



Investor Presentation

May 2018

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Forward-Looking Statements

The statements in this presentation by RGC Resources, Inc. (the "company") that are not historical facts constitute "forward-looking statements" made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These statements include the company's expectations regarding earnings per share, EBITDA, future expansion opportunities, natural gas reserves and potential discoverable natural gas reserves, technological advances in natural gas production, comparison of natural gas consumption and natural gas production, cost of natural gas, including relativity to other fuel sources, demand for natural gas, possibility of system expansion, general potential for customer growth, relationship of company with primary regulator, future capital expenditures, current and future economic growth, estimated completion dates for Mountain Valley Pipeline ("MVP") milestones, potential of MVP to provide an additional source of natural gas, additional capacity to meet future demands, increased capital spending and area expansion opportunity and, potential new customers and rate growth in potential expansion area. Management cautions the reader that these forward-looking statements are only predictions and are subject to a number of both known and unknown risks and uncertainties, and actual results may differ materially from those expressed or implied by these forward-looking statements as a result of a number of factors. These factors include, without limitation, financial challenges affecting expected earnings per share and EBITDA, technical, political or regulatory issues with natural gas exploration, production or transportation, impact of increased natural gas demand on natural gas price, relative cost of alternative fuel sources, lower demand for natural gas, regulatory, legal, technical, political or economic issues frustrating system or area expansion, regulatory, legal, technical, political or economic issues that may affect MVP, delay in completion of MVP, increase in cost to complete MVP, including by an increase in cost of raw materials or labor to due economic factors or regulatory issues such as tariffs, economic challenges that may affect the service area generally and customer growth or demand and deterioration of relationship with primary regulator, and those risk factors described in the company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, which is available at www.sec.gov and on the company's website at www.rgcresources.com. The statements made in this presentation are based on information available to the company as of the first day of the month set forth on the cover of this presentation and the company undertakes no obligation to update any of the forward-looking statements after the date of this presentation.

Non-GAAP Measures:

This presentation includes certain metrics that are based on TTM or estimated EBITDA, which are non-GAAP financial measures.

Agenda

- ❑ Company Overview
- ❑ Key Highlights
- ❑ Growth Strategy
- ❑ 2018 Update
- ❑ Financial Highlights
- ❑ Outlook



Organizational Structure



NASDAQ: RGCO

Regulated



Roanoke Gas

- Local Distribution Company (LDC), located in Roanoke, VA, founded in 1883
- Provided 98% of earnings in fiscal 2017

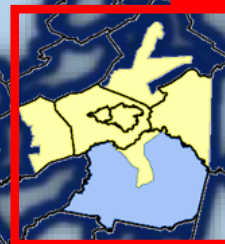
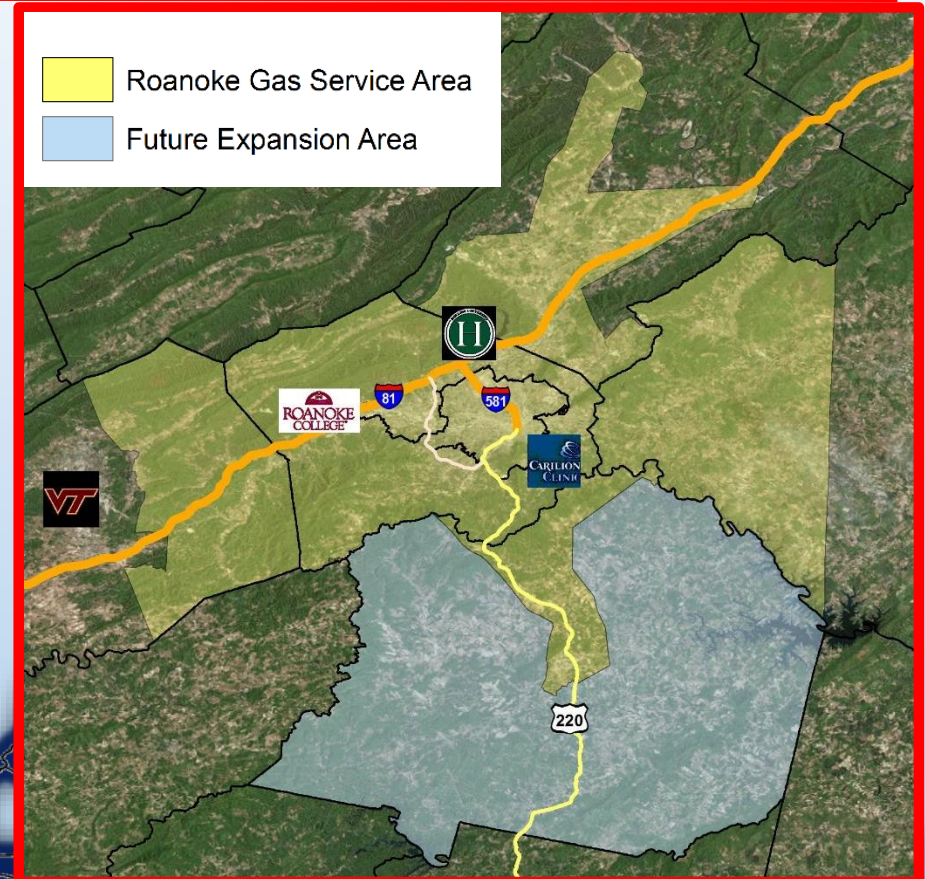
Non-Utility



- Partner in Mountain Valley Pipeline (MVP)
- Partner in proposed MVP Southgate project

Roanoke Gas Service Territory

- ❑ Serve over 60,500 natural gas customers
- ❑ Customer Count breakdown:
 - Residential 90%
 - C&I 10%
- ❑ Volume breakdown:
 - Residential 40%
 - C&I 60%



Key Highlights

Demonstrated Track Record of Delivering Shareholder Value

- ❑ Total shareholder return of 249% since 2008, compared with 118% for the S&P 500
- ❑ 74 years of consecutive dividend payments
- ❑ 14 years of consecutive dividend increases
- ❑ \$0.62 per share annual dividend, a 6.9% increase over prior year
- ❑ Successfully completed \$16 million equity offering in March 2018

Key Highlights

Infrastructure Riders



**Highly Stable
Business Model**

System Expansion



Weather Normalization



- Regulated by VA State Corporate Commission (SCC)
 - VA regulatory climate ranked among best states for business¹
- 9.75% authorized ROE (*Upper range 10.1%*)
- Attractive cost of recovery mechanisms
 - SAVE infrastructure replacement rider approved through 2021
- \$21 million availability on Prudential shelf agreement
- \$34 million availability on registered equity shelf filing for issuance of common stock

Growth Strategy

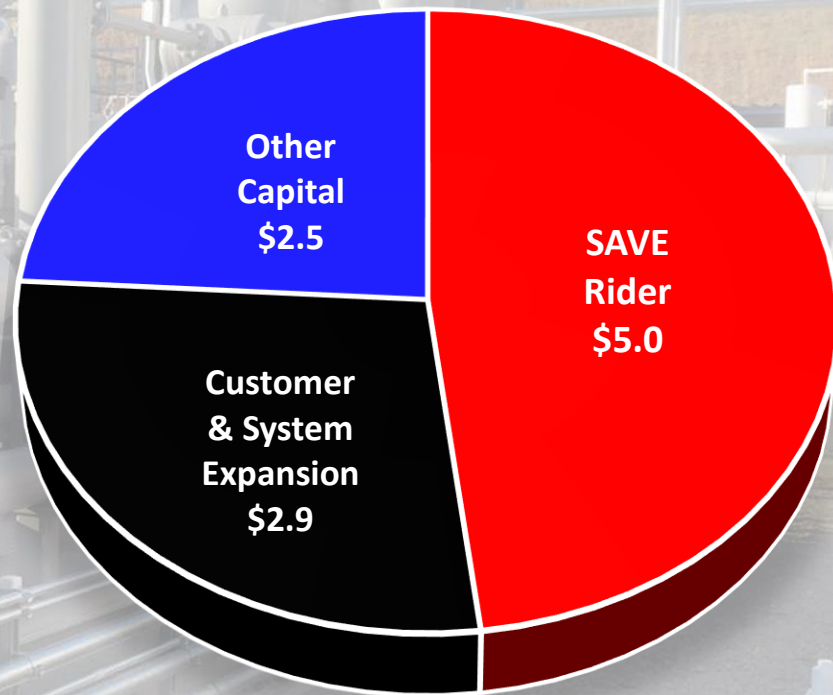
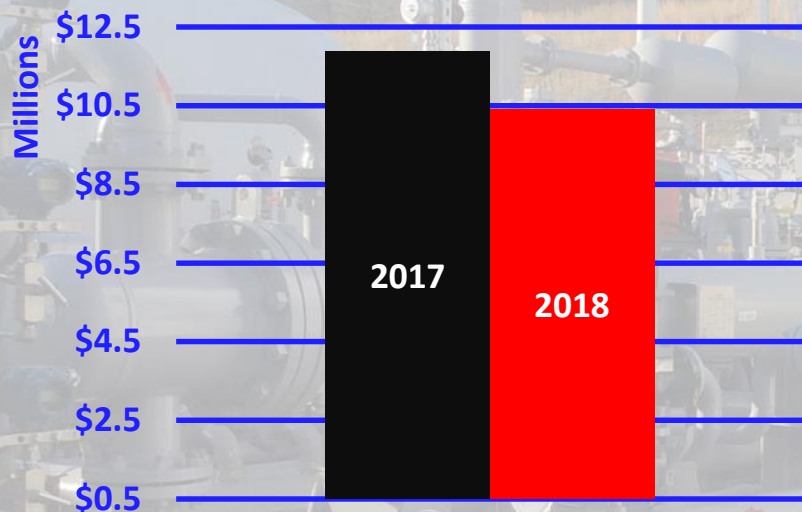
- ❑ Regulated Utility Investment
 - CapEx

- ❑ Ongoing Regulated Utility Growth
 - Volumes Delivered
 - Customer Growth

- ❑ Non-Utility Investments
 - MVP

Regulated Utility Investment: CapEx

Fiscal YTD at March 31:

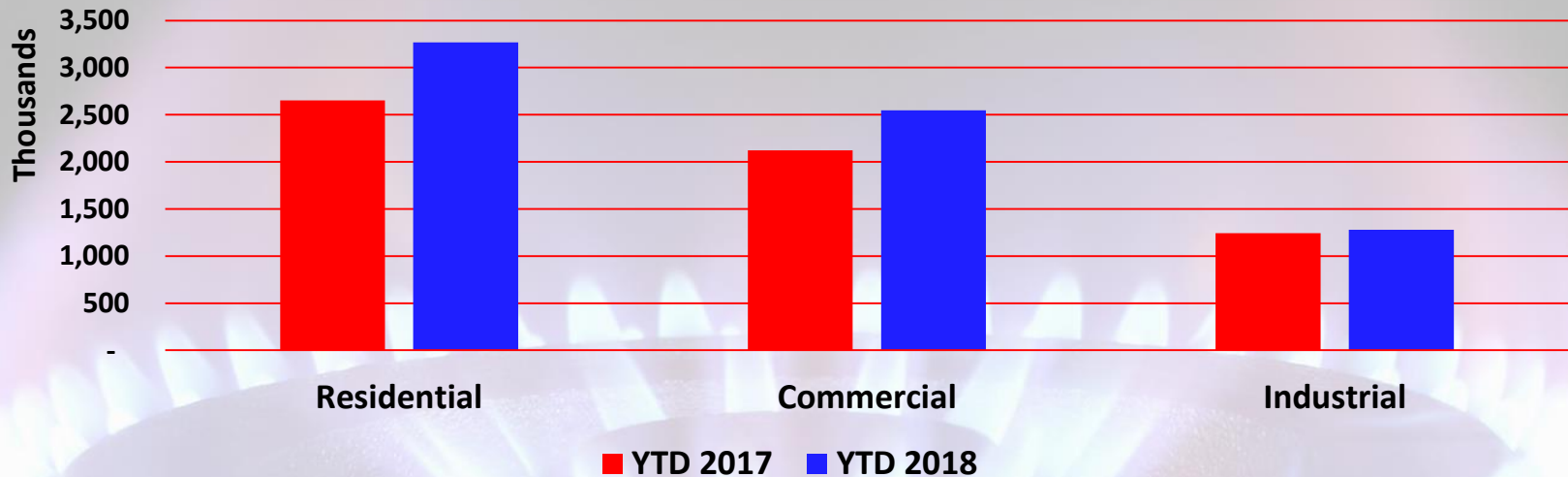


\$1.5 million, or 13% decrease in capital spending

Regulated Utility Growth: Volumes

Volumes Delivered (DTH)

Fiscal YTD at March 31:



2018 vs 2017

Commercial	20%
Industrial	3%
Top 10 Customers	9%



Regulated Utility Growth: Customers

Average Customers

(twelve-months ended March 31)



- Consistent customer growth year over year since 2015
- 155 new customers in the second fiscal quarter
- 360 total new customers in the six months ended March 31, 2018

Regulated Utility Growth: Customers



Ballast Point's industrial-scale brewery for its East Coast operations is up and brewing in Roanoke, VA

The Roanoke Times – 8.9.17



General Shale recently converted operations from 66% coal to 100% natural gas



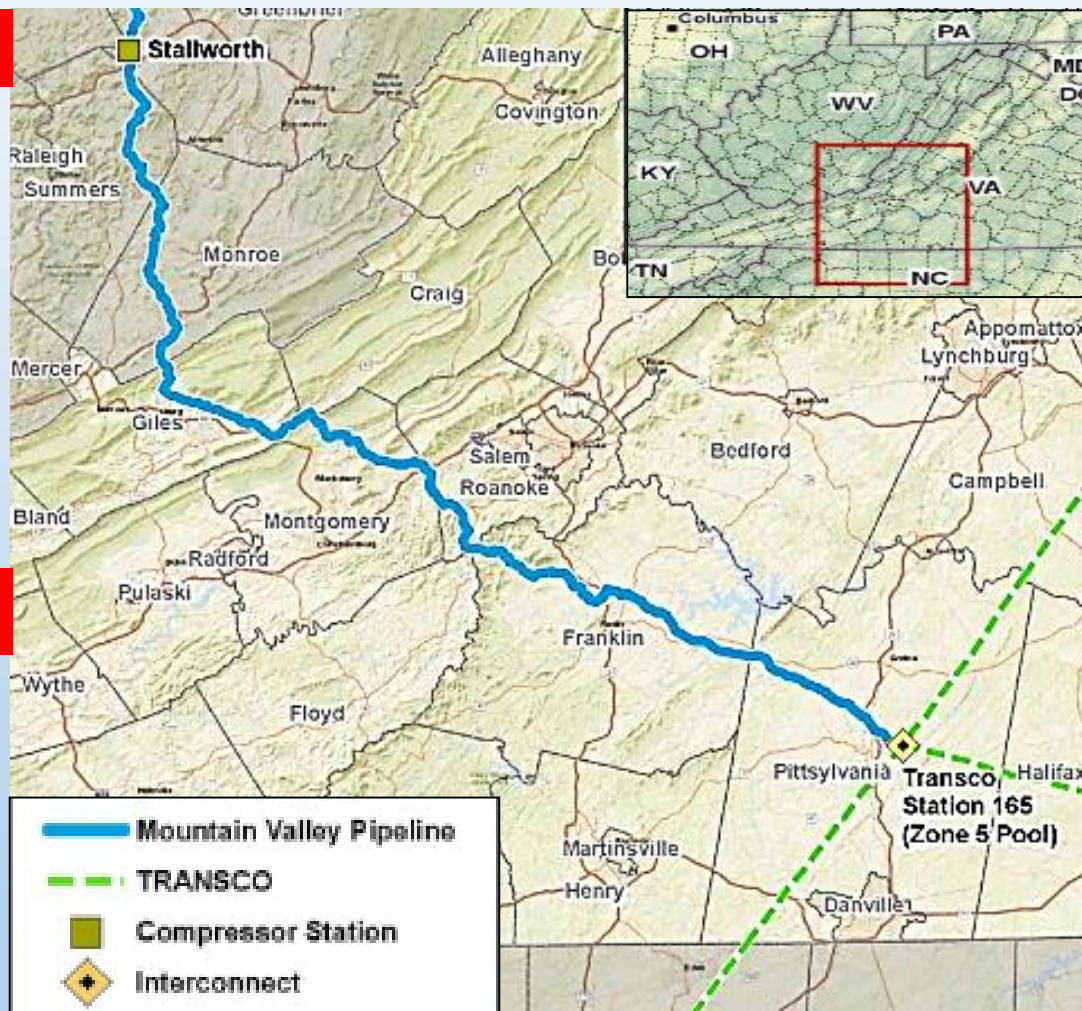
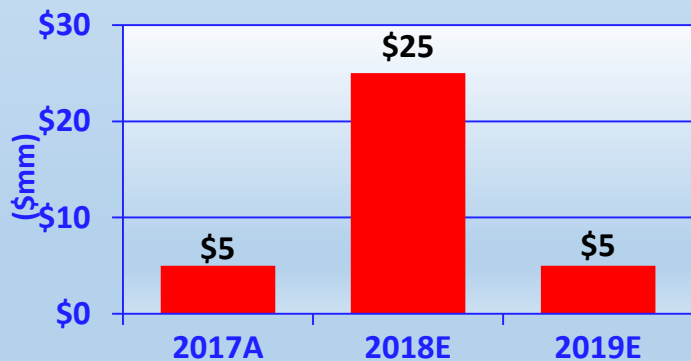
Steel Dynamics to invest \$28 million at the Roanoke Bar Division

The Roanoke Times – 2.2.17

Update

- RGC Midstream investment \$35 million
- FERC approved and construction in progress
- Targeted in-service date end of calendar year 2018
- Estimated \$4.4 million annual EBITDA contribution

RGC Midstream CapEx



Financial Highlights

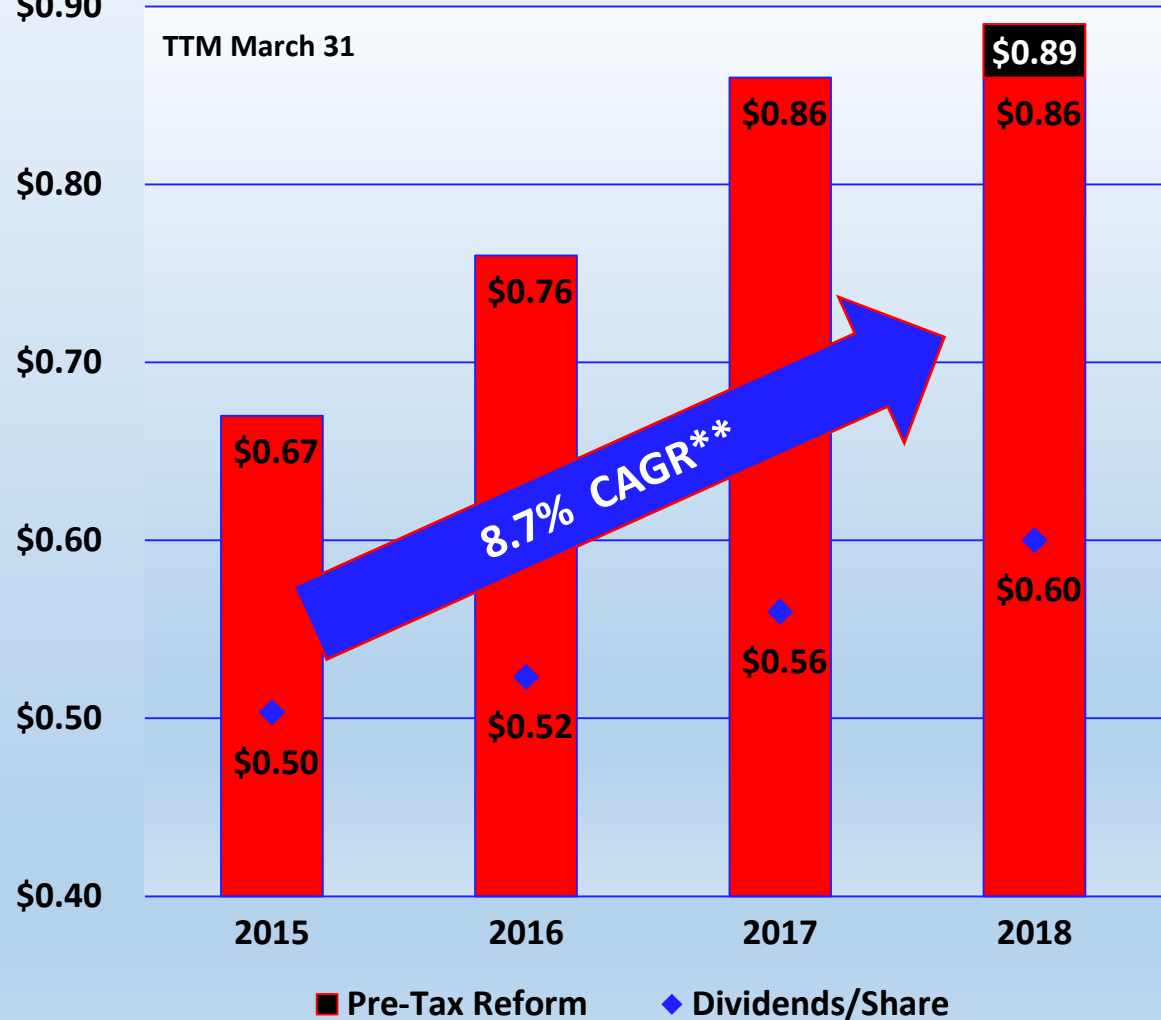
Earnings Per Share: \$0.90

Six-months ended
March 31:

	<u>2018</u>	<u>2017</u>
Basic:	\$0.76	\$0.76
Diluted:	\$0.75	\$0.76

Pre-Tax Reform:

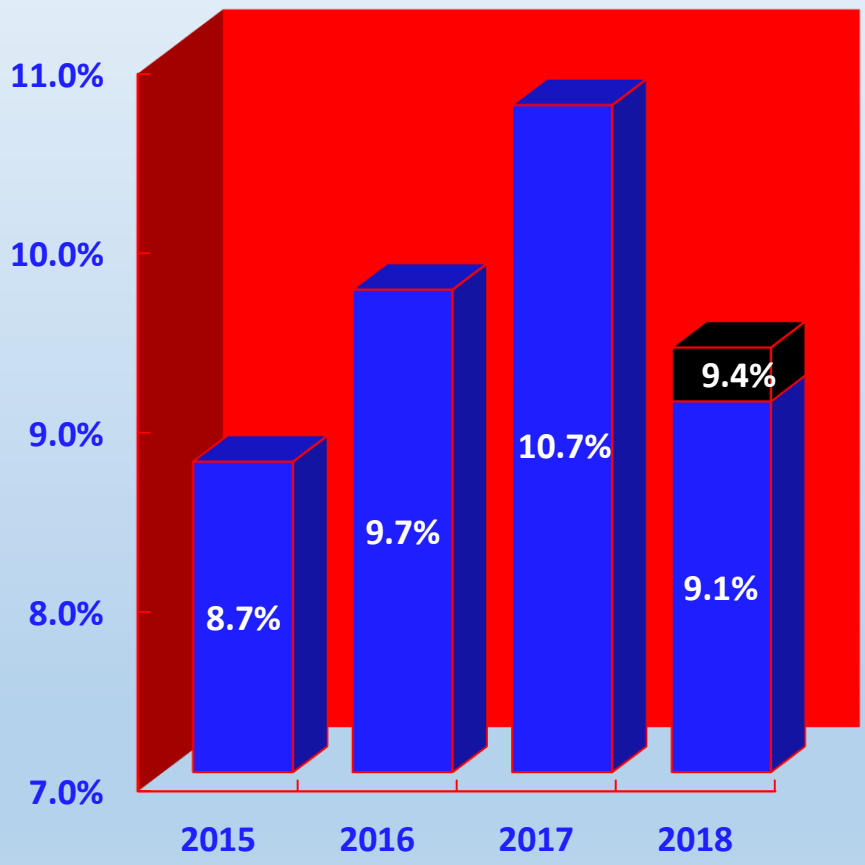
EPS: \$0.78



** CAGR calculated using actual diluted EPS of \$0.86

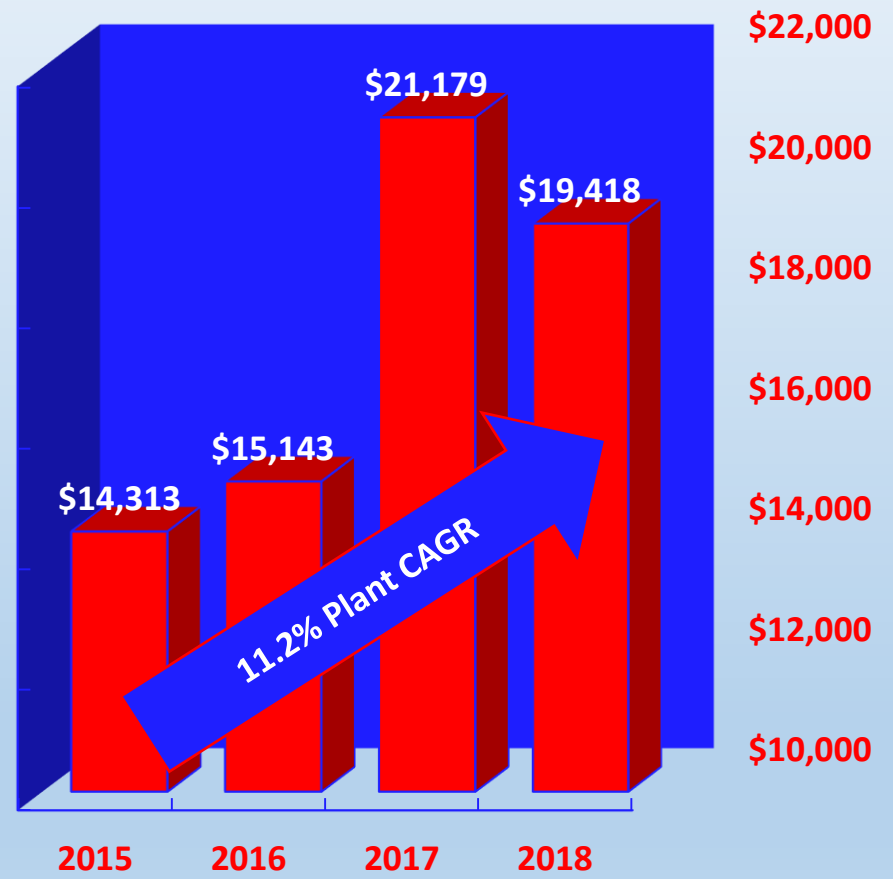
Financial Highlights (continued)

ROE



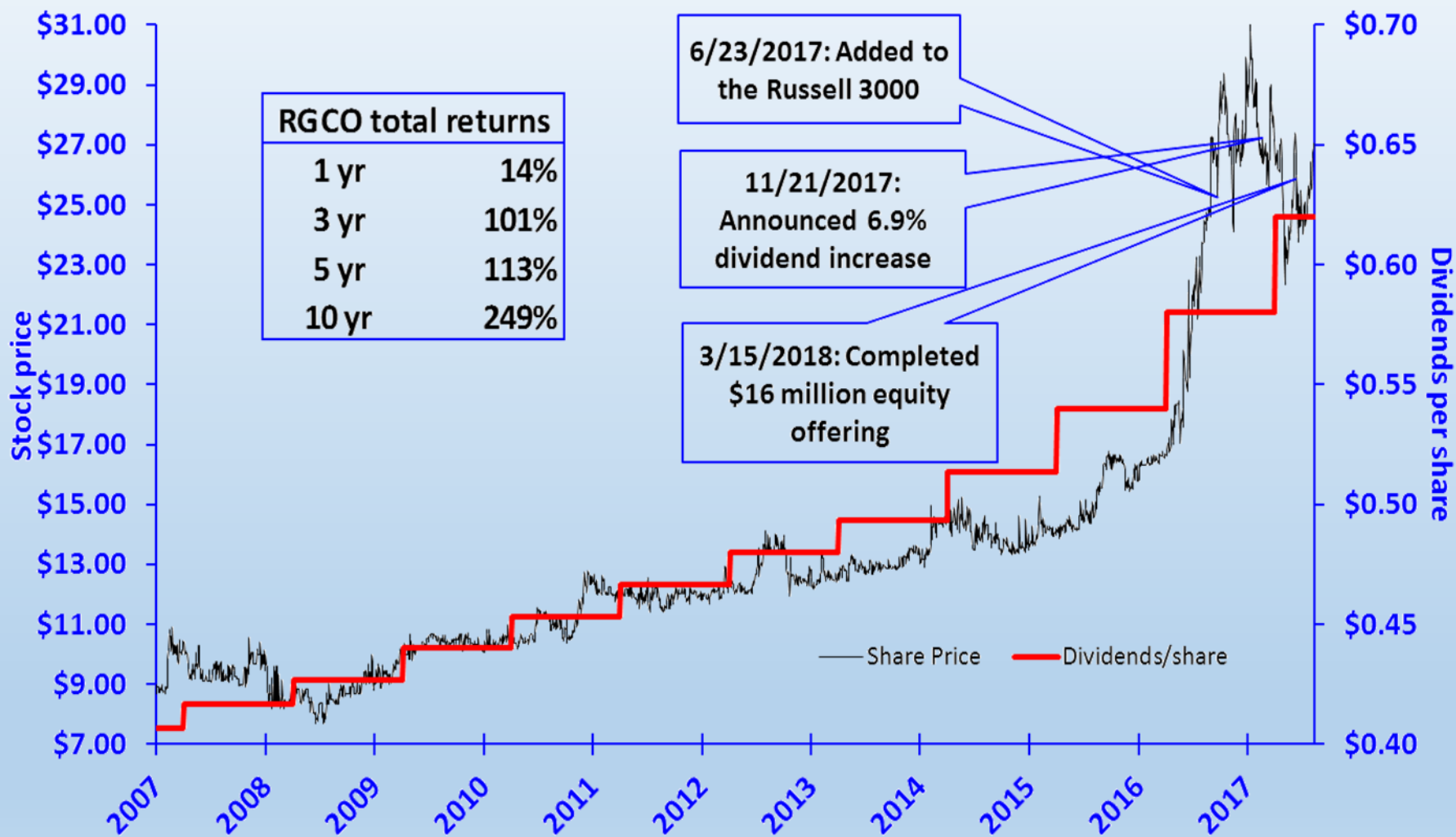
■ Pre-Tax Reform

CapEx (\$000's)



■ CapEx (TTM)

Financial Highlights (concluded)



Outlook

- ❑ Rate Case Strategy
- ❑ Economic Development and System Expansion
- ❑ CapEx Forecast
- ❑ EPS

Outlook: Rate Case Strategy

- ❑ Last rate case 2013

- ❑ File September 2018

- ❑ Primary drivers:
 - Incorporate tax reform
 - Recover non-SAVE CapEx investments
 - Embed SAVE surcharges into base rates

Outlook: Economic Development



Eldor plans to hire 350 workers within the next five years to work in a 250,000-square-foot, high-tech factory that it is spending \$75 million to build. Longer-term plans call for another 300 jobs by 2024. The Roanoke Times – 10.04.17



AEP Transmission will invest \$12.7 million to relocate to and expand in downtown Roanoke
The Roanoke Times – 11.14.17

Humm Kombucha will build a \$10 million production and packaging facility in Roanoke
The Roanoke Times – 10.31.17



Altec Industries announces \$30 million expansion to increase its existing plant by 65,000 square feet
The Roanoke Times – 10.24.17

VA Medical Center contracted with ConEd Solutions to build a Combined Heating and Power Plant (CHP), expected to be completed by January 1, 2019.
ConEd Solutions announcement



U.S. Department of Veterans Affairs



Outlook: Economic Development

VTC | Virginia Tech Carilion
Research Institute

The Virginia Tech Carilion Research Institute (VTCRI) in Roanoke expands its biomedical research facilities with the addition of a new \$90 million building, known as the Virginia Tech Carilion Biomedical Research Expansion. The project broke ground on Tuesday, Oct. 24.

The Roanoke Times – 11.03.17



A rendering of the Virginia Tech Carilion Biomedical Research Expansion.

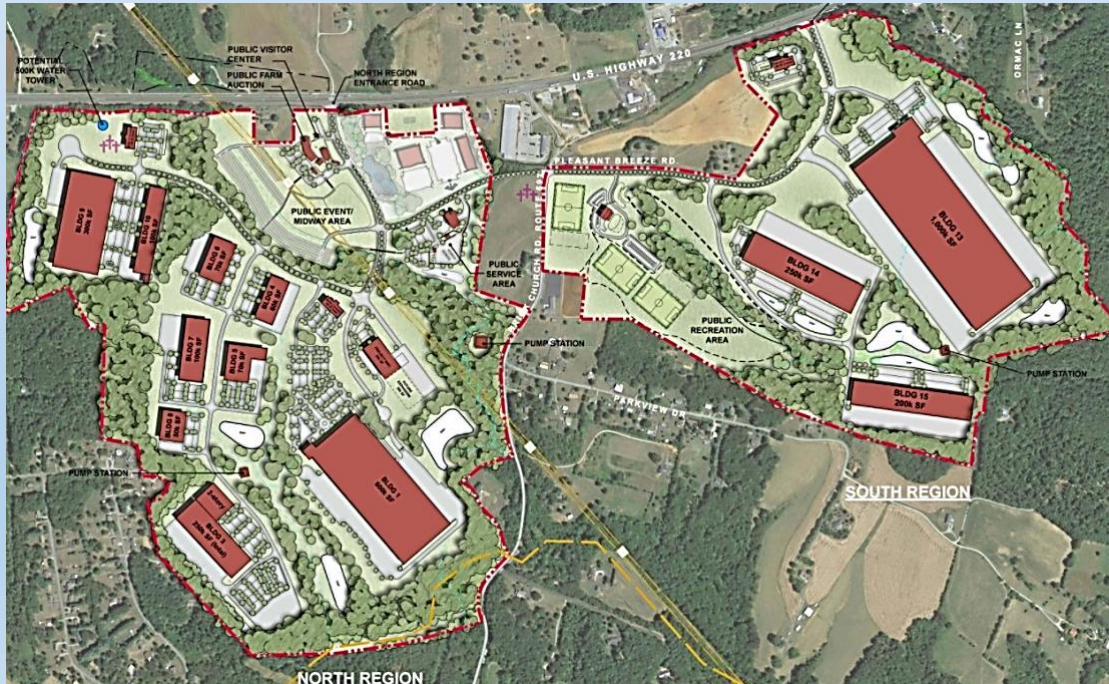
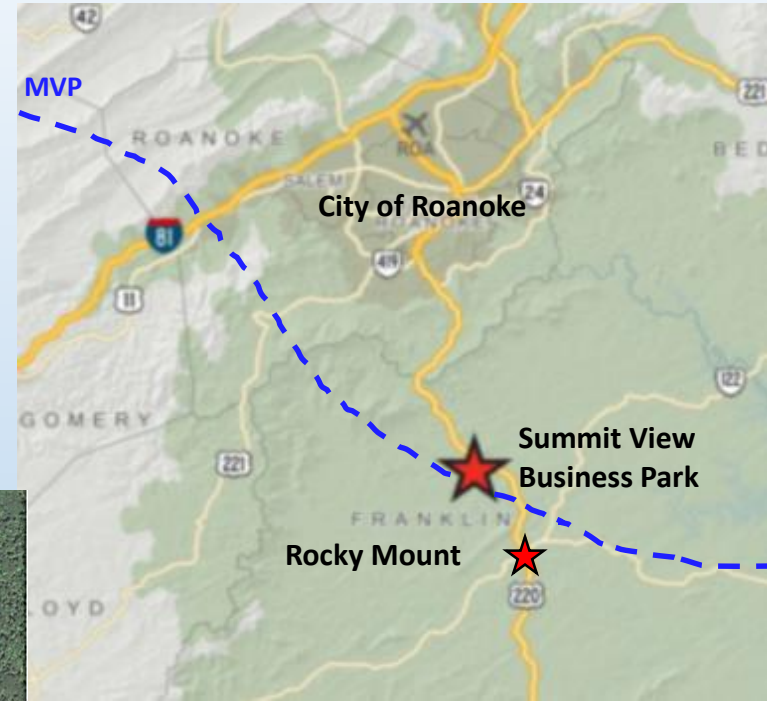
Courtesy of VT News

The Roanoke Times – 11.03.17

Outlook: System Expansion

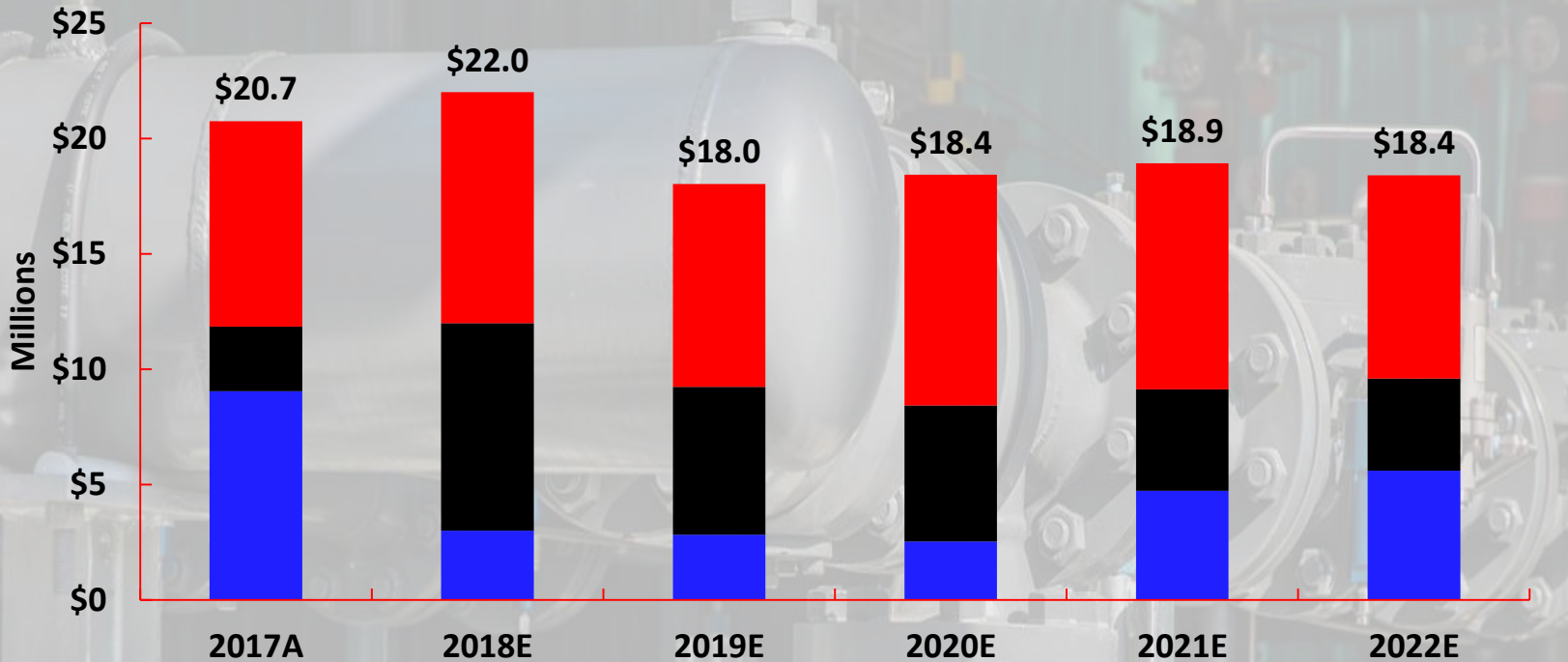
Franklin County Expansion:

- ❑ Summit View Business Park
 - 500 acre industrial along proposed MVP path
 - RGC planned interconnect and distribution system
- ❑ Potential to add 1,500 new customers
- ❑ Rate base growth of \$10 million



Estimated \$0.4 million annual EBITDA contribution from Franklin County Expansion

Outlook: CapEx



Forecast totals through 2022:

SAVE Infrastructure Replacement \$47.4

Customer Growth & System Expansion \$29.7

Utility Maintenance \$18.7

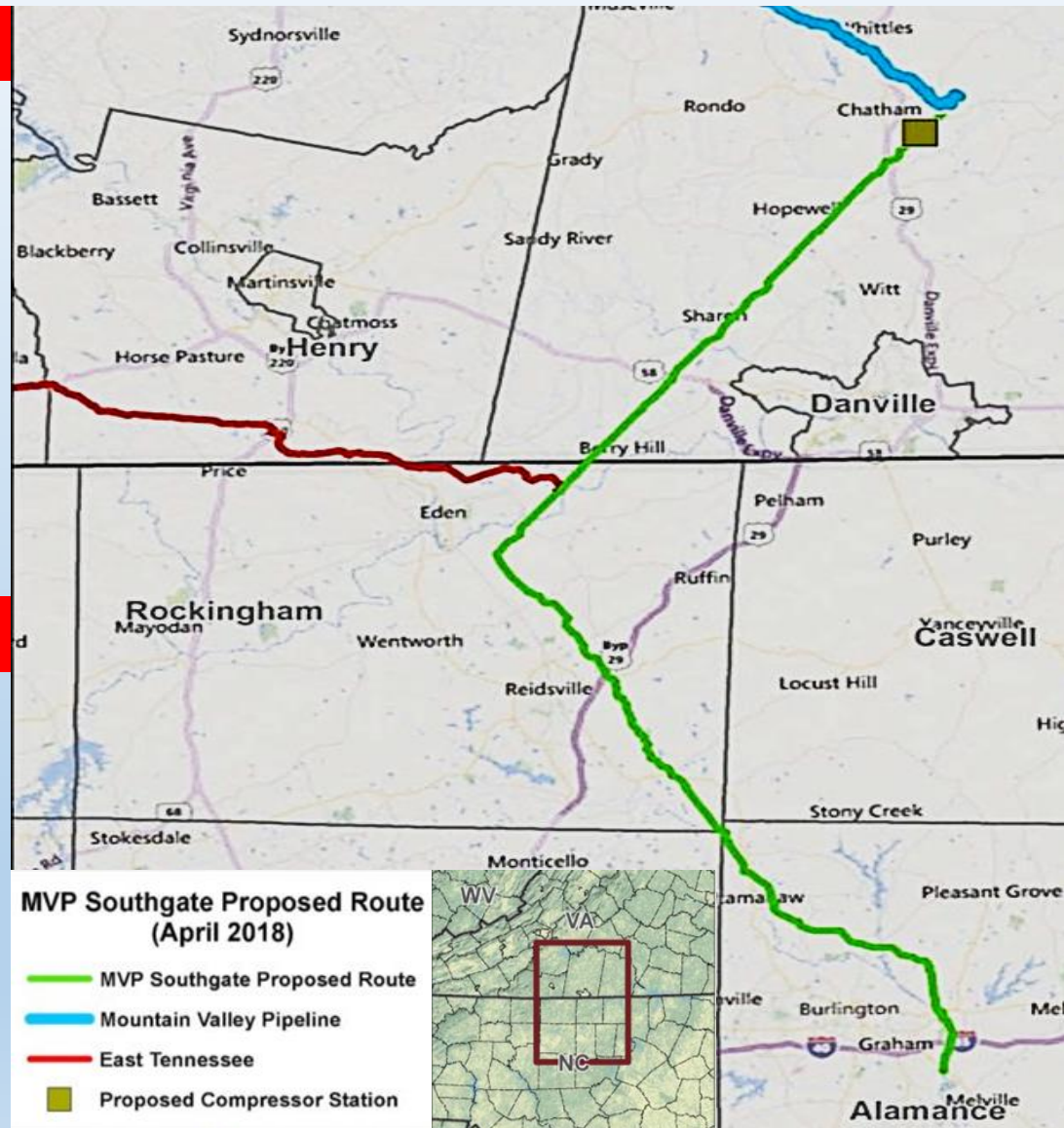
Total \$95.8

Southgate

- 70 mile natural gas pipeline system
- 20 and 16 inch steel underground pipe
- Starts at TRANSCO 165 and extends into central NC
- Anchored by firm capacity commitment from PSNC Energy
- Same project partners as MVP

Proposed Schedule

- Ongoing: Public Participation
- May 2018: FERC Pre-filing
- Calendar Q4 2018: File FERC Application
- Calendar Q1 2020: Begin Construction
- Calendar Q4 2020: In-Service Date



Outlook: EPS

2018: \$0.90 to \$0.91

2019: \$1.00 to \$1.04



Questions