



Artesian Resources Corp. (ARTNA)

Updated March 29th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$32.7	5 Year CAGR Estimate:	12.2%	Market Cap:	\$336 M
Fair Value Price:	\$40.0	5 Year Growth Estimate:	5.4%	Ex-Dividend Date:	5/7/25
% Fair Value:	82%	5 Year Valuation Multiple Estimate:	4.1%	Dividend Payment Date:	5/21/25
Dividend Yield:	3.7%	5 Year Price Target	\$52	Years Of Dividend Growth:	30
Dividend Risk Score:	D	Sector:	Utilities	Rating:	Hold

Overview & Current Events

Artesian Resources Corp. was founded in 1905 in New Castle County, Delaware. Through its subsidiaries, the company provides water, wastewater and other services, primarily in the Delaware region. Artesian Resources sells and distributes water to residential, commercial, industrial, governmental, and utility customers throughout the state. In addition, Artesian Resources provides water for public and private fire protection in Delaware, Maryland, and Pennsylvania. The company produces 7.9 billion gallons of water annually through 1,311 miles of water main with a population of approximately 301,000 served.

In the fourth quarter of 2024, Artesian Resources Corporation reported solid financial results that capped off a strong year of operational and financial performance. For the quarter, the company posted earnings per share of \$0.37, slightly exceeding analyst expectations of \$0.36, and generated \$25 million in revenue, matching forecasts. For the full year, net income rose to \$20.4 million, marking a 22.1% increase from the \$16.7 million recorded in 2023. Diluted earnings per share for the year came in at \$1.98, up from \$1.67 the prior year. Total revenue for 2024 reached \$108 million, reflecting a 9.2% year-over-year increase, driven primarily by an \$8 million, or 10.1%, rise in water sales revenue. This growth was attributed to a rate increase that took effect in late November 2023, increased water consumption, and an expanding customer base.

The company continued to prioritize infrastructure investment, committing \$45.9 million in 2024 to projects such as facility relocations, rehabilitation of aging infrastructure, and construction of new wastewater treatment plants. These investments are part of Artesian's long-term strategy to ensure resilient, efficient, and environmentally responsible water and wastewater systems. Operating expenses increased by \$4.1 million, or 7.3%, due to higher utility operating costs, payroll, and employee benefits. Despite these rising costs, the company maintained strong margins, aided by regulatory support including a favorable settlement with the Delaware Public Service Commission that allowed recovery of water utility plant investments.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.26	\$1.41	\$1.51	\$1.54	\$1.60	\$1.79	\$1.79	\$1.79	\$1.67	\$1.98	\$2.00	\$2.60
DPS	\$0.87	\$0.90	\$0.93	\$0.96	\$0.98	\$1.03	\$1.07	\$1.09	\$1.14	\$1.18	\$1.21	\$1.25
Shares¹	9.1	9.1	9.2	9.3	9.3	9.4	9.4	9.5	10.3	10.3	10.3	9.8

Artesian Resources has enjoyed strong growth for a utility. EPS growth over the past decade has averaged just under 8% per year. That being said, we expect growth to slow somewhat moving forward to a 5.4% annualized growth rate over the next five years. Delaware's population growth averages approximately 1% per year, which along with 1%-2% annual price increases, provides a baseline growth rate for the company of approximately 2%-3%. The company can potentially increase this further by offering new services, improving economies of scale, and expanding its area, but growth beyond 5-7% per year may be difficult going forward and for now, we choose to remain conservative with our estimate.

¹ Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.0	20.9	24.2	23.9	23.3	21.8	25.9	29.7	21.4	20.0	16.4	20.0
Avg. Yld.	3.8%	3.1%	2.5%	2.6%	2.6%	2.6%	2.3%	2.1%	3.2%	3.2%	3.7%	2.4%

Due to its stability, Artesian Resources has historically commanded a rather high valuation. Currently, the P/E ratio is 16.4 and its dividend yield is 3.7%. We see 20X earnings as fair value, implying a tailwind to total returns in the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	69%	64%	62%	62%	61%	58%	60%	61%	68%	60%	61%	48%

Artesian Resources has a solid balance sheet as annual interest expense is well-covered by operating income. The company uses a substantial amount of leverage but is in line with other utilities on this metric due to their stable, recession-resistant cash flows and large base of assets.

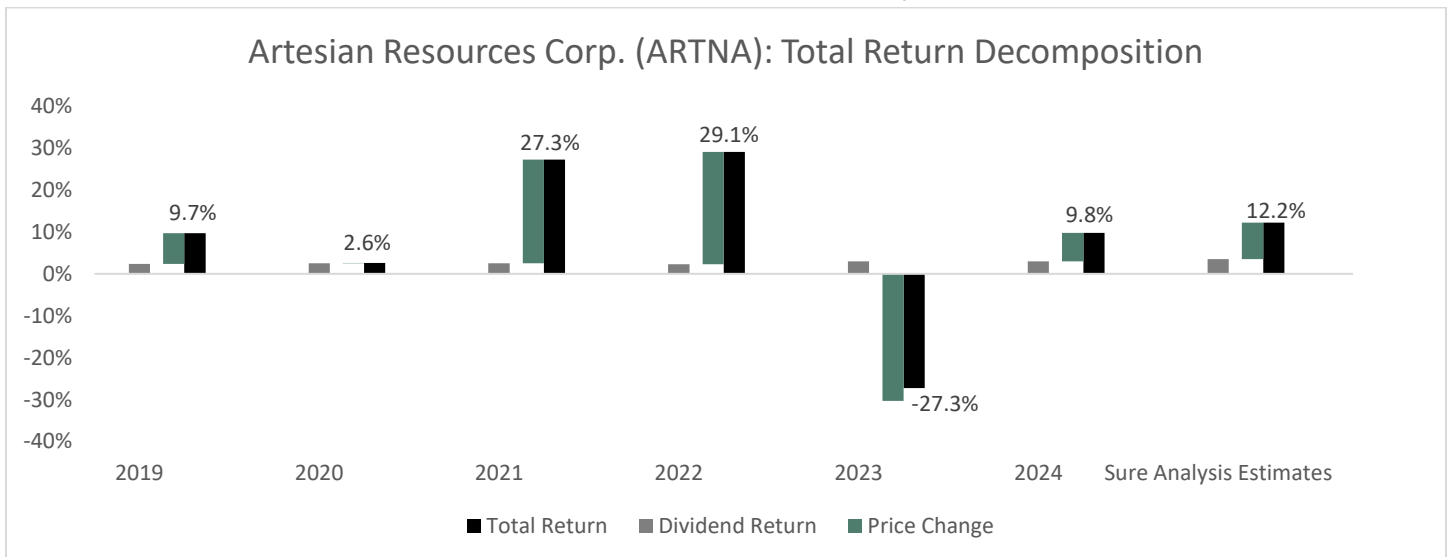
Like most utilities, the company's earnings have historically been very recession-resistant. During the previous recession, the company's earnings-per-share declined by 5% in 2007 and declined by a further 7% in 2008. By 2009, the company had recovered to match its 2006 peak earnings and surpassed that peak in 2010. The company operates in a regulated environment with long-term contracts, and its cash flows should be very safe going forward. The company has increased its dividend for 30 consecutive years, although at times the payout ratio was high.

Final Thoughts & Recommendation

Artesian Resources has been a very successful utility company with a long stretch of consecutive annual dividend increases and a solid growth rate in an otherwise slow-growing industry.

However, Artesian Resources' forward returns are likely to be lower than past returns, as the company's growth rate is likely to slow moving forward. We expect total returns over the next five years to average approximately 12.2% per year. However, due to the weak dividend score of D, it is rated a Hold at the current time.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	77	79	82	80	84	88	91	99	99	108
Gross Profit	39	41	41	39	41	45	46	48	48	53
Gross Margin	50.1%	51.6%	50.1%	48.8%	49.2%	50.5%	50.1%	48.8%	48.8%	49.5%
D&A Exp.	9	9	10	10	11	11	12	13	13	14
Operating Profit	25	27	27	24	25	28	28	30	29	33
Operating Margin	32.9%	34.3%	32.7%	29.8%	30.0%	31.7%	30.9%	30.1%	29.1%	31.0%
Net Profit	11	13	14	14	15	17	17	18	17	20
Net Margin	14.7%	16.4%	17.0%	17.8%	17.9%	19.1%	18.5%	18.2%	16.9%	18.9%
Free Cash Flow	8	2	(5)	(20)	(22)	(14)	(10)	(24)	(30)	(9)
Income Tax	8	8	7	5	5	6	6	6	6	7

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	432	451	495	530	560	593	625	720	767	799
Cash & Equivalents	0	0	1	0	1	0	0	1	3	1
Accounts Receivable	5	5	5	6	6	7	7	6	8	8
Inventories	2	2	2	1	1	2	2	5	6	4
Total Liabilities	299	312	348	377	400	424	447	532	536	559
Accounts Payable	5	6	9	8	8	6	10	11	10	11
Long-Term Debt	116	111	117	134	153	171	172	198	181	179
Shareholder's Equity	132	139	147	153	160	169	178	188	230	239
LTD/E Ratio	0.88	0.80	0.80	0.87	0.96	1.01	0.96	1.05	0.78	0.75

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.6%	2.9%	3.0%	2.8%	2.7%	2.9%	2.8%	2.7%	2.2%	2.6%
Return on Equity	8.8%	9.5%	9.8%	9.5%	9.5%	10.2%	9.7%	9.8%	8.0%	8.7%
ROIC	4.5%	5.2%	5.4%	5.2%	5.0%	5.1%	4.9%	4.9%	4.2%	4.9%
Shares Out.	9.1	9.1	9.2	9.3	9.3	9.4	9.4	9.5	10.3	10.3
Revenue/Share	8.55	8.63	8.90	8.65	8.96	9.41	9.64	10.43	9.86	10.48
FCF/Share	0.86	0.17	(0.58)	(2.14)	(2.34)	(1.49)	(1.01)	(2.55)	(3.03)	(0.89)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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