

Earnings Call

Second Quarter 2019



August 7, 2019

Forward Looking Statement



Brian Dingerdissen

Vice President, Chief of Staff and Investor Relations

Forward Looking Statement

This presentation contains in addition to historical information, forward looking statements based upon, among other things, our current assumptions, expectations, plans and beliefs concerning future events and their potential effect on us. These forward-looking statements 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; 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, 2018, which is on file with the SEC and our current report on form 8-K/A filed with the SEC on April 15, 2019. 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 the Investor Relations section of the company's Web site at www.AquaAmerica.com

Introduction



Chris Franklin

Chairman, Chief Executive Officer and President



Agenda

- Corporate Highlights
- Summary of Financial Results
- Municipal Growth
- Regulatory Update
- 2019 Guidance
- Questions

Corporate Highlights

Infrastructure Investment (\$m)



Acquisition Growth

- Pursuing DELCORA acquisition
- Signed agreement to acquire Campbell, OH water system
- Texas passed FMV law

Dividend Increased by 7%

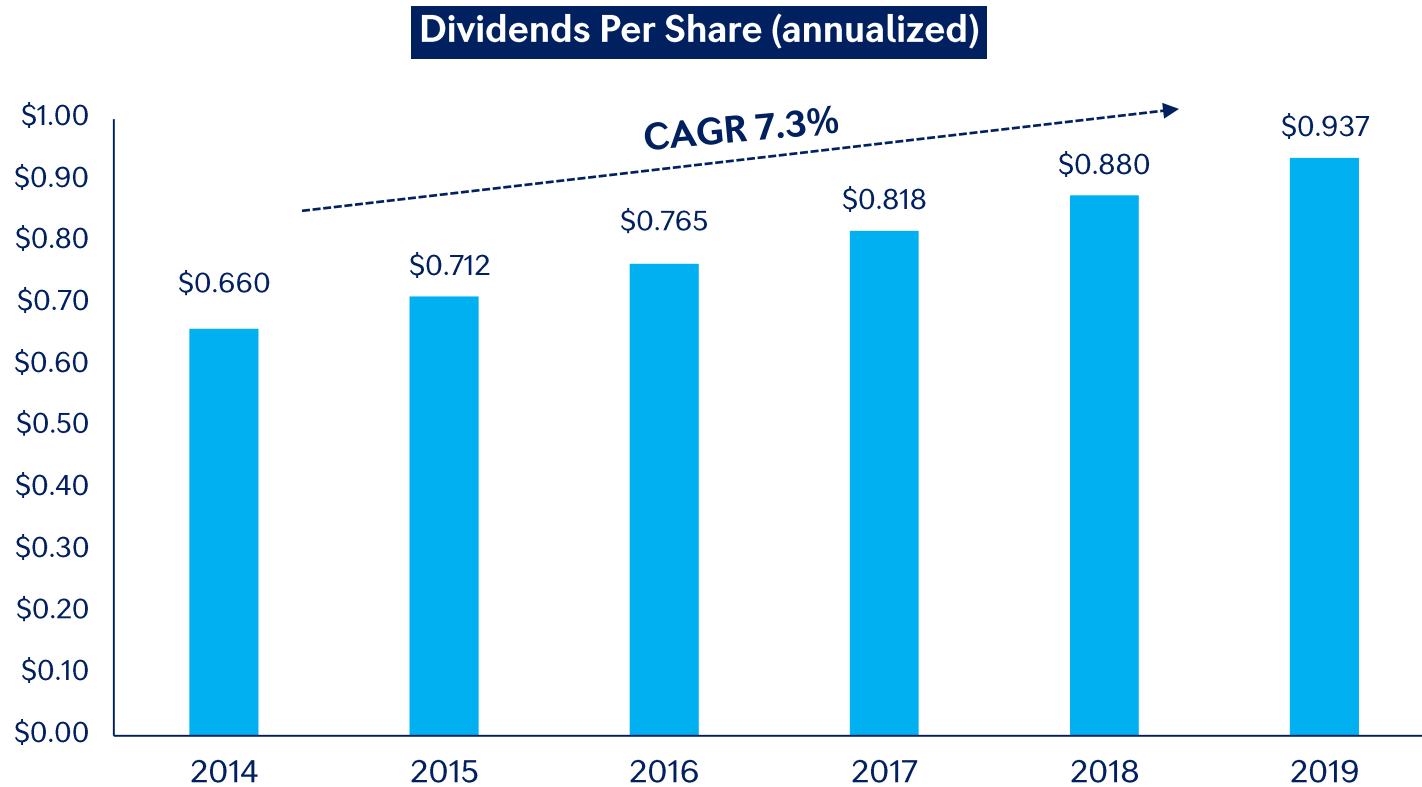
- Increased quarterly dividend to \$0.2343
- 29th increase in the last 28 years
- 74th consecutive year of dividend payments

Peoples Acquisition

- Progressing towards expected closing in the fall after reg. approval
- Peoples filed settlement of its Pennsylvania rate case

Dividend Increase History

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



Summary of Financial Results











Dan Schuller

Executive Vice President, CFO

Second Quarter Highlights

As of June 30, 2019

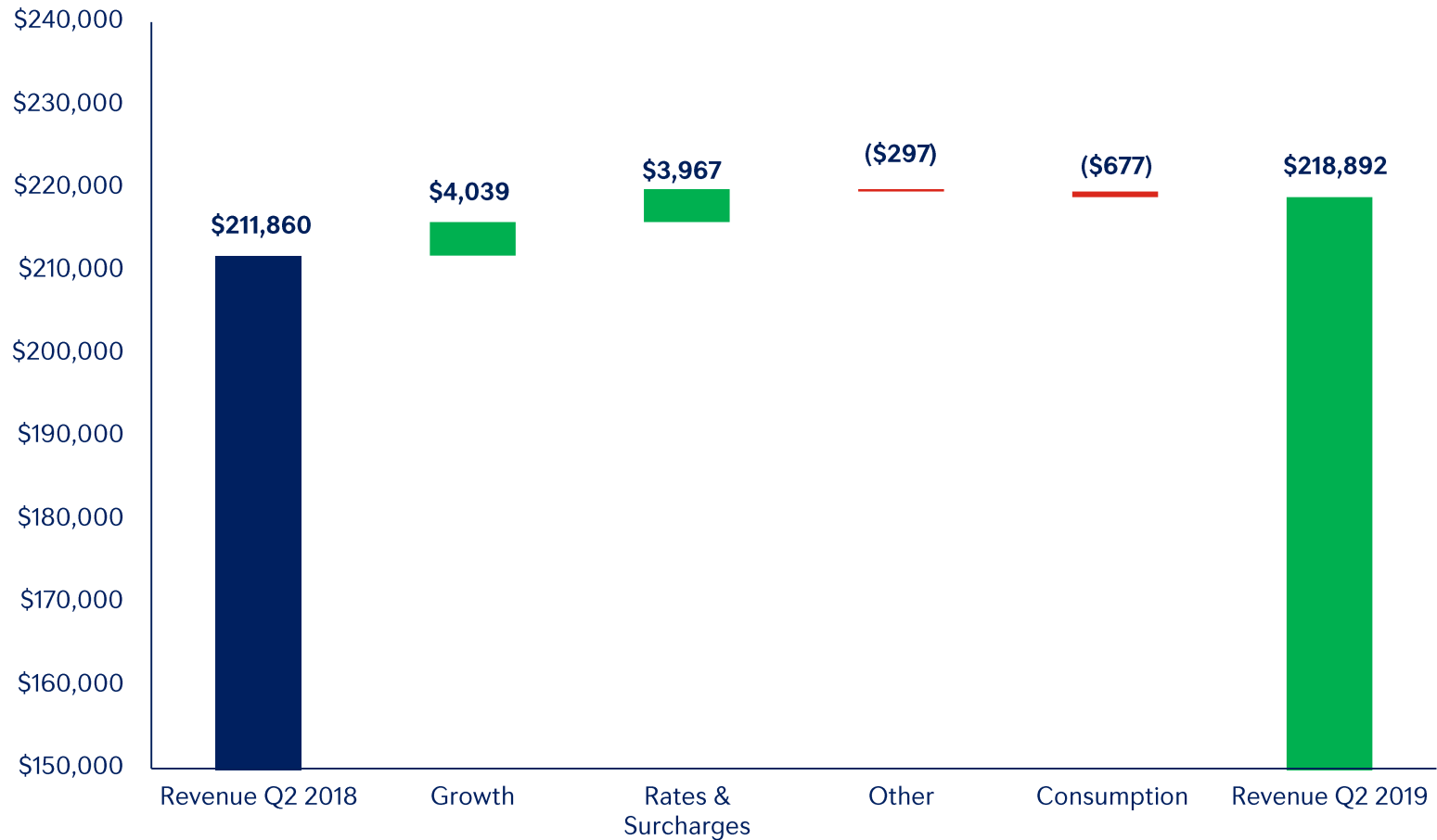
-  Favorable Change
-  Unfavorable Change

In millions except per share	Q2 2019		Q2 2018	Variance
Revenue	\$218.9		\$211.9	3.3%
Operations and Maintenance Expense	\$86.4		\$73.5	17.6%
Net Income (GAAP)	\$54.9		\$66.6	(17.6%)
Net Income per Share (GAAP)	\$0.25		\$0.37	(32.4%)
Adjusted Income (non-GAAP)	\$66.8		\$66.6	0.3%
Adjusted Income per Share (non-GAAP)	\$0.37		\$0.37	0.0%

Operating Revenues

Q2 2019 vs. Q2 2018

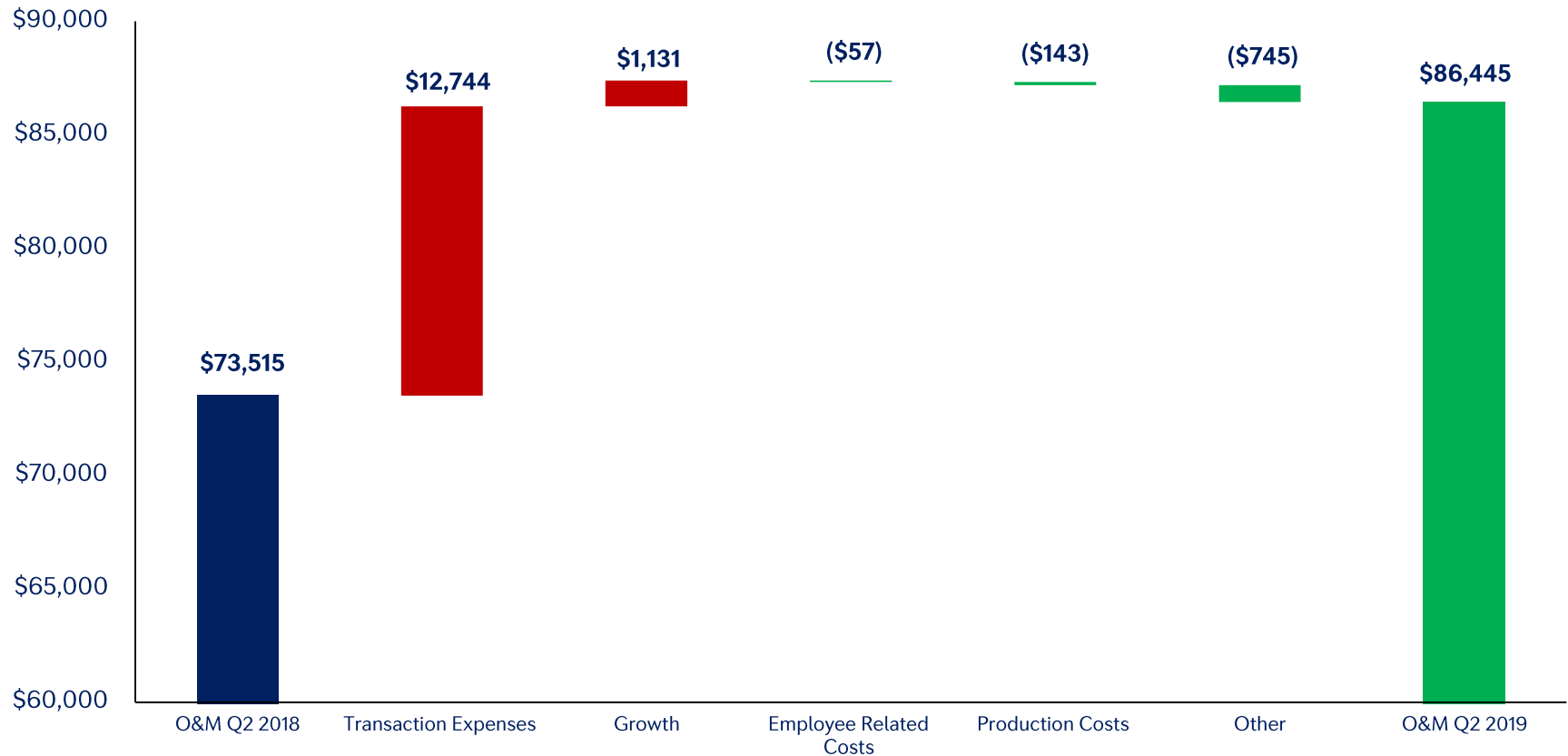
Change in Operating Revenues (thousands)



Operations & Maintenance Expenses

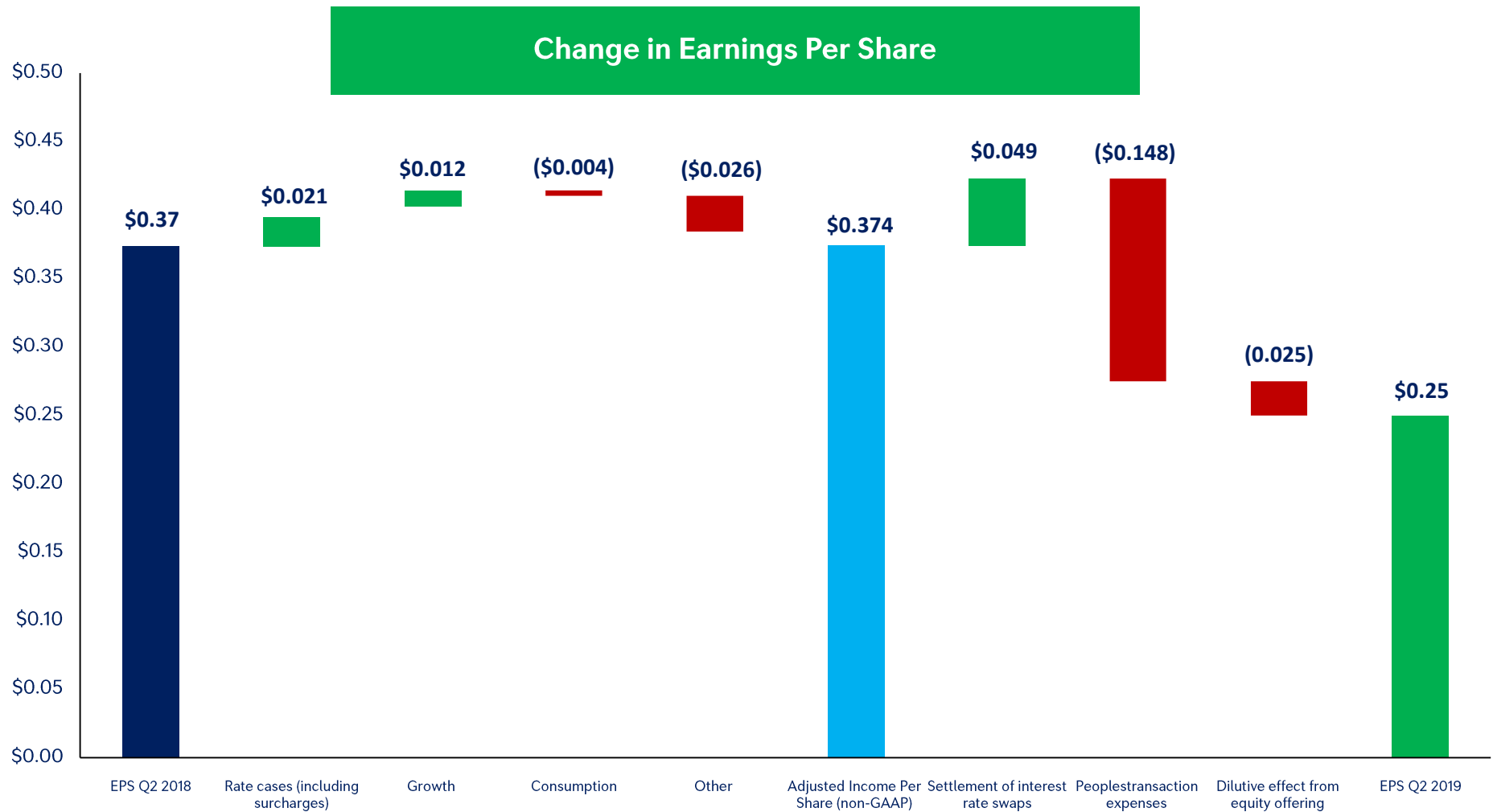
Q2 2019 vs. Q2 2018

Change in Operations & Maintenance Expenses (thousands)



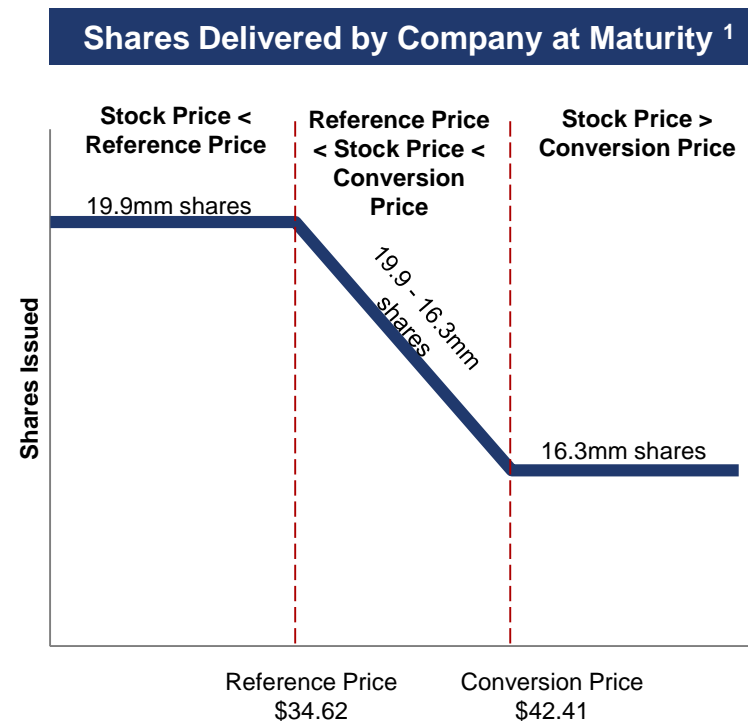
Earnings per Common Share

Q2 2019 vs. Q2 2018



Tangible Equity Unit Impact

- Issued April 23, 2019 under symbol WTRU
- 13,800,000 units issued at \$50.00 per unit for total gross proceeds \$690 million
- Each unit consists of a prepaid stock purchase contract and senior amortizing note due April 30, 2022
- Refer to prospectus supplement for full description of instrument and additional slides in appendix



2019 Rate Activity

As of 8/6/2019

Completed Rate Cases and Surcharges

- Base rate cases or surcharges in IL, NJ, NC, OH and PA with requested annualized revenue increase of **\$57.5 million**
- Includes **\$47 million** in additional annual revenue from PA rate case that went into effect on May 24th

As of 8/6/2019

Pending Rate Cases and Surcharges

- Surcharge filed in OH
- Requested **\$2.3 million** in additional annualized revenue

Peoples PA Rate Case Settlement

Peoples Natural Gas ¹ (PA)	
Date Filed	28-Jan-2019
Requested Rate Base	\$2,052m
Test Year	<ul style="list-style-type: none"> Fully-projected future test year ending Oct-2020
Requested Revenue Increase	\$94.9m
Authorized Increase	\$59.5m in additional annualized revenue
Timing	<ul style="list-style-type: none"> New rates expected to go into effect Oct. 25, 2019
Commentary	<ul style="list-style-type: none"> Peoples' first rate case since 2012 filing Supports the largest infrastructure initiative in the company's history Represents consolidation of Peoples and Equitable divisions
Settlement Agreement	<ul style="list-style-type: none"> Filed settlement agreement in July The settlement is subject to review and approval by the assigned administrative law judges and the PA PUC

Municipal Growth



Chris Franklin

Chairman, Chief Executive Officer and President

Recent Municipal Acquisition Activity

Signed Municipal Agreements Pending Closing

Acquisition	State	Type	Total Customers	Approx. Purchase Price (\$000s)
New Garden	PA	WW	2,106	\$29,500
Schuylkill	PA	W	600	\$3,600
Grant Park	IL	WW	540	\$2,300
Cheltenham	PA	WW	10,450	\$50,250
Skyline	IL	W/WW	752	\$3,550
East Norriton	PA	WW	4,952	\$21,000
Campbell	OH	W	3,200	\$7,500
Total			22,600	\$117,700

As of Aug. 6, 2019

Additional non-municipal system Northern Neck in Virginia with 540 customers closed in Q1 '19.

~\$100m of rate base acquired expected to generate ~\$5m of incremental annual earnings potential¹

Note: Transactions above listed in chronological order of signing.

¹ This 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 four of our existing states, totaling over 400,000 customers. While we do not expect to close all of these opportunities, this chart is meant to illustrate the significant size of and the number of municipals we are currently evaluating

Size Range (Approx. # of Customers)	Total Customers (approx.)
>50,000	280,000
10,000 – 50,000	85,000
<10,000	60,000
Total	425,000

Includes DELCORA opportunity – we have a signed letter or intent in place to explore combination.

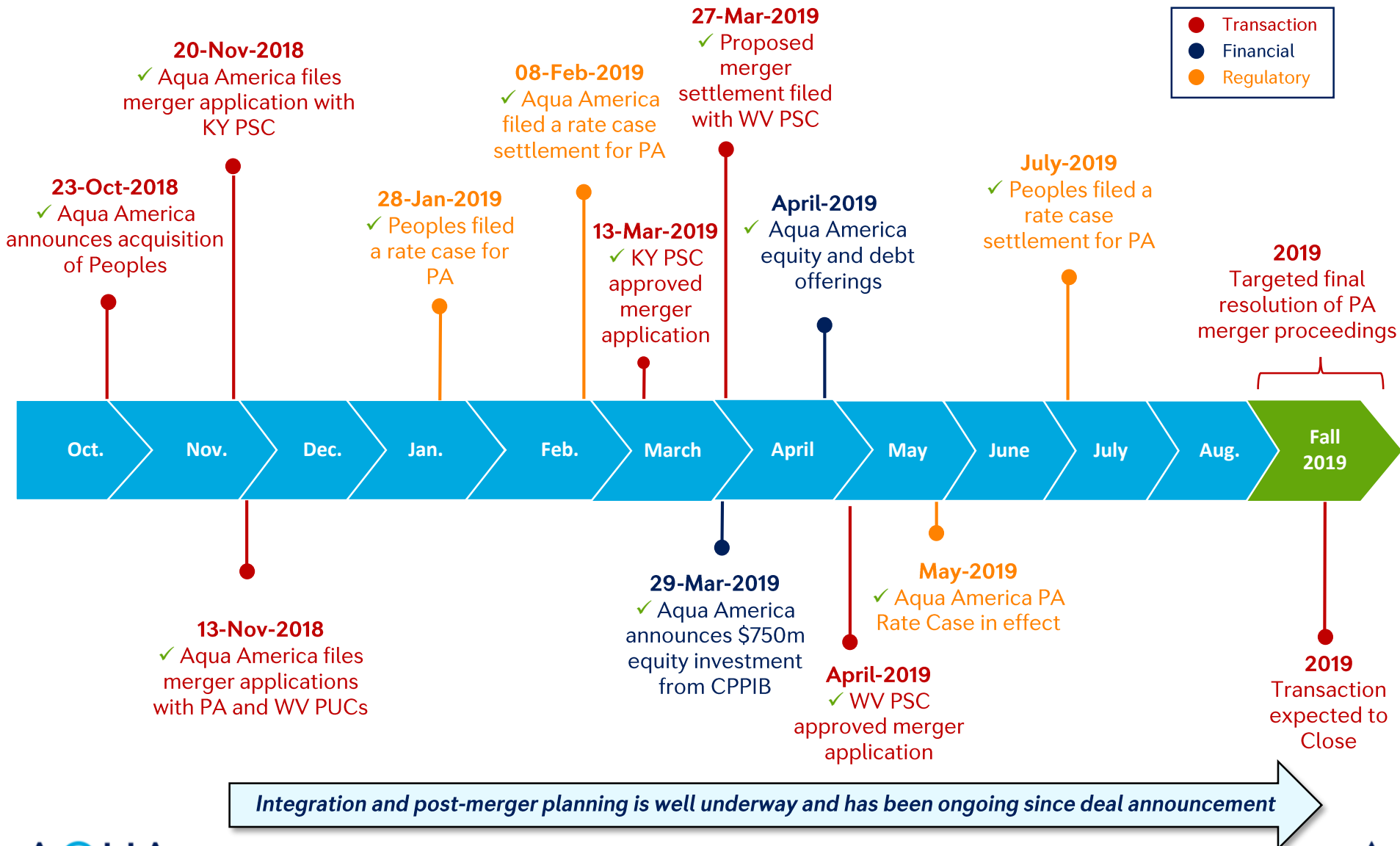
Regulatory Update



Kim Joyce

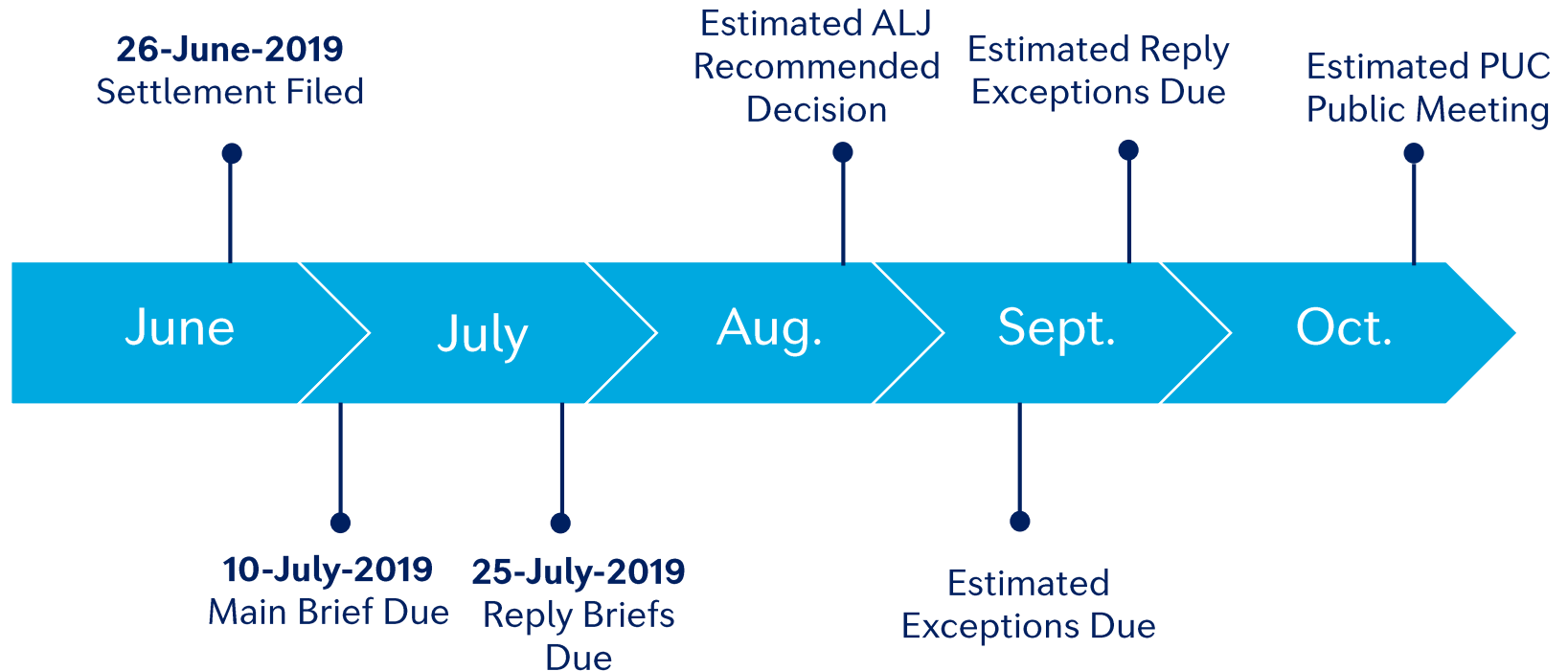
Vice President, Regulatory, Legislative and External Affairs

Transaction Timeline



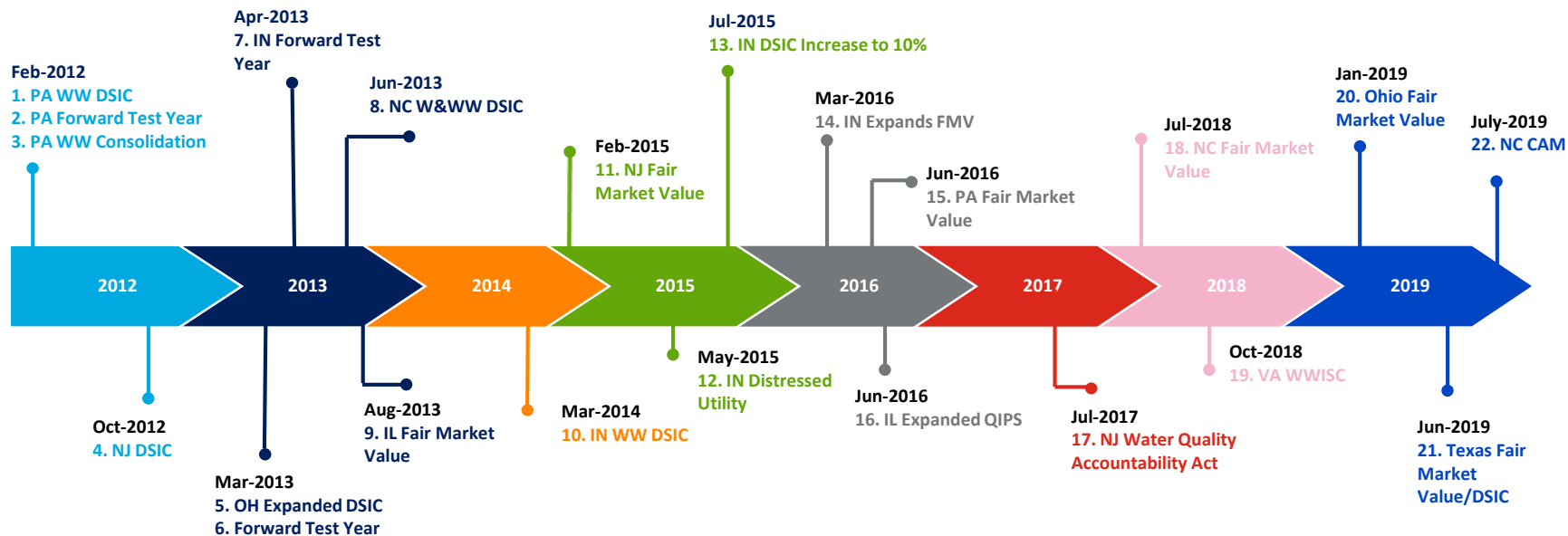
Estimated Regulatory Timeline

There is no statutory timeline for approval of an acquisition in PA, but we project the following sequence for approval of the Peoples transaction:



Favorable Water & Wastewater Regulatory Trends over Last Decade

History of successful collaboration with legislatures and regulators to implement constructive regulatory mechanisms and introduce Fair Market Value legislation



Seven of Aqua's States Have Fair Market Value Legislation



Guidance



Chris Franklin

Chairman, Chief Executive Officer and President

2019 Aqua Standalone Guidance

Earnings *	<ul style="list-style-type: none">• Adjusted income of \$1.45 to \$1.50 per share
Capex	<ul style="list-style-type: none">• Infrastructure investments of approximately \$550 million in 2019 for communities served by Aqua• Infrastructure investments of approximately \$1.4 billion through 2021 in existing operations to rehabilitate and strengthen systems• Rate base growth of 7 percent per year through 2021
Customer Growth	<ul style="list-style-type: none">• Total customer growth of between 2 and 3 percent
Peoples	<ul style="list-style-type: none">• Closing of Peoples acquisition expected in fall 2019

Summary

- ✓ Dividend increased by 7%, our 28th consecutive year of increases
- ✓ Texas fair market value legislation passed, adding a catalyst for acquisitions
- ✓ On track for 2 to 3% customer growth and pursuing DELCORA wastewater acquisition
- ✓ Peoples PA rate case settlement filed
- ✓ Peoples transaction expected to close in fall 2019

Q&A Session

Aqua America



Thank You for Attending Aqua's Second Quarter 2019 Conference Call

**Third Quarter 2019 Earnings
Conference Call and Webcast**
Wednesday, November 6, 2019

Analyst Day
Thursday, December 5, 2019

For more information contact:

Brian Dingerdissen

Vice President, Chief of Staff and Investor Relations

610.645.1191

BJDingerdissen@AquaAmerica.com

Appendix

Aqua America





GAAP to Non-GAAP Reconciliation







(In thousands, except per share amounts)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (GAAP financial measure)	\$ 54,903	\$ 66,590	\$ 71,827	\$ 117,429
<u>Plus:</u> transaction-related expenses for the Peoples transaction	20,658	-	62,086	-
<u>Plus:</u> pre-acquisition interest expense for funds borrowed for acquisition of Peoples, net	1,318	-	1,318	-
<u>Plus:</u> overlapping interest expense on refinanced debt	452	-	452	-
<u>Less:</u> interest income earned on proceeds from April 2019 equity offerings	(7,408)	-	(7,408)	-
<u>Less:</u> tax effect	(3,108)	-	(11,736)	-
Adjusted income (non-GAAP financial measure)	\$ 66,815	\$ 66,590	\$116,539	\$ 117,429
Net income per common share (GAAP financial measure):				
<i>Basic</i>	\$ 0.25	\$ 0.37	\$ 0.36	\$ 0.66
<i>Diluted</i>	\$ 0.25	\$ 0.37	\$ 0.36	\$ 0.66
Adj. income per common share (non-GAAP financial measure):				
<i>Diluted</i>	\$ 0.37	\$ 0.37	\$ 0.65	\$ 0.66
Average common shares outstanding :				
<i>Basic</i>	219,055	177,901	198,747	177,852
<i>Diluted</i>	219,790	178,273	199,303	178,299
Average common shares outstanding:				
Shares used in calculating diluted net income per common share	219,790	178,273	199,303	178,299
<u>Less:</u> Adjustment for effects of April 2019 common share issuance	(28,336)	-	(14,246)	-
<u>Less:</u> Adjustment for effects of April 2019 tangible equity unit issuance	(12,760)	-	(6,415)	-
Shares used in calculating adjusted diluted income per common share (Non-GAAP financial measure)	178,694	178,273	178,642	178,299

Year-to-date Highlights

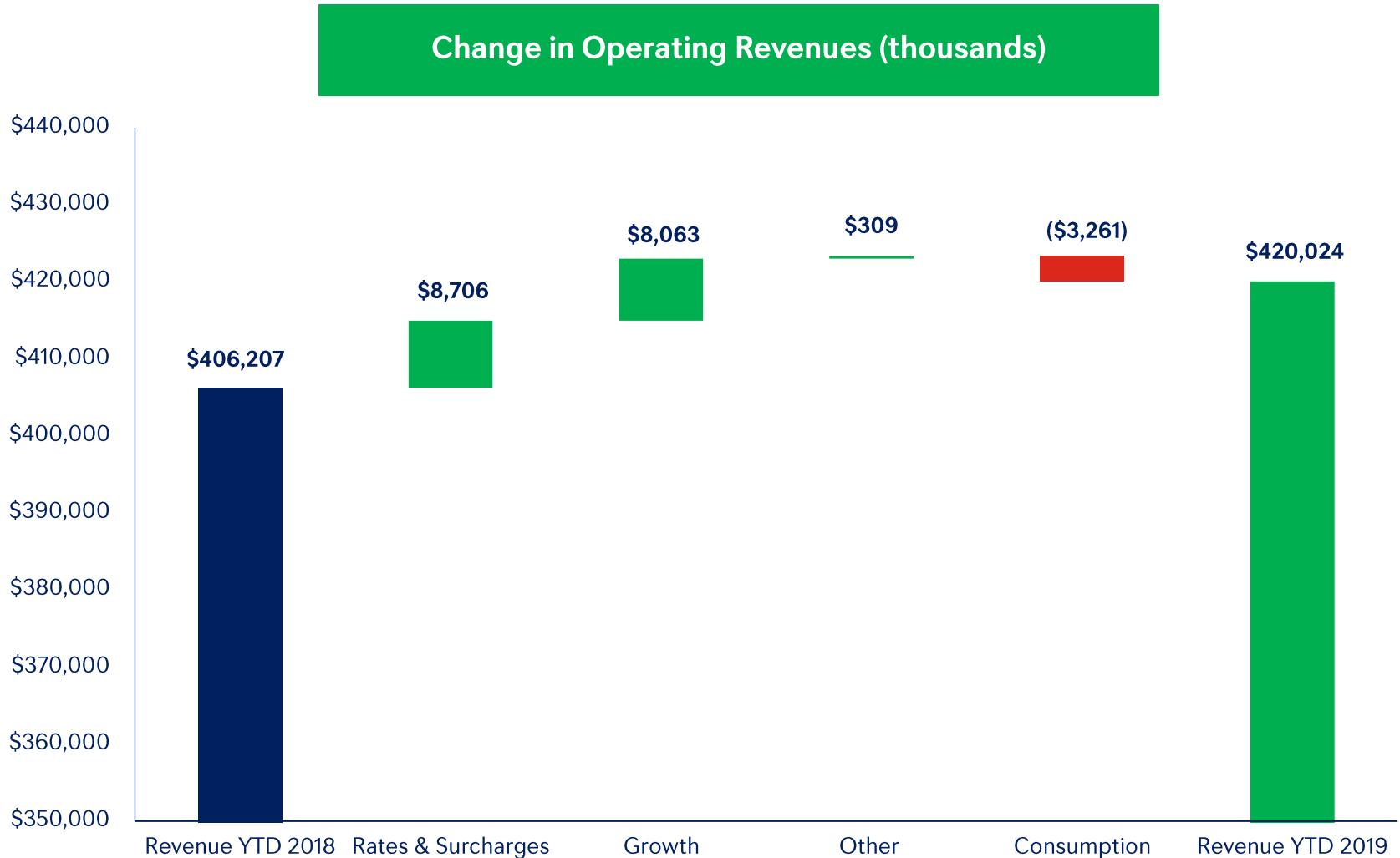
As of June 30, 2019

-  Favorable Change
-  Unfavorable Change

In millions except per share	YTD 2019		YTD 2018	Variance
Revenue	\$420.0		\$406.2	3.4%
Operations and Maintenance Expense	\$165.8		\$147.5	12.4%
Net Income (GAAP)	\$71.8		\$117.4	(38.8%)
Net Income per Share (GAAP)	\$0.36		\$0.66	(45.5%)
Adjusted Income (non-GAAP)	\$116.5		\$117.4	(0.8%)
Adjusted Income per Share (non-GAAP)	\$0.65		\$0.66	(1.5%)

Operating Revenues

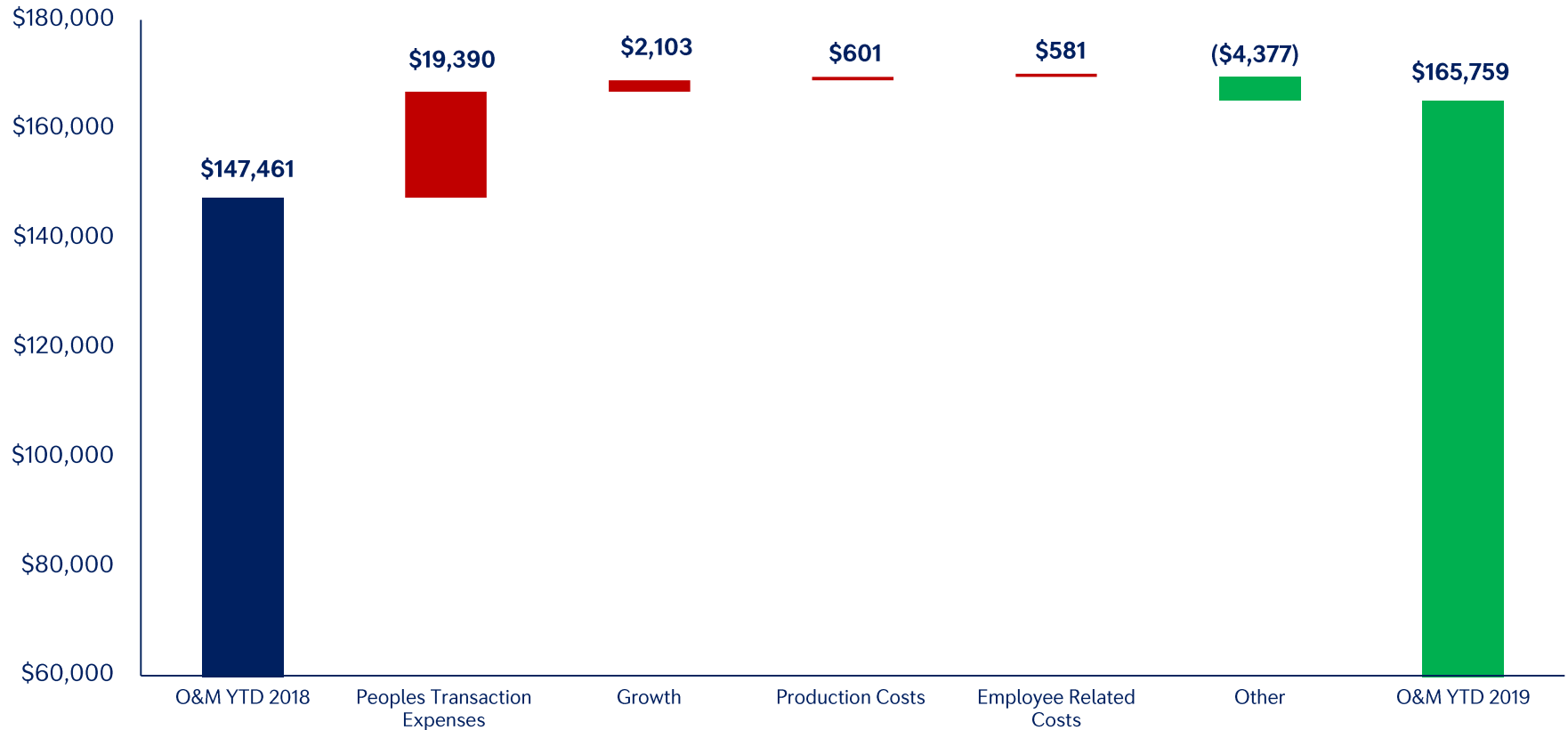
YTD June 30, 2019 vs. YTD June 30, 2018



Operations & Maintenance Expenses

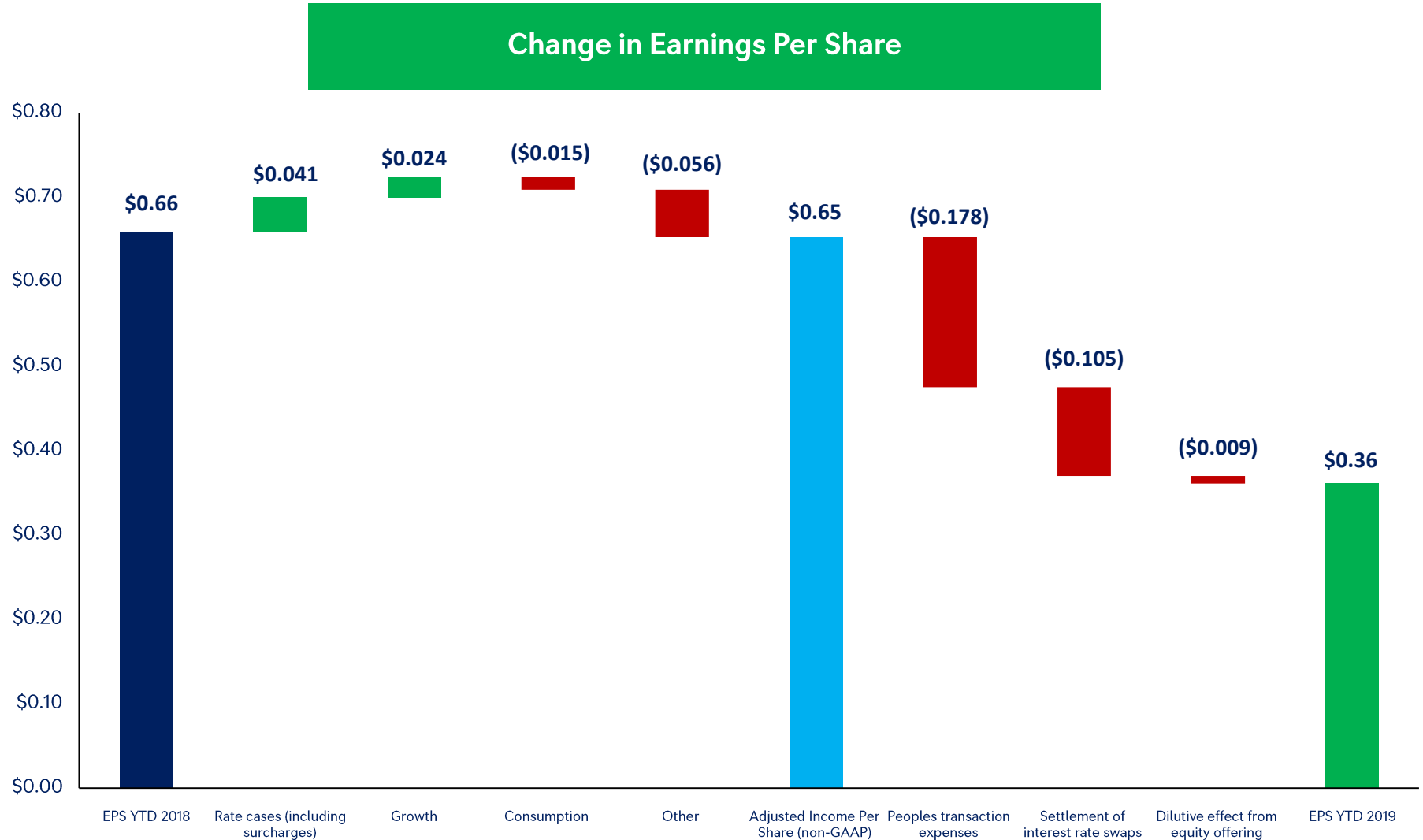
YTD June 30, 2019 vs. YTD June 30, 2018

Change in Operations & Maintenance Expenses (thousands)



Earnings per Common Share

YTD June 30, 2019 vs. YTD June 30, 2018



Aqua 2019 Rates and Surcharges Completed

As of Aug. 6, 2019

State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Illinois	N/A	Surcharge (w)	\$1,394
	N/A	Surcharge (ww)	\$268
New Jersey	WRT18121351	Rate Case (w)	\$5,000
North Carolina	W-218, Sub 497A	Surcharge (w)	\$538
	W-218, Sub 497A	Surcharge (ww)	\$62
Ohio	89-7028-WW-TRF	Rate Cases (w)	\$974
	18-0337-WW-SIC	Surcharge (w)	\$2,267
Pennsylvania	M-2019-3008029	Surcharges (w)	\$2
	R-2018-3003558	Rate Case (w)	\$42,300
	R-2018-3003561	Rate Case (ww)	\$4,700
Total			\$57,505

Aqua 2019 Rates and Surcharges Pending

As of Aug. 6, 2019

State	Docket Number	Type	Requested Annualized Revenue Increase (\$thousands)
Ohio	18-1843-WW-UNC & 18-1841-ST-UNC	Tax Compliance Surcharge (w/ww)*	(\$3,917)
	19-567-WW-SIC	Surcharge (w)	\$2,335
Total			(\$1,582)

State by State Comparison

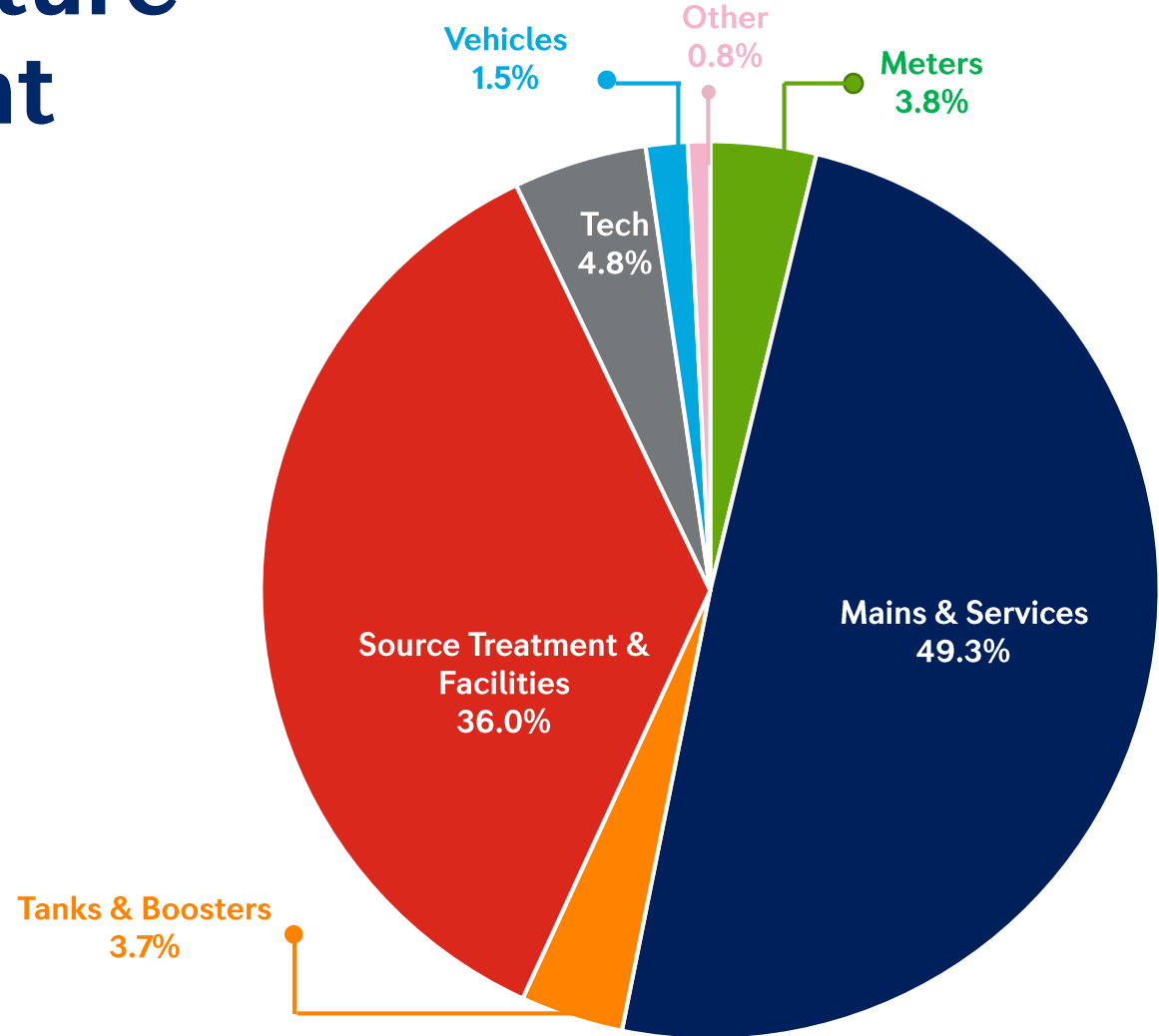
As of December 31, 2018

State	Rate Base (\$thousands)	Water Connections	Wastewater Connections	Total Customers
PA	3,095,126	440,487	28,109	468,596
OH	317,168	145,938	6,878	152,816
IL	320,002	65,241	15,222	80,463
TX	234,569	64,360	17,480	81,840
NJ	171,113	53,639	6,213	59,852
NC	203,761	81,074	19,114	100,188
IN	82,622	1,226	26,979	28,205
VA	75,047	25,843	7,787	33,630
Total	4,499,408	877,808	127,782	1,005,590

Infrastructure Investment

Regulated Operations

Capital Investment Breakdown 2019 - 2021



3 Year Total = \$1.4 billion

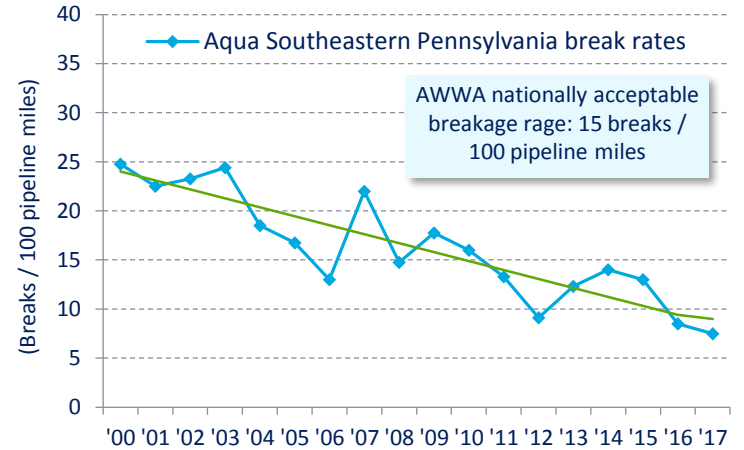
Aqua and Peoples' Commitment to Safety and Sustainability

Aqua

- Issued inaugural Corporate Social Responsibility Report in 2018
- Participated in Carbon Disclosure Project (CDP) Survey and received a strong first-time score of C in the "Awareness" level in the top 40% of CDP companies
- Main break average steadily declining and below acceptable range, substantially reducing unaccounted-for water
- Reported record safety metrics including steadily declining lost time injury rate, lost work days and OSHA injury rate



Aqua Southeastern Pennsylvania Main Break Averages

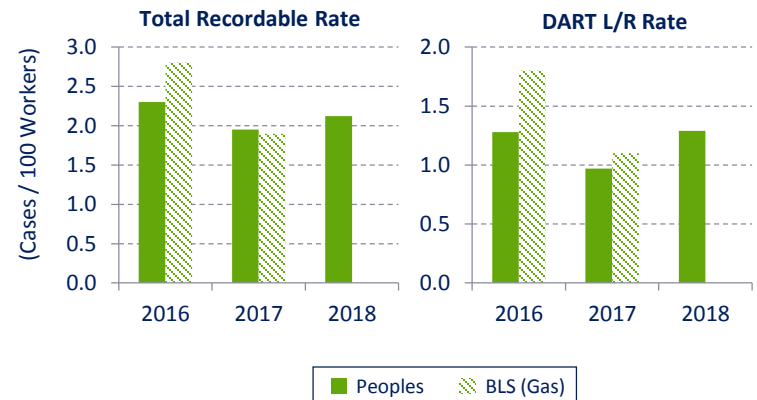


Peoples

- Environmental Defense Fund Partnership aims to reduce Pittsburgh pipeline emissions by 50%
- Founding partner of U.S. EPA Star Methane Challenge Program making specific commitments to reduce methane emissions
- Key operating safety metrics in top quartile of industry peers and steadily improving
- Largest pipe replacement program in company history (LTIP) significantly reducing operating risk and emissions
- Locally produced natural gas supply reduces environmental impact of transportation and lowers customer bills



Peoples Safety Compared to Natural Gas Industry



Dilutive Impact on EPS of Tangible Equity Units



May 15, 2019

Aqua America 6% Tangible Equity Units

- Prepaid stock purchase contracts equal to \$41.37091 per unit are recorded to Additional Paid in Capital upon issuance

- Senior amortizing notes equal to \$8.62909 per unit are recorded to Long-term Debt upon issuance

- Applicable market value for conversion purposes is based on the weighted-average market price for the twenty trading days prior to conversion

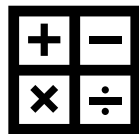
- Conversion based on following:
 - If the market value of our common stock is greater than threshold appreciation price of \$42.41, then 1.179 shares of WTR common stock is issued for each purchase contract;

 - If the market value of our common stock is less than or equal to threshold appreciation price, and greater than or equal to reference price of \$34.62, then number of shares issued equals \$50.00 divided by the market value; or

 - If the market value of our common stock is less than reference price of \$34.62, then 1.444 shares of WTR common stock is issued for each purchase contract.

 - Thus, the minimum number of additional shares is 16.27 million and the maximum is 19.93 million.

TEU Impact on Basic Earnings Per Share



Shares

Impacted by adding “minimum converted” shares to denominator used in calculating Basic EPS



Purchase Contract

Assume share purchase contracts are converted into common stock for period units are outstanding



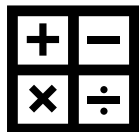
EPS

Increases weighted average common shares for Basic EPS by minimum number of shares to be issued upon conversion

Example:

- 900 TEUs are issued on 5/1/19 that allow a minimum number of common shares to be issued of 1,000 shares
- For 2Q19 Basic EPS, denominator would be increased by 670 shares (minimum number of shares $1,000 \times 61/91$ days unit is outstanding)

TEU Impact on Diluted Earnings Per Share



Shares

Impacted by adding “as if converted” shares to denominator used in calculating Diluted EPS



Purchase
Contract

Assume share purchase contracts are converted into common stock for period units are outstanding



EPS

Increases weighted average common shares for Diluted EPS by expected number of shares to be issued upon conversion



Conversion

Expected number of shares based on conversion using conversion formula: 20 day volume weighted average price (VWAP) at period end

TEU Impact on Diluted Earnings Per Share

Example:

- 900 TEUs are issued on 5/1/19 that allow conversion into common shares based on \$50.00 / VWAP and subject to a minimum and maximum shares
- VWAP is calculated at the end of each reporting period – assuming a VWAP of \$40.00 at June 30, 2019, $\$50 / \$40 = 1.25$ shares would be issued for each TEU
- Expected conversion shares 1.25×900 units = 1,125 shares expected to be issued
- To the extent this “assumed” conversion exceeds the minimum number of shares, $1,125 - 1,000$ shares = 125 shares; this amount is added to denominator to extent units are outstanding, and used to calculate Diluted EPS
- For 2Q19 EPS, diluted denominator would include both the 670 shares which is a component of basic denominator (minimum number of shares $1,000 \times 61/91$ days units are outstanding); plus 84 shares (125 shares $\times 61/91$ days units are outstanding)

TEU Earnings per Share Example Calculation

2Q19 Basic:	
Minimum number of issued shares	1,000
Days outstanding in period	61/91
Basic shares outstanding during the period	<u>670</u>
2Q19 Diluted:	
Volume weighted average price (VWAP)	\$ 40.00
Price per unit	\$ 50.00
Shares to be issued per each TEU	<u>1.25</u>
TEUs	900
Shares expected to be issued based on conversion factor	1,125
Less: minimum number of issued shares	<u>1,000</u>
Additional dilutive shares	125
Days outstanding in period	<u>61/91</u>
Additional shares outstanding during the period	84
Plus: basic shares outstanding during the period	<u>670</u>
Dilutive shares outstanding during the period	<u>754</u>