



Essential[™]
UTILITIES

EARNINGS CALL Full Year 2020

February 25, 2021

NYSE
LISTED

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

Acquisition Program Update

Financial Results

Review of 2021 Priorities & Guidance

Q&A



Company Update

Chris Franklin

Chairman, Chief Executive Officer,
and President

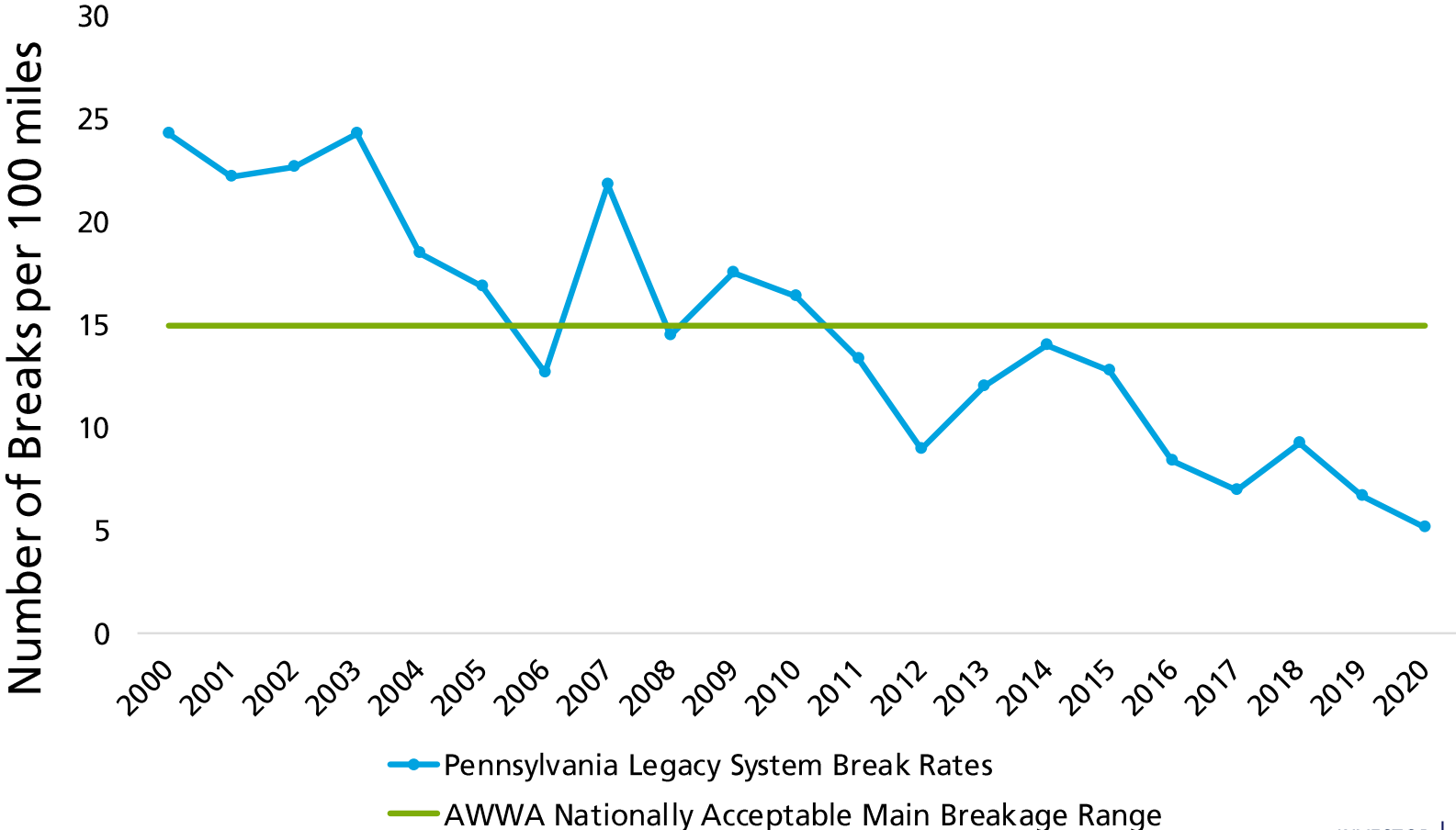


Impact of 2021 Winter Weather

Winter Storm in Texas

- Activated our incident command
- The storm and resulting power outages impacted 2/3 of our Texas customer base
- Sent employees and resources to Texas to assist with bringing the systems back online
- Service has been restored to all but approximately 200 customers

Pennsylvania Legacy System Break Averages



2020 Highlights

Infrastructure Investment of Approximately \$900M⁽¹⁾

7.5% Earnings Growth to \$1.58⁽²⁾

6 Pending Acquisitions⁽³⁾

2.0% Water Customer Growth

9.6% Rate Base Growth

- (1) Includes \$53.5 million invested by Peoples, pre-closing
- (2) Adjusted Income Per Share (non-GAAP)
- (3) Purchase prices totaling \$438M

Our 2020 Objectives Executed

Integration



- Implemented Peoples integration
- Completed DELCORA and Aqua PA Wastewater organization plan
- Developed companywide ESG program including ESG Report publication

Growth



- Continued process to close DELCORA
- Closed \$63M in municipal deals and signed another \$90M in municipal deals in 2020
- Completed financing for acquisitions and capital investment of over \$1.3B debt and \$300M equity and refinancing

Operational Excellence



- Met top end of stated earnings guidance range
- Executed over \$900M capital investment program
- Implemented companywide PFAS strategy
- Completed safety review (Gas)

All while supporting our employees, customers and communities during COVID

Continued Successful Municipal Acquisition Program in 2020

Cumulative Additions of Customers Through Acquisitions

Almost
87,000⁽²⁾
 Water and Wastewater
 Customers and
\$325 Million
 in Rate Base Acquired
 Through M&A
 Since 2015

Customers

100,000

80,000

60,000

40,000

20,000

-

2015 2016 2017 2018 2019 2020

2020 Closed Municipal Acquisitions (\$000s)

Campbell



- Water
- 3,100 customers
- \$7,535 rate base

East Norriton



- Wastewater
- 4,966 customers
- \$20,750 rate base

Rockwell Utilities⁽¹⁾



- Water/Wastewater
- 721 / 721⁽²⁾ customers
- \$5,150 rate base

New Garden



- Wastewater
- 2,643⁽³⁾ customers
- \$29,500 rate base

12,184^{(2) (4)}

Total Customers

\$62.9M

Total Rate Base

(1) Rockwell Utilities is a privately owned utility that added approximately 256 water connections and 256 wastewater connections.

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

(3) New Garden added approximately 2,000 wastewater connections.

(4) Includes 33 water customers from the Dogwood Knolls asset acquisition in North Carolina.

Pending Transactions

~\$438M of rate base with signed APAs is expected to generate ~\$22M of incremental annual earnings potential⁽¹⁾

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

226,905⁽³⁾

Total
Customers

\$438M

Total
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

There is one additional deal where we have been selected as the winning bidder and we are working to sign an APA

Active Municipal Opportunities

Size Range
(Approx. # of Customers)

>25,000

10,000-25,000

<10,000

Total Customers
(Approx. # of Customers)

125,000

150,000

100,000

375,000

Total Customers

We are actively pursuing acquisition opportunities in most of our states, totaling approximately 375,000 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

Financial Results

Dan Schuller

Executive Vice President,
Chief Financial Officer



Q4 Financial Highlights

<i>In millions except per share</i>	Q4 2019	Q4 2020
Revenue (GAAP)	\$226.0	\$474.0
Adjusted Revenue (non-GAAP)	\$226.0	\$492.9
Operations and Maintenance Expense	\$85.3	\$157.2
Net Income (GAAP)	\$64.2	\$102.7
Net Income per Share (GAAP)	\$0.28	\$0.40
Adjusted Income (non-GAAP)	\$61.4	\$116.2
Adjusted Income per Share (non-GAAP)*	\$0.34	\$0.46

Revenues

- Natural gas segment, including gas cost of \$92.8M, was \$240.6M
- \$18.9M in rate credits to natural gas customers in Q4 2020

O&M

- New natural gas segment accounts for \$72.6M
- COVID related expenses account for \$2.5M

Other

- Acquired New Garden Township adding over 2,600 wastewater customer equivalents and \$29.5M of rate base

*Adjusted income per common share (non-GAAP) see appendix for GAAP to non-GAAP reconciliation

Full Year 2020 Financial Highlights

As of December 31, 2020

In millions except per share	FY 2019	FY 2020	Percent Change
Revenue (GAAP)	\$889.7	\$1,462.7	↑ 64.4%
Adjusted Revenue (non-GAAP)*	\$889.7	\$1,485.7	↑ 67.0%
Operations and Maintenance Expense	\$333.1	\$528.6	↑ 58.7%
Net Income (GAAP)	\$224.5	\$284.8	↑ 26.9%
Net Income per Share (GAAP)	\$1.04	\$1.12	↑ 7.7%
Adjusted Income (non-GAAP)	\$263.5	\$403.1	↑ 53.0%
Adjusted Income per Share (non-GAAP)	\$1.47	\$1.58	↑ 7.5%

*Adjusted Revenue excludes water rate credits issued to utility customers.

Operating Revenues

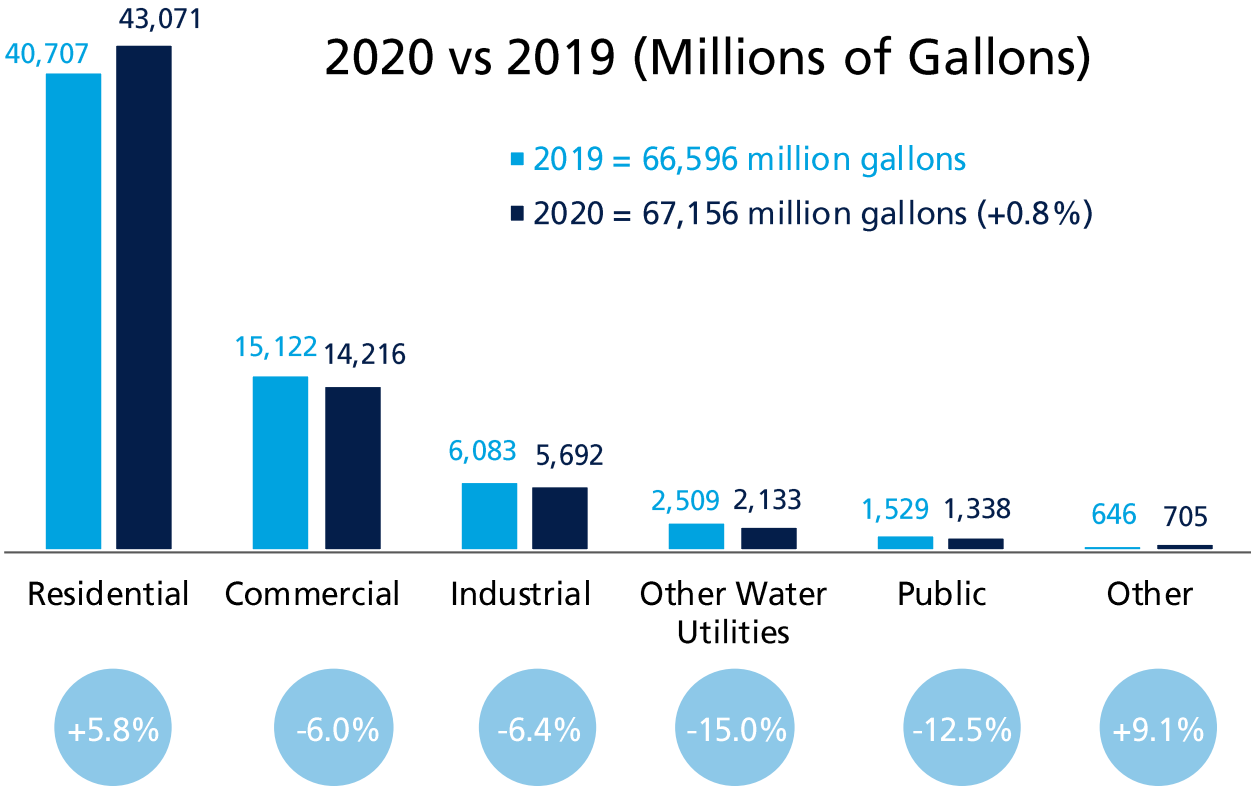
FY 2020 vs. FY 2019

Change in Operating Revenues (thousands)



2020 Usage Trends Table

Due to COVID-19 and favorable weather, we have seen residential usage increase by almost 6% in 2020 when compared to the same time last year, while commercial usage has decreased by approximately 6%



Q4 Usage Trends

- Usage decreased 0.9% in Q4 2020 compared to Q4 2020
- 16,309 million gallons in Q4 2019 vs. 16,162 million gallons in Q4 2020
- Usage for the quarter compared to Q4 2019:
 - Residential +2.7%
 - Commercial -5.3%
 - Industrial -6.1%
 - Other Water Utilities -6.4%
 - Public -22.6%
 - Other -3.0%

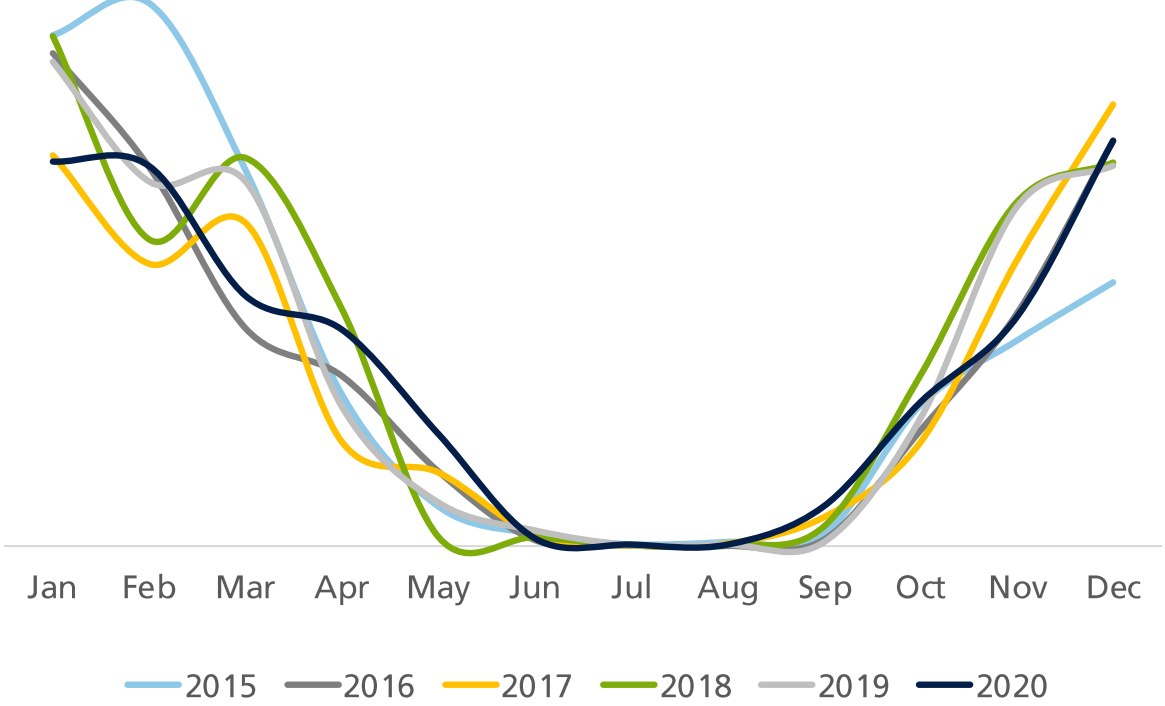
State	COVID Moratorium Lift
Texas	6/13/2020
West Virginia	7/1/2020
Indiana	8/17/2020
Illinois	8/26/2020
Ohio	9/1/2020
North Carolina	10/12/2020
Kentucky	10/20/2020
Pennsylvania	11/9/2020
New Jersey	3/15/2021
Virginia	Pending ⁽¹⁾

⁽¹⁾ Pending the Governor's emergency order

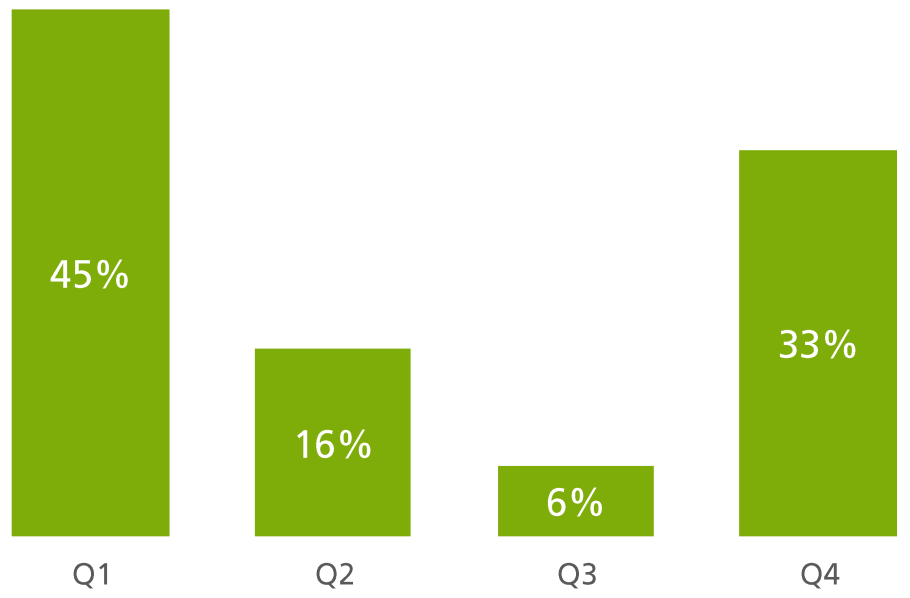
2020 Heat Days

Weather drives natural gas consumption and revenue is impacted by heating degree days.

Avg. Monthly Heating Degree Days by Year



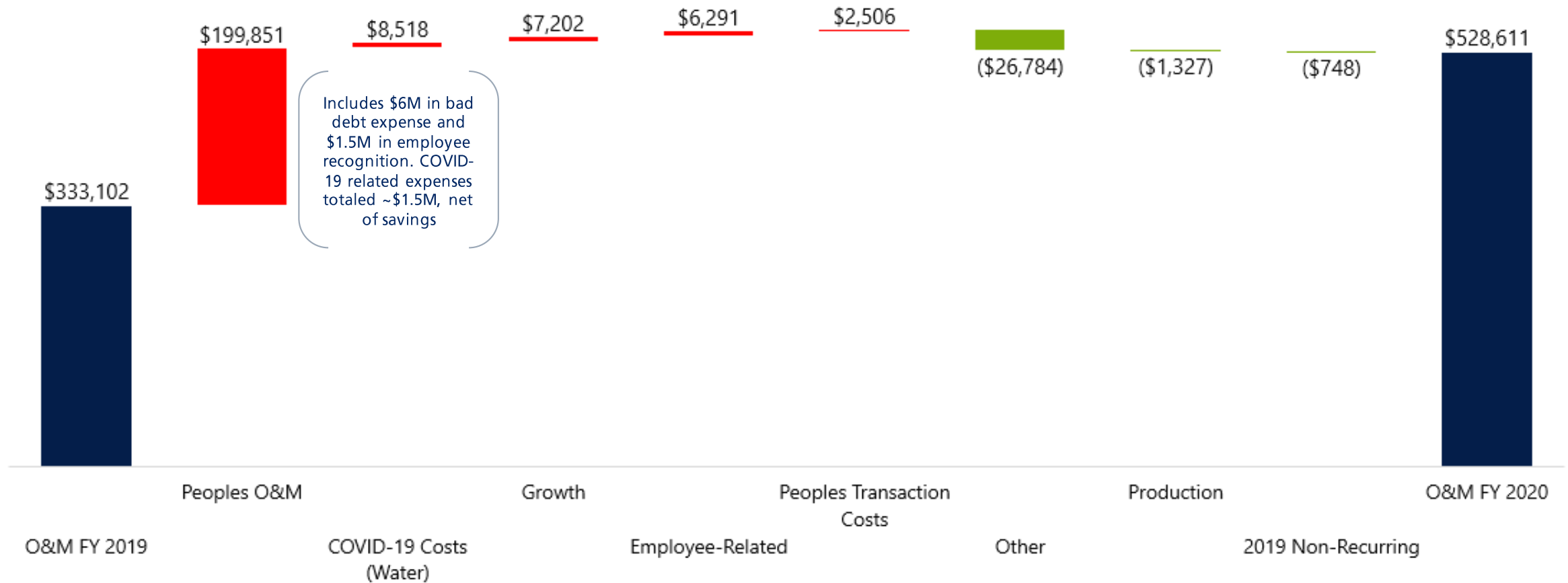
PA Residential Gas Consumption 2020



Operations & Maintenance Expenses

FY 2020 vs. FY 2019

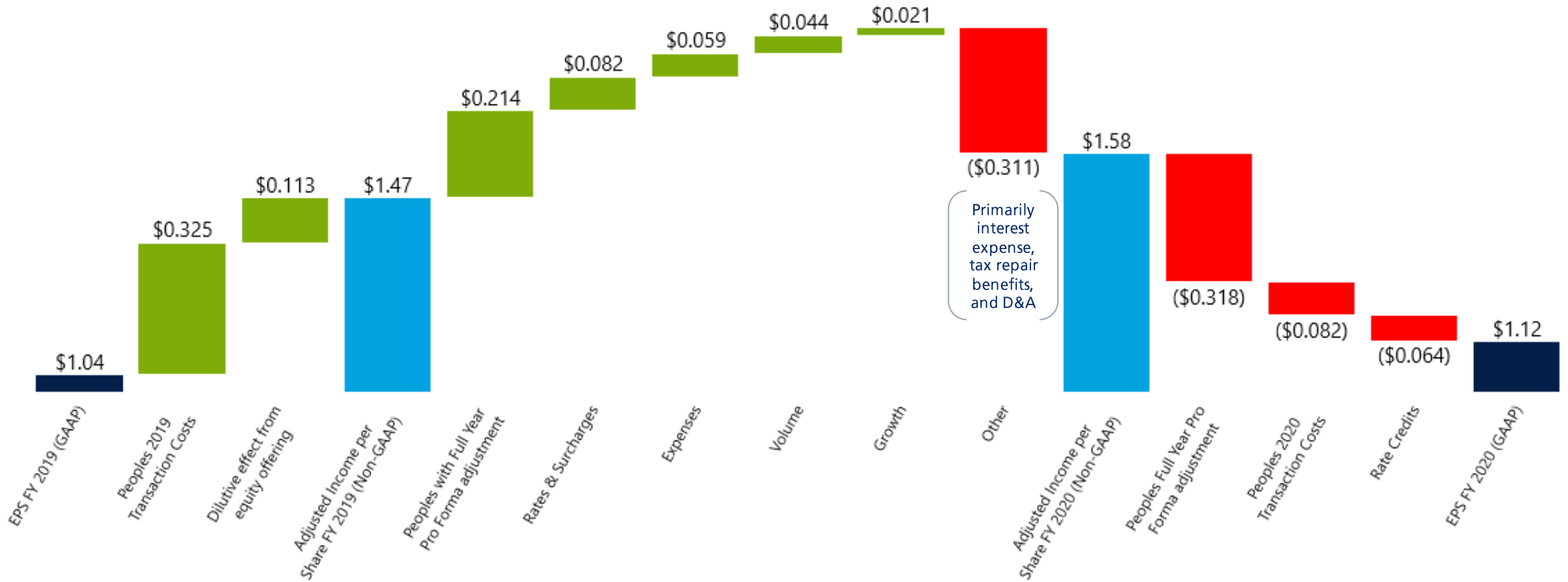
Change in Operations & Maintenance Expense (thousands)



Earnings per Common Share

FY 2020 vs. FY 2019

Change in Earnings Per Share



2021 Priorities and Guidance

Chris Franklin

Chairman, Chief Executive Officer,
and President



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

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.

2021 Milestones



135

Years as a company

1886

Swarthmore College



WTRG
LISTED
NYSE

Half a century on the NYSE

1971

Initial Public Offering



One year as Essential Utilities

2020

AQUA + PEOPLES

Questions?

Thank You for Attending Essential's Full Year 2020 Conference Call



First Quarter 2021 Earnings
Conference Call and Webcast

Thursday, May 6, 2021

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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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
Net income (GAAP financial measure)	\$ 102,707	\$ 64,227	\$ 284,849	\$ 224,543
Adjustments:				
Plus: Transaction-related credits issued to utility customers	18,924	-	23,004	-
Plus: Transaction-related expenses for the Peoples transaction	-	613	25,573	66,066
Plus: Adjustments to provide full-year 2020 run rate of Peoples operating results, including additional net interest expense	-	-	108,132	-
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	(5,468)	777	(38,450)	(10,149)
Adjusted income (Non-GAAP financial measure)	\$ 116,163	\$ 61,362	\$ 403,108	\$263,496
Net income (loss) per common share (GAAP financial measure):				
Basic	\$ 0.40	\$ 0.28	\$ 1.14	\$ 1.04
Diluted	\$ 0.40	\$ 0.28	\$ 1.12	\$ 1.04
Adjusted income per common share (non-GAAP financial measure):				
Diluted	\$ 0.46	\$ 0.34	\$ 1.58	\$ 1.47
Average common shares outstanding :				
Basic	254,403	232,107	249,768	215,550
Diluted	254,774	232,581	254,629	215,931
Average common shares outstanding:				
Shares used in calculating diluted net income per common share	254,774	232,581	254,629	215,931
Adjustment for effects of April 2019 common share issuance	-	(37,370)	-	(25,903)
Adjustment for effects of April 2019 tangible equity unit issuance	-	(16,271)	-	(11,278)
Shares used in calculating adjusted diluted income per common share (Non-GAAP financial measure)	254,774	178,940	254,629	178,750

Fourth Quarter Financial Highlights

As of December 31, 2020

In millions except per share	Q4 2019	Q4 2020	Percent Change
Revenue (GAAP)	\$226.0	\$474.0	↑ 109.7%
Adjusted Revenue (non-GAAP)*	\$226.0	\$492.9	↑ 118.1%
Operations and Maintenance Expense	\$85.3	\$157.2	↑ 84.2%
Net Income (GAAP)	\$64.2	\$102.7	↑ 59.9%
Net Income per Share (GAAP)	\$0.28	\$0.40	↑ 42.9%
Adjusted Income (non-GAAP)	\$61.4	\$116.2	↑ 89.3%
Adjusted Income per Share (non-GAAP)	\$0.34	\$0.46	↑ 35.3%

* Adjusted Revenue excludes water rate credits issued to utility customers.

Operating Revenues

Q4 2020 vs. Q4 2019

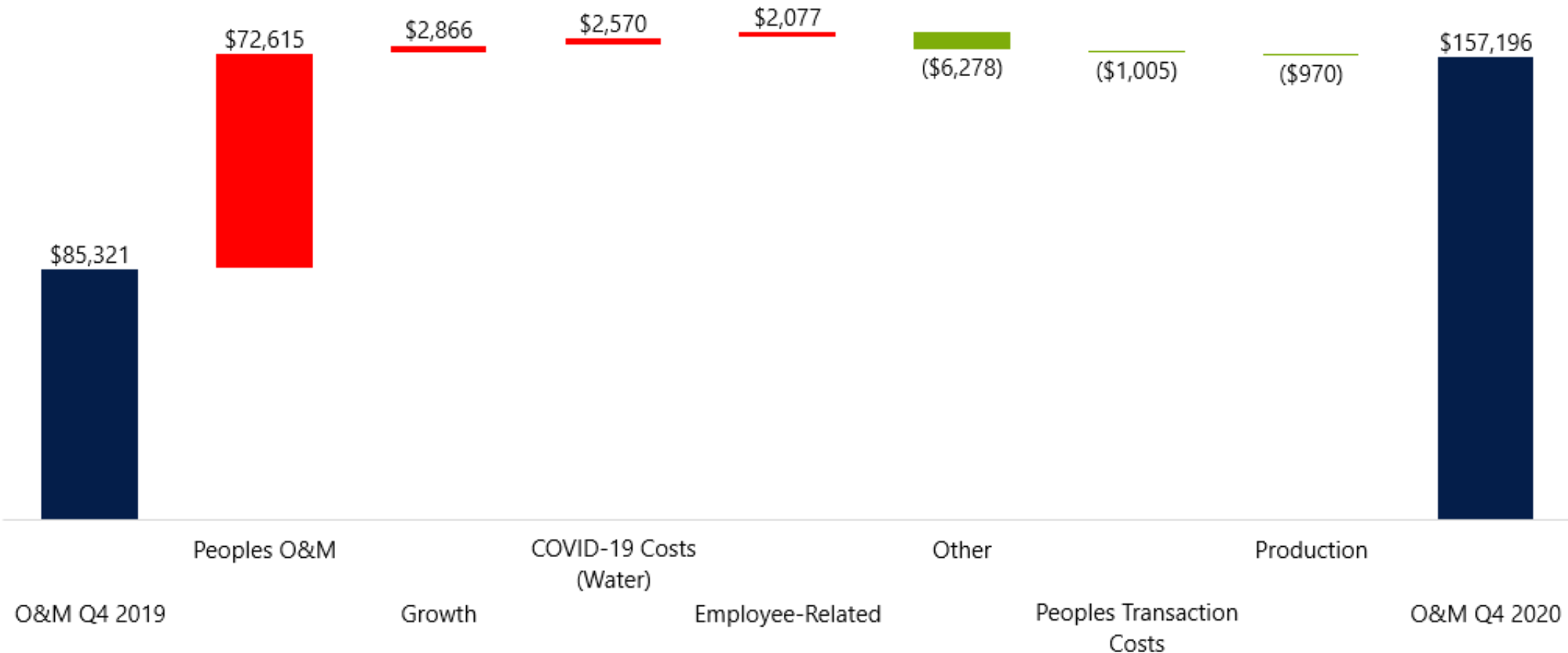
Change in Operating Revenues (thousands)



Operations & Maintenance Expenses

Q4 2020 vs. Q4 2019

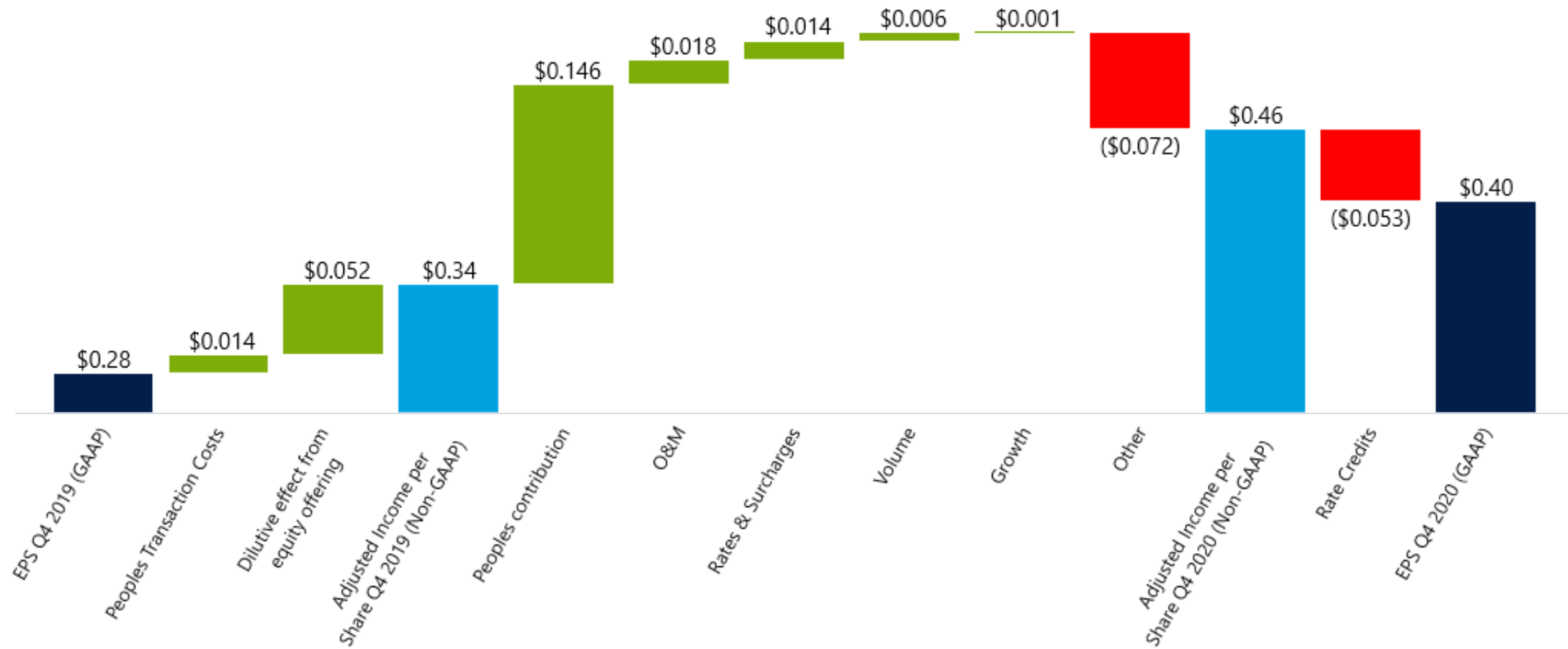
Change in Operations & Maintenance Expense (thousands)



Earnings per Common Share

Q4 2020 vs. Q4 2019

Change in Earnings Per Share



State by State Comparison

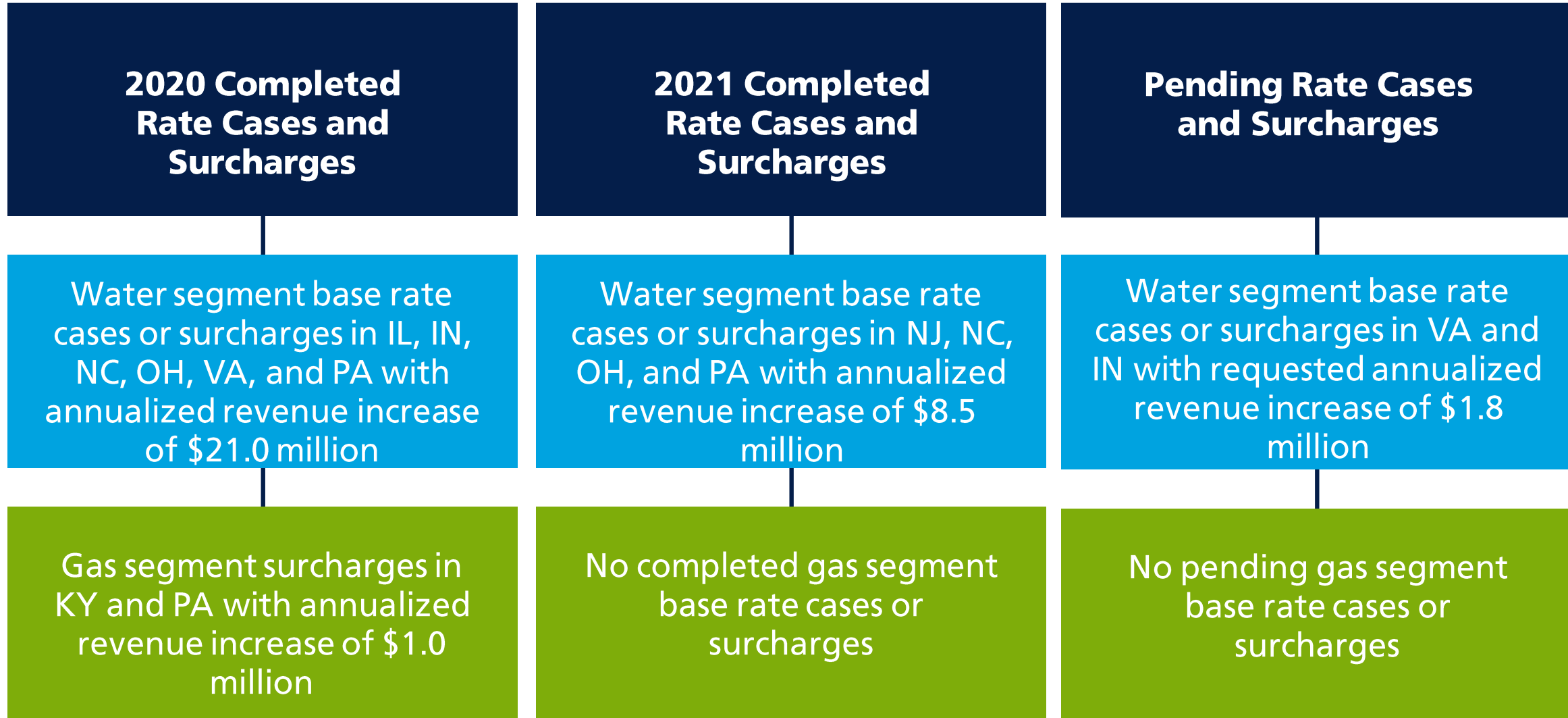
As of December 31, 2020

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

Rate Activity

As of 02/24/2021



2020 Rates and Surcharges Completed As of 02/24/2021

State	Docket Number	Segment	Type	Awarded Annualized Revenue Increase (\$thousands)
Illinois	N/A	Water	Surcharge	\$2,902
	N/A	Wastewater	Surcharge	\$369
	20-0309	Water	Surcharge	\$840
	20-0309	Wastewater	Surcharge	\$125
Virginia	PUR-2019-00209	Water	Surcharge	\$132
	PUR-2019-00209	Wastewater	Surcharge	\$141
North Carolina	W-218, Sub 497A	Water	Surcharge	\$571
	W-218, Sub 497A	Wastewater	Surcharge	\$134
	W-218, Sub 526	Water	Rate Case	\$2,645
	W-218, Sub 526	Wastewater	Rate Case	\$781
Ohio	89-7028-WW-TRF	Water	Rate Case	\$995
	20-0532-WW-SIC	Water	Surcharge	\$2,168
Indiana	45314 U	Water	Rate Case	\$48
	45308 U	Wastewater	Rate Case	\$11
Pennsylvania	M-2020-3020466	Water	Surcharge	\$5,598
	M-2020-3020493	Wastewater	Surcharge	\$265
	M-2020-3022036	Water	Surcharge	\$3,212
	M-2020-3022080	Wastewater	Surcharge	\$27
Kentucky	2020-00059	Gas	Surcharge	\$632
Pennsylvania	N/A	Gas	Surcharge	\$345

Total **\$21,941**

2021 Rates and Surcharges Completed As of 02/24/2021

State	Docket Number	Segment	Type	Awarded Annualized Revenue Increase (\$thousands)
New Jersey	N/WR20010056	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	\$6,516
	M-2020-3023312	Wastewater	Surcharge	\$299
			Total	\$8,544

Rates and Surcharges Pending

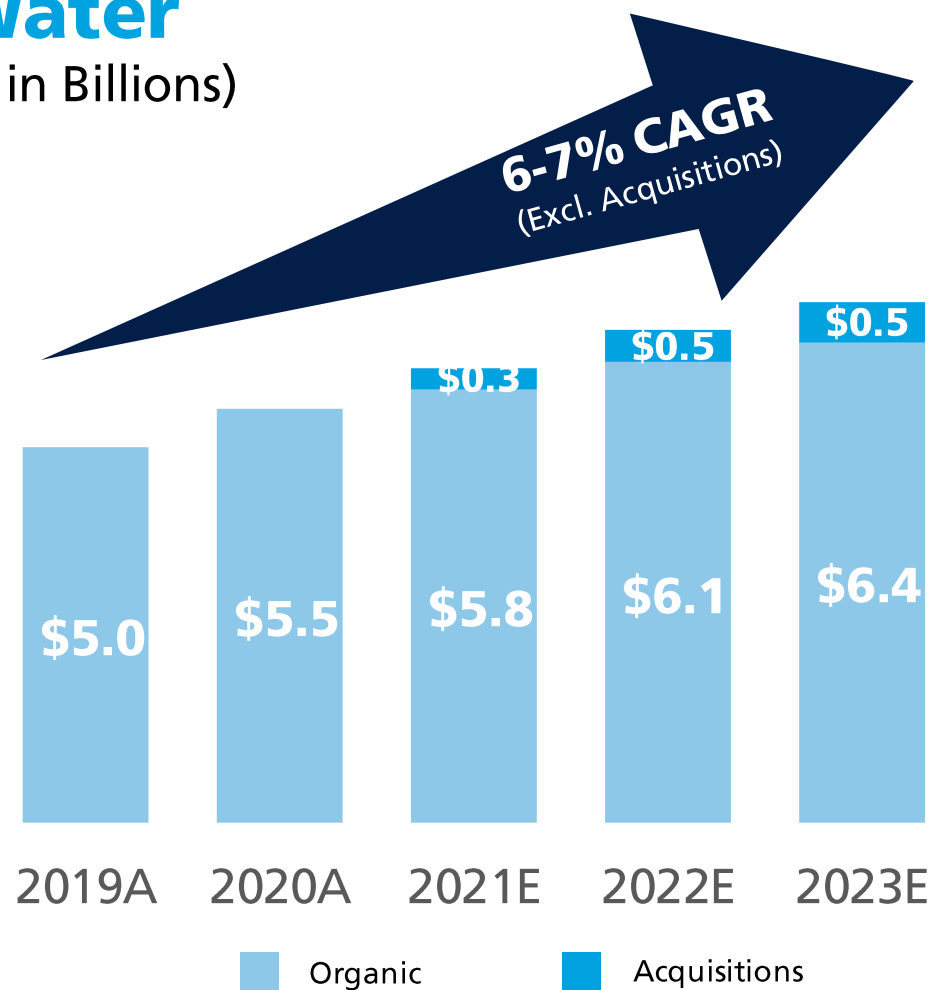
As of 02/24/2021

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
Indiana	45416-U	Water	Rate Case	\$33
Total				\$1,766

Maximizing Rate Base Growth Potential

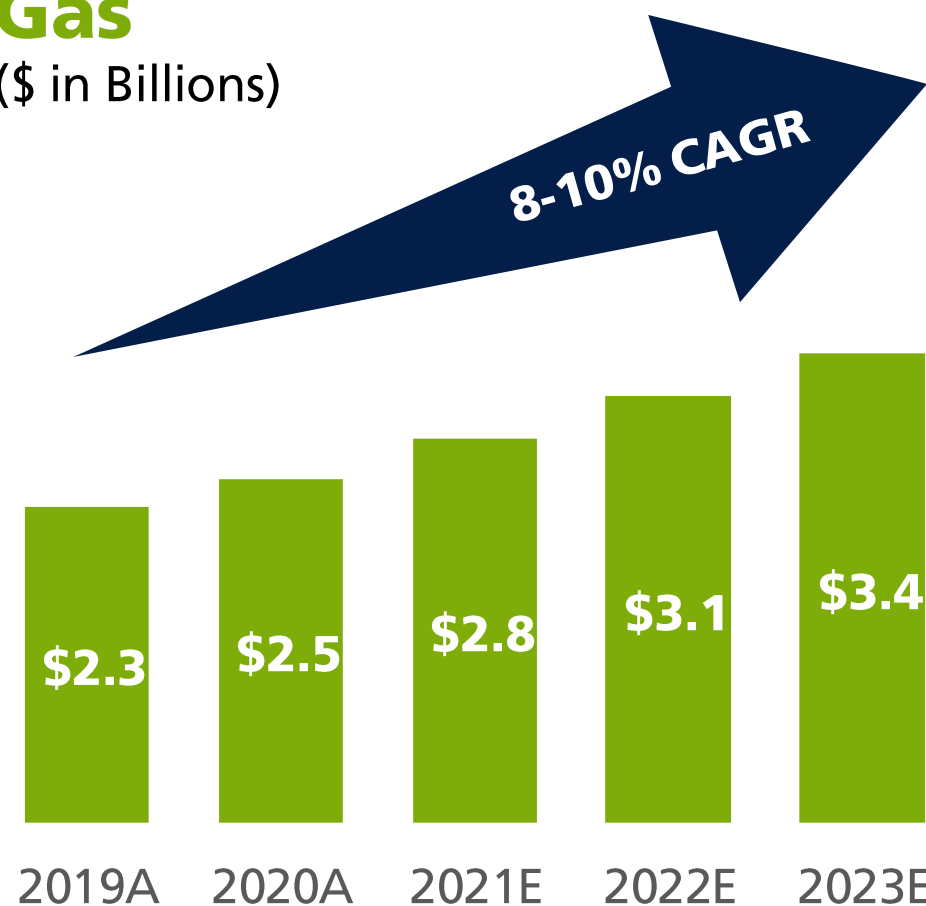
Water

(\$ 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.

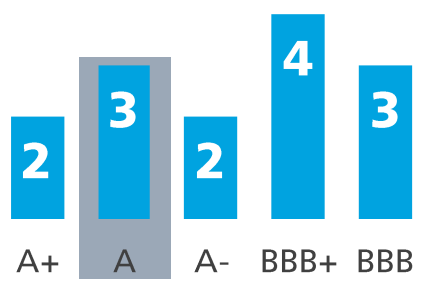
Strong Balance Sheet: Central to our Strategy



S&P Global Ratings

Issuer	Issuance
A	A-
A	A+
A	A

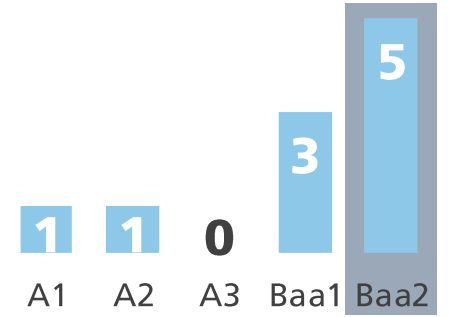
Peer Issuer Ratings⁽¹⁾



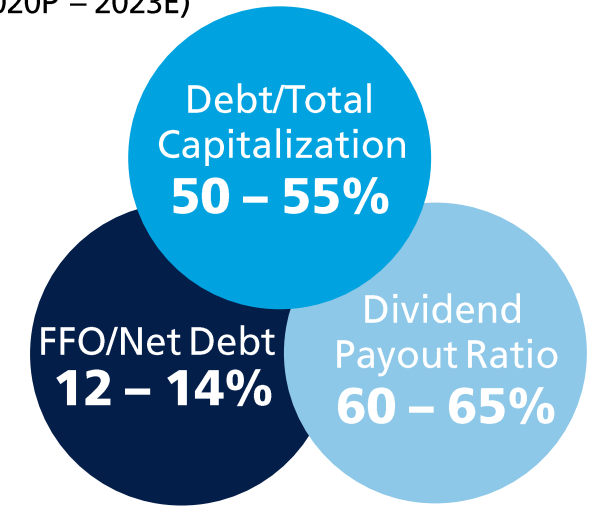
MOODY'S

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.

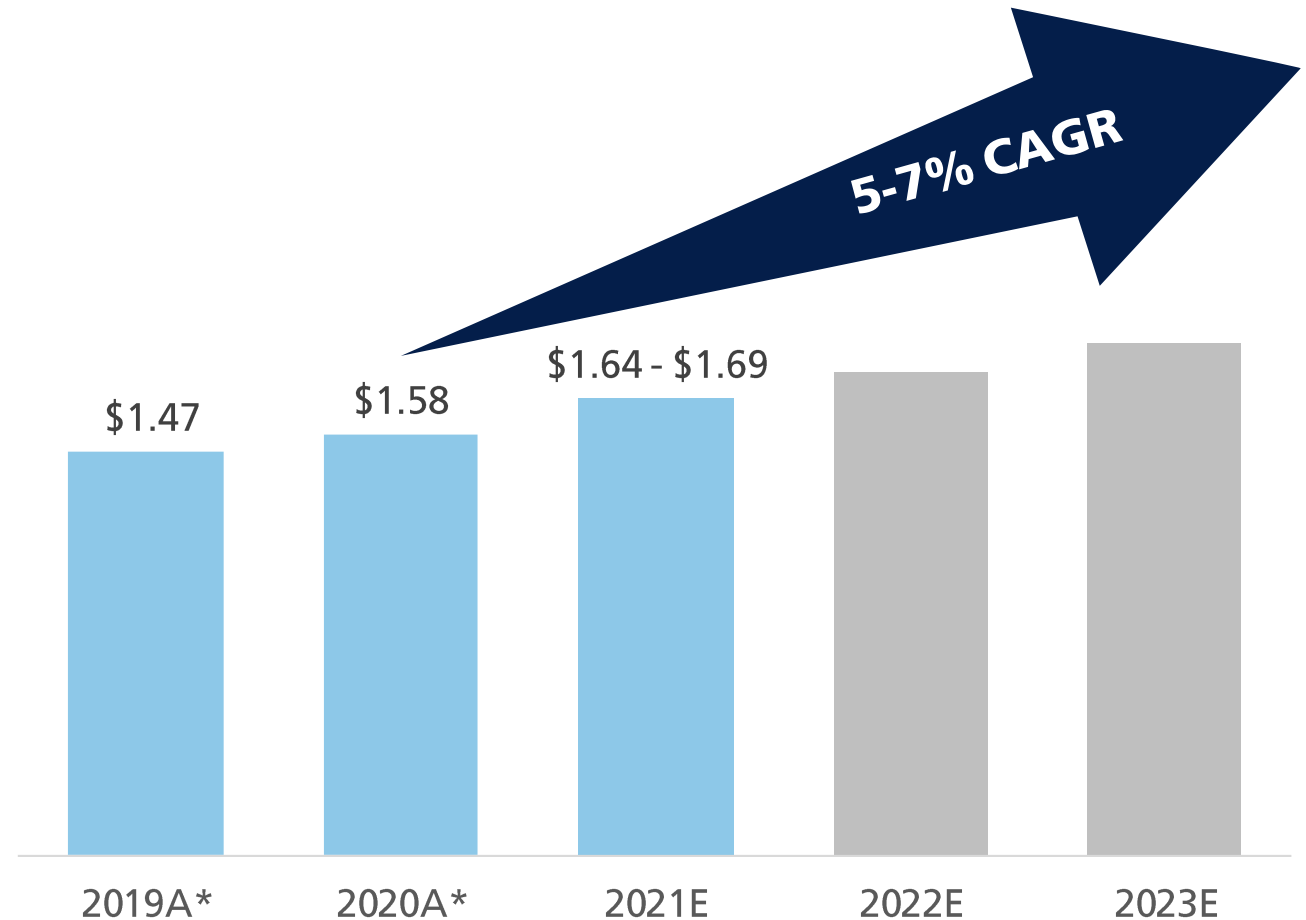
(1) Peer ratings include LNT, AWR, AWK, ATO, AVA, BKH, CWT, NJR, NI, NWE, OGE, OGS, SJI, SWX, and SR; not all peers have ratings from both agencies

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

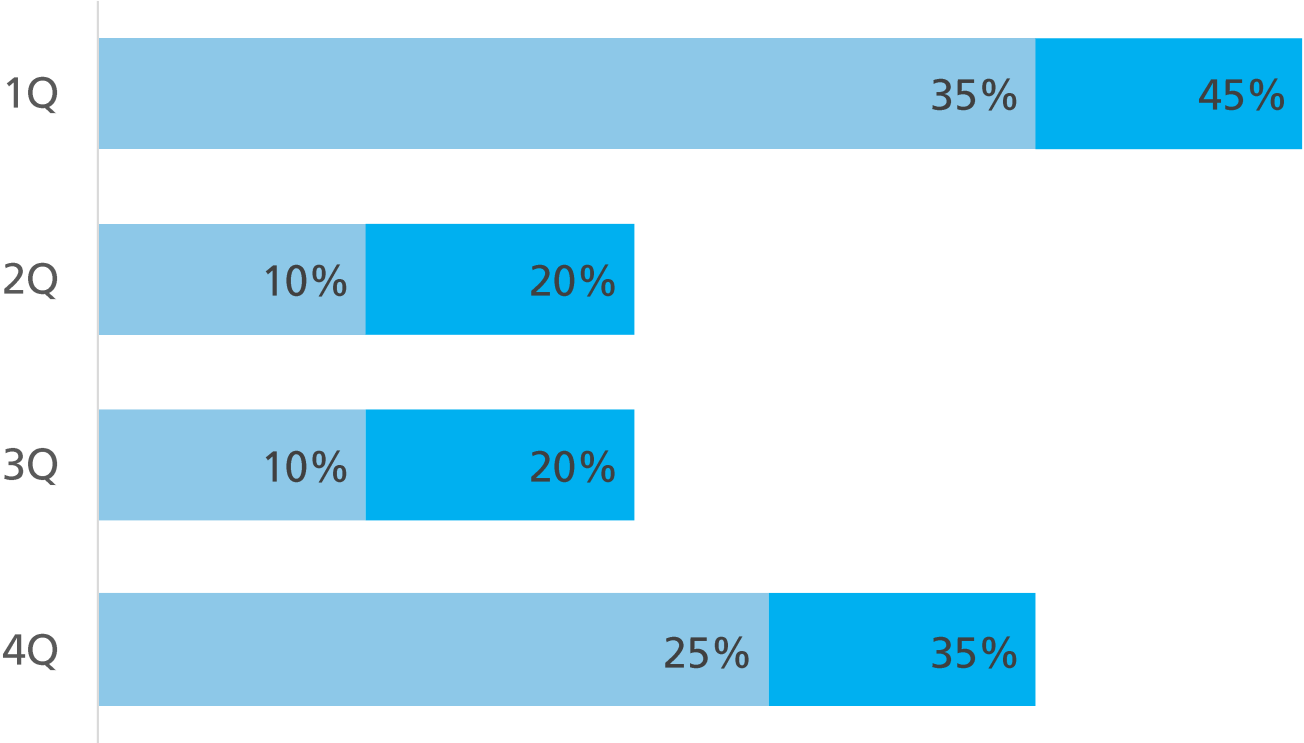


*Adjusted income per share

"A" denotes Actual
"E" denotes Estimate

Earnings Weighted to 1Q, 4Q

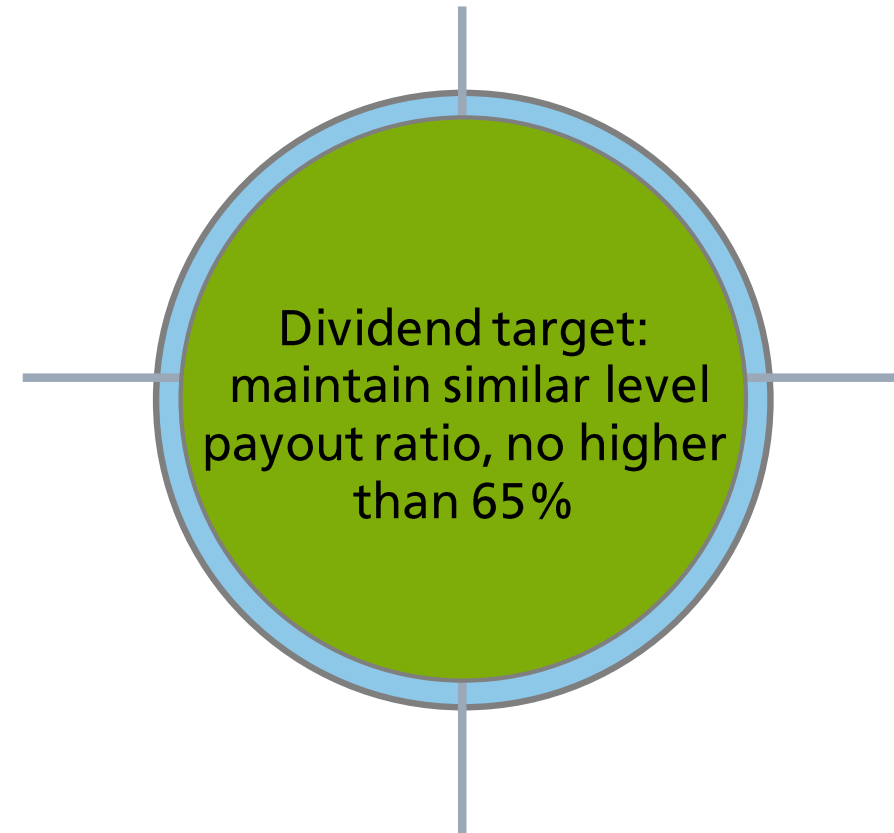
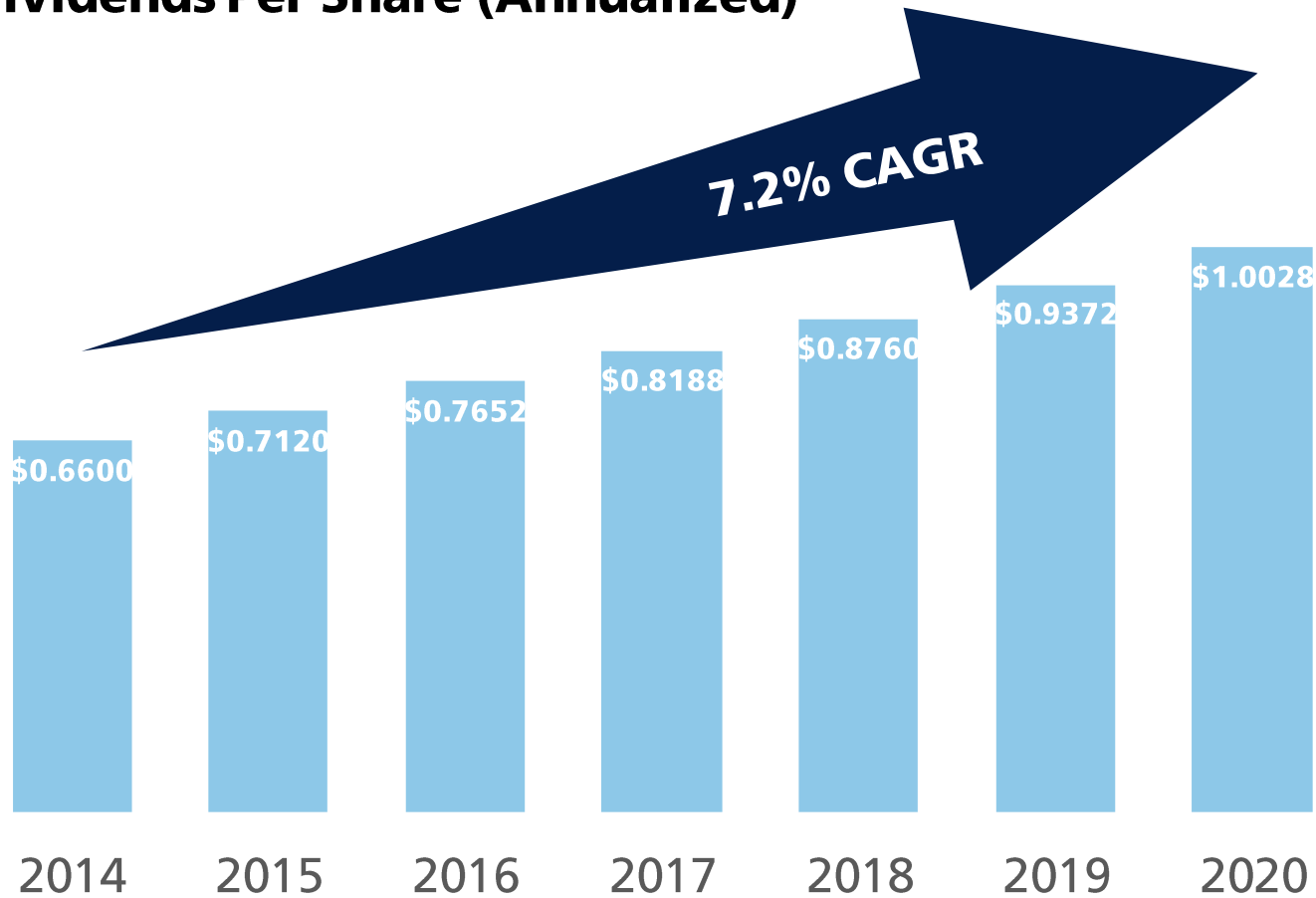
Approximate Net Income By Quarter



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

Dividend Growth Targeted In Line with EPS

Dividends Per Share (Annualized)



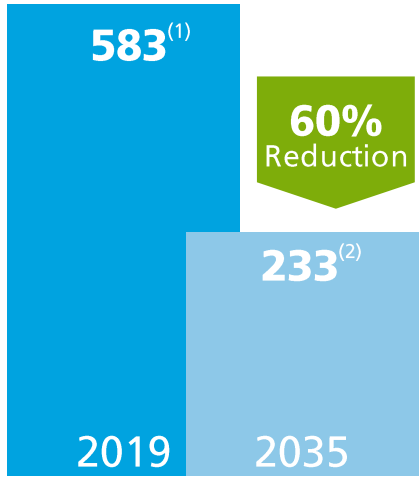
Emissions Reduction Commitment

By 2035, Essential Utilities will reduce its annual Scope 1 and 2 emissions by 60% from its 2019 baseline

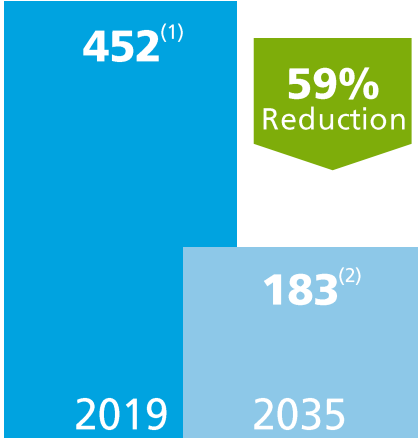
- Goal applies to all our operations, including gas, water and wastewater
- Represents planned and ongoing initiatives that utilize existing technology
- Our commitment is consistent with the rate of reduction necessary over the next 15 years to keep on track with the Paris Agreement’s goal to limit global warming to below 2 degrees Celsius

Charting a Course for Aggressive Emissions Reduction (MT CO2e in 000s)

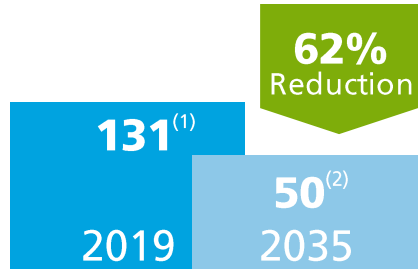
Essential



Gas Distribution



Water & Wastewater



(1) Baseline Scope 1+2 Emissions (metric tons of CO2e)
 (2) Targeted Scope 1+2 Emissions (metric tons of CO2e)

Diversity and Inclusion - Central to Who We Are



ENHANCED METRICS

Supplier Diversity

Multiyear plan to increase diverse supplier spend to

15%

Employee Diversity

Multiyear plan to achieve

17%

employees of color