



Essential Utilities (WTRG)

Updated May 15th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	\$38	5 Year CAGR Estimate:	11.3%	Market Cap:	\$10.8 B
Fair Value Price:	\$41	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	5/12/2026
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.3%	Dividend Payment Date:	6/1/2026
Dividend Yield:	3.6%	5 Year Price Target	\$57	Years Of Dividend Growth:	34
Dividend Risk Score:	B	Sector:	Utilities	Rating:	Buy

Overview & Current Events

Aqua America changed its name to Essential Utilities and its ticker from WTR to WTRG on February 3rd, 2020 in order to reflect its acquisition of Peoples, a natural gas distribution company. Essential Utilities is the second largest publicly traded water utility in the U.S., serving approximately 5.5 million customers across ten states. The \$10.8 billion company has raised its dividend for 34 consecutive years, which qualifies it to be a member of the Dividend Champions, and has paid a quarterly dividend for 80 consecutive years.

On October 27th, 2025, Essential Utilities agreed to merge with American Water Works (AWK) in an all-stock deal. As per the terms of the deal, which is expected to close in Q1-2027, the shareholders of Essential Utilities will own ~31% of the new company and the shareholders of American Water Works will own the remaining 69%. Management expects the new company to grow its earnings-per-share and its dividend by 7%-9% per year.

On May 6th, 2026, Essential Utilities reported results for the first quarter of 2026. Revenue grew 10% over last year's quarter, mostly thanks to rate hikes in both segments. Earnings-per-share fell -19%, from \$1.03 to \$0.83, due to higher taxes and operating costs. Management reiterates its guidance for adjusted earnings-per-share of \$2.17-\$2.26 in 2026. As the utility has exceeded estimates in 4 of the last 5 quarters, we still expect earnings-per-share of \$2.25 in 2026.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$1.32	\$1.35	\$1.41	\$1.47	\$1.58	\$1.67	\$1.77	\$1.86	\$1.97	\$2.20	\$2.25	\$3.16
DPS	\$0.74	\$0.79	\$0.85	\$0.91	\$0.97	\$1.04	\$1.11	\$1.19	\$1.26	\$1.37	\$1.37	\$1.83
Shares¹	177.4	177.7	178.4	232.6	254.8	262.2	263.3	273.5	275.0	283.6	290.0	340.0

Essential Utilities has compounded its earnings-per-share at a rate of 5.8% per year over the last decade. It grew its customer base 2% last year organically and via acquisitions and has repeatedly confirmed its guidance for 2%-3% annual customer growth. Even better, the upcoming merger with American Water Works is likely to prove a major growth driver. We expect 7% average annual growth of earnings-per-share until 2031, in line with the 5%-7% guidance of management until 2027 and the 7%-9% guidance for the period after the merger with American Water Works.

The growth strategy of Essential Utilities is to acquire smaller water utilities and integrate them into its vast operations. It has implemented nearly 200 acquisitions and growth ventures in the last ten years. The takeover of Peoples was a major acquisition, given that the \$4.3 billion value of the deal was 37% of the market cap of Essential Utilities at the time of the transaction. The new company has ample room for future growth via infrastructure investment.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	23.9	24.7	25.0	27.6	28.0	28.3	26.6	21.6	19.3	17.3	16.9	18.0
Avg. Yld.	2.3%	2.4%	2.4%	2.2%	2.2%	2.2%	2.4%	3.0%	3.3%	3.6%	3.6%	3.2%

¹ In millions.

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While we are usually hesitant to publish estimates that deviate significantly from historical base rates, we believe that the 10-year average price-to-earnings ratio of 24.2 of Essential Utilities is significantly higher than its fair valuation level. Instead, we believe that a fair P/E ratio for a stock like Essential Utilities is around 18. The stock is currently trading at a P/E ratio of 16.9, which is lower than our fair value estimate. If Essential Utilities trades at a P/E ratio of 18 in five years, it will enjoy a 1.3% annualized gain in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

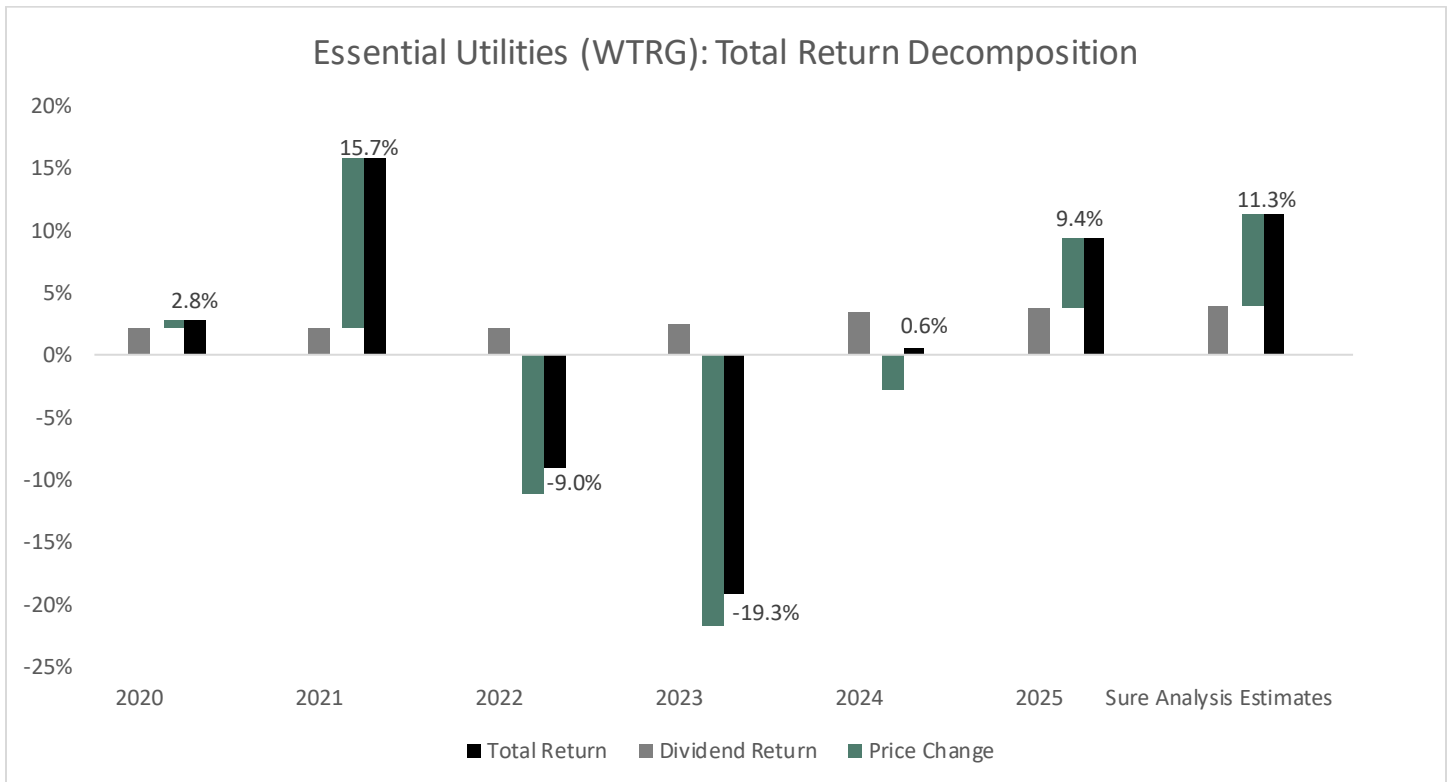
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	56.1%	58.5%	60.3%	61.9%	61.4%	62.3%	62.7%	64.0%	64.0%	62.3%	60.9%	58.1%

The competitive advantage of Essential Utilities comes from its entrenched position in a highly capital-intensive and regulated industry. The company has invested billions of dollars into its network of infrastructure assets and its fee hikes must be approved by regulatory authorities. For competitors, these barriers are highly discouraging, which limits competition and leads us to believe that the company will remain highly profitable for decades to come. The company's interest coverage has been quite stable, typically ranging between 3 and 4. Thanks to the reliable cash flows that result from the regulated nature of their business, utilities can safely operate with a lower interest coverage ratio than their peers in other sectors. Moreover, as a utility, Essential Utilities is essentially immune to recessions and high inflation.

Final Thoughts & Recommendation

The presence of Essential Utilities in the water utility industry gives it a higher level of stability than almost any other company in our investment universe. This advantage is of paramount importance. The stock could offer an 11.3% average annual return over the next five years thanks to 7.0% earnings growth, its 3.6% dividend and a 1.3% valuation tailwind. The stock remains highly attractive and maintains its buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	820	810	838	890	1463	1,878	2,288	2,054	2,086	2,475
Gross Profit	523	527	530	557	768	987	1,072	1,126	1,222	1014
Gross Margin	63.8%	65.1%	63.2%	62.6%	52.5%	52.6%	46.9%	54.8%	58.6%	41.0%
D&A Exp.	133	137	147	156	257	298	321	344	370	417
Operating Profit	333	334	323	340	435	603	661	709	758	921
Operating Margin	40.7%	41.2%	38.6%	38.2%	29.7%	32.1%	28.9%	34.5%	36.3%	37.2%
Net Profit	234	240	192	225	285	432	465	498	595	616
Net Margin	28.6%	29.6%	22.9%	25.2%	19.5%	23.0%	20.3%	24.2%	28.5%	24.9%
Free Cash Flow	13	(97)	(127)	(212)	(328)	(376)	(462)	(266)	(559)	(477)
Income Tax	21	17	(14)	(13)	(20)	(10)	(14)	-66	(22)	3

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	6,159	6,332	6,964	9,362	13,705	14,658	15,719	16,841	18,027	19,465
Cash & Equivalents	4	4	4	1,869	5	11	11	5	9	35
Accounts Receivable	64	66	68	69	189	198	266	200	211	384
Inventories	13	14	16	18	58	110	200	113	94	112
Goodwill & Int. Ass.	42	42	53	64	2,332	2,347	2,345	2,344	2,344	2352
Total Liabilities	4,309	4,375	4,955	5,481	9,021	9,474	10,342	10,945	11,828	12,607
Accounts Payable	47	59	77	75	177	193	239	221	259	302
Long-Term Debt	1,895	2,125	2,558	3,074	5,670	5,977	6,828	7,054	7,698	8,282
Shareholder's Equity	1,850	1,958	2,009	3,881	4,684	5,184	5,377	5,896	6,199	6,857
LTD/E Ratio	1.02	1.09	1.27	0.79	1.21	1.15	1.27	1.20	1.24	1.21

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	3.9%	3.8%	2.9%	2.8%	2.5%	3.0%	3.1%	3.1%	3.4%	3.3%
Return on Equity	13.1%	12.6%	9.7%	7.6%	6.7%	8.7%	8.8%	8.8%	9.8%	9.4%
ROIC	6.5%	6.1%	4.4%	3.9%	3.3%	4.0%	4.0%	4.0%	4.4%	4.2%
Shares Out.	177.4	177.7	178.4	232.6	254.8	262.2	262.9	267.7	274.4	280.6
Revenue/Share	4.61	4.54	4.70	4.12	5.74	7.27	8.70	7.67	7.60	8.82
FCF/Share	0.07	(0.54)	(0.71)	(0.98)	(1.29)	(1.46)	(1.76)	(0.99)	(2.04)	(1.70)

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

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