

Five for Friday- Revisiting Utilities as Yields Decline

Two-year Treasury notes yield around 5%, while longer-dated Treasury notes and bonds are around 4%. With yields like that, why own low-growth dividend stocks with similar yields as Treasuries?

The answer: when longer-term notes and bond yields decline, utility stock prices should increase as their dividend yields become more desirable. Simply investors will look to lock in higher yields with traditionally higher dividend yield Utility stocks.

This scan is like the one we ran in October 2022. As we wrote, *If you think bond yields are peaking and likely to decline in the coming months, a bond surrogate like utilities may do very well. Given this outlook, we seek utility companies offering attractive dividends, decent growth potential, lower valuations, and relatively low debt ratios.*

Only four stocks met our criteria versus five in October 2022.

Screening Criteria

We considered the following factors when screening:

- Sector = Utilities
- P/E and Forward P/E <20
- Dividend Yield > 4%
- Long term Debt to Equity Ratio < 1.5x

| | Market Cap | P/E | Forward P/E | Long Term Debt:Equity | Dividend Yield |
|------|------------|-------|-------------|-----------------------|----------------|
| ALE | \$3.30 bn | 17.80 | 13.86 | 0.65 | 4.79% |
| BKH | \$3.97 bn | 14.88 | 14.91 | 1.28 | 4.32% |
| EVRG | \$13.69 bn | 17.50 | 14.82 | 1.06 | 4.17% |
| SR | \$3.39 bn | 13.27 | 14.44 | 1.35 | 4.63% |

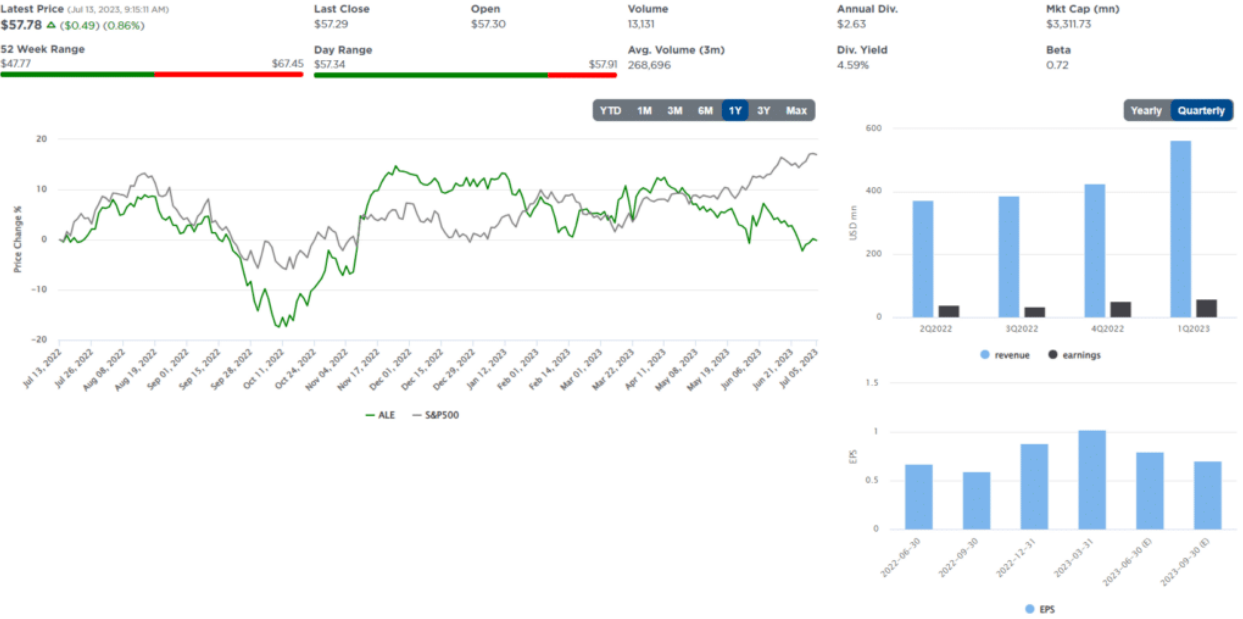
Company Summaries

Allete Inc (ALE)

ALLETE, Inc. (ALE) - Utilities—Diversified

Description [\(Read Less\)](#)

ALLETE, Inc. operates as an energy company. The company operates through Regulated Operations, ALLETE Clean Energy, and Corporate and Other segments. It generates electricity from coal-fired, biomass co-fired / natural gas, hydroelectric, wind, and solar. The company provides regulated utility electric services in northwestern Wisconsin to approximately 15,000 electric customers, 13,000 natural gas customers, and 10,000 water customers, as well as regulated utility electric services in northeastern Minnesota to approximately 150,000 retail customers and 14 non-affiliated municipal customers. It also owns and maintains electric transmission assets in Wisconsin, Michigan, Minnesota, and Illinois. In addition, the company focuses on developing, acquiring, and operating clean and renewable energy projects; and owns and operates approximately 1,300 megawatts of wind energy generation facility. Further, it is involved in the coal mining operations in North Dakota; and real estate investment activities in Florida. The company owns and operates 162 substations with a total capacity of 10,116 megavolt amperes. It serves taconite mining, paper, pulp and secondary wood products, pipeline, and other industries. The company was formerly known as Minnesota Power, Inc. and changed its name to ALLETE, Inc. in May 2001. The company was incorporated in 1906 and is headquartered in Duluth, Minnesota.



Black Hills Corporation (BKH)

Black Hills Corporation (BKH) - Utilities—Diversified

Description [\(Read Less\)](#)

Black Hills Corporation, through its subsidiaries, operates as an electric and natural gas utility company in the United States. It operates in two segments, Electric Utilities and Gas Utilities. The Electric Utilities segment generates, transmits, and distributes electricity to approximately 220,000 electric utility customers in Colorado, Montana, South Dakota, and Wyoming; and owns and operates 1,482 megawatts of generation capacity and 9,024 miles of electric transmission and distribution lines. The Gas Utilities segment distributes natural gas to approximately 1,107,000 natural gas utility customers in Arkansas, Colorado, Iowa, Kansas, Nebraska, and Wyoming; owns and operates 4,713 miles of intrastate gas transmission pipelines; 42,222 miles of gas distribution mains and service lines; seven natural gas storage sites; and approximately 50,000 horsepower of compression and 515 miles of gathering lines. The company also constructs and maintains gas infrastructure facilities for gas transportation customers; and provides appliance repair services to residential utility customers, as well as electrical system construction services to large industrial customers. In addition, it produces electric power through wind, natural gas, and coal-fired generating plants; and coal at its coal mine located near Gillette, Wyoming. The company was incorporated in 1941 and is headquartered in Rapid City, South Dakota.



Evergy (ERVG)

Evergy, Inc. (EVRG) - Utilities—Regulated Electric

Description [Read Less](#)

Evergy, Inc., together with its subsidiaries, engages in the generation, transmission, distribution, and sale of electricity in Kansas and Missouri, the United States. The company generates electricity through coal, hydroelectric, landfill gas, uranium, and natural gas and oil sources, as well as solar, wind, other renewable sources. It serves residences, commercial firms, industrials, municipalities, and other electric utilities. The company was incorporated in 2017 and is headquartered in Kansas City, Missouri.

Latest Price (Jul 13, 2023, 9:19:13 AM)

\$60.19 ▲ (\$0.04) (0.07%)

Last Close

\$60.15

Open

\$60.09

Volume

102,730

Annual Div.

\$2.37

Mkt Cap (mn)

\$13,825.37

52 Week Range

\$54.12

Day Range

\$59.98

\$71.58

Avg. Volume (3m)

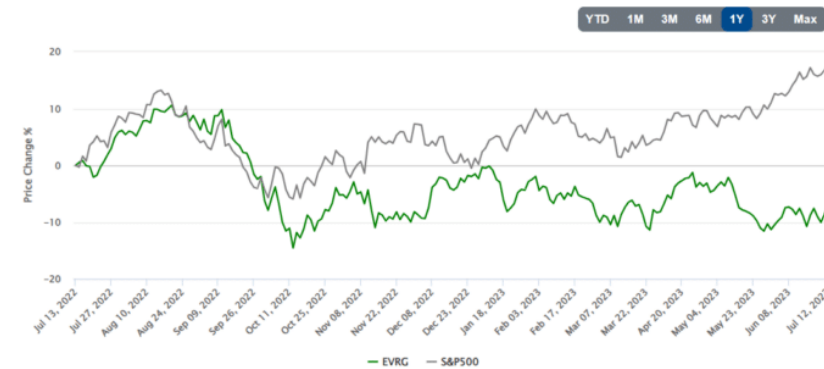
1,140,145

Div. Yield

3.94%

Beta

0.49



Spire, Inc. (SR)

Spire Inc. (SR) - Utilities—Regulated Gas

Description [Read Less](#)

Spire Inc., together with its subsidiaries, engages in the purchase, retail distribution, and sale of natural gas to residential, commercial, industrial, and other end-users of natural gas in the United States. The company operates through two segments, Gas Utility and Gas Marketing. It is also involved in the marketing of natural gas. In addition, the company engages in the transportation of propane through its propane pipeline; risk management; and other activities. Further, it provides physical natural gas storage services. The company was formerly known as The Laclede Group, Inc. and changed its name to Spire Inc. in April 2016. Spire Inc. was founded in 1857 and is based in Saint Louis, Missouri.

Latest Price (Jul 13, 2023, 9:19:42 AM)

\$63.74 ▼ (-\$0.12) (-0.19%)

Last Close

\$63.86

Open

\$63.66

Volume

12,155

Annual Div.

\$2.81

Mkt Cap (mn)

\$3,475.29

52 Week Range

\$61.52

Day Range

\$63.74

\$77.68

Avg. Volume (3m)

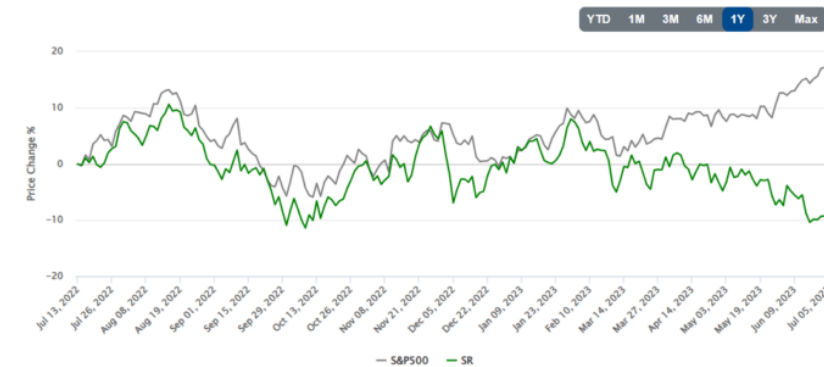
302,377

Div. Yield

4.40%

Beta

0.49



Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our [disclosures](#) carefully and do your own research before investing.