

Aqua America to Acquire Peoples

*Creating a Leading, Fully Regulated Water and Natural Gas
Infrastructure Company*



Forward-Looking Statement

This presentation contains, in addition to historical information, forward-looking statements including statements with respect to anticipated impact of the transaction on the company's earnings, anticipated growth rates, the expected timing of closing of the transaction, expectations regarding the liquidity and access to capital of the combined company, the proposed financing structure of the transaction and our earnings expectations for 2018, 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: our ability to obtain the necessary regulatory approvals on a timely basis or at all; our ability to integrate the acquired business; our ability to achieve projected synergies and grow the combined business; 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 website at www.aquaamerica.com

Today's Presenters



Chris Franklin
*Chairman, CEO and
President*



Morgan O'Brien
CEO and President, Peoples



Dan Schuller
Executive Vice President, CFO



Matthew Rhodes
*Executive Vice President,
Strategy & Corp. Development*



Brian Dingerdissen
*Vice President, Chief of Staff
& Investor Relations*

Agenda

- **Transaction Summary:** Creating a Larger, More Diversified, Regulated Water and Natural Gas Utility
- **Strategic Rationale:** Two Highly Complementary Businesses with Significant Growth Potential and Benefits to Customers
- **Aqua:** A Leading Water Utility
- **Peoples:** A Leading Natural Gas Utility
- **Combined Utility Profile:** A Balanced Portfolio with Significant Potential Upside
- **Key Milestones**
- **Overview of Financing Plan**
- **Commitment to Stakeholders:** Combining Two Great Companies, Each with Over a Century of Service

AQUASM

 PEOPLESSM

Transaction Summary

Creating a Larger, More Diversified, Regulated Water and Natural Gas Utility

Aqua America to acquire Peoples in an all-cash transaction that reflects an enterprise value of \$4.275B, which includes the assumption of approximately \$1.3B of debt, creating a new infrastructure company well-positioned for growth

- Aligns with growth strategy and core competencies of infrastructure investment, regulatory affairs and operational excellence
- Forms a >99% regulated water and gas distribution utility that will trade under a renamed holding company
- Increases rate base by nearly 50% and provides platform for organic growth and infrastructure investment
- Leverages regulatory expertise in states with constructive regulatory climates
- Expected to provide earnings accretion in the first full year and over the long term, with annual rate base growth of 7% in water and 8-10% in natural gas through 2021
- Results in a strong balance sheet and strong investment-grade credit ratings
- Maintains focus on water with ~70% of combined company net income and rate base in water

Expected to close in mid-2019, pending regulatory approvals

Strategic Rationale

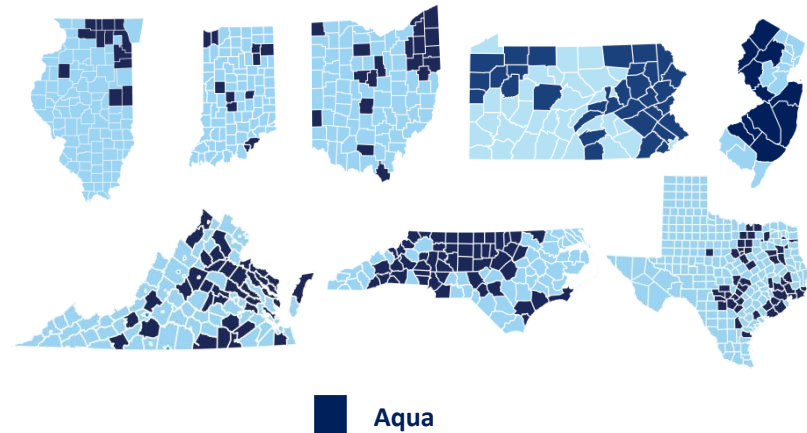
Two Highly Complementary Businesses with Significant Growth Potential and Benefits to Customers

Adds platform for growth	<ul style="list-style-type: none">• Creates a multi-platform regulated utility company• Adds substantial opportunities for organic growth, continued muni acquisitions, and infrastructure investment• Builds on Aqua's existing core competencies• Strong proforma balance sheet that positions the company well for future growth
Accretive to earnings	<ul style="list-style-type: none">• Provides earnings accretion the first full year after close and over the long term• Improves Aqua's future rate base and earnings growth• Supports continued long-term dividend growth
Increases exposure to constructive regulatory jurisdictions	<ul style="list-style-type: none">• Leverages regulatory expertise in constructive regulatory jurisdictions
Shared expertise in infrastructure	<ul style="list-style-type: none">• Contributes growth in rate base driven by pipe replacement capex<ul style="list-style-type: none">• Aqua's rate base is growing at approximately 7% annually• Peoples' rate base is growing at 8 to 10% annually
Benefits of increased scale	<ul style="list-style-type: none">• Provides more liquidity, greater access to capital and greater influence in utility industry

Aqua: A Leading Water Utility

Long-established water and wastewater utility with more than 1 million connections.

- Founded in 1886; headquarters in Bryn Mawr, Pennsylvania
- Aqua is a >99% regulated water and wastewater utility serving 1 million customer connections and 3 million people in eight states
- Reputation for financial strength, water and wastewater expertise, regulatory experience, engineering and project management, and operational excellence
- Employees: ~1,600
- Adding more than 27,000 customers in recently closed or signed municipal acquisitions in 2018



Financial Overview

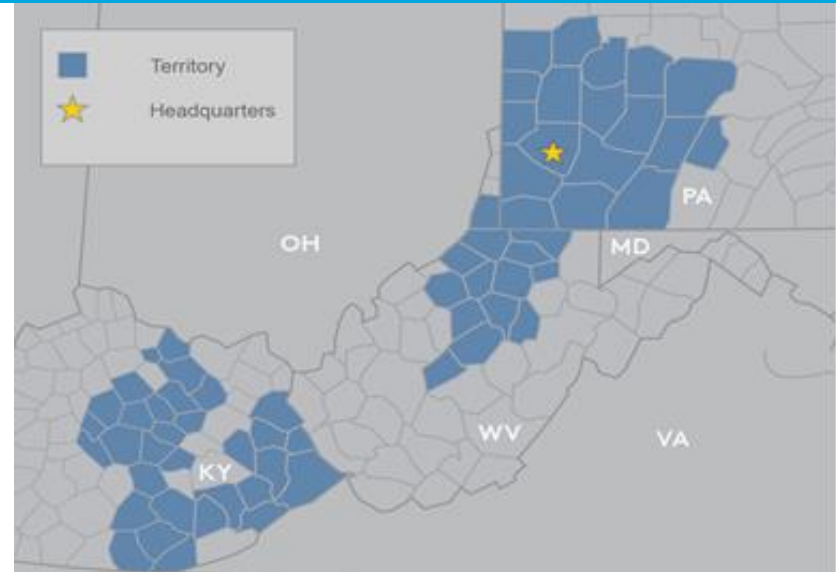
- Market Capitalization: ~\$6.5 billion
- Enterprise Value: ~\$9.0 billion
- Projected 2019 Rate Base: \$5.0 billion
- Projected Annual Rate Base Growth: ~7% ('19-'21)
- Projected 2019 Assets: \$7.4 billion

State	Approximate # of Customers
Pennsylvania	467,000
Ohio	153,000
North Carolina	100,000
Texas	82,000
Illinois	76,000
New Jersey	60,000
Virginia	34,000
Indiana	28,000
Total	1,000,000

Peoples: A Leading Natural Gas Utility

A regulated natural gas distributor with over 740,000 total customers.

- Provides natural gas distribution services to over 740,000 total customers in three states
- Headquartered in Pittsburgh, PA
- The company was created through the acquisition of Peoples in Feb. '10, TW Phillips in May '11, Equitable in Dec. '13¹ and Delta Gas in Dec. '17
- Employees: 1,500+
- Approximately 15,500 miles of distribution pipeline, 1,500 miles of gathering pipeline and 250 miles of intrastate transmission pipeline



Financial Overview

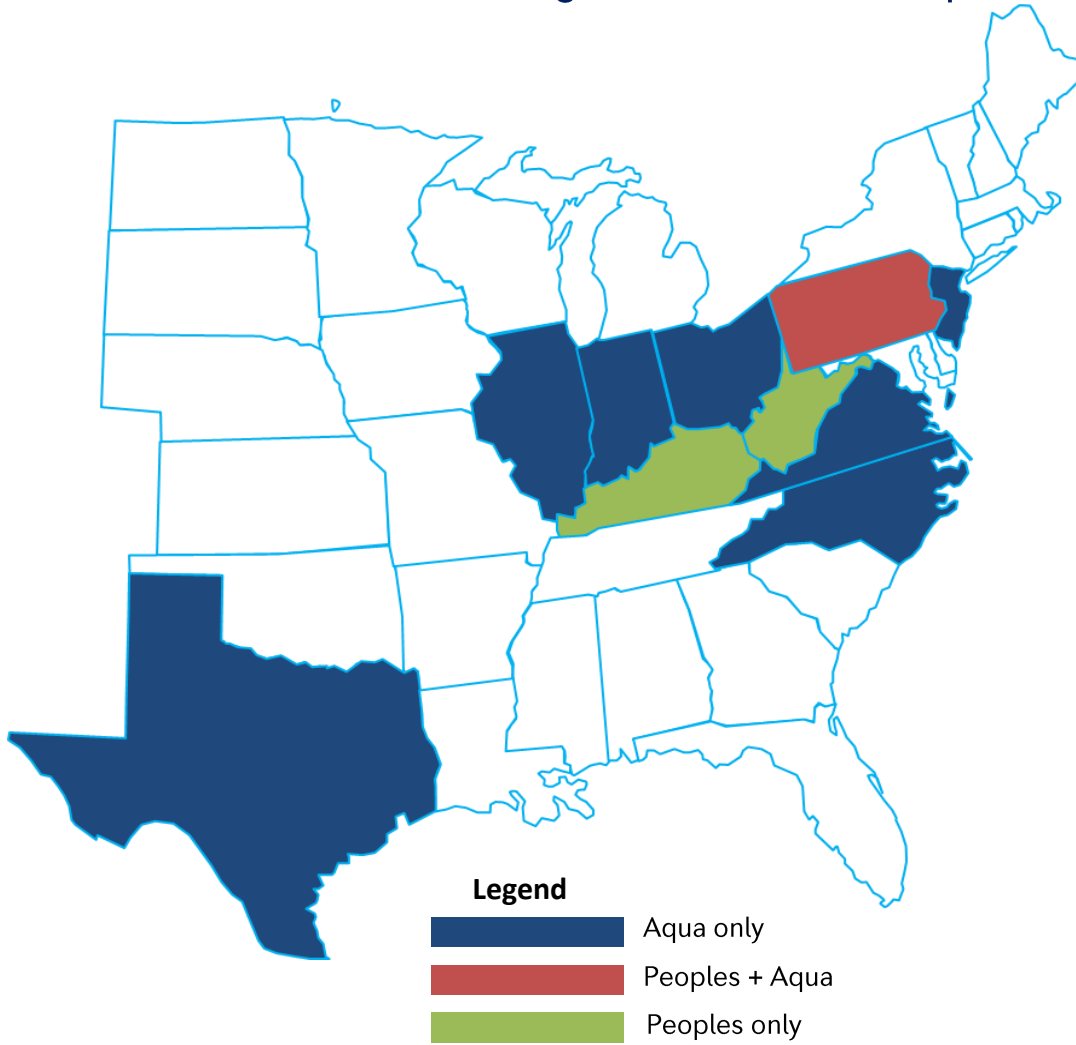
- LTIP plan for more than \$200M investment annually
- 3,100 miles of bare steel and cast-iron pipe to be replaced in coming years at a rate of approximately 150 miles per year
- Projected 2019 Rate Base: \$2.2B
- Projected Annual Rate Base Growth: ~8-10% ('19-'21)
- Projected 2019 Assets: \$3.4B

Figures in \$M	2019E
EBITDA ²	\$289
Capex	\$297

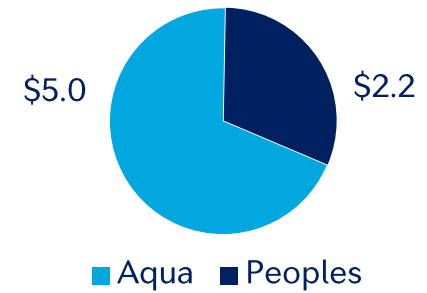
State	Approximate # of Customers
Pennsylvania	691,000
Kentucky	37,150
West Virginia	14,860
Total	743,010

Combined Utility Profile

A Balanced Portfolio with Significant Potential Upside

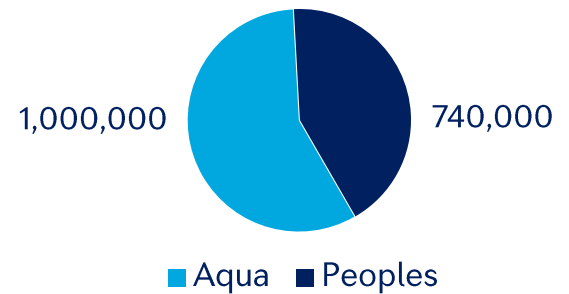


2019 Rate Base Estimate (\$B)



■ Aqua ■ Peoples

Current Customers

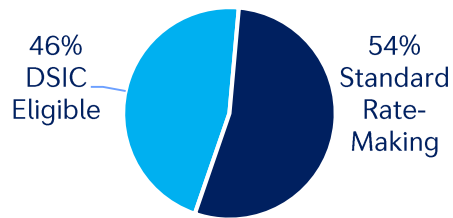


■ Aqua ■ Peoples

Significant Capex Recovery Mechanisms

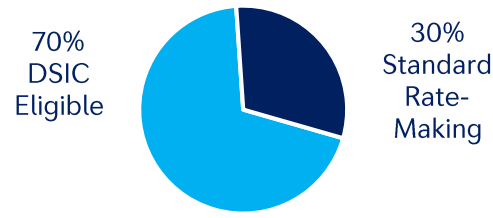
Large share of capex eligible for DSIC and other mechanisms significantly reduces regulatory lag for combined company.

Aqua Capex: 2019-2021



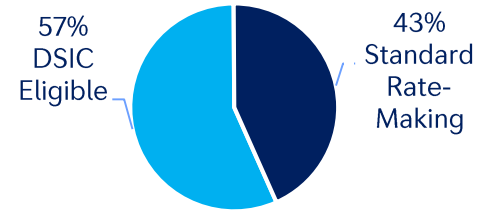
7% Annual Rate Base Growth

Peoples Capex: 2019-2021



8-10% Annual Rate Base Growth

Combined Capex: 2019-2021



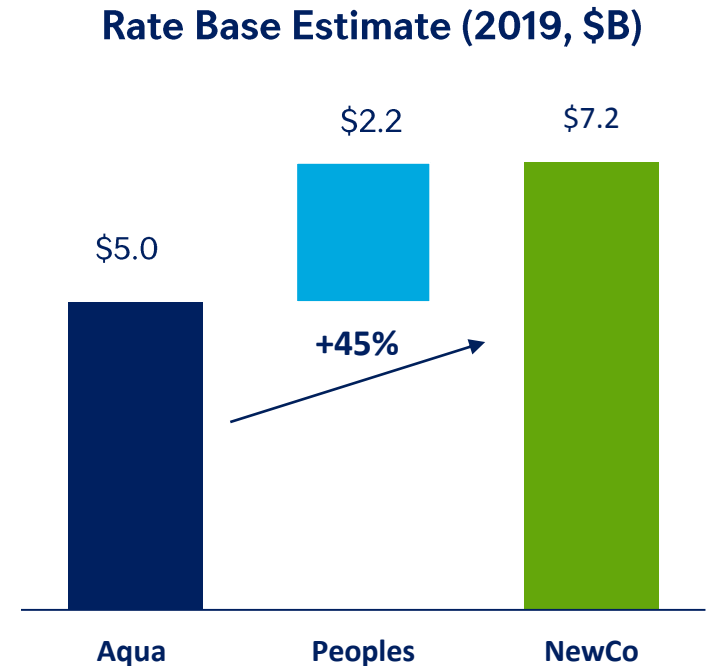
State	PA	IN	OH	NJ	IL	NC
Mechanism	DSIC	DSIC	SIC	DSIC	QIPS	WSSIC
Allowed Surcharge	7.5% W 5% WW	10%	12.75% W 9% WW	5%	2.5% Avg. annual increase	5%



State	PA	KY
Mechanism	DSIC	PRP
Allowed Surcharge	5%	No cap

Creating a New Infrastructure Company Well-Positioned for Strong Growth

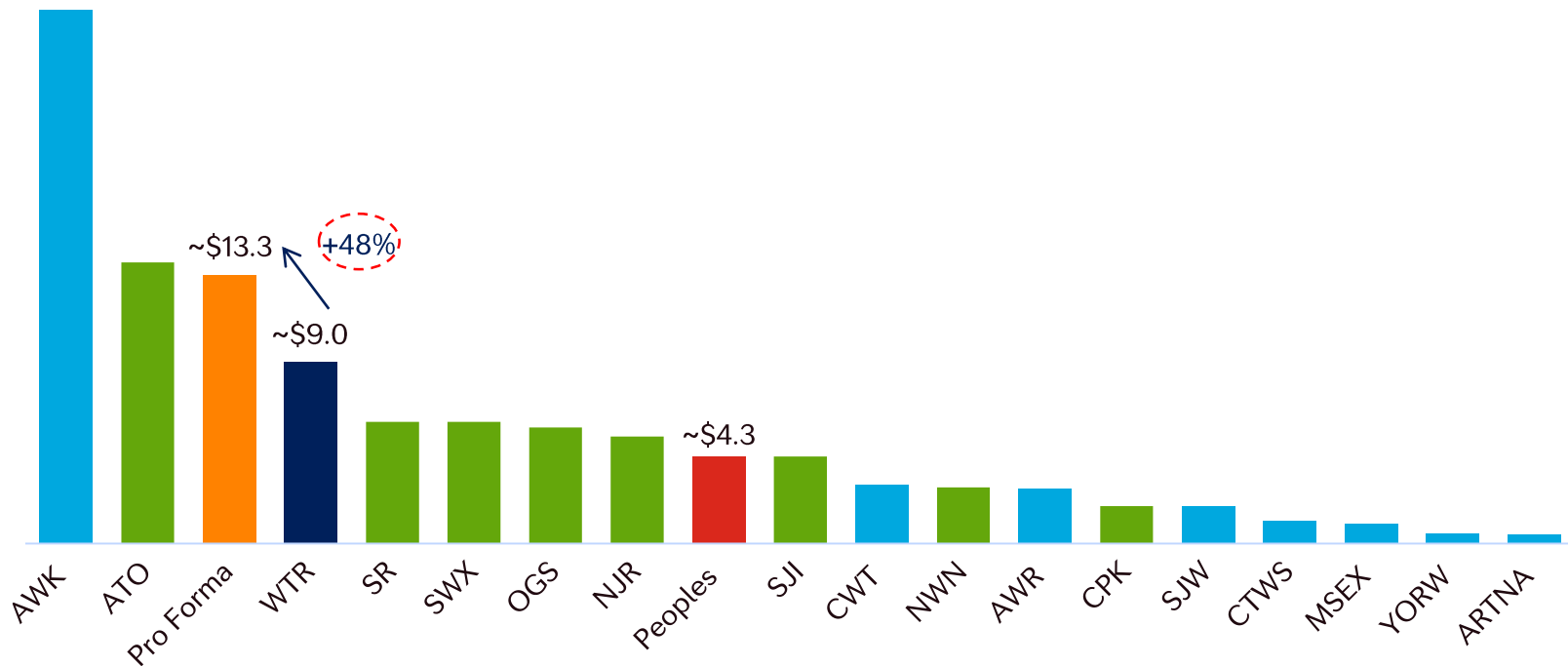
- Creates fully regulated water and natural gas utility, building on regulatory and capital investment expertise
- Accretive to earnings in first full year and over the long term; increases rate base and earnings growth
 - Water: 7% annual rate base growth ('19-'21)
 - Natural Gas: 8 to 10% annual rate base growth ('19-'21)
- Adds new, large-scale regulated platform and increases investment allocation optionality
- Maintains strong investment-grade credit ratings
- Retains focus on water (~70% of rate base pro forma)



Significantly Enhances Scale

Pro forma company will be among the top 3 largest pure-play water and/or gas utilities in the United States based on enterprise value.

Water & Gas Utility Peers: Enterprise Value (\$B)



Note: Market data as of 10/16/2018

Water Peers

Gas LDC Peers

Key Milestones

- ✓ Public Announcement
- ✓ Bridge Financing Secured
- Regulatory Filings Completed
- Equity Offering
- Debt Financing
- State PUC Approvals

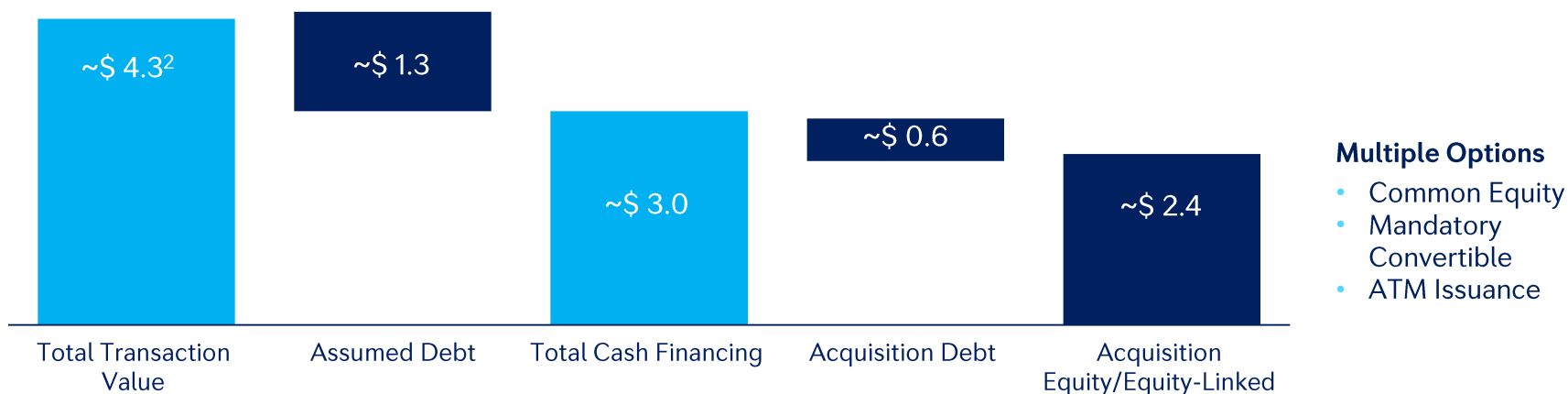
Expected Closing Mid-2019

Overview of Financing Plan

Acquisition Financing Strategy

- Fully committed acquisition bridge facility
- Permanent financing plan targets a strong balance sheet and strong investment grade credit ratings
 - **Equity:** Anticipate issuance of ~\$2.2-2.5B of common equity and equity-linked securities
 - **Debt:**¹ Anticipate ~\$0.5-0.8B of incremental Aqua America debt issued to fund transaction

Acquisition Funding Sources



Pro Forma Organization Overview

As part of the Aqua America family, Peoples provides a natural gas platform of scale and creates another avenue for growth.

Combined Company

(Aqua America, Inc.)



(Water)



(Natural Gas)

Aqua Pennsylvania, Inc.

Other Aqua
Operating Companies
(IN, OH, TX, IL,
NJ, VA, NC)

Peoples Natural Gas
Company LLC

Peoples Gas
Company LLC

Delta Natural Gas
Company, Inc.

Commitment to Stakeholders

Combining Two Great Companies, Each with Over a Century of Service

Customers	<ul style="list-style-type: none">• Continued best-in-class service from established gas and water utilities• No impact to customer rates from transaction• Financial capacity will enhance infrastructure investments, increasing reliability and safety
Employees	<ul style="list-style-type: none">• Shared culture of safety, operational excellence and professional development• Increased opportunities for career development and advancement• Complementary values and missions
Communities	<ul style="list-style-type: none">• Continued engagement in the communities that each company serves• Infrastructure investment will improve quality of life and contribute to economic prosperity in our communities
Shareholders	<ul style="list-style-type: none">• Immediately accretive to earnings first full year and over the long-term post closing• Improves future rate base and earnings growth• Supports continued long-term dividend growth• Larger market capitalization, float and trading liquidity post permanent financings
Bondholders	<ul style="list-style-type: none">• Transaction expected to be financed largely with equity to maintain strong investment-grade credit ratings

Q&A



AQUASM

The AQUA logo features the word "AQUA" in a bold, blue, sans-serif font. The letter "Q" is stylized with a blue wave-like shape underneath it. A small "SM" trademark symbol is located to the right of the word.

Thank You for Attending Aqua's Acquisition of Peoples Conference Call

**Third Quarter 2018 Earnings Conference Call
and Webcast**

Tuesday, November 6, 2018

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Appendix

AQUASM

2018 Guidance

Earnings

- Full-year earnings per share between \$1.37 – \$1.42, excluding transaction expenses

Capex

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

Rate Activity

- Aqua Pennsylvania filed a rate case in August 2018 with resolution expected in 2019

Customer Growth

- Total customer growth of 2 to 3%