

**SOUTHWEST GAS HOLDINGS**  
**2021 2<sup>ND</sup> QUARTER EARNINGS CONFERENCE CALL**



**Southwest Gas**™  
HOLDINGS

# 2021 2<sup>nd</sup> Quarter Earnings Conference Call

August 6, 2021



# PARTICIPANTS



JOHN HESTER

PRESIDENT AND CEO  
SOUTHWEST GAS HOLDINGS



GREG PETERSON

SVP/CFO  
SOUTHWEST GAS HOLDINGS



JUSTIN BROWN

SVP/GENERAL COUNSEL  
SOUTHWEST GAS CORPORATION



KEN KENNY

VP/FINANCE/TREASURER  
SOUTHWEST GAS HOLDINGS

# SAFE HARBOR STATEMENT

This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission (“SEC”). We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These include, without limitation, our 2021 expectations for our utility infrastructure services and natural gas operations segments, estimated natural gas operations capital expenditures through 2025, projected rate base at December 31, 2025, our 2021 EPS guidance and expected long-term value drivers, as well as statements regarding our expansion projects and other investment opportunities. Our EPS guidance, line-item guidance, and long-term expectations exclude any impacts of the planned acquisition of Riggs Distler & Company.

Forward-looking statements are based on assumptions which we believe are reasonable, based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions are subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Part I, Item 1A “Risk Factors,” and Part II, Item 7 and Item 7A “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosure about Market Risk” of our most recent Annual Report on Form 10-K and our quarterly report on Form 10-Q for the three months ended June 30, 2021 filed with the SEC, and other reports that we file with the SEC from time to time, and the following:

- The timing and amount of rate relief;
- Changes in operating expenses;
- Changes in rate design, infrastructure tracking mechanisms;
- Customer growth rates;
- Conditions in housing markets;
- The effects of regulation/deregulation;
- The impacts of construction activity at our utility infrastructure services segment;
- The impacts from acquisitions;
- The impacts of the ongoing COVID-19 pandemic and efforts to prevent its spread on our business;
- The impacts of stock market volatility; and
- Other factors discussed from time to time in our filings with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. The statements in this presentation are made as of the date hereof, even if subsequently made available on our Web site or otherwise. We do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

# 2021 HIGHLIGHTS



**Southwest Gas**<sup>™</sup>  
HOLDINGS

- EPS of \$0.43
- Year-to-date results on track with 2021 full-year expectations for both business segments\*
- Reaffirming 2021 EPS guidance range of \$4.00-\$4.20 per share\*

\*2021 expectations exclude impacts from announced Centuri planned acquisition of Riggs Distler & Company.



**SOUTHWEST GAS**

- Added 37,000 new customers over past 12 months
- Second quarter operating margin increased \$21 million
- Filed Arizona applications for COYL and VSP recovery
- Implemented modernized customer information system



**CENTURI**

- Second quarter revenues increased \$34 million, or 7%
- Twelve-month revenues reached record level of \$2 billion
- Announced planned acquisition of Riggs Distler & Company for \$855 million



**Financial Results – June 30, 2021**



**Planned Acquisition of Riggs Distler**



**Regulation**



**Customer Growth**



**Liquidity and Capital Expenditures**



**Dividend and Rate Base Growth**



**Sustainability Focused**



**2021 Expectations**

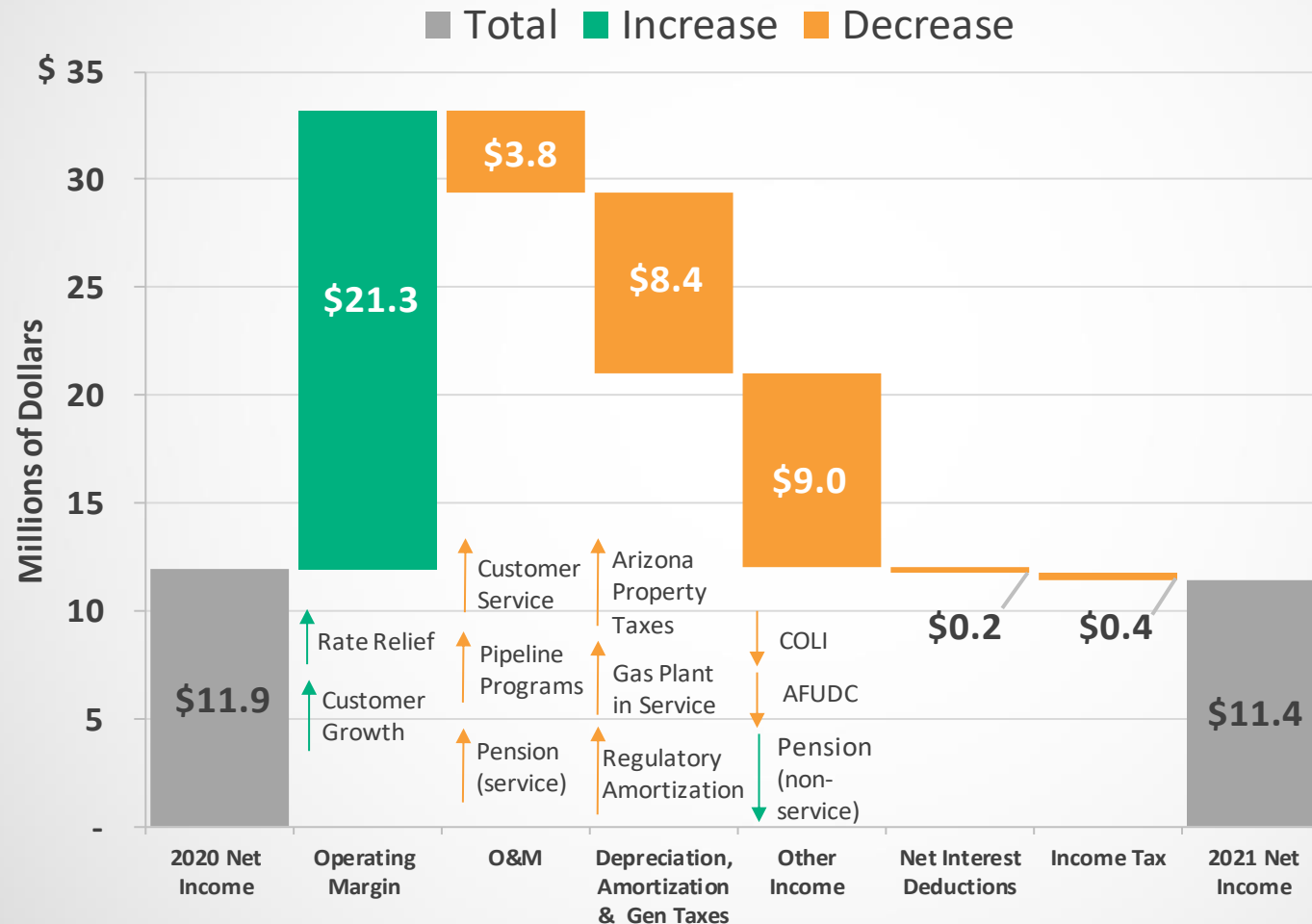
# SUMMARY OF OPERATING RESULTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

|   | Three months ended June 30, |                  | Twelve months ended June 30, |                   |
|---|-----------------------------|------------------|------------------------------|-------------------|
|   | 2021                        | 2020             | 2021                         | 2020              |
| <b>Results of Consolidated Operations</b> |                             |                  |                              |                   |
| Natural gas operations income             | \$ 11,413                   | \$ 11,942        | \$ 193,705                   | \$ 151,954        |
| Utility infrastructure services income    | 15,116                      | 26,267           | 73,056                       | 57,581            |
| Corporate and administrative              | (1,410)                     | (244)            | (2,532)                      | (1,957)           |
| Net income                                | <u>\$ 25,119</u>            | <u>\$ 37,965</u> | <u>\$ 264,229</u>            | <u>\$ 207,578</u> |
| Basic earnings per share                  | <u>\$ 0.43</u>              | <u>\$ 0.68</u>   | <u>\$ 4.61</u>               | <u>\$ 3.77</u>    |
| Diluted earnings per share                | <u>\$ 0.43</u>              | <u>\$ 0.68</u>   | <u>\$ 4.60</u>               | <u>\$ 3.76</u>    |
| Weighted average common shares            | 58,607                      | 55,462           | 57,348                       | 55,105            |
| Weighted average diluted shares           | 58,710                      | 55,532           | 57,440                       | 55,171            |

# NET INCOME

THREE MONTHS ENDED JUNE 30, 2021  
NATURAL GAS OPERATIONS



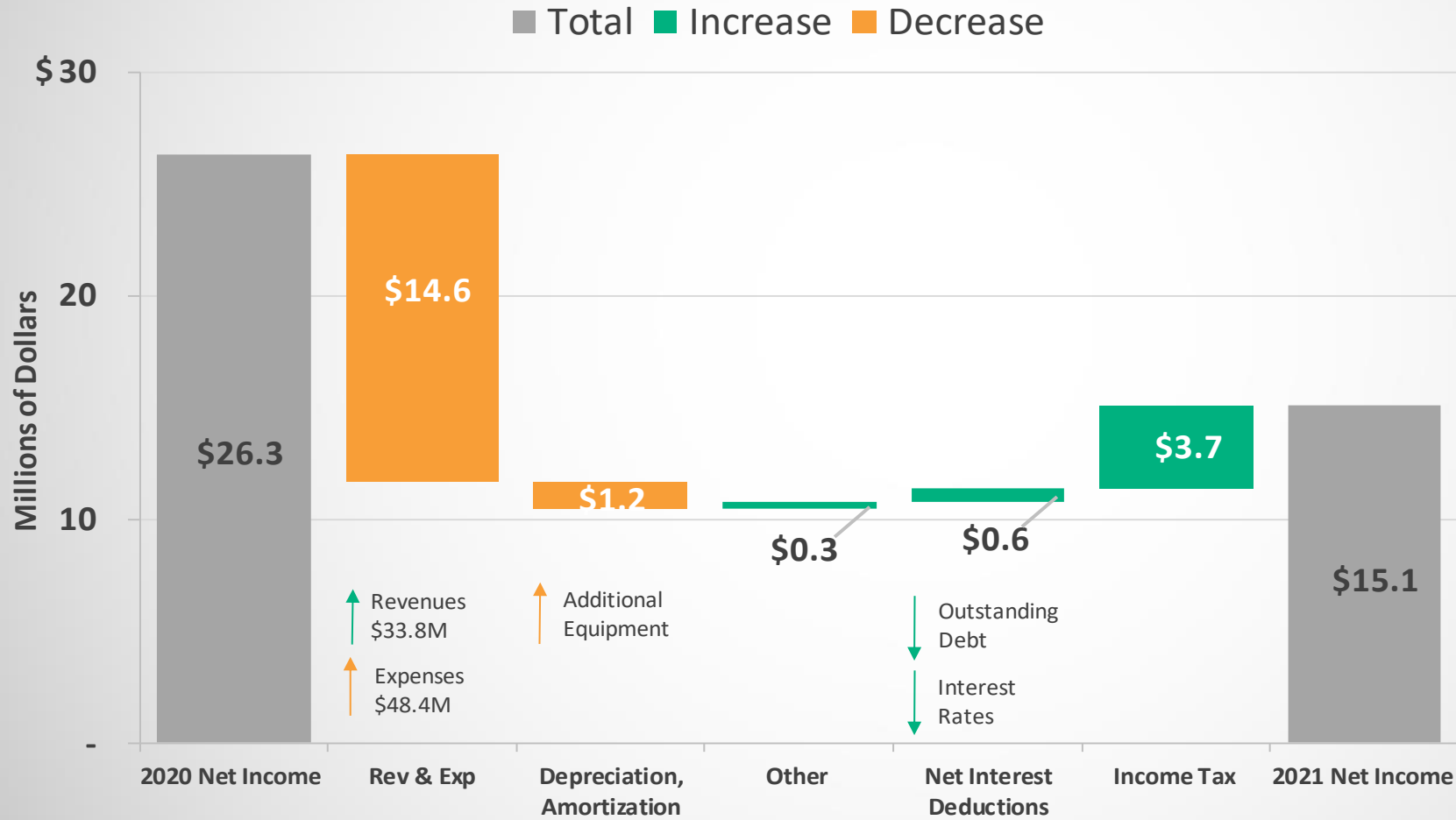
**Total Decrease**  
\$0.5 million



# NET INCOME

THREE MONTHS ENDED JUNE 30, 2021  
UTILITY INFRASTRUCTURE SERVICES

**Total  
Decrease  
\$11.2 million**



# BUSINESS SEGMENTS

Natural Gas Operations

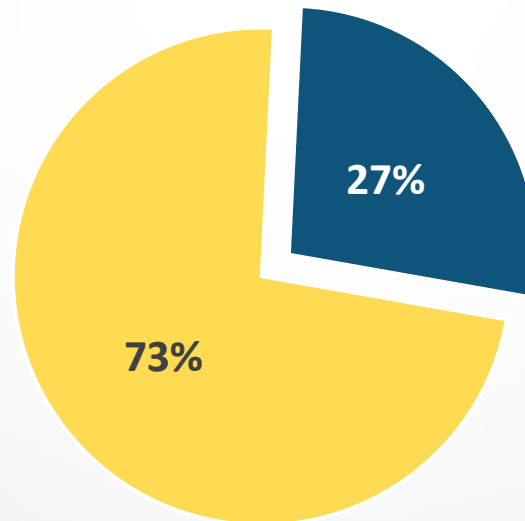


Utility Infrastructure Services



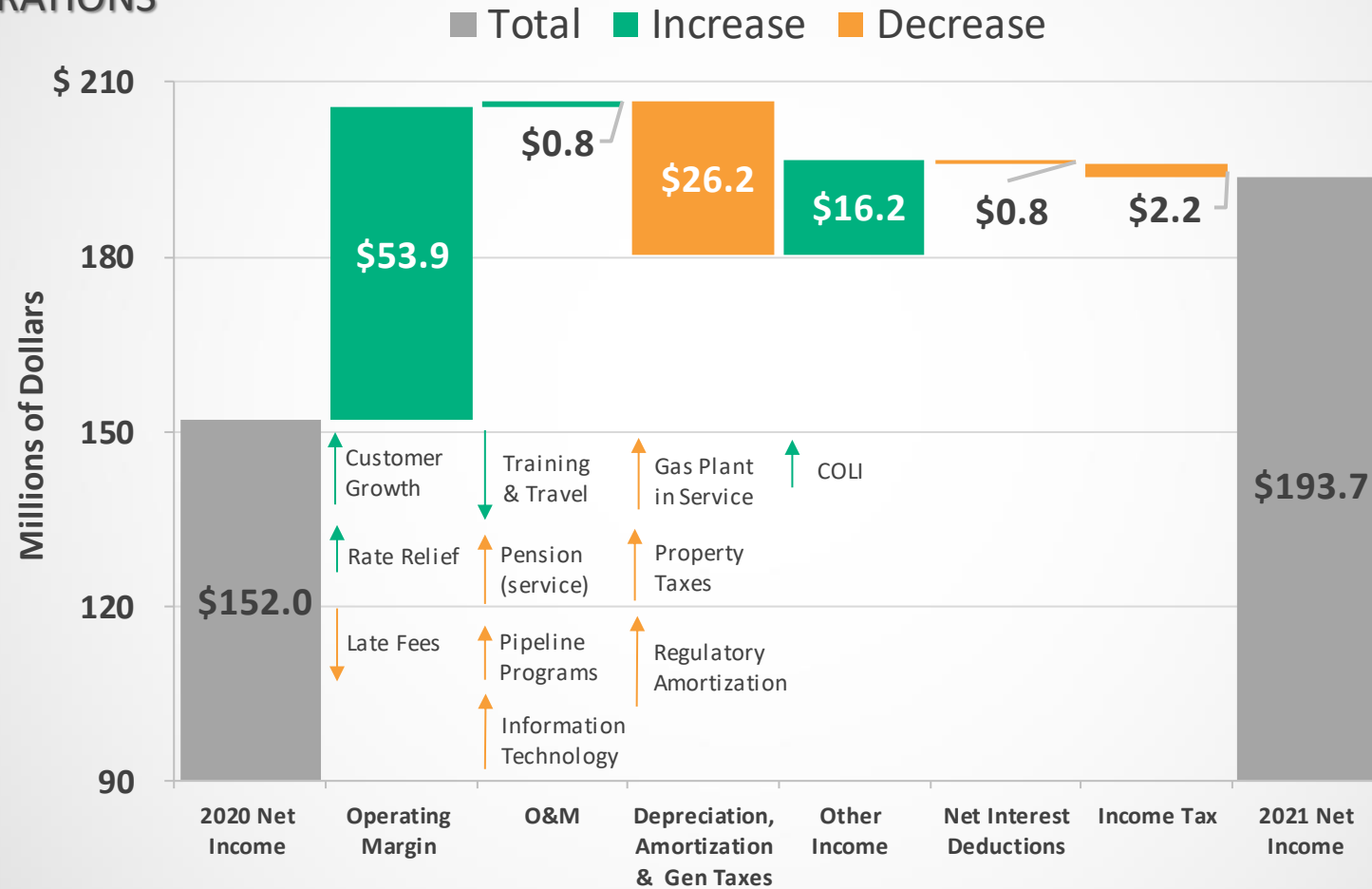
**\$264.2 million**

Twelve Months Ended 6/30/21 Net Income



# NET INCOME

TWELVE MONTHS ENDED JUNE 30, 2021  
NATURAL GAS OPERATIONS

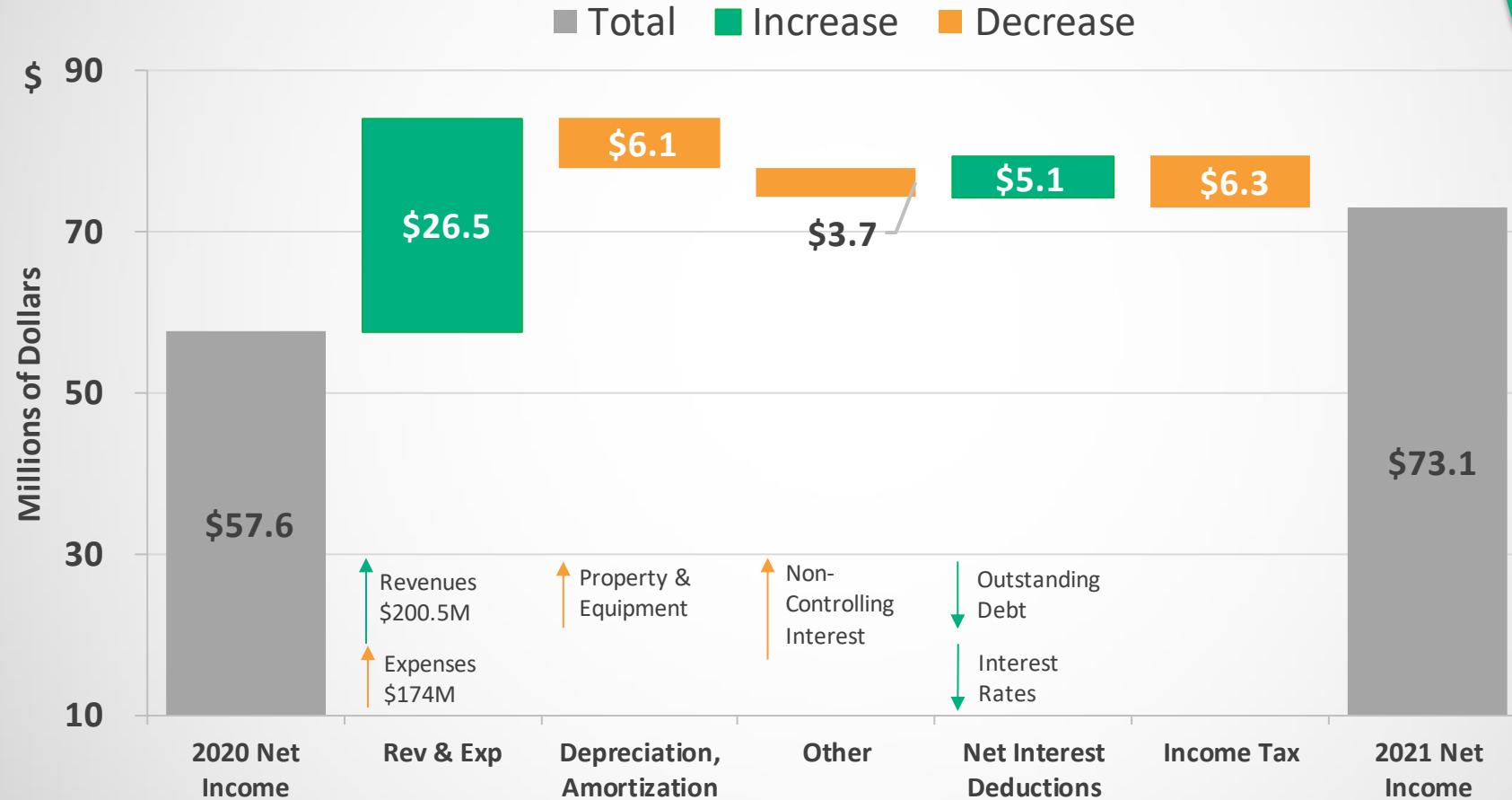


**Total Increase**  
\$41.7 million

# NET INCOME

TWELVE MONTHS ENDED JUNE 30, 2021  
UTILITY INFRASTRUCTURE SERVICES

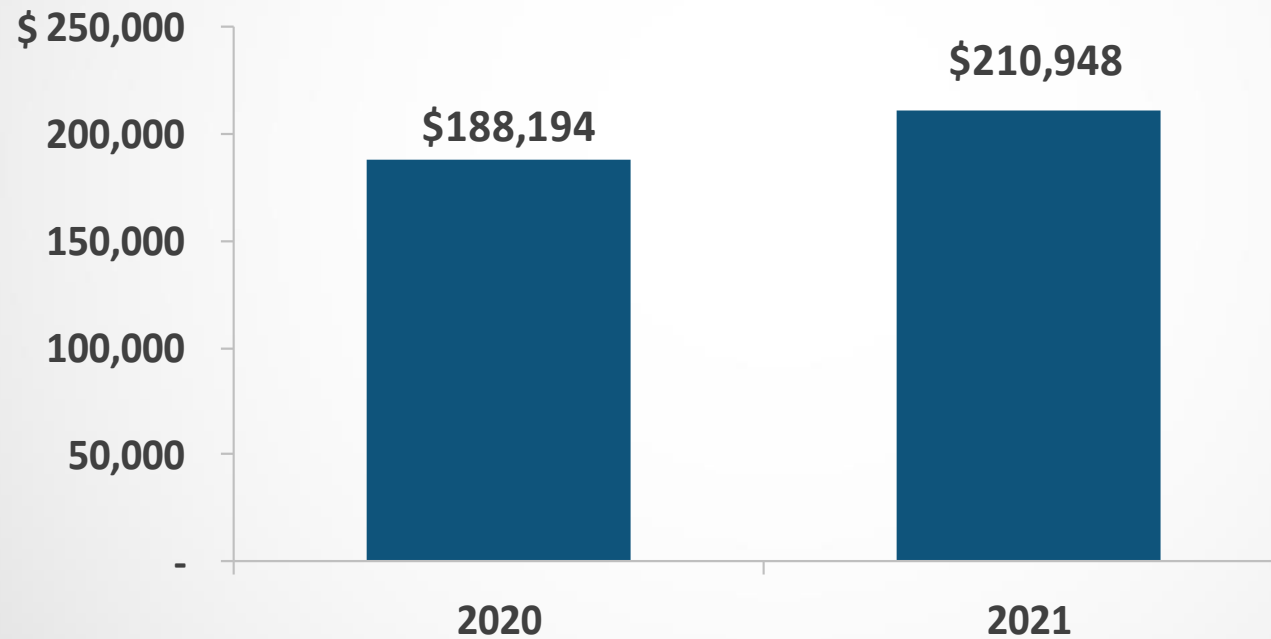
**Total Increase**  
\$15.5 million



# EBITDA<sup>1</sup>

## UTILITY INFRASTRUCTURE SERVICES

Twelve Months Ended June 30,  
(\$ in Thousands)



<sup>1</sup> Refer to appendix for a reconciliation of this non-GAAP measure to its most directly comparable GAAP measure.

# PLANNED ACQUISITION OF RIGGS DISTLER



## OVERVIEW

**Acquisition Agreement Announcement** - On June 29, 2021, Southwest Gas Holdings, Inc. announced that its wholly owned subsidiary, Centuri Group, Inc. (Centuri) had entered into a definitive agreement under which Centuri will acquire Riggs Distler & Company, Inc., and its affiliates (RDC). The transaction provides Centuri expansion of its electric utility services platform.

### Transaction Overview

- All-cash acquisition for \$855 million
- Expected to provide earnings accretion in first full year of operations
- Centuri has arranged a fully committed financing package
  - Fully funds the \$855 million acquisition purchase price
  - Funds transaction / financing fees and working capital requirements
  - Refinances existing Centuri debt
  - Pre-payable debt structure will facilitate anticipated deleveraging
- Centuri balance sheet has adequate capacity to fully finance the acquisition
  - No required SWX equity or debt issuance
  - Continuing cash dividends from Centuri to SWX

# PLANNED ACQUISITION OF RIGGS DISTLER

## STRATEGIC RATIONALE



- **Strategic consistency:** Aligns with communicated strategy to expand Centuri's union electric utility distribution services
- **Proven capability:** Builds on demonstrated SWX ability to deliver long-term organic and inorganic growth
- **Utility focus:** Maintains SWX focus on operations deriving revenue from regulated utility cost-of-service customers
- **Diversification + expansion:** Results in a more comprehensive utility infrastructure services platform with growth in 5G-telecom and renewables
- **ESG enhancement:** Augments SWX ESG profile with renewable project experience and access to offshore wind services
- **Growth plan:** Targeting substantial revenue growth opportunity of \$600 million through 2024

# PLANNED ACQUISITION OF RIGGS DISTLER

## TRANSACTION UPDATE



Board approval to sign definitive merger agreement with RDC occurred on June 28, 2021

- Steps currently in progress include the following:
  - The parties filed the required Hart-Scott-Rodino (HSR) filing with the Federal Trade Commission in July (the requisite waiting period expired on August 3<sup>rd</sup>, thereby completing this step)
  - Conducting basic integration planning with RDC and its staff within HSR limitations
  - Working on executive compensation matters and management agreements
  - Finalizing financing terms of the transaction
  - Executing on the communications and investor relations plan
- The acquisition is expected to close 3<sup>rd</sup> quarter 2021



# REGULATION - RATE CASE ACTIVITY

CALIFORNIA

NATURAL GAS OPERATIONS

| AUTHORIZED                        |   |
|-----------------------------------|---|
| Rate Relief                       | \$6.4M  |
| Rate Base                         | \$435.5M  |
| ROE                               | 10.0%   |
| Capital Structure<br>Equity Ratio | 52%   |
| Rate Design                       | Continuation of Decoupling Mechanism<br>Increased Basic Service Charge  |
| Other Highlights                  | Continuation of Pension Balancing Account<br>Continuation of 2.75% Annual Attrition Adjustment<br>Targeted Pipe Replacement Program - \$90M*<br>Meter Protection Program - \$19M*<br>School COYL Program - \$10M*<br>Remove NT Lateral Project from Base Rates to Future Surcharge<br>*5 yr. cumulative |
| Rates Effective                   | April 1, 2021<br>CPUC approved rates back to January 1, 2021  |

# REGULATION - RATE CASE ACTIVITY

## NATURAL GAS OPERATIONS

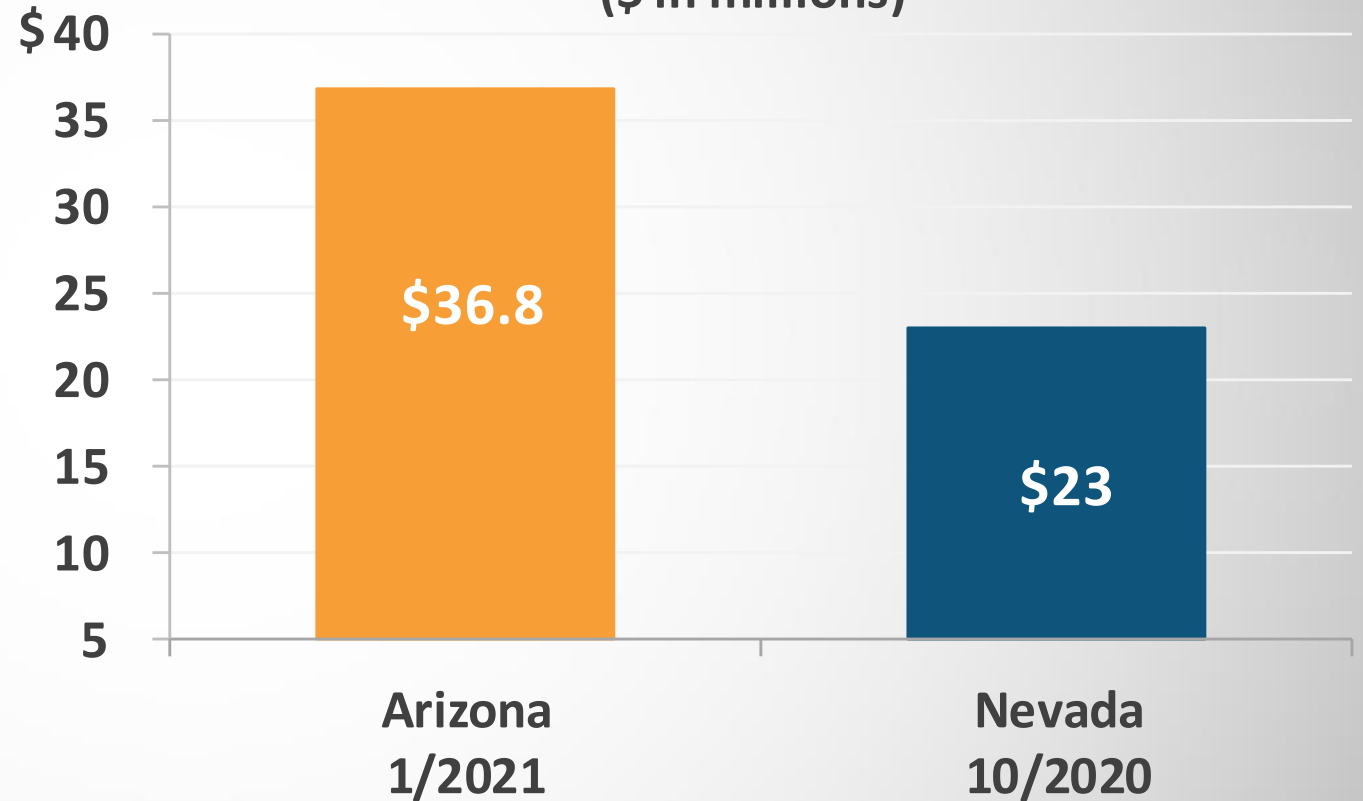
### ARIZONA

- Estimate new general rate case filing in 4th quarter 2021

### NEVADA

- Estimate new general rate case filing in 3<sup>rd</sup> quarter 2021

### Approved Revenue Increase (\$ in millions)



# REGULATION - RATE CASE ACTIVITY

ARIZONA

NATURAL GAS OPERATIONS

## Three Components:

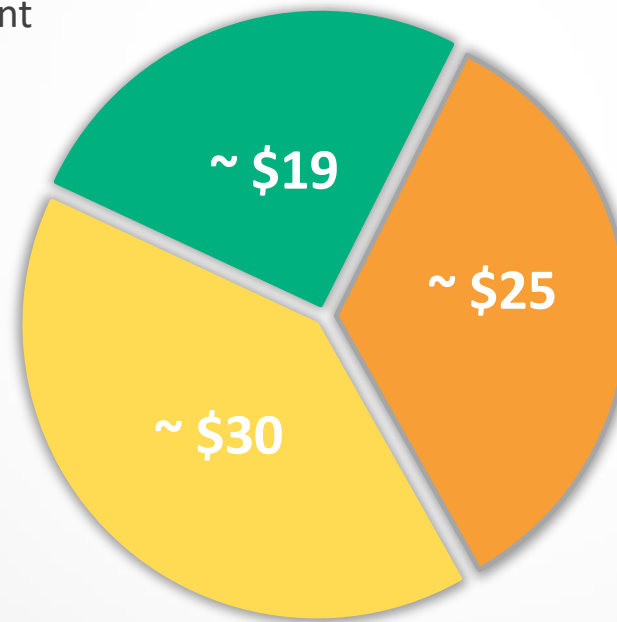
- 2019 COYL & VSP Revenue Requirement
- 2020 COYL & VSP Revenue Requirement
- 2021-2022 VSP Revenue Requirement

- Compliance filing describing plan for reconciliation made in February

## Two Components:

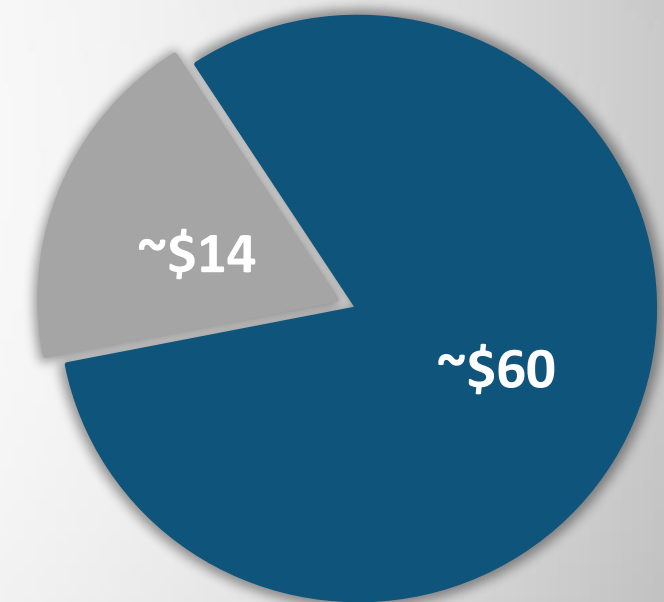
- One-year recovery for COYL
- Three-year recovery for VSP
- Cost recovery proposal filed in May
- Expect decision by year end 2021

**COYL & VSP  
Compliance Filing  
(\$ in millions)**



= ~\$74 =

**COYL & VSP  
Cost Recovery Proposal  
(\$ in millions)**



# REGULATION - EXPANSION PROJECTS

## NATURAL GAS OPERATIONS

**\$62 million**

**Northern Nevada  
Expansion**

### NORTHERN NEVADA EXPANSION

- PUCN approved \$62 million expansion project in December 2019 to extend facilities to Spring Creek, NV (SB 151 project)
- Estimated annual revenue requirement of \$2 million in year 1
- 100% of potential customers signed up for service as part of Phase 1
- Began serving initial customers in the 4<sup>th</sup> quarter of 2020
- The expansion is anticipated to be completed in 2026

# REGULATION - EXPANSION PROJECTS

## NATURAL GAS OPERATIONS



### SOUTHERN ARIZONA EXPANSION

- \$3.5 million acquisition of Graham County Utilities gas assets
- Member-owned cooperative in southeast Arizona
- Approximately 5,200 customers
- Estimated rate base as of December 31, 2020 of \$2.6 million
- Agreement executed in February 2021
- Application seeking approval filed with the ACC in April 2021
- Approval anticipated in 4<sup>th</sup> quarter of 2021

# REGULATION - SUSTAINABILITY

## NATURAL GAS OPERATIONS



### MOVE2ZERO CARBON OFFSET TARIFF

- Voluntary carbon offset program for Nevada sales customers
- Provides additional options for customers to reduce their respective combustion related greenhouse gas emissions
- Block design will offer customers flexibility to purchase as many carbon offsets as they choose in blocks of ten therms for \$5 per block
- Annual true-up to account for subsequent changes in the block charge or therm equivalent
- Regulatory asset to track program-related costs and revenues
- Application seeking approval filed with the PUCN in June 2021
- Decision anticipated in 1<sup>st</sup> quarter of 2022

# STRONG CUSTOMER GROWTH



Demand for new homes in Nevada and Arizona is driving growth

Added  
**37,200**  
customers\*

\* 12-Month Meter Sets  
ended June 2021

Average of nearly  
**3,100**  
meter sets a month



Photo Credit: Las Vegas Review Journal

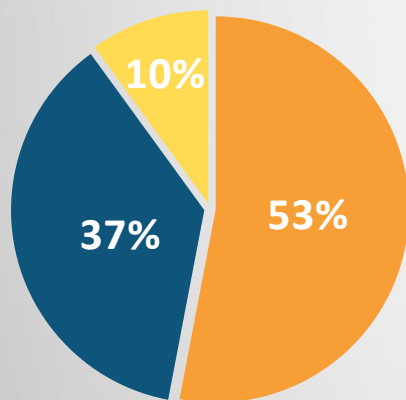
# DIVERSIFIED AND GROWING CUSTOMER BASE

## NATURAL GAS OPERATIONS

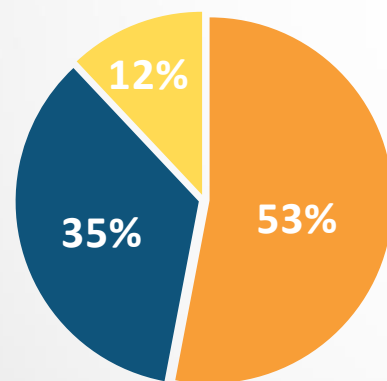
### Twelve Months Ended June 30, 2021 Customer & Operating Margin Distribution

#### By State

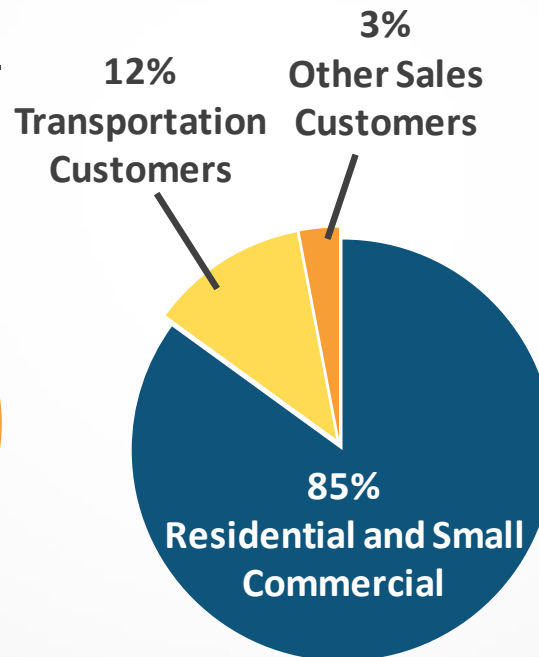
Customers



Margin



Arizona Nevada California



- Decoupled rate structure in all three states
- Residential and small commercial customers represent over 99% of the total customer base
- 85% of margin (residential and small commercial) under decoupled rate structure
- 37,200 first-time meter sets
- Continued growing customer base



# ARIZONA RECOVERY ON TRACK



**azcentral.**

**ASU forecast: Strong Arizona economic rebound in progress with no housing bubble growing**

**Russ Wiles** Arizona Republic  
Published 4:07 p.m. MT May 6, 2021 | Updated 4:44 p.m. MT May 6, 2021



- All jobs expected to be back to pre-pandemic levels
- Net gain of 117,000 jobs in 2021 and 89,000 in 2022 predicted
- Single-family home permits expected to increase with “no housing bubble in sight”

- Arizona Central/Arizona State University, 5/6/21

*“Homebuilder permits issued by Valley municipalities between January and April were up 37% over the same period in 2020, according to new data released by the Home Builders Association of Central Arizona.*

- ABC 15 Arizona, 5/12/21

*Phoenix is on the cusp of an unprecedented direct foreign investment infusion with the construction of a massive semiconductor manufacturing facility (Taiwan Semiconductor Manufacturing Company) on the north side of the city. This investment, which could be close to \$35 billion, will have an even bigger ripple effect on the Valley's economy.*

- Phoenix Business Journal, 5/28/21

*“Arizona is projected to outpace the nation in job creation for the next decade. That’s happening because of how hard our elected officials and educators have worked to change the state’s economy from the pre-Great Recession economy that was built on golf and retirement.”*

- Christine Mackay, community and economic development director for the City of Phoenix., AZ Big Media, 7/14/21

# THE LAS VEGAS ECONOMY AND HOUSING BOOM



**LAS VEGAS  
REVIEW-JOURNAL**

**Business confidence soars as  
Nevada rides economic high**

- Las Vegas Review Journal, 7/13/21

- Reports highest confidence level recorded since 2008
- States Clark County's economic conditions should "improve much more rapidly and vigorously" in the third quarter

**UNLV** | LEE BUSINESS SCHOOL  
CENTER FOR BUSINESS  
AND ECONOMIC RESEARCH

*"Now we must focus on building resilience into our economy, to smooth out the bumps, with increased diversification in manufacturing/logistics, energy, technology, and healthcare with the goal of delivering good jobs today and better jobs tomorrow."*

- Michael Brown, Director of the Governor's Office of Economic Development, 8 News Now, 6/29/21

*"Homebuilders have seen a sharp rise in sales in some Las Vegas Valley communities this year, putting them among the top spots nationally for buyers who want new construction."*

*"Southern Nevada communities regularly rank among the top 50 nationally for homebuilders' sales, as the region has land to build on and attracts a steady stream of new residents, especially from neighboring California."*

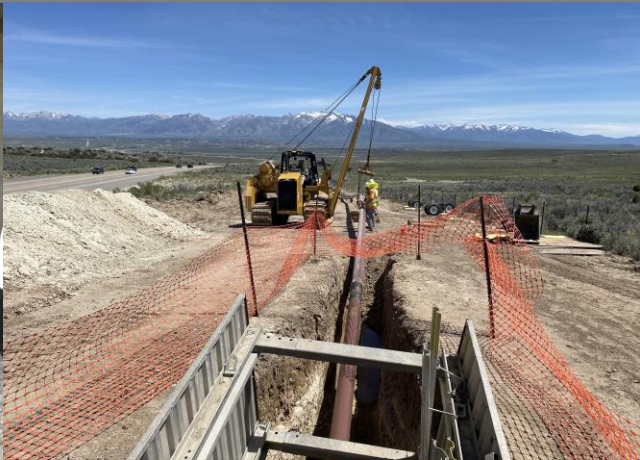
- Las Vegas Review Journal, 7/12/21

# EXPANDING TO UNDERSERVED COMMUNITIES

Nearly \$100M in expansion projects under SB151 filings. This legislation allows Southwest Gas to expand infrastructure in a manner consistent with a program of economic development.



Spring Creek, NV



Mesquite, NV

- More than half of meters have been set in Elko Summit Estates
- 84% of commercial properties contracted

- 138 active commercial and residential customers
- Nearly 600 residential lots contracted from 3 builders

# LIQUIDITY PROFILE

## NATURAL GAS OPERATIONS

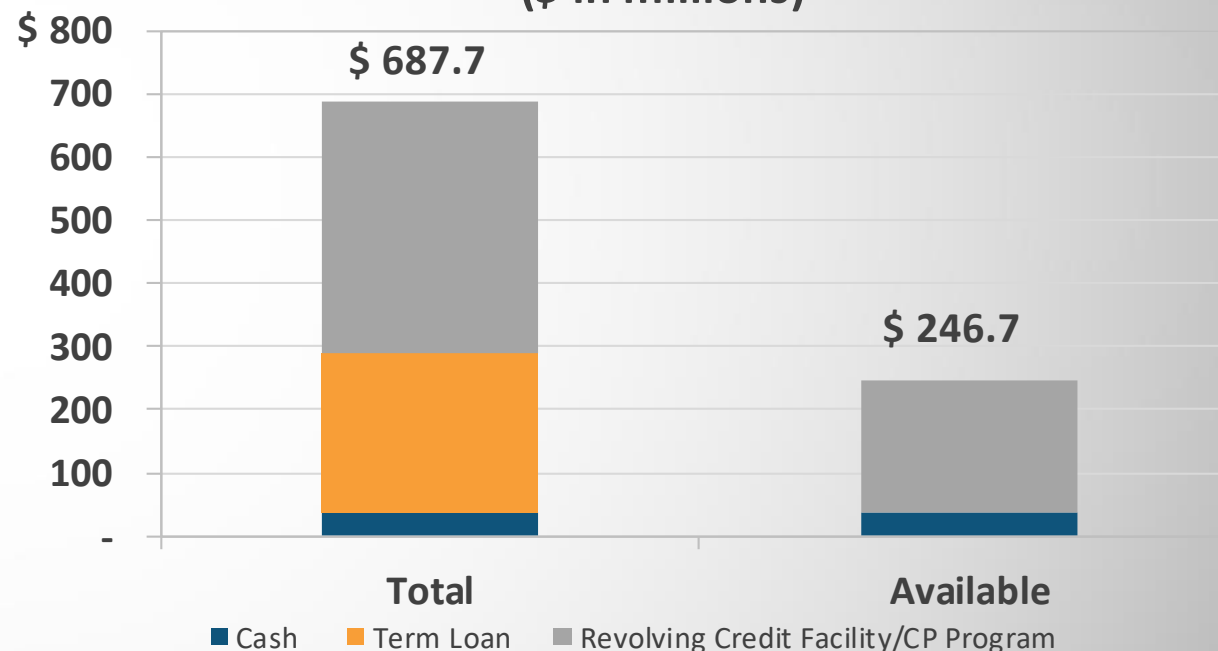
**Strong liquidity will support capital expenditure and working capital needs**

- Stable operating cash flows
- \$400 million revolving credit facility
  - Expires in April 2025
  - \$150 million designated as long-term debt
  - \$250 million as working capital
- \$250 million term loan
- \$50 million uncommitted commercial paper program

### As of June 30, 2021

- \$441 million outstanding
  - \$191 million revolving credit facility/CP Program
  - \$250 million term loan
- Available borrowing capacity of \$209 million
- Available cash \$37.7 million

**Liquidity Profile  
as of June 30, 2021  
(\$ in millions)**



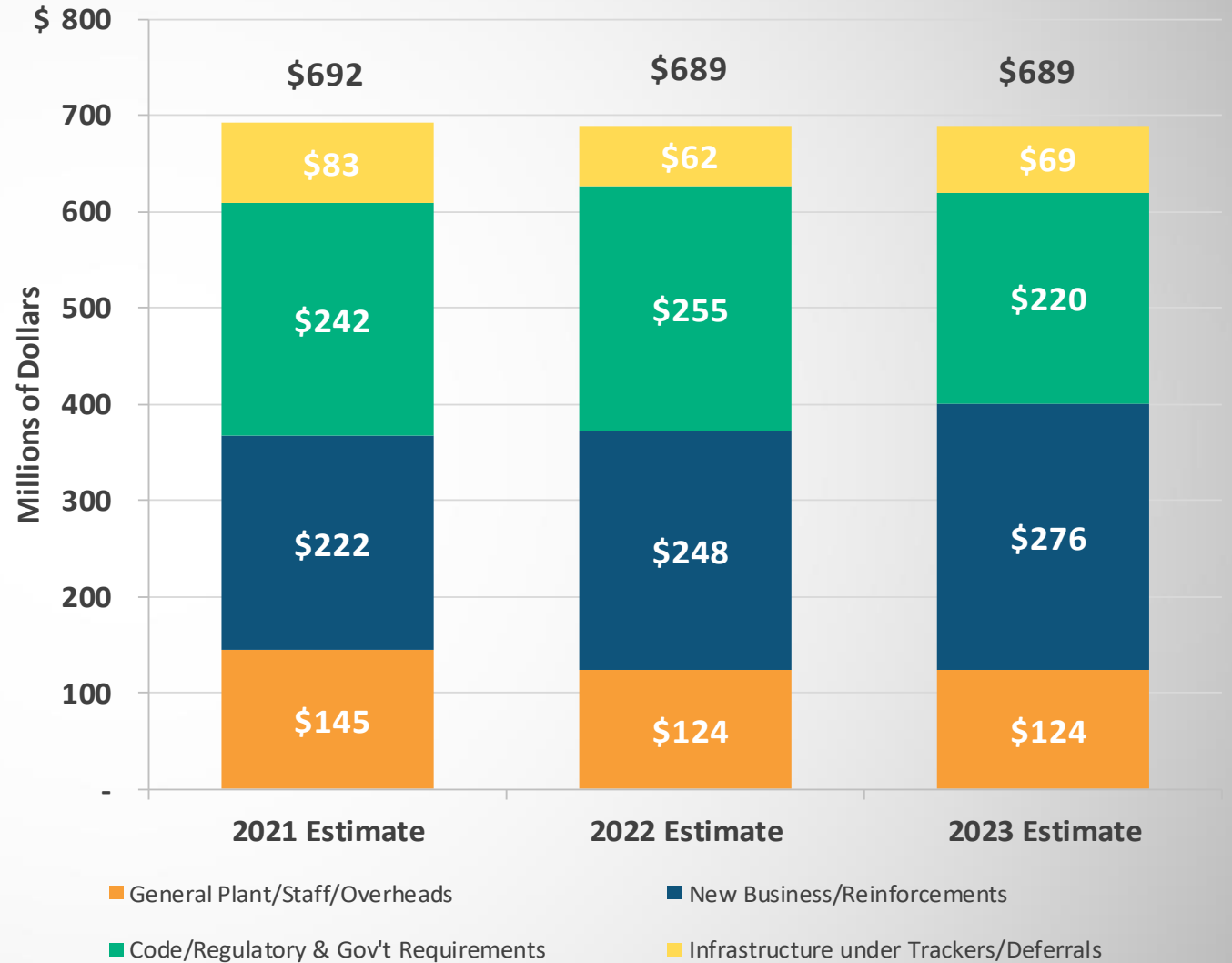
# CAPITAL EXPENDITURES

## NATURAL GAS OPERATIONS

**\$2.1 Billion**  
**Capital Investment**  
 Estimated  
 2021-2023

### Three-Year Plan Highlights

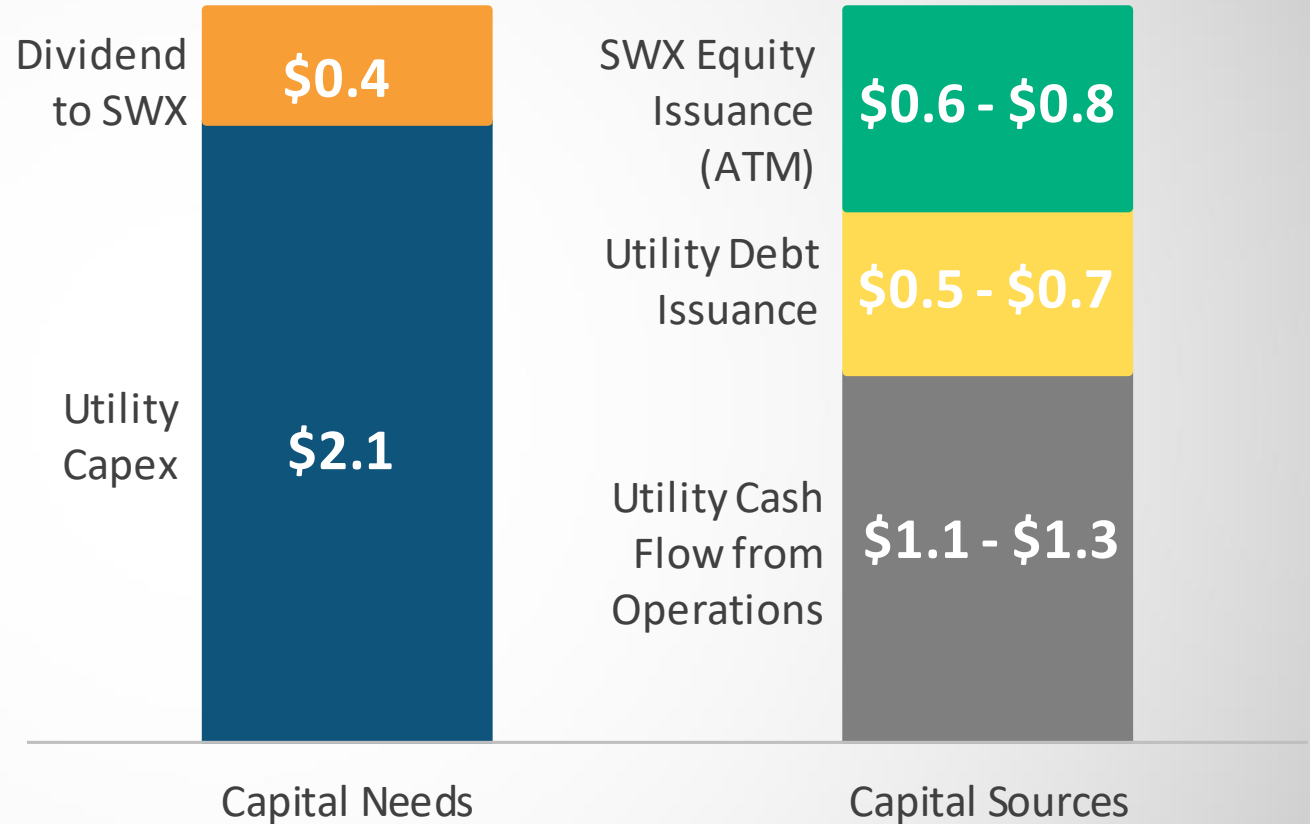
- 45% Investments in Safety and Reliability
- 36% New Business/Reinforcements
- 19% General Plant
- Anticipate funding 50% from internal cash flows and remaining 50% through a balance of debt and equity (ATM Program)



# CAPITAL FUNDING

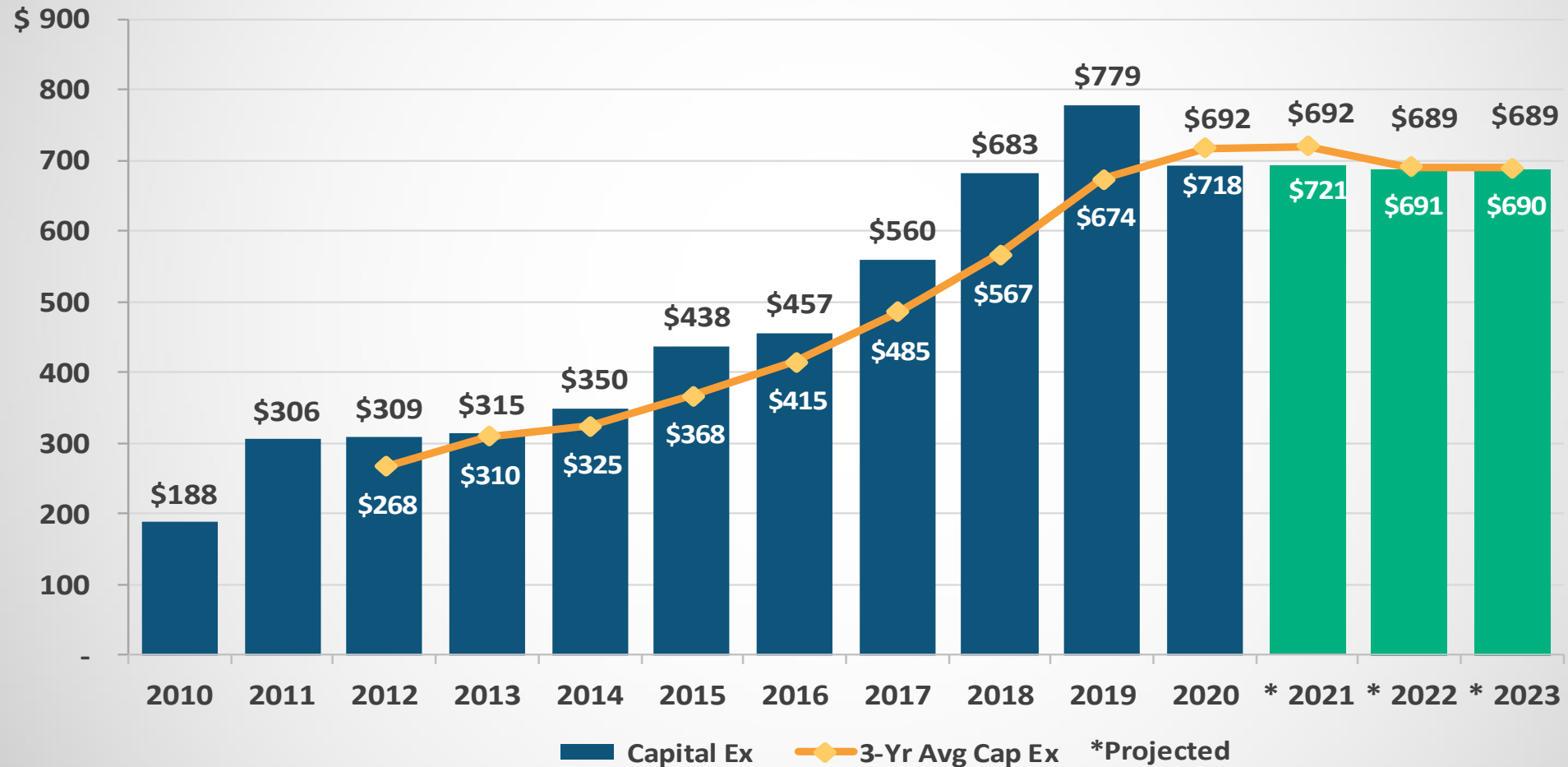
## NATURAL GAS OPERATIONS

**3-year  
Capital Needs  
and Sources**  
(\$ in billions)

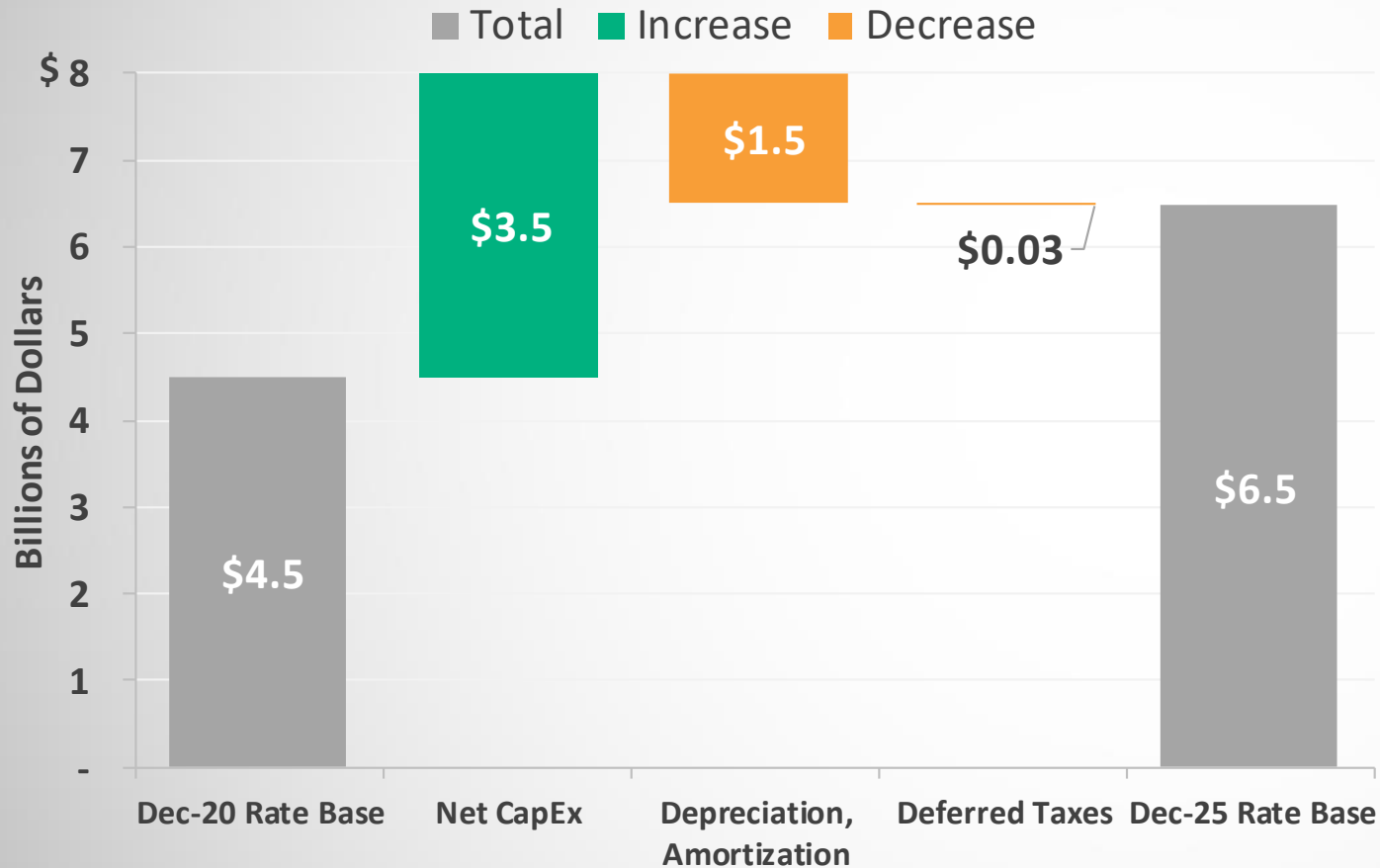


# CAPITAL EXPENDITURES

(\$ IN MILLIONS)



# RATE BASE GROWTH



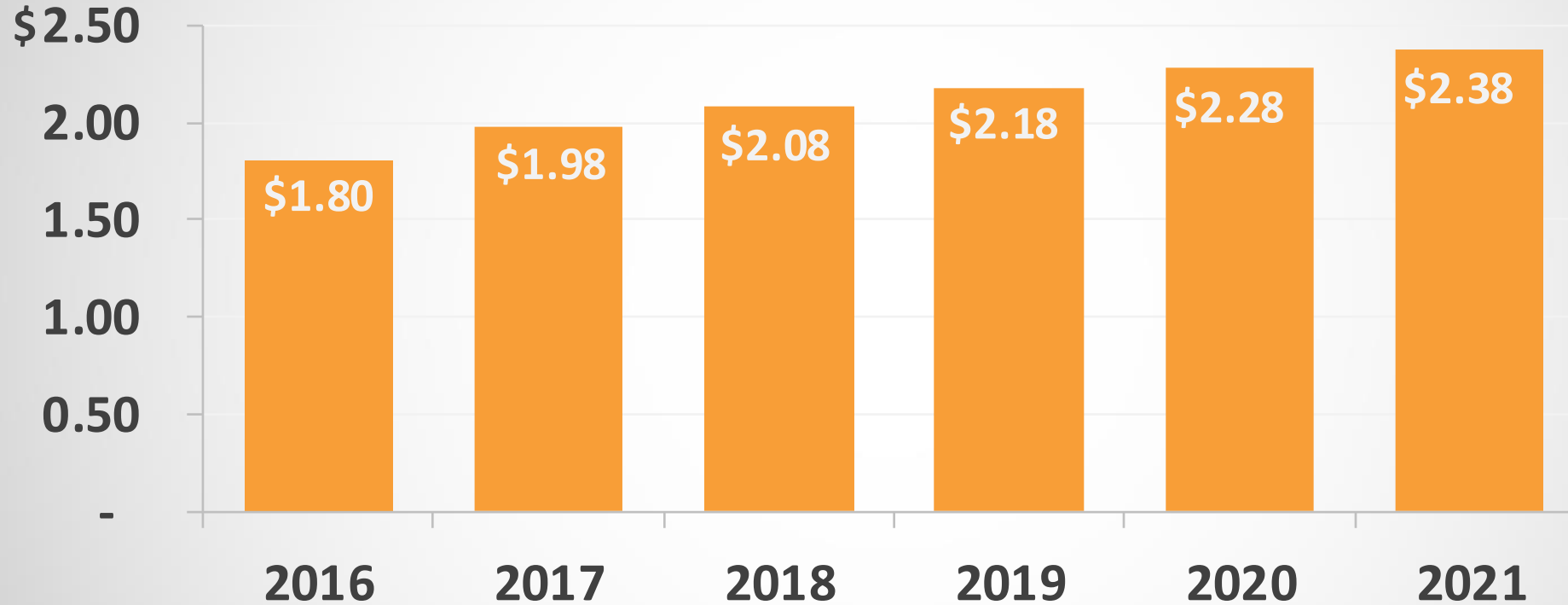
Rate base amounts reflect estimated total investment in facilities necessary to provide utility service. This is different than our authorized rate base, which is the rate base investment that has been approved by our regulatory bodies and that is reflected in rates.

Projecting 7.5% Compound Annual Growth Rate (CAGR) in rate base (2021-2025).



# DIVIDEND GROWTH

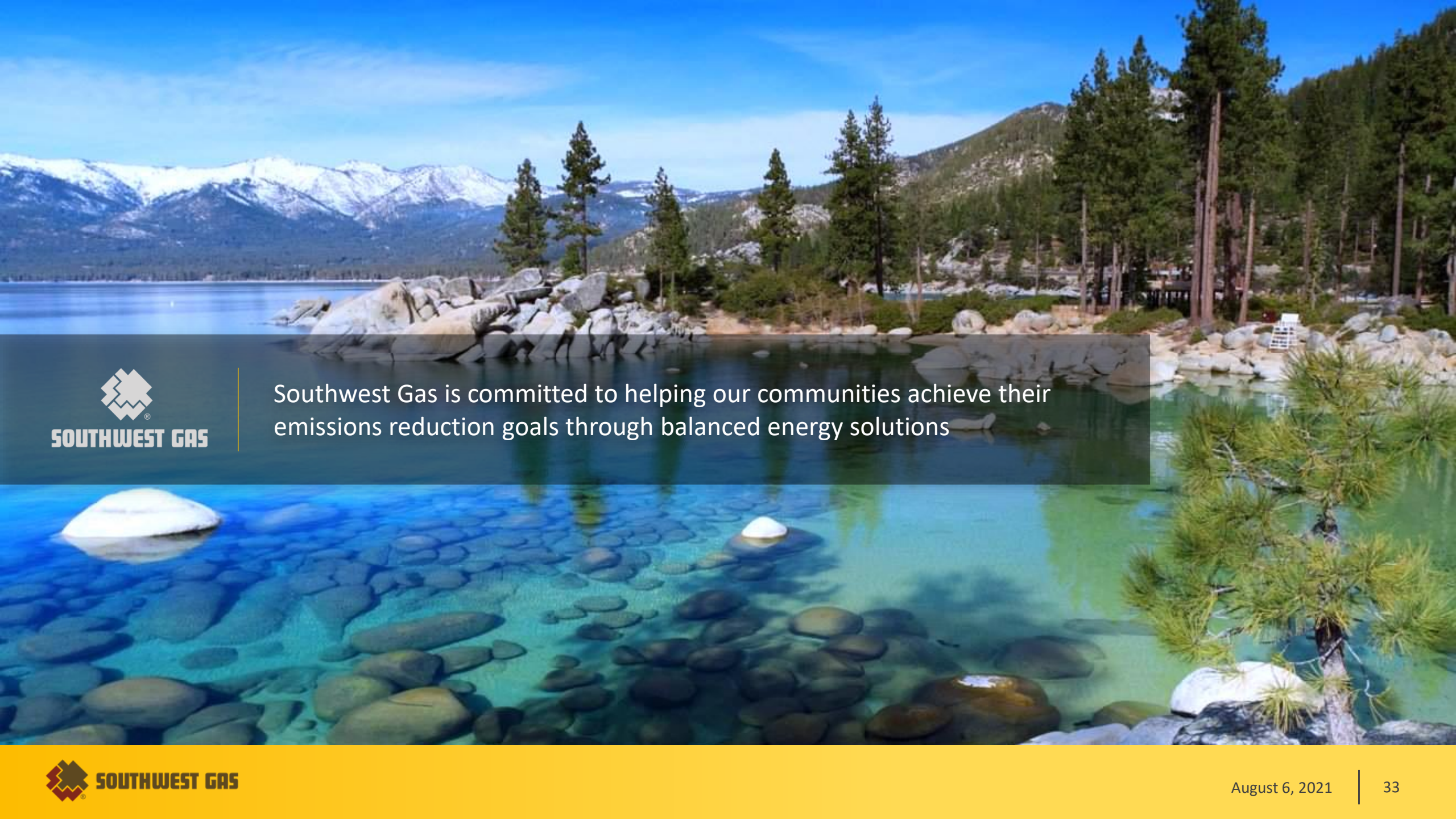
5.8% 5-Year Dividend CAGR



CAGR = compound annual growth rate

Maintain target payout ratio between 55% – 65%

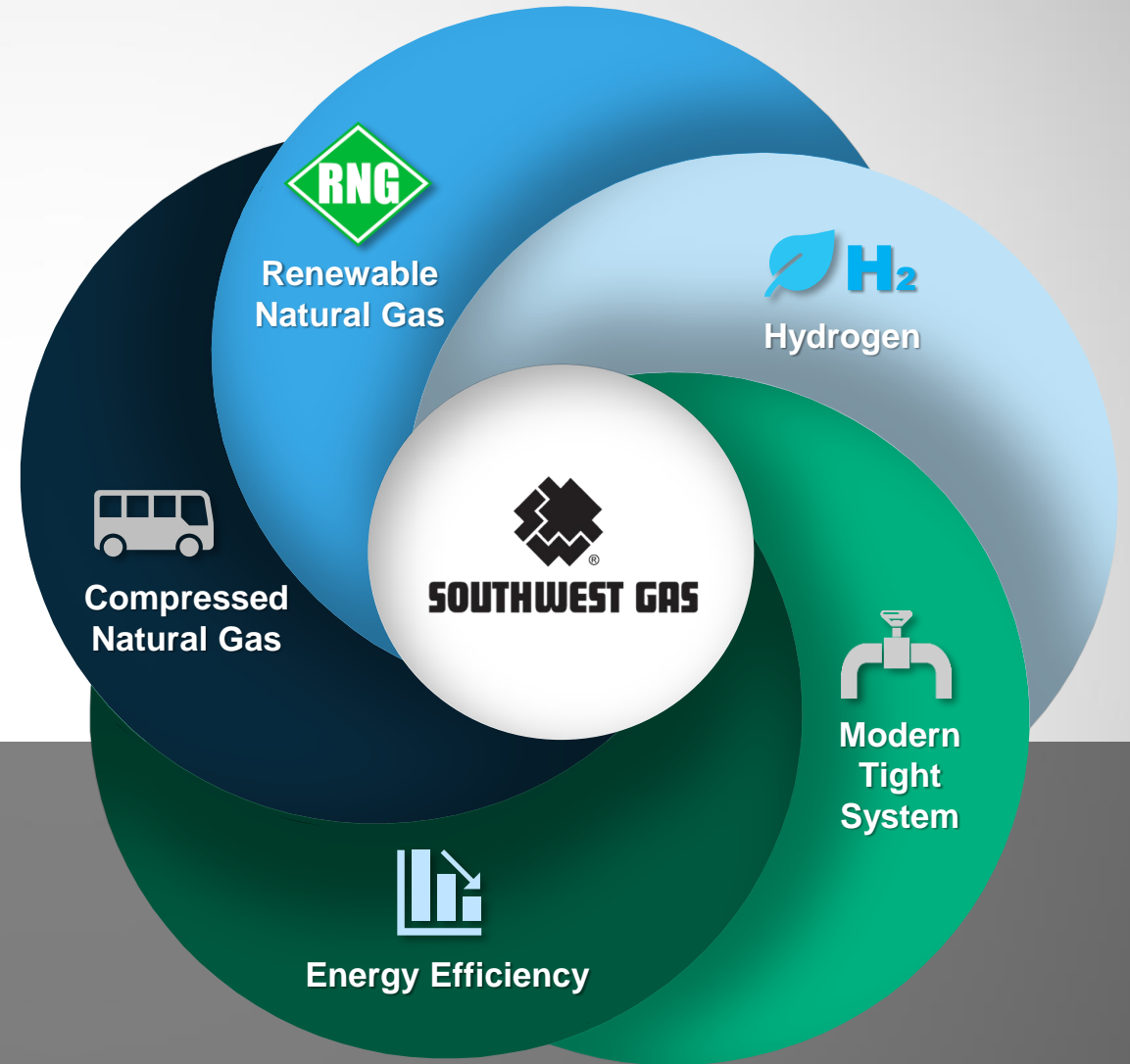
Expect future dividends to increase at the sustainable earnings growth rate



Southwest Gas is committed to helping our communities achieve their emissions reduction goals through balanced energy solutions

# BUILDING A CLEAN ENERGY FUTURE

Providing our customers and the communities we serve with a clean, affordable and resilient energy future.



# RNG

## Strategy



Build, own & operate



Interconnects



Purchase agreements

## Updates



Pima County Wastewater Interconnect to receive RNG September 2021



Begin flowing RNG to RTC September 2021



Butterfield & Maricopa dairies groundbreaking took place June 29



Discussions with state, county and municipal entities coming to fruition

## Results



Win-win for the environment and our business



Market-ready solution



24/7 reliability



Pivotal role in decarbonization

# HYDROGEN

## Updates

### Strategy



Establish standards



Establish proof of concept



Identify customers and partnerships



Facilitate market adoption



Hydrogen blending pilot



Developing hydrogen testing and demonstrations at Southwest Gas facilities in Nevada



Identify isolated systems for hydrogen blending

### Benefits



Next generation technology for decarbonization



Solves energy storage challenge



Solution for hardest areas to decarbonize



Hydrogen pioneers

# 2020 SUSTAINABILITY REPORT AVAILABLE

## Adopted the SASB Disclosure Framework

“While no framework is perfect, BlackRock believes that the Sustainability Accounting Standards Board (SASB) provides a clear set of standards for reporting sustainability information across a wide range of issues, from labor practices to data privacy to business ethics.”

- Larry Fink, CEO BlackRock Funds



<https://www.swgas.com/1409208370925/Southwest-Gas-Holdings-2020-Sustainability-Report.pdf>

# STRONG AND STABLE WITH DISCIPLINED FOCUS

## Natural Gas Operations

- Continued capital and rate base growth
- Continued customer growth
- Focus on cost control and affordability to customers
- Ongoing decarbonization and efficiency
- Constructive regulatory results
- Continued earnings and dividend growth
- Sustainability focused

## Utility Infrastructure Services

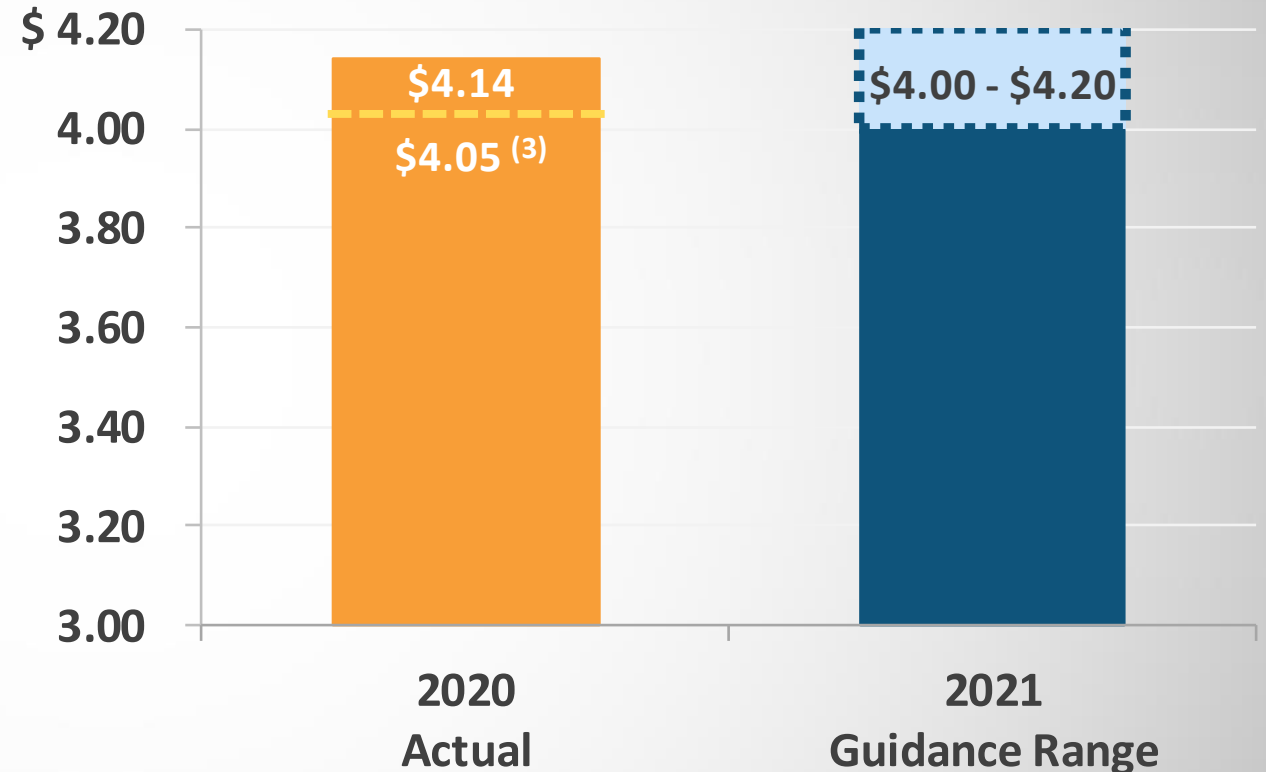
- Very favorable electric and gas growth opportunities
- Operations execution focus
- Cost management and resource optimization
- Cross-selling services
- Increasing profitability and dividends
- Sustainability focused
- Cash source for SWX



# 2021 EPS GUIDANCE (4)



## Diluted Earnings Per Share



Notes:  
(1) Changes in economic conditions, events, or other circumstances that the Company cannot currently anticipate could materially impact earnings and, in turn, result in earnings for 2021 significantly above or below this EPS guidance.  
(2) COLI of \$3 - \$5 million assumed within EPS guidance.  
(3) Based on normalized COLI of \$4 million (versus actual of \$9.2 million).  
(4) Excludes any changes the Riggs Distler acquisition may have on guidance.



# 2021 LINE ITEM GUIDANCE (1)

## Natural Gas Operations

- Operating margin is expected to increase 6% – 8% due to customer growth (1.7%), rate relief in all three states in which we operate, expansion projects, and infrastructure tracker mechanisms
- Operating income is expected to increase 3% – 5%
- Total pension costs are expected to be relatively flat compared to 2020
  - Will be reflected as an increase in O&M costs of about \$6 million, with a comparable decrease to other expense
- Assume normalized COLI of \$3 million – \$5 million
- Capital expenditures expected to approximate \$700 million
  - Supporting customer growth, system improvements, and pipe replacement programs

## Utility Infrastructure Services

- Revenues expected to be 1% – 4% greater than the record 2020 amount, which included \$82 million of emergency storm restoration services
- Operating income is expected to be 5.3% – 5.8% of revenues
- Interest expense is expected to be \$7 million – \$8 million
- Net income expectations reflect earnings attributable to Southwest Gas Holdings, net of \$5 million – \$6 million of noncontrolling interests
  - Changes in Canadian currency exchange rates could influence results

(1) Excludes any changes the Riggs Distler acquisition may have on guidance.

# LONG-TERM EXPECTATIONS (1)

## Holdings

- Equity issuances (through ATM), \$600 million – \$800 million over 3 years ending 2023
- Target dividend payout ratio: 55% – 65%

## Natural Gas Operations

- Capital expenditures are expected to be approximately \$3.5 billion over 5 years ending 2025
- Rate base growth is expected to be 7.5% through the same period

## Utility Infrastructure Services

- Revenues expected to grow an average 5% – 8% annually over 3 years ending 2023
- Operating income expected to be 5.25% – 6.25% of revenues over 3 years ending 2023
- EBITDA expected to be 10% – 11% of revenues over 3 years ending 2023

(1) This guidance excludes any impacts of the planned acquisition of Riggs Distler.

# APPENDIX



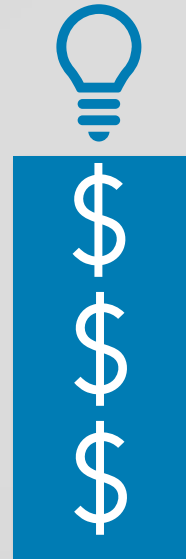
# AFFORDABILITY FOR CONSUMERS



**\$217**  
Cable TV



**\$160**  
Mobile Phone



**\$112**  
Electric



**\$73**  
Water

**Natural gas** is often the **least expensive** utility consumers pay

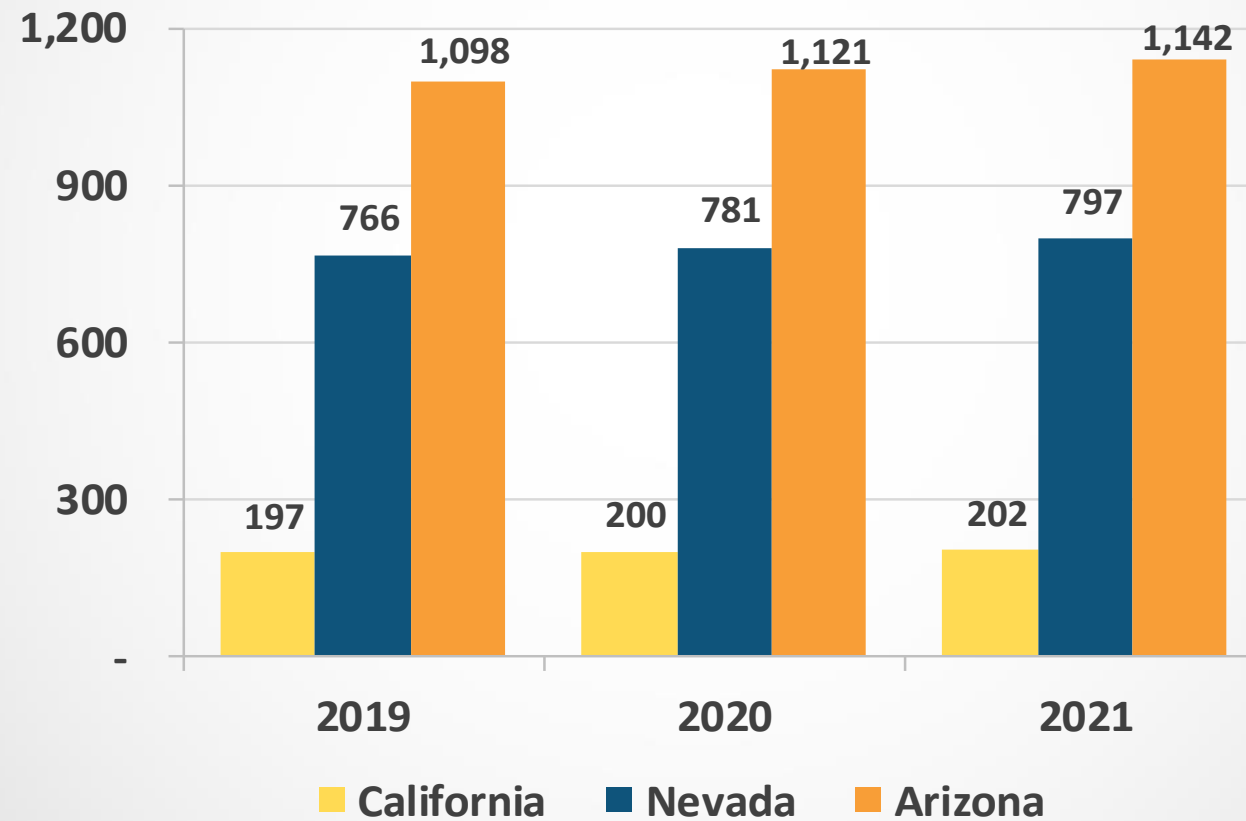


**\$40**  
Natural Gas

# CUSTOMERS BY STATE

NATURAL GAS OPERATIONS  
(IN THOUSANDS)

As of June 30,



# SUMMARY OPERATING RESULTS

## NATURAL GAS OPERATIONS (IN THOUSANDS)

|  | Three months ended June 30, |            |
|--|-----------------------------|------------|
|  | 2021                        | 2020       |
| <b>Results of Natural Gas Operations</b> |                             |            |
| Gas operating revenues                   | \$ 292,796                  | \$ 262,434 |
| Net cost of gas sold                     | 76,496                      | 67,473     |
| Operating margin                         | 216,300                     | 194,961    |
| Operations and maintenance expense       | 103,137                     | 99,320     |
| Depreciation and amortization            | 57,631                      | 53,198     |
| Taxes other than income taxes            | 19,338                      | 15,342     |
| Operating income                         | 36,194                      | 27,101     |
| Other income (deductions)                | (1,165)                     | 7,838      |
| Net interest deductions                  | 24,175                      | 23,991     |
| Income before income taxes               | 10,854                      | 10,948     |
| Income tax benefit                       | (559)                       | (994)      |
| Segment net income                       | \$ 11,413                   | \$ 11,942  |

# SUMMARY OPERATING RESULTS

NATURAL GAS OPERATIONS  
(IN THOUSANDS)

|  | Twelve months ended June 30, |              |
|--|------------------------------|--------------|
|  | 2021                         | 2020         |
| <b>Results of Natural Gas Operations</b> |                              |              |
| Gas operating revenues                   | \$ 1,400,052                 | \$ 1,354,812 |
| Net cost of gas sold                     | 347,060                      | 355,672      |
| Operating margin                         | 1,052,992                    | 999,140      |
| Operations and maintenance expense       | 413,246                      | 414,049      |
| Depreciation and amortization            | 243,701                      | 226,588      |
| Taxes other than income taxes            | 71,765                       | 62,716       |
| Operating income                         | 324,280                      | 295,787      |
| Other income (deductions)                | 5,493                        | (10,719)     |
| Net interest deductions                  | 98,440                       | 97,631       |
| Income before income taxes               | 231,333                      | 187,437      |
| Income tax expense                       | 37,628                       | 35,483       |
| Segment net income                       | \$ 193,705                   | \$ 151,954   |

# PURCHASED GAS ADJUSTMENT (PGA) BALANCES

NATURAL GAS OPERATIONS  
(IN THOUSANDS)

|                            | June 30,<br>2021  | December 31,<br>2020 | June 30,<br>2020   |
|----------------------------|-------------------|----------------------|--------------------|
| Arizona                    | \$ 194,107        | \$ (3,901)           | \$ (18,598)        |
| Northern Nevada            | 417               | (8,601)              | (13,648)           |
| Southern Nevada            | 35,865            | (42,134)             | (32,867)           |
| California                 | 4,715             | 2,053                | (4,825)            |
| Total Receivable/(Payable) | <u>\$ 235,104</u> | <u>\$ (52,583)</u>   | <u>\$ (69,938)</u> |



# AUTHORIZED RATE BASE AND RATES OF RETURN

## NATURAL GAS OPERATIONS

| Rate Jurisdiction   | Authorized<br>Rate Base<br>(In thousands) | % of<br>Total<br>Rate Base | Authorized<br>Rate of<br>Return | Authorized<br>ROE | Authorized<br>Common<br>Equity Ratio |
|---|---|----------------------------|---------------------------------|-------------------|--------------------------------------|
| Arizona <sup>1</sup>                                      | \$ 1,930,612                              | 48.49 %                    | 7.03 %                          | 9.10 %            | 51.10 %                              |
| Southern Nevada <sup>2</sup>                              | 1,325,236                                 | 33.28                      | 6.52                            | 9.25              | 49.26                                |
| Northern Nevada <sup>2</sup>                              | 154,966                                   | 3.89                       | 6.75                            | 9.25              | 49.26                                |
| Southern California <sup>3</sup>                          | 285,691                                   | 7.17                       | 7.11                            | 10.00             | 52.00                                |
| Northern California <sup>3</sup>                          | 92,983                                    | 2.34                       | 7.44                            | 10.00             | 52.00                                |
| South Lake Tahoe <sup>3</sup>                             | 56,818                                    | 1.43                       | 7.44                            | 10.00             | 52.00                                |
| Paiute Pipeline Company <sup>4</sup>                      | 135,460                                   | 3.40                       | 8.30                            | 11.80             | 51.75                                |
| Total   | <u>\$ 3,981,766</u>                       | <u>100.00 %</u>            |                                 | <u>9.35 %</u>     |                                      |
| Weighted average authorized Return on Common Equity (ROE) |   |                            |                                 | <u>9.35 %</u>     |                                      |

<sup>1</sup> Rates effective January 1, 2021

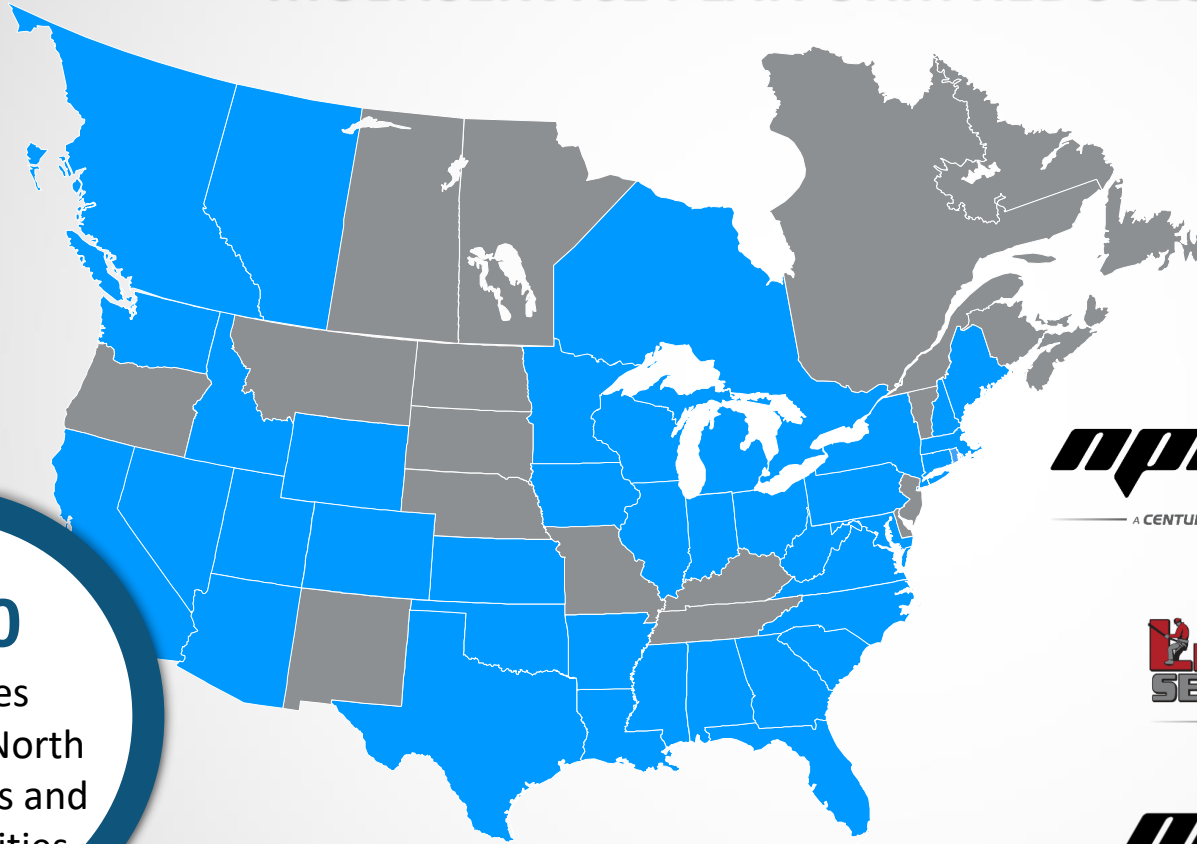
<sup>3</sup> Rates effective April 1, 2021

<sup>2</sup> Rates effective October 7, 2020

<sup>4</sup> Rates effective December 1, 2019

# DIVERSIFIED INFRASTRUCTURE SERVICES

*MULTISERVICE PLATFORM REDUCES RISK*



Over  
**9,000**  
employees  
supporting North  
American gas and  
electric utilities



GAS  
GROUP



POWER  
GROUP



CANADA  
GROUP

# MAJOR UTILITY CUSTOMERS

## UTILITY INFRASTRUCTURE SERVICES

### Gas



### Electric



### Combination



# CENTURI BUSINESS PROFILE

*Centuri compares favorably to its core peer group in business profile and income volatility*

## COMPETITIVE POSITION



|   | CENTURI | QUANTA SERVICES | MasTec | PSC Primoris | MYR GROUP |
|---|---------|-----------------|--------|--------------|-----------|
| Double-breasted workforce                       | ✓       | ✓               | ✓      | ✓            | ✓         |
| Gas distribution construction                   | ✓       | ✓               | ✓      | ✓            | ✗         |
| No cross-country pipeline projects              | ✓       | ✗               | ✗      | ✗            | ✓         |
| Electric distribution construction              | ✓       | ✓               | ✓      | ✓            | ✓         |
| No cross-country electric transmission projects | ✓       | ✗               | ✗      | ✗            | ✗         |

Based on company filings. EBITDA and Net Income data from S&P Capital IQ.

## HIGHEST GROWTH AND LEAST VOLATILITY

| RANK | 10Y EBITDA CAGR          | 10Y EBITDA VOLATILITY    |
|------|--------------------------|--------------------------|
| 1    | CENTURI (Highest growth) | CENTURI (Least volatile) |
| 2    | MasTec                   | PSC Primoris             |
| 3    | MYR GROUP                | MasTec                   |
| 4    | PSC Primoris             | QUANTA SERVICES          |
| 5    | QUANTA SERVICES          | MYR GROUP                |

| RANK | 10Y NET INCOME CAGR      | 10Y NET INCOME VOLATILITY |
|------|--------------------------|---------------------------|
| 1    | CENTURI (Highest growth) | CENTURI (Least volatile)  |
| 2    | MYR GROUP                | QUANTA SERVICES           |
| 3    | MasTec                   | PSC Primoris              |
| 4    | PSC Primoris             | MYR GROUP                 |
| 5    | QUANTA SERVICES          | MasTec                    |

Volatility rankings based on Standard Error of the Regression (SER) statistics for 10 years ended 12/31/2020. Compound Annual Growth Rate (CAGR) rankings based on change from 12/31/2010 to 12/31/2020.

# SUMMARY OPERATING RESULTS

## UTILITY INFRASTRUCTURE SERVICES

(IN THOUSANDS)

|   | Three months ended June 30, |            |
|---|-----------------------------|------------|
|   | 2021                        | 2020       |
| Revenues  | \$ 528,625                  | \$ 494,813 |
| Cost of sales <sup>(1)</sup>                                    | 479,031                     | 430,771    |
| Gross profit  | 49,594                      | 64,042     |
| General and administrative expenses <sup>(2)</sup>              | 22,148                      | 20,813     |
| Amortization of intangible assets                               | 2,678                       | 2,659      |
| Operating income  | 24,768                      | 40,570     |
| Other income (deductions)                                       | (146)                       | 86         |
| Net interest deductions   | 1,632                       | 2,239      |
| Income before income taxes                                      | 22,990                      | 38,417     |
| Income tax expense  | 6,519                       | 10,234     |
| Net income  | 16,471                      | 28,183     |
| Net income attributable to noncontrolling interests             | 1,355                       | 1,916      |
| Contribution to consolidated net income attributable to Centuri | \$ 15,116                   | \$ 26,267  |

(1) Included in Cost of sales during the three months ended June 30, 2021 and 2020 is depreciation expense of \$21,479 and \$20,653, respectively.

(2) Included in General and administrative expenses during the three months ended June 30, 2021 and 2020 is depreciation expense of \$1,060 and \$707, respectively.

# SUMMARY OPERATING RESULTS

## UTILITY INFRASTRUCTURE SERVICES

(IN THOUSANDS)

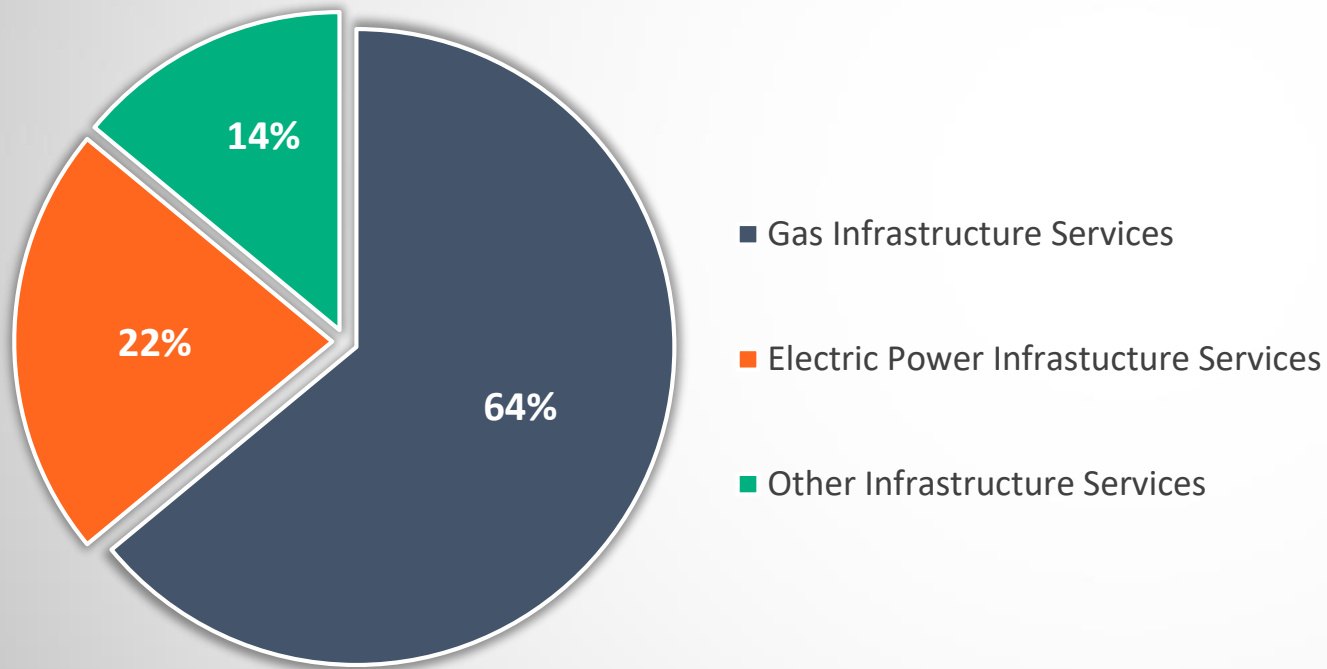
|   | Twelve months ended June 30, |              |
|---|------------------------------|--------------|
|   | 2021                         | 2020         |
| Revenues  | \$ 2,012,582                 | \$ 1,812,122 |
| Cost of sales <sup>(1)</sup>                                    | 1,797,162                    | 1,637,189    |
| Gross profit  | 215,420                      | 174,933      |
| General and administrative expenses <sup>(2)</sup>              | 85,882                       | 65,712       |
| Amortization of intangible assets                               | 10,847                       | 10,838       |
| Operating income  | 118,691                      | 98,383       |
| Other income (deductions)                                       | (300)                        | (88)         |
| Net interest deductions   | 7,384                        | 12,498       |
| Income before income taxes                                      | 111,007                      | 85,797       |
| Income tax expense  | 30,762                       | 24,477       |
| Net income  | 80,245                       | 61,320       |
| Net income attributable to noncontrolling interests             | 7,189                        | 3,739        |
| Contribution to consolidated net income attributable to Centuri | \$ 73,056                    | \$ 57,581    |

(1) Included in Cost of sales during the twelve months ended June 30, 2021 and 2020 is depreciation expense of \$85,143 and \$79,712, respectively.

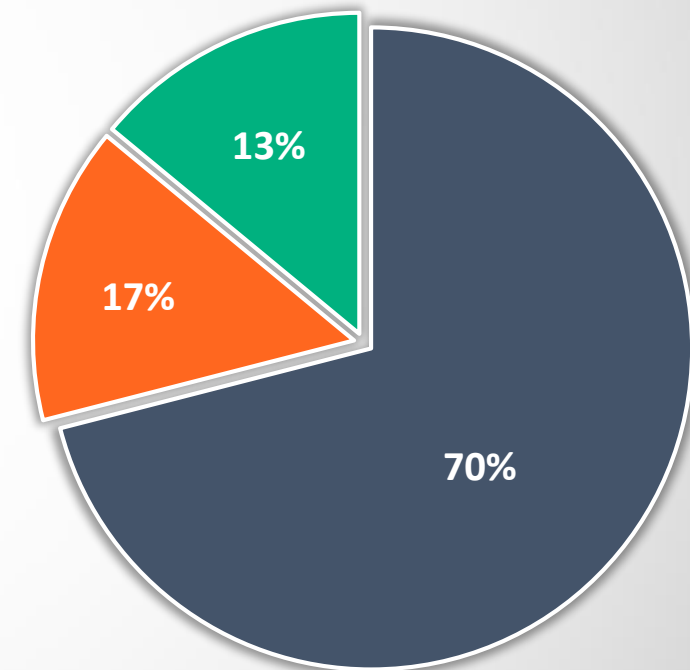
(2) Included in General and administrative expenses during the twelve months ended June 30, 2021 and 2020 is depreciation expense of \$3,756 and \$3,088, respectively.

# REVENUES BY SERVICE TYPE

Twelve Months Ended June 30, 2021

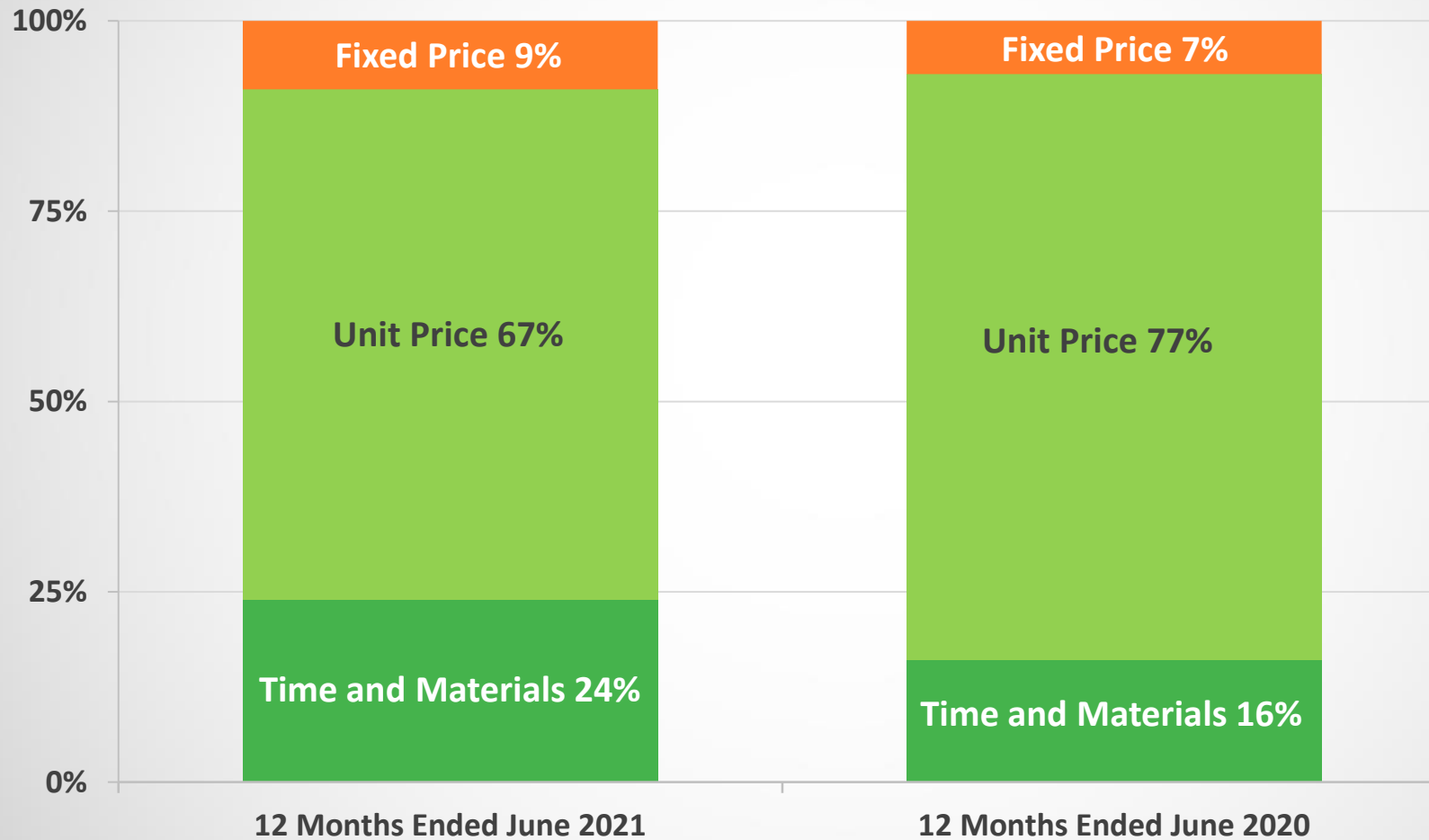


Twelve Months Ended June 30, 2020



# REVENUES BY CONTRACT PRICING TYPE

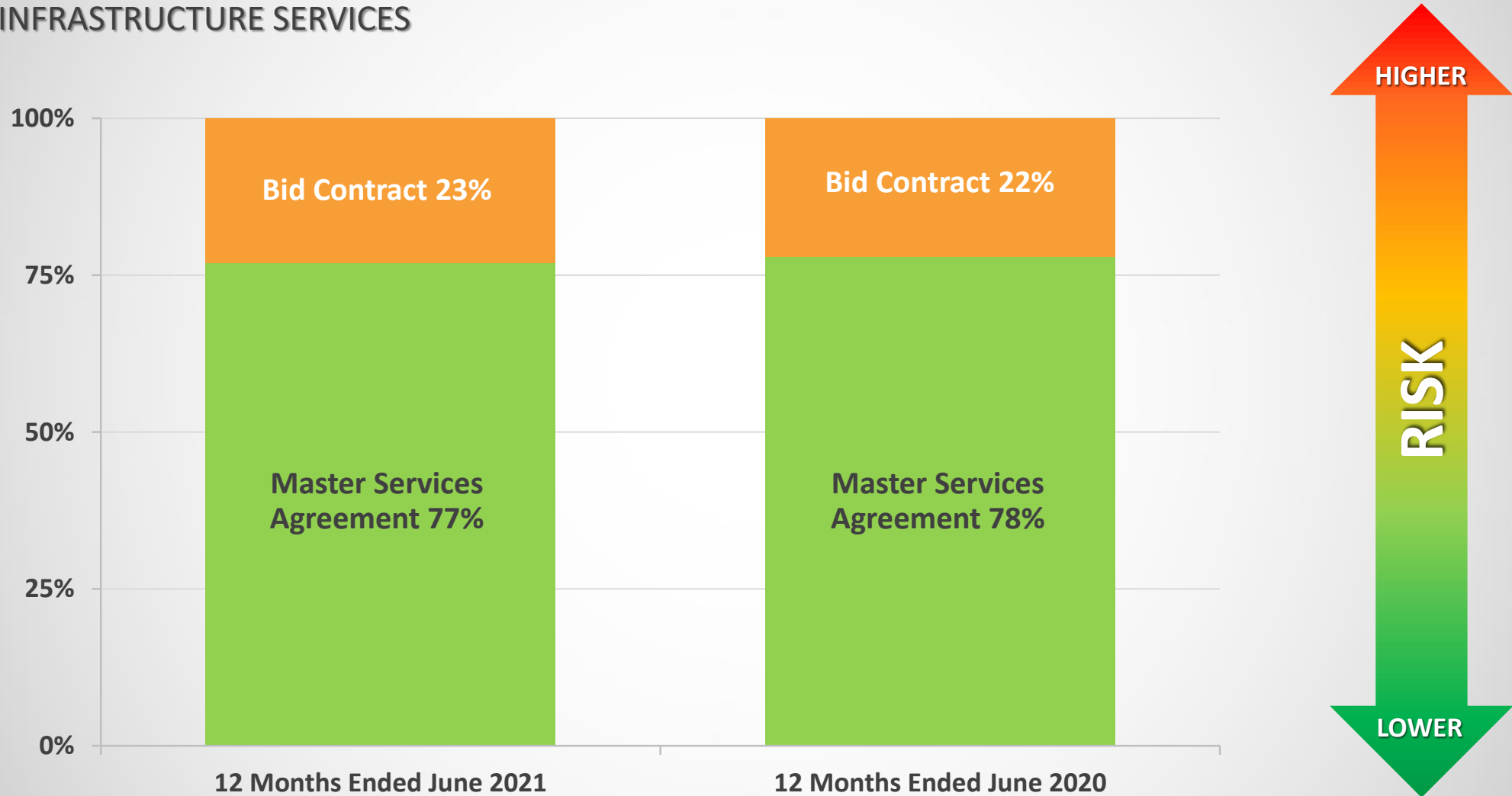
UTILITY INFRASTRUCTURE SERVICES





# REVENUES BY CONTRACT STRUCTURE TYPE

UTILITY INFRASTRUCTURE SERVICES



# TOP 20 CUSTOMERS

## UTILITY INFRASTRUCTURE SERVICES

>89%

Total Centuri Revenue From Regulated Utilities

| #   | Revenue as % of Total | Revenue (\$ in Millions) | Relationship Length (Years) | Total Contract Length (Years) |
|---|-----------------------|--------------------------|-----------------------------|-------------------------------|
| 1   | 12.1%                 | \$244                    | 43                          | 5                             |
| 2   | 5.9%                  | \$119                    | 25                          | 7                             |
| 3   | 5.6%                  | \$113                    | 20                          | 5                             |
| 4   | 5.6%                  | \$113                    | 36                          | 4                             |
| 5   | 5.6%                  | \$112                    | 7                           | 3                             |
| 6   | 4.9%                  | \$98                     | 14                          | 6                             |
| 7   | 4.8%                  | \$97                     | 17                          | 5                             |
| 8   | 4.6%                  | \$92                     | 4                           | 3                             |
| 9   | 4.5%                  | \$90                     | 26                          | 12                            |
| 10  | 4.2%                  | \$84                     | 44                          | 3                             |
| 11  | 3.4%                  | \$68                     | 14                          | 8                             |
| 12  | 3.0%                  | \$61                     | 21                          | 5                             |
| 13  | 2.7%                  | \$54                     | 27                          | 10                            |
| 14  | 2.4%                  | \$49                     | 4                           | 4                             |
| 15  | 2.3%                  | \$47                     | 32                          | 8                             |
| 16  | 2.1%                  | \$43                     | 5                           | 2                             |
| 17  | 1.9%                  | \$39                     | 54                          | 7                             |
| 18  | 1.8%                  | \$36                     | 5                           | 3                             |
| 19  | 1.5%                  | \$31                     | 29                          | 5                             |
| 20  | 1.3%                  | \$27                     | 25                          | 7                             |
| <b>Total – Average (Weighted Average)</b> |                       | <b>\$1,617</b>           | <b>23 (24)</b>              | <b>6 (6)</b>                  |

(1) Trailing Twelve Months Ended June 30, 2021

# STOCK PERFORMANCE

Southwest Gas Holdings, Inc.  
Common Stock Closing Price  
June 30, 2011 – June 30, 2021



# CREDIT RATINGS

## Investment Grade Ratings

### Southwest Gas Holdings, Inc.

|               | Moody's | S&P                  | Fitch    |
|---------------|---------|----------------------|----------|
| Issuer Rating | Baa2    | BBB+                 | BBB+     |
| Outlook       | Stable  | CreditWatch Negative | Negative |

### Southwest Gas Corporation

|                  | Moody's | S&P                  | Fitch    |
|------------------|---------|----------------------|----------|
| Senior Unsecured | Baa1    | A-                   | A        |
| Outlook          | Stable  | CreditWatch Negative | Negative |

# CONSOLIDATED CAPITAL STRUCTURE

| Capitalization at June 30,   | 2017            | 2018            | 2019            | 2020            | 2021            |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity <sup>1</sup>          | \$ 1,734        | \$ 1,932        | \$ 2,502        | \$ 2,698        | \$ 3,048        |
| Long-Term Debt <sup>2</sup>  | 1,713           | 2,070           | 2,410           | 2,811           | 2,798           |
| Total Permanent Capital      | <u>\$ 3,447</u> | <u>\$ 4,002</u> | <u>\$ 4,912</u> | <u>\$ 5,509</u> | <u>\$ 5,846</u> |
| <b>Capitalization ratios</b> |                 |                 |                 |                 |                 |
| Equity <sup>1</sup>          | 50.3%           | 48.3%           | 50.9%           | 49.0%           | 52.1%           |
| Long-Term Debt <sup>2</sup>  | 49.7%           | 51.7%           | 49.1%           | 51.0%           | 47.9%           |
| Total Permanent Capital      | <u>100.0%</u>   | <u>100.0%</u>   | <u>100.0%</u>   | <u>100.0%</u>   | <u>100.0%</u>   |

<sup>1</sup> Includes redeemable noncontrolling interest, if applicable.

<sup>2</sup> Includes current maturities of long-term debt.

# NON-GAAP MEASURE

**Non-GAAP Measure Operating Margin** – Southwest recognizes operating revenues from the distribution and transportation of natural gas (and related services) to customers. Gas cost is a tracked cost, which is passed through to customers without markup under purchased gas adjustment (“PGA”) mechanisms, impacting revenues and net cost of gas sold on a dollar-for-dollar basis, thereby having no impact on Southwest’s profitability. Therefore, management routinely uses operating margin, defined as operating revenues less the net cost of gas sold, in its analysis of Southwest’s financial performance. Operating margin also forms a basis for Southwest’s various regulatory decoupling mechanisms. Operating margin is not, however, specifically defined in accounting principles generally accepted in the United States (“U.S. GAAP”) and is considered a non-GAAP measure. Management believes supplying information regarding operating margin provides investors and other interested parties with useful and relevant information to analyze Southwest’s financial performance in a rate-regulated environment.

## **Reconciliation of Revenue to Operating Margin (Non-GAAP measure)**

|                                      | Three months ended June 30, |            | Twelve months ended June 30, |              |
|--------------------------------------|-----------------------------|------------|------------------------------|--------------|
|                                      | 2021                        | 2020       | 2021                         | 2020         |
|                                      | (In thousands)              |            |                              |              |
| <b><u>Natural Gas Operations</u></b> |                             |            |                              |              |
| Gas operating revenues               | \$ 292,796                  | \$ 262,434 | \$ 1,400,052                 | \$ 1,354,812 |
| Less: Net cost of gas sold           | 76,496                      | 67,473     | 347,060                      | 355,672      |
| Operating margin                     | \$ 216,300                  | \$ 194,961 | \$ 1,052,992                 | \$ 999,140   |

# NON-GAAP MEASURE

## UTILITY INFRASTRUCTURE SERVICES

(IN THOUSANDS)

*Non-GAAP Measure EBITDA* - The following table presents the non-GAAP financial measure of EBITDA for the twelve months ended June 30, 2021 and 2020, which, when used in connection with net income attributable to Centuri, is intended to provide useful information to investors and analysts as they evaluate Centuri's performance. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. This measure should not be considered as an alternative to net income attributable to Centuri or other measures of performance that are derived in accordance with GAAP. Management believes that the exclusion of these items from net income attributable to Centuri provides an effective evaluation of Centuri's operations period over period and identifies operating trends that might not be apparent when including the excluded items. Because EBITDA, as defined, excludes some, but not all, items that affect net income attributable to Centuri, such measure may not be comparable to similarly titled measures of other companies. The most comparable GAAP financial measure, net income attributable to Centuri, and information reconciling the GAAP and non-GAAP financial measure, are included below.

### *Reconciliation of Net Income to EBITDA (Non-GAAP measure)*

|   | Twelve months ended June 30, |                   |
|---|------------------------------|-------------------|
|   | 2021                         | 2020              |
| Contribution to consolidated net income attributable to Centuri | \$ 73,056                    | \$ 57,581         |
| Net interest deductions   | 7,384                        | 12,498            |
| Income tax expense  | 30,762                       | 24,477            |
| Depreciation expense  | 88,899                       | 82,800            |
| Amortization of intangible assets                               | 10,847                       | 10,838            |
| EBITDA  | <u>\$ 210,948</u>            | <u>\$ 188,194</u> |