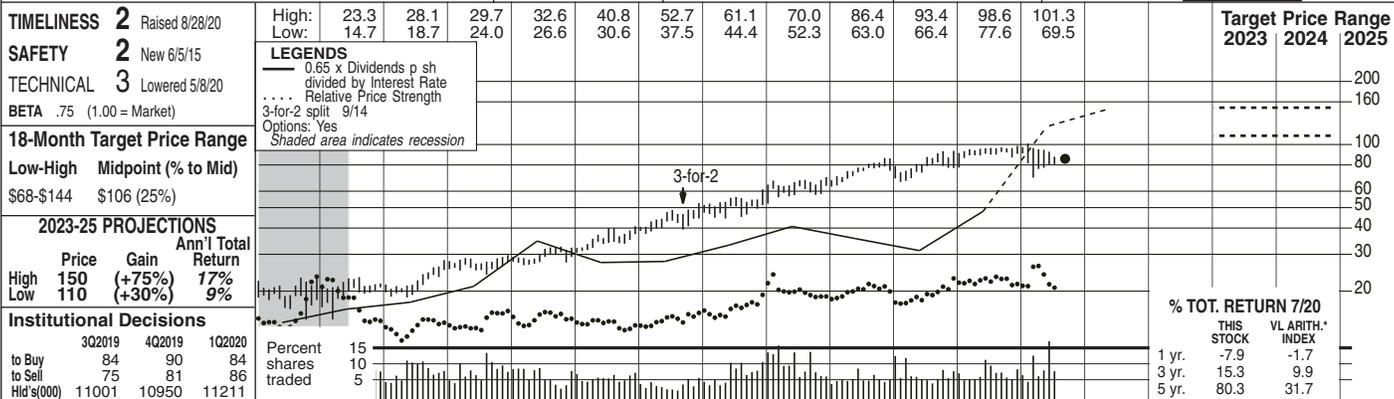


# CHESAPEAKE UTIL. NYSE-CPK

RECENT PRICE **85.41** P/E RATIO **21.6** (Trailing: 22.3; Median: 19.0) RELATIVE P/E RATIO **0.98** DIV'D YLD **2.1%** VALUE LINE



2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
20.70	26.02	23.05	25.41	28.46	19.07	29.93	29.13	27.26	30.73	34.19	30.07	30.60	37.79	43.81	29.24	<b>29.40</b>	<b>34.30</b>	Revenues per sh	<b>60.00</b>
2.26	2.35	2.18	2.52	2.50	2.15	3.50	3.69	3.95	4.35	4.73	5.05	5.16	5.42	6.47	6.50	<b>6.75</b>	<b>7.20</b>	"Cash Flow" per sh	<b>10.00</b>
1.09	1.18	1.15	1.29	1.39	1.43	1.82	1.91	1.99	2.26	2.47	2.68	2.86	2.68	3.45	3.72	<b>3.90</b>	<b>4.10</b>	Earnings per sh <sup>A</sup>	<b>5.50</b>
.75	.76	.77	.78	.81	.83	.87	.91	.96	1.01	1.07	1.12	1.19	1.26	1.39	1.55	<b>1.69</b>	<b>1.83</b>	Div'ds Decl'd per sh <sup>B</sup>	<b>2.30</b>
2.07	3.74	4.87	3.08	3.00	1.89	3.18	3.28	5.00	6.72	6.66	9.47	10.42	10.73	16.47	11.26	<b>11.75</b>	<b>12.15</b>	Cap'l Spending per sh	<b>12.80</b>
9.07	9.60	11.08	11.76	12.02	14.89	15.84	16.78	17.82	19.28	20.59	23.45	27.36	29.75	31.65	34.23	<b>37.90</b>	<b>43.90</b>	Book Value per sh	<b>56.90</b>
8.60	8.82	10.03	10.17	10.24	14.09	14.29	14.35	14.40	14.46	14.59	15.27	16.30	16.34	16.38	16.40	<b>17.00</b>	<b>17.50</b>	Common Shs Outst'g <sup>C</sup>	<b>20.00</b>
15.0	16.8	17.9	16.7	14.2	14.2	12.2	14.2	14.8	15.6	17.7	19.1	21.8	27.8	22.9	24.7	<b>24.5</b>	<b>25.0</b>	Avg Ann'l P/E Ratio	<b>23.5</b>
.79	.89	.97	.89	.85	.95	.78	.89	.94	.88	.93	.96	1.14	1.40	1.24	1.34	<b>1.69</b>	<b>1.83</b>	Relative P/E Ratio	<b>1.30</b>
4.6%	3.8%	3.8%	3.6%	4.1%	4.1%	3.9%	3.4%	3.3%	2.9%	2.4%	2.2%	1.9%	1.7%	1.8%	1.7%	<b>1.6%</b>	<b>1.7%</b>	Avg Ann'l Div'd Yield	<b>1.8%</b>

CAPITAL STRUCTURE as of 6/30/20		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Debt \$732.1 mill. Due in 5 Yrs \$370.0 mill.		427.5	418.0	392.5	444.3	498.8	459.2	498.9	617.6	717.5	479.6	500	600	Revenues (\$mill)	1200				
LT Debt \$430.1 mill. LT Interest \$15.0 mill.		26.1	27.6	28.9	32.8	36.1	40.2	44.7	43.8	56.6	61.1	66.0	72.0	Net Profit (\$mill)	110				
(LT interest earned: 4.7%; total interest coverage: 4.7x) (42% of Cap'l)		39.7%	39.4%	40.1%	40.2%	39.9%	39.5%	38.8%	39.5%	27.1%	25.7%	24.5%	25.0%	Income Tax Rate	27.0%				
Leases, Uncapitalized Annual rentals \$2.1 mill.		6.1%	6.6%	7.4%	7.4%	7.2%	8.8%	9.0%	7.1%	7.9%	12.8%	13.2%	12.0%	Net Profit Margin	9.2%				
Pfd Stock None		28.4%	31.4%	28.4%	29.7%	34.5%	29.4%	23.5%	28.9%	37.9%	43.9%	43.0%	40.0%	Long-Term Debt Ratio	35.0%				
Pension Assets-12/19 \$54.3 mill.		71.6%	68.6%	71.6%	70.3%	65.5%	70.6%	76.5%	71.1%	62.1%	56.1%	57.0%	60.0%	Common Equity Ratio	65.0%				
Oblig. \$71.5 mill.		315.9	351.1	358.5	396.4	458.8	507.5	583.0	683.7	834.5	1001.8	1130	1280	Total Capital (\$mill)	1750				
Common Stock 16,493,573 shs. as of 7/31/20		462.8	487.7	541.8	631.2	689.8	855.0	986.7	1126.0	1384.0	1463.8	1650	1815	Net Plant (\$mill)	2475				
MARKET CAP: \$1.4 billion (Mid Cap)		9.1%	8.9%	8.8%	8.8%	8.5%	8.9%	8.6%	7.3%	7.8%	7.2%	7.0%	7.0%	Return on Total Cap'l	7.5%				
CURRENT POSITION		11.5%	11.5%	11.2%	11.8%	12.0%	11.2%	10.0%	9.0%	10.9%	10.9%	10.5%	9.5%	Return on Shr. Equity	9.5%				
2018		11.5%	11.5%	11.2%	11.8%	12.0%	11.2%	10.0%	9.0%	10.9%	10.9%	10.5%	9.5%	Return on Com Equity	9.5%				
2019		6.6%	6.6%	6.4%	7.1%	7.4%	6.8%	6.1%	4.9%	6.7%	6.5%	6.0%	5.0%	Retained to Com Eq	5.5%				
6/30/20		42%	42%	43%	40%	38%	40%	39%	45%	39%	40%	44%	45%	All Div'ds to Net Prof	42%				

**BUSINESS:** Chesapeake Utilities Corporation consists of two main units. The Regulated Energy segment distributes natural gas in Delaware, Maryland, and Florida; distributes electricity in Florida; and transmits natural gas on the Delmarva Peninsula and in Florida. The Unregulated Energy operation wholesales and distributes propane; markets natural gas; and provides other unregulated energy services, including midstream services in Ohio. Revenue breakdown for 2019: Regulated Energy, 71.5%; Unregulated Energy, 32.1%; Other, d3.6%. Officers and directors own 3.1% of common stock; T. Rowe Price, 14.1% (4/20 Proxy). CEO: Jeffrey M. Householder, Inc.; DE. Address: 909 Silver Lake Boulevard, Dover, DE 19904. Tel.: (302) 734-6799. Internet: www.chpk.com.

**Chesapeake Utilities' share net rose around 5% during the first half of 2020, versus last year's total.** That was attributed partly to a \$0.14-a-share gain from the sale of two properties. Furthermore, the company benefited from the Eastern Shore and Peninsula Pipeline service expansions. Other contributors included the Boulden deal (completed last December) and increased retail propane margins per gallon. On the negative side, the effects of COVID-19 reduced the bottom line by \$0.17 a share. (Regulatory relief is anticipated for costs incurred as a result of that health crisis, however.) Lastly, diminished customer consumption, due mainly to milder temperatures, hurt the company to some degree during the period. Still, at this juncture, we look for full-year profits to grow 5%, to \$3.90 a share. Assuming that business trends are generally favorable, Chesapeake's 2021 share net stands to advance at a similar percentage rate, to \$4.10.

**There has been action on the acquisition front.** The company just bought, for \$15 million, Elkton Gas, a subsidiary of South Jersey Industries, which delivers natural gas to 7,000 customers in Cecil County, Maryland. That followed the \$24.6 million purchase of certain propane operating assets of Boulden, serving around 5,200 customers in Delaware, Maryland, and Pennsylvania. Acquisitions ought to continue to play an important role in Chesapeake's business strategy.

**This year's capital spending budget is anticipated to range between \$185 million and \$215 million.** (That's around 8% above the 2019 amount of \$184.7 million if the midpoint of this range is used.) Some 80% of the expenditures is devoted to the Regulated Energy division, with an emphasis on the natural gas distribution and transmission businesses. Management adds that it expects total capital spending to be \$750 million—\$1 billion for the five-year period between 2018 and 2022. Corporate finances seem sufficient to support these initiatives.

**The timely stock's dividend yield is unspectacular for a natural gas utility, but capital appreciation potential for the 18-month period and over 2023-2025 is worthwhile.**

*Frederick L. Harris, III August 28, 2020*

(A) Diluted shrs. Excludes nonrecurring items: '08, d7c; '15, 6c; '17, 87c. Excludes discontinued operations: '04, d1c; '19, 24c; '20, 1c. Quarters for 2019 don't equal total because of rounding. Next earnings report due early Nov.	(B) Dividends historically paid in early January, April, July, and October. ■ Dividend reinvestment plan. Direct stock purchase plan available.	(C) In millions, adjusted for split.	Company's Financial Strength	A
			Stock's Price Stability	85
			Price Growth Persistence	95
			Earnings Predictability	95