



Southwest Gas[™]
HOLDINGS

2020 2nd Quarter Earnings Conference Call

August 7, 2020



PARTICIPANTS



JOHN HESTER

PRESIDENT AND CEO
SOUTHWEST GAS HOLDINGS



GREG PETERSON

SVP/CFO
SOUTHWEST GAS HOLDINGS



JUSTIN BROWN

SVP/GENERAL COUNSEL
SOUTHWEST GAS CORPORATION



KEN KENNY

VP/FINANCE/TREASURER
SOUTHWEST GAS HOLDINGS

SAFE HARBOR STATEMENT

This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission (“SEC”). We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These include, without limitation, our 2020 expectations for our utility infrastructure services and natural gas operations segments, projected natural gas operations customer growth through 2022, estimated natural gas operations capital expenditures through 2022, our 2020 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 and our Quarterly Reports on Form 10-Q for the periods ended March and June 2020 filed with the SEC, and other reports that we file with the SEC from time to time, and the following:

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

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

2020 HIGHLIGHTS



Southwest Gas[™]
HOLDINGS

- Quarterly EPS of \$0.68
- COLI gain of \$12 million (\$0.22 per share)



SOUTHWEST GAS

- 36,000 first-time meter sets over the past 12 months
- \$5.7 million decrease in operations and maintenance expense
- Issued \$450 million in 2.2% 10-year Notes – record low fixed rate
- California general rate case settlement agreement filed August 3, 2020



CENTURI

- Record second quarter net income of \$26.3 million
- 55% increase in electric service revenues
- Total revenues increased \$41 million
- Operating income increased 30%



Financial Results – June 30, 2020



Regulation



COVID-19 Update



Growing Customer Base



Capital, Rate Base Growth and Liquidity



Dividend Growth



Sustainability Efforts



2020 Expectations

SUMMARY OF OPERATING RESULTS

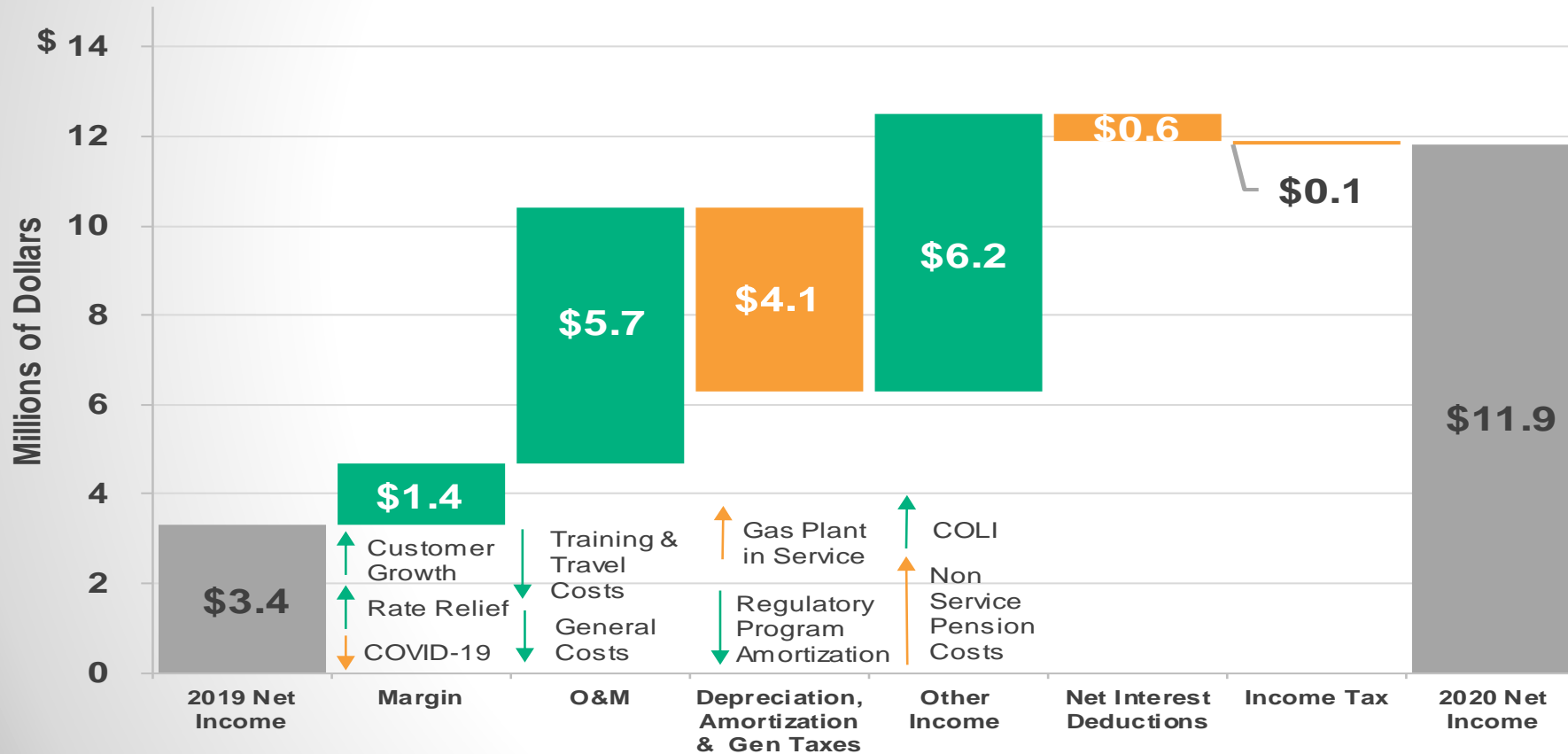
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three months ended June 30,		Twelve months ended June 30,	
	2020	2019	2020	2019
Results of Consolidated Operations				
Natural gas operations income	\$ 11,942	\$ 3,369	\$ 151,954	\$ 152,629
Utility infrastructure services income	26,267	18,918	57,581	47,629
Other - corporate and administrative	(244)	(231)	(1,957)	(1,758)
Net income	<u>\$ 37,965</u>	<u>\$ 22,056</u>	<u>\$ 207,578</u>	<u>\$ 198,500</u>
Basic earnings per share	<u>\$ 0.68</u>	<u>\$ 0.41</u>	<u>\$ 3.77</u>	<u>\$ 3.82</u>
Diluted earnings per share	<u>\$ 0.68</u>	<u>\$ 0.41</u>	<u>\$ 3.76</u>	<u>\$ 3.82</u>
Weighted average common shares	55,462	53,935	55,105	51,914
Weighted average diluted shares	55,532	54,003	55,171	51,977

NET INCOME

THREE MONTHS ENDED JUNE 30, 2020
NATURAL GAS OPERATIONS

■ Total ■ Increase ■ Decrease

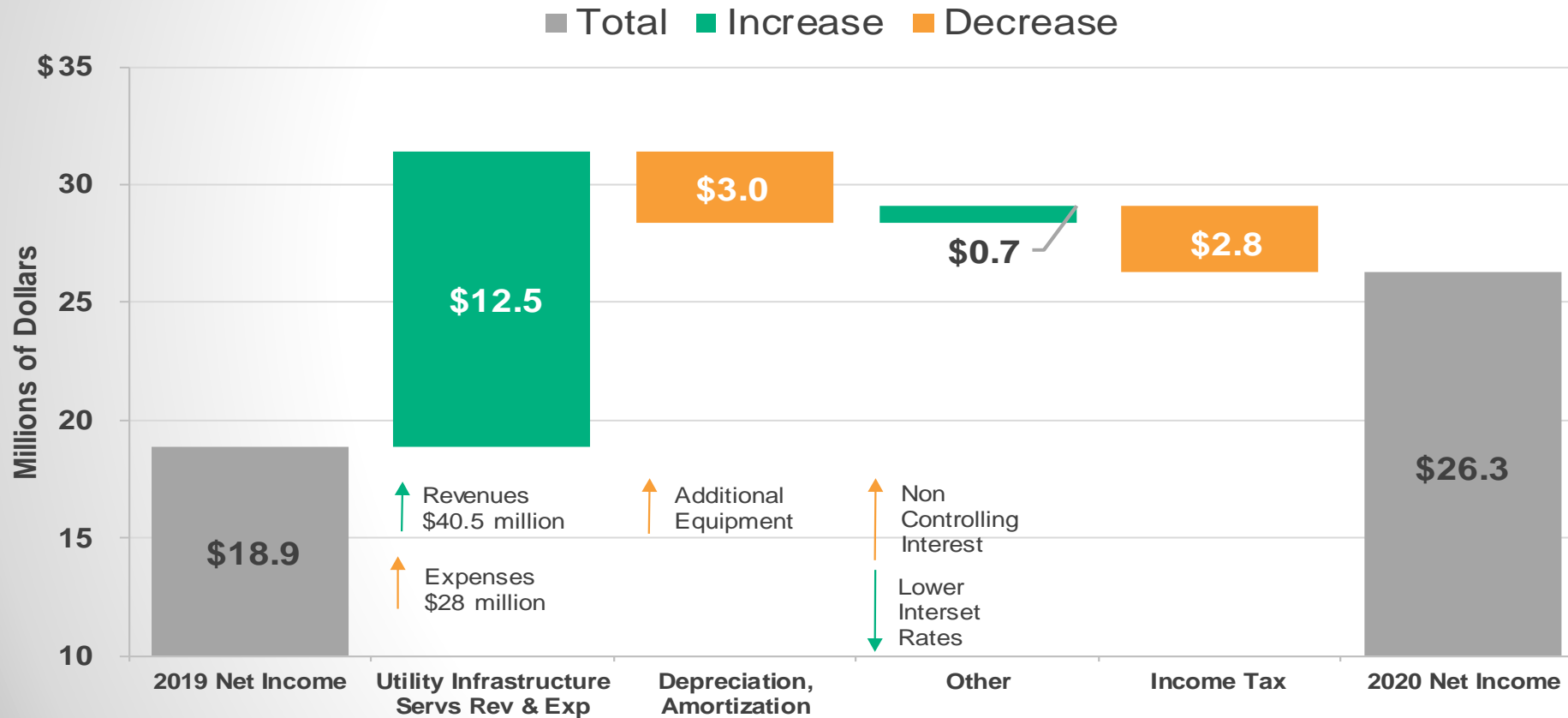


Total Increase
\$8.5 million

NET INCOME

THREE MONTHS ENDED JUNE 30, 2020
UTILITY INFRASTRUCTURE SERVICES

Total Increase
\$7.4 million



BUSINESS SEGMENTS

Natural Gas Operations

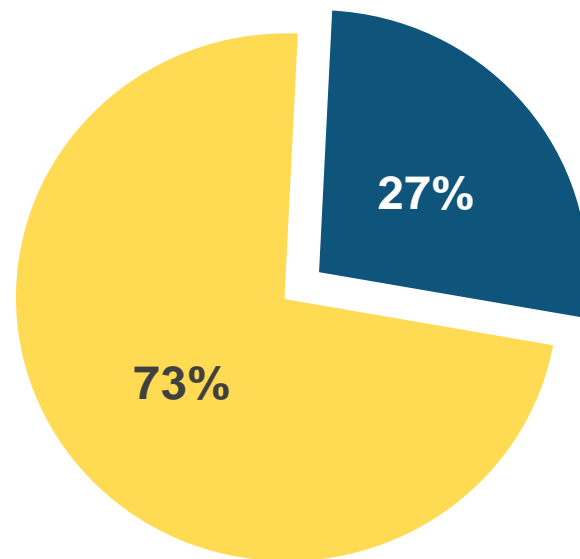


Utility Infrastructure Services



\$207.6 million

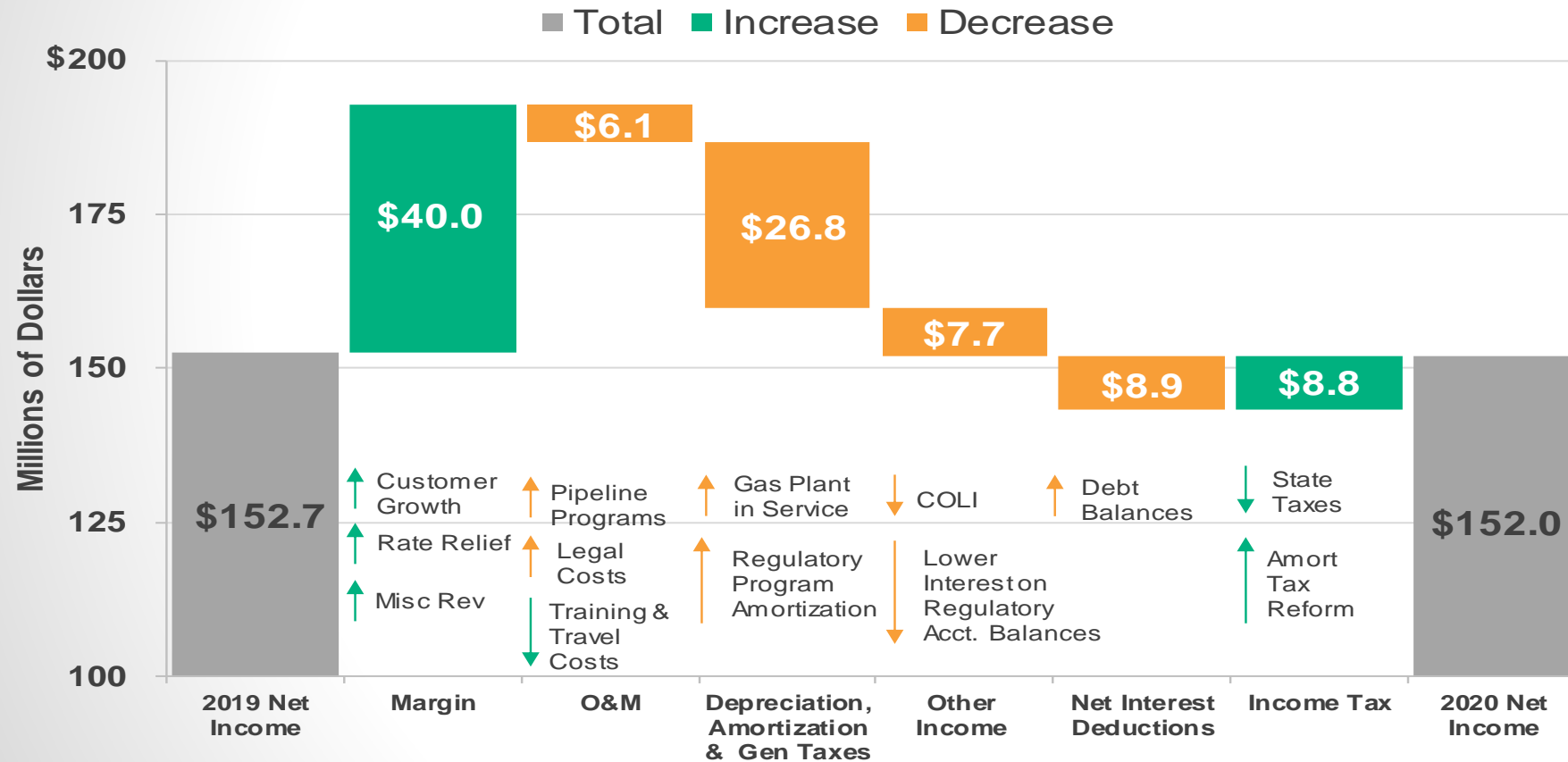
Twelve months ended 6/30/20 Net Income



NET INCOME

TWELVE MONTHS ENDED JUNE 30, 2020
NATURAL GAS OPERATIONS

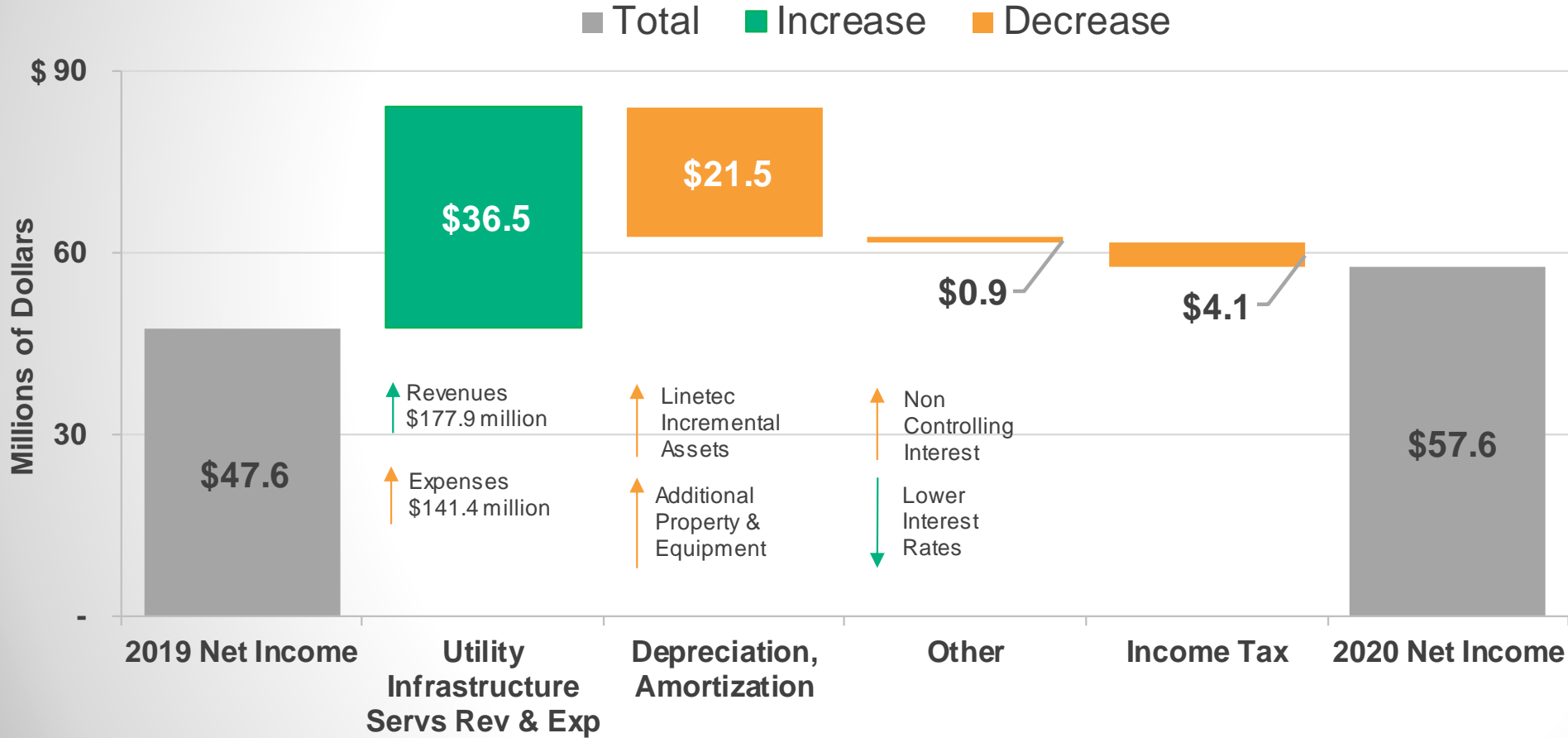
**Total
Decrease
\$0.7 million**



NET INCOME

TWELVE MONTHS ENDED JUNE 30, 2020
UTILITY INFRASTRUCTURE SERVICES

Total Increase
\$10.0 million



REGULATION - RATE CASE ACTIVITY

ARIZONA NATURAL GAS OPERATIONS

	Updated Positions		
	SWG	Staff Recommended	RUCO Recommended
Rate Relief	\$90.6M	\$66.6M	\$45.8M
Rate Base	\$2.06B	\$2.05B	\$1.96B
ROE	10.15%	9.30%	9.00%
Capital Structure Equity Ratio	51.1%	51.1%	51.1%
Other Proposals:			
Decoupling	Proposed	Support	Neutral
Property Tax Tracker	Proposed	Support	Neutral
COYL	Proposed	Support	Support
VSP	Proposed	Oppose	Oppose
Plastic Pipe	Proposed	Oppose	Oppose
RNG Program	Proposed	Oppose	Oppose
Amortization of EDIT	(\$9.8M)	(\$9.8M)	(\$9.8M)
Interest on EDIT	N/A	(\$19.8M)	N/A
Schedule	Hearing – Concluded July 10, 2020 Final Decision - Estimated 4Q 2020		

REGULATION - RATE CASE ACTIVITY

CALIFORNIA NATURAL GAS OPERATIONS

Updated Positions			
	Filed	Public Advocates Office	Settlement
Rate Relief	\$12.8M	(\$0.4M)	\$6.4M
Rate Base	\$456M (\$203M increase)	\$413M	\$435.5M
ROE	10.5%	9.21%	10.0%
Capital Structure Equity Ratio	53%	52%	52%
Rate Design	Decoupling Mechanism (Cont) Increase Basic Service Charge	Support Support	Decoupling Mechanism (Cont) Increase Basic Service Charge
Other Proposals	Pension Balancing Acct. (Cont) 2.75% Attrition Adjustment (Cont) Targeted Pipe Replacement Prog. Meter Protection Program Expand COYL Program Replace NT Lateral	Support Propose CPI-U - .5% Limited Support Limited Support Oppose Oppose	Pension Balancing Acct. (Cont) 2.75% Attrition Adjustment (Cont) Targeted Pipe Replacement Prog.- \$90M* Meter Protection Program - \$19M* School COYL Program - \$10M* Remove NT Lateral Project from Base Rates to Future Surcharge
Schedule	Settlement Agreement filed August 3, 2020 Final Decision - Late 4Q 2020		

*5 yr. cumulative

REGULATION - RATE CASE ACTIVITY

NEVADA

NATURAL GAS OPERATIONS

	Updated Positions		
	Nevada	Staff	BCP
Rate Relief	\$38.5M	\$21.5M	\$20.0M
Rate Base	\$1.48B (\$230M increase)	\$1.47B	\$1.48B
ROE	10%	9.25%	9.00%
Capital Structure Equity Ratio	49.26%	49.26%	49.26%
Schedule	Rebuttal Testimony – August 7, 2020 Hearing – August 17, 2020 Decision – est. Sept 2020		

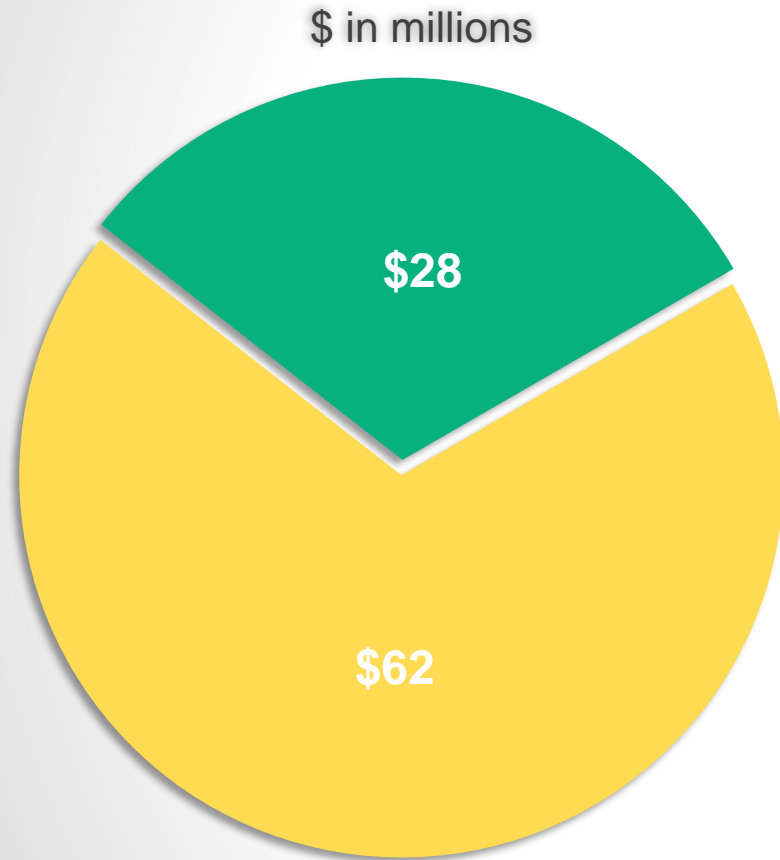
REGULATION - RATE CASE ACTIVITY

PAIUTE PIPELINE NATURAL GAS OPERATIONS

	Settlement
Revenue Increase/(Decrease)	(\$700k)
Rate Base	\$135M
ROE	N/A
Capital Structure Equity Ratio	N/A
Other Noteworthy Items:	
	Pre-tax Rate of Return – 9.90%
	Continuation of Term Differentiated Rates
	Transportation and LNG Storage Contract Extensions – 5 years
Settlement Approved by FERC July 6, 2020	

REGULATION - EXPANSION PROJECTS

NATURAL GAS OPERATIONS



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 be placed in service in the first quarter in 2021

NORTHERN NEVADA EXPANSION

- PUCN approved \$62 million expansion project in December 2019 to extend facilities to Spring Creek, NV (SB 151 project)
- Estimated annual revenue requirement of \$2 million in year 1
- Construction is proceeding in-line with expectations

REGULATION - SUSTAINABILITY DEVELOPMENT



Arizona

- G65 Tariff - Facilitates development of investment in RNG related projects
- Balanced Energy Solutions Act (HB2686)
- RNG program proposal in GRC
- Facilitating CNG and RNG development opportunities



California

- Biomethane Gas Plan – facilitates RNG purchases as part of gas supply portfolio
- Rule 22 – Provides framework for RNG suppliers to interconnect with SWG facilities
- Facilitating CNG and RNG development opportunities



Nevada

- RNG Tariff – Facilitates development of investment in RNG related projects
- SB 154 – Investment in RNG projects, to build, own and operate RNG facilities or purchase of RNG as part of gas supply portfolio
- Facilitating CNG and RNG development opportunities

REGULATION - CONSTRUCTIVE COVID-19 REGULATORY TREATMENT



Arizona

- April 28, 2020 – Draft Order issued authorizing to establish regulatory asset accounts beginning April 1, 2020 for the purpose of recording the financial impacts associated with maintaining service to customers affected by COVID-19.
- May 19, 2020 – ACC rejected the blanket draft order, as utilities may already record extraordinary costs and file individually for a regulatory asset between general rate cases.



California

- March 17, 2020 – A directive issued to utilities to implement their Emergency Disaster Relief Program customer protections retroactively effective to March 4, 2020 for those customers impacted by COVID-19.
 - Southwest Gas submitted an Advice Letter in response to the directive identifying customer protections.
- April 16, 2020 – CPUC approved Resolution M-4842, which ratified the directives issued March 17, 2020. Additionally, the Resolution:
 - Extended customer protections to April 16, 2021.
 - Directed establishment of a COVID-19 memorandum account to record costs associated with implementing protections.



Nevada

- March 24, 2020 – Emergency Order issued directing the establishment of regulatory asset accounts beginning March 12, 2020 for the purpose of recording the costs of maintaining service to customers affected by COVID-19.

COVID-19 UPDATE

Focused on health and safety of our employees, customers, contractors and the communities in which we live and work while continuing to provide essential services

Employees

- Work from home deployment for office staff
- Utilize personal protective equipment and practice social and physical distancing

Customers

- Temporarily suspended utility late fees and disconnections for non-payment
- Customer assistance program outreach

Contractors

- Sharing “Best Practices”
- Utilize personal protective equipment and practice physical and social distancing

COVID-19 UPDATE (CONT'D)

Communities in which we serve

- Ongoing communications with community leaders
- Increased charitable contributions to organizations supporting COVID-19 needs

Monitoring Financial Impacts

- Utility margin under decoupled rate structures and infrastructure revenues remain strong
- Infrastructure segment continuing to work with added safety protocols designed to safeguard the health of employees
- Closely monitoring utility bad debt expense (regulatory treatment available)

Will continue to monitor COVID-19 financial impacts through 2020

GROWING CUSTOMER BASE

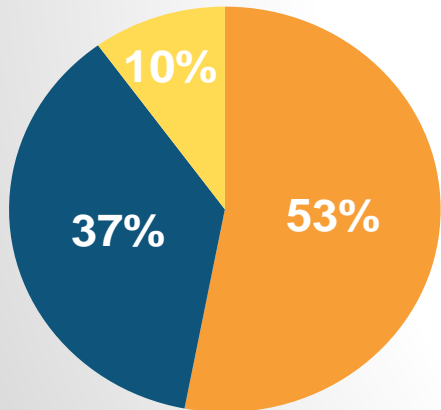
NATURAL GAS OPERATIONS

TMTD June 30, 2020

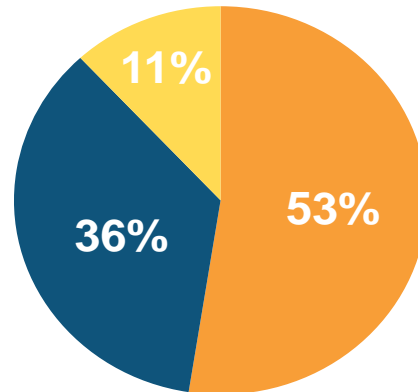
Customer & Operating Margin Distribution

By State

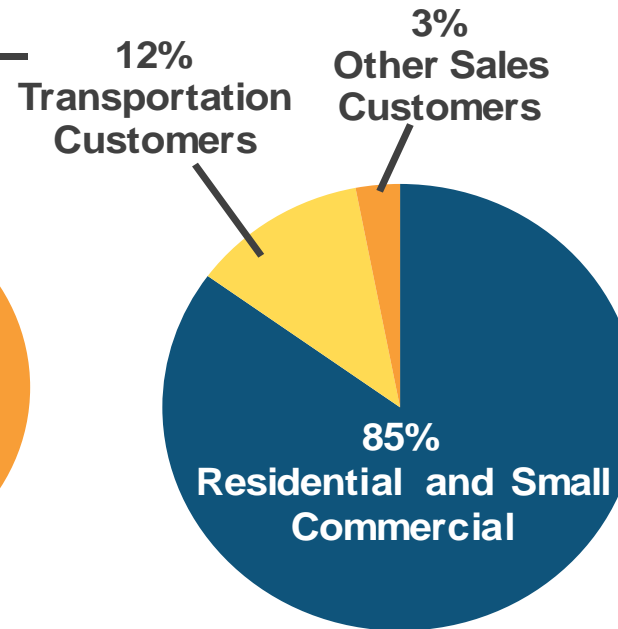
Customers



Margin



■ Arizona ■ Nevada ■ California



- Decoupled rate structure in all three states
- Residential and small commercial customers represent over 99% of the total customer base
- 85% of margin (residential and small commercial) under decoupled rate structure
- 36,000 first time meter sets during 12 months ended June 30, 2020
- Continued growing customer base (1.6% increase expected in 2020)

ECONOMIC DEVELOPMENT

Over \$25 billion in investment
and thousands of new jobs
coming soon

*Arizona and Nevada continue
to be attractive destinations for business*



NEW HOME OUTLOOK FOR SOUTHERN NEVADA & ARIZONA



“All builders are moving ahead with existing projects that began pre-COVID-19.”

Nat Hodgson

CEO, Southern Nevada Home Builders Association

“Our conversations and virtual meetings with builders reveal what might be considered a surprising amount of optimism moving forward for the rest of the year.”

Las Vegas Housing Market Letter



“The metro Phoenix housing market continues to demonstrate strong permit and sales activity... in fact, in spite of COVID-19 we are still almost perfectly aligned with the 2020 new home forecast. New home permits in June were 4.33% ahead of last June’s count and 6.72% above the count for YTD last year.”

Jim Daniel

President, RL Brown Housing Reports



“Supply and demand for new homes is good. New home sales are almost back to pre-COVID-19 levels. Experiencing an in-migration of buyers from other states. Once buyers adjusted to the “fear of the unknown” they proceeded as normal. End of year numbers are expected to be at or near our original expectations.”

Travis Nuzman

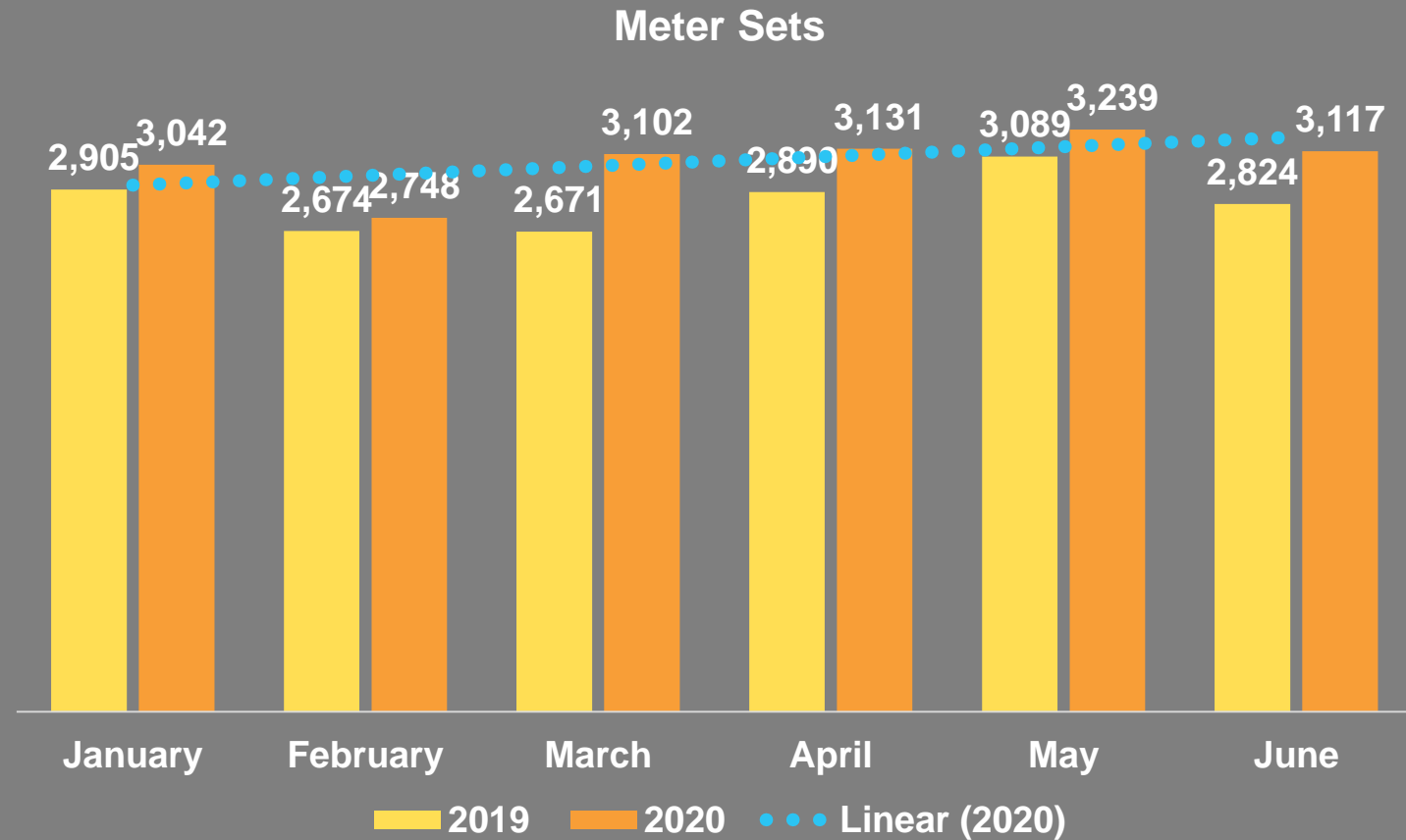
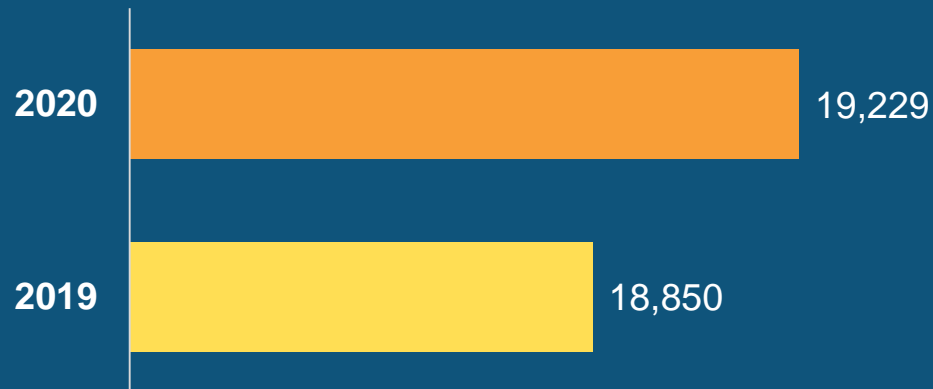
Vice President of Purchasing, Taylor Morrison Homes

ORGANIC CUSTOMER GROWTH REMAINS STRONG



2020 customer growth has outpaced 2019 year-over-year despite the COVID-19 pandemic

Home Permits
YTD LAS, PHX & TUC



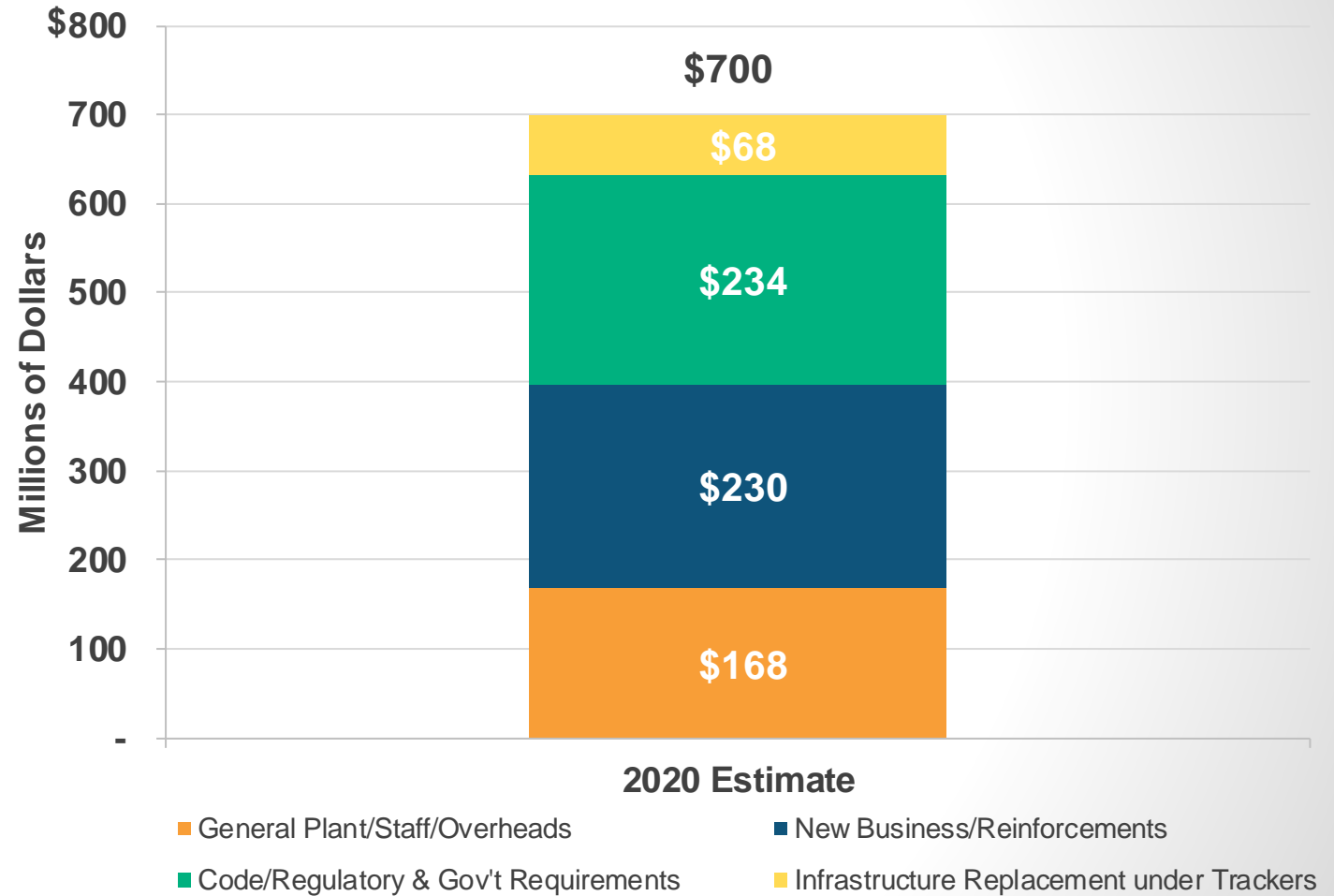
CAPITAL EXPENDITURES

NATURAL GAS OPERATIONS

**\$2.1 Billion
Capital
Investment**
Estimated
2020-2022

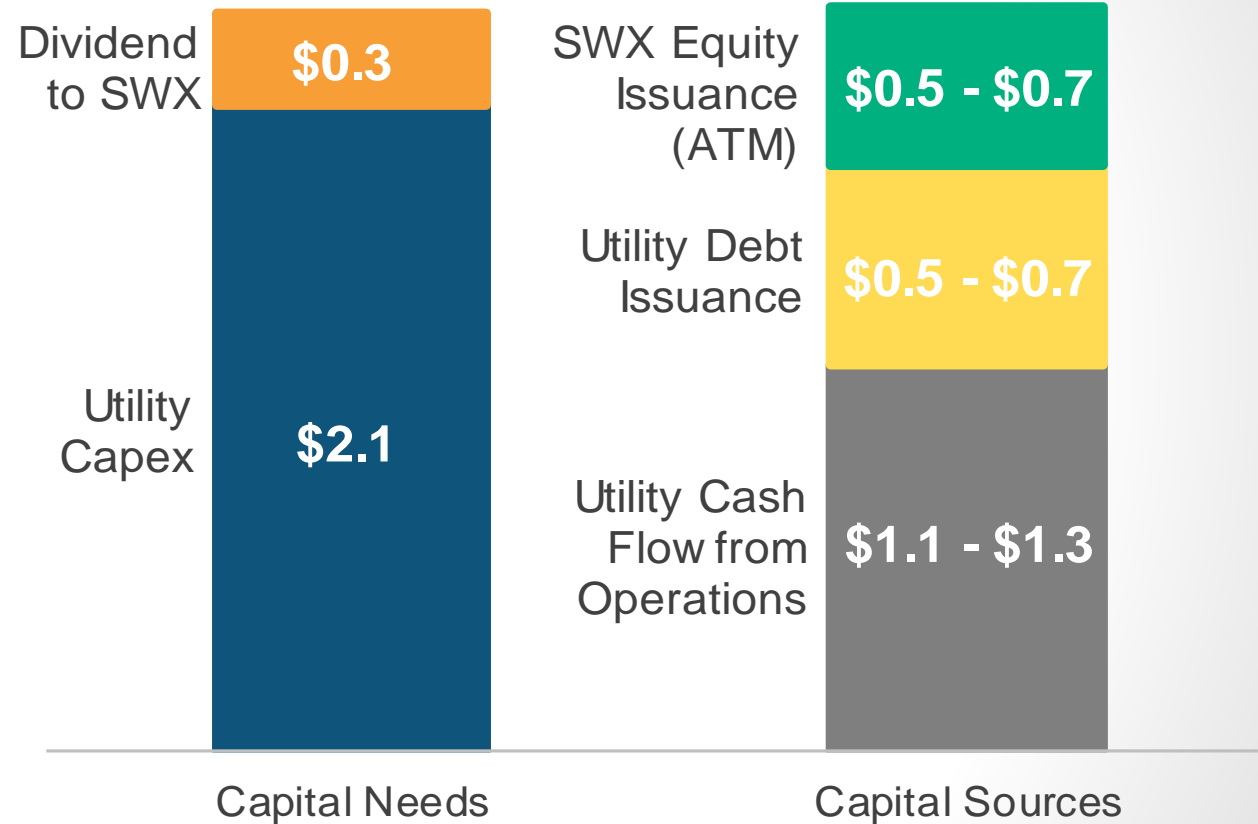
Long-Term Financing Activity

- Anticipate funding 50% from internal cash flows and remaining 50% through a balance of debt and equity (ATM Program)



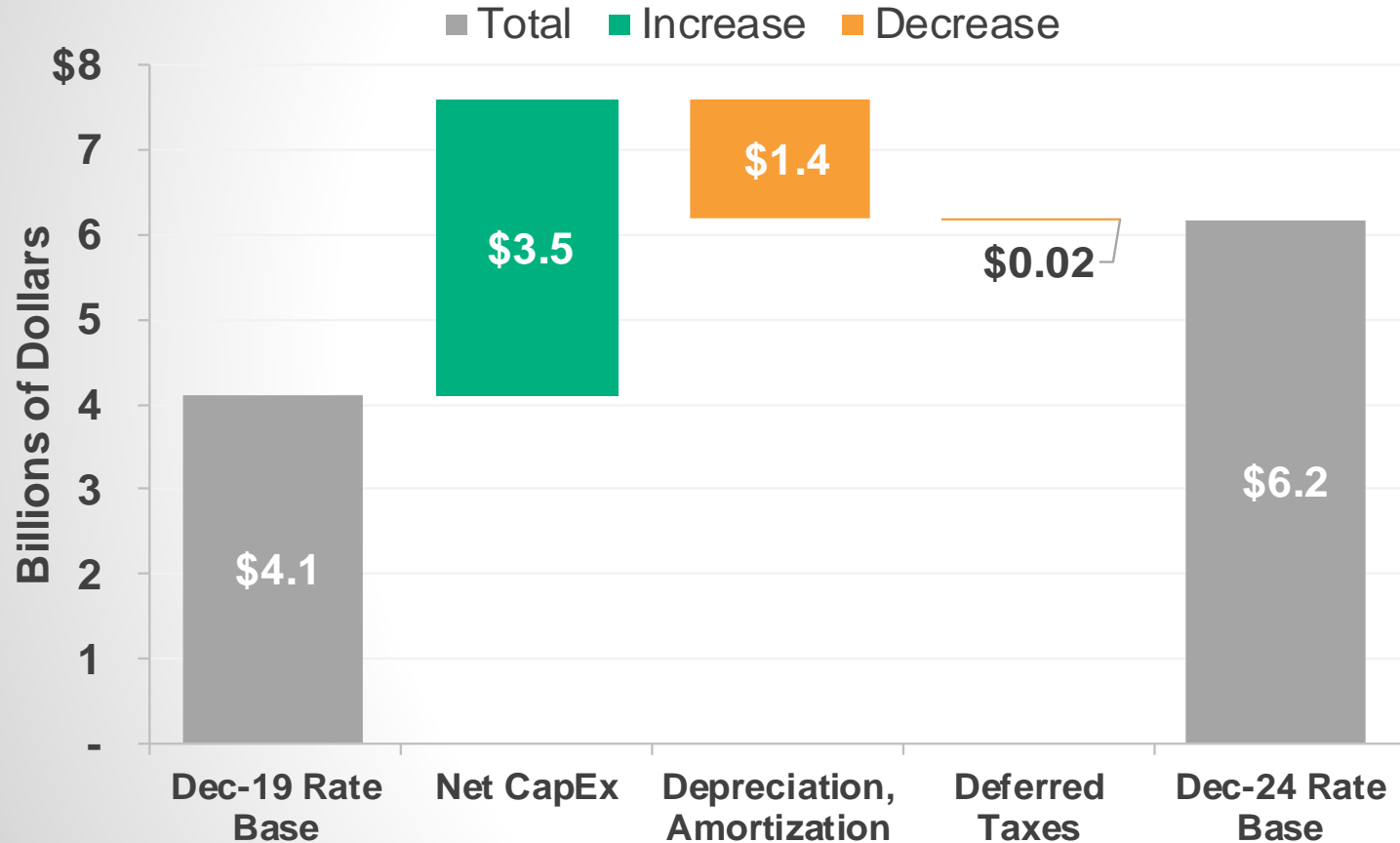
CAPITAL FUNDING

NATURAL GAS OPERATIONS



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 8.6% Compound Annual Growth Rate (CAGR) in rate base (2020-2024).

LIQUIDITY PROFILE

NATURAL GAS OPERATIONS

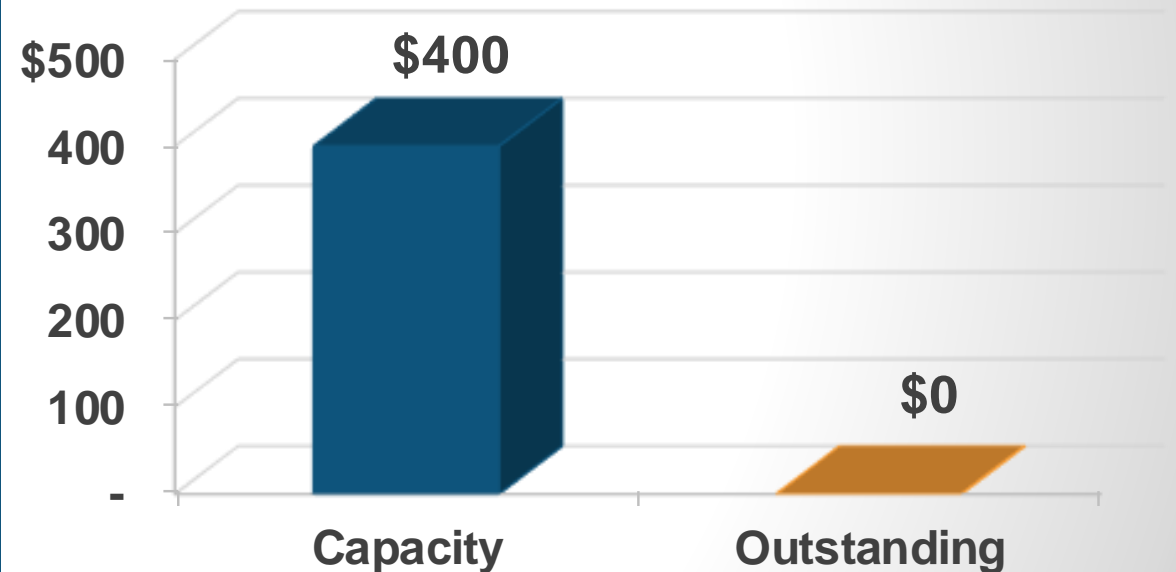
Strong liquidity will support capital expenditure and working capital needs

- Stable operating cash flows
- \$400 million revolving credit facility
 - Expires in April 2025
 - \$150 million designated as long-term debt
 - \$250 million as working capital
- \$50 million uncommitted commercial paper program (\$0 outstanding at 6/30/20)

As of June 30, 2020

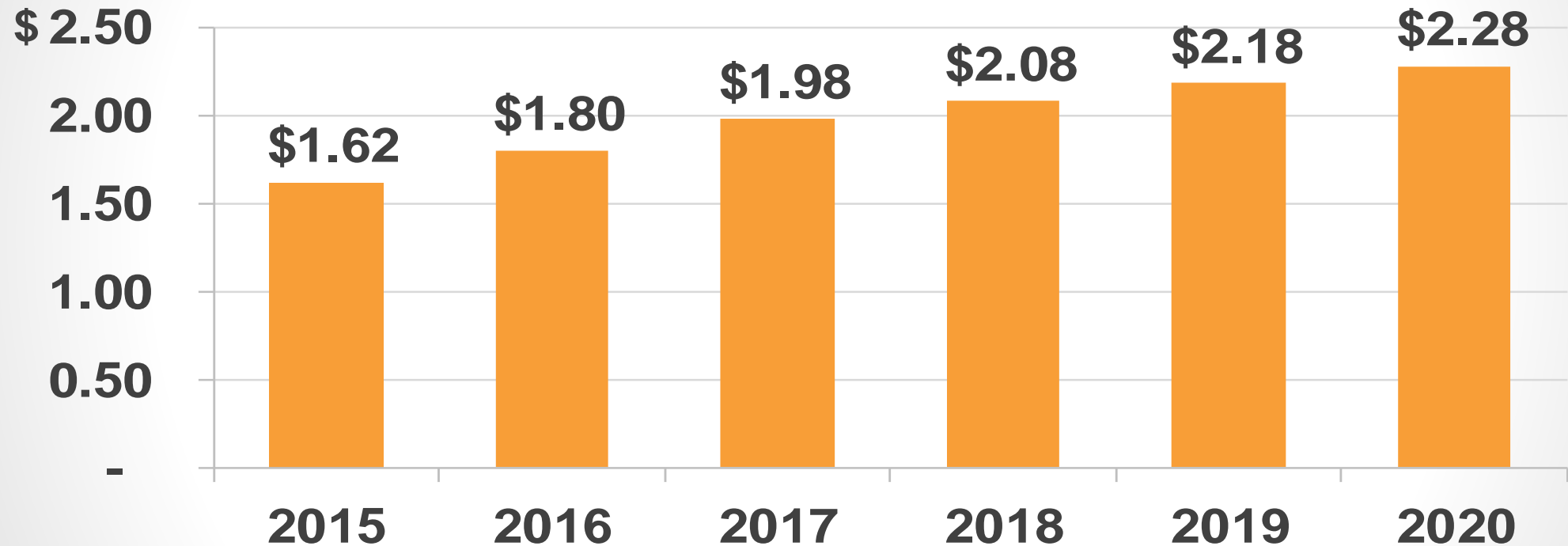
- Zero loans outstanding
- Available borrowing capacity of \$400 million
- Available cash \$190 million
 - \$125 million to be used to redeem 4.45% Notes in September 2020

**LIQUIDITY PROFILE
AS OF JUNE 30, 2020
(\$ IN MILLIONS)**



DIVIDEND GROWTH

7.1% 5-Year Dividend CAGR



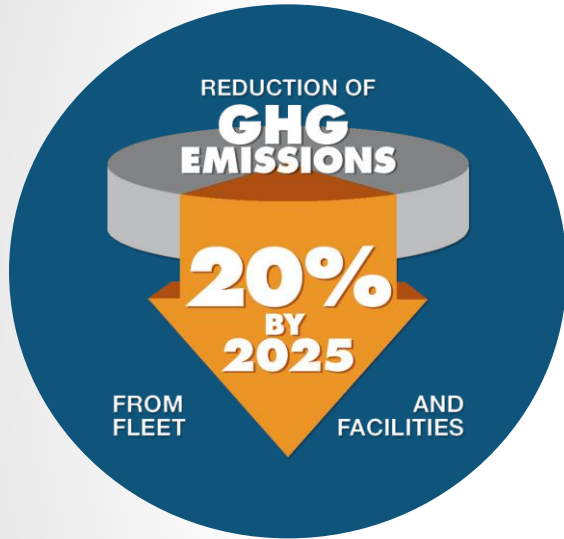
CAGR = compound annual growth rate

Maintain ~ payout ratio between 55% – 65%

Expect future dividends to increase at the sustainable earnings growth rate

SUSTAINABILITY: SHAPING THE FUTURE

1 Sustainable Practices



Commitment to reduce GHG emission by 20% from fleet and building facilities by 2025

2 Compressed Natural Gas (CNG)

Partnering with fleet operators to reduce emissions

- Delivered 32M therms of CNG equivalent to:
 - 14.5K vehicles off the road
 - 23M gallons of diesel displaced
 - 68K metric tons of GHG emissions reduced



City of Phoenix



REPUBLIC SERVICES



3 Renewable Natural Gas (RNG)

- Actively connecting biogas sources with end-use customers
- 2 projects filed for regulator approval



Dairy biogas
Gila Bend, AZ



Wastewater biogas
Pima County, AZ

More than 500,000 MCF per year of biogas expected to be repurposed

STRONG AND STABLE WITH DISCIPLINED FOCUS

Natural Gas Operations

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

Utility Infrastructure Services

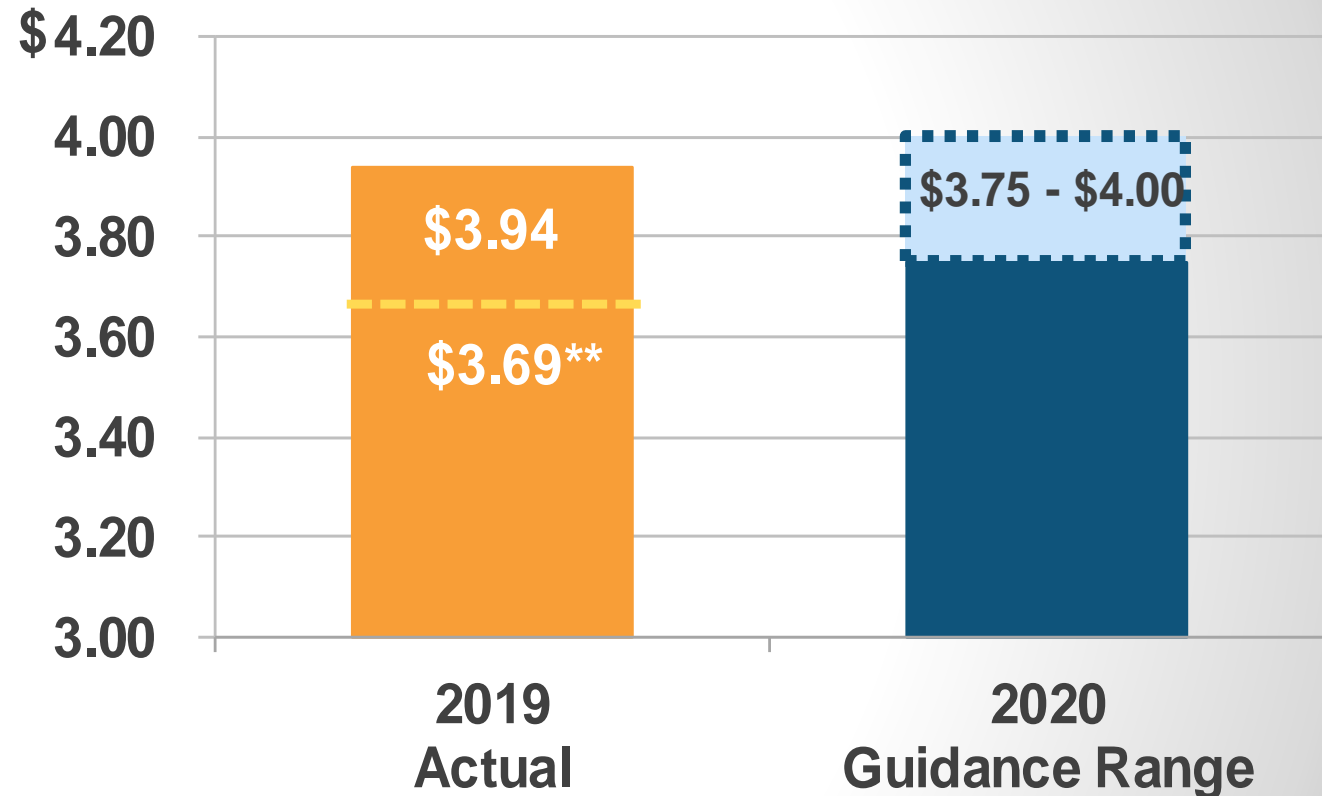
- Operations execution focus
- Cost management and resource optimization
- Cross-selling services
- Increasing profitability and dividends
- Cash source for SWX



2020 EPS GUIDANCE*

- Affirm \$3.75 – \$4.00 diluted EPS
- Governmental policies enacted to suppress the spread of COVID-19 may impact future performance through the following:
 - Timing of processing utility general rate case applications
 - Utility customer growth rates
 - Changes to O&M expense (management cost cutting initiatives and potential higher bad debt expense)
 - Timely release of Centuri project orders from its utility customers
 - Incremental costs associated with additional safe working practices designed to safeguard employee health

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 2020 significantly above or below this EPS guidance.

**Normalized COLI of \$3 - \$5 million assumed within EPS guidance.

2020 LINE ITEM GUIDANCE

Natural Gas Operations

- Operating margin is expected to increase 3% – 5% due to continued customer growth of 1.6%, infrastructure projects and rate relief
- Operating income is expected to increase 3% – 5%
- Pension costs are expected to increase \$13.6 million due to the impact of a lower discount rate resulting from lower interest rates measured as of December 31, 2019, offset partially by positive asset performance
 - Approximately \$5.2 million of the increase reflected in other expense
- Assume normalized COLI \$3 million – \$5 million
- Capital expenditures expected to be \$2.1 billion over 3 years ending 2022, with 2020 approximately \$700 million (previously \$650 million – \$700 million)
- SWX Equity issuances of approximately \$150 million – \$200 million through ATM program

Utility Infrastructure Services

- Revenues expected to increase 2% – 7% through organic growth
- Operating income is expected to be 5.5% – 6% of revenues
- Interest expense is expected to be \$10 million – \$11 million (previously \$12.5 million – \$13.5 million)
- Net income expectations reflect earnings attributable to Southwest Gas Holdings, net of approximately \$5 million of noncontrolling interests (increased from \$4 million), and changes in Canadian exchange rates could influence results

LONG-TERM EXPECTATIONS

AFFIRM EXPECTATIONS

Holdings

- Equity issuances (through ATM), \$500 million – \$675 million over 3 years ending 2022
- Target dividend payout ratio: 55% – 65%

Natural Gas Operations

- Capital expenditures are expected to be approximately \$3.5 billion over 5 years ending 2024
- Rate base growth is expected to be 8.6% through the same period

Utility Infrastructure Services

- Revenues expected to grow an average 5% – 8% annually over 3 years ending 2022
- Operating income expected to be 5.5% – 6.5% of revenues over 3 years ending 2022

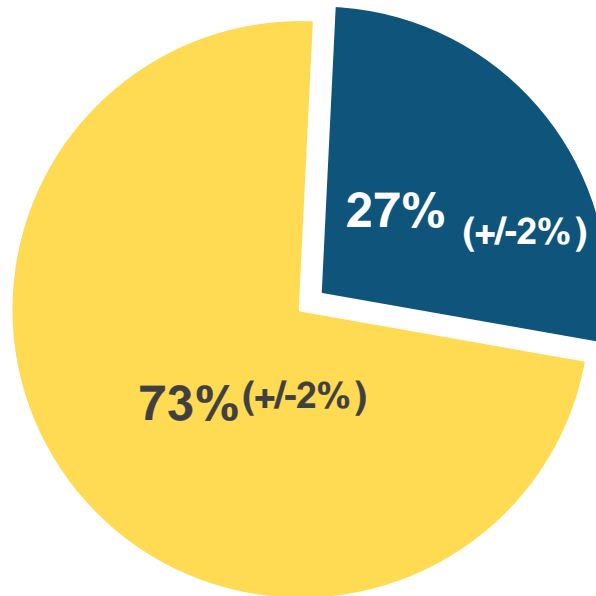
ATTRACTIVE & COMPLEMENTARY BUSINESS SEGMENTS

Natural Gas Operations



- Customer growth
- Strong rate base growth
- Focus on safety and reliability
- Newer, well maintained system

Projected % Net Income
2020-2022



Utility Infrastructure Services



- Low risk service platform
- Long-term relationships with exceptional, investment-grade customers
- 92% of revenues from time & materials and unit priced contracts
- Increasing dividends and free cash flow

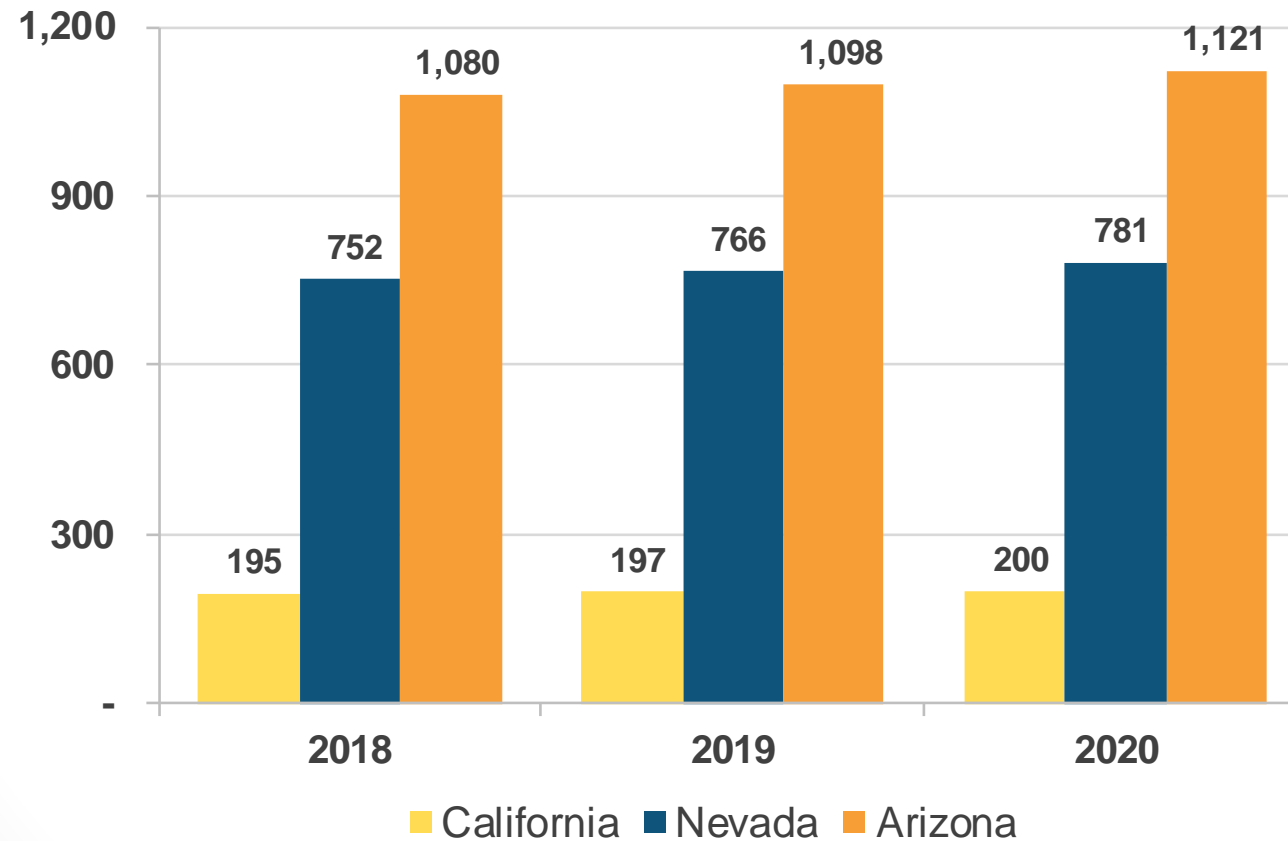
APPENDIX



CUSTOMERS BY STATE

NATURAL GAS OPERATIONS
(IN THOUSANDS)

As of June 30,



SUMMARY OPERATING RESULTS

NATURAL GAS OPERATIONS (IN THOUSANDS)

	Three months ended June 30,	
	2020	2019
Results of Natural Gas Operations		
Gas operating revenues	\$ 262,434	\$ 258,711
Net cost of gas sold	67,473	65,182
Operating margin	194,961	193,529
Operations and maintenance expense	99,320	104,991
Depreciation and amortization	53,198	49,343
Taxes other than income taxes	15,342	15,126
Operating income	27,101	24,069
Other income (deductions)	7,838	1,592
Net interest deductions	23,991	23,345
Income before income taxes	10,948	2,316
Income tax benefit	(994)	(1,053)
Segment net income	\$ 11,942	\$ 3,369

SUMMARY OPERATING RESULTS

NATURAL GAS OPERATIONS (IN THOUSANDS)

	Twelve months ended June 30,	
	2020	2019
Results of Natural Gas Operations		
Gas operating revenues	\$ 1,354,812	\$ 1,367,124
Net cost of gas sold	355,672	407,976
Operating margin	999,140	959,148
Operations and maintenance expense	414,049	407,948
Depreciation and amortization	226,588	201,146
Taxes other than income taxes	62,716	61,307
Operating income	295,787	288,747
Other income (deductions)	(10,719)	(3,005)
Net interest deductions	97,631	88,780
Income before income taxes	187,437	196,962
Income tax expense	35,483	44,333
Segment net income	<u>\$ 151,954</u>	<u>\$ 152,629</u>

PURCHASED GAS ADJUSTMENT (PGA) BALANCES

NATURAL GAS OPERATIONS
(IN THOUSANDS)

	June 30, 2020	December 31, 2019	June 30, 2019
Arizona	\$ (18,598)	\$ (59,259)	\$ (87,692)
Northern Nevada	(13,648)	11,894	9,967
Southern Nevada	(32,867)	32,518	48,273
California	(4,825)	(1,496)	(2,041)
Total Receivable/(Payable)	<u>\$ (69,938)</u>	<u>\$ (16,343)</u>	<u>\$ (31,493)</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>Authorized Common Equity Ratio</u>
Arizona	\$ 1,324,902	44.80 %	7.42 %	9.50 %	51.70 %
Southern Nevada	1,110,380	37.50	6.69	9.25	49.66
Northern Nevada	134,230	4.50	6.98	9.25	49.66
Southern California	159,277	5.40	6.83	10.10	55.00
Northern California	67,620	2.30	8.18	10.10	55.00
South Lake Tahoe	25,389	0.90	8.18	10.10	55.00
Paiute Pipeline Company ¹	135,460	4.60	8.30	11.80	51.75
Total	<u>\$ 2,957,258</u>	<u>100 %</u>			

Weighted average authorized ROE.

9.55 %

¹Estimated amounts based on 2019/2020 rate case settlement approved July 2020.

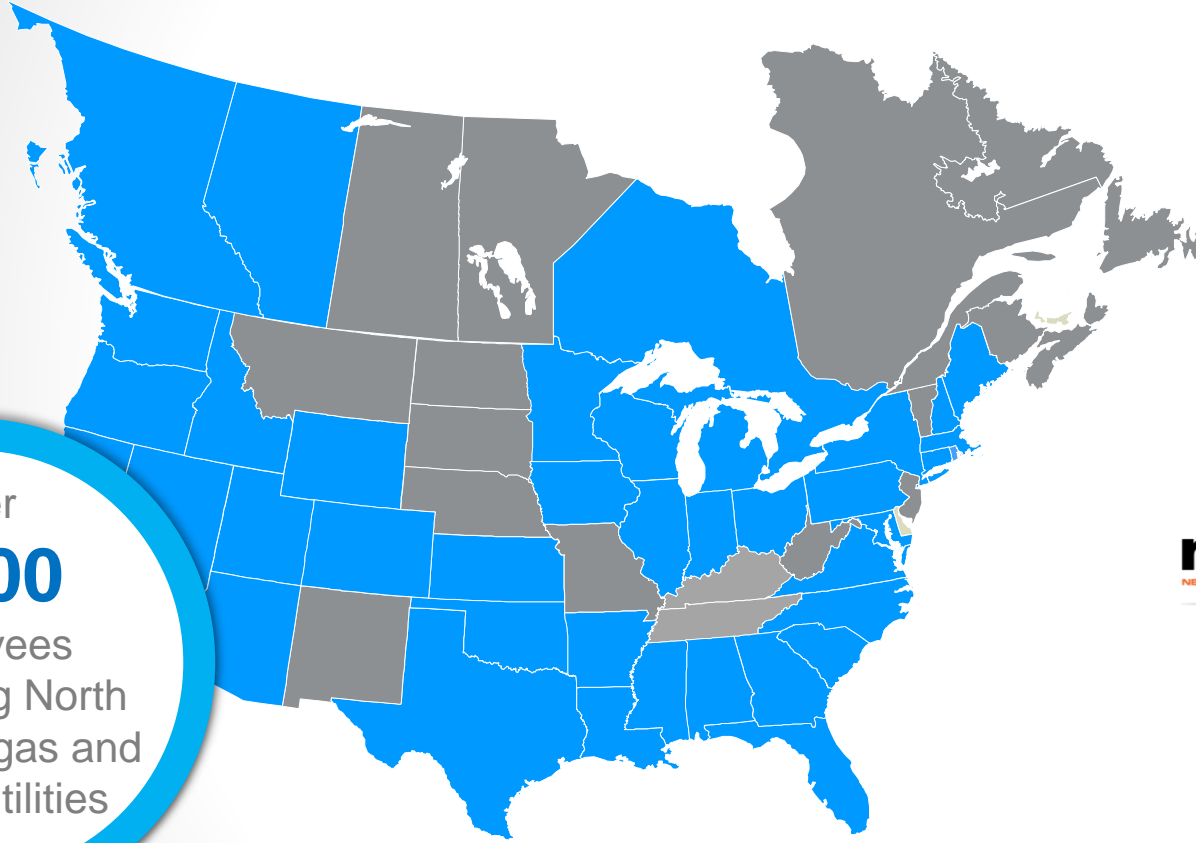
REGULATION

NEVADA GENERAL RATE CASE NATURAL GAS OPERATIONS

Date	Procedural Schedule - Docket No. 20-02023
February 26, 2020	Application Filed
Certification Filing	
June 26, 2020	SWG Certification Filing
Testimonies	
July 24, 2020	Direct Testimony (Staff/Intervenor)
August 7, 2020	Rebuttal Testimony (SWG)
Hearings	
August 17, 2020	Hearing

DIVERSIFIED INFRASTRUCTURE SERVICES

MULTISERVICE PLATFORM REDUCES RISK



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



MAJOR UTILITY CUSTOMERS

UTILITY INFRASTRUCTURE SERVICES

Gas



A Sempra Energy company



Electric



Combination



SUMMARY OPERATING RESULTS

UTILITY INFRASTRUCTURE SERVICES (IN THOUSANDS)

	Three months ended June 30,	
	2020	2019
Utility infrastructure services revenues	\$ 494,813	\$ 454,300
Utility infrastructure services expenses	430,224	402,199
Depreciation and amortization	24,019	20,999
Operating income	40,570	31,102
Other income (deductions)	86	(477)
Net interest deductions	2,239	3,457
Income tax expense	10,234	7,474
Noncontrolling interests	1,916	776
Segment net income	\$ 26,267	\$ 18,918

SUMMARY OPERATING RESULTS

UTILITY INFRASTRUCTURE SERVICES (IN THOUSANDS)

	Twelve months ended June 30,	
	2020	2019
Utility infrastructure services revenues	\$ 1,812,122	\$ 1,634,226
Utility infrastructure services expenses	1,620,101	1,478,730
Depreciation and amortization	93,638	72,162
Operating income	98,383	83,334
Other income (deductions)	(88)	529
Net interest deductions	12,498	14,412
Income tax expense	24,477	20,299
Noncontrolling interests	3,739	1,523
Segment net income	<u>\$ 57,581</u>	<u>\$ 47,629</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)	
	2020	2019	2020	2019	2020	2019	2020	2019
<u>Service Types:</u>								
Gas infrastructure services	\$ 330,157	\$ 323,817	66.7%	71.3%	\$ 1,265,131	\$ 1,205,197	69.8%	73.7%
Electric power infrastructure services	95,286	61,366	19.3%	13.5%	301,656	136,900	16.6%	8.4%
Other	69,370	69,117	14.0%	15.2%	245,335	292,129	13.6%	17.9%
Total Utility infrastructure services revenues	<u>\$ 494,813</u>	<u>\$ 454,300</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,812,122</u>	<u>\$ 1,634,226</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)	
	2020	2019	2020	2019	2020	2019	2020	2019
<u>Contract Types:</u>								
Master services agreement	\$ 375,502	\$ 375,860	75.9%	82.7%	\$ 1,410,909	\$ 1,229,388	77.9%	75.2%
Bid contract	119,311	78,440	24.1%	17.3%	401,213	404,838	22.1%	24.8%
Total Utility infrastructure services revenues	<u>\$ 494,813</u>	<u>\$ 454,300</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,812,122</u>	<u>\$ 1,634,226</u>	<u>100.0%</u>	<u>100.0%</u>
Unit price contracts	\$ 365,253	\$ 355,487	73.8%	78.2%	\$ 1,397,473	\$ 1,323,034	77.1%	81.0%
Fixed price contracts	36,011	4,426	7.3%	1.0%	133,515	107,697	7.4%	6.6%
Time and material contracts	93,549	94,387	18.9%	20.8%	281,134	203,495	15.5%	12.4%
Total Utility infrastructure services revenues	<u>\$ 494,813</u>	<u>\$ 454,300</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 1,812,122</u>	<u>\$ 1,634,226</u>	<u>100.0%</u>	<u>100.0%</u>

TOP 20 CUSTOMERS

UTILITY INFRASTRUCTURE SERVICES

>93% Total Centuri Revenue From Regulated Utilities

#	Revenue as % of Total	Revenue ⁽¹⁾ (\$ in Millions)	Relationship Length (Years)	Total Contract Length (Years)
1	11.6%	\$210	42	5
2	7.8%	\$141	35	6
3	6.1%	\$111	24	7
4	5.6%	\$101	25	12
5	5.5%	\$99	16	5
6	5.1%	\$93	19	5
7	5.0%	\$90	13	5
8	4.5%	\$82	43	3
9	3.8%	\$69	20	5
10	3.6%	\$66	3	4
11	3.6%	\$66	6	3
12	3.6%	\$66	12	8
13	3.3%	\$60	25	10
14	2.9%	\$52	3	2
15	2.8%	\$51	31	8
16	2.3%	\$41	52	7
17	1.7%	\$31	9	5
18	1.5%	\$27	21	4
19	1.5%	\$27	4	5
20	1.2%	\$22	4	3
Total – Average (Weighted Average)		\$1,505	20 (24)	6 (6)

(1) Trailing Twelve Months Ended June 30, 2020

STOCK PERFORMANCE

Southwest Gas Holdings, Inc.
Common Stock Closing Price
June 30, 2010 – June 30, 2020



COMPARATIVE TOTAL RETURNS

Total Returns for Periods Ended June 30, 2020

	1-Year	3-Year	5-Year	10-Year
Southwest Gas Holdings	(20.58%)	0.81%	8.17%	11.84%
S&P 400 MidCap Gas Index	(25.93%)	(3.31%)	5.43%	9.52%
S&P Composite Utilities Index	(3.82%)	5.97%	10.17%	11.45%
S&P 500 Index	7.43%	10.71%	10.71%	13.97%

Total Return = Price appreciation plus gross dividends reinvested

CREDIT RATINGS

Investment Grade Ratings

Southwest Gas Holdings, Inc.

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

Southwest Gas Corporation

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

CONSOLIDATED CAPITAL STRUCTURE

(IN MILLIONS)

Capitalization at June 30,	2016	2017	2018	2019	2020
Equity ¹	\$ 1,657	\$ 1,734	\$ 1,932	\$ 2,502	\$ 2,698
Long-Term Debt ²	1,478	1,713	2,070	2,410	2,811
Total Permanent Capital	<u>\$ 3,135</u>	<u>\$ 3,447</u>	<u>\$ 4,002</u>	<u>\$ 4,912</u>	<u>\$ 5,509</u>
Capitalization ratios					
Equity ¹	52.9%	50.3%	48.3%	50.9%	49.0%
Long-Term Debt ²	47.1%	49.7%	51.7%	49.1%	51.0%
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, if applicable.

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)

	Three months ended June 30,		Twelve months ended June 30,	
	2020	2019	2020	2019
	(In thousands)			
Natural Gas Operations				
Gas operating revenue	\$ 262,434	\$ 258,711	\$ 1,354,812	\$ 1,367,124
Less: Net cost of gas sold	67,473	65,182	355,672	407,976
Operating margin	<u>\$ 194,961</u>	<u>\$ 193,529</u>	<u>\$ 999,140</u>	<u>\$ 959,148</u>