Alliant Energy Corporation (LNT)

Updated August 10th, 2024 by Felix Martinez

Key Metrics

Current Price:	$56	**5 Year CAGR Estimate:**	10.7%	**Market Cap:**	$14.4 B
Fair Value Price:	$61	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	07/31/24
% Fair Value:	92%	**5 Year Valuation Multiple Estimate:**	1.8%	**Dividend Payment Date:**	08/15/24
Dividend Yield:	3.4%	**5 Year Price Target**	$82	**Years Of Dividend Growth:**	21
Dividend Risk Score:	B	**Retirement Suitability Score:**	NA	**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 August 1st, 2024, Alliant Energy reported second-quarter results for Fiscal Year (FY)2024. The company's GAAP EPS for the quarter stood at $0.34, down from $0.64 in 2023, while its non-GAAP EPS was $0.57, also lower than the previous year's $0.64. The decline in earnings was mainly due to a $60 million pre-tax non-cash charge related to the retirement of Interstate Power and Light Company's (IPL) Lansing Generating Station, coupled with other factors such as higher financing and depreciation expenses, and adverse temperature impacts on retail electric and gas sales.

Despite these challenges, Alliant Energy's President and CEO, Lisa Barton, expressed optimism about the recent settlement in Iowa's rate review, highlighting its potential to foster growth while maintaining stable base rates for customers. Barton emphasized that, apart from the temporary impact of income tax timing and temperature effects, the company's performance for the first half of 2024 aligns with expectations. The company also continues to benefit from regulatory advancements and strong economic growth, particularly in sectors like data centers, positioning it to meet long-term growth objectives.

Looking ahead, Alliant Energy has reaffirmed its 2024 earnings guidance of $2.99 to $3.13 per share. This projection is based on key assumptions such as normal temperatures, stable economic conditions, successful execution of capital expenditure plans, and achieving authorized rates of return for its utilities. The guidance excludes potential non-recurring adjustments, such as regulatory charges and impacts from future changes in laws or tax policies, which could affect the company's financial results.

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***

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%

[1] Shares count in millions.

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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	***18.3***	***20.0***
Avg. Yld.	3.1%	3.5%	3.1%	3.0%	3.2%	2.6%	3.0%	2.6%	3.1%	3.5%	***3.4%***	***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 18.3x. 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

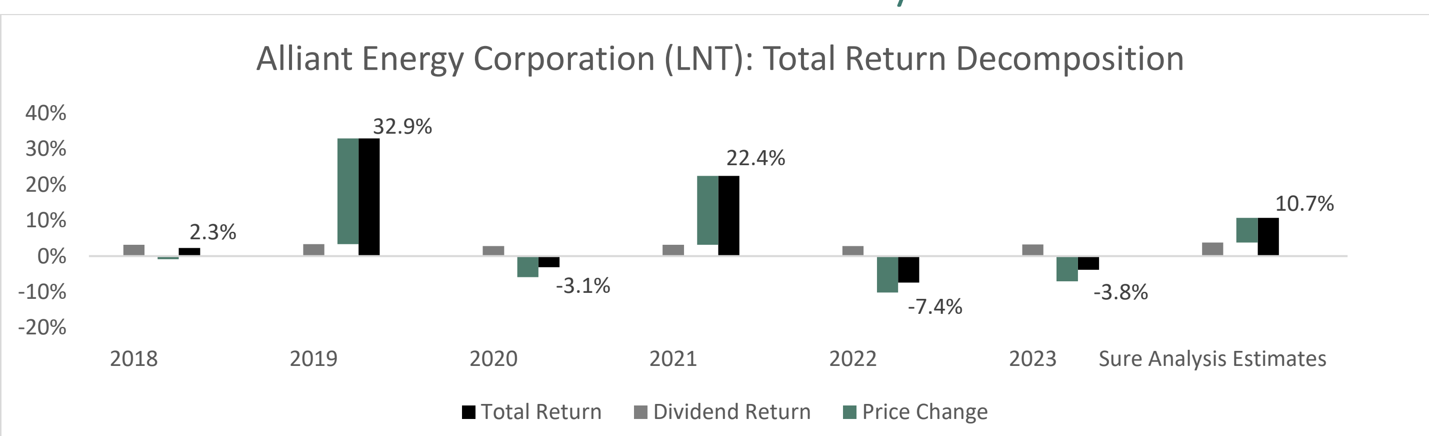
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	58.6%	63.2%	63.1%	65.3%	61.8%	61.5%	62.6%	61.2%	61.1%	64.2%	***63%***	***63%***

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 2.3.

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 10.7% expected annual total returns for an excellent, dependable business in the next five years.

Total Return Breakdown by Year



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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.