

IDACORP, Inc (IDA)

\$95.63 (As of 04/08/20)

Price Target (6-12 Months): **\$101.00**

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's investment plan over the next five years will enable it to strengthen infrastructure and provide efficient services to the expanding customer base. The company has taken initiatives to improve its core business, expand brand image and focus on safety in its operations. However, coming to price performance, shares of the company have underperformed its industry in the past six months. The company operates a number of hydro-electric power generation units requires licenses and the permitting process, which could involve a number of stringent conditions that may lead to significant capital expenditure. Development and usage of other low-cost alternate energy is a headwind.

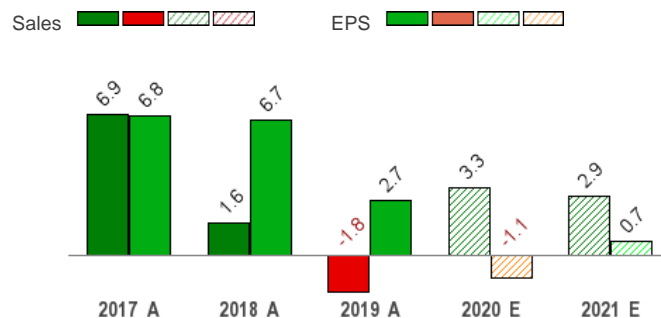
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$114.01 - \$69.05
20 Day Average Volume (sh)	483,399
Market Cap	\$4.8 B
YTD Price Change	-10.5%
Beta	0.47
Dividend / Div Yld	\$2.68 / 2.8%
Industry	Utility - Electric Power
Zacks Industry Rank	Top 20% (50 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	05/07/2020
Earnings ESP	0.0%
P/E TTM	20.8
P/E F1	21.0
PEG F1	5.5
P/S TTM	3.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					1,430 E
2020					1,390 E
2019	350 A	317 A	386 A	293 A	1,346 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$4.59 E
2020					\$4.56 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, except sales and EPS estimates, is as of 04/08/2020. The reports text and the analyst-provided sales and EPS estimates are as of 04/09/2020.

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.

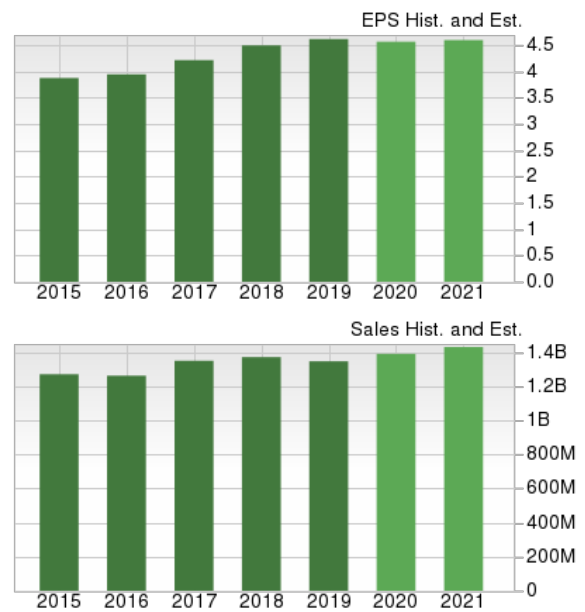
Idaho Power's asset base includes 17 hydroelectric generating plants in southern Idaho and eastern Ohio, 3 natural gas-fired generation facilities in southern Idaho, one diesel-powered generator and interests in 3 coal-fired steam electric generating plants in Wyoming, Nevada and Oregon. Out of its total 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. 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 4.4% and 4.4% in 2020 and 2021, respectively. At the end of 2019, 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 \$18.8 million in 2019 from 2018, as the number of Idaho Power customers grew 2.5% 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. In 2019, the company adopted a new dividend policy that provides for a target long-term dividend payout ratio between 60% and 70% of its sustainable earnings.

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

- ▲ Significant part of the outdoor construction season is already complete. The company projects capital expenditure in the range of \$1.6-\$1.67 billion in 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.

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 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. 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. 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 Jim Bridger coal-fired units in 2022 and 2026, respectively, supporting its 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.

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 six months shares of the company have lost 13.9% wider than its industry's decline of 10.7%.

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

▼ 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.

Last Earnings Report

IDACORP Q4 Earnings Increase Y/Y on Customer Growth

IDACORP, Inc. reported fourth-quarter 2019 earnings of 93 cents per share, which improved 78.8% from the year-ago figure of 52 cents.

The year-over-year improvement in earnings was attributable to strong economic activity in Idaho Power's service area and solid performance across IDACORP's other subsidiaries. Customer addition and cost management also had a positive impact on the company's bottom line.

Quarter Ending **12/2019**

Report Date	Feb 20, 2020
Sales Surprise	NA
EPS Surprise	-10.26%
Quarterly EPS	0.93
Annual EPS (TTM)	4.60

Highlights of the Release

In 2019, its customer base improved 2.5% year over year, which resulted in \$18.8 million increase in operating income from 2018 levels.

Net income in the quarter under review was \$47.1 million compared with \$26.1 million recorded in the year-ago period.

The company continues to lower the usage of coal in its electricity generation units. The usage of coal dropped 59% in 2019 from 2005 levels.

Guidance

IDACORP initiated its full-year 2020 earnings guidance in the range of \$4.45-\$4.65 per share and this guidance assumes 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 capital expenditure for 2020 is expected in the range of \$300-\$310 million.

Valuation

IDACORP shares are down 10.4% in the year to date period, and 2.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utility sector was down 12.2% and 14.9% respectively in the year to date period, respectively. Over the past year, the Zacks sub-industry and Zacks Utility sector was down 2.9% and 19.1% respectively.

The S&P 500 index is down 14.6% in the year to date period and 5% in the past year.

The stock is currently trading at 20.97X of forward 12 months earnings, which compares to 12.84X for the Zacks sub-industry, 12.04X for the Zacks sector and 17.7X 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 20.9X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$101 price target reflects 22.14X 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	20.97	12.84	12.04	17.7
	5-Year High	24.97	15.53	15.39	19.34
	5-Year Low	14.84	11.12	11.38	15.19
	5-Year Median	20.9	13.23	13.82	17.45
P/S F12M	Current	3.5	2.19	2.55	3.04
	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	3.24	1.87	2.03	3.01
P/B TTM	Current	1.95	1.52	3.12	3.66
	5-Year High	2.37	1.87	4.04	4.55
	5-Year Low	1.41	1.17	2.02	2.84
	5-Year Median	1.96	1.56	2.59	3.63

As of 4/8/2020

Industry Analysis Zacks Industry Rank: Top 20% (50 out of 253)



Top Peers

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

Industry Comparison Industry: Utility - Electric Power				Industry Peers		
	IDA Neutral	X Industry	S&P 500	AEE Neutral	DTE Neutral	HE Outperform
VGM Score	D	-	-	C	B	B
Market Cap	4.82 B	7.20 B	19.05 B	18.75 B	20.00 B	4.76 B
# of Analysts	1	2	13	5	5	1
Dividend Yield	2.80%	3.31%	2.23%	2.60%	3.90%	3.03%
Value Score	D	-	-	D	C	C
Cash/Price	0.05	0.05	0.06	0.00	0.01	0.05
EV/EBITDA	12.00	9.76	11.47	11.07	10.94	10.45
PEG Ratio	5.58	3.52	2.00	3.73	2.64	6.37
Price/Book (P/B)	1.95	1.45	2.56	2.28	1.69	2.08
Price/Cash Flow (P/CF)	11.85	7.94	10.14	9.70	8.02	9.54
P/E (F1)	21.36	17.33	16.97	21.98	15.85	22.47
Price/Sales (P/S)	3.58	1.87	2.01	3.17	1.58	1.66
Earnings Yield	4.77%	5.64%	5.81%	4.55%	6.31%	4.45%
Debt/Equity	0.70	1.06	0.70	1.09	1.36	0.95
Cash Flow (\$/share)	8.07	4.27	7.01	7.84	12.95	4.57
Growth Score	D	-	-	C	B	B
Hist. EPS Growth (3-5 yrs)	3.99%	4.77%	10.92%	8.19%	7.49%	4.14%
Proj. EPS Growth (F1/F0)	-1.08%	3.45%	-0.64%	3.22%	3.97%	-2.51%
Curr. Cash Flow Growth	2.71%	3.84%	5.93%	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	1.24	0.57	0.77	0.08
Debt/Capital	41.28%	51.32%	42.36%	52.09%	57.57%	49.08%
Net Margin	17.30%	10.79%	11.64%	14.01%	9.23%	7.65%
Return on Equity	9.57%	9.80%	16.74%	10.29%	10.52%	9.86%
Sales/Assets	0.21	0.23	0.54	0.21	0.33	0.21
Proj. Sales Growth (F1/F0)	0.00%	0.00%	0.61%	4.12%	2.70%	0.00%
Momentum Score	B	-	-	B	F	D
Daily Price Chg	5.25%	3.52%	4.33%	6.26%	6.56%	3.17%
1 Week Price Chg	-5.12%	-4.82%	-4.40%	-7.39%	-10.66%	-4.10%
4 Week Price Chg	-0.18%	-5.98%	-1.70%	-6.01%	-0.26%	3.81%
12 Week Price Chg	-11.59%	-14.98%	-20.64%	-2.80%	-21.33%	-7.19%
52 Week Price Chg	-2.37%	-8.61%	-12.97%	6.31%	-15.58%	6.99%
20 Day Average Volume	483,399	827,925	4,016,075	2,496,365	2,171,638	1,165,444
(F1) EPS Est 1 week change	0.00%	0.00%	-0.26%	0.00%	-0.64%	0.00%
(F1) EPS Est 4 week change	0.00%	-0.15%	-5.64%	-0.63%	-1.15%	0.00%
(F1) EPS Est 12 week change	0.00%	-0.54%	-7.49%	-0.54%	-0.56%	0.00%
(Q1) EPS Est Mthly Chg	NA%	-0.52%	-9.90%	1.73%	4.54%	NA

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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