



Aqua America, Inc. (WTR)

3Q09 EPS Beat Expectations Despite Unfavorable Weather; Maintain Rating

Price: (11/5/09)	16.02	Rating:	Outperform	FY Dec	2008A	2009E	2010E
52WK H-L:	22 - 15			Q1	0.11A	0.14A	
Market Cap (mil):	2,167.51	Suitability:	Lower Risk	Q2	0.17A	0.19A	
Shares Out (mil):	135.3			Q3	0.26A	0.25A	
Float (mil):	134.7			Q4	0.19A	0.22E	
Avg. Daily Vol (mil):	0.92	Price Target:	22	Total	0.73A	0.80E	0.92E
Dividend:	0.54			Previous		0.78E	
Yield:	3.37			FY P/E	21.9	20.0	17.4

Please refer to Appendix - Important Disclosures and Analyst Certification.

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Action

Maintain Outperform rating. WTR reported another solid quarter as anticipated rate relief boosts EPS offsetting the impact of wet weather and a slowed economy. We believe earned ROEs hit a bottom in 2Q08 and should improve to over 10.5% by YE 2009 with received and soon-to-be-received rate relief in the next several quarters. We believe investment opportunities support solid EPS growth as WTR looks to strengthen and expand its infrastructure system.

Summary

- **3Q09 net income declines 5.4% reflecting reduced customer water usage due to unfavorable weather.** WTR reported 3Q09 EPS of \$0.25 versus \$0.26 in 3Q08 and our \$0.22 estimate. Consensus was \$0.25.
- **Pending rate relief requests.** WTR has received \$29.3 million in rate relief so far in 2009, with an additional \$12 million in requests pending approval. WTR plans to request approximately \$57 million through rate relief filings during 4Q09.
- **Customer growth slows with housing, offset by acquisitions.** Base customer growth is still below historical levels, but +1.5% growth was achieved with the completion of 15 acquisitions during 2009.
- **Less-than-expected increase in O&M expenses.** Operations and maintenance expenses increased 2.6% YOY. However, due to management's emphasis on efficiency and lower production costs from reduced usage, the increase was lower than past 4-6% range. Depreciation and amortization expenses increased 15.6% YOY due to continued infrastructure investments.
 - Slowed O&M growth is consistent with management's expectations stated in 2Q09 of moderating O&M growth in 2H09.
- **Continued investment opportunities.** Net PP&E has increased more than \$210 million YOY (+7% YOY), reflecting continued sizable investment opportunities and recent acquisitions. WTR plans to invest a record \$300 million during 2009.
- **Adequate access to funding available.** In 10/2009, WTR announced plans to issue \$75 million of FMB bonds at less than 5% cost of debt.
- **Baird estimates.** We increased our 2009 EPS estimate slightly to reflect better-than-expected 3Q09 EPS.

Details

WTR reported 3Q09 EPS of \$0.25 versus \$0.26 in 3Q08 and our \$0.22 estimate. Consensus was \$0.25.

Figure 1: Results Variance

Quarterly Results Variance								
	Quarterly Results				Percent of Revenue			
	3Q09	3Q08	Change	Baird	Variance	3Q09	3Q08	Baird
Revenue	\$ 181	\$ 177	2.1%	\$ 176	2.6%			
Operating Expenses	109	103	6.7%	111		60.5%	57.9%	62.8%
Operating Income	71	75	(4.2%)	66	9.0%	39.5%	42.1%	37.2%
Pretax Income	55	59	(6.7%)	49	12.9%	30.5%	33.4%	27.7%
Taxes	22	24		20		12.0%	13.4%	11.1%
Net Income	\$ 33	\$ 35	(5.4%)	\$ 29	14.7%	18.5%	20.0%	16.6%
EPS	\$0.25	\$0.26	(6.1%)	\$0.22	14.2%			
Diluted Shares	136	135		136				

3Q09 nonrecurring and other items of note: None

3Q08 nonrecurring and other items of note: None

Source: Company reports; Estimates of Robert W. Baird & Co.

Outlook

We expect WTR to deliver annual EPS growth over time of 5-8% with a 60-70% dividend payout ratio, which at current valuations provides a 3.4% dividend yield. We expect above-average EPS growth in 2009 from more normalized earned returns reflecting rate relief. Longer term, we expect a continuation of WTR's constructive regulatory environments to allow for solid 5-8% annual EPS growth as WTR has substantial investment opportunities to strengthen its water delivery systems. Acquisitions of water and wastewater systems, that typically have substantial capital investment needs to improve water quality and strengthen the water delivery system, could provide additional upside.

We believe that WTR is a core utility holding. A strong management team, that pioneered enhanced regulatory recovery mechanisms, we believe enhances investment return opportunities and lowers risk.

Results

Revenue increased by 2.1% driven by rate relief and acquisitions, partially offset by unfavorable weather. The abnormally wet weather resulted in reduced sendout, particularly in Pennsylvania and New Jersey, where sendout was down 9% and 19%, respectively. Base customer organic growth continues to be pressured by the housing slowdown, but with acquisitions (+9,000), customer growth was slightly positive rising to a total of 13,400.

Operating expenses increased 6.7% YOY with O&M expenses up 2.6% YOY, driven by increased pension, insurance and acquisition-related expenses, offset by lower water production costs. Depreciation expenses increased 15.6% YOY to \$25.4 million due to

increased infrastructure investments. Taxes other than income taxes increased 9%, while amortization expenses increased \$1.2 million YOY to \$2.8 million.

Net interest expense increased \$0.24 million YOY to \$17.3 million reflecting higher debt balances. AFUDC decreased \$0.2 million to \$0.5 million reflecting lower average CWIP balances during the quarter.

Rate Cases

WTR received \$29.3 million in rate increases so far in 2009. WTR still has outstanding \$12 million cumulative rate relief requests in New York, Indiana, Missouri, Virginia, and North Carolina. Management expects to file for approximately \$57 million in rate increases during 2009 with most approvals expected by mid-2010, the largest of which should be in Pennsylvania.

Acquisitions

On 8/12/09, WTR announced that it acquired Lawrenceville Water Company, which serves approximately 8,000 people in Lawrence township, New Jersey, for a stock transaction of \$3.3 million that included \$400,000 of debt.

On 8/11/09, Aqua Pennsylvania acquired two water and wastewater systems each servicing approximately 500 residents in portions of North Union and East Union townships in Schuylkill County, Pennsylvania.

Investment Thesis

We rate Aqua America (WTR) Outperform with a 12-month price target of \$22. Our price target is 22x our 2011 EPS estimate, we believe in line with its peers when fully valued due to its relative earnings consistency, longer-term growth opportunities and wider potential shareholder base reflecting its relative size and liquidity.

Key investment considerations include the following:

- **Strong leadership team.** We believe Aqua has a strong leadership team that has demonstrated a keen focus on developing strong regulatory relationships and engineering innovative solutions to improve water system quality while providing investors with appropriate recovery, such as the DSIC mechanism first established in Pennsylvania. We believe management has executed regulatory and investment plans that have caused stable and consistent value creation for investors.
- **Attractive total return potential.** We expect 4-6% long-term annual EPS growth with a 60-70% dividend payout ratio, providing a current dividend yield of 3%. We believe growth could accelerate beyond this level if WTR is able to accelerate its acquisition program of water and wastewater systems.
- **Constructive regulatory mechanisms.** The majority of WTR's regulatory operations are located in states that maintain enhanced regulatory recovery mechanisms that enable stable earned returns, including infrastructure investment riders, statewide rates and incentive mechanisms for acquisitions of troubled water systems. We believe such mechanisms provide a constructive regulatory environment in which to make capital investments, enabling improved and more consistent earned returns, which should

lead to a premium peer valuation.

- **Acquisition growth.** Aqua has successfully acquired hundreds of water and wastewater systems in the past decade to supplement its internal growth, which also provides significant follow-on investment opportunities as it improves the quality of the acquired water system. We believe such acquisitions are a key value driver for the company and the stock, as it continue to be a key player in consolidating some of the 53,000 water systems outstanding in the U.S. and rehabilitating those systems to improve water quality and drive investment growth.
- **Investment shifting to pipe replacement.** Following significant advancements in water quality standards that necessitated major water project investments into water treatment systems, Aqua's investment mix is shifting toward pipe replacement as its system quality has generally met the more stringent EPA water quality standards. While substantial capital investments will still be required to fund pipe replacement, the level of rate base growth could decline versus historical levels.
- **Water utility valuation.** We expect solid earned ROEs, 5-8% longer-term EPS growth potential and constructive regulatory investment recovery mechanisms should support an 20-22x forward P/E. The valuation is a premium to its regulated electric and gas utility peers reflecting significant industry consolidation and rate base growth opportunities with lowered regulatory risk, and generally more constructive regulatory mechanisms that enable earnings consistency.

Risks & Caveats

Our suitability rating on Aqua America is Lower Risk. Key risks include, but are not limited to, the following:

- **Regulation.** Regulated operations are subject to local, state and federal regulations. Changes in the regulatory environment can affect WTR's near-term and long-term performance.
- **Weather.** WTR's businesses are sensitive to fluctuations in the weather. Particularly wet or dry weather can impact near-term financial results.
- **Acquisition risk.** WTR may have the opportunity to purchase assets or companies in the near future. Acquisitions carry risks related to personnel, expected-versus-actual growth and a myriad of unforeseen hurdles, all of which can negatively affect earnings.
- **Product quality.** Unique among its sister regulated utility sectors, water utilities provide a product that is ingested. Despite robust mandated service quality standards that lower risk, a quality failure could materially impact the earnings and stock of WTR.
- **Dividend legislation.** Congress has extended tax legislation that reduced the tax rate on dividends received. However, the extensions only last through 2009 and there can be no assurance that further extensions of the tax relief will occur or that a future Congress would not repeal the current legislation, which could have an adverse impact on the after-tax value of dividends and the stock.

Company Description

Aqua America is a holding company for numerous regulated water and wastewater utilities operating in the eastern half of the U.S. that serve over 2.8 million people. It is the second-largest investor-owned water utility in the U.S. Known as Philadelphia Suburban Corporation until 2004, Aqua America is headquartered in the Philadelphia suburbs where its corporate roots date back to 1886 for providing water and/or wastewater service to the suburbs west and north of Philadelphia.

Aqua America
WTR - NYSE

Date Printed: 11/4/2009

Recent Price: \$15.74

\$mil	Revenue		Operating Expenses			Operating Income			Pretax Income			Tax Rate	Net Income			TTM ROE	Diluted EPS		Div.	Diluted Shares	
	\$	Chg.	Int.	\$	%	Chg.	\$	%	Chg.	\$	%		Chg.	\$	%		Chg.	\$			%
1990	82.3			54.5	66.3%		27.7	33.7%		15.6	18.9%		37.5%	9.7	11.8%		0.24		0.19	39.8	
1991	88.6	7.8%		57.0	64.3%	4.6%	31.6	35.7%	14.0%	18.1	20.4%	15.9%	39.2%	11.0	12.4%	12.7%	0.27	8.9%	0.19	41.2	
1992	93.3	5.3%		59.0	63.2%	3.4%	34.3	36.8%	8.5%	19.5	20.9%	8.2%	41.1%	11.5	12.3%	4.8%	0.26	-4.0%	0.20	45.0	
1993	101.2	8.5%		63.8	63.0%	8.2%	37.4	37.0%	9.0%	25.1	24.8%	28.7%	41.5%	14.7	14.5%	27.9%	0.26	1.7%	0.21	56.6	
1994	108.6	7.3%		67.8	62.4%	6.2%	40.8	37.6%	9.1%	28.1	25.8%	11.7%	41.2%	16.5	15.2%	12.3%	0.27	5.4%	0.21	60.2	
1995	117.0	7.7%		70.9	60.6%	4.6%	46.1	39.4%	12.9%	31.6	27.0%	12.4%	40.9%	18.7	15.9%	13.1%	0.30	8.8%	0.22	62.6	
1996	122.5	4.7%		73.2	59.8%	3.2%	49.3	40.2%	6.9%	34.2	28.0%	8.5%	40.8%	20.3	16.5%	8.5%	0.31	2.7%	0.23	66.2	
1997	136.2	11.2%		79.4	58.3%	8.4%	56.8	41.7%	15.2%	39.4	29.0%	15.2%	40.3%	23.4	17.2%	15.4%	0.34	11.5%	0.24	68.4	
1998	151.0	10.9%		84.3	55.8%	6.2%	66.7	44.2%	17.4%	48.4	32.1%	22.8%	40.5%	28.6	19.0%	22.6%	0.39	15.6%	0.26	72.6	
1999	257.3	70.4%		152.5	59.3%	80.9%	104.8	40.7%	57.2%	63.0	24.5%	30.1%	42.1%	36.4	14.1%	27.0%	0.34	-14.3%	0.27	107.6	
2000	275.5	7.1%		158.4	57.5%	3.8%	117.2	42.5%	11.8%	87.1	31.6%	38.2%	39.2%	52.9	19.2%	45.4%	0.49	43.5%	0.28	109.0	
2001	307.3	11.5%		172.9	56.3%	9.2%	134.3	43.7%	14.6%	99.1	32.2%	13.8%	39.3%	60.0	19.5%	13.5%	0.52	7.9%	0.30	114.6	
2002	322.0	4.8%		181.5	56.4%	5.0%	140.5	43.6%	4.6%	109.3	33.9%	10.3%	38.5%	67.2	20.9%	11.9%	0.58	11.1%	0.32	115.4	
2003	367.2	14.0%		213.7	58.2%	17.7%	153.6	41.8%	9.3%	116.7	31.8%	6.8%	39.3%	70.8	19.3%	5.4%	0.59	2.2%	0.34	119.0	
Q1	99.8	24.0%		63.3	63.5%	31.8%	36.4	36.5%	12.3%	25.7	25.8%	15.4%	39.4%	15.6	15.6%	16.9%	0.12	6.8%	0.09	125.1	
Q2	106.5	27.8%		66.1	62.0%	37.4%	40.5	38.0%	14.7%	29.8	28.0%	17.7%	40.0%	17.9	16.8%	17.3%	0.14	8.8%	0.09	125.1	
Q3	120.3	17.8%		69.3	57.6%	24.1%	51.0	42.4%	10.1%	39.8	33.1%	1.1%	39.5%	24.1	20.0%	2.0%	0.19	-2.0%	0.09	125.4	
Q4	115.4	14.1%		68.5	59.3%	11.0%	47.0	40.7%	18.9%	36.8	31.9%	23.7%	38.9%	22.5	19.5%	20.8%	0.18	18.1%	0.10	127.3	
2004	442.0	20.4%	5.4%	267.1	60.4%	25.0%	174.9	39.6%	13.9%	132.1	29.9%	13.2%	39.4%	80.0	18.1%	13.0%	0.64	7.0%	0.37	125.7	
Q1	114.0	14.3%	8.1%	71.2	62.5%	12.5%	42.8	37.5%	17.4%	30.8	27.0%	19.9%	38.8%	18.9	16.6%	21.2%	0.15	17.6%	0.10	128.9	
Q2	123.1	15.6%	10.3%	74.5	60.5%	12.8%	48.6	39.5%	20.1%	36.8	29.9%	23.5%	39.6%	22.2	18.0%	24.3%	0.17	20.1%	0.10	129.5	
Q3	136.8	13.7%	13.7%	77.7	56.8%	12.1%	59.1	43.2%	15.9%	46.3	33.9%	16.3%	39.7%	27.9	20.4%	15.9%	0.21	11.6%	0.10	130.2	
Q4	122.9	6.5%	6.5%	76.9	62.5%	12.3%	46.1	37.5%	-2.0%	34.2	27.8%	-7.2%	35.1%	22.2	18.0%	-1.4%	0.17	-3.4%	0.11	129.8	
2005	496.8	12.4%	9.5%	300.3	60.4%	12.4%	196.5	39.6%	12.4%	148.1	29.8%	12.1%	38.4%	91.2	18.3%	13.9%	0.71	10.9%	0.40	129.2	
Q1	117.9	3.5%	2.0%	77.3	65.6%	8.6%	40.6	34.4%	-5.0%	27.6	23.4%	-10.3%	40.1%	16.6	14.0%	-12.2%	0.13	-13.6%	0.11	130.9	
Q2	131.7	7.0%	6.1%	81.7	62.0%	9.6%	50.1	38.0%	3.1%	37.1	28.2%	0.9%	39.7%	22.4	17.0%	0.8%	0.17	-0.4%	0.11	131.0	
Q3	147.0	7.4%	5.8%	87.4	59.5%	12.5%	59.5	40.5%	0.7%	45.6	31.0%	-1.6%	40.0%	27.3	18.6%	-2.1%	0.21	-3.9%	0.12	132.7	
Q4	136.8	11.3%	8.5%	81.5	59.6%	6.1%	55.3	40.4%	20.1%	41.9	30.7%	22.8%	38.7%	25.7	18.8%	16.1%	0.19	13.0%	0.12	133.4	
2006	533.5	7.4%	6.4%	327.9	61.5%	9.2%	205.5	38.5%	4.6%	152.3	28.5%	2.8%	39.6%	92.0	17.2%	0.9%	0.70	-1.0%	0.44	131.8	
Q1	137.3	16.4%	10.5%	93.6	68.1%	21.0%	43.7	31.9%	7.7%	28.0	20.4%	1.3%	39.8%	16.9	12.3%	1.8%	0.13	0.0%	0.12	133.2	
Q2	150.6	14.3%	7.9%	95.9	63.6%	17.4%	54.8	36.4%	9.3%	39.4	26.2%	6.2%	39.8%	23.7	15.8%	6.0%	0.18	4.0%	0.12	133.5	
Q3	165.5	12.6%	5.4%	100.1	60.5%	14.5%	65.3	39.5%	9.8%	49.2	29.7%	7.9%	40.0%	29.5	17.8%	8.0%	0.22	7.1%	0.13	133.8	
Q4	149.1	8.9%	7.1%	96.9	65.0%	18.9%	52.2	35.0%	-5.7%	39.0	26.2%	-7.0%	36.1%	24.9	16.7%	-3.2%	0.19	-3.6%	0.13	134.0	
2007	602.5	12.9%	7.6%	386.5	64.1%	17.9%	216.0	35.9%	5.1%	155.5	25.8%	2.2%	38.9%	95.0	15.8%	3.3%	0.71	1.9%	0.48	133.6	
Q1	139.3	1.4%	1.0%	99.1	71.1%	5.9%	40.2	28.9%	-8.1%	24.0	17.3%	-14.1%	40.4%	14.3	10.3%	-15.0%	0.11	-15.5%	0.13	134.0	
Q2	150.8	0.1%	-0.1%	97.6	64.8%	1.8%	53.1	35.2%	-3.0%	37.7	25.0%	-4.2%	40.2%	22.6	15.0%	-5.0%	0.17	-5.3%	0.13	134.1	
Q3	177.1	7.0%	4.5%	102.5	57.9%	2.4%	74.6	42.1%	14.1%	59.1	33.4%	20.2%	40.1%	35.4	20.0%	19.9%	0.26	18.6%	0.13	135.3	
Q4	159.8	7.2%	-0.2%	102.0	63.8%	5.2%	57.9	36.2%	11.0%	41.7	26.1%	6.8%	38.4%	25.7	16.1%	3.0%	0.19	1.8%	0.14	135.6	
2008	627.0	4.1%	3.1%	401.2	64.0%	3.8%	225.8	36.0%	4.5%	162.5	25.9%	4.5%	39.7%	97.9	15.6%	3.1%	0.73	2.2%	0.51	134.7	
Q1	154.5	10.9%	9.4%	107.7	69.7%	8.7%	46.8	30.3%	16.3%	30.9	20.0%	28.5%	40.5%	18.4	11.9%	28.3%	0.14	26.5%	0.14	135.9	
Q2	167.3	11.0%	9.5%	108.5	64.8%	11.1%	58.9	35.2%	10.8%	42.7	25.5%	13.2%	39.5%	25.9	15.5%	14.6%	0.19	12.2%	0.15	136.9	
Q3E	180.8	2.1%	0.6%	109.4	60.5%	6.7%	71.5	39.5%	-4.2%	55.1	30.5%	-6.7%	39.3%	33.5	18.5%	-5.4%	0.25	-6.1%	0.15	136.3	
Q4E	180.8	13.1%	11.6%	107.7	59.6%	5.6%	73.1	40.4%	26.4%	52.3	28.9%	25.5%	41.9%	30.4	16.8%	18.3%	0.22	18.1%	0.15	135.8	
2009E	677.1	8.0%	6.5%	426.9	63.0%	6.4%	250.2	37.0%	10.8%	182.4	26.9%	12.2%	40.0%	109.4	16.2%	11.8%	0.80	10.5%	0.55	136.2	
2010E	734.0	8.4%	6.4%	453.2	61.7%	6.2%	280.8	38.3%	12.2%	209.2	28.5%	14.7%	40.0%	125.5	17.1%	14.7%	1.08	0.92	14.4%	0.59	136.5
2011E	791.3	7.8%	5.6%	481.8	60.9%	6.3%	309.5	39.1%	10.2%	231.5	29.3%	10.7%	40.0%	138.9	17.6%	10.7%	1.00	8.9%	0.63	138.7	

Please refer to "Appendix - Important Disclosures" and Analyst Certification.

Date Printed: 11/4/2009

Fiscal Year: DEC

(in millions)

Aqua America WTR - NYSE

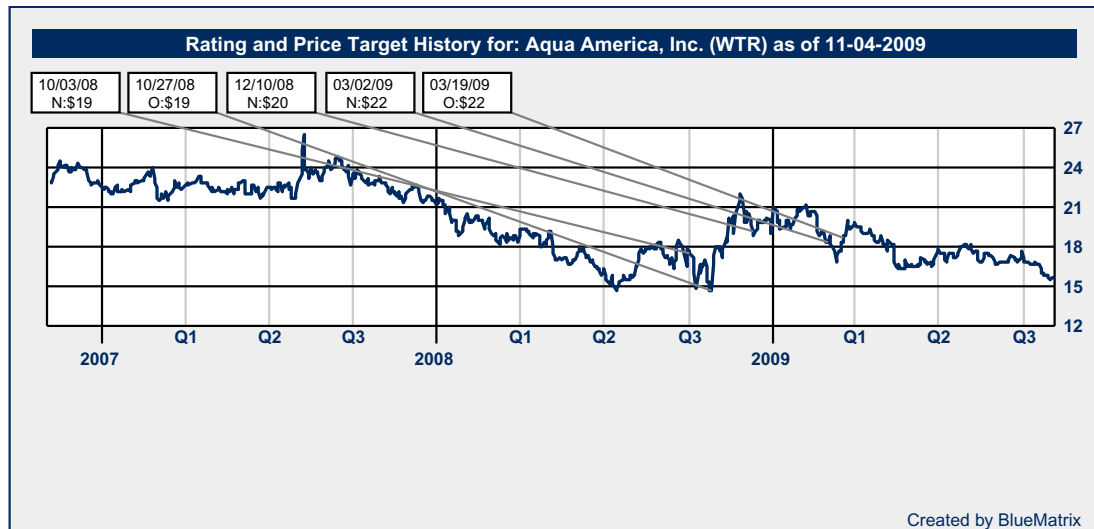
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Balance Sheet	2004	2005	2006	2007	2008	2Q09	Cash Flow Statement	2004	2005	2006	2007	2008	2009E	2010E	
ASSETS							Net Income	80.0	91.2	92.0	95.0	97.9	109.4	125.5	
Cash & Equivalents	13.1	11.9	44.0	14.5	14.9	13.8	Depreciation & Amort	58.9	65.5	75.0	88.0	94.3	110.3	116.5	
Receivables	51.2	56.3	57.7	62.3	64.5	62.7	Net changes in (CA) & CL	(1.9)	20.5	(14.4)	(14.6)	(9.7)	8.7	(5.4)	
Inventory	4.4	4.4	4.6	5.8	6.9	7.8	Deferred taxes/Non-Cash	36.6	22.5	18.1	25.8	39.0	16.0	(9.8)	
Other	21.4	17.3	28.4	32.8	34.7	38.2	Cash Flow from Operations	173.6	199.7	170.7	194.2	221.5	244.4	226.8	
Total Current	90.1	90.0	134.7	115.5	121.0	122.5	Dividend Payments	(45.8)	(51.1)	(58.0)	(63.8)	(68.5)	(74.9)	(80.7)	
Fixed Assets	2,069.8	2,280.0	2,506.0	2,792.8	2,997.4	3,060.5	Net Capital Expenditures	(195.7)	(237.5)	(271.7)	(238.1)	(267.4)	(280.0)	(280.0)	
Goodwill & Intangible Asset	20.1	20.2	22.6	36.6	41.0	40.8	Free Cash Flow	(\$67.9)	(\$88.9)	(\$159.0)	(\$107.7)	(\$114.4)	(\$110.4)	(\$133.9)	
Other Assets	160.2	236.6	214.6	282.0	325.6	306.4	Operating Cash Flow Per Share	\$1.38	\$1.55	\$1.30	\$1.45	\$1.64	\$1.79	\$1.66	
Total Assets	2,340.2	2,626.7	2,877.9	3,226.9	3,485.0	3,530.3	Free Cash Flow Per Share	(\$0.54)	(\$0.69)	(\$1.21)	(\$0.81)	(\$0.85)	(\$0.81)	(\$0.98)	
LIAB. & EQUITY							Du Pont Formula	2004	2005	2006	2007	2008	2009E	2010E	
Current Debt	271.2	298.5	313.5	231.2	168.7	111.9	Net Margins (N/S)	18.1%	18.3%	17.2%	15.8%	15.6%	16.2%	17.1%	
Payables	20.6	27.7	31.1	32.3	23.5	55.5	Assets Turnover (S/A)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Other	(74.4)	(62.8)	(88.9)	(80.3)	0.9	24.6	Leverage (A/E)	3.1	3.2	3.2	3.2	3.3	3.3	3.2	
Total Current	217.4	263.3	255.6	183.2	193.2	192.0	Return on Equity	11.4%	11.7%	10.6%	10.0%	9.6%	10.1%	10.8%	
L/T Debt & Lease	784.5	878.4	951.7	1,215.1	1,248.1	1,226.2	Valuation Parameters	2004	2005	2006	2007	2008	2009E	Recent	
Deferred Taxes	414.3	474.2	523.5	580.9	662.8	365.5	Price (Common) - WTR	High	18.48	29.22	29.79	26.62	22.00	22.62	15.74
Other Liabilities	658.9	788.7	896.9	1,018.7	1,172.9	635.4	Low	14.18	17.49	20.13	18.86	12.20	16.59		
Preferred Stock	-	-	-	-	-	-	Forward P/E Ratio	High	25.7x	37.0x	34.9x	32.2x	26.4x	25.0x	
Common Equity	747.2	811.9	921.6	976.3	1,058.4	1,075.4	Low	20.5x	23.8x	25.2x	22.8x	14.7x	19.1x		
Total Liab. & Equity	2,822.3	3,216.7	3,549.4	3,974.1	4,335.4	3,494.6	Close	25.5x	33.8x	27.6x	25.4x	21.4x	17.4x	21.4x	
Ratio Analysis:							Book Value	\$5.88	\$6.30	\$6.96	\$7.28	\$7.78	\$8.12	\$8.91	
Current Ratio	0.4	0.3	0.5	0.6	0.6	0.6	Price/Book Ratio	High	3.1x	4.6x	4.3x	3.7x	2.8x	2.8x	2.7x
Working Capital	(\$5)	(\$22)	(\$15)	(\$1)	\$1	\$18	Low	2.4x	2.8x	2.9x	2.6x	1.6x	2.0x	2.0x	
Working Cap/Assets	(0.2%)	(0.8%)	(0.5%)	(0.0%)	0.0%	0.5%	Close	3.1x	4.3x	3.3x	2.9x	2.6x	2.5x	2.5x	
Inventory Turns	NM	NM	NM	NM	NM	NM	EBITDA	\$235.4	\$260.9	\$281.6	\$305.6	\$319.9	\$354.6	\$391.4	
Total Debt/Capital	60%	62%	59%	59%	58%	58%	Enterprise Value	High	\$3,230	\$4,805	\$4,983	\$4,838	\$4,285	\$4,487	\$4,750
LT Debt/Equity	105%	108%	103%	124%	118%	115%	Low	2,689	3,290	3,711	3,801	2,964	3,666	3,870	
EBIT/Interest Expense	3.7x	3.8x	3.6x	3.3x	3.4x	3.5x	EV / EBITDA	High	13.7x	18.4x	17.7x	15.8x	13.4x	12.7x	12.1x
Total Debt/EBIT	5.1x	5.2x	5.2x	5.8x	5.8x	5.6x	Low	11.4x	12.6x	13.2x	12.4x	9.3x	10.3x	9.9x	
							Close	13.7x	17.5x	14.4x	13.5x	12.8x	11.6x	11.5x	

Please refer to "Appendix - Important Disclosures" and Analyst Certification.

Appendix - Important Disclosures and Analyst Certification



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