IDACORP, Inc. (IDA)

Updated February 18th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	$89	**5 Year CAGR Estimate:**	12.1%	**Market Cap:**	$4.5 B
Fair Value Price:	$113	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	02/02/24
% Fair Value:	78%	**5 Year Valuation Multiple Estimate:**	5.0%	**Dividend Payment Date:**	02/28/24
Dividend Yield:	3.7%	**5 Year Price Target**	$138	**Years Of Dividend Growth:**	13
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Rating:**	Buy

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 $4.5 billion company and has about 2,100 employees.

On February 15th, 2024, IDACORP released its fourth quarter and full year 2023 results for the period ending December 31st, 2023. For the quarter, the company reported net income of $31.3 million and $0.61 earnings per diluted share, compared with $42.1 million and $0.83 earnings per diluted share in the same quarter last year. Customer growth in Idaho Power's service areas increased 2.4% year-over-year boosted the operating income by $4.3 million in the reporting quarter from the year-ago level. The expenses in the reporting quarter rose $8.8 million due to compensation accruals, inflation, professional services, and plant maintenance.

For the full year 2023, IDACORP reported net income of $261.2 million, or $5.14 per diluted share, compared with $259.0 million, or $5.11 per diluted share, in 2022. In 2023, IDACORP's net income rose by $2.2 million over 2022, mainly due to increased earnings at Idaho Power, which saw 2.4% customer growth boost operating income by $15.7 million. However, lower per-customer sales across all classes, especially residential and irrigation, reduced operating income by $31.3 million. Weather changes led to decreased energy use, partially offset by $15.1 million from the Fixed Cost Adjustment mechanism.

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 2023 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 is initiating its full-year 2024 earnings guidance to the range of $5.25 to $5.45 per diluted share, with the expectation that Idaho Power will use between $35 and $60 million of additional tax credits available under the Idaho earnings support regulatory mechanism in 2024. The earnings guidance also assumes normal weather conditions throughout the year.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$3.85	$3.87	$3.94	$4.21	$4.49	$4.61	$4.69	$4.85	$5.11	$5.14	***$5.40***	***$6.57***
DPS	$1.76	$1.92	$2.08	$2.24	$2.40	$2.56	$2.72	$2.88	$3.04	$3.32	***$3.32***	***$4.24***
Shares[1]	50	50	50	50	50	50	50	50	50	50	***51***	***52***

[1] In millions.

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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 3.2%. We expect the company to grow its earnings-per-share by 4% 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) for 2023 to 2027. The company has a long history of paying dividends and has increased its payout for 13 consecutive years. In October 2023, the quarterly dividend increased by 5.1% from $0.79 to $0.83 per share. Over the last five years, the average annual dividend growth rate is 5.3%.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	14.7	16.2	19.1	20.6	20.5	22.3	19.9	20.8	21.0	19.6	***16.4***	***21.0***
Avg. Yld.	1.9%	3.1%	3.1%	2.8%	2.6%	2.5%	2.9%	2.9%	2.8%	3.3%	***3.7%***	***3.1%***

During the past decade shares of IDACORP have traded with an average price-to-earnings ratio of about 19.5 times earnings and today, it stands at 16.4. 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 3.7% and the dividend raises in the past years contributed to total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	46%	50%	53%	53%	53%	56%	58%	59%	59%	65%	***61%***	***64%***

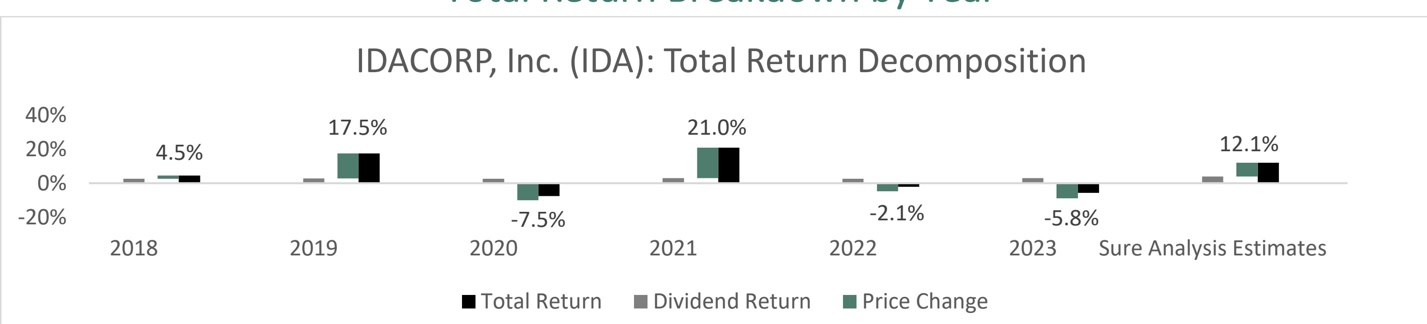
During the past five years, the company's dividend payout ratio has averaged around 59%. The company has a projected 2024 payout ratio of 61%, which indicates a sustainable dividend. Given the expected earnings growth, there is still room for the dividend to continue to grow at the same pace and remain 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 as it has 15 straight years of EPS growth combined with a modest dividend increases. The company's dividend yield is below the electric utility industry average, but appears safe. We estimate a total annual return of 12.1% for the next five years based on a 4% EPS growth, a 3.7% yield, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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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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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	1,246	1,283	1,270	1,262	1,349	1,371	1,346	1,351	1,458	1,644
Gross Profit	372	327	361	349	394	372	377	391	397	330
Gross Margin	29.9%	25.5%	28.4%	27.7%	29.2%	27.1%	28.0%	28.9%	27.2%	20.1%
D&A Exp.	134	137	143	147	166	169	174	176	179	174
Operating Profit	292	254	282	272	304	281	287	298	314	318
Operating Margin	23.4%	19.8%	22.2%	21.5%	22.6%	20.5%	21.3%	22.0%	21.6%	19.3%
Net Profit	182	193	195	198	212	227	233	237	246	259
Net Margin	14.6%	15.1%	15.3%	15.7%	15.7%	16.5%	17.3%	17.6%	16.8%	15.8%
Free Cash Flow	59	90	59	47	150	214	88	77	63	(81)
Income Tax	72	17	46	36	49	17	25	29	37	38

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	5,365	5,701	6,023	6,290	6,045	6,383	6,641	7,095	7,211	7,543
Cash & Equivalents	78	57	115	61	77	267	217	275	215	178
Accounts Receivable	98	79	74	72	75	77	73	73	79	114
Inventories	54	55	57	58	56	55	57	65	78	107
Goodwill & Int. Ass.	16	14	12	---	---	---	---	---	---	---
Total Liabilities	3,510	3,743	3,961	4,132	3,789	4,007	4,171	4,529	4,535	4,729
Accounts Payable	92	89	96	106	90	111	111	121	146	293
Long-Term Debt	1,671	1,631	1,746	1,767	1,746	1,835	1,837	2,000	2,001	2,194
Shareholder's Equity	1,851	1,953	2,058	2,154	2,251	2,370	2,465	2,560	2,668	2,807
LTD/E Ratio	0.90	0.84	0.85	0.82	0.78	0.77	0.75	0.78	0.75	0.78

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	3.4%	3.5%	3.3%	3.2%	3.4%	3.6%	3.6%	3.5%	3.4%	3.5%
Return on Equity	10.2%	10.2%	9.7%	9.4%	9.6%	9.8%	9.6%	9.5%	9.4%	9.5%
ROIC	5.3%	5.4%	5.3%	5.1%	5.4%	5.5%	5.5%	5.4%	5.3%	5.4%
Shares Out.	50	50	50	50	50	50	50	50	50	50.7
Revenue/Share	24.86	25.55	25.26	25.05	26.76	27.14	26.64	26.71	28.79	32.43
FCF/Share	1.17	1.80	1.18	0.94	2.97	4.23	1.74	1.53	1.25	(1.60)

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