



# California Water Services (CWT)

Updated November 11<sup>th</sup>, 2025 by Jonathan Weber

## Key Metrics

Current Price:	\$46	5 Year CAGR Estimate:	7.9%	Market Cap:	\$2.8B
Fair Value Price:	\$47	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	02/03/26 <sup>1</sup>
% Fair Value:	98%	5 Year Valuation Multiple Estimate:	0.4%	Dividend Payment Date:	02/11/26 <sup>2</sup>
Dividend Yield:	2.6%	5 Year Price Target	\$60	Years Of Dividend Growth:	58
Dividend Risk Score:	A	Sector:	Utilities	Rating:	Buy

## Overview & Current Events

California Water Service is the 3<sup>rd</sup> largest publicly-owned water utility in the United States. The company has six subsidiaries that provide water to about two million people, mainly in California, with some additional operations in Washington, New Mexico, and Hawaii. California Water Service was founded in 1926 and has increased its dividend for more than 50 consecutive years, which makes the company a Dividend King.

California Water Service reported its third quarter earnings results on October 30. The company reported that its operating revenues totaled \$311 million during the quarter, which was 4% more than the revenues that California Water Service generated during the previous year's quarter. This represents a weaker performance compared to what the analyst community had forecasted. The revenue increase was caused by a combination of higher rates, which more than offset lower customer water usage, which was down by 3%.

California Water Service generated earnings-per-share of \$1.03 during the third quarter, which was better than what was expected by the analyst community. California Water Services is generally most profitable during the summer quarters, when water demand is way higher than during the winter quarters, thus Q3's profits were considerably stronger than those from the first half of the year. Profits soared in 2024 but will most likely pull back in 2025.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.94	\$1.01	\$1.52	\$1.36	\$1.31	\$1.97	\$1.96	\$1.77	\$0.89	\$3.25	\$2.35	\$3.00
DPS	\$0.67	\$0.69	\$0.72	\$0.75	\$0.79	\$0.85	\$0.92	\$1.00	\$1.04	\$1.12	\$1.20	\$1.61
Shares <sup>3</sup>	48	48	48	48	48	50	53	55	57	59	60	65

Between 2014 and 2022, California Water Service grew its earnings-per-share at an average annual rate of 5%, which is a decent pace of earnings growth for a utility, whereas earnings-per-share were abnormally low/high in 2023 and 2024, due, in part, to some one-time items during those two years. The second and third quarters are usually significantly more profitable than the rest of the year, as demand for fresh water is significantly higher during the very warm summer months in California when consumers use more water, e.g. for watering their lawns.

During the Great Recession, California Water Service's earnings-per-share did not decline meaningfully, as earnings-per-share dropped by just 4% between 2008 and 2010. This is not surprising, as consumption behavior and demand for fresh water is more reliant upon the weather than on the strength of the overall economy.

We believe that California Water Service's earnings-per-share will continue to grow at a mid-single-digits rate going forward, as it did in the past. Earnings growth in the long run should be achievable thanks to the rate hikes that are regularly approved by regulators. Regulators need to continuously encourage the company to keep investing in the expansion and maintenance of its network, as its customers are dependent on high-quality infrastructure that will remain reliable in the future, which is why future rate increases are more or less a given.

<sup>1</sup> Estimated date

<sup>2</sup> Estimated date

<sup>3</sup> In Millions



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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	24.8	29.6	26.9	35.3	39.7	27.4	36.7	34.5	58.4	13.8	19.6	20.0
Avg. Yld.	2.9%	2.3%	1.9%	1.6%	1.5%	1.6%	1.3%	1.6%	2.0%	2.5%	2.6%	2.7%

California Water Service has never been a high-growth stock, but the company's resilience during economic downturns and the relatively predictable earnings and dividend growth make it look compelling for risk-averse investors. The valuation of the company's shares has expanded significantly through 2023, but due to much higher profits in 2024, the earnings multiple dropped massively last year. For the current year, according to current earnings-per-share estimates, California Water Services seems marginally undervalued right now.

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

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	71%	68%	47%	55%	60%	43%	47%	56%	117%	34%	51%	54%

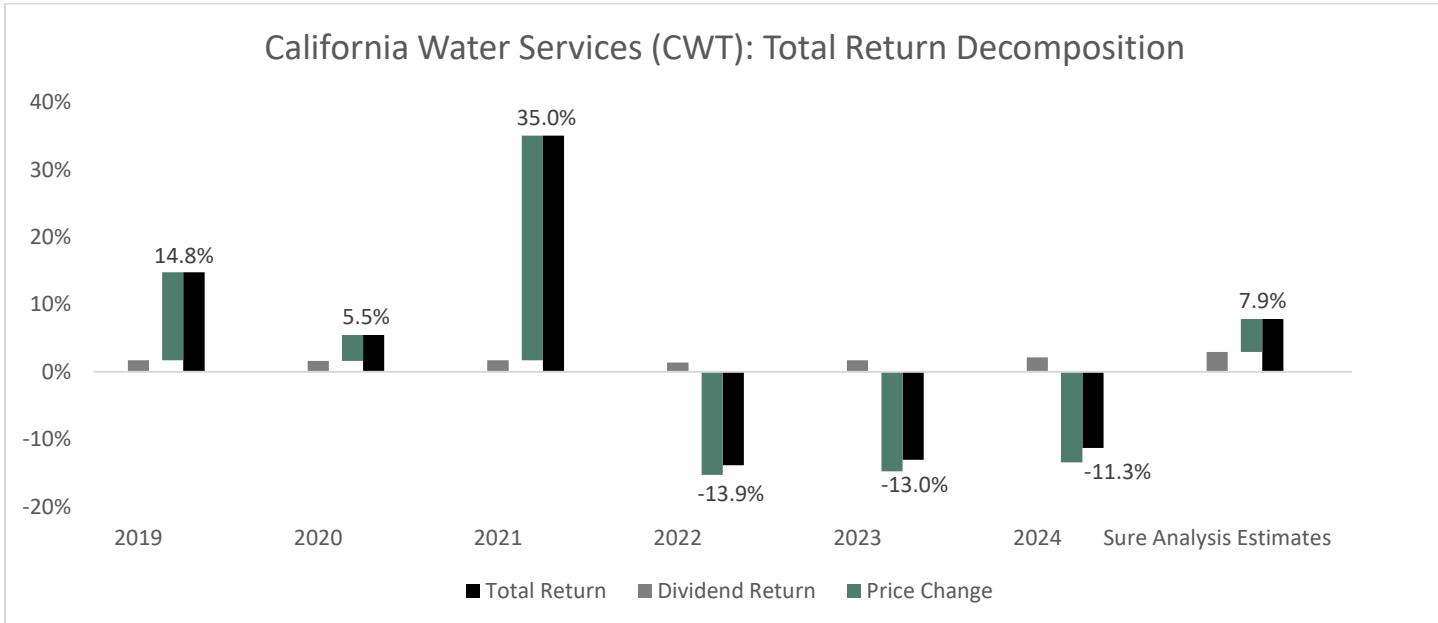
California Water Service has paid out between 40% and 70% of its net profits throughout most of the last decade. The dividend payout ratio has seen some major ups and downs over that time, with 2023 being an outlier with a payout ratio of more than 100%. With earnings-per-share recovering substantially in 2024, the dividend looks quite sustainable again, and the fact that the company has increased its dividend for more than five decades is very encouraging.

California Water Service is a regulated utility, and as such, it does not have to worry about competition too much. The company is not vulnerable to recessions or economic downturns, as consumers need fresh water no matter the strength of the economy. Weather conditions/temperature can impact results, though, and are unpredictable.

## Final Thoughts & Recommendation

As a regulated water utility, California Water Service operates in a relatively unspectacular industry. This is not necessarily a negative for investors, as businesses like these can still be strong and reliable investments when bought at the right price. California Water Service is trading slightly below fair value and offering very reliable dividend growth, which is why we rate the stock a buy today.

## 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.*



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	588	609	676	698	715	794	791	846	795	1,037
<b>Gross Profit</b>	359	366	412	421	431	487	484	530	476	693
<b>Gross Margin</b>	61.0%	60.1%	60.9%	60.3%	60.4%	61.4%	61.2%	62.7%	59.9%	66.8%
<b>SG&amp;A Exp.</b>	113	88	93	101	109	117	127	133	142	140
<b>D&amp;A Exp.</b>	63	65	79	86	91	101	112	117	123	134
<b>Operating Profit</b>	96	112	142	129	115	146	129	132	64	262
<b>Operating Margin</b>	16.3%	18.4%	21.1%	18.5%	16.0%	18.4%	16.3%	15.6%	8.0%	25.3%
<b>Net Profit</b>	45	49	73	66	63	97	101	96	52	191
<b>Net Margin</b>	7.7%	8.0%	10.8%	9.4%	8.8%	12.2%	12.8%	11.3%	6.5%	18.4%
<b>Free Cash Flow</b>	(32)	(68)	(111)	(93)	(105)	(181)	(61)	(84)	(166)	(180)
<b>Income Tax</b>	25	27	37	16	18	12	4	6	(7)	42

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	2,241	2,412	2,745	2,838	3,111	3,394	3,623	4,265	4,596	5,180
<b>Cash &amp; Equivalents</b>	9	25	95	47	43	45	78	62	40	50
<b>Accounts Receivable</b>	32	30	32	30	32	53	68	62	66	64
<b>Inventories</b>	6	6	6	7	8	9	10	13	16	21
<b>Goodwill &amp; Int. Ass.</b>	15	14	25	27	27	59	67	54	58	61
<b>Total Liabilities</b>	1,599	1,752	2,045	2,108	2,331	2,473	2,451	2,942	3,165	3,542
<b>Accounts Payable</b>	66	78	94	96	108	132	144	141	157	168
<b>Long-Term Debt</b>	548	655	807	880	984	1,156	1,096	1,126	1,233	1,382
<b>Shareholder's Equity</b>	642	659	699	730	780	921	1,167	1,318	1,427	1,635
<b>LTD/E Ratio</b>	0.85	0.99	1.15	1.21	1.26	1.25	0.94	0.85	0.86	0.85

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	2.0%	2.1%	2.8%	2.3%	2.1%	3.0%	2.9%	2.4%	1.2%	3.9%
<b>Return on Equity</b>	7.1%	7.5%	10.7%	9.2%	8.4%	11.4%	9.7%	7.7%	3.8%	12.4%
<b>ROIC</b>	3.9%	3.9%	5.2%	4.2%	3.7%	5.0%	4.7%	4.1%	2.0%	6.7%
<b>Shares Out.</b>	48	48	48	48	48	50	53	55	57	59
<b>Revenue/Share</b>	12.29	12.71	14.08	14.53	14.83	16.12	15.32	15.57	13.95	17.68
<b>FCF/Share</b>	(0.67)	(1.43)	(2.32)	(1.93)	(2.18)	(3.67)	(1.19)	(1.54)	(2.91)	(3.07)

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

## Disclaimer

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