



Northwest Natural Holding Company (NWN)

Updated March 1st, 2025 by Samuel Smith

Key Metrics

Current Price:	\$40.9	5 Year CAGR Estimate:	10.4%	Market Cap:	\$1.6 B
Fair Value Price:	\$46.1	5 Year Growth Estimate:	4.3%	Ex-Dividend Date:	4/30/25 ¹
% Fair Value:	89%	5 Year Valuation Multiple Estimate:	2.4%	Dividend Payment Date:	5/15/25 ²
Dividend Yield:	4.8%	5 Year Price Target	\$57	Years Of Dividend Growth:	69
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Buy

Overview & Current Events

NW Natural was founded in 1859 and has grown from a small utility to a large publicly traded utility today. The utility's mission is to deliver natural gas to its customers in the Pacific Northwest and it has done that well, affording it the ability to raise its dividend for 69 consecutive years. NW Natural trades with a market capitalization of \$1.6 billion.

On February 28, 2025, Northwest Natural Holding Company (NWN) reported its financial results for the fourth quarter of 2024. The company achieved an adjusted net income of \$90.6 million for the full year, or \$2.33 per share, slightly down from \$93.9 million, or \$2.59 per share, in 2023. This decrease was primarily due to regulatory lag affecting the first ten months of 2024 until new Oregon gas utility rates became effective on November 1. The utility margin increased by \$26.3 million, mainly due to these new rates, while gas utility operations and maintenance expenses decreased by \$2.1 million, excluding regulatory disallowances, owing to lower contractor costs and bad debt expenses. However, utility depreciation and general taxes rose by \$12.1 million due to additional capital investments. Other income decreased by \$18.2 million, driven by higher pension costs and lower interest income, and interest expense for the gas utility increased by \$2.8 million, primarily due to higher short-term debt financing.

In January 2025, NWN completed the acquisition of Sea Energy, a rapidly growing natural gas utility in Texas, marking a significant driver for long-term growth. Sea Energy has demonstrated strong customer growth of 22% from 2021 to 2024, compounded annually, and is expected to continue its double-digit growth trajectory. Additionally, NWN's water and wastewater utilities experienced a robust growth rate of 4.6% in 2024, including both organic growth and acquisitions. The company also operationalized two renewable natural gas facilities, contributing to steady cash flows and earnings expected to persist for decades.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.29	\$2.19	\$2.24	\$2.33	\$2.41	\$2.30	\$2.56	\$2.54	\$2.59	\$2.33	\$2.88	\$3.55
DPS	\$1.86	\$1.87	\$1.88	\$1.90	\$1.91	\$1.91	\$1.92	\$1.93	\$1.94	\$1.95	\$1.96	\$2.15
Shares³	27.4	28.6	28.8	28.9	30.5	30.6	31.2	35.5	37.7	40.1	40.1	40

We are forecasting an average growth rate of 4.3% for the next five years as NW Natural pushes through approved pricing increases and continues to acquire customers at low-single-digit rates, as it did with the new Oregon rate case. NW Natural also has its water utilities business that will provide a small amount of growth, but higher earnings will primarily come from customer and pricing growth while the company invests in its water business for longer-term growth.

The company's dividend has been raised for 69 consecutive years, so the payout is of great importance to shareholders. The dividend has grown very slowly in recent years as a lack of earnings growth has capped the amount of cash NW

¹ Estimated Date

² Estimated Date

³ In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Northwest Natural Holding Company (NWN)

Updated March 1st, 2025 by Samuel Smith

Natural can return to shareholders. We are forecasting dividend growth going forward to grow slower than the earnings per share since the company needs to retain more cash flow to fuel its growth.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.3	27.4	25.9	24.9	30.7	20.0	19.1	18.9	15.1	17.2	14.2	16.0
Avg. Yld.	3.6%	3.1%	3.2%	3.3%	2.6%	4.2%	3.9%	4.0%	5.0%	4.9%	4.8%	3.8%

NW Natural’s price-to-earnings multiple rose from 15.2 in 2009 to 30.2 in 2019 before declining back to 14.2 today. With interest rates seeming to have peaked and NW Natural’s solid growth profile, we have set our estimate of fair value at 16 times earnings, even though NWN was trading for over 30 times earnings not too long ago. As a result, the stock is slightly undervalued right now according to our model.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	81%	85%	84%	82%	79%	83%	75%	76%	75%	84%	68%	61%

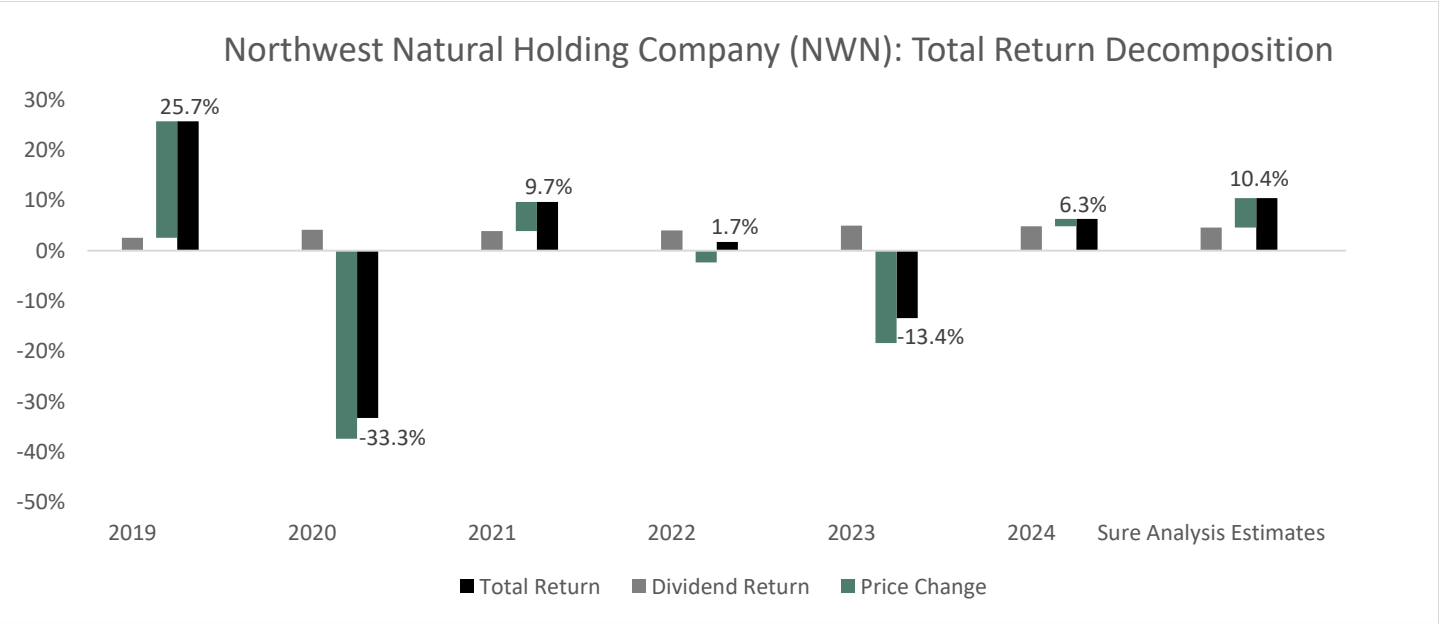
NW Natural’s quality metrics have been very steady in the past decade. Seventy-six percent of its total assets are encumbered by debt, which is completely acceptable for a utility. Its interest coverage is fairly strong, so there are certainly no financing concerns moving forward. The payout ratio is around three-quarters of earnings, which is much improved from previous years.

Its obvious competitive advantage is in its monopoly in its service areas. This allowed it to perform extremely well during the Great Recession as discretionary use of natural gas and water is very low. At the same time, its regulatory nature prevents it from driving strong profitability growth during economic booms.

Final Thoughts & Recommendation

We forecast 10.4% annualized total returns moving forward thanks to a combination of an attractive and growing dividend and solid earnings per share growth offset partially by expected valuation multiple contraction. As a result, we rate it a Buy.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Northwest Natural Holding Company (NWN)

Updated March 1st, 2025 by Samuel Smith

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	724	668	755	706	746	774	860	1,037	1,197	1,153
Gross Profit	239	271	278	264	283	301	329	341	375	398
Gross Margin	33.0%	40.5%	36.8%	37.4%	37.9%	38.8%	38.3%	32.9%	31.3%	34.5%
D&A Exp.	4	13	15	11	12	10				
Operating Profit	81	78	81	85	91	104	114	133	143	158
Operating Margin	124	151	151	132	143	148	163	167	185	191
Net Profit	17.2%	22.6%	20.0%	18.7%	19.2%	19.2%	19.0%	16.1%	15.4%	16.6%
Net Margin	54	59	(56)	65	62	77	79	86	94	79
Free Cash Flow	7.4%	8.8%	-7.4%	9.1%	8.3%	9.9%	9.1%	8.3%	7.8%	6.8%
Income Tax	66	84	(7)	(50)	(56)	(136)	(134)	(191)	(47)	(194)

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,069	3,080	3,040	3,243	3,428	3,756	4,065	4,748	4,867	5,234
Cash & Equivalents	4	4	3	13	10	30	19	29	33	38
Accounts Receivable	68	67	66	67	67	88	101	169	121	124
Inventories	71	54	48	44	44	43	57	87	113	107
Total Liabilities	2,288	2,229	2,297	2,480	2,562	2,868	3,129	3,573	3,583	3,849
Accounts Payable	73	86	111	116	113	98	133	181	145	133
Long-Term Debt	864	773	834	954	1,030	1,260	1,434	1,595	1,666	1,880
Shareholder's Equity	781	850	743	763	866	889	935	1,175	1,284	1,385
LTD/E Ratio	1.11	0.91	1.12	1.25	1.19	1.42	1.53	1.36	1.30	1.36

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.8%	1.9%	-1.8%	2.1%	1.9%	2.1%	2.0%	2.0%	2.0%	1.6%
Return on Equity	6.9%	7.2%	-7.0%	8.6%	7.6%	8.8%	8.6%	8.2%	7.6%	5.9%
ROIC	3.2%	3.6%	-3.5%	3.9%	3.4%	3.8%	3.5%	3.4%	3.3%	2.5%
Shares Out.	27.4	28.6	28.8	28.9	30.5	30.6	31.2	35.5	37.7	40.1
Revenue/Share	26.40	24.05	26.26	24.46	25.00	25.28	27.98	30.52	33.02	29.66
FCF/Share	2.42	3.02	(0.23)	(1.74)	(1.88)	(4.43)	(4.34)	(5.62)	(1.31)	(4.99)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.