



# NorthWestern Corp. (NWE)

Updated May 8<sup>th</sup>, 2025, by Ian Bezek

## Key Metrics

<b>Current Price:</b>	\$58	<b>5 Year CAGR Estimate:</b>	10.6%	<b>Market Cap:</b>	\$3.5 B
<b>Fair Value Price:</b>	\$61	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date:</b>	06/13/25
<b>% Fair Value:</b>	95%	<b>5 Year Valuation Multiple Estimate:</b>	1.1%	<b>Dividend Payment Date:</b>	06/30/25
<b>Dividend Yield:</b>	4.6%	<b>5 Year Price Target</b>	\$82	<b>Years Of Dividend Growth:</b>	20
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Utilities	<b>Rating:</b>	Hold

## Overview & Current Events

NorthWestern Corp. is a Sioux Falls, South Dakota based electricity and gas utility. It has 1,570 employees, and primarily serves the states of South Dakota and Montana. The company has been dramatically overhauling its energy generation fleet. While NorthWestern long relied on coal for the majority of its power production, that has now shifted with wind, solar, and hydroelectric accounting for approximately 55% of total combined power generation today. The company opened a small new power plant in 2022 and just completed a much larger new one which began commercial operations in August 2024. NorthWestern spent a total of \$310 million for that plant, and it came in on-time and on-budget. This plant will help the company have adequate generation capacity to meet demand at peak hours, improving efficiency. On July 29<sup>th</sup>, 2024, the company announced the purchase of the Energy West natural gas utility distribution system, adding 33,000 additional customers.

On April 30<sup>th</sup>, 2025, NorthWestern announced its Q1 2025 earnings. Adjusted earnings-per-share of \$1.22 rose from the \$1.09 reported in the same period last year. This slightly beat expectations. However, revenues of \$467 million fell 2% year-over-year and fell well short of the analyst consensus.

While Q1 was a mixed result, more broadly we are encouraged by the company's strategic moves. The new Yellowstone plant is a key piece of infrastructure for the company's future, and it is nice to see it becoming operational without any cost overruns. And tuck-in acquisitions such as the Energy West deal are likely to add value. The company is benefitting from new higher rates implemented across most of its service area along with increased electric and natural gas purchase volumes. We are projecting 6% earnings growth this year with EPS rising to \$3.60.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$2.90	\$3.39	\$3.34	\$3.40	\$3.53	\$3.06	\$3.60	\$3.18	\$3.22	\$3.40	<b>\$3.60</b>	<b>\$4.82</b>
<b>DPS</b>	\$1.92	\$2.00	\$2.10	\$2.20	\$2.30	\$2.40	\$2.48	\$2.52	\$2.56	\$2.60	<b>\$2.64</b>	<b>\$2.91</b>
<b>Shares<sup>1</sup></b>	48	48	49	50	50	51	54	56	61	61	<b>62</b>	<b>65</b>

Since 2015, NorthWestern Corp. has grown its earnings-per-share by an average compound rate of just 1.8%. Meanwhile, it has grown its dividend by 3.4% per year on average over the same period. NorthWestern's earnings growth has slowed significantly in recent years, with current earnings merely in-line with where the company was back in 2019. The company's dividend hikes have also slowed down, with 2025's increase being by just one cent per quarter.

In light of more favorable recent developments, however, we are forecasting a more upbeat 6.0% intermediate-term earnings growth rate as the company appears to have reached a positive operational inflection point.

The company recently completed a heavy investment cycle with its new power facilities. This came unfortunately timed with a surge in interest rates, which increased financing costs. As such, it's understandable why NorthWestern has moved to smaller dividend increases than it has historically achieved. As part of its balance sheet management, the company has engaged in some share dilution recently, which further limits the potential pace of earnings and dividend growth. We believe the growth outlook has improved now that the Yellowstone plant is up and running.

<sup>1</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	2029
Avg. P/E	18.4	17.2	17.8	16.8	19.9	19.5	16.9	18.2	16.5	14.9	16.1	17.0
Avg. Yld.	3.6%	3.4%	3.5%	3.9%	3.3%	4.0%	4.1%	4.3%	4.8%	4.9%	4.6%	3.6%

NorthWestern has historically had a stable P/E ratio with its average not going above 20 or below ~15 over the past decade. Shares are slightly below their historical average today, and we see the company's long-term P/E multiple moving back up to around 17.

The company's dividend yield has generally run between the mid-3% to low 4% range. The current 4.6% dividend yield is a higher than usual entry point for the stock. Offsetting the higher starting dividend yield, however, is the fact that dividend growth has decelerated over the past couple of years. And dividend growth may remain muted thanks to the company's recent investment cycle and related share dilution.

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

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	66%	59%	63%	65%	65%	78%	69%	79%	80%	76%	73%	61%

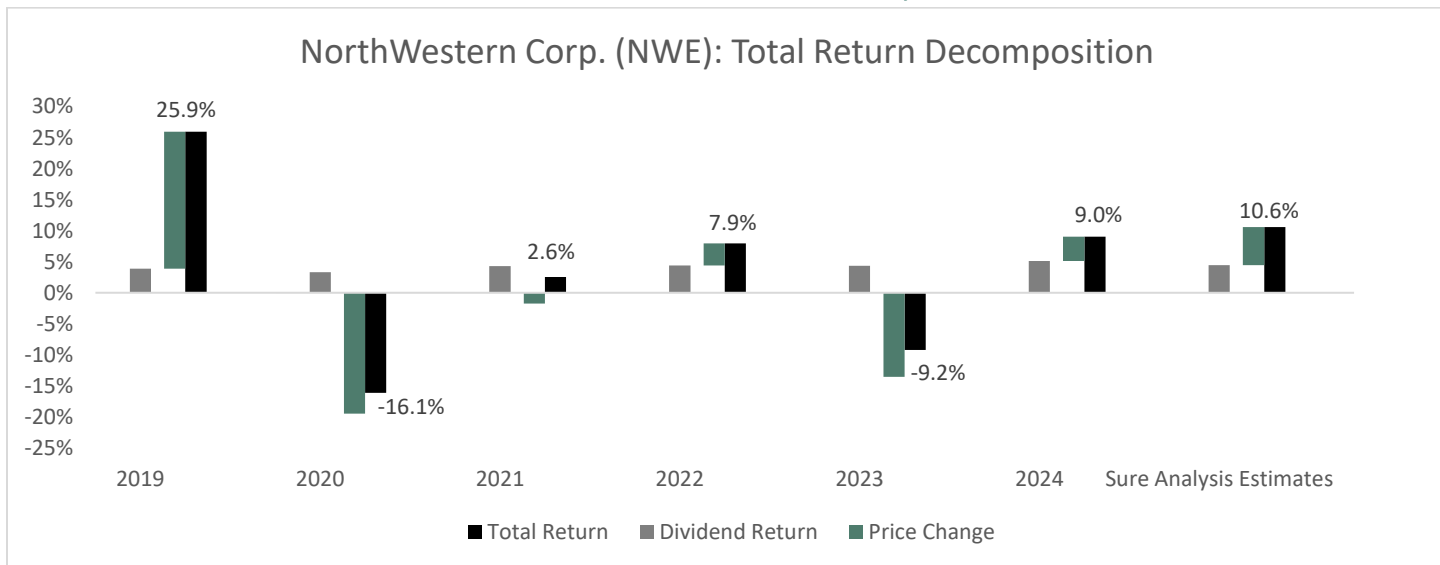
NorthWestern is somewhat on the small side as far as publicly traded utilities go and could face some geographical risk if anything happens to curb power demand in key states such as South Dakota and Montana. The company could face risk from wildfires across heavily forested mountainous parts of its service area. However, recent legislation in Montana should cap potential wildfire liabilities and make financial costs more manageable when natural disasters occur. In the big picture, utilities, as an industry, are highly resilient and tend to fare relatively well during economic duress.

NorthWestern aims to maintain its dividend payout ratio between 60% and 70%. However, it has now moved above this based on the past few years' earnings. We expect that earnings will grow more quickly than dividends through 2030 as NorthWestern seeks to get its payout ratio back down to something below 70%.

## Final Thoughts & Recommendation

NorthWestern shares have rallied since our last report, but remain modestly below our fair value estimate. Between the high starting yield and 6% forecast annualized growth rate, we believe shares can deliver favorable returns going forward. Our outlook calls for 10.6% annualized returns from today's price; shares earn a hold rating today.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,214	1,257	1,306	1,192	1,258	1,199	1,372	1,478	1,422	1,514
Gross Profit	841	856	895	919	940	892	947	986	781	852
Gross Margin	69.3%	68.1%	68.6%	77.1%	74.7%	74.5%	69.0%	66.7%	54.9%	56.3%
SG&A Exp.	297	294	295	307	109	94	102	114	117	137
Operating Profit	266	255	272	266	277	236	276	263	300	323
Operating Margin	21.9%	20.3%	20.8%	22.3%	22.0%	19.7%	20.1%	17.8%	21.1%	21.3%
Net Profit	151	164	163	197	202	155	187	183	194	224
Net Margin	12.5%	13.1%	12.5%	16.5%	16.1%	12.9%	13.6%	12.4%	13.6%	14.8%
Free Cash Flow	56	(1)	46	98	(19)	(54)	(214)	(208)	(78)	(143)
Income Tax	30	(8)	13	(19)	(20)	(11)	3	(0.6)	7.5	(9.4)

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,265	5,499	5,421	5,644	6,083	6,389	6,780	7,318	7,194	7,998
Cash & Equivalents	12	5	8	8	5	6	3	8,489	7,601	4,283
Acc. Receivable	154	160	182	162	167	168	199	245	212	188
Inventories	53	49	52	51	54	61	81	107	115	123
Total Liabilities	358	358	358	358	358	358	358	4,653	4,851	5,140
Accounts Payable	3,665	3,823	3,622	3,702	4,044	4,310	4,441	202	124	112
Long-Term Debt	75	79	85	87	97	100	115	2,619	2,785	3,095
Total Equity	1,998	2,094	2,113	2,102	2,233	2,415	2,541	2,665	2,785	2,858
LTD/E Ratio	1,600	1,676	1,799	1,942	2,039	2,079	2,340	0.98	1.00	1.08

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.0%	3.1%	3.0%	3.6%	3.4%	2.5%	2.8%	2.6%	2.6%	2.9%
Return on Equity	9.8%	10.0%	9.4%	10.5%	10.2%	7.5%	8.5%	7.3%	7.1%	7.9%
ROIC	4.3%	4.5%	4.2%	5.0%	4.9%	3.5%	4.0%	3.6%	3.6%	3.9%
Shares Out.	48.2	48.3	49.4	50.3	50.4	50.6	54.1	56.3	60.4	61.4
Revenue/Share	25.46	25.94	26.83	23.73	24.94	23.71	26.54	26.25	23.56	24.67
FCF/Share	1.18	(0.02)	0.95	1.95	(0.38)	(1.06)	(4.15)	(3.69)	(1.29)	(2.32)

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

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