IDACORP, Inc. (IDA)

Updated February 19th, 2023, by Patrick Neuwirth

Key Metrics

Current Price:	$106	**5 Year CAGR Estimate:**	5.9%	**Market Cap:**	$5.3 B
Fair Value Price:	$106	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date[1]:**	05/02/23
% Fair Value:	100%	**5 Year Valuation Multiple Estimate:**	0.1%	**Dividend Payment Date[1]:**	05/31/23
Dividend Yield:	3.0%	**5 Year Price Target**	$123	**Years Of Dividend Growth:**	12
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 $5.3 billion company and has about 2,000 employees.

On February 16th, 2023, IDACORP released its fourth quarter 2022 results for the period ending December 31st, 2022. For the quarter, the company reported net income of $42.1 million and $0.83 earnings per diluted share, compared with $32.7 million and $0.65 earnings per diluted share in the same quarter last year. For the full year 2022, IDACORP reported net income of $259 million and $5.11 earnings per diluted share, compared with $245.5 million and $4.85 earnings per diluted share from last year. Customer growth in Idaho Power's service areas increased 2.4% year-over-year boosted the operating income by $2.7 million in fourth quarter from the year-ago level. The expenses for the fourth quarter of 2022 rose by $6.6 million compared to the same period in the previous year. This increase was caused by inflationary pressures on labor-related expenses, professional services, and vehicle fuel.

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%. IDACORP expects its 2023 earnings in the range of $4.95 to $5.15 per share, which is slightly lower compared to the 2022 EPS figure of $5.11.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$3.64	$3.85	$3.87	$3.94	$4.21	$4.49	$4.61	$4.69	$4.85	$5.11	***$5.05***	***$5.85***
DPS	$1.57	$1.76	$1.92	$2.08	$2.24	$2.40	$2.56	$2.72	$2.88	$3.04	***$3.16***	***$3.84***
Shares[2]	50	50	50	50	50	50	50	50	50	50	***50***	***50***

IDACORP has a reliable track record of long-term earnings growth, with EPS increasing almost every year since 2007. However, over the past five years, the average EPS growth rate has been at a relatively slow pace of 2.8%. We expect the company to grow its earnings-per-share by 3% per year on average over the next five years. The company will benefit from an increased customer growth rate. The operating and maintenance expenses are well controlled by management but inflationary pressures are currently challenging. The total system rate base growth forecast is 11.1% (CAGR) 2023-2027.

---

[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.

IDACORP, Inc. (IDA)

Updated February 19th, 2023, by Patrick Neuwirth

The company has a long history of paying dividends and has increased its payout for 12 consecutive years. In October 2022, the quarterly dividend increased by 5.3% from $0.75 to $0.79 per share. Over the last five years, the average annual dividend growth rate is 5.7%.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	13.4	14.7	16.2	19.1	20.6	20.5	22.3	19.9	20.8	20.0	***20.9***	***21.0***
Avg. Yld.	1.9%	3.2%	3.1%	3.1%	2.8%	2.6%	2.5%	2.9%	2.9%	3.1%	***3.0%***	***3.1%***

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 20.9. We are using 21 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 3.0% and the dividend raises in the past years contributed to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	43%	46%	50%	53%	53%	53%	56%	58%	59%	59%	***63%***	***66%***

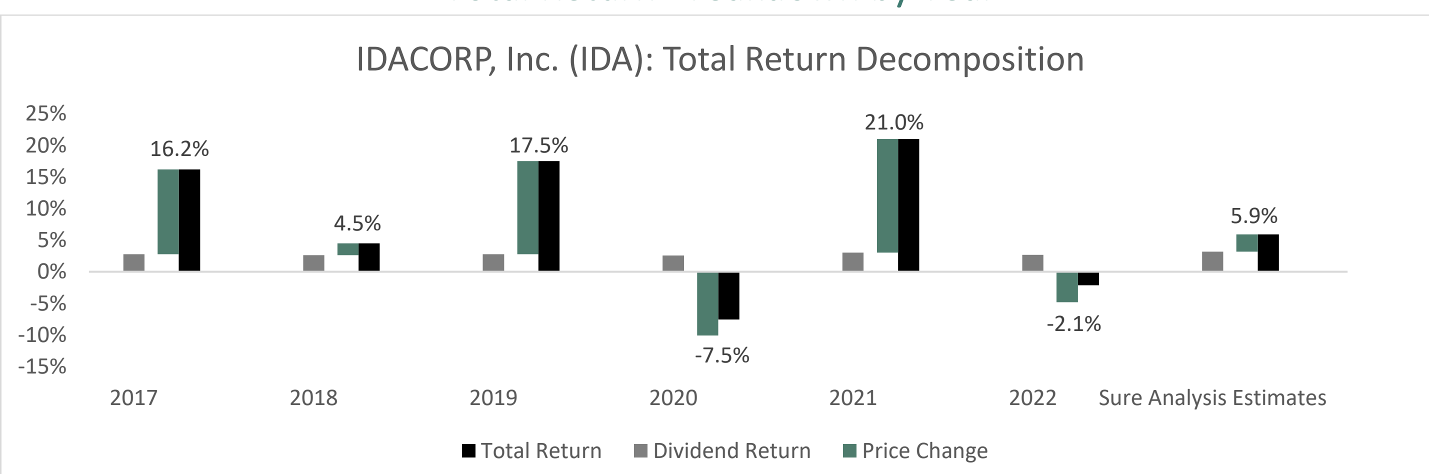
During the past five years, the company's dividend payout ratio has averaged around 53%. The company has a projected 2023 payout ratio of 63%, which indicates a sustainable dividend. Given the expected earnings growth, there is still room for the dividend to continue to grow at the same pace and remain 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 15 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 5.9% for the next five years based on a 3% EPS growth, a 3.0% yield, and a small valuation tailwind. Shares earn a hold rating.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.]

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.

IDACORP, Inc. (IDA)

Updated February 19th, 2023, by Patrick Neuwirth

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.