

# 2019 First Quarter Earnings Conference Call

May 9, 2019



**Southwest Gas**™  
HOLDINGS

# 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



**Southwest Gas**  
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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 2019 expectations for our utility infrastructure services and natural gas operations segments, projected natural gas operations customer growth through 2021, estimated natural gas operations capital expenditures through 2021, our 2019 EPS guidance and expected long-term value drivers, as well as statements regarding our expansion projects and other investment opportunities.

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 is 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 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 infrastructure services segment;
- The impacts from acquisitions;
- 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.

# 2019 Highlights



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## Consolidated Results

- Diluted quarterly EPS of \$1.77
- Dividend increase for the 13<sup>th</sup> straight year (\$0.10 increase to \$2.18 annually)
- Reaffirm 2019 diluted EPS guidance range of \$3.75 to \$4.00

## Natural Gas Segment

- Added 32,000 net new customers (1.6% growth rate)
- Arizona general rate case filed in May 2019
- Quarterly financial results positively impacted by COLI returns

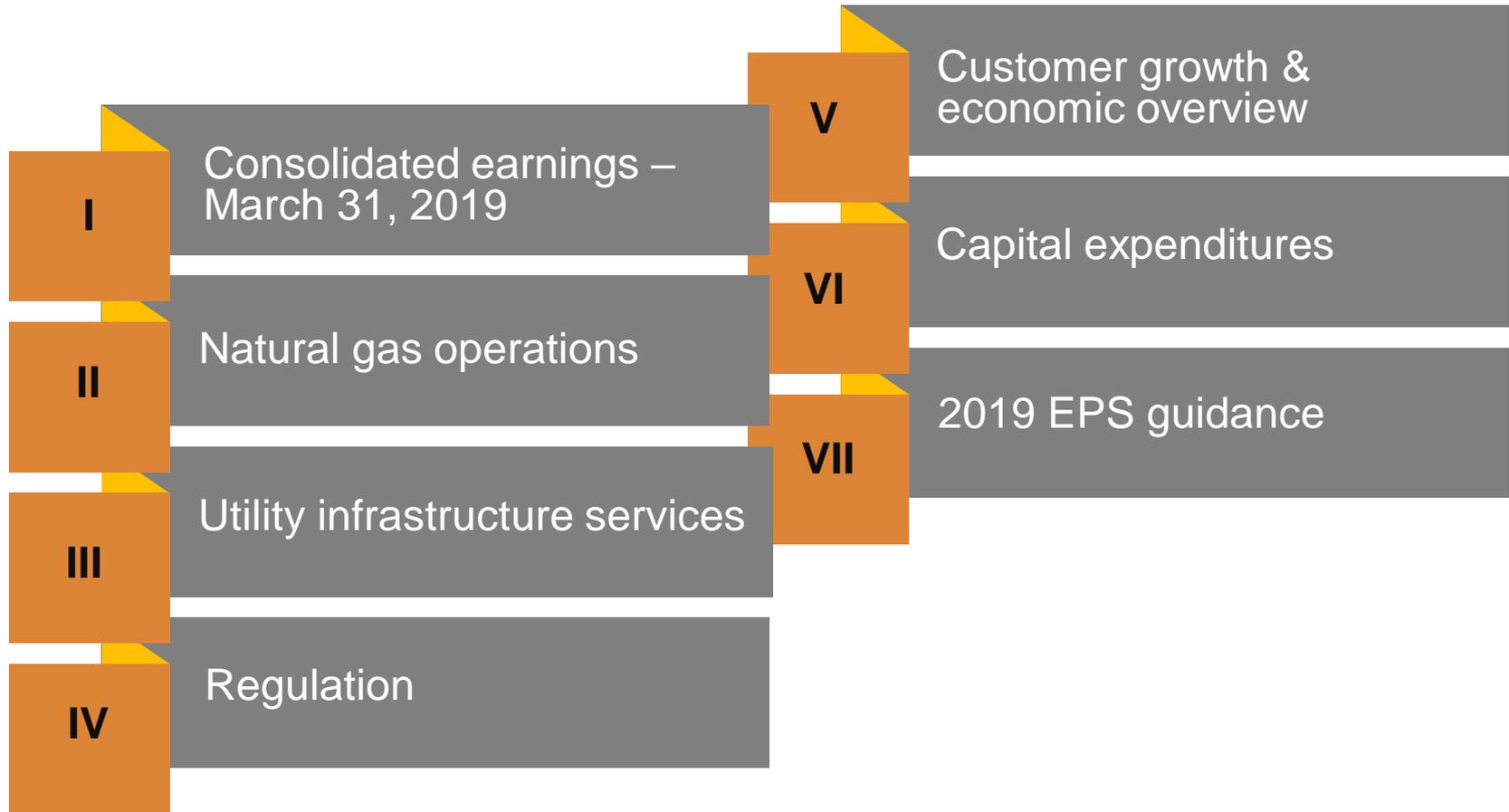
## Utility Infrastructure Services Segment

- Revenues increased \$52.8 million (\$47.6 million resulting from Linetec)
- Quarterly net loss improved by \$3 million

# Call Outline



**Southwest Gas**<sup>™</sup>  
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# Summary Operating Results

(In thousands, except per share amounts)



**Southwest Gas**  
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	THREE MONTHS ENDED MARCH 31,		TWELVE MONTHS ENDED MARCH 31,	
	2019	2018	2019	2018
<b>Results of Consolidated Operations</b>				
Gas operations income	\$ 103,389	\$ 90,349	\$ 151,882	\$ 170,229
Infrastructure services income (loss)	(8,031)	(11,001)	47,947	34,693
Other - corporate and administrative	(549)	(257)	(1,834)	(1,298)
Net income	<u>\$ 94,809</u>	<u>\$ 79,091</u>	<u>\$ 197,995</u>	<u>\$ 203,624</u>
Basic earnings per share	<u>\$ 1.78</u>	<u>\$ 1.63</u>	<u>\$ 3.91</u>	<u>\$ 4.23</u>
Diluted earnings per share	<u>\$ 1.77</u>	<u>\$ 1.63</u>	<u>\$ 3.91</u>	<u>\$ 4.23</u>
Average number of common shares	53,369	48,416	50,640	48,105
Average shares (assuming dilution)	53,424	48,459	50,701	48,139

# Business Segments & Net Income



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Natural Gas Operations



**SOUTHWEST GAS**

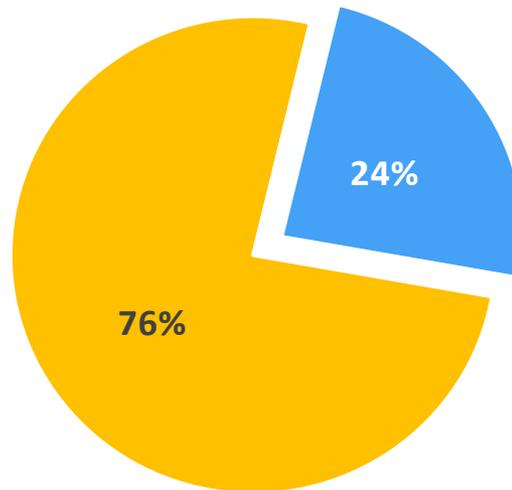
Utility Infrastructure  
Services



**CENTURI**

**\$198MM**

TMTD 03/31/19 Net Income

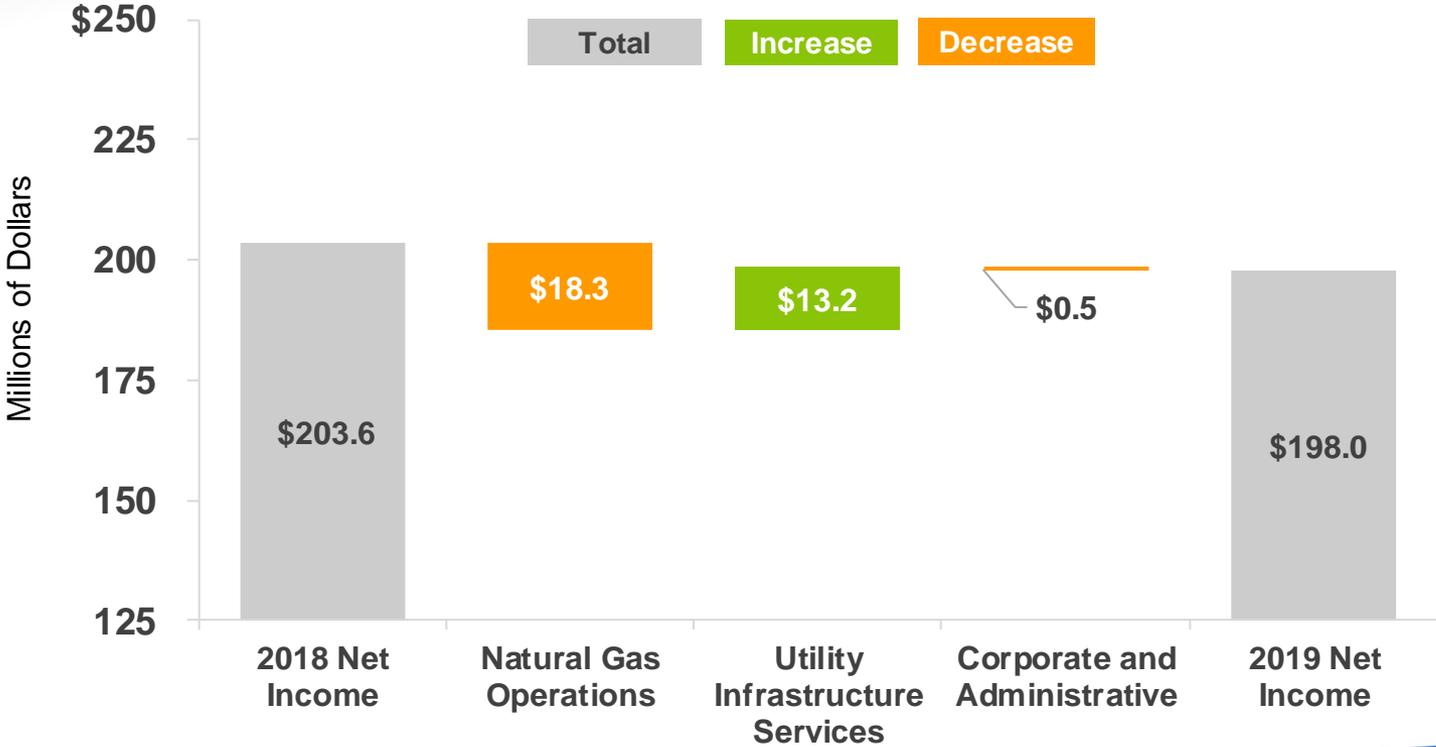


# Consolidated Net Income

Twelve Months ended March 31, 2019



**Total Decrease - \$5.6 million**

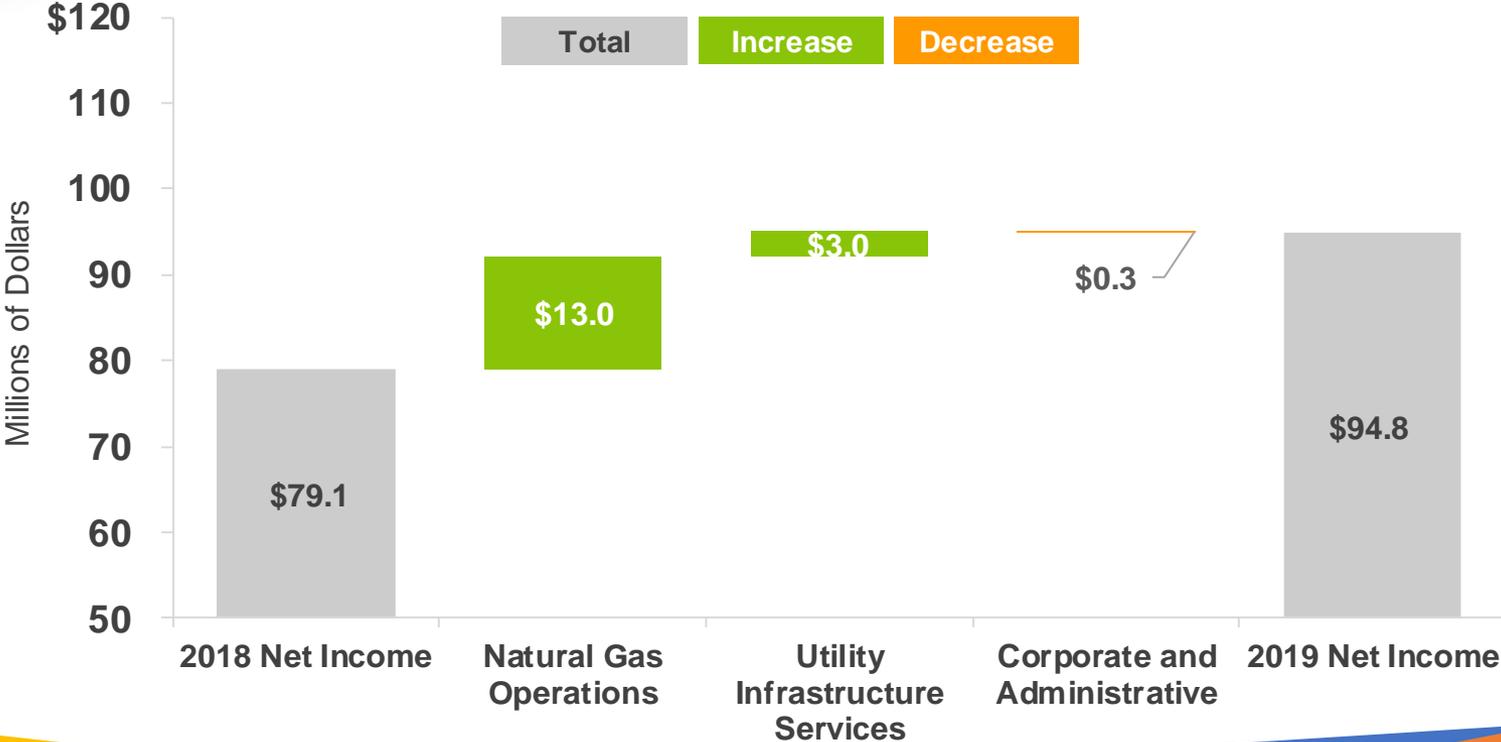


# Consolidated Net Income

Three Months Ended March 31, 2019



**Total Increase - \$15.7 million**



# Net Income

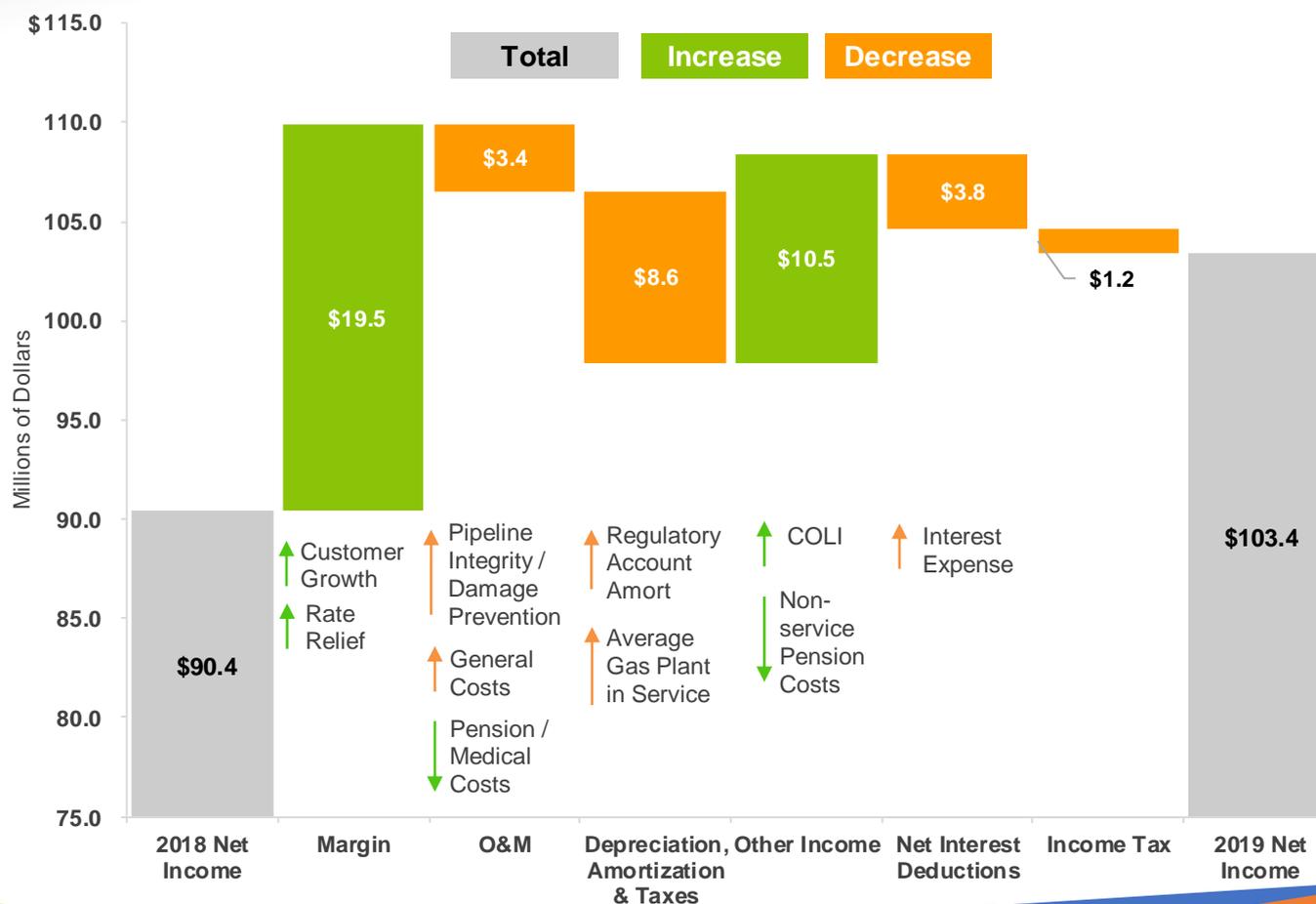
Three Months Ended March 31, 2019

Natural Gas Operations



**SOUTHWEST GAS**

**Total Increase - \$13.0 million**



# Net Income

Twelve Months Ended March 31, 2019

Natural Gas Operations



**SOUTHWEST GAS**

**Total Decrease - \$18.3 million**



# Net Income (Loss)

Three Months Ended March 31, 2019

Utility Infrastructure Services



**Total Improvement - \$3.0 million**



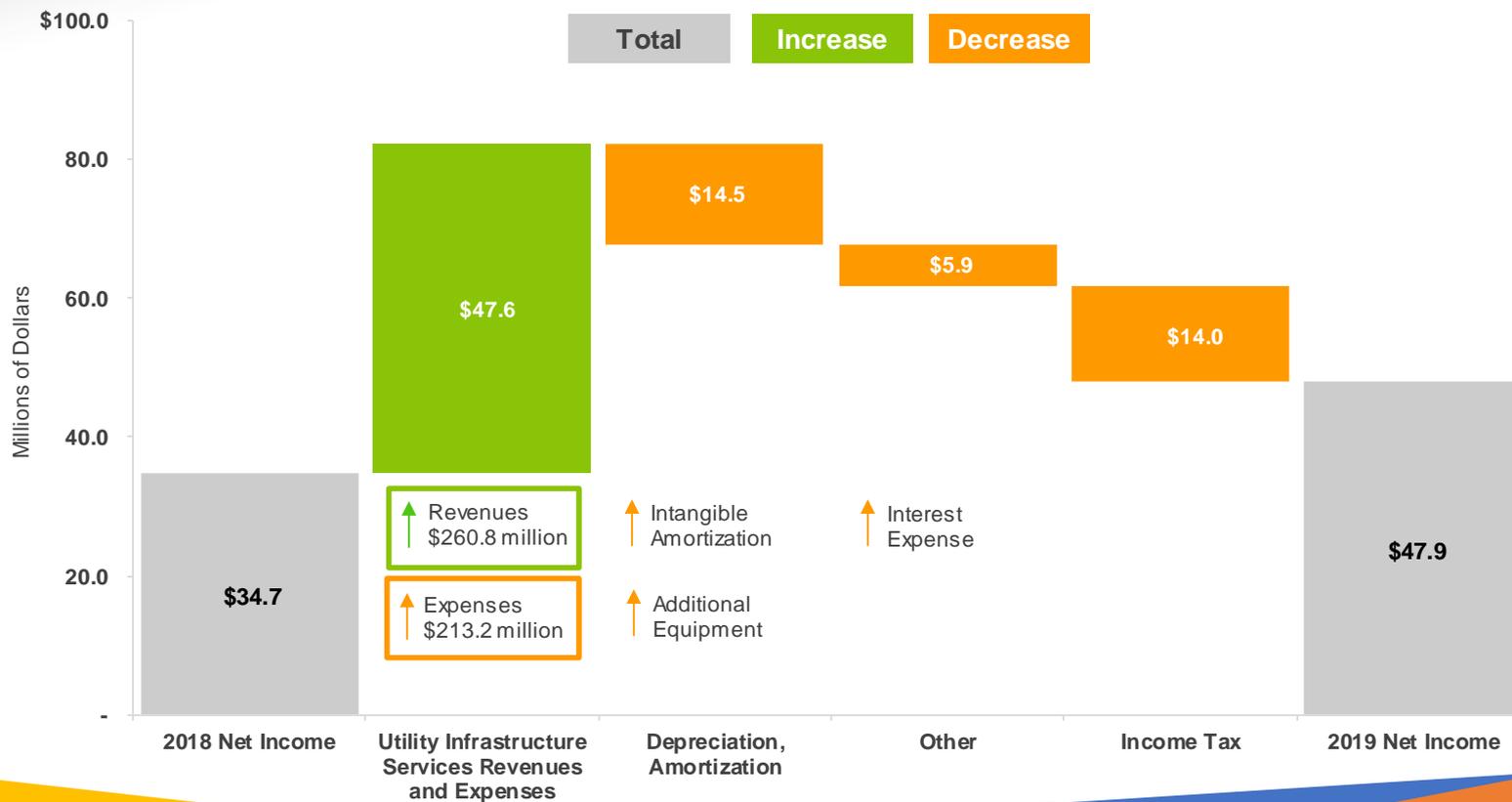
# Net Income

Twelve Months ended March 31, 2019

Utility Infrastructure Services



**Total Increase - \$13.2 million**



# Regulation Key Highlights

## Natural Gas Operations



**SOUTHWEST GAS**

### Regulatory Proceedings

- Arizona General Rate Case
- Upcoming General Rate Case in California
- Upcoming General Rate Case for Pipeline Company (FERC regulated)
- Customer Data Modernization Initiative (CDMI)

### Infrastructure Replacement Programs

- Arizona Customer-Owned Yard Line (COYL) program
- Arizona Vintage Steel Pipe Replacement (VSP) program
- Nevada Gas Infrastructure Replacement (GIR) program

### Expansion Projects

- Mesquite expansion project approved (SB 151 legislation), service initiated February 2019
- Liquefied Natural Gas (LNG) facility in Arizona – construction proceeding

# Regulation – Regulatory Proceedings

Arizona General Rate Case  
Natural Gas Operations



	Southwest Gas Requested
<b>Rate Relief</b>	\$57 Million (8.1% increase)
<b>Rate Base</b>	\$2.0 Billion (\$700 million increase)
<b>ROE</b>	10.3%
<b>Capital Structure - Equity</b>	51.1%
<b>Rate Design</b>	Continuation of Decoupling Mechanism
<b>Other Proposals</b>	Continuation of Property Tax Tracker Continuation of COYL Program Continuation of VSP Replacement Program Proposal for a Plastic Pipe Replacement Program Proposal for a Renewable Natural Gas Program
<b>Estimated Effective Date</b>	April 2020

# Regulation – Regulatory Proceedings

## Natural Gas Operations



**SOUTHWEST GAS**

### Upcoming General Rate Cases

- California
  - Expect to file a general rate case before September 1, 2019
  - Continuation of post test year annual attrition increases of 2.75% through 2020
    - Incremental revenue of \$2.8 million effective January 2019
- Paiute Pipeline Company
  - Expect to file a general rate case by May 31, 2019

### Customer Data Modernization Initiative Applications

- Southwest is embarking on an initiative to replace both its customer service system and gas transaction system, which are referred to as the CDMI
- Total cost for the CDMI is an estimated \$174 million and is currently expected to be completed during the third quarter of 2021

# Regulation – CDMI Applications



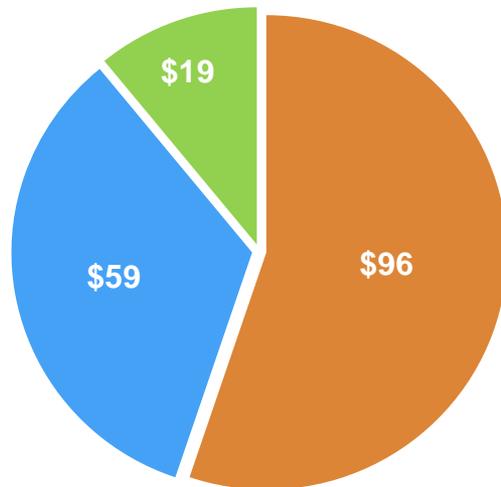
**SOUTHWEST GAS**

## Natural Gas Operations

(In millions)

Total Estimated Cost:  
\$174 Million

Allocation by State Rate Jurisdiction



- Arizona
- Nevada
- California

- Applications filed in March 2019 with both the ACC and PUCN to authorize the establishment of a regulatory asset to defer the revenue requirement related to the CDMI
- Application filed in April 2019 with the CPUC to authorize a two-way, interest-bearing account to record actual revenue and costs associated with CDMI

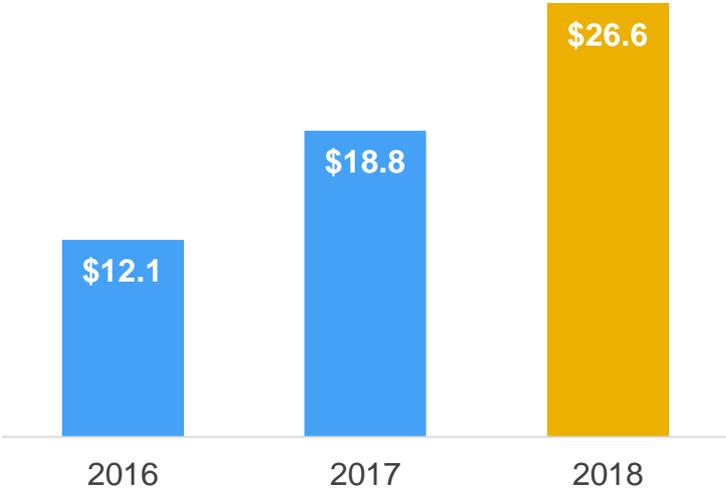
ACC – Arizona Corporation Commission  
PUCN - Public Utilities Commission of Nevada  
CPUC - California Public Utilities Commission

# Regulation – Infrastructure Replacement Programs

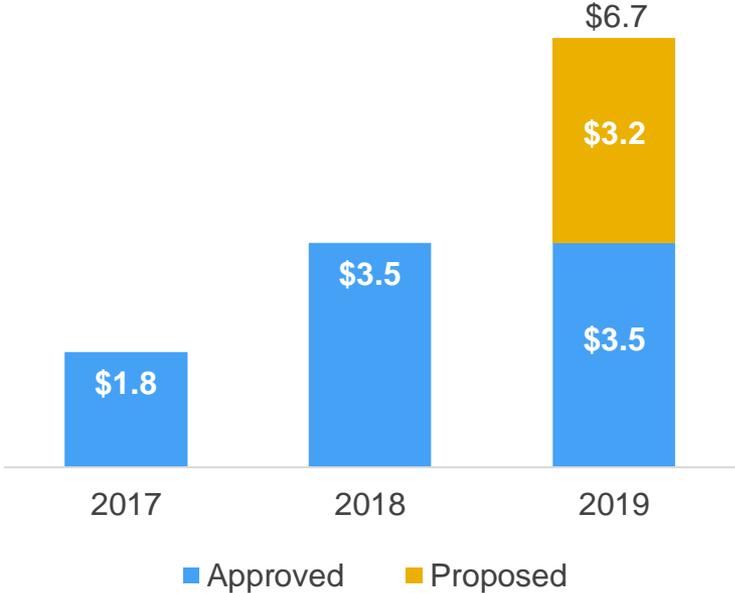


Natural Gas Operations  
(In millions)

Arizona COYL  
Capital Investment



Arizona COYL  
Surcharge Revenue



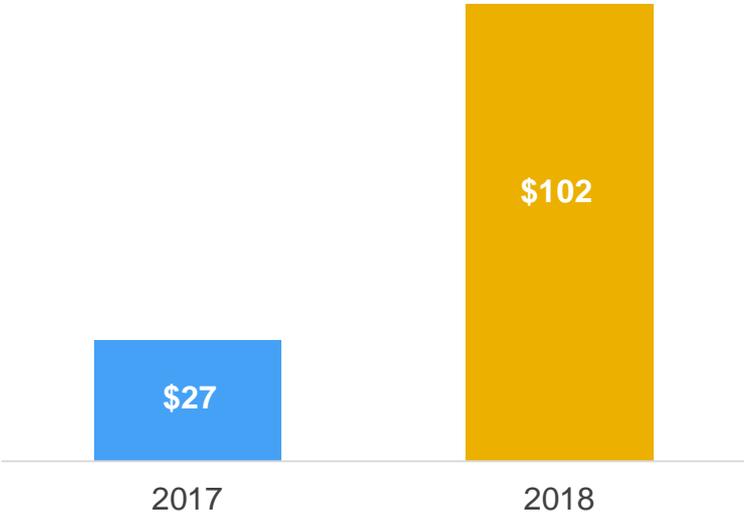
■ Approved ■ Proposed

# Regulation – Infrastructure Replacement Programs

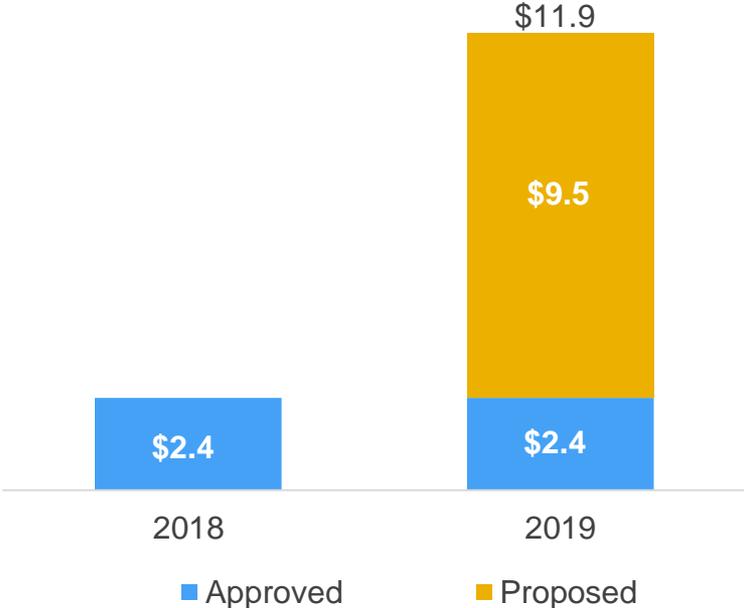


Natural Gas Operations  
(In millions)

Arizona VSP  
Capital Investment



Arizona VSP  
Surcharge Revenue

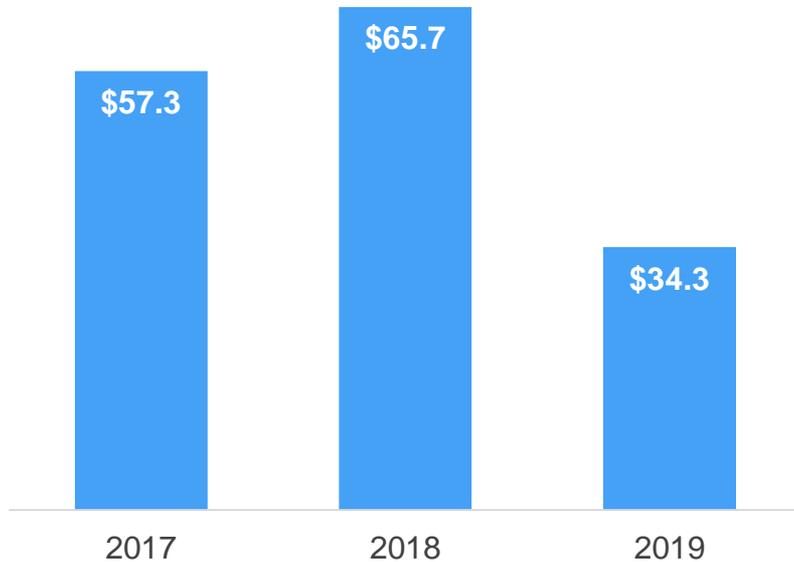


# Regulation – Infrastructure Replacement Programs

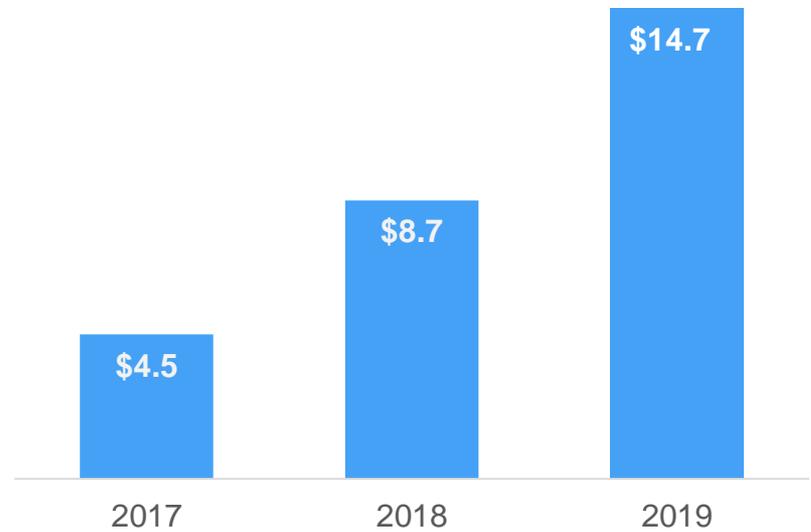


Natural Gas Operations  
(In millions)

Nevada GIR Program  
Capital Investment



Nevada GIR Program  
Surcharge Revenue

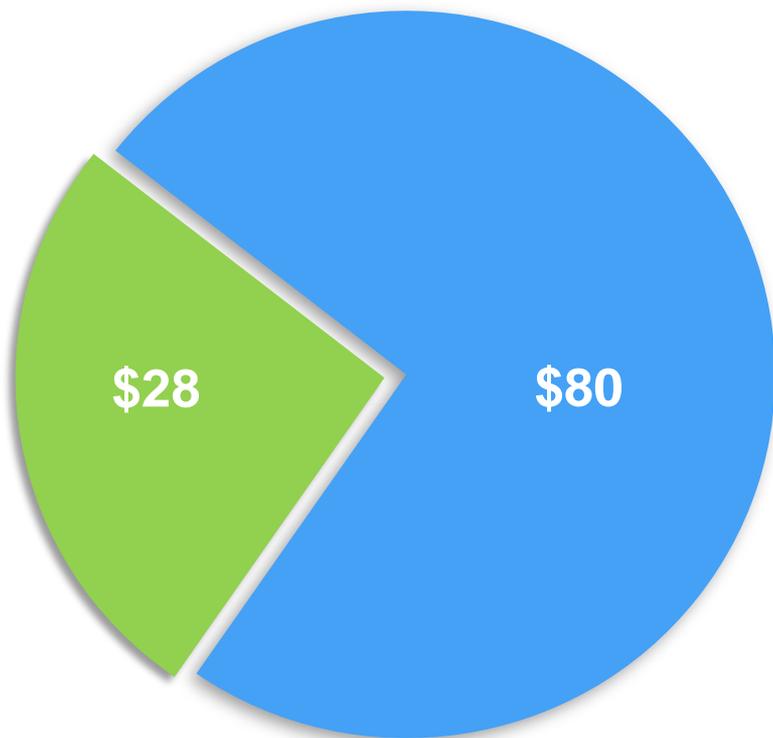


# Regulation – Expansion Projects

## Natural Gas Operations



\$ in millions



### ARIZONA LNG FACILITY

- Approved \$80 million, 233,000 dekatherm LNG facility
- Approximately \$64 million spent through March 2019
- LNG facility is expected to be completed and placed in service before year end 2019

### SOUTHERN NEVADA EXPANSION

- PUCN approved \$28 million expansion project in May 2018 to extend facilities to Mesquite, NV (SB 151 project)
- Estimated annual revenue requirement of \$2.8 million
- Began serving customers in February 2019 using a temporary virtual pipeline and compressed natural gas
- Approach main to provide permanent supply is anticipated to take an additional two years to complete

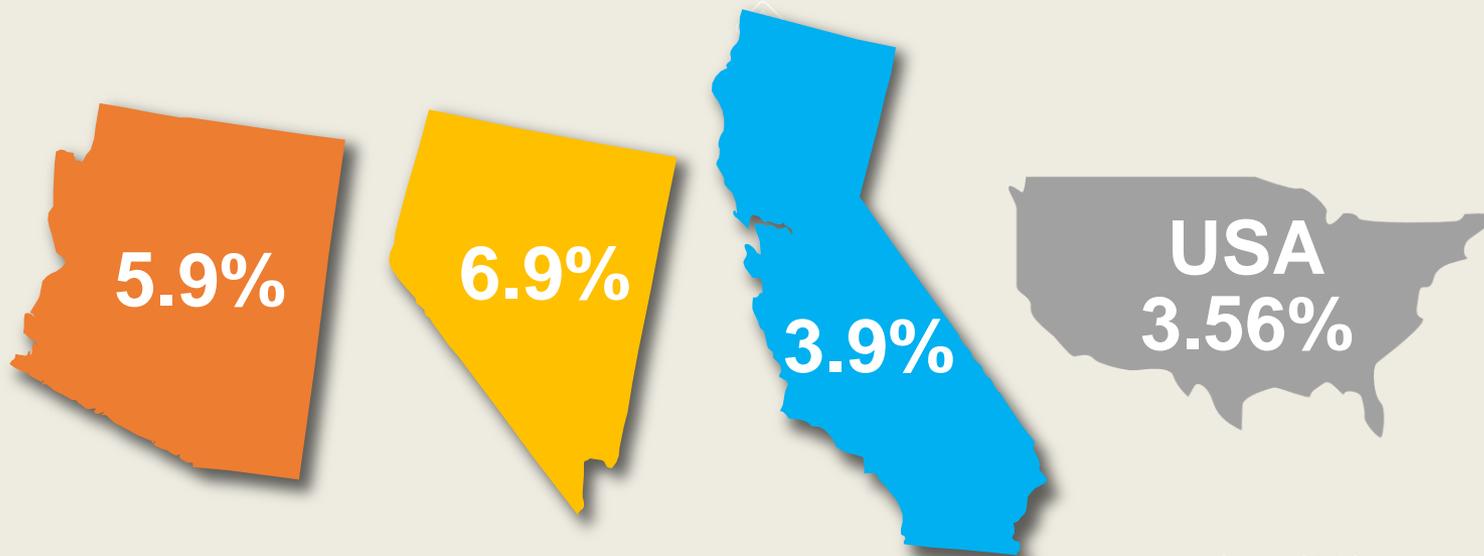
# Growth & Economic Conditions

## Natural Gas Operations



**SOUTHWEST GAS**

Projected population cumulative % change 2019-2024



Source: S&P Global Market Intelligence

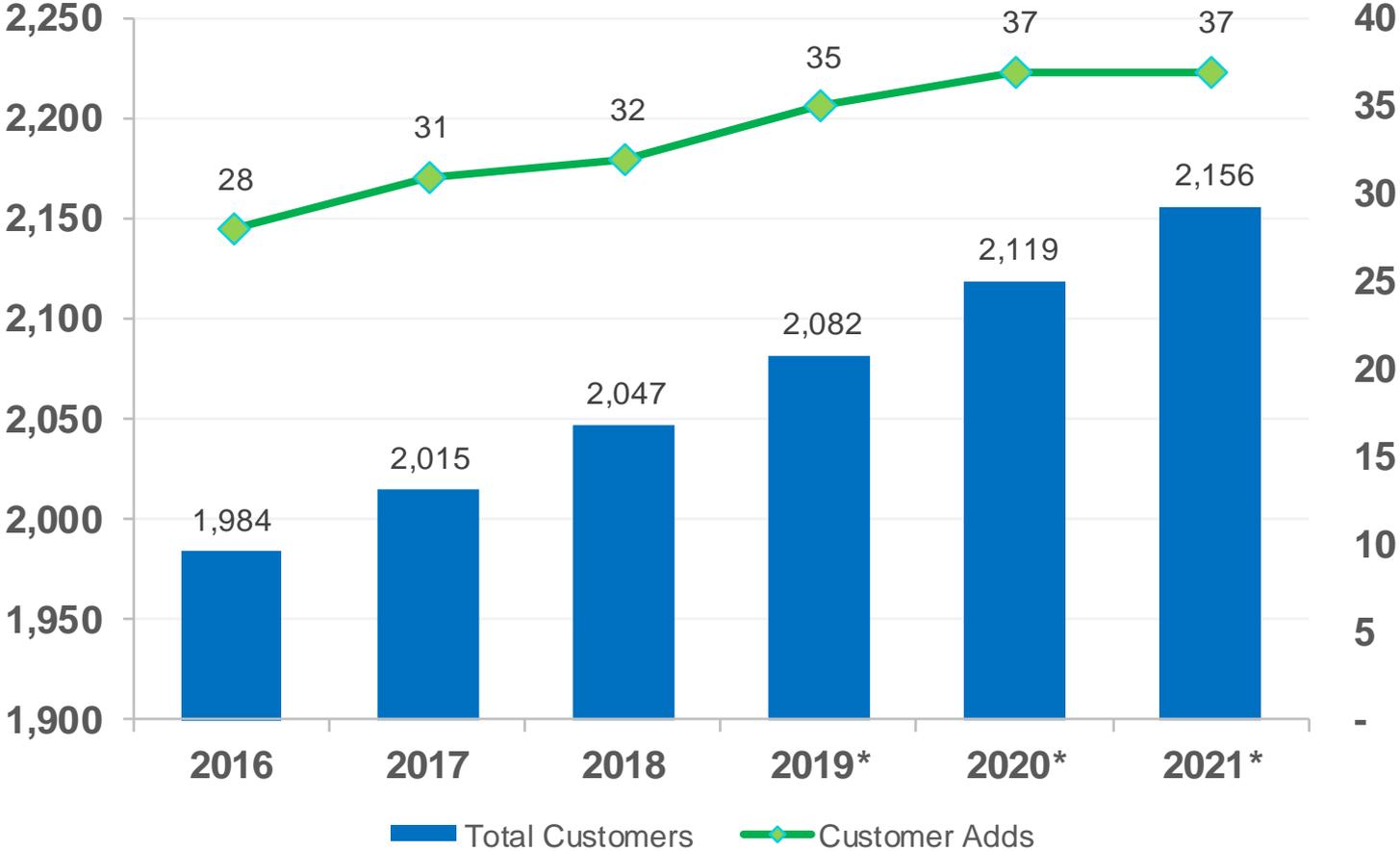
	<u>Unemployment Rate</u>		<u>Employment Growth</u>	
	<u>March 2018</u>	<u>March 2019</u>	<u>March 2018</u>	<u>March 2019</u>
<b>Southern California</b>	4.1%	4.5%	3.2%	1.4%
<b>Southern Nevada</b>	5.1%	3.8%	2.4%	3.0%
<b>Northern Nevada</b>	4.8%	3.8%	0.2%	0.1%
<b>Southern Arizona</b>	4.3%	4.4%	0.9%	1.4%
<b>Central Arizona</b>	4.1%	4.1%	3.2%	2.8%

# Customer Growth

## Natural Gas Operations



Year ended December 31,  
(In thousands)



\* Projected

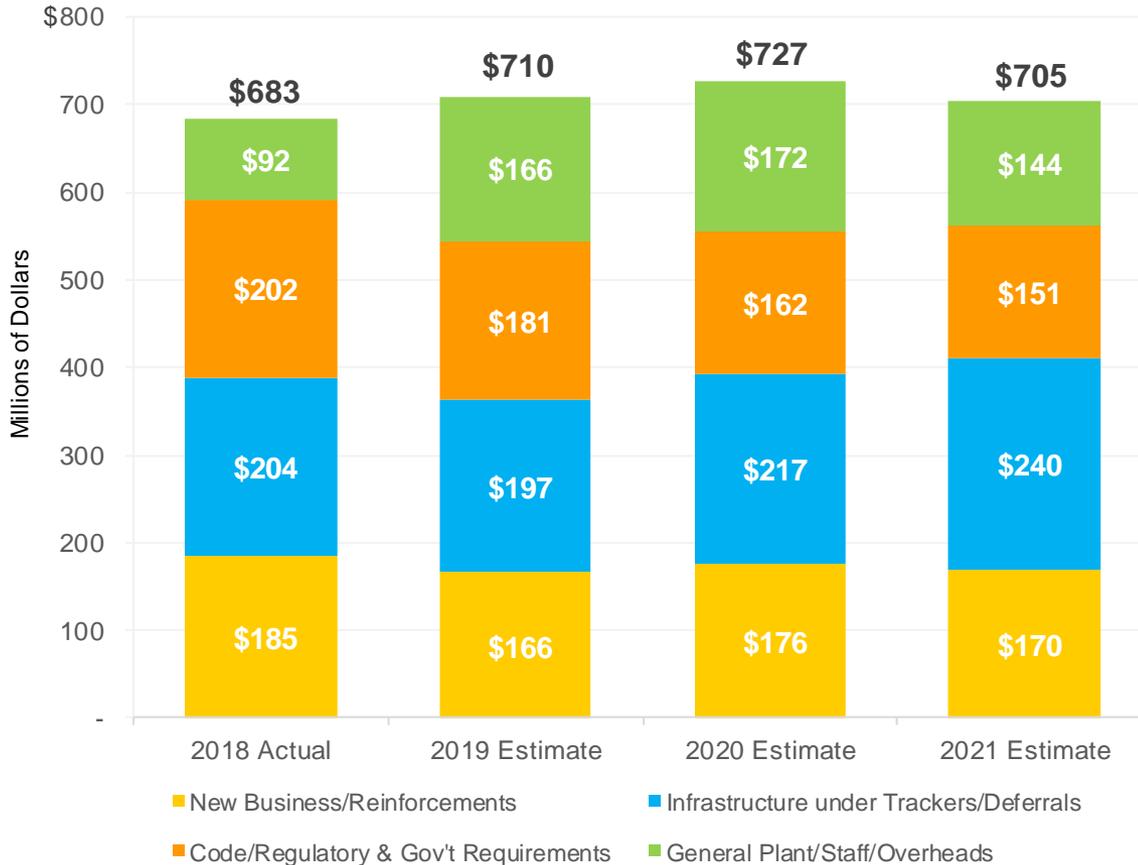
# Capital Expenditures

## Natural Gas Operations

(In millions)



**SOUTHWEST GAS**



### LONG-TERM FINANCING ACTIVITY

- Expect to fund approximately 45% to 50% through internal cash flow
- Anticipate funding remaining needs through a balance of debt and equity (ATM program)

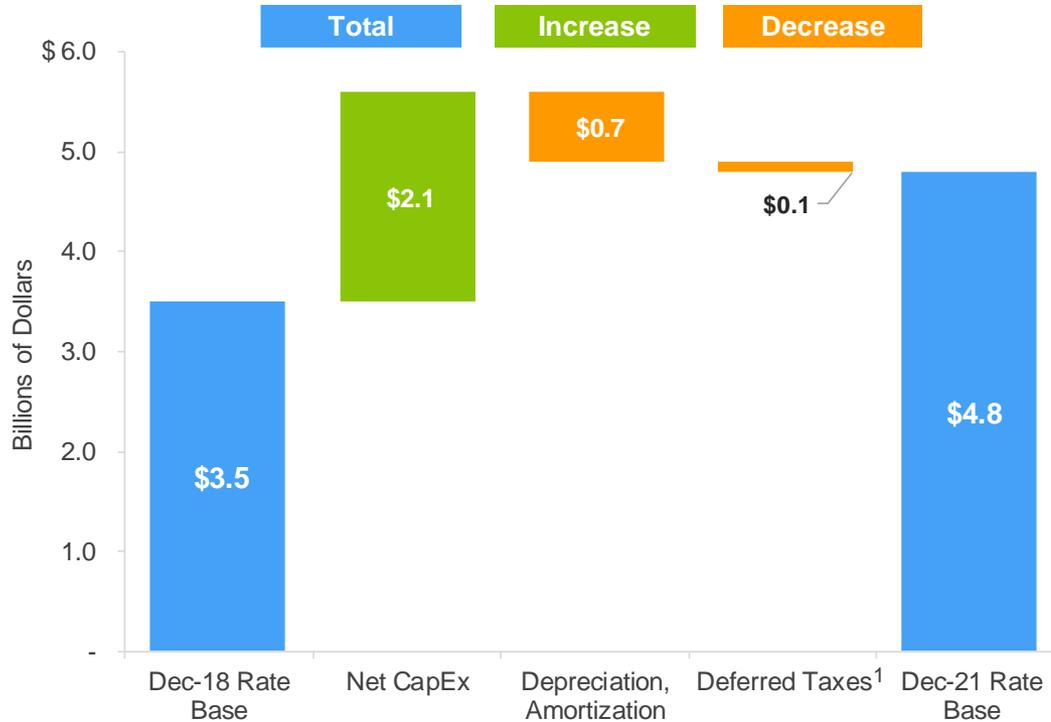
**2019-2021 estimate of \$2.1 billion**

# Projected Rate Base Growth

## Natural Gas Operations



**SOUTHWEST GAS**



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.

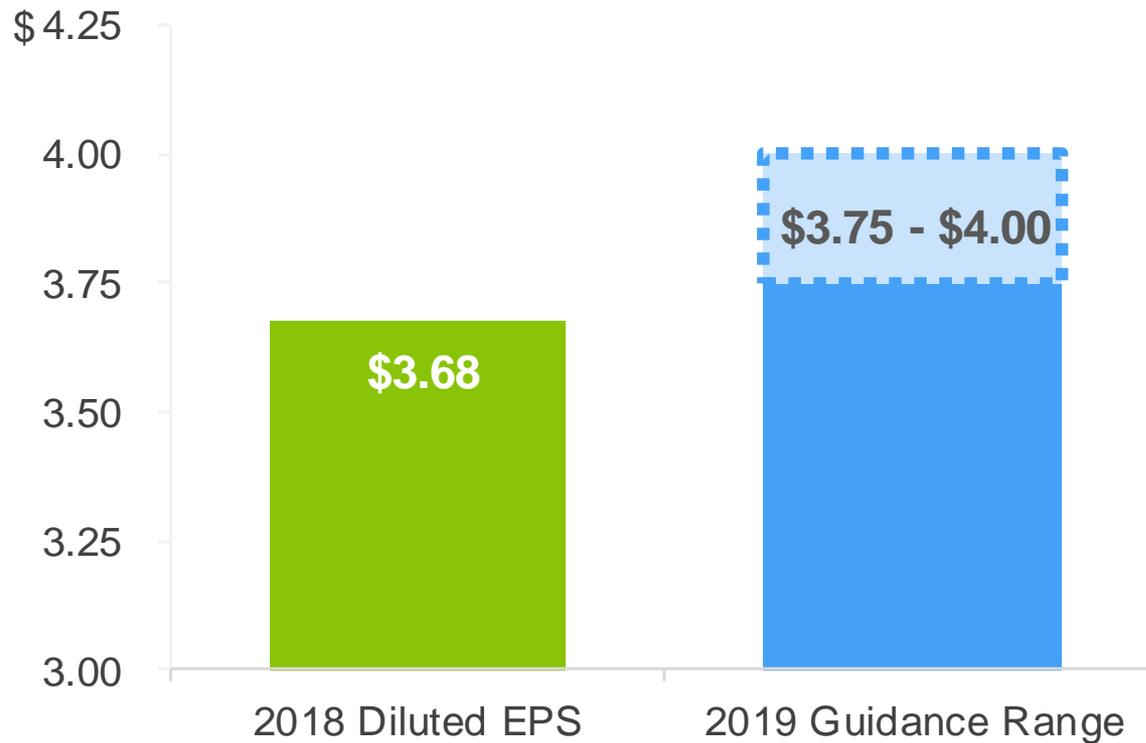
Projecting 11% CAGR in rate base over next 3 years

<sup>1</sup> Includes changes in the regulatory liability created due to tax reform.

# 2019 EPS Guidance\*



## Diluted Earnings Per Share



\* 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 2019 significantly above or below this EPS guidance

# 2019 EPS Guidance\*



Southwest Gas<sup>™</sup>  
HOLDINGS

## Natural Gas Operations

- Operating margin for 2019 is anticipated to benefit from customer growth (similar to 2018), infrastructure tracker mechanisms, expansion projects, and rate relief, including from the recently concluded Nevada general rate proceeding and California attrition. Combined, these items are expected to produce an increase in operating margin of 4% to 5%.
- On a comparative basis, operating income is expected to increase modestly.
- Capital expenditures in 2019 are estimated at approximately \$710 million, in support of customer growth, system improvements, and accelerated pipe replacement programs.

## Utility Infrastructure Services

- Centuri has a strong base of large utility clients (many with multi-year pipe replacement programs) that are expected to sustain, and over time, grow its business. That, coupled with the recent Linetec acquisition, is expected to result in revenues for 2019 that are 15% to 20% greater than 2018 levels.
- Operating income is expected to be approximately 6.0% to 6.5% of revenues.
- Net income expectations reflect earnings attributable to Southwest Gas Holdings, net of noncontrolling interests. Changes in Canadian exchange rates could influence results.

\* 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 2019 significantly above or below this EPS guidance

# Expected Long-Term Value Drivers



## Natural Gas Operations

- Customer growth exceeding 35,000 a year for 2019-2021
- Over \$2.1 billion in capital investment for three years, 2019-2021
- 11% CAGR in rate base for the three-year period ended 2021
- Constructive rate mechanisms reduce regulatory lag

## Utility Infrastructure Services

- One of the largest specialty utility contractors in North America
- Serving 28 markets across the U.S. and Canada
- Average relationship with top customers is over 20 years
- Increased utility service work due to aging infrastructures and heightened safety regulations

The page features abstract geometric designs. In the top-left corner, there are several overlapping, thin-lined white rectangles and squares. In the bottom-right corner, there are solid grey shapes, including a large triangle and a smaller square, with white lines forming geometric patterns within them. The bottom of the page is decorated with a wavy, multi-colored border consisting of yellow, blue, and orange sections.

# **APPENDIX**

# Stable Customer Base

Natural Gas Operations



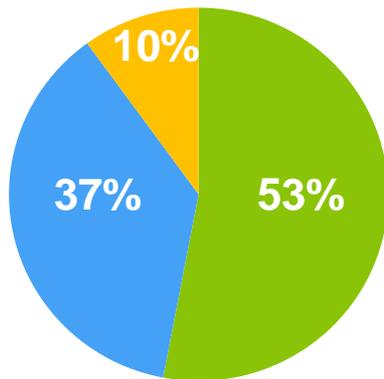
**SOUTHWEST GAS**

TMTD March 31, 2019

## Customer & Operating Margin Distribution

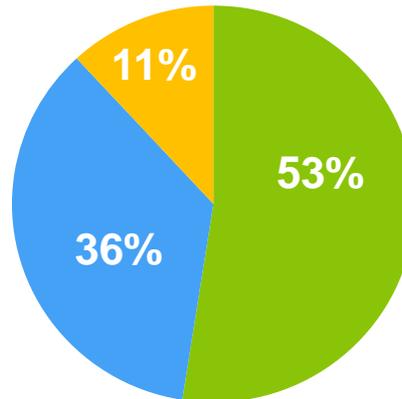
### By State

Customers



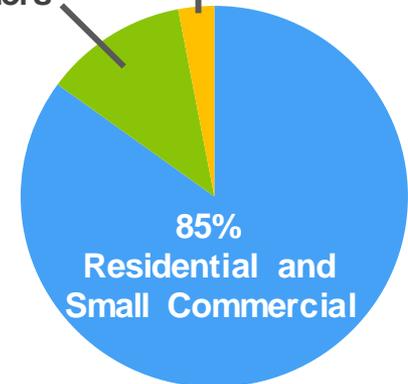
- Arizona
- Nevada
- California

Margin



12%  
Transportation  
Customers

3%  
Other Sales  
Customers



**Consistent trends year over year**

# Customers by State

## Natural Gas Operations

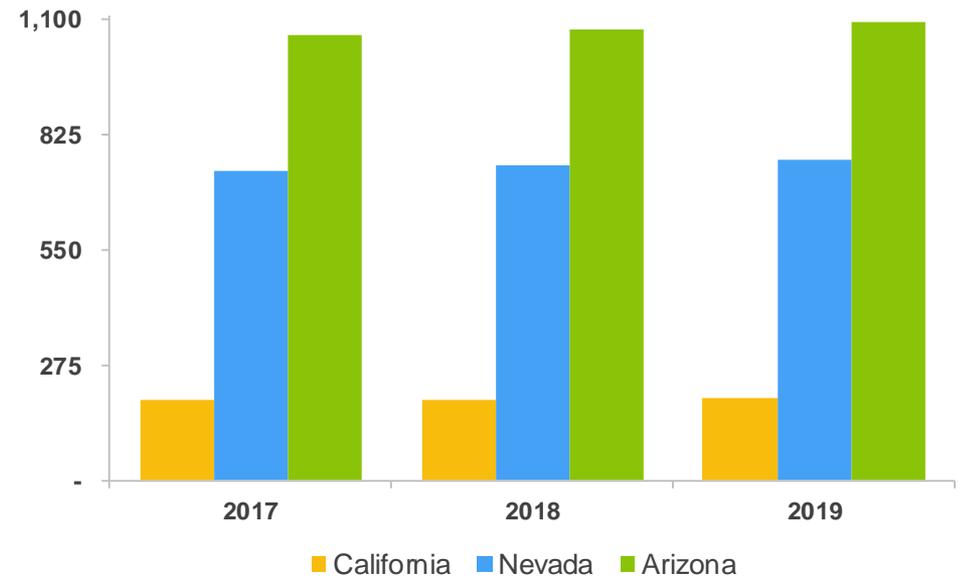
(In thousands)



**SOUTHWEST GAS**

As of March 31,

	2017	2018	2019
Arizona	1,064	1,080	1,096
Nevada	737	751	765
California	193	195	197
<b>Total</b>	<b>1,994</b>	<b>2,026</b>	<b>2,058</b>



# Summary Operating Results

## Natural Gas Operations

(In thousands)



**SOUTHWEST GAS**

### THREE MONTHS ENDED MARCH 31,

2019

2018

#### Results of Natural Gas Operations

Gas operating revenues	\$ 520,677	\$ 494,313
Net cost of gas sold	192,604	185,732
Operating margin	328,073	308,581
Operations and maintenance expense	105,542	102,190
Depreciation and amortization	57,612	49,961
Taxes other than income taxes	16,206	15,257
Operating income	148,713	141,173
Other income (deductions)	5,946	(4,603)
Net interest deductions	23,099	19,255
Income before income taxes	131,560	117,315
Income tax expense	28,171	26,966
Segment net income	\$ 103,389	\$ 90,349

# Summary Operating Results

## Natural Gas Operations

(In thousands)



**SOUTHWEST GAS**

TWELVE MONTHS ENDED MARCH 31,

2019

2018

### Results of Natural Gas Operations

Gas operating revenues	\$ 1,384,092	\$ 1,334,019
Net cost of gas sold	426,260	393,898
Operating margin	957,832	940,121
Operations and maintenance expense	408,165	389,687
Depreciation and amortization	199,467	190,688
Taxes other than income taxes	60,847	58,421
Operating income	289,353	301,325
Other income (deductions)	(6,691)	(9,747)
Net interest deductions	85,584	71,778
Income before income taxes	197,078	219,800
Income tax expense	45,196	49,571
Segment net income	\$ 151,882	\$ 170,229

# Purchased Gas Adjustment (PGA) Balances



Natural Gas Operations  
(In thousands)

	March 31, 2019	December 31, 2018	March 31, 2018
Arizona	\$ (72,213)	\$ (72,878)	\$ 11,687
Northern Nevada	12,962	4,928	2,993
Southern Nevada	51,221	(5,951)	4,059
California	1,059	(933)	(371)
Total Receivable/(Payable)	<u>\$ (6,971)</u>	<u>\$ (74,834)</u>	<u>\$ 18,368</u>

# Authorized Rate Base and Rates of Return

## Natural Gas Operations



Rate Jurisdiction	Authorized Rate Base (In thousands)	% of Total Rate Base	Authorized Rate of Return	Authorized Return on Common Equity (ROE)	Decoupled	Authorized Common Equity Ratio
Arizona	\$ 1,324,902	46 %	7.42 %	9.50 %	✓	51.70 %
Southern Nevada	1,110,380	38	6.65	9.25	✓	49.66
Northern Nevada	134,230	5	6.98	9.25	✓	49.66
Southern California	159,277	5	6.83	10.10	✓	55.00
Northern California	67,620	2	8.18	10.10	✓	55.00
South Lake Tahoe	25,389	1	8.18	10.10	✓	55.00
Paiute Pipeline Company <sup>1</sup>	87,158	3	8.46	11.00	✓	51.75
<b>Total</b>	<b>\$ 2,908,956</b>	<b>100 %</b>		<b>9.49 %</b>		
Weighted average authorized ROE				<b>9.49 %</b>		

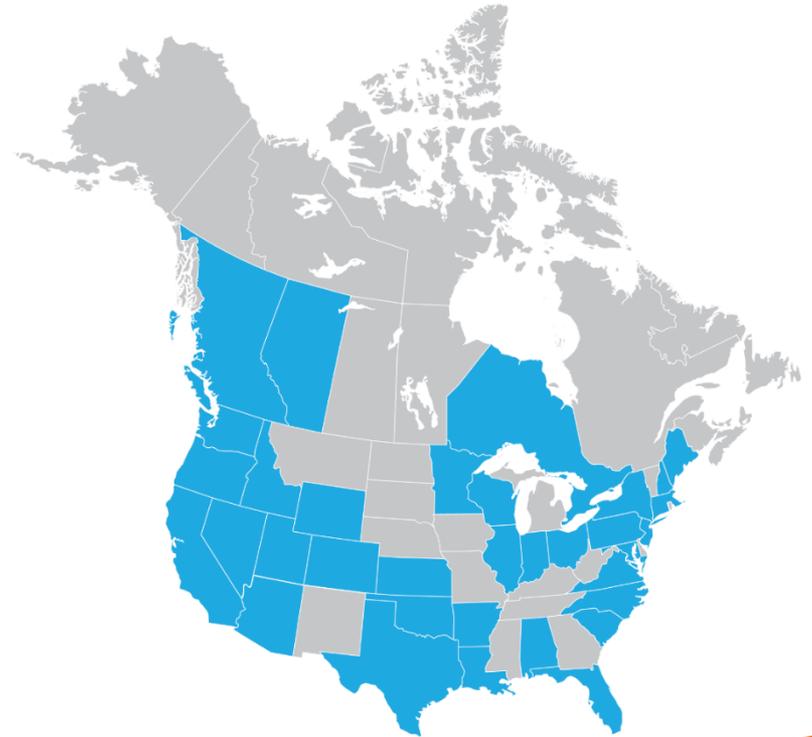
<sup>1</sup>Estimated amounts based on rate case settlement.

# Centuri Group

Utility Infrastructure Services



- Headquartered in Phoenix, Arizona
- Operates in 28 markets across U.S. and Canada
- One of the largest specialty utility contractors in North America



# Centuri Group

Utility Infrastructure Services – Top Customers



An Exelon Company



# Summary Operating Results

Utility Infrastructure Services

(In thousands)



	THREE MONTHS ENDED MARCH 31,	
	2019	2018
Utility infrastructure services revenues	\$ 312,862	\$ 260,017
Utility infrastructure services expenses	300,465	258,952
Depreciation and amortization	19,927	12,517
Operating income (loss)	(7,530)	(11,452)
Other income (deductions)	875	263
Net interest deductions	3,269	3,196
Income tax expense	(2,468)	(2,587)
Noncontrolling interests	575	(797)
Segment net loss	<u>\$ (8,031)</u>	<u>\$ (11,001)</u>

# Summary Operating Results

Utility Infrastructure Services

(In thousands)



	TWELVE MONTHS ENDED MARCH 31,	
	2019	2018
Utility infrastructure services revenues	\$ 1,575,130	\$ 1,314,366
Utility infrastructure services expenses	1,429,202	1,215,959
Depreciation and amortization	64,806	50,263
Operating income	81,122	48,144
Other income (deductions)	374	354
Net interest deductions	14,263	9,678
Income tax expense	18,539	4,520
Noncontrolling interests	747	(393)
Segment net income	\$ 47,947	\$ 34,693

# Service and Contract Types

## Utility Infrastructure Services

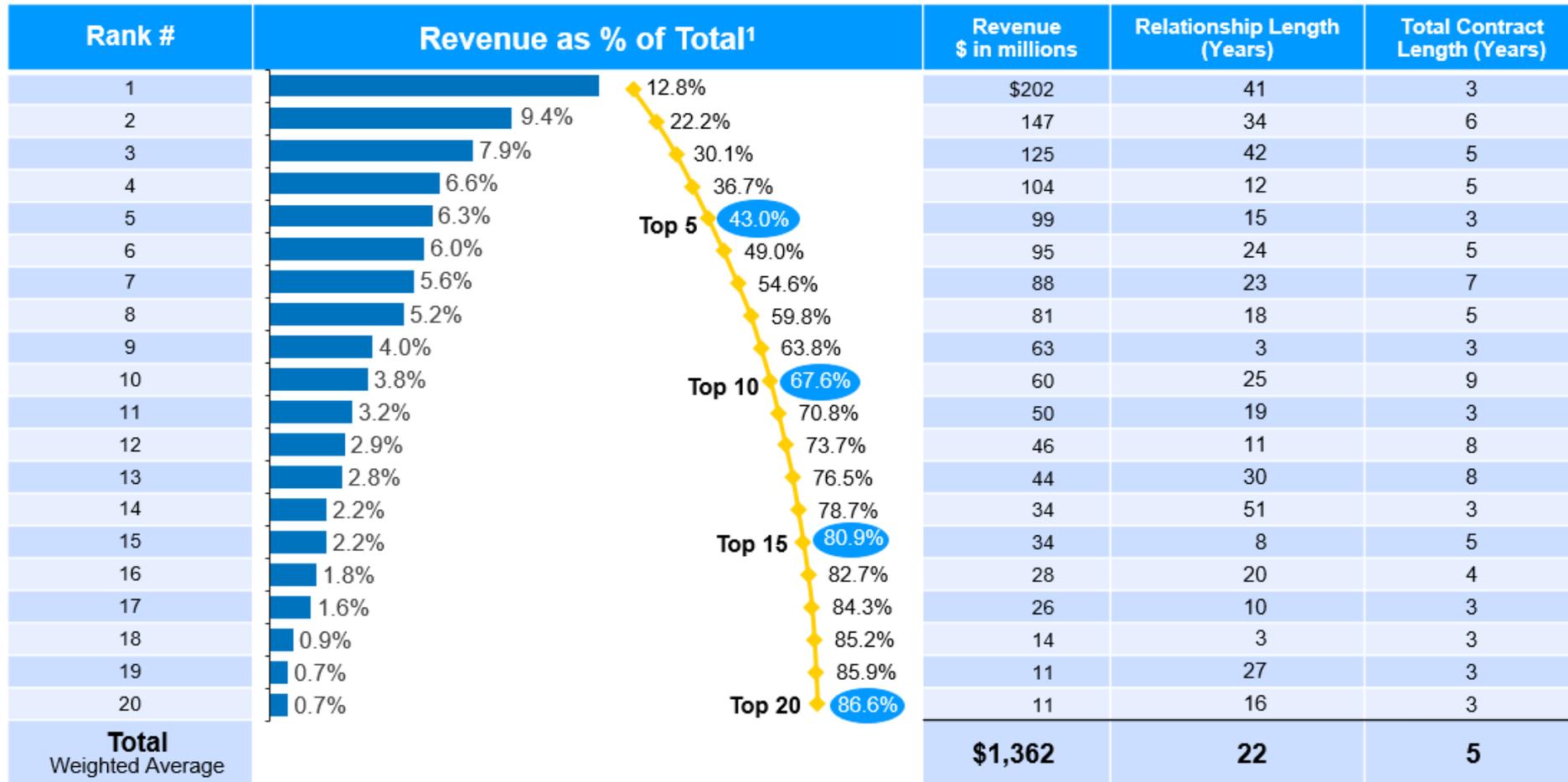


	Three months ended March 31,				Twelve months ended March 31,			
	(Thousands of Dollars)		(Percentage)		(Thousands of Dollars)		(Percentage)	
	2019	2018	2018	2017	2019	2018	2018	2017
<b>Service Types:</b>								
Gas infrastructure services	\$ 197,893	\$ 193,527	63.3%	74.4%	\$ 1,128,048	\$ 938,342	71.6%	71.4%
Electric power infrastructure services	52,301	5,402	16.7%	2.1%	79,528	19,893	5.1%	1.5%
Other	62,668	61,088	20.0%	23.5%	367,554	356,131	23.3%	27.1%
Total Utility infrastructure services revenues	<u>\$ 312,862</u>	<u>\$ 260,017</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,575,130</u>	<u>\$ 1,314,366</u>	<u>100.0%</u>	<u>100.0%</u>

	Three months ended March 31,				Twelve months ended March 31,			
	(Thousands of Dollars)		(Percentage)		(Thousands of Dollars)		(Percentage)	
	2019	2018	2018	2017	2019	2018	2018	2017
<b>Contract Types:</b>								
Master service agreements	\$ 235,655	\$ 194,464	75.3%	74.8%	\$ 1,143,603	\$ 932,804	72.6%	71.0%
Bid contract	77,207	65,553	24.7%	25.2%	431,527	381,562	27.4%	29.0%
Total Utility infrastructure services revenues	<u>\$ 312,862</u>	<u>\$ 260,017</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,575,130</u>	<u>\$ 1,314,366</u>	<u>100.0%</u>	<u>100.0%</u>
Unit priced contracts	\$ 235,686	\$ 197,322	75.3%	75.9%	\$ 1,296,783	\$ 1,013,642	82.3%	77.1%
Fixed price contracts	38,538	25,541	12.3%	9.8%	130,295	137,724	8.3%	10.5%
Time and material contracts	38,638	37,154	12.4%	14.3%	148,052	163,000	9.4%	12.4%
Total Utility infrastructure services revenues	<u>\$ 312,862</u>	<u>\$ 260,017</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,575,130</u>	<u>\$ 1,314,366</u>	<u>100.0%</u>	<u>100.0%</u>

# Top 20 Customers

Utility Infrastructure Services



<sup>1</sup>Twelve months ended March 31, 2019

# Economic Overview – Service Area

## Natural Gas Operations



**SOUTHWEST GAS**

	<u>Unemployment Rate</u>		<u>Employment Growth</u>	
	<u>March 2018</u>	<u>March 2019</u>	<u>March 2018</u>	<u>March 2019</u>
<b>Southern California</b> <sup>1</sup>	4.1%	4.5%	3.2%	1.4%
<b>Southern Nevada</b> <sup>2</sup>	5.1%	3.8%	2.4%	3.0%
<b>Northern Nevada</b> <sup>3</sup>	4.8%	3.8%	0.2%	0.1%
<b>Southern Arizona</b> <sup>4</sup>	4.3%	4.4%	0.9%	1.4%
<b>Central Arizona</b> <sup>4</sup>	4.1%	4.1%	3.2%	2.8%

<sup>1</sup> Source: State of California Employment Development Department, California Labor Market Review, <http://www.labormarketinfo.edd.ca.gov>

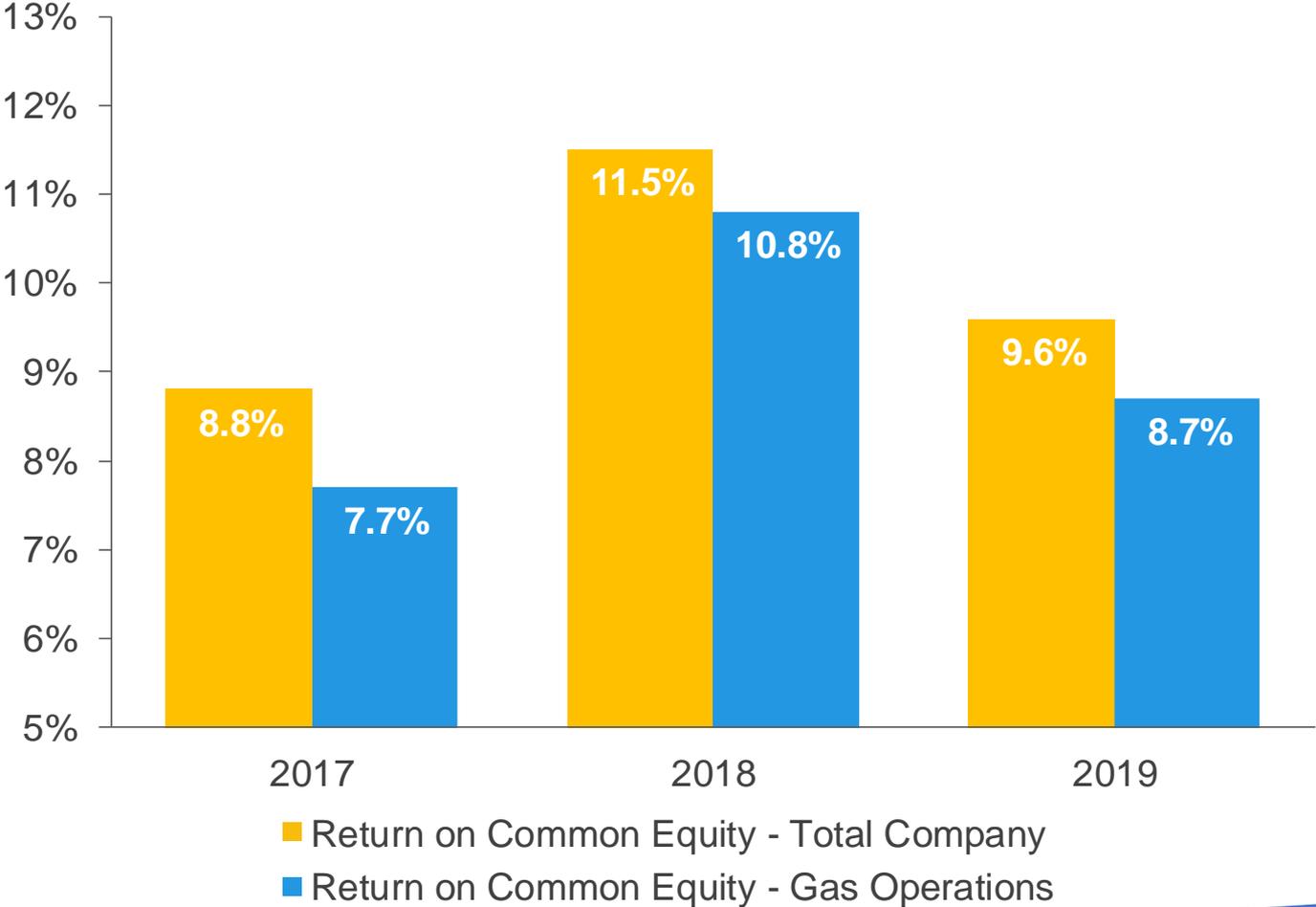
<sup>2</sup> Source: Nevada Department of Employment, Training and Rehabilitation (DETR), Economy In Brief, <http://nevadaworkforce.com>

<sup>3</sup> Source: Nevada DETR, Data Search: Total Employment (Carson City, Churchill, Douglas, Elko, Humboldt, Lyon, and Pershing Counties), <http://nevadaworkforce.com>

<sup>4</sup> Source: Arizona Office of Employment & Population Statistics, Employment Report, <http://laborstats.az.gov>

# Return on Common Equity

Twelve Months ended March 31, 2019



# Stock Performance



**Southwest Gas**  
HOLDINGS

**Southwest Gas Holdings, Inc.**  
**Common Stock Closing Price**  
March 31, 2009 – March 31, 2019



# Comparative Total Returns

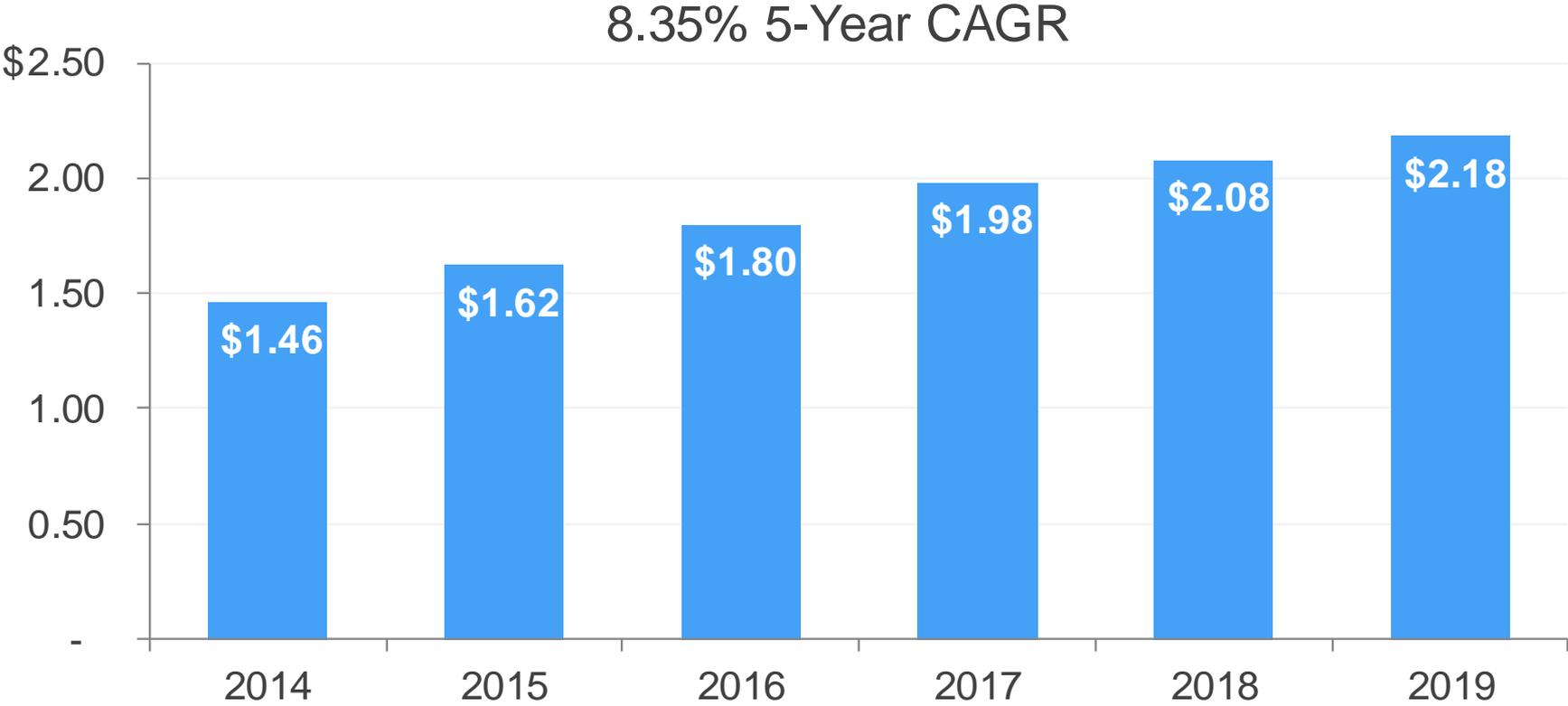


## Total Returns for Periods Ended March 31, 2019

	1-Year	3-Year	5-Year	10-Year
<b>Southwest Gas Holdings</b>	<b>24.96%</b>	<b>10.50%</b>	<b>11.93%</b>	<b>17.86%</b>
<b>S&amp;P 400 MidCap Gas Index</b>	<b>25.96%</b>	<b>12.86%</b>	<b>13.72%</b>	<b>17.43%</b>
<b>S&amp;P Composite Utilities Index</b>	<b>19.79%</b>	<b>9.77%</b>	<b>11.16%</b>	<b>13.44%</b>
<b>S&amp;P 500 Index</b>	<b>9.51%</b>	<b>13.52%</b>	<b>10.90%</b>	<b>15.91%</b>

**Total Return = Price appreciation plus gross dividends reinvested**

# Dividend Growth



CAGR = compound annual growth rate

# Consolidated Capital Structure

(In millions)



**Southwest Gas**  
HOLDINGS

<u>Capitalization at March 31,</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Equity <sup>1</sup>	\$ 1,571	\$ 1,666	\$ 1,737	\$ 1,876	\$ 2,429
Long-Term Debt <sup>2</sup>	1,525	1,438	1,590	2,023	2,141
<b>Total Permanent Capital</b>	<b>\$ 3,096</b>	<b>\$ 3,104</b>	<b>\$ 3,327</b>	<b>\$ 3,899</b>	<b>\$ 4,570</b>
<u>Capitalization ratios</u>					
Equity <sup>1</sup>	50.7%	53.7%	52.2%	48.1%	53.2%
Long-Term Debt <sup>2</sup>	49.3%	46.3%	47.8%	51.9%	46.8%
<b>Total Permanent Capital</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup>Includes redeemable noncontrolling interest

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

# Investment Grade Credit Ratings



**Southwest Gas**  
HOLDINGS

## Southwest Gas Holdings, Inc.

	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
Issuer Rating	Baa1	BBB+	BBB+
Outlook	Stable	Negative	Stable

## Southwest Gas Corporation

	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
Senior Unsecured	A3	BBB+	A
Outlook	Stable	Negative	Stable

# Non-GAAP Measures



**SOUTHWEST GAS**

**Non-GAAP Measures** – 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 MARCH 31,		TWELVE MONTHS ENDED MARCH 31,	
	2019	2018	2019	2018
	(In thousands)			
<b>Natural Gas Operations</b>				
Gas Operating Revenue	\$ 520,677	\$ 494,313	\$ 1,384,092	\$ 1,334,019
Less: Net cost of gas sold	192,604	185,732	426,260	393,898
Operating Margin	<u>\$ 328,073</u>	<u>\$ 308,581</u>	<u>\$ 957,832</u>	<u>\$ 940,121</u>