



COMPANY UPDATE / TARGET CHANGE ESTIMATE CHANGE

Key Metrics

| | | |
|----------------------------|-----------|-----------|
| CPK - NYSE - as of | 3/3/17 | \$68.20 |
| Price Target | | \$81.00 |
| 52-Week Range | \$56.56 - | \$70.70 |
| Shares Outstanding (mm) | | 16.3 |
| Market Cap. (\$mm) | | \$1,112.2 |
| 1-Mo. Average Daily Volume | | 45,666 |
| Institutional Ownership | | 61.1% |
| LT Debt/Total Capital | Q4'16 | 23.5% |
| ROE | TTM | 11.2% |
| Book Value / Share | Q4'16 | \$27.29 |
| Price / Book Value | | 2.5x |
| Dividend Yield | | 1.6% |
| LTM EBITDA Margin | | - |

EPS FY 12/31

| | | Prior | Current | Prior | Current |
|------|--------|--------|---------|--------|---------|
| | 2016A | 2017E | 2017E | 2018E | 2018E |
| 1Q | \$1.33 | -- | \$1.37 | -- | -- |
| 2Q | \$0.52 | -- | \$0.48 | -- | -- |
| 3Q | \$0.29 | -- | \$0.37 | -- | -- |
| 4Q | \$0.73 | -- | \$0.91 | -- | -- |
| Year | \$2.86 | \$3.10 | \$3.13 | \$3.47 | \$3.64 |
| P/E | 23.8x | | 21.8x | | 18.7x |

*adjusted for special items

Total Firm Gross Margin (\$MM)

| | | Prior | Current | Prior | Current |
|------|---------|---------|---------|---------|---------|
| | 2016A | 2017E | 2017E | 2018E | 2018E |
| 1Q | \$77.4 | -- | \$84.3 | -- | -- |
| 2Q | \$57.8 | -- | \$60.3 | -- | -- |
| 3Q | \$55.5 | -- | \$62.0 | -- | -- |
| 4Q | \$70.2 | -- | \$79.1 | -- | -- |
| Year | \$260.8 | \$282.3 | \$285.7 | \$306.8 | \$317.1 |

Company Description: Chesapeake Utilities Corp. is a diversified utility company engaged in natural gas distribution, transmission and marketing, electric distribution, propane gas distribution and wholesale marketing, advanced information services, and other related services. Its service territories include portions of Delaware, Maryland, and Florida.

Natural Gas Utilities

Analyst: Spencer E. Joyce, CFA
502.588.8402 // sjoyce@hilliard.com
Institutional Sales Desk: George Moorin
502.588.9141 // gmoorin@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
March 6, 2017

Chesapeake Utilities Corp.

CPK — NYSE — Long-term Buy-3

Revising Estimates Higher on Review of 10-K; Raising Price Target to \$81 and Reiterating Long-term Buy.

Investment Highlights

- We are raising our 2017E EPS by ~1% to \$3.13; our 2018E EPS rises a more material ~5% to \$3.64. Current consensus for 2017/2018 are \$3.15/\$3.54.
- As a reminder, CPK reported FY 2016 EPS of \$2.86 last week, representing 5.1% growth yr/yr and a 10th consecutive record year for the company.
- Refinements to our gross margin expectations are the most important driver of our increased outlook, although we acknowledge some timing risk remains, particularly surrounding the \$99MM expansion project for Eastern Shore.
- Core operating expenses are a source of uncertainty as well; after positioning CPK for future growth, we are unsure what core run rate for Op Ex may emerge.
- We will account for/model M&A transactions as announced; deal flow is not necessary to 'make' our estimates. Nearly 2 years have passed since CPK purchased Gatherco (Aspire) in Q2'15, although year-end commentary reiterated a commitment to both regulated and non-reg strategic transactions.
- CPK's 2017 capital budget is currently \$260MM (~90% Regulated). At this point we do not model any new equity in 2017 or 2018, but see the out-year as somewhat contingent on how the M&A and/or major project pipeline develops over the course of this year.
- We are reiterating our LTB rating and raise our 2-year price target to \$81. At our target, CPK would trade ~22x our 2018E EPS, which we believe is attainable given our growth outlook and peer multiples. Our methodology is unchanged.
- Qualitatively, we like Chesapeake as one of our highest-growth utilities entering what could be a quickening rate hike cycle from the Fed. Furthermore, CPK's non-regulated ops leave some potential, in our view, to benefit from tax reform.

Note Important Disclosures on Pages 5-6
Note Analyst Certification on Page 5

ADDITIONAL DISCUSSION—FINAL THOUGHTS

Not much has changed fundamentally since we commented on Q4 results on February 28, although following the company's year-end conference call and a review of annual filings, we are revisiting and reiterating our bullish stance. As alluded to in our bullet points, we view CPK as one of the best-positioned utilities we follow given the current macro environment, with its higher growth/lower income total return proposition fueling what we view as tactical relative value. Also, given moderate contribution from non-regulated operations, we see CPK as holding some upside risk related to potential tax reform over our investment timeframe [we expect benefit to regulated segment to be returned to customers].

Valuation has extended somewhat in recent months, but believe the prudent move is to stay bullish. We continue to view Chesapeake as a unique growth opportunity in the Utilities sector, and CPK as an underappreciated stock amongst the investment community. Thus, we are reiterating our Long-term Buy rating and raise our 2-year price target by 8% to \$81.

SUITABILITY

We assign CPK a suitability rating of '3.' A complete description of our suitability scale is on page 5. Smaller than most diversified utility peers, we see a path for Chesapeake to outpace average growth across the utility sector over an extended timeframe; this growth outlook is accompanied by a slightly elevated risk profile due to reliance on individual discrete projects. CPK's material exposure to non-regulated operations brings an element of cyclical to earnings, which helps push the stock below our more conservative '2' rating. Alternatively, below-sector leverage, generally consistent earnings/cash flow/dividends, multiple regulated franchises with monopoly status, and secular tailwinds for growth keep CPK well above our speculative/most aggressive '4' rating.

CONSIDERATIONS AND RISKS

Utility operations are weather sensitive. Warmer weather can lead to lower total margin from lower volumes of natural gas sold or transported, while extremely cold weather may lead to conservation by customers in order to reduce consumption.

Gas utilities face competition from alternative fuels. In the industrial market, many customers have the capability of using both natural gas as well as another source of energy. Increases in the price of natural gas can negatively impact a competitive position by decreasing the price benefits of natural gas to the end user.

Gas utilities are subject to regulation at the federal and state levels. Regulatory commissions and policies vary from state to state, and have a significant bearing on profitability.

CPK has been acquisitive in recent years, and we expect CPK may remain a net buyer of assets over the next few years. Risk from a growth-by-acquisition strategy includes: potential for additional growth to not materialize, overpayment for assets (impairments), managerial distraction and stressing the balance sheet.

Our Suitability rating is 3 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive).

Additional information is available upon request.

Chesapeake Utilities Corp.

| Income Statements (000's) | FY'14 | FY'15 | Q1'16 | Q2'16 | Q3'16 | Q4'16 | FY'16 | Q1'17E | Q2'17E | Q3'17E | Q4'17E | FY'17E | FY'18E |
|------------------------------------|----------------|----------------|---------------|---------------|---------------|---------------|----------------|------------------------|---------------|---------------|---------------|----------------|----------------|
| Regulated Revenue | \$300,442 | \$301,902 | \$89,216 | \$67,395 | \$70,019 | \$79,059 | \$305,689 | | | | | | |
| Regulated Cost of Sales | 134,560 | 122,814 | 34,905 | 21,635 | 24,644 | 28,425 | 109,609 | | | | | | |
| Regulated Energy Gross Margin | 165,882 | 179,088 | 54,311 | 45,760 | 45,375 | 50,634 | 196,080 | 58,030 | 47,900 | 49,150 | 55,560 | 210,640 | 243,360 |
| Unregulated Revenue | 184,961 | 162,108 | 57,080 | 34,947 | 38,329 | 67,417 | 203,778 | 60,740 | 38,160 | 42,300 | 67,390 | 208,590 | 207,280 |
| Other Revenue | 13,431 | (4,766) | - | - | - | (4,602) | (10,607) | - | - | - | - | - | 0 |
| Unreg & Other energy cost of sales | 143,556 | 97,228 | 34,024 | 22,934 | 28,183 | 43,291 | 128,434 | 34,510 | 25,760 | 29,430 | 43,820 | 133,520 | 133,520 |
| UnReg & Other Gross Margin | 54,836 | 60,114 | 23,056 | 12,013 | 10,146 | 19,524 | 64,737 | 26,230 | 12,400 | 12,870 | 23,570 | 75,070 | 73,760 |
| Total Firm Gross Margin | 220,718 | 239,202 | 77,367 | 57,773 | 55,521 | 70,158 | 260,817 | 84,260 | 60,300 | 62,020 | 79,130 | 285,710 | 317,120 |
| Operating Expenses | | | | | | | | | | | | | |
| Operations | 102,197 | 107,562 | 27,159 | 28,087 | 30,126 | 32,200 | 117,571 | 29,470 | 29,210 | 31,630 | 33,970 | 124,280 | 131,120 |
| Maintenance | 9,706 | 11,803 | 2,479 | 2,904 | 3,542 | 3,466 | 12,391 | 2,600 | 3,050 | 3,720 | 3,640 | 13,010 | 13,660 |
| Impairment | 6,881 | - | - | - | - | - | - | - | - | - | - | - | - |
| D & A | 26,316 | 29,972 | 7,503 | 7,780 | 8,209 | 8,667 | 32,159 | 8,660 | 9,080 | 9,750 | 10,460 | 37,950 | 43,580 |
| Other Tax | 13,339 | 13,607 | 3,846 | 3,390 | 3,488 | 4,006 | 14,730 | 3,880 | 3,420 | 3,520 | 4,050 | 14,870 | 15,020 |
| Total Operating Expenses | 158,439 | 161,444 | 40,987 | 42,031 | 45,365 | 48,339 | 176,721 | 44,610 | 44,760 | 48,620 | 52,120 | 190,110 | 203,380 |
| Operating Income | 62,279 | 77,758 | 36,380 | 15,742 | 10,156 | 21,819 | 84,096 | 39,650 | 15,540 | 13,400 | 27,010 | 95,600 | 113,740 |
| Gain on Sale | 7,139 | 0 | - | - | - | - | - | - | - | - | - | - | - |
| Other Income, Net | 101 | 293 | (34) | (8) | (28) | (372) | (441) | 50 | 50 | 50 | 50 | 200 | 200 |
| Interest | 9,482 | 10,006 | 2,650 | 2,624 | 2,722 | 2,643 | 10,639 | 2,640 | 2,790 | 3,300 | 3,490 | 12,220 | 16,140 |
| EBT | 60,037 | 68,045 | 33,696 | 13,110 | 7,406 | 18,804 | 73,016 | 37,060 | 12,800 | 10,150 | 23,570 | 83,580 | 97,800 |
| Income Tax | 23,945 | 26,905 | 13,329 | 5,081 | 2,990 | 6,941 | 28,341 | 14,680 | 4,970 | 4,100 | 8,700 | 32,450 | 38,220 |
| Net Income--Cont'd Ops | 36,092 | 41,140 | 20,367 | 8,029 | 4,416 | 11,863 | 44,675 | 22,380 | 7,830 | 6,050 | 14,870 | 51,130 | 59,580 |
| Net Income | \$36,092 | \$41,140 | \$20,367 | \$8,029 | \$4,416 | \$11,863 | \$44,675 | \$22,380 | \$7,830 | \$6,050 | \$14,870 | \$51,130 | \$59,580 |
| Diluted Avg Shares | 14,605 | 15,143 | 15,331 | 15,353 | 15,413 | 16,349 | 15,613 | 16,349 | 16,349 | 16,349 | 16,349 | 16,349 | 16,349 |
| EPS | | | | | | | | | | | | | |
| Continuing Ops | \$2.47 | \$2.78 | \$1.33 | \$0.52 | \$0.29 | \$0.73 | \$2.86 | \$1.37 | \$0.48 | \$0.37 | \$0.91 | \$3.13 | \$3.64 |
| Ex Special Items | \$2.47 | \$2.72 | | | | | | | | | | | |
| Dividends | \$1.0667 | \$1.1325 | \$0.2875 | \$0.3050 | \$0.3050 | \$0.3050 | \$1.2025 | \$0.3050 | \$0.3200 | \$0.3200 | \$0.3200 | \$1.2650 | \$1.2800 |
| Rate of Change Analysis: | | | | | | | | | | | | | |
| Gross Margin | 10.7% | 8.4% | -1.1% | 12.6% | 9.3% | 18.1% | 9.0% | 8.9% | 4.4% | 11.7% | 12.8% | 9.5% | 11.0% |
| Operating Income | -0.7% | 24.9% | -4.3% | 19.5% | -6.9% | 34.9% | 8.2% | 9.0% | -1.3% | 31.9% | 23.8% | 13.7% | 19.0% |
| EPS | 10.2% | 10.4% | -9.9% | 48.2% | -14.3% | 29.0% | 5.1% | 3.0% | -8.4% | 29.2% | 25.3% | 9.2% | 16.5% |
| O+M Expense | 13.1% | 6.7% | 0.0% | 7.2% | 16.1% | 12.1% | 8.9% | 8.2% | 4.1% | 5.0% | 5.5% | 5.6% | 5.5% |
| EBITDA | 10.1% | 12.8% | -2.4% | 13.6% | -1.0% | 27.1% | 7.9% | 10.1% | 4.7% | 26.1% | 22.9% | 14.9% | 17.8% |
| Margin Analysis: | | | | | | | | | | | | | |
| Operations/GM | 46.3% | 45.0% | 35.1% | 48.6% | 54.3% | 45.9% | 45.1% | 35.0% | 48.4% | 51.0% | 42.9% | 43.5% | 41.3% |
| Maintenance/GM | 4.4% | 4.9% | 3.2% | 5.0% | 6.4% | 4.9% | 4.8% | 3.1% | 5.1% | 6.0% | 4.6% | 4.6% | 4.3% |
| Other Tax/GM | 6.0% | 5.7% | 5.0% | 5.9% | 6.3% | 5.7% | 5.6% | 4.6% | 5.7% | 5.7% | 5.1% | 5.2% | 4.7% |
| Operating income/GM | 28.2% | 32.5% | 47.0% | 27.2% | 18.3% | 31.1% | 32.2% | 47.1% | 25.8% | 21.6% | 34.1% | 33.5% | 35.9% |
| Net Income/GM | 16.4% | 17.2% | 26.3% | 13.9% | 8.0% | 16.9% | 17.1% | 26.6% | 13.0% | 9.8% | 18.8% | 17.9% | 18.8% |
| Tax rate | 39.9% | 39.5% | 39.6% | 38.8% | 40.4% | 36.9% | 38.8% | 39.6% | 38.8% | 40.4% | 36.9% | 38.8% | 39.1% |
| | | | | | | | | *1/1/17 new base rates | | | | | |
| | | | | | | | | DE | | | | | |
| | | | | | | | | distribution | | | | | |
| | | | | | | | | *1/27/17 base rate | | | | | |
| | | | | | | | | filing for | | | | | |
| | | | | | | | | ESNG | | | | | |
| | | | | | | | | | | | | *Expect | |
| | | | | | | | | | | | | ESNG major | |
| | | | | | | | | | | | | expansion | |
| | | | | | | | | | | | | online Q1 | |

Source: Company reports and Hilliard Lyons estimates

Chesapeake Utilities Corp.

| Chesapeake Utilities Corp. | | | | | | | | | | | | | |
|---------------------------------------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Summary Balance Sheet | FY'14 | FY'15 | Q1'16 | Q2'16 | Q3'16 | Q4'16 | FY'16 | Q1'17E | Q2'17E | Q3'17E | Q4'17E | FY'17E | FY'18E |
| Cash | \$4,574 | \$2,855 | \$3,315 | \$3,266 | \$1,536 | \$4,178 | \$4,178 | \$2,780 | \$2,720 | \$6,920 | \$9,790 | \$9,790 | \$33,790 |
| A/R | 53,300 | 41,007 | 44,434 | 41,851 | 47,103 | 62,803 | 62,803 | 44,880 | 42,270 | 47,570 | 63,430 | 63,430 | 64,060 |
| Propane Inventory | 7,250 | 6,619 | 5,412 | 4,285 | 4,106 | 6,457 | 6,457 | 5,680 | 4,500 | 4,310 | 6,780 | 6,780 | 7,120 |
| Other Current Assets | 57,249 | 62,057 | 47,214 | 37,494 | 49,411 | 67,713 | 67,713 | 47,690 | 37,870 | 49,910 | 68,390 | 68,390 | 69,070 |
| Total Current Assets | 122,373 | 112,538 | 100,375 | 86,896 | 102,156 | 141,151 | 141,151 | 101,030 | 87,360 | 108,710 | 148,390 | 148,390 | 174,040 |
| Net PP&E | 689,762 | 854,950 | 881,229 | 908,807 | 936,048 | 986,664 | 986,664 | 1,028,000 | 1,078,920 | 1,129,170 | 1,178,710 | 1,178,710 | 1,255,130 |
| Regulatory Assets | 78,136 | 8,268 | 76,934 | 7,042 | 76,343 | 7,694 | 7,694 | 77,700 | 7,110 | 77,110 | 7,770 | 7,770 | 7,850 |
| Goodwill | 4,952 | 14,548 | 15,070 | 15,070 | 15,070 | 15,070 | 15,070 | 15,070 | 15,070 | 15,070 | 15,070 | 15,070 | 15,070 |
| Other | 9,246 | 78,282 | 8,376 | 79,232 | 10,893 | 78,640 | 78,640 | 29,160 | 80,020 | 11,000 | 79,430 | 79,430 | 80,220 |
| Total Assets | \$904,469 | \$1,068,586 | \$1,081,984 | \$1,097,047 | \$1,140,510 | \$1,229,219 | \$1,229,219 | \$1,250,960 | \$1,268,480 | \$1,341,060 | \$1,429,370 | \$1,429,370 | \$1,532,310 |
| CP/LT Debt | 9,109 | 9,151 | 9,163 | 12,075 | 12,087 | 12,099 | 12,099 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| ST Borrowing | 88,231 | 173,397 | 172,742 | 180,042 | 154,490 | 209,871 | 209,871 | 207,870 | 172,870 | 232,870 | 282,870 | 282,870 | 215,870 |
| A/P | 44,610 | 39,300 | 36,299 | 35,496 | 41,297 | 56,935 | 56,935 | 36,660 | 35,850 | 41,710 | 57,500 | 57,500 | 58,080 |
| Other Current Liabilities | 52,285 | 57,745 | 56,245 | 56,279 | 55,179 | 55,146 | 55,146 | 56,810 | 56,840 | 55,730 | 55,700 | 55,700 | 56,260 |
| Total Current Liabilities | 194,235 | 279,593 | 274,449 | 283,892 | 263,053 | 334,051 | 334,051 | 305,340 | 269,560 | 334,310 | 400,070 | 400,070 | 334,210 |
| LTD | 158,486 | 149,340 | 148,602 | 143,865 | 143,525 | 136,954 | 136,954 | 145,280 | 213,730 | 213,670 | 210,040 | 210,040 | 304,800 |
| Deferred Income Tax | 160,232 | 193,431 | 197,416 | 199,623 | 205,562 | 222,894 | 222,894 | 224,890 | 226,890 | 228,890 | 230,890 | 230,890 | 238,890 |
| Accrued Asset Removal Cost | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other LT Liabilities | 91,194 | 88,084 | 87,265 | 90,113 | 90,070 | 89,234 | 89,234 | 88,140 | 91,010 | 90,970 | 90,130 | 90,130 | 91,030 |
| Shareholders' Equity | 300,322 | 358,138 | 374,252 | 379,554 | 438,300 | 446,086 | 446,086 | 487,310 | 467,290 | 473,220 | 498,240 | 498,240 | 563,380 |
| Total Liab & SE | \$904,469 | \$1,068,586 | \$1,081,984 | \$1,097,047 | \$1,140,510 | \$1,229,219 | \$1,229,219 | \$1,250,960 | \$1,268,480 | \$1,341,060 | \$1,429,370 | \$1,429,370 | \$1,532,310 |
| Book Value | \$20.51 | \$23.38 | \$24.41 | \$24.72 | \$28.44 | \$27.29 | \$27.29 | \$29.81 | \$28.58 | \$28.94 | \$30.48 | \$30.48 | \$34.46 |
| Tangible BV | \$20.17 | \$22.43 | \$23.43 | \$23.74 | \$27.46 | \$26.36 | \$26.36 | \$28.88 | \$27.66 | \$28.02 | \$29.55 | \$29.55 | \$33.54 |
| Price / Book | 2.4x | 2.4x | 2.6x | 2.7x | 2.1x | 2.5x | 2.5x | 2.3x | 2.4x | 2.4x | 2.2x | 2.2x | 2.0x |
| Equity / Total Cap (inc ST Debt + CP) | 54.4% | 52.1% | 53.4% | 53.3% | 58.7% | 55.7% | 55.7% | 57.9% | 54.6% | 51.6% | 50.6% | 50.6% | 53.4% |
| Net Indebtedness / Total Capital | 45.6% | 47.9% | 46.6% | 46.7% | 41.3% | 44.3% | 44.3% | 42.1% | 45.4% | 48.4% | 49.4% | 49.4% | 46.6% |
| LT Debt / Total Capital | 34.5% | 29.4% | 28.4% | 27.5% | 24.7% | 23.5% | 23.5% | 23.0% | 31.4% | 31.1% | 29.7% | 29.7% | 35.1% |
| | | | | | | | | | | | | | |
| Summary Cash Flow | FY'14 | FY'15 | Q1'16 | Q2'16 | Q3'16 | Q4'16 | FY'16 | Q1'17E | Q2'17E | Q3'17E | Q4'17E | FY'17E | FY'18E |
| Net Income | \$36,092 | \$41,140 | \$20,367 | \$8,029 | \$4,416 | \$11,863 | \$44,675 | \$22,380 | \$7,830 | \$6,050 | \$14,870 | \$51,130 | \$59,580 |
| D&A | 32,893 | 36,950 | 9,149 | 9,570 | 10,131 | 10,643 | 39,493 | 8,660 | 9,080 | 9,750 | 10,460 | 37,950 | 43,580 |
| Deferred Income Tax | 22,235 | 20,520 | 4,326 | 1,836 | 5,842 | 19,253 | 31,257 | 4,540 | 1,930 | 6,130 | 20,220 | 32,820 | 34,470 |
| (Inc.) dec. in working cap. | (2,774) | 8,266 | 8,122 | 12,661 | (12,289) | (20,748) | (12,254) | 20,110 | 12,830 | (12,400) | (21,050) | (510) | (510) |
| Operating C.F. | 88,446 | 106,876 | 41,964 | 32,096 | 8,100 | 21,011 | 103,171 | 55,690 | 31,670 | 9,530 | 24,500 | 121,390 | 137,120 |
| Cap Ex | (97,164) | (144,618) | (36,847) | (33,198) | (36,806) | (63,010) | (169,861) | (50,000) | (60,000) | (60,000) | (60,000) | (230,000) | (120,000) |
| Acquisition, net | 10,797 | (20,766) | - | - | - | 174 | 174 | - | - | - | - | - | - |
| Dividends | (13,887) | (15,924) | (4,204) | (4,249) | (4,511) | (4,518) | (17,482) | (4,990) | (5,230) | (5,230) | (5,230) | (20,680) | (20,920) |
| Free CF | (11,808) | (74,432) | 913 | (5,351) | (33,217) | (46,343) | (83,998) | 700 | (33,560) | (55,700) | (40,730) | (129,290) | (3,800) |
| ST Borrowing (Repayments) | (16,513) | 82,178 | 839 | 4,327 | (26,545) | 53,905 | 32,526 | (2,000) | (35,000) | 60,000 | 50,000 | 73,000 | (67,000) |
| LTD Proceeds | 49,975 | - | - | - | - | - | - | - | 70,000 | - | - | 70,000 | 100,000 |
| LTD (Repaid) | (9,969) | (10,820) | (402) | (1,824) | (355) | (6,565) | (9,146) | (100) | (1,500) | (100) | (6,400) | (8,100) | (5,200) |
| Stock Issued | - | - | - | - | 57,360 | - | 57,360 | - | - | - | - | - | - |
| Issuance (Purchase) for DRIP | (165) | 813 | 195 | 234 | 171 | 211 | 811 | - | - | - | - | - | - |
| Net Cash Flow | 11,520 | (2,261) | 1,545 | (2,614) | (2,586) | 1,208 | (2,447) | (1,400) | (60) | 4,200 | 2,870 | 5,610 | 24,000 |
| EBITDA | \$95,476 | \$107,730 | \$43,883 | \$23,522 | \$18,365 | \$30,486 | \$116,255 | \$48,310 | \$24,620 | \$23,150 | \$37,470 | \$133,550 | \$157,320 |
| EBITDA / GM | 43.3% | 45.0% | 56.7% | 40.7% | 33.1% | 43.5% | 44.6% | 57.3% | 40.8% | 37.3% | 47.4% | 46.7% | 49.6% |
| EV / TTM EBITDA | 9.3x | 9.5x | 10.4x | 10.5x | 9.9x | 10.7x | 10.7x | 10.5x | 10.9x | 10.5x | 9.9x | 9.9x | 8.8x |
| TTM-ROE | 12.3% | 12.4% | 11.5% | 11.6% | 10.9% | 11.2% | 11.2% | 11.0% | 10.5% | 10.4% | 10.8% | 10.8% | 11.1% |

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

I, Spencer E. Joyce, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Hilliard Lyons has received investment banking compensation from Chesapeake Utilities Corp. within the past 12 months.

Hilliard Lyons has acted as a manager or co-manager of an offering of securities of Chesapeake Utilities Corp. within the past 12 months.

Suitability Ratings

- 1** - A large cap, core holding with a solid history
- 2** - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
- 3** - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
- 4** - Speculative, due to small size, inconsistent profitability, erratic revenues, volatility, low trading volume or a narrow customer or product base

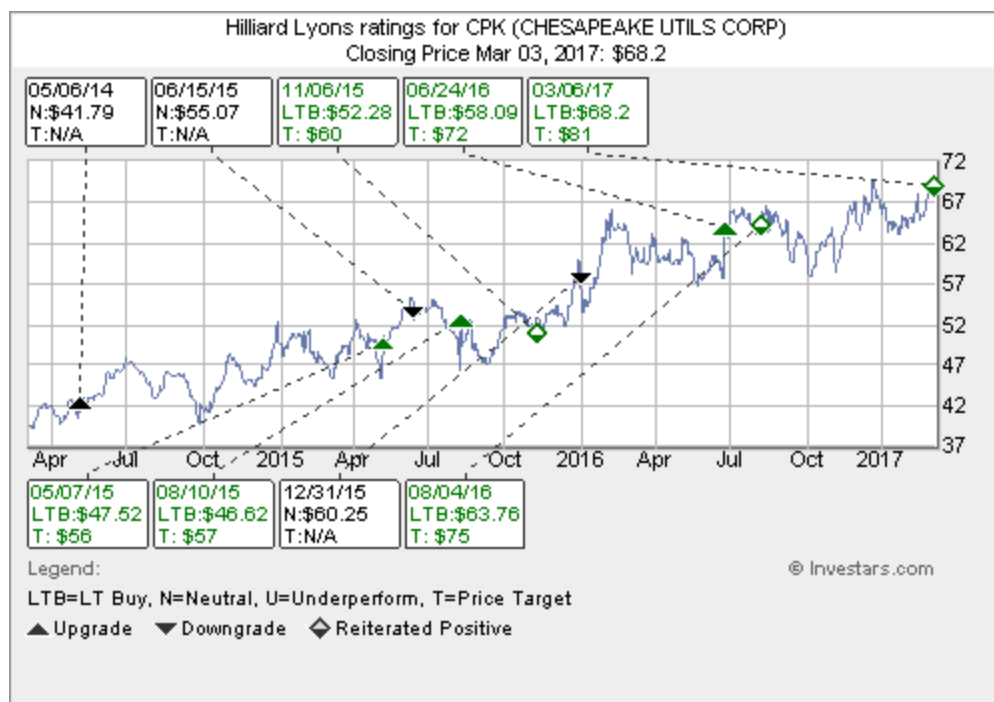
Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price setback in the next 12 months.



| Hilliard Lyons Recommended Issues | | Investment Banking Provided in Past 12 Mo. | | |
|-----------------------------------|---------------------|--|---------|------------|
| Rating | # of Stocks Covered | % of Stocks Covered | Banking | No Banking |
| Buy | 36 | 30% | 17% | 83% |
| Hold/Neutral | 76 | 62% | 7% | 93% |
| Sell | 10 | 8% | 0% | 100% |

As of 6 February 2017

Other Disclosures

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized. All rights reserved.