



EARNINGS CALL Full Year 2021

February 24, 2022

NYSE
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WTRG

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

Agenda

Company Update

Financial Results

Acquisition Program Update

Summary and Guidance

Q&A



Company Update

Chris Franklin

Chairman, Chief Executive Officer,
and President



Corporate Highlights

\$1.67
Earnings Per
Share for 2021

Infrastructure
Investment of
>\$1.0B

7.6%
Rate Base
Growth

2
Closed
Acquisitions

8
Pending
Acquisitions⁽¹⁾

Continued
Recognition
for ESG Efforts

(1) Purchase prices totaling \$471.0M

Importance of Infrastructure, Safety, and Reliability



Bridge Collapse in Pittsburgh

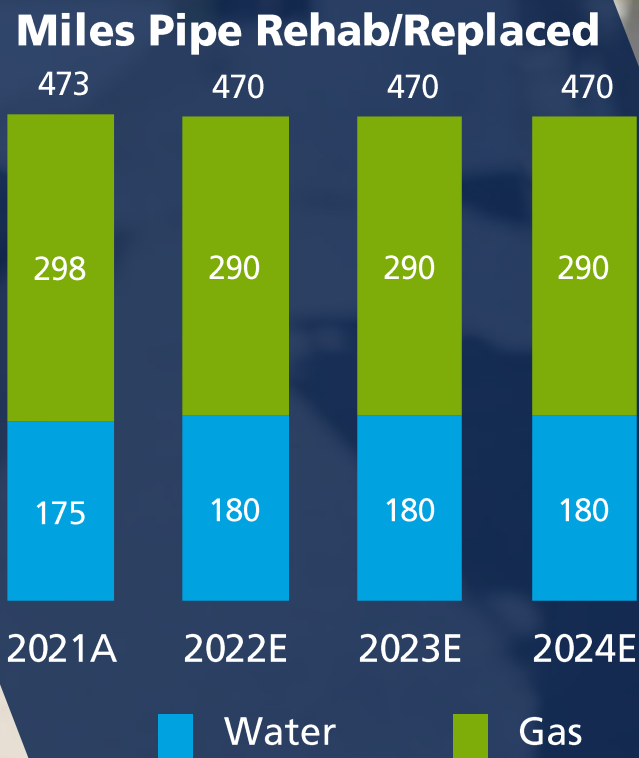
Even with an overwhelming infrastructure failure from roadway collapses, bridge collapses or landslides, this incident demonstrated how natural gas pipelines can be rapidly and safely isolated, and how gas can be rerouted to serve customers.



Robust Infrastructure Spending Profile

Responsibility to quickly and significantly reduce emissions

Undeniable expertise and track record in significantly improving the environmental profile of systems we acquire



Replacing approximately
1,400 miles
of pipeline over the
next 3 years

"A" denotes Actual
"E" denotes Estimate

ESG Progress and Recognition

2021 Progress

- ✓ Reached 15% people of color in our employee base towards our multi-year target of 17%.
- ✓ Purchased nearly 11% of goods and services from diverse suppliers towards our multi-year target of 15%.
- ✓ Achieved an estimated 7% reduction in Scope 1 and 2 emissions from our 2019 baseline towards our 60% reduction target.
- ✓ Reaffirmed industry-leading, multi-year plan to ensure that finished water does not exceed 13 parts per trillion (ppt) of PFOA, PFOS, and PFNA compounds across all states served by our regulated water segment.



ESG Ratings

- ✓ MSCI upgraded from BBB to A
- ✓ Sustainalytics upgraded score from 38.7 to 23.3
- ✓ ISS Quality Score: E:1, S:3 and G:2
- ✓ CDP Score of B-, unchanged

Financial Results

Dan Schuller

Executive Vice President,
Chief Financial Officer



Q4 Financial Highlights

<i>In millions except per share</i>	Q4 2020	Q4 2021
Revenue	\$474.0	\$535.7
Operations and Maintenance Expense	\$157.2	\$158.6
Net Income (GAAP)	\$102.7	\$116.5
Net Income per Share (GAAP)	\$0.40	\$0.44
Adjusted Income (non-GAAP)*	\$116.2	\$116.5
Adjusted Income per Share (non-GAAP)*	\$0.46	\$0.44

Revenues

- Regulated water segment of \$243.8M
- Regulated natural gas segment of \$280.5M, including gas costs of \$130.3M
- \$18.9M in rate credits to natural gas customers in Q4 2020

O&M

- Employee-related expenses were the main driver for the quarter

Other

- Acquired Commons Water and Bourbonnais adding approximately 7,700 customer equivalents and \$36.3M of rate base

Full Year 2021 Financial Highlights

As of December 31, 2021

In millions except per share	YTD 2020*	YTD 2021	Percent Change
Revenue	\$1,462.7	\$1,878.1	↑ 28.4%
Operations and Maintenance Expense	\$528.6	\$550.6	↑ 4.2%
Net Income (GAAP)	\$284.8	\$431.6	↑ 51.5%
Net Income per Share (GAAP)	\$1.12	\$1.67	↑ 49.1%
Adjusted Income (non-GAAP)	\$322.1	\$431.6	↑ 34.0%
Adjusted Income per Share (non-GAAP)	\$1.27	\$1.67	↑ 31.5%

Operating Revenues

FY 2021 vs. FY 2020

Change in Operating Revenues (thousands)



Revenue FY 2020¹ Peoples Q1 2021 Revenue

Purchased Gas

Rates & Surcharges

Rate Credits 2020

Growth - Water

Volume - Gas

Volume - Water

Other

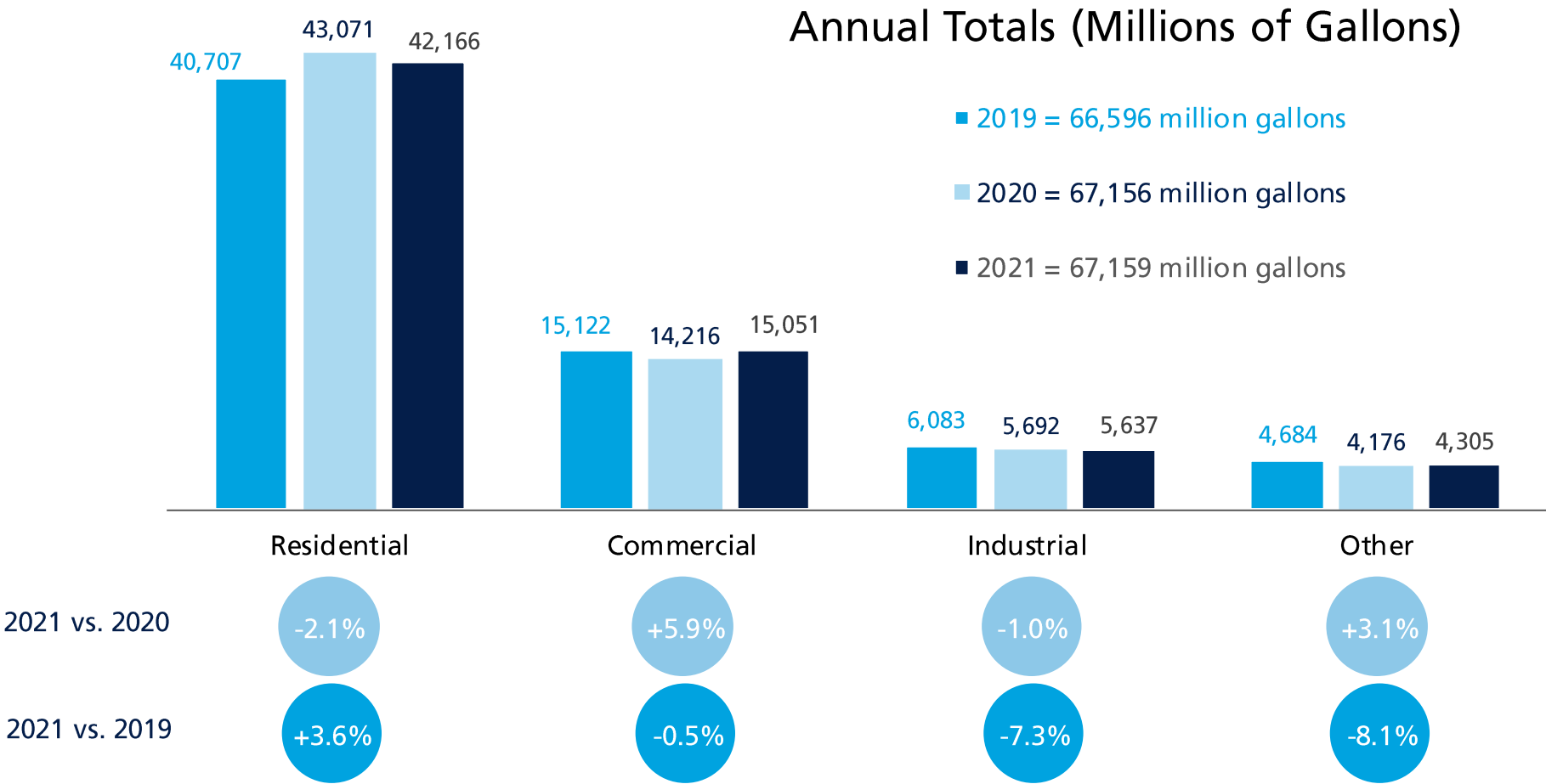
Revenue FY 2021²

¹ Includes \$154,103 of purchased gas.

² Includes \$313,390 of purchased gas.

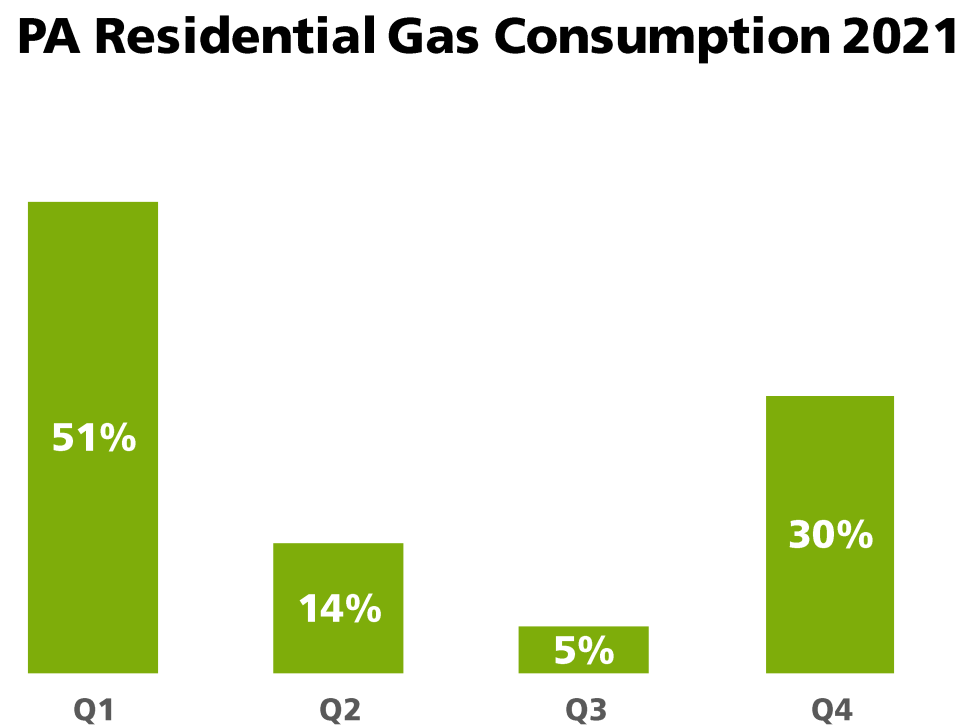
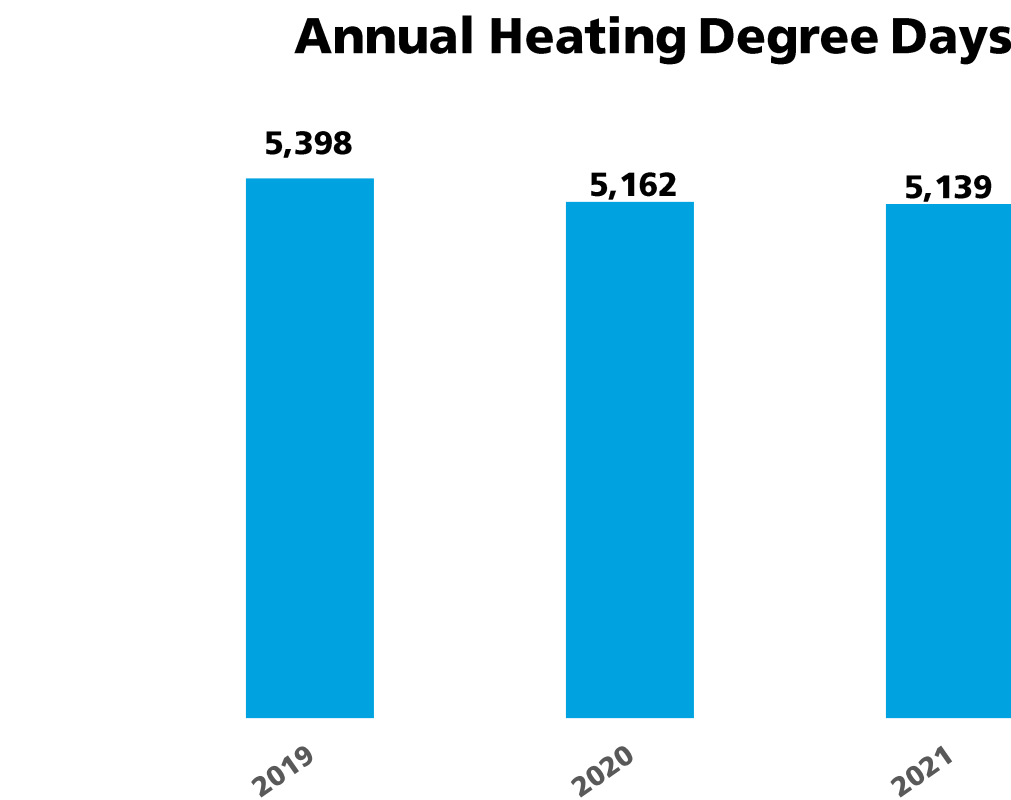
2021 Water Usage Trends

2021 water usage was neutral year-over-year. Residential usage decreased by 2.1%, while commercial usage increased almost 6% when compared to 2020.



2021 Heating Degree Days

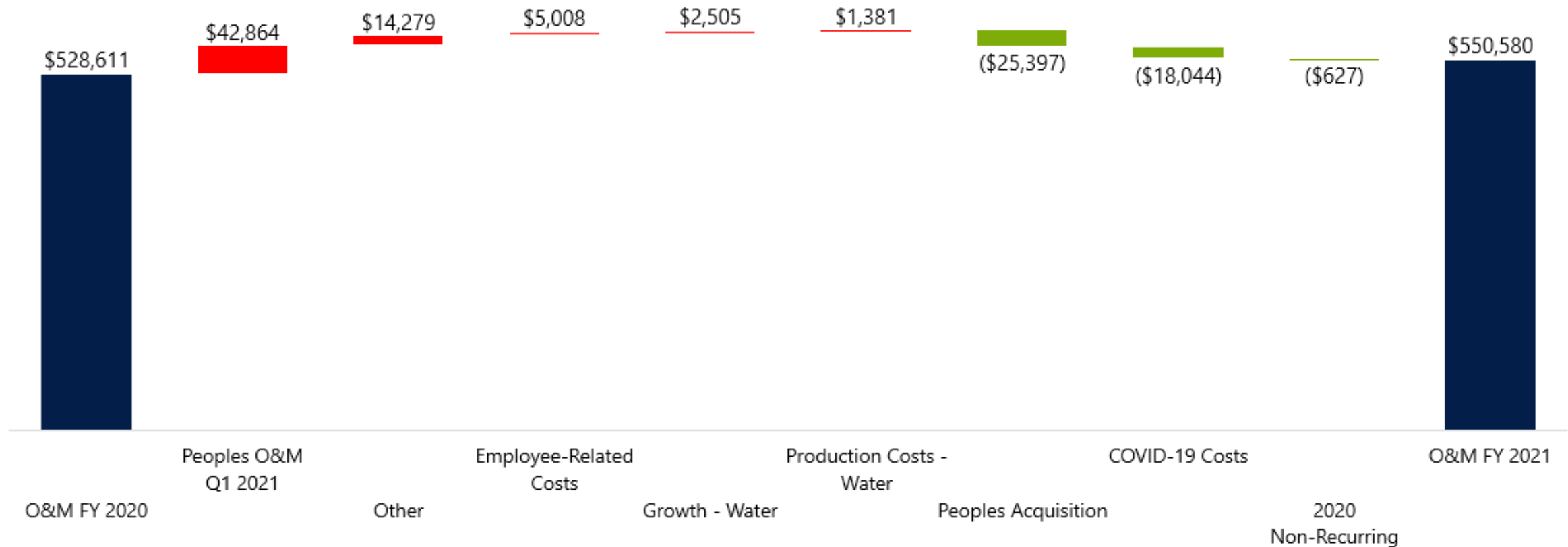
Weather drives natural gas consumption and revenue is impacted by heating degree days. A heating degree day (HDD) is a measurement designed to quantify the demand for energy needed to heat a building. It is the number of degrees that a day's average temperature is below 65 degrees Fahrenheit.



Operations & Maintenance Expenses

FY 2021 vs. FY 2020

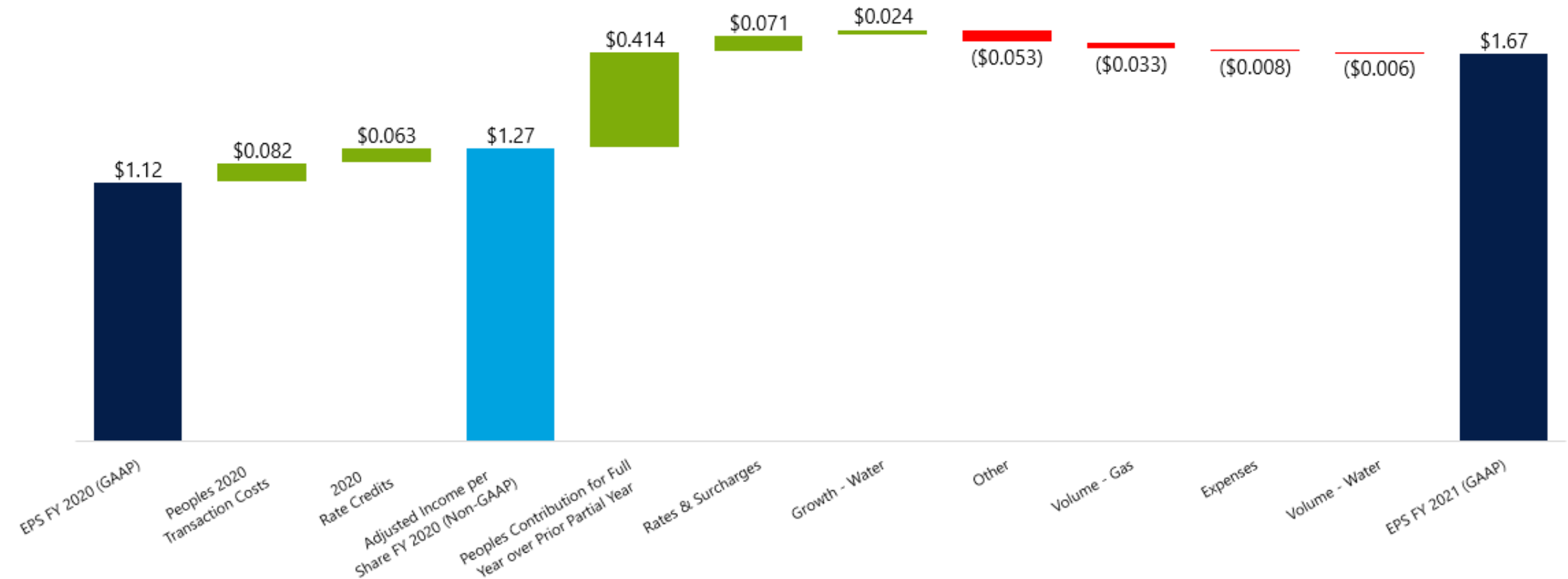
Change in Operations & Maintenance Expense (thousands)



Earnings per Common Share

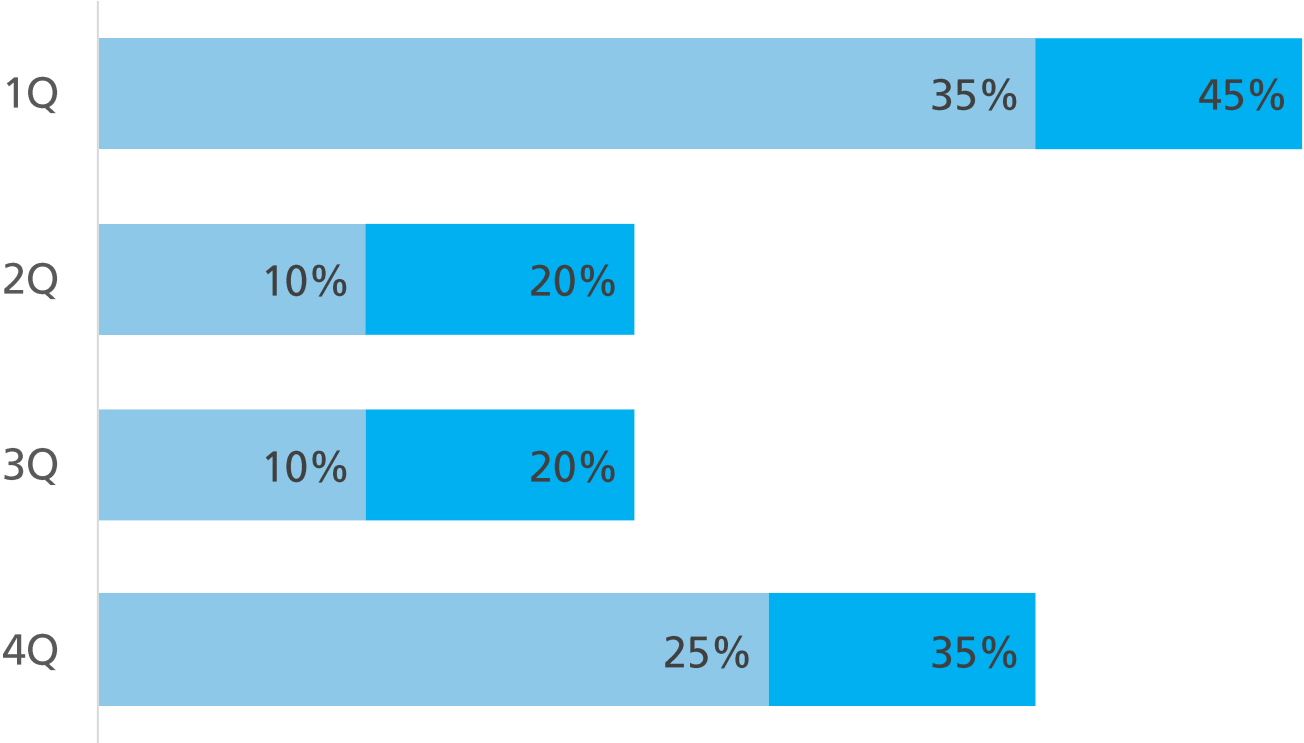
FY 2021 vs. FY 2020

Change in Earnings Per Share



Earnings Weighted to 1Q, 4Q

Approximate Net Income By Quarter



Based on company projections, 65-75% of net income is expected to be earned in 1Q and 4Q

Rate Activity

As of 02/23/2022

2021 Completed Rate Cases and Surcharges

Water segment base rate cases or surcharges in NJ, NC, OH, PA, IL, IN, and VA with annualized revenue increase of \$28.8 million

Gas segment base rate cases or surcharges in PA and KY with annualized revenue increase of \$1.3 million

2022 Completed Rate Cases and Surcharges

Water segment base rate cases or surcharges in IL, NC, OH, and PA with annualized revenue increase of \$8.2 million

Gas segment base rate case in KY with annualized revenue increase of \$5.2 million

Pending Rate Cases and Surcharges

Water segment base rate case in PA and OH with requested annualized revenue increase of \$106.4 million

No pending gas segment base rate cases or surcharges

Acquisition Update and 2022 Guidance

Chris Franklin

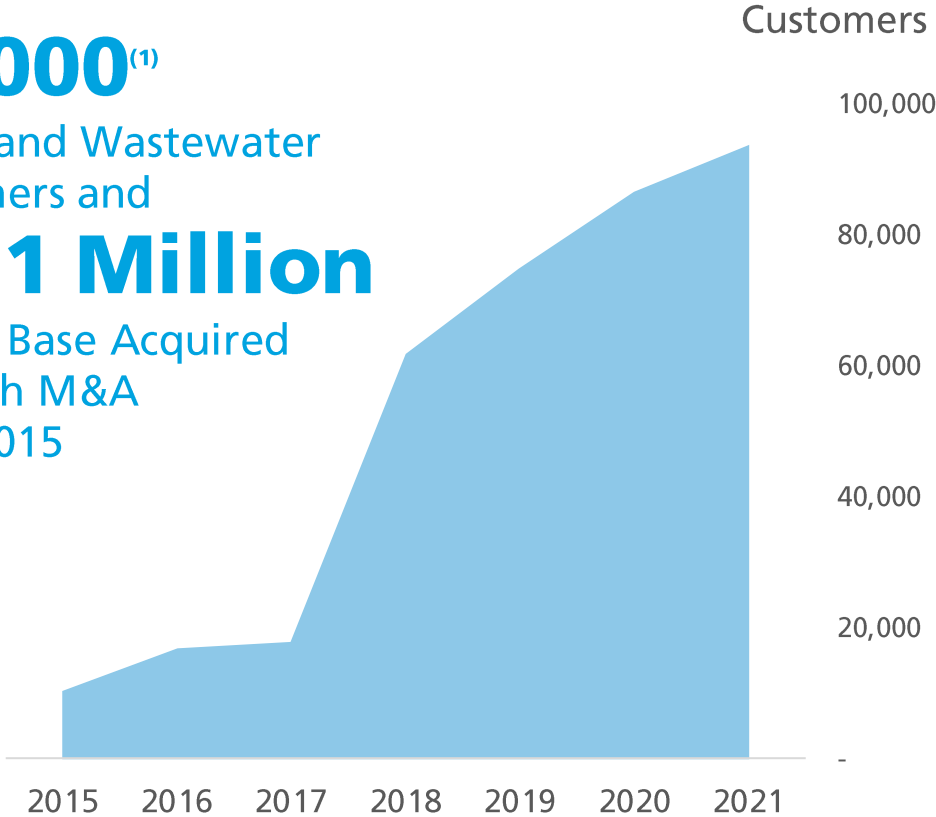
Chairman, Chief Executive Officer,
and President



Continued Successful Acquisition Program in 2021

Cumulative Additions of Customers Through Acquisitions

Over
94,000⁽¹⁾
Water and Wastewater
Customers and
\$361 Million
in Rate Base Acquired
Through M&A
Since 2015



2021 Closed Acquisitions (\$000s)

TX	IL
Commons Water⁽²⁾ Closed August 2, 2021 <ul style="list-style-type: none">• Water• 1,000 customers• \$4.0M purchase price• \$4.0M rate base	Bourbonnais Closed August 31, 2021 <ul style="list-style-type: none">• Wastewater• 6,700 customers• \$32.1M purchase price• \$32.3M rate base


7,700
Total Customers

\$36.3M
Total Rate Base

(1) Essential's estimate of the number of equivalent dwelling units.
(2) Commons Water is a privately owned utility.

Pending Municipal Transactions

~\$471M of rate base is expected to generate ~\$23.5M of incremental annual earnings potential⁽¹⁾

 DELCORA <ul style="list-style-type: none">• Wastewater• 198,000 customers⁽²⁾• \$276.5M purchase price	 Lower Makefield <ul style="list-style-type: none">• Wastewater• 11,000 customers• \$53.0M purchase price	 East Whiteland <ul style="list-style-type: none">• Wastewater• 8,175 customers⁽²⁾• \$54.9M purchase price	 Willistown <ul style="list-style-type: none">• Wastewater• 2,300 customers⁽²⁾• \$17.5M purchase price
 Oak Brook <ul style="list-style-type: none">• Water• 4,000 customers⁽²⁾• \$12.5M purchase price	 Shenandoah <ul style="list-style-type: none">• Water• 3,000 customers• \$12.0M purchase price	 Beaver Falls <ul style="list-style-type: none">• Wastewater• 7,600 customers⁽²⁾• \$41.25M purchase price	 Southern Oaks <ul style="list-style-type: none">• Water• 740 customers• \$3.33M purchase price

234,815⁽²⁾ Total Customers

\$471M Total Purchase Price

(1) This is an illustrative earnings assumption based on an assumed 50% debt / 50% equity capital structure and a hypothetical 10% allowed return on equity.

(2) Essential's estimate of the number of equivalent dwelling units.

Active Municipal Opportunities

**Size
Range**
(Approx. # of
Customers)

>25,000

**10,000-
25,000**

<10,000

**Total
Customers**
(Approx. # of
Customers)

175,000

175,000

65,000

415,000

**Total
Customers**

We are actively pursuing acquisition opportunities in most of our states, totaling approximately 415,000 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.

2022 Priorities

Integration



- Continue to build on the benefits of our infrastructure platform
- Implement integration plans for pending municipal acquisitions

Growth



- Close and integrate signed pending acquisitions
- Announce at least 20,000 EDU's from Municipal Acquisitions
- Sign municipal deals of at least \$100M in rate base

Operational Excellence



- Continue to keep employees safe and the company strong through the pandemic
- Execute a \$1B capital program
- Continue progress on ESG commitments
- Resolve Aqua Pennsylvania Rate Case

Guidance

Earnings	Capex	Rate Base ⁽¹⁾	Customer Growth	ESG
<ul style="list-style-type: none">Income per diluted common share of \$1.75 to \$1.80 for 20223-year earnings per share growth CAGR of 5 to 7% for the three-year period 2021 through 2024, which The company expects to reaffirm after the completion of significant regulatory processes	<ul style="list-style-type: none">Regulated infrastructure investments of approximately \$1 billion annually through 2024, weighted towards the regulated water segment	<ul style="list-style-type: none">Regulated rate base compound annual growth rate of 6 to 7% per year through 2024 in waterRegulated rate base compound annual growth rate of 8 to 10% per year through 2024 in natural gas	<ul style="list-style-type: none">Average annual regulated water customer (or equivalent dwelling units) growth of 2 to 3% from acquisitions and organic customer growthGas customer count stable for 2022	<ul style="list-style-type: none">Reduction of Scope 1 and 2 greenhouse gas emissions by 60% by 2035 from our 2019 baselineMulti-year plan to increase diverse supplier spend to 15%Multi-year plan to reach 17% employees of colorMulti-year plan to ensure that finished water does not exceed 13 parts per trillion of PFOA, PFOS, and PFNA compounds

(1) Represents rate base growth excluding acquisitions.

Questions?

**Thank You for Attending
Essential's Full Year 2021
Conference Call**



First Quarter 2022 Earnings
Conference Call and Webcast

Thursday, May 9, 2022

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For more information contact:



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Appendix



GAAP to Non-GAAP Reconciliation

In thousands, except per share amounts

	Quarter ended Dec. 31,		Year ended Dec. 31,	
	2021	2020	2021	2020*
Net income (GAAP financial measure)	\$ 116,506	\$ 102,707	\$ 431,612	\$ 284,849
Adjustments:				
Plus: Transaction-related expenses for acquisition of Peoples	-	-	-	25,573
Plus: Transaction-related water rate credits issued to utility customers	-	18,924	-	23,004
Income tax effect of non-GAAP adjustments	-	(5,468)	-	(11,295)
Adjusted income (non-GAAP financial measure)	\$ 116,506	\$ 116,163	\$ 431,612	\$ 322,131
Net income (loss) per common share (GAAP financial measure):				
Basic	\$ 0.45	\$ 0.40	\$ 1.68	\$ 1.14
Diluted	\$ 0.44	\$ 0.40	\$ 1.67	\$ 1.12
Adjusted income per common share (non-GAAP financial measure):				
Basic	\$ 0.45	\$ 0.46	\$ 1.68	\$ 1.29
Diluted	\$ 0.44	\$ 0.46	\$ 1.67	\$ 1.27
Average common shares outstanding :				
Basic	261,749	254,403	257,487	249,768
Diluted	262,217	254,774	258,180	254,629

* Includes Peoples operating results as of the closing date of the Peoples acquisition, March 16, 2020

Fourth Quarter Financial Highlights

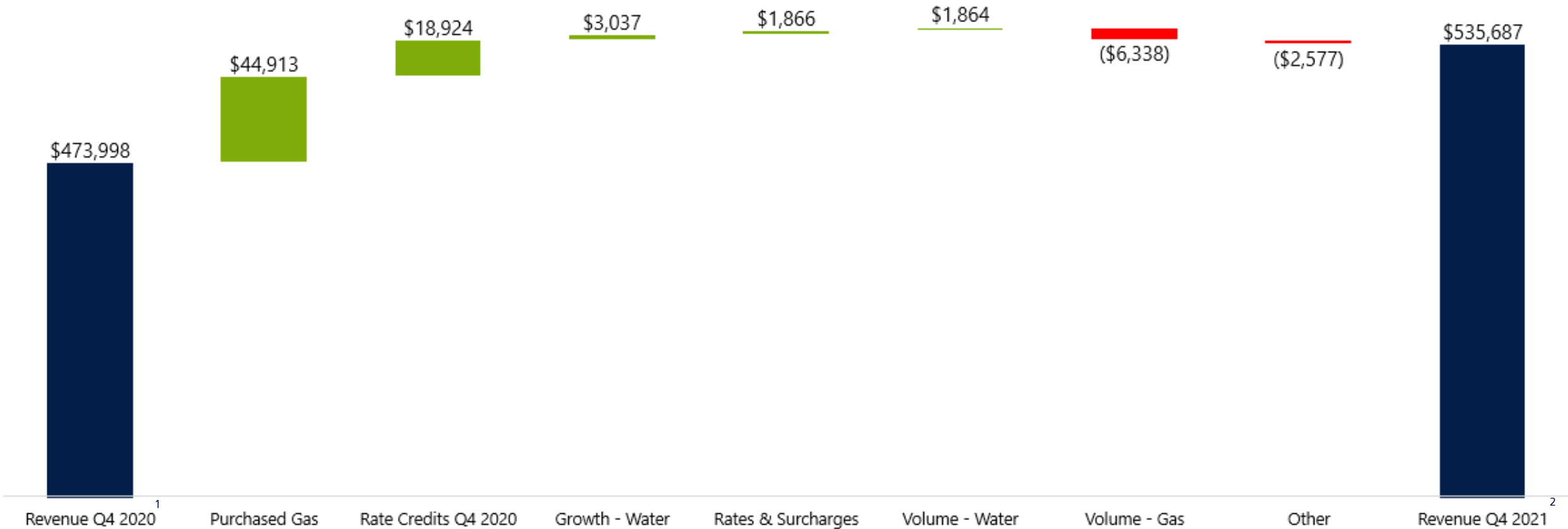
As of December 31, 2021

In millions except per share	Q4 2020	Q4 2021	Percent Change
Revenue	\$474.0	\$535.7	↑ 13.0%
Operations and Maintenance Expense	\$157.2	\$158.6	↑ 0.9%
Net Income (GAAP)	\$102.7	\$116.5	↑ 13.4%
Net Income per Share (GAAP)	\$0.40	\$0.44	↑ 10.0%
Adjusted Income (non-GAAP)	\$116.2	\$116.5	↑ 0.3%
Adjusted Income per Share (non-GAAP)	\$0.46	\$0.44	↓ 4.4%

Operating Revenues

Q4 2021 vs. Q4 2020

Change in Operating Revenues (thousands)



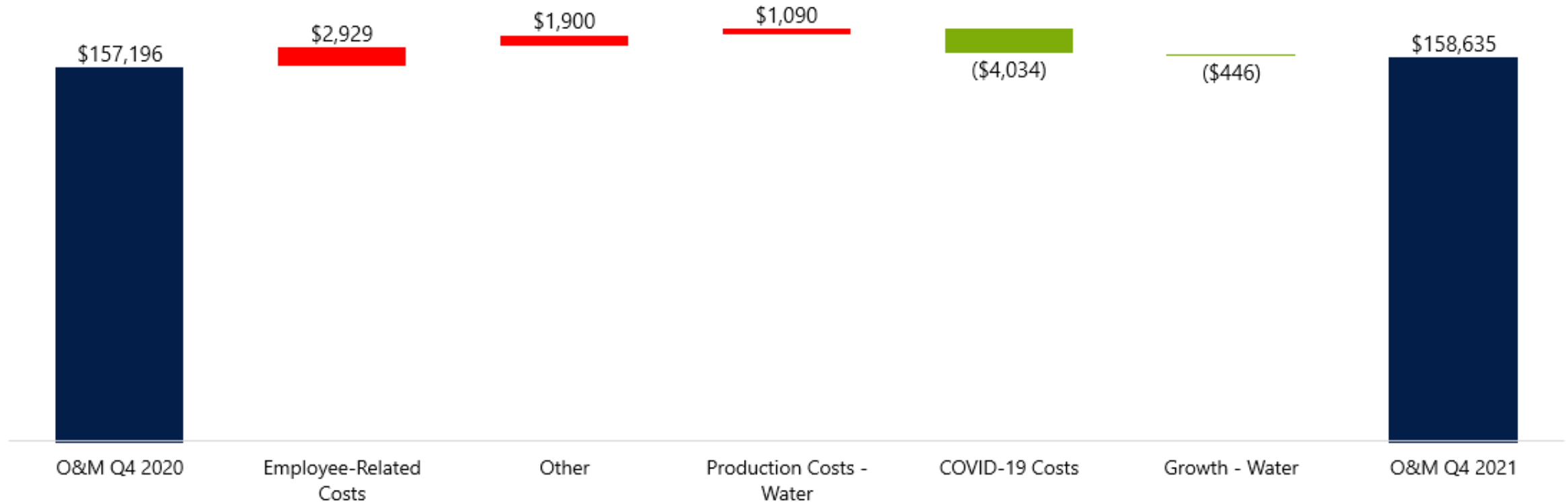
¹ Includes \$87,508 of purchased gas.

² Includes \$130,329 of purchased gas.

Operations & Maintenance Expenses

Q4 2021 vs. Q4 2020

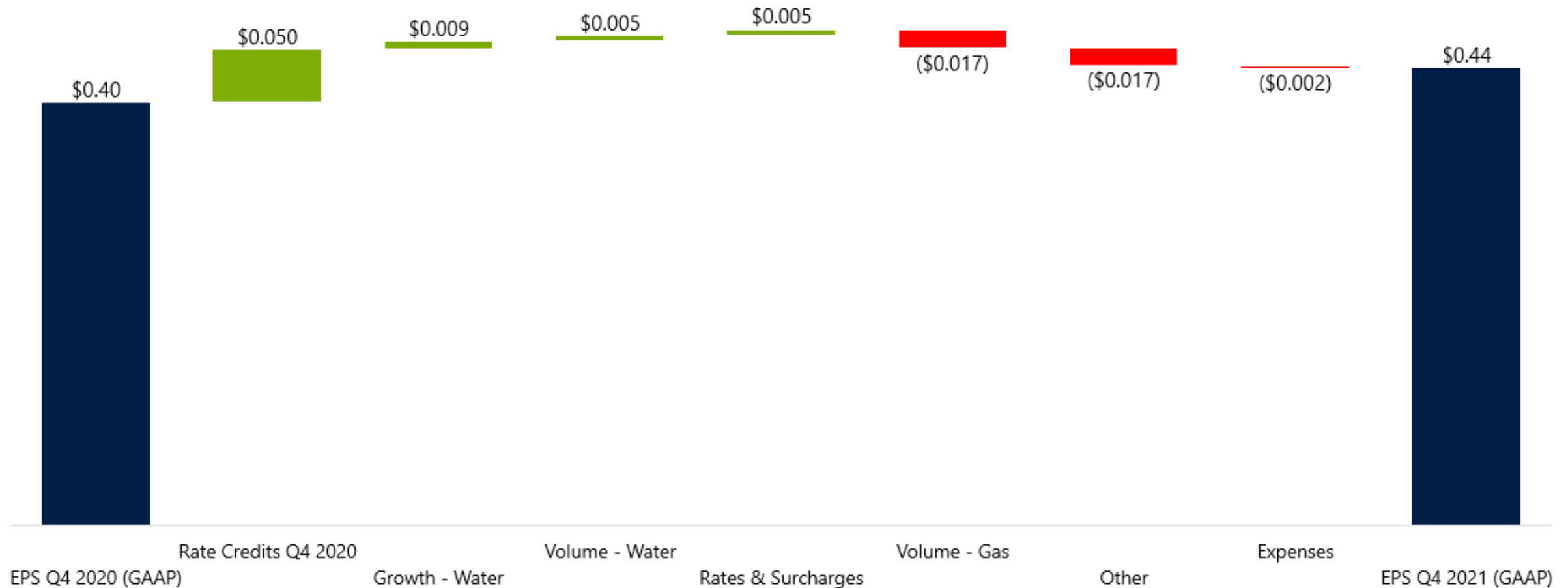
Change in Operations & Maintenance Expense (thousands)



Earnings per Common Share

Q4 2021 vs. Q4 2020

Change in Earnings Per Share



2021 Water Rates and Surcharges Completed

As of 2/23/2022

State	Docket Number	Segment	Type	Awarded Annualized Revenue Increase (\$thousands)
New Jersey	NWR20010056	Wastewater	Rate Case	\$500
North Carolina	W-218, Sub 497A	Water	Surcharge	\$140
	W-218, Sub 497A	Wastewater	Surcharge	\$63
	W-218, Sub 526A	Water	Surcharge	\$611
	W-218, Sub 526A	Wastewater	Surcharge	\$481
Ohio	89-7028-WW-TRF	Water	Rate Case	\$1,026
Pennsylvania	M-2020-3023292	Water	Surcharge	\$6,519
	M-2020-3023312	Wastewater	Surcharge	\$299
	M-2021-3024749	Water	Surcharge	\$3,305
	M-2021-3024752	Wastewater	Surcharge	\$399
	M-2021-3026628	Water	Surcharge	\$2,479
	M-2021-3026670	Wastewater	Surcharge	(\$310)
	M-2021-3028582	Water	Surcharge	\$9,227
	M-2021-3028648	Wastewater	Surcharge	\$64
Illinois	20-0309	Water	Surcharge	\$1,130
	20-0309	Wastewater	Surcharge	\$182
		Water	Surcharge	\$1,642
		Wastewater	Surcharge	(\$74)
Indiana	45416-U	Water	Rate Case	\$33
Virginia	PUR-2020-00106	Water	Rate Case	\$1,141
	PUR-2020-00106	Wastewater	Rate Case	(\$57)
Total				\$28,800

2021 Gas Rates and Surcharges Completed

As of 2/23/2022

State	Docket Number	Segment	Type	Awarded Annualized Revenue Increase (\$thousands)
Pennsylvania	M-2020-3023386	Gas	Surcharge	\$317
	M-2021-3024731	Gas	Surcharge	\$276
Kentucky	2020-00346	Gas	Base	\$747
Total				\$1,341

2022 Rates and Surcharges Completed

As of 2/23/2022

State	Docket Number	Segment	Type	Requested Annualized Revenue Increase (\$thousands)
Ohio		Water	Rate Case	\$778
		Wastewater	Rate Case	\$600
Pennsylvania	M-2021-3030074	Water	Surcharge	\$4,016
	M-2021-3030128	Wastewater	Surcharge	\$349
North Carolina	W-218, Sub 526A	Water	Surcharge	\$545
	W-218, Sub 526A	Wastewater	Surcharge	\$166
Kentucky	2021-00185	Gas	Rate Case	5,238
Illinois		Water	Surcharge	\$1,542
		Wastewater	Surcharge	\$212
Total				\$13,446

Rates and Surcharges Pending

As of 2/23/2022

State	Docket Number	Segment	Type	Requested Annualized Revenue Increase (\$thousands)	
Ohio	21-0595-WW-AIR	Water	Rate Case	\$8,290	
	21-0596-ST-AIR	Wastewater	Rate Case	\$454	
Pennsylvania	R-2021-3027385	Water	Rate Case	\$86,119	
	R-2021-3027386	Wastewater	Rate Case	\$11,566	
Total				\$106,429	

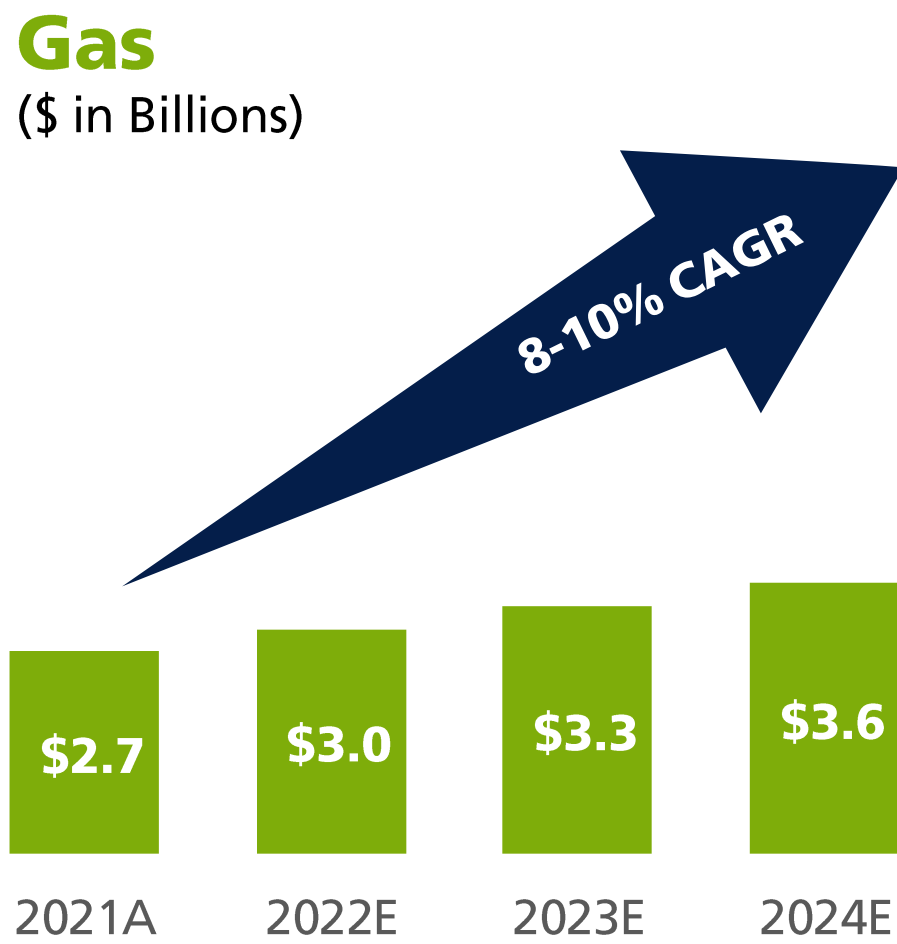
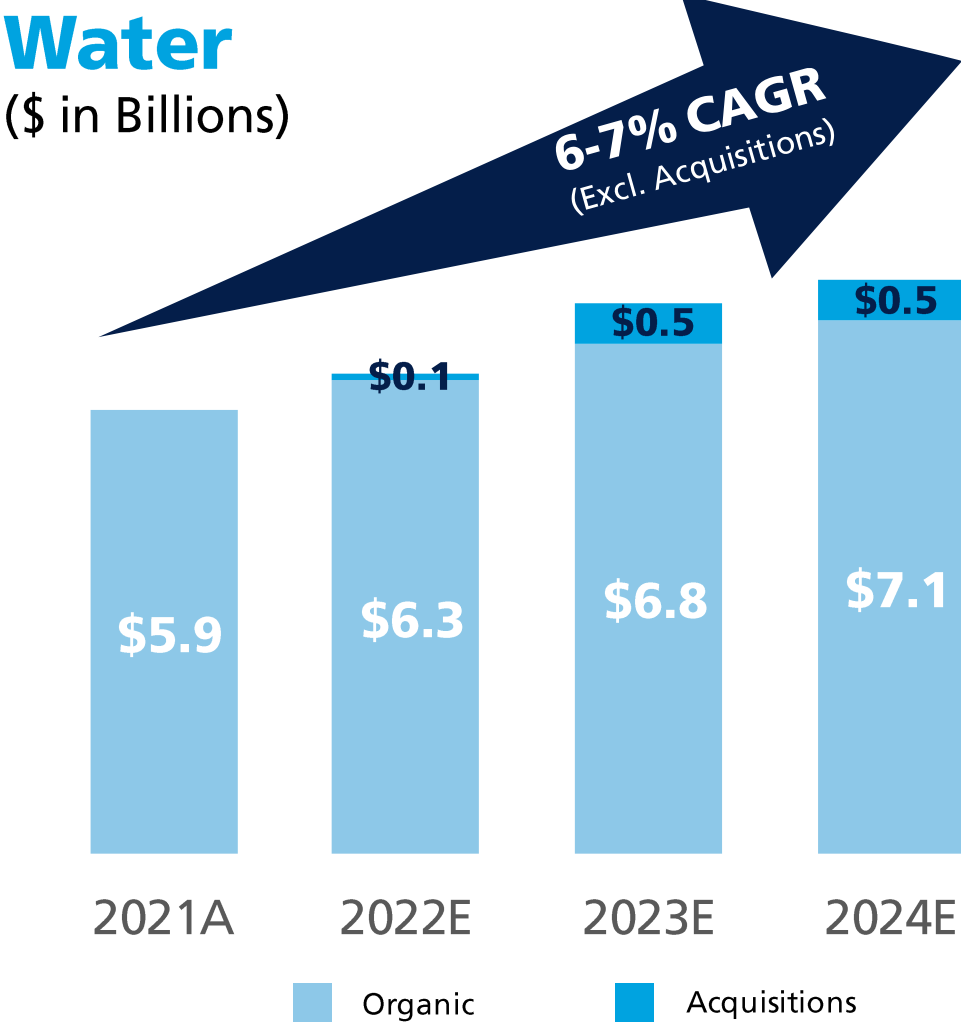
State by State Comparison

As of December 31, 2021

State	Rate Base (\$000s)	Water Connections	Wastewater Connections	Total Customers
PA	\$3,936,496	447,726	45,572	493,298
IL	\$437,697	66,670	23,578	90,248
OH	\$430,046	151,221	6,950	158,171
TX	\$420,570	71,029	20,632	91,661
NC	\$274,135	84,452	21,527	105,979
NJ	\$212,911	55,009	6,505	61,514
IN	\$100,789	1,391	29,520	30,911
VA	\$88,423	26,829	8,194	35,023
Total	\$5,901,067	904,327	162,478	1,066,805

State	Rate Base (\$000s)	Gas Connections
PA	\$2,540,494	699,949
KY	\$133,246	40,378
WV	\$31,069	12,917
Total	\$2,704,809	753,244

Maximizing Rate Base Growth Potential



"A" denotes Actual
"E" denotes Estimate

Strong Balance Sheet: Central to our Strategy



S&P Global Ratings

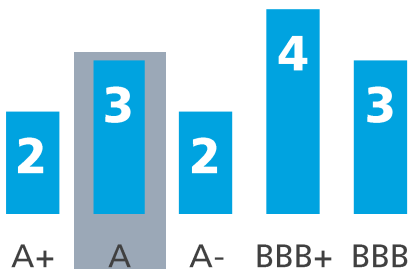
Issuer Issuance

A A-

A A+

A A

Peer Issuer Ratings⁽¹⁾



MOODY's

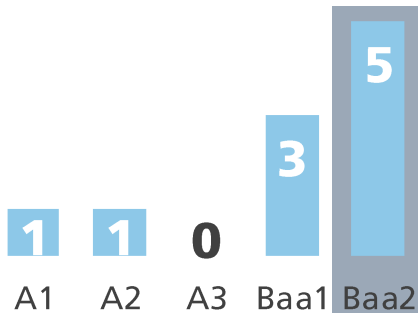
Issuer Issuance

Baa2 Baa2

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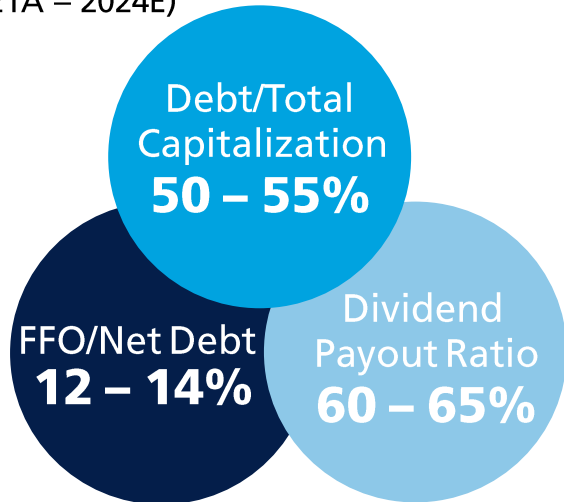
Baa1 Baa1

Peer Issuer Ratings⁽¹⁾



Select Credit Metrics

(2021A – 2024E)



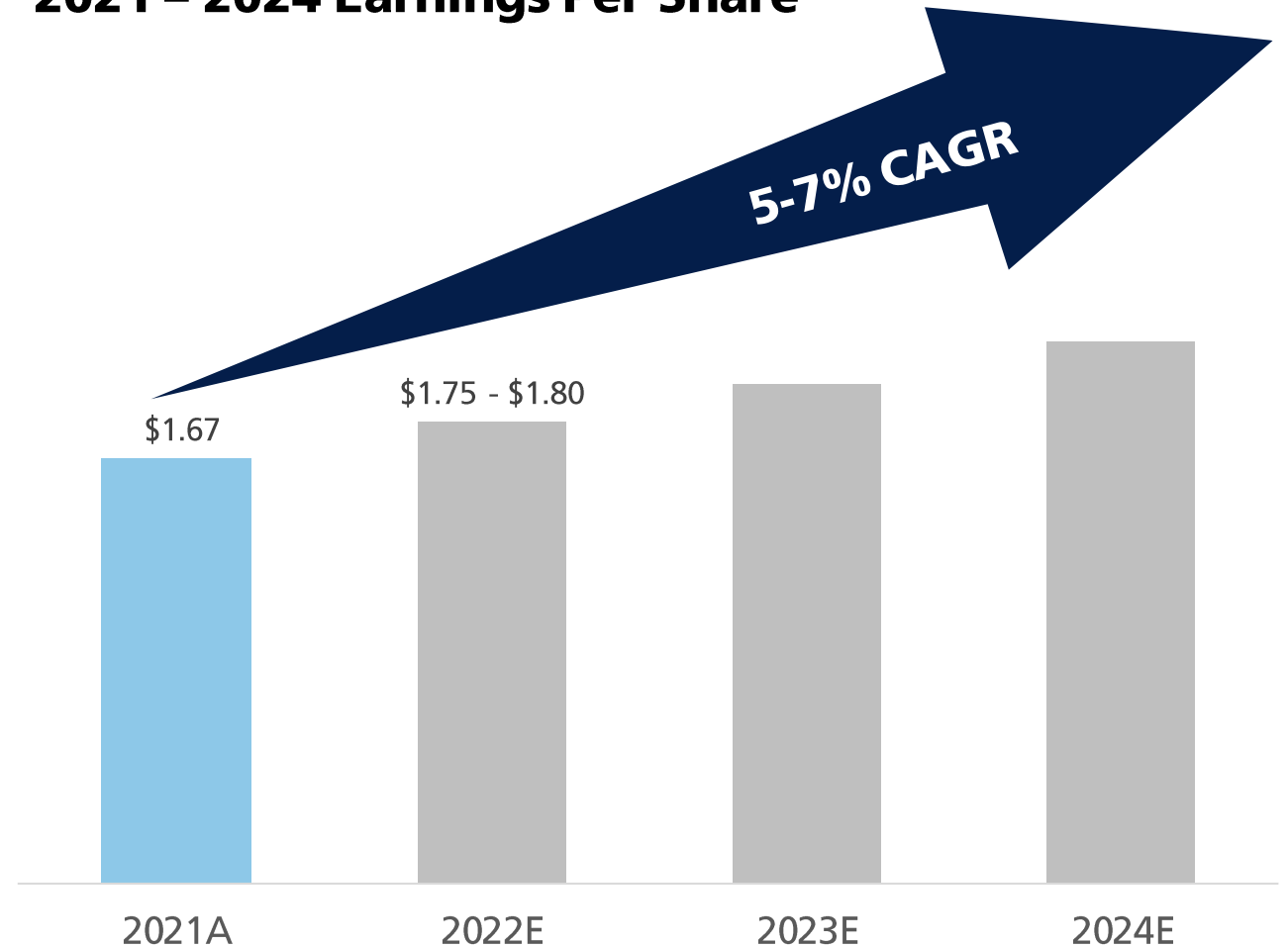
In order to maintain our credit metrics and achieve our investment and acquisition goals, we will regularly be in the market for debt and equity.

(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

Earnings Guidance

2022 annual earnings per share
guidance of \$1.75 to \$1.80

2021 – 2024 Earnings Per Share



"A" denotes Actual
"E" denotes Estimate

Dividend Growth Targeted In Line with EPS

Dividends Per Share (Annualized)

