Alliant Energy Corporation (LNT)

Updated November 13th, 2021 by Felix Martinez

Key Metrics

Current Price:	$55	**5 Year CAGR Estimate:**	7.7%	**Market Cap:**	$13.8 B
Fair Value Price:	$53	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	10/29/21
% Fair Value:	105%	**5 Year Valuation Multiple Estimate:**	-1.0%	**Dividend Payment Date:**	11/15/21
Dividend Yield:	2.9%	**5 Year Price Target**	$70	**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. In 2020, Alliant Energy generated $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. The largest cities in Iowa and Wisconsin are Cedar Rapids and Beloit, respectively, based on electric sales. The Company consists of three subsidiaries. The first is 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 November 4, 2021, Alliant Energy reported third-quarter earnings for Fiscal Year (FY)2021. The Company reported a GAAP Earnings per Shares (EPS) of $1.02 for the quarter, which is 4.1% higher Year over Year (YoY). Also, revenues increased YoY from $920 million to $1,024 million or increased by 11% compared to 3Q2020. For the nine months of the year, revenue is up 5.5% compared to the nine months of FY2020. Thus far, The Company has made $2.28 per share compared to $2.22 per share for the first nine months of the fiscal year. The primary drivers of higher EPS were higher earnings resulting from IPL's and WPL's increasing rate base and warmer temperature impacts on electric sales for the quarter. Net income was up for the quarter from $249 million in the third quarter of 2020 to $259 million, up 4%. The net income increase was due to income tax benefits. For the first nine months, net income is up 3.8% vs. the first nine months of last year.

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 $2.63 per share for the year. Thus, we will use this as our fair value calculations. This would be an increase of 8.2% compared to last year

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	***$2.63***	***$3.52***
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[1]	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 increased at a compound growth rate of 2.0% for the past five years. This dilutes the EPS slightly.

[1] Shares count in millions.

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We expect earnings to continue to grow at a modest rate of 6%, giving us an estimated EPS of $3.52 for 2026. The Company has also been very consistent with its dividend policies. LNT has been growing dividends for the past 18 years. 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	***21.0***	***20.0***
Avg. Yld.	3.9%	4.1%	3.6%	3.1%	3.5%	3.1%	3.0%	3.2%	2.6%	3.0%	***2.9%***	***3.1%***

The Company has been valued somewhat at a premium since 2016. For the past ten years, LNT has had an average PE of 19 compared to the current PE of 21.0. 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

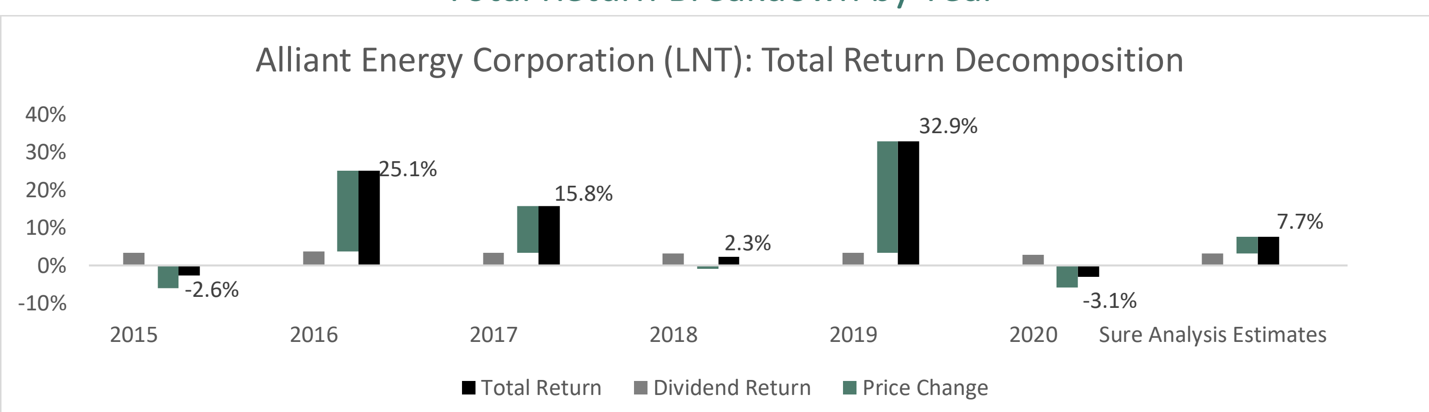
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	61.6%	59.6%	57.7%	58.6%	63.2%	63.1%	65.3%	61.8%	61.5%	62.6%	***61%***	***61%***

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 3.1.

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 $53. Thus, we recommend a Hold at the current price. We see 7.7% expected annual total returns for an excellent, dependable business in the next five years.

Total Return Breakdown by Year



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Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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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.