we all acknowledged at the time was not expected to repeat. And since then you've essentially seen the last two quarters, reflective of that change. That being said, under the covers, if you will, continues to be this idea of what we call structural mix benefit. And when you hear us say that that's essentially a codeword for the items or line items or product lines that are growing for us are tending to be the items that are average -- higher average sale price, higher average margin.

And that's not new to 2025. It's just we're in a later inning, if you want to use a baseball analogy of that occurring. And so underlying our gross margin profile change over time is the structural mix benefit that can be attributed to the sale of more ORION Cellular radios, the sale of more E-Series meters, the sale of and faster growth in the around the meter or beyond the meter technologies.

That is not a trend that stops come the end of 2025. In fact, it's a large underpinning of our decision in this quarter to raise the gross margin range from 39% to 42% -- to 39% to 42% on a normalized basis. And we would expect that to continue as we move forward.

So I know I rambled a bit there, but I was trying to isolate a very episodic event in early 2025, that's an outlier, but then signify how ultimately that structural mix benefit and structural mix change is not only here in 2025, but it's enduring and beyond and a big part of why we were able to increase our normalized gross margin range.

Scott Graham - *Seaport Global Securities LLC - Analyst*

No, that didn't sound like a ramble to me, that sounds like good information. The other question I wanted to ask was just sort of on software sales. How were they in the quarter?

Robert Wrocklage - *Badger Meter Inc - Senior Vice President, Chief Financial Officer*

Yes. So in the script, we called that out as a driver of the core growth or base level growth in the quarter. As you know, Scott, we always say, our software model, at least for BEACON and quite frankly, for our other connected products is different than I think most software models. It's not one that's license-based and/or suite based. It's a 100% attachment rate to an underlying device sale that then lasts for the longevity or field life of that asset.

When we're talking about meters and radios, we're often talking about 10 or 15 years in the field, in the ground cycles. And so essentially, the leading indicator for us is when we talk about growing ORION radio sales, the lagging indicator is a robust growth in SaaS, which if you look at our investor deck, it hasn't been -- I don't think it's been updated for the midyear here, but we've seen a 28% CAGR in our software revenue as a result of the success of selling ORION Cellular AMI and Network as a Service and I would tell you that this quarter was no different on a relative basis.

Operator

Michael Fairbanks, J.P. Morgan.

Michael Fairbanks - *J.P. Morgan Securities LLC - Analyst*

You called out higher ultrasonic meter volumes as a driver of growth for the first time in a few quarters. Can you just talk about Ultrasonic and if you're seeing any real changes in demand for that offering?

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Yes, it's -- it was -- as things can be, as I'm broken record uneven, it was a particularly strong quarter for ultrasonic just given the mix of customers that we had. Each year, we do, and we do expect to sell more ultrasonic meters than we did in the previous year as we continue to see some of that adoption. Our choice matters and our portfolio remains the same. We still we still expect to sell mechanical, especially on the residential side for many, many, many years to come. But we are excited about the expansion that we do see on the ultrasonic side as well. It's certainly got its benefits that resonate well with some customers, maybe more so than others, but happy with the growth in the quarter.

Michael Fairbanks - *J.P. Morgan Securities LLC - Analyst*

Great. And then on the flow instrumentation side, we saw that return to growth. Any more color there on drivers? I know you called out water-related end markets but what's the outlook for that segment in general?

Kenneth Bockhorst - *Badger Meter Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. For us, it's becoming a smaller part of the portfolio, but we remain on the -- yes, a GDP-like numbers. So you might have quarters that are flat, some quarters that are up a little more. But for the most part, it's a business that you should think of growing in line with GDP.

Operator

Thank you. We currently have no further questions. So I'll hand back to Barbara for any closing remarks.

Barbara Noverini - *Badger Meter Inc - Senior Director - Investor Relations*

Thank you, operator. We appreciate you joining our call today. Our fourth quarter and full year 2025 earnings call is tentatively scheduled for January 28, 2026, and we look forward to engaging with our analysts and shareholders in the meantime. Thanks for your interest in Badger Meter, and have a great day.

Operator

This concludes today's call. Thank you for joining. You may now disconnect your lines.

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