

2019 Mid-Year Earnings Conference Call

August 8, 2019



Southwest Gas™
HOLDINGS

Participants



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John Hester
President and CEO
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Safe Harbor Statement



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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 EPS for 2nd Quarter of \$0.41
- Record 12-month revenues of \$3 billion
- Reaffirm 2019 diluted EPS guidance range of \$3.75 to \$4.00

Natural Gas Segment

- 34,000 net new customers over the past 12 months (1.7% growth rate)
- \$57 million Arizona general rate case filed in May 2019
- Filed for preapproval to expand service into Spring Creek, NV

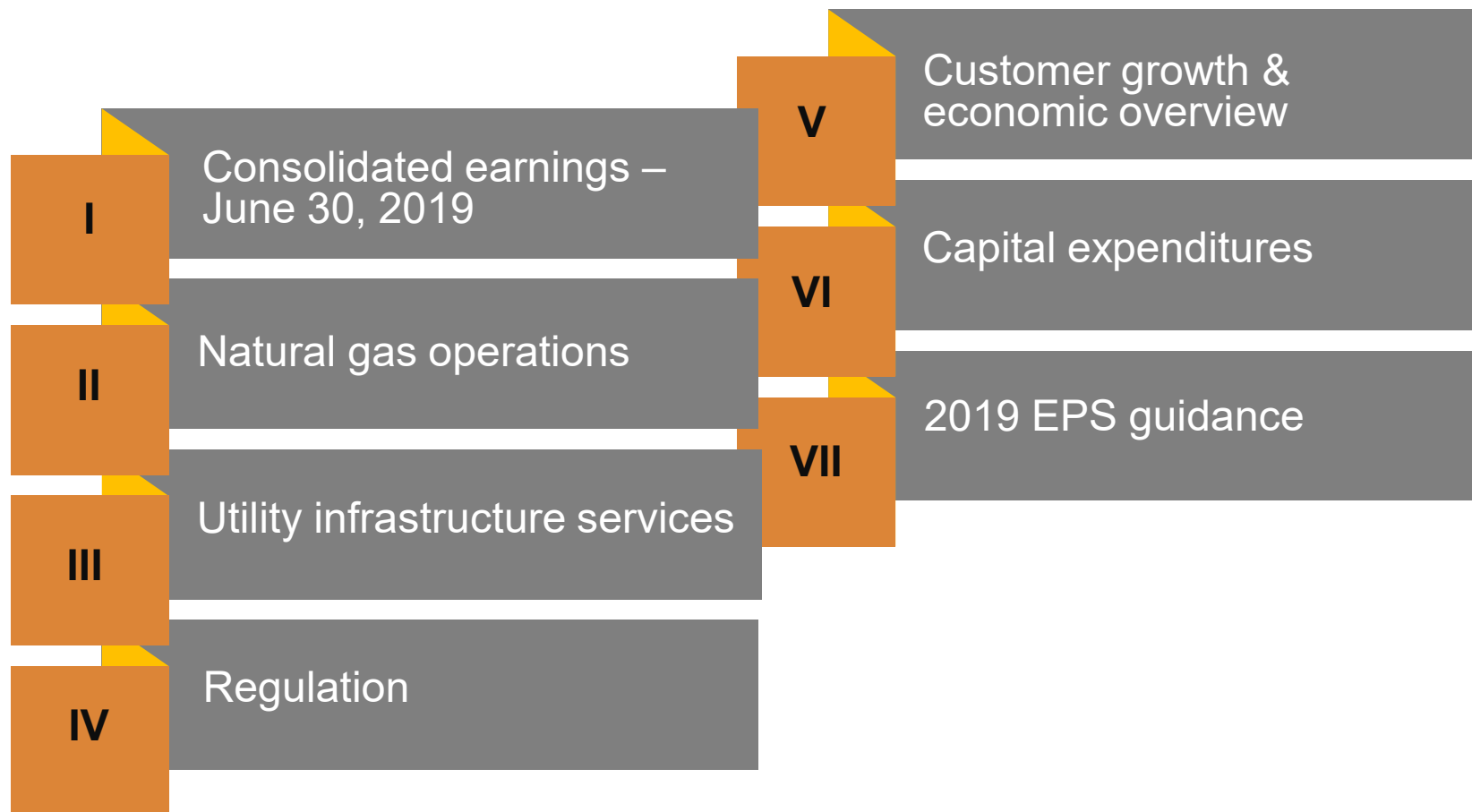
Utility Infrastructure Services Segment

- Quarterly revenues increased \$59.1 million (\$56.7 million resulting from Linetec)
- Linetec acquisition contributed \$3.1 million to quarterly earnings
- Net income for 12 months of \$47.6 million

Call Outline



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Summary Operating Results

(In thousands, except per share amounts)



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	THREE MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	2019	2018	2019	2018
Results of Consolidated Operations				
Gas operations income	\$ 3,369	\$ 2,622	\$ 152,629	\$ 163,329
Infrastructure services income	18,918	19,236	47,629	45,213
Other - corporate and administrative	(231)	(307)	(1,758)	(1,231)
Net income	<u>\$ 22,056</u>	<u>\$ 21,551</u>	<u>\$ 198,500</u>	<u>\$ 207,311</u>
Basic earnings per share	<u>\$ 0.41</u>	<u>\$ 0.44</u>	<u>\$ 3.82</u>	<u>\$ 4.29</u>
Diluted earnings per share	<u>\$ 0.41</u>	<u>\$ 0.44</u>	<u>\$ 3.82</u>	<u>\$ 4.28</u>
Average number of common shares	53,935	48,826	51,914	48,338
Average shares (assuming dilution)	54,003	48,880	51,977	48,387

Net Income

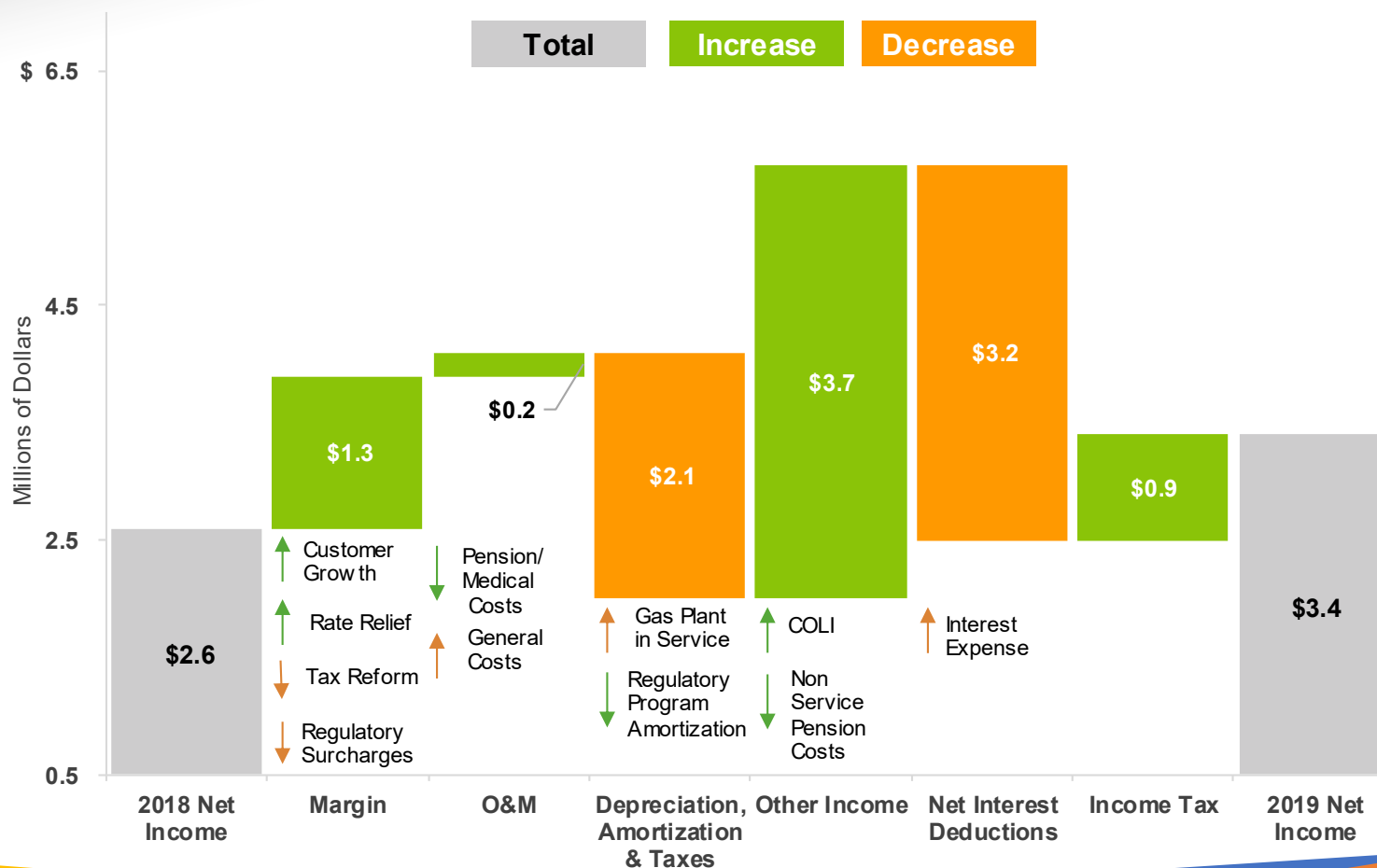
Three Months Ended June 30, 2019

Natural Gas Operations



SOUTHWEST GAS

Total Increase - \$0.8 million



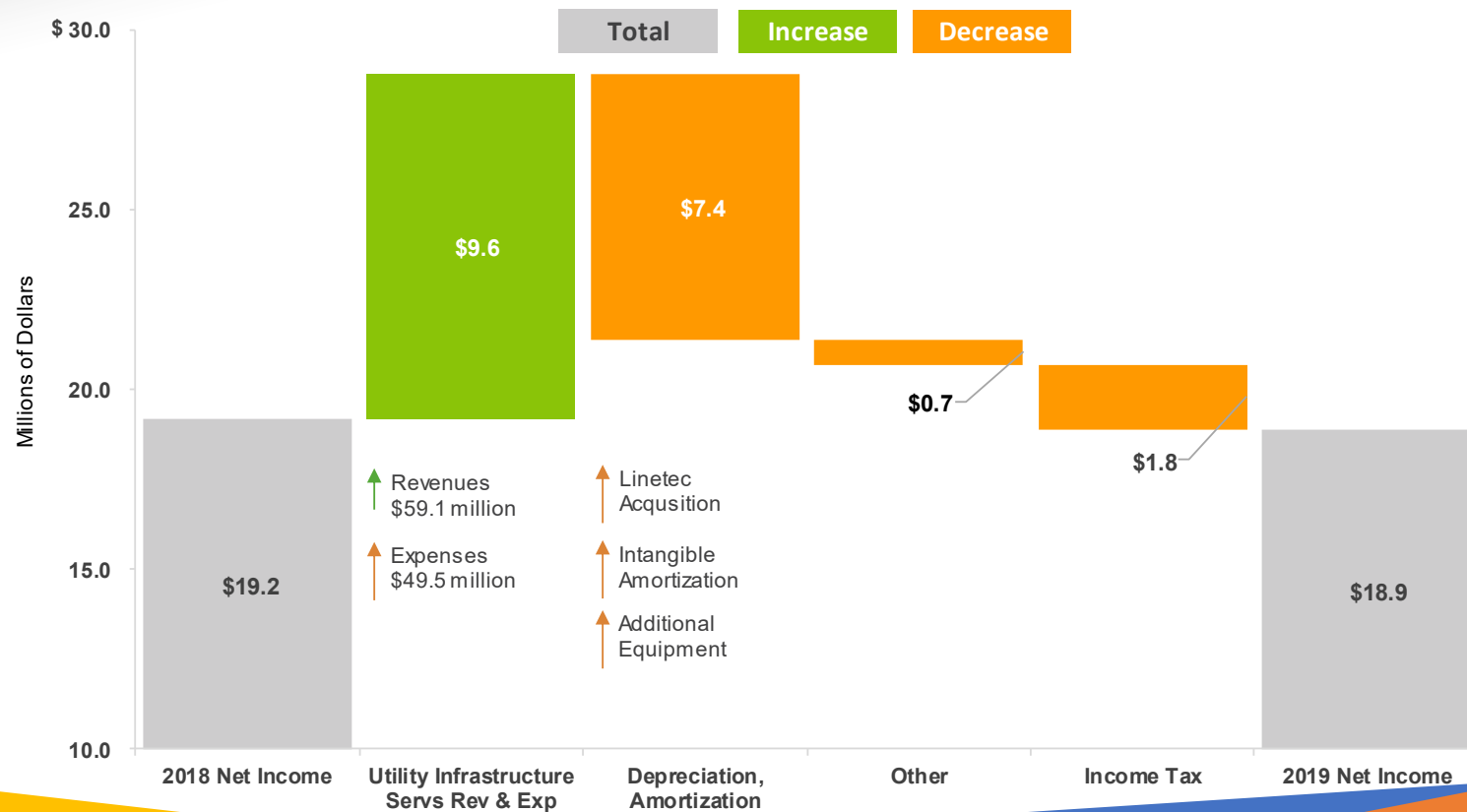
Net Income

Three Months Ended June 30, 2019

Utility Infrastructure Services



Total Decrease - \$0.3 million



Business Segments & Net Income



Natural Gas Operations



SOUTHWEST GAS

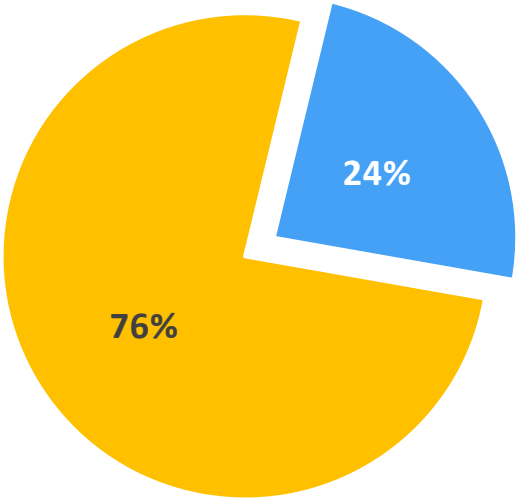
Utility Infrastructure Services



CENTURI

\$199MM

TMTD 6/30/19 Net Income

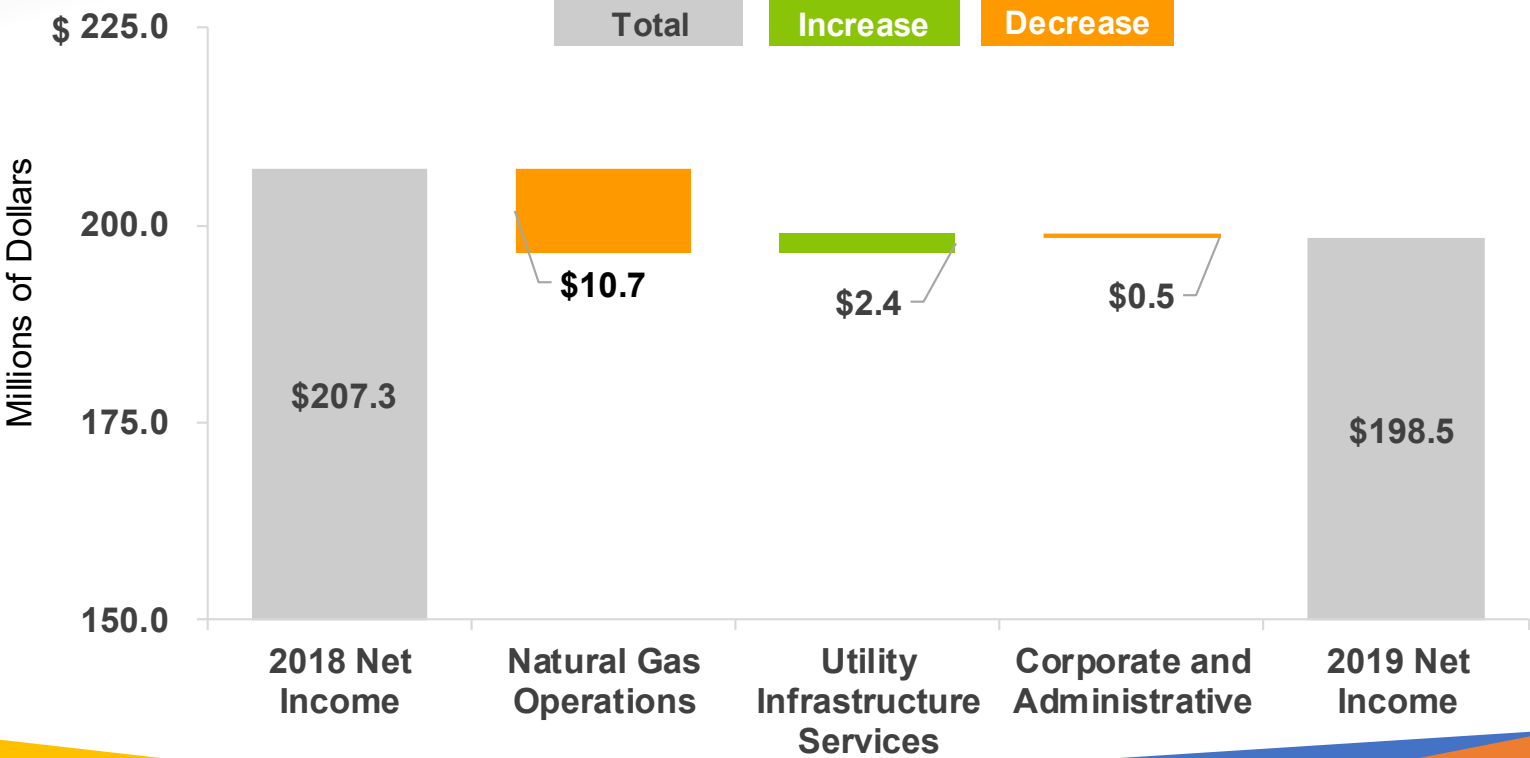


Consolidated Net Income

Twelve Months ended June 30, 2019



Total Decrease - \$8.8 million



Net Income

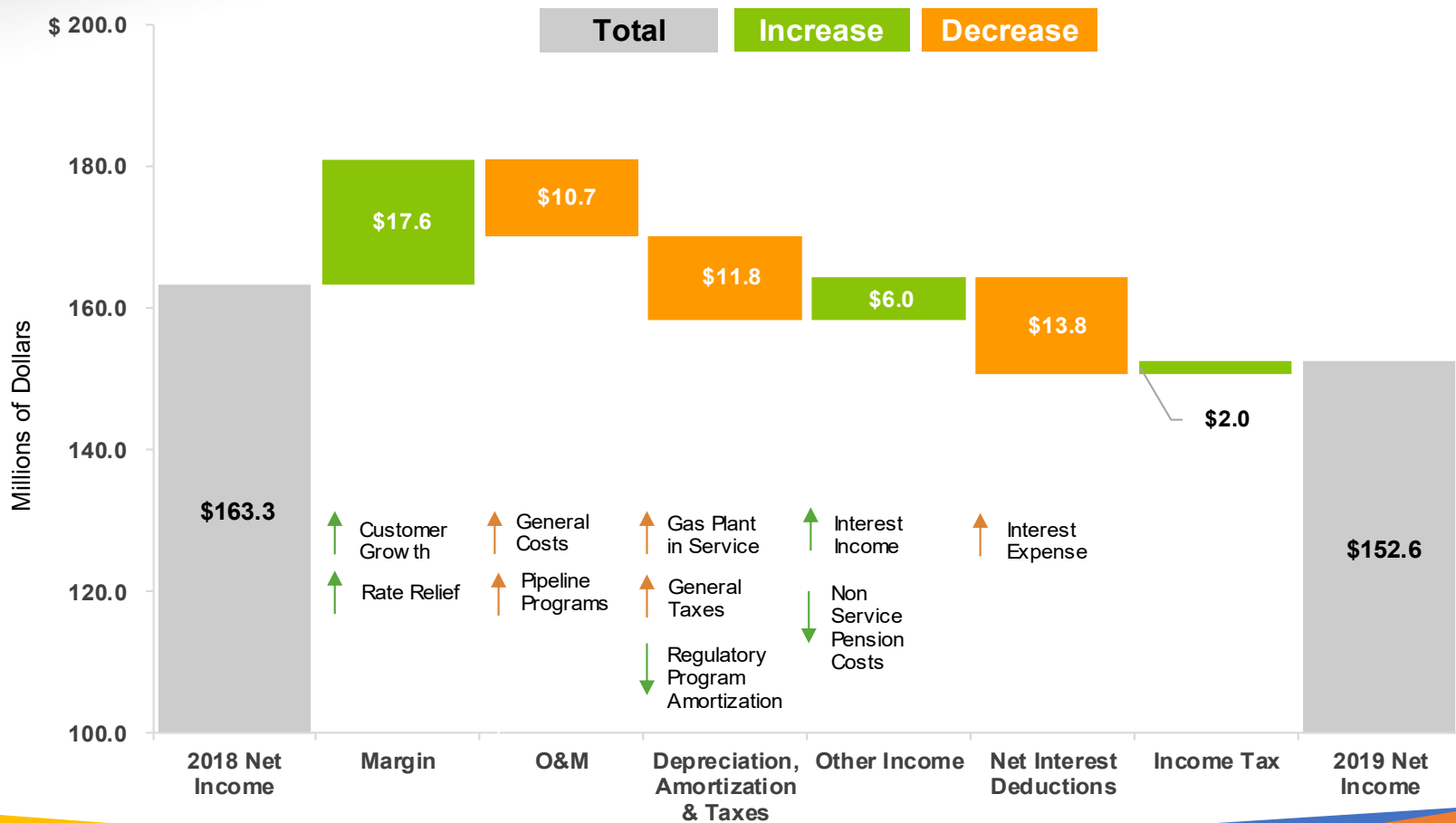
Twelve Months Ended June 30, 2019

Natural Gas Operations



SOUTHWEST GAS

Total Decrease - \$10.7 million



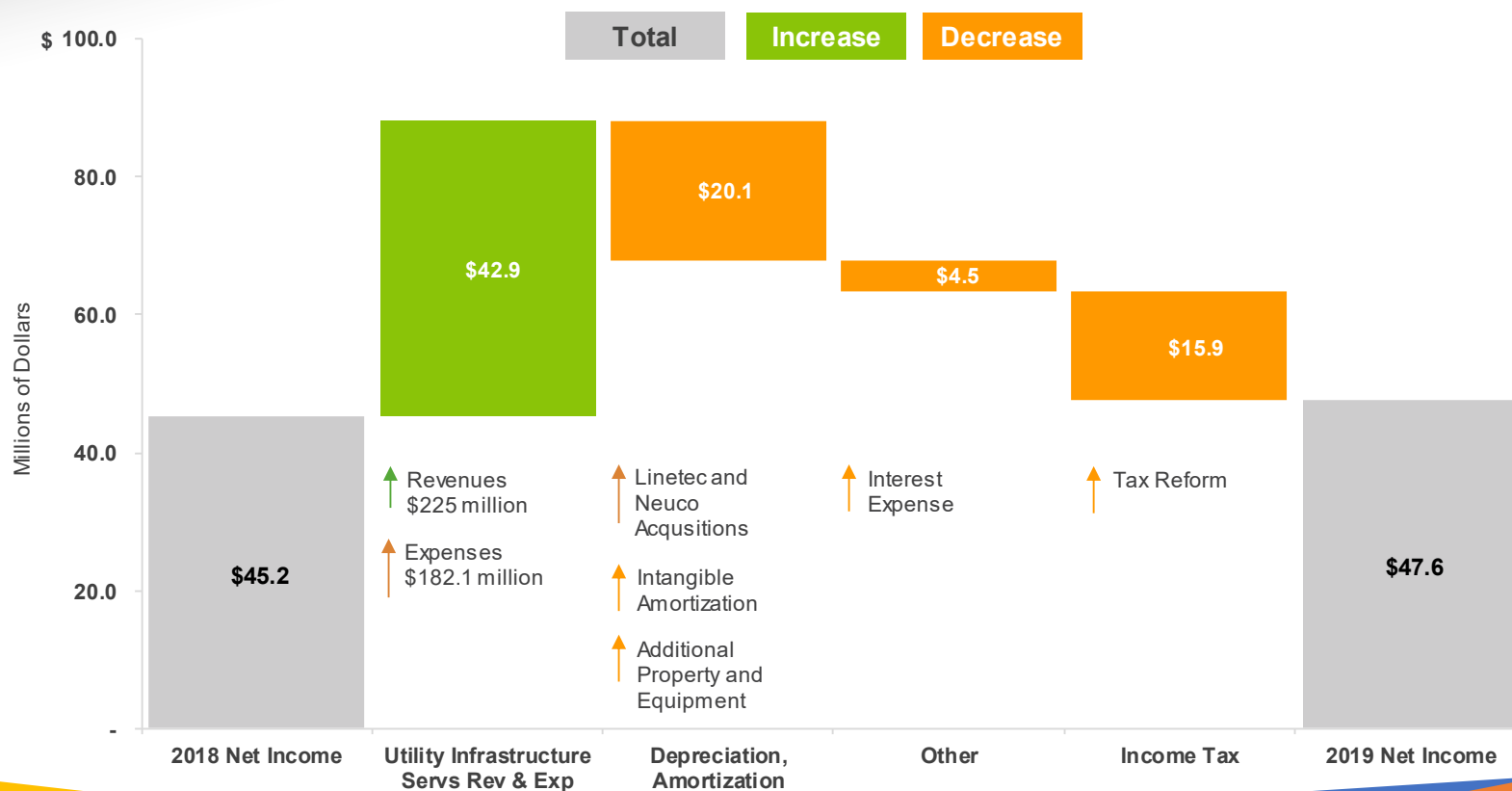
Net Income

Twelve Months ended June 30, 2019

Utility Infrastructure Services



Total Increase - \$2.4 million



Regulation Key Highlights

Natural Gas Operations



SOUTHWEST GAS

Rate Case Activity

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

Other Regulatory Initiatives

- Customer Data Modernization Initiative (CDMI)
- Proposed Spring Creek expansion project (SB 151 legislation)
- Mesquite expansion approved (SB 151)
- Liquefied Natural Gas (LNG) facility in Arizona

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 – Regulatory Proceedings

Arizona General Rate Case
Natural Gas Operations



	Southwest Gas Requested
Rate Relief	\$57 Million (8.1% increase)
Rate Base	\$2.0 Billion (\$700 million increase)
ROE	10.3%
Capital Structure - Equity	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
Estimated Effective Date	Hearing date February 17, 2020 Estimated effective date 2 nd quarter 2020

Regulation – Regulatory Proceedings

FERC General Rate Case
Natural Gas Operations



SOUTHWEST GAS



	Paiute Pipeline Company Requested
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
Estimated Effective Date	December 1, 2019

Regulation – Regulatory Proceedings



SOUTHWEST GAS

Natural Gas Operations

Upcoming General Rate Cases

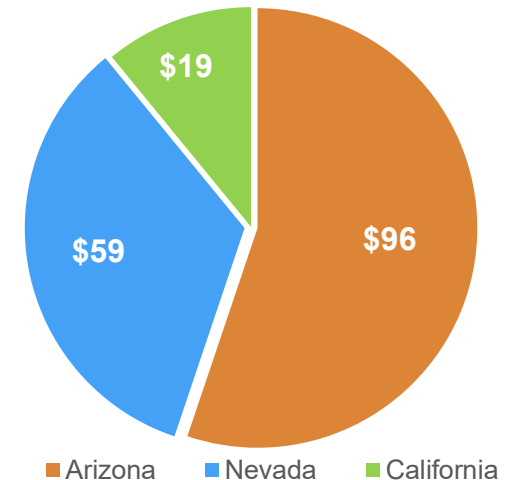
- California
 - Expect to file a general rate case before September 1, 2019
 - Continuation of post test year annual attrition increases of 2.75% through 2020
 - Incremental revenue of \$2.8 million effective January 2019

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
 - Decision expected late 2019
- 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
 - Decision expected early 2020

Total Estimated Cost:
\$174 Million

Allocation by State Rate Jurisdiction



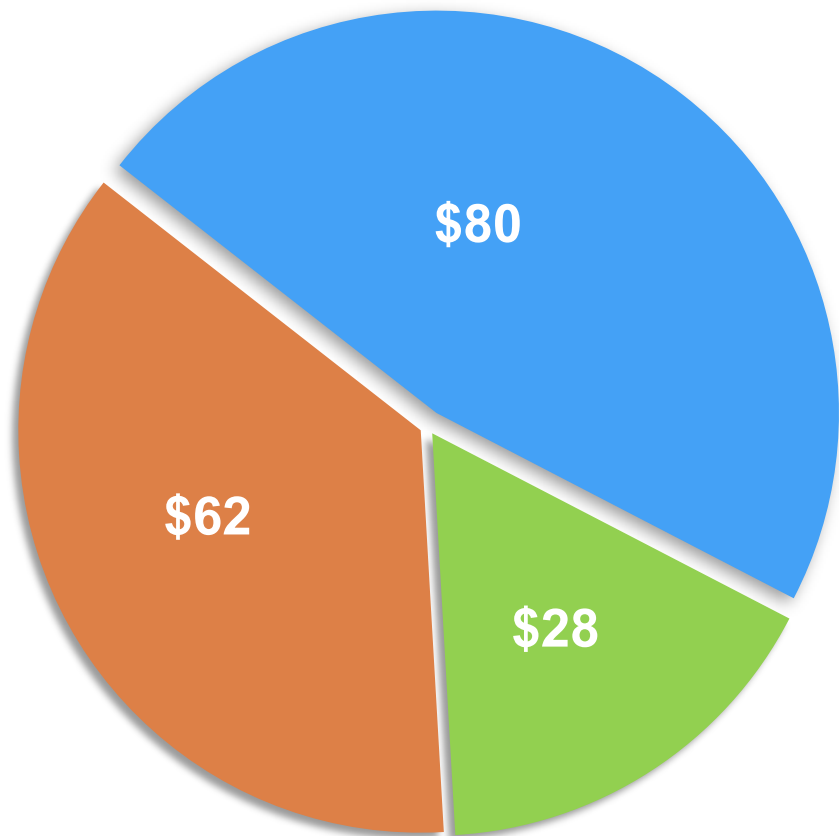
Regulation – Expansion Projects

Natural Gas Operations



SOUTHWEST GAS

\$ in millions



ARIZONA LNG FACILITY

- Approved \$80 million, 233,000 dekatherm LNG facility
- Approximately \$68 million spent through June 2019
- LNG facility is expected to be completed and placed in service by September 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

NORTHERN NEVADA EXPANSION

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

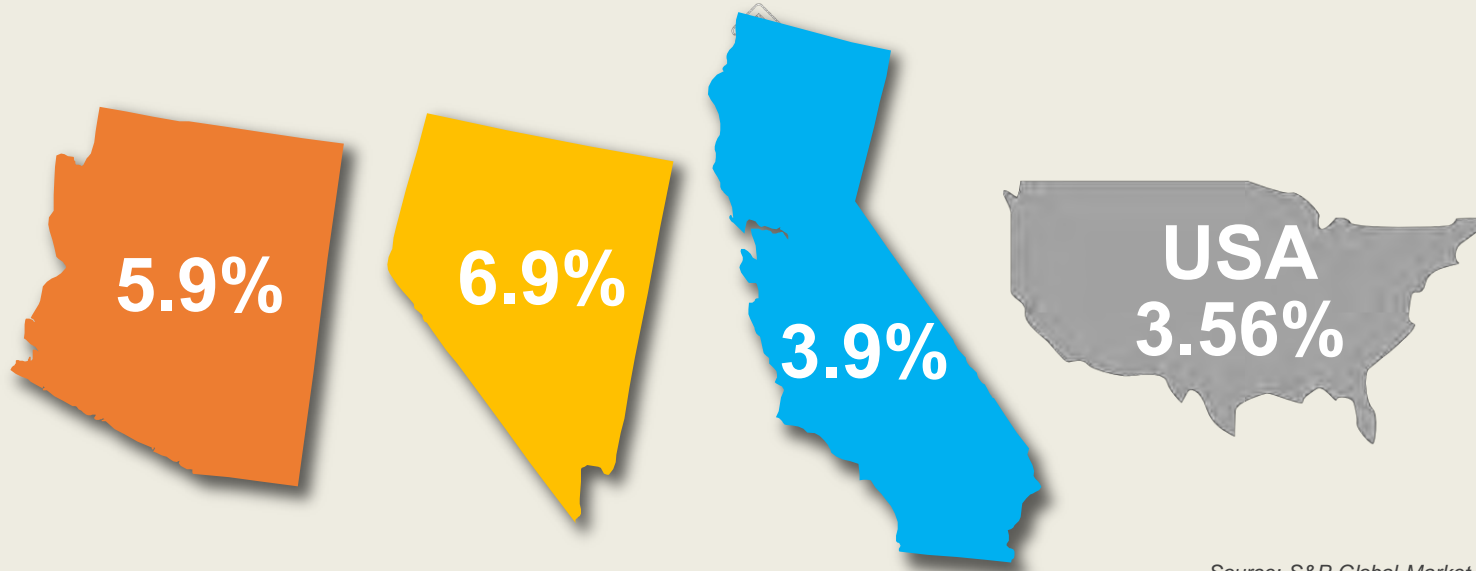
Growth & Economic Conditions

Natural Gas Operations



SOUTHWEST GAS

Projected population cumulative % change 2019-2024



Source: S&P Global Market Intelligence

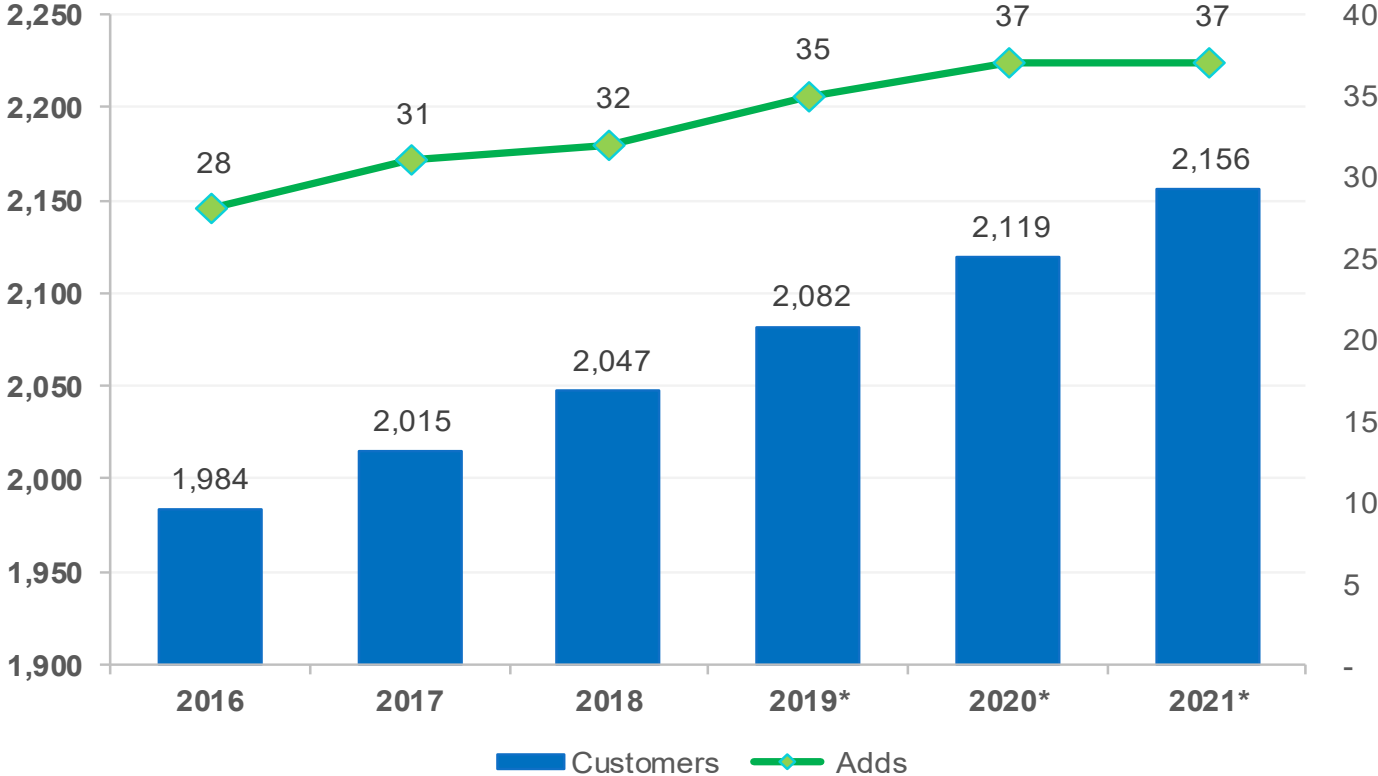
	Unemployment Rate		Employment Growth	
	<u>June 2018</u>	<u>June 2019</u>	<u>June 2018</u>	<u>June 2019</u>
Southern California	4.7%	3.5%	3.2%	1.8%
Southern Nevada	4.7%	4.8%	3.5%	2.9%
Northern Nevada	3.9%	4.1%	0.2%	0.5%
Southern Arizona	4.5%	5.0%	2.1%	2.0%
Central Arizona	4.2%	4.6%	3.1%	3.3%

Customer Growth

Natural Gas Operations



Year ended December 31,
(In thousands)



* Projected

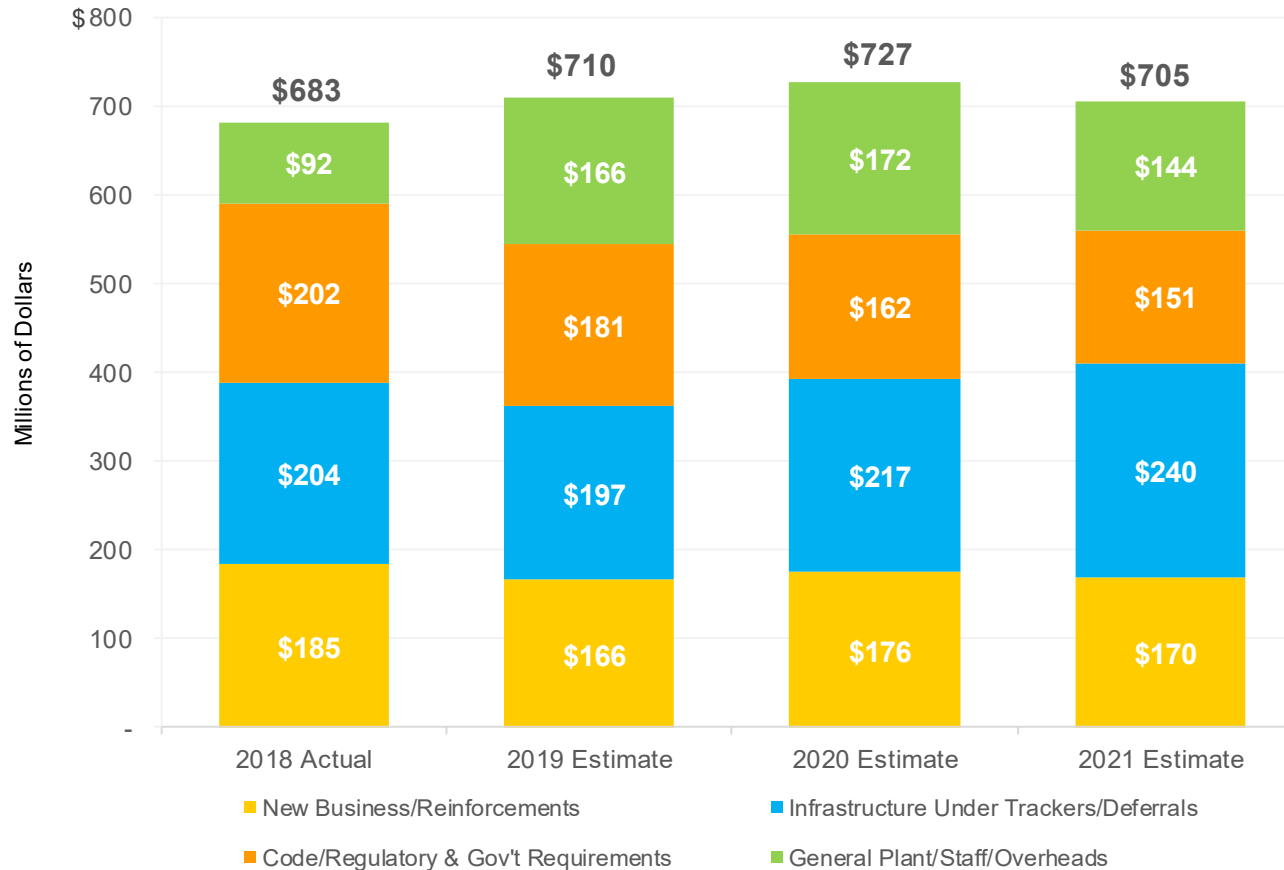
Capital Expenditures

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)

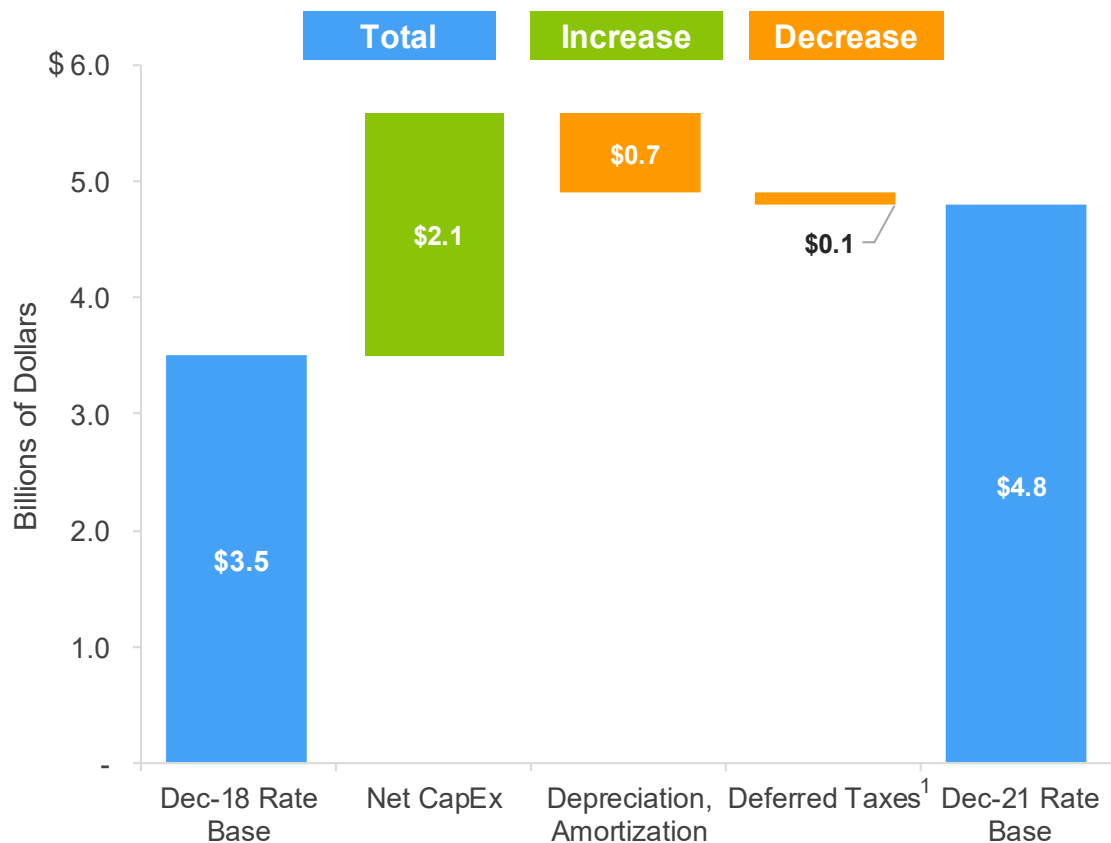
2019-2021 estimate of \$2.1 billion

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

CAGR = compound annual growth rate

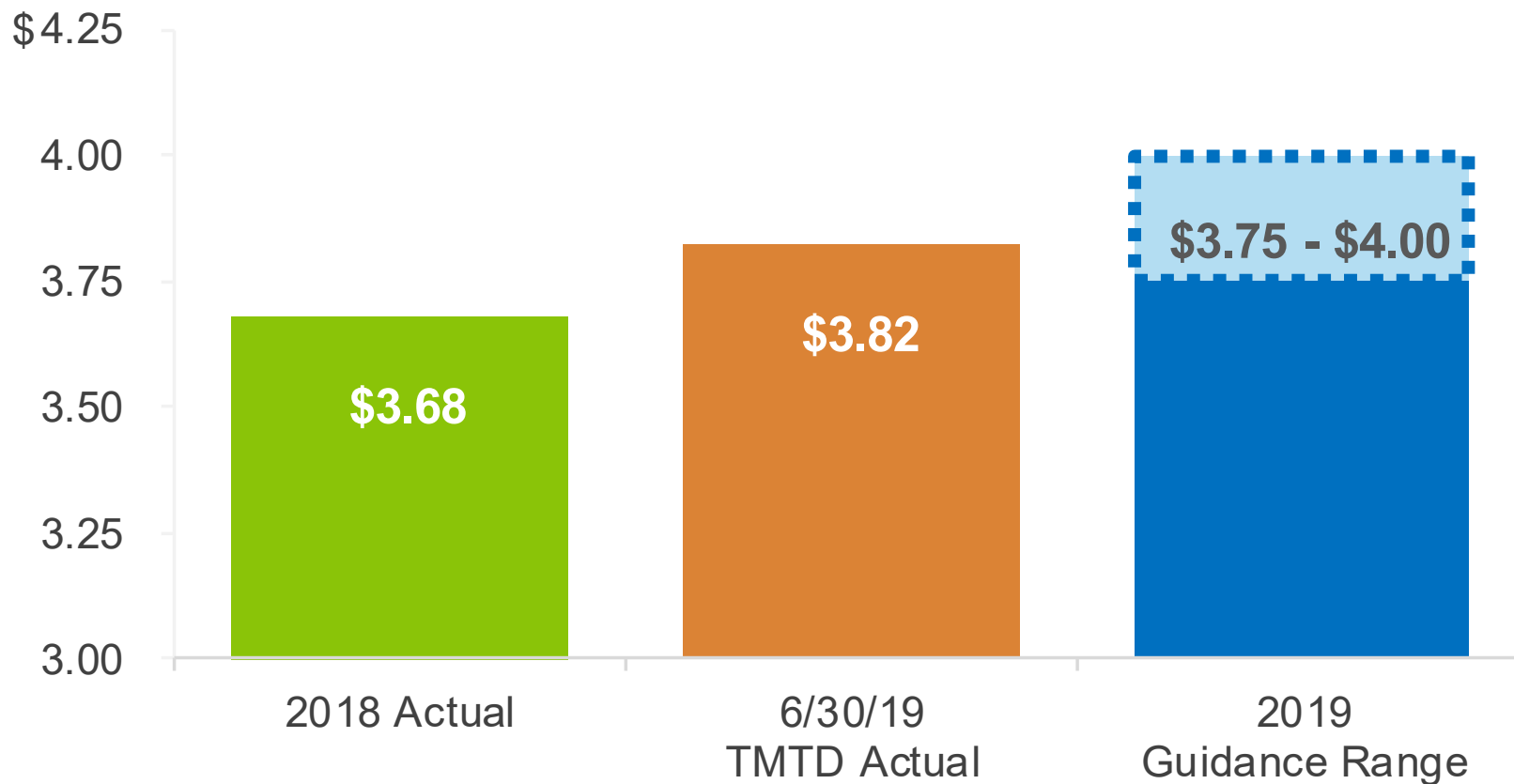
¹ Includes changes in the regulatory liability created due to tax reform.

2019 EPS Guidance*



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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*



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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. 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 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 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 coupled with frequent rate filings mitigate 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 is a complex arrangement of overlapping, thin-lined squares and rectangles, some of which are rotated. In the bottom-right corner, there is a similar but more solid-looking geometric structure, possibly representing a folded paper or a specific architectural form. 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

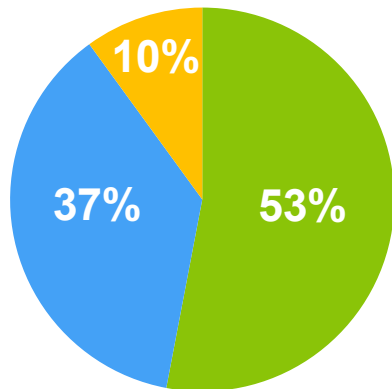


TMTD June 30, 2019

Customer & Operating Margin Distribution

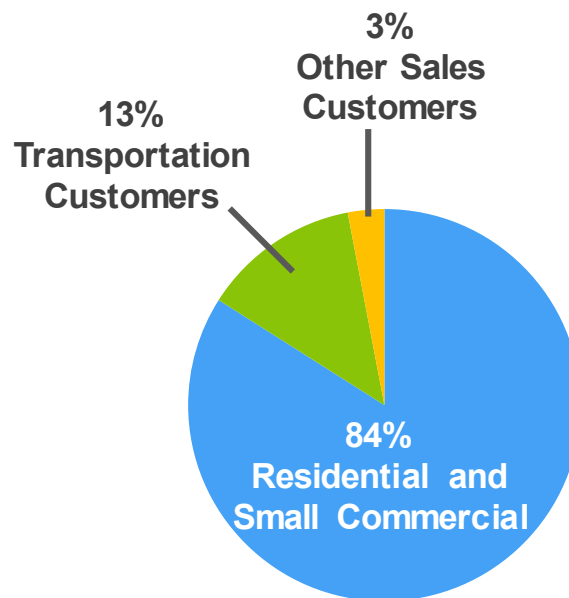
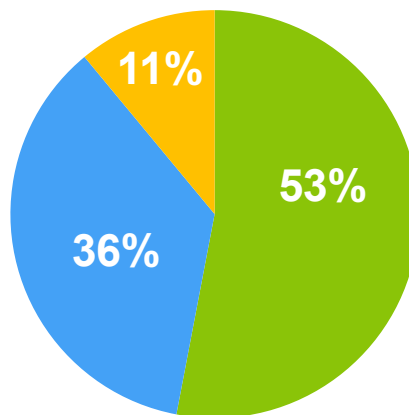
By State

Customers



- Arizona
- Nevada
- California

Margin



Consistent trends year over year

Customers by State

Natural Gas Operations

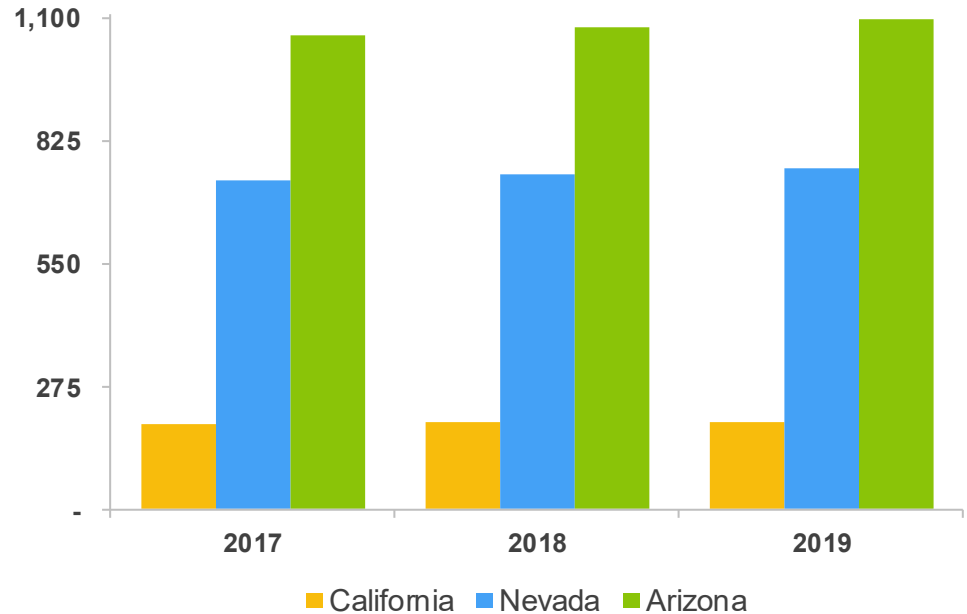
(In thousands)



SOUTHWEST GAS

As of June 30,

	2017	2018	2019
Arizona	1,063	1,080	1,098
Nevada	738	752	766
California	193	195	197
Total	1,994	2,027	2,061



Summary Operating Results

Natural Gas Operations

(In thousands)



SOUTHWEST GAS

THREE MONTHS ENDED JUNE 30,

2019

2018

Results of Natural Gas Operations

Gas operating revenues	\$ 258,711	\$ 275,679
Net cost of gas sold	65,182	83,466
Operating margin	193,529	192,213
Operations and maintenance expense	104,991	105,208
Depreciation and amortization	49,343	47,664
Taxes other than income taxes	15,126	14,666
Operating income	24,069	24,675
Other income (deductions)	1,592	(2,094)
Net interest deductions	23,345	20,149
Income before income taxes	2,316	2,432
Income tax expense (benefit)	(1,053)	(190)
Segment net income	\$ 3,369	\$ 2,622

Summary Operating Results

Natural Gas Operations

(In thousands)



SOUTHWEST GAS

TWELVE MONTHS ENDED JUNE 30,

2019

2018

Results of Natural Gas Operations

Gas operating revenues	\$ 1,367,124	\$ 1,349,536
Net cost of gas sold	407,976	407,943
Operating margin	959,148	941,593
Operations and maintenance expense	407,948	397,251
Depreciation and amortization	201,146	192,098
Taxes other than income taxes	61,307	58,590
Operating income	288,747	293,654
Other income (deductions)	(3,005)	(9,036)
Net interest deductions	88,780	74,936
Income before income taxes	196,962	209,682
Income tax expense	44,333	46,353
Segment net income	\$ 152,629	\$ 163,329

Purchased Gas Adjustment (PGA) Balances



Natural Gas Operations
(In thousands)

	June 30, 2019	December 31, 2018	June 30, 2018
Arizona	\$ (87,692)	\$ (72,878)	\$ (9,167)
Northern Nevada	9,967	4,928	(4,555)
Southern Nevada	48,273	(5,951)	(7,364)
California	(2,041)	(933)	(5,279)
Total Receivable/(Payable)	<u>\$ (31,493)</u>	<u>\$ (74,834)</u>	<u>\$ (26,365)</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><u>\$ 2,908,956</u></u>	<u><u>100 %</u></u>		<u><u>9.49 %</u></u>		
Weighted average authorized ROE				<u><u>9.49 %</u></u>		

¹Estimated amounts based on rate case settlement.

Regulation

Arizona General Rate Case Natural Gas Operations



SOUTHWEST GAS

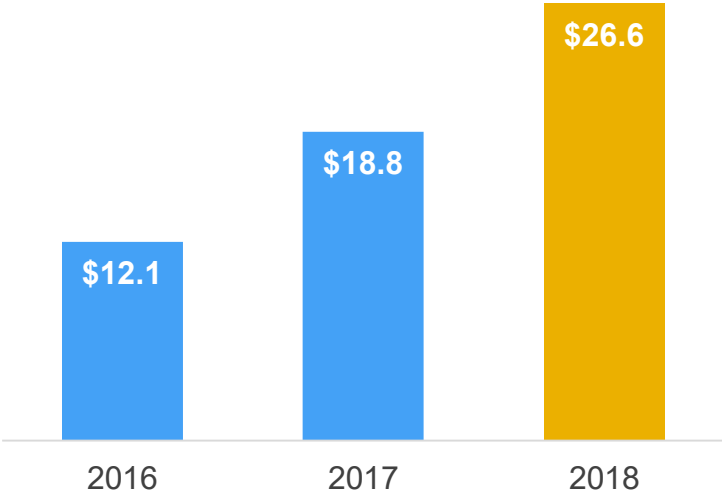
Date	Procedural Schedule - Docket No. G-01551A-19-0055
May 1, 2019	Application Filed
Except Class Cost of Service and Rate Design	
December 3, 2019	Direct Testimony (Staff/Intervenor)
Class Cost of Service and Rate Design	
December 18, 2019	Direct Testimony (Staff/Intervenor)
Other Testimonies	
January 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 17, 2020	Commence Hearing

Regulation – Infrastructure Replacement Programs

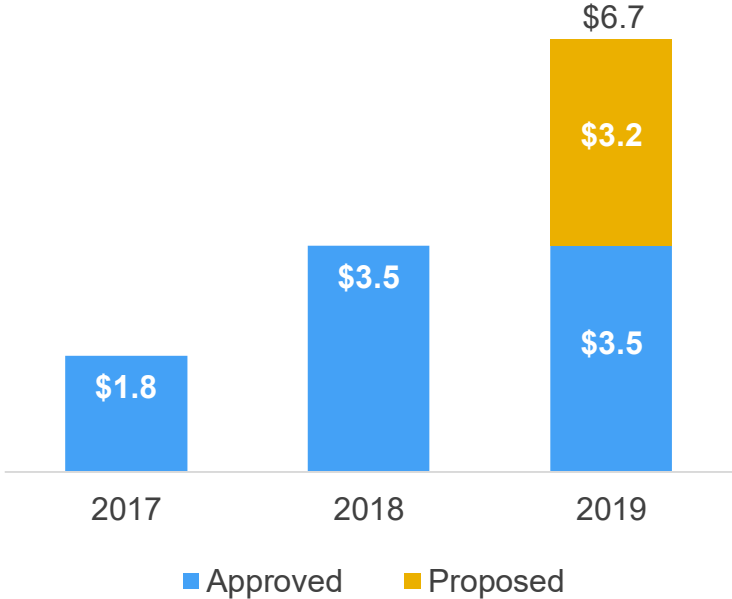


Natural Gas Operations
(In millions)

Arizona COYL
Capital Investment



Arizona COYL
Surcharge Revenue



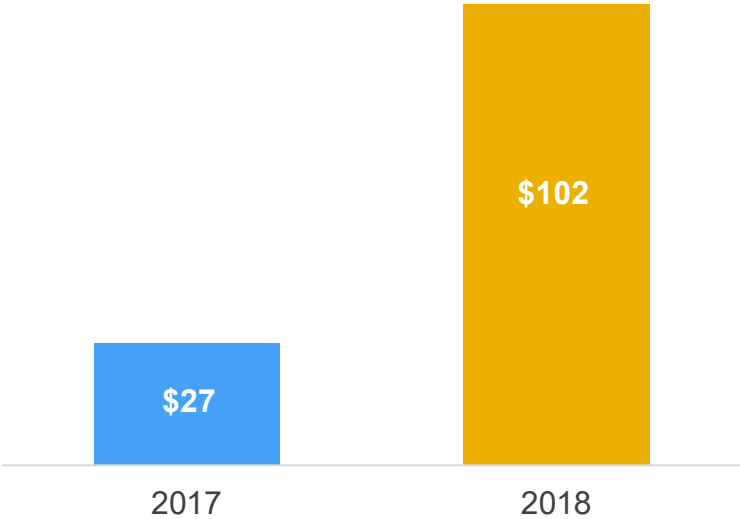
Surcharge proposal decision expected in the Third Quarter of 2019

Regulation – Infrastructure Replacement Programs

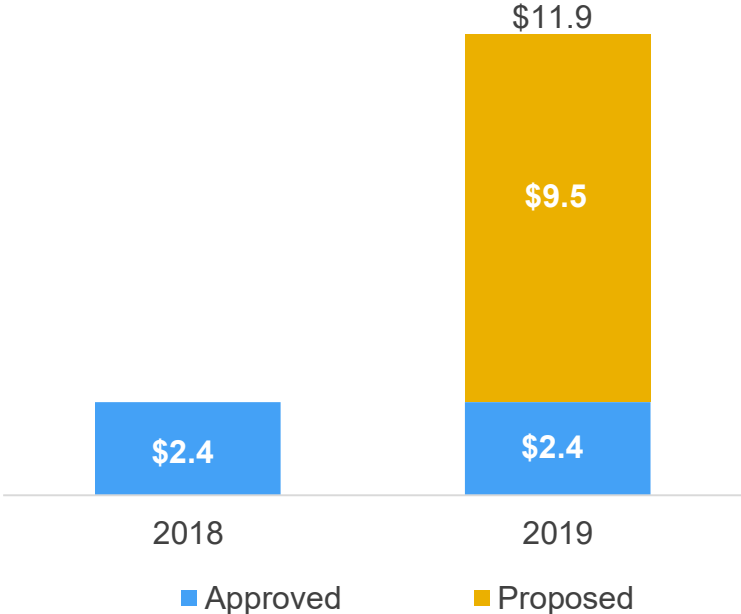


Natural Gas Operations
(In millions)

Arizona VSP
Capital Investment



Arizona VSP
Surcharge Revenue



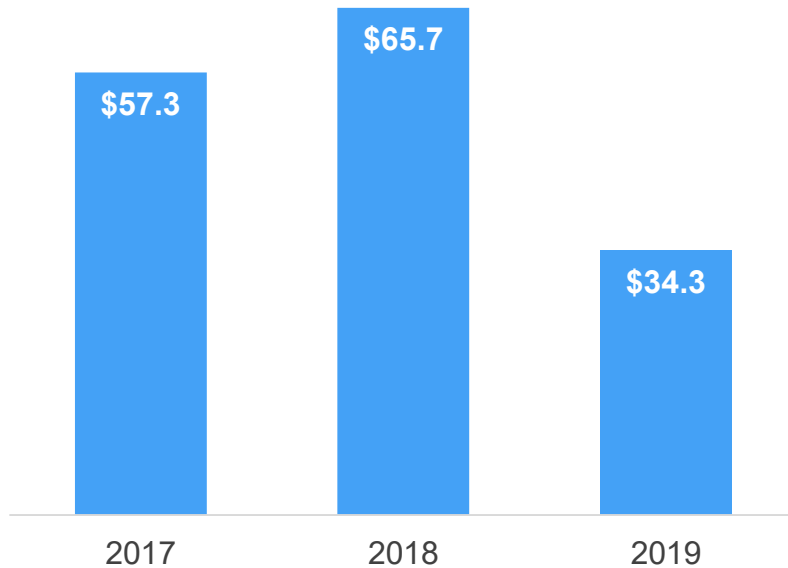
Surcharge proposal decision expected in the Third Quarter of 2019

Regulation – Infrastructure Replacement Programs

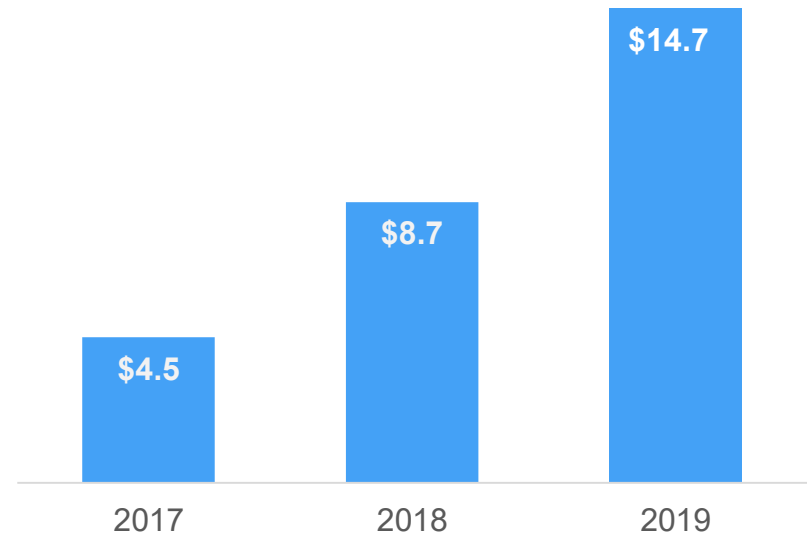


Natural Gas Operations
(In millions)

Nevada GIR Program
Capital Investment



Nevada GIR Program
Surcharge Revenue

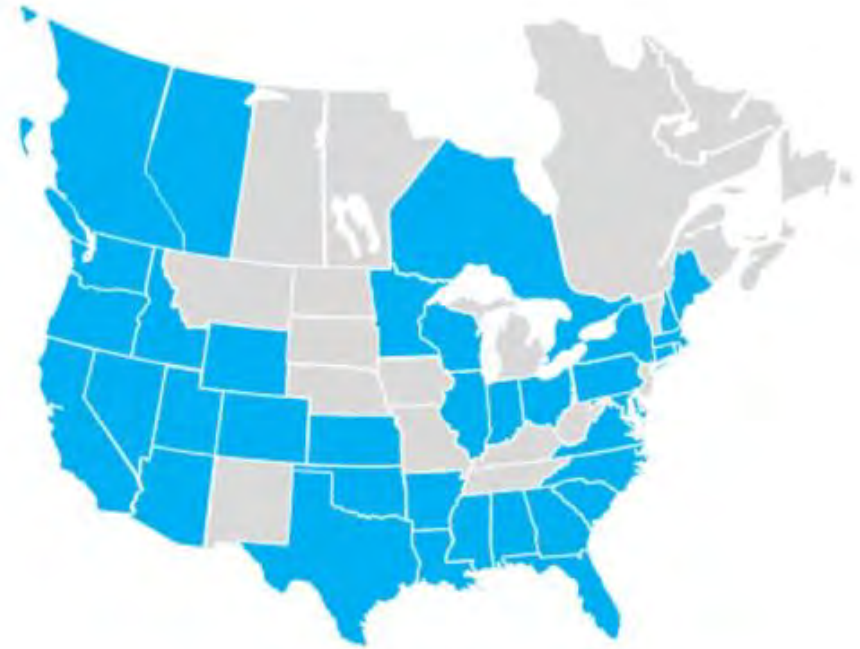


Centuri Group

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 – Major Customers



An Exelon Company



Summary Operating Results

Utility Infrastructure Services
(In thousands)



	THREE MONTHS ENDED JUNE 30,	
	2019	2018
Utility infrastructure services revenues	\$ 454,300	\$ 395,204
Utility infrastructure services expenses	402,199	352,671
Depreciation and amortization	20,999	13,643
Operating income	31,102	28,890
Other income (deductions)	(477)	(632)
Net interest deductions	3,457	3,308
Income tax expense	7,474	5,714
Noncontrolling interests	776	-
Segment net income	\$ 18,918	\$ 19,236

Summary Operating Results

Utility Infrastructure Services

(In thousands)



	TWELVE MONTHS ENDED JUNE 30,	
	2019	2018
Utility infrastructure services revenues	\$ 1,634,226	\$ 1,409,263
Utility infrastructure services expenses	1,478,730	1,296,629
Depreciation and amortization	72,162	52,078
Operating income	83,334	60,556
Other income (deductions)	529	(272)
Net interest deductions	14,412	11,357
Income tax expense	20,299	4,364
Noncontrolling interests	1,523	(650)
Segment net income	<u>\$ 47,629</u>	<u>\$ 45,213</u>

Service and Contract Types

Utility Infrastructure Services



	Three months ended June 30,				Twelve months ended June 30,			
	(Thousands of Dollars)		(Percentage)		(Thousands of Dollars)		(Percentage)	
	2019	2018	2019	2018	2019	2018	2019	2018
Service Types:								
Gas infrastructure services	\$ 323,817	\$ 300,346	71.3%	76.0%	\$ 1,205,197	\$ 1,072,082	73.7%	76.1%
Electric power infrastructure services	61,366	3,994	13.5%	1.0%	136,900	19,350	8.4%	1.4%
Other	69,117	90,864	15.2%	23.0%	292,129	317,831	17.9%	22.5%
Total Utility infrastructure services revenues	<u>\$ 454,300</u>	<u>\$ 395,204</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,634,226</u>	<u>\$ 1,409,263</u>	<u>100.0%</u>	<u>100.0%</u>

	Three months ended June 30,				Twelve months ended June 30,			
	(Thousands of Dollars)		(Percentage)		(Thousands of Dollars)		(Percentage)	
	2019	2018	2019	2018	2019	2018	2019	2018
Contract Types:								
Master service agreements	\$ 375,860	\$ 290,075	82.7%	73.4%	\$ 1,229,388	\$ 1,014,517	75.2%	72.0%
Bid contract	78,440	105,129	17.3%	26.6%	404,838	394,746	24.8%	28.0%
Total Utility infrastructure services revenues	<u>\$ 454,300</u>	<u>\$ 395,204</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,634,226</u>	<u>\$ 1,409,263</u>	<u>100.0%</u>	<u>100.0%</u>
Unit priced contracts	\$ 355,487	\$ 329,236	78.2%	83.3%	\$ 1,323,034	\$ 1,102,335	81.0%	78.2%
Fixed price contracts	4,426	27,025	1.0%	6.8%	107,697	138,658	6.6%	9.8%
Time and material contracts	94,387	38,943	20.8%	9.9%	203,495	168,270	12.4%	12.0%
Total Utility infrastructure services revenues	<u>\$ 454,300</u>	<u>\$ 395,204</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,634,226</u>	<u>\$ 1,409,263</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	12.6%	\$205	41	6
2	10.0%	163	34	6
3	7.4%	120	42	5
4	6.4%	104	15	5
5	6.2%	102	12	5
6	6.1%	100	24	9
7	5.8%	95	23	7
8	4.7%	77	18	5
9	3.9%	64	25	10
10	3.3%	55	19	3
11	3.1%	50	11	8
12	2.9%	47	30	8
13	2.3%	37	3	3
14	2.2%	36	51	3
15	2.1%	35	8	5
16	1.9%	30	20	4
17	1.5%	24	4	4
18	1.3%	21	10	3
19	1.2%	20	4	2
20	1.2%	20	4	2
Total Weighted Average		\$1,405	20	5

Top 5 42.6%

Top 10 66.4%

Top 15 79.0%

Top 20 86.1%

¹Twelve months ended June 30, 2019

Economic Overview – Service Area

Natural Gas Operations



SOUTHWEST GAS

Unemployment Rate

Employment Growth

June 2018

June 2019

June 2018

June 2019

Southern California ¹	4.7%	3.5%	3.2%	1.8%
Southern Nevada ²	4.7%	4.8%	3.5%	2.9%
Northern Nevada ³	3.9%	4.1%	0.2%	0.5%
Southern Arizona ⁴	4.5%	5.0%	2.1%	2.0%
Central Arizona ⁴	4.2%	4.6%	3.1%	3.3%

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

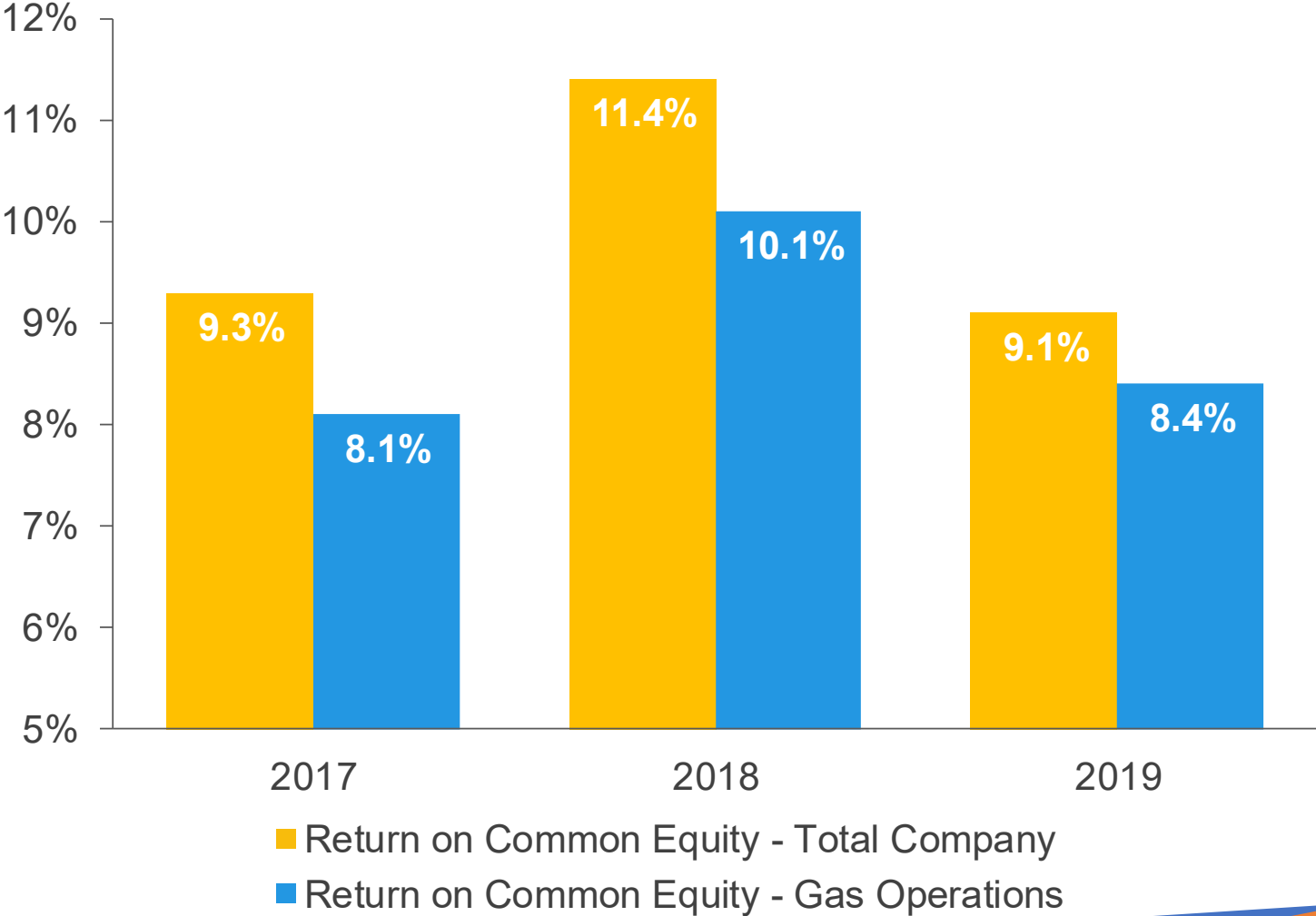
² Source: Nevada Department of Employment, Training and Rehabilitation (DETR), Economy In Brief, <http://nevadaworkforce.com>

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 June 30

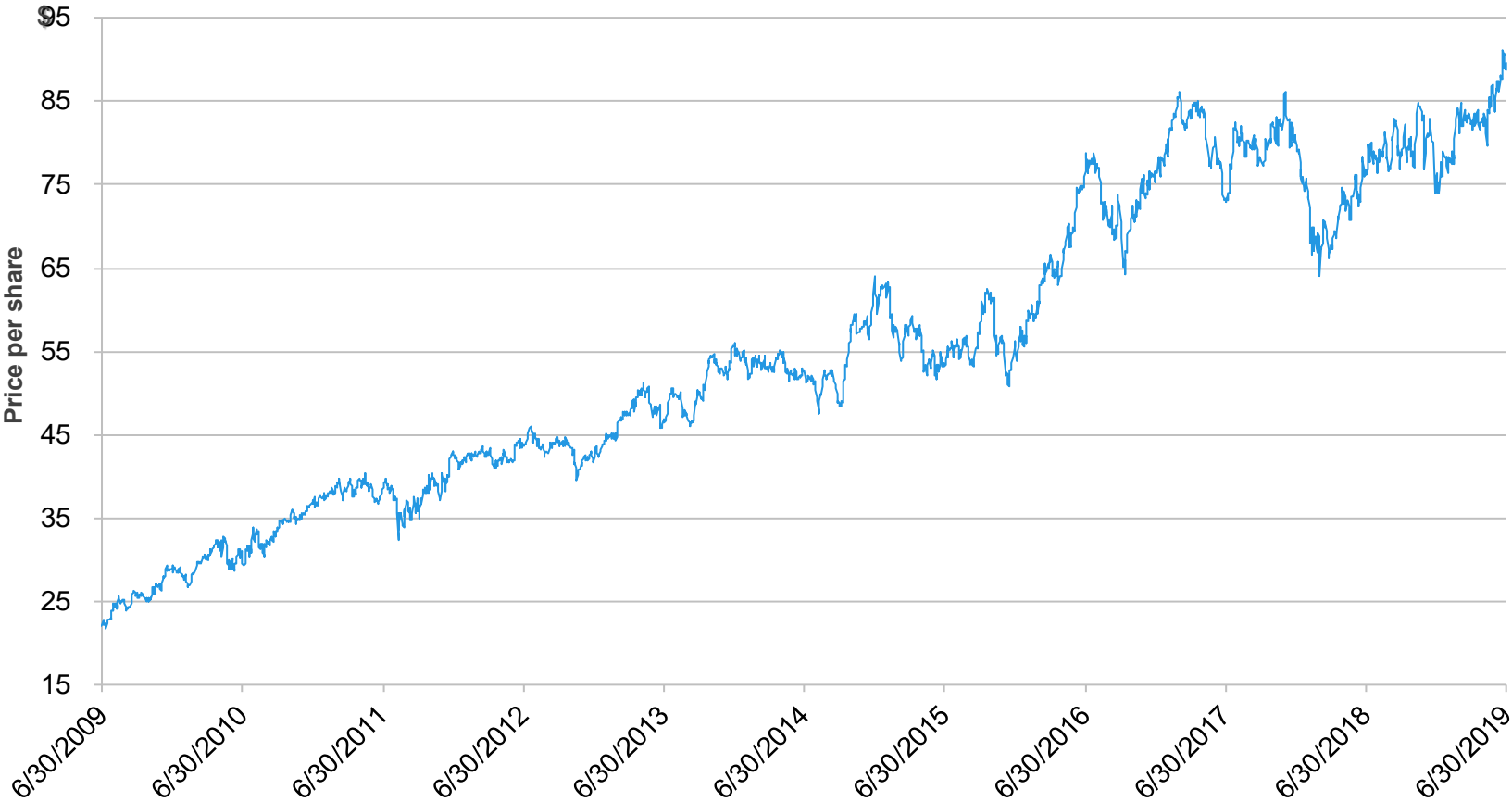


Stock Performance



Southwest Gas
HOLDINGS

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



Comparative Total Returns



Southwest Gas
HOLDINGS

Total Returns for Periods Ended June 30, 2019

	1-Year	3-Year	5-Year	10-Year
Southwest Gas Holdings	20.64%	7.13%	14.14%	18.18%
S&P 400 MidCap Gas Index	12.51%	9.40%	11.27%	15.17%
S&P Composite Utilities Index	18.65%	8.44%	10.25%	12.71%
S&P 500 Index	10.44%	14.21%	10.71%	14.69%

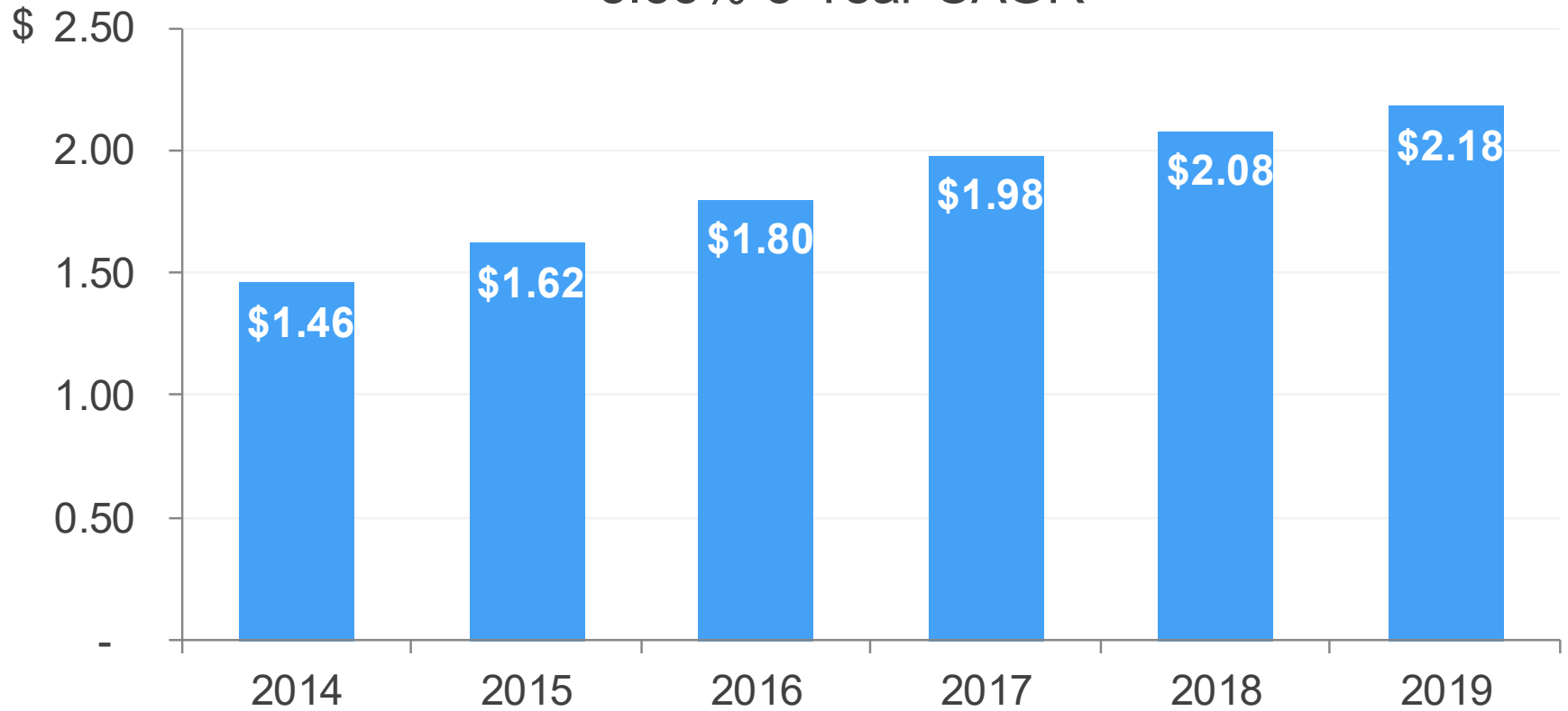
Total Return = Price appreciation plus gross dividends reinvested

Dividend Growth



Southwest Gas[™]
HOLDINGS

8.35% 5-Year CAGR



Consolidated Capital Structure

(In millions)



Southwest Gas
HOLDINGS

Capitalization at June 30,	2015	2016	2017	2018	2019
Equity ¹	\$ 1,569	\$ 1,657	\$ 1,734	\$ 1,932	\$ 2,502
Long-Term Debt ²	1,542	1,478	1,713	2,070	2,410
Total Permanent Capital	\$ 3,111	\$ 3,135	\$ 3,447	\$ 4,002	\$ 4,912
Capitalization ratios					
Equity ¹	50.4%	52.9%	50.3%	48.3%	50.9%
Long-Term Debt ²	49.6%	47.1%	49.7%	51.7%	49.1%
Total Permanent Capital	100.0%	100.0%	100.0%	100.0%	100.0%

¹ Includes redeemable noncontrolling interests

² Includes current maturities of long-term debt

Investment Grade Credit Ratings



Southwest Gas[™]
HOLDINGS

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	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 JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	2019	2018	2019	2018
	(In thousands)			
Natural Gas Operations				
Gas Operating Revenue	\$ 258,711	\$ 275,679	\$ 1,367,124	\$ 1,349,536
Less: Net cost of gas sold	65,182	83,466	407,976	407,943
Operating Margin	<u>\$ 193,529</u>	<u>\$ 192,213</u>	<u>\$ 959,148</u>	<u>\$ 941,593</u>