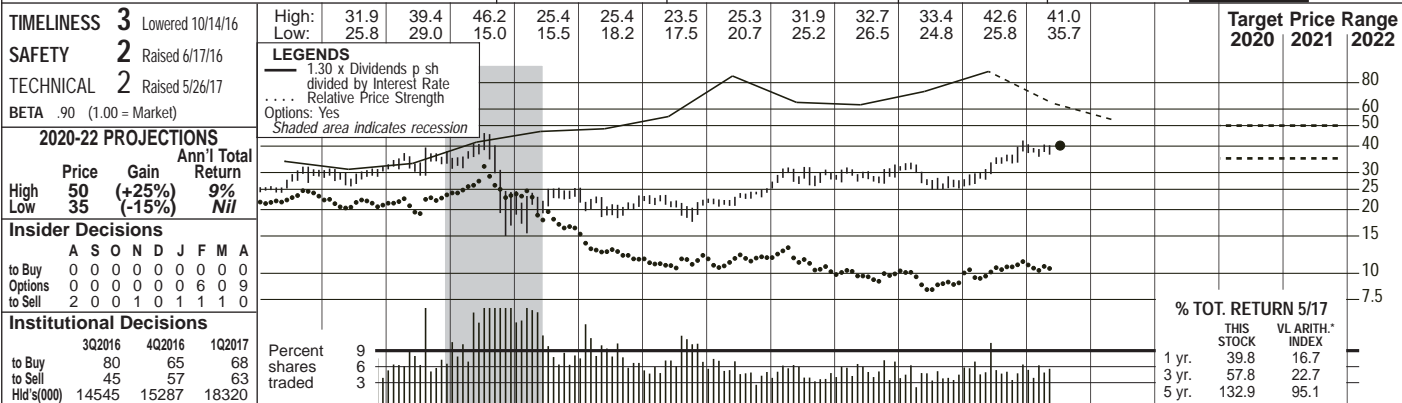


OTTER TAIL CORP. NDQ-OTTR

RECENT PRICE **40.20** P/E RATIO **23.4** (Trailing: 23.5; Median: 23.0) RELATIVE P/E RATIO **1.19** DIV'D YLD **3.2%** VALUE LINE



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
26.53	27.75	29.28	30.45	35.59	37.43	41.50	37.06	29.03	31.08	29.86	23.76	24.63	21.48	20.60	20.42	20.65	21.35	Revenues per sh	25.00
3.40	3.44	3.30	2.88	3.39	3.39	3.55	2.81	2.76	2.60	2.36	2.71	3.02	3.09	3.14	3.44	3.65	3.90	"Cash Flow" per sh	4.90
1.68	1.79	1.51	1.50	1.78	1.69	1.78	1.09	.71	.38	.45	1.05	1.37	1.55	1.56	1.60	1.72	1.85	Earnings per sh ^A	2.30
1.04	1.06	1.08	1.10	1.12	1.15	1.17	1.19	1.19	1.19	1.19	1.19	1.19	1.21	1.23	1.25	1.28	1.30	Div'd Decl'd per sh ^B	1.38
2.17	2.95	1.97	1.72	2.04	2.35	5.43	7.51	4.95	2.38	2.04	3.20	4.53	4.40	4.23	4.10	3.75	4.65	Cap'l Spending per sh	2.10
11.33	12.25	12.98	14.81	15.80	16.67	17.55	19.14	18.78	17.57	15.83	14.43	14.75	15.39	15.98	17.03	18.25	19.25	Book Value per sh ^C	22.75
24.65	25.59	25.72	28.98	29.40	29.52	29.85	35.38	35.81	36.00	36.10	36.17	36.27	37.22	37.86	39.35	40.00	41.00	Common Shs Outst'g ^D	44.00
16.4	16.0	17.8	17.3	15.4	17.3	19.0	30.1	31.2	55.1	47.5	21.7	21.1	18.8	18.2	20.2	20.65	21.35	Avg Ann'l P/E Ratio	18.0
.84	.87	1.01	.91	.82	.93	1.01	1.81	2.08	3.51	2.98	1.38	1.19	.99	.92	1.06	1.28	1.30	Relative P/E Ratio	1.15
3.8%	3.7%	4.0%	4.2%	4.1%	3.9%	3.5%	3.6%	5.4%	5.7%	5.6%	5.2%	4.1%	4.1%	4.3%	3.9%	3.9%	3.9%	Avg Ann'l Div'd Yield	3.3%

CAPITAL STRUCTURE as of 3/31/17

Total Debt \$594.7 mill. Due in 5 Yrs \$232.0 mill.
 LT Debt \$490.4 mill. LT Interest \$26.0 mill.
 (LT interest earned: 3.8x)

Leases, Uncapitalized Annual rentals \$7 mill.
Pension Assets-12/16 \$254.3 mill. **Oblig.** \$314.6 mill.
Pfd Stock None

Common Stock 39,503,539 shs. as of 4/30/17
MARKET CAP: \$1.6 billion (Mid Cap)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
1238.9	1311.2	1039.5	1119.1	1077.9	859.2	893.3	799.3	779.8	803.5	825	875	Revenues (\$mill)	1100						
54.0	35.1	26.0	13.6	16.4	39.0	50.2	56.9	58.6	62.0	75.0	85.0	Net Profit (\$mill)	115						
34.1%	30.0%	--	--	14.5%	5.2%	21.3%	22.5%	27.0%	24.5%	25.0%	25.0%	Income Tax Rate	30.0%						
4.2%	6.1%	4.0%	6%	3.8%	1.7%	--	--	1.7%	3.6%	3.0%	4.0%	AFUDC % to Net Profit	5.0%						
38.9%	32.9%	38.8%	40.2%	44.6%	44.0%	42.1%	46.5%	42.4%	43.0%	42.0%	41.0%	Long-Term Debt Ratio	40.5%						
59.4%	65.6%	59.8%	58.4%	54.0%	54.4%	57.9%	53.5%	57.6%	57.0%	58.0%	59.0%	Common Equity Ratio	59.5%						
882.1	1032.5	1124.4	1083.3	1058.9	959.2	924.4	1071.3	1051.0	1175.4	1255	1340	Total Capital (\$mill)	1675						
854.0	1037.6	1098.6	1108.7	1077.5	1049.5	1167.0	1268.5	1387.8	1477.2	1525	1650	Net Plant (\$mill)	1950						
7.2%	4.3%	3.4%	2.7%	3.2%	5.7%	6.7%	6.7%	6.7%	6.5%	6.5%	6.5%	Return on Total Cap'l	7.0%						
10.0%	5.1%	3.8%	2.1%	2.8%	7.3%	9.4%	9.9%	9.7%	9.3%	9.5%	9.5%	Return on Shr. Equity ^E	10.0%						
10.2%	5.1%	3.8%	2.0%	2.7%	7.3%	9.3%	9.9%	9.7%	9.3%	9.5%	9.5%	Return on Com Equity	10.0%						
3.5%	NMF	NMF	NMF	NMF	NMF	NMF	1.2%	2.2%	2.0%	2.1%	2.5%	2.5%	Retained to Com Eq	4.0%					
66%	108%	NMF	NMF	NMF	NMF	113%	87%	78%	79%	78%	74%	72%	All Div'ds to Net Prof	61%					

BUSINESS: Otter Tail Corporation is the parent of Otter Tail Power Company, which supplies electricity to over 130,000 customers in Minnesota (53% of retail elec. revs.), North Dakota (38%), and South Dakota (9%). Electric rev. breakdown, '16: residential, 31%; commercial & farms, 36%; industrial, 31%; other, 2%. Fuel costs: 14.7% of revenues. Also has operations in manufacturing and plastics. 2016 depr. rate: 3.3%. Has 2,054 employees. Off. and dir. own 1.4% of common stock; Cascade Investment, LLC, 8.8%; The Vanguard Group, 8.3%; BlackRock, Inc., 6.3% (3/17 Proxy). CEO: Charles MacFarlane. Inc.: MN. Address: 215 South Cascade St., P.O. Box 496, Fergus Falls, Minnesota 56538-0496. Telephone: 866-410-8780. Internet: www.ottertail.com.

Shares of Otter Tail have traded in a fairly narrow range over the past six months. The company reported solid results for the March quarter. The top line advanced roughly 4%, on a year-to-year basis. Earnings per share of \$0.49 were well above the prior-year tally. Performance was largely driven by interim revenue increases in Minnesota that Otter Tail Power Company began collecting in April of last year. Weather was also slightly more favorable for the utility in the recent quarter, compared with the year-ago period. The Manufacturing segment reported a measure of improvement, while the Plastics line benefited from an increase in pounds of polyvinyl chloride pipe sold. Interest costs declined, as well.

There has been a development on the regulatory front. The Minnesota Public Utilities Commission granted Otter Tail Power Company an annual revenue increase of \$12.3 million. Moreover, the commission set return on equity at 9.41%.

Investment in operations ought to drive growth in the coming years. Otter Tail Power expects to spend \$862 million overall through 2021. This includes major investments in regional transmission projects already under way. Two 345-kilovolt transmission projects remain on schedule and on budget. The company is a 50% owner in both the Big Stone South-Brookings line (which is expected to be completed later this year) and the Big Stone South-Ellendale project (scheduled for completion in 2019). All things considered, the utility rate base is expected to increase about 7.5% per annum through 2021. Otter Tail Power will add more wind, natural gas, and solar generation to prepare for the closing of its coal-fired Hoot Lake Plant early next decade.

This stock is neutrally ranked for year-ahead performance. The dividend yield here is respectable for a utility. But long-term total return potential is subpar, as the equity presently trades within our Target Price Range. Prospects for moderate bottom-line growth are reflected in the recent quotation. That said, a selloff some time in the future may offer investors a more attractive entry point. Otter Tail earns good marks for Safety, Financial Strength, and Price Stability.

Michael Napoli, CFA June 16, 2017

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	215.0	194.4	196.5	193.4	799.3
2015	202.8	188.2	200.0	188.8	779.8
2016	206.2	203.5	197.2	196.6	803.5
2017	214.1	206	202	202.9	825
2018	225	220	215	215	875

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	.59	.27	.43	.28	1.55
2015	.37	.36	.42	.41	1.56
2016	.38	.41	.37	.44	1.60
2017	.49	.40	.39	.44	1.72
2018	.50	.44	.43	.48	1.85

Cal-endar	QUARTERLY DIVIDENDS PAID ^B				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.298	.298	.298	.298	1.19
2014	.303	.303	.303	.303	1.21
2015	.308	.308	.308	.308	1.23
2016	.313	.313	.313	.313	1.25
2017	.320	.320			

(A) Diluted earnings. Excl. nonrecurring gains (losses): '10, (44c); '11, 26c; '13, 2c; gains (losses) from discount operations: '04, 8c; '05, 33c; '06, 1c; '11, (\$1.11); '12, (\$1.22); '13, 2c; '14, 2c; '15, 2c; '16, 1c. Earnings may not sum due to rounding. Next earnings report due early August. (B) Div'ds historically paid in early March, June, Sept., and Dec. ■ Div'd reinvestment plan avail. (C) Incl. intangibles. In '16: \$52.5 mill., \$1.34/sh. (D) In mill. (E) Regulatory Climate: MN, ND, Average; SD, Above Average.

Company's Financial Strength A
Stock's Price Stability 85
Price Growth Persistence 25
Earnings Predictability 55

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