



## Essential Utilities Announces 2021 Guidance

January 11, 2021

*2021 annual earnings per share guidance range of \$1.64 to \$1.69  
Commits to reduce Scope 1 and Scope 2 emissions by 60% by 2035*

BRYN MAWR, Pa.--(BUSINESS WIRE)--Jan. 11, 2021-- Essential Utilities Inc. (NYSE: WTRG) today announces 2021 guidance including an update on the company's municipal acquisition program and ESG objectives.

"Thanks to the dedicated team of Essential employees, 2020 was another strong year for operational excellence and growth despite the challenges posed by the pandemic," said Essential Chairman and Chief Executive Officer Christopher Franklin. "As we turn to 2021, the company remains strong and dedicated to our mission of providing essential natural resources to our water, wastewater and natural gas customers. We are also confident in our ability to drive growth in earnings while committing to significant reductions in Essential's overall environmental footprint."

### Environmental, Social and Governance

Essential's long-standing environmental stewardship and sustainable business practices continue with a commitment to substantially reduce Scope 1 and 2 greenhouse gas emissions. By 2035, Essential will reduce its emissions by 60% from its 2019 baseline. This reduction is roughly equivalent to the emissions from 76,000 cars on the road over the course of the year. This will be achieved by extensive gas pipeline replacement, renewable energy purchasing, accelerated methane leak detection and repair, and various other currently planned initiatives that are highly feasible with proven technology. This science-based commitment is consistent with the rate of reduction necessary over the next 15 years to keep on track with the Paris Agreement, which aims to limit the global temperature increase to well below 2 degrees Celsius. Essential's enterprise-wide commitments come in less than one year since the closing of the Peoples Gas acquisition.

"Climate change has become apparent around the world and we recognize our responsibility to be an industry leader by significantly reducing emissions," said Franklin. "I am encouraged that our 2035 target achieves substantial reductions by applying proven mitigation initiatives that are already underway. Our continued focus on emissions reduction, even beyond our 60% pledge, will be among our top priorities. We are excited to write the next chapter in Essential's long-standing commitment to environmental stewardship and look forward to sharing updates on our progress as we explore opportunities to achieve our ultimate aspiration of net zero."

In a further commitment to ESG, the company will make public commitments to improve its already strong diversity, equity and inclusion efforts. Essential is committed to reflecting the diversity of its customer population similarly in the diversity of its employee base. The company's 2021 Proxy Statement will include compensation metrics that include a multiyear plan to increase the amount of diverse supplier spend to 15% and a multiyear plan to achieve 17% employees of color. These targets build on the foundation of diversity that the company has developed over the last five years and are believed to be the first formal diverse employee and diverse supplier compensation metrics among the company's peer group.

### Water utility acquisition growth

Essential's continued acquisition growth allows the company to provide safe and reliable water and wastewater service to an even larger customer base. In 2020, Essential acquired five water and wastewater systems and added approximately \$62.9 million in rate base and 12,000 new customers to the company's footprint.

In December, the company's regulated water segment subsidiary, Aqua Pennsylvania, announced the closing of the New Garden Township wastewater system acquisition for \$29.5 million, adding approximately 2,000 customer connections.

The company currently has five signed purchase agreements for additional municipal water and wastewater systems that are expected to serve approximately 225,000 equivalent retail customers or equivalent dwelling units and add approximately \$420 million in rate base. This includes the agreement signed in December to acquire the wastewater system of Bourbonnais, serving approximately 6,400 customers in Illinois, for \$32.1 million. The company expects Bourbonnais to close before year end, pending regulatory approval. Also included is the company's 2019 agreement to acquire the Delaware County Regional Water Quality Control Authority (DELCORA) for \$276 million. DELCORA, a Pennsylvania sewer authority, serves approximately 198,000 equivalent dwelling units in the Philadelphia suburbs. The company recently received a positive court ruling in support of the DELCORA acquisition, and after PUC approval, the company expects the transaction to close in the first half of the year.

### 2020 Essential financial results

The company expects to report earnings for the quarter and year ended Dec. 31, 2020 following market close on Feb. 24, 2021. The company also reaffirms that it expects 2020 financial results to be at the top end of the adjusted income per share (non-GAAP) range of \$1.53-1.58.

Please refer to the reconciliation of GAAP and non-GAAP financial measures later in this press release for additional information on Essential's use of non-GAAP financial measures as a supplement to its GAAP results.

### 2021 Essential guidance

Essential continues to monitor the effects of the COVID-19 pandemic on its customers, employees and the business and will update guidance impacts from the pandemic in the future if needed. The following is the company's 2021 full-year guidance:

- Income per diluted common share of \$1.64 to \$1.69
- Earnings per share growth CAGR of 5 to 7% for 2020 through 2023
- Regulated water segment infrastructure investments of approximately \$550 million in 2021
- Regulated natural gas segment infrastructure investments of approximately \$450 million in 2021
- Infrastructure investments of approximately \$3 billion through 2023 to rehabilitate and strengthen water, wastewater and natural gas systems
- Regulated water segment rate base compound annual growth rate of 6 to 7% through 2023
- Regulated natural gas segment rate base compound annual growth rate of 8 to 10% through 2023
- Average annual regulated water segment customer (or equivalent dwelling units) growth of between 2 and 3% from acquisitions and organic customer growth
- Gas customer count stable for 2021
- Reduction of Scope 1 and Scope 2 greenhouse gas emissions by 60% by 2035
- Multiyear plan to increase diverse supplier spend to 15%
- Multiyear plan to achieve 17% employees of color

Essential Utilities 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.

### Guidance Call Information

Date: Jan. 11, 2021

Time: 11 a.m. EST (please dial in by 10:45 a.m.)

Webcast and slide presentation link: <https://www.essential.co/events-and-presentations/events-calendar>

Replay Dial-in #: 888.203.1112 (U.S.) & +1 719.457.0820 (International)

Confirmation code: 1177890

The company's conference call with financial analysts will take place Monday, Jan. 11, 2021 at 11 a.m. Eastern Standard Time. The call and presentation will be webcast live so that interested parties may listen over the internet by logging on to [Essential.co](https://www.essential.co) and following the link for [Investors](#). The conference call 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 2 p.m. on Jan. 11, 2021 for 10 business days following the call. To access the audio replay in the U.S., dial 888-203-1112 (pass code 1177890). International callers can dial +1 719-457-0820 (pass code 1177890).

### About Essential

Essential is one of the largest publicly traded water, wastewater and natural gas providers in the U.S., serving approximately 5 million people across 10 states under the Aqua and Peoples brands. Essential is committed to excellence in proactive infrastructure investment, regulatory expertise, operational efficiency and environmental stewardship. The company recognizes the importance water and natural gas play in everyday life and is proud to deliver safe, reliable services that contribute to the quality of life in the communities it serves. For more information, visit <http://www.essential.co>.

### Forward-Looking Statements

This letter contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which generally include words such as "believes," "expects," "intends," "anticipates," "estimates" and similar expressions. The company can give no assurance that any actual or future results or events discussed in these statements will be achieved. Any forward-looking statements represent its views only as of today and should not be relied upon as representing its views as of any subsequent date. Readers are cautioned that such forward-looking statements are subject to a variety of risks and uncertainties that could cause the company's actual results to differ materially from the statements contained in this release. Such forward-looking statements include, but are not limited to statements relating to the capital to be invested by the water, wastewater, and gas distribution divisions of the company. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including the factors discussed in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, which is filed with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with the company's business, please refer to the company's annual, quarterly and other SEC filings. The company 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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Essential Utilities, Inc. and Subsidiaries

Reconciliation of GAAP to Non-GAAP Financial Measure

(Unaudited)

The Company is providing disclosure of the reconciliation of the Company's outlook of the non-GAAP financial measure "adjusted diluted income per common share" to the most comparable GAAP financial measure "diluted net income per common share." The diluted income per share guidance for 2020 reflects the completion of the Peoples acquisition March 16, 2020. The Company believes that the non-GAAP financial measure "adjusted diluted income per common share" for Essential's 2020 full-year illustrative guidance provides investors the ability to measure the Company's future financial operating performance with adjustments, by providing an estimate of the full-year effects of the Peoples acquisition as if this transaction closed on January 1, 2020. The adjusted results are more indicative of the Company's future performance and are more comparable to measures reported by other companies. The Company believes that the presentation of this non-GAAP financial measure is more indicative of the Company's

future performance and is more comparable to measures reported by other companies.

This reconciliation includes a presentation of the non-GAAP financial measure “adjusted diluted income per common share” for Essential's 2020 full-year guidance and has been adjusted for the following items:

(1) Excludes transaction-related expenses of \$25.6 million for the Company's Peoples acquisition completed in March 2020, which consisted of costs primarily representing expenses associated with obtaining regulatory approvals, investment banking fees, legal expenses, and integration planning;

(2) Excludes the impact of Peoples transaction-related rate credits of \$23.0 million granted to Pennsylvania water and gas customers, which includes \$4.1 million of water rate credits issued to Pennsylvania utility customers in the third quarter of 2020;

(3) In order to illustrate the full-year 2020 effects of the Peoples acquisition as if this transaction closed on January 1, 2020, this adjustment of \$108.1 million includes both the estimated impact of Peoples Gas pre-tax operating results for the period in 2020 prior to closing, as well as the additional net interest expense expected to have been incurred for partially funding the estimated purchase price of Peoples;

(4) Excludes the income tax impact of \$38.4 million for the non-GAAP adjustments described above.

This financial measure is a measure of the Company's operating performance that does not comply with U.S. generally accepted accounting principles (GAAP), and is thus considered to be a “non-GAAP financial measure” under applicable Securities and Exchange Commission regulations. The non-GAAP financial measure is provided to supplement the Company's GAAP outlook and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The following reconciles Essential's 2020 full-year guidance GAAP outlook to the non-GAAP information that we have provided:

<b>Diluted net income per common share for Essential's full year 2020 guidance (GAAP financial measure)</b>	<b>\$1.05 to \$1.10</b>
Adjustments on a per share basis:	
(1) Transaction-related expenses for Peoples transaction completed in March 2020	\$0.10
(2) Peoples transaction-related commitment to grant rate credits to utility customers	\$0.09 +/- \$0.01
(3) Adjustment to provide full-year run rate of Peoples operating results, including additional net interest expense	\$0.42
(4) Income tax effect of non-GAAP adjustments	(\$0.15) +/- \$0.02
<b>Adjusted diluted income per common share for Essential's full year 2020 guidance (Non-GAAP financial measure)</b>	<b>\$1.53 to \$1.58</b>

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