

Essential Utilities Inc. 2020 Investor Day





Welcome

Brian Dingerdissen

Vice President, Chief of Staff, Investor Relations, and Communications

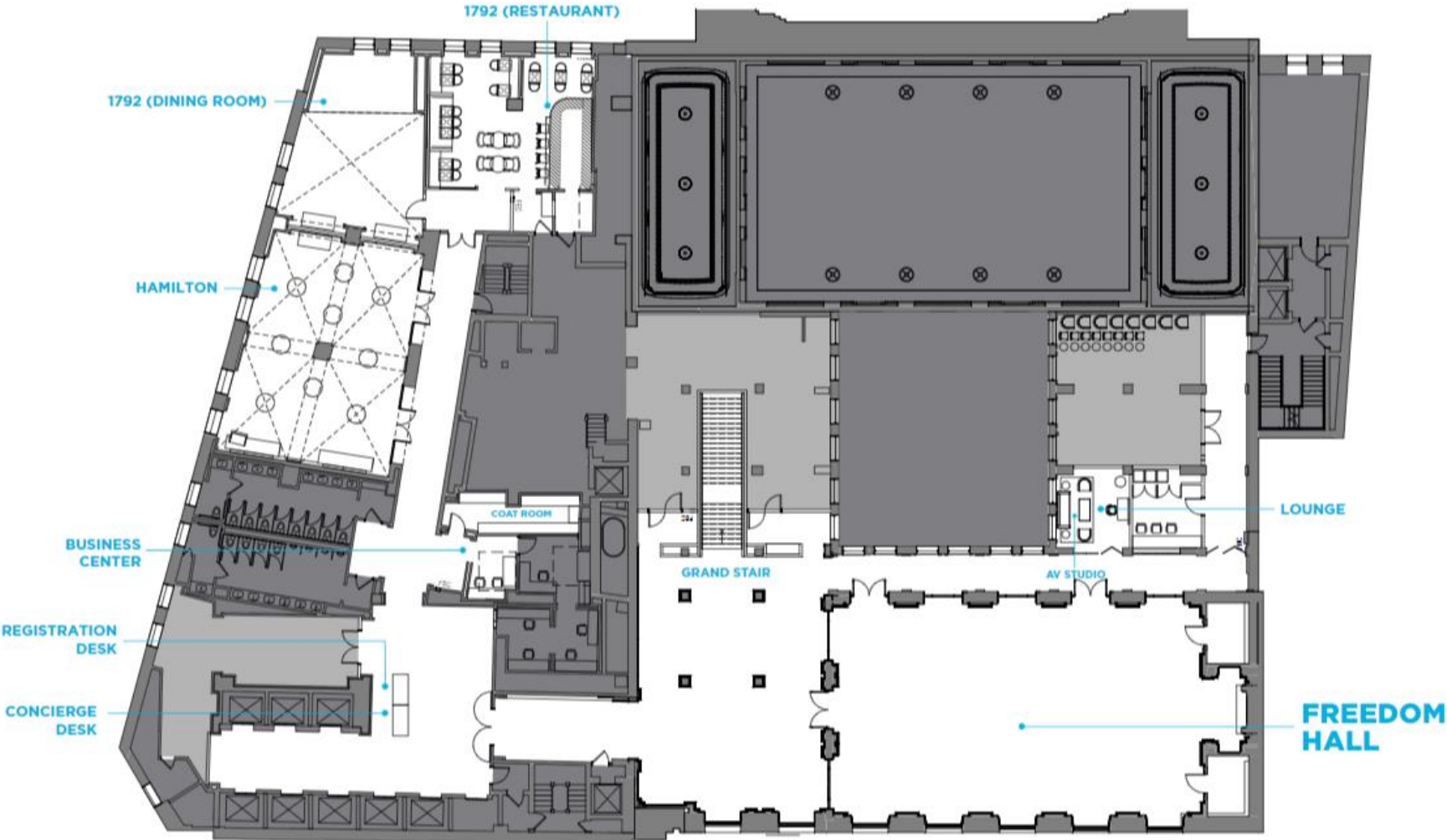
Forward Looking Statement

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' 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, 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.essential.co

Safety Message



Agenda

Chris Franklin – Company Update

Matt Rhodes – Strategy and Corporate Development

Rick Fox – Operations Overview

15 Minute Break

Operational Excellence & Regulatory Affairs Panel

- **Colleen Arnold**
- **Christopher Crockett**
- **Kimberly Joyce**
- **Joseph Gregorini**

Dan Schuller – Financial Overview

Chris Franklin – Summary

Q&A

Lunch



Company Update

Chris Franklin

Chairman, Chief Executive Officer, and President

Growth Strategy

Core Competencies

- Infrastructure Investment (pipes, plants, etc.)
- Regulatory Affairs
- Operational Excellence

Which leads to our three-pronged growth strategy.

1 Municipal Initiative

- Driver of growing our foundational water/wastewater business
- Our primary focus today

2 Strategic M&A

- Opportunistic pursuit of large, regulated utility/infrastructure targets

3 MBAs

- Complementary to our regulated business
- Capitalizes on broader infrastructure renewal



PEOPLES™ Acquisition: Strategic Rationale

Creating an infrastructure company well-positioned for strong growth

NYSE: WTRG



Strategic Rationale

Adds platform for growth

- Introduces new platform for growth
- Expands infrastructure investment opportunities to drive rate base growth

Benefits of increased scale

- Increases rate base ~45%¹ and diversifies earnings mix
- Creates only multi-platform water and natural gas utility of scale in the US

Constructive jurisdictions

- Increases presence in PA; one of the most highly-regarded regulatory environments

Shared expertise in infrastructure

- Highly complementary infrastructure businesses

Management team experience

- Peoples team brings meaningful experience, with COO having been with Peoples for over 30 years

Pure natural gas distribution company

- No material non-utility businesses
- No exploration

Expected Benefits to Key Stakeholders

Customers

- Continued best-in-class service from established gas and water utilities
- No impact to customer rates from transaction
- Financial capacity will enhance infrastructure investments, increasing reliability and safety

Shareholders

- Accretive to earnings
- Improves future rate base and earnings growth
- Supports continued long-term dividend growth
- Larger market capitalization, float and trading liquidity post permanent financings

Communities

- Continued engagement in the communities that each company serves
- Infrastructure investment will improve quality of life and contribute to economic prosperity in our

¹Based on rate base as of year-end 2019.



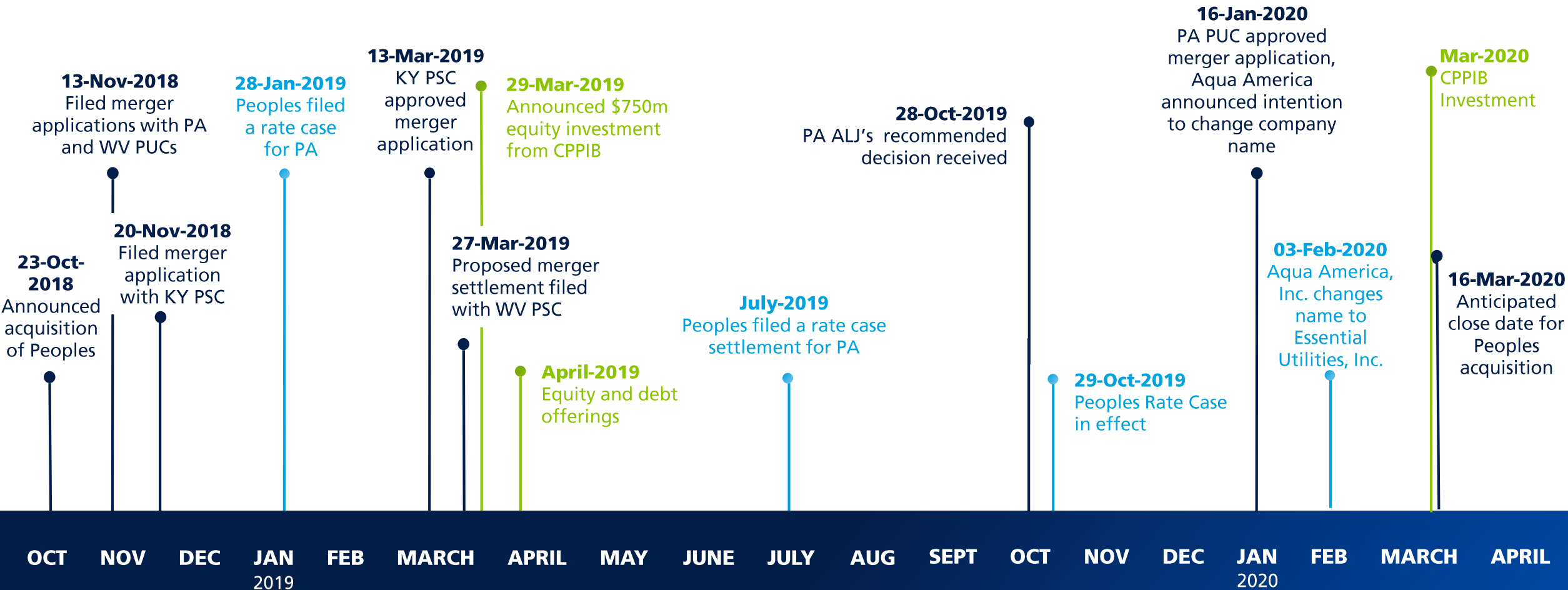
PEOPLES™ Transaction Timeline

NYSE: WTRG



Anticipated closing of the Peoples Gas acquisition is expected to be March 16, 2020

● Transaction ● Financial ● Regulatory



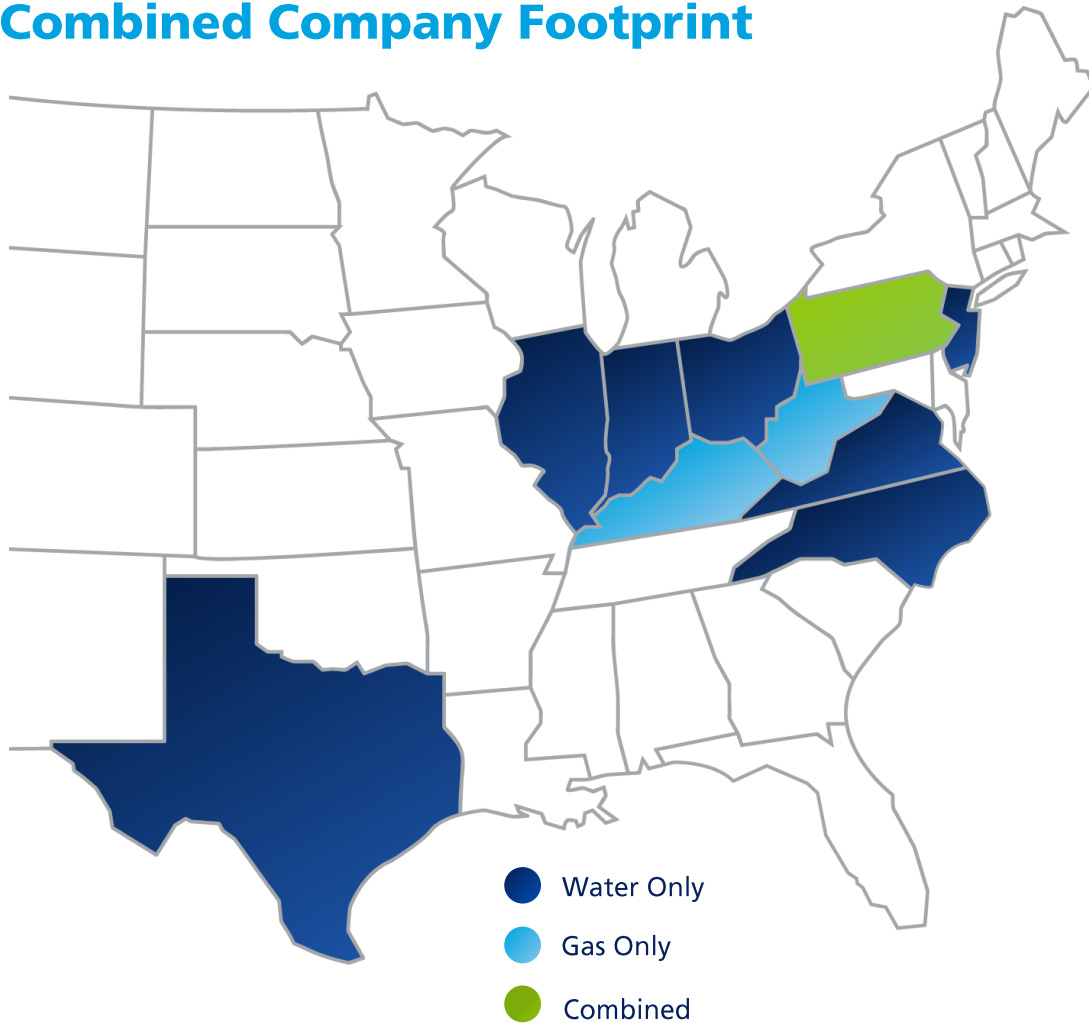
OCT NOV DEC JAN 2019 FEB MARCH APRIL MAY JUNE JULY AUG SEPT OCT NOV DEC JAN 2020 FEB MARCH APRIL

Combined Pro Forma Utility Profile

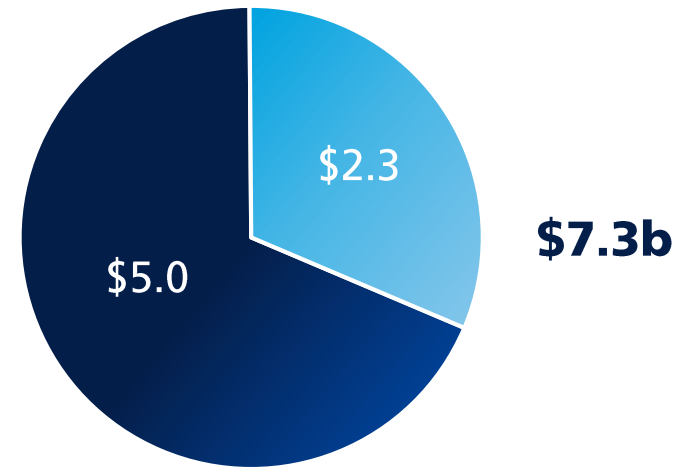
Creating an infrastructure company well-positioned for strong growth



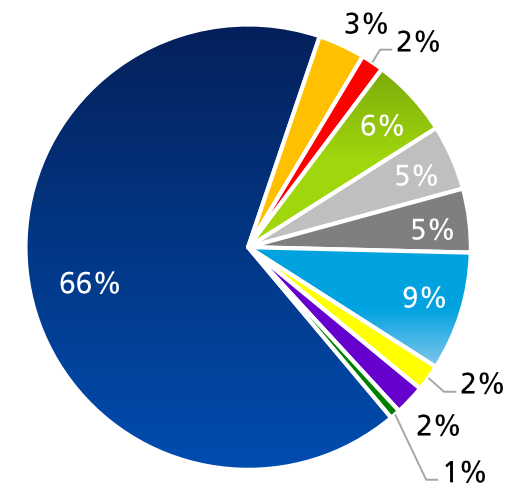
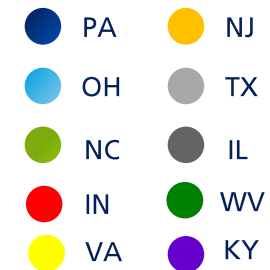
Combined Company Footprint



2019 Combined Rate Base (\$B)



2019 Combined Customers by State¹



¹ As of 31-Dec-2019. Due to rounding, percentages may not always appear to add up to 100%

Pro Forma Organization Overview

As part of the Essential family, Peoples provides a natural gas platform of scale and creates another avenue for growth.





About Essential

Our Mission:

To improve quality of life and economic prosperity by safely and reliably delivering earth's most essential resources.

Our Purpose:

Essential is uniquely positioned to play an important role in solving today's water and natural gas challenges by renewing and improving infrastructure through thoughtful capital investment, operational excellence, environmental stewardship and rigorous safety standards. Through our work, we help strengthen communities, improve service and enhance economic development, enabling people to lead better lives. This vital work empowers us to grow as an organization and as individuals. Together, we will make a difference for generations to come.

Board of Directors



Christopher Franklin
Chairman
 Executive Committee*
 Risk Mitigation and Investment
 Policy Committee



Elizabeth B. Amato
Director Since 2018
 Executive Compensation Committee
 Corporate Governance Committee



Nicholas DeBenedictis
Chairman Emeritus
Director Since 1993
 Risk Mitigation and Investment
 Policy Committee*



Daniel J. Hilferty
Lead Independent Director,
Director Since 2017
 Corporate Governance Committee*
 Executive Committee
 Audit Committee
 Executive Compensation Committee



Francis O. Idehen, Jr.
Director Since 2019
 Audit Committee
 Risk Mitigation and Investment
 Policy Committee



Ellen T. Ruff
Director Since 2006
 Executive Compensation Committee*
 Corporate Governance Committee



Lee C. Stewart
Director Since 2018
 Audit Committee*
 Executive Committee
 Risk Mitigation and
 Investment Policy Committee



Christopher C. Womack
Director Since 2019
 Executive Compensation
 Committee
 Corporate Governance Committee



Wendy A. Franks
Director Effective Upon Closing of
Private Placement Transaction and
the Pending Peoples Acquisition

* Indicates Chair



Leadership Team



Chris Franklin
Chief Executive Officer



Daniel Schuller
EVP, Chief
Financial Officer



Susan Haindl
SVP, Chief
Administrative
Officer



**Matthew
Rhodes**
EVP, Strategy
and Corporate
Development



Christina Kelly
SVP, Human
Resources



Richard Fox
EVP, Chief
Operating
Officer



**Ruth DeLost-
Wylie**
SVP, Business
Transformation



**Christopher
Luning**
EVP, General
Counsel



Kimberly Joyce
VP, Regulatory
& Government
Affairs



**Brian
Dingerdissen**
VP, Chief of
Staff, Investor
Relations and
Communications



Colleen Arnold
President, Aqua



Joe Gregorini
President, Peoples

ESG Program

Environment

- Climate Change Risks and Opportunities
- Energy Use and Efficiency
- Water Quality and Effluent Management
- Water Efficiency (end use and distribution network)
- Waste Generation and Reduction

Social

- Water Affordability and Access
- Health and Safety
- Employee Engagement and Talent Management
- Diversity and Inclusion
- Community Engagement

Governance

- Corporate Governance and Executive Compensation
- Compliance and Ethics
- Political Contributions
- Supply Chain Management

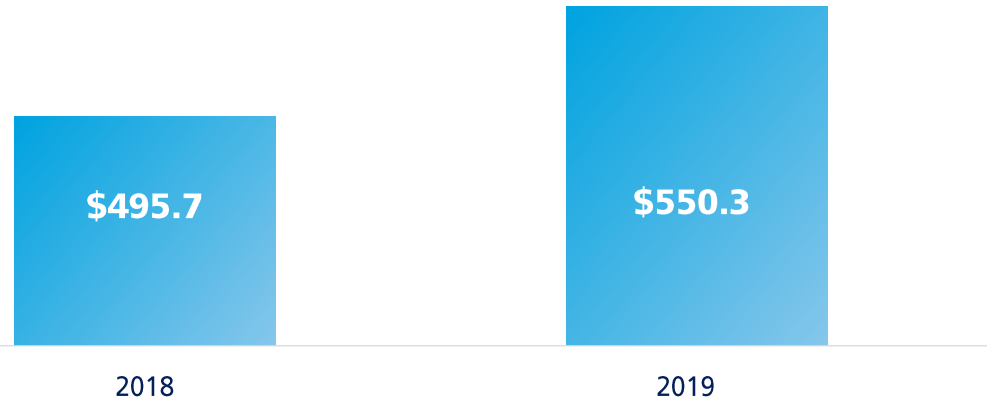
Recent Highlights:

- 2019 CDP Score : B-
- New policies adopted and disclosed
- Tear sheets added to website
- Creation of new position focused on ESG
- Plan for New ESG Report later in 2020

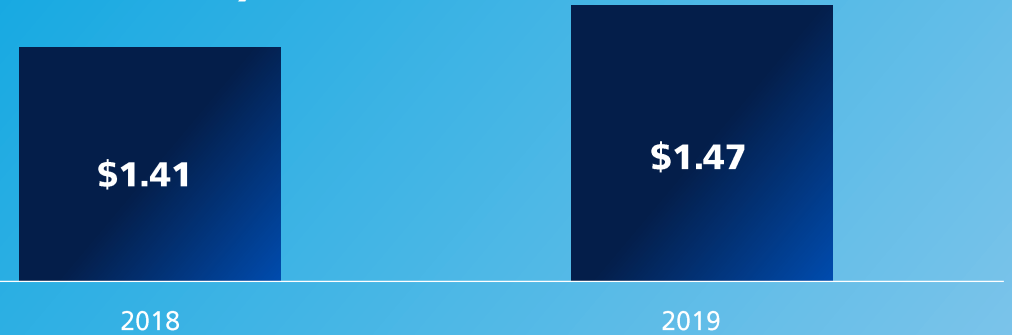


2019 Corporate Highlights

Infrastructure Investment (\$m)



Adjusted Income per Common Share (Non-GAAP)



Acquisition Growth

- Closed 5 municipal acquisitions and added approximately 12,000 customers and \$52.9m of rate base
- Announced Delcora, the largest municipal agreement in our history

Peoples Transaction

- Peoples Pennsylvania rate case effective Oct. '19
- PA PUC Regulatory approval January 16, 2020
- The closing of the acquisition is anticipated to occur March 16, 2020

2020 Objectives

Integration

- Implement Peoples integration plan (culture, comms, SOX, etc.)
- Complete DELCORA and Aqua Pennsylvania Wastewater organization plan
- Develop companywide ESG program

Growth

- Prepare to close DELCORA
- Sign municipal deals of over \$100M in rate base

Maintain Standards of Operational Excellence

- Execute capital program at Aqua and Peoples
- Implement companywide PFAS strategy
- Complete safety review at Peoples



Strategy and Corporate Development

Matt Rhodes

Executive Vice President, Strategy and Corporate Development

Growth Strategy

Core Competencies

- Infrastructure Investment (pipes, plants, etc.)
- Regulatory Affairs
- Operational Excellence

Which leads to our three-pronged growth strategy.

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Municipal Acquisitions

Why Municipals Sell Utilities



- Reinvestment of proceeds for community needs



- Economic development or growth



- Future infrastructure capital investment requirements



- Increasing environmental complexity

Essential's Considerations for Municipal Deals



- Community needs / use of proceeds



- Future rate expectations



- Deal scale (connections, net income)



- Muni growth profile (including future Capex)



- Rate case timing



- Ability to utilize FMV

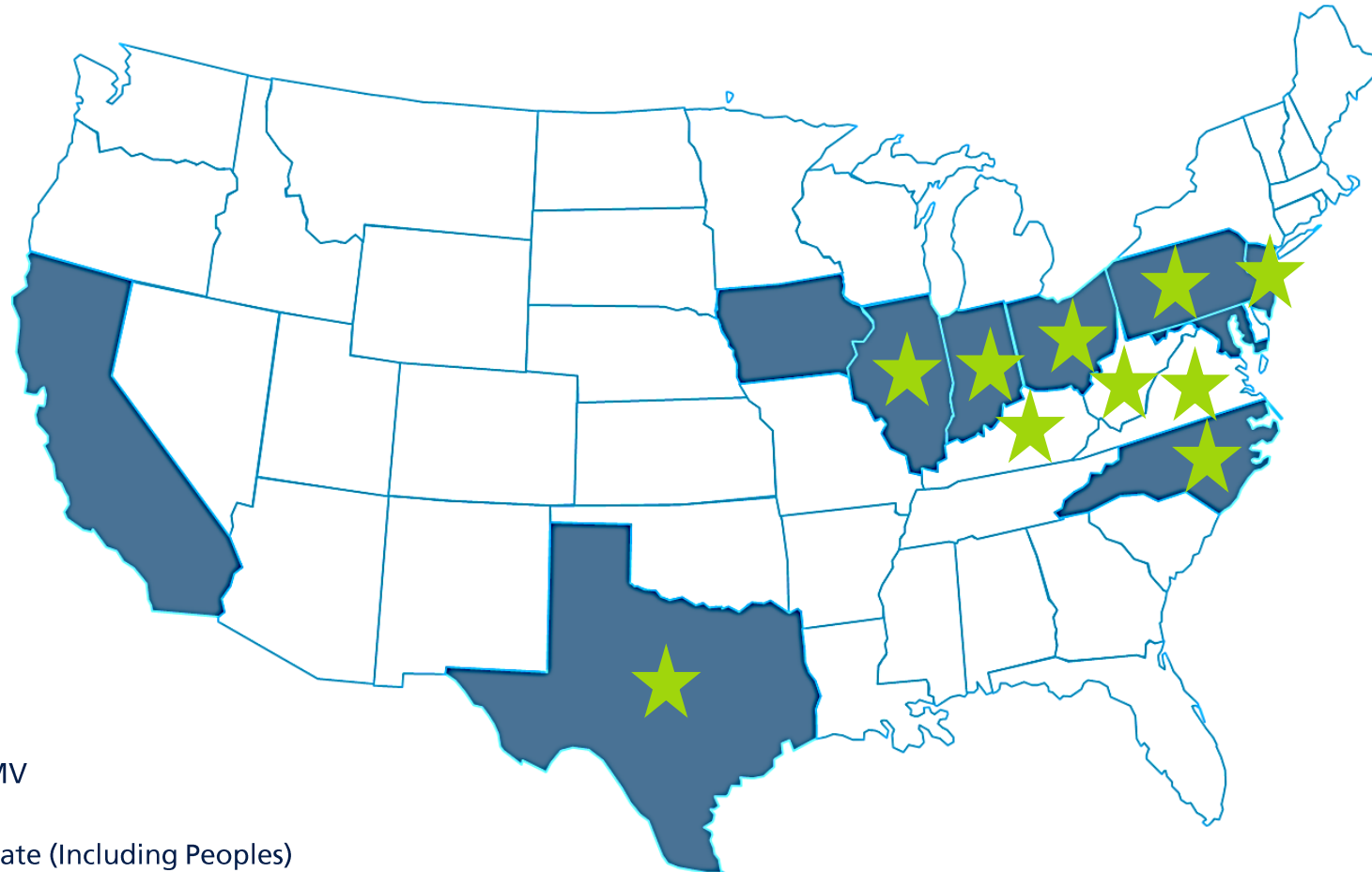


- Funding – equity used for larger deals



Fair Market Value States

Essential has a history of successful collaboration with legislatures and regulators to implement constructive regulatory mechanisms and introduce Fair Market Value (“FMV”) legislation. FMV is enacted in 7 of our 8 water/WW states.



Legend:

- Enacted FMV
- Essential State (Including Peoples)

| Essential State | Year Enacted - FMV |
|-----------------|--------------------|
| Illinois | 2013 |
| New Jersey | 2015 |
| Indiana | 2015 |
| Pennsylvania | 2016 |
| North Carolina | 2018 |
| Ohio | 2018 |
| Texas | 2019 |

Source: S&P Global Market Intelligence



2019 and 2020 Closed Acquisitions

Since 2015 we have closed 57 total deals (includes investor-owned utilities and municipalities). These contributed approximately 48,000¹ new connections and approximately \$237M¹ in rate base.

| 2019 Acquisition | State | Type | Total Customers | Approx. Rate Base (\$000s) |
|------------------|-------|------|-----------------|----------------------------|
| Skyline | IL | W/WW | 752 | \$3,550 |
| Phoenixville | PA | W | 529 | \$2,500 |
| Grant Park | IL | WW | 540 | \$2,300 |
| Cheltenham | PA | WW | 9,887 | \$44,558 |
| Total | | | 11,708 | \$52,908 |

| 2020 Acquisition | State | Type | Total Customers | Approx. Rate Base (\$000s) |
|------------------|-------|------|-----------------|----------------------------|
| Campbell | OH | W | 3,200 | \$7,535 |
| Total | | | 3,200 | \$7,535 |

Note: In addition to the above, we have also closed two additional privately-owned utility deals which added 597 connections

1. Rate base includes the Valley Creek Trunk Sewer. This is non-regulated but operates similar to a regulated asset; contributes an estimated \$25M in rate base equivalent



Recent Municipal Acquisition Activity

Signed Municipal Agreements Pending Closing

\$100m of rate base acquired expected to generate ~\$5m of incremental annual earnings potential²

| Acquisition | State | Type | Total Customers | Approx. Purchase Price (\$000s) |
|----------------------|-------|------|----------------------------|---------------------------------|
| New Garden | PA | WW | 2,106 | \$29,500 |
| East Norriton | PA | WW | 4,952 | \$21,000 |
| DELCORA | PA | WW | 198,000 ¹ | \$276,500 |
| Total | | | 205,058¹ | \$327,000 |

Additional non-municipal system in IL with ~500 customers signed in 2019 (closing expected Q2 2020)

Note: Transactions above listed in chronological order of signing. In addition, we have additional signed deal with a privately owned utility in IL that will add approximately 512 customers

¹Aqua's estimate on the number of equivalent retail customers.

²This is an illustrative earnings assumption based on assumed 50% debt / 50% equity capital structure and hypothetical 10% allowed return on equity and historical results.



Current Water and Wastewater Municipal Transaction Opportunities

We are actively pursuing acquisition opportunities in most of our states, totaling approx. 320,000 customers. While we do not expect to close all of these opportunities, this illustrates the number of municipals we are evaluating and the increasing opportunity size. Of these potential pipeline opportunities, a majority are wastewater.

| Size Range (Approx. # of Customers) | Total Customers (approx.) |
|--|------------------------------|
| >25,000 | 160,000 |
| 10,000 – 25,000 | 85,000 |
| <10,000 | 75,000 |
| Total | 320,000 |

DELCORA Update



Essential signed an Asset Purchase Agreement (APA) with the Delaware County Regional Water Quality Control Authority (DELCORA) to acquire the municipal Authority's wastewater (WW) assets for \$276.5M.

- DELCORA provides WW services to 42 municipalities and ~500,000 people primarily in Delaware County, PA
- ~189 total miles of wastewater pipe, including gravity and force main; owns collection systems and ~50MGD WWTP in western service territory
- In eastern service territory (ESA), conveys wastewater to a Philadelphia Water Department (PWD) plant; contract expires in 2028
- Presents opportunities to acquire other collection systems who currently convey WW to DELCORA

Situation Overview

- Under current arrangement with PWD, DELCORA could face more than \$1.2B in capital costs through 2042, significantly increasing customer rates
- DELCORA also building the infrastructure necessary to divert ESA WW flows to its own plant
- Majority of capex to occur from 2026-2028
- APA signed with Aqua on 9/17/19
- Aqua has experience in large/complex projects and operates in many DELCORA communities
- PA PUC filing expected to occur early March, with closing expected late 2020 or early 2021
- FMV legislation to be utilized

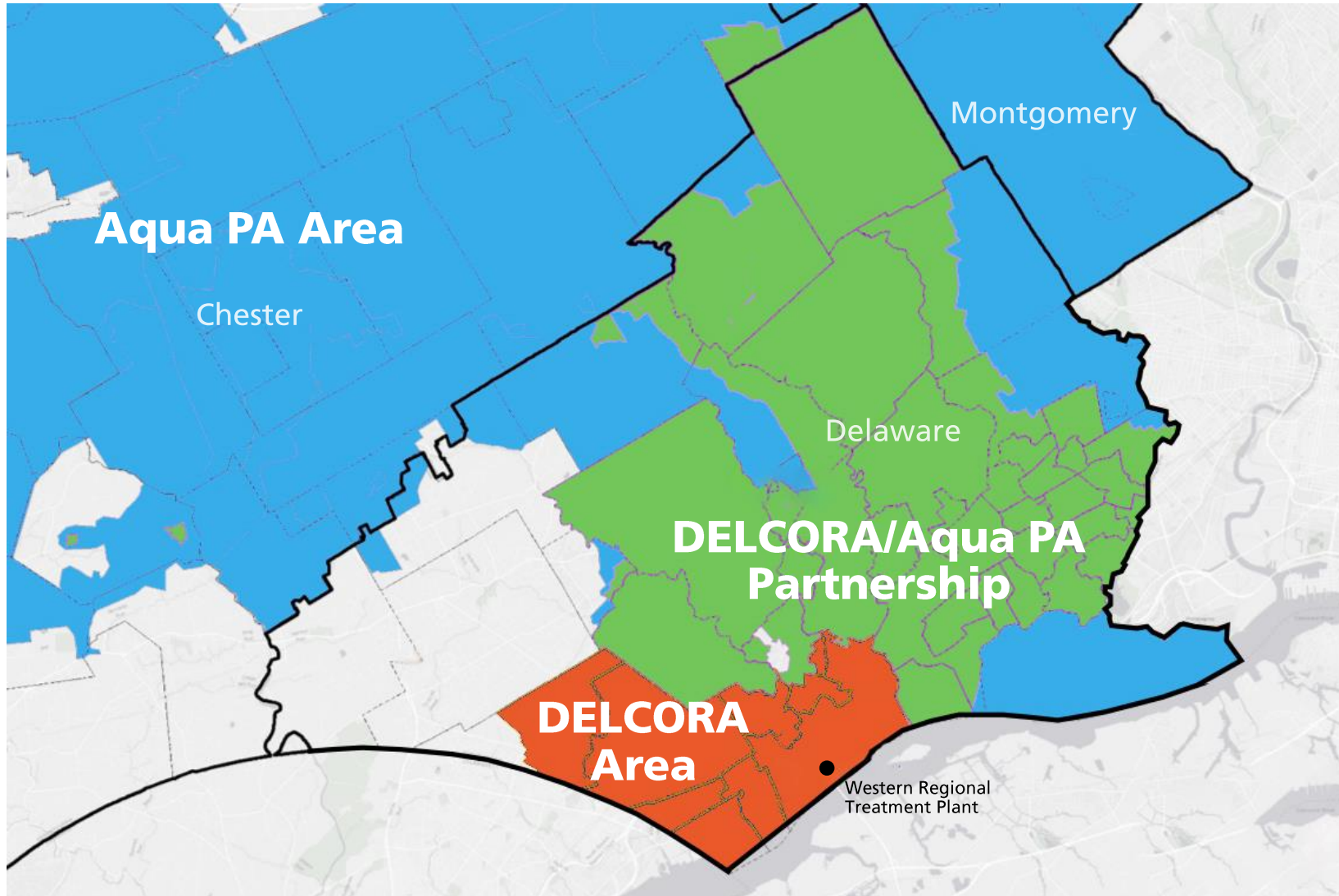
Financial/Operating Data for DELCORA

| Metric | |
|---------------------------------------|----------------------|
| Purchase Price | \$276.5M |
| Aqua's Estimated CapEx (Through 2028) | ~\$700.0M |
| Revenues (2019) | \$69.0M ¹ |

¹Based on 2019 preliminary, unaudited financials



Aqua PA and DELCORA Service Territory Overlap



Legend

- County
- Municipality
- Aqua PA and DELCORA Combined Service Area
- DELCORA Only Service Area
- Aqua PA Only Service Area

Aqua PA currently serves nearly 500,000 people in Delaware County and approximately 200,000 people in Chester County



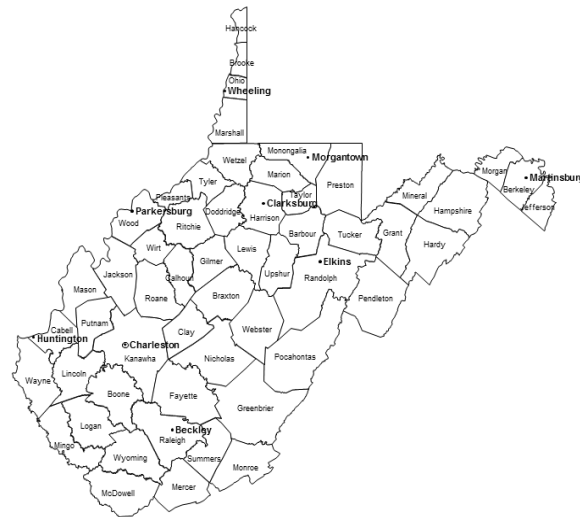
Water/Gas Landscape in KY and WV

Given Peoples operates in KY and WV, we continue to evaluate water / wastewater and gas utility opportunities there

Kentucky



West Virginia



Source: EIA

Water / Wastewater

- Municipal/Utility landscape:**
- 550,000 customers (approx. 1,650,000 people) currently served by 87 water districts and 18 water associations
 - One major investor owned utility

Gas

- Municipal/Utility landscape:**
- Nearly 50 municipally owned gas LDCs
 - Several large investor owned LDCs

Water / Wastewater

- Municipal/Utility landscape:**
- Public entities, including municipalities, water associations and water districts serve over 450,000 customers (approx. 1,350,000 people)
 - Two investor owned utilities of scale

Gas

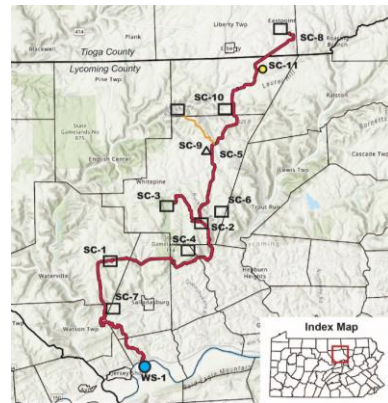
- Municipal/Utility landscape:**
- The six largest investor owned utilities serve nearly all gas customers in the state (approx. 97%)
 - Limited number of municipal gas LDCs

Essential's Current Market-Based Businesses Essential™

While both Aqua and Peoples have MBA's, it is not a core focus today and we will be very selective in entering these businesses in the future. Aqua has divested much of its non-regulated businesses the past five years. MBA's comprise less than 1.0% of the net income for both companies.



Royalty Arrangement:



Raw Water Pipeline JV in Marcellus Shale:

- Two current supplier contracts
- Evaluating strategic alternatives



Current Combined Heat and Power Projects:



Pittsburgh Airport

- Capital Amount: ~\$30.0M
- Expected COD: 2021



Allegheny Health Network - Wexford

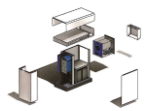
- Capital Amount: Not disclosed
- Expected COD: 2020



Together with Peoples Protection, provides warranty services



KY Operations - owns land and produces, processes and resells natural gas



Investment in fuel cell start-up, focusing on home use



Operations Overview

Rick Fox

Executive Vice President, Chief Operating Officer

Operations Organizational View

Officers



Richard Fox

Executive Vice President and Chief
Operating Officer, Regulated Operations



Colleen Arnold

President, Aqua



Christopher Crockett

Chief Environmental, Safety, and
Sustainability Officer



James Barbato

Chief Engineering Officer



Joseph Gregorini

President, Peoples



Operations Organizational View



Colleen Arnold
President, Aqua



Marc Lucca

President, Aqua Pennsylvania



Edmund Kolodziej

President, Aqua Ohio



Craig Blanchette

President, Aqua Illinois



Mark McKoy

Vice President, Aqua



Robert Laughman

President, Aqua Texas



Shannon Becker

President, Aqua North Carolina



Lawrence Carson

President, Aqua New Jersey



Kari Bennet

President, Aqua Indiana



John Aulbach

President, Aqua Virginia

AQUASM Overview



Long-established water and wastewater utility with over 1 million customer connections in eight states²

Company Overview

- Founded in 1886; headquartered in Bryn Mawr, Pennsylvania
- Large multi-state water & wastewater company with \$5.02 billion of rate base as of year-end 2019
- >99% regulated water and wastewater utility¹
- 225 MGD water production

Over 1,600 employees serving more than 3 million people



Visible Track Record of Outperformance

- Proven growth model rooted in prudent capital investment & efficient regulatory recovery
- History of strong profitability

One of the Largest Water Infrastructure Footprints²

| | | | | | |
|--|---|--|---|--|--------------------------------------|
| | 13,347+ miles of water main | | 188 Wastewater treatment plants | | ~1,100 vehicles |
| | 21 surface water filtration plants | | ~3,300 wells | | 1,000+ water storage tanks |

¹ Based on operating revenue for fiscal year 2019

² As of 31-Dec-2019.

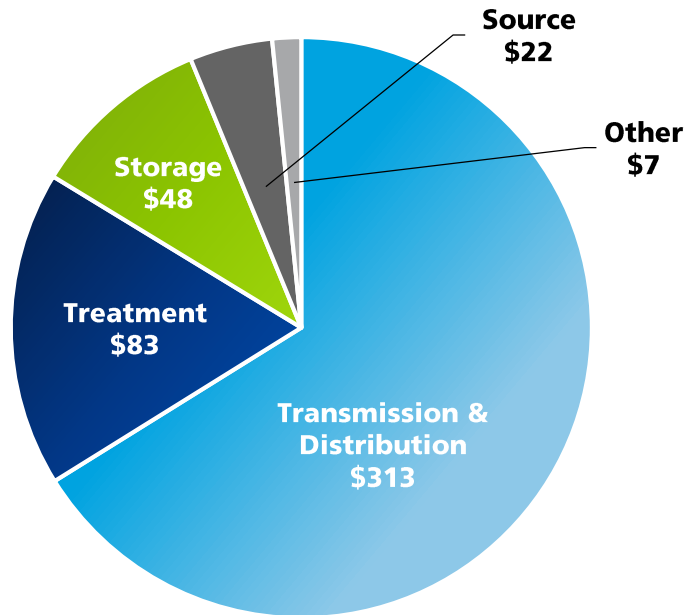
Substantial U.S. Water Infrastructure Needs Represent a Massive Opportunity



EPA Estimate of US Infrastructure Investment Needs

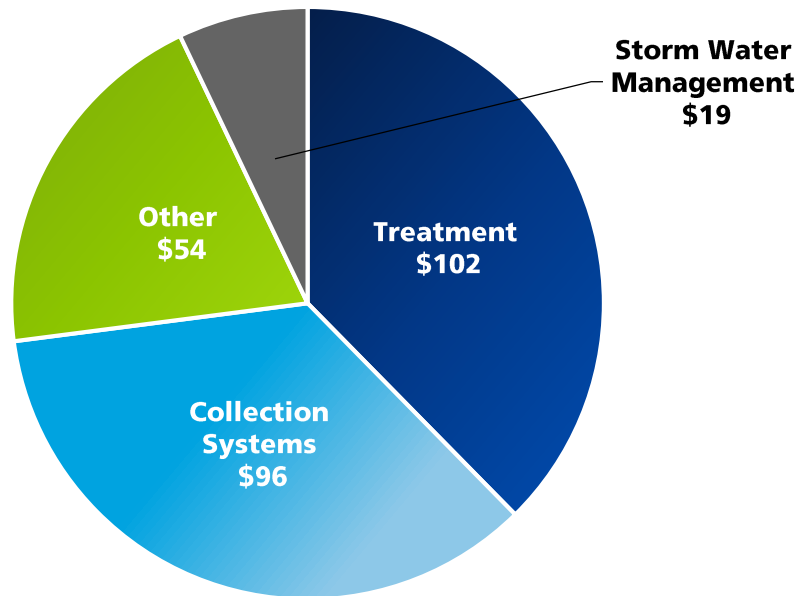
Water \$473 Billion

Source: 2018 EPA Needs Survey



Wastewater \$271 Billion

Source: EPA Clean Watersheds Needs Survey (CWNS) 2012



Key Industry Statistics

Water

- 50,000 systems
- 85% of population served by municipalities
- The Aqua family serves 1% of U.S. population

Wastewater

- 14,700 systems
- 97% of population served by municipalities
- The Aqua family serves 0.1% of U.S. population

American Society of Civil Engineers gives the U.S. drinking water and wastewater infrastructure a grade of "D"

Source: EPA surveys

Building for the Future

AQUA Companies' Regulated Operations



Annual Capital Investment (\$millions)





Impact on the Communities We Serve

Purchased Water Expense Reduction in Pennsylvania

- \$1.7 million capital investment included a new tie-in pipeline with a control valve, magmeter and feedback loop
- Resulted in O&M savings of approximately \$450,000 a year



We are committed to sustainable business practices; excellent customer service; attracting and developing top talent; the strategic growth of our company; delivering shareholder value; investing in technology and infrastructure; and giving back to the communities in which we operate



Nutrient and Power Expense Reduction in Virginia

- \$160,000 capital investment included repairing manholes and wastewater treatment plant upgrades
- Resulted in net savings of approximately \$168,000 a year



Operations Organizational View



Joseph Gregorini
President, Peoples



Luke Ravenstahl
Vice President,
Sales and Marketing



Paul Becker
Vice President,
Construction and Engineering



Barry Leezer
Senior Director,
Customer Operations



Edward Palombo
Vice President, Reliability



John Brown
President, Kentucky
Operations



Lynda Petrichevich
Senior Director, Process Operations



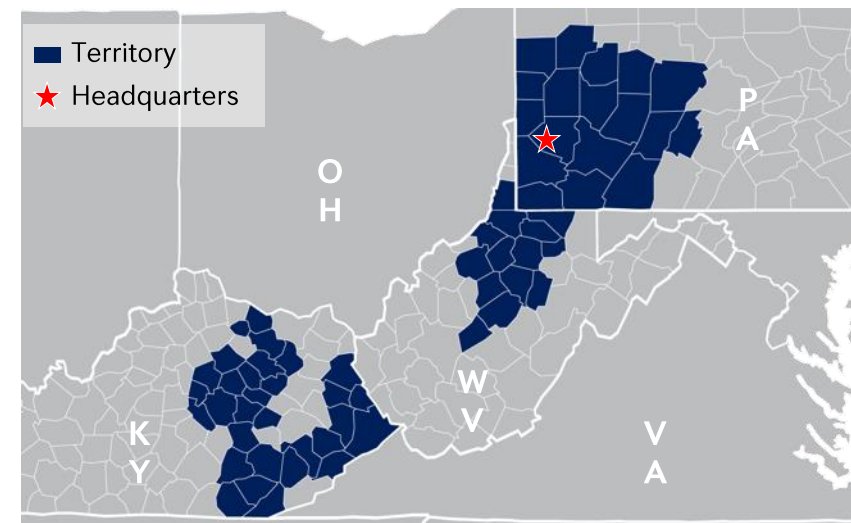
Randy Ciotola
Senior Director, Gas Operations

A Leading Natural Gas Utility with over 740,000 customer connections in three states¹

Company Overview

- Founded in 1885; headquartered in Pittsburgh, Pennsylvania
- Largest natural gas distribution company in PA with \$2.3 billion of rate base as of year-end 2019
- Approximately 15,000 miles of distribution pipeline, 2,400 miles of gathering pipeline and 310 miles of intrastate transmission pipeline as of Dec. '19
- The company was created through the acquisition by SteelRiver of Peoples in 2010, TW Phillips in 2011, Equitable in 2013 and Delta Gas in 2017

Over 1,500 employees serving more than 2 million people



Financial Overview

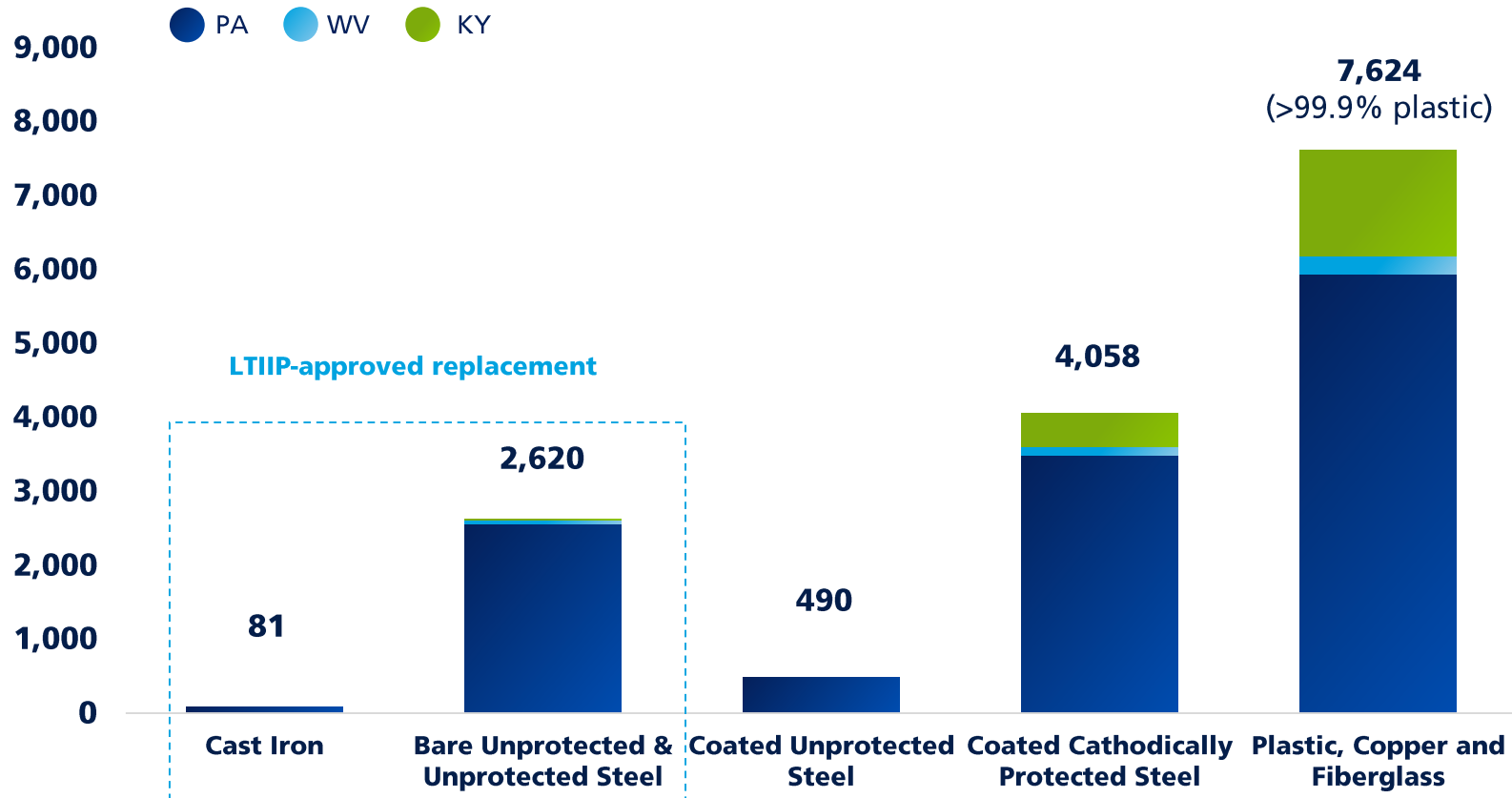
- Approximately \$400M capital spending annually, which includes Long-term Infrastructure Improvement Plan ("LTIP")
- 2,640 miles of bare steel and cast-iron pipe to be replaced in coming years at a rate of approximately 189 miles per year
- 98% of earnings from regulated gas distribution

| State | Approximate # of Customers |
|---------------|----------------------------|
| Pennsylvania | 694,737 |
| Kentucky | 38,967 |
| West Virginia | 12,845 |
| Total | 746,549 |

¹ As of 31-Dec-2019.



2019 Distribution System Material¹ (Miles)



Peoples has over 2,700 miles of bare steel and cast iron pipe to be replaced under its LTIP in its PA service territory alone

- Under a new 2020 accelerated pipe replacement plan, approximately 189 miles per year will be replaced, this implies ~15+ years of increased capital spending
- DSIC allows for accelerated recovery of capital between rate cases

There is ample opportunity at Peoples to deploy capital to improve aging infrastructure and earn timely recovery under the LTIP

¹ Represents data as of 12/31/2019.

Building for the Future

Peoples Companies' Regulated Operations



Annual Capital Investment (\$millions)





Pipeline Safety Initiatives

Over Pressure Protection Self Review

- Self evaluation of SOP's and Job Procedures following pipeline incidents
- Align procedures with best practice recommendations (PUC, NTSB, AGA)
- Enhance emergency response and communication plans
- Program to add 2nd form of OPP at LP regulating stations

3rd Party Consultant Review of Pipeline Safety Practices

- Black & Veatch – Industry leader in pipeline safety and integrity reviews
- Review of incident risk exposure, mitigation steps, industry best practices
- Timeline – Project Start February 9th; Final Report May 4th

Pipeline Safety Management Program

- A framework using the Plan-Do-Check-Act improvement cycle
 - Identify and manage risks
 - Promote a learning environment
 - Continuously improve gas pipeline safety



ESG – Greenhouse Gas Reduction Initiatives

Pipe Replacement (LTIIP & Gathering)

- Replace/Retire 204 miles bare steel (2020)
- Methane Reduction Impact: 353 metric tons = 9,000 tons CO₂ = Emissions from 1,900 cars or 1,000 homes

Landfill Gas Recovery (RNG)

- Capturing 1.7 Bcf from 6 landfills (2020)
- LFG gas = Usage for 19,400 homes
- CO₂ Emission Reductions = 45M gallons gasoline used

Natural Gas Vehicles (NGV)

- NGV use provides 20%-30% reduction in greenhouse gas emissions (compared to gasoline and diesel)
- Urban pollutants (CO, NO_x) reductions of 70% - 90%
- Peoples fleet - 77 NGVs
- Service to 26 public/private stations & 3 Peoples' stations

Pipeline Blow-Downs Gas Capture Techniques

Micro Grids / Combined Heat & Power (CHP)

- Electric system (generation/transmission) losses = 50% of energy consumed in the residential sector (AGA)
- 12 CHP customers (2020) & Peoples' Etna Shop
- Pittsburgh Airport Micro Grid - 20MW Gas generator & 2.5MW Solar generation field (2021)

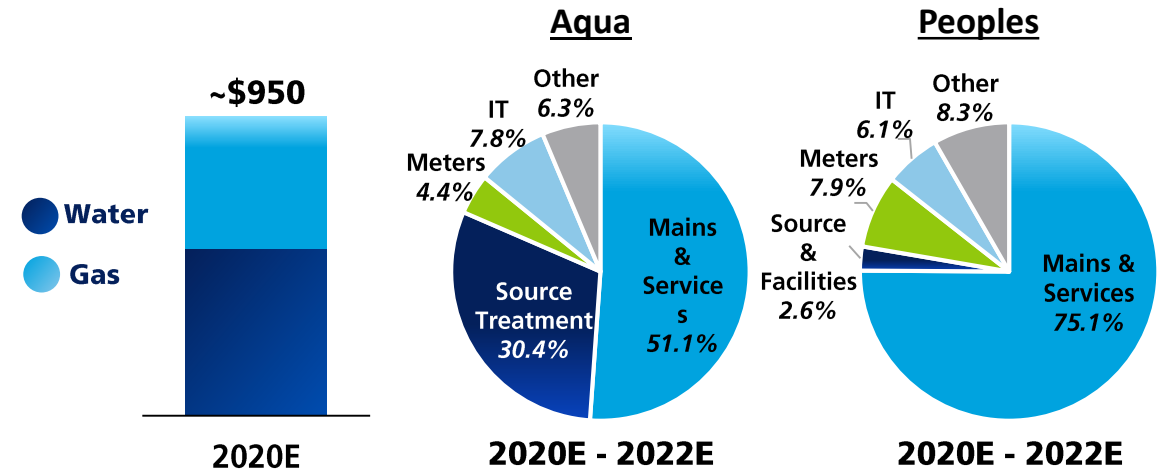




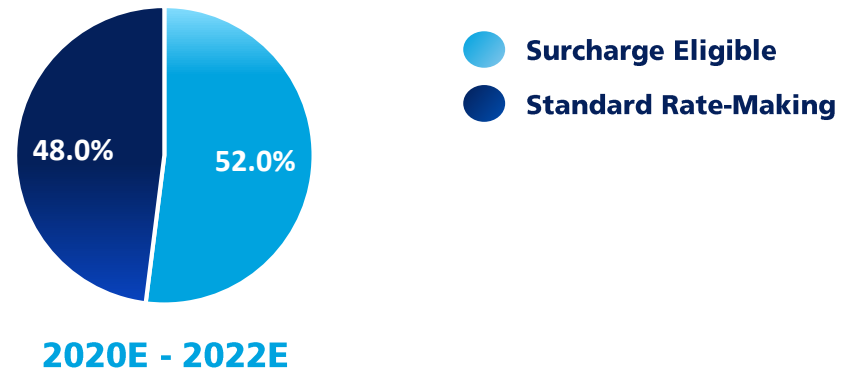
Guidance – Capital Expenditures



We will invest over \$2.8B from 2020E through 2022E...



...and more than half of that is recoverable through various surcharges.

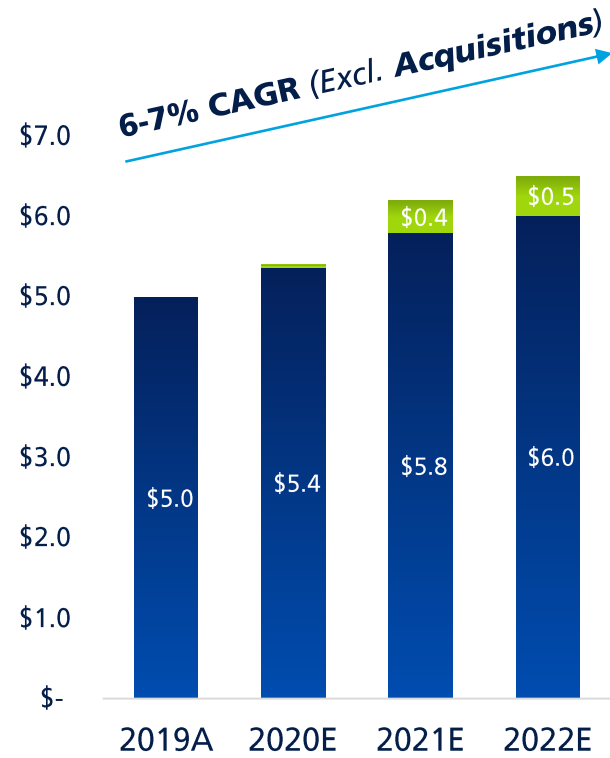


Note(s): DSIC refers to 'Distribution System Improvement Charge'. WSSIC refers to 'Water and Sewer System Improvement Charge'. QIPS refers to 'Qualifying Infrastructure Plant Surcharge'. PRP refers to natural gas 'Pipeline Replacement Program'.

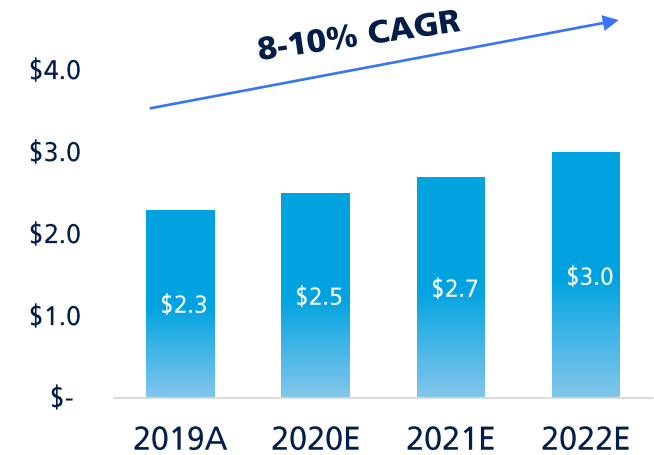


Guidance – Rate Base

Water (\$ in Billions)



Gas (\$ in Billions)



15 Minute Break

Operational Excellence & Regulatory Affairs Panel

Moderator



Richard Fox

Executive Vice President and Chief Operating Officer, Regulated Operations



Colleen Arnold

President, Aqua



Christopher Crockett

Chief Environmental, Safety, and Sustainability Officer



Kimberly Joyce

VP, Regulatory and Government Affairs



Joseph Gregorini

President, Peoples



Financial Overview

Dan Schuller

Executive Vice President, Chief Financial Officer



2019 Full Year Highlights

■ Favorable Change
 ■ Unfavorable Change

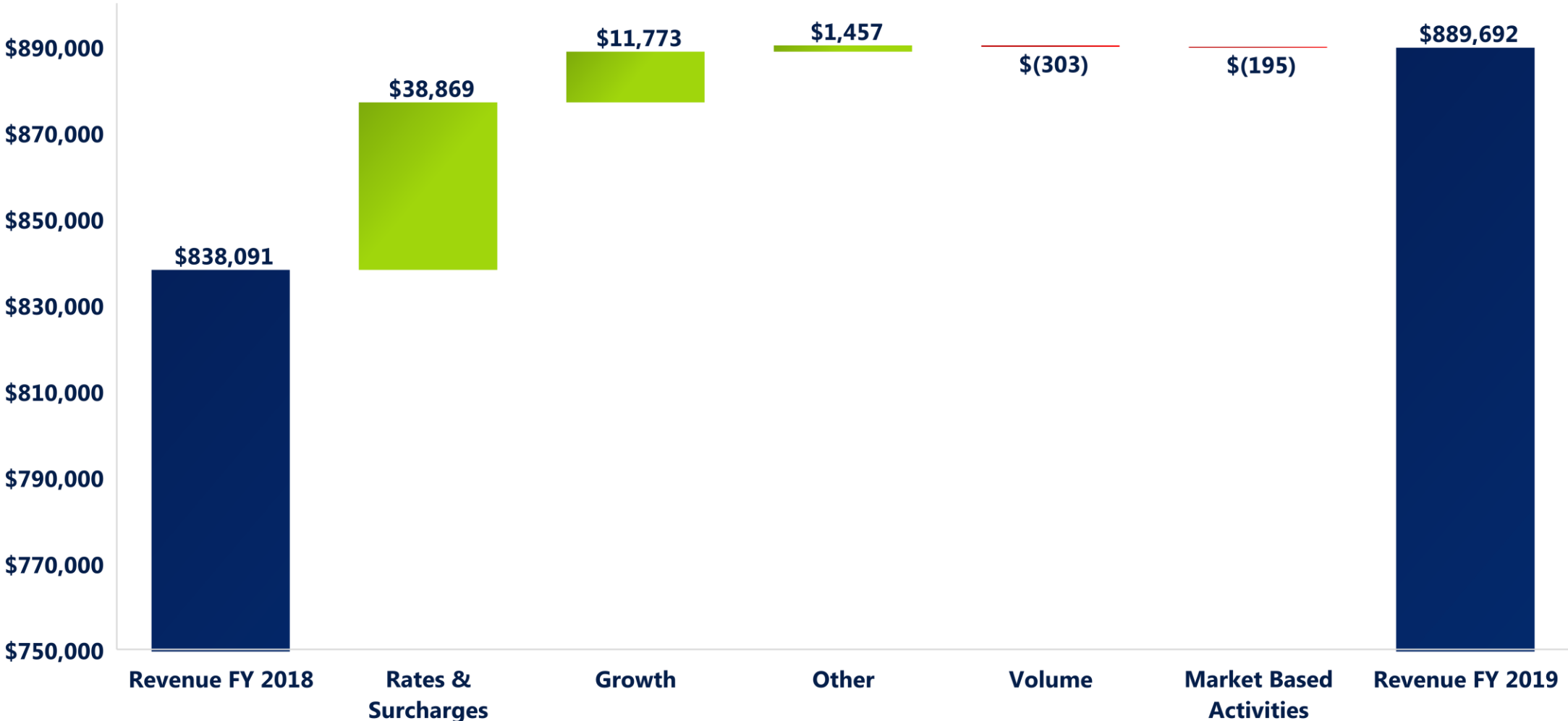
| In millions except per share | 2019 | | 2018 | Variance |
|---|---------|---|---------|----------|
| Revenue | \$889.7 | ▲ | \$838.1 | 6.2% |
| Operations and Maintenance Expense | \$333.1 | ▲ | \$308.5 | 8.0% |
| Net Income (GAAP) | \$224.5 | ▲ | \$192.0 | 17.0% |
| Net Income per Share (GAAP) | \$1.04 | ▼ | \$1.08 | (3.7%) |
| Adjusted Income (non-GAAP) | \$263.5 | ▲ | \$250.8 | 5.1% |
| Adjusted Income per Share (non-GAAP) | \$1.47 | ▲ | \$1.41 | 4.3% |



Operating Revenues

FY 2019 vs. FY 2018

Change in Operating Revenues (thousands)





Rate Activity

2019 Completed Rate Cases and Surcharges

- Base rate cases or surcharges in NJ, NC, OH and PA with annualized revenue increase of \$58.2 million¹

As of 2/26/2020

2020 Completed Rate Cases and Surcharges

- Base rate cases or surcharges in IL, OH and NC with annualized revenue increase of \$4.8 million

As of 2/26/2020

Pending Rate Cases and Surcharges

- Base rate cases or surcharges in IN, NJ, NC and VA with requested annualized revenue increase of \$8.3 million

Note: Additional rate activity information provided in Appendix

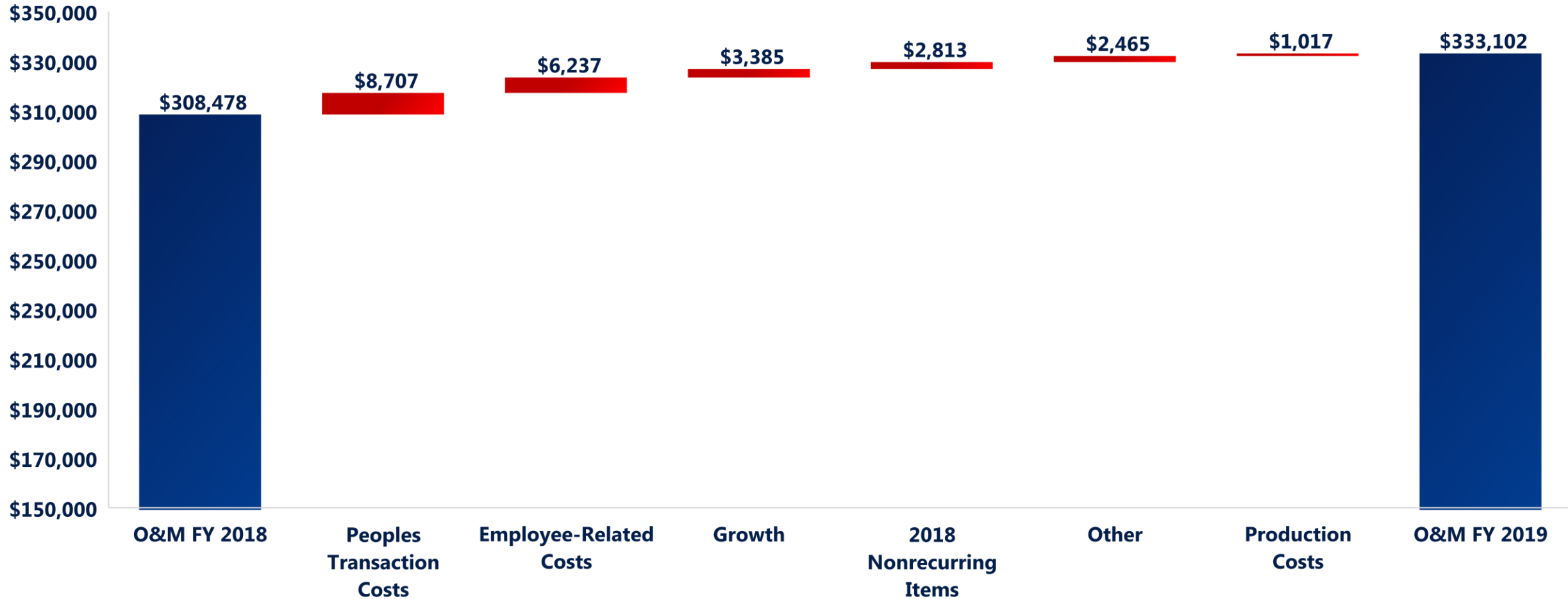
¹The IL QIPS surcharges of \$1.66M that was effective Apr. 1, 2019 was superseded by a filing that did not become effective until Jan. 1, 2020



Operations & Maintenance Expenses

FY 2019 vs. FY 2018

Change in Operations & Maintenance Expenses (thousands)

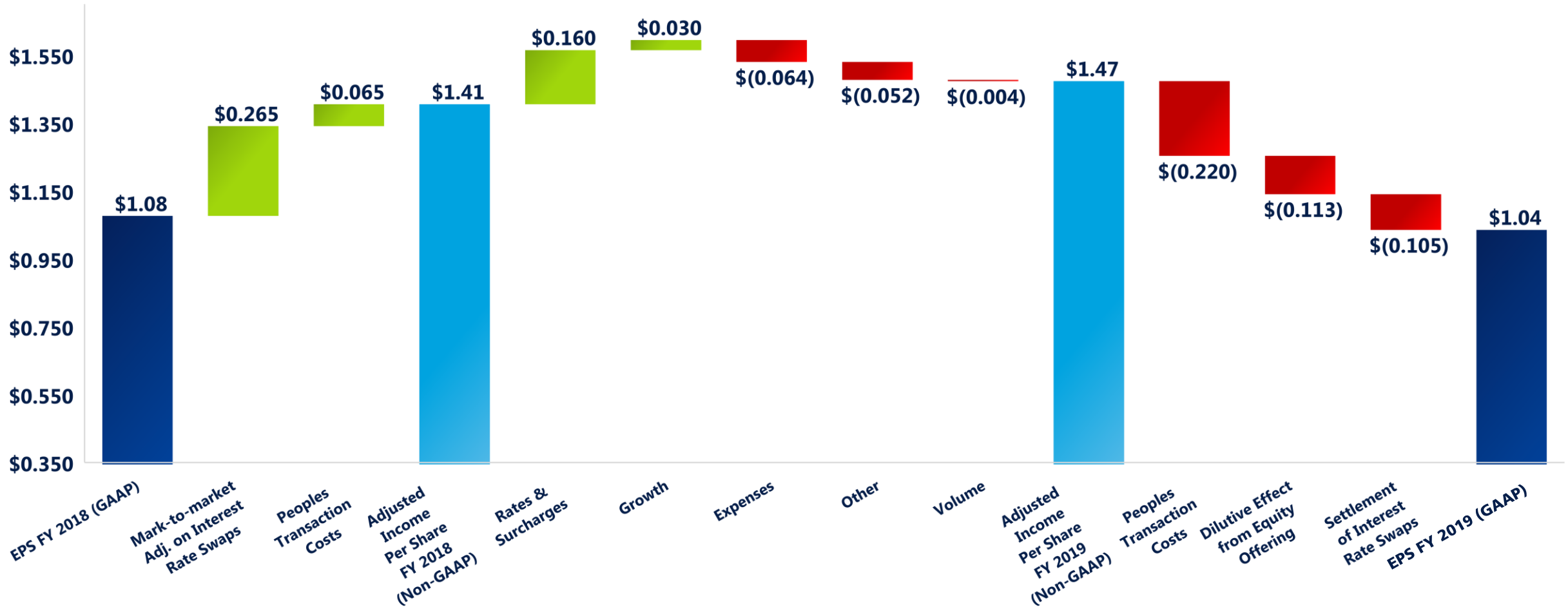


Earnings per Common Share

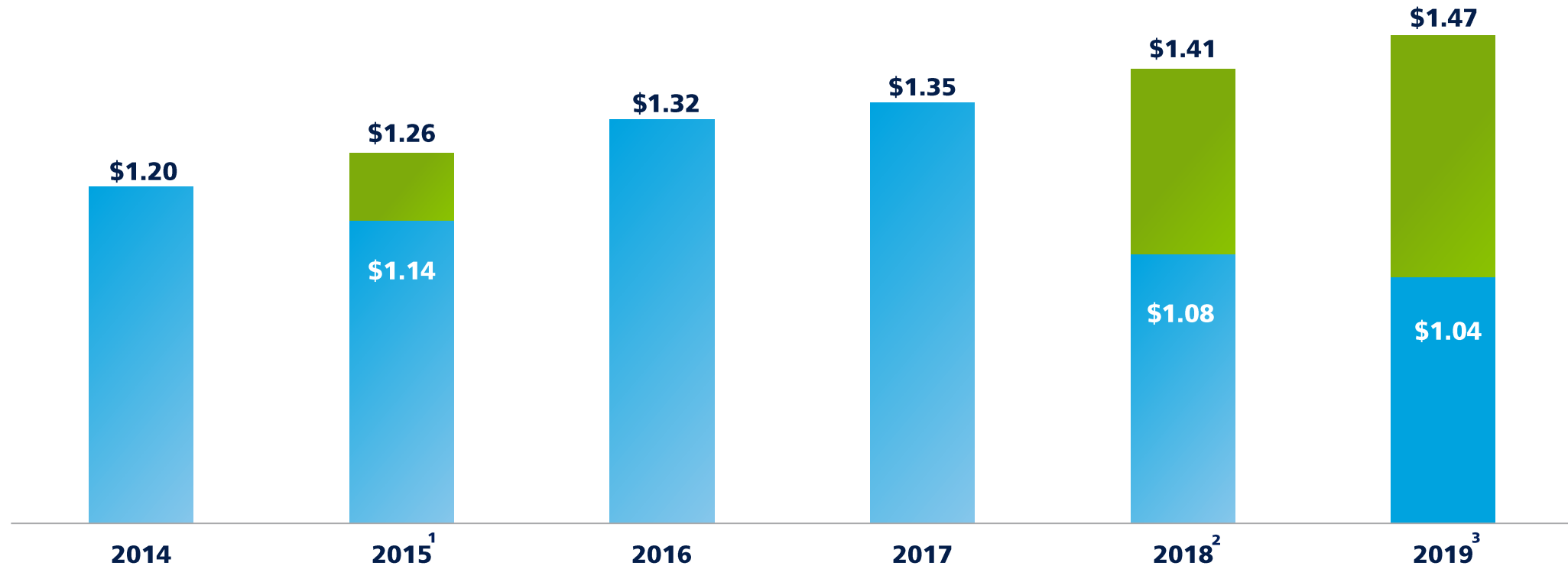
FY 2019 vs. FY 2018



Change in Earnings Per Share



Growth in Adjusted Income from Continuing Operations per Share (Diluted)



¹2015 Income per Share was \$1.14 (GAAP). 2015 adjusted for joint venture impairment charge (non-GAAP).

²2018 Income per Share was \$1.08 (GAAP). 2018 adjusted for transaction costs and other items related to the Peoples transaction (non-GAAP).

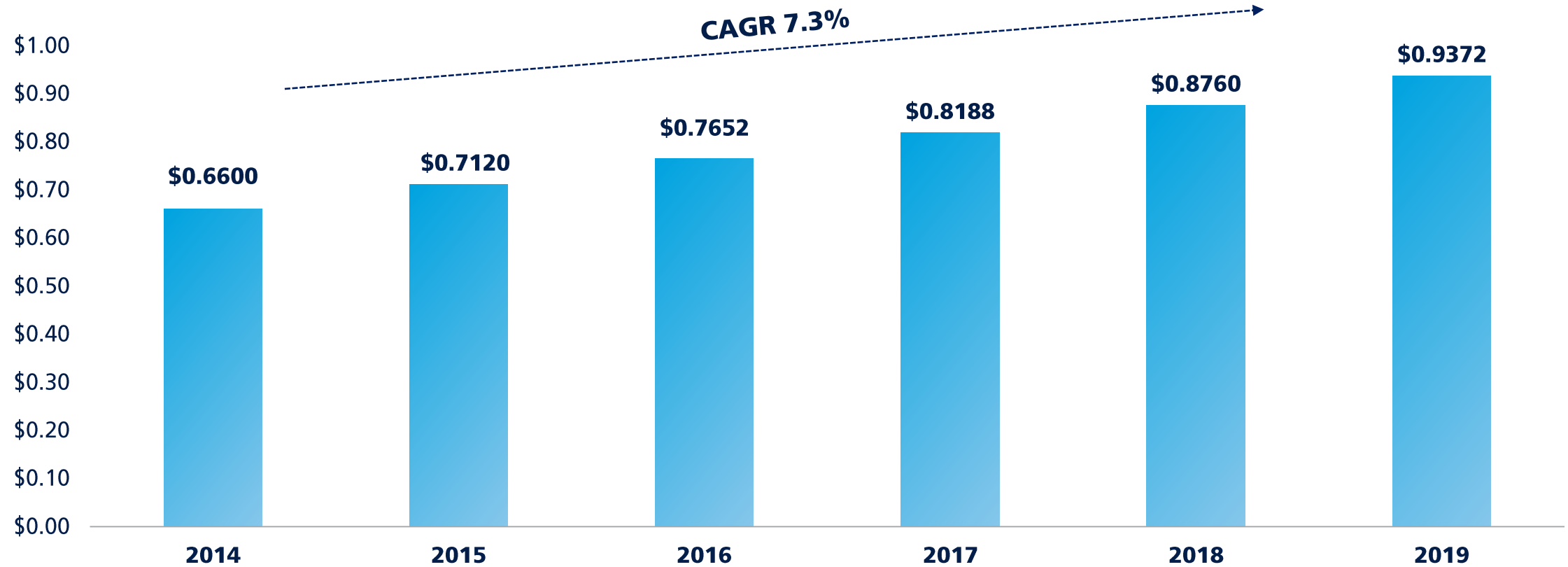
³2019 Income per Share was \$1.04 (GAAP). 2019 adjusted for transaction costs and other items related to the Peoples transaction (non-GAAP).

Dividend Increase History

7.0% Increase to Annualized Dividend Rate Effective 9/1/2019



Dividends Per Share (annualized)



Credit Ratings



Credit Ratings Summary

Select Credit Metrics (2020E – 2022E)

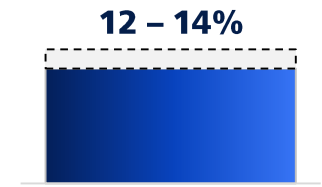
S&P Global
Ratings

MOODY'S

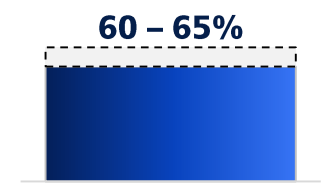
| | Issuer | Issuance | Issuer | Issuance |
|--|--------|----------|--------|----------|
| | A | A- | Baa2 | Baa2 |
| | A | A+ | -- | -- |
| | A | A | Baa1 | Baa1 |



Debt / Total Capitalization

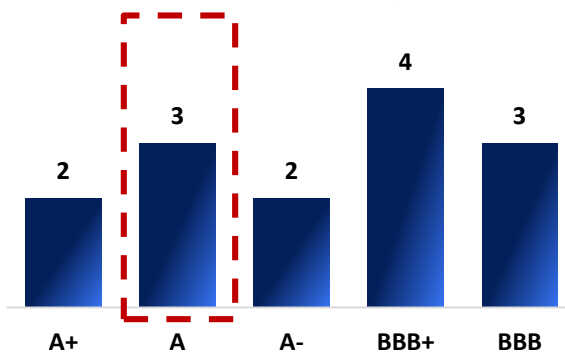


FFO / Net Debt

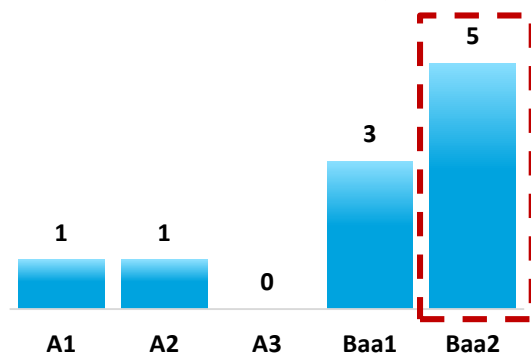


Dividend Payout Ratio

Peer Issuer Ratings ¹



Peer Issuer Ratings ¹



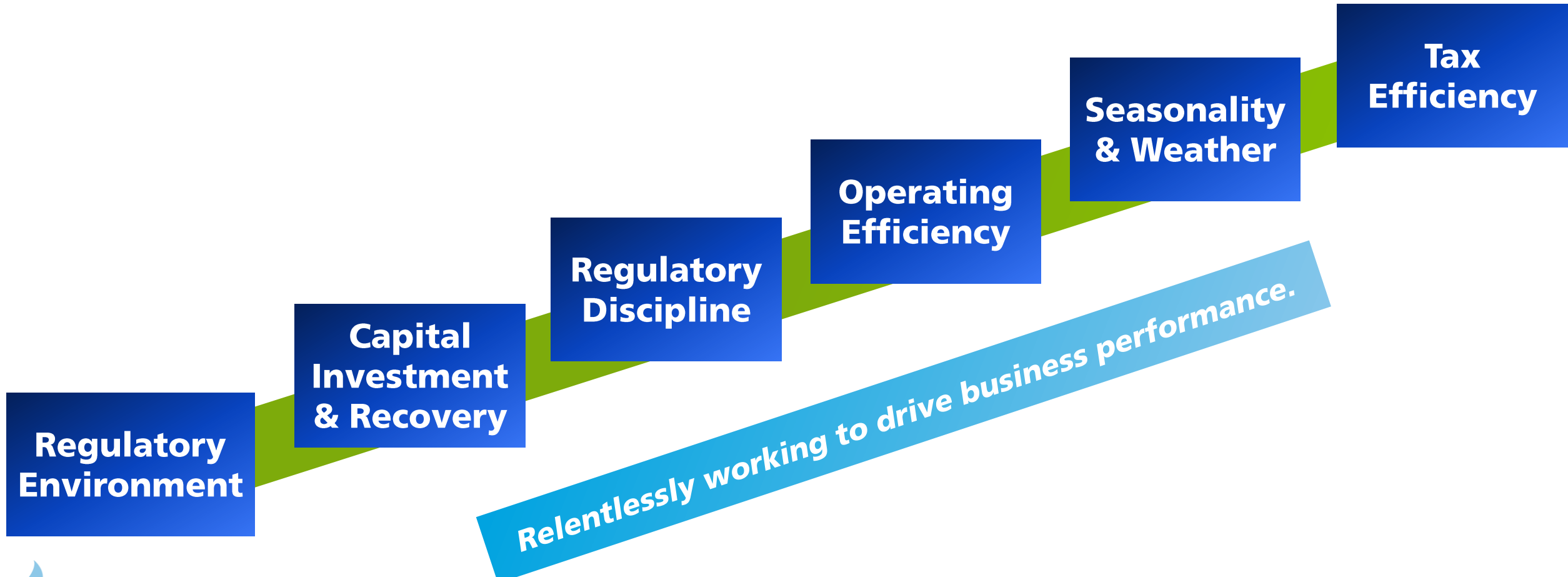
¹ Peer ratings include LNT, AWR, AWK, ATO, AVA, BKH, CWT, NJR, NI, NWE, OGE, OGS, SJI, SWX, and SR; not all peers have ratings from both agencies

Anticipated Annual Segment Reporting



| | Water | Gas | Non-reg & Parent | Consolidated |
|---------------------------|-------|-----|------------------|--------------|
| Revenue | ✓ | ✓ | ✓ | ✓ |
| Cost of Gas | | ✓ | | ✓ |
| Other O&M | ✓ | ✓ | ✓ | ✓ |
| D&A | ✓ | ✓ | ✓ | ✓ |
| TOTI | ✓ | ✓ | ✓ | ✓ |
| Operating Income | ✓ | ✓ | ✓ | ✓ |
| Interest | ✓ | ✓ | ✓ | ✓ |
| Income Taxes | ✓ | ✓ | ✓ | ✓ |
| Net Income | ✓ | ✓ | ✓ | ✓ |
| Capital Expenditures | ✓ | ✓ | ✓ | ✓ |
| Total Assets | ✓ | ✓ | ✓ | ✓ |
| Balance Sheet & Cash Flow | | | | ✓ |
| Rate Base | ✓ | ✓ | | ✓ |

Drivers of the Business



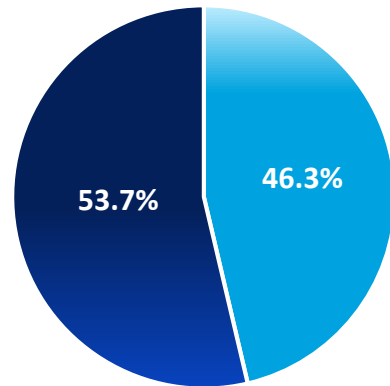
Attractive Capex Recovery Mechanisms



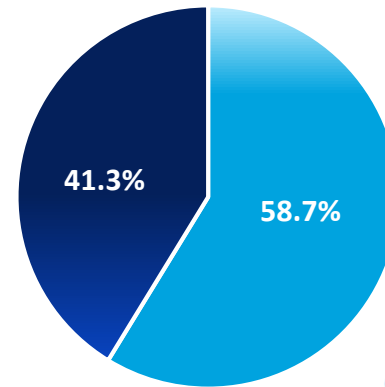
A large share of capex eligible for DSIC and other mechanisms significantly reduces regulatory lag for the combined company.

- DSIC Eligible
- Standard Rate-Making

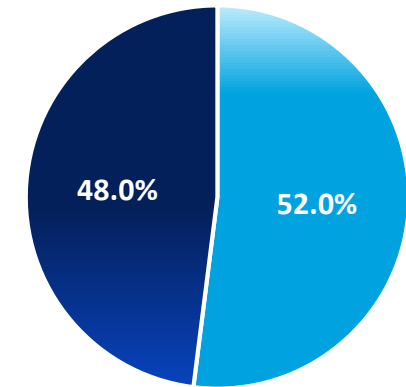
Aqua Capex: 2020-2022 Estimates



Peoples Capex: 2020-2022 Estimates



Total Capex: 2020-2022 Estimates



| State | PA | IN | OH | NJ | IL | NC |
|--------------------------|-----------------|------|-------------------|------|------------------------------|-------|
| Mechanism | DSIC | DSIC | SIC | DSIC | QIPS | WSSIC |
| Allowed Surcharge | 7.5% W 5% WW | 10% | 12.75% W 9% WW | 5% | 2.5% average annual increase | 5% |

| State | PA | KY |
|--------------------------|------|--------|
| Mechanism | DSIC | PRP |
| Allowed Surcharge | 5% | No cap |

Note(s): DSIC refers to 'Distribution System Improvement Charge'. WSSIC refers to 'Water and Sewer System Improvement Charge'. QIPS refers to 'Qualifying Infrastructure Plant Surcharge'. PRP refers to natural gas 'Pipeline Replacement Program'.

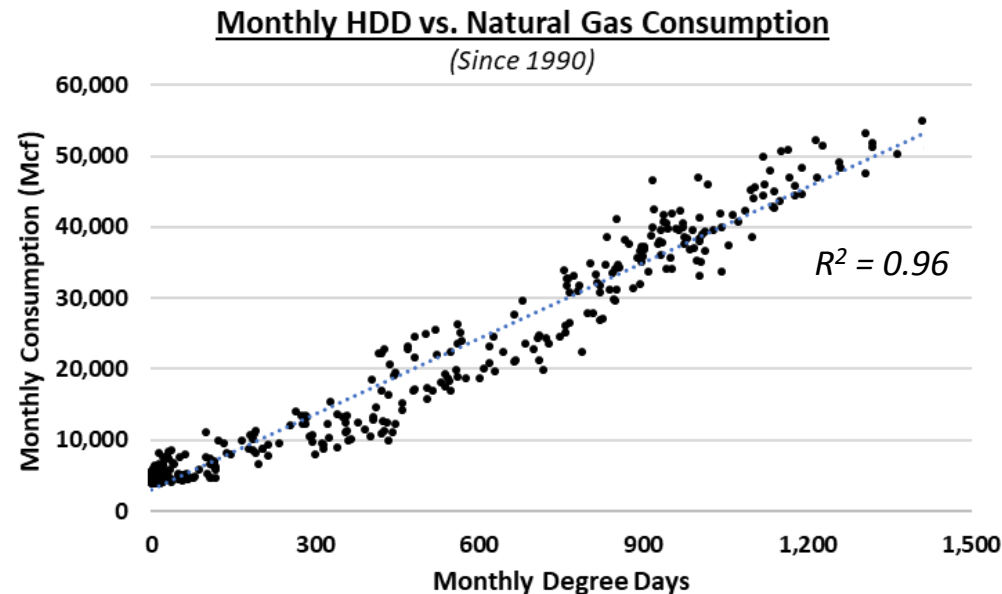


Heating Degree Days (HDD)¹

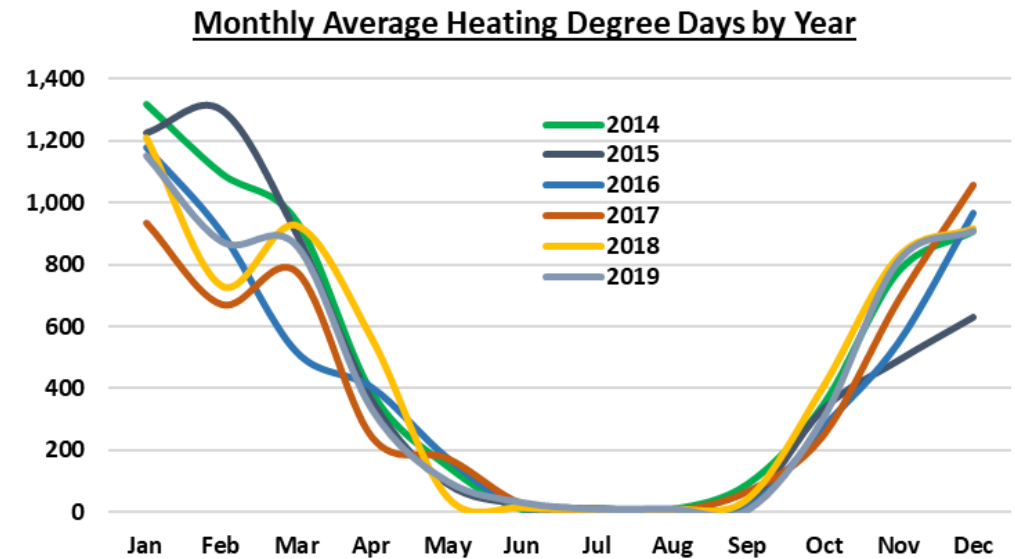
Overview

Simply put, weather drives natural gas consumption.

Relationship Between Heating Degree Days and Consumption



Heating Degree Days in Greater Pittsburgh Area



A *degree day* compares the mean outdoor temperatures recorded for a location to a standard temperature, usually 65° Fahrenheit (F) in the United States. *Heating Degree Days (HDD)* are a measure of how cold the temperature was on a given day or during a period of days.

¹Source: EIA.

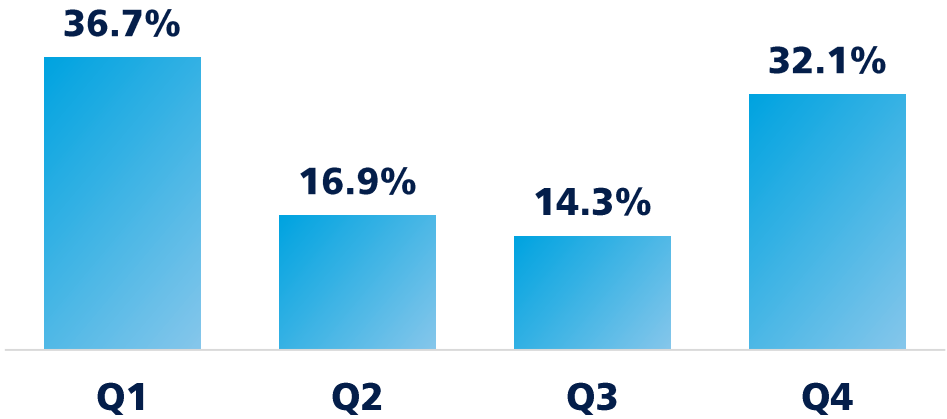


Seasonality Considerations

As we expand into natural gas, seasonality plays a much larger role in the financial results.

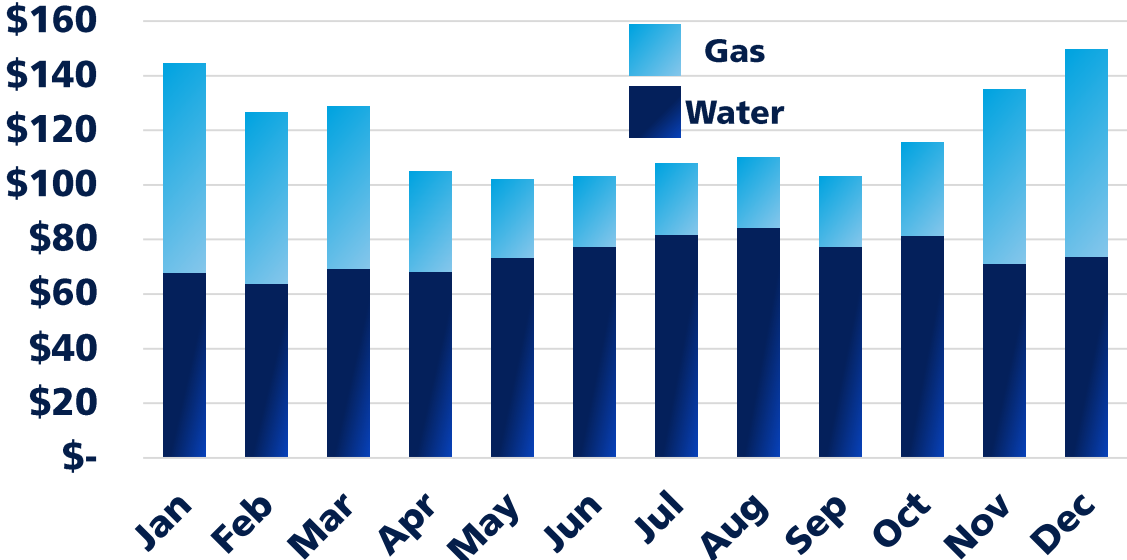
2019 Gas Throughput by Quarter

Nearly 69% of gas was sold in Q1 and Q4.



2019 Water Revenue and Natural Gas Margin by Month (\$ Millions)

The limited seasonality effects of water don't offset the more dramatic effects of colder weather on gas margin.

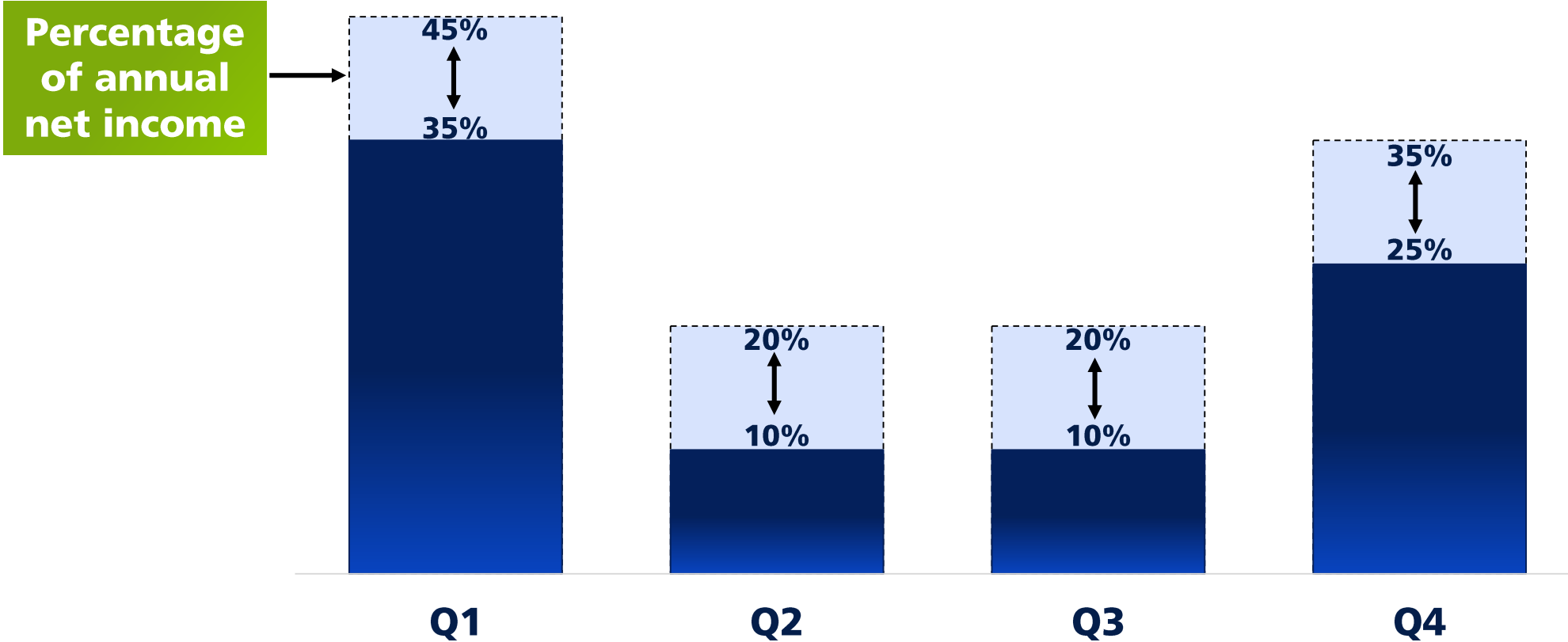


Approximate Net Income by Quarter

Overview



Based on proforma projections, we expect 65% to 75% of net income in a given year will be earned in the first and fourth quarters.





Tax Repair Regulations

Overview

IRS tax repair regulations allow repair costs that were previously capitalized to be expensed for tax purposes. We plan to elect tax repair for Peoples' largest Pennsylvania subsidiary, Peoples Natural Gas, shortly after close.

Legislative History

- IRS issued tangible property regulations which became effective for tax years beginning January 1, 2014. Taxpayers were allowed to early adopt under proposed regulations.
- Adoption of the tangible property regulations allowed companies greater deductions and increased cash flows.
- Election of tax repair requires a company to reset its tax position as if the company had always filed that way. This results in a "catch-up" deduction.
- PA PUC allows flow through tax accounting treatment that allows for the lower tax expense to flow through the P&L when incurred.

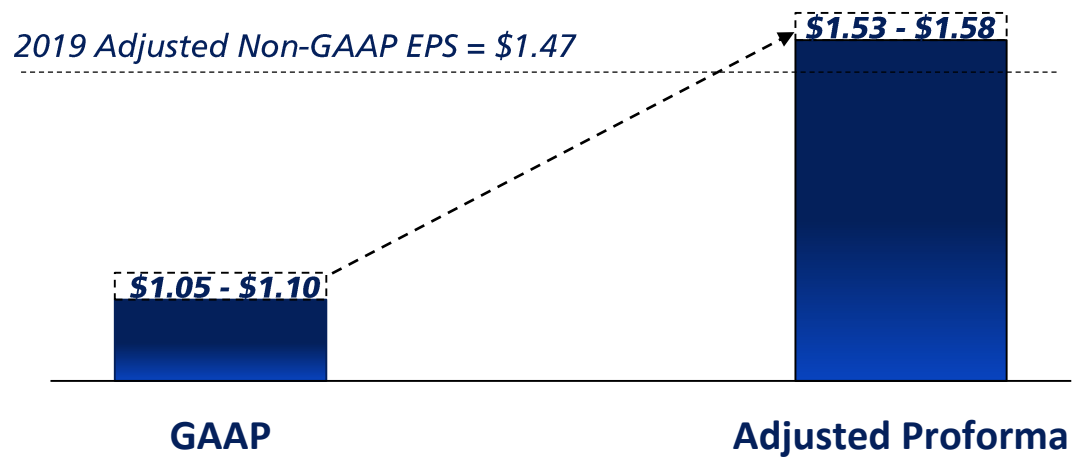
Gas Network Assets

- Gas pipelines are considered network assets.
- Unit of property for networks assets based on taxpayers facts and circumstances – e.g., pressure zones between regulator stations.
- Methodology – typically projects that replace less than a certain percentage of a unit of property are considered eligible repairs.
- Ineligible if there is a "betterment" (e.g., increased capacity providing for growth, correcting a material condition or defect).
- Commission action required to determine allocation of "catch-up" deduction benefit.



Guidance – Earnings Per Share

2020E Earnings Per Share



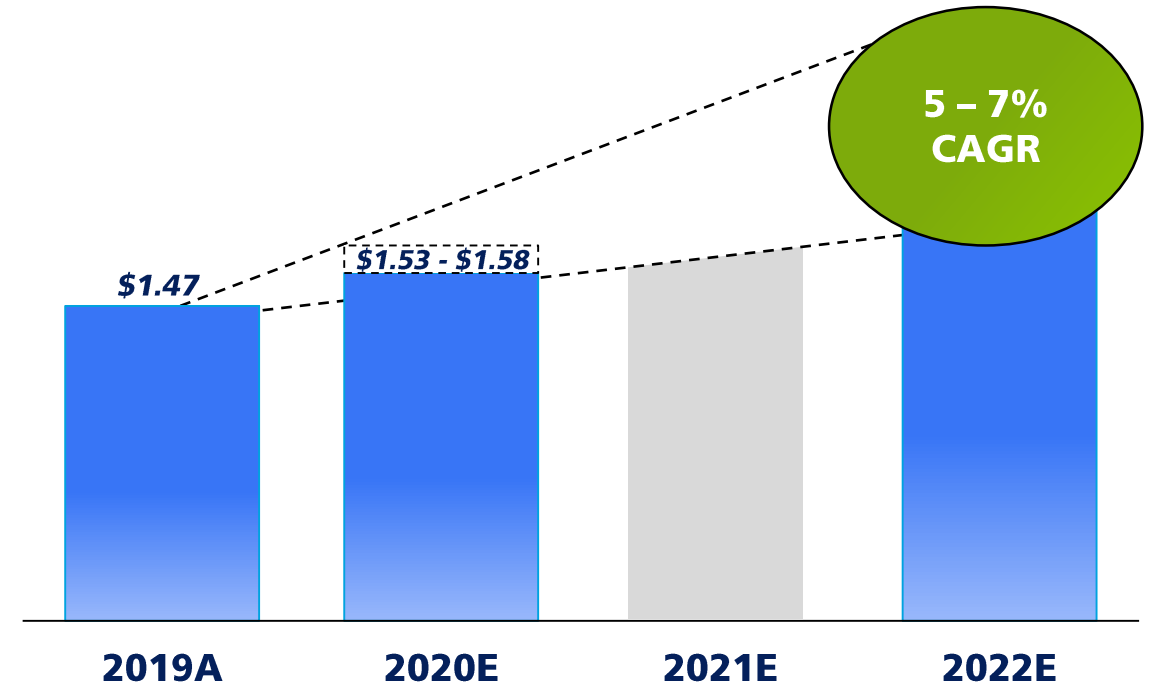
9.5 Months of Peoples Results

- assumes March 2020 close
- includes transaction expenses
- includes rate credits

12 Months of Peoples Results

- assumes 12 months of ownership
- assumes ~254M diluted shares
- excludes transaction expenses
- excludes rate credits

2019 – 2022E Earnings Per Share



Repair Tax

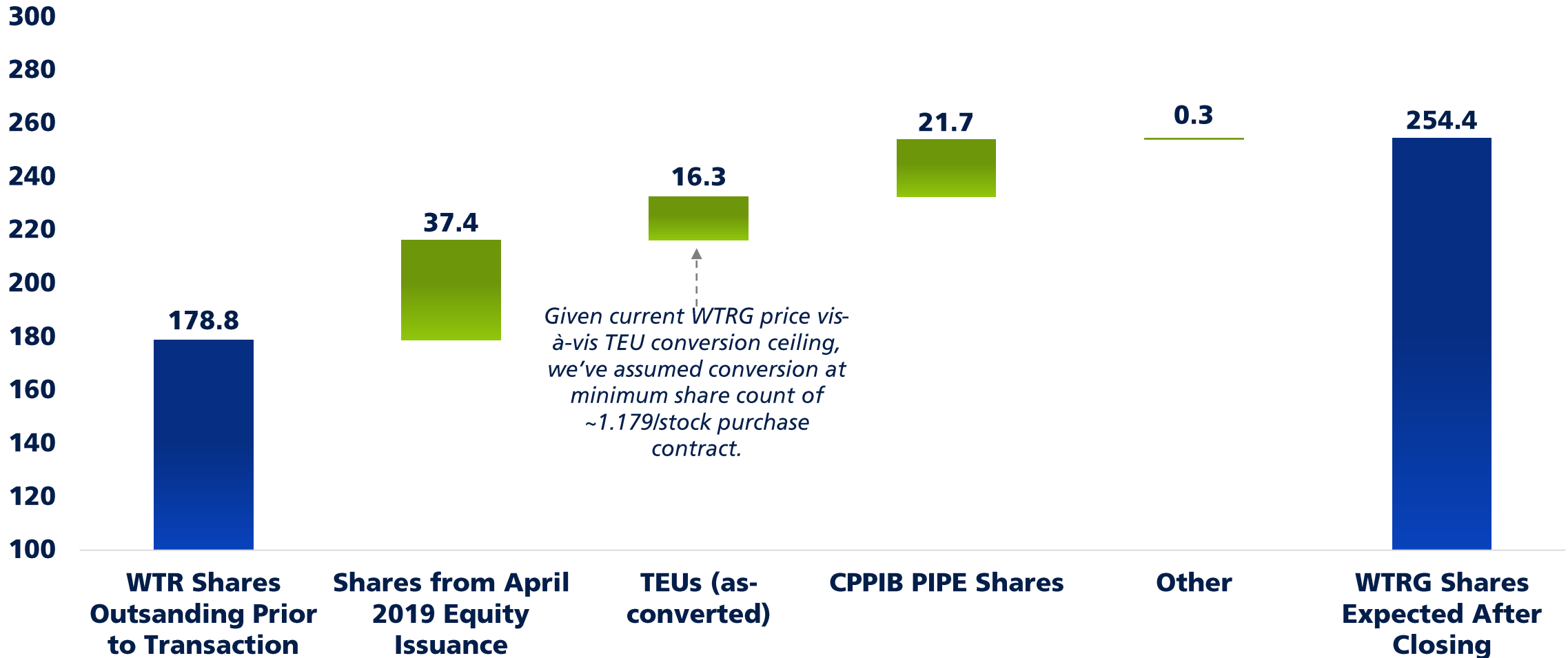
- Guidance includes current repair benefit in '20, '21, and '22
- Guidance excludes "catch-up" benefit

Diluted Shares Outstanding

(Millions)



We're committed to providing clarity around share count in our EPS calculations.





Summary

Chris Franklin

Chairman, Chief Executive Officer, and President

- **Continue operational excellence (water quality, gas safety, etc.)**
- **Integrate Peoples**
- **Finalize DELCORA for year end closing**
- **Continue to pursue municipal acquisition pipeline**
- **Implement Peoples capex plan; elect repair**

Summary & 2020 Priorities



Guidance

| | |
|-----------------------------|--|
| Earnings¹ | <ul style="list-style-type: none"> • Adjusted income of \$1.53 to \$1.58 per share for 2020 • 3 year earnings growth CAGR 5-7% for 2019 through 2022 |
| Capex | <ul style="list-style-type: none"> • Infrastructure investments of approximately \$550 million in 2020 for communities served by Aqua • Infrastructure investments of approximately \$400 million in 2020 for communities served by Peoples • Infrastructure investments of approximately \$2.8 billion through 2022 in both water and gas operations to rehabilitate and strengthen systems |
| Rate Base | <ul style="list-style-type: none"> • Rate base growth of 6 to 7 percent per year through 2022 in water² • Rate base growth of 8 to 10 percent per year through 2022 in gas |
| Customer Growth | <ul style="list-style-type: none"> • Total annual water customer growth of between 2 and 3 percent on average depending upon regulatory approval • Gas customer count expected to be relatively stable for 2020 |

¹ This illustrative guidance includes the full-year effects of the Peoples acquisition as if this transaction closed on January 1, 2020, by including an estimate of the results of Peoples for the period in 2020 prior to closing, excluding transaction-related expenses and the effects of transaction-related commitments to issue rate credits to utility customers.

²Represents rate base growth excluding acquisitions.

Commitment to Stakeholders

Combining Two Great Companies, Each with Over a Century of Service



Customers

- Continued best-in-class service from established gas and water utilities
- No impact to customer rates from transaction
- Financial capacity will enhance infrastructure investments, increasing reliability and safety

Employees

- Shared culture of safety, operational excellence and professional development
- Increased opportunities for career development and advancement
- Complementary values and missions

Communities

- Continued engagement in the communities that each company serves
- Infrastructure investment will improve quality of life and contribute to economic prosperity in our communities

Shareholders

- Immediately accretive to earnings first full year and over the long-term post closing
- Improves future rate base and earnings growth
- Supports continued long-term dividend growth
- Larger market capitalization, float and trading liquidity post permanent financings

Bondholders

- Committed to maintaining strong investment-grade credit ratings

Questions?

Thank You

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NYSE: **WTRG**



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Appendix

GAAP to Non-GAAP Reconciliation

(In thousands, except per share amounts)



| | Quarter ended December 31, | | Year ended December 31, | |
|---|----------------------------|------------|-------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income (GAAP financial measure) | \$ 64,227 | \$ (3,657) | \$ 224,543 | \$ 191,988 |
| Adjustments: | | | | |
| Plus: Transaction-related expenses for the Peoples transaction | 613 | 73,963 | 66,066 | 73,963 |
| Plus: Pre-acquisition interest expense for funds borrowed for acquisition of Peoples, net | 2,643 | - | 5,961 | - |
| Plus: Overlapping net interest expense on refinanced debt | - | - | 452 | - |
| Less: Interest income earned on proceeds from April 2019 equity offerings | (6,898) | - | (23,377) | - |
| Income tax effect of non-GAAP adjustments | 777 | (15,127) | (10,149) | (15,127) |
| Adjusted income (Non-GAAP financial measure) | \$ 61,362 | \$ 55,179 | \$263,496 | \$ 250,824 |
| Net income (loss) per common share (GAAP financial measure): | | | | |
| Basic | \$ 0.28 | \$ (0.02) | \$ 1.04 | \$ 1.08 |
| Diluted | \$ 0.28 | \$ (0.02) | \$ 1.04 | \$ 1.08 |
| Adjusted income per common share (non-GAAP financial measure): | | | | |
| Diluted | \$ 0.34 | \$ 0.31 | \$ 1.47 | \$ 1.41 |
| Average common shares outstanding : | | | | |
| Basic | 232,107 | 177,987 | 215,550 | 177,904 |
| Diluted | 232,581 | 178,431 | 215,931 | 178,399 |
| Average common shares outstanding: | | | | |
| Shares used in calculating diluted net income per common share | 232,581 | 178,431 | 215,931 | 178,399 |
| Adjustment for effects of April 2019 common share issuance | (37,370) | - | (25,903) | - |
| Adjustment for effects of April 2019 tangible equity unit issuance | (13,328) | - | (10,533) | - |
| Adjustment for effects of issuance of common shares from stock purchase contracts | (2,943) | - | (745) | - |
| Shares used in calculating adjusted diluted income per common share (Non-GAAP financial measure) | 178,940 | 178,431 | 178,750 | 178,399 |

Q4 2019 Highlights

Q4 2019 vs. Q4 2018



 Favorable Change  Unfavorable Change

| In millions except per share | Q4 2019 | | Q4 2018 | Variance |
|---|---------|---|----------|----------|
| Revenue | \$226.0 |  | \$205.7 | 9.9% |
| Operations and Maintenance Expense | \$85.3 |  | \$92.4 | (7.7%) |
| Net Income (GAAP) | \$64.2 |  | (\$3.7) | 1,856.2% |
| Net Income per Share (GAAP) | \$0.28 |  | (\$0.02) | 1,500% |
| Adjusted Income (non-GAAP) | \$61.4 |  | \$55.2 | 11.2% |
| Adjusted Income per Share (non-GAAP) | \$0.34 |  | \$0.31 | 9.7% |

Operating Revenues

Q4 2019 vs. Q4 2018



Change in Operating Revenues (thousands)

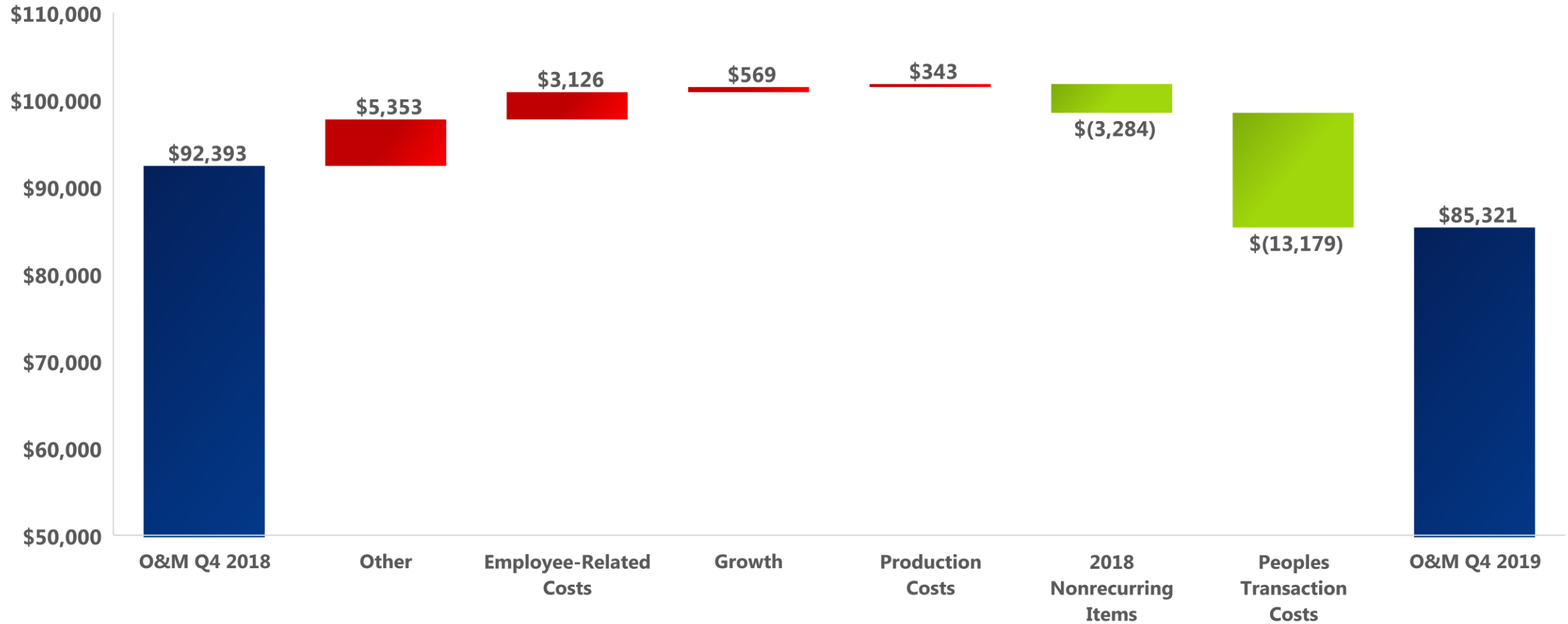


Operations & Maintenance Expenses

Q4 2019 vs. Q4 2018

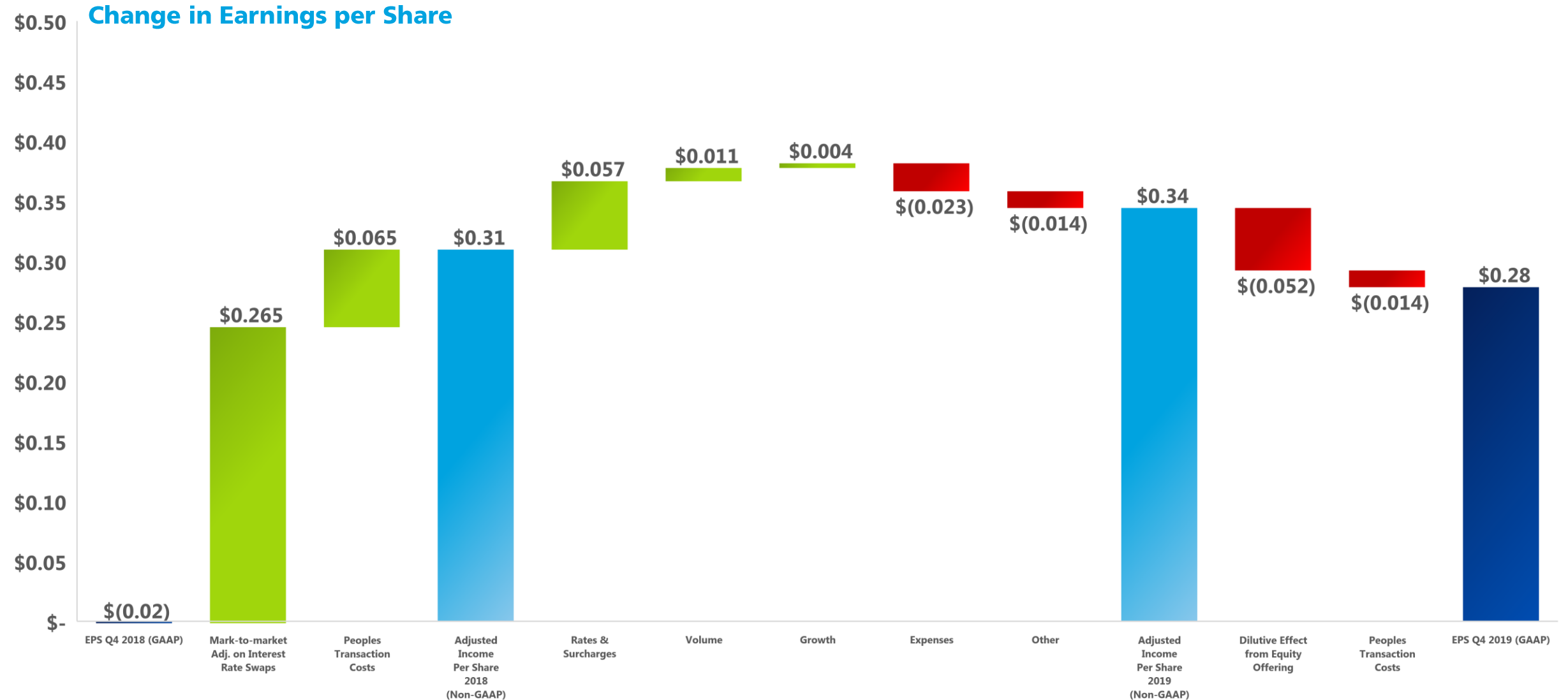


Change in Operations & Maintenance Expenses (thousands)



Earnings per Common Share

Q4 2019 vs. Q4 2018





2019 Rates and Surcharges Completed

| State | Docket Number | Type | Awarded Annualized Revenue Increase (\$thousands) |
|----------------------------|-----------------|----------------|---|
| Aqua New Jersey | WRT18121351 | Rate Case (w) | \$5,000 |
| Aqua North Carolina | W-218, Sub 497A | Surcharge (w) | \$539 |
| | W-218, Sub 497A | Surcharge (ww) | \$62 |
| Aqua Ohio | 89-7028-WW-TRF | Rate Cases (w) | \$974 |
| | 18-0337-WW-SIC | Surcharge (w) | \$2,267 |
| | 19-567-WW-SIC | Surcharge (w) | \$2,313 |
| Aqua Pennsylvania | M-2019-3008029 | Surcharges (w) | \$2 |
| | R-2018-3003558 | Rate Case (w) | \$42,300 |
| | R-2018-3003561 | Rate Case (ww) | \$4,700 |
| Total | | | \$58,157¹ |

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

¹The IL QIPS surcharges of \$1.66M that was effective Apr. 1, 2019 was superseded by a filing that did not become effective until Jan. 1, 2020



2020 Rates and Surcharges Completed

As of Feb. 26, 2020

| State | Docket Number | Type | Awarded Annualized Revenue Increase (\$thousands) |
|---------------------|-----------------|----------------|---|
| Aqua Illinois | N/A | Surcharge (w) | \$2,902 |
| | N/A | Surcharge (ww) | \$168 |
| Aqua North Carolina | W-218, Sub 497A | Surcharge (w) | \$571 |
| | W-218, Sub 497A | Surcharge (ww) | \$134 |
| Aqua Ohio | 89-7028-WW-TRF | Rate Cases (w) | \$995 |
| Total | | | \$4,770 |

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



Rates and Surcharges Pending

As of Feb. 26, 2020

| State | Docket Number | Type | Requested Annualized Revenue Increase (\$thousands) |
|----------------------------|-----------------|----------------|---|
| Aqua Indiana | 45314 U | Rate Case (w) | \$53 |
| | 45308 U | Rate Case (ww) | \$10 |
| Aqua New Jersey | WR20010056 | Rate Case (ww) | \$1,090 |
| Aqua North Carolina | W-218, Sub 526 | Surcharge (w) | \$5,193 |
| | W-218, Sub 526 | Surcharge (ww) | \$1,627 |
| Aqua Virginia | PURE-2019-00209 | Surcharge (w) | \$137 |
| | PURE-2019-00209 | Surcharge (ww) | \$150 |
| Total | | | \$8,260 |

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



State by State Comparison

As of December 31, 2019



| State | Rate Base (\$000s) | Water Connections | Wastewater Connections | Total Customers |
|--------------|--------------------|-------------------|------------------------|------------------|
| PA | 3,428,271 | 443,152 | 38,208 | 481,360 |
| OH | 343,602 | 146,483 | 6,922 | 153,405 |
| IL | 357,344 | 65,851 | 16,330 | 82,181 |
| TX | 298,240 | 65,874 | 18,281 | 84,155 |
| NJ | 199,745 | 54,083 | 6,291 | 60,374 |
| NC | 229,294 | 82,201 | 20,005 | 102,206 |
| IN | 83,833 | 1,278 | 27,774 | 29,052 |
| VA | 78,022 | 26,110 | 7,861 | 33,971 |
| Total | 5,018,351 | 885,032 | 141,672 | 1,026,704 |



| State | Rate Base (\$000s) | Gas Connections |
|--------------|--------------------|-----------------|
| PA | 2,133,506 | 694,737 |
| KY | 119,510 | 38,967 |
| WV | 26,559 | 12,845 |
| Total | 2,279,575 | 746,549 |