



August 5, 2010

AQUA AMERICA INC. (WTR)

Rating: NEUTRAL
Current Price: \$19.87
Target Price: NA

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Industry: Water Utilities							Valuation		Valuation	
Fiscal Year: Dec		1Q10A	2Q10A	3Q10E	4Q10E	FY10E	Multiple	FY11E	Multiple	
Market Cap (\$MM):	2,728	EPS:	\$0.16	\$0.22	\$0.30	\$0.24	\$0.91	21.8x	\$0.97	20.5x
		Prior:	-	\$0.21	-	\$0.23	\$0.90		\$0.95	
Net Debt (\$MM):	1,526	Consensus:		\$0.21	\$0.28	\$0.23	\$0.88	22.6x	\$0.96	20.7x
Enterprise Value (\$MM):	4,254	Last Year:	\$0.14	\$0.19	\$0.25	\$0.20	\$0.77			
Shares - FD (MM):	137.3									
		EBITDA:	\$0.61	\$0.71	\$0.85	\$0.76	\$2.93	10.6x	\$3.13	9.9x
Dividend:	\$0.58	Growth:	8%	11%	15%	14%	12%		7%	
Yield:	2.9%									
Beta:	0.72	Revenue:	\$161	\$178	\$203	\$187	\$729	5.8x	\$781	5.4x
Rel. P/E (FY2010E):	156%	Growth:	4%	7%	12%	12%	9%		7%	

WTR: 2Q10 Beats by \$0.01; Maintaining NEUTRAL

SUMMARY

- WTR reported 2Q10 EPS of \$0.22 vs. our estimate and consensus of \$0.21. Revenues of increased 6.6% y/y to \$178.4M, which was below our \$181.5M forecast and consensus of \$181M.
- Revenues grew 6.6% y/y, of which half was due to rate increases and surcharges and most of the rest was a result of higher consumption levels. The company believes consumption levels have reached more normalized levels after declining last year due to the economic downturn and wet weather.
- WTR received \$43.7M in rate awards and infrastructure surcharges YTD and has another \$13.7M in rate cases pending in four states. The company plans to file another \$28.5M in rate requests in 2H10, which are expected to impact FY11 and FY12 results.
- The company reported that all of its Aqua Source units are now profitable and expects allowed ROEs in the Florida market to expand when the Florida rate case settles later this year.
- WTR has completed 12 acquisitions YTD vs. 18 in the whole of 2009 and expects to complete 20-30 acquisitions this year. Most of the acquisitions are of smaller systems, though the company noted it was in discussions with systems serving 2,000-3,000 customers.
- We are increasing our FY10 EPS estimate from \$0.90/share to \$0.91/share due to the \$0.01 beat in 2Q10 and additional rate cases in the pipeline. Our FY11 EPS estimate increases to \$0.97/share from \$0.95/share to account for rate increases that are expected to take effect in FY11.
- While we are pleased to see WTR's 2Q beat expectations, we think the shares are fairly valued at current levels. We remain NEUTRAL-rated as a result.



INVESTMENT THESIS

We rate WTR shares NEUTRAL. While we are encouraged by the potential for earnings growth from improved ROEs under systems that were acquired in the southern states in 2003-04, as well as the resumption of acquisition activity, we believe the shares are fairly valued at these levels. Shares are currently trading at 21.8x our FY10E EPS of \$0.91 and 20.5x our FY11E EPS of \$0.97 which is a discount to the company’s historical 23x average. While we believe WTR should be valued at a premium given the company’s size and operational efficiency (the O&M ratio is currently industry leading), we have difficulty justifying the valuation especially when compared to other names under coverage.

DISCUSSION OF DETAILS

Aqua America (WTR, N) reported 2Q10 diluted EPS of \$0.22 vs. our and consensus expectations of \$0.21. Revenues increased 6% y/y to \$178.4M, which was below our \$181.5M forecast and consensus of \$181M. Net income increased 15% to 29.9M, while we were expecting an increase of 13.6%. Operating margin of 37% exceeded our expectations of 36.4% due to lower production costs & expenses.

WTR Summary 2Q10						
<i>FY Ends December 31</i>	2Q09	2Q10A	y/y act.	LBR 2Q10	y/y est.	Actual/LBR
Total Revenue	167.3	178.4	7%	181.5	8%	-2%
Operations & Maintenance	68.5	69.3	1%	72.6	6%	-5%
Depreciation and Amortization	28.0	30.1	8%	29.4	5%	2%
General Taxes	11.9	12.9	8%	12.7	7%	2%
Total Expenses	108.5	112.4	4%	115.4	6%	-3%
Income from Operations	58.9	66.1	12%	66.1	12%	0%
Other Income & Expenses (net)	0.6	1.6	167%	1.5	150%	7%
EBIT	59.5	67.6	14%	67.6	14%	0%
Interest Expense	16.8	18.5	10%	18.6	11%	-1%
Income Before Taxes	42.7	49.1	15%	49.0	15%	0%
Provision for Income Taxes	16.9	19.3	14%	19.6	16%	-2%
Net Income	25.9	29.8	15%	29.4	14%	1%
EPS (fully diluted)	0.19	0.22	16%	0.21	11%	5%

Source: Company Reports, LBR Estimates

- Revenue Growth:** Revenues grew 6.6% y/y, of which 3.4% was due to rate increases and surcharges, 1% was from acquisitions and organic customer growth, and the remaining 2.2% increase was a result of higher consumption by existing customers. The company believes consumption levels have reached normalized levels after declining last year due to the economic downturn and wet weather. Residential demand increased 7% y/y, while commercial and industrial demand increased 2% y/y and 4.2% y/y, respectively. We note that 75% of WTR’s sales are to the residential end market.
- Rate Cases:** WTR received \$43.7M in rate awards and infrastructure surcharges YTD and has another \$13.7M in rate cases pending in four states. The company plans to file another \$28.5M in rate requests in 2H10, which is expected to impact FY11 and FY12 results. Most of the rate cases are skewed to the company’s southern operations, including Texas, Florida, and North Carolina. Approximately 75% of the \$28.5M is rate cases, which must be approved through formal litigation, while the remaining 25% is related to surcharges. In a recent PA ruling, WTR received \$23.6M of the \$43M it was seeking compared to the \$28M we were looking for, with approved ROE in the 10.5-11% range. In New Jersey, the total settlement was for \$4M in additional revenues, with allowed ROE of 10.3% vs. the 11.7% the company had asked for.



- **Capex:** Capex for the quarter for \$73.8M and \$141M in 1H10. The company also reiterated its target of \$300M for the year and \$1.5B over the next five years. In that the company is generating 80-85% of its cash internally, there is no immediate need to issue equity to fund its capex program.
- **Aqua Source Acquisition:** WTR acquired Aqua Source for approximately \$195M in cash in 2003, which added 130,000 customers to its existing base. A number of Aqua Source's systems did not meet service standards and required large immediate capex. WTR recently completed all of the major environmental capex requirements, and reported that its capex obligations going forward will be limited to system sustainability. In terms of rate cases, 2009 and 2010 were catch up years for WTR as delays in rate increases after acquisitions is quite common for water utilities. Management reported that all of its Aqua Source units are now profitable, though it is still not earning acceptable ROE's in some of its markets. In particular, ROE's at its Florida operations are in the low-to-mid single digits, well below the 9-12% range in most other markets. Nevertheless, the company expects ROEs in the Florida market to expand considerably when the Florida rate case settles later this year. This should accelerate the pace of EPS growth in the next two-to-three years.
- **Bad Debts:** The company's bad debt expense has gradually declined since FY08 as overall economic conditions in its markets have improved. Bad debt as a percentage of revenue was 1.1% in FY08, 0.9% in FY09 and 0.7% in 1H10.
- **Acquisition Outlook:** WTR has completed 12 acquisitions YTD vs. 18 in the whole of 2009 and expects to complete 20-30 acquisitions this year. Most of the acquisitions are of smaller systems, though the company noted it was in discussions with systems serving 2,000-3,000 customers. Though the company did note that the environment for acquisitions has improved, management suggested there was some disparity between asking prices and the fair value of potential targets as cash-strapped municipalities try to get the most from their water assets. Overall, we expect 1.5-2% customer growth through acquisition over the next several years.

ESTIMATE REVISION

We are increasing our FY10 EPS estimate from \$0.90/share to \$0.91/share due to \$0.01 beat in 2Q and additional rate cases in the pipeline. Our FY11E EPS estimate increases to \$0.97/share from \$0.95/share previously to account for rate increases that are expected to take effect in FY11.

VALUATION

WTR shares closed Wednesday at \$19.87 which is 21.9x our FY10E EPS of \$0.91 and 20.5x our FY11E EPS of \$0.97. The shares are trading at a discount to the company's historical 23x average, though within the normalized range of 20-30x forward P/E.

RISKS

Potential downside risks to our investment thesis include, but are not limited to: 1) a delay in rate case processing or lower rate increases by the regulators than our expectations, 2) a significant revenue loss from lower water demand caused by weather or economic conditions, 3) a significant increase in input costs, including electricity, fuel, chemical and purchase water prices, and 4) large acquisition(s) at excessive valuation(s) (significantly above the rate base).

Potential upside risks to our investment thesis include, but are not limited to: 1) favorable rate case approvals above our expected ROE, 2) weather conditions leading to near-term revenue increases, and 3) a pullback in input costs.

Aqua America (WTR)
Quarterly Earnings Statement
(dollars in millions, except per share data)

	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10E	4Q10E	1Q11E	2Q11E	3Q11E	4Q11E
<i>FY ends December 31</i>																
Total Operating Revenue	139.3	150.8	177.1	159.8	154.5	167.3	180.8	167.9	160.5	178.4	202.7	187.4	174.9	193.6	215.7	196.4
Operation & Maintenance	64.3	65.1	66.7	65.9	67.0	68.5	68.5	66.0	67.6	69.3	74.8	71.8	72.6	76.3	78.3	74.0
Depreciation	21.5	20.6	22.8	23.9	26.4	25.0	25.4	26.2	26.2	26.8	27.2	27.9	28.1	28.3	28.5	28.5
Amortization	1.2	1.0	1.8	1.5	2.8	3.1	3.0	3.1	3.2	3.3	3.2	3.2	3.4	3.4	3.4	3.4
General Taxes	12.1	10.8	11.2	10.6	11.6	11.9	12.4	12.2	12.9	12.9	12.2	13.1	13.1	13.6	12.9	13.7
Recovery of restructuring costs																
Total Expenses	99.1	97.6	102.5	102.0	107.7	108.5	109.4	107.5	109.8	112.4	117.4	116.0	117.3	121.6	123.2	119.7
Income from Operations	40.2	53.1	74.6	57.9	46.8	58.9	71.5	60.4	50.7	66.1	85.3	71.4	57.7	72.0	92.5	76.7
Operating Margin (%)	28.9%	35.2%	42.1%	36.2%	30.3%	35.2%	39.5%	36.0%	31.6%	37.0%	42.1%	38.1%	33.0%	37.2%	42.9%	39.0%
All. for Borrowed Funds Used in Const.	1.0	1.1	1.0	0.6	0.6	0.6	0.7	0.9	1.5	1.5	1.2	1.3	1.4	1.3	1.3	1.3
Gain (loss) on sale of other assets		0.6	0.5	0.5	0.1	0.1	0.2	0.1	1.9	0.1	0.6	0.7	0.8	0.5	0.7	0.7
Other																
EBIT	41.2	54.8	76.1	59.0	47.5	59.5	72.4	61.4	54.2	67.6	87.1	73.3	59.9	73.9	94.5	78.7
EBIT (%)	29.6%	36.3%	43.0%	36.9%	30.8%	35.6%	40.0%	36.6%	33.7%	37.9%	43.0%	39.1%	34.2%	38.2%	43.8%	40.1%
Interest Expense	17.1	17.1	17.0	17.4	16.6	16.8	17.3	17.9	18.4	18.5	19.0	20.1	20.3	20.5	20.7	21.9
Income Before Taxes	24.0	37.7	59.1	41.7	30.9	42.7	55.1	43.5	35.7	49.1	68.1	53.2	39.6	53.4	73.8	56.8
											10%	12%	10%	11%	9%	9%
Provision for Income Taxes	9.7	15.2	23.7	16.0	12.5	16.9	21.6	16.8	14.2	19.3	27.2	20.8	15.8	21.4	29.5	22.1
Implied Tax Rate	40.4%	40.2%	40.1%	38.4%	40.5%	39.5%	39.3%	38.7% #	39.8%	39.3%	40.0%	39.0%	40.0%	40.0%	40.0%	39.0%
Net Income before extraord. Item	14.3	22.6	35.4	25.7	18.4	25.9	33.5	26.7	21.5	29.8	40.8	32.5	23.7	32.0	44.3	34.6
Reclassification adj. for gains reported in net income			(0.2)			0.0										
Unrealized gain on securities									0.9							
Unrealized holding gain on investments	-	0.2	0.0		0.0	0.2	(0.1)	0.2	(1.3)							
Minimum pension liability adjustment																
Comprehensive Income	14.3	22.7	35.2	25.7	18.4	26.1	33.3	26.8	21.1	29.8	40.8	32.5	23.7	32.0	44.3	34.6
Diluted Net Income Per Share	0.11	0.17	0.26	0.19	0.14	0.19	0.25	0.20	0.16	0.22	0.30	0.24	0.17	0.23	0.32	0.25
Weighted Avg. Shares	134.0	134.1	135.3	135.6	135.9	135.9	136.3	136.5	136.8	137.3	137.7	138.2	138.2	138.6	139.1	139.5
Financial Summary (values in %)																
Revenue Growth	1.4%	0.1%	7.0%	7.2%	10.9%	11.0%	2.1%	5.0%	3.9%	6.6%	12.1%	11.6%	9.0%	8.5%	6.4%	4.8%
Operations & Maintenance/Revenue	46.2%	43.2%	37.7%	41.2%	43.4%	41.0%	37.9%	39.3%	42.1%	38.8%	36.9%	38.3%	41.5%	39.4%	36.3%	37.7%
EBIT (% of rev.)	29.6%	36.3%	43.0%	36.9%	30.8%	35.6%	40.0%	36.6%	33.7%	37.9%	43.0%	39.1%	34.2%	38.2%	43.8%	40.1%
General taxes as % of revenue	8.7%	7.2%	6.3%	6.7%	7.5%	7.1%	6.9%	7.3%	8.0%	7.0%	6.0%	7.0%	7.5%	7.0%	6.0%	7.0%
EBITDA	63.8	76.4	100.7	84.4	76.7	87.5	100.8	90.7	83.5	97.8	117.5	104.5	91.4	105.6	126.4	110.6
Net Income Growth	-15.0%	-5.0%	19.9%	3.0%	28.3%	14.6%	-5.4%	3.9%	17.1%	15.5%	22.0%	21.8%	10.4%	7.4%	8.4%	6.7%
EPS Growth	-15.5%	-5.3%	18.6%	1.8%	26.5%	13.0%	-6.1%	3.2%	16.3%	14.4%	20.8%	20.3%	9.3%	6.3%	7.4%	5.6%

Source: Aqua America and Longbow Research
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Aqua America (WTR)
Annual Earnings Statement
(dollars in millions, except per share data)

<i>Income Statement</i>	FY04A	FY05A	FY06A	FY07A	FY08A	FY09	FY10E	FY11E
Total Operating Revenue	442.0	496.8	533.5	602.5	627.0	670.5	729	781
Operation & Maintenance	178.3	203.1	219.6	253.1	262.1	270.1	283.5	301.2
Depreciation	54.6	60.7	70.9	83.2	88.8	103.0	108.2	113.6
Amortization	4.3	4.7	4.1	4.8	5.5	11.9	12.9	13.6
General Taxes	27.6	31.7	33.3	45.4	44.7	48.1	51.1	53.4
Total Expenses	264.8	300.3	327.9	386.5	401.2	433.1	455.6	481.7
Income from Operations	177.2	196.5	205.6	216.0	225.8	237.5	273.4	298.9
Operating Margin (%)	40.1%	39.6%	38.5%	35.9%	36.0%	35.4%	37.5%	38.3%
Allow. for Borrowed Funds Used in Const.	2.3	2.4	3.9	3.0	3.7	2.9	5.5	5.3
Gain (loss) on sale of other assets	1.3	1.2	1.2	3.5	1.6	0.5	3.3	2.7
Other	-	-	-	-	-	-	-	-
EBIT	180.8	200.1	210.7	222.5	231.1	240.8	282.2	306.9
EBIT (%)	40.9%	40.3%	39.5%	36.9%	36.9%	35.9%	38.7%	39.3%
Interest Expense	48.7	52.1	58.4	66.9	68.6	68.6	76.0	83.3
Income Before Taxes	132.1	148.1	152.3	155.5	162.5	172.2	206.2	223.6
Provision for Income Taxes	52.1	56.9	60.2	60.5	64.6	67.8	81.5	88.9
Implied Tax Rate	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.5%	39.7%
Net income	80.0	91.2	92.0	95.0	97.9	104.4	124.7	134.7
Reclassification adj. for gains reported in net income	(0.2)	-	-	(1.3)	(0.2)	-	-	-
Unrealized gain on securities	0.1	-	-	-	-	-	-	-
Unrealized holding gain on investments	-	-	0.2	1.1	0.2	0.3	(1.3)	-
Minimum pension liability adjustment	(1.7)	(1.3)	3.1	-	-	-	-	-
Comprehensive Income	78.1	89.8	95.3	94.8	97.9	104.7	123.4	134.7
Diluted Net Income Per Share	0.64	0.71	0.70	0.71	0.73	0.77	0.91	0.97
Weighted Avg. Shares	125.7	129.2	131.8	133.6	134.7	136.1	137.5	138.8
Financial Summary (values in %)								
Revenue Growth	20.4%	12.4%	7.4%	12.9%	4.1%	6.9%	8.7%	7.1%
Operations & Maintenance/Revenue	40.3%	40.9%	41.2%	42.0%	41.8%	40.3%	38.9%	38.6%
Dep/Net Fixed Asset	3.0%	2.9%	3.1%	3.3%	3.2%	3.4%	3.4%	3.3%
Depreciation Growth	12.5%	11.3%	16.7%	17.3%	6.7%	16.0%	5.0%	5.0%
General taxes as % of revenue	6.2%	6.4%	6.2%	7.5%	7.1%	7.2%	7.0%	6.8%
Interest Exp/ Average Net Debt	5.6%	5.3%	5.8%	5.9%	5.2%	5.0%	5.0%	5.1%
Interest Expense/Revenue	11.0%	10.5%	11.0%	11.1%	10.9%	10.2%	10.4%	10.7%
EBITDA	239.7	265.6	285.7	310.5	325.4	355.7	403.2	434.0
Net income growth	13.0%	13.9%	0.9%	3.3%	3.1%	6.6%	19.5%	8.0%
Average ROE	11.4%	11.7%	10.6%	10.0%	9.6%	9.6%	11.3%	11.9%
EPS Growth (exspecial items and FAS 123)	7.0%	10.9%	-1.0%	1.9%	2.2%	5.5%	18.3%	7.0%

Source: Aqua America and Longbow Research
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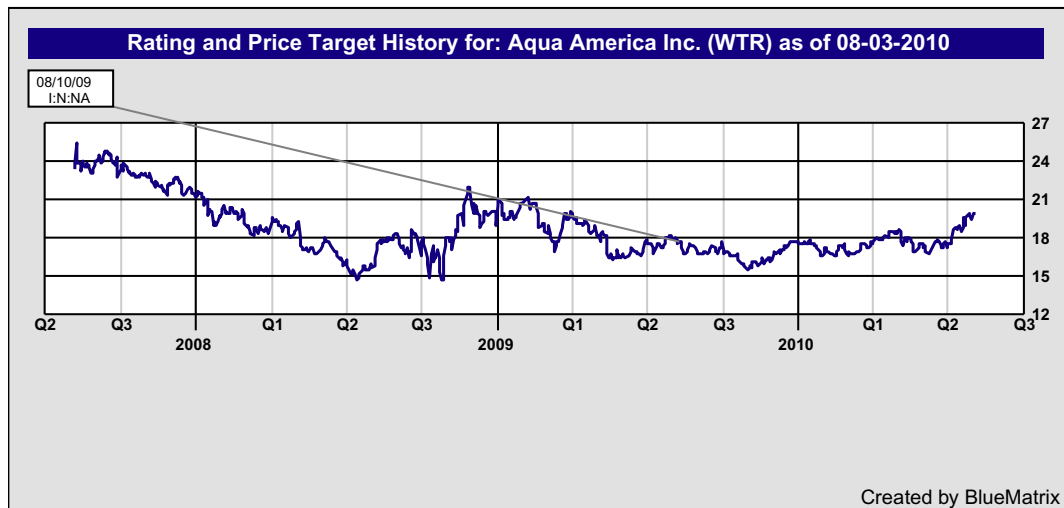
WATER INDUSTRY PEER VALUATION

(\$ in millions, except per share data)

Company	Ticker	FY End	Rating	Target	% Upside	Share Price	52 Week		Mkt Cap	Revenue Last	Last FY	Earnings per Share		P/E		Dividend Rate	Price/Book	
							Hi	Lo				Current FY	Next FY	Current FY	Next FY			
U.S. WATER UTILITIES																		
AMER STATES WATER	AWR	Dec.	Neutral			\$36.00	\$39.61	\$31.20	\$ 663	\$ 361	1.63	1.83	2.11	19.7x	17.0x	2.9%	1.8x	
AMERICAN WATER WORKS	AWK	Dec.	BUY	\$24	11%	\$21.61	\$23.77	\$18.70	\$ 3,767	\$ 2,640	1.25	1.42	1.60	15.2x	13.5x	3.9%	1.3x	
AQUA AMERICA	WTR	Dec.	Neutral			\$19.87	\$20.08	\$15.39	\$ 2,721	\$ 671	0.77	0.91	0.97	21.9x	20.5x	2.9%	2.2x	
CALIFORNIA WATER	CWT	Dec.	Neutral			\$35.78	\$40.65	\$33.81	\$ 744	\$ 449	1.95	1.91	2.20	18.7x	16.3x	3.3%	1.8x	
ARTESIAN RESOURCES	ARTNA	Dec.	NR			\$18.32	\$19.33	\$15.54	\$ 139	\$ 61	0.97	1.07	1.12	17.1x	16.4x	4.1%	1.5x	
CONNECTICUT WATER	CTWS	Dec.	NR			\$23.00	\$26.44	\$20.00	\$ 195	\$ 59	1.19	1.08	1.14	21.3x	20.2x	4.0%	2.0x	
MIDDLESEX WATER	MSEX	Dec.	NR			\$16.93	\$18.70	\$14.15	\$ 261	\$ 91	0.72	0.99	0.97	17.1x	17.5x	4.3%	1.7x	
PENNICHUCK	PNNW	Dec.	NR			\$22.73	\$24.50	\$19.00	\$ 107	\$ 33	0.55	0.76	0.79	29.9x	28.8x	3.1%	1.8x	
SIW	SIW	Dec.	NR			\$24.65	\$28.24	\$20.86	\$ 451	\$ 216	0.81	1	1.1	24.7x	22.4x	2.8%	1.7x	
YORK WATER CO (THE)	YORW	Dec.	NR			\$14.92	\$17.74	\$12.83	\$ 185	\$ 37	0.64	0.67	0.74	22.3x	20.2x	3.5%	2.1x	
Average														20.8x	19.3x	3.5%	1.8x	
EQUIPMENT/ FILTRATION/ TREATMENT SECTOR																		
PENTAIR	PNR	Dec.	BUY	\$40	15%	\$34.78	\$39.32	\$25.86	\$ 3,421	\$ 2,692	1.47	1.95	2.33	17.8x	14.9x	2.2%	1.6x	
WATTS WATER TECH	WTS	Dec.	Neutral			\$35.00	\$37.00	\$26.80	\$ 1,192	\$ 1,234	1.54	2.00	2.26	17.5x	15.5x	1.4%	1.3x	
AMERON INT'L	AMN	Nov.	NR			\$64.97	\$91.66	\$54.27	\$ 579	\$ 547	3.05	3.02	4.24	21.5x	15.3x	1.9%	1.1x	
BADGER METER	BMI	Dec.	NR			\$40.88	\$44.71	\$32.58	\$ 599	\$ 250	1.80	1.84	2.09	22.2x	19.6x	1.2%	4.1x	
CALGON CARBON	CCC	Dec.	NR			\$12.27	\$18.35	\$12.21	\$ 704	\$ 412	0.69	0.78	0.93	15.7x	13.2x	0.0%	2.5x	
ENERGY RECOVERY	ERII	Dec.	NR			\$4.02	\$7.40	\$3.15	\$ 212	\$ 47	0.07	0.03	0.16	NM	NM	0.0%	2.9x	
FRANKLIN ELECTRIC	FELE	Jan.	NR			\$33.80	\$36.59	\$24.93	\$ 775	\$ 626	1.29	1.89	2.16	17.9x	15.6x	1.6%	1.7x	
GORMAN-RUPP	GRC	Dec.	NR			\$31.22	\$31.25	\$21.79	\$ 507	\$ 266	1.15	1.26	1.45	24.8x	21.5x	1.4%	2.6x	
ITRON	ITRI	Dec.	NR			\$60.76	\$81.95	\$51.16	\$ 2,426	\$ 1,687	2.09	3.65	4.1	16.6x	14.8x	0.0%	1.9x	
LAYNE CHRISTENSEN	LAYN	Jan.	NR			\$26.10	\$35.14	\$21.69	\$ 504	\$ 866	0.81	1.11	1.46	23.5x	17.9x	0.0%	1.1x	
MUELLER WATER PRODUC	MWA	Sept.	NR			\$3.47	\$5.99	\$3.33	\$ 595	\$ 1,428	-0.29	(0.08)	0.15	NM	NM	1.8%	1.9x	
NORTHWEST PIPE	NWPX	Dec.	NR			\$19.87	\$38.21	\$17.32	\$ 175	\$ 440	0.47	1.30	1.6	15.3x	12.4x	0.0%	1.3x	
PALL	PLL	Jul.	NR			\$38.28	\$41.82	\$28.69	\$ 4,505	\$ 2,329	1.77	2.17	2.17	17.6x	17.6x	1.7%	3.2x	
SMITH (A.O.)	AOS	Dec.	NR			\$54.87	\$56.64	\$36.67	\$ 1,674	\$ 1,991	2.85	4.01	4.33	13.7x	12.7x	1.5%	1.7x	
Average														18.5x	16.1x	0.9%	2.0x	
WATER RESOURCES/ INFRASTRUCTURE																		
INSITUFORM TECH	INSU	Dec.	NR			\$22.78	\$28.38	\$16.81	\$ 888	\$ 727	1.04	1.53	1.79	14.8x	12.6x	0.0%	1.6x	
LINDSAY	LNN	Aug.	NR			\$36.13	\$47.45	\$30.80	\$ 445	\$ 336	1.11	1.38	1.82	22.0x	20.9x	1.0%	2.5x	
TETRA TECH	TTEK	Sept.	NR			\$20.92	\$32.00	\$18.05	\$ 1,311	\$ 2,287	1.22	1.20	1.37	17.8x	15.6x	0.0%	2.5x	
Average														17.4x	15.9x	0.8%	2.3x	
Relevant Indices																		
Dow Jones Industrials	DJ30																	\$10,644.00
S&P 500	SPX																	\$1,124.25
Nasdaq Composite	NDX																	\$2,303.57

Source: Baseline; Company reports and LBR Estimates. EPS reflects diluted EPS, excluding extraordinary items. Numbers in italics reflect consensus estimates.

** Time period for annual estimates may vary based on reporting date.



APPENDIX

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Covered Companies Mentioned In This Report:

Aqua America Inc.	WTR	\$19.87	Neutral
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