

# Earnings Call



NYSE: WTR



**Third Quarter 2017**

November 1, 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](http://www.aquaamerica.com)

# Today's Presenters



**Christopher Franklin**

President &  
Chief Executive Officer



**Dave Smeltzer**

Executive Vice President &  
Chief Financial Officer



**Rick Fox**

Executive Vice President &  
Chief Operations Officer



**Dan Schuller**

Executive Vice President,  
Strategy and Corporate  
Development



**Brian Dingerdissen**

Vice President, Chief of Staff  
& Investor Relations

# Introduction

## Christopher Franklin

President and Chief Executive Officer



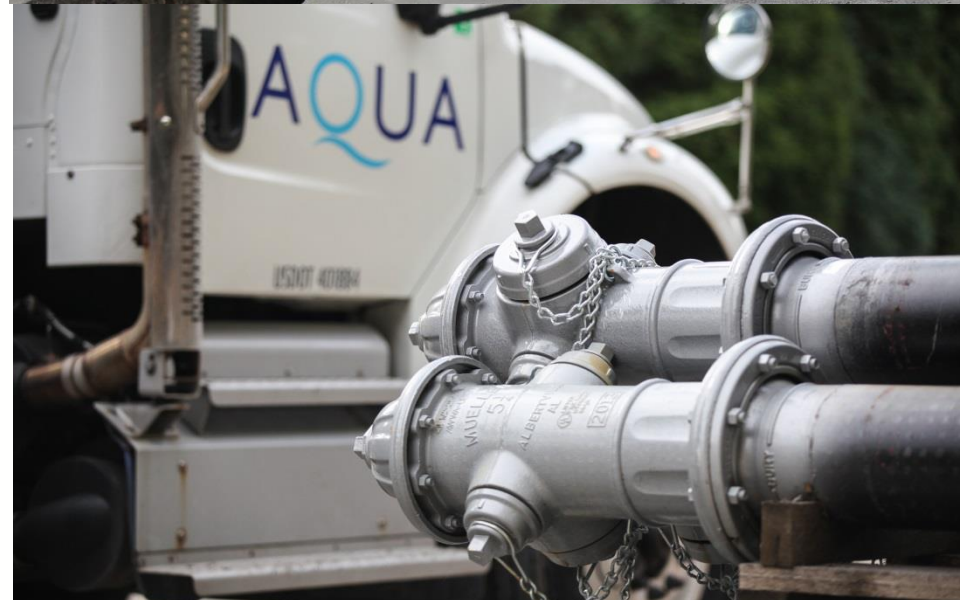
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# Today's Agenda

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

# Corporate Update



# Operations Update

## Rick Fox

Executive Vice President, Chief Operating Officer



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# Southeast Texas & Hurricane Harvey



***Aqua's Southeast Texas Team***



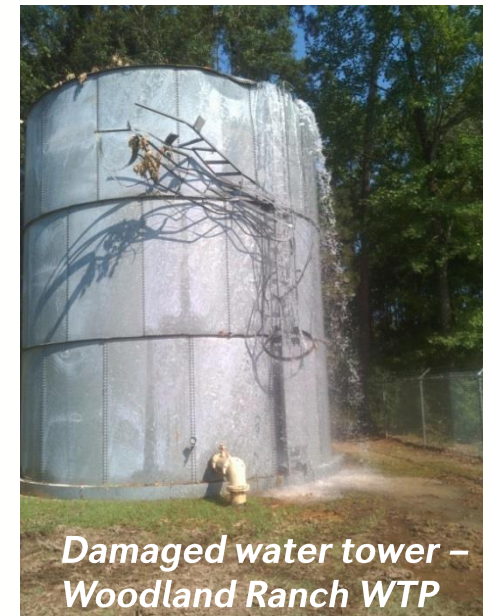
***Flooded water plant – Rose Meadows WTP***



***Pressure tank damage –  
Redwood WTP***



***Mud-filled control room  
– Bernard Acres WTP***



***Damaged water tower –  
Woodland Ranch WTP***



# Beaumont, TX : 10 Days of Mutual Aid



# Purchased Water Reduction

New 2 MG Tank



Bristol WTP Expansion



## FINANCIAL IMPACT

- \$52 Million capital investment
- Avoids \$17 Million per year in purchased water expense

Water Main Reinforcement



Bristol Booster Replacement



# Quarter Highlights

## Christopher Franklin

President and Chief Executive Officer



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# 2017 Third Quarter Highlights

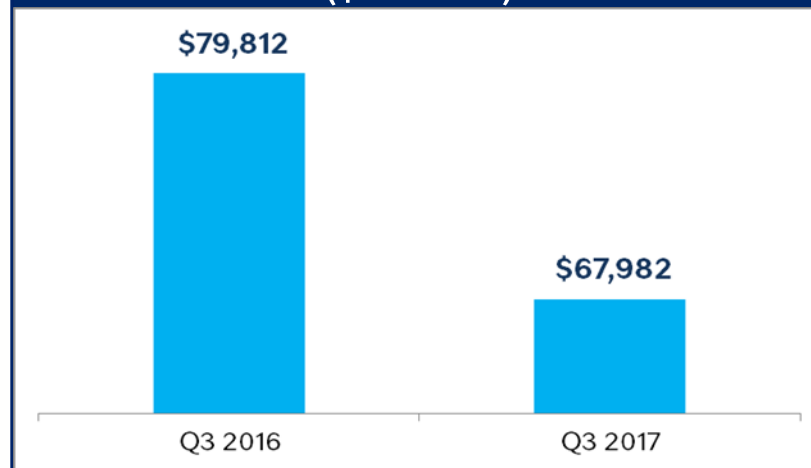
## Acquisition Activity

- New 3,800-connection municipal system under agreement

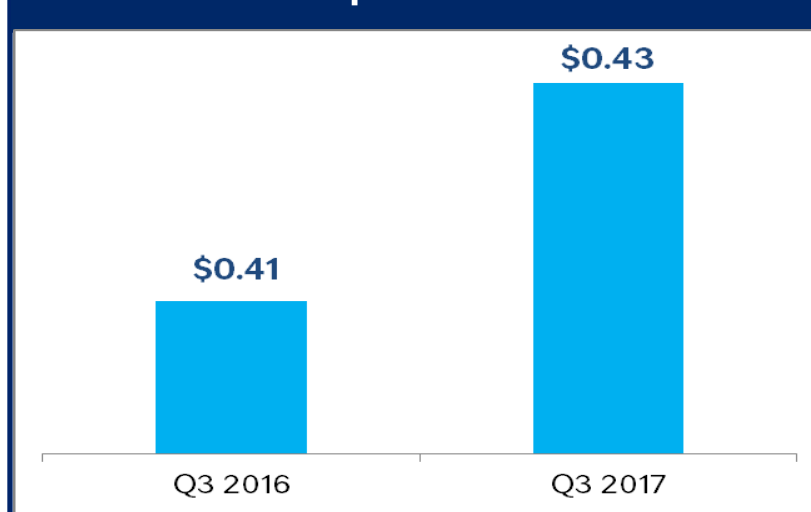
## Customer Growth

- 0.8% customer growth from organic growth and acquisitions
- Continues to be in line with expected 1.5-2% growth

## Operations and Maintenance Expense (\$ millions)



## Net Income per Common Share



# Summary of Financial Results

**Dave Smeltzer**

Executive Vice President and Chief Financial Officer



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# 2017 Third Quarter Financial Results

	In millions except per share	Q3 2017		Q3 2016	Variance
Revenue		\$215.0	▼	\$226.6	(5.1%)
Regulated Segment Revenue		\$214.0	▼	\$222.2	(3.7%)
Operations and Maintenance Expense		\$68.0	▼	\$79.8	(14.8%)
Regulated Segment Operations and Maintenance Expense		\$70.8	▼	\$73.1	(3.1%)
Net Income		\$76.2	▲	\$73.2	4.2%
Net Income per Share		\$0.43	▲	\$0.41	4.9%



Favorable Change



Unfavorable Change

# 2017 Year-to-Date Financial Results

as-of September 30, 2017

In millions except per share	YTD 2017		YTD 2016	Variance
Revenue	\$606.2	▼	\$623.1	(2.7%)
Regulated Segment Revenue	\$602.3	▼	\$606.3	(0.7%)
Operations and Maintenance Expense	\$208.0	▼	\$227.3	(8.5%)
Regulated Operations and Maintenance Expense	\$210.8	▲	\$210.0	0.4%
Net Income	\$186.3	▲	\$184.5	0.9%
Net Income per Common Share	\$1.05	▲	\$1.04	1.0%



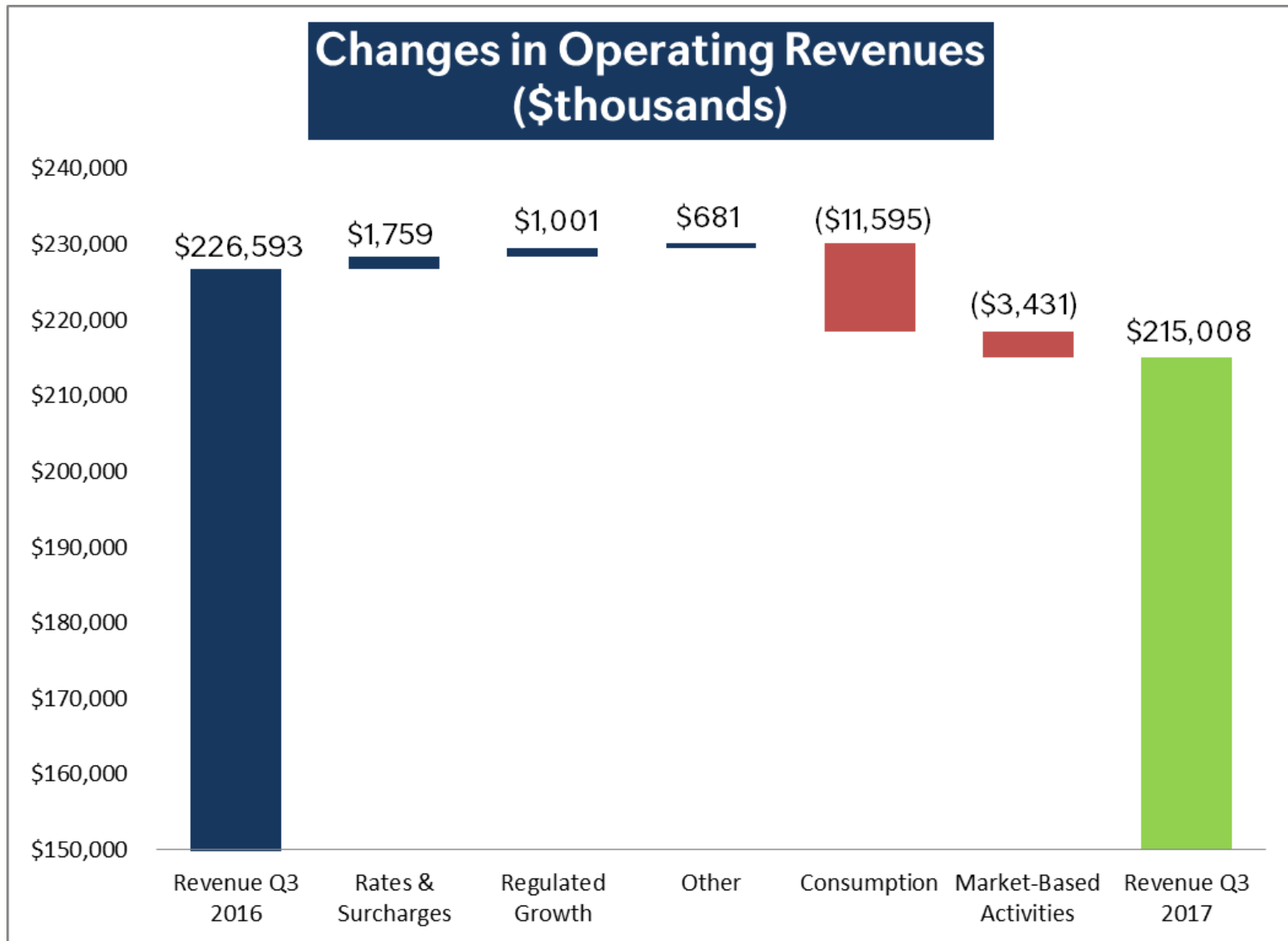
Favorable Change



Unfavorable Change

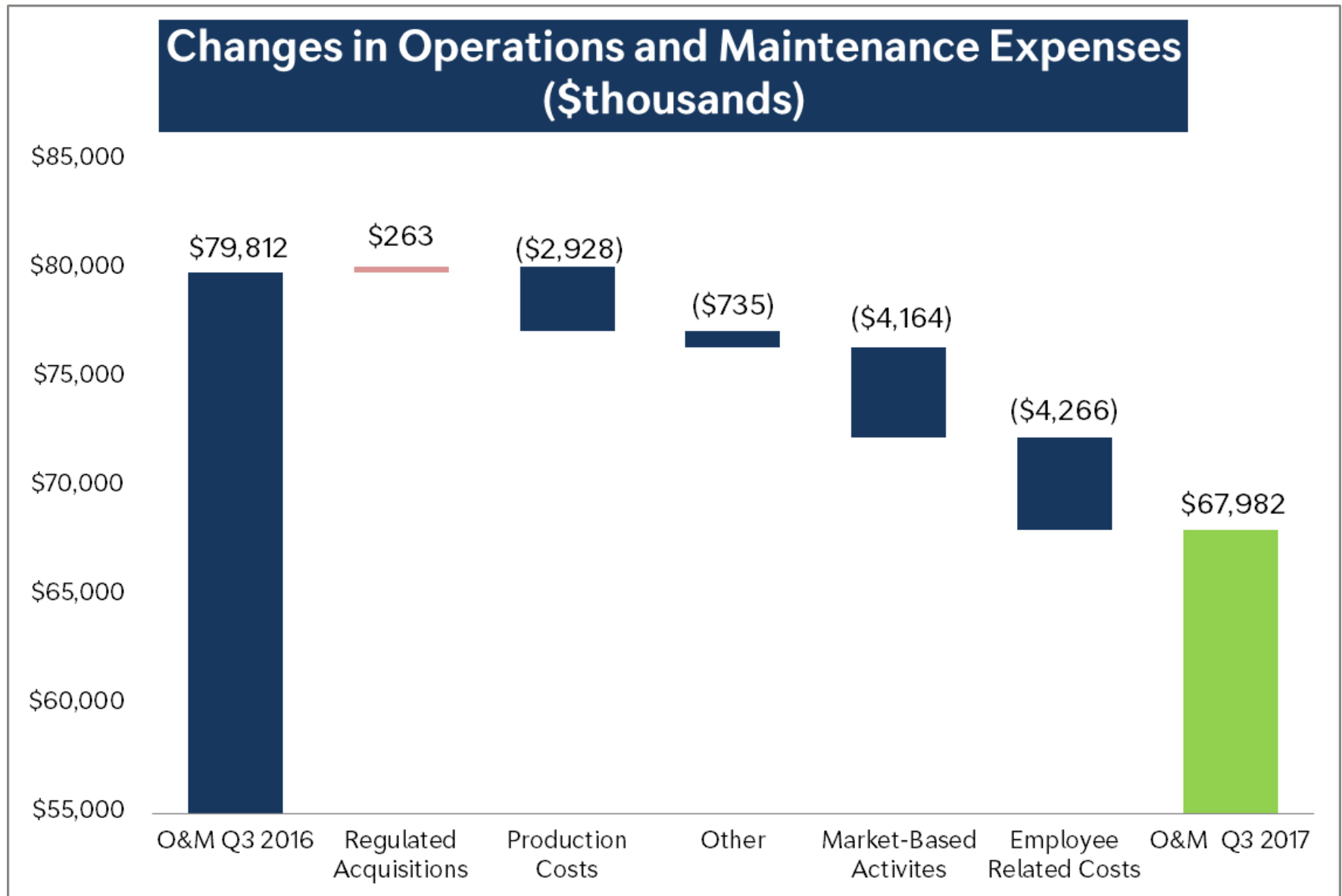
# Operating Revenues

Q3 2017 vs. Q3 2016



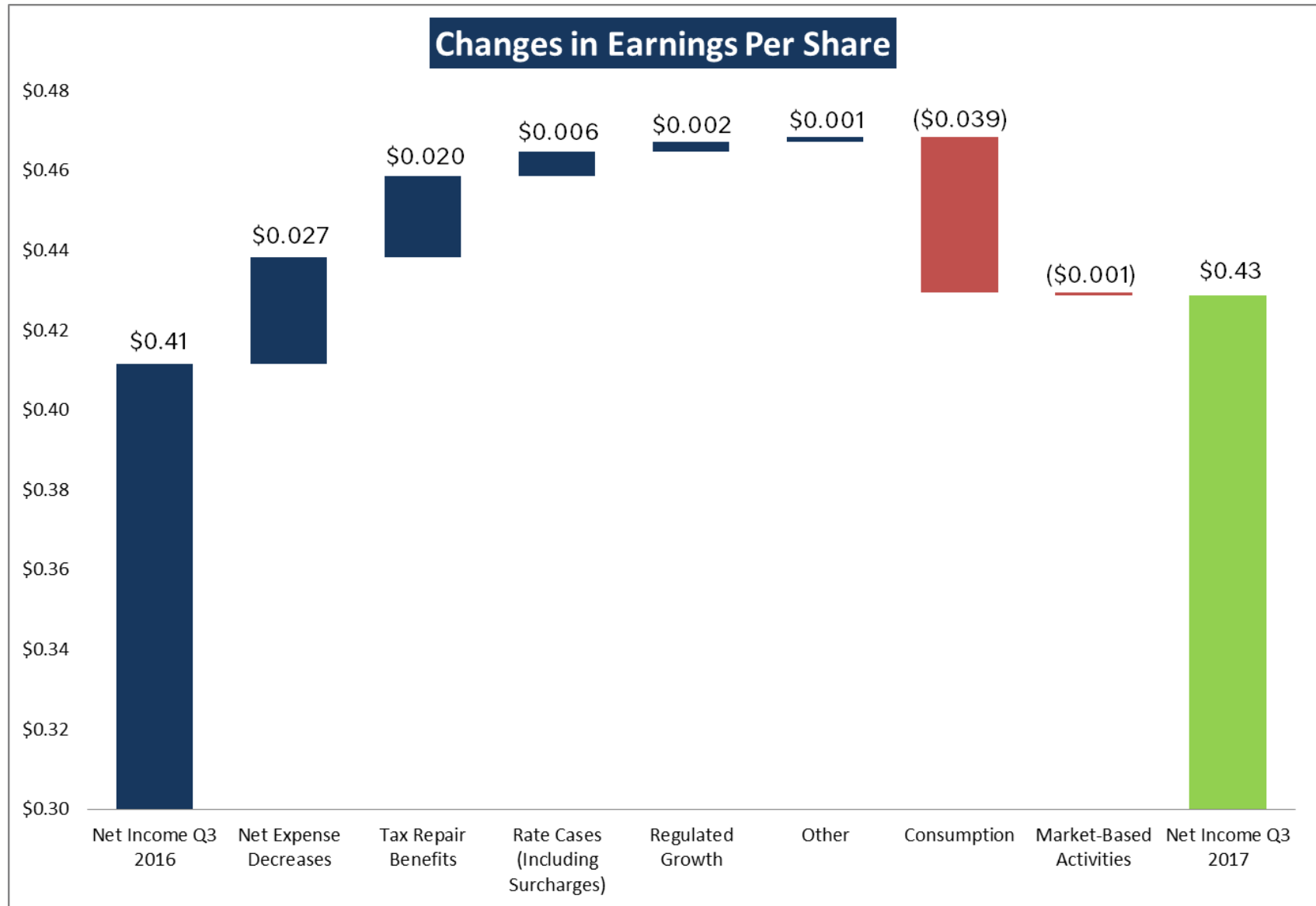
# Operations & Maintenance Expenses

Q3 2017 vs. Q3 2016



# Earnings per Common Share

## Q3 2017 vs. Q3 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
- \$21.4 million in additional annualized revenue

## 2017 Pending Rate Cases and Surcharges

- Base rate cases or infrastructure surcharges in IL, NC and VA with requested annualized revenue increase of \$14.1 million

\*Additional rate activity information provided in Appendix

# Update on Growth

**Dan Schuller**

Executive Vice President, Strategy and Corporate Development



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# 2017 Acquisitions

As of October 31, 2017



State	Acquisitions Closed	Customers	Purchase Price (\$thousands)
PA	2	741	\$5,640
IN	2	262	\$220
<b>Total</b>	<b>4</b>	<b>1,003</b>	<b>\$5,860</b>

## LEGEND

Aqua State with 2017 Acquisition (as of 10/31/2017)

Aqua State

**0.8% Total Customer Growth**

**78% of Acquired Customers from Wastewater Systems**

**Expected 2017 total customer growth of 1.5 to 2 percent**

# Pending and Completed Municipal Acquisition Activity

As of October 31, 2017

<u>Municipal Acquisitions</u>			
System	Type	Customers	Purchase Price (\$thousands)
System A	WW	5,400	\$75,100
System B	WW	2,100	\$29,500
System D	W	600	\$3,600
System E	W/WW	2,987	\$12,300
System F (Signed Q3)	WW	3,838	\$25,200
	<b>Total</b>	<b>14,925</b>	<b>\$145,700</b>
<b>Closed</b>			
Tobyhanna, PA (System C)	WW	740	\$5,545
	<b>Total</b>	<b>740</b>	<b>\$5,545</b>

# 2017 Guidance

## 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 less than 2% for full year

## Capex

- More than \$450 million in 2017
- More than \$1.2 billion through 2019 in existing operations
- Rate base growth of approximately 6 – 7%

## Rate Activity

- Aqua Pennsylvania, as expected, filed and initiated a distribution system improvement charge effective October 1, 2017 and a rate case filing remains 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 Third Quarter 2017 Earnings Call

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2017 Full Year Earnings  
Conference Call and Webcast  
February 28, 2018

For more information contact:  
Brian Dingerdissen  
Vice President, Chief of Staff and Investor Relations  
610.645.1191

# Appendix

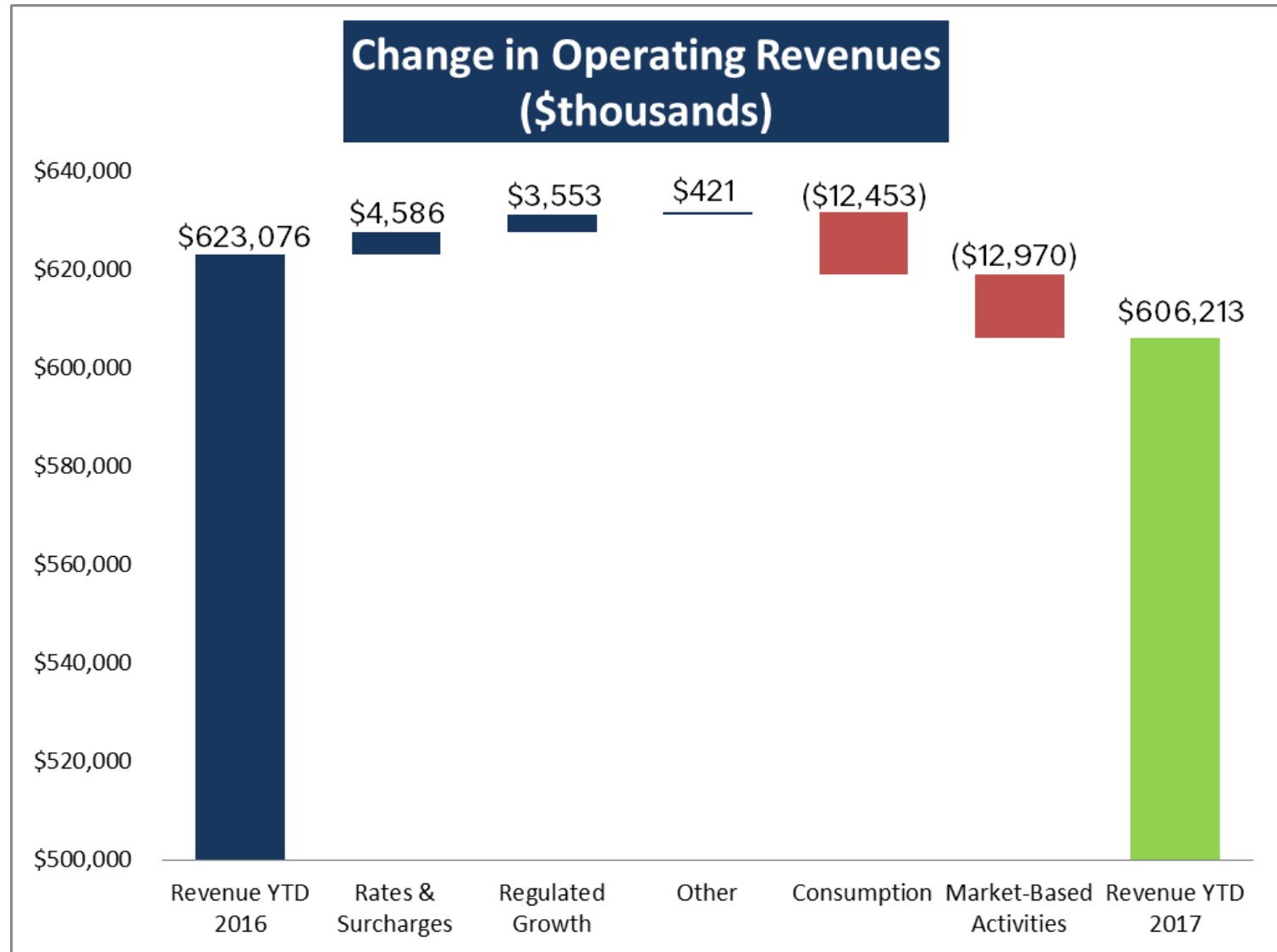


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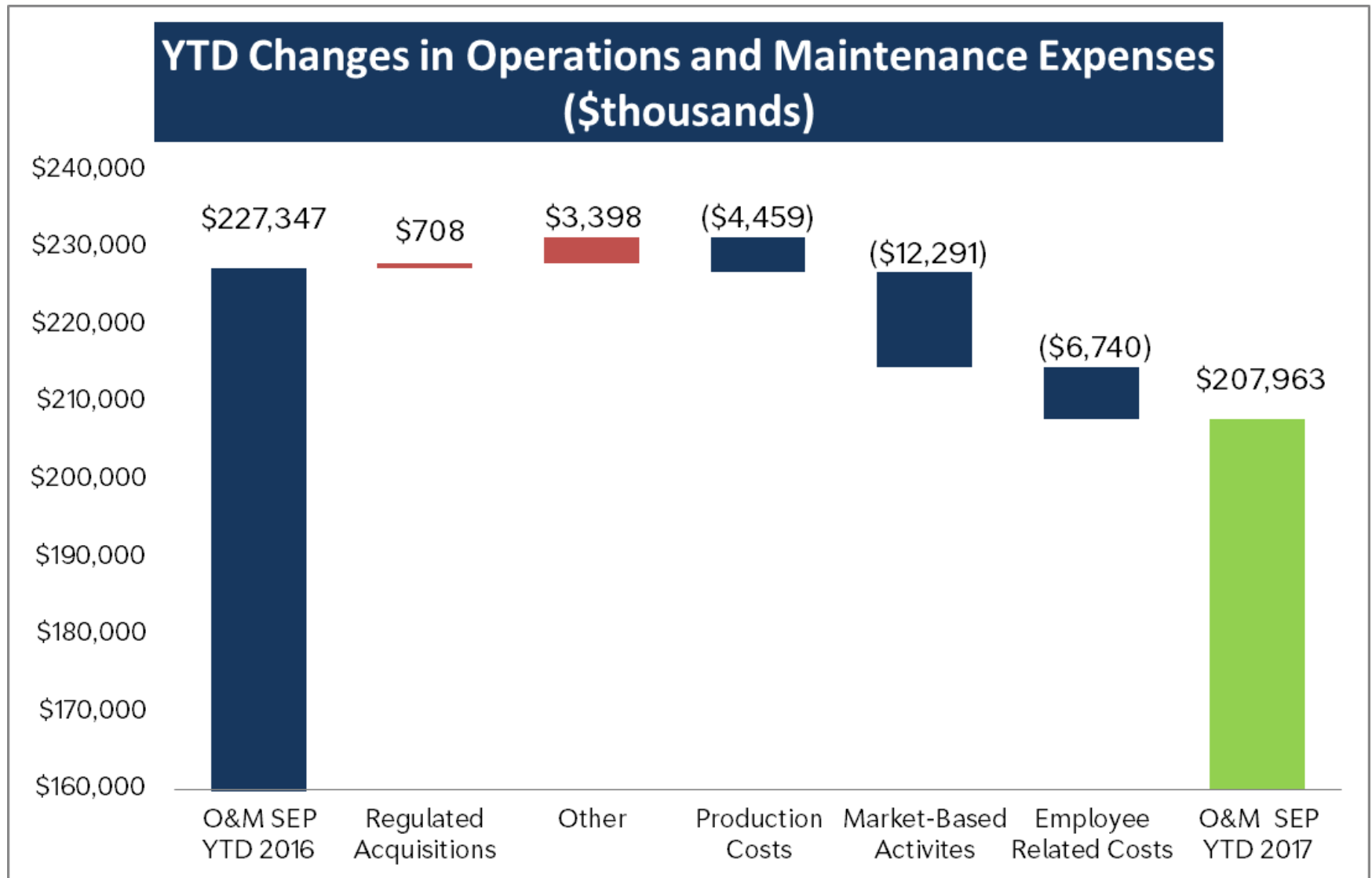
# Operating Revenues

YTD September 30, 2017 vs. YTD September 30, 2016



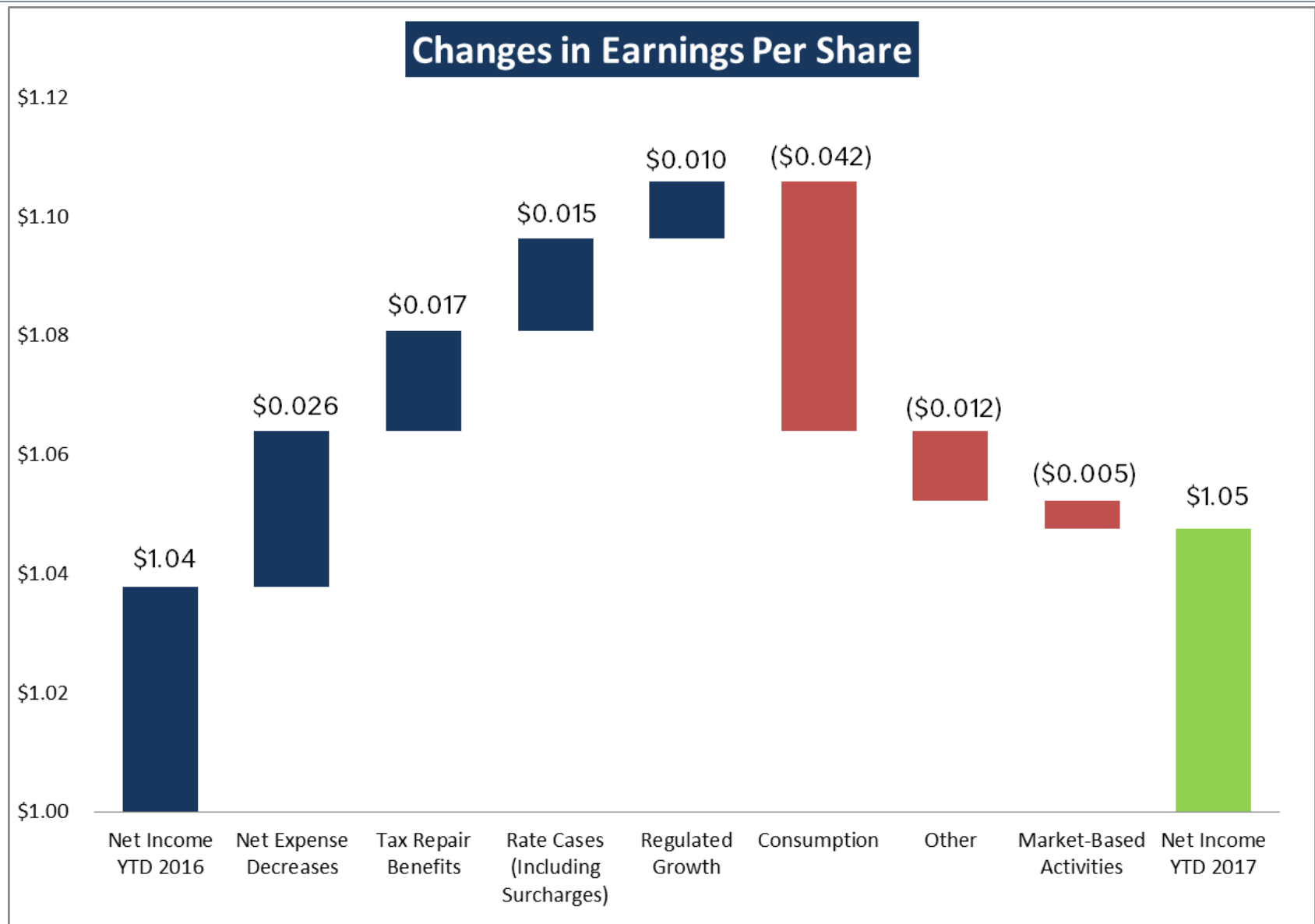
# Operations & Maintenance Expenses

YTD September 30, 2017 vs. YTD September 30, 2016



# Earnings per Common Share

YTD September 30, 2017 vs. YTD September 30, 2016





# Rates and Infrastructure Surcharges Completed

as-of October 31, 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)	\$1,246
	N/A	Surcharge (w)	\$706

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

(Continued on next page)

# Rates and Infrastructure Surcharges Completed

as-of October 31, 2017

(continued from previous page)

Rates or Surcharges Received in 2017			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
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
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-2017-2625811	Surcharge (w)	\$9,651
	M-2017-2605860	Surcharge (w)	\$(9)
		<b>Total</b>	<b>\$21,410</b>

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

# Rates and Infrastructure Surcharges Pending

as-of October 31, 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
North Carolina	W-218, Sub 363A	Surcharge (w)	\$14
	W-218, Sub 363A	Surcharge (ww)	\$60
	W-218, Sub 363A	Surcharge (ww)	\$9
		<b>Total</b>	<b>\$14,126</b>

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

# State by State Comparison

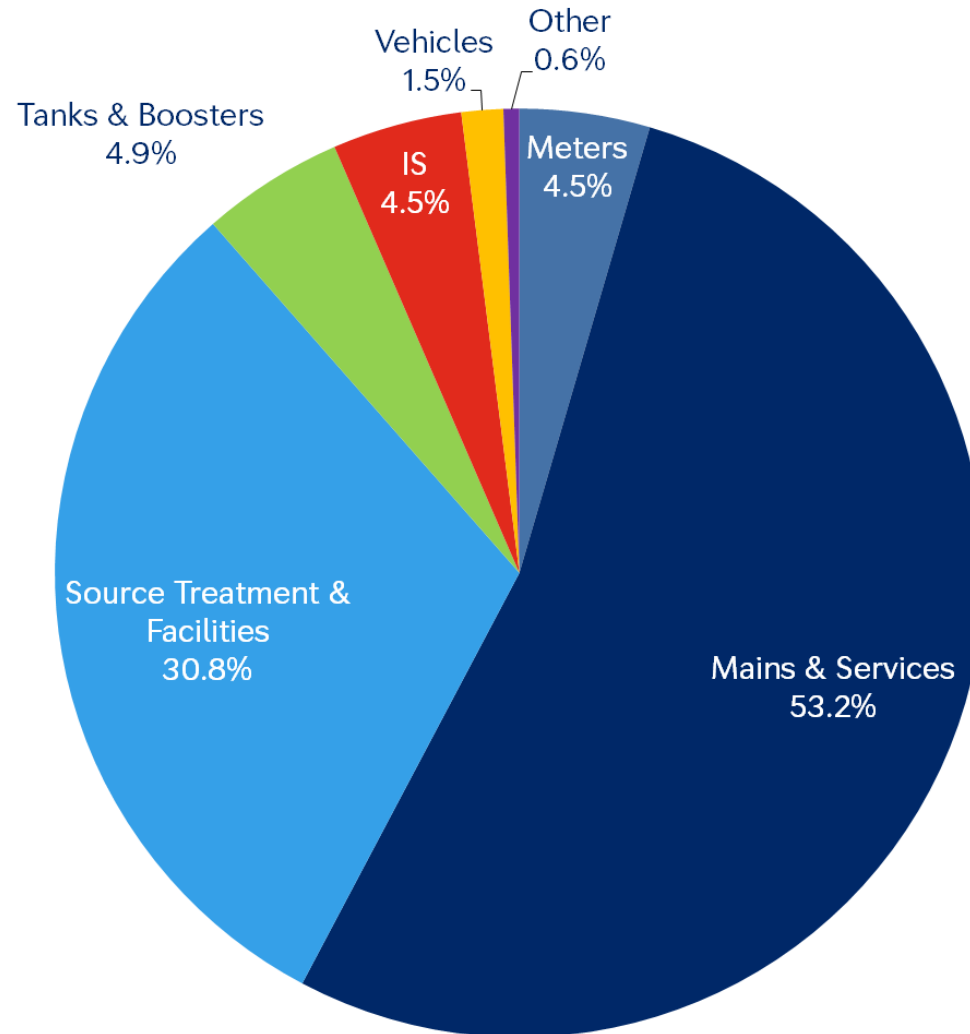
as-of December 31, 2016

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
<b>Total</b>	<b>\$3,751</b>	<b>862,157</b>	<b>110,108</b>

# Capital Investment Spending

## Regulated Operations

### 2017 to 2019 Capital Investment Breakdown



**3 Year Total = +\$1.2 Billion**