

energized ...



**Fourth Quarter and Fiscal Year 2018
Earnings Conference Call**

Friday March 1, 2019



Forward Looking Statements and Other Disclosures

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, and you should refer to the additional information contained in Chesapeake Utilities Corporation's 2018 Annual Report on Form 10-K filed with the SEC and our other SEC filings concerning factors that could cause those results to be different than contemplated in today's discussion.

REG G Disclosure: Today's discussion includes certain non-GAAP financial measures as defined under SEC Regulation G. Although non-GAAP measures are not intended to replace the GAAP measures for evaluation of Chesapeake's performance, Chesapeake believes that the 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.

Adjusted EPS (non-GAAP measure): Diluted Earnings per share excluding the impact of certain significant new non-cash items, including, but not limited to, the following: the impact of realized mark-to-market changes and one-time charges, such as severance charges.



Performance Overview



Chesapeake Utilities Corporation

Continuing to Deliver Top Performance

Engaged
Employees

Engaged employees continually identify new opportunities for sustainable growth.

Investment
Opportunities

Invested over \$600 million in capital expenditures over the past three years; represents top quartile performance in regards to capital expenditures as percentage of total capitalization.

Financial
Results

Superior performance as measured by our growth in earnings, dividends and top quartile return on equity.

Shareholder
Value

Chesapeake's Annual Shareholder Return has exceeded 15% for all periods ended 1/31/19.



Chesapeake Utilities Corporation

2018 Noteworthy Performance

Continue to generate superior growth in earnings per share

- Net income totaled \$56.6 million or \$3.45 per share in 2018 compared to \$3.55 reported earnings for 2017, which included a one time tax benefit from TCJA of \$0.87 per share
- 19.4% EPS growth in 2018 compared to 2017 adjusted \$2.89 EPS – exceeding our 2018 guidance of 17% growth
- 5-year compound annual growth in earnings per share is 8.8%

Capital expenditures were a record \$283 million or 27% of average 2018 capitalization

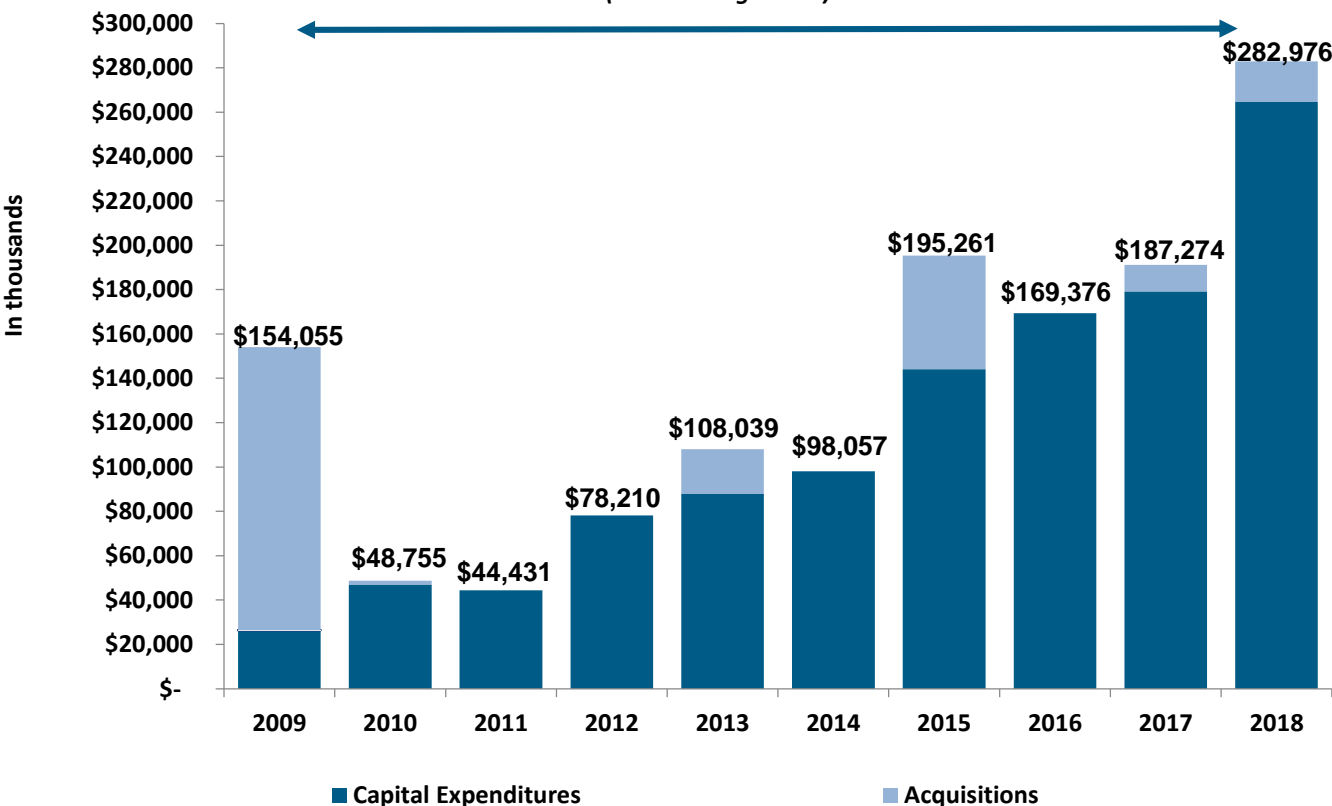
- Expect to generate \$23.7 million in annual margin going forward from completed Florida and Eastern Shore Natural Gas Pipeline projects
- Proactively responded to Hurricane Michael; finalizing regulatory filing for recovery of over \$60 million in estimated restoration costs
- Acquisitions adding an estimated combined \$5.7 million margin in 2019
 - Marlin CNG Services in Florida
 - Assets acquired from R.F. Ohl in Pennsylvania - now folded into Sharp



Continuing to Build for the Future

Capital Expenditures

*Cumulative Expenditures and Acquisitions
of \$1.37 Billion
(2009 through 2018)*



*We have invested
\$1.37 billion in capital
expenditures from 2009
to 2018 which has
propelled our growth.*

\$ in thousands	2019 Forecasted Capital Expenditures
\$66,787	Natural Gas Transmission
70,092	Natural Gas and Electric Distribution
21,631	Unregulated Energy
9,705	Corporate / Other
<u>\$168,215</u>	Total Forecasted Capital Expenditures

Capital expenditures for 2019 currently budgeted at \$168MM.

**Excluding Hurricane Michael restoration cost which will be allocated between capital expenditures and storm reserve.*

Superior Earnings per Share Growth

Ten Years of Strong Growth

Diluted Earnings Per Share*

10-year EPS CAGR – 10.1%
5-year EPS CAGR – 8.8%



*All Figures are GAAP EPS, except for 2017. 2017 Adjusted EPS of \$2.89 vs. \$3.55 GAAP EPS which includes an \$0.87 one-time gain from TCJA.

Growth in 2018 and over the past 10 years reflects successful execution of our disciplined growth strategy, and achieving top quartile performance in terms of capital invested (as a percent of capitalization), by:

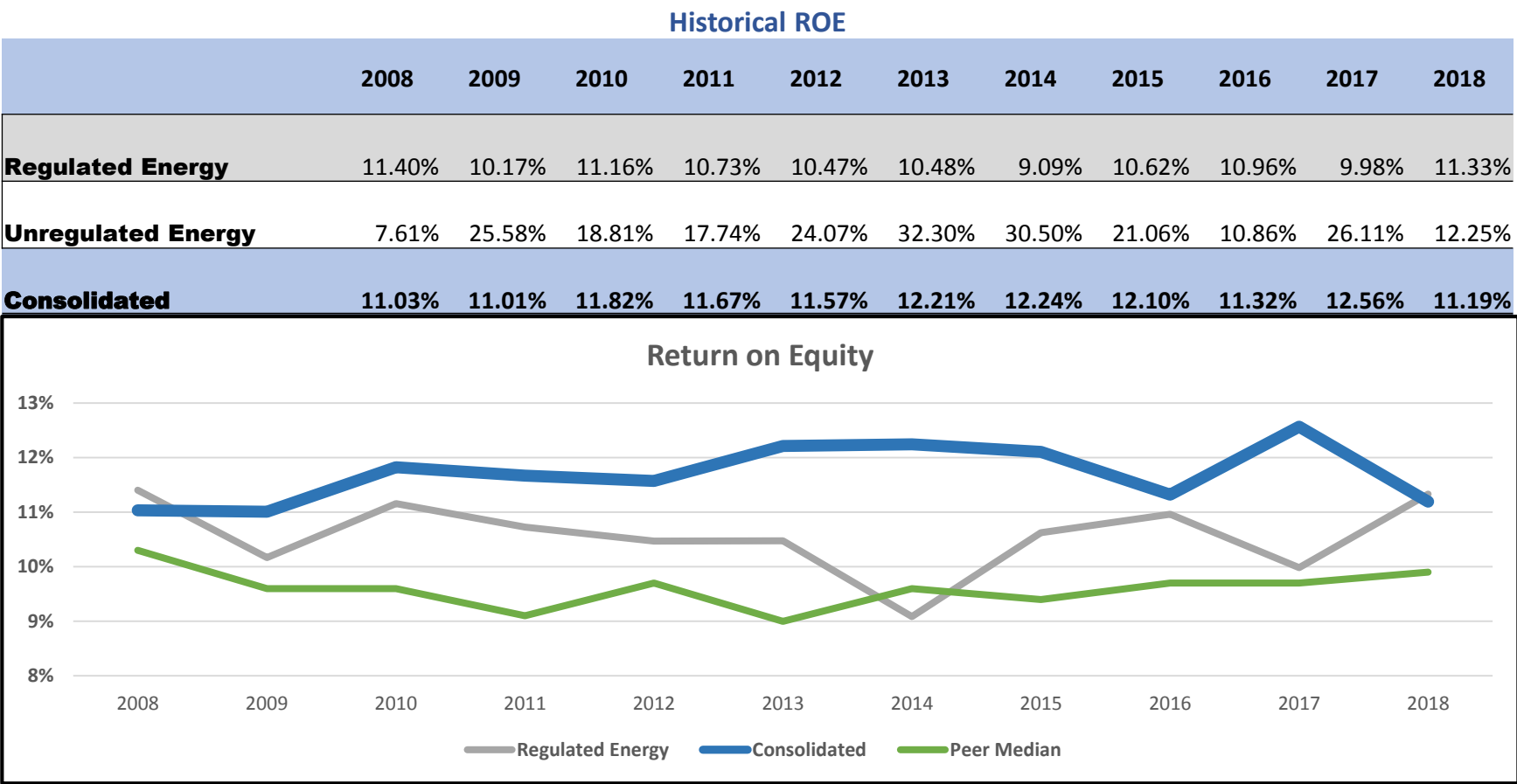
- Cultivating project development opportunities including ESNG expansions, Peninsula Pipeline projects and 8 Flags CHP
- Generating organic growth from our natural gas, propane and electric operations
- Investing in safety and reliability for our customers such as the GRIP, Electric Reliability Modernization Program and Hurricane Michael response
- Enhancing propane growth through acquisitions and innovative offerings like community gas systems and AutoGas
- Making accretive acquisitions with growth potential such as FPU, Sandpiper, Aspire Energy, and Marlin Gas Services

2018 GAAP EPS Increased 19% to \$3.45 - exceeding our guidance of 17% Growth over 2017 Adjusted EPS of \$2.89



Delivering Consistent and Higher Returns

Return on Equity

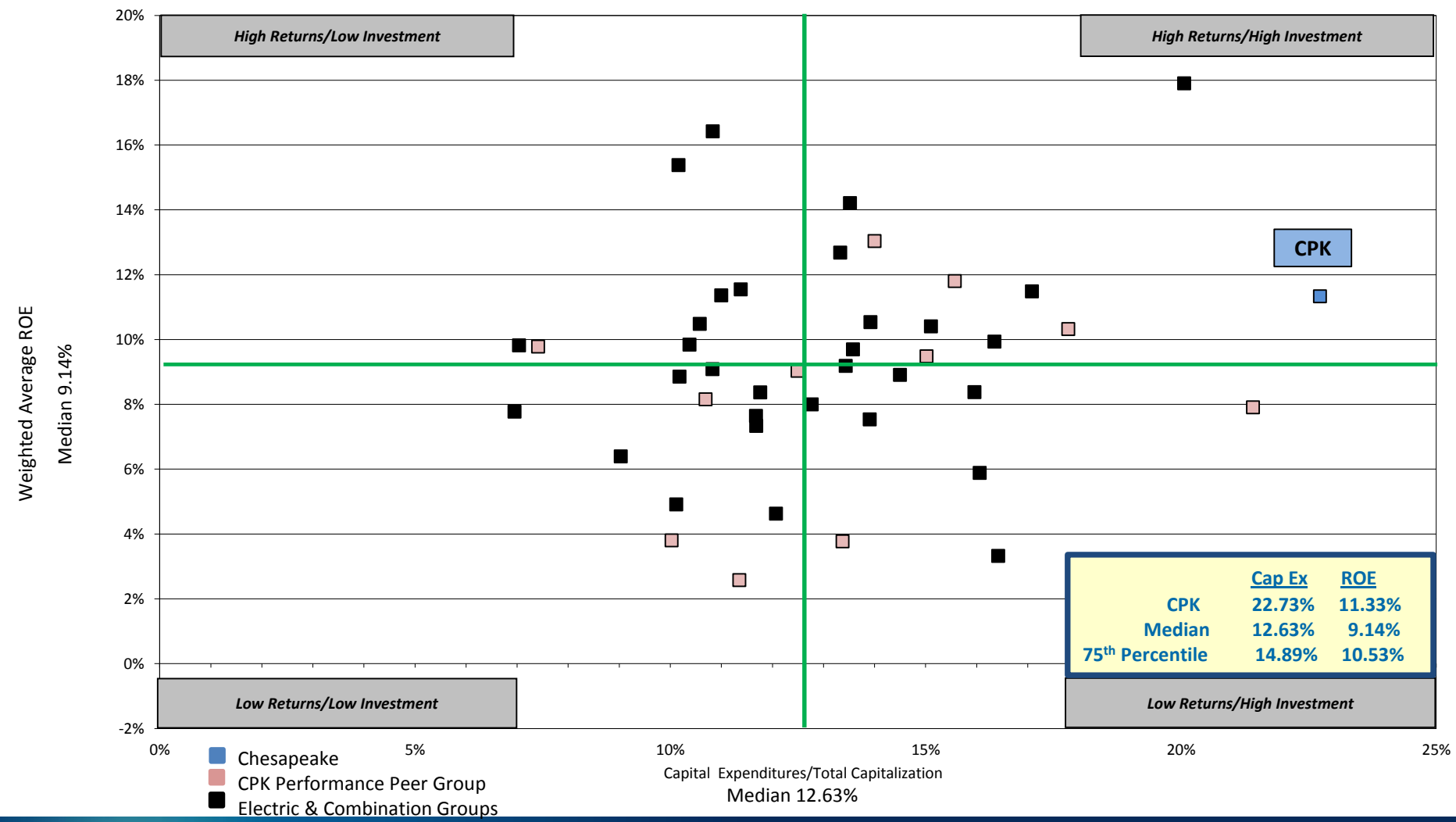


**Peer Median for 2018 represents the peer median for the trailing 12 months ended 9/30/18*

We have delivered top quartile ROEs over the long-term.

Capital Projects - High Return / High Investment

Peer ROE vs. Capital Expenditures (October 2015 – September 2018)





Financial Review



Consolidated Financial Results

Fourth Quarter Performance

For the periods ended December 31
(in thousands except per share amounts)

	Fourth Quarter		Year-to-Date	
	2018	2017	2018	2017
Operating Income (Loss)				
Regulated Energy segment	\$ 22,285	\$ 21,580	\$ 79,215	\$ 74,584
Unregulated Energy segment	6,660	2,005	16,901	12,631
Other businesses and eliminations	(15)	43	(1,496)	205
Total Operating Income	28,930	23,628	94,620	87,420
Other Expense, net	(410)	(486)	(615)	(2,342)
Interest Charges	4,456	3,513	16,431	12,645
Income Before Taxes	24,064	19,629	77,574	72,433
Income Taxes	6,263	(6,472)	20,994	14,309
Net Income	\$ 17,801	\$ 26,101	\$ 56,580	\$ 58,124
Diluted Earnings Per Share	\$1.08	\$1.59	\$3.45	\$3.55
Adjusted Diluted Earnings Per Share	\$1.10	\$0.93	\$3.31	\$2.89

19%
Growth

- 2018 gross margin increased by \$36.6 million or 13% before TCJA - the largest increase in our history
- Adjusting for TCJA, gross margin increased by \$27.1 million, or 9.7%
- Margin, operating income and net income were up in 2018 for our regulated and unregulated segments, excluding the one-time TCJA impact in 2017
 - Net income growth:
 - Regulated Energy segment – 22%
 - Unregulated Energy segment – 22%

Reconciliation of GAAP to Adjusted Earnings

For the year ended December 31,	2018		2017	
(in thousands, except per share data)	Net Income	EPS	Net Income	EPS
Reported (GAAP) Earnings	\$ 56,580	\$ 3.45	\$ 58,124	\$ 3.55
Unrealized mark-to-market ("MTM") activity	(3,706)	(0.23)	3,499	0.21
One-time impact from TCJA associated with deferred tax liability revaluation	—	—	(14,299)	(0.87)
Non-recurring separation expenses associated with a former executive	1,421	0.09	—	—
Adjusted (Non-GAAP) Earnings*	\$ 54,295	\$ 3.31	\$ 47,324	\$ 2.89

14.5% Growth

For the period ended December 31,	Fourth Quarter 2018		Fourth Quarter 2017	
(in thousands, except per share data)	Net Income	EPS	Net Income	EPS
Reported (GAAP) Earnings	\$ 17,801	\$ 1.08	\$ 26,101	\$ 1.59
Unrealized MTM activity	401	0.02	3,467	0.21
One-time impact from TCJA associated with deferred tax liability revaluation	—	—	(14,299)	(0.87)
Adjusted (Non-GAAP) Earnings	\$ 18,202	\$ 1.10	\$ 15,269	\$ 0.93

18.3% Growth

\$3.31 Adjusted (Non-GAAP) earnings in 2018 represents 14.5% growth over 2017 adjusted earnings

\$1.10 Adjusted (Non-GAAP) earnings in 2018 fourth quarter represents 18.3% over 2017 fourth quarter

Reconciliation of 2018 Results

Key variances for the year ended December 31, 2018 vs. 2017 included:

(in thousands except per share data)

	Pre-Tax Income	Net Income	Earnings Per Share
Year ended December 31, 2017 Reported Results	\$ 72,433	\$ 58,124	\$ 3.55
Absence of the 2017 deferred tax impact from TCJA	-	(14,299)	\$ (0.87)
Adjusting for unusual items (including PESCO \$10,423)	9,704	6,786	0.41
	<u>9,704</u>	<u>(7,513)</u>	<u>(0.46)</u>
Increased (Decreased) Gross Margin:			
Eastern Shore and Peninsula Pipeline Expansions	9,709	7,082	0.43
Natural gas growth	5,911	4,311	0.26
Implementation Eastern Shore settled rates	5,803	4,233	0.26
Return to normal weather	5,046	3,680	0.22
Florida electric reliability program and GRIP	2,793	2,038	0.13
Unregulated Energy growth excluding PESCO	3,140	2,290	0.14
PESCO results	(6,034)	(4,401)	(0.27)
	<u>26,368</u>	<u>19,233</u>	<u>1.17</u>
Increased Other Operating Expenses	(18,341)	(13,379)	(0.82)
Income taxes and customer pass-through - Regulated Energy	(9,562)	-	-
Other income tax effects - primarily the impact of income tax changes on Unregulated businesses	-	2,323	0.14
Interest charges and other net changes	(3,028)	(2,208)	(0.13)
	<u>(18,341)</u>	<u>(13,379)</u>	<u>(0.82)</u>
Year ended December 31, 2018 Reported Results	\$ 77,574	\$ 56,580	\$ 3.45

Increase in Margin:

- Eastern Shore and Peninsula Pipeline expansion projects
- Organic growth in natural gas distribution, Aspire and propane
- Regulatory initiatives in Florida reliability and GRIP
- Implementation of Eastern Shore settled rates
- Offset by losses at PESCO

Change in Operating Expenses:

- Depreciation, amortization and taxes increased as a result of capital investment for growth
- Higher other operating expenses reflect increased costs to support growth

TCJA Impact:

- Effective tax rate 27%
- \$9.6MM in savings passed through to customers
- \$2.3MM in lower unregulated income taxes

* 2018 EPS of \$3.45 is an increase of \$0.56 per share or 19% compared to \$2.89 adjusted 2017 EPS

Natural Gas Distribution Margin Growth

For the Periods Ended December 31st

Continued Strong Organic Margin Growth of \$5.9 million in 2018

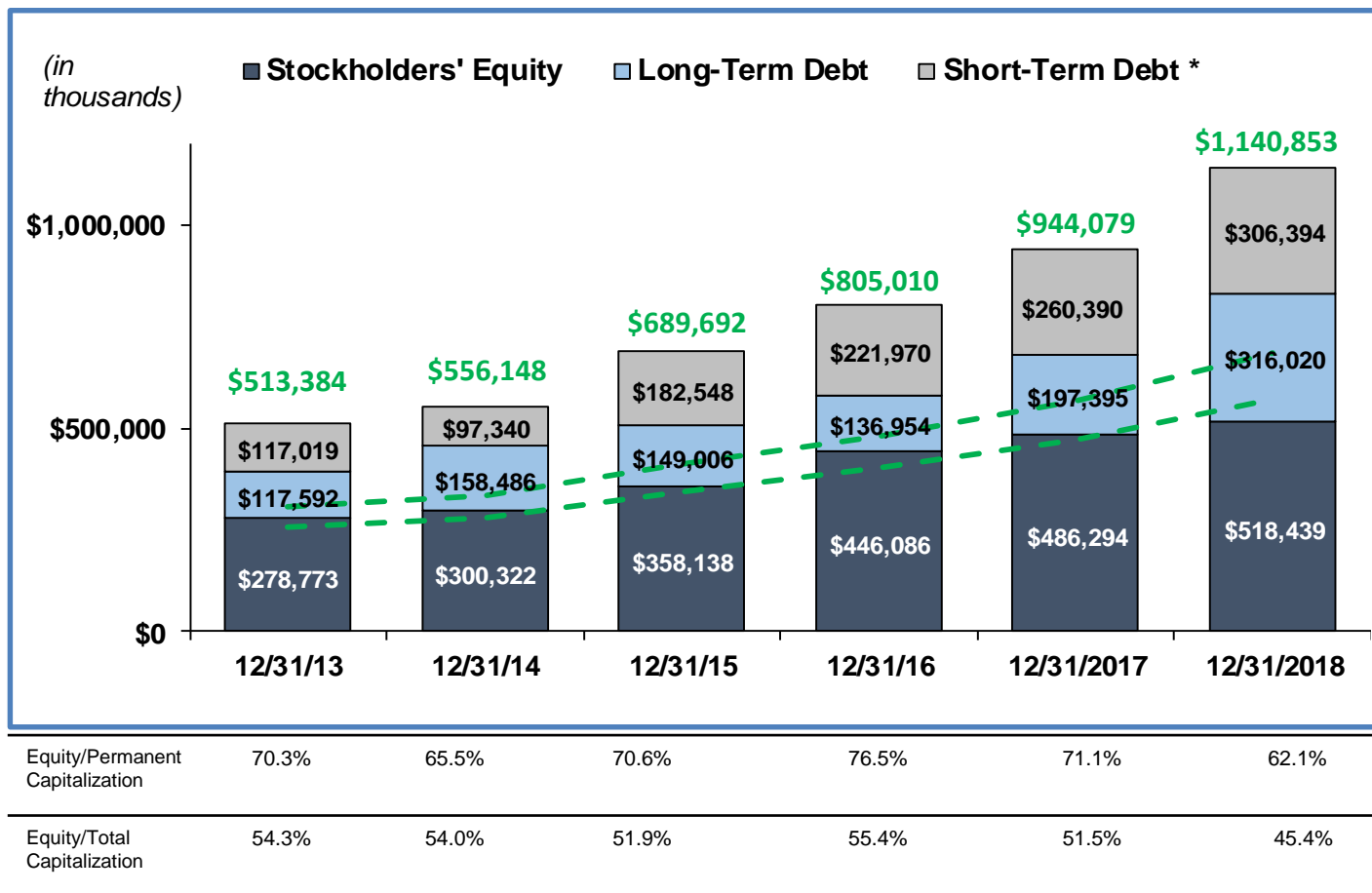
(in thousands) For the Periods Ended December 31,	Margin Increase	
	2018	Q4 2018
Customer growth:		
Residential	\$ 1,604	\$ 433
Commercial and industrial, excluding new service in Northwest Florida	1,322	296
New service in Northwest Florida	987	336
Total customer growth	3,913	1,065
Volume growth:		
Residential	655	207
Commercial and industrial	1,522	279
Other - including unbilled revenue	(179)	15
Total volume growth	1,998	501
Total natural gas distribution growth	\$ 5,911	\$ 1,566

- Natural gas distribution operations generated \$5.9MM and \$1.6MM of additional margin YTD and QTD, respectively.
- For 2018, total customer growth generated \$3.9MM YTD and \$1.1MM QTD in additional margin.
 - 3.3 percent residential customer growth on the Delmarva Peninsula and in Florida. Both regions are seeing population growth across many communities.
 - Also strong growth in the commercial and industrial customer sectors
 - New Northwest Florida project generated \$336,000 incremental margin QTD and \$987,000 YTD to new customers.
- Our customer growth rate is not slowing as the incremental margin from organic growth in 2018 (absent the Northwest expansion) is comparable to the level of margin growth in 2017
- \$2.0 MM incremental margin YTD from higher consumption (primarily from colder weather).

Strong Balance Sheet to Support Future Growth

Total Capitalization has More Than Doubled in Five Years

Target Equity to
Total Capitalization
Ratio of 50% - 60%



* Short-Term Debt includes Current Portion of Long-Term Debt

December 2018 and January 2019
\$30 MM PNC and \$30 MM BB&T
Term Loans
LIBOR plus 75 bps
13 Month Term
for Hurricane Michael

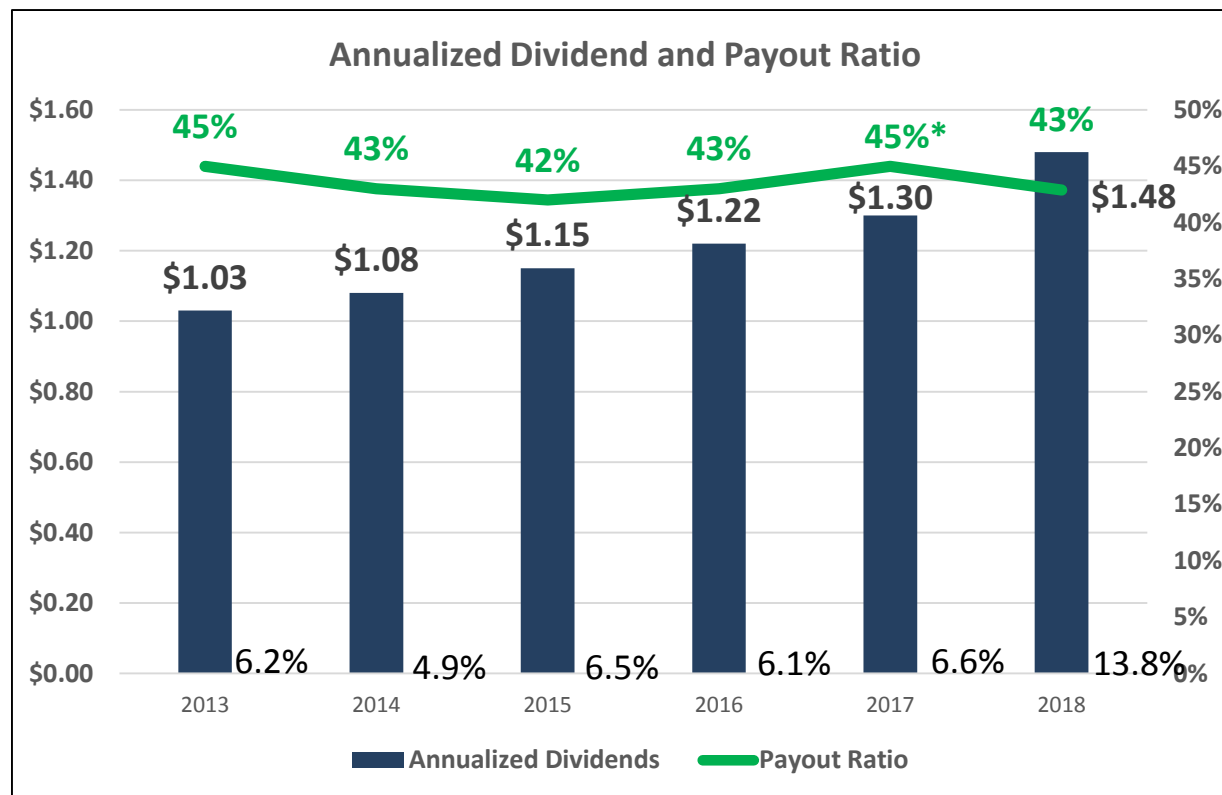
August 2019
\$100 MM
Prudential
3.98% - 20 Years

Excluding \$60 MM
Hurricane Michael
Recovery Cost

Equity to Total
Capitalization
equals 48%

Dividend Growth Continues

Above Average Dividend Growth and Dividend Payout Ratio



- Chesapeake's five-year annualized dividend growth rate is 7.6 percent – in line with our five-year CAGR in earnings through 2018 of 8.8 percent.
- Our goal remains to provide above average growth in dividends, supported by growth in earnings per share.

Payout Ratios based on Annualized Dividends compared to Basic Earnings per Share

** Payout Ratio based on Adjusted (Non-GAAP) EPS of \$2.89 for 2017*

Status of Tax Rate Reserves for Refunds to Rate payers

Regulatory Liabilities
related to Excess ADIT

Customer Rate reduction
related to 35% to 21%
Rate Change

Eastern Shore (FERC)	FERC will address in next rate case filing	Refunded and Rates Adjusted April 2018
Delaware Division (DE PSC)	Approved customer rate reductions effective March 1, 2019	Customer Rates to be adjusted March 1, 2019
Maryland Division (MD PSC)	PSC approved amortization and rate reduction implemented May 2018	Refunded and Rates adjusted May 1, 2018
Sandpiper Division (MD PSC)	PSC approved amortization and rate reduction implemented May 2018	Refunded and Rates adjusted May 1, 2018
Chesapeake CFG (FL PSC)	Order approved; pending no contest, other than GRIP, we would retain the ADIT liability and amortize	Order approved; pending no contest, other than GRIP, no bill credit or adjustment in rates would be applied
FPU Nat Gas (FL PSC)	Same as CFG	Same as CFG
FPU Electric (FL PSC)	Approved Amortization of ADIT through purchase power cost recovery, storm reserves and rates	TCJA flows back to customers through a combination of fuel cost recovery, base rates and storm reserves over the next several years

Hurricane Michael Update

Florida Public Utilities Impact and Restoration

- Inflicted heavy damage throughout northwest Florida and adversely impacted our electric distribution system and knocked out power to 100% of our 13,000 electric customers in Northwest Florida.
- Restored power to all customers who can accept power, and are working with customers who are repairing or rebuilding their residences to restore service once they complete their repairs.
- Expended over \$60 million for repair and service restoration costs
 - Initially financed with intermediate term loans through 2020.
- Costs for repairs and restoration have been recorded as new plant and also against FPU's storm reserve.
- The storm did not have a material impact on the Company's 2018 financial results
 - Service was restored to a majority of its customers
 - The Company will be seeking recovery of the storm costs through rates.

Chesapeake's Performance Metrics (Relative to Peers)

Financial Discipline of Capital Investment to Increase ROE, EPS and Shareholder Return

Performance Metrics	Chesapeake Results				Chesapeake Percentiles compared to Large Peer Group				Chesapeake Percentiles compared to Performance Peer Group			
<i>For periods ending 9/30/18 unless otherwise noted</i>	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
Capital Expenditures / Total Capitalization	23.0%	22.7%	23.4%	23.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Earnings Per Share Growth (CAGR)	47.2%	11.3%	11.7%	11.8%	83.9%	78.8%	74.3%	94.8%	82.7%	67.8%	75.8%	100.0%
Return on Equity	13.1%	11.3%	11.8%	11.7%	81.1%	78.9%	87.1%	81.8%	89.9%	80.5%	91.2%	94.8%
Dividends Per Share Growth (CAGR) <i>* for the periods ending 12/31/18</i>	13.8%	8.8%	7.6%	6.2%	100.0%	87.2%	84.3%	70.1%	100.0%	92.1%	97.9%	87.0%
Earnings Retention Ratio	62.6%	57.2%	57.5%	54.4%	78.0%	95.2%	96.7%	93.0%	70.5%	100.0%	100.0%	100.0%
Shareholder Return (CAGR) <i>* for the periods ending 12/31/18</i>	5.3%	14.8%	17.6%	17.7%	55.5%	75.0%	87.3%	89.1%	38.6%	56.7%	59.3%	77.6%
				22 of 24 Top Quartile Performance of Larger Peer Group including Electric and Combination Companies.				19 of 24 Top Quartile Performance Peer Group				
Top Quartile												
Above Median												

Chesapeake's financial discipline and capital investment opportunities have driven top quartile performance for earnings per share growth, dividend growth and total shareholder return.

For periods ending 9/30/18 unless otherwise noted due to availability of peer data.

Major Projects and Initiatives

Expected to Produce \$40 Million in Incremental Margin (2018 through 2019)

Project / Initiative (in thousands)	Gross Margin for the Period		
	Year Ended December 31,		Estimate for Fiscal
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Regulatory Initiatives			
Florida GRIP	\$ 13,454	\$ 14,731	\$ 16,276
Eastern Shore Rate Case	3,693	9,496	9,800
Florida Electric Reliability/Modernization Pilot Program	94	1,610	1,558
Total Regulatory Initiatives	17,241	25,837	27,634
Growth Projects			
New Smyrna Beach, Florida Project	235	1,409	1,409
2017 Eastern Shore System Expansion Project	483	8,015	15,709
Northwest Florida Expansion Project	-	3,485	6,500
Western Palm Beach County, Florida Expansion	-	54	1,250
Total Growth Projects	718	12,963	24,868
2018 Acquisitions			
Marlin Gas Services	-	110	4,475
OHI Propane acquisition (rolled into Sharp)	-	-	1,200
Total 2018 Acquisitions	-	110	5,675
Total Project / Key Initiatives	\$ 17,959	\$ 38,910	\$ 58,177

Key project table does not include Chesapeake's regulatory initiatives related to the Florida TCJA tax recovery, and new projects under development which should be forthcoming later this year.

\$20,951 \$19,267



Looking Forward



Natural Gas Transmission Growth

Current Eastern Shore Natural Gas Large Projects

2017 Expansion Project

- ~23 miles of pipeline looping in PA, MD and DE
- ~17 miles of new mainline extension and two pressure control stations in Sussex County, DE
- Upgrades to the TETCO interconnect
- 3,750 hp new compression-Daleville Station
- Total of 61,162 dt/d of additional firm natural gas transportation service with additional 52,500 dt/d of firm transportation service at certain ESNG receipt facilities
- Primarily complete; remaining segments to be placed into service in the first half of 2019

Combined Projects

Estimated Capital Investment of \$166MM
Years: 2017-2021

Del-Mar Energy Pathway Project

- ~6 miles of pipeline looping in DE
- ~13 miles of new mainline extension in Sussex County, DE and Somerset County, MD
- New pressure control station and new delivery stations in Sussex County, DE and in Somerset County, MD
- Up to an aggregate of 14,300 dts/d
- Currently in FERC regulatory process; application submitted 09/14/18

Combined Projects

Incremental Margin: up to \$20.9MM

Florida Natural Gas Transmission and Distribution

Three Significant Expansions

Completed

Northwest FL Expansion

- \$6.5MM annual margin
- \$44.3MM total capital invested
- In-service: May 2018

- PPC - 12" transmission pipeline to expand distribution service to Escambia County, Florida
- Anchor loads - City of Pensacola and Ascend Performance Materials
- Capacity-115,500 dts/day; Contracted-105,500 dts/day
- Opportunity to add additional customers

Completed

New Smyrna Beach Project

- \$1.4MM annual margin
- \$9MM total capital invested
- Fully in-service during the 4th quarter of 2018

- PPC 14-mile transmission pipeline project serves FPU.
- Increased pressure and volume for FPU growing distribution system.
- Resolves a pipeline capacity constraint.

Under Construction

Western Palm Beach County Expansion

- \$5.4MM annual margin
- \$1.3MM expected margin in 2019
- \$30MM total capital invested
- Partially in-service 4th quarter 2018, and phased through 2020

- Four PPC projects to serve FPU's natural gas distribution systems expansions in Palm Beach County.
- Resolves a pipeline capacity constraint.

Unregulated Energy Growth

Marlin Gas Services - Acquisition Completed December 2018

Transaction Highlights

- Expect purchase to be accretive in 2019
- \$4.5 million in margin expected in 2019
- Significant growth potential from existing equipment and investment in fleet expansion will accelerate future growth
- Marlin will operate as an unregulated subsidiary of Chesapeake Utilities



Marlin Gas Services Capabilities

- One of the largest fleets of tube trailers dedicated to transportation of compressed natural gas (“CNG”)
- Nationwide service with primary focus on Gulf Coast
- Over 7 billion cubic feet of natural gas transported
- Provides temporary and emergency natural gas services

Marlin provides a solution for gas pipeline and gas distribution systems while safety and integrity work is being performed. Spending on system integrity, reliability and safety has risen sharply and is expected to continue to rise given recent incidents and growing regulatory support for programs like “GRIP” in Florida.

*The Marlin equipment and services are familiar to CPK. It is a business we understand....
We are working with gas utility customer throughout the Southeast for Marlin temporary gas supply*

Sharp Energy

Growth Initiatives beyond Organic Growth

Community Gas Systems

- Maintain and develop builder relationships via dedicated staff to ensure seamless implementation

Autogas

- Strategic partners have been key
- Autogas technical services team is very capable
- Created a multi-fleet fueling station network to support refueling efficiency for our customers

Start-ups

- Facilitates geographic expansion beyond existing service territories

Poultry

- Producers are increasing capacity on the Delmarva Peninsula
- Sharp has superior infrastructure and strong grower relations

...And Acquisitions

Benefits of Ohl Acquisition

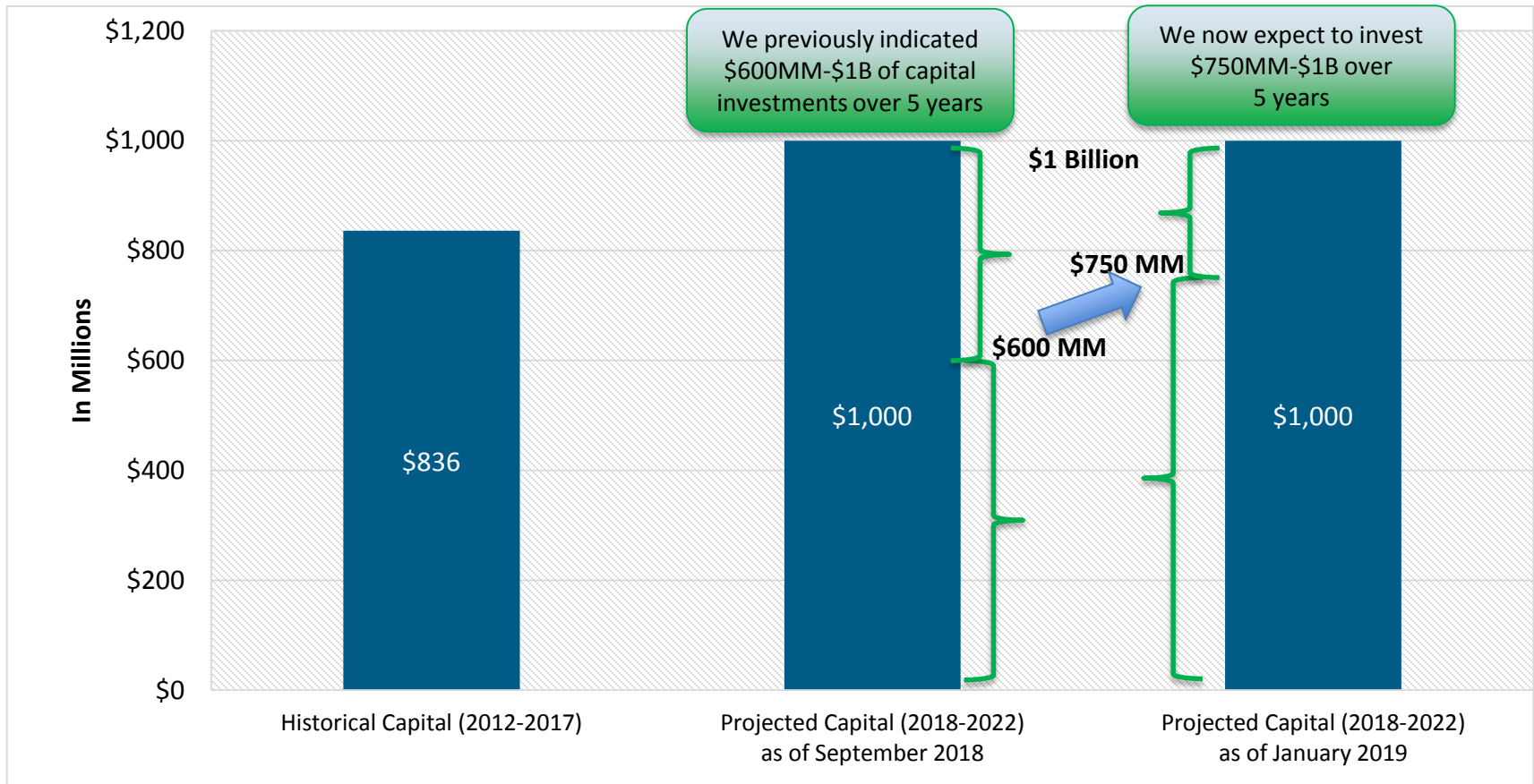
- Added 2,500 customers to Sharp's 6,000 existing customers in PA
- Larger foundation from which to expand further
- Operational synergies, including supply
- Additional services and pricing programs are being offered to customers
- Operations have been integrated into Sharp's Pennsylvania operations in Pocono and Allentown
- \$1.2 million expected margin in 2019

Strong Culture for Sustainable Growth



Capital Spending Forecast

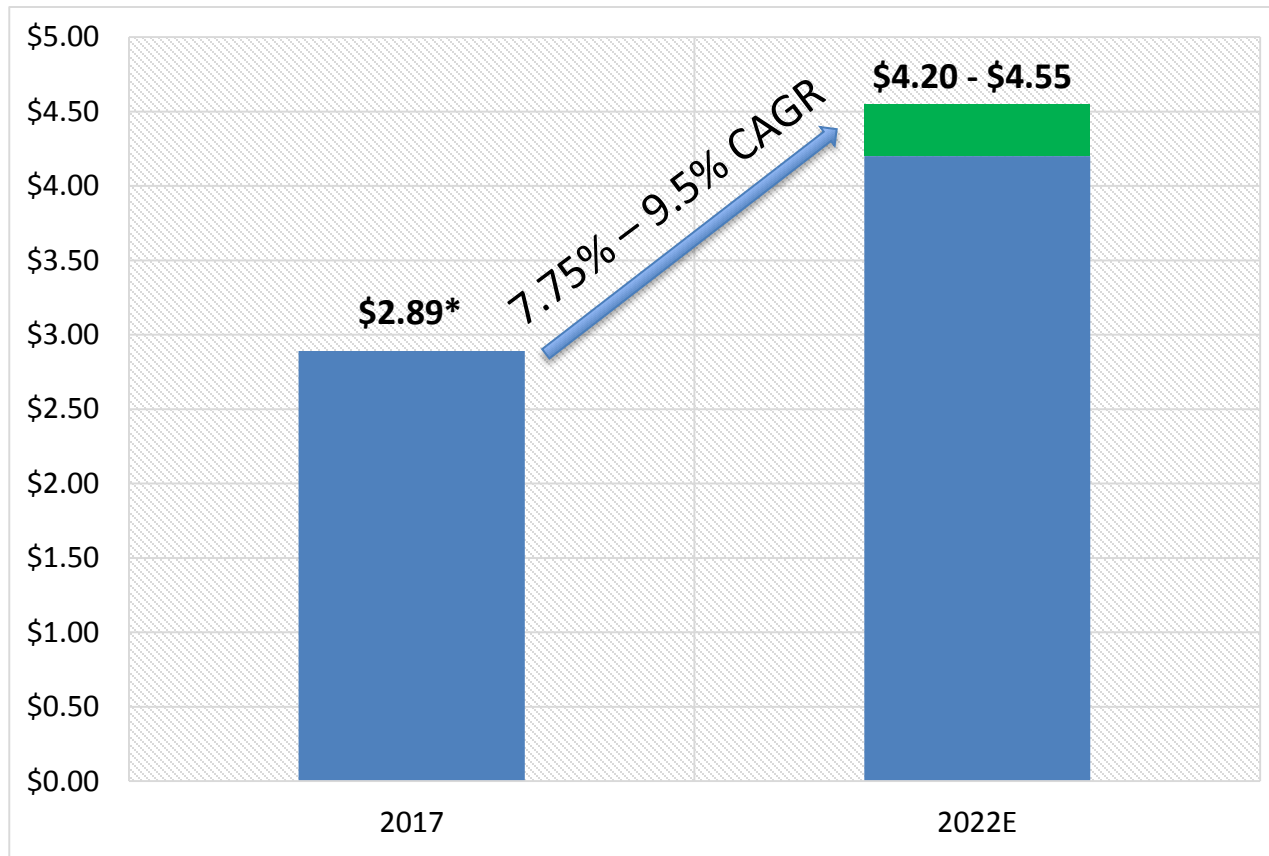
Five year projection of up to \$1B



New projection has same \$1B top range, however due to recent investments being developed we are raising the low range from \$600MM to \$750MM

Chesapeake Utilities Corporation

Earnings Outlook: Expect Growth Well Above Industry



Key Assumptions:

- Capital Expenditures total target approximately \$750MM-\$1B
- Normal weather conditions
- Maintain target equity to total capitalization ratio of 50% to 60%
- Dividend Payout Ratio approximates 45%
- Dividend per share growth supported by earnings per share growth

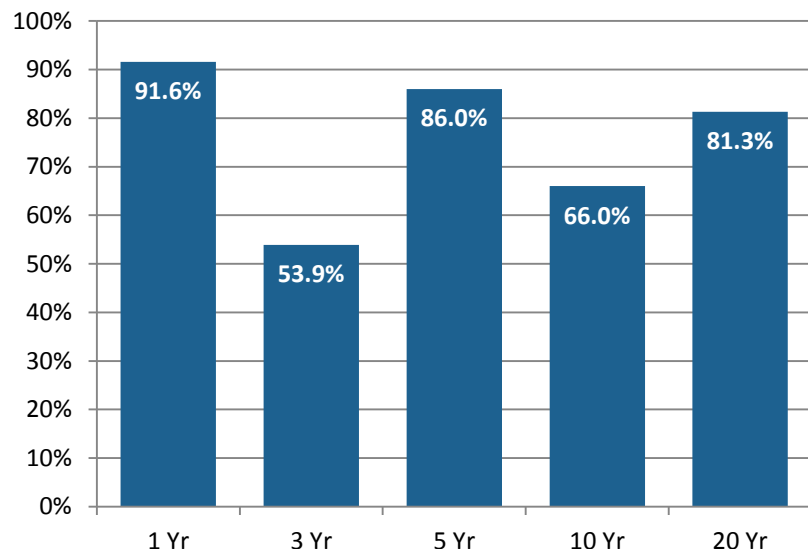
Chesapeake's strategic initiatives generating estimated EPS compound growth rate of 7.75% to 9.5% for the five years through 2022

*Based on 2017 Adjusted Earnings per Share

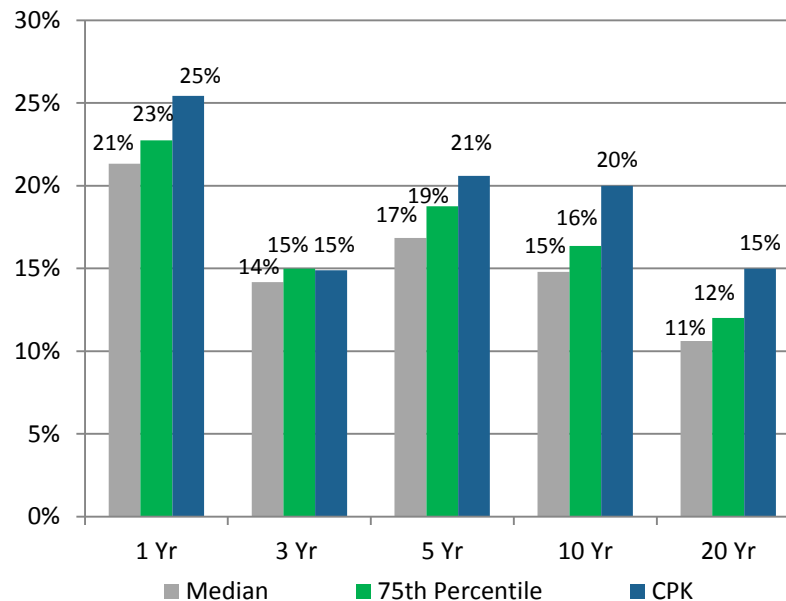
Total Shareholder Return (TSR)

Comparison to Broader Market – S&P 500 Companies and Peer Group

TSR - CPK Percentiles Amongst All S&P 500 companies
for periods ending 1/31/19



TSR - Annualized CPK Shareholder Returns
Against Performance Peer Group
for Periods Ending 1/31/19



Chesapeake is driven to increase shareholder value....

***Our compound annual return has exceeded 15% for all periods shown through January 31, 2019.
Chesapeake has approximated or exceeded the peer group 75th percentile for all periods shown.***

Source: Bloomberg



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Thank You



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