MGE Energy (MGEE)

Updated December 31st, 2025 by Samuel Smith

Key Metrics

Current Price:	$78.6	**5 Year CAGR Estimate:**	3.7%	**Market Cap:**	$2.9 B
Fair Value Price:	$62.7	**5 Year Growth Estimate:**	5.8%	**Ex-Dividend Date:**	2/28/26[1]
Fair Value:	125%	**5 Year Valuation Multiple Estimate:**	-4.4%	**Dividend Payment Date:**	3/15/26[2]
Dividend Yield:	2.4%	**5 Year Price Target**	$83	**Years of Dividend Growth:**	50
Dividend Risk Score:	A	**Sector:**	Utilities	**Rating:**	Hold

Overview & Current Events

MGE Energy, Inc. is a diversified utility holding company headquartered in Madison, Wisconsin that provides electricity and natural gas distribution services primarily through its principal subsidiary, Madison Gas and Electric Company. Focused on serving residential, commercial and industrial customers in south-central and western Wisconsin, MGE Energy also invests in renewable energy generation, battery storage and smart grid technologies as part of its long-term strategy to enhance sustainability and grid resilience. The company's regulated utility operations aim to balance reliable service delivery with ongoing capital investment in infrastructure and clean energy resources, and MGE Energy has a long history of paying and increasing dividends to shareholders.

On November 5, 2025, MGE Energy, Inc. released its third quarter 2025 results for the period ended September 30, 2025, reporting a GAAP net income of $44.5 million, or $1.22 per diluted share, compared with $40.9 million, or $1.13 per share, in the third quarter of 2024, reflecting year-over-year growth in profitability. Operating revenues for the quarter increased to $175.7 million from $168.5 million in the prior year period, supported by rate base growth in electric operations and ongoing contributions from gas utility results. The company noted that earnings in the electric segment benefited from strategic capital investments that expanded rate base, including renewable projects such as the Darien Solar Project and the Paris Battery Energy Storage System, which became operational earlier in the year, while gas segment net income remained steady relative to the prior year. Non-utility investment gains, including approximately $2.2 million from venture capital funds focused on emerging energy technologies and customer experience innovations, also contributed to the quarterly earnings increase. Year-to-date through the first nine months of 2025, operating revenue and operating income grew compared with the same period in 2024, reflecting continued investment and demand trends. MGE Energy maintained its commitment to shareholder returns through an increased dividend, continuing its multi-decade record of annual dividend growth, and management emphasized ongoing focus on sustainable energy investments, grid modernization and disciplined operational execution. The stronger third quarter performance underscored resilient utility fundamentals and diversified earnings drivers, with continued capital deployment in renewables and infrastructure positioned to support future growth trends.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.06	$2.18	$2.20	$2.43	$2.50	$2.60	$2.92	$3.07	$3.25	$3.33	***$3.58***	***$4.75***
DPS	$1.16	$1.21	$1.26	$1.35	$1.39	$1.44	$1.52	$1.63	$1.67	$1.76	***$1.90***	***$2.50***
Shares[3]	34.7	34.7	34.7	34.7	34.7	36.2	36.2	36.2	36.2	36.5	***36.5***	***37.0***

Earnings-per-share have grown consistently over the past decade, though they did encounter a brief bump in the road in 2015. Recent results have been strong, and we believe that between its two sustainable growth catalysts of customer

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[1] Estimate
[2] Estimate
[3] 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.

acquisition and renewable asset growth, the company should be able to achieve mid-single-digit earnings-per-share growth going forward. Investors would do well to consider that weather can contribute positively but can easily swing results in the other direction. We see mid-single-digit growth for the dividend as well as MGE is comfortable with where the payout ratio is today. MGE is on par with other utilities in terms of dividend growth in the mid-single digits.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.3	24.9	22.9	26.7	31.6	27.4	24.9	22.5	20.9	24.0	***22.0***	***17.5***
Avg. Yld.	2.8%	2.2%	2.5%	2.1%	1.8%	2.0%	2.1%	2.4%	2.5%	2.2%	***2.4%***	***3.0%***

MGE's price-to-earnings multiple has moved significantly higher in the past half-decade to the mid-20s to low 30s and has since fallen back into the 20s. It sits at 22 times earnings today, and as a result, we believe MGE is still overvalued. The lack of strong earnings growth it has exhibited and a lack of catalysts for it to pick up in the coming years means that the current multiple seems unsustainable. Thus, we are forecasting a headwind to annual total returns in the coming years from multiple contraction. The dividend yield also tells us the stock is overvalued as it is still at the lower end of its range over the past decade. We think the combination of continued payout growth and a stock price that should come down over time will produce a higher, more normalized 3% yield against the current 2.4% yield. The current valuation multiple for MGE has not only made the stock expensive, but it has made the dividend less attractive as well.

Safety, Quality, Competitive Advantage, & Recession Resiliency

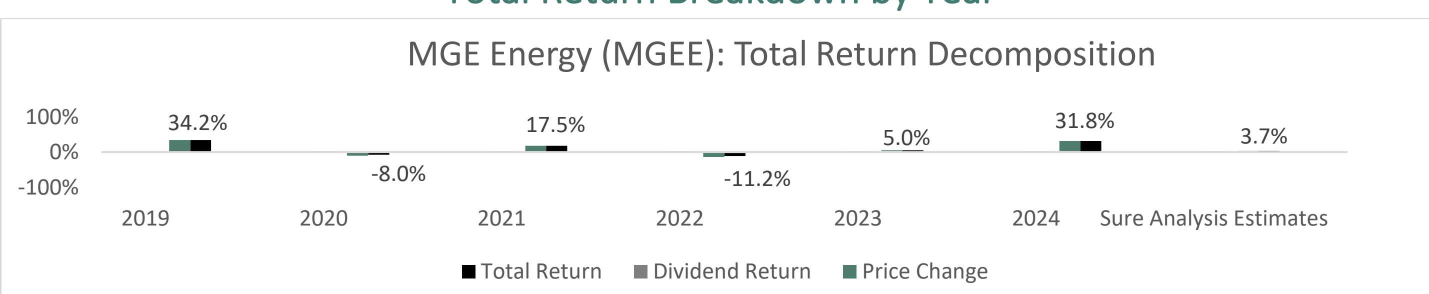
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	56%	56%	57%	56%	56%	55%	52%	53%	51%	53%	***53%***	***53%***

MGE's quality metrics have been roughly flat over the past decade, as it does not go after growth via acquisition, and its business has not really changed. Gross margins have drifted up over time but appear to have plateaued. MGE's interest coverage is outstanding for a utility, and we forecast this will improve slightly over time as earnings grow and MGE keeps its debt at manageable levels. The payout ratio should remain around 50% as dividend growth will likely lag earnings growth, but the two should be very close. Overall, MGE is conservatively financed and run basically the same way year after year, meaning changes in the quality metrics will likely be few and far between. MGE's main competitive advantage is its virtual monopoly in its service area. Like many other utilities, MGE has a small but profitable service area where it is continuing to grow its customer base. That helped it hold up well in the Great Recession as earnings-per-share dipped slightly but then recovered quickly.

Final Thoughts & Recommendation

MGE appears overvalued right now. We are forecasting total annualized returns for the next five years to be 3.7% as multiple contraction will partially offset the dividend and earnings-per-share growth. MGE, therefore, is rated a Hold right now.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	564	545	563	560	569	539	607	715	690	677
Gross Profit	188	189	197	190	202	204	214	244	269	279
Gross Margin	33.4%	34.6%	35.0%	33.9%	35.6%	37.9%	35.2%	34.1%	39.0%	41.2%
Operating Profit	44	45	53	56	72	74	77	86	100	109
Operating Margin	124	124	125	114	111	110	117	138	146	146
Net Profit	22.0%	22.7%	22.1%	20.4%	19.5%	20.4%	19.3%	19.3%	21.2%	21.6%
Net Margin	71	76	98	84	87	92	106	111	118	121
Free Cash Flow	12.6%	13.9%	17.3%	15.0%	15.3%	17.2%	17.4%	15.5%	17.0%	17.8%
Income Tax	69	64	23	(59)	(34)	(31)	(16)	(21)	15	41

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,726	1,801	1,855	1,989	2,082	2,254	2,372	2,518	2,675	2,828
Cash & Equivalents	81	96	108	83	23	45	17	12	11	21
Accounts Receivable	37	40	42	44	40	41	46	55	47	51
Inventories	48	41	44	42	45	47	52	74	73	68
Total Liabilities	1,036	1,077	1,077	1,172	1,226	1,278	1,344	1,436	1,535	1,598
Accounts Payable	41	48	48	46	55	55	64	59	65	77
Long-Term Debt	391	387	427	511	543	577	625	710	762	769
Shareholder's Equity	690	724	778	817	856	976	1,027	1,082	1,140	1,230
LTD/E Ratio	0.57	0.53	0.55	0.63	0.64	0.59	0.61	0.66	0.67	0.63

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.2%	4.3%	5.3%	4.4%	4.3%	4.3%	4.6%	4.5%	4.5%	4.4%
Return on Equity	10.6%	10.7%	13.0%	10.6%	10.4%	10.1%	10.6%	10.5%	10.6%	10.2%
ROIC	6.6%	6.9%	8.4%	6.7%	6.4%	6.3%	6.6%	6.4%	6.4%	6.2%
Shares Out.	34.7	34.7	34.7	34.7	34.7	36.2	36.2	36.2	36.2	36.5
Revenue/Share	16.27	15.71	16.24	16.15	16.41	15.13	16.77	19.75	19.08	18.68
FCF/Share	1.99	1.85	0.67	(1.71)	(0.97)	(0.86)	(0.43)	(0.59)	0.43	1.13

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