



# 2015 Second Quarter Earnings Call

August 5, 2015

**AQUA**<sup>SM</sup> NYSE: WTR

# Forward Looking Statements

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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; the success of cost containment initiatives, including 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 effect of regulation on consolidation of the industry; the ability to generate earnings from capital investment; and other factors discussed in our Form 10-K for the fiscal year ended December 31, 2014, 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)

# Today's Participants

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Nicholas DeBenedictis  
Chairman



Christopher Franklin  
Chief Executive Officer



David Smeltzer  
EVP and Chief Financial Officer



Brian Dingerdissen  
Chief of Staff

# Introduction

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**Nicholas DeBenedictis**  
**Chairman**

# Topics for Today's Call

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Second Quarter 2015 Highlights

CEO Commentary and Outlook

Update on Regulated Operations

Summary of Financial Results

2015 Guidance

# Second Quarter 2015 Highlights

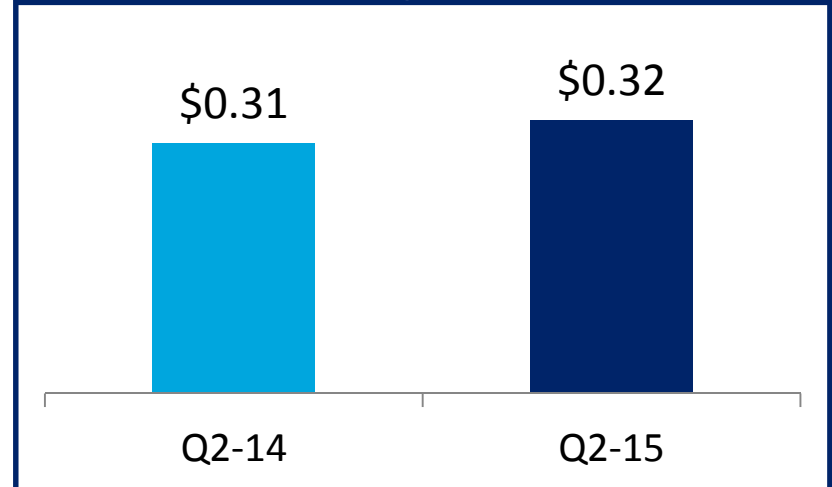
## 8 Acquisitions Closed Year-to-Date

- 3 municipal
- 5 private
- Combined with organic growth, represents 1.2% increase to overall customer-base

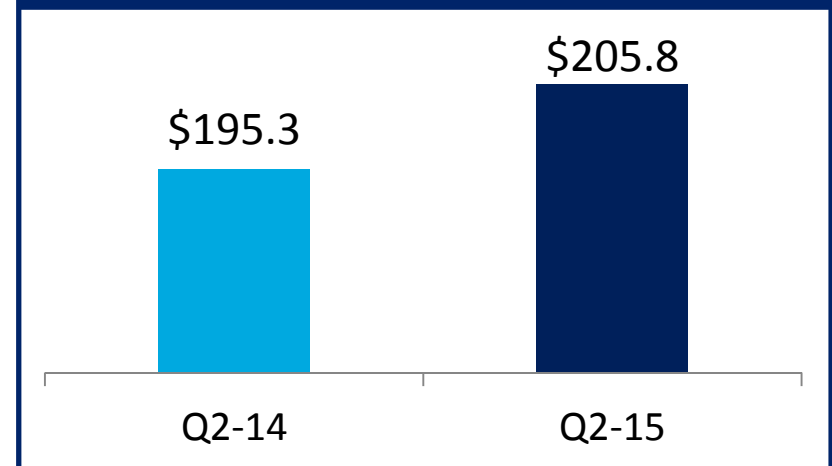
## Quarterly Cash Dividend of \$0.178

- Increase of \$0.013, or 7.9%
- 25<sup>th</sup> dividend increase in 24 years

## Diluted Earnings Per Share Continuing Operations

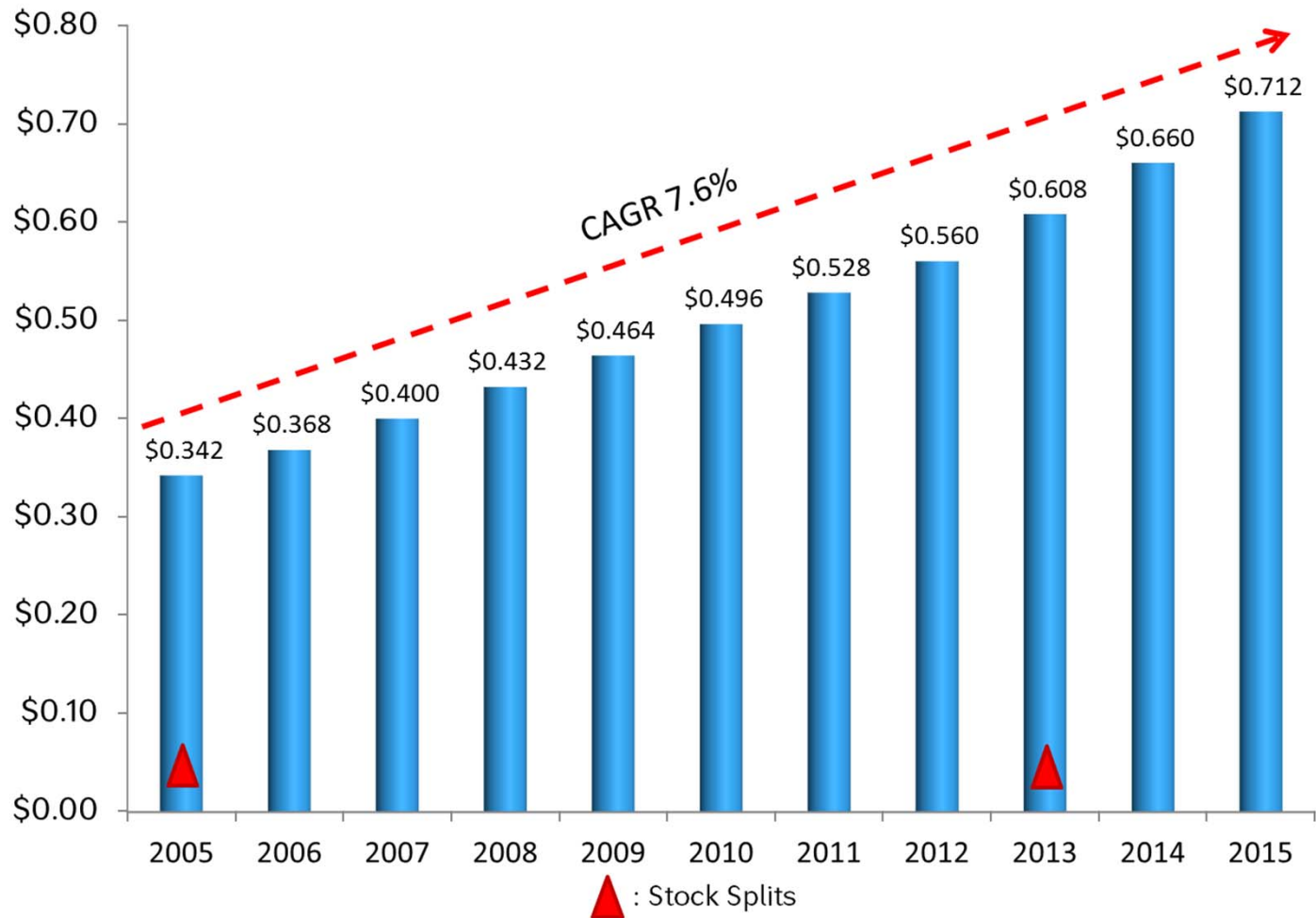


## Operating Revenue in Millions



# Dividend History

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



Source: Aqua Annual Reports

# CEO Commentary and Outlook

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**Christopher Franklin**  
**Chief Executive Officer**



# Aqua America's Senior Management Team



Christopher Franklin  
CEO

David Smeltzer  
CFO

A professional headshot of David Smeltzer, the CFO of Aqua America. He is a middle-aged man with short brown hair and glasses, wearing a dark suit jacket, a white shirt, and a red tie. He is smiling and looking slightly to the left of the camera.

Richard Fox  
COO

A professional headshot of Richard Fox, the COO of Aqua America. He is a middle-aged man with short brown hair, wearing a dark suit jacket, a white shirt, and a purple tie. He is smiling and looking slightly to the left of the camera.

Christopher Luning  
General Counsel

A professional headshot of Christopher Luning, the General Counsel of Aqua America. He is a middle-aged man with short brown hair and glasses, wearing a dark suit jacket, a white shirt, and a yellow tie. He is looking directly at the camera with a neutral expression.

Daniel Schuller  
EVP of Strategy and  
Corporate Development

A professional headshot of Daniel Schuller, the EVP of Strategy and Corporate Development at Aqua America. He is a middle-aged man with short brown hair, wearing a dark suit jacket, a white shirt, and a light blue tie. He is smiling and looking slightly to the right of the camera.

# Sustainability: The Foundation of Success

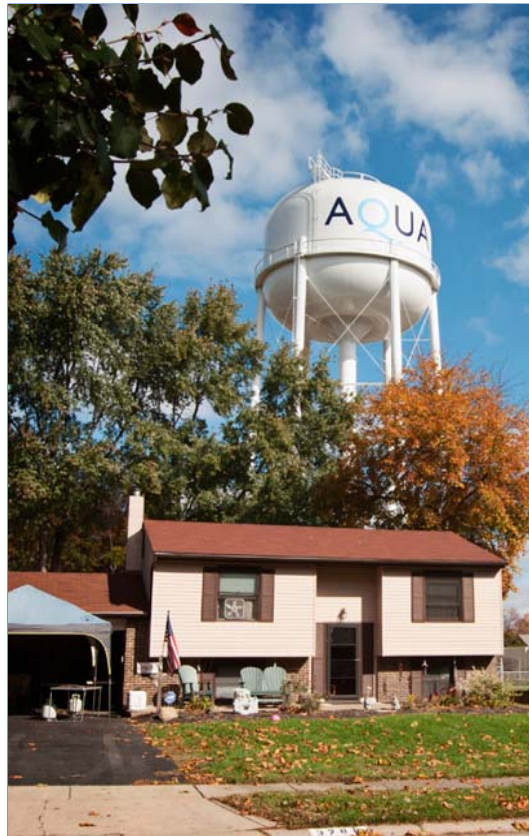


# Aqua's Growth Platform

Capital Investment

Acquisitions and  
Organic Customer  
Growth

Market-Based  
Opportunities



# Update on Regulated Operations

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## Capital Investments

- \$150 million invested as of June 30, 2015

## Rate Activity

- Year-to-date completed rate cases and infrastructure surcharges projected to provide \$5.2 million

## Customer Growth

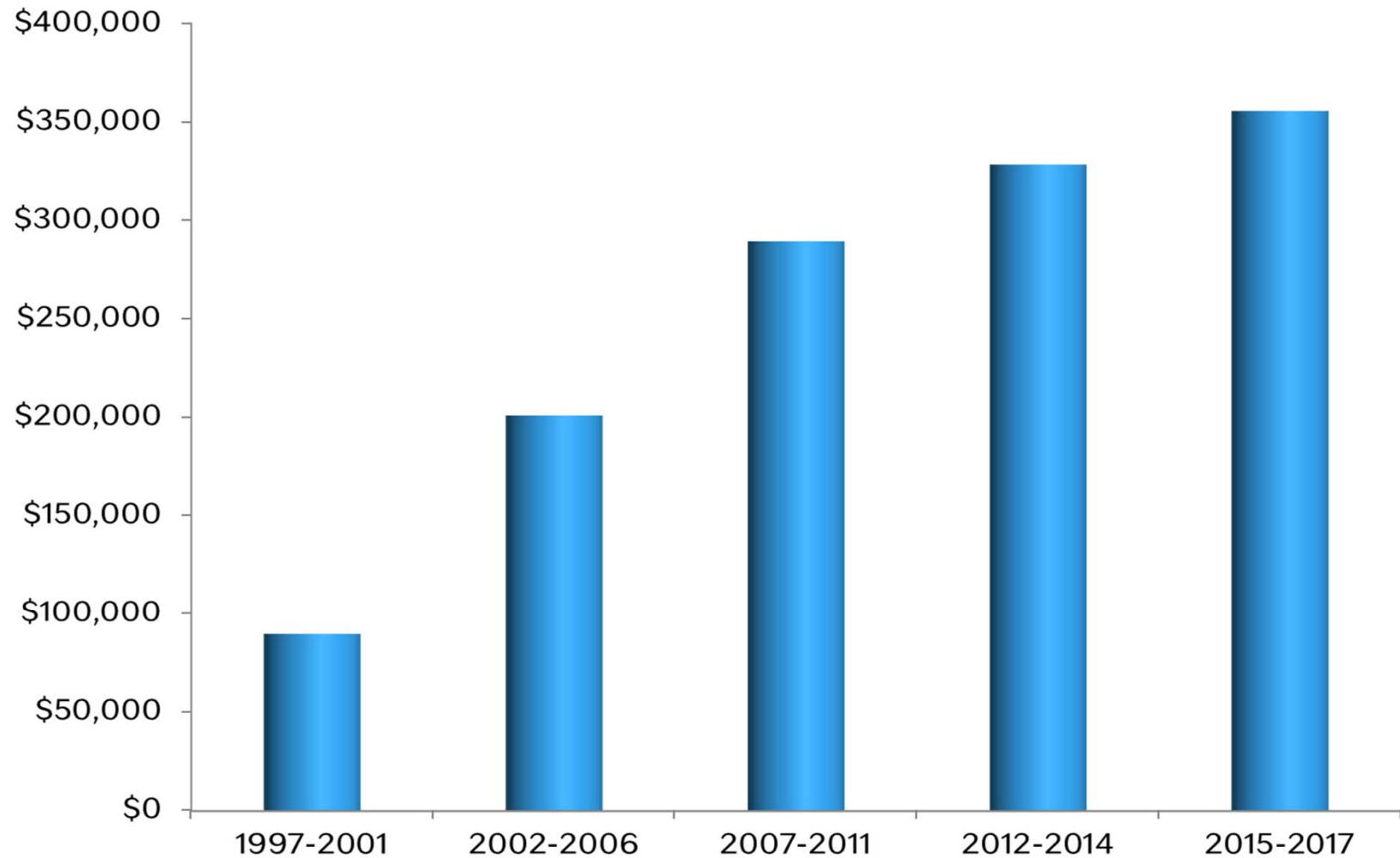
- 8 acquisitions closed year-to-date
  - 6 water and 2 wastewater acquisitions

## Controlling Operational Expenses

- 34.2 percent adjusted regulated segment efficiency ratio as of June 30, 2015 (trailing twelve-months)

# Average Annual Capital Investment

## Building for the Future (Thousands)



**\$1 Billion Planned for Next 3 Years**

# 2015 Rate Activity

## Year-to-Date

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### Completed Rate Cases and Infrastructure Surcharges

- Base rate cases or infrastructure surcharges completed in PA (wastewater), NJ, IL, NC, OH, and TX
- \$5.2 million in additional annualized revenue

### Pending Rate Cases and Infrastructure Surcharges

- \$4.3 million in annualized revenue increases requested

\*Additional rate activity information provided in Appendix

## Acquisitions Year to Date

System	Date Closed	Water Customers	Wastewater Customers	Total Customers
North Maine Utilities, IL	4/30/2015	4,716	2,693	7,409
Wintergreen, VA	7/1/2015	383	153	536
Mount Jewett, PA	5/6/2015	443	-	443
Venter Heights, VA	2/5/2015	136	-	136
Seaview Harbor, NJ	4/16/2015	94	-	94
Mountain Ridge, NC	8/3/2015	33	-	33
<b>Total</b>		<b>5,805</b>	<b>2,846</b>	<b>8,651</b>

- 6 water and 2 wastewater acquisitions year-to-date
- 5 private and 3 municipal for an increase of 8,651 customers

# Summary of Financial Results

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**David Smeltzer**  
**EVP and Chief Financial Officer**





# 2015 Second Quarter Financial Results

In millions except per share	Q2'14		Q2'15	Variance
Revenue	\$195.3	▲	\$205.8	5.4%
Operations and Maintenance	\$70.4	▲	\$79.7	13.3%
Net Income	\$55.6	▲	\$57.4	3.3%
EPS	\$0.31	▲	\$0.32	3.2%
Income from Continuing Operations	\$54.8	▲	\$57.4	4.7%
Income from Continuing Operations per Share	\$0.31	▲	\$0.32	3.2%

 Unfavorable Change  
 Favorable Change

# 2015 Year to Date Financial Results

In millions except per share	YTD 2014		YTD 2015	Variance
Revenue	\$378.0	▲	\$396.1	4.8%
Operations and Maintenance	\$142.1	▲	\$152.9	7.6%
Net Income	\$98.4	▲	\$105.9	7.6%
EPS	\$0.55	▲	\$0.60	9.1%
Income from Continuing Operations	\$97.2	▲	\$105.9	9.0%
Income from Continuing Operations per Share	\$0.55	▲	\$0.60	9.1%

 Unfavorable Change  
 Favorable Change

# 2015 Guidance

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**Christopher Franklin**  
**Chief Executive Officer**

# 2015 Guidance

## Earnings

- Full-year earnings per share between \$1.25 – \$1.27

## Customer Growth

- Complete 15 – 20 acquisitions
- 1.5 – 2.0% year-over-year customer growth

## Capex

- \$325 Million in 2015; \$1 Billion over next 3 years
- Ongoing rate base growth of 6 – 7%

## Market-Based Activities

- 2015 revenue to increase to \$30 million

## Operations and Maintenance Expense

- Same-store O&M estimated to grow between 2 – 4% for full year



# Questions



# Appendix

# Rates and Infrastructure Surcharges Completed

Rates or Surcharges Received in 2015			
State	Docket Number	Type	Awarded Annualized Revenue Increase (thousands)
Illinois	15-0201	Surcharges (w/ww)	\$ 242
	14-0419	Rate Case	\$ 1,841
New Jersey	WR14010019	Surcharge (w)	\$ 1,139
North Carolina <sup>1</sup>	W-218-Sub-363A	Surcharges (w/ww)	\$ 311
Ohio	Ordinance # 22-2013	Rate Case	\$ 730
	Ordinance # 14-041	Rate Case	\$ 587
Pennsylvania <sup>2</sup>	P-2013-2366873	Surcharge (ww)	\$ 113
Texas <sup>3</sup>	WR14010019	Rate Case	\$ 189
<b>Total</b>			<b>\$ 5,152</b>

1. The North Carolina Attorney General filed an appeal of this order to the North Carolina Supreme Court
2. The Pennsylvania wastewater infrastructure surcharge is being billed subject to refund due to an appeal underway at Commonwealth Court
3. This is step three of a phased-in rate case docket

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

# Rates and Infrastructure Surcharges In Progress

Rates or Surcharges Pending Closure			
State	Docket Number	Type	Requested Annualized Revenue Increase (thousands)
Ohio	15-863-WW-SIC	Surcharges (w)	\$ 2,487
Ohio	15-864-WS-SIC	Surcharges (ww)	\$ 109
Virginia	PUE-2014-00045	Rate Case	\$ 1,707
<b>Total</b>			<b>\$ 4,303</b>

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



# Reconciliation of Non-GAAP Measurements

Aqua America, Inc. and Subsidiaries

Reconciliation of GAAP to Non-GAAP financial measures for continuing operations

(in thousands of dollars)

(GAAP refers to accounting principles generally accepted in the United States)

(Unaudited)

## Regulated segment - Efficiency Ratio adjusted for Purchased Water

Trailing twelve  
months ended  
June 30,  
2015

Operating revenues (GAAP financial measure)	\$ 765,676
Purchased Water	20,524
Adjusted operating revenues (Non-GAAP financial measure)	<u>\$ 745,152</u>
Operations and maintenance expense (GAAP financial measure)	\$ 275,186
Purchased Water	20,524
Adjusted operations and maintenance expense (Non-GAAP financial measure)	<u>\$ 254,662</u>
<b>Regulated segment efficiency ratio (GAAP financial measure)</b>	<b>35.9%</b>
<b>Regulated segment efficiency ratio adjusted for Purchased Water (Non-GAAP financial measure)</b>	<b>34.2%</b>

# Reconciliation of Non-GAAP Measurements

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Reconciliation of GAAP to Non-GAAP financial measures - The Company is providing disclosure of the reconciliation of these non-GAAP financial measures to the most comparable GAAP financial measures. The Company believes that the non-GAAP financial measures provide investors the ability to measure the Company's financial operating performance by adjustment, which is more indicative of the Company's ongoing performance and is more comparable to measures reported by other companies.

Regulated segment - Efficiency Ratio is adjusted for Purchased Water. Information referring to "Purchased Water" refers to expense related to cost of water purchased from other non-affiliated utilities. This "Purchased Water" expense amount is deducted from the operating revenues amount and the operations and maintenance expense amount to calculate the efficiency ratio adjusted for Purchased Water.

These financial measures are measures of the Company's operating performance that do not comply with U.S. generally accepted accounting principles (GAAP), and are thus considered to be "non-GAAP financial measures" under applicable SEC regulations. These non-GAAP financial measures are derived from our consolidated financial information, and should only be used as a supplement to our GAAP disclosures.