Alliant Energy Corporation (LNT)

Updated June 28th, 2021 by Felix Martinez

Key Metrics

Current Price:	$57	**5 Year CAGR Estimate:**	6.5%	**Market Cap:**	$14.3 B
Fair Value Price:	$51	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	0730/21[1]
% Fair Value:	111%	**5 Year Valuation Multiple Estimate:**	-2.1%	**Dividend Payment Date:**	08/17/21
Dividend Yield:	2.8%	**5 Year Price Target**	$69	**Years Of Dividend Growth:**	18
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Last Dividend Increase:**	5.9%

Overview & Current Events

Alliant Energy Corporation is a public utility holding company incorporated in Madison, Wisconsin, in 1981. It generates $3.4 billion in operating revenues. The Company serves approximately 970,000 electric and 420,000 natural gas customers. Alliant has approximately 3,600 employees. Based on electric sales, the largest cities served in Iowa and Wisconsin are Cedar Rapids and Beloit, respectively. The Company consists of three subsidiaries. The first being the largest, Interstate Power and Light Company (IPL), which accounted for 51.5% of Alliant 2020 earnings. IPL is a public utility that generates and distributes electricity and distributes and transports natural gas in Iowa. The second subsidiary is Wisconsin Power and Light Company (WPL), which provides similar services to IPL in southern and central Wisconsin. WPL contributed 42.4% of total 2020 earnings. The last is Corporate Services, which accounts for a tiny percentage of the Company's total earnings.

On May 06, 2021, Alliant Energy reported first-quarter earnings for Fiscal Year (FY)2021. The Company reported a Non-GAAP Earnings per Shares (EPS) of $0.68 for the quarter, which is (5.6)% lower Year over Year (YoY). Also, revenues were down YoY from $916 million to $901 million, or lower by (1.6)% than 1Q2020. Lower revenue was due to net temperature, which affected the electric utility segment. Net income was up slightly for the quarter from $170 million in the first quarter of 2020 to now $701 million, up 0.6%. The net income increase was due to income tax benefits. The COVID-19 pandemic has not hurt the Company since it is considered an essential business. This is a benefit of investing in a utility company like Alliant Energy.

For FY2021, The Company adjusted its EPS guidance to $2.50 - $2.64 per share for the year. Thus, we will use the midpoint of $2.57 a share as our fair value calculations. This would be an increase of 5.8% compared to last year. Also, a dividend increases of 5.9% was announced on January 19, 2021. Now LNT has increased its dividends for 18 years in a row.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	$1.38	$1.51	$1.63	$1.74	$1.74	$1.87	$1.93	$2.17	$2.31	$2.43	***$2.57***	***$3.44***
DPS	$0.85	$0.90	$0.94	$1.02	$1.10	$1.18	$1.26	$1.34	$1.42	$1.52	***$1.61***	***$2.15***
Shares[2]	221.0	221.0	221.0	221.0	225.0	227.0	229.0	233.0	239.0	249.0	***249.0***	***249.0***

LNT's earnings have been steadily growing at a rate of 6.5% annually for the past ten years. As a utility company, LNT is restricted on how it can increase its rate of returns. The net margin has been gradually growing as well. In 2010, the net margin was 8.4%. Now net margin is at a rate of 18%. This is a byproduct of the tax rate decreasing from a high of 32% in 2010 to 10.8% last year. However, the share count has been increasing at a compound growth rate of 2.0% for the past five years. This dilutes the EPS slightly.

We expect earnings to continue to grow at a modest rate of 6%, giving us an estimated EPS of $3.44 for 2026. The company has also been very consistent with its dividend policies. LNT has been growing dividends for the past 18 years.

[1] Ex-Dividend Date and Dividend Payment Date are estimates

[2] Shares count in millions.

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In the last ten years, dividend growth has averaged 6.7% annually. We are being conservative and predicting a dividend growth rate of 6% for the next five years.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	16	14.6	15.9	19.1	18	20.3	22.1	19.5	23.7	21.2	***22.2***	***20.0***
Avg. Yld.	3.9%	4.1%	3.6%	3.1%	3.5%	3.1%	3.0%	3.2%	2.6%	3.0%	***2.8%***	***3.1%***

The company has been valued somewhat at a premium since 2016. For the past ten years, LNT has an average PE of 19 compared to the current PE of 22.2. We think a fair valued PE is 20, which is more in line with its five-year average.

The current dividend yield is a bit lower than the company's 5-year average of 3.0%. We think LNT is slightly overvalued at the current price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	61.6%	59.6%	57.7%	58.6%	63.2%	63.1%	65.3%	61.8%	61.5%	62.6%	***63%***	***63%***

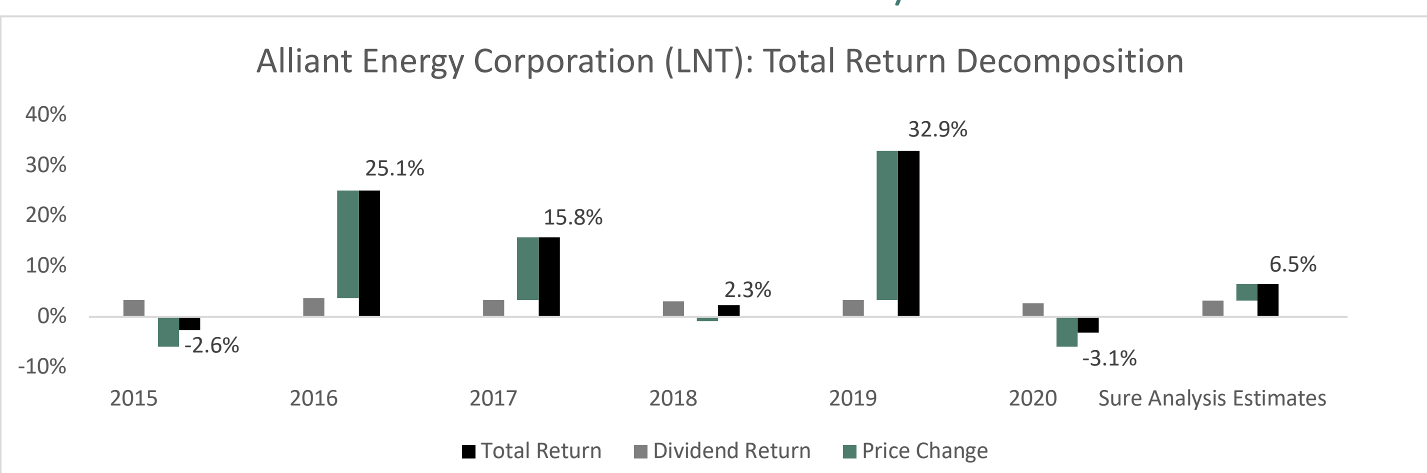
The Company's competitive advantage is that a utility company is very monopolizing as there is only one utility company in any given area. Thus, utility stocks are often held by investors for their defensive nature. People will always need to power their homes and businesses.

However, LNT shows that earnings can decrease during a recession. For example, during the Great Recession from 2008-2009, its earnings-per-share fell from a high of $1.35 in 2007 to $0.98 in 2009. Earnings did bounce back big by 40% in 2010, to $1.38. Even though earnings fell significantly in this period, the dividend was not cut. It was raised from $0.70 in 2008 to $0.75 in 2009. This shows that LNT is committed to paying growing dividends. The debt to Equity ratio (D/E) is 1.2 for the year compared to 1.1 in FY19. Even though the D/E rate increased, the company still holds a credit rating of A- with S&P and has a healthy interest coverage ratio of 3.0.

Final Thoughts & Recommendation

Alliant Energy is a safe business. The Company continues to produce a very reliable and growing dividend. The dividend has been increasing for the past 18 years. At the current price, the Company is slightly above our fair price of $51. Thus, we are changing our Buy recommendation from the last report to now a Hold recommendation. We see 6.5% expected annual total returns for the next five years of an excellent, dependable business.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	$6,162	$5,992	$6,080	$6,565	$6,617	$6,098	$6,921	$8,138	$8,175	$3,416
Gross Profit	$783	$702	$704	$764	$896	$851	$883	$1,020	$997	$1,463
Gross Margin	12.7%	11.7%	11.6%	11.6%	13.5%	14.0%	12.8%	12.5%	12.2%	42.8%
D&A Exp.	$380	$388	$411	$442	$414	$407	$462	$507	$567	$615
Operating Profit	$513	$520	$534	$544	$577	$624	$671	$694	$778	$740
Operating Margin	15.9%	16.8%	16.3%	16.2%	17.7%	18.8%	19.8%	19.6%	21.3%	21.7%
Net Profit	$322	$336	$376	$393	$388	$382	$468	$522	$567	$624
Net Margin	10.0%	10.8%	11.5%	11.7%	11.9%	11.5%	13.8%	14.8%	15.6%	18.3%
Free Cash Flow	$703	$841	$731	$892	$871	$393	$522	$528	$660	$501
Income Tax	$69	$89	$54	$44	$70	$59	$67	$48	$69	$-57

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	9688	10786	11112	12064	12495	13374	14188	15426	16701	17710
Cash & Equivalents	11	21	10	57	6	8	28	21	16	54
Accounts Receivable	88	95	82	88	94	112	91	81	84	101
Total Liabilities	218	204	212	224	224	222	222	212	227	217
Accounts Payable	6528	7504	7629	8423	8571	9312	9806	10640	11296	11822
Long-Term Debt	268	339	365	428	402	445	477	543	422	377
Shareholder's Equity	2807	3356	3616	3909	3995	4564	5282	5944	6528	7166

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	3.4%	3.3%	3.4%	3.4%	3.2%	3.0%	3.4%	3.5%	3.5%	3.6%
Return on Equity	10.8%	10.9%	11.7%	11.7%	10.8%	10.1%	11.6%	11.9%	11.6%	11.5%
ROIC	5.4%	5.3%	5.5%	5.4%	5.0%	4.6%	5.1%	5.1%	5.0%	5.0%
Shares Out.	221.4	221.6	221.6	221.7	225.4	227.1	229.7	233.6	239.0	249.0
Revenue/Share	$14.55	$13.96	$14.79	$15.11	$14.43	$14.62	$14.72	$15.13	$15.26	$13.74
FCF/Share	$3.17	$3.80	$3.30	$4.02	$3.87	$1.73	$2.27	$2.26	$2.76	$2.01

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise. Shares outstanding is in millions.

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