

Earnings Call

Third Quarter 2019



November 5, 2019

Forward Looking Statement



Brian Dingerdissen

Vice President, Chief of Staff and Investor Relations

Forward Looking Statement

This presentation contains in addition to historical information, forward looking statements based upon, among other things, our current assumptions, expectations, plans and beliefs concerning future events and their potential effect on us. These forward-looking statements involve risks, uncertainties and other factors that may cause actual results to be materially different from any future results expressed or implied by such forward-looking statements. These factors include, among others, the following: general economic and business conditions; weather conditions affecting customers' usage; the company's cost of operations; costs arising from changes in regulations; regulatory treatment of rate increase requests; availability and cost of capital; the success of growth initiatives, including pending acquisitions; the ability to generate earnings from capital investment; and other factors discussed in our Form 10-K for the fiscal year ended December 31, 2018, which is on file with the SEC and our current report on form 8-K/A filed with the SEC on April 15, 2019. We undertake no obligation to publicly update or revise any forward-looking statement.

Non-GAAP Reconciliation

For reconciliation of non-GAAP financial measures, see the the Investor Relations section of the company's Web site at www.AquaAmerica.com

Welcome



Renee Marquis

Director, Investor Relations

Introduction



Chris Franklin

Chairman, Chief Executive Officer and President



Agenda

- Corporate Highlights
- Peoples Transaction Update
- Summary of Financial Results
- Municipal Growth
- 2019 Guidance
- Questions deploy

Corporate Highlights

Infrastructure Investment (\$m)



Adjusted Income EPS*



Acquisition Growth

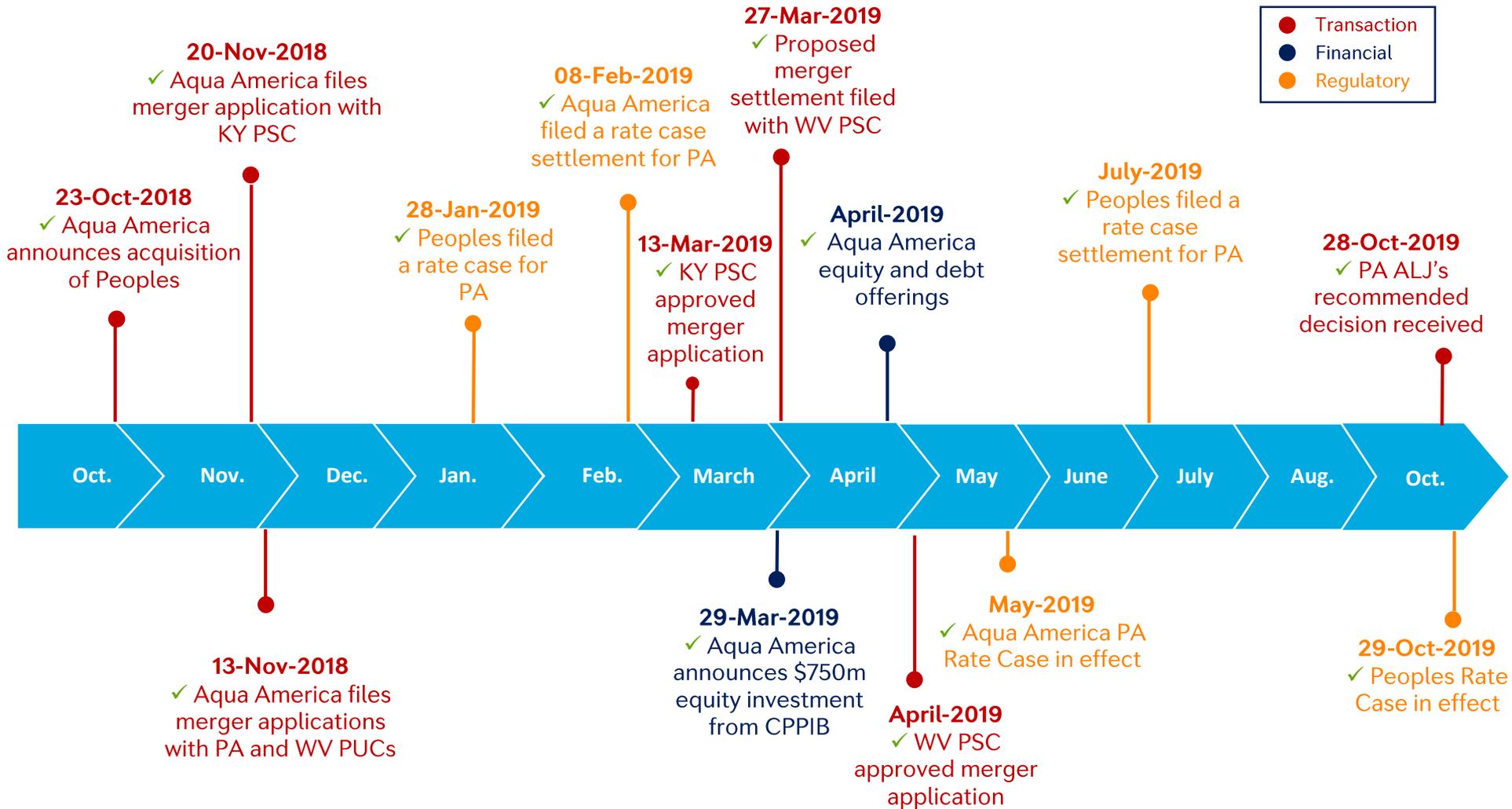
- Announced DELCORA agreement
- Expect customer growth of 2 to 3% for 2019
- Pipeline includes approximately 275,000 possible customers

Peoples Transaction

- Peoples Pennsylvania rate case effective Oct. '19
- The closing of the acquisition is anticipated to occur in late 2019 or early 2020

*Adjusted income EPS is a Non-GAAP Financial Measure. Please see appendix for a reconciliation.

Peoples Transaction Timeline



Anticipated closing of the Peoples Gas acquisition in late 2019 or early 2020

Summary of Financial Results



Dan Schuller

Executive Vice President and Chief Financial Officer

Third Quarter Highlights

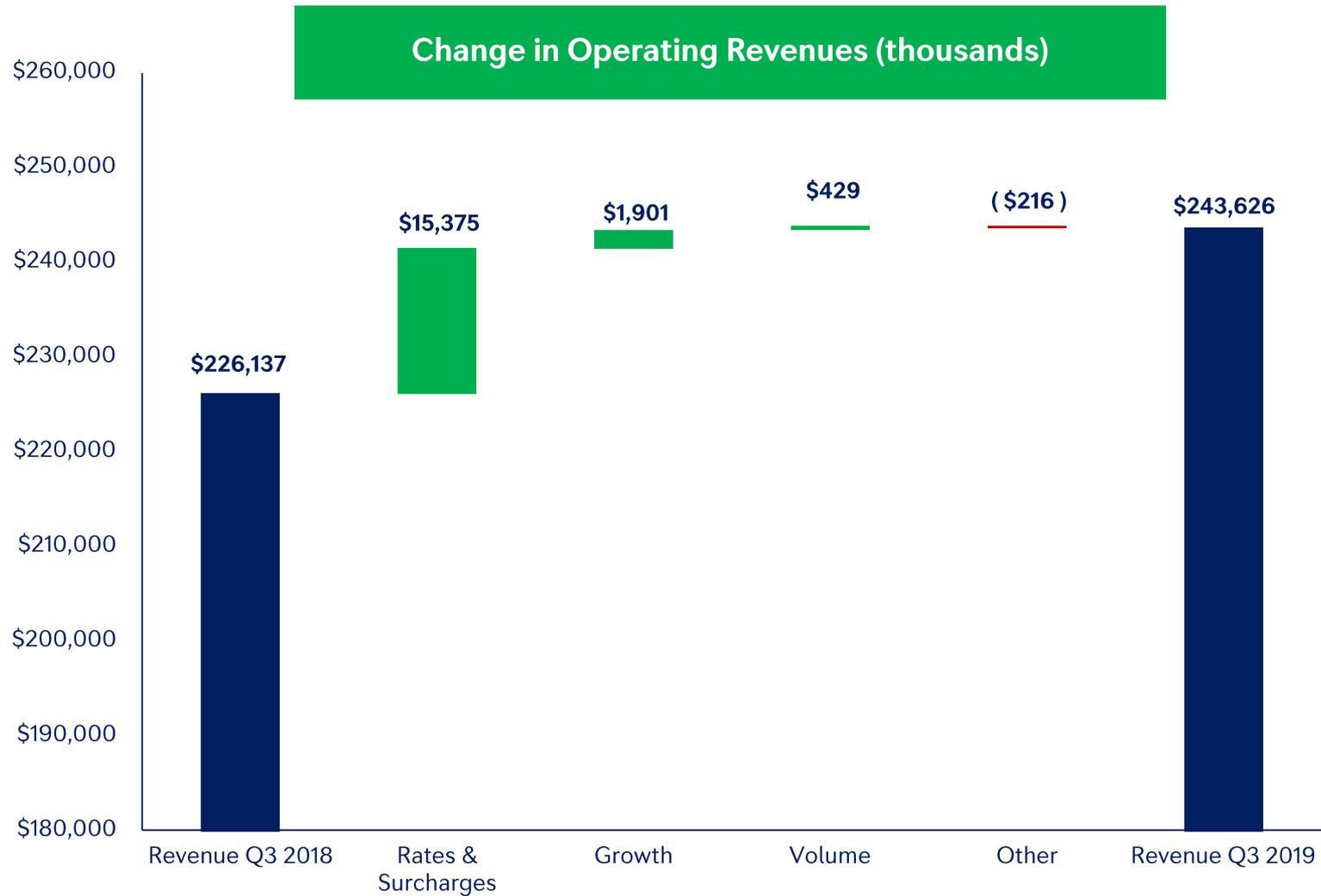
As of September 30, 2019

-  Favorable Change
-  Unfavorable Change

In millions except per share	Q3 2019		Q3 2018	Variance
Revenue	\$243.6		\$226.1	7.7%
Operations and Maintenance Expense	\$82.0		\$68.6	19.5%
Net Income (GAAP)	\$88.5		\$78.2	13.1%
Net Income per Share (GAAP)	\$0.38		\$0.44	(13.6%)
Adjusted Income (non-GAAP)	\$85.6		\$78.2	9.4%
Adjusted Income per Share (non-GAAP)	\$0.48		\$0.44	9.1%

Operating Revenues

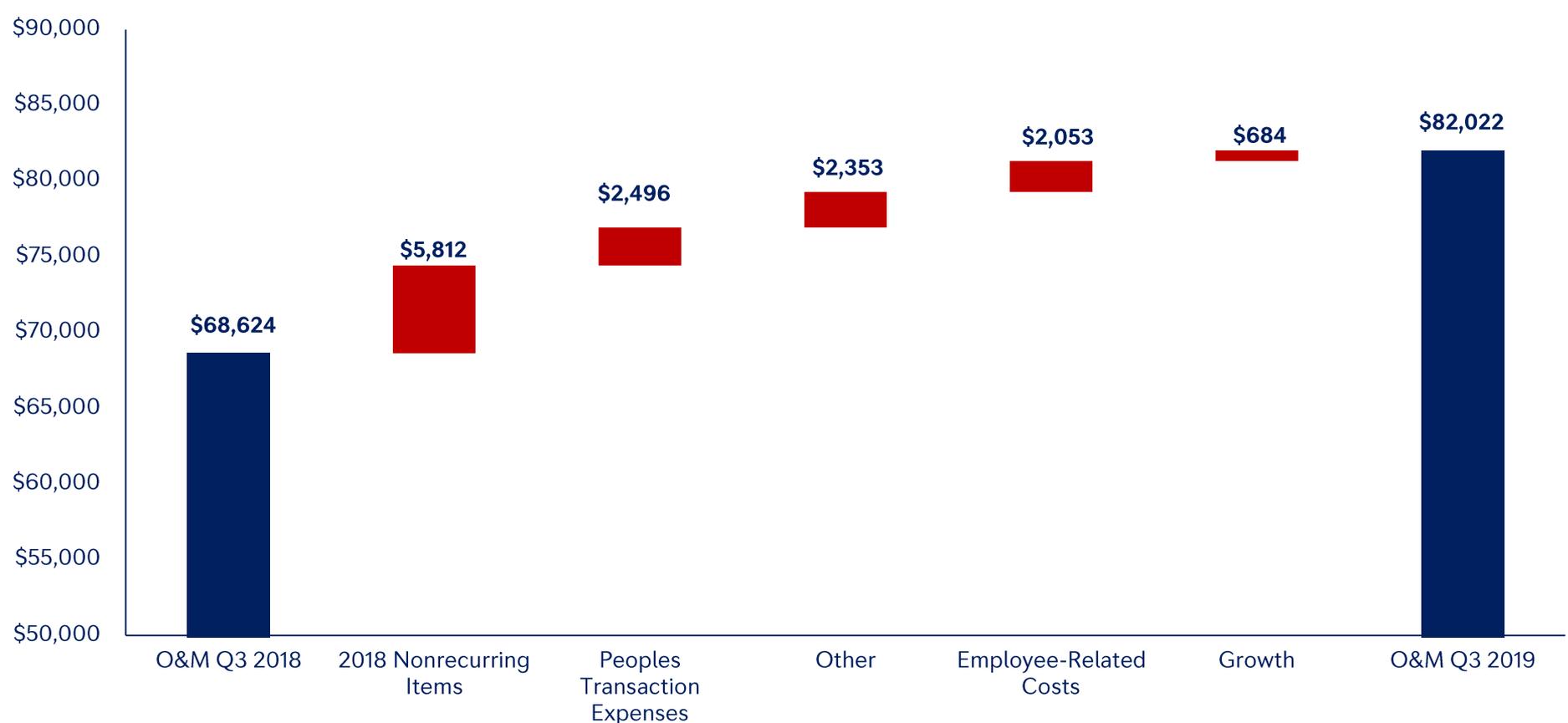
Q3 2019 vs. Q3 2018



Operations & Maintenance Expenses

Q3 2019 vs. Q3 2018

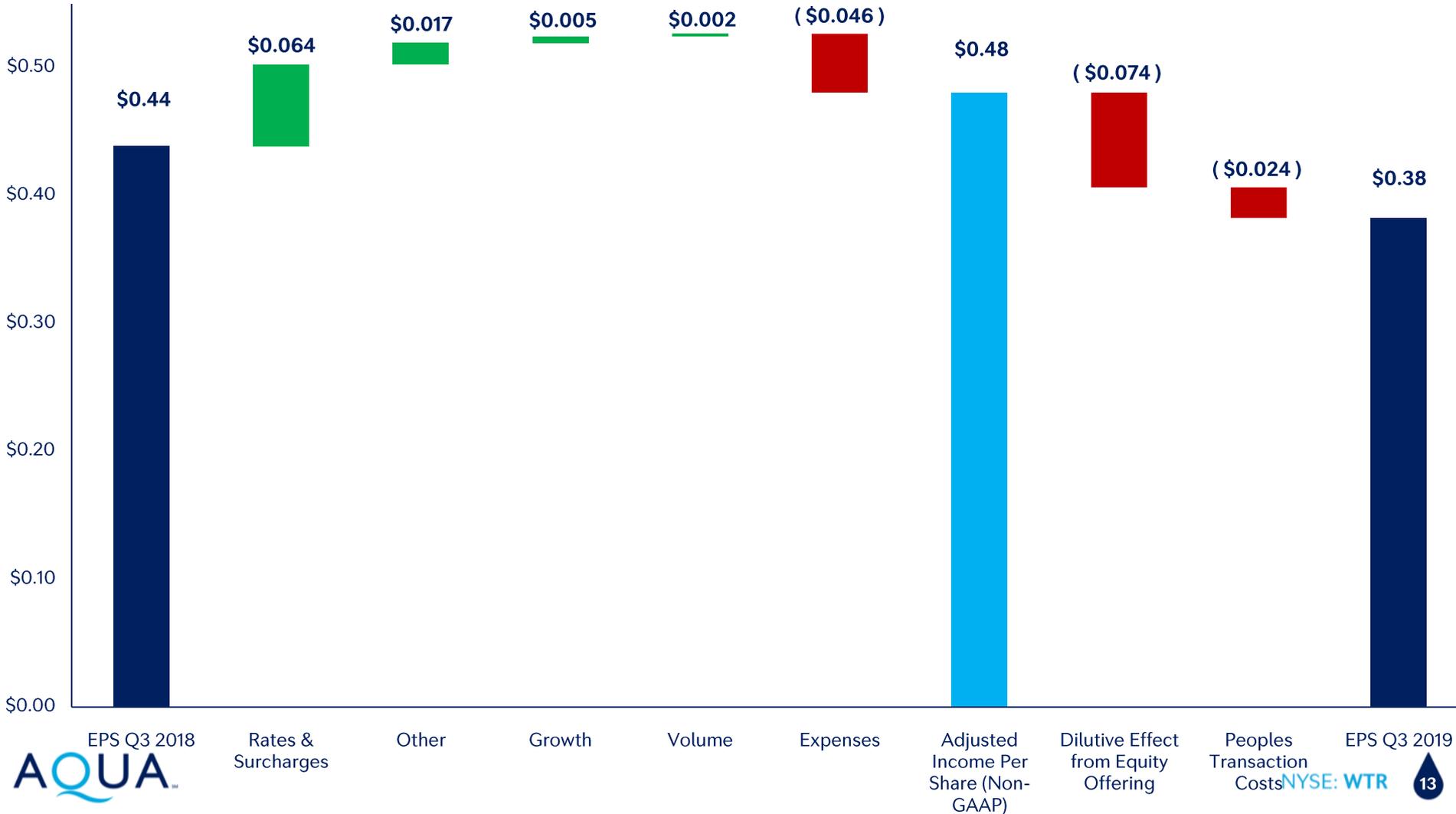
Change in Operations & Maintenance Expenses (thousands)



Earnings per Common Share

Q3 2019 vs. Q3 2018

Change in Earnings Per Share



2019 Rate Activity

As of 11/4/2019

Completed Rate Cases and Surcharges

- Base rate cases or surcharges in IL, NJ, NC, OH and PA with requested annualized revenue increase of \$59.8 million

As of 11/4/2019

Pending Rate Cases and Surcharges

- Base rate cases in IN with requested annualized revenue increase of \$63,000

Peoples PA Rate Case Settlement

Peoples Natural Gas ¹ (PA)	
Date Filed	28-Jan-2019
Requested Rate Base	\$2,052m
Test Year	<ul style="list-style-type: none">Fully-projected future test year ending Oct-2020
Requested Revenue Increase	\$94.9m
Authorized Increase	\$59.5m in additional annualized revenue
Timing	<ul style="list-style-type: none">New rates became effective Oct. 29, 2019
Commentary	<ul style="list-style-type: none">Peoples' first rate case since 2012 filingSupports the largest infrastructure initiative in the company's historyRepresents consolidation of Peoples and Equitable divisions

Municipal Growth



Matt Rhodes

Executive Vice President, Strategy and Corporate Development

DELCORA Overview

Aqua signed an Asset Purchase Agreement (APA) with the Delaware County Regional Water Quality Control Authority (DELCORA) to acquire the municipal Authority's wastewater (WW) assets for \$276.5M.



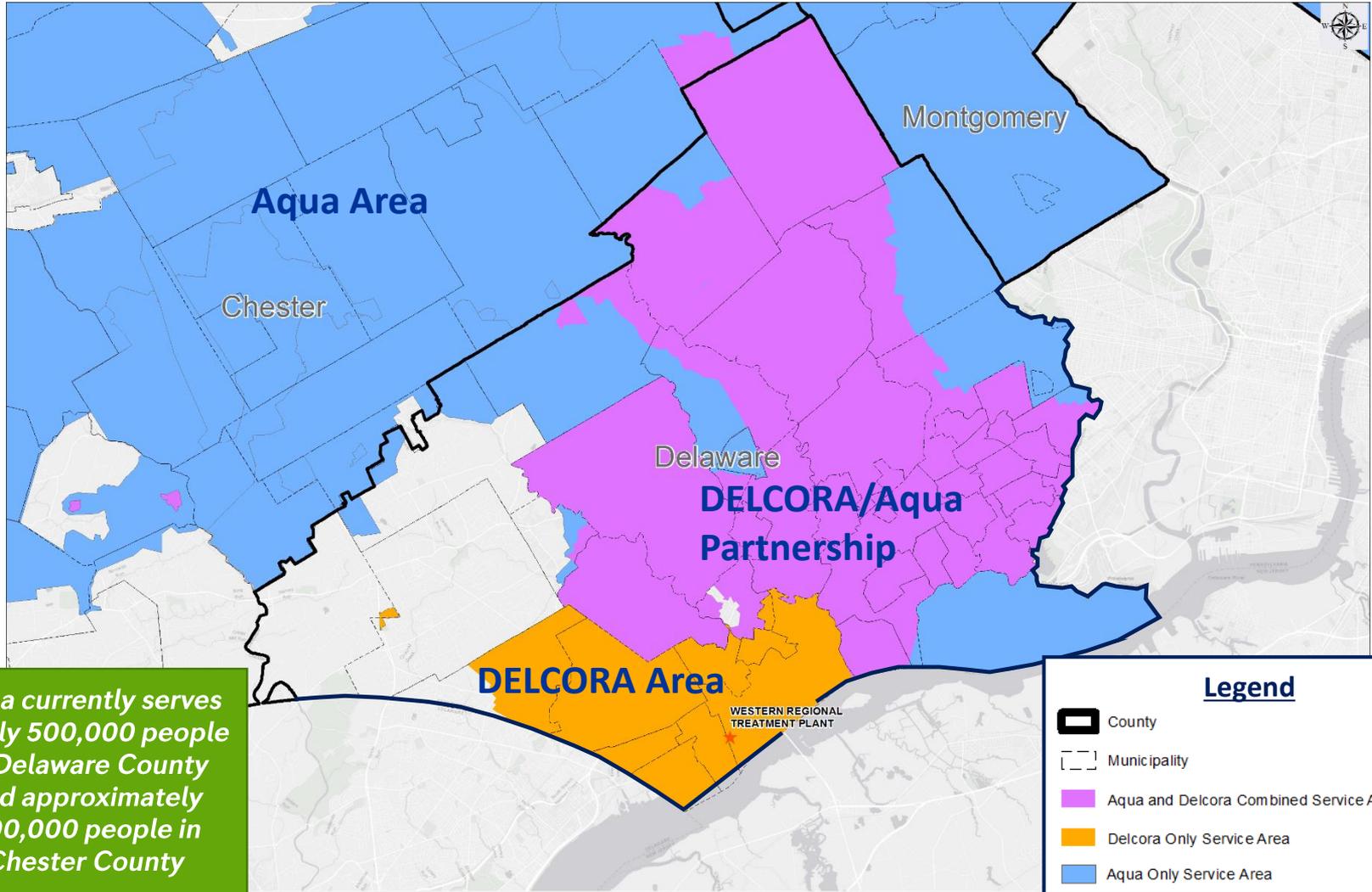
Situation Overview

- DELCORA provides WW services to 42 municipalities and ~500,000 people primarily in Delaware county, PA
 - 165,000 retail customer equivalents (Aqua estimate)
 - Customer base consists of wholesale agreements with municipal authorities, large C&I customers, and retail
 - 182 total miles of WW pipe
 - Owns collection systems and one ~50MGPD WWTP in western service territory
 - In eastern service territory (ESA), conveys WW to a Philadelphia Water Department (PWD) plant; contract expires in 2028
- Under current arrangement with PWD, DELCORA could face more than \$1.2B in total capital costs through 2042, significantly increasing customer rates
 - DELCORA also building infrastructure necessary to divert ESA WW flows to its own plant
 - Majority of capex to occur from 2026-2028
 - APA signed with Aqua on 9/17
 - Aqua has experience in large/complex projects and operates in many DELCORA communities
 - PUC approval required, closing expected in late 2020
 - FMV legislation to be utilized

Financial/Ops Data

Metric	
Purchase Price	\$276.5M
Aqua's Est. CapEx (Through 2028)	~\$700M
Revenues (2018)	\$62.5M

Aqua and DELCORA Service Territory Overlap



Aqua currently serves nearly 500,000 people in Delaware County and approximately 200,000 people in Chester County

Recent Municipal Acquisition Activity

Signed Municipal Agreements Pending Closing

Acquisition	State	Type	Total Customers	Approx. Purchase Price (\$000s)
New Garden	PA	WW	2,106	\$29,500
Schuylkill ³	PA	W	600	\$3,600
Grant Park	IL	WW	540	\$2,300
Cheltenham ³	PA	WW	10,450	\$50,250
Skyline	IL	W/WW	752	\$3,550
East Norriton	PA	WW	4,952	\$21,000
Campbell	OH	W	3,200	\$7,500
DELCORA	PA	WW	165,000 ¹	\$276,500
Total			187,600¹	\$394,200

As of Nov. 4, 2019

Additional non-municipal system in Virginia with 540 customers closed in Q1 '19, and an agreement for a ~500 customer non-municipal system in Illinois signed in 2019 (closing expected early 2020)

~\$100m of rate base acquired expected to generate ~\$5m of incremental annual earnings potential²

Note: Transactions above listed in chronological order of signing.

¹ Aqua's estimate on the number of equivalent retail customers.

² This is an illustrative earnings assumption based on assumed 50% debt / 50% equity capital structure and hypothetical 10% allowed return on equity and historical results.

³ On October 24, 2019, the PA PUC voted to adopt the ALJ's recommended decision to approve these acquisitions.

Current Water and Wastewater Municipal Transaction Opportunities

We are actively pursuing acquisition opportunities, in several of our existing states, totaling approximately 275,000 customers. While we do not expect to close all of these opportunities, this chart is meant to illustrate the significant size of and the number of municipals we are currently evaluating.

Size Range (Approx. # of Customers)	Total Customers (approx.)
>25,000	160,000
10,000 – 25,000	45,000
<10,000	70,000
Total	275,000

Guidance



Chris Franklin

Chairman, Chief Executive Officer and President

2019 Aqua Standalone Guidance

Earnings *	<ul style="list-style-type: none">Adjusted income of \$1.45 to \$1.50 per share
Capex	<ul style="list-style-type: none">Infrastructure investments of approximately \$550 million in 2019 for communities served by AquaInfrastructure investments of approximately \$1.4 billion through 2021 in existing operations to rehabilitate and strengthen systemsRate base growth of 7 percent per year through 2021
Customer Growth	<ul style="list-style-type: none">Total customer growth of between 2 and 3 percent
Peoples	<ul style="list-style-type: none">Closing of Peoples acquisition expected in late 2019 or early 2020

Q&A Session

Aqua America



Thank You for Attending Aqua's Third Quarter 2019 Conference Call

**Fourth Quarter and Full Year 2019 Earnings
Conference Call and Webcast**
Thursday, February 27, 2020

Analyst Day
Thursday, February 27, 2020

For more information contact:

Brian Dingerdissen

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Appendix

Aqua America



GAAP to Non-GAAP Reconciliation

(In thousands, except per share amounts)

	Quarter Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2019	2018	2019	2018
Net income (GAAP financial measure)	\$ 88,489	\$ 78,216	\$ 160,316	\$ 195,645
Adjustments:				
Plus: transaction-related expenses for the Peoples transaction	3,367	-	65,453	-
Plus: pre-acquisition interest expense for funds borrowed for acquisition of Peoples, net	2,000	-	3,318	-
Plus: overlapping interest expense on refinanced debt	-	-	452	-
Less: interest income earned on proceeds from April 2019 equity offerings	(9,071)	-	(16,479)	-
Tax effect	810	-	(10,926)	-
Adjusted income (non-GAAP financial measure)	\$ 85,595	\$ 78,216	\$202,134	\$ 195,645
Net income per common share (GAAP financial measure):				
Basic	\$ 0.38	\$ 0.44	\$ 0.76	\$ 1.10
Diluted	\$ 0.38	\$ 0.44	\$ 0.76	\$ 1.10
Adj. income per common share (non-GAAP financial measure):				
Diluted	\$ 0.48	\$ 0.44	\$ 1.13	\$ 1.10
Average common shares outstanding :				
Basic	232,053	177,923	209,971	177,876
Diluted	232,464	178,357	210,335	178,347
Average common shares outstanding:				
Shares used in calculating diluted net income per common share	232,464	178,357	210,335	178,347
Adjustment for effects of April 2019 common share issuance	(37,370)	-	(22,039)	-
Adjustment for effects of April 2019 tangible equity unit issuance	(16,270)	-	(9, 595)	-
Shares used in calculating adjusted diluted income per common share (Non-GAAP financial measure)	178,824	178,357	178,701	178,347

Year-to-date Highlights

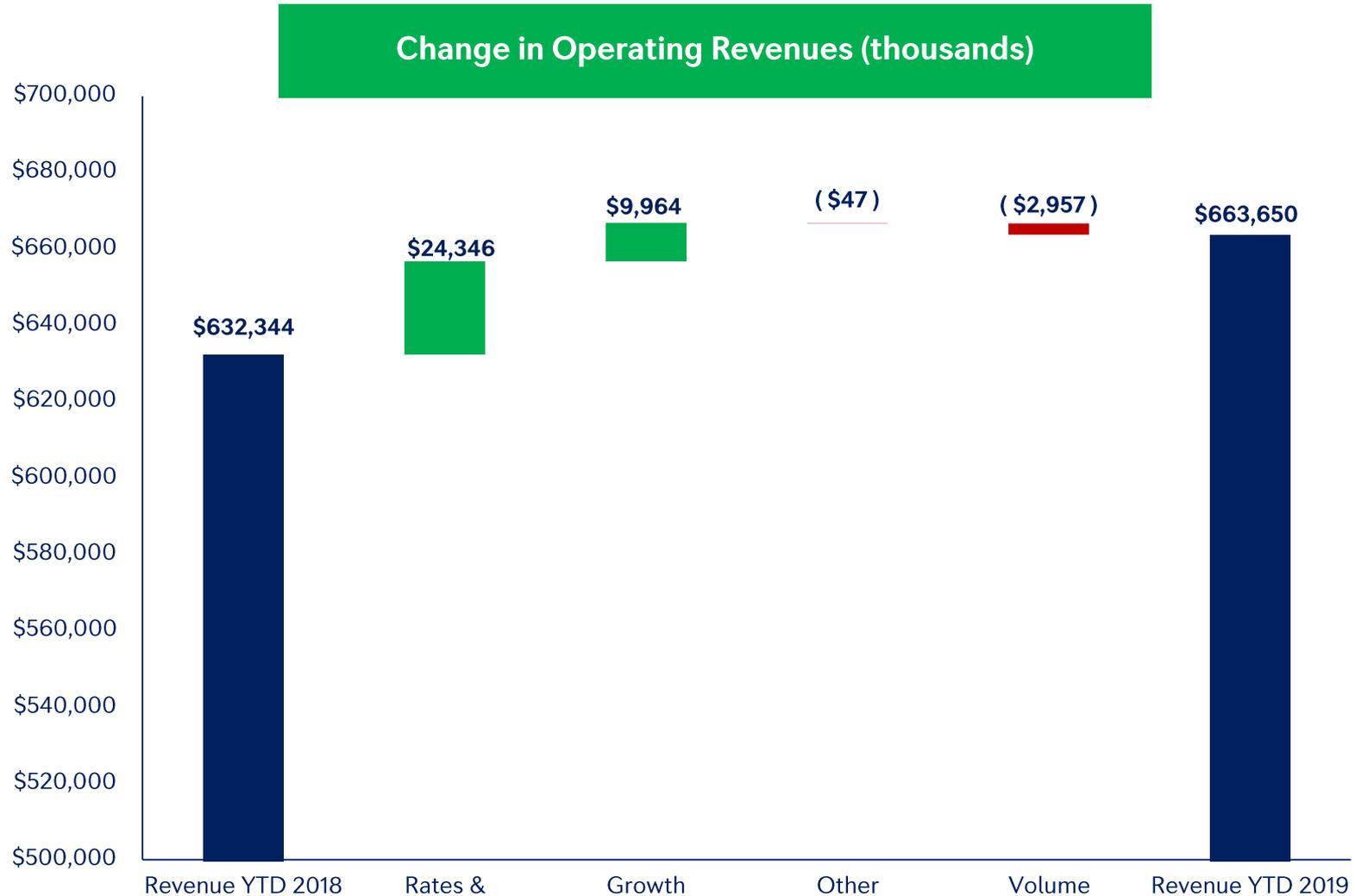
As of September 30, 2019

-  Favorable Change
-  Unfavorable Change

In millions except per share	YTD 2019		YTD 2018	Variance
Revenue	\$663.7		\$632.3	5.0%
Operations and Maintenance Expense	\$247.8		\$216.1	14.7%
Net Income (GAAP)	\$160.3		\$195.6	(18.1%)
Net Income per Share (GAAP)	\$0.76		\$1.10	(30.9%)
Adjusted Income (non-GAAP)	\$202.1		\$195.6	3.3%
Adjusted Income per Share (non-GAAP)	\$1.13		\$1.10	2.7%

Operating Revenues

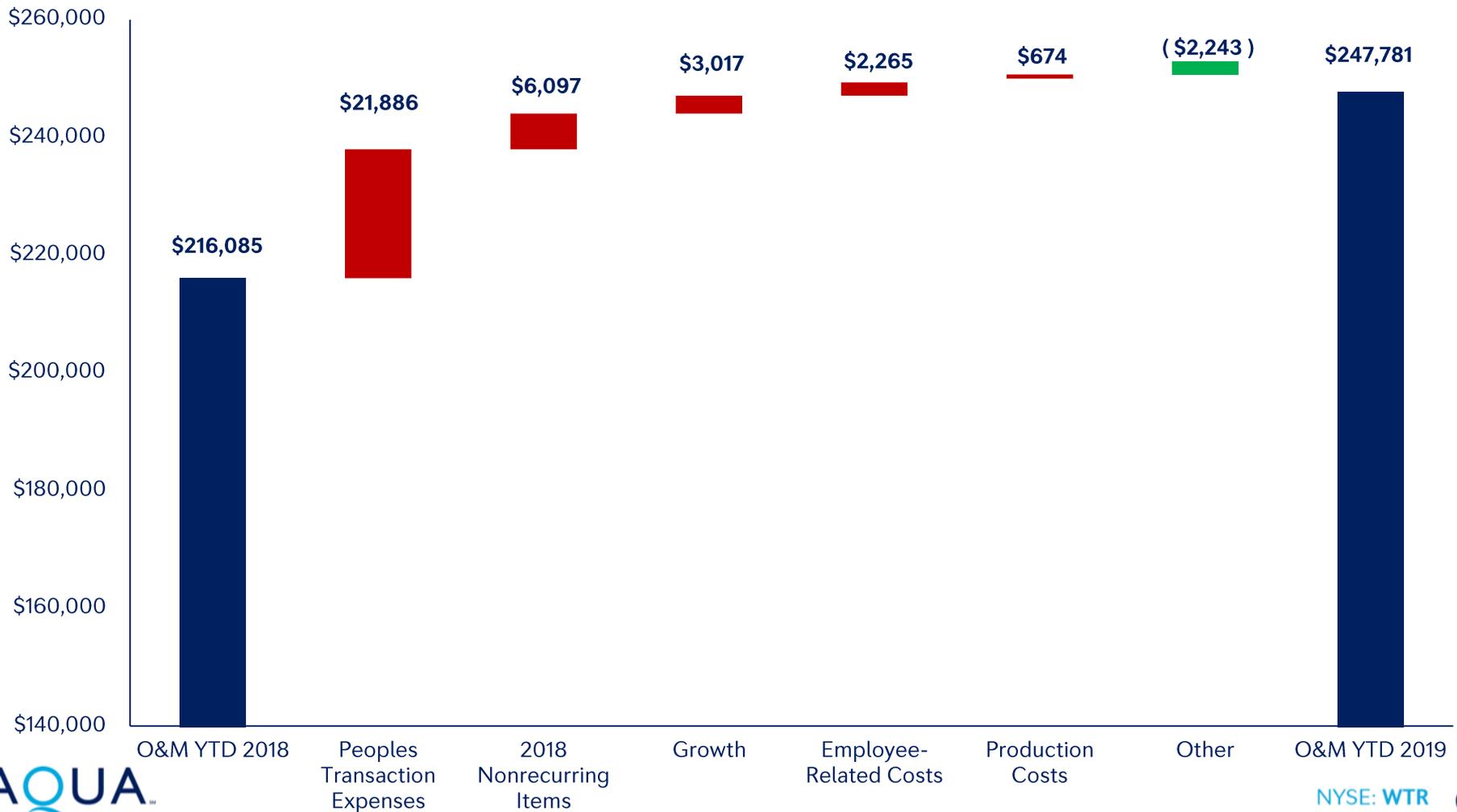
YTD September 30, 2019 vs. YTD September 30, 2018



Operations & Maintenance Expenses

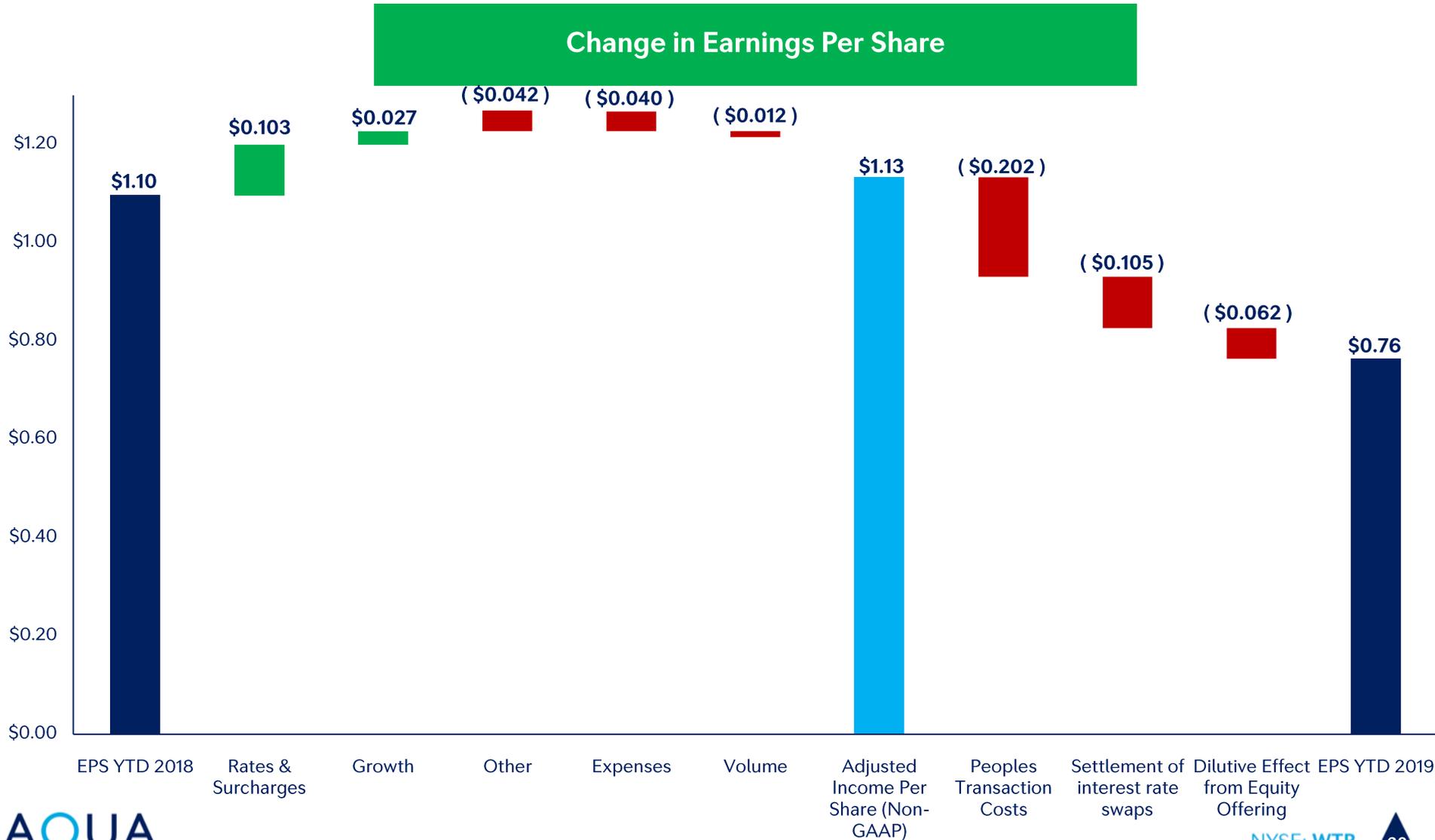
YTD September 30, 2019 vs. YTD September 30, 2018

Change in Operations & Maintenance Expenses (thousands)



Earnings per Common Share

YTD September 30, 2019 vs. YTD September 30, 2018



Aqua 2019 Rates and Surcharges Completed

As of Nov. 4, 2019

State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Illinois	N/A	Surcharge (w)	\$1,394
	N/A	Surcharge (ww)	\$268
New Jersey	WRT18121351	Rate Case (w)	\$5,000
North Carolina	W-218, Sub 497A	Surcharge (w)	\$538
	W-218, Sub 497A	Surcharge (ww)	\$62
Ohio	89-7028-WW-TRF	Rate Cases (w)	\$974
	18-0337-WW-SIC	Surcharge (w)	\$2,267
	19-567-WW-SIC	Surcharge (w)	\$2,313
Pennsylvania	M-2019-3008029	Surcharges (w)	\$2
	R-2018-3003558	Rate Case (w)	\$42,300
	R-2018-3003561	Rate Case (ww)	\$4,700
Total			\$59,818

Aqua 2019 Rates and Surcharges Pending

As of Nov. 4, 2019

State	Docket Number	Type	Requested Annualized Revenue Increase (\$thousands)
Ohio	18-1843-WW-UNC & 18-1841-ST-UNC	Tax Compliance Surcharge (w/ww)*	(\$3,917)
Indiana	45308	Rate Case (ww)	\$10
	45314 U	Rate Case (w)	\$53
Total			(\$3,854)

State by State Comparison

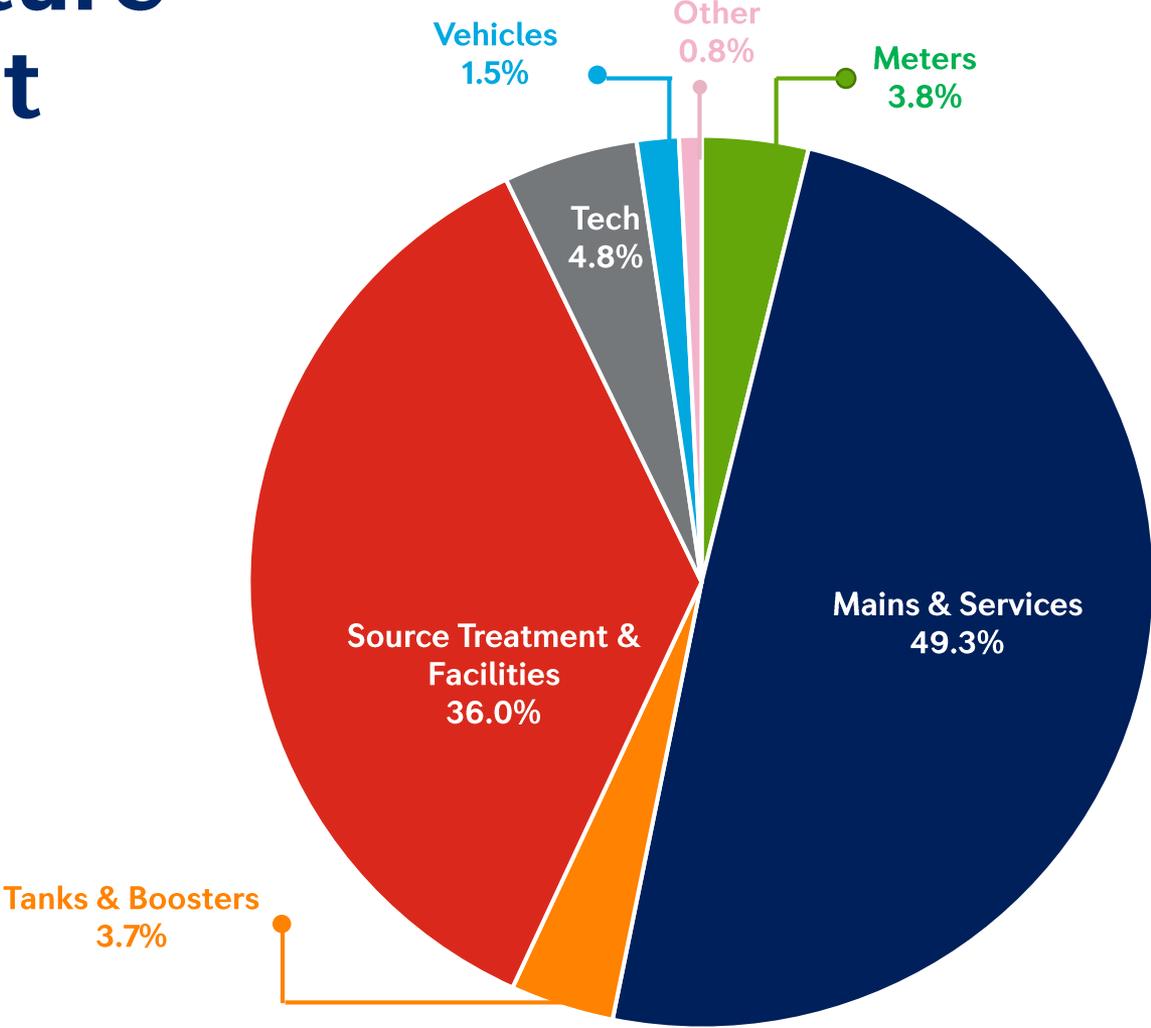
As of December 31, 2018

State	Rate Base (\$thousands)	Water Connections	Wastewater Connections	Total Customers
PA	3,095,126	440,487	28,109	468,596
OH	317,168	145,938	6,878	152,816
IL	320,002	65,241	15,222	80,463
TX	234,569	64,360	17,480	81,840
NJ	171,113	53,639	6,213	59,852
NC	203,761	81,074	19,114	100,188
IN	82,622	1,226	26,979	28,205
VA	75,047	25,843	7,787	33,630
Total	4,499,408	877,808	127,782	1,005,590

Infrastructure Investment

Regulated Operations

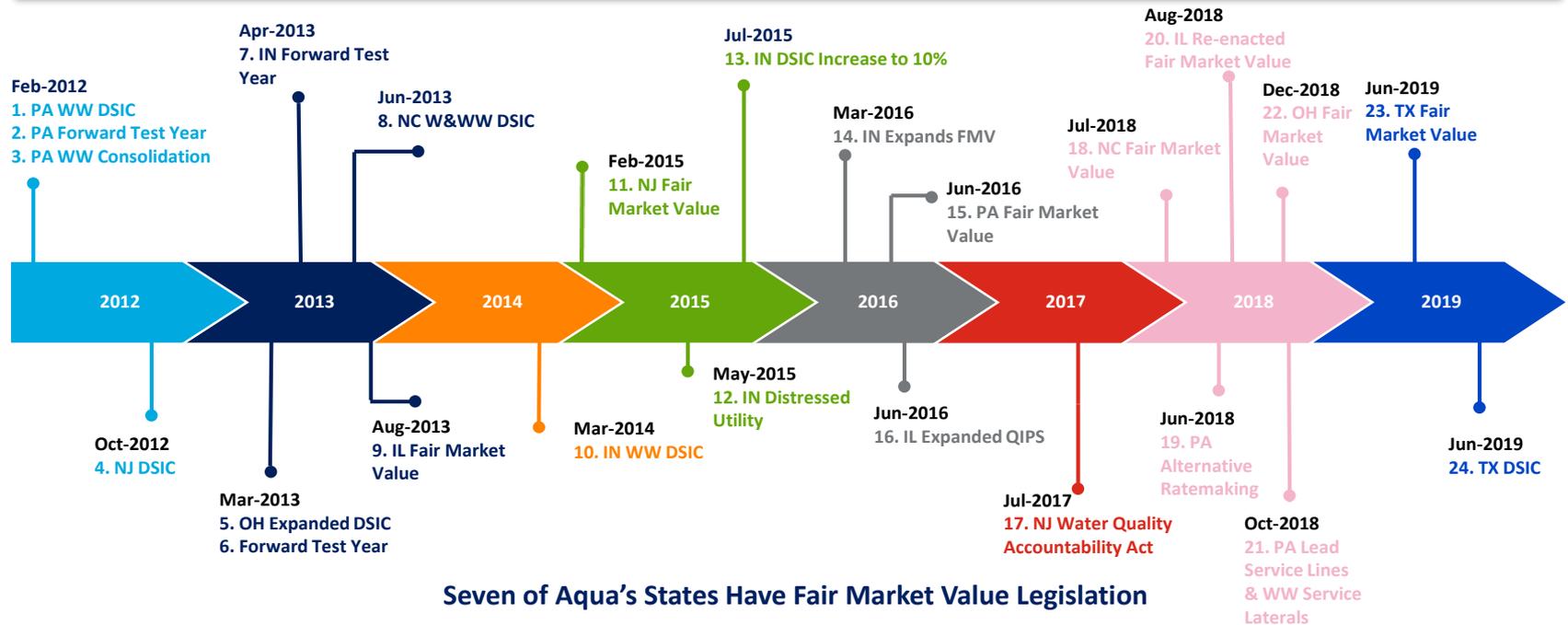
Capital Investment Breakdown 2019 - 2021



3 Year Total = \$1.4 billion

Favorable Water & Wastewater Regulatory Trends over Last Decade

History of successful collaboration with legislatures and regulators to implement constructive regulatory mechanisms and introduce Fair Market Value legislation



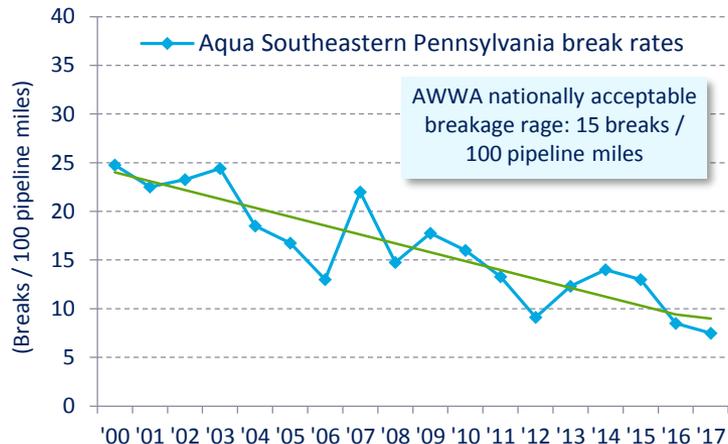
Aqua and Peoples' Commitment to Safety and Sustainability

Aqua

- Issued inaugural Corporate Social Responsibility Report in 2018
- Participated in Carbon Disclosure Project (CDP) Survey and received a strong first-time score of C in the "Awareness" level in the top 40% of CDP companies
- Main break average steadily declining and below acceptable range, substantially reducing unaccounted-for water
- Reported record safety metrics including steadily declining lost time injury rate, lost work days and OSHA injury rate



Aqua Southeastern Pennsylvania Main Break Averages



Peoples

- Environmental Defense Fund Partnership aims to reduce Pittsburgh pipeline emissions by 50%
- Founding partner of U.S. EPA Star Methane Challenge Program making specific commitments to reduce methane emissions
- Key operating safety metrics in top quartile of industry peers and steadily improving
- Largest pipe replacement program in company history (LTIP) significantly reducing operating risk and emissions
- Locally produced natural gas supply reduces environmental impact of transportation and lowers customer bills



Peoples Safety Compared to Natural Gas Industry

