Otter Tail Corporation (OTTR)

Updated March 2nd, 2026 by Samuel Smith

Key Metrics

Current Price:	$86	**5 Year CAGR Estimate:**	6.5%	**Market Cap:**	$3.7 B
Fair Value Price:	$98	**5 Year Growth Estimate:**	1.4%	**Ex-Dividend Date:**	5/14/26[1]
% Fair Value:	88%	**5 Year Valuation Multiple Estimate:**	2.6%	**Dividend Payment Date:**	6/10/26[2]
Dividend Yield:	2.7%	**5 Year Price Target**	$105	**Years Of Dividend Growth:**	13
Dividend Risk Score:	D	**Sector:**	Utilities	**Rating:**	Hold

Overview & Current Events

Otter Tail Corporation traces its roots to 1907 with its electric utility founded in Fergus Falls, Minnesota. Today, the company operates through three segments: an electric utility serving customers in Minnesota, North Dakota, and South Dakota; a manufacturing segment producing metal parts and assemblies; and a plastics segment manufacturing PVC pipe products. Otter Tail generates over $1.3 billion in annual revenue across these diversified operations and has a market capitalization of approximately $3.7 billion.

On February 17, 2026, Otter Tail Corporation reported fourth-quarter and full-year 2025 results. The company delivered solid profitability but showed signs of earnings normalization, with Q4 diluted EPS of $1.23 and full-year EPS of $6.55 both declining versus the prior year despite total revenue of $1.30 billion. The electric utility segment was a clear strength, generating $566.8 million in 2025 revenue, up 8.1 percent year over year, supported by rate base investments and favorable weather that are expected to continue driving growth. In contrast, the manufacturing segment's $314.5 million of revenue represented an 8.2 percent decline, reflecting softer demand in agricultural and recreational vehicle end markets, while the plastics segment's $422.8 million of revenue fell 8.8 percent as a steep 15 percent drop in PVC pipe pricing more than offset an 8 percent increase in volumes. Looking ahead, management guided to plastics facing further pressure from an expected 20 percent decline in average PVC prices despite some offset from new Vinyltech capacity coming online, indicating continued earnings headwinds from this segment. Offsetting that weakness, the electric utility is poised to drive a projected 14 percent increase in segment earnings, supported by $467 million of planned capital expenditures and a robust rate base growth outlook from $2.11 billion in 2025 to $3.42 billion by 2030 at a 10 percent compound annual growth rate. The company's strong financial position, including $386 million in cash at year-end, a 16 percent return on equity, and a 10 percent dividend increase to $0.5775 per share, underpins management's message that the balance sheet can fund its long-term growth plan without external equity through at least 2030, even as near-term earnings trend lower due to plastics normalization.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.60	$1.86	$2.06	$2.15	$2.34	$4.23	$6.78	$7.00	$7.17	$6.55	***$6.53***	***$7.00***
DPS	$1.25	$1.28	$1.34	$1.40	$1.48	$1.56	$1.65	$1.75	$1.87	$2.10	***$2.31***	***$2.65***
Shares[3]	39.4	39.6	39.7	40.2	41.5	41.6	41.6	41.7	41.8	42.1	***42.1***	***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 1.4% 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

[1] Estimate
[2] Estimate
[3] In millions

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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.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	*2025*	*Now*	*2031*
Avg. P/E	20.2	22.1	22.2	24.2	17.4	17.5	8.1	13.4	13.0	12.9	***13.2***	***15.0***
Avg. Yld.	4.2%	4.3%	3.9%	3.1%	2.9%	1.4%	3.6%	2.5%	2.8%	2.8%	***2.7%***	***2.5%***

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 13.2 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

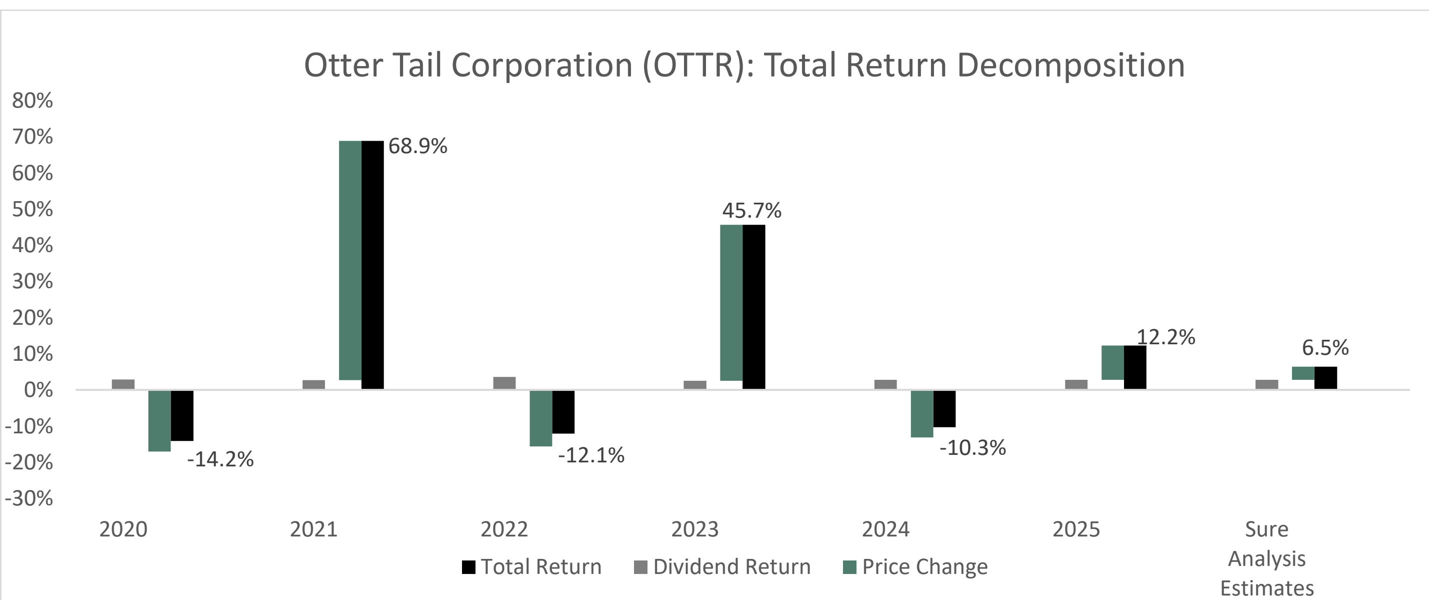
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	78%	69%	65%	65%	63%	37%	24%	25%	26%	32%	**35%**	**38%**

Otter Tail's payout ratio is generally around one-third of earnings, and we don't expect that to 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 6.5% annualized total return potential moving forward, along with a safe 2.7% 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.



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	804	849	916	920	890	1,197	1,460	1,349	1,331	1,304
Gross Profit	125	147	145	151	165	267	408	395	399	361
Gross Margin	15.6%	17.3%	15.8%	16.4%	18.5%	22.3%	28.0%	29.2%	30.0%	27.7%
D&A Exp.	73	73	75	78	82	91	93	98	107	118
Operating Profit	111	132	129	135	148	250	390	378	384	344
Operating Margin	13.8%	15.6%	14.1%	14.7%	16.6%	20.9%	26.7%	28.0%	28.8%	26.3%
Net Profit	62	72	82	87	96	177	284	294	302	276
Net Margin	7.7%	8.5%	9.0%	9.4%	10.8%	14.8%	19.5%	21.8%	22.7%	21.2%
Free Cash Flow	(2)	36	34	(33)	(169)	50	210	109	33	88
Income Tax	20	27	15	17	20	36	73	69	65	46

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,912	2,216	2,253	2,475	2,766	2,949	3,070	3,417	3,829	4,135
Cash & Equivalents	-	16	1	21	1	2	119	230	295	441
Accounts Receivable	88	91	99	99	105	164	134	148	132	133
Inventories	84	88	106	98	92	148	146	150	149	159
Goodwill & Int. Ass.	53	51	50	49	48	47	46	56	55	55
Total Liabilities	1,242	1,519	1,524	1,694	1,895	1,959	1,852	1,974	2,160	2,273
Accounts Payable	89	85	96	121	131	135	104	94	114	94
Long-Term Debt	539	603	609	708	780	779	838	835	967	1,065
Shareholder's Equity	670	697	729	781	871	991	1,217	1,443	1,668	1,862
LTD/E Ratio	0.87	0.87	0.84	0.92	0.99	0.88	0.70	0.64	0.62	0.61

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	3.3%	3.5%	3.7%	3.7%	3.7%	6.2%	9.4%	9.1%	8.3%	6.9%
Return on Equity	9.7%	10.6%	11.6%	11.5%	11.6%	19.0%	25.7%	22.1%	19.4%	15.6%
ROIC	5.1%	5.7%	6.2%	6.1%	5.9%	9.8%	14.4%	13.3%	11.9%	9.7%
Shares Out.	39.4	39.6	39.7	40.2	41.5	41.6	41.6	41.7	41.8	42.1
Revenue/Share	20.75	21.37	22.97	23.01	21.76	28.62	34.82	32.09	31.63	30.96
FCF/Share	(0.06)	0.92	0.84	(0.82)	(4.13)	1.20	5.01	2.59	0.77	2.10

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