

# Investor Presentation

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AQUA<sup>SM</sup>

NYSE: WTR



June - 2016

# Forward Looking Statement

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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; changes in the valuation of our investment in our joint venture in the Marcellus shale region; 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, 2015, 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](http://www.aquaamerica.com)

# Company Overview



- Large multi-state water & wastewater company
- Strong balance sheet
- Proven growth model
- History of industry leading profitability
- Above average dividend growth

# Mission: Protecting and Providing Earth's Most Essential Resource

## Sustainability

### Customers

- Compliance
- Near 100% Reliability
- Responsible Rate Increases
- Trusted Partner
- Top of Class Customer Service

### Communities

- Regulatory Innovation
- Civic Involvement
- Steward of Environment
- Rebuild Infrastructure
- Promote Economic Growth

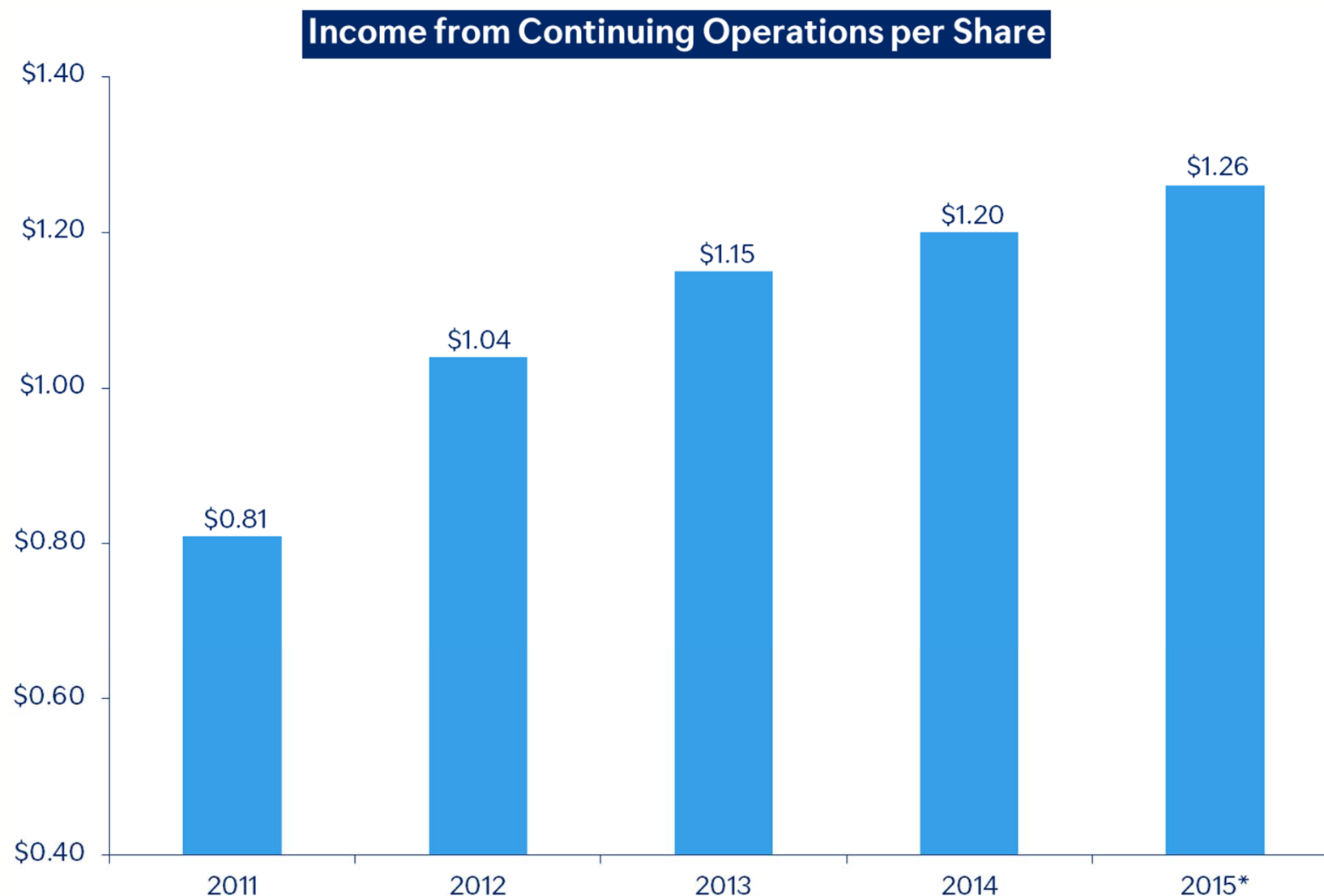
### Employees

- Concern for Work Life Balance
- Ensure a Safe Working Environment
- Demonstrate Fair Pay / Benefits
- Growth and Development Opportunities
- Utilize Technology to Improve Efficiency
- Labor/ Mgmt Partnership

### Shareholders

- Above Industry Average Long-term Growth
- Stable (Utility) Risk Profile
- Above Average Dividend Growth
- Buyback Opportunities

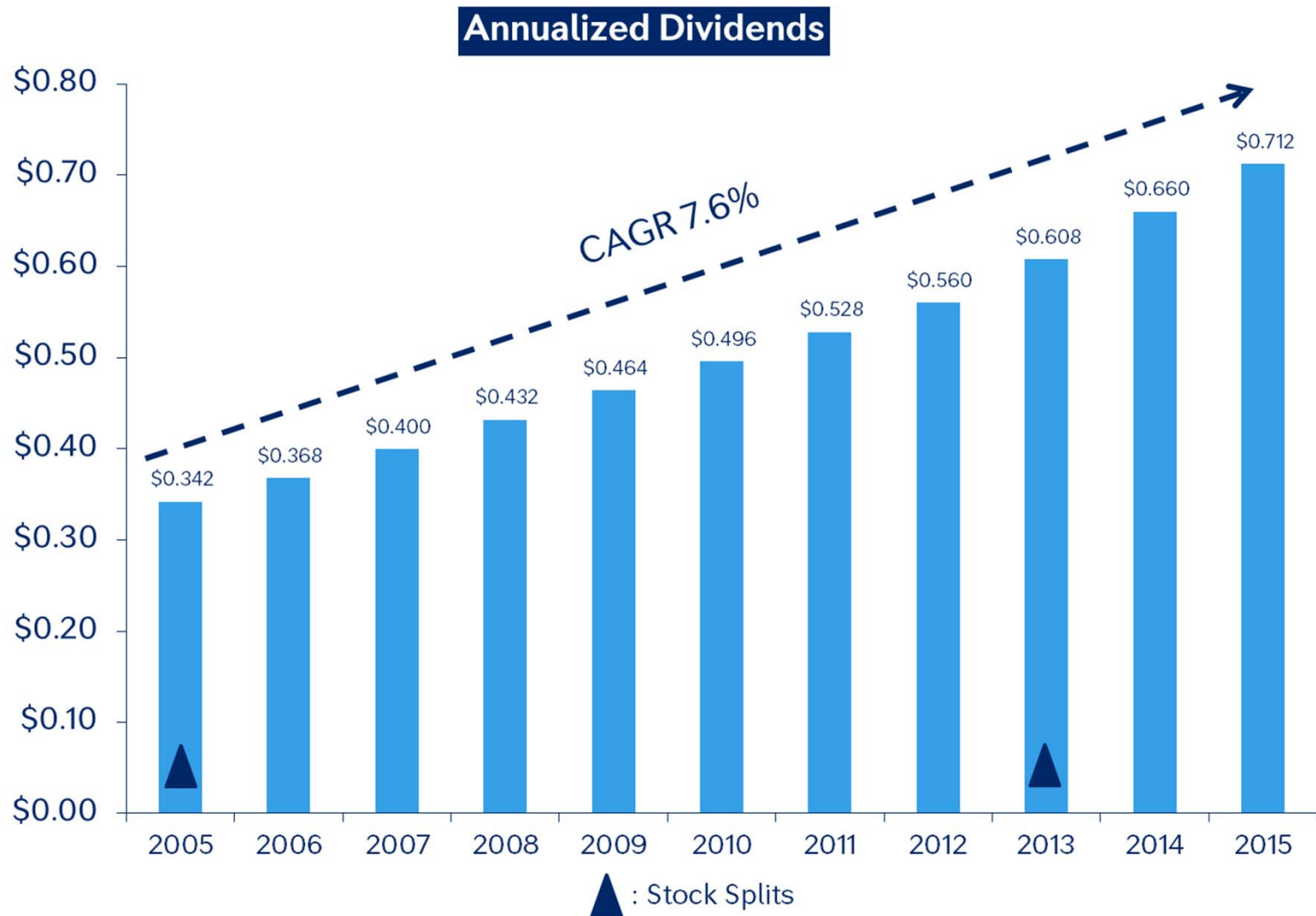
# Growth in Income from Continuing Operations per Share



\*2015: Income from continuing operations adjusted for joint venture impairment charge (a non-GAAP financial measure).  
2015 income from continuing operations per share was \$1.14

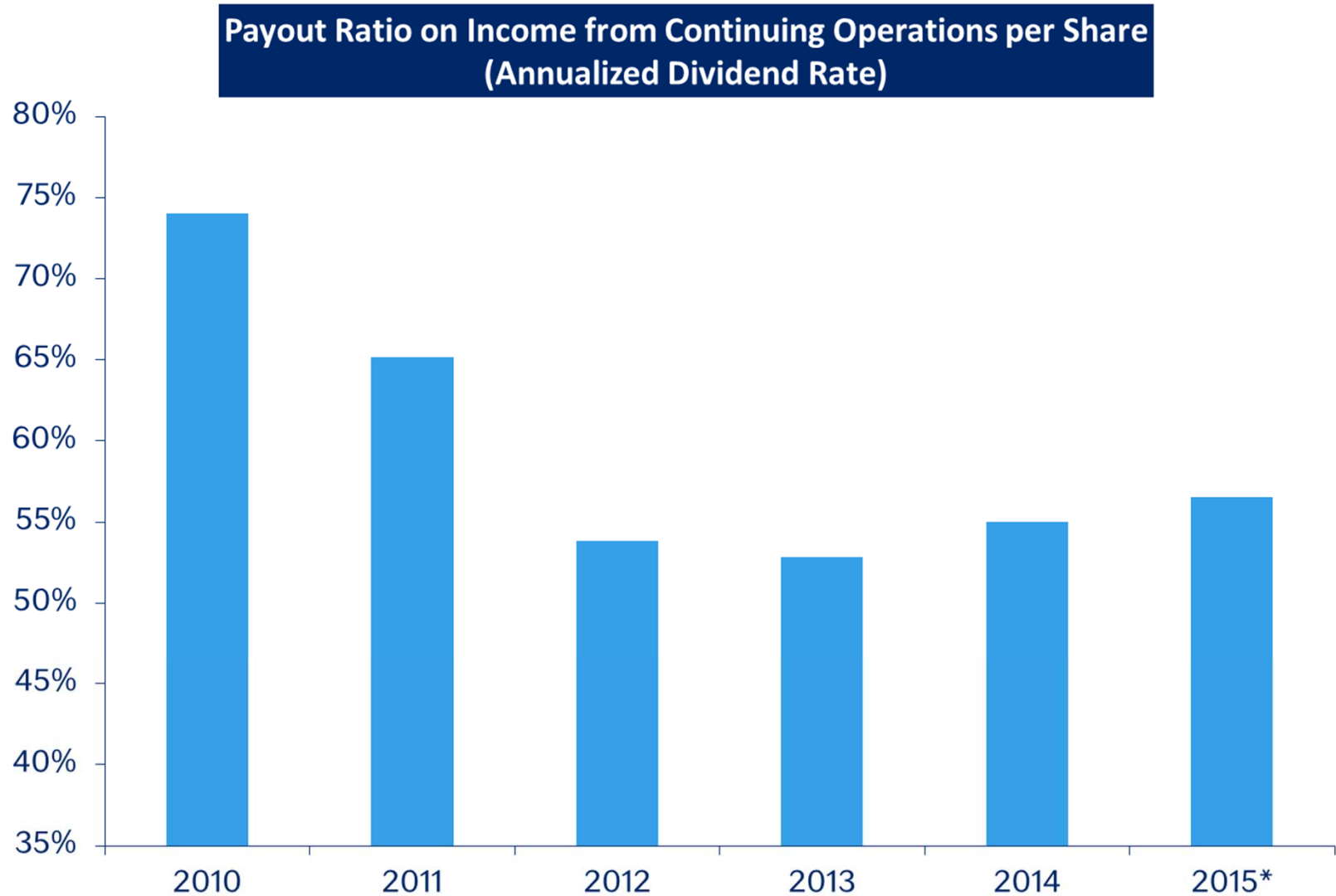
# Dividend History

7.9% increase to annualized dividend rate of \$0.712 effective 9/1/2015



Source: Aqua Annual Reports

# Change in Payout Ratio



Source: Aqua Annual Reports

\*2015 based on Adjusted Income from Continuing Operations per Share (Non-GAAP Measurement)

# 2016 First Quarter Highlights

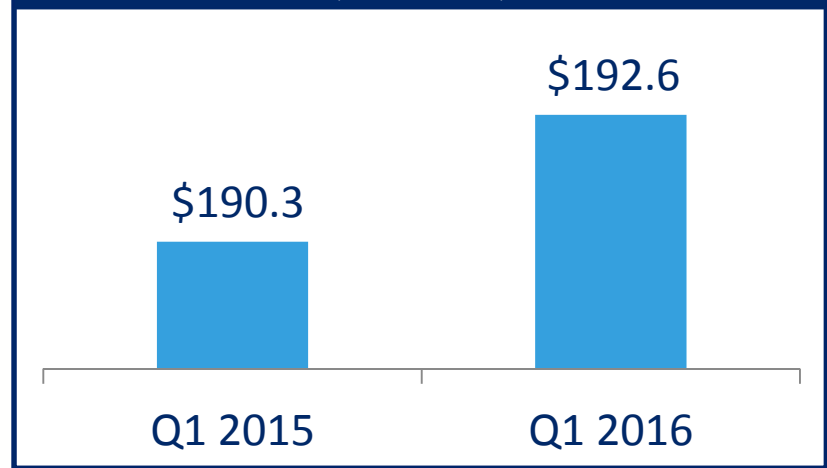
## Year-to-date Customer Growth

- 5,244 additional connections from acquisitions
- 0.5% customer growth from acquisitions

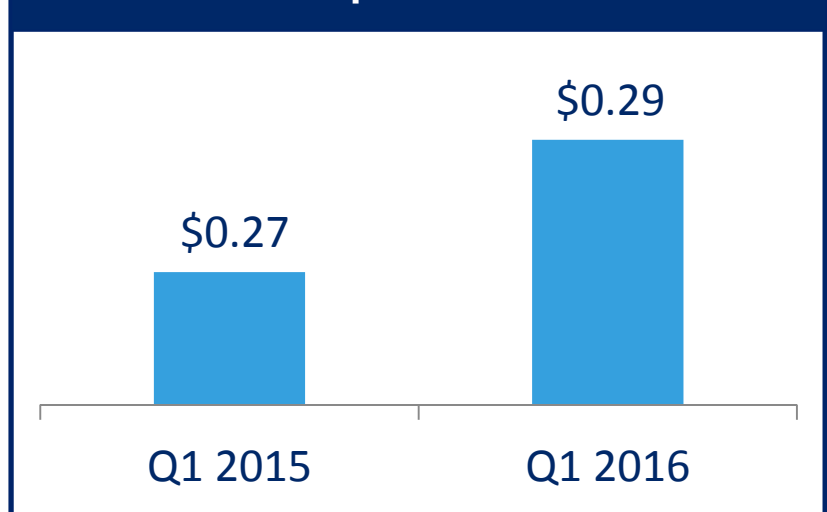
## Quarterly Cash Dividend of \$0.178

- 71<sup>st</sup> year of paying a consecutive quarterly dividend
- 25<sup>th</sup> dividend increase in 24 years

## Operating Revenue (\$millions)



## Net Income per Common Share





# 2016 First Quarter Financial Results

In millions except per share	Q1 2015		Q1 2016	Variance
Revenue	\$190.3	▲	\$192.6	1.2%
Operations and Maintenance Expense	\$73.2	▲	\$73.5	0.5%
Net Income	\$48.5	▲	\$51.7	6.6%
Net Income per Common Share	\$0.27	▲	\$0.29	7.4%



Favorable Change



Unfavorable Change

# U.S. Regulated Water and Wastewater Industry Overview



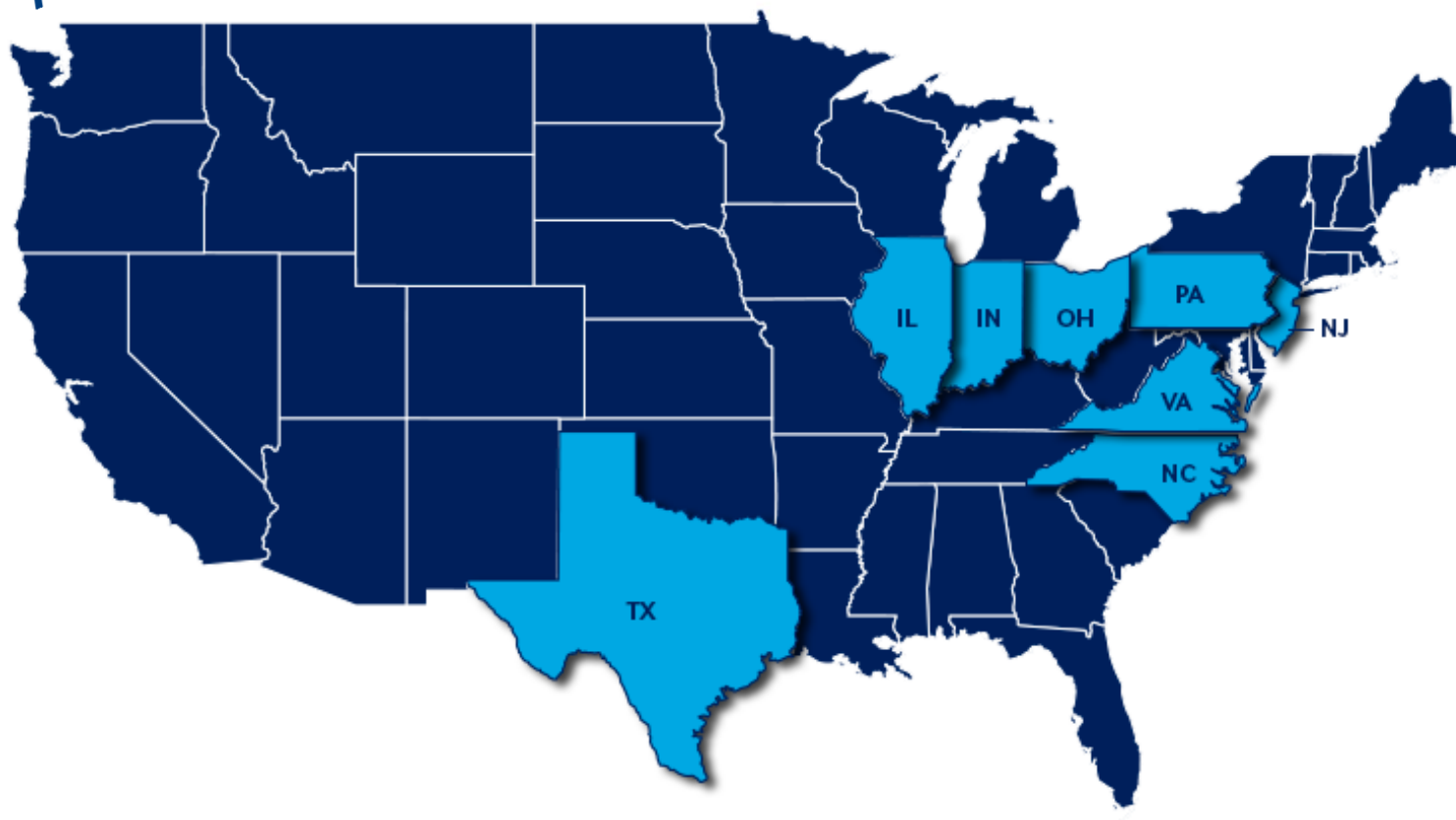
## Water

- 53,000 systems
- 85% of population served by municipalities
- Aqua serves 1% of U.S. population



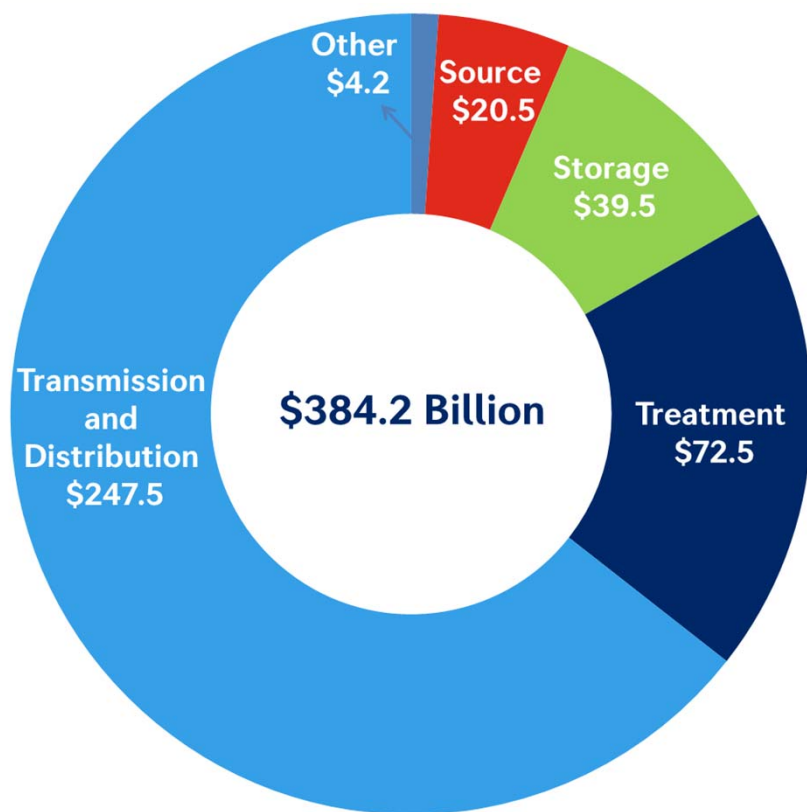
## Wastewater

- 16,000 systems
- 97% of population served by municipalities
- Aqua serves 0.1% of U.S. population



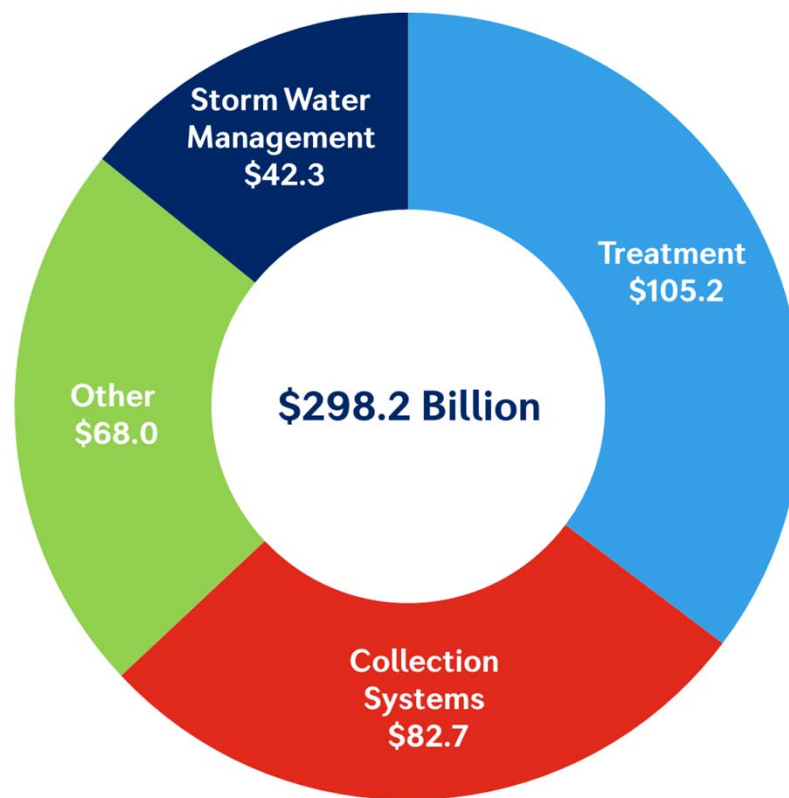
# EPA's Estimate of the National Need for Infrastructure Investment

## Water



Source: 2013 EPA Needs Survey

## Wastewater

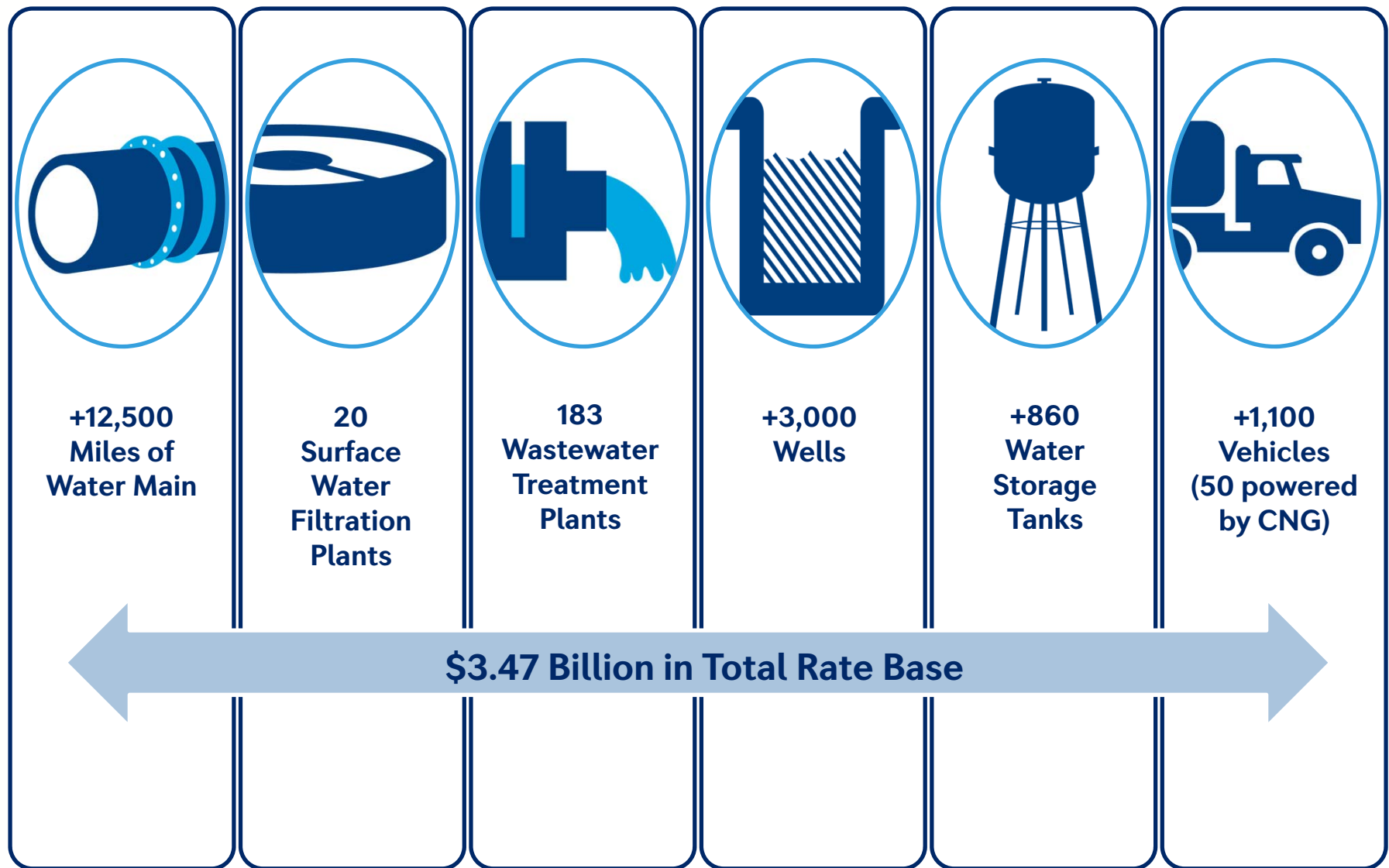


Source: 2013 ASCE Infrastructure Report Card

American Society of Civil Engineers Grade for Drinking Water and Wastewater Infrastructure = D

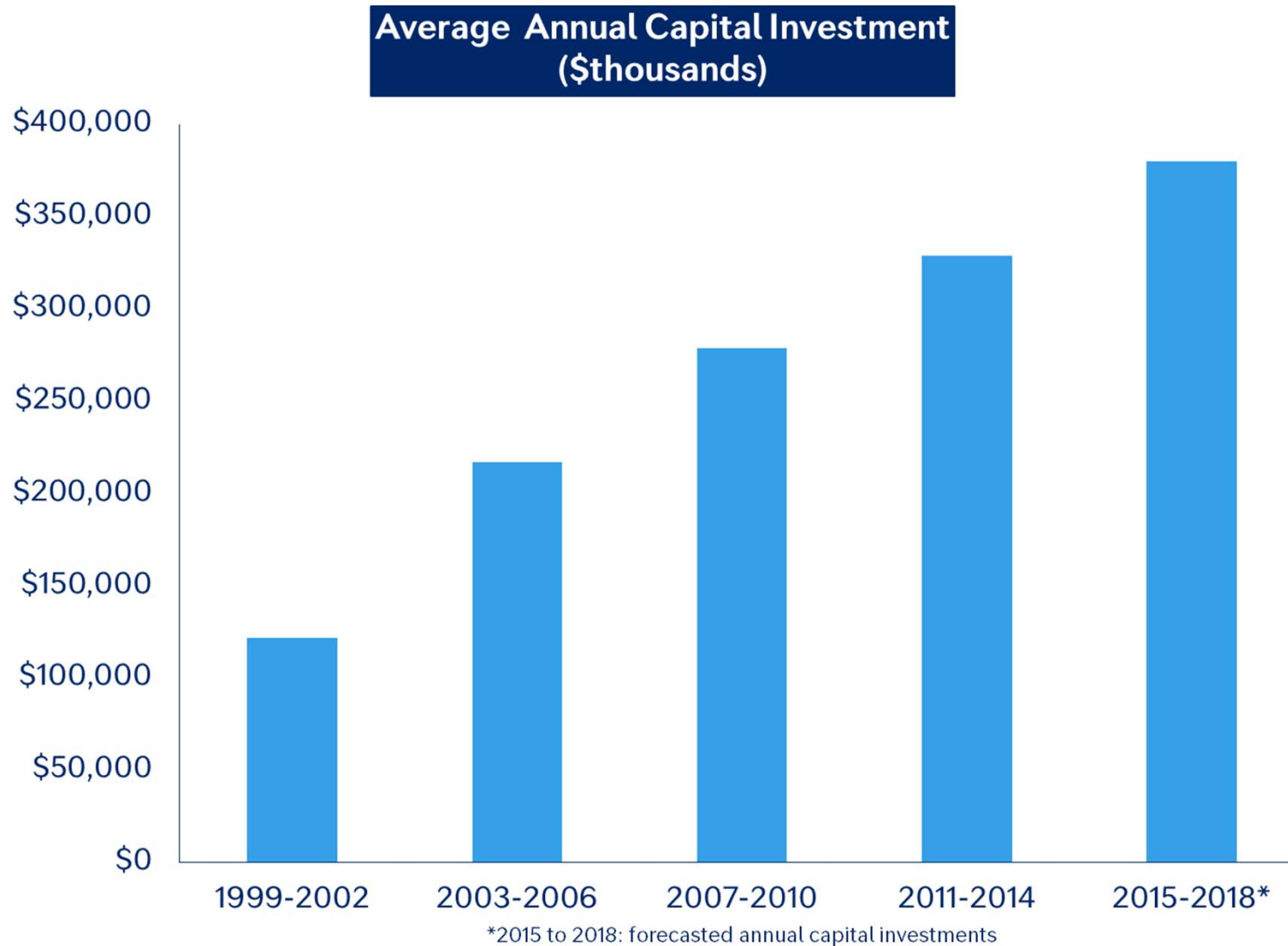
# Infrastructure Footprint

as-of December 31, 2015



# Building for the Future

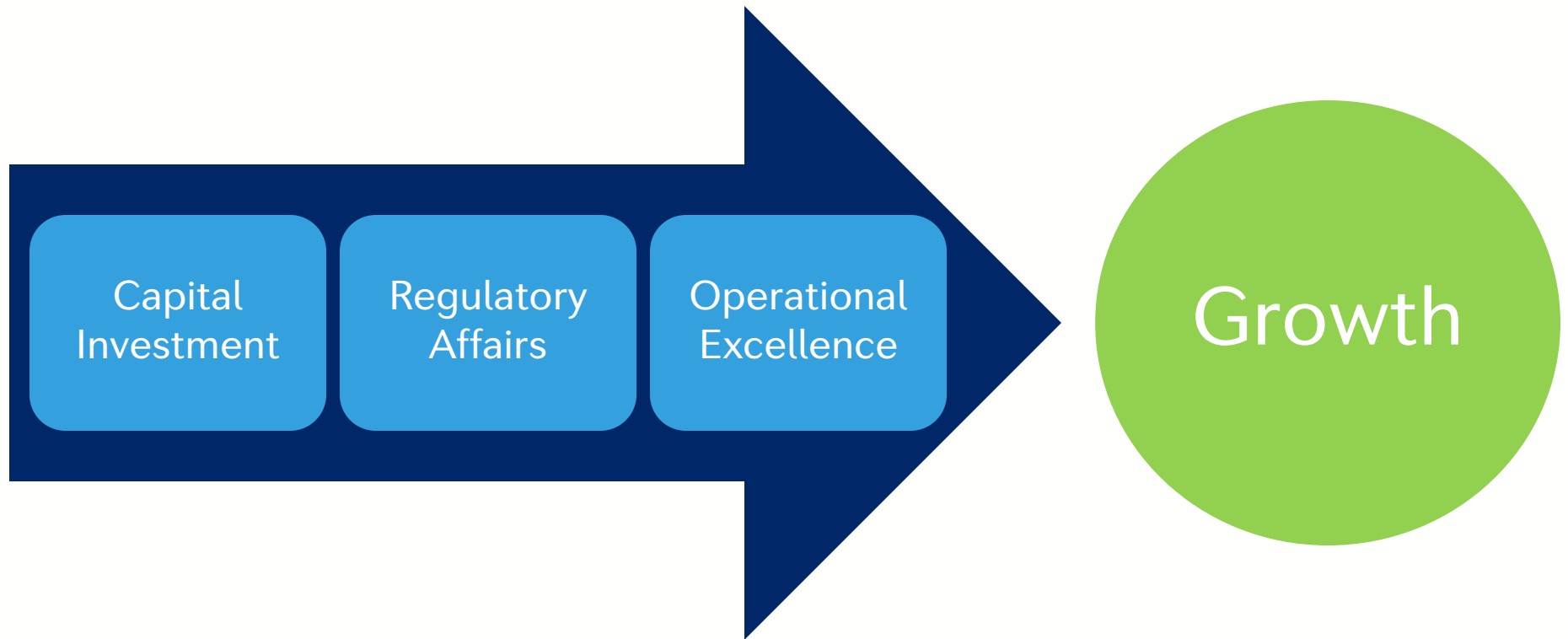
## Regulated Operations



**+\$1.1 Billion Planned for Next 3 Years**

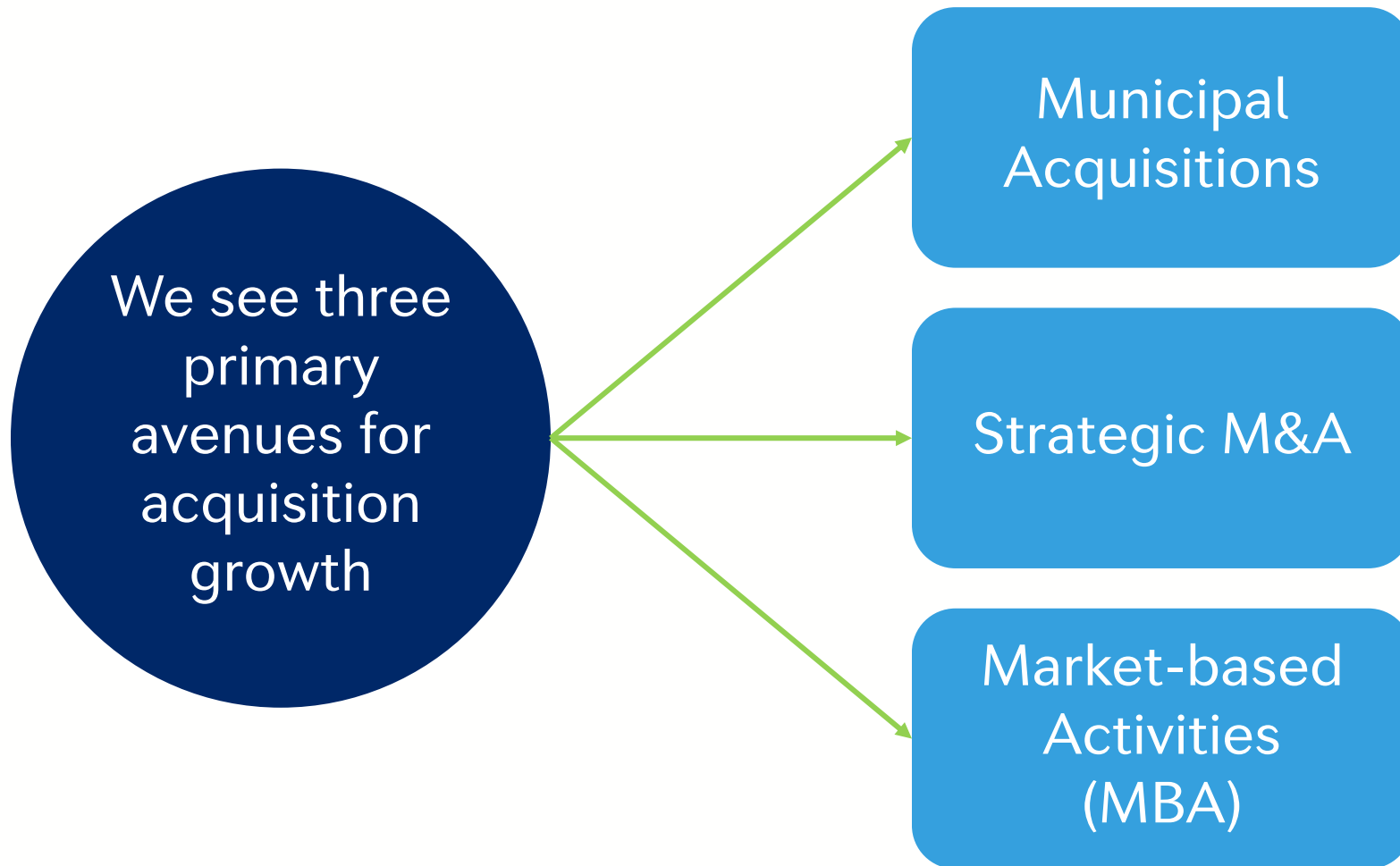
# Capitalizing on Our Competencies

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# Avenues for Acquisition Growth

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# Historical Acquisitions

While we have always been acquisitive, we are now focused on larger, municipal deals, and increasing our wastewater footprint

## 2000-2014

280 Total Acquisitions  
19 Munis - 18,000 connections  
261 IOUs - 404,000 connections  
  
422,000 Total Connections  
4% Munis  
96% IOUs  
  
96% Water Connections  
4% Wastewater Connections

Shift  
to  
Muni  
Focus

## 2015

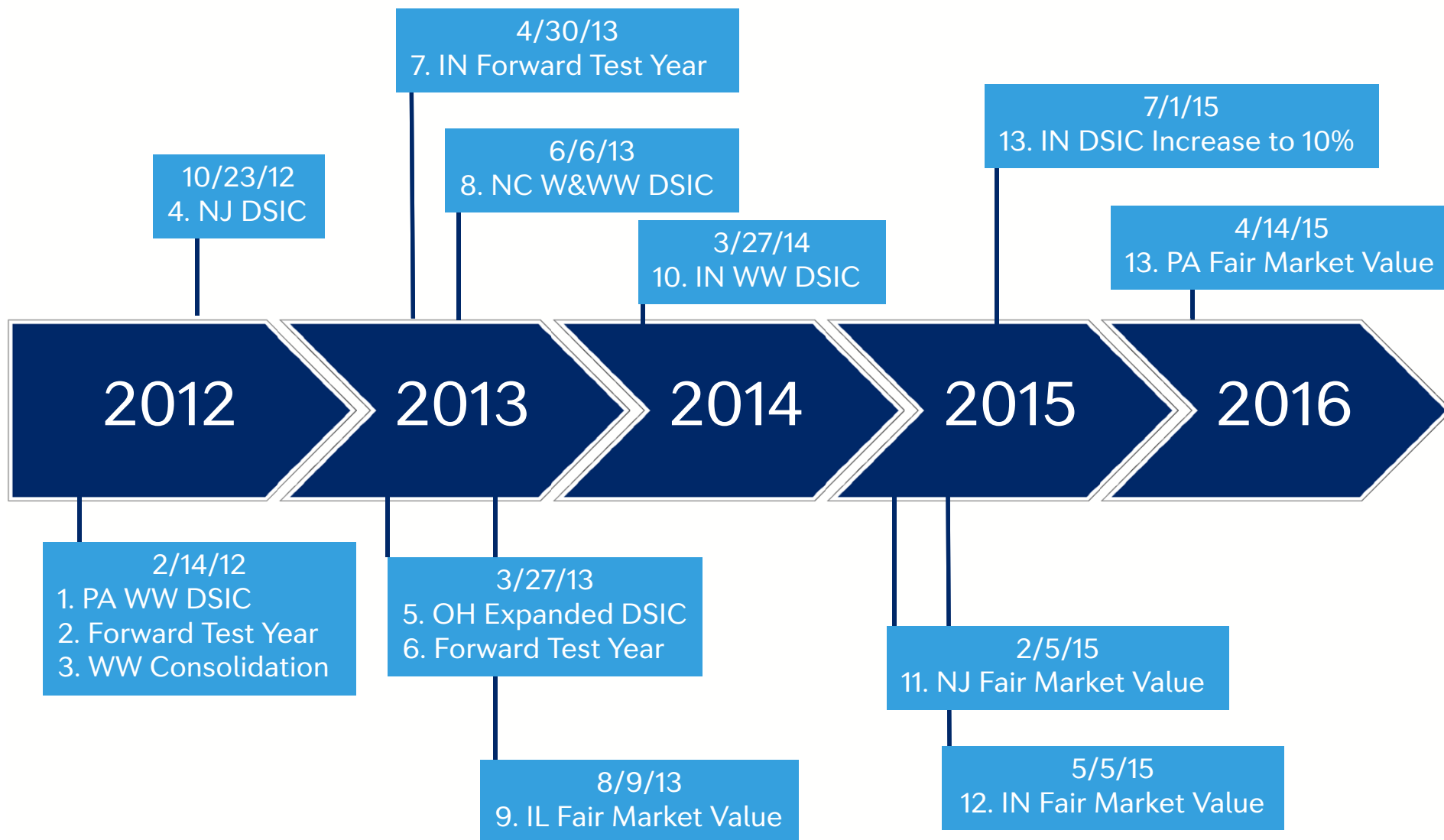
16 Total Acquisitions  
4 Munis – 7,900 connections  
12 IOUs – 2,700 connections  
  
10,621 Total Connections  
74% Munis  
26% IOUs  
  
70% Water Connections  
30% Wastewater Connections

1.1% customer growth  
via acquisitions in 2015

Going forward, municipal systems will be the primary source of tuck-in, regulated system acquisitions



# Emerging Water Regulatory Trends



*Additional information provided in appendix*

# Current Market-based Activities

## Decisions by Segment

Segment		Outcome
Transportation Services	➡	Divest
Construction	➡	Harvest
Field Services	➡	Liquidate
Cross-connection	➡	Liquidate
Consulting/training	➡	Liquidate
O&M Limited	➡	Maintain
Home Services	➡	Maintain

# 2016 Guidance

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## Earnings

- Full-year earnings per share between \$1.30 – \$1.35

## Customer Growth

- 1.5 – 2.0% year-over-year customer growth

## Capex

- More than \$350 million
- More than \$1.1 billion through 2018
- Ongoing rate base growth of approximately 6 – 7%

## Operations and Maintenance Expense

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

# What Aqua Represents to the Investor

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- Aqua is one of the largest, publicly traded water and wastewater companies, poised to address the nation's significant infrastructure needs
- Aqua is a balanced growth investment with a long track-record of dividend growth and strong performance
- Aqua's commitment to a strategic approach to growth
- Strong Balance Sheet
  - A+ S&P Rating (Aqua PA)
  - Capital structure 50:50
- Substantial Debt Capacity
  - Room on balance sheet for growth

# Valuation Differentiators

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- Scarcity of publicly traded water utilities of size
  - Strong regulatory relations
  - DSIC – limits regulatory lag
  - Capital spend is discretionary
  - No fuel or commodity expense
  - Customer & market share growth potential
  - Footprint in 8 states
- More than 95% of revenue derived from regulated operations
  - Long-term earnings growth history
  - Consistent long term dividend growth
  - Monopoly status/Regulated model
  - A+ credit rating (Aqua PA)
  - Strong metric comparisons
  - Success of acquisition strategy
  - Nominal goodwill on books

# Appendix

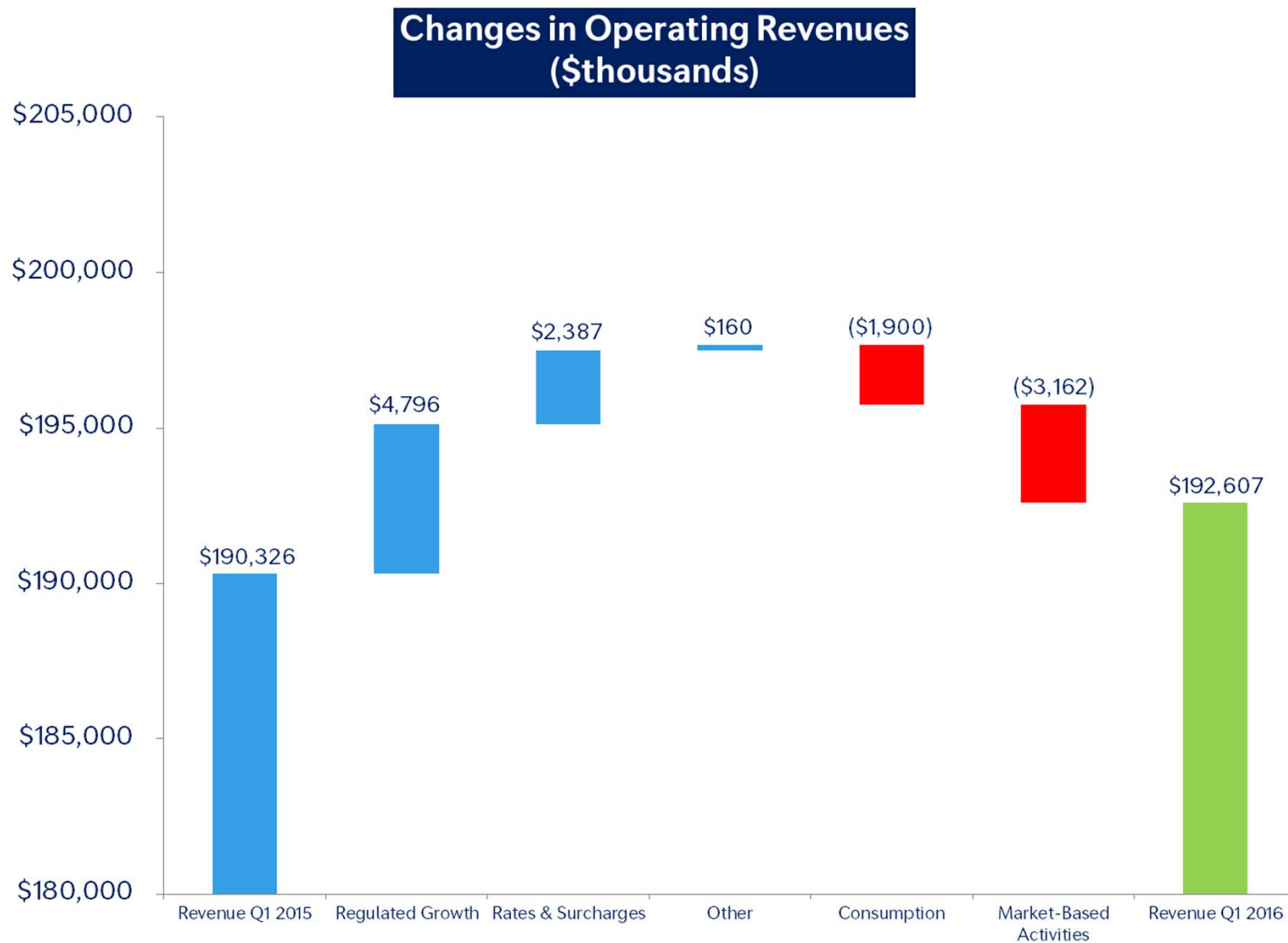


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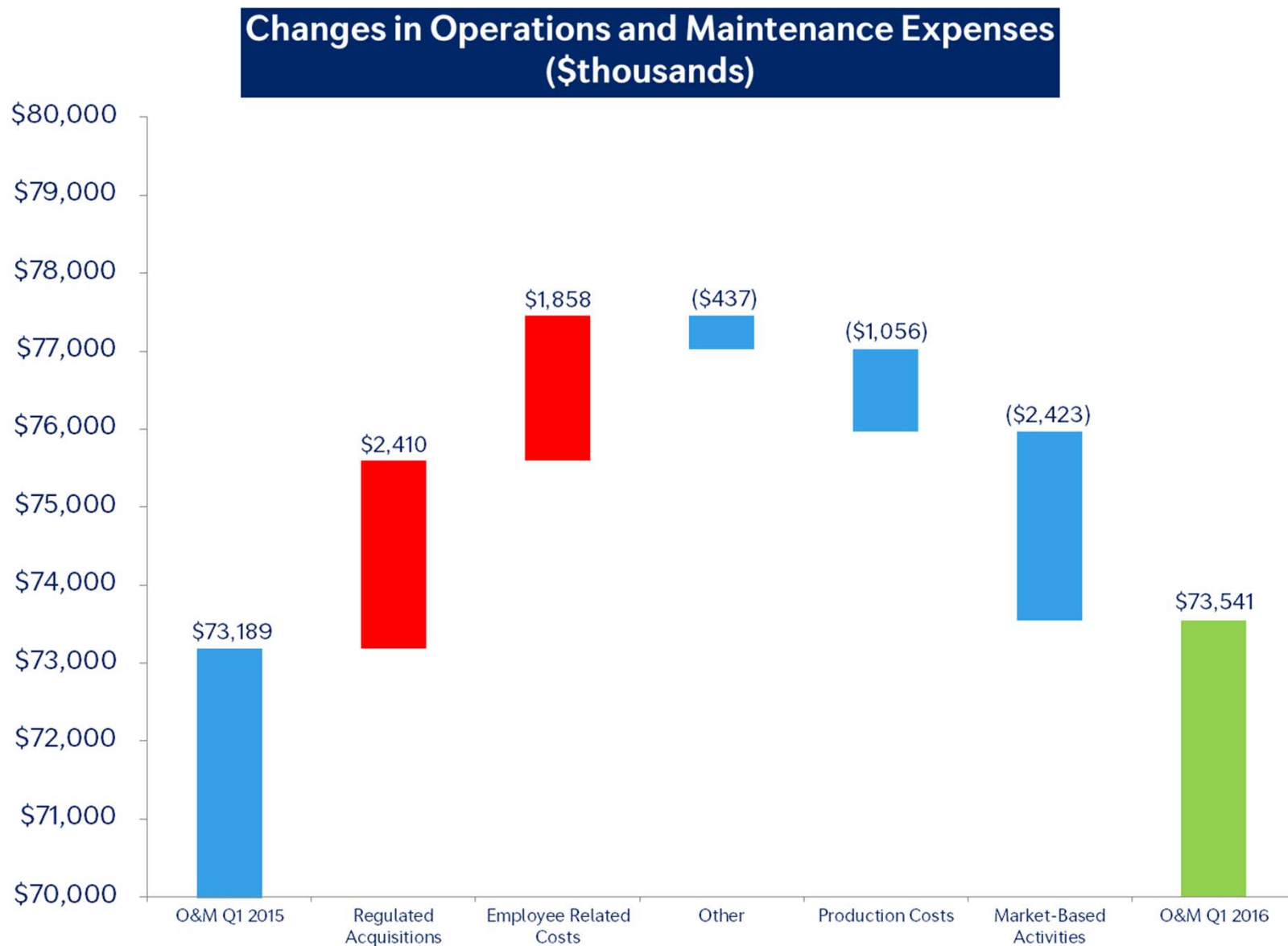
# Operating Revenues

Q1 2016 vs. Q1 2015



# Operations & Maintenance Expenses

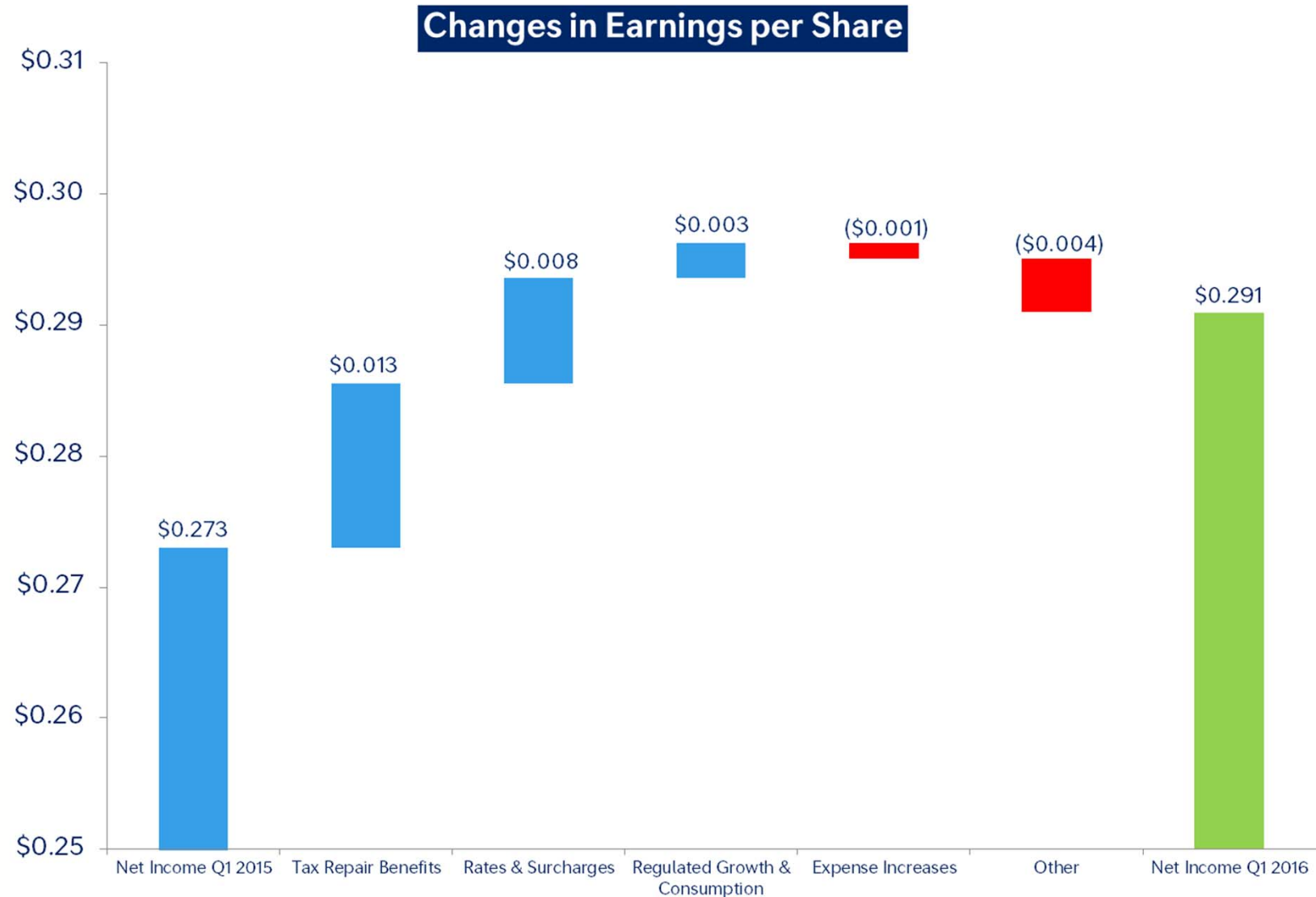
Q1 2016 vs. Q1 2015





# Earnings per Common Share

## Q1 2016 vs. Q1 2015



# 2016 Acquisitions

as-of May 3, 2016

System	Date Closed	Water Customers	Wastewater Customers	Total Customers
Superior, PA	1/1/2016	4,108	-	4,108
Eastwood Manor, IL	2/23/2016	321	-	321
Crystal Clear, IL	4/19/2016	293	-	293
Nunda, IL	2/23/2016	166	-	166
Greenwood Gardens, IL	3/29/2016	72	72	144
Galena WW System, IN	1/29/2016	-	120	120
Clear Meadow, NC	3/14/2016	62	-	62
Twin Cedars, VA	4/7/2016	30	-	30
<b>Total</b>		<b>5,052</b>	<b>192</b>	<b>5,244</b>

# Rates and Infrastructure Surcharges Completed

as-of May 3, 2016

Rates or Surcharges Received in 2016			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Illinois	N/A	Surcharge (w)	\$765
North Carolina	W-215-Sub-363A	Surcharges (w/ww)	604
Ohio	Ordinance # 22-2013	Rate Case (w)	777
	Ordinance # 14-041	Rate Case (w)	598
Texas	2012-1058-UCR	Rate Case (w)	225
Virginia <sup>1</sup>	PUE-2014-00045	Rate Case (w/ww)	1,490
		Total	\$4,459

1. Including \$1.1 million of revenues recognized under interim rates during 2015

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

# Rates Pending

as-of May 3, 2016

Rates Pending in 2016			
State	Docket Number	Type	Requested Annualized Revenue Increase (\$thousands)
New Jersey	WR16010089	Rate Case (w)	\$2,536
Indiana	44752	Rate Case (ww)	2,372
Virginia	N/A	Rate Cases (w/ww)	144
		Total	\$5,052

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

# States with Infrastructure Surcharges

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State	Allowed Surcharge
OH	12.75% water 9% wastewater
IN	10%
PA	7.5% water 5% wastewater
NJ*	5%
IL	5%
NC	5%

\* Water only

# Valuation Legislation

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**Illinois** – appraisal value legislation effective August 2013



**Indiana** – legislation to facilitate acquisition of distressed utilities effective May 2015



**New Jersey** – legislation to facilitate acquisition of “troubled systems” effective February 2015



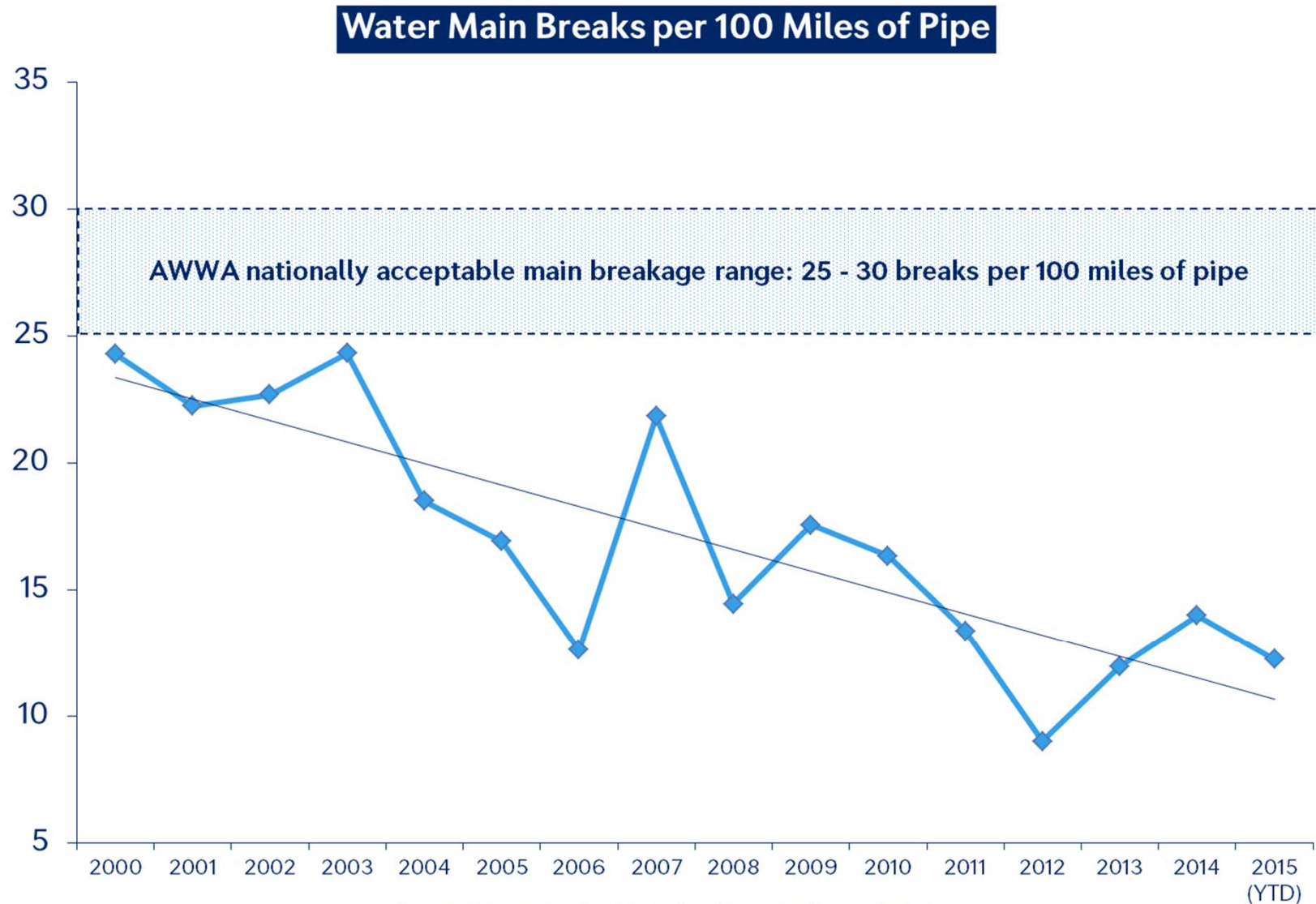
**Pennsylvania** – fair market valuation effective April 2016

# State by State Comparison

as-of Dec. 31, 2015

State	Rate Base (\$millions)	Water Connections	Wastewater Connections
PA	\$2,411	427,309	19,784
OH	256	143,598	6,654
IL	213	62,591	9,634
TX	193	60,473	15,809
NJ	134	52,072	5,994
NC	124	78,133	17,248
IN	73	881	24,821
VA	65	25,271	7,594
<b>Total</b>	<b>\$3,470</b>	<b>850,328</b>	<b>107,538</b>

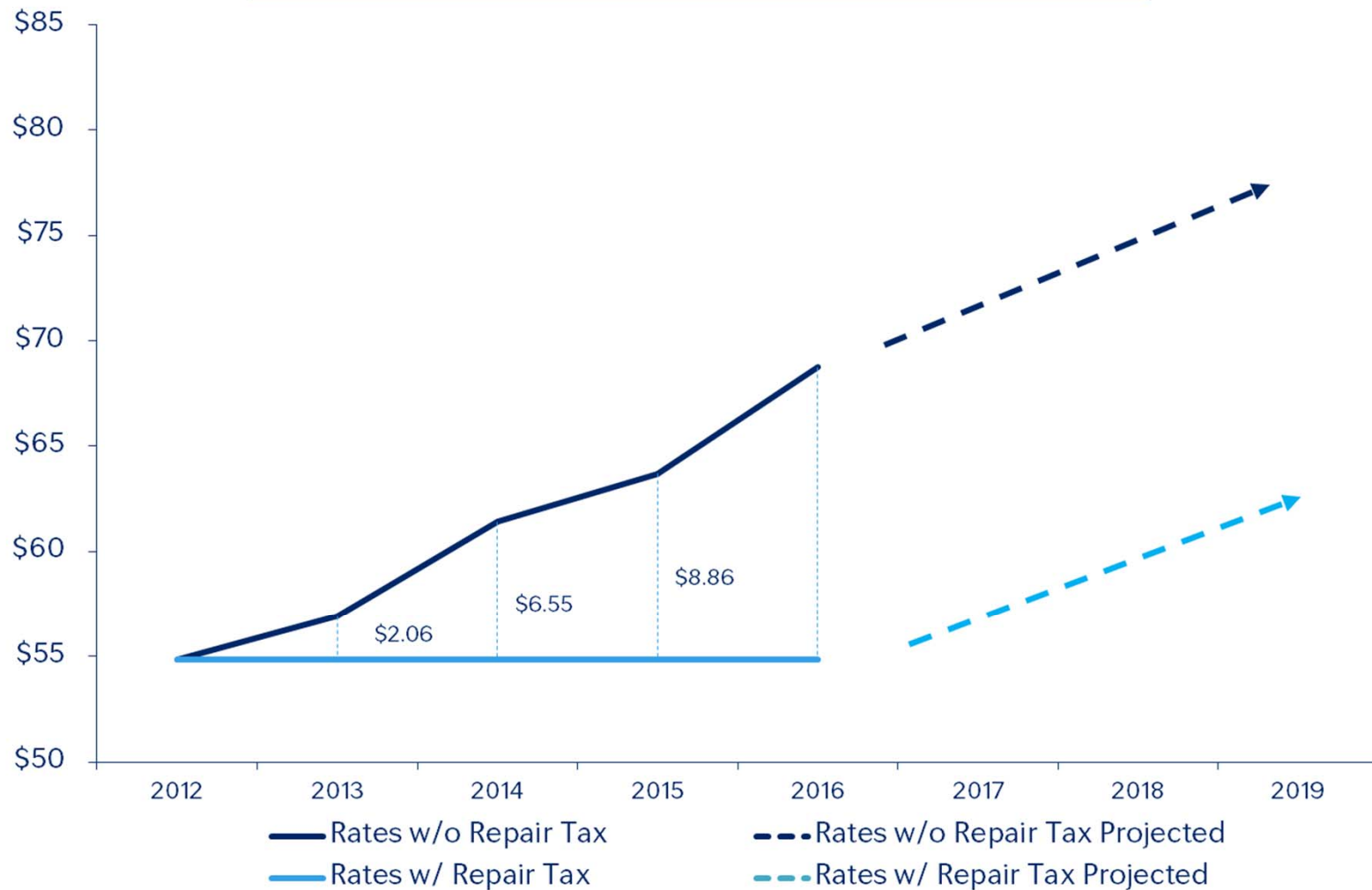
# Aqua S.E. Pennsylvania Main Break Averages





# Repair Deduction Benefits

**Projected Aqua Pennsylvania Customer Water Rates**

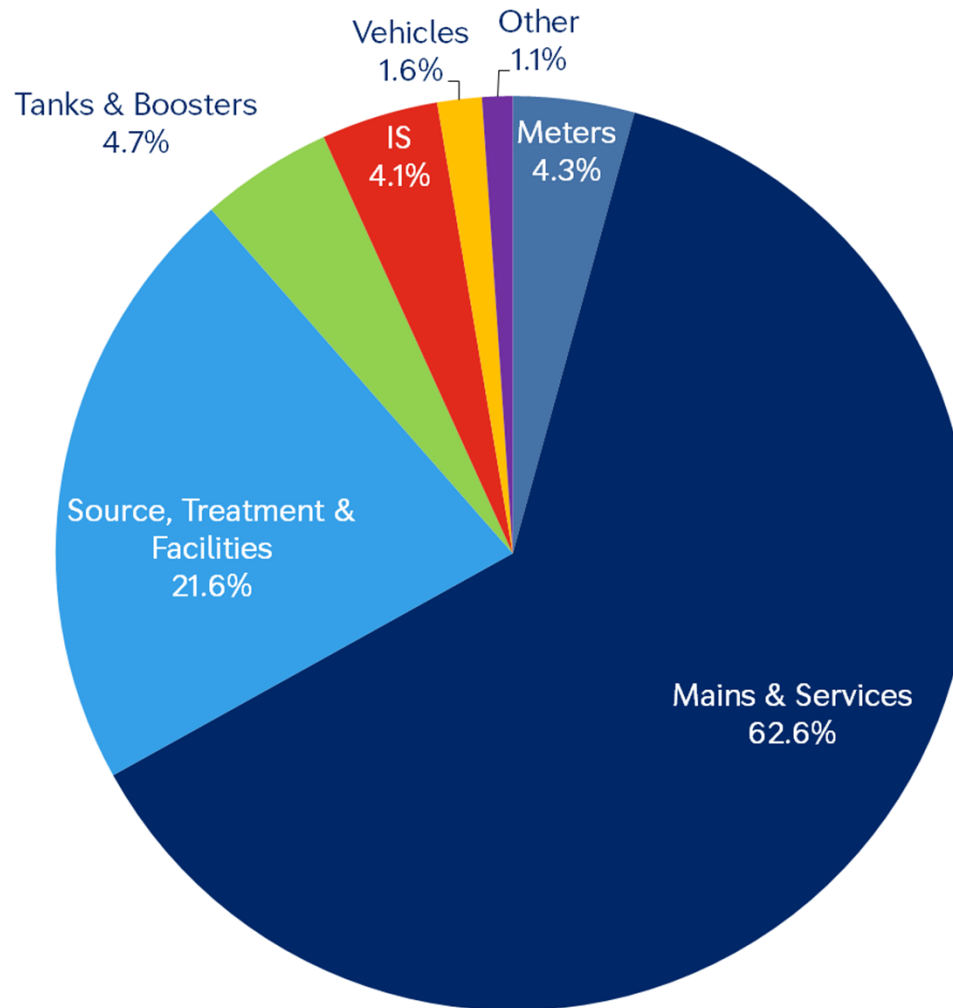


Rates based on usage of 4,000 gallons per month

# Capital Investment Spending

## Regulated Operations

### 2016 to 2018 Capital Investment Breakdown



**3 Year Total = +\$1.1 Billion**