

Investor Presentation

May 2019



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Forward-Looking Statements

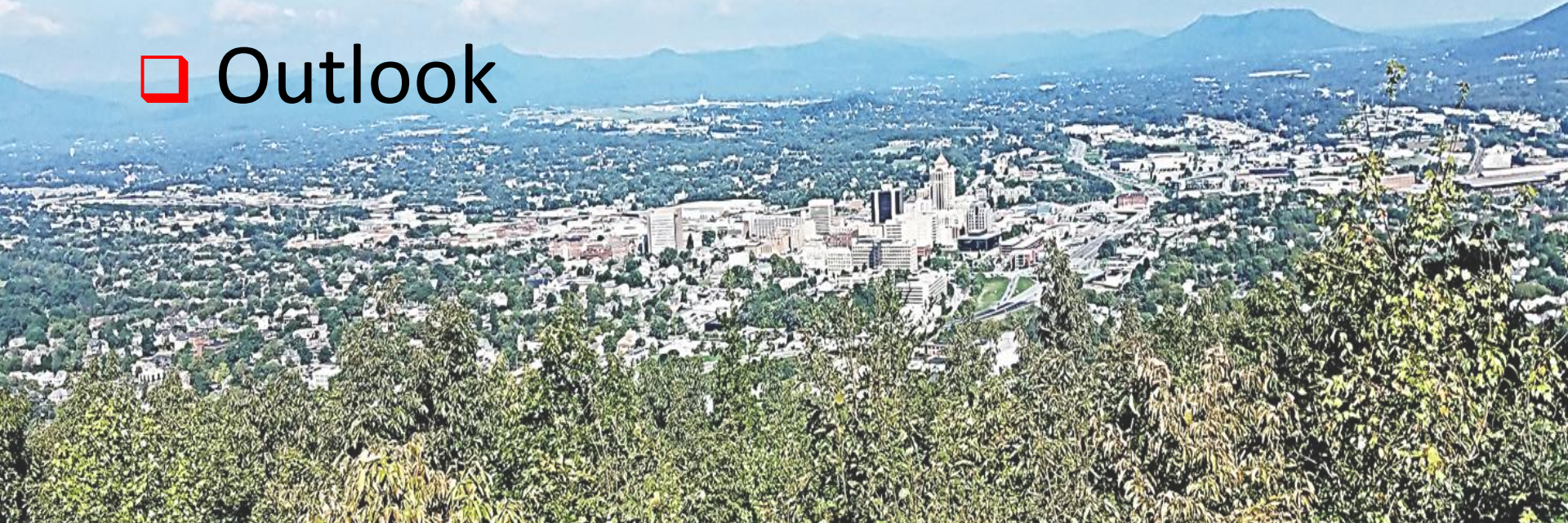
The statements in this presentation by RGC Resources, Inc. (the "company") that are not historical facts constitute "forward-looking statements" made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These statements include 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") and MVP Southgate 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
- ❑ Financial Highlights
- ❑ Growth Strategy
- ❑ Outlook



Organizational Structure



NASDAQ: RGCO
C-Corp formed 1998

Regulated



Roanoke Gas

- ☐ Local Distribution Company (LDC), located in Roanoke, VA
- ☐ Founded in 1883

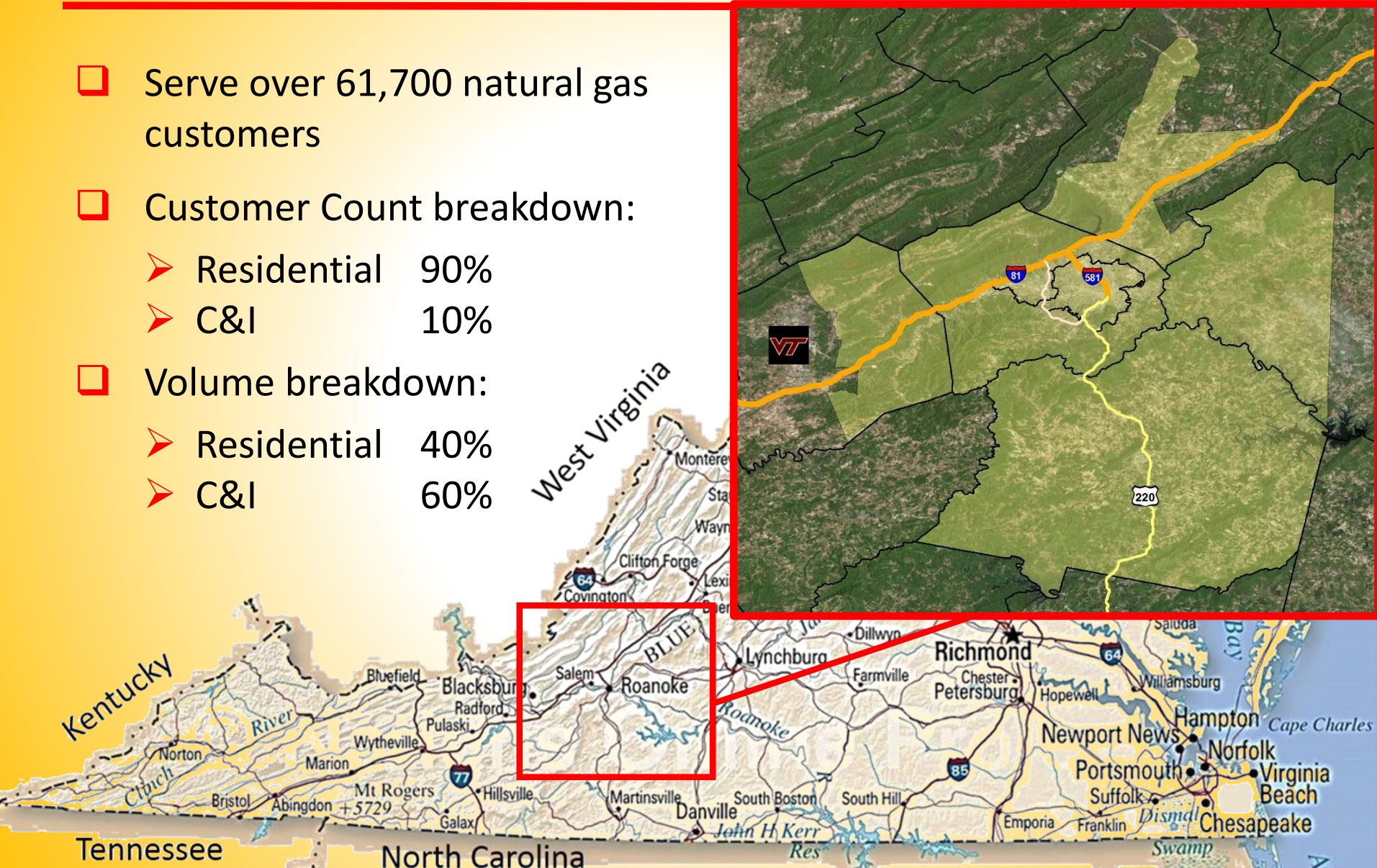
Non-Utility



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

Roanoke Gas Service Territory

- ❑ Serve over 61,700 natural gas customers
- ❑ Customer Count breakdown:
 - Residential 90%
 - C&I 10%
- ❑ Volume breakdown:
 - Residential 40%
 - C&I 60%



Note: Total customers as of March 31, 2019. Volume breakdown per most recent fiscal year end.

Roanoke Gas

**Highly Stable
Business Model**

Regulated Utility

- ❑ Regulated by VA State Corporate Commission (SCC)
 - VA regulatory climate ranked among best states for business¹
 - 9.75% authorized ROE
- ❑ Alternative Cost Recovery Mechanisms
 - Weather Normalization
 - Revenue Sharing
 - Infrastructure Riders
 - SAVE infrastructure replacement rider approved through 2021
- ❑ System Expansion

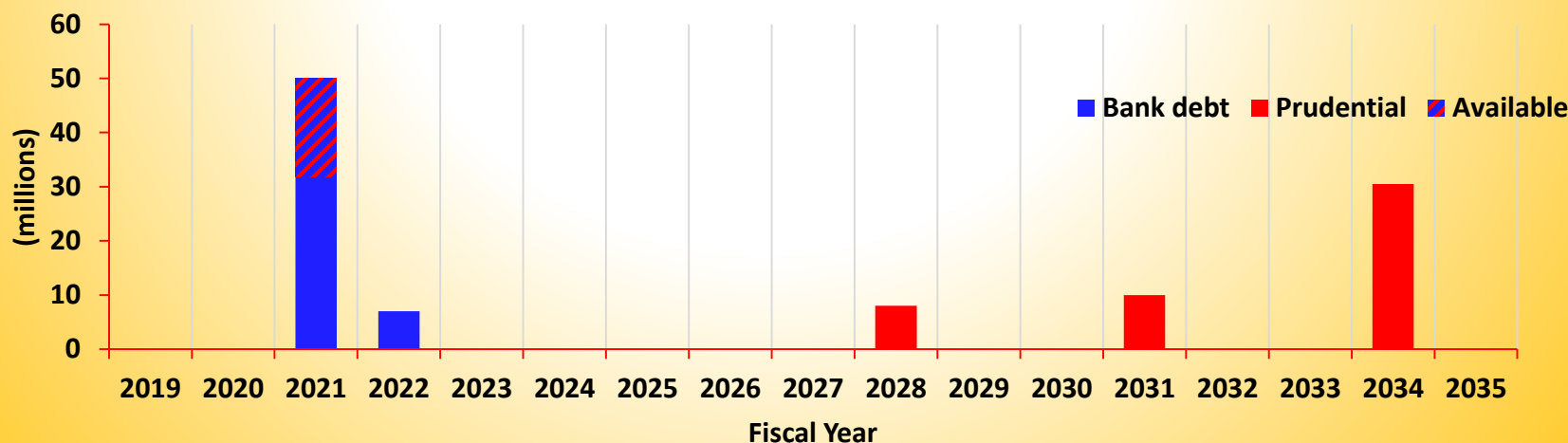
Equity and Debt Profile

Equity:

- ☐ Top 3 institutional shareholders:
 - T. Rowe Price 6.3%
 - BlackRock 4.1%
 - Vanguard 3.7%
- ☐ 5.9% insider ownership
- ☐ Market Capitalization: \$213M
- ☐ Common shares issued and outstanding: 8,043,272
- ☐ \$34 million availability on registered equity shelf

Debt:

- ☐ \$11 million availability on Prudential private placement shelf



Key Highlights

Demonstrated Track Record of Delivering Shareholder Value

- ❑ Total shareholder return:
3 year - 96%; 10 year - 261%
- ❑ 75 years of consecutive dividend payments
- ❑ 15 years of consecutive dividend increases
- ❑ 4 consecutive years of record earnings

Growth Strategy

☐ Regulated Utility Investment

- CapEx

☐ Ongoing Regulated Utility Growth

- Customer Growth

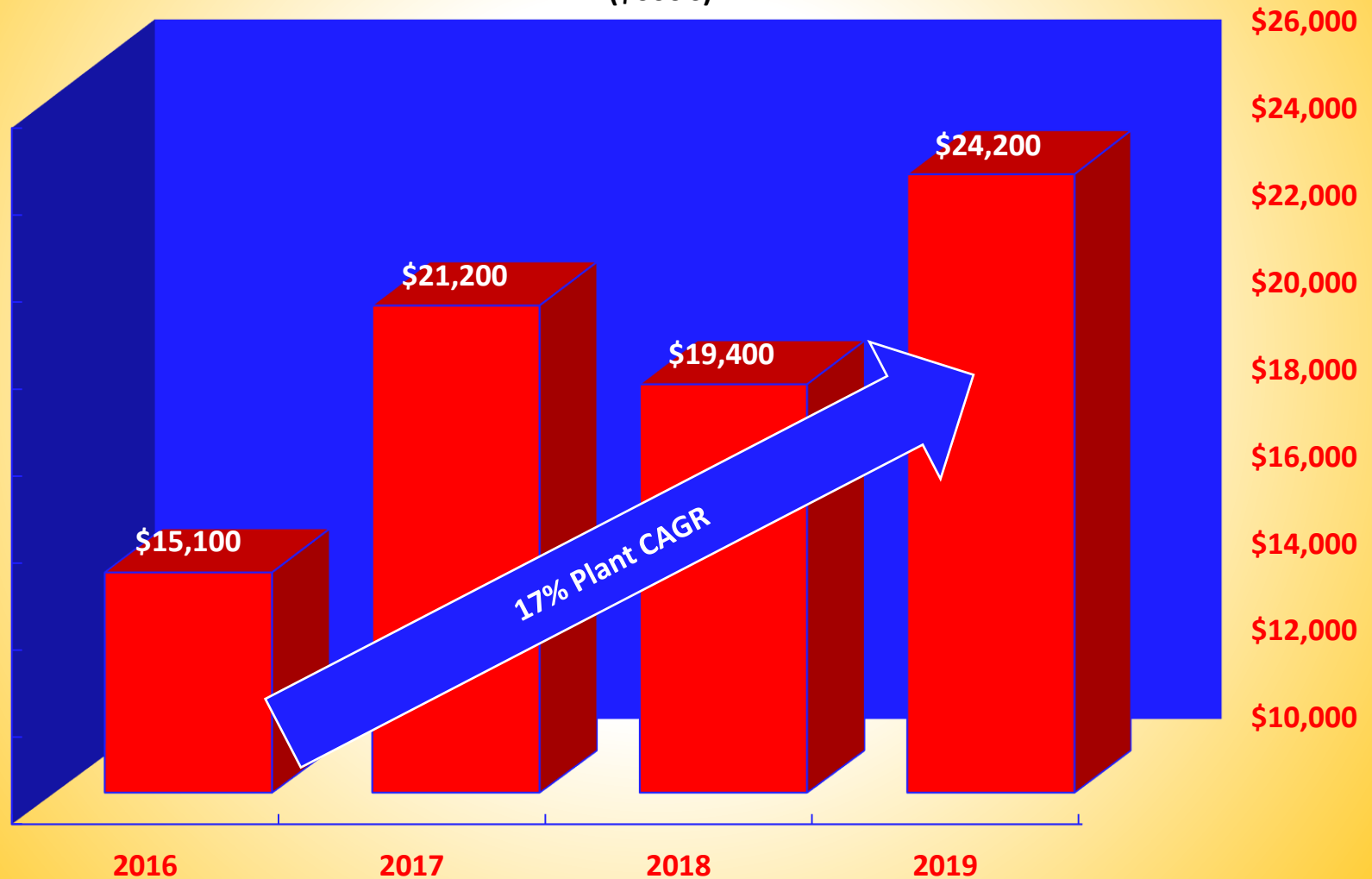
- Volumes Delivered

☐ Non-Utility Investments

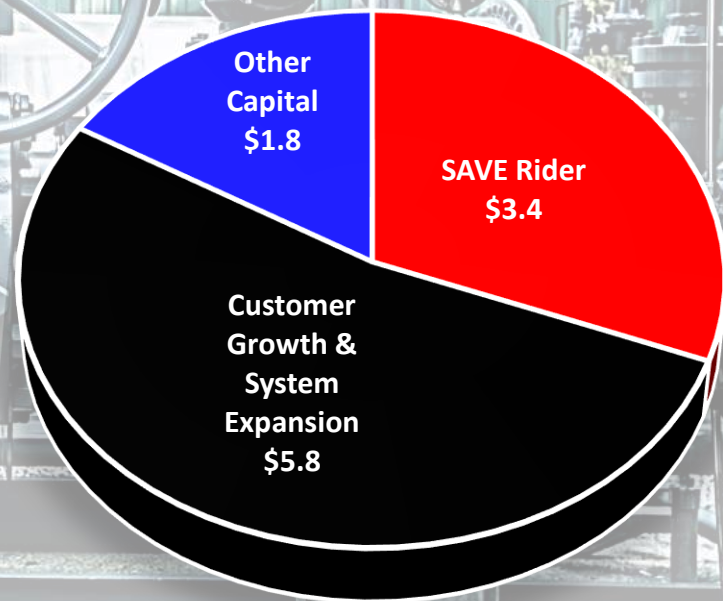
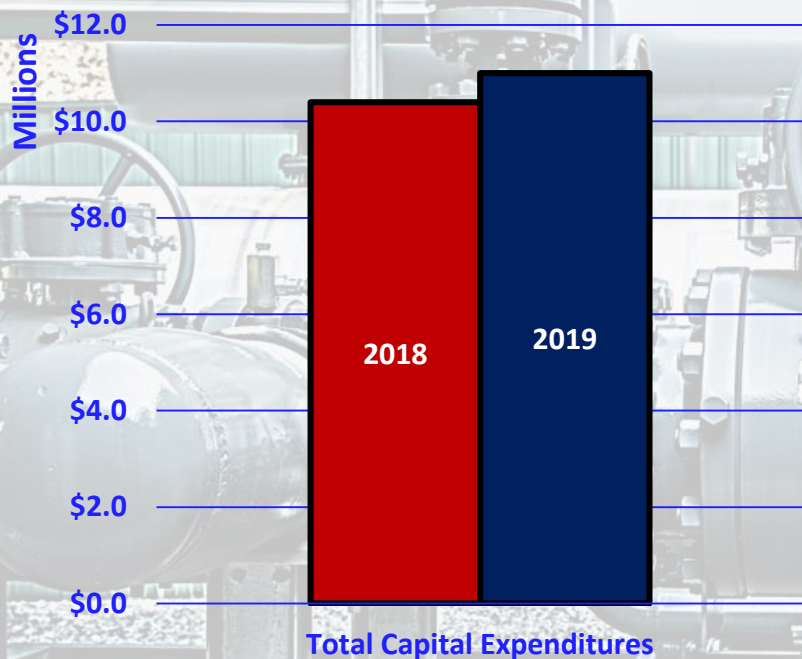
- MVP

Roanoke Gas CapEx

Twelve-Months ended March 31:
(\$000's)



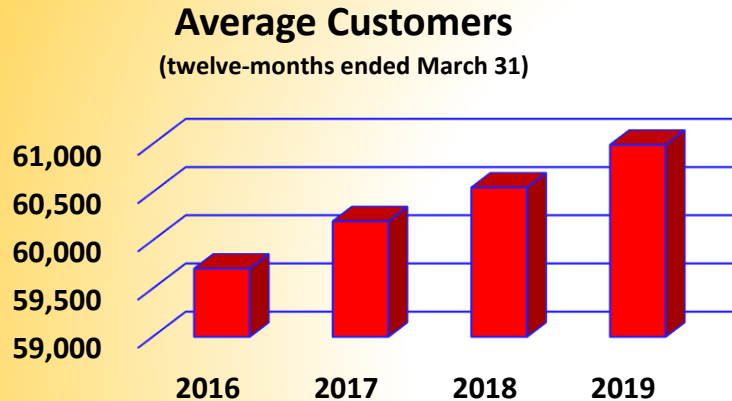
Roanoke Gas Fiscal YTD Capital Expenditures



**\$0.6 million or
6% increase**

Regulated Utility Growth: Customers

2.2% growth since 2016



New customer additions:

Fiscal 2019 YTD	392
Fiscal 2018	597
Fiscal 2017	631
Fiscal 2016	495



Roanoke Gas

Regulated Utility Growth: Economy



Eldor began production last week on its ignition systems, electronic control units and hybrid and electric vehicle systems. The company has hired about 120 people with plans to grow to 350 in the next four to five years.

The Roanoke Times – 10.04.18

Eldor in Top 45 Customers in Q2 Fiscal 2019



Altec Industries announces \$30 million expansion to increase its existing plant by 65,000 square feet

The Roanoke Times – 10.24.17

Altec moved into Top 20 Customers in Fiscal 2018



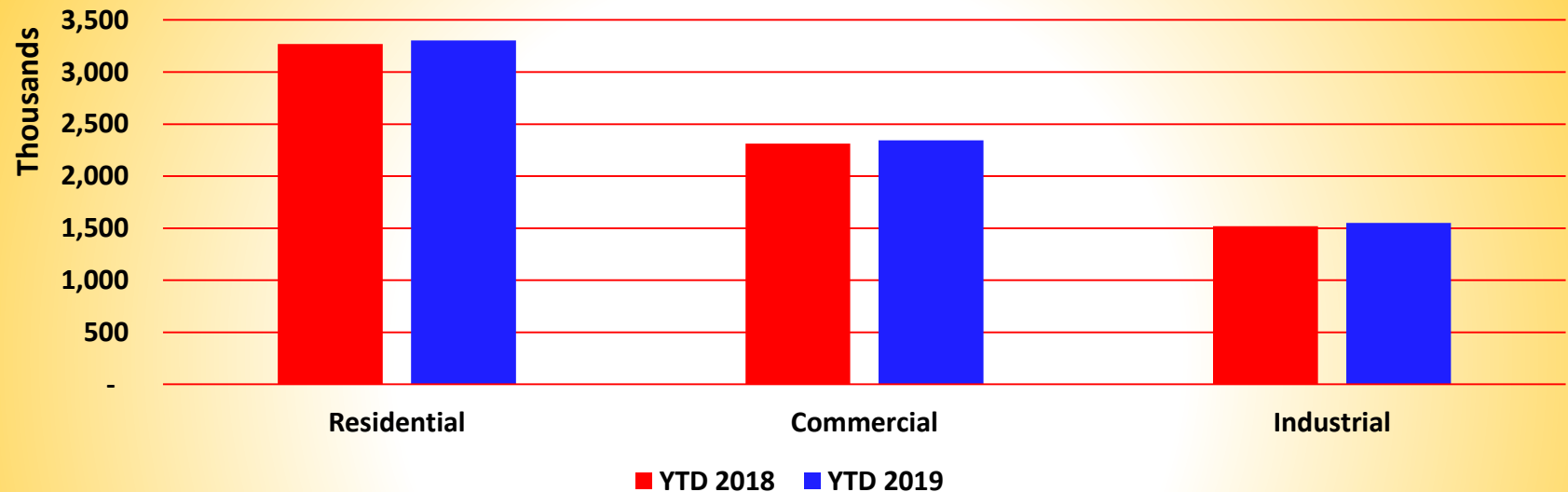
Ballast Point's industrial-scale brewery for its East Coast operations is up and brewing in Roanoke, VA

The Roanoke Times – 8.9.17

Ballast Point entered Top 30 Customers in Fiscal 2018

Fiscal YTD Volume

Volumes Sold (DTH)



2019 vs 2018

Total Volumes 1%

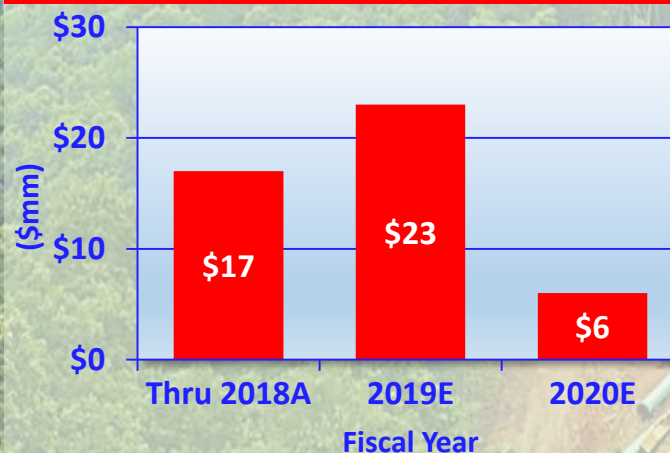
C&I 2%



Update

- ❑ Project 80% complete
- ❑ \$46 million cash investment
- ❑ Target COD December 2019

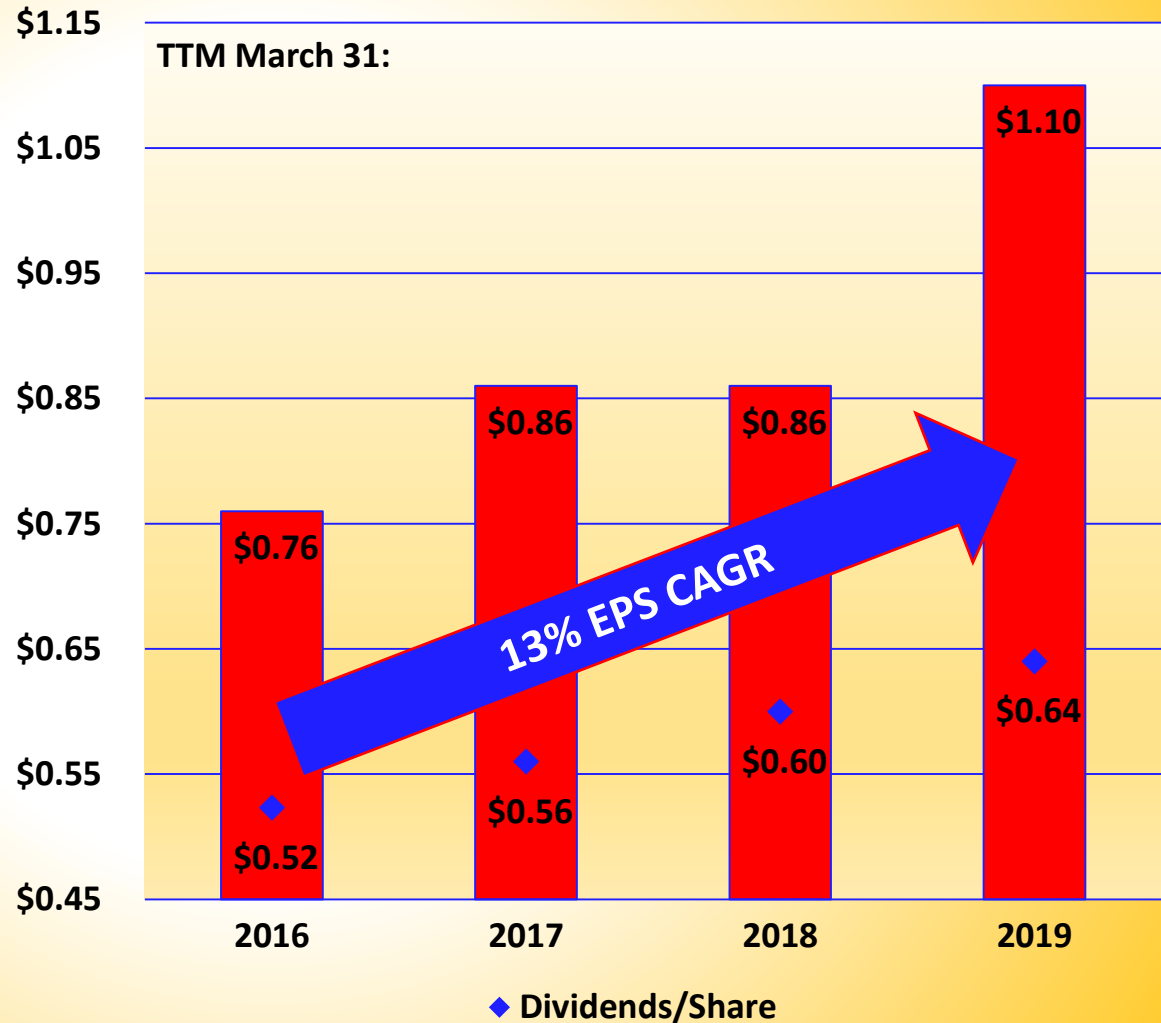
RGC Midstream CapEx



Earnings Per Share

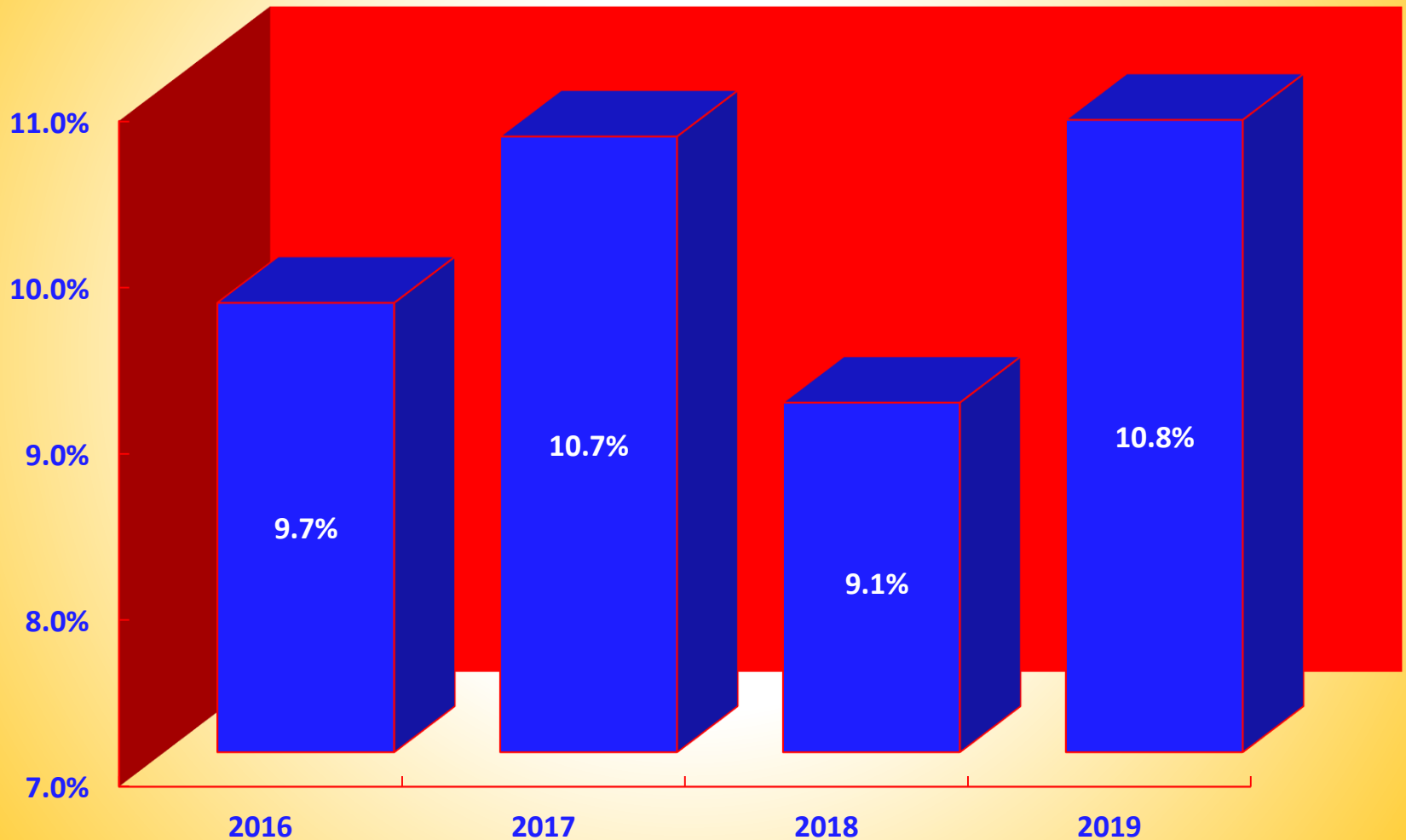
Six-months ended March 31:

	<u>2018</u>	<u>2017</u>
Basic:	\$0.58	\$0.47
Diluted:	\$0.58	\$0.47



Return on Equity

Twelve-Months ended March 31:



Outlook

- ❑ Strategic Opportunities
- ❑ CapEx Forecast
- ❑ Rate Case Update
- ❑ Economic Development and System Expansion

Southgate

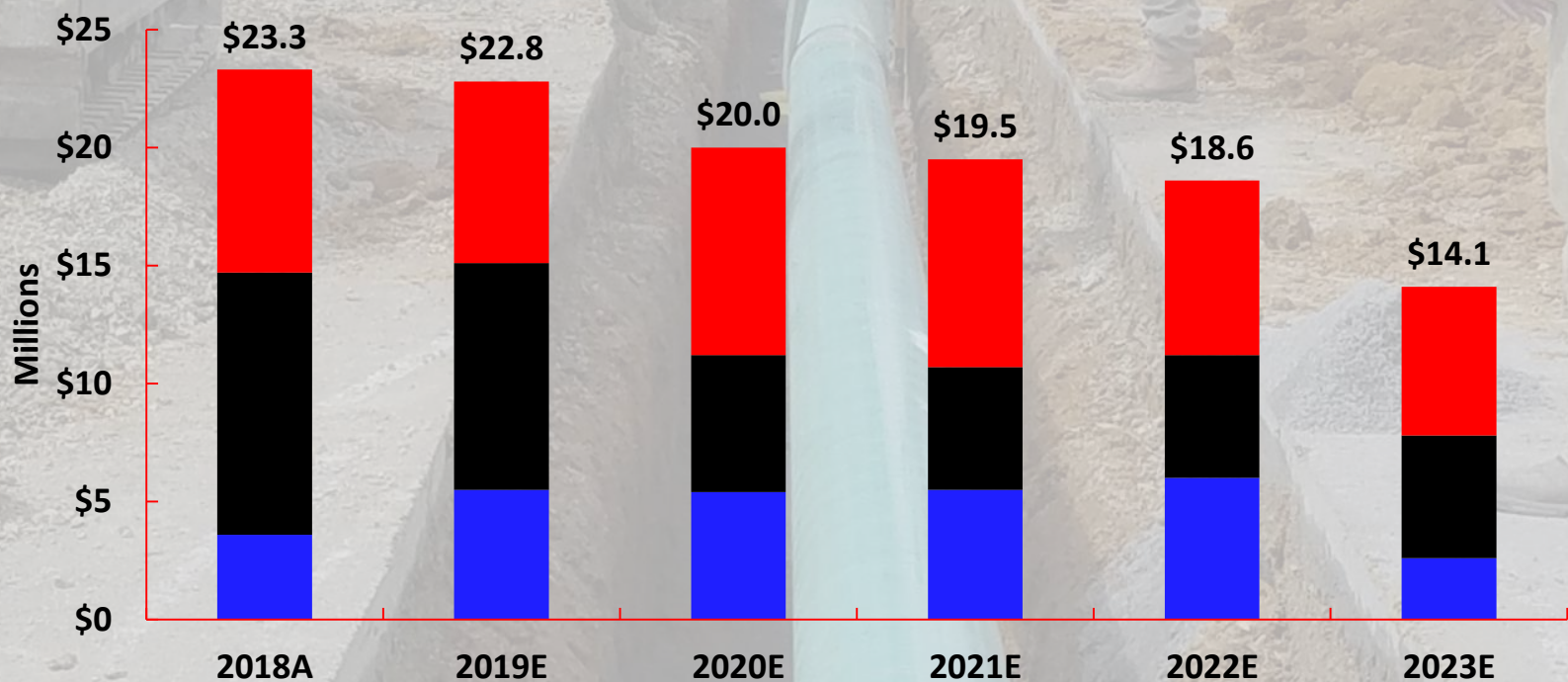
- 70 mile natural gas pipeline system
- 24 and 16 inch steel underground pipe
- Starts at TRANSCO 165 and extends into central NC
- Anchored by firm capacity commitment from PSNC Energy

Schedule

- Nov 6, 2018: FERC Application filed
- Q1 2020: Begin Construction
- Q4 2020: COD



Outlook: Roanoke Gas Capital Budget



Forecast totals through 2023:

SAVE Infrastructure Replacement **\$39.0**

Customer Growth & System Expansion **\$32.0**

Utility Maintenance **\$25.0**

Total **\$95.0**

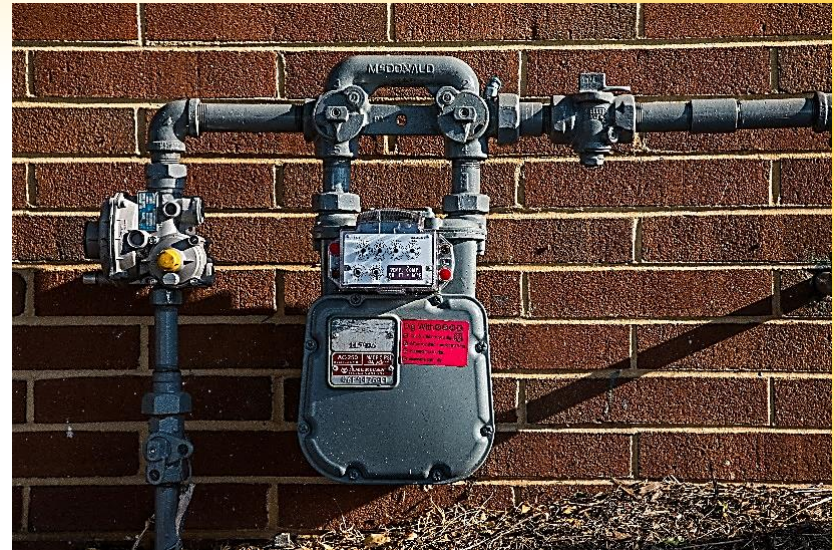
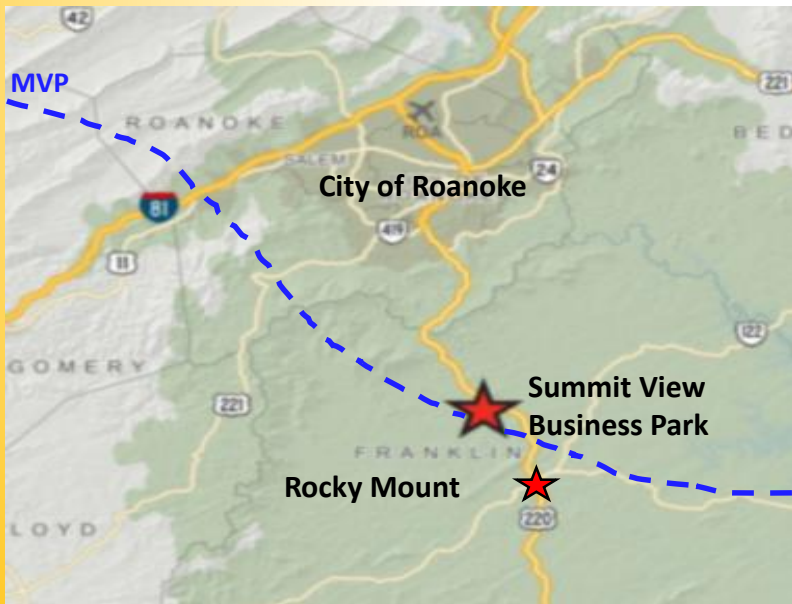
Outlook: Rate Case

- ❑ Filed October 2018 - \$10.5 million
 - Prospective rate year calendar 2019
- ❑ Primary drivers:
 - Incorporate tax reform
 - Recover non-SAVE CapEx investments through 2018
 - Embed \$4.7 million SAVE surcharges into base rates
- ❑ Last rate case 2013

Outlook: System Expansion

Franklin County Expansion

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



Existing Service Territory

- ❑ **\$1.4 million main extension into unserved area**
 - Approximately 500 Residential and Commercial customers
- ❑ **Service anticipated in Fall 2020**
- ❑ **Approximately 80% market saturation**

Outlook: Economic Development



Virginia Tech Carilion Research Institute (VTCRI) growth will allow School of Medicine to grow. While most university medical schools have a connected hospital system, the VTC Partnership has followed a new model - The Roanoke Times – 8.29.16



- ❑ VTCRI expansion will create 828 new jobs and \$150 million in additional spending by 2026

- The Roanoke Times – 5.23.18

- ❑ Fralins give \$50 million to hire scientists - The Roanoke Times – 12.6.18

- ❑ 2017 statewide impact of \$214 million. Estimated \$500 million annually by 2026 -

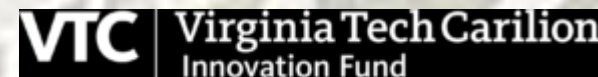
Virginia Business – 3.1.2019



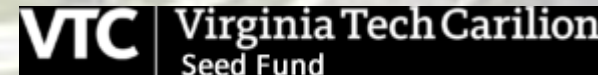
- ❑ VTC Roanoke campus (School of Medicine and Research Institute) will contribute at least \$465 million to economy within 8 years - The Roanoke Times –

5.23.18

- ❑ Has a 100% match rate to residency for all 5 graduating classes and more than 4,000 students applying for 42 spots a year - TheRoanokeStar.com – 7.2.18



- ❑ VC fund investing in rapidly growing, early-stage life sciences and technology companies in Southwest VA



- ❑ VC fund investing in high-growth, seed-stage companies in the greater Roanoke-Blacksburg region

Outlook: Economic Development

McAirlaid's, Inc. announced today it will increase manufacturing capacity by investing \$7.8 million and creating 25 jobs at its Franklin County facility.

Roanoke Regional Partnership – 12.20.2018



Empire Bakery Commissary, LLC announced an expansion that will double its capacity, creating 75 new jobs in Franklin County. The company is investing \$10.4 million.

Roanoke Regional Partnership – 10.15.2018



Packaging firm plans to expand, add up to 60 new jobs in Franklin County's Summit View

The Roanoke Times – 5.17.18



Radford University and Carilion Clinic's Jefferson College of Health Sciences expect that an upcoming merger will lead to doubling the number of nursing students within five years.

The Roanoke Times – 04.22.2019



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

ConEd Solutions announcement



Pratt Industries will invest \$20+ million to finish and expand a shell building in Botetourt Center at Greenfield for the manufacturing and converting of sustainable corrugated boxes and displays. The company plans eventually to employ 50 at an average wage of \$47,900 plus benefits.

Roanoke Regional Partnership – 2.26.19

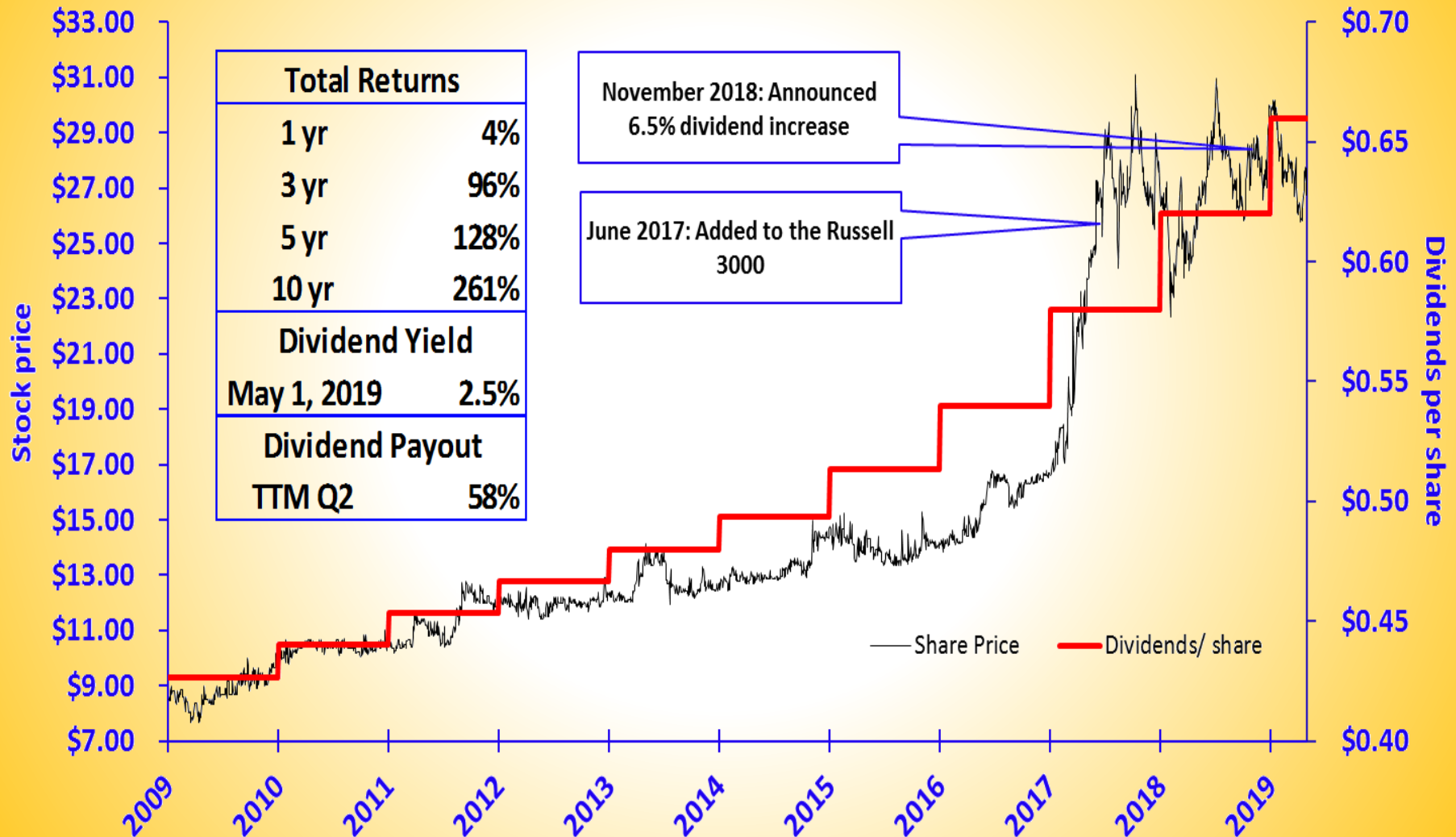


BOTETOURT, Va. - Botetourt County could soon become a household name. Local leaders say it's one of the fastest growing areas in southwest Virginia and they're promoting all that it has to offer in a series of national TV commercials.

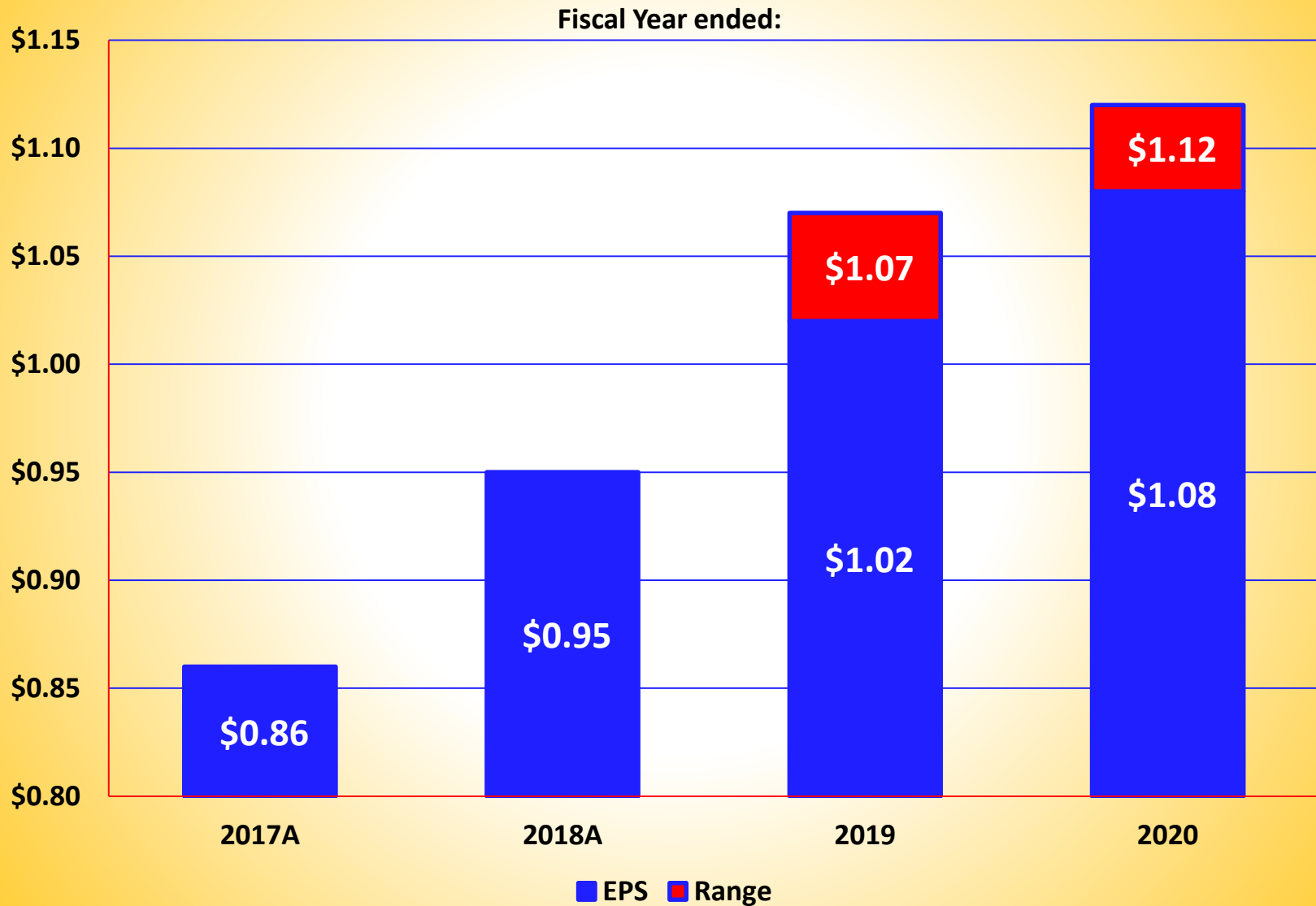
The Roanoke Times – 8.28.18



RGCO



EPS Guidance





Questions

Exhibit A: MVP Route

(Interstate Map)

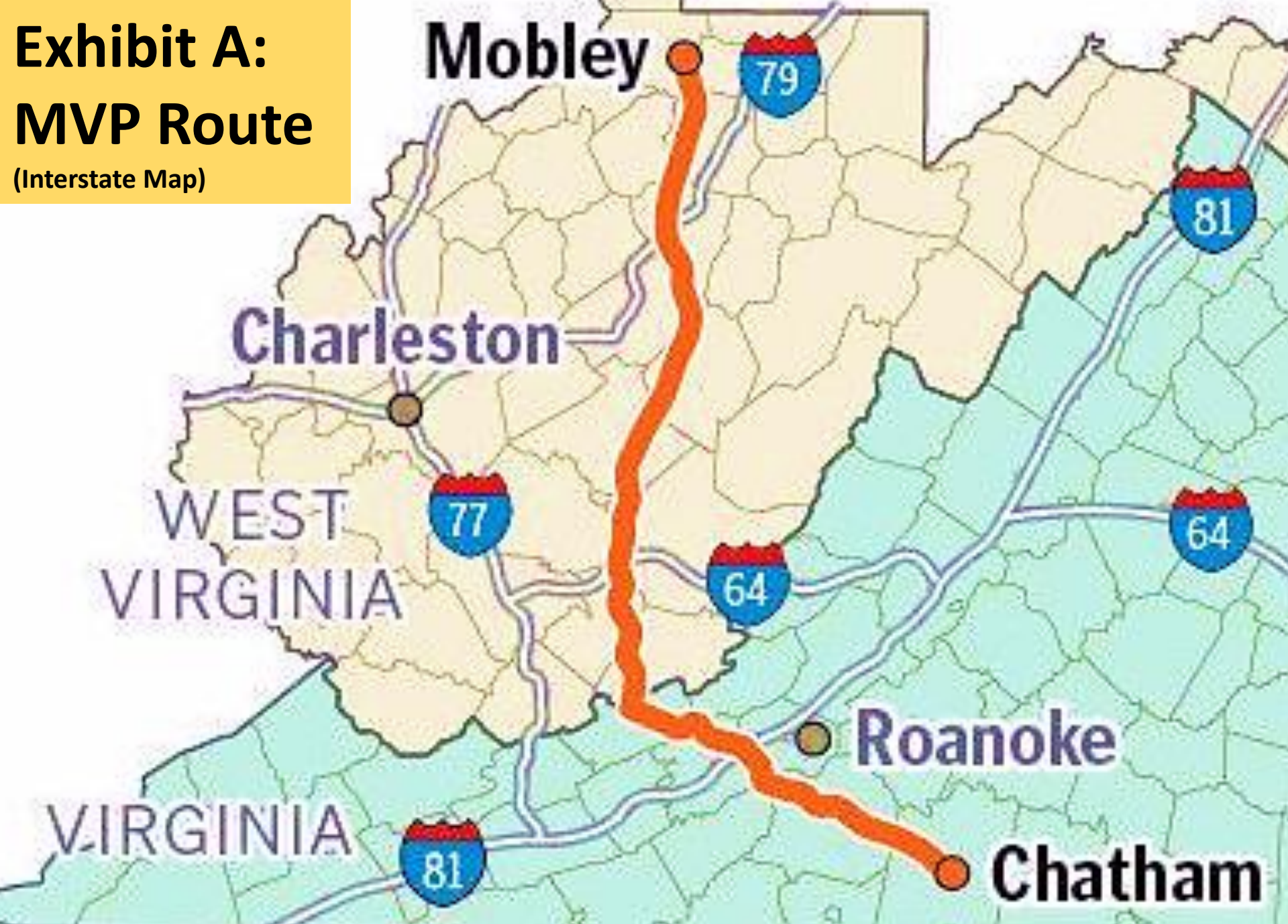
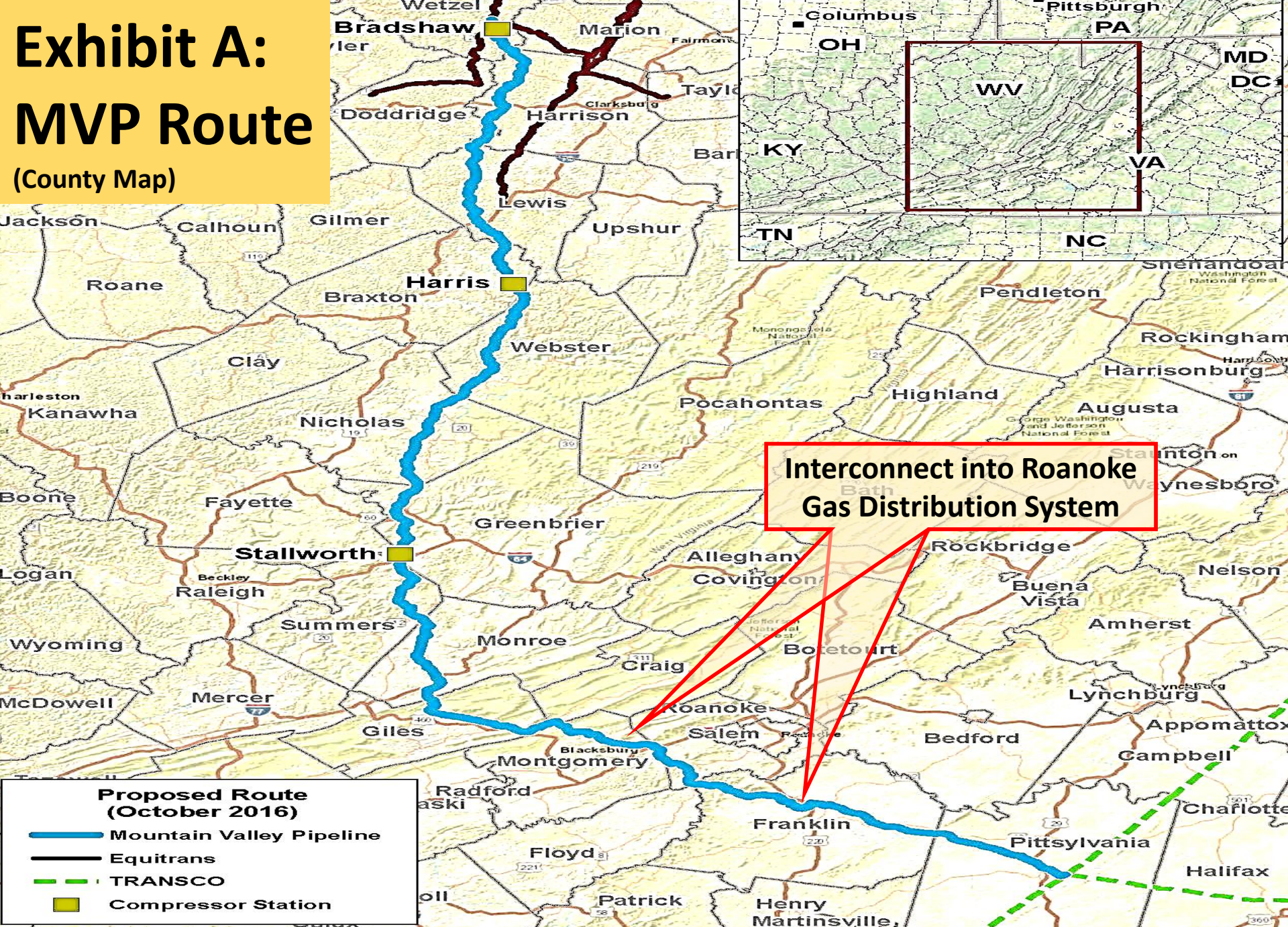


Exhibit A: MVP Route (County Map)



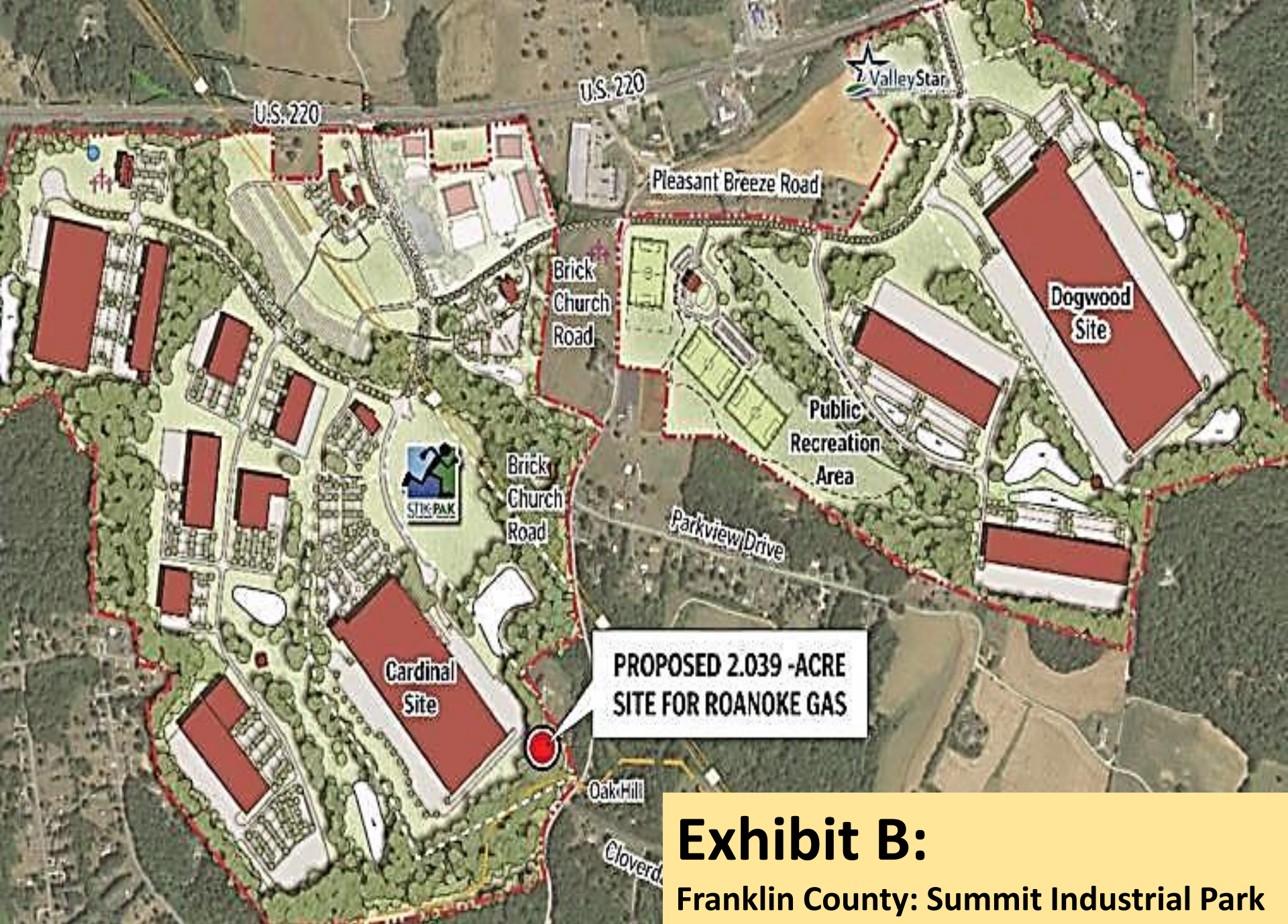


Exhibit B:

Franklin County: Summit Industrial Park