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Current Price \$36.81
Target Price \$24.9-\$53.7

Company Description

NiSource Inc. is one of the largest fully regulated utility companies in the United States, serving over 3 million natural gas customers and 500,000 electric customers across six states. NiSource has become a significant player in the utility sector through its two primary business segments, natural gas distribution and electric operations. With a market capitalization of over \$17 billion, NiSource maintains investment-grade credit ratings and has established its position within the utility sector.

Stock Performance Highlights

52 Week High	\$36.82
52 Week Low	\$24.80
YTD Performance	+36.28%
Beta Value	0.27

Share Highlights

Market Capitalization	\$17.18 b
Shares Outstanding	466.8 m
2023 EPS	\$1.59
2024E EPS	\$0.45
P/E Ratio (TTM)	19.65
Dividend Yield	2.88%
2023 Revenue	\$5.5 b
2024E Revenue	\$5.8 b

Model Prices

DCF/EP	-\$43.07
DDM	\$53.70
Relative P/E	\$24.90

1-Year Stock Performance vs. Utilities and S&P



Data from [38]

Investment Thesis

We recommend a **SELL** rating for NiSource Inc. After evaluation, it is apparent that NiSource has no solid free cash flow, nor achieved positive economic profit in the last decade. NiSource also relies heavily on debt financing, thus remaining dependent on interest rates and borrowing costs. Despite remaining competitive in the utility industry, we believe NiSource is slightly overvalued, hence our sell rating.

Drivers of Thesis:

- NiSource maintains high capital requirements and debt levels to finance its infrastructure. 2023 long-term debt levels reached \$11 billion, and we project this to rise to \$12.5 billion by 2030 to sustain operations.
- Regulatory challenges in the utilities industry play a large role in operational success. With recent political changes, uncertainty regarding regulatory effects on companies like NiSource remains high.
- The transition to clean energy comes at a steep price tag, and NiSource has pledged investments of over \$15 billion by 2027 [10]. With the increasing popularity of clean energy, we believe NiSource has opportunities to double this amount of investment by 2030, potentially hurting its net profit.

Risks to Thesis:

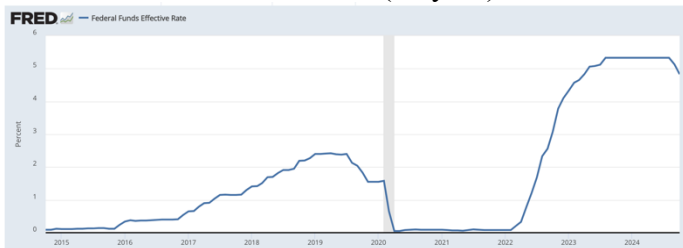
- NiSource has outperformed analysts' earnings expectations for six straight quarters. In third-quarter earnings, NiSource posted earnings of \$0.20 per share, beating estimates of \$0.16 per share [27].
- Demand for electricity and power consumption are expected to reach record highs in 2024 and 2025 [35]. This increase will positively impact NiSource's returns and raise revenues.
- NiSource's regulated utility business model can provide reliable returns from price-inelastic customers and on infrastructure investments. This model also creates high barriers to entry and eliminates most direct competition.

Economic Analysis

Federal Funds Rate:

The Federal Funds Rate has a significant impact on the utility sector due to the capital-intensive nature of operations and the reliance on debt financing for infrastructure investments. When the Federal Reserve adjusts the rate, it directly impacts utilities' borrowing costs for capital expenditure (Cap Ex) programs. As interest rates rise, utilities face higher costs for debt issuance and refinancing existing debt. This can compress profit margins and lead to reduced dividend growth, making utility stocks less attractive.

Federal Funds Effective Rate (10 year)



Data from [4]

The federal funds rate is currently at 4.58% [4]. After a recent rate cut of 0.25 percentage points, we predict that the funds rate will continue to decrease in the upcoming years. By the end of 2025, we expect the funds rate to fall to 3.6%. The Fed is expected to issue an additional 25 basis points cut in December to create a long-term trend of lowered borrowing costs.

After recent election results, there is plenty of uncertainty regarding Donald Trump's economic proposals' effects on inflation. Trump has proposed tariffs, tax cuts, increased federal spending, and mass deportation that many economists believe could lead to an increase in inflation. If inflation does rise due to these policies, the Fed would be under pressure to continue to ease the borrowing costs. However, this inflation could instead force them to raise interest rates in order to counteract the inflationary pressures [26].

BBB Effective Yield:

Corporate yields serve as a crucial metric for evaluating CapEx opportunities, as they directly

influence the cost of capital and investment decisions. NiSource's credit rating is BBB with a stable outlook. The BBB effective yield tracks the performance of investment-grade-rated corporate debt that is publicly issued within the U.S. market.

Utility companies typically issue corporate bonds to finance infrastructure projects, and the yields on these bonds help provide an indicator of borrowing costs. When corporate yields rise, utilities face increased financing costs for CapEx programs, impacting project returns and investment plans. Corporate yields are particularly impactful in the utilities sector, similar to the federal funds rate, because of the capital-intensive nature of the industry.

BBB Effective Yield (10 year)



Data from [12]

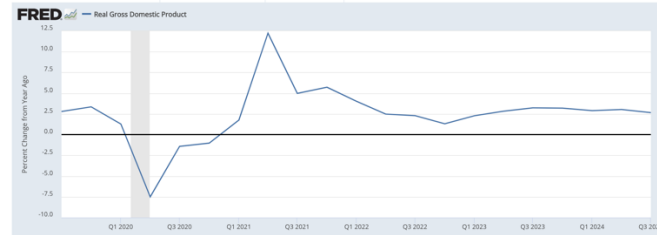
The trends of the BBB effective yield over the last 10 years, closely mirror the trends of the federal funds rate. This reflects our belief that the BBB effective yield will fall by a similar amount by 2025. The current yield is 5.19% and we anticipate this to lower to 4.4% by the end of 2025. With this expected decrease, utility companies will lower the cost of project financing, increasing net profit. The ability to accurately measure and forecast these yields helps utility companies time debt issuances, optimize capital structure, and decide which projects to pursue.

Real GDP Growth:

The utilities sector and real GDP growth demonstrate a positive correlation, primarily due to the relationship between economic expansion and energy consumption. As the economy continues to grow, businesses increase operations leading to higher electricity and natural gas usage across residential, commercial, and industrial sectors. Following the pandemic, in the third quarter of 2020, real GDP averaged a yearly growth of 3.29%

[32]. Despite contractions due to COVID-19, supply chain issues, and increasing inflation, real GDP has increased at a stable rate over the last five years.

Percent Change in Real GDP from a Year Ago (5-Year Quarterly)



Data from [32]

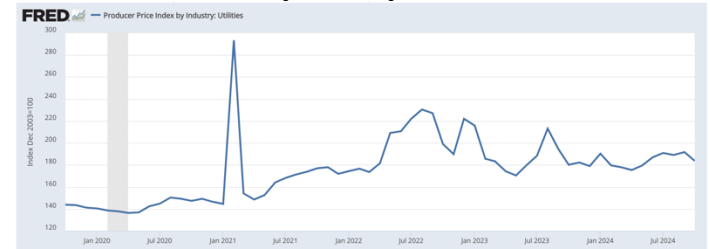
The consistent increase in GDP over the years is reflected in rising consumer spending, exports, and government spending. Due to anticipated tariffs from the Trump administration and recent trends of decreasing inflation, we forecast real GDP to grow at 2.7% during 2025, closely aligning with the expectations of the Bureau of Economic Analysis [31]. With the predicted continued growth, the utility sector can expect increased demand that will positively impact revenues and operational expansion opportunities.

Utilities Producer Price Index:

The Producer Price Index (PPI) for utilities is a government report that measures the average change in selling prices for goods and services. It is a key metric for understanding cost pressures and pricing dynamics and can help predict the direction of the Consumer Price Index (CPI). Utility PPI is the assessment of the relationship between input costs, such as fuel and materials, and prices charged to end consumers. This information is pertinent in rate case proceedings where utilities justify pricing decisions regarding how rising operational costs impact the ability to maintain reliable service.

The PPI is affected by supply chain uncertainty, increasing demand, and turmoil in the Middle East. The current utility PPI is 183.656 with an Index of December 2003=100 [33]. We believe this will increase in the upcoming years to reach 220 by 2027. This number primarily reflects the expected increase of input costs and continued skepticism regarding supply chain issues.

Producer Price Index by Industry: Utilities

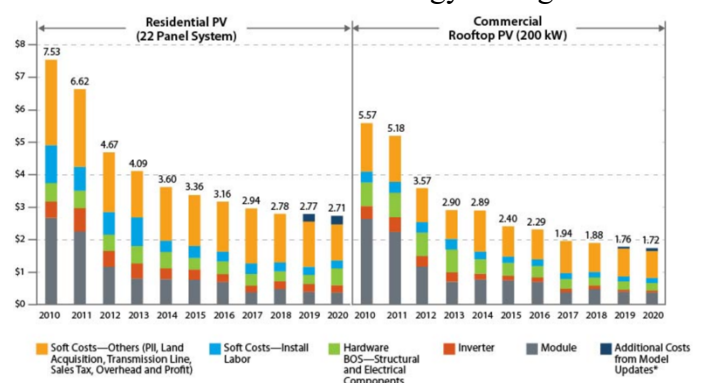


Data from [32]

Technological Advancements:

Recent technological advancements have greatly transformed the utilities sector and the broader economy. The evolution of renewable energy technologies has allowed solar costs to drop over 80% in the last decade [18]. Energy storage technology has also seen immense cost reductions and performance improvements. These cost reductions will allow for profit margins to increase within the utilities sector.

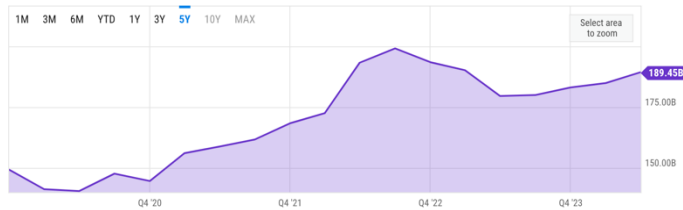
10-Year Costs of Solar and Energy Storage



Data from [18]

The emergence of Artificial Intelligence (AI) is also revolutionizing the economy. Within the utility sector, the effects can be seen through predictive maintenance, customer engagement with chatbots, and more. AI is helping to reduce operation costs and improve the reliability of companies in all industries. Through the growth of AI and other advancements, we believe that revenues for the utility industry will continue to grow at a steady rate of 2.5%, aligning with views of YCharts economists. The transformation of the technological landscape has extensive economic implications, with impacts ranging from job creation to increasing competition in the clean energy sector.

5-Year Total Revenue for Utilities Sector



Data from [39]

Industry Analysis

Utilities Industry:

The utilities sector remains one of the most stable and heavily regulated industries in the U.S. economy. Within the industry, there are many natural monopolies, high barriers to entry, and predictable cash flows from the essential services provided. The industry is undergoing a large transformation driven by three important trends: grid modernization, clean energy transition, and enhanced customer experience. The utility sector faces several challenges, such as weather-dependent demand, regulatory pressures, high capital requirements, and interest rate sensitivity. However, many companies can combat this through regulated returns and managing risks through a mixed gas and electric business model. The industry's outlook remains focused on renewable energy development and infrastructure modernization, with large investment opportunities in grid upgrades and smart technology integration.

Recent Developments and Industry Trends

Clean Energy Transition:

The transition to clean energy represents one of the most transformative shifts in the utilities sector. It will reshape how utilities operate, invest, and deliver power to their customers. Utilities are steering away from fossil fuel-based generation, and moving toward renewable sources, like wind, solar, and battery storage. The transition is catalyzed by notable federal support through the Inflation Reduction Act.

The Inflation Reduction Act provides substantial tax incentives and funding for clean energy

projects, creating a very compelling case for renewable energy. The Act is the most significant legislation targeted at combatting climate change in the history of the United States. This has encouraged many major utilities to invest billions in renewable energy infrastructure and grid modernization to support the transition. Since the start of Biden's presidency, companies have declared more than \$115 billion in investments aimed at building a clean energy economy [34].

This transition presents opportunities and challenges for the utility sector. These large investments can drive long-term growth but also require consideration of customer affordability concerns. Additionally, the transition requires utility companies to develop new operational capabilities, like energy storage solutions and advanced grid management systems. The clean energy transition is uncharted territory, but with the help of regulatory support, NiSource will be encouraged to invest in cleaner projects and in turn, become more profitable.

Grid Modernization:

Grid modernization is becoming a top priority for the utility sector. It is driven by the need to improve reliability, update infrastructure, and accommodate renewable energy sources. The modernization includes automated distribution systems and grid management software that allows companies to better control and optimize power delivery systems. As utilities face more challenges like severe weather events and cybersecurity threats, the modernization effort has become even more crucial. Although important, the financial implications are substantial, with companies investing billions of dollars to upgrade infrastructure. Regulatory support remains constant despite high costs, as regulators recognize the importance of grid modernization. NiSource invested nearly \$700 million in 2023 for technology improvements and distribution system updates, with future plans for similar investments [21].

Enhanced Customer Experience Initiatives:

Enhanced customer experience initiatives are becoming a strategic priority in the utility sector.

Companies are shifting from transaction-based relationships to more dynamic relationships with customers. Utility companies are investing in modern customer information systems and mobile applications that provide personalized energy insights and easy bill payment options. The digital transformation is shaped by changing customer expectations in other industries, requiring utilities to adopt a more sophisticated customer service approach. The focus on customer experience represents a shift from infrastructure-focused business models to one that emphasizes customer satisfaction.

Supply Chain Challenges:

Supply chain challenges have emerged as a significant concern for the utility sector, particularly as more companies are pursuing the transition to clean energy. The industry faces rising costs for equipment like solar panels and wind turbine components. These challenges have been exacerbated by global supply chain disruptions and growing demand for clean energy components.

To respond to these challenges, the industry is increasing domestic sourcing and developing heightened risk management strategies. For example, the Inflation Reduction Act encourages localized production of clean energy equipment [36]. Despite attempts to source locally, supply chain pressures continue to impact project costs and timelines. This situation highlights the need for longer-term planning in the utility sector, especially as more companies undergo the clean energy transition.

Regulatory Changes:

Regulatory changes in the utility sector have become increasingly complex. Federal regulations through the Federal Energy Regulatory Commission (FERC) and the Environmental Protection Agency (EPA) are expanding in areas like grid reliability and cybersecurity. For example, the Energy Independence and Security Act allowed FERC to adopt the guidelines and standards for smart gridlines [8]. Regulators are also providing opportunities for utilities to earn fair returns on their investments and implementing new approaches to cost recovery. These changes require

utilities to be proactive in their regulatory engagement because their success depends on the ability to navigate the complex regulatory environment.

Competition and Peer Comparisons



The peer comparison group we included is regulated electric and gas utilities that operate near the Midwest region. These companies face similar regulatory environments, weather patterns, and customer mixes. The shared focus on the shift to renewable energy while earning stable returns makes these companies optimal for comparisons in financial and operational benchmarking.

Alliant Energy Corp:

Alliant Energy (LNT) provides regulated electric and natural gas services to nearly 1 million electric and 425,000 natural gas customers throughout Iowa and Wisconsin [2]. LNT is actively transitioning to renewable energy, especially through wind power investments in Iowa. This project represents a \$1.8 billion investment that will generate energy for up to 430,000 homes [1]. LNT’s goal of eliminating CO2 emissions by 2050, aligns well with NiSource’s goals, making them a valuable competitor.

CMS Energy Corp:

CMS Energy Corp serves approximately 6.8 million natural gas and electricity customers in Michigan. CMS is committed to achieving net-zero carbon emissions and ending coal use by 2040, similar to NiSource. The company owns one of the largest underground natural gas storages in the country [5]. This storage enables CMS to purchase and store gas during warmer months that can eventually be used for heating in the winter season. In addition, CMS has diverse power generation, including coal, natural gas, nuclear, and renewable energy sources. With almost identical company

missions and similar market caps, we believe that CMS is an important competitor for NiSource to be aware of.

WEC Energy Group Inc:

WEC Energy Group services 4.7 million customers throughout the Midwest. The company is a Fortune 500 with a market cap of over \$30 billion, making it one of the largest utility companies in the Midwest region. WEC has a mission to make electric generation net carbon neutral by 2050 and will be done through a \$23.7 billion five-year capital plan [37]. This plan will invest in solar, wind, and battery storage to cut emissions and deliver savings to customers. Despite having a market cap that is double NiSource's, WEC has comparable goals and is a significant competitor within the Midwest region.

Porter's Five Forces

Threat of New Entrants – Low:

The threat of new entrants in the utilities sector is typically low due to high barriers to entry. The industry requires large upfront capital investments in infrastructure like power plants and distribution networks that can cost billions of dollars. Government regulations and licensing requirements also create an obstacle, while established utility companies benefit from long-standing relationships with regulators and natural monopoly characteristics. Additionally, existing companies typically control access to essential resources and locations for facilities. However, with the growing trend of renewable energy, this has created some opportunity for specialized companies to enter into specific market segments.

Threat of Substitutes – Low:

The threat of substitutes in the utility sector has remained low but is experiencing some evolution as technology continues to advance. Solar panels and battery storage systems now offer a partial substitute for traditional utility services, providing a small degree of energy independence. However, this threat remains small because many of the substitutes serve as complementary rather than complete replacements for services. The high

switching costs associated with installing alternative energy systems and large upfront investment requirements limit the immediate threat to traditional utilities. In addition, utility companies are adapting by incorporating technologies into their business models and offering their renewable energy solutions to consumers.

Bargaining Power of Suppliers – Moderate to High:

The bargaining power of suppliers in the utilities sector generally ranges from moderate to high but depends on the input type. Fuel suppliers have a large influence due to the concentration of fuel markets and utilities' heavy dependence on constant fuel supply. Natural gas suppliers and coal mining companies have strong bargaining positions because of limited alternatives and the crucial nature of their products for power generation. Equipment suppliers for specialized components also have high bargaining power because of the small number of qualified manufacturers. Utility companies can mitigate this risk through fuel diversification strategies despite supply chain concentration and technological specialization giving suppliers impactful bargaining power.

Bargaining Power of Buyers – Low:

The bargaining power of buyers has historically been low, but similar to the threat of substitutes, is increasing as the market evolves. Many residential customers have limited choices because of the natural monopoly characteristics of power distribution. However, larger industrial customers can create more bargaining power as they consume more energy and have the ability to negotiate rates. Along with that, the addition of energy resources like solar panels and energy storage systems has reduced customers' dependence on utilities. Although the market is continuing to change with technological advances, most consumers are relatively price-inelastic because of the few number of substitutes and how essential electricity is.

Company Rivalry – Low:

Company rivalry in the utilities sector is low due to the regulated structure. Utilities operate as natural monopolies with specific service areas, minimizing direct competition. Competition is lessened by the high fixed costs and stable demand patterns. The small amount of competition allows utility companies to generate significant influence in their established areas of services but creates challenges for companies to broaden their reach.

Company Analysis

Company Overview:

NiSource is a fully regulated utility company serving customers through two primary subsidiaries, Columbia Gas and NIPSCO. The company’s operations span across six states of the Midwest and Northeast region: Indiana, Kentucky, Maryland, Ohio, Pennsylvania, and Virginia. The electric operations are primarily concentrated in northern Indiana, where it is headquartered. NiSource has almost 60,000 miles of natural gas pipeline and 1,000 miles of electric transmission lines. Nearly all revenues are made from regulated utility operations and investments. Revenue segments include residential, industrial, commercial, and other.

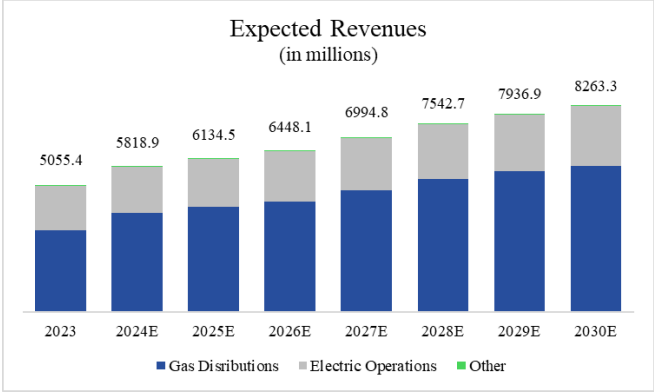
The company focuses on providing reliable and cleaner energy to all customers. In a strategy released in 2018 named “Your Energy, Your Future”, NiSource pledged to retire some coal-fired generating plants by 2023, and all by 2028 [21]. This is ongoing and will be done through a \$15 billion infrastructure investment program that is aimed to modernize its gas and electric systems, while advancing its clean energy transition. The company is also concentrated on reducing 90% of greenhouse gas emissions by 2030 and achieving net-zero emissions from its electric generation by 2040.

Revenue Decomposition:

To begin the valuation, we started by forecasting the revenue over the next seven years, until 2030. After initial research, we concluded it would take

five to eight years for NiSource to reach a steady state growth rate. Ultimately, we decided upon seven years of forecast data due to the goal of reducing carbon emissions by 90% by the end of 2030.

Expected Revenue (by Operation Segment)



As depicted in the graph above, from 2023 to 2024, we predict total revenues to increase by 5.69%. From 2024 to 2030, we anticipate revenue to grow between 4-8.50%, peaking in 2027 at 8.48% growth. These assumptions closely align with the expectations of FactSet analysts [7].

Approximately 60% of NiSource’s revenues come from its gas distributions. The remainder is made up of electric operations and other revenues, like investments. We predict that gas distribution revenues will grow at a faster rate as the U.S. population continues to grow and more natural gas is being demanded. The growth will reach a high in 2027 at 10.32%, but level off in 2030 at a 3.96% growth rate. We believe the growth rate will level off around 4% because of the renewable energy transition and initiatives that are expected to be in place by 2030. This will lower the amount of natural gas demanded, as customers and NiSource will be pushing for cleaner energy sources, lowering the increase in gas distribution revenues.

As for electric operations, we forecast these to grow at a fairly consistent rate, around 4.50%. In 2024, we foresee electric operations increasing by 2.85%, then rising to the 4.50% level each year thereafter. Electricity demand in 2023 fell by 1.6%, and we believe it will begin to recover in 2024 [14]. This belief is reflected in the lower growth rate for electric operations revenues in 2024. In the following years, electricity demand is likely to

continue to increase. This is due to factors including the expansion of electric vehicle charging and solar panels that require more electricity to power, rather than natural gas.

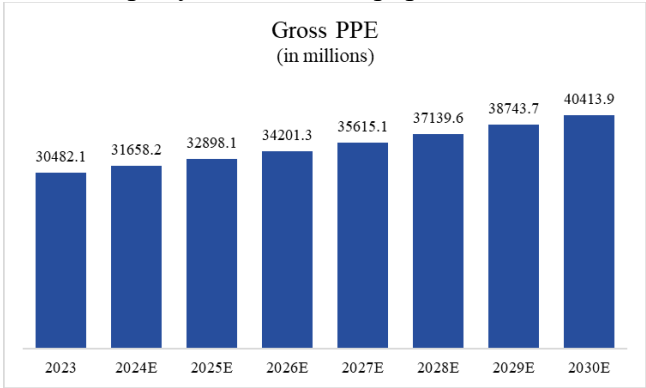
Lastly, for other revenues, we forecasted these at a 0% growth rate over the next seven years. These revenues include investment returns and other corporate revenues. Utilities companies typically receive stable returns, which our prediction reflects. We averaged the previous eight years of other revenues to arrive at the \$10.7 million number we used for the valuation.

Capital Expenditures (CapEx) and Gross Property, Plant, and Equipment (PPE):

Capital expenditures are fundamental to NiSource’s operations as it must continually invest in maintaining and upgrading its infrastructure. These costs include replacing old pipelines, modernizing grids, and building new facilities. All of these take substantial funding, making CapEx essential to the growth forecast.

In 2023, NiSource announced a plan of anticipated \$15 billion in investments of capital expenditures until 2027 [23]. This investment was the driving force behind our projections for CapEx. We predict that gross property, plant, and equipment (PPE) will grow at an average rate of 4.11% from 2024 to 2030, reaching over \$40 billion by 2030. By 2027, we forecast gross PPE at \$35.6 billion. Based on this number, our forecasts reflect around 35% of CapEx costs being used to acquire new infrastructure, with the remaining 65% spent on maintenance and upgrades to previous infrastructure.

Gross Property, Plant, and Equipment Forecast

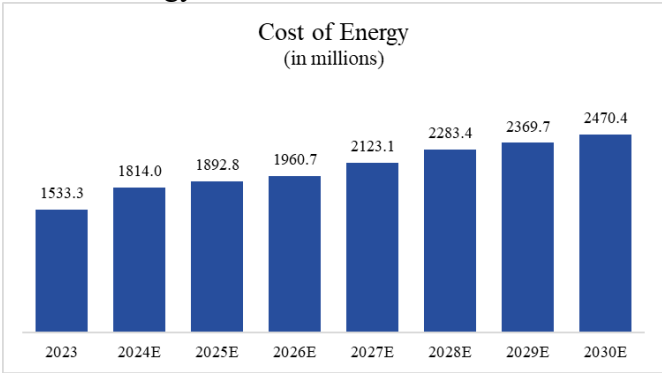


Following 2027, when the \$15 billion investment ends, we believe CapEx costs will continue to increase. Due to NiSource’s mission of reducing emissions by 90% in 2030, we foresee an opportunity for continued investments into new and updated infrastructure. This belief aligns well with NiSource company official thoughts during an earning call on May 3, 2024 [22].

Cost of Energy:

The cost of energy expense plays a large part in the operational efficiency of NiSource. We expect the cost of energy to remain relatively stable over the next seven years. This mirrors the expectations of Statista analysts who state that due to technological advancements and cleaner energy sources, the cost will decrease. However, the increase in expected demand and likely inflation will offset the decrease.

Cost of Energy Forecast



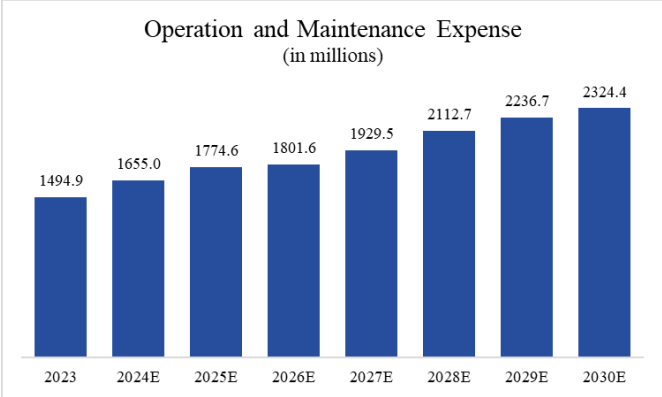
In our valuation, we forecast the cost of energy to remain proportionate to the total amount of expenses. This was calculated through an average of the previous ten years relative to the total revenues. Through this calculation, the cost of energy increases at an average of 7.36% until 2030. The average growth of 7.36% aligns well with the anticipated overall growth of the company and ensures the cost of energy remains proportionate to other operating expenses.

Operation and Maintenance Expenses:

Operation and maintenance expenses are critical in forecasting for NiSource because they directly impact earnings and rates for customers. Historically, NiSource’s operations and maintenance expenses account for approximately

35% of all operating expenses. In the valuation, we forecasted these expenses to remain around 35% of total operating expenses while also remaining proportionate to operating revenues. We calculated this in the same way that the cost of energy expenses was, as we took an average of the previous ten years relative to total revenues. This method ensures that expenses are growing comparable to revenues.

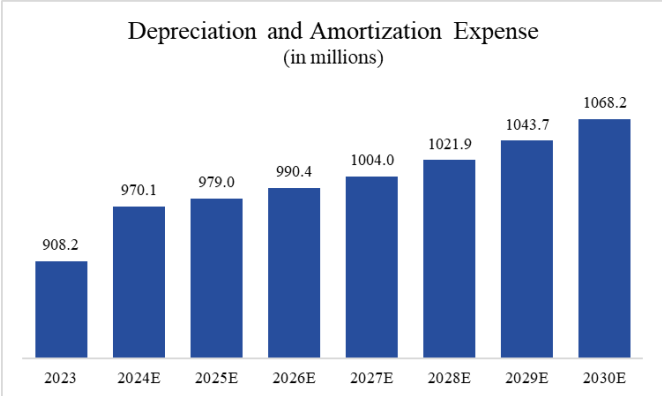
Operation and Maintenance Forecast



Depreciation and Amortization Expenses:

Depreciation and amortization expenses represent large investments in long-lived assets over their useful lives. These are non-cash expenses that are important for determining rates and rate case proceedings. It is crucial to have accurate forecasting for NiSource as they are transitioning towards clean energy. Depreciation and amortization expenses will help balance the retirement of current assets with the addition of new infrastructure. Moreover, changes in depreciation rates and useful lives largely impact reported earnings and cash flows.

Depreciation and Amortization Forecast



To forecast depreciation and amortization expense, we calculated an average implied depreciation rate of 4.35%. This calculation was done by analyzing the previous nine years’ depreciation expense and dividing that by the beginning net property, plant, and equipment. Using this average implied depreciation rate, we then forecasted the future depreciation expenses by taking the previous year’s net PPE and multiplying it by the 4.35%. In 2024, we anticipate the depreciation expense to be \$970 million and grow to \$1.07 billion by 2030.

Cost of Debt:

Cost of debt is critical for NiSource because of the reliance on debt-financing to fund investments and continued operations. Utility companies typically have higher debt levels than other industries, making interest expenses particularly important to overall financial performance. In the current environment, NiSource faces pressure to refinance debt or issue new bonds for funding, especially those related to the clean energy transition.

In order to calculate cost of debt, we looked to the Bloomberg 10-year treasury yield for the risk-free rate (4.32%) [3]. As for the pre-tax cost of debt, we used Bloomberg’s yield-to-maturity rate on its corporate bonds (5.38%) [3]. Lastly, for the marginal tax rate, we took the 2023 rate from NiSource’s 10-K (22.70%). To reach the after-tax cost of debt, we multiplied the pre-tax cost of debt by one minus the marginal tax rate, equaling 4.16%. Then we were able to find the implied default premium by taking the pre-tax cost of debt minus the risk-free rate, giving us 1.06%.

SWOT Analysis

Strengths:

NiSource’s primary strength is its fully regulated utility business model that provides stable earnings through controlled returns on infrastructure investments. The company benefits from operating across six states with timely cost recovery and modernization programs. Its geographic presence and balanced portfolio of natural gas and electric operations provides growth opportunities. NiSource’s healthy balance sheet and investment grade credit ratings allow funding for large capital

investment programs and competitive dividend payments. Furthermore, NiSource has shown operational excellence and safety improvements after the implementation of upgraded safety management systems following an accident in 2018 [20].

Weaknesses:

NiSource experiences weaknesses due to a large reliance on regulatory approvals for rate recovery and infrastructure investments that can lead to earnings delays. The company also has considerable capital expenditure requirements that place pressure on its financing needs, which can potentially strain its balance sheet. In addition, NiSource has improved its safety record, but after explosions that killed 1 and injured 22 in 2018, the company has made substantial investments in safety measures [30]. This incident temporarily damaged its reputation and requires ongoing focus and resources to enhance safety protocols.

Opportunities:

NiSource's ambitious clean energy transition plan presents its main opportunity for growth through investments in wind, solar, and battery storage projects. The growing emphasis on environmental, social, and governance (ESG) initiatives could accelerate those renewable energy investments and attract ESG-focused investors. Opportunities also present themselves as customer interest for energy interest increases. This could lead to new service offerings and new revenue streams, like electric vehicle charging infrastructure.

Threats:

NiSource faces potential threats from increasing environmental regulations and policy changes that may impact the natural gas distribution business. Climate change and severe weather events also pose as risks that could require additional investments. Other threats that may impact the cost and timing of projects include inflation, increasing interest rates, and supply chain disruptions. Due to the need for large amounts of capital for cost effective funding, the borrowing costs are crucial to NiSource and its operations.

Valuation Analysis

We applied three core valuation methodologies to assess NiSource's intrinsic value: Discounted Cash Flow/Economic Profit, Dividend Discount Model, and Relative P/E Valuation.

Discounted Cash Flow/Economic Profit (DCF/EP):

The DCF/EP analysis took discounted cash flows and non-operating assets and subtracted them from non-equity claims. This revealed a valuation of -\$43.07 per share, indicating a substantial destruction of shareholder value. Given that a share price cannot be negative, this reflects NiSource's inability to generate positive free cash flows due to its heavy reliance on debt-financed CapEx. As revenue growth fails to outpace rising costs, the company's economic profit continues to decline. The expected increase in debt to \$12.5 billion by 2030 further amplifies this negative outlook. Due to the nature of the business and the heavy investment in CapEx has led to negative free cash flows and made the DCF model a bad representation of share price for our company.

Dividend Discount Model (DDM):

The DDM yielded a valuation of \$53.70 per share, showcasing the appeal of NiSource's 2.88% dividend yield for income-focused investors. However, the model assumes stable revenue growth and consistent dividend payouts — assumptions that may not hold given the company's rising debt levels and intensifying capital requirements. While NiSource's regulated nature supports predictable revenue, its dividend sustainability remains in question amid unfavorable cash flow dynamics.

Relative P/E Valuation:

Using the Relative P/E model, we arrived at an implied P/E multiple of \$20.48, which is far below the company's actual P/E multiple of \$29.90. NiSource's trailing P/E ratio reflects an overvaluation compared to its industry peers. With a forecasted decline in EPS to \$1.23 in 2025, the relative valuation underscores the company's limited upside potential. Peers such as Alliant Energy and CMS Energy demonstrate stronger earnings growth and lower CapEx pressures, positioning them as more attractive investments. The relative P/E model gave us our most confident

valuations for the company as they are free from skews in free cash flow and also represent companies with similar situations. We have found our company range of \$24.9-\$53.7, this utilizes both our DDM and Relative P/E model. While this range is rather large we believe the company's value falls on the much lower side of this range due to its debts and CapEx spending. In order for us to reverse our sell recommendation, Ni Source would have to go through a massive restructuring of its capital structure eliminating a good chunk of debt, and cease its investments in new PPE. If they were able to achieve this while maintaining its current sales they would be able to finally achieve positive free cash flows and see its DCF valuation skyrocket to lucrative numbers.

Summary of Model Prices

- DCF/EP: -\$43.07 - reflecting shareholder value destruction
- DDM: \$53.70 - emphasizing dividend strength but masking underlying risks
- Relative P/E: \$24.90 - highlighting relative overvaluation

Sensitivity Analysis

*All sensitivity analysis prices show a negative value as our DCF model was the input for the tables (the DCF is discussed more in depth in the Valuation Analysis section). Therefore, we analyzed the importance of comparing these financial metrics, but did not dive into what each number may indicate for NiSource.

After-Tax Cost of Debt vs. Marginal Tax Rate:

Cost of debt and marginal tax rate are both crucial components in the forecast for NiSource because of their direct impact on capital structure and financial performance. NiSource funds investments with approximately 50% debt, so small changes can make a large impact on earnings and cash flows. The tax rate also influences net income and cash flows. The relationship between the after-tax cost of debt and marginal tax rates helps to determine NiSource's overall cost of capital.

		After-Tax Cost of Debt						
	(43.07)	3.42%	3.66%	3.91%	4.16%	4.41%	4.66%	4.91%
Tax Rate	19.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	20.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	21.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	22.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	23.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	24.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	25.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71

WACC vs. Equity Risk Premium:

The weighted average cost of capital (WACC) and equity risk premium are pertinent to the forecast, as they represent the balance between investor expectations and regulatory constraints. WACC serves as a benchmark for investment decisions, while equity risk premium capture the additional return investors demand for bearing the investment risk. Both components largely affect valuation models and investment strategies, and even slight movements to these metrics will impact asset valuations and capital decisions.

		WACC						
Equity Risk Premium	(43.07)	3.87%	4.17%	4.47%	4.77%	5.07%	5.37%	5.67%
	4.66%	(42.91)	(42.94)	(42.97)	(43.00)	(43.03)	(43.06)	(43.09)
	4.86%	(42.94)	(42.97)	(43.00)	(43.03)	(43.06)	(43.09)	(43.12)
	5.06%	(42.96)	(42.99)	(43.02)	(43.05)	(43.08)	(43.11)	(43.14)
	5.26%	(42.95)	(42.98)	(43.01)	(43.04)	(43.07)	(43.10)	(43.13)
	5.46%	(42.94)	(42.97)	(43.00)	(43.03)	(43.06)	(43.09)	(43.12)
	5.86%	(42.88)	(42.91)	(42.94)	(42.97)	(43.00)	(43.03)	(43.06)
	6.06%	(42.85)	(42.88)	(42.91)	(42.94)	(42.97)	(43.00)	(43.02)

Cash as % of Sales vs. CV Year Sales Growth

Cash as a percentage of sales and current year sales growth are crucial inputs for the forecast due to their insights into liquidity and revenue. Cash as a percentage of sales reveals NiSource's working capital strategy and ability to manage operational expenses and unexpected costs. Current year sales growth illustrates demand trends, like energy consumption patterns and potential impact regulatory changes. These financial metrics help understand financial flexibility and the ability to maintain stable returns in a highly regulated environment.

		CV Year Sales Growth						
	(43.07)	2.29%	2.49%	2.69%	2.89%	3.09%	3.29%	3.49%
Cash as % of Sales	0.15%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.21%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.27%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.33%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.39%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.45%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.51%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34

Beta vs. Risk-Free Rate:

Risk-free rate and beta both play a large role in the forecast for NiSource because of their impact on cost of capital and valuation metrics. The risk-free

rate serves as the foundation when determining allowed returns in rate cases, while also influencing borrowing costs. On the other hand, beta, which is much lower than the market average at 0.27, reflects the cash flow stability of the industry. Changes in either metric can impact WACC, potentially affecting investment decisions and shareholder returns.

Beta	Risk Free Rate							
	(43.07)	3.13%	3.38%	3.63%	3.88%	4.13%	4.38%	4.63%
0.12	(44.85)	(44.85)	(44.86)	(44.86)	(44.86)	(44.86)	(44.86)	(44.87)
0.17	(45.80)	(45.80)	(45.80)	(45.81)	(45.81)	(45.81)	(45.81)	(45.81)
0.22	(46.72)	(46.73)	(46.73)	(46.73)	(46.73)	(46.74)	(46.74)	(46.74)
0.27	(47.66)	(47.66)	(47.66)	(47.67)	(47.67)	(47.67)	(47.67)	(47.67)
0.32	(48.61)	(48.61)	(48.61)	(48.62)	(48.62)	(48.62)	(48.62)	(48.62)
0.37	(49.58)	(49.58)	(49.58)	(49.58)	(49.59)	(49.59)	(49.59)	(49.59)
0.42	(50.56)	(50.56)	(50.57)	(50.57)	(50.57)	(50.57)	(50.57)	(50.58)

CV Growth of NOPLAT vs. COGS as a % of Sales:

Current value growth of NOPLAT and COGS as a percentage of sales are key components in our forecast because of their effect on operational efficiency and long-term value creation. CV growth of NOPLAT helps to understand NiSource's core earnings power and operational efficiency. Meanwhile, COGS represents one of the most volatile inputs in NiSource's cost structure, providing insight into the ability to manage primary costs and cost recovery. Shifts to either of these numbers may impact operations and the ability to generate sustainable returns.

CV Growth of NOPLAT	COGS as a % of Sales							
	(43.07)	23.00%	25.00%	27.00%	29.00%	31.00%	33.00%	35.00%
2.25%	57.20	56.33	55.61	55.01	54.50	54.07	53.69	53.69
2.50%	57.20	56.33	55.61	55.01	54.50	54.07	53.69	53.69
2.75%	57.20	56.33	55.61	55.01	54.50	54.07	53.69	53.69
3.00%	57.20	56.33	55.61	55.01	54.50	54.07	53.69	53.69
3.25%	57.20	56.33	55.61	55.01	54.50	54.07	53.69	53.69
3.50%	57.20	56.33	55.61	55.01	54.50	54.07	53.69	53.69
3.75%	57.20	56.33	55.61	55.01	54.50	54.07	53.69	53.69

Inflation Rate vs. SGA as % of Sales:

Inflation rate and selling, general, and administrative (SGA) expenses as a percentage of sales were influential in our forecast as they both impact operation economics and regulatory decisions. Inflation affects NiSource's cost structure and nominal returns. Inflation is particularly impactful in the utilities industry because there can be a lag between cost increases and rate recovery that can periodically compress margins. SGA as a percentage of sales reflect the ability to manage overhead costs and administrative expenses in comparison to revenue growth. The interaction of these metrics is

prominent during inflationary periods, as NiSource must demonstrate cost management to regulators, while maintaining service quality. Together, inflation and SGA expenses are critical for financial planning and rate case preparations.

Inflation Rate	SGA as a % of Sales							
	(43.07)	22.50%	24.50%	26.50%	28.50%	30.50%	32.50%	34.50%
3.35%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)	(36.41)
3.60%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)	(36.41)
3.85%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)	(36.41)
4.10%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)	(36.41)
4.35%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)	(36.41)
4.60%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)	(36.41)
4.85%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)	(36.41)

Conclusion

NiSource's high debt levels create financial risk in the current high-interest rate environment, potentially hindering the company's ability to fund its ambitious \$15 billion investment. The company is also likely to run into execution problems in its plan to transition to clean energy regarding regulatory approval and supply chain issues. These challenges combined with the over valuation relative to industry peers, suggests limited upside potential and heightened risk for investors. All of these factors play a large part in our **SELL** rating recommendation that we have assigned to NiSource.

Important Disclaimer

This report was created by students enrolled in the Security Analysis (6F:112) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

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NiSource
Revenue Decomposition

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
Gas Distribution Operations										
Residential	2143.4	2609.7	2517.7	2618.4	2775.5	2900.4	3248.5	3589.5	3751.1	3788.6
Commercial	722.4	939.6	847.9	877.7	908.5	940.4	973.4	1007.6	1043.0	1079.6
Industrial	195.7	220.6	226.0	232.8	239.8	247.0	254.4	262.0	269.9	278.0
Off-System	71.3	192.9	60.6	107.2	117.9	129.7	142.6	156.9	172.6	181.2
Wholesale	1.4	2.1	1.6							
Public Authority	-	-	-							
Miscellaneous	25.9	38.2	48.2	41.1	41.1	41.1	41.1	41.1	41.1	41.1
Other	45.1	4.1	73.6	51.3	51.3	51.3	51.3	51.3	51.3	51.3
Total Gas Distributions	3171.2	4007.2	3720.4	3928.4	4134.1	4309.8	4711.3	5108.5	5328.9	5419.8
Electric Operations										
Residential	567.9	592.4	583.9	642.3	706.5	777.2	854.9	940.4	1034.4	1106.8
Commercial	534.9	571.0	578.1	607.0	637.4	669.2	702.7	737.8	774.7	813.4
Industrial	493.4	560.6	474.1	488.3	503.0	518.1	533.6	549.6	566.1	583.1
Off-System	-	-	-							
Wholesale	15.7	13.5	32.0	24.1	25.3	26.6	27.9	29.3	30.8	32.3
Public Authority	12.5	12.1	11.5							
Miscellaneous	-20.0	-14.1	21.4	15.0	15.0	15.0	15.0	15.0	15.0	16.0
Other	91.9	95.4	83.4	87.6	91.9	96.5	101.4	106.4	111.8	117.4
Total Electric	1696.3	1830.9	1784.2	1864.3	1979.1	2102.6	2235.5	2378.6	2532.8	2669.0
Corporate and Other										
Miscellaneous	0.8	-	-							
Other	31.3	12.5	0.8							
Total Corporate and Other	32.1	12.5	0.8	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Gas Transportation										
	-	-	-							
Total Revenues	4899.6	5850.6	5505.4	5803.4	6123.8	6423.1	6957.4	7497.7	7872.4	8099.5

NiSource
Income Statement

(in millions, except for per share and share values are in thousands)

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
Customer Revenues	4731.3	5738.6	5347.8	5664.5	5980.6	6275.3	6804.8	7339.9	7709.3	7930.8
Other Revenues	168.3	112.0	157.6	138.9	143.2	147.8	152.7	157.7	163.1	168.7
Total Operating Revenues	4899.6	5850.6	5505.4	5803.4	6123.8	6423.1	6957.4	7497.7	7872.4	8099.5
Cost of Energy	1392.3	2110.5	1533.3	1688.8	1777.6	1932.9	2117.1	2196.8	2329.4	2404.6
Operation & Maintenance	1456.0	1489.4	1494.9	1650.6	1771.5	1794.6	1919.1	2100.1	2218.5	2278.3
Depreciation & Amortization	748.4	820.8	908.2	970.1	978.9	990.2	1003.6	1021.1	1042.6	1066.5
Loss on Sale of Assets, Net	7.7	-104.2	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Taxes	288.3	268.3	270.6	313.5	333.6	349.5	378.6	409.2	430.3	440.9
Total Operating Expenses	3892.7	4584.8	4209.9	4622.9	4861.6	5067.2	5418.4	5727.2	6020.9	6190.2
Operating Income	1006.9	1265.8	1295.5	1180.5	1262.3	1355.9	1539.1	1770.5	1851.5	1909.3
Interest Expense, Net	-341.1	-361.6	-489.6	-551.3	-561.3	-572.5	-587.9	-605.6	-621.9	-638.1
Other, Net	40.8	52.2	8.0	101.0	-5.6	4.4	14.3	25.6	37.6	46.4
Total Other Deductions, Net	-300.3	-309.4	-481.6	-450.3	-567.0	-568.1	-573.6	-580.0	-584.3	-591.7
Income Before Income Taxes	706.6	956.4	813.9	730.2	695.3	787.8	965.4	1190.5	1267.1	1317.6
Income Taxes	117.8	164.6	139.5	165.8	157.8	178.8	219.2	270.2	287.6	299.1
Net Income	588.8	791.8	674.4	564.5	537.5	609.0	746.3	920.2	979.5	1018.5
Net Income Attributable to Noncontrolling Interest	3.9	-12.3	-39.9	-33.4	-31.8	-36.0	-44.2	-54.4	-58.0	-60.3
Net Income Attributable to NiSource Inc.	584.9	804.1	714.3	597.9	569.3	645.0	790.4	974.7	1037.5	1078.7
Preferred Dividends	-55.1	-55.1	-42.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred Redemption Premium	-	-	-9.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (Loss) Available to Common Shareholders	529.8	749.0	661.7	597.9	569.3	645.0	790.4	974.7	1037.5	1078.7
Weighted Average Shares Basic	393.6	407.1	416.1	453.0	463.2	472.4	481.9	491.5	501.4	511.4
Year End Shares Outstanding	405.3	412.1	447.4	458.6	467.8	477.1	486.7	496.4	506.3	516.4
Basic EPS	\$ 1.35	\$ 1.84	\$ 1.59	\$ 1.32	\$ 1.23	\$ 1.37	\$ 1.64	\$ 1.98	\$ 2.07	\$ 2.11
Dividends per Share	\$ 0.88	\$ 0.94	\$ 1.00	\$ 1.06	\$ 1.12	\$ 1.18	\$ 1.24	\$ 1.30	\$ 1.36	\$ 1.42

NiSource
Balance Sheet

<i>Fiscal Years Ending Dec. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
Plant	25171.3	27551.3	30482.1	31655.1	32892.8	34191.0	35597.2	37112.6	38703.7	40340.7
Accumulated Depreciation & Amortization	-7289.5	-7708.7	-8207.2	-9177.3	-10156.1	-11146.3	-12149.9	-13171.0	-14213.6	-15280.2
Net Property, Plant and Equipment	17881.8	19842.6	22274.9	22477.8	22736.6	23044.7	23447.3	23941.6	24490.1	25060.6
Unconsolidated Affiliates	0.8	1.6	5.3	4.0	3.6	3.2	3.0	3.2	3.5	4.0
Available-for-Sale Debt Securities	171.8	151.6	159.1	166.3	173.7	181.6	189.7	198.3	207.2	216.5
Other Investments	87.1	71.0	82.7	86.4	90.3	94.4	98.6	103.1	107.7	112.5
Total Investments & Other Assets	259.7	224.2	247.1	256.6	267.7	279.1	291.3	304.5	318.4	333.1
Cash & Cash Equivalents	84.2	40.8	2245.4	-125.5	98.0	317.0	569.5	835.0	1031.6	1184.8
Restricted Cash	10.7	34.6	35.7	37.3	37.3	37.3	37.3	37.3	37.3	37.3
Accounts Receivable, Net	825.6	1041.9	862.0	1000.4	1059.9	1131.8	1217.4	1304.8	1344.1	1387.9
Gas Storage	327.4	531.7	265.8	356.6	371.8	381.5	411.3	443.7	468.3	491.0
Materials & Supplies, at Average Cost	139.1	151.4	172.1	138.1	150.3	161.4	176.6	193.0	207.4	216.0
Electric Production Fuel, at Average Cost	32.2	68.8	65.3	79.1	85.7	84.2	82.8	85.9	93.8	97.8
Exchange Gas Receivable	99.6	128.1	66.0	65.6	70.1	78.0	92.1	102.1	104.4	110.6
Regulatory Assets	206.2	233.2	214.3	230.8	249.5	264.1	276.2	300.3	310.6	316.5
Deposits to Renewable Generation Asset Developer	0.0	143.8	454.2	310.7	327.9	343.9	372.5	401.4	421.5	433.6
Prepayments & Other	104.8	210.0	118.6	149.1	157.0	166.3	177.9	190.5	200.1	203.1
Total Current Assets	1920.8	2584.3	4499.4	1329.9	1412.3	1479.4	1589.4	1716.9	1806.0	1868.6
Regulatory Assets	2286.0	2347.6	2245.9	2171.0	2359.4	2501.3	2726.9	2982.6	3136.6	3236.6
Goodwill	1485.9	1485.9	1485.9	1485.9	1485.9	1485.9	1485.9	1485.9	1485.9	1485.9
Deferred Charges & Other Assets	322.7	252.0	324.0	191.8	213.9	237.8	269.1	306.4	340.6	360.0
Total Other Assets	4094.6	4085.5	4055.8	3848.7	4059.3	4225.0	4481.9	4774.9	4963.1	5082.6
Total Assets	24157	26737	31077	28914	29536	30160	31027	32043	32922	33733
Common Equity	7208.4	7379.6	8884.0	8046.0	8212.9	8327.5	8343.0	8234.2	8167.0	8096.1
Preferred Stock	1546.5	1546.5	486.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury Stock	-99.9	-99.9	-99.9	-99.9	-99.9	-99.9	-99.9	-99.9	-99.9	-99.9
Retained Deficit	-1580.9	-1213.6	-967.0	-849.3	-798.8	-711.2	-518.4	-182.6	173.0	525.5
Accumulated Other Comprehensive Loss	-126.8	-37.1	-33.6	-33.6	-33.6	-33.6	-33.6	-33.6	-33.6	-33.6
Total NiSource Inc. Stockholders' Equity	6947.3	7575.4	8269.6	7063.2	7280.6	7482.8	7691.1	7918.1	8206.5	8488.1
Noncontrolling Interest in Consolidated Subsidiaries	325.6	326.4	1866.7	1900.1	1931.9	1967.9	2012.1	2066.5	2124.5	2184.7
Total Stockholders' Equity	7272.9	7901.8	10136.3	8963.3	9212.5	9450.7	9703.2	9984.6	10330.9	10672.9
Long-term Debt, Excluding Amounts Due Within One Year	9183.4	9523.6	11055.5	11213.2	11342.3	11496.0	11696.8	11943.4	12217.0	12501.6
Total Capitalization	16456.3	17425.4	21191.8	20176.5	20554.8	20946.6	21400.0	21928.0	22547.9	23174.5
Current Portion of Long-term Debt	58.1	30.0	23.8	44.4	36.6	31.1	25.2	22.5	32.8	33.8
Short-term Borrowings	560.0	1761.9	3048.6	2003.8	2123.6	2244.7	2419.7	2602.2	2710.3	2814.6
Accounts Payable	697.8	899.5	749.4	756.7	814.9	880.4	965.4	1048.2	1074.6	1112.6
Customer Deposits & Credits	237.9	324.7	294.4	308.5	330.2	337.3	361.0	387.6	410.9	425.1
Taxes Accrued	277.1	246.2	166.2	194.2	199.1	214.1	242.2	275.4	291.0	299.9
Interest Accrued	105.5	138.4	136.1	153.3	156.0	159.1	163.4	168.4	172.9	177.4
Asset Retirement Obligations	0.0	35.5	72.5	38.8	43.2	44.5	47.0	50.8	56.4	61.4
Exchange Gas Payable	107.7	147.6	50.5	93.0	95.0	101.0	107.4	118.2	123.3	130.3
Regulatory Liabilities	137.4	236.8	278.6	300.0	324.4	343.4	359.1	390.4	403.8	411.4
Accrued Compensation & Employee Benefits	182.7	167.5	227.6	194.8	208.5	217.3	230.6	251.7	267.4	278.4
Obligations to Renewable Generation Asset Developer	0.0	347.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Accruals	382.0	360.7	217.4	210.5	208.5	224.7	255.0	288.3	323.9	344.2
Total current liabilities	2746.2	4660.5	5265.1	4298.1	4540.2	4797.8	5176.1	5603.7	5867.3	6089.1
Deferred Income Taxes	1659.4	1854.5	2080.4	1949.2	1817.9	1686.7	1555.4	1424.2	1292.9	1161.7
Accrued Liability for Postretirement & Postemployment Benefits	292.5	245.5	250.1	218.8	191.5	167.5	146.6	128.3	112.2	98.2
Regulatory Liabilities	1842.6	1775.8	1510.7	1460.3	1587.1	1682.5	1834.2	2006.2	2109.8	2177.1
Asset Retirement Obligations	469.7	478.1	480.5	500.2	520.7	542.1	564.3	587.4	611.5	636.6
Other Noncurrent Liabilities	690.2	296.8	298.6	310.8	323.6	336.9	350.7	365.0	380.0	395.6
Total Other Liabilities	4954.4	4650.7	4620.3	4439.4	4440.8	4415.6	4451.2	4511.1	4506.5	4469.1
Total Capitalization and Liabilities	24157	26737	31077	28914	29536	30160	31027	32043	32922	33733

NiSource
Historical Cash Flow Statement

<i>Fiscal Years Ending Dec. 31</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Income (Loss)	530	302.1	331.5	128.5	-50.6	383.1	-14.2	588.8	791.8	674.4
Depreciation & Amortization	605.5	524.4	547.1	570.3	599.6	717.4	725.9	748.4	820.8	908.2
Deferred Income Taxes & Investment Tax Credits	299.1	135.3	182.3	306.7	-188.2	118.2	-29	111.9	156.9	134.1
Stock Compensation Expense & 401(k) Profit Sharing Contribution	72.3	50.7	46.5	40.1	28.6	25.9	17.4	24.3	24.9	33.5
Loss (Gain) on Sale of Assets	-31.5	-	-	-	-	-	409.8	5.6	-105.3	2.9
Other Adjustments	-	-	-3.8	6.5	1.7	-0.9	0.2	-0.7	5.7	-17.9
Accounts Receivable	-63.1	262.2	-188	-52.3	-186.2	187.8	-3.9	-40.3	-216.3	184.1
Gas Storage and Other Inventories	-119.9	46.9	38.9	19	41.4	-2	-1.5	-112.9	-258.9	233.9
Accounts Payable	37.6	-190.5	108.8	49	268.4	-299.9	-29.7	54.9	165	-171.8
Exchange Gas Receivable/Payable	-42.8	-31.7	36.9	-64.5	-21.5	55.5	-6.9	-114.2	57.8	126.5
Other Accruals	5.1	-55.1	-6.0	31.8	43.5	105.3	-218.8	43.0	73.4	-102.9
Prepayments & Other Current Assets	-10.1	0.7	-0.4	-13.3	-14.5	-33.6	-5.9	-36.6	-9.8	36.7
Regulatory Assets/Liabilities	-246.6	-17.6	-187.9	57.5	-53.2	-85.6	70.8	76.8	-129.4	-26.2
Postretirement & Postemployment Benefits	138.2	25.6	-44.8	-380.9	58.2	-21.1	-103.6	-96.4	84.7	-22.0
Deferred Charges & Other Noncurrent Assets	-0.4	5.2	-1.2	-2.0	3.8	-76.1	-15.0	-4.7	-4.1	-10.1
Other Noncurrent Liabilities and Deferred Credits	-3.1	-20.3	0.5	-34.5	-2.8	61.6	21.7	-30.0	-47.8	-48.3
Net Cash Flows from Operating Activities	1319.6	1456.8	803.3	742.2	540.1	1583.3	1104	1217.9	1409.4	1935.1
Capital Expenditures	-2028.5	-1360.7	-1475.2	-1695.8	-1818.2	-1802.4	-1758.1	-1838	-2203.1	-2645.8
Insurance Recoveries	11.3	-	-	-	-	-	-	-	105.0	3.0
Cost of Removal	-	-	-110.1	-109.0	-104.3	-113.2	-138.2	-121.1	-151.7	-160.8
Purchases of Available-for-Sale Securities	-	-	-	-168.4	-90.0	-140.4	-144.7	-102.9	-73.5	-42.8
Sales of Available-for-Sale Securities	-	-	-	163.1	82.3	132.1	131.4	97.8	75.7	39.9
Payment to Renewable Generation Asset Developer	-	-	-	-	-	-	-85.3	-240.4	-323.9	-761.4
Other Investing Activities	-25.9	-62.2	-17.7	1.6	4.1	1.5	-0.1	-1.0	1.3	-3.7
Net Cash Flows from Investing Activities	-2116.6	1944.9	-1582.9	-1808.5	-1926.1	-1922.4	-879.1	-2204.9	-2570.2	-3571.6
Proceeds from Issuance of Long-Term Debt	748.4	-	500.0	3250.0	350.0	750.0	2974.0	-	345.6	1488.7
Repayments of Long-Term Debt & Finance Lease Obligations	-	-2092.2	-434.6	-1855.0	-1046.1	-51.6	-1622.0	-25.7	-60.3	-33.1
Issuance of Short-Term Credit Agreements	-	-	-	-	950.0	600.0	1350.0	-	1000.0	650.0
Net Change in Commercial Paper and Other Short-Term Borrowings	878.1	-936.4	920.6	-282.4	-178.5	-104	-420.1	57.0	202.2	636.4
Issuance of Common Stock, Net of Issuance Costs	30.3	22.5	23.1	336.7	848.2	244.4	211.4	299.6	154.3	12.9
Payment of Obligation to Renewable Generation Asset Developer	-	-	-	-	-	-	-	-	-	-347.2
Equity Costs, Premiums & Other Debt Related Costs	-8.7	-93.5	-3.7	-144.3	-46.0	-17.8	-246.5	-18.2	-13.0	-30.2
Contributions from Noncontrolling Interest	-	-	-	-	-	-	82.2	245.1	21.2	2402.8
Distributions to Noncontrolling Interest	-	-	-	-	-	-	-	-0.6	-6.0	-14.1
Issuance of Equity Units, Net of Underwriting Costs	-	-	-	-	-	-	-	839.9	-	-
Redemption of Preferred Stock	-	-	-	-	-	-	-	-	-	-393.9
Dividends Paid - Common Stock	-321.3	-263.4	-205.5	-229.1	-273.3	-298.5	-321.6	-345.2	-381.5	-413.5
Preferred Stock Redemption Premium	-	-	-	-	-	-	-	-	-	-6.2
Dividends Paid - Preferred Stock	-	-	-	-	-11.6	-56.1	-55.1	-55.1	-55.1	-43.8
Contract Liability Payment	-	-	-	-	-	-	-	-40.5	-66.1	-66.6
Net Cash Flows From Financing Activities	795.6	-3411.6	790.5	1068.7	1468.7	366.4	-247.7	956.3	1141.3	3842.2
Change in Cash, Cash Equivalents & Restricted Cash	-1.6	-9.4	10.9	2.4	82.7	27.3	-22.8	-30.7	-19.5	2205.7
Cash, Cash Equivalents & Restricted Cash at Beginning of Period	26.5	24.9	15.5	36.0	38.4	121.1	148.4	125.6	94.9	75.4
Cash, Cash Equivalents & Restricted Cash at End of Period	24.9	15.5	26.4	38.4	121.1	148.4	125.6	94.9	75.4	2281.1

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
Operating Cash Flows							
Consolidated Net Income	597.9	569.3	645.0	790.4	974.7	1037.5	1078.7
Depreciation and Amortization	970.1	978.9	990.2	1003.6	1021.1	1042.6	1066.5
Change in Accounts Receivable	-138.0	-64.1	-79.7	-99.7	-97.5	-41.5	-50.0
Change in Gas Storage and Other Inventories	-70.6	-33.9	-19.4	-43.5	-51.9	-46.9	-35.3
Change in Accounts Payable	49.8	60.2	71.5	91.5	93.5	31.6	45.0
Change in Other Accruals	5.5	19.4	43.1	75.9	92.5	71.5	44.7
Change in Prepayments and Other Current Assets	-96.5	43.9	39.9	52.3	65.6	40.0	21.1
Cash Flows from Operating Activities	1318.1	1573.6	1690.6	1870.4	2098.0	2134.6	2170.6
Investing Cash Flows							
Change in Short-term Investments	-10.9	-11.4	-11.9	-12.4	-13.0	-13.6	-14.2
Changes in Gross PPE (CapEx)	-1173.0	-1237.7	-1298.2	-1406.2	-1515.4	-1591.1	-1637.0
Change in Other Assets	132.2	-22.1	-23.9	-31.3	-37.3	-34.2	-19.4
Cash Flows from Investing Activities	-1051.7	-1271.2	-1334.0	-1449.9	-1565.7	-1638.9	-1670.6
Financing Cash Flows							
Changes in Short-term Borrowings	-1044.8	119.8	121.1	175.0	182.5	108.1	104.3
Changes in Long-term Debt Due Within One Year	20.6	-7.8	-5.5	-5.9	-2.7	10.3	1.1
Change in Long-term Debt	157.7	129.1	153.7	200.8	246.6	273.6	284.6
Changes in Common Equity	-838.0	166.9	114.6	15.5	-108.8	-67.2	-70.9
Preferred Stock	-486.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Dividends	-480.2	-518.8	-557.5	-597.5	-639.0	-681.8	-726.2
Change in Noncontrolling Interest	33.4	31.8	36.0	44.2	54.4	58.0	60.3
Cash Flows from Financing Activities	-2637.4	-78.9	-137.6	-167.9	-266.9	-299.1	-346.8

NiSource
Common Size Income Statement

<i>Fiscal Years Ending Dec. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
Customer Revenues	96.57%	98.09%	97.14%	97.61%	97.66%	97.70%	97.81%	97.90%	97.93%	97.92%
Other Revenues	3.43%	1.91%	2.86%	2.39%	2.34%	2.30%	2.19%	2.10%	2.07%	2.08%
Total Operating Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Energy	28.42%	36.07%	27.85%	29.10%	29.03%	30.09%	30.43%	29.30%	29.59%	29.69%
Operation & Maintenance	29.72%	25.46%	27.15%	28.44%	28.93%	27.94%	27.58%	28.01%	28.18%	28.13%
Depreciation & Amortization	15.27%	14.03%	16.50%	16.72%	15.98%	15.42%	14.42%	13.62%	13.24%	13.17%
Gain (Loss) on Sale of Assets, Net	0.16%	-1.78%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Taxes	5.88%	4.59%	4.92%	5.40%	5.45%	5.44%	5.44%	5.46%	5.47%	5.44%
Total Operating Expenses	79.45%	78.36%	76.47%	79.66%	79.39%	78.89%	77.88%	76.39%	76.48%	76.43%
Operating Income	20.55%	21.64%	23.53%	20.34%	20.61%	21.11%	22.12%	23.61%	23.52%	23.57%
Interest Expense, Net	-6.96%	-6.18%	-8.89%	-9.50%	-9.17%	-8.91%	-8.45%	-8.08%	-7.90%	-7.88%
Other, Net	0.83%	0.89%	0.15%	1.74%	-0.09%	0.07%	0.21%	0.34%	0.48%	0.57%
Total Other Deductions, Net	-6.13%	-5.29%	-8.75%	-7.76%	-9.26%	-8.84%	-8.24%	-7.74%	-7.42%	-7.31%
Income Before Income Taxes	14.42%	16.35%	14.78%	12.58%	11.35%	12.27%	13.88%	15.88%	16.10%	16.27%
Income Taxes	2.40%	2.81%	2.53%	2.86%	2.58%	2.78%	3.15%	3.60%	3.65%	3.69%
Net Income	12.02%	13.53%	12.25%	9.73%	8.78%	9.48%	10.73%	12.27%	12.44%	12.57%
Net Income Attributable to Noncontrolling Interest	0.08%	-0.21%	-0.72%	-0.58%	-0.52%	-0.56%	-0.63%	-0.73%	-0.74%	-0.74%
Net Income Attributable to NiSource Inc.	11.94%	13.74%	12.97%	10.30%	9.30%	10.04%	11.36%	13.00%	13.18%	13.32%
Preferred Dividends	-1.12%	-0.94%	-0.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Preferred Redemption Premium	-	-	-0.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Income (Loss) Available to Common Shareholders	10.81%	12.80%	12.02%	10.30%	9.30%	10.04%	11.36%	13.00%	13.18%	13.32%
Weighted Average Shares Basic	8.03%	6.96%	7.56%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Year End Shares Outstanding	8.27%	7.04%	8.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Basic EPS	0.03%	0.03%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Dividends per Share	0.02%	0.02%	0.02%	7.81%	7.56%	7.36%	6.93%	6.56%	6.37%	6.31%

NiSource
Common Size Balance Sheet

<i>Fiscal Years Ending Dec. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
Plant	513.74%	470.91%	553.68%	545.46%	537.13%	532.31%	511.64%	494.99%	491.64%	498.07%
Accumulated Depreciation & Amortization	-148.78%	-131.76%	-149.08%	-158.14%	-165.85%	-173.53%	-174.63%	-175.67%	-180.55%	-188.66%
Net Property, Plant and Equipment	364.96%	339.15%	404.60%	387.32%	371.28%	358.78%	337.01%	319.32%	311.09%	309.41%
Unconsolidated Affiliates	0.02%	0.03%	0.10%	0.07%	0.06%	0.05%	0.04%	0.04%	0.04%	0.05%
Available-for-Sale Debt Securities	3.51%	2.59%	2.89%	2.86%	2.84%	2.83%	2.73%	2.64%	2.63%	2.67%
Other Investments	1.78%	1.21%	1.50%	1.49%	1.47%	1.47%	1.42%	1.37%	1.37%	1.39%
Total Investments & Other Assets	5.30%	3.83%	4.49%	4.42%	4.37%	4.35%	4.19%	4.06%	4.04%	4.11%
Cash & Cash Equivalents	1.72%	0.70%	40.79%	-2.16%	1.60%	4.94%	8.19%	11.14%	13.10%	14.63%
Restricted Cash	0.22%	0.59%	0.65%	0.64%	0.61%	0.58%	0.54%	0.50%	0.47%	0.46%
Accounts Receivable	16.85%	17.81%	15.66%	17.24%	17.31%	17.62%	17.50%	17.40%	17.07%	17.14%
Gas Storage	6.68%	9.09%	4.83%	6.14%	6.07%	5.94%	5.91%	5.92%	5.95%	6.06%
Materials & Supplies, at Average Cost	2.84%	2.59%	3.13%	2.38%	2.45%	2.51%	2.54%	2.57%	2.63%	2.67%
Electric Production Fuel, at Average Cost	0.66%	1.18%	1.19%	1.36%	1.40%	1.31%	1.19%	1.15%	1.19%	1.21%
Exchange Gas Receivable	2.03%	2.19%	1.20%	1.13%	1.14%	1.21%	1.32%	1.36%	1.33%	1.36%
Regulatory Assets	4.21%	3.99%	3.89%	3.98%	4.07%	4.11%	3.97%	4.01%	3.95%	3.91%
Deposits to Renewable Generation Asset Developer	-	2.46%	8.25%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%
Prepayments & Other	2.14%	3.59%	2.15%	2.57%	2.56%	2.59%	2.56%	2.54%	2.54%	2.51%
Total Current Assets	39.20%	44.17%	81.73%	22.92%	23.06%	23.03%	22.84%	22.90%	22.94%	23.07%
Regulatory Assets	46.66%	40.13%	40.79%	37.41%	38.53%	38.94%	39.19%	39.78%	39.84%	39.96%
Goodwill	30.33%	25.40%	26.99%	25.60%	24.26%	23.13%	21.36%	19.82%	18.87%	18.35%
Deferred Charges & Other Assets	6.59%	4.31%	5.89%	3.31%	3.49%	3.70%	3.87%	4.09%	4.33%	4.45%
Total Other Assets	83.57%	69.83%	73.67%	66.32%	66.29%	65.78%	64.42%	63.68%	63.04%	62.75%
Total Assets	493.04%	456.99%	564.49%	498.22%	482.31%	469.56%	445.96%	427.37%	418.19%	416.48%
Common Equity	147.12%	126.13%	161.37%	138.64%	134.11%	129.65%	119.92%	109.82%	103.74%	99.96%
Preferred Stock	31.56%	26.43%	8.83%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Treasury Stock	-2.04%	-1.71%	-1.81%	-1.72%	-1.63%	-1.56%	-1.44%	-1.33%	-1.27%	-1.23%
Retained Deficit	-32.27%	-20.74%	-17.56%	-14.63%	-13.04%	-11.07%	-7.45%	-2.44%	2.20%	6.49%
Accumulated Other Comprehensive Loss	-2.59%	-0.63%	-0.61%	-0.58%	-0.55%	-0.52%	-0.48%	-0.45%	-0.43%	-0.41%
Total NiSource Inc. Stockholders' Equity	141.79%	129.48%	150.21%	121.71%	118.89%	116.50%	110.55%	105.61%	104.24%	104.80%
Noncontrolling Interest in Consolidated Subsidiaries	6.65%	5.58%	33.91%	32.74%	31.55%	30.64%	28.92%	27.56%	26.99%	26.97%
Total Stockholders' Equity	148.44%	135.06%	184.12%	154.45%	150.44%	147.14%	139.47%	133.17%	131.23%	131.77%
Long-term Debt, Excluding Amounts Due Within One Year	187.43%	162.78%	200.81%	193.22%	185.22%	178.98%	168.12%	159.29%	155.19%	154.35%
Total Capitalization	335.87%	297.84%	384.93%	347.67%	335.65%	326.11%	307.59%	292.46%	286.42%	286.12%
Current Portion of Long-term Debt	1.19%	0.51%	0.43%	0.77%	0.60%	0.48%	0.36%	0.30%	0.42%	0.42%
Short-term Borrowings	11.43%	30.11%	55.37%	34.53%	34.68%	34.95%	34.78%	34.71%	34.43%	34.75%
Accounts Payable	14.24%	15.37%	13.61%	13.04%	13.31%	13.71%	13.88%	13.98%	13.65%	13.74%
Customer Deposits & Credits	4.86%	5.55%	5.35%	5.32%	5.39%	5.25%	5.19%	5.17%	5.22%	5.25%
Taxes Accrued	5.66%	4.21%	3.02%	3.35%	3.25%	3.33%	3.48%	3.67%	3.70%	3.70%
Interest Accrued	2.15%	2.37%	2.47%	2.64%	2.55%	2.48%	2.35%	2.25%	2.20%	2.19%
Asset Retirement Obligations	-	0.61%	1.32%	0.67%	0.71%	0.69%	0.68%	0.68%	0.72%	0.76%
Exchange Gas Payable	2.20%	2.52%	0.92%	1.60%	1.55%	1.57%	1.54%	1.58%	1.57%	1.61%
Regulatory Liabilities	2.80%	4.05%	5.06%	5.17%	5.30%	5.35%	5.16%	5.21%	5.13%	5.08%
Accrued Compensation & Employee Benefits	3.73%	2.86%	4.13%	3.36%	3.40%	3.38%	3.31%	3.36%	3.40%	3.44%
Obligations to Renewable Generation Asset Developer	-	5.93%	-	-	-	-	-	-	-	-
Other Accruals	7.80%	6.17%	3.95%	3.63%	3.40%	3.50%	3.66%	3.84%	4.11%	4.25%
Total current liabilities	56.05%	79.66%	95.64%	74.06%	74.14%	74.70%	74.40%	74.74%	74.53%	75.18%
Deferred Income Taxes	33.87%	31.70%	37.79%	33.59%	29.69%	26.26%	22.36%	18.99%	16.42%	14.34%
Accrued Liability for Postretirement & Postemployment Benefits	5.97%	4.20%	4.54%	3.77%	3.13%	2.61%	2.11%	1.71%	1.43%	1.21%
Regulatory Liabilities	37.61%	30.35%	27.44%	25.16%	25.92%	26.19%	26.36%	26.76%	26.80%	26.88%
Asset Retirement Obligations	9.59%	8.17%	8.73%	8.62%	8.50%	8.44%	8.11%	7.83%	7.77%	7.86%
Other Noncurrent Liabilities	14.09%	5.07%	5.42%	5.36%	5.28%	5.24%	5.04%	4.87%	4.83%	4.88%
Total Other Liabilities	101.12%	79.49%	83.92%	76.50%	72.52%	68.75%	63.98%	60.17%	57.24%	55.18%
Total Capitalization and Liabilities	493.04%	456.99%	564.49%	498.22%	482.31%	469.56%	445.96%	427.37%	418.19%	416.48%

NiSource

Value Driver Estimation

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
NOPLAT:										
Revenue	4899.6	5850.6	5505.4	5803.4	6123.8	6423.1	6957.4	7497.7	7872.4	8099.5
Less: COGS	1392.3	2110.5	1533.3	1688.8	1777.6	1932.9	2117.1	2196.8	2329.4	2404.6
Less: SG&A	1456.0	1489.4	1494.9	1650.6	1771.5	1794.6	1919.1	2100.1	2218.5	2278.3
Less: Depreciation & Amortization	748.4	820.8	908.2	970.1	978.9	990.2	1003.6	1021.1	1042.6	1066.5
Other Taxes	288.3	268.3	270.6	313.5	333.6	349.5	378.6	409.2	430.3	440.9
EBITA	1014.6	1161.6	1298.4	1180.5	1262.3	1355.9	1539.1	1770.5	1851.5	1909.3
Income Tax Expense	117.8	164.6	139.5	165.8	157.8	178.8	219.2	270.2	287.6	299.1
Tax on Interest Expense	-77.4	-82.1	-111.1	-125.1	-127.4	-130.0	-133.5	-137.5	-141.2	-144.9
Loss on Sale of Assets, Net	1.7	-23.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other, Net	9.3	11.8	1.8	22.9	-1.3	1.0	3.2	5.8	8.5	10.5
Less: Adjusted Taxes	32.9	47.0	27.2	17.7	31.7	47.9	82.5	126.9	137.9	143.7
Plus: Change in Deferred Taxes	95.0	265.8	153.9	0.9	-153.3	-155.2	-162.6	-168.5	-165.4	-150.7
NOPLAT	1076.7	1380.4	1425.1	1163.7	1077.2	1152.9	1294.0	1475.0	1548.1	1614.9
Invested Capital (IC):										
Normal Cash	16.2	19.3	18.2	19.2	20.2	21.2	23.0	24.7	26.0	26.7
A/R	925.2	1170.0	928.0	1066.0	1130.1	1209.8	1309.5	1407.0	1448.5	1498.5
Inventory	498.7	751.9	503.2	573.8	607.8	627.1	670.6	722.5	769.5	804.8
Deposits	0.0	143.8	454.2	310.7	327.9	343.9	372.5	401.4	421.5	433.6
Regulatory Assets	206.2	233.2	214.3	230.8	249.5	264.1	276.2	300.3	310.6	316.5
Prepayments	104.8	210.0	118.6	149.1	157.0	166.3	177.9	190.5	200.1	203.1
Operating CA	1751.1	2528.2	2236.5	2349.5	2492.4	2632.4	2829.7	3046.4	3176.1	3283.2
A/P	805.5	1047.1	799.9	849.7	910.0	981.4	1072.9	1166.4	1198.0	1242.9
Accrued Expenses	841.8	809.9	683.7	638.4	659.4	700.7	774.8	866.2	938.7	983.8
Deferred Revenue	237.9	324.7	294.4	308.5	330.2	337.3	361.0	387.6	410.9	425.1
Operating CL	1885.2	2181.7	1778.0	1796.6	1899.5	2019.4	2208.7	2420.1	2547.5	2651.9
PPE	25171.3	27551.3	30482.1	31655.1	32892.8	34191.0	35597.2	37112.6	38703.7	40340.7
Less: Accumulated Depreciation	-7289.5	-7708.7	-8207.2	-9177.3	-10156.1	-11146.3	-12149.9	-13171.0	-14213.6	-15280.2
Net PPE	32460.8	35260.0	38689.3	40832.3	43048.9	45337.3	47747.1	50283.6	52917.3	55620.9
Other Assets	322.7	252.0	324.0	191.8	213.9	237.8	269.1	306.4	340.6	360.0
Other Liabilities	690.2	296.8	298.6	310.8	323.6	336.9	350.7	365.0	380.0	395.6
Invested Capital	31959.2	35561.7	39173.2	41266.2	43532.1	45851.2	48286.5	50851.3	53506.5	56216.6
Free Cash Flow (FCF):										
NOPLAT	1077	1380	1425	1164	1077	1153	1294	1475	1548	1615
Change in IC	193	3603	3611	2093	2266	2319	2435	2565	2655	2710
FCF	884	-2222	-2186	-929	-1189	-1166	-1141	-1090	-1107	-1095
Return on Invested Capital (ROIC):										
NOPLAT	1077	1380	1425	1164	1077	1153	1294	1475	1548	1615
Beginning IC	31766	31959	35562	39173	41266	43532	45851	48287	50851	53506
ROIC	3.39%	4.32%	4.01%	2.97%	2.61%	2.65%	2.82%	3.05%	3.04%	3.02%
Economic Profit (EP):										
Beginning IC	31766	31959	35562	39173	41266	43532	45851	48287	50851	53506
x (ROIC - WACC)	-1.38%	-0.45%	-0.76%	-1.80%	-2.16%	-2.12%	-1.94%	-1.71%	-1.72%	-1.75%
23P	-437	-143	-270	-704	-890	-922	-892	-827	-876	-936

NiSource

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	3.88%
Beta	0.27
Equity Risk Premium	5.26%
Cost of Equity	5.29%

ASSUMPTIONS:

10Y Treasury Bond (Bloomberg)
2 year weekly raw beta (Bloomberg)
Geometric Average

Cost of Debt:

Risk-Free Rate	3.88%
Implied Default Premium	1.50%
Pre-Tax Cost of Debt	5.38%
Marginal Tax Rate	22.70%
After-Tax Cost of Debt	4.16%

10Y Treasury Bond (Bloomberg)

YTM on NI Source Corporate Bond using interpolated point (Bloomberg)

Market Value of Common Equity:

Total Shares Outstanding	447.4
Current Stock Price	\$36.81
MV of Equity	16,468.8

MV Weights

53.83%

Market Value of Debt:

Short-Term Debt	3049
Current Portion of LTD	23.8
Long-Term Debt	11055.5
MV of Total Debt	14,127.9

46.17%

Market Value of the Firm

30,596.7

100.00%

Estimated WACC

4.77%

NiSource
Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models
Key Inputs:

CV Growth of NOPLAT	3.00%
CV Year ROIC	3.02%
WACC	4.77%
Cost of Equity	5.29%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
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DCF Model:

Free Cash Flow (FCF)	-929.3	-1188.7	-1166.2	-1141.3	-1089.7	-1107.1	-1095.2
Continuing Value (CV)							549.7
PV of FCF	-887.0	-1083.0	-1014.2	-947.3	-863.4	-837.2	415.7
Value of Operating Assets:	-5216.4						
Non-Operating Adjustments							
Excess Cash	2227.2						
ST Investments	241.8						
Unconsolidated Affiliates	5.3						
Other Investments	82.7						
Restricted Cash	35.7						
Current Portion of Long-term Debt	23.8						
Short-term Borrowings	3048.6						
Long-term Debt, Excluding Amounts I	11055.5						
Accrued Liability for Postretirement & I	250.1						
Noncontrolling Interest in Consolidat	1866.7						
Value of Equity	-18868.3						
Shares Outstanding	447.4						
Intrinsic Value of Last FYE	(\$42.17)						
Implied Price as of Today	\$ (43.07)						

EP Model:

Economic Profit (EP)	-703.6	-889.8	-922.2	-891.6	-826.7	-875.8	-935.6
Continuing Value (CV)							-52956.8
PV of EP	-671.5	-810.7	-801.9	-740.1	-655.0	-662.3	-40048.0
Total PV of EP	-44389.5						
Invested Capital (last FYE)	39173.2						
Value of Operating Assets:	-5216.4						
Non-Operating Adjustments							
Excess Cash	2227.2						
ST Investments	241.8						
Other Investments	82.7						
Restricted Cash	35.7						
Unconsolidated Affiliates	5.3						
Short-Term Debt	3048.6						
Current Portion of LTD	23.8						
Long-Term Debt	11055.5						
Accrued Liability for Postretirement & I	250.1						
Noncontrolling Interest in Consolidat	1866.7						
Value of Equity	-18868.3						
Shares Outstanding	447.4						
Intrinsic Value of Last FYE	(\$42.17)						
Implied Price as of Today	\$ (43.07)						

NiSource*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E	2029E	CV 2030E
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EPS	\$ 1.30	\$ 1.22	\$ 1.35	\$ 1.62	\$ 1.96	\$ 2.05	\$ 2.09
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Key Assumptions

CV growth of EPS	3.00%
CV Year ROE	9.86%
Cost of Equity	5.29%

Future Cash Flows

P/E Multiple (CV Year)											30.38385
EPS (CV Year)											\$ 2.09
Future Stock Price											\$ 63.46
Dividends Per Share	\$ 1.06	\$ 1.12	\$ 1.18	\$ 1.24	\$ 1.30	\$ 1.36					
Discounted Cash Flows	\$ 1.01	\$ 1.01	\$ 1.01	\$ 1.01	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 46.58	

Intrinsic Value as of Last FYE	\$ 52.62
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Implied Price as of Today	\$ 53.7
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NiSource

Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	Est. 5yr EPS gr. %	PEG 24	PEG 25
CNP	CenterPoint Energy Inc	\$29.02	\$1.62	\$1.74	17.91	16.68	7.37	2.43	2.26
ATO	Atmos Energy Corporation	\$137.67	\$6.80	\$7.13	20.25	19.31	7.4	2.74	2.61
BKH	Black Hills Corporation	\$57.60	\$3.92	\$4.12	14.69	13.98	3.5	4.20	3.99
OGS	One Gas Inc	\$69.97	\$3.87	\$4.19	18.08	16.70	5	3.62	3.34
Average					18.87	16.67		2.62	2.36

NI	NiSource	\$36.81	\$	1.32	\$	1.23	27.9	29.9	2%	13.9	15.0
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Implied Relative Value:

P/E (EPS24)	\$	24.90
P/E (EPS25)	\$	20.48
PEG (EPS24)	\$	6.92
PEG (EPS25)	\$	5.80

Tax Rate	After-Tax Cost of Debt							
	(43.07)	3.42%	3.66%	3.91%	4.16%	4.41%	4.66%	4.91%
	19.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	20.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	21.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	22.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	23.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	24.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71
	25.70%	-50.30	-50.21	-50.11	-50.01	-49.91	-49.81	-49.71

Equity Risk Premium	WACC							
	(43.07)	3.87%	4.17%	4.47%	4.77%	5.07%	5.37%	5.67%
	4.66%	(42.91)	(42.94)	(42.97)	(43.00)	(43.03)	(43.06)	(43.09)
	4.86%	(42.94)	(42.97)	(43.00)	(43.03)	(43.06)	(43.09)	(43.12)
	5.06%	(42.96)	(42.99)	(43.02)	(43.05)	(43.08)	(43.11)	(43.14)
	5.26%	(42.95)	(42.98)	(43.01)	(43.04)	(43.07)	(43.10)	(43.13)
	5.46%	(42.94)	(42.97)	(43.00)	(43.03)	(43.06)	(43.09)	(43.12)
	5.86%	(42.88)	(42.91)	(42.94)	(42.97)	(43.00)	(43.03)	(43.06)
	6.06%	(42.85)	(42.88)	(42.91)	(42.94)	(42.97)	(43.00)	(43.02)

Cash as % of Sales	CV Year Sales Growth							
	(43.07)	2.29%	2.49%	2.69%	2.89%	3.09%	3.29%	3.49%
	0.15%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.21%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.27%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.33%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.39%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.45%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34
	0.51%	-43.86	-43.94	-44.02	-44.10	-44.18	-44.26	-44.34

Beta	Risk Free Rate							
	(43.07)	3.13%	3.38%	3.63%	3.88%	4.13%	4.38%	4.63%
	0.12	(44.85)	(44.85)	(44.86)	(44.86)	(44.86)	(44.86)	(44.87)
	0.17	(45.80)	(45.80)	(45.80)	(45.81)	(45.81)	(45.81)	(45.81)
	0.22	(46.72)	(46.73)	(46.73)	(46.73)	(46.73)	(46.74)	(46.74)
	0.27	(47.66)	(47.66)	(47.66)	(47.67)	(47.67)	(47.67)	(47.67)
	0.32	(48.61)	(48.61)	(48.61)	(48.62)	(48.62)	(48.62)	(48.62)
	0.37	(49.58)	(49.58)	(49.58)	(49.58)	(49.59)	(49.59)	(49.59)
	0.42	(50.56)	(50.56)	(50.57)	(50.57)	(50.57)	(50.57)	(50.58)

CV Growth of NOPLAT	COGS as a % of Sales							
	(43.07)	23.00%	25.00%	27.00%	29.00%	31.00%	33.00%	35.00%
	2.25%	57.20	56.33	55.61	55.01	54.50	54.07	53.69
	2.50%	57.20	56.33	55.61	55.01	54.50	54.07	53.69
	2.75%	57.20	56.33	55.61	55.01	54.50	54.07	53.69
	3.00%	57.20	56.33	55.61	55.01	54.50	54.07	53.69
	3.25%	57.20	56.33	55.61	55.01	54.50	54.07	53.69
	3.50%	57.20	56.33	55.61	55.01	54.50	54.07	53.69
	3.75%	57.20	56.33	55.61	55.01	54.50	54.07	53.69

Inflation Rate	SGA as a % of Sales							
	(43.07)	22.50%	24.50%	26.50%	28.50%	30.50%	32.50%	34.50%
	3.35%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)
	3.60%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)
	3.85%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)
	4.10%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)
	4.35%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)
	4.60%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)
	4.85%	(40.04)	(39.54)	(39.01)	(38.43)	(37.81)	(37.13)	(36.41)