

# Earnings Call

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AQUA<sup>SM</sup>

NYSE: WTR



Full Year 2015  
February 24, 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; the success of cost containment initiatives, including 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 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 Presenters

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**Christopher Franklin**  
President and CEO



**Richard Fox**  
EVP and COO  
Regulated Operations



**Dave Smeltzer**  
EVP, CFO



**Brian Dingerdissen**  
Chief of Staff

# Introduction

## Christopher Franklin

President and Chief Executive Officer



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# Thank You for Joining Us

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# Today's Agenda

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- Corporate Update
  - 2015 Highlights
  - Update on Regulated Operations
  - Summary of Financial Results
  - 2016 Guidance

# Corporate Update

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## Organizational Updates

- Karen Heisler – SVP and Chief Human Resource Officer



# 2015 Highlights

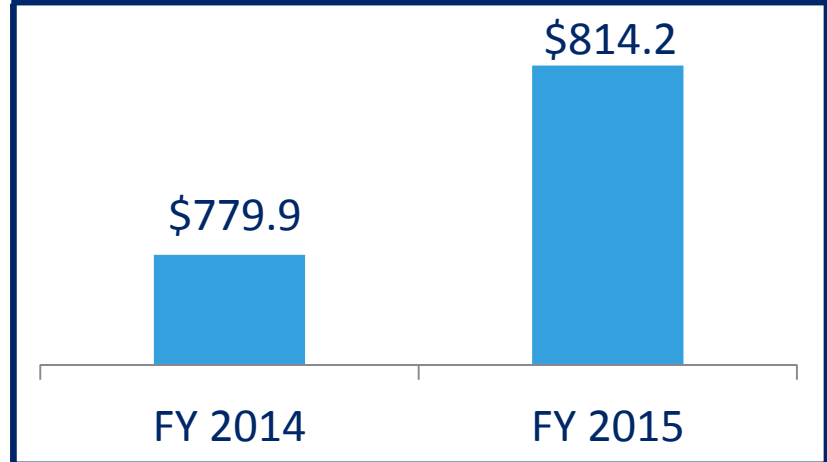
## Customer Growth

- 4 municipal, 12 private acquisitions
- 17,747 additional connections
- 1.9% customer growth

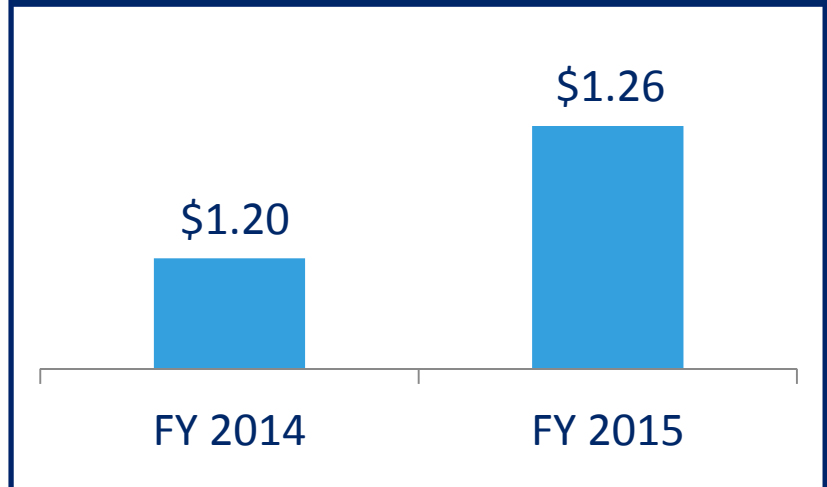
## Annualized Dividend Rate of \$0.712

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

## Operating Revenue (\$millions)



## Adjusted Income from Continuing Operations per Share (Non-GAAP)





# 2015 Acquisitions

| System                    | Date Closed | Water Customers | Wastewater Customers | Total Customers |
|---------------------------|-------------|-----------------|----------------------|-----------------|
| North Maine Utilities, IL | 4/30/2015   | 4,716*          | 2,693*               | 7,409           |
| Captain's Cove, VA        | 12/1/2015   | 977             | 280                  | 1,257           |
| Wintergreen, VA           | 7/1/2015    | 398             | 161                  | 559             |
| Mount Jewett, PA          | 5/6/2015    | 443*            | -                    | 443             |
| Robin Hood, PA            | 10/15/2015  | 201             | -                    | 201             |
| Union Hill, TX            | 9/2/2015    | 179             | -                    | 179             |
| Venter Heights, VA        | 2/5/2015    | 136             | -                    | 136             |
| Bunker Hill, PA           | 8/11/2015   | 66              | 67                   | 133             |
| Alamance County, NC       | 8/31/2015   | 111             | -                    | 111             |
| Seaview Harbor, NJ        | 4/16/2015   | 94              | -                    | 94              |
| Summerdale, IL            | 8/21/2015   | 57*             | -                    | 57              |
| Mountain Ridge, NC        | 8/3/2015    | 33              | -                    | 33              |
| <b>Total</b>              |             | <b>7,411</b>    | <b>3,201</b>         | <b>10,612</b>   |

\* Municipal System

- 12 water and 4 wastewater acquisitions
- 12 private and 4 municipal systems

# 2016 Acquisitions

as-of February 23, 2016

| System               | Date Closed | Water Customers | Wastewater Customers | Total Customers |
|----------------------|-------------|-----------------|----------------------|-----------------|
| Superior, PA         | 1/1/2016    | 3,868           | -                    | 3,868           |
| Eastwood Manor, IL   | 2/23/2016   | 340             | -                    | 340             |
| Nunda, IL            | 2/23/2016   | 185             | -                    | 185             |
| Galena WW System, IN | 1/29/2016   | -               | 123                  | 123             |
| Total                |             | 4,393           | 123                  | 4,516           |

# Regulated Operations

**Rick Fox**

Executive Vice President and Chief Operating Officer, Regulated Operations

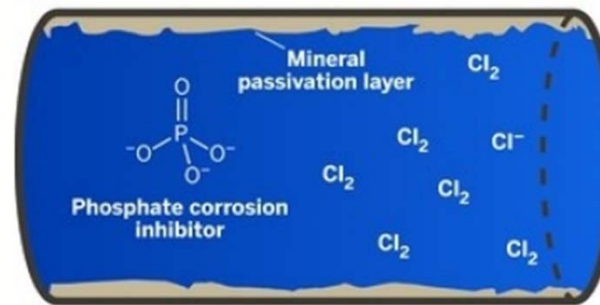


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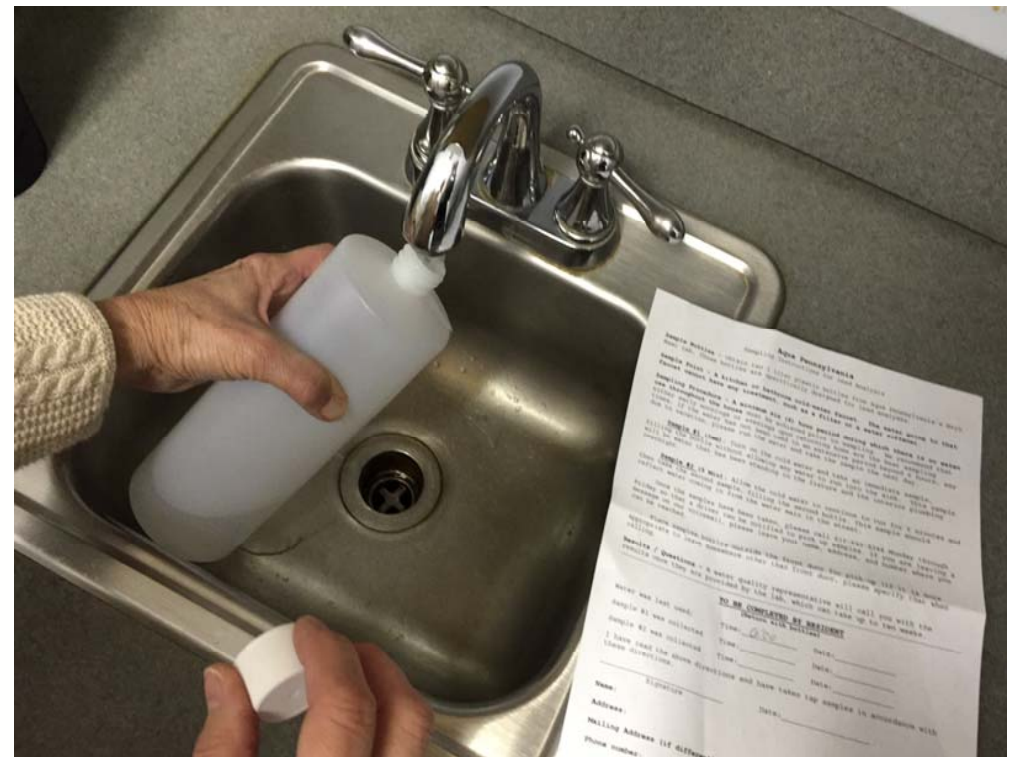
# Lead in Drinking Water

- In the news
- Lead exists:
  - Pipe before 1930's
  - Solder before 1986
  - Fittings before 2011
- Lead & Copper Rule (L&CR)
  - Effective 1991
  - Corrosion control
  - Testing in customer homes
- Aqua in compliance with L&CR provisions in all 1,484 systems
  - Consumer Confidence Reports sent annually
  - L&CR currently under review by EPA and revisions expected in 2017.



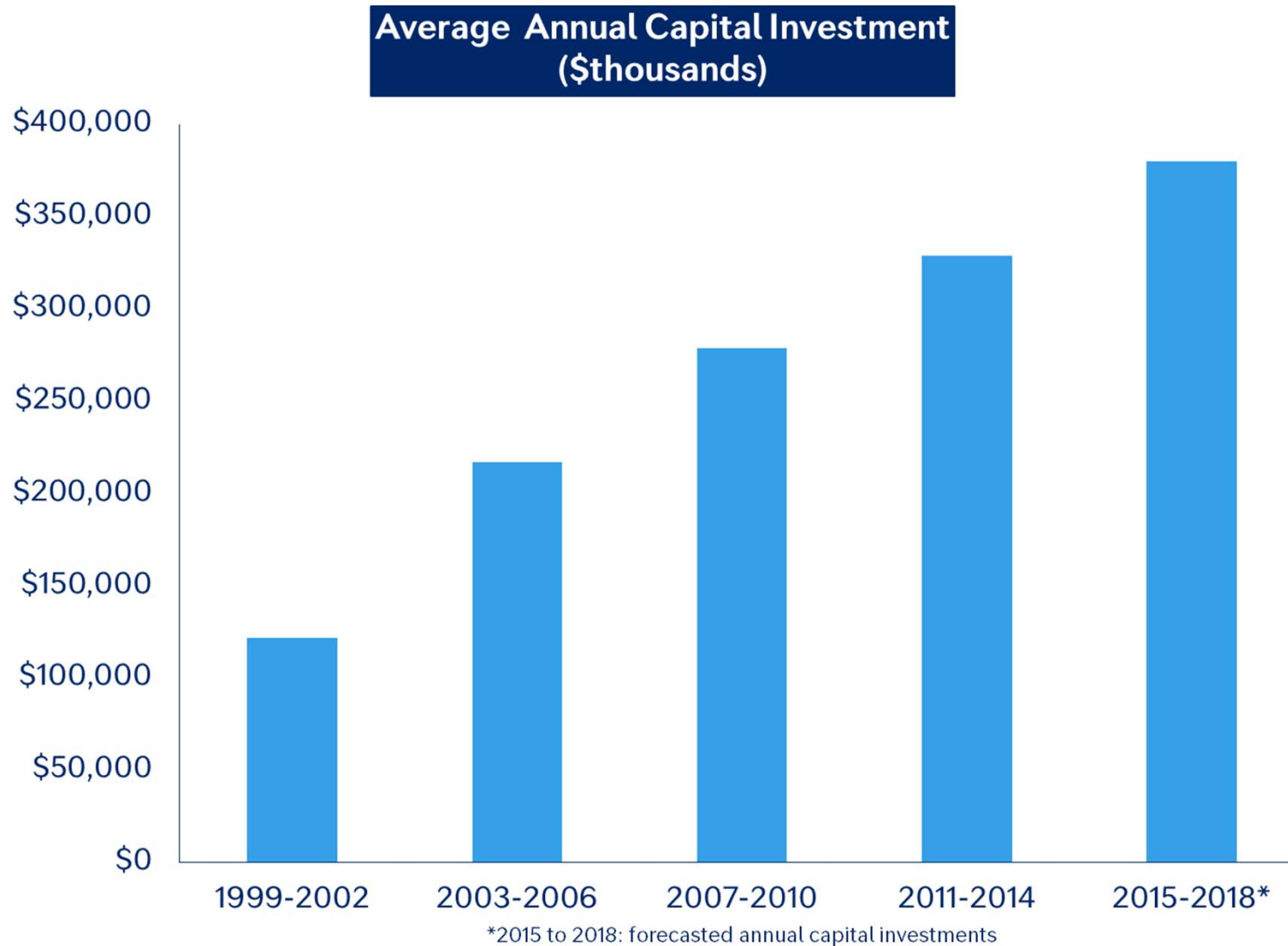
Lead  
or  
iron  
pipe

It is not about the lead; it is about the control of corrosion



# Building for the Future

## Regulated Operations



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

# Summary of Financial Results

**Dave Smeltzer**

Executive Vice President and Chief Financial Officer



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# 2015 Financial Results

|  | In millions<br>except per share | FY 2014 |   | FY 2015 | Variance |
|--|---------------------------------|---------|---|---------|----------|
| Revenue  |                                 | \$779.9 | ▲ | \$814.2 | 4.4%     |
| Operations and Maintenance Expense                                 |                                 | \$288.6 | ▲ | \$309.3 | 7.2%     |
| Income from Continuing Operations                                  |                                 | \$213.9 | ▼ | \$201.8 | (5.7%)   |
| Income from Continuing Operations per Share                        |                                 | \$1.20  | ▼ | \$1.14  | (5.0%)   |
| Exclude:   |                                 |         |   |         |          |
| Joint Venture Impairment Charge, Net of Tax                        |                                 | -       | ▲ | \$21.4  |          |
| Adjusted Income from<br>Continuing Operations (Non-GAAP)           |                                 | \$213.9 | ▲ | \$223.2 | 4.4%     |
| Adjusted Income from<br>Continuing Operations per Share (Non-GAAP) |                                 | \$1.20  | ▲ | \$1.26  | 5.0%     |



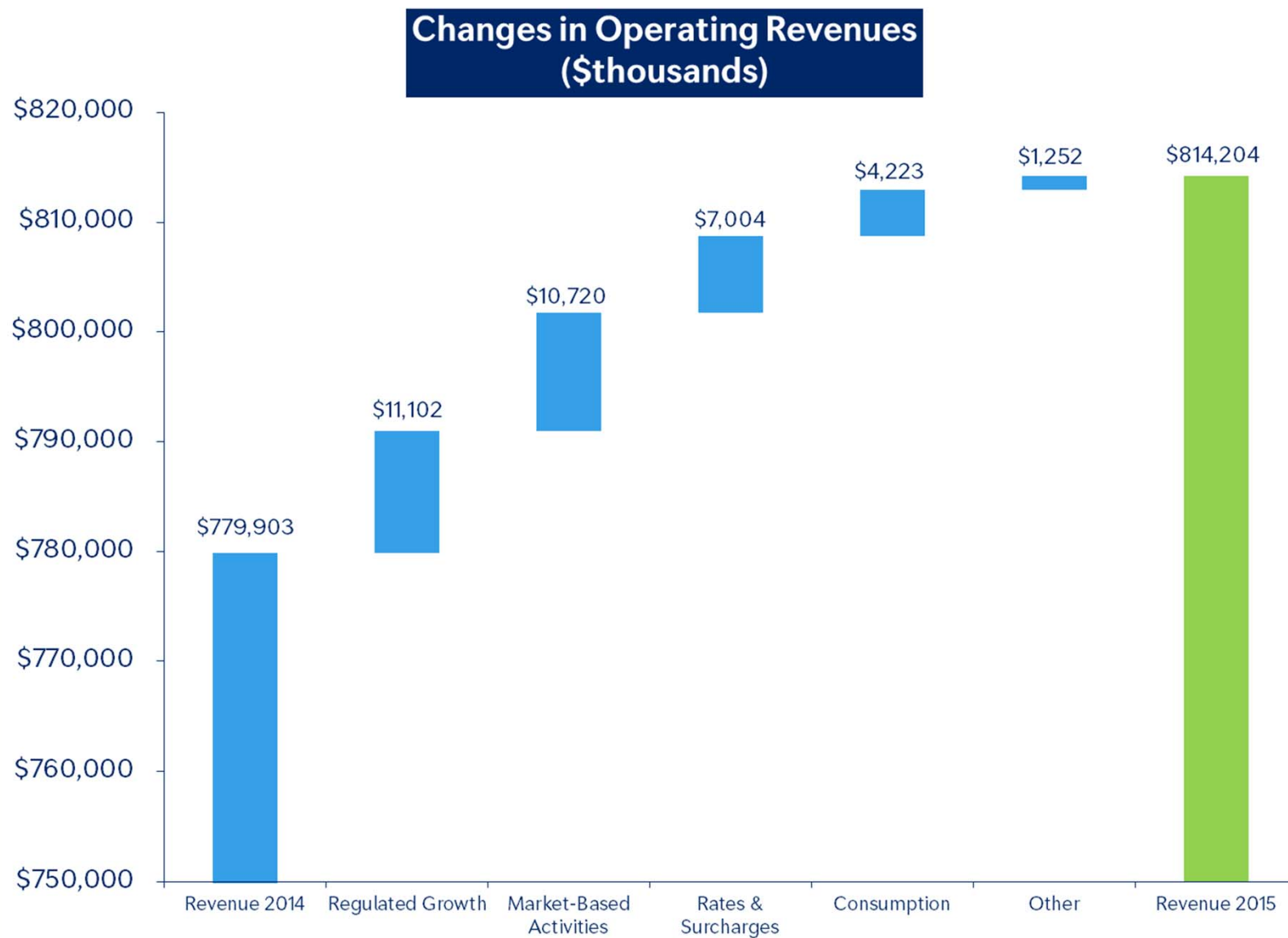
Favorable Change



Unfavorable Change

# Operating Revenues

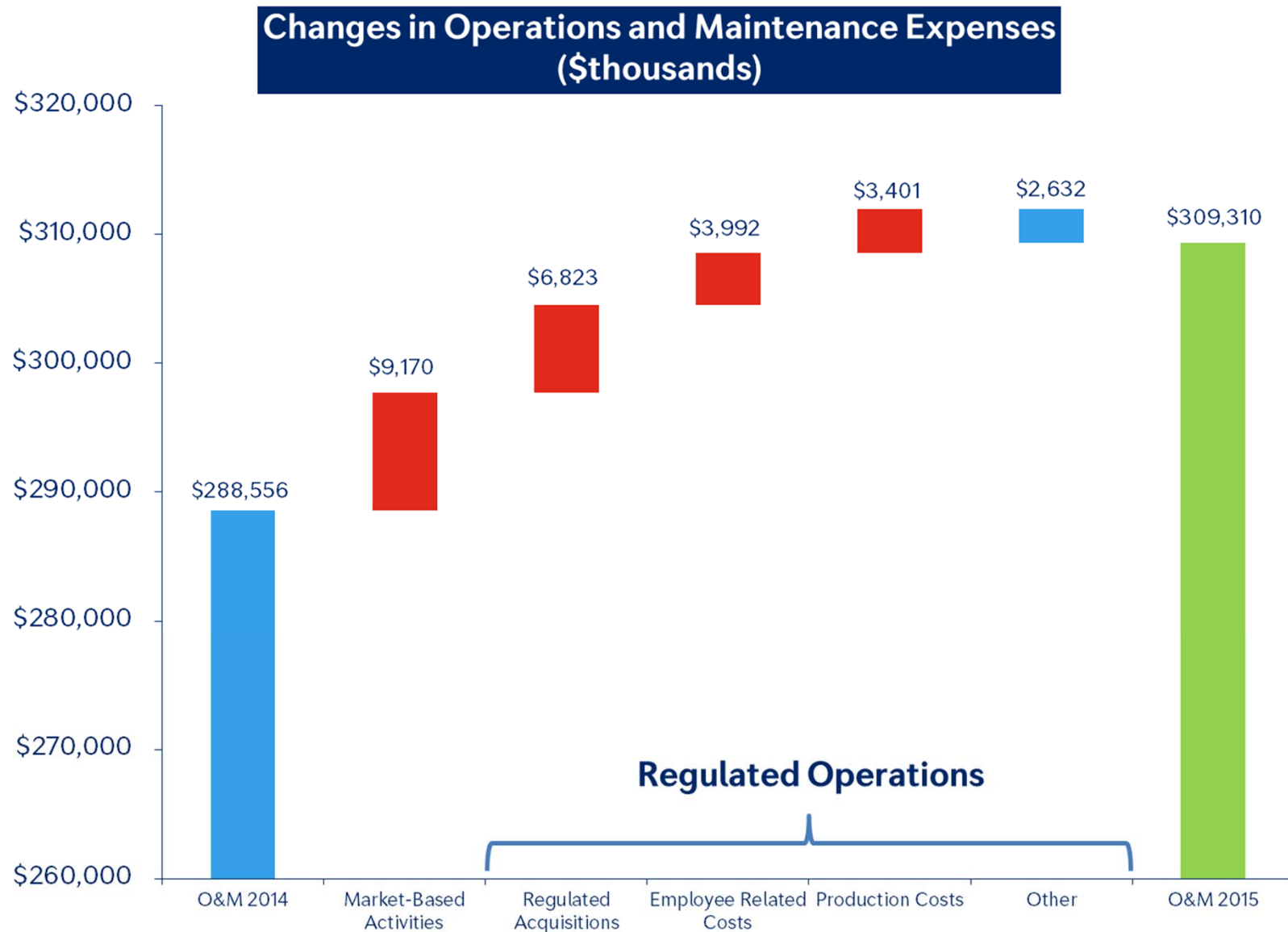
FY 2015 vs. FY 2014





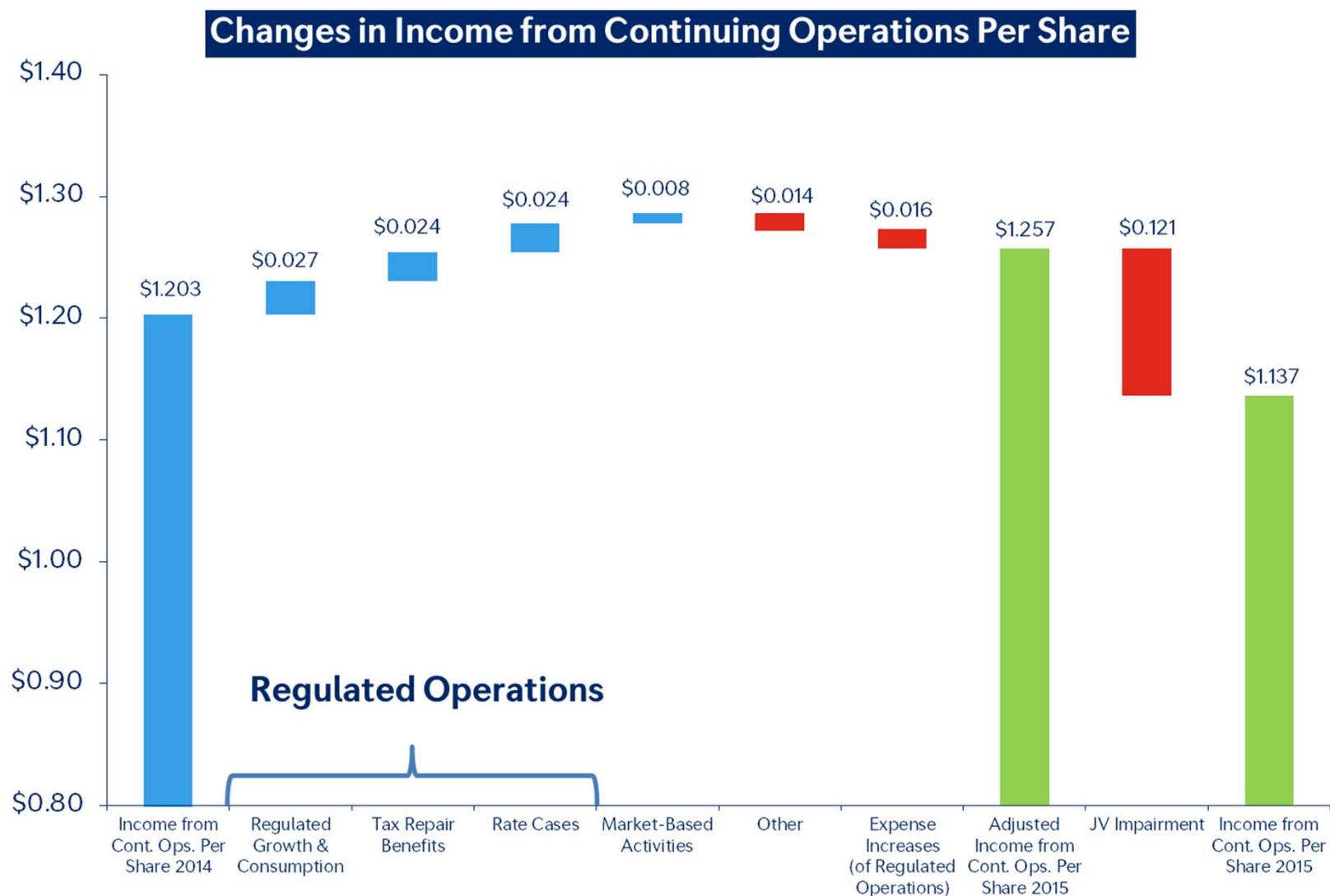
# Operations & Maintenance Expenses

FY 2015 vs. FY 2014



# Income from Continuing Operations per Share

## FY 2015 vs. FY 2014



# 2015 Fourth Quarter Financial Results

|  | In millions<br>except per share | Q4'14   |   | Q4'15   | Variance |
|--|---------------------------------|---------|---|---------|----------|
| Revenue  |                                 | \$191.4 | ▲ | \$197.1 | 3.0%     |
| Operations and Maintenance Expense                                 |                                 | \$74.1  | ▲ | \$77.9  | 5.0%     |
| Income from Continuing Operations                                  |                                 | \$49.0  | ▼ | \$28.4  | (41.9%)  |
| Income from Continuing Operations per Share                        |                                 | \$0.28  | ▼ | \$0.16  | (42.9%)  |
| Exclude:   |                                 |         |   |         |          |
| Joint Venture Impairment Charge, Net of Tax                        |                                 | -       | ▲ | \$21.4  |          |
| Adjusted Income from<br>Continuing Operations (Non-GAAP)           |                                 | \$49.0  | ▲ | \$49.9  | 1.9%     |
| Adjusted Income from<br>Continuing Operations per Share (Non-GAAP) |                                 | \$0.28  | ▲ | \$0.28  | -        |



Favorable Change



Unfavorable Change

# Rate Activity

## 2015 Completed Rate Cases and Infrastructure Surcharges

- Base rate cases or infrastructure surcharges completed in NJ, IL, NC, OH, TX and PA (wastewater)
- \$8.6 million in additional annualized revenue

## 2016 Completed Rate Cases and Infrastructure Surcharges

- Base rate cases or infrastructure surcharges completed in IL, NC, OH, TX and VA
- \$4.3 million in additional annualized revenue

## 2016 Pending Rate Case

- Base rate case in NJ with requested annualized revenue increase of \$2.5 million

\*Additional rate activity information provided in Appendix

# 2016 Guidance

## Christopher Franklin

President and Chief Executive Officer



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# 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

# Q&A Session



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# Thank You for Attending Aqua America's Full Year 2015 Earnings Call

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For more information contact:  
Brian Dingerdissen  
Chief of Staff  
610.645.1191



# Appendix

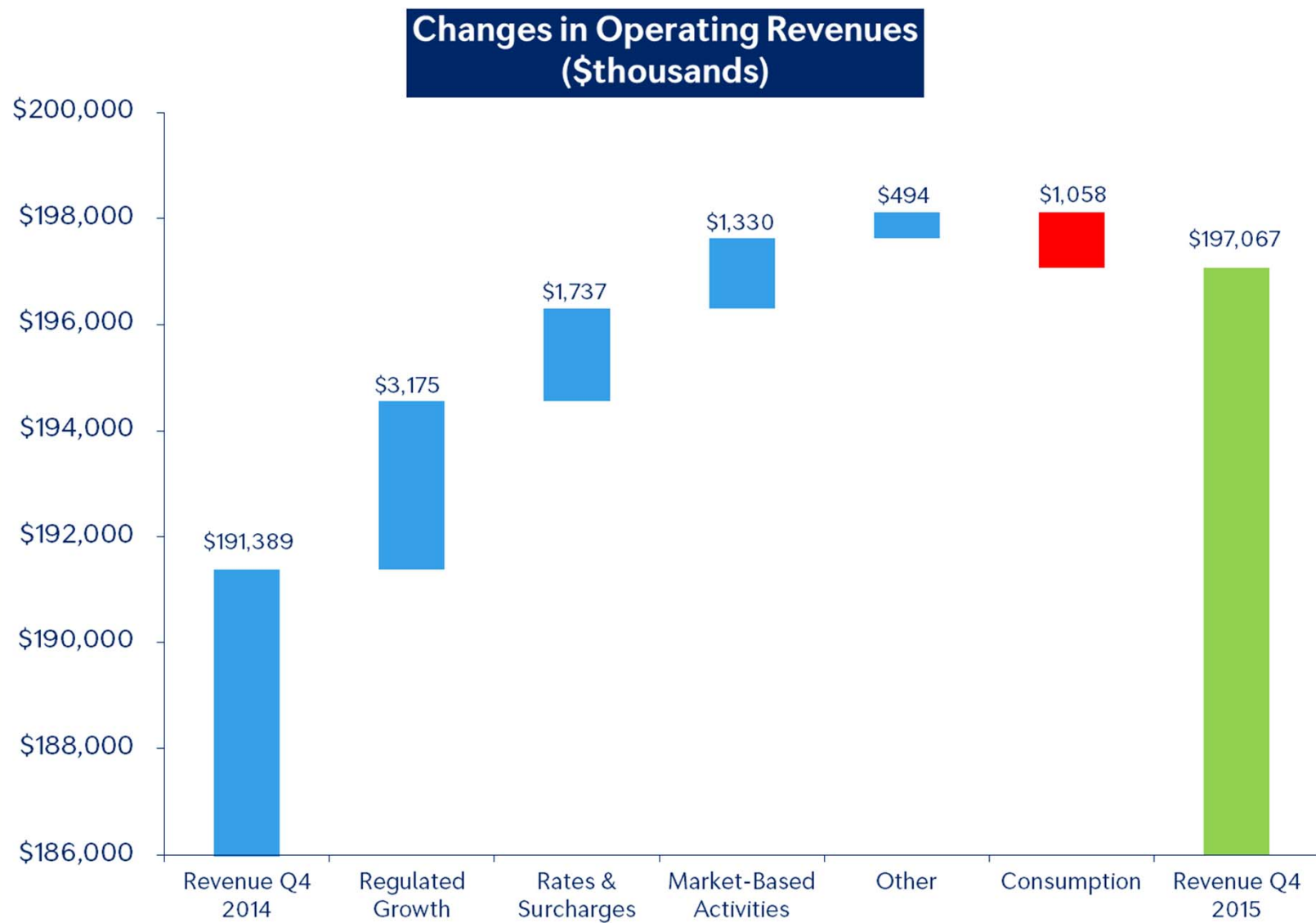


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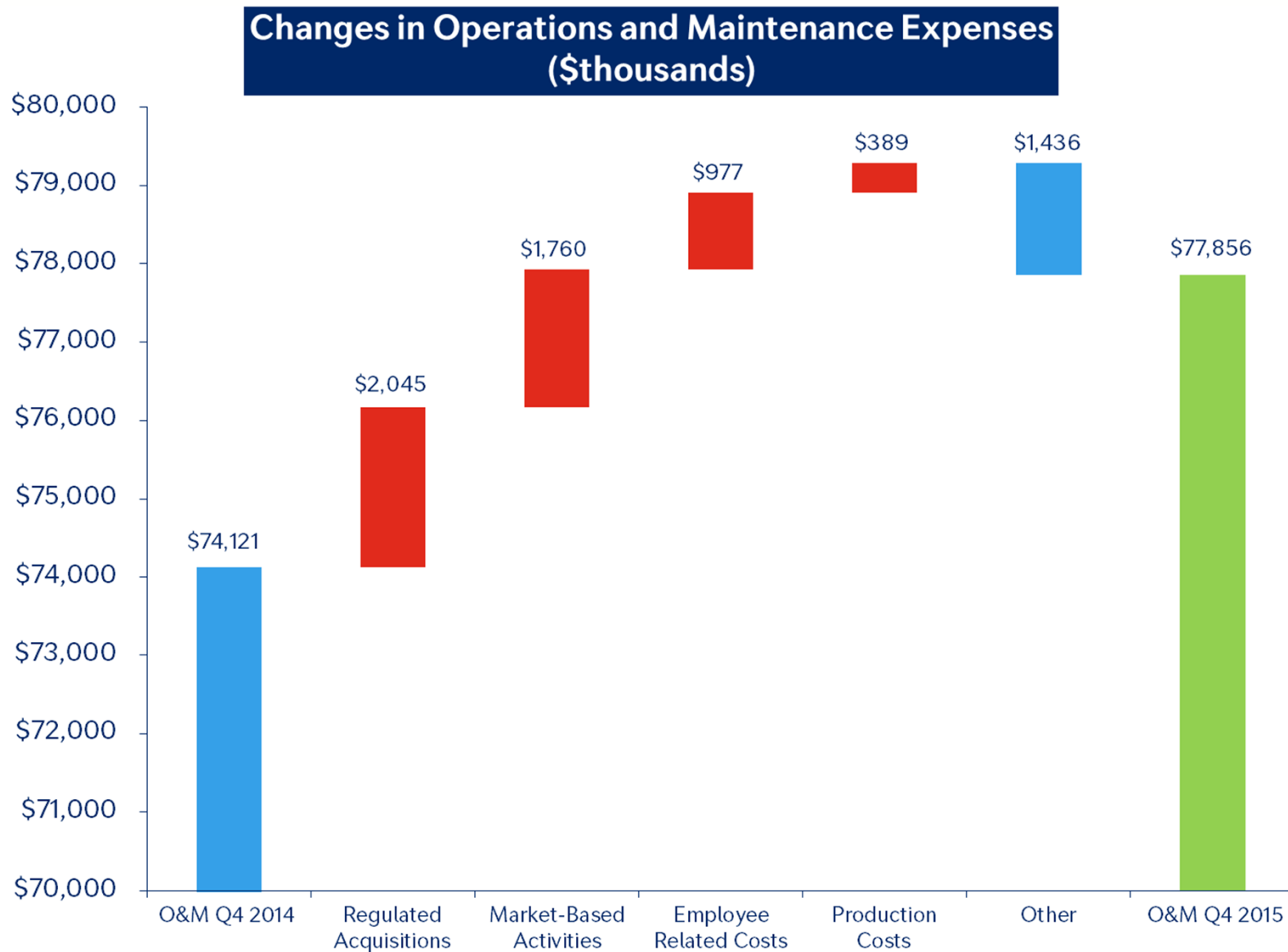
# Operating Revenues

Q4 2015 vs. Q4 2014



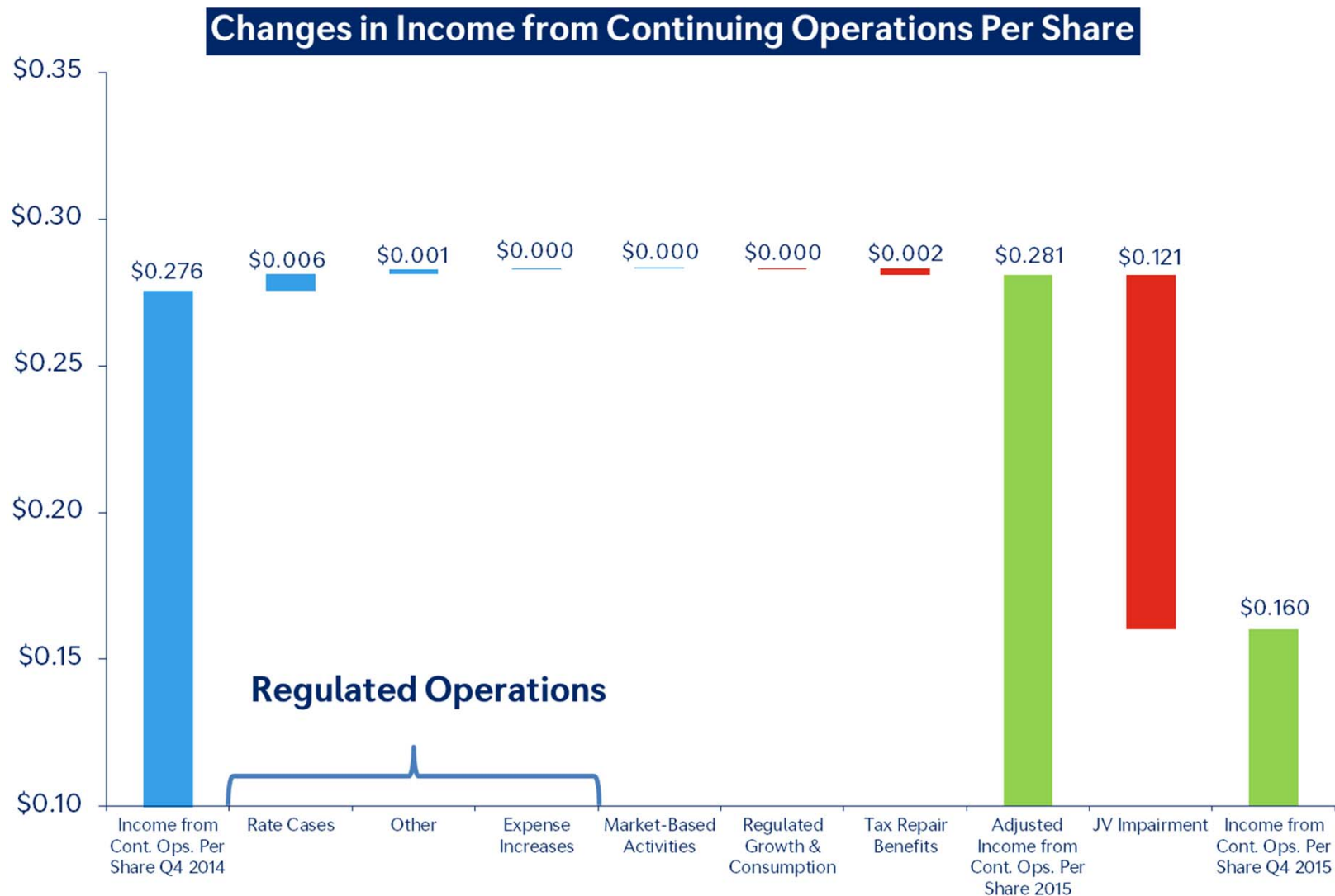
# Operations & Maintenance Expenses

Q4 2015 vs. Q4 2014



# Income from Continuing Operations per Share

Q4 2015 vs. Q4 2014



# 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 (w)     | 1,841   |
| New Jersey                           | WR14010019 (semi-annual) | Surcharge (w)     | 1,815   |
| North Carolina                       | W-218-Sub-363A           | Surcharges (w/ww) | 311   |
| Ohio                                 | Ordinance # 22-2013      | Rate Case (w)     | 730   |
|                                      | Ordinance # 14-041       | Rate Case (w)     | 587   |
|                                      | 15-863-WW-SIC            | Surcharges (w)    | 2,487   |
|                                      | 15-864-WS-SIC            | Surcharges (ww)   | 109   |
| Pennsylvania                         | P-2013-2366873           | Surcharge (ww)    | 259   |
| Texas <sup>1</sup>                   | 2012-1058-UCR            | Rate Case (w)     | 189   |
|                                      |                          | Total             | \$8,570   |

1. This is step three of a phased-in rate case docket

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

# Rates and Infrastructure Surcharges Completed

as-of February 23, 2016

| Rates or Surcharges Received in 2016 |                     |                   |   |
|--------------------------------------|---------------------|-------------------|---|
| State                                | Docket Number       | Type              | Awarded Annualized Revenue Increase (\$thousands) |
| Illinois                             | N/A                 | Surcharge (w)     | \$600   |
| 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             | \$4,294   |

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 February 23, 2016

| Rates for 2016 |               |               |   |
|----------------|---------------|---------------|---|
| State          | Docket Number | Type          | Requested Annualized Revenue Increase (\$thousands) |
| New Jersey     | WR16010089    | Rate Case (w) | \$2,536   |
|                |               | Total         | \$2,536   |

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

# State by State Comparison

as-of Dec. 31, 2015

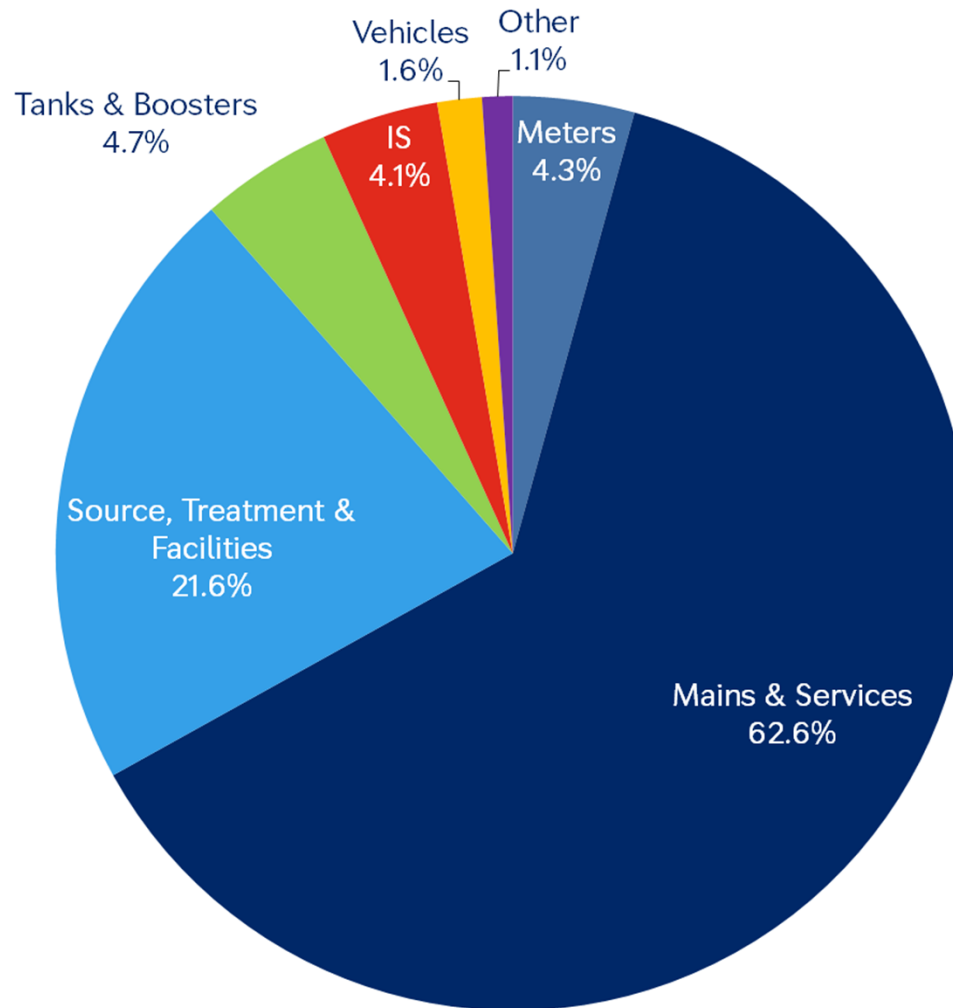
| State        | Rate Base<br>(\$millions) | Water<br>Connections | Wastewater<br>Connections |
|--------------|---------------------------|----------------------|---------------------------|
| PA           | \$2,411                   | 427,309              | 19,784                    |
| OH           | 256                       | 143,598              | 6,654                     |
| IL           | 213                       | 62,591               | 9,634                     |
| TX           | 193                       | 60,473               | 15,809                    |
| NJ           | 135                       | 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>            |



# Capital Investment Spending

## Regulated Operations

### 2016 to 2018 Capital Investment Breakdown



**3 Year Total = +\$1.1 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)  
(A Non-GAAP, Unaudited Number)

|   | Quarter Ended<br>December 31, |                  | Year Ended<br>December 31, |                   |
|---|-------------------------------|------------------|----------------------------|-------------------|
|   | <u>2015</u>                   | <u>2014</u>      | <u>2015</u>                | <u>2014</u>       |
| Income from continuing operations (GAAP financial measure)                                | \$ 28,434                     | \$ 48,954        | \$201,790                  | \$ 213,884        |
| Plus: joint venture impairment charge (net of taxes of \$11,542)                          | <u>21,433</u>                 | <u>-</u>         | <u>21,433</u>              | <u>-</u>          |
| Adjusted income from continuing operations (Non-GAAP financial measure)                   | <u>\$ 49,867</u>              | <u>\$ 48,954</u> | <u>\$223,223</u>           | <u>\$ 213,884</u> |
| Income from continuing operations per common share (GAAP financial measure):              |                               |                  |                            |                   |
| Basic   | \$ 0.16                       | \$ 0.28          | \$ 1.14                    | \$ 1.21           |
| Diluted   | \$ 0.16                       | \$ 0.28          | \$ 1.14                    | \$ 1.20           |
| Adjusted income from continuing operations per common share (Non-GAAP financial measure): |                               |                  |                            |                   |
| Basic   | \$ 0.28                       | \$ 0.28          | \$ 1.26                    | \$ 1.21           |
| Diluted   | \$ 0.28                       | \$ 0.28          | \$ 1.26                    | \$ 1.20           |
| Average common shares outstanding:  |                               |                  |                            |                   |
| Basic   | <u>176,480</u>                | <u>176,660</u>   | <u>176,788</u>             | <u>176,864</u>    |
| Diluted   | <u>177,261</u>                | <u>177,651</u>   | <u>177,517</u>             | <u>177,763</u>    |