



# Black Hills Corporation (BKH)

Updated March 2<sup>nd</sup>, 2025 by Jonathan Weber

## Key Metrics

<b>Current Price:</b>	\$61	<b>5 Year CAGR Estimate:</b>	10.5%	<b>Market Cap:</b>	\$4.4B
<b>Fair Value Price:</b>	\$70	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	05/08/25 <sup>1</sup>
<b>% Fair Value:</b>	88%	<b>5 Year Valuation Multiple Estimate:</b>	2.7%	<b>Dividend Payment Date:</b>	05/21/25 <sup>2</sup>
<b>Dividend Yield:</b>	4.4%	<b>5 Year Price Target</b>	\$85	<b>Years Of Dividend Growth:</b>	55
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Buy

## Overview & Current Events

Black Hills Corporation is an electric utility that provides electricity and natural gas to customers in Colorado, Iowa, Kansas, Montana, Nebraska, South Dakota, and Wyoming. Black Hills was founded in 1941, and the company is headquartered in Rapid City, South Dakota. Black Hills Corporation has increased its dividend for more than 50 years in a row, which makes it a Dividend King thanks to five decades of dividend raises.

Black Hills Corporation reported its fourth quarter earnings results in February. The company generated revenues of \$597 million during the quarter, which was 1% more than the revenues that Black Hills Corporation was able to generate during the previous year's quarter. This was a reversal from the previous quarter, when revenues had been down.

Black Hills Corporation generated earnings-per-share of \$1.37 during the fourth quarter, which was above the consensus analyst estimate. Earnings-per-share were up by close to 20% versus the previous year's quarter. Q4 and Q1 are seasonally stronger quarters due to higher natural gas demand for heating, which was again showcased by the above-average profitability during the fourth quarter. Black Hills Corporation forecasts earnings-per-share of \$4.00 to \$4.20 for the current fiscal year. The company earned \$3.91 in both fiscal 2023 and fiscal 2024, thus the guidance for the current year implies that growth will resume again following one year of stagnation.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$2.83	\$3.13	\$3.36	\$3.54	\$3.53	\$3.73	\$3.74	\$3.97	\$3.91	\$3.91	<b>\$4.10</b>	<b>\$4.99</b>
<b>DPS</b>	\$1.62	\$1.68	\$1.81	\$1.93	\$2.05	\$2.17	\$2.31	\$2.40	\$2.52	\$2.60	<b>\$2.70</b>	<b>\$3.45</b>
<b>Shares<sup>3</sup></b>	51	53	54	58	61	63	64	65	68	70	<b>71</b>	<b>75</b>

Black Hills' profitability has been somewhat volatile over the last decade. On average, earnings-per-share grew by 3% to 4% annually in the 2015-to-2024 time frame, which is a solid growth rate for a utility.

The swings in Black Hills' profits are primarily based on the impact that weather conditions have on the demand for electricity, for cooling in summer, and natural gas, for heating in winter. Black Hills' growth over the coming years depends on several factors. This includes rate reviews, which drive revenues and profits per kWh. Another factor is the expansion of the company's existing assets via new utility infrastructure. Black Hills regularly adds new projects to its growth investment backlog. Black Hills' planned growth investments include new electric transmission lines and new natural gas pipelines to service its customers. Rate reviews will allow Black Hills to recover investments into its existing systems, thereby more or less guaranteeing increasing revenues over time as long as volumes on existing systems remain unchanged in the long run, which should lead to rising profits down the road. As the company exited its oil business a while ago, the increased focus on its core utility business is a positive for Black Hills, as this allows for more consistent and reliable growth. We forecast a mid-single digit earnings-per-share growth rate in the long run, but there could be some ups and downs over the years.

<sup>1</sup> Estimated date

<sup>2</sup> Estimated date

<sup>3</sup> 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.*



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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.1	22.3	19.7	17.8	22.4	16.1	19.0	17.6	14.1	15.1	14.9	17.0
Avg. Yld.	3.5%	2.9%	2.7%	3.3%	2.6%	3.6%	3.3%	3.6%	4.6%	4.4%	4.4%	4.1%

Black Hills Corporation trades for around 15 times this year's expected net profits right now. Black Hills' valuation has moved in a wide range throughout the past. The company was valued at less than 10 times profits during the midst of the Great Recession, but at as much as 20+ times earnings in other years. Shares trade below our fair value estimate right now, and the dividend is at an attractive above-average level today.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	57.2%	53.7%	53.9%	54.5%	58.1%	58.2%	61.8%	63.0%	64.5%	66.5%	65.8%	69.1%

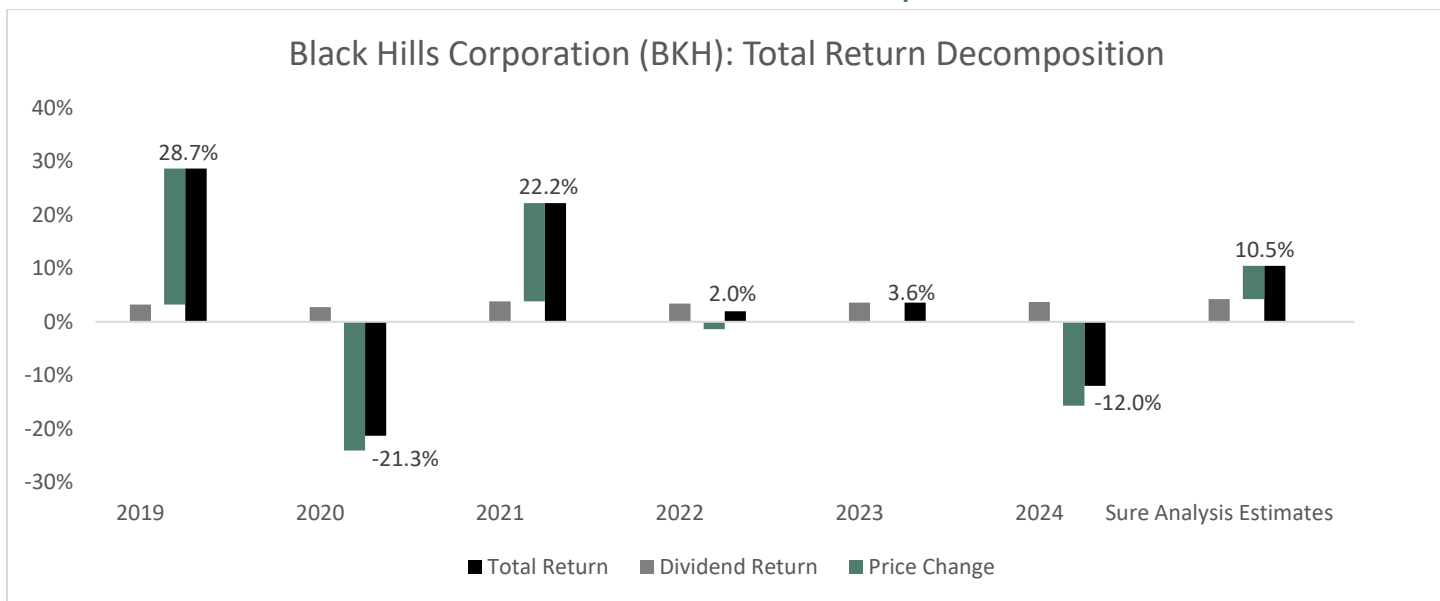
Overall, Black Hills Corporation's dividend payout ratio increased between 2014 and 2024. Today, the company pays out roughly two-thirds of its net profits in the form of dividends. It should be noted that Black Hills Corporation was not able to cover its dividend with net profits in some years during the Great Recession, but the company nevertheless raised its dividend during those years, and its decades-long dividend growth track record gives investors assurance that a dividend cut is unlikely from this utility company.

Demand for electricity and gas is not very cyclical, although it is dependent upon weather conditions to some degree. Thus, Black Hills should remain profitable under most circumstances. The fact that customers tend to stick with their provider means that Black Hills operates a relatively stable business model. The company should also be able to weather future recessions reasonably well, which creates appeal for more conservative investors.

## Final Thoughts & Recommendation

Black Hills is a relatively small utility company, but it has a compelling dividend growth track record, having raised its dividend annually for more than five decades in a row. We believe that it is likely that the company will continue to grow its earnings and its dividend over the coming years. The company's shares trade below our fair value estimate right now and we forecast compelling returns going forward. We rate the stock a buy at current prices.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,261	1,539	1,680	1,754	1,735	1,697	1,949	2,552	2,331	2,128
Gross Profit	481	613	662	647	668	709	706	773	796	840
Gross Margin	38.1%	39.8%	39.4%	36.9%	38.5%	41.8%	36.2%	30.3%	34.2%	39.5%
Operating Profit	300	336	417	397	406	428	409	455	473	503
Operating Margin	23.8%	21.8%	24.8%	22.6%	23.4%	25.2%	21.0%	17.8%	20.3%	23.6%
Net Profit	(32)	73	177	258	199	228	237	258	262	273
Net Margin	-2.5%	4.7%	10.5%	14.7%	11.5%	13.4%	12.1%	10.1%	11.2%	12.8%
Free Cash Flow	158	(134)	102	31	(313)	(226)	(742)	(20)	389	(25)
Income Tax	79	59	73	(24)	30	33	7	25	26	36

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,627	6,542	6,659	6,963	7,558	8,089	9,132	9,618	9,620	10,023
Cash & Equivalents	441	14	15	21	10	6	9	21	87	16
Accounts Receivable	80	137	126	147	145	147	181	268	199	202
Inventories	87	104	113	117	117	117	151	207	161	154
Goodwill & Int. Ass.	363	1,308	1,307	1,314	1,313	1,311	1,310	1,309	1,308	1,307
Total Liabilities	3,161	4,812	4,839	4,676	5,094	5,426	6,245	6,528	6,315	6,437
Accounts Payable	90	152	161	211	194	183	218	310	186	229
Long-Term Debt	1,930	3,314	3,326	3,142	3,495	3,771	4,547	4,668	4,401	4,384
Shareholder's Equity	1,466	1,615	1,709	2,182	2,362	2,561	2,787	2,995	3,215	3,502
LTD/E Ratio	1.32	2.05	1.95	1.44	1.48	1.47	1.63	1.56	1.37	1.25

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-0.7%	1.3%	2.7%	3.8%	2.7%	2.9%	2.7%	2.8%	2.7%	2.8%
Return on Equity	-2.3%	4.6%	10.0%	12.6%	8.4%	8.9%	8.5%	8.6%	8.2%	7.9%
ROIC	-1.0%	1.7%	3.5%	4.9%	3.5%	3.7%	3.4%	3.4%	3.4%	3.5%
Shares Out.	51	53	54	58	61	63	64	65	68	70
Revenue/Share	27.85	28.89	30.48	31.62	28.54	27.18	30.79	39.26	34.74	30.44
FCF/Share	3.49	(2.52)	1.86	0.56	(5.15)	(3.61)	(11.72)	(0.30)	5.79	(0.36)

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

## Disclaimer

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