



SHAREHOLDER LETTER: NOVEMBER 2025

Dear Shareholder:

We are pleased to announce our forthcoming merger with American Water. In this letter, and in line with our commitment to transparency with our shareholders, we aim to share with you key information and background on this merger in advance of more formal outreach and communications in the coming weeks and months.

The board and management team have regularly reviewed and assessed a range of strategic and operating alternatives with a view towards what would best position the company and its shareholders for the future. It became apparent that the scale and strength of the balance sheet are increasingly important in today's utility market. Additionally, our market multiple (P/E ratio) had been trading below the industry comparables for a prolonged period of time. We believe the merger with American Water will result in an improved market multiple for the combined company following the closing, which would reduce the number of shares the combined company would need to sell to finance our large, \$15B infrastructure improvement program in both water and natural gas.

MERGER DETAILS

This transaction represents a truly transformational opportunity to integrate the assets and **expertise of two industry leaders**, creating a combined entity that will be demonstrably greater than the sum of its parts. The combined entity will result in a leading water and wastewater utility in the United States, serving more than 5 million connections, and an **expanded operational footprint** across 17 states and 18 military installations.

Under the terms of the merger agreement, Essential shareholders will receive nearly 1 share of American Water for every 3 shares of Essential (an exchange ratio of 0.305 American Water shares per Essential share) they own at the closing of the transaction. This exchange ratio implies a premium of approximately 10% to Essential shareholders based on the average of the daily volume-weighted average price of each company's common stock over the 60-trading-day period ending October 24, 2025. Upon completion of the merger, American Water shareholders will own approximately 69% and Essential shareholders will own approximately 31% of the combined company on a fully diluted basis.

The combined company will be headquartered in Camden, New Jersey, and Essential's Bryn Mawr and Pittsburgh offices will each continue to maintain a strong operational presence long term. **The combined company will use the name "American Water."** Upon closing of the transaction, American Water plans to conduct a review of strategic alternatives for its non-water and non-wastewater businesses.

Please review the reverse side of this letter for illustrations of projected total shareholder return and geographic footprint.

MERGER BENEFITS

- The merger presents a compelling investment thesis to the market – a **low-risk, low-beta stock, with a strong balance sheet, projected to offer a first-quartile total shareholder return among large-cap regulated utilities.**
- The transaction is expected to be accretive to American Water's earnings per share in the first year following close, and the combined company expects to maintain American Water's **7-9% earnings per share and 7-9% dividend growth targets** post close. American Water expects to maintain its **long-term rate base growth target of 8-9%** upon the closing of the merger.
- There will be **no change in customer rates as a result of the merger**, and the combined company will be better able to maintain an average customer water bill that is affordable. With a larger footprint and customer base as well as increased geographic diversity, the combined company will be well-positioned to leverage its greater economies of scale, better customer service, and broader customer reach.
- **The credit profile and metrics of the combined company are expected to remain strong**, benefiting from diversified service territories and regulatory exposure, and a broader customer and revenue base. As a large-cap, regulated utility, the combined company will continue to have ready access to the equity capital markets.
- The combined company will be a **natural hedge for utility investors who are heavily concentrated in electric utilities** with elevated valuations resulting from their demand growth projections associated with AI and data center growth.

NEXT STEPS

You will receive more information about the transaction in the coming weeks and months.

The transaction is expected to close by the end of the first quarter of 2027, subject to customary closing conditions, including, among others, approval from each company's shareholders, clearance under the Hart-Scott-Rodino Act, and regulatory approvals, including approval from the applicable public utility commissions.

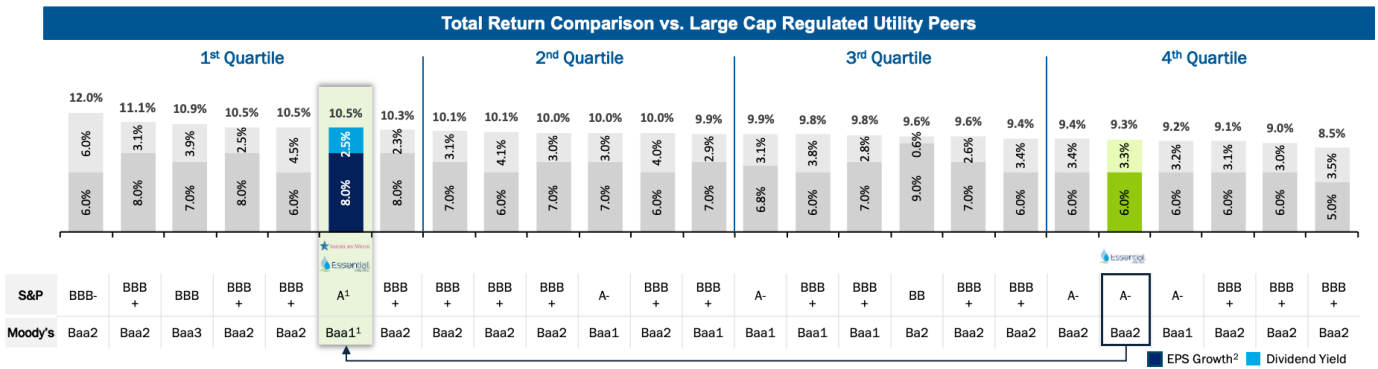
In the meantime, if you have any questions about this exciting news, please contact us at investorrelations@essential.co.



Sincerely,

Christopher H. Franklin
Chairman, Chief Executive Officer and President

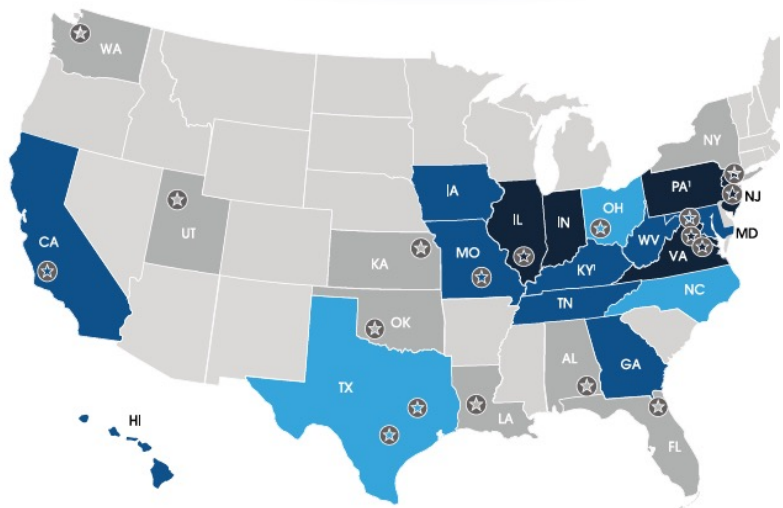
Projected Total Shareholder Return



Source: Public disclosure, S&P Capital IQ as of 10/29/2025
 1. Reflects current American Water credit ratings
 2. Based on midpoint of management guidance

Multi-State Utility Platform with Nearly 300 Years of Collective Experience, Skills, and Resources

- Combined Regulated Water & Wastewater Operations
- AWK Regulated Water & Wastewater Operations
- Military Services Group
- WTRG Regulated Water & Wastewater Operations



1. Peoples Natural Gas located in Pennsylvania and Kentucky.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements included in this communication are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could," or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: statements about the benefits of the proposed merger, including future financial and operating results; the parties' respective plans, objectives, expectations and intentions; the expected timing and likelihood of completion of the merger and related transactions; the results of any strategic review; expected synergies of the proposed merger; the timing and result of various regulatory proceedings related to the proposed merger, and other general rate cases, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the combined company's ability to execute its current and long-term business, operational, capital expenditures and growth plans and strategies; the amount, allocation and timing of projected capital expenditures and related funding requirements; the future impacts of increased or increasing transaction and financing costs associated with the proposed merger or otherwise, as well as inflation and interest rates; each party's ability to finance current and projected operations, capital expenditure needs and growth initiatives by accessing the debt and equity capital markets and sources of short-term liquidity; impacts of the proposed merger on the future settlement or settlements of a party's forward sale agreements, including potential adjustments to the forward sale price or other economic terms thereunder, and the amount of and the intended use of net proceeds from any such future settlement or settlements; the outcome and impact on other governmental and regulatory investigations; the filing of class action lawsuits and other litigation and legal proceedings related to the proposed merger; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; each party's ability to comply with new and changing environmental regulations; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on each such party and on its business, results of operations, cash flows and liquidity.

These forward-looking statements are predictions based on currently available information, the parties' current respective expectations and assumptions regarding future events that American Water Works Company, Inc. ("American Water") and Essential Utilities, Inc. ("Essential Utilities") believe to be reasonable. They are not, however, guarantees or assurances of any outcomes, performance or achievements, and readers are cautioned not to place undue reliance upon them. You should not regard any forward-looking statement as a representation or warranty by American Water, Essential Utilities or any other person that the expectation, plan or objective expressed in such forward-looking statement will be successfully achieved in any specified time frame, or at all. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this communication as a result of the factors discussed in American Water's Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission (the "SEC") on February 19, 2025 (available at: ir.amwater.com), Essential Utilities' Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the SEC on February 27, 2025 (available at: essential.co), and each party's other filings with the SEC, and additional risks and uncertainties, including with respect to (1) the parties' ability to consummate the proposed merger pursuant to the terms of the definitive merger agreement or at all; (2) the ability to timely or at all obtain the requisite shareholder approvals with respect to each party; (3) each party's requirement to obtain required governmental and regulatory approvals required for the proposed merger (and/or that such approvals may result in the imposition of burdensome or commercially undesirable conditions, including required dispositions, that could adversely affect the combined company or the expected benefits of the proposed merger); (4) an event, change or other circumstance that could give rise to the termination of the merger agreement; (5) the failure to satisfy or waive a condition to closing of the proposed merger on a timely basis or at all; (6) a delay in the timing to consummate the proposed merger; (7) the failure to integrate the parties' businesses successfully; (8) the failure to fully realize cost savings and any other synergies from the proposed merger or that such benefits may take longer to realize than expected; (9) negative or adverse impacts of the announcement of the proposed merger on the market price of American Water's or Essential Utilities' common stock; (10) the risk of litigation related to the proposed merger; (11) disruption from the proposed merger making it more difficult to maintain relationships with customers, employees, contractors, suppliers, regulators, vendors, elected officials, governmental agencies, or other stakeholders; (12) the diversion of each party's management's time and attention from operations of such party; (13) the challenging macroeconomic environment, including disruptions in the water and wastewater utility industries; (14) the ability of each party to manage its respective existing operations and financing arrangements on favorable terms or at all, including with respect to future capital expenditures and investments, operation and maintenance costs; (15) changes in environmental laws and regulations regarding each party's respective operations that may adversely impact such party's businesses or increase the cost of operations; (16) changes in each party's key management and personnel; (17) changes in tax laws that could adversely affect beneficial tax treatment of the proposed merger; (18) regulatory, legislative, local or municipal actions affecting the water and wastewater industries, which could adversely affect the parties' respective utility subsidiaries; and (19) other economic, business and other factors, including inflation and interest rate fluctuations. The foregoing factors should not be construed as exhaustive.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in American Water's and Essential Utilities' respective annual and quarterly reports as filed with the SEC, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date this communication is first used or given. Neither American Water nor Essential Utilities has any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the federal securities laws. New factors emerge from time to time, and it is not possible for American Water or Essential Utilities to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on American Water's or Essential Utilities' businesses, viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

Important Additional Information about the Proposed Merger and Where to Find It

In connection with the proposed merger, American Water will file a registration statement on Form S-4, which will include a document that serves as a prospectus of American Water with respect to the shares of American Water's common stock to be issued in the proposed merger and a joint proxy statement of American Water and Essential Utilities for their respective shareholders (the "joint proxy statement/prospectus"), and each party will file other documents regarding the proposed merger with the SEC. This communication is not a substitute for the registration statement, the joint proxy statement/prospectus or any other document that American Water or Essential Utilities may file with the SEC or mail to their respective shareholders in connection with the proposed merger. **BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, INVESTORS AND SECURITY HOLDERS OF EACH PARTY ARE URGED TO READ CAREFULLY AND IN THEIR ENTIRETY THE REGISTRATION STATEMENT, THE JOINT PROXY STATEMENT/PROSPECTUS, ANY AMENDMENTS OR SUPPLEMENTS THERETO AND OTHER RELEVANT DOCUMENTS FILED WITH THE SEC OR INCORPORATED BY REFERENCE INTO THE REGISTRATION STATEMENT AND JOINT PROXY STATEMENT/PROSPECTUS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** A definitive joint proxy statement/prospectus will be sent to American Water's and Essential Utilities' shareholders. Investors and security holders will be able to obtain the registration statement, the joint proxy statement/prospectus and the other documents filed regarding the proposed merger free of charge from the SEC's website or from American Water or Essential Utilities. The documents filed by American Water with the SEC may be obtained free of charge at American Water's investor relations website at ir.amwater.com or at the SEC's website at www.sec.gov. The documents filed by Essential Utilities with the SEC may be obtained free of charge at Essential Utilities website at essential.co or at the SEC's website at www.sec.gov. The information included on, or accessible through, American Water's or Essential Utilities' respective websites is not incorporated by reference into, and does not form a part of, this communication.

Participants in the Solicitation

American Water, Essential Utilities and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from American Water's and Essential Utilities' respective shareholders in connection with the proposed merger. Information about the directors and executive officers of American Water, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in American Water's definitive proxy statement for its 2025 Annual Meeting of Shareholders, which was filed with the SEC on March 25, 2025, including under the headings "Compensation Discussion and Analysis," "Director Compensation," "Equity Compensation Plan Information," and "Certain Beneficial Ownership Matters." To the extent holdings of American Water's common stock by the directors and executive officers of American Water have changed or do change from the amounts of American Water's common stock held by such persons as reflected therein, such changes have been or will be reflected on Initial Statements of Beneficial Ownership of Securities on Form 3 ("Form 3"), Statements of Changes in Beneficial Ownership on Form 4 ("Form 4") or Annual Statements of Changes in Beneficial Ownership of Securities on Form 5 ("Form 5"), in each case filed with the SEC. Information about the directors and executive officers of Essential Utilities, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in Essential Utilities' definitive proxy statement for its 2025 Annual Meeting of Shareholders, which was filed with the SEC on March 25, 2025, including under the headings "Director Compensation" and "Compensation Discussion and Analysis." To the extent holdings of Essential Utilities' common stock by the directors and executive officers of Essential Utilities have changed or do change from the amounts of Essential Utilities' common stock held by such persons as reflected therein, such changes have been or will be reflected on Forms 3, Forms 4 or Forms 5, in each case filed with the SEC. Additionally, information regarding the respective directors and executive officers of American Water and Essential Utilities and other participants in each respective proxy solicitation and a description of their direct and indirect interests in the proposed merger, by security holdings or otherwise, will be contained in the registration statement and joint proxy statement/prospectus and other relevant materials to be filed with the SEC regarding the proposed merger when such materials become available. Investors and security holders should read the registration statement and joint proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. Investors may obtain free copies of these documents from American Water and Essential Utilities as indicated above.

No Offer or Solicitation

This communication is for informational purposes and is not intended to, and shall not, constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote for approval, nor shall there be any offer or sale of securities or solicitation of any vote or approval in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.