

Alliant Energy(LNT)

\$57.36 (As of 01/21/20)

Price Target (6-12 Months): **\$61.00**

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: B

Summary

Shares of Alliant Energy have outperformed its industry in the past 12 months. Alliant Energy has plans to invest \$6.7 billion over the next four years to strengthen existing operations. The company continues to increase its shareholders value, which is indicative of its strong cash flow generation capacity. 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.

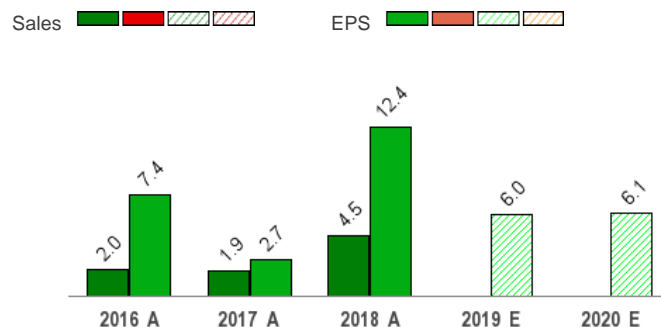
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$57.75 - \$42.58
20 Day Average Volume (sh)	1,290,579
Market Cap	\$13.8 B
YTD Price Change	4.8%
Beta	0.22
Dividend / Div Yld	\$1.52 / 2.5%
Industry	Utility - Electric Power
Zacks Industry Rank	Top 46% (117 out of 255)

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	02/20/2020
Earnings ESP	0.0%
P/E TTM	25.7
P/E F1	23.5
PEG F1	4.4
P/S TTM	3.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020					
2019	987 A	790 A	990 A		
2018	916 A	816 A	929 A	874 A	3,535 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020					
2019	\$0.53 A	\$0.40 A	\$0.94 A		\$2.30 E
2018	\$0.52 A	\$0.43 A	\$0.85 A	\$0.36 A	\$2.17 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/21/2020. The reports text is as of 01/22/2020.

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 965,000 electric and about 415,000 natural gas customers in the Midwest. On Dec 31, 2018, the company owned 42,600 miles of electric distribution lines and 9,700 miles of natural gas pipeline. The company also owns 16% of American Transmission Company, LLC (ATC), a transmission-only utility operating in the Midwest and 20% ownership interest in ATC Holdco LLC.

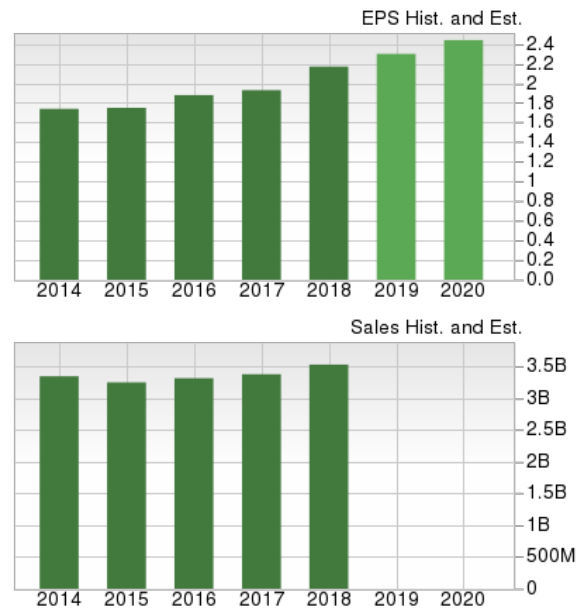
Utility Business:

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 2018, revenues from this subsidiary came in at \$2,042.3 million, representing 57.8% of its 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 revenues amounted to \$1,452.6 million, accounting for 41.1% of 2018 revenues.

Non-regulated, Parent and Other: Revenues from this segment were \$39.6 million in 2018, representing 1.1% of its 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 31.4% compared with the industry's 22.6% 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 \$6.7 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 nearly \$3.2 billion during the next four years in a bid to strengthen electric and natural gas distribution, and generation portfolio.

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. The company plans to invest nearly \$1.7 billion in new renewable projects in the 2019-2023 time frame and double the number of wind sites from six to 12. Courtesy of new construction and acquisitions, the company's energy portfolio will have more than 1,000 megawatts of wind power by 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, a natural gas facility, is nearly complete. This facility will complement its renewable generation assets. During the first half of 2019, the company placed nearly 470 megawatts of new wind generation in service at Upland Prairie and English Farms wind sites. Alliant Energy is generating energy from solar and hydro sources, which contributes toward its aim of generating more power from renewable sources. The 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 35.5 cents, which resulted in an annualized dividend rate of \$1.42 per share, reflecting a dividend yield of 2.48% that is much better than the Zacks S&P 500 composite's 1.73%. For 2020, the board of directors of the company has already approved a 7% increase in annual dividend rate. The new annual dividend will be \$1.52 per share.

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 in its primary retail service territories may significantly impact the company's financial condition and results of operations.

- ▼ 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 51.71%, higher than the S&P 500 average of 42.99%. The current ratio of the company is 0.53, much lower than the S&P 500 average of 1.24. 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 Q3 Earnings Improve Y/Y, Guidance Up

Alliant Energy Corporation reported third-quarter 2019 operating earnings of 94 cents per share, increasing from the year-ago figure of 85 cents by 10.6%.

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), along with timing of income tax expenses.

Quarter Ending **09/2019**

Report Date	Nov 06, 2019
Sales Surprise	NA
EPS Surprise	-13.04%
Quarterly EPS	0.94
Annual EPS (TTM)	2.23

Total Revenues

Total revenues in the third quarter came in at \$990.2 million, improving 6.6% year over year.

Operational Highlights

Total operating expenses were \$700 million in the reported quarter, increasing 4.1% from \$672.5 million in the year-ago period. The increase was due to higher operation and maintenance, and depreciation expenses.

Operating income was \$290.2 million, up 13.3% from \$256.1 million in the year-ago quarter.

Interest expenses were \$68.3 million, increasing 12.9% from \$63.3 million in the prior-year quarter.

During the third quarter, the company's retail electric and gas utility customers grew 0.5% and 0.4% year over year, respectively. The increase in its customer count had a positive impact on electric and natural gas volumes sold, which improved 3.6% and 4% year over year, respectively.

Financial Update

Cash and cash equivalents were \$193.7 million as of Sep 30, 2019, up from \$20.9 million on Dec 31, 2018.

Long-term debt (excluding current portion) was \$5,535.1 million as of Sep 30, 2019, higher than \$5,246.3 million on Dec 31, 2018.

In the first nine months of 2019, cash flow from operating activities was \$509.2 million compared with \$442.2 million in the comparable year-ago period.

Guidance

Alliant Energy raised its 2019 consolidated earnings per share guidance to the range of 2.27-\$2.33 from \$2.17-\$2.31. The revision in guidance takes into consideration the benefits of weather in the first nine months of the year.

The company also initiated 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 and normal temperatures in its service territories.

The company expects to invest \$6.7 billion within the 2019-2023 time frame to strengthen and expand the generation and distribution business.

Valuation

Alliant Energy shares are up 15.6% in the last six months period and up 31.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utility sector are up 11.4% and 8% in the last six months period, respectively. Over the past year, the Zacks sub-industry was up 22.6% and sector was up 3.8%.

The S&P 500 index is up nearly 11.3% in the last six months period and up 25% in the past year.

The stock is currently trading at 23.51X forward 12-month earnings, which compares to 15.06X for the Zacks sub-industry, 14.02X for the Zacks sector and 19.13X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.79X and as low as 14.49X, with a 5-year median of 19.39X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$61 price target reflects 25.1X 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	23.51	15.06	14.02	19.13
	5-Year High	23.79	15.06	15.33	19.34
	5-Year Low	14.49	11.19	12.1	15.17
	5-Year Median	19.39	13.09	13.7	17.44
P/S F12M	Current	3.72	2.35	3	3.56
	5-Year High	3.72	2.35	3.26	3.56
	5-Year Low	1.78	1.5	1.7	2.54
	5-Year Median	2.57	1.83	1.95	3
P/B TTM	Current	2.77	1.92	4.18	4.54
	5-Year High	2.77	1.92	4.18	4.55
	5-Year Low	1.7	1.32	2.01	2.85
	5-Year Median	2.27	1.55	2.56	3.61

As of 1/21/2020

Industry Analysis Zacks Industry Rank: Top 46% (117 out of 255)



Top Peers

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

Industry Comparison Industry: Utility - Electric Power				Industry Peers		
	LNT Neutral	X Industry	S&P 500	AEE Neutral	AES Neutral	PNW Neutral
VGM Score	D	-	-	D	A	C
Market Cap	13.79 B	9.41 B	24.43 B	19.69 B	13.59 B	10.61 B
# of Analysts	2	2	13	5	3	3
Dividend Yield	2.48%	2.68%	1.75%	2.47%	2.67%	3.32%
Value Score	D	-	-	C	A	C
Cash/Price	0.01	0.04	0.04	0.00	0.14	0.00
EV/EBITDA	14.48	11.55	14.00	11.27	9.78	9.32
PEG Ratio	4.39	4.04	2.06	3.73	1.54	4.08
Price/Book (P/B)	2.77	1.86	3.39	2.40	2.52	1.87
Price/Cash Flow (P/CF)	13.09	9.47	13.69	10.39	6.20	8.27
P/E (F1)	23.59	20.23	19.00	23.10	14.05	19.24
Price/Sales (P/S)	3.79	2.37	2.68	3.27	1.31	2.98
Earnings Yield	4.25%	4.92%	5.26%	4.32%	7.13%	5.20%
Debt/Equity	1.11	1.07	0.72	1.05	3.32	0.89
Cash Flow (\$/share)	4.38	4.03	6.94	7.70	3.30	11.41
Growth Score	D	-	-	C	B	C
Hist. EPS Growth (3-5 yrs)	6.06%	4.47%	10.60%	8.26%	0.77%	6.04%
Proj. EPS Growth (F1/F0)	6.09%	5.33%	7.57%	5.58%	8.23%	4.40%
Curr. Cash Flow Growth	11.59%	7.23%	14.00%	12.97%	16.44%	17.93%
Hist. Cash Flow Growth (3-5 yrs)	6.04%	4.93%	9.00%	8.12%	-0.61%	6.59%
Current Ratio	0.53	0.81	1.23	0.65	1.10	0.71
Debt/Capital	51.71%	51.69%	42.99%	51.33%	76.85%	46.99%
Net Margin	14.86%	9.73%	11.15%	13.34%	4.90%	14.07%
Return on Equity	11.43%	9.28%	17.16%	10.10%	22.67%	9.19%
Sales/Assets	0.23	0.24	0.55	0.22	0.31	0.20
Proj. Sales Growth (F1/F0)	%	3.21%	4.05%	3.85%	2.92%	5.46%
Momentum Score	B	-	-	F	B	D
Daily Price Chg	0.35%	0.29%	-0.27%	0.35%	-0.15%	1.11%
1 Week Price Chg	3.80%	3.10%	2.29%	3.56%	1.59%	3.07%
4 Week Price Chg	5.69%	3.94%	2.13%	5.65%	3.59%	6.21%
12 Week Price Chg	9.22%	5.39%	6.99%	4.64%	19.78%	1.40%
52 Week Price Chg	32.96%	18.48%	21.25%	18.42%	31.13%	10.09%
20 Day Average Volume	1,290,579	255,266	1,415,064	1,173,222	3,224,852	710,868
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-0.29%	-0.17%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	-0.19%	-0.63%	0.00%
(F1) EPS Est 12 week change	0.41%	-0.02%	-0.34%	-0.89%	1.39%	-1.87%
(Q1) EPS Est Mthly Chg	NA%	0.00%	0.00%	-0.22%	0.00%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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	B
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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