



**MIDDLESEX  
WATER COMPANY**

# **Investor Presentation July 2019**

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# MANAGEMENT PRESENTERS



**Dennis W. Doll**  
Chairman, President & CEO

*14 years with MSEX,  
CEO since 2006*



**Bruce O'Connor**  
Senior VP, Treasurer & CFO

*29 years with MSEX,  
CFO since 1996*



**Bernadette M. Sohler**  
VP, Corporate Affairs  
*25 years with MSEX,  
VP, Corporate Affairs since 2007*

***Middlesex Water Company  
(NASDAQ:MSEX) provides a full  
range of regulated and non-  
regulated water, wastewater  
utility and related services  
primarily in New Jersey and  
Delaware.***

***The Company engages in  
collecting, treating and  
distributing water for domestic,  
commercial, municipal, industrial  
and fire protection purposes.***

# MSEX AT A GLANCE

- Founded in 1897
- Headquartered in Iselin, NJ
- ~330 employees
- Owner/operator of water utility and wastewater systems and contract operator of such systems on behalf of municipal and private clients
- ~158K customers served
- The Company generated \$138.1M of revenue in 2018
- Operates primarily in New Jersey (70% of 2018 revenues) and Delaware (30% of 2018 revenues)

## Key Market and Financial Statistics

\$ in millions, except percentage values

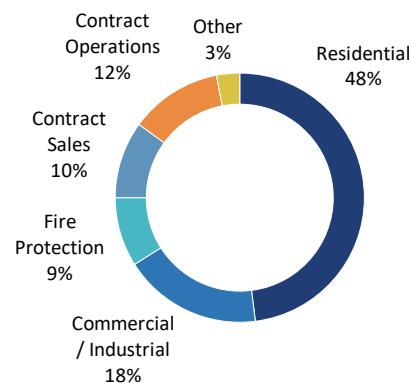
<b>\$138.1</b>	<b>\$1,021.9</b>	<b>1.7%</b>
<b>2018 Revenue <sup>(1)</sup></b>	<b>Market Cap <sup>(2)</sup></b>	<b>Dividend Yield <sup>(2)</sup></b>

## Diversified Services Portfolio



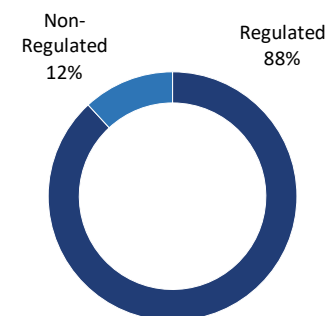
## Revenue by Service

% of FY 2018 revenue



## Revenue by Type

% of FY 2018 revenue



1) As of December 31, 2018.

2) As of July 8, 2019.

Sources: 2019 Annual Meeting of Shareholders Presentation, Company Filings, Capital IQ.

# STABLE NORTHEASTERN COVERAGE



## New Jersey 70% of 2018 Revenue

- **Middlesex System**
  - Approximately **61,300** retail customers
  - Population of served contract area: approximately **219,000**
- **Pinelands System**
  - Approximately **5,200** retail customers
  - Approximately **200** customers served under contract
- **Utility Service Affiliates – Perth Amboy**
  - Operates the City of Perth Amboy's facilities serving **24,000** customers
- **Utility Service Affiliates**
  - Primarily operates the Borough of Avalon's facilities serving **12,600** customers

## Delaware 30% of 2018 Revenue

- **Tidewater System**
  - Approximately **47,000** retail customers
  - Approximately **4,000** customers served under contract
- **TESI System**
  - Approximately **3,600** retail customers

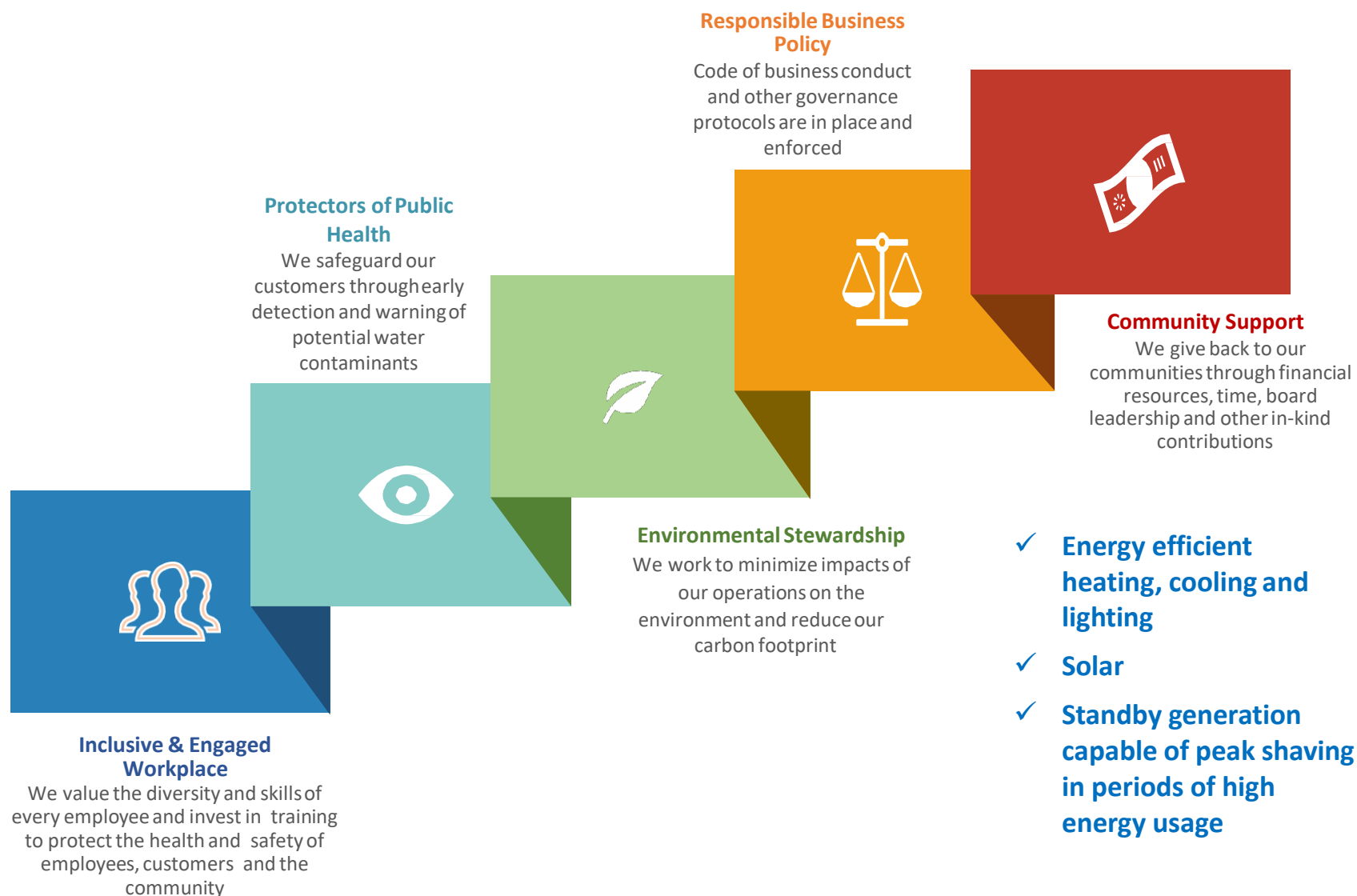
# MSEX OPPORTUNITY



## Performance Profile

- ✓ Objective Regulatory Environment
- ✓ Stable Residential Customer Base
- ✓ Strong Financial Profile
- ✓ Corporate Credit Rating “A” Stable
- ✓ Established Reputation for Technical and Operational Excellence
- ✓ 46 Years of Consecutive Dividend Increases
- ✓ Driving Shareholder Value through Investments in Regulated Utility Infrastructure

# ENVIRONMENTAL, SOCIAL & GOVERNANCE



# ATTRACTIVE OPPORTUNITIES FOR CONTINUED GROWTH & PROFITABILITY



1

## Invest in projects, products and services that complement core water and wastewater competencies

- “Water for Tomorrow” program aimed at modernizing existing facilities infrastructure
- Government subsidized sources of financing available for planned expenditures

2

## Recover infrastructure investments and other costs necessary in a timely and adequate manner to maintain and improve service quality

- Recent petitioning for rate relief has increased the Company’s cash generating ability
- Modernized infrastructure expected to yield cost savings into the future

3

## Execute municipal and industrial water and wastewater systems contracts

- Non-regulated contract arrangements offer an avenue for growth
- MSEX has unique experience executing these client engagements

4

## Acquire investor and municipally owned water and wastewater utilities targets

- MSEX has a history of successfully integrating new acquisitions
- 47 investor / municipally owned water utilities in target markets

5

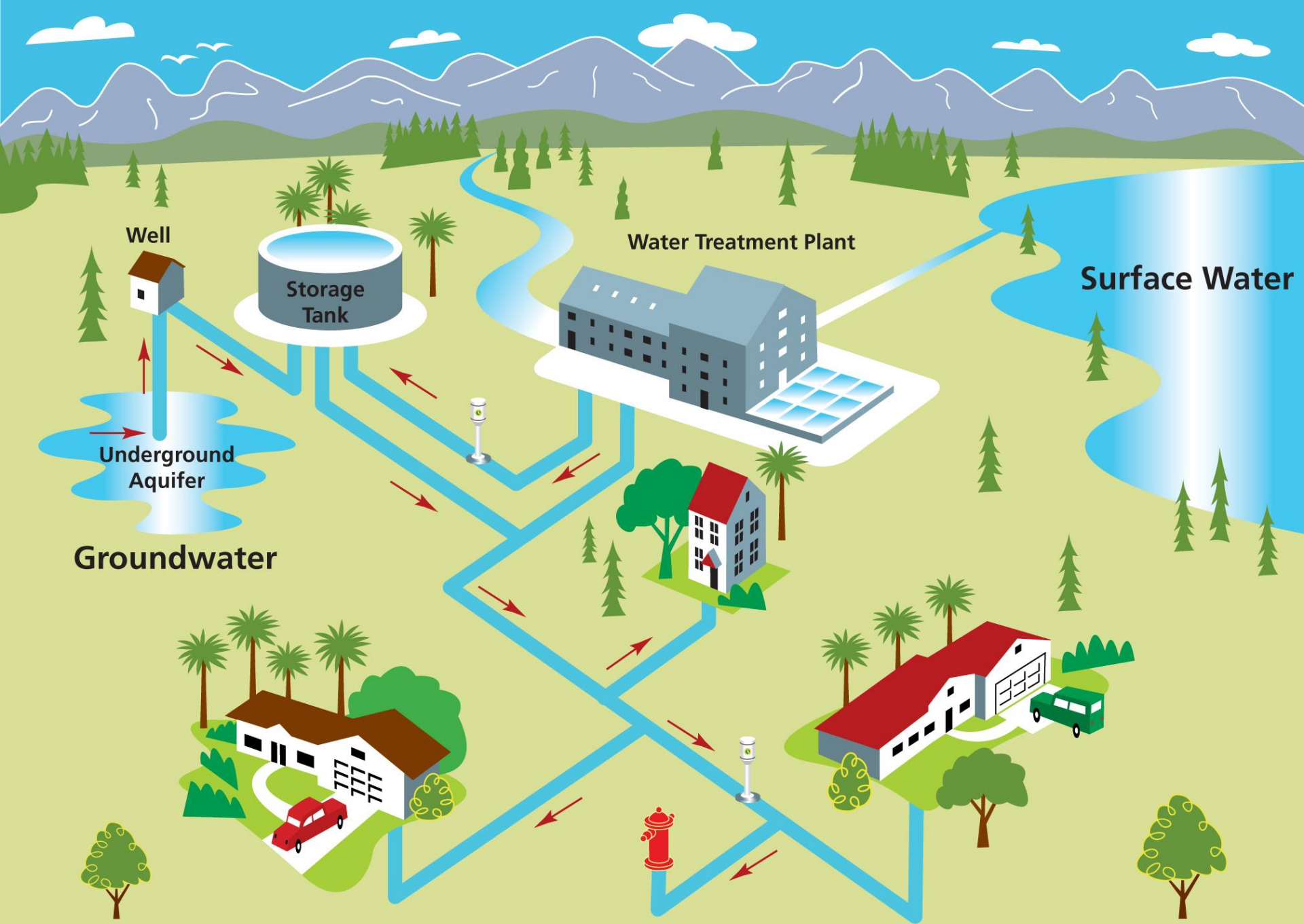
## Provide exceptional services, continuing commitment as a trusted brand

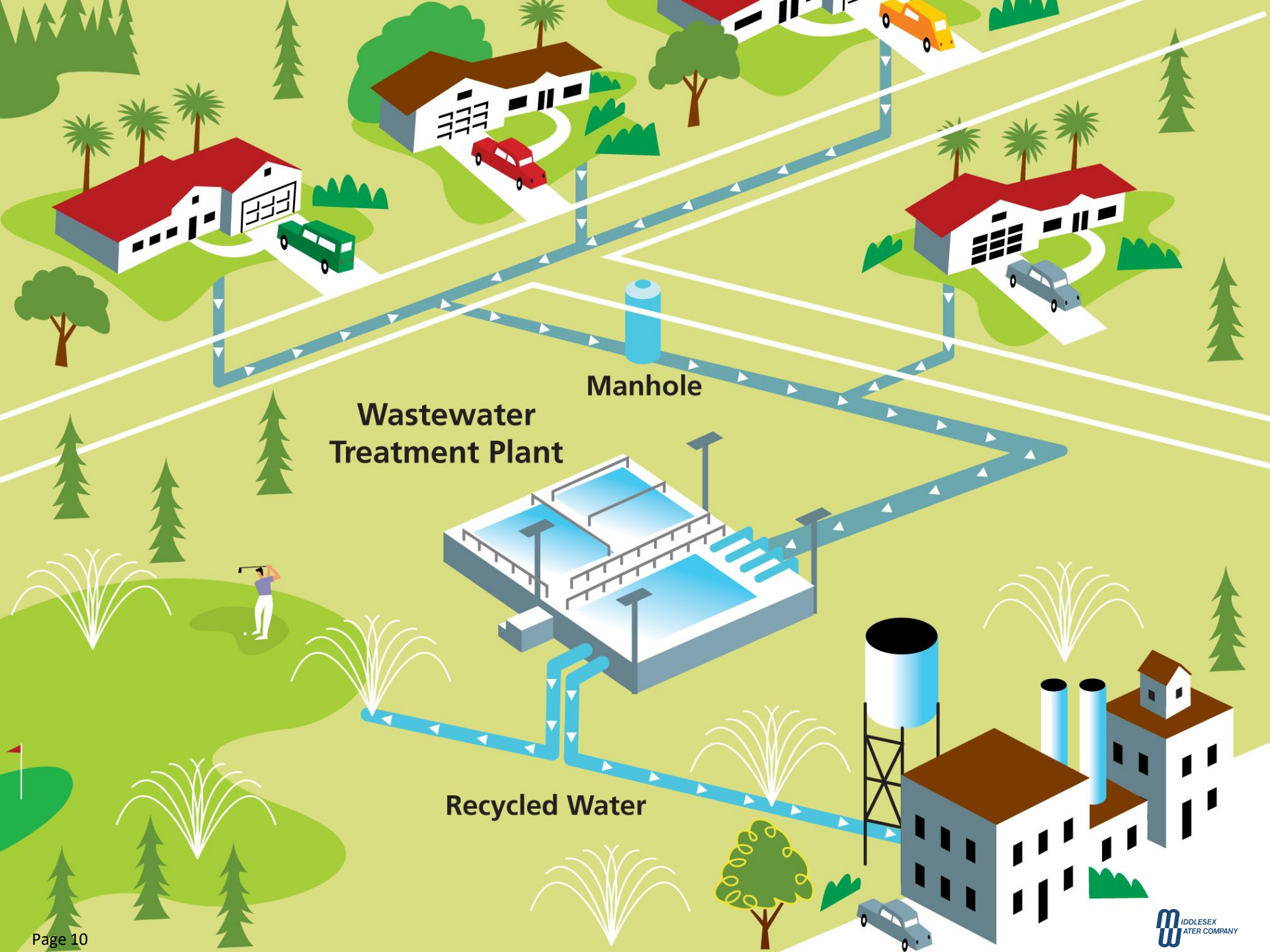
- Ability to provide quality and life-sustaining water service, wastewater and related utility services
- Thousands of individual homes and businesses depend on MSEX’s exceptional service



# The Water Utility Industry







# THE BUSINESS MODEL: A REGULATED WATER COMPANY

- Earn a return on invested capital
- Recover all other costs
- Add non-regulated income

*Revenue requirement = (Ratebase x Authorized Rate of Return) + Cost of Service*

## Earnings Drivers

- Capital investment – foundation for earnings growth business model
- Regulatory treatment
- Water sales
- Customer growth
- Non-regulated operations



**FINANCIAL HIGHLIGHTS**

# MSEX SUMMARY FINANCIAL PROFILE

## Q1 2019 Operating Revenues

**\$30.7M**

1.5%  
vs. Q1 2018

## Q1 2019 Net Income

**\$6.6M**

45.8%  
vs. Q1 2018

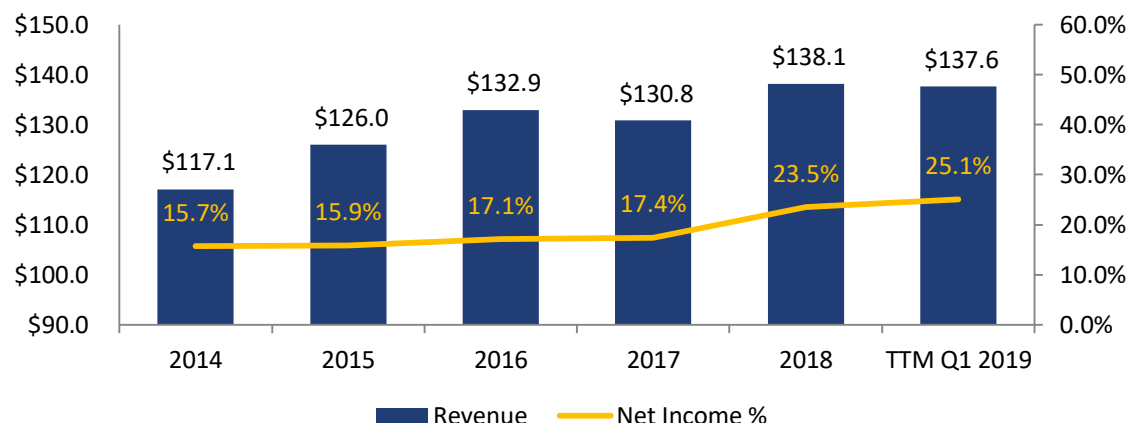
## Q1 2019 Earnings Per Share

**\$0.39**

44.4%  
vs. Q1 2018

## Financial History

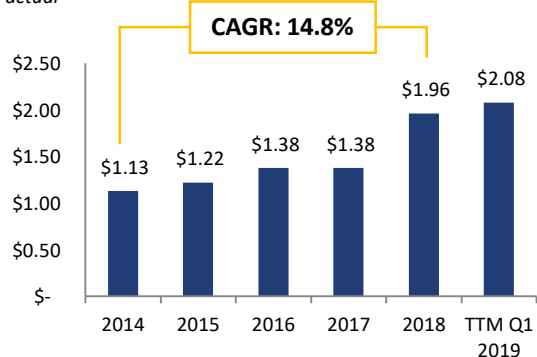
\$ in millions



## Key Earnings and Dividend Statistics

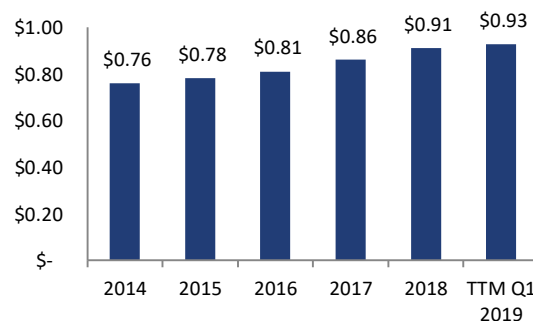
### Diluted Earnings Per Share

\$ actual



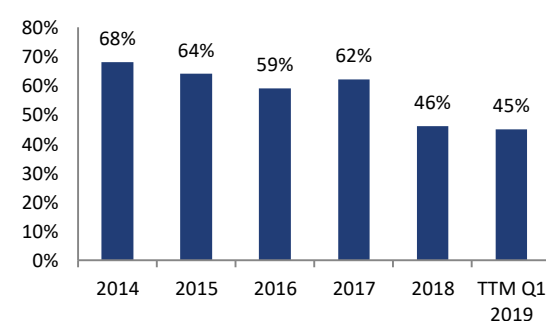
### Dividends Paid

\$ actual per share



### Dividend Payout Ratio

% of earnings per share



**46 Years of Consistent Dividend Increases**

# CAPITAL EXPENDITURES OUTLOOK

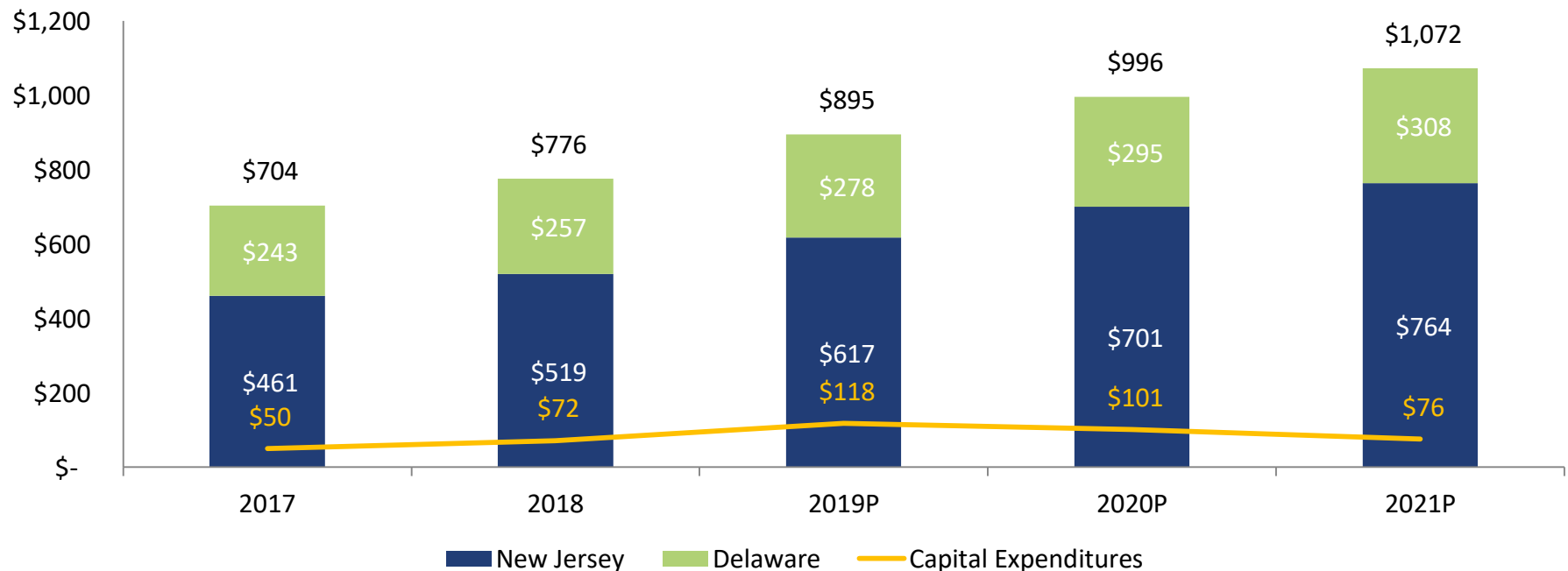
## Select Capital Expenditure Projects

- **Distribution:** Large and small mains, service lines and hydrants
- **Production:** New and upgraded water and wastewater treatment plants
- **Information Technology:** ERP system - hardware and software
- **Other:** Transportation equipment, tools, lab equipment, security systems, etc.

***\$295M of Capital Expenditure (2019 – 2021)***

## Gross Utility Plant Equipment and Capital Expenditures

\$ in millions



Source: 2019 Annual Meeting of Shareholders Presentation.

# RATE ACTIVITY HISTORY

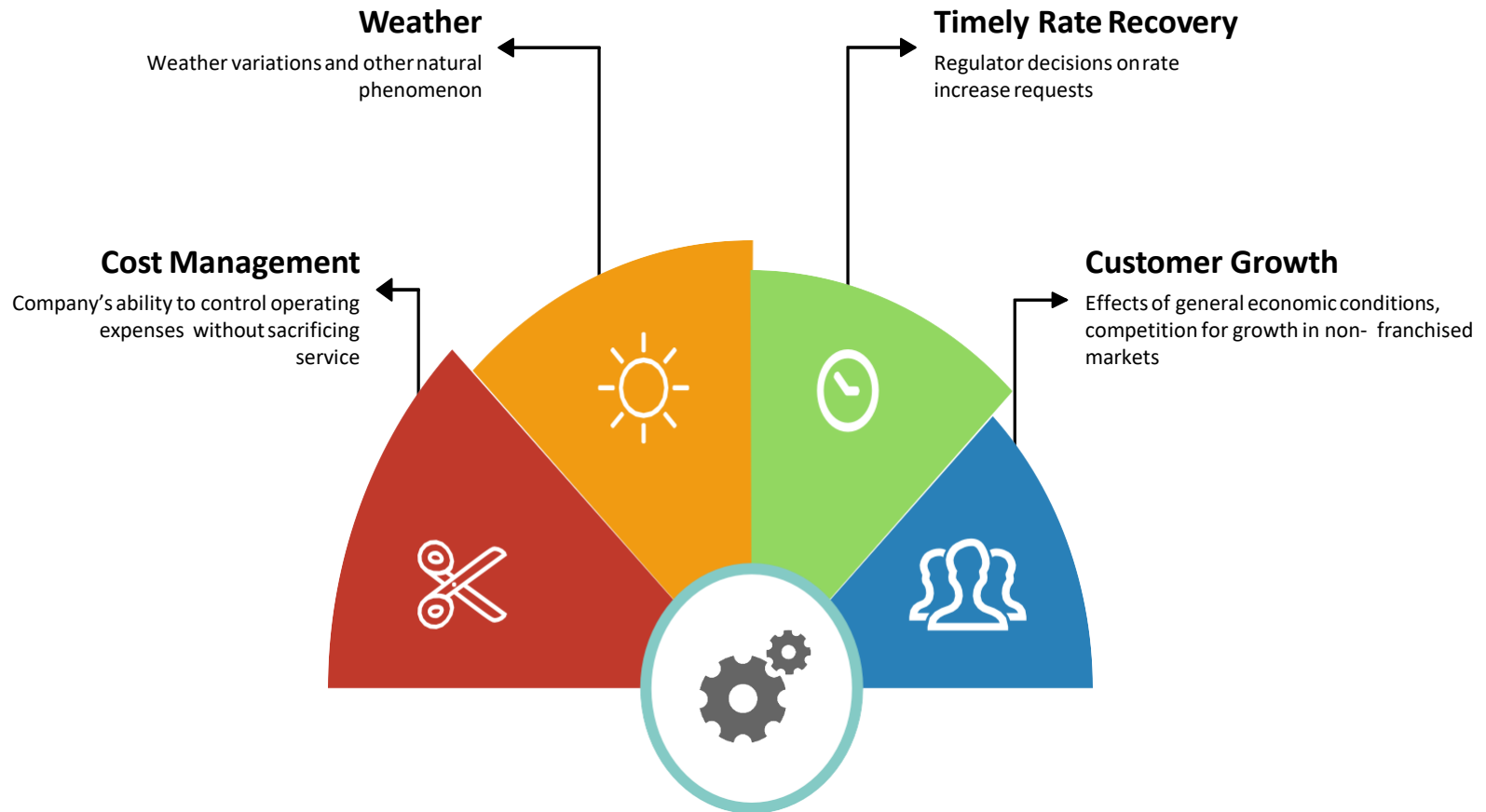
## Recent Rate Changes

Entity	Effective	Annual Revenues
Middlesex	4/1/2018	\$5.5M
Middlesex PWAC	10/30/2017	\$0.8M
TUI DSIC	1/1/2018	\$0.4M
Tidewater	1/1/2019	\$0.2M
Middlesex	1/1/2019	\$0.1M
Pinelands	5/7/2018	\$0.1M
Tidewater	3/1/2019	\$(1.0)M

## Recent Petitions Filed

Entity	Expected Resolution	Annual Revenues
Pinelands	Q4 2019	\$0.5M
Pinelands	Q4 2019	\$0.2M

# FACTORS AFFECTING EARNINGS



# SUMMARY



1 Sustainable and consistent financial performance

2 Disciplined infrastructure investment and growth

3 Balanced revenue base supported by best-in-class utility operations in the Northeast

4 Focus on long-term total shareholder returns

5 Highly experienced, dedicated management team



# Appendix

A high-speed photograph of a water splash, with a horizontal band of water droplets and bubbles across the middle. The top part shows the initial splash with water droplets rising, and the bottom part shows a dense layer of small bubbles.

## **Additional Financial Metrics**

# ADDITIONAL FINANCIAL METRICS

	Trailing 12 Months		
	2017	2018	Q1 2019
Return on equity	10.1%	13.4%	14.1%
Book value per share	\$13.90	\$15.04	\$15.32
Total equity %	62.5%	62.2%	61.8%
Long term debt %	37.5%	37.8%	38.2%
Total assets (\$ in millions)	\$661.1	\$767.8	\$783.0