Avista Corp. (AVA)

Updated March 5th, 2025, by Tiago Dias

Key Metrics

Current Price:	$39	**5 Year CAGR Estimate:**	6.9%	**Market Cap:**	$3 B
Fair Value Price:	$38	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	02/26/2025
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.6%	**Dividend Payment Date:**	03/14/2025
Dividend Yield:	5.0%	**5 Year Price Target**	$44	**Years Of Dividend Growth:**	21
Dividend Risk Score:	C	**Retirement Suitability Score:**	B	**Rating:**	Hold

Overview & Current Events

Avista Corp. (AVA) is an electric and natural gas utility operating primarily in the states of Washington, Idaho, Oregon, and Alaska. In addition to its regulated utility business, the company also operates other businesses, including venture funds, real estate investments, and other investments. Founded in 1889, this $3 billion market cap company has raised its dividend every year for the past 21 years.

Avista reported its Q4 and full year 2024 earnings on February 26th, 2025. For the quarter, the company reported EPS of $0.84, compared to the $1.08 earnings per share the company reported in the same period in 2023. For the full year the company reported $2.29 in earnings per share, above the $2.24 per share reported in the prior year. Avista declared a $0.49 dividend payable to shareholders in March, which was an increase over the previous quarterly dividend of $0.475 per share. The company initiated its 2025 earnings guidance with a consolidated range of $2.52 to $2.72 per share, with the expectation of continued favorable regulatory developments in Oregon and Idaho.

The company's CAPEX expenditures for 2024 were $510 million. The management team reiterated expectations of around $525 million in CAPEX for full-year 2025, $575 million in 2026 and $600 million in 2027.

The management team highlighted the strong foundation laid with the capital investments done in 2024, and is excited about the opportunities 2025 will bring, including seeking out transmission projects and additional large load customers that align with strategic priorities.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.89	$2.15	$1.95	$2.07	$2.97	$1.90	$2.10	$2.12	$2.24	$2.29	***$2.52***	***$2.92***
DPS	$1.32	$1.37	$1.43	$1.49	$1.55	$1.62	$1.69	$1.76	$1.84	$1.90	***$1.96***	***$2.27***
Shares	62	64	65	66	67	69	72	74	74	74	***75.0***	***77.0***

Utility companies are often seen as stable businesses with low volatility in their dividends, at the expense of limited growth opportunities. Avista Corp. is no different from its peers, and its dividend has steadily and slowly grown over the past decade. Unfortunately, this stability has also come at a great cost, and its revenue has been flat over this period, with earnings growth coming primarily from increased margins.

As a mature company in a mature industry, we don't expect this situation to change, and while the rate increases that are currently being negotiated may bump up the revenue a little bit, we expect that much of those increased revenues will be balanced out by higher costs, both in commodities and in labor. Additionally, environmental concerns will likely continue to add downward pressure in terms of overall electricity and natural gas consumption, and the company will also continue to issue shares which will also depress earnings per share.

For these reasons we estimate only 3% annual growth over the next 5 years, and estimate earnings of $2.92 per share in 2030, with a dividend per share of $2.27. This is a more conservative estimate than the company's own expectations, but one that we believe is more in line with the company's historical norms and future prospects.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	17.6	18.8	23.4	24.5	15.0	21.2	20.2	20.0	18.0	16.6	***15.5***	***15.0***
Avg. Yld.	4.0%	4.0%	3.4%	3.1%	2.9%	3.5%	4.0%	4.0%	4.6%	5.0%	***5.0%***	***5.2%***

Avista has traded hands with an average P/E ratio of about 19 times earnings in the last decade. While it's possible that this premium will continue to be paid, such a situation would not be justified by the company's fundamentals, and as such we expect the company's valuation to remain on the lower end of its historical range by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	70%	64%	73%	72%	52%	85%	80%	83%	82%	83%	***78%***	***78%***

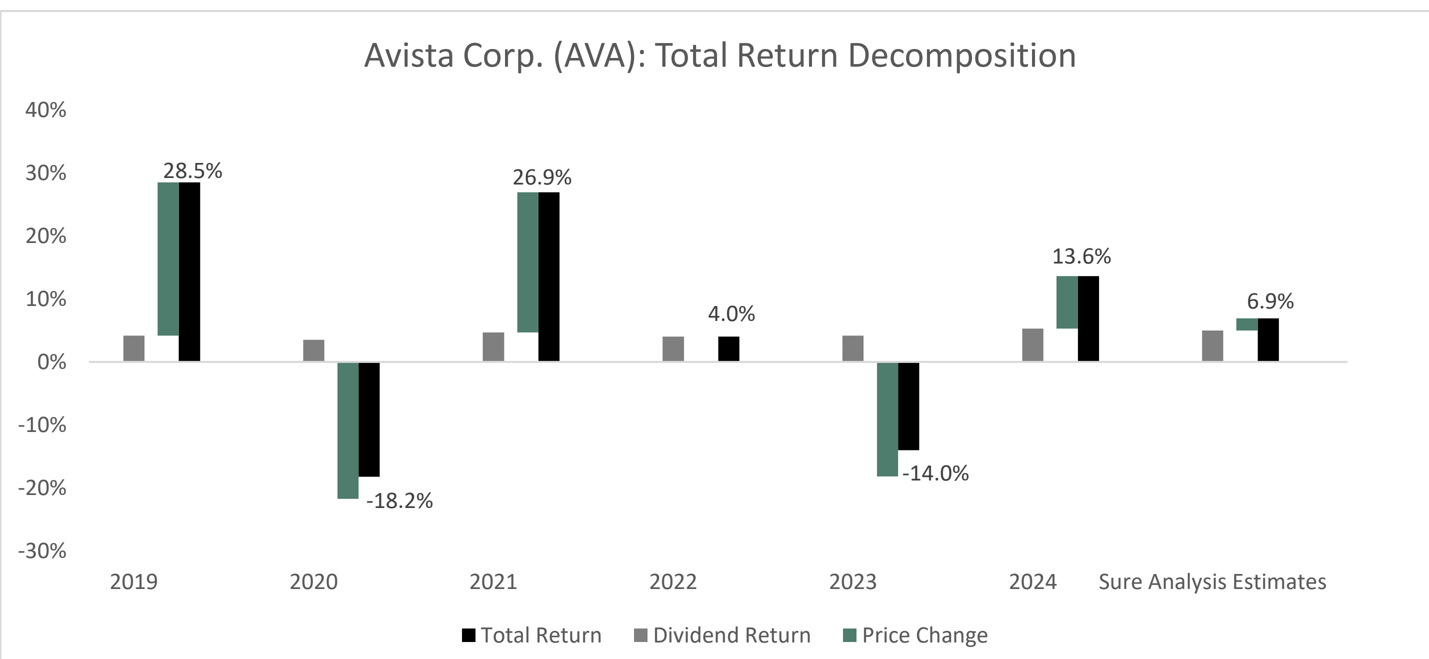
Avista is a regulated utility. This core competitive advantage is also the thing that limited its revenue growth over the past decade. Regulated utilities operate as government backed monopolies, and as such they don't have to worry about any new competition coming in and disrupting their business. At the same time, however, the stringent regulations they operate under make it difficult to grow the business, and operate it in an efficient manner, and any price increases are subject to political pressures.

So far, the company has been successful in its settlements with regulators, and there is every expectation that the ongoing rate plans that are being negotiated will also be successful, but such things always introduce additional risks that investors should be aware of.

Final Thoughts & Recommendation

Despite an attractive 5% dividend yield, we are forecasting total return potential of just 6.9% per annum, driven by the yield and 3% growth, offset by the possibility of a small valuation headwind. As a result, the shares earn a hold rating.

Total Return Breakdown by Year



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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,473	1,485	1,442	1,446	1,397	1,346	1,322	1,439	1,710	1,752
Gross Profit	794	828	891	921	902	906	923	942	974	1,049
Gross Margin	53.9%	55.8%	61.8%	63.7%	64.6%	67.3%	69.9%	65.5%	57.0%	59.9%
D&A Exp.	138	148	165	176	187	206	224	232	253	265
Operating Profit	253	253	300	307	265	230	233	228	190	258
Op. Margin	17.2%	17.1%	20.8%	21.2%	19.0%	17.1%	17.6%	15.9%	11.1%	14.7%
Net Profit	192	123	137	116	136	197	129	147	155	171
Net Margin	13.0%	8.3%	9.5%	8.0%	9.8%	14.6%	9.8%	10.2%	9.1%	9.8%
Free Cash Flow	(65)	(18)	(48)	(2)	(62)	(44)	(73)	(173)	(328)	(52)
Income Tax	72	67	78	83	26	31	7	12	(17)	(34)

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	4,701	4,907	5,310	5,515	5,783	6,082	6,402	6,854	7,417	7,702
Cash & Equivalents	22	10	9	16	15	10	14	22	13	35
Acc. Receivable	172	169	180	186	166	167	164	203	256	217
Inventories	66	54	53	58	64	67	67	85	108	160
Goodwill & Int.	58	58	58	58	58	52	52	52	52	72
Total Liabilities	3,218	3,378	3,661	3,784	4,009	4,143	4,372	4,699	5,083	5,217
Accounts Payable	113	114	116	107	108	110	107	133	203	143
Long-Term Debt	1,645	1,730	1,854	1,926	2,105	2,133	2,263	2,484	2,809	2,931
Total Equity	1,484	1,529	1,649	1,730	1,773	1,939	2,030	2,155	2,335	2,485
LTD/E Ratio	1.11	1.13	1.12	1.11	1.19	1.10	1.12	1.15	1.20	1.18

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.2%	2.6%	2.7%	2.1%	2.4%	3.3%	2.1%	2.2%	2.2%	2.3%
Return on Equity	13.8%	8.2%	8.6%	6.9%	7.8%	10.6%	6.5%	7.0%	6.9%	7.1%
ROIC	6.4%	3.9%	4.1%	3.2%	3.6%	5.0%	3.1%	3.3%	3.2%	3.2%
Shares Out.	62	62	64	65	66	67	69	72	73	76
Revenue/Share	23.79	23.68	22.57	22.31	21.18	20.29	19.41	20.53	23.40	22.90
FCF/Share	(1.05)	(0.28)	(0.76)	(0.03)	(0.95)	(0.67)	(1.08)	(2.46)	(4.48)	(0.67)

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