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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 8-K**

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**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of report (Date of earliest event reported): February 27, 2018**

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**Aqua America, Inc.**  
(Exact Name of Registrant Specified in Charter)

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**Pennsylvania**  
(State or Other Jurisdiction  
of Incorporation)

**001-06659**  
(Commission  
File Number)

**23-1702594**  
(I.R.S. Employer  
Identification No.)

**762 West Lancaster Avenue**  
**Bryn Mawr, Pennsylvania**  
(Address of Principal Executive Offices)

**19010-3489**  
(Zip Code)

**Registrant's telephone number, including area code: (610) 527-8000**

(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.02 Results of Operations and Financial Condition.**

On February 27, 2018, Aqua America, Inc. issued a press release announcing its financial results for the fourth quarter ended and year ended December 31, 2017. The full text of such press release is furnished as Exhibit 99.1 to this Form 8-K.

**Item 7.01 Regulation FD Disclosure.**

On February 28, 2018, Aqua America, Inc. is holding an Earnings Guidance Call via phone and webcast. As disclosed in its press release, dated February 27, 2018, the Earnings Guidance Call will begin at 12:15 p.m. on February 28, 2018. The presentation to be used during the Earnings Guidance Call is furnished as Exhibit 99.2 to this Form 8-K.

The information in this Form 8-K and the exhibits attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall this Form 8-K or its exhibits be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in any such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

99.1 [Press Release issued by Aqua America, Inc., February 27, 2018](#)

99.2 [Corporation Presentation of Aqua America, Inc., February 28, 2018](#)

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**AQUA AMERICA, INC.**

By: /s/ Christopher P. Luning  
Christopher P. Luning  
Senior Vice President, General Counsel and Secretary

Dated: February 27, 2018



Press Release

For release: Feb. 27, 2018

**Contact:** Brian Dingerdissen  
 Investor Relations  
 O: 610.645.1191  
[BJDingerdissen@AquaAmerica.com](mailto:BJDingerdissen@AquaAmerica.com)

Stacey Hajdak  
 Marketing & Communications  
 O: 610.520.6309  
[SMHajdak@AquaAmerica.com](mailto:SMHajdak@AquaAmerica.com)

### Aqua America reports earnings for 2017, announces 2018 guidance

- **Reported earnings per share of \$1.35 vs. \$1.32 in 2016**
- **Tax Cuts and Jobs Act results in \$3.1 million charge in 2017**
- **Invested a record \$478 million to improve infrastructure systems**
- **Announces 2018 guidance range of \$1.37 to \$1.42 earnings per diluted common share**

**Bryn Mawr, PA** – Aqua America Inc. (NYSE: WTR) today reported results for the fourth quarter and year ended Dec. 31, 2017, and announced its earnings guidance for 2018.

#### Full-year 2017 Operating Results

Aqua reported total operating revenues of \$809.5 million in 2017 compared to \$819.9 million in the prior year. Regulated segment revenues increased to \$804.9 million, compared to \$800.1 million in 2016. Rates and surcharges, regulated growth and other items increased regulated revenue by approximately \$14.4 million compared to 2016. A decrease in water consumption and market-based activities lowered revenue by \$9.4 and \$15.3 million, respectively.

Operations and maintenance expenses were \$287.2 million for 2017, compared to \$304.9 million in 2016. Reduced market-based activities and lower production costs decreased operations and maintenance expenses by \$21.9 million. Higher costs associated with regulated acquisitions and other expenses offset the reduction in expenses by \$8.0 million.

For the full-year 2017, Aqua reported net income of \$239.7 million, or \$1.35 per share, compared to \$234.2 million, or \$1.32 per share, in 2016. The Tax Cuts and Jobs Act enactment in December 2017 resulted in a non-cash charge to income tax expense of \$3.1 million.

“In 2017, Aqua continued to deliver on our long-term growth strategy by making significant investment in rehabilitating aged infrastructure and by building our pipeline of pending municipal acquisitions,” said Aqua America Chairman and CEO Christopher Franklin. “By focusing on the company’s core strengths, Aqua continues to be part of the solution to our nation’s deteriorating infrastructure, while also delivering long-term value to shareholders.”

## **Fourth Quarter 2017 Operating Results**

Revenues increased to \$203.3 million in the fourth quarter compared to \$196.8 million in the same quarter of 2016. Rates and surcharge revenue, consumption growth, regulated growth and other factors increased revenue by \$8.8 million. Lower revenue from market-based activities offset the increase by \$2.3 million.

Operations and maintenance expenses were \$79.2 million for the fourth quarter of 2017, compared to \$77.6 million in the fourth quarter of 2016. Reduced market-based activities and lower production costs decreased operations and maintenance expenses by \$6.0 million. Increasing costs associated with employee-related expenses, regulated acquisitions and other factors offset the reduction in expenses by \$7.7 million.

For the fourth quarter of 2017, Aqua reported net income of \$53.5 million, or \$0.30 per share, compared to \$49.6 million, or \$0.28 per share, in 2016. Reported results reflect the enactment of the Tax Cuts and Jobs Act which resulted in a non-cash charge to income tax expense of \$3.1 million in the fourth quarter of 2017.

## **Capital Expenditures**

In 2017, Aqua invested a record of \$478 million to improve its infrastructure systems. The company expects to invest approximately \$500 million in 2018 and approximately \$1.4 billion from 2018 to 2020. The capital investments made to rehabilitate and expand the infrastructure of the communities Aqua serves are paramount to helping the company to protect and provide Earth's most essential resource.

## **Dividend**

On Feb. 5, 2018 Aqua America's board of directors declared a quarterly cash dividend of \$0.2047 per share of common stock. This dividend is payable on March 1, 2018, to all shareholders of record on Feb. 16, 2018. The March dividend marks the 73rd year Aqua has paid a consecutive quarterly dividend.

## **Rate Activity**

In 2017, Aqua America's regulated subsidiaries received rate awards and infrastructure surcharges in Indiana, Illinois, New Jersey, North Carolina, Pennsylvania, Ohio, and Virginia, estimated to increase annualized revenues by approximately \$21.6 million.

To date in 2018, the company's state subsidiaries in Pennsylvania, North Carolina and Ohio have received rate awards or infrastructure surcharges totaling \$11 million. Additionally, the company currently has rate proceedings pending in Illinois, New Jersey and Virginia of \$15.8 million. The timing and extent to which the rate increases might be granted can vary by the applicable regulatory agency, and the outcome of these filings are expected to consider the effects of the recently enacted Tax Cuts and Jobs Act.

## **Acquisition Growth in Regulated Operations**

In 2017, the company invested \$5.9 million to acquire four water and wastewater systems. Acquisitions added approximately 1,000 new customers to the company's operating footprint. Coupled with organic growth, the company increased its customer base by 1 percent with 10,584 new customer connections. The company currently has six purchase agreements with municipal systems, which are expected to close in 2018 and represent more than 16,000 new customers. The company expects overall customer growth to be between 2 and 3 percent for 2018.

“In 2017, we continued to build on our consistent record of serving more customers each year which allows us greater economies of scale throughout our footprint. The six pending acquisitions along with organic growth would add more than 25,000 customers to our customer base in 2018,” said Franklin. “We remain very optimistic about the prospect of being a water and wastewater solution for an increasing number of customers.”

### **Financial Information**

At year-end 2017, Aqua America’s weighted average cost of fixed-rate long-term debt was 4.36 percent and the company had \$302 million available on its credit lines.

### **Tax Cuts and Jobs Act**

In December 2017, the Tax Cuts and Jobs Act, which included a reduction to the corporate federal income tax rate to 21 percent effective January 1, 2018, was signed into law. As a result, in the fourth quarter of 2017, in accordance with accounting standards Aqua America revalued its deferred income tax assets and liabilities at the new 21 percent federal income tax rate. This revaluation resulted in the recognition of both regulatory liabilities, to the extent that the tax savings over time will be passed back to customers in utility customer rates, and a non-cash adjustment was recognized to record additional income tax expense of \$3.1 million to the extent revalued deferred income taxes are not believed to be recoverable in utility customer rates.

### **2018 Guidance Highlights**

Aqua America has issued the following 2018 full-year guidance and expects to achieve the following results:

- **Earnings per diluted common share of \$1.37 to \$1.42**
- **Infrastructure investments of approximately \$500 million in 2018 for communities served by Aqua**
- **Infrastructure investments of approximately \$1.4 billion through 2020 in existing operations to improve and strengthen systems**
- **Total customer growth of between 2 and 3 percent**
- **Aqua Pennsylvania files a rate case in 2018 with resolution in 2019**

“Our 2018 guidance reflects the strong environment for growth that we are seeing as many municipalities recognize the benefits that can be attained by partnering with a large, professional water and wastewater provider,” Franklin said. “We expect this trend to continue as a result of the adoption of fair market value legislation and the national need for companies with our scale, expertise and capital to address the country’s pressing need for infrastructure improvements.”

Aqua America does not guarantee future results of any kind. Guidance is subject to risks and uncertainties, including, without limitation, those factors outlined in the “Forward Looking Statements” of this release and the “Risk Factors” section of the company’s annual and quarterly reports filed with the Securities and Exchange Commission (SEC).

### **Earnings and Guidance Event Information**

Date: Feb. 28, 2018

Time: 12:15 p.m. EST

Webcast and slide presentation link: <http://ir.aquaamerica.com/events.cfm>

The presentation will be webcast live so that interested parties may listen over the Internet by logging on to [AquaAmerica.com](http://AquaAmerica.com) and following the link for Investor Relations. The webcast and a transcript will be archived in the investor relations section of the company's website for 90 days following the call. Additionally, the call will be recorded and made available for replay at 4 p.m. on February 28, 2018 for 10 business days following the call. To access the audio replay in the U.S., dial 888.203.1112 (pass code 4661873). International callers can dial +1 719.457.0820 (pass code 4661873).

### **About Aqua America**

Aqua America is one of the largest U.S.-based, publicly traded water utilities and serves nearly 3 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana and Virginia. Aqua America is listed on the New York Stock Exchange under the ticker symbol WTR. Visit [AquaAmerica.com](http://AquaAmerica.com) for more information.

### **Caution Concerning Forward-Looking Statements**

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others: the expected earnings per share for the fiscal year ending in 2018; the expected increase in customer base for the fiscal year ending in 2018; and the company's filing of a Pennsylvania DSIC case in 2018 and a Pennsylvania rate case in 2018 and the expected outcome of the Pennsylvania rate case in 2019. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: the continuation of the company's growth-through-acquisition program; the desire of municipalities to sell their water and/or wastewater systems; the company's continued ability to adapt itself for the future and build value by fully optimizing company assets; general economic business conditions; the company's ability to fund needed infrastructure; housing and customer growth trends; unfavorable weather conditions; the success of certain cost containment initiatives; changes in regulations or regulatory treatment, including a change in federal tax policy; availability and access to capital; the cost of capital; disruptions in the credit markets; the success of growth initiatives; the company's ability to grow its dividend, add shareholder value and to grow earnings; municipalities willingness to privatize its water and/or wastewater utilities; the ability of the Company to successfully close and integrate the 6 municipal acquisitions in 2018; changes in policies in regulated commissions; changes in law in water and /or wastewater acquisitions; and other factors discussed in our Annual Report on Form 10-K, which is filed annually with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with Aqua America's business, please refer to Aqua America's annual, quarterly and other SEC filings. Aqua America is not under any obligation - and expressly disclaims any such obligation - to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

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The company's results stated here are unaudited. The final audited financial statements will be filed with the company's annual report on Form 10-K. The following statements and tables show selected operating data for the quarter and year ended December 31, 2017 and 2016 (in thousands, except per share data) for Aqua America, Inc. and subsidiaries.

Aqua America, Inc. and Subsidiaries  
Selected Operating Data  
(In thousands, except per share amounts)  
(Unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Operating revenues	\$ 203,312	\$ 196,799	\$ 809,525	\$ 819,875
Operations and maintenance expense	\$ 79,243	\$ 77,550	\$ 287,206	\$ 304,897
Regulated segment:				
Operating revenues	\$ 202,564	\$ 193,784	\$ 804,905	\$ 800,107
Net income	\$ 53,473	\$ 49,649	\$ 239,738	\$ 234,182
Basic net income per common share	\$ 0.30	\$ 0.28	\$ 1.35	\$ 1.32
Diluted net income per common share	\$ 0.30	\$ 0.28	\$ 1.35	\$ 1.32
Basic average common shares outstanding	177,697	177,365	177,612	177,273
Diluted average common shares outstanding	178,247	177,880	178,175	177,846



Aqua America, Inc. and Subsidiaries  
Consolidated Statement of Income  
(In thousands, except per share amounts)  
(Unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Operating revenues	\$203,312	\$196,799	\$809,525	\$819,875
Cost & expenses:				
Operations and maintenance	79,243	77,550	287,206	304,897
Depreciation	34,794	33,342	136,302	130,987
Amortization	64	654	422	2,021
Taxes other than income taxes	12,238	13,291	56,628	56,385
Total	<u>126,339</u>	<u>124,837</u>	<u>480,558</u>	<u>494,290</u>
Operating income	76,973	71,962	328,967	325,585
Other expense (income):				
Interest expense, net	23,217	20,458	88,341	80,594
Allowance for funds used during construction	(4,641)	(2,369)	(15,211)	(8,815)
(Gain) loss on sale of other assets	(162)	12	(484)	(378)
Equity loss (earnings) in joint venture	71	167	(331)	(976)
Income before income taxes	58,488	53,694	256,652	255,160
Provision for income taxes	5,015	4,045	16,914	20,978
Net income	<u>\$ 53,473</u>	<u>\$ 49,649</u>	<u>\$239,738</u>	<u>\$234,182</u>
Net income per common share:				
Basic	\$ 0.30	\$ 0.28	\$ 1.35	\$ 1.32
Diluted	\$ 0.30	\$ 0.28	\$ 1.35	\$ 1.32
Average common shares outstanding:				
Basic	<u>177,697</u>	<u>177,365</u>	<u>177,612</u>	<u>177,273</u>
Diluted	<u>178,247</u>	<u>177,880</u>	<u>178,175</u>	<u>177,846</u>

Aqua America, Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets  
(In thousands of dollars)  
(Unaudited)

	December 31, 2017	December 31, 2016
Net property, plant and equipment	\$ 5,399,860	\$ 5,001,615
Current assets	131,246	128,650
Regulatory assets and other assets	801,357	1,028,726
Total assets	<u>\$ 6,332,463</u>	<u>\$ 6,158,991</u>
Total equity	\$ 1,957,621	\$ 1,850,068
Long-term debt, excluding current portion, net of debt issuance costs	2,007,753	1,737,605
Current portion of long-term debt and loans payable	117,419	157,206
Other current liabilities	167,069	144,330
Deferred credits and other liabilities	2,082,601	2,269,782
Total liabilities and equity	<u>\$ 6,332,463</u>	<u>\$ 6,158,991</u>

# Aqua America

2017 Full Year Earnings Report & Analyst Update

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AQUA<sup>SM</sup>

NYSE: WTR



February 28, 2018

# 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' water 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 for the fiscal year ended December 31, 2017, 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.aquaamerica.com](http://www.aquaamerica.com)

# Today's Presenters



**Christopher Franklin**

Chairman, Chief Executive Officer and President



**Dave Smeltzer**

Executive Vice President & Chief Financial Officer



**Rick Fox**

Executive Vice President & Chief Operating Officer



**Kim Joyce**

Vice President, Regulatory, Government and External Affairs



**Dan Schuller**

Executive Vice President, Strategy & Corporate Development



**Brian Dingerdissen**

Vice President, Chief of Staff & Investor Relations

# Introduction

## Christopher Franklin

Chairman, Chief Executive Officer and President



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NYSE: WTR

# Today's Agenda

- Company Overview
- Financial Update
- Operations Overview
- Legislative and Regulatory Update
- Growth Strategy Update
- Summary and Outlook

# Company Overview



- **Large multi-state water & wastewater company**
- **Proven growth model**
- **History of industry leading profitability**
- **Above average dividend growth**



# U.S. Regulated Water and Wastewater Industry Overview



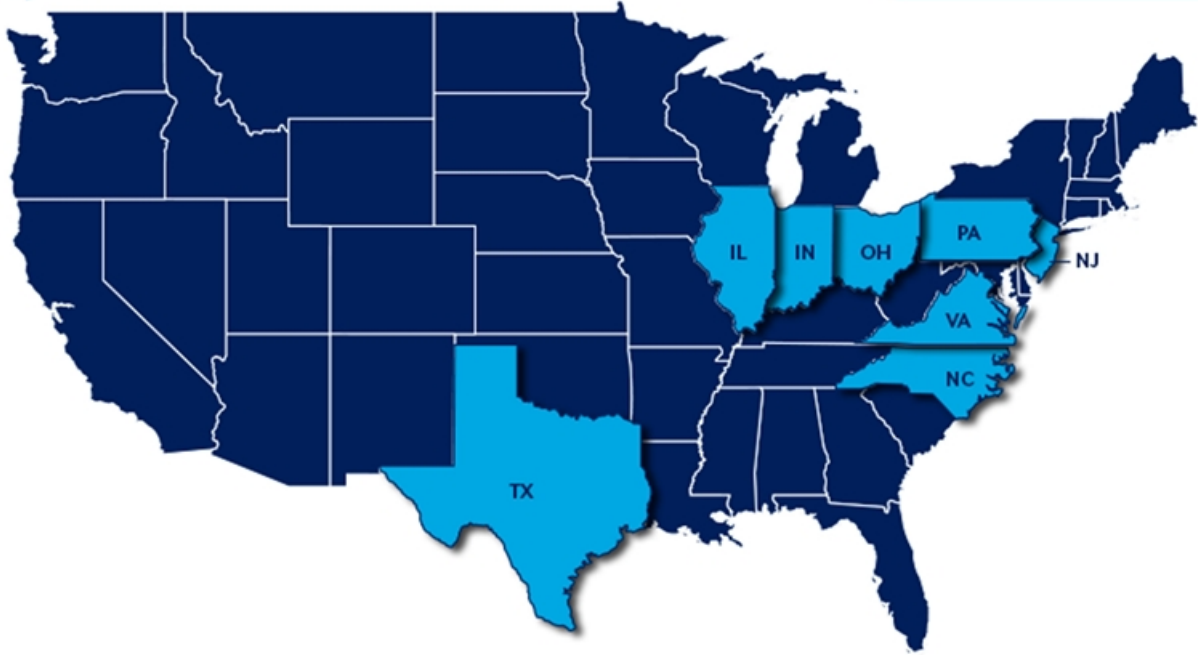
## Water

- 53,000 systems in the U.S.
- 85% of U.S. population served by municipalities
- Aqua serves 1% of U.S. population

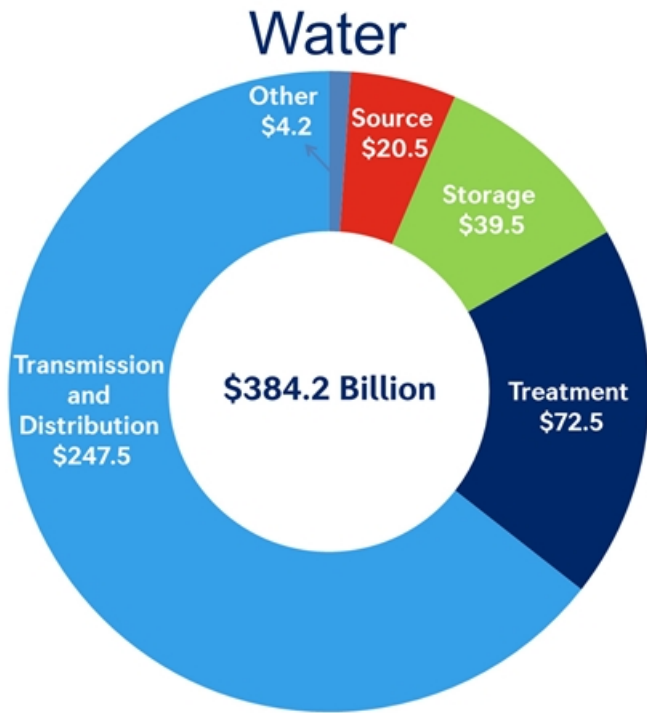


## Wastewater

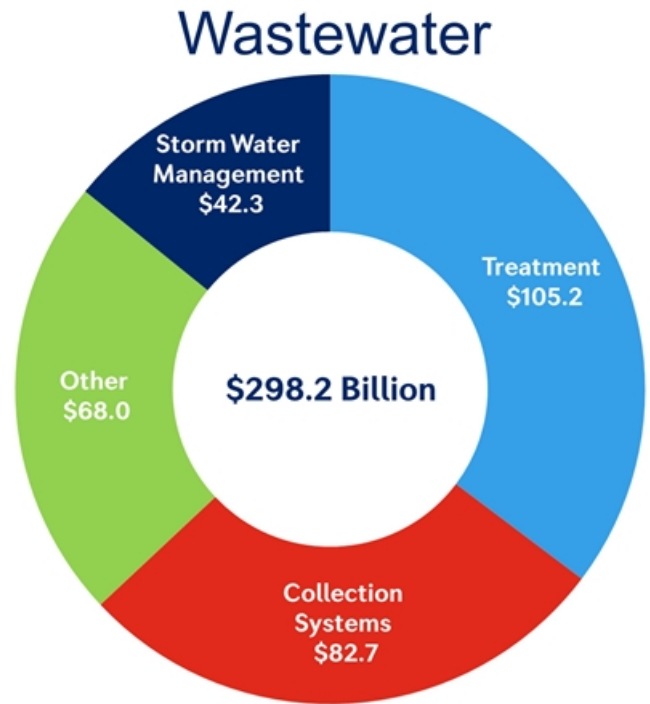
- 16,000 systems in the U.S.
- 97% of U.S. population served by municipalities
- Aqua serves 0.1% of U.S. population



# EPA's Estimate of the National Need for Infrastructure Investment



Source: 2013 EPA Needs Survey



Source: 2013 ASCE Infrastructure Report Card

American Society of Civil Engineers Grade for Drinking Water and Wastewater Infrastructure = D

# 2017 Full Year Highlights

## Acquisitions

- Four water and wastewater deals representing over 1,000 new customers
- Municipal pipeline expands with six pending acquisitions due to close in 2018

## Dividend Growth

- 7% year-over-year dividend growth
- 73 years of consecutive years of quarterly dividends
- Dividend CAGR of 7.9% since 2012

## Net Income Per Share



## Infrastructure Investment



# Financial Update

## Dave Smeltzer

Executive Vice President and Chief Financial Officer



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# 2017 Full Year Financial Results

In millions except per share	FY 2017		FY 2016	Variance
Revenue	\$809.5	▼	819.9	(1.3%)
Regulated Segment Revenue	\$804.9	▲	\$800.1	0.6%
Operations and Maintenance Expense	\$287.2	▼	\$304.9	(5.8%)
Regulated Segment Operations and Maintenance Expense	\$287.0	▲	\$285.3	0.6%
Net Income	\$239.7	▲	\$234.2	2.4%
Net Income per Share	\$1.35	▲	\$1.32	2.3%

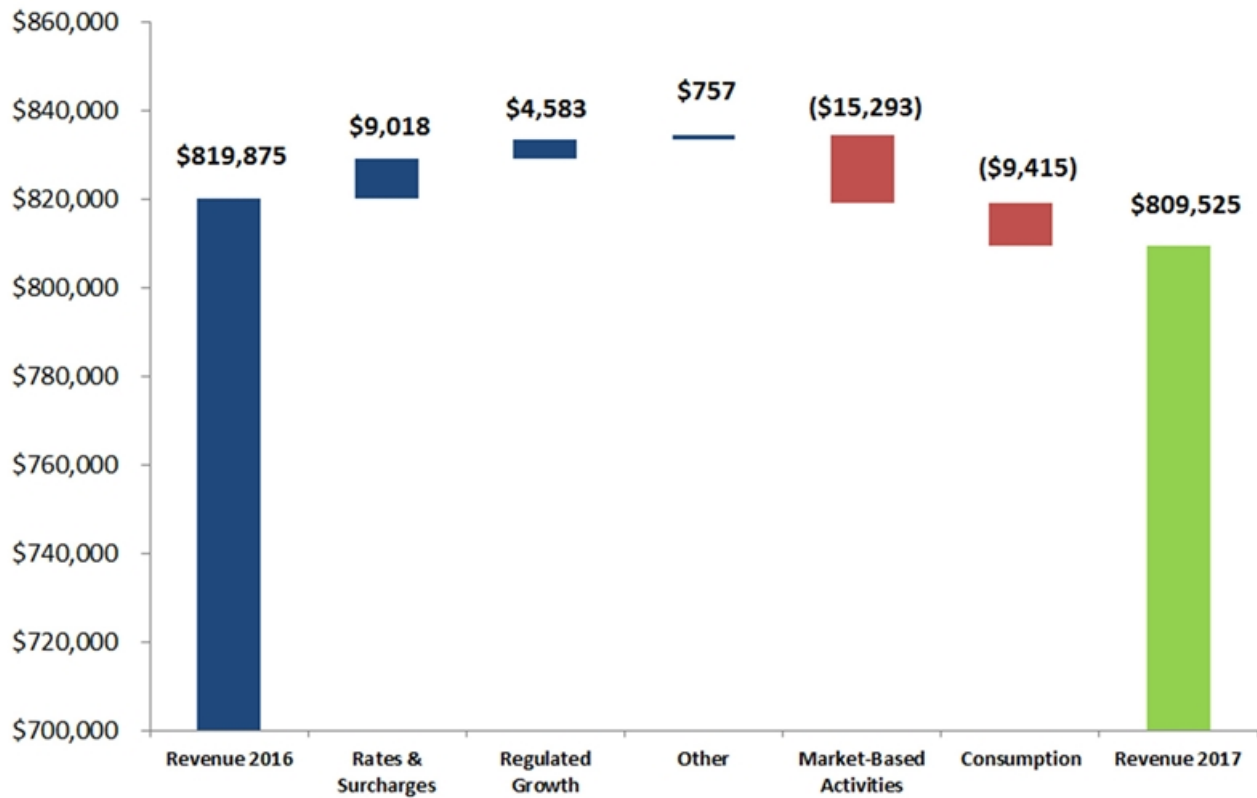
▲ Favorable Change

▼ Unfavorable Change

# Operating Revenues

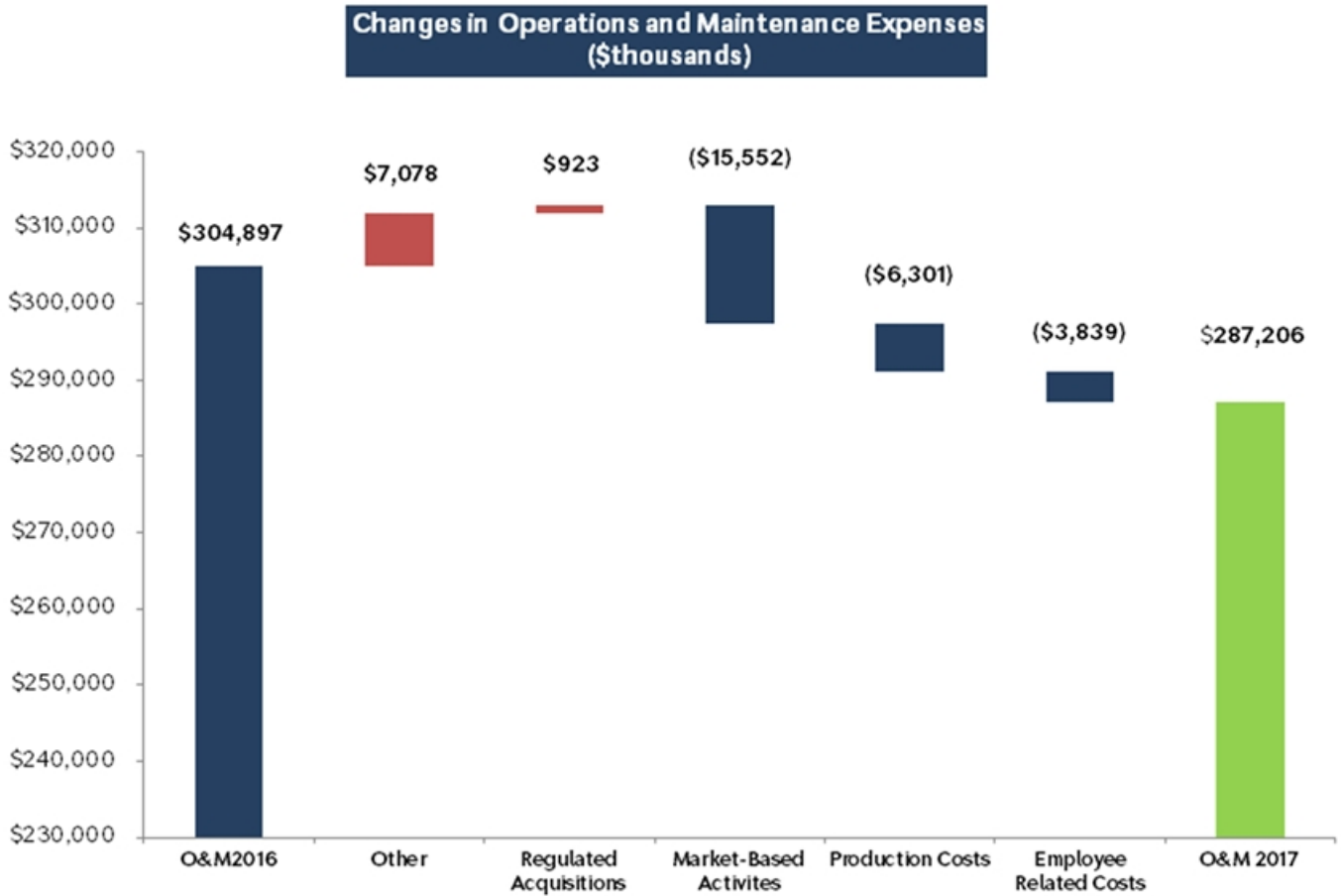
FY 2017 vs. FY 2016

## Changes in Operating Revenues (\$thousands)



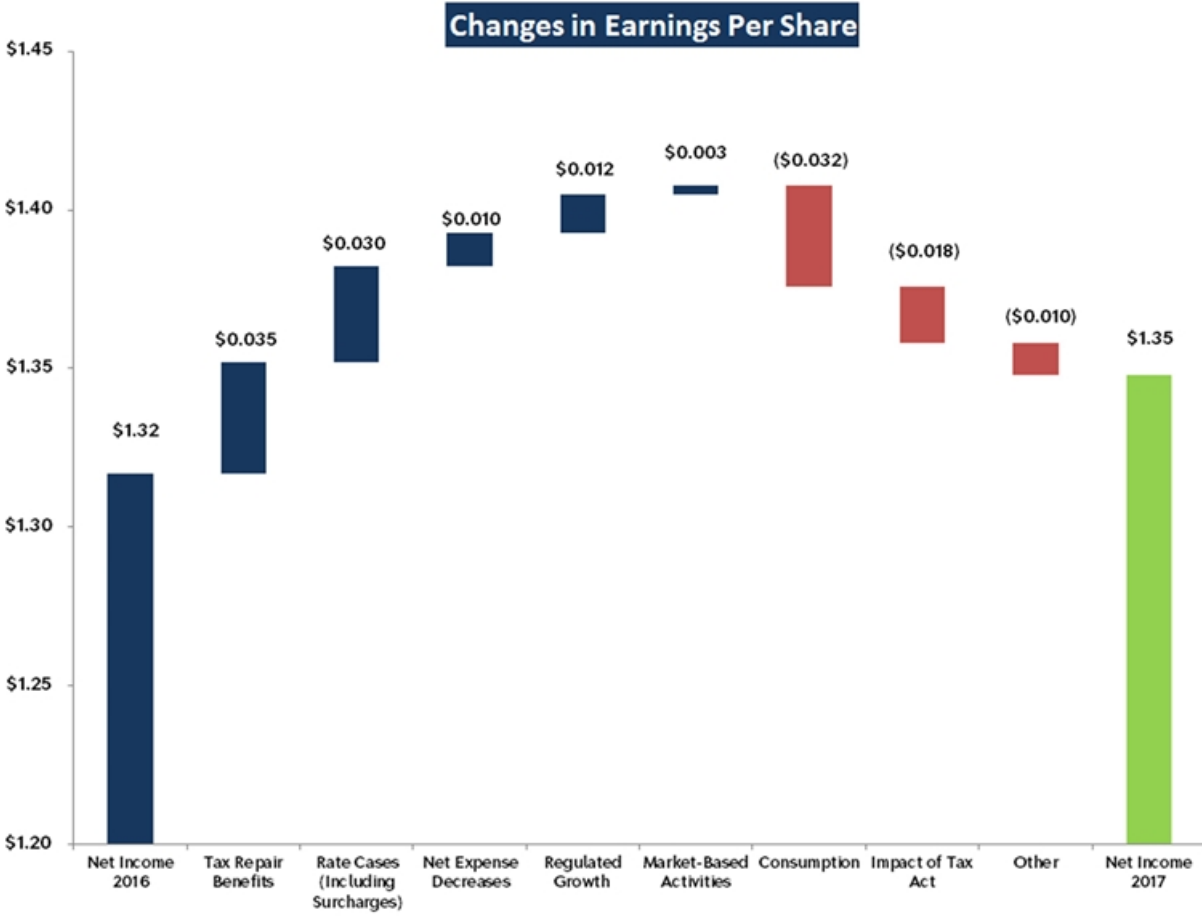
# Operations & Maintenance Expenses

FY 2017 vs. FY 2016



# Earnings per Common Share

FY 2017 vs. FY 2016





# Tax Reform Implications

## 2017

- Write-off of \$3.1M
  - Typically related to deferred comp, goodwill and deferred gains
- \$303 million Deferred Income Tax reclassified to Regulatory Liability
- Ultimately be refunded to customers

## 2018

- Tax savings typically being deferred for future return to customers
- Exceptions
  - Negative impact in PA due to NOL status
  - Positive impact in Market Based and negotiated / divisions

# Accounting for Tax Reform

Accrue 21% for Federal Income Tax @ 1/1/2018

```
graph TD; A[Accrue 21% for Federal Income Tax @ 1/1/2018] --> B[Remaining 14%, will be recorded as:]; B --> C[Reduction in Revenue (DR)]; B --> D[Recognition of Regulatory Liability (CR)]; C --> E[Regulatory Liability]; D --> E; E --> F[To be refunded to customers based on specific state requirements];
```

Remaining 14%, will be recorded as:

Reduction in Revenue (DR)

Recognition of Regulatory Liability (CR)

Regulatory Liability

To be refunded to customers based on specific state requirements

# Change in Corporate Tax Rate

(Illustrative Example)

	35% Tax Rate	21% Tax Rate
Revenue	\$1.00	\$0.88
Expenses	\$(0.35)	\$(0.35)
Pre-Tax Income	\$0.65	\$0.53
<i>Federal Tax Rate</i>	35%	21%
Federal Income Tax	\$(0.23)	\$(0.11)
<b>Net Income</b>	<b>\$0.42</b>	<b>\$0.42</b>

## Taxability of Capital Contributions (CAC / CIAC)

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- Estimated \$27 Million in CAC/CIAC Additions
- Taxes estimated to be \$6 million
- Balance Sheet only
- Some states will recognize deferred tax asset in rate base

# Key Benefits

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- Reduces rates / bills without impacting profitability
- Helps comparability to municipal bills
- Reduces the future increases required related to Capital additions
- 7:1 projects become 8:1 projects
- Permits more system improvements in a typical 5% infrastructure surcharge

# PA Rate Case Summary

## Timeframe:

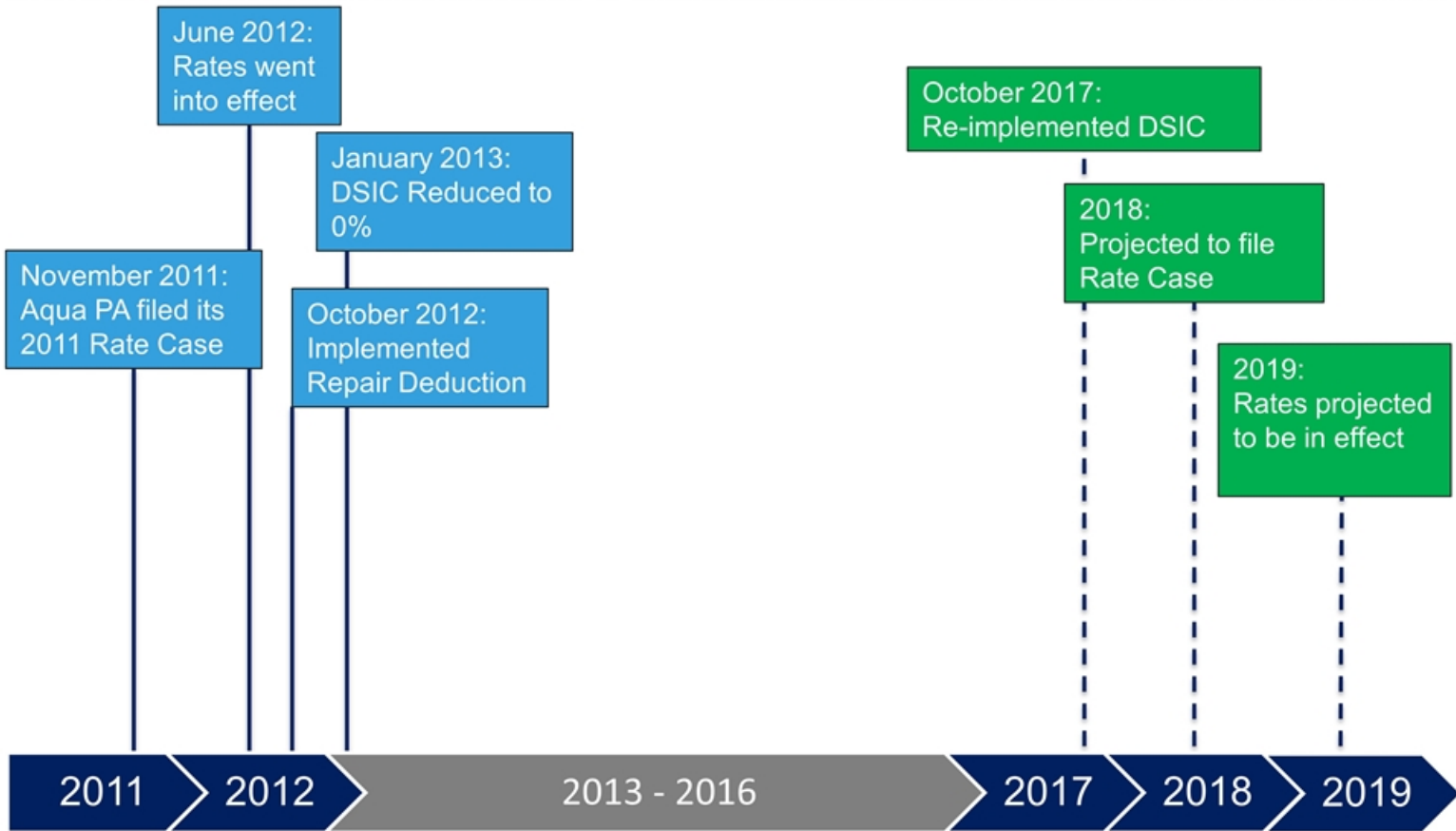
- File: Summer 2018
- Complete: Spring 2019

## Case Summary/Issues:

- First case filed in 7 years
- Over \$2 billion of capital
- Consolidated Water & WW
- Over 20 Acquisitions
- First filing using Fully Projected Future Test Year
- Tax Act and Tax Repair

Year	PA CAPX (\$000's)
2012	\$129,923
2013	\$212,721
2014	\$214,155
2015	\$248,354
2016	\$251,373
2017	\$308,006
'18 and '19 (est.)	\$650,000
<b>Total</b>	<b>\$2,014,532</b>

# PA Rate Case Summary



# Rate Activity

## 2017 Completed Rate Cases and Infrastructure Surcharges

- Base rate cases or infrastructure surcharges completed in IN, IL, NJ, NC, PA, OH, and VA
- \$22 million in additional annualized revenue

## 2018 Completed Rate Cases and Surcharges

- Base rate cases or infrastructure surcharges completed in NC, OH and PA
- \$11 million in additional annualized revenue

\*Additional rate activity information provided in Appendix



# Rate Activity

(Continued from previous page)

## Pending Rate Cases and Surcharges

- Base rate cases or infrastructure surcharges in IL, NJ and VA with requested annualized revenue increase of \$16 million

\*Additional rate activity information provided in Appendix

# Operations Overview

## Rick Fox

Executive Vice President and Chief Operating Officer

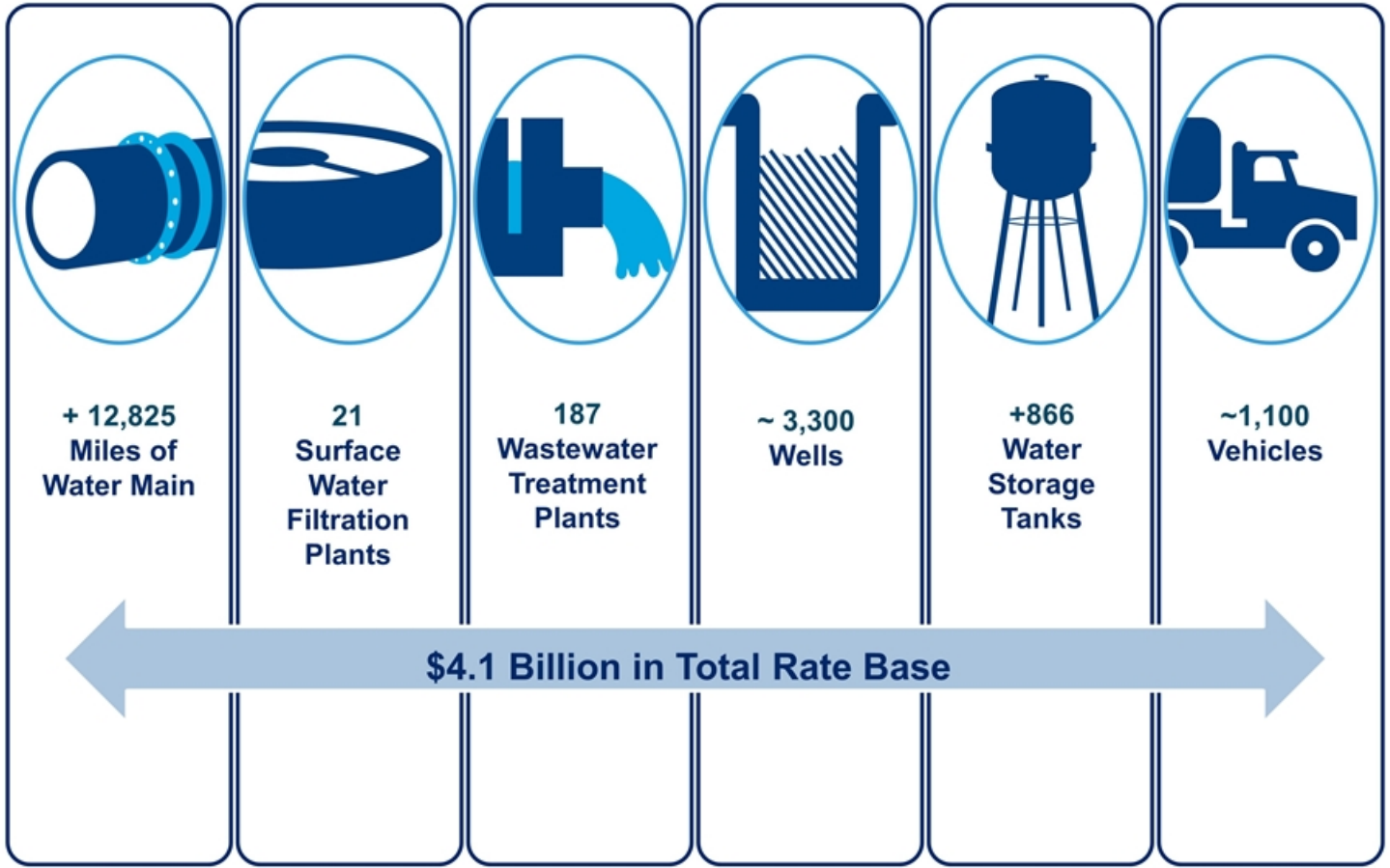


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# Infrastructure Footprint

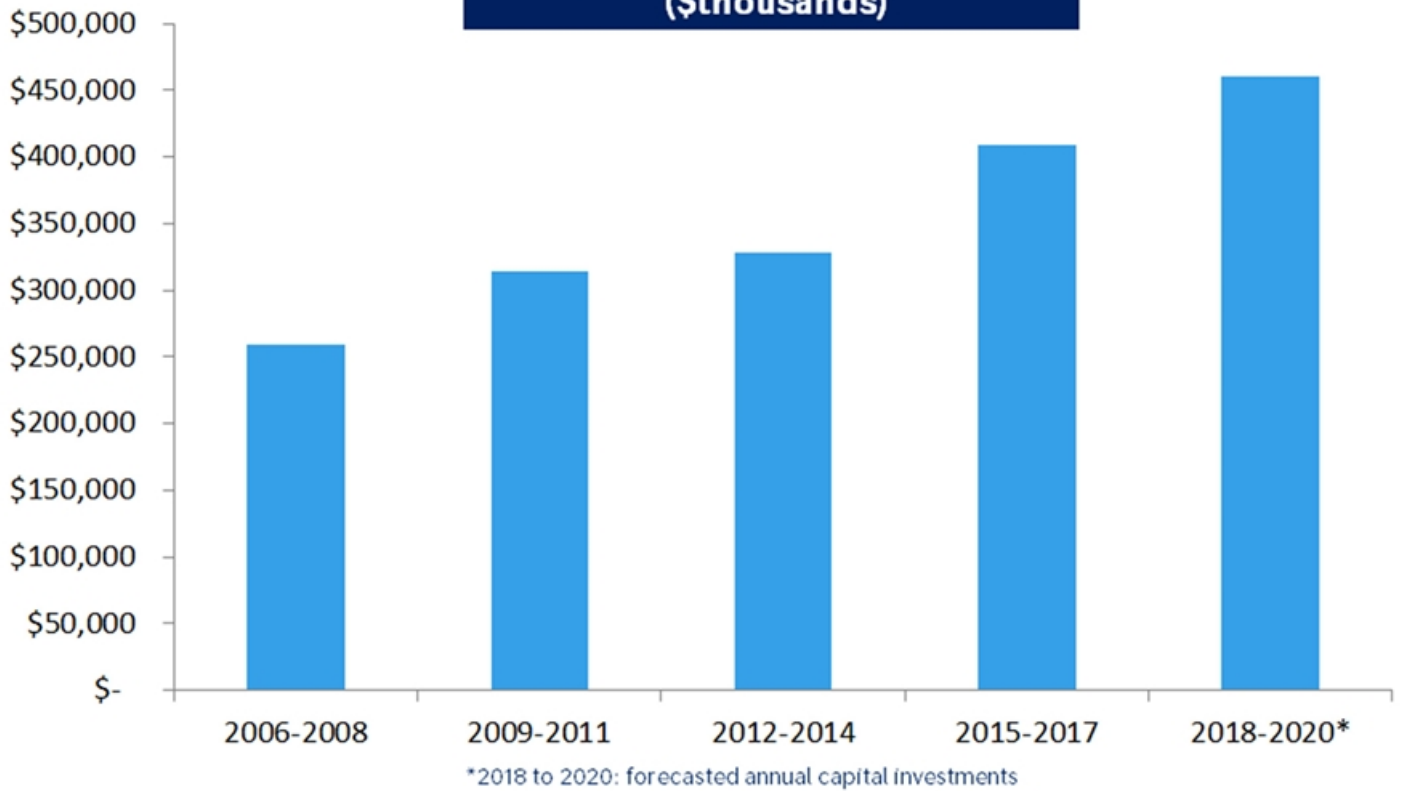
as of December 31, 2017



# Building for the Future

## Regulated Operations

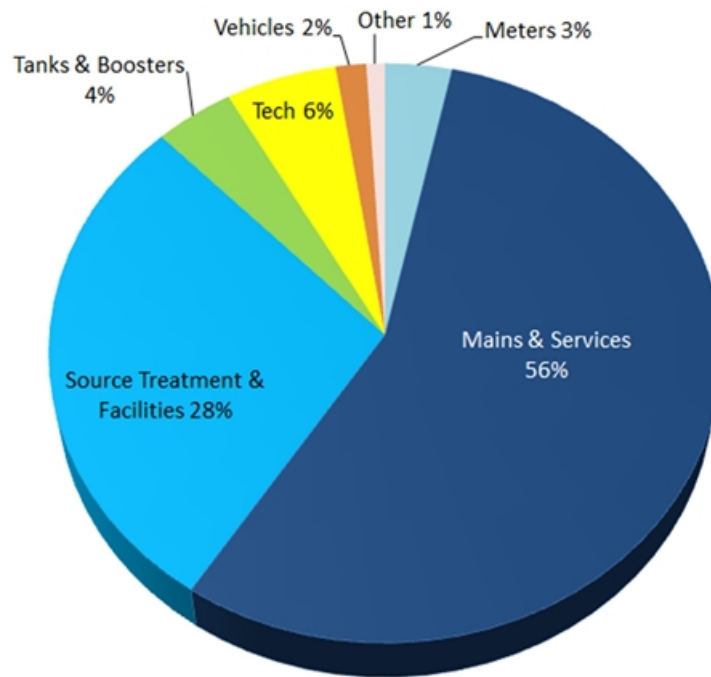
### Average Annual Capital Investment (\$thousands)



# Infrastructure Investment

## Regulated Operations

### Capital Investment Breakdown 2018 - 2020



**3 YEAR TOTAL= \$1.4 billion**

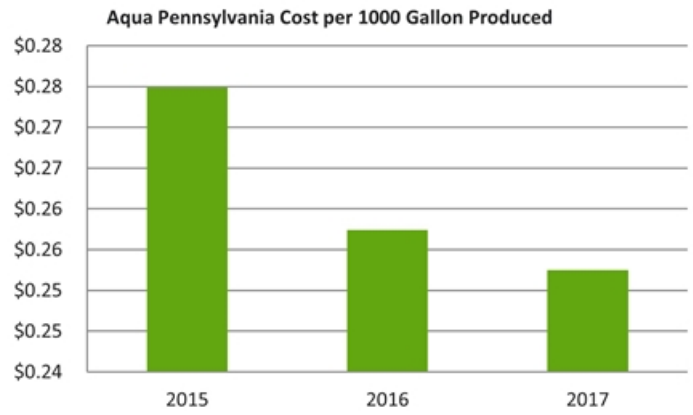
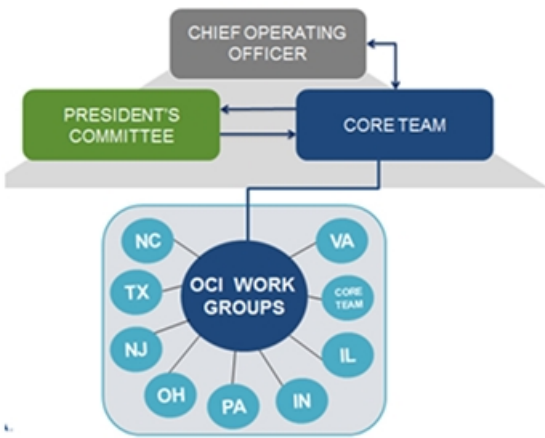
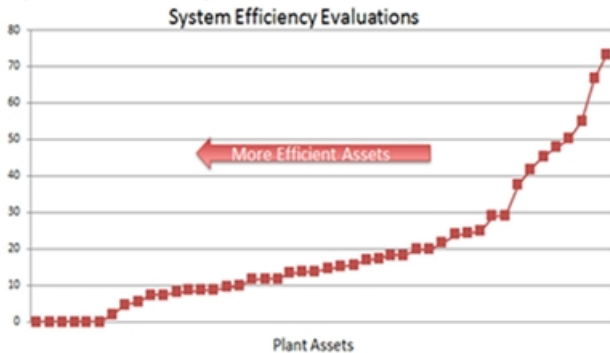
# State by State Comparison

as-of December 31, 2017

State	Rate Base (\$millions)	Water Connections	Wastewater Connections
PA	\$2,831	437,985	21,306
OH	287	145,000	6,719
IL	276	63,699	9,821
TX	241	63,046	16,869
NJ	172	53,115	6,125
NC	165	79,906	18,293
IN	74	1,169	26,371
VA	77	25,676	7,749
<b>Total</b>	<b>\$4,123</b>	<b>869,596</b>	<b>113,253</b>

# Energy Optimization

- Reduce Costs
- Operational Excellence
- Increase Accountability



# Safety at Aqua





# Legislative and Regulatory Update

## Kim Joyce

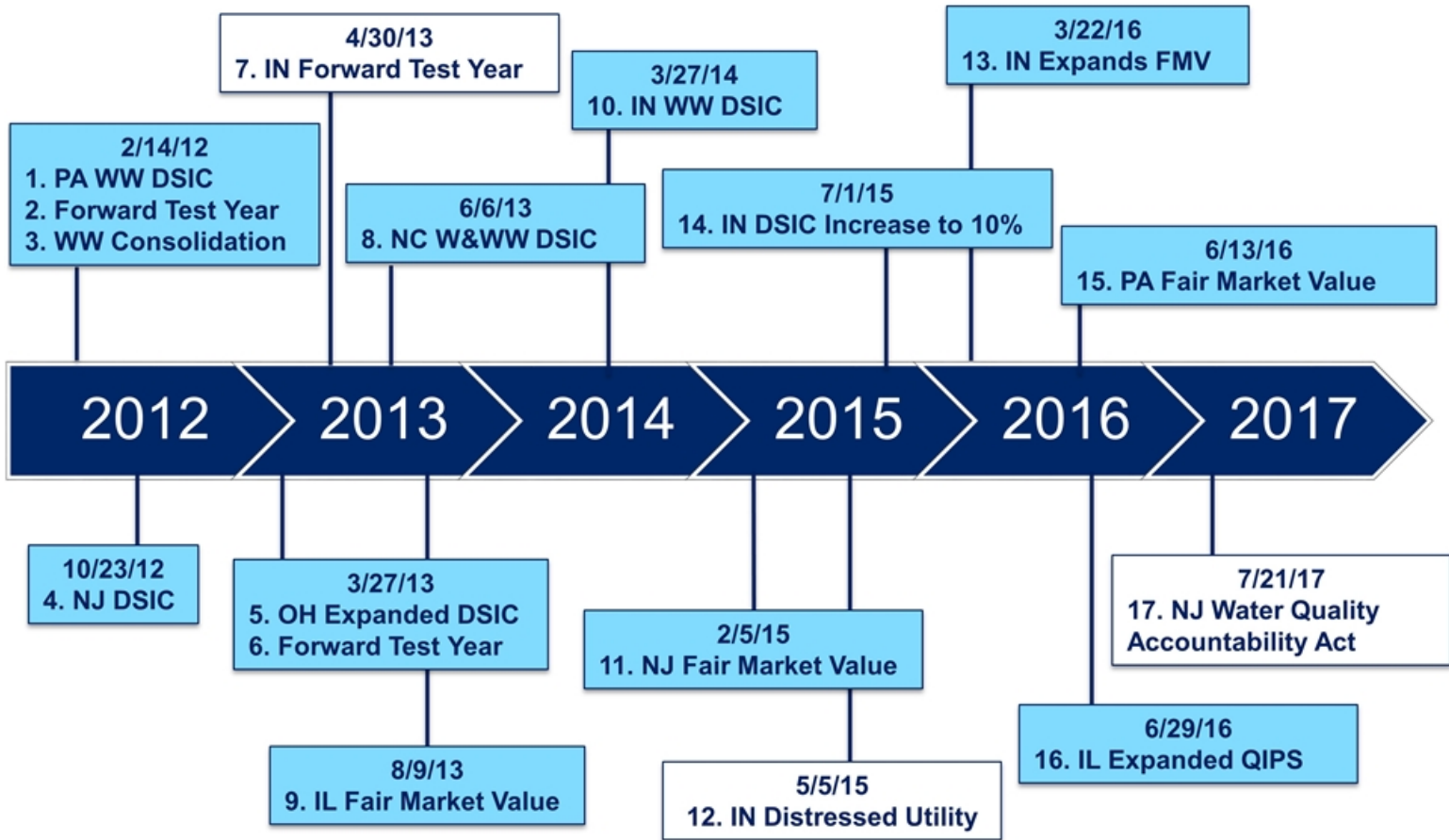
Vice President, Regulatory, Government and External Affairs



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# Water & Wastewater Regulatory Trends



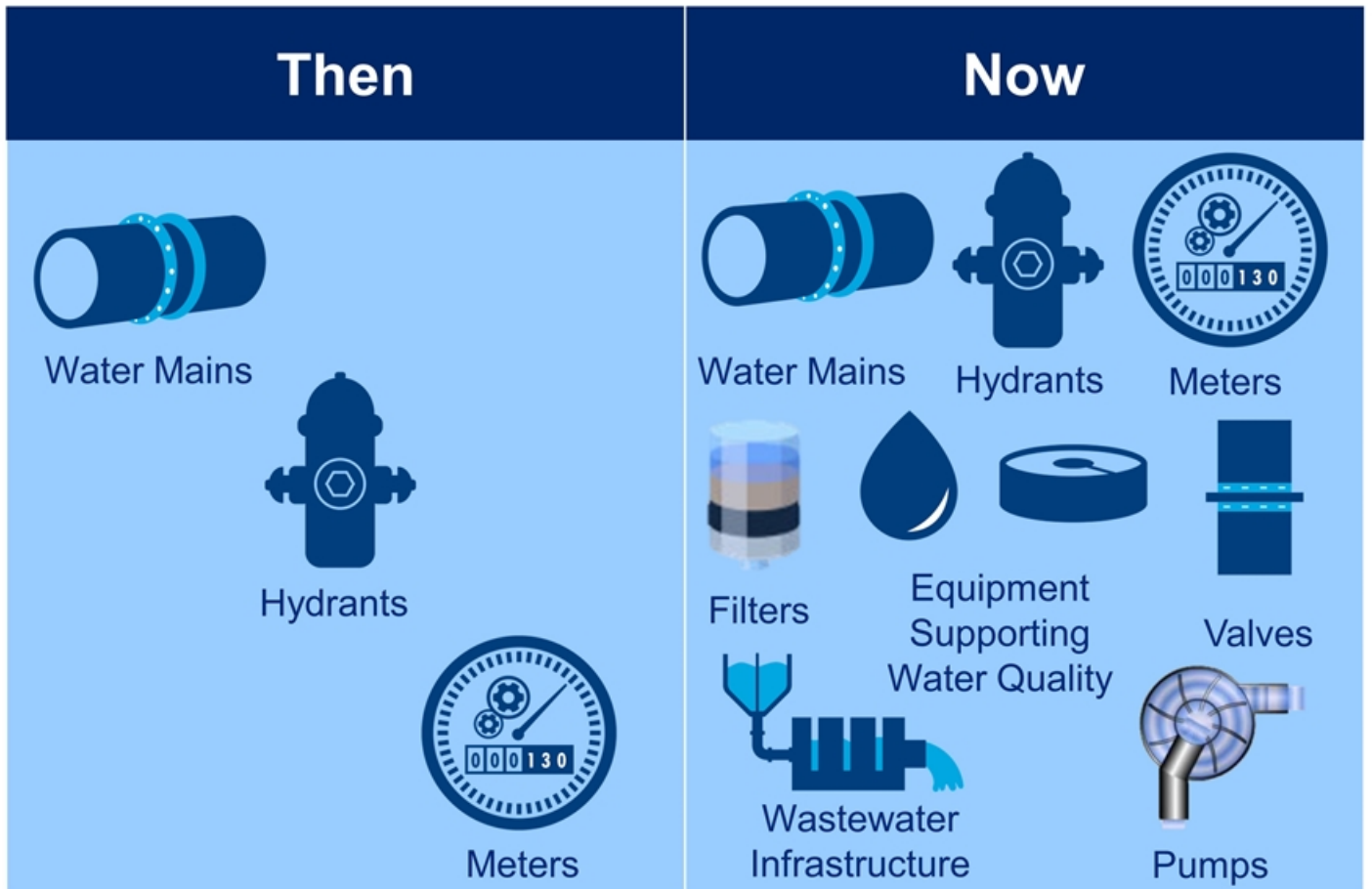
# Aqua States with Infrastructure Surcharges

State	Allowed Surcharge
IL	2.5% Avg. Annual Increase
IN	10%
NC	5%
NJ**	5%
OH	12.75% water 9% wastewater
PA	7.5% water 5% wastewater

\* 16 additional states have water infrastructure surcharges

\*\* Water only

# DSIC Applications



# Benefits of Fair Market Value Legislation

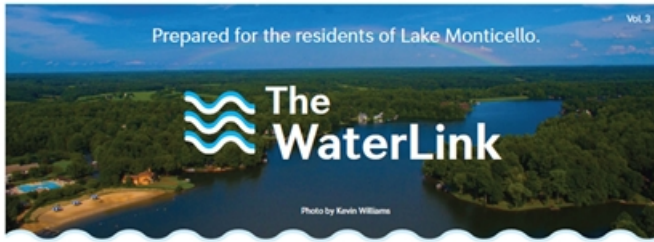
- Allows municipalities to receive fair value for their assets
- Provides municipalities with options for their aging systems
- Voluntary process
- Acquisitions approved by the state commission
- Increases regionalization of the water and wastewater industry

## Success Snapshot!

### Completed FMV Acquisitions in IL

North Main (Water)	\$18,590,000
North Main (Wastewater)	\$3,410,000
Crystal Clear (Water)	\$785,000
Eastwood Manor (Water)	\$785,000
Nunda Utilities (Water)	\$715,000

# Customer Communications



AQUA Aqua  
@MyAquaAmerica

Follow

Have you explored our tips for living a #WaterSmart life? There are ways to reduce #water usage around every corner: [bit.ly/1gGF3VP](http://bit.ly/1gGF3VP)



## Infrastructure, Operating Costs Drive Rate Request

In the last two years, Aqua Virginia has spent about \$3.3 million in the Lake Monticello community on capital improvements to provide and improve water and wastewater services to customers while complying with health and environmental regulations. Aqua filed

## Water is Essential



## AQUA Blog

<< Water Conservation: Back to School Edition | Aqua Leadership Travels to Panama to Provide Water Quality Expertise >>

### Imagine a Day Without Water: Creating Awareness for Our Most Valuable Resource

September 14th, 2016 2:12 PM

Comments (0)



# Helping Communities & Employees Enjoy More Good!



# Growth Strategy Update

**Dan Schuller**

Executive Vice President, Strategy and Corporate Development

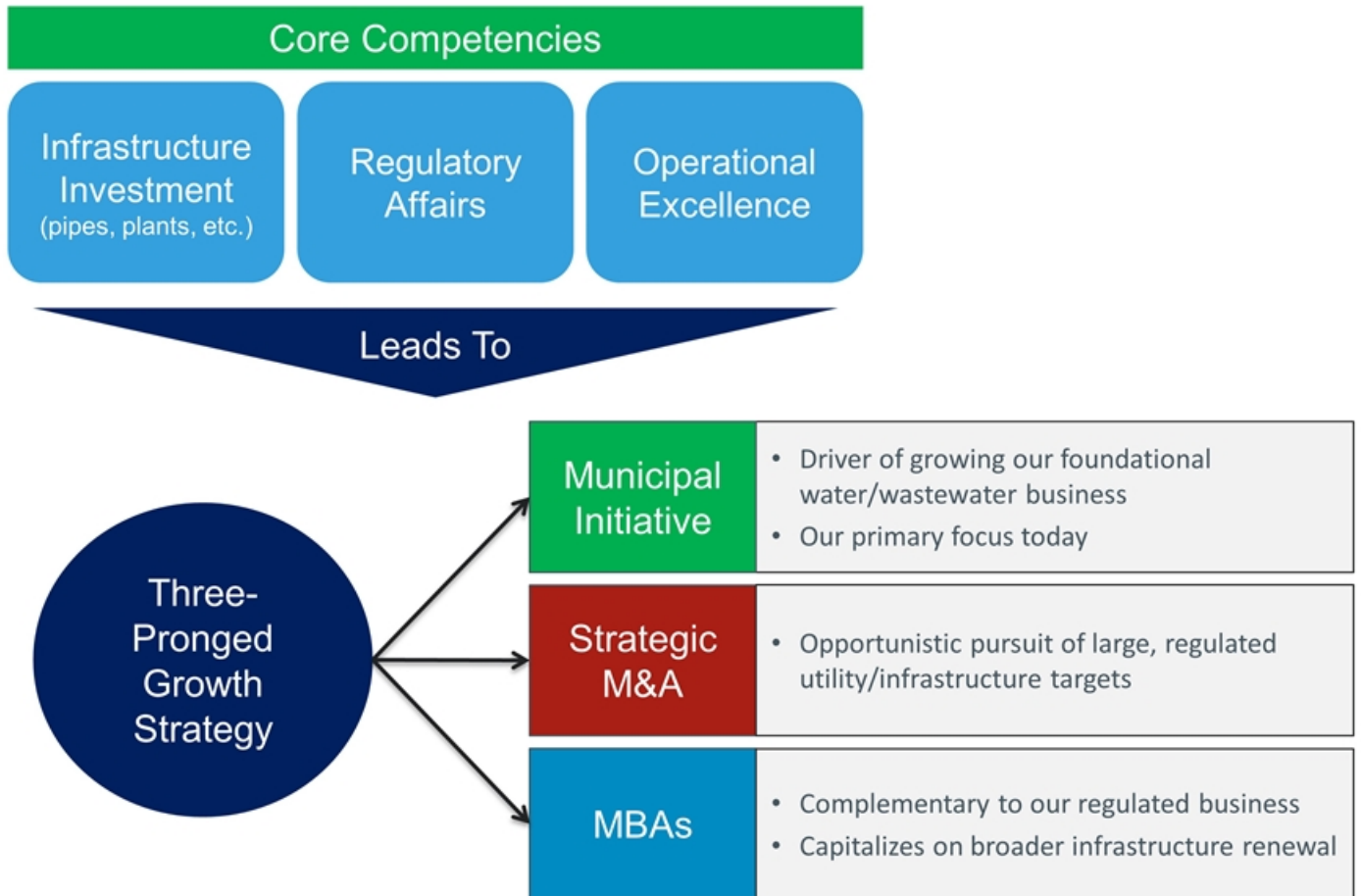


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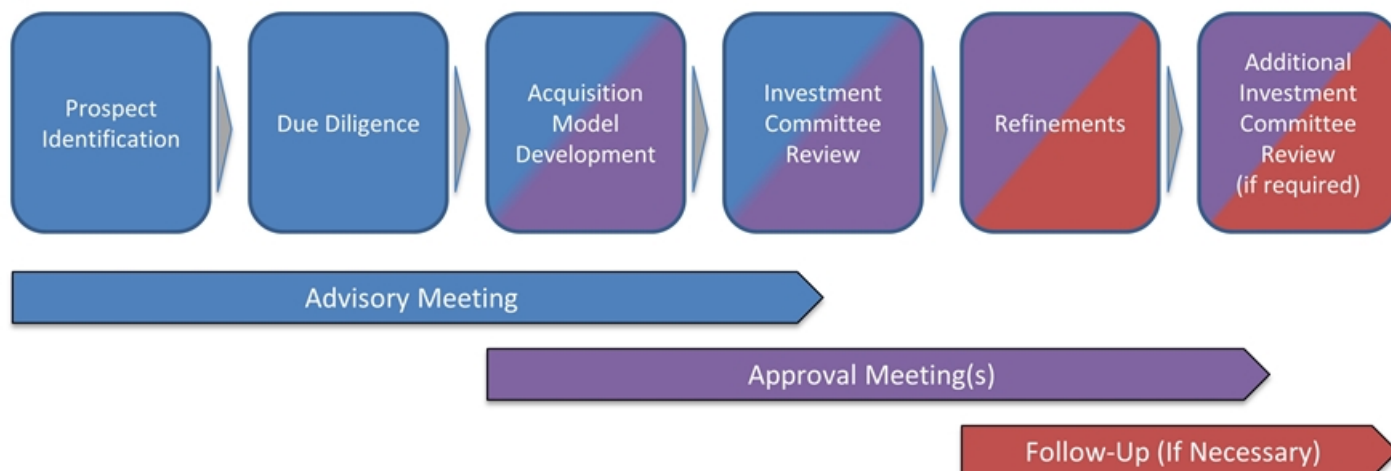
# Aqua America Growth Strategy



# Aqua America Investment Committee

*Our Investment Committee (IC) process is a “well-oiled machine” through which the company’s executives review, shape, and approve/reject acquisition opportunities.*

“Kitchen Cabinet” Meeting: Prior to presenting to full IC, states use the “Kitchen Cabinet” for guidance

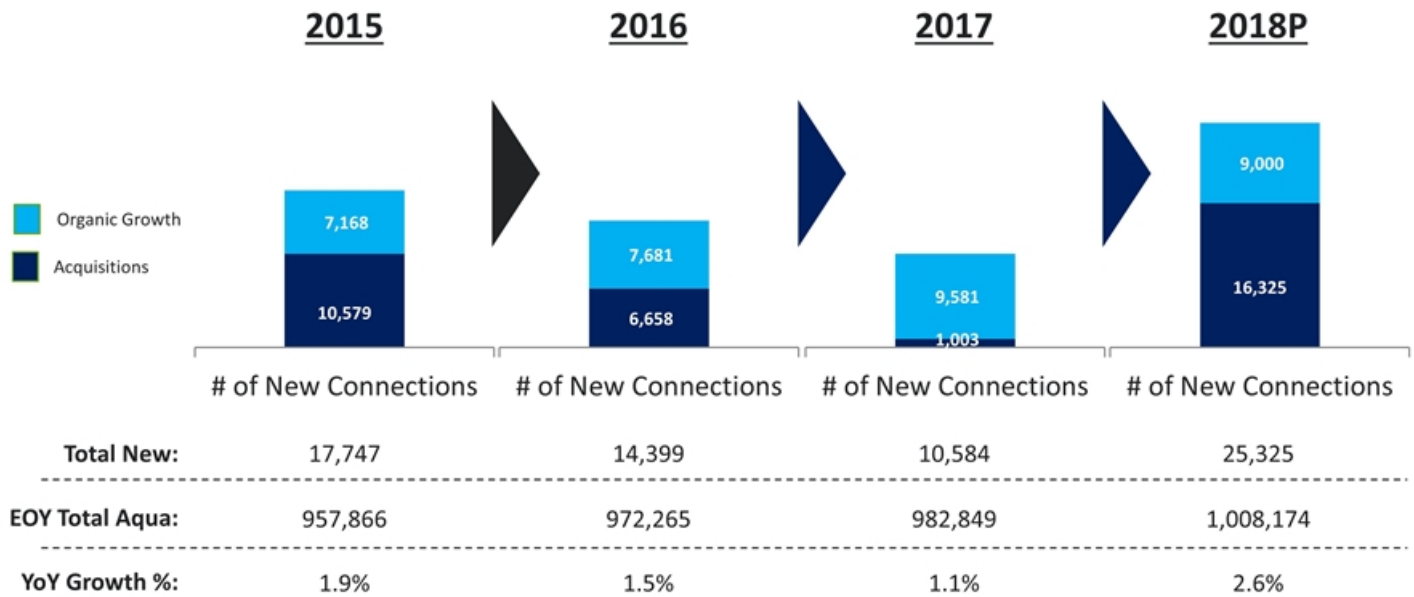


## 2017 Total Activity

- **Number of “Kitchen Cabinet” Meetings:** 11 meetings
- **Number of IC Meetings and Follow-Up Calls:** 21 regularly scheduled and seven follow-up meetings to further assess acquisitions
- **Total potential acquisitions reviewed:** 37

# Historical Growth Performance

*If we include our 2018 projections, from 2015 to 2018, we will average a total of ~17,000 new customers per year, with an average of ~8,600 from acquisitions.*



Two transactions that were expected to close in 2017 shifted to 2018.

# 2018 Municipal Acquisition Activity

*We have six municipal acquisitions that are signed and slated to close in 2018.*

Acquisition <sup>1</sup>	Type	Approx. Number of Customers	Approx. Purchase Price (\$000s)
<i>Expected to Close in 2018</i>			
System A	WW	5,400	\$75,100
System B	WW	2,100	\$29,500
System D	W	600	\$3,600
System E	W / WW	2,987	\$12,300
System F	WW	3,838	\$25,200
System G	WW	1,400	\$5,000
<b>Total</b>		<b>16,325</b>	<b>\$150,700</b>

1) System C (Tobyhanna, PA) closed in 2017

# Large Municipal Acquisitions in Development

*Our 10 largest municipal potential acquisitions total over 289,000 connections.*

Target	Approx. # of Customers	Type
System 1	85,000	W
System 2	50,000	W
System 3	45,000	W
System 4	30,000	W / WW
System 5	25,000	W / WW
System 6	25,000	WW
System 7	10,000	WW
System 8	8,000	W / WW
System 9	7,000	WW
System 10	4,600	WW
<b>Total</b>	<b>289,600</b>	<b>-</b>

These large targets are in four of our states.

# Summary and Outlook

## Christopher Franklin

Chairman, Chief Executive Officer and President



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# 2018 Guidance

## Earnings

- Full-year earnings per share between \$1.37 – \$1.42

## Capex

- Infrastructure investment of approximately \$500 million in 2018
- Infrastructure investment of approximately \$1.4 billion through 2020 in existing operations
- Rate base growth of approximately 7%

## Rate Activity

- Aqua Pennsylvania, expects to file a rate case in 2018

## Customer Growth

- Customer growth of 2% to 3% year-over-year

# Q&A Session



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For more information contact:  
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Vice President, Chief of Staff and Investor Relations  
610.645.1191  
[BJDingerdissen@AquaAmerica.com](mailto:BJDingerdissen@AquaAmerica.com)

# Appendix





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## 2017 Fourth Quarter Financial Results

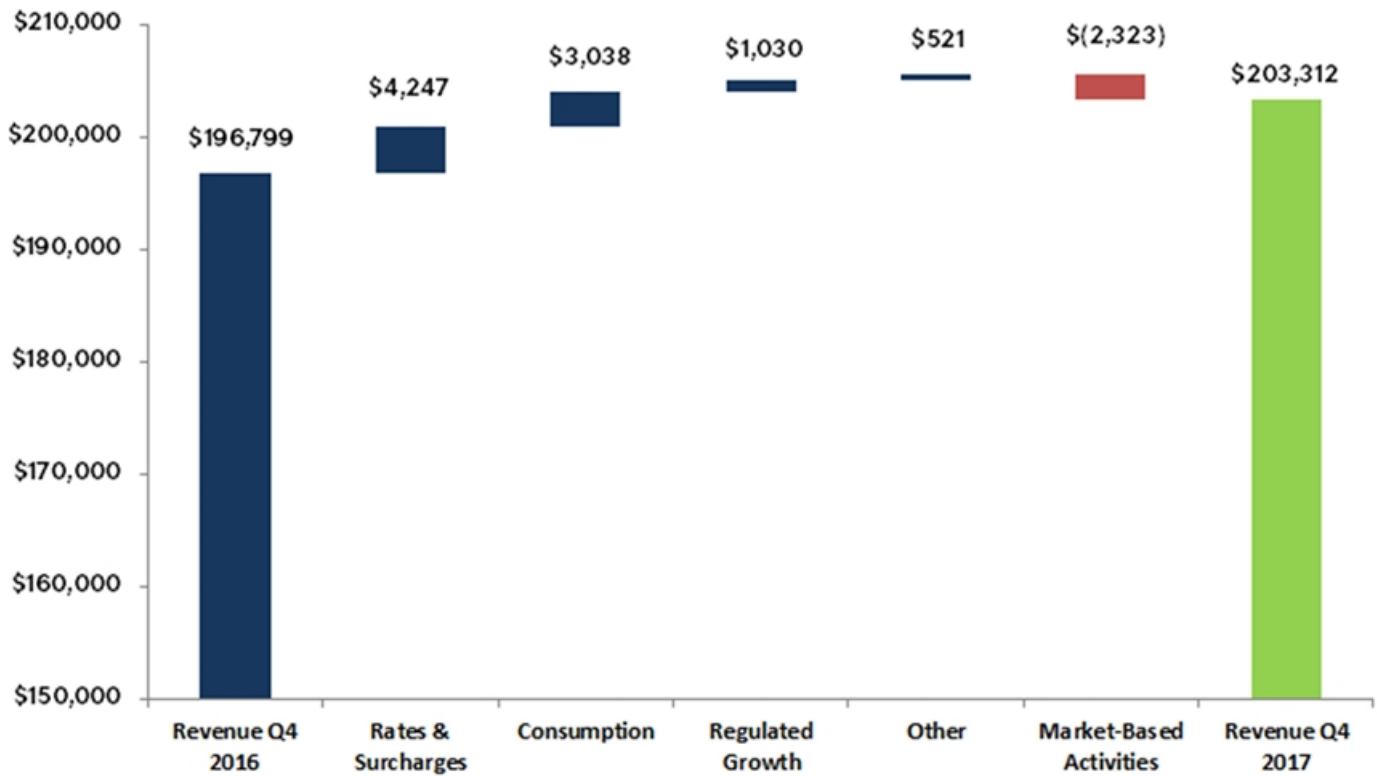
	In millions except per share	Q4 2017	Q4 2016	Variance
Revenue		\$203.3	▲ \$196.8	3.3%
Regulated Segment Revenue		\$202.6	▲ 193.8	4.5%
Operations and Maintenance Expense		\$79.2	▲ \$77.6	2.2%
Regulated Segment Operations and Maintenance Expense		\$80.7	▲ \$75.3	7.2%
Net Income		\$53.5	▲ \$49.6	7.7%
Net Income per Share		\$0.30	▲ \$0.28	7.1%

 Favorable Change  
 Unfavorable Change

# Operating Revenues

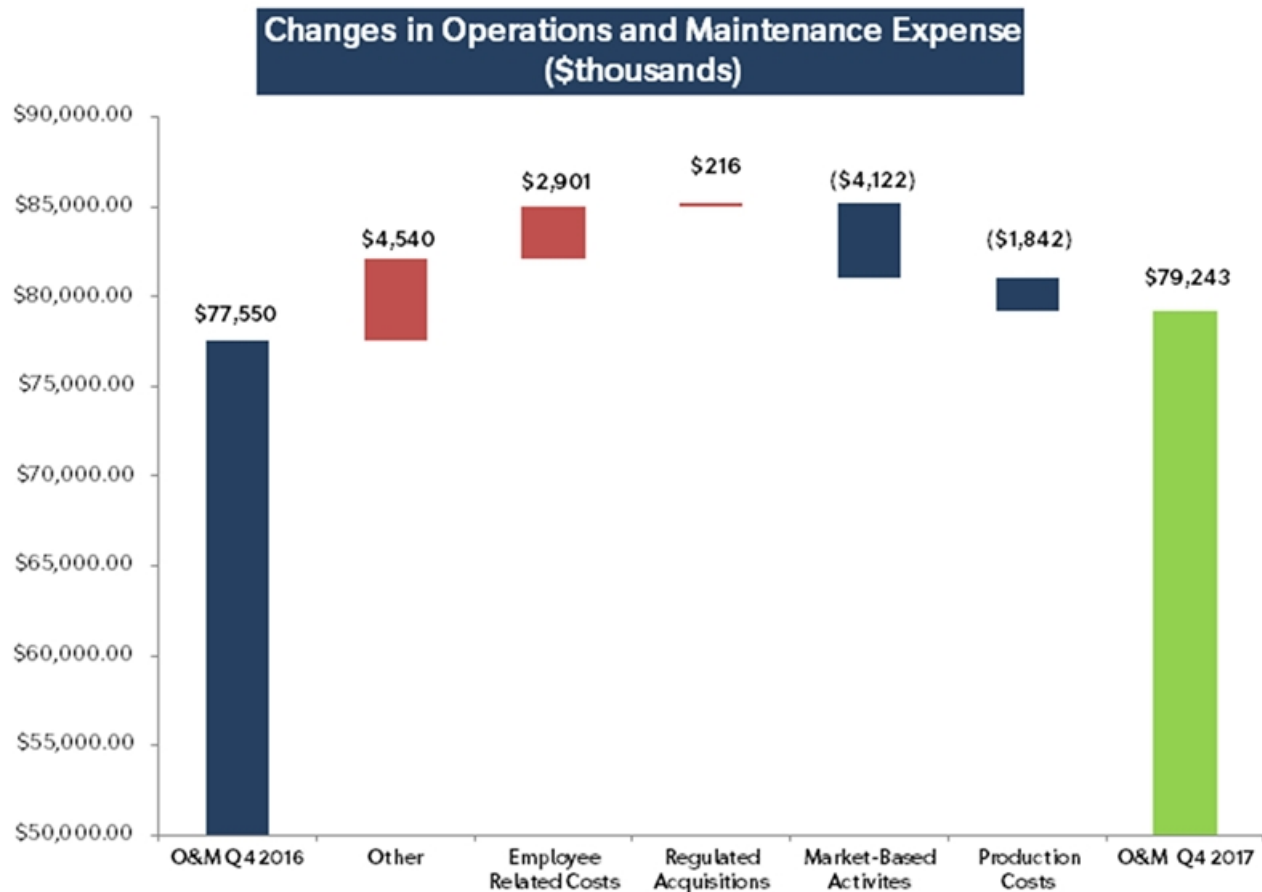
Q4 2017 vs. Q4 2016

## Changes in Operating Revenues (\$thousands)



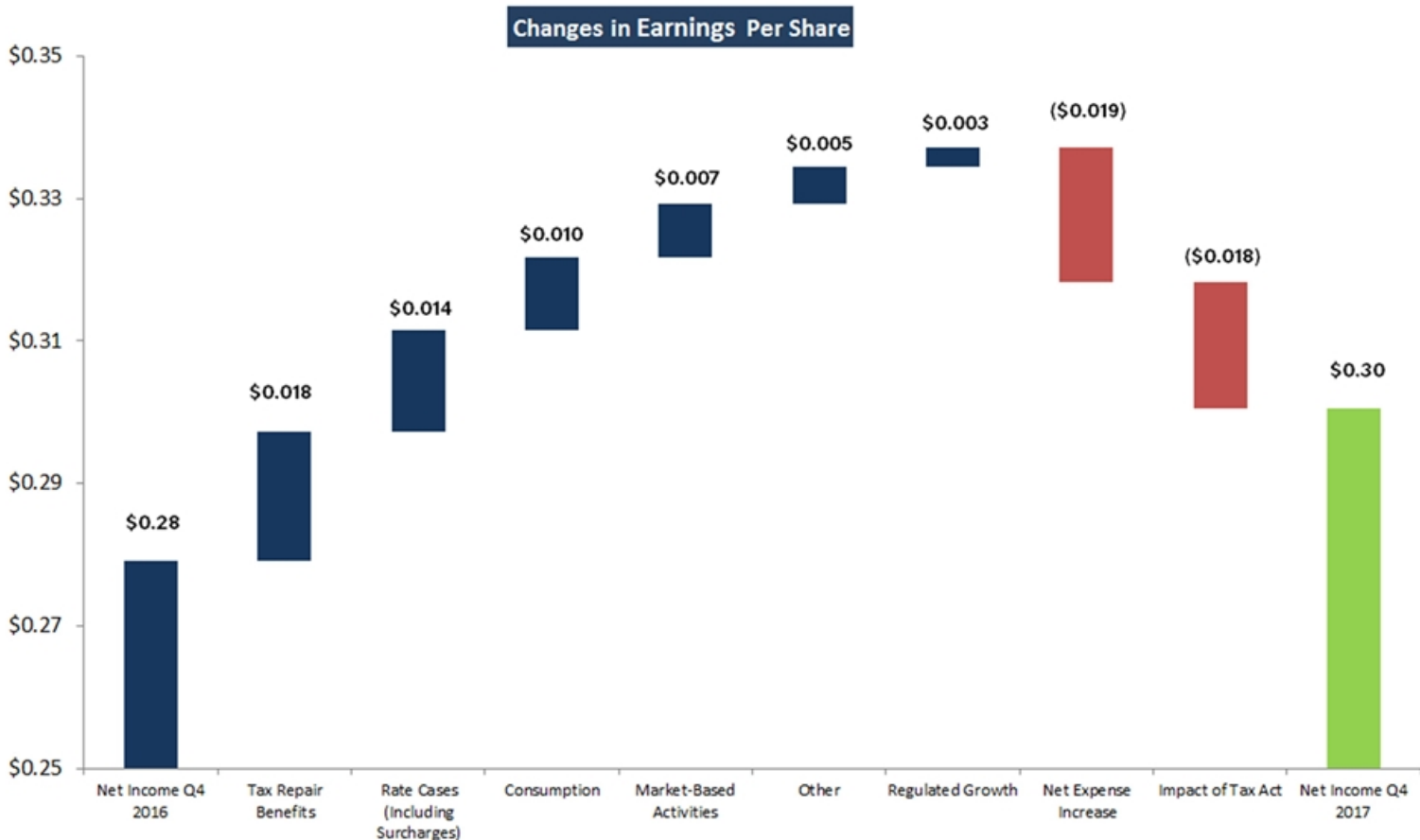
# Operations & Maintenance Expenses

Q4 2017 vs. Q4 2016



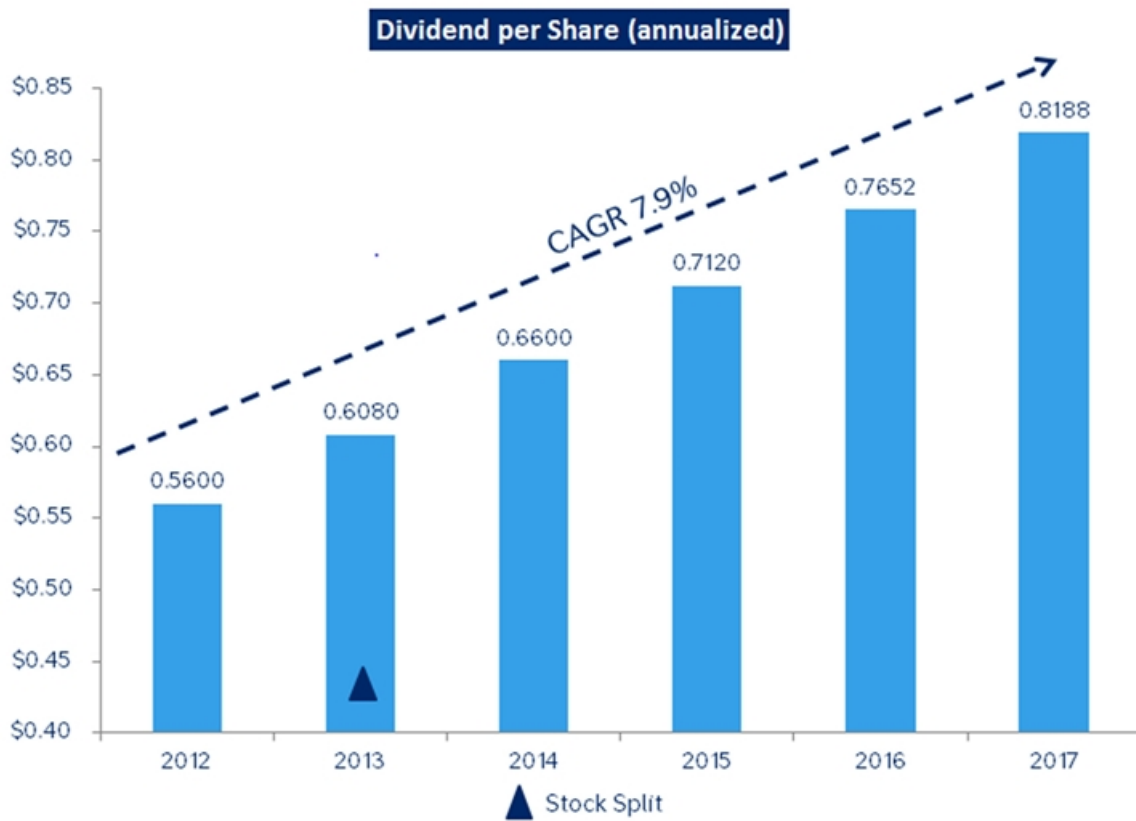
# Earnings per Common Share

Q4 2017 vs. Q4 2016



# Dividend History

7.0% Increase to Annualized Dividend Rate of \$0.8188 Effective 9/1/2017



# Rates and Infrastructure Surcharges Completed

as of December 31, 2017

Rates or Surcharges Received in 2017			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Indiana	44752	Rate Case (ww)	\$1,896
Illinois	17-0131	Surcharge (w)	\$454
	17-0131	Surcharge (w)	\$660
	17-0131	Surcharge (ww)	\$42
	17-0131	Surcharge (w)	\$64
	17-0131	Surcharge (ww)	\$116
	17-0131	Surcharge (ww)	\$128
	17-0131	Surcharge (ww)	\$5
New Jersey	N/A	Surcharge (w)	\$1,246
	N/A	Surcharge (w)	\$706

Rates and Surcharges differentiated by water (w) and wastewater (ww) systems

(Continued on next page)



# Rates and Infrastructure Surcharges Completed

as of December 31, 2017

(continued from previous page)

Rates or Surcharges Received in 2017			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
North Carolina	W-215-Sub-363A	Surcharge (w)	\$482
	W-215-Sub-363A	Surcharge (ww)	\$57
	W-215-Sub-363A	Surcharge (w)	\$25
	W-218-Sub-363A	Surcharge (w)	\$269
	W-218-Sub-363A	Surcharge (ww)	\$55
	W-218-Sub-363A	Surcharge (w)	\$28
	W-218-Sub-363A	Surcharge (w)	\$(1)
	W-218-Sub-363A	Surcharge (ww)	\$31
Ohio	Ordinance # 22-2013	Rate Case (w)	\$731
	Ordinance # 14-041	Rate Case (w)	\$534
	16-0907-WW-AIR	Rate Case (w)	\$4,242
Pennsylvania	M-2017-2625811	Surcharge (w)	\$9,651
	M-2017-2605860	Surcharge (w)	(9)
	M-2017-2635523	Surcharge (w)	\$37

Rates and Surcharges differentiated by water (w) and wastewater (ww) systems

(Continued on next page)

# Rates and Infrastructure Surcharges Completed as of December 31, 2017

(Continued from previous page)

Rates or Surcharges Received in 2017			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Virginia	PUR-2017-00017	Rate Case (w)	\$67
	PUR-2017-00017	Rate Case (ww)	\$88
Total			\$21,604

Rates and Surcharges differentiated by water (w) and wastewater (ww) systems

# Rates and Infrastructure Surcharges Completed

as of February 23, 2018

Rates or Surcharges Received in 2018			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
North Carolina	W-218, Sub 363A	Surcharge (ww)	\$56
	W-218, Sub 363A	Surcharge (w)	\$14
	W-218, Sub 363A	Surcharge (ww)	\$9
Ohio	Ordinance # 22-2013	Rate Case (w)	\$769
	Ordinance # 14-041	Rate Case (w)	\$564
Pennsylvania	M-2017-2638898	Surcharge (w)	\$9,651
<b>Total</b>			<b>\$11,063</b>

Rates and Surcharges differentiated by water (w) and wastewater (ww) systems

# Rates and Infrastructure Surcharges Pending

as of February 23, 2018

Rates Pending in 2018			
State	Docket Number	Type	Requested Annualized Revenue Increase (\$thousands)
Virginia	PUR-2017-00082	Rate Case (w)	\$1,489
	PUR-2017-00082	Rate Case (ww)	\$399
Illinois	17-0259	Rate Case (w)	\$10,542
	17-0259	Rate Case (ww)	\$1,458
New Jersey	WR16010090	Surcharge (w)	\$1,913
<b>Total</b>			<b>\$15,801</b>

Rates and Surcharges differentiated by water (w) and wastewater (ww) systems