Alliant Energy Corporation (LNT)

Updated May 14th, 2023 by Felix Martinez

Key Metrics

Current Price:	$55	**5 Year CAGR Estimate:**	10.0%	**Market Cap:**	$13.73 B
Fair Value Price:	$58	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	04/27/23
% Fair Value:	95%	**5 Year Valuation Multiple Estimate:**	1.1%	**Dividend Payment Date:**	05/15/23
Dividend Yield:	3.3%	**5 Year Price Target**	$78	**Years Of Dividend Growth:**	20
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Rating:**	Buy

Overview & Current Events

Alliant Energy Corporation is a public utility holding company incorporated in Madison, Wisconsin, in 1981. In 2022, Alliant Energy generated $3.4 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 51.2% of Alliant's 2022 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 44.6 of total 2022 earnings. The last is Corporate Services, which account for a tiny percentage of the company's total earnings.

On May 4th, 2023, Alliant Energy reported first-quarter results for Fiscal Year (FY)2023. The company reported a GAAP Earnings per Share (EPS) of $0.65 for the quarter, (15.6)% lower Year over Year (YoY). The company IPL segment, EPS was $0.29 per share, which was lower compared to 1Q2022. The WPL segment also saw a decrease in earnings by from $0.37 to $0.35 per share for the quarter compared to 1Q2022. Lower retail electric and gas sales caused by warmer than normal temperatures, higher interest expense, and timing of income tax expense were the primary drivers of lower EPS in the first quarter of 2023. This was partially offset by higher electric revenues resulting from higher revenue requirements and AFUDC from WPL's capital investments.

For FY2023, the company adjusted its EPS guidance to $2.90 per share for the year. Thus, we will use this as our fair value calculations. This would be an increase of 3.6% compared to last year. Also, the company announce that they will have a dividend target of $1.81 per share for 2023. This would be an increase of 5.8% compared to the current dividend of $1.71 per share.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$1.63	$1.74	$1.74	$1.87	$1.93	$2.17	$2.31	$2.43	$2.63	$2.80	***$2.90***	***$3.88***
DPS	$0.94	$1.02	$1.10	$1.18	$1.26	$1.34	$1.42	$1.52	$1.61	$1.71	***$1.81***	***$2.42***
Shares[1]	221.0	221.0	225.0	227.0	229.0	233.0	239.0	249.0	250.7	251.2	***250.7***	***250.7***

LNT's earnings have been steadily growing at a rate of 6.2% 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 16.3%. 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 1.5% 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 $3.88 for 2028. The company has also been very consistent with its dividend policies. LNT has been growing dividends for the past 20 years.

[1] Shares count in millions.

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.

Alliant Energy Corporation (LNT)

Updated May 14th, 2023 by Felix Martinez

In the last ten years, dividend growth has averaged 6.9% annually. We are conservative and predicting a dividend growth rate of 6% for the next five years. The company increased its dividend by 5.8% on January 26, 2023.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	15.9	19.1	18	20.3	22.1	19.5	23.7	21.2	23.4	19.7	***19.0***	***20.0***
Avg. Yld.	3.6%	3.1%	3.5%	3.1%	3.0%	3.2%	2.6%	3.0%	2.6%	3.1%	***3.3%***	***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 20.3x compared to the current PE of 19.0x. We think a fair valued PE is 20x, lower than its five-year average. The current dividend yield is higher than the company's 5-year average of 2.9%. We think LNT is slightly undervalued at the current price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

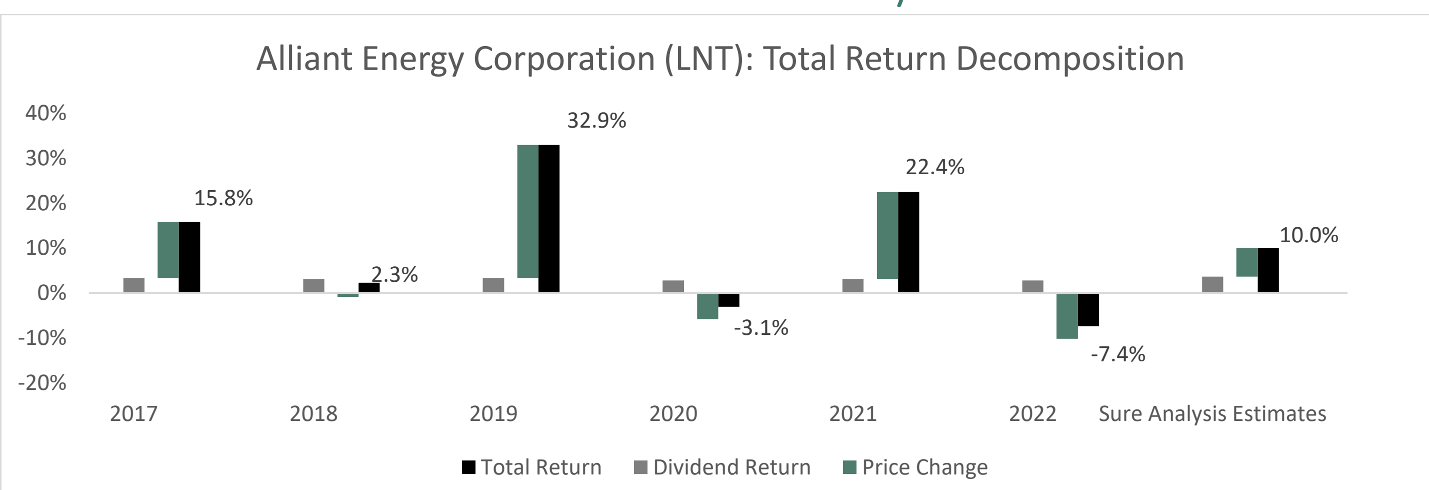
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	57.7%	58.6%	63.2%	63.1%	65.3%	61.8%	61.5%	62.6%	61.2%	61.1%	***62%***	***62%***

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 to 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 1.4 for the year compared to 1.1 in FY2021. 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 2.9.

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 20 years. At the current price, the company is undervalued valued with a target price of $58. Thus, we recommend a buy at the current price. We see 10.0% expected annual total returns for an excellent, dependable business in the next five years.

Total Return Breakdown by Year



Click here to rate and review this research report. Your feedback is important to us.

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.

Alliant Energy Corporation (LNT)

Updated May 14th, 2023 by Felix Martinez

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	$6,080	$6,565	$6,617	$6,098	$6,921	$8,138	$8,175	$3,416	$3,669	$4,205
Gross Profit	$704	$764	$896	$851	$883	$1,020	$997	$1,463	$1,556	$1709
Gross Margin	11.6%	11.6%	13.5%	14.0%	12.8%	12.5%	12.2%	42.8%	42.4%	40.6%
D&A Exp.	$411	$442	$414	$407	$462	$507	$567	$615	$657	$671
Operating Profit	$534	$544	$577	$624	$671	$694	$778	$740	$795	$928
Operating Margin	16.3%	16.2%	17.7%	18.8%	19.8%	19.6%	21.3%	21.7%	21.7%	22.1%
Net Profit	$376	$393	$388	$382	$468	$522	$567	$624	$674	$686
Net Margin	11.5%	11.7%	11.9%	11.5%	13.8%	14.8%	15.6%	18.3%	18.4%	16.3%
Free Cash Flow	$731	$892	$871	$393	$522	$528	$660	$501	$582	$486
Income Tax	$54	$44	$70	$59	$67	$48	$69	$-57	$-74	$22

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	11,112	12,064	12,495	13,374	14,188	15,426	16,701	17,710	18,553	20,163
Cash & Equivalents	10	57	6	8	28	21	16	54	39	20
Accounts Receivable	82	88	94	112	91	81	92	101	93	114
Total Liabilities	7,629	8,423	8,571	9,312	9,806	10,640	11,296	11,822	12,563	13,887
Accounts Payable	365	428	402	445	477	543	422	377	436	756
Long-Term Debt	3,616	3,909	3,995	4,564	5,282	5,944	6,527	7,166	7,883	8,718
Shareholder's Equity	3,281	3,439	3,724	3,862	4,182	4,586	5,205	5,688	5,990	6,276
LTD/E Ratio	1.10	1.14	1.07	1.18	1.26	1.30	1.25	1.26	1.32	1.39

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	3.4%	3.4%	3.2%	3.0%	3.4%	3.5%	3.5%	3.6%	3.7%	3.5%
Return on Equity	11.7%	11.7%	10.8%	10.1%	11.6%	11.9%	11.6%	11.5%	11.5%	11.2%
ROIC	5.5%	5.4%	5.0%	4.6%	5.1%	5.1%	5.0%	5.0%	5.0%	4.8%
Shares Out.	221.6	221.7	225.4	227.1	229.7	233.6	239.0	249.0	250.7	251.2
Revenue/Share	$14.79	$15.11	$14.43	$14.62	$14.72	$15.13	$15.26	$13.74	14.64	16.74
FCF/Share	$3.30	$4.02	$3.87	$1.73	$2.27	$2.26	$2.76	$2.01	2.32	1.93

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.