



February 25, 2011

AQUA AMERICA INC. (WTR)

Rating: NEUTRAL
Current Price: \$22.31
Target Price: NA

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Industry: Water Utilities							Valuation		Valuation	
Fiscal Year: Dec		1Q11E	2Q11E	3Q11E	4Q11E	FY11E	Multiple	FY12E	Multiple	
Market Cap (\$MM):	3,063	EPS:	\$0.18	\$0.25	\$0.35	\$0.22	\$1.00	22.3x	\$1.10	20.3x
		Prior:	-	\$0.24	\$0.34	\$0.24	-		-	
Net Debt (\$MM):	1,535	Consensus:	\$0.18	\$0.24	\$0.32	\$0.23	\$0.98	22.8x	\$1.05	21.2x
Enterprise Value (\$MM):	4,598	Last Year:	\$0.16	\$0.22	\$0.32	\$0.21	\$0.91			
Shares - FD (MM):	137.3									
		EBITDA:	\$0.67	\$0.79	\$0.95	\$0.75	\$3.17	10.6x	\$3.38	9.9x
Dividend:	\$0.58	Growth:	10%	10%	8%	7%	9%		7%	
Yield:	2.6%									
Beta:	0.69	Revenue:	\$178	\$199	\$226	\$188	\$790	5.8x	\$841	5.5x
Rel. P/E (FY2011E):	176%	Growth:	11%	11%	9%	5%	9%		6%	

WTR: 4Q and Outlook In-line With Street Forecasts

SUMMARY

- WTR reported 4Q10 EPS of \$0.21, in line with its previously announced guidance and our \$0.21 estimate. Consensus was also at \$0.21. Total revenues increased 7% y/y vs. our 12% forecast. Net income increased 8% to \$29M. Operating margins of 36.7% exceeded our expectation of 36.0%.
- WTR completed 23 acquisitions in FY10 and nine in 4Q alone. The company focused on increasing its footprint in Texas where 10 deals were completed during the year. This contributed to 1% organic consumption growth during FY10. WTR also reports seeing increased demand in rural parts of Pennsylvania adjacent to the Marcellus Shale project as well as improved demand in Texas due to a stabilizing housing market there.
- WTR received \$53M in rate awards and infrastructure surcharges in FY10 and has received another \$7M in January alone. The company has 18 rate cases pending for a total of \$26-27M. Capex for FY11 is expected to be similar to the \$327M spent last year.
- The company indicated that Street estimates for 1Q11E EPS of \$0.18 appears reasonable despite a continued headwind of water main breaks due to the cold winter weather. For FY11E, it noted that Street estimates of \$0.98 in EPS also look achievable. Consequently, we maintain our current forecasts and are introducing a \$1.10 FY12E EPS.
- The shares are currently trading at 22.3x our FY11E EPS of \$1.00 and 20.3x our FY12E EPS of \$1.10, which is a slight 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 see less upside potential given that valuations are reflecting close to historical average multiples. Consequently, remain NEUTRAL-rated on WTR shares.



INVESTMENT THESIS

We continue to 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. The shares are currently trading at 22.3x our FY11E EPS of \$1.00 and 20.3x our FY12E EPS of \$1.10, which is a slight 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 see less upside potential given that valuations are reflecting historically in-line multiples.

DISCUSSION OF DETAILS

WTR reported 4Q10 EPS of \$0.21, in line with its previously announced guidance and our \$0.21 estimate. Consensus was also at \$0.21. Total revenues increased 7% y/y vs. our 12% forecast. Net income increased 8% to \$29M. Operating margin of 36.7% exceeded our expectations of 36.0%.

WTR Summary 4Q10						
<i>FY Ends December 31</i>	4Q09	4Q10A	y/y act.	LBR 4Q10	y/y est.	Actual/LBR
Total Revenue	167.9	179.3	7%	187.6	12%	-4%
Operations & Maintenance	66.0	70.1	6%	77.9	18%	-10%
Depreciation and Amortization	29.3	30.5	4%	30.9	5%	-1%
General Taxes	12.2	13.0	7%	13.1	8%	-1%
Total Expenses	107.5	113.6	6%	121.9	13%	-7%
Income from Operations	60.4	65.7	9%	65.7	9%	0%
Other Income & Expenses (net)	1.0	1.3	30%	1.9	90%	-32%
EBIT	61.4	67.0	9%	67.6	10%	-1%
Interest Expense	17.9	19.6	9%	19.2	7%	2%
Income Before Taxes	43.5	47.4	9%	48.4	11%	-2%
Provision for Income Taxes	16.8	18.5	10%	18.9	12%	-2%
Net Income	26.7	28.9	8%	29.5	11%	-2%
EPS (fully diluted)	0.20	0.21	7%	0.21	9%	-2%

Source: Company Reports, LBR Estimates

- O&M Expenses:** Operations and maintenance expenses increased 6% y/y. That said, the O&M ratio of 39% improved 20bp y/y vs. our expectation of a 180bp increase mainly from increased water main breaks. Leverage off of improved sales drove the increase and more than offset. We note that WTR already has the highest efficiency ratio among the large publicly traded water utilities and its focus on cost control helps cash flow and reduces its reliance on outside funding for its capital programs. We are modeling an 80bp improvement in 1Q11E and a 30bp improvement in FY11E.
- Revenue Growth:** Revenues grew 7% y/y, most of which was attributed to rate increases and surcharges. Total customer count grew 1% y/y from acquisitions. We note that this is better than the company's average of 0.4% during the housing slowdown. WTR reports seeing increased demand in rural parts of Pennsylvania adjacent to the Marcellus Shale project as well as improved demand in Texas due to a stabilizing housing market there. With the improved economy, the company should continue to see strengthening demand conditions.



- **Rate Cases:** WTR received \$53M in rate awards and infrastructure surcharges in FY10 and has received another \$7M in January alone. The company has 18 rate cases pending for a total of \$26-27M. It also plans to file additional rate cases in PA, NJ, OH, IL and TX this year. The primary driver of the aforementioned rate case filings is the recovery of infrastructure investments.
- **Capex:** Capex for the quarter was \$87M and \$327M in FY10. The company reiterated its target of \$300M for FY11, and indicated that the figure will come closer to FY10 levels. In that the company is generating ~98% of its cash internally, there is no immediate need to issue equity to fund its capex program.
- **Acquisition Outlook:** WTR completed 23 acquisitions in FY10 and nine in 4Q alone. The company focused on increasing its footprint in TX where 10 deals were completed during the year. As customer growth grew 1% this past year and as the rate of deals accelerated towards the end, we would expect WTR to remain active in its deal book.
- **Guidance:** The company indicated that Street estimates for 1Q11E EPS of \$0.18 (in line with our forecast) appears reasonable despite a continued headwind of water main breaks due to the cold winter weather. For FY11E, it noted that Street estimates of \$0.98 in EPS also look achievable (we are at \$1.00). Consequently, we maintain our current forecasts and are introducing a \$1.10 FY12E EPS. We expect 9% revenue growth in FY11E and 6% in FY12E. We believe there could be upside to the out year pending visibility into the size/timing of future rate case filings. We also expect a cumulative 50bp improvement in its O&M ratio over the next two years.

VALUATION

WTR shares closed Thursday at \$22.31, which is 22.3x our FY11E EPS of \$1.00 and 20.3x our FY12E EPS of \$1.10. The shares are trading at a discount to the company's historical 23x average, although within the normalized range of 20-30x forward P/E.

RISKS

Potential downside risks to our investment thesis and estimates 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 and estimates 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	Mar-12	Jun-12	Sep-12	Dec-12
	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11E	2Q11E	3Q11E	4Q11E	1Q12E	2Q12E	3Q12E	4Q12E
<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	207.8	179.3	177.8	198.6	225.6	188.3	194.7	212.2	235.6	198.3
Operation & Maintenance	64.3	65.1	66.7	65.9	67.0	68.5	68.5	66.0	67.6	69.3	73.0	70.1	73.4	77.2	80.7	71.6	79.5	81.9	83.6	75.4
Depreciation	21.5	20.6	22.8	23.9	26.4	25.0	25.4	26.2	26.2	26.8	27.5	27.6	27.8	28.0	28.2	29.5	29.7	29.9	30.1	29.6
Amortization	1.2	1.0	1.8	1.5	2.8	3.1	3.0	3.1	3.2	3.3	3.6	2.9	3.4	3.4	3.4	3.4	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	14.2	13.0	13.3	13.9	13.5	13.2	14.6	14.9	14.1	13.9
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	118.2	113.6	118.0	122.6	125.9	117.6	127.1	130.1	131.2	122.3
Income from Operations	40.2	53.1	74.6	57.9	46.8	58.9	71.5	60.4	50.7	66.1	89.6	65.7	59.8	76.0	99.6	70.7	67.6	82.2	104.3	76.1
Operating Margin (%)	28.9%	35.2%	42.1%	36.2%	30.3%	35.2%	39.5%	36.0%	31.6%	37.0%	43.1%	36.7%	33.6%	38.3%	44.2%	37.5%	34.7%	38.7%	44.3%	38.4%
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	1.1	1.0	1.3	1.2	1.1	1.1	1.2	1.2	1.2	1.2
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	0.3	0.3	0.6	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Other																				
EBIT	41.2	54.8	76.1	59.0	47.5	59.5	72.4	61.4	54.2	67.6	90.9	67.0	61.7	77.5	101.2	72.2	69.2	83.7	105.9	77.6
EBIT (%)	29.6%	36.3%	43.0%	36.9%	30.8%	35.6%	40.0%	36.6%	33.7%	37.9%	43.8%	37.3%	34.7%	39.0%	44.8%	38.4%	35.5%	39.5%	44.9%	39.1%
Interest Expense	17.1	17.1	17.0	17.4	16.6	16.8	17.3	17.9	18.4	18.5	19.2	19.6	19.8	20.0	20.2	21.4	21.6	21.8	22.0	19.4
Income Before Taxes	24.0	37.7	59.1	41.7	30.9	42.7	55.1	43.5	35.7	49.1	71.8	47.4	41.9	57.6	81.0	50.8	47.6	61.9	83.8	58.2
												0.1	7%	8%	5%	10%	10%	9%	9%	-10%
Provision for Income Taxes	9.7	15.2	23.7	16.0	12.5	16.9	21.6	16.8	14.2	19.3	28.1	18.5	16.8	23.0	32.4	19.8	19.0	24.8	33.5	22.7
Implied Tax Rate	40.4%	40.2%	40.1%	38.4%	40.5%	39.5%	39.3%	38.7%	39.8%	39.3%	39.1%	39.0%	40.0%	40.0%	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	43.7	28.9	25.2	34.5	48.6	31.0	28.5	37.1	50.3	35.5
Comprehensive Income	14.3	22.7	35.2	25.7	18.4	26.1	33.3	26.8	21.1	29.8	43.7	28.9	25.2	34.5	48.6	31.0	28.5	37.1	50.3	35.5
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	0.32	0.21	0.18	0.25	0.35	0.22	0.21	0.27	0.36	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	137.4	137.9	138.2	138.6	139.1	139.5	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%	14.9%	6.8%	10.8%	11.3%	8.5%	5.0%	9.5%	6.9%	4.4%	5.3%
Operations & Maintenance/Revenue	46.2%	43.2%	37.7%	41.2%	43.4%	41.0%	37.9%	39.3%	42.1%	38.8%	35.1%	39.1%	41.3%	38.9%	35.8%	38.0%	40.8%	38.6%	35.5%	38.0%
EBIT (% of rev.)	29.6%	36.3%	43.0%	36.9%	30.8%	35.6%	40.0%	36.6%	33.7%	37.9%	43.8%	37.3%	34.7%	39.0%	44.8%	38.4%	35.5%	39.5%	44.9%	39.1%
General taxes as % of revenue	8.7%	7.2%	6.3%	6.7%	7.5%	7.1%	6.9%	7.3%	8.0%	7.3%	6.8%	7.2%	7.5%	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	122.0	97.5	92.9	108.9	132.8	105.1	102.3	117.0	139.4	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%	30.6%	8.2%	17.0%	15.7%	11.1%	7.4%	13.5%	7.5%	3.5%	14.7%
EPS Growth	-15.5%	-5.3%	18.6%	1.8%	26.5%	13.0%	-6.1%	3.2%	16.3%	14.4%	29.5%	7.1%	15.8%	14.6%	9.8%	6.1%	13.5%	7.5%	3.5%	14.7%

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	FY10	FY11E	FY12E
Total Operating Revenue	442.0	496.8	533.5	602.5	627.0	670.5	726.1	790	841
Operation & Maintenance	178.3	203.1	219.6	253.1	262.1	270.1	280.0	303.0	320.4
Depreciation	54.6	60.7	70.9	83.2	88.8	103.0	108.2	113.6	119.2
Amortization	4.3	4.7	4.1	4.8	5.5	11.9	13.0	13.6	13.6
General Taxes	27.6	31.7	33.3	45.4	44.7	48.1	53.0	53.9	57.5
-	-	-	-	-	-	-	-	-	-
Total Expenses	264.8	300.3	327.9	386.5	401.2	433.1	454.1	484.1	510.7
Income from Operations	177.2	196.5	205.6	216.0	225.8	237.5	272.0	306.1	330.2
Operating Margin (%)	40.1%	39.6%	38.5%	35.9%	36.0%	35.4%	37.5%	38.7%	39.3%
Allow. for Borrowed Funds Used in Const.	2.3	2.4	3.9	3.0	3.7	2.9	5.1	4.7	4.7
Gain (loss) on sale of other assets	1.3	1.2	1.2	3.5	1.6	0.5	2.6	1.7	1.6
Other	-	-	-	-	-	-	-	-	-
EBIT	180.8	200.1	210.7	222.5	231.1	240.8	279.6	312.6	336.5
EBIT (%)	40.9%	40.3%	39.5%	36.9%	36.9%	35.9%	38.5%	39.6%	40.0%
Interest Expense	48.7	52.1	58.4	66.9	68.6	68.6	75.3	81.4	84.9
Income Before Taxes	132.1	148.1	152.3	155.5	162.5	172.2	204.4	231.3	251.5
Provision for Income Taxes	52.1	56.9	60.2	60.5	64.6	67.8	80.1	92.0	100.0
Implied Tax Rate	39.4%	38.4%	39.6%	38.9%	39.7%	39.4%	39.2%	39.8%	39.8%
Net income	80.0	91.2	92.0	95.0	97.9	104.4	124.3	139.3	152.5
Comprehensive Income	78.1	89.8	95.3	94.8	97.9	104.7	123.0	139.3	152.5
Diluted Net Income Per Share	0.64	0.71	0.70	0.71	0.73	0.77	0.91	1.00	1.10
Weighted Avg. Shares	125.7	129.2	131.8	133.6	134.7	136.1	137.3	138.8	138.8
Financial Summary (values in %)									
Revenue Growth	20.4%	12.4%	7.4%	12.9%	4.1%	6.9%	8.3%	8.8%	6.4%
Operations & Maintenance/Revenue	40.3%	40.9%	41.2%	42.0%	41.8%	40.3%	38.6%	38.3%	38.1%
Dep/Net Fixed Asset	3.0%	2.9%	3.1%	3.3%	3.2%	3.4%	3.4%	3.3%	3.3%
Depreciation Growth	12.5%	11.3%	16.7%	17.3%	6.7%	16.0%	5.0%	5.0%	5.0%
General taxes as % of revenue	6.2%	6.4%	6.2%	7.5%	7.1%	7.2%	7.3%	6.8%	6.8%
Interest Exp/ Average Net Debt	5.6%	5.3%	5.8%	5.9%	5.2%	5.0%	5.0%	5.1%	5.1%
Interest Expense/Revenue	11.0%	10.5%	11.0%	11.1%	10.9%	10.2%	10.4%	10.3%	10.1%
EBITDA	239.7	265.6	285.7	310.5	325.4	355.7	400.8	439.8	469.3
Net income growth	13.0%	13.9%	0.9%	3.3%	3.1%	6.6%	19.1%	12.1%	9.5%
Average ROE	11.4%	11.7%	10.6%	10.0%	9.6%	9.6%	9.1%	8.5%	8.9%
EPS Growth (exspecial items and FAS 123)	7.0%	10.9%	-1.0%	1.9%	2.2%	5.5%	18.1%	10.8%	9.5%

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			\$33.04	\$39.61	\$31.24	\$ 618	\$ 361	1.62	1.78	2.15	18.6x	15.4x	3.1%	1.8x
AMERICAN WATER WORKS	AWK	Dec.	BUY	\$29	7%	\$27.08	\$27.93	\$19.41	\$ 4,792	\$ 2,851	1.25	1.53	1.72	17.6x	15.8x	3.2%	1.0x
AQUA AMERICA	WTR	Dec.	Neutral			\$22.31	\$23.79	\$16.52	\$ 3,129	\$ 671	0.64	1.00	1.10	22.2x	20.3x	2.7%	2.2x
CALIFORNIA WATER	CWT	Dec.	Neutral			\$35.34	\$39.70	\$33.81	\$ 751	\$ 460	1.34	2.12	2.28	16.7x	15.5x	3.4%	1.8x
ARTESIAN RESOURCES	ARTNA	Dec.	NR			\$19.15	\$19.66	\$16.43	\$ 145	\$ 61	1.04	1.15	1.24	16.7x	15.4x	4.0%	1.5x
CONNECTICUT WATER	CTWS	Dec.	NR			\$24.73	\$28.27	\$20.00	\$ 214	\$ 59	1.20	1.2	1.28	20.6x	19.3x	3.8%	2.0x
MIDDLESEX WATER	MSEX	Dec.	NR			\$17.96	\$19.31	\$14.74	\$ 279	\$ 91	0.94	0.95	0.95	18.9x	18.9x	4.1%	1.7x
PENNICHUCK	PNNW	Dec.	NR			\$28.00	\$28.39	\$20.49	\$ 131	\$ 33	0.84	0.95	1.15	29.5x	24.3x	2.6%	1.8x
SIJW	SIJW	Dec.	NR			\$23.93	\$28.24	\$21.70	\$ 444	\$ 216	0.93	1.06	1.20	22.6x	19.9x	2.9%	1.7x
YORK WATER CO (THE)	YORW	Dec.	NR			\$16.97	\$18.00	\$12.83	\$ 215	\$ 37	0.71	0.76	0.81	22.3x	21.0x	3.1%	2.1x
<i>Average</i>														20.6x	18.6x	3.3%	1.7x
EQUIPMENT/ FILTRATION/ TREATMENT SECTOR																	
PENTAIR	PNR	Dec.	BUY	\$41	12%	\$36.53	\$39.32	\$29.41	\$ 3,633	\$ 3,031	-16.87	-10.43	1.01	-3.5x	36.1x	2.2%	1.6x
WATTS WATER TECH	WTS	Dec.	Neutral			\$38.81	\$40.75	\$27.51	\$ 1,410	\$ 1,234	1.54	1.92	2.23	20.3x	17.4x	1.2%	1.3x
AMERON INT'L	AMN	Nov.	NR			\$68.58	\$85.25	\$55.42	\$ 634	\$ 503	5.10	3.22	4.25	21.3x	16.1x	1.7%	1.1x
BADGER METER	BMI	Dec.	NR			\$38.50	\$45.49	\$35.35	\$ 579	\$ 277	1.88	2.05	2.31	18.8x	16.7x	1.5%	3.9x
CALGON CARBON	CCC	Dec.	NR			\$13.59	\$18.35	\$11.75	\$ 765	\$ 412	0.68	0.88	1.05	15.4x	12.9x	0.0%	2.5x
ENERGY RECOVERY	ERII	Dec.	NR			\$3.27	\$6.77	\$3.08	\$ 172	\$ 47	-0.08	-	0.14	NM	NM	0.0%	2.9x
FRANKLIN ELECTRIC	FELE	Jan.	NR			\$40.92	\$45.63	\$27.04	\$ 950	\$ 626	1.86	2.29	2.69	17.9x	15.2x	1.3%	1.7x
GORMAN-RUPP	GRC	Dec.	NR			\$35.95	\$38.93	\$22.81	\$ 604	\$ 297	1.53	1.75	2	20.5x	18.0x	1.2%	2.7x
ITRON	ITRI	Dec.	NR			\$55.80	\$81.95	\$52.03	\$ 2,255	\$ 2,265	4.00	4.20	4.2	13.3x	13.3x	0.0%	1.6x
LAYNE CHRISTENSEN	LAYN	Jan.	NR			\$32.00	\$36.92	\$22.97	\$ 626	\$ 866	1.42	1.63	1.63	19.6x	19.6x	0.0%	1.1x
MUELLER WATER PRODUC	MWA	Sept.	NR			\$3.90	\$5.99	\$2.21	\$ 606	\$ 1,338	-0.19	0.01	0.15	NM	NM	1.8%	1.2x
NORTHWEST PIPE	NWPX	Dec.	NR			\$21.67	\$25.50	\$14.62	\$ 201	\$ 283	0.12	0.73	1.47	29.7x	14.7x	0.0%	1.0x
PALL	PLL	Jul.	NR			\$52.66	\$56.00	\$31.84	\$ 6,066	\$ 2,402	2.12	2.80	2.8	18.8x	18.8x	1.3%	3.7x
SMITH (A.O.)	AOS	Dec.	NR			\$39.63	\$45.80	\$29.24	\$ 1,816	\$ 2,026	2.87	2.07	2.47	19.1x	16.0x	1.4%	1.9x
<i>Average</i>														19.9x	16.5x	0.8%	2.0x
WATER RESOURCES/ INFRASTRUCTURE																	
INSITUFORM TECH	INSU	Dec.	NR			\$24.89	\$30.00	\$18.52	\$ 976	\$ 727	1.52	1.80	2.29	13.9x	10.9x	0.0%	1.6x
LINDSAY	LNN	Aug.	NR			\$68.52	\$79.56	\$30.80	\$ 858	\$ 358	1.83	2.25	-	31.0x	25.0x	0.5%	2.0x
TETRA TECH	TTEK	Sept.	NR			\$22.76	\$27.16	\$18.00	\$ 1,406	\$ 2,201	1.22	1.41	1.64	16.3x	14.4x	0.0%	1.7x
<i>Average</i>														19.8x	16.9x	0.7%	2.2x
Relevant Indices																	
Dow Jones Industrials	DJ30																\$12,068
S&P 500	SPX																\$1,306
Nasdaq Composite	NDX																\$2,738

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	\$22.31	Neutral
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