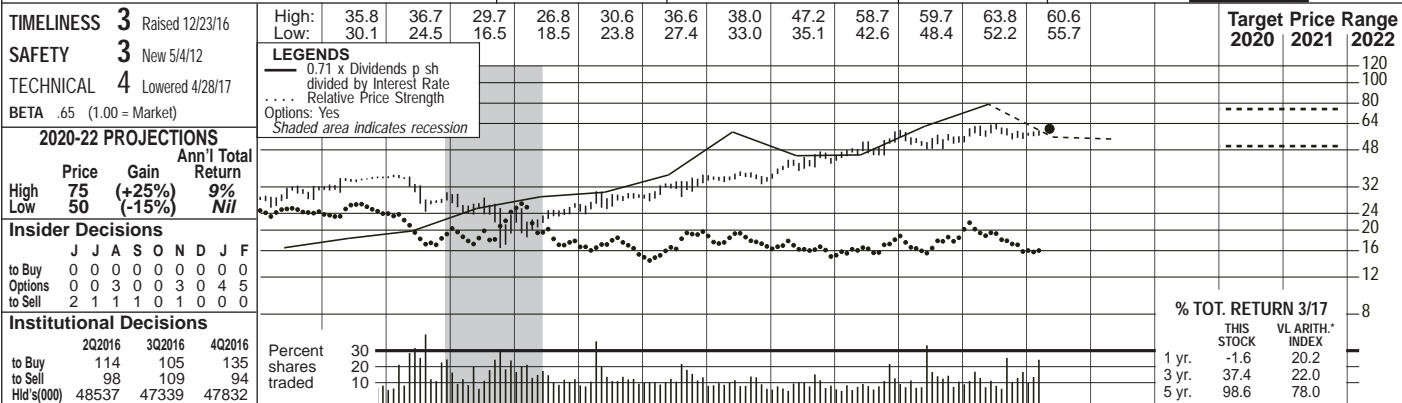


# NORTHWESTERN NYSE-NWE

RECENT PRICE **60.40** P/E RATIO **18.5** (Trailing: 17.8; Median: 16.0) RELATIVE P/E RATIO **0.94** DIV'D YLD **3.5%** 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
--	--	--	29.18	32.57	31.49	30.79	35.09	31.72	30.66	30.80	28.76	29.80	25.68	25.21	26.01	<b>26.80</b>	<b>27.95</b>	Revenues per sh	<b>32.00</b>
--	--	--	3.20	4.00	3.62	3.70	4.40	4.62	4.76	5.42	5.18	5.45	5.39	5.92	6.74	<b>6.85</b>	<b>7.10</b>	"Cash Flow" per sh	<b>8.00</b>
--	--	--	d14.32	1.71	1.31	1.44	1.77	2.02	2.14	2.53	2.26	2.46	2.99	2.90	3.39	<b>3.40</b>	<b>3.55</b>	Earnings per sh <sup>A</sup>	<b>4.00</b>
--	--	--	--	1.00	1.24	1.28	1.32	1.34	1.36	1.44	1.48	1.52	1.60	1.92	2.00	<b>2.10</b>	<b>2.20</b>	Div'd Decl'd per sh <sup>B</sup> = †	<b>2.50</b>
--	--	--	2.25	2.26	2.81	3.00	3.47	5.26	6.30	5.20	5.89	5.95	5.76	5.89	5.96	<b>6.15</b>	<b>6.60</b>	Cap'l Spending per sh	<b>6.75</b>
--	--	--	19.92	20.60	20.65	21.12	21.25	21.86	22.64	23.68	25.09	26.60	31.50	33.22	34.68	<b>35.85</b>	<b>37.10</b>	Book Value per sh <sup>C</sup>	<b>41.00</b>
--	--	--	35.60	35.79	35.97	38.97	35.93	36.00	36.23	36.28	37.22	38.75	46.91	48.17	48.33	<b>48.50</b>	<b>48.65</b>	Common Shs Outst'g <sup>D</sup>	<b>49.10</b>
--	--	--	17.1	26.0	21.7	13.9	11.5	12.9	12.6	15.7	16.9	16.2	18.4	17.2				Avg Ann'l P/E Ratio	<b>15.0</b>
--	--	--	.91	1.40	1.15	.84	.77	.82	.79	1.00	.95	.85	.93	.90				Relative P/E Ratio	<b>.95</b>
--	--	--	3.4%	3.6%	4.1%	5.4%	5.7%	4.9%	4.5%	4.2%	3.7%	3.3%	3.6%	3.4%				Avg Ann'l Div'd Yield	<b>4.1%</b>

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 \$2120.5 mill. Due in 5 Yrs \$562.4 mill.		1200.1	1260.8	1141.9	1110.7	1117.3	1070.3	1154.5	1204.9	1214.3	1257.2	<b>1300</b>	<b>1360</b>	Revenues (\$mill)	<b>1575</b>				
LT Debt \$1817.7 mill. LT Interest \$83.6 mill.		53.2	67.6	73.4	77.4	92.6	83.7	94.0	120.7	138.4	164.2	<b>165</b>	<b>170</b>	Net Profit (\$mill)	<b>195</b>				
Incl. \$24.4 mill. capitalized leases. (LT interest earned: 2.8x)		37.8%	37.3%	17.2%	25.0%	9.8%	9.6%	13.2%	--	13.7%	13.7%	<b>9.0%</b>	<b>12.0%</b>	Income Tax Rate	<b>20.0%</b>				
Pension Assets-12/16 \$524.6 mill. Oblig \$646.0 mill.		2.5%	2.3%	4.4%	14.2%	3.3%	9.4%	8.7%	8.9%	9.8%	4.3%	<b>6.0%</b>	<b>6.0%</b>	AFUDC % to Net Profit	<b>5.0%</b>				
Pfd Stock None		50.1%	46.8%	56.4%	57.2%	52.2%	53.8%	53.5%	53.4%	53.1%	52.0%	<b>51.0%</b>	<b>47.0%</b>	Long-Term Debt Ratio	<b>48.0%</b>				
Common Stock 48,354,198 shs. as of 2/10/17		49.9%	53.2%	43.6%	42.8%	47.8%	46.2%	46.5%	46.6%	46.9%	48.0%	<b>49.0%</b>	<b>53.0%</b>	Common Equity Ratio	<b>52.0%</b>				
MARKET CAP: \$2.9 billion (Mid Cap)		1648.4	1434.3	1803.9	1916.4	1797.1	2020.7	2215.7	3168.0	3408.6	3493.9	<b>3535</b>	<b>3405</b>	Total Capital (\$mill)	<b>3850</b>				
ELECTRIC OPERATING STATISTICS		1770.9	1839.7	1964.1	2118.0	2213.3	2435.6	2690.1	3758.0	4059.5	4214.9	<b>4345</b>	<b>4495</b>	Net Plant (\$mill)	<b>4900</b>				
% Change Retail Sales (KWH)		5.0%	7.0%	6.0%	5.9%	7.0%	5.5%	5.5%	4.8%	5.2%	5.9%	<b>6.0%</b>	<b>6.0%</b>	Return on Total Cap'l	<b>6.0%</b>				
Avg. Indust. Use (MWH)		6.5%	8.9%	9.3%	9.4%	10.8%	9.0%	9.1%	8.2%	8.6%	9.8%	<b>9.5%</b>	<b>9.5%</b>	Return on Shr. Equity	<b>9.5%</b>				
Avg. Indust. Revs. per KWH (c)		6.5%	8.9%	9.3%	9.4%	10.8%	9.0%	9.1%	8.2%	8.6%	9.8%	<b>9.5%</b>	<b>9.5%</b>	Return on Com Equity <sup>E</sup>	<b>9.5%</b>				
Capacity at Peak (Mw)		.7%	2.3%	3.2%	3.5%	4.7%	3.2%	3.5%	3.8%	3.0%	4.1%	<b>3.5%</b>	<b>3.5%</b>	Retained to Com Eq	<b>3.5%</b>				
Peak Load, Winter (Mw)		89%	74%	66%	63%	56%	65%	61%	54%	65%	58%	<b>62%</b>	<b>62%</b>	All Div'ds to Net Prof	<b>63%</b>				
Annual Load Factor (%)																			
% Change Customers (yr-end)																			

**BUSINESS:** NorthWestern Corporation (doing business as NorthWestern Energy) supplies electricity & gas in the Upper Midwest and Northwest, serving 427,000 electric customers in Montana and South Dakota and 283,000 gas customers in Montana (87% of gross margin), South Dakota (12%), and Nebraska (1%). Electric revenue breakdown: residential, 40%; commercial, 51%; industrial, 5%; other, 4%. Generating sources: hydro, 34%; coal, 30%; other, 10%; purchased, 26%. Fuel costs: 32% of revenues. '15 reported deprec. rate: 3.3%. Has 1,600 employees. Chairman: Dr. E. Linn Draper Jr. President & CEO: Robert C. Rowe. Incorporated: Delaware. Address: 3010 West 69th Street, Sioux Falls, South Dakota 57108. Tel.: 605-978-2900. Internet: www.northwesternenergy.com.

**NorthWestern is awaiting an order on its gas rate case in Montana.** The utility is seeking a rate hike of \$9.4 million (6.9%), based on a return of 10.35% on a common-equity ratio of 46.79%. This is the company's first gas application in the state since 2012. The Montana Consumer Council has recommended a boost of \$3.7 million (2.7%), based on a return of 9.0% on the same common-equity ratio. A ruling from the Montana regulators is expected in July.

**Additional rate filings are possible.** By the end of April, NorthWestern needs to inform the Montana commission whether it intends to file an electric rate case. Management planned to indicate its regulatory plans (include its intentions in South Dakota and Nebraska) on its first-quarter earnings conference call shortly before this report came out in print.

**We estimate flattish earnings in 2017, followed by a modest increase in 2018.** NorthWestern benefited from the net effect of some unusual (but not nonrecurring) items last year. Our 2017 profit estimate is at the midpoint of the company's targeted range of \$3.30-\$3.50 a share. We

forecast a 4% rise in 2018, spurred by rate relief and good customer growth.

**The board of directors raised the dividend—and the dividend growth rate.** The quarterly increase was \$0.025 a share (5%). We project the same yearly increase over the 3- to 5-year period. NorthWestern is targeting a payout ratio of 60%-70%.

**Some legal matters are pending.** The company is appealing an unfavorable ruling from the Federal Energy Regulatory Commission to the U.S. Circuit Court of Appeals. The ruling forced NorthWestern to take a charge of \$0.12 a share (included in our earnings presentation) in 2012. A decision is unlikely before the second half of 2017. The utility is appealing an order from the Montana commission to the state district court because the regulators disallowed some costs. This forced NorthWestern to take a charge of \$0.13 a share in the first period of 2016 (again, included in our presentation). A ruling might not come until 2018.

**This stock has a dividend yield and 3- to 5-year total return potential that are close to the utility averages.**

Cal-endar	QUARTERLY REVENUES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	369.7	270.3	251.9	313.0	1204.9
2015	346.0	270.6	272.7	325.0	1214.3
2016	332.5	293.1	301.0	330.6	1257.2
2017	<b>345</b>	<b>310</b>	<b>310</b>	<b>335</b>	<b>1300</b>
2018	<b>360</b>	<b>325</b>	<b>325</b>	<b>350</b>	<b>1360</b>

Cal-endar	EARNINGS PER SHARE <sup>A</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2014	1.17	.20	.77	.85	2.99
2015	1.09	.38	.51	.93	2.90
2016	.82	.73	.92	.92	3.39
2017	<b>1.10</b>	<b>.50</b>	<b>.75</b>	<b>1.05</b>	<b>3.40</b>
2018	<b>1.15</b>	<b>.50</b>	<b>.80</b>	<b>1.10</b>	<b>3.55</b>

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>B</sup> = †				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2013	.38	.38	.38	.38	1.52
2014	.40	.40	.40	.40	1.60
2015	.48	.48	.48	.48	1.92
2016	.50	.50	.50	.50	2.00
2017	.525				

**Company's Financial Strength** B+  
**Stock's Price Stability** 85  
**Price Growth Persistence** 95  
**Earnings Predictability** 90

To subscribe call 1-800-VALUELINE

April 28, 2017

Paul E. Debbas, CFA