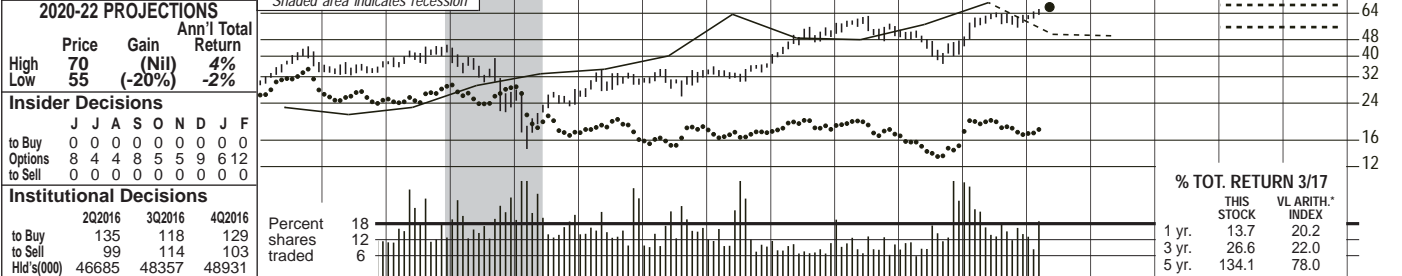


BLACK HILLS CORP. NYSE-BKH

RECENT PRICE **68.48** P/E RATIO **19.5** (Trailing: 26.0; Median: 18.0) RELATIVE P/E RATIO **0.99** DIV'D YLD **2.6%** VALUE LINE

TIMELINESS 3 Lowered 9/16/16	High: 37.9	45.4	44.0	28.0	34.5	34.8	37.0	55.1	62.1	53.4	64.6	68.6	Target Price Range
SAFETY 2 Raised 5/11/15	Low: 32.5	35.4	21.7	14.5	25.7	25.8	30.3	36.9	47.1	36.8	44.7	60.0	2020 2021 2022
TECHNICAL 4 Lowered 3/10/17	<p>LEGENDS 0.77 x Dividends p sh divided by Interest Rate Relative Price Strength Options: Yes Shaded area indicates recession</p>												
BETA .85 (1.00 = Market)	<p>Ann'l Total Return High 70 Low 55 Gain (Nil) Return 4%</p>												



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
57.96	15.74	35.17	34.54	41.97	19.69	18.41	26.03	32.58	33.29	28.96	26.55	28.67	31.20	25.48	29.47	33.35	31.10	Revenues per sh	34.50
5.27	4.93	4.26	4.46	4.81	5.04	5.29	2.95	5.41	4.88	4.01	5.59	5.93	6.25	5.67	6.28	7.40	7.20	"Cash Flow" per sh	8.75
3.42	2.33	1.84	1.74	2.11	2.21	2.68	.18	2.32	1.66	1.01	1.97	2.61	2.89	2.83	2.63	3.50	3.65	Earnings per sh ^A	4.25
1.12	1.16	1.20	1.24	1.28	1.32	1.37	1.40	1.42	1.44	1.46	1.48	1.52	1.56	1.62	1.68	1.78	1.88	Div'd Decl'd per sh ^B	2.20
14.07	8.65	2.80	2.80	4.18	9.24	6.92	8.51	8.90	12.04	10.03	7.90	7.97	8.92	8.90	8.89	6.05	5.10	Cap'l Spending per sh	6.25
18.95	19.66	21.72	22.43	22.29	23.68	25.66	27.19	27.84	28.02	27.53	27.88	29.39	30.80	28.63	30.25	32.25	35.65	Book Value per sh ^C	41.00
26.89	26.93	32.30	32.48	33.16	33.37	37.80	38.64	38.97	39.27	43.92	44.21	44.50	44.67	51.19	53.38	54.00	60.25	Common Shs Outst'g ^D	61.00
11.4	12.5	15.9	17.1	17.3	15.8	15.0	NMF	9.9	18.1	31.1	17.1	18.2	19.0	16.1	22.3	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15.0
.58	.68	.91	.90	.92	.85	.80	NMF	.66	1.15	1.95	1.09	1.02	1.00	.81	1.17			Relative P/E Ratio	.95
2.9%	4.0%	4.1%	4.2%	3.5%	3.8%	3.4%	4.2%	6.2%	4.8%	4.6%	4.4%	3.2%	2.8%	3.5%	2.9%			Avg Ann'l Div'd Yield	3.5%

CAPITAL STRUCTURE as of 12/31/16		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Debt	\$3313.5 mill. Due in 5 Yrs \$978.0 mill.	695.9	1005.8	1269.6	1307.3	1272.2	1173.9	1275.9	1393.6	1304.6	1573.0	1800	1875	Revenues (\$mill)	2100				
LT Debt	\$3211.2 mill. LT Interest \$126.3 mill. (LT interest earned: 2.9x)	100.1	6.8	89.7	64.6	40.4	86.9	115.8	128.8	128.3	140.3	190	210	Net Profit (\$mill)	260				
Leases, Uncapitalized	Annual rentals \$6.7 mill.	31.3%	33.1%	30.7%	26.4%	31.1%	35.5%	34.7%	33.7%	35.8%	25.1%	30.0%	30.0%	Income Tax Rate	30.0%				
Pension Assets-12/16	\$364.7 mill. Oblig \$440.2 mill.	14.8%	173.2%	20.1%	28.0%	65.0%	5.4%	2.4%	2.4%	2.7%	5.3%	3.0%	2.0%	AFUDC % to Net Profit	2.0%				
Pfd Stock	None	36.8%	32.3%	48.4%	51.9%	51.4%	43.2%	51.6%	47.9%	56.0%	66.5%	67.0%	60.5%	Long-Term Debt Ratio	59.5%				
Common Stock	53,432,111 shs. as of 3/6/17	63.2%	67.7%	51.6%	48.1%	48.6%	56.8%	48.4%	52.1%	44.0%	33.5%	33.0%	39.5%	Common Equity Ratio	40.5%				
MARKET CAP:	\$3.7 billion (Mid Cap)	1534.2	1551.8	2100.7	2286.3	2489.7	2171.4	2704.7	2643.6	3332.7	4825.8	5305	5410	Total Capital (\$mill)	6200				
ELECTRIC OPERATING STATISTICS		1823.5	2022.2	2160.7	2495.4	2789.6	2742.7	2990.3	3239.4	3259.1	4469.0	4585	4670	Net Plant (\$mill)	5000				
% Change Retail Sales (KWH)		7.9%	1.6%	5.9%	4.4%	3.3%	5.5%	5.5%	6.1%	4.9%	4.0%	5.0%	4.5%	Return on Total Cap'l	5.5%				
Avg. Indust. Use (MWH)		10.3%	.7%	8.3%	5.9%	3.3%	7.1%	8.9%	9.4%	8.8%	8.7%	11.0%	9.5%	Return on Shr. Equity	10.5%				
Avg. Indust. Resv. per KWH (c)		10.3%	.7%	8.3%	5.9%	3.3%	7.1%	8.9%	9.4%	8.8%	8.7%	11.0%	9.5%	Return on Com Equity ^E	10.5%				
Capacity at Yearend (Mw)		5.1%	NMF	3.2%	.7%	NMF	1.8%	3.7%	4.3%	3.8%	3.3%	5.5%	4.5%	Retained to Com Eq	5.0%				
Peak Load, Summer (Mw)		50%	NMF	62%	87%	NMF	75%	58%	54%	57%	62%	50%	51%	All Div'ds to Net Prof	52%				
Annual Load Factor (%)		<p>BUSINESS: Black Hills Corporation is a holding company for Black Hills Energy, which serves 209,000 electric customers in CO, SD, WY and MT, and 1 million gas customers in NE, IA, KS, CO, WY, and AR. Mines coal & gas & oil E&P business. Acq'd Cheyenne Light 1/05; utility ops. from Aquila 7/08; SourceGas 2/16. Discnt. telecom in '05; oil marketing in '06; gas marketing in '11.</p>																	
% Change Customers (yr-end)		<p>Electric rev. breakdown: res'l, 31%; comm'l, 38%; ind'l, 17%; other, 14%. Generating sources: coal, 33%; other, 7%; purchased, 60%. Fuel costs: 32% of revs. '16 deprec. rate: 3.0%. Has 3,100 employees. Chairman & CEO: David R. Emery. Pres. & COO: Linn Evans. Inc.: SD. Address: P.O. Box 1400, 625 Ninth St., Rapid City, SD 57701. Tel.: 605-721-1700. Internet: www.blackhillscorp.com.</p>																	

Black Hills' earnings will almost certainly rise substantially in 2017. This is primarily related to the company's acquisition of SourceGas in mid-February of 2016. Due to the timing of the deal's closing, Black Hills missed part of the seasonally strongest period for a gas utility. In addition, Black Hills incurred acquisition-related expenses of \$0.56 a share last year. These costs are largely (if not entirely) behind the company now that the integration process is largely complete. Our earnings estimate of \$3.50 a share is within management's guidance of \$3.45-\$3.65. We estimate profits will rise at a mid-single-digit pace in 2018. However . . .

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '14-'16
of change (per sh)			to '20-'22
Revenues	-1.0%	-2.0%	3.0%
"Cash Flow"	2.5%	5.0%	6.5%
Earnings	3.5%	11.0%	7.5%
Dividends	2.5%	2.5%	5.0%
Book Value	2.5%	1.5%	5.5%

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	460.2	283.2	272.1	378.1	1393.6
2015	442.0	272.2	272.1	318.3	1304.6
2016	450.0	325.4	333.8	463.8	1573.0
2017	625	350	350	475	1800
2018	650	365	365	495	1875

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	1.08	.44	.60	.76	2.89
2015	1.07	.55	.58	.63	2.83
2016	.94	.31	.41	.97	2.63
2017	1.30	.60	.65	.95	3.50
2018	1.35	.60	.70	1.00	3.65

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.38	.38	.38	.38	1.52
2014	.39	.39	.39	.39	1.56
2015	.405	.405	.405	.405	1.62
2016	.42	.42	.42	.42	1.68
2017	.445				

The gas and oil exploration and production division remains in the red. Low commodity prices are the problem. Black Hills estimates this division's loss will range from \$0.10 to \$0.15 a share in 2017. What's more, the company has been incurring nonrecurring charges to write down the value of its reserves. These amounted to \$1.26 a share in 2016. The charges are noncash, but reduce the company's equity nonetheless. Black Hills is trying to reduce its exposure to this business, but is retaining some reserves that it believes would be suitable to include in the rate base if the utility can demonstrate to regulators that there are benefits to customers from placing cost-of-service gas in rates. **Black Hills is appealing a disappointing rate order in Colorado.** Last year, the utility requested an electric rate increase of \$8.9 million, but received just \$1.2 million. Moreover, Black Hills is asking for the recusal of one of the commissioners, saying she acted with bias. **The board of directors raised the annual dividend by \$0.10 a share (6%).** This is a greater increase than in recent years. Even so, the company's payout ratio this year (based on our estimate) will be barely over 50%. This is low for a utility, so Black Hills' board of directors has plenty of room for dividend growth. **We consider this stock expensively priced.** The dividend yield is well below average for a utility. With the recent price near the upper end of our 2020-2022 Target Price Range, total return potential over that time frame is minuscule. *Paul E. Debbas, CFA* April 28, 2017

(A) Dil. EPS. Excl. nonrec. gains (losses): '08, \$1.55; '09, (28c); '10, 10c; '12, 4c; '15, (\$3.54); '16, (\$1.26); gains (losses) on disc. ops.: '06, 21c; '07, (4c); '08, \$4.12; '09, 7c; '11, 23c; '12, (16c). '14 EPS don't sum due to rounding. Next egs. due early May. (B) Div'ds paid early Mar., Jun., Sept., & Dec. Div'd re- inv. plan avail. (C) Incl. def'd chgs. In '16: \$29.12/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate all'd on com. eq. in SD in '15: none specified; in CO in '17: 9.37%; earned on avg. com. eq., '16: 8.7%. Regulatory Climate: Avg.

© 2017 Value Line, Inc. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

Company's Financial Strength	A
Stock's Price Stability	80
Price Growth Persistence	70
Earnings Predictability	50

To subscribe call 1-800-VALUELINE