

Earnings Call

AQUASM
NYSE: WTR



Second Quarter 2017

August 3, 2017

Forward Looking Statement

This presentation contains in addition to historical information, forward looking statements based on assumptions made by management regarding future circumstances over which the company may have little or no control, that 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' water usage or 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, 2016, which is on file with the SEC. 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 Investor Relations section of the company's Web site at www.aquaamerica.com

Today's Presenters



Christopher Franklin
President &
Chief Executive Officer



Dave Smeltzer
Executive Vice President &
Chief Financial Officer



Dan Schuller, Ph.D.
Executive Vice President,
Strategy and Corporate
Development



Brian Dingerdissen
Vice President, Chief of Staff
& Investor Relations

Introduction

Christopher Franklin

President and Chief Executive Officer



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Today's Agenda

- Corporate Update
- Quarter Highlights
- Summary of Financial Results
- Acquisition Update
- 2017 Guidance

Corporate Update



2017 Second Quarter Highlights

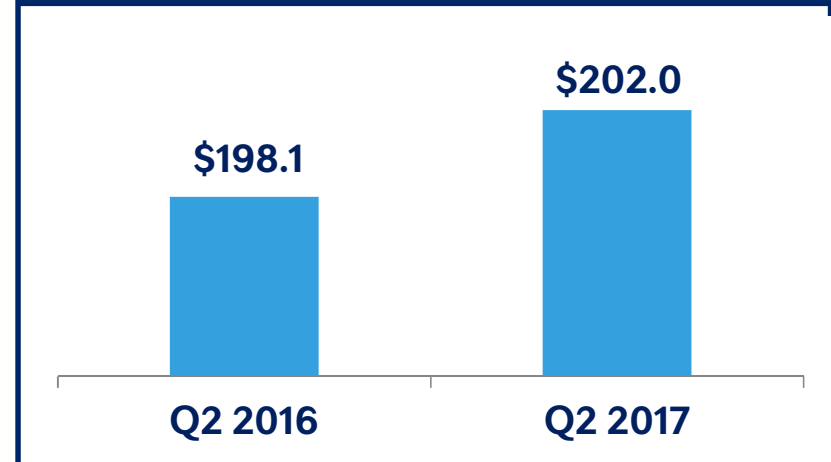
Year-to-date Customer Growth

- 5,326 additional connections
- 0.5% customer growth from organic growth and acquisitions

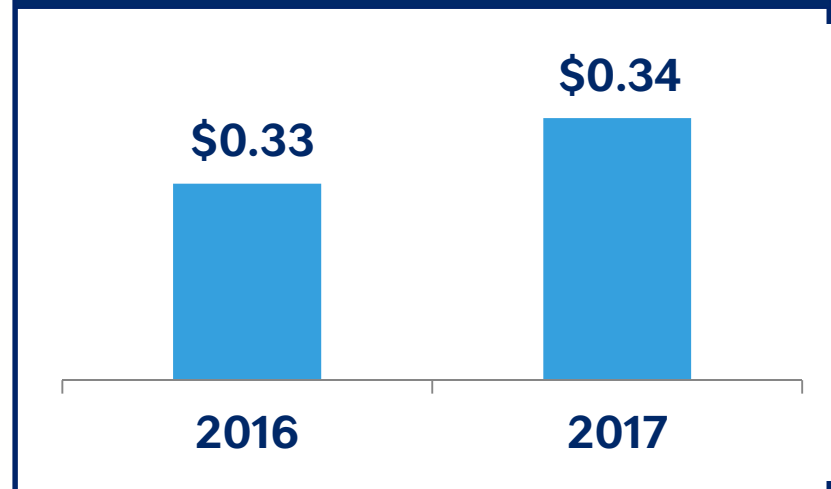
Increased Quarterly Dividend 7%

- 72nd year of paying a consecutive quarterly dividend
- Increased quarterly cash dividend to \$0.2047
- 27th dividend increase in 26 years

Regulated Segment Revenue (\$ millions)

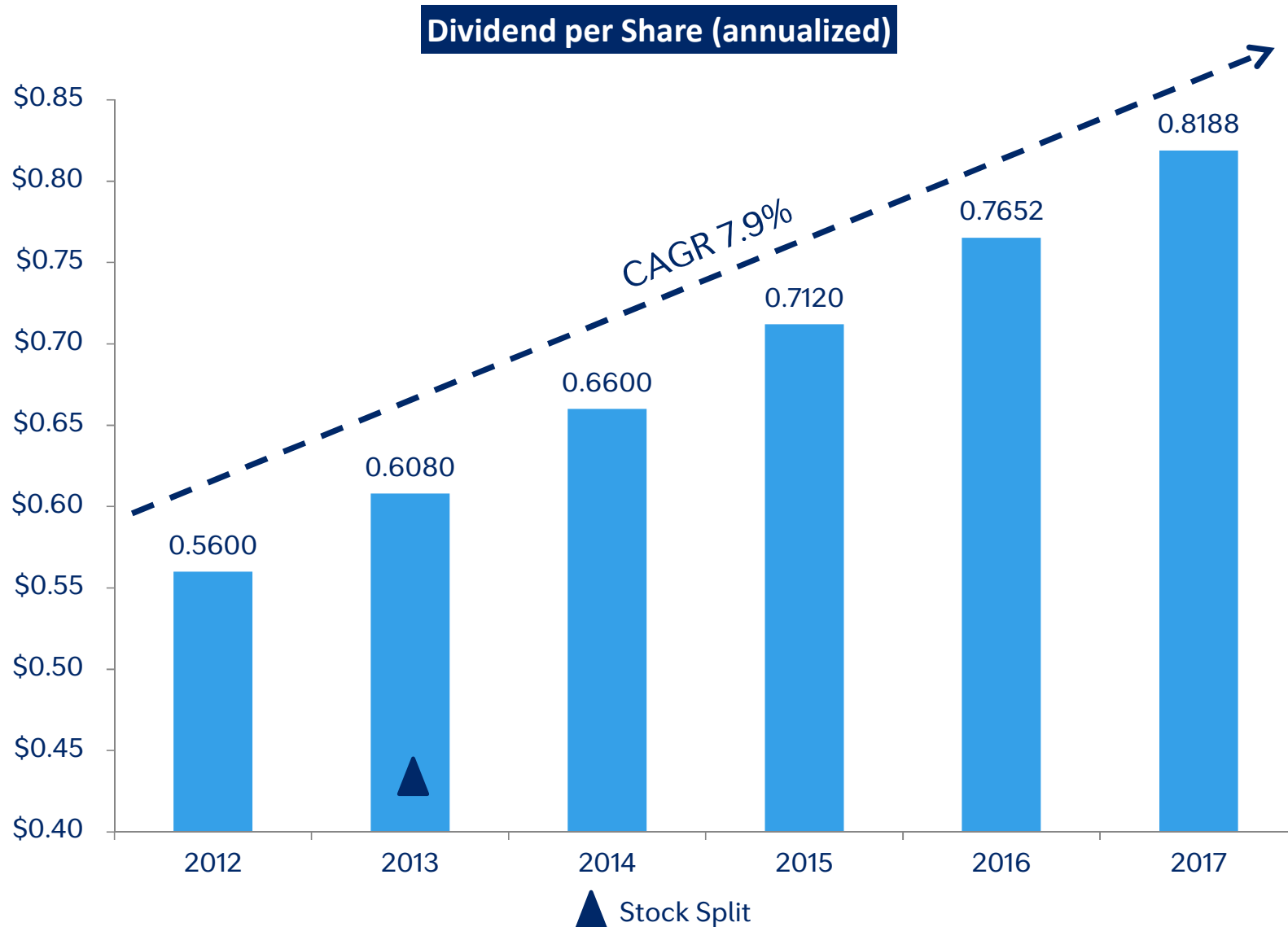


Net Income per Common Share



Dividend History

7.0% Increase to Annualized Dividend Rate of \$0.8188 Effective 9/1/2017



Summary of Financial Results

Dave Smeltzer

Executive Vice President and Chief Financial Officer



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2017 Financial Results

	In millions except per share	Q2 2017		Q2 2016	Variance
Revenue		\$203.4	▼	203.9	(0.2%)
Regulated Segment Revenue		\$202.0	▲	\$198.1	2.0%
Operations and Maintenance Expense		\$70.9	▼	\$74.0	(4.2%)
Regulated Segment Operations and Maintenance Expense		\$72.6	▲	\$69.7	4.1%
Net Income		\$61.0	▲	\$59.6	2.3%
Net Income per Share		\$0.34	▲	\$0.33	3.0%

 Favorable Change

 Unfavorable Change

2017 Year-to-Date Financial Results

as-of June 30, 2017

In millions except per share	YTD 2017		YTD 2016	Variance
Revenue	\$391.2	▼	\$396.5	(-1.3%)
Regulated Segment Revenue	\$388.3	▲	\$384.1	1.1%
Operations and Maintenance Expense	\$140.0	▼	\$147.5	(5.1%)
Regulated Operations and Maintenance Expense	\$140.1	▲	\$137.0	2.2%
Net Income	\$110.0	▼	\$111.4	(1.2%)
Net Income per Common Share	\$0.62	▼	\$0.63	(1.6%)



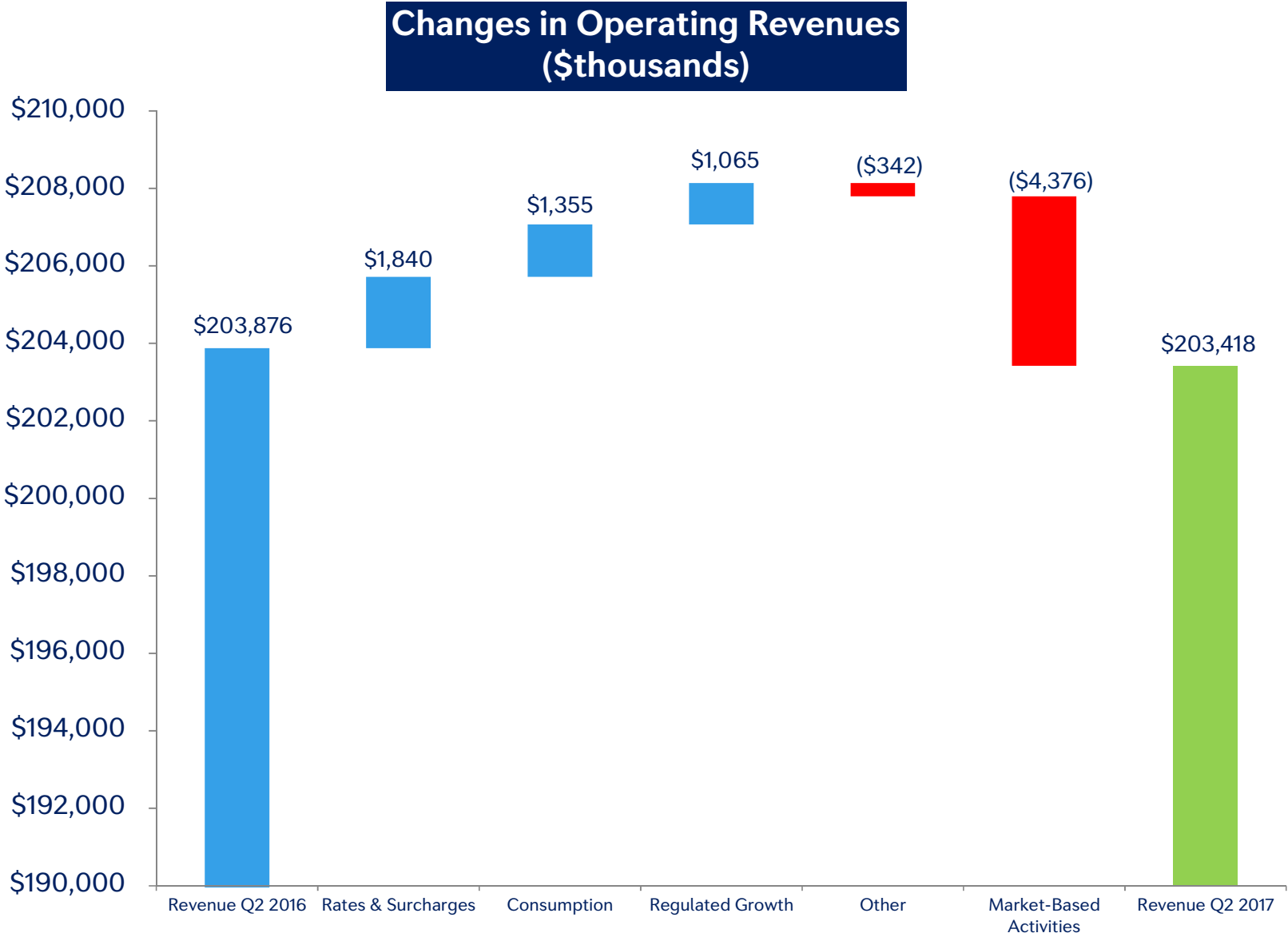
Favorable Change



Unfavorable Change

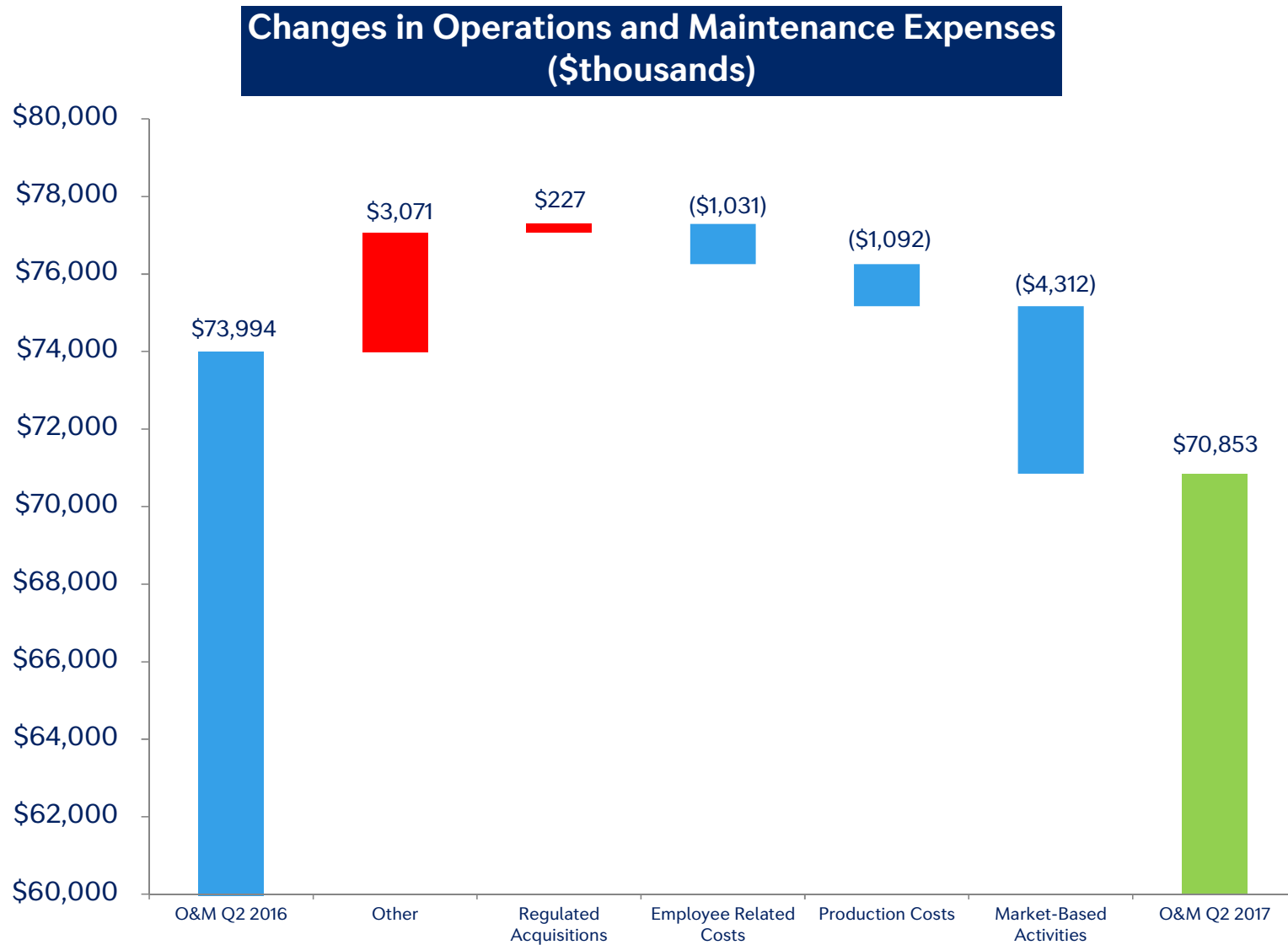
Operating Revenues

Q2 2017 vs. Q2 2016



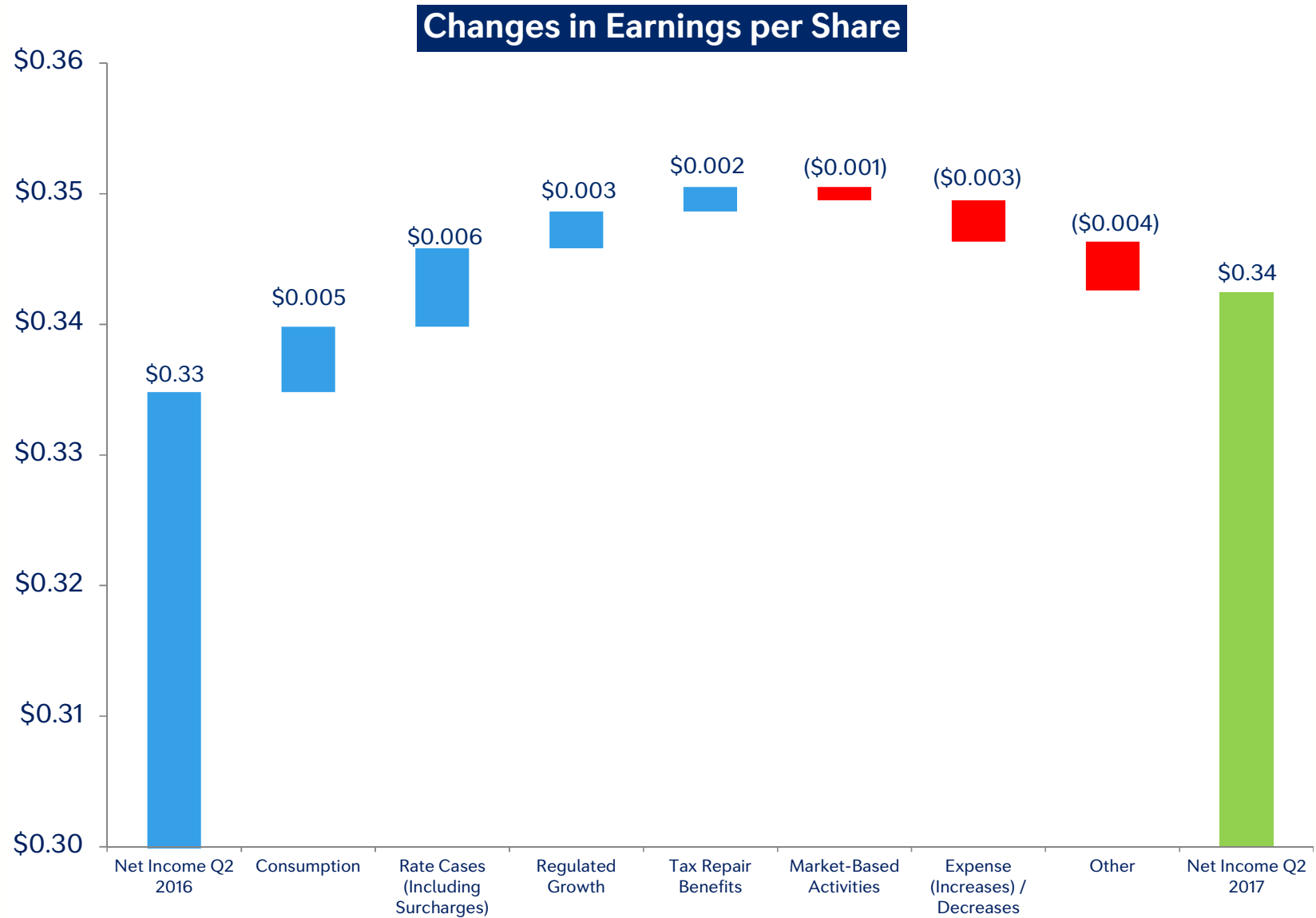
Operations & Maintenance Expenses

Q2 2017 vs. Q2 2016



Earnings per Common Share

Q2 2017 vs. Q2 2016



Rate Activity

2017 Completed Rate Cases and Infrastructure Surcharges

- Base rate cases or infrastructure surcharges completed in IN, IL, NJ, NC, PA and OH
- \$11.1 million in additional annualized revenue

2017 Pending Rate Cases

- Base rate cases in IL and VA with requested annualized revenue increase of \$14.0 million

*Additional rate activity information provided in Appendix

Growth Strategy Update

Dan Schuller

Executive Vice President



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Capitalizing on Our Competencies



2017 Acquisitions

As of August 2, 2017

State	Acquisitions Closed	Total Customers	Total Collective Purchase Price (\$thousands)
PA	1	740	\$5,545
IN	2	262	\$220
Total	3	1,002	\$5,765

0.5% Total Customer Growth

78% of Acquired Customers from Wastewater Systems

Pending Acquisition Activity

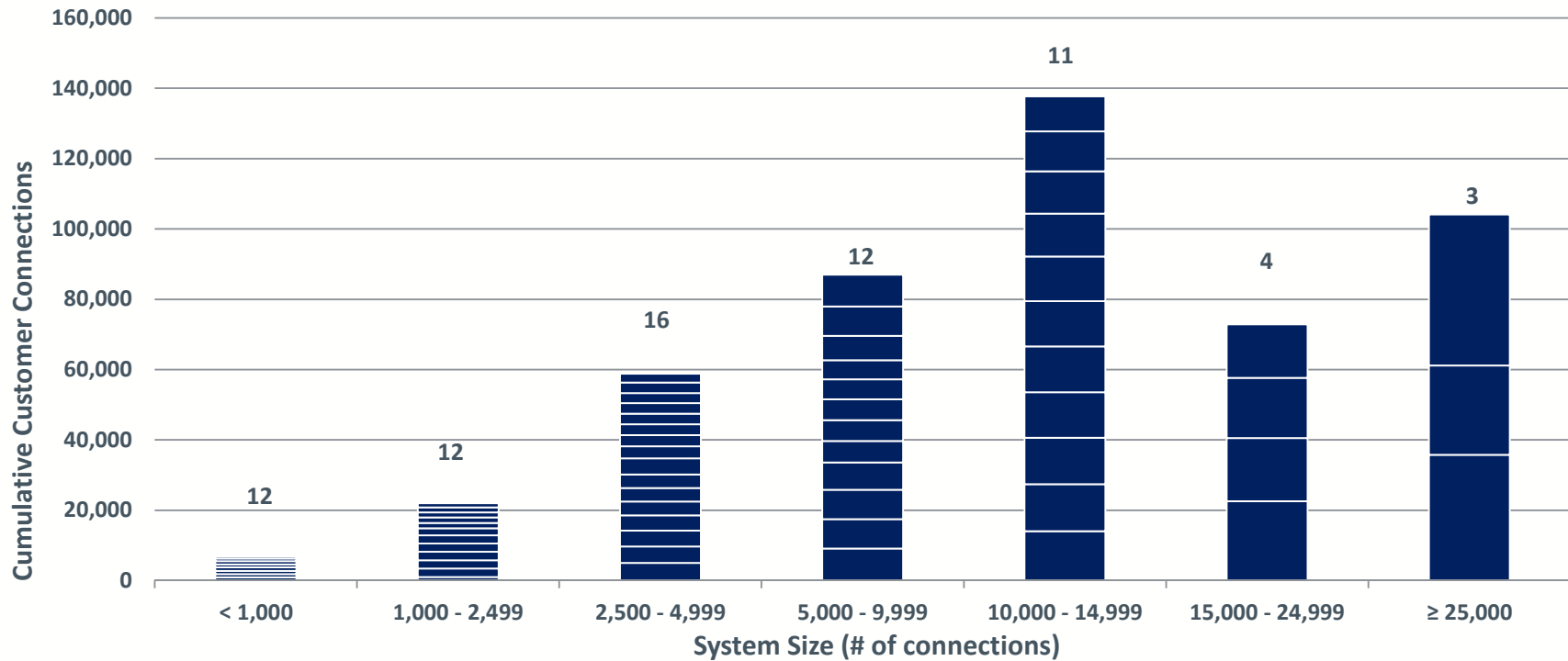
As of August 2, 2017

<u>Municipal Acquisitions</u>				
System	Type	Customers	Purchase Price (\$thousands)	
System A	Muni	5,400	\$75,100	
System B	Muni	2,100	\$29,500	
System D	Muni	600	\$3,600	
System E (Signed Q2)	Muni	2,987	\$12,300	
	Total	11,087	\$120,500	
Closed				
Tobyhanna, PA (System C)	Muni	740	\$5,545	
	Total	740	\$5,545	

Top 70 Prospects

As of July 24, 2017

On this Top 70 list, ~94% of prospective customers are from systems serving more than 2,500 customers, thus demonstrating that the shift toward larger targets has largely taken hold.



Total of ~500K connections

Market-Based Activities

Decisions by Segment

Segment		Outcome
Transportation Services	➔	Divested
Construction	➔	Contract Ended
Tri-State Grouting	➔	Divested
Field Services	➔	Divested
Cross-connection	➔	Divested
Consulting/Training	➔	Divested
Limited O&M	➔	Maintain
Home Services	➔	Maintain

\$35M of Revenue in 2015 vs. \$4M Annual Contribution, with a Positive Contribution to Net Income

2017

Christopher Franklin

President and Chief Executive Officer



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2017 Guidance

Earnings

- Full-year earnings per share between \$1.34 – \$1.39

Operations and Maintenance Expense

- Same-system O&M increase of 1 – 2% for full year

Capex

- More than \$450 million
- More than \$1.2 billion through 2019
- Rate base growth of approximately 6 – 7%

Rate Activity

- Aqua PA expected to file infrastructure investment charge in 2017
- Pennsylvania rate case filing likely in 2018, with resolution expected in 2019

Customer Growth

- 1.5 – 2% year-over-year customer growth

Q&A Session



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Thank You for Attending Aqua America's Second Quarter 2017 Earnings Call

2017 Third Quarter Earnings
Conference Call and Webcast
Wednesday, November 1, 2017

For more information contact:
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610.645.1191

Appendix

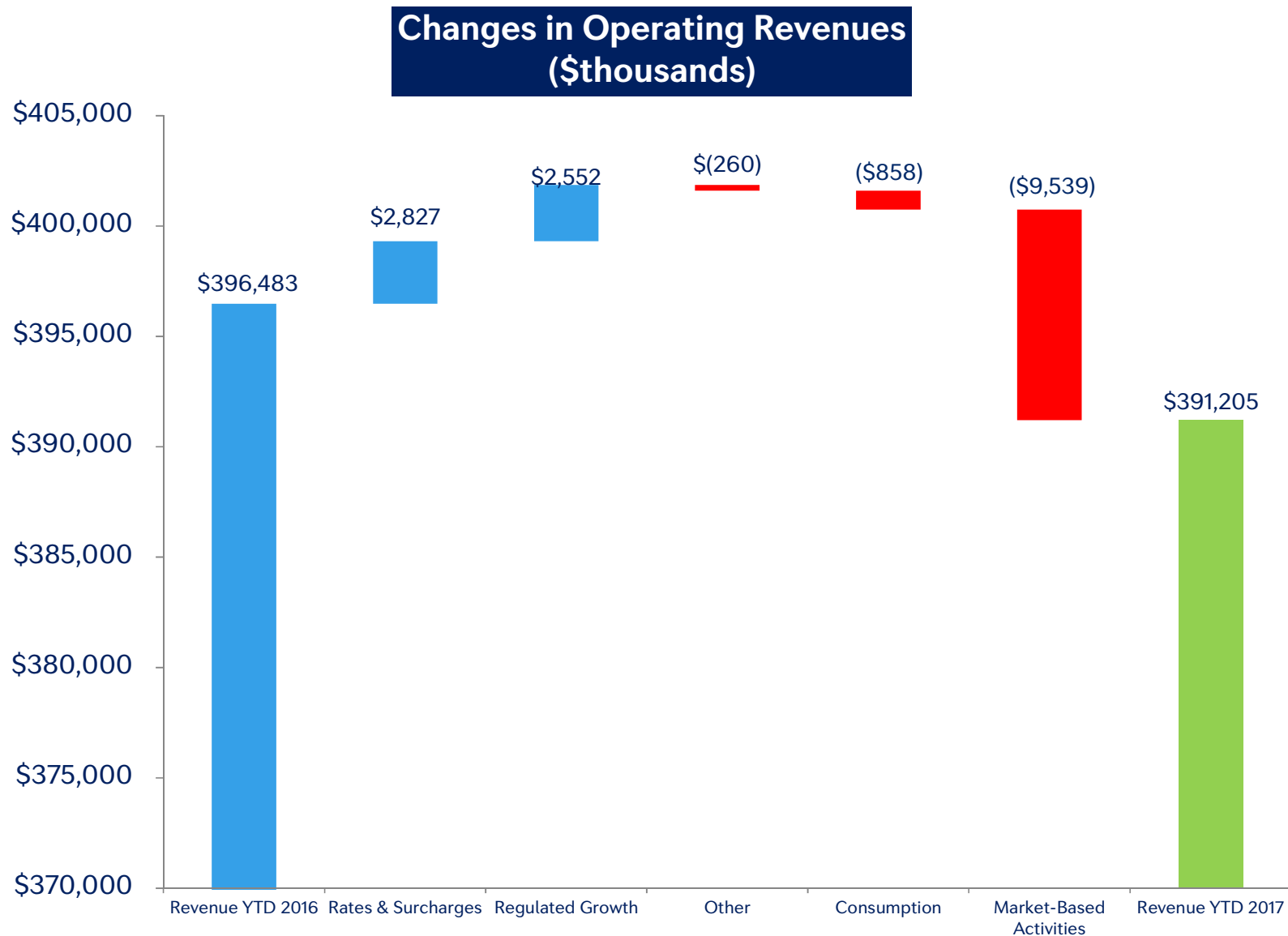


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Operating Revenues

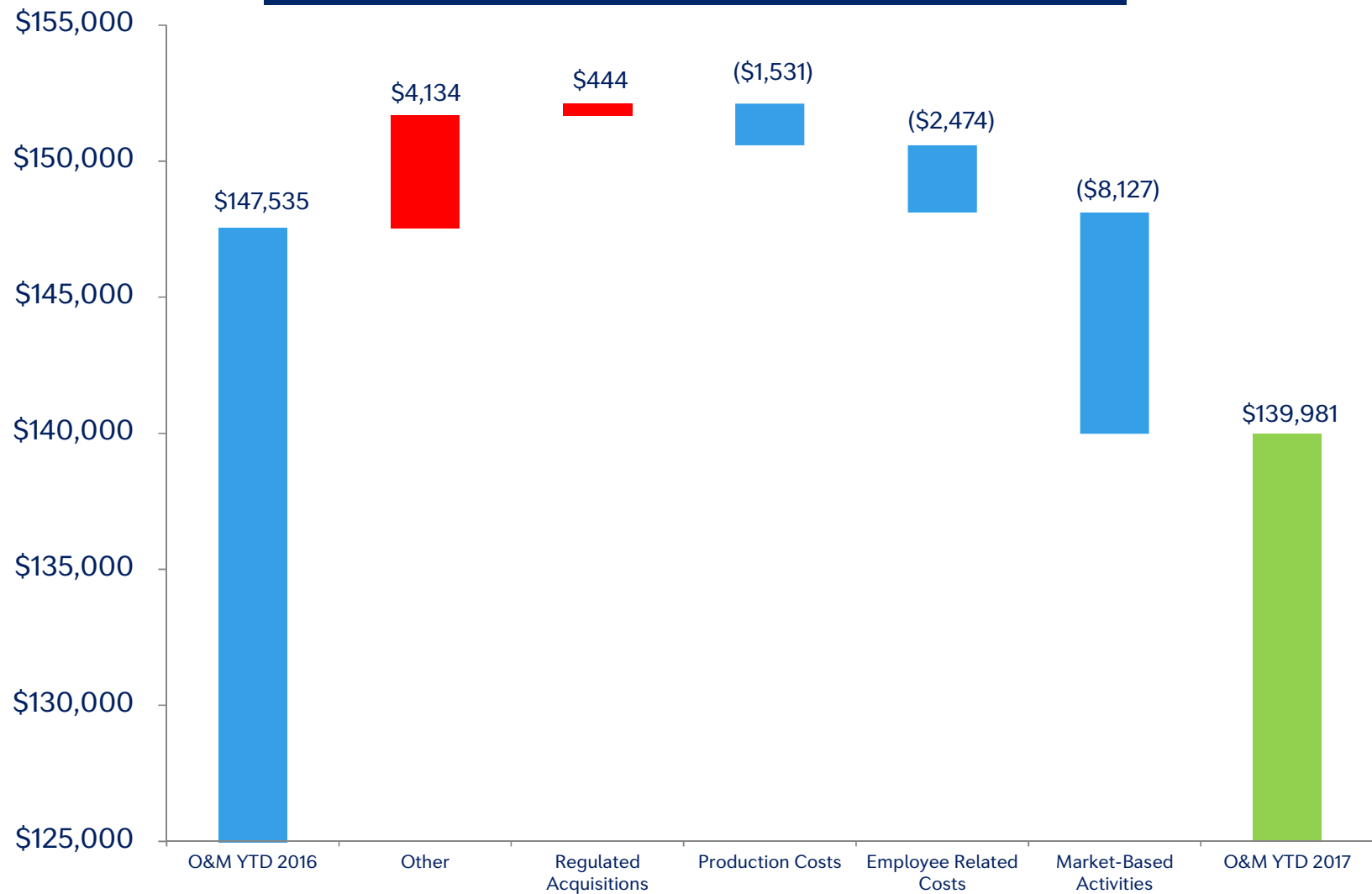
YTD June 30, 2017 vs. YTD June 30, 2016



Operations & Maintenance Expenses

YTD June 30, 2017 vs. YTD June 30, 2016

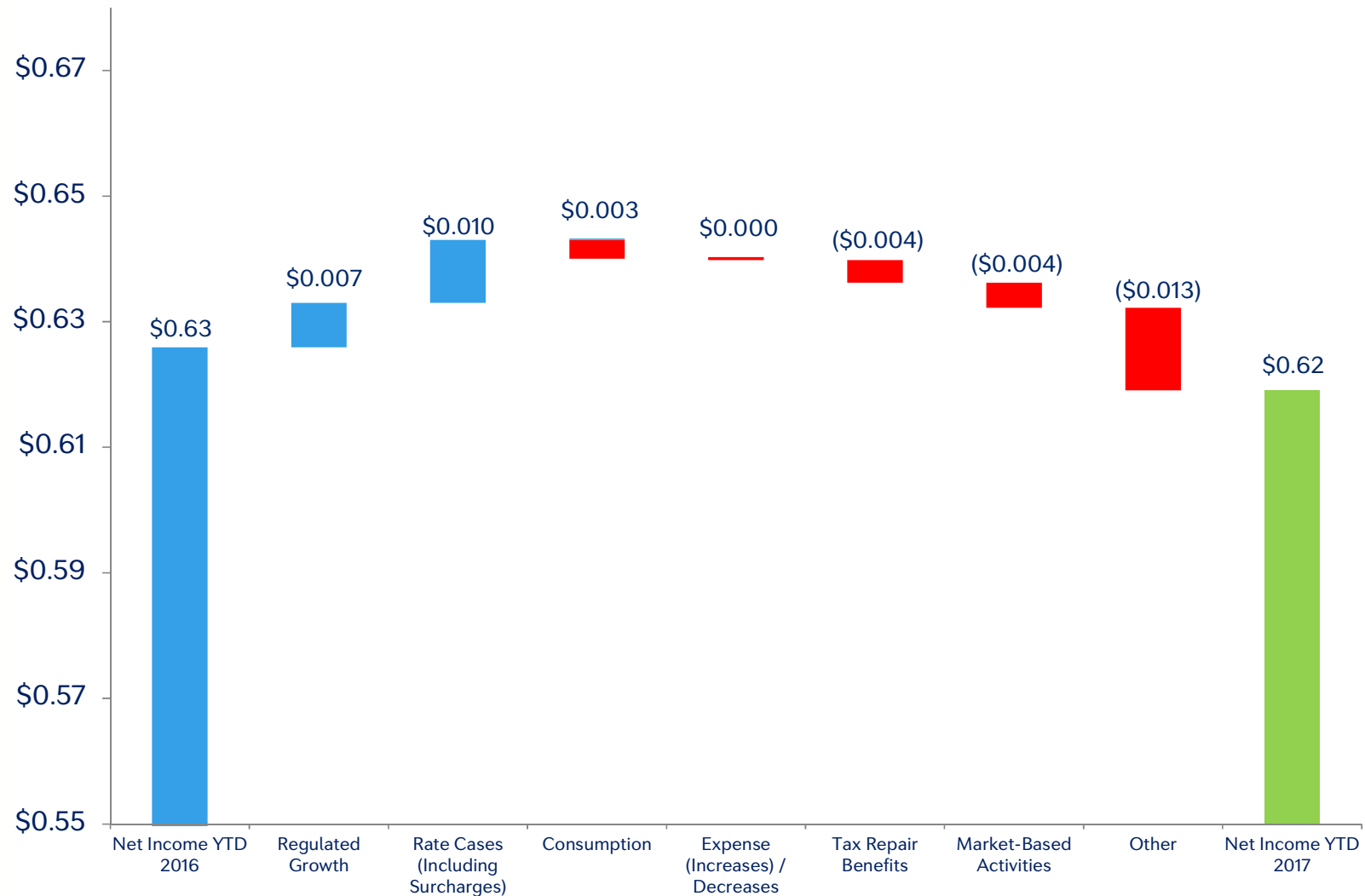
Changes in Operations and Maintenance Expenses (\$thousands)



Earnings per Common Share

YTD June 30, 2017 vs. YTD June 30, 2016

Changes in Earnings per Share



Rates and Infrastructure Surcharges Completed

as-of August 2, 2017

Rates or Surcharges Received in 2017			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Indiana	44752	Rate Case (ww)	\$1,896
Illinois	17-0131	Surcharge (w)	\$454
	17-0131	Surcharge (w)	\$660
	17-0131	Surcharge (ww)	\$42
	17-0131	Surcharge (w)	\$64
	17-0131	Surcharge (ww)	\$116
	17-0131	Surcharge (ww)	\$128
	17-0131	Surcharge (ww)	\$5
	New Jersey	N/A	Surcharge (w)
North Carolina	W-215-Sub-363A	Surcharge (w)	\$482
	W-215-Sub-363A	Surcharge (ww)	\$57
	W-215-Sub-363A	Surcharge (w)	\$25
	W-218-Sub-363A	Surcharge (w)	\$269
	W-218-Sub-363A	Surcharge (w)	\$55
	W-218-Sub-363A	Surcharge (ww)	\$28
	W-218-Sub-363A	Surcharge (w)	\$(1)
	W-218-Sub-363A	Surcharge (ww)	\$31

Rates and Infrastructure Surcharges Completed

as-of August 2, 2017

Rates or Surcharges Received in 2017			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Ohio	Ordinance # 22-2013	Rate Case (w)	\$731
	Ordinance # 14-041	Rate Case (w)	\$534
	16-0907-WW-AIR	Rate Case (w)	\$4,242
Pennsylvania	M-2017-2605860	Surcharge (w)	\$(9)
		Total	\$11,053

Rates and Surcharges differentiated by water (w) and wastewater (ww) systems

Rates and Infrastructure Surcharges Pending

as-of August 2, 2017

Rates Pending in 2017			
State	Docket Number	Type	Requested Annualized Revenue Increase (\$thousands)
Virginia	PUR-2017-00017	Rate Case (w)	\$67
	PUR-2017-00017	Rate Case (ww)	\$88
	PUR-2017-00082	Rate Case (w)	\$1,489
	PUR-2017-00082	Rate Case (ww)	\$399
Illinois	17-0259	Rate Case (w)	\$10,542
	17-0259	Rate Case (ww)	\$1,458
		Total	\$14,043

Rates and Surcharges differentiated by water (w) and wastewater (ww) systems

State by State Comparison

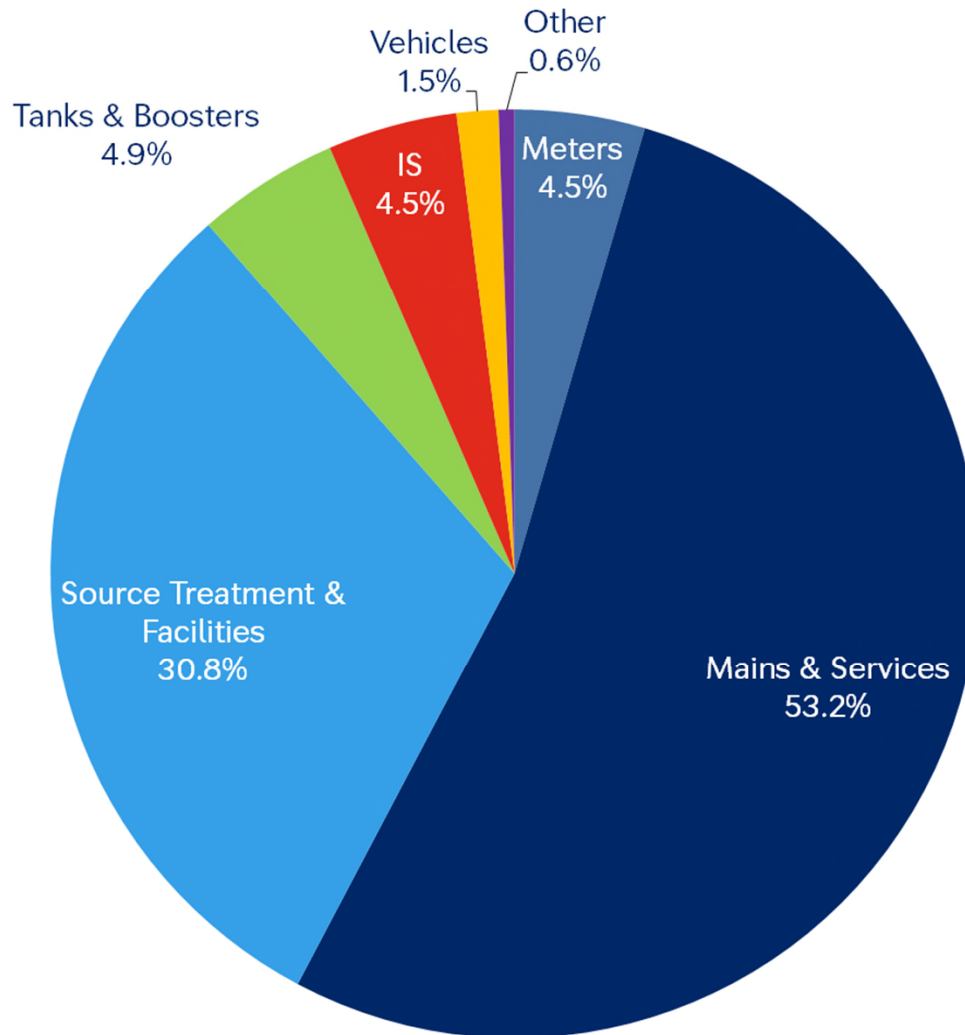
as-of December 31, 2016

State	Rate Base (\$millions)	Water Connections	Wastewater Connections
PA	\$2,603	434,787	20,440
OH	271	144,308	6,693
IL	239	63,494	9,753
TX	200	61,755	16,241
NJ	150	52,590	6,049
NC	136	78,835	17,585
IN	82	899	25,661
VA	69	25,489	7,686
Total	\$3,751	862,157	110,108

Capital Investment Spending

Regulated Operations

2017 to 2019 Capital Investment Breakdown



3 Year Total = +\$1.2 Billion