Avista Corp. (AVA)

Updated May 12th, 2025, by Kody Kester

Key Metrics

Current Price:	$39	**5 Year CAGR Estimate:**	11.4%	**Market Cap:**	$3.2B
Fair Value Price:	$44	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	05/13/2025
% Fair Value:	89%	**5 Year Valuation Multiple Estimate:**	2.4%	**Dividend Payment Date:**	06/13/2025
Dividend Yield:	5.0%	**5 Year Price Target**	$56	**Years Of Dividend Growth:**	22
Dividend Risk Score:	D	**Sector:**	Utilities	**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 22 years.

On May 7th, AVA shared its first-quarter earnings report for the period ended March 31st, 2025. The company's operating revenue edged 1.3% higher year-over-year to $603 million during the quarter. That was driven by higher gas and electric rates in Washington state that went into effect on January 1st. These settlements lifted base electric and gas revenue by $11.9 million and $14.2 million annually, respectively. AVA's diluted EPS grew by 7.7% over the year-ago period to $0.98 in the quarter. That was $0.05 shy of the analyst consensus for the quarter. Also of note, AVA reiterated its diluted EPS guidance of between $2.52 and $2.72 for 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.97	$2.15	$1.79	$2.07	$2.97	$1.90	$2.10	$2.12	$2.24	$2.29	***$2.60***	***$3.32***
DPS	$1.32	$1.37	$1.43	$1.49	$1.55	$1.62	$1.69	$1.76	$1.84	$1.90	***$1.96***	***$2.38***
Shares[1]	62.3	64.2	65.5	65.7	67.2	69.2	71.5	75.0	78.1	80.0	***80.6***	***93.4***

Over the last decade, AVA's diluted EPS have gradually moved higher. In the past five years, the utility's EPS have grown by just over 6% annually. Moving forward, we believe that Avista can generate 5% annual diluted EPS growth.

That's because the utility plans to spend roughly $3 billion on capital expenditures from 2025 through 2029, which will support customer growth and system maintenance for the benefit of customers. This is expected to generate a 5% to 6% annual rate base growth over that period. Additionally, these estimates don't include any incremental capital that would arise from transmission projects like the North Plains Connector or new large load customers. As a utility, AVA is partially reliant on share issuances to raise cash for its planned capex. As a result, we believe that the share count will continue to rise by about 3% annually over the medium term. That would take the share count from 80.6 million currently to around 93.4 million by 2030.

[1] Share count is 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	18.0	18.6	28.8	20.5	16.2	21.1	20.2	20.9	16.0	16.0	***15.1***	***17.0***
Avg. Yld.	3.7%	3.4%	2.8%	3.5%	3.2%	4.0%	4.0%	4.0%	5.1%	5.2%	***5.0%***	***4.2%***

Since 2015, AVA's shares have been valued at as little as the mid-teens and as much as the high 20s. The average P/E ratio in that time was nearly 20. Looking ahead, we believe that AVA's fair value P/E ratio will be approximately 17. That's based on our assumption that the 10-year U.S. Treasury yield will be somewhat elevated versus its 10-year average in the years to come. Compared to the current P/E ratio of 15.1, that could mean shares are moderately undervalued now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	67%	64%	80%	72%	52%	85%	80%	83%	82%	83%	***75%***	***72%***

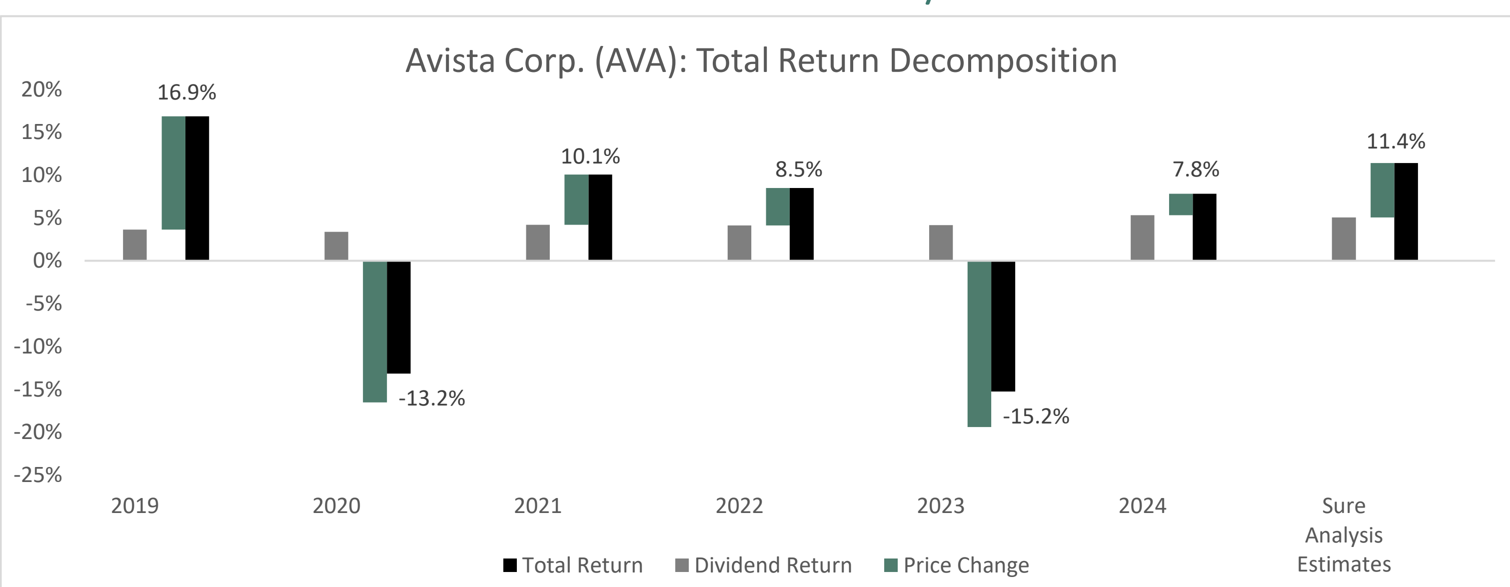
As a regulated utility, AVA's core competitive advantage is also what limits its growth. Regulated utilities operate as government-backed monopolies. The benefit is that they don't have to worry about any new competition coming in and disrupting their business. At the same time, the regulations they operate under make it difficult to grow the business.

Financially, AVA is well-positioned. The company has only $25 million in debt maturities through 2028, with no other maturities in 2029 through 2034. As of March 31st, 2025, AVA also had $261 million in available liquidity. That accounts for the investment-grade, BBB credit rating from S&P. AVA's estimated dividend payout ratio for 2025 of 75% is about where we like to see it for regulated utilities. This is why we believe that the company can build on its 22-year dividend growth streak for the foreseeable future with more 4% dividend increases each year. That could also help AVA's dividend to become even more secure for a utility, dropping the payout ratio to the low-70% range by 2030.

Final Thoughts & Recommendation

AVA's 5.0% dividend yield, 5.0% annual earnings growth prospects, and 2.4% annual valuation multiple expansion potential could generate 11.4% annual total returns through 2030. This is respectable. However, we believe there are better options in the regulated utility investment universe. That's why we're maintaining our hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,485	1,442	1,446	1,397	1,346	1,322	1,439	1,710	1,752	1,938
Gross Profit	828	891	921	902	906	923	942	974	1,049	1,140
Gross Margin	55.8%	61.8%	63.7%	64.6%	67.3%	69.9%	65.5%	57.0%	59.9%	58.8%
D&A Exp.	148	165	176	187	206	224	232	253	265	274
Operating Profit	253	300	307	265	230	233	228	190	258	306
Op. Margin	17.1%	20.8%	21.2%	19.0%	17.1%	17.6%	15.9%	11.1%	14.7%	15.8%
Net Profit	123	137	116	136	197	129	147	155	171	180
Net Margin	8.3%	9.5%	8.0%	9.8%	14.6%	9.8%	10.2%	9.1%	9.8%	9.3%
Free Cash Flow	(18)	(48)	(2)	(62)	(44)	(73)	(173)	(328)	(52)	1
Income Tax	67	78	83	26	31	7	12	(17)	(34)	3

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,907	5,310	5,515	5,783	6,082	6,402	6,854	7,417	7,702	7,941
Cash & Equivalents	10	9	16	15	10	14	22	13	35	30
Acc. Receivable	169	180	186	166	167	164	203	256	217	237
Inventories	54	53	58	64	67	67	85	108	160	193
Goodwill & Int.	58	58	58	58	52	52	52	52	72	70
Total Liabilities	3,378	3,661	3,784	4,009	4,143	4,372	4,699	5,083	5,217	5,350
Accounts Payable	114	116	107	108	110	107	133	203	143	125
Long-Term Debt	1,730	1,854	1,926	2,105	2,133	2,263	2,484	2,809	2,931	2,666
Total Equity	1,529	1,649	1,730	1,773	1,939	2,030	2,155	2,335	2,485	2,591
LTD/E Ratio	1.13	1.12	1.11	1.19	1.10	1.12	1.15	1.20	1.18	1.03

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.6%	2.7%	2.1%	2.4%	3.3%	2.1%	2.2%	2.2%	2.3%	2.3%
Return on Equity	8.2%	8.6%	6.9%	7.8%	10.6%	6.5%	7.0%	6.9%	7.1%	7.1%
ROIC	3.9%	4.1%	3.2%	3.6%	5.0%	3.1%	3.3%	3.2%	3.2%	3.2%
Shares Out.	62	64	65	66	67	69	72	73	76	79
Revenue/Share	23.68	22.57	22.31	21.18	20.29	19.41	20.53	23.40	22.90	24.53
FCF/Share	(0.28)	(0.76)	(0.03)	(0.95)	(0.67)	(1.08)	(2.46)	(4.48)	(0.67)	0.01

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