

# Driven By **Energy**

Chesapeake Utilities Corporation

Siebert Williams Shank  
West Coast Utilities Virtual Conference  
March 17, 2021



Commitment  
Growth  
Leadership  
Safety  
Sustainability  
Solutions

Strength  
Team  
Service  
Performance  
Community  
Value

# Presenters



**Beth Cooper**  
Executive Vice President,  
CFO and Asst. Secretary



**Thomas Mahn**  
Vice President and Treasurer



**Joseph Steinmetz**  
Vice President and Controller



**Michael Galtman**  
Vice President and Chief  
Accounting Officer

## Safe Harbor Statement

Some of the Statements in this document concerning future Company performance will be forward-looking within the meanings of the securities laws. Actual results may materially differ from those discussed in these forward-looking statements. You should refer to the additional information contained in Chesapeake Utilities' 2020 Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC and other SEC filings concerning factors that could cause those results to be different than contemplated in today's discussion.

## Reg D Disclosure

Today's discussion includes certain non-GAAP financial measures as defined under SEC Regulation D. Although non-GAAP measures are not intended to replace GAAP measures for evaluation of Chesapeake's performance, Chesapeake believes that portions of the presentation, which include certain non-GAAP financial measures, provide a helpful comparison for an investor's evaluation purposes.

## Gross Margin (Non-GAAP Measure)

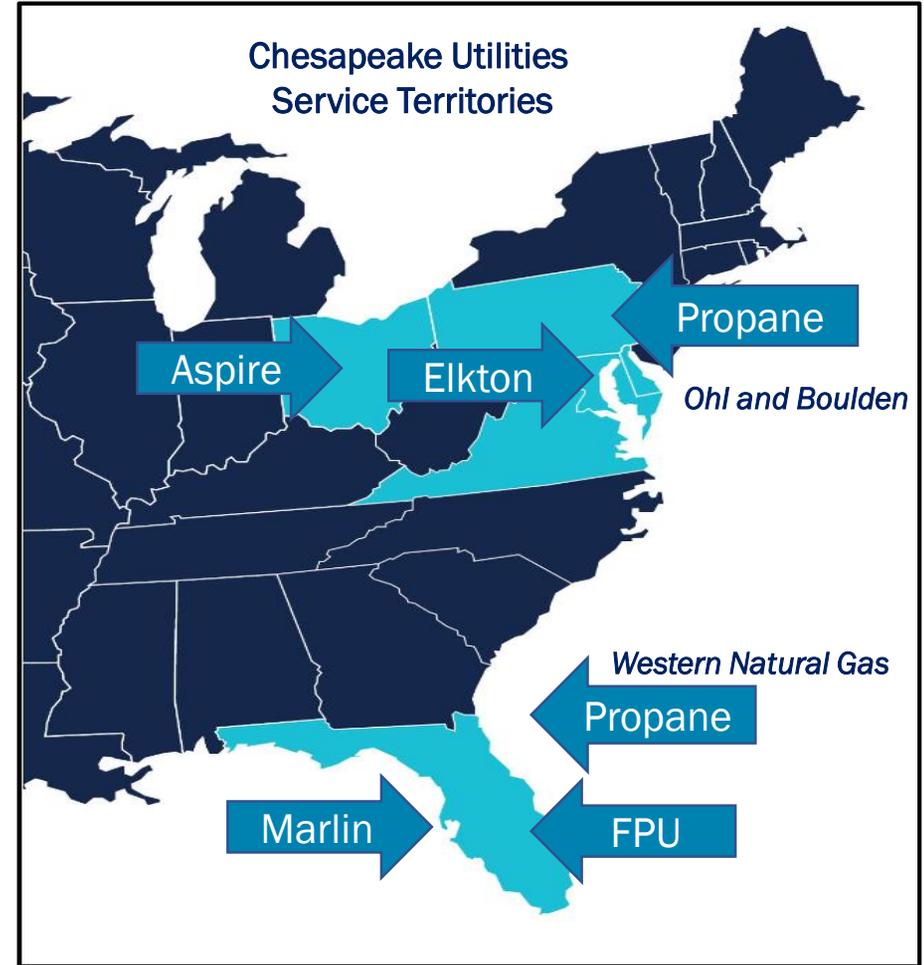
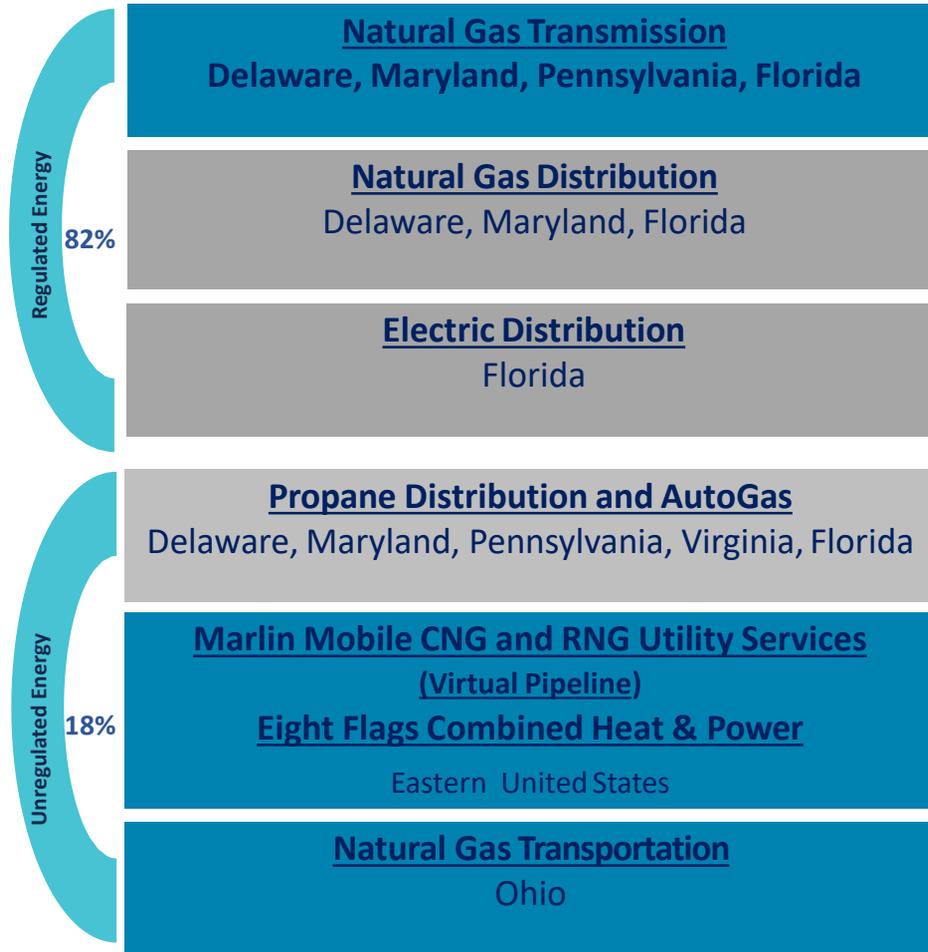
Gross Margin is determined by deducting the cost of sales from operating revenue. Cost of sales includes the purchased fuel cost for natural gas, electric and propane distribution operations and the cost of labor spent on different revenue-producing activities and excludes depreciation, amortization and accretion. Other companies may calculate gross margin in a different manner.

## COVID-19 Impact

At this time, we cannot fully quantify the future impact that the Coronavirus Disease 2019 ("COVID-19") will have on the economy, and more particularly, on Chesapeake Utilities Corporation. The earnings and capital estimates we have included herein do not reflect any future estimates of the potential impact. In our 2020 results, we have provided estimates of the short-term impact of COVID-19. The Company has established regulatory assets totaling \$1.9 million associated with the net incremental expense impacts, as currently authorized by the Delaware, Maryland and Florida PSCs. We are continuing to review the various expense impacts associated with COVID-19 and will adjust these estimates, as necessary, in the future.

# Business Overview

## Diversified Energy Delivery Business



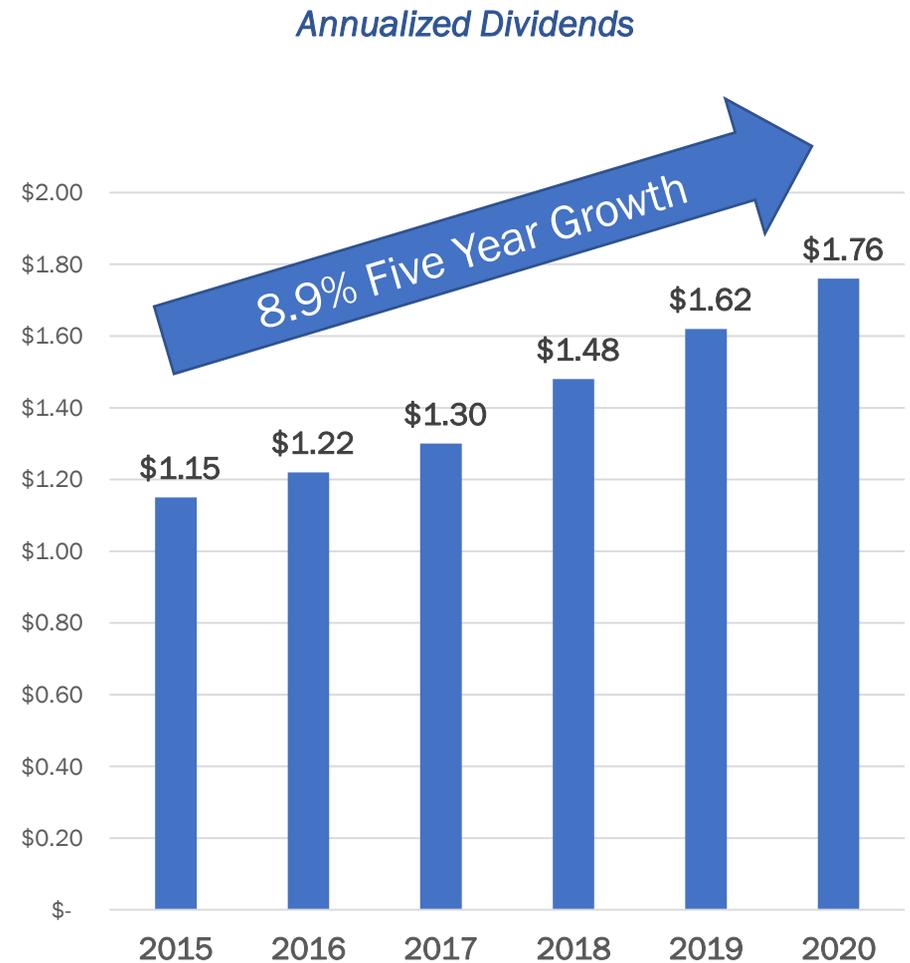
Percent of Operating Income

**Midstream**  
**51%**

**Downstream**  
**49%**

*Recent Acquisitions Complement Internal Growth On the Delmarva Peninsula and in Florida*

# Growth in Earnings Drives Dividend Growth For Periods Ended December 31st

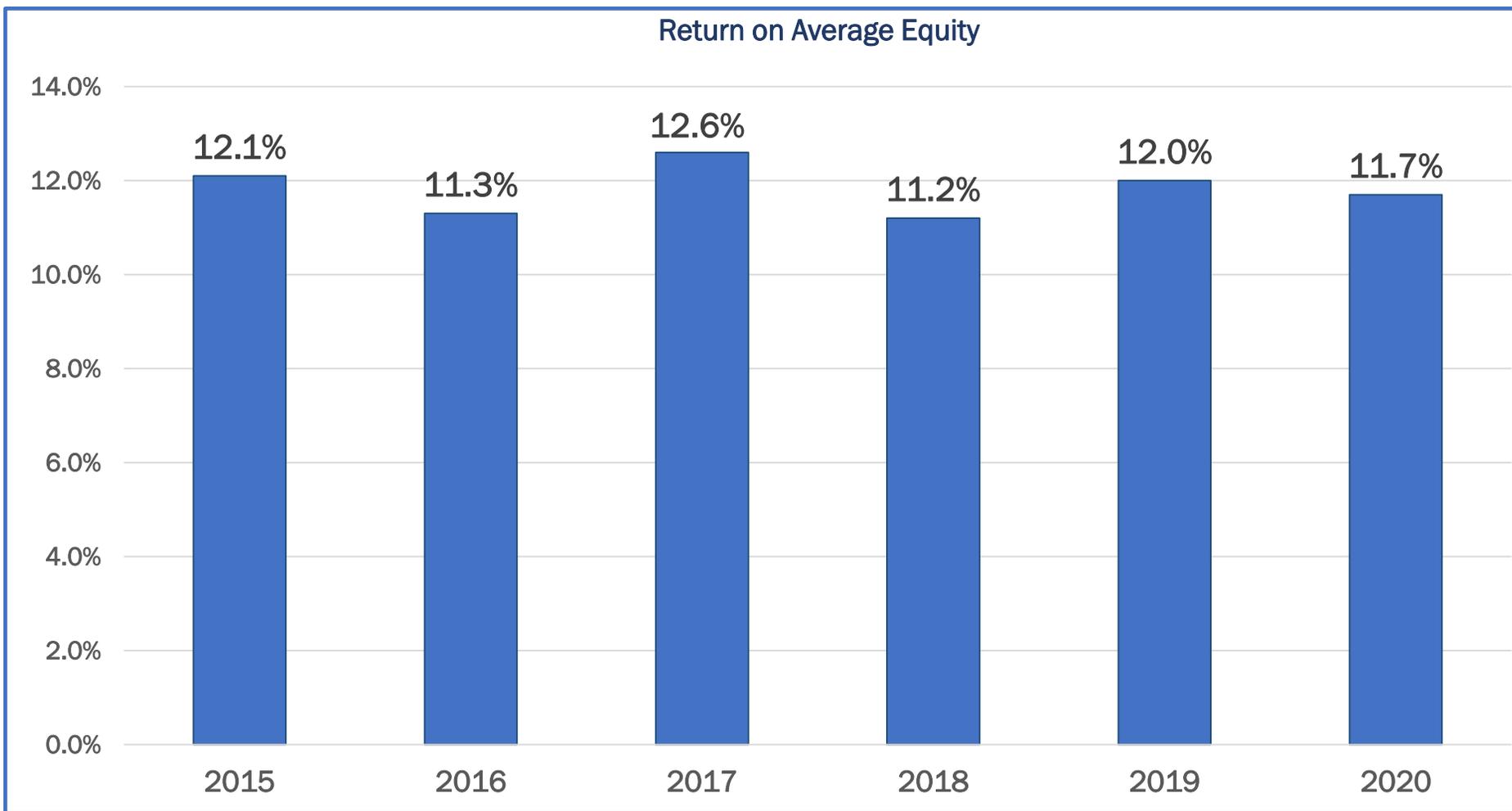


*We have generated strong earnings growth, which has enabled us to grow our recent dividends faster than our peers.  
Sixty Consecutive Years of Dividend Payments!!*

\* Diluted EPS based on bottom line net income.

# Return on Equity

## Chesapeake ROE Consistently Exceeds 11.0%

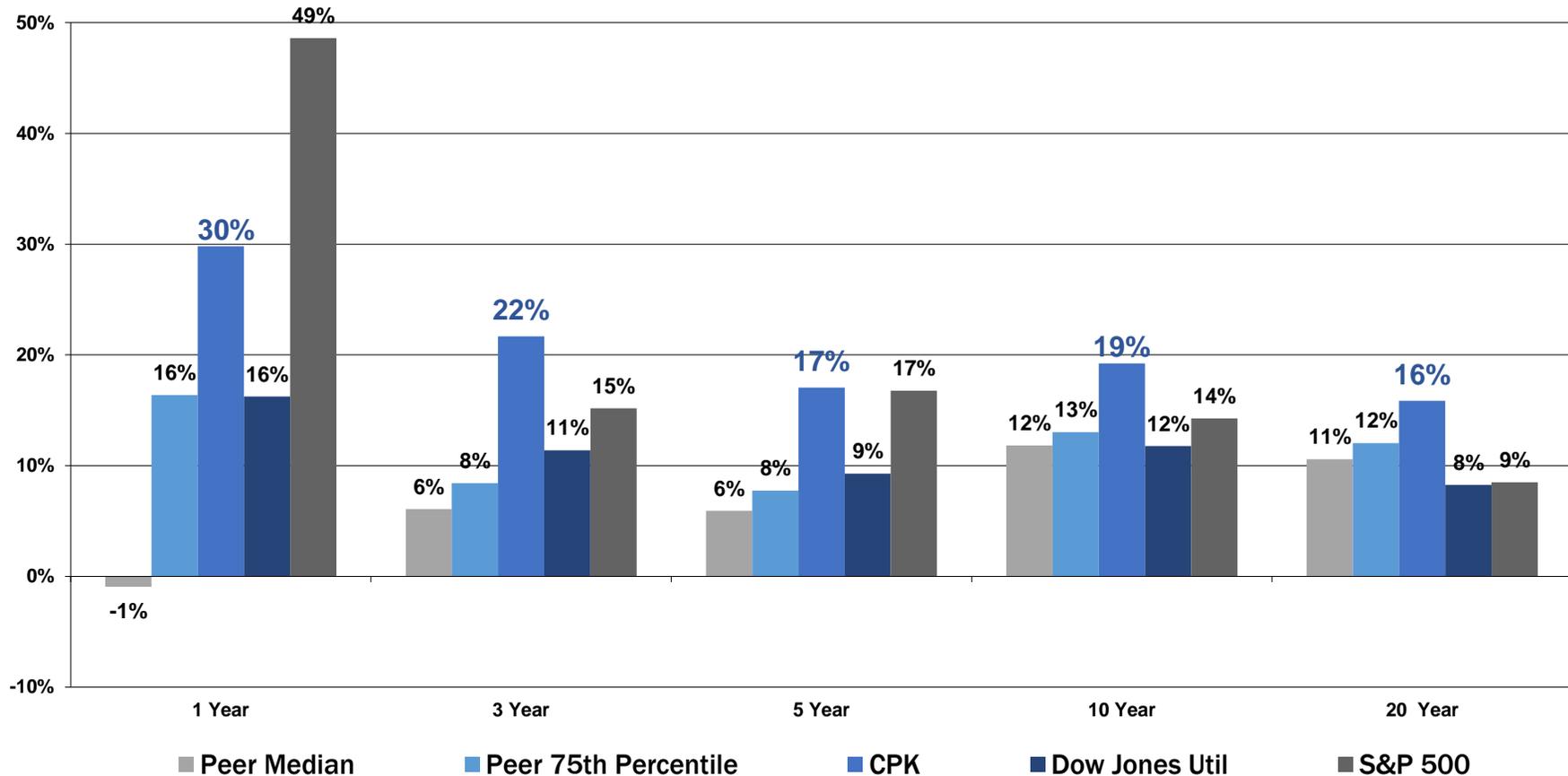


\* ROE based on bottom line net income.

# Total Shareholder Return Increased Performance is Driving Increased Value

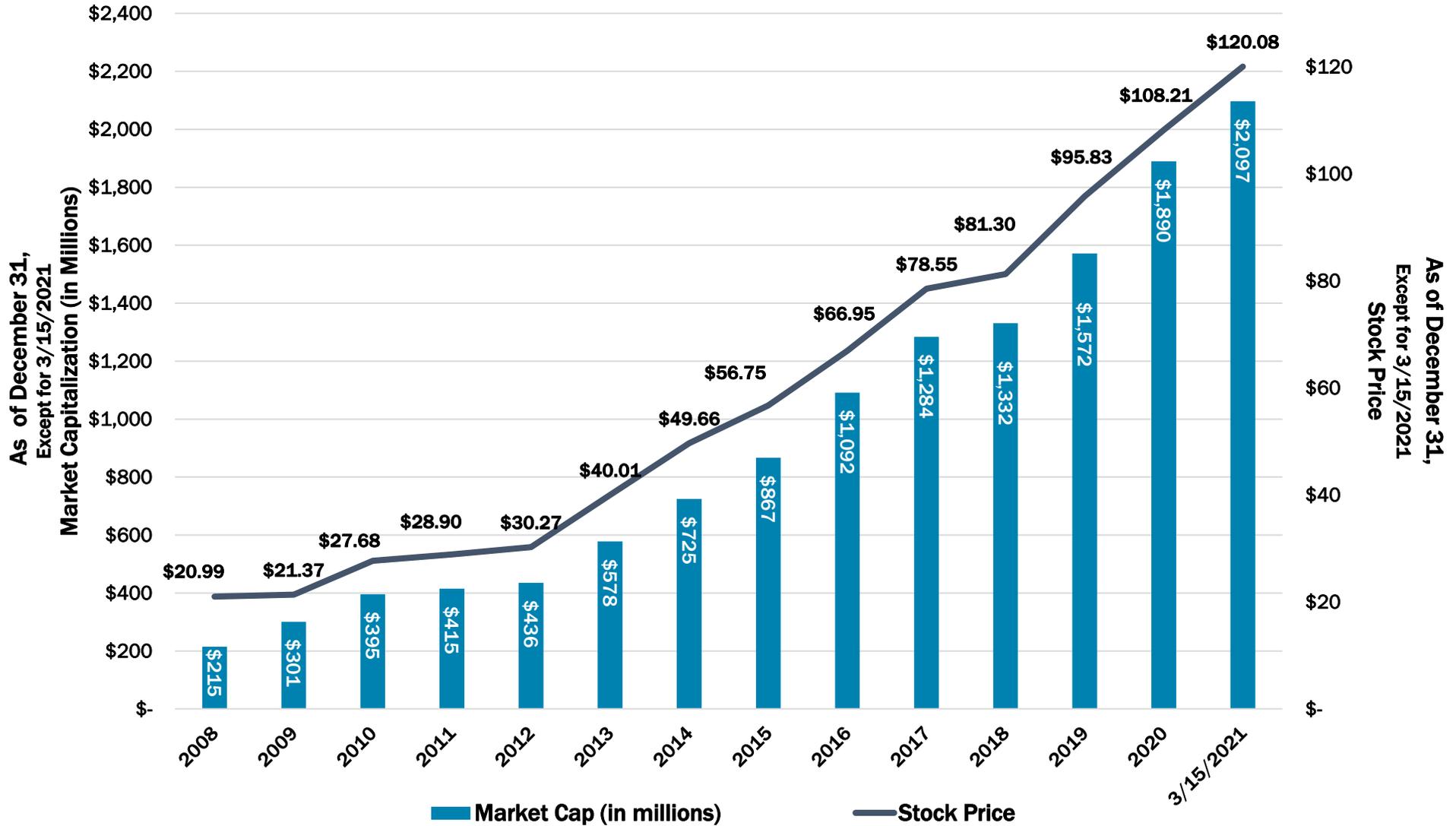
## Average Annualized Shareholder Return

For Periods Ending March 15, 2021  
Achieved above 15 percent for all periods!!



# Market Capitalization

## Increased Performance is Driving Increased Value



## Financial Performance 2020

Cap Ex / Average Capitalization **17.7%**

EPS Growth <sup>(1)</sup> **13.2%**

Return on Equity **11.5%**

Annual Shareholder Return **15.1%**

Annualized Dividend Growth **8.6%**

Earnings Retention <sup>(2)</sup> **58.9%**

(1) Diluted EPS Continuing Operations

(2) Earnings Retention (1 - Payout Ratio)

Payout Ratio = Dividends Declared / Diluted EPS Continuing Operations

Our financial performance is driven by the entrepreneurial spirit of our employees as we consistently deliver safe, secure and reliable energy service.



Hurricane Michael regulatory proceeding resulted in \$10.9M in gross margin

Expansion projects, customer growth, and pipeline replacements generated \$15.5M in additional gross margin

Acquisitions (Boulden, Elkton and Western Natural Gas) added \$5.3M in incremental gross margin

2020 diluted earnings per share from continuing operations was \$4.21, an increase of \$0.49 or 13.2 percent, our 14<sup>th</sup> consecutive year of earnings growth

Higher retail propane margins per gallon and higher rates for Aspire - \$3.2M

COVID-19 reduced net income \$1.0M or \$0.06 per share  
Reduced C & I consumption, cost of personal protective equipment, bad debt reserves and premium pay - net of \$1.9M of regulatory assets and implementation of CARES Act

Increased demand for Marlin CNG services - \$1.8M

## Many Significant Accomplishments Across the Company

- Invested \$196M in capital expenditures that will drive our future earnings growth, including completion of several key pipeline projects
- Responded to increased customer demand for natural gas in our services, recognizing 5.3% and 4.1% percent customer growth on Delmarva and Florida, respectively
- Completed three acquisitions and integrated them seamlessly into the CPK organization
- Delivered on increased demand for CNG services from Marlin Gas Services
- Announced three RNG projects that are in various stages of construction and development
- Executed a settlement agreement approved by the Florida regulatory for the recovery of Hurricane Michael capital investments and expenses
- Managed our expenses across the Company to offset pandemic costs
- Accelerated a business transformation process to address the organizational and technology enhancements that will support our continued growth
- Continued Top Workplace Recognition in Delaware and Florida in addition to earning the inaugural 2021 Top Workplaces USA award for mid-size companies

# Chesapeake Utilities Looking Forward 2021 – 2025 Strategic Growth Initiatives

## Key 2021-2025 Strategic Initiatives

Optimize the earnings potential in our existing businesses through growth and business transformation

Pursue interstate and intrastate transmission projects

Further expansion of our propane business

Expand Marlin Gas Services Virtual Pipeline Business (CNG, RNG, LNG)

Renewable Natural Gas (RNG) opportunities and other clean energy opportunities across the CPK Value Chain

### Chesapeake Utilities “Special Sauce”

The key to our success is a strong culture that fully engages all of our team members across the organization as we transform this business for continued growth.

# CPK's Renewable Natural Gas Proposition Presents Multiple Investment Opportunities

	Marlin Gas Transport	Transmission Pipeline Operations	Distribution Operations LDC Customers
Investment Opportunity	Additional transportation equipment	Interstate pipeline interconnects	Potential investment in gas processing equipment
Regulatory Actions	N/A Unregulated Gas Transport	Tariff changes made by ESNG. PPC filing to be done in the future.	No tariff changes initially Potential Rate Base Investment
Long-term Value	Multi-year contracts to transport gas	Multi-year contracts.	Multi-year contracts for processing and receipt of gas.

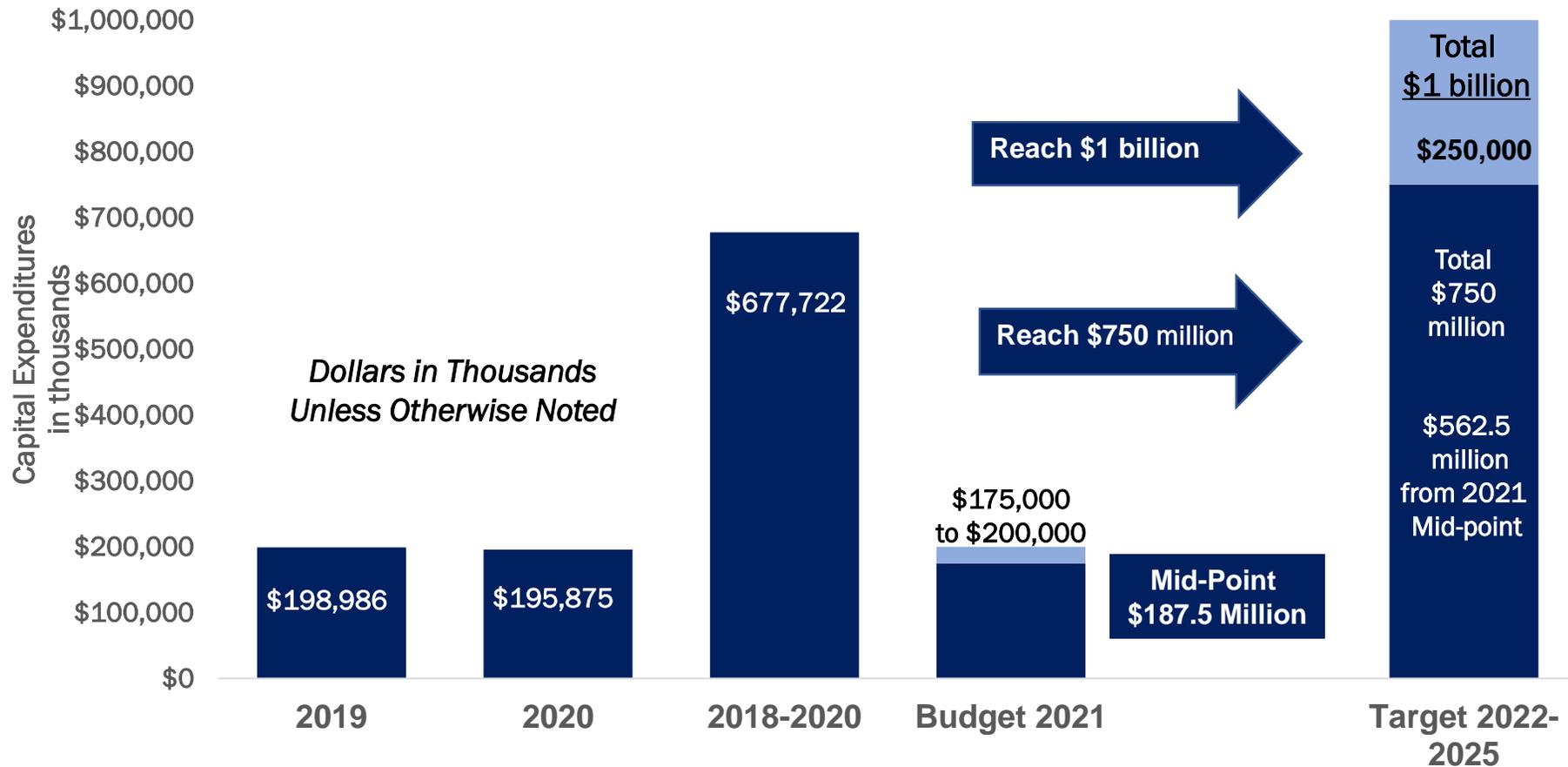
**CPK RNG Initiatives:**

- Bioenergy DevCo - Poultry Waste (Delaware)
- CleanBay Renewables – Chicken Litter (Maryland)
- Fortistar - Waste Recycling (Ohio)

Seeking Other Development Opportunities, including in Florida and Georgia

# Capital Investment Guidance

## Continued Record Investment in Our Business Growth

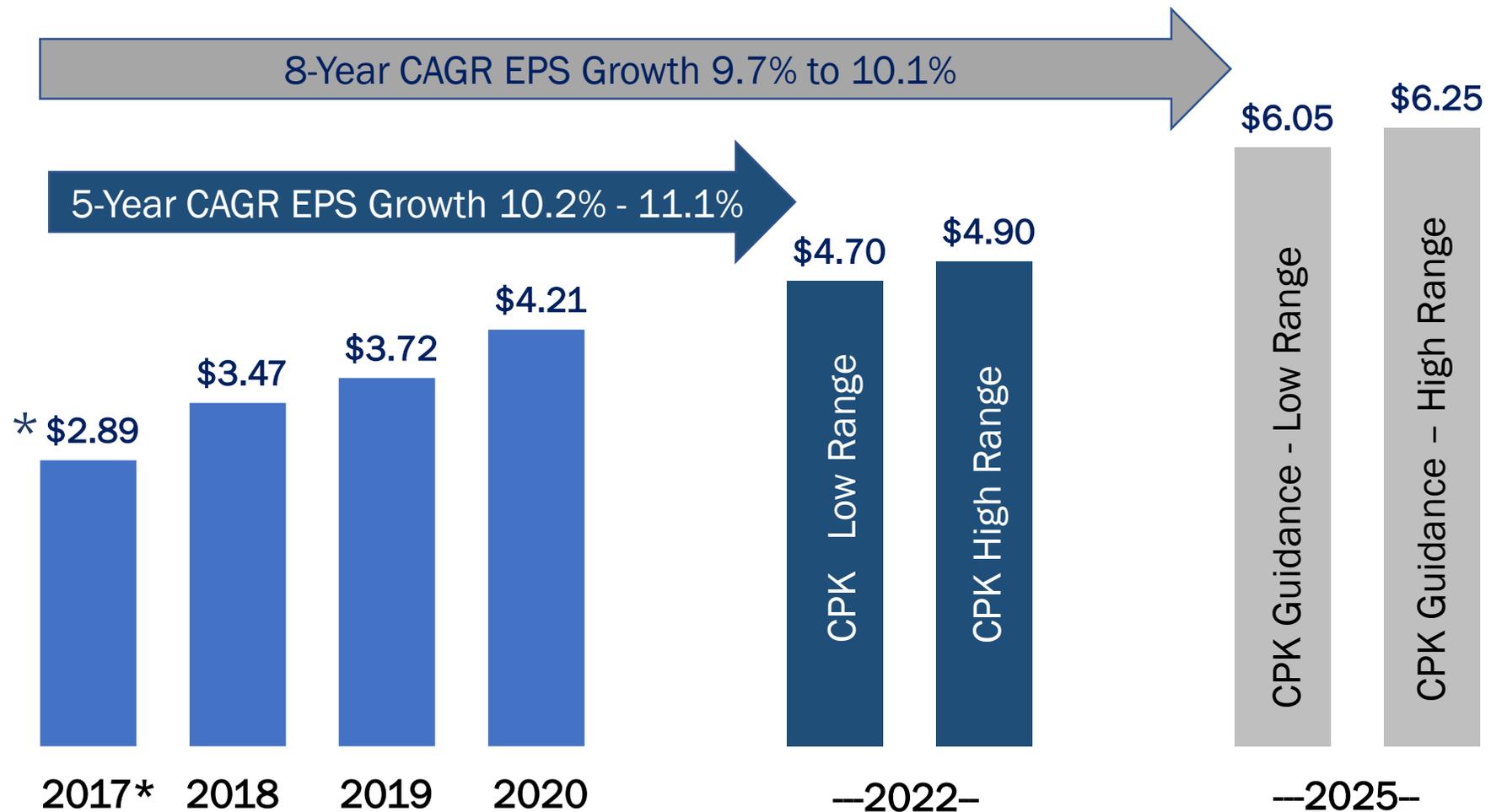


Management provides its five year capital expenditure guidance 2021 thru 2025 up to \$1 billion.

\*2021 Capital Budget range of \$175 million to \$200 million  
 We will continue to update this forecast as we move through the year, including new project developments, and any capital deployment delays resulting from COVID-19.

# Diluted Earnings per Share Guidance Continuing Operations

Strategic Capital Investments  
Continue to Drive Earnings Growth



\*2017 Adjusted for TCJA Impact

*Diluted Earnings per Share from Continuing Operations*

- We take seriously our responsibility to be a good and trusted corporate citizen, and doing all we can to contribute to greater sustainability and societal advancement.
- For more than 160 years, we have delivered affordable and sustainable energy solutions that respond to the evolving needs of our customers and the communities we serve.
- We are committed to ensuring that safety, equity, diversity and inclusion are at the center of our culture.
- Each and every day, we proudly deliver essential, safe, reliable, affordable, sustainable and efficient energy solutions to our customers in Florida, Ohio and across the Delmarva Peninsula.
- We are committed to sustainable growth with financial discipline that generates long-term value for our stakeholders.
- Our success rests on the strength and dedication of our team, our diverse, inclusive and collaborative culture, and our award-winning corporate governance practices, all of which contributed to our strong financial performance in 2020.

C

Co-sponsor of the Black History Month campaign in Delaware and Maryland

Companywide all employee calls with our President and CEO

Corporate safety meetings and quarterly safety newsletter

Committed to lower carbon emissions across our service territories

Challenge to take 6,500 steps per day with our Black Employees Resource Group

Celebrating being named a 2021 Top Workplaces USA winner for mid-size companies

P

Pledge of \$100,000 for the construction of a new YMCA community center in Delaware

Promoting cultural significance and employee awareness of the 2021 Chinese New Year

Positive change through the 2021 Delaware Racial Equity & Social Justice Challenge (*United Way of Delaware and YWCA Delaware*)

Promoting the American Heart Association's Go Red for Women initiative

Part of the energy solution, proudly delivering sustainable solutions

K

Key employee resource groups that foster a diverse and inclusive workplace

Kerosene, coal, oil and wood burning appliances and industrial equipment have been converted to cleaner energy solutions delivered by CPK and its subsidiaries

Known Black History Facts sent to employees

Kick-off of 2021 Hidden Heroes through our Women in Energy program

Key literary messaging and sharing of diverse perspectives in our 2021 Women in Energy Book Club

Keeping our assets and communities safe – See Something, Say Something education session

# Investment Proposition

## Committed to Superior Performance

We seek to identify and develop opportunities to drive our future earnings growth and increase shareholder value.

- Capitalizing on new organic growth and operational efficiencies
- Investing in pipeline systems that provide natural gas service to downstream customers
- Identifying propane opportunities to access new markets with significant growth potential
- Pursuing virtual pipeline opportunities given Marlin capabilities (CNG, LNG, RNG)
- Expanding our RNG footprint through multiple channels throughout our service areas
- Investing in our diverse talented team
- Engaging with communities where we work and live
- Driving brand excellence through safety awards, top workplace, employee engagement and community service

### Strong Foundation for Growth:

- Track Record
- Energized Team
- Financial Discipline
- Platforms for Growth

### Financial Objectives in Support of Increased Shareholder Value:

- Investing \$750 million to \$1 billion through 2025
- Targeting 2025 EPS \$6.05 to \$6.25
- Seeking 11.0% or higher consolidated return on equity
- Pursuing dividend growth supported by earnings growth
- Maintaining a strong balance sheet

**Driven By Energy**

Chesapeake Utilities Corporation

Thank You

Commitment  
Growth  
Leadership  
Safety  
Sustainability  
Solutions

Strength  
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Service  
Performance  
Community  
Value

# Driven By **Energy**

Appendix

2020 Financial Performance

Commitment  
Growth  
Leadership  
Safety  
Sustainability  
Solutions

Strength  
Team  
Service  
Performance  
Community  
Value

# Financial Summary

## Income from Continuing Operations and GAAP Income

For the periods ended December 31, 2020 and 2019  
 (in thousands except per share amounts)

*(in thousands except per share data)*

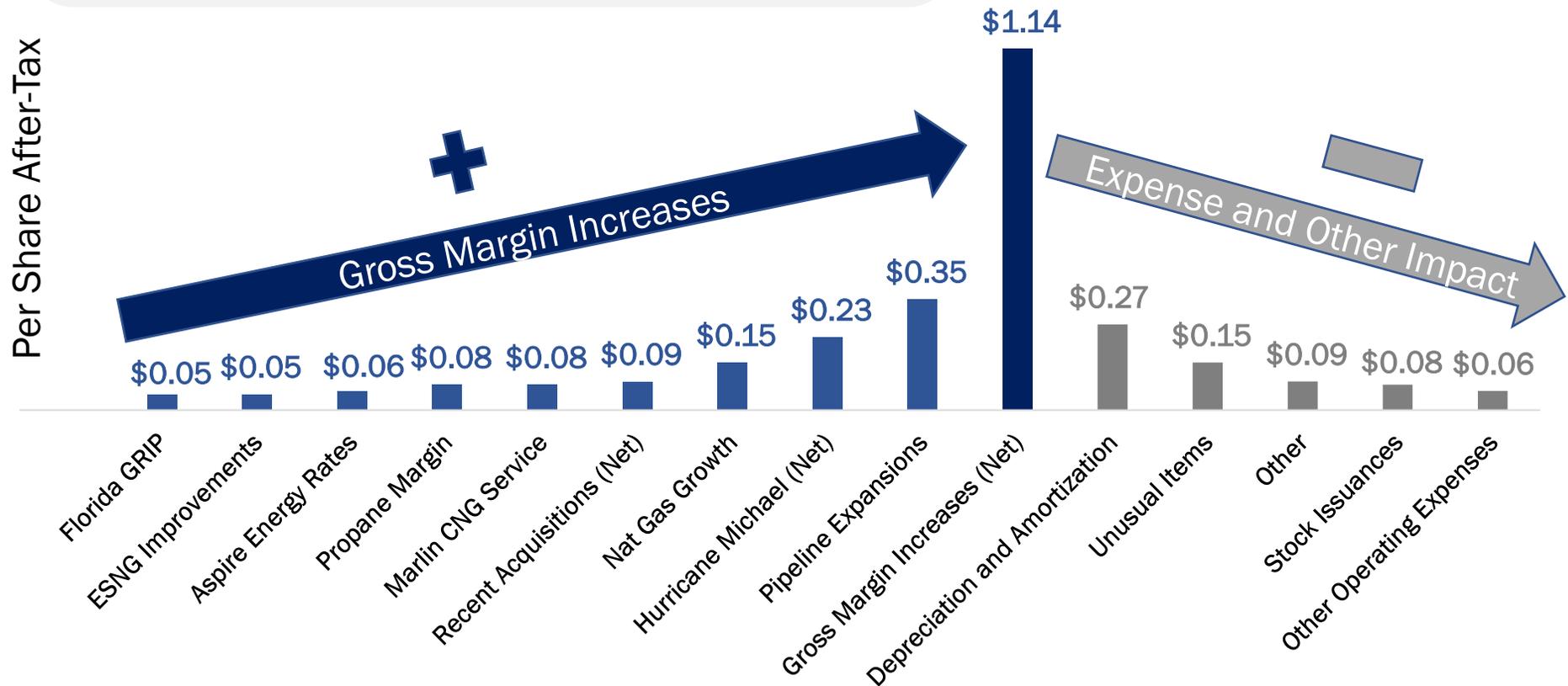
	Fourth Quarter		Annual	
	2020	2019	2020	2019
<b>Operating Income</b>	\$ 35,206	\$ 29,641	\$ 112,723	\$ 106,285
<b>Other Income (Expense), Net</b>	224	(1,117)	3,222	(1,847)
<b>Interest Charges</b>	6,313	5,641	21,765	22,224
<b>Income From Continuing Operations Before Income Taxes</b>	29,117	22,883	94,180	82,214
<b>Income Taxes on Continuing Operations</b>	7,456	5,760	23,538	21,114
<b>Income from Continuing Operations</b>	21,661	17,123	70,642	61,100
<b>Income (loss) from Discontinued Operations, Net of Tax</b>	691	5,441	856	4,053
<b>Net Income</b>	<u>\$ 22,352</u>	<u>\$ 22,564</u>	<u>\$ 71,498</u>	<u>\$ 65,153</u>
<b>Diluted EPS from Continuing Operations</b>	<b>\$1.24</b>	<b>\$1.04</b>	<b>\$4.21</b>	<b>\$3.72</b>
<b>Diluted EPS</b>	<b>\$1.28</b>	<b>\$1.37</b>	<b>\$4.26</b>	<b>\$3.96</b>

# Key Drivers of Our Performance

## Key Variances for 2020 Compared to 2019

Earnings per share after-tax increased 13.2% or \$0.49 to \$4.21 from \$3.72

• Gross Margin (Net)	\$19.4M	\$1.14	EPS after-tax
• Depreciation and Amortization	(\$ 4.6M)	(\$0.27)	EPS after-tax
• Net Unusual items	(\$ 2.5M)	(\$0.15)	EPS after-tax
• Other (Net)	(\$ 1.7M)	(\$0.09)	EPS after-tax
• Stock Issuances		(\$0.08)	EPS after-tax
• Operating expenses (Net)	(\$ 1.0M)	(\$0.06)	EPS after-tax



*Diluted Earnings per Share – Recent Acquisitions and Hurricane Michael margins are shown net of expenses, with (\$0.08) per share diluted from increased share count from 2020 equity offerings*

# Capital Structure Overview

## Strong Balance Sheet to Support Growth

	12/31/2019	12/31/2020
Stockholders' equity	\$ 561,577	\$ 697,085
Long-term debt, net of current maturities	440,168	508,499
<b>Total permanent capitalization</b>	<b>\$ 1,001,745</b>	<b>\$ 1,205,584</b>
Current portion of long-term debt	45,600	13,600
Short-term debt (including Revolver)	247,371	175,644
<b>Total capitalization and short-term financing</b>	<b>\$ 1,294,716</b>	<b>\$ 1,394,828</b>
Equity to Permanent Capital	56.1%	57.8%
Equity to Total Capitalization	43.4%	50.0%
New Long-Term Debt Issuance	\$ 170,000	\$ 90,000
Net New Equity Issuance - Stock Plans and ATM	\$ 3,615	\$ 89,700

**Achieved our  
target  
equity range**

- Issued \$89.7 million equity thru ATM and Various Stock Plans
- Issued \$90 million new LT Debt at 2.98%
- Established \$375 million bank facility
- Renewed and expanded LT Debt shelf facilities - \$310 million available

# Capital Expenditures Forecast for 2021

*(dollars in thousands)*

**Regulated Energy:**

Natural gas distribution  
 Natural gas transmission  
 Electric distribution  
 Total Regulated Energy

**Unregulated Energy:**

Propane distribution  
 Energy transmission  
 Other unregulated energy  
 Total Unregulated Energy

**Other:**

Corporate and other businesses

**Total Capital Expenditures**

Forecast 2021	
Low	High
\$ 79,000	\$ 85,000
55,000	60,000
9,000	13,000
143,000	158,000
82%	79%
9,000	12,000
14,000	15,000
8,000	12,000
31,000	39,000
1,000	3,000
<u>\$ 175,000</u>	<u>\$ 200,000</u>

**2021 Mid-Point Forecast \$187.5 million**

For the four years ended December 31, 2021, the Company will have invested \$865 million based on the 2021 mid-point - 86.5% of the five year forecast of \$1 billion.

# Key Expansion Projects

## Pipeline Growth and Margin Contribution

Project	Capital Investment	Fully In-Service	Annual Gross Margin Estimate
West Palm Beach County	\$24.6 million	2021 Second Quarter	\$5.2 million
Del-Mar Energy Pathway	\$49.3 million	2021 Fourth Quarter	\$6.7 million
Auburndale Project	\$3.0 million	2020 First Quarter	\$0.7 million
Callahan Pipeline (JV)	\$33.5 million CPK 50%	2020 Second Quarter	\$7.6 million
Guernsey Power Station	\$5.4 million	2021 Fourth Quarter	\$1.5 million

Total Pipeline Project Investments of \$116 million generates incremental gross margin of \$21.7 million, including distribution margin currently identified with the project.

# Major Projects and Initiatives

<i>(in thousands)</i>	Gross Margin for the Period			
	Year Ended December 31,		Estimate for Fiscal	
	2019	2020	2021	2022
<b>Pipeline Expansions:</b>				
Western Palm Beach County, Florida Expansion	\$ 2,139	\$ 4,167	\$ 4,984	\$ 5,227
Del-Mar Energy Pathway	731	2,462	4,385	6,708
Auburndale	283	679	679	679
Callahan Intrastate Pipeline	—	3,851	7,564	7,564
Guernsey Power Station	—	—	514	1,486
<b>Total Pipeline Expansions</b>	<b>3,153</b>	<b>11,159</b>	<b>18,126</b>	<b>21,664</b>
<b>CNG Transportation</b>	<b>5,410</b>	<b>7,231</b>	<b>7,900</b>	<b>8,500</b>
<b>RNG Transportation</b>	<b>—</b>	<b>—</b>	<b>1,000</b>	<b>1,000</b>
<b>Acquisitions:</b>				
Boulden Propane	329	3,900	4,200	4,409
Elkton Gas	—	1,344	3,992	4,200
Western Natural Gas	—	389	1,800	1,854
<b>Total Acquisitions</b>	<b>329</b>	<b>5,633</b>	<b>9,992</b>	<b>10,463</b>
<b>Regulatory Initiatives:</b>				
Florida GRIP	13,939	15,178	16,739	17,712
Hurricane Michael regulatory proceeding	—	10,864	11,014	11,014
Capital Cost Surcharge Programs	—	—	1,500	3,000
<b>Total Regulatory Initiatives</b>	<b>13,939</b>	<b>26,042</b>	<b>29,253</b>	<b>31,726</b>
<b>Total</b>	<b>\$ 22,831</b>	<b>\$ 50,065</b>	<b>\$ 66,271</b>	<b>\$ 73,353</b>

Annual Increases (000's)  
 Total Increases

\$27,234      \$16,206      \$7,082  
**\$50,522**