



THIRD QUARTER EARNINGS CALL

November 2, 2023

 **MDU RESOURCES**
GROUP, INC.

MDU
LISTED
NYSE

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 and Form 10-Q.

MDU Resources Group, Inc.

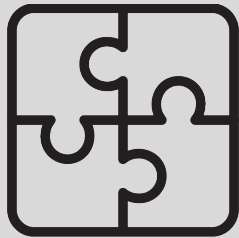
Our Vision: With integrity, Building a Strong America® while being a great and safe place to work.

Our Mission: Deliver superior value to stakeholders by providing essential infrastructure and services to America.

Our Values:



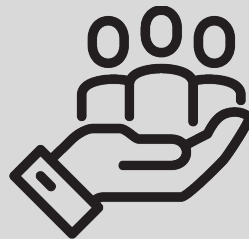
INTEGRITY



DIVERSITY



SAFETY



INCLUSION



INNOVATION



RESPECT



EXCELLENCE



STEWARDSHIP

LEADERSHIP TEAM



Dave Goodin
President & CEO



Nicole Kivisto
Utilities Group
President & CEO



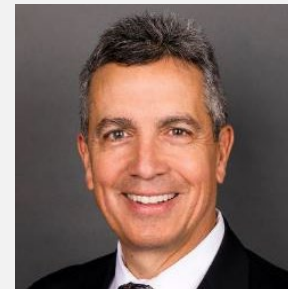
Jason Vollmer
Vice President, CFO & Treasurer



Rob Johnson
WBI Energy
President



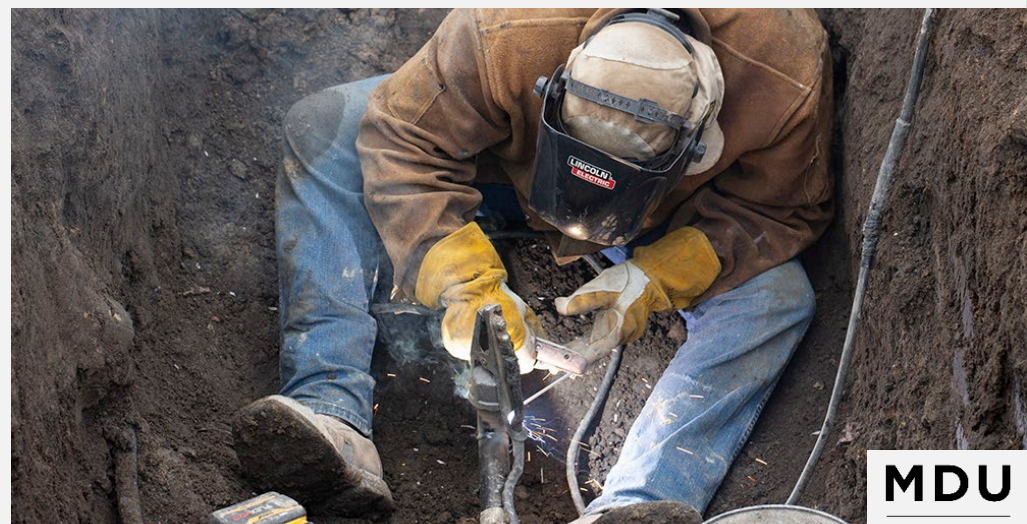
Stephanie Barth
Vice President, CAO & Controller



Jeff Thiede
MDU Construction Services Group
President & CEO



Spinoff Announcement



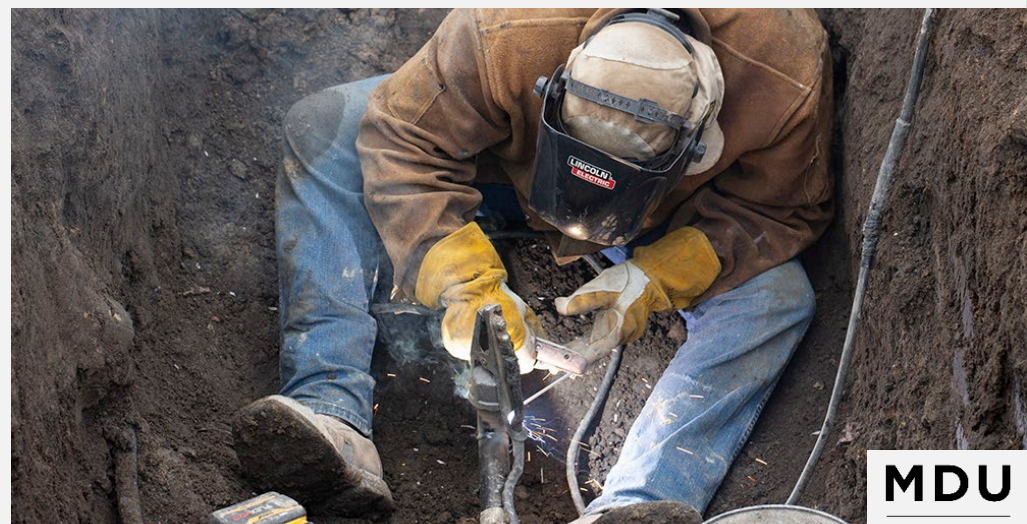
ANNOUNCED PLAN TO SPIN OFF CONSTRUCTION SERVICES BUSINESS

- MDU Resources' Board of Directors approved a plan to spin off MDU Construction Services Group from the Company
 - Spinoff will result in two independent, publicly traded companies
 - Expected to be effected as a tax-free spinoff to MDU shareholders
 - Completion expected in late 2024





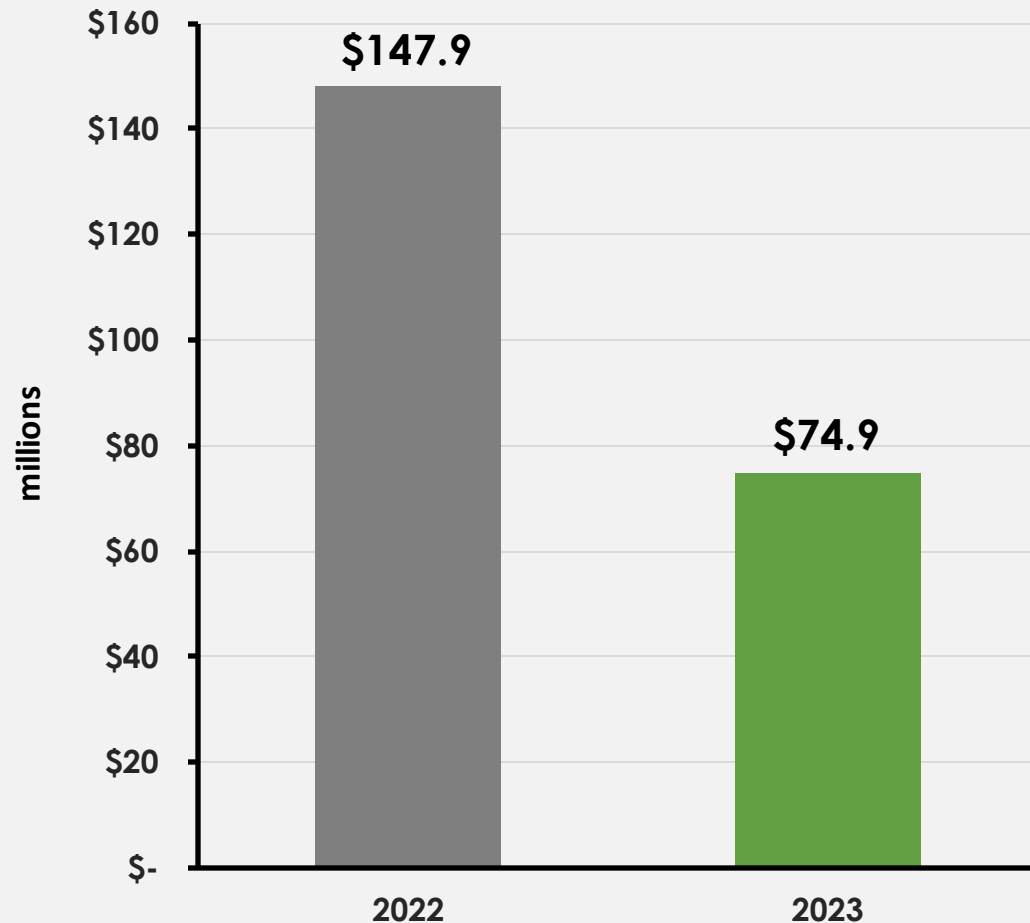
Financial Results



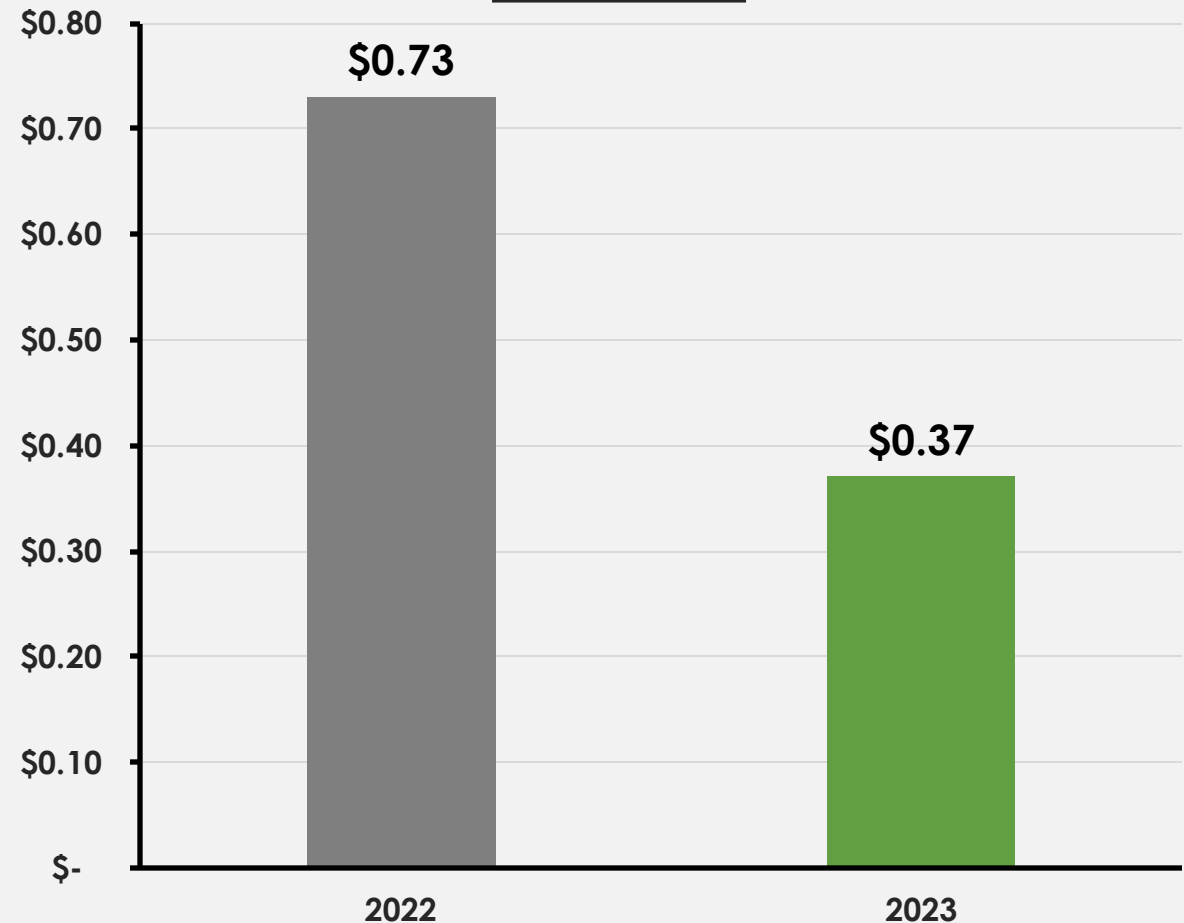
MDU RESOURCES GROUP, INC.

THIRD QUARTER EARNINGS

GAAP EARNINGS

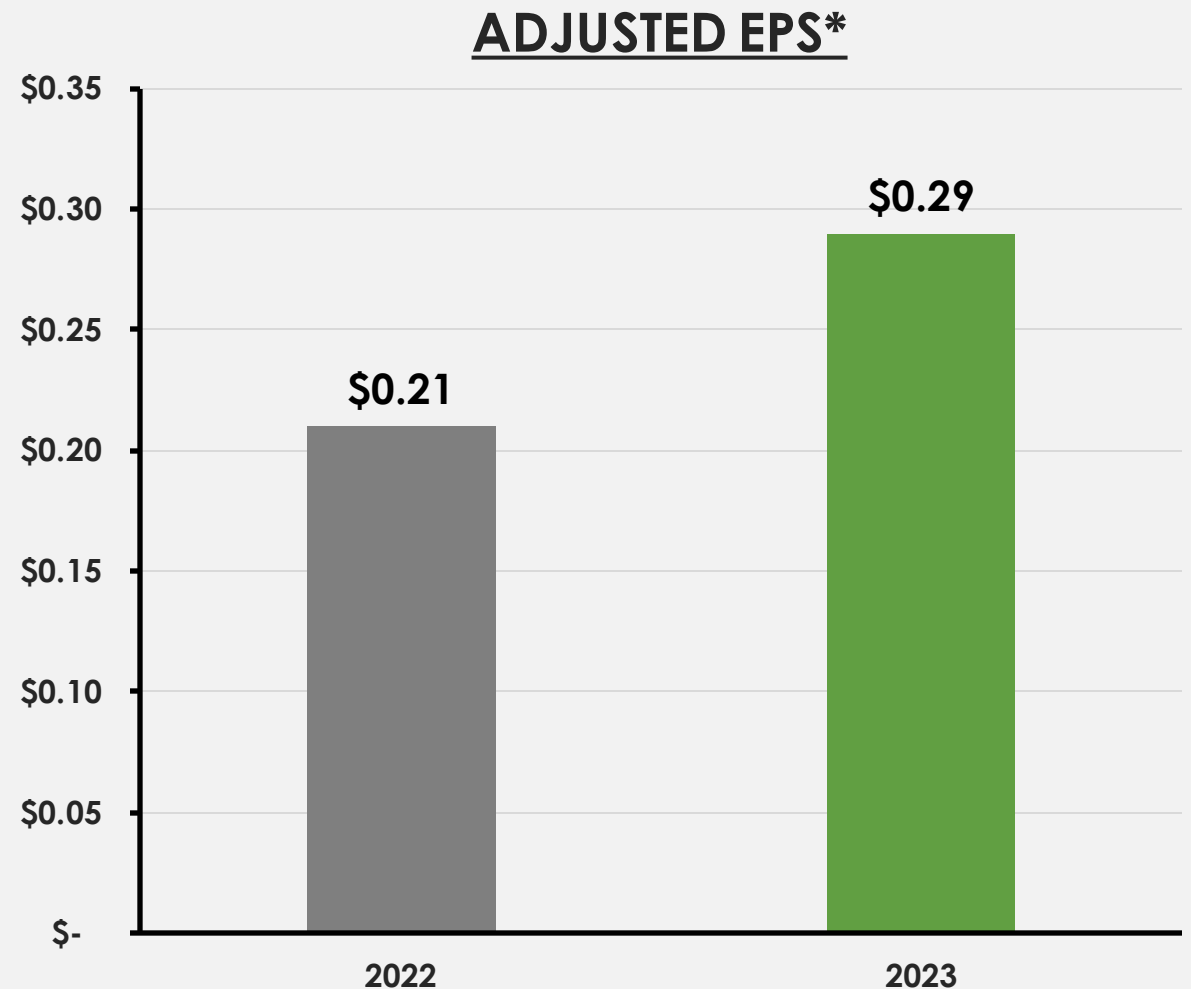
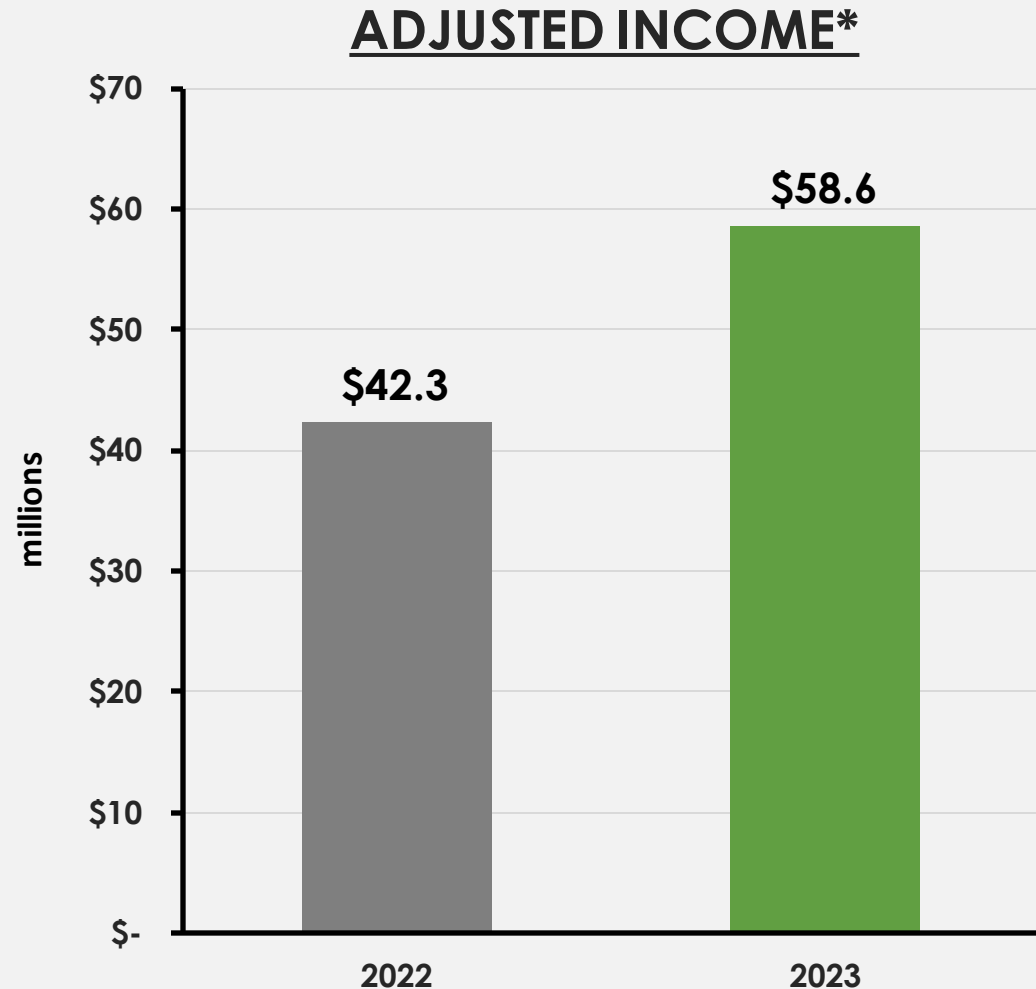


GAAP EPS



MDU RESOURCES GROUP, INC.

THIRD QUARTER ADJUSTED INCOME FROM CONTINUING OPERATIONS



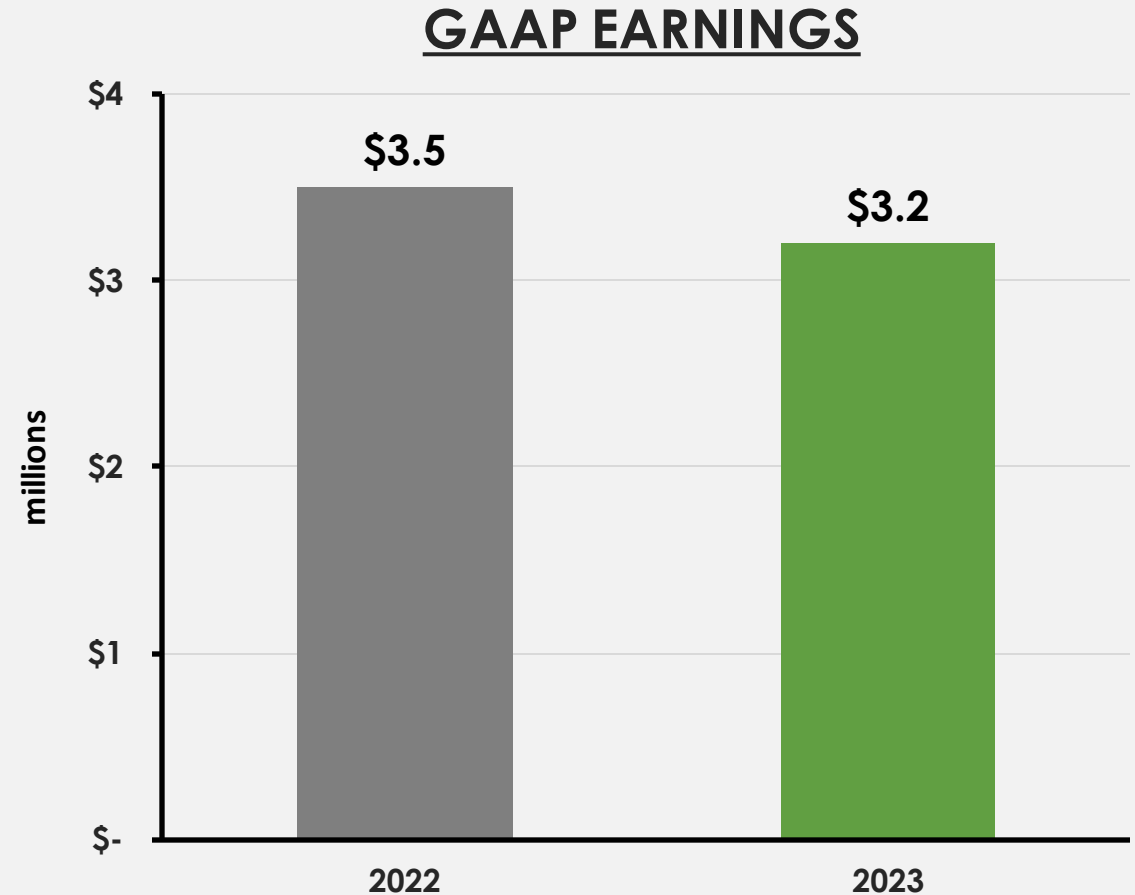
*Adjusted to reflect the unrealized gain on the retained shares associated with the spinoff of KNF, as well as items related to other strategic initiatives

ELECTRIC & NATURAL GAS UTILITY

THIRD QUARTER EARNINGS

■ Earnings of \$3.2 million

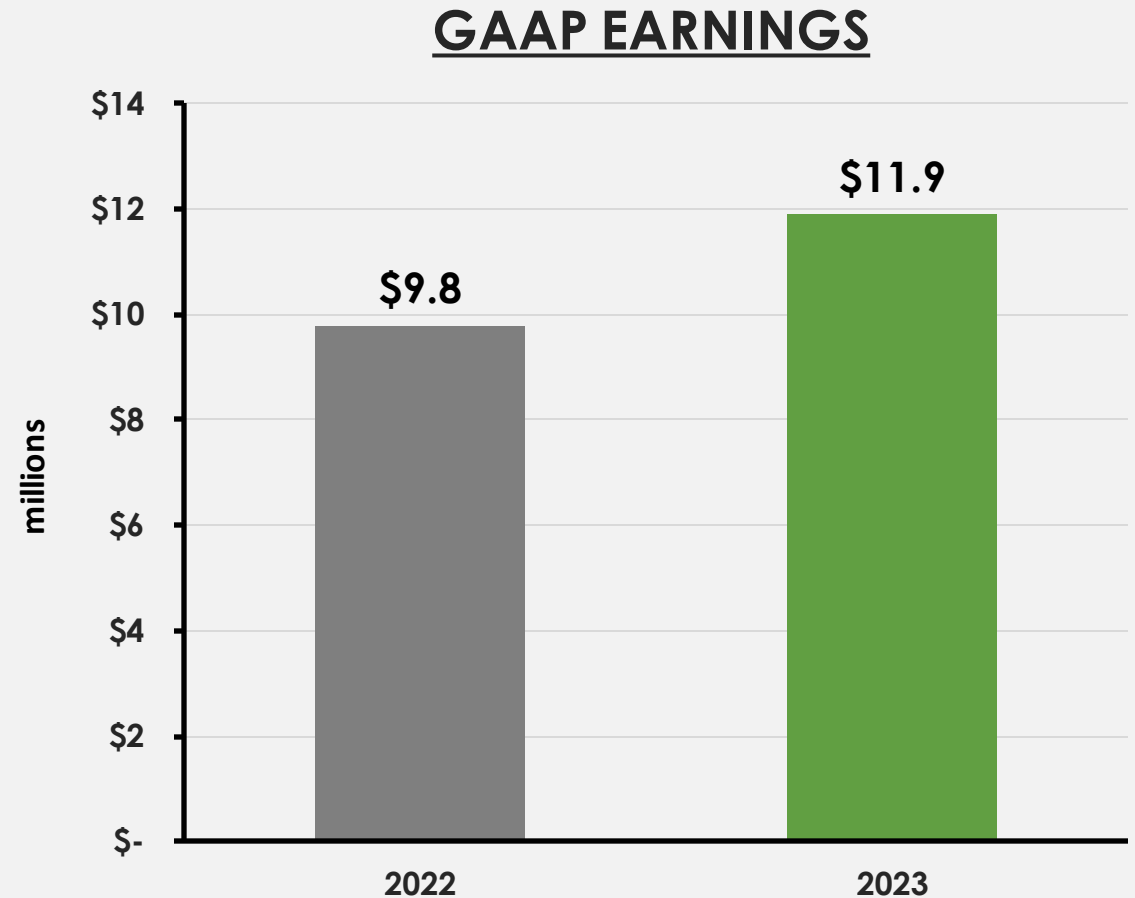
- Higher total electric retail sales volumes, largely due to a new large-volume commercial customer
- Lower residential volumes due to cooler weather
- Higher utility operation and maintenance expense, primarily payroll-related costs
- Higher rate relief in certain electric and natural gas jurisdictions



PIPELINE

THIRD QUARTER EARNINGS

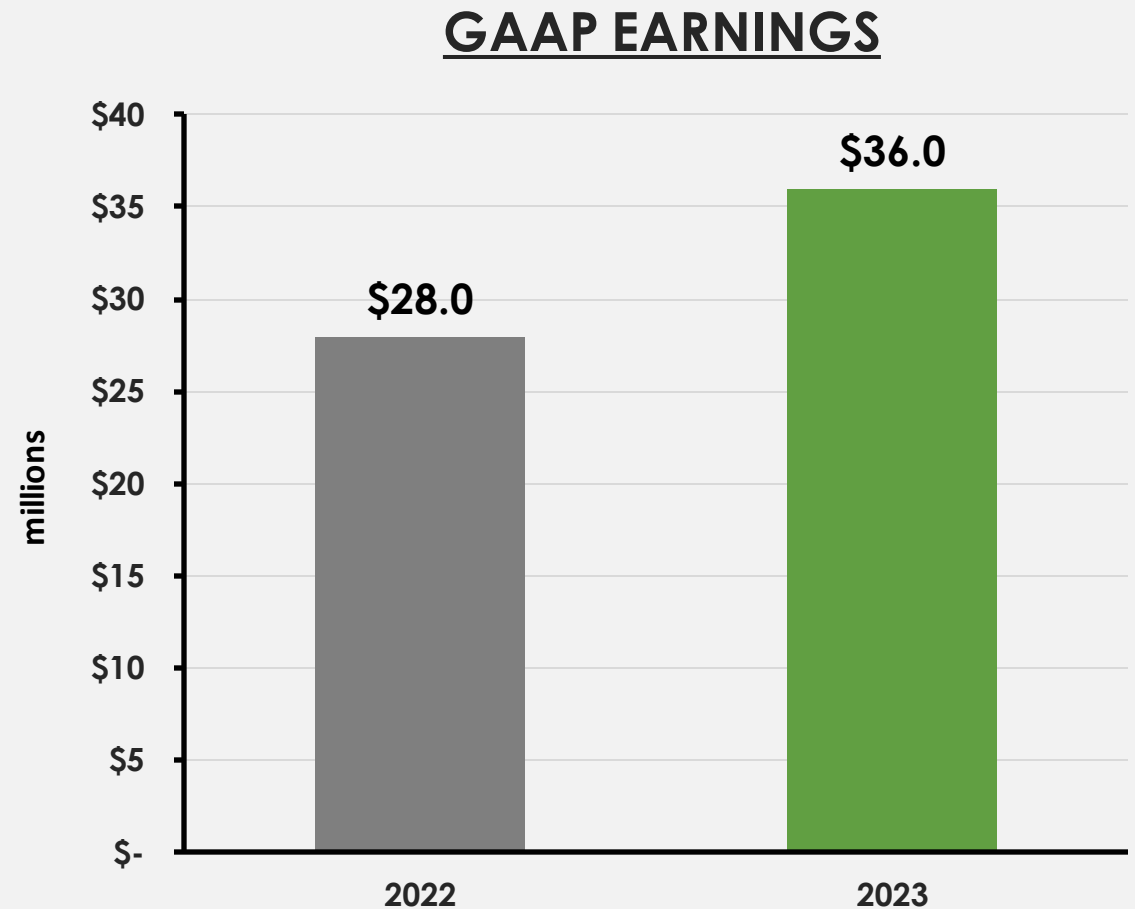
- Record third quarter earnings of \$11.9 million
 - Record quarterly transportation volumes, largely from increased contracted volume commitments on the North Bakken Expansion project
 - Higher storage-related revenues
 - Implementation of new transportation and storage settlement rates, which are pending FERC approval
 - Partially offset by higher operation and maintenance expense, primarily payroll-related costs



CONSTRUCTION SERVICES

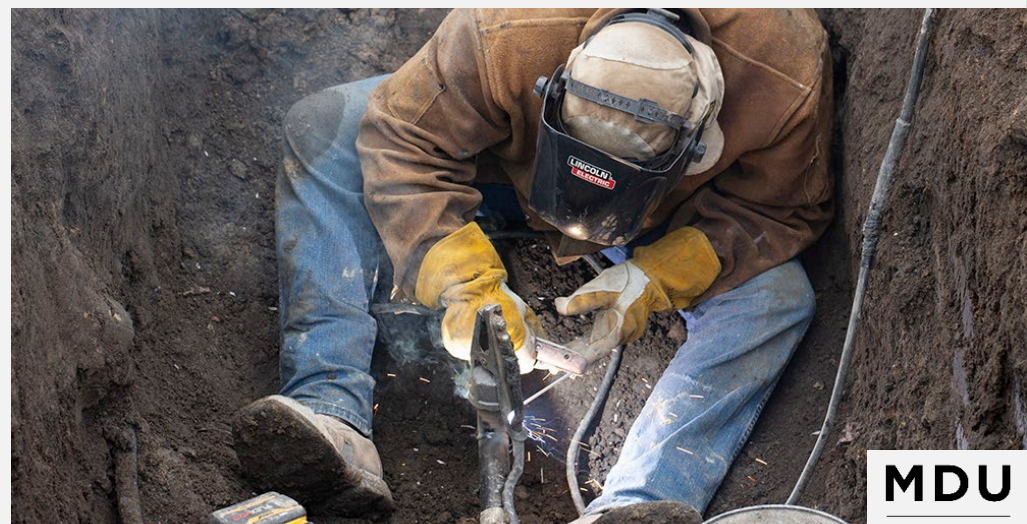
THIRD QUARTER EARNINGS

- Record third quarter earnings of \$36.0 million
 - Strong demand for institutional work, particularly health care and government clients
 - Higher demand for utility-related transmission and distribution work
 - Margins increased due to efficiency gains on projects
- Record third quarter EBITDA of \$58.0 million, increased \$14.1 million compared to 2022





Regulatory Update



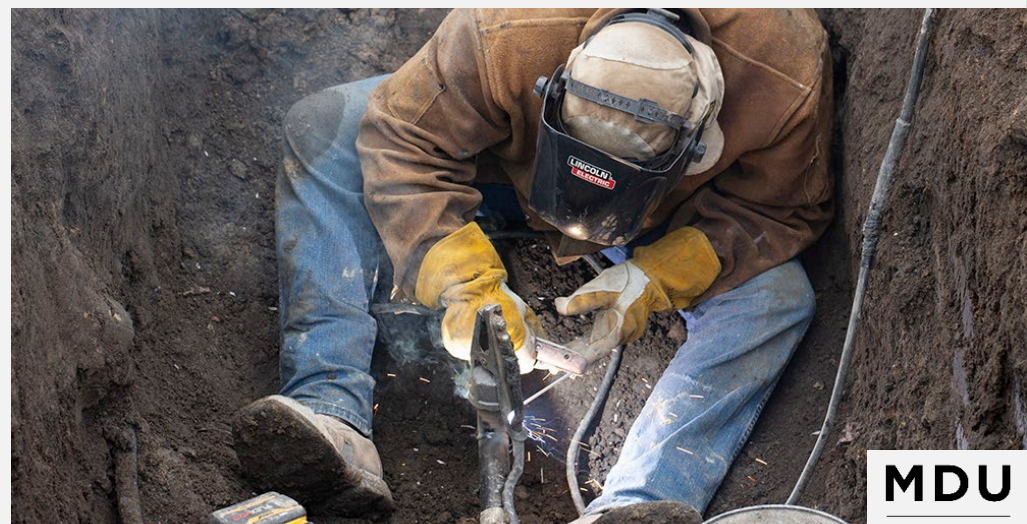
REGULATORY UPDATE

Business	Jurisdiction	Filing Date	Annual Revenue Increase (%)	Annual Revenue Increase (in millions)	Status
Electric Utility	North Dakota Electric	May 16, 2022	7.4%	\$15.3M	Approved June 6, 2023 New rates effective July 1, 2023
Natural Gas Distribution	Idaho Natural Gas	Dec. 1, 2022	0.7%	\$3.1M	Approved June 30, 2023 New rates effective July 1, 2023
Electric Utility	Montana Electric	Nov. 4, 2022	9.1%	\$6.1M	Approved Sep. 21, 2023 New rates effective Oct. 1, 2023
Electric Utility	South Dakota Electric	Aug. 15, 2023	17.3%	\$3.0M	Pending
Natural Gas Distribution	South Dakota Natural Gas	Aug. 15, 2023	11.2%	\$7.4M	Pending
Natural Gas Distribution	North Dakota Natural Gas	Nov. 1, 2023	7.5%	\$11.6M	Pending
Pipeline	FERC	Jan. 27, 2023	7.0%	\$10.0M	New rates effective Aug. 1, 2023 pending FERC approval





Segment Outlook





ELECTRIC & NATURAL GAS OUTLOOK

- Expects to grow rate base by 6-7% compounded annually over the next five years
- Safely meet customer demand by upgrading and expanding infrastructure and facilities
- Customer base expected to continue growing by 1-2% annually.
- Focused on timely regulatory recovery
- Filed an electric service agreement request to serve an additional data center expected to come on line in 2024
- Heskett Station Unit IV is expected to be fully operational before year-end



PIPELINE OUTLOOK

- Will continue to benefit from increased North Bakken Expansion contracted volume commitments, which began Feb. 1, 2023
- Will continue to benefit from new transportation and storage service rates, which were effective Aug. 1, 2023
- The company began construction in the second quarter on three pipeline projects
 - Two of these projects were placed in service on Nov. 1, and will add natural gas transportation capacity of 119 million cubic feet per day
 - The third project is expected to be completed in early 2024, adding natural gas transportation capacity of 175 million cubic feet per day



CONSTRUCTION SERVICES OUTLOOK

- Announced plan to spin off this business into an independent publicly traded company
- Third quarter backlog of \$1.85 billion, compared to \$2.0 billion in 2022
- The Infrastructure Investment and Jobs Act and Inflation Reduction Act propose billions of dollars of investment for upgrades to electric and grid infrastructure, transportation systems, airports, and electric vehicle infrastructure, all industries Construction Services supports

2023 GUIDANCE

□ Regulated Energy Delivery Businesses

- ❖ Increased earnings guidance range to \$155 million to \$165 million, up \$5 million from previous range of \$150 million to \$160 million



□ Construction Services

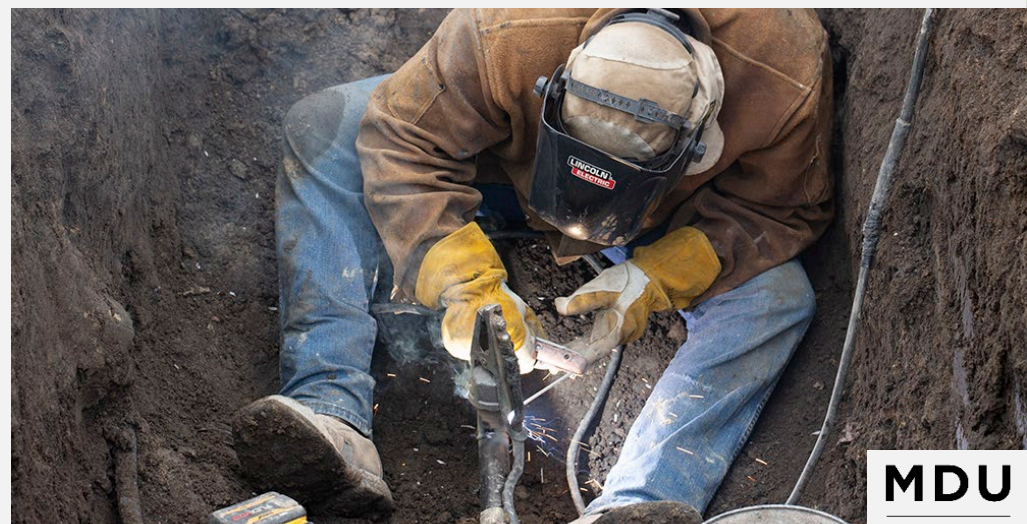
- ❖ Revenues expected to be in the range of \$2.80 billion to \$3.00 billion in 2023, with higher margins compared to 2022
- ❖ Increased EBITDA guidance range to \$210 million to \$230 million, from previous range of \$200 million to \$225 million



Guidance as of November 2, 2023



Spinoff Overview



STRATEGIC RATIONALE



Heightened strategic focus to pursue individualized strategies specific to the industries in which each company operates



Optimized capital structures and distinct financial policies tailored to their separate business profiles and needs



Tailored capital allocation strategies with enhanced flexibility to deploy capital toward its specific growth opportunities



Distinct investment opportunities that allow investors the ability to better assess the value of the two companies based on their respective operational and financial characteristics

CREATING TWO PUBLICLY TRADED COMPANIES



- **1.2M** utility customers across **eight states**.
- **3,800 miles** of regulated natural gas transmission pipeline with capacity of **2.5 billion cubic feet per day**.
- **30,100 miles** of electric and natural gas utility transmission and distribution lines.
- **648 MW** of generating capacity.
- Expected earnings of **\$155 million** to **\$165 million** in 2023.
- **Highest J.D. Power customer satisfaction ranking** among residential natural gas customers in the West Region midsize utilities segment.



- **4th largest** electrical construction contractor in the U.S. (EC&M 2023 Top 50 list).
- **10th largest** specialty contractor in the U.S. (ENR 2023 Top 600 Specialty Contractors list).
- **9,000+ employees** at peak construction season.
- Locations in **19 states**.
- Authorized to work in **43 states** and the **District of Columbia**.
- Expecting revenue of **\$2.8 billion** to **\$3.0 billion** in 2023, with higher margins compared to 2022.
- Expecting EBITDA of **\$210 million** to **\$230 million** in 2023.

TRANSACTION DETAILS

Transaction Structure

- Planned as a spinoff that is tax-free to MDU Resources shareholders
- Upon completion of the spinoff, MDU Resources shareholders will retain current shares of MDU Resources stock and receive a pro-rata distribution of shares of MDU Construction Services Group stock

Timing

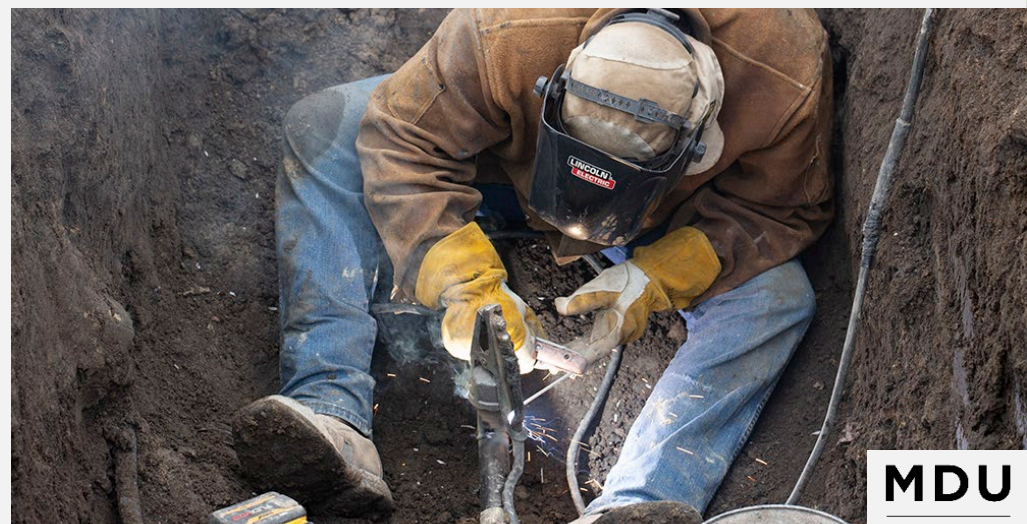
- Expected to be completed in late 2024, subject to customary conditions, including:
- Final approval by the Company's Board of Directors
 - Receipt of a tax opinion and, if determined advisable, private letter ruling from the IRS
 - Filing and effectiveness of a Form 10 registration statement with the SEC

Commitments

- Establishing strong capital allocation strategies for each business that align with each business's long-term goals
- Post-spinoff, MDU Resources intends to maintain a long-term dividend payout ratio target of 60-70% of regulated energy delivery earnings; MDU Construction Services Group's dividend policy will be determined in the future in a manner consistent with its stated capital allocation strategies



Leadership Transition



LEADERSHIP TRANSITION



DAVID GOODIN

- Has been with MDU Resources for 40 years and has served as CEO for 10 years
- Previously served as President and CEO for Cascade Natural Gas, Great Plains Natural Gas, Intermountain Gas and Montana-Dakota Utilities
- Announced intent to retire, effective Jan. 5, 2024



NICOLE KIVISTO

- Has been with MDU Resources for 28 years and has served as CEO of the utility business for 8 years
- Previously served as Vice President of operations of Great Plains Natural Gas and Montana-Dakota Utilities
- Will succeed Goodin as president and CEO of MDU Resources Group, effective Jan. 6, 2024

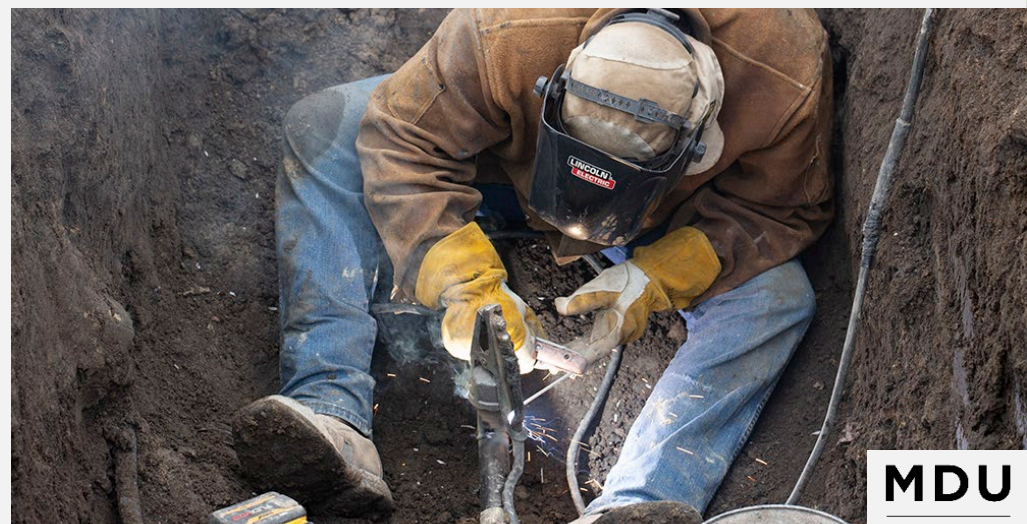


QUESTIONS





Appendix



RECONCILIATION OF EBITDA GUIDANCE

(\$ in millions)

	As of November 2, 2023	
	Construction Services	
	Low	High
Income from continuing operations	\$125.0	\$140.0
Adjustments:		
Interest expense	20.0	20.0
Income taxes	40.0	45.0
Depreciation, depletion and amortization	25.0	25.0
EBITDA from continuing operations¹	\$210.0	\$230.0

1. Note: EBITDA is considered a non-GAAP financial measure.

2. EBITDA calculations do not include "other".