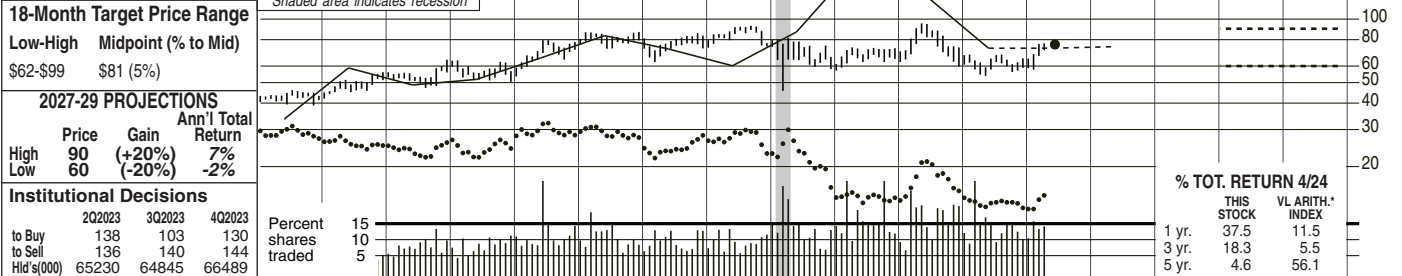


# SOUTHWEST GAS NYSE-SWX

RECENT PRICE **75.84** P/E RATIO **23.0** (Trailing: 19.9; Median: 20.0) RELATIVE P/E RATIO **1.26** DIV'D YLD **3.3%** VALUE LINE

**TIMELINESS** — Suspended 11/17/23 High: 56.0 64.2 63.7 79.6 86.9 86.0 92.9 81.6 73.5 95.6 68.0 77.2  
 Low: 42.0 47.2 50.5 53.5 72.3 62.5 73.3 45.7 57.0 59.5 53.8 57.6  
**SAFETY** **2** Raised 2/23/24  
**TECHNICAL** — Suspended 11/17/23  
**BETA** .90 (1.00 = Market)

**LEGENDS**  
 0.80 x Dividends p sh divided by Interest Rate  
 Relative Price Strength  
 Options: Yes  
 Shaded area indicates recession



**18-Month Target Price Range**  
 Low-High Midpoint (% to Mid)  
 \$62-\$99 \$81 (5%)  
**2027-29 PROJECTIONS**  
 High Price Gain Ann'l Total Return  
 Low 90 (+20%) 7%  
 60 (-20%) -2%  
**Institutional Decisions**  
 202023 302023 402023  
 to Buy 138 103 130  
 to Sell 136 140 144  
 Hld's(000) 65230 64845 66489  
 Percent shares traded

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	© VALUE LINE PUB. LLC	27-29
48.53	42.00	40.18	41.07	41.77	42.08	45.61	52.00	51.82	53.00	54.31	56.72	57.68	60.91	73.90	76.22	<b>69.45</b>	<b>71.90</b>	Revenues per sh	<b>73.35</b>
5.76	6.16	6.46	6.81	7.73	8.24	8.47	8.62	9.29	8.83	8.14	9.40	9.87	9.46	3.91	8.29	<b>9.55</b>	<b>10.15</b>	"Cash Flow" per sh	<b>11.00</b>
1.39	1.94	2.27	2.43	2.86	3.11	3.01	2.92	3.18	3.62	3.68	3.94	4.14	3.39	d3.10	2.13	<b>3.30</b>	<b>3.90</b>	Earnings per sh <sup>A</sup>	<b>4.20</b>
.90	.95	1.00	1.06	1.18	1.32	1.46	1.62	1.80	1.98	2.08	2.18	2.28	2.38	2.48	2.48	<b>2.48</b>	<b>2.52</b>	Div'ds Decl'd per sh <sup>B,†</sup>	<b>2.60</b>
6.79	4.81	4.73	8.29	8.57	7.86	8.53	10.30	11.15	12.97	14.44	17.06	14.43	11.84	12.80	12.19	<b>12.50</b>	<b>12.50</b>	Cap'l Spending per sh	<b>14.50</b>
23.49	24.44	25.62	26.66	28.35	30.47	31.95	33.61	35.03	37.74	42.47	45.56	46.77	48.89	47.95	47.72	<b>53.95</b>	<b>54.35</b>	Book Value per sh	<b>57.35</b>
44.19	45.09	45.56	45.96	46.15	46.36	46.52	47.38	47.48	48.09	53.03	55.01	57.19	60.42	67.12	71.56	<b>72.00</b>	<b>73.00</b>	Common Shs Outst'g <sup>C</sup>	<b>75.00</b>
20.3	12.2	14.0	15.7	15.0	15.8	17.9	19.4	21.6	22.2	20.6	21.3	16.8	19.9	--	29.1	<b>29.1</b>	<b>29.1</b>	Avg Ann'l P/E Ratio	<b>18.0</b>
1.22	.81	.89	.98	.95	.89	.94	.98	1.13	1.12	1.11	1.13	.86	1.08	--	1.68	<b>1.68</b>	<b>1.68</b>	Relative P/E Ratio	<b>.90</b>
3.2%	4.0%	3.2%	2.8%	2.8%	2.7%	2.7%	2.9%	2.6%	2.5%	2.7%	2.6%	3.3%	3.5%	3.2%	4.0%	<b>4.0%</b>	<b>4.0%</b>	Avg Ann'l Div'd Yield	<b>3.4%</b>

**CAPITAL STRUCTURE as of 3/31/24**  
 Total Debt \$4748.8 mill. Due in 5 Yrs \$1008 mill.  
 LT Debt \$4649.0 mill. LT Interest \$275 mill.  
 (Total interest coverage: 1.45x) (54% of Cap'l)  
**Leases, Uncapitalized** Annual rentals \$24.9 mill.  
**Pension Assets-12/23** \$1202.0 mill.  
 Oblig. \$1352.2 mill.  
**Pfd Stock** None  
**Common Stock** 71,669,140 shs. as of 4/26/24  
**MARKET CAP: \$5.4 billion (Mid Cap)**

2121.7	2463.6	2460.5	2548.8	2880.0	3119.9	3298.9	3680.5	4960.0	5454.0	<b>5000</b>	<b>5250</b>	Revenues (\$mill)	<b>5500</b>
141.1	138.3	152.0	173.8	182.3	213.9	232.3	200.8	d203.3	150.9	<b>240</b>	<b>285</b>	Net Profit (\$mill)	<b>315</b>
35.7%	36.4%	33.9%	32.8%	25.3%	20.5%	21.6%	16.1%	NMF	21.2%	<b>21.0%</b>	<b>21.0%</b>	Income Tax Rate	<b>21.0%</b>
6.7%	5.6%	6.2%	6.8%	6.3%	6.9%	7.0%	5.5%	NMF	2.8%	<b>4.8%</b>	<b>5.4%</b>	Net Profit Margin	<b>5.7%</b>
52.4%	49.3%	48.2%	49.8%	48.3%	47.9%	50.5%	58.2%	57.8%	57.4%	<b>58.0%</b>	<b>58.0%</b>	Long-Term Debt Ratio	<b>57.0%</b>
47.6%	50.7%	51.8%	50.2%	51.7%	52.1%	49.5%	41.8%	42.2%	42.6%	<b>42.0%</b>	<b>42.0%</b>	Common Equity Ratio	<b>43.0%</b>
3123.9	3143.5	3213.5	3613.3	4359.3	4806.4	5407.2	7069.5	7621.4	8024.5	<b>9250</b>	<b>9450</b>	Total Capital (\$mill)	<b>10000</b>
3658.4	3891.1	4132.0	4523.7	5093.2	5685.2	6176.1	7594.0	7024.5	7518.2	<b>7550</b>	<b>7750</b>	Net Plant (\$mill)	<b>8000</b>
5.7%	5.5%	5.8%	5.8%	5.2%	5.4%	5.3%	3.5%	NMF	1.9%	<b>2.5%</b>	<b>3.0%</b>	Return on Total Cap'l	<b>3.0%</b>
9.5%	8.7%	9.1%	9.6%	8.1%	8.5%	8.7%	6.8%	NMF	4.4%	<b>6.0%</b>	<b>7.0%</b>	Return on Shr. Equity	<b>7.5%</b>
9.5%	8.7%	9.1%	9.6%	8.1%	8.5%	8.7%	6.8%	NMF	4.4%	<b>6.0%</b>	<b>7.0%</b>	Return on Com Equity	<b>7.5%</b>
5.0%	4.0%	4.1%	4.5%	3.6%	3.9%	4.0%	2.1%	NMF	NMF	<b>1.5%</b>	<b>2.5%</b>	Retained to Com Eq	<b>3.0%</b>
47%	54%	55%	53%	55%	54%	54%	69%	NMF	116%	<b>75%</b>	<b>65%</b>	All Div'ds to Net Prof	<b>62%</b>

**BUSINESS:** Southwest Gas Holdings, Inc. is the parent holding company of Southwest Gas. Centuri Group spun-off 4/22/24. Southwest Gas is a regulated gas distributor serving 2.2 million customers in Arizona, Nevada, and California. 2023 margin mix: residential 68%; small commercial, 20%; large commercial and industrial, 8%; transportation, 4%. Total throughput: 2.2 billion therms. Southwest has 2,371 employees; Centuri 12,572. Off. & dir. own .4% of common stock; Carl C. Icahn, 15.4%; BlackRock, 13.0%; The Vanguard Group, 10.1%; (3/24 Proxy). Chairman: Michael J. Melarkey. Pres. & CEO: Karen S. Haller. Inc.: DE. Addr.: 8360 S. Durango Drive, P.O. Box 98510 Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

**CURRENT POSITION** 2022 2023 3/31/24 (\$MILL.)

Cash Assets	123.1	106.5	104.9
Other	3584.6	1774.6	1893.6
Current Assets	3707.7	1881.1	1998.5
Accts Payable	662.1	346.9	255.3
Debt Due	1587.4	671.1	99.8
Other	1173.5	666.8	697.4
Current Liab.	1173.5	1684.8	1052.5
Fix. Chg. Cov.	265%	145%	220%

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '21-'23 to '27-'29

Revenues	3.5%	3.0%	6.0%
"Cash Flow"	4.0%	1.5%	8.5%
Earnings	5.5%	4.5%	10.0%
Dividends	8.5%	7.0%	5.5%
Book Value	6.5%	7.0%	7.5%

**Despite missing our earnings targets, Southwest stock is up nearly 25% in price since our last review.** The stock jumped significantly after the 2023 year-end earnings call when management provided insight as to the planned spin-off of the Centuri Group. Otherwise the company continued to struggle throughout the year due to higher costs and customer pushback on energy bills, though these operating results via comparisons is obscured by the significant charges from recent corporate restructuring.

**Despite the ongoing devestiture, some catalysts should provide a near-term lift.** Though Southwest is still offloading shares of the newly issued CTRI stock, operating margins reached a record in the first-quarter under the new corporate structure. Strong customer growth trends and regulatory approvals suggest a bright outlook compared with recent profit performances. Management expects a 20% to 25% increase in the authorized rate base by 2026, providing ample potential to our earnings targets late decade.

**QUARTERLY REVENUES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	885.9	821.4	888.7	1084.5	3680.5
2022	1267.4	1146.1	1125.6	1420.9	4960.0
2023	1603.3	1293.6	1169.5	1387.6	5454.0
2024	1581.0	<b>1000</b>	<b>1220</b>	<b>1199</b>	<b>5000</b>
2025	<b>1225</b>	<b>1275</b>	<b>1350</b>	<b>1400</b>	<b>5250</b>

**EARNINGS PER SHARE <sup>A, D</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2021	2.03	.43	d.19	1.15	3.39
2022	1.58	d.10	d.18	d.18	d3.10
2023	.67	.40	.04	1.02	2.13
2024	1.22	<b>.55</b>	<b>.20</b>	<b>1.33</b>	<b>3.30</b>
2025	<b>1.75</b>	<b>.65</b>	<b>.15</b>	<b>1.35</b>	<b>3.90</b>

**The company successfully completed its initial public offering of the Centuri Group.** The move, championed by activist investor Carl Icahn, aims to restore Southwest as a pure-play regulated natural gas utility. Centuri Group, the infrastructure services company, is now listed under the ticker CTRI. The stock debuted at \$21 per share, a roughly \$1.8 billion valuation, but quickly rose to around \$25 each, where it has traded since. The company reported a \$186 million loss on \$2.9 billion in revenue in fiscal 2023. Southwest plans to use proceeds to reduce debt and improve cash flows.

**Sustainable profit growth may prove difficult in the long run.** The company has been facing substantial backlash from customers for sharp increases in energy costs. While this in large part reflects commodity markets conditions, many customers are highly vocal about the company's perceived grifting which could lead to increased regulatory pressure down the line.

**QUARTERLY DIVIDENDS PAID <sup>B,†</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2020	.545	.570	.570	.570	2.26
2021	.570	.595	.595	.595	2.36
2022	.595	.62	.62	.62	2.46
2023	.62	.62	.62	.62	2.48
2024	.62				

**The stock has risen on recent developments and currently trades well within our three- to five-year target price range.** The timeliness rank remains suspended pending business realignment.

*Earl B. Humes*  
 May 24, 2024

(A) Diluted earnings. Excl. nonrec. gains (losses): '22, 10c. Next egs. report due early August. (B) Dividends historically paid early March, June, September, and December. (C) In millions. (D) Totals may not sum due to rounding.

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Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	35
Earnings Predictability	10

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