

IDACORP, Inc (IDA)

\$88.47 (As of 05/01/20)

Price Target (6-12 Months): **\$92.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 06/07/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: F

Momentum: A

Summary

IDACORP's first-quarter earnings declined year over year as milder winter and the novel coronavirus outbreak adversely impacted the demand for utility services. The company's long-term investment plan will enable it to strengthen infrastructure and efficiently serve the expanding customer base. Initiatives to improve its core business and focus on maintaining safe operations will act as tailwinds. Coming to price performance, shares of the company have underperformed the industry in the past 12 months. The company operates hydro-electric power generation that units requires licenses and the permitting process, which could involve a number of stringent conditions that may lead to significant capital expenditure. Its new technology assisting in the development and usage of low-cost alternate energy is a headwind.

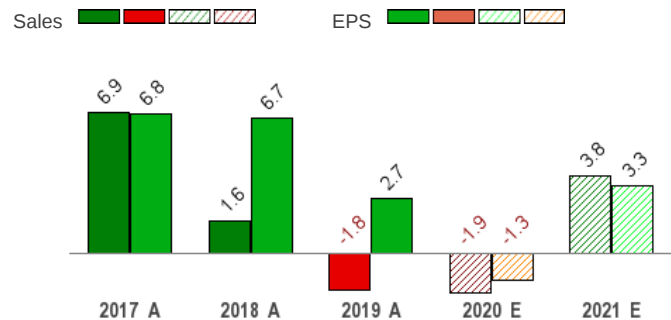
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$114.01 - \$69.05
20 Day Average Volume (sh)	295,321
Market Cap	\$4.5 B
YTD Price Change	-17.2%
Beta	0.45
Dividend / Div Yld	\$2.68 / 2.9%
Industry	Utility - Electric Power
Zacks Industry Rank	Top 21% (53 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-10.3%
Last Sales Surprise	NA
EPS F1 Est- 4 week change	0.0%
Expected Report Date	NA
Earnings ESP	0.0%
P/E TTM	19.7
P/E F1	19.4
PEG F1	5.1
P/S TTM	3.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					1,370 E
2020	291 A				1,320 E
2019	350 A	317 A	386 A	293 A	1,346 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$4.70 E
2020	\$0.74 A				\$4.55 E
2019	\$0.84 A	\$1.05 A	\$1.78 A	\$0.93 A	\$4.61 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/01/2020. The reports text is as of 05/04/2020.

Overview

Headquartered in Boise, ID, IDACORP, Inc. is a regulated utility formed in 1998. The company is engaged in the transmission, distribution and sale of electricity services in southern Idaho and eastern Oregon through its primary subsidiary Idaho Power Company (Idaho Power). IDACORP served 572,000 customers as of Dec 31, 2019.

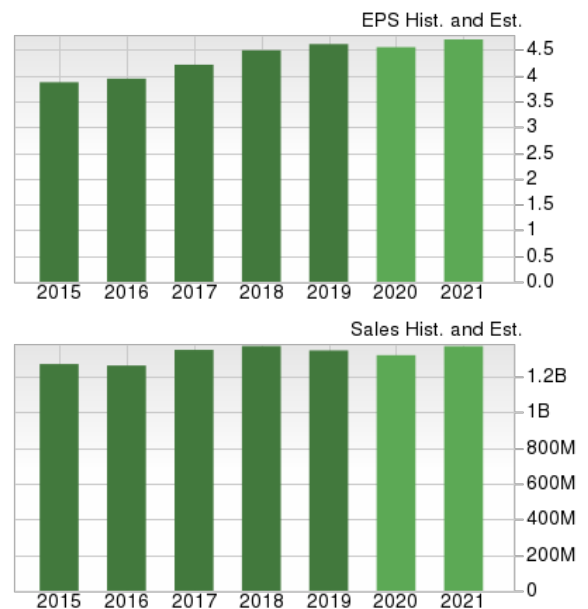
Idaho Power's asset base includes 17 hydroelectric generating plants in southern Idaho and eastern Ohio, 3 natural gas-fired generation facilities in southern Idaho, one diesel-powered generator and interests in 3 coal-fired steam electric generating plants in Wyoming, Nevada and Oregon. Out of its total owned generation in 2019, 62% came from hydroelectric plants, 22% from coal-fired plants and 16% from natural gas fired plants. Purchased Power contributed nearly 28% to total power supplied by the company in 2019.

Total power supply in 2019 was 18,620 thousand MWhs, down from the 2018 level of 18,795 thousand MWhs. Along with owned generation, the company relies on long-term power purchase agreements to supply energy to end consumers. Its service area covers about 24,000 square miles. In 2019, the electric utility segment had contributed 99.7% to its total revenues, and off-system sales and the Other segment accounted for only 0.3%.

IDACORP's other subsidiaries are –

IDACORP Financial Services, Inc. (IFS): The subsidiary invests in affordable housing and other real estate investments, which generates return primarily through tax credits and accelerated tax depreciation benefits. The company is not investing any further, rather is and will continue to manage its prior investments.

Ida-West Energy Company (Ida-West): This utility operates small hydroelectric generation projects and has 50% ownership in nine hydroelectric projects with a total generating capacity of 45 megawatt (MW).



Reasons To Buy:

- ▲ IDACORP's regulated electric operations in Idaho generate a relatively stable and growing earnings stream. Customer growth led to a \$18.8 million increase in operating income in 2019 from 2018, as the number of Idaho Power customers grew 2.5% over the past 12 months. During the first quarter, Idaho Power's customer base improved 2.6%, which boosted operating income by \$3.6 million year over year.

Encouragingly, the company is rewarding its shareholders through dividend increases. In September 2019, the board of directors approved a 6.3% increase in quarterly dividend, which marks 123% increase in annual dividend since 2011. During first-quarter 2020, the company paid \$34 million as dividend to its shareholders compared with \$32 million in the year-ago period.

- ▲ The debt to capital of the company at first-quarter end was 42.6%, which was unchanged sequentially. The debt to capital is better than the industry average of 50.95% and Zacks S&P 500 composite's 43.84%. The company's debt to capital continues to improve, courtesy of proper management of debts. The metric was 45.6% at the end of 2015.

The company's times interest earned ratio at first-quarter end was 3.6 and has consistently remained over 3 for the past few years. Times interest earned ratio of more than 1 indicates that the company is in a favorable position to meet debt obligations in the near future without any difficulties. At a time when every entity is looking forward to preserve liquidity amid uncertainty as a result of the outbreak of COVID-19, a steady times interest earned ratio is reassuring for investors.

- ▲ Significant part of the outdoor construction season is already complete. The company projects capital expenditure of \$1.6 billion for the 2020-2024 time period. Owing to its systematic investments in strengthening the generation portfolio, Idaho Power Hydroelectric Generation will be able to cater to the rising demand of its expanding customer base. The aim of the systematic investment is to provide 100% clean energy to customers by 2045.

Sustained focus on cost control has aided the company to keep its rates lower than other providers of electricity. The average industrial and residential rates charged by Idaho Power are much lower than the national average. Low cost of energy makes it a favorable destination for investors, resulting in new large load projects. The company will continue to gain from new customers as it provides reliable, affordable and clean energy. The expanding generation portfolio will help it cater to the increasing customer base.

- ▲ Idaho Power continues to focus on its four strategic areas. The company has taken initiatives to enhance financial strength, improve its core business, expand brand image and focus on safety and employee engagement. These initiatives will further strengthen the operation of IDACORP's primary subsidiary.

The company's Energy Efficiency and Demand Response portfolio is comprised 27 programs, whose objective is to ensure efficient usage of energy. Efficient usage of energy can minimize or delay the need for new generation and transmission infrastructure, and thereby help in reducing customers' utility bills. In 2019, Idaho Power's energy efficiency programs reduced energy usage by 205,000 MWh compared with 173,000 in 2018.

- ▲ IDACORP is involved in the Boardman-to-Hemingway (B2H) project, which is a 300-mile, 500-kilovolt (kV) transmission line between Boardman and Hemingway. This project, in which IDACORP holds a 21% interest, is expected to provide increased service reliability and mitigate transmission constraints once it comes online. The project is not expected to come online before 2026.

The latest Integrated Resource Plan filed by the company provides the roadmap for its exit from two of the four Jim Bridger coal-fired units in 2022 and 2026, respectively, thereby supporting the clean energy production goal by 2045. The company has been gradually lowering coal-fired generation. It lowered coal-fired generation by 59% in 2019 from 2005 levels. With more coal-fired units planned to be shut down over the next few years, electricity generation from IDACORP is set to become cleaner over the long term.

Ongoing capital investments, customer growth, and focus on producing more electricity from clean sources are tailwinds.

Reasons To Sell:

- ▼ As the company predominantly provides electricity from hydro-electric units, development of new technology to generate electricity and lowering cost of other alternative energy sources could adversely impact demand for services provided by IDACORP. Decline in the cost of setting up utility-scale solar power plants and the addition of battery storage facilities are making solar power more popular among customers.

Advances in technology to reduce the cost of developing alternative methods of producing electric energy could result in loss of IDACORP's revenues and customers, and may require Idaho Power to make significant expenditure reductions to remain competitive. In the past 12 months, shares of the company have lost 11.6%, wider than the industry's 6.3% decline.

- ▼ IDACORP operates in a strict regulatory environment and its nature of business is subject to complex and comprehensive federal, state and other regulations. The company generates revenues through rates fixed by the Idaho Public Utilities Commission and the Public Utility Commission of Oregon. However, these bodies have the authority to decline recovery of any cost which they deem unreasonable. In such cases, the company's ability to earn a reasonable return on investment could be adversely affected. Compliance with stringent regulatory requirements affects the operating costs of the company.

- ▼ IDACORP operates several hydroelectric generation plants which require relicensing and certain other costs. The permitting process could draw a number of onerous conditions which may lead to significant capital expenditures.

The original license of its Hells Canyon Hydroelectric Project had expired in 2005. Since then, the company is receiving annual license and working for a long-term license that is expected to come no earlier than 2022. Given the number of parties involved in the process, the relicensing is expected to be substantial.

Stringent regulatory environment, completion of projects within time and budget and regulatory compliance costs could adversely impact performance of the company.

Last Earnings Report

IDACORP Q1 Earnings Drop Y/Y on Mild Winter Weather

IDACORP, Inc. reported first-quarter 2020 earnings of 74 cents per share, which dropped 11.9% from the year-ago figure of 84 cents.

The year-over-year decline in earnings was due to reduction in transmission wheeling-related revenues from the prior-year quarter, and mild winter weather that lowered residential and commercial customer loads.

Quarter Ending **03/2020**

Report Date	Apr 30, 2020
Sales Surprise	NA
EPS Surprise	-10.26%
Quarterly EPS	0.74
Annual EPS (TTM)	4.50

Highlights of the Release

Customer growth in its service areas increased 2.6% in the 12 months ended March 31, 2020, which helped the company offset the initial impacts of stay-at-home orders.

Despite an increase in the customer base in the first quarter, operating income decreased \$6.1 million year over year due to lower sales volumes per customer. This was primarily due to moderate weather in Idaho Power's service areas. As a consequence, residential and commercial customers used less energy for heating. Some of its commercial customers were impacted by COVID-19-induced lockdowns.

Guidance

IDACORP reaffirmed full-year 2020 earnings guidance in the range of \$4.45-\$4.65 per share, assuming normal weather in its service territories. The mid-point of the guidance is \$4.55, which is a penny less than the current Zacks Consensus Estimate.

The company expects 2020 operating and maintenance expenses associated with Idaho Power in the range of \$350-\$360 million. Idaho Power's capital expenditure for 2020 is expected in the range of \$300-\$310 million.

Valuation

IDACORP shares are down 16.9% in the year to date period, and 11.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utility sector was down 15.1% and 17.4% respectively in the year to date period, respectively. Over the past year, the Zacks sub-industry and Zacks Utility sector was down 6.3% and 21.3% respectively.

The S&P 500 index is down 12.1% in the year to date period and 3.7% in the past year.

The stock is currently trading at 19.23X of forward 12 months earnings, which compares to 12.45X for the Zacks sub-industry, 11.73X for the Zacks sector and 20.18X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.97X and as low as 14.84X, with a 5-year median of 20.89X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$92 price target reflects 20.17X of forward 12 months earnings.

The table below shows summary valuation data for IDA

Valuation Multiples - IDA					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.23	12.45	11.73	20.18
	5-Year High	24.97	15.53	15.32	20.18
	5-Year Low	14.84	11.12	11.35	15.19
	5-Year Median	20.89	13.23	13.79	17.44
P/S F12M	Current	3.24	2.02	2.5	3.19
	5-Year High	3.96	2.45	3.29	3.44
	5-Year Low	2.15	1.54	1.75	2.54
	5-Year Median	3.25	1.88	2.04	3.01
P/B TTM	Current	1.81	1.52	3.11	3.75
	5-Year High	2.37	1.94	4.05	4.55
	5-Year Low	1.41	1.21	2.01	2.84
	5-Year Median	1.96	1.56	2.6	3.64

As of 5/1/2020

Industry Analysis Zacks Industry Rank: Top 21% (53 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Ameren Corporation (AEE)	Neutral	3
Allete, Inc. (ALE)	Neutral	3
Avista Corporation (AVA)	Neutral	3
DTE Energy Company (DTE)	Neutral	3
Consolidated Edison Inc (ED)	Neutral	3
Edison International (EIX)	Neutral	3
Hawaiian Electric Industries, Inc. (HE)	Neutral	3
PPL Corporation (PPL)	Neutral	3

Industry Comparison Industry: Utility - Electric Power				Industry Peers		
	IDA	X Industry	S&P 500	AEE	DTE	HE
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	C	C	B
Market Cap	4.46 B	7.28 B	20.61 B	17.63 B	19.39 B	4.16 B
# of Analysts	1	3	14	5	5	1
Dividend Yield	3.03%	3.37%	2.11%	2.77%	4.02%	3.46%
Value Score	D	-	-	D	C	C
Cash/Price	0.05	0.05	0.06	0.00	0.00	0.05
EV/EBITDA	11.63	9.74	11.87	10.75	10.93	9.75
PEG Ratio	5.06	3.58	2.47	3.10	2.84	6.64
Price/Book (P/B)	1.80	1.44	2.67	2.14	1.64	1.82
Price/Cash Flow (P/CF)	11.37	7.95	10.66	9.28	8.01	8.64
P/E (F1)	19.38	17.27	19.01	20.94	15.62	20.27
Price/Sales (P/S)	3.47	1.85	2.10	2.98	1.59	1.45
Earnings Yield	5.14%	5.66%	5.05%	4.77%	6.41%	4.93%
Debt/Equity	0.70	1.06	0.72	1.09	1.36	0.95
Cash Flow (\$/share)	8.07	4.27	7.01	7.84	12.95	4.57
Growth Score	F	-	-	C	C	A
Hist. EPS Growth (3-5 yrs)	3.99%	4.77%	10.88%	8.19%	7.49%	4.14%
Proj. EPS Growth (F1/F0)	-1.30%	1.56%	-7.32%	1.85%	2.32%	-5.53%
Curr. Cash Flow Growth	2.71%	3.66%	5.92%	2.50%	7.70%	8.40%
Hist. Cash Flow Growth (3-5 yrs)	4.23%	5.53%	8.55%	6.59%	4.88%	6.81%
Current Ratio	1.51	0.83	1.23	0.57	0.77	0.08
Debt/Capital	41.28%	50.95%	43.84%	52.09%	57.57%	49.08%
Net Margin	17.69%	10.69%	11.08%	14.01%	9.10%	7.65%
Return on Equity	9.29%	9.86%	16.44%	10.29%	10.02%	9.86%
Sales/Assets	0.20	0.23	0.54	0.21	0.31	0.21
Proj. Sales Growth (F1/F0)	0.00%	0.00%	-1.42%	3.02%	1.60%	0.00%
Momentum Score	A	-	-	B	C	B
Daily Price Chg	-2.63%	-1.99%	-2.39%	-2.51%	-3.31%	-3.33%
1 Week Price Chg	-3.83%	-3.65%	-1.74%	-5.38%	-2.67%	-5.86%
4 Week Price Chg	4.18%	6.90%	17.07%	1.51%	16.34%	-4.29%
12 Week Price Chg	-16.96%	-18.11%	-18.53%	-12.53%	-22.70%	-18.11%
52 Week Price Chg	-6.70%	-8.90%	-9.82%	0.57%	-16.42%	-4.22%
20 Day Average Volume	295,321	488,074	2,641,413	1,545,134	1,214,372	514,395
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.60%	0.00%
(F1) EPS Est 4 week change	0.00%	-0.88%	-6.62%	-1.33%	-1.14%	-3.09%
(F1) EPS Est 12 week change	0.00%	-2.25%	-13.28%	-1.39%	-1.08%	-3.34%
(Q1) EPS Est Mthly Chg	NA%	-2.02%	-11.97%	-3.03%	-7.25%	NA

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	F
Momentum Score	A
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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