OTTER TAIL CORP. NDQ-OTTR

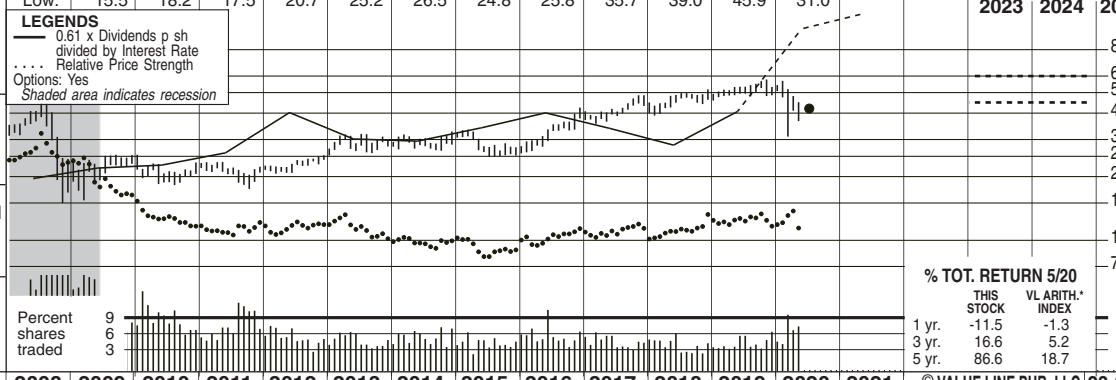
RECENT PRICE **42.00** | P/E RATIO **20.5** (Trailing: 19.8 / Median: 22.0) | RELATIVE P/E RATIO **1.04** | DIV'D YLD **3.6%** | VALUE LINE

TIMELINESS 3 Lowered 3/1/19
SAFETY 2 Raised 6/17/16
TECHNICAL 3 Raised 5/8/20
BETA .85 (1.00 = Market)

High:	25.4	25.4	23.5	25.3	31.9	32.7	33.4	42.6	48.7	51.9	57.7	56.9
Low:	15.5	18.2	17.5	20.7	25.2	26.5	24.8	25.8	35.7	39.0	45.9	31.0

Target Price Range 2023 | 2024 | 2025

LEGENDS
— 0.61 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)
$37-$74	$56 (30%)

2023-25 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	60	(+45%)	12%
Low	45	(+5%)	6%

Institutional Decisions

	3Q2019	4Q2019	1Q2020
to Buy	88	85	78
to Sell	61	69	84
Hld's(000)	18133	18484	18228

% TOT. RETURN 5/20

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-11.5	-1.3
3 yr.	16.6	5.2
5 yr.	86.6	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
30.45	35.59	37.43	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	*20.70*	*22.60*	Revenues per sh	*26.50*
2.88	3.35	3.39	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	*4.00*	*4.25*	"Cash Flow" per sh	*5.00*
1.50	1.78	1.69	1.78	1.09	.71	.38	.45	1.05	1.37	1.55	1.56	1.60	1.86	2.06	2.17	*2.05*	*2.20*	Earnings per sh A	*2.50*
1.10	1.12	1.15	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*	Div'd Decl'd per sh B ■	*1.80*
1.72	2.04	2.35	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	*9.30*	*3.40*	Cap'l Spending per sh	*2.75*
14.81	15.80	16.67	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	*20.60*	*21.20*	Book Value per sh C	*23.25*
28.98	29.40	29.52	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	*41.50*	*41.60*	Common Shs Outst'g D	*41.50*
17.3	15.4	17.3	19.0	30.1	31.2	55.1	47.5	21.7	21.1	18.8	18.2	20.2	22.1	22.2	23.5	*Bold figures are*		Avg Ann'l P/E Ratio	*20.5*
.91	.82	.93	1.01	1.81	2.08	3.51	2.98	1.38	1.19	.99	.92	1.06	1.11	1.20	1.26	*Value Line*		Relative P/E Ratio	*1.15*
4.2%	4.1%	3.9%	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%	*estimates*		Avg Ann'l Div'd Yield	*3.5%*

CAPITAL STRUCTURE as of 3/31/20
Total Debt $744.5 mill. **Due in 5 Yrs** $190.3 mill.
LT Debt $724.3 mill. **LT Interest** $33.8 mill.
(LT interest earned: 4.1x)

Leases, Uncapitalized Annual rentals $22.3 mill.
Pension Assets-12/19 $329.8 mill. **Oblig** $384.8 mill.

Pfd Stock None

Common Stock 40,416,779 shs. as of 4/30/20

MARKET CAP: $1.7 billion (Mid Cap)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		23-25
1119.1	1077.9	859.2	893.3	799.3	779.8	803.5	849.4	916.4	919.5	*860*	*940*	Revenues ($mill)	*1115*
13.6	16.4	39.0	50.2	56.9	58.6	62.0	73.9	82.3	86.8	*85.0*	*90.0*	Net Profit ($mill)	*110*
- -	14.5%	5.2%	21.3%	22.5%	27.0%	24.5%	25.5%	15.0%	16.7%	*18.0%*	*18.0%*	Income Tax Rate	*18.0%*
.6%	3.8%	1.7%	5.6%	3.9%	3.5%	2.2%	2.3%	4.1%	4.9%	*9.0%*	*4.0%*	AFUDC % to Net Profit	*3.0%*
40.2%	44.6%	44.0%	42.1%	46.5%	42.4%	43.0%	41.3%	44.7%	46.9%	*42.0%*	*45.5%*	Long-Term Debt Ratio	*47.0%*
58.4%	54.0%	54.4%	57.9%	53.5%	57.6%	57.0%	58.7%	55.3%	53.1%	*58.0%*	*54.5%*	Common Equity Ratio	*53.0%*
1083.3	1058.9	959.2	924.4	1071.3	1051.0	1175.4	1187.3	1318.9	1471.1	*1480*	*1615*	Total Capital ($mill)	*1850*
1108.7	1077.5	1049.5	1167.0	1268.5	1387.8	1477.2	1539.6	1581.1	1753.8	*2060*	*2115*	Net Plant ($mill)	*2275*
2.7%	3.2%	5.7%	6.8%	6.7%	6.8%	6.5%	7.3%	7.3%	7.0%	*6.5%*	*6.5%*	Return on Total Cap'l	*7.0%*
2.1%	2.8%	7.3%	9.4%	9.9%	9.7%	9.3%	10.6%	11.3%	11.1%	*10.0%*	*10.5%*	Return on Shr. Equity E	*11.0%*
2.0%	2.7%	7.3%	9.3%	9.9%	9.7%	9.3%	10.6%	11.3%	11.1%	*10.0%*	*10.5%*	Return on Com Equity	*11.0%*
NMF	NMF	NMF	1.2%	2.2%	2.0%	2.1%	3.3%	4.0%	4.0%	*3.0%*	*3.0%*	Retained to Com Eq	*3.5%*
NMF	NMF	113%	87%	78%	79%	78%	69%	65%	64%	*72%*	*70%*	All Div'ds to Net Prof	*69%*

ELECTRIC OPERATING STATISTICS

	2017	2018	2019
% Change Retail Sales (KWH)	+1.4	+3.4	-.2
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	6.26	5.97	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw)	917	912	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.5	+.2	+.1
Fixed Charge Cov. (%)	608	409	407

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '17-'19 to '23-'25
Revenues	-4.5%	-.5%	*3.0%*
"Cash Flow"	2.5%	6.0%	*4.0%*
Earnings	5.5%	9.0%	*3.5%*
Dividends	1.5%	2.5%	*5.0%*
Book Value	- -	4.5%	*4.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	214.1	212.1	216.5	206.7	849.4
2018	241.2	226.3	227.7	221.2	916.4
2019	246.0	229.2	228.6	215.7	919.5
2020	234.7	*200*	*215*	*210.3*	*860*
2021	*250*	*235*	*235*	*220*	*940*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2017	.49	.42	.45	.50	1.86
2018	.66	.47	.58	.35	2.06
2019	.66	.39	.62	.51	2.17
2020	.60	*.35*	*.60*	*.50*	*2.05*
2021	*.65*	*.40*	*.65*	*.50*	*2.20*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	.3125	.3125	.3125	.3125	1.25
2017	.32	.32	.32	.32	1.28
2018	.335	.335	.335	.335	1.34
2019	.35	.35	.35	.35	1.40
2020	.37	.37			

BUSINESS: Otter Tail Corporation is the parent of Otter Tail Power Company, which supplies electricity to 132,000 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, 45%; wind & hydro, 8%; other, 1%; purchased, 46%. Fuel costs: 14% of revenues. Also has operations in manufacturing and plastics (38% of '18 income). '19 reported deprec. rate (utility): 2.8%. Has 2,300 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.

Otter Tail Corporation cut its earnings guidance for 2020. This is due to the effects of the weak economy, which is especially hurting the Manufacturing segment. Many customers of this division's businesses have had to close their facilities temporarily. Backlog is down, too. The division contributed $0.32 a share to the bottom line in 2019, and when management issued its 2020 earnings guidance of $2.22-$2.37 a share in February, it expected profits of $0.31-$0.35 a share from Manufacturing. In May, this was slashed to $0.14-$0.23 a share. As for Otter Tail Power, the economic troubles are hurting many of its industrial customers, and the suspension of shutoffs for nonpayment will cause bad-debt expense to rise. In response to these difficulties, the company is cutting costs. But there is only so much this can do, so Otter Tail reduced its 2020 earnings target to $2.00-$2.25 a share.

We lowered our 2020 and 2021 share-earnings estimates by $0.20 and $0.15, respectively. Demand from Otter Tail's customers isn't likely to bounce back to normal even as the economy continues to recover next year.

Otter Tail Power is building some significant capital projects. A $258 million, 150-megawatt wind project, the largest project in the company's history, is on budget but slightly behind schedule. An in-service date by yearend is still achievable, but there is an increased risk of supply-chain and labor-related delays due to coronavirus. This is significant because the company might lose production tax credits if the project is not completed by yearend. Otter Tail is also building a $158 million, 245-mw gas-fired facility. Completion is expected in late 2020 or early 2021. The company is financing these expenditures with a combination of long-term debt and common equity.

The reduction in earnings guidance didn't affect the stock price much. It came as no surprise to Wall Street that the economic troubles were hurting Otter Tail, especially its Manufacturing division. The price had already dropped significantly, and is down 18% in 2020. The dividend yield is about average for a utility. Total return potential is better for the 18-month span than for the 2023-2025 period.

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

(A) Dil. EPS. Excl. nonrec. gains (loss): '10, (44¢); '11, 26¢; '13, 2¢; gains (losses) from disc. ops.: '04, 8¢; '05, 33¢; '06, 1¢; '11, ($1.11); '12, ($1.22); '13, 2¢; '14, 2¢; '15, 2¢; '16, 1¢; '17, 1¢. '19 EPS don't sum due to rndg. Next egs. rept. due early Aug. (B) Div'ds histor. pd. in early Mar., Jun., Sept., & Dec. ■ Div'd reinv. plan avail. (C) Incl. intang. In '19: $4.67/sh. (D) In mill. (E) Rate all'd on com. eq. in MN in '17: 9.41%; in ND in '18: 9.77%; in SD in '19: 8.75%; earn. avg. com. eq., '19: 11.6%. Reg. Clim.: MN, ND, Avg.; SD, Above Avg.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	65
Earnings Predictability	85

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