

A STRONG

foundation

FOR GROWTH

**Fourth Quarter and Year-End 2019
Earnings Conference Call
February 27, 2020**

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 2019 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.

2019 Strategic Accomplishments

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- Enhanced Chesapeake team to support growth

- EPS growth:

	<u>GAAP</u>	<u>Cont. Ops.</u>
1-year	14.8%	7.2%
3- year	11.5%	10.3%
5- year	9.9%	9.4%
10-year	10.7%	11.3%

- Generated a Return on Equity of 12% (11.3% from continuing operations), while investing \$199 million in capital in 2019

- 9.5% annualized dividend growth supported by earnings growth

- Exited Energy Marketing business after strategic review generating \$5.4 million after-tax gain

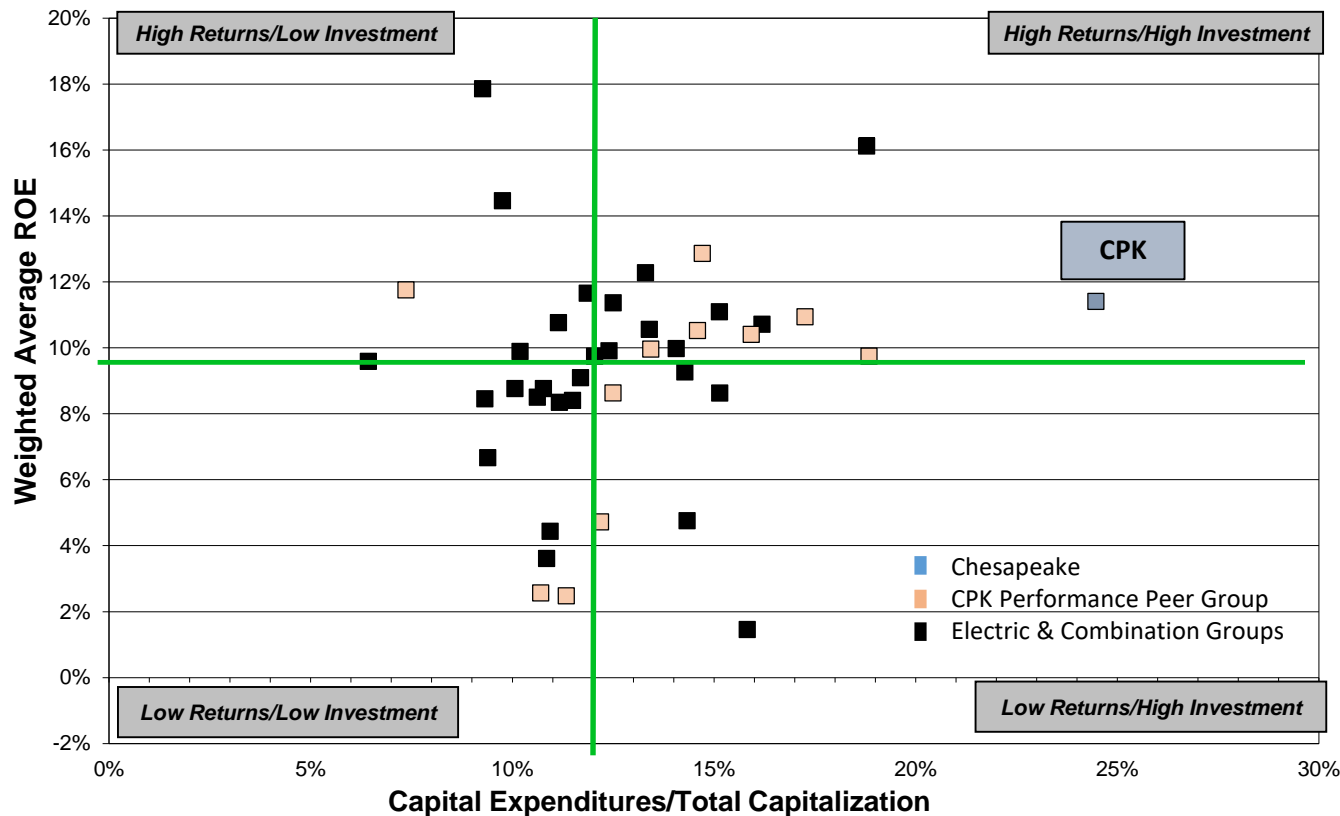
- Completed Ohl and Boulden acquisitions to enhance propane margin and future growth

- Identified new projects/initiatives to position the Company for continued success including Marlin Gas Services, the Del-Mar Energy Pathway pipeline, Florida and Ohio transmission expansion projects, and the pending Elkton Gas acquisition

Strategic Plan Execution

Capital Discipline and Efficiency

Peer/Industry ROE vs. Capital Expenditures (October 2016 – September 2019)



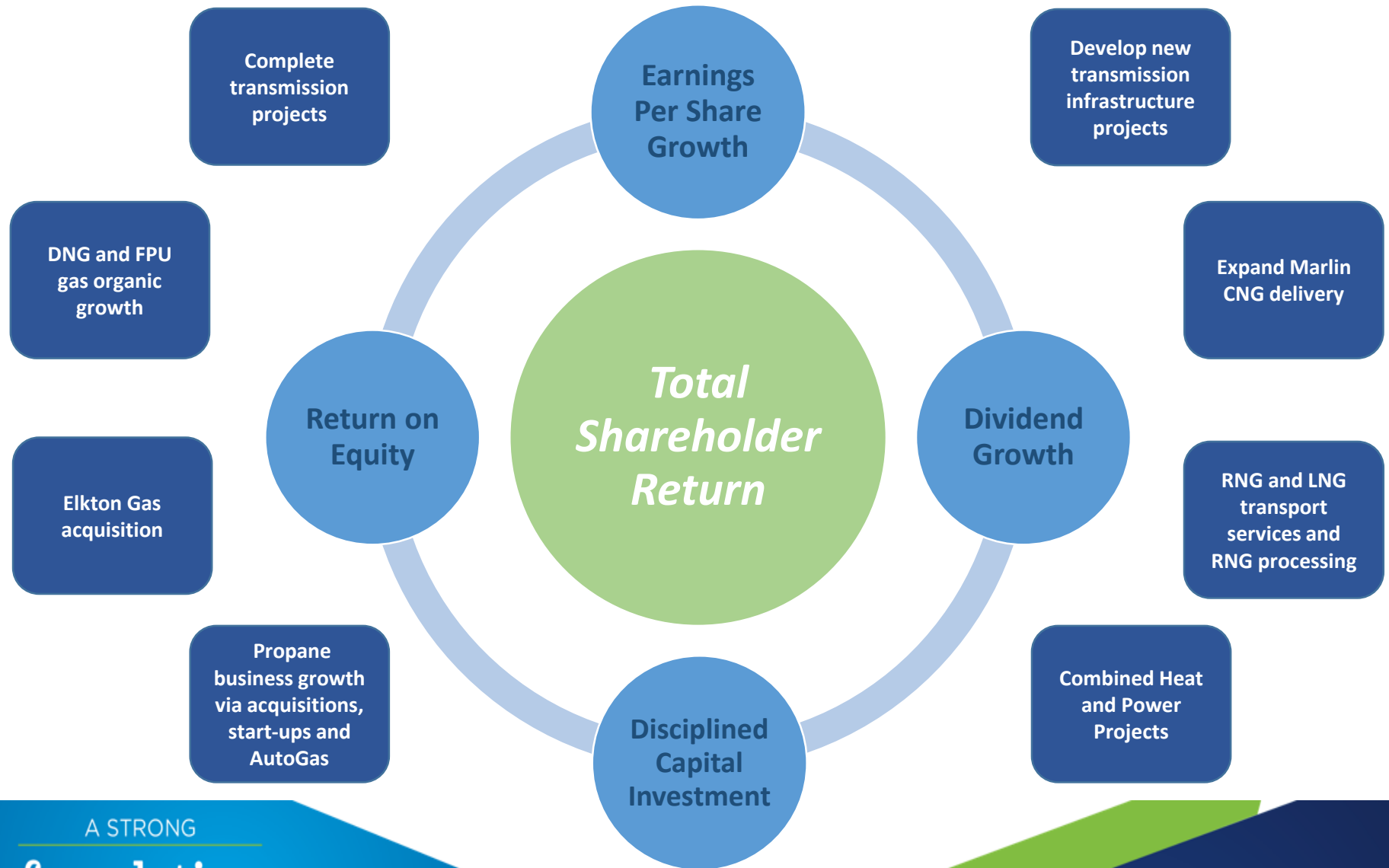
Financial discipline to maintain upper quartile performance of Capital Investment, EPS Growth, ROE, Dividend Growth and Total Shareholder Return

Chesapeake Utilities
Three Year Performance vs. Peer Group
As of 9/30/19

	CPK *	Med	75 th
Cap EX	24.5%	12.6%	13.9%
ROE	11.4%	9.8%	10.5%
EPS Growth	10.7%	8.7%	9.9%
Dividend Growth	9.9%	6.3%	6.8%
TSR (TSR Thru 12/31/19)	14.6%	11.9%	15.2%

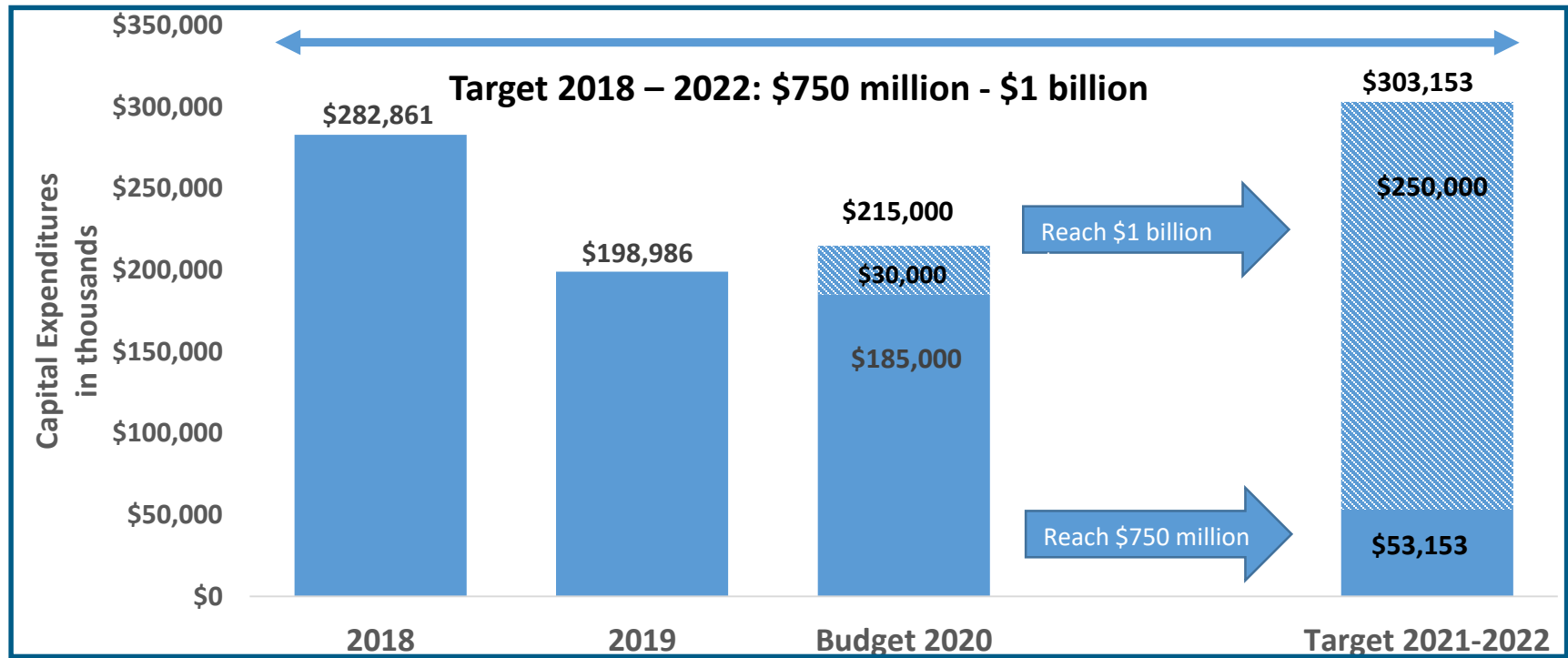
* Chesapeake compared to Median and 75th Percentile Performance of Peer Group

2020 – 2022 Strategic Growth Initiatives



Capital Investment Guidance

Continued Record Investment in Our Business to Drive Growth

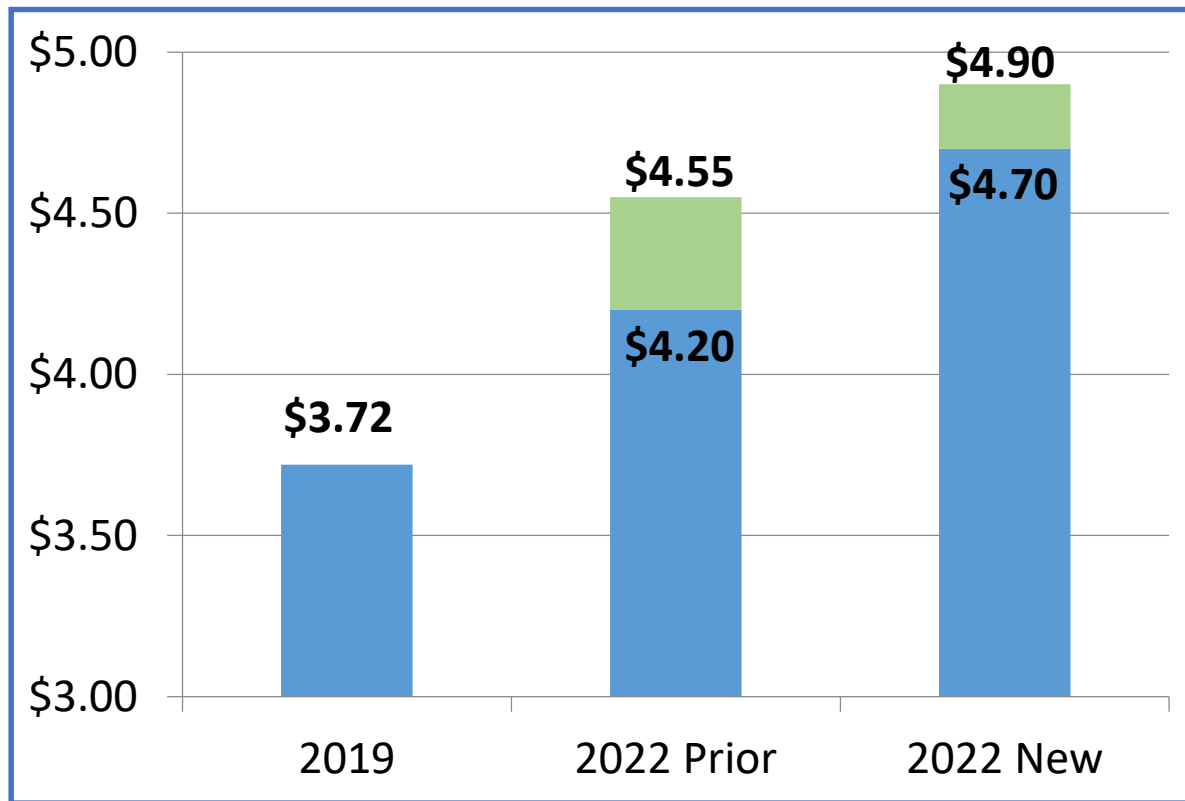


Management reaffirms its five year capital expenditure guidance of \$750 million to \$1 billion.

Through the first two years (2018-2019) of the five-year forecasted period through 2022, the Company has invested \$482 million on new capital expenditures.

Updated Earnings Guidance

Increasing 2022 EPS target to \$4.70 - \$4.90



Previous 2022 EPS guidance of \$4.20 to \$4.55 is now increased to \$4.70 - \$4.90, based on our current strategic plan investments and growth prospects.

Financial Summary

Income from Continuing and Discontinuing Operations

	Fourth Quarter		Year-to-Date	
	2019	2018	2019	2018
<i>(in thousands except per share data)</i>				
Operating Income	\$ 29,642	\$ 28,873	\$ 106,287	\$ 94,843
Other Expense, net	(1,108)	(434)	(1,830)	(603)
Interest Charges	5,642	4,383	22,224	16,146
Income from Continuing Operations				
Before Income Taxes	22,892	24,056	82,233	78,094
Income Taxes on Continuing Operations	5,723	6,260	21,091	21,232
Income from Continuing Operations	17,169	17,796	61,142	56,862
Loss from Discontinued Operations, Net of Tax	(9)	5	(1,391)	(282)
Gain on sale of Discontinued Operations, Net of Tax	5,402	-	5,402	-
Net Income	\$ 22,562	\$ 17,801	\$ 65,153	\$ 56,580
Diluted EPS from Continuing Operations	\$1.04	\$1.08	\$3.72	\$3.47
Diluted EPS (GAAP)	\$1.37	\$1.08	\$3.96	\$3.45

Record High Earnings per Share:

- EPS (GAAP) of \$3.96
- 14.8% increase in 2019
- Operating Income of \$106 million

EPS Growth (Continuing Operations):

- EPS of \$3.72
- 7.2% increase in 2019
- 8.5% plus CAGR for the 3, 5 and 10 years ended 2019

The strategic divestiture of PESCO (gas marketing) produced a \$5.4 million after tax gain

Reconciliation of Year-to-Date Results from Continuing Operations

Key Variances for the twelve months ended December 31, 2019 vs. 2018

<i>(in thousands, except per share data)</i>	Pre-tax Income	Net Income	Earnings Per Share
Year ended December 31, 2018 Reported Results from Continuing Operations	\$ 78,094	\$ 56,862	\$ 3.47
Adjusting for unusual items:			
Decreased customer consumption - primarily due to warmer weather	(4,852)	(3,607)	(0.22)
Nonrecurring separation expenses associated with a former executive	1,548	1,421	0.09
2018 retained tax savings for certain Florida natural gas operations	1,321	990	0.06
Lower wholesale propane margins due to non-recurring impact of the 2018 Bomb Cyclone	(866)	(644)	(0.04)
Pension settlement expense associated with the de-risking of the Chesapeake Pension Plan	(693)	(515)	(0.03)
Total Unusual items	(3,542)	(2,355)	(0.14)
Gross Margins	30,827	22,921	1.39
Other Operating Expenses (Excluding Cost of Sales)	(15,943)	(11,853)	(0.71)
Other income tax effects	-	816	0.05
Interest Charges	(6,078)	(4,519)	(0.27)
Net Other Changes	(1,125)	(730)	(0.07)
Year ended December 31, 2019 Reported Results from Continuing Operations	\$ 82,233	\$ 61,142	\$ 3.72

Reconciliation of Year-to-Date Results

Key Variances for the years ended December 31, 2019 vs. 2018

<i>(in thousands except earnings per share)</i>	<u>Pre-tax Income</u>	<u>Net Income</u>	<u>Earnings Per Share</u>
Increased (Decreased) Gross Margin			
Eastern Shore and Peninsula Pipeline service expansions (including related Florida natural gas distribution operation expansions)	\$ 12,600	\$ 9,369	\$ 0.57
Margin contribution from Unregulated Energy acquisitions	6,830	5,078	0.31
Natural gas distribution growth (excluding service expansions)	4,718	3,508	0.21
Increased retail propane margins	3,229	2,401	0.15
Retained tax savings from certain Florida natural gas operations 2019 associated with TCJA	1,023	760	0.05
Sandpiper's margin primarily from natural gas conversions	983	731	0.04
Higher Aspire Energy margin from rate increases	518	385	0.02
Florida GRIP	508	378	0.02
Eight Flags margin from increased production	418	311	0.02
	<u>30,827</u>	<u>22,921</u>	<u>1.39</u>
(Increased) Decreased Other Operating Expenses (Excluding Cost of Sales)			
Depreciation, amortization and property tax costs due to new capital investments	(5,727)	(4,258)	(0.26)
Operating expenses for Unregulated Energy acquisitions	(4,636)	(3,447)	(0.21)
Payroll, benefits and other employee-related expenses	(4,204)	(3,126)	(0.19)
Insurance (non-health) - both insured and self-insured components	(2,267)	(1,685)	(0.10)
Stock compensation expense associated with leadership transitions during 2019	(1,114)	(828)	(0.05)
Vehicle expenses due to additional fleet to support growth	(309)	(230)	(0.01)
Timing of excavation and inspection activities in 2018 to comply with Company's integrity management program	1,733	1,289	0.08
Facilities and maintenance costs due to consolidation of facilities	581	432	0.03
	<u>(15,943)</u>	<u>(11,853)</u>	<u>(0.71)</u>
Net Increase	<u>\$ 14,884</u>	<u>\$ 11,068</u>	<u>\$ 0.68</u>

Capital Expenditures

2019 and 2020

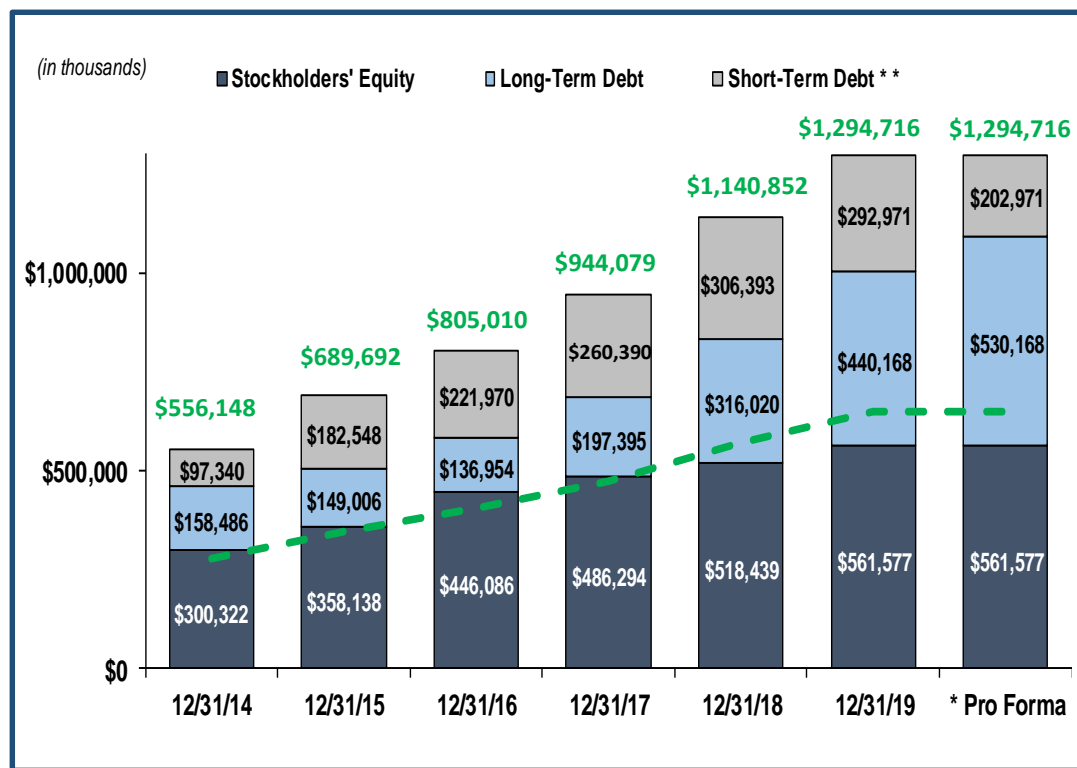
<i>(dollars in thousands)</i>	Actual for Fiscal	Estimate for Fiscal 2020	
	2019	Low	High
Regulated Energy:			
Natural gas distribution	\$ 62,744	\$ 72,000	\$ 83,000
Natural gas transmission	62,000	83,000	96,000
Electric distribution	5,860	5,000	7,000
Total Regulated Energy	130,604	160,000	186,000
Unregulated Energy:			
Propane distribution (1)	38,347	10,000	11,000
Energy transmission	11,206	6,000	6,000
Other unregulated energy	10,481	6,000	8,000
Total Unregulated Energy	60,034	22,000	25,000
Other:			
Corporate and other businesses	8,348	3,000	4,000
Total 2019 Capital Expenditures	\$ 198,986	\$ 185,000	\$ 215,000

(1) The 2019 expenditures includes \$24.5 million for the acquisition of certain propane operating assets of Boulden completed in December 2019.

We have a robust capital forecast for 2020.

Capital Capacity to Support Future Growth

Total Capitalization has More Than Doubled in Five Years



Equity/Permanent Capitalization	65.5%	70.6%	76.5%	71.1%	62.1%	56.1%	51.4%
Equity/Total Capitalization	54.0%	51.9%	55.4%	51.5%	45.4%	43.4%	43.4%

** Short-term debt includes current portion of long-term debt

Available Financing Capacity

- \$370 million bank lines of credit through October 2020
- \$160 million private placement shelf facilities available for additional financing needs

- Pro Forma includes \$90 million of committed long-term debt to permanently finance short-term borrowing.

\$50 million 3.00% to be funded July 15, 2020
\$40 million 2.96% to be funded August 14, 2020

Chesapeake seeks to align permanent financing with the in-service dates of its capital projects

Target Equity to Total Capitalization Ratio of 50% or Higher

Major Projects and Initiatives

Increasing Shareholder Value by Continuously Seeking and Developing Projects and Initiatives

in thousands	Gross Margin for the Period			
	Year Ended December 31, 2018	2019	Estimated for Fiscal 2020	2021
Expansions:				
2017 Eastern Shore System Expansion - including interim services	\$ 9,103	\$ 16,434	\$ 15,799	\$ 15,799
Northwest Florida Expansion (including related natural gas distribution services)	4,350	6,516	6,500	6,500
Western Palm Beach County, Florida Expansion	54	2,139	5,047	5,227
Del-Mar Energy Pathway - including interim services	-	731	2,512	4,100
Auburndale	-	283	679	679
Callahan Intrastate Pipeline	-	-	3,219	6,400
Guernsey Power Station	-	-	-	1,400
Total Expansions	13,507	26,103	33,756	40,105
Acquisitions:				
Marlin Gas Services	110	5,410	6,400	7,000
Ohi Propane	-	1,200	1,236	1,250
Boulden Acquisition	-	329	4,000	4,200
Elkton Gas Company	-	-	TBD	TBD
Total Acquisitions	110	6,939	11,636	12,450
Regulatory Initiatives:				
Florida GRIP	13,020	13,528	14,858	15,831
Tax benefit retained by certain Florida entities	-	2,740	1,400	1,500
Hurricane Michael regulatory proceeding	-	-	TBD	TBD
Total Regulatory Initiatives	13,020	16,268	16,258	17,331
Total	\$ 26,637	\$ 49,310	\$ 61,650	\$ 69,886
Change		\$ 22,673	\$ 12,340	\$ 8,236

Key 2019 Margin Increase Drivers:

- \$12.6 MM from new pipeline projects
- \$6.8 MM from recent acquisitions
- \$3.2 MM from regulatory initiatives

- We continue to pursue projects that will further enhance our margin growth in 2020 and 2021, and will add to the table as projects are finalized.
- Margin numbers for Elkton Gas acquisition and Hurricane Michael regulatory proceeding will be added once finalized.

Additions to Table since September 2019:

- 2020 additional margin \$3.0 million
- 2021 now included \$8.2 million margin

Propane Growth Initiatives

Residential Community Gas Systems

- Maintain/develop residential builder relationships to capitalize on new development opportunities
- These relationships are translating into new CGS in non-core markets

AutoGas Fueling Stations

- Strategic partners key
- Multi-fleet fueling station network to support efficiency for our customers
- Providing fleets/buses solutions

Poultry Production

- Growth in poultry production on Delmarva
- Superior infrastructure and grower relations

Start-ups and Acquisitions

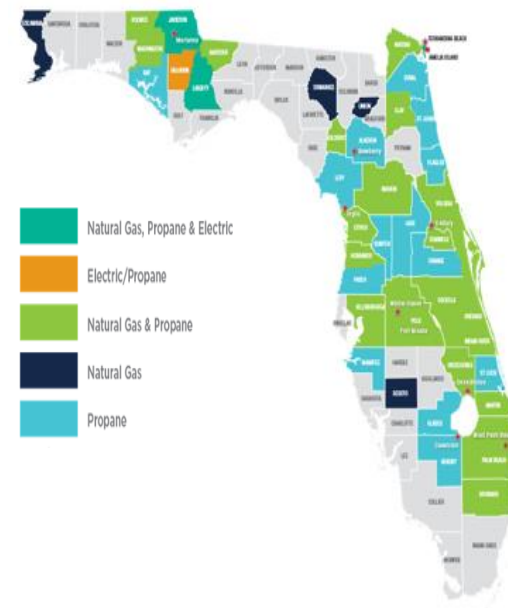
- Expand beyond existing service territories
- In-fill acquisitions between operations
- Ohl and Boulden acquisitions

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PROPANE DELMARVA



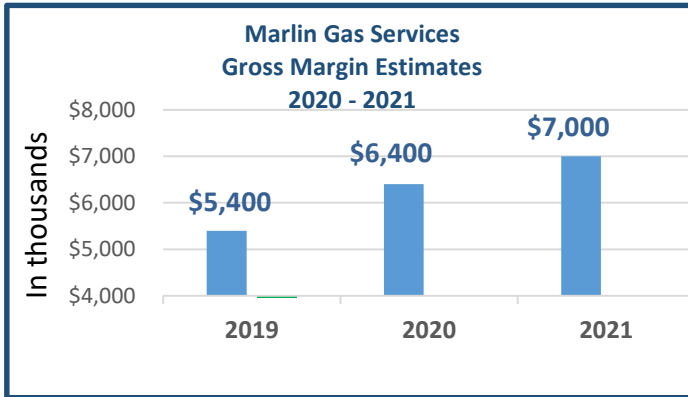
PROPANE FLORIDA



Our propane operations compliment natural gas distribution to serve customers' energy needs in areas where natural gas is currently unavailable.

Marlin Gas Services – Engine for Growth and Customer Service

Continues to Exceed Performance Expectations



Marlin Gas Services continues to actively expand the territories it serves, as well as leverage its patented technology to serve liquefied natural gas transportation needs and to aid in the transportation of renewable natural gas from the supply sources to various pipeline interconnection points.



**Emergency
Services**



**Utility Gas
Supply Services**

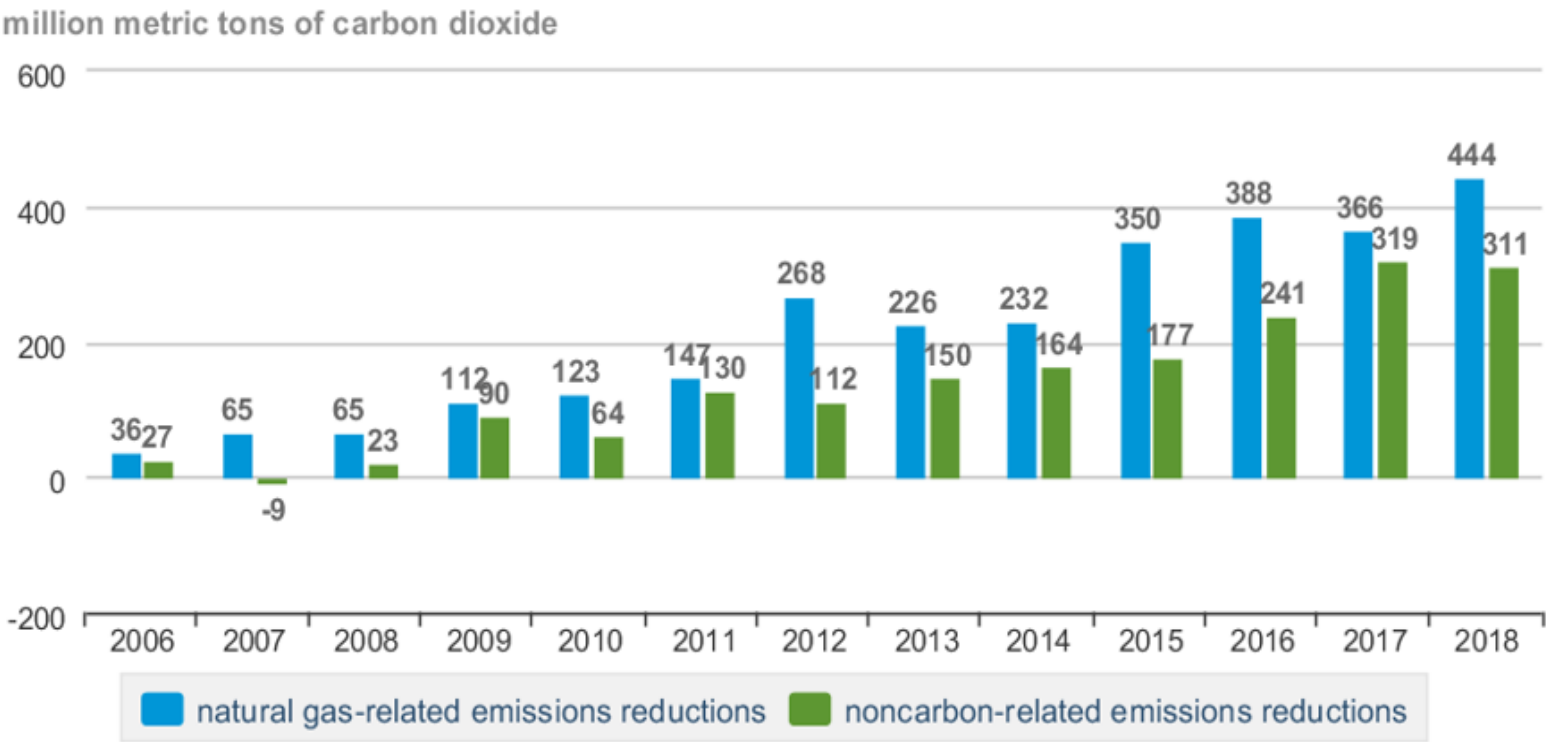



**Pipeline Integrity
Services**

Chesapeake Utilities Corporation

Committed to Reducing Emissions while Protecting Consumers

Figure 9. Electricity generation CO2 savings from changes in the fuel mix since 2005



Source: 

Reduced Emissions in the U.S.

There is good dialogue today for how our society finds effective measures to understand and address climate change. As this dialogue continues, we remain mindful of the following:

- U.S. emissions are at a 25 year low
- The U.S. leads the world in carbon emission reductions
- Natural gas is replacing coal for power generation
- 60% of the emission reductions results from increased use of natural gas as the primary U.S. energy supply
- Clean, plentiful, reliable and reasonably priced natural gas is leading the way for the U.S. in terms of economic growth and environmental sustainability
- However, progress in populated areas such as China and India where coal is the predominate energy source, is essential to reduce global emissions.

Culture of Sustainability

Our businesses embrace the Company's culture of sustainability where progress creates value.

- Conservation program to help customers reduce energy costs and receive energy-saving products and programs
- Modern pipeline infrastructure with zero miles of cast iron
- Invested \$144 million in Gas Reliability and Infrastructure Project
- Own and operate Eight Flags, one of the most energy efficient combined heat and power plants (CHP) which displaced reliance on coal
- Own a virtual pipeline, Marlin Gas Service, providing energy solutions to customers across the nation
- Community Gas Systems, an efficient community-based underground infrastructure
- Alternative energy vehicles and fueling stations (e.g., AutoGas and CNG)
- We have successfully replaced millions of gallons of No. 2, 4 and 6 fuel oil
- LNG and RNG opportunities

Making a Difference

- **We embrace a culture of diversity, inclusion, teamwork and entrepreneurship**
- **We promote a culture of safety and compliance and work closely with our first responders and firefighters**
- **We volunteer throughout our service territories, including with the Nature Conservancy, the Food Bank, the YMCA and Special Olympics**

Chesapeake Utilities Corporation

Committed to Superior Performance – TSR, EPS, Dividend Growth

Chesapeake Utilities Corporation								
Total Return (Annualized)			EPS Growth (CAGR)		Dividend Growth (CAGR)		Retention Rate	
Period	CPK	Peer Median	CPK	Peer Average	CPK	Peer Average	CPK	Peer Average
3 Year	15%	12%	10.3%	8.7%	9.9%	6.3%	60%	41%
5 Year	16%	13%	9.4%	7.3%	8.5%	5.4%	59%	35%
10 Year	19%	15%	11.3%	4.0%	6.8%	4.4%	56%	28%
CPK 2018 - 2022 Target	15%		7.75% to 9.50%		Dividend Growth Supported By Earnings Growth		50% to 55%	

CPK Performance thru 12/31/19 - Peer Performance available as of 9/30/19

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

Executing on Our Strategy:

- Seek development projects to serve new customers, provide new services and expand into new service areas.
- Pursue expansion projects that serve long-term commercial and industrial customers.
- Investing in propane opportunities to access new markets with significant growth potential.
- Pursue new platforms for growth including CNG, LNG, RNG.
- Maintain our track record of financial discipline to invest in earnings accretive projects.

Chesapeake Utilities Corporation

CPK Stock Price Surpasses \$100.00 per share on February 13, 2020



Thank You!
*The Chesapeake Team is proud of this record achievement in its share price.
We appreciate the support and confidence of our shareholders in terms of our future growth potential.*

Any Questions?



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Thank You!



Appendix

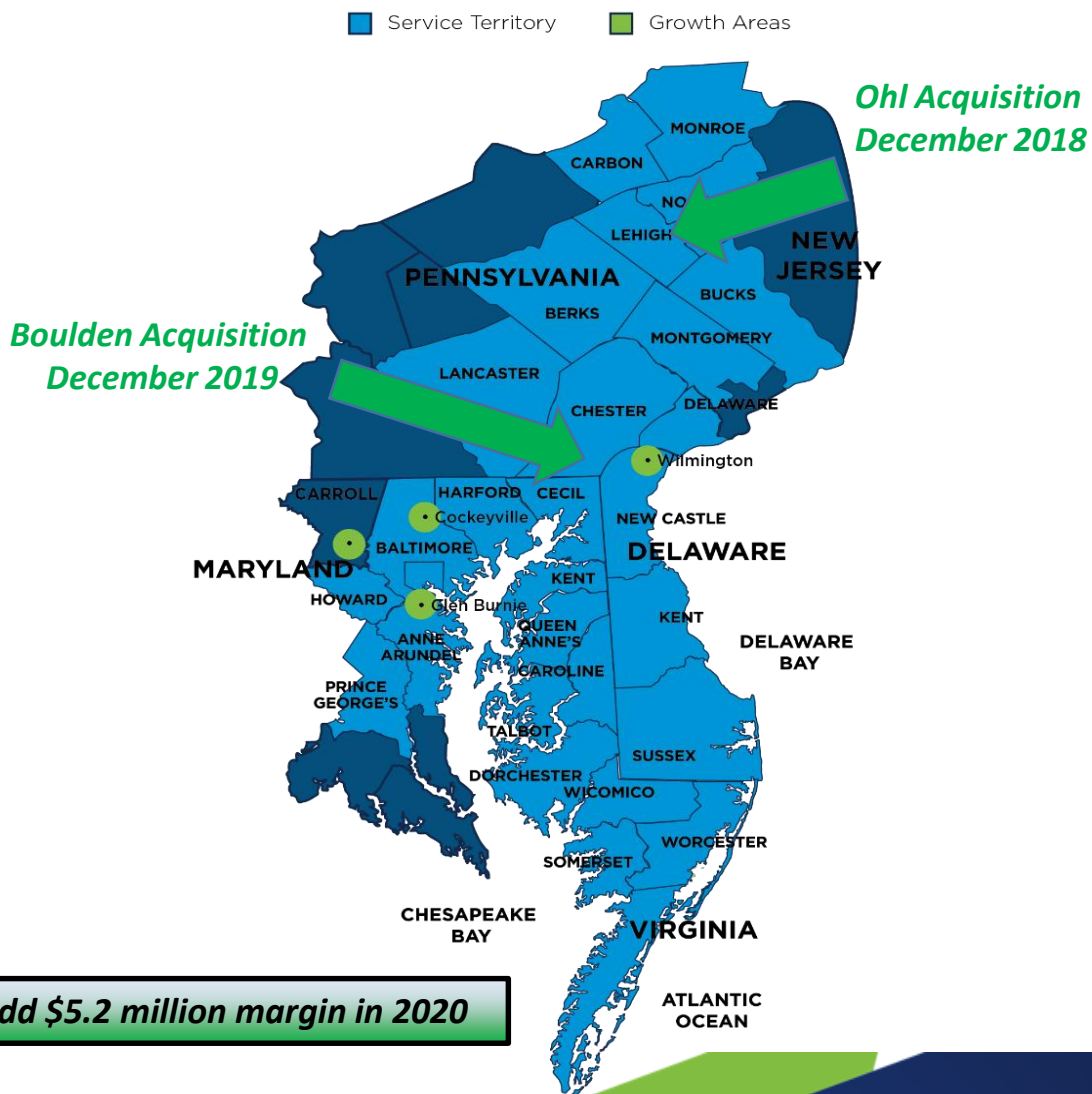
Key Projects Driving Growth

- Boulden Propane Acquisition
- Elkton Gas Acquisition
- Pipeline Expansions

Benefits of Boulden Acquisition

- **Added approximately 5,200 customers in five counties in Delaware, Maryland and Pennsylvania effective 12/16/19**
- **Overlays nicely with Elkton Gas acquisition to establish a strong unified energy delivery platform in Cecil County**
- **Solid customer base with opportunities for future growth**
- **Operational synergies, including supply, for northern Delmarva**
- **Additional services and pricing programs are being offered to customers**
- **Operations will be integrated into Sharp's Delmarva operations**

SHARP ENERGY SERVICE TERRITORIES



Boulden and Ohl acquisitions expected to add \$5.2 million margin in 2020

Elkton Gas Company

Strategic Acquisition for Delmarva Natural Gas

Summary of Transaction:

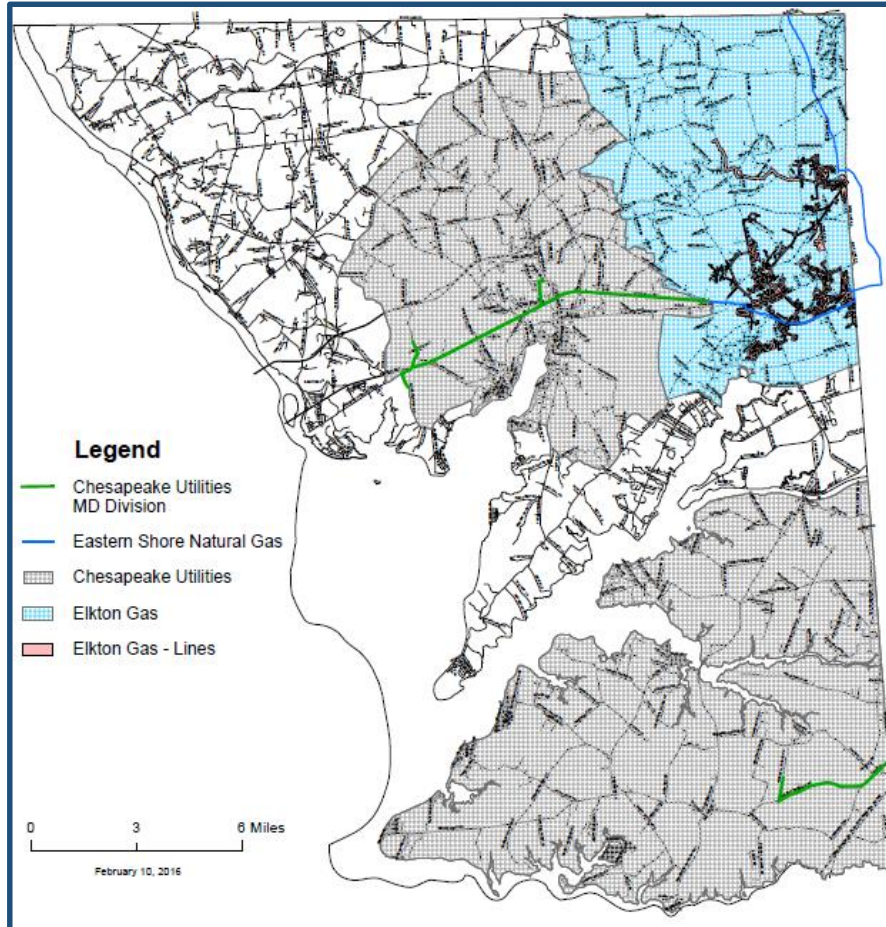
- On December 5, 2019, Chesapeake Utilities and South Jersey Industries entered into an agreement under which Chesapeake will acquire Elkton Gas Company for approximately \$15 million
- The transaction is expected to close by the end of the third quarter 2020, subject to receiving approval from the Maryland Public Service Commission
- Elkton Gas serves approximately 7,000 customers within a franchised area of Cecil County, Maryland
- Its territory is contiguous to Chesapeake's franchised service territory in Cecil County, Maryland
- Elkton Gas has been a customer of Chesapeake's interstate transmission pipeline subsidiary, Eastern Shore Natural Gas, since 1959 when natural gas first became available to serve the town of Elkton
- Elkton Gas will continue to operate out of its existing office with the same local personnel
- With the expanded presence in Cecil County, the gas distribution system can be serviced locally with Chesapeake personnel rather than remotely from our Dover, DE operations center

Existing Cecil County Operations

Elkton Gas and Chesapeake Utilities

Current SJI – Elkton Cecil County Operations

- Leased Administrative Office Space
- Owned Operations Facilities
- Nine Local Employees
- 7,000 Customers, Primarily Residential



Current CPK - Cecil County Operations

- No Office or Operations Facilities in Cecil County
- No Local Employees; Employees of the Delaware Division Provide Support
- 30 Commercial, 7 Industrial and 3 Residential Customers

Elkton Gas Company

Strategic Fit

- Elkton Gas gives CPK an operational platform in Cecil County including personnel, a contractor pool and an operations center which will enable Chesapeake to more quickly expand our footprint in Cecil County
- Additional growth is expected in the area, due to its proximity to I-95 and the potential for a new interchange which is expected to spur additional commercial and industrial development
 - A new 623 acre mixed use development has been proposed that would potentially add 4,289,000 sq. ft. of industrial/warehouse space, 257,600 sq. ft. of commercial/retail space and 1,205 homes
- Access to I-95 also provides potential opportunities for Marlin to expand its CNG and LNG business
- The acquisition will provide access to additional upstream capacity resources

Del-Mar Energy Pathway Project Under Development

Strategic Growth Initiative

Provides additional natural gas transmission pipeline infrastructure in Eastern Sussex County, Delaware and expands service into Somerset County, Maryland; serves four large anchor customers

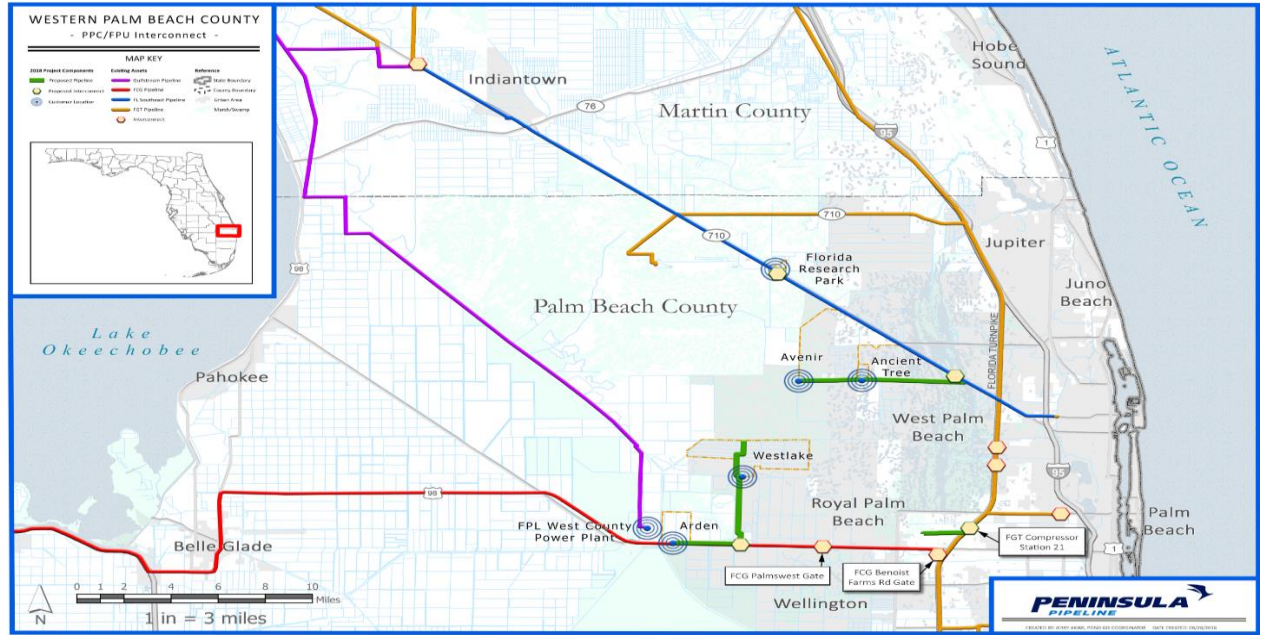
- Estimated Project Cost: \$ 37 MM
- Estimated In Service Date: Beginning of fourth quarter 2021*
- Estimated Annual Gross Margin:
 - 2019- \$ 0.7 million (Interim Service)
 - 2020- \$ 2.5 million
 - 2021- \$ 4.1 MM
 - 2022 forward - \$ 5.1 MM

**FERC issued authorization for the project on January 7, 2020.*



Enhances Reliability and Provides Additional Customer Growth

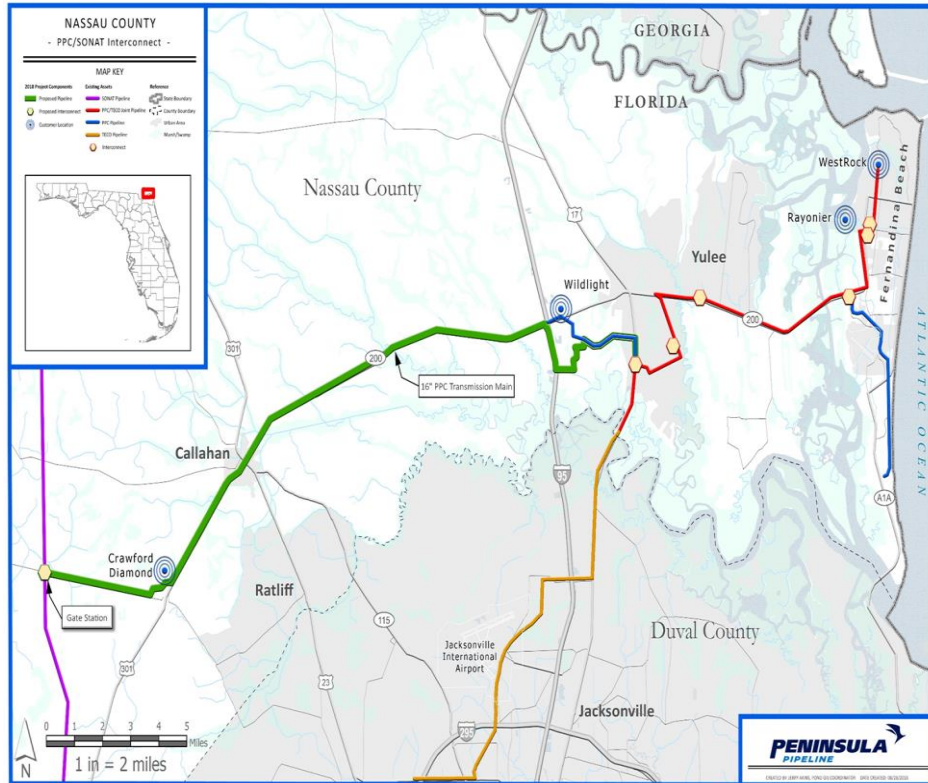
- Four PPC projects to serve FPU's natural gas distribution systems expansions in Palm Beach County.
- Resolves a pipeline capacity constraint.



- Projects /Phases include Belvedere, Westlake/Arden, Avenir and Research Park
- Marlin Gas is providing temporary service for customers ahead of the project schedule

Callahan Pipeline

Nassau County, Florida



Peninsula Pipeline is constructing a jointly owned 26 mile pipeline serving Nassau and Duval counties in Florida; Project will be jointly owned and built with Seacoast Gas Transmission (affiliate of Emera)

- Estimated CPK Project Cost: \$ 32.5 Million*
- Estimated In Service Date: Third Quarter of 2020
- Estimated Annual Gross Margin:
 - 2020 - \$ 3.2 million
 - 2021 forward - \$ 6.4 million
- 15 Miles of pipe constructed already and project is on schedule

**Total project cost is estimated at \$65 million*

– Chesapeake and Seacoast will fund 50% each.

Aspire Energy – Natural Gas Pipeline Project

Guernsey Power Station

- In December 2017, Aspire executed a binding precedent agreement with Guernsey Power Station, LLC (GPS) providing for the relocation of an existing 6" steel Aspire pipeline (completed March 2018). Aspire received the exclusive rights to provide natural gas transportation services for a ten year (300,000 Dths per day for a proposed 1,650 MW power plant).
- Guernsey Power Station began construction in Q4 2019. Aspire is finishing design and reviewing bids for construction of interconnect facilities between the Tallgrass Energy Partners Rockies Express Pipeline (REX) and GPS.
- GPS is expected to be in service by late 2021.



Capital Expenditures	\$5.5MM
Annual Margin	\$1.4MM