Alliant Energy Corporation (LNT)

Updated March 13th, 2022 by Felix Martinez

Key Metrics

Current Price:	$60	**5 Year CAGR Estimate:**	6.8%	**Market Cap:**	$15.1 B
Fair Value Price:	$55	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	04/29/22[1]
% Fair Value:	110%	**5 Year Valuation Multiple Estimate:**	-1.8%	**Dividend Payment Date:**	05/17/22
Dividend Yield:	2.8%	**5 Year Price Target**	$74	**Years Of Dividend Growth:**	19
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Last Dividend Increase:**	6.2%

Overview & Current Events

Alliant Energy Corporation is a public utility holding company incorporated in Madison, Wisconsin, in 1981. In 2020, Alliant Energy generated $3.7 billion in operating revenues. The company serves approximately 970,000 electric and 420,000 natural gas customers. Alliant has about 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 53.2% of Alliant's 2021 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 40.1% of total 2021 earnings. The last is Corporate Services, which accounts for a tiny percentage of the company's total earnings.

On February 17, 2022, Alliant Energy reported fourth-quarter and full-year earnings for Fiscal Year (FY)2021. The company reported a GAAP Earnings per Shares (EPS) of $0.35 for the quarter, 34.6% higher Year over Year (YoY). Also, revenues increased YoY from $817 million to $927 million or by 13.5% compared to 4Q2020. For the year, revenue is up 7.4% compared to FY2020. Thus, for the year, the company has made $2.63 per share compared to $2.43 per share for the 2020 fiscal year. This represents an increase of 8.2%. The primary drivers of higher EPS were higher earnings resulting from IPL's and WPL's increasing rate base and higher sales due to favorable temperature impacts versus 2020 and higher temperature-normalized sales due to recovery from COVID-19 sales impacts in 2020. Net income was up for the quarter from $64 million in the fourth quarter of 2020 to $88 million, up 37.5%. The net income increase was due to income tax benefits. For the year, net income is up 7.3% vs. the full year 2020.

The COVID-19 pandemic and supply chain issues have 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 FY2022, the company adjusted its EPS guidance to $2.75 per share for the year. Thus, we will use this as our fair value calculations. This would be an increase of 4.6% compared to last year

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$1.51	$1.63	$1.74	$1.74	$1.87	$1.93	$2.17	$2.31	$2.43	$2.63	***$2.75***	***$3.68***
DPS	$0.90	$0.94	$1.02	$1.10	$1.18	$1.26	$1.34	$1.42	$1.52	$1.61	***$1.71***	***$2.29***
Shares[2]	221.0	221.0	221.0	225.0	227.0	229.0	233.0	239.0	249.0	250.7	***250.7***	***250.7***

LNT's earnings have been steadily growing at a rate of 6.4% 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 17.9%. 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 1.8% for the past five years. This dilutes the EPS slightly.

[1] Ex-Dividend and Dividend Payment Dates are estimates.

[2] 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 $3.68 for 2027. The company has also been very consistent with its dividend policies. LNT has been growing dividends for the past 19 years. In the last ten years, dividend growth has averaged 6.7% annually. We are conservative and predicting a dividend growth rate of 6% for the next five years. The company increased its dividend by 6.2% on January 21, 2022.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	14.6	15.9	19.1	18	20.3	22.1	19.5	23.7	21.2	23.4	***21.9***	***20.0***
Avg. Yld.	4.1%	3.6%	3.1%	3.5%	3.1%	3.0%	3.2%	2.6%	3.0%	2.6%	***2.8%***	***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 19.8 compared to the current PE of 21.9. We think a fair valued PE is 20, 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

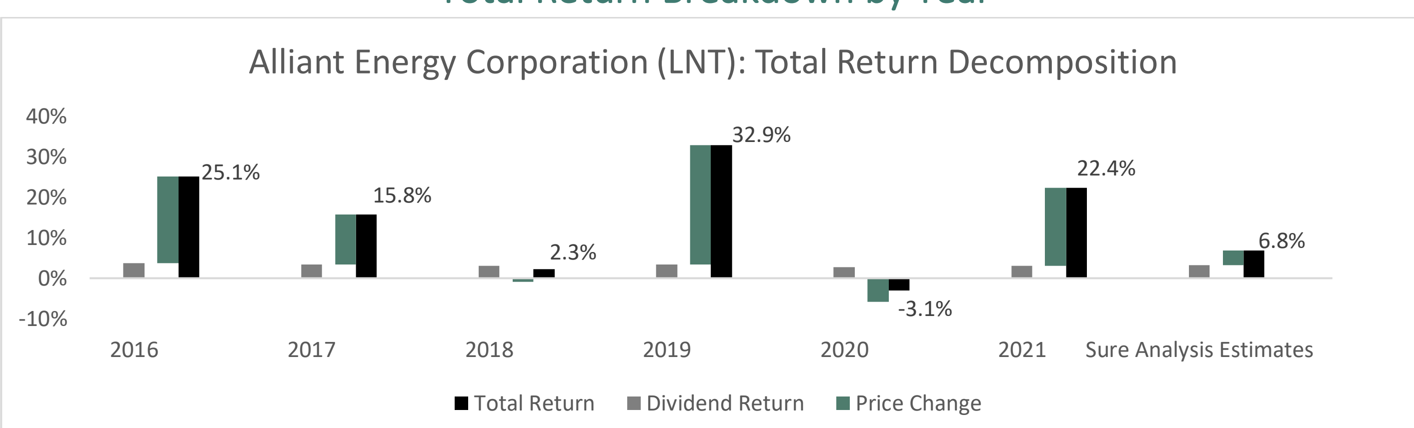
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	59.6%	57.7%	58.6%	63.2%	63.1%	65.3%	61.8%	61.5%	62.6%	61.2%	***62%***	***62%***

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 1.3 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 3.2.

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 19 years. At the current price, the company is slightly above our fair price of $55. Thus, we recommend a Hold at the current price. We see 6.8% 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	$5,992	$6,080	$6,565	$6,617	$6,098	$6,921	$8,138	$8,175	$3,416	$3,669
Gross Profit	$702	$704	$764	$896	$851	$883	$1,020	$997	$1,463	$1,556
Gross Margin	11.7%	11.6%	11.6%	13.5%	14.0%	12.8%	12.5%	12.2%	42.8%	42.4%
D&A Exp.	$388	$411	$442	$414	$407	$462	$507	$567	$615	$657
Operating Profit	$520	$534	$544	$577	$624	$671	$694	$778	$740	$795
Operating Margin	16.8%	16.3%	16.2%	17.7%	18.8%	19.8%	19.6%	21.3%	21.7%	21.7%
Net Profit	$336	$376	$393	$388	$382	$468	$522	$567	$624	$674
Net Margin	10.8%	11.5%	11.7%	11.9%	11.5%	13.8%	14.8%	15.6%	18.3%	18.4%
Free Cash Flow	$841	$731	$892	$871	$393	$522	$528	$660	$501	$582
Income Tax	$89	$54	$44	$70	$59	$67	$48	$69	$-57	$-74

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	10,786	11,112	12,064	12,495	13,374	14,188	15,426	16,701	17,710	18,553
Cash & Equivalents	21	10	57	6	8	28	21	16	54	39
Accounts Receivable	95	82	88	94	112	91	81	92	101	93
Total Liabilities	7,504	7,629	8,423	8,571	9,312	9,806	10,640	11,296	11,822	12,563
Accounts Payable	339	365	428	402	445	477	543	422	377	436
Long-Term Debt	3,356	3,616	3,909	3,995	4,564	5,282	5,944	6,527	7,166	7,883
Shareholder's Equity	3,135	3,281	3,439	3,724	3,862	4,182	4,586	5,205	5,688	5,990
LTD/E Ratio	1.07	1.10	1.14	1.07	1.18	1.26	1.30	1.25	1.26	1.32

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	3.3%	3.4%	3.4%	3.2%	3.0%	3.4%	3.5%	3.5%	3.6%	3.7%
Return on Equity	10.9%	11.7%	11.7%	10.8%	10.1%	11.6%	11.9%	11.6%	11.5%	11.5%
ROIC	5.3%	5.5%	5.4%	5.0%	4.6%	5.1%	5.1%	5.0%	5.0%	5.0%
Shares Out.	221.6	221.6	221.7	225.4	227.1	229.7	233.6	239.0	249.0	250.7
Revenue/Share	$13.96	$14.79	$15.11	$14.43	$14.62	$14.72	$15.13	$15.26	$13.74	14.64
FCF/Share	$3.80	$3.30	$4.02	$3.87	$1.73	$2.27	$2.26	$2.76	$2.01	2.32

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