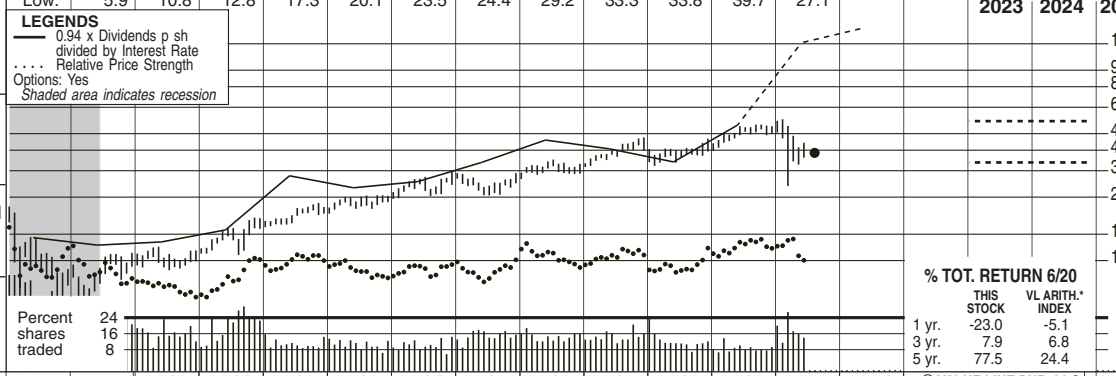
PNM RESOURCES NYSE-PNM

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
38.86	20.5	(Trailing: 20.9 Median: 18.0)	1.00	3.2%	VALUE LINE

TIMELINESS 3 Lowered 4/24/20
SAFETY 3 Lowered 5/9/08
TECHNICAL 3 Raised 7/24/20
BETA .90 (1.00 = Market)

High:	13.1	14.0	19.2	22.5	24.5	31.6	31.2	36.2	46.0	45.3	53.0	56.1
Low:	5.9	10.8	12.8	17.3	20.1	23.5	24.4	29.2	33.3	33.8	39.7	27.1

Target Price Range
2023 | 2024 | 2025



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$29-$75	$52 (35%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+40%)	12%
Low	35	(-10%)	1%

Institutional Decisions

	3Q2019	4Q2019	1Q2020
to Buy	116	135	110
to Sell	130	116	144
Hld's(000)	72521	73262	79315

% TOT. RETURN 6/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-23.0	-5.1
3 yr.	7.9	6.8
5 yr.	77.5	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
26.54	30.19	32.25	24.92	22.65	19.01	19.31	21.35	16.85	17.42	18.03	18.07	17.11	18.14	18.04	18.30	*16.30*	*16.90*	Revenues per sh	*18.00*
3.14	3.56	3.57	2.54	1.76	2.32	2.67	3.18	3.39	3.52	4.09	4.28	4.51	5.30	5.13	6.07	*5.45*	*6.15*	"Cash Flow" per sh	*7.25*
1.43	1.56	1.72	.76	.11	.58	.87	1.08	1.31	1.41	1.45	1.48	1.46	1.92	1.66	2.28	*1.90*	*2.25*	Earnings per sh A	*2.75*
.63	.79	.86	.91	.61	.50	.50	.50	.58	.68	.76	.82	.90	.99	1.09	1.18	*1.24*	*1.30*	Div'd Decl'd per sh B ■ †	*1.50*
2.25	3.07	4.04	5.94	3.99	3.32	3.25	4.10	3.88	4.37	5.78	7.01	7.53	6.28	6.29	7.74	*9.95*	*11.55*	Cap'l Spending per sh	*6.00*
18.19	18.70	22.09	22.03	18.89	18.90	17.60	19.62	20.05	20.87	22.39	20.78	21.04	21.28	21.20	21.08	*23.50*	*24.45*	Book Value per sh C	*29.25*
60.46	68.79	76.65	76.81	86.53	86.67	86.67	79.65	79.65	79.65	79.65	79.65	79.65	79.65	79.65	79.65	*85.83*	*85.83*	Common Shs Outst'g D	*92.00*
15.0	17.4	15.6	35.6	NMF	18.1	14.0	14.5	15.0	16.1	18.7	18.7	22.4	20.4	23.4	21.1	*Bold figures are*		Avg Ann'l P/E Ratio	*16.5*
.79	.93	.84	1.89	NMF	1.21	.89	.91	.95	.90	.98	.94	1.18	1.03	1.26	1.14	*Value Line*		Relative P/E Ratio	*.90*
2.9%	2.9%	3.2%	3.4%	4.9%	4.8%	4.1%	3.2%	3.0%	3.0%	2.8%	3.0%	2.8%	2.5%	2.8%	2.5%	*estimates*		Avg Ann'l Div'd Yield	*3.3%*

CAPITAL STRUCTURE as of 3/31/20
Total Debt $3308.9 mill. **Due in 5 Yrs** $1778.9 mill.
LT Debt $2468.7 mill. **LT Interest** $112.3 mill.
(LT interest earned: 2.7x)
Leases, Uncapitalized Annual rentals $30.7 mill.
Pension Assets-12/19 $590.8 mill.
Oblig $671.3 mill.
Pfd Stock $11.5 mill. **Pfd Div'd** $.5 mill.
115,293 shs. 4.58%, $100 par without mandatory redemption. Sinking fund began 2/1/84.

Common Stock 79,653,624 shs.
as of 5/1/20
MARKET CAP: $3.1 billion (Mid Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
1673.5	1700.6	1342.4	1387.9	1435.9	1439.1	1363.0	1445.0	1436.6	1457.6	*1400*	*1450*	Revenues ($mill)	*1650*
80.5	97.1	106.1	114.0	116.8	118.8	117.4	154.4	133.4	182.8	*170*	*210*	Net Profit ($mill)	*265*
32.6%	38.8%	31.4%	31.6%	34.8%	36.9%	32.4%	33.0%	13.8%	9.4%	*23.0%*	*23.0%*	Income Tax Rate	*23.0%*
7.1%	8.7%	7.1%	1.3%	10.7%	17.0%	11.0%	11.9%	14.5%	9.2%	*12.0%*	*10.0%*	AFUDC % to Net Profit	*7.0%*
50.4%	51.5%	50.9%	50.0%	47.8%	54.1%	55.7%	56.1%	61.1%	59.8%	*48.5%*	*54.0%*	Long-Term Debt Ratio	*50.5%*
49.2%	48.1%	48.7%	49.7%	51.9%	45.5%	44.0%	43.6%	38.6%	39.9%	*51.0%*	*46.0%*	Common Equity Ratio	*49.0%*
3100.3	3245.6	3277.9	3344.0	3437.1	3633.3	3806.8	3887.5	4370.0	4207.7	*3950*	*4575*	Total Capital ($mill)	*5475*
3444.4	3627.1	3746.5	3933.9	4270.0	4535.4	4904.7	4980.2	5234.6	5466.0	*6005*	*6660*	Net Plant ($mill)	*7500*
4.2%	4.5%	5.1%	5.2%	5.1%	4.8%	4.7%	5.3%	4.3%	5.8%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
5.2%	6.2%	6.6%	6.8%	6.5%	7.1%	7.0%	9.0%	7.8%	10.8%	*7.5%*	*9.0%*	Return on Shr. Equity	*9.5%*
5.2%	6.2%	6.6%	6.8%	6.5%	7.1%	7.0%	9.1%	7.9%	10.9%	*7.5%*	*9.0%*	Return on Com Equity E	*9.5%*
2.2%	3.3%	3.8%	3.8%	3.2%	3.3%	2.8%	4.5%	2.9%	5.4%	*2.5%*	*4.0%*	Retained to Com Eq	*4.5%*
57%	47%	43%	45%	51%	54%	61%	51%	64%	51%	*67%*	*58%*	All Div'ds to Net Prof	*54%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	+.3	+7.3	+5.0
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	2580	2661	2761
Peak Load, Summer (Mw)	1843	1885	1937
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.8	+1.1	NA
Fixed Charge Cov. (%)	243	218	228

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-2.0%	1.0%	*Nil*
"Cash Flow"	9.5%	8.5%	*4.5%*
Earnings	15.0%	7.0%	*6.0%*
Dividends	5.0%	10.0%	*5.5%*
Book Value	.5%	- -	*5.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	330.2	362.3	419.9	332.6	1445.0
2018	317.9	352.3	422.7	343.7	1436.6
2019	349.7	330.2	433.6	344.1	1457.6
2020	333.6	*320*	*415*	*331.4*	*1400*
2021	*345*	*330*	*430*	*345*	*1450*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.29	.47	.92	.25	1.92
2018	.19	.48	1.09	d.10	1.66
2019	.23	.36	1.29	.40	2.28
2020	d.19	*.52*	*1.24*	*.33*	*1.90*
2021	*.18*	*.47*	*1.30*	*.30*	*2.25*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.22	.22	.22	.22	.88
2017	.2425	.2425	.2425	.2425	.97
2018	.265	.265	.265	.265	1.06
2019	.29	.29	.29	.29	1.16
2020	.3075	.3075			

BUSINESS: PNM Resources, Inc. is a holding company with two regulated electric utilities. Public Service Company of New Mexico (PNM) serves 532,000 customers in north central New Mexico, incl. Albuquerque and Santa Fe. Texas-New Mexico Power Company (TNMP) transmits and distributes power to 257,000 customers in Texas. Electric revenue breakdown: residential, 40%; commercial, 35%; industrial, 6%; other, 19%. Generating sources not available. Fuel costs: 28% of revenues. '19 reported deprec. rates: 2.5%-7.9%. Has 1,700 employees. Chairman, President & CEO: Patricia K. Collawn. Incorporated: New Mexico. Address: 414 Silver Ave. SW, Albuquerque, New Mexico 87102-3289. Telephone: 505-241-2700. Internet: www.pnmresources.com.

PNM Resources' utility subsidiary in New Mexico delayed the filing of a general rate case, but there are still some regulatory matters pending. Public Service of New Mexico had planned to file an application in the second quarter, but decided not to do so due to the state of the economy. PNM did request a regulatory mechanism that would decouple revenues and volume for residential and small commercial customers. Currently, the fixed charges billed to these users aren't high enough to reflect the fixed costs of serving them. The company expects an order by yearend. By October 1, the New Mexico commission is expected to rule on PNM's plan to replace the capacity of a coal-fired facility that is scheduled for a shutdown (well before the end of its useful life). The utility would build 280 megawatts of gas-fired capacity and 70 mw of battery storage, a total investment of $278 million. The regulators have already approved the issuance of up to $361 million of securitized bonds so that PNM can recover the cost of the plant.

We raised our 2020 earnings estimate by $0.10 a share. Although kilowatt-hour sales declines stemming from the recession are hurting the company, PNM benefited from hotter-than-normal weather in the second quarter. The company has also cut certain expenses, such as executive travel. We are sticking with our 2021 estimate of $2.25 a share.

The company's TNMP subsidiary in Texas received some rate relief. Each year, TNMP gets revenues to recover transmission and distribution expenditures. In March, the utility was granted $7.8 million for transmission costs, and another such filing was expected this month. For distribution, TNMP reached a settlement calling for a $14.3 million increase, effective September 1st.

The share count will increase, probably in late 2020. In early 2020, PNM Resources raised $290 million through a forward sale of 6.18 million common shares.

Although the stock price has declined 23% this year, the dividend yield is still below the utility mean. The equity offers good total return potential for the next 18 months, but not for the period to 2023-2025.

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

(A) Dil. EPS. Excl. nonrec. gain (losses): '08, ($3.77); '10, ($1.36); '11, 88¢; '13, (16¢); '15, ($1.28); '17, (92¢); '18, (59¢); '19, ($1.31). Excl. gains from disc. ops.: '08, 42¢; '09, 78¢. '17 EPS don't sum due to rounding. Next egs. report due late July. (B) Div'ds paid mid-Feb., May, Aug., & Nov. ■ Div'd reinv. plan avail. (C) Incl. intang. In '19: $11.81/sh. (D) In mill., adj. for split. (E) Rate base: net orig. cost. Rate all'd on com. eq. in NM in '18: 9.575%; in TX in '11: 10.125%; earned on avg. com. eq., '19: 10.2%. Regulatory Climate: NM, Below Avg.; TX, Avg.

Company's Financial Strength	B+
Stock's Price Stability	80
Price Growth Persistence	90
Earnings Predictability	70

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