

OTTER TAIL CORP. NDQ-OTTR

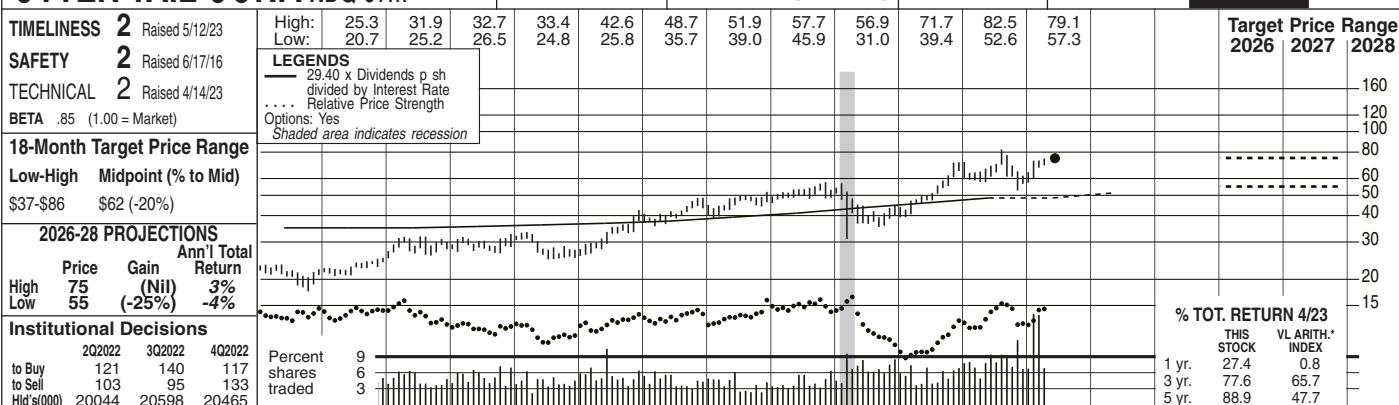
RECENT PRICE 74.79

P/E RATIO 15.7 (Trailing: 11.4; Median: 20.0)

RELATIVE P/E RATIO 0.96

DIV/D YLD 2.3%

VALUE LINE



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
41.50	37.06	29.03	31.08	29.86	23.76	24.63	21.48	20.60	20.42	21.47	23.10	22.90	21.46	28.80	35.08	30.05	29.75	Revenues per sh	31.20
3.55	2.81	2.76	2.60	2.36	2.71	3.02	3.09	3.14	3.44	3.70	3.96	4.11	4.29	6.45	8.77	6.40	5.95	“Cash Flow” per sh	6.00
1.78	1.09	.71	.38	.45	1.05	1.37	1.55	1.56	1.60	1.86	2.06	2.17	2.34	4.23	6.78	4.75	3.50	Earnings per sh ^A	3.65
1.17	1.19	1.19	1.19	1.19	1.19	1.19	1.21	1.23	1.25	1.28	1.34	1.40	1.48	1.56	1.65	1.75	1.81	Div'd Decl'd per sh ^B	2.20
5.43	7.51	4.95	2.38	2.04	3.20	4.53	4.40	4.23	4.10	3.36	2.66	5.16	8.96	4.14	4.11	5.90	6.00	Cap'l Spending per sh	6.25
17.55	19.14	18.78	17.57	15.83	14.43	14.75	15.39	15.98	17.03	17.62	18.38	19.46	21.00	23.84	29.24	29.80	31.15	Book Value per sh ^C	34.25
29.85	35.38	35.81	36.00	36.10	36.17	36.27	37.22	37.86	39.35	39.56	39.66	40.16	41.47	41.55	41.63	41.90	42.00	Common Shs Outst'g ^D	42.50
19.0	30.1	31.2	NMF	47.5	21.7	21.1	18.8	18.2	20.2	22.1	22.2	23.5	18.3	12.3	9.5	9.0	9.5	Avg Ann'l P/E Ratio	17.5
1.01	1.81	2.08	NMF	2.98	1.38	1.19	.99	.92	1.06	1.11	1.20	1.25	.94	.66	.55	.55	.55	Relative P/E Ratio	.95
3.5%	3.6%	5.4%	5.7%	5.6%	5.2%	4.1%	4.1%	4.3%	3.9%	3.1%	2.9%	2.7%	3.5%	3.0%	2.5%	2.5%	2.5%	Avg Ann'l Div'd Yield	3.4%

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
893.3	799.3	779.8	803.5	849.4	916.4	919.5	890.1	1196.8	1460.2	1260	1250	Revenues (\$mill)	1325						
50.2	56.9	58.6	62.0	73.9	82.3	86.8	95.9	176.8	282.3	200	150	Net Profit (\$mill)	155						
21.3%	22.5%	27.0%	24.5%	25.5%	15.0%	16.7%	17.4%	16.9%	20.5%	20.0%	20.0%	Income Tax Rate	20.0%						
5.6%	3.9%	3.5%	2.2%	2.3%	4.1%	4.9%	6.4%	8.0%	9.0%	3.0%	3.5%	AFUDC % to Net Profit	4.0%						
42.1%	46.5%	42.4%	43.0%	41.3%	44.7%	46.9%	41.8%	42.6%	40.0%	41.5%	41.5%	Long-Term Debt Ratio	42.5%						
57.9%	53.5%	57.6%	57.0%	58.7%	55.3%	53.1%	58.2%	57.4%	58.5%	58.5%	58.5%	Common Equity Ratio	57.5%						
924.4	1071.3	1051.0	1175.4	1187.3	1318.9	1471.1	1495.4	1724.8	2041.1	2140	2250	Total Capital (\$mill)	2525						
1167.0	1268.5	1387.8	1477.2	1539.6	1581.1	1753.8	2049.3	2124.6	2212.7	2355	2475	Net Plant (\$mill)	2700						
6.8%	6.7%	6.8%	6.5%	7.3%	7.3%	7.0%	7.4%	11.1%	12.0%	9.0%	8.5%	Return on Total Cap'l	7.5%						
9.4%	9.9%	9.7%	9.3%	10.6%	11.3%	11.1%	11.0%	17.8%	18.0%	13.5%	13.0%	Return on Shr. Equity ^E	11.5%						
9.3%	9.9%	9.7%	9.3%	10.6%	11.3%	11.1%	11.0%	17.8%	18.0%	13.5%	13.0%	Return on Com Equity	11.5%						
1.2%	2.2%	2.0%	2.1%	3.3%	4.0%	4.1%	11.3%	12.4%	7.5%	7%	7%	Retained to Com Eq	5.0%						
87%	78%	79%	78%	69%	65%	64%	63%	37%	24%	44%	52%	All Div's to Net Prof	60%						

CAPITAL STRUCTURE as of 3/31/23
 Total Debt \$823.9 mill. Due in 5 Yrs \$207.8 mill.
 LT Debt \$823.9 mill. LT Interest \$31.6 mill.
 (LT interest earned: 9.7x)

Leases, Uncapitalized Annual rentals \$5.0 mill.
Pension Assets-12/22 \$387.2 mill.
Oblig \$416.7 mill.

Pfd Stock None

Common Stock 41,710,621 shs. as of 4/28/23

MARKET CAP: \$3.1 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2020	2021	2022
% Change Retail Sales (KWH)	-3.9	+3	+16.8
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Rev. per KWH (c)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	NA	NA	NA

BUSINESS: Otter Tail Corporation is the parent of Otter Tail Power Company, which supplies electricity to 133,000 customers in Minnesota (52% of retail electric revenues), North Dakota (38%), and South Dakota (10%). Electric rev. breakdown: residential, 32%; commercial & farms, 36%; industrial, 30%; other, 2%. Generating sources: coal, 38%; wind & other, 18%; purchased, 44%. Fuel costs: 10% of revenues. Also has operations in manufacturing and plastics (72% of '22 operating income). '22 deprec. rate: 3.0%. Has 2,500 employees. Chairman: Nathan I. Partain. President & CEO: Charles S. MacFarlane. Inc.: Minnesota. Address: 215 South Cascade St., P.O. Box 496, Fergus Falls, Minnesota 56538-0496. Tel.: 866-410-8780. Internet: www.ottertail.com.

The price of Otter Tail stock has continued to surge. The quotation has risen more than 5% since our March report and is up 15% over the past 12 months due to a string of better-than-expected performances of late. Indeed, the company has raised its earnings guidance for 2023 on the heels of its strong first quarter results. Management now expects the bottom-line to wind up in a range of \$4.55-\$4.85 a share, from the initial guidance range of \$3.70-\$4.06 per share. While the bottom-line will likely decline over the next few years as conditions normalize within the utility's plastics division, the electric and manufacturing segments remain a main driver to earnings, and both grew by double digits in the first quarter of 2023. Too, Otter Tail continues to benefit from elevated PVC pipe pricing, as PVC pipe remains higher-than-anticipated, near historic highs. All told, we look for 2023 earnings of \$4.75 per share.

We expect the company's bottom line to decline in 2024 and beyond as demand for PVC pipe is dropping noticeably. The Plastics segment earnings decreased 34%, while sales volumes declined 46% versus 2022 levels. Margins should begin to compress in the second half of this year, causing sales prices of PVC pipe to recede. Otter Tail expects the new normal level of plastics segment earnings to be around \$36-\$41 million. As a result, our 2024 earnings per share estimate is staying put at \$3.50.

Otter Tail is making progress in a number of capital projects. In May, the Federal Energy Regulatory commission approved incentive rate treatment for its investments in the Jamestown project and the Big Stone South Project. Too, Hoot Lake Solar, a 49 megawatt solar project is approximately 85% complete and is expected to be in service by the end of the year.

This stock is trading near the high end of our 3-to 5-year Target Price Range. Near-term potential is more appealing. Otter Tail has outperformed nearly all of its peers of late, and these shares are ranked Above Average (2) for Timeliness. Meanwhile, this issue offers a dividend yield of 2.3%, which is just below-average for a utility.

Zachary J. Hodgkinson June 9, 2023

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2020	234.7	192.8	235.8	226.8	890.1
2021	261.7	285.6	316.3	333.2	1196.8
2022	374.9	400.0	383.9	301.4	1460.2
2023	339.1	330.9	305	285	1260
2024	320	330	310	290	1250

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2020	.60	.42	.87	.45	2.34
2021	.73	1.01	1.26	1.23	4.23
2022	1.72	2.05	2.01	1.00	6.78
2023	1.49	1.50	1.01	.75	4.75
2024	.80	1.00	1.00	.70	3.50

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2019	.35	.35	.35	.35	1.40
2020	.37	.37	.37	.37	1.48
2021	.39	.39	.39	.39	1.56
2022	.4125	.4125	.4125	.4125	1.65
2023	.4375				

(A) Dil. EPS. Excl. nonrec. gains (loss): '10, (44c); '11, 26c; '13, 2c; gains (losses) from disc. ops.: '11, (\$1.11); '12, (\$1.22); '13, 2c; '14, 2c; '15, 2c; '16, 1c; '17, 1c. '19 EPS may not sum due to rounding. Next earnings report due early Aug. (B) Div's histor. pd. in early Mar., Jun., Sept., & Dec. (C) Div'd reinv. plan avail. (D) Incl. intang. ln '22: \$4.10/sh. (E) Rate all'd on com. eq. in MN in '22: 9.48%; in ND in '18: 9.77%; in SD in '19: 8.75%; earned on avg. com. eq., '21: 19.2%.

	A	90	70	65
Company's Financial Strength	A			
Stock's Price Stability		90		
Price Growth Persistence			70	
Earnings Predictability				65