

Earnings Call



Full-Year and Fourth Quarter 2016

February 23, 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; 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

Today's Presenters



Christopher Franklin

President &
Chief Executive Officer



Dave Smeltzer

Executive Vice President &
Chief Financial Officer



Brian Dingerdissen

Vice President, Chief of Staff
& Investor Relations

Introduction

Christopher Franklin

President and Chief Executive Officer



AQUASM

NYSE: WTR

Today's Agenda

- 
- Corporate Update
 - Full-Year Highlights
 - Summary of Financial Results
 - 2017 Guidance

Corporate Update



2016 Full-Year Highlights

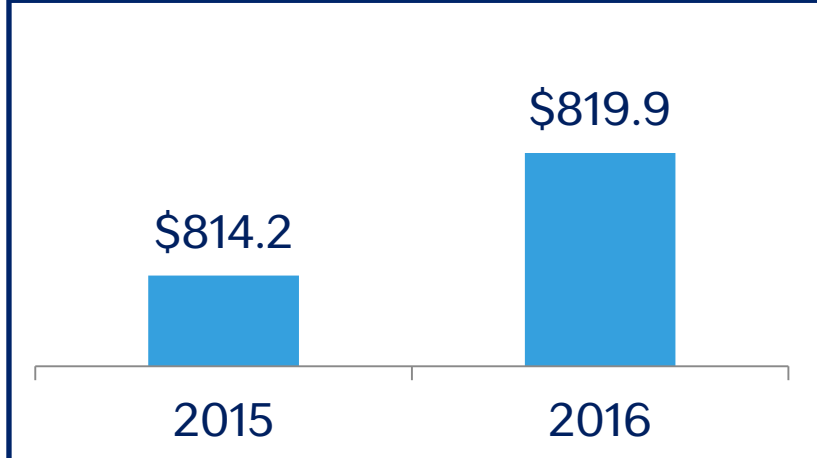
Year-to-date Customer Growth

- 15,300 additional connections from acquisitions and organic growth
- 1.6% total customer growth

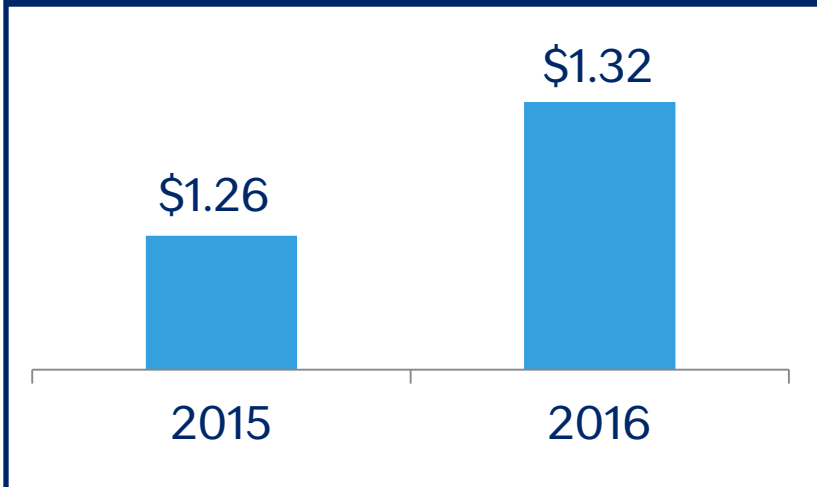
Pending Acquisition Agreements

- 4 municipal systems
- Approximately 8,800 total additional connections

Operating Revenue (\$millions)



Adjusted Income per Common Share (Non-GAAP)



2016 Acquisitions

as-of December 31, 2016

State	Acquisitions Closed	Total Customers	Total Collective Purchase Price (\$thousands)
PA	4	4,716	\$17,397
IL	5	924	\$2,322
NJ	3	222	\$1,628
IN	3	334	\$774
TX	1	210	\$50
NC	1	62	\$33
OH	1	60	\$25
VA	1	30	\$20
Total	19	6,558	\$22,248

1.6% Total Customer Growth

14% of Acquired Customers from Wastewater Systems

Pending Acquisition Activity

2017 Anticipated Closings

System	Type	Customers	Purchase Price (\$thousands)
System A	Muni	5,400	\$75,100
System B	Muni	2,100	\$29,500
System C	Muni	700	\$5,500
System D	Muni	600	\$3,600
Total		8,800	\$113,700

Summary of Financial Results

Dave Smeltzer

Executive Vice President and Chief Financial Officer



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2016 Financial Results

	In millions except per share	FY 2015		FY 2016	Variance
Revenue		\$814.2	▲	\$819.9	0.7%
Regulated Segment Revenue		\$779.6	▲	\$800.1	2.6%
Operations and Maintenance Expense		\$309.3	▼	\$304.9	(1.4%)
Regulated Segment Operations and Maintenance Expense		\$282.9	▲	\$285.3	0.8%
Net Income		\$201.8	▲	\$234.2	16.1%
Net Income per Share		\$1.14	▲	\$1.32	15.8%
Exclude:					
Joint Venture Impairment Charge, Net of Tax		\$21.4	▼	-	
Adjusted Income (Non-GAAP)		\$223.2	▲	\$234.2	4.9%
Adjusted Income per Share (Non-GAAP)		\$1.26	▲	\$1.32	4.8%



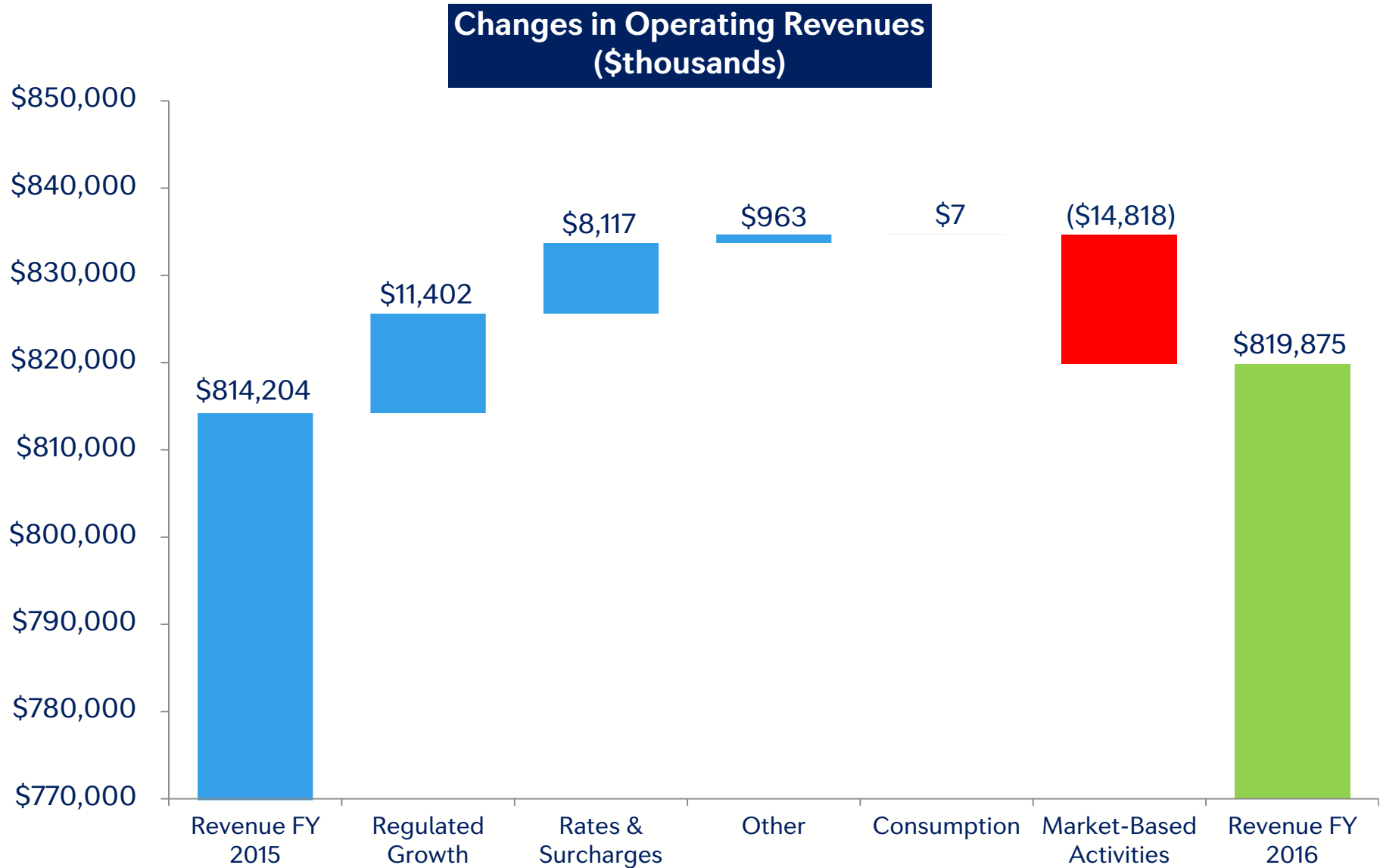
Favorable Change



Unfavorable Change

Operating Revenues

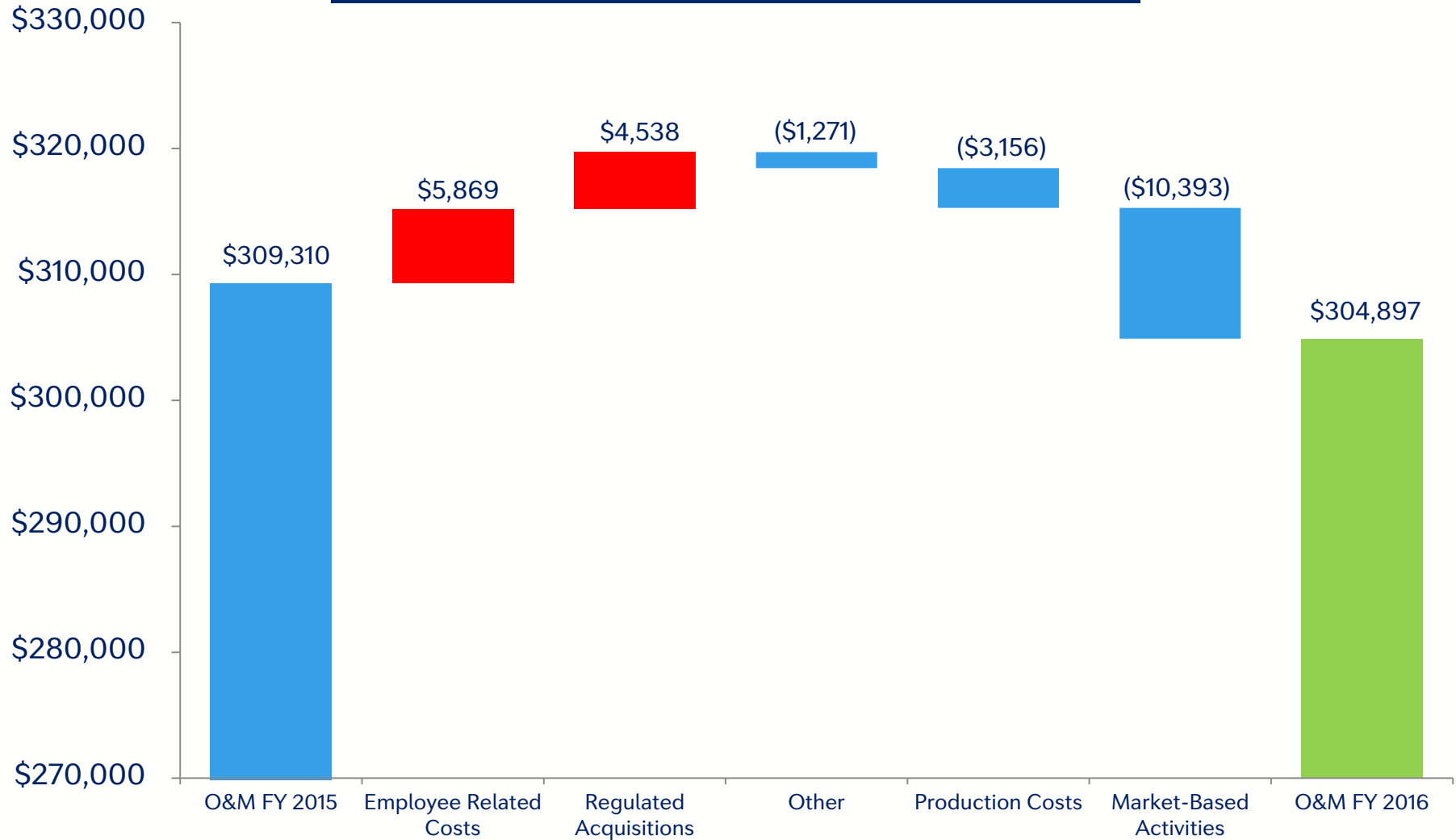
FY 2016 vs. FY 2015



Operations & Maintenance Expenses

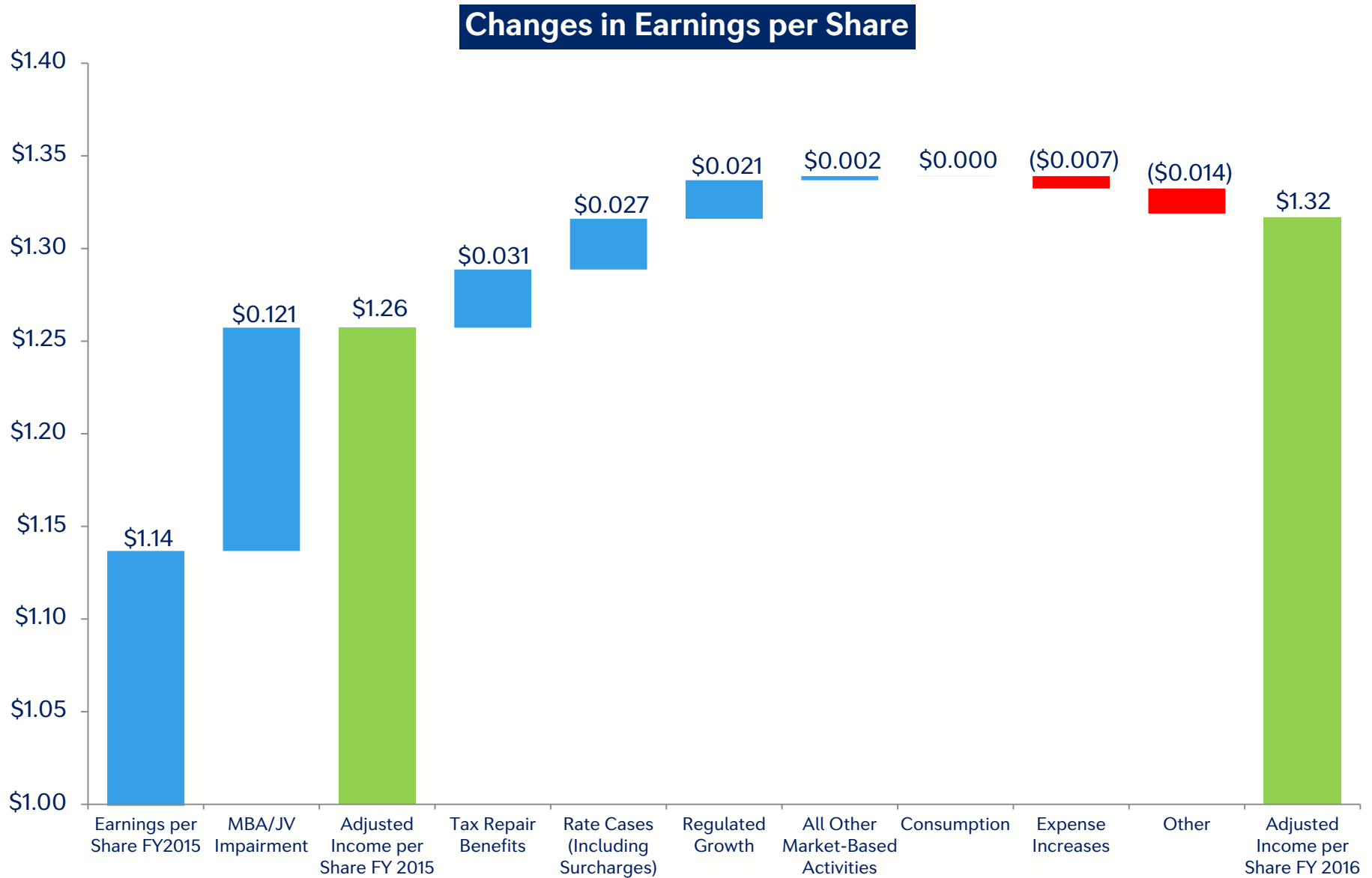
FY 2016 vs. FY 2015

Changes in Operations and Maintenance Expenses (\$thousands)



Earnings per Common Share

FY 2016 vs. FY 2015



Rate Activity

2016 Completed Rate Cases and Infrastructure Surcharges

- Base rate cases or infrastructure surcharges completed in NJ, IL, NC, OH, TX and VA
- \$5.6 million in additional annualized revenue

2017 Completed Rate Cases and Infrastructure Surcharges

- Base rate cases or infrastructure surcharges completed in IN, NC and OH
- \$3.7 million in additional annualized revenue

2017 Pending Rate Case

- Base rate case in OH with requested annualized revenue increase of \$5.6 million

*Additional rate activity information provided in Appendix

2017

Christopher Franklin

President and Chief Executive Officer



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Future Opportunities



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 2016 Full-year and Fourth Quarter Earnings Call

2017 First Quarter Earnings
Conference Call and Webcast
Thursday, May 4, 2017

For more information contact:
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610.645.1191

Appendix



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2016 Fourth Quarter Financial Results

	In millions except per share	Q4'15	Q4'16	Variance
Revenue		\$197.1 ▼	\$196.8	(-0.1%)
Regulated Segment Revenue		\$189.1 ▲	\$193.8	2.5%
Operations and Maintenance Expense		\$77.9 ▼	\$77.6	(-0.4%)
Regulated Segment Operations and Maintenance Expense		\$72.2 ▲	\$75.3	4.3%
Net Income		\$28.4 ▲	\$49.6	74.6%
Net Income per Share		\$0.16 ▲	\$0.28	75.0%
Exclude:				
Joint Venture Impairment Charge, Net of Tax		\$21.4 ▼	-	-
Adjusted Income (Non-GAAP)		\$49.9 ▼	\$49.6	(0.4%)
Adjusted Income per Share (Non-GAAP)		\$0.28	\$0.28	-



Favorable Change

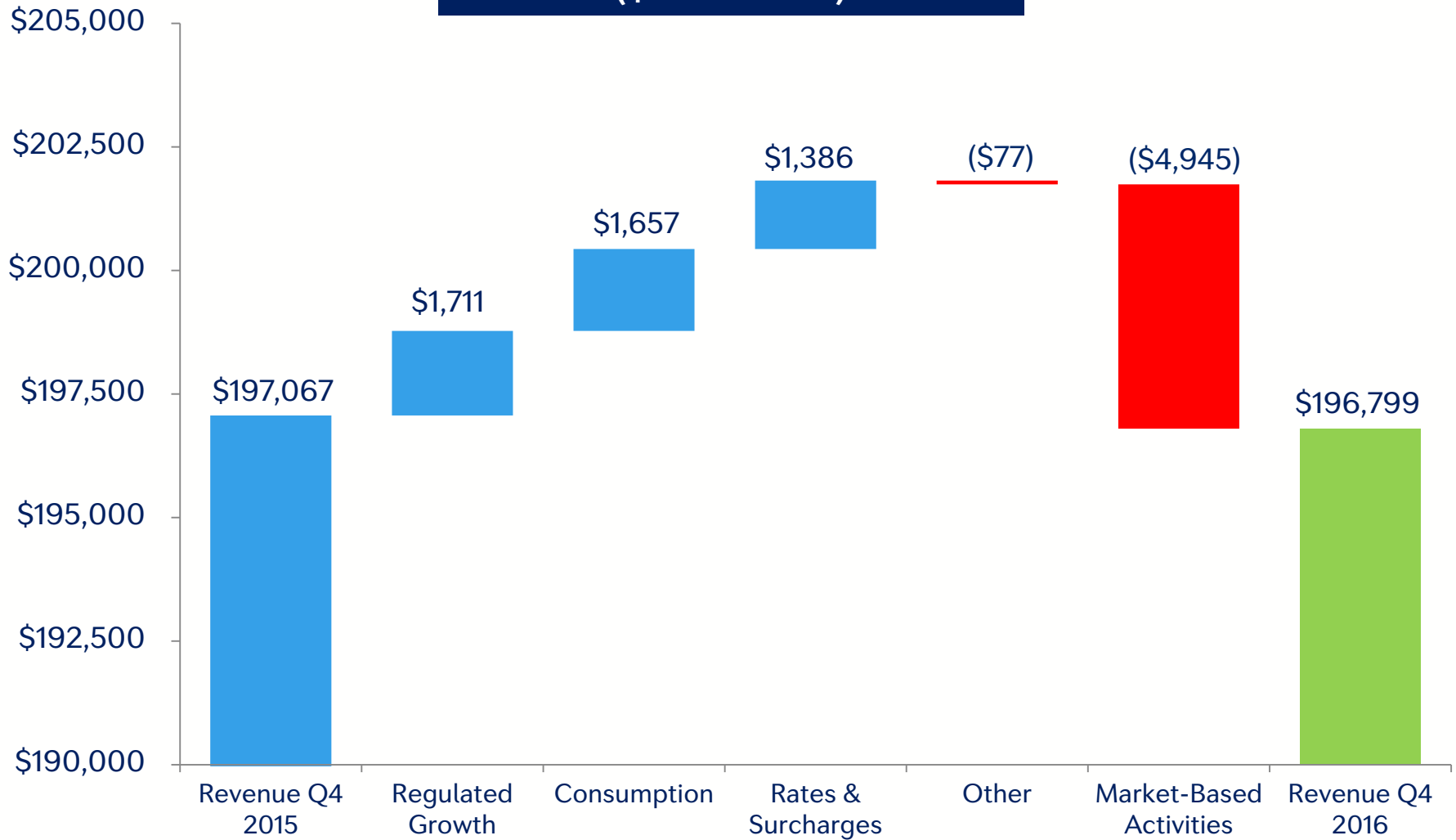


Unfavorable Change

Operating Revenues

Q4 2016 vs. Q4 2015

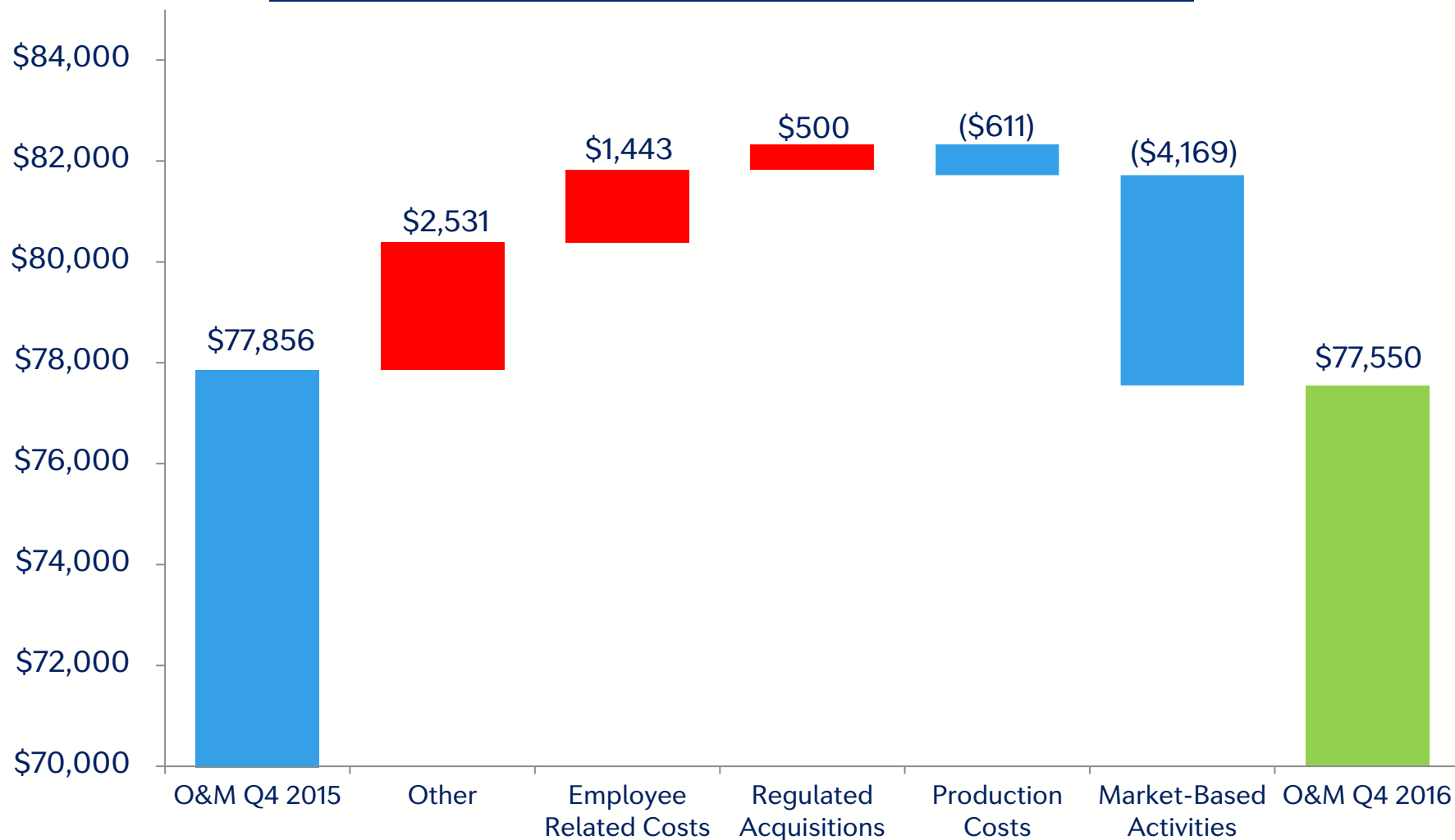
Changes in Operating Revenues (\$thousands)



Operations & Maintenance Expenses

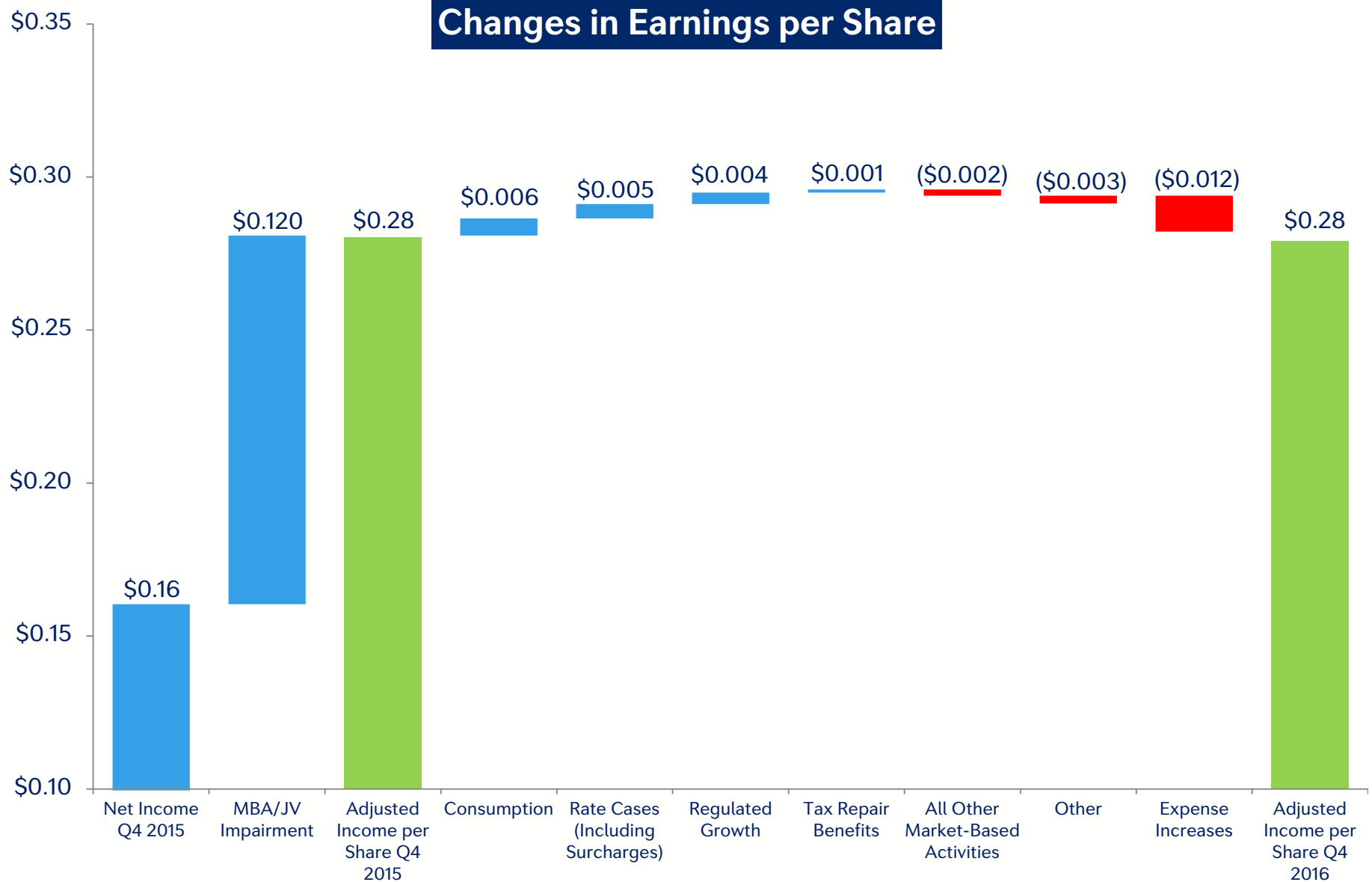
Q4 2016 vs. Q4 2015

Changes in Operations and Maintenance Expenses (\$thousands)



Earnings per Common Share

Q4 2016 vs. Q4 2015



Rates and Infrastructure Surcharges Completed

as-of December 31, 2016

Rates or Surcharges Received in 2016			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Illinois	N/A	Surcharge (w)	\$711
	15-0017	Surcharge (w/ww)	242
New Jersey	WR16010089	Rate Case (w)	200
North Carolina	W-215-Sub-363A	Surcharges (w/ww)	1,045
Ohio	Ordinance # 22-2013	Rate Case (w)	777
	Ordinance # 14-041	Rate Case (w)	598
Texas	44470	Rate Case (w)	225
Virginia ¹	PUE-2014-00045	Rate Case (w/ww)	1,490
	N/A	Rate Case (w/ww)	155
	N/A	Rate Case (w/ww)	144
		Total	\$5,587

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 and Infrastructure Surcharges Completed

as-of February 22, 2017

Rates or Surcharges Received in 2017			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Indiana	44752	Rate Case (ww)	\$1,896
North Carolina	W-215-Sub-363A	Surcharges (w/ww)	564
Ohio	Ordinance # 145-2016	Rate Case (w)	731
	Ordinance # 16-043	Rate Case (w)	534
		Total	\$3,725

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

Rates Pending

as-of February 22, 2017

Rates Pending in 2017			
State	Docket Number	Type	Requested Annualized Revenue Increase (\$thousands)
Ohio	16-0907-WW-AIR	Rate Case (w)	5,604
		Total	\$5,604

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

State by State Comparison

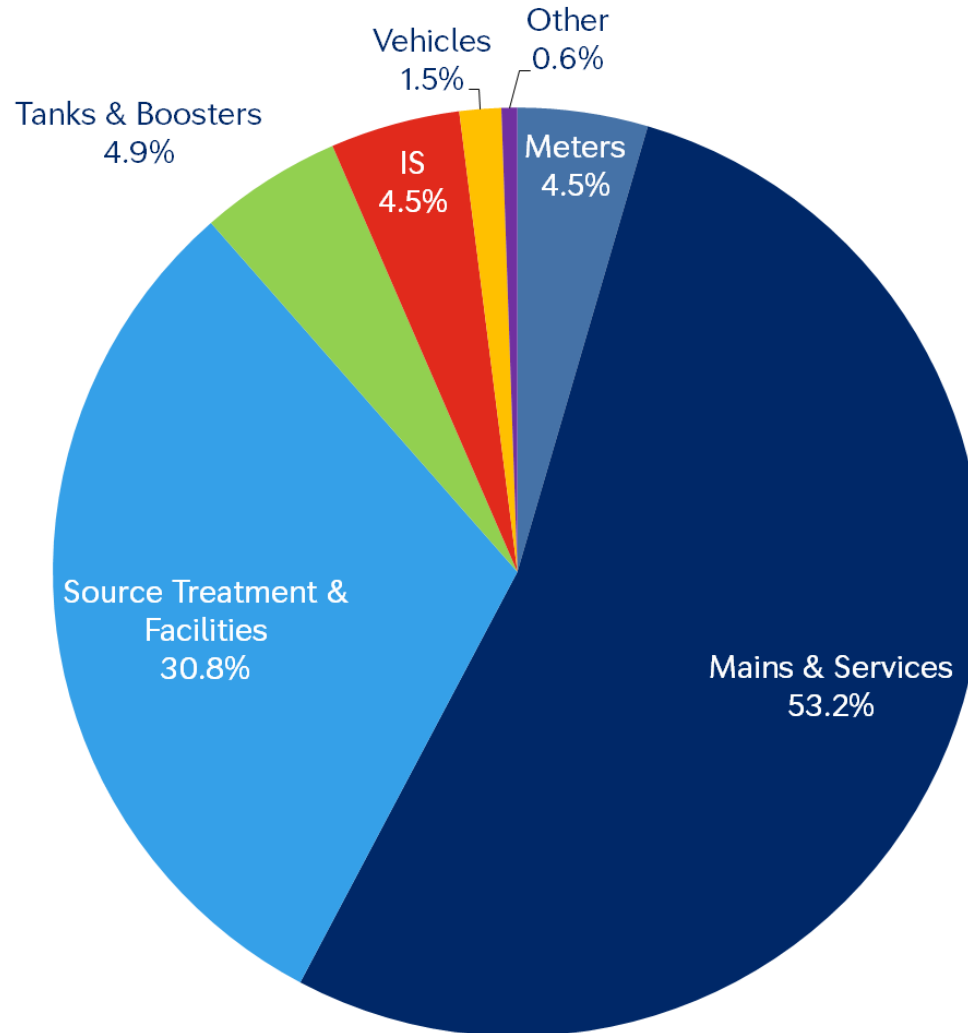
as-of Dec. 31, 2016

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

Reconciliation of GAAP to Non-GAAP Financial Measures

Aqua America, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share amounts)
(Unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
Net income (GAAP financial measure)	\$ 49,649	\$ 28,434	\$234,182	\$ 201,790
Plus: Joint venture impairment charge	-	32,975	-	32,975
Tax effect	-	(11,542)	-	(11,542)
Adjusted income (Non-GAAP financial measure)	<u>\$ 49,649</u>	<u>\$ 49,867</u>	<u>\$234,182</u>	<u>\$ 223,223</u>
Net income per common share (GAAP financial measure):				
Basic	\$ 0.28	\$ 0.16	\$ 1.32	\$ 1.14
Diluted	\$ 0.28	\$ 0.16	\$ 1.32	\$ 1.14
Adjusted income per common share (Non-GAAP financial measure):				
Basic	\$ 0.28	\$ 0.28	\$ 1.32	\$ 1.26
Diluted	\$ 0.28	\$ 0.28	\$ 1.32	\$ 1.26
Average common shares outstanding:				
Basic	<u>177,365</u>	<u>176,480</u>	<u>177,273</u>	<u>176,788</u>
Diluted	<u>177,880</u>	<u>177,261</u>	<u>177,846</u>	<u>177,517</u>