



# SJW Group (SJW)

Updated March 3<sup>rd</sup>, 2025 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$54	<b>5 Year CAGR Estimate:</b>	17.8%	<b>Market Cap:</b>	\$1.8 B
<b>Fair Value Price:</b>	\$77	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	02/19/25
<b>% Fair Value:</b>	70%	<b>5 Year Valuation Multiple Estimate:</b>	7.3%	<b>Dividend Payment Date:</b>	03/03/25
<b>Dividend Yield:</b>	3.1%	<b>5 Year Price Target</b>	\$113	<b>Years Of Dividend Growth:</b>	57
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Buy

## Overview & Current Events

SJW Group is a water utility company that produces, purchases, stores, purifies and distributes water to consumers and businesses in the Silicon Valley area of California, the area north of San Antonio, Texas, Connecticut, and Maine. SJW Group has a small real estate division that owns and develops properties for residential and warehouse customers in California and Tennessee. The company generates about \$750 million in annual revenues.

On January 29<sup>th</sup>, 2025, SJW Group announced that it was raising its quarterly dividend 5.0% to \$0.42, extending the company's dividend growth streak to 57 consecutive years. SJW Group is a member of the Dividend Kings index.

On February 27<sup>th</sup>, 2025, SJW Group announced fourth quarter and full year results for the period ending December 31<sup>st</sup>, 2024. For the quarter, revenue improved 15.5% to \$197.8 million, which topped expectations by \$10.3 million. Earnings-per-share of \$0.74 compared favorably to earnings-per-share of \$0.59 in the prior year and was \$0.19 ahead of estimates. For the year, revenue grew 12% to \$748.4 million while earnings-per-share of \$2.87 compared to \$2.68 in 2023.

For the quarter, higher water rates overall added \$22.8 million to results and higher customer usage added \$9.9 million while regulatory mechanisms lowered revenue totals by \$7.1 million. Operating production expenses totaled \$154.2 million, which was a 14% increase from the prior year. Most of the increase in expenses was once again related to higher water production costs. SJW Group expects to invest more than \$2.0 billion in capital over the next five years in its wastewater operations, with \$353 million invested in 2024. The company stated that it has several rate cases either recently approved or recently submitted to regulators in the various states that it operates.

SJW Group provided an outlook for 2025 as well, with the company expecting earnings-per-share in a range of \$2.90 to \$3.00 for the year. At the midpoint, this would be a 2.8% increase from the prior year.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$1.85	\$2.57	\$2.86	\$1.82	\$1.35	\$2.14	\$2.03	\$2.43	\$2.68	\$2.87	<b>\$2.95</b>	<b>\$4.33</b>
<b>DPS</b>	\$0.78	\$0.81	\$1.04	\$1.12	\$1.20	\$1.28	\$1.36	\$1.44	\$1.52	\$1.60	<b>\$1.68</b>	<b>\$2.25</b>
<b>Shares<sup>1</sup></b>	20	21	21	29	29	29	30	30	32	33	<b>33</b>	<b>33</b>

SJW Group's earnings-per-share often vary wildly from year to year, though growth has appeared to stabilize in recent years. Earnings-per-share growth improved with a CAGR of 5% over the last 10 years, with the growth rate accelerating to 6.6% when looking at the last five years. We continue to forecast that the SJW Group will grow earnings at the average growth rate of 8.0% through 2030 due to revenue growth and rate increases. In connection with the CTWS merger, SJW Group issued nearly 8 million new shares on December 5<sup>th</sup>, 2018 to fund 50% of the transaction, but we do not expect any significant additional dilution on the horizon.

We expect dividends to grow at a rate of 6% annually through 2030, which is just above the five-year growth rate.

<sup>1</sup> In millions of shares

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.



# SJW Group (SJW)

Updated March 3<sup>rd</sup>, 2025 by Nathan Parsh

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.6	15.7	18.8	32.7	47.8	30.0	36.1	33.4	24.4	17.1	<b>18.3</b>	<b>26.0</b>
Avg. Yld.	2.5%	2.0%	1.9%	1.9%	1.9%	2.0%	1.9%	1.8%	2.3%	3.3%	<b>3.1%</b>	<b>2.0%</b>

Shares of SJW Group have declined \$3, or 5.3%, since our October 28<sup>th</sup>, 2024 update. Price-to-earnings multiples for water utilities tend to be high, but SJW Group’s multiple was extremely high in the 2018-2022 time period. Using EPS estimates for the year, the stock trades with a forward P/E of 18.3. We are reaffirming our 2030 target P/E of 26 as this is more in-line with the long-term average valuation and considers the quality of earnings over the past few years. If shares were to revert to this target P/E by 2030, then valuation would be a 7.3% tailwind to annual returns over this period.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	42%	32%	36%	62%	89%	60%	67%	59%	57%	56%	<b>57%</b>	<b>52%</b>

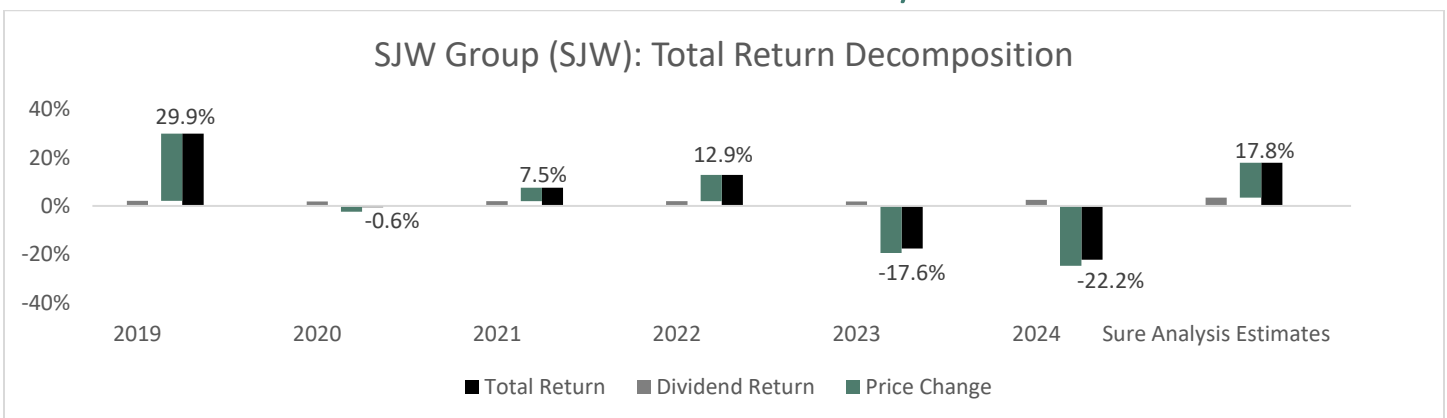
Many investors own utility companies for their reliable earnings and dividends, especially for uncertain economic times. During the last recession, SJW Group experienced a decline in earnings that took several years to recover. A key competitive advantage for SJW Group, aside from the concluded merger, is that it operates in two areas, Silicon Valley and Central Texas, that have seen high levels of population growth in recent years. These areas need improved water infrastructure to serve a growing client base, so local governments often allow the company to raise rates at a relatively high level in order to fund these projects. SJW Group settled pending rate cases in several states in 2022, which materially benefited the company in 2023. More recently, the company announced during Q3 2024 that it had settled a rate case with California that will allow for greater revenue recovery for the 2025 to 2027 period.

Investors should be aware of is that SJW Group’s earnings are highly concentrated in California (60% of sales post Connecticut Water Service merger) and Connecticut (30% of sales post-merger).

## Final Thoughts & Recommendation

After fourth quarter results, SJW Group is now projected to return 17.8% annually through 2030, which is up from our previous estimate of 14.8%. Our projected return stems from 8% earnings growth, a starting dividend yield of 3.1%, and a high single-digit contribution from multiple expansion. Shares are down almost 30% over our last seven reports. The upside is that shares continue to look attractive from both a total return and valuation perspective. We note that the stock has one of its highest yields in the last decade. We have raised our five-year price target \$9 to \$113 due to estimates for the year. We continue to view shares of SJW Group as a buy due to projected returns.

## 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.



# SJW Group (SJW)

Updated March 3<sup>rd</sup>, 2025 by Nathan Parsh

## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	305	340	389	398	420	565	574	621	670	748
<b>Gross Profit</b>	179	196	213	211	224	317	319	357	388	425
<b>Gross Margin</b>	58.8%	57.6%	54.7%	52.9%	53.3%	56.1%	55.5%	57.5%	57.9%	56.8%
<b>SG&amp;A Exp.</b>	47	42	49	49	66	80	87	95	99	106
<b>D&amp;A Exp.</b>	42	46	51	57	68	92	96	106	108	115
<b>Operating Profit</b>	80	97	102	92	73	118	106	125	149	171
<b>Operating Margin</b>	26.2%	28.7%	26.2%	23.1%	17.4%	20.8%	18.5%	20.1%	22.3%	22.8%
<b>Net Profit</b>	38	53	59	39	23	62	60	74	85	94
<b>Net Margin</b>	12.4%	15.6%	15.2%	9.7%	5.6%	10.9%	10.5%	11.9%	12.7%	12.6%
<b>Free Cash Flow</b>	(12)	(31)	(51)	(57)	(53)	(111)	(124)	(78)	(100)	(185)
<b>Income Tax</b>	23	34	35	10	8	8	8	8	6	9

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	1,337	1,443	1,458	1,956	3,132	3,311	3,492	3,755	4,345	4,658
<b>Cash &amp; Equivalents</b>	5	6	8	421	13	5	11	12	10	11
<b>Accounts Receivable</b>	16	16	17	19	36	47	54	59	68	69
<b>Goodwill &amp; Int. Ass.</b>	16	24	14	17	662	663	661	676	684	682
<b>Total Liabilities</b>	954	1,022	995	1,067	2,242	2,394	2,458	2,644	3,112	3,291
<b>Accounts Payable</b>	16	19	23	25	35	34	30	30	46	56
<b>Long-Term Debt</b>	415	448	456	531	1,423	1,539	1,595	1,656	1,747	1,830
<b>Shareholder's Equity</b>	384	422	463	889	890	917	1,035	1,111	1,233	1,367
<b>LTD/E Ratio</b>	1.08	1.06	0.98	0.60	1.60	1.68	1.54	1.49	1.42	1.34

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	2.9%	3.8%	4.1%	2.3%	0.9%	1.9%	1.8%	2.0%	2.1%	2.1%
<b>Return on Equity</b>	10.2%	13.1%	13.4%	5.7%	2.6%	6.8%	6.2%	6.9%	7.3%	7.2%
<b>ROIC</b>	4.9%	6.3%	6.6%	3.3%	1.3%	2.6%	2.4%	2.7%	3.0%	3.0%
<b>Shares Out.</b>	20	21	21	29	29	29	30	30	32	33
<b>Revenue/Share</b>	14.87	16.50	18.82	18.64	14.72	19.67	19.29	20.40	21.17	22.83
<b>FCF/Share</b>	(0.60)	(1.51)	(2.48)	(2.67)	(1.85)	(3.87)	(4.16)	(2.57)	(3.15)	(5.65)

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.