

Financial Results Call Presentation Fourth Quarter and Full Year 2019



American States
Water Company

February 25, 2020

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 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 retroactive earnings impact for fiscal 2018 resulting from the CPUC's final decision on the electric general rate case issued in August 2019, has been excluded when communicating the electric segment's 2019 financial 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

■ 2019 Highlights	6
■ Q4 Diluted EPS by Segment	8
■ Q4 Operating Revenues by Segment	9
■ Q4 Expenses	10
■ EPS Bridge Q4 2018 to Q4 2019	11
■ Diluted EPS by Segment for the Year	12
■ Liquidity	13
■ Regulated Activity (GSWC)	14
■ Adopted Average Water Rate Base	16
■ Contracted Services (ASUS)	17
■ Dividends	18

2019 Highlights

- \$2.24 diluted earnings per share after excluding the retroactive impact of the 2019 decision on the electric GRC related to the full year of 2018, a 30% increase over 2018
- Received positive, final general rate case decisions for both the water and electric segments
- Record level of capital investments for our regulated utility
- Expanded work on our current military bases
- Increased annual dividend by nearly 11%, reaching 65 consecutive years of annual dividend increases
- AWR stock achieved a return of 31.2% in 2019
- AWR stock achieved 5-year and 10-year compound annual returns of more than 20%
- AWR achieved a consolidated return on equity of 14.3%, excluding the retroactive impact of the electric GRC decision related to the full year of 2018

2019 Highlights (Continued)

- Approved water general rate case, which set rates for years 2019-2021
- Approved electric general rate case, which set rates for years 2018-2022
- Invested a record \$136 million in company-funded capital projects
- ASUS achieved the highest annual earnings per share contribution in its history, and reflects a full year's contribution from our newest base, Fort Riley
- GSWC's supplier diversity results were well above CPUC's requirements for the seventh consecutive year, and ASUS continues to exceed the U.S. government's small business requirements
- Our employees have spent over 5,300 hours volunteering in the communities where they live and work

Q4 Diluted EPS by Segment



	Q4 2019	Q4 2018	Variance
Water	\$0.28	\$0.17	\$0.11
Electric	0.05	0.03	0.02
Contracted Services	0.12	0.18	(0.06)
AWR (parent)	—	(0.01)	0.01
Consolidated EPS	\$0.45	\$0.37	\$0.08

Q4 Operating Revenues by Segment (as reported)



American States
Water Company

(amounts in millions)	Q4 2019	Q4 2018	Variance
Water*	\$71.7	\$66.4	\$5.3
Electric*	9.5	8.8	0.7
Contracted Services	31.8	35.8	(4.0)
Total Operating Revenues	\$113.0	\$111.0	\$2.0

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

Q4 Expenses* (as reported, excluding income taxes)

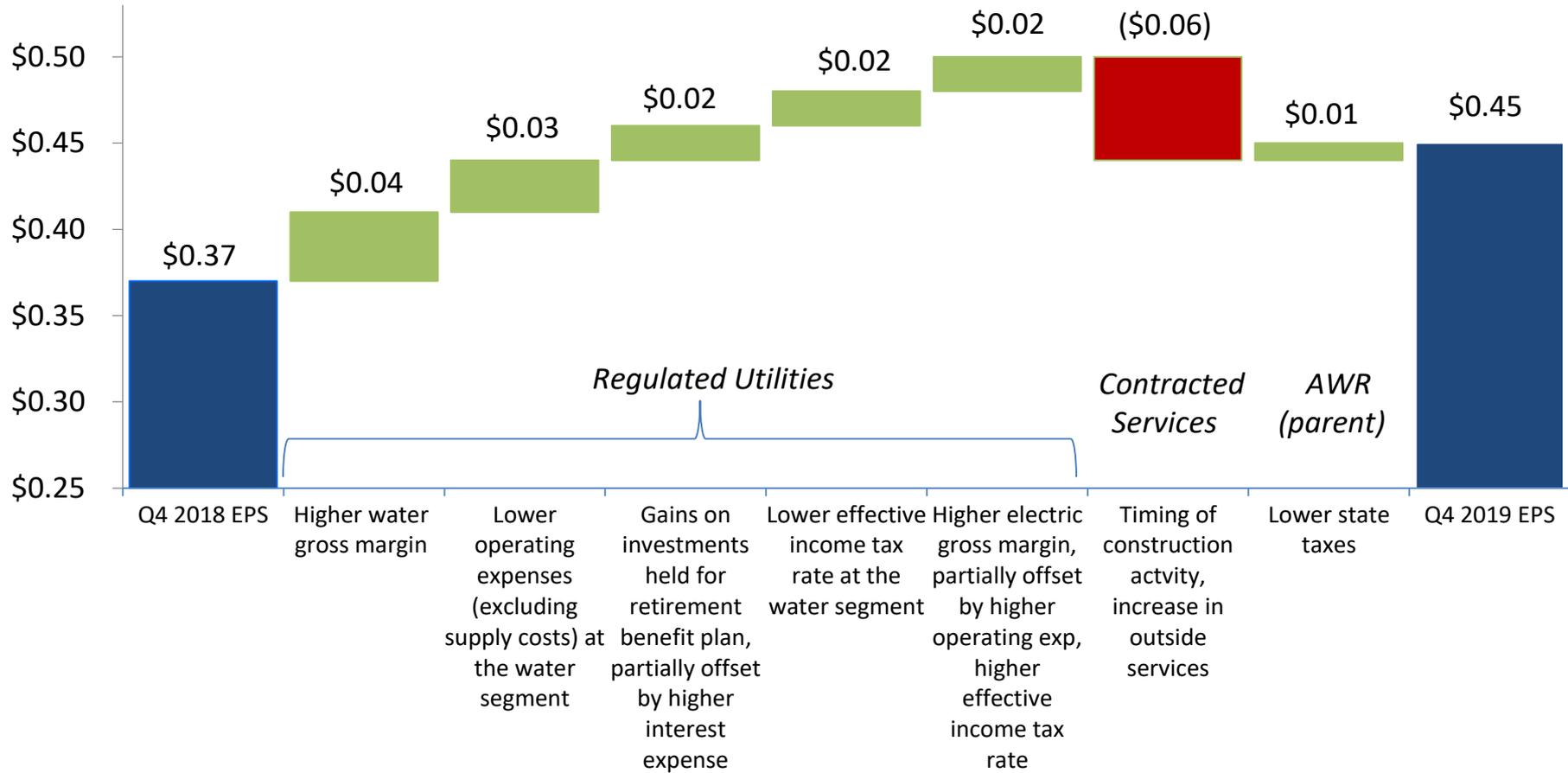


(amounts in millions)	Q4 2019	Q4 2018	Variance
Water and Electric Supply Costs	\$23.2	\$21.6	\$1.6
Other Operation	8.2	7.5	0.7
Administrative and General	21.2	20.5	0.7
Depreciation and Amortization	8.9	10.6	(1.7)
Maintenance	5.7	4.7	1.0
Property and Other Taxes	5.0	4.5	0.5
ASUS Construction	16.0	18.7	(2.7)
Total Operating Expenses**	\$88.3	\$88.3	\$0.0
Interest Expense, net of Interest Income	\$3.9	\$4.8	(\$0.9)

* Includes increases in operating expense of \$1.3 million and \$400,000 for Q4 2019 and Q4 2018, respectively, for billed surcharges to collect previously incurred costs, resulting in no material impact to earnings.

** The sum of the individual expense items do not match the total due to rounding.

EPS Bridge Q4 2018 to Q4 2019



Diluted EPS by Segment for the Year



	2019	2018	Variance
Water	\$1.61	\$1.19	\$0.42
Electric, as reported*	0.19	0.11	0.08
Retroactive impact of CPUC decision on the electric general rate case related to the full year of 2018	(0.04)	—	(0.04)
Electric, adjusted	0.15	0.11	0.04
Contracted Services	0.47	0.42	0.05
AWR (parent)	0.01	—	0.01
Consolidated EPS, adjusted	\$2.24	\$1.72	\$0.52
Consolidated EPS, reported*	\$2.28	\$1.72	\$0.56

* 2019 amounts include the cumulative retroactive earnings impact relating to fiscal 2018 of approximately \$0.04 per share.

- Operating cash flows for 2019 decreased to \$116.9 million from \$136.8 million in 2018 primarily due to:
 - ✓ Lower customer usage
 - ✓ Delays in receiving final decisions on the water and electric general rate cases
 - ✓ Refunding of \$7.2 million to customers related to the 2017 Tax Reform
 - ✓ Partially offset by timing of billings of and cash receipts for construction work at military bases
- GSWC invested \$136 million of company-funded capital work
 - ✓ Capital expenditures for 2020 are expected to be \$120-\$135 million at GSWC
- In October 2019, AWR amended its credit facility, increasing the borrowing capacity from \$200 million to \$225 million through June 2020. In February 2020, AWR received an option from its lender to revise the temporary increase of the credit facility to \$260 million through the end of 2020.
- Golden State Water intends to issue long-term debt in 2020
- At this time, there are no plans to issue equity

Regulated Activity (GSWC)



Golden State Water Company Customer Service Areas

- Final decision on the water general rate case:
 - \$334.5 million in capital expenditures over the 2019–2021 rate cycle, including \$20.4 million to be filed for revenue recovery through advice letters
 - Water utilities are subject to an earnings test before implementing step increases. Full step increases were achieved for 2020, resulting in an additional \$10.4 million increase to the water gross margin. We expect an increase in the water gross margin of approximately \$11.4 million to be achieved for 2021 (subject to an earnings test and changes to the forecasted inflation factors)
- Our next water general rate case to be filed in July 2020 for new rates beginning 2022
- Requested a one-year extension on its 2020 cost of capital application, postponing the filing date until May 1, 2021, with a corresponding effective date of January 1, 2022. We are awaiting the CPUC's response to the request

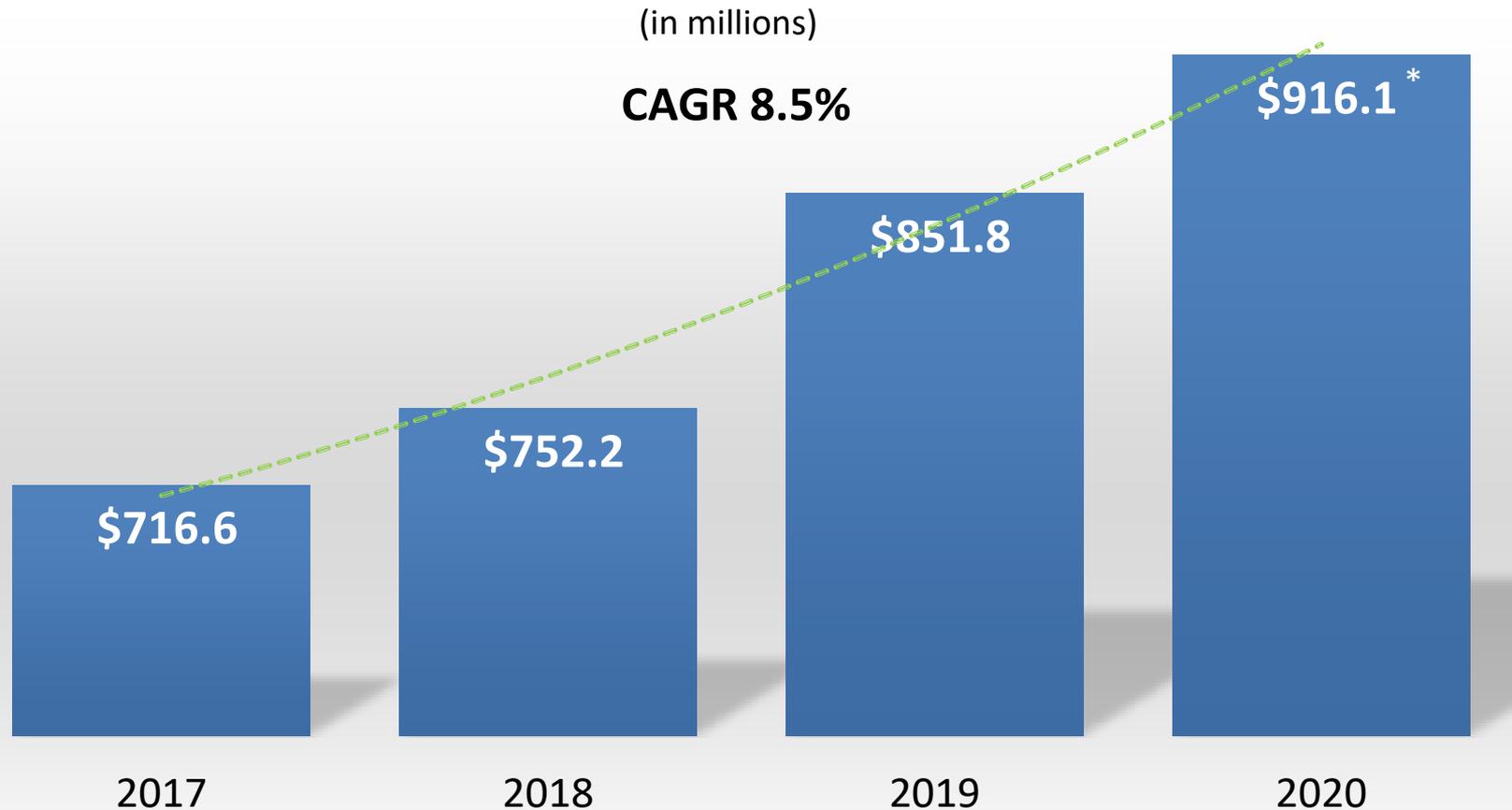
Regulated Activity (GSWC) (Continued)



Golden State Water Company Customer Service Areas

- Final decision on the electric general rate case:
 - 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 \$1.2 million for each of the years 2019 and 2020, by \$1.1 million in 2021, and by \$1.0 million in 2022. These increases are not subject to an earnings test
- Filed an application with the CPUC for the development of a turn-key solar project estimated to cost \$14.3 million

Adopted Average Water Rate Base



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

Contracted Services (ASUS)

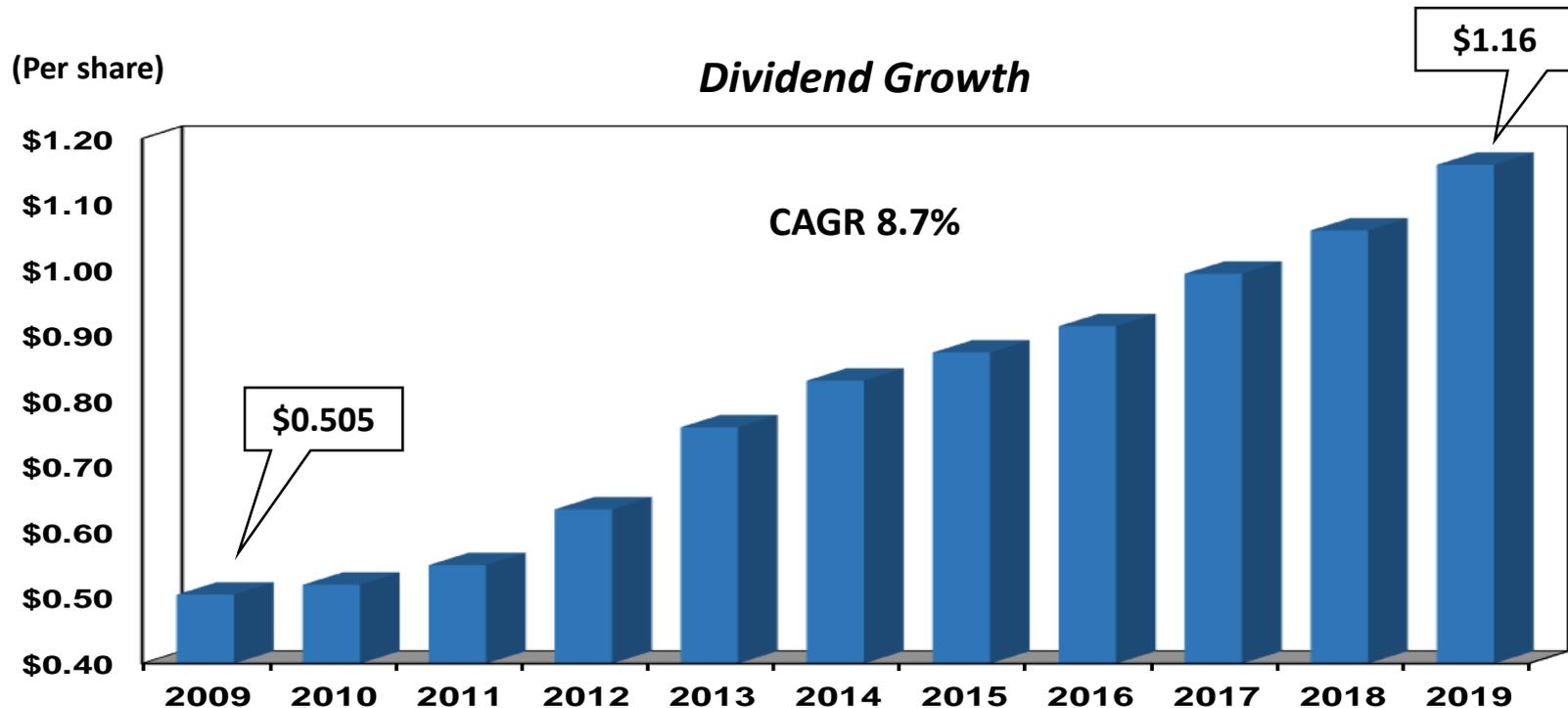
- 2019 earnings were the highest ever. Awarded first contract in 2004. Today we have 8 contracts serving 11 military bases
 - Earnings were \$0.05 per share higher than in 2018
 - 2019 first full year of operations at Fort Riley
 - Increase in management fee revenues
- Awarded \$23 million in new construction projects during 2019 for completion in 2019 and 2020
- Well positioned to compete for new military privatization contracts
- ASUS projected to contribute \$0.46-\$0.50 per share in 2020



Serving Those Who Serve®

Dividends

- Increased annual dividend in 2019 by 10.9% to \$1.22 per share
- Dividends paid every year **since 1931**
- Declared 2020 first quarter dividend of \$0.305 per share
- Increased the dividend every calendar year for **65 consecutive years**
- Dividend policy: More than 7% CAGR over the long term



Questions and Answers