Alliant Energy Corporation (LNT)

Updated May 18th, 2024 by Felix Martinez

Key Metrics

Current Price:	$52	**5 Year CAGR Estimate:**	12.4%	**Market Cap:**	$13.3 B
Fair Value Price:	$61	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	04/30/24
% Fair Value:	85%	**5 Year Valuation Multiple Estimate:**	3.3%	**Dividend Payment Date:**	05/15/24
Dividend Yield:	4.0%	**5 Year Price Target**	$82	**Years Of Dividend Growth:**	21
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 $4.0 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 2nd, 2024, Alliant Energy reported first-quarter results for Fiscal Year (FY)2024. The EPS for Utilities and Corporate Services was $0.62, compared to $0.65 in the same period of 2023. Despite the decrease, Alliant Energy President and CEO Lisa Barton stated, “We had a solid start to the year in light of historically mild weather.” The company's results aligned with expectations, enabling it to reaffirm its 2024 earnings guidance and continue progressing toward its long-term growth goals. A significant milestone was achieved with the commissioning of the final project in their 1.1 gigawatt solar investment in Wisconsin, underscoring their commitment to diversifying the energy mix.

The reduction in GAAP EPS from the first quarter of 2023 to the first quarter of 2024 was primarily due to lower retail electric and gas sales caused by warmer-than-normal temperatures, alongside higher financing and depreciation expenses. These were partially offset by increased revenue requirements from capital investments at Wisconsin Power and Light Company (WPL). Specifically, the Public Service Commission of Wisconsin authorized annual base rate increases for WPL in December 2023, which contributed $0.11 per share due to higher revenue from an expanding rate base, including investments in solar generation and battery storage.

Alliant Energy reaffirmed its consolidated EPS guidance for 2024, projecting a range of $2.99 to $3.13. This guidance assumes that Interstate Power and Light Company (IPL) and WPL will earn their authorized rates of return, normal temperatures in utility service territories, constructive and timely regulatory outcomes, and a stable economy impacting utility sales. Additionally, the company plans to execute its capital expenditure and financing strategies, maintain cost controls, and manage a consolidated effective tax rate of -7%. This strategic focus ensures that Alliant Energy remains on track to meet its financial and operational targets.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$1.74	$1.74	$1.87	$1.93	$2.17	$2.31	$2.43	$2.63	$2.80	$2.82	***$3.06***	***$4.09***
DPS	$1.02	$1.10	$1.18	$1.26	$1.34	$1.42	$1.52	$1.61	$1.71	$1.81	***$1.92***	***$2.57***
Shares[1]	221.0	225.0	227.0	229.0	233.0	239.0	249.0	250.7	251.2	253.0	***253.0***	***253.0***

[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 18th, 2024 by Felix Martinez

LNT's earnings have been steadily growing at a rate of 5.5% 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 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 1.1% 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 $4.09 for 2029. The company has also been very consistent with its dividend policies. LNT has been growing dividends for the past 21 years. 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 6.1% on January 15, 2024.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	19.1	18	20.3	22.1	19.5	23.7	21.2	23.4	19.7	18.2	***17.0***	***20.0***
Avg. Yld.	3.1%	3.5%	3.1%	3.0%	3.2%	2.6%	3.0%	2.6%	3.1%	3.5%	***4.0%***	***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 20.5x compared to the current PE of 17.0x. 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 undervalued at the current price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

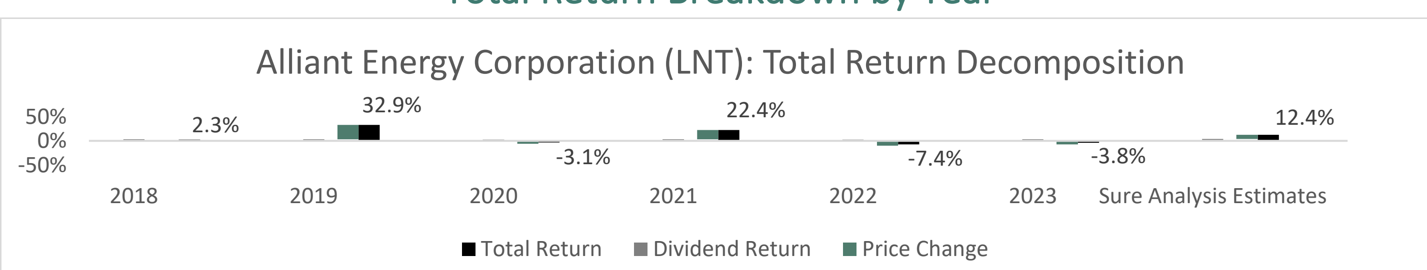
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	58.6%	63.2%	63.1%	65.3%	61.8%	61.5%	62.6%	61.2%	61.1%	64.2%	***63%***	***63%***

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 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 2.8.

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 with a target price of $61. Thus, we recommend a buy at the current price. We see 12.4% 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 18th, 2024 by Felix Martinez

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	$6,565	$6,617	$6,098	$6,921	$8,138	$8,175	$3,416	$3,669	$4,205	4027
Gross Profit	$764	$896	$851	$883	$1,020	$997	$1,463	$1,556	$1709	1734
Gross Margin	11.6%	13.5%	14.0%	12.8%	12.5%	12.2%	42.8%	42.4%	40.6%	43.1%
D&A Exp.	$442	$414	$407	$462	$507	$567	$615	$657	$671	676
Operating Profit	$544	$577	$624	$671	$694	$778	$740	$795	$928	943
Operating Margin	16.2%	17.7%	18.8%	19.8%	19.6%	21.3%	21.7%	21.7%	22.1%	23.4%
Net Profit	$393	$388	$382	$468	$522	$567	$624	$674	$686	703
Net Margin	11.7%	11.9%	11.5%	13.8%	14.8%	15.6%	18.3%	18.4%	16.3%	17.5%
Free Cash Flow	$892	$871	$393	$522	$528	$660	$501	$582	$486	867
Income Tax	$44	$70	$59	$67	$48	$69	$-57	$-74	$22	4

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	12,064	12,495	13,374	14,188	15,426	16,701	17,710	18,553	20,163	21240
Cash & Equivalents	57	6	8	28	21	16	54	39	20	62
Accounts Receivable	88	94	112	91	81	92	101	93	114	113
Total Liabilities	8,423	8,571	9,312	9,806	10,640	11,296	11,822	12,563	13,887	14460
Accounts Payable	428	402	445	477	543	422	377	436	756	611
Long-Term Debt	3,909	3,995	4,564	5,282	5,944	6,527	7,166	7,883	8,718	9509
Shareholder's Equity	3,439	3,724	3,862	4,182	4,586	5,205	5,688	5,990	6,276	6777
LTD/E Ratio	1.14	1.07	1.18	1.26	1.30	1.25	1.26	1.32	1.39	1.40

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.4%	3.2%	3.0%	3.4%	3.5%	3.5%	3.6%	3.7%	3.5%	3.4%
Return on Equity	11.7%	10.8%	10.1%	11.6%	11.9%	11.6%	11.5%	11.5%	11.2%	10.8%
ROIC	5.4%	5.0%	4.6%	5.1%	5.1%	5.0%	5.0%	5.0%	4.8%	4.5%
Shares Out.	221.7	225.4	227.1	229.7	233.6	239.0	249.0	250.7	251.2	253.3
Revenue/Share	$15.11	$14.43	$14.62	$14.72	$15.13	$15.26	$13.74	14.64	16.74	15.90
FCF/Share	$4.02	$3.87	$1.73	$2.27	$2.26	$2.76	$2.01	2.32	1.93	3.42

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