



EARNINGS CALL

Third Quarter 2023

November 7, 2023

NYSE
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WTRG

Welcome

Brian Dingerdissen

Vice President, Investor Relations
and Treasurer



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' 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, 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.essential.co

Company Update

Chris Franklin

Chairman, Chief Executive Officer,
and President



Corporate Updates

**\$0.30
Earnings
Per Share**

**YTD
Infrastructure
Investment of
\$874.5M**

**Pending
Acquisition of
Five Systems⁽¹⁾**

**Completed Sale
of West Virginia
Gas Utility
Assets**

**Announced Sale
Agreement for
Energy Projects**

**Appointment of
Rod West to
Board**

Updated ESG Reporting and Progress

Available at [ESG.Essential.co](https://www.ESG.Essential.co)

2022 ESG Report

Full Update of 2020 ESG Report

SASB and ESG Metrics Index

Key ESG metrics in accessible format

TCFD Report

Abbreviated climate change reporting

CDP Report

Fully detailed climate change reporting

AGA Sustainability Template

GHG reporting standards set by AGA

Progress on Commitments Through 6/30/2023



GHG Emissions Reduction: By 2035, Essential will achieve a 60% Scope 1 and 2 greenhouse gas emissions reduction, from a 2019 baseline

25% Estimated GHG reduction



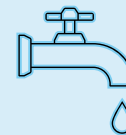
Employee Diversity: Multi-year goal to reach 17% employees of color

17% of Essential employees are people of color, achieving our target



Supplier Diversity: Multi-year goal to increase diverse supplier controllable spend to 15%

18% of Essential's controllable spend is with diverse suppliers, achieving our target



PFAS: Treatment at facilities where source water exceeds 13 ppt for PFOA, PFOS, and PFNA

EPA proposed max contaminant level of 4 ppt. Essential's preliminary estimate capital investment of at least \$450M

Financial Results

Dan Schuller

Executive Vice President,
Chief Financial Officer



Q3 Financial Highlights

As of September 30, 2023

<i>In millions except per share</i>	Q3 2022	Q3 2023
Operating Revenues	\$434.6	\$411.3
Purchased Gas	\$52.0	\$16.6
Operations and Maintenance Expense	\$151.4	\$147.0
Operating Income	\$125.9	\$137.4
Net Income	\$68.6	\$80.1
Net Income per Share	\$0.26	\$0.30

Revenues

- Additional revenues from regulatory recoveries, regulated water segment customer growth, and other items were the main drivers for the quarter; offset by lower purchased gas costs and decreased volume in the regulated water segment.
-

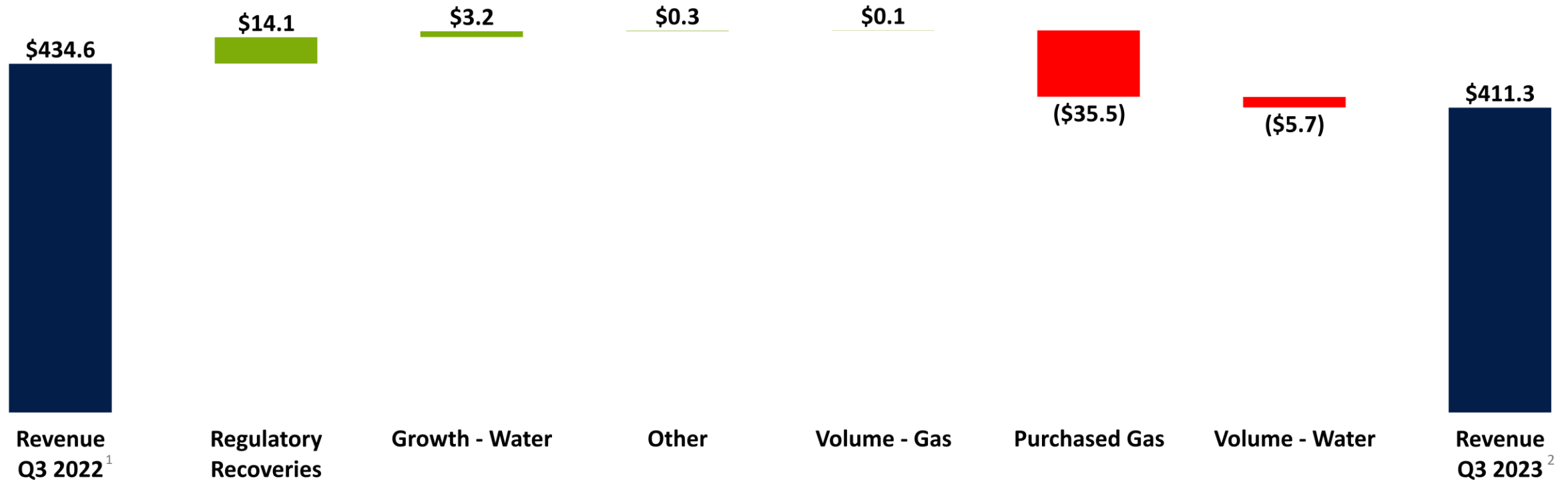
O&M

- Higher water production costs and expenses related to added acquisitions were offset by a decrease in employee-related costs, the gas customer rider and other expense items for the quarter.
-

Operating Revenues

Q3 2023 vs. Q3 2022

Change in Operating Revenues (millions)



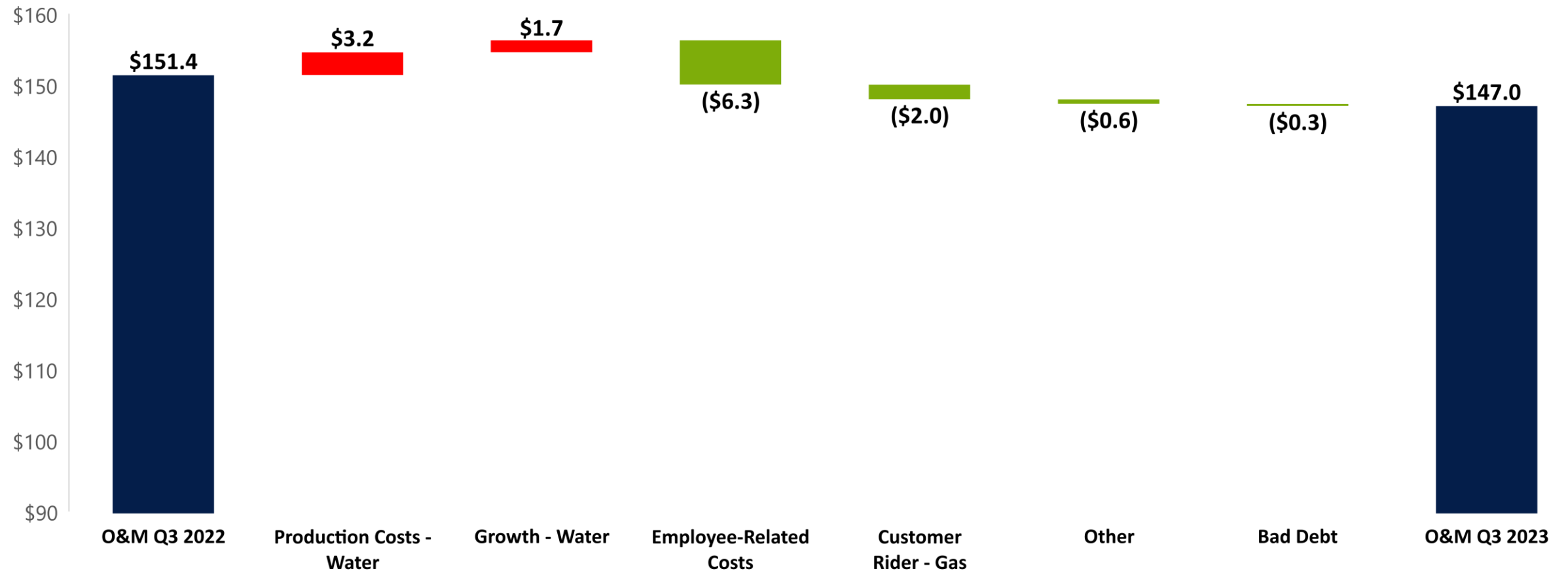
¹ Includes \$52.0 of purchased gas.

² Includes \$16.6 of purchased gas.

Operations & Maintenance Expenses

Q3 2023 vs. Q3 2022

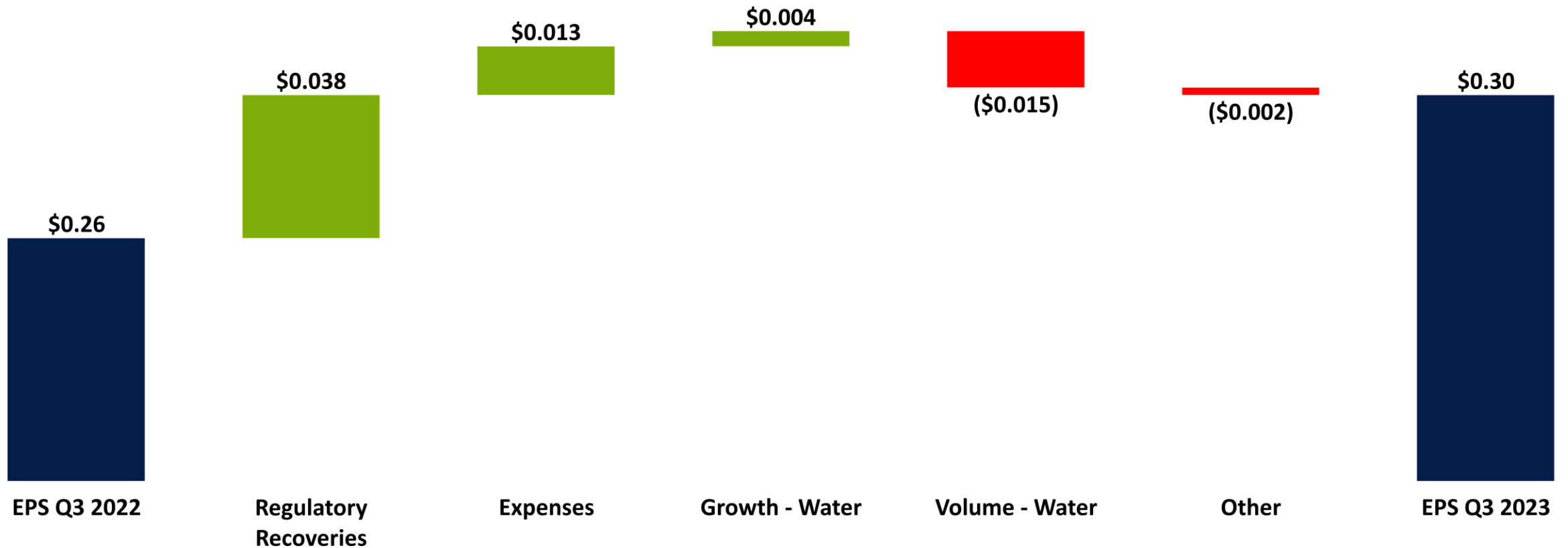
Change in Operations & Maintenance Expense (millions)



Earnings per Common Share

Q3 2023 vs. Q3 2022

Change in Earnings Per Share



Sale of Non-Core Assets

Closed

- Sale of Peoples Gas utility assets in West Virginia
- Approximately 13,000 customers
- Announced closing October 2nd, 2023
- Sale price of \$37M, subject to adjustment

Pending



**Pittsburgh International
Airport Microgrid**



**District Energy Project –
AHN Wexford Hospital**



**District Energy Project –
Allegheny County**

- Sale of three unregulated district energy and microgrid projects in Pittsburgh
 - Announced on October 3rd, 2023
- Proceeds of \$165M
- Expected to close in late 2023 or early 2024

Proceeds from both sales will be used in place of future debt and equity issuances and are accretive to Essential's EPS

Regulatory Activity

As of November 6, 2023

2023 Completed Regulatory Recoveries

Water segment base rate cases or surcharges in IL, IN, NJ, NC, OH, PA, TX, and VA with annualized revenue increase of \$42.4 million

Gas segment surcharges in PA and KY with annualized revenue increase of \$21.3 million

Pending Regulatory Recoveries

Water segment base rate cases or surcharges in NJ, OH and VA with requested annualized revenue increase of \$16.8 million

No pending gas segment base rate cases or surcharges

Summary and 2023 Guidance

Chris Franklin

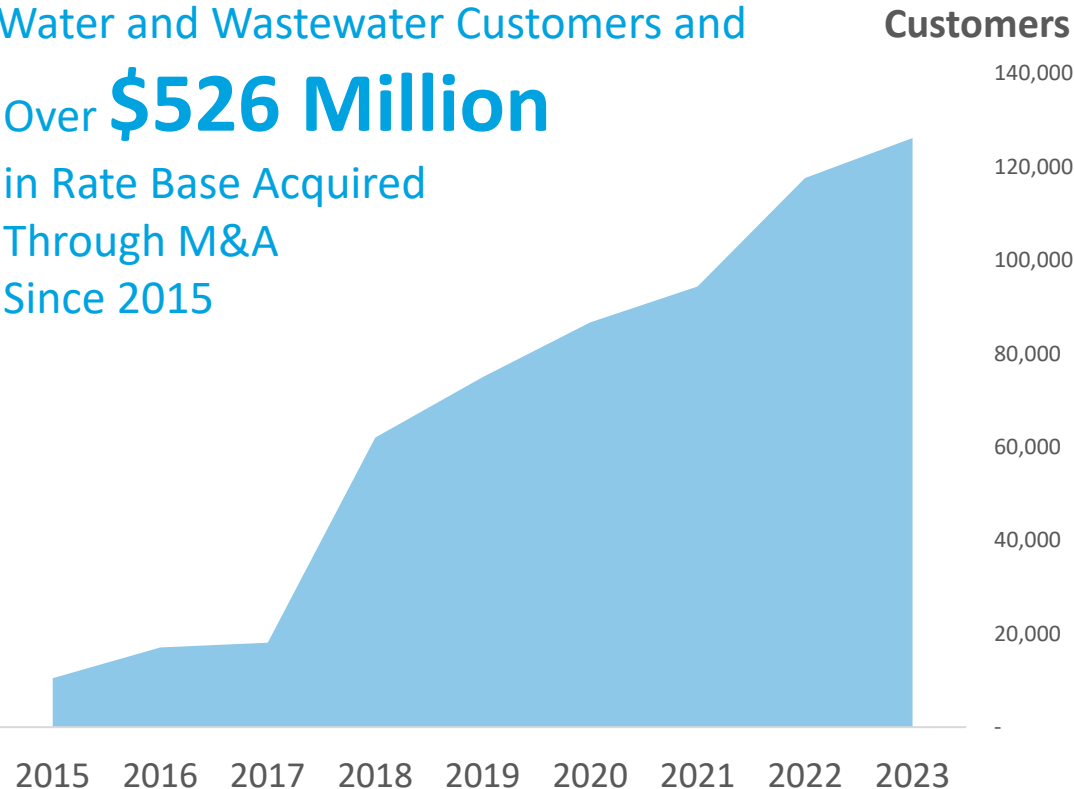
Chairman, Chief Executive Officer,
and President



Continued Water and Wastewater Acquisition Success

Cumulative Additions of Customers Through Acquisitions Since 2015

Nearly **129,000⁽¹⁾**
Water and Wastewater Customers and
Over **\$526 Million**
in Rate Base Acquired
Through M&A
Since 2015



2023 Acquisitions

<div>PA</div> <div>North Heidelberg</div> <ul style="list-style-type: none">Wastewater275 customers\$0.1M purchase priceClosed March 31, 2023	<div>OH</div> <div>Union Rome</div> <ul style="list-style-type: none">Wastewater5,300 customers⁽¹⁾\$25.5M purchase priceClosed June 30, 2023	<div>PA</div> <div>Shenandoah</div> <ul style="list-style-type: none">Water3,000 customers\$12M purchase priceClosed July 24, 2023
<div>TX</div> <div>Southern Oaks</div> <ul style="list-style-type: none">Water740 customers\$3.33M purchase priceClosed July 31, 2023	<div>IL</div> <div>Village of Frankfort</div> <ul style="list-style-type: none">Water/Wastewater711 / 711 customers\$1.4M purchase priceClosed July 31, 2023	<div>OH</div> <div>Village of La Rue</div> <ul style="list-style-type: none">Water290 customers\$2.25M purchase priceClosed July 31, 2023

11,025⁽¹⁾

Total Customers

\$44.6M

Total Purchase Price

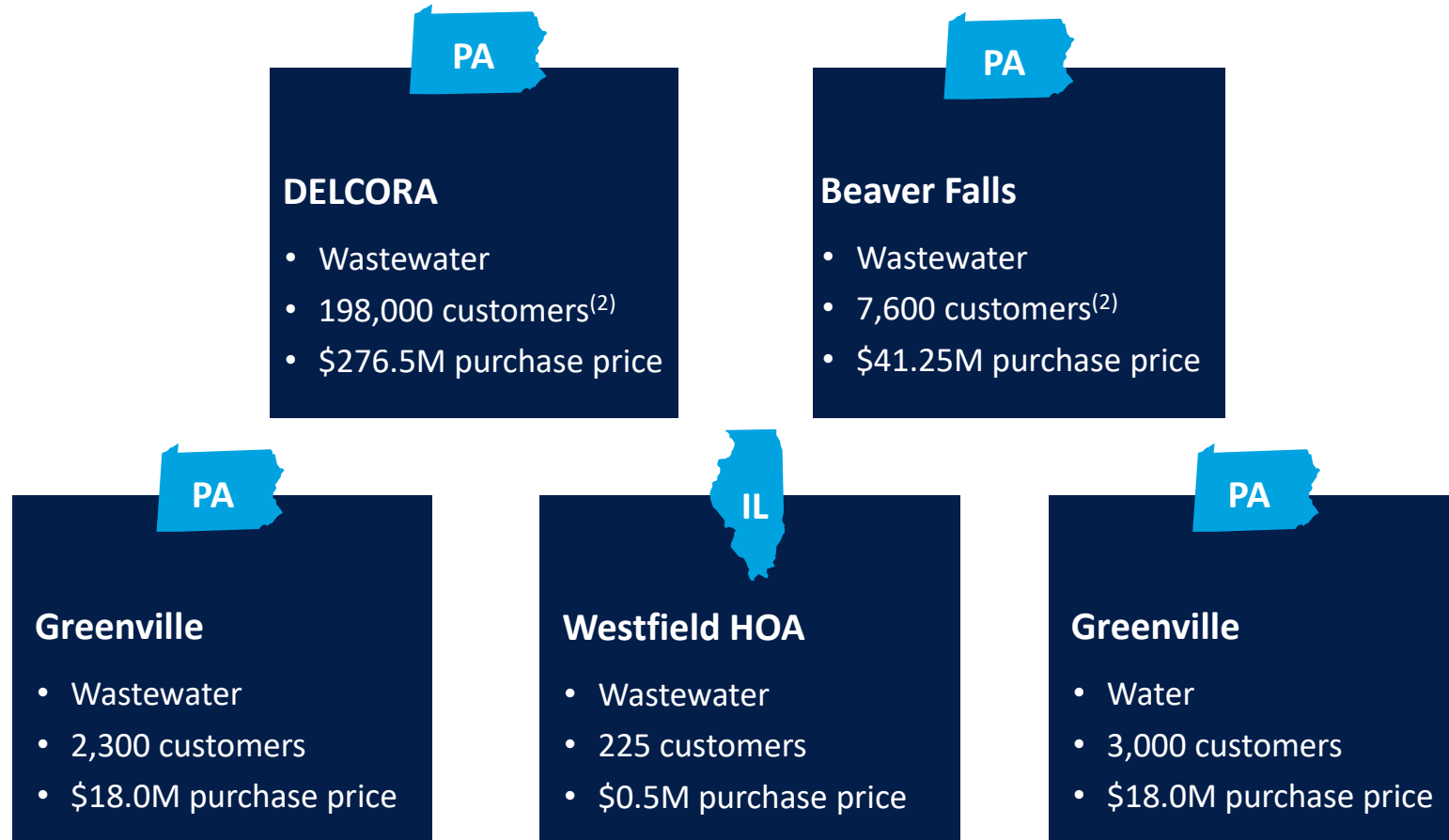
(1) Essential's estimate of the number of equivalent dwelling units.

Pending Municipal Transactions

~\$353.8M of pending rate base is expected to generate ~\$17.7M of incremental annual earnings potential⁽¹⁾

Over 211,000⁽²⁾ Total Customers

\$353.8M Total Purchase Price



We are actively pursuing acquisition opportunities in most of our states, totaling over 400,000 customers.

2023 Guidance⁽¹⁾

Earnings	Capex	Rate Base	Customer Growth	ESG
<ul style="list-style-type: none"> In 2023, net income per diluted common share will be \$1.85 to \$1.90 Through 2025, earnings per share will grow at a compounded annual growth rate of 5 to 7%, based off the company's 2022 earnings per share of \$1.77 	<ul style="list-style-type: none"> Through 2025, we will make regulated infrastructure investments of approximately \$1.1 billion annually, weighted towards the regulated water segment 	<ul style="list-style-type: none"> Through 2025, the regulated water segment rate base will grow at a compounded annual rate of 6 to 7% Through 2025, the regulated natural gas segment rate base will grow at a compounded annual rate of 8 to 10% 	<ul style="list-style-type: none"> The regulated water customer base (or equivalent dwelling units) of the business will grow at an average annual growth rate of between 2 to 3% from acquisitions and organic customer growth Excluding the divestiture of West Virginia, the regulated natural gas customer base of the business will be stable in 2023 	<ul style="list-style-type: none"> Reduction of Scope 1 and 2 greenhouse gas emissions by 60% by 2035 from the company's 2019 baseline Multi-year plan to ensure that finished water does not exceed the federal maximum contaminant level once finalized, of PFOA, PFOS, and PFNA compounds Multi-year plan to increase diverse supplier spend to 15% Multi-year plan to reach 17% employees of color

(1) Guidance includes signed municipal water and wastewater acquisitions for which the company has entered into signed purchase agreements as of the time the 2023 guidance was announced but does not include DELCORA prior to the second half of 2025 or other potential municipal acquisitions from the company's list of acquisition opportunities. Guidance also does not include any impact from the sale of its West Virginia natural gas utility, announced on 10/2/2023, as it did not materially impact guidance. The guidance is also based on the company's expectation that it will continue to issue equity and debt on an as needed basis to support acquisitions and capital investment plans.

Questions?

**Thank You for Attending
Essential's Third Quarter 2023
Conference Call**



**Fourth Quarter and Full Year 2023
Earnings Conference Call and Webcast**

Friday, February 23, 2024

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Appendix



Year to Date Financial Highlights

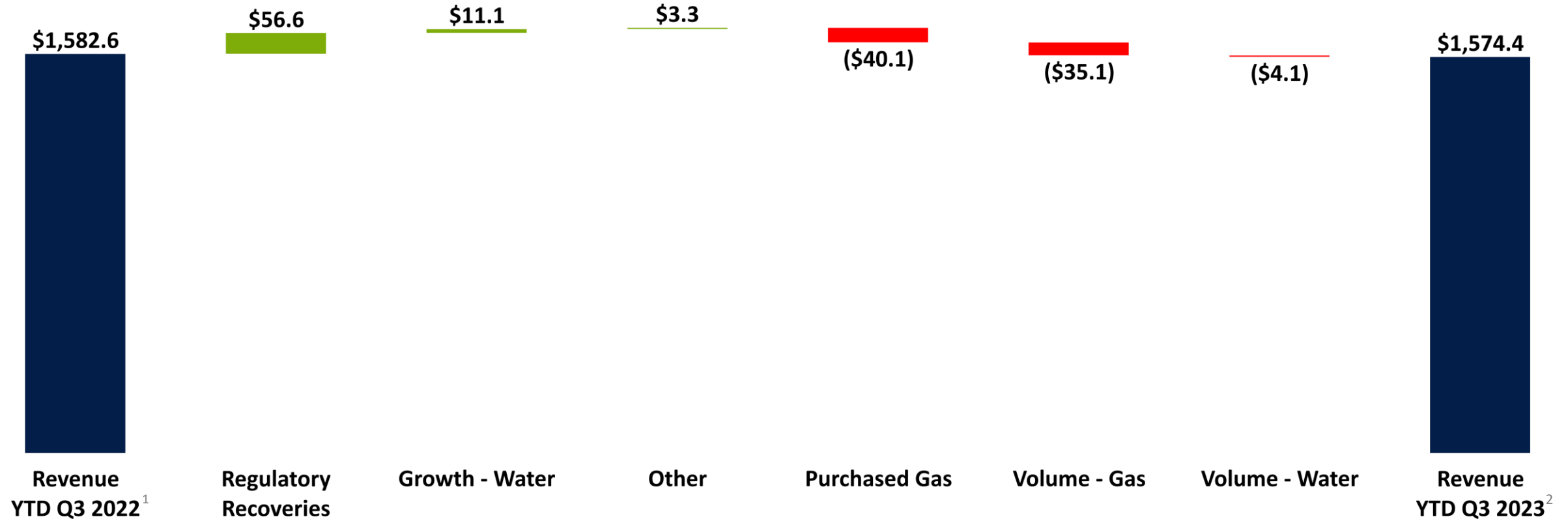
As of September 30, 2023

<i>In millions except per share</i>	YTD 2022	YTD 2023	Percent Change
Operating Revenues	\$1,582.6	\$1,574.4	(0.5%)
Purchased Gas	\$354.9	\$314.8	(11.3%)
Operations and Maintenance Expense	\$428.9	\$418.5	(2.4%)
Operating Income	\$491.2	\$518.1	5.5%
Net Income	\$350.3	\$362.8	3.6%
Net Income per Share	\$1.33	\$1.37	3.0%

Operating Revenues

YTD September 30, 2023 vs. YTD September 30, 2022

Change in Operating Revenues (millions)



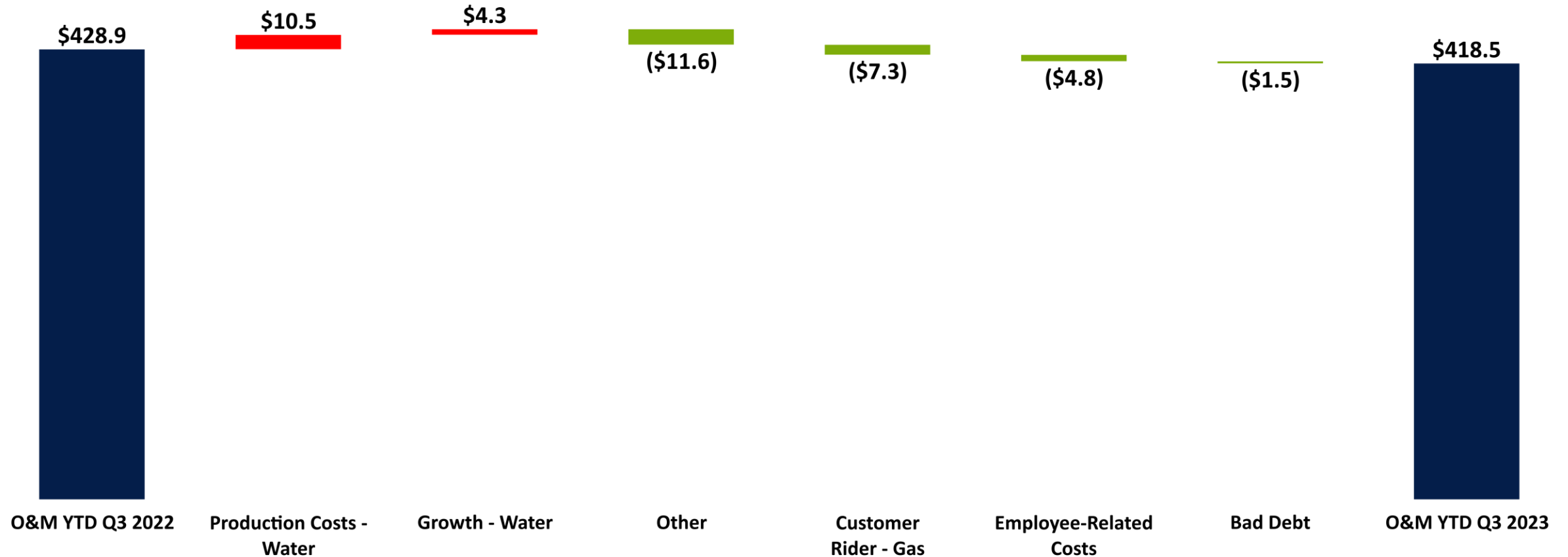
¹ Includes \$354.9 of purchased gas.

² Includes \$314.8 of purchased gas.

Operations & Maintenance Expenses

YTD September 30, 2023 vs. YTD September 30, 2022

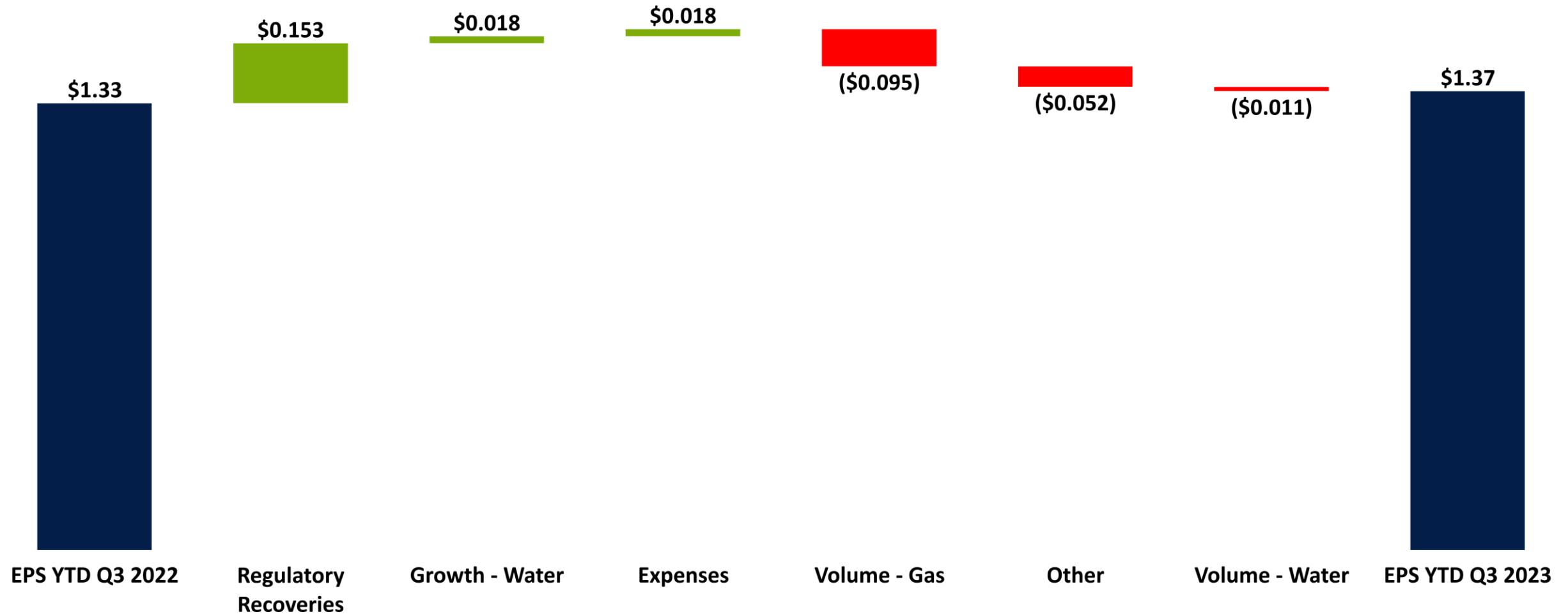
Change in Operations & Maintenance Expense (millions)



Earnings per Common Share

YTD September 30, 2023 vs. YTD September 30, 2022

Change in Earnings Per Share



2023 Regulatory Activity Completed

As of November 6, 2023

State	Docket Number	Segment	Type	Requested Annualized Revenue Increase (\$thousands)
Ohio		Water	Rate Case	\$1,569
Indiana		Wastewater	Rate Case	\$134
Illinois		Water	Surcharge	\$1,352
		Wastewater	Surcharge	\$567
Virginia	PUR-2022-00113	Wastewater	Surcharge	\$15
North Carolina	W-218, Sub 573	Water	Rate Case – Year 1	\$9,706
	W-218, Sub 573	Wastewater	Rate Case – Year 1	\$4,294
	W-218, Sub 573	Water	Rate Case – Year 2*	\$2,632
	W-218, Sub 573	Wastewater	Rate Case – Year 2*	\$1,111
	W-218, Sub 573	Water	Rate Case – Year 3**	\$2,820
	W-218, Sub 573	Wastewater	Rate Case – Year 3**	\$1,310
Pennsylvania		Gas	Surcharge	\$20,887
	M-2023-3041386	Water	Surcharge	\$867
	M-2023-3041418	Wastewater	Surcharge	\$63
	M-2023-30343171	Water	Surcharge	\$5,477
	M-2023-3043200	Wastewater	Surcharge	(\$73)
New Jersey	WR22050360	Water	Surcharge	\$2,173
Kentucky	2022-00341	Gas	Surcharge	\$385
Texas	53428	Water	Surcharge	\$6,010
	53428	Wastewater	Surcharge	\$2,378

*Rates effective 1/1/2024

**Rates effective 1/1/2025

Total

\$63,687

Regulatory Activity Pending

As of November 6, 2023

State	Docket Number	Segment	Type	Requested Annualized Revenue Increase (\$thousands)	
Ohio	22-1094-WW-AIR	Water	Rate Case	\$9,364	
	22-1096-ST-AIR	Wastewater	Rate Case	\$452	
Virginia	PUR-2023-00073	Water	Rate Case	\$5,215	
	PUR-2023-00073	Wastewater	Rate Case	\$1,696	
New Jersey	WR23080576	Wastewater	Surcharge	\$37	
Total				\$16,764	

State by State Comparison

As of December 31, 2022

State	Rate Base (\$000s)	Water Connections	Wastewater Connections	Total Customers
PA	\$4,245,240	450,618	61,440	512,058
IL	\$485,191	68,834	23,605	92,439
OH	\$472,344	151,884	6,949	158,833
TX	\$451,354	72,817	22,273	95,090
NC	\$309,099	85,543	22,235	107,778
NJ	\$214,694	55,354	6,613	61,967
IN	\$110,546	1,431	30,293	31,724
VA	\$93,377	27,043	8,313	35,356
Total	\$6,381,846	913,524	181,721	1,095,245

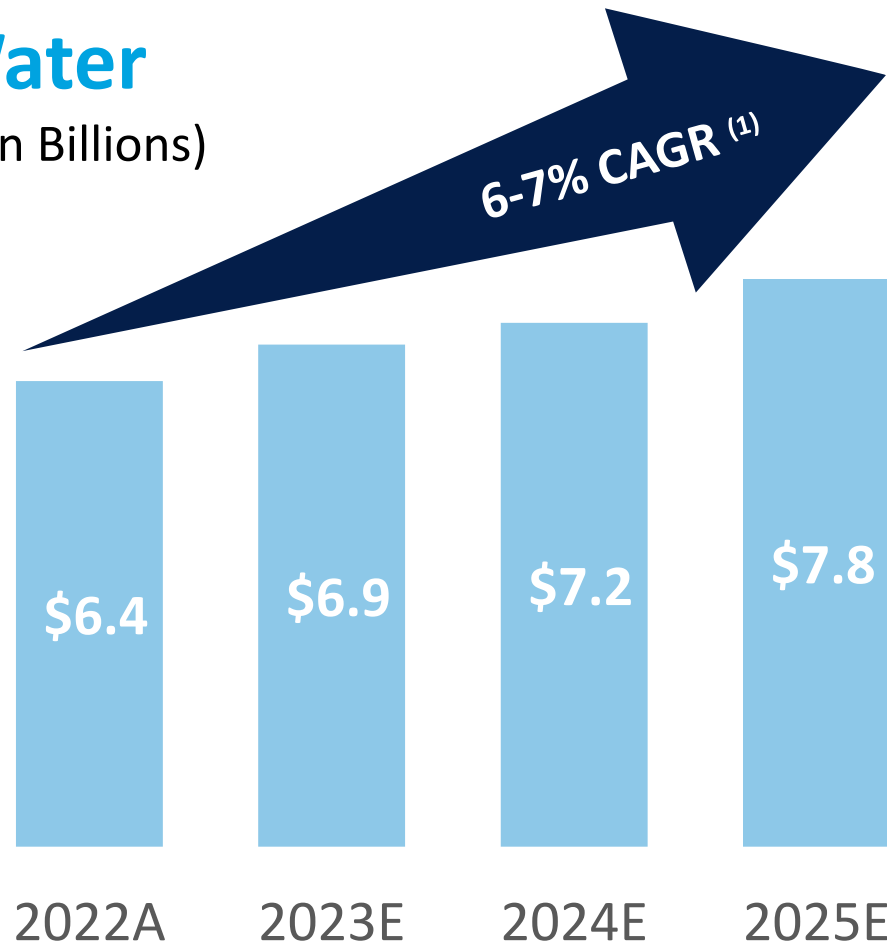
State	Rate Base (\$000s)	Gas Connections
PA	\$2,737,318	702,862
KY	\$139,217	40,533
WV	\$29,970	12,946
Total⁽¹⁾	\$2,906,504	756,341

(1) As announced on 10/2/2023, the company closed on the sale of its West Virginia natural gas utility.

Maximizing Rate Base Growth Potential

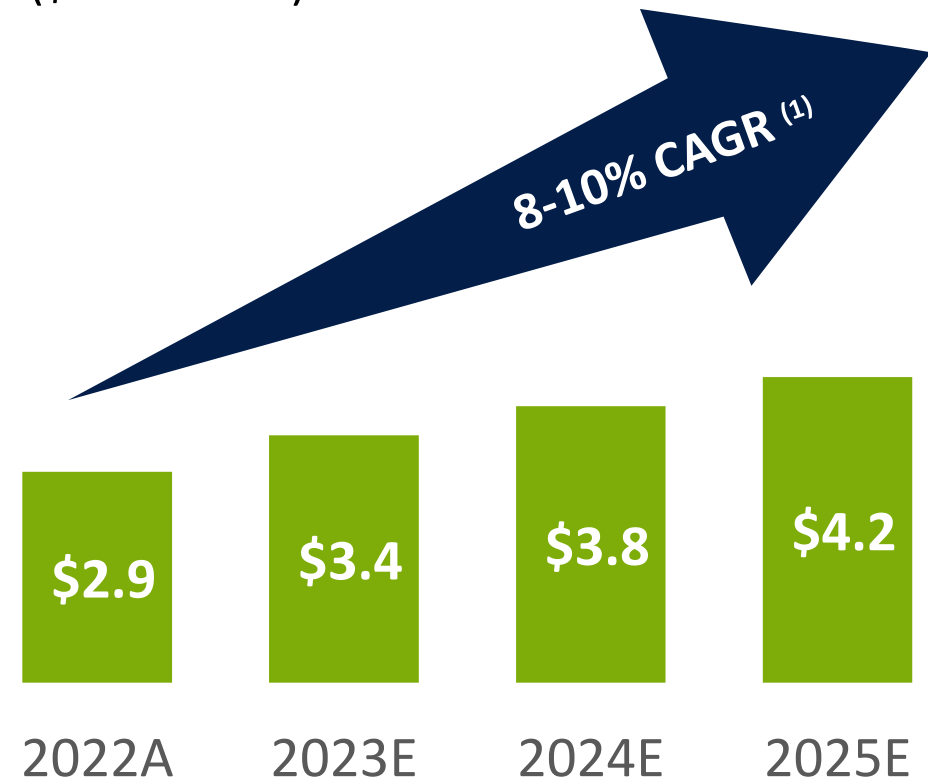
Water

(\$ in Billions)



Gas

(\$ in Billions)



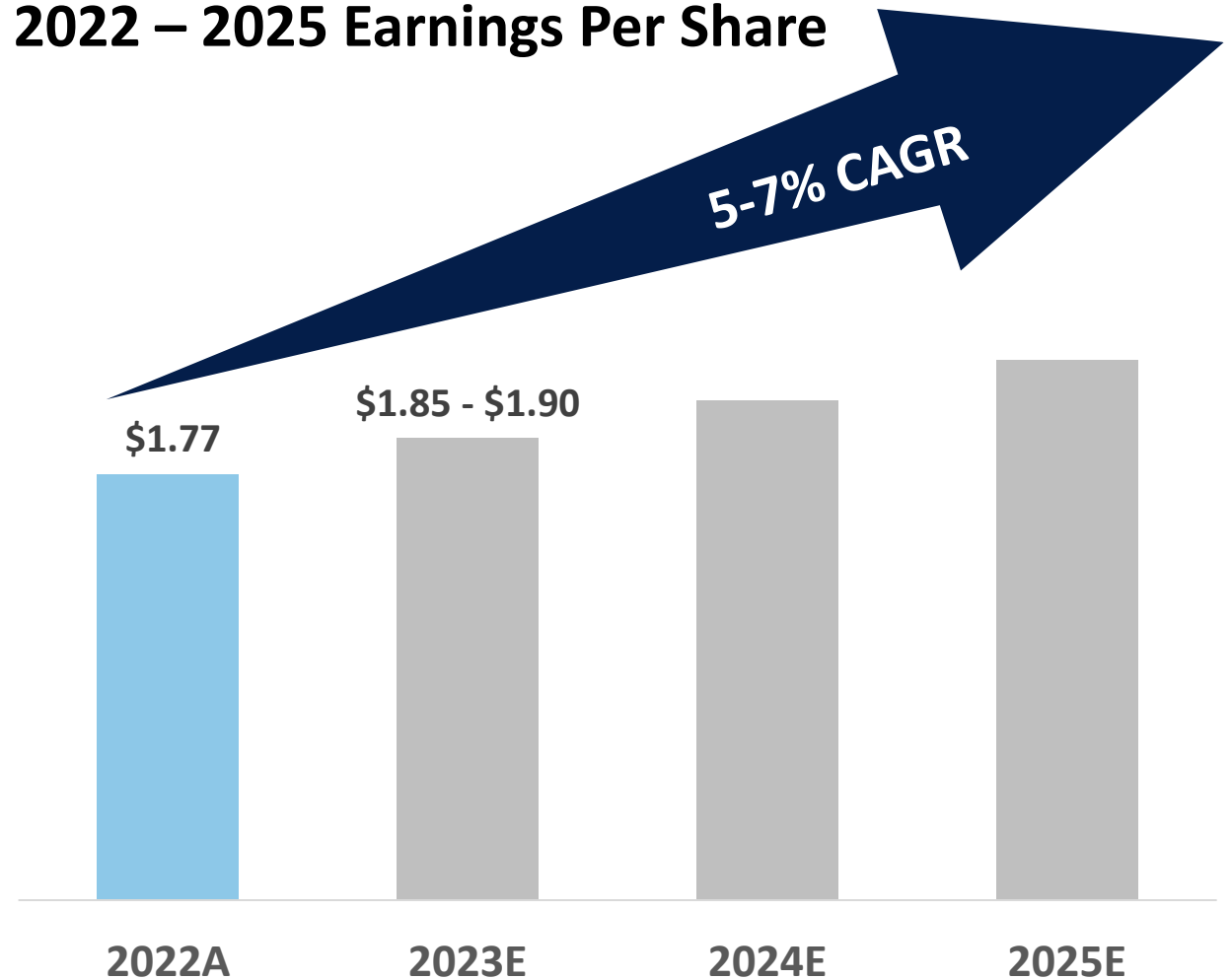
"A" denotes Actual
"E" denotes Estimate

(1) Includes signed municipal water and wastewater acquisitions for which the company has entered into signed purchase agreements as of the time the 2023 guidance was announced but does not include DELCORA prior to the second half of 2025 or other potential municipal acquisitions from the company's list of acquisition opportunities. Guidance also does not include any impact from the sale of its West Virginia natural gas utility, announced on 10/2/2023, as it did not materially impact guidance

Earnings Guidance

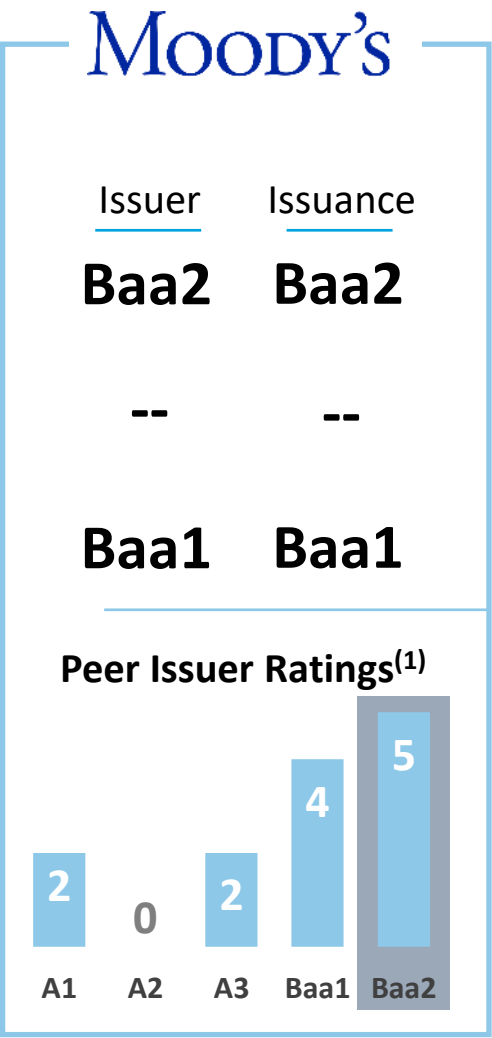
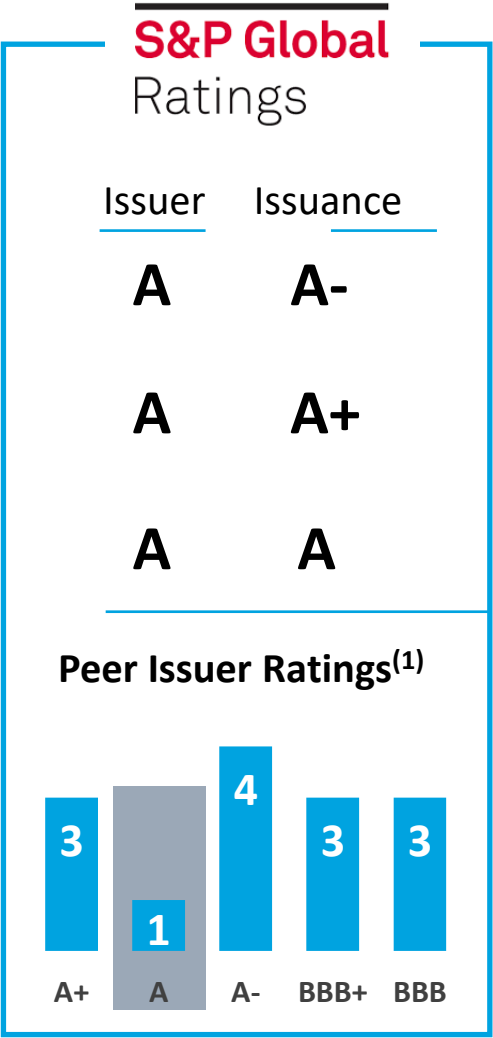
2023 annual earnings per share guidance of \$1.85 to \$1.90

2022 – 2025 Earnings Per Share

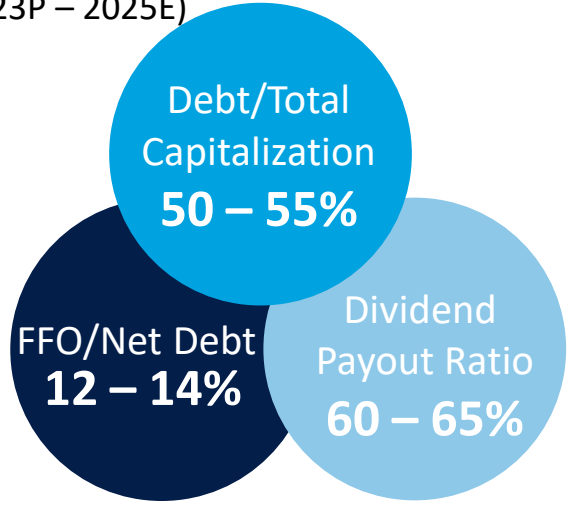


"A" denotes Actual
"E" denotes Estimate

Strong Balance Sheet: Central to our Strategy



Select Credit Metrics (2023P – 2025E)



In order to maintain our credit metrics, achieve our capital investment plans, and support signed acquisitions in our municipal acquisition program, we expect to regularly be in the market for debt and equity.

(1) Peer ratings include LNT, AWR, AWK, ATO, AVA, BKH, CWT, NJR, NI, NWE, OGE, OGS, SJI, SWX, and SR; not all peers have ratings from both agencies

"P" denotes Projected
"E" denotes Estimate

Active Municipal Opportunities



Over 400,000

Total Customers

We are actively pursuing acquisition opportunities in most of our states, totaling over 400,000 customers. While we do not expect to close all of these opportunities, this illustrates the number of municipals we are evaluating and the increasing opportunity size. Of these potential pipeline opportunities, a majority are wastewater.