



Otter Tail Corporation (OTTR)

Updated August 8th, 2026, by Kody Kester

Key Metrics

Current Price:	\$94	5 Year CAGR Estimate:	2.1%	Market Cap:	\$3.9B
Fair Value Price:	\$91	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	08/14/26
% Fair Value:	103%	5 Year Valuation Multiple Estimate:	-0.7%	Dividend Payment Date:	09/10/26
Dividend Yield:	2.5%	5 Year Price Target	\$91	Years Of Dividend Growth:	13
Dividend Risk Score:	F	Sector:	Utilities	Rating:	Hold

Overview & Current Events

Otter Tail Corporation (OTTR) 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. OTTR generated over \$1.3 billion in total operating revenue in 2025 across these diversified operations and has a market capitalization of approximately \$3.6 billion.

On Aug. 3, 2026, the company released its financial results for the second quarter ended Jun. 30, 2026. OTTR's total operating revenue inched 0.4% higher over the year-ago period to \$334.4 million in the quarter. The company's Manufacturing operating revenue jumped 12.4% year-over-year to roughly \$88.5 million during the quarter, which was made possible by a combination of higher steel costs (up 9%) and a 3% increase in sales volumes amid improved demand in the construction, recreational vehicle, and horticulture markets. That offset respective decreases in operating revenues in the Electric and Plastics segments for the quarter, respectively (-5.8% to \$121.3 million due to production tax credits being passed to customers/lower fuel recovery revenues and -0.8% to \$124.6 million from a 14% decrease in average sales prices, with higher volume mostly offsetting the difference). OTTR's adjusted diluted EPS declined by 10.3% over the year-ago period to \$1.66 in the quarter. That surpassed the analyst consensus during the quarter by \$0.16.

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	\$2.17	\$2.34	\$4.23	\$6.78	\$7.00	\$7.17	\$6.55	\$6.05	\$6.05
DPS	\$1.25	\$1.28	\$1.34	\$1.40	\$1.48	\$1.56	\$1.65	\$1.75	\$1.87	\$2.10	\$2.31	\$2.95
Shares¹	39.4	39.6	39.7	40.2	41.5	41.6	41.6	41.7	41.8	41.9	42.0	42.5

Since 2016, OTTR's diluted EPS has compounded by 17% annually. Much of this growth was due to a cyclical peak in the Plastics segment. Now, with the segment facing substantial cyclical pressures, we think that OTTR's diluted EPS will remain flat through 2031. Of note, we expect continued declines in diluted EPS over the next few years, with a return to high single-digit percentage annual diluted EPS growth in the second half of the forecast period (powered by 10% annual rate base growth in the Electric segment through its \$1.9 billion five-year capital investment plan). Currently, the earnings mix is about evenly split between Electric and Non-Electric. As the Plastics segment normalizes, this should return to a 70%/30% split. Since OTTR has no external equity needs through at least 2030, we expect the share count to remain relatively flat, with only marginal stock-based compensation vesting pushing the share count a bit higher.

¹ Share count is in millions.



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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	25.5	23.9	24.1	23.7	18.2	16.9	8.7	12.1	10.3	12.4	15.5	15.0
Avg. Yld.	3.1%	2.9%	2.7%	2.7%	3.5%	2.2%	2.8%	2.1%	2.5%	2.6%	2.5%	3.2%

Over the last decade, OTTR's P/E ratio has varied from as little as the high single digits in the peak profit year of 2022 to as much as the mid-20s in 2016. The average P/E ratio over that time was nearly 18. Adjusting for the fact that OTTR isn't a pure-play utility, this is why we think that a fair value P/E ratio of 15 is reasonable. Relative to the current-year P/E ratio of 15.5, shares look slightly overvalued.

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%	38%	49%

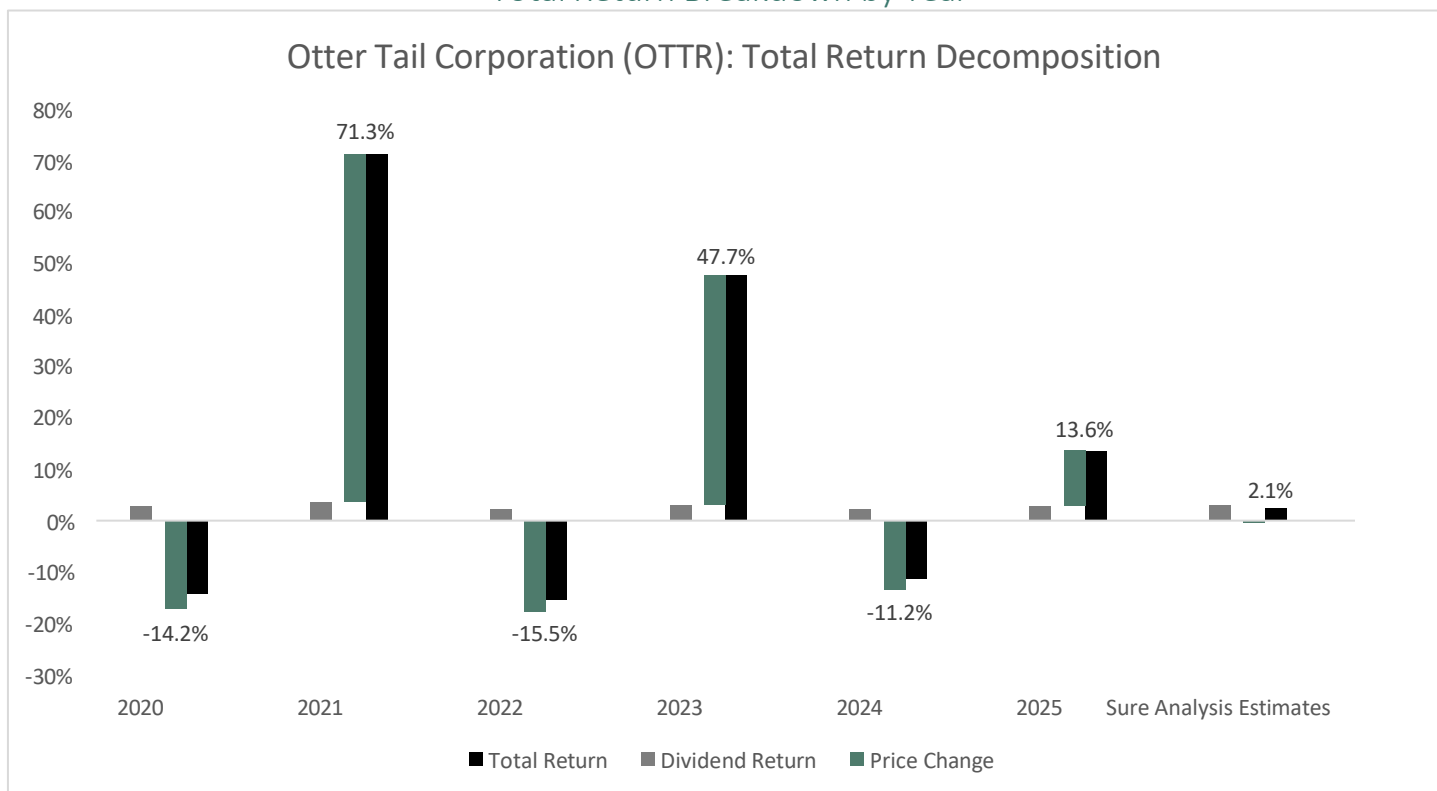
OTTR's competitive advantage of a diversified business model also works to its disadvantage in recessionary periods. The non-utility businesses (more specifically, the Plastics segment right now) are weighing on financial results. As this business stabilizes and becomes a smaller part of the earnings mix again, we expect growth to pick back up.

OTTR is financially stable, with a BBB S&P credit rating and a stable outlook. The payout ratio is quite sustainable for a regulated utility, which is why we think that it can build on its 13-year dividend growth streak with 5% annual dividend growth over the next several years.

Final Thoughts & Recommendation

OTTR's 2.5% dividend yield, flat diluted EPS, and 0.7% annual valuation multiple contraction potential could generate 2.1% annual total returns over the medium term. In closing, that's why we're maintaining our Hold rating.

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	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.

Disclaimer

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