



California Water Services (CWT)

Updated August 20th, 2026 by Jonathan Weber

Key Metrics

Current Price:	\$50	5 Year CAGR Estimate:	8.3%	Market Cap:	\$3.1B
Fair Value Price:	\$52	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	11/03/26 ¹
% Fair Value:	96%	5 Year Valuation Multiple Estimate:	0.8%	Dividend Payment Date:	11/11/26 ²
Dividend Yield:	2.7%	5 Year Price Target	\$66	Years Of Dividend Growth:	59
Dividend Risk Score:	A	Sector:	Utilities	Rating:	Buy

Overview & Current Events

California Water Service is the third 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.

When California Water Service reported its second quarter earnings results, the company reported that its operating revenues totaled \$309 million for the period, which was 17% 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 higher rates, while higher consumption by the company's customers added to its revenue growth rate as well.

California Water Service generated earnings-per-share of \$0.93 during the second quarter, which was weaker 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 Q2's profits were already a lot higher than during Q1. Profits declined in 2025 but are forecasted to rise again this year.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$1.01	\$1.52	\$1.36	\$1.31	\$1.97	\$1.96	\$1.77	\$0.89	\$3.25	\$2.15	\$2.60	\$3.32
DPS	\$0.69	\$0.72	\$0.75	\$0.79	\$0.85	\$0.92	\$1.00	\$1.04	\$1.12	\$1.20	\$1.34	\$1.79
Shares³	48	48	48	48	50	53	55	57	59	60	61	65

Between 2014 and 2025, 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. 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.

¹ Estimated date

² Estimated date

³ In Millions

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	29.6	26.9	35.3	39.7	27.4	36.7	34.5	58.4	13.8	20.0	19.2	20.0
Avg. Yld.	2.3%	1.9%	1.6%	1.5%	1.6%	1.3%	1.6%	2.0%	2.5%	2.8%	2.7%	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 has declined considerably since then. For the current year, according to current earnings-per-share estimates, California Water Services is somewhat undervalued right here, trading at a little more than 19 times net earnings.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	68%	47%	55%	60%	43%	47%	56%	117%	34%	56%	52%	54%

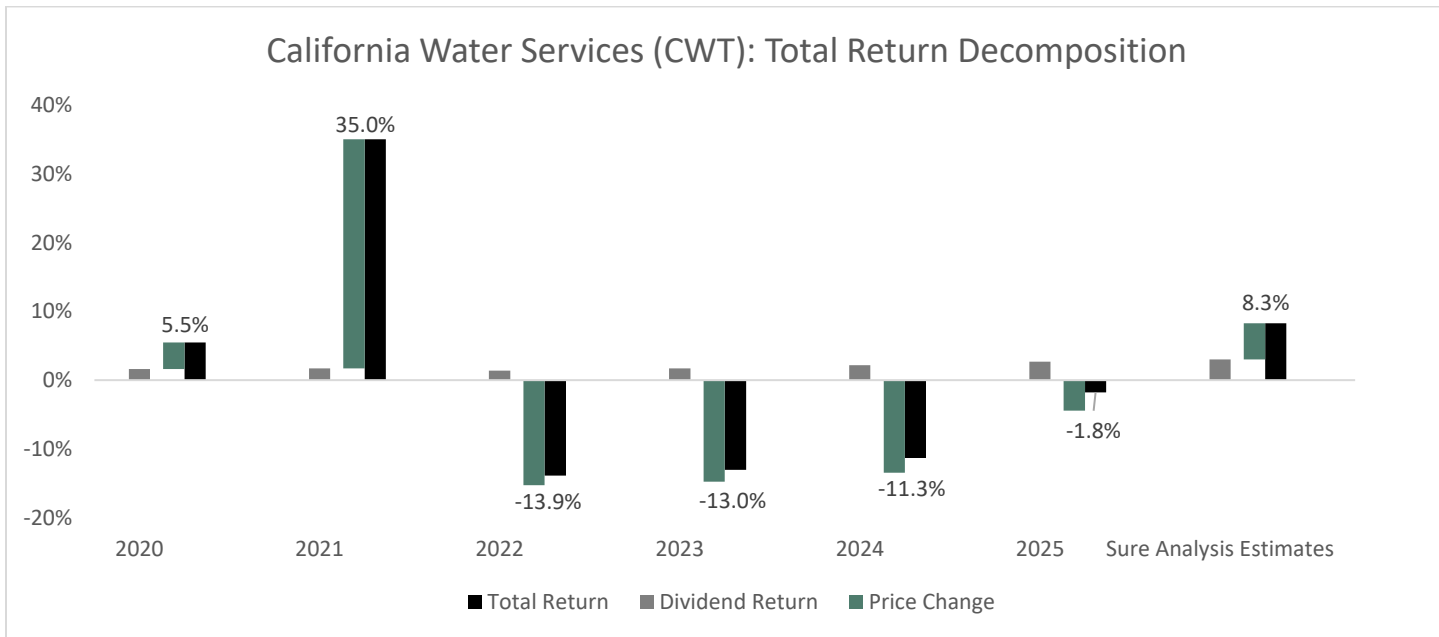
California Water Service has paid out between 40% and 70% of its net profits throughout most of the last decade. The dividend payout ratio has seen some major ups and downs over that time, with 2023 being an outlier with a payout ratio of more than 100%. With earnings-per-share recovering substantially in the following years, the dividend looks sustainable again, and the long dividend growth track record is encouraging as well.

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 below fair value right now and is offering very reliable dividend growth, which is why we rate the stock a buy today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	609	676	698	715	794	791	846	795	1,037	1,000
Gross Profit	366	412	421	431	487	484	530	476	693	643
Gross Margin	60.1%	60.9%	60.3%	60.4%	61.4%	61.2%	62.7%	59.9%	66.8%	64.3%
SG&A Exp.	88	93	101	109	117	127	133	142	140	142
D&A Exp.	65	79	86	91	101	112	117	123	134	147
Operating Profit	112	142	129	115	146	129	132	64	262	183
Operating Margin	18.4%	21.1%	18.5%	16.0%	18.4%	16.3%	15.6%	8.0%	25.3%	18.3%
Net Profit	49	73	66	63	97	101	96	52	191	128
Net Margin	8.0%	10.8%	9.4%	8.8%	12.2%	12.8%	11.3%	6.5%	18.4%	12.8%
Free Cash Flow	(68)	(111)	(93)	(105)	(181)	(61)	(84)	(166)	(180)	(214)
Income Tax	27	37	16	18	12	4	6	(7)	42	19

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	2,412	2,745	2,838	3,111	3,394	3,623	4,265	4,596	5,180	5,671
Cash & Equivalents	25	95	47	43	45	78	62	40	50	52
Accounts Receivable	30	32	30	32	53	68	62	66	64	64
Inventories	6	6	7	8	9	10	13	16	21	20
Goodwill & Int.	14	25	27	27	59	67	54	58	61	62
Total Liabilities	1,752	2,045	2,108	2,331	2,473	2,451	2,942	3,165	3,542	3,979
Accounts Payable	78	94	96	108	132	144	141	157	168	205
Long-Term Debt	655	807	880	984	1,156	1,096	1,126	1,233	1,382	1,472
Shareholder's Equity	659	699	730	780	921	1,167	1,318	1,427	1,635	1,689
LTD/E Ratio	0.99	1.15	1.21	1.26	1.25	0.94	0.85	0.86	0.85	0.95

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	2.1%	2.8%	2.3%	2.1%	3.0%	2.9%	2.4%	1.2%	3.9%	2.4%
Return on Equity	7.5%	10.7%	9.2%	8.4%	11.4%	9.7%	7.7%	3.8%	12.4%	7.7%
ROIC	3.9%	5.2%	4.2%	3.7%	5.0%	4.7%	4.1%	2.0%	6.7%	3.0%
Shares Out.	48	48	48	48	50	53	55	57	59	60
Revenue/Share	12.71	14.08	14.53	14.83	16.12	15.32	15.57	13.95	17.68	16.77
FCF/Share	(1.43)	(2.32)	(1.93)	(2.18)	(3.67)	(1.19)	(1.54)	(2.91)	(3.07)	(3.60)

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

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