



Essential[™]
UTILITIES

EARNINGS CALL First Quarter 2021

May 6, 2021

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

Review of 2021 Guidance

Q&A



Company Update

Chris Franklin

Chairman, Chief Executive Officer,
and President



Corporate Highlights



**One year as
Essential Utilities**

**19.6%
Earnings
Growth to
\$0.72⁽¹⁾**

**Infrastructure
Investment
of
\$178M**

**7
Pending
Acquisitions⁽²⁾**

**Continued
Board
Governance
Success**

(1) Based on \$0.60 Adjusted Income Per Share (non-GAAP) for Q1 2020

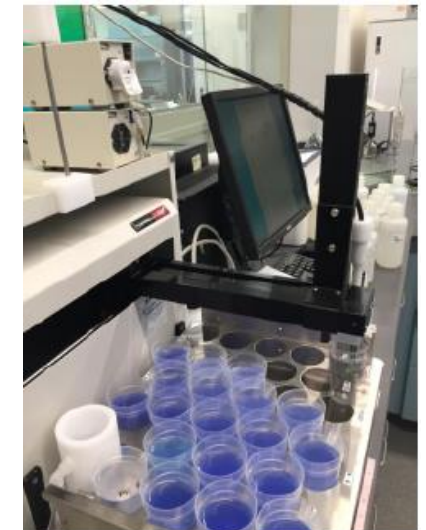
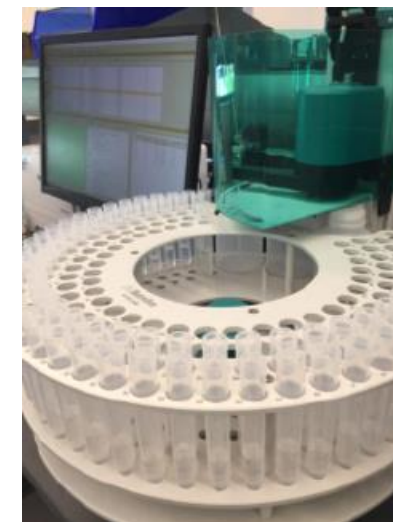
(2) Purchase prices totaling \$450.5M

Community and Environmental Impact Projects

Water Quality Lab Opening

Bryn Mawr, PA

- Groundbreaking took place on March 6, 2020, and the new lab opened in March 2021
- 14,700 square foot facility
- Housing state-of-the-art microbiology, inorganic chemistry, organic chemistry, research/treatment, and specialty laboratories, offices, and a conference room
- Certified by state environmental and health regulatory agencies, including the Pennsylvania Department of Environmental Protection



Community and Environmental Impact Projects

Solar Fields



Manteno, IL

- Operational as of February 25, 2021
- ~1MW solar field will supply 85% of the wastewater plant's power
- Estimated savings between \$20k-\$25k in annual operating costs
- 25-year fixed electricity price



Danville, IL

- Expected to be operational Q2 2021
- 2.1MW solar field will supply 70% of the water plant's power
- Estimated savings between \$110k-\$140k in annual operating costs
- 25-year fixed electricity price

Financial Results

Dan Schuller

Executive Vice President,
Chief Financial Officer



Q1 Financial Highlights

As of March 31, 2021

<i>In millions except per share</i>	Q1 2020	Q1 2021
Revenue (GAAP)	\$255.6	\$583.6
Operations and Maintenance Expense	\$106.6	\$125.1
Net Income (GAAP)	\$51.8	\$183.7
Net Income per Share (GAAP)	\$0.20	\$0.72
Adjusted Income (non-GAAP)	\$153.7	\$183.7
Adjusted Income per Share (non-GAAP)*	\$0.60 ¹	\$0.72

Revenues

- Regulated water segment of \$228.4M
- Regulated natural gas segment of \$343.1M, including gas costs of \$122.9M

O&M

- Full period of natural gas segment accounts for additional \$42.9M, offset by the impact of Peoples transaction-related expenses of \$25.4M in the prior year

Other

- GAAP reflects impact of Peoples on full quarter in 2021 vs. 16 days in 2020

Operating Revenues

Q1 2021 vs. Q1 2020

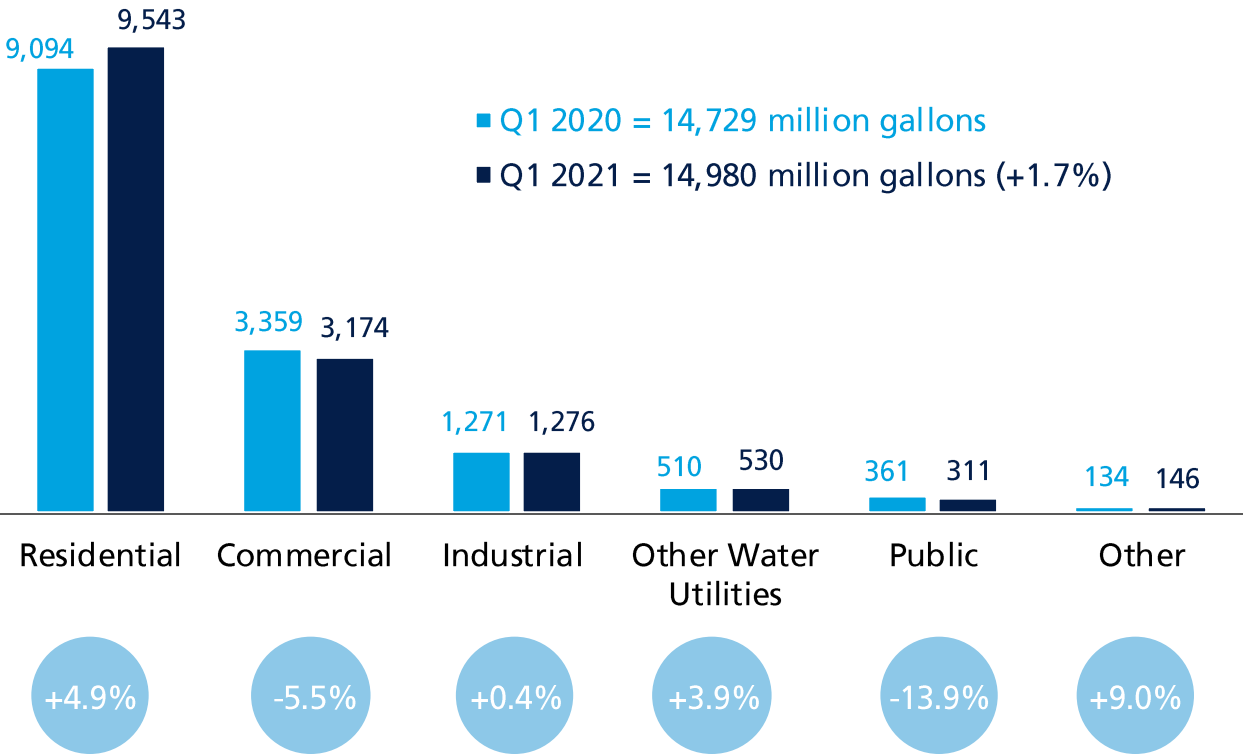
Change in Operating Revenues (thousands)



Q1 2021 Water Usage Trends Table

Due to COVID-19, we have seen residential usage increase by almost 5% in the first quarter of 2021 when compared to the same time last year, while commercial usage decreased by approximately 5.5%

Q1 2021 vs Q1 2020 (Millions of Gallons)



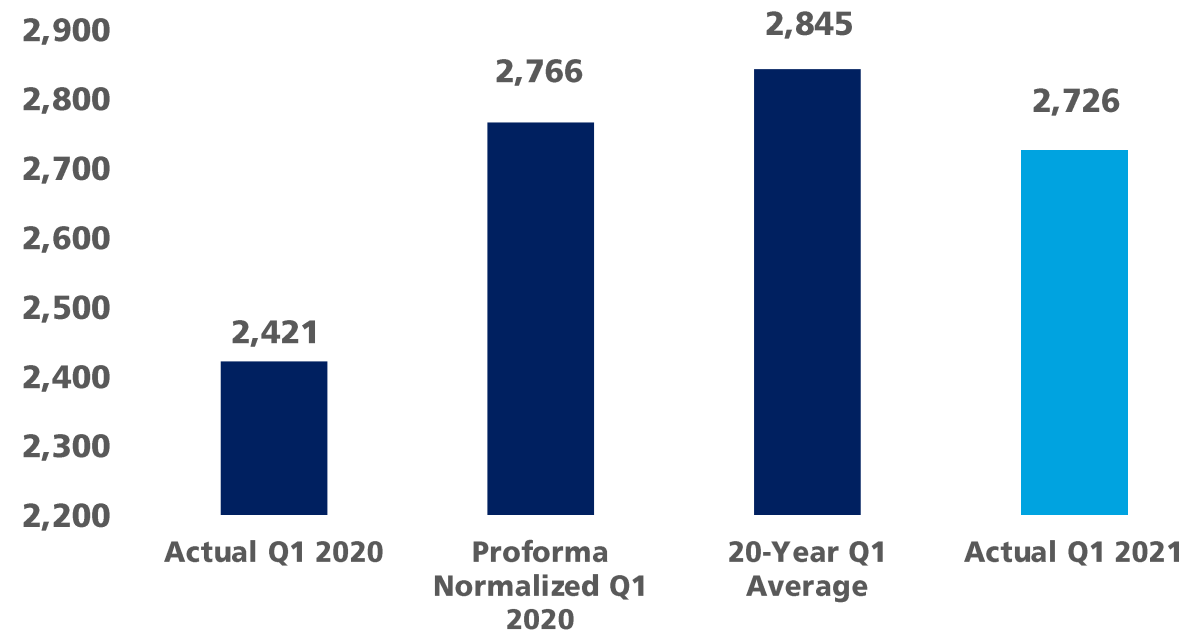
Q1 Usage Trends

- Overall, usage increased 1.7% in Q1 2021 as compared to Q1 2020
- Usage for the quarter continued to be down for the Commercial and Public customer classes when compared to Q1 2020, while usage for Residential, Industrial, Other Water Utilities, and Other customer classes increased, offsetting any declines

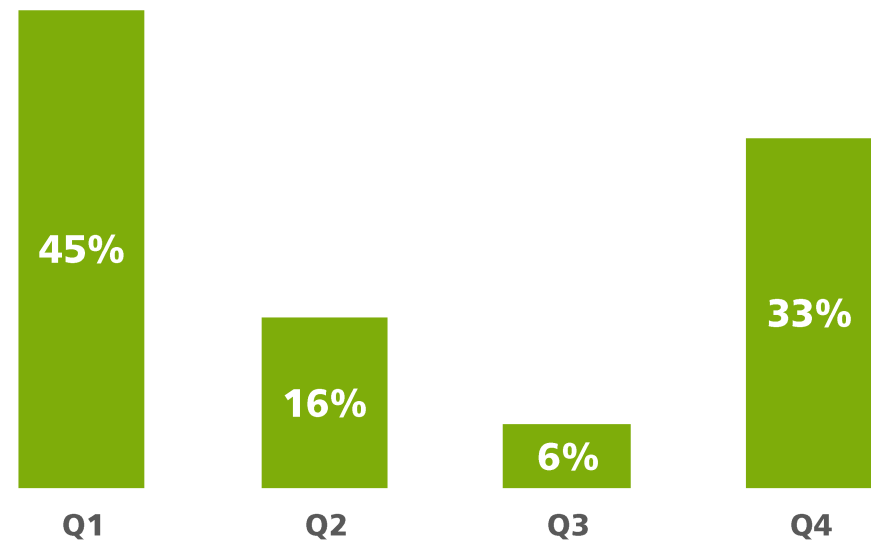
2021 Heating Degree Days

The first quarter of 2021 was colder than last year, but warmer than the 20-year average, which impacts gas consumption.

Heating Degree Days



PA Residential Gas Consumption 2020



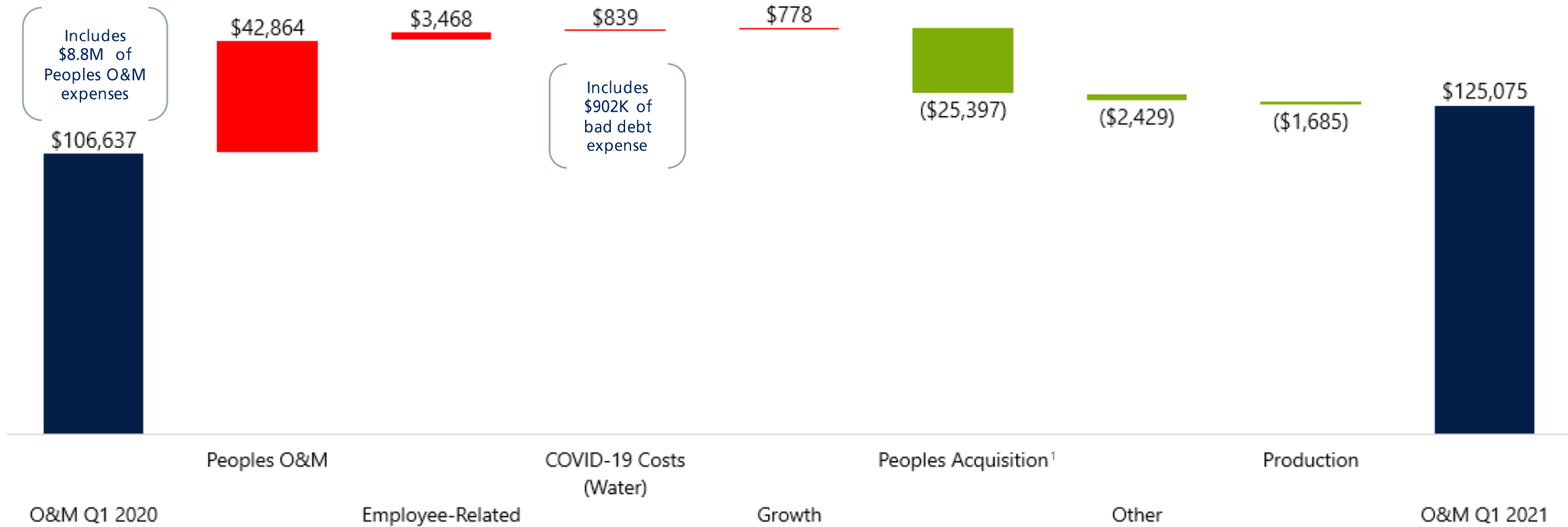
Source: Actual HDD's as reported by NOAA
Note: 20-Year Q1 Average based on period ending 3/31/2020

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

Q1 2021 vs. Q1 2020

Change in Operations & Maintenance Expense (thousands)

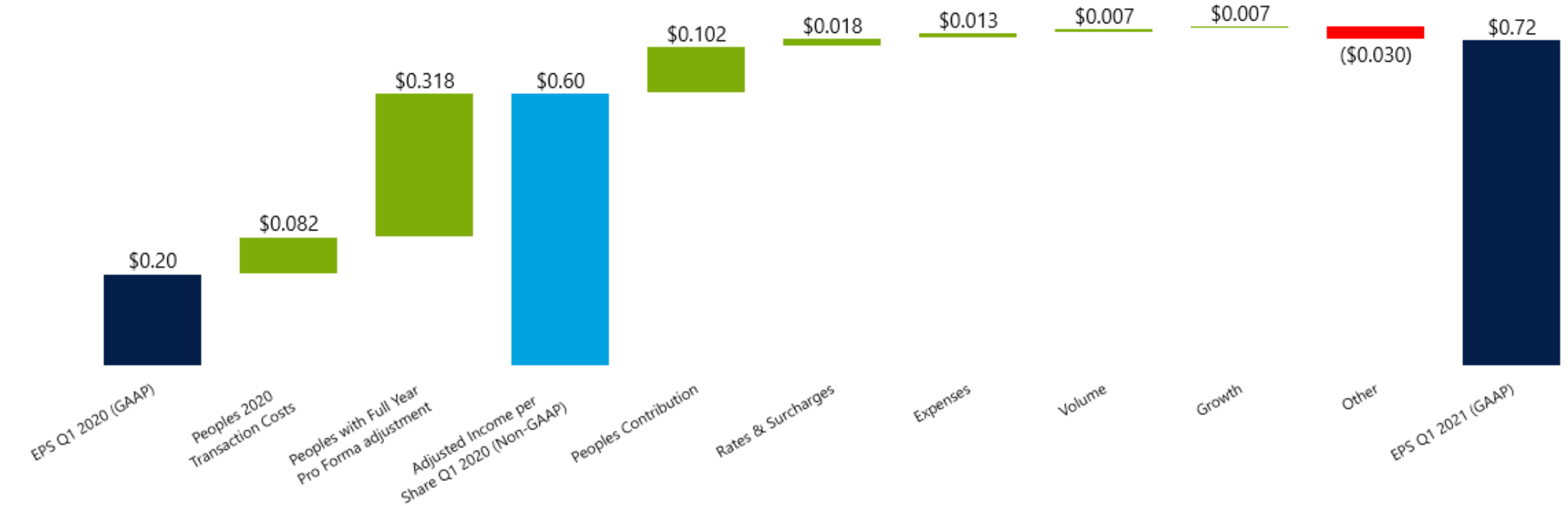


¹Includes transaction and integration expenses.

Earnings per Common Share

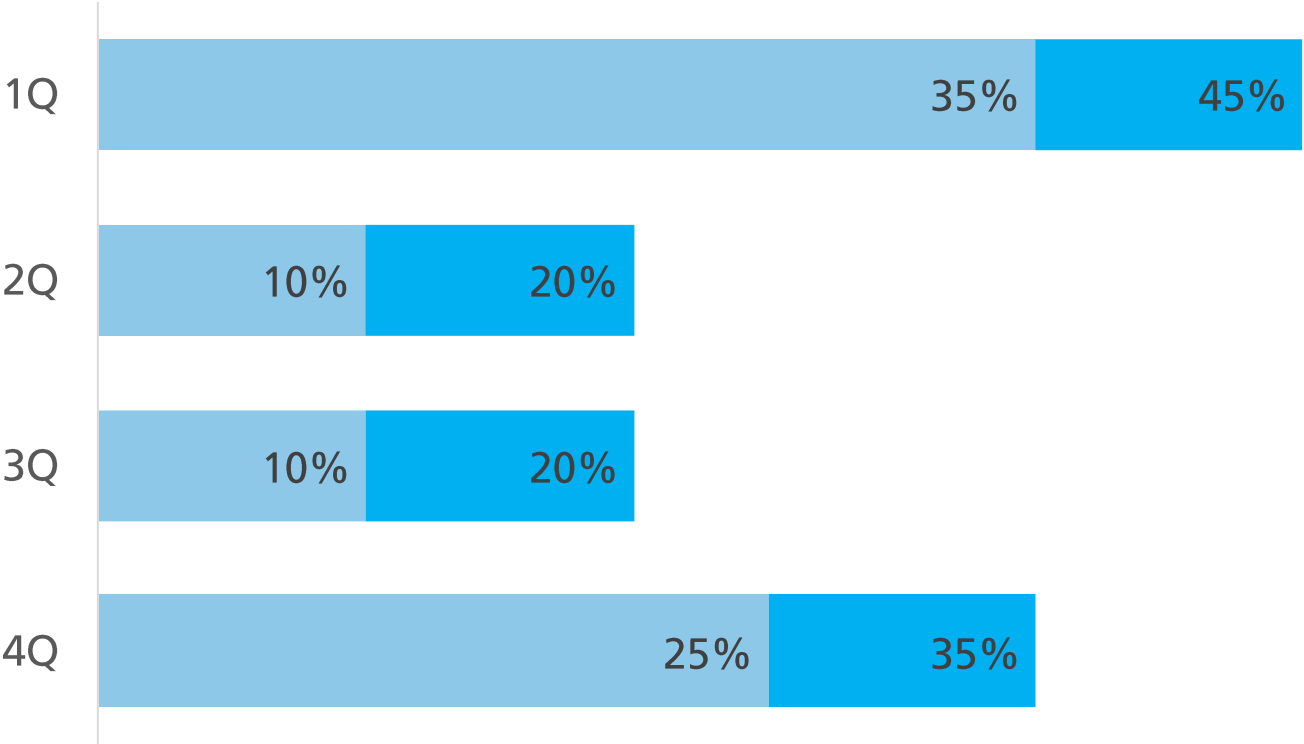
Q1 2021 vs. Q1 2020

Change in Earnings Per Share



Earnings Weighted to 1Q, 4Q

Approximate Net Income By Quarter



Based on proforma projections, 65-75% of net income is earned in 1Q and 4Q

Rate Activity

As of 05/05/2021

2021 Completed Rate Cases and Surcharges

Water segment base rate cases or surcharges in NJ, NC, OH, PA, IL, and IN with annualized revenue increase of \$13.5 million

Gas segment base rate cases or surcharges in PA and KY with annualized revenue increase of \$1.1 million

Pending Rate Cases and Surcharges

Water segment base rate case in VA with requested annualized revenue increase of \$1.7 million

No pending gas segment base rate cases or surcharges

2021 Financing Activity

Essential \$308M Forward Equity Sale

- Settlement by August 10, 2021
- Proceeds to be used to fund general corporate purposes including the DELCORA acquisition and other acquisitions in the pipeline

Aqua Ohio \$100M First Mortgage Bond

- Closed on April 15, 2021
- Weighted-average tenor of 20 years
- Weighted-average coupon rate of 2.86%
- Proceeds used for general corporate purposes

Essential \$400M Unsecured Senior Notes

- Closed April 19, 2021
- Tenor of 10 years
- Coupon rate of 2.40%
- Proceeds used to pay down short-term borrowings and credit lines

Acquisition Update and 2021 Guidance

Chris Franklin

Chairman, Chief Executive Officer,
and President



Pending Transactions

~\$450.5M of rate base with signed APAs is expected to generate ~\$22.5M of incremental annual earnings potential⁽¹⁾

There is one additional deal where we have been selected as the winning bidder and are working to sign an Asset Purchase Agreement ("APA")

TX

Commons Water⁽²⁾

- Water
- 980 customers
- \$4M purchase price

PA

DELCORA

- Wastewater
- 198,000 customers⁽³⁾
- \$276.5M purchase price

PA

Lower Makefield

- Wastewater
- 11,000 customers
- \$53M purchase price

IL

Bourbonnais

- Wastewater
- 6,450 customers
- \$32.1M purchase price

PA

East Whiteland

- Wastewater
- 8,175 customers⁽³⁾
- \$54.9M purchase price

PA

Willistown

- Wastewater
- 2,300 customers⁽³⁾
- \$17.5M purchase price

IL

- Water
- 4,000 customers⁽³⁾
- \$12.5M purchase price

230,905⁽³⁾	\$450.5M
Total Customers	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) Commons Water is a privately owned utility.

(3) 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)

125,000

140,000

130,000

395,000

Total Customers

We are actively pursuing acquisition opportunities in most of our states, totaling approximately 395,000 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.

Guidance

Earnings	Capex	Rate Base ⁽¹⁾	Customer Growth	ESG
<ul style="list-style-type: none">Income per diluted common share of \$1.64 to \$1.69 for 20213-year earnings per share growth CAGR of 5 to 7% for 2020 through 2023	<ul style="list-style-type: none">Regulated water segment infrastructure investments of approximately \$550 million in 2021Regulated natural gas segment infrastructure investments of approximately \$450 million in 2021Infrastructure investments of approximately \$3.0 billion through 2023 to rehabilitate and strengthen water, wastewater and natural gas systems	<ul style="list-style-type: none">Regulated rate base compound annual growth rate of 6 to 7% per year through 2023 in waterRegulated rate base compound annual growth rate of 8 to 10% per year through 2023 in 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 2021	<ul style="list-style-type: none">Reduction of Scope 1 and 2 greenhouse gas emissions by 60% by 2035Multiyear plan to increase diverse supplier spend to 15%Multiyear plan to achieve 17% employees of color

(1) Represents rate base growth excluding acquisitions.

Questions?

**Thank You for Attending
Essential's First Quarter 2021
Conference Call**



Second Quarter 2021 Earnings
Conference Call and Webcast

Thursday, August 5, 2021

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Appendix



GAAP to Non-GAAP Reconciliation

In thousands, except per share amounts

	Quarter ended March 31,	
	2021	2020
Net income (GAAP financial measure)	\$ 183,689	\$ 51,781
Adjustments:		
Plus: Transaction-related expenses for acquisition of Peoples	-	25,573
Plus: Adjustments to provide full-year 2020 run rate of Peoples operating results, including additional net interest expense	-	108,132
Income tax effect of non-GAAP adjustments	-	(31,803)
Adjusted income (non-GAAP financial measure)	\$ 183,689	\$ 153,683
Net income (loss) per common share (GAAP financial measure):		
Basic	\$ 0.72	\$ 0.22
Diluted	\$ 0.72	\$ 0.20
Adjusted income per common share (non-GAAP financial measure):		
Basic	\$ 0.72	\$ 0.65
Diluted	\$ 0.72	\$ 0.60
Average common shares outstanding :		
Basic	254,565	236,122
Diluted	254,969	255,054

2021 Rates and Surcharges Completed As of 05/05/2021

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
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
Illinois	20-0309	Water	Surcharge	\$1,018
	20-0309	Wastewater	Surcharge	\$166
Indiana	45416-U	Water	Rate Case	\$33
Pennsylvania	M-2020-3023386	Gas	Surcharge	\$317
Kentucky	2020-00346	Gas	Base	\$747
			Total	\$14,532

Rates and Surcharges Pending

As of 05/05/2021

State	Docket Number	Segment	Type	Requested Annualized Revenue Increase (\$thousands)
Virginia	PUR-2020-00106	Water	Rate Case	\$1,476
	PUR-2020-00106	Wastewater	Rate Case	\$257
Total				\$1,733

State by State Comparison

As of December 31, 2020

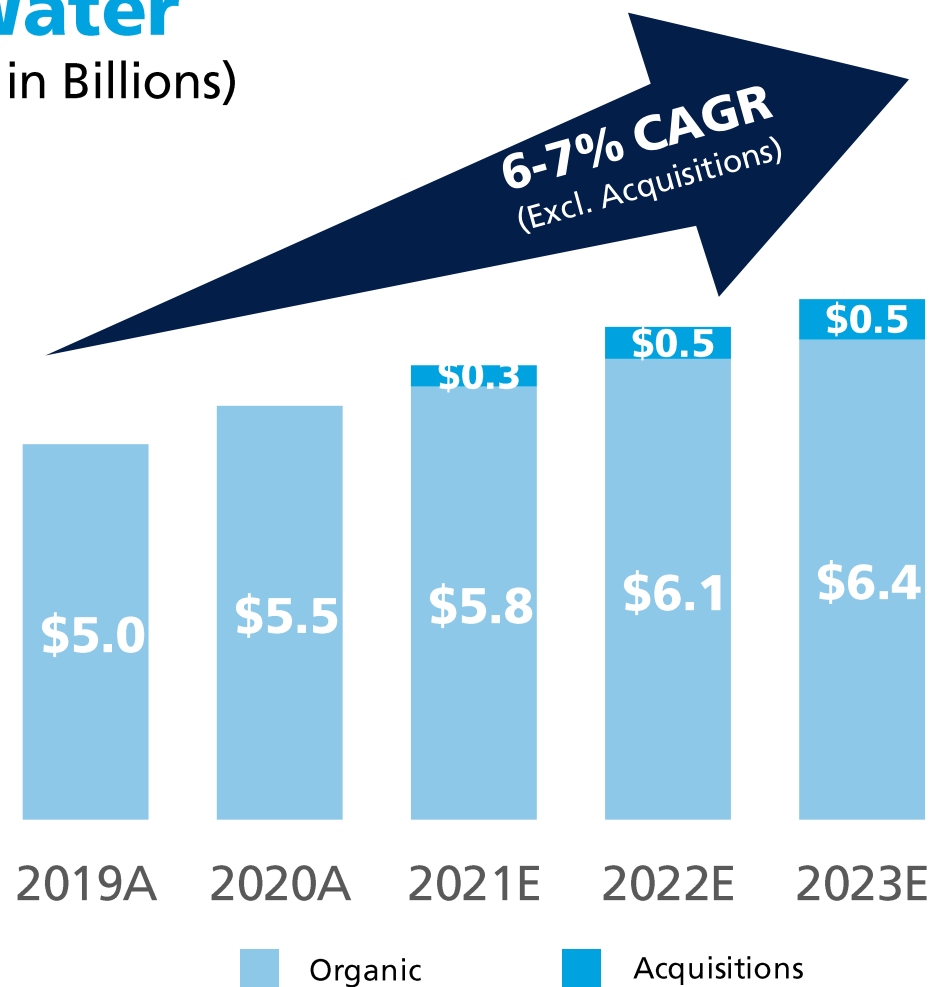
State	Rate Base (\$000s)	Water Connections	Wastewater Connections	Total Customers
PA	\$3,729,551	444,998	45,277	490,275
IL	\$382,985	66,238	16,732	82,970
OH	\$382,232	150,352	6,923	157,275
TX	\$352,134	67,890	19,240	87,130
NC	\$248,388	83,370	20,727	104,097
NJ	\$203,695	54,680	6,399	61,079
IN	\$88,223	1,338	28,646	29,984
VA	\$85,139	26,470	8,021	34,491
Total	\$5,472,347	895,336	151,965	1,047,301

State	Rate Base (\$000s)	Gas Connections
PA	\$2,367,176	699,326
KY	\$126,567	39,285
WV	\$29,375	12,891
Total	\$2,523,118	751,502

Maximizing Rate Base Growth Potential

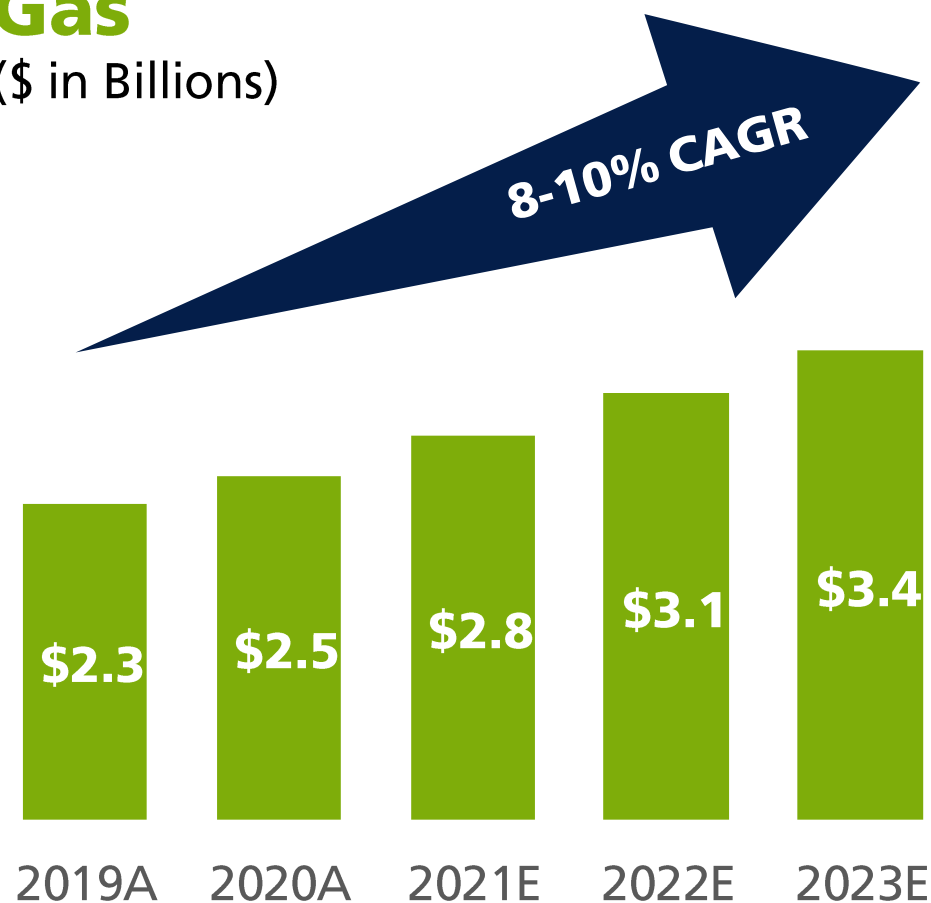
Water

(\$ in Billions)



Gas

(\$ in Billions)



"A" denotes Actual
"E" denotes Estimate

(1) 2019A is presented for informational purposes only, as Peoples was acquired March 2020.

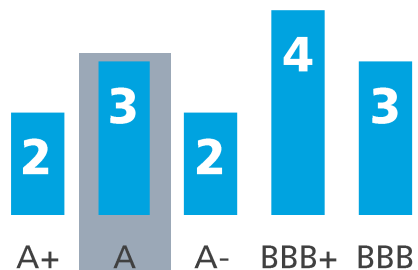
Strong Balance Sheet: Central to our Strategy



S&P Global Ratings

Issuer	Issuance
A	A-
A	A+
A	A

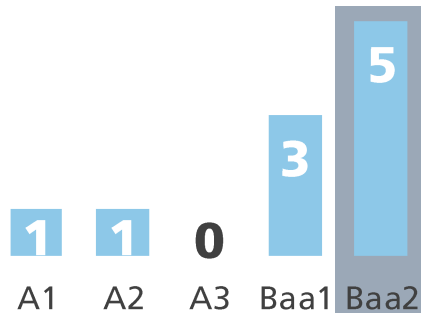
Peer Issuer Ratings⁽¹⁾



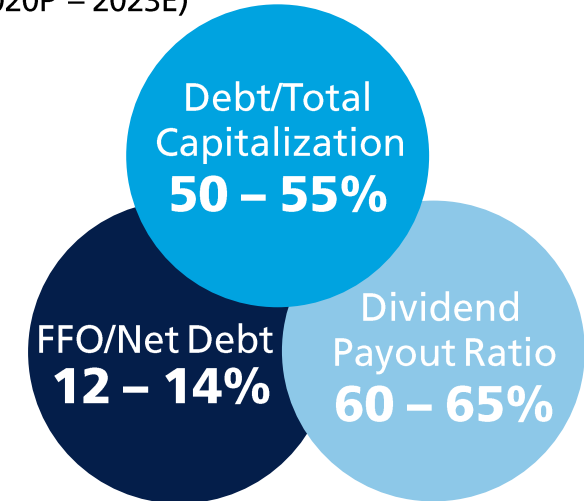
MOODY'S

Issuer	Issuance
Baa2	Baa2
--	--
Baa1	Baa1

Peer Issuer Ratings⁽¹⁾



Select Credit Metrics (2020P – 2023E)



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.

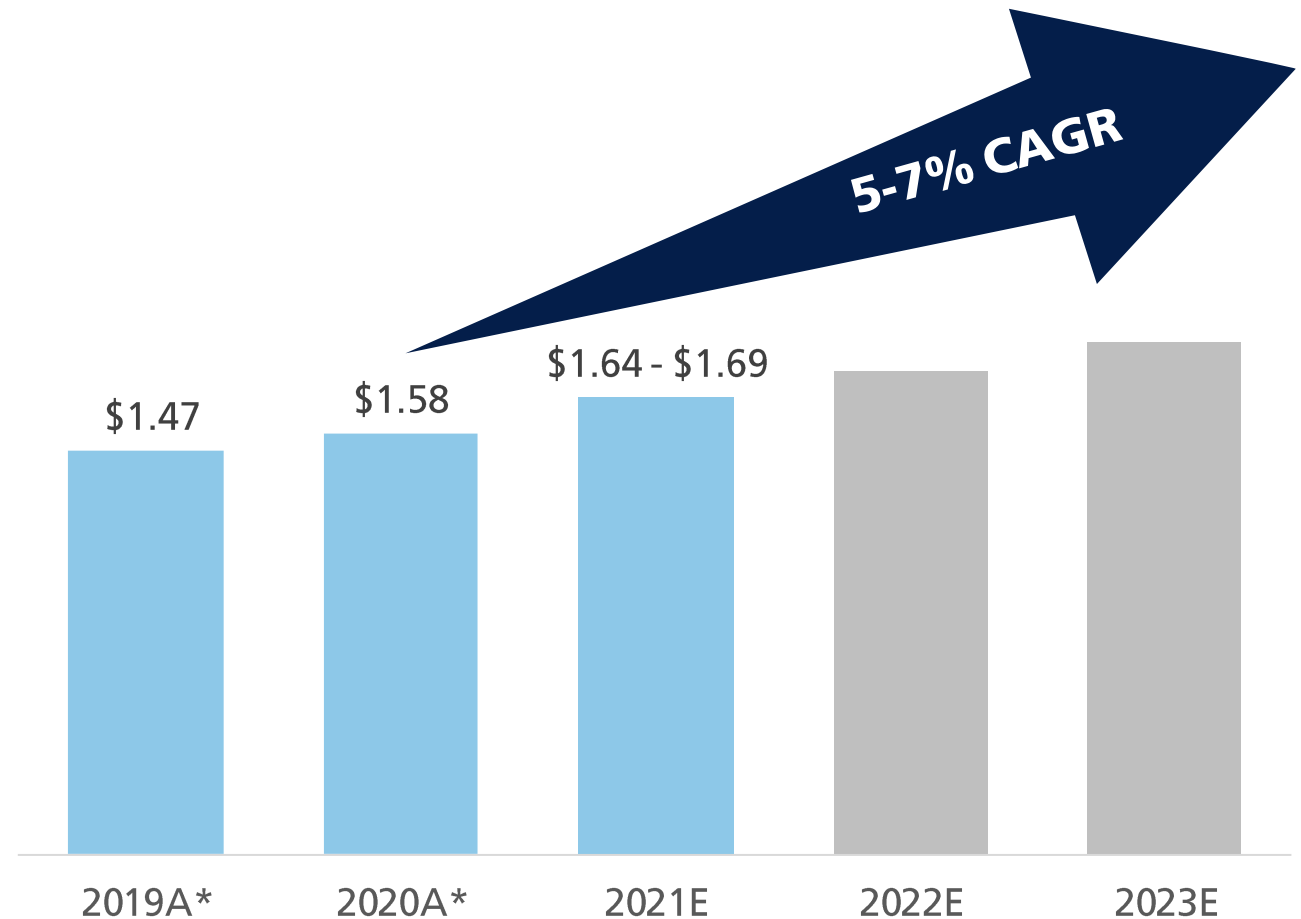
(1) Peer ratings include LNT, AWR, AWK, ATO, AVA, BKH, CWT, NJR, NI, NWE, OGE, OGS, SJI, SWX, and SR; not all peers have ratings from both agencies

Earnings Guidance

2020 annual adjusted earnings per share of \$1.58

2021 annual earnings per share guidance of \$1.64 to \$1.69

2019 – 2023 Earnings Per Share

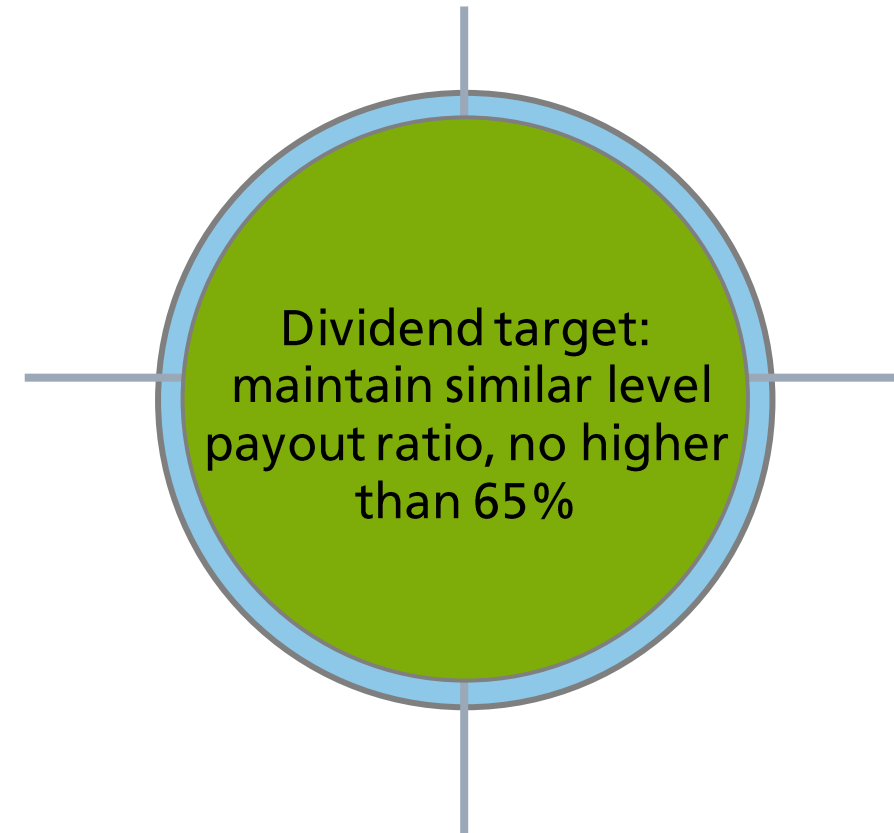
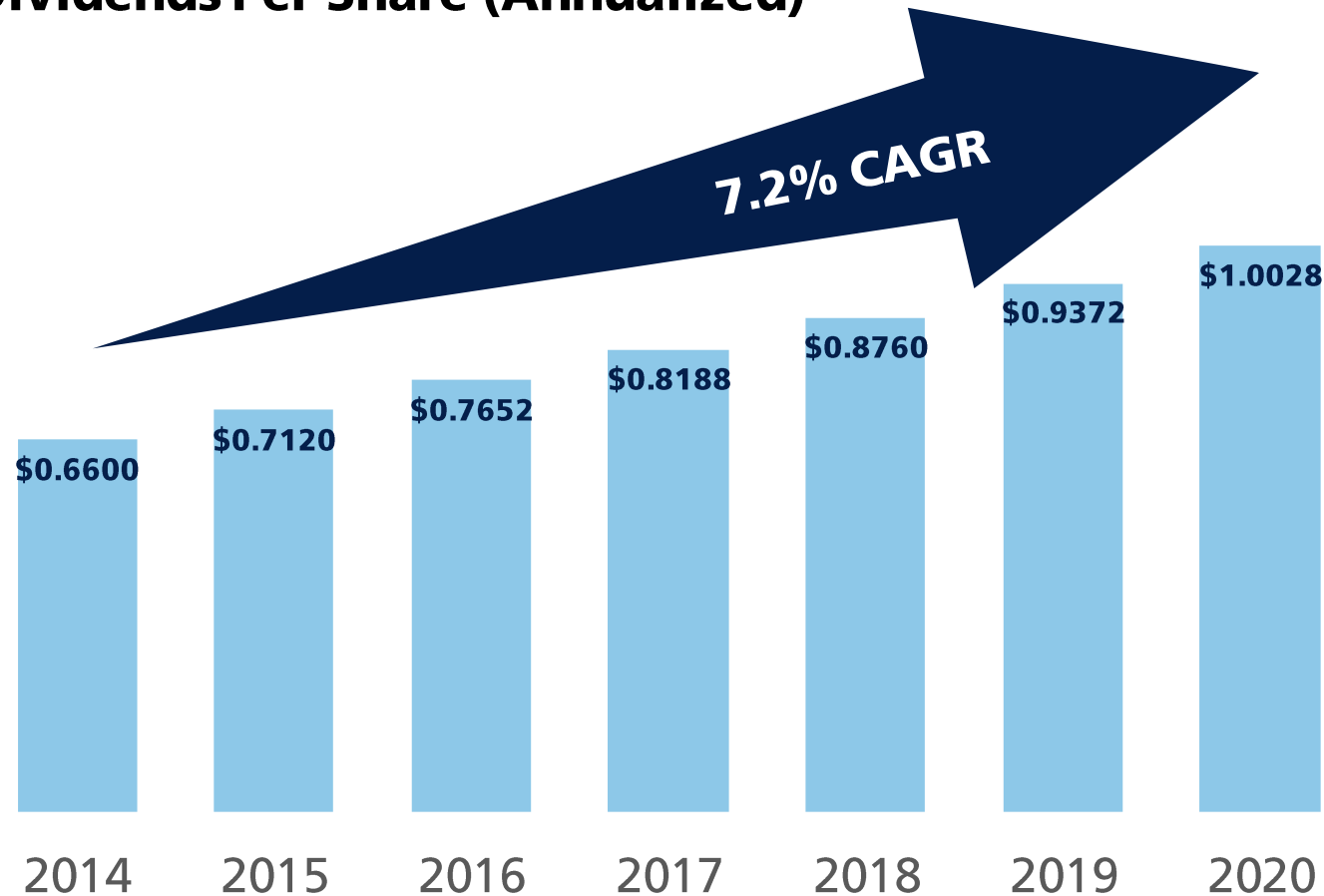


*Adjusted income per share

"A" denotes Actual
"E" denotes Estimate

Dividend Growth Targeted In Line with EPS

Dividends Per Share (Annualized)



2021 Priorities

Integration



- Continue Peoples integration
- Implement DELCORA integration plan

Growth



- Close DELCORA acquisition
- 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 program
- File Aqua Rate Cases in multiple states

2021 Milestones



135

Years as a company

1886

Swarthmore College



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Half a century on the NYSE

1971

Initial Public Offering



One year as Essential Utilities

2020

AQUA + PEOPLES