

ModernGraham Valuation

Company Name:

Company Ticker PNW
Date of Analysis 12/10/2015

Pinnacle West Capital Corporation



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$7,009,428,556	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.70	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	25.34%	Fail
6. Moderate PEmg Ratio	PEmg < 20	17.09	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	1.47	Pass

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	0.70	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-7.06	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.58
MG Growth Estimate	6.00%
MG Value	\$73.43
MG Value based on 3% Growth	\$51.95
MG Value based on 0% Growth	\$30.45
Market Implied Growth Rate	4.30%

MG Opinion

Current Price	\$61.23
% of Intrinsic Value	83.39%
Opinion	Fairly Valued

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$82.06
Graham Number	\$59.04
PEmg	17.09
Current Ratio	0.70
PB Ratio	1.47
Dividend Yield	3.89%
Number of Consecutive Years of Dividend Growth	4

Useful Links:

ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.69	Next Fiscal Year Estimate	\$3.58
Dec14	\$3.58	Dec14	\$3.49
Dec13	\$3.66	Dec13	\$3.24
Dec12	\$3.45	Dec12	\$2.88
Dec11	\$3.09	Dec11	\$2.56
Dec10	\$3.27	Dec10	\$2.37
Dec09	\$0.67	Dec09	\$2.03
Dec08	\$2.40	Dec08	\$2.69
Dec07	\$3.05	Dec07	\$2.78
Dec06	\$3.27	Dec06	\$2.58
Dec05	\$1.82	Dec05	\$2.32
Dec04	\$2.66	Dec04	\$2.67
Dec03	\$2.63	Dec03	\$2.69
Dec02	\$1.76	Dec02	\$2.73
Dec01	\$3.68	Dec01	\$3.13
Dec00	\$3.56	Dec00	\$2.78
Dec99	\$1.97	Dec99	\$2.38
Dec98	\$2.85	Balance Sheet Information	Sep15
Dec97	\$2.74	Total Current Assets	\$1,061,979,000
Dec96	\$2.06	Total Current Liabilities	\$1,523,362,000
Dec95	\$2.15	Long-Term Debt	\$3,257,347,000
		Total Assets	\$14,875,020,000
		Intangible Assets	\$134,937,000
		Total Liabilities	\$10,221,370,000
		Shares Outstanding (Diluted Average)	111,616,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other ModernGraham posts about the company

- [22 Companies in the Spotlight This Week – 11/29/14](#)
- [Pinnacle West Capital Corporation Annual Valuation – 2014 \\$PNW](#)

Other ModernGraham posts about related companies

- [American Electric Power Co Valuation – November 2015 Update \\$AEP](#)
- [Duke Energy Corporation Valuation – November 2015 Update \\$DUK](#)
- [Sempra Energy Valuation – October 2015 Update \\$SRE](#)
- [Xcel Energy Inc. Analysis – September 2015 Update \\$XEL](#)
- [NextEra Energy Inc. Analysis – August 2015 Update \\$NEE](#)
- [Westar Energy Inc. Analysis – Initial Coverage \\$WR](#)
- [Eversource Energy Analysis – Initial Coverage \\$ES](#)
- [Public Service Enterprise Group Inc. Analysis – 2015 Update \\$PEG](#)
- [Xcel Energy Analysis – June 2015 Update \\$XEL](#)
- [Consolidated Edison Analysis – 2015 Update \\$ED](#)