



American States Water Co. (AWR)

Updated May 18th, 2025 by Samuel Smith

Key Metrics

Current Price:	\$79.6	5 Year CAGR Estimate:	3.9%	Market Cap:	\$3.1 B
Fair Value Price:	\$65.8	5 Year Growth Estimate:	5.3%	Ex-Dividend Date:	5/19/25
% Fair Value:	121%	5 Year Valuation Multiple Estimate:	-3.7%	Dividend Payment Date:	6/3/25
Dividend Yield:	2.3%	5 Year Price Target	\$85	Years Of Dividend Growth:	70
Dividend Risk Score:	A	Sector:	Utilities	Rating:	Hold

Overview & Current Events

American States Water is a utility company with two business units: Utilities (primarily water, some electricity) and Services (wastewater services on several US military bases). American States Water is based in California, where it operates its utilities business. The company's services unit spans several US states. American States Water is a Dividend King, which means it has 50+ years of rising dividends. The company has a small market capitalization of \$3.1 billion.

On May 7, 2025, American States Water Company reported its financial results for the first quarter ended March 31, 2025. The company achieved consolidated diluted earnings per share (EPS) of \$0.70, surpassing analyst expectations of \$0.67 and marking a 12.9% increase from \$0.62 in the same period of the previous year. Total operating revenues rose by 9.4% year-over-year to \$148 million, driven by higher water and electric revenues. Net income increased to \$26.8 million, up from \$23.1 million in the prior year quarter, reflecting improved operational efficiency and cost management.

The company's water utility segment, Golden State Water Company, contributed \$0.52 per share to EPS, up from \$0.48 in the first quarter of 2024. This growth was primarily due to new 2025 water rates authorized by the California Public Utilities Commission (CPUC), partially offset by higher operating expenses and investment losses

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.60	\$1.62	\$1.74	\$1.72	\$2.24	\$2.33	\$2.47	\$2.59	\$2.85	\$3.17	\$3.29	\$4.25
DPS	\$0.87	\$0.91	\$0.99	\$1.06	\$1.22	\$1.34	\$1.40	\$1.53	\$1.66	\$1.79	\$1.86	\$2.60
Shares¹	36.5	36.6	36.7	36.8	36.9	36.9	36.9	37.0	37.0	38.2	38.5	36.9

Between 2011 and 2024 American States Water has been able to grow its earnings-per-share at a brisk pace. Moving forward we expect its growth rate to be 5.3% per year over the next half decade. The company managed to increase its profitability even during the last financial crisis, which shows that American States Water's profitability is not cyclical. American States Water's utility business will most likely continue to grow at a decent pace, as regulators will allow the company to increase its rates over time in order to encourage spending on growth and maintenance projects. The company is building out its services business by getting contracts for wastewater services on additional US military bases. The contracts for wastewater services on US military bases span a 50-year period each, so getting one such contract provides for a decades-long and very safe revenue stream. Receiving one new contract every couple of years provides for solid revenue growth potential. On a quarterly basis, revenues can still see ups and downs depending on the amount of construction activity on military bases. American States Water should be able to increase its profits going forward. A mid to high-single-digits earnings-per-share growth rate seems achievable, based on the further expansion of American States Water's services business and some profit increases for the utilities business. American States Water has increased its dividend every year for 70 years in a row, which can only be described as a very long and successful dividend growth track record.

¹ In millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	24.6	25.6	27.5	38.2	42.0	34.9	37.2	40.4	26.7	26.0	24.2	20.0
Avg. Yld.	2.2%	2.2%	2.1%	1.6%	1.3%	1.6%	1.5%	1.5%	2.2%	2.2%	2.3%	3.1%

American States Water performed relatively well during the last financial crisis, which explains why the company's stock continued to trade at a valuation that is elevated. Its valuation has expanded further since, leading to a very high price-to-earnings multiple. We believe that the current valuation is unjustifiably high, and we forecast meaningful headwinds to the stock's total returns from multiple compression, though the strong track record, low-risk profile, and solid growth outlook have prompted us to keep the fair value estimate at 20 times earnings.

Safety, Quality, Competitive Advantage, & Recession Resiliency

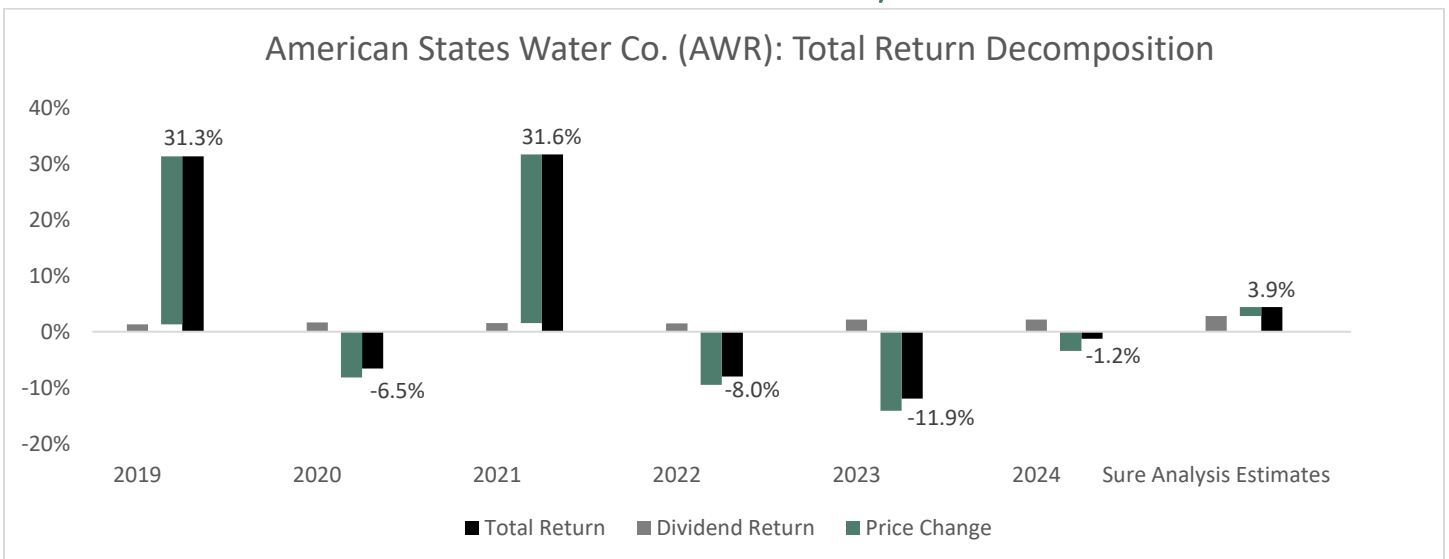
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	54%	56%	57%	62%	54%	58%	57%	59%	58%	56%	57%	61%

American States Water paid out just over half of its net profits a year during the last decade. This is not a high payout ratio, especially for a stable company such as American States Water that generated strong earnings during the last financial crisis. We believe that the recession resilience, the moderate payout ratio, and the strong dividend growth track record mean that American States Water's dividend is very safe. Utilities are not cyclical, and due to the decades-long contract durations with the US military, the services business is not cyclical either. American States Water is therefore quite recession-proof. There is a low risk of an earnings decline, shown by the fact that even during the last financial crisis, profits kept increasing. Competition is not a major issue for American States Water's business, as the company operates with very long-term contracts.

Final Thoughts & Recommendation

American States Water was a stable performer during the last financial crisis, and the company's dividend looks very safe for the foreseeable future. American States Water nevertheless does not look like an attractive investment today, though, as its valuation is high, which will pressure total returns significantly, and the relatively weak dividend yield and decent growth rate will be somewhat offset by significant valuation compression, leading to expected annualized total returns of 3.9% over the next half-decade. As a result, we rate the stock a Hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	459	436	441	437	474	488	499	492	596	595
Gross Profit	338	333	337	328	354	369	378	368	450	452
Gross Margin	73.7%	76.4%	76.5%	75.1%	74.6%	75.5%	75.7%	74.9%	75.5%	75.9%
SG&A Exp.	80	82	82	83	83	84	84	86	88	101
D&A Exp.	43	39	39	41	36	37	40	42	43	44
Operating Profit	118	114	119	101	127	131	141	127	197	184
Operating Margin	25.8%	26.2%	27.0%	23.1%	26.8%	26.7%	28.2%	25.7%	33.0%	31.0%
Net Profit	60	60	69	64	84	86	94	78	125	119
Net Margin	13.2%	13.7%	15.7%	14.6%	17.8%	17.7%	18.9%	15.9%	21.0%	20.0%
Free Cash Flow	8	(33)	31	10	(35)	(8)	(29)	(48)	(121)	(33)
Income Tax	38	35	39	18	25	28	30	24	42	30

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,344	1,470	1,417	1,501	1,641	1,792	1,901	2,034	2,246	2,500
Cash & Equivalents	4	0	0	7	1	37	5	6	14	27
Accounts Receivable	19	20	26	23	21	29	34	26	34	38
Inventories	5	4	5	6	6	9	12	15	18	15
Goodwill & Int. Ass.	1	1	1	1	1	1	1	1		
Total Liabilities	878	976	887	943	1,040	1,150	1,215	1,325	1,470	1,580
Accounts Payable	51	44	51	60	56	64	66	85	69	89
Long-Term Debt	349	411	380	417	486	575	618	724	909	930
Shareholder's Equity	466	494	530	558	602	642	686	710	776	920
LTD/E Ratio	0.75	0.83	0.72	0.75	0.81	0.90	0.90	1.02	1.17	1.01

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.4%	4.2%	4.8%	4.4%	5.4%	5.0%	5.1%	4.0%	5.8%	5.0%
Return on Equity	12.4%	12.4%	13.5%	11.7%	14.5%	13.9%	14.2%	11.2%	16.8%	14.1%
ROIC	7.3%	6.9%	7.6%	6.8%	8.2%	7.5%	7.5%	5.7%	8.0%	6.7%
Shares Out.	36.5	36.6	36.7	36.8	36.9	36.9	36.9	37.0	37.0	38.2
Revenue/Share	12.19	11.87	11.96	11.83	12.82	13.20	13.48	13.27	16.07	15.84
FCF/Share	0.21	(0.90)	0.85	0.28	(0.95)	(0.22)	(0.78)	(1.31)	(3.26)	(0.88)

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

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