MGE ENERGY INC. NDQ-MGEE

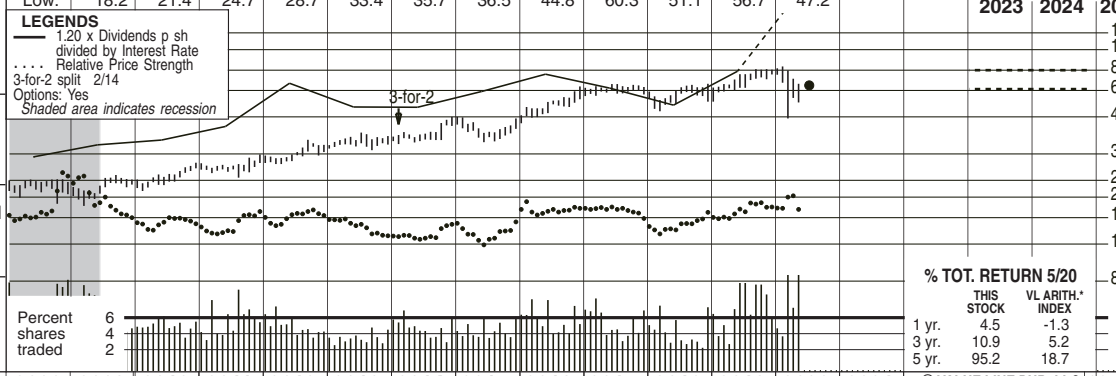
RECENT PRICE	67.74	P/E RATIO	26.1 (Trailing: 26.5 / Median: 20.0)	RELATIVE P/E RATIO	1.32	DIV'D YLD	2.2%	VALUE LINE

TIMELINESS 2 Lowered 5/22/20
SAFETY 1 New 1/3/03
TECHNICAL 3 Lowered 6/5/20
BETA .70 (1.00 = Market)

High:	25.5	29.1	31.9	37.4	40.5	48.0	48.0	66.9	68.7	68.9	80.8	83.3
Low:	18.2	21.4	24.7	28.7	33.4	35.7	36.5	44.8	60.3	51.1	56.7	47.2

Target Price Range
2023 | 2024 | 2025

LEGENDS
— 1.20 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
3-for-2 split 2/14
Options: Yes
Shaded area indicates recession



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$52-$107	$80 (15%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	80	(+20%)	6%
Low	65	(-5%)	2%

Institutional Decisions

	3Q2019	4Q2019	1Q2020
to Buy	74	75	61
to Sell	57	76	83
Hld's(000)	15877	15965	15334

% TOT. RETURN 5/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	4.5	-1.3
3 yr.	10.9	5.2
5 yr.	95.2	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
13.89	16.73	16.13	16.33	17.35	15.40	15.36	15.76	15.61	17.04	17.88	16.27	15.71	16.24	16.15	16.41	*14.40*	*15.20*	Revenues per sh	*17.00*
1.92	2.00	2.34	2.46	2.68	2.66	2.76	2.94	2.98	3.28	3.49	3.33	3.47	3.73	4.06	4.57	*4.65*	*4.90*	"Cash Flow" per sh	*5.50*
1.18	1.05	1.37	1.51	1.59	1.47	1.67	1.76	1.86	2.16	2.32	2.06	2.18	2.20	2.43	2.51	*2.60*	*2.70*	Earnings per sh A	*3.00*
.91	.92	.93	.94	.96	.97	.99	1.01	1.04	1.07	1.11	1.16	1.21	1.26	1.32	1.38	*1.45*	*1.52*	Div'd Decl'd per sh B ■ †	*1.80*
3.13	2.80	2.94	4.14	3.08	2.35	1.76	1.88	2.84	3.43	2.67	2.08	2.41	3.12	6.12	4.73	*6.25*	*6.20*	Cap'l Spending per sh	*4.50*
11.06	11.21	11.93	12.99	13.92	14.47	15.14	15.89	16.71	17.81	19.02	19.92	20.89	22.45	23.56	24.68	*27.10*	*28.30*	Book Value per sh C	*32.00*
30.59	30.68	31.46	32.93	34.36	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	*36.16*	*36.16*	Common Shs Outst'g D	*36.16*
18.0	22.4	15.9	15.0	14.2	15.1	15.0	15.8	17.2	17.0	17.2	20.3	24.9	29.4	25.1	28.4	*Bold figures are*		Avg Ann'l P/E Ratio	*24.0*
.95	1.19	.86	.80	.85	1.01	.95	.99	1.09	.96	.91	1.02	1.31	1.48	1.36	1.52	*Value Line*		Relative P/E Ratio	*1.50*
4.3%	3.9%	4.3%	4.1%	4.2%	4.4%	4.0%	3.6%	3.2%	2.9%	2.8%	2.8%	2.2%	2.0%	2.2%	1.9%	*estimates*		Avg Ann'l Div'd Yield	*2.5%*

CAPITAL STRUCTURE as of 3/31/20
Total Debt $545.3 mill. **Due in 5 Yrs** $72.5 mill.
LT Debt $522.6 mill. **LT Interest** $24.2 mill.
(LT interest earned: 5.8x)

Leases, Uncapitalized Annual rentals $1.9 mill.
Pension Assets-12/19 $386.0 mill.
Obligation $410.6 mill.
Pfd Stock None

Common Stock 34,668,370 shs.
as of 4/30/20
MARKET CAP: $2.3 billion (Mid Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
532.6	546.4	541.3	590.9	619.9	564.0	544.7	563.1	559.8	568.9	*520*	*550*	Revenues ($mill)	*615*
57.7	60.9	64.4	74.9	80.3	71.3	75.6	76.1	84.2	86.9	*95.0*	*100*	Net Profit ($mill)	*110*
36.9%	37.1%	37.7%	37.5%	37.5%	36.7%	36.0%	36.4%	24.6%	18.5%	*16.0%*	*16.0%*	Income Tax Rate	*16.0%*
- -	- -	- -	5.6%	5.7%	1.3%	2.1%	2.1%	5.2%	3.6%	*3.0%*	*3.0%*	AFUDC % to Net Profit	*3.0%*
38.9%	39.6%	38.2%	39.3%	37.5%	36.2%	34.6%	33.8%	37.7%	38.0%	*37.0%*	*38.0%*	Long-Term Debt Ratio	*40.0%*
61.1%	60.4%	61.8%	60.7%	62.5%	63.8%	65.4%	66.2%	62.3%	62.0%	*63.0%*	*62.0%*	Common Equity Ratio	*60.0%*
859.4	911.9	937.9	1016.9	1054.7	1081.5	1106.9	1176.3	1310.0	1379.4	*1555*	*1650*	Total Capital ($mill)	*1925*
968.0	995.6	1073.5	1160.2	1208.1	1243.4	1282.1	1341.4	1509.4	1642.7	*1795*	*1940*	Net Plant ($mill)	*2150*
7.6%	7.8%	7.9%	8.3%	8.6%	7.5%	7.7%	7.3%	7.2%	7.1%	*6.5%*	*6.5%*	Return on Total Cap'l	*6.5%*
11.0%	11.1%	11.1%	12.1%	12.2%	10.3%	10.4%	9.8%	10.3%	10.2%	*9.5%*	*9.5%*	Return on Shr. Equity	*9.5%*
11.0%	11.1%	11.1%	12.1%	12.2%	10.3%	10.4%	9.8%	10.3%	10.2%	*9.5%*	*9.5%*	Return on Com Equity D	*9.5%*
4.4%	4.7%	4.9%	6.1%	6.4%	4.5%	4.7%	4.2%	4.7%	4.6%	*4.0%*	*4.0%*	Retained to Com Eq	*4.0%*
60%	57%	56%	50%	48%	56%	55%	57%	54%	55%	*55%*	*56%*	All Div'ds to Net Prof	*59%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	-2.6	+1.6	-2.3
Avg. Indust. Use (MWH)	1966	1802	NA
Avg. Indust. Revs. per KWH (¢)	8.23	7.70	7.43
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	670	686	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	NA	NA	NA
Fixed Charge Cov. (%)	750	645	465

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

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	156.8	126.5	139.5	140.3	563.1
2018	157.6	124.3	137.8	140.1	559.8
2019	167.6	122.2	138.2	140.9	568.9
2020	149.9	*110.1*	*130*	*130*	*520*
2021	*160*	*120*	*135*	*135*	*550*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.56	.45	.77	.42	2.20
2018	.58	.53	.85	.47	2.43
2019	.69	.45	.88	.48	2.51
2020	.75	*.45*	*.90*	*.50*	*2.60*
2021	*.75*	*.48*	*.95*	*.52*	*2.70*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.295	.295	.3075	.3075	1.21
2017	.3075	.3075	.3225	.3225	1.26
2018	.3225	.3225	.3375	.3375	1.32
2019	.3375	.3375	.3525	.3525	1.38
2020	.3525				

BUSINESS: MGE Energy, Inc. is a holding company for Madison Gas and Electric Company (MGE), which provides electric service to 155,000 customers in Dane County and gas service to 163,000 customers in seven counties in Wisconsin. Electric revenue breakdown, '19: residential, 35%; commercial, 53%; industrial, 3%; other, 9%. Generating sources, '19: coal, 50%; gas, 14%; renewables, 14%; purchased power, 22%. Fuel costs: 34% of revenues. '19 reported depreciation rates: electric, 3.6%; gas, 2.1%; nonregulated, 2.3%. Has about 700 employees. Chairman, President & CEO: Jeffrey M. Keebler. Incorporated: Wisconsin. Address: 133 South Blair Street, P.O. Box 1231, Madison, Wisconsin 53701-1231. Telephone: 608-252-7000. Internet: www.mgeenergy.com.

MGE Energy issued some common stock in May. The company raised $80 million through the sale of 1.5 million shares. This was MGE Energy's first such issuance in more than 10 years. It raised cash to finance its capital budget, which is higher than usual this year and next.

MGE is better positioned than many utilities to deal with the effects of the weak economy. The utility's service area has a small industrial presence. Electric revenues from industrial customers were just 3% of the total in 2019. The utility reported that in April, retail kilowatt-hour sales declined 8.7%, but net profit was about equal to the year-earlier level. Utilities in Wisconsin are able to defer for future recovery costs associated with the coronavirus pandemic. Management is also cutting operating and maintenance expenses. However, MGE might delay its next rate case because this is not an opportune time for filing an application.

We have maintained our 2020 earnings estimate at $2.60 a share, but trimmed our 2021 estimate by a nickel. First-period profits were $0.05 a share above our expectation, but we didn't change our full-year estimate due to the increase in average shares outstanding. We did not anticipate a stock sale in our March report, and this is a factor in our revised estimate for 2021.

MGE is adding solar capacity. The utility will have 50-megawatt stakes in three projects, each of which will cost an estimated $65 million. One of these is expected to come on line in 2020, the other two next year. Some smaller projects are in the works, too.

We think the board of directors will raise the dividend in the third quarter. We estimate an increase of $0.07 a share (5.0%) in the annual disbursement. MGE Energy does not have a specified dividend policy, but notes that the payout ratio has been in a range of 50%-60% in recent years.

This timely stock has a high valuation for a utility, despite a price decline of 14% in 2020. The yield is a bit below the median of dividend-paying stocks under our coverage. The equity offers average total return potential for the 18-month period, but not for the pull to 2023-2025.

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

(A) Diluted earnings. Excludes nonrecurring gain: '17, 62¢. '19 earnings don't sum due to rounding. Next earnings report due early May. (B) Dividends historically paid in mid-March, June, September, and December. ■ Dividend reinvestment plan available. † Shareholder investment plan available. (C) Includes regulatory assets. In '19: $167.0 mill., $4.82/sh. (D) In millions, adjusted for split. (E) Rate allowed on common equity in '19: 9.8%; earned on common equity, '19: 10.4%. Regulatory Climate: Above Average.

Company's Financial Strength	A+
Stock's Price Stability	95
Price Growth Persistence	75
Earnings Predictability	95

© 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