



H2O America (HTO)

Updated October 28th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$49	5 Year Annual Expected Total Return:	20.3%	Market Cap:	\$1.7 B
Fair Value Price:	\$77	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	11/04/25 ¹
% Fair Value:	63%	5 Year Valuation Multiple Estimate:	9.5%	Dividend Payment Date:	12/02/25 ²
Dividend Yield:	3.4%	5 Year Price Target	\$113	Years Of Dividend Growth:	57
Dividend Risk Score:	A	Sector:	Utilities	Rating:	Buy

Overview & Current Events

H2O America, formerly known as SJW Group, is a water utility company that produces, purchases, stores, purifies and distributes water to consumers and businesses in California, Texas, Connecticut, and Maine. H2O America has a small real estate division that owns and develops properties for residential and warehouse customers in California and Tennessee. The company generates about \$800 million in annual revenues.

On January 29th, 2025, H2O America announced that it was raising its quarterly dividend 5.0% to \$0.42, extending the company's dividend growth streak to 57 consecutive years. H2O America is a member of the Dividend Kings index.

On May 6th, 2025, the company rebranded itself as H2O America.

On July 8th, 2025, H2O America announced that it purchased Quadvest for \$540 million. This purchase adds to the company's position in the Houston area. Quadvest has 50,500 active connections, almost 91,000 connections under contract and pending development, 50 water treatment plants, 27 wastewater treatment plants, and 89 lift stations and underground assets. Following this transaction, management projects Texas to become H2O America's second-largest utility operation by 2028.

On October 28th, 2025, H2O America reported third quarter results for the period ending September 30th, 2025. For the quarter, revenue improved 6.9% to \$240.6 million, which beat estimates by \$2.1 million. Earnings-per-share of \$1.27 compared favorably to earnings-per-share of \$1.18 in the prior year and was \$0.09 better than expected.

For the quarter, higher water rates overall added \$21.2 million to results and higher customer usage added \$700K. Operating production expenses totaled \$175.9 million, which was a 6% increase from the prior year. The increases were due to higher pensions costs, salaries and wages, and inflationary increases. Higher water production expenses also contributed. H2O America expects to invest more than \$2.0 billion in capital over the next five years in its wastewater operations, with \$357.8 million invested through the end of Q3. The company stated that it has several rate cases either recently approved or recently submitted to regulators in the various states that it operates, including a rate case in Connecticut.

H2O America provided an updated outlook for 2025 as well, with the company now expecting earnings-per-share in a range of \$2.95 to \$3.00, compared to \$2.90 to \$3.00 previously. At the midpoint, this would be a 3.5% increase from the prior year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.85	\$2.57	\$2.86	\$1.82	\$1.35	\$2.14	\$2.03	\$2.43	\$2.68	\$2.87	\$2.97	\$4.36
DPS	\$0.78	\$0.81	\$1.04	\$1.12	\$1.20	\$1.28	\$1.36	\$1.44	\$1.52	\$1.60	\$1.68	\$2.25
Shares³	20	21	21	29	29	29	30	30	32	33	36	36

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ 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.



H2O America (HTO)

Updated October 28th, 2025 by Nathan Parsh

H2O America'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 6.8% when looking at the last five years. We continue to forecast that the H2O America will grow earnings at the average growth rate of 8.0% through 2030 due to revenue growth and rate increases.

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

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	16.5	26.0
Avg. Yld.	2.5%	2.0%	1.9%	1.9%	1.9%	2.0%	1.9%	1.8%	2.3%	3.3%	3.4%	2.0%

Shares of H2O America have gained \$1, or 2.1%, since our July 31st, 2025 update. Price-to-earnings multiples for water utilities tend to be high, but H2O America'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 16.5. 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 add 9.5% 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%	57%	52%

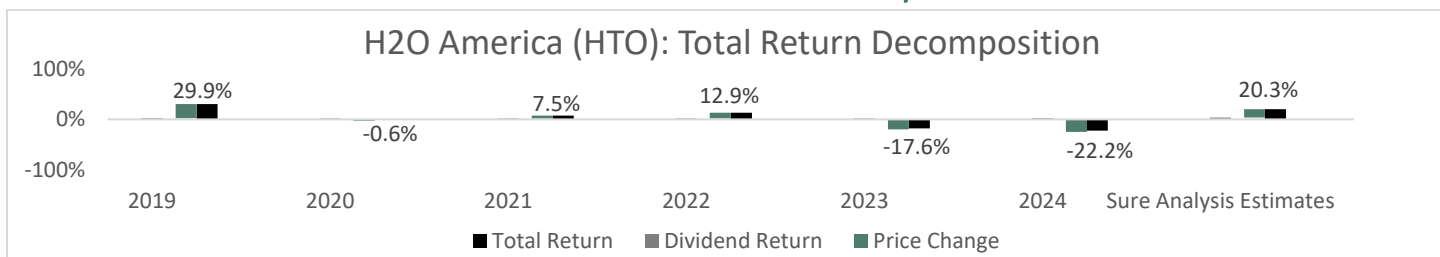
Many investors own utility companies for their reliable earnings and dividends, especially for uncertain economic times. During the last recession, H2O America experienced a decline in earnings that took several years to recover. A key competitive advantage for H2O America, is that it operates in two areas, Silicon Valley and Central Texas, that have seen high levels of population growth in recent years. The addition of Quadvest will also significantly improve the company's foothold in Texas. 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. H2O America 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 H2O America's earnings are highly concentrated in California and Connecticut, though that will likely change in the coming years as Texas becomes more important to the business.

Final Thoughts & Recommendation

After third quarter results, H2O America is now projected to return 20.3% annually through 2030, which is down from our previous estimate of 20.7%. Our projected return stems from 8% earnings growth, a starting dividend yield of 3.4%, and a high single-digit contribution from multiple expansion. H2O America continues to perform well and Quadvest should be a tailwind to future results. We reaffirm our five-year price target of \$113 due to estimates for the year. We continue to view shares of H2O America as a buy due to projected returns and a strong dividend risk score.

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.



H2O America (HTO)

Updated October 28th, 2025 by Nathan Parsh

Income Statement Metrics

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

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,337	1,443	1,458	1,956	3,132	3,311	3,492	3,755	4,345	4,658
Cash & Equivalents	5	6	8	421	13	5	11	12	10	11
Accounts Receivable	16	16	17	19	36	47	54	59	68	69
Goodwill & Int. Ass.	16	24	14	17	662	663	661	676	684	682
Total Liabilities	954	1,022	995	1,067	2,242	2,394	2,458	2,644	3,112	3,291
Accounts Payable	16	19	23	25	35	34	30	30	46	56
Long-Term Debt	415	448	456	531	1,423	1,539	1,595	1,656	1,747	1,830
Shareholder's Equity	384	422	463	889	890	917	1,035	1,111	1,233	1,367
LTD/E Ratio	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
Return on Assets	2.9%	3.8%	4.1%	2.3%	0.9%	1.9%	1.8%	2.0%	2.1%	2.1%
Return on Equity	10.2%	13.1%	13.4%	5.7%	2.6%	6.8%	6.2%	6.9%	7.3%	7.2%
ROIC	4.9%	6.3%	6.6%	3.3%	1.3%	2.6%	2.4%	2.7%	3.0%	3.0%
Shares Out.	20	21	21	29	29	29	30	30	32	33
Revenue/Share	14.87	16.50	18.82	18.64	14.72	19.67	19.29	20.40	21.17	22.83
FCF/Share	(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.