

# Earnings Conference Call Second Quarter 2023

August 9, 2023



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



# Safe Harbor Statement

## Forward-Looking Statements

Unless context otherwise requires, in this presentation, references to “we”, “us” and “our” are to Southwest Gas Holdings, Inc. (NYSE: SWX) (“Southwest Gas” or the “Company” or “SWX”) together with its current and former consolidated subsidiaries, which include, among others, Southwest Gas Corporation (“Southwest”, “SWG” or “Natural Gas Distribution” segment), MountainWest Pipelines Holding Company (“MountainWest”, “MW” or “Pipelines and Storage” segment), Centuri Group, Inc. (“Centuri” or “Utility Infrastructure Services” segment) and Great Basin Gas Transmission Company (“Great Basin” or “GBGTC”). The following are subsidiaries of Centuri: NPL Construction Co. (“NPL”), NPL Canada Ltd. (“NPL Canada”), New England Utility Constructors, Inc. (“Neuco”), Linetec Services, LLC (“Linetec”), Riggs Distler & Company, Inc. (“Riggs Distler”), Canyon Pipeline Construction, Inc. (“Canyon”), National Powerline LLC (“National Powerline”) and WSN Construction Inc. (“WSN Construction”).

This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include, without limitation, statements regarding the Company and the Company’s expectations or intentions regarding the future. These forward-looking statements can often be identified by the use of words such as “will”, “predict”, “continue”, “forecast”, “expect”, “believe”, “anticipate”, “outlook”, “could”, “target”, “project”, “intend”, “plan”, “seek”, “estimate”, “should”, “may” and “assume”, as well as variations of such words and similar expressions referring to the future, and include (without limitation) statements regarding our expectations for our utility infrastructure services and natural gas operations, estimated future capital expenditures, projected rate base growth, O&M per customer expectations, our 2023 financial guidance and expected value drivers, and expectations with respect to future dividends, expectations with respect to a spin-off of Centuri, and the future performance of the Company, Southwest Gas Corporation and Centuri. A number of important factors affecting the business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, the timing and impact of executing (or not executing) on various strategic alternatives, including whether we will spin or separate Centuri, the timing and amount of rate relief, changes in rate design, customer growth rates, the effects of regulation/deregulation, tax reform and related regulatory decisions, the impacts of construction activity at Centuri, the potential for, and the impact of, a credit rating downgrade, future earnings trends, inflation, increasing interest rates, sufficiency of labor markets and similar resources, seasonal patterns, current and future litigation, the costs and effect of stockholder activism, and the impacts of stock market volatility. In addition, the Company can provide no assurance that its discussions about future operating margin, operating income, COLI earnings, interest expense, and capital expenditures of the natural gas distribution segment will occur. Likewise, the Company can provide no assurance regarding utility infrastructure services segment revenues, EBITDA, EBITDA margin or growth rates, that projects expected to be undertaken with results as stated will occur, nor that interest expense patterns will transpire as expected, nor assurance regarding potential transactions or their impacts, including management’s plans or expectations related thereto, including with regard to Centuri. The Company does not assume any obligation to update the forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future developments, or otherwise.

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 are 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, those discussed under the heading “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosure about Market Risk” in the Company’s most recent Annual Report on Form 10-K and in the Company’s and Southwest Gas Corporation’s current and periodic reports, including our Quarterly Reports on Form 10-Q, filed from time to time with the SEC, and other reports that we file with the SEC from time to time.

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 website 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.

# Non-GAAP Measures

This presentation contains financial measures that have not been calculated in accordance with accounting principles generally accepted in the U.S. (“GAAP”). These non-GAAP measures include (i) Southwest Gas adjusted earnings per share, (ii) Southwest Gas adjusted net income, (iii) Corporate and Administrative adjusted earnings per share, (iv) Corporate and Administrative adjusted net income, (v) natural gas distribution segment adjusted earnings per share, (vi) natural gas distribution segment adjusted net income, (vii) utility infrastructure services segment adjusted net income, (viii) utility infrastructure services segment EBITDA, (ix) utility infrastructure services segment adjusted EBITDA, (x) pipeline and storage segment adjusted earnings per share. Management uses these non-GAAP measures internally to evaluate performance and in making financial and operational decisions. Management believes that its presentation of these measures provides investors greater transparency with respect to its results of operations and that these measures are useful for a period-to-period comparison of results. Management also believes that providing these non-GAAP financial measures helps investors evaluate the Company’s operating performance, profitability, and business trends in a way that is consistent with how management evaluates such performance.

# Speakers and Agenda

## SPEAKERS



**KAREN HALLER**

PRESIDENT AND CEO  
SOUTHWEST GAS HOLDINGS



**ROB STEFANI**

CFO  
SOUTHWEST GAS HOLDINGS



**JUSTIN BROWN**

PRESIDENT  
SOUTHWEST GAS CORPORATION



**PAUL DAILY**

PRESIDENT AND CEO  
CENTURI GROUP, INC.



**THOMAS MORAN**

GENERAL COUNSEL/  
CORPORATE SECRETARY  
SOUTHWEST GAS HOLDINGS

## PRESENTATION AGENDA

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**Strategic Update**

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**Financial Update**

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**Business Update**

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**Guidance and Outlook**

# SWX: Becoming a Premier, Fully Regulated Natural Gas Utility

## Positioned for Continued Growth and Success

- Delivering safe, reliable, sustainable and affordable energy solutions across our footprint
- Significant population growth and strong demand across service territories
- Clear strategic focus on optimizing utility performance
- Working collaboratively with regulators to drive constructive regulatory outcomes to complement strong organic rate base growth
- Partnering with stakeholders to establish frameworks across jurisdictions to support investment opportunities in emerging technology energy initiatives

## Committed to Delivering Value for SWX Stockholders

- Targeting **5% to 7%** rate base growth over the next three years
- Delivering competitive dividend to stockholders
- Maintaining strong investment grade balance sheet
- Advancing Centuri spin with IRS filing, SEC confidential Form 10 submission, and ACC separation approval

# Executing SWX's 2023 Strategic Priorities

## MW Sale

Closed

Complete



1Q 2023

## RAS/RES

Ratings Analyses

Complete



1Q 2023

## 2023 Financing Plan

SWX Equity (~\$250 million)

SWG Bond (~\$300 million)

SWX Term Loan (~\$550 million)

Complete



1Q 2023



1Q 2023



2Q 2023

## Centuri Spin

IRS Private Letter Ruling Filing

Arizona Corporation Commission Approval

Confidential Form 10 Submission with SEC

Receive IRS PLR Response

Form 10 Declared Effective

Centuri Deleveraging/Refinancing

Spin Day One

Complete



1Q 2023



2Q 2023



2Q 2023

On Track



4Q 2023



1Q 2024



1Q 2024



1Q 2024

## 2023 Utility and Regulatory Strategy

Arizona PGA Recovery Mechanism Filing

Arizona Rate Case Finalized

Arizona PGA Recovery Mechanism Approval

Nevada Rate Case Filing

Utility Optimization Review and Prioritization of Initiatives

Arizona Rate Case Filing

Complete



1Q 2023



1Q 2023



3Q 2023

On Track



3Q 2023



1Q 2023 – 4Q 2023



1Q 2024

# Delivering Strong Results and Advancing Strategy



\$21.4 million year-over-year increase in second quarter net income



42,000 new meter sets added during the last 12 months



Received approval from the Arizona Corporation Commission (“ACC”) to implement an increase in the Gas Cost Balancing Account rate to facilitate timely recovery of ~\$358 million in purchased gas costs effective August 1, 2023



Rate case filings on-track  
- Expecting 3Q 2023 Nevada filing  
- Arizona filing anticipated in 1Q 2024



Received ACC approval of Centuri separation



Retired \$450 million Southwest term loan associated with purchased gas cost from the first quarter of 2023



\$65 million (~30%) year-over-year increase in LTM second quarter adjusted EBITDA – LTM adjusted EBITDA of \$285 million<sup>1</sup>



\$65 million storm restoration services revenue earned in the first half of 2023, an increase of \$46 million over the first half of 2022



~\$100 million sustainable wind energy project revenues during first half of 2023 – projecting \$250 million for the full year



Nearing completion of \$125 million gas pipeline construction contract in Indiana



Awarded a 3-year electric utility contract worth \$15 - \$20 million annually



Maintained LTM net debt/EBITDA levels during seasonal peak of Centuri borrowings

# Utility Optimization Progress

Executing a multi-step evaluation process to optimize utility performance and deliver value to all stakeholders

1Q 2023

2Q 2023

3Q 2023

4Q 2023

## Comprehensive Review and Identification of Potential Opportunities

### Key Focus Areas

- Safe, reliable, sustainable, and affordable service
- Disciplined approach to O&M and cost management
- CapEx optimization to support customer growth, system improvements, and evolving customer needs
- Optimization of rate case process
- Delivery of sustainable energy options for customers
- Accelerating our pursuit of operational excellence

## Evaluation and Prioritization of Initiatives to Execute

### Projected Outcomes

- Constructive regulatory outcomes
- Meet and exceed customer and regulator expectations
- Attractive rate base growth of 5% - 7%
- ROE improvement
- Financial stability and improved credit profile
- Earnings growth



# Strong Demand Dynamics Supporting Value Creation

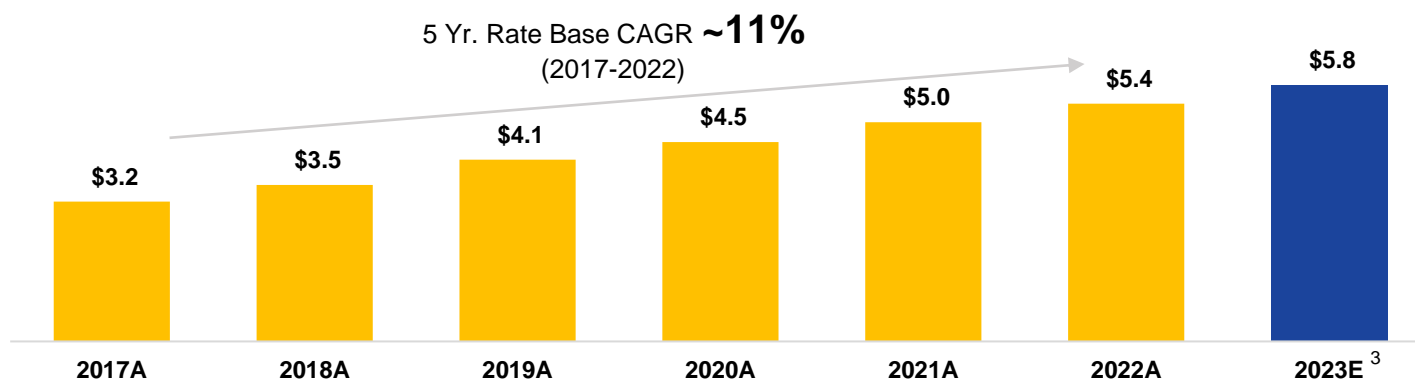


## Strong Economic Growth Across Service Areas

- From 2023 to 2028, projected population growth of 3.76% in Arizona and 3.95% in Nevada<sup>1</sup>
- Strong YTD 2023 increase in First-Time Meter Sets:

**~20k** First-Time Meter Sets through June 2023

Rate Base<sup>2</sup> (\$ in billions)



**\$2B**  
Capital Investment

Estimated 2023 – 2025

### Plan Highlights

**46%**  
in Safety & Integrity  
Management

**36%**  
in New Business &  
Reliability

**65% - 70%**  
Expected percentage of three-year capital plan  
funded by internally generated cash

Notes:

<sup>1</sup> S&P Global Capital IQ, 18 July 2023

<sup>2</sup> Rate base amounts reflect estimated total investment in facilities to provide utility service, less estimated retirements, depreciation, and deferred taxes plus working capital as of 12/31 of each year depicted. This is different than our authorized rate base, which is the rate base approved by our regulatory bodies in our most recent rate cases and that is reflected in current rates.

<sup>3</sup> 2023E rate base assumes CapEx at mid-point of 2023 guidance range (\$710 million)

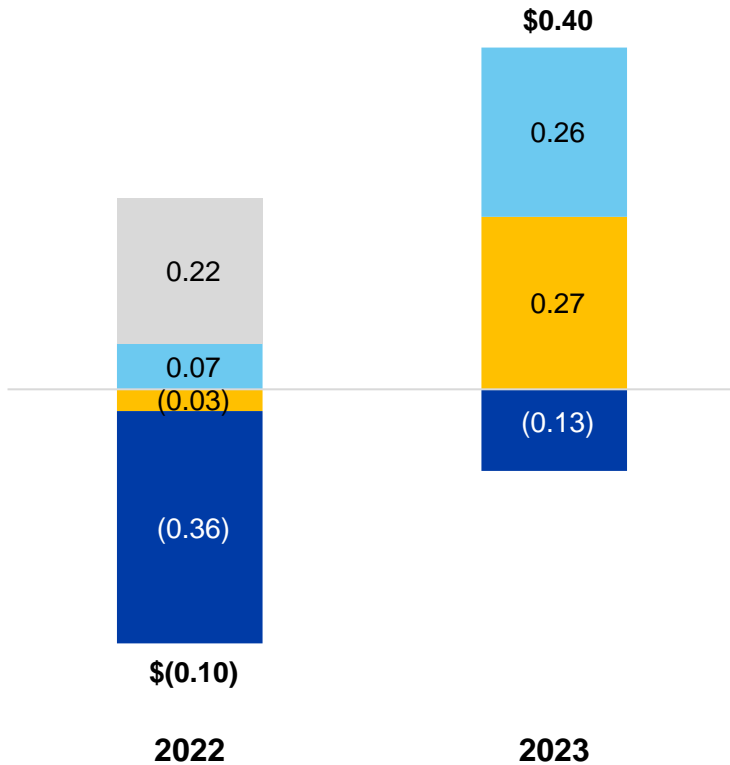
# Financial Update



Southwest Gas  
HOLDINGS

# 2Q 2023 SWX Results

GAAP SWX 2Q 2023 EPS Results<sup>1</sup>



Adj. SWX 2Q 2023 EPS Results<sup>1</sup>



■ Southwest Gas Holdings ■ Southwest Gas Corp. ■ Centuri ■ MountainWest

## Financial Highlights

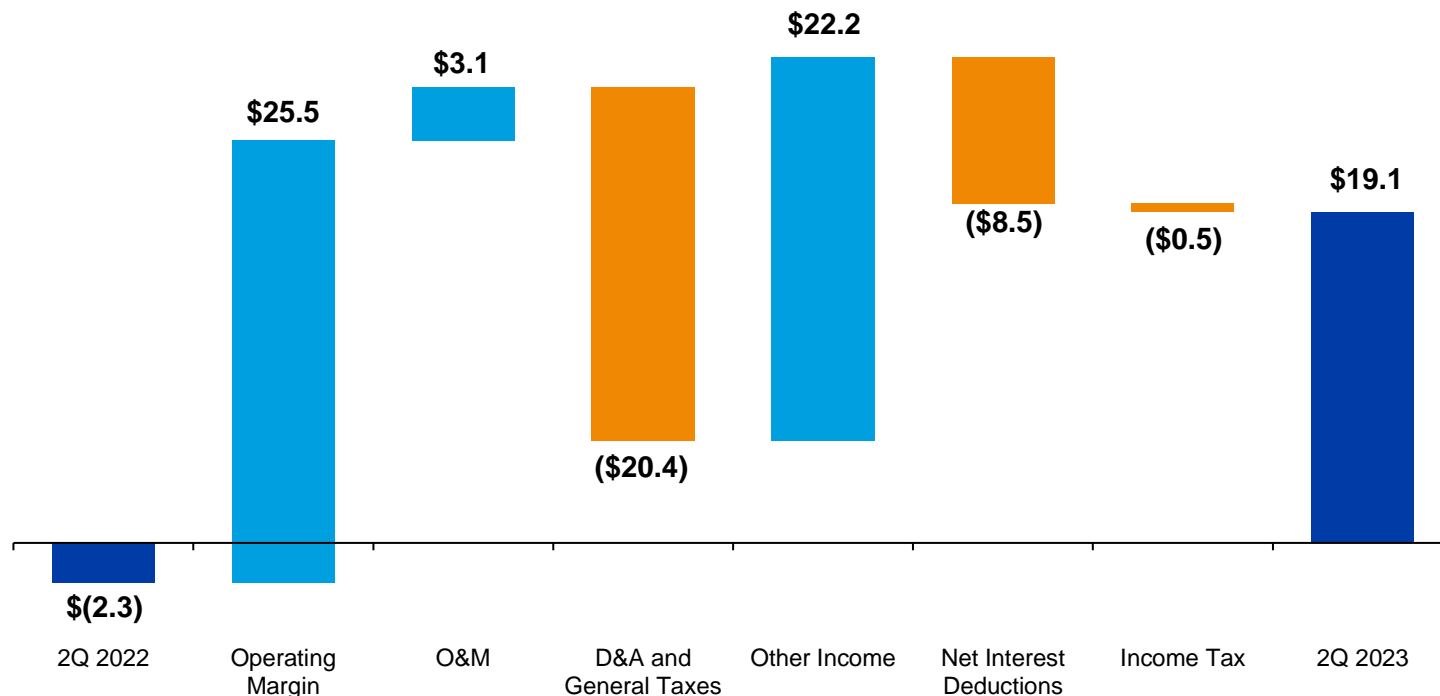
- Consolidated second quarter adjusted net income of ~\$33.8 million resulting in adjusted earnings per share of ~\$0.47
- SWG recorded its highest second quarter net income on record
- Centuri recorded its highest second quarter revenue and adjusted EBITDA on record
- Southwest Gas Holdings second quarter earnings impacted primarily by costs associated with the Centuri spin and to a lesser extent consulting fees

# 2Q 2023 Southwest Net Income (Loss)

NATURAL GAS DISTRIBUTION SEGMENT

## GAAP Net Income (Loss) (\$ in millions)

■ Favorable ■ Unfavorable



### Year-over-year net income drivers include:

(parenthesis indicate unfavorable net income drivers)

↑ favorable impact      ↓ unfavorable impact

#### ↑ Operating Margin<sup>1</sup>

- \$16 million – Recovery/return of regulatory account balances
- \$14 million – Combined increase recovery of investment
- \$3 million – Customer growth
- (\$2 million) – Decreased AZ VSP and COYL<sup>2</sup> revenue

#### ↑ O&M

- \$8 million – Legal claim-related expenses
- Offsets include increases in other outside services/contractor costs (including a consulting arrangement for utility optimization), leak survey and line locating costs, and bad debt expense

#### ↓ D&A and General Taxes

- (\$16 million) – Increase in amortization related to regulatory account recoveries
- 6% increase in average gas plant since 2Q 2022<sup>3</sup>

#### ↑ Other Income<sup>4</sup>

- \$11 million – Increase in interest income due to the increased receivable position related to the PGA mechanisms
- \$9 million – Increase in COLI, including death benefits, policy cash surrender value
- \$5 million – Decrease in non-service-related components of employee pension and other retirement benefit costs

#### ↓ Interest

- Primarily driven by interest associated with the issuance of debt to fund investment plan and PGA balance

Highest Second Quarter Net Income on Record



Notes:

<sup>1</sup> Remaining variance primarily relates to miscellaneous revenue and customers outside of the decoupling mechanism

<sup>2</sup> Vintage Steel Pipe ("VSP") and Company Owned Yard Line ("COYL")

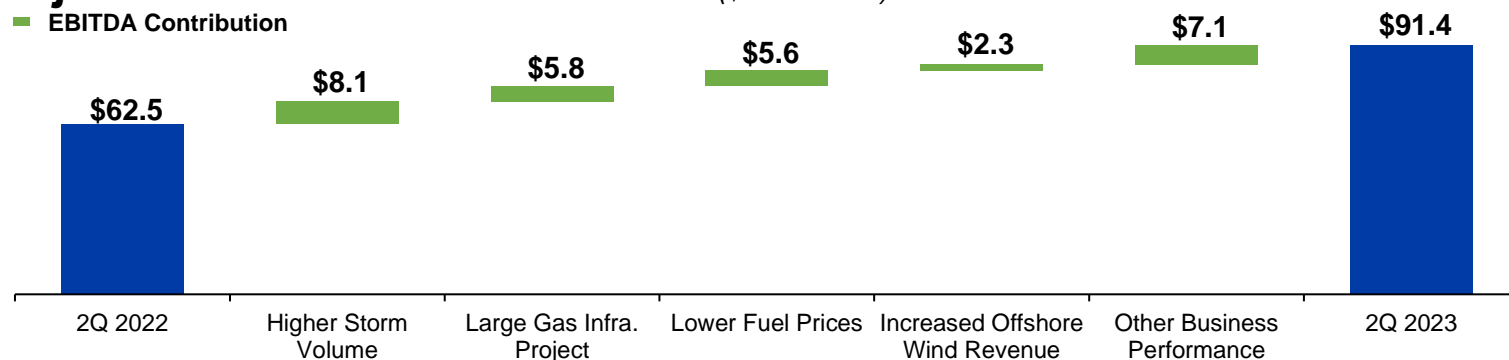
<sup>3</sup> Increase in plant was attributable to pipeline capacity reinforcement work, franchise requirements, scheduled pipe replacement activities, and new infrastructure

<sup>4</sup> Remaining variance primarily relates to a reserve for a software project that may be non-recoverable

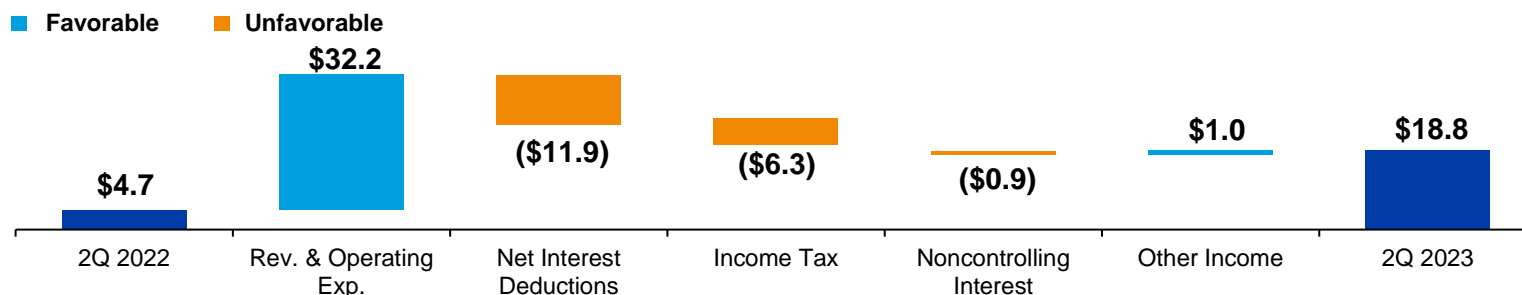
# 2Q 2023 Centuri Adjusted EBITDA and Net Income

## UTILITY INFRASTRUCTURE SERVICES SEGMENT

### Adjusted EBITDA Contribution<sup>1</sup> (\$ in millions)



### GAAP Net Income (\$ in millions)



### Year-over-year drivers include:

(parenthesis indicate unfavorable net income drivers)

↑ favorable impact

↓ unfavorable impact

#### ↑ Revenues

- ~\$100 million – Total increase
  - \$29 million – Increased storm restoration services
  - \$26 million – Increased offshore wind revenue
  - \$45 million – Increased revenues with new and existing customers

#### ↓ Operating Expenses

- (\$70 million) Total increase – driven by higher volume of infrastructure services and increased subcontractor costs on offshore wind projects

#### ↓ Net Interest Deductions

- Primarily due to higher interest rates on outstanding variable-rate borrowings associated with Riggs Distler acquisition

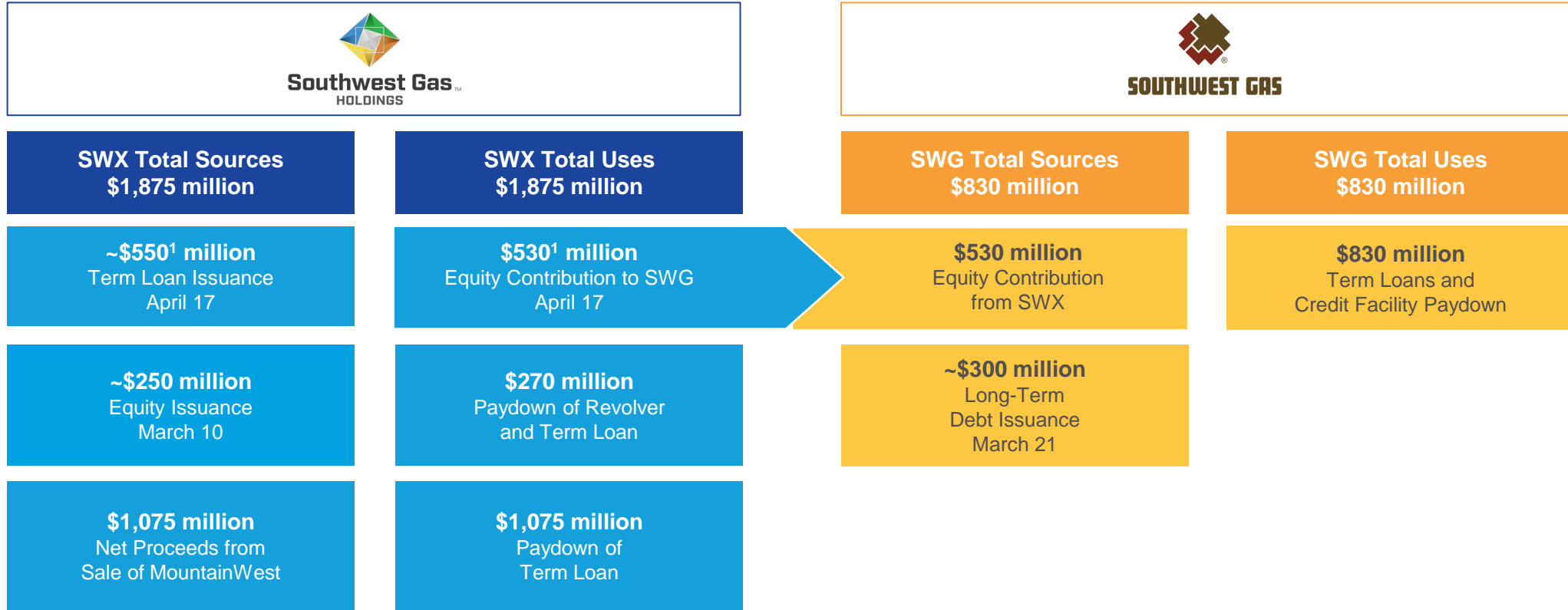
## Record Second Quarter Revenue and Adjusted EBITDA



Notes: See appendix for Adjusted EBITDA reconciliation.

<sup>1</sup> Adjusted EBITDA excludes noncontrolling interest, strategic review costs, one-time acquisition costs, and non-cash stock-based compensation expense

# 2023 Financing Plan Complete






Limited Near-Term Equity Needs for 2024 and 2025

Notes:

<sup>1</sup> Approximately \$20 million used to paydown SWX credit facility

# Balance Sheet Strength

SWX and SWG are committed to maintaining an investment grade profile

	Net Debt <sup>1</sup> (\$ in billions)					Credit Ratings and Outlook					
	Total Debt	Cash	Net Debt	PGA <sup>2</sup> Balance	Net Debt less PGA	Moody's		Standard and Poor's		Fitch	
						Ratings	Outlook	Ratings	Outlook	Ratings	Outlook
 <b>Southwest Gas HOLDINGS</b>	\$0.6	\$0.0	\$0.6	n/a	\$0.6	Baa2	Stable	BBB-	Positive	BBB	Rating Watch Negative
 <b>SOUTHWEST GAS</b>	\$3.5	\$0.2	\$3.3	\$0.8	\$2.5	Baa1	Stable	BBB	Positive	A	Negative
 <b>CENTURI</b>	\$1.3	\$0.0	\$1.3	n/a	\$1.3	Ba2	Under Review For Downgrade	B+	Credit Watch Developing		

Notes:

<sup>1</sup> As of 6/30/2023

<sup>2</sup> PGA Balances include purchase gas costs net of amounts received/refunded to or from customers

# Business Update



Southwest Gas  
HOLDINGS



# Southwest Regulatory Update

## Rate Case Activity

### Anticipated Timing of Future Rate Case Filings



3Q 2023



1Q 2024



3Q 2024



**Great Basin™**  
GAS TRANSMISSION COMPANY  
*A subsidiary of Southwest Gas*

1Q – 2Q 2025<sup>1</sup>

Notes:

<sup>1</sup> Great Basin must file by May 2025 (FERC Docket No. RP19-1291-005)

# Southwest Regulatory Update

## Other Regulatory Activity



### Arizona PGA Filing

Received ACC approval to increase the Gas Cost Balancing Account rate (for up to two years) to facilitate timely recovery of an approximate \$358 million purchased gas cost balance, effective August 1, 2023.

### Great Basin 2023 – Mainline Replacement Project

FERC issued order in February 2023 granting a certificate of public convenience and necessity (“CPCN”) for the construction and operation of the project which contemplates the replacement of ~20.4 miles of 16” pipe in Humboldt County. The current project estimate is ~\$47 million.

### California Fort Irwin Expansion Project

Filed application with California Public Utilities Commission (“CPUC”) in November 2022 seeking authority to expand its service territory in Southern California to accommodate the Ft. Irwin expansion project.

### Nevada Annual Rate Adjustment Filing

The Commission approved an all-party settlement authorizing a statewide increase in revenues of ~\$12 million and found that SWG’s gas purchases during the test period were reasonable and prudent.

### Great Basin 2024 – Expansion Project

Application filed with FERC in April 2023 seeking an order to abandon and replace certain pipeline facilities and granted a CPCN to construct and operate certain facilities to expand the transportation capacity of the system. The current project estimate is ~\$15 million.

### California Hydrogen Demonstration Project

Application pending before CPUC for approval of a hydrogen-blending demonstration project in Northern California.

### Arizona COYL Annual Surcharge Filing

In June, the ACC approved the Company’s annual COYL Surcharge filing submitted in February 2023, authorizing the requested \$4.3 million margin increase.

# Legislative Activity - Nevada

## Executive Order 2023-07

*Outlines the state's energy priorities and policy objectives for the next decade*

### Focus

- Supports an all-of-the-above approach to energy in the state
- Emphasizes the importance of affordability and reliability of energy for consumers
- Protects the use of natural gas in homes and businesses and ensures Nevadans continue to have all energy options available to them
- Promotes economic development and investment in Nevada

## SB 281 Gas Planning

*Establishes an infrastructure planning process with the PUCN<sup>1</sup> for natural gas utilities*

### Requires three-year plan to include:

- Current & projected demands for natural gas
- Significant projects & investments
- Energy efficiency & load management programs
- Renewable energy & low-carbon fuel initiatives

### Gas Planning Benefits



Supports investment in clean fuel technologies and R&D opportunities



Creates opportunity to seek regulatory pre-approval for certain investments



Reinforces natural gas's role in providing safe, reliable and affordable energy



Creates pathways for natural gas utilities to support GHG reduction goals



Enhances transparency for customers and interested stakeholders

Notes:

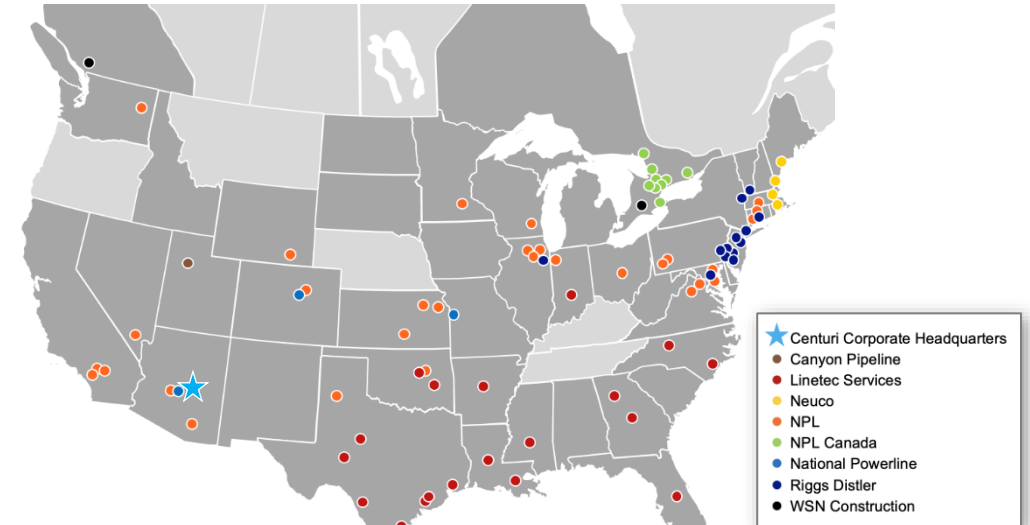
<sup>1</sup> Public Utilities Commission of Nevada ("PUCN")

# Centuri: Strategic Utility Infrastructure Services Leader

## High-Quality Utility Customer Base

Gas	Electric	Combination

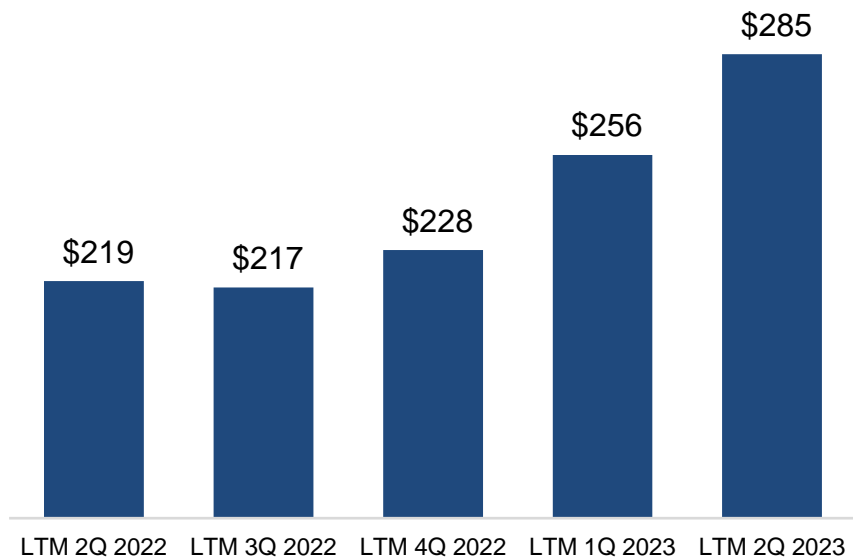
## Service Territory



			<b>GAS GROUP</b>	
				<b>POWER GROUP</b>
				<b>CANADA GROUP</b>

# Centuri: Proven Performance Track Record

**Centuri LTM Adjusted EBITDA<sup>1</sup>**  
(\$ in millions)



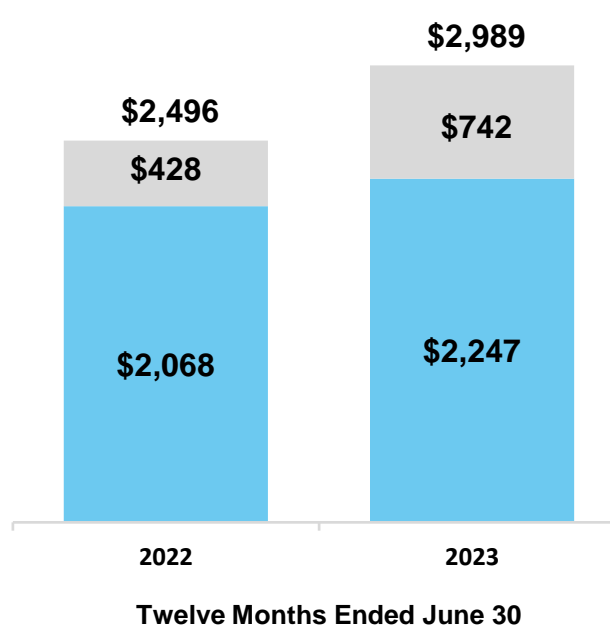
**Driving Continued Growth in Adjusted EBITDA:**

**\$65M**

year over year increase in LTM adjusted EBITDA

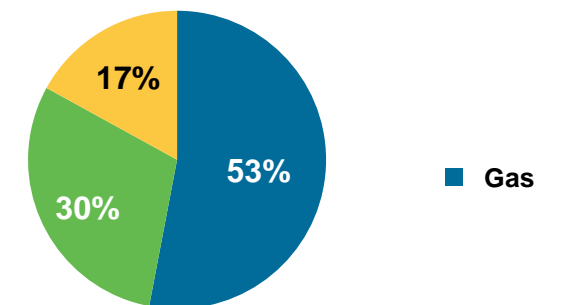
**LTM Revenue**  
(\$ in millions)

■ Legacy Centuri   ■ Incremental Riggs Distler

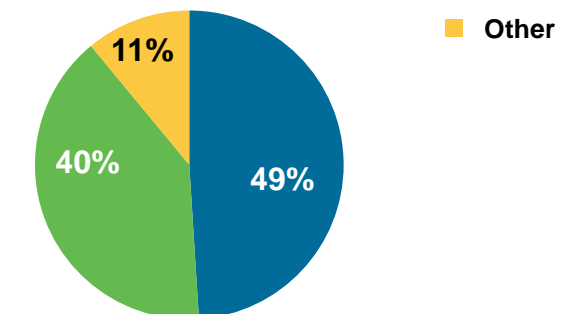


**LTM Business Mix by Service Type**

**Revenues**



**Gross Profit**



# Centuri: Execution on 2023 Projects

## Consistent Growth

### New Awards & Value-Enhanced Contracts

- Nearing completion of pipe installation for ~\$125 million gas pipeline construction contract in Indiana
- Awarded a 3-year electric utility contract worth \$15-20M per year



## Strong Sector Outlook

Multi-decade outlook for significant growth in gas and electric T&D markets, significant multi-year opportunity in offshore wind related infrastructure

## Clean Energy Projects Expansion

Completed contracted work for South Fork Wind (components for 12 positions) and delivered to customer for installation, marking the first Advanced Foundation Components assembled in the US.

- ~\$100 million revenue recorded for sustainable wind energy projects during first half of 2023 and projecting ~\$250 million for the full year
- Contracted to provide onshore assembly, fabrication, and port logistics for offshore wind projects in Mid-Atlantic and Northeastern United States
- Total of all wind contracts signed to date just over \$525 million
  - Southfork complete and Revolution project now underway in Rhode Island
  - An additional contract has been signed for Ocean Wind in Maryland
  - Executed contract for Sunrise project in New York totaling \$172 million



## Restoration Services

Crews responded to restore power to communities following heavy storms and tornados that swept through Oklahoma, Mississippi, and Arkansas.



**1,510**  
Employees  
deployed

**\$64.5M**  
Revenue earned in  
the first half of 2023

**22**  
States

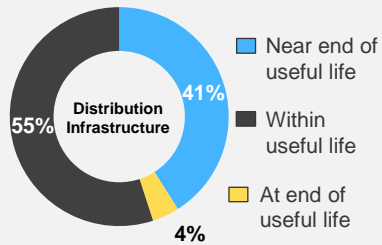
# Centuri: Strong Tailwinds Across Infrastructure End Markets Support Long-Term Growth



## Electric Utility Distribution

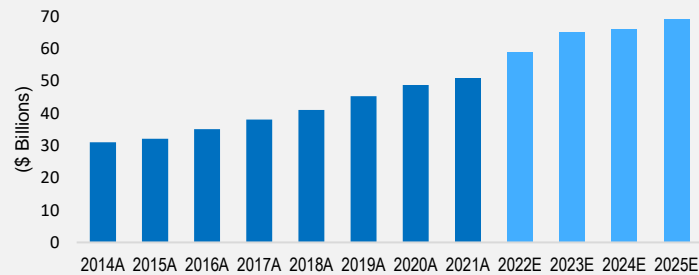
### Aging Electric Infrastructure<sup>(1)</sup>

Distribution infrastructure age relative to useful lifespan



### Growing CapEx Spend<sup>(2)</sup>

North American Distribution Capex

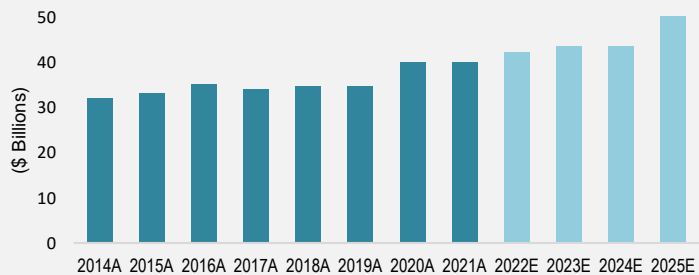


## Electric Utility Transmission



### Growing CapEx Spend<sup>(2)</sup>

North American Transmission Capex

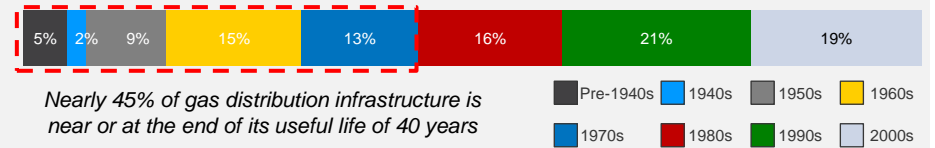


## Gas Utility Distribution

### Aging Gas Infrastructure<sup>(3)</sup>

Gas Distribution

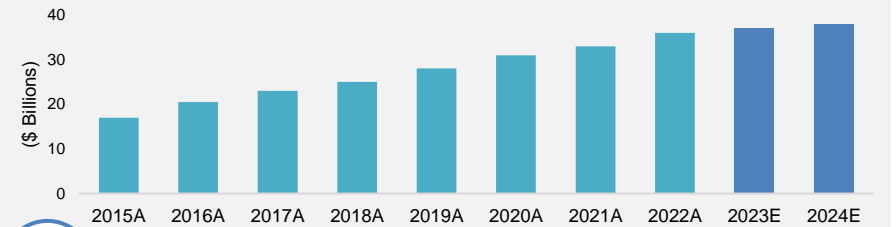
Pipelines Constructed (By decade)



Nearly 45% of gas distribution infrastructure is near or at the end of its useful life of 40 years

### Construction Spend on Distribution<sup>(2)</sup>

Strong growth for new and replacement

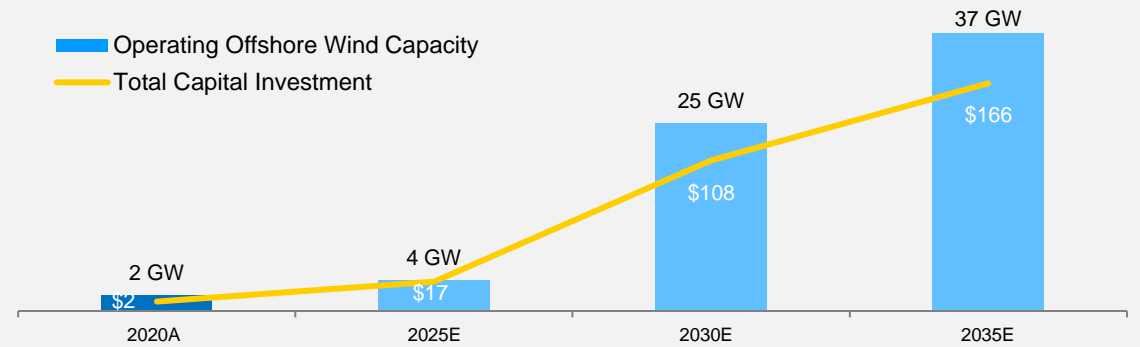


## Energy Transition

### Accelerating U.S. Capacity and Investment<sup>(3)</sup>

(Units in gigawatts; \$ in billions)

- Operating Offshore Wind Capacity
- Total Capital Investment



# Guidance and Outlook



Southwest Gas<sup>TM</sup>  
HOLDINGS





# Southwest and Centuri Guidance



## SOUTHWEST GAS

2023 CapEx:

**\$700 - \$720 million\***

2023 Net Income<sup>1</sup>:

**\$205 - \$215 million**

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3-year Rate Base CAGR<sup>2</sup>:

**5% - 7%**

3-year Total Capex<sup>2</sup>:

**\$2.0 billion**



## CENTURI

2023 Revenue:

**\$2.8 - \$3.0 billion**

2023 Adjusted EBITDA<sup>3</sup>

Margin:

**9.5% - 11.0%**

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2023 – 2026 Adjusted

EBITDA<sup>3</sup> CAGR:

**9% - 11.0%**

Notes:

\* Indicates guidance range updated in the second quarter

<sup>1</sup> Assumes \$3 - \$5 million COLI earnings

<sup>2</sup> 3-year: 2023 – 2025

<sup>3</sup> Adjusted EBITDA excludes noncontrolling interest, strategic review costs, one-time acquisition costs, and non-cash stock-based compensation expense

# Positioned to Unlock Significant Stockholder Value



Enhancing SWX credit profile through the sale of MountainWest and strengthening capital and strategic flexibility through spin of Centuri



Maintain balance sheet flexibility and investment grade credit ratings



Positive regulatory developments and strong organic rate base growth



Optimizing the utility to deliver value through financial discipline, operational excellence, and constructive regulatory relationships



Providing safe, reliable, sustainable and affordable energy solutions for new and existing customers, with a dedicated focus on service



Capital expenditure plan supported by increased economic development and customer growth throughout our service areas



Well positioned to continue delivering sustainable energy options for our customers



Transitioning into a standalone world-class utility infrastructure services platform with strong leadership in infrastructure modernization and energy transition



Deleveraging the business organically in 2023 through EBITDA growth

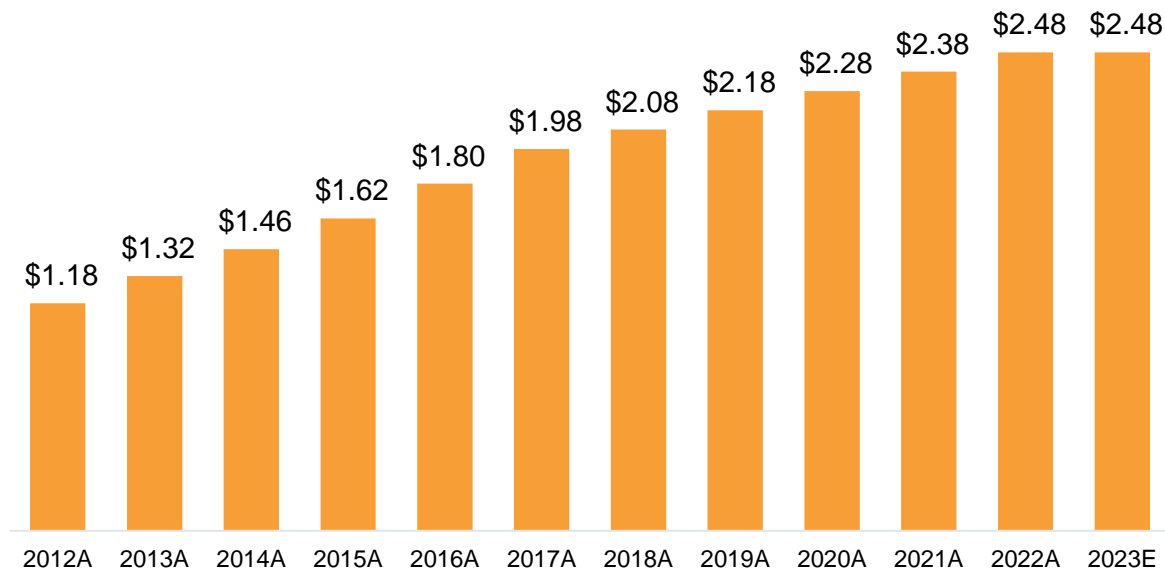
# Appendix



# Maintaining a Competitive Dividend

Upon completion of the spin of Centuri, Southwest Gas Holdings plans to target a dividend payout ratio in line with gas utility peers

## SWX Annual Dividend Per Share



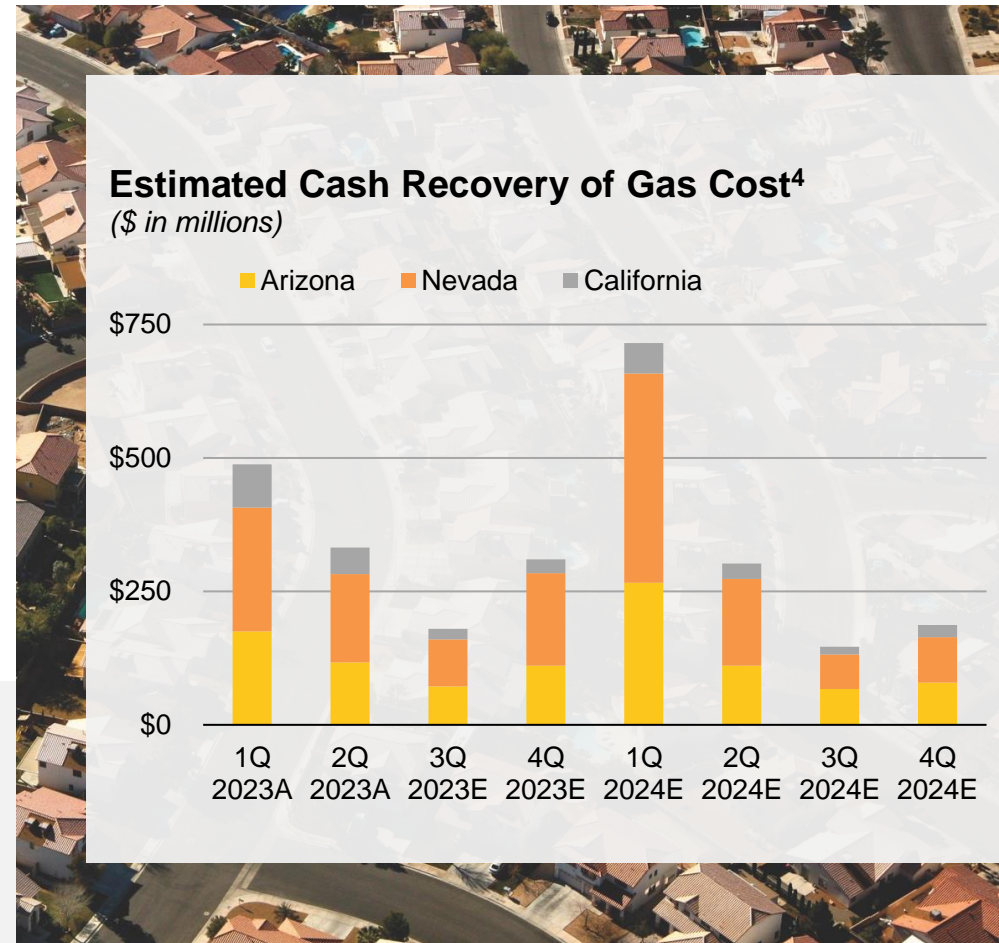
- Southwest Gas Holdings is committed to paying a competitive dividend
- Southwest Gas Holdings has paid a dividend every year since 1956
- Upon completion of the spin of Centuri, Southwest Gas Holdings plans to target a dividend payout ratio in line with gas utility peers<sup>1</sup>
- Until the planned spin has been completed, Southwest Gas Holdings expects to continue to pay its regular quarterly dividend<sup>1</sup>
- Expect to size post-spin dividend off of future run rate earnings considering expected rate relief in Arizona, California, and Nevada<sup>1</sup>

# Summary of Gas Cost Balances and Recovery Mechanisms

## PGA<sup>1</sup> Balance and Recovery Mechanism Summary

State	Mar. 2023 Receivable Balance (\$ in millions)	Jun. 2023 Receivable Balance (\$ in millions)	Carrying Cost Rate	Gas Cost Rate Adjustment Frequency
AZ	\$417.9	\$338.8	1 Year Treasury Rate	Monthly <sup>2</sup>
NV	\$495.7	\$410.4	Weighted Average Cost of Capital	Quarterly <sup>2</sup>
CA	\$56.7	\$36.3	Commercial Paper Rate	Monthly <sup>3</sup>
<b>Total</b>	<b>\$970.3</b>	<b>\$785.5</b>		

### Balances by State as of 6/30/2023



Notes: tables may not add due to rounding

<sup>1</sup> PGA refers to FERC Acct. 191

<sup>2</sup> Using a 12-month rolling average, to account for changes in the cost of gas SWG purchased on behalf of its customers, with no profit to SWG

<sup>3</sup> The gas cost rate is adjusted monthly based on a one-month forecast cost of gas plus the difference in the prior month's over or under recovery of the PGA balance

<sup>4</sup> Includes estimated recoveries for base gas costs and gas cost balancing accounts

# Sustainable Energy Investments

## Renewable Natural Gas (RNG) Projects<sup>1</sup>

RNG projects repurpose methane from waste supporting emissions reductions



### Southwest Gas, RTC & U.S. Gain Partnership

- Leveraging RNG for the agency's public transit fleet

### Tres Rios Renewable Natural Gas Project

- Facilitating the delivery of renewable energy as a byproduct of treated wastewater from the Pima County Wastewater Reclamation Facility

### Sunoma Renewable Natural Gas Project

- Transforming methane emissions from Paloma Dairy into a sustainable energy source

### SoCal Biomethane RNG

- Facilitating the delivery of pipeline quality gas to southern California from Victor Valley Wastewater Reclamation Authority

### Butterfield RNG




- Facilitating the delivery of pipeline quality gas from the Butterfield Dairy in Buckeye, Arizona

### Great Basin Cheyenne Trail Interconnection

- Providing interstate transportation service for captured methane produced by renewable resources

## Fort Irwin Expansion Project

Fort Irwin's remote desert location provides an opportunity to enhance energy reliability, resilience, and security



- On-site generation capacity capable of maintaining critical loads during an electric outage
- Approximately 22 miles dedicated natural gas pipeline
- Estimated pipeline cost of \$39 million
- Filed an application with the CPUC in Nov 2022 seeking authority to expand SWG's service territory to accommodate the project

## California Hydrogen Demonstration Project

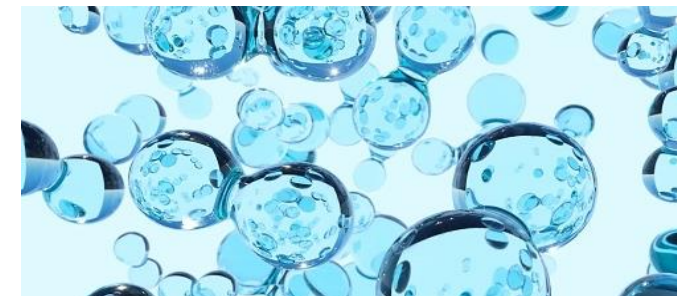
Filed for approval of a hydrogen-blending demonstration project with the California Public Utilities Commission on September 8, 2022

### Project Objective:

- Establish critical knowledge targeting hydrogen-blending in extreme cold and high-elevations

### Project Detail:

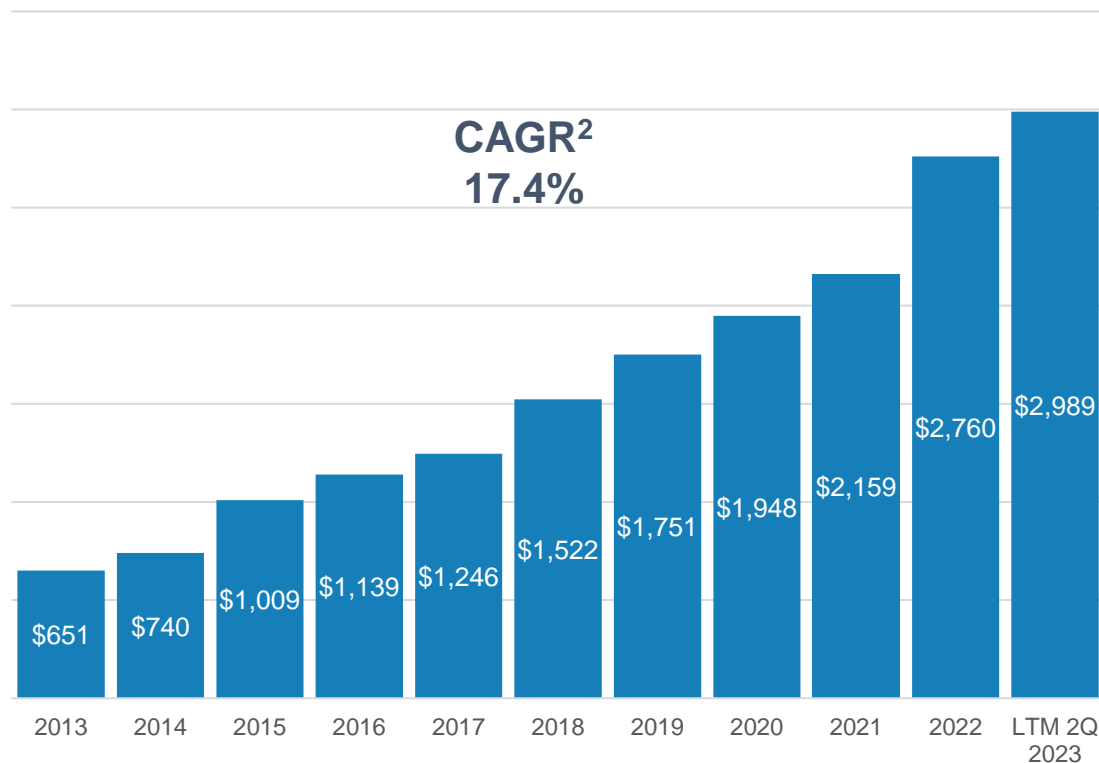
- Project will test a blend of 5% to 20% hydrogen with natural gas in plastic and steel pipe
- 18-month period of testing



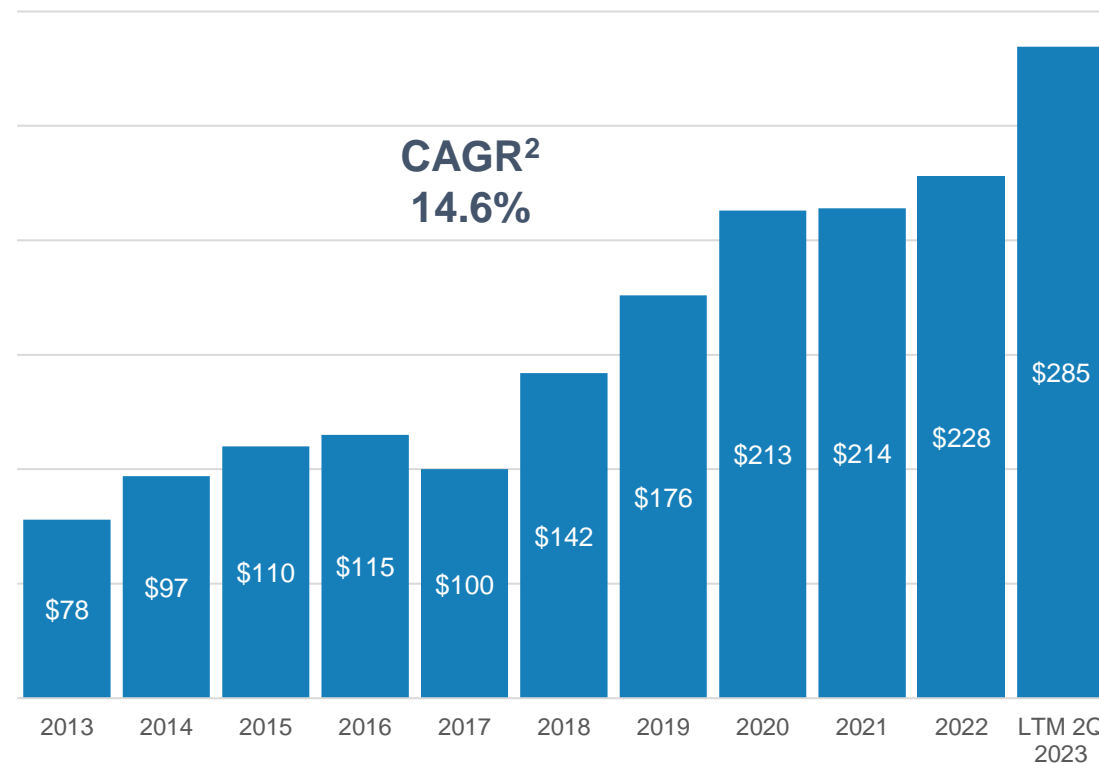
# Proven Performance Track Record

(\$ in millions)

## Revenues



## Adjusted EBITDA<sup>1</sup>



<sup>1</sup> Adjusted EBITDA excludes noncontrolling interest, strategic review costs, one-time acquisition costs, the nonrecurring write-off of deferred financing fees related to Centuri's amended and restated credit facility, and non-cash stock-based compensation expense.

<sup>2</sup> Compound annual growth from 2013 to LTM 2Q-23

# Top 20 Customers

#	Revenue as % of Total <sup>1</sup>	Revenue (\$ in Millions) <sup>1</sup>	Relationship Length (Yrs)	Total Contract Length (Yrs)
1	8.1%	\$243	45	5
2	7.7%	\$229	27	9
3	5.6%	\$167	6	5
4	5.6%	\$167	4	2
5	4.4%	\$131	38	4
6	4.4%	\$131	16	5
7	3.9%	\$116	16	2
8	3.7%	\$112	9	3
9	3.4%	\$101	46	5
10	3.3%	\$99	28	12
11	3.3%	\$99	22	5
12	2.9%	\$88	16	3
13	2.7%	\$82	11	5
14	2.5%	\$74	43	10
15	2.3%	\$68	34	5
16	2.1%	\$62	27	4
17	1.7%	\$51	19	5
18	1.6%	\$47	28	5
19	1.5%	\$46	6	4
20	1.5%	\$46	6	5
<b>Total Top 20 Revenue</b>		<b>\$2,159</b>	<b>Avg 22.4</b>	<b>Avg 5</b>

<sup>1</sup> Last Twelve Months Ended June 30, 2023



# 2Q 2023 Financial Results

## CONSOLIDATED

Results of Consolidated Operations	Three months ended		Six months ended		Twelve months ended	
	June 30,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
<i>(in millions, except per share items)</i>						
Natural gas distribution income (loss)	\$ 19.1	\$ (2.3)	\$ 153.8	\$ 109.5	\$ 198.7	\$ 166.5
Utility infrastructure services income (loss)	18.8	4.7	6.9	(18.7)	27.8	7.4
Pipeline and storage income (loss)	-	15.1	(16.3)	32.0	(332.0)	32.0
Corporate and administrative loss	(9.1)	(24.1)	(69.7)	(33.2)	(112.5)	(58.0)
Net income (loss)	28.9	(6.6)	74.8	89.6	(218.1)	148.0
Non-GAAP adjustments <sup>(1)</sup>	4.9	22.3	74.9	32.3	442.5	67.8
Adjusted net income	\$ 33.8	\$ 15.7	\$ 149.7	\$ 121.9	\$ 224.4	\$ 215.7
Basic earnings (loss) per share	\$ 0.40	\$ (0.10)	\$ 1.07	\$ 1.40	\$ (3.18)	\$ 2.39
Diluted earnings (loss) per share	\$ 0.40	\$ (0.10)	\$ 1.07	\$ 1.40	\$ (3.18)	\$ 2.38
Basic adjusted earnings per share	\$ 0.47	\$ 0.23	\$ 2.14	\$ 1.91	\$ 3.27	\$ 3.48
Diluted adjusted earnings per share	\$ 0.47	\$ 0.23	\$ 2.14	\$ 1.90	\$ 3.27	\$ 3.47
Weighted average common shares	71.536	67.045	69.901	63.909	68.542	62.022
Weighted average diluted shares	71.722	67.045	70.072	64.041	68.542	62.157

Notes: table may not add due to rounding

<sup>1</sup> The three months ended June 30, 2023 include the additional goodwill impairment and loss on sale and sale related expenses, consulting fees related to Utility optimization opportunity identification, benchmarking, and assessment, and proxy contest, stockholder litigation, settlement agreement, strategic review, and Centuri spin. Incrementally, adjustments for the six and twelve months ended June 30, 2023 further include non-recurring stand-up costs associated with integrating MW. The adjustments for the three, six, and twelve months ended June 30, 2022 include legal reserve; Riggs Distler transaction costs; non-recurring stand-up costs associated with integrating MW; and proxy contest, stockholder litigation, settlement agreement, strategic review, and Centuri spin.

# Summary of Operating Results

## NATURAL GAS DISTRIBUTION SEGMENT

Results of Natural Gas Distribution <i>(in thousands of dollars)</i>	Three months ended		Six months ended		Twelve months ended	
	June 30,		June 30,		June 30,	
	2023	2022	2023	2022	2023	2022
Regulated operations revenues	\$ 487,866	\$ 377,942	\$ 1,402,745	\$ 1,054,481	\$ 2,283,333	\$ 1,761,543
Net cost of gas sold	231,053	146,654	732,222	443,775	1,077,663	642,165
Operating margin	256,813	231,288	670,523	610,706	1,205,670	1,119,378
Operations and maintenance expense	124,731	127,811	255,919	247,447	500,400	476,725
Depreciation and amortization	74,845	55,930	149,495	128,044	284,494	255,113
Taxes other than income taxes	21,604	20,098	44,344	41,750	85,791	82,068
Operating income	35,633	27,449	220,765	193,465	334,985	305,472
Other income (deductions)	18,742	(3,433)	37,185	(2,118)	32,419	(6,062)
Net interest deductions	37,104	28,633	75,726	55,243	136,363	106,462
Income (loss) before income taxes	17,271	(4,617)	182,224	136,104	231,041	192,948
Income tax expense (benefit)	(1,849)	(2,351)	28,408	26,575	32,374	26,412
Segment net income (loss)	\$ 19,120	\$ (2,266)	\$ 153,816	\$ 109,529	\$ 198,667	\$ 166,536

# Summary of Operating Results

## UTILITY INFRASTRUCTURE SERVICES SEGMENT

### Results of Utility Infrastructure Services

(in thousands of dollars)

	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2023	2022	2023	2022
Revenues	\$ 805,779	\$ 706,090	\$ 2,989,432	\$ 2,496,028
Cost of sales <sup>(1)</sup>	715,807	649,587	2,713,898	2,289,651
Gross profit	89,972	56,503	275,534	206,377
General and administrative expenses <sup>(2)</sup>	30,100	27,650	111,565	117,558
Amortization of intangible assets	6,670	7,819	27,435	27,586
Operating income	53,202	21,034	136,534	61,233
Other income (deductions)	883	(147)	(51)	682
Net interest deductions	24,525	12,598	84,543	41,474
Income before income taxes	29,560	8,289	51,940	20,441
Income tax expense	9,361	3,054	17,024	7,941
Net income	20,199	5,235	34,916	12,500
Net income attributable to noncontrolling interests	1,381	494	7,160	5,082
Contribution to consolidated results	\$ 18,818	\$ 4,741	\$ 27,756	\$ 7,418
Adjusted net income attributable to Centuri <sup>(3)</sup>	\$ 19,675	\$ 6,446	\$ 28,375	\$ 20,255

(1) Cost of sales during the three months ended June 30, 2023 and 2022 includes depreciation expense of \$29,014 and \$29,838, respectively. Cost of sales during the twelve months ended June 30, 2023 and 2022 includes depreciation expense of \$121,374 and \$112,010, respectively.

(2) General and administrative expenses during the three months ended June 30, 2023 and 2022 includes depreciation expense of \$1,176 and \$1,206, respectively. General and administrative expenses during the twelve months ended June 30, 2023 and 2022 includes depreciation expense of \$4,799 and \$4,561, respectively.

(3) Excludes the impact of the write-off of deferred financing fees and debt modification costs, acquisition costs and strategic review costs, net of the impact of income tax adjustments.

# Non-GAAP Measures

(\$ in thousands, except per share amounts)

Adjusted SWX income and adjusted EPS for the three and twelve months ended June 30, 2023, include the goodwill impairment and loss on sale; consulting fees related to Utility optimization opportunity identification, benchmarking, and assessment; and proxy contest, stockholder litigation, settlement agreement, strategic review, and Centuri spin. Adjusted SWX income and adjusted EPS for the three months ended June 30, 2022, include nonrecurring stand-up cost associated with integrating MW; and proxy contest, stockholder litigation, settlement agreement, strategic review, and Centuri spin costs. Incrementally, the adjustments for the twelve months ended June 30, 2022, further include legal reserve and Riggs Distler transaction costs.

Adjusted Corporate and Administrative income and adjusted EPS for the three and twelve months ended June 30, 2023, include the goodwill impairment and loss on sale; proxy contest, stockholder litigation, settlement agreement, strategic review, and Centuri spin costs; and consulting fees related to Utility optimization opportunity identification, benchmarking, and assessment. Adjusted Corporate and Administrative income and adjusted EPS for the three and twelve months ended June 30, 2022, include proxy contest, stockholder litigation, settlement agreement, and strategic review costs. Incrementally, the adjustments for the twelve months ended June 30, 2022, further include MW stand-up, integration, and transaction-related costs.

Adjusted SWG income and adjusted EPS for the three and twelve months ended June 30, 2023, include the consulting fees related to Utility optimization opportunity identification, benchmarking, and assessment. Adjusted SWG income and adjusted EPS for the twelve months ended June 30, 2022, include a legal reserve.

Adjusted MW income and adjusted EPS for the three and twelve months ended June 30, 2022, include nonrecurring stand-up costs. Incrementally, the adjustments for the twelve months ended June 30, 2023 include the goodwill impairment and loss on sale.

We do not provide a reconciliation of forward-looking Non-GAAP Measures to the corresponding forward-looking GAAP measure due to our inability to project special charges and certain expenses.

	Three months ended June 30,		Twelve months ended June 30,	
	2023	2022	2023	2022
<b>SWX Adjusted Net Income and Adjusted EPS</b>				
SWX net income (loss)	\$ 28,878	\$ (6,575)	\$ (218,104)	\$ 147,970
Legal reserve	-	-	-	5,000
Riggs Distler transaction costs	-	-	-	13,000
Goodwill impairment and loss on sale	397	-	528,510	-
Nonrecurring stand-up cost associated with integrating MW	-	4,573	15,821	36,732
Consulting fees related to optimization opportunity identification, benchmarking, and assessment	2,395	-	2,395	-
Proxy contest, stockholder litigation, settlement agreement, strategic review, and Centuri spin	3,669	24,311	17,502	32,606
Income tax effect of adjustments	(1,562)	(6,576)	(121,730)	(19,572)
<b>SWX adjusted net income</b>	<b>\$ 33,777</b>	<b>\$ 15,733</b>	<b>\$ 224,394</b>	<b>\$ 215,736</b>
Weighted average diluted shares	71,722	67,045	68,542	62,157
<b>SWX adjusted EPS</b>	<b>\$ 0.47</b>	<b>\$ 0.23</b>	<b>\$ 3.27</b>	<b>\$ 3.47</b>
<b>Corporate &amp; Admin. Adjusted Net Income and Adjusted EPS</b>				
Corporate and Admin. net (loss)	\$ (9,060)	\$ (24,126)	\$ (112,500)	\$ (57,990)
Goodwill impairment and loss on sale	397	-	57,689	-
MW stand-up, integration, and transaction-related costs	-	-	291	23,501
Proxy contest, shareholder litigation, settlement agreement, strategic review, and Centuri spin costs	2,532	22,063	16,669	30,358
Consulting fees related to optimization opportunity identification, benchmarking, and assessment	359	-	359	-
Income tax effect of adjustments	(789)	(4,916)	(18,003)	(12,547)
<b>Corporate and Admin. adjusted net (loss)</b>	<b>\$ (6,561)</b>	<b>\$ (6,979)</b>	<b>\$ (55,495)</b>	<b>\$ (16,678)</b>
Weighted average diluted shares	71,722	67,045	68,542	62,157
<b>Corporate and Admin. adjusted EPS</b>	<b>\$ (0.09)</b>	<b>\$ (0.10)</b>	<b>\$ (0.81)</b>	<b>\$ (0.27)</b>
<b>SWG Adjusted Net Income and Adjusted EPS</b>				
SWG net income (loss)	\$ 19,120	\$ (2,266)	\$ 198,667	\$ 166,536
Legal reserves	-	-	-	5,000
Consulting fees related to optimization opportunity identification, benchmarking, and assessment	2,036	-	2,036	-
Income tax effect of adjustments	(489)	-	(489)	(1,200)
<b>SWG adjusted net income (loss)</b>	<b>\$ 20,667</b>	<b>\$ (2,266)</b>	<b>\$ 200,214</b>	<b>\$ 170,336</b>
Weighted average diluted shares	71,722	67,045	68,542	62,157
<b>SWG adjusted EPS</b>	<b>\$ 0.29</b>	<b>\$ (0.03)</b>	<b>\$ 2.92</b>	<b>\$ 2.74</b>
<b>MW Adjusted Net Income and Adjusted EPS</b>				
MW net (loss)	\$ -	\$ 15,076	\$ (332,027)	\$ 32,006
Nonrecurring stand-up cost	-	4,573	15,530	13,231
Goodwill impairment and loss on sale	-	-	470,821	-
Income tax effect of adjustments	-	(1,098)	(103,039)	(3,176)
<b>MW adjusted net income</b>	<b>\$ -</b>	<b>\$ 18,551</b>	<b>\$ 51,285</b>	<b>\$ 42,061</b>
Weighted average diluted shares	71,722	67,045	68,542	62,157
<b>MW adjusted EPS</b>	<b>\$ -</b>	<b>\$ 0.28</b>	<b>\$ 0.75</b>	<b>\$ 0.68</b>

# Non-GAAP Measures (continued)

(\$ in thousands, except per share amounts)

Adjusted Centuri income and adjusted EPS for the three and twelve months ended June 30, 2023, include strategic review costs, including the Centuri spin. Adjusted Centuri income and adjusted EPS for the twelve months ended June 30, 2022, include acquisition costs.

Management believes that Centuri EBITDA, used in connection with net income provides useful information to investors as they evaluate Centuri performance. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Centuri adjusted EBITDA is adjusted for certain other items as described herein. Adjusted Centuri EBITDA for the three and twelve months ended June 30, 2023 include pre-tax strategic review costs (including costs related to the Centuri spin) and non-cash share-based compensation expense. Incrementally, the adjustments for the twelve months ended June 30, 2022 include the write-off of deferred financing fees and acquisition costs.

Centuri EBITDA and Adjusted EBITDA is provided below for the twelve months ended December 31, 2013 through December 31, 2022 and for the twelve months ended June 30, 2022, September 30, 2022, and March 31, 2023.

Because EBITDA and Adjusted EBITDA, as defined, exclude some, but not all, items that affect net income attributable to Centuri, such measures may not be comparable to similarly titled measures of other companies.

Centuri EBITDA and Adjusted EBITDA	2013	2014	2015	2016	2017	2018	2019	2020	2021	LTM 2Q	LTM 3Q	LTM 4Q	LTM 1Q
										2022	2022	2022	2023
Centuri net income	\$ 21,200	\$ 24,300	\$ 26,700	\$ 32,600	\$ 38,400	\$ 45,000	\$ 52,400	\$ 74,900	\$ 40,400	\$ 7,418	\$ 3,223	\$ 2,100	\$ 13,700
Net interest deductions	1,100	3,800	7,800	6,700	8,000	14,200	14,100	9,300	21,000	41,474	51,825	61,400	72,600
Income tax expense	12,600	14,800	18,500	19,900	2,400	18,400	21,400	31,100	18,800	7,941	4,754	5,700	10,700
Depreciation and amortization	43,000	48,900	56,700	55,700	49,000	57,400	87,600	96,700	117,600	144,157	153,947	155,300	155,600
<b>Centuri EBITDA</b>	<b>\$ 77,900</b>	<b>\$ 91,800</b>	<b>\$ 109,700</b>	<b>\$ 114,900</b>	<b>\$ 97,800</b>	<b>\$ 135,000</b>	<b>\$ 175,500</b>	<b>\$ 212,000</b>	<b>\$ 197,800</b>	<b>\$ 200,990</b>	<b>\$ 213,749</b>	<b>\$ 224,500</b>	<b>\$ 252,600</b>
Write-off of deferred financing fees	-	-	-	-	-	-	-	-	700	673	-	-	-
Acquisition costs	-	5,100	-	-	2,600	6,900	-	-	14,000	13,000	196	-	-
Strategic review costs, including Centuri spin	-	-	-	-	-	-	-	-	-	2,248	1,610	1,800	1,900
Non-cash share-based compensation expense	-	-	-	-	-	-	100	800	1,700	2,407	1,554	1,700	1,100
<b>Centuri Adjusted EBITDA</b>	<b>\$ 77,900</b>	<b>\$ 96,900</b>	<b>\$ 109,700</b>	<b>\$ 114,900</b>	<b>\$ 100,400</b>	<b>\$ 141,900</b>	<b>\$ 175,600</b>	<b>\$ 212,800</b>	<b>\$ 214,200</b>	<b>\$ 219,318</b>	<b>\$ 217,109</b>	<b>\$ 228,000</b>	<b>\$ 255,600</b>

Centuri Adjusted Net Income and Adjusted EPS	Three months ended June 30,		Twelve months ended June 30,	
	2023	2022	2023	2022
Centuri net income	\$ 18,818	\$ 4,741	\$ 27,756	\$ 7,418
Acquisition costs	-	-	-	13,000
Strategic review costs, including Centuri spin	1,137	2,248	833	2,248
Income tax impact of adjustments	(284)	(562)	(199)	(2,649)
<b>Centuri adjusted net income</b>	<b>\$ 19,671</b>	<b>\$ 6,427</b>	<b>\$ 28,390</b>	<b>\$ 20,017</b>
Weighted average diluted shares	71,722	67,045	68,542	62,157
<b>Centuri adjusted EPS</b>	<b>\$ 0.27</b>	<b>\$ 0.10</b>	<b>\$ 0.41</b>	<b>\$ 0.32</b>
<b>Centuri EBITDA and Adjusted EBITDA</b>				
Centuri net income	\$ 18,818	\$ 4,741	\$ 27,756	\$ 7,418
Net interest deductions	24,525	12,598	84,543	41,474
Income tax expense	9,361	3,054	17,024	7,941
Depreciation and amortization	36,860	38,863	153,608	144,157
<b>Centuri EBITDA</b>	<b>\$ 89,564</b>	<b>\$ 59,256</b>	<b>\$ 282,931</b>	<b>\$ 200,990</b>
Write-off of deferred financing fees	-	-	-	673
Acquisition costs	-	-	-	13,000
Strategic review costs, including Centuri spin	1,137	2,248	833	2,248
Non-cash share-based compensation expense	689	1,018	818	2,407
<b>Centuri Adjusted EBITDA</b>	<b>\$ 91,390</b>	<b>\$ 62,522</b>	<b>\$ 284,582</b>	<b>\$ 219,318</b>