PINNACLE WEST NYSE-PNW

RECENT PRICE **81.38** | P/E RATIO **19.6** (Trailing: 19.9 Median: 17.0) | RELATIVE P/E RATIO **1.13** | DIV'D YLD **4.3%** | **VALUE LINE**

TIMELINESS 4 Lowered 5/19/23
SAFETY 2 Lowered 10/22/21
TECHNICAL 2 Raised 7/14/23
BETA .90 (1.00 = Market)

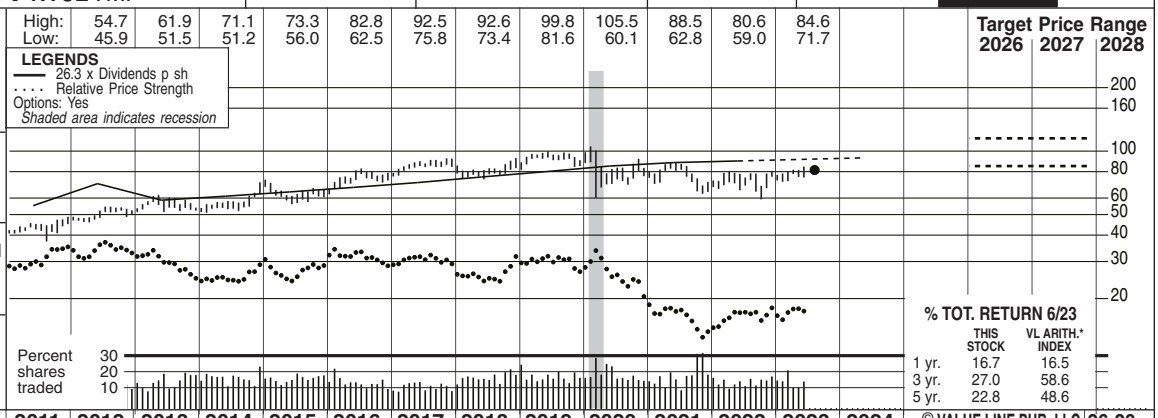
18-Month Target Price Range
Low-High **Midpoint (% to Mid)**
$65-$105 $85 (5%)

2026-28 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	115	(+40%)	*12%*
Low	85	(+5%)	*6%*

Institutional Decisions

	3Q2022	4Q2022	1Q2023
to Buy	227	299	243
to Sell	208	175	222
Hld's(000)	97447	97877	98017



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
35.07	33.37	32.50	30.01	29.67	30.09	31.35	31.58	31.50	31.42	31.90	32.93	30.87	31.81	33.66	38.21	*40.75*	*40.05*	Revenues per sh	*41.65*
9.29	8.13	8.08	6.85	7.52	7.92	8.15	8.09	9.09	9.39	9.79	11.41	11.13	10.86	12.23	13.44	*13.25*	*13.30*	"Cash Flow" per sh	*15.00*
2.96	2.12	2.26	3.08	2.99	3.50	3.66	3.58	3.92	3.95	4.43	4.54	4.77	4.87	5.47	4.26	*4.15*	*4.50*	Earnings per sh [A]	*5.70*
2.10	2.10	2.10	2.10	2.10	2.67	2.23	2.33	2.44	2.56	2.70	2.87	3.04	3.23	3.36	3.42	*3.48*	*3.54*	Div'd Decl'd per sh [B] ■	*3.75*
9.37	9.46	7.64	7.03	8.26	8.24	9.36	8.38	9.84	11.64	12.80	10.73	10.76	11.93	13.04	15.09	*14.50*	*15.00*	Cap'l Spending per sh	*15.00*
35.15	34.16	32.69	33.86	34.98	36.20	38.07	39.50	41.30	43.15	44.80	46.59	48.30	49.96	52.26	53.45	*54.10*	*56.75*	Book Value per sh [C]	*62.00*
100.49	100.89	101.43	108.77	109.25	109.74	110.18	110.57	110.98	111.34	111.75	112.10	112.44	112.76	113.01	113.17	*113.50*	*118.00*	Common Shs Outst'g [D]	*120.00*
14.9	16.1	13.7	12.6	14.6	14.3	15.3	15.9	16.0	18.7	19.3	17.8	19.4	16.7	14.1	17.1	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*17.5*
.79	.97	.91	.80	.92	.91	.86	.84	.81	.98	.97	.96	1.03	.86	.76	.99			Relative P/E Ratio	*.95*
4.8%	6.2%	6.8%	5.4%	4.8%	5.3%	4.0%	4.1%	3.9%	3.5%	3.2%	3.5%	3.3%	4.0%	4.3%	4.7%			Avg Ann'l Div'd Yield	*3.8%*
3454.6	3491.6	3495.4	3498.7	3565.3	3691.2	3471.2	3587.0	3803.8	4324.4	*4625*	*4725*	Revenues ($mill)	*5000*
406.1	397.6	437.3	442.0	497.8	511.0	538.3	550.6	618.7	483.6	*470*	*525*	Net Profit ($mill)	*685*
34.4%	34.2%	34.3%	33.9%	32.5%	20.2%	--	12.1%	14.8%	13.0%	*11.0%*	*12.0%*	Income Tax Rate	*14.0%*
10.0%	11.6%	11.8%	14.1%	13.9%	15.2%	9.3%	9.5%	10.1%	15.2%	*14.0%*	*13.0%*	AFUDC % to Net Profit	*12.0%*
40.0%	41.0%	43.0%	45.6%	48.9%	47.0%	47.1%	52.8%	53.9%	56.1%	*56.0%*	*52.5%*	Long-Term Debt Ratio	*56.0%*
60.0%	59.0%	57.0%	54.4%	51.1%	53.0%	52.9%	47.2%	46.1%	43.9%	*44.0%*	*47.5%*	Common Equity Ratio	*44.0%*
6990.9	7398.7	8046.3	8825.4	9796.4	9861.1	10263	11948	12820	13790	*13950*	*14100*	Total Capital ($mill)	*16900*
10889	11194	11809	12714	13445	14030	14523	15159	15987	16854	*17475*	*18200*	Net Plant ($mill)	*20200*
7.1%	6.4%	6.4%	6.0%	6.1%	6.2%	6.3%	5.5%	5.8%	4.5%	*4.5%*	*5.0%*	Return on Total Cap'l	*5.0%*
9.7%	9.1%	9.5%	9.2%	9.9%	9.8%	9.9%	9.8%	10.5%	8.0%	*7.5%*	*8.0%*	Return on Shr. Equity	*9.5%*
9.7%	9.1%	9.5%	9.2%	9.9%	9.8%	9.9%	9.8%	10.5%	8.0%	*7.5%*	*8.0%*	Return on Com Equity [E]	*9.5%*
4.1%	3.5%	3.9%	3.5%	4.2%	3.9%	3.8%	3.5%	4.2%	1.7%	*1.5%*	*1.5%*	Retained to Com Eq	*3.0%*
58%	62%	59%	62%	58%	60%	61%	64%	60%	78%	*84%*	*78%*	All Div'ds to Net Prof	*66%*

CAPITAL STRUCTURE as of 3/31/23
Total Debt $8474.9 mill. **Due in 5 Yrs** $2100.7 mill.
LT Debt $7916.6 mill. **LT Interest** $350.0 mill.
(Total Interest Coverage: 2.9x)

Leases, Uncapitalized Annual rentals $18.1 mill.

Pension Assets-12/22 $2829.5 mill.
Oblig $2809.5 mill.

Pfd Stock None

Common Stock 113,255,998 shs.
as of 4/27/23
MARKET CAP: $9.2 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2020	2021	2022
% Change Retail Sales (KWH)	+5.0	-.1	+4.4
Avg. Indust. Use (MWH)	766	808	849
Avg. Indust. Revs. per KWH (¢)	7.62	8.11	9.20
Capacity at Peak (Mw)	9094	8726	8612
Peak Load, Summer (Mw)	7660	7580	7587
Annual Load Factor (%)	45.5	45.9	48.1
% Change Customers (yr-end)	+2.3	+2.2	+2.1
Fixed Charge Cov. (%)	318	317	226

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '20-'22 to '26-'28
Revenues	1.5%	2.0%	*3.0%*
"Cash Flow"	5.0%	5.5%	*3.5%*
Earnings	4.5%	3.5%	*2.5%*
Dividends	4.0%	5.5%	*2.0%*
Book Value	4.0%	4.0%	*3.0%*

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2020	661.9	929.6	1254.5	741.0	3587.0
2021	696.5	1000.2	1308.2	798.9	3803.8
2022	783.5	1061.7	1469.9	1009.3	4324.4
2023	945.0	*1110*	*1510*	*1060*	*4625*
2024	*965*	*1135*	*1540*	*1085*	*4725*

EARNINGS PER SHARE [A]

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2020	.27	1.71	3.07	d.17	4.87
2021	.32	1.91	3.00	.24	5.47
2022	.15	1.45	2.88	d.21	4.26
2023	d.03	*1.30*	*2.93*	*d.05*	*4.15*
2024	*.05*	*1.40*	*3.10*	*d.05*	*4.50*

QUARTERLY DIVIDENDS PAID [B] ■

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	.737	.738	.738	.782	3.00
2020	.783	.783	.783	.83	3.18
2021	.83	.83	.83	.85	3.34
2022	.85	.85	.85	.85	3.40
2023	.865	.865			

BUSINESS: Pinnacle West Capital Corporation is a holding company for Arizona Public Service Company (APS), which supplies electricity to 1.3 million customers in most of Arizona, except about half of the Phoenix metro area, the Tucson metro area, and Mohave County in northwestern Arizona. Discontinued SunCor real estate subsidiary in '10. Electric revenue breakdown: residential, 47%; commercial/industrial, 41%; other, 12%. Generating sources: gas, 25%; nuclear, 24%; coal, 20%; renewables, 12%; purchased, 19%. Fuel costs: 38% of revenues. '22 reported deprec. rate: 3.03%. Has 5,861 employees. Chairman, President & CEO: Jeffrey B. Guldner. Inc.: AZ. Address: 400 North Fifth St., P.O. Box 53999, Phoenix, AZ 85072-3999. Tel.: 602-250-1000. Internet: www.pinnaclewest.com.

Pinnacle West will likely see its earnings fall this year, then bounce back in 2024. After a weak first quarter, due to significantly higher operating and maintenance expense versus a year ago, management affirmed its full-year earnings outlook of $3.95 to $4.15 per share. Last year's bottom line benefited from weather extremes that helped drive electric usage up 4.4%. Growth on that front is likely to be more subdued in 2023. Higher retirement contributions, following last year's decline in equity and bond markets, and higher interest expense are expected to pressure this year's bottom line. Profits should be heading up next year, given the likelihood of higher electric rates.

Pinnacle's pending general rate case (GRC) may help to restore some of the earnings power lost last year. A measure of rate relief is due at the start of 2024, the question is how much. From early 2022, the company has been operating under revised regulatory parameters that cut its allowed return on equity (ROE) from 10% to a nationwide low of 8.7%. The change effectively reduced the utility's annual earning power by about $1.00 per share. Pinnacle West is requesting its ROE be restored near the former level. The company is also seeking an expansion in the use of automatic pricing mechanisms to cut regulatory lag in the recoupment of investments it's planning to make in support of Arizona's clean-energy objectives. A decision from a revamped state regulatory commission, which has a few new members and a different chairperson because of term limits, is due by year's end. A March appeals court decision has set a precedent for at least some progress towards higher allowable returns. A trio of Arizona appellate judges gave an opinion stating that the regulatory commission overstepped its bounds by penalizing the utility for "poor customer service," and has ruled the company can lift electric rates based on an 8.9% ROE.

This untimely issue has been one of the better year-to-date performers amongst utilities. The stock has likely outperformed in anticipation of a favorable GRC outcome. At the recent valuation, PNW compares unfavorably to the median total return potential of its industry.

Anthony J. Glennon *July 21, 2023*

(A) Diluted EPS. Excl. nonrec. gain/(loss): '09, ($1.45); '17, 8¢; gains/(losses) from discont. ops.: '06, 10¢; '08, 28¢; '09, (13¢); '10, 18¢; '11, 10¢; '12, (5¢). '20 and '22 qtly. EPS don't sum due to rounding. Next egs. report due early August. **(B)** Div'ds historically paid in early Mar., June, Sept., & Dec. There were 5 declarations in '12. ■ Div'd reinvestment plan avail. **(C)** Incl. deferred charges/other intangibles. In '22: $17.54/sh. **(D)** In mill. **(E)** Rate base: Fair value. Rate allowed on common equity in '23: 8.9%. Regulatory Climate: Below Average.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	45
Earnings Predictability	95

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