H2O America (HTO)

Updated April 29th, 2026, by Nathan Parsh

Key Metrics

Current Price:	$59	**5 Year Annual Expected Total Return:**	17.1%	**Market Cap:**	$2.5 B
Fair Value Price:	$81	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	05/11/26
% Fair Value:	72%	**5 Year Valuation Multiple Estimate:**	6.6%	**Dividend Payment Date:**	06/01/26
Dividend Yield:	3.0%	**5 Year Price Target**	$120	**Years Of Dividend Growth:**	58
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 almost $900 million in annual revenues. 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, which is likely to occur in mid-2026, management projects Texas to become H2O America's second-largest utility operation by 2028. The approval process is underway.

On January 26th, 2026, H2O America announced that it was raising its quarterly dividend 4.8% to $0.44, extending the company's dividend growth streak to 58 consecutive years. H2O America is a member of the Dividend Kings index.

On March 2nd, 2026, the company announced that it had commenced a public offering of $550 million of common shares. The proceeds will be used to help finance the Quadvest acquisition.

On April 28th, 2026, H2O America reported first quarter results for the period ending March 31st, 2026. For the quarter, revenue grew 3.7% to $183.2 million, which topped expectations by $6.9 million. Earnings-per-share of $0.50 matched results in prior year, but was $0.01 ahead of estimates.

Growth for the quarter was driven by an $11.8 million increase in rates and a $2 million contribution from higher customer usage. Operating production expenses totaled $145.9 million, which was an 11% increase from Q1 2025. This increase was primarily due to higher average per unit costs for purchased water and groundwater extraction. H2O America expects to invest more than $2.7 billion in capital from 2026 to 2030 in its wastewater operations, including $483 million in 2026.

H2O America reaffirmed its prior outlook for 2026 as well, with the company still expecting earnings-per-share in a range of $3.08 to $3.18. At the midpoint, this would be a 7.2% increase from the prior year. The company expects EPS growth in a range of 6% to 8% from 2026 to 2030.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$2.57	$2.86	$1.82	$1.35	$2.14	$2.03	$2.43	$2.68	$2.87	$2.92	***$3.13***	***$4.60***
DPS	$0.81	$1.04	$1.12	$1.20	$1.28	$1.36	$1.44	$1.52	$1.60	$1.68	***$1.76***	***$2.36***
Shares[1]	21	21	29	29	29	30	30	32	33	36	***38***	***40***

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 1.4% over the last 10 years, with the growth rate

[1] In millions of shares

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accelerating to 9.0% 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 2031 due to revenue growth and rate increases.

We expect dividends to grow at a rate of 6% annually through 2031, which is just above the five-year growth rate.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	15.7	18.8	32.7	47.8	30.0	36.1	33.4	24.4	17.1	16.8	***18.5***	***26.0***
Avg. Yld.	2.0%	1.9%	1.9%	1.9%	2.0%	1.9%	1.8%	2.3%	3.3%	3.4%	***3.0%***	***2.0%***

Shares of H2O America have increased $1, or 1.8%, since our March 4th, 2026 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 18.5. We are reaffirming our 2031 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 2031, then valuation would add 6.6% to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	32%	36%	62%	89%	60%	67%	59%	57%	56%	58%	***56%***	***51%***

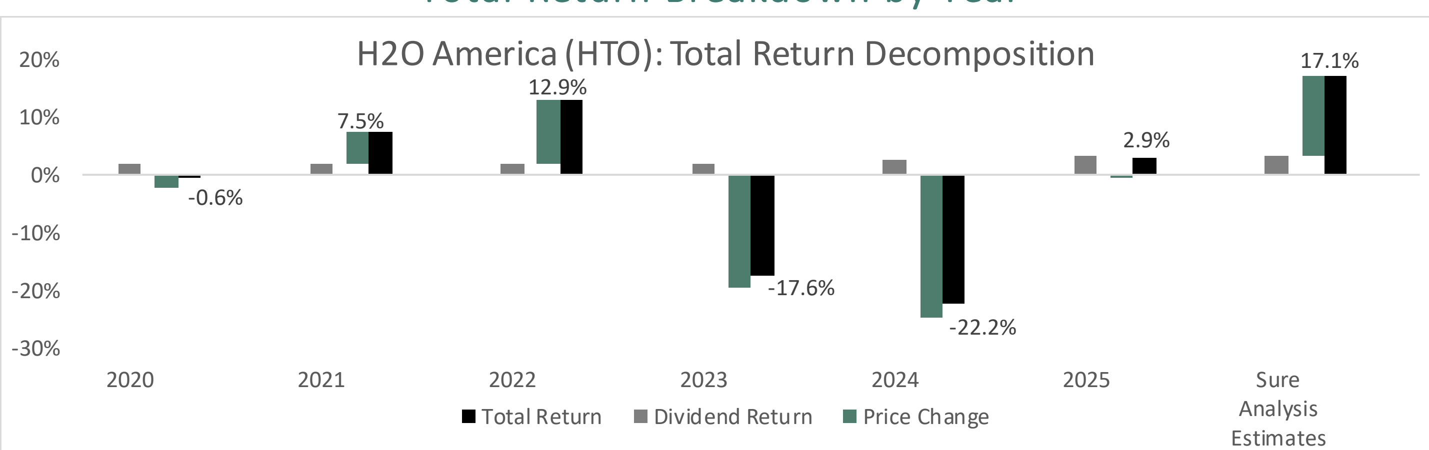
Many investors own utility companies for their reliable earnings and dividends, especially for uncertain economic times. During the last recession, H2O America experienced a decline in earnings that took several years to recover. A key competitive advantage for H2O America, is that it operates in two 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.

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 first quarter results, H2O America is now projected to return 17.1% annually through 2031, which is down from our previous estimate of 17.5%. Our projected return stems from 8% earnings growth, a starting dividend yield of 3.0%, and a mid-single-digit contribution from multiple expansion. H2O America had a solid quarter and Quadvest should be a tailwind to future results. We reaffirm our five-year price target of $120 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.

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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	340	389	398	420	565	574	621	670	748	801
Gross Profit	169	181	172	176	247	158	281	306	341	369
Gross Margin	49.8%	46.4%	43.3%	41.9%	43.8%	27.6%	45.3%	45.7%	45.6%	46.1%
SG&A Exp.	66	67	67	66	80	87	95	99	106	126
D&A Exp.	46	51	57	68	92	96	106	108	115	120
Operating Profit	93	102	93	76	119	108	126	150	171	181
Operating Margin	27.4%	26.3%	23.3%	18.2%	21.0%	18.8%	20.4%	22.4%	22.8%	22.6%
Net Profit	53	61	39	24	62	60	74	85	94	103
Net Margin	15.6%	15.7%	9.7%	5.6%	10.9%	10.5%	11.9%	12.7%	12.6%	12.8%
Free Cash Flow	(32)	(51)	(57)	(53)	(111)	(124)	(78)	(100)	(185)	(278)
Income Tax	34	35	10	8	8	8	8	6	9	12

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,443	1,514	2,017	3,199	3,390	3,564	3,844	4,426	4,732	5,226
Cash & Equivalents	25	8	421	18	9	12	12	10	11	21
Accounts Receivable	41	45	47	76	92	98	105	117	130	131
Goodwill & Int. Ass.	-	6	7	649	649	661	660	690	650	651
Total Liabilities	1,022	1,051	1,128	2,309	2,473	2,530	2,733	3,193	3,365	3,685
Accounts Payable	19	23	25	35	34	30	30	46	56	75
Long-Term Debt	433	431	431	1,306	1,364	1,532	1,496	1,576	1,711	1,890
Shareholder's Equity	422	463	889	890	917	1,035	1,111	1,233	1,367	1,541
LTD/E Ratio	1.06	0.98	0.60	1.60	1.68	1.54	1.49	1.42	1.34	1.28

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	3.8%	4.1%	2.2%	0.9%	1.9%	1.7%	2.0%	2.1%	2.1%	2.1%
Return on Equity	13.1%	13.8%	5.7%	2.7%	6.8%	6.2%	6.9%	7.3%	7.2%	7.1%
ROIC	6.3%	6.8%	3.3%	1.3%	2.6%	2.4%	2.7%	3.0%	3.0%	3.1%
Shares Out.	21	21	29	29	29	30	30	32	33	36
Revenue/Share	16.50	18.82	18.64	14.72	19.67	19.29	20.40	21.17	22.83	22.81
FCF/Share	(1.53)	(2.48)	(2.67)	(1.85)	(3.87)	(4.16)	(2.57)	(3.15)	(5.65)	(7.92)

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