



Unitil Reports Second Quarter Earnings

July 30, 2020

HAMPTON, N.H., July 30, 2020 (GLOBE NEWSWIRE) -- Unitil Corporation (NYSE: UTL) (www.unitil.com) today announced Net Income of \$3.1 million, or \$0.21 in Earnings Per Share (EPS), for the second quarter of 2020, a decrease of \$0.9 million in Net Income, or \$0.06 per share, compared to the second quarter of 2019, driven by lower gas sales margins and higher operating expenses. The second quarter of 2019 included \$0.6 million in property tax abatements resulting from the Company's litigation of property valuation assessments which contributed \$0.03 per share to results in 2019.

For the six months ended June 30, 2020, the Company reported Net Income of \$18.3 million, or \$1.23 per share, a decrease of \$12.2 million, or \$0.82 per share, compared to the same six month period in 2019. In the first quarter of 2019 the Company recognized a one-time net gain of \$9.8 million, or \$0.66 per share, on the Company's divestiture of its non-regulated business subsidiary, Usource. The decrease in earnings for the first half of 2020 also reflects lower gas sales margins due to warmer winter weather in 2020 compared to 2019. The Company estimates that the warmer than normal winter weather negatively affected Net Income by approximately \$3.1 million, or \$0.20 per share, in the first half of 2020. The Company's GAAP Gas and Electric Gross Margins were \$15.5 million and \$16.5 million, respectively, for the three months ended June 30, 2020 and were \$50.5 million and \$33.7 million, respectively for the six month period ended June 30, 2020, including the impact on margins of the COVID-19 pandemic.

"Despite the challenges posed by the ongoing COVID-19 pandemic, our employees have done an incredible job delivering exceptional service to our customers," said Thomas P. Meissner, Jr., Unitil's Chairman and Chief Executive Officer. "We remain focused on the health and safety of our employees, customers, and the communities we serve during these unprecedented times."

Gas Adjusted Gross Margin (a non-GAAP measure¹) was \$22.9 million and \$65.3 million in the three and six months ended June 30, 2020, respectively, decreases of \$0.4 million and \$1.5 million, respectively, compared to the same periods in 2019. The decrease in the three month period was driven by lower therm sales of \$0.8 million attributed to the economic slowdown associated with the COVID-19 pandemic and \$0.2 million from the warm weather in the second quarter, partially offset by customer growth and higher rates of \$0.6 million. The decrease in the six month period was driven by lower margin of \$2.7 million principally due to warmer winter weather in the first quarter of 2020, partially offset by customer growth, and lower margin of \$0.8 million from lower sales attributed to the economic slowdown caused by the COVID-19 pandemic. These decreases were partially offset by higher rates of \$2.0 million.

Gas therm sales decreased 9.0% and 7.5% in the three and six month periods ended June 30, 2020, respectively, compared to the same periods in 2019. The decrease in gas therm sales in the Company's service areas reflects warmer weather in the first half of 2020 compared to the same period in 2019, as well as lower sales to Commercial and Industrial (C&I) customers, primarily in the second quarter due to the economic slowdown caused by the COVID-19 pandemic, partially offset by customer growth. Based on weather data collected in the Company's gas service areas, there were 8.4% fewer Effective Degree Days (EDD) in the first half of 2020, on average, compared to the same period in 2019 and 8.7% fewer EDD compared to normal. As of June 30, 2020, the number of gas customers served has increased by 1,731 over the previous year.

Electric Adjusted Gross Margin (a non-GAAP measure) was \$22.4 million and \$45.5 million in the three and six months ended June 30, 2020, respectively, on par with the same periods in 2019. Electric Adjusted Gross Margin in the second quarter of 2020 reflects higher margin of \$0.2 million from warmer early summer weather and customer growth, \$0.2 million from higher rates and higher margin of \$0.2 million from increased residential sales due to COVID-19 pandemic stay-at-home orders, offset by lower margin of \$0.6 million from lower C&I sales attributed to the economic slowdown caused by the COVID-19 pandemic. Electric Adjusted Gross Margin in the first half of 2020 was positively affected by higher rates of \$0.8 million and higher margin of \$0.2 million from increased residential sales due to COVID-19 pandemic stay-at-home orders, offset by lower margin of \$0.6 million from lower C&I sales attributed to the economic slowdown caused by the COVID-19 pandemic and lower margin of \$0.4 million from warmer winter weather and lower average usage, partially offset by warmer early summer weather and customer growth.

Total electric kilowatt-hour (kWh) sales decreased 2.0% and 0.5%, respectively, in the three and six month periods ended June 30, 2020 compared to the same periods in 2019. The decreases in kWh sales reflect lower usage by C&I customers as a result of the economic slowdown caused by COVID-19 pandemic, and the warmer winter weather in 2020 which adversely impacted the usage of electricity for heating purposes. These decreases were partially offset by an increase in sales to residential customers due to the COVID-19 pandemic stay-at-home orders, and warmer early summer weather in 2020 compared to 2019 which resulted in higher use of air conditioning. Based on weather data collected in the Company's electric service areas, there were 134.7% more Cooling Degree Days (CDD) in the second quarter of 2020, on average, compared to the same period in 2019. As of June 30, 2020, the number of total electric customers served has increased by 755 over the last year.

Operation and Maintenance (O&M) expenses decreased \$1.3 million, or 8.2%, and \$1.9 million, or 5.5%, in three and six months ended June 30, 2020, respectively, compared to the same periods in 2019. The decrease in the three month period reflects lower labor costs of \$1.1 million and lower all other utility operating costs, net of \$0.2 million. The decrease in the six month period includes \$0.4 million of lower labor and other costs attributed to Usource operations in the first quarter of 2019. The change in O&M expenses in the six month period also reflects: lower utility operating costs of \$1.0 million; lower labor costs of \$1.1 million; higher bad debt expense of \$0.4 million, which includes a provision for the impact of the COVID-19 pandemic; and higher professional fees of \$0.2 million. The lower labor costs in the six month period reflect lower employee benefit costs partially offset by higher compensation costs.

Depreciation and Amortization expense increased \$1.1 million and \$0.8 million in the three and six months ended June 30, 2020, respectively, compared to the same periods in 2019. These increases reflect increased depreciation on higher levels of utility plant in service, partially offset by lower amortization.

Taxes Other Than Income Taxes increased \$1.0 million and \$1.1 million in the three and six months ended June 30, 2020, respectively, compared to the same periods in 2019. These increases reflect higher local property tax rates on higher levels of utility plant in service, and the recognition of \$0.6

million in property tax abatements in the second quarter of 2019.

Interest Expense, Net was essentially unchanged in the three and six months ended June 30, 2020, compared to the same periods in 2019, reflecting higher interest on long-term debt offset by lower rates on short-term debt.

Other Expense (Income), Net increased \$0.1 million for the three months ended June 30, 2020 compared to the same period in 2019, reflecting higher retirement benefit costs. Other Expense (Income), Net changed from income of \$10.8 million in the first six months of 2019 to expense of \$2.9 million in the first six months of 2020, a net change of \$13.7 million. This change primarily reflects a pre-tax gain of \$13.4 million on the Company's divestiture of Usource in the first quarter of 2019 and \$0.3 million of higher retirement benefit costs in 2020.

Federal and State Income Taxes decreased \$0.4 million and \$3.9 million for the three and six months ended June 30, 2020, respectively, compared to the same periods in 2019, reflecting lower pre-tax earnings in the current periods.

At its January 2020, April 2020 and July 2020 meetings, the Unitil Corporation Board of Directors declared quarterly dividends on the Company's common stock of \$0.375 per share. These quarterly dividends result in a current effective annualized dividend rate of \$1.50 per share, representing an unbroken record of quarterly dividend payments since trading began in Unitil's common stock.

The Company's earnings are seasonal and are typically higher in the first and fourth quarters when customers use natural gas for heating purposes.

The Company will hold a quarterly conference call to discuss second quarter 2020 results on Thursday, July 30, 2020, at 2:00 p.m. Eastern Time. This call is being webcast. This call, financial and other statistical information contained in the Company's presentation on this call, and information required by Regulation G regarding non-GAAP financial measures can be accessed in the Investor Relations section of Unitil's website, www.unitil.com.

About Unitil Corporation

Unitil Corporation provides energy for life by safely and reliably delivering natural gas and electricity in New England. We are committed to the communities we serve and to developing people, business practices, and technologies that lead to the delivery of dependable, more efficient energy. Unitil Corporation is a public utility holding company with operations in Maine, New Hampshire and Massachusetts. Together, Unitil's operating utilities serve approximately 106,100 electric customers and 83,900 natural gas customers. Other subsidiaries include Usource, Unitil's non-regulated business segment, which the Company divested in the first quarter of 2019. For more information about our people, technologies, and community involvement please visit www.unitil.com.

Forward-Looking Statements

This press release may contain forward-looking statements. All statements, other than statements of historical fact, included in this press release are forward-looking statements. Forward-looking statements include declarations regarding Unitil's beliefs and current expectations. These forward-looking statements are subject to the inherent risks and uncertainties in predicting future results and conditions that could cause the actual results to differ materially from those projected in these forward-looking statements. Some, but not all, of the risks and uncertainties include the following: the COVID-19 pandemic, which could adversely impact the Company's business, including by disrupting the Company's employees' and contractors' ability to provide ongoing services to the Company, by reducing customer demand for electricity or natural gas, or by reducing the supply of electricity or natural gas; Unitil's regulatory environment (including regulations relating to climate change, greenhouse gas emissions and other environmental matters); fluctuations in the supply of, the demand for, and the prices of, gas and electric energy commodities and transmission and transportation capacity and Unitil's ability to recover energy supply costs in its rates; customers' preferred energy sources; severe storms and Unitil's ability to recover storm costs in its rates; general economic conditions; variations in weather; long-term global climate change; Unitil's ability to retain its existing customers and attract new customers; increased competition; and other risks detailed in Unitil's filings with the Securities and Exchange Commission. These forward looking statements speak only as of the date they are made. Unitil undertakes no obligation, and does not intend, to update these forward-looking statements.

¹ The accompanying Supplemental Information more fully describes the non-GAAP measures used in this press release and includes a reconciliation of the non-GAAP measures to what the Company's management believes are the most comparable GAAP measures. The Supplemental Information also includes a discussion of the changes in the most comparable GAAP measures for the periods presented.

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Selected financial data for 2020 and 2019 is presented in the following table:

Unitil Corporation – Condensed Consolidated Financial Data

(Millions, except Per Share data)(Unaudited)

| Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|-----------------------------|------|--------|---------------------------|------|--------|
| 2020 | 2019 | Change | 2020 | 2019 | Change |

Gas Therm Sales:

| | | | | | | |
|---------------------------------------|----------------|----------------|------------------|----------------|----------------|------------------|
| Residential | 9.4 | 9.6 | (2.1%) | 31.5 | 33.6 | (6.3%) |
| Commercial/Industrial | 35.0 | 39.2 | (10.7%) | 102.6 | 111.3 | (7.8%) |
| Total Gas Therm Sales | 44.4 | 48.8 | (9.0%) | 134.1 | 144.9 | (7.5%) |
| Electric kWh Sales: | | | | | | |
| Residential | 153.3 | 135.9 | 12.8% | 332.4 | 317.4 | 4.7% |
| Commercial/Industrial | 200.1 | 224.8 | (11.0%) | 442.0 | 460.8 | (4.1%) |
| Total Electric kWh Sales | 353.4 | 360.7 | (2.0%) | 774.4 | 778.2 | (0.5%) |
| <hr/> | | | | | | |
| Gas Revenues | \$ 33.7 | \$ 32.6 | \$ 1.1 | \$ 103.9 | \$ 119.0 | \$ (15.1) |
| Cost of Gas Sales | 10.8 | 9.3 | 1.5 | 38.6 | 52.2 | (13.6) |
| Gas Adjusted Gross Margin | 22.9 | 23.3 | (0.4) | 65.3 | 66.8 | (1.5) |
| Electric Revenues | 50.2 | 51.8 | (1.6) | 110.4 | 116.6 | (6.2) |
| Cost of Electric Sales | 27.8 | 29.4 | (1.6) | 64.9 | 71.1 | (6.2) |
| Electric Adjusted Gross Margin | 22.4 | 22.4 | --- | 45.5 | 45.5 | --- |
| Other Revenues | --- | --- | --- | --- | 0.9 | (0.9) |
| Total Adjusted Gross Margin: | 45.3 | 45.7 | (0.4) | 110.8 | 113.2 | (2.4) |
| Operation & Maintenance Expenses | 14.6 | 15.9 | (1.3) | 32.5 | 34.4 | (1.9) |
| Depreciation & Amortization | 13.5 | 12.4 | 1.1 | 27.0 | 26.2 | 0.8 |
| Taxes Other Than Income Taxes | 6.1 | 5.1 | 1.0 | 12.6 | 11.5 | 1.1 |
| Other Expense (Income), Net | 1.4 | 1.3 | 0.1 | 2.9 | (10.8) | 13.7 |
| Interest Expense, Net | 5.9 | 5.9 | --- | 12.1 | 12.1 | --- |
| Income Before Income Taxes | 3.8 | 5.1 | (1.3) | 23.7 | 39.8 | (16.1) |
| Provision for Income Taxes | 0.7 | 1.1 | (0.4) | 5.4 | 9.3 | (3.9) |
| Net Income | \$ 3.1 | \$ 4.0 | \$ (0.9) | \$ 18.3 | \$ 30.5 | \$ (12.2) |
| Earnings Per Share | \$ 0.21 | \$ 0.27 | \$ (0.06) | \$ 1.23 | \$ 2.05 | \$ (0.82) |

Supplemental Information

The Company analyzes operating results using Gas and Electric Adjusted Gross Margins, which are non-GAAP measures. Gas Adjusted Gross Margin is calculated as Total Gas Operating Revenue less Cost of Gas Sales. Electric Adjusted Gross Margin is calculated as Total Electric Operating Revenues less Cost of Electric Sales. The Company's management believes Gas and Electric Adjusted Gross Margins provide useful information to investors regarding profitability. Also the Company's management believes Gas and Electric Adjusted Gross Margins are important measures to analyze revenue from the Company's ongoing operations because the approved cost of gas and electric sales are tracked, reconciled and passed through directly to customers in gas and electric tariff rates; resulting in an equal and offsetting amount reflected in Total Gas and Electric Operating Revenue.

In the tables below; the Company has reconciled Gas and Electric Adjusted Gross Margin to GAAP Gross Margin, which we believe to be the most comparable GAAP measure. GAAP Gross Margin is calculated as: Revenue less Cost of Sales and Depreciation and Amortization. The Company calculates Gas and Electric Adjusted Gross Margin as: Revenue less Cost of Sales. The Company believes excluding Depreciation and Amortization, which are period costs and not related to volumetric sales revenue, is a meaningful measure to inform investors of the Company's profitability from gas and electric sales in the period.

Three Months Ended June 30, 2020 (\$ millions)

| | Non-Regulated | | | Total |
|-------------------------------------|---------------|-------------|--------------|-------------|
| | Gas | Electric | and Other | |
| Total Operating Revenue | \$ 33.7 | \$ 50.2 | \$ --- | \$ 83.9 |
| Less: Cost of Sales | (10.8) | (27.8) | --- | (38.6) |
| Less: Depreciation and Amortization | (7.4) | (5.9) | (0.2) | (13.5) |
| GAAP Gross Margin | 15.5 | 16.5 | (0.2) | 31.8 |

| | | | | |
|-------------------------------|---------|---------|--------|------|
| Depreciation and Amortization | 7.4 | 5.9 | 0.2 | 13.5 |
| Adjusted Gross Margin | \$ 22.9 | \$ 22.4 | --- \$ | 45.3 |

Three Months Ended June 30, 2019 (\$ millions)

| | Gas | Electric | Non-Regulated and Other | Total |
|-------------------------------------|---------|----------|----------------------------|--------|
| Total Operating Revenue | \$ 32.6 | \$ 51.8 | --- \$ | 84.4 |
| Less: Cost of Sales | (9.3) | (29.4) | --- | (38.7) |
| Less: Depreciation and Amortization | (6.9) | (5.3) | (0.2) | (12.4) |
| GAAP Gross Margin | 16.4 | 17.1 | (0.2) | 33.3 |
| Depreciation and Amortization | 6.9 | 5.3 | 0.2 | 12.4 |
| Adjusted Gross Margin | \$ 23.3 | \$ 22.4 | --- \$ | 45.7 |

Six Months Ended June 30, 2020 (\$ millions)

| | Gas | Electric | Non-Regulated and Other | Total |
|-------------------------------------|----------|----------|----------------------------|---------|
| Total Operating Revenue | \$ 103.9 | \$ 110.4 | --- \$ | 214.3 |
| Less: Cost of Sales | (38.6) | (64.9) | --- | (103.5) |
| Less: Depreciation and Amortization | (14.8) | (11.8) | (0.4) | (27.0) |
| GAAP Gross Margin | 50.5 | 33.7 | (0.4) | 83.8 |
| Depreciation and Amortization | 14.8 | 11.8 | 0.4 | 27.0 |
| Adjusted Gross Margin | \$ 65.3 | \$ 45.5 | --- \$ | 110.8 |

Six Months Ended June 30, 2019 (\$ millions)

| | Gas | Electric | Non-Regulated and Other | Total |
|-------------------------------------|----------|----------|----------------------------|---------|
| Total Operating Revenue | \$ 119.0 | \$ 116.6 | 0.9 \$ | 236.5 |
| Less: Cost of Sales | (52.2) | (71.1) | --- | (123.3) |
| Less: Depreciation and Amortization | (14.3) | (11.4) | (0.5) | (26.2) |
| GAAP Gross Margin | 52.5 | 34.1 | 0.4 | 87.0 |
| Depreciation and Amortization | 14.3 | 11.4 | 0.5 | 26.2 |
| Adjusted Gross Margin | \$ 66.8 | \$ 45.5 | 0.9 \$ | 113.2 |

Gas GAAP Gross Margin was \$15.5 million and \$50.5 million in the three and six months ended June 30, 2020, respectively, decreases of \$0.9 million and \$2.0 million compared to the same periods in 2019. The decrease in the three month period was driven by lower therm sales of \$0.8 million attributed to the economic slowdown associated with the COVID-19 pandemic and \$0.2 million from warm weather in the second quarter and higher depreciation and amortization of \$0.5 million, partially offset by customer growth and higher rates of \$0.6 million. The decrease in the six month period was driven by lower margin of \$2.7 million principally due to warmer winter weather in the first quarter of 2020, partially offset by customer growth, and lower margin of \$0.8 million from lower sales attributed to the economic slowdown caused by the COVID-19 pandemic, and higher depreciation and amortization of \$0.5 million. These decreases were partially offset by higher rates of \$2.0 million.

Electric GAAP Gross Margin was \$16.5 million and \$33.7 million in the three and six months ended June 30, 2020, respectively, decreases of \$0.6 million and \$0.4 million compared to the same periods in 2019. Electric GAAP Gross Margin in the second quarter of 2020 reflects higher margin of \$0.2 million from warmer early summer weather and customer growth, \$0.2 million from higher rates and higher margin of \$0.2 million from increased residential sales due to COVID-19 pandemic stay-at-home orders, offset by lower margin of \$0.6 million from lower C&I sales attributed to the economic slowdown caused by the COVID-19 pandemic and higher depreciation and amortization of \$0.6 million. Electric GAAP Gross Margin in the

first half of 2020 was positively affected by higher rates of \$0.8 million and higher margin of \$0.2 million from increased residential sales due to COVID-19 pandemic stay-at-home orders, offset by lower margin of \$0.6 million from lower C&I sales attributed to the economic slowdown caused by the COVID-19 pandemic, higher depreciation and amortization of \$0.4 million and lower margin of \$0.4 million from warmer winter weather and lower average usage, partially offset by warmer early summer weather and customer growth.



Source: UNITIL Corporation