



FEBRUARY 6, 2019

# 2018 EARNINGS AND 2019 GUIDANCE CONFERENCE CALL

JASON VOLLMER  
Vice President, Chief Financial Officer & Treasurer



# FORWARD-LOOKING STATEMENTS

During the course of this presentation, we will make certain “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. Although the company believes that its expectations and beliefs are based on reasonable assumptions, actual results may differ materially.

For a discussion of factors that may cause actual results to differ, refer to Item 1A – Risk Factors in the company’s most recent Form 10-K.



MDU Resources Group, Inc.

Building a Strong America®

“

*With integrity, create superior shareholder value by expanding upon our expertise to be the supplier of choice in all of our markets while being a safe and great place to work.*

”

# LEADERSHIP TEAM

**A. Dave Goodin**  
President & CEO

**B. Jason Vollmer**  
Vice President, CFO & Treasurer

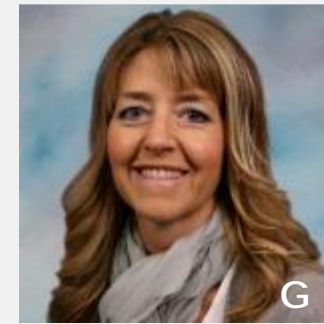
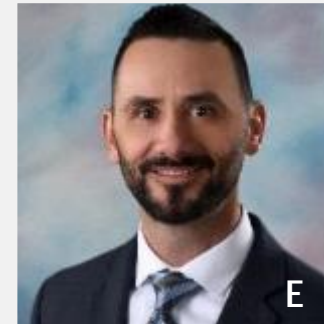
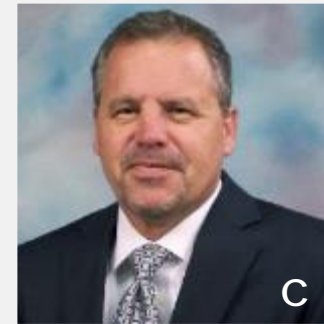
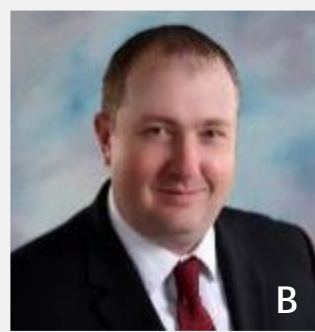
**C. Dave Barney**  
Knife River  
President & CEO

**D. Jeff Thiede**  
MDU Construction  
Services Group  
President & CEO

**E. Trevor Hastings**  
WBI Energy  
President & CEO

**F. Nicole Kivisto**  
Utilities Group  
President & CEO

**G. Stephanie Barth**  
Vice President, CAO & Controller



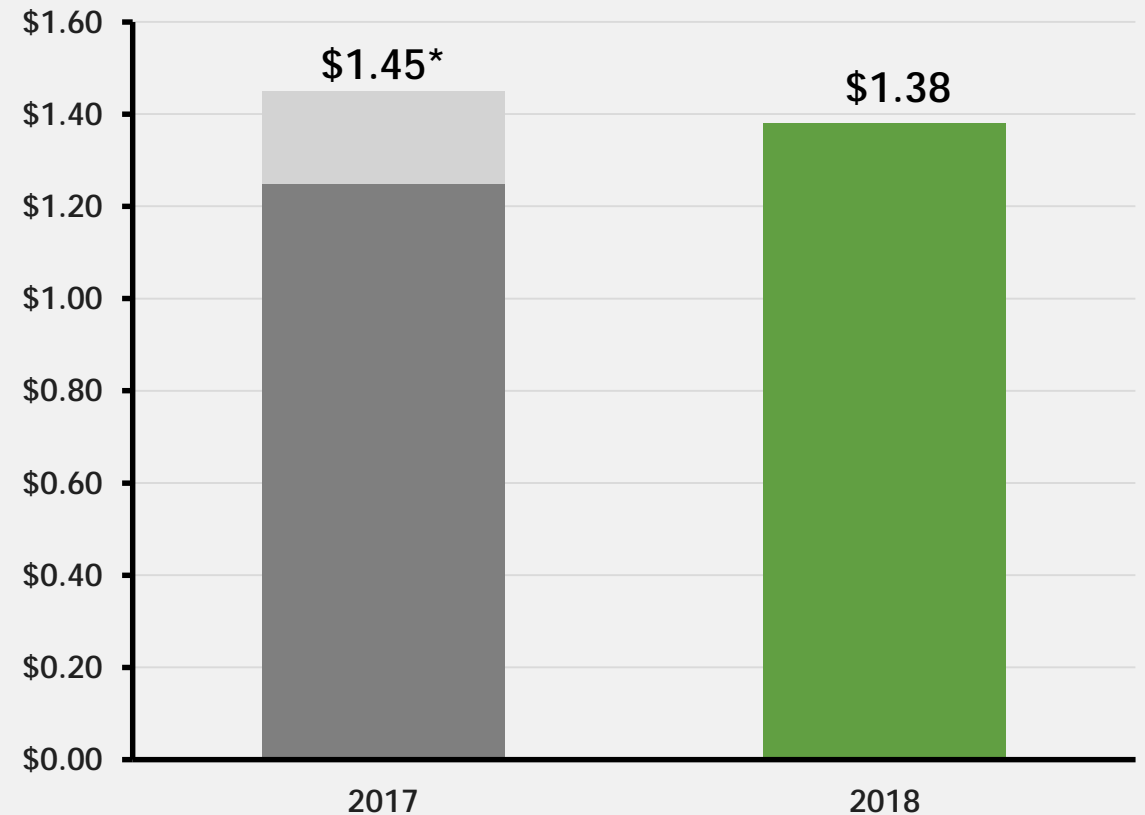
# RESULTS FROM CONTINUING OPERATIONS

## YEAR-END 2018

### EARNINGS



### EPS

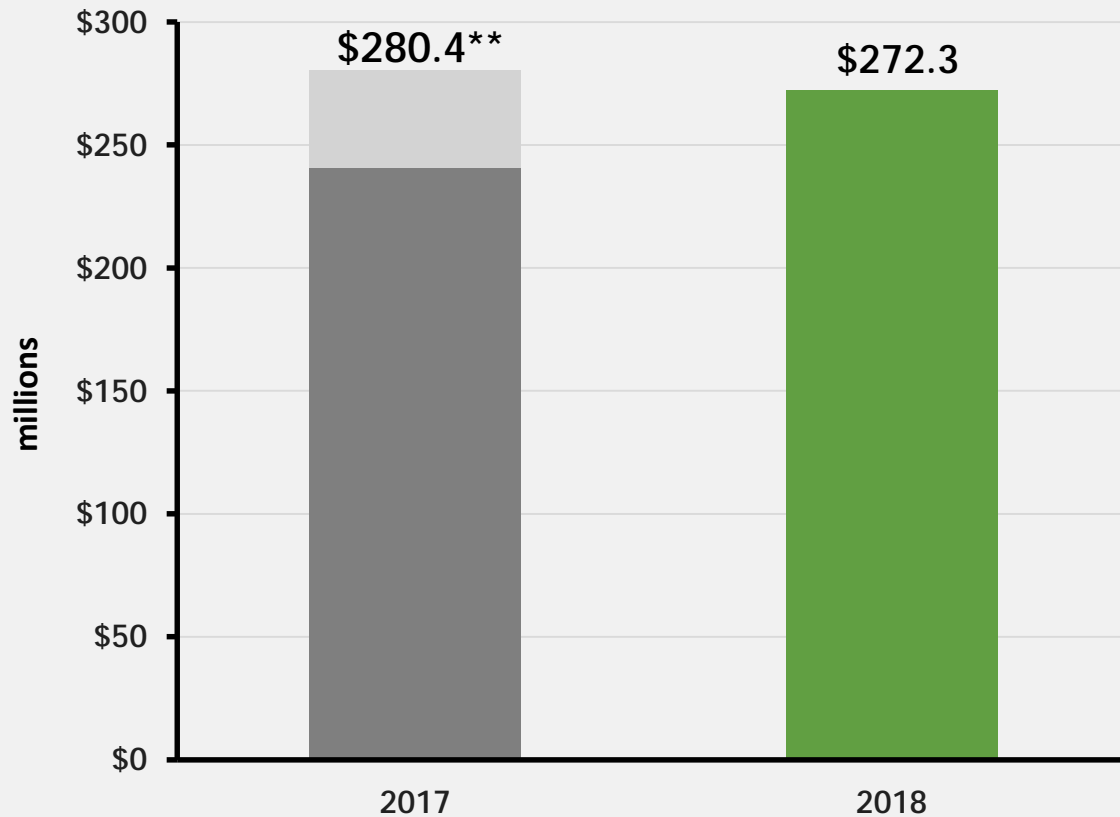


\* Light gray area reflects a \$39.5 million benefit, or 20 cents per share, resulting from tax reform

# CONSOLIDATED OPERATIONS\*

## YEAR-END 2018

### EARNINGS



### EPS



\* Includes both continuing and discontinued operations

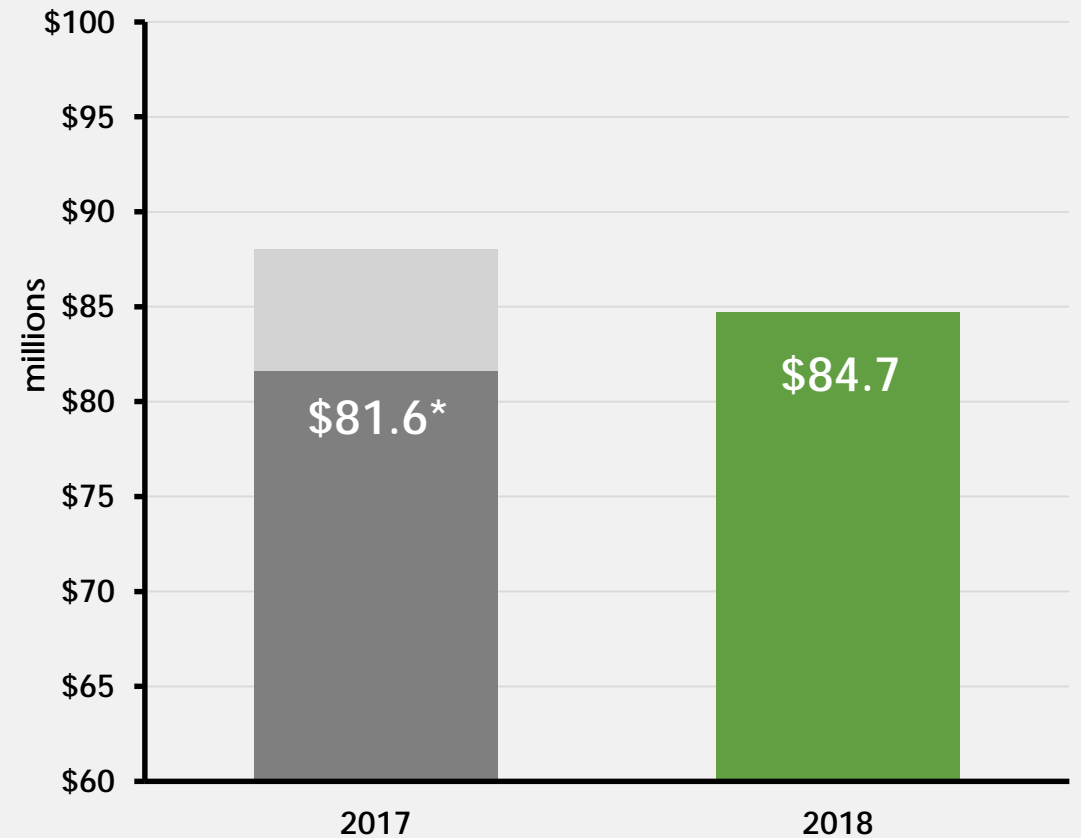
\*\* Light gray area reflects a \$39.5 million benefit, or 20 cents per share, resulting from tax reform

# ELECTRIC & NATURAL GAS UTILITY

## YEAR-END 2018

- Reported combined earnings of \$84.7 million
  - Higher electrical retail sales volumes to all major customer classes
  - Higher natural gas distribution retail sales margins
  - Earnings offset by higher depreciation, depletion and amortization expense, lower investment returns

### Earnings



\* Light gray area reflects a \$6.4 million decrease resulting from tax reform

# PIPELINE & MIDSTREAM

## YEAR-END 2018

- Reported earnings of \$28.5 million
  - Increased transportation revenues and volumes from organic growth projects
  - Increase in earnings was driven by a tax benefit of \$4.2 million in the third quarter related to a final accounting order recently issued by the Federal Energy Regulatory Commission
  - The increase was offset by higher operation and maintenance expense, depreciation, depletion and amortization expense and lower storage revenues



\* Earnings reflects a \$200,000 decrease resulting from tax reform

\*\* Light gray area reflects a \$4.2 million tax benefit due to the reversal of a regulatory liability



# CONSTRUCTION SERVICES

YEAR-END 2018

- Reported record earnings of \$64.3 million
  - Higher outside specialty contracting workloads, largely from higher equipment sales and rentals and increased power line recovery work related to natural disasters
  - Lower income taxes due to the enactment of the TCJA
  - Earnings offset by higher selling, general and administration expense and lower inside specialty contracting workloads
- Record revenues of \$1.37 billion



\* Light gray area reflects a \$4.3 million benefit resulting from tax reform

# CONSTRUCTION MATERIALS

YEAR-END 2018

- Reported earnings of \$92.6 million
  - Higher aggregate and asphalt product workloads and margins and lower income taxes due to the enactment of the TCJA
  - Earnings offset by higher selling, general and administration expense and higher interest expense
- Record revenues of \$1.93 billion



\* Light gray area reflects a \$41.9 million benefit resulting from tax reform



# 2018 EARNINGS AND 2019 GUIDANCE CONFERENCE CALL

DAVE GOODIN  
President & Chief Executive Officer





# ELECTRIC AND NATURAL GAS UTILITY OUTLOOK

- Customer base expected to continue growing by 1-2 percent annually
- Big Stone South to Ellendale joint-venture transmission line
  - In-service as of February 5, 2019
  - Project cost is estimated to be approximately \$130 million
- Focused on timely regulatory recovery
- Safely meet customer demand by upgrading and expanding infrastructure and facilities



# PIPELINE & MIDSTREAM OUTLOOK

- 14-mile Demicks Lake project; estimated cost of \$30 million
  - Will increase capacity by 175 million cubic feet per day
  - Expected to be in-service in fall 2019
- Line Section 22 Expansion project; estimated cost of \$12 million to \$15 million
  - Will increase capacity by 22.5 million cubic feet per day
  - Expected to be in-service in late 2019
- North Bakken Expansion project; estimated cost of \$220 million
  - Will increase capacity, as designed, by an estimated 200 million cubic feet per day
  - Expected to start construction in early 2021
- Filed a rate increase request with the FERC on October 31, 2018
- Reported record transportation volumes for the 8<sup>th</sup> consecutive quarter



# CONSTRUCTION SERVICES OUTLOOK

- Backlog up 33 percent to \$939 million, from \$708 million in 2017
  - Record all-time backlog
- 2019 revenue guidance range of \$1.35 billion to \$1.50 billion
  - Margins comparable to 2018
- Strong demand for utility construction equipment it manufactures and electrical transmission, distribution and substation work
- High demand for specialty contracting work in the following areas:
  - High-tech, mission-critical
  - Gaming and hospitality
  - Medical and education
- Exploring acquisition and organic growth opportunities



# CONSTRUCTION MATERIALS OUTLOOK

- Backlog of \$706 million, up 45 percent from \$486 million in 2017
  - Record year-end backlog
- 2019 revenue guidance range of \$2.0 billion to \$2.15 billion
  - Margins comparable to or slightly higher than 2018
- Evaluating additional acquisition opportunities that will continue to grow our existing footprint and enhance our market share
- 1 billion tons of aggregate reserves

# 2019 EPS GUIDANCE

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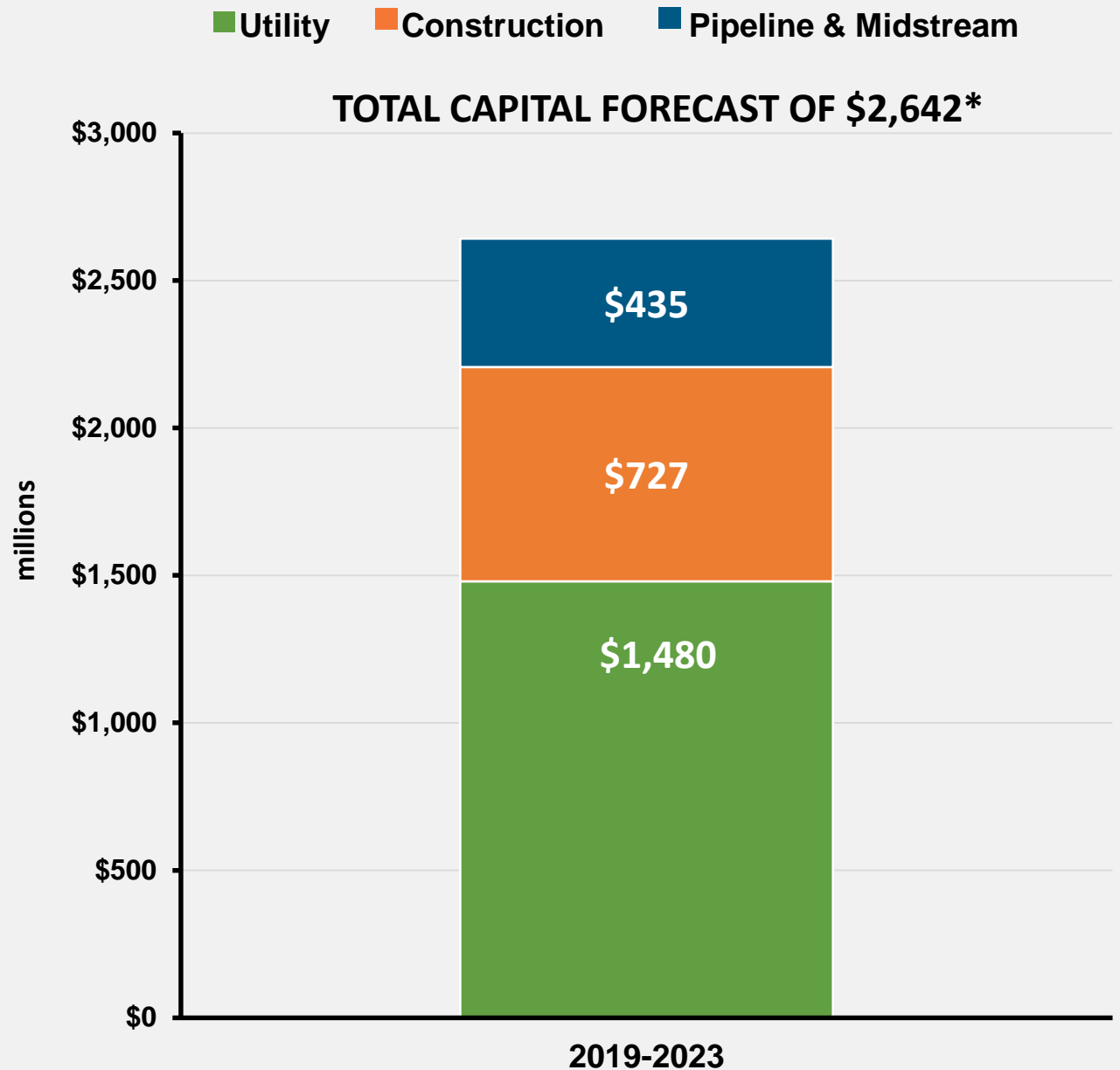
**Consolidated** **\$1.35** to **\$1.55**

Note: As of February 6, 2019



# 2019-2023 CAPITAL PROGRAM

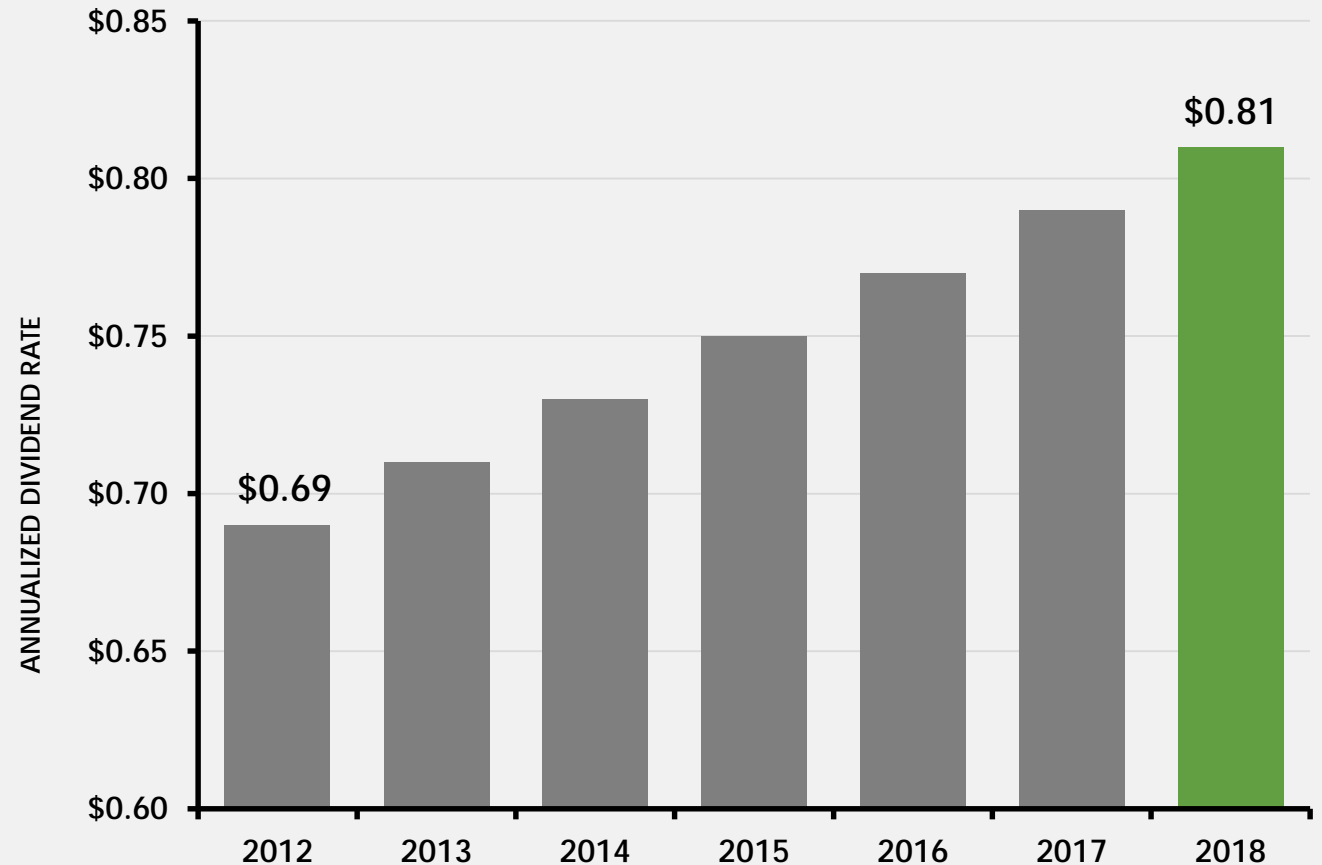
- Electric and natural gas utility
  - System infrastructure upgrades and replacements
- Construction materials and services
  - Equipment and plant replacements and upgrades
- Pipeline and midstream
  - Demicks Lake project
  - Line Section 22 expansion
  - North Bakken expansion
- Focused on line-of-sight opportunities at our business units with potential acquisitions being incremental to our capital program



\* Excludes "Other" category as well as assumed net proceeds from the sale or disposition of property

# DIVIDEND GROWTH

- 81 consecutive years of quarterly dividend payments
- Dividend increased November 2018, making 28 consecutive years of increases
- 2018 annualized dividend \$0.81 per share
- Member of S&P High-Yield Dividend Aristocrats index





# QUESTIONS

