



# INVESTOR PRESENTATION

 **MDU RESOURCES**  
GROUP, INC.

March 2023

**MDU**  
LISTED  
NYSE

# FORWARD-LOOKING STATEMENTS

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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<sup>®</sup> 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:



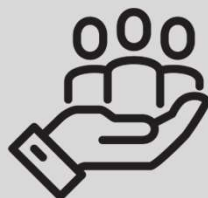
INTEGRITY



DIVERSITY



SAFETY



INCLUSION



INNOVATION



RESPECT



EXCELLENCE



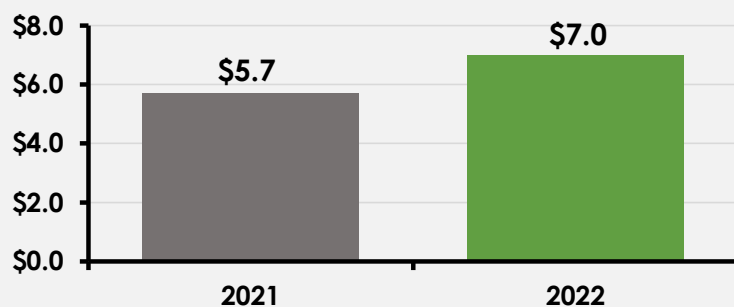
STEWARDSHIP

# KEY PERFORMANCE INDICATORS

AS OF DECEMBER 31, 2022

## Operating Revenues

(in billions)



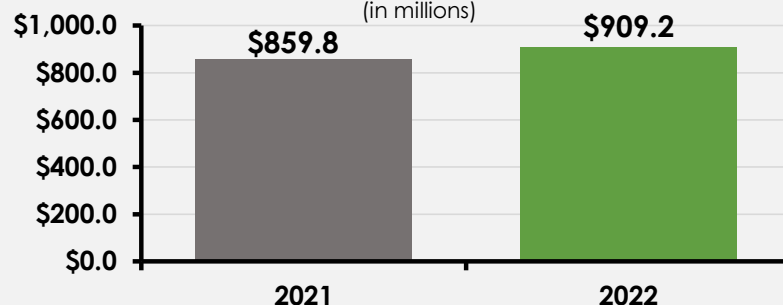
## Adjusted Net Income

(in millions)

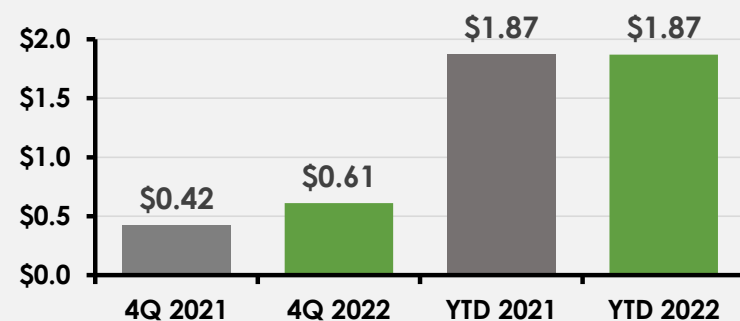


## EBITDA From Continuing Operations

(in millions)



## Adjusted Earnings Per Share



# BUSINESS SEGMENT OVERVIEW

## Regulated Energy Delivery Businesses

- Growing the business by investing in the safety and reliability of our existing system
- Focused on organic growth first while managing operating costs
- Looking to expand into areas where similar operating and growth objectives exist

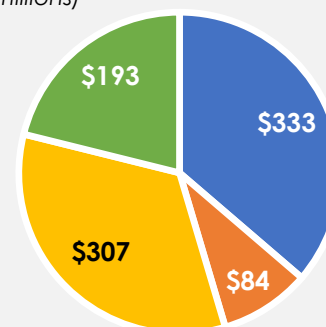
## Construction Businesses

- Enhance shareholder value by generating cash and continued meaningful growth
- Take advantage of our vertical integration and grow through M&A and greenfield
- Create value by treating our people well and leading our markets in quality, service and safety

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

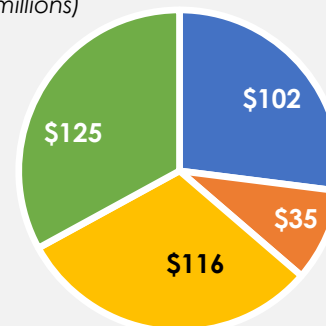
## 2022 EBITDA<sup>1</sup>

(\$ in millions)



## 2022 Earnings

(\$ in millions)



Electric and Natural Gas

Pipeline

Construction Materials

Construction Services

# 2023 GUIDANCE

## □ Regulated Energy Delivery Businesses

- ❖ Earnings in the range of \$140 million to \$150 million



## □ Construction Services

- ❖ Revenues expected to be in the range of \$2.75 billion to \$2.95 billion in 2023, with higher margins compared to 2022. EBITDA in the range of \$200 million to \$225 million



## □ Construction Materials

- ❖ Revenues expected to be in the range of \$2.50 billion to \$2.70 billion in 2023, with higher margins compared to 2022. EBITDA in the range of \$300 million to \$350 million



\*Guidance as of February 9, 2023



# 2023 Strategic Initiatives



# MDU RESOURCES STRATEGIC INITIATIVES

MDU Resources is working toward its objective of creating two pure-play, publicly traded companies. One focused on regulated energy delivery and the other on construction materials, to optimize value for shareholders.

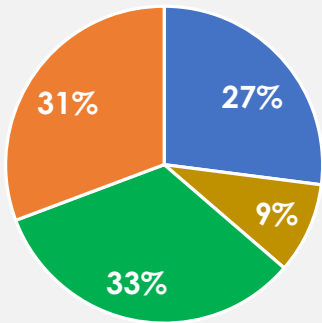
- Tax-free spinoff of Knife River is expected to be completed in the second quarter of 2023.
- Strategic review of Construction Services Group expected to be completed in the second quarter of 2023.



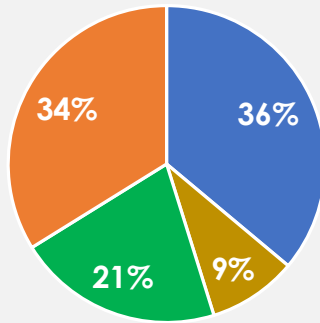


# 2022 COMPANY FINANCIALS

Earnings

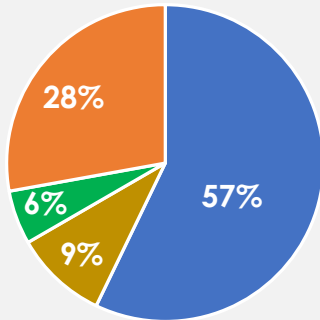


EBITDA



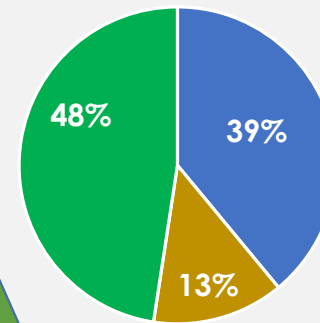
■ Utility ■ Pipeline ■ Construction Services ■ Construction Materials

CapEx

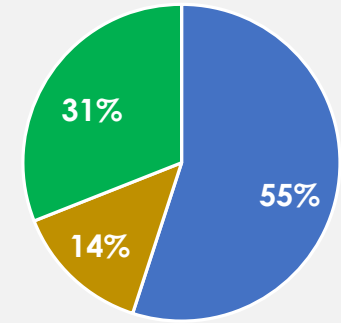


After  
Knife River  
Separation

Earnings

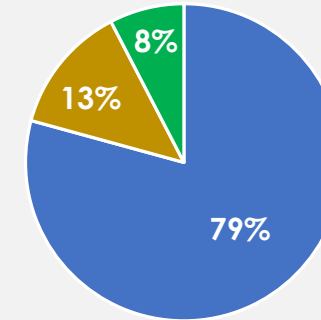


EBITDA



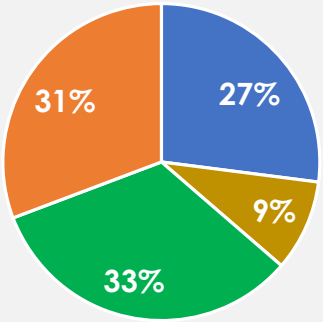
■ Utility ■ Pipeline ■ Construction Services

CapEx

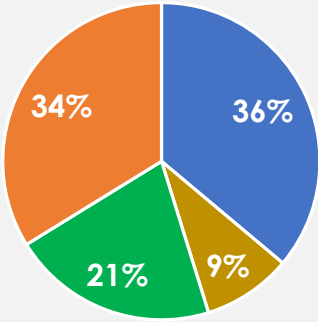


# 2022 COMPANY FINANCIALS

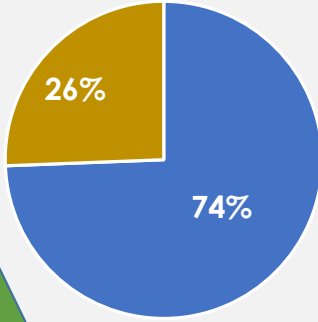
Earnings



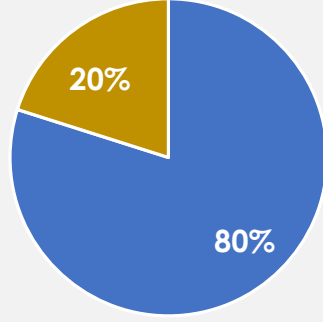
EBITDA



Earnings



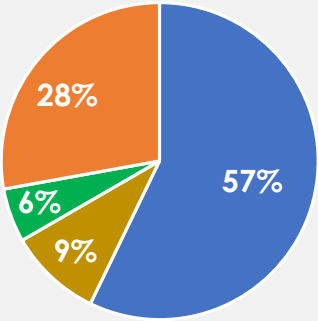
EBITDA



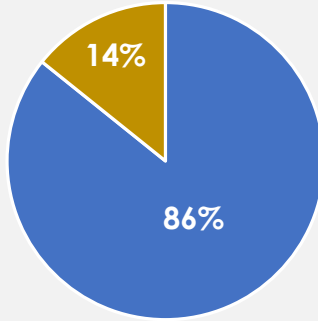
Future state as a purely regulated business

Utility Pipeline

CapEx



CapEx





# Segment Overview



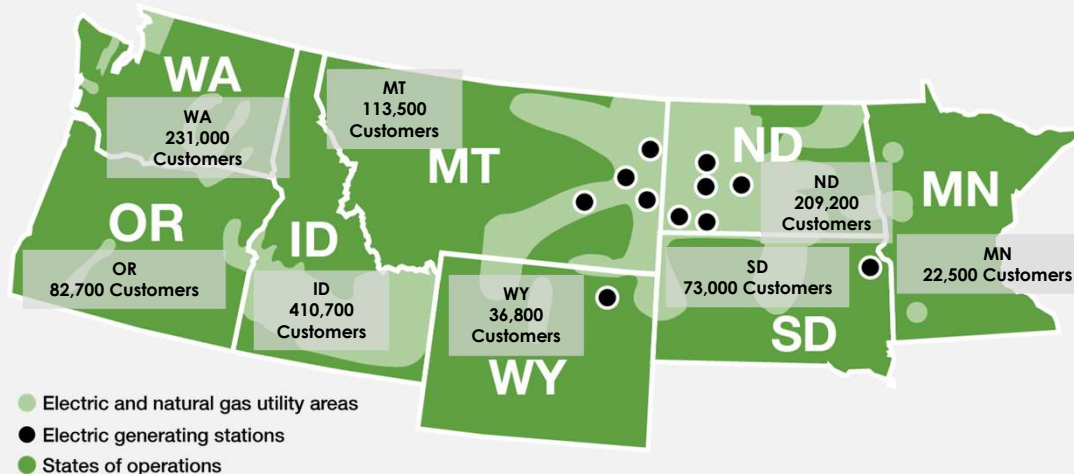
# ELECTRIC AND NATURAL GAS SNAPSHOT

**1,179,382**  
 (Electric—144,561, Gas – 1,034,821)  
**Customers**  
 As of 12.31.22

**648 MW**  
 Owned Generation

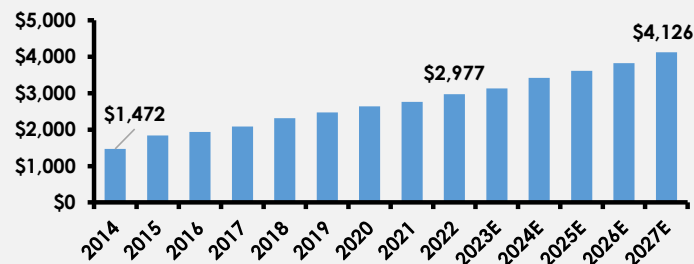
**30,100**  
 Miles of Electric and Gas  
 Transmission and  
 Distribution Lines

**1,600**  
 Skilled Employees

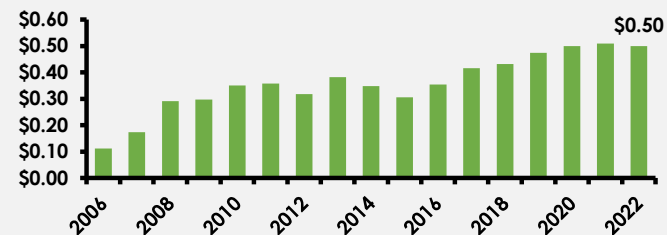


## Rate Base<sup>1</sup>

(\$ in millions)



## Segment EPS

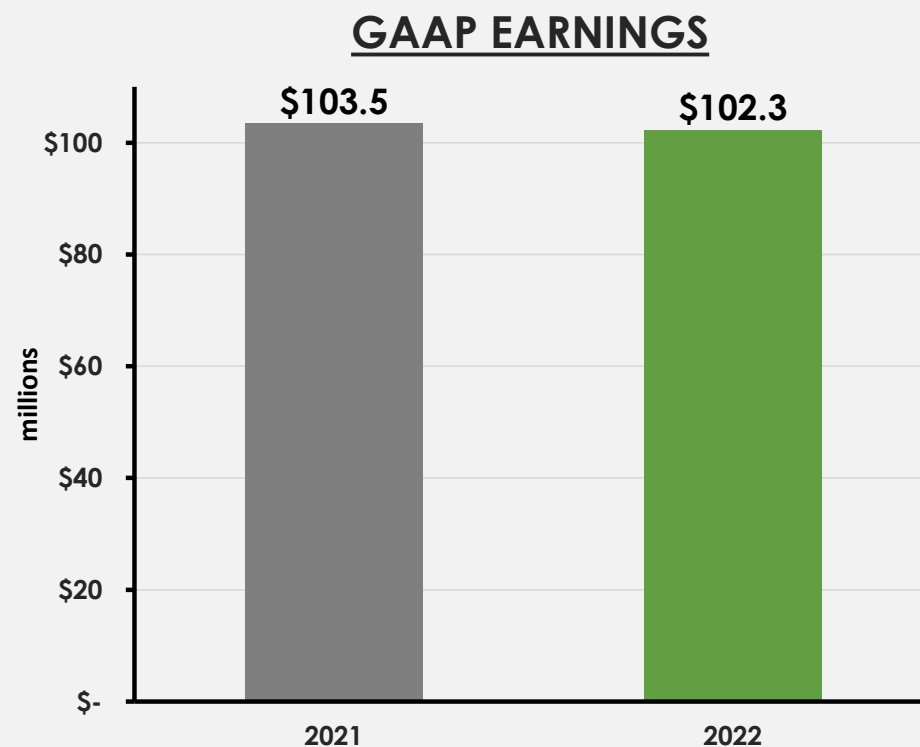


1. Including CWIP.

# ELECTRIC & NATURAL GAS UTILITY

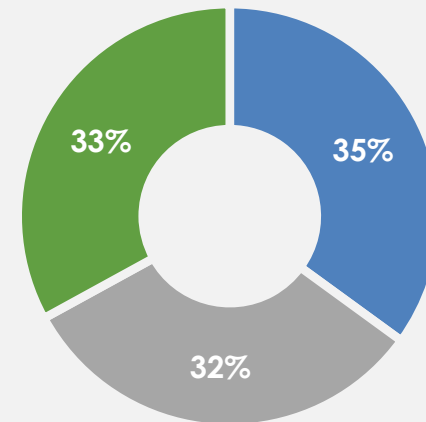
## 2022 EARNINGS

- Reported earnings of \$102.3 million
  - Higher retail sales revenue due to rate relief in certain jurisdictions and higher net transmission revenues, including increased investment
  - Higher retail sales volumes due to colder weather
  - More than offset by lower investment returns on nonqualified benefit plans, higher operation and maintenance costs, and higher interest expense



# GENERATION MIX

- Increased renewable generation from 11% of portfolio to 33% since 2010
- Retired three coal-fired units in 2021-2022 totaling 130-megawatts
- Constructing an 88-megawatt gas fired plant as a replacement; expected to be placed in service in 2023
- Coal trending down to 31% over the next year from 69% in 2013 – mix shifting toward renewables and natural gas



**Current Generation\***

- Coal
- Gas
- Renewables

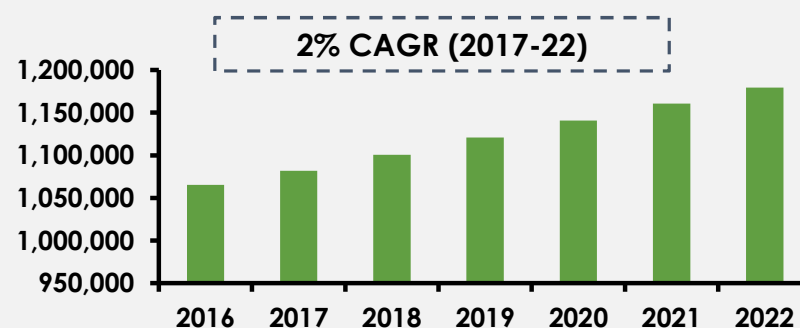
Note: Based on nameplate rating      \*Accounts for retirement of Heskett Units I and II

# RATE BASE ORGANIC GROWTH DRIVERS

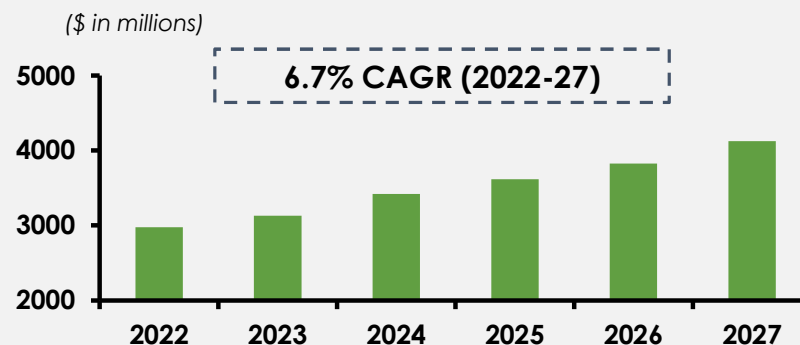
## Continuous Rate Base growth supported by strong customer growth and system investments

- Utility earnings growth is driven by capital deployment, resulting in growth in Rate Base
- Organic growth is driven in part by positive demographics
  - 2% annual customer growth rate since 2017 and 1-2% continued projected growth
  - Compares favorably to other utilities
- MDU Utilities Group expected to deploy \$2.1 billion in capex over the next 5 years
  - Focused on meeting service needs related to customer growth as well as replacing, expanding, and modernizing infrastructure within the electric and natural gas distribution systems

Historical MDU Utilities Group Customer Base



Projected MDU Utilities Group Rate Base<sup>1</sup>



1. Including CWIP.



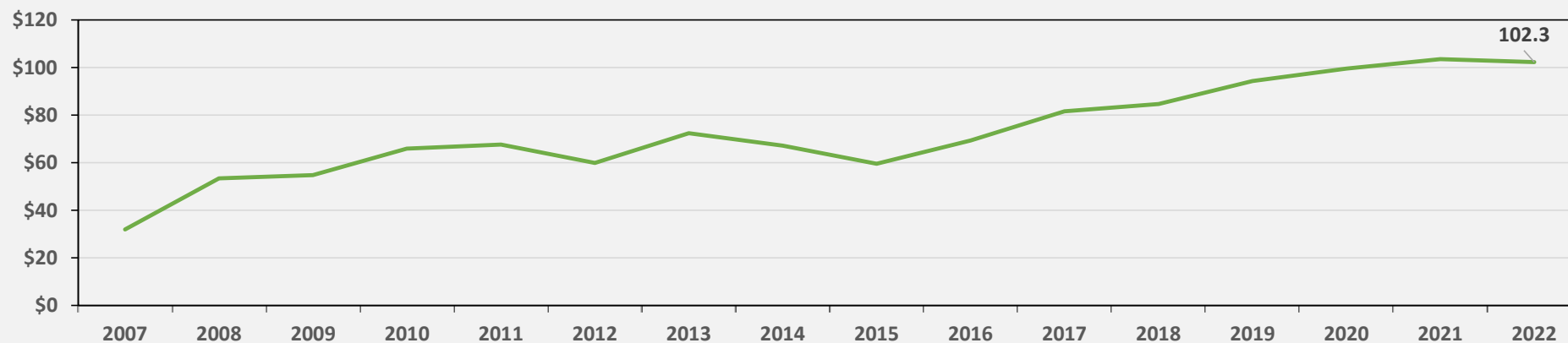
# UTILITY INDUSTRY REGULATORY DYNAMICS

## Constructive regulatory mechanisms help stabilize earnings performance

- Constructive regulatory relationships in all service territories allow for adequate and timely recovery of incurred costs
  - Largely operates on forward test periods, supported by interim rate relief and/or full decoupling in certain jurisdictions
  - In addition, the utilities group in large part is allowed timely recovery via dedicated trackers and normalization mechanisms, such as fuel and purchased gas clause adjustments

### Utilities Group Net Income (Electric and Natural Gas)

(\$ in millions)







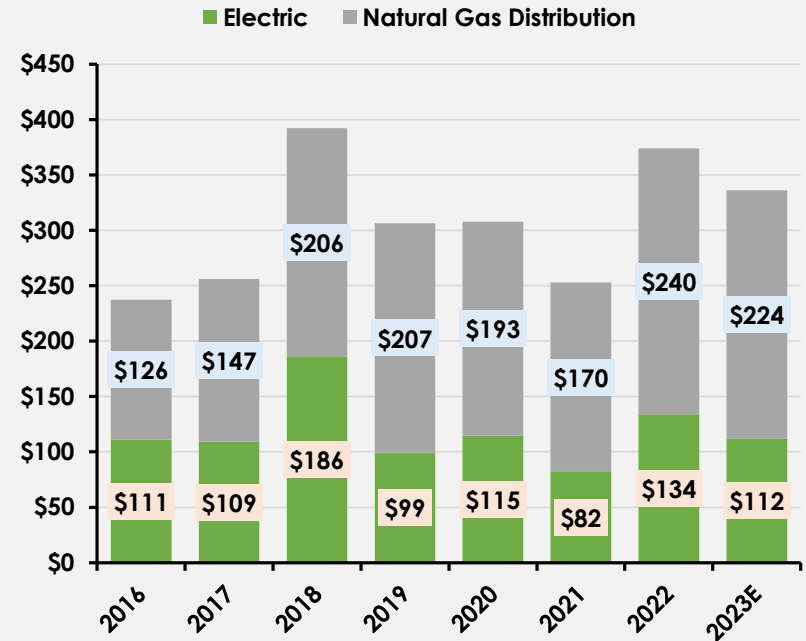
# CAPITAL EXPENDITURES

## Balanced CapEx investments support growth

- Investments will be deployed for:
  - System upgrades and replacements needed to supply safe and reliable service
  - Supporting customer growth
- Capital expenditures forecast also includes:
  - Construction of 88-megawatt simple-cycle, natural gas-fired combustion turbine near Mandan, North Dakota

## Capital Expenditures

(\$ millions)



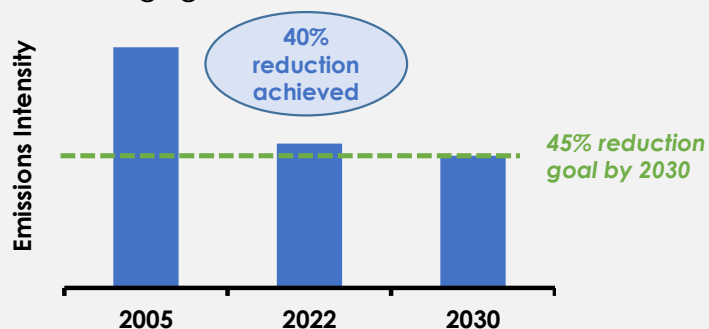


# ENVIRONMENTAL FOCUS

*Focused on operating our business with a decreasing environmental footprint*

## GHG Emissions Reduction Targets

- Target to **reduce electric utility GHG emissions by 45% by 2030** vs. 2005 levels
- Reduction to be achieved primarily through the continued diversification of our electric generating fleet, helping drive rate base / earnings growth



## Sustainable Operations



### Retirement of Coal Facilities

- Ceased operations at Lewis & Clark Station in Sydney, MT in March 2021
- Ceased operations at Heskett I & II in Mandan, ND in February 2022
- Company no longer wholly owns any coal fired units

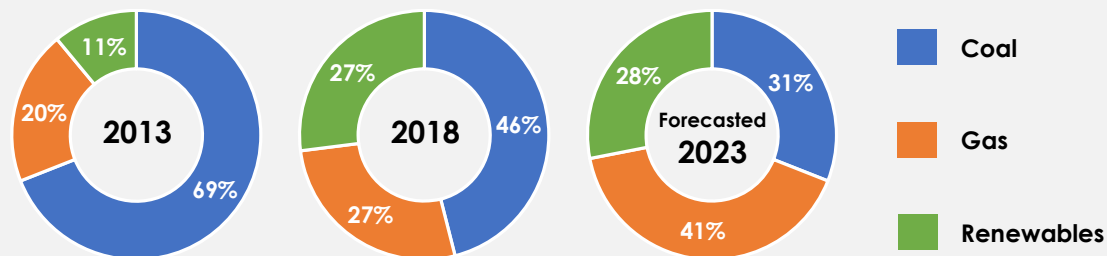


**Water Use.** Facilities safely utilize water from rivers, lakes, and wells for various processes and cleanly discharge them back to the water bodies



**Renewable Energy.** As of December 31, 2022, approximately 33% of electric generation nameplate capacity was from renewable resources

## Transitioning Our Electric Resources (Based on Nameplate Rating)



# RENEWABLE NATURAL GAS PROJECTS

Cascade Natural Gas has signed several agreements for the purchasing and/or transportation of renewable natural gas (RNG).

- Cascade signed an Interconnect Agreement with Divert, Inc. in Spring 2022. Divert will produce RNG from aggregated food waste and injecting it into Cascade's distribution system in Longview, WA. Estimated annual volume is 180,000 dekatherms/year. Production is expected to start Q3 2024.
- Cascade signed an Interconnect Agreement with Burnham SEV Pasco LLC in early 2023. Burnham SEV will be producing RNG and injecting it into Cascade's distribution system in Pasco, WA. The estimated annual volume is 340,000 dekatherms/year. Production is expected to start in Q3 2024.
- Signed two Interconnect Agreements with Pine Creek RNG in fall 2022. Pine Creek will be producing RNG from two sites in Richland, WA. The RNG will be transported on Cascade's distribution system. Cascade will also be purchasing all the brown gas and a portion of the environmental attributes with a portion being sold to a third party. The estimated annual volume is 250,000 dekatherms/year. Production is expected to start in Q4 2023.

# PIPELINE SNAPSHOT

**3,800**  
Miles of Pipe

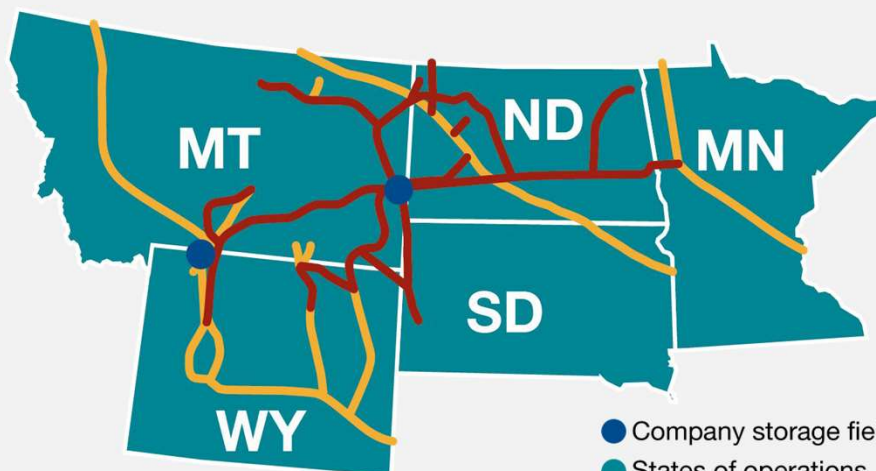
**OVER 2.4 BCF/D**  
System Capacity

**14**  
Interconnecting  
Points

**321**  
Employees

**LARGEST**  
Storage Field in  
N. America

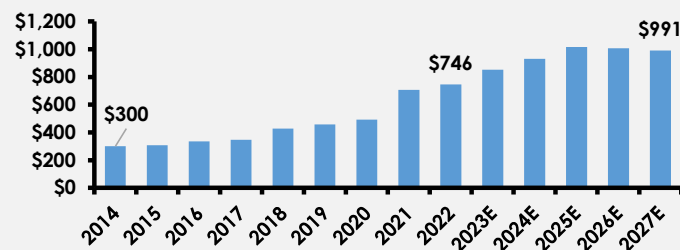
1. Including CWIP.



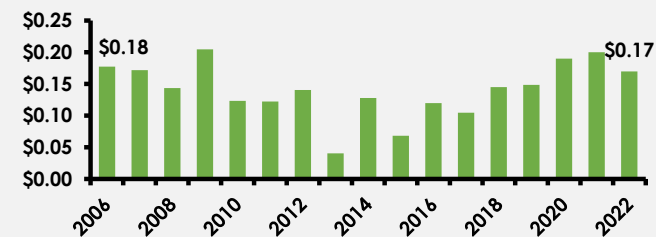
**WBI ENERGY**  
An MDU Resources Group company

- Company storage fields
- States of operations
- Pipeline systems
- Interconnecting pipelines

**Rate Base<sup>1</sup>**  
(\$ in millions)



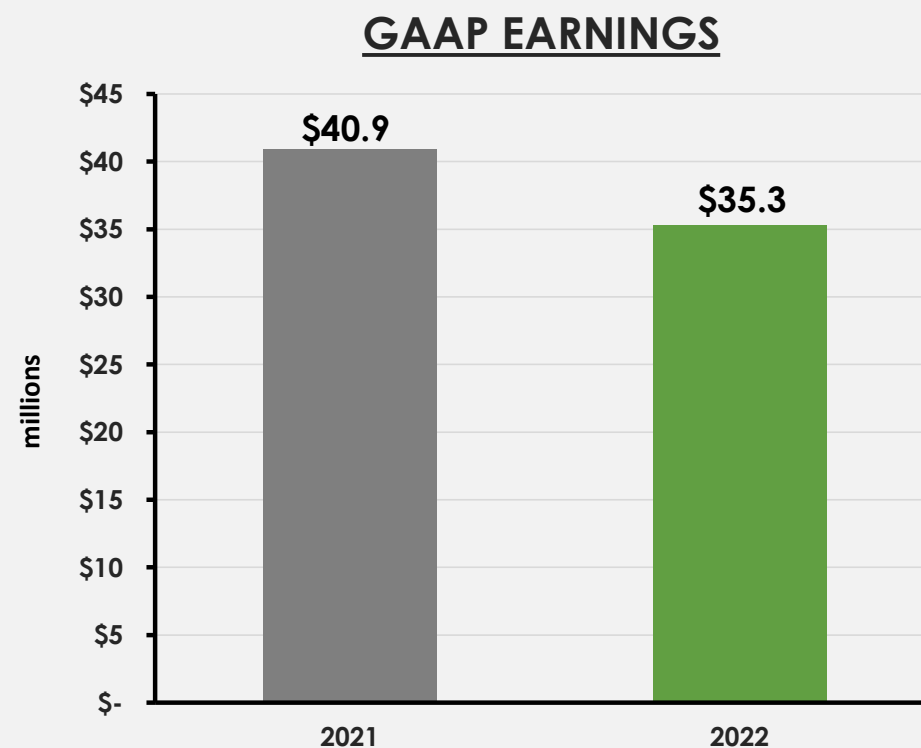
**Segment EPS**



# PIPELINE

## 2022 EARNINGS

- Reported earnings of \$35.3 million
  - Higher interest expense and lower returns on nonqualified benefit plans
  - Record transportation volumes for the sixth consecutive year, largely from ongoing system growth, including the North Bakken Project completed earlier in 2022, and steady demand for services
  - Partially offset by lower allowance for funds used during construction and higher depreciation

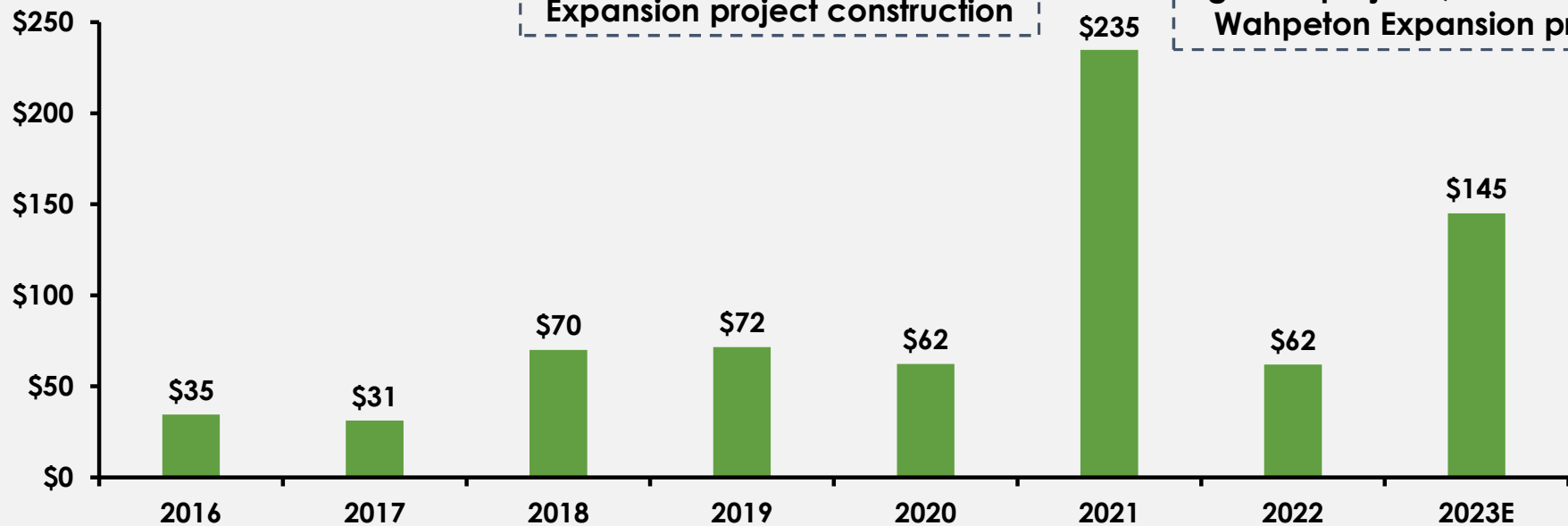


# CAPITAL EXPENDITURES

Balanced CapEx investments support growth

## Pipeline Capital Expenditures

(\$ millions)



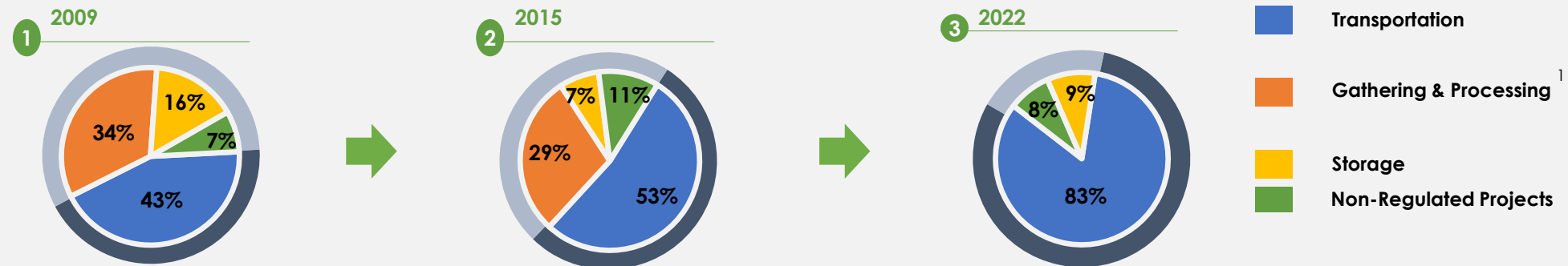
# BUSINESS EVOLUTION: INCREASING STABILITY

## Fundamentally enhanced business mix since 2008

- Continue to increase regulated transportation mix, providing **low-risk, stable returns**
- Pipeline expansion projects based on long-term customer commitments **increase demand revenue**
- Filed a rate case with the Federal Energy Regulatory Commission on Jan 27, 2023, seeking rate increases for transportation and storage services.

### WBI Energy Revenue Mix (2009–2021)

(Percent contribution)



1. All Gathering & Processing services exited as of December 2020.

## PIPELINE EXPANSION

### ***WBI Energy is actively expanding its pipeline system through key projects***

- North Bakken Expansion was placed in service in early 2022. Revenues in 2023 are expected to increase by approximately \$10 million, largely due to contracted volume commitment increases of approximately 70%, to 215 million cubic feet per day.
- Continuing work on several expansion projects, including the Wahpeton Expansion project, that are expected to add more than 300 million cubic feet per day of incremental capacity as they are completed in 2023-24, pending regulatory approvals.
- Line Section 7 Expansion project was placed in service in August of 2022 and increased system capacity by 6.7 MMcf per day.
- On December 22, 2022, the company filed with the FERC its prior notice application for its Grasslands South Expansion project. This project consists of approximately 15 miles of pipe in western North Dakota. A long-term customer agreement supports a design of incremental capacity of 94 MMcf per day. Construction is expected to begin in the second quarter of 2023, pending regulatory approvals, with an anticipated completion date in late 2023.



## OUR COMMITMENTS

# SUSTAINABILITY & COMMUNITY



### WBI Energy operates sustainably to protect the environment and our communities

**WBI ENERGY'S SUSTAINABILITY** efforts are closely integrated into our business strategy and help increase efficiency and mitigate risk, all while keeping our communities safe



**Environmental investments.** Replaced legacy facilities with lower-emitting equipment, resulting in reductions and savings of potential greenhouse gas emissions at these facilities of approximately 14,000 and 10,500 metric tons of carbon dioxide equivalent, respectively



**Quantifying our impact.** Discloses AGA Voluntary Sustainability Metrics, is voluntarily working towards participation in the EPA's Natural Gas STAR Methane Challenge Program, and joined ONE Future Coalition, all while working with peers to develop best practices and adopt cost-saving technologies



**Fuel efficiency.** Through innovative projects, WBI has already reduced the amount of natural gas consumed by more than 250 million cubic feet per year



**Methane.** Committed to improving practices to minimize methane emissions by implementing methane control technologies and quantifying emission reductions from these efforts

#### Employees

- Our focus on safety and training drives the recruitment and retention of top talent
- Strong commitment to a safe work environment providing employees with necessary training and resources
- Regularly surveys employees on a variety of topics to drive internal workforce initiatives

#### Community

- Safety and reliability are key to maintaining trust with customers and the community, as well as winning repeat business
- Operates a safe natural gas pipeline system through a variety of tools, precautions, and frequent dialogue with our communities
- Pipeline Safety Management System program supports a culture dedicated to public and employee safety and environmental protection

# CONSTRUCTION SERVICES SNAPSHOT

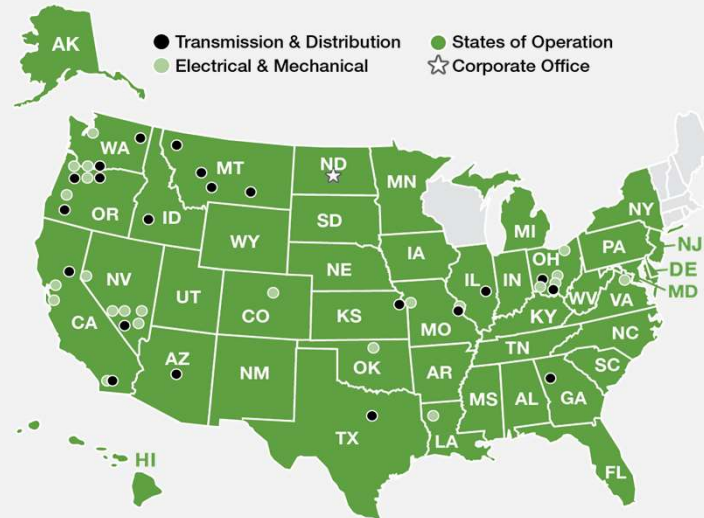
**8,900+**  
Skilled Employees at Peak

**43**  
States of Operation

**6**  
Transmission and Distribution  
Construction Companies

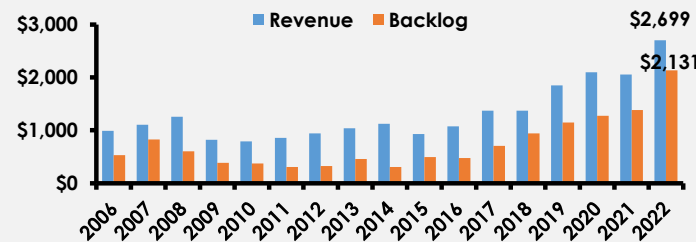
**10**  
Electrical & Mechanical  
Construction Companies

**Ranked 12<sup>th</sup>**  
on ENR's Top 600 Specialty  
Contractors List



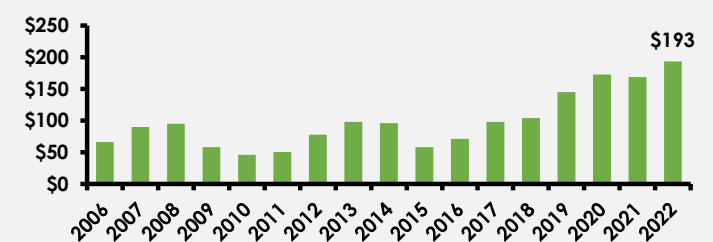
**Segment Revenue and Year-End Backlog**

(\$ in millions)



**Segment EBITDA<sup>1</sup>**

(\$ in millions)



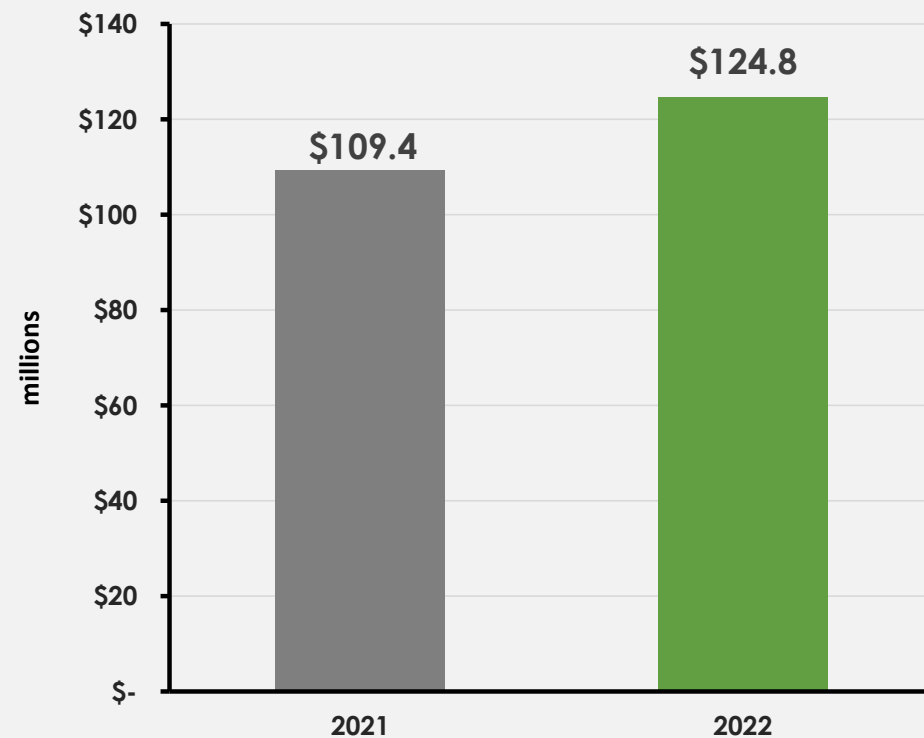
1. Note: EBITDA is considered a non-GAAP financial measure.

# CONSTRUCTION SERVICES

## 2022 EARNINGS

- Record earnings of \$124.8 million
  - Electrical and mechanical revenues increased 50% for the year
  - Revenues were favorably impacted by progress on large hospitality, data center, and renewable projects
- Record annual revenue of \$2.70 billion, compared to \$2.05 billion in 2021
- EBITDA of \$193.4 million, compared to \$168.6 million in 2021

### GAAP EARNINGS



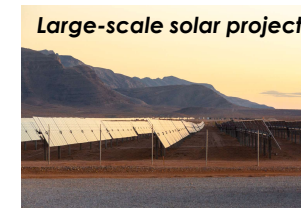
# MARKET LEADER

Leading local presence in Transmission & Distribution and Electrical & Mechanical specialty contracting

- Local brands showcasing national strength across Transmission & Distribution and Electrical & Mechanical contracting
- Trusted brand and reputation; working on high-value projects for the government and the largest U.S. companies across utilities, manufacturing, industrials, transportation, e-commerce and data infrastructure
- Continued growth through organic expansion as well as mergers and acquisitions

### High-Value Projects

### Local Brands, National Strength



\*Image courtesy of McCarthy Holdings, Inc.

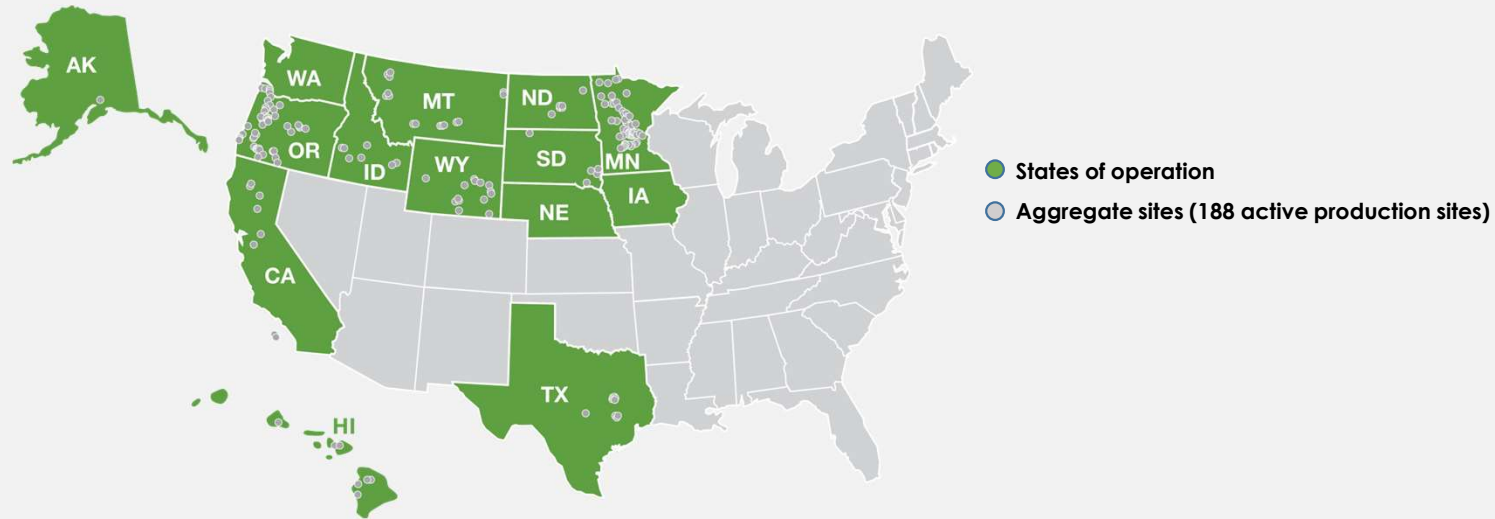
# CONSTRUCTION MATERIALS SNAPSHOT

**3,700+**  
Employees at Peak

**14**  
States of Operation

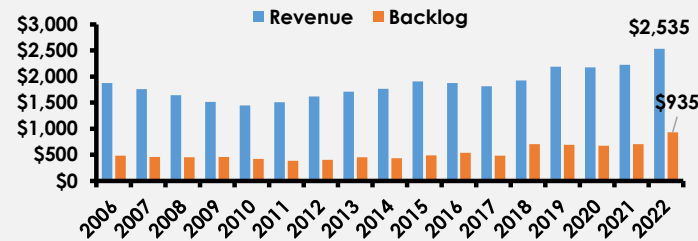
**VERTICAL INTEGRATION**  
Which lowers risk and captures values

**TOP 10**  
U.S. Aggregate Producer



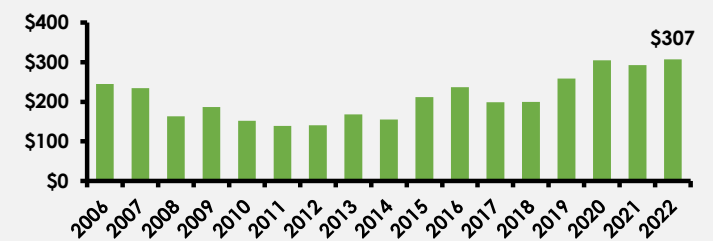
**Segment Revenue and Period-End Backlog**

(\$ in millions)



**Segment EBITDA<sup>1</sup>**

(\$ in millions)



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

# CONSTRUCTION MATERIALS

## 2022 EARNINGS

- Reported earnings of \$116.2 million
  - Price adjustments in response to inflationary pressures improved performance in the second half of the year
  - Slightly lower margin percentages mostly attributable to inflation
- Record annual revenue of \$2.53 billion, compared to \$2.23 billion in 2021
- EBITDA of \$306.7 million, compared to \$293.4 million in 2021





# QUESTIONS



 **MDU RESOURCES**  
GROUP, INC.

**MDU**  
**LISTED**  
**NYSE**

# RECONCILIATION OF EBITDA

(\$ in millions)

	For the year ended December 31, 2022				
	Utility	Pipeline	Construction Services	Construction Materials	Total
Income from Continuing Ops.	\$102.3	\$35.3	\$124.8	\$116.2	\$378.6
<b>Adjustments:</b>					
Interest Expense	\$70.7	\$11.3	\$6.3	\$30.1	\$118.4
Income Taxes	\$2.4	\$10.2	\$40.8	\$42.6	\$96.0
Depreciation, Depletion & Amort.	\$157.2	\$26.9	\$21.5	\$117.8	\$323.4
<b>EBITDA<sup>1</sup></b>	<b>\$332.6</b>	<b>\$83.7</b>	<b>\$193.4</b>	<b>\$306.7</b>	<b>\$916.4</b>

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

2. EBITDA calculations do not include "other".