PINNACLE WEST NYSE-PNW

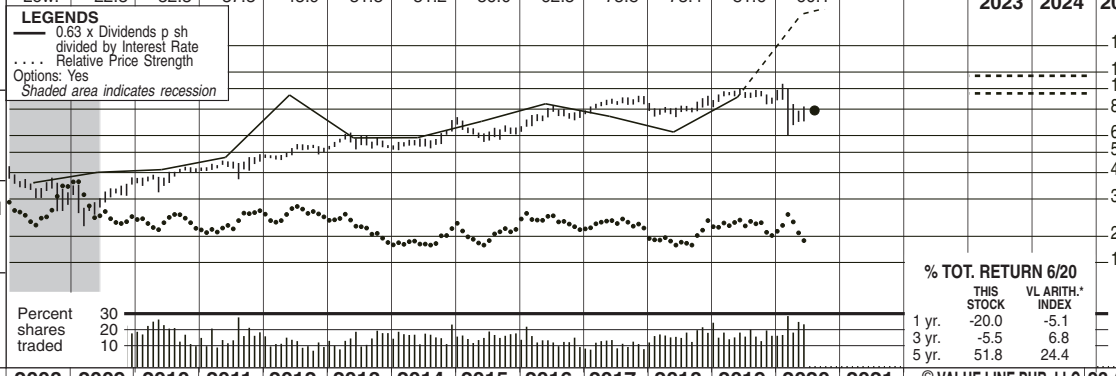
RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
78.91	16.6	(Trailing: 16.1 Median: 16.0)	0.81	4.1%	VALUE LINE

TIMELINESS 3 Lowered 8/30/19
SAFETY 1 Raised 5/3/13
TECHNICAL 4 Lowered 6/19/20
BETA .85 (1.00 = Market)

High:	38.0	42.7	48.9	54.7	61.9	71.1	73.3	82.8	92.5	92.6	99.8	105.5
Low:	22.3	32.3	37.3	45.9	51.5	51.2	56.0	62.5	75.8	73.4	81.6	60.1

Target Price Range
2023 | 2024 | 2025

LEGENDS
— 0.63 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$60-$134	$97 (25%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	115	(+45%)	13%
Low	95	(+20%)	9%

Institutional Decisions

	3Q2019	4Q2019	1Q2020
to Buy	245	221	207
to Sell	225	251	277
Hld's(000)	98235	98387	95773

% TOT. RETURN 6/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-20.0	-5.1
3 yr.	-5.5	6.8
5 yr.	51.8	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
31.59	30.16	34.03	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	*27.05*	*28.75*	Revenues per sh	*31.25*
6.93	5.76	9.70	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	*11.30*	*12.00*	"Cash Flow" per sh	*14.00*
2.58	2.24	3.17	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	*4.75*	*5.05*	Earnings per sh A	*5.75*
1.83	1.93	2.03	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	*3.22*	*3.41*	Div'd Decl'd per sh B ■	*4.00*
5.86	6.39	7.59	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	*12.10*	*15.20*	Cap'l Spending per sh	*11.75*
32.14	34.57	34.48	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	*49.75*	*51.25*	Book Value per sh C	*57.25*
91.79	99.08	99.96	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	*112.70*	*113.00*	Common Shs Outst'g D	*118.00*
15.8	19.2	13.7	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	*Bold figures are*		Avg Ann'l P/E Ratio	*18.5*
.83	1.02	.74	.79	.97	.91	.80	.92	.91	.86	.84	.81	.98	.97	.96	1.05	*Value Line*		Relative P/E Ratio	*1.05*
4.5%	4.5%	4.7%	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%	*estimates*		Avg Ann'l Div'd Yield	*3.8%*

CAPITAL STRUCTURE as of 3/31/20
Total Debt $6046.3 mill. **Due in 5 Yrs** $1578.1mill.
LT Debt $4833.3 mill. **LT Interest** $198.7 mill.
Incl. $13.4 mill. Palo Verde sale leaseback lessor notes.
(LT interest earned: 3.2x)
Leases, Uncapitalized Annual rentals $14.7 mill.
Pension Assets-12/19 $3318.4 mill. **Oblig** $3613.1 mill.
Pfd Stock None

Common Stock 112,493,458 shs.
as of 5/1/20
MARKET CAP: $8.9 billion (Large Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
3263.6	3241.4	3301.8	3454.6	3491.6	3495.4	3498.7	3565.3	3691.2	3471.2	*3050*	*3250*	Revenues ($mill)	*3700*
330.4	328.2	387.4	406.1	397.6	437.3	442.0	497.8	511.0	538.3	*540*	*570*	Net Profit ($mill)	*680*
31.9%	34.0%	36.2%	34.4%	34.2%	34.3%	33.9%	32.5%	20.2%	20.2%	*14.0%*	*14.0%*	Income Tax Rate	*14.0%*
11.7%	12.8%	9.7%	10.0%	11.6%	11.8%	14.1%	13.9%	15.2%	9.3%	*7.0%*	*12.0%*	AFUDC % to Net Profit	*7.0%*
45.3%	44.1%	44.6%	40.0%	41.0%	43.0%	45.6%	48.9%	47.0%	47.1%	*53.0%*	*53.0%*	Long-Term Debt Ratio	*53.5%*
54.7%	55.9%	55.4%	60.0%	59.0%	57.0%	54.4%	51.1%	53.0%	52.9%	*47.0%*	*47.0%*	Common Equity Ratio	*46.5%*
6729.1	6840.9	7171.9	6990.9	7398.7	8046.3	8825.4	9796.4	9861.1	10263	*11900*	*12375*	Total Capital ($mill)	*14525*
9578.8	9962.3	10396	10889	11194	11809	12714	13445	14030	14523	*15150*	*16100*	Net Plant ($mill)	*17900*
6.5%	6.4%	6.8%	7.1%	6.4%	6.4%	6.0%	6.1%	6.2%	6.3%	*5.5%*	*5.5%*	Return on Total Cap'l	*5.5%*
9.0%	8.6%	9.8%	9.7%	9.1%	9.5%	9.2%	9.9%	9.8%	9.9%	*9.5%*	*10.0%*	Return on Shr. Equity	*10.0%*
9.0%	8.6%	9.8%	9.7%	9.1%	9.5%	9.2%	9.9%	9.8%	9.9%	*9.5%*	*10.0%*	Return on Com Equity E	*10.0%*
3.1%	2.8%	4.1%	4.1%	3.5%	3.9%	3.5%	4.2%	3.9%	3.8%	*3.0%*	*3.0%*	Retained to Com Eq	*3.0%*
66%	68%	58%	58%	62%	59%	62%	58%	60%	61%	*67%*	*68%*	All Div'ds to Net Prof	*70%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	- -	-.3	-.3
Avg. Indust. Use (MWH)	620	662	714
Avg. Indust. Revs. per KWH (¢)	8.34	8.40	7.88
Capacity at Peak (Mw)	8438	8643	8241
Peak Load, Summer (Mw)	7363	7320	7115
Annual Load Factor (%)	46.3	47.0	47.1
% Change Customers (yr-end)	+1.8	+2.0	+2.0
Fixed Charge Cov. (%)	425	318	286

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-.5%	.5%	*-.5%*
"Cash Flow"	2.5%	6.0%	*4.5%*
Earnings	6.5%	5.0%	*4.0%*
Dividends	3.0%	3.5%	*5.5%*
Book Value	3.0%	4.0%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	677.7	944.6	1183.3	759.7	3565.3
2018	692.7	974.1	1268.0	756.4	3691.2
2019	740.5	869.5	1190.8	670.4	3471.2
2020	661.9	*700*	*1088.1*	*600*	*3050*
2021	*725*	*775*	*1100*	*625*	*3250*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.21	1.49	2.46	.27	4.43
2018	.03	1.48	2.80	.23	4.54
2019	.16	1.28	2.77	.57	4.77
2020	.27	*1.23*	*2.95*	*.30*	*4.75*
2021	*.10*	*1.45*	*3.15*	*.35*	*5.05*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.625	.625	.625	.655	2.53
2017	.655	.655	.655	.695	2.66
2018	.695	.695	.695	.7375	2.82
2019	.7375	.7375	.7375	.7825	3.00
2020	.7825	.7825			

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, 51%; commercial, 38%; industrial, 5%; other, 6%. Generating sources: nuclear, 28%; gas & other, 28%; coal, 24%; purchased, 20%. Fuel costs: 30% of revenues. '19 reported deprec. rate: 2.8%. Has 6,200 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.

The rate case of Pinnacle West's utility subsidiary probably won't be resolved until 2021. Last year, Arizona Public Service requested an increase of $184 million (5.6%), based on a 10.15% return on equity and a 54.7% common-equity ratio. Among other things, the utility wants to place a $390 million environmental upgrade to a coal-fired plant in rates and get some regulatory mechanisms that would defer for future recovery increases in certain expenses, such as property taxes. When APS filed the application in the fall of 2019, the hope was to get an order as early as December 1, 2020. However, the proceedings have been delayed long enough so that the company can't estimate when in 2021 the decision is likely to come. We were already not expecting any rate relief in our 2020 earnings estimate, but the delay has added uncertainty to our 2021 estimate.

Management reiterated its 2020 earnings guidance of $4.75-$4.95 a share upon reporting first-quarter results in May. This is despite the company's disclosure that the reduction in kilowatt-hour sales stemming from the weak economy hurt the bottom line by $0.10 a share, compared with the original expectation, from March 13th through April 30th. We note that Pinnacle West posted a higher-than-usual March-period profit thanks to tax credits. Thus, we did not cut our 2020 estimate of $4.75 a share. However . . .

We trimmed our 2021 estimate by $0.10 a share. We are concerned that any rate relief the utility receives from the pending rate application will come later than we had expected. Our revised figure of $5.05 a share would still produce a solid 6% increase over our estimated 2020 tally.

Finances are solid. The company's earned ROE has been consistent for the past several years. The fixed-charge coverage and common-equity ratio are healthy. Pinnacle West merits a Financial Strength rating of A+.

This stock has appeal for conservative accounts stressing income. The Safety rank is 1 (Highest). The dividend yield is above average, even for a utility. Total return potential is attractive for the 18-month period and respectable (on a risk-adjusted basis) for the 3- to 5-year span.

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

(A) Diluted EPS. Excl. nonrec. gain (loss): '09, ($1.45); '17, 8¢; gains (losses) from discont. ops.: '05, (36¢); '06, 10¢; '08, 28¢; '09, (13¢); '10, 18¢; '11, 10¢; '12, (5¢). '19 EPS don't sum due to rounding. Next earnings report due early Aug. (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. In '19: $14.00/sh. (D) In mill. (E) Rate base: Fair value. Rate allowed on com. eq. in '17: 10.0%; earned on avg. com. eq., '19: 10.1%. Regulatory Climate: Average.

Company's Financial Strength	A+
Stock's Price Stability	90
Price Growth Persistence	70
Earnings Predictability	95

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