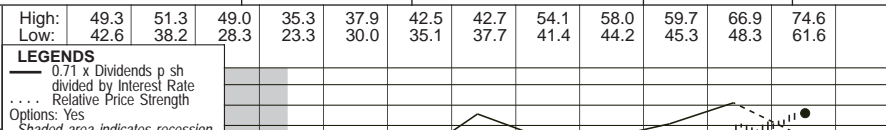


ALLETE NYSE-ALE

RECENT PRICE **73.16** P/E RATIO **22.2** (Trailing: 23.1; Median: 16.0) RELATIVE P/E RATIO **1.13** DIV'D YLD **3.0%** VALUE LINE

TIMELINESS 3 Lowered 9/16/16
SAFETY 2 New 10/1/04
TECHNICAL 3 Lowered 6/16/17
BETA .80 (1.00 = Market)



2020-22 PROJECTIONS
 Price **70** Gain **(-5%)** Ann'l Total Return **2%**
 High **70** Low **50** (-30%) -5%

Insider Decisions
 A S O N D J F M A
 to Buy 0 0 0 0 0 0 0 0 0 0
 Options 0 0 0 0 0 0 8 0 0 0
 to Sell 0 0 0 0 0 0 0 0 0 0

Institutional Decisions
 3Q2016 4Q2016 1Q2017
 to Buy 129 123 149
 to Sell 104 111 87
 Hlds(000) 36120 36294 43766

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
--	--	--	25.30	24.50	25.23	27.33	24.57	21.57	25.34	24.75	24.40	24.60	24.77	30.27	27.01	27.75	28.45	Revenues per sh	30.75
--	--	--	2.97	3.85	4.14	4.42	4.23	3.57	4.35	4.91	5.01	5.35	5.68	6.79	7.08	7.30	7.70	"Cash Flow" per sh	8.75
--	--	--	1.35	2.48	2.77	3.08	2.82	1.89	2.19	2.65	2.58	2.63	2.90	3.38	3.14	3.30	3.50	Earnings per sh A	4.00
--	--	--	.30	1.25	1.45	1.64	1.72	1.76	1.76	1.78	1.84	1.90	1.96	2.02	2.08	2.14	2.22	Div'd Decl'd per sh B = †	2.50
--	--	--	2.12	1.95	3.37	6.82	9.24	9.05	6.95	6.38	10.30	7.93	12.48	5.84	5.35	5.80	7.10	Cap'l Spending per sh	3.50
--	--	--	21.23	20.03	21.90	24.11	25.37	26.41	27.26	28.78	30.48	32.44	35.06	37.07	38.17	39.85	41.30	Book Value per sh C	46.00
--	--	--	29.70	30.10	30.40	30.80	32.60	35.20	35.80	37.50	39.40	41.40	45.90	49.10	49.60	51.00	51.30	Common Shs Outst'g D	52.50
--	--	--	25.2	17.9	16.5	14.8	13.9	16.1	16.0	14.7	15.9	18.6	17.2	15.1	18.6	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15.0
--	--	--	1.33	.95	.89	.79	.84	1.07	1.02	.92	1.01	1.05	.91	.76	.99			Relative P/E Ratio	.95
--	--	--	.93	2.8%	3.2%	3.6%	4.4%	5.8%	5.0%	4.6%	4.5%	3.9%	3.9%	4.0%	3.6%			Avg Ann'l Div'd Yield	4.2%

CAPITAL STRUCTURE as of 3/31/17
 Total Debt \$1534.1 mill. Due in 5 Yrs \$504.9 mill.
 LT Debt \$1370.2 mill. LT Interest \$58.9 mill.
 (LT interest earned: 3.5x)
 Leases, Uncapitalized Annual rentals \$13.7 mill.
 Pension Assets-12/16 \$557.5 mill. Oblig \$743.3 mill.
 Pfd Stock None
 Common Stock 50,883,123 shs.
MARKET CAP: \$3.7 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2014	2015	2016
% Change Retail Sales (KWH)	+5	-8.9	-2.3
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (c)	6.09	6.40	NA
Capacity at Peak (Mw)	1985	1942	NA
Peak Load, Winter (Mw)	1637	1631	1520
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	NA	NA	NA

Fixed Charge Cov. (%) 345 381 318

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '14-'16 of change (per sh) to '20-'22

Revenues	1.0%	2.5%	2.5%
"Cash Flow"	6.0%	9.0%	6.5%
Earnings	3.5%	7.0%	5.0%
Dividends	7.5%	2.5%	4.0%
Book Value	5.5%	6.0%	4.5%

QUARTERLY REVENUES (\$ mill.)

Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2014	296.5	260.7	288.9	290.7	1136.8
2015	320.0	323.3	462.5	380.6	1486.4
2016	333.8	314.8	349.6	341.5	1339.7
2017	365.6	335	359.4	355	1415
2018	370	345	375	370	1460

EARNINGS PER SHARE A

Cal-endar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2014	.80	.40	.97	.73	2.90
2015	.85	.46	1.23	.83	3.38
2016	.93	.50	.81	.89	3.14
2017	.97	.50	1.03	.80	3.30
2018	1.00	.55	1.10	.85	3.50

QUARTERLY DIVIDENDS PAID B = †

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.475	.475	.475	.475	1.90
2014	.49	.49	.49	.49	1.96
2015	.505	.505	.505	.505	2.02
2016	.52	.52	.52	.52	2.08
2017	.535	.535			

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, 12%; commercial, 13%; wholesale, 16% other, 16%. ALLETE Clean Energy owns renewable energy projects. Acq'd U.S. Water Services 2/15. Has real estate operation in FL. Generating sources: coal & lignite, 49%; wind, 12%; other, 6%; purchased, 33%. Fuel costs: 25% of revs. '16 deprec. rate: 3.7%. Has 2,000 employees. Chairman, President & CEO: Alan R. Hodnik. Inc.: MN. Address: 30 West Superior St., Duluth, MN 55802-2093. Tel.: 218-279-5000. Internet: www.allete.com.

ALLETE's primary utility subsidiary is awaiting an order on its general rate case. Minnesota Power is asking the state commission for an increase of \$39 million (6.1%), based on a 10.25% return on a 53.8% common-equity ratio. The utility is currently collecting an interim hike of \$32.2 million (5.1%). New tariffs are expected to go into effect in the first half of 2018.

A rate case is pending in Wisconsin. Superior Water, Light & Power filed for an increase of \$2.7 million (3.1%), based on a 10.9% return on a 55% common-equity ratio. The company expects new rates to take effect in mid-2017.

Earnings will probably increase this year and next. Rate relief will help. Minnesota Power's mining customers are using more electricity. In fact, the increased volume enabled the utility to reduce its requested rate hike from \$55 million initially. And Minnesota Power is building a \$330 million transmission line that is expected to be in service in 2020. This will enable it to import power from Manitoba Hydro. The utility will earn a return on the construction work in progress.

ALLETE's nonutility subsidiaries should increase their contribution to the bottom line. In particular, ALLETE Clean Energy is expanding a 100-megawatt windfarm, which it built for a utility in North Dakota in 2015, by 50 mw, and has secured turbines for additional projects. Our 2017 share-net estimate is at the midpoint of ALLETE's targeted range of \$3.10-\$3.50 a share. This would produce a 5% bottom-line increase, which is the company's goal for annual profit growth. We forecast a 6% earnings increase in 2018.

Finances are sound. The common-equity ratio is among the highest in the electric utility industry. The fixed-charge coverage is solid. ALLETE merits a Financial Strength rating of A.

ALLETE stock is expensively priced. The dividend yield is somewhat low for a utility. The recent price is above our 2020-2022 Target Price Range. Thus, 3- to 5-year total return potential is negative. Although the company is performing well, we think more-attractive selections are available elsewhere due to the equity's valuation.

(A) Diluted EPS. Excl. nonrec. losses: '04, 25¢ net; '05, \$1.84; '15, 46¢; gain (losses) on disc. ops.: '04, \$2.57, '05, (16¢); '06, (2¢); '15 & '16 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. † Shareholder reinvestment plan avail. ‡ Shareholder investment plan avail. (C) Incl. deferred charges. In '16: \$11.55/sh. (D) In mill. (E) Rate base: Orig. cost deprec. Rate allowed on com. eq. in '10: 10.38%; earned on avg. com. eq., '16: 8.3%. Regulatory Climate: Average.

Company's Financial Strength A
Stock's Price Stability 90
Price Growth Persistence 40
Earnings Predictability 85

© 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.

To subscribe call 1-800-VALUELINE