EL PASO ELECTRIC NYSE-EE

RECENT PRICE **67.30** | P/E RATIO **33.7** (Trailing: 33.7 / Median: 17.0) | RELATIVE P/E RATIO **1.64** | DIV'D YLD **2.4%** | VALUE LINE

High:	21.1	28.7	35.7	35.3	39.1	42.2	41.3	48.8	61.2	64.4	74.4	70.0
Low:	11.6	18.7	26.7	29.2	31.8	33.4	33.8	37.2	44.7	48.1	48.0	61.7

TIMELINESS – Suspended 6/14/19

SAFETY 2 Raised 5/11/07

TECHNICAL – Suspended 6/14/19

BETA .50 (1.00 = Market)

18-Month Target Price Range

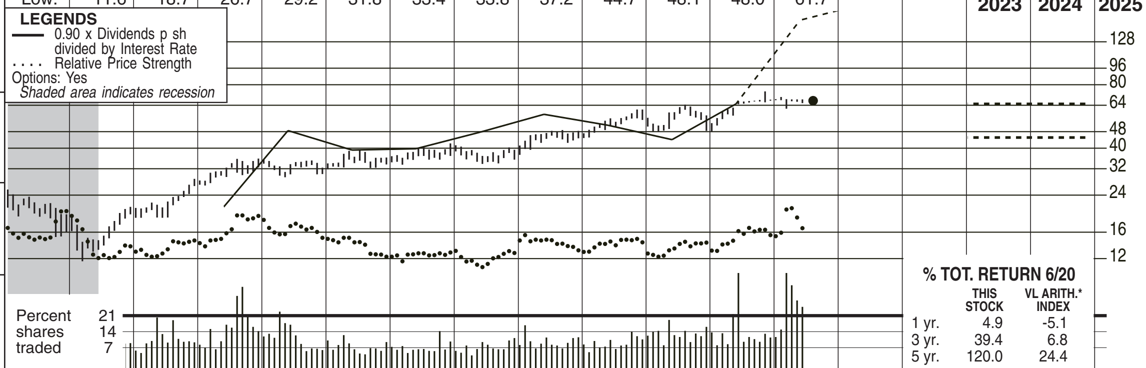
Low-High	Midpoint (% to Mid)
$59-$90	$75 (10%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(-5%)	2%
Low	45	(-35%)	-6%

Institutional Decisions

	3Q2019	4Q2019	1Q2020
to Buy	99	106	102
to Sell	100	80	103
Hld's(000)	37508	38840	37591



% TOT. RETURN 6/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	4.9	-5.1
3 yr.	39.4	6.8
5 yr.	120.0	24.4

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
14.95	16.70	17.75	19.43	23.15	18.85	20.61	22.97	21.26	22.11	22.74	21.01	21.89	22.59	22.21	21.16	*18.35*	*19.40*	Revenues per sh	*20.75*
3.27	3.05	3.44	3.86	4.16	4.07	5.15	6.05	5.66	5.65	5.87	5.75	5.98	6.17	5.89	6.98	*5.95*	*6.75*	"Cash Flow" per sh	*7.50*
.69	.76	1.27	1.63	1.73	1.50	2.07	2.48	2.26	2.20	2.27	2.03	2.39	2.42	2.07	3.01	*2.00*	*2.60*	Earnings per sh A	*2.75*
--	--	--	--	--	--	--	.66	.97	1.05	1.11	1.17	1.23	1.32	1.42	1.52	*1.62*	*1.72*	Div'd Decl'd per sh B	*2.05*
1.94	2.28	2.73	4.63	5.36	5.95	5.27	5.90	6.70	7.18	8.50	8.55	7.03	5.91	6.84	6.36	*7.20*	*8.15*	Cap'l Spending per sh	*8.75*
11.23	11.56	12.60	14.76	15.47	16.45	19.04	19.03	20.57	23.44	24.39	25.13	26.52	28.14	28.62	29.87	*31.55*	*32.25*	Book Value per sh C	*34.25*
47.40	48.14	46.00	45.15	44.88	43.92	42.57	39.96	40.11	40.27	40.36	40.44	40.52	40.58	40.68	40.73	*42.25*	*42.50*	Common Shs Outst'g D	*43.25*
22.0	26.7	16.9	15.3	11.9	10.8	10.7	12.6	14.5	15.9	16.4	18.3	18.7	21.8	26.8	20.8	*Bold figures are*		Avg Ann'l P/E Ratio	*20.0*
1.16	1.42	.91	.81	.72	.72	.68	.79	.92	.89	.86	.92	.98	1.10	1.45	1.12	*Value Line*		Relative P/E Ratio	*1.10*
--	--	--	--	--	--	--	2.1%	3.0%	3.0%	3.0%	3.1%	2.7%	2.5%	2.5%	2.4%	*estimates*		Avg Ann'l Div'd Yield	*3.7%*

CAPITAL STRUCTURE as of 3/31/20
Total Debt $1626.9 mill. **Due in 5 Yrs** $435.8 mill.
LT Debt $1341.1 mill. **LT Interest** $75.9 mill.
(LT interest earned: 2.7x)

Pension Assets-12/19 $327.2 mill. **Oblig** $398.1 mill.

Pfd Stock None

Common Stock 40,787,627 shs. as of 4/30/20

MARKET CAP: $2.7 billion (Mid Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
877.3	918.0	852.9	890.4	917.5	849.9	886.9	916.8	903.6	862.0	*775*	*825*	Revenues ($mill)	*900*
90.3	103.5	90.8	88.6	91.4	81.9	96.8	98.3	84.3	123.0	*85.0*	*110*	Net Profit ($mill)	*125*
36.1%	34.2%	34.1%	33.0%	31.0%	29.9%	35.8%	34.2%	23.8%	21.7%	*23.0%*	*23.0%*	Income Tax Rate	*23.0%*
22.1%	17.6%	22.4%	24.1%	30.8%	27.5%	17.6%	11.2%	14.9%	10.0%	*16.0%*	*14.0%*	AFUDC % to Net Profit	*15.0%*
51.2%	51.8%	54.8%	51.4%	53.5%	52.7%	52.7%	51.2%	52.5%	52.4%	*50.0%*	*52.0%*	Long-Term Debt Ratio	*52.5%*
48.8%	48.2%	45.2%	48.6%	46.5%	47.3%	47.3%	48.8%	47.5%	47.6%	*50.0%*	*48.0%*	Common Equity Ratio	*47.5%*
1660.1	1576.7	1824.5	1943.5	2118.4	2150.8	2269.9	2338.2	2450.1	2557.5	*2675*	*2860*	Total Capital ($mill)	*3125*
1865.8	1947.1	2102.3	2257.5	2488.4	2695.5	2821.2	2928.4	3085.0	3227.1	*3365*	*3535*	Net Plant ($mill)	*4075*
7.0%	8.3%	6.5%	6.1%	5.7%	5.3%	5.8%	5.8%	5.0%	6.3%	*4.5%*	*5.5%*	Return on Total Cap'l	*5.5%*
11.1%	13.6%	11.0%	9.4%	9.3%	8.1%	9.0%	8.6%	7.2%	10.1%	*6.0%*	*8.0%*	Return on Shr. Equity	*8.5%*
11.1%	13.6%	11.0%	9.4%	9.3%	8.1%	9.0%	8.6%	7.2%	10.1%	*6.0%*	*8.0%*	Return on Com Equity E	*8.5%*
11.1%	10.0%	6.3%	4.9%	4.8%	3.4%	4.4%	3.9%	2.3%	5.0%	*1.0%*	*3.0%*	Retained to Com Eq	*2.5%*
--	26%	43%	47%	49%	57%	51%	54%	68%	50%	*81%*	*66%*	All Div'ds to Net Prof	*72%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	+.4	+2.4	-.4
Avg. Indust. Use (MWH)	21553	21892	21420
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	2082	2085	2085
Peak Load, Summer (Mw)	1935	1929	1985
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+1.7	+1.7	+1.8
Fixed Charge Cov. (%)	263	185	185

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	.5%	--	*-1.0%*
"Cash Flow"	4.5%	2.0%	*3.0%*
Earnings	4.5%	2.0%	*1.5%*
Dividends	--	6.5%	*6.5%*
Book Value	6.5%	5.0%	*3.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	171.3	251.8	297.5	196.2	916.8
2018	175.7	236.8	300.3	190.8	903.6
2019	174.4	203.1	294.4	190.1	862.0
2020	158.6	*171.4*	*270*	*175*	*775*
2021	*160*	*195*	*290*	*180*	*825*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	d.10	.89	1.47	.16	2.42
2018	d.17	.82	1.79	d.38	2.07
2019	.15	.64	1.91	.32	3.01
2020	d.87	*1.02*	*1.90*	*d.05*	*2.00*
2021	*d.15*	*.85*	*1.95*	*d.05*	*2.60*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.295	.31	.31	.31	1.23
2017	.31	.335	.335	.335	1.32
2018	.335	.36	.36	.36	1.42
2019	.36	.385	.385	.385	1.52
2020	.385	.41			

BUSINESS: El Paso Electric Company (EPE) provides electric service to 435,000 customers in an area of approximately 10,000 square miles in the Rio Grande valley in western Texas (68% of revenues) and southern New Mexico (19% of revenues), including El Paso, Texas and Las Cruces, New Mexico. Wholesale is 13% of revenues. Electric revenue breakdown by customer class not available. Generating sources: gas, 45%; nuclear, 44%; purchased, 11%. Fuel costs: 20% of revenues. '19 reported depreciation rate: 2.3%. Has about 1,100 employees. Chairman: Charles A. Yamarone. Interim CEO: Adrian J. Rodriguez. Incorporated: Texas. Address: Stanton Tower, 100 North Stanton, El Paso, TX 79901. Tel.: 915-543-5711. Internet: www.epelectric.com.

Completion of the takeover of El Paso Electric Company has taken longer than the companies expected. The Infrastructure Investments Fund, advised by J.P. Morgan, agreed to pay $68.25 in cash for each share of EPE. All approvals have been received except that of the Federal Energy Regulatory Commission (FERC), which has given its conditional approval. The companies believe they can satisfy FERC's conditions, and filed proposed mitigation options on April 15th. At this point, we have no reason to think the delay is a cause for concern, especially considering disruptions to normal activity caused by the coronavirus. EPE and the buyer originally expected the transaction to be completed by mid-2020, but have extended the merger agreement to September 1, 2020 due to the delay. We believe the companies will extend this again if the delay in the approval process persists.

We still advise stockholders to sell their shares on the open market. The recent quotation is just modestly below the takeover price. Thus, there is little upside potential for EPE holders who retain their shares and await completion of the acquisition. On the other hand, the stock might well get hit hard if the combination fails to win FERC's approval. This equity's Timeliness rank remains suspended due to the pending takeover.

We cut our 2020 earnings estimate by $0.25 a share, to $2.00. The first-quarter deficit was worse than usual due to the poor stock-market performance in the period, which caused a large unrealized loss on EPE's nuclear decommissioning trust for Unit 3 of the Palo Verde nuclear station. The better stock market performance helped the second-period tally, but the utility undoubtedly felt the effects of the economic recession. EPE is also incurring modest expenses associated with the pending takeover. These amounted to $0.03 a share in the first quarter. (Management is no longer providing guidance due to the takeover.) We did not change our 2021 profit estimate of $2.60 a share, which won't be relevant anyway if the deal is completed.

The board of directors raised the dividend in the second quarter. The hike was $0.025 a share (6.5%) quarterly.

Paul E. Debbas, CFA *July 24, 2020*

(A) Diluted earnings. Excl. nonrecurring gains (loss): '04, 4¢; '05, (2¢); '06, 13¢; '10, 24¢. '18 & '19 EPS don't sum due to rounding. Next earnings report due early Aug. (B) Initial div'd declared 4/11; payment dates in late Mar., June, Sept., & Dec. (C) Incl. deferred charges. In '19: $1.74/sh. (D) In mill. (E) Rate base: Net original cost. Rate allowed on com. eq. in TX in '17: 9.65%; in NM in '16: 9.48%; earned on avg. com. eq., '19: 10.3%. Regulatory Climate: TX, Average; NM, Below Average.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	70