

Aqua America, Inc. (WTR \$22.43, Buy; \$26 Target Price)

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WTR 1Q11 Post Earnings Review**Investment Summary**

Aqua America

Ticker – WTR

Rating : Buy

Aqua America 1Q11 results essentially met expectations on the top line and exceeded on the bottom line. Revenues of \$171MM were just below consensus of \$174MM (our forecast was \$173MM), while EPS of \$0.22 was well above our \$0.19 forecast and consensus of \$0.18. Bonus depreciation and favorable tax treatment from Pennsylvania and tight expense control led to the upside. If we strip out the effects of the bonus depreciation/favorable tax treatment, they did \$0.19.

Our estimates are under review with no particular bias. Given current market conditions, we'd expect the shares to outperform the market near term, regardless of its direction. Reiterating our Buy rating and \$26 target price. More after the call.

Important Disclosures

Ratings and Target Price History



All prices are as of the market close on 5/5/11.

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Brean Murray, Carret & Co. Stock Rating System

- Buy - Expected to appreciate by at least 10% within the next 12 months.
- Hold - Fully valued, not expected to appreciate or decline materially within the next 12 months.
- Sell - Expected to decline by at least 10% within the next 12 months.

	# of Securities	% of Total Securities	# of IB-Related Securities in Past 12 mos.	% of Total Securities
BUY	142	58.68%	16	11.27%
HOLD	67	27.69%	2	2.99%
SELL	6	2.48%	0	0%
NOT RATED	27	11.16%	3	11.11%
TOTAL	242			

Note : Stock price volatility may cause temporary non-alignment of some ratings with some target prices.

Valuation Methodology and Risks

Aqua America (WTR): \$26 target price, based on the shares attaining a level of 27x our 2011 EPS estimate. Risks to the achievement of our target price include weather, acquisitions, interest rates, environmental / public health responsibilities and regulatory climate.

Analyst Certification

We, Michael Gaugler and Christopher Noon, hereby certify that the views expressed in this research report accurately reflect our personal views about any and all of the subject securities or issuers referred to in this document. The analyst and associate analyst further certify that they have not received and will not be receiving direct or indirect compensation in exchange for expressing the recommendation contained in this publication.

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