



# The York Water Company (YORW)

Updated March 7<sup>th</sup>, 2025 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$34	<b>5 Year CAGR Estimate:</b>	3.3%	<b>Market Cap:</b>	\$498 M
<b>Fair Value Price:</b>	\$28	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	02/28/2025
<b>% Fair Value:</b>	124%	<b>5 Year Valuation Multiple Estimate:</b>	-4.1%	<b>Dividend Payment Date:</b>	04/15/2025
<b>Dividend Yield:</b>	2.6%	<b>5 Year Price Target</b>	\$60	<b>Years Of Dividend Growth:</b>	28
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Sell

## Overview & Current Events

The York Water Company is a special one in the industry since it is the oldest investor-owned water utility in the United States, having functioned continuously since 1816. York Water has a unique record of over 200 years of uninterrupted dividend payments to shareholders. It operates entirely within its franchised territory, which covers 57 municipalities within York, Adams, and Franklin Counties, Pennsylvania, with an estimated population of 212,000. The York Water sees an average daily consumption of 22.4 million gallons, generating around \$71 million in annual revenues. The company is based in York, Pennsylvania.

On November 26<sup>th</sup>, 2024, The York Water Company raised its dividend by ~4% to a quarterly rate of \$0.2192.

On March 4<sup>th</sup>, 2025, The York Water Company reported its Q4 and full-year results for the period ending December 31<sup>st</sup>, 2024. Quarterly revenues were \$18.9 million, up 4.3% year-over-year, driven by the distribution system improvement charge (DSIC), which allows York Water to add a charge to customers' water bills for qualifying infrastructure replacement costs without filing for a rate change. Revenues also benefited from customer growth, with the average number of water customers rising by 999, from 71,416 to 72,415 during the year, and wastewater customers increasing by 522, from 5,999 to 6,521, mainly due to acquisitions. Per capita water consumption in Q4 was down 0.8% compared to the same period last year.

EPS for the quarter came in at \$0.36, down eight cents year-over-year. The drop in EPS was due to higher operation and maintenance costs and depreciation, higher interest on debt, and lower allowance for funds used during construction. For the year, EPS was \$1.42. We expect FY2025 EPS of \$1.53.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$0.92	\$1.01	\$1.04	\$1.11	\$1.27	\$1.30	\$1.30	\$1.40	\$1.66	\$1.42	<b>\$1.53</b>	<b>\$1.95</b>
<b>DPS</b>	\$0.63	\$0.65	\$0.67	\$0.70	\$0.73	\$0.76	\$0.76	\$0.79	\$0.82	\$0.85	<b>\$0.88</b>	<b>\$1.07</b>
<b>Shares<sup>1</sup></b>	12.8	12.8	12.9	13.0	13.0	13.0	13.0	14.0	14.3	14.3	<b>14.3</b>	<b>15.0</b>

York Water is enjoying very stable and predictable cash flows due to water being a vital commodity for households. As a result, the company has seen very steady and gradual growth in its EPS, which features a 10-year CAGR of 4.9%. Future growth catalysts include a growing number of customers and distribution facilities, as well as acquisitions of wastewater systems. For context, during 2024, customers grew by 1.4% to 72,415 (population served of more than 212,000.) Besides organic growth and acquisitions, the company is able to achieve higher revenues over time as a result of increases in water and wastewater rates, which are usually capped at 5% annually and reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. We expect EPS growth of around 6% in the medium-term, in line with the company's historical average. Due to such a predictable business model and financials, the company has been able to deliver one of the most impressive dividend records in the world, numbering more than 200 years of uninterrupted dividend payments. We expect DPS growth of around 4% in the

<sup>1</sup> Share count is in millions.

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medium-term, in line with its latest increase and the current trend of an improving payout ratio. Dividends have grown annually for 28 consecutive years.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
<b>Avg. P/E</b>	21.7	32.2	34.7	29.8	41.5	35.4	36.1	31.2	24.8	26.3	<b>22.2</b>	<b>18.0</b>
<b>Avg. Yld.</b>	2.9%	2.1%	1.9%	2.2%	1.5%	1.6%	1.5%	1.8%	2.0%	2.3%	<b>2.6%</b>	<b>3.0%</b>

The York Water's valuation multiple was hovering at a steep premium between 2016 and 2022, as was the case with all of its industry peers. We believe that the stock should be priced significantly lower, but recognize the high likelihood of investors continuing to price shares at current levels due to their unique and sought-after qualities. Still, the valuation did indeed started to normalize from 2023 onwards, with rising rates likely reminding investors of the wide mispricing. At the current P/E of 22.2, we still think the stock is expensive despite its notable qualities as its growth potential seems soft. We expect the stock's yield to become more attractive.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

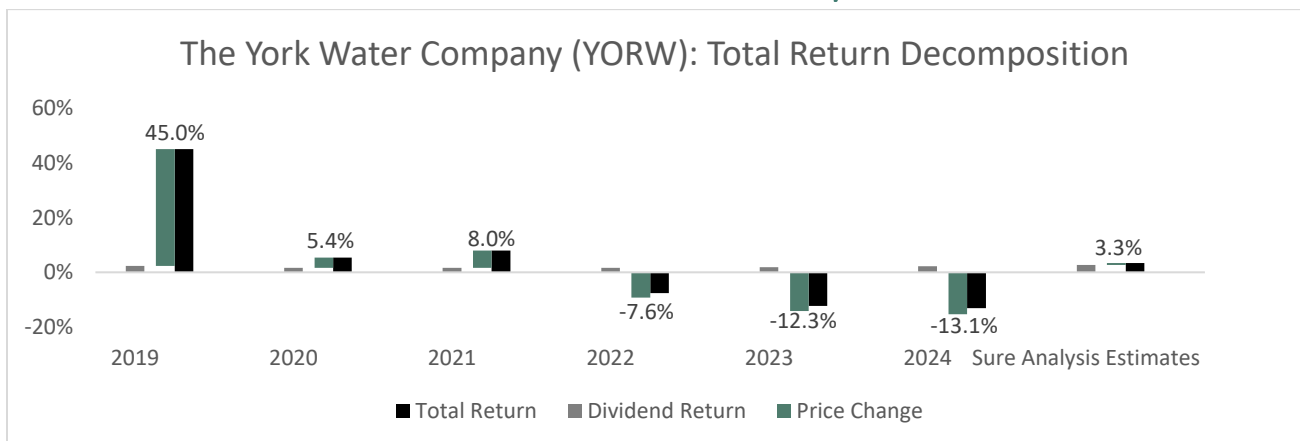
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>Payout</b>	68%	64%	64%	63%	57%	58%	58%	56%	49%	60%	<b>57%</b>	<b>55%</b>

As mentioned, the York Water Company's revenues should remain ultimately resilient in the future, powered by a very predictable business model and slow but gradual growth catalysts. The company's cash flows are unlikely to be affected by any potential recession, as was the case during the Great Financial Crisis and the COVID-19 pandemic. York recently declared its 617<sup>th</sup> consecutive dividend, which is a testament to its ability to produce solid financials under any potential economic scenario. Finally, the company operates within an exclusive franchised territory that is substantially free from direct competition with other public utilities, municipalities, and other entities, adding another layer of safety to its business model. We believe York's dividend is extremely safe and certainly trustworthy.

## Final Thoughts & Recommendation

The York Water company displays one of the longest and most impressive shareholder value creation stories in history. Few companies can boast such an extended record of success and dividend payments. Despite its predictable growth catalysts and a great moat, however, the stock remains expensive. The company's mature operations should deliver relatively modest growth metrics. However, we believe that valuation pressures will overshadow any benefits from growth and dividends. The stock does not offer a very attractive total return profile ahead, though very conservative income investors may appreciate its robust qualities. Shares earn a sell rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	46	47	48	49	48	52	54	55	60	71
<b>Gross Profit</b>	38	39	40	40	39	41	43	43	46	54
<b>Gross Margin</b>	82.6%	82.9%	83.1%	81.7%	80.0%	79.9%	80.0%	78.2%	76.7%	76.1%
<b>SG&amp;A Exp.</b>	9	9	9	8	8	9	9	10	10	12
<b>D&amp;A Exp.</b>	6	6	6	7	7	8	8	9	10	12
<b>Operating Profit</b>	22	23	23	24	23	24	24	23	24	28
<b>Operating Margin</b>	48.1%	48.1%	48.1%	48.8%	46.5%	46.1%	45.4%	41.8%	40.0%	39.4
<b>Net Profit</b>	11	12	12	13	13	14	17	17	20	24
<b>Net Margin</b>	25.0%	26.5%	24.9%	26.7%	27.6%	27.9%	30.8%	30.9%	33.3%	33.8%
<b>Free Cash Flow</b>	4	7	6	(5)	1	(2)	(13)	(23)	(32)	(34)
<b>Income Tax</b>	5	5	5	5	2	2	2	1	0	1.3

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	304	311	320	332	345	364	407	459	511	588
<b>Cash &amp; Equivalents</b>	1	3	4	0	0	0	0	0	0	0
<b>Accounts Receivable</b>	4	4	5	5	5	5	6	5	7	8
<b>Inventories</b>	1	1	1	1	1	1	1	2	2	3
<b>Total Liabilities</b>	200	201	206	213	219	229	264	306	303	367
<b>Accounts Payable</b>	2	2	4	3	3	3	7	7	11	11
<b>Long-Term Debt</b>	85	85	85	91	94	101	124	146	139	180
<b>Shareholder's Equity</b>	105	109	114	119	126	134	143	153	207	221
<b>LTD/E Ratio</b>	0.81	0.78	0.74	0.76	0.75	0.75	0.86	0.96	0.67	0.81

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	3.9%	4.1%	3.8%	4.0%	4.0%	4.1%	4.3%	3.9%	4.0%	4.3%
<b>Return on Equity</b>	11.0%	11.7%	10.6%	11.1%	10.9%	11.1%	12.0%	11.5%	10.9%	11.1%
<b>ROIC</b>	6.1%	6.5%	6.0%	6.3%	6.2%	6.3%	6.6%	6.0%	6.1%	6.4%
<b>Shares Out.</b>	12.9	12.8	12.8	12.8	12.9	13.0	13.0	13.1	13.9	14.3
<b>Revenue/Share</b>	3.56	3.67	3.70	3.78	3.75	3.98	4.13	4.22	4.30	4.97
<b>FCF/Share</b>	0.33	0.51	0.48	(0.39)	0.12	(0.13)	(1.00)	(1.79)	(2.29)	(2.33)

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

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