



Chesapeake Utilities Corporation (CPK)

Updated May 23rd, 2025, by Kody Kester

Key Metrics

Current Price:	\$122	5 Year CAGR Estimate:	10.5%	Market Cap:	\$2.8B
Fair Value Price:	\$125	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	06/16/2025
% Fair Value:	97%	5 Year Valuation Multiple Estimate:	0.6%	Dividend Payment Date:	07/07/2025
Dividend Yield:	2.3%	5 Year Price Target	\$184	Years Of Dividend Growth:	22
Dividend Risk Score:	B	Sector:	Utilities	Rating:	Buy

Overview & Current Events

Founded in 1947, Chesapeake Utilities Corporation (CPK) is a diversified energy delivery company operating primarily in the Mid-Atlantic region, North Carolina, South Carolina, Florida, and Ohio. The company is engaged in the distribution of natural gas, propane, and electricity, as well as the generation of electricity and steam, and the provision of mobile compressed natural gas.

CPK operates the two reportable segments:

1. **Regulated Energy:** This segment is made up of natural gas transmission services businesses, as well as natural gas and electric distribution businesses. That's via seven subsidiaries. The most recent addition was Florida City Gas, which was previously owned by NextEra Energy's Florida Power & Light Company. In November 2023, CPK completed this transaction for \$922.8 million in cash. It serves 123,000 residential and commercial natural gas customers across eight counties in Florida, including Miami-Dade, Broward, Brevard, and Palm Beach.
2. **Unregulated Energy:** The Unregulated Energy segment sells propane to residential, commercial, industrial, and wholesale customers. This is through its Sharp Energy, Inc., SharpGas, Inc., Diversified Energy, FPU, and Flo-gas subsidiaries.

On May 7th, CPK shared its first-quarter earnings report for the period ending March 31st, 2025. The company's operating revenue climbed 21.6% higher over the year-ago period to \$298.7 million during the quarter. That was driven by customer growth and colder weather in the Mid-Atlantic and Ohio service territories in the quarter. CPK's adjusted diluted EPS grew by 5.7% year-over-year to \$2.22 for the quarter. That was \$0.03 less than the consensus analyst estimate during the quarter. These results were enough for CPK to reiterate its midpoint adjusted diluted EPS guidance of \$6.25 (\$6.15 to \$6.35) for 2025. On the same day, the energy company also upped its quarterly dividend per share by 7% to \$0.685. That marked the company's 22nd consecutive year of dividend growth.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.72	\$2.86	\$3.55	\$3.31	\$3.72	\$4.21	\$4.73	\$5.04	\$5.31	\$5.39	\$6.25	\$9.18
DPS	\$1.12	\$1.19	\$1.26	\$1.39	\$1.55	\$1.69	\$1.80	\$2.03	\$2.25	\$2.47	\$2.74	\$3.84
Shares¹	15.3	16.3	16.3	16.4	16.4	17.5	17.7	17.7	22.1	22.8	23.3	28.3

Since 2015, CPK has grown its adjusted diluted EPS by around 8% annually. Moving forward, we believe that this same level of growth can continue. That's because the company has identified approximately \$1.4 billion of capital projects over the next five years. CPK believes that these projects support its five-year capex guidance of between \$1.5 billion and \$1.8 billion. Better yet, more than 70% of capital spending is expected to be with existing regulatory approvals or recovery mechanisms. This bolsters the stability of the underlying cash flows that will be generated from these investments.

¹ Share count is in millions.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	20.9	23.4	22.1	24.6	25.8	25.7	30.8	23.5	19.9	22.6	19.4	20.0
Avg. Yld.	2.0%	1.8%	1.6%	1.7%	1.6%	1.6%	1.2%	1.7%	2.1%	2.0%	2.3%	2.1%

Over the last decade, CPK's shares have traded at a P/E ratio as low as the high teens to as much as the low 30s. The average P/E ratio over this time was around 24. In the years ahead, we anticipate that higher interest rates will pressure the valuation multiple by more than a standard deviation. This is why we think that a rational fair value for shares is around a P/E ratio of 20. Relative to the current P/E ratio of 19.4, shares are a bit undervalued today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	41%	42%	35%	42%	42%	40%	38%	40%	42%	46%	44%	42%

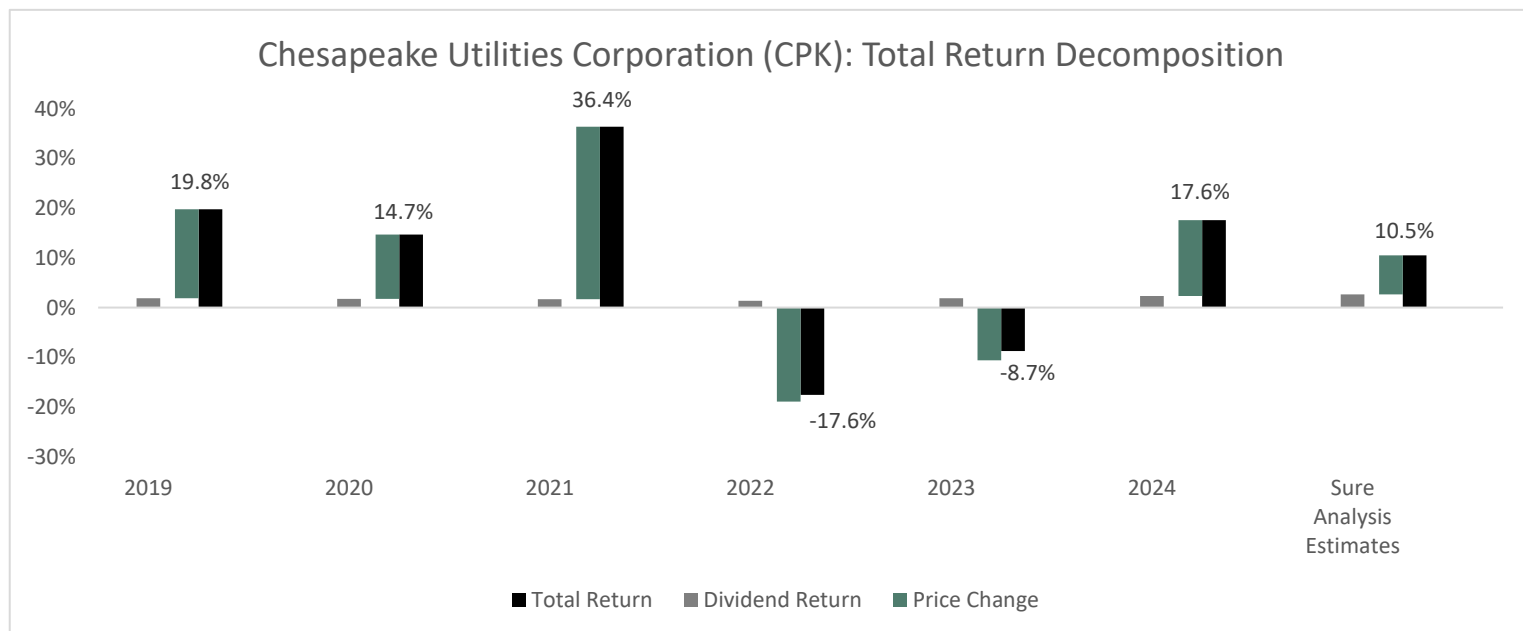
CPK's slower-growing and more predictable regulated energy businesses help to balance out the faster-growing and less predictable unregulated energy businesses. That's how the company has generated a 300%+ cumulative total return over the past 15 years and ranks above the 75th percentile among its peer groups for 10, 15, and 20-year periods.

CPK is also a financially sturdy business. In March, Fitch issued its inaugural investment-grade, BBB+ long-term issuer rating for Chesapeake. That rating also has a stable outlook. That provides CPK with access to low-cost capital, which should help it execute its five-year capital spending plan. The company's payout ratio is also set to be in the mid-40% range for 2025, which also gives it plenty of retained capital for growth spending. This is why we believe that high-single-digit annual dividend growth can persist for the foreseeable future.

Final Thoughts & Recommendation

CPK's 2.3% yield, 8.0% annual adjusted diluted EPS growth prospects, and 0.6% annual valuation multiple upside potential could produce 10.5% annual total returns through 2030. As a result, we're issuing a buy rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	459	499	450	490	480	488	570	681	671	787
Gross Profit	120	133	143	153	172	193	218	238	255	335
Gross Margin	26.1%	26.6%	31.8%	31.3%	35.8%	39.5%	38.2%	34.9%	38.0%	42.5%
D&A Exp.	37	39	45	49	55	68	73	80	77	82
Operating Profit	76	86	90	95	106	113	131	143	161	232
Op. Margin	16.6%	17.2%	19.9%	19.3%	22.1%	23.1%	23.0%	21.0%	24.0%	29.4%
Net Profit	41	45	58	57	65	71	83	90	87	119
Net Margin	9.0%	9.0%	12.9%	11.5%	13.6%	14.6%	14.6%	13.2%	13.0%	15.1%
Free Cash Flow	(39)	(66)	(65)	(123)	(82)	(7)	(36)	31	15	(116)
Income Tax	27	28	15	21	21	24	29	34	28	43

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,067	1,229	1,415	1,694	1,783	1,932	2,115	2,215	3,305	3,577
Cash & Equivalents	3	4	6	6	7	3	5	6	5	8
Acc. Receivable	41	63	77	54	50	57	58	63	72	121
Inventories	10	11	20	17	12	11	21	26	29	27
Goodwill & Int.	17	17	24	25	41	47	58	64	525	523
Total Liabilities	709	783	929	1,175	1,222	1,235	1,341	1,382	2,059	2,187
Accounts Payable	39	57	75	99	54	60	53	61	77	78
Long-Term Debt	332	359	458	622	733	698	789	802	1,187	1,262
Total Equity	358	446	486	518	562	697	774	833	1,246	1,390
D/E Ratio	0.93	0.80	0.94	1.20	1.31	1.00	1.02	0.96	0.95	0.91

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.2%	3.9%	4.4%	3.6%	3.7%	3.8%	4.1%	4.1%	3.2%	3.4%
Return on Equity	12.5%	11.1%	12.5%	11.3%	12.1%	11.4%	11.3%	11.2%	8.4%	9.0%
ROIC	6.6%	6.0%	6.6%	5.4%	5.4%	5.3%	5.6%	5.6%	4.1%	4.3%
Shares Out.	16	16	16	16	17	18	19	18	18	22
Revenue/Share	30.33	31.95	27.45	29.86	29.16	29.11	32.32	38.23	36.38	35.77
FCF/Share	(2.57)	(4.21)	(3.98)	(7.49)	(4.97)	(0.39)	(2.07)	1.72	0.81	(5.27)

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

Disclaimer

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