

Today's featured company is:



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



### Future Focused

**Southwest Gas Holdings, Inc.** (NYSE: SWX), through its subsidiaries, engages in the business of purchasing, distributing, and transporting natural gas, and providing infrastructure services across North America. **Southwest Gas Corporation** (Southwest), a wholly owned subsidiary, safely and reliably delivers natural gas to over two million commercial and residential customers in Arizona, California, and Nevada. **Centuri Group, Inc.** (Centuri), a wholly owned subsidiary, is a comprehensive utility infrastructure services enterprise dedicated to delivering a diverse array of solutions to North America's gas and electric providers. Centuri derives revenue from installation, replacement, repair, and maintenance of energy distribution systems, and from developing industrial construction solutions. More information can be found by visiting [www.swgasholdings.com](http://www.swgasholdings.com).

- Dividend per share growth: approximately 8.35% for the last five years
- Total compound annual shareholder return: 18.18% for the 10-year period ended June 30, 2019
- 1.7% customer growth for the 12 months ended June 30, 2019 (Southwest)
- Serving over two million customers (Southwest)
- 2019-2021 capital expenditures estimated at \$2.1 billion (Southwest)
- Projecting 11% annual rate base growth over the period 2019-2021 (Southwest)
- One of North America's largest providers of utility and energy infrastructure services (Centuri)
- Continued growing trend with record financial results in 2018 (Centuri)

[Click here to view the Southwest Gas Holdings Investor Presentation.](#)

Advisor Access spoke to President and Chief Executive Officer **John P. Hester** about Southwest Gas Holdings, Inc.'s future focus on growth and sustainability.

**Advisor Access:** *Can you provide us with a little background on Southwest Gas Holdings, Inc.?*

**John P. Hester:** SWX has two business segments, Southwest and Centuri. Southwest was incorporated in March 1931 and provides regulated natural gas delivery services to customers in portions of Arizona, California, and Nevada. In 1996, we added NPL Construction Co. (now Centuri). Centuri is a comprehensive utility infrastructure services enterprise dedicated to meeting the growing demands of North American utility, energy, and industrial markets.



SWX has built an enviable reputation as a trusted leader in natural gas distribution and infrastructure services, and is in a solid position to respond and pursue future opportunities that deliver value to our shareholders.

**AA: *What is the economic outlook for SWX?***

**JPH:** A positive economic outlook in the southwestern U.S., including strong employment, robust consumer spending, and increasing personal income, has created growth opportunities that are positioning SWX for a solid and sustainable future. Over the past year, we acted on these opportunities to set a path for long-term success. This future-focused approach led SWX to achieve another year of solid financial performance and a number of notable accomplishments across our two primary business segments—natural gas operations (Southwest) and utility infrastructure services (Centuri).

**AA: *Can you expand on the accomplishments of the two primary business segments?***

**JPH:** Yes. Southwest benefited this past year from a robust job market, which drew thousands of new residents to the major counties where we operate and created demand for more housing and new commercial centers. This spurred the addition of more than 32,000 new customers in 2018, and the expectations to add 35,000 customers in 2019 and 37,000 customers both in 2020 and 2021. To accommodate current and future system growth and integrity, Southwest has accelerated certain pipe replacement activities with established cost-recovery programs. While meeting these growth expectations, Southwest continues to achieve excellent customer satisfaction while fulfilling our commitment to community and environmental stewardship.

Centuri experienced another year of record revenues while pursuing smart growth opportunities, such as the 2018 acquisition of Linetec, which grew the Centuri footprint in the southeastern U.S. by adding another tenured customer base to their now-expanded portfolio. Linetec significantly increases our work in the electric space (distribution and transmission infrastructure). This addition means strong, future work opportunities with both electric and telecommunications utilities. This is a highlight of the smart, stable growth strategy we expect to continue at Centuri, which will chart a strong future for this growing business segment.

**AA: *How are you meeting customer expectations?***

**JPH:** Earning and maintaining our customers' trust is key to sustaining a strong future at Southwest and Centuri. Our goal is to ensure positive experiences at every customer touchpoint. Just this past year, Southwest rolled out new digital tools to better allow us to deliver personalized, high-value service to our customers. These tools were developed to give utility customers more control over their accounts and more choices when interacting with Southwest. Customers responded well to these initiatives and awarded Southwest with an exceptional customer satisfaction rating level of 95%. In a Cogent Reports® study conducted independently by Market Strategies International, Southwest earned some of the highest scores among utilities in the nation. As a result, Southwest was named a 2018 Most Trusted Utility, as well as a 2018 Utility Customer Champion. As a company, we strive to exceed our customers' expectations.

**AA: *John, can you elaborate on the company's view on safety?***

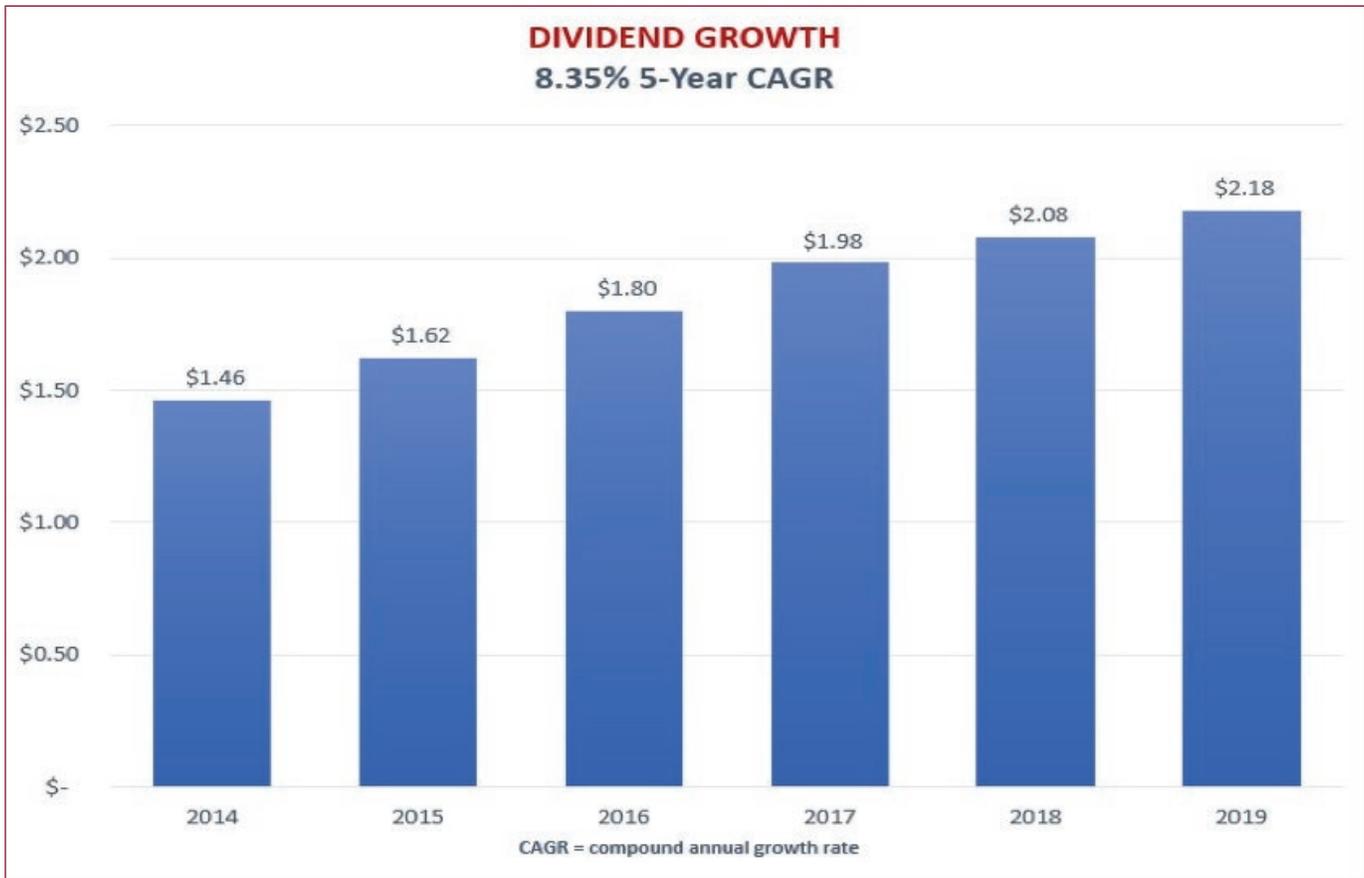
**JPH:** Yes. SWX takes proactive efforts, both internally and externally, to ensure safety is our highest priority. We always look to improve on an already leading safety record. Centuri has implemented successful safety initiatives and proven training methods, and has provided accountability to our customers and the communities where we work. At Southwest, our commitment has led to significant improvement in our emergency response times, arriving within thirty minutes of a reported incident over 70% of the time.

**AA: *Does Southwest work with regulators to align its stakeholders' needs?***

**JPH:** Yes. The ability to align all stakeholders' needs in providing safe and reliable service comes through successful collaboration with our regulators. Southwest prioritizes open lines of communication and partnerships to achieve thoughtfully planned goals that keep our system safe, maintain affordable rates for customers, and return value to our shareholders.

**AA: How should shareholders and/or potential shareholders view the company's dividend policy?**

**JPH:** SWX has an 8.35% compounded annual per share dividend growth rate over the last five years. Our target payout ratio range is 55% to 65% of earnings, while maintaining strong credit ratings and the ability to fund future capital expenditures. We are currently at the lower end of our target payout range, and we expect to increase future dividends in line with our long-term sustainable earnings growth.



**AA: How does SWX value social responsibility, environmental stewardship, and corporate governance?**

**JPH:** Southwest's deep roots in the communities we serve are part of our enduring legacy of valuing stewardship and giving back. In 2018, Southwest employees gave \$2 million in annual contributions to local charitable organizations. They also gave thousands of hours of time to hands-on community volunteer projects and events. We strive to promote a positive and friendly workplace and embrace a culture of diversity and inclusivity. These efforts earned Southwest a Zippia "20 Best Companies to Work for in Las Vegas" recognition in 2018.

Centuri is also growing in best practices and community profile. Over the last several years, Centuri significantly increased its spending with diverse suppliers from 2.5% in 2014 to 23% in 2017.

Internally, SWX continues to enhance operations for long-term sustainability. Southwest seeks to achieve a 20% reduction in greenhouse gas emissions from fleet and facilities, using 2015 emissions as a baseline. Centuri is committed to protecting the environment and has made significant improvements in implementing environmental risk mitigation plans in the construction process both in terms of engineering and administration. In 2018, Southwest helped customers replace 11 million gallons of diesel fuel by delivering cleaner burning compressed natural gas (CNG) for their vehicle fleets. Also, as part of a commitment to sustainable energy development, we have taken concrete steps toward including renewable natural gas (RNG), a carbon-neutral, environmentally beneficial fuel source, in our portfolio of energy solutions for customers.

We support these core values and our track record of excellence with a long-term focus, corporate governance practices aligned with shareholder interests, a pay-for-performance culture, and an active program of shareholder engagement. We are committed to building long-term shareholder value, striving to operate sustainability with accountability, transparency, and integrity.

**AA: So, John, can you summarize what investors or potential investors should take away from our discussion?**

**JPH:** Southwest Gas Holdings is focused on the future as we execute company strategies. We are looking ahead, anticipating how we can better serve our customers while positioning SWX for long-term success in the dynamic landscape of tomorrow. As we prepare for a sustainable future, we are optimistic about our ability to embrace growth prospects and opportunities on the horizon. In executing our strategies, we will place continued priority on operational safety, providing exceptional customer service, and building long-term shareholder value.

**AA: Thank you, John.**

John P. Hester has been President and Chief Executive Officer since March 2015. He joined Southwest Gas in 1989 and became Director/Regulatory Affairs and Systems Planning in 2002, Vice President/Regulatory Affairs and Systems Planning in 2003, Senior Vice President/Regulatory Affairs and Energy Resources in 2006, Executive Vice President in 2013, and President in 2014. Prior to joining Southwest Gas, he worked at the Illinois Department of Energy and Natural Resources and the Illinois Commerce Commission. Mr. Hester currently serves on the American Gas Association Board of Directors, the Catholic Charities of Southern Nevada Board of Trustees and the College of Southern Nevada Foundation Board of Trustees. He has been a director of Southwest Gas since 2015.

### Analyst Commentary

***“Despite strong share performance YTD and an outstanding Arizona rate proceeding, we see shares as undervalued, especially when considering a scarcity of cleaner LDC investment opportunities.”***

***—Christopher Turnure, J.P. Morgan***  
July 17, 2019

***“We have become increasingly excited by the capital opportunities for Southwest Gas’ natural gas operations over the past couple of months. Our revised target price of \$96.00 (up from \$81.00) reflects our revised fundamental estimates and rising enthusiasm for the Company’s natural gas distribution capital outlook.”***

***—Christopher R. Ellinghaus, The Williams Capital Group***  
June 18, 2019

***“We are attracted to SWX’s robust gas infrastructure investment need, which supports an 11% rate base CAGR through 2021, and above-average customer growth. Our Market Perform rating reflects valuation considerations.”***

***—Sarah Akers, Wells Fargo***  
February 28, 2019

### Disclosure

Investors and others should note that Southwest Gas Holdings, Inc. posts important financial information using the investor relations section of the Southwest Gas Holdings, Inc. website, [www.swgasholdings.com](http://www.swgasholdings.com), and Securities and Exchange Commission filings.

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### **About Advisor Access**

Advisor-Access LLC was designed to bring compelling investment ideas to investors in the form of in-depth interviews with company management and the latest fact sheets and corporate presentations, in a concise format: the critical pieces of information an investor needs to make an informed investment decision.

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