

# Financial Results Call Presentation

## Third Quarter 2019



**American States**  
Water Company

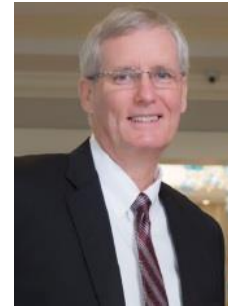
**November 5, 2019**

**NYSE: AWR**

# Today's Presenters

## Robert J. Sprowls

President & CEO



## Eva G. Tang

SVP – Finance & CFO



Certain matters discussed during this conference call may be forward-looking statements intended to qualify for the “safe harbor” from liability established by the Private Securities Litigation Reform Act of 1995. Please review a description of the Company’s risks and uncertainties in our most recent Form 10-K and Form 10-Q on file with the Securities and Exchange Commission (SEC).

# Non-GAAP Financial Measures

- This conference call includes a discussion of certain measures that are not prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States, and constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from consolidated financial information but are not presented in our financial statements that are prepared in accordance with GAAP.
- Non-GAAP financial measures discussed in this conference call include the water and electric gross margins, which are computed by subtracting total supply costs from total revenues, AWR's operations in terms of diluted earnings per share by business segment, which is each business segment's earnings divided by the Company's weighted average number of diluted shares, and also excludes the retroactive impact of the CPUC's final decision on the general rate case from the electric segment's third quarter and year-to-date earnings results.
- The non-GAAP financial measures supplement our GAAP disclosures and should not be considered as alternatives to the GAAP measures. Furthermore, the non-GAAP financial measures may not be comparable to similarly titled non-GAAP financial measures of other registrants. The Company uses the water and electric gross margins and earnings per share by business segment, excluding the retroactive CPUC decision impacting the third quarter and year-to-date earnings results, as important measures in evaluating its operating results and believes these measures are useful internal benchmarks in evaluating the performance of its operating segments. The Company reviews these measures regularly and compares them to historical periods and to the operating budget.

# Presentation Overview

- Q3 2019 Highlights 6
- Q3 Diluted EPS by Segment 7
- Q3 Operating Revenues by Segment 8
- Q3 Expenses 9
- EPS Bridge Q3 2018 to Q3 2019 10
- YTD Diluted EPS by Segment 11
- Liquidity 12
- Regulatory Activity (GSWC) 13
- Contracted Services (ASUS) 14
- Dividends 15

# Q3 2019 Highlights

---

- 23% increase in earnings per share compared to Q3 2018
  - Water segment increase due to new rates and lower operating expenses
  - Electric segment increase due to final CPUC decision on general rate case
- Consolidated Q3 earnings:
  - \$0.76 per share Q3 2019 vs \$0.62 per share Q3 2018
    - ✓ \$0.07 per share increase in adjusted earnings, or 11%, after excluding the retroactive impact of the CPUC final decision on the electric general rate case
- \$100.3 million in GSWC-funded capital expenditures through September 2019 and \$115-\$125 million expected in 2019

# Q3 Diluted EPS by Segment



	Q3 2019	Q3 2018	Variance
<b>Water</b>	\$0.53	\$0.47	\$0.06
<b>Electric, adjusted</b>	0.03 <sup>(a)</sup>	0.02	0.01
<b>Contracted Services</b>	0.12	0.13	(0.01)
<b>AWR (parent)</b>	0.01	—	0.01
<b>Consolidated EPS, adjusted</b>	0.69	0.62	0.07
<b>Retroactive impact related to first six months of 2019 and full year of 2018</b>	0.07	—	0.07
<b>Consolidated EPS, as reported</b>	\$0.76	\$0.62	\$0.14

(a) Excludes \$0.07 per share related to periods prior to Q3 2019, as a result of receiving the August CPUC final decision which was retroactive to January 1, 2018.

# Q3 Operating Revenues by Segment



(amounts in millions)	Q3 2019	Q3 2018	Variance
<b>Water*</b>	\$95.3	\$87.7	\$7.6
<b>Electric*</b>	12.0 <sup>(a)</sup>	7.9	4.1
<b>Contracted Services</b>	27.2	28.6	(1.4)
<b>Total Operating Revenues</b>	\$134.5	\$124.2	\$10.3

\* Includes surcharges to collect previously incurred costs, and offset by corresponding increases in operating expenses, resulting in no material impact to earnings.

<sup>(a)</sup> Includes approximately \$3.6 million related to periods prior to Q3 2019.



# Q3 Expenses<sup>(1)</sup> (excluding income taxes)

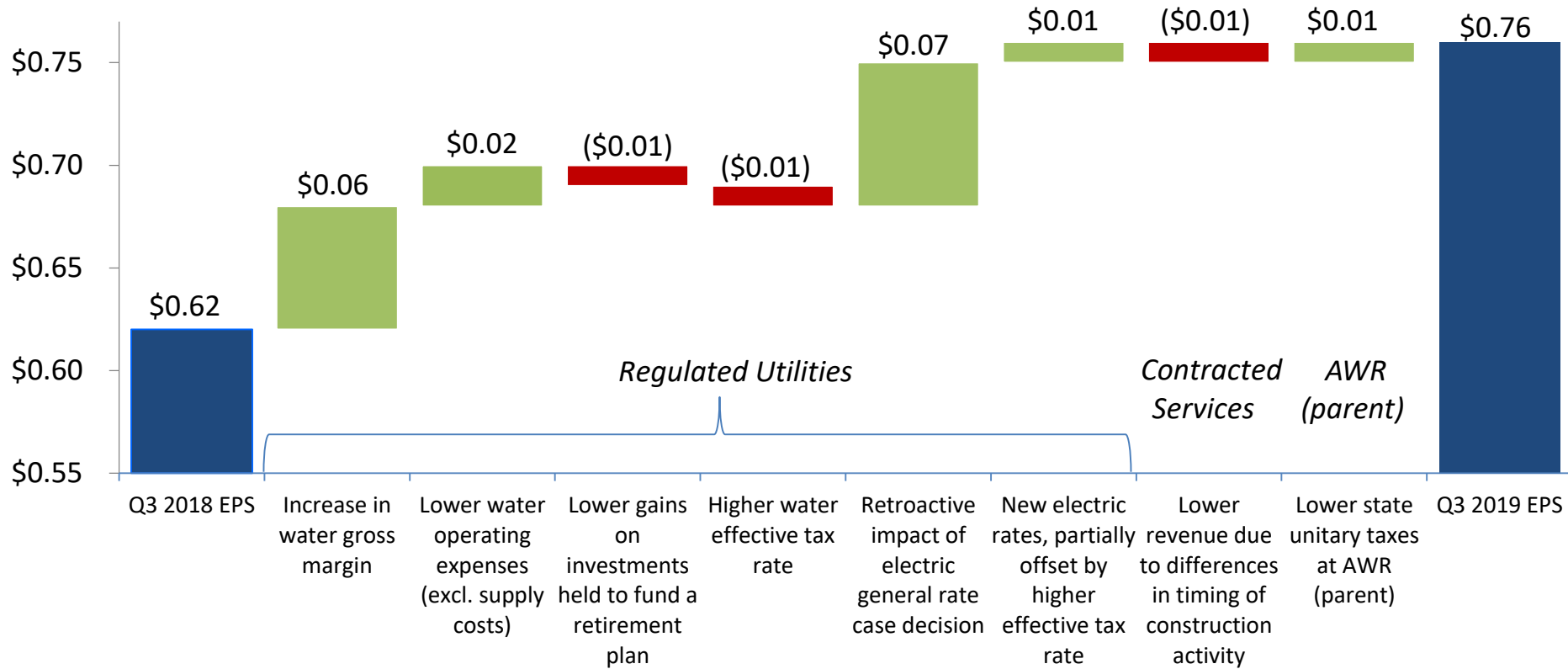


(amounts in millions)	Q3 2019	Q3 2018	Variance
<b>Water and Electric Supply Costs</b>	\$31.8	\$28.5	\$3.3
<b>Other Operation</b>	8.3	8.4	(0.1)
<b>Administrative and General</b>	20.6	21.6	(1.0)
<b>Depreciation and Amortization</b>	9.0	10.1	(1.1)
<b>Maintenance</b>	4.1	3.4	0.7
<b>Property and Other Taxes</b>	5.2	4.7	0.5
<b>ASUS Construction</b>	12.9	13.6	(0.7)
<b>Total Operating Expenses*</b>	\$91.8	\$90.2	\$1.6
<b>Interest Expense, net of Other Income</b>	\$5.3	\$4.1	\$1.2

(1) Includes \$1.9 million and \$875,000 for Q3 2019 and Q3 2018, respectively, in operating expense (mostly administrative and general) related to surcharges to collect previously incurred costs, with corresponding increases in revenues, resulting in no material impact to earnings.

\* Line item does not total due to rounding.

# EPS Bridge Q3 2018 to Q3 2019



# YTD Diluted EPS by Segment



	YTD Q3 2019	YTD Q3 2018	Variance
<b>Water</b>	\$1.33	\$1.02	\$0.31
<b>Electric, adjusted</b>	0.11 <sup>(a)</sup>	0.08	0.03
<b>Contracted Services</b>	0.34	0.24	0.10
<b>AWR (parent)</b>	0.01	0.01	—
<b>Consolidated EPS, adjusted</b>	1.79	1.35	0.44
<b>Retroactive impact of CPUC decision related to the full year of 2018</b>	0.04	—	0.04
<b>Consolidated EPS, as reported</b>	\$1.83	\$1.35	\$0.48

(a) Excludes \$0.04 per share related to the full year 2018, as a result of receiving the August 2019 CPUC final decision which was retroactive to January 1, 2018.

- Operating cash flows for year-to-date 2019 decreased to \$84.3 million from \$108.4 million in the same period of 2018 primarily due to:
  - A decrease in water customer usage
  - Delays in the water and electric general rate cases
  - The refunding of \$7.2 million to water customers during the third quarter of 2019 related to the 2017 Tax Cuts and Jobs Act
- Invested \$100.3 million of company-funded capital work at GSWC YTD
  - Capital expenditures for 2019 are expected to be \$115-\$125 million at GSWC
- AWR amended its credit facility, increasing the borrowing capacity from \$200 million to \$225 million through June 2020. Golden State Water intends to issue long-term debt in 2020 to reduce its intercompany borrowings and reduce AWR's borrowings under its credit facility
- At this time, there are no plans for AWR to issue equity

# Regulatory Activity (GSWC)



Golden State Water Company Customer Service Areas

- Final decision on water general rate case:
  - Potential future revenue increases: estimated \$9.1 million for 2020 and \$12.0 million for 2021 (based on current inflation factors and subject to an earnings test)
  - \$334.5 million in capital expenditures over the 2019—2021 rate cycle
- Working on water general rate case to be filed in July 2020 for new rates for the years 2022—2024
- Cost of Capital application for water segment to be filed during the second quarter of 2020
- Final Decision on electric general rate case:
  - Approved November 2018 settlement agreement between GSWC and Public Advocates Office
  - Five year rate cycle, with new rates for the years 2018—2022. Authorizes \$44 million in capital projects over the rate cycle
  - Increases the adopted electric gross margin by \$2.0 million in 2018, \$1.2 million for each of the years 2019 and 2020, by \$1.1 million in 2021, and by \$1.0 million in 2022

# Contracted Services (ASUS)

- ASUS's Q3 2019 earnings were \$0.12 per share as compared to \$0.13 for Q3 2018 due to differences in timing of construction work performed during 2019 as compared to 2018
- ASUS's earnings for the nine months ended September 30, 2019 were \$0.10 per share higher than the same period in 2018 due to:
  - The commencement of operations at Fort Riley in July 2018
  - Revenue increases due to successful resolution of various economic price adjustments and an overall increase in construction activity
- ASUS projected to contribute \$0.43 - \$0.47 per share in 2019
- Actively pursuing new base privatizations
- ASUS projected to contribute \$0.46 - \$0.50 per share in 2020

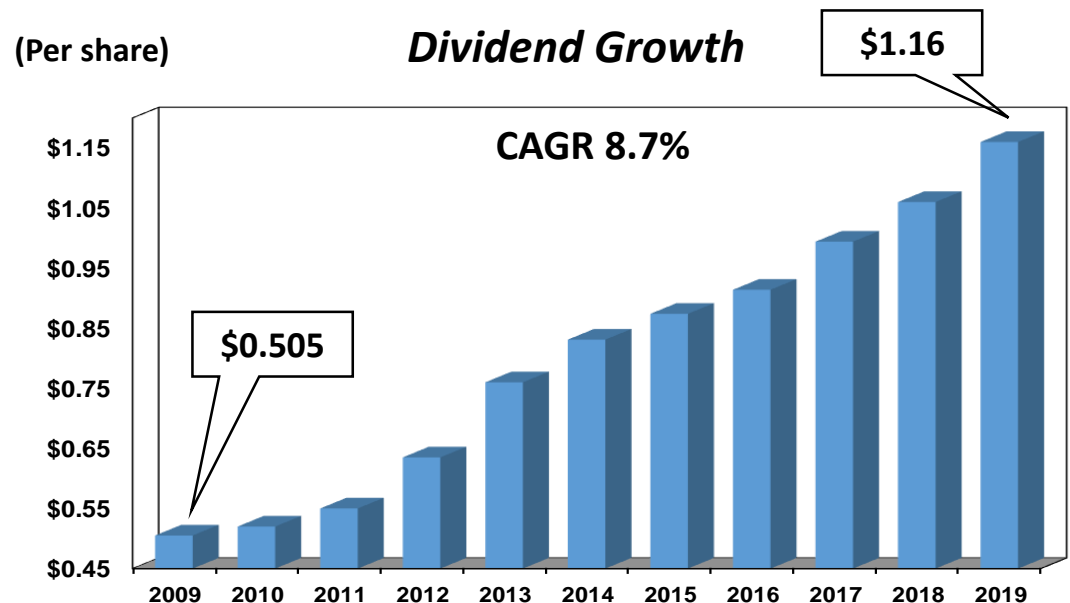


*Serving Those Who Serve®*

# Dividends

- Board of Directors declared a fourth quarter cash dividend of \$0.305 per share
- Dividend was increased 10.9% in July 2019
- Dividends paid every year **since 1931**
- Increased the dividend every calendar year for **65 consecutive years**

- Dividend policy: A CAGR of more than 7% over the long term



# Questions and Answers

---