

IDACORP, Inc (IDA)

\$105.59 (As of 01/06/20)

Price Target (6-12 Months): **\$112.00**

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: D

Momentum: B

Summary

IDACORP is benefiting from ongoing customer additions and constructive regulatory outcomes. Notably, the company has plans to invest substantially over the next five years to strengthen its infrastructure. The primary objective of the same is to provide efficient services to its expanding customer base. The company has taken initiatives to enhance financial strength, improve its core business, expand brand image and focus on safety in its operations. However, coming to price performance, shares of IDACORP have underperformed its industry in the past six months. The company operates under stringent regulatory environment. The operation of its hydro-electric power generation units requires licenses and the permitting process could involve a number of stringent conditions that may lead to significant capital expenditure.

Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$114.01 - \$89.81
20 Day Average Volume (sh)	259,308
Market Cap	\$5.3 B
YTD Price Change	-1.1%
Beta	0.18
Dividend / Div Yld	\$2.68 / 2.5%
Industry	Utility - Electric Power
Zacks Industry Rank	Bottom 35% (165 out of 254)

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	02/20/2020
Earnings ESP	0.0%
P/E TTM	25.2
P/E F1	23.2
PEG F1	6.1
P/S TTM	3.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020					1,385 E
2019	350 A	317 A	386 A		1,346 E
2018	310 A	340 A	409 A	312 A	1,371 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020					\$4.56 E
2019	\$0.84 A	\$1.05 A	\$1.78 A		\$4.46 E
2018	\$0.72 A	\$1.23 A	\$2.02 A	\$0.52 A	\$4.49 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, except sales and EPS estimates, is as of 01/06/2020. The reports text and the analyst-provided sales and EPS estimates are as of 01/07/2020.

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 nearly 565,000 customers as of Jun 30, 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 generation in 2018, 65% came from hydroelectric plants, 24% from coal-fired plants and 11% from natural gas fired plants.

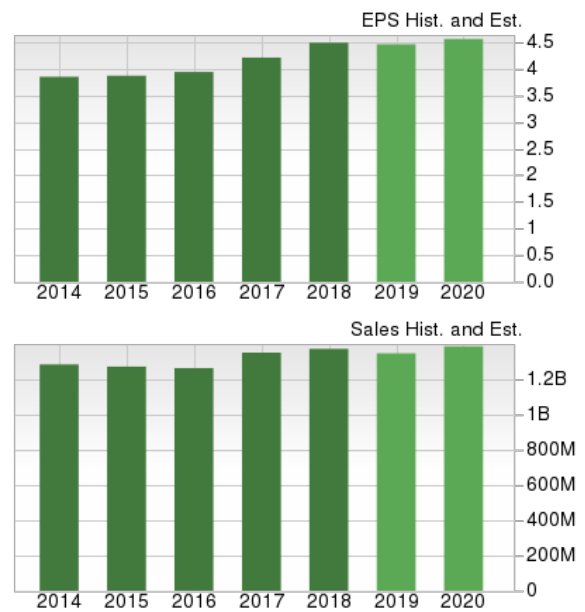
Total power supply in 2018 was 18,795 thousand MWhs, up from the 2017 level of 17,930 thousand MWhs. Along with owned generation, the company relies on long-term power purchase agreements to supply energy to end consumers. Its service area covers about 24,000 square miles. In 2018, the electric utility segment had contributed 99.7% to its total revenues, and off-system sales and the Other segment accounted for only 0.3%.

As of Dec 31, 2018, 45% of the total revenues of the company were generated from residential customers, 26% from commercial, 16% from industrial, and 13% from irrigation customers.

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. The ongoing economic improvements in its service territories have helped to expand its customer base. Gross domestic product in the company's service area is expected to grow 3.7% and 4.2% in 2019 and 2020, respectively. At the end of the third quarter, unemployment rate in its service area was 2.8% compared with the national average of 3.5%.

Customer growth led to an increase in operating income by \$14.1 million in the first nine months of 2019 from the corresponding period of 2018, as the number of Idaho Power customers grew 2.6% over the past 12 months. 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.

- ▲ Significant part of the outdoor construction season is already complete. The company projects capital expenditure to be nearly \$1.5 billion in the 2019-2023 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.

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 is much lower than the national average. Low cost of energy makes it a favorable destination for the investors, resulting in new large load projects. It is projected that nearly 11,000 new customers will move to IDACORP's service area each year over the next two decades. Also, the company expects the peak load to grow at an average of 50 megawatts per year. The company will continue to gain from new customers. The expanding generation portfolio will help it to 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 is involved in Energy Efficiency and Demand Response Programs, whose objective is to ensure efficient usage of energy. Its efficient usage of energy can minimize or delay the need for new generation and transmission infrastructure, and thereby help in reducing customers' utility bills.

- ▲ 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 Jim Bridger coal-fired units in 2022 and 2026, respectively, supporting its clean energy production goal by 2045.

Ongoing capital investments, customer growth, improving economic conditions in its service territories and focus on producing more electricity from clean sources are tailwinds.

Reasons To Sell:

- ▼ Despite measures taken by IDACORP, operating expenses in 2018 increased from 2017 levels and the trend continued in first-half 2019 as well. Operating expenses increased nearly 4% year over year in the first half of 2019. The ongoing increase in expenses is marginally offsetting the positive impact from rise in income, driven by customer growth and higher sales volume.
- ▼ 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.

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

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.

Last Earnings Report

IDACORP Q3 Earnings Drop Y/Y, Guidance Revised

IDACORP, Inc. reported third-quarter 2019 earnings of \$1.78 per share, which declined 11.88% from the year-ago quarter's figure of \$2.02.

The year-over-year decline in earnings was caused by mild and rainy weather, which led to lower irrigation sales and reduced transmission revenues on a year-over-year basis.

Highlights of the Release

Operating income increased \$5.5 million from the year-ago quarter's level. The upside can be attributed to 2.6% rise in Idaho Power customers.

Net income in the quarter under review was \$89.9 million, reflecting a 12% decline from \$102.2 million recorded in the year-ago period.

Guidance

IDACORP revised its 2019 earnings guidance in the range of \$4.40-\$4.50 from earlier expectation of \$4.35-\$4.50. The mid-point of the revised guidance is \$4.45, which is a penny less than the current Zacks Consensus Estimate of \$4.46.

The company lowered its view for 2019 operating and maintenance expenses associated with Idaho Power in the range of \$345-\$355 million as a result of effective cost management.

Quarter Ending **09/2019**

Report Date	Oct 31, 2019
Sales Surprise	NA
EPS Surprise	-10.26%
Quarterly EPS	1.78
Annual EPS (TTM)	4.19

Valuation

IDACORP shares are up 1.4% in the last six months period, and up 13.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utility sector was up 5% and 2.6% in the last six months period, respectively. Over the past year, the Zacks sub-industry and Zacks Utility sector are up 19.4% and 1.9% respectively.

The S&P 500 index is up 9.8% in the last six months period and up 25% in the past year.

The stock is currently trading at 23.16X of forward 12 months earnings, which compares to 14.06X for the Zacks sub-industry, 13.29X for the Zacks sector and 18.17X 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 20.56X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$112 price target reflects 24.39X 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 F 12M	Current	23.16	14.48	13.44	18.79
	5-Year High	24.97	14.66	15.33	19.34
	5-Year Low	14.84	11.19	12.61	15.17
	5-Year Median	20.6	13.09	13.68	17.44
P/S F12M	Current	3.88	2.24	2.88	3.47
	5-Year High	3.96	2.25	3.26	3.47
	5-Year Low	2.15	1.5	1.7	2.54
	5-Year Median	3.19	1.83	1.95	3
P/B TTM	Current	2.15	1.75	3.93	4.43
	5-Year High	2.37	1.86	3.96	4.45
	5-Year Low	1.41	1.32	2.01	2.85
	5-Year Median	1.94	1.55	2.55	3.6

As of 1/06/2020

Industry Analysis Zacks Industry Rank: Bottom 35% (165 out of 254)



Top Peers

Ameren Corporation (AEE)	Neutral
Avista Corporation (AVA)	Neutral
DTE Energy Company (DTE)	Neutral
Consolidated Edison Inc (ED)	Neutral
Edison International (EIX)	Neutral
Hawaiian Electric Industries, Inc. (HE)	Neutral
PPL Corporation (PPL)	Neutral
Pattern Energy Group Inc. (PEGI)	Underperform

Industry Comparison Industry: Utility - Electric Power				Industry Peers		
	IDA Neutral	X Industry	S&P 500	AEE Neutral	DTE Neutral	HE Neutral
VGM Score	D	-	-	C	D	C
Market Cap	5.32 B	9.10 B	23.72 B	18.74 B	24.42 B	4.99 B
# of Analysts	1	2	13	5	4	2
Dividend Yield	2.54%	2.80%	1.79%	2.60%	3.14%	2.79%
Value Score	D	-	-	C	C	C
Cash/Price	0.05	0.04	0.04	0.00	0.00	0.04
EV/EBITDA	13.52	11.27	13.90	10.89	13.01	11.55
PEG Ratio	6.02	3.68	2.00	3.51	3.29	5.60
Price/Book (P/B)	2.15	1.76	3.34	2.28	2.24	2.23
Price/Cash Flow (P/CF)	13.44	9.10	13.67	9.89	10.15	10.86
P/E (F1)	23.05	19.49	18.72	21.90	19.75	23.62
Price/Sales (P/S)	3.90	2.21	2.66	3.12	1.84	1.72
Earnings Yield	4.32%	5.06%	5.31%	4.57%	5.06%	4.23%
Debt/Equity	0.74	1.06	0.72	1.05	1.28	0.94
Cash Flow (\$/share)	7.86	4.03	6.94	7.70	12.70	4.22
Growth Score	D	-	-	C	D	C
Hist. EPS Growth (3-5 yrs)	3.79%	4.40%	10.56%	8.26%	7.64%	3.31%
Proj. EPS Growth (F1/F0)	2.24%	5.57%	7.42%	6.58%	5.28%	2.92%
Curr. Cash Flow Growth	4.64%	7.23%	14.83%	12.97%	10.89%	13.89%
Hist. Cash Flow Growth (3-5 yrs)	4.60%	4.93%	9.00%	8.12%	4.53%	6.78%
Current Ratio	2.08	0.81	1.23	0.65	0.77	0.08
Debt/Capital	42.64%	51.35%	42.92%	51.33%	56.15%	48.75%
Net Margin	15.52%	9.70%	11.08%	13.34%	8.24%	6.98%
Return on Equity	8.79%	9.47%	17.16%	10.10%	9.93%	9.23%
Sales/Assets	0.21	0.24	0.55	0.22	0.36	0.22
Proj. Sales Growth (F1/F0)	%	3.15%	4.15%	4.37%	5.16%	0.87%
Momentum Score	B	-	-	A	D	A
Daily Price Chg	0.00%	0.00%	0.10%	0.09%	-0.02%	-0.26%
1 Week Price Chg	-0.94%	-0.58%	-0.30%	-0.29%	0.10%	-1.54%
4 Week Price Chg	1.07%	2.51%	2.33%	1.60%	2.94%	3.17%
12 Week Price Chg	-3.76%	0.30%	7.02%	-0.18%	0.68%	2.87%
52 Week Price Chg	17.40%	17.66%	24.61%	19.26%	17.66%	29.03%
20 Day Average Volume	259,308	259,366	1,589,897	1,589,807	1,065,263	341,112
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.14%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.08%	0.00%	0.00%
(F1) EPS Est 12 week change	0.00%	-0.14%	-0.56%	-0.38%	1.05%	-1.77%
(Q1) EPS Est Mthly Chg	NA%	0.00%	0.00%	0.00%	NA	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	D
Momentum Score	B
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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