

ALLETE NYSE-ALE

RECENT PRICE **61.97** P/E RATIO **16.7** (Trailing: 17.8, Median: 19.0) RELATIVE P/E RATIO **1.00** DIV'D YLD **4.3%** VALUE LINE

TIMELINESS 4 Raised 2/25/22
SAFETY 2 New 10/1/04
TECHNICAL 3 Raised 6/10/22
BETA .90 (1.00 = Market)

High: 42.5 42.7 54.1 58.0 59.7 66.9 81.2 82.8 88.6 84.7 73.1 68.6
 Low: 35.1 37.7 41.4 44.2 45.3 48.3 61.6 66.6 72.5 48.2 56.8 57.9

LEGENDS
 0.60 x Dividends p sh divided by Interest Rate
 Relative Price Strength
 Options: Yes
 Shaded area indicates recession

18-Month Target Price Range
 Low-High Midpoint (% to Mid)
 \$52-\$86 \$69 (10%)

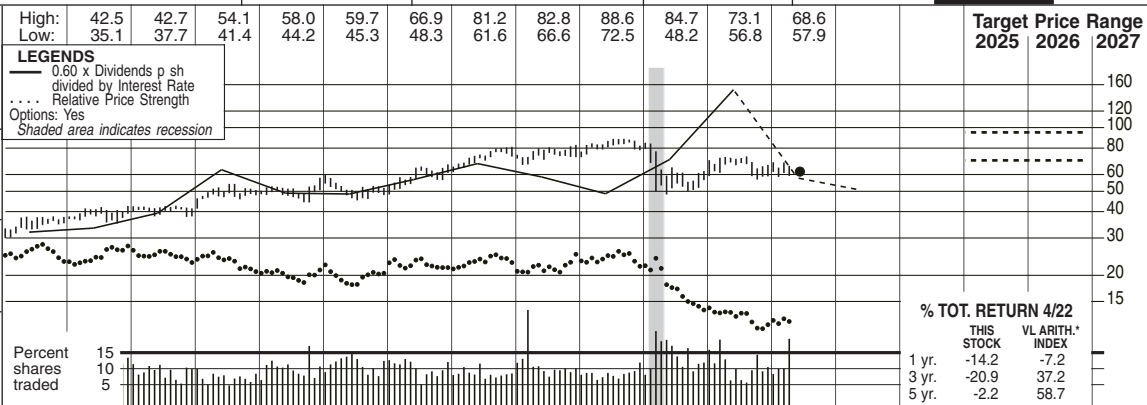
2025-27 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	95	(+55%)	14%
Low	70	(+15%)	7%

Institutional Decisions

	3Q2021	4Q2021	1Q2022
to Buy	111	151	139
to Sell	111	109	131
Hlds(000)	37923	37557	39713

Percent shares traded: 15, 10, 5



2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	© VALUE LINE PUB. LLC	25-27
25.23	27.33	24.57	21.57	25.34	24.75	24.40	24.60	24.77	30.27	27.01	27.78	29.10	23.99	22.44	26.68	26.30	27.15	Revenues per sh	29.50
4.14	4.42	4.23	3.57	4.35	4.91	5.01	5.35	5.68	6.79	7.08	6.59	7.37	7.24	7.52	7.54	7.95	8.45	"Cash Flow" per sh	9.75
2.77	3.08	2.82	1.89	2.19	2.65	2.58	2.63	2.90	3.38	3.14	3.13	3.38	3.33	3.35	3.23	3.70	3.95	Earnings per sh ^A	4.75
1.45	1.64	1.72	1.76	1.76	1.78	1.84	1.90	1.96	2.02	2.08	2.14	2.24	2.35	2.47	2.52	2.60	2.70	Div'd Decl'd per sh ^B = †	3.00
3.37	6.82	9.24	9.05	6.95	6.38	10.30	7.93	12.48	5.84	5.35	4.08	6.07	11.55	13.78	8.90	3.70	5.95	Cap'l Spending per sh	7.25
21.90	24.11	25.37	26.41	27.26	28.78	30.48	32.44	35.06	37.07	38.17	40.47	41.86	43.17	44.04	45.36	47.45	48.90	Book Value per sh ^C	54.00
30.40	30.80	32.60	35.20	35.80	37.50	39.40	41.40	45.90	49.10	49.60	51.10	51.50	51.70	52.10	53.20	57.00	58.00	Common Shs Outst'g ^D	61.00
16.5	14.8	13.9	16.1	16.0	14.7	15.9	18.6	17.2	15.1	18.6	23.0	22.2	24.7	18.3	20.6	20.6	20.6	Avg Ann'l P/E Ratio	17.0
.89	.79	.84	1.07	1.02	.92	1.01	1.05	.91	.76	.98	1.16	1.20	1.32	.94	1.10	1.10	1.10	Relative P/E Ratio	.95
3.2%	3.6%	4.4%	5.8%	5.0%	4.6%	4.5%	3.9%	3.9%	4.0%	3.6%	3.0%	3.0%	2.9%	4.0%	3.8%	3.8%	3.8%	Avg Ann'l Div'd Yield	3.7%

CAPITAL STRUCTURE as of 3/31/22
 Total Debt \$1947.5 mill. Due in 5 Yrs \$842.2 mill.
 LT Debt \$1669.4 mill. LT Interest \$65.9 mill.
 (LT interest earned: 2.7x)

Leases, Uncapitalized Annual rentals \$5.1 mill.

Pension Assets-12/21 \$745.7 mill. Oblig \$911.7 mill.

Pfd Stock None

Common Stock 53,308,809 shs.

MARKET CAP: \$3.3 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2019	2020	2021
% Change Retail Sales (KWH)	-1.5	-12.0	+11.5
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (c)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw) ^F	1573	1588	1557
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	NA	NA	NA

Fixed Charge Cov. (%) 277 230 219

ANNUAL RATES Past 10 Yrs. 5 Yrs. Past Est'd '19-'21 to '25-'27

Revenues	-	-2.5%	3.0%
"Cash Flow"	5.5%	2.5%	4.5%
Earnings	4.0%	1.0%	6.0%
Dividends	3.5%	4.0%	3.5%
Book Value	5.0%	3.5%	3.5%

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	357.2	290.4	288.3	304.6	1240.5
2020	311.6	243.2	293.9	320.4	1169.1
2021	339.2	335.6	345.4	399.0	1419.2
2022	383.5	351.5	375	390	1500
2023	400	370	395	410	1575

EARNINGS PER SHARE ^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	1.18	.64	.60	.92	3.33
2020	1.28	.39	.78	.90	3.35
2021	.99	.53	.53	1.18	3.23
2022	1.24	.61	.80	1.05	3.70
2023	1.30	.65	.90	1.10	3.95

QUARTERLY DIVIDENDS PAID ^B = †

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2018	.56	.56	.56	.56	2.24
2019	.5875	.5875	.5875	.5875	2.35
2020	.6175	.6175	.6175	.6175	2.47
2021	.63	.63	.63	.63	2.52
2022	.65	.65			

BUSINESS: ALLETE, Inc. is the parent of Minnesota Power, which supplies electricity to 146,000 customers in northeastern MN, & Superior Water, Light & Power in northwestern WI. Electric rev. breakdown: taconite mining/processing, 26%; paper/wood products, 9%; other industrial, 8%; residential, 13%; commercial, 13%; wholesale, 14%; other, 16%. ALLETE Clean Energy (ACE) owns renewable energy projects. Acq'd U.S. Water Services 2/15; sold it 3/19. Generating sources: coal, 28%; wind, 10%; other, 4%; purchased, 58%. Fuel costs: 40% of revs. '21 deprec. rate: 3.2%. Has 1,400 employees. Chairman, President & CEO: Bethany M. Owen. Inc.: Minnesota. Address: 30 West Superior St., Duluth, MN 55802-2093. Tel.: 218-279-5000. Internet: www.allete.com.

ALLETE's Minnesota Power subsidiary is awaiting an order on its general rate case. In recent years, the utility has been underearning its allowed return on equity. So, Minnesota Power filed for a \$108 million (18%) rate increase, based on a 10.25% ROE and a 53.8% common-equity ratio. The company also asked for a regulatory mechanism to adjust for fluctuations in industrial kilowatt-hour sales. (One of the utility's taconite customers idled one of its facilities in May, and this probably won't be back up until the fall.) Interim tariffs were boosted by \$87 million at the start of 2022, with a final order expected late in the year.

The company's utility in Wisconsin filed a rate case. Superior Water, Light and Power requested a hike of \$3.3 million (2.7%), based on a 10.4% ROE and a 55% common-equity ratio. New tariffs will probably take effect at the start of 2023.

We expect a significant earnings increase this year. Rate relief at Minnesota Power should be the key factor. We also figure that wind conditions for ALLETE Clean Energy (ACE) will be better. Our estimate of \$3.70 a share, which we

raised by a nickel because the first-quarter tally was slightly above our estimate, is within ALLETE's targeted range of \$3.60-\$3.90.

The company acquired a solar-power developer in April. ACE has a significant position in wind power, but not solar power. ALLETE paid \$159 million in cash. It raised \$224 million through the sale of 3.7 million common shares. The purchase will probably have little effect on earnings in 2022 (transaction costs amounted to \$0.03 a share in the first quarter), but should be accretive in 2023, despite the current inflation and supply-chain problems for solar panels. Accordingly, we raised our estimate by \$0.05 a share, to \$3.95. ALLETE's goal for annual earnings growth is 5%-7%.

This stock is untimely, but offers an attractive dividend yield. The yield is almost one percentage point above the utility average. Total return prospects over the next 18 months are unappealing, however. Total return potential to 2025-2027 is not especially high, but is superior to that of most utility issues.

Paul E. Debbas, CFA June 10, 2022

(A) Diluted EPS. Excl. nonrec. gains (loss): '15, (46c); '17, 25c; '19, 26c; loss on disc. ops.: '06, 2c. '19 EPS don't sum due to rounding. Next earnings report due early Aug. (B) Div'ds historically paid in early Mar., June, Sept. and Dec. Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. deferred charges. In '21: \$9.62/sh. (D) In mill. (E) Rate base: Orig. cost depr. Rate all'd in MN on com. eq. in '18: 9.25%; earned on avg. com. eq., '21: 7.2%. Regul. Climate: Avg. (F) Summer peak in '21.

Company's Financial Strength A
Stock's Price Stability 90
Price Growth Persistence 40
Earnings Predictability 90