



# Middlesex Water (MSEX)

Updated August 18<sup>th</sup>, 2025 by Samuel Smith

## Key Metrics

<b>Current Price:</b>	\$53.2	<b>5 Year CAGR Estimate:</b>	8.5%	<b>Market Cap:</b>	\$941 M
<b>Fair Value Price:</b>	\$49.0	<b>5 Year Growth Estimate:</b>	7.7%	<b>Ex-Dividend Date:</b>	11/15/25 <sup>1</sup>
<b>% Fair Value:</b>	109%	<b>5 Year Valuation Multiple Estimate:</b>	-1.6%	<b>Dividend Payment Date:</b>	12/2/25 <sup>2</sup>
<b>Dividend Yield:</b>	2.6%	<b>5 Year Price Target</b>	\$71	<b>Years Of Dividend Growth:</b>	52
<b>Dividend Risk Score:</b>	A	<b>Sector:</b>	Utility	<b>Rating:</b>	Hold

## Overview & Current Events

Middlesex Water Company was formed in 1897. The company is a water and wastewater utility in New Jersey and Delaware. Its market capitalization is \$941 million. Middlesex has paid consecutive dividends since 1912 and has reached its 52<sup>nd</sup> consecutive year of dividend increases.

On August 7, 2025, Middlesex Water Company reported results for the second quarter ended June 30, 2025, showing continued revenue growth supported by regulated rate adjustments and steady customer demand. The company posted operating revenue of \$46.7 million, up from \$43.5 million in the same quarter of 2024, reflecting higher water rates approved by regulators and modest customer growth in its service territories. Net income rose to \$12.6 million, or \$0.70 per diluted share, compared with \$11.2 million, or \$0.63 per share, in the prior year. Operating income increased to \$19.4 million from \$17.8 million, with improved margins driven by higher revenues offsetting increased expenses tied to maintenance and infrastructure investments. For the first half of 2025, operating revenue totaled \$88.4 million compared with \$82.7 million a year earlier, while net income reached \$21.8 million, or \$1.21 per share, versus \$19.4 million, or \$1.10 per share, in the prior year. The company invested \$54 million in capital projects during the first half of 2025, focusing on system reliability, water quality, and resiliency improvements, consistent with its long-term infrastructure strategy. Middlesex maintained a strong balance sheet with equity of \$394 million and a debt-to-capitalization ratio of 47%, providing financial flexibility to fund ongoing capital programs. The board of directors declared a quarterly dividend of \$0.33 per share, marking the 52nd consecutive year of dividend payments, reinforcing its commitment to long-term shareholder returns. Overall, the quarter demonstrated consistent revenue growth, earnings improvement, and disciplined capital investment, underpinned by a strong regulatory environment and stable demand for essential water services.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$1.22	\$1.38	\$1.38	\$1.96	\$2.02	\$2.18	\$2.07	\$2.12	\$1.76	\$2.33	<b>\$2.45</b>	<b>\$3.55</b>
<b>DPS</b>	\$0.78	\$0.81	\$0.86	\$0.96	\$0.98	\$1.05	\$1.11	\$1.18	\$1.26	\$1.32	<b>\$1.36</b>	<b>\$2.08</b>
<b>Shares<sup>3</sup></b>	16.2	16.3	16.4	16.4	17.4	17.5	17.5	17.6	17.8	17.9	<b>18.0</b>	<b>20.0</b>

Earnings-per-share have been rising steadily over the past decade, although gains have been far from linear. The Great Recession saw earnings fall markedly in 2009 but recovery was fairly quick and since 2009, earnings have roughly tripled. We see annualized earnings-per-share growth for the next five years in the mid-single-digits as the meaningful sources of growth will be the rate increase in New Jersey and inflationary pressures. Adding customers will also help some as it will also improve operational efficiencies through economies of scale.

We are forecasting the dividend to continue its streak of small increases moving forward. Middlesex has an impressive streak of dividend increases that will continue to grow but on a percentage basis, the payout will rise rather slowly. The

<sup>1</sup> Estimate

<sup>2</sup> Estimate

<sup>3</sup> In millions

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company's payout ratio was far too high during the Great Recession, and management pulled back on the pace of dividend increases to avoid a similar fate down the road.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.8	28.8	27.3	26.9	31.7	33.4	58.0	37.3	34.7	22.3	22.9	20.0
Avg. Yld.	2.9%	2.0%	2.3%	1.8%	1.5%	1.4%	0.9%	1.5%	2.1%	2.5%	2.4%	2.9%

The company's price-to-earnings multiple looks overvalued today. As a result, the stock should face a headwind to total returns in the coming half-decade from multiple expansion. The dividend yield will likely remain in its current range moving forward, though it might rise slightly.

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

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	64%	59%	62%	49%	49%	48%	54%	56%	72%	57%	56%	59%

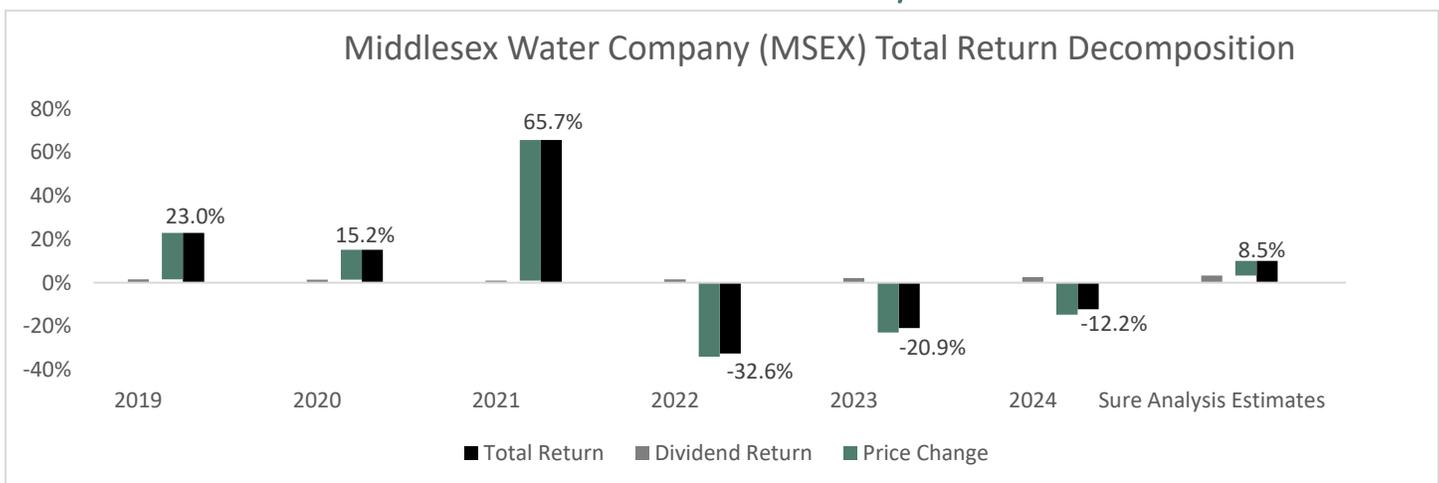
Like many other regulated utilities, Middlesex' quality metrics have remained steady in the past decade thanks to the monopoly-like nature of its assets. However, since pricing is regulated, they cannot drive excessive profitability, thereby explaining the resistance to significant margin expansion. Its assets are mostly debt-financed, allowing for an excellent interest coverage ratio for a utility. Middlesex has the balance sheet to weather virtually any economic storm so there is no question of safety, but obviously growth remains an issue. The payout ratio neared 100% in 2009 but slow growth in dividends and better rates of earnings-per-share growth have led it back down to 56% today, making the dividend very safe.

Middlesex' recession performance is decent given that it sells the most basic staple of all and indeed, its revenue was basically flat in 2009 at the height of the recession. Its earnings did not fare quite as well, but it certainly stood up to the downturn. Its obvious competitive advantage is in the monopoly it enjoys in its service area.

## Final Thoughts & Recommendation

Middlesex offers an annualized total return potential of 8.5% going forward based on our projections, as the current yield and mid-single digit expected annual earnings-per-share growth will be slightly offset by very slight expected valuation multiple compression. The company's impressive dividend growth history is certainly worth noting as well. As a result, we rate the stock a Hold.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	126	133	131	138	135	142	143	162	166	192
D&A Exp.	13	14	15	16	17	21	27	27	29	28
Operating Profit	36	40	38	37	36	37	33	42	39	53
Operating Margin	28.4%	30.3%	28.9%	26.9%	26.4%	26.4%	23.2%	25.9%	23.6%	27.7%
Net Profit	20	23	23	32	34	38	37	42	32	44
Net Margin	15.9%	17.1%	17.4%	23.5%	25.2%	27.1%	25.5%	26.1%	19.0%	23.1%
Free Cash Flow	25	(0)	(7)	(26)	(53)	(52)	(46)	(30)	(37)	(16)
Income Tax	11	12	11	1	(3)	(4)	(5)	3	1	7

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	581	620	661	768	910	976	1,020	1,074	1,236	1,255
Cash & Equivalents	3	4	5	4	2	4	4	4	2	4
Accounts Receivable	10	10	11	12	12	15	15	16	18	19
Inventories	3	4	4	5	5	5	5	6	7	7
Total Liabilities	372	399	430	517	584	628	650	672	811	808
Accounts Payable	7	12	14	19	23	30	21	25	28	28
Long-Term Debt	142	153	174	209	258	282	326	363	409	384
Shareholder's Equity	207	218	229	249	324	346	368	400	423	445
LTD/E Ratio	0.68	0.69	0.75	0.83	0.79	0.81	0.88	0.90	0.96	0.86

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.5%	3.8%	3.6%	4.5%	4.0%	4.1%	3.7%	4.1%	2.7%	3.6%
Return on Equity	9.8%	10.6%	10.1%	13.4%	11.7%	11.4%	10.2%	11.0%	7.6%	10.2%
ROIC	5.6%	6.3%	5.9%	7.5%	6.5%	6.3%	5.5%	5.8%	3.9%	5.3%
Shares Out.	16.2	16.3	16.4	16.4	17.4	17.5	17.5	17.6	17.8	17.9
Revenue/Share	7.72	8.09	7.93	8.35	8.00	8.06	8.13	9.17	9.32	10.69
FCF/Share	1.56	(0.02)	(0.45)	(1.59)	(3.15)	(2.97)	(2.63)	(1.69)	(2.10)	(0.89)

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

### Disclaimer

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