

Aqua America Inc. (WTR)

October 31, 2018

Utilities – Water Utility

Stock Rating

SELL

Investment Thesis

We issue a sell rating on Aqua America [WTR], a water utility company. We see a downside of 23% on the current stock price of \$32.53 per share. The company has been growing inorganically via municipality acquisitions, and accordingly their capex requirement for infrastructure maintenance has been growing as well. The capex has been mostly funded by debt. In a rising interest rate environment, their leverage ratio of 115% is a big negative and future capex investments will curb their profitability edge over competitors as the interest expense increases. Additionally, increasing inflation will curb revenue growth potential due to regulatory lags.

Drivers of Thesis

- Avg. capex of \$493M/year for the next 5 years mostly funded by debt will further inflate the already high (115%) leverage ratio
- ROIC will start declining from 6.5% (2019) to 6.2% (2022) as the company gets increasingly overwhelmed by their debt level
- Inflation will limit incoming revenue due to regulatory lags between subsequent rate agreements
- Company announced they are seeking to acquire Peoples gas utility company for \$4.3B – no plausible synergy with their current operations

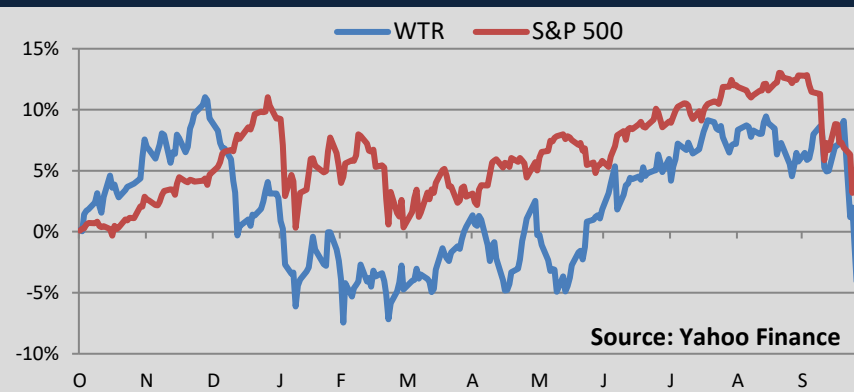
Risks to Thesis

- Aqua America leads its peers in profitability (30% net margin vs avg. 14% of peers) even though it does not seem like a sustainable advantage
- There is significant growth potential in the industry and it is a business model with stable revenues and a decent dividend yield of 2%

Earnings Estimates

Year	2015	2016	2017	2018E	2019E	2020E
EPS	\$1.14	\$1.32	\$1.35	\$1.32	\$1.30	\$1.31
growth	-14.0%	16.3%	2.2%	-2.3%	-1.5%	1.0%

12 Month Performance



Target Price

\$24-25

Henry Fund DCF	\$24.96
Henry Fund DDM	\$29.00
Relative Multiple	\$27.50

Price Data

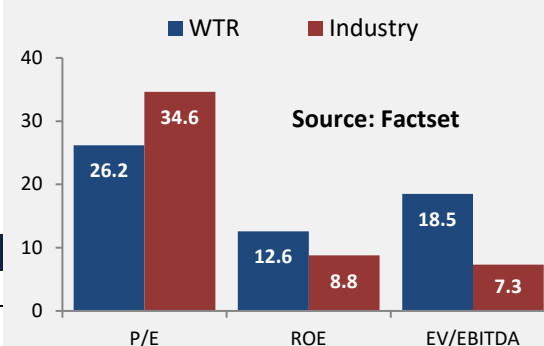
Current Price	\$32.53
52wk Range	\$32.12 – 39.55
Consensus 1yr Target	\$38.43

Key Statistics

Market Cap (B)	\$6.467
Shares Outstanding (M)	177.9
Institutional Ownership	56%
Five Year Beta	0.56
Dividend Yield	2.02%
Price/Earnings (2017)	29.06
Price/Earnings (FY1)	24.70
Price/Sales (TTM)	7.86
Price/Book (mrq)	3.20

Profitability

Operating Margin	40.64%
Profit Margin	29.61%
Return on Assets	3.76%
Return on Equity	12.59%
ROIC	6.35%



Company Description

Aqua America is a water and wastewater utility company that serves about 3 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana and Virginia. The company provides drinking water and wastewater treatment infrastructure and services. The company began in Pennsylvania and remains headquartered in Bryn Mawr, Pennsylvania.

EXECUTIVE SUMMARY

Aqua America [WTR] is water utility company with a marginal revenue growth but great profitability margins. However, those margins will decline as the company takes on more and more debt to finance their yearly capex. Rising inflation will limit revenues as well mainly due to the regulatory lags. Declining ROIC and high unstable leverage ratio are indications that the company’s operations aren’t sustainable in the long run.

WTR currently trades at a market price of \$32.53, and our models (as of 10/31/2018) produced an intrinsic value in the range of \$24.96 to \$40.93. We favor our rigorous DCF-EP model which gives a price of \$24.96. All models except relative P/E also indicate a target price below current price. We do not strongly regard our relative P/E valuation as the company has only two peers of comparable size that are publicly traded. The DCF-EP model indicates a 23% downside over the current stock price and hence we place a SELL recommendation.

COMPANY DESCRIPTION

Aqua America, Inc. is a Pennsylvania corporation, the holding company for regulated utilities providing water or wastewater services to an estimated 3 million people in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, and Virginia.

Areas of Operation:

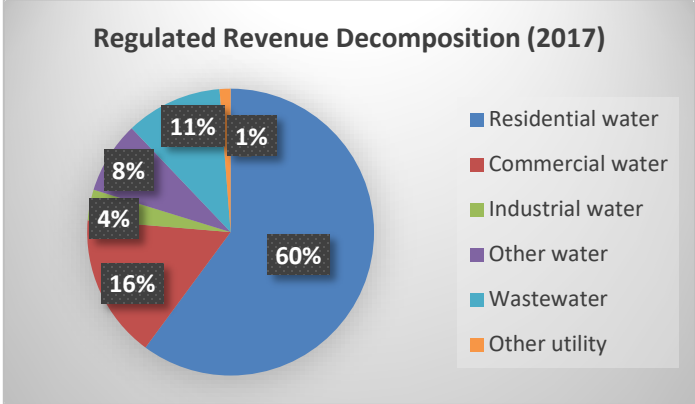


Source: Aqua America Website

Their largest operating subsidiary is Aqua Pennsylvania, Inc., which accounts for 52% of the operating revenues and 74% of the net income (2017). Aqua Pennsylvania’s service territory is located in the suburban areas in

counties north and west of the City of Philadelphia and in 27 other counties in Pennsylvania and their other regulated utility subsidiaries provide similar services in seven other states.¹ The company’s market-based activities are conducted through Aqua Infrastructure, LLC and Aqua Resources, Inc. Aqua Infrastructure provides non-utility raw water supply services for firms in the natural gas drilling industry. Aqua Resources provides water and wastewater service through two operating and maintenance contracts with municipal authorities close to their utility companies’ service territory; and offers, through a third party, water and sewer line repair service and protection solutions to households.

Most of Aqua America’s water and wastewater utility operations are subject to regulation by their respective state utility commissions, which have broad administrative power and authority to regulate billing rates, determine franchise areas and conditions of service, approve acquisitions, and authorize the issuance of securities. The utility commissions also generally establish uniform systems of accounts and approve the terms of contracts with affiliates and customers, business combinations with other utility systems, and loans and other financings. The policies of the utility commissions often differ from state to state and may change over time. A small number of operations are also subject to rate regulation by county or city government. The profitability of utility operations is heavily influenced by the timeliness and adequacy of rate allowances in the various states they operate. They focus their growth and investment strategy on states that provide for consolidated rates, a surcharge for replacing and rehabilitating infrastructure and other systems, and/or other regulatory policies that promote infrastructure investment and efficiency in processing rate cases.



Source: Aqua America 10K (2017)

Aqua America periodically considers the amount of net utility plant additions and replacements made since the previous rate decision, the changes in the cost of capital, changes in capital structure, and changes in operating and other costs. Based on these assessments, they file rate increase requests with their respective state utility commissions or local regulatory authorities. In general, as a regulated enterprise, water and wastewater rates are established to provide full recovery of utility operating costs, taxes, interest on debt used to finance capital investments, and a return on equity used to finance capital investments.

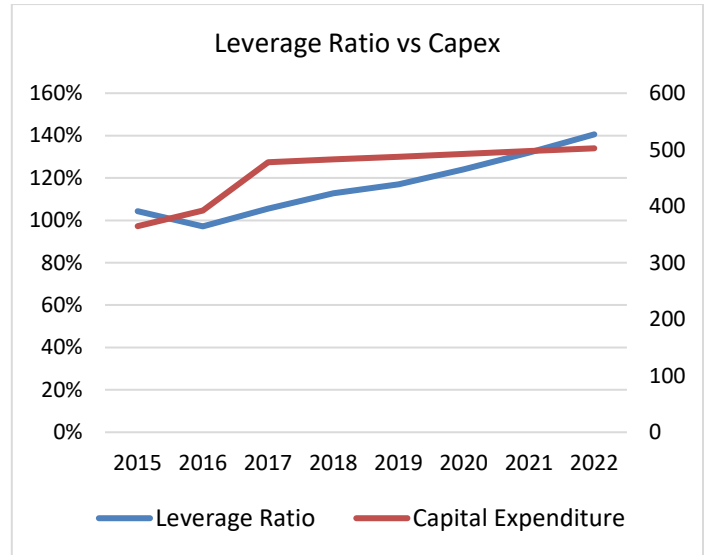
The company has six operating segments that are aggregated into one reportable segment since each of these operating segments has similar economic characteristics, nature of services, production processes, customers, water distribution and/or wastewater collection methods, and the nature of the regulatory environment. This segment is named the Regulated segment.

Two operating segments are not quantitatively significant to be reportable and are composed of Aqua Resources and Aqua Infrastructure are included as a component of "Other," in addition to corporate costs that have not been allocated to the Regulated segment and intersegment eliminations. The revenue from these segments is negligible compared to that of the regulated segment.

Company Analysis

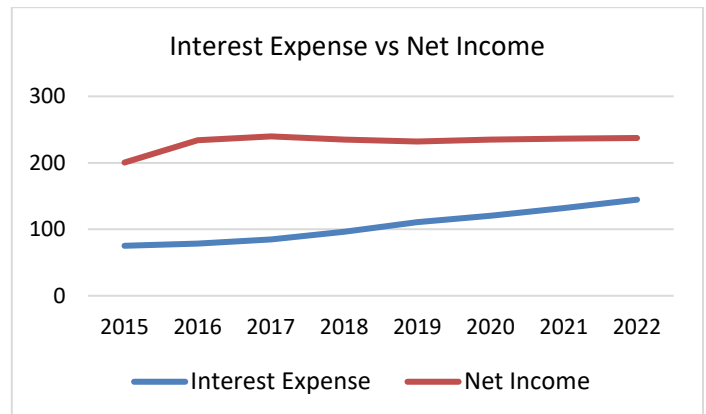
Aqua America's growth is mostly inorganic like most water utility companies. It actively explores opportunities to expand their utility operations through acquisitions of water and wastewater utilities either in areas adjacent to their existing service areas or in new service areas. They also explore acquiring market-based businesses that are complementary to their regulated water and wastewater operations. Recovery of the effects of inflation through higher water and wastewater rates is dependent upon receiving adequate and timely rate increases. However, rate increases are not retroactive and often lag increases in costs caused by inflation. In many cases rate settlement agreements have a defined period of time before you can file the next base rate increase request. These agreements will result in regulatory lag whereby inflationary increases in expenses may not yet be reflected in rates, or a gap may exist between when a capital project is completed and the start of its recovery in rates.

In 2018, through the first nine months of last year, Aqua America realized rate awards and infrastructure surcharges that work out to an annualized revenue increase of \$21.4 million. At the end of that period it has another \$14.1 million in annualized revenue increases pending with local and regional authorities.³ We have forecasted similar growth in revenue in the upcoming years at about 3.2% yearly.



Source: Henry Fund Estimates

As the company is expanding, it is increasingly spending on capital expenditures. Most of these capital expenditures are required for the rehabilitation of existing water and wastewater systems and modernization and replacement of existing treatment facilities. We have projected it to remain steady around \$493M/year which consistent with management guidance.



Source: Henry Fund Estimates

Even then the company will not be able to sustainably manage their leverage ratio like in the past (~100%) and

their capital structure will balloon up on the debt side. The key issue here is that the return on invested capital on the capital expenditure will not be sustainable at this level as the increasing debt will increase the interest expense and squeeze overall margins and net operating cash flow.

RECENT DEVELOPMENTS

Q2 Earnings Report

Aqua America (WTR) released their 2018 Q2 earnings which was \$0.37 per share, beating the consensus estimate of \$0.36 per share³. This quarterly report represents an earnings surprise of 2.78%. A quarter ago, it was expected that this water utility would post earnings of \$0.29 per share when it actually produced earnings of \$0.29, delivering no surprise. Over the last four quarters, the company has surpassed consensus EPS estimates two times. It posted revenues of \$211.86 million for the quarter ended June 2018, missing the consensus estimate by 1.88%. This compares to year-ago revenues of \$203.42 million. The company has not been able to beat consensus revenue estimates over the last four quarters.

Aqua America shares have lost about 7.5% since the beginning of the year versus the S&P 500's gain of 5.2%. We believe this is because the market knows that the company raising mostly debt capital and that will squeeze the margins in the long run due to the rising rates.

Acquisition of Peoples

On 23rd October 2018, Aqua America announced that it would take over natural gas provider Peoples in a \$4.3 billion deal.⁴ Not much details were announced on how this deal will be funded except for the fact that it will be an all cash transaction. Also, there was no justification from the management in terms of a synergy for this acquisition apart from the fact that they are both utility businesses and require similar management competencies. The transaction is not expected to have any impact on rates.

In July, Peoples Gas had announced an ambitious plan to develop a public private-partnership with the Pittsburgh Water and Sewer Authority. Peoples Water, a subsidiary of Peoples Gas was created and it pledged to spend more than \$1 billion to improve water quality in the Pittsburgh area. Pittsburgh Mayor Bill Peduto has been adamant about maintaining PWSA as a publicly owned system, but he's open to suggestions from private enterprise on a

partnership that would generate additional revenue for the beleaguered authority. Peduto maintained his position on the future of PWSA hours after the Aqua and Peoples deal was announced. PWSA supplies water to about 300,000 people in Pittsburgh and the surrounding area.

Aqua America's acquisition of Peoples seems to be an undertaking to help with Pittsburgh's water and capture that market. During the call announcing the deal, Chris Franklin (Aqua America CEO) mentioned that he was interested in continuing to explore how the company could work with the city. Franklin said Aqua has had success helping turnaround water systems in similar situations as Pittsburgh. Actual implementation remains speculative given the city's current stance.

This acquisition is subject to the approval of regulators, including public utility commissions in Pennsylvania, Kentucky and West Virginia. The transaction is expected to close in mid-2019. The combined companies would represent one of the largest publicly traded water utilities and natural gas local distribution companies in the country and provide service to about five million people. We have not factored in this acquisition in our model as of now. Peoples is a private company, there are regulatory concerns and we don't know how this deal will be funded or if the possible synergy with Pittsburgh acquisition will materialize. We see this move as a desperate and possibly futile attempt to avoid the consequences of currently unsustainable operations. The market did not really like the deal and the stock fell 8% on the day of the announcement.

MARKETS AND COMPETITION

The current industry trend is towards consolidation, most players are trying to acquire municipality operations and rely on inorganic growth. The winner in this race would be the company which raises capital in a sustainable manner to invest in highly profitable acquisitions. We will analyze only two competitors as these are the only ones comparable in size and operations to Aqua America.

Peer Comparisons

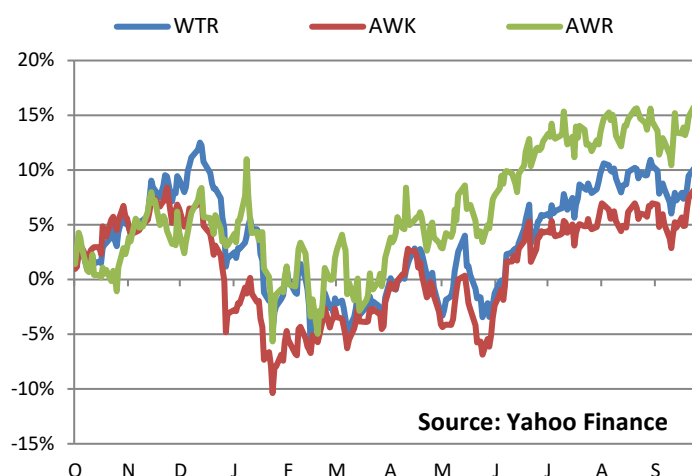
Following are the peers that were selected for comparison:

Company Name	Ticker	Market Value	Sales 1 Year Growth
Aqua America	WTR	6,467.2	1.2%
American Water	AWK	15,834.6	1.2%
American States Water	AWR	2,163.6	-2.8%
Average		8,999.1	-0.8%

Source: Factset

Such utility companies typically show minimal revenue growth. American Water and Aqua America are the only ones with positive revenue growth in the previous year.

12 Month Performance:



Company Name	Debt/Equity	Current Ratio	EBIT/Interest Expense
Aqua America	114.7%	0.75	3.55x
American Water	145.8%	0.28	3.40x
American States Water	73.9%	1.09	4.61x
Average	111.5%	0.71	3.86x

Source: Factset

American States Water has a far superior leverage ratio, current ratio and interest coverage. The better stock performance for AWR most likely indicates that the market values a more stable capital structure in this sector. This is quite reasonable considering the current inflation rate and rising interest rates. The current macroeconomic conditions in general are not very conducive to pure-play utility companies.

Company Name	Net Margin	Dividend Yield	ROIC
Aqua America	30.0%	2.02%	6.3%
American Water	13.9%	1.81%	4.1%
American States Water	14.1%	1.72%	7.0%
Average	19.3%	1.8%	5.8%

Source: Factset

We know that Aqua America is facing a decline in ROIC. American States Water is focusing better on more profitable projects. Even though Aqua America's net margin is much higher than its peers, this has been factored into its current valuation but the potential downside due to a declining ROIC has not apparently.

Company Name	Price to Earnings	Price to Sales	Enterprise Value/EBITDA
Aqua America	26.15x	7.86x	18.44x
American Water	33.38x	4.66x	14.04x
American States Water	35.70x	5.05x	17.71x
Average	31.74x	5.86x	16.73x

Source: Factset

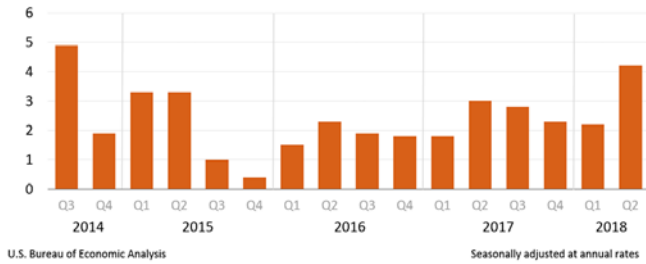
The company trades at a lower P/E and higher P/S multiple and has a comparatively high EV/EBITDA ratio on average. This makes the stock more expensive than it should be as other firms except for their higher earnings which is a short-lived advantage.

ECONOMIC OUTLOOK

GDP

GDP growth is the key indicator of economic development. There has been a steep growth in GDP in recent times and we believe that real GDP growth will continue its run in 2018 and then taper off 2019 onwards which is consistent with Federal Open Market Committee projections. Accordingly, the consumer demand in the US will peak in 2019 and then taper off. We estimate long term US GDP growth to be 3.00%.

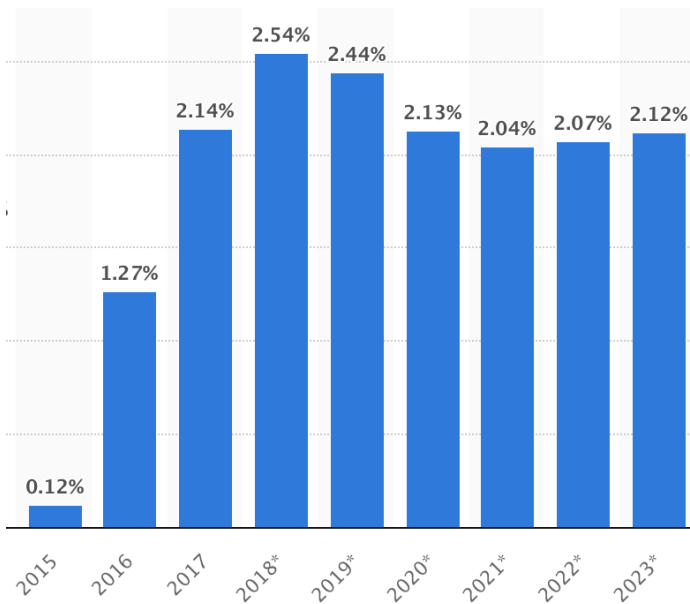
Real GDP: Percent change from preceding quarter



Source: US Bureau of Economic Analysis⁵

Inflation

The current inflation rate for the United States is 2.3% for the 12 months ended September 2018, as published on October 11, 2018 by the U.S. Labor Department.



Source: Statista (US Inflation forecast)⁶

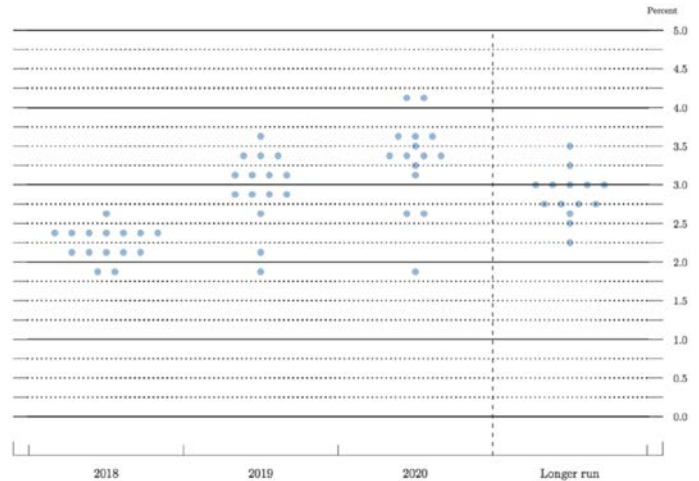
We expect inflation to follow a similar trend like GDP, find a peak in 2019 and then taper off. We have projected Aqua America’s revenue growth (3.2% yearly) to exceed inflation but the growth could have been higher if not for regulatory lags.

Interest Rates

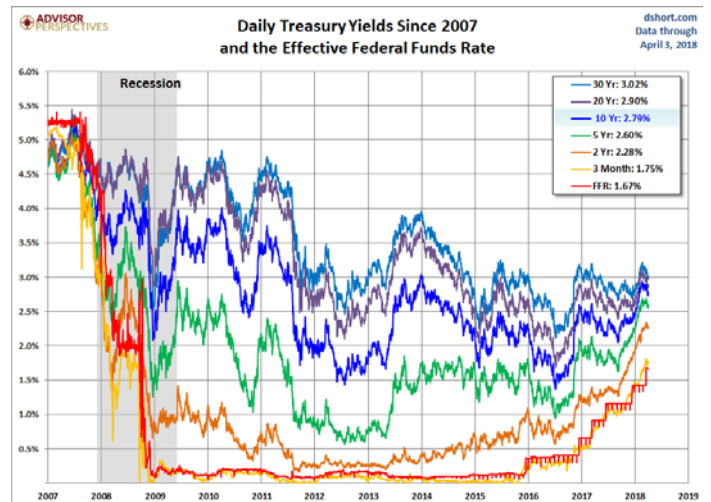
The fed funds rate was increased from 2.00% to 2.25% in September 2018 and the Federal Open Market Committee (FOMC) has planned at least 1 more such hike in the year 2018. Over the next few years, the FOMC will continue to take the opportunity to reign in loose monetary policy and shore up options for a future downturn. Robust job growth

and inflation will continue to drive the fed to raise rates in 2019 and 2020 as well.

Fed Dot Plot:

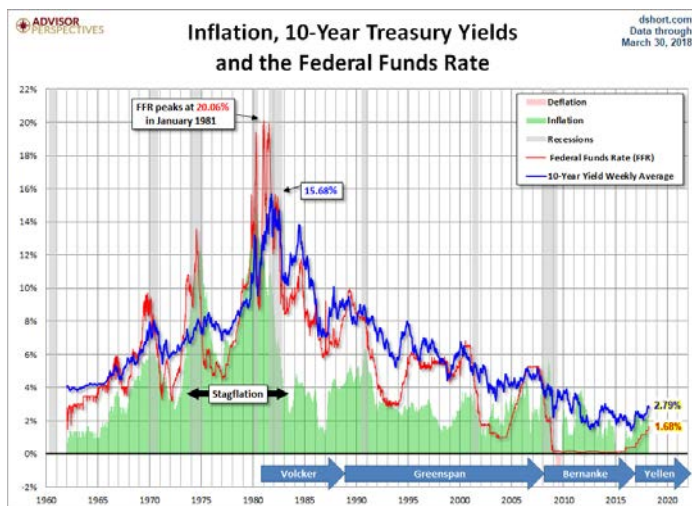


Source: Federal Open Market Committee



Source: Advisor Perspectives⁷

On examining the long-term history of the relationship between short and long-term interest rates between recessions we can make some conclusions. During the phase of economic expansion, the fed-funds rate is raised which raises the short-term rates and eventually, the difference between short and long-term rates narrow to the point of yield inversion which is followed by a recession. We believe there is a strong possibility of history repeating itself as we see a similar trend unfolding with the gap between long and short-term rates narrowing gradually as the fed funds rates are raised. We expect the 10 and 30-year treasury yields to rise only marginally over the next three years to around 3.5-4.0% range.



Source: Advisor Perspectives

Corporate borrowing tends to be in the 7 to 30-year range and hence they are more influenced by long-term treasury rates. Hence, we expect average cost of debt to go up slightly for all firms in the next few years. This will go against Aqua America as it is a very high leverage business and the rising rates will definitely squeeze their margins.

INVESTMENT POSITIVES

- Aqua America leads in profitability over its peers even though it doesn't seem like a sustainable advantage
- There is significant growth potential in the industry and it is a business model with stable revenues and good dividend yield

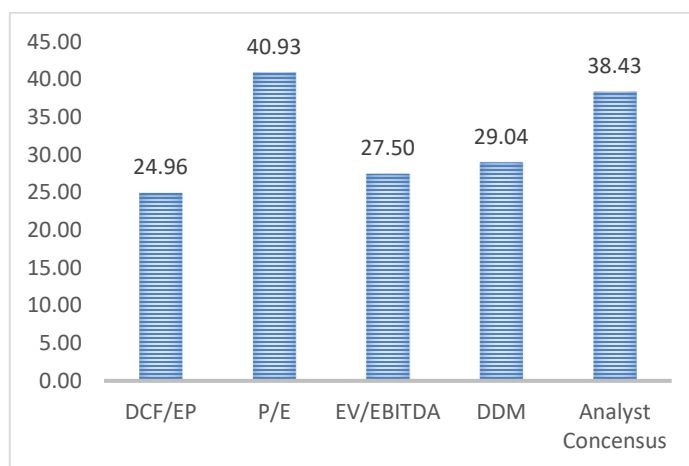
INVESTMENT NEGATIVES

- Growing capex funded by additional debt will further increase the already inflated leverage ratio
- ROIC will continue to decline and the increased debt will squeeze margins as the interest rates keep rising
- Increasing inflation will limit revenues due to regulatory lags between subsequent rate agreements

VALUATION

DCF-EP, DDM, relative P/E, and EV/EBITDA analysis have been used to value Aqua America (WTR)

WTR currently trades at a market price of \$32.53, and our models (as of 10/31/2018) produced an intrinsic value in the range of \$24.96 to \$40.93. We favor our rigorous DCF-EP model which gives a price of \$24.96. All models except relative P/E also indicate a target price below current price. We do not strongly regard our relative P/E valuation as the company has only two peers of comparable size that are publicly traded. The DCF-EP model indicates a 23% downside over the current stock price and hence we place a SELL recommendation.



Source: Henry Fund Estimates and Factset

Income Statement: We forecasted our revenue based on our estimates for customer growth and ARPU. We forecasted expenses like COGS, SG&A, and other operating costs as % of sales consistent with historical averages. D&A expense was forecasted similarly but as % of PPE, following the historical trend. We forecasted interest expenses according to the debt level on the balance sheet, using the beginning of the period debt level and multiplying it by the cost of debt. We assumed a low marginal tax rate of 6.6% to account for the significant tax decrease related to an income tax accounting change for qualifying utility asset improvement. We took a direct average of historical values to forecast the income attributable to equity in earnings of affiliates because these values have been typically negligible and haven't changed much in past years.

Balance Sheet: We forecasted Accounts Receivable, Inventories, Accounts Payable, and other current assets and liabilities as % of sales consistent with the respective historical averages. We increased PPE according to our capex forecast which is based on the management's guidance for growth in production levels. We paid off long term debt as per the repayment schedule and our payout policy forecast was according to the dividend amount

prescribed by the management. We used cash as our plug item to balance the assets and liabilities + equity. We assumed a constant goodwill as we do not forecast any acquisitions. Other items were forecasted based on historical trends either as % of sales/assets or in a range-bound fashion according to how they have behaved in the past.

Market Risk Premium: The Henry Fund consensus is 4.8%.

Beta: We used a Beta of 0.56, calculated with the help of Factset. This was the value computed from regression of WTR's weekly returns on market's (S&P 500) weekly returns over the most recent 5-year period.

CV Growth: We estimate long-term nominal growth rate of US GDP to be around 3.00%. We conservatively set Aqua America's CV NOPLAT growth rate at 3.00% because we expect it to grow on par with the overall economy beyond our forecast.

Relative Valuation: Two different multiples were used in Relative valuation model: P/E and EV/EBITDA. As per P/E model the company's stock is underpriced but that is skewed because of the high EPS which is not sustainable. Also, relative valuation is not credible in this case considering only two comparable peers that are publicly traded.

KEYS TO MONITOR

GDP growth and Inflation: They play a key role in deciding the continuing value for the valuation and revenue growth respectively.

Revenue and Profit Margins: We expect the revenues growth to not cross 3% and profit margins to decline.

Interest rates: We expect the interest rates to keep rising, on the shorter end due to monetary policy and on the longer end due to economic growth.

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WTR - Revenue Decomposition
(In thousands of \$)

	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Residential water	477,773.00	484,901.00	483,865.00	499,012.67	513,675.78	530,782.26	547,413.81	564,570.51
Growth rate (%)	3.86%	1.49%	-0.21%	3.13%	2.94%	3.33%	3.13%	3.13%
Residential Customers	791404	801190	807872	828069	852911	882763	909246	938038
Customer Growth Rate (%)	1.51%	1.24%	0.83%	2.50%	3.00%	3.50%	3.00%	3.17%
Residential ARPU	0.60	0.61	0.60	0.60	0.60	0.60	0.60	0.60
Commercial water	126,677.00	131,170.00	130,373.00	134,284.19	136,969.87	138,975.29	141,969.81	144,628.83
Growth rate (%)	3.16%	3.55%	-0.61%	3.00%	2.00%	1.46%	2.15%	1.87%
Commercial Customers	40151	40582	40956	41775	42331	42932	43611	44241
Customer Growth Rate (%)	1.36%	1.07%	0.92%	2.00%	1.33%	1.42%	1.58%	1.44%
Commercial ARPU	3.16	3.23	3.18	3.19	3.20	3.19	3.19	3.20
Industrial water	28,021.00	27,916.00	27,880.00	28,437.60	29,290.73	29,766.32	30,423.52	31,116.33
Growth rate (%)	2.38%	-0.37%	-0.13%	2.00%	3.00%	1.62%	2.21%	2.28%
Industrial Customers	1353	1349	1338	1351	1378	1388	1406	1424
Customer Growth Rate (%)	-0.29%	-0.30%	-0.82%	1.00%	2.00%	0.73%	1.24%	1.32%
Industrial ARPU	20.71	20.69	20.84	20.75	20.76	20.78	20.76	20.77
Other water	56,997.00	62,983.00	65,324.00	67,513.30	71,467.47	74,546.57	77,905.32	81,715.12
Growth rate (%)	-4.16%	10.50%	3.72%	3.35%	5.86%	4.31%	4.51%	4.89%
Other Customers	17420	19036	19430	20168	21186	21957	22870	23850
Customer Growth Rate (%)	0.05%	9.28%	2.07%	3.80%	5.05%	3.64%	4.16%	4.28%
Other ARPU	3.27	3.31	3.36	3.31	3.33	3.33	3.33	3.33
Wastewater	79,399.00	82,780.00	87,560.00	91,605.31	96,079.50	100,972.70	105,885.73	111,124.53
Growth rate (%)	3.83%	4.26%	5.77%	4.62%	4.88%	5.09%	4.87%	4.95%
Wastewater Customers	107538	110108	113253	117255	120687	124435	128403	132350
Customer Growth Rate (%)	5.36%	2.39%	2.86%	3.53%	2.93%	3.11%	3.19%	3.07%
Wastewater ARPU	0.74	0.75	0.77	0.75	0.76	0.76	0.76	0.76
Other utility	10,746.00	10,357.00	9,903.00	10,002.03	10,102.05	10,021.79	10,062.06	10,082.43
Growth rate (%)	8.17%	-3.62%	-4.38%	1.00%	1.00%	-0.79%	0.40%	0.20%
Regulated segment total	779,613.00	800,107.00	804,905.00	830,855.10	857,585.40	885,064.93	913,660.26	943,237.73
Other and eliminations	34,591.00	19,768.00	4,620.00	4,712.40	4,806.65	4,902.78	5,000.84	5,100.85
Growth rate (%)	45.06%	-42.85%	-76.63%	2.00%	2.00%	2.00%	2.00%	2.00%
Consolidated operating revenues	814,204.00	819,875.00	809,525.00	835,567.50	862,392.05	889,967.71	918,661.10	948,338.58
Growth rate (%)	4.40%	0.70%	-1.26%	3.22%	3.21%	3.20%	3.22%	3.23%

WTR - Income Statement as of Dec 31
(in millions of \$, except per share values)

	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Operating Revenue	814.20	819.88	809.53	835.57	862.39	889.97	918.66	948.34
Operating Expenses:								
COGS	-309.31	-304.90	-287.21	-294.77	-302.51	-310.41	-318.58	-326.97
Other Operating Expenses	-55.06	-56.39	-56.63	-57.47	-59.65	-61.68	-63.46	-65.61
EBITDA	449.84	458.59	465.69	483.32	500.23	517.89	536.62	555.76
Depreciation & Amortization Expense	-128.74	-133.01	-136.72	-143.16	-149.29	-155.13	-160.65	-165.87
EBIT (Operating Income)	321.10	325.59	328.97	340.17	350.94	362.76	375.97	389.88
Interest Expense	-75.21	-78.56	-84.97	-96.25	-110.78	-120.25	-132.14	-144.56
Non-operating Interest Income	0.27	0.22	0.20	0.25	0.24	0.23	0.23	0.24
Equity in Earnings of Affiliates	-35.18	0.98	0.33	0.65	0.49	0.57	0.53	0.55
Other Income (Expense)	4.41	6.94	12.12	6.78	7.56	8.35	8.70	7.85
Pretax Income	215.40	255.16	256.65	251.59	248.45	251.66	253.29	253.96
Income Tax Expense/Benefit	-14.96	-20.98	-16.91	-16.61	-16.40	-16.61	-16.72	-16.76
Consolidated Net Income	200.43	234.18	239.74	234.99	232.05	235.05	236.57	237.20
Income from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income available to Common Shareholders	200.43	234.18	239.74	234.99	232.05	235.05	236.57	237.20
Per Share:								
EPS	1.14	1.32	1.35	1.32	1.30	1.31	1.32	1.32
EPS Growth	-14.0%	16.3%	2.2%	-2.3%	-1.5%	1.0%	0.4%	0.0%
Common Shares Outstanding	176.54	177.39	177.71	178.21	178.71	179.21	179.71	180.21
Dividends per Share	0.69	0.74	0.79	0.85	0.91	0.97	1.04	1.11
Payout Ratio	60.4%	55.9%	58.7%	64.3%	69.8%	74.0%	78.9%	84.4%

WTR - Common Size Income Statement

	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Operating Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses:									
COGS	-37.00%	-37.99%	-37.19%	-35.48%	-35.28%	-35.08%	-34.88%	-34.68%	-34.48%
Other Operating Expenses	-6.47%	-6.76%	-6.88%	-7.00%	-6.88%	-6.92%	-6.93%	-6.91%	-6.92%
EBITDA	56.53%	55.25%	55.93%	57.53%	57.84%	58.00%	58.19%	58.41%	58.60%
Depreciation & Amortization Expense	-16.22%	-15.81%	-16.22%	-16.89%	-17.13%	-17.31%	-17.43%	-17.49%	-17.49%
EBIT (Operating Income)	40.31%	39.44%	39.71%	40.64%	40.71%	40.69%	40.76%	40.93%	41.11%
Interest Expense	-9.64%	-9.24%	-9.58%	-10.50%	-11.52%	-12.85%	-13.51%	-14.38%	-15.24%
% of Debt	0.00%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	0.00%	0.00%
Non-operating Interest Income	0.04%	0.03%	0.03%	0.02%	0.03%	0.03%	0.03%	0.02%	0.02%
Equity in Earnings of Affiliates	-0.51%	-4.32%	0.12%	0.04%	0.08%	0.06%	0.06%	0.06%	0.06%
Other Income (Expense)	0.47%	0.54%	0.85%	1.50%	0.81%	0.88%	0.94%	0.95%	0.83%
Pretax Income	30.66%	26.45%	31.12%	31.70%	30.11%	28.81%	28.28%	27.57%	26.78%
Income Tax Expense/Benefit	-3.23%	-1.84%	-2.56%	-2.09%	-1.99%	-1.90%	-1.87%	-1.82%	-1.77%
Consolidated Net Income	27.42%	24.62%	28.56%	29.61%	28.12%	26.91%	26.41%	25.75%	25.01%
Income from discontinued operations	2.48%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Income available to Common Shareholders	29.91%	24.62%	28.56%	29.61%	28.12%	26.91%	26.41%	25.75%	25.01%

WTR - Balance Sheet
(in millions of \$)

	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Revenues	814.20	819.88	809.53	835.57	862.39	889.97	918.66	948.34
Assets:								
Cash and Cash Equivalents	3.23	3.76	4.20	77.43	74.69	137.78	198.58	266.61
Accounts Receivables Net.	99.15	97.39	98.60	100.92	103.88	107.70	110.93	114.50
Inventories	12.41	12.96	14.36	15.04	15.52	15.94	16.51	17.03
Other current assets	13.58	14.53	14.09	14.43	15.06	15.46	15.96	16.50
Total Current Assets	128.37	128.65	131.25	207.83	209.15	276.89	341.97	414.66
Net Property, Plant & Equipment	4,688.93	5,001.62	5,399.86	5,739.57	6,077.98	6,415.43	6,752.28	7,088.88
Investments and advances	7.72	7.03	6.67	6.32	5.96	5.61	5.25	4.90
Goodwill	33.87	42.21	42.23	42.23	42.23	42.23	42.23	42.23
Deferred Tax Assets	0.00	149.43	115.55	200.00	200.00	200.00	200.00	200.00
Other Assets	882.16	979.49	752.46	835.57	862.39	889.97	918.66	948.34
Total Assets	5,741.04	6,308.43	6,448.01	7,031.51	7,397.72	7,830.13	8,260.39	8,699.00
Liabilities & Shareholders' Equity:								
Accounts Payable	56.45	59.87	59.17	60.01	61.93	63.91	65.97	68.11
Short-term debt	52.31	157.21	139.05	137.68	136.32	134.95	133.58	132.22
Income taxes payable	0.00	0.00	23.76	7.92	10.56	14.08	10.86	11.83
Other current liabilities	84.43	84.46	62.51	62.67	64.68	66.75	68.90	71.13
Total Current Liabilities	193.20	301.54	284.49	268.28	273.49	279.69	279.31	283.28
Long-term debt	1743.61	1737.61	2007.75	2,353.23	2,552.75	2,822.79	3,106.05	3,402.66
Deferred tax liabilities	1118.92	1418.69	884.62	900.00	900.00	900.00	900.00	900.00
Other liabilities	959.37	1000.53	1313.53	1,372.50	1,433.81	1,497.45	1,564.10	1,633.60
Total Liabilities	4,015.11	4,458.36	4,490.39	4,894.00	5,160.05	5,499.93	5,849.46	6,219.54
Common stock and paid-in capital	863.27	887.67	897.49	939.89	969.73	1,000.67	1,030.89	1,061.73
Treasury stock, at cost	68.09	71.11	73.28	20.00	20.00	20.00	20.00	20.00
Other appropriated reserves	0.69	0.67	0.86	1.11	1.42	1.83	2.35	3.02
Retained earnings	930.06	1032.84	1132.56	1,216.52	1,286.52	1,347.69	1,397.70	1,434.71
Common Shareholder's Equity	1,725.93	1,850.07	1,957.62	2,137.52	2,237.67	2,330.19	2,410.93	2,479.46
Noncontrolling interests	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Equity	1,725.93	1,850.07	1,957.62	2,137.52	2,237.67	2,330.19	2,410.93	2,479.46
Total Liabilities & Shareholders' Equity	5,741.04	6,308.43	6,448.01	7,031.51	7,397.72	7,830.13	8,260.39	8,699.00

WTR - Common Size Balance Sheet

	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Assets:								
Cash and Cash Equivalents	0.40%	0.46%	0.52%	9.27%	8.66%	15.48%	21.62%	28.11%
Accounts Receivables Net. Of allowance for doubtful account:	12.18%	11.88%	12.18%	12.08%	12.05%	12.10%	12.08%	12.07%
Inventories	1.52%	1.58%	1.77%	1.80%	1.80%	1.79%	1.80%	1.80%
Other current assets	1.67%	1.77%	1.74%	1.73%	1.75%	1.74%	1.74%	1.74%
Total Current Assets	15.77%	15.69%	16.21%	24.87%	24.25%	31.11%	37.23%	43.72%
Property, Plant & Equipment	747.73%	793.92%	865.20%	896.02%	924.70%	951.40%	975.84%	998.28%
Accumulated Depreciation	-171.83%	-183.87%	-198.16%	-209.11%	-219.92%	-230.54%	-240.82%	-250.78%
Net Property, Plant & Equipment	575.89%	610.05%	667.04%	686.91%	704.78%	720.86%	735.01%	747.51%
Investments and advances	0.95%	0.86%	0.82%	0.76%	0.69%	0.63%	0.57%	0.52%
Goodwill	4.16%	5.15%	5.22%	5.05%	4.90%	4.75%	4.60%	4.45%
Deferred Tax Assets	0.00%	18.23%	14.27%	23.94%	23.19%	22.47%	21.77%	21.09%
Other Assets	108.35%	119.47%	92.95%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Assets	705.11%	769.44%	796.52%	841.53%	857.81%	879.82%	899.18%	917.29%
Liabilities & Shareholders' Equity:								
Accounts Payable	6.93%	7.30%	7.31%	7.18%	7.18%	7.18%	7.18%	7.18%
Short-term debt	6.43%	19.17%	17.18%	16.48%	15.81%	15.16%	14.54%	13.94%
Income taxes payable	0.00%	0.00%	2.94%	0.95%	1.22%	1.58%	1.18%	1.25%
Other current liabilities	10.37%	10.30%	7.72%	7.50%	7.50%	7.50%	7.50%	7.50%
Total Current Liabilities	23.73%	36.78%	35.14%	32.11%	31.71%	31.43%	30.40%	29.87%
Long-term debt	214.15%	211.94%	248.02%	281.63%	296.01%	317.18%	338.11%	358.80%
Deferred tax liabilities	137.43%	173.04%	109.28%	107.71%	104.36%	101.13%	97.97%	94.90%
Other liabilities	117.83%	122.03%	162.26%	164.26%	166.26%	168.26%	170.26%	172.26%
Total Liabilities	493.13%	543.78%	554.69%	585.71%	598.34%	617.99%	636.74%	655.84%
Common stock and paid-in capital	106.03%	108.27%	110.87%	112.49%	112.45%	112.44%	112.22%	111.96%
Common stock	11.01%	11.00%	11.16%	10.81%	10.48%	10.15%	9.83%	9.53%
Additional paid-in capital	95.01%	97.27%	99.70%	96.60%	93.59%	90.69%	87.86%	85.11%
Treasury stock, at cost	8.36%	8.67%	9.05%	2.39%	2.32%	2.25%	2.18%	2.11%
Other appropriated reserves	0.08%	0.08%	0.11%	0.13%	0.16%	0.21%	0.26%	0.32%
Retained earnings	114.23%	125.98%	139.90%	145.59%	149.18%	151.43%	152.14%	151.29%
Common Shareholder's Equity	211.98%	225.65%	241.82%	255.82%	259.47%	261.83%	262.44%	261.45%
Noncontrolling interests	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Equity	211.98%	225.65%	241.82%	255.82%	259.47%	261.83%	262.44%	261.45%
Total Liabilities & Shareholders' Equity	705.11%	769.44%	796.52%	841.53%	857.81%	879.82%	899.18%	917.29%

WTR - Historical Cash Flow Statement
(in millions of \$)

	2014	2015	2016	2017
Operating Activities				
Net Income / Starting Line	233.2	201.8	234.2	239.7
Depreciation, Depletion & Amortization	126.5	128.7	133.0	136.7
Deferred Taxes & Investment Tax Credit	31.5	16.5	17.3	13.8
Other Funds	-7.8	45.7	8.8	11.3
Funds from Operations	383.5	392.7	393.2	401.5
Changes in Working Capital	-19.7	-21.9	2.6	-20.2
Net Operating Cash Flow	363.8	370.8	395.8	381.3
Investing Activities				
Capital Expenditures	-328.6	-364.7	-392.4	-478.1
Net Assets from Acquisitions	-14.6	-28.3	0.0	-4.5
Sale of Fixed Assets & Businesses	0.6 --		7.7 --	
Other Funds	50.2	-1.0	1.5	2.2
Net Investing Cash Flow	-292.5	-394.1	-383.2	-480.4
Financing Activities				
Cash Dividends Paid	-112.11	-121.25	-130.92	-140.66
Change in Capital Stock	-8.46	-17.03	2.62	2.16
Issuance/Reduction of Debt, Net	45.84	157.72	112.24	238.08
Other Funds	2.52	2.92	4.02	-0.08
Net Financing Cash Flow	-72.21	22.36	-12.05	99.51
Net Change in Cash	-0.92	-0.91	0.53	0.44

WTR - Forecasted Cash Flow Statement
(in millions of \$)

	2018E	2019E	2020E	2021E	2022E
Operating Activities:					
Net Income / Starting Line	234.99	232.05	235.05	236.57	237.20
D&A expense	143.16	149.29	155.13	160.65	165.87
Change in Net Deferred Tax Liabilities	-69.07	0.00	0.00	0.00	0.00
Change in operating assets and liabilities:					
Change in Accounts Receivable	-2.33	-2.96	-3.82	-3.23	-3.57
Change in Inventories	-0.68	-0.48	-0.42	-0.57	-0.52
Change in Other Current Assets	-0.34	-0.63	-0.40	-0.49	-0.55
Change in Accounts and Taxes Payable	-15.00	4.57	5.50	-1.17	3.11
Change in Other Current Liabilities	0.16	2.01	2.07	2.15	2.23
Net Operating Cash Flow	366.65	391.99	402.39	402.50	413.05
Investing Activities:					
Capital expenditures	-482.87	-487.70	-492.58	-497.50	-502.48
Change in Investments and Advances	0.36	0.36	0.36	0.36	0.36
Change in other current liabilities	0.16	2.01	2.07	2.15	2.23
Change in Other LT Assets	-83.11	-26.82	-27.58	-28.69	-29.68
Net Investing Cash Flow	-565.47	-512.16	-517.73	-523.69	-529.57
Financing Activities					
Change in long-term debt	344.11	198.16	268.67	281.89	295.25
Change in other LT liabilities	58.97	61.31	63.65	66.65	69.50
Shares Issued/Repurchased	20.00	20.00	20.00	20.00	20.00
Dividends paid	-151.03	-162.05	-173.88	-186.57	-200.19
Net Financing Cash Flow	272.05	117.42	178.44	181.97	184.56
Net change in cash and cash equivalents	73.23	-2.74	63.10	60.79	68.04
Cash at the beginning of the period	4.20	77.43	74.69	137.78	198.58
Cash at the end of the period	77.43	74.69	137.78	198.58	266.61

WTR

WACC Calculations:

Risk Free Rate:	3.32%
Beta:	0.56
ERP:	4.80%
Cost of Equity	6.01%
Pre-tax cost of debt	4.24%
Marginal tax rate	6.60%
Cost of Debt	3.96%
Shares Outstanding	177.71
Current Price:	\$32.53
Market Value of Equity	5781.03
Short Term Debt	139.05
Long Term Debt	2007.75
PV of Operating Leases	14.28
Total Debt + PV of Operating Leases	2161.08
Total Value of Firm	7942.12
WACC	5.45%

WTR - Value Drivers (in millions of \$)	WACC	5.45%	Cost of Debt	4.24%	Tax Rate	6.60%		
	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Revenue	814.20	819.88	809.53	835.57	862.39	889.97	918.66	948.34
(-) COGS Purchased products	-309.31	-304.90	-287.21	-294.77	-302.51	-310.41	-318.58	-326.97
(-) Depreciation & Non Goodwill Amortization Expense	-128.74	-133.01	-136.72	-143.16	-149.29	-155.13	-160.65	-165.87
(-) Other Operating Expenses	-55.06	-56.39	-56.63	-57.47	-59.65	-61.68	-63.46	-65.61
(+)Interest on Operating Leases			1.55	0.61	0.64	0.68	0.72	0.76
EBITA	321.10	325.59	330.51	340.77	351.58	363.44	376.69	390.64
Less Adjusted Taxes								
Income Tax Provision	-14.96	-20.98	-16.91	-16.61	-16.40	-16.61	-16.72	-16.76
(-)Tax on Non-Operating Income	-0.31	-0.47	-0.81	-0.46	-0.51	-0.57	-0.59	-0.53
(+)Tax Shield on Interest expense	4.96	5.18	5.61	6.35	7.31	7.94	8.72	9.54
(+)Tax Shield on Interest on Operating Leases			0.10	0.04	0.04	0.04	0.05	0.05
Adjusted Taxes	-10.31	-16.27	-12.02	-10.68	-9.56	-9.19	-8.54	-7.70
Change in net DTL	118.13	150.33	-500.18	-69.07	0.00	0.00	0.00	0.00
NOPLAT	428.92	459.65	-181.68	261.02	342.02	354.25	368.15	382.94
NOPLAT Growth	-	7%	-140%	-	31%	4%	4%	4%
Cash	3.23	3.76	4.20	77.43	74.69	137.78	198.58	266.61
Excess Cash (Cash less 2% Sales, >= 0)	0.00	0.00	0.00	60.72	57.44	119.99	180.20	247.65
Normal Cash	3.23	3.76	4.20	16.71	17.25	17.80	18.37	18.97
Accounts Receivable	99.15	97.39	98.60	100.92	103.88	107.70	110.93	114.50
Inventories	12.41	12.96	14.36	15.04	15.52	15.94	16.51	17.03
Other Current Assets	13.58	14.53	14.09	14.43	15.06	15.46	15.96	16.50
Operating CA	128.37	128.65	131.25	147.10	151.71	156.90	161.77	167.01
Accounts Payable	56.45	59.87	59.17	60.01	61.93	63.91	65.97	68.11
Income Tax Payable	0.00	0.00	23.76	7.92	10.56	14.08	10.86	11.83
Other Current Liabilities	84.43	84.46	62.51	62.67	64.68	66.75	68.90	71.13
Operating CL	140.89	144.33	145.44	130.60	137.17	144.74	145.73	151.06
Operating WC	-12.52	-15.68	-14.19	16.51	14.54	12.16	16.04	15.94
Net PPE*	4,688.93	5,001.62	5,399.86	5,739.57	6,077.98	6,415.43	6,752.28	7,088.88
PV of Operating Leases		36.45	14.28	15.18	16.08	16.97	17.86	18.75
Other Assets	882.16	979.49	752.46	835.57	862.39	889.97	918.66	948.34
Other LT Operating Assets	882.16	1,015.94	766.74	850.75	878.47	906.94	936.52	967.09
Other long-tern liabilities	959.37	1,000.53	1,313.53	1,372.50	1,433.81	1,497.45	1,564.10	1,633.60
Other LT Operating Liabilities	959.37	1,000.53	1,313.53	1,372.50	1,433.81	1,497.45	1,564.10	1,633.60
Invested Capital	4,599.20	5,001.35	4,838.88	5,234.34	5,537.19	5,837.08	6,140.74	6,438.32
Beginning Invested Capital		4,599.20	5,001.35	4,838.88	5,234.34	5,537.19	5,837.08	6,140.74
NOPLAT	428.92	459.65	-181.68	261.02	342.02	354.25	368.15	382.94
ROIC		9.99%	-3.63%	5.39%	6.53%	6.40%	6.31%	6.24%
Change in Invested Capital		402.15	-162.47	395.46	302.85	299.89	303.66	297.58
NOPLAT	428.92	459.65	-181.68	261.02	342.02	354.25	368.15	382.94
FCF	428.92	57.50	-19.22	-134.44	39.18	54.35	64.49	85.36
Beginning Invested Capital		4,599.20	5,001.35	4,838.88	5,234.34	5,537.19	5,837.08	6,140.74
ROIC		9.99%	-3.63%	5.39%	6.53%	6.40%	6.31%	6.24%
EP	0.00	208.96	-454.30	-2.73	56.71	52.43	49.98	48.22

WTR*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth	3.00%
CV ROIC	6.13%
WACC	5.45%

<i>Fiscal Years Ending Dec. 31</i>	2018E	2019E	2020E	2021E	2022E
	1	2	3	4	5
DCF Model					
NOPLAT	261.02	342.02	354.25	368.15	382.94
Beginning Invested Capital	4838.88	5234.34	5537.19	5837.08	6140.74
Ending Invested Capital	5234.34	5537.19	5837.08	6140.74	6438.32
Change in Invested Capital	395.46	302.85	299.89	303.66	297.58
ROIC	5.4%	6.5%	6.4%	6.3%	6.2%
Free Cash Flows	-134.44	39.18	54.35	64.49	85.36
CV					8212.77
PV of Cash Flows	-127.49	35.23	46.35	52.15	6364.02
Value of Operating Assets	6370.27				
Excess Cash	0.00				
Short Term Investments	98.60				
Noncontrolling interests	0.00				
Long Term Investments	6.67				
Value of Non-Operating Assets	105.27				
Total Debt + PV of Operating Leases	2161.08				
Value of Equity	4314.45				
Shares Outstanding	177.71				
Intrinsic Value per share	\$24.28				
Value Adjusted for Partial Year	\$24.96				
EP Model					
Beginning Invested Capital	4839	5234	5537	5837	6141
ROIC	5%	7%	6%	6%	6%
Economic Profit	-3	57	52	50	48
CV					1774
PV of Economic Profit	-3	51	45	40	1398
PV of Economic Profit	1531				
Beginning Invested Capital	4839				
Value of Operating Assets	6370				
Excess Cash	0				
Short Term Investments	99				
Long Term Investments	7				
Noncontrolling interests	0				
Value of Non-Operating Assets	105				
Total Debt + PV of Operating Leases	2161				
Value of Equity	4314				
Shares Outstanding	178				
Intrinsic Value per share	\$24.28				
Value Adjusted for Partial Year	\$24.96				
Up/Downside	-23.26%				

WTR*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

<i>Fiscal Years Ending Dec. 31</i>	2018E	2019E	2020E	2021E	2022E
EPS	\$ 1.32	\$ 1.30	\$ 1.31	\$ 1.32	\$ 1.32
Key Assumptions					
CV growth	3.00%				
CV ROE	9.84%				
Cost of Equity	6.01%				
Future Cash Flows:	1	2	3	4	5
P/E Multiple (CV Year)					23.11
EPS (CV Year)					1.32
Future Stock Price					30.41
Dividends Per Share	\$ 0.85	\$ 0.91	\$ 0.97	\$ 1.04	\$ 1.11
Discounted Cash Flows	\$ 0.80	\$ 0.81	\$ 0.81	\$ 0.82	\$ 24.96
Intrinsic Value	\$ 28.21				
Value Adjusted for Partial Year	\$ 29.00				

WTR*Relative Valuation Models*

Ticker	Company	Price	EPS		P/E		EV/EBITDA	
			2018E	2019E	'18	'19	2018E	2019E
AWK-US	American Water	89.04	3.29	3.56	27.08	25.00	14.43	13.60
AWR-US	American States Water	60.29	1.72	1.89	35.00	31.83	15.90	15.23
Average*					31.04	28.41	15.16	14.41
WTR-US	Aqua America	37.04	1.32	1.30	26.45x	24.83x	17.82x	17.12x

Implied Value:

Relative P/E (EPS18)	\$ 40.93
Relative P/E (EPS19)	\$ 36.89
Relative EV/EBITDA '18	\$ 27.50
Relative EV/EBITDA '19	\$ 25.63

WTR

Present Value of Operating Lease Obligations (2017)

Year	Operating Leases
2018	2.469
2019	2.017
2020	1.771
2021	1.633
2022	1.434
Thereafter	6.873
Total Minimum Payments	16.197
Less: Interest	2
PV of Minimum Payments	14.283

Capitalization of Operating Leases

Pre-Tax Cost of Debt	4.24%
Number Years Implied by Year 6 Payment	4.8

Year	Lease Commitment	PV Lease Payment
1	2.469	2.5
2	2.017	2.0
3	1.771	1.8
4	1.633	1.6
5	1.434	1.4
6 & beyond	1.434	5.0
PV of Minimum Payments		14.28

WTR

Present Value of Operating Lease Obligations (2016)

Year	Operating Leases
2017	23.275
2018	2.063
2019	1.890
2020	1.850
2021	1.658
Thereafter	7.914
Total Minimum Payments	38.65
Less: Interest	2
PV of Minimum Payments	36.449

Capitalization of Operating Leases

Pre-Tax Cost of Debt	4.24%
Number Years Implied by Year 6 Payment	4.8

Year	Lease Commitment	PV Lease Payment
1	23.275	23.3
2	2.063	2.1
3	1.89	1.9
4	1.85	1.9
5	1.658	1.7
6 & beyond	1.658	5.7
PV of Minimum Payments		36.45

WTR*Key Management Ratios*

<i>Fiscal Years Ending Dec. 31</i>	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Liquidity Ratios								
Current Ratio (Current Assets/Current Liabilities)	0.66	0.43	0.46	0.77	0.76	0.99	1.22	1.46
Op. Cash Flow Ratio (Operating CF/Current Liabilities)	1.92	1.31	1.34	1.37	1.43	1.44	1.44	1.46
Quick Ratio (Cash&liquid assets/Current Liabilities)	0.02	0.01	0.01	0.29	0.27	0.49	0.71	0.94
Activity or Asset-Management Ratios								
Assets Turnover Ratio (Sales/Avg Total Assets)	0.14	0.14	0.13	0.12	0.12	0.12	0.11	0.11
Receivables Turnover Ratio (Sales/Avg Account Receivables)	8.30	8.34	8.26	8.38	8.42	8.41	8.40	8.41
Financial Leverage Ratios								
Debt-to Equity Ratio (Total Debt/Total Equity)	1.04	1.04	1.10	1.17	1.21	1.28	1.35	1.43
Equity Ratio (Total Equity/Total Assets)	0.30	0.29	0.30	0.30	0.30	0.30	0.29	0.29
Interest Coverage Ratio (EBIT/Interest Expense)	4.27	4.14	3.87	3.53	3.17	3.02	2.85	2.70
Profitability Ratios								
Return on Assets (Net Income/Total Assets)	3.49%	3.71%	3.72%	3.34%	3.14%	3.00%	2.86%	2.73%
Return on Equity (Net Income/Shareholders Equity)	11.61%	12.66%	12.25%	10.99%	10.37%	10.09%	9.81%	9.57%
Operating Margin (EBIT/Sales)	39.44%	39.71%	40.64%	40.71%	40.69%	40.76%	40.93%	41.11%
Profit Marging (Net Income/Sales)	24.62%	28.56%	29.61%	28.12%	26.91%	26.41%	25.75%	25.01%
Payout Policy Ratios								
Payout Ratio (Dividend Payout Ratio)	60.42%	55.95%	58.71%	64.27%	69.83%	73.97%	78.86%	84.39%

		Beta								
DCF/EP Price	24.96	0.70	0.80	0.90	1.00	0.56	1.10	1.20	1.30	1.40
	3.00%	33.44	28.71	24.82	21.56	42.07	18.79	16.41	14.33	12.51
	3.50%	28.01	23.67	20.12	17.17	36.01	14.66	12.51	10.65	9.01
	4.00%	23.67	19.67	16.41	13.70	31.11	11.42	9.46	7.77	6.29
	4.50%	20.12	16.41	13.39	10.90	27.07	8.80	7.00	5.45	4.10
ERP	4.80%	18.29	14.73	11.84	9.46	24.96	7.46	5.75	4.27	2.98
	5.00%	17.17	13.70	10.90	8.58	23.67	6.64	4.98	3.55	2.30
	5.50%	14.66	11.42	8.80	6.64	20.78	4.83	3.29	1.95	0.79
	6.00%	12.51	9.46	7.00	4.98	18.29	3.29	1.84	0.60	-0.49
	6.50%	10.65	7.77	5.45	3.55	16.11	1.95	0.60	-0.57	-1.59

		Cost of Debt								
DCF/EP Price	24.96	2.60%	2.70%	2.80%	2.90%	3.96%	3.10%	3.20%	3.30%	3.40%
	2.00%	72.77	70.67	68.66	66.75	50.76	63.17	61.49	59.89	58.35
	2.20%	62.68	61.02	59.44	57.92	44.91	55.05	53.70	52.40	51.15
	2.40%	54.66	53.33	52.04	50.81	40.01	48.46	47.35	46.28	45.24
	2.80%	42.74	41.82	40.93	40.06	32.28	38.40	37.61	36.84	36.10
Risk -Free	3.32%	32.22	31.60	31.00	30.41	24.96	29.27	28.72	28.19	27.67
	3.20%	34.29	33.62	32.96	32.32	26.45	31.09	30.50	29.92	29.36
	3.40%	30.93	30.34	29.77	29.21	24.03	28.13	27.61	27.11	26.61
	3.60%	28.00	27.48	26.97	26.48	21.89	25.53	25.07	24.62	24.18
	4.20%	21.06	20.70	20.34	19.99	16.65	19.31	18.97	18.65	18.33

		CV Growth								
DDM Price	29.00	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
	7.84%	22.91	23.46	24.16	25.05	26.23	27.89	30.38	34.51	42.74
	8.34%	23.07	23.74	24.57	25.63	27.05	29.03	32.01	36.95	46.81
	8.84%	23.22	23.98	24.93	26.15	27.77	30.05	33.46	39.12	50.41
	9.34%	23.35	24.19	25.25	26.61	28.42	30.96	34.75	41.06	53.63
CV ROE	9.84%	23.46	24.39	25.54	27.03	29.00	31.77	35.91	42.80	56.53
	10.34%	23.57	24.56	25.81	27.40	29.53	32.50	36.96	44.37	59.14
	10.84%	23.66	24.72	26.04	27.74	30.01	33.17	37.91	45.80	61.51
	11.34%	23.75	24.87	26.26	28.05	30.44	33.78	38.78	47.10	63.68
	11.84%	23.83	25.00	26.46	28.34	30.84	34.34	39.58	48.29	65.66

		CV Growth								
DCF/EP Price	24.96	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
	4.13%	17.74	16.31	14.40	11.78	8.01	2.20	-7.75	-28.40	-95.30
	4.63%	18.75	18.02	17.03	15.65	13.62	10.47	5.01	-6.38	-43.46
	5.13%	19.56	19.40	19.15	18.76	18.14	17.12	15.28	11.34	-1.73
	5.63%	20.23	20.54	20.89	21.32	21.86	22.59	23.73	25.91	32.58
CV ROIC	6.13%	20.79	21.49	22.35	23.46	24.96	27.17	30.80	38.10	61.29
	6.63%	21.26	22.29	23.59	25.28	27.60	31.06	36.80	48.45	85.66
	7.13%	21.67	22.99	24.65	26.84	29.87	34.40	41.96	57.35	106.62
	7.63%	22.02	23.59	25.58	28.20	31.84	37.30	46.44	65.08	124.83
	8.13%	22.34	24.12	26.39	29.39	33.57	39.85	50.37	71.86	140.80