

# Financial Results Call Presentation

## Second Quarter 2021



**American States**  
Water Company

**August 3, 2021**

**NYSE: AWR**

# Today's Presenters

**Robert J. Sprowls**

President & CEO



**Eva G. Tang**

SVP – Finance & CFO



# Forward-Looking Statement

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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 water and electric gross margins, which are computed by subtracting total supply costs from total revenues, and 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. Furthermore, the gains generated during the three- and six-month periods ended June 30, 2021 and 2020 on the investments held to fund one of the company's retirement plans have been excluded when communicating the results to help facilitate comparisons of the company's performance from period to period.
- 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 these non-GAAP 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

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# Q2 2021 Highlights

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- Strong financials results
  - ✓ Consolidated diluted earnings per share:
    - Q2 2021 \$0.72
    - Q2 2020 \$0.69
    - Excluding gains on investments from both quarters, Q2 2021 EPS increased by 7.8%
    - YTD 2021 EPS 12.1% higher than 2020 on an adjusted basis, or 15.9% as recorded
- A 9% increase in the quarterly cash dividend approved last week, which marks the **67th consecutive calendar year of dividend increases.**

## Q2 2021 Highlights (continued)

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- We continue to:
  - ✓ Execute on our business strategies and provide high quality water, wastewater and electric services.
  - ✓ Make infrastructure investments at all of our segments to ensure we can meet our customers' needs.
- We remain committed to ESG initiatives, including conservation, environmental stewardship, employee safety and well-being, diversity and inclusion, and sound governance practices.

# Q2 Highlights - Diluted EPS by Segment



|                            | Q2 2021 | Q2 2020 | Variance |
|----------------------------|---------|---------|----------|
| <b>Water</b>               | \$0.57  | \$0.54  | \$0.03   |
| <b>Electric</b>            | 0.04    | 0.03    | 0.01     |
| <b>Contracted Services</b> | 0.11    | 0.12    | (0.01)   |
| <b>Consolidated EPS*</b>   | \$0.72  | \$0.69  | \$0.03   |

\* EPS for Q2 2021 and Q2 2020 includes gains on investments held to fund a retirement plan totaling \$0.03 per share and \$0.05 per share, respectively. Excluding these gains for the two periods, adjusted EPS for Q2 2021 increased \$0.05 per share, or 7.8%, compared to adjusted EPS for Q2 2020.



# Q2 Operating Revenues by Segment



| (amounts in millions)           | Q2 2021 | Q2 2020 | Variance |
|---------------------------------|---------|---------|----------|
| <b>Water*</b>                   | \$91.6  | \$87.1  | \$4.5    |
| <b>Electric*</b>                | 8.1     | 7.7     | 0.4      |
| <b>Contracted Services</b>      | 28.7    | 26.5    | 2.2      |
| <b>Total Operating Revenues</b> | \$128.4 | \$121.3 | \$7.1    |

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

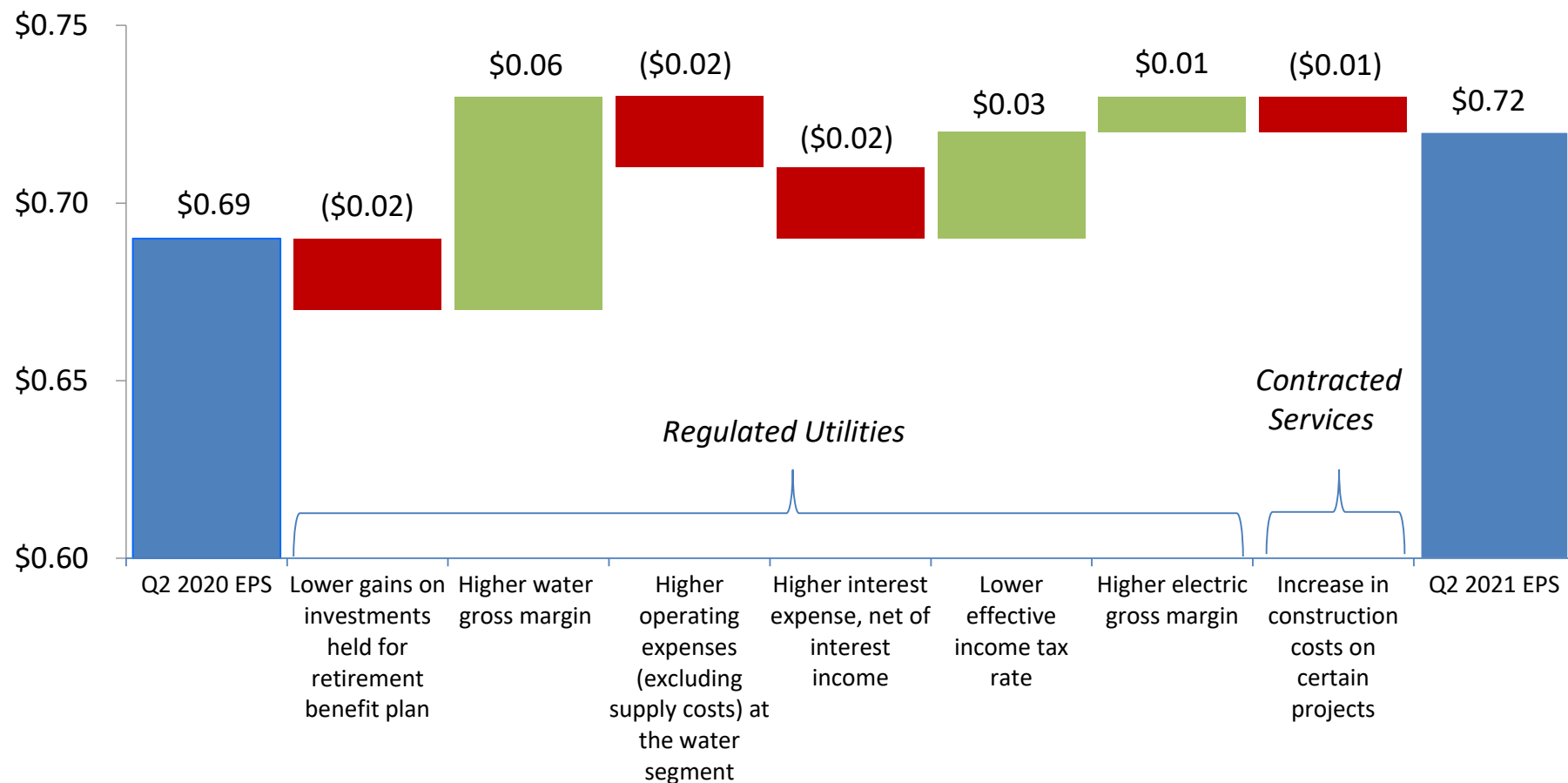
## Q2 Expenses\* (Excluding income taxes)

| (amounts in millions)                                       | Q2 2021       | Q2 2020       | Variance     |
|---|---------------|---------------|--------------|
| Water and Electric Supply Costs                             | \$28.0        | \$26.3        | \$1.7        |
| Other Operation   | 8.5           | 8.0           | 0.5          |
| Administrative and General                                  | 20.6          | 20.4          | 0.2          |
| Depreciation and Amortization                               | 9.8           | 9.0           | 0.8          |
| Maintenance   | 3.3           | 4.1           | (0.8)        |
| Property and Other Taxes                                    | 5.3           | 5.2           | 0.1          |
| ASUS Construction   | 15.1          | 12.4          | 2.7          |
| <b>Total Operating Expenses</b>                             | <b>\$90.6</b> | <b>\$85.4</b> | <b>\$5.2</b> |
|   |               |               |              |
| <b>Interest Expense, net of Interest Income and Other**</b> | <b>\$3.8</b>  | <b>\$1.8</b>  | <b>\$2.0</b> |

\* Includes increases in operating expense of \$1.0 million and \$1.1 million for Q2 2021 and Q2 2020, respectively, for billed surcharges to collect previously incurred costs, resulting in no material impact to earnings.

\*\* Includes \$1.6 million gain in Q2 2021 and \$2.4 million gain in Q2 2020 on investments held to fund a retirement plan.

# EPS Bridge Q2 2020 to Q2 2021



# YTD Diluted EPS by Segment

|                            | YTD 2021 | YTD 2020 | Variance |
|----------------------------|----------|----------|----------|
| <b>Water</b>               | \$ 0.90  | \$ 0.78  | \$ 0.12  |
| <b>Electric</b>            | 0.10     | 0.09     | 0.01     |
| <b>Contracted Services</b> | 0.24     | 0.20     | 0.04     |
| <b>Consolidated EPS</b>    | \$ 1.24  | \$ 1.07  | \$0.17   |

Note: The YTD 2021 results include a \$0.04 per share increase due to higher gains on investments as compared to YTD 2020. Excluding this item, YTD 2021 adjusted earnings increased by \$0.13 per share.

- Operating cash flows were \$41.1 million for the first six months of 2021, as compared to \$46.3 million for the first six months of 2020.
  - ✓ The decrease was largely due to timing differences of income and payroll tax payments, as a result of COVID-19 relief legislation in effect in 2020, but not in 2021.
  - ✓ This decrease was partially offset by an improvement in cash from accounts receivable from nonresidential customers.
- Regulated utilities invested \$75.0 million of company-funded capital work during the first six months of 2021:
  - ✓ Capital expenditures for 2021 are expected to be \$125-\$135 million for our regulated utilities
- In May 2021, we redeemed early GSWC's 9.56% private placement notes in the amount of \$28.0 million with a maturity date in 2031.
- Credit ratings:
  - ✓ S&P: A+ credit rating for both AWR and GSWC, with negative outlook
  - ✓ Moody's: A2 rating with a stable outlook on GSWC

- The majority of California is considered to be in extreme drought.
- The governor of California has proclaimed a state of emergency for 50 of the 58 counties in CA, and signed an executive order asking all Californians to voluntarily reduce water usage by 15% as compared to 2020. The CPUC has called on all investor owned water utilities to implement voluntary conservation measures to meet this goal.
- Golden State Water intends to implement voluntary conservation efforts in all of its ratemaking areas, and has requested CPUC authorization to establish a water conservation memorandum account to track incremental drought-related costs for future recovery.

# Regulated Activity



**Regulated Utilities - Customer Service Areas**

- The CPUC approved all of the third-year water rate increases effective January 1, 2021, which are expected to increase the water gross margin by \$11.1 million in 2021.
- GSWC filed its cost of capital application on May 3, 2021 requesting:
  - ✓ a capital structure of 57% equity and 43% debt,
  - ✓ a return on equity of 10.5%, and
  - ✓ a return on rate base of 8.18%.

A final decision is scheduled for the fourth quarter of 2021, with an effective date of January 1, 2022.

# Regulated Activity (Continued)

- In July 2020, GSWC filed a general rate case application for all water regions and the general office for new rates for the years 2022, 2023 and 2024:
  - ✓ Application includes capital budget requests of approximately \$450.6 million for the three-year rate cycle, and another \$11.4 million of capital projects to be filed for revenue recovery through advice letters once those projects are completed.
- GSWC is authorized to continue using the Water Revenue Adjustment Mechanism, or "WRAM," and the Modified Cost Balancing Account, or "MCBA," until 2025.



Regulated Utilities - Customer Service Areas



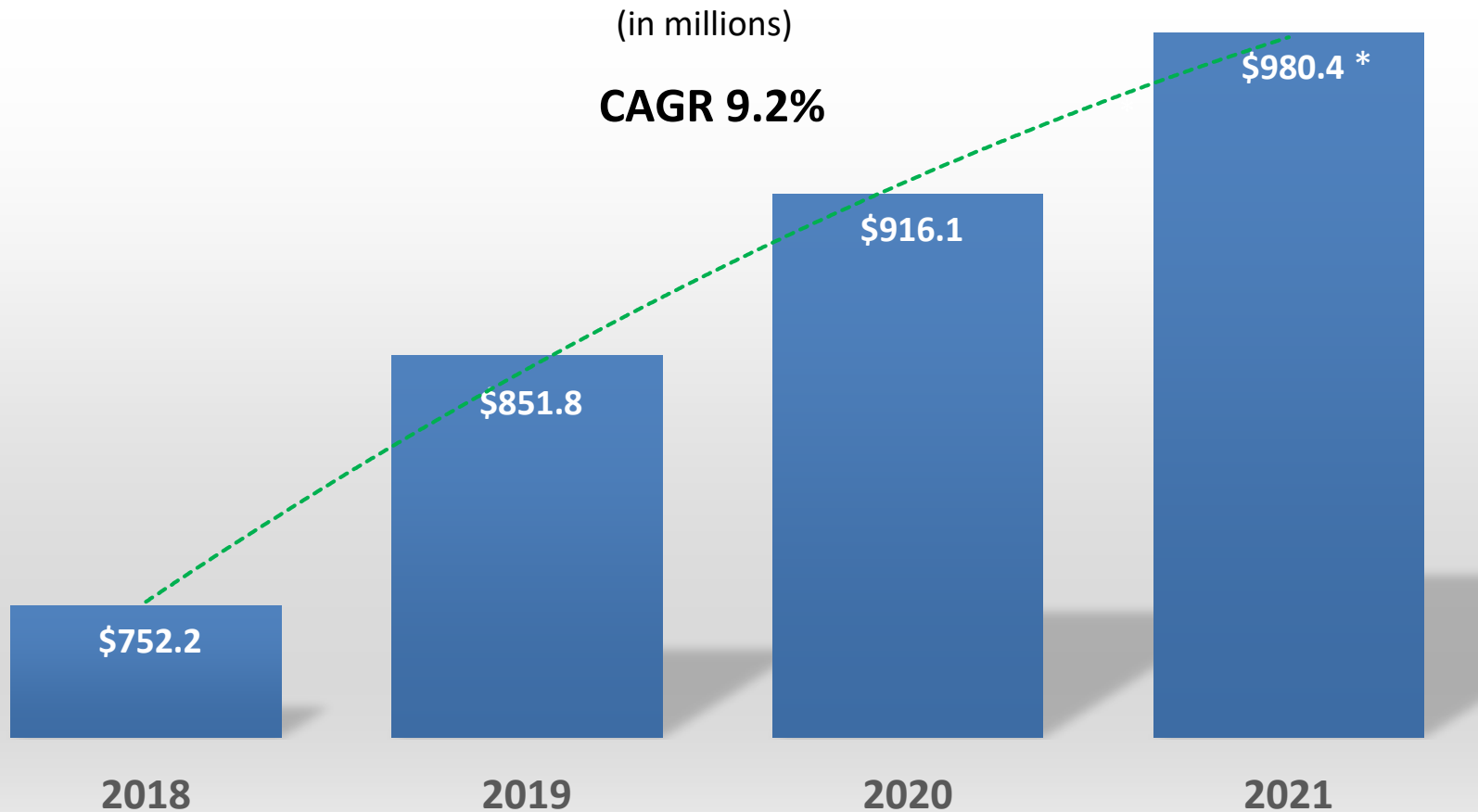
# Regulated Activity (Continued)



**Regulated Utilities - Customer Service Areas**

- During the COVID-19 pandemic, the regulated utilities have continued their operations while adhering to orders issued by the CPUC and other governmental agencies:
  - ✓ In July 2021, the CPUC extended suspension of service disconnections for water customers until further CPUC guidance is issued, or February 1, 2022, whichever occurs first.
  - ✓ On June 24, 2021, the CPUC issued a final decision to extend the moratorium on electric disconnections until September 30, 2021. Under the terms of CPUC-adopted payment plans, actual electric service disconnections for non-payment will not occur until approximately December 1, 2021.

# Adopted Average Water Rate Base



\* Does not include \$20.4 million in advice letter projects

# Contracted Services (ASUS)

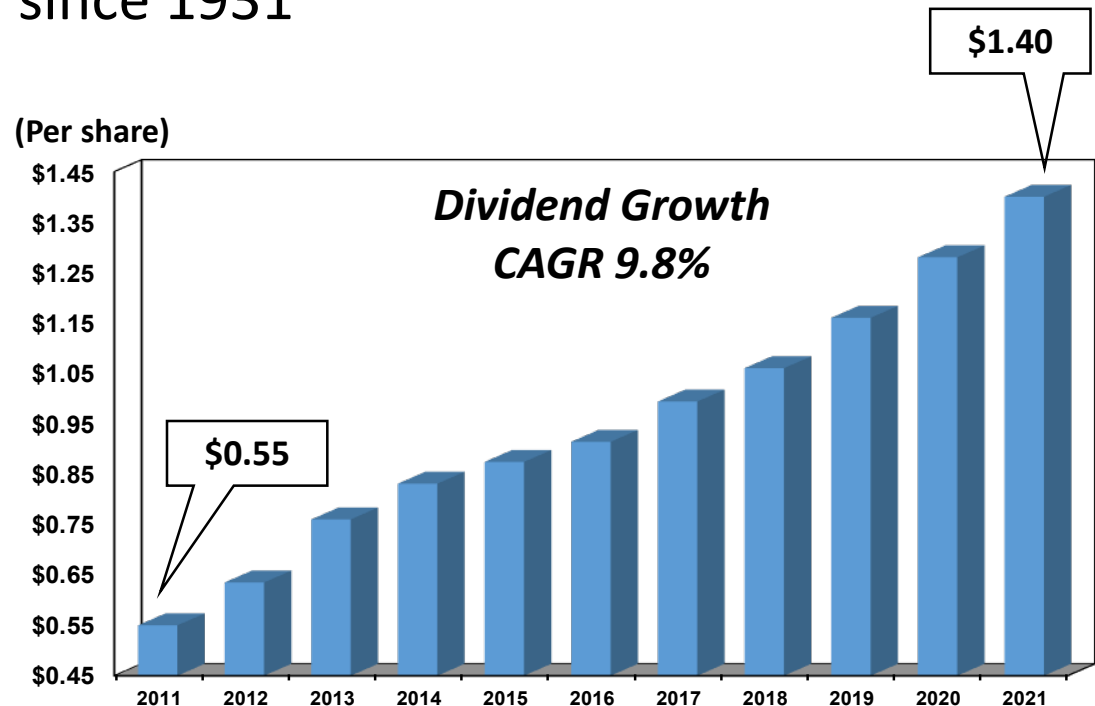
- Earnings were \$0.11 per share for the quarter, \$0.01 lower as compared to Q2 2020, due to an increase in construction costs incurred on certain projects.
- YTD earnings were \$0.24 per share as compared to \$0.20 for YTD 2020.
- ASUS is projected to contribute \$0.45 - \$0.49 per share in 2021.
- With our strong history and expertise, we are well positioned to compete for new military privatization contracts.



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# Dividends

- Board of Directors approved a 9% increase in the 2021 third quarter cash dividend from \$0.335 to \$0.365 per share
- Quarterly dividend has grown at a CAGR of 9% over the last five years
- Dividends paid every year since 1931
- Increased the dividend every calendar year for **67 consecutive years**
- Dividend policy: **More than 7% CAGR over the long term**



# Questions and Answers

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