

# 2017 Earnings Guidance Call

AQUA<sup>SM</sup>

NYSE: WTR



January 17, 2017

# Forward Looking Statement

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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; 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 ability to generate earnings from capital investment; and other factors discussed in our Form 10-K for the fiscal year ended December 31, 2015, 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

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**Christopher Franklin**

President &  
Chief Executive Officer



**Dave Smeltzer**

Executive Vice President &  
Chief Financial Officer



**Brian Dingerdissen**

Vice President, Chief of Staff  
& Investor Relations

# Introduction

## Christopher Franklin

President and Chief Executive Officer



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# Today's Agenda

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- 2016 Guidance



- Corporate Update



- Introduce 2017 Guidance



- Q&A Session

# 2016 Guidance

## Dave Smeltzer

Executive Vice President & Chief Financial Officer



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# 2016 Guidance

## Earnings

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

## Customer Growth

- 1.5 – 2% 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

# Potential Tax Reform Implications

Policy Changes		Potential Impacts
Tax Rate Reduction	➔	Benefit likely deferred for return to customers absent immediate rate adjustment
Excess Deferred Taxes	➔	Expect re-class to Regulatory Liability for return to customers
Reduced Repair Tax Deduction	➔	Reduced PA Income; possible acceleration of PA rate filing
Increased Tax Deductions	➔	Could slow long-term rate base growth



# Corporate Update

## Christopher Franklin

President and Chief Executive Officer



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# Current Market-Based Activities

## Decisions by Segment

Segment		Outcome
Transportation Services	➔	Divested
Construction	➔	Contract Ended
Tri-State Grouting	➔	Divested
Field Services	➔	Exiting in 2017
Cross-connection	➔	Divesting in February 2017
Consulting/Training	➔	Divesting in February 2017
Limited O&M	➔	Maintain
Home Services	➔	Maintain

**\$35M of Revenue in 2015 vs. \$4M Expected in 2017, with a Positive Contribution to Net Income**

# 2016 Acquisitions

as-of December 31, 2016

State	Acquisitions Closed	Total Customers	Total Collective Purchase Price
PA	4	4,716	\$17,397,188
IL	5	924	\$2,322,000
NJ	3	222	\$1,627,685
IN	3	334	\$773,500
TX	1	210	\$50,000
NC	1	62	\$32,709
OH	1	60	\$25,000
VA	1	30	\$20,177
<b>Total</b>	<b>19</b>	<b>6,558</b>	<b>\$22,248,258</b>

1.6% Total Customer Growth

14% of Acquired Customers from Wastewater Systems

# 2017 Guidance

## Christopher Franklin

President and Chief Executive Officer



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# 2017 Guidance

## Earnings

- Full-year earnings per share between \$1.34 – \$1.39

## Operations and Maintenance Expense

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

## Capex

- More than \$450 million
- More than \$1.2 billion through 2019
- Rate base growth of approximately 6 – 7%

## Rate Activity

- Aqua PA expected to file infrastructure investment charge in 2017
- Pennsylvania rate case filing likely in 2018, with resolution expected in 2019

## Customer Growth

- 1.5 – 2% year-over-year customer growth

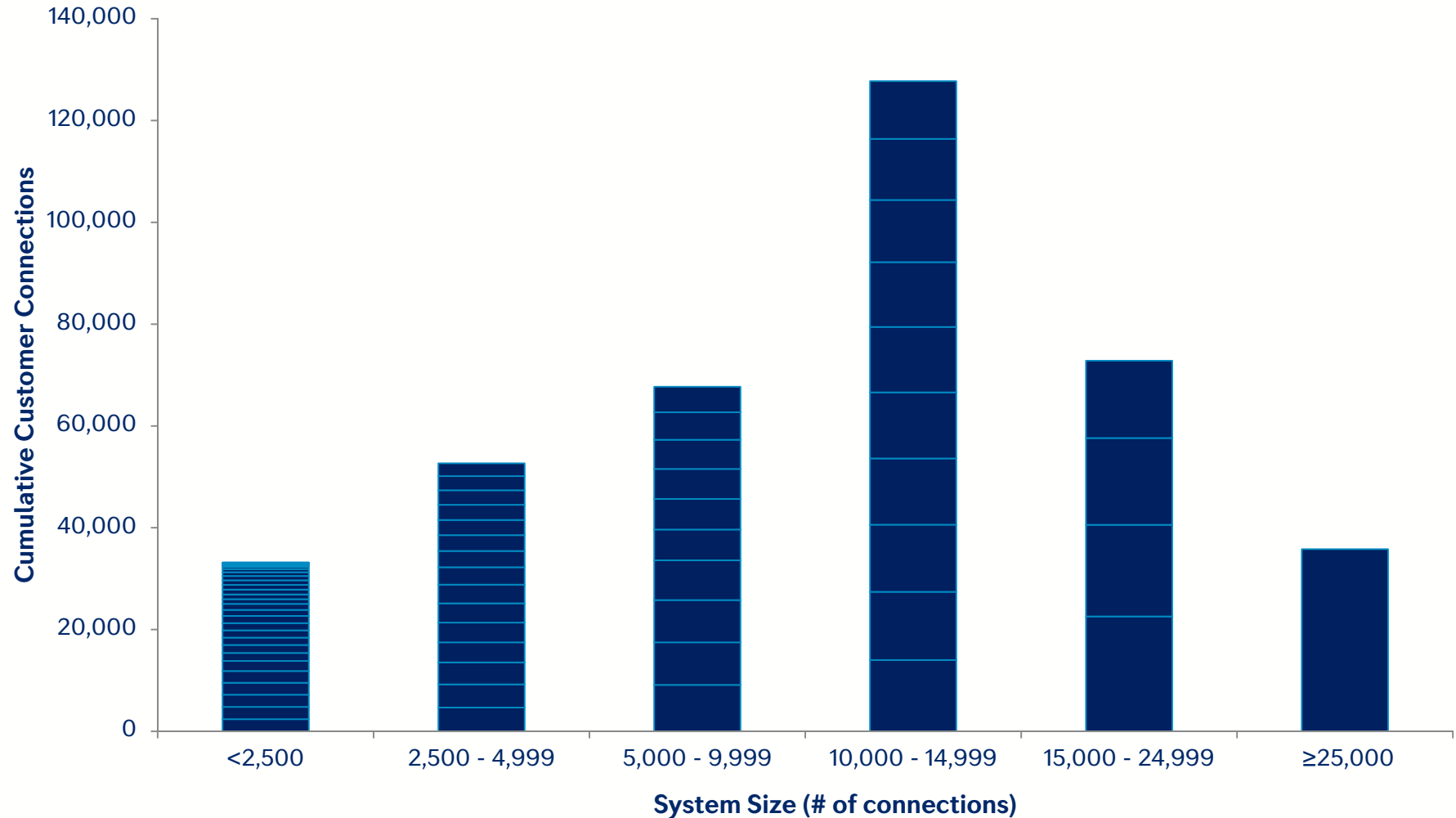
# Pending Acquisition Activity

<u>2017 Anticipated Closings</u>				
System	Type	Customers	Purchase Price (\$thousands)	
System A	Muni	5,364	\$75,100	
System B	Muni	2,100	\$29,500	
System C	Muni	727	\$5,500	
System D	Muni	570	\$3,600	
	<b>Total</b>	<b>8,761</b>	<b>\$113,700</b>	

**Top 70 Municipal Acquisition Prospects Represent Approximately 390,000 Customers**

# Top 70 Municipal Prospects

92% of Prospective Customers from Systems Serving more than 2,500 Customers



# Q&A Session



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# Thank You for Attending Aqua America's 2017 Earnings Guidance Call

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2016 Full-year and Fourth Quarter Earnings  
Conference Call and Webcast  
Thursday, February 23, 2017

For more information contact:  
Brian Dingerdissen  
Vice President, Chief of Staff and Investor Relations  
610.645.1191

# Appendix



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# Rates and Infrastructure Surcharges Completed

as-of December 31, 2016

Rates or Surcharges Received in 2016			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
Illinois	N/A	Surcharge (w)	\$711
	15-0017	Surcharge (w/ww)	242
New Jersey	WR16010089	Rate Case (w)	200
North Carolina	W-215-Sub-363A	Surcharges (w/ww)	1,045
Ohio	Ordinance # 22-2013	Rate Case (w)	777
	Ordinance # 14-041	Rate Case (w)	598
Texas	44470	Rate Case (w)	225
Virginia <sup>1</sup>	PUE-2014-00045	Rate Case (w/ww)	1,490
	N/A	Rate Case (w/ww)	155
	N/A	Rate Case (w/ww)	144
		Total	\$5,587

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 and Infrastructure Surcharges Completed

as-of January 16, 2017

Rates or Surcharges Received in 2017			
State	Docket Number	Type	Awarded Annualized Revenue Increase (\$thousands)
North Carolina	W-215-Sub-363A	Surcharges (w/ww)	\$564
Ohio	Ordinance # 22-2013	Rate Case (w)	731
	Ordinance # 14-041	Rate Case (w)	534
		Total	\$1,829

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

# Rates Pending

as-of January 16, 2017

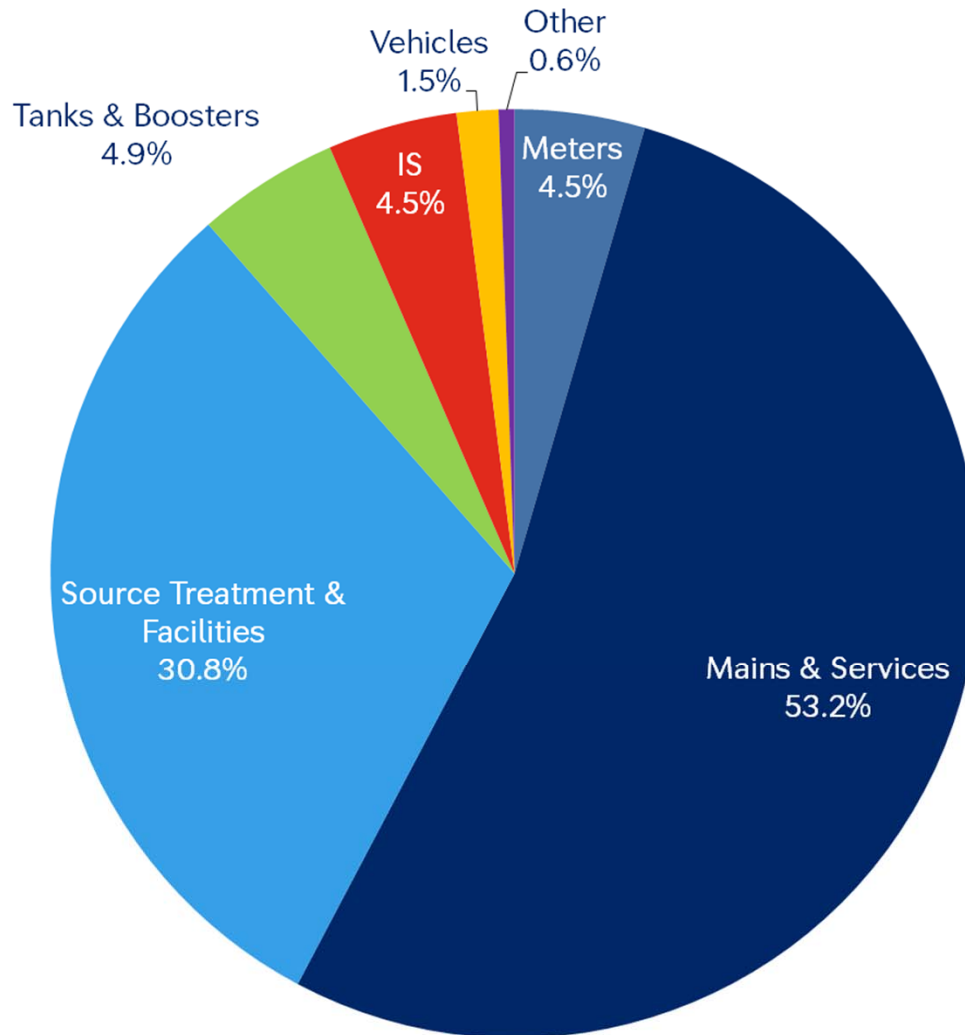
Rates Pending in 2017			
State	Docket Number	Type	Requested Annualized Revenue Increase (\$thousands)
Indiana	44752	Rate Case (ww)	\$2,372
Ohio	16-0907-WW-AIR	Rate Case (w)	5,604
		Total	\$7,976

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

# Capital Investment Spending

## Regulated Operations

### 2017 to 2019 Capital Investment Breakdown



**3 Year Total = +\$1.2 Billion**