

BUY: BKH
\$75.27

Price Target:
\$83.29

Upside:
10.65%

Black Hills Corporation (NYSE: BKH)

Utilities and Renewables Sector

Sector Head: Billy Hofving

Lead Analyst: Rubeina Firdaus

Agenda

Agenda

Industry Overview

Company Analysis

Investment Thesis & Catalysts

Financial Valuation

Risks and Mitigants

Conclusion

Industry Overview

Overview

Companies that provide electricity, natural gas, and water services

Utilities stocks tend to be safe, long-term holdings and generate steady income at a low risk factor

Tend to do well against macroeconomic downturns and risks due to a lack in volatility in the sector

Market Demand

Wyoming
194 MW (2014) – 274 MW (2021)

Blockchain Request
High-Use Electric Service

Data Center Expansion
In Arkansas, Colorado, Iowa, Kansas, Montana, Nebraska, & South Dakota

Crypto Currency
Tech Hub in Cheyenne, Wyoming experiencing large demand for mining

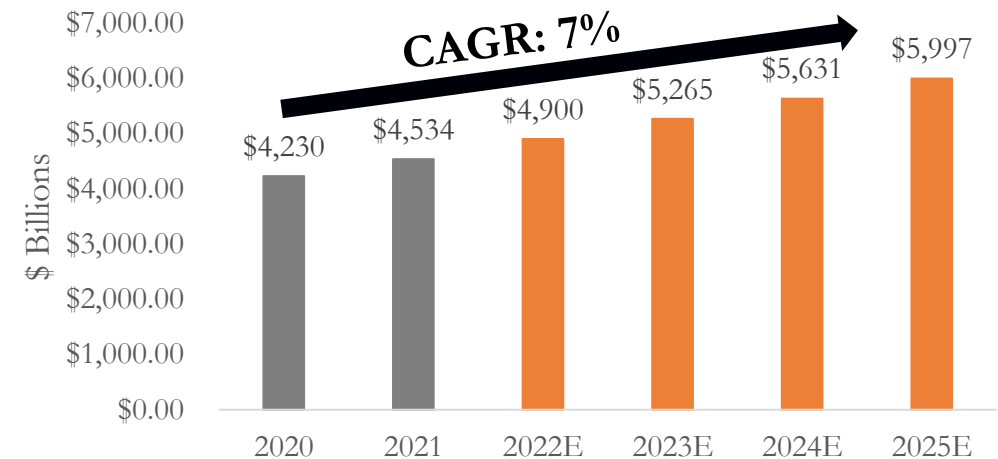
Electricity Supply Trends

Electric vehicles, indoor marijuana farming, data centers, and crypto mining require electricity growth

Prominent technology and communications companies need high-power and reliable electricity

Data centers for companies such as Microsoft and Google need their own electricity suppliers

Global Utilities Market Growth



Company Overview

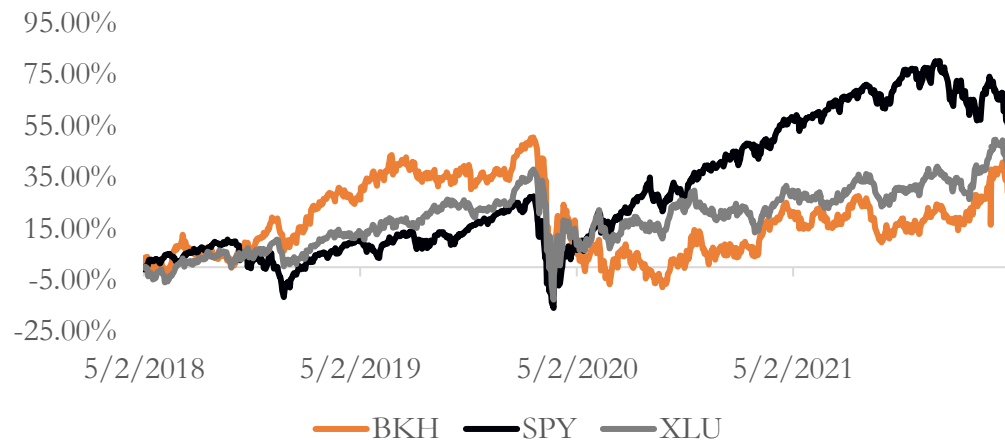
Basic Company Information

Serves natural gas and electric utilities to 1.2 million customers in the American West

Diversified non-regulated businesses such as Wyodak Resources and Electric Generation (>1000 MW)

Offering services involving renewable energy and partnerships with suppliers and contractors

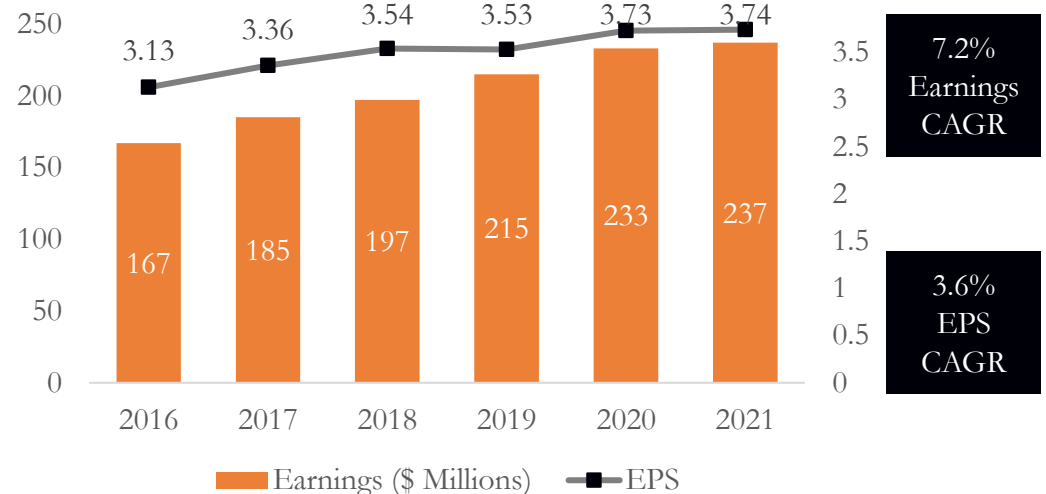
Price Performance 2018 - 2022



Key Statistics

Current Share Price	\$75.94
52 Week Range	\$61.95 – \$80.95
Market Capitalization	\$4.75 B
Enterprise Value	\$9.55 B
Year Founded	1941
Dividend Yield	3.25%

Earning and EPS



Investment Thesis

Pipeline and Innovative Projects

Making significant efforts in delivering utilities and renewable services to underrepresented areas

Capital Investment Towards Resilient Infrastructure

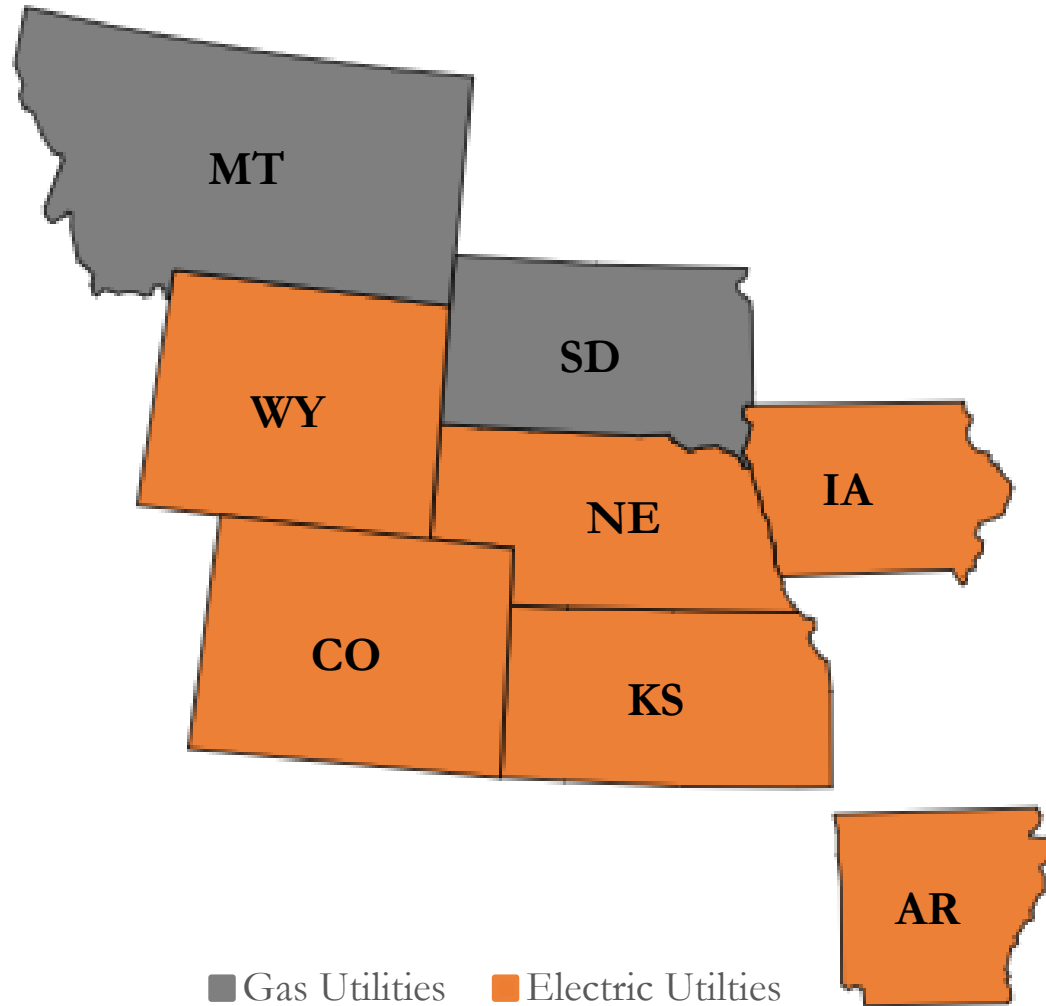
Resources and capital put towards improving infrastructure especially in times of extreme weather events

ESG Goals and Renewable Energy Use

Using renewable energy and new technologies to reach future ESG and environmental goals

Black Hills Corporation Utility Overview

Area of Operations



Integrated and Full-Service Utilities

- 1

Gas Utilities
54% of Total Assets
- 2

Electric Utilities
39% of Total Assets
- 3

Power Generation
5% of Total Assets
- 4

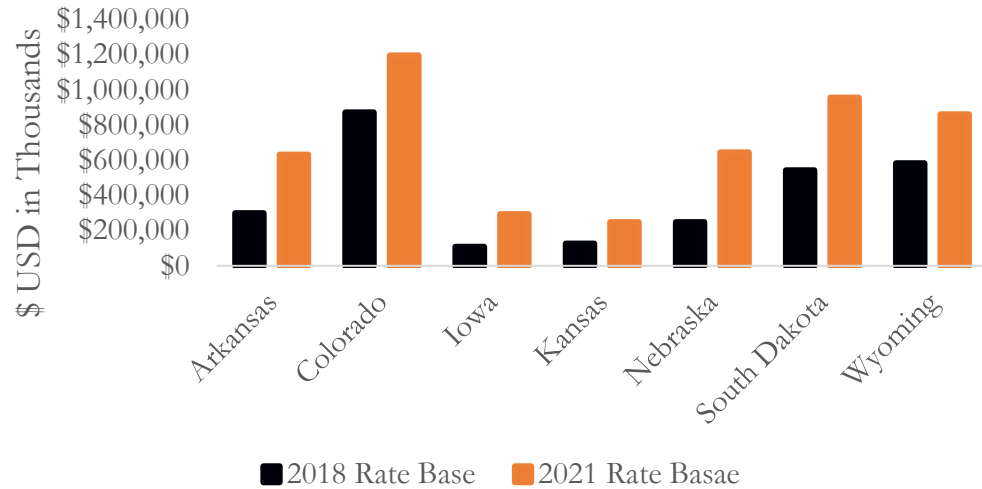
Mining
1% of Total Assets

Strong Financial Base

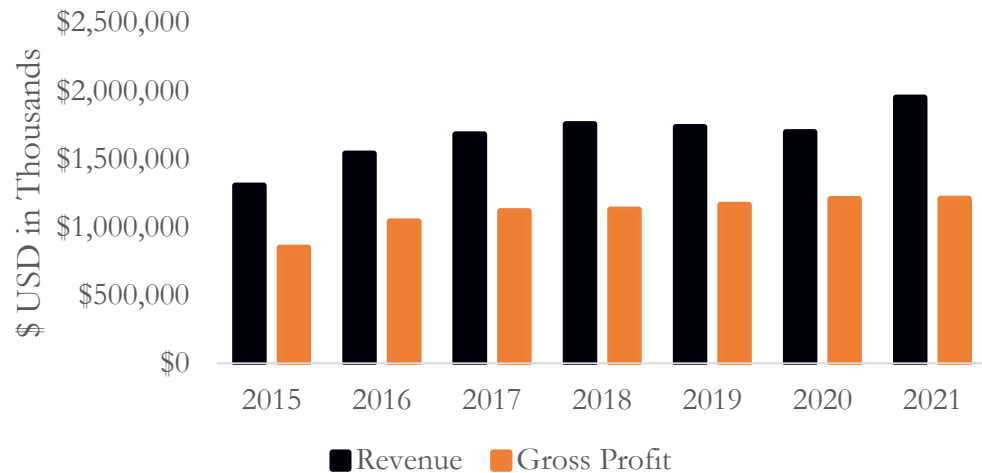
1.4 gigawatts generation	8,900-mile electric lines	46,600 miles natural gas lines	\$8.1 billion assets
\$4.4 billion rate base	1.3 million utility customers	8 stable and growing states	93% regulated assets

Financial Operating Performance

Rate Base



Revenue and Gross Profit



Operating Cash Flows

Healthy operating cash flows ranging from \$428,300 to \$585,600

Keeping depreciation in mind to alter Capex going forward

Able to pay off debts as seen in 2021

Debt to total capitalization ratio improved to 60.8%

Gas and Electric Revenue

Overall Utilities Revenue

16% increase from 2017 (\$1,680,300) to 2021 (\$1,949,100)

Overall Utilities Estimated Revenue

\$1,944,200 in 2022 and \$1,995,200 in 2023

Gas Utilities Revenue

19% increase from 2017 (\$947,600) to 2021 (\$1,124,900)

Electric Utilities Revenue

91% increase from 2017 (\$704,700) to 2021 (\$1,343,700)

Pipeline and Innovative Projects

Projects

Ready Wyoming – 285-mile electric transmission expansion project

Natural Bridge Pipeline – 35-mile natural gas transmission line to reach 57,000 customers

Growth in data centers, blockchain, and technology through Black Hills Energy

Ready Wyoming

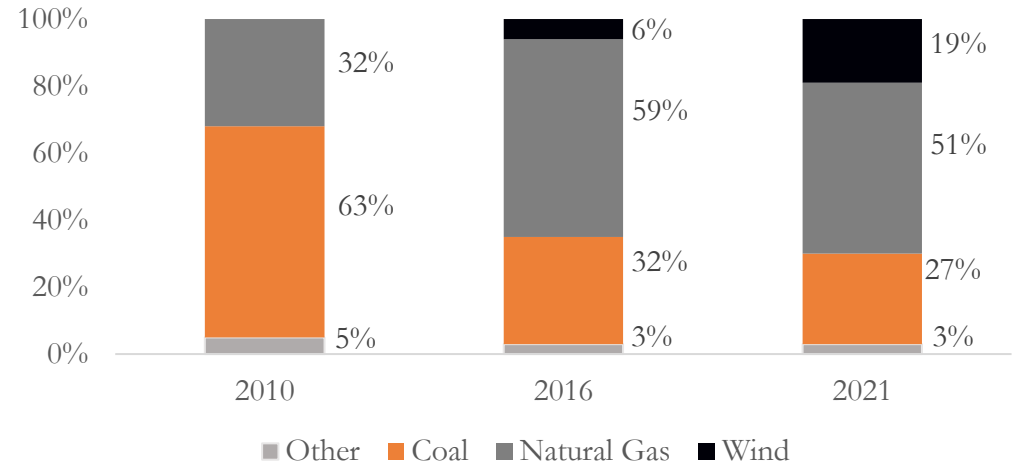
Resiliency and Diversity of Resources

Customer Growth and Economic Growth

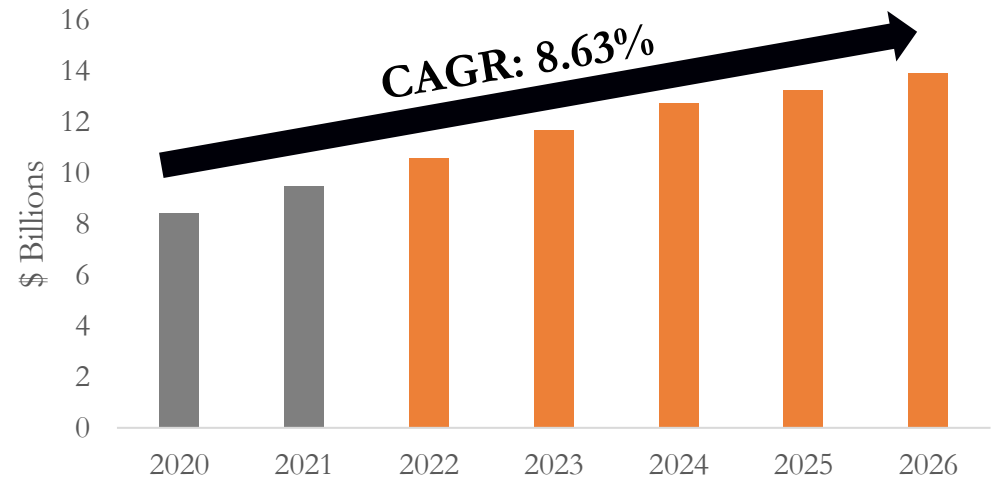
Expanded access to Electricity Power Markets

Multi-phase Construction Expected to Begin in Early 2023

Electric Generation Capacity



United States Data Center Market Growth



Capital Investment Towards Infrastructure

Protecting Against Infrastructure Damage

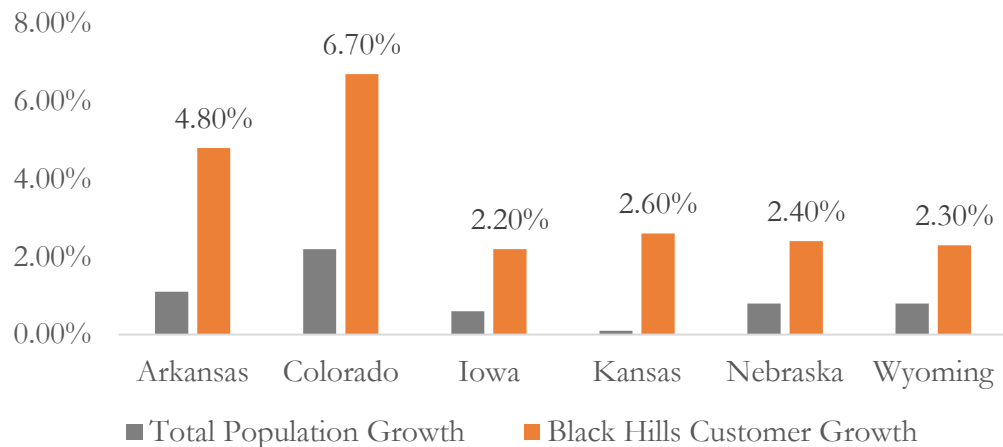
Operational system excellence during Storm Uri and extreme heat

Capital Investment towards aging infrastructure; \$3.2 billion forecast through 2026

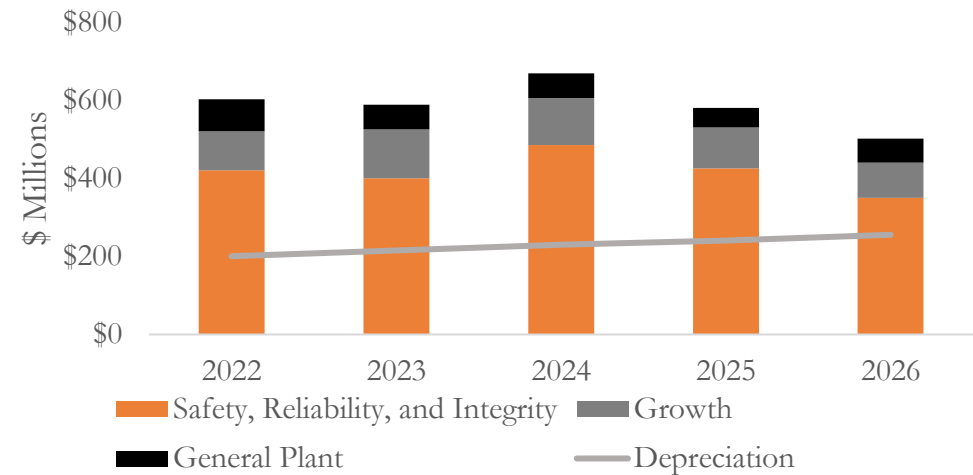
Forecasted capital from Colorado, Iowa, Kansas, Nebraska, Wyoming, and Arkansas

Cooperative Investment Program: Receiving money and assistance from the regional government

Customer Growth



Electric and Natural Gas Utilities Investment



Capital Earned through Investments

Minimal Lag Capital

Capital expenditures with regulatory lag of <1 year

Growth Capital

Generates immediate revenue through customers

Rider Eligible Capital

Capital expenditures recovered through state taxes

ESG Goals and Renewable Energy Use

Overview

>88% of revenue comes from clean and renewable energy

Own 281.5 MW of renewable wind generation and 132 MW of wind energy

350 individual solar garden subscriptions in six Colorado gardens

Using protected steel or plastic pipes for gas utilities to ensure lowest emissions

Recent and Upcoming Highlights

Corriedale Wind Energy Project

Serves over 225,000 carbon-free MWhs/year

Renewable Advantage
New 200 MW solar farm to serve energy by 2023

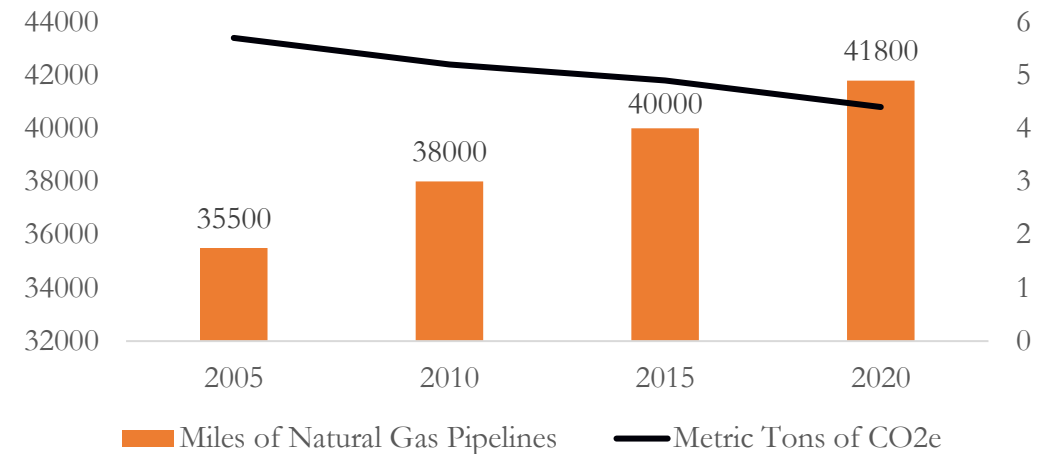
Clean Energy Plan

Reach 80% emissions reduction in Colorado by 2030

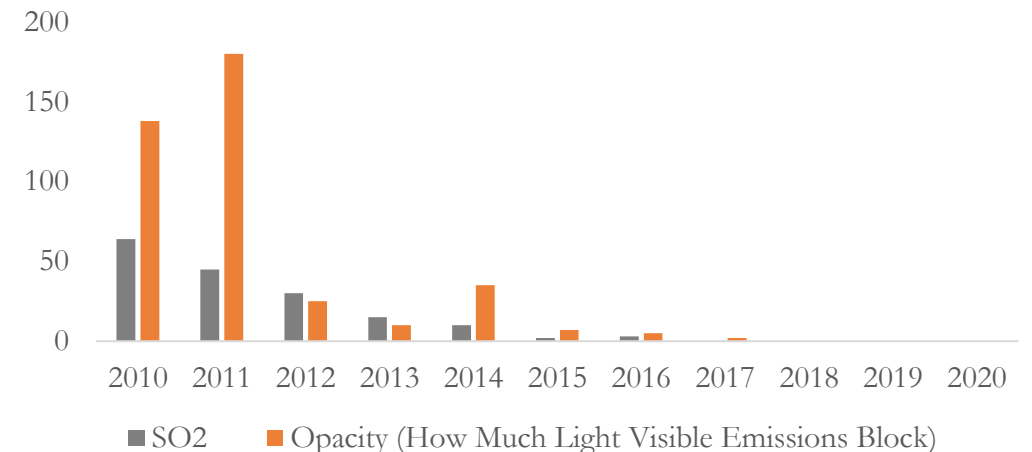
Integrated Resource Plan

Converts coal-fired power plant to natural gas

Natural Gas Distribution and GHG Emissions

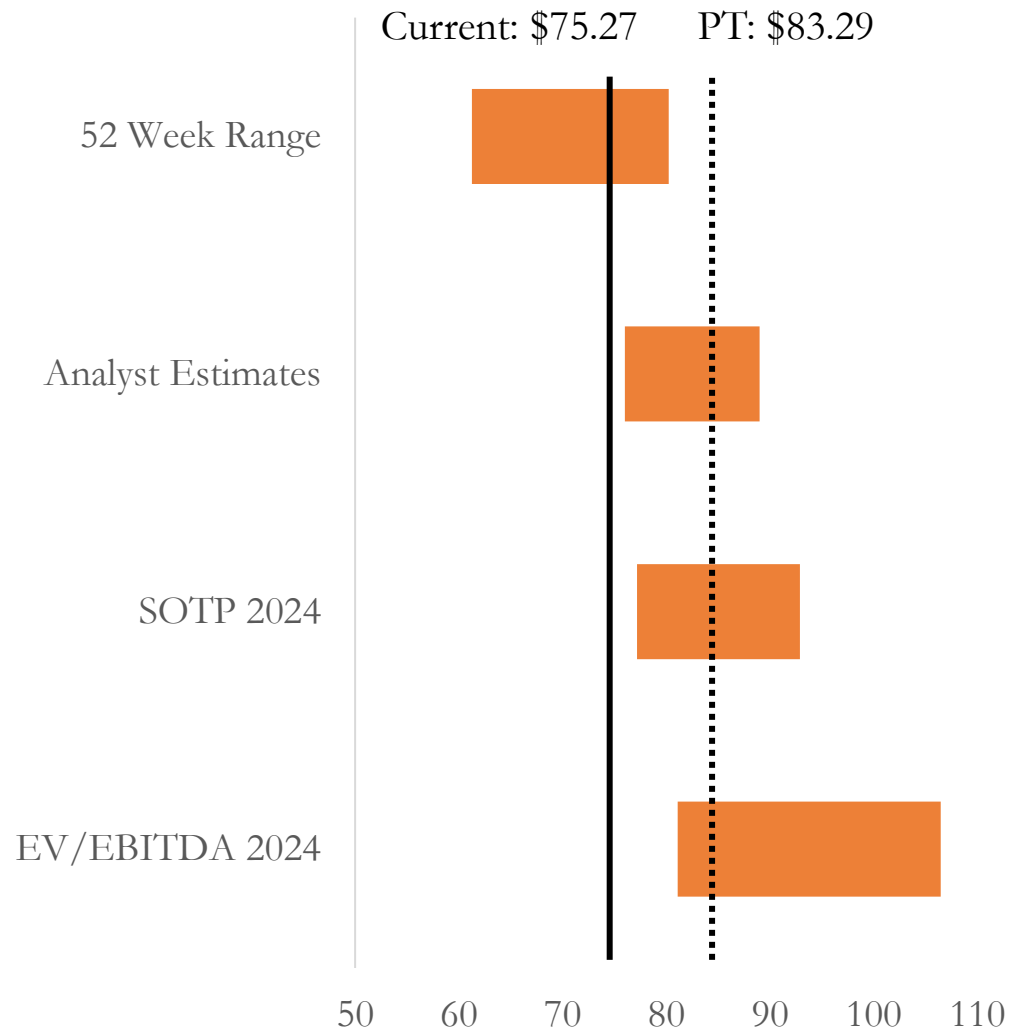


Historical Excess Emissions

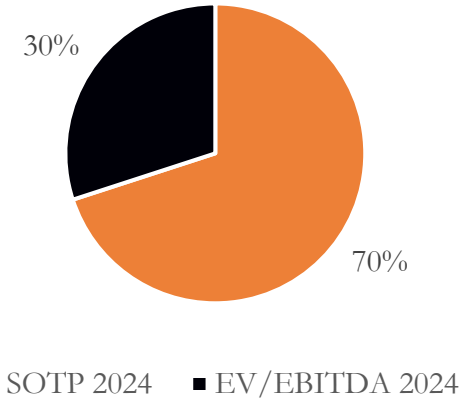


Financial Valuation

Football Field Analysis



Weighting



Analyst Estimates

Sidoti & Company: \$89.00
Scotiabank: \$85.00
Siebert Williams Shank: \$82.00
RBC Capital: \$81.00
Wells Fargo: \$79.00

Risks and Mitigants

Risks

Large amounts of debt compared to other utility companies

Effect on ESG as coal continues to be used

Rising interest rates

Mitigants

Rate base is continuing to increase over time and that will fund upcoming and future debt

Continuing to reduce revenue earned from coal and using coal powered plants for more renewables

EBITDA/Interest ratio is 4.19 meaning rising rates won't have a significant negative impact

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Thank You

Questions?

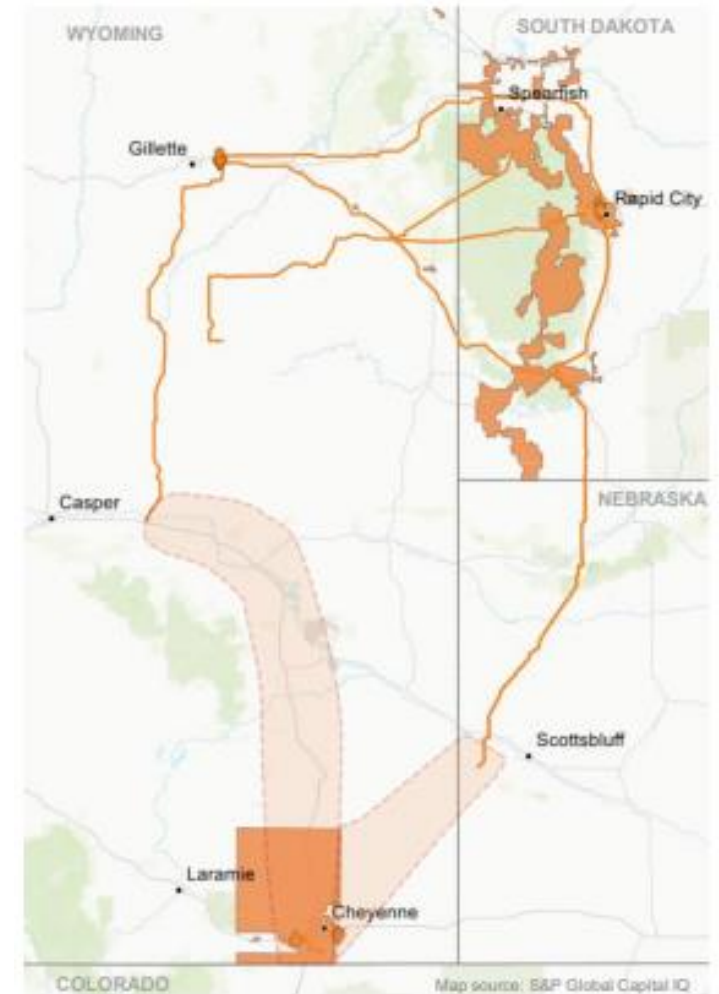
Appendix

Ready Wyoming

- 260-mile electric transmission expansion project
- Continue to maintain the reliability of Cheyenne Light system and overall electric system
 - Cheyenne Light, Fuel, and Power Company (CLFP) is a Black Hills Corporation subsidiary that provides metering infrastructure, meter data management system, and an outage management system
- Expected to cost approximately \$260 million and would be constructed from 2023 to 2026
- Will bring in high load factor customers such as blockchain and data centers
 - High load factor means a load of energy being used more efficiently

The project would include one new substation, two replacement substations, four expanded substations, three new 230 kilovolt (kV) transmission lines, and two new 115 kV transmission lines. A substation is an area that reduces high voltages for electric power and turns it into a supply that consumers can use.

According to the University of Wyoming Center for Economic and Business Analysis, Ready Wyoming would create 1,400 jobs during construction which results in \$100 million in value.



- Black Hills' SD/WY and Cheyenne electric system and service area
- Proposed transmission lines

Natural Gas Pipeline

The Natural Gas Pipeline is a 35-mile natural gas transmission line that'll meet current and growing needs of 57,000 customers in central Wyoming.

The project will be of a 12-inch steel pipeline from transmission systems in Casper, Wyoming to Douglas, Wyoming and two new regulating stations in Casper, Wyoming and Glenrock, Wyoming.

The Natural Gas Pipeline is estimated to cost \$54.2 million.

Data Centers in Wyoming

Wyoming has many advantages which makes it an ideal location for data centers. Cheyenne has an elevation of 6,100 feet and the climate is semi-arid with an average annual temperature of 46.5 degrees Fahrenheit. It also has fiber optic cables (electric cables) which would serve well for data centers.

Financially, Wyoming offers incentives in the form of benefits for data centers. A few of these include no personal income tax, no corporate income tax, no inventory tax, and low property tax. Legislation passed also offers a sales tax exemption for purchases of specific, qualifying equipment such as power supplies, back-up power generation, heating and air condition equipment, and air quality control equipment.

Electricity pricing for data center customers can also be negotiated through two innovative Black Hills Energy tariffs.



Microsoft Data Center in Cheyenne, Wyoming

Blockchain and Crypto Mining

- Black Hills Energy wants to offer new electricity pricing options to blockchain companies with higher consumption and usage demands
- The Blockchain Interruptible Service tariff would allow for different rates for different usage
- Meant for customers with electric requirements of 10,000 kilowatts or more.
- Will attract blockchain entities to Wyoming
- Retail customers will receive a \$2 credit to the power cost adjustment for each megawatt-hour of electricity served

Expecting for this to support Wyoming's economy through additional property taxes, sales taxes, franchise fees, and employment opportunities with blockchain companies.

https://www.wyomingnews.com/news/local_news/black-hills-applies-for-new-blockchain-energy-pricing-options/article_274446da-cabe-11e8-af19-770097f0a7f4.html



Gas Utilities Capital Investment

Cedaredge, Colorado – On-going project of replacing an aging natural gas pipeline and construction is expected to begin in 2022. 38 miles of the pipeline will be replaced from Collbran, Colorado to Austin, Colorado.

Glenwood Springs, Colorado – Natural gas pipeline upgrade that is currently underway. The pipeline will upsize the amount of natural gas being delivered so it can reach more consumers and meet growing needs for years to come.

Dubuque, Iowa – Black Hills Energy is constructing a new 6.4-mile-long natural gas line.

Aspen, Colorado – Upgrading the natural gas mainline so there is an additional back-up supply of natural gas. This project was completed during the fall of 2019.

Kansas – Updating natural gas lines in Kansas so they include modern technology such that the new lines will require less maintenance, improve process of location lines, and ease the process of installing new lines with new methods and materials.

Wayne, Nebraska – Replacement of bare steel pipes with high density polyethylene which is more resistant to corrosion and damage. This project is expected to finish in Fall 2022.

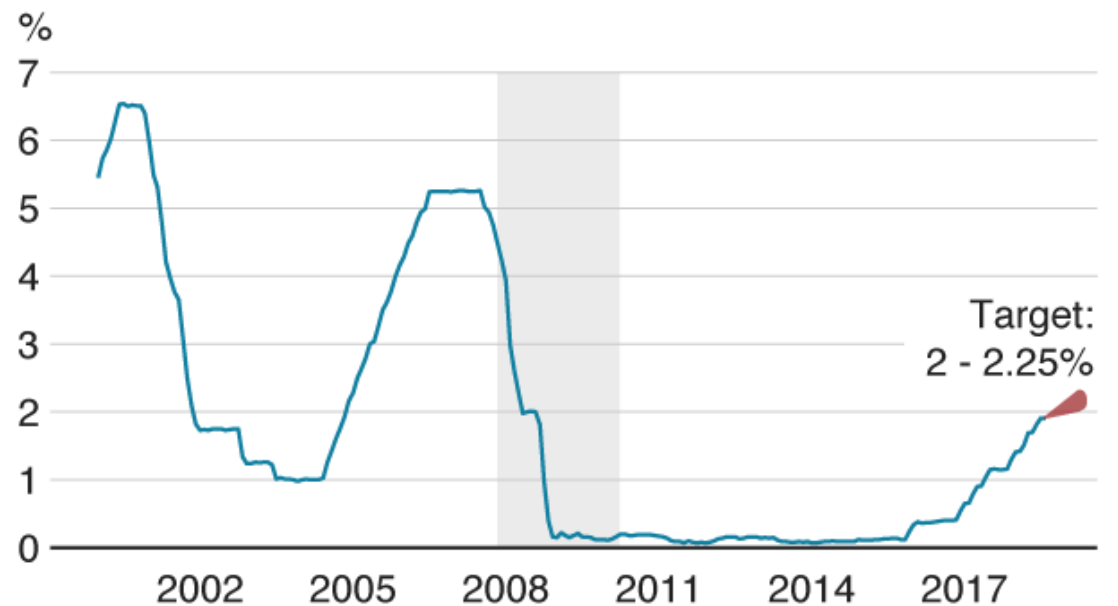
Rising Interest Rates

Interest rates can hurt utilities companies by increasing borrowing costs especially utilities due to high debt levels. Major capital expenditures are of concern because it makes utilities an expensive business that needs debt financing.

Recently, utilities benefit from cheap financing rates but a rise in interest rates may change that. However, this can be alleviated through increasing rate bases. Even if rates are not able to be increased enough to cover costs, interest rates will eventually decrease and will continue to be an attractive investment opportunity.

US to raise interest rates for eighth time

The Fed has been gradually raising rates since the end of the financial crisis



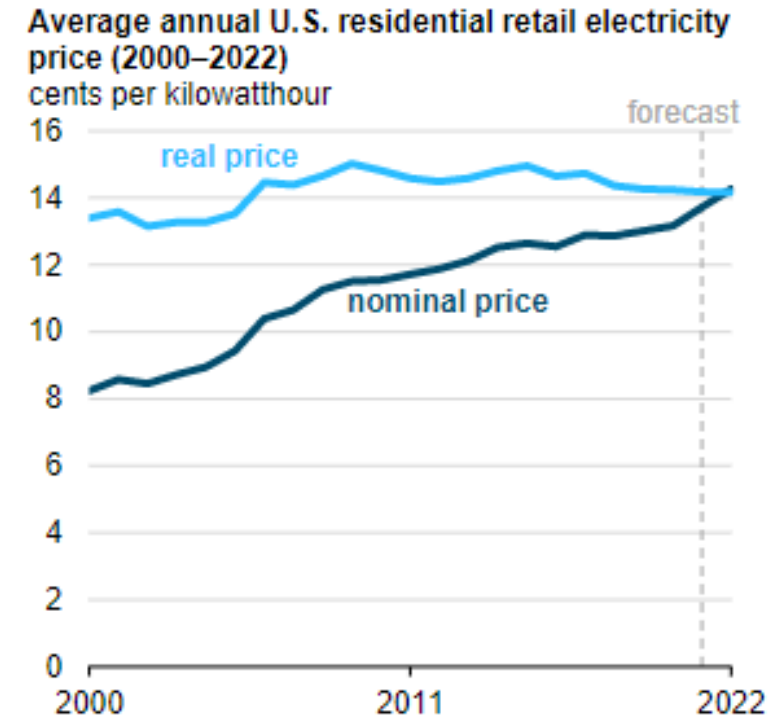
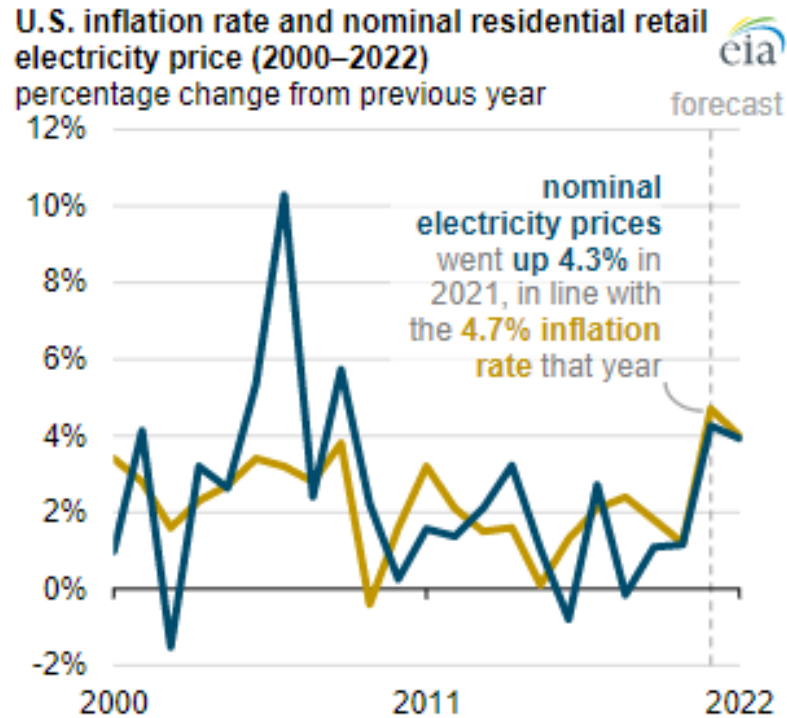
Source: Federal Reserve

BBC

General Market Inflation

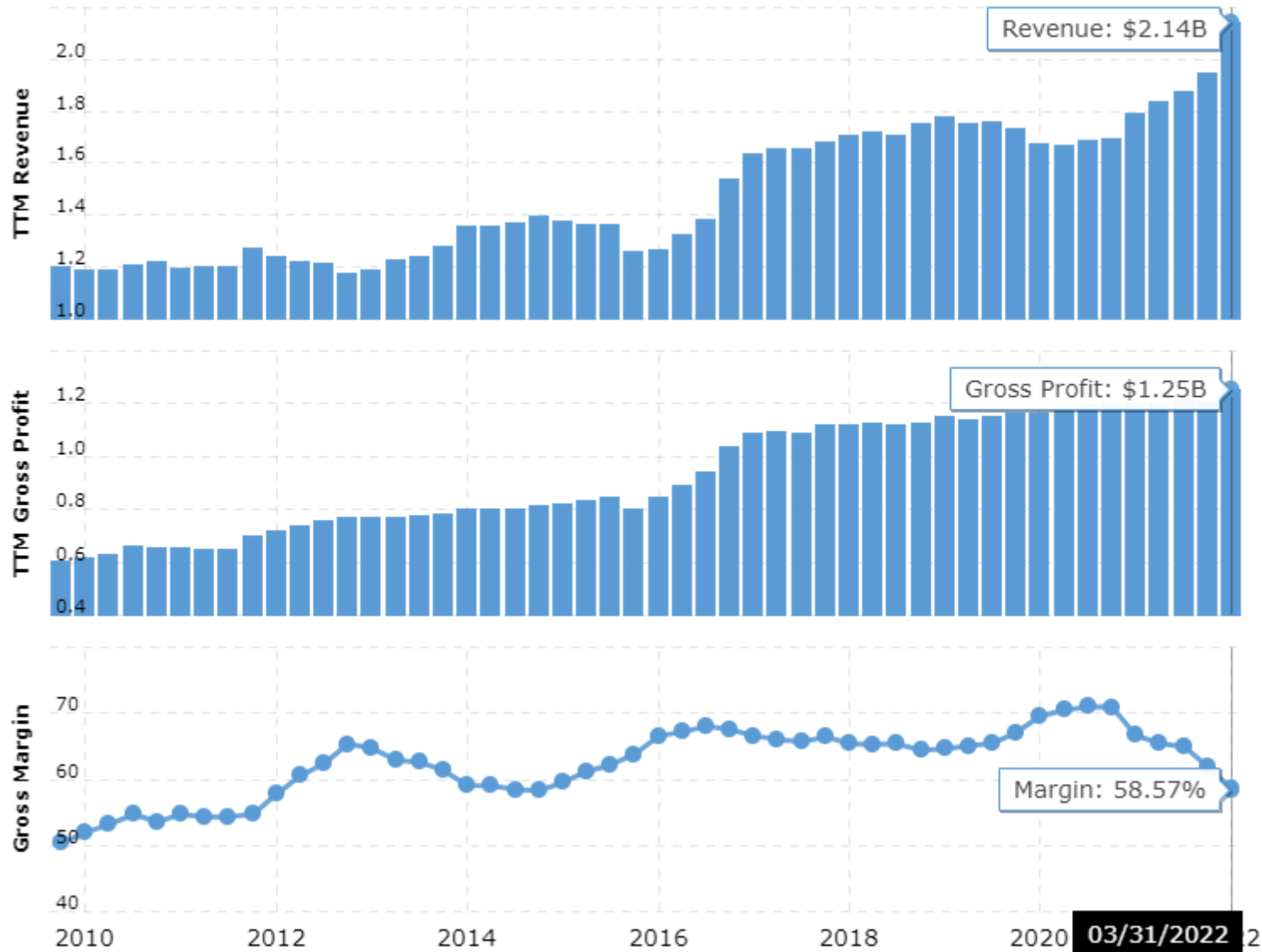
During times of inflation, it can be hard for companies to continue operations due to increased prices of products. Utilities companies can not change rate bases on their own, so they might have to bear consequences of high prices without earning it back from consumers.

However, utilities will continue to provide profits for investors due to an increase in dividend payments. This ensures that investors won't pull out their stocks and the stock price will continue to be stable until inflation decreases.

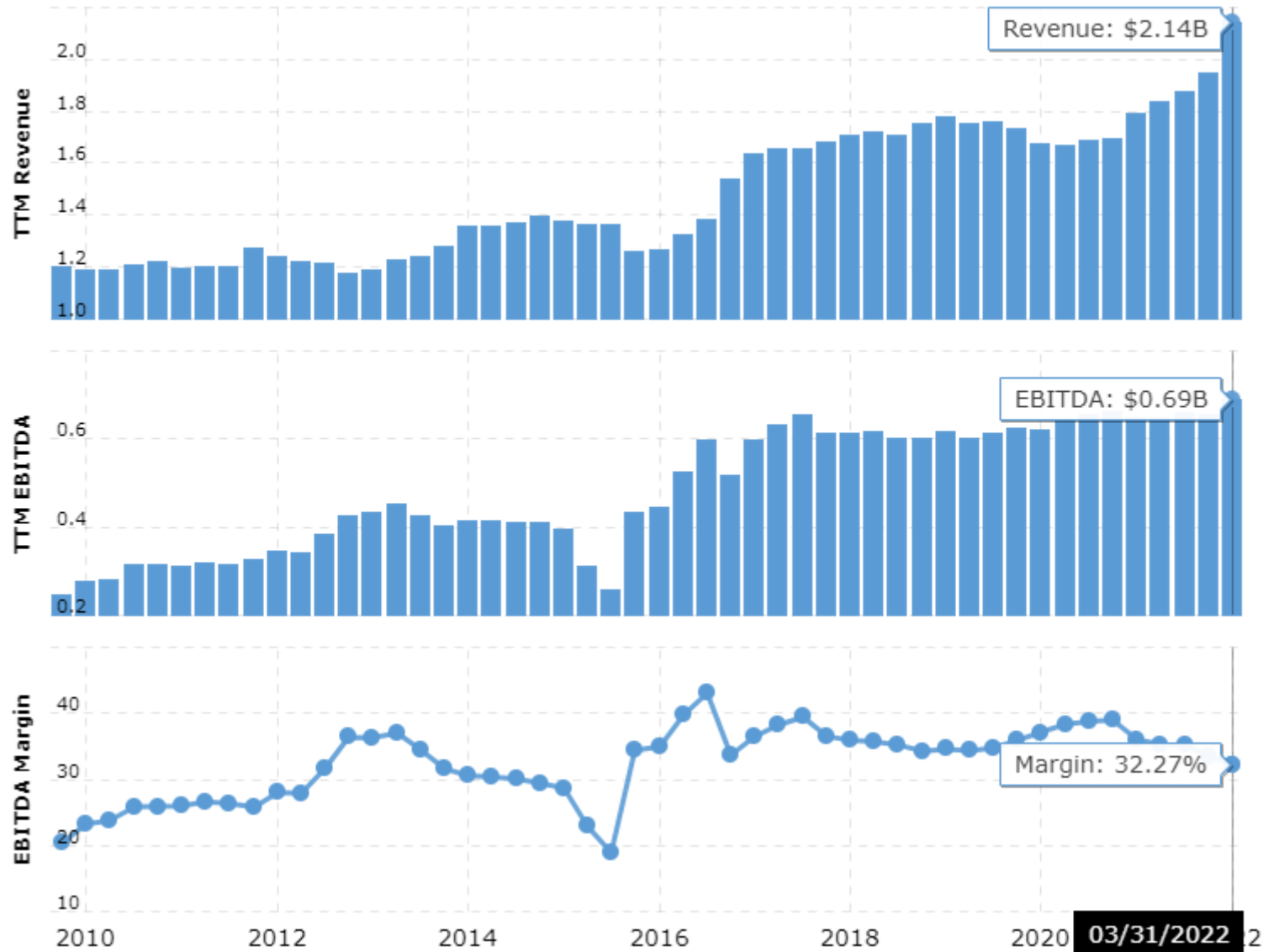


Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*

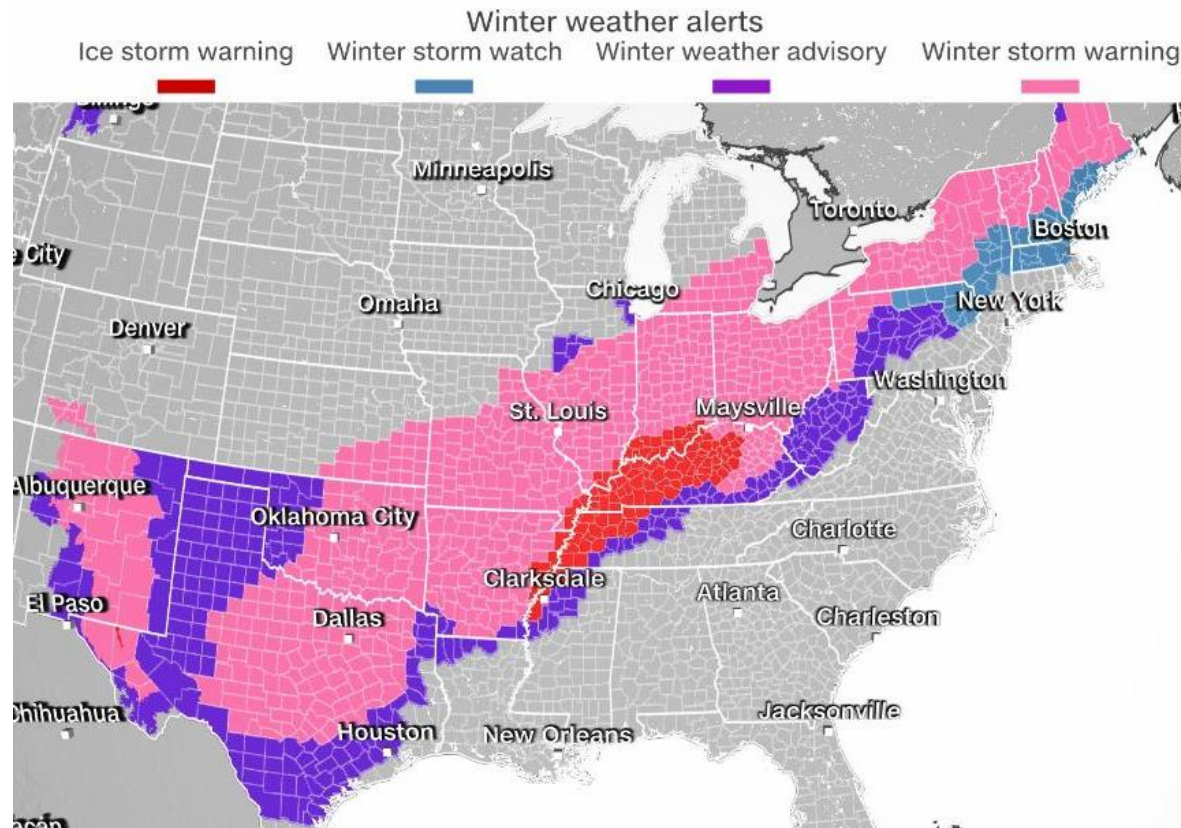
Gross Profit Margin



EBITDA Margin



Storm Uri and Its' Impact



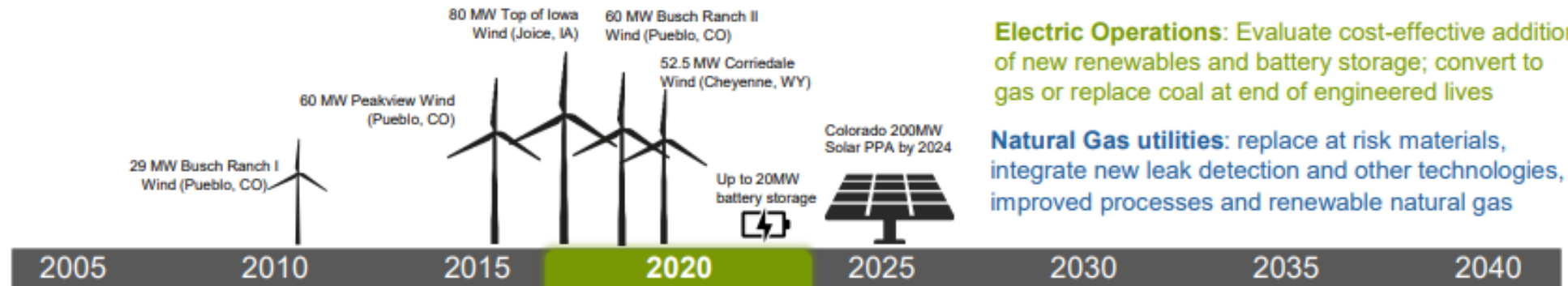
- February 24, 2021: Entered into a nine-month, \$800 million unsecured term loan
- Met cash needs related to fuel, purchased power and natural gas costs from Winter Storm Uri

- Strong response to the storm and consumer needs
- High demand for natural gas and purchased power
- Black Hills Energy will recover initial costs over 12 months (June 2021 to May 2022)
- This way an average residential customer that uses 670 kilowatt hours per month will only see an increase of \$11.06

Reducing Greenhouse Gas Emissions

Responsibly Reducing GHG Emissions

Integrating Renewables and Delivering Cleaner Critical Generating Capacity



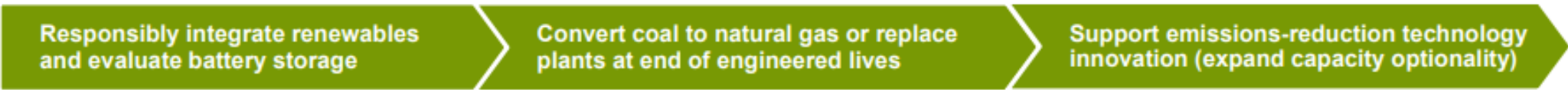
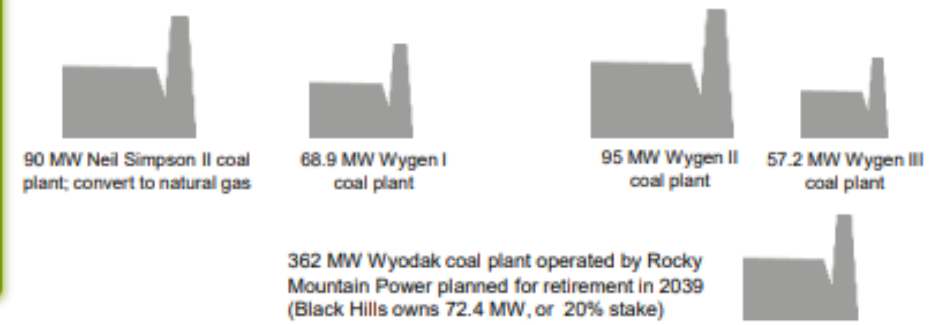
Electric Operations: Evaluate cost-effective addition of new renewables and battery storage; convert to gas or replace coal at end of engineered lives

Natural Gas utilities: replace at risk materials, integrate new leak detection and other technologies, improved processes and renewable natural gas

- 42 MW W.N. Clark coal plant retired 2013 (Canon City, CO)
- 29 MW Pueblo #5, #6 gas plants retired 2013
- 21.8 MW Neil Simpson I coal retired
- 25 MW Ben French coal retired
- 34.5 MW Osage coal retired (81.3 MW total retired in March 2014)


- ✓ 30% electric emissions reduction
- ✓ 33% gas emissions reduction
- 88%+ coal-free revenues
- All coal operations at modern and efficient mine-mouth site in Gillette, Wyoming


Emissions reduction goals: **40% Electric** **50% Natural Gas** **70% Electric**





Note: Goals are based on reduction in greenhouse gas emissions intensity since 2005. Achievement of these goals assumes coal plant operation through original engineered life with conversion to natural gas based on current costs and feasibility of other alternatives. Actual emission reductions and plant alternatives are subject to change with advancement of emissions reduction technologies.

ESG

RACIAL OR ETHNIC DIVERSITY
 **9%**

AVERAGE TENURE
 **6 YEARS**

GENDER DIVERSITY
 **27%**

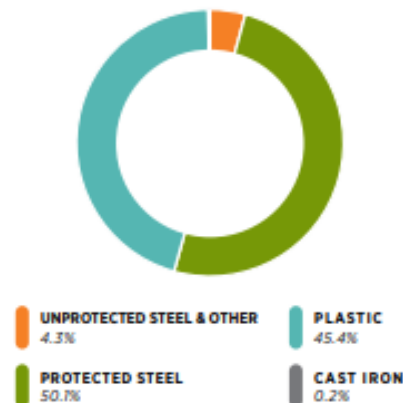
AVERAGE AGE
 **57**

Our Team	As of December 31, 2020
Total employees	3,011
Gender diversity (women as a % of total employees)	26%
Women in executive leadership positions*	31%
Ethnic or racial diversity (non-white employees as a % of total)	11%
Military veterans	16%
Represented by a union	25%
For the year ended December 31, 2020	
Number of external hires	299
External hires gender diversity (as a % of total external hires)	29%
External hires ethnic or racial diversity (as a % of total external hires)	16%
Turnover rate**	8%
Retirement rate	3%

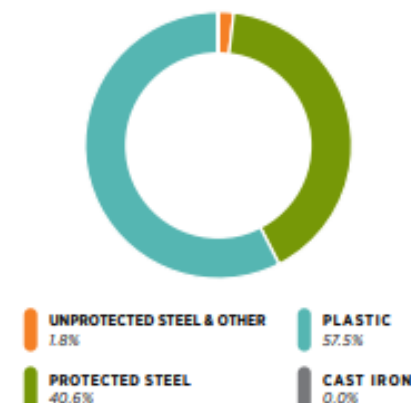
*Executive leadership positions are defined as positions with Vice President, Senior Vice President or Chief in their title.

**Voluntary and involuntary separations; excludes interns

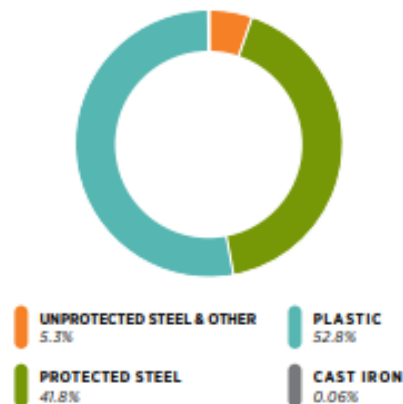
2005 PIPELINE MATERIAL PERCENTAGES



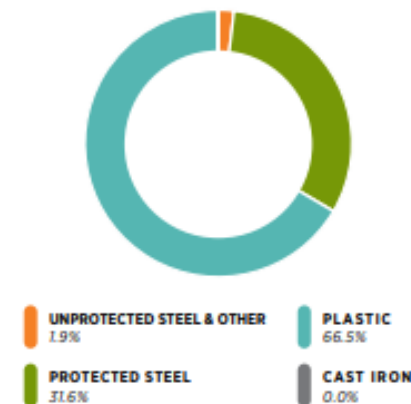
2020 PIPELINE MATERIAL PERCENTAGES



2005 SERVICES MATERIAL PERCENTAGES



2020 SERVICES MATERIAL PERCENTAGES



Over 99% of our natural gas distribution system is now comprised of materials with the lowest emissions factors. The transition to a safer and cleaner operating pipeline system is reflected from 2005 to 2020.

ESG (Continued)



\$1.38 BIL
DIRECT ECONOMIC IMPACT

Serving 1.3 million natural gas and electric utility customers in 823 communities across eight states, our direct economic impact in 2020 totaled \$1.38 billion. This included charitable giving, compensation for more than 3,000 employees, franchise fees, payments to suppliers, and property, sales and use taxes paid to our communities.



\$5.6 MIL
CHARITABLE GIVING

Our charitable giving included contributions and sponsorships for nonprofits, chambers and economic development organizations, United Way, energy assistance, in-kind donations, and investments in trees.



\$2.3 MIL
CONTRIBUTIONS & SPONSORSHIPS

Nearly \$2.3 million invested by our state utilities and the Black Hills Corp. Foundation in the great work of hundreds of worthy local organizations and nonprofits.



\$1.3 MIL
ECONOMIC DEVELOPMENT

Aided local organizations and Chambers of Commerce working to support businesses impacted by COVID-19.



\$813,000
ENERGY ASSISTANCE

Responding to increased needs due to the impact of COVID-19, our energy assistance program, Black Hills Cares, helped more than 2,500 families in need.



\$780,000
UNITED WAY PLEDGES

Employees gave almost \$628,000, plus a 25% match from Black Hills Corp. Foundation to benefit nearly 50 United Way organizations across eight states.



\$263,000
IN-KIND OR OTHER DONATIONS

Supported our communities with basic needs during unprecedented emergencies, including challenges presented by COVID-19. We also stepped up in unique ways, like hanging holiday lights, trimming trees and repairing flag poles.



\$113,000
STEWARDSHIP THROUGH TREES

Invested \$113,000 in planting more than 1,850 trees which will grow to filter nearly 10 million gallons of storm water and avoid almost three million pounds of pollutants. Additionally, the Black Hills Corp. Foundation committed \$20,000 to replace trees destroyed by the Iowa derecho.



32,500+
CUSTOMERS IMPROVED THEIR ENERGY EFFICIENCY

More than 32,500 customers participated in energy efficiency programs and benefited from energy savings.



632+
VOLUNTEERS

At least 632 employees shared their energy with over 1,000 community organizations.



520
PUBLIC SAFETY PERSONNEL TRAINED

Despite the challenges of COVID-19, hosted emergency response and public awareness trainings for almost 520 first responders and excavators serving our communities.

Income Statement

Black Hills Corporation								
Consolidated Statements of Income - USD (\$) \$ in Thousands	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Revenue:								
Revenue	\$ 1,734,900	\$ 1,696,941	\$ 1,949,102	\$ 2,620,014	\$ 2,430,955	\$ 2,520,051	\$ 2,610,771	\$ 2,706,762
Total Revenue	\$ 1,734,900	\$ 1,696,941	\$ 1,949,102	\$ 2,620,014	\$ 2,430,955	\$ 2,520,051	\$ 2,610,771	\$ 2,706,762
Operating expenses:								
Fuel, purchased power and cost of natural gas sold	570,829	492,404	741,934	956,797	850,698	882,313	913,904	947,327
<i>% of revenue</i>	33%	29%	38%	37%	35%	35%	35%	35%
Operations and maintenance	495,994	495,404	501,690	687,542	660,855	684,805	709,564	735,763
<i>% of revenue</i>	29%	29%	26%	26%	27%	27%	27%	27%
Depreciation, depletion and amortization	209,120	224,457	235,953	318,689	307,055	318,176	329,683	341,860
<i>% of revenue</i>	12%	13%	12%	12%	13%	13%	13%	13%
Taxes - property and production	52,915	56,373	60,096	81,810	78,497	81,344	84,285	87,396
<i>% of revenue</i>	3%	3%	3%	3%	3%	3%	3%	3%
Total operating expenses	1,328,858	1,268,638	1,539,673	2,044,837	1,897,105	1,966,638	2,037,436	2,112,346
Operating income	406,042	428,303	409,429	575,177	533,850	553,413	573,335	594,415
Other income (expense):								
Interest expense incurred net of amounts capitalized (including amortization of debt issuance costs, premiums and discounts)	(139,291)	(144,931)	(154,112)	(315,920) \$	(199,138) \$	(206,349) \$	(213,812) \$	(221,710)
<i>% of revenue</i>	-8%	-9%	-8%	-12%	-8%	-8%	-8%	-8%
Interest income	1,632	1,461	1,708	2,200	4,509 \$	2,393 \$	2,479 \$	2,570
<i>% of revenue</i>	0%	0%	0%	0%	0%	0%	0%	0%
Impairment of investment	(19,741)	(6,859)	0	0	0	0	0	0
<i>% of revenue</i>	-1%	0%	0%	0%	0%	0%	0%	0%
Other income (expense), net	(5,740)	(2,293)	1,404	(2,100)	298 \$	310 \$	320 \$	330
<i>% of revenue</i>	0%	0%	0%	0%	0%	0%	0%	0%
Total other income (expense)	(163,140)	(152,622)	(151,000)	(315,820)	(194,331)	(203,646)	(211,013)	(218,809)
Income before income taxes	242,902	275,681	258,429	259,357	339,519	349,767	362,322	375,606
Income tax (expense)	(29,580)	(32,918)	(7,169)	(28,529)	(37,347)	(38,474)	(39,855)	(41,317)
<i>Tax Rate</i>	12%	12%	3%	11%	11%	11%	11%	11%
Net income	213,322	242,763	251,260	230,828	302,172	311,293	322,467	334,290
Net income attributable to non-controlling interest	(14,012)	(15,155)	(14,516)	(26,200)	(24,310)	(25,201)	(26,108)	(27,068)
<i>% of revenue</i>	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Net income available for common stock	\$ 199,310	\$ 227,608	\$ 236,744	\$ 204,628	\$ 277,862	\$ 286,092	\$ 296,359	\$ 307,222
Earnings per share of common stock:								
Earnings per share, Basic (usd per share)	\$ 3.29	\$ 3.65	\$ 3.74					
Earnings per share, Diluted (usd per share)	\$ 3.28	\$ 3.65	\$ 3.74					
Weighted average common shares outstanding:								
Basic (in shares)	60,662	62,378	63,219					
Diluted (in shares)	60,798	62,439	63,325	63,325	63,325	63,325	63,325	63,325

2024 EPS

4.52

Revenue Build

Black Hills Corporation								
	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023	FY 2024E	FY 2025E	FY 2026E
Electric Utilites	719,205	721,108	825,404	864,840	951,267	1,021,529	1,093,174	1,169,844
<i>% Growth</i>		0.3%	14.5%	4.8%	10.0%	7.4%	7.0%	7.0%
<i>% of Total Revenue</i>	41.5%	42.5%	42.3%	33.0%	39.1%	40.5%	41.9%	43.2%
Gas Utilites	1,007,187	959,696	1,105,430	1,738,033	1,462,152	1,480,582	1,499,245	1,518,143
<i>% Growth q/q</i>		-4.7%	15.2%	57.2%	-15.9%	1.3%	1.3%	1.3%
<i>% of Total Revenue</i>	58.1%	56.6%	56.7%	66.3%	60.1%	58.8%	57.4%	56.1%
Other Revenues	8,508	16,137	18,268	17,141	17,536	17,940	18,352	18,775
<i>% Growth /q</i>		89.7%	13.2%	-6.2%	2.3%	2.3%	2.3%	2.3%
<i>% of Total Revenue</i>	0.5%	1.0%	0.9%	0.7%	0.7%	0.7%	0.7%	0.7%
TOTAL REVENUES	\$1,734,900	\$1,696,941	\$1,949,102	\$2,620,014	\$2,430,955	\$2,520,051	\$2,610,771	\$2,706,762
<i>% Growth q/q</i>		-2.2%	14.9%	34.4%	-7.2%	3.7%	3.6%	3.7%
<i>% of Total Revenue</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Balance Sheet

Black Hills Corporation					
Consolidated Balance Sheets - USD (\$) \$ in Thousands	FY 2019	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Current assets:					
Cash and cash equivalents	\$ 9,777	\$ 13,442	\$ 1,175	\$ 10,181	\$ 8,921
Restricted cash and equivalents	3,881	4,483	4,559	4,753	4,889
Accounts receivable, net	255,805	282,382	189,437	181,956	321,652
Materials, supplies and fuel	117,172	102,603	114,089	145,743	150,979
Derivative assets, current	342	1,917	3,925	12,316	4,373
Income tax receivable, net	16,446	18,115	17,573	17,472	18,017
Regulatory assets, current	43,282	129,951	218,628	213,031	270,290
Other current assets	26,479	25,722	22,353	42,274	29,012
Total current assets	473,184	578,615	571,739	627,726	808,133
Property, plant and equipment	6,784,679	7,415,818	7,558,204	7,697,880	7,856,573
Less accumulated depreciation and depletion	(1,281,493)	(1,320,525)	(1,361,453)	(1,380,304)	(1,407,397)
Total property, plant and equipment, net	5,503,186	6,095,293	6,196,751	6,317,576	6,449,176
Other assets:					
Goodwill	1,299,454	1,299,454	1,299,454	1,299,454	1,299,454
Intangible assets, net	13,266	11,649	11,356	11,063	10,770
Regulatory assets, non-current	228,062	672,306	617,781	617,024	526,309
Other assets, non-current	41,305	38,882	40,971	37,547	38,054
Total other assets, non-current	1,582,087	2,022,291	1,969,562	1,965,088	1,874,587
TOTAL ASSETS	7,558,457	8,696,199	8,738,052	8,910,390	9,131,896
Current liabilities:					
Accounts payable	193,523	160,179	133,354	142,130	217,761
Accrued liabilities	226,767	230,444	219,022	249,835	244,759

Balance Sheet (Continued)

Derivative liabilities, current	2,254	2,526	5,178	3,471	1,439
Regulatory liabilities, current	33,507	13,580	36,124	30,156	17,574
Notes payable	349,500	815,870	829,850	332,525	420,180
Current maturities of long-term debt	5,743	7,000	7,000	0	0
Total current liabilities	811,294	1,229,599	1,230,528	758,117	901,713
Long-term debt, net of current maturities	3,140,096	3,529,158	3,530,216	4,125,571	4,126,923
Deferred credits and other liabilities:					
Deferred income tax liabilities, net	360,719	428,127	436,495	445,036	465,388
Regulatory liabilities, non-current	503,145	497,810	497,608	496,261	485,377
Benefit plan liabilities	154,472	150,979	151,290	150,727	123,925
Other deferred credits and other liabilities	124,662	135,224	133,021	134,776	141,447
Total deferred credits and other liabilities	1,142,998	1,212,140	1,218,414	1,226,800	1,216,137
Commitments, contingencies and guarantees (Note 3)					
Stockholders' equity -					
Common stock \$1.00 par value; 100,000,000 shares authorized; issued: 64,793,095 and 62,827,179, respectively	61,481	62,910	63,527	63,865	64,793
Additional paid-in capital	1,552,788	1,658,957	1,701,825	1,726,277	1,783,436
Retained earnings	778,776	931,538	921,122	929,369	962,458
Treasury stock at cost - 54,078 and 32,492, respectively	(267)	(2,564)	(2,988)	(2,819)	(3,509)
Accumulated other comprehensive income (loss)	(30,655)	(26,328)	(24,446)	(19,169)	(20,084)
Total stockholders' equity	2,362,123	2,624,513	2,659,040	2,697,523	2,787,094
Non-controlling interest	101,946	100,789	99,854	102,379	100,029
Total equity	2,464,069	2,725,302	2,758,894	2,799,902	2,887,123
TOTAL LIABILITIES AND TOTAL EQUITY	7558457	\$ 8,696,199	\$ 8,738,052	\$ 8,910,390	\$ 9,131,896
Net Debt	3,130,319	3,515,716	3,529,041	4,115,390	4,118,002

Cash Flow Statements

Black Hills Corporation												
Consolidated Statements of Cash Flows - USD (\$) \$ in Thousands					FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Operating activities:												
Net income					\$ 213,322	\$ 242,763	\$ 251,260	\$ 230,828	\$ 302,172	\$ 311,293	\$ 322,467	\$ 334,290
Adjustments to reconcile net income to net cash provided by (used in) operating activities:												
Depreciation, depletion and amortization					209,120	224,457	235,953	318,689	307,055	318,176	329,683	341,860
<i>as a % of Capex</i>					-26%	-29%	-35%	30%	30%	30%	30%	30%
Deferred financing cost amortization					7,838	7,883	6,968					
Impairment of investment					19,741	6,859	0					
Stock compensation					12,095	5,373	9,655					
Deferred income taxes					38,020	38,091	7,261					
Employee benefit plans					12,406	11,997	9,590					
Other adjustments, net					16,485	11,669	7,018					
Change in certain operating assets and liabilities:												
Materials, supplies and fuel					2,052	2,755	(35,707)					
Accounts receivable and other current assets					7,578	(10,843)	(43,170)					
Accounts payable and other current liabilities					(34,906)	24,659	10,660					
Regulatory assets					23,619	(5,047)	(514,687)					
Regulatory liabilities					(15,158)	(10,706)	(9,533)					
Contributions to defined benefit pension plans					(12,700)	(12,700)	0					
Other operating activities, net					6,001	4,653	167					
Net cash provided by (used in) operating activities					505,513	541,863	(64,565)					

Cash Flow Statements (Continued)

Investing activities:									
Property, plant and equipment additions	(818,376)	(767,382)	(677,500)	#####	#####	#####	#####	#####	#####
<i>as a % of revenue</i>	47%	45%	35%	41%	42%	42%	42%	42%	42%
Other investing activities	2,166	5,740	13,262						
Net cash (used in) investing activities	(816,210)	(761,664)	(664,230)						
Financing activities:									
Dividends paid on common stock	(124,647)	(135,439)	(145,023)						
Common stock issued	101,358	99,278	118,979						
Term Loan - borrowings	0	0	800,000						
Term Loan - repayments	0	0	(800,000)						
Net borrowings (payments) of Revolving Credit Facility and CP Program	163,880	(115,460)	186,140						
Long-term debt - issuance	1,100,000	400,000	600,000						
Long-term debt - repayments	(905,743)	(8,597)	(8,436)						
Distributions to non-controlling interests	(17,901)	(15,839)	(15,749)						
Other financing activities	(16,737)	(7,061)	(4,045)						
Net cash provided by financing activities	300,210	216,882	731,866						
Net change in cash, restricted cash and cash equivalents	(10,487)	(2,919)	3,071						
Cash and cash equivalents:									
Cash, restricted cash and cash equivalents beginning of year	24,145	13,658	10,739						
Cash, restricted cash and cash equivalents end of year	13,658	10,739	13,810						
Supplemental cash flow information:									
Interest (net of amounts capitalized)	(131,774)	(136,549)	(142,685)						
Income taxes	4,682	2,172	1,521						
Accrued property, plant and equipment purchases at December 31	91,491	72,215	68,758						
Increase in capitalized assets associated with asset retirement obligations	\$ 5,044	\$ 4,774	\$ 2,109						

Net Working Capital

Black Hills Corporation																
<u>Current Assets</u>	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
A/R Days	53.82	40.60	47.73	42.26	49.88	49.88	15.18	27.29	44.57	77.12	77	44.83	46.95	47.53	47.51	47.99
A/R	255,805	238,903	170,980	160,478	265,961	265,961	282,382	189,437	181,956	321,652	321,652	321,822	312,706	328,157	339,842	355,876
Materials, supplies and fuel % of revenue	6.75%	17.30%	32.42%	36.47%	24.13%	24.13%	16.20%	18.01%	39.13%	39.67%	39.67%	25.42%	25.42%	25.42%	25.42%	25.42%
Materials, supplies and fuel	117,172	92,894	105,987	126,358	117,400	117,400	102,603	114,089	145,743	150,979	150,979	666,033	617,972	640,621	663,683	688,085
Derivative Assets % of Revenue	0.02%	0.33%	0.48%	0.58%	0.38%	0.38%	0.11%	0.62%	3.31%	1.15%	1.15%	0.74%	0.74%	0.74%	0.74%	0.74%
Derivative Assets	342	1,780	1,581	2,001	1,848	1,848	1,917	3,925	12,316	4,373	4,373	19,283	17,892	18,547	19,215	19,922
Income Tax Receivable % of Revenue					0.95%	0.95%	4.16%	6.15%	6.01%	4.00%	4.00%	1.50%	1.50%	1.50%	1.50%	1.50%
Income Tax Receivable					19,446	19,446	18,115	17,573	17,472	18,017	18,017	39,300	36,464	37,801	39,162	40,601
Regulatory Asset % of Revenue	2.49%	9.20%	15.83%	14.28%	10.62%	10.62%	7.66%	34.52%	57.19%	71.02%	71.02%	23.34%	23.34%	23.34%	23.34%	23.34%
Regulatory Asset	43282	49,415	51,745	49,493	51,676	51,676	129,951	218,628	213,031	270,290	270,290	611,601	567,469	588,266	609,444	631,851
Other Current Assets % of Revenue	1.53%	4.88%	8.56%	9.61%	5.39%	5.39%	1.52%	3.53%	11.35%	7.62%	7.62%	5.94%	5.94%	5.94%	5.94%	5.94%
Current Assets	26,479	26,198	27,981	33,287	26,221	26,221	25,722	22,353	42,274	29,012	29,012	155,542	144,318	149,607	154,993	160,691

Net Working Capital (Continued)

Current Liabilities																
A/P Days	142	99	93	113	129	128.82	113	99	106	157	157	118	123.38	123.38	123.38	123.38
Accounts Payable	193,523	136,344	118,942	152,010	183,340	183,340	160,179	133,354	142,130	217,761	217,761	222,148	223,379	231,475	239,844	248,699
Accrued liabilities % of SG&A	45.72%	162.15%	171.91%	198.77%	187.58%	187.58%	46.52%	168.90%	202.71%	200.17%	200.17%	157.20%	157.20%	157.20%	157.20%	157.20%
Accrued liabilities	226,767	203,445	201,667	244,010	243,612	243,612	230,444	219,022	249,835	244,759	244,759	1,080,822	1,038,870	1,076,520	1,115,440	1,156,625
Derivative liabilities, current % of SG&A	0.45%	0.68%	0.53%	1.17%	1.57%	1.57%	0.51%	3.99%	2.82%	1.18%	1.18%	1.45%	1.45%	1.45%	1.45%	1.45%
Derivative liabilities, current	2,254	852	621	1,439	2,044	2,044	2,526	5,178	3,471	1,439	1,439	9,955	9,568	9,915	10,274	10,653
Regulatory liabilities, current % of SG&A	6.76%	43.31%	50.66%	18.15%	19.30%	19.30%	2.74%	27.86%	24.47%	14.37%	14.37%	22.69%	22.69%	22.69%	22.69%	22.69%
Regulatory liabilities, current	33,507	54,345	59,428	22,282	25,061	25,061	13,580	36,124	30,156	17,574	17,574	156,012	149,956	155,391	161,009	166,954
Notes payable % of SG&A	70.46%	254.35%	0.00%	68.69%	180.21%	180.21%	164.69%	639.93%	269.81%	343.63%	343.63%	50.00%	50.00%	50.00%	50.00%	50.00%
Notes payable	349,500	319,125	0	84,320	234,040	234,040	815,870	829,850	332,525	420,180	420,180	343,771	330,427	342,403	354,782	367,881
Total CA	443,080	409,190	358,274	371,617	482,552	482,552	560,690	566,005	612,792	794,323	794,323	1,813,581	1,696,821	1,763,000	1,826,338	1,897,027
Total CL	805,551	714,111	380,658	504,061	688,097	688,097	1,222,599	1,223,528	758,117	901,713	901,713	1,812,707	1,752,201	1,815,704	1,881,348	1,950,813
NWC	(362,471)	(304,921)	(22,384)	(132,444)	(205,545)	(205,545)	(661,909)	(657,523)	(145,325)	(107,390)	(107,390)	874	(55,381)	(52,704)	(55,010)	(53,786)
Δ NWC		57,550	282,537	(110,060)	(73,101)	(73,101)	(456,364)	4,386	512,198	37,935	37,935	108,264	(56,255)	2,676	(2,306)	1,224

WACC

Black Hills Corporation	
WACC Calculation	
Beta	0.84
Risk Free Rate	3.10%
Expected Market Return	9%
Risk Premium	5.70%
Cost of Equity	7.87%
Pre-Tax cost of debt	5.35%
Tax Rate	11%
Cost of Debt	4.76%
Market Cap	\$4,879,996,695
Debt Outstanding	\$4,126,923,000
Total Capitalizaiton	\$9,006,919,695
Weight of Equity	54.18%
Weight of Debt	45.82%
WACC	6.45%

Interest Coverage Ratio	2.657
Damodaran Spread	2.25%

Comparable Companies

BKH																				
Company	Ticker	Stock Price	Shares Out.	Enterprise Net Debt	Enterprise Value	Market Cap	2024E LTM Rev	2024E LTM Rev	2024E LTM EBITDA	2024E LTM EBITDA	2024E LTM EPS	2024E LTM EPS	2024E LTM EV/REV	2024E LTM EV/Rev	2024E LTM EV/EBITDA	2024E LTM EV/EBITDA	LTM P/E	2024E P/E		
Black Hills Company	BKH	75.94	63219	4,118,002	8918852.86	4800850.86	21392000	2520050.	6	683500	934200	4.03	4.52	2.20x	18.66x	68.81x	50.35x	18.84x	16.81x	
<u>Integrated Electric Utilities</u>																				
First Energy	FE	42.7	571000	22653000	47034700	24381700	11,395,000	12,482,000	0	0	3,449,800	4,382,700	2.43	2.72	4.13x	3.77x	13.63x	10.73x	17.57x	15.70x
Xcel Energy	XEL	73.26	540000	24570000	64130400	39560400	13,641,000	14,589,000	0	0	4,809,000	5,678,000	2.99	3.72	4.70x	4.40x	13.34x	11.29x	24.50x	19.69x
Dominion Energy	D	82.35	809000	40806000	107427150	66621150	14,373,000	17,823,000	0	0	6,736,000	9,682,300	3.73	4.57	7.47x	6.03x	15.95x	11.10x	22.08x	18.02x
<u>Power Generation</u>																				
Duke Energy Corp	DUK	109.22	769000	68208000	152198180	83990180	25,097,000	28,230,000	0	0	11,663,300	13,645,000	5.58	5.97	6.06x	5.39x	13.05x	11.15x	19.57x	18.29x
Southern Co	SO	73.24	106000	53672000	61435440	7763440	24,371,300	25,641,000	0	0	9,151,000	11,435,000	3.36	4.10	2.52x	2.40x	6.71x	5.37x	21.80x	17.86x
American Electric Power	AEP	98.7	497000	35987100	0	408924900	17,103,500	18,427,800	0	0	6,527,900	7,712,000	4.58	5.51	23.91x	22.19x	62.64x		21.55x	17.91x
DTE Energy	DTE	128.65	185000	18216000	42016250	23800250	16,168,000	15,140,000	0	0	3,239,000	3,823,000	6.70	6.55	2.60x	2.78x	12.97x	10.99x	19.20x	19.64x

Comparable Companies (Continued)

Whole Firm																					
Avista	AVA	42.21	721900	2580900	33052299	30471399	1,474,900	1,735,000	465,400	598,900	1.87	2.96	22.41x	19.05x	71.02x	22.57x	14.26x				
NextEra	NEE	69.82	1960000	54743000	191590200	136847200	16,233,00	25,025,00	0	0	5,826,000	14,984,000	2.52	3.27	11.80x	7.66x	32.89x	12.79x	27.71x		
Edison International	EIX	68.3	379910	29143000	55090853	25947853	15,913,00	17,348,00	0	0	5,608,000	6,482,000	4.89	5.01	3.46x	3.18x	9.82x	8.50x	13.97x	13.63x	
NorthWestern Corporation	NWE	58.24	54130	2537500	5690031.2	3152531.2	1,366,000	1,482,300	469,000	574,000	3.50	3.68	4.17x	3.84x	12.13x	9.91x	16.64x	15.83x			
Avg.													8.48x	7.33x	24.01x	10.20x	20.65x	17.08x			
																				2024E	\$
																				EPS	4.52
																					\$
																					77.18

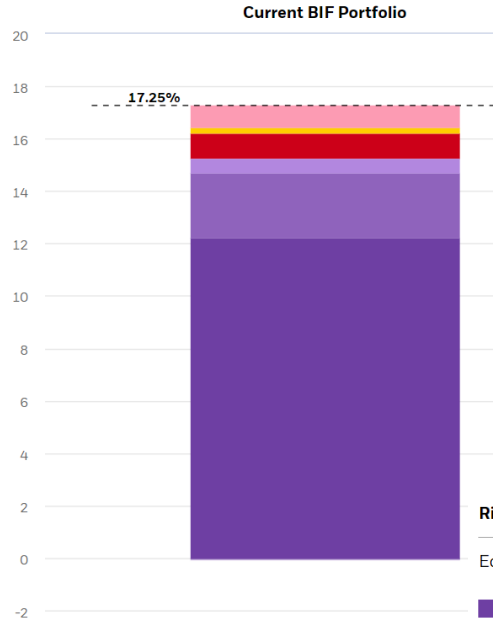
EV/EBITDA	EV	Debt	Cash	Equity	Shares	Per Share	
Min	5.37	5,019,063.23	4,118,002.00	16,300.00	917,361.23	63,219.00	14.51
Q1	9.91	9,260,674.47	4,118,002.00	16,300.00	5,158,972.47	63,219.00	81.60
Med	10.99	10,267,219.66	4,118,002.00	16,300.00	6,165,517.66	63,219.00	97.53
Q3	11.15	10,420,193.46	4,118,002.00	16,300.00	6,318,491.46	63,219.00	99.95
Max	12.79	11,944,978.97	4,118,002.00	16,300.00	7,843,276.97	63,219.00	124.07

Price Target Calculations		
Method	Price	Weight
SOTP 2024	\$77.18	70%
EV/EBITDA 2024	\$97.53	30%
Final Price Target	\$83.29	

Min	\$	13.63x61.59
Q1	\$	15.730418
Med	\$	17.89x80.82
Q3	\$	18.226028
Max	\$	19.69x88.97

Blackrock Portfolio Risk

Risk Factor	Current BIF Portfolio
Equity	15.22%
Equity Market	12.24%
Equity Country	2.45%
Equity Sector	0.57%
Equity Style	-0.04%
Fixed Income	0.02%
Rates	0.00%
Spreads	0.03%
Alternatives	0.95%
Foreign Exchange	0.22%
Idiosyncratic	0.83%
Other	0.00%
Estimated Risk	17.25%



Risk Factor	Current BIF Portfolio
Equity	15.19%
Equity Market	12.25%
Equity Country	2.45%
Equity Sector	0.55%
Equity Style	-0.06%
Fixed Income	0.02%
Rates	0.00%
Spreads	0.03%
Alternatives	0.95%
Foreign Exchange	0.22%
Idiosyncratic	0.83%
Other	0.00%
Estimated Risk	17.21%

