

Alliant Energy(LNT)

\$52.12 (As of 02/28/20)

Price Target (6-12 Months): **\$55.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/16/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: A

Summary

Shares of Alliant Energy have outperformed its industry in the past 12 months. Alliant Energy's fourth-quarter earnings and revenues improved year over year. The company has plans to invest \$5.2 billion over the next four years to boost renewable operations and strengthen distribution assets. Strong economic conditions in service territories, resulting in the addition of customers and improving demand, act as a tailwind for the company. Alliant Energy continues to lower carbon emissions and has plans to exit coal generation assets by 2050. However, dependence on third party electric transmission systems remains headwind for Alliant Energy. The company is also subject to stringent regulations and fulfilling the new conditions could further increase operating expenses.

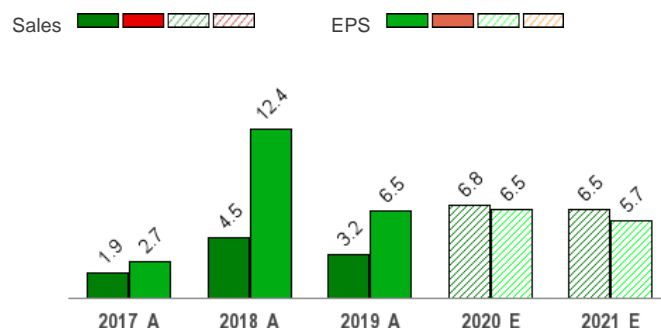
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$60.28 - \$45.68
20 Day Average Volume (sh)	1,410,533
Market Cap	\$12.8 B
YTD Price Change	-4.8%
Beta	0.23
Dividend / Div Yld	\$1.52 / 2.9%
Industry	Utility - Electric Power
Zacks Industry Rank	Top 43% (109 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-13.0%
Last Sales Surprise	NA
EPS F1 Est- 4 week change	0.0%
Expected Report Date	NA
Earnings ESP	0.0%
P/E TTM	22.6
P/E F1	21.2
PEG F1	4.0
P/S TTM	3.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					4,150 E
2020					3,895 E
2019	987 A	790 A	990 A	880 A	3,648 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$2.60 E
2020					\$2.46 E
2019	\$0.53 A	\$0.40 A	\$0.94 A	\$0.44 A	\$2.31 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, except sales and EPS estimates, is as of 02/28/2020. The reports text and the analyst-provided sales and EPS estimates are as of 03/02/2020.

Overview

Founded in 1917, Madison, WI-based, **Alliant Energy Corporation** (LNT) is a holding company with subsidiaries engaged in regulated electric and natural gas services. The company operates primarily through four wholly owned subsidiaries – Interstate Power and Light Company (IPL), Wisconsin Power and Light Company (WPL), Resource and Corporate Services. Alliant Energy provides services to 970,000 electric and 420,000 natural gas customers in the Midwest.

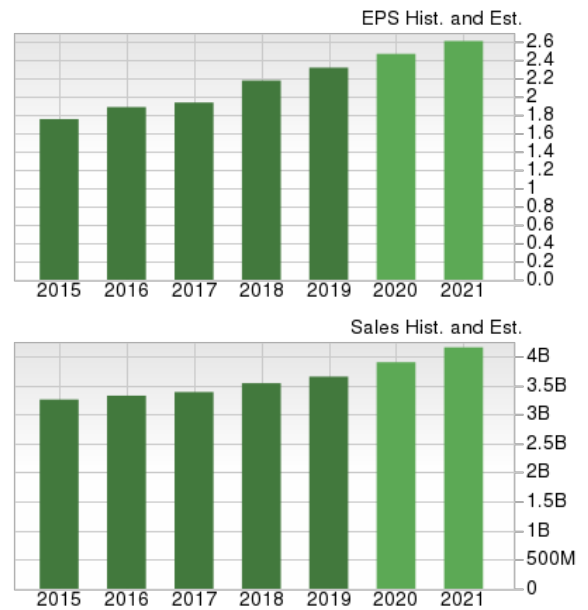
Utility Business:

This segment includes the operations of IPL and WPL. Both the utilities have a diversified fuel mix which consists of coal, natural gas and renewable resources. The output from these generating facilities is supplemented with purchased power.

IPL is primarily engaged in the generation and distribution of electricity and distribution and transportation of natural gas in select markets in Iowa and southern Minnesota. This subsidiary is also engaged in the generation and distribution of steam for two customers in Cedar Rapids, IA. In 2019, contribution from this subsidiary came in at \$2,089.6 million or 57.3% of total revenues.

WPL's businesses include generation and distribution of electricity and the distribution and transportation of natural gas in select markets in southern and central Wisconsin. WPL's consolidated subsidiary – WPL Transco – holds Alliant Energy's investment in American Transmission Company (ATC). The subsidiary's contribution amounted to \$1,475.7 million or 40.4% of total 2019 revenues.

Non-regulated, Parent and Other: Revenues from this segment were \$82.4 million in 2019, representing 2.3% of total revenues.



Reasons To Buy:

- ▲ Alliant Energy's earnings growth prospects look attractive due to stable state economies in its service areas and compelling prospects for new electric generation capacity. Its geographic location and favorable regulatory developments bode well for the development of wind projects and long-term earnings growth. Shares of Alliant Energy have gained 12.6% compared with the industry's 7% growth in the past 12 months.

It currently targets long-term annual earnings growth in the range of 5-7% from 2018 levels. We expect Alliant Energy to keep up the good performance till 2022 on the back of its capital expenditure plan, modest sales growth and constructive regulatory outcomes.

- ▲ Alliant Energy has plans to invest \$5.2 billion over the next four years to strengthen the electric and gas distribution network, and add natural gas and renewable assets to its generation portfolio. Out of the total outlay, the company has plans to invest \$3.5 billion during the next four years in a bid to strengthen its distribution systems.

The company is successfully completing major construction projects on time and at or below budget. Constructive regulatory environment will enable the company will help the company to recover the capital expenditures.

- ▲ Alliant Energy is consistently investing in renewable and natural gas-based electricity generation, and gradually lowering its coal-based generation assets. Stringent emission standards are forcing utilities to lower their dependence on coal-fired production units. In August 2018, the company announced its voluntary goal to retire all the existing coal-fired generation units within 2050, with an objective of lowering emissions from 2005 levels by 40% and 80% within 2030 and 2050, respectively. Alliant Energy is making strong progress with clean energy initiatives and has already lowered carbon dioxide emissions by 35% in 2019 from 2005 levels. The company permanently retired 30% of its fossil fuel generation capacity since 2005.

The company plans to invest nearly \$1,035 million in new renewable projects in the 2020-2023 time frame. It will add 680 MW of wind assets in its generation portfolio in 2020, which is part of its goal of adding 1200 MW of wind assets to its portfolio from 2018 to 2020.

The company is replacing the retired Wisconsin coal generation with a combined cycle natural gas facility. Notably, construction of the 730-MW West Riverside Energy Center and a natural gas facility will complement its renewable assets in 2020. Alliant aims to add 1000 MW of solar powered production in its portfolio within 2023. Pollution-less electricity generation units are expected to drive the company's performance.

- ▲ The regulated nature of Alliant Energy's operation provides strong earnings visibility, which has enabled the company to increase the annual dividend rate for more than a decade. The company has paid out dividends since 1946 without fail. Nearly 99% earnings of the company are generated from regulated operations, which give an excellent visibility of its upcoming earnings.

Alliant Energy has a long-term dividend payout target of 60-70%. The company's quarterly dividend rate is 38 cents, which resulted in an annualized dividend rate of \$1.52 per share. This reflects a dividend yield of 2.92%, which is much better than the Zacks S&P 500 composite's 2.07%.

Alliant Energy's investment in regulated natural gas and renewable energy assets, and strong state economies in its service territories are tailwinds.

Reasons To Sell:

- ▼ Alliant Energy is subject to extensive environmental regulations at both federal and state levels. This could impact the company's operations and its ability to recover costs from customers on a timely basis and hence the rate of return.

Increased competition from self-generation by large industrial customers, customer- and third party-owned generation (e.g. solar panels), and alternative energy sources can lower demand for its services in Iowa and Wisconsin.

- ▼ Alliant Energy's utility operations – IPL and WPL – use the interstate electric transmission system that they do not own or control. Rates charged to these subsidiaries are regulated by FERC. In case transmission costs go up and the company is unable to recover those costs from its customers, operational expenses are bound to rise.
- ▼ The ongoing development projects might not get completed within time and budget. The cost of completing the projects might increase due to rise in cost of construction materials and unforeseen technical or engineering issues. The debt-to-capital of the company is 50.58%, higher than the S&P 500 average of 42.53%. The current ratio of the company is 0.43, much lower than the S&P 500 average of 1.23. Hence, if the capital projects are not completed within time, these will not be as profitable as expected and might create trouble in debt servicing.
- ▼ In addition, successful implementation of its strategic plan is dependent on its ability to access the capital markets under competitive terms and rates. Undoubtedly, the current rate decline served as a relief for this capital-intensive company. However, servicing the existing high interest debts will lower its profit levels and hurt margins. Also, disruption and uncertainty related to timely completion of the ongoing projects add to the woes.

Increased competition, dependence on third-party assets, stringent regulations and rising debt are concerns.

Last Earnings Report

Alliant Energy's Q4 Earnings & Revenues Improve Y/Y

Alliant Energy Corporation reported fourth-quarter 2019 operating earnings of 44 cents per share, increasing from the year-ago figure of 36 cents by 22.2%.

The year-over-year growth in earnings was attributable to increasing rate base at Interstate Power and Light Company (IPL), and Wisconsin Power and Light Company (WPL).

Full-year earnings of \$2.31 per share came within the guided range of \$2.27-\$2.33.

Quarter Ending **12/2019**

Report Date	Feb 20, 2020
Sales Surprise	NA
EPS Surprise	-13.04%
Quarterly EPS	0.44
Annual EPS (TTM)	2.31

Total Revenues

Total revenues in the fourth quarter came in at \$880.1 million, improving 0.8% year over year.

Operational Highlights

Total operating expenses were \$719.2 million in the reported quarter, decreasing 4.4% from \$752.1 million in the year-ago period. The decline was due to lower costs of electric production fuel and purchased power in the reported quarter.

Operating income was \$160.9 million, up 32.5% from \$121.4 million in the year-ago quarter.

Interest expenses were \$69.1 million, increasing 9.3% from \$63.2 million in the prior-year quarter.

During the fourth quarter, the company's retail electric and gas utility customers grew 0.6% and 0.5% year over year, respectively. The increase in its customer count had a positive impact on electric and natural gas volumes sold, which improved 3.9% and 11% year over year, respectively.

Financial Update

Cash and cash equivalents were \$16.3 million as of Dec 31, 2019, down from \$20.9 million in the corresponding period of 2018.

Long-term debt (excluding current portion) was \$5,533 million as of Dec 31, 2019, higher than \$5,246.3 million in the comparable period of 2018.

In 2019, cash flow from operating activities was \$660.4 million compared with \$527.7 million a year ago.

Guidance

Alliant Energy reiterated its 2020 earnings guidance in the range of \$2.34-\$2.48 per share. The guidance takes into account positive regulatory outcome at IPL, stable economy, proper execution of cost-control measures and normal temperature in its service territories.

Valuation

Alliant Energy shares are down 2.7% in the last six months period and up 12.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utility sector are down 1.8% and 3.5% in the last six months period, respectively. Over the past year, the Zacks sub-industry was up 7% but sector was down 9.4%.

The S&P 500 index is up nearly 2.2% in the last six months period and up 5% in the past year.

The stock is currently trading at 21.22X forward 12-month earnings, which compares to 13.84X for the Zacks sub-industry, 12.89X for the Zacks sector and 19.3X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.66X and as low as 14.49X, with a 5-year median of 19.46X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$55 price target reflects 22.4X forward 12-month earnings.

The table below shows summary valuation data for LNT

Valuation Multiples -LNT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.22	13.84	12.89	19.3
	5-Year High	24.66	15.58	15.36	19.34
	5-Year Low	14.49	11.14	12.58	15.18
	5-Year Median	19.46	13.27	13.8	17.47
P/S F12M	Current	3.42	2.21	2.74	3.12
	5-Year High	3.42	2.45	3.31	3.43
	5-Year Low	1.78	1.54	1.76	2.54
	5-Year Median	2.59	1.87	2.01	3.01
P/B TTM	Current	2.41	1.76	3.83	4.28
	5-Year High	2.78	2.01	4.35	4.9
	5-Year Low	1.7	1.32	2.02	2.85
	5-Year Median	2.29	1.56	2.59	3.62

As of 2/28/2020

Industry Analysis Zacks Industry Rank: Top 43% (109 out of 254)



Top Peers

Hawaiian Electric Industries, Inc. (HE)	Outperform
Ameren Corporation (AEE)	Neutral
The AES Corporation (AES)	Neutral
Entergy Corporation (ETR)	Neutral
Fortis Inc. (FTS)	Neutral
NRG Energy, Inc. (NRG)	Neutral
Pinnacle West Capital Corporation (PNW)	Neutral
Vistra Energy Corp. (VST)	Neutral

Industry Comparison Industry: Utility - Electric Power				Industry Peers		
	LNT Neutral	X Industry	S&P 500	AEE Neutral	AES Neutral	PNW Neutral
VGM Score	D	-	-	C	B	D
Market Cap	12.77 B	8.27 B	21.48 B	19.44 B	11.11 B	10.06 B
# of Analysts	1	2	13	4	3	3
Dividend Yield	2.92%	3.06%	2.07%	2.51%	3.43%	3.50%
Value Score	D	-	-	D	B	D
Cash/Price	0.00	0.04	0.04	0.00	0.14	0.00
EV/EBITDA	13.85	10.61	12.57	11.28	8.95	8.90
PEG Ratio	4.05	3.72	1.84	3.64	1.21	4.19
Price/Book (P/B)	2.45	1.74	2.88	2.37	2.06	1.81
Price/Cash Flow (P/CF)	11.08	8.50	11.58	10.08	5.06	8.04
P/E (F1)	21.76	18.22	16.87	22.73	11.48	18.43
Price/Sales (P/S)	3.50	2.15	2.34	3.29	1.09	2.90
Earnings Yield	4.72%	5.34%	5.91%	4.39%	8.73%	5.43%
Debt/Equity	1.06	1.09	0.70	1.09	3.32	0.88
Cash Flow (\$/share)	4.70	4.05	6.94	7.84	3.30	11.14
Growth Score	D	-	-	B	C	D
Hist. EPS Growth (3-5 yrs)	6.44%	4.49%	10.85%	8.26%	0.77%	6.10%
Proj. EPS Growth (F1/F0)	6.49%	4.74%	6.79%	3.73%	7.90%	1.82%
Curr. Cash Flow Growth	9.30%	3.45%	5.92%	2.50%	16.44%	-2.09%
Hist. Cash Flow Growth (3-5 yrs)	6.17%	5.08%	8.38%	8.12%	-0.61%	3.85%
Current Ratio	0.43	0.79	1.23	0.57	1.10	0.50
Debt/Capital	50.58%	52.09%	42.53%	52.09%	76.85%	46.80%
Net Margin	15.56%	10.09%	11.57%	14.01%	4.90%	15.51%
Return on Equity	11.52%	9.67%	16.80%	10.29%	22.67%	9.80%
Sales/Assets	0.22	0.24	0.54	0.21	0.31	0.19
Proj. Sales Growth (F1/F0)	0.00%	2.64%	4.07%	5.57%	2.56%	7.14%
Momentum Score	A	-	-	C	A	A
Daily Price Chg	-5.15%	-2.95%	-1.44%	-3.15%	-8.53%	-4.40%
1 Week Price Chg	-1.00%	0.29%	-0.94%	-1.67%	-0.86%	3.16%
4 Week Price Chg	-12.29%	-9.40%	-10.98%	-3.54%	-17.10%	-9.40%
12 Week Price Chg	-1.97%	-1.61%	-7.84%	5.21%	-11.06%	3.35%
52 Week Price Chg	13.63%	2.44%	1.20%	10.89%	-2.90%	-4.53%
20 Day Average Volume	1,410,533	311,791	2,169,477	1,666,502	3,553,196	1,024,376
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.35%	0.29%	-0.07%
(F1) EPS Est 4 week change	0.00%	0.00%	-0.09%	0.35%	0.29%	-0.07%
(F1) EPS Est 12 week change	0.00%	0.00%	-0.24%	-0.06%	1.16%	-1.15%
(Q1) EPS Est Mthly Chg	NA%	0.00%	-0.72%	-2.79%	1.59%	10.53%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	D
Momentum Score	A
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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