



American Water Works Company, Inc. (AWK)

Updated October 30th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$128	5 Year Annual Expected Total Return:	10.0%	Market Cap:	\$25 B
Fair Value Price:	\$126	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	11/13/2025
% Fair Value:	101%	5 Year Valuation Multiple Estimate:	-0.3%	Dividend Payment Date:	12/02/2025
Dividend Yield:	2.6%	5 Year Price Target	\$185	Years Of Dividend Growth:	17
Dividend Risk Score:	B	Sector:	Utilities	Rating:	Hold

Overview & Current Events

American Water Works is the largest and most geographically diverse, publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The company provides drinking water, wastewater, and other related services to over 14 million people across 14 states in the United States. Its regulated business includes approximately 54,500 miles of pipe, 600 water treatment plants, 190 wastewater facilities, 1,200 wells, and 75 dams. The company also provides water and related services to the U.S. government and military through 18 installations. American Water Works generates around \$4.68 billion in annual revenues and based in Camden, New Jersey.

On October 29th, 2025, American Water Works posted its Q3 results for the period ending September 30th, 2025. For the quarter, revenues rose by 9.7% year-over-year to \$1.45 billion. The increase in revenues was driven by i) authorized revenue increases from completed general rate cases and infrastructure proceedings to recover capital and acquisition investments, and ii) incremental contributions from closed acquisitions.

EPS came in at \$1.94 compared to \$1.80 last year. American Water Works now has general rate cases in progress in four jurisdictions and has filed for infrastructure surcharges in two, reflecting a total annualized revenue request of \$141 million. For FY2025, management reaffirmed its weather-normalized EPS guidance range of \$5.70 to \$5.75 and also introduced FY2026 EPS guidance of \$6.02 to \$6.12, implying 8% growth at the midpoint. The company also announced an all-stock merger agreement with Essential Utilities (WTRG), expected to close by Q1 2027, and reaffirmed its long-term EPS growth target of 7% to 9%.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.66	\$2.63	\$2.39	\$3.15	\$3.43	\$3.91	\$6.96	\$4.51	\$4.90	\$5.39	\$5.73	\$8.42
DPS	\$1.33	\$1.47	\$1.62	\$1.78	\$1.96	\$2.15	\$2.36	\$2.57	\$2.78	\$3.00	\$3.31	\$4.86
Shares¹	180	179	179	180	181	181	182	182	193	195	195	200

American Water Works has a highly stable and robust track record both in terms of its profitability and its dividend payments. The company enjoys an extremely resilient business model due to water being a necessity both for residential and industrial usage, as well as a mission-critical asset for the military. As a result, American Water has been able to grow its network and operations with limited risks. Over the next nine years, the company expects to invest about \$41 billion in renewing its infrastructure, achieving operational efficiencies through new technologies, ensuring water quality, and expanding its overall operations. Management continues to expect EPS to grow by about 7%-9% annually over the long term, powered by 8%-9% from rate base growth and 2% from regulated acquisitions. They have also mentioned the potential from additional growth from “maximizing revenue opportunities”. We have utilized an EPS CAGR of 8.0% in our calculations, which is the mid-point of management’s guidance.

¹ Share count is in millions.

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Regarding the dividend, it has grown annually over the past 17 years, displaying at 5 and 10-year CAGR of 7.3% and 9.5%, respectively. Management intends to grow the dividend between a rate of 7% and 9% over the long term, which matches their EPS growth outlook. Thus, we have set our expected growth rate at 8% through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.2	28.5	32.2	27.3	33.8	32.7	24.4	34.4	28.5	24.4	22.3	22.0
Avg. Yld.	2.6%	2.0%	2.1%	2.1%	1.7%	1.7%	1.4%	1.7%	2.0%	2.3%	2.6%	2.6%

American Water Works' valuation has hovered at rather inflated levels over the past decade. This has also been the case with all of the company's industry peers, which have also traded at quite rich multiples. We believe this is due to Wall St. treating water stocks (along with their dividends) as ultra-safe investments due to their high operational predictability. Likely due to higher interest rates, most water stocks, along with AWK, have witnessed a correction in their valuation in recent years. We believe the stock is more or less fairly valued today, though note that the stock is now set to move mostly with regards to whether the merger with Essential Utilities works out.

Safety, Quality, Competitive Advantage, & Recession Resiliency

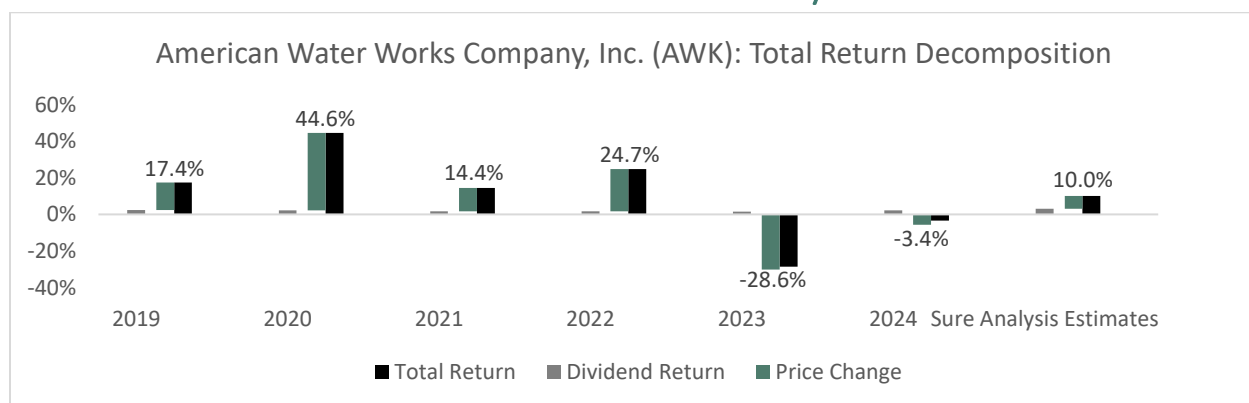
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	50%	56%	68%	57%	57%	55%	34%	57%	57%	56%	58%	58%

American Water's dividend can be viewed as extremely safe. The payout ratio stands at 58%, and the company has a very clear and predictable path towards growing its EPS. Its cash flows are of high quality due to water being an essential commodity, with much-anticipated consumption rates and robust pricing power. Additionally, the company enjoys a rock-solid competitive advantage, operating in an oligopolistic industry, which is also very capital intensive and hence almost forbids new market participants. The company is the biggest amongst its peers, while its relationship with the government also adds to its already great moat. We expect American Water to deliver resilient results even through a prolonged recession. The company is not meaningfully correlated to the underlying economy. Hence, the excellent results during 2020 and 2021 despite COVID-19.

Final Thoughts & Recommendation

American Water Works comes with several attractive qualities. We don't know how and if the merger with Essential Utilities will play out. Therefore, under "normal conditions" and considering management's reaffirmed medium-term guidance, the dividend and where our fair value estimate stands, we expect annualized returns of 10% through 2030. We have assigned a hold rating to the stock. We highlight that AWK offers one of the most predictable future total return-return profiles among dividend-paying stocks.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	3,159	3,302	3,357	3,440	3,610	3,777	3,930	3,792	4,234	4,684
Gross Profit	1,755	1,803	1,988	1,961	2,066	2,155	2,153	2,203	2,514	2,826
Gross Margin	55.6%	54.6%	59.2%	57.0%	57.2%	57.1%	54.8%	58.1%	59.4%	60.3%
D&A Exp.	440	470	492	545	582	604	636	649	704	788
Operating Profit	1,072	1,075	1,237	1,139	1,204	1,248	1,196	1,273	1504	1,718
Operating Margin	33.9%	32.6%	36.8%	33.1%	33.4%	33.0%	30.4%	33.6%	35.5%	36.7%
Net Profit	476	468	426	567	621	709	1,263	820	944	1,051
Net Margin	15.1%	14.2%	12.7%	16.5%	17.2%	18.8%	32.1%	21.6%	22.3%	22.4%
Free Cash Flow	(72)	(106)	(61)	(287)	(375)	(502)	(432)	(1312)	(860)	(963)
Income Tax	306	302	486	222	212	215	377	188	252	308

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	17,241	18,482	19,482	21,223	22,682	24,766	26,080	27,787	30,298	32,830
Cash & Equivalents	45	75	55	130	60	547	116	85	330	96
Accounts Receivable	255	269	272	301	294	321	271	334	339	416
Inventories	38	39	41	41	44	47	57	98	112	103
Goodwill & Int. Ass.	1,302	1,345	1,388	1,659	1,568	1,559	1,139	1,143	1143	1,144
Total Liabilities	12,192	13,264	14,097	15,359	16,561	18,312	18,780	20,094	20,501	22,498
Accounts Payable	126	154	195	175	203	189	235	254	294	346
Long-Term Debt	6,544	7,172	7,717	8,604	9,453	10,940	10,980	12,382	12,369	14,034
Shareholder's Equity	5,049	5,218	5,385	5,864	6,121	6,454	7,298	7,693	9,797	10,332
LTD/E Ratio	1.30	1.37	1.43	1.47	1.54	1.70	1.51	1.61	1.26	1.36

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.9%	2.6%	2.2%	2.8%	2.8%	3.0%	5.0%	3.0%	3.3%	3.3%
Return on Equity	9.6%	9.1%	8.0%	10.1%	10.4%	11.3%	18.4%	10.9%	10.8%	10.4%
ROIC	4.2%	3.9%	3.3%	4.1%	4.1%	4.3%	7.1%	4.3%	4.5%	4.5%
Shares Out.	180	179	179	180	181	182	182	182	193	195
Revenue/Share	17.55	18.45	18.75	19.11	19.94	20.75	21.59	20.84	21.94	24.02
FCF/Share	(0.40)	(0.59)	(0.34)	(1.59)	(2.07)	(2.76)	(2.37)	(7.21)	(4.46)	(4.94)

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

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