

SOUTHWEST GAS NYSE-SWX

RECENT PRICE **69.45** P/E RATIO **16.2** (Trailing: 18.5 Median: 18.0) RELATIVE P/E RATIO **0.74** DIV'D YLD **3.3%** VALUE LINE

TIMELINESS 3 Raised 3/20/20
SAFETY 3 Lowered 1/4/91
TECHNICAL 3 Raised 5/22/20
BETA .90 (1.00 = Market)

High: 29.5 37.3 43.2 46.1 56.0 64.2 63.7 79.6 86.9 86.0 92.9 81.6
 Low: 17.1 26.3 32.1 39.0 42.0 47.2 50.5 53.5 72.3 62.5 73.3 45.7

LEGENDS
 — 0.50 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)
 \$52-\$119 \$86 (25%)

2023-25 PROJECTIONS

High	Price	Gain	Ann'l Total Return
Low	120	(+75%)	17%
	80	(+15%)	7%

Institutional Decisions

	3Q2019	4Q2019	1Q2020
to Buy	153	155	118
to Sell	122	136	155
Hlds(000)	45864	47563	47511



2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC 23-25	
40.14	43.59	48.47	50.28	48.53	42.00	40.18	41.07	41.77	42.08	45.61	52.00	51.82	53.00	54.31	56.72	56.60	59.00	Revenues per sh	65.40
5.57	5.20	5.97	6.21	5.76	6.16	6.46	6.81	7.73	8.24	8.47	8.62	9.29	8.83	8.14	9.40	9.75	10.35	"Cash Flow" per sh	13.45
1.66	1.25	1.98	1.95	1.39	1.94	2.27	2.43	2.86	3.11	3.01	2.92	3.18	3.62	3.68	3.94	3.85	4.35	Earnings per sh ^A	6.25
.82	.82	.82	.86	.90	.95	1.00	1.06	1.18	1.32	1.46	1.62	1.80	1.98	2.08	2.18	2.26	2.35	Div'ds Decl'd per sh ^{B,†}	2.65
8.23	7.49	8.27	7.96	6.79	4.81	4.73	8.29	8.57	7.86	8.53	10.30	11.15	12.97	14.44	17.06	15.45	17.80	Cap'l Spending per sh	21.55
19.18	19.10	21.58	22.98	23.49	24.44	25.62	26.66	28.35	30.47	31.95	33.61	35.03	37.74	42.47	45.56	48.25	50.85	Book Value per sh	61.15
36.79	39.33	41.77	42.81	44.19	45.09	45.56	45.96	46.15	46.36	46.52	47.38	47.48	48.09	53.03	55.01	57.00	59.00	Common Shs Outst'g ^C	65.00
14.3	20.6	15.9	17.3	20.3	12.2	14.0	15.7	15.0	15.8	17.9	19.4	21.6	22.2	20.6	21.3	21.00	21.00	Avg Ann'l P/E Ratio	16.0
.76	1.10	.86	.92	1.22	.81	.89	.98	.95	.89	.94	.98	1.13	1.12	1.11	1.15	1.11	1.15	Relative P/E Ratio	.90
3.5%	3.2%	2.6%	2.6%	3.2%	4.0%	3.2%	2.8%	2.8%	2.7%	2.7%	2.9%	2.6%	2.5%	2.7%	2.6%	2.7%	2.6%	Avg Ann'l Div'd Yield	2.7%

CAPITAL STRUCTURE as of 6/30/20
 Total Debt \$2869.0 mill. Due in 5 Yrs \$898.8 mill.
 LT Debt \$2639.3 mill. LT Interest \$100.0 mill.
 (Total interest coverage: 3.4x) (49% of Cap'l)
 Leases, Uncapitalized Annual rentals \$13.0 mill.
 Pension Assets-12/19 \$1027.8 mill.
 Oblig. \$1405.7 mill.

Pfd Stock None

Common Stock 55,914,516 shs. as of 7/31/20

MARKET CAP: \$3.9 billion (Mid Cap)

1830.4	1887.2	1927.8	1950.8	2121.7	2463.6	2460.5	2548.8	2880.0	3119.9	3225	3480	Revenues (\$mill)	4250
103.9	112.3	133.3	145.3	141.1	138.3	152.0	173.8	182.3	213.9	215	250	Net Profit (\$mill)	395
34.7%	36.2%	36.2%	35.0%	35.7%	36.4%	33.9%	32.8%	25.3%	20.5%	21.0%	21.0%	Income Tax Rate	21.0%
5.7%	6.0%	6.9%	7.4%	6.7%	5.6%	6.2%	6.8%	6.3%	6.9%	6.7%	7.2%	Net Profit Margin	9.3%
49.1%	43.2%	49.2%	49.4%	52.4%	49.3%	48.2%	49.8%	48.3%	47.9%	50.0%	50.0%	Long-Term Debt Ratio	44.5%
50.9%	56.8%	50.8%	50.6%	47.6%	50.7%	51.8%	50.2%	51.7%	52.1%	50.0%	50.0%	Common Equity Ratio	55.5%
2291.7	2155.9	2576.9	2793.7	3123.9	3143.5	3213.5	3613.3	4359.3	4806.4	5500	6000	Total Capital (\$mill)	7175
3072.4	3218.9	3343.8	3486.1	3658.4	3891.1	4132.0	4523.7	5093.2	5685.2	6000	6400	Net Plant (\$mill)	7600
6.1%	6.4%	6.4%	6.3%	5.7%	5.5%	5.8%	5.8%	5.2%	5.4%	5.0%	5.0%	Return on Total Cap'l	6.5%
8.9%	9.2%	10.2%	10.3%	9.5%	8.7%	9.1%	9.6%	8.1%	8.5%	8.0%	8.5%	Return on Shr. Equity	10.0%
8.9%	9.2%	10.2%	10.3%	9.5%	8.7%	9.1%	9.6%	8.1%	8.5%	8.0%	8.5%	Return on Com Equity	10.0%
5.1%	5.3%	6.1%	6.1%	5.0%	4.0%	4.1%	4.5%	3.6%	3.9%	3.0%	3.5%	Retained to Com Eq	5.5%
43%	43%	40%	41%	47%	54%	55%	53%	55%	54%	60%	55%	All Div'ds to Net Prof	44%

CURRENT POSITION

	2018	2019	6/30/20
Cash Assets	85.4	49.5	199.6
Other	754.4	810.4	667.6
Current Assets	839.8	859.9	867.2
Accts Payable	249.0	238.9	189.4
Debt Due	185.1	374.5	229.7
Other	504.5	466.5	498.9
Current Liab.	938.6	1079.9	918.0
Fix. Chg. Cov.	370%	340%	354%

BUSINESS: Southwest Gas Holdings, Inc. is the parent holding company of Southwest Gas and Centuri Group. Southwest Gas is a regulated gas distributor serving about 2.1 million customers in parts of Arizona, Nevada, and California. Centuri provides construction services. 2019 margin mix: residential and small commercial, 84%; large commercial and industrial, 3%; transportation, 13%. Total throughput: 2.3 billion therms. Has 8,944 employees. Off. & dir. own .8% of common stock; BlackRock, Inc., 13.5%; The Vanguard Group, Inc., 10.3%; T.Rowe Price Assoc., Inc., 6.8% (3/20 Proxy). Chairman: Michael J. Melarkey, Pres. & CEO: John P. Hester, Inc.: DE. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
of change (per sh)	1.5%	5.0%	3.0%
Revenues	4.0%	1.5%	7.5%
"Cash Flow"	8.0%	4.5%	9.0%
Earnings	8.5%	9.5%	4.0%
Dividends	6.0%	6.5%	6.5%
Book Value			

Southwest Gas reported fairly solid results for the June quarter. The top line advanced approximately 6%, year over year, to \$757.2 million. Business fundamentals remained fairly solid despite a challenging macroeconomic environment. The utility segment performed relatively well, while the infrastructure services line, Centuri, benefited as its customers continued to invest capital to enhance the safety and reliability of their delivery systems. Earnings per share clocked in at \$0.68, a strong improvement from the prior-year tally. The bottom line benefited from a \$12 million gain (\$0.22 per share) due to increases in the cash surrender value of company-owned life insurance policies.

tracker mechanisms, expansion projects, and rate relief. The company currently has rate case proceedings ongoing for each of the three states it serves. These proceedings are expected to be resolved by the end of the year. Elsewhere, the infrastructure services operation will likely benefit from the increasing need for utilities to replace aging infrastructure, though this line may experience a measure of unevenness in the near term.

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	654.7	560.5	593.2	740.4	2548.8
2018	754.3	670.9	668.1	786.7	2880.0
2019	833.6	713.0	725.2	848.1	3119.9
2020	836.3	757.2	760	871.5	3225
2021	890	825	825	940	3480

Performance ought to remain fairly solid in the coming quarters. Considerable economic weakness associated with restrictive social measures adopted to curb the spread of the coronavirus will likely still have some impact on the company's operations. Still, demand ought to remain relatively healthy for the essential services that Southwest Gas provides. Performance on the utility side should be supported by a growing customer base, infrastructure

This stock is neutrally ranked for Timeliness. Looking further out, we anticipate greater revenues and earnings per share for the company over the pull to mid-decade. However, this appears to be partly discounted by the recent quotation, and the stock's appreciation potential is not particularly compelling. Moreover, the dividend yield is not especially attractive for a utility. A pullback in the stock price some time in the future may present conservative accounts with a more advantageous entry point. Southwest Gas earns good marks for Financial Strength, Price Stability, Growth Persistence, and Earnings Predictability.

Michael Napoli, CFA August 28, 2020

EARNINGS PER SHARE ^{A, D}

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1.45	.37	.21	1.58	3.62
2018	1.63	.44	.25	1.36	3.68
2019	1.77	.41	.10	1.67	3.94
2020	1.31	.68	.20	1.66	3.85
2021	1.75	.60	.25	1.75	4.35

QUARTERLY DIVIDENDS PAID ^{B,†}

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.405	.450	.450	.450	1.76
2017	.450	.495	.495	.495	1.94
2018	.495	.520	.520	.520	2.06
2019	.520	.545	.545	.545	2.16
2020	.545	.570			

(A) Diluted earnings. Excl. nonrec. gains (losses): '05, (11c); '06, 7c. Next egs. report due early November. (B) Dividends historically paid early March, June, September, and December. (C) In millions. (D) Totals may not sum due to rounding.

Company's Financial Strength	A
Stock's Price Stability	85
Price Growth Persistence	90
Earnings Predictability	95

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