Otter Tail Corporation (OTTR)

Updated November 5th, 2025 by Samuel Smith

Key Metrics

Current Price:	$84.3	**5 Year CAGR Estimate:**	8.1%	**Market Cap:**	$3.5 B
Fair Value Price:	$98.3	**5 Year Growth Estimate:**	2.7%	**Ex-Dividend Date:**	11/14/25
% Fair Value:	86%	**5 Year Valuation Multiple Estimate:**	3.1%	**Dividend Payment Date:**	12/10/25
Dividend Yield:	2.5%	**5 Year Price Target**	$113	**Years Of Dividend Growth:**	12
Dividend Risk Score:	D	**Sector:**	Utilities	**Rating:**	Hold

Overview & Current Events

Otter Tail Corporation goes back to 1907 with its electric utility, which was founded in Fergus Falls, MN. The company eventually expanded into metal fabrication and plastics manufacturing and today, it generates over $1 billion in annual revenue split between utility, manufacturing and plastics operations. Otter Tail has a $3.5 billion market capitalization.

On November 4, 2025, Otter Tail Corporation reported third-quarter 2025 results with diluted earnings per share of $1.86, down from $2.03 a year earlier, and operating revenue of approximately $325.6 million, a decline versus Q3 2024. The company's electric utility segment delivered stronger revenue growth (up about 6 %) driven by higher fuel recovery and volume increases, though net income from that segment was down due to lower pension income and adverse weather. The manufacturing segment saw revenue slip 3.7 % but net income surge ~80 % thanks to better margins and production efficiency, while the plastics segment faced pricing pressure, with revenue down ~13.9 % on a ~17 % drop in unit prices even as volumes improved.

Despite the mixed quarter, Otter Tail raised its full-year 2025 EPS guidance to a range of $6.32-$6.62 (midpoint $6.47) and lifted its long-term rate base growth target to 10 % annually, reflecting confidence in its regulated utility business and multiyear capital investment plan. The company emphasized its $1.9 billion five-year infrastructure plan and ability to attract large new loads through competitive rates in its service territory, while acknowledging headwinds in its manufacturing and plastics operations from macro supply-chain and pricing dynamics. Cost control, balance-sheet strength and regulated load growth were cited as levers to offset near-term segmental softness and support its long-term earnings trajectory.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.56	$1.60	$1.86	$2.06	$2.15	$2.34	$4.23	$6.78	$7.00	$7.17	***$6.53***	***$7.50***
DPS	$1.23	$1.25	$1.28	$1.34	$1.40	$1.48	$1.56	$1.65	$1.75	$1.87	***$2.10***	***$2.65***
Shares[1]	38.0	39.4	39.6	39.7	40.2	41.5	41.6	41.6	41.7	41.8	***41.9***	***42.0***

Otter Tail's earnings-per-share history has been fairly strong in the last decade, as earnings bottomed in 2010 and have grown every year since. We see earnings per share increasing at a 2.7% annualized pace going forward. The company's manufacturing and plastics businesses have benefited from higher order rates as well as a lower income tax rate, while seeing gross margins tick higher over time. The higher operating expenses seen in prior quarters are uncharacteristic for Otter Tail, so we don't see any long-term impairment just yet. We see all of these factors as continuing until further notice and as a result, earnings should decline steadily in the coming years. Otter Tail's full rate case in South Dakota is still pending, but the company has a favorable relationship with its regulators, so we are optimistic that Otter Tail will continue to receive the rate increases it needs to grow revenue.

[1] In millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	*Now*	*2030*
Avg. P/E	18.2	20.2	22.1	22.2	24.2	17.4	17.5	8.1	13.4	13.0	***12.9***	***15.0***
Avg. Yld.	4.2%	4.3%	3.9%	3.1%	2.9%	2.7%	3.6%	2.5%	2.8%	2.8%	***2.5%***	***2.4%***

The stock's price-to-earnings multiple has moved significantly lower in recent years after being artificially inflated due to low earnings per share from 2008 to 2011. However, today's multiple of 12.9 is below its recent historical norm of 20 and below our fair value estimate of 15. We think shares will return to a multiple of roughly 15 over time, producing a tailwind to total returns moving forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	79%	78%	69%	65%	65%	63%	37%	24%	25%	26%	**32%**	**35%**

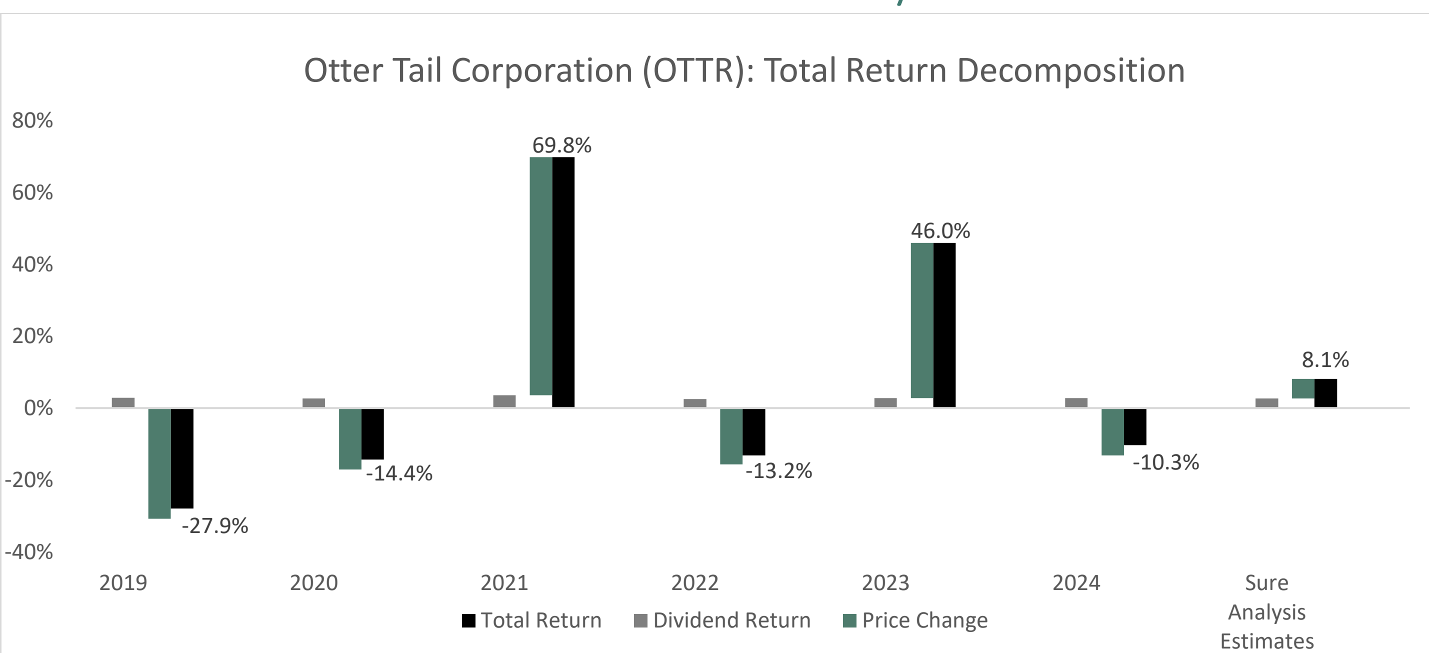
Otter Tail's payout ratio is generally around one-third of earnings, and we don't expect that will change long term. The company continues to boost its payout at roughly the same rate as earnings, so the dividend is quite safe and should continue to move higher over time.

Otter Tail's competitive advantage of having a diversified business model is also its disadvantage during recessions. The non-utility businesses are providing strong growth today, but during the last recession, earnings fell much more than expected for a pure utility. That will likely happen next time there is a downturn, so investors should keep this in mind.

Final Thoughts & Recommendation

We see Otter Tail as a stock that offers an 8.1% annualized total return potential moving forward along with a safe 2.5% dividend yield that will grow slowly but steadily over time. As a result, it looks like a decent investment at the moment, making it a Hold.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	780	804	849	916	920	890	1,197	1,460	1,349	1,331
Gross Profit	223	243	261	271	280	302	424	570	565	583
Gross Margin	28.6%	30.2%	30.8%	29.6%	30.4%	33.9%	35.4%	39.1%	41.9%	43.8%
D&A Exp.	60	73	73	75	78	82	91	93	98	107
Operating Profit	109	117	132	129	135	148	250	390	378	380
Operating Margin	14.0%	14.5%	15.6%	14.1%	14.7%	16.6%	20.9%	26.7%	28.0%	28.6%
Net Profit	59	62	72	82	87	96	177	284	294	302
Net Margin	7.6%	7.8%	8.5%	9.0%	9.4%	10.8%	14.8%	19.5%	21.8%	22.7%
Free Cash Flow	(43)	2	41	38	(22)	(160)	59	218	117	94
Income Tax	22	20	27	15	17	20	36	73	69	65

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,819	1,912	2,004	2,053	2,274	2,578	2,755	2,902	3,243	3,652
Cash & Equivalents	-	-	16	1	21	1	2	119	230	295
Accounts Receivable	63	68	68	75	79	87	142	112	129	112
Inventories	85	84	88	106	98	92	148	146	150	149
Goodwill & Int. Ass.	55	53	51	50	49	48	47	46	44	43
Total Liabilities	1,214	1,242	1,307	1,324	1,492	1,707	1,764	1,684	1,800	1,984
Accounts Payable	89	89	85	96	121	121	135	104	94	114
Long-Term Debt	577	581	603	609	696	846	855	832	905	1,013
Shareholder's Equity	605	670	697	729	781	871	991	1,217	1,443	1,668
LTD/E Ratio	0.95	0.87	0.87	0.84	0.89	0.97	0.86	0.68	0.63	0.61

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.3%	3.3%	3.7%	4.1%	4.0%	4.0%	6.6%	10.0%	9.6%	8.8%
Return on Equity	10.1%	9.8%	10.6%	11.6%	11.5%	11.6%	19.0%	25.7%	22.1%	19.4%
ROIC	5.2%	5.1%	5.7%	6.2%	6.2%	6.0%	9.9%	14.6%	13.4%	12.0%
Shares Out.	38.0	39.4	39.6	39.7	40.2	41.5	41.6	41.6	41.7	41.8
Revenue/Share	20.70	20.75	21.37	22.97	23.01	21.76	28.62	34.82	32.09	31.63
FCF/Share	(1.13)	0.05	1.02	0.95	(0.56)	(3.90)	1.42	5.20	2.79	2.24

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