



Essential[™]
UTILITIES

EARNINGS CALL Second Quarter 2021

August 5, 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

Summary and Guidance

Q&A



Company Update

Chris Franklin

Chairman, Chief Executive Officer,
and President



Corporate Highlights

**Net Income
Growth of
8.4%**

**Infrastructure
Investment of
\$404.6M**

**Appointment
of
Dave Ciesinski
to Board**

**7% Dividend
Increase**

31st increase in 30 years

**76th consecutive year of
dividend payments**

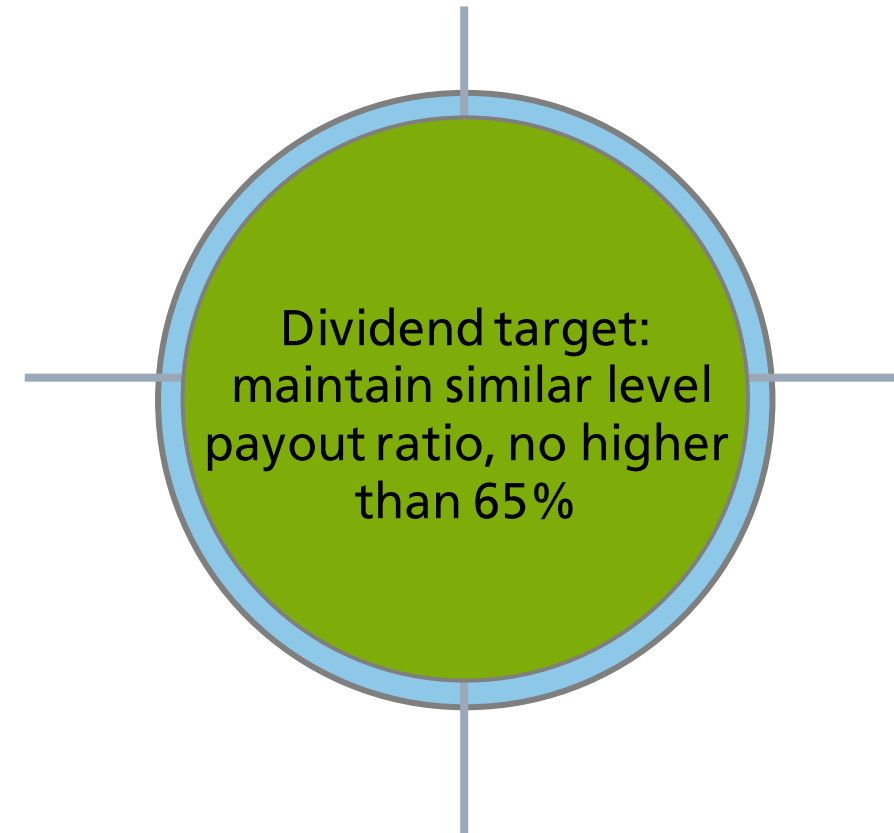
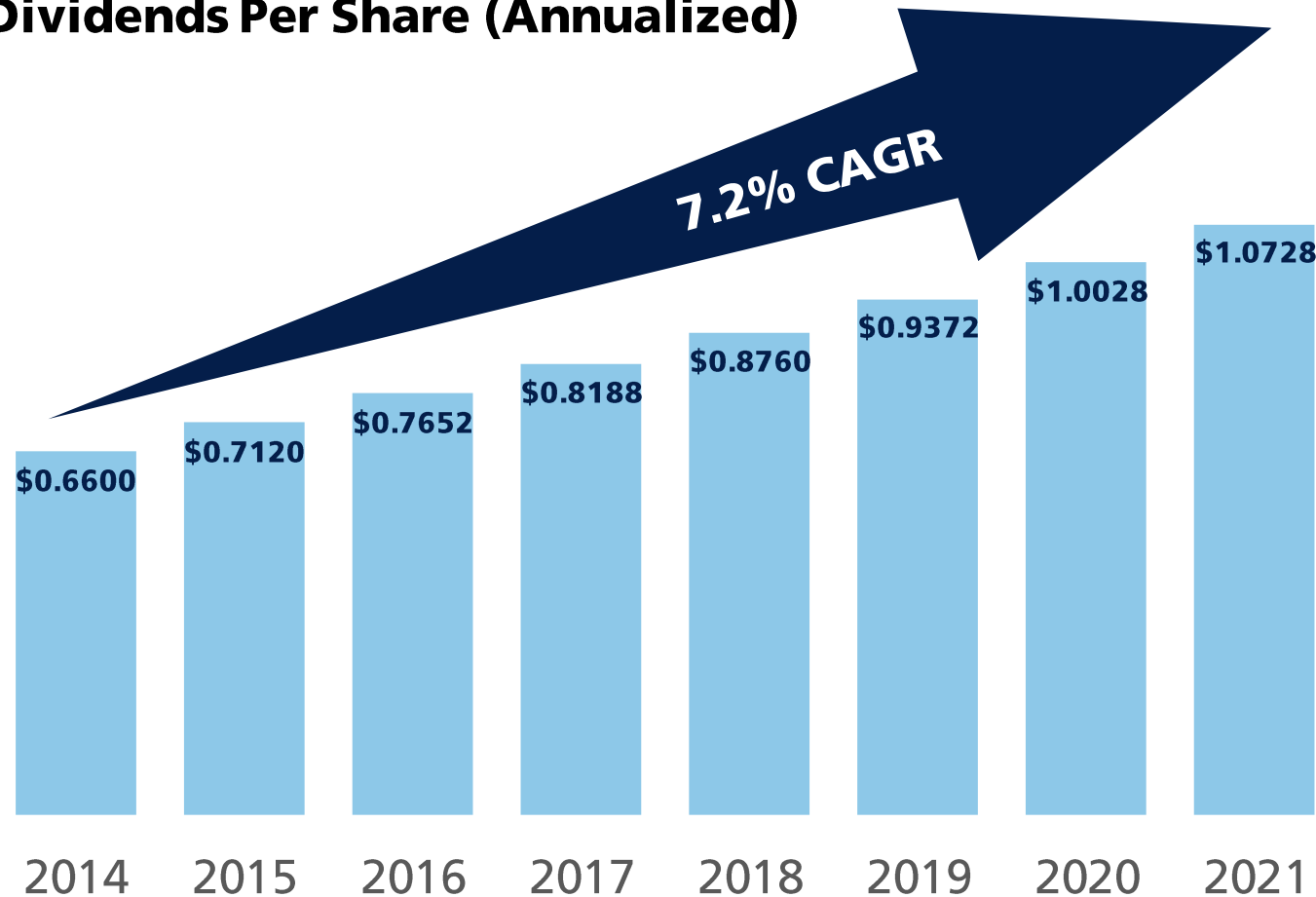
**7
Pending
Acquisitions⁽¹⁾**

**Published
2020
ESG Report**

(1) Purchase prices totaling \$458.5M

Dividend Growth Targeted In Line with EPS

Dividends Per Share (Annualized)



ESG Update

Essential Utilities 2020 ESG Report



Visit
[ESG.Essential.co](https://www.essential.com/ESG)

2020 ESG Report Highlights

Performed nearly 7 times better than community water systems nationwide*

Diversity hiring grew by more than 7%

2021 Mid-year Target Update

14% Employees of color towards 17% target

9.6% Supplier diversity towards 15% target

5% Scope 1 and 2 emissions reduction towards 60% reduction target

*In terms of percentage of systems with health-based violations

Financial Results

Dan Schuller

Executive Vice President,
Chief Financial Officer



Q2 Financial Highlights

As of June 30, 2021

<i>In millions except per share</i>	Q2 2020	Q2 2021
Revenue	\$384.5	\$397.0
Operations and Maintenance Expense	\$128.6	\$127.5
Net Income	\$74.6	\$80.9
Net Income per Share	\$0.29	\$0.32

Revenues

- Regulated water segment of \$248.2M
- Regulated natural gas segment of \$141.6M, including gas costs of \$39.8M

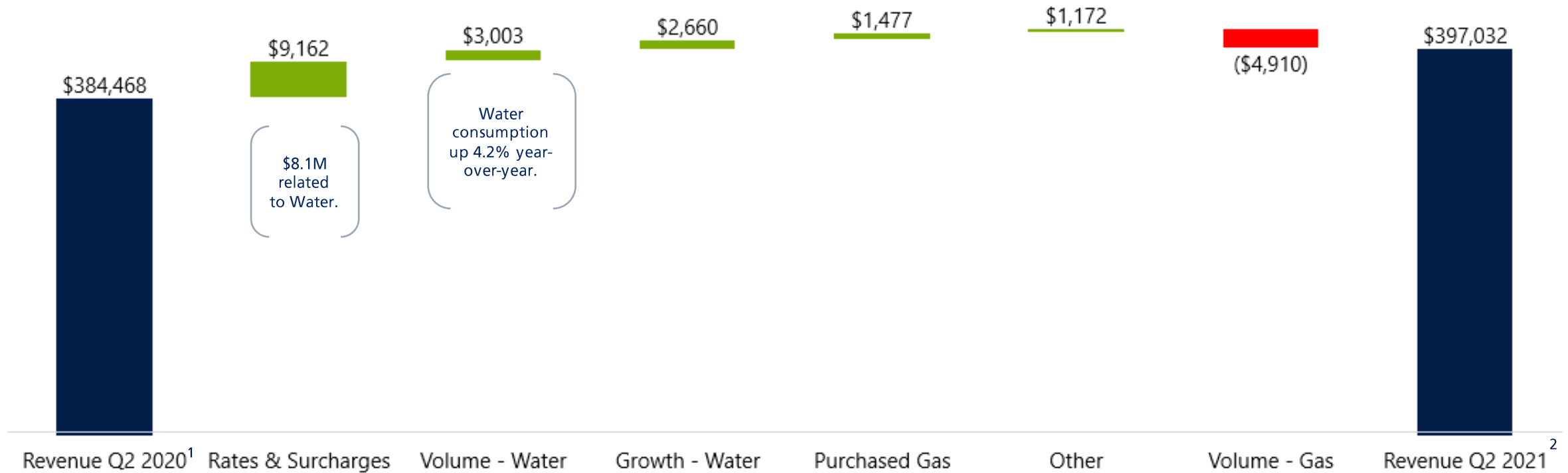
O&M

- Expenses remained relatively flat for the quarter
-

Operating Revenues

Q2 2021 vs. Q2 2020

Change in Operating Revenues (thousands)

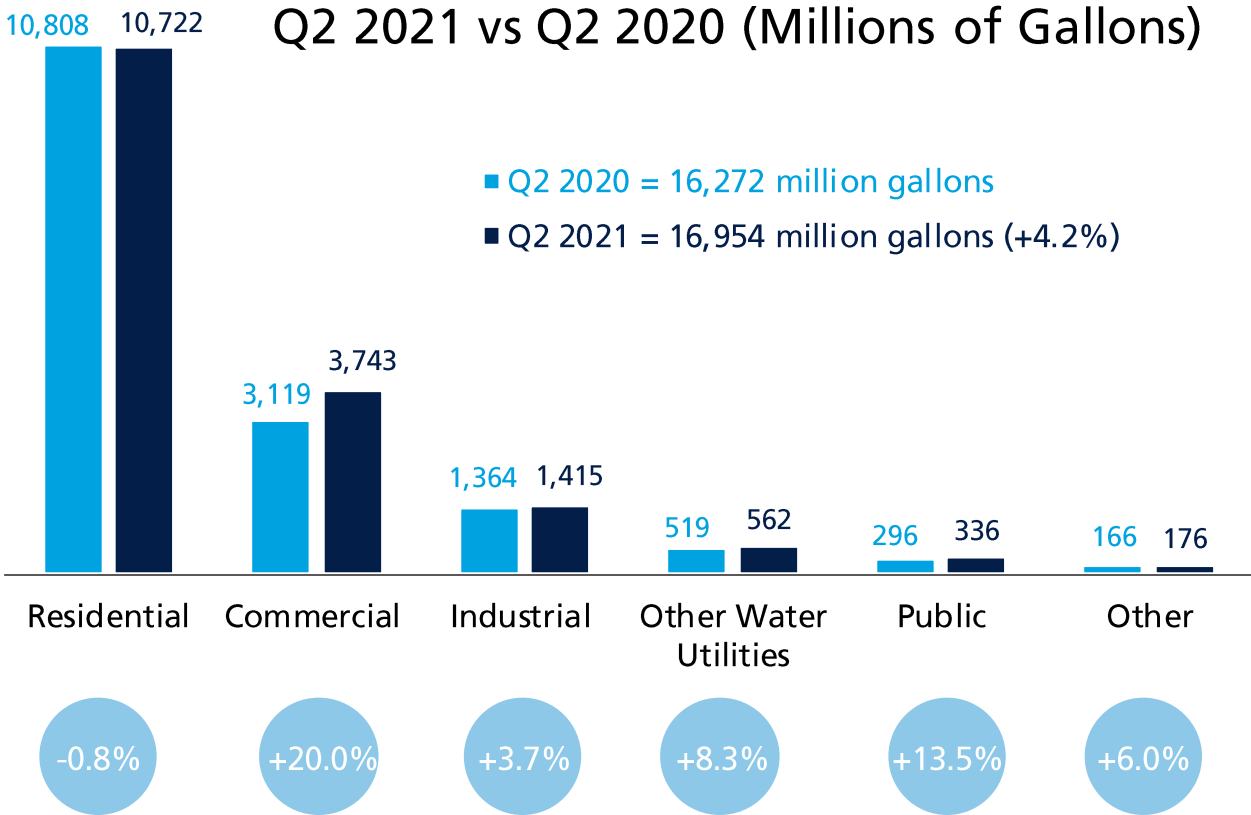


¹ Includes \$43,420 of purchased gas.

² Includes \$44,897 of purchased gas.

Q2 2021 Water Usage Trends

Given the reopening across the water states, residential usage decreased by approximately 1%, while commercial usage increased 20%



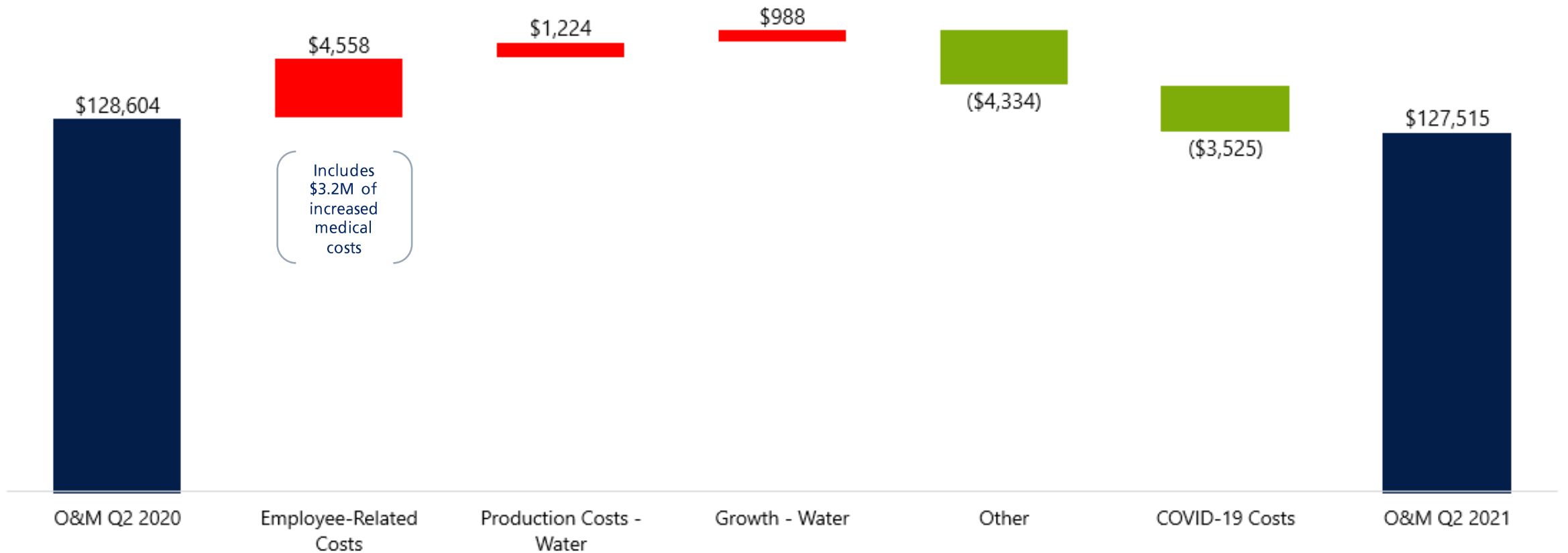
YTD Usage Trends

Overall, usage increased 3.0% for the first six months of 2021 when compared to the same period of 2020

Operations & Maintenance Expenses

Q2 2021 vs. Q2 2020

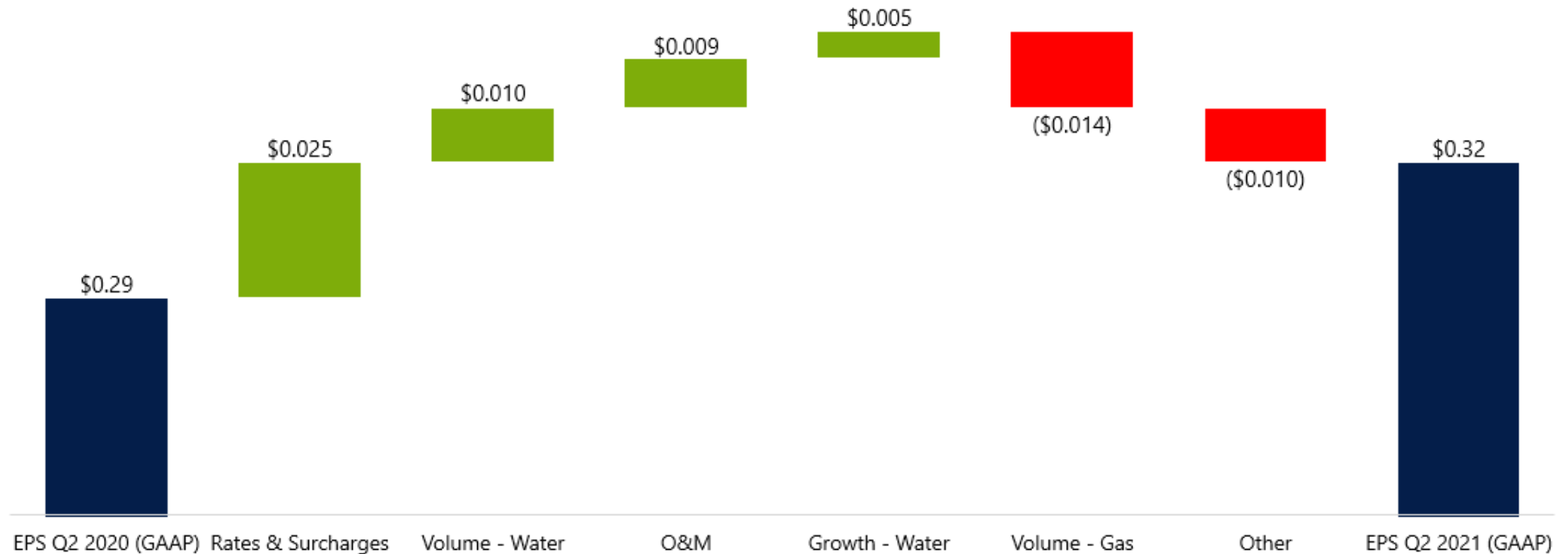
Change in Operations & Maintenance Expense (thousands)



Earnings per Common Share

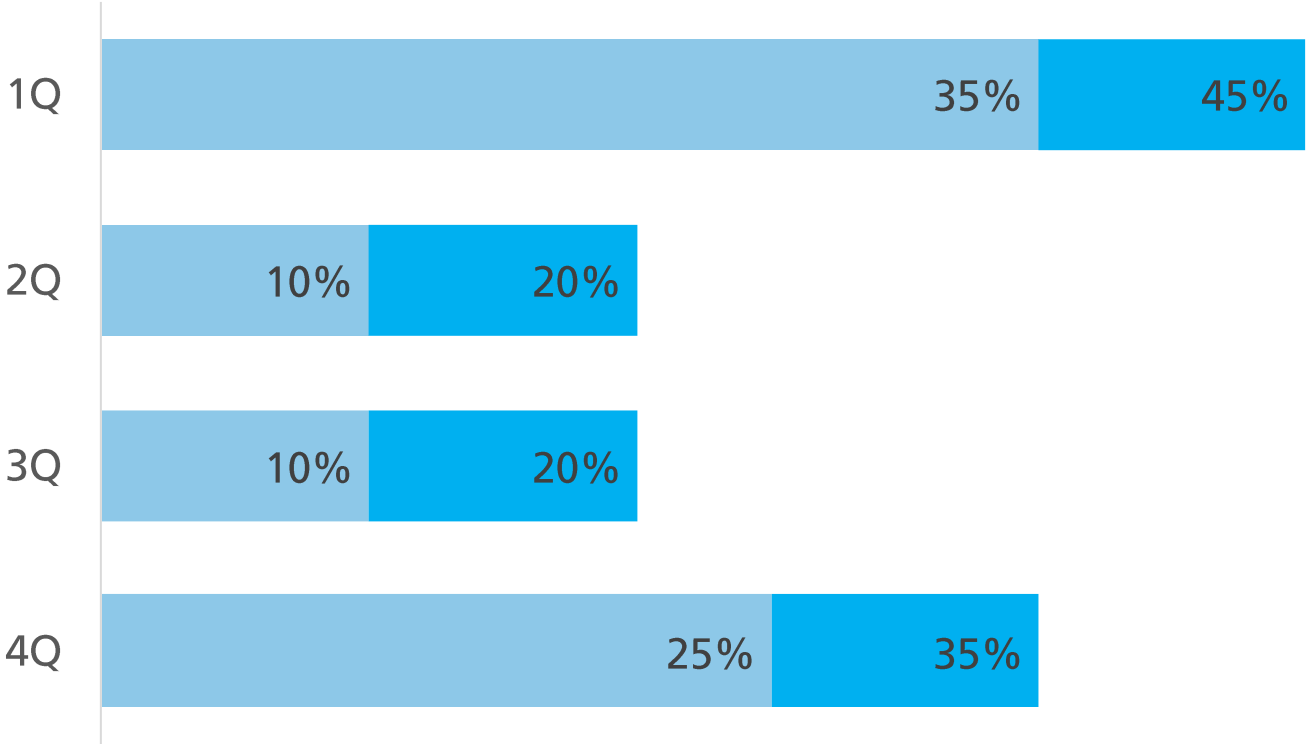
Q2 2021 vs. Q2 2020

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 08/04/2021

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 \$16.7 million

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

Pending Rate Cases and Surcharges

Water segment base rate case in OH with requested annualized revenue increase of \$8.7 million

Gas segment base rate cases in KY with requested annualized revenue increase of \$9.1 million

Acquisition Update and 2021 Guidance

Chris Franklin

Chairman, Chief Executive Officer,
and President



2021 Municipal Transactions

~\$462.5M of rate base is expected to generate ~\$23.1M of incremental annual earnings potential⁽¹⁾

TX

Commons Water⁽³⁾
Closed August 2, 2021

- Water
- 980 customers
- \$4.0M purchase price

PA

DELCORA

- Wastewater
- 198,000 customers⁽²⁾
- \$276.5M purchase price

PA

Lower Makefield

- Wastewater
- 11,000 customers
- \$53.0M purchase price

IL

Bourbonnais

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

PA

East Whiteland

- Wastewater
- 8,175 customers⁽²⁾
- \$54.9M purchase price

PA

Willistown

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

IL

Oak Brook

- Water
- 4,000 customers⁽²⁾
- \$12.5M purchase price

PA

Shenandoah

- Water
- 3,000 customers
- \$12.0M purchase price

233,905⁽²⁾

Total Customers

\$462.5M

Total Purchase Price

Active Municipal Opportunities

Size Range
(Approx. # of Customers)

>25,000

10,000-25,000

<10,000

Total Customers
(Approx. # of Customers)

150,000

130,000

110,000

390,000

Total Customers

We are actively pursuing acquisition opportunities in most of our states, totaling approximately 390,000 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 Second Quarter 2021 Conference Call



Third Quarter 2021 Earnings
Conference Call and Webcast

Monday, November 1, 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 June 30,		Six Months ended June 30,	
	2021	2020	2021	2020
Net income (GAAP financial measure)	\$ 80,914	\$ 74,629	\$ 264,603	\$ 126,410
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)	\$ 80,914	\$ 74,629	\$ 264,603	\$ 228,312
Net income (loss) per common share (GAAP financial measure):				
Basic	\$ 0.32	\$ 0.29	\$ 1.04	\$ 0.52
Diluted	\$ 0.32	\$ 0.29	\$ 1.04	\$ 0.50
Adjusted income per common share (non-GAAP financial measure):				
Basic	\$ 0.32	\$ 0.29	\$ 1.04	\$ 0.93
Diluted	\$ 0.32	\$ 0.29	\$ 1.04	\$ 0.90
Average common shares outstanding :				
Basic	254,769	254,167	254,667	245,144
Diluted	255,441	254,434	255,268	254,452

Year to Date Financial Highlights

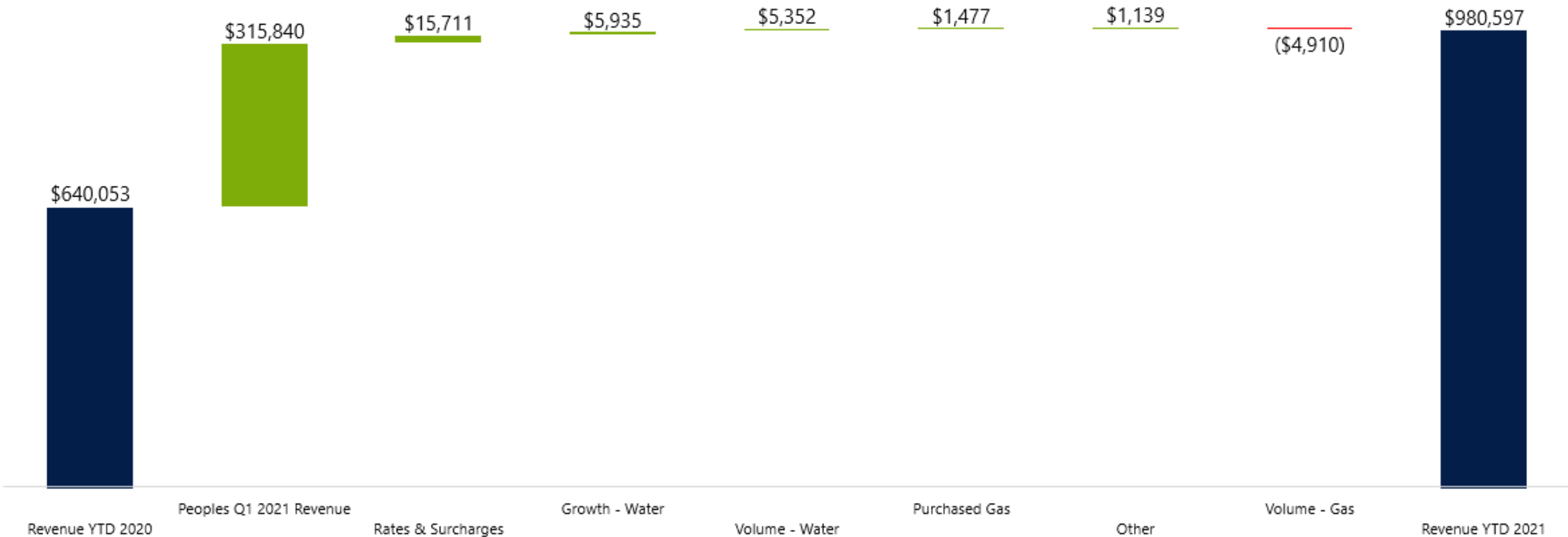
As of June 30, 2021

In millions except per share	YTD 2020	YTD 2021	Percent Change
Revenue (GAAP)	\$640.1	\$980.6	↑ 53.2%
Operations and Maintenance Expense	\$235.2	\$252.6	↑ 7.4%
Net Income (GAAP)	\$126.4	\$264.6	↑ 109.3%
Net Income per Share (GAAP)	\$0.50	\$1.04	↑ 108.0%
Adjusted Income (non-GAAP)	\$228.3	\$264.6	↑ 15.9%
Adjusted Income per Share (non-GAAP)	\$0.90	\$1.04	↑ 15.6%

Operating Revenues

YTD June 30, 2021 vs. YTD June 30, 2020

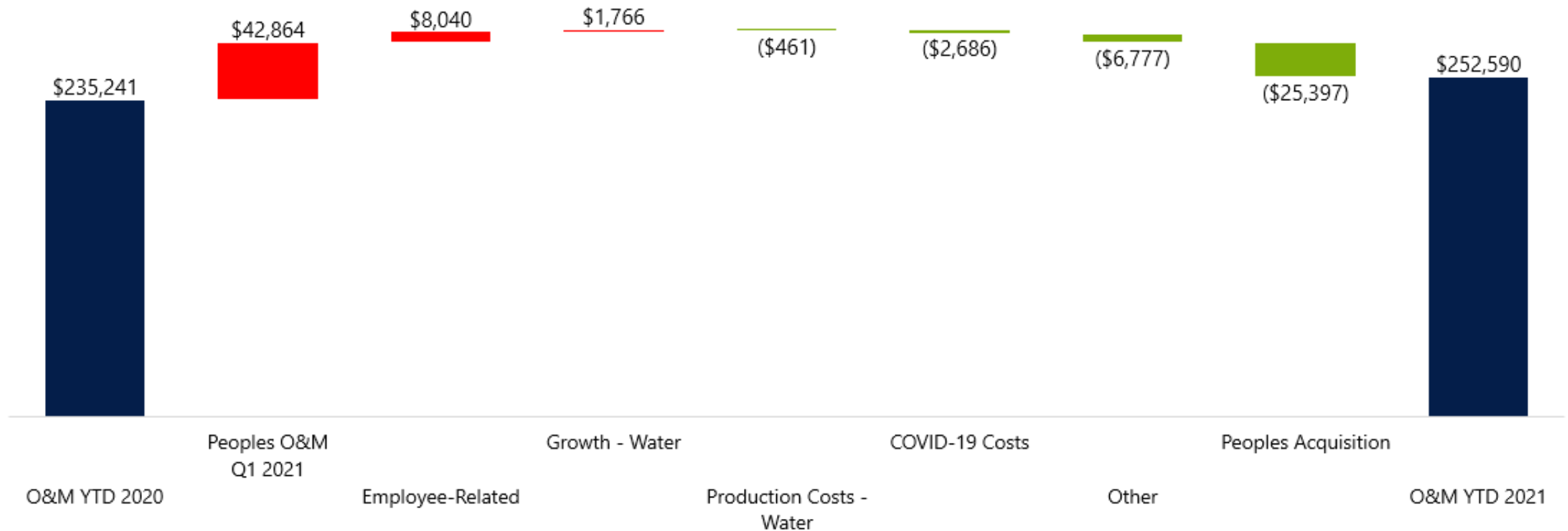
Change in Operating Revenues (thousands)



Operations & Maintenance Expenses

YTD June 30, 2021 vs. YTD June 30, 2020

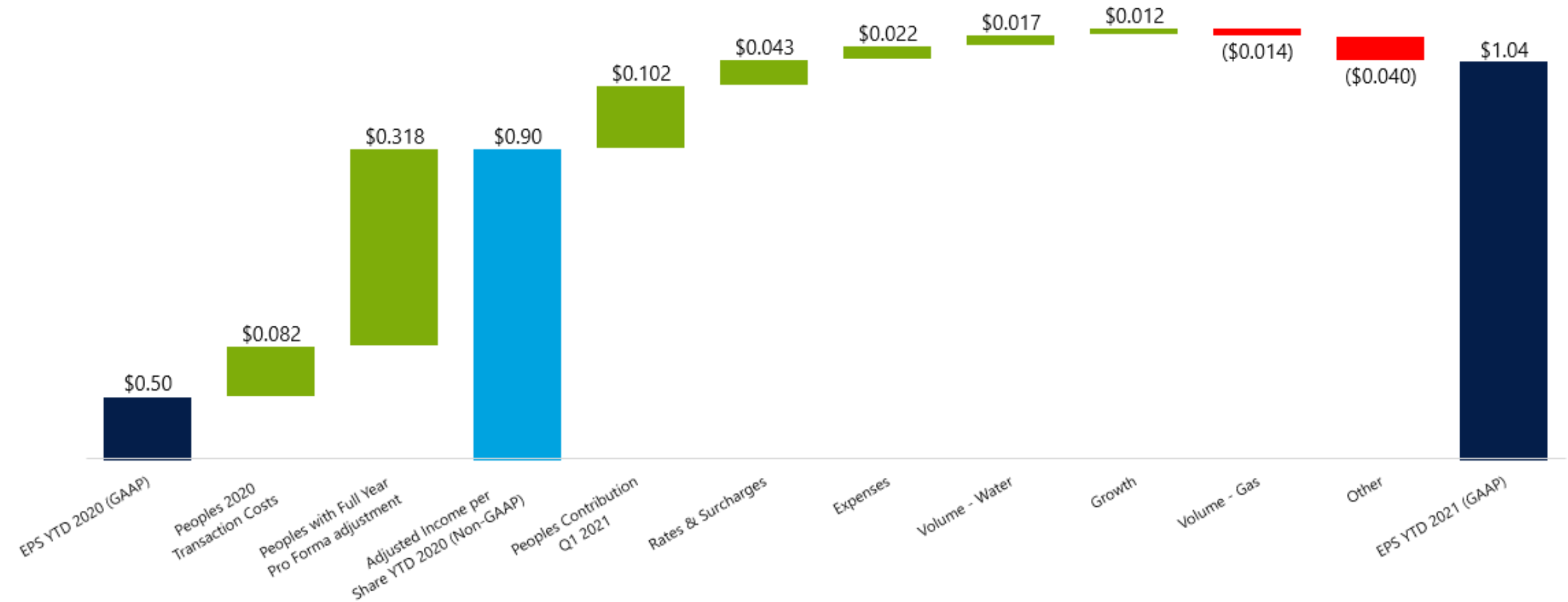
Change in Operations & Maintenance Expense (thousands)



Earnings per Common Share

YTD June 30, 2021 vs. YTD June 30, 2020

Change in Earnings Per Share



2021 Rates and Surcharges Completed As of 08/04/2021

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
	M-2021-3026628	Water	Surcharge	\$2,479
	M-2021-3026670	Wastewater	Surcharge	(\$310)
Illinois	20-0309	Water	Surcharge	\$1,018
	20-0309	Wastewater	Surcharge	\$166
Indiana	45416-U	Water	Rate Case	\$33
Virginia	PUR-2020-00106	Water	Rate Case	\$1,141
	PUR-2020-00106	Wastewater	Rate Case	(\$57)
Pennsylvania	M-2020-3023386	Gas	Surcharge	\$317
	M-2021-3024731	Gas	Surcharge	\$276
Kentucky	2020-00346	Gas	Base	\$747
Total				\$18,061

Rates and Surcharges Pending

As of 08/04/2021

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
Kentucky	2021-00185	Gas	Rate Case	9,135
Total				\$17,879

State by State Comparison

As of December 31, 2020

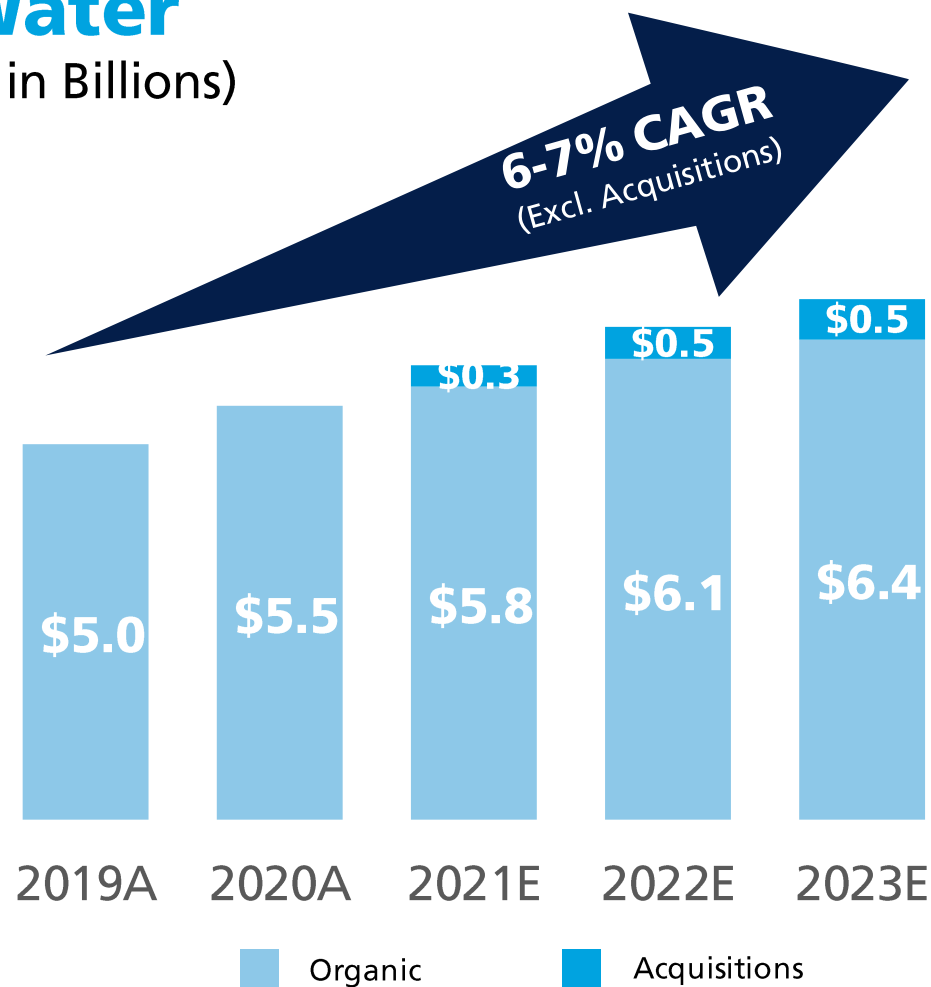
State	Rate Base (\$000s)	Water Connections	Wastewater Connections	Total Customers
PA	\$3,729,551	444,998	45,277	490,275
IL	\$382,985	66,238	16,732	82,970
OH	\$382,232	150,352	6,923	157,275
TX	\$352,134	67,890	19,240	87,130
NC	\$248,388	83,370	20,727	104,097
NJ	\$203,695	54,680	6,399	61,079
IN	\$88,223	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

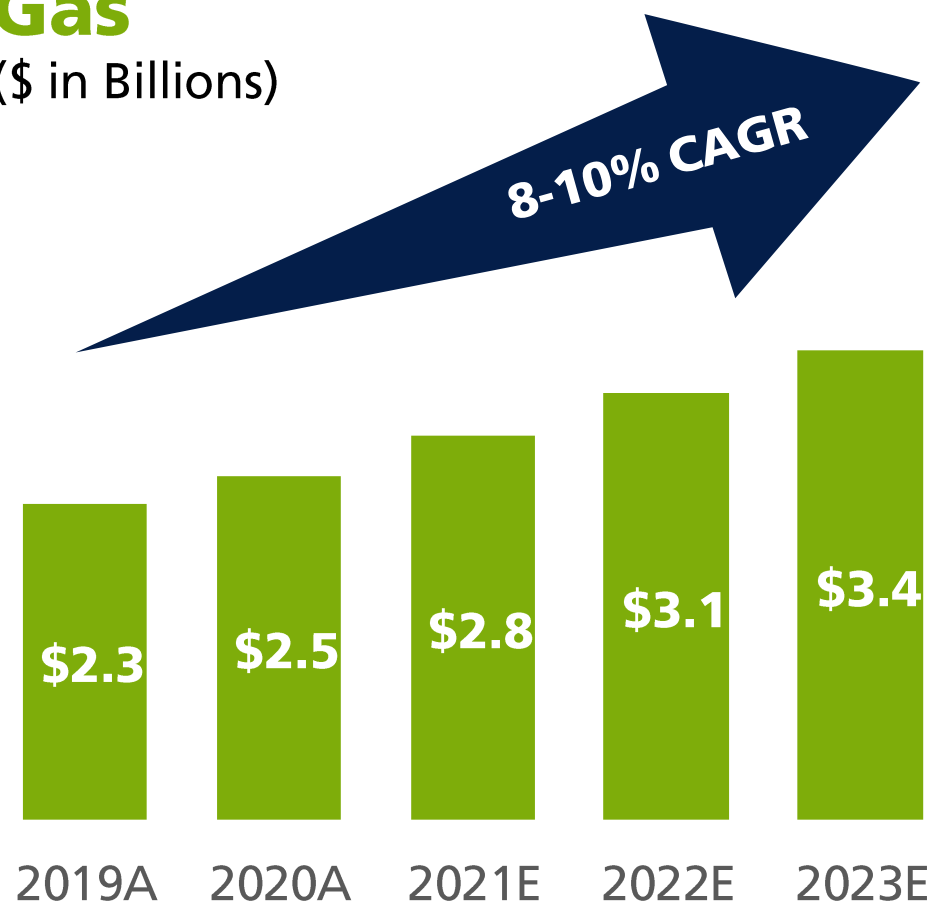
Water

(\$ 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.

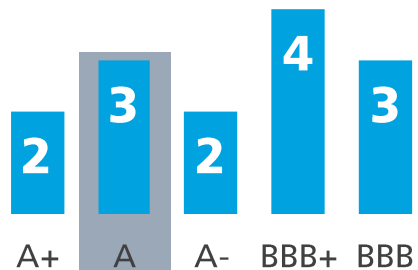
Strong Balance Sheet: Central to our Strategy



S&P Global Ratings

Issuer	Issuance
A	A-
A	A+
A	A

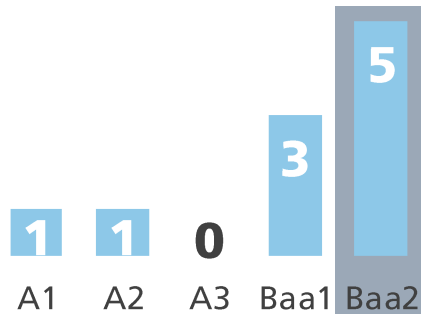
Peer Issuer Ratings⁽¹⁾



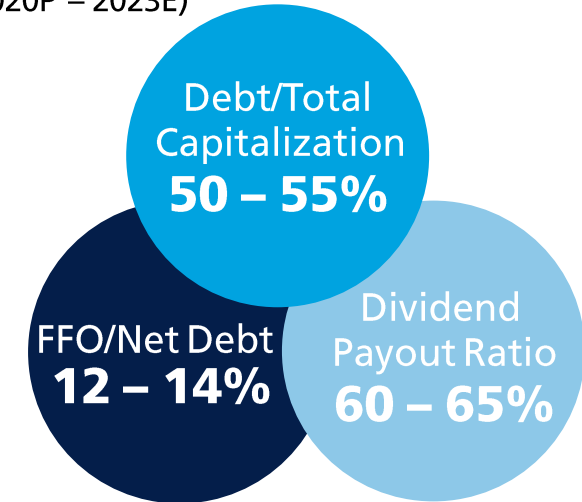
MOODY'S

Issuer	Issuance
Baa2	Baa2
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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.

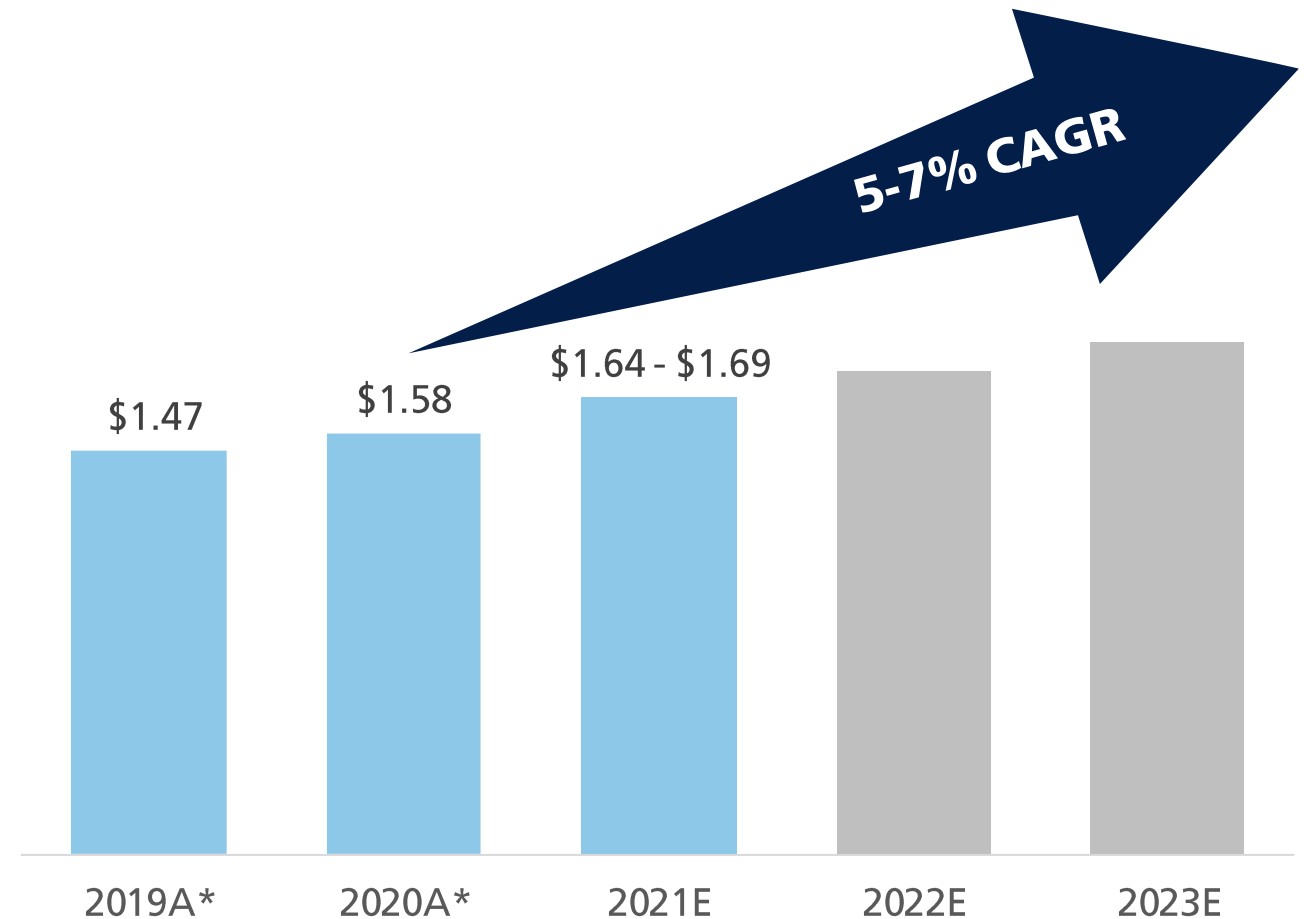
(1) Peer ratings include LNT, AWR, AWK, ATO, AVA, BKH, CWT, NJR, NI, NWE, OGE, OGS, SJI, SWX, and SR; not all peers have ratings from both agencies

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

2021 Priorities

Integration



- Continue Peoples integration
- Implement DELCORA integration plan

Growth



- Prepare for closing the 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 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