

# Bank of America 2021 Water Conference

December 6, 2021  
NASDAQ:MSEX



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



# Forward Looking Statement



*As an introduction to the information we will be discussing, please be aware that some of our comments can be considered forward-looking statements as defined by the federal securities laws and as outlined in the Company's SEC filings. As such, any forward-looking statements are based on currently available information and management's assumptions, expectations and estimates; however, actual results may vary significantly. Risk factors that could cause actual results to vary from expectations are described in the Company's filings with the SEC. These factors are also available in our most recent earnings release which can be viewed on our website at [www.middlesexwater.com](http://www.middlesexwater.com) or in our Annual Report.*

# Company Snapshot, NASDAQ:MSEX

MSEX operates regulated water and wastewater operations in New Jersey and Delaware. It also operates water and water systems under contract for municipalities and private clients.

*Established in 1897*

**Market Cap: \$1.8B**

**Avg. Trading Volume: 89,823**

**Diluted EPS: \$2.18 (TTM)**

**Dividend Yield: 1.16%**

**52 Week Range: \$67.09 – \$116.40**

Source: Yahoo Finance 11/10/21

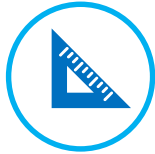
# What We Do



**Water  
Production,  
Treatment &  
Distribution**



**Full Service  
Municipal Contract  
Operations**



**Design/Build/Own  
Operate System  
Assets**



**Water & Wastewater  
System Maintenance**



**Public Private  
Partnerships**



**Wastewater Collection  
& Treatment**



**Water & Sewer Line Maintenance** (Third Party)

# Moving Forward...

## Continued Focus on...

- Delivering High Quality Utility Services
- Employee and Customer Safety
- Infrastructure Improvements
- Enterprise Risk Management
- Customer Satisfaction
- Employee Training/Development
- Succession Planning for Key Roles
- Diversity, Equity & Inclusion
- Cyber Security

## Building Shareholder Value – “Blocking & Tackling”

- ✓ Upgrade and replace utility infrastructure
- ✓ Finance the capital program
- ✓ Receive timely and adequate rate recovery
- ✓ Repeat



## OUR VALUES



Our values drive a strong company culture.

# NASDAQ CLOSING BELL – 6/14/21



MSEX rang the NASDAQ Closing Bell in a virtual ceremony in observance of the 40<sup>th</sup> Anniversary of its listing on the NASDAQ Stock Exchange.



# Other Recent Developments



**S&P 600 – MSEX added to the S&P Small Cap 600 index 7/15/21.** The index tracks a broad range of smaller companies that meet specific liquidity and stability metrics such as public float, market capitalization, and financial viability.



**Middlesex Financing** - June 2021- MSEX received approval from the NJBPU to redeem and replace up to \$45.5 million of outstanding bonds at an overall lower interest cost.



**Novel Coronavirus (COVID-19)** - The NJBPU and DEPSC have approved the tracking of COVID-19 related incremental costs for potential recovery in customer rates in future rate proceedings.



**Capital Construction Program** – Forecasted spending for MWC’s 2021 construction program has been reduced to \$85 million from \$134 million due to revised scheduling with municipalities and contractors for various large projects.



**S3398/A5343:** In NJ new legislation requires public community water systems to inventory /replace **lead service lines** within 10 years; provides for recoupment of costs by investor owned water systems.

# Other Recent Developments cont.

## MSEX Announces Sale of Subsidiary

On August 30, 2021 MSEX announced plans to sell its regulated Delaware wastewater utility business, Tidewater Environmental Services Inc. (TESI), to Artesian Wastewater Management, Inc. for \$6.4 million in cash and other consideration.

- ✓ TESI serves 3,600 retail customers in Sussex County, DE.
- ✓ Both companies believe the transaction is in the best long-term interest of their customers and shareholders.
- ✓ Middlesex will continue to own/operate its DE-based regulated **water** utility business, Tidewater Utilities, Inc. and its DE-based non-regulated **water and wastewater contract operations** business, White Marsh Environmental Systems, Inc.
- ✓ Transaction is subject to approval by the Delaware Public Service Commission and is expected to be finalized prior to 12/31/2021.



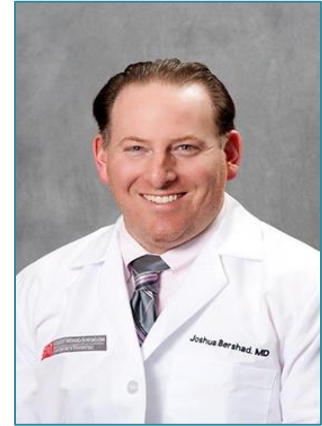


# Governance Highlights



**Walter G. Reinhard** holds position of Lead Director.

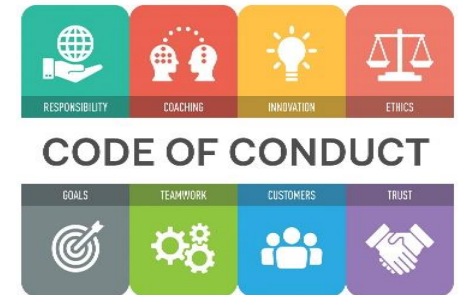
**Joshua Bershad, M.D.** joined the MWC Board in December 2020.



**Vaughn L. McKoy** named to MWC Board in July 2021.



**MWC Adopted an Expanded Code of Conduct, including guidelines for Board and Supplier Conduct, in August 2021.**



# New Ozone Treatment Facility



- Enhanced treatment process mitigates formation of disinfection by-products and treats other emerging contaminants
- Integrating ozone into treatment process



# Operations Facility Renovations



- Former headquarters has been completely renovated to include more efficient work space and improved energy efficiency
- Serves as new Operations Center
- Houses Distribution, Operations and Risk Personnel





# RENEW 2021

26<sup>th</sup> Year



- ❖ \$10.2 Million investment underway in Borough of Metuchen, NJ
- ❖ 4 Miles of main including service lines, valves and fire hydrants are being upgraded
- ❖ Work will improve fire flows and overall service quality
- ❖ Installing exterior meter pits





# 2020 Financial Highlights



## New Highs

- Revenues.....**\$141.6M**
- Net Income.....**\$ 38.4M**
- Diluted Earnings Per Share...**\$ 2.18**



# Third Quarter Results (In Millions)

(Three months ended September 30, 2021)

	Operating Revenues	O & M Expenses	Net Income	Diluted Earnings Per Share
2021	\$39.8	\$18.9	\$11.4	\$0.65
2020	\$39.9	\$17.9	\$ 12.7	\$0.72

- \$0.8 million increase related to customer growth in our Delaware systems.
- \$0.5 million decrease in the Middlesex System in New Jersey due to decreased weather-related demand from retail and wholesale customers.
- \$0.3 million decrease due primarily to lower non-regulated contract activities.

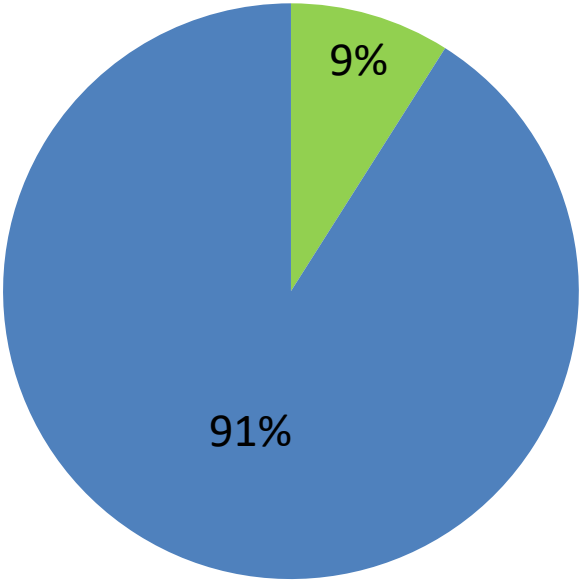
# Third Quarter Results

(nine months ended September 30, 2021)

(In Millions)

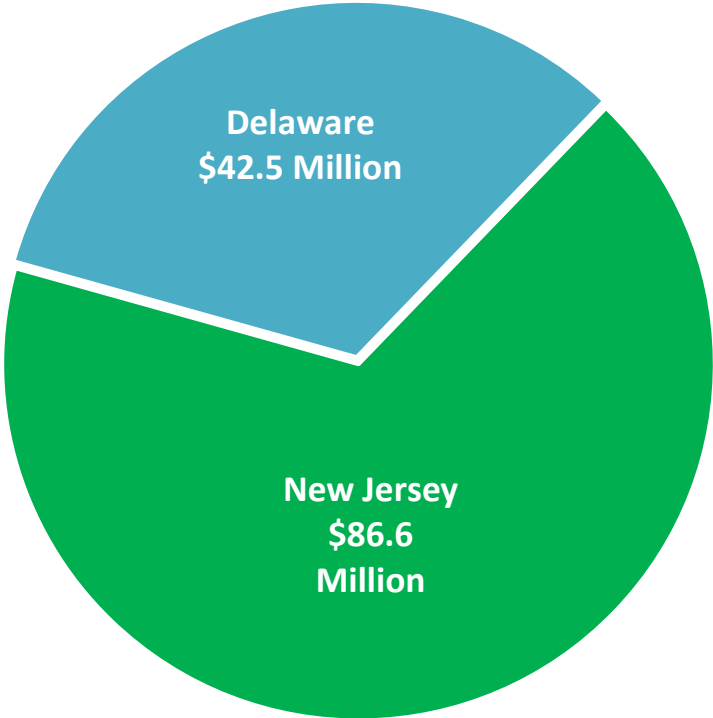
	Operating Revenues	O & M Expenses	Net Income	Diluted Earnings Per Share
2021	\$109.1	\$53.8	\$82.2	\$1.67
2020	\$106.9	\$51.1	\$77.8	\$1.66

# Revenue - 2020



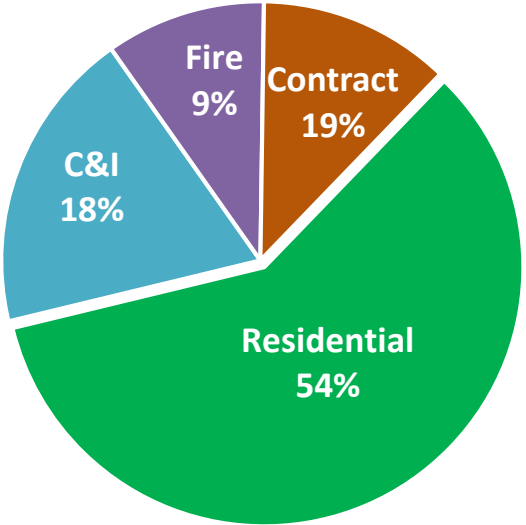
■ Non Regulated ■ Regulated

## Regulated

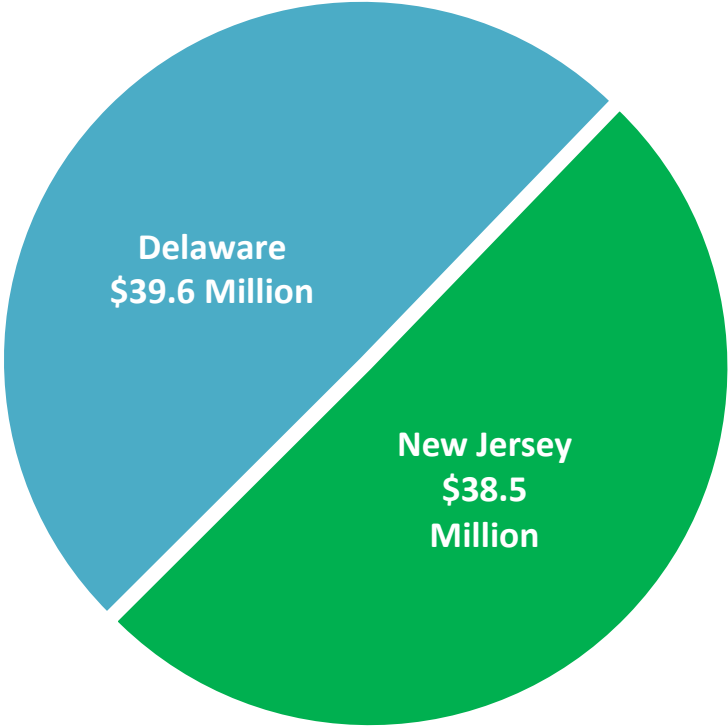


# Operating Revenue 2020 - Regulated

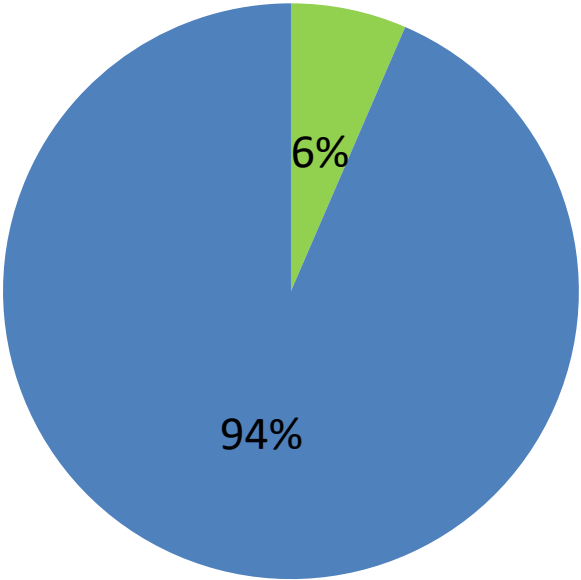
## By Class



## Residential

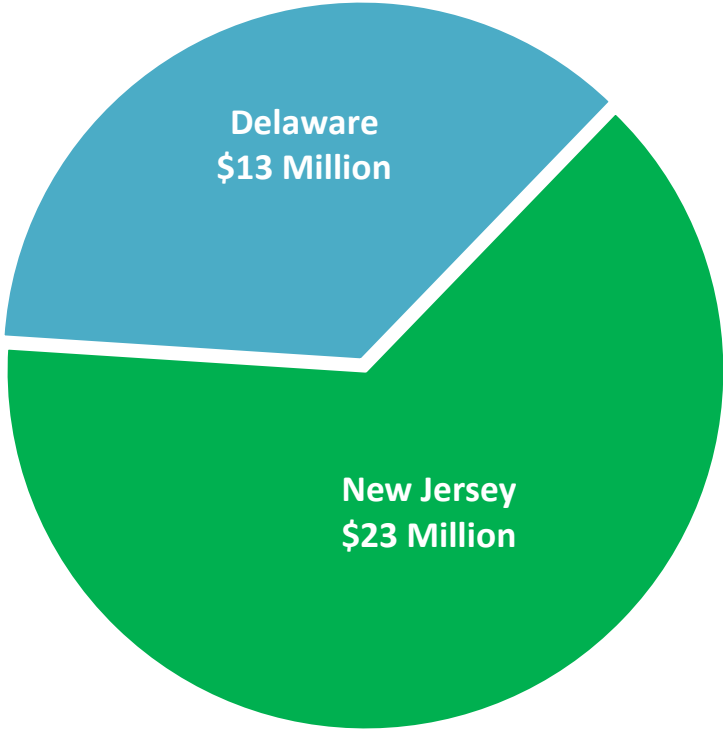


# Net Income - 2020



■ Non Regulated ■ Regulated

## Regulated



# FACTORS AFFECTING EARNINGS



**WEATHER**



**TIMELY RATE RECOVERY**



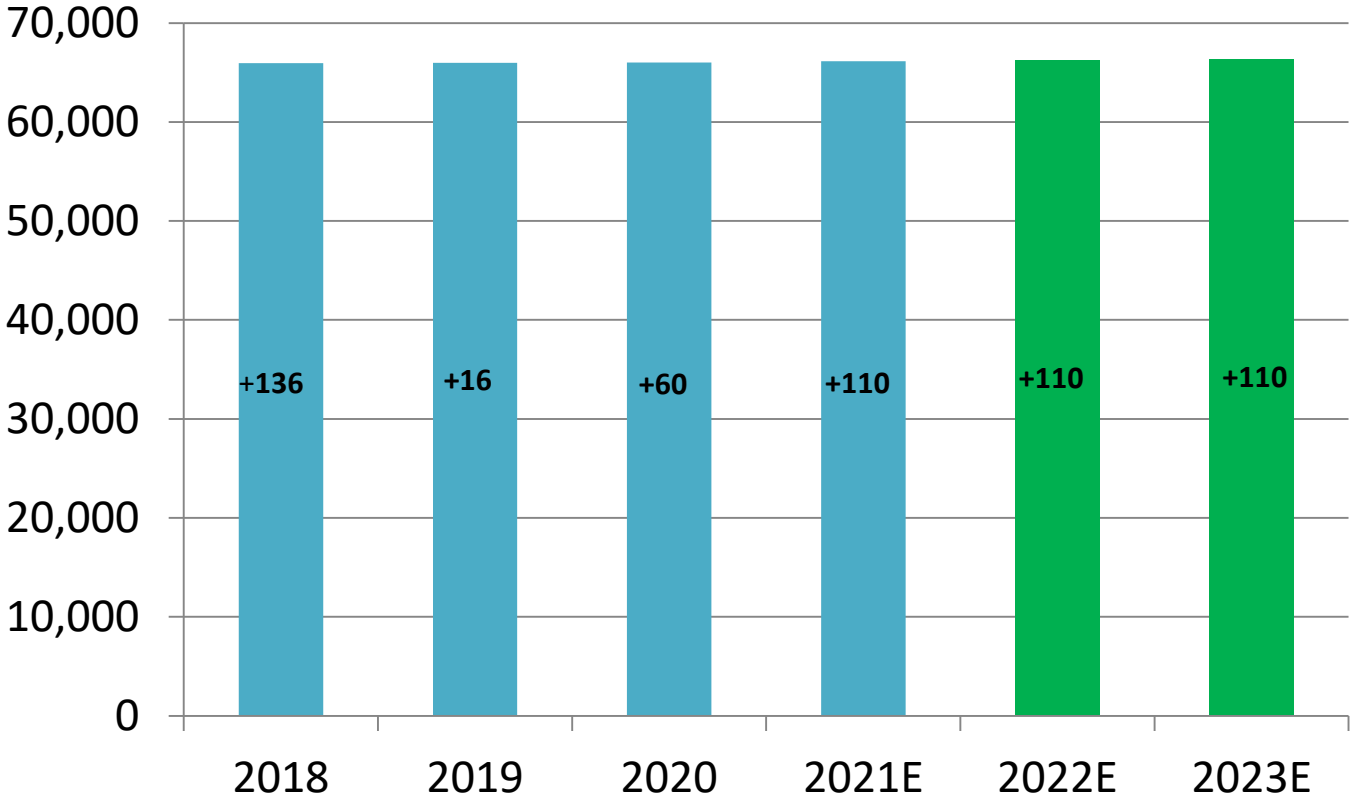
**COST  
MANAGEMENT**



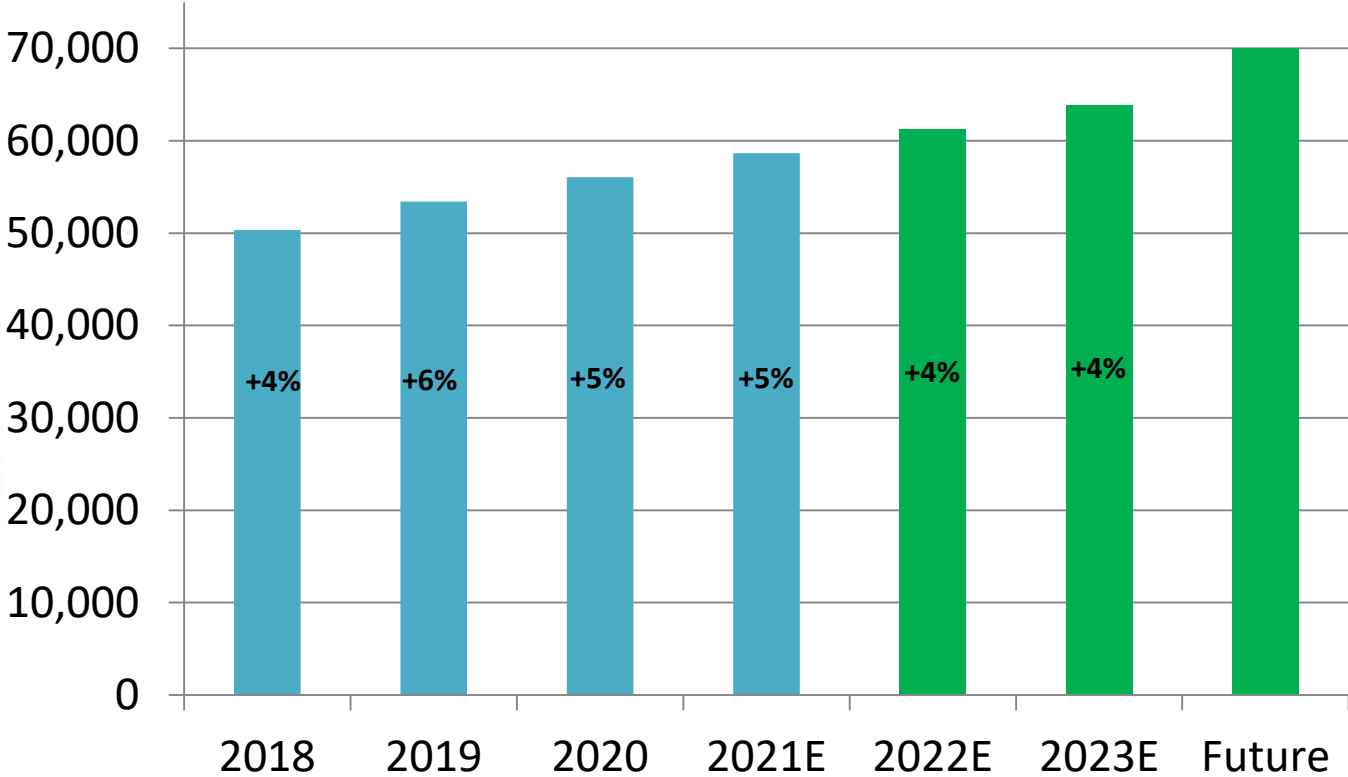
**CUSTOMER GROWTH**



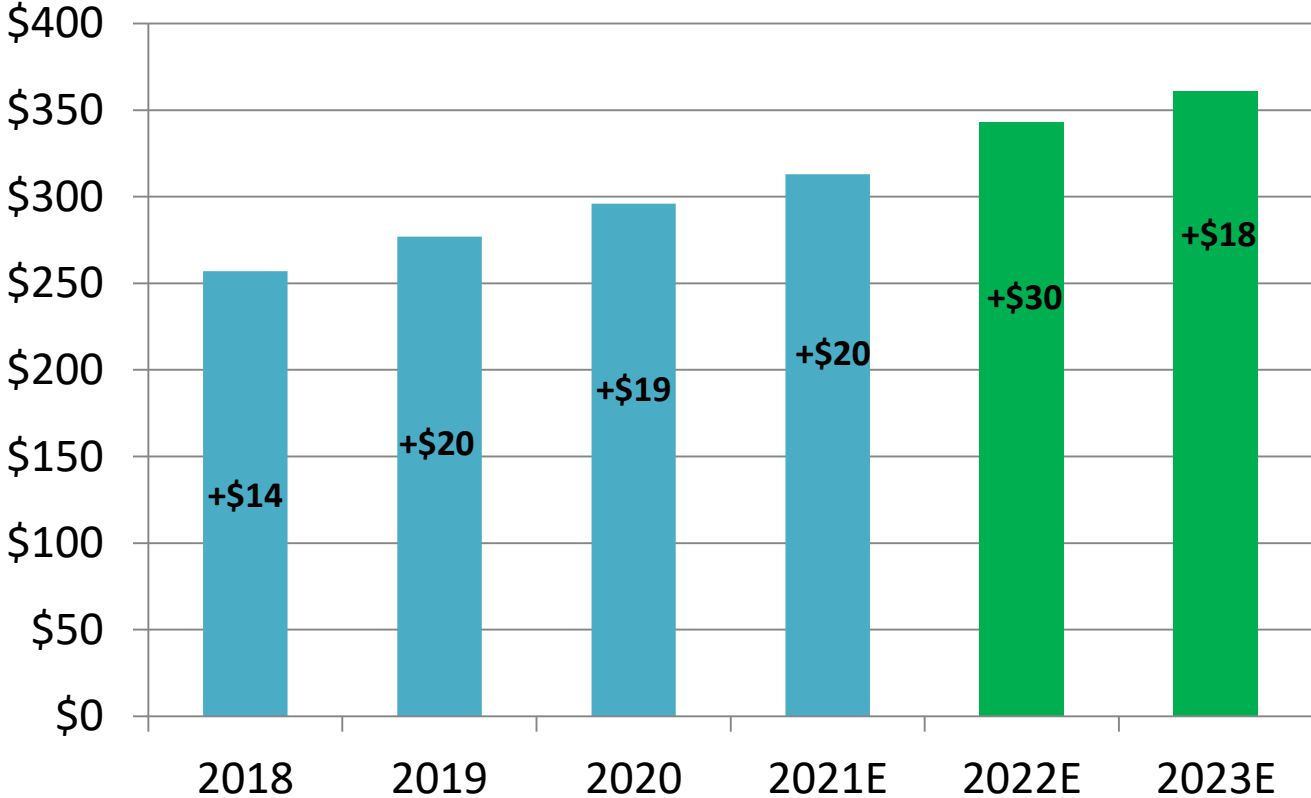
# Customers - NJ



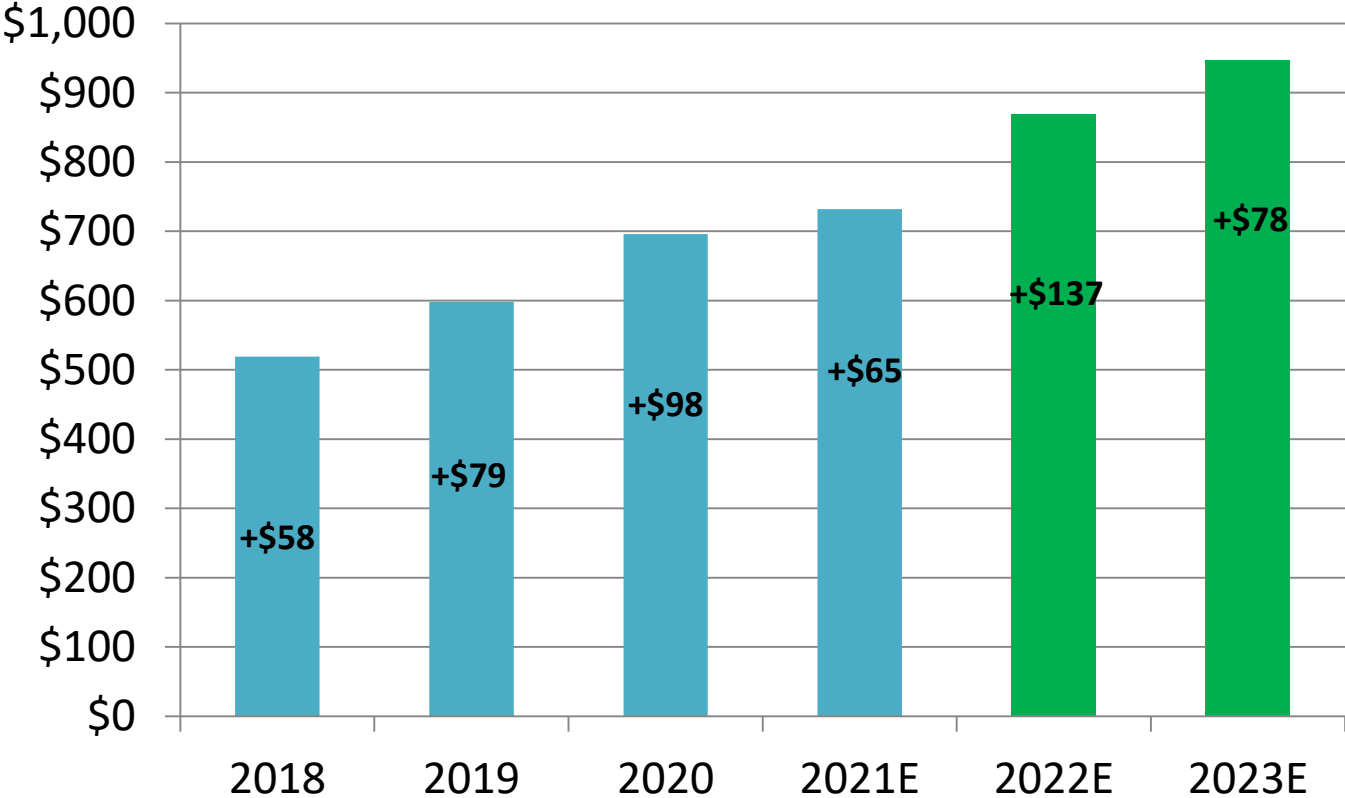
# Customers - DE



# Utility Plant – DE (Millions)



# Utility Plant – NJ (Millions)



# Middlesex Base Rate Increase (NJ)

Seeks recovery of infrastructure upgrades  
+\$267 Million - Utility Plant Since 2017

**Filing Date: May 20, 2021**

## Increase Components:

Utility Plant Related	\$18.7M
Depreciation	\$ 6.9M
Operating Expenses	\$ 3.0M
Taxes	<u>\$ 2.7M</u>
	<b>\$31.3M Increase Sought</b>

# Capital Project Funding

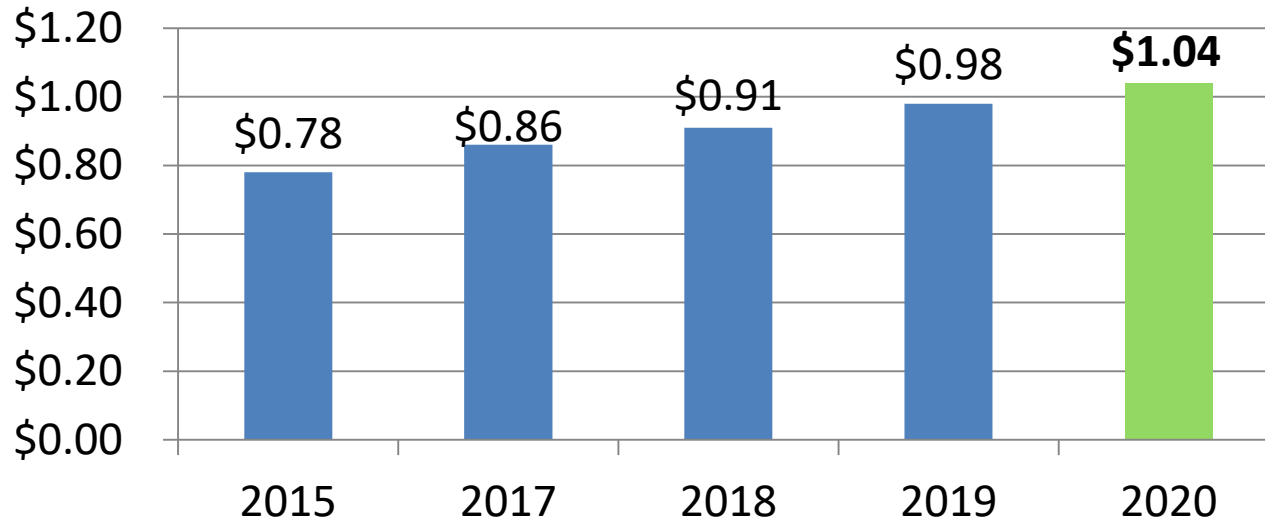
- Short term borrowings (\$110 Million Lines of Credit)
- Up to a \$40.0 Million private placement loan
- Proceeds from \$20.0 Million CoBank Loan
- Proceeds from MWC Investment Plan





# 49 Years of Dividend Growth

- MSEX is committed to growing its dividend and has increased the dividend for 49 consecutive years.
- Maintains a target payout ratio of below 70%.



# Company Announces 3% Discount

- ✓ Discount is on purchases of Common Stock purchased through the Company's Investment Plan.
- ✓ Proceeds will help fund capital projects.
- ✓ Discount in effect from Sept.1, 2021 until 200,00 shares are purchased at discount or August 1, 2022.
- ✓ Applies on shares purchased through dividend reinvestment or optional cash payment.
- ✓ New investors may enroll in plan with initial \$500 investment.
- ✓ Further details can be found in the Plan Prospectus and Prospectus Supplement.



# Questions?

# Thank You!



**For more information, please visit the Investors tab at  
[www.middlesexwater.com](http://www.middlesexwater.com)**