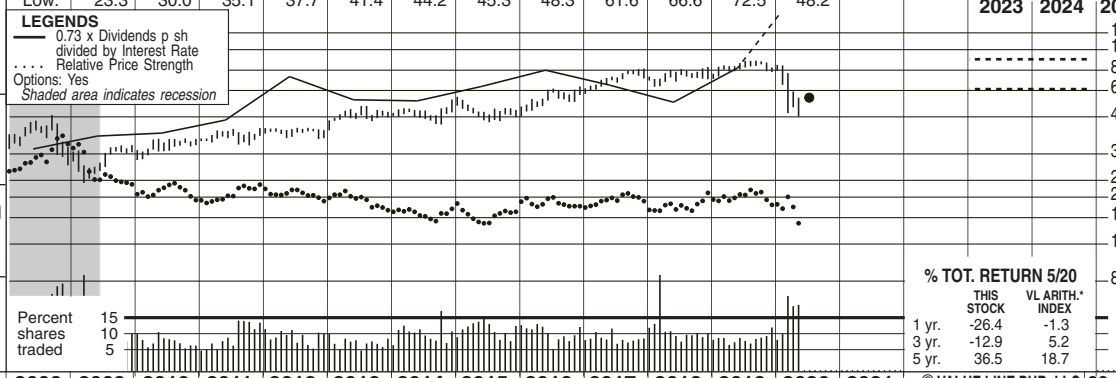
ALLETE NYSE-ALE

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
59.20	19.4	(Trailing: 17.2 Median: 18.0)	0.98	4.3%	VALUE LINE

TIMELINESS 3 Lowered 4/5/19
SAFETY 2 New 10/1/04
TECHNICAL 3 Raised 5/1/20
BETA .85 (1.00 = Market)

High:	35.3	37.9	42.5	42.7	54.1	58.0	59.7	66.9	81.2	82.8	88.6	84.7
Low:	23.3	30.0	35.1	37.7	41.4	44.2	45.3	48.3	61.6	66.6	72.5	48.2

Target Price Range 2023 | 2024 | 2025



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$49-$106	$78 (30%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+50%)	14%
Low	65	(+10%)	7%

Institutional Decisions

	3Q2019	4Q2019	1Q2020
to Buy	125	158	124
to Sell	142	120	154
Hld's(000)	38347	38235	38410

% TOT. RETURN 5/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-26.4	-1.3
3 yr.	-12.9	5.2
5 yr.	36.5	18.7

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
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	27.78	29.10	23.99	*22.00*	*23.25*	Revenues per sh	*25.75*
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	6.59	7.37	7.24	*7.05*	*7.65*	"Cash Flow" per sh	*9.00*
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	3.13	3.38	3.33	*3.05*	*3.50*	Earnings per sh A	*4.25*
.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	2.24	2.35	*2.47*	*2.58*	Div'd Decl'd per sh B ■ †	*2.90*
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	4.08	6.07	11.55	*14.80*	*11.20*	Cap'l Spending per sh	*3.25*
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	40.47	41.86	43.17	*46.30*	*47.65*	Book Value per sh C	*51.75*
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	51.10	51.50	51.70	*52.75*	*53.50*	Common Shs Outst'g D	*54.25*
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	23.0	22.2	24.7	*Bold figures are*		Avg Ann'l P/E Ratio	*18.5*
1.33	.95	.89	.79	.84	1.07	1.02	.92	1.01	1.05	.91	.76	.98	1.16	1.20	1.32	*Value Line*		Relative P/E Ratio	*1.05*
.9%	2.8%	3.2%	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%	*estimates*		Avg Ann'l Div'd Yield	*3.8%*

CAPITAL STRUCTURE as of 3/31/20
Total Debt $1722.9 mill. **Due in 5 Yrs** $562.6 mill.
LT Debt $1399.9 mill. **LT Interest** $61.1 mill.
(LT interest earned: 3.6x)

Leases, Uncapitalized Annual rentals $6.6 mill.

Pension Assets-12/19 $699.6 mill. **Oblig** $854.0 mill.

Pfd Stock None

Common Stock 51,787,412 shs.

MARKET CAP: $3.1 billion (Mid Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
907.0	928.2	961.2	1018.4	1136.8	1486.4	1339.7	1419.3	1498.6	1240.5	*1160*	*1245*	Revenues ($mill)	*1450*
75.3	93.8	97.1	104.7	124.8	163.4	155.3	159.2	174.1	172.4	*160*	*185*	Net Profit ($mill)	*230*
37.2%	27.6%	28.1%	21.5%	22.6%	19.4%	11.3%	14.8%	14.8%	NMF	*NMF*	*Nil*	Income Tax Rate	*Nil*
8.9%	2.7%	5.3%	4.4%	6.3%	2.0%	1.4%	.8%	.7%	1.3%	*2.0%*	*2.0%*	AFUDC % to Net Profit	*1.0%*
44.2%	44.3%	43.7%	44.6%	44.2%	46.3%	42.0%	41.0%	39.9%	38.6%	*41.0%*	*40.0%*	Long-Term Debt Ratio	*41.0%*
55.8%	55.7%	56.3%	55.4%	55.8%	53.7%	58.0%	59.0%	60.1%	61.4%	*59.0%*	*60.0%*	Common Equity Ratio	*59.0%*
1747.6	1937.2	2134.6	2425.9	2882.2	3388.9	3263.4	3507.4	3584.3	3632.8	*4140*	*4250*	Total Capital ($mill)	*4750*
1805.6	1982.7	2347.6	2576.5	3286.4	3669.1	3741.2	3822.4	3904.4	4377.0	*4945*	*5320*	Net Plant ($mill)	*5575*
5.4%	6.0%	5.6%	5.3%	5.2%	5.8%	5.8%	5.5%	5.8%	5.6%	*4.5%*	*5.0%*	Return on Total Cap'l	*5.5%*
7.7%	8.7%	8.1%	7.8%	7.8%	9.0%	8.2%	7.7%	8.1%	7.7%	*6.5%*	*7.5%*	Return on Shr. Equity	*8.0%*
7.7%	8.7%	8.1%	7.8%	7.8%	9.0%	8.2%	7.7%	8.1%	7.7%	*6.5%*	*7.5%*	Return on Com Equity E	*8.0%*
1.5%	2.9%	2.3%	2.2%	2.5%	3.6%	2.8%	2.4%	2.7%	2.3%	*1.5%*	*2.0%*	Retained to Com Eq	*2.5%*
81%	66%	71%	72%	67%	60%	66%	68%	66%	70%	*81%*	*74%*	All Div'ds to Net Prof	*69%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	+8.4	-.2	-1.5
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw)	1599	1589	1573
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	NA	NA	NA
Fixed Charge Cov. (%)	339	296	277

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	1.0%	2.0%	*-1.0%*
"Cash Flow"	5.5%	6.0%	*4.0%*
Earnings	2.5%	4.0%	*5.5%*
Dividends	3.0%	3.5%	*4.5%*
Book Value	5.0%	5.0%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2017	365.6	353.3	362.5	337.9	1419.3
2018	358.2	344.1	348.0	448.3	1498.6
2019	357.2	290.4	288.3	304.6	1240.5
2020	311.6	*280*	*280*	*288.4*	*1160*
2021	*330*	*300*	*300*	*315*	*1245*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2017	.97	.72	.88	.56	3.13
2018	.99	.61	.59	1.18	3.38
2019	1.18	.64	.60	.92	3.33
2020	1.28	*.50*	*.52*	*.75*	*3.05*
2021	*1.20*	*.70*	*.65*	*.95*	*3.50*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.52	.52	.52	.52	2.08
2017	.535	.535	.535	.535	2.14
2018	.56	.56	.56	.56	2.24
2019	.5875	.5875	.5875	.5875	2.35
2020	.6175	.6175			

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 (ACE) owns renewable energy projects. Acq'd U.S. Water Services 2/15; sold it 3/19. Generating sources: coal & lignite, 30%; wind, 11%; other, 5%; purchased, 54%. Fuel costs: 31% of revs. '19 deprec. rate: 3.3%. Has 1,400 employees. Chairman: Alan R. Hodnik. President & CEO: Bethany M. Owen. Inc.: MN. Address: 30 West Superior St., Duluth, MN 55802-2093. Tel.: 218-279-5000. Internet: www.allete.com.

ALLETE's main utility subsidiary had its interim rate increase reduced. Last November, Minnesota Power filed for a $65.9 million (10.6%) rate increase, based on a return on equity of 10.05% and a common-equity ratio of 53.81%. At the start of 2020, Minnesota Power received an interim hike of $36.1 million (5.8%). The interim hike was reduced to $25.5 million (4.1%), and the effective date postponed to May 1st, in response to the economic problems caused by the coronavirus situation. This will result in a $12 million revenue refund to customers. The utility also withdrew its rate application and will not refile a case before November 1, 2021. It may file as early as March 1st under certain conditions, such as a 50-megawatt loss of load for three months.

We lowered our 2020 and 2021 earnings estimates. The revenue refund will result in a charge of $0.16 a share against second-quarter results, and having a lower interim rate hike will affect the company's earning power until Minnesota Power files its next rate case. In addition, revenues from large industrial customers will probably be lower in the last four months of 2020. (For now, there is no revenue impact because these customers put forth full power-demand nominations, before the economy worsened, through the end of August.) Putting it all together, we cut our 2020 share-net estimate by $0.50, to $3.05, and our 2021 expectation by $0.30, to $3.50. Due to the problems and increased uncertainty caused by the coronavirus, ALLETE has withdrawn its earnings guidance. Management hopes to update guidance with its second-quarter release.

ALLETE Clean Energy is faring well. Its wind projects are on track, and the coronavirus has not disrupted construction. Most significantly, a 300-megawatt project is scheduled for completion by yearend at an expected cost of $450 million.

This has been one of the poorest-performing stocks in this industry in 2020. The price is down 27% in this time frame. Minnesota Power's service area has a much-larger industrial sector than most utilities, which worries investors. The dividend yield is above the industry average, and total return potential for the 18-month period is strong.

Paul E. Debbas, CFA *June 12, 2020*

(A) Diluted EPS. Excl. nonrec. gains (losses): '04, (25¢); '05, ($1.84); '15, (46¢); '17, 25¢; '19, 26¢; gain (losses) on disc. ops.: '04, $2.57, '05, (16¢); '06, (2¢). '18 & '19 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. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. deferred charges. In '19: $8.15/sh. (D) In mill. (E) Rate base: Orig. cost depr. Rate allowed in MN on com. eq. in '18: 9.25%; earned on avg. com. eq., '19: 7.9%. Regulatory Climate: Avg.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	60
Earnings Predictability	80

© 2020 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