

2019 Third Quarter Earnings Conference Call

November 7, 2019



Southwest Gas™
HOLDINGS

PARTICIPANTS



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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 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

Consolidated Results

- 3rd Quarter EPS of \$0.10
- Record 12-month revenues of \$3.1 billion
- Completed reincorporation from California to Delaware
- Modified 2019 EPS guidance range (now \$3.60 to \$3.80)

Natural Gas Segment

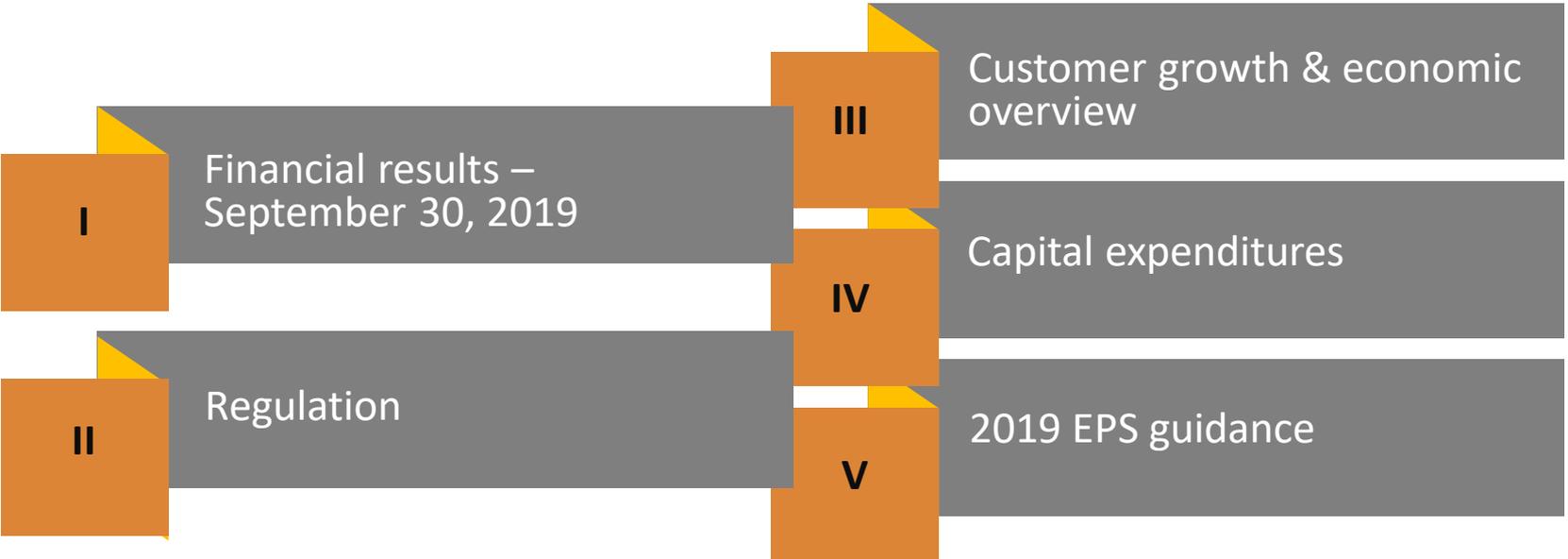
- 34,000 net new customers over the past 12 months (1.7% growth rate)
- \$12.8 million California general rate case filed in August 2019
- Upgraded to “A-” by Standard & Poor’s Global Ratings

Utility Infrastructure Services Segment

- Record quarterly revenues of \$515 million (\$70 million from Linetec)
- Net income for 12 months of \$46.7 million



OUTLINE



SUMMARY OF OPERATING RESULTS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED SEPTEMBER 30,		TWELVE MONTHS ENDED SEPTEMBER 30,	
	2019	2018	2019	2018
Results of Consolidated Operations				
Gas operations income (loss)	\$ (20,012)	\$ (13,670)	\$ 146,287	\$ 153,683
Infrastructure services income	25,838	26,798	46,668	57,677
Other - corporate and administrative	(473)	(797)	(1,433)	(1,922)
Net income	<u>\$ 5,353</u>	<u>\$ 12,331</u>	<u>\$ 191,522</u>	<u>\$ 209,438</u>
Basic earnings per share	<u>\$ 0.10</u>	<u>\$ 0.25</u>	<u>\$ 3.60</u>	<u>\$ 4.30</u>
Diluted earnings per share	<u>\$ 0.10</u>	<u>\$ 0.25</u>	<u>\$ 3.59</u>	<u>\$ 4.29</u>
Average number of common shares	54,670	49,493	53,219	48,728
Average shares (assuming dilution)	54,748	49,553	53,287	48,781

IMPACTS ON THIRD QUARTER 2019 FINANCIAL PERFORMANCE

Natural Gas Operations

- COYL and VSP surcharge recoveries consolidated into Arizona general rate case

Utility Infrastructure Services

- Regulatory requirements on certain customers in eastern U.S. (\$4MM)
- Incremental costs on industrial project in Canada (\$2MM)
- Change in mix of work requested by certain customers



NET INCOME (LOSS)

THREE MONTHS ENDED SEPTEMBER 30, 2019

NATURAL GAS OPERATIONS

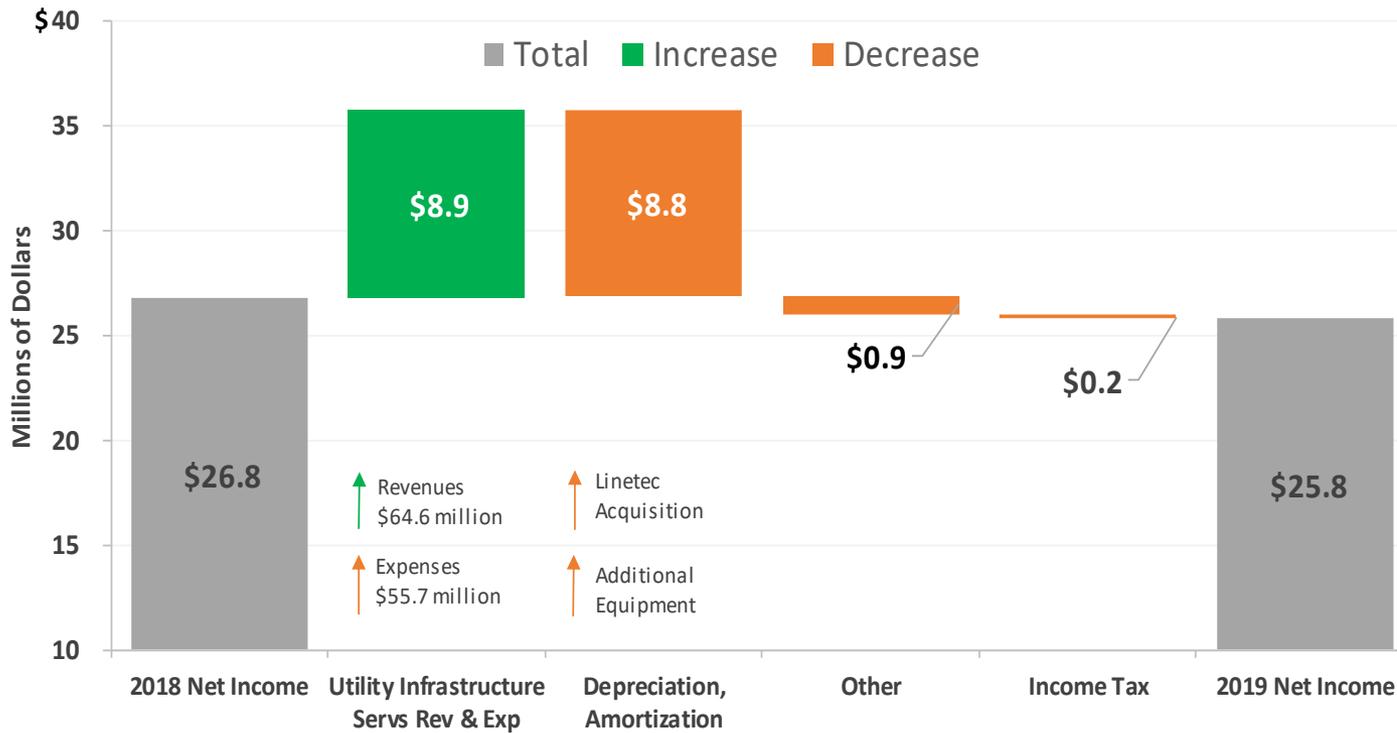


**Total
Decrease
\$6.3 million**

NET INCOME

THREE MONTHS ENDED SEPTEMBER 30, 2019

UTILITY INFRASTRUCTURE SERVICES



**Total
Decrease
\$1 million**

BUSINESS SEGMENTS & NET INCOME

Natural Gas Operations



SOUTHWEST GAS

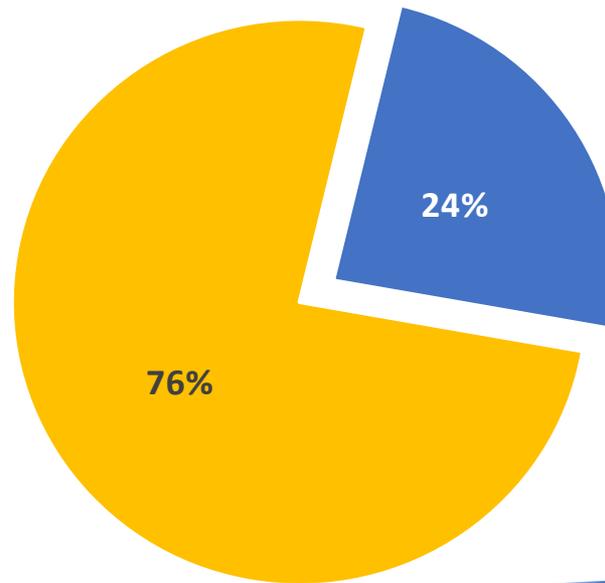
Utility Infrastructure
Services



CENTURI

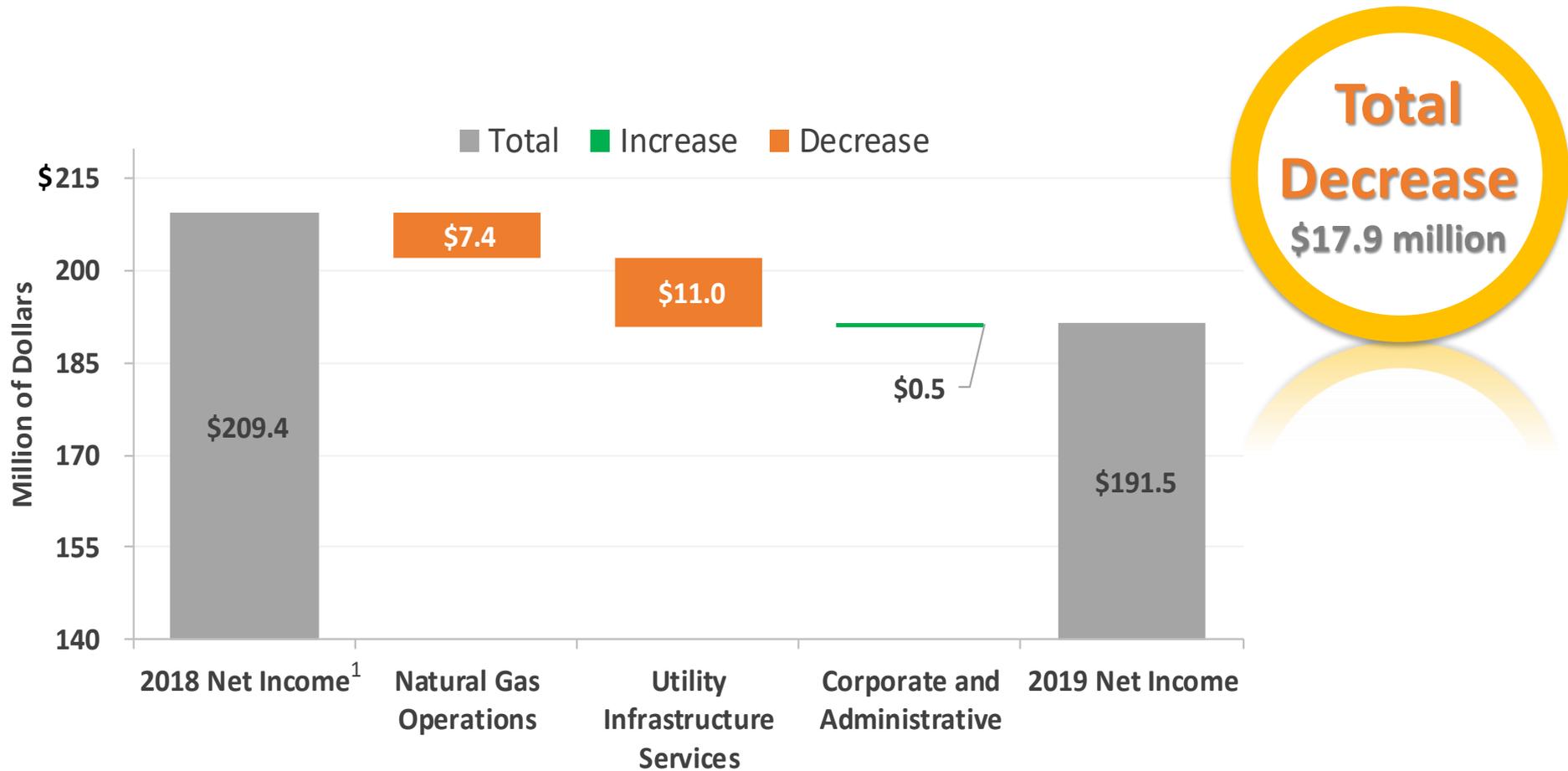
\$192MM

TMTD 9/30/19 Net Income



CONSOLIDATED NET INCOME

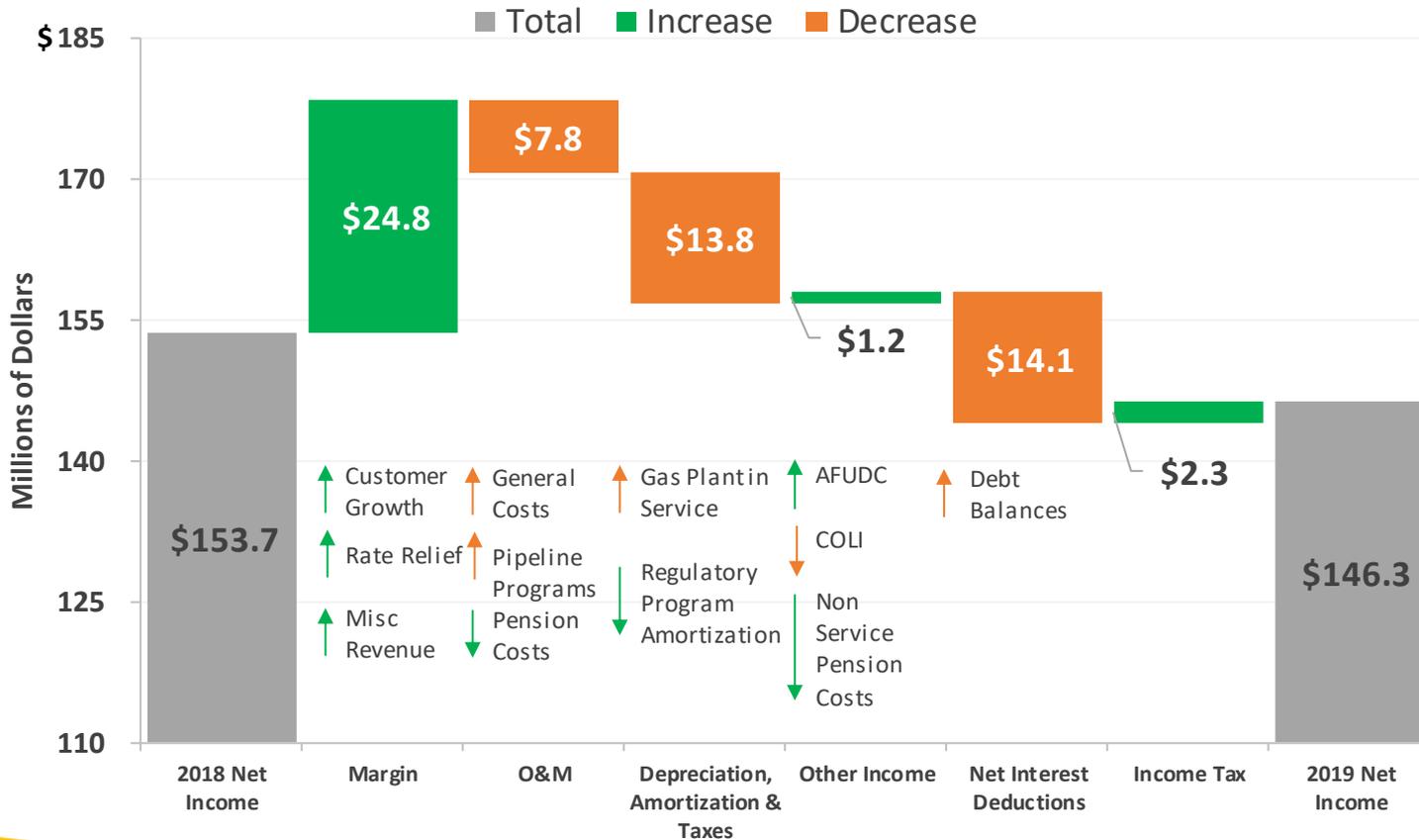
TWELVE MONTHS ENDED SEPTEMBER 30, 2019



¹ Included non-recurring tax reform benefits of \$20 million.

NET INCOME

TWELVE MONTHS ENDED SEPTEMBER 30, 2019 NATURAL GAS OPERATIONS

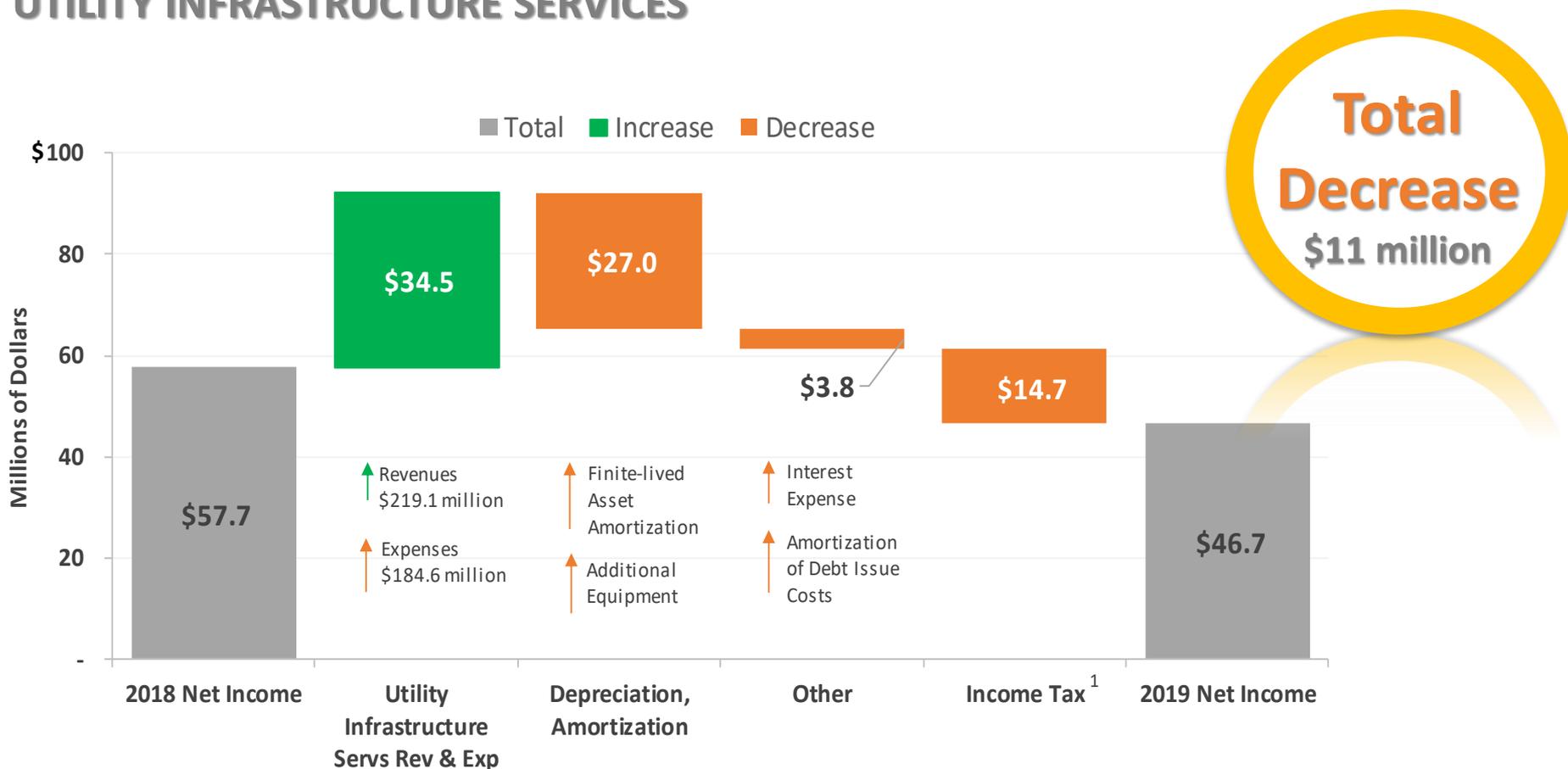


**Total
Decrease
\$7.4 million**

NET INCOME

TWELVE MONTHS ENDED SEPTEMBER 30, 2019

UTILITY INFRASTRUCTURE SERVICES



¹ The prior period included a non-recurring tax reform benefit of \$12 million.

CREDIT RATINGS

Investment Grade Ratings

Southwest Gas Holdings, Inc.

	Moody's	S&P*	Fitch
Issuer Rating	Baa1	BBB+	BBB+
Outlook	Stable	Negative	Stable

Southwest Gas Corporation

	Moody's	S&P*	Fitch
Senior Unsecured	A3	A-	A
Outlook	Stable	Negative	Stable

*Updated on 10/30/19, improving Southwest Gas Corporation to A- from BBB+.

REGULATION KEY HIGHLIGHTS

NATURAL GAS OPERATIONS

Rate Case Activity

- Arizona General Rate Case
- California General Rate Case
- FERC General Rate Case – Paiute Pipeline Company

Other Regulatory Initiatives

- Customer Data Modernization Initiative (CDMI)
- Expansion Projects
- Arizona Infrastructure Replacement Programs

List of Regulatory Commissions

ACC – Arizona Corporation Commission
PUCN – Public Utilities Commission of Nevada
CPUC – California Public Utilities Commission
FERC – Federal Energy Regulatory Commission



REGULATION – RATE CASE ACTIVITY

ARIZONA

NATURAL GAS OPERATIONS

Requests	Arizona General Rate Case
Rate Relief	\$57 Million
Rate Base	\$2.0 Billion (\$700 million increase)
ROE	10.3%
Capital Structure Equity Ratio	51.1%
Rate Design	Continuation of Decoupling Mechanism
Other Proposals	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
Schedule	Hearing - February 18, 2020 Final Decision – Estimated 2Q 2020

REGULATION – RATE CASE ACTIVITY

CALIFORNIA

NATURAL GAS OPERATIONS

Requests	California General Rate Case
Rate Relief	\$12.8 Million
Rate Base	\$482 Million (\$230 million increase)
ROE	10.5%
Capital Structure Equity Ratio	53.0%
Rate Design	Increase Basic Service Charge to \$5.75 Continuation of Fully Decoupled Rate Design
Other Proposals	Continuation of Pension Balancing Account Continuation of PTYM Adjustment of 2.75% Proposed Targeted Pipe Replacement Program Proposed Meter Protection Program Proposal to expand COYL Program
Proposed Schedule	Hearing - April 2020 Final Decision – 4Q 2020

REGULATION – RATE CASE ACTIVITY

PAIUTE PIPELINE

NATURAL GAS OPERATIONS

Requests	Paiute General Rate Case
Rate Relief	\$7.1 Million
Rate Base	\$137 Million
ROE	14.8%
Capital Structure - Equity	56.0%
Rate Design	Term-differentiated rates
Other Proposals	Higher depreciation rate
Schedule	Effective Date – December 1, 2019 Hearings – June 2020



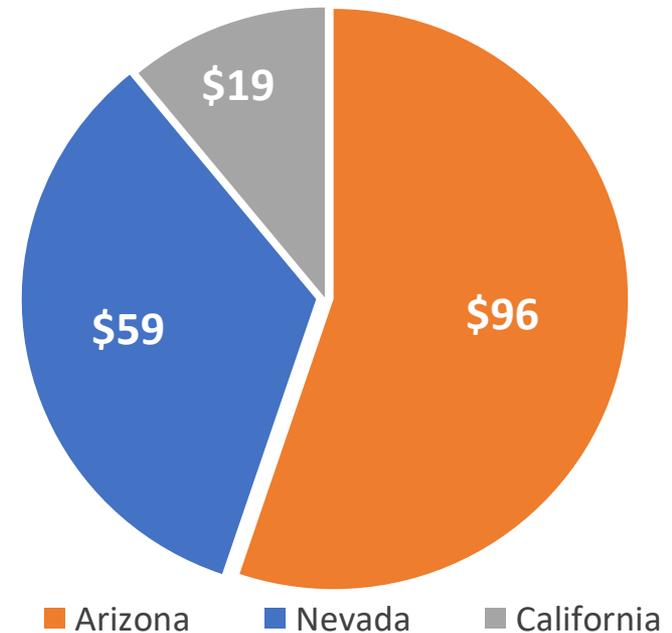
REGULATION – REGULATORY PROCEEDINGS

NATURAL GAS OPERATIONS

Customer Data Modernization Initiative Applications

- 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
 - PUCN denial September 2019
 - Filed petition for reconsideration – decision pending
 - ACC hearing scheduled February 2020
- 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
 - Memorandum account approved October 2019
 - Decision on balancing account expected early 2020

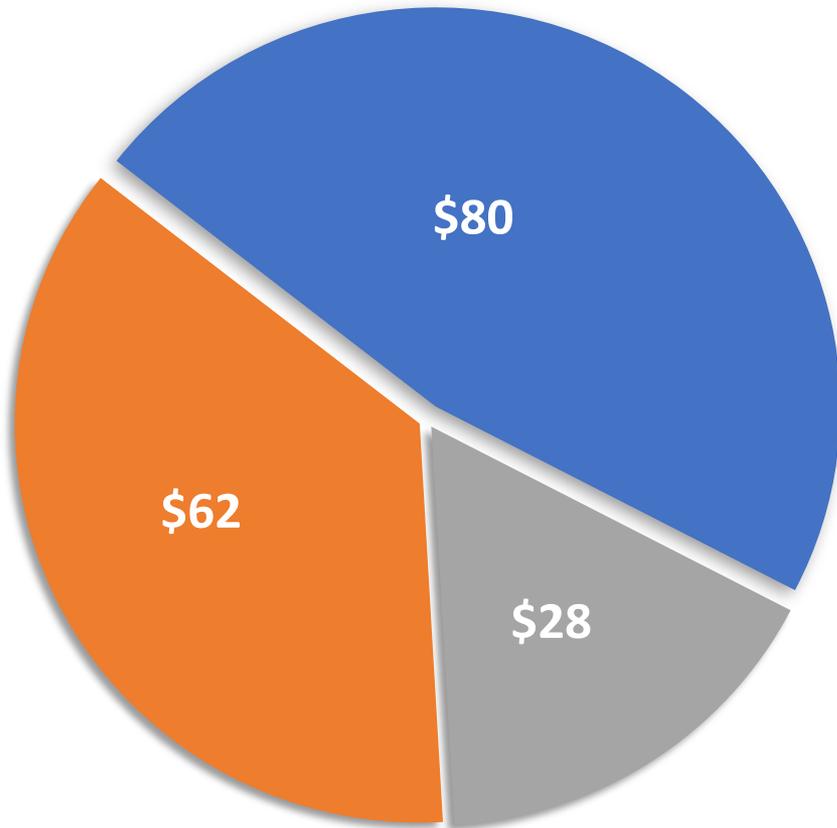
Total Estimated Cost:
\$174 Million
Allocation by State Rate Jurisdiction



REGULATION – EXPANSION PROJECTS

NATURAL GAS OPERATIONS

\$ in millions



ARIZONA LNG FACILITY

- Approved \$80 million, 233,000 dekatherm LNG facility
- Approximately \$72 million spent through September 2019
- LNG facility is expected to be completed and placed in service during the winter of 2019/2020

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

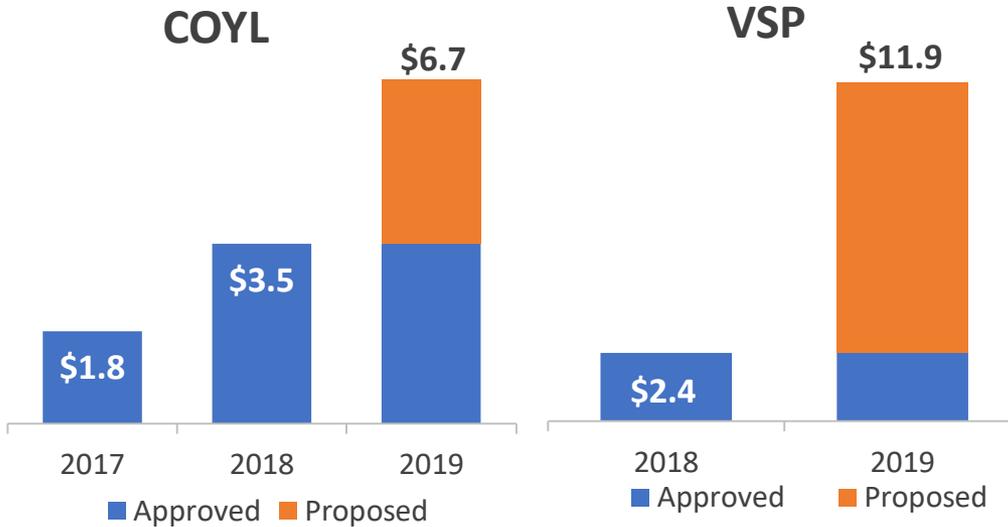
NORTHERN NEVADA EXPANSION

- June 2019, filed for authorization to invest \$62 million in Spring Creek, NV (SB 151 project)
- Hearings November 2019
- Decision expected early 2020



REGULATION – ARIZONA INFRASTRUCTURE REPLACEMENT PROGRAMS NATURAL GAS OPERATIONS (IN MILLIONS)

Arizona Surcharge Revenue



ARIZONA COYL/VSP Programs

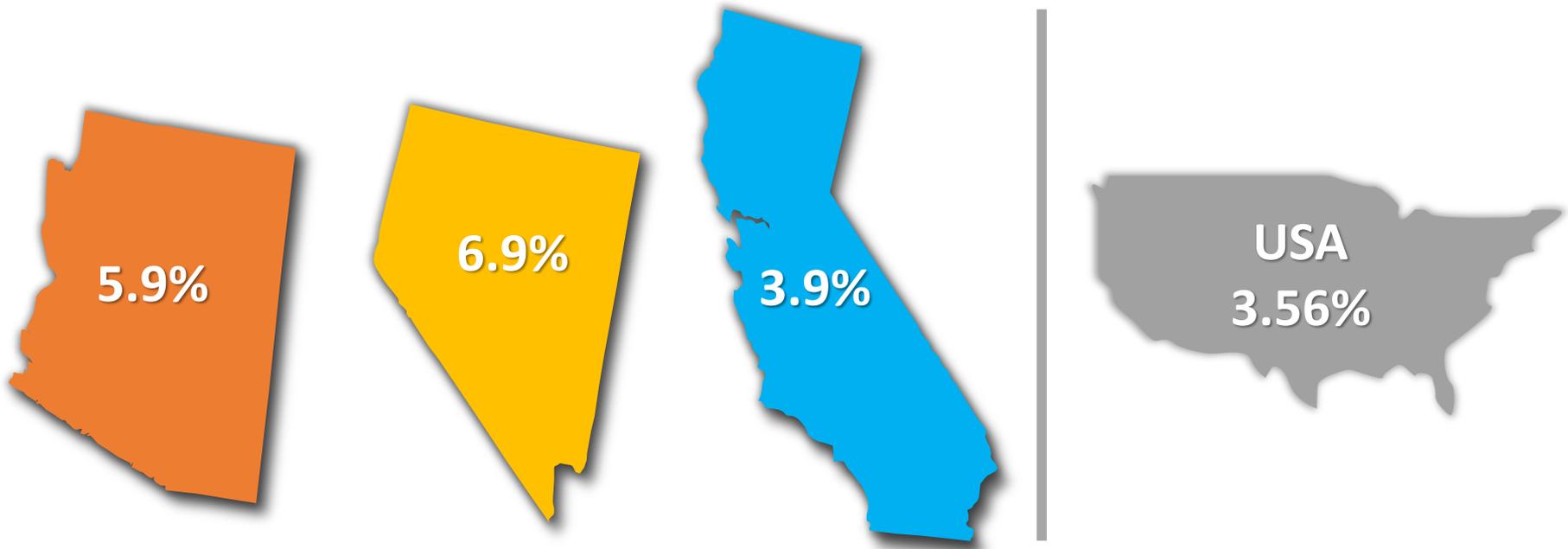
- February 2019 filing requested to increase surcharge revenue effective June 1, 2019
- October 2019 ACC Decision – retained existing surcharge and moved consideration of any future recovery to the pending rate case
- Supplemental filing in rate case to include \$124.5M of 2019 COYL/VSP investment as part of pending rate case



POPULATION GROWTH

NATURAL GAS OPERATIONS

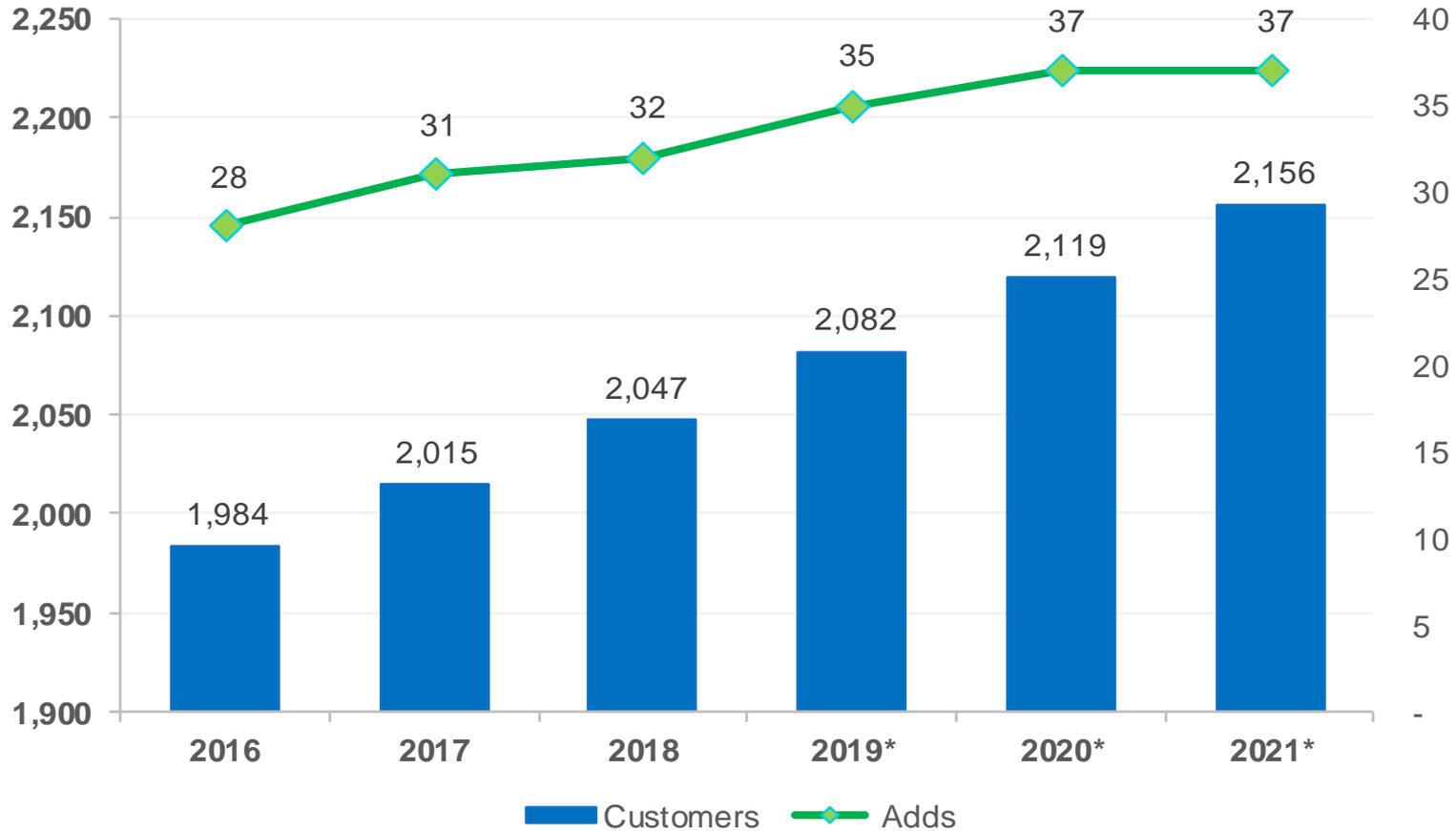
Projected population cumulative % change 2019-2024



Source: S&P Global Market Intelligence

CUSTOMER GROWTH

NATURAL GAS OPERATIONS



* Projected

CAPITAL EXPENDITURES

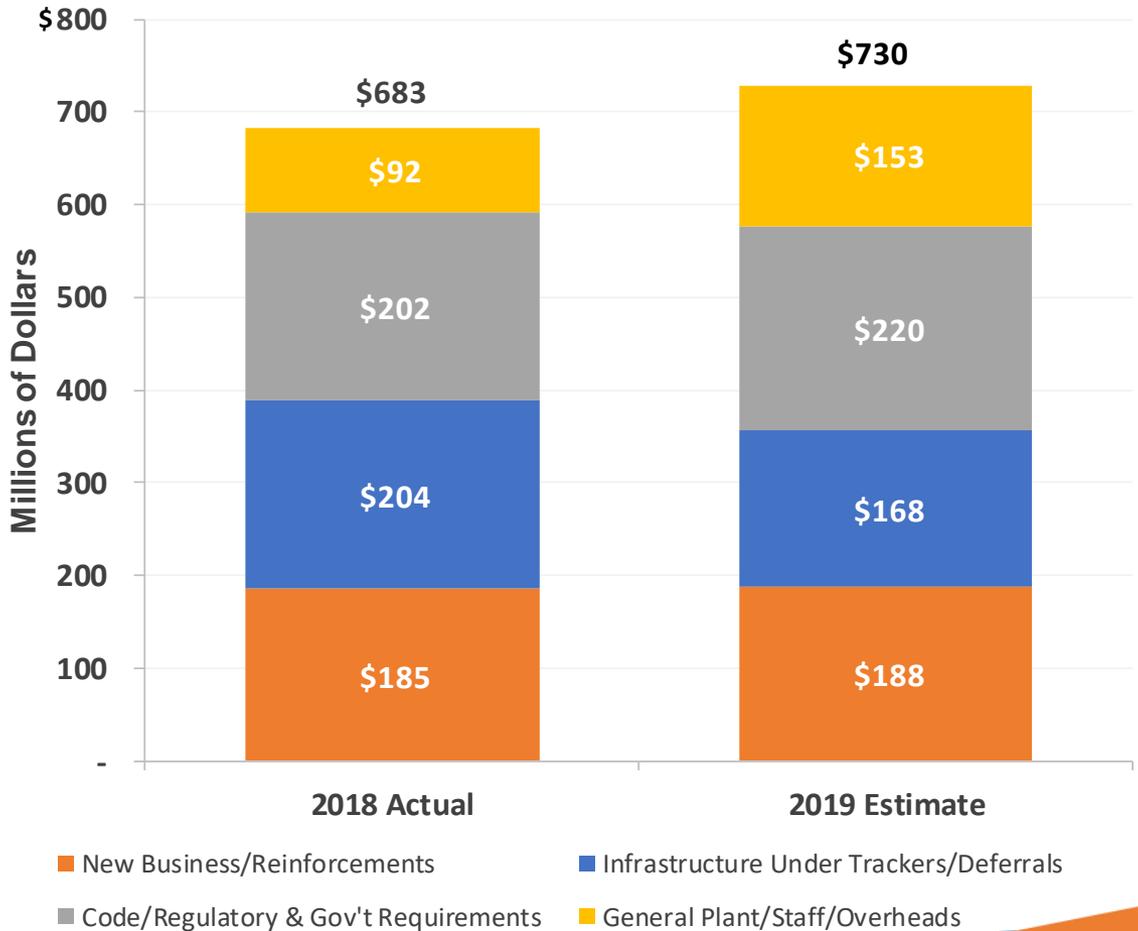
NATURAL GAS OPERATIONS

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)

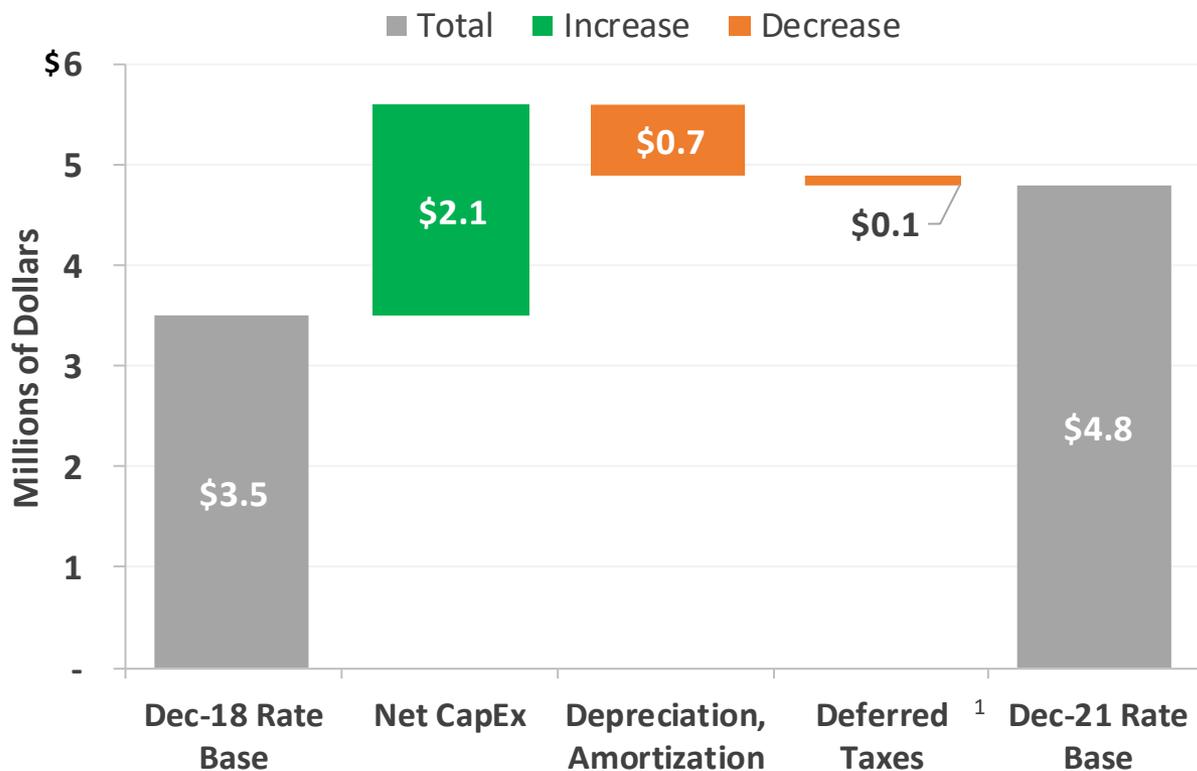
**\$2.1 Billion
Capital
Investment**

Estimated
2019-2021



RATE BASE GROWTH

NATURAL GAS OPERATIONS

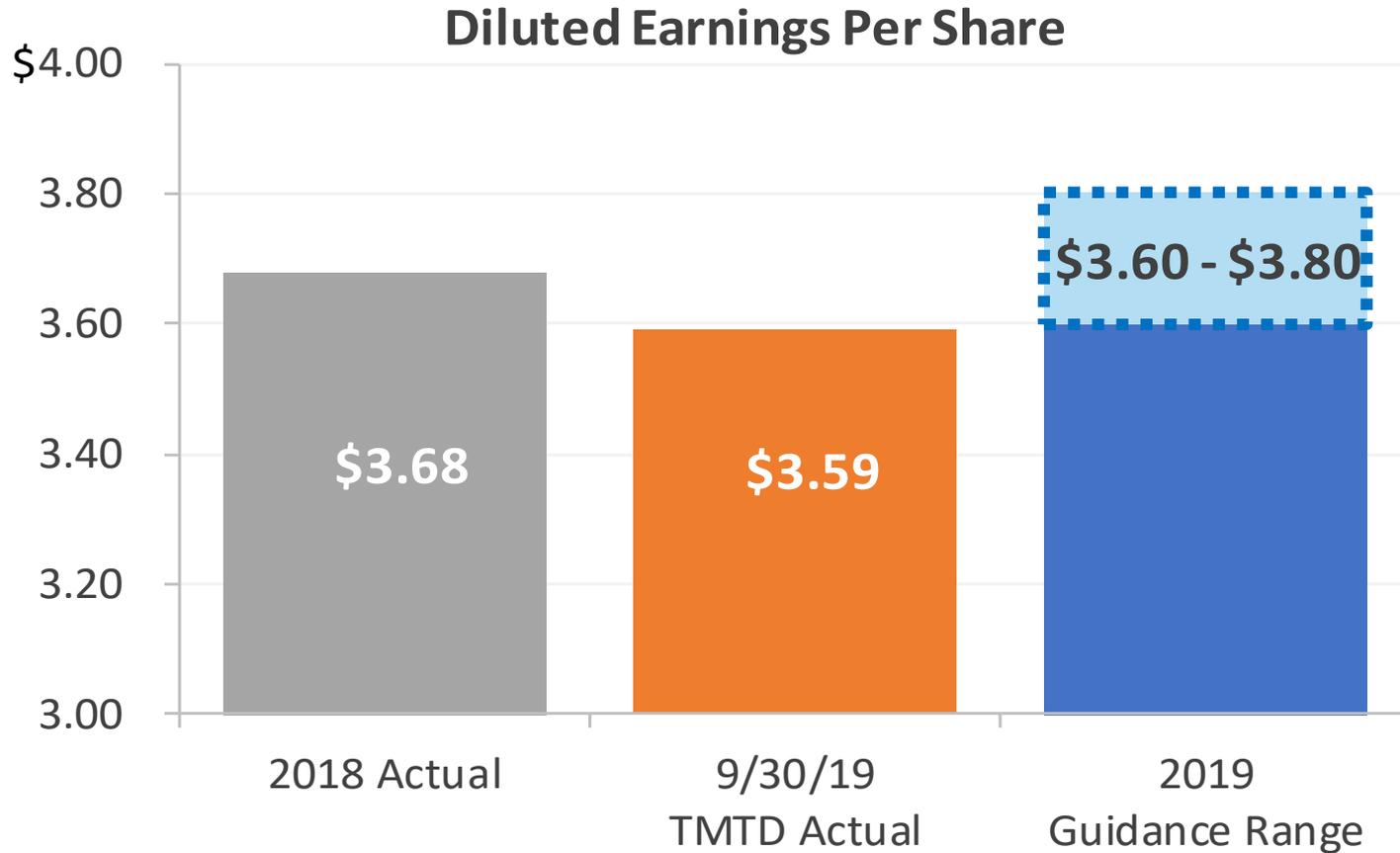


Rate base amounts reflect estimated total investment in facilities necessary to provide utility service. This is different than our authorized rate base, which is the rate base investment that has been approved by our regulatory bodies and that is reflected in rates.

Projecting 11% Compound Annual Growth Rate (CAGR) in rate base (2019-2021).

¹ Includes changes in the regulatory liability created due to tax reform.

2019 EPS GUIDANCE *



*Prior period EPS guidance was \$3.75 - \$4.00. 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 SUPPLEMENTAL EXPECTATIONS

Natural Gas Operations

- Operating margin for 2019 is anticipated to benefit from customer growth (similar to 2018), infrastructure tracker mechanisms (net of delayed surcharge revenue in Arizona), expansion projects, and rate relief.
 - Combined, these items are now expected to produce an increase in operating margin of 4% to 4.5% (previously 4% to 5%).
- Operating income is now expected to decrease slightly compared to 2018 (previously expected to increase modestly).
- Full-year projections include approximately \$1 million of incremental COLI earnings during the 4th quarter of 2019.
- Capital expenditures in 2019 are now estimated at \$730 million, in support of customer growth, system improvements, and accelerated pipe replacement programs (previously \$710 million).

Utility Infrastructure Services

- Centuri has a strong base of large utility clients that are expected to sustain, and over time, grow its business.
 - Including the recent Linetec acquisition, revenues for 2019 are expected to be 10% to 15% greater than 2018 levels.
- Operating income, including the third quarter 2019 impacts from the recent change in mix of work and regulatory delays experienced by customers in the northeastern U.S., is now expected to be approximately 5.0% to 5.5% of revenues (previously 6.0% to 6.5%).
- Net income expectations reflect earnings attributable to Southwest Gas Holdings, net of noncontrolling interests. Changes in Canadian exchange rates could influence results.

EXPECTED LONG-TERM VALUE DRIVERS

Natural Gas Operations

- Customer growth exceeding 35,000 a year for 2019-2021
- Approximately \$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 and frequent rate filings designed to mitigate regulatory lag

Utility Infrastructure Services

- One of the largest specialty utility contractors in North America
- 50 locations across 40 states and provinces in 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, there are several overlapping, thin-lined polygons in shades of gray. In the bottom right, there is a solid gray polygon with white lines forming a smaller shape inside it. The bottom of the page is decorated with a colorful, wavy border consisting of yellow, blue, and orange sections.

APPENDIX

STABLE CUSTOMER BASE

NATURAL GAS OPERATIONS

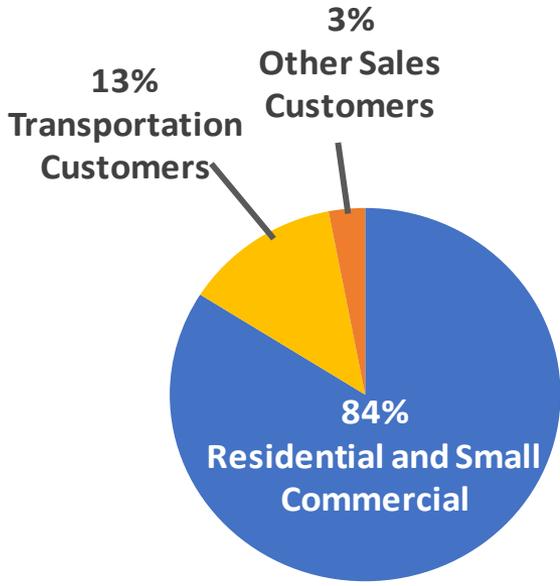
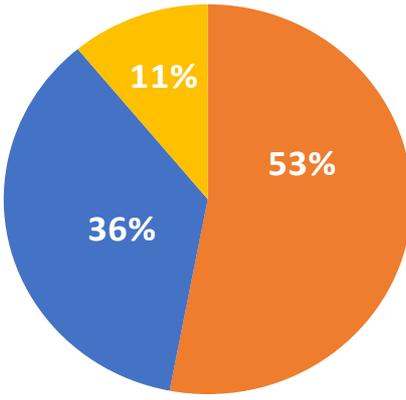
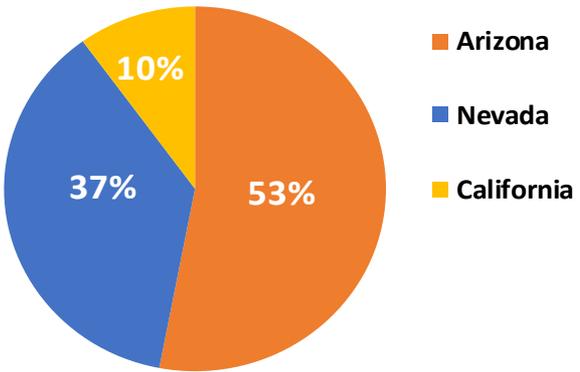
TMTD September 30, 2019

Customer & Operating Margin Distribution

By State

Customers

Margin



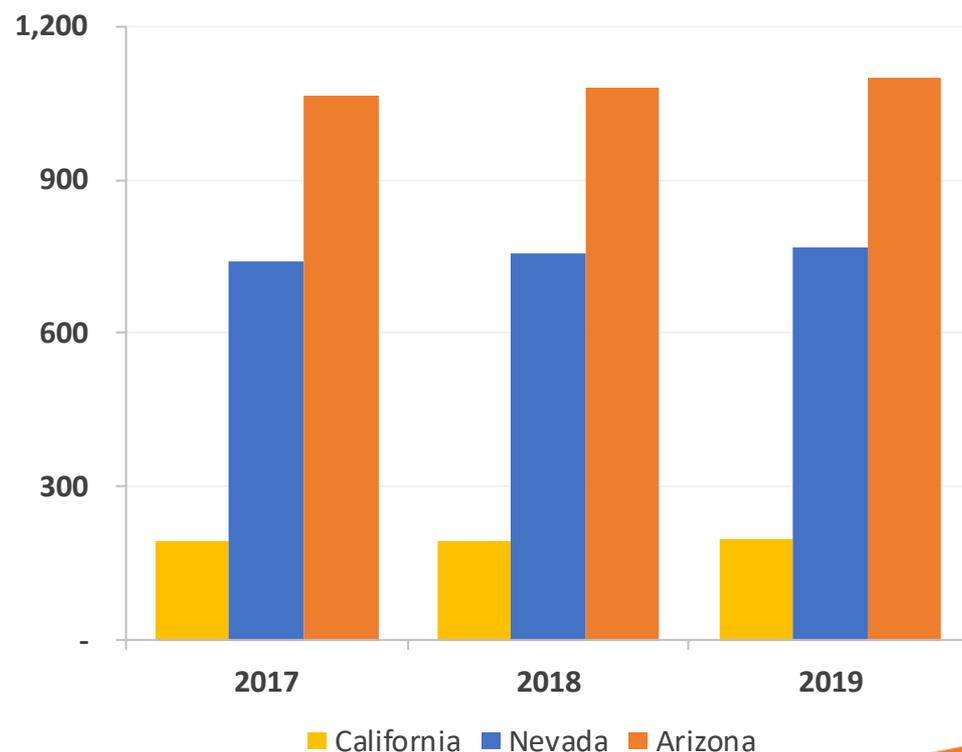
CUSTOMERS BY STATE

NATURAL GAS OPERATIONS

(IN THOUSANDS)

As of September 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Arizona	1,065	1,082	1,101
Nevada	741	755	768
California	193	195	197
Total	<u>1,999</u>	<u>2,032</u>	<u>2,066</u>



SUMMARY OPERATING RESULTS

NATURAL GAS OPERATIONS

(IN THOUSANDS)

THREE MONTHS ENDED SEPTEMBER 30,

	<u>2019</u>	<u>2018</u>
Results of Natural Gas Operations		
Gas operating revenues	\$ 209,980	\$ 217,523
Net cost of gas sold	35,068	49,903
Operating margin	174,912	167,620
Operations and maintenance expense	109,039	104,657
Depreciation and amortization	52,372	47,924
Taxes other than income taxes	15,308	15,036
Operating income (loss)	(1,807)	3
Other income (deductions)	(1,353)	836
Net interest deductions	23,619	20,399
Income (loss) before income taxes	(26,779)	(19,560)
Income tax expense (benefit)	(6,767)	(5,890)
Segment net income (loss)	<u>\$ (20,012)</u>	<u>\$ (13,670)</u>



SUMMARY OPERATING RESULTS

NATURAL GAS OPERATIONS

(IN THOUSANDS)

TWELVE MONTHS ENDED SEPTEMBER 30,

2019

2018

Results of Natural Gas Operations

Gas operating revenues	\$ 1,359,581	\$ 1,354,000
Net cost of gas sold	393,141	412,307
Operating margin	966,440	941,693
Operations and maintenance expense	412,330	404,549
Depreciation and amortization	205,594	193,828
Taxes other than income taxes	61,579	59,580
Operating income	286,937	283,736
Other income (deductions)	(5,194)	(6,425)
Net interest deductions	92,000	77,914
Income before income taxes	189,743	199,397
Income tax expense	43,456	45,714
Segment net income	\$ 146,287	\$ 153,683



PURCHASED GAS ADJUSTMENT (PGA) BALANCES

NATURAL GAS OPERATIONS

(IN THOUSANDS)

	September 30, 2019	December 31, 2018	September 30, 2018
Arizona	\$ (84,438)	\$ (72,878)	\$ (70,863)
Northern Nevada	11,909	4,928	(1,287)
Southern Nevada	37,895	(5,951)	(16,125)
California	(3,592)	(933)	(4,748)
Total Receivable/(Payable)	<u>\$ (38,226)</u>	<u>\$ (74,834)</u>	<u>\$ (93,023)</u>

AUTHORIZED RATE BASE AND RATES OF RETURN

NATURAL GAS OPERATIONS

<u>Rate Jurisdiction</u>	<u>Authorized Rate Base (In thousands)</u>	<u>% of Total Rate Base</u>	<u>Authorized Rate of Return</u>	<u>Authorized Return on Common Equity (ROE)</u>	<u>Decoupled</u>	<u>Authorized Common Equity Ratio</u>
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 ¹	87,158	3	8.46	11.00	✓	51.75
Total	<u>\$ 2,908,956</u>	<u>100 %</u>				

Weighted average authorized ROE

9.49 %

¹Estimated amounts based on rate case settlement.

REGULATION

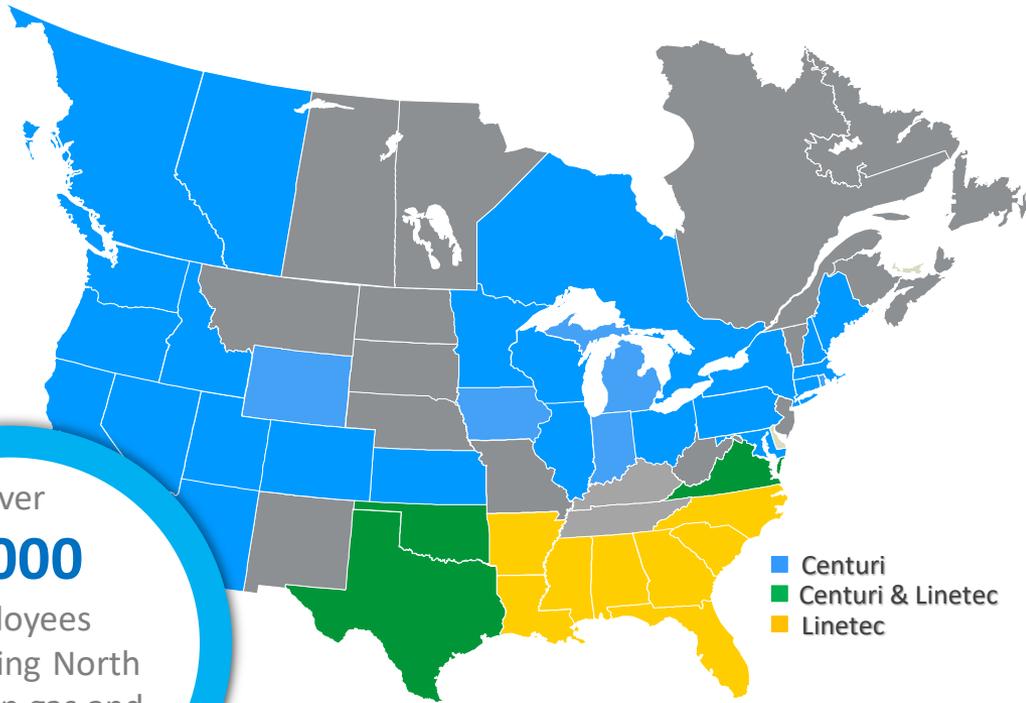
ARIZONA GENERAL RATE CASE

NATURAL GAS OPERATIONS

Date	Procedural Schedule - Docket No. G-01551A-19-0055
May 1, 2019	Application Filed
Except Class Cost of Service and Rate Design	
December 3, 2019	Direct Testimony (Staff/Intervenor)
Class Cost of Service and Rate Design	
December 18, 2019	Direct Testimony (Staff/Intervenor)
Other Testimonies	
January 6, 2020	Rebuttal Testimony (SWG)
January 31, 2020	Surrebuttal Testimony (Staff/Intervenor)
February 7, 2020	Rejoinder Testimony (SWG)
Hearings	
February 14, 2020	Prehearing Conference
February 18, 2020	Commence Hearing



UTILITY INFRASTRUCTURE SERVICES



Over
8,000
employees
supporting North
American gas and
electric utilities

- Centuri
- Centuri & Linetec
- Linetec



MAJOR CUSTOMERS

UTILITY INFRASTRUCTURE SERVICES



SUMMARY OPERATING RESULTS

UTILITY INFRASTRUCTURE SERVICES

(IN THOUSANDS)

	THREE MONTHS ENDED SEPTEMBER 30,	
	2019	2018
Utility infrastructure services revenues	\$ 515,250	\$ 450,623
Utility infrastructure services expenses	451,574	395,862
Depreciation and amortization	22,998	14,232
Operating income	40,678	40,529
Other income (deductions)	171	38
Net interest deductions	3,788	3,945
Income tax expense	10,051	9,824
Noncontrolling interests	1,172	-
Segment net income	<u>\$ 25,838</u>	<u>\$ 26,798</u>

SUMMARY OPERATING RESULTS

UTILITY INFRASTRUCTURE SERVICES

(IN THOUSANDS)

	TWELVE MONTHS ENDED SEPTEMBER 30,	
	2019	2018
Utility infrastructure services revenues	\$ 1,698,853	\$ 1,479,792
Utility infrastructure services expenses	1,534,442	1,349,862
Depreciation and amortization	80,928	53,975
Operating income	83,483	75,955
Other income (deductions)	662	(24)
Net interest deductions	14,256	13,339
Income tax expense	20,526	5,781
Noncontrolling interests	2,695	(866)
Segment net income	<u>\$ 46,668</u>	<u>\$ 57,677</u>

SERVICE AND CONTRACT TYPES

UTILITY INFRASTRUCTURE SERVICES

	Three months ended September 30,				Twelve months ended September 30,			
	(Thousands of Dollars)		(Percentage)		(Thousands of Dollars)		(Percentage)	
	2019	2018	2019	2018	2019	2018	2019	2018
Service Types:								
Gas infrastructure services	\$ 364,241	\$ 355,721	70.7%	79.0%	\$ 1,160,017	\$ 1,145,629	68.3%	77.4%
Electric power infrastructure services	70,610	4,666	13.7%	1.0%	202,844	19,304	11.9%	1.3%
Other	80,399	90,236	15.6%	20.0%	335,992	314,859	19.8%	21.3%
Total Utility infrastructure services revenues	<u>\$ 515,250</u>	<u>\$ 450,623</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,698,853</u>	<u>\$ 1,479,792</u>	<u>100.0%</u>	<u>100.0%</u>

	Three months ended September 30,				Twelve months ended September 30,			
	(Thousands of Dollars)		(Percentage)		(Thousands of Dollars)		(Percentage)	
	2019	2018	2019	2018	2019	2018	2019	2018
Contract Types:								
Master service agreements	\$ 410,283	\$ 348,274	79.6%	77.3%	\$ 1,291,397	\$ 1,101,216	76.0%	74.4%
Bid contract	104,967	102,349	20.4%	22.7%	407,456	378,576	24.0%	25.6%
Total Utility infrastructure services revenues	<u>\$ 515,250</u>	<u>\$ 450,623</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,698,853</u>	<u>\$ 1,479,792</u>	<u>100.0%</u>	<u>100.0%</u>
Unit price contracts	\$ 415,404	\$ 368,918	80.6%	81.9%	\$ 1,316,404	\$ 1,286,059	77.5%	86.9%
Fixed price contracts	37,539	45,461	7.3%	10.1%	152,890	31,487	9.0%	2.1%
Time and material contracts	62,307	36,244	12.1%	8.0%	229,559	162,246	13.5%	11.0%
Total Utility infrastructure services revenues	<u>\$ 515,250</u>	<u>\$ 450,623</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,698,853</u>	<u>\$ 1,479,792</u>	<u>100.0%</u>	<u>100.0%</u>

TOP 20 CUSTOMERS

UTILITY INFRASTRUCTURE SERVICES

#	Revenue as % of Total ⁽¹⁾	Revenue \$ in millions	Relationship Length (Years)	Total Contract Length (Years)
1	12.5%	\$213	41	6
2	9.5%	161	34	6
3	6.3%	106	23	7
4	6.1%	104	42	5
5	6.1%	104	24	9
6	5.9%	100	15	5
7	5.7%	97	12	5
8	4.3%	74	18	5
9	3.8%	65	25	10
10	3.7%	63	19	3
11	3.4%	58	11	8
12	2.9%	49	30	8
13	2.1%	37	51	3
14	2.0%	35	8	5
15	2.0%	34	4	4
16	2.0%	33	4	2
17	1.9%	33	5	4
18	1.7%	29	20	4
19	1.5%	25	3	3
20	1.2%	20	10	3
Total – Average (Weighted Average)		\$1,440	20 (25)	5 (6)

1- Period: TMTD Ended September 30, 2019



ECONOMIC OVERVIEW – SERVICE AREA

NATURAL GAS OPERATIONS

	Unemployment Rate		Employment Growth	
	<u>September 2018</u>	<u>September 2019</u>	<u>September 2018</u>	<u>September 2019</u>
Southern California ¹	4.1%	3.6%	2.9%	2.3%
Southern Nevada ²	4.7%	4.0%	3.7%	3.3%
Northern Nevada ³	3.9%	3.4%	2.3%	4.1%
Southern Arizona ⁴	4.5%	4.1%	2.4%	1.9%
Central Arizona ⁴	4.2%	3.8%	3.8%	2.4%

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

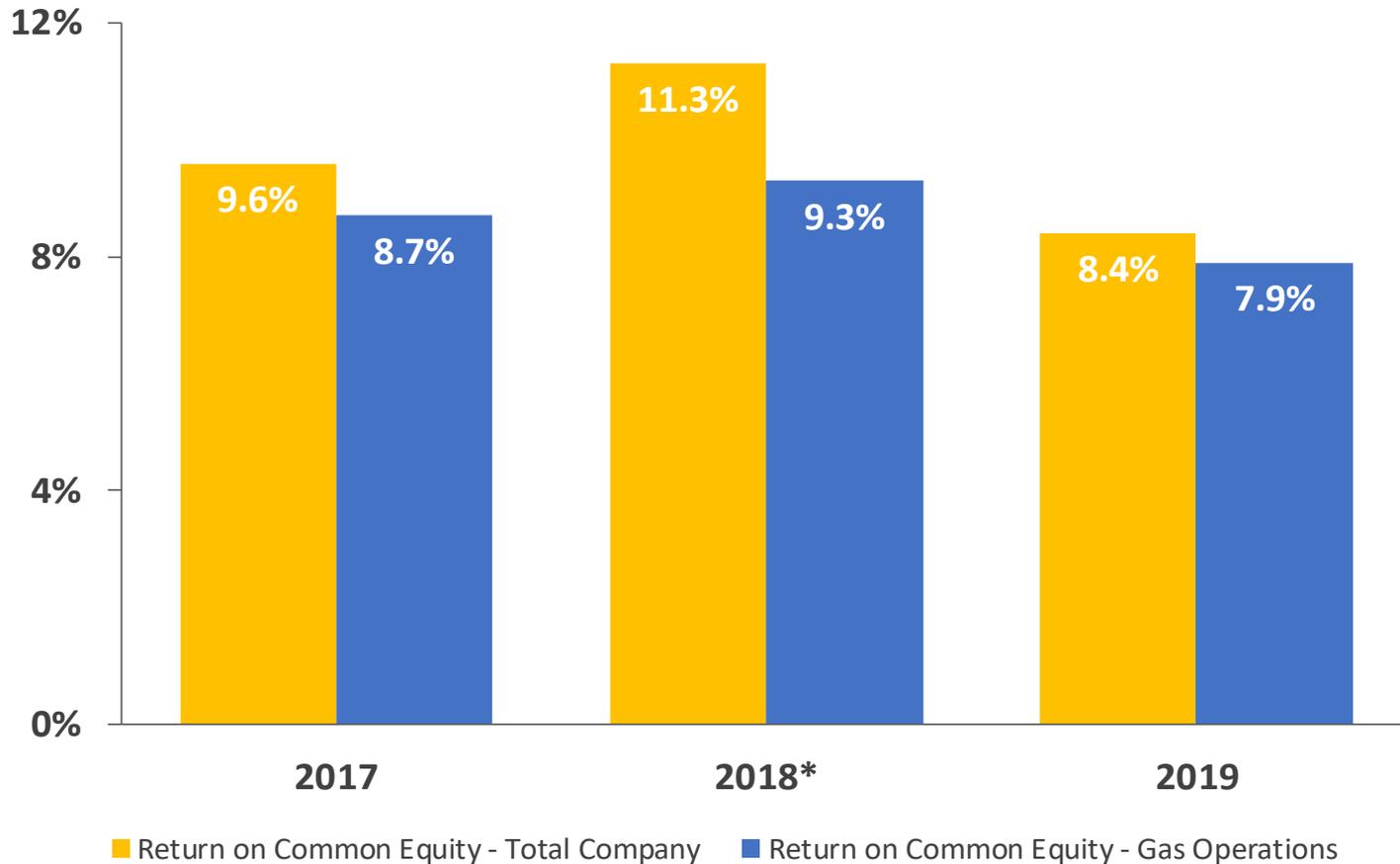
² Source: Nevada Department of Employment, Training and Rehabilitation (DETR), Economy In Brief, <http://nevadaworkforce.com>

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

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

RETURN ON COMMON EQUITY

TWELVE MONTHS ENDED SEPTEMBER 30



*Returns for Total Company and Gas Operations are reflective of non-recurring tax benefits of \$20 million and \$8 million, respectively.

STOCK PERFORMANCE

Southwest Gas Holdings, Inc.
Common Stock Closing Price
September 30, 2009 – September 30, 2019



COMPARATIVE TOTAL RETURNS

Total Returns for Periods Ended September 30, 2019

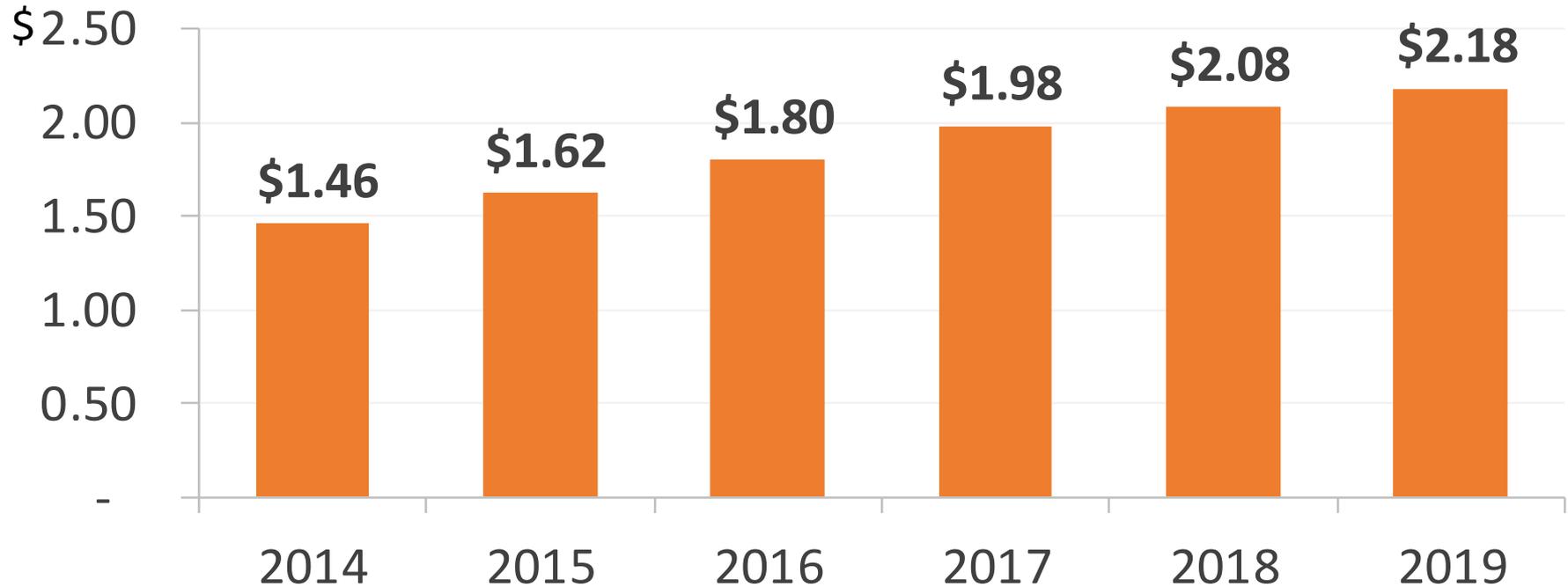
	1-Year	3-Year	5-Year	10-Year
Southwest Gas Holdings	18.06%	12.05%	16.38%	16.66%
S&P 400 MidCap Gas Index	3.89%	10.79%	12.25%	13.41%
S&P Composite Utilities Index	25.64%	13.72%	13.20%	12.91%
S&P 500 Index	4.23%	13.39%	10.82%	13.22%

Total Return = Price appreciation plus gross dividends reinvested



DIVIDEND GROWTH

8.35% 5-Year Compound Annual Growth Rate



Maintain ~ payout ratio between 55% – 65%

Expect future dividends to increase at the sustainable earnings growth rate

CONSOLIDATED CAPITAL STRUCTURE

(IN MILLIONS)

Capitalization at September 30,	2015	2016	2017	2018	2019
Equity ¹	\$ 1,562	\$ 1,640	\$ 1,714	\$ 1,946	\$ 2,508
Long-Term Debt ²	1,560	1,643	1,760	2,157	2,500
Total Permanent Capital	<u>\$ 3,122</u>	<u>\$ 3,283</u>	<u>\$ 3,474</u>	<u>\$ 4,103</u>	<u>\$ 5,008</u>
Capitalization ratios					
Equity ¹	50.0%	50.0%	49.3%	47.4%	50.1%
Long-Term Debt ²	50.0%	50.0%	50.7%	52.6%	49.9%
Total Permanent Capital	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

¹ Includes redeemable noncontrolling interests

² Includes current maturities of long-term debt



NON-GAAP MEASURES

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)

	<u>THREE MONTHS ENDED SEPTEMBER 30,</u>		<u>TWELVE MONTHS ENDED SEPTEMBER 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	(In thousands)			
<u>Natural Gas Operations</u>				
Gas Operating Revenue	\$ 209,980	\$ 217,523	\$ 1,359,581	\$ 1,354,000
Less: Net cost of gas sold	35,068	49,903	393,141	412,307
Operating Margin	<u>\$ 174,912</u>	<u>\$ 167,620</u>	<u>\$ 966,440</u>	<u>\$ 941,693</u>