IDACORP, Inc. (IDA)

Updated August 13th, 2022, by Patrick Neuwirth

Key Metrics

Current Price:	$114	**5 Year CAGR Estimate:**	5.0%	**Market Cap:**	$5.7 B
Fair Value Price:	$105	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	11/04/22
% Fair Value:	108%	**5 Year Valuation Multiple Estimate:**	-1.6%	**Dividend Payment Date[1]:**	11/30/22
Dividend Yield:	2.6%	**5 Year Price Target**	$128	**Years Of Dividend Growth:**	11
Dividend Risk Score:	C	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

IDACORP, Inc. is a holding company for Idaho Power Company, a regulated electric utility that serves 604,000 customers throughout a 24,000-square-mile area in southern Idaho and eastern Oregon. Idaho Power's commercial and industrial customers are engaged in the food processing, electronics and general manufacturing, agriculture, health care, government, and education sectors. Most of the company's revenues are derived from residential customers (42%), commercial (22%), and industrial (14%). Other subsidiaries include IDACORP Financial Services, Inc. (IFS), an investor in affordable housing and other real estate tax credit investments. IDACORP is a $5.7 billion company and has about 2,000 employees.

On August 4th, 2022, IDACORP released its second-quarter 2022 results. For the quarter the company reported net income of $64.3 million, or $1.27 per diluted share, compared with $70.0 million, or $1.38 per diluted share, in the second quarter of 2021. Total revenues in the second quarter were $358.7 million, down 0.4% year over year.

The year-over-year EPS decline of 7.9% is due to weather-related decreases in retail sales, the impacts of some scheduled plant maintenance and cost pressures from inflation. The headwinds were marginally offset by higher transmission wheeling revenues and a 2.6% (YoY) customer growth.

Important factors for IDACORP's future EPS growth are the population growth and a healthy Idaho economy. New industrial customers such as data centers (META in 2025) and clean energy projects (e.g., the Micron 40MW solar project) are expected to be long-term growth contributors. The company expects earnings-per-share to grow at a 4% to 5% compound annual rate from 2022 through 2026. Management anticipates future annual increases in the dividend of 5% or more, with the intent of remaining within a target payout ratio of between 60% and 70%.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$3.37	$3.64	$3.85	$3.87	$3.94	$4.21	$4.49	$4.61	$4.69	$4.85	***$5.00***	***$6.08***
DPS	$1.37	$1.57	$1.76	$1.92	$2.08	$2.24	$2.40	$2.56	$2.72	$2.88	***$3.00***	***$3.83***
Shares[2]	50	50	50	50	50	50	50	50	50	50	***50***	***50***

IDACORP's long-term earnings growth track record is solid, growing EPS nearly every year since 2007. Over the last five years, the average EPS growth rate is 3.5%.

We expect the company to grow its earnings-per-share by 4% per year on average over the next five years. The company has a good earnings track record and will benefit from an increased customer growth rate. The operating and maintenance expenses are well controlled by management. The total system rate base growth forecast is 9.8% (CAGR) 2022-2026.

The company has a long history of paying dividends and has increased its payout for 11 consecutive years. In September 2021, the quarterly dividend increased by 5.6% from $0.71 to $0.75 per share. Over the last five years, the average annual dividend growth rate is 6.0%.

[1] Estimated date.
[2] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Avg. P/E	12.4	13.4	14.7	16.2	19.1	20.6	20.5	22.3	19.9	20.8	***22.8***	***21.0***
Avg. Yld.	1.9%	3.3%	3.2%	3.1%	3.1%	2.8%	2.6%	2.5%	2.9%	2.9%	***2.6%***	***3.0%***

During the past decade shares of IDACORP have traded with an average price-to-earnings ratio of about 18 times earnings and today, it stands at 22.8. We are using 21 times earnings as a fair value baseline, implying the potential for a valuation headwind. The company's dividend yield is currently 2.6% and the dividend raises in the past years contributed to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	41%	43%	46%	50%	53%	53%	53%	56%	58%	59%	***60%***	***63%***

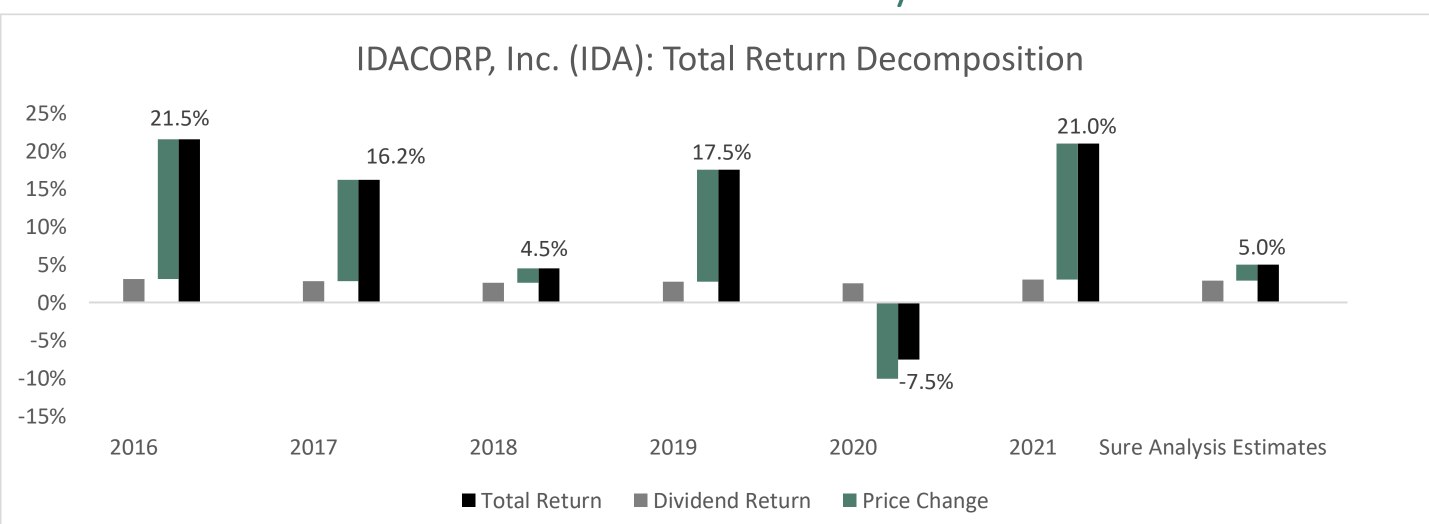
During the past five years, the company's dividend payout ratio has averaged around 56%. The company has a projected 2022 payout ratio of 60%, which indicates a sustainable dividend. Given the expected earnings growth, there is still room for the dividend to continue to grow at the same pace and remain within the company's target payout ratio of between 60% and 70%.

IDACORP is a special utility company which depends on the economic growth of Idaho and can differentiate with its hydroelectric power services. The company operates 17 hydropower generating plants located in southern Idaho and eastern Oregon and the hydroelectric power accounts for 32.5% of its total energy portfolio, compared to a 7% national average. This enables IDACORP to offer one of the cheapest electric rates in the U.S. and attract heavy electricity users such as data centers.

Final Thoughts & Recommendation

IDACORP is a steady company in terms of its earnings growth track record with 14 straight years of growth in EPS combined with a modest dividend growth pace. The company's dividend yield is below the electric utility industry average, and the total return is modest. We estimate a total return of 5.0% based on a 4% EPS growth, a 2.6% yield, and a valuation headwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	1,081	1,246	1,283	1,270	1,262	1,349	1,371	1,346	1,351	1,458
Gross Profit	312	372	327	361	349	394	372	377	391	397
Gross Margin	28.9%	29.9%	25.5%	28.4%	27.7%	29.2%	27.1%	28.0%	28.9%	27.2%
D&A Exp.	129	134	137	143	147	166	169	174	176	179
Operating Profit	243	292	254	282	272	304	281	287	298	314
Operating Margin	22.4%	23.4%	19.8%	22.2%	21.5%	22.6%	20.5%	21.3%	22.0%	21.6%
Net Profit	173	182	193	195	198	212	227	233	237	246
Net Margin	16.0%	14.6%	15.1%	15.3%	15.7%	15.7%	16.5%	17.3%	17.6%	16.8%
Free Cash Flow	9	59	90	59	47	150	214	88	77	63
Income Tax	34	72	17	46	36	49	17	25	29	37

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	5,291	5,365	5,701	6,023	6,290	6,045	6,383	6,641	7,095	7,211
Cash & Equivalents	27	78	57	115	61	77	267	217	275	215
Accounts Receivable	66	98	79	74	72	75	77	73	73	79
Inventories	51	54	55	57	58	56	55	57	65	78
Goodwill & Int. Ass.	18	16	14	12	---	---	---	---	---	---
Total Liabilities	3,545	3,510	3,743	3,961	4,132	3,789	4,007	4,171	4,529	4,535
Accounts Payable	90	92	89	96	106	90	111	111	121	146
Long-Term Debt	1,607	1,671	1,631	1,746	1,767	1,746	1,835	1,837	2,000	2,001
Shareholder's Equity	1,742	1,851	1,953	2,058	2,154	2,251	2,370	2,465	2,560	2,668
LTD/E Ratio	0.92	0.90	0.84	0.85	0.82	0.78	0.77	0.75	0.78	0.75

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	3.4%	3.4%	3.5%	3.3%	3.2%	3.4%	3.6%	3.6%	3.5%	3.4%
Return on Equity	10.2%	10.2%	10.2%	9.7%	9.4%	9.6%	9.8%	9.6%	9.5%	9.4%
ROIC	5.3%	5.3%	5.4%	5.3%	5.1%	5.4%	5.5%	5.5%	5.4%	5.3%
Shares Out.	50	50	50	50	50	50	50	50	50	50
Revenue/Share	21.61	24.86	25.55	25.26	25.05	26.76	27.14	26.64	26.71	28.79
FCF/Share	0.19	1.17	1.80	1.18	0.94	2.97	4.23	1.74	1.53	1.25

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.