

# ALLETE NYSE-ALE

RECENT PRICE **60.26** P/E RATIO **16.3** (Trailing: 18.9 Median: 19.0) RELATIVE P/E RATIO **0.99** DIV'D YLD **4.5%**

**VALUE LINE**

**TIMELINESS** 3 Raised 5/26/23  
**SAFETY** 2 New 10/1/04  
**TECHNICAL** 2 Lowered 6/9/23  
**BETA** .90 (1.00 = Market)

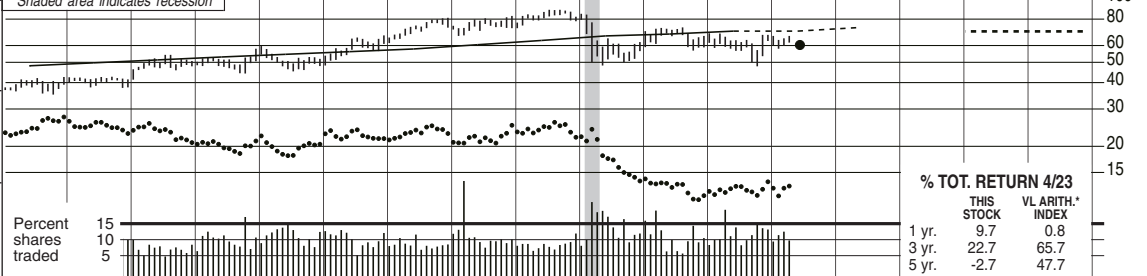
High: 42.7 54.1 58.0 59.7 66.9 81.2 82.8 88.6 84.7 73.1 68.6 66.7  
 Low: 37.7 41.4 44.2 45.3 48.3 61.6 66.6 72.5 48.2 56.8 47.8 57.9

**LEGENDS**  
 — 27.00 x Dividends p sh divided by Interest Rate  
 ... Relative Price Strength  
 Options: Yes  
 Shaded area indicates recession

**18-Month Target Price Range**  
 Low-High Midpoint (% to Mid)  
 \$53-\$89 \$71 (20%)

**2026-28 PROJECTIONS**  
 High Price Gain Ann'l Total  
 Low 100 70 (+65%) 17%  
 70 (+15%) 8%

**Institutional Decisions**  
 20222 30222 40222  
 to Buy 172 134 153  
 to Sell 103 130 131  
 Hlds(000) 44326 44590 43870



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	© VALUE LINE PUB. LLC	26-28
27.33	24.57	21.57	25.34	24.75	24.40	24.60	24.77	30.27	27.01	27.78	29.10	23.99	22.44	26.68	28.04	<b>29.30</b>	<b>29.65</b>	Revenues per sh	31.15
4.42	4.23	3.57	4.35	4.91	5.01	5.35	5.68	6.79	7.08	6.59	7.37	7.24	7.52	7.54	7.70	<b>8.45</b>	<b>8.75</b>	"Cash Flow" per sh	9.50
3.08	2.82	1.89	2.19	2.65	2.58	2.63	2.90	3.38	3.14	3.13	3.38	3.33	3.35	3.23	3.38	<b>3.70</b>	<b>4.05</b>	Earnings per sh <sup>A</sup>	5.00
1.64	1.72	1.76	1.76	1.78	1.84	1.90	1.96	2.02	2.08	2.14	2.24	2.35	2.47	2.52	2.60	<b>2.71</b>	<b>2.79</b>	Div'd Decl'd per sh <sup>B</sup> = †	3.00
6.82	9.24	9.05	6.95	6.38	10.30	7.93	12.48	5.84	5.35	4.08	6.07	11.55	13.78	8.90	3.64	<b>5.95</b>	<b>5.95</b>	Cap'l Spending per sh	7.25
24.11	25.37	26.41	27.26	28.78	30.48	32.44	35.06	37.07	38.17	40.47	41.86	43.17	44.04	45.36	47.06	<b>49.10</b>	<b>51.25</b>	Book Value per sh <sup>C</sup>	54.00
30.80	32.60	35.20	35.80	37.50	39.40	41.40	45.90	49.10	49.60	51.10	51.50	51.70	52.10	53.20	56.01	<b>58.00</b>	<b>59.00</b>	Common Shs Outst'g <sup>D</sup>	61.00
14.8	13.9	16.1	16.0	14.7	15.9	18.6	17.2	15.1	18.6	23.0	22.2	24.7	18.3	20.6	18.1	<b>17.0</b>	<b>17.50</b>	Avg Ann'l P/E Ratio	17.0
.79	.84	1.07	1.02	.92	1.01	1.05	.91	.76	.98	1.16	1.20	1.32	.94	1.11	1.05	<b>1.11</b>	<b>1.05</b>	Relative P/E Ratio	.95
3.6%	4.4%	5.8%	5.0%	4.6%	4.5%	3.9%	3.9%	4.0%	3.6%	3.0%	3.0%	2.9%	4.0%	3.8%	4.4%	<b>4.4%</b>	<b>4.4%</b>	Avg Ann'l Div'd Yield	3.7%

**CAPITAL STRUCTURE as of 3/31/23**  
 Total Debt \$1933.3 mill. Due in 5 Yrs \$390.7 mill.  
 LT Debt \$1755.5 mill. LT Interest \$65.9 mill.  
 (LT interest earned: 2.7x)

Leases, Uncapitalized Annual rentals \$5.1 mill.

Pension Assets-12/22 \$745.7 mill. Oblig \$911.7 mill.

Pfd Stock None

Common Stock 57,316,155 shs.

**MARKET CAP: \$3.5 billion (Mid Cap)**

1018.4	1136.8	1486.4	1339.7	1419.3	1498.6	1240.5	1169.1	1419.2	1570.7	<b>1700</b>	<b>1750</b>	Revenues (\$mill)	1900
104.7	124.8	163.4	155.3	159.2	174.1	172.4	174.2	169.2	189.3	<b>215</b>	<b>240</b>	Net Profit (\$mill)	305
21.5%	22.6%	19.4%	11.3%	14.8%	--	--	--	NMF	NMF	<b>NMF</b>	<b>NMF</b>	Income Tax Rate	NMF
4.4%	6.3%	2.0%	1.4%	.8%	.7%	1.3%	1.1%	1.5%	1.4%	<b>2.0%</b>	<b>2.0%</b>	AFUDC % to Net Profit	1.0%
44.6%	44.2%	46.3%	42.0%	41.0%	39.9%	38.6%	41.0%	42.2%	40.8%	<b>39.5%</b>	<b>39.5%</b>	Long-Term Debt Ratio	40.5%
55.4%	55.8%	53.7%	58.0%	59.0%	60.1%	61.4%	59.0%	57.8%	59.6%	<b>60.5%</b>	<b>60.5%</b>	Common Equity Ratio	59.5%
2425.9	2882.2	3388.9	3263.4	3507.4	3584.3	3632.8	3887.8	4176.3	4457.5	<b>4700</b>	<b>4900</b>	Total Capital (\$mill)	5550
2576.5	3286.4	3669.1	3741.2	3822.4	3904.4	4377.0	4840.8	5100.2	5004.0	<b>5300</b>	<b>5450</b>	Net Plant (\$mill)	5675
5.3%	5.2%	5.8%	5.8%	5.5%	5.8%	5.6%	5.3%	4.8%	5.6%	<b>5.5%</b>	<b>5.5%</b>	Return on Total Cap'l	6.0%
7.8%	7.8%	9.0%	8.2%	7.7%	8.1%	7.7%	7.6%	7.0%	7.5%	<b>8.0%</b>	<b>8.0%</b>	Return on Shr. Equity	9.0%
7.8%	7.8%	9.0%	8.2%	7.7%	8.1%	7.7%	7.6%	7.0%	7.5%	<b>8.0%</b>	<b>8.0%</b>	Return on Com Equity <sup>E</sup>	9.0%
2.2%	2.5%	3.6%	2.8%	2.4%	2.7%	2.3%	2.0%	1.5%	2.5%	<b>2.5%</b>	<b>2.5%</b>	Retained to Com Eq	3.5%
72%	67%	60%	66%	68%	66%	70%	74%	78%	76%	<b>70%</b>	<b>69%</b>	All Div'ds to Net Prof	60%

**ELECTRIC OPERATING STATISTICS**

	2020	2021	2022
% Change Retail Sales (KWH)	-12.0	+11.5	+4.7
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (c)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw) F	1588	1557	1556
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	NA	NA	NA

**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, 13%; commercial, 13%; wholesale, 14%; other, 16%. ALLETE Clean Energy (ACE) owns renewable energy projects. Acq'd U.S. Water Services 2/15; sold it 3/19. Generating sources: coal, 28%; wind, 10%; other, 4%; purchased, 58%. Fuel costs: 40% of revs. '22 deprec. rate: 3.2%. Has 1,400 employees. Chairman, President & CEO: Bethany M. Owen. Inc.: Minnesota. Address: 30 West Superior St., Duluth, MN 55802-2093. Tel.: 218-279-5000. Internet: www.allete.com.

Fixed Charge Cov. (%) 230 219 220

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '20-'22
of change (per sh)			
Revenues	--	-3.0%	3.0%
"Cash Flow"	4.5%	2.0%	4.5%
Earnings	3.0%	.5%	6.0%
Dividends	3.5%	3.5%	3.5%
Book Value	4.5%	3.0%	3.5%

**ALLETE remains focused on the development of clean and renewable energy projects, including the company's carbon-reduction goals.** As a result, Allete Clean Energy recently completed the sale of its 92-megawatt Red Barn wind facility in Wisconsin to *WEC Energy Group* utility Wisconsin Public Service corp. and Madison Gas and Electric Co. Still, ALLETE Clean Energy recorded first quarter net income of \$8.5 million compared to \$16.5 million last year. Higher operating and maintenance expenses, along with lower wind resources and availability led to the decline. On a positive note, investments in renewable energy facilities, New Energy, and BNI Energy posted income of \$9.1 million, versus a net loss of \$1.7 million in 2022.

**We continue to expect solid earnings growth this year.** Interim rates at Minnesota Power and the sale of the Red Barn Project should act as the main drivers towards performance in 2023, despite the continued challenging operating environment. Our bottom-line projection remains at the midpoint of management's full-year updated earnings per share range of \$3.55

to \$3.85. The utility also expects New Energy to provide full year earnings of \$16 million-\$17 million.

**We look for earnings of \$4.05 a share in 2024, in line with the company's annual profit growth rate goal of 5%-7%.** The utility should continue to benefit from rate relief and tax credits that provide investment options, as well as the sale of transfer projects and strong performances from the regulated operations segment moving forward. Too, the macroeconomic environment, including higher operating and maintenance costs, and lower wind resources will likely improve over that interim.

**These shares may appeal to income-oriented investors.** The utility carries a dividend yield of 4.5%, which is above the industry average. The stock also holds high scores for Price Stability and Earnings Predictability, and are ranked 2 (Above Average) for Safety. While 18-month and 3-to 5-year capital appreciation potential does not stand out, total return prospects are superior to that of most utility issues.

*Zachary J. Hodgkinson* June 9, 2023

(A) Diluted EPS. Excl. nonrec. gains (loss): '15, (46c); '17, 25c; '19, 26c; '19 EPS don't sum due to rounding. Next earnings report due early Aug. (B) Div's historically paid in early Mar.,	June, Sept. and Dec. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. deferred charges. In '22: \$9.60/sh. (D) In mill. (E) Rate base: Orig. cost depr. Rate all'd in MN	on com. eq. in '18: 9.25%; earned on avg. com. eq., '21: 7.2%. Regul. Climate: Avg. (F) Summer peak in '21.	<b>Company's Financial Strength</b> A <b>Stock's Price Stability</b> 90 <b>Price Growth Persistence</b> 35 <b>Earnings Predictability</b> 90
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