NORTHWESTERN NYSE-NWE

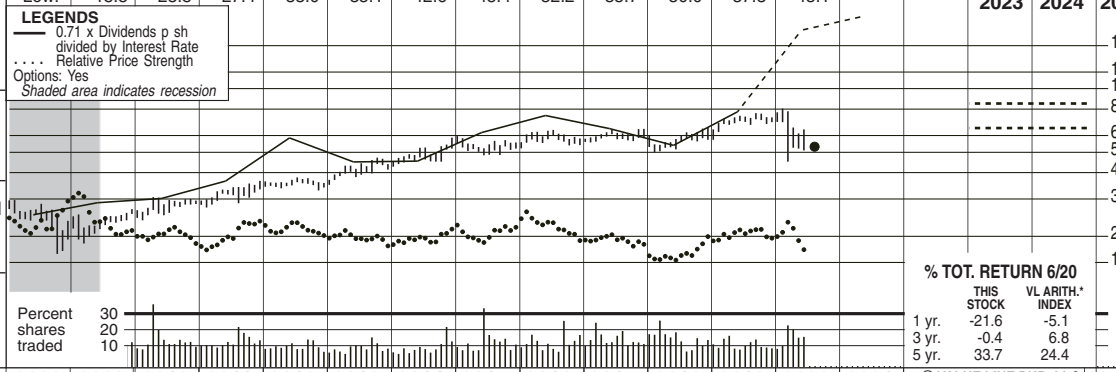
RECENT PRICE **53.13** | P/E RATIO **16.1** (Trailing: 17.2 / Median: 17.0) | RELATIVE P/E RATIO **0.78** | DIV'D YLD **4.6%** | VALUE LINE

TIMELINESS 3 Lowered 5/8/20
SAFETY 2 Raised 7/27/18
TECHNICAL 3 Raised 7/24/20
BETA .90 (1.00 = Market)

High:	26.8	30.6	36.6	38.0	47.2	58.7	59.7	63.8	64.5	65.7	76.7	80.5
Low:	18.5	23.8	27.4	33.0	35.1	42.6	48.4	52.2	55.7	50.0	57.3	45.1

Target Price Range 2023 | 2024 | 2025

LEGENDS
— 0.71 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)
$44-$101	$73 (35%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	85	(+60%)	*16%*
Low	65	(+20%)	*9%*

Institutional Decisions

	3Q2019	4Q2019	1Q2020
to Buy	113	127	127
to Sell	150	133	144
Hld's(000)	49607	49394	48390

Percent shares traded 30 20 10

% TOT. RETURN 6/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-21.6	-5.1
3 yr.	-0.4	6.8
5 yr.	33.7	24.4

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
29.18	32.57	31.49	30.79	35.09	31.72	30.66	30.80	28.76	29.80	25.68	25.21	26.01	26.45	23.81	24.93	***23.75***	***24.25***	Revenues per sh	***26.50***
3.20	4.00	3.62	3.70	4.40	4.62	4.76	5.42	5.18	5.45	5.39	5.92	6.74	6.76	6.96	7.07	***6.85***	***7.15***	"Cash Flow" per sh	***8.00***
d14.32	1.71	1.31	1.44	1.77	2.02	2.14	2.53	2.26	2.46	2.99	2.90	3.39	3.34	3.40	3.53	***3.30***	***3.50***	Earnings per sh A	***3.75***
- -	1.00	1.24	1.28	1.32	1.34	1.36	1.44	1.48	1.52	1.60	1.92	2.00	2.10	2.20	2.30	***2.40***	***2.50***	Div'd Decl'd per sh B ■ †	***2.80***
2.25	2.26	2.81	3.00	3.47	5.26	6.30	5.20	5.89	5.95	5.76	5.89	5.96	5.60	5.64	6.26	***7.90***	***7.85***	Cap'l Spending per sh	***6.00***
19.92	20.60	20.65	21.12	21.25	21.86	22.64	23.68	25.09	26.60	31.50	33.22	34.68	36.44	38.60	40.42	***41.80***	***43.00***	Book Value per sh C	***45.75***
35.60	35.79	35.97	38.97	35.93	36.00	36.23	36.28	37.22	38.75	46.91	48.17	48.33	49.37	50.32	50.45	***50.50***	***51.50***	Common Shs Outst'g D	***53.00***
- -	17.1	26.0	21.7	13.9	11.5	12.9	12.6	15.7	16.9	16.2	18.4	17.2	17.8	16.8	19.9	*Bold figures are*		Avg Ann'l P/E Ratio	***19.5***
- -	.91	1.40	1.15	.84	.77	.82	.79	1.00	.95	.85	.93	.90	.90	.91	1.08	*Value Line*		Relative P/E Ratio	***1.10***
- -	3.4%	3.6%	4.1%	5.4%	5.7%	4.9%	4.5%	4.2%	3.7%	3.3%	3.6%	3.4%	3.5%	3.9%	3.3%	*estimates*		Avg Ann'l Div'd Yield	***3.8%***

CAPITAL STRUCTURE as of 3/31/20
Total Debt $2258.7 mill. **Due in 5 Yrs** $448.1 mill.
LT Debt $2256.2 mill. **LT Interest** $83.7 mill.
Incl. $16.8 mill. capitalized leases.
(LT interest earned: 2.8x)

Pension Assets-12/19 $609.0 mill. **Oblig** $735.6 mill.

Pfd Stock None

Common Stock 50,568,881 shs. **as of 4/17/20**

MARKET CAP: $2.7 billion (Mid Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
1110.7	1117.3	1070.3	1154.5	1204.9	1214.3	1257.2	1305.7	1198.1	1257.9	***1200***	***1250***	Revenues ($mill)	***1400***
77.4	92.6	83.7	94.0	120.7	138.4	164.2	162.7	171.1	179.3	***170***	***180***	Net Profit ($mill)	***200***
25.0%	9.8%	9.6%	13.2%	- -	13.7%	- -	7.6%	7.6%	1.6%	***NMF***	***Nil***	Income Tax Rate	***10.0%***
14.2%	3.3%	9.4%	8.7%	8.9%	9.8%	4.3%	5.2%	3.4%	4.6%	***6.0%***	***6.0%***	AFUDC % to Net Profit	***4.0%***
57.2%	52.2%	53.8%	53.5%	53.4%	53.1%	52.0%	50.2%	52.2%	52.5%	***49.0%***	***51.0%***	Long-Term Debt Ratio	***50.0%***
42.8%	47.8%	46.2%	46.5%	46.6%	46.9%	48.0%	49.8%	47.8%	47.5%	***51.0%***	***49.0%***	Common Equity Ratio	***50.0%***
1916.4	1797.1	2020.7	2215.7	3168.0	3408.6	3493.9	3614.5	4064.6	4289.8	***4120***	***4520***	Total Capital ($mill)	***4825***
2118.0	2213.3	2435.6	2690.1	3758.0	4059.5	4214.9	4358.3	4521.3	4700.9	***4920***	***5140***	Net Plant ($mill)	***5500***
5.9%	7.0%	5.5%	5.5%	4.8%	5.2%	5.9%	5.6%	5.2%	5.2%	***5.0%***	***5.0%***	Return on Total Cap'l	***5.0%***
9.4%	10.8%	9.0%	9.1%	8.2%	8.6%	9.8%	9.0%	8.8%	8.8%	***8.0%***	***8.0%***	Return on Shr. Equity	***8.5%***
9.4%	10.8%	9.0%	9.1%	8.2%	8.6%	9.8%	9.0%	8.8%	8.8%	***8.0%***	***8.0%***	Return on Com Equity E	***8.5%***
3.5%	4.7%	3.2%	3.5%	3.8%	3.0%	4.1%	3.4%	3.2%	3.1%	***2.0%***	***2.5%***	Retained to Com Eq	***2.0%***
63%	56%	65%	61%	54%	65%	58%	62%	64%	64%	***72%***	***71%***	All Div'ds to Net Prof	***73%***

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	+3.8	+2.9	+4.6
Avg. Indust. Use (MWH)	30987	34573	37808
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw)	2133	2173	2237
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+1.3	+1.2	+1.2
Fixed Charge Cov. (%)	275	275	284

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-2.5%	-2.0%	*1.0%*
"Cash Flow"	5.0%	5.5%	*2.5%*
Earnings	7.0%	6.0%	*1.5%*
Dividends	5.5%	7.5%	*4.0%*
Book Value	6.0%	7.0%	*3.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	367.3	283.9	309.9	344.6	1305.7
2018	341.5	261.8	279.9	314.9	1198.1
2019	384.2	270.7	274.8	328.2	1257.9
2020	335.3	***254.7***	***290***	***320***	***1200***
2021	***355***	***270***	***295***	***330***	***1250***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	1.17	.44	.75	.98	3.34
2018	1.18	.61	.56	1.06	3.40
2019	1.44	.49	.42	1.18	3.53
2020	1.00	***.45***	***.65***	***1.20***	***3.30***
2021	***1.15***	***.50***	***.65***	***1.20***	***3.50***

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.50	.50	.50	.50	2.00
2017	.525	.525	.525	.525	2.10
2018	.55	.55	.55	.55	2.20
2019	.575	.575	.575	.575	2.30
2020	.60	.60			

BUSINESS: NorthWestern Corporation (doing business as NorthWestern Energy) supplies electricity & gas in the Upper Midwest and Northwest, serving 443,000 electric customers in Montana and South Dakota and 292,000 gas customers in Montana (85% of gross margin), South Dakota (14%), and Nebraska (1%). Electric revenue breakdown: residential, 39%; commercial, 47%; industrial, 4%; other, 10%. Generating sources: hydro, 34%; coal, 28%; wind, 5%; other, 3%; purchased, 30%. Fuel costs: 25% of revenues. '19 reported deprec. rate: 2.8%. Has 1,500 employees. Chairman: Stephen P. Adik. President & CEO: Robert C. Rowe. Inc.: Delaware. Address: 3010 West 69th Street, Sioux Falls, South Dakota 57108. Tel.: 605-978-2900. Internet: www.northwesternenergy.com.

Upon reporting first-quarter earnings in late April, NorthWestern cut its guidance for 2020. Previously, the company expected share net to wind up in a range of $3.45-$3.60. Now, management's target is $3.30-$3.45. This is only partly due to the economic weakness caused by the coronavirus, which was felt most noticeably in the second quarter. First-period profits fell short of management's expectation due to some unusual costs. NorthWestern bases its guidance on normal weather, but we note that a mild winter reduced share earnings by $0.06. Putting it all together, we lowered our 2020 earnings estimate from $3.45 a share to $3.30. Because growth in 2021 will come off a lower base, we trimmed our estimate from $3.55 a share to $3.50.

The utility needs additional generating capacity. NorthWestern has more exposure to the purchased-power markets than other electric companies in the region. The utility intends to build a gas-fired facility in South Dakota, which will add about 60 megawatts of capacity in late 2021 at an expected cost of $80 million. NorthWestern also agreed to pay 50 cents to Puget Sound Energy for a 12.5% stake (92.5 mw) in Unit 4 of the Colstrip coal-fired plant. NorthWestern would sell 45 mw back to Puget Sound Energy and use the remainder to serve its customers. (This deal was originally twice the size, but was halved after another company exercised its purchase option.) The transaction requires the approval of the Montana commission. NorthWestern issued a request for proposals for up to 280 mw of peaking and intermediate capacity for commercial operation in early 2023. The successful project(s) are expected to be selected by early 2021.

The company added some debt in April, and plans to add some equity as well. In the second quarter, NorthWestern issued a $100 million term loan and $150 million of long-term debt. The company plans to issue common equity, possibly in late 2020 but more likely in 2021.

The stock's yield is above the utility average. The price has fallen 26% in 2020, affected by the cut in earnings guidance. Total return potential is strong for the 18-month span, but not as impressive for the 3- to 5-year period.

Paul E. Debbas, CFA *July 24, 2020*

(A) Diluted EPS. Excl. gain (loss) on disc. ops.: '05, (6¢); '06, 1¢; nonrec. gains: '12, 39¢ net; '15, 27¢; '18, 52¢; '19, 45¢. '18 EPS don't sum due to rounding. Next earnings report due late July. (B) Div'ds historically paid in late Mar., June, Sept. & Dec. ■ Div'd reinvestment plan avail. (C) Incl. def'd charges. In '19: $16.68/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in MT in '19 (elec.): 9.65%; in '17 (gas): 9.55%; in SD in '15: none spec.; in NE in '07: 10.4%; earned on avg. com. eq., '19: 9.0%. Reg. Climate: Below Avg.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	75
Earnings Predictability	85

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