

## Alliant Energy(LNT)

**\$54.65** (As of 08/24/20)

Price Target (6-12 Months): **\$57.00**

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: C

Momentum: D

## Summary

Alliant Energy's second-quarter earnings improved but sales declined year over year. The company has plans to invest over the next four years to strengthen its infrastructure and add clean sources to efficiently meet the demand of the customer base. Stable return from its regulated assets provides earnings visibility and assists the company to distribute dividend. Its strong liquidity will enable it to meet near-term debt obligation. Shares of Alliant Energy have outperformed the industry in the past 12 months. However, dependence on third party electric transmission systems remains headwind for Alliant Energy. The company's commercial and industrial sales were hampered by the COVID-19 outbreak. The company is also subject to stringent regulations and fulfilling the new conditions could further increase operating expenses.

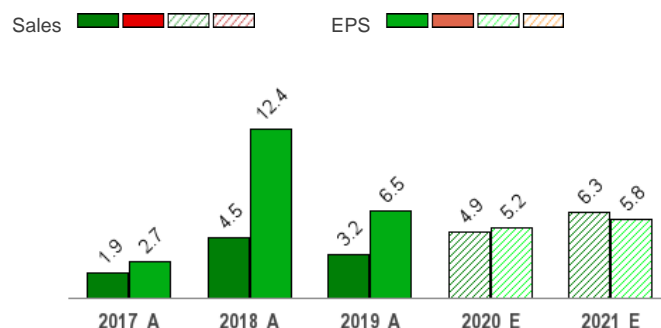
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	<b>\$60.28 - \$37.66</b>
20 Day Average Volume (sh)	<b>1,038,638</b>
Market Cap	<b>\$13.6 B</b>
YTD Price Change	<b>-0.1%</b>
Beta	<b>0.42</b>
Dividend / Div Yld	<b>\$1.52 / 2.8%</b>
Industry	<b><a href="#">Utility - Electric Power</a></b>
Zacks Industry Rank	<b>Bottom 21% (199 out of 252)</b>

## Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>30.9%</b>
Last Sales Surprise	<b>NA</b>
EPS F1 Est- 4 week change	<b>0.8%</b>
Expected Report Date	<b>11/04/2020</b>
Earnings ESP	<b>0.0%</b>
P/E TTM	<b>20.7</b>
P/E F1	<b>22.5</b>
PEG F1	<b>4.2</b>
P/S TTM	<b>3.8</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					4,065 E
2020	916 A	763 A			3,825 E
2019	987 A	790 A	990 A	880 A	3,648 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					\$2.57 E
2020	\$0.72 A	\$0.54 A	\$0.94 E		\$2.43 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 08/24/2020. The reports text and the analyst-provided sales and EPS estimates are as of 08/25/2020.

## 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.

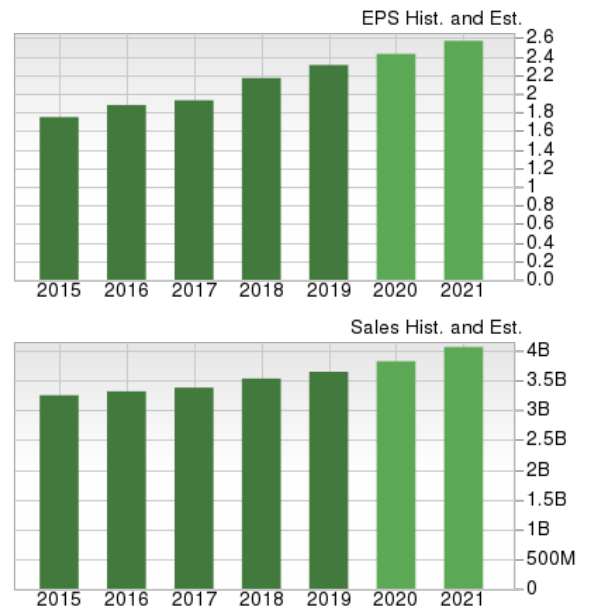
### Utility Business:

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.



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## Reasons To Buy:

- ▲ Despite COVID-19 scare, Alliant Energy's earnings growth prospects look attractive due to ongoing additions to electric and natural gas customer volumes. Its geographic location and favorable regulatory developments bode well for the development of wind projects and long-term earnings growth. In addition, a diverse customer mix provides stability to sales as the company does not depend on a single group for revenues. Moreover, Alliant Energy has mitigated the impact of sales declines from the COVID-19 outbreak by accelerating planned cost transformation activities. Shares of Alliant Energy have gained 4.6% against the industry's 8.6% decline in the past 12 months.

Alliant Energy's investment in regulated natural gas and renewable energy assets, and stable return from regulated assets are tailwinds.

As the company is not experiencing any disruption in supply chain, it currently targets long-term annual earnings growth in the range of 5-7% through 2023 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 announced plans to invest substantially over the next four years to strengthen the electric and gas distribution network, as well as add natural gas and renewable assets to the generation portfolio. Alliant Energy has plans to strengthen electric and natural gas distribution systems, as well as make regular investments to strengthen infrastructure.

The company is successfully completing major construction projects on time and at or below budget. Alliant Energy is on track to add another 200 MW of wind projects in its production portfolio by end of 2020 and serve its customers in Iowa and Wisconsin. Constructive regulatory environment will enable the company will help the company to recover the capital expenditures. Courtesy of strong investment plans, the company's rate base is expected to expand to \$13 billion in 2023 from \$11 billion in 2020.

- ▲ 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. The company announced the voluntary goal of retiring all the existing coal-fired generation units by 2040, with an objective of lowering emissions from 2005 levels by 50% and 100% 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 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. In first-half 2020, the company paid dividend worth \$187.6 million compared with \$167.8 million in the year-ago period.

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.

- ▲ The company's total liquidity as of Jun 30, 2020 was \$1.1 billion, which is sufficient to meet near-term debt obligations. There is no material debt maturity for the company in 2021. Its debt to capital was 54.1% at the end of second quarter 2020, lower than the industry average of 59.7%.

The company's times interest earned ratio at the end of second-quarter 2020 was 3.4, up 10 basis points from the first quarter. The times interest earned ratio of more than 1 indicates that it has financial strength to meet debt obligations in the near future. At a time when every entity is looking forward to preserve liquidity amid uncertainty as a result of the outbreak of COVID-19, this strong times interest earned ratio is reassuring for investors.

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## 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.
- ▼ 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.
- ▼ The company's retail electric sales for the second quarter were down 6% from the last year, reflecting the COVID-19 pandemic's impacts. The increase in residential load was not enough to offset the decline in demand from the commercial and industrial (C&I) group. Although electric demand from the C&I group showed improvement in June, the degree of the COVID-19 pandemic's impact on Alliant Energy is still unclear.

Increased competition, adverse impact of COVID-19, dependence on third-party assets, stringent regulations and rising debt are concerns.

## Last Earnings Report

### Alliant Energy (LNT) Q2 Earnings Improve Y/Y, Sales Decline

Alliant Energy Corporation reported second-quarter 2020 operating earnings of 54 cents, which increased 35% from the year-ago figure of 40 cents per share.

The year-over-year growth in earnings was attributed to increasing rate base at Power and Light Company (IPL), as well as Wisconsin Power and Light Company (WPL), along with favorable temperature, which in turn increased the demand for electricity.

Quarter Ending **06/2020**

Report Date	<b>Aug 06, 2020</b>
Sales Surprise	<b>NA</b>
EPS Surprise	<b>30.91%</b>
Quarterly EPS	<b>0.54</b>
Annual EPS (TTM)	<b>2.64</b>

### Total Revenues

Total first-quarter revenues came in at \$763.1 million, declining 3.4% year over year. The year-over-year decline was due to lower contribution from its Electric and Natural gas operations.

### Operational Highlights

During the second quarter, the company's retail electric and gas utility customers grew 0.8% and 0.9% year over year, respectively. The increase in its customer count had a positive impact on electric and natural gas volumes sold, which improved 0.2% and 15.6% year over year, respectively.

Total operating expenses were \$595 million for the reported quarter, decreasing 7% from \$640.4 million in the year-ago period. The reduction in expenses was due to lower Electric transmission service expenses, and decline in other operating and maintenance costs.

Operating income was \$168.1 million, up 12.2% from \$149.8 million in the year-ago quarter.

Interest expenses were \$69.6 million, increasing 0.6% from \$69.1 million in the prior-year quarter.

### Financial Update

Cash and cash equivalents were \$208.1 million as of Jun 30, 2020, up from \$16.3 million on Dec 31, 2019.

Long-term debt (excluding current portion) was \$6,572.4 million as of Jun 30, 2020, higher than \$5,533 million on Dec 31, 2019.

In the first six months of 2020, cash flow from operating activities was \$319.7 million compared with \$276.9 million in the comparable year-ago period.

### Guidance

Alliant Energy reiterated its 2020 earnings guidance in the range of \$2.34-\$2.48 per share. The guidance takes into account normal temperature in its service territories, gradual improvement in sales through the remainder of 2020 and proper execution of cost-control measures.

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## Recent News

On **May 26**, Alliant Energy announced its plan to acquire and advance construction of six solar projects in Wisconsin. The solar projects when operational will produce 675 megawatts of solar energy and will be able to provide clean power to 175,000 homes annually.

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## Valuation

Alliant Energy shares are down 0.1% in the year to date period and up 4.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Utility sector are down 13.3% and 13.5% in the year to date period, respectively. Over the past year, the Zacks sub-industry was down 8.6% and sector was down 9.1%.

The S&P 500 index is up 6.5% in the year to date period but up 19.5% in the past year.

The stock is currently trading at 21.68X forward 12-month earnings, which compares to 13.68X for the Zacks sub-industry, 12.69X for the Zacks sector and 23.05X 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 19.66X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$57 price target reflects 22.61X 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	21.68	13.68	12.69	23.05
	5-Year High	24.66	15.36	15.28	23.05
	5-Year Low	14.49	11.07	11.3	15.25
	5-Year Median	19.66	13.2	13.72	17.58
P/S F12M	Current	3.58	2.31	2.69	3.76
	5-Year High	3.58	2.46	3.29	6.76
	5-Year Low	1.78	1.55	1.75	2.53
	5-Year Median	2.66	1.91	2.07	3.05
P/B TTM	Current	2.46	2.27	4.21	4.64
	5-Year High	2.78	2.32	4.29	4.64
	5-Year Low	1.7	1.29	2.01	2.83
	5-Year Median	2.3	1.6	2.64	3.76

As of 8/24/2020

## Industry Analysis Zacks Industry Rank: Bottom 21% (199 out of 252)



## Top Peers

Company (Ticker)	Rec	Rank
Ameren Corporation (AEE)	Neutral	3
Entergy Corporation (ETR)	Neutral	3
Fortis Inc. (FTS)	Neutral	3
Hawaiian Electric Industries, Inc. (HE)	Neutral	3
Pinnacle West Capital Corporation (PNW)	Neutral	3
Vistra Energy Corp. (VST)	Neutral	3
The AES Corporation (AES)	Underperform	3
NRG Energy, Inc. (NRG)	Underperform	3

Industry Comparison Industry: Utility - Electric Power				Industry Peers		
	LNT	X Industry	S&P 500	AEE	AES	PNW
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	C	B	C
Market Cap	13.64 B	8.66 B	23.81 B	20.08 B	12.02 B	8.46 B
# of Analysts	2	3	14	5	4	3
Dividend Yield	2.78%	3.47%	1.64%	2.44%	3.17%	4.16%
Value Score	D	-	-	C	A	B
Cash/Price	0.02	0.07	0.07	0.00	0.18	0.00
EV/EBITDA	13.69	9.74	13.37	12.11	14.25	9.92
PEG Ratio	4.16	3.46	3.02	3.46	1.68	3.32
Price/Book (P/B)	2.46	1.61	3.17	2.40	2.59	1.51
Price/Cash Flow (P/CF)	11.62	7.64	12.77	10.37	5.25	6.75
P/E (F1)	22.35	17.47	21.72	23.44	13.14	15.59
Price/Sales (P/S)	3.84	1.83	2.48	3.45	1.25	2.45
Earnings Yield	4.45%	5.71%	4.44%	4.27%	7.64%	6.41%
Debt/Equity	1.18	1.03	0.76	1.22	4.16	1.13
Cash Flow (\$/share)	4.70	4.27	6.93	7.84	3.44	11.14
Growth Score	C	-	-	C	C	C
Hist. EPS Growth (3-5 yrs)	7.93%	5.32%	10.41%	7.41%	5.56%	6.28%
Proj. EPS Growth (F1/F0)	5.19%	0.93%	-5.05%	3.46%	1.10%	1.05%
Curr. Cash Flow Growth	10.43%	6.78%	5.20%	2.50%	4.43%	-2.09%
Hist. Cash Flow Growth (3-5 yrs)	6.17%	6.02%	8.50%	6.59%	0.82%	6.02%
Current Ratio	0.86	0.86	1.33	0.81	1.10	0.77
Debt/Capital	53.34%	50.68%	44.50%	54.86%	80.64%	53.02%
Net Margin	18.37%	9.66%	10.13%	14.57%	2.01%	17.37%
Return on Equity	12.30%	9.28%	14.66%	10.27%	24.35%	10.69%
Sales/Assets	0.21	0.22	0.51	0.20	0.28	0.18
Proj. Sales Growth (F1/F0)	0.00%	0.00%	-1.45%	1.13%	-0.43%	1.48%
Momentum Score	D	-	-	C	D	F
Daily Price Chg	1.05%	1.05%	1.32%	0.66%	0.28%	1.20%
1 Week Price Chg	0.58%	-1.57%	-1.45%	-0.68%	2.56%	-4.79%
4 Week Price Chg	3.37%	0.00%	3.38%	2.84%	18.49%	-6.39%
12 Week Price Chg	10.49%	0.00%	7.69%	9.25%	43.98%	-3.13%
52 Week Price Chg	4.57%	-10.73%	3.85%	7.12%	21.76%	-20.89%
20 Day Average Volume	1,038,638	325,516	1,873,293	1,172,592	5,140,519	1,025,276
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.83%	0.13%	1.00%	0.12%	0.55%	-0.21%
(F1) EPS Est 12 week change	0.83%	0.00%	3.40%	0.61%	-1.26%	0.63%
(Q1) EPS Est Mthly Chg	NA%	-0.68%	0.00%	-0.81%	1.82%	7.42%

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## 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.

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### 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	C
Momentum Score	D
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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### Disclosures

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