

Earnings Call

AQUASM

NYSE: WTR



Full Year 2015
February 24, 2016

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; the success of cost containment initiatives, including costs arising from changes in regulations; regulatory treatment of rate increase requests; changes in the valuation of our investment in our joint venture in the Marcellus shale region; availability and cost of capital; the success of growth initiatives, including pending acquisitions; the effect of regulation on consolidation of the industry; the ability to generate earnings from capital investment; and other factors discussed in our Form 10-K for the fiscal year ended December 31, 2014, 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

Today's Presenters



Christopher Franklin
President and CEO



Richard Fox
EVP and COO
Regulated Operations



Dave Smeltzer
EVP, CFO



Brian Dingerdissen
Chief of Staff

Introduction

Christopher Franklin

President and Chief Executive Officer



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Thank You for Joining Us



Today's Agenda

- Corporate Update
- 2015 Highlights
- Update on Regulated Operations
- Summary of Financial Results
- 2016 Guidance

Corporate Update

Organizational Updates

- Karen Heisler – SVP and Chief Human Resource Officer



2015 Highlights

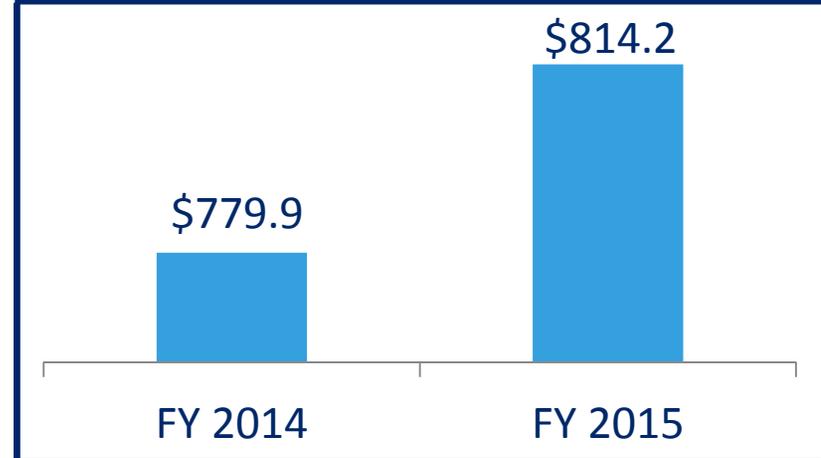
Customer Growth

- 4 municipal, 12 private acquisitions
- 17,747 additional connections
- 1.9% customer growth

Annualized Dividend Rate of \$0.712

- 71st year of paying a consecutive quarterly dividend
- 25th dividend increase in 24 years

Operating Revenue (\$millions)



Adjusted Income from Continuing Operations per Share (Non-GAAP)



2015 Acquisitions

System	Date Closed	Water Customers	Wastewater Customers	Total Customers
North Maine Utilities, IL	4/30/2015	4,716*	2,693*	7,409
Captain's Cove, VA	12/1/2015	977	280	1,257
Wintergreen, VA	7/1/2015	398	161	559
Mount Jewett, PA	5/6/2015	443*	-	443
Robin Hood, PA	10/15/2015	201	-	201
Union Hill, TX	9/2/2015	179	-	179
Venter Heights, VA	2/5/2015	136	-	136
Bunker Hill, PA	8/11/2015	66	67	133
Alamance County, NC	8/31/2015	111	-	111
Seaview Harbor, NJ	4/16/2015	94	-	94
Summerdale, IL	8/21/2015	57*	-	57
Mountain Ridge, NC	8/3/2015	33	-	33
Total		7,411	3,201	10,612

* Municipal System

- 12 water and 4 wastewater acquisitions
- 12 private and 4 municipal systems

2016 Acquisitions

as-of February 23, 2016

System	Date Closed	Water Customers	Wastewater Customers	Total Customers
Superior, PA	1/1/2016	3,868	-	3,868
Eastwood Manor, IL	2/23/2016	340	-	340
Nunda, IL	2/23/2016	185	-	185
Galena WW System, IN	1/29/2016	-	123	123
Total		4,393	123	4,516

Regulated Operations

Rick Fox

Executive Vice President and Chief Operating Officer, Regulated Operations

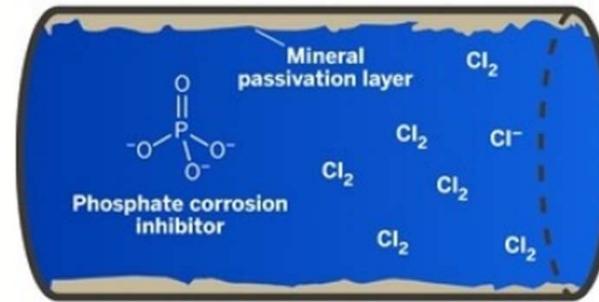


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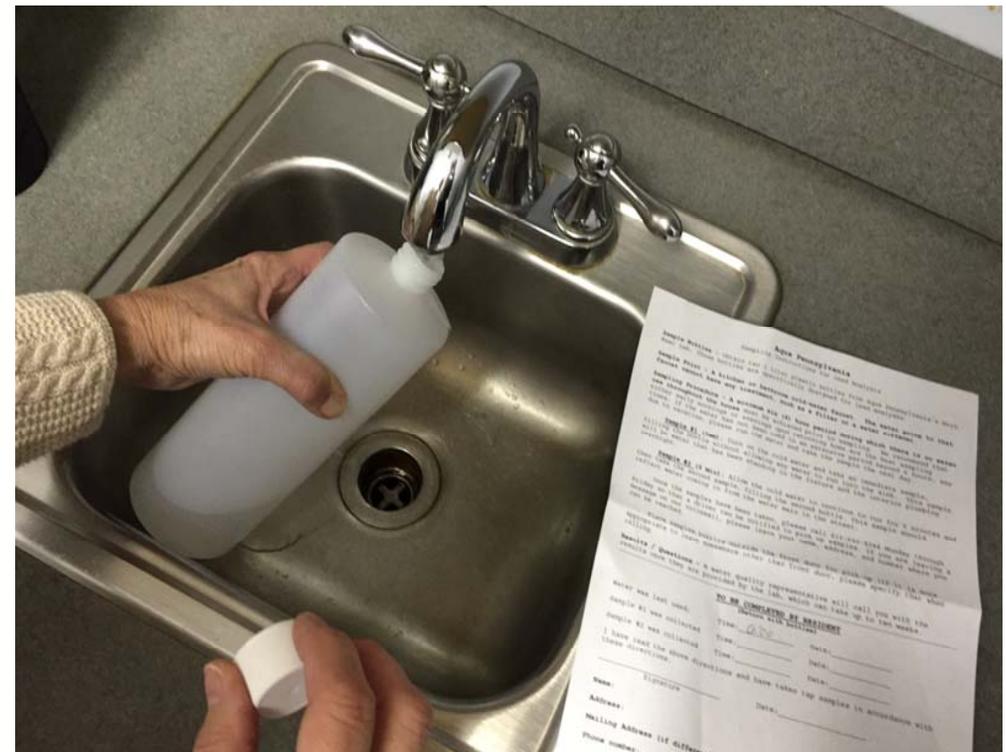
Lead in Drinking Water

- In the news
- Lead exists:
 - Pipe before 1930's
 - Solder before 1986
 - Fittings before 2011
- Lead & Copper Rule (L&CR)
 - Effective 1991
 - Corrosion control
 - Testing in customer homes
- Aqua in compliance with L&CR provisions in all 1,484 systems
 - Consumer Confidence Reports sent annually
 - L&CR currently under review by EPA and revisions expected in 2017.



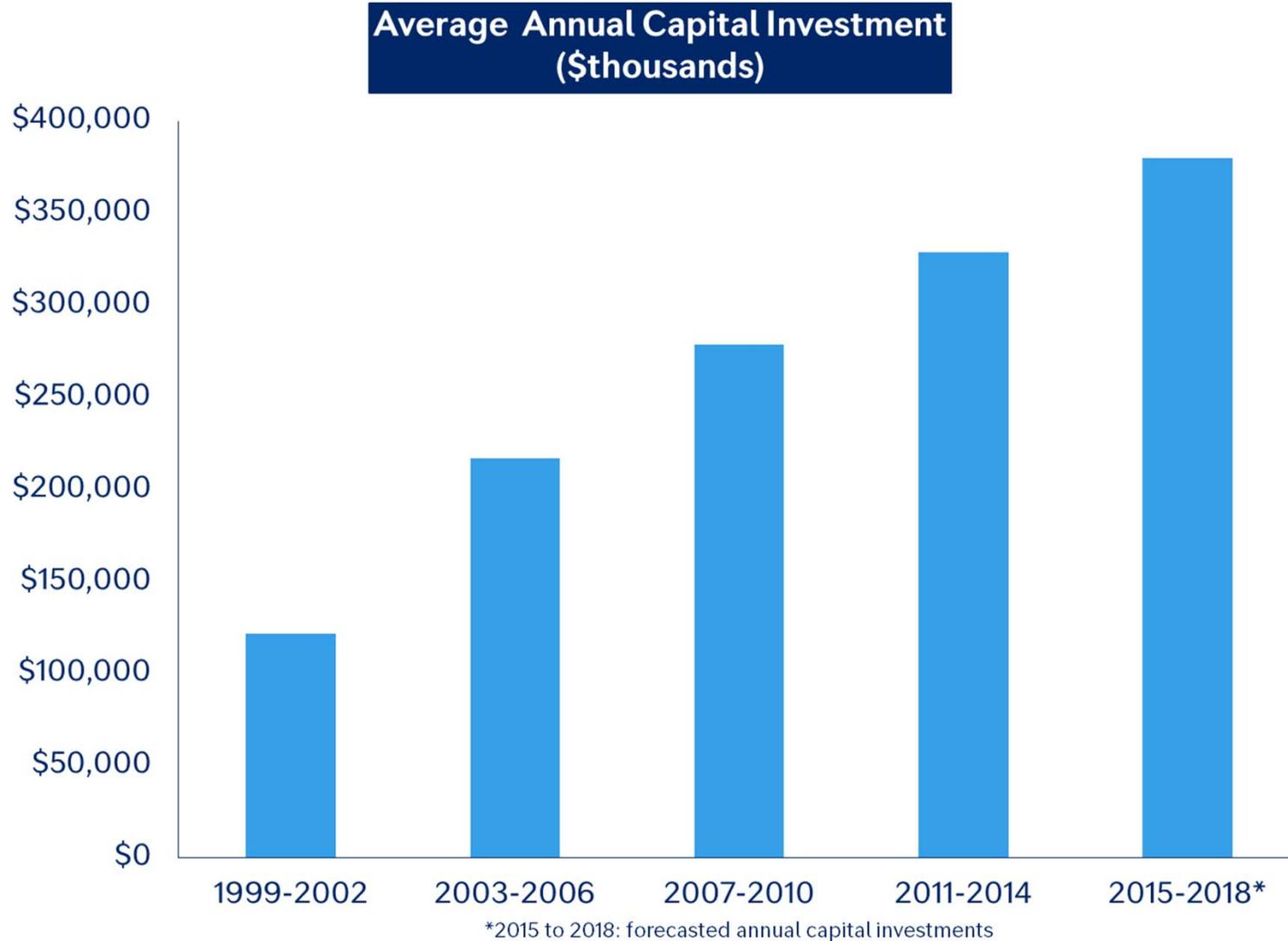
Lead or iron pipe

It is not about the lead; it is about the control of corrosion



Building for the Future

Regulated Operations



+\$1.1 Billion Planned for Next 3 Years

Summary of Financial Results

Dave Smeltzer

Executive Vice President and Chief Financial Officer



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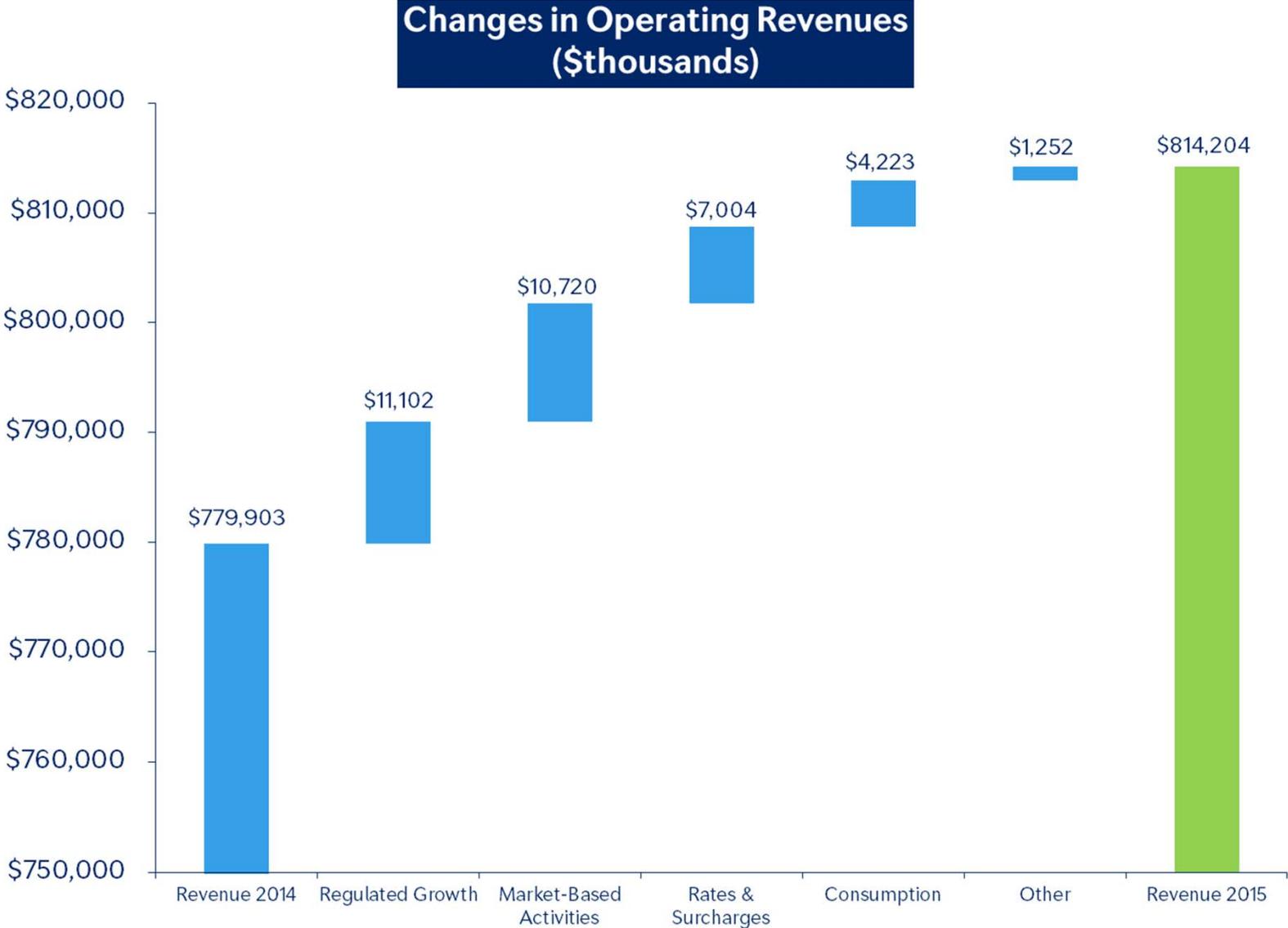
2015 Financial Results

	In millions except per share	FY 2014	FY 2015	Variance
Revenue		\$779.9 ▲	\$814.2	4.4%
Operations and Maintenance Expense		\$288.6 ▲	\$309.3	7.2%
Income from Continuing Operations		\$213.9 ▼	\$201.8	(5.7%)
Income from Continuing Operations per Share		\$1.20 ▼	\$1.14	(5.0%)
Exclude:				
Joint Venture Impairment Charge, Net of Tax		- ▲	\$21.4	
Adjusted Income from Continuing Operations (Non-GAAP)		\$213.9 ▲	\$223.2	4.4%
Adjusted Income from Continuing Operations per Share (Non-GAAP)		\$1.20 ▲	\$1.26	5.0%

 Favorable Change
 Unfavorable Change

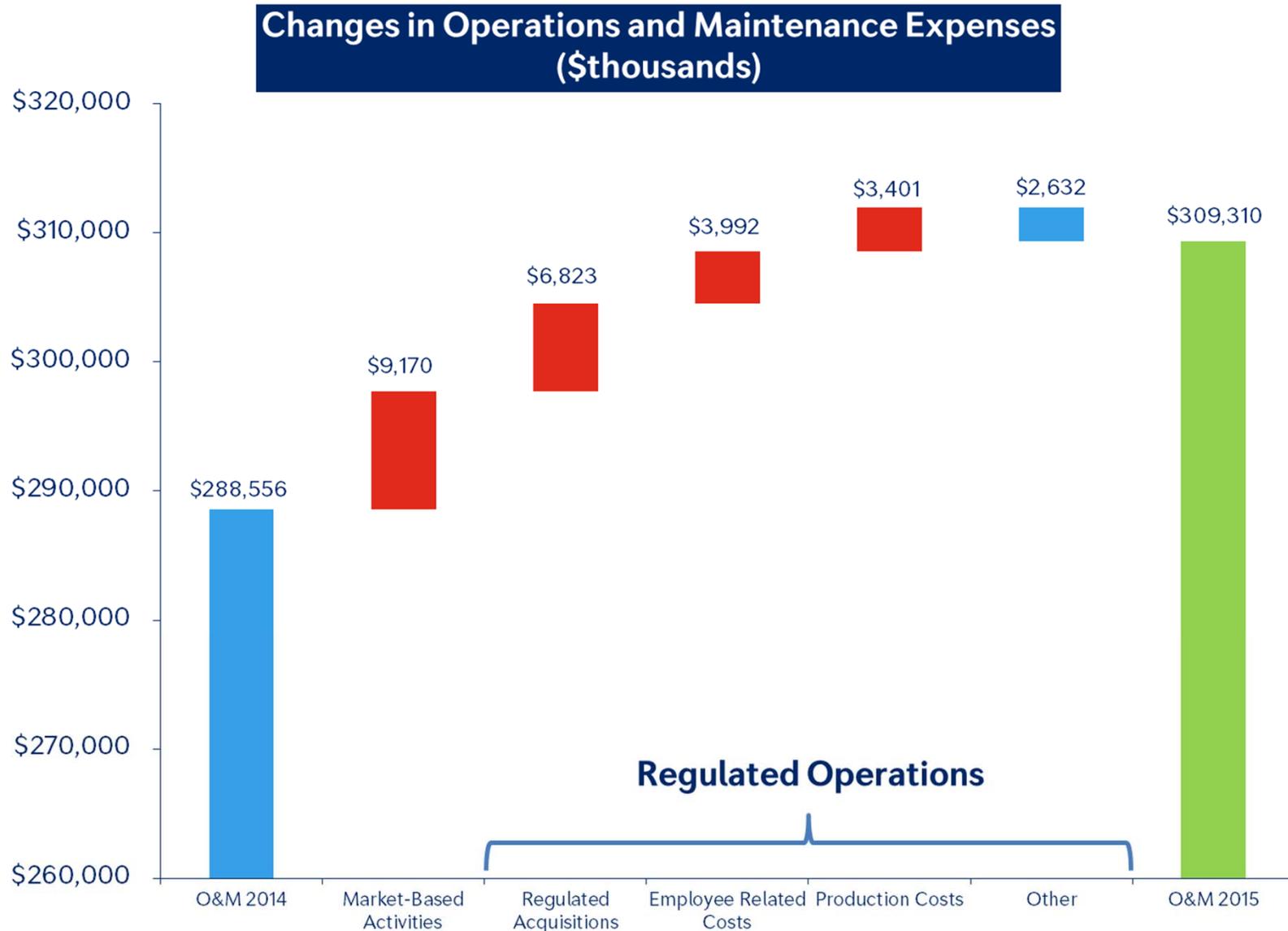
Operating Revenues

FY 2015 vs. FY 2014



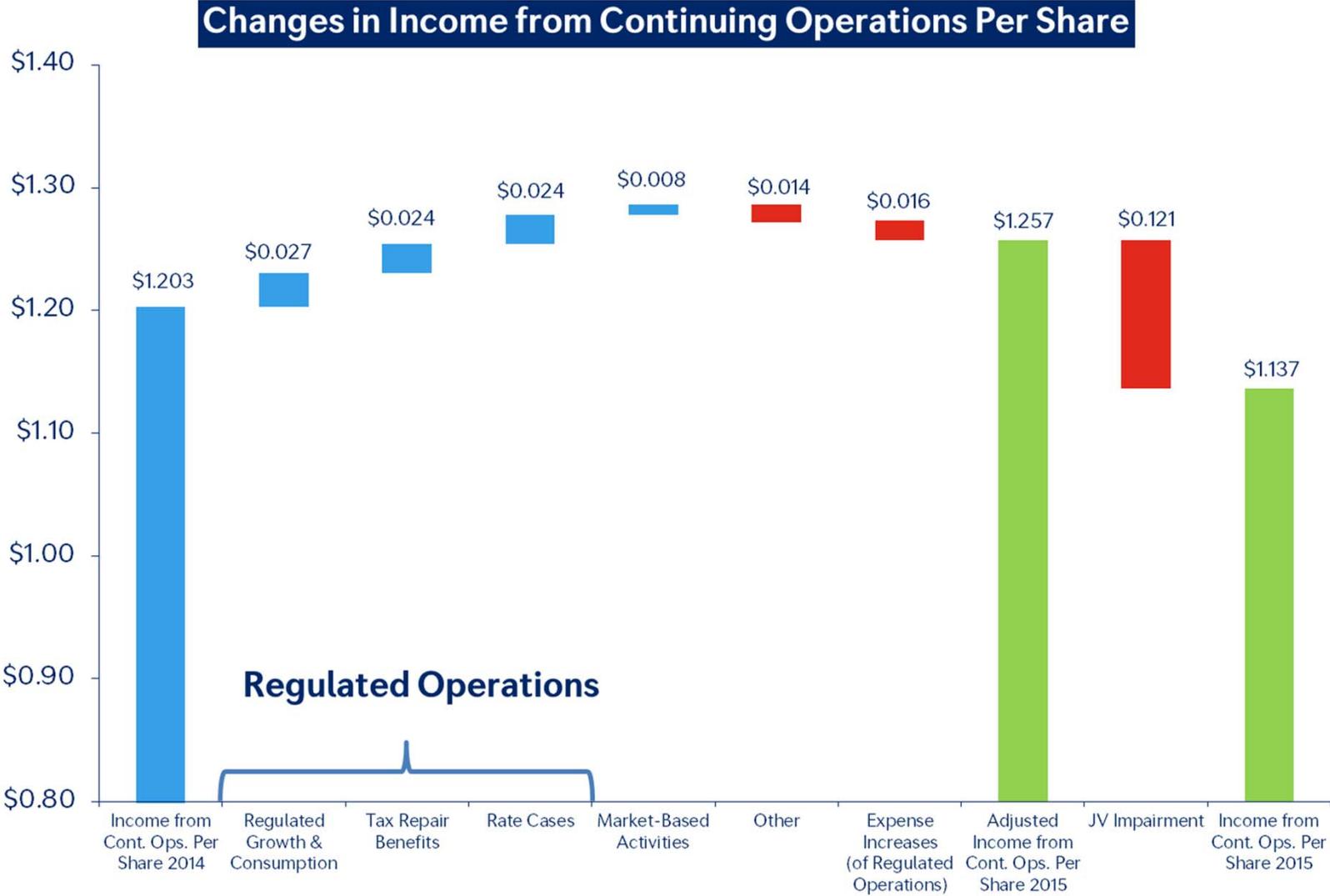
Operations & Maintenance Expenses

FY 2015 vs. FY 2014



Income from Continuing Operations per Share

FY 2015 vs. FY 2014



2015 Fourth Quarter Financial Results

	In millions except per share	Q4'14		Q4'15	Variance
Revenue		\$191.4	▲	\$197.1	3.0%
Operations and Maintenance Expense		\$74.1	▲	\$77.9	5.0%
Income from Continuing Operations		\$49.0	▼	\$28.4	(41.9%)
Income from Continuing Operations per Share		\$0.28	▼	\$0.16	(42.9%)
Exclude:					
Joint Venture Impairment Charge, Net of Tax		-	▲	\$21.4	
Adjusted Income from Continuing Operations (Non-GAAP)		\$49.0	▲	\$49.9	1.9%
Adjusted Income from Continuing Operations per Share (Non-GAAP)		\$0.28	▲	\$0.28	-

■ Favorable Change

■ Unfavorable Change

Rate Activity

2015 Completed Rate Cases and Infrastructure Surcharges

- Base rate cases or infrastructure surcharges completed in NJ, IL, NC, OH, TX and PA (wastewater)
- \$8.6 million in additional annualized revenue

2016 Completed Rate Cases and Infrastructure Surcharges

- Base rate cases or infrastructure surcharges completed in IL, NC, OH, TX and VA
- \$4.3 million in additional annualized revenue

2016 Pending Rate Case

- Base rate case in NJ with requested annualized revenue increase of \$2.5 million

*Additional rate activity information provided in Appendix

2016 Guidance

Christopher Franklin

President and Chief Executive Officer



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2016 Guidance

Earnings

- Full-year earnings per share between \$1.30 – \$1.35

Customer Growth

- 1.5 – 2.0% year-over-year customer growth

Capex

- More than \$350 million
- More than \$1.1 billion through 2018
- Ongoing rate base growth of approximately 6 – 7%

Operations and Maintenance Expense

- Same-system O&M increase of 1 – 2% for full year

Q&A Session



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Thank You for Attending Aqua America's Full Year 2015 Earnings Call

For more information contact:
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Chief of Staff
610.645.1191

Appendix

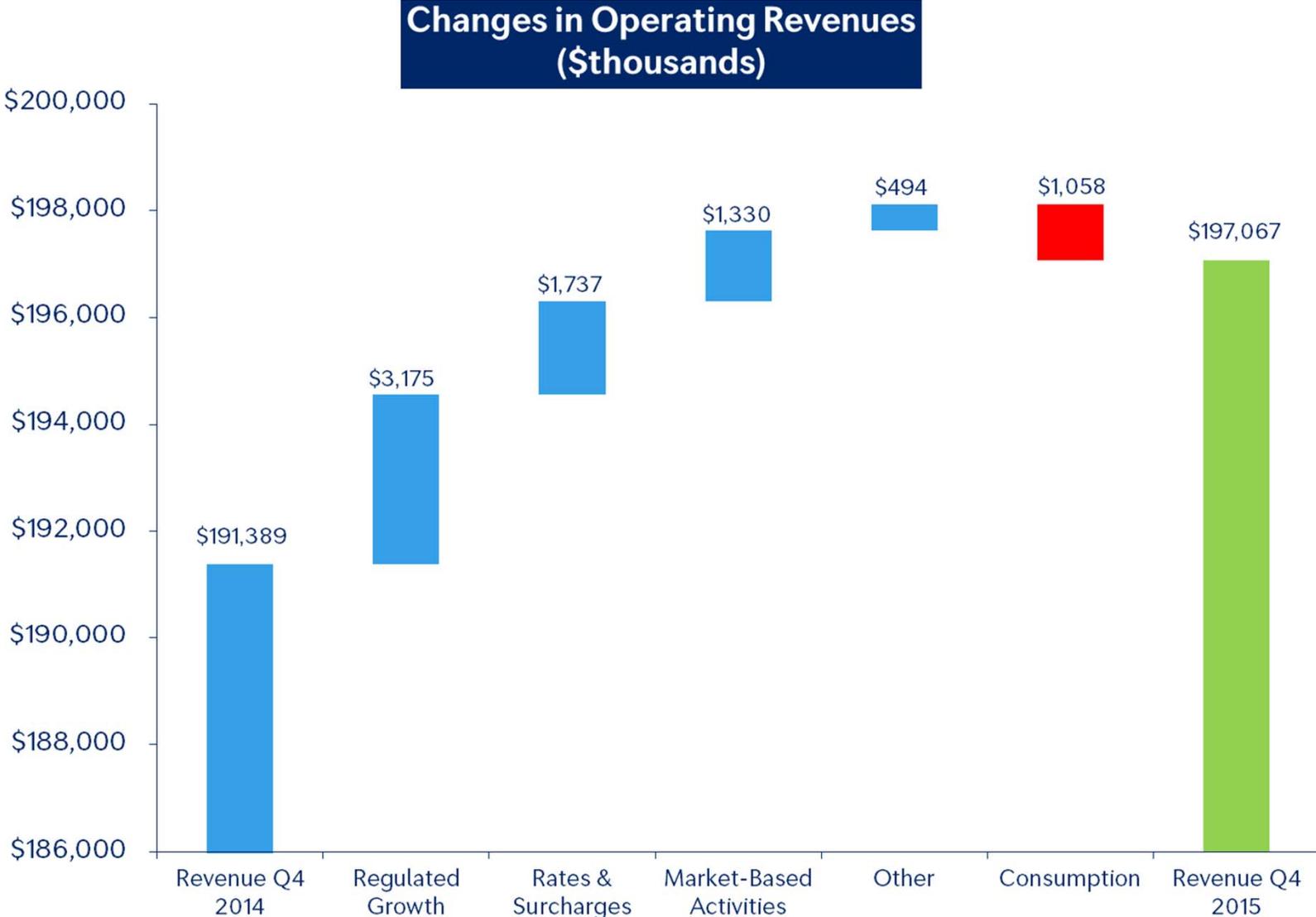


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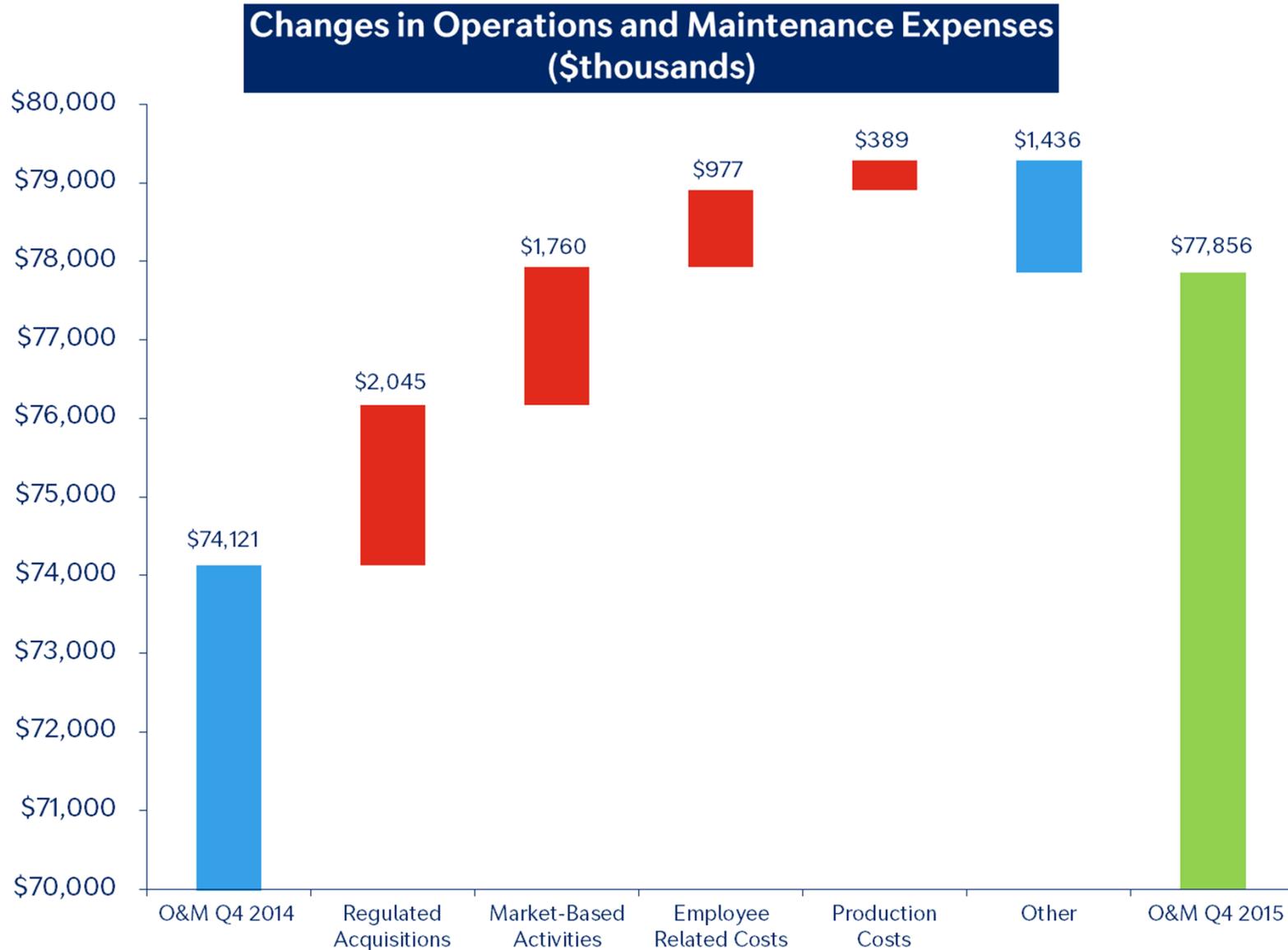
Operating Revenues

Q4 2015 vs. Q4 2014



Operations & Maintenance Expenses

Q4 2015 vs. Q4 2014



Income from Continuing Operations per Share

Q4 2015 vs. Q4 2014

Changes in Income from Continuing Operations Per Share



Rates and Infrastructure Surcharges Completed

Rates or Surcharges Received in 2015			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Illinois	15-0201	Surcharges (w/ww)	\$242
	14-0419	Rate Case (w)	1,841
New Jersey	WR14010019 (semi-annual)	Surcharge (w)	1,815
North Carolina	W-218-Sub-363A	Surcharges (w/ww)	311
Ohio	Ordinance # 22-2013	Rate Case (w)	730
	Ordinance # 14-041	Rate Case (w)	587
Pennsylvania	15-863-WW-SIC	Surcharges (w)	2,487
	15-864-WS-SIC	Surcharges (ww)	109
	P-2013-2366873	Surcharge (ww)	259
Texas ¹	2012-1058-UCR	Rate Case (w)	189
		Total	\$8,570

1. This is step three of a phased-in rate case docket

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

Rates and Infrastructure Surcharges Completed

as-of February 23, 2016

Rates or Surcharges Received in 2016			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Illinois	N/A	Surcharge (w)	\$600
North Carolina	W-215-Sub-363A	Surcharges (w/ww)	604
Ohio	Ordinance # 22-2013	Rate Case (w)	777
	Ordinance # 14-041	Rate Case (w)	598
Texas	2012-1058-UCR	Rate Case (w)	225
Virginia ¹	PUE-2014-00045	Rate Case (w/ww)	1,490
		Total	\$4,294

1. Including \$1.1 million of revenues recognized under interim rates during 2015

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

Rates Pending

as-of February 23, 2016

Rates for 2016			
State	Docket Number	Type	Requested Annualized Revenue Increase (\$thousands)
New Jersey	WR16010089	Rate Case (w)	\$2,536
		Total	\$2,536

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

State by State Comparison

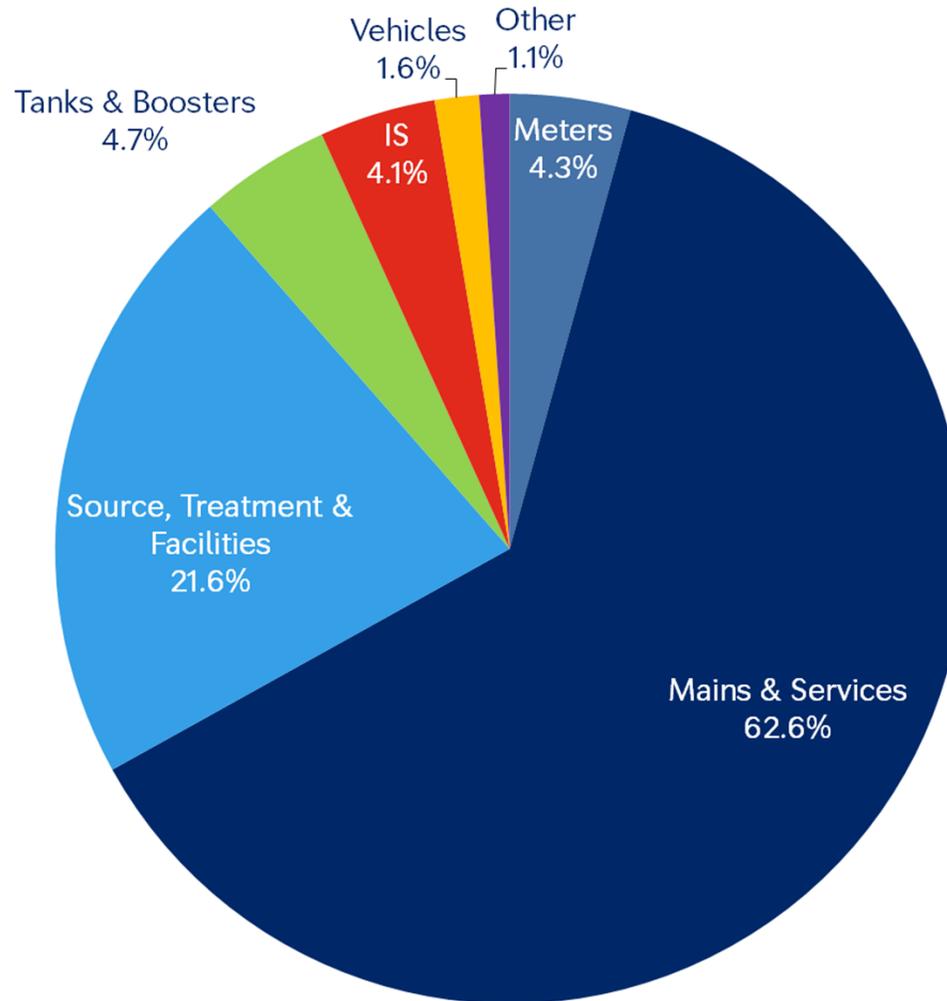
as-of Dec. 31, 2015

State	Rate Base (\$millions)	Water Connections	Wastewater Connections
PA	\$2,411	427,309	19,784
OH	256	143,598	6,654
IL	213	62,591	9,634
TX	193	60,473	15,809
NJ	135	52,072	5,994
NC	124	78,133	17,248
IN	73	881	24,821
VA	65	25,271	7,594
Total	\$3,470	850,328	107,538

Capital Investment Spending

Regulated Operations

2016 to 2018 Capital Investment Breakdown



3 Year Total = +\$1.1 Billion

Reconciliation of GAAP to Non-GAAP Financial Measures

Aqua America, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share amounts)
(A Non-GAAP, Unaudited Number)

	Quarter Ended December 31,		Year Ended December 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Income from continuing operations (GAAP financial measure)	\$ 28,434	\$ 48,954	\$201,790	\$ 213,884
Plus: joint venture impairment charge (net of taxes of \$11,542)	21,433	-	21,433	-
Adjusted income from continuing operations (Non-GAAP financial measure)	<u>\$ 49,867</u>	<u>\$ 48,954</u>	<u>\$223,223</u>	<u>\$ 213,884</u>
Income from continuing operations per common share (GAAP financial measure):				
Basic	\$ 0.16	\$ 0.28	\$ 1.14	\$ 1.21
Diluted	\$ 0.16	\$ 0.28	\$ 1.14	\$ 1.20
Adjusted income from continuing operations per common share (Non-GAAP financial measure):				
Basic	\$ 0.28	\$ 0.28	\$ 1.26	\$ 1.21
Diluted	\$ 0.28	\$ 0.28	\$ 1.26	\$ 1.20
Average common shares outstanding:				
Basic	<u>176,480</u>	<u>176,660</u>	<u>176,788</u>	<u>176,864</u>
Diluted	<u>177,261</u>	<u>177,651</u>	<u>177,517</u>	<u>177,763</u>