

Southwest Gas (SWX)

\$81.95 (Stock Price as of 12/18/2025)

Price Target (6-12 Months): **\$83.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/20/25)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM: C

Value: B

Growth: C

Momentum: D

Summary

Southwest Gas Corporation's makes investments to strengthen infrastructure by replacing and upgrading its old pipelines. Accretive acquisitions should further boost its performance. Southwest Gas is also gaining from improvements in economic conditions in its service areas. The separation of Centuri supports its transition to a fully regulated utility. The company has enough liquidity to meet its near-term debt obligations. Shares of SWX have outperformed the industry in the past month. However, it depends on interstate pipeline transportation capacity to meet customer demands and any disruption in the pipeline services can adversely impact its operations. SWX remains exposed to inherent hazards in its natural gas distribution operations.

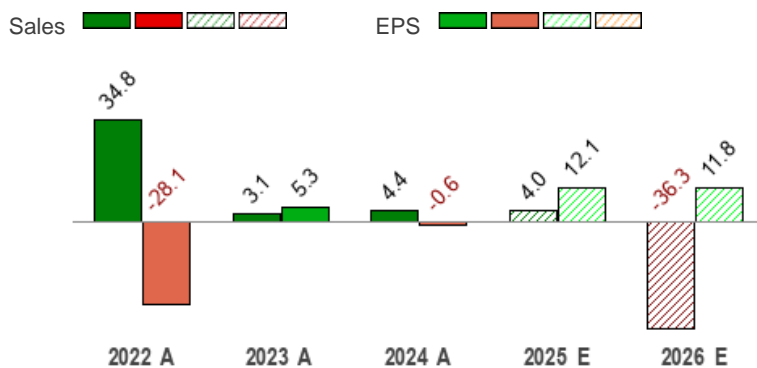
Price, Consensus & Surprise⁽¹⁾



Data Overview

52 Week High-Low	\$83.23 - \$64.69
20 Day Average Volume (sh)	398,081
Market Cap	\$5.9 B
YTD Price Change	15.9%
Beta	0.63
Dividend / Div Yld	\$2.48 / 3.0%
Industry	Utility - Gas Distribution
Zacks Industry Rank	Bottom 38% (151 out of 243)

Sales and EPS Growth Rates (Y/Y %)⁽²⁾



Last EPS Surprise	-33.3%
Last Sales Surprise	-14.5%
EPS F1 Est- 4 week change	-0.3%
Expected Report Date	02/25/2026
Earnings ESP	0.0%

Sales Estimates (millions of \$)⁽²⁾

	Q1	Q2	Q3	Q4	Annual*
2026					4,003 E
2025	1,297 A	1,120 A	317 A		3,666 E
2024	1,581 A	1,182 A	1,079 A	1,270 A	5,112 A

EPS Estimates⁽²⁾

	Q1	Q2	Q3	Q4	Annual*
2026					4.08 E
2025	1.65 A	0.53 A	0.06 A		3.65 E
2024	1.37 A	0.31 A	0.09 A	1.39 A	3.16 A

*Quarterly figures may not add up to annual.

P/E TTM	22.6
P/E F1	22.5
PEG F1	1.7
P/S TTM	1.5

(1) The data in the charts and tables, except the estimates, is as of 12/18/2025.

(2) The report's text, the analyst-provided estimates, and the price target are as of 12/05/2025.

Overview

Southwest Gas Corporation, incorporated in March 1931, is a regulated utility that provides natural gas services and has a wholly owned subsidiary, the Paiute Pipeline Company, through which it operates a pipeline transmission system.

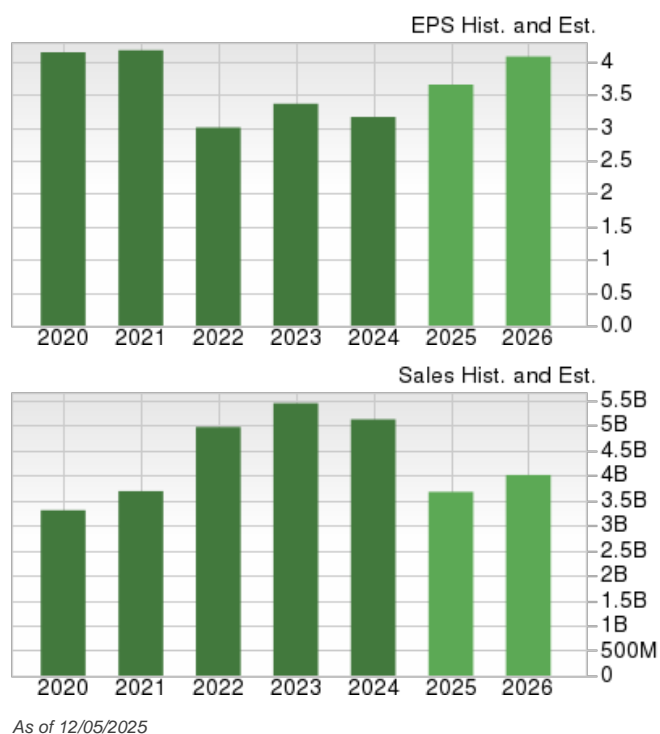
In April 2024, the company completed its split of one of its business segments, Centuri Group, Inc. The company executed an initial public offering ("IPO") of 14,260,000 shares of Centuri's common stock at a price to the public of \$21 per share. SWX retained nearly 81% interest in Centuri Holdings stock.

Southwest Gas Holdings, Inc. is an energy holding company based in Las Vegas, NV. The company makes deliveries of natural gas under a priority system established by state regulatory commissions, which aims the higher-priority customers, primarily residential customers and while other customers who use 500 therms or less of gas per day are given greater importance.

Residential and Small Commercial customers contributed 85% to the operating margin in 2024. Other sales customers and Transportation contributed 4% and 11%, respectively.

Demand for natural gas during the winter months is generally higher than the summer months. The company systematically acquires and arranges delivery of natural gas to its system in sufficient quantities to meet customers' needs. Southwest acquires natural gas from a wide variety of sources with a mix of purchase provisions, which include spot market and firm supplies. During 2024, Southwest acquired natural gas from 44 suppliers with the objective to ensure adequate supply of natural gas at a reasonable price.

As of Dec. 31, 2024, the company purchased and distributed or transported natural gas to nearly 2,258,000 customers in Arizona, Nevada and California.



Reasons To Buy:

▲ Southwest Gas' natural gas operations have a diversified and growing customer base in three states, namely Arizona, Nevada and California. The company's overall performance will be driven by favorable economic conditions, robust demographics, the ongoing expansion of its customer base, and the decoupled rate structure in each of the three states in which it operates business. Residential and small commercial customers account for more than 99% of the company's total customer base. Southwest Gas anticipates 1.4% growth in customers per year through 2029. Owing to strong economic growth across its service areas, the company installed 40,000 first-time meter sets in the 12 months ended on Sept. 30, 2025, leading to a 1.8% customer growth rate over the same period.

The company's strategic investment plans and consistent customer additions to its natural gas segment will further boost its financials. Also, its regular dividends acts as a tailwind.

The ongoing addition to the customer base will drive demand and performance for the company. Owing to strong performance and refreshed rate structures, the company expects net income to grow in the range of 6-8% through 2029. Courtesy of new natural gas rates, rising demand from an expanding customer base and efficient management of expenses will also boost the net income of the company. It also expects to achieve flat operation and maintenance (O&M) per customer during 2025-2029 period.

▲ Southwest Gas strategically plans its investment to meet the growing demand for safe, reliable and affordable energy solutions. The company expects a capital investment of \$4.3 billion in 2025-2029. Nearly 50% of the planned investment is expected to go toward safety and pipeline integrity management. This will enable the company to effectively serve its growing customer base. Nearly 30% of investment is targeted toward new business, which will help the company secure new revenue streams. The capital expenditure for 2025 is expected to be \$880 million to support customer growth, system improvements and pipe replacement programs.

▲ Southwest Gas benefits from the full separation of Centuri by improving its business risk profile and becoming a pure natural gas utility holding company. On Sept. 5, 2025, the company completed the sale of its remaining shares of Centuri. On Sept. 22, 2025, Standard & Poor's ("S&P") upgraded the company's credit rating to BBB+ with a stable outlook. The upgrade was primarily driven by the company's exit from its Centuri Holdings, reduced holding-company debt and an overall improvement in its risk profile. The company expects this upgrade to lower borrowing costs, improve access to capital and signal a stronger financial profile. Its shares have risen 0.2% in the past month against the industry's decline of 1.1%.

▲ Improving earned return on equity through constructive regulatory outcomes, utility optimization and cost management efforts allows the company to reward its shareholders. The utility has been paying dividends since 1956 and raised its dividend consecutively since 2007. Southwest Gas plans to target a dividend payout ratio in line with gas utility peers. The company's current dividend yield is 3.14%, better than the Zacks S&P 500 composite's 1.44%.

▲ Cash and cash equivalents, as of Sept. 30, 2025, were \$778.6 million compared with \$363.8 million as of Dec. 31, 2024. As of Sept. 30, 2025, the company had \$1.5 billion in available liquidity, enough to meet its current obligations. Currently, SWX's total debt to capital is 47.17%, better than the sector's average of 59.39%. This ratio determines the proportion of a business's total capital that is financed using debt. A lower ratio implies that the company can pay for capital without relying so much on debt.

In October 2025, the U.S. Federal Reserve cut interest rates by 25 basis points to a range of 3.75%-4.00%. This reduction is expected to decrease the company's capital project financing costs and support improved margins.

Reasons To Sell:

- ▼ Southwest Gas depends on access to interstate pipelines' transportation capacity, which, if unavailable, could impact its ability to meet customers' requirements. It needs to have both sufficient natural gas supplies and an interstate pipeline capacity to meet demand. A prolonged interruption or reduction of interstate pipeline service during the peak demand seasons could reduce cash flow and earnings.
- ▼ The company's natural gas distribution operations face inherent hazards, including gas leaks, fires, catastrophic accidents, explosions and pipeline ruptures that can lead to unexpected service disruptions, property damage or personal injury, potentially impacting business operations.
- ▼ Southwest Gas does not own any significant assets other than the stock of operating subsidiaries, thus making it dependent on its units to meet its financial needs. Also, the company's ability to pay dividends depends on its units' net income and cash flows.
- ▼ While natural gas can be more environmentally friendly than many other currently available fuels and has helped energy users comply with stricter air quality standards, several federal and state legislative and regulatory initiatives — some already implemented in recent years — aim to control or limit the effects of global warming and climate change. Any resulting legislation or regulations could increase compliance costs, impose additional operating restrictions, reduce demand for natural gas, or affect the prices it can charge.

Dependence on interstate pipelines' transportation capacity and customer supply-chain challenges act as headwinds.

Last Earnings Report

Southwest Gas Q3 Earnings Miss Estimates, Revenues Decrease Y/Y

Southwest Gas Holdings Inc. recorded third-quarter 2025 operating earnings of 6 cents per share, which missed the Zacks Consensus Estimate of 9 cents by 33.3%. The bottom line also decreased from the year-ago quarter's figure of 9 cents.

SWX's Total Revenues

Operating revenues totaled \$0.32 billion, which lagged the Zacks Consensus Estimate of \$0.37 billion by 14.5%. The top line also declined 70.6% from \$1.08 billion reported in the prior-year quarter.

Highlights of SWX's Q3 Earnings Release

Operations and maintenance expenses totaled \$134.8 million, up 3% from the year-ago quarter's level of \$130.9 million.

The total operating income amounted to \$37 million, up 83.9% from \$20.1 million in the year-ago quarter.

Total system throughput in the first nine months of 2025 was 159.81 million dekatherms, down 4.1% from 166.63 million dekatherms reported in the first nine months of 2024.

Southwest Gas' Financial Highlights

Cash and cash equivalents, as of Sept. 30, 2025, were \$778.6 million compared with \$314.8 million as of Dec. 31, 2024.

The long-term debt, less current maturities, amounted to \$3.51 billion as of Sept. 30, 2025 compared with \$3.50 billion as of Dec. 31, 2024.

Southwest Gas' net cash provided by operating activities in the first nine months of 2025 was \$0.47 billion compared with \$1.15 billion in the year-ago period.

SWX's 2025 Guidance

Southwest Gas continues to anticipate the Natural Gas Distribution segment's net income in 2025 in the range of \$265-\$275 million. The capital expenditure is expected to be \$880 million for supporting customer growth, system improvements and pipe replacement programs.

Capital expenditures are expected to be \$4.3 billion for 2025-2029.

FY Quarter Ending **12/31/2024**

Earnings Reporting Date	Nov 05, 2025
Sales Surprise	-14.52%
EPS Surprise	-33.33%
Quarterly EPS	0.06
Annual EPS (TTM)	3.63

Valuation

Southwest Gas shares are up 11.2% in the past six months period and up 4.5% over the trailing 12-month period. Stocks in the Zacks sub-industry is up 14.9% and the Zacks Utilities sector is up 10% in the past six months period. Over the past year, the Zacks sub-industry is up 9.3%, whereas the sector is up by 14.6%.

The S&P 500 index is up 17.1% in the past six months period and up 15.2% in the past year.

The stock is currently trading at 19.13X forward 12-months earnings, which compares with 16.09X for the Zacks sub-industry, 15.87X for the Zacks sector and 23.53X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.65X and as low as 13.87X, with a 5-year median of 17.8X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$83 price target reflects 20.09X forward 12-months earnings.

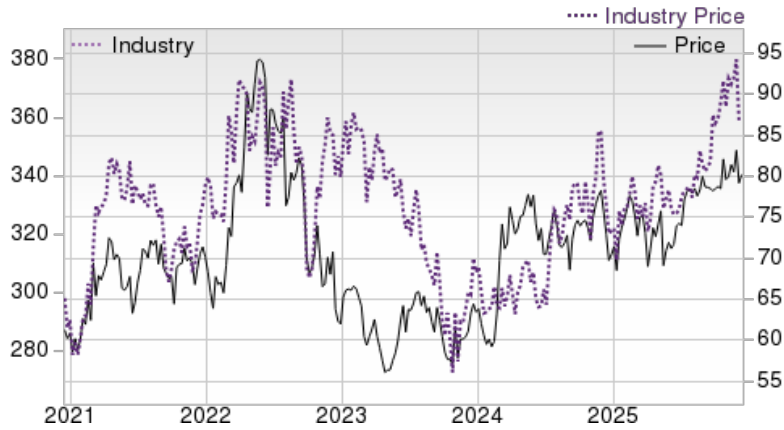
The table below shows summary valuation data for SWX.

Valuation Multiples - SWX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.13	16.09	15.87	23.53
	5-Year High	22.65	21.4	17.86	23.82
	5-Year Low	13.87	13.81	13.13	15.73
	5-Year Median	17.8	16.17	15.86	21.19
P/S F12M	Current	2.49	2.78	3.05	5.33
	5-Year High	2.59	2.79	3.24	5.5
	5-Year Low	0.73	1.49	2.28	3.83
	5-Year Median	0.98	2.19	2.72	5.04
P/B TTM	Current	1.45	1.41	3.11	8.53
	5-Year High	1.8	1.78	3.28	9.16
	5-Year Low	1.17	1.11	2.38	6.6
	5-Year Median	1.41	1.43	2.87	8.04

As of 12/04/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Bottom 38% (151 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
Atmos Energy Corpora...(ATO)	Neutral	2
Brookfield Infrastru...(BIPC)	Neutral	3
Chesapeake Utilities...(CPK)	Neutral	4
MDU Resources Group...(MDU)	Neutral	3
NewJersey Resources ...(NJR)	Neutral	3
ONE Gas, Inc. (OGS)	Neutral	3
Spire Inc. (SR)	Neutral	2
UGI Corporation (UGI)	Neutral	4

Industry Comparison⁽¹⁾ Industry: Utility - Gas Distribution

	SWX	X Industry	S&P 500	ATO	BIPC	UGI
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	4
VGM Score	C	-	-	F	A	C
Market Cap	5.92 B	4.97 B	38.81 B	27.39 B	5.42 B	8.27 B
# of Analysts	2	2	22	6	1	2
Dividend Yield	3.03%	2.99%	1.41%	2.36%	3.78%	3.90%
Value Score	B	-	-	D	A	B
Cash/Price	0.13	0.02	0.04	0.01	0.08	0.04
EV/EBITDA	12.72	11.68	14.58	15.26	7.59	8.66
PEG Ratio	1.65	2.63	2.21	2.65	NA	NA
Price/Book (P/B)	1.50	1.56	3.30	2.01	2.46	1.73
Price/Cash Flow (P/CF)	8.82	8.73	15.05	14.17	6.39	6.42
P/E (F1)	22.45	18.04	19.66	21.14	20.57	12.43
Price/Sales (P/S)	1.48	2.01	3.08	5.83	1.48	1.13
Earnings Yield	4.42%	5.38%	5.02%	4.73%	4.86%	8.06%
Debt/Equity	0.89	0.80	0.57	0.66	5.60	1.36
Cash Flow (\$/share)	9.29	6.10	8.99	11.95	7.12	6.00
Growth Score	C	-	-	F	B	D
Hist. EPS Growth (3-5 yrs)	-7.04%	2.99%	8.16%	8.99%	NA	3.98%
Proj. EPS Growth (F1/F0)	15.51%	4.09%	8.60%	7.51%	NA	-6.63%
Curr. Cash Flow Growth	-1.91%	-2.83%	6.75%	12.47%	-12.77%	-8.19%
Hist. Cash Flow Growth (3-5 yrs)	5.20%	6.18%	7.43%	13.43%	-0.72%	4.29%
Current Ratio	1.55	0.75	1.18	0.77	0.41	0.89
Debt/Capital	47.17%	44.56%	38.01%	39.83%	84.84%	57.71%
Net Margin	11.59%	10.86%	12.78%	25.49%	-4.27%	9.30%
Return on Equity	6.78%	8.73%	17.00%	9.07%	34.40%	15.10%
Sales/Assets	0.34	0.25	0.53	0.17	0.16	0.47
Proj. Sales Growth (F1/F0)	-28.30%	3.73%	5.79%	NA	NA	14.10%
Momentum Score	D	-	-	C	A	B
Daily Price Chg	0.44%	0.15%	0.79%	0.15%	1.68%	0.44%
1 Week Price Chg	1.26%	-1.13%	-1.83%	-1.70%	-1.13%	1.87%
4 Week Price Chg	1.97%	-0.99%	3.61%	-3.06%	2.50%	9.54%
12 Week Price Chg	5.09%	1.78%	2.57%	1.78%	13.88%	17.89%
52 Week Price Chg	17.80%	17.80%	15.47%	22.80%	24.45%	41.94%
20 Day Average Volume	398,081	398,081	2,770,348	1,208,460	569,609	2,431,636
(F1) EPS Est 1 week change	-0.82%	0.00%	0.00%	-0.04%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.28%	0.00%	0.00%	0.69%	156.09%	-3.43%
(F1) EPS Est 12 week change	-2.82%	0.33%	0.69%	2.69%	156.09%	-4.96%
(Q1) EPS Est Mthly Chg	3.70%	0.16%	0.00%	0.84%	233.93%	9.47%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	C
Momentum Score	D
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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