

VALUATION SCORECARD

Avista Corp

NYSE: AVA

ELECTRIC & OTHER SERV COMB

Interest-Sensitive

MARKET VALUE (\$MIL) \$2,656
 SHARES OUTS (MIL): 77.37
 AVG DAILY VOL (000): 660

YIELD: 5.4%
 P/E: 13.7X
 BETA: 0.50X

02/21/24
 Price:
\$34.33

Avista's common shares will need to reach \$58 to achieve average annual stock market performance of 9.0% over the next 6 years. Avista's stock price will need to reach \$68 by 2028 to achieve upper quartile performance. What is the market's view of Avista's future operating performance as reflected in the current price of \$34?

ANALYTICS

- Key Avista characteristics: high expected growth, instability, below average financial strength, and low profitability.
- Very low valuation, below market shareholder returns.
- Avista's achieved growth is slightly below average.
- Profitability is slightly below average.
- Avista's risk profile is neutral.



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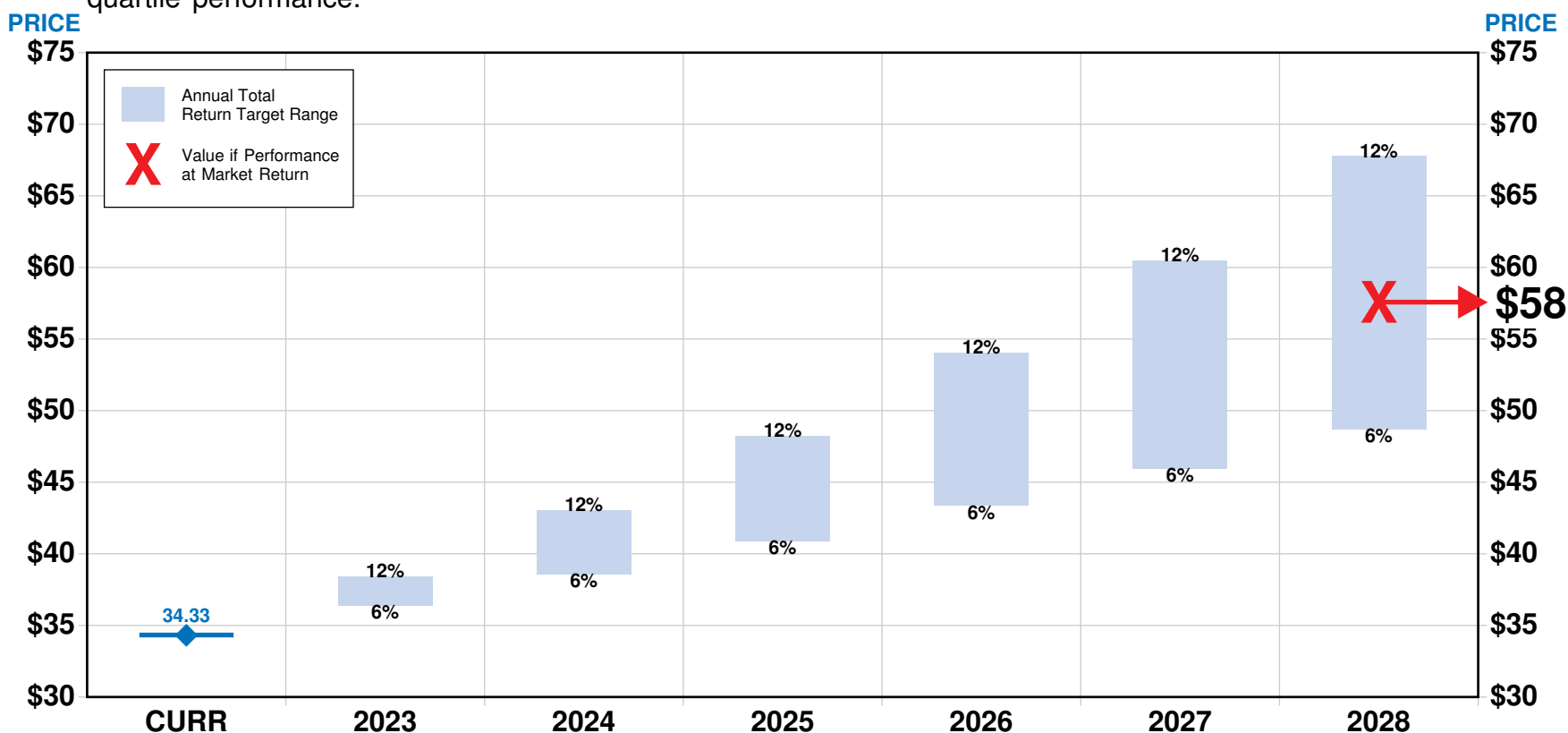
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The Value Challenge

How Does Avista Get to \$58 by 2028?

As reflected at the current price of \$34, what future Avista operating performance is the market anticipating? To achieve average annual stock market performance of 9.0% over the next 6 years, Avista shares will need to reach \$58. Avista's stock price will need to reach \$68 by 2028 to achieve upper quartile performance.



Diamonds represent Avista warranted value based on scenario assumptions and PTR proprietary analysis. Shaded bands represent year-end stock price necessary to achieve target returns.

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Executive Summary

- **Key Avista characteristics:** high expected growth, instability, below average financial strength, and low profitability.
- **Very low valuation, below market shareholder returns.** Current valuation levels are very low relative to the Avista Peer Group. Recent market returns have underperformed the Avista Peer Group. Total shareholder returns are expected to significantly beat the overall equity market in the future. Based on current investor expectations, Avista shares should reach a level of \$88 by 2028 — an annual total shareholder return of 21.4%. A 2028 stock price of \$58 would reflect median performance and a price of \$68 would be required to reach upper quartile performance.
- **Avista's achieved growth is slightly below average.** Historical growth has been below average relative to the Avista Peer Group and forecasted growth is relatively very high. EPS Growth has lagged. This factor has negatively affected market perceptions of Avista. Avista's historical income statement growth and balance sheet growth have diverged. Revenue growth has paralleled asset growth; earnings growth has fallen short of equity growth driving erosion in return on equity. Avista's consensus growth expectations are in line with past growth.
- **Profitability is slightly below average.** The company has very low cash and will have to work to generate attractive investments and improve valuation.
- **Avista's risk profile is neutral.** Overall variability has been relatively low with relatively low revenue variability, only average E.P.S. variability, and only average stock price volatility. Financial Strength is below average and earnings' expectations are only average. The debt/capital ratio has risen.

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Valuation Scorecard

WEALTH CREATION



Favorable

- **Historical performance.** Average 5–year total returns relative to Avista Peer Group. One year returns weak. Valuation is very low relative to group. Annual growth in warranted value has been very strong.
- **Market expectations.** Future shareholder returns expected to significantly beat the overall equity market. Based on current investor expectations, Avista shares should reach a level of \$88 by 2028 — an annual total shareholder return of 21.4%.

GROWTH



Mixed

- **Historical performance.** EPS Growth has lagged.
- **Market expectations.** Historical growth has been below average relative to the Avista Peer Group and forecasted growth is relatively very high.
- **Valuation key.** The company has very low cash and will have to work to generate attractive investments and improve valuation.

PROFITABILITY



Mixed

- **Historical performance.** No profitability factor (Asset Turnover, Pretax Margin, Pretax ROA, Return on Equity) has stood out.
- **Market expectations.** The company has achieved a slight increase in ROE along with an important increase in shares outstanding. Investors will have to deal with these trends.
- **Valuation key.** Given Avista’s very low cash it will have to work to finance attractive investment opportunities that will raise profitability.

RISK



Mixed

- **Historical performance.** Financial Strength is below average. Debt/capital ratio has risen. Overall variability has been relatively low.
- **Market expectations.** Overall variability relatively low. Earnings’ expectations are only average.
- **Valuation key.** Avista’s neutral risk profile has little impact on Avista’s valuation.

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Avista Peer Group (14 Companies)

1/1

ALLETE Inc.

Alliant Energy Corporation

Avista Corp

CMS Energy Corp

California Water Service Group

Canadian Utilities Ltd

El Paso Electric Co

Hawaiian Electric Industries Inc

NiSource Inc

NorthWestern Corp

Portland General Electric Co

Southwest Gas Holdings Inc

Spire Inc

Unitil Corp

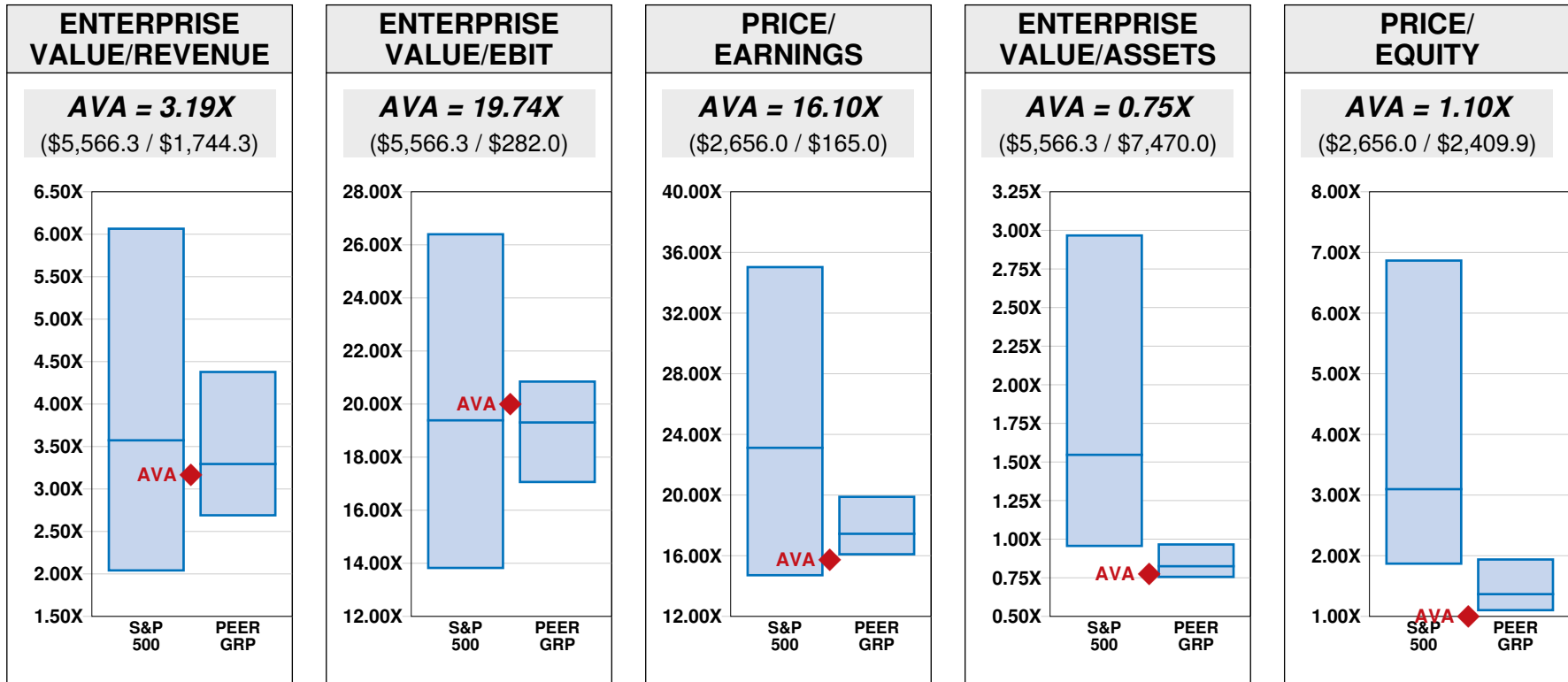
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Summary – Current Valuation

- **Relative to S&P 500 Composite, AVA's overall valuation is low.**
 - The highest factor, the ratio of enterprise value/earnings before interest and taxes, is at median. Ratio of enterprise value/revenue is slightly below median. Price/earnings ratio is near the lower quartile. Ratio of enterprise value/assets is lower quartile. The lowest factor, the price/equity ratio, is lower quartile.
- **Relative to Avista Peer Group, AVA's overall valuation is low.**
 - The highest factor, the ratio of enterprise value/earnings before interest and taxes, is above median. Ratio of enterprise value/revenue is slightly below median. Price/earnings ratio is at the lower quartile. Ratio of enterprise value/assets is at the lower quartile. The lowest factor, the price/equity ratio, is at the lower quartile.

Valuation Relative to Key Groups

Avista's valuation relative to S&P 500 Composite is in line with its valuation relative to Avista Peer Group. Relative to Avista Peer Group, AVA's overall valuation is low. The highest factor, the ratio of enterprise value/earnings before interest and taxes, is above median. Ratio of enterprise value/revenue is slightly below median. Price/earnings ratio is at the lower quartile. Ratio of enterprise value/assets is at the lower quartile. The lowest factor, the price/equity ratio, is at the lower quartile.



Individual valuation measures for each group are percentiled and compared to Avista values. High end of bar represents group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. Avista value is represented by diamond.

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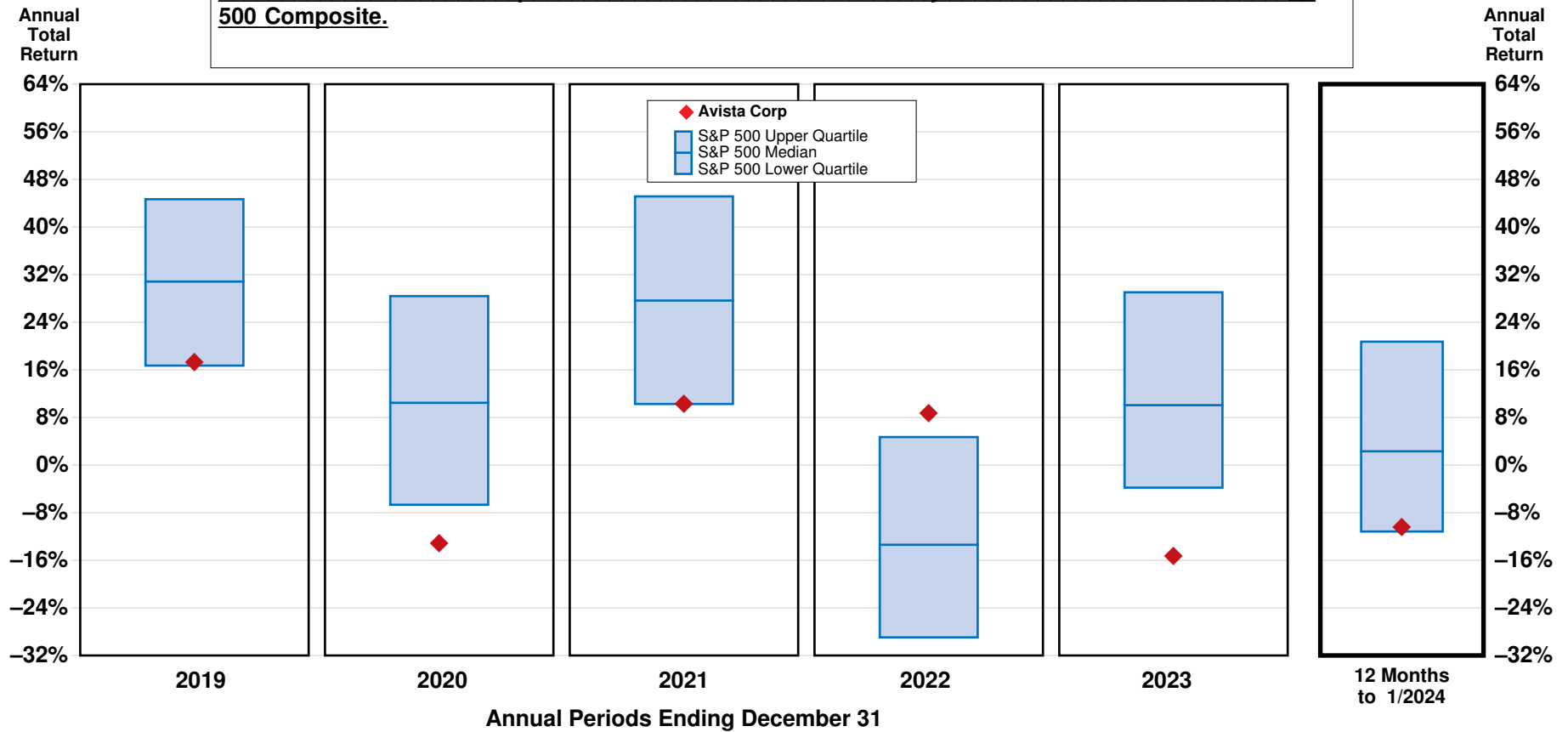
Investment Performance vs. S&P 500

- Avista's annual total return performance of -10.4% for the year ending January, 2024 is below median.
- Over the last 5 years, Avista's annual total return performance has been average. By quartile, annual total returns have been:
 - variable over the last 3 annual periods.
 - variable over the last 5 annual periods.
 - third quartile for 3 of the last 6 annual periods.
- Avista's current 5-year total return performance of -0.0% through January, 2024 is slightly above median.
- Over the last 5 years, Avista's 5-year total return performance has been below average. 5-year total returns by quartile have been:
 - variable for the last 3 5-year periods.
 - third quartile for 3 of the last 5 5-year periods.
 - third quartile for 4 of the last 6 5-year periods.

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Annual Total Returns vs. S&P 500 Composite

Current annual total return performance of -10.4% is substantially below median relative to the S&P 500 Composite.

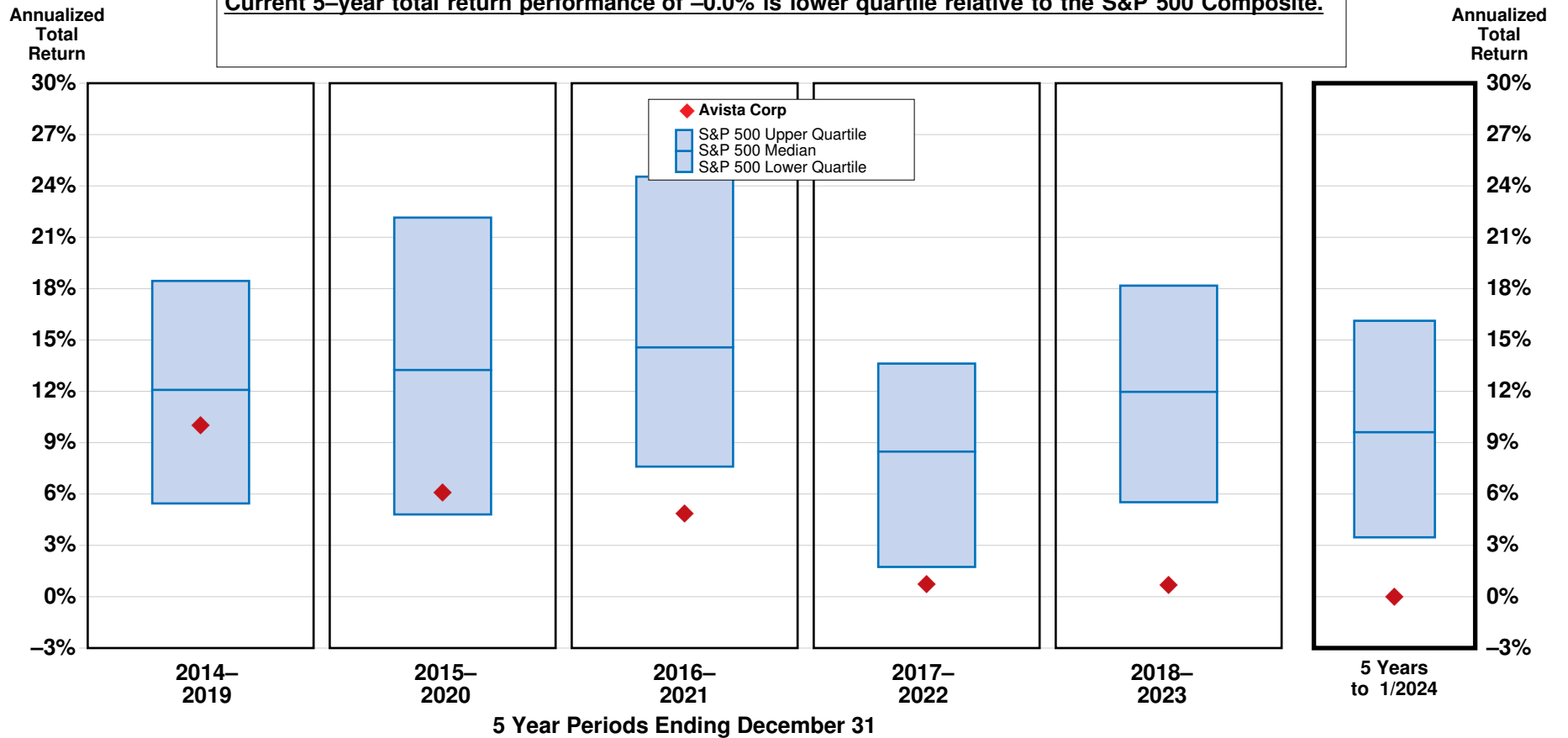


Total returns are annualized and include price appreciation and common dividends accumulated during each period. Avista returns represented by diamond; S&P 500 Composite upper quartile by upper end of bar; lower quartile by lower end; median returns by the line.

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5 Year Annualized Total Returns vs. S&P 500 Composite

Current 5-year total return performance of -0.0% is lower quartile relative to the S&P 500 Composite.



Total returns are annualized and include price appreciation and common dividends accumulated during each period. Avista returns represented by diamond; S&P 500 Composite upper quartile by upper end of bar; lower quartile by lower end; median returns by the line.

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Summary – Growth Profile

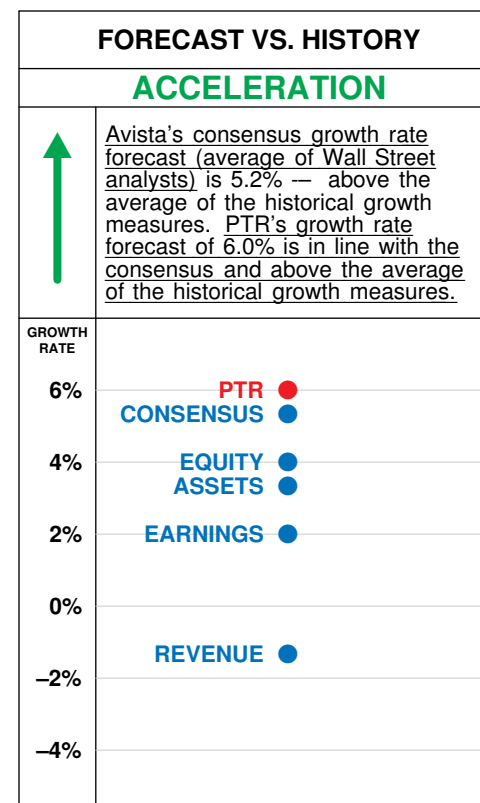
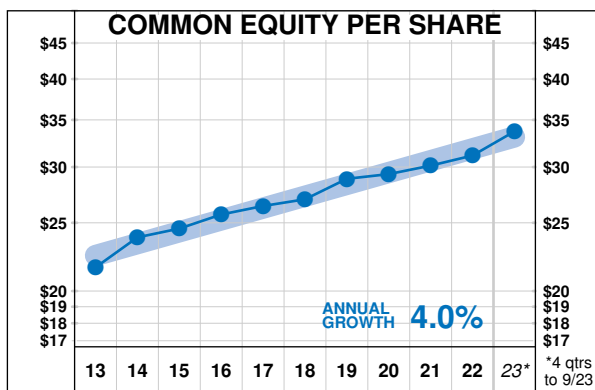
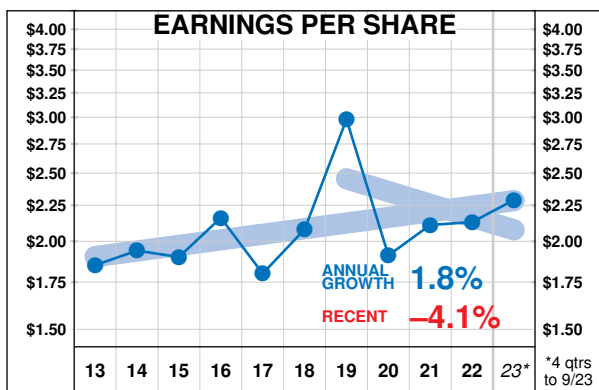
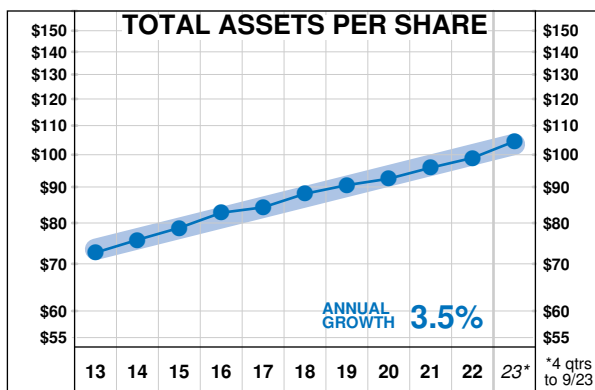
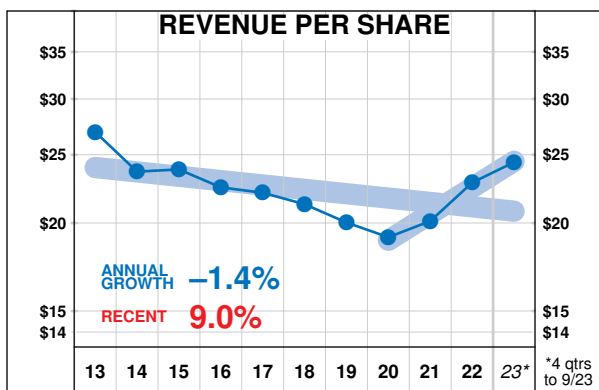
- **Historical growth profile.** Avista’s historical income statement growth has been in line with balance sheet growth. Revenue growth has paralleled asset growth; earnings growth has paralleled equity growth.
 - Annual revenue growth has been –1.4% per year. (More recently it has been 9.0%.)
 - Total asset growth has been 3.5% per year.
 - Annual E.P.S. growth has been 1.8% per year. (More recently it has been –4.1%.)
 - Equity growth has been 4.0% per year.
- **Growth profile vs. Avista Peer Group.** Relative to the Avista Peer Group, Avista’s historical growth measures are generally third quartile.
 - Equity growth (4.0%) has been below median.
 - Total asset growth (3.5%) has been at the lower quartile.
 - E.P.S. growth (1.8%) has been at the lower quartile.
 - Revenue growth (–1.4%) has been lower quartile.

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Growth Profile For Period 2013–2023

Avista’s historical income statement growth has been in line with balance sheet growth. Revenue growth has paralleled asset growth; earnings growth has paralleled equity growth. Annual revenue growth has been –1.4% per year. (More recently it has been 9.0%.) Total asset growth has been 3.5% per year. Annual E.P.S. growth has been 1.8% per year. (More recently it has been –4.1%.) Equity growth has been 4.0% per year.

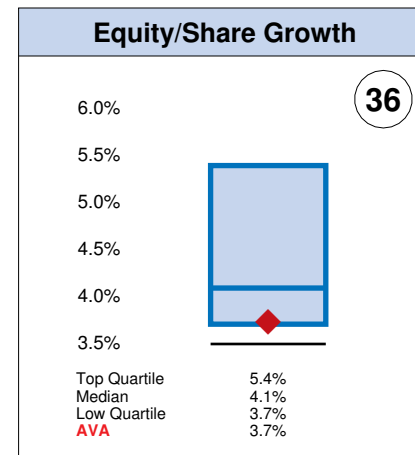
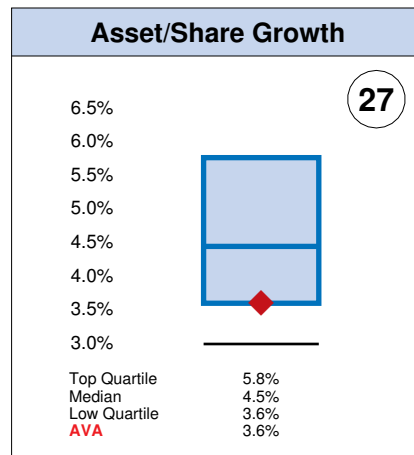
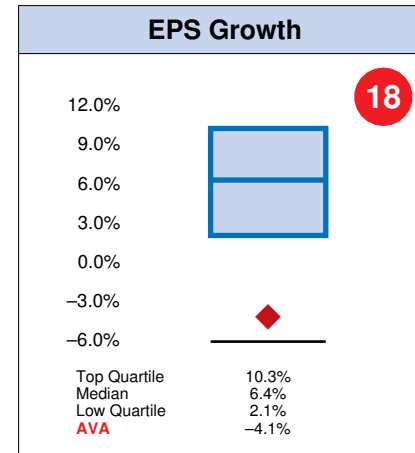
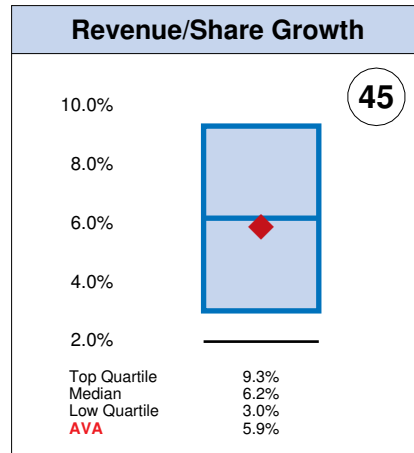


Selected historical data property of Standard and Poor’s

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Longer term growth rates in revenue, net income, total assets, and common equity are derived from a least-squares statistical analysis of Avista’s historical performance and are on a per share basis. (Where indicated, a significantly different shorter term trend is also presented.) Note that the consensus growth rate forecast is the average of available Street forecasts.

Key Growth Measures Relative to Avista Peer Group (14 Companies)

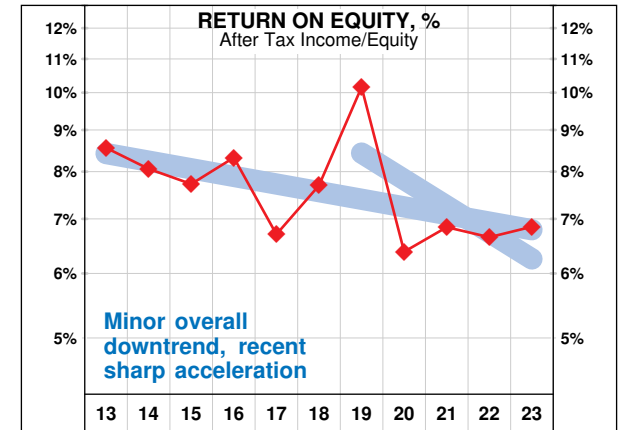
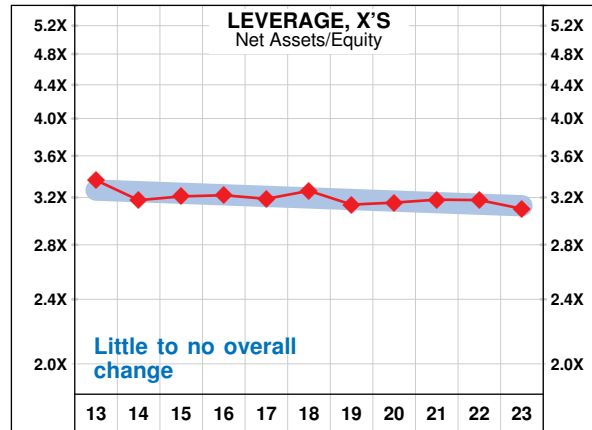
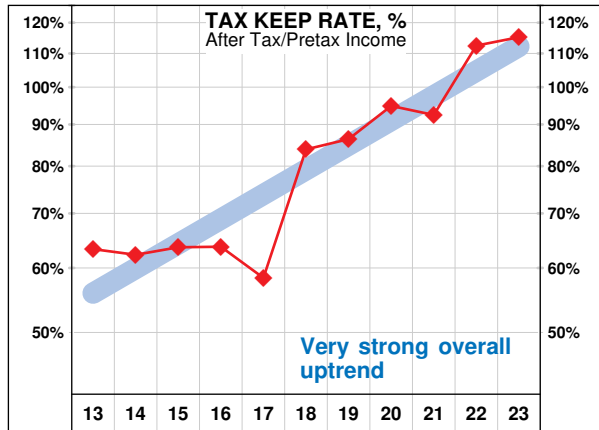
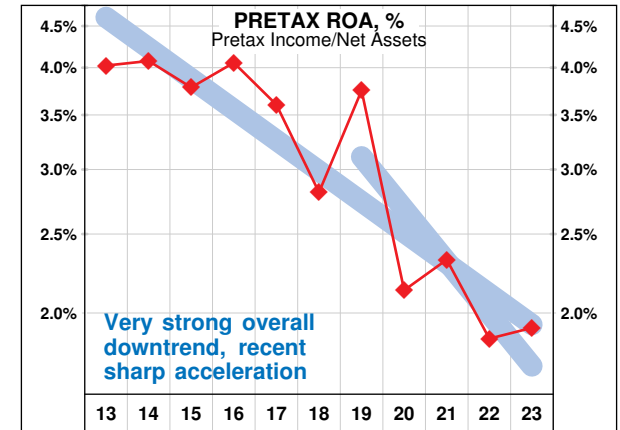
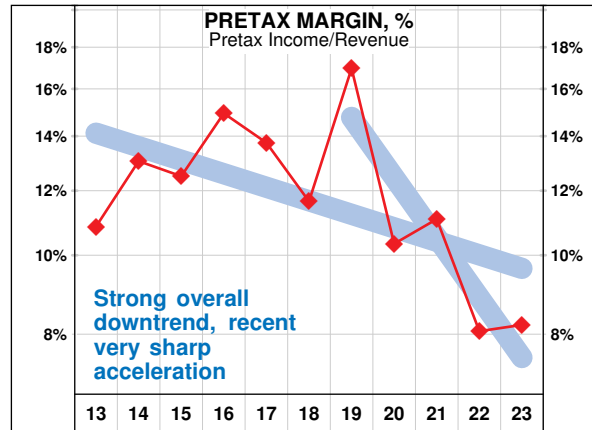
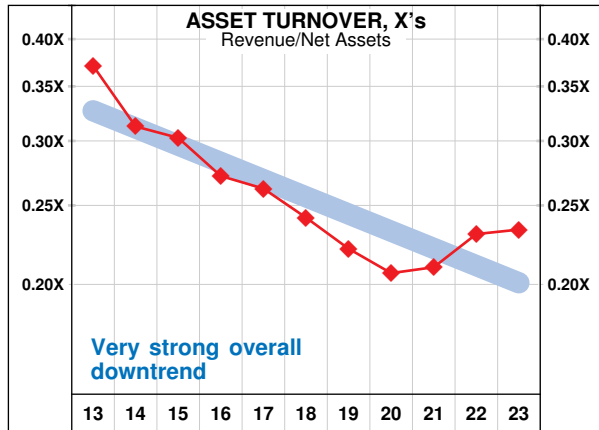


High end of bar represents Avista Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. Avista values are represented by red diamonds. Avista percentile ranks (0–100) shown in circles.

Summary – Profitability Performance

- **Trend in operating performance.** Avista's return on equity has eroded modestly since 2013. The current level of 6.8% is 1.07X the low for the period and is –20.0% from the high.
 - Avista's very strong negative trend in pretax operating return significantly offset by a very strong positive trend in non–operating factors is a significant analytical factor.
 - The productivity of Avista's assets declined over the full period 2013–2023: asset turnover has suffered a very strong overall downtrend.
 - Reinforcing this trend, pretax margin experienced a strong overall downtrend that accelerated very sharply from the 2019 level.
 - Non–operating factors (income taxes and financial leverage) had a very significant positive influence on return on equity.
- **Current operating performance.** Avista's return on equity is at the lower quartile (6.8%) for the four quarters ended September, 2023.
 - Operating performance (pretax return on assets) is at the lower quartile (1.9%) reflecting asset turnover that is at median (0.23X) and pretax margin at the lower quartile (8.2%).
 - Tax "keep" rate (income tax management) is upper quartile (115.2%) resulting in after tax return on assets that is below median.
 - Financial leverage (leverage) is at the lower quartile (3.10X).

Profitability Profile (Four Quarters Ending September, 2023)

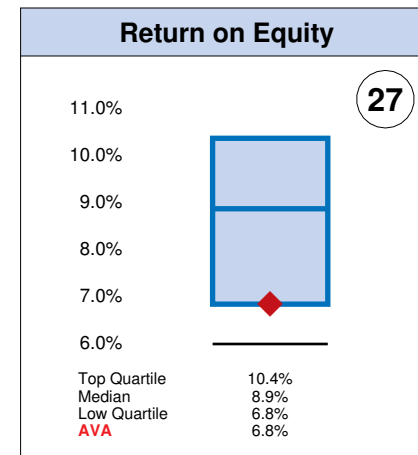
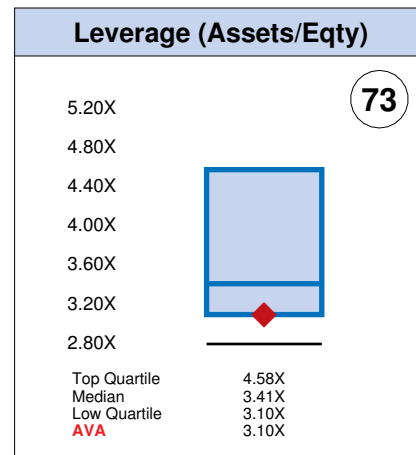
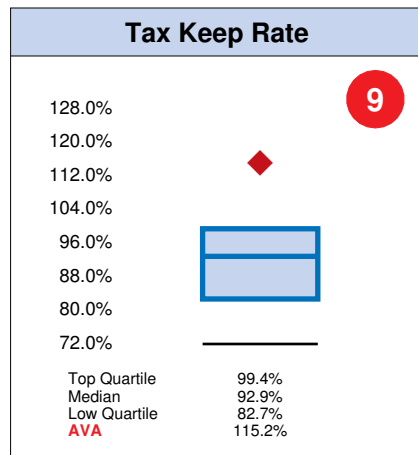
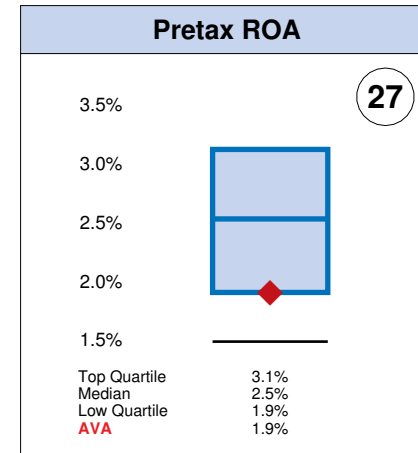
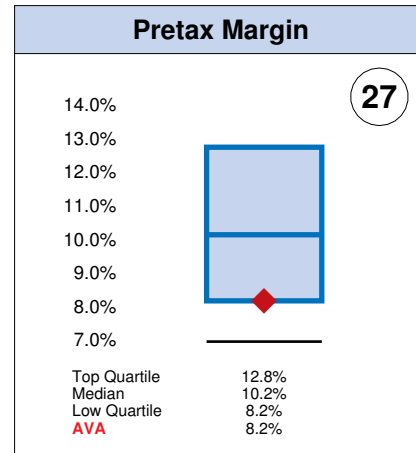
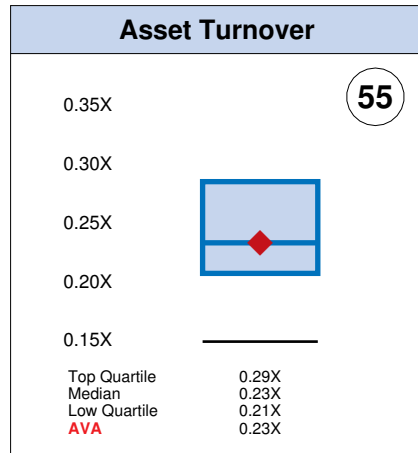


Selected historical data property of Standard and Poor's

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Asset turnover: the revenue "productivity" of a firm's assets. **Pretax profit margin:** the profitability of each \$ of sales. **Pretax return on assets:** profitability before differences in tax liability. **Tax "keep" rate:** the percentage of pretax income retained after taxes. **Leverage (asset/equity ratio):** in asset terms rather than the traditional financing focus. **Return on equity:** ratio of net income to common equity.

Key Profitability Measures Relative to Avista Peer Group (14 Companies)



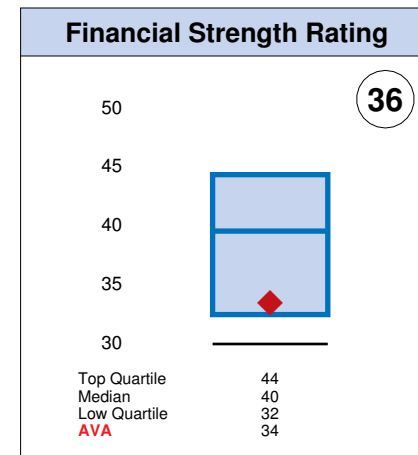
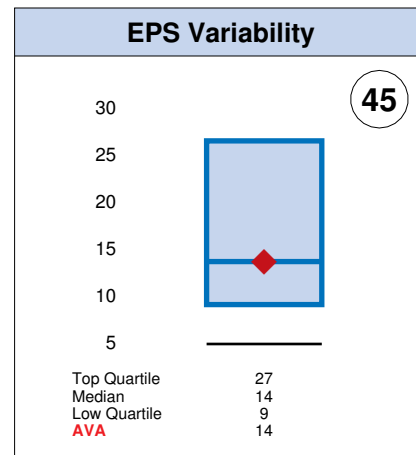
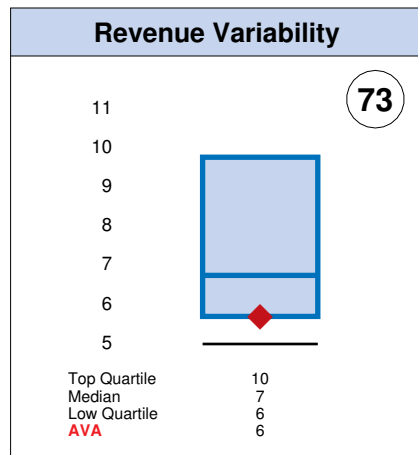
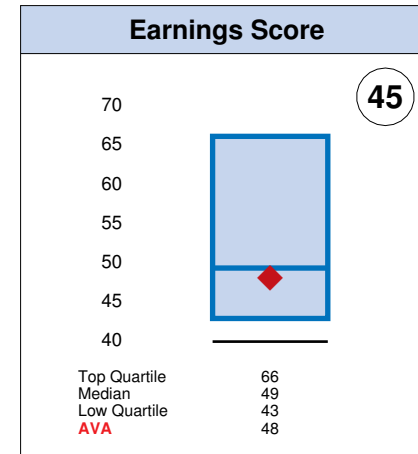
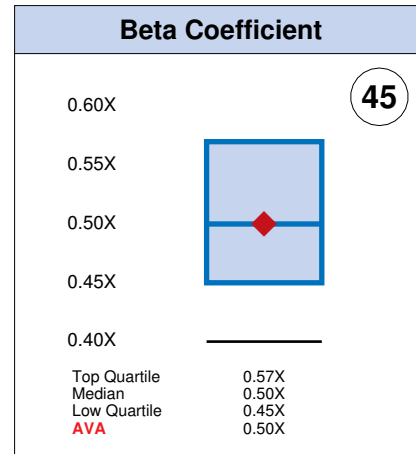
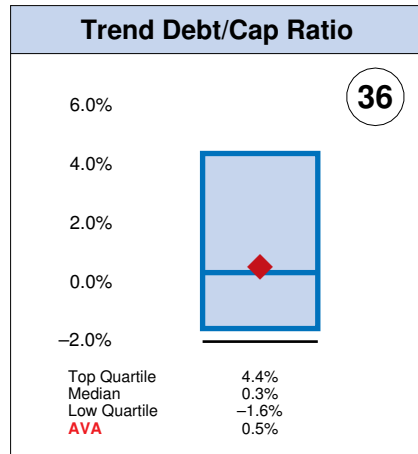
High end of bar represents Avista Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. Avista values are represented by red diamonds. Avista percentile ranks (0–100) shown in circles.

Risk Profile

- **Relative to the Avista Peer Group, Avista's overall risk profile is MODERATE RISK.** This profile reflects measures of financial strength, earnings expectations, variability and changes in capital structure.
 - Avista's revenue variability is 6. This variability is relatively low. A high factor rating of 73 results.
 - Avista's beta coefficient is 0.50X. This volatility is average, resulting in an average factor rating of 45.
 - Avista's earnings variability is 14. This variability is average, resulting in an average factor rating of 45.
 - Avista's earnings score is 48. This score is moderate, resulting in an moderate factor rating of 45.
 - Avista's financial strength rating is 34. This rating is relatively low with a resulting poor factor rating of 36.
 - The recent trend in Avista's debt/capital ratio is 0.5%. This change is relatively high with a resulting poor factor rating of 36.

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Key Risk Measures Relative to Avista Peer Group (14 Companies)



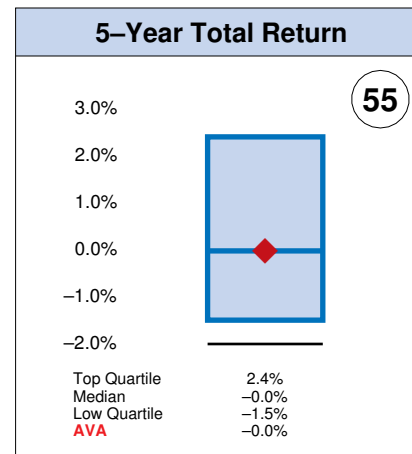
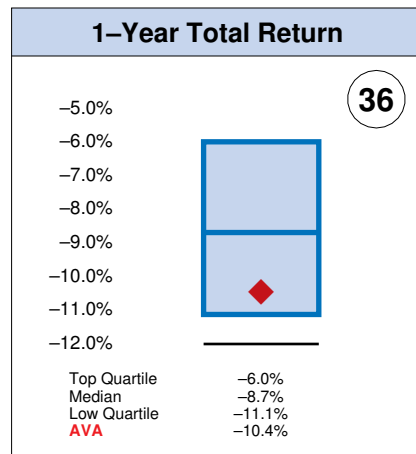
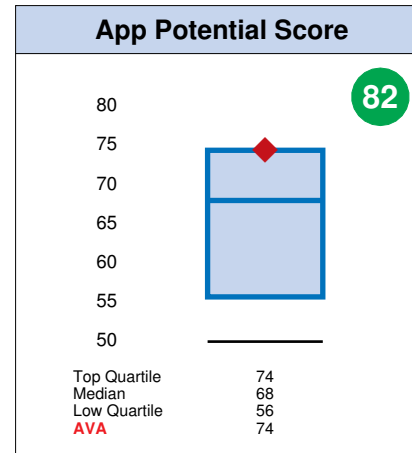
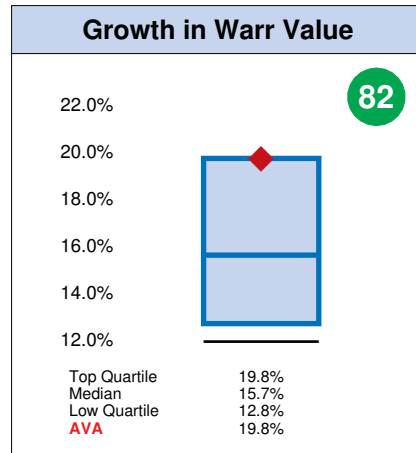
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Wealth Creation Profile

- **Relative to the Avista Peer Group, Avista's wealth creation profile is VERY FAVORABLE.** The profile is based on measures of warranted value, appreciation potential and total shareholder returns.
 - The recent trend in Avista's warranted market value is 19.8%. This rate of change is relatively very high resulting in a very high factor rating of 82.
 - Avista's appreciation score is 74. This appreciation score is relatively very high resulting in a quite high factor rating of 82.
 - Avista's five year total return is -0.0%. This five year return is moderate, resulting in a moderate factor rating of 55.
 - Avista's one year total return is -10.0%. This one year return is relatively low with a resulting low factor rating of 36.
- **Total shareholder returns expected to significantly beat the overall equity market.** Based on current investor expectations, Avista shares should reach a level of \$88 by 2028 — an 21.4% per year total shareholder return. A 2028 stock price of \$58 would reflect median performance and a price of \$68 would be required to reach upper quartile performance.

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Key Wealth Creation Measures Relative to Avista Peer Group (14 Companies)

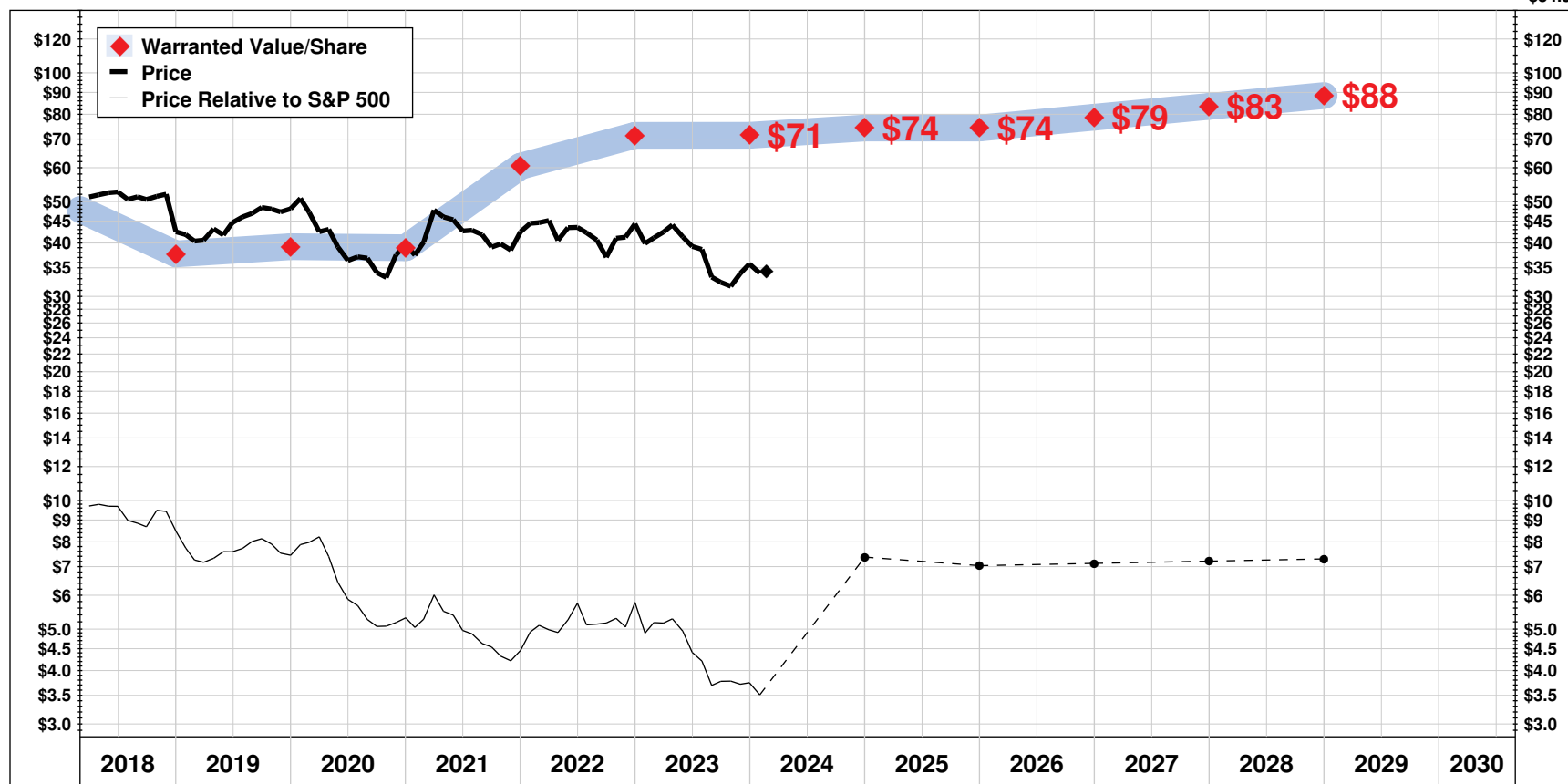


High end of bar represents Avista Peer Group upper quartile value. Lower end represents lower quartile value. Middle line represents group median. Avista values are represented by red diamonds. Avista percentile ranks (0–100) shown in circles.

Warranted Value vs. Stock Price, 2023–2028

Price Targets are derived for each fiscal year using PTR cash flow forecasts and the powerful CFROI framework. Based on current investor expectations for Avista, Price Targets for the period 2023–2028 are developed. Starting with the current price of \$34, a Price Target of \$88 for 2028 results. Key forecast inputs are: expected profitability, expected long term growth, and cost of equity capital (or discount rate).

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\$34.33

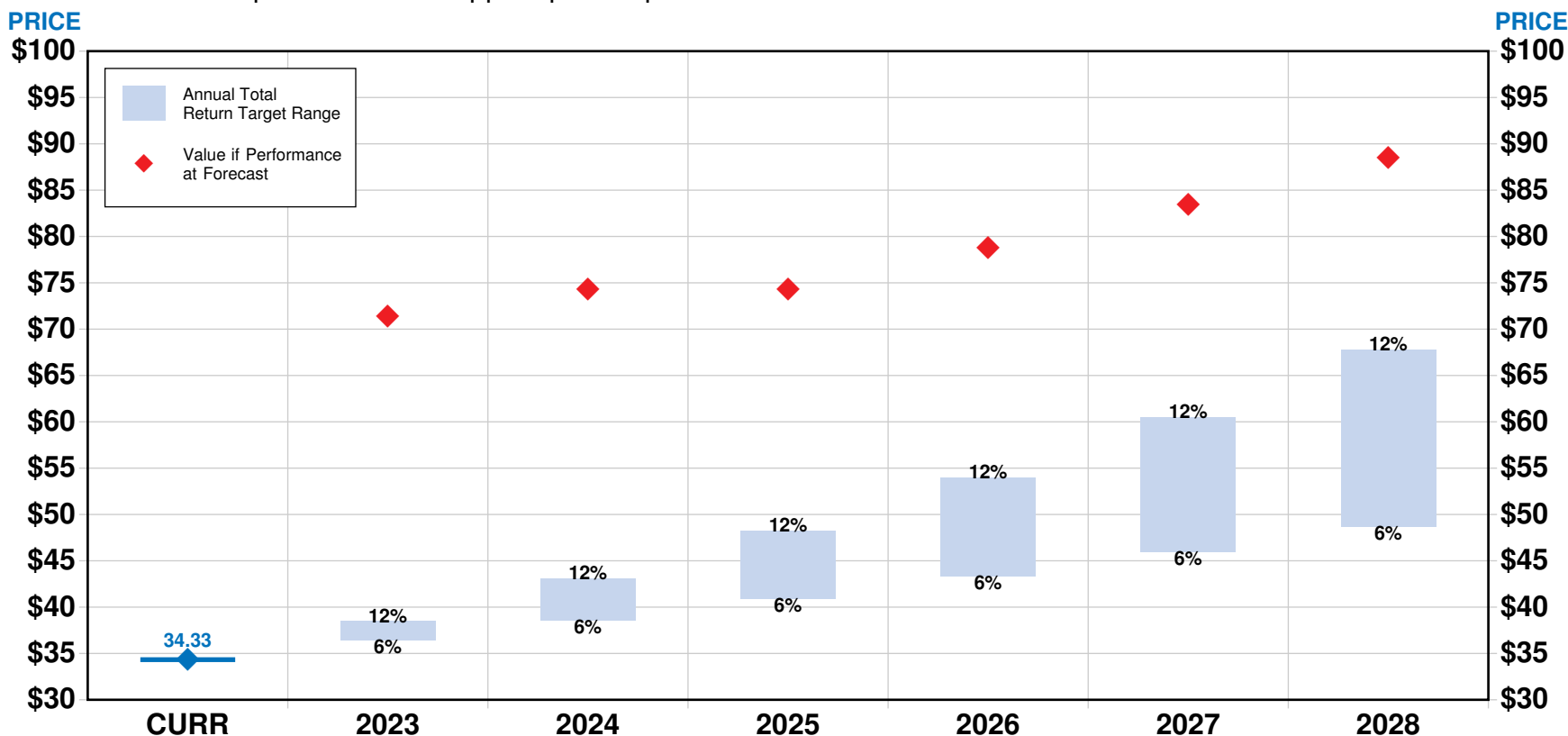


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The Value Challenge

Warranted Stock Price, 2023–2028

Total shareholder returns expected to significantly beat the overall equity market. Based on current investor expectations, Avista shares should reach a level of \$88 by 2028 -- a 21.4% per year total shareholder return. A 2028 stock price of \$58 would reflect median performance and a price of \$68 would be required to reach upper quartile performance.



Diamonds represent Avista warranted value based on scenario assumptions and PTR proprietary analysis. Shaded bands represent year-end stock price necessary to achieve target returns.

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