

# Second Quarter 2021 Earnings Call

*August 5, 2021*





# Important Information

## Forward Looking Statements

Statements made in this presentation that are not based on historical facts are forward-looking, may involve risks and uncertainties, and are intended to be as of the date when made. Forward-looking statements include, but are not limited to, statements relating to Evergy's strategic plan, including, without limitation, those related to earnings per share, dividend, operating and maintenance expense and capital investment goals; the outcome of legislative efforts and regulatory and legal proceedings; future energy demand; future power prices; plans with respect to existing and potential future generation resources; the availability and cost of generation resources and energy storage; target emissions reductions; and other matters relating to expected financial performance or affecting future operations. Forward-looking statements are often accompanied by forward-looking words such as "anticipates," "believes," "expects," "estimates," "forecasts," "should," "could," "may," "seeks," "intends," "proposed," "projects," "planned," "target," "outlook," "remain confident," "goal," "will" or other words of similar meaning. Forward-looking statements involve risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking information.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Evergy, Inc., Evergy Kansas Central, Inc. and Evergy Metro, Inc. (collectively, the Evergy Companies) are providing a number of risks, uncertainties and other factors that could cause actual results to differ from the forward-looking information. These risks, uncertainties and other factors include, but are not limited to: economic and weather conditions and any impact on sales, prices and costs; changes in business strategy or operations; the impact of federal, state and local political, legislative, judicial and regulatory actions or developments, including deregulation, re-regulation, securitization and restructuring of the electric utility industry; decisions of regulators regarding, among other things, customer rates and the prudence of operational decisions such as capital expenditures and asset retirements; changes in applicable laws, regulations, rules, principles or practices, or the interpretations thereof, governing tax, accounting and environmental matters, including air and water quality and waste management and disposal; the impact of climate change, including increased frequency and severity of significant weather events and the extent to which counterparties are willing to do business with, finance the operations of or purchase energy from the Evergy Companies due to the fact that the Evergy Companies operate coal-fired generation; prices and availability of electricity in wholesale markets; market perception of the energy industry and the Evergy Companies; the impact of the Coronavirus (COVID-19) pandemic on, among other things, sales, results of operations, financial condition, liquidity and cash flows, and also on operational issues, such as the availability and ability of Evergy's employees and suppliers to perform the functions that are necessary to operate the Evergy Companies; changes in the energy trading markets in which the Evergy Companies participate, including retroactive repricing of transactions by regional transmission organizations (RTO) and independent system operators; financial market conditions and performance, including changes in interest rates and credit spreads and in availability and cost of capital and the effects on derivatives and hedges, nuclear decommissioning trust and pension plan assets and costs; impairments of long-lived assets or goodwill; credit ratings; inflation rates; the transition to a replacement for the London Interbank Offered Rate (LIBOR) benchmark interest rate; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of physical and cybersecurity breaches, criminal activity, terrorist attacks and other disruptions to the Evergy Companies' facilities or information technology infrastructure or the facilities and infrastructure of third-party service providers on which the Evergy Companies rely; ability to carry out marketing and sales plans; cost, availability, quality and timely provision of equipment, supplies, labor and fuel; ability to achieve generation goals and the occurrence and duration of planned and unplanned generation outages; delays and cost increases of generation, transmission, distribution or other projects; the Evergy Companies' ability to manage their transmission and distribution development plans and transmission joint ventures; the inherent risks associated with the ownership and operation of a nuclear facility, including environmental, health, safety, regulatory and financial risks; workforce risks, including those related to the Evergy Companies' ability to attract and retain qualified personnel, maintain satisfactory relationships with their labor unions and manage costs of, or changes in, retirement, health care and other benefits; disruption, costs and uncertainties caused by or related to the actions of individuals or entities, such as activist shareholders or special interest groups, that seek to influence Evergy's strategic plan, financial results or operations; the possibility that strategic initiatives, including mergers, acquisitions and divestitures, and long-term financial plans, may not create the value that they are expected to achieve in a timely manner or at all; difficulties in maintaining relationships with customers, employees, regulators or suppliers; and other risks and uncertainties.

This list of factors is not all-inclusive because it is not possible to predict all factors. Additional risks and uncertainties are discussed from time to time in current, quarterly and annual reports filed by the Evergy Companies with the Securities and Exchange Commission (SEC). Reports filed by the Evergy Companies with the SEC should also be read for more information regarding risk factors. Each forward-looking statement speaks only as of the date of the particular statement. The Evergy Companies undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

## Non-GAAP Financial Measures

Evergy uses adjusted EPS which is a non-GAAP financial measure. A reconciliation of this non-GAAP measure to the most directly comparable GAAP measure is included in the appendix.



# Agenda

## David Campbell, President & CEO

- Second quarter highlights
- Regulatory and legislative update
- Investor day

## Kirk Andrews, EVP & CFO

- Second quarter results
- Sales and customer update
- 2021 outlook



# Business Update

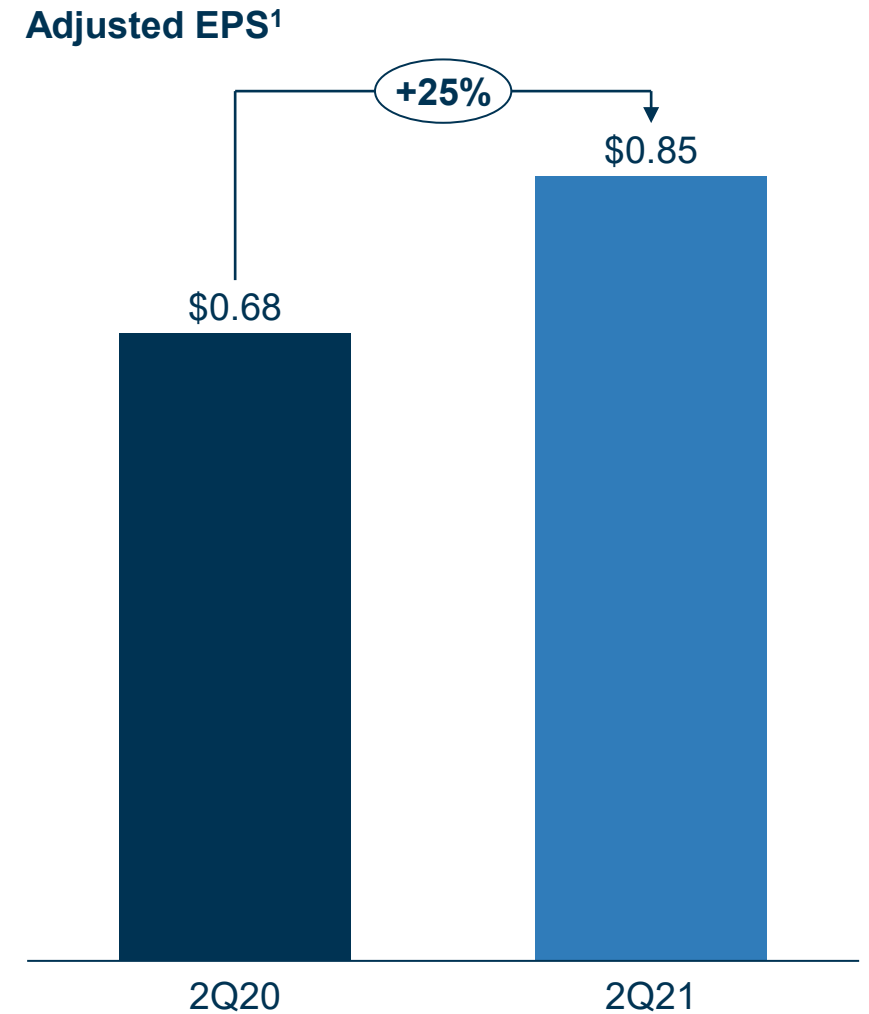
*David Campbell*

*President & CEO*



# Second Quarter Highlights

- **Second quarter 2021 results**
  - GAAP EPS: \$0.81
  - Adjusted EPS<sup>1</sup> (Non-GAAP): \$0.85
- **Year-over-year drivers**
  - + Higher transmission margin
  - + Increase in weather-normalized demand
  - + Higher other income
  - + Income tax benefits
- **Completed Wolf Creek refueling outage under budget**
- **Ongoing strong cost management**
- **Reaffirming 2021 adjusted EPS guidance of \$3.20 - \$3.40; long-term annualized adjusted EPS growth target of 6% to 8% 2019-24**



**NOTE:**

1. Adjusted EPS is a non-GAAP financial measure. See appendix for reconciliation to most comparable GAAP information.



# Executing on Regulatory and Legislative Priorities

	<u>Kansas</u>	<u>Missouri</u>
<b>STP Dockets</b>	<ul style="list-style-type: none"> <li>Completed STP workshops</li> <li>Company will file follow-up information</li> </ul>	
<b>Securitization Update</b>	<ul style="list-style-type: none"> <li>HB 2072 signed into law</li> <li>Allows for securitization of remaining book value of generation to be retired and for other extraordinary costs</li> <li>Requires pre-determination process for retirement of generation plants</li> </ul>	<ul style="list-style-type: none"> <li>HB 734 signed into law, effective end of August</li> <li>Allows for securitization of remaining book value of generation to be retired and for other extraordinary costs</li> <li>Allows for decisional prudence (predetermination) for asset retirement plan and for asset replacement up to the value of the securitized asset</li> </ul>
<b>Winter Storm Uri Costs</b>	<ul style="list-style-type: none"> <li>Pursuing recovery of deferrals through fuel adjustment mechanisms beginning April 2022</li> <li>Kansas Central: ~\$115M of costs to be recovered from customers</li> <li>Kansas Metro: ~\$35M returned to customers</li> </ul>	<ul style="list-style-type: none"> <li>Filed AAO request to defer storm costs</li> <li>Missouri Metro: seeking to return ~\$25M through fuel adjustment mechanism</li> <li>Missouri West: seeking deferral with planned future securitization over 15 years to recover ~\$295M of costs to minimize customer impacts</li> </ul>



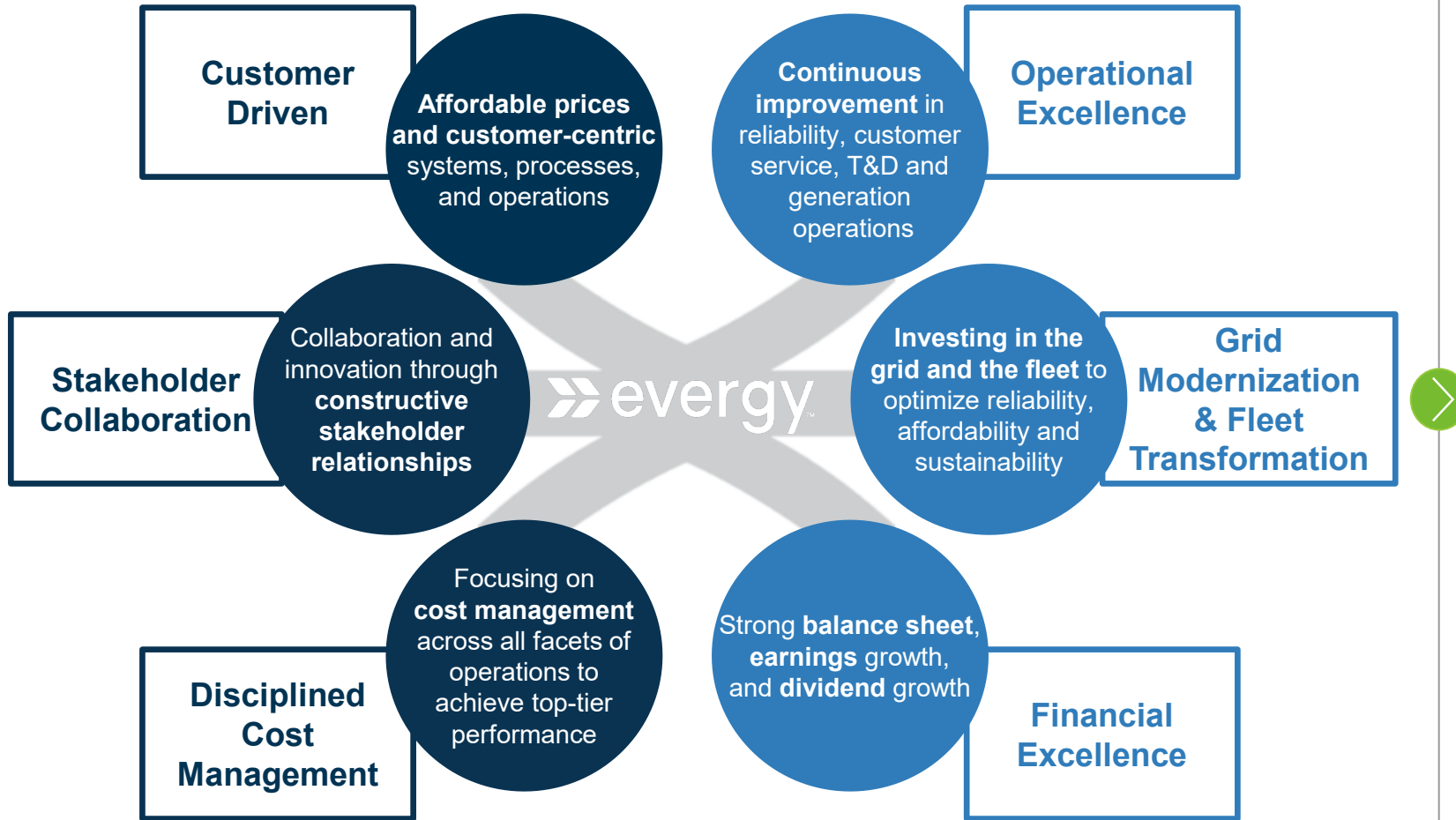
# Upcoming Investor Day


## September 21<sup>st</sup> – Virtual Investor Day


- 2021-24 STP execution, including
  - 2021 update
  - 2022 earnings outlook
- Operational excellence focus, including reliability, customer service, generation availability, and cost
- Capital deployment
- Regional rate competitiveness
- Generation fleet transition
- Long-term growth drivers and objectives
- Sustainability and ESG profile




# Attractive Investment Thesis



 Energy team focused on reliability, cost and operational excellence

 50% emissions-free energy in 2020; Targeting net-zero carbon by 2045

 All-electric utility geographically advantaged to deliver cost-effective renewables and zero-carbon solutions

 Attractive total shareholder return: 6-8% annualized adjusted EPS growth target 2019-24 plus ~3% dividend yield



# Financial Update

*Kirk Andrews*

*EVP & CFO*

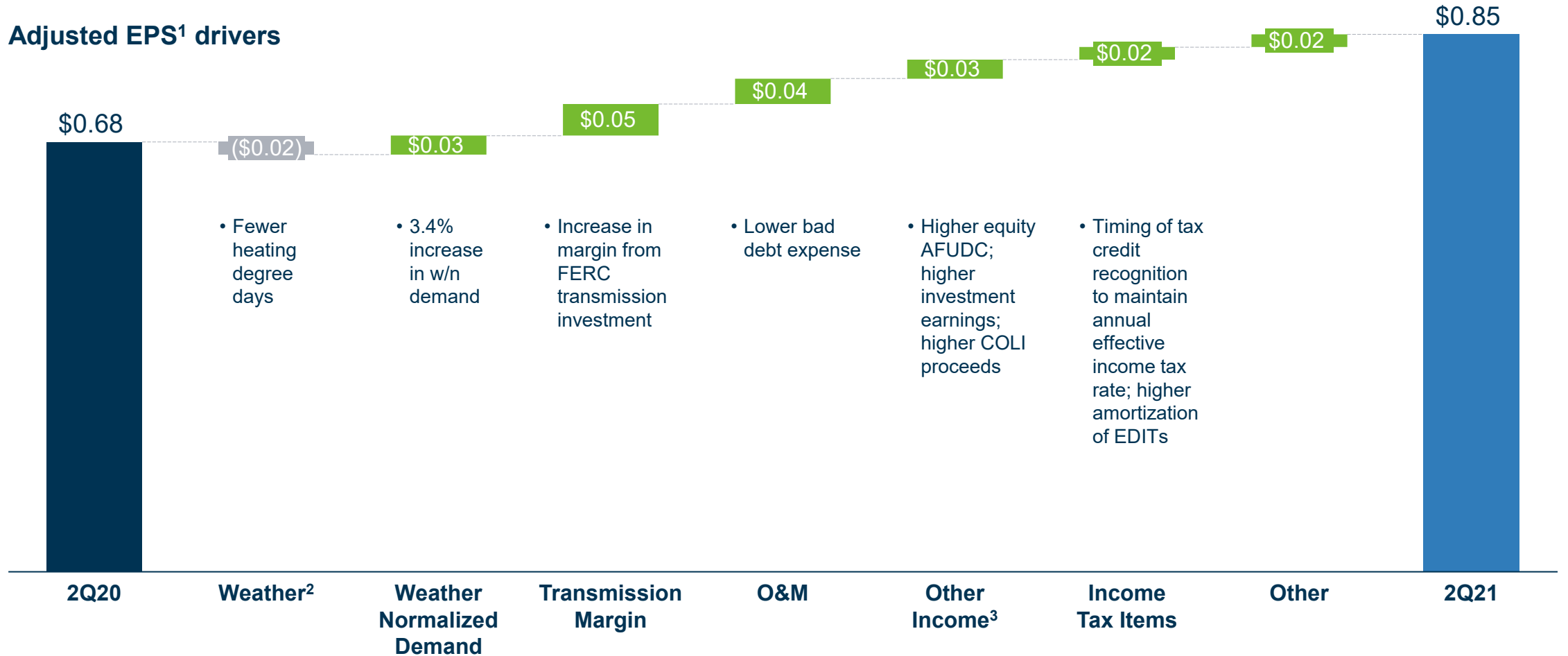




# Second Quarter Results

## 2Q21 Adjusted EPS<sup>1</sup>: \$0.85

### Adjusted EPS<sup>1</sup> drivers



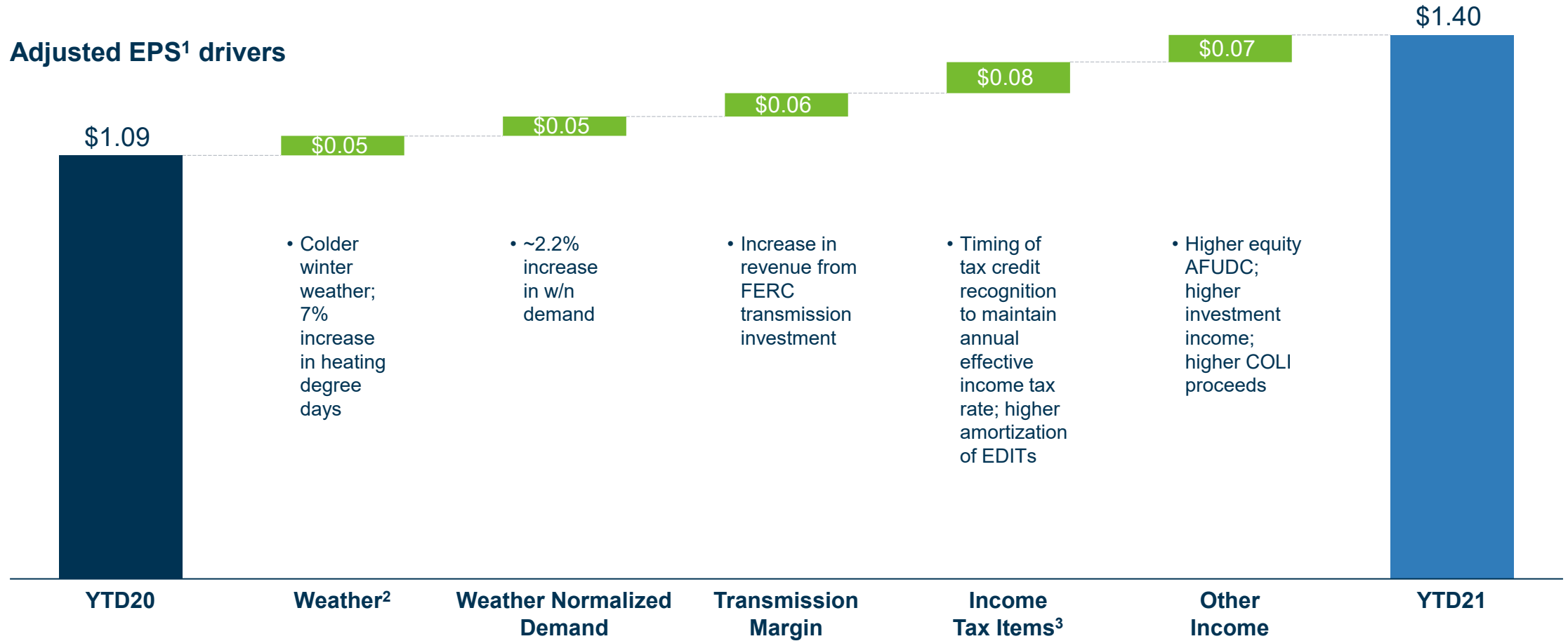
**NOTE:**

- 1. Adjusted EPS is a non-GAAP financial measure. See appendix for reconciliation to most comparable GAAP information.
- 2. Estimated weather was \$0.05 favorable compared to normal weather.
- 3. \$6M of COLI proceeds in 2Q21.



# Year to Date Results

## YTD21 Adjusted EPS<sup>1</sup>: \$1.40



**NOTE:**

- Adjusted EPS is a non-GAAP financial measure. See appendix for reconciliation to most comparable GAAP information.
- Estimated weather was \$0.05 favorable compared to normal weather.
- Timing of tax credit and amortization of EDIT's recognition of \$0.05 is neutral to full-year expectations.

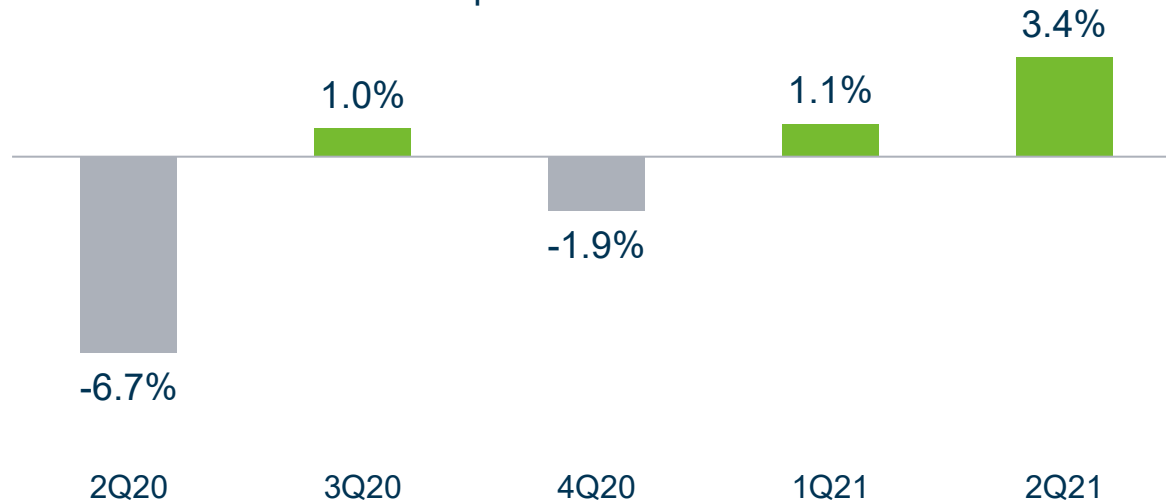


# Sales and Customer Update

*Continued resiliency throughout our region*

## Total Retail Sales – Weather Normalized

Compared to Prior Year<sup>1</sup>

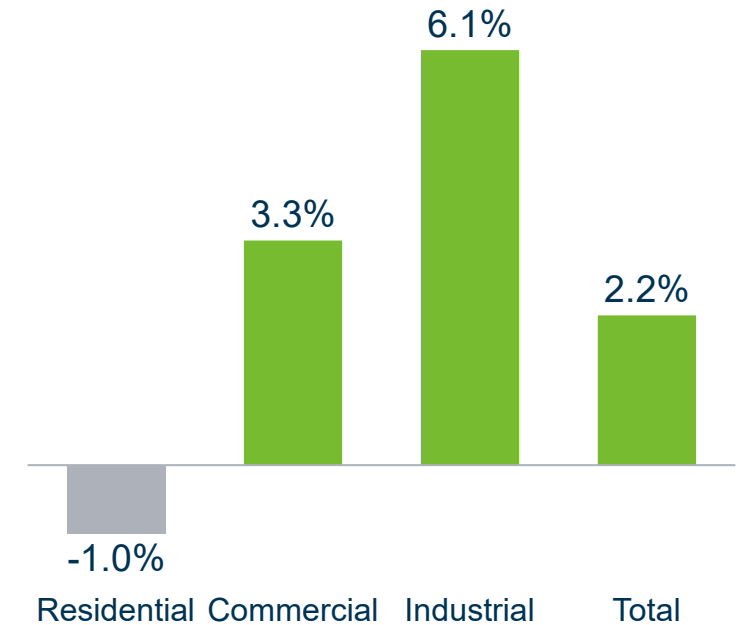


**Second quarter 2021 weather adjusted total retail sales were 3.4% higher compared to second quarter 2020**

- Residential sales were ~5.5% lower
- + Commercial sales were ~8.7% higher
- + Industrial sales were ~9.5% higher

## YTD Sales Growth – Weather Normalized

Compared to Prior Year<sup>1</sup>



**YTD total retail customer count has grown by 1.4% compared to prior year**

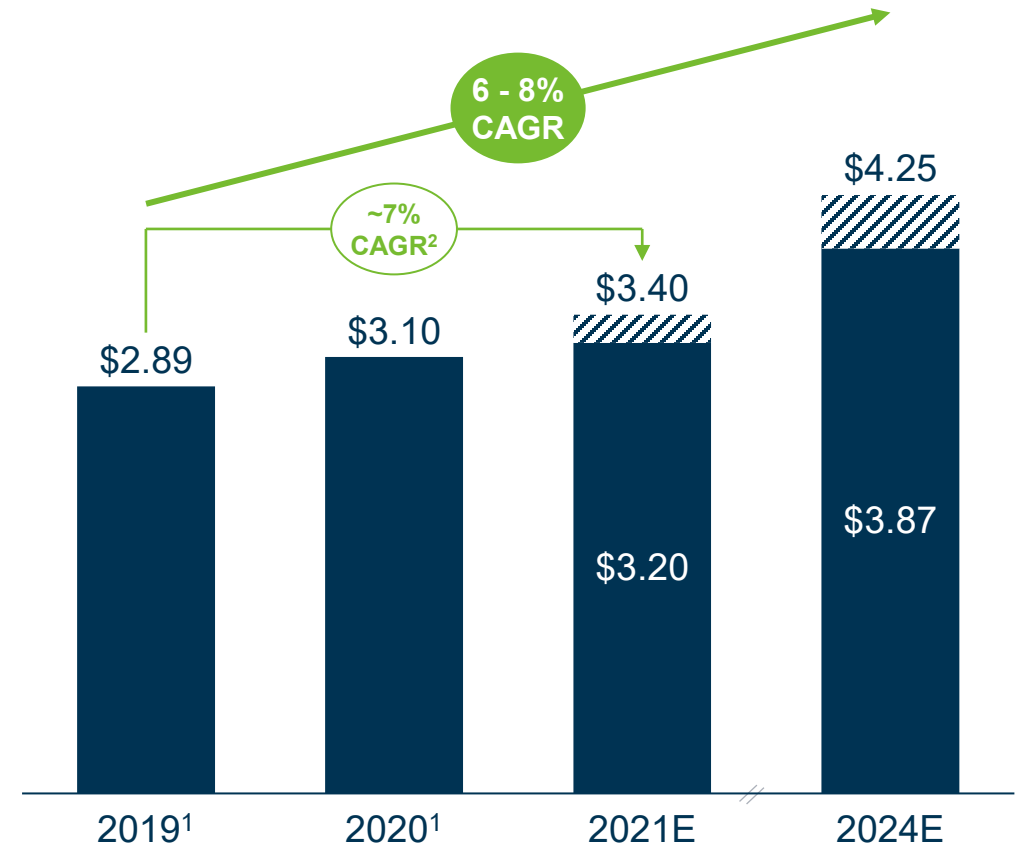


# Maintaining Execution and Momentum

*Well positioned to deliver on our strong EPS and dividend growth targets*

- Reaffirming adjusted EPS guidance
  - 2021 target: \$3.20 - \$3.40
  - 2019 to 2024 annualized growth target of 6% to 8%
- Targeting dividend growth in line with long-term earnings growth
- Solid first-half; delivering on financial, operational, regulatory and policy objectives
- Focused on financial and operational execution, enhancing reliability and customer service, and generation fleet transition

Targeted Adjusted EPS Growth<sup>1</sup>



**Note:**

1. Adjusted EPS is a non-GAAP financial measure. See appendix for reconciliation to most comparable GAAP information.  
2. CAGR calculated using \$3.30/sh. mid-point of 2021 adjusted EPS (non-GAAP) guidance range.



# Q&A

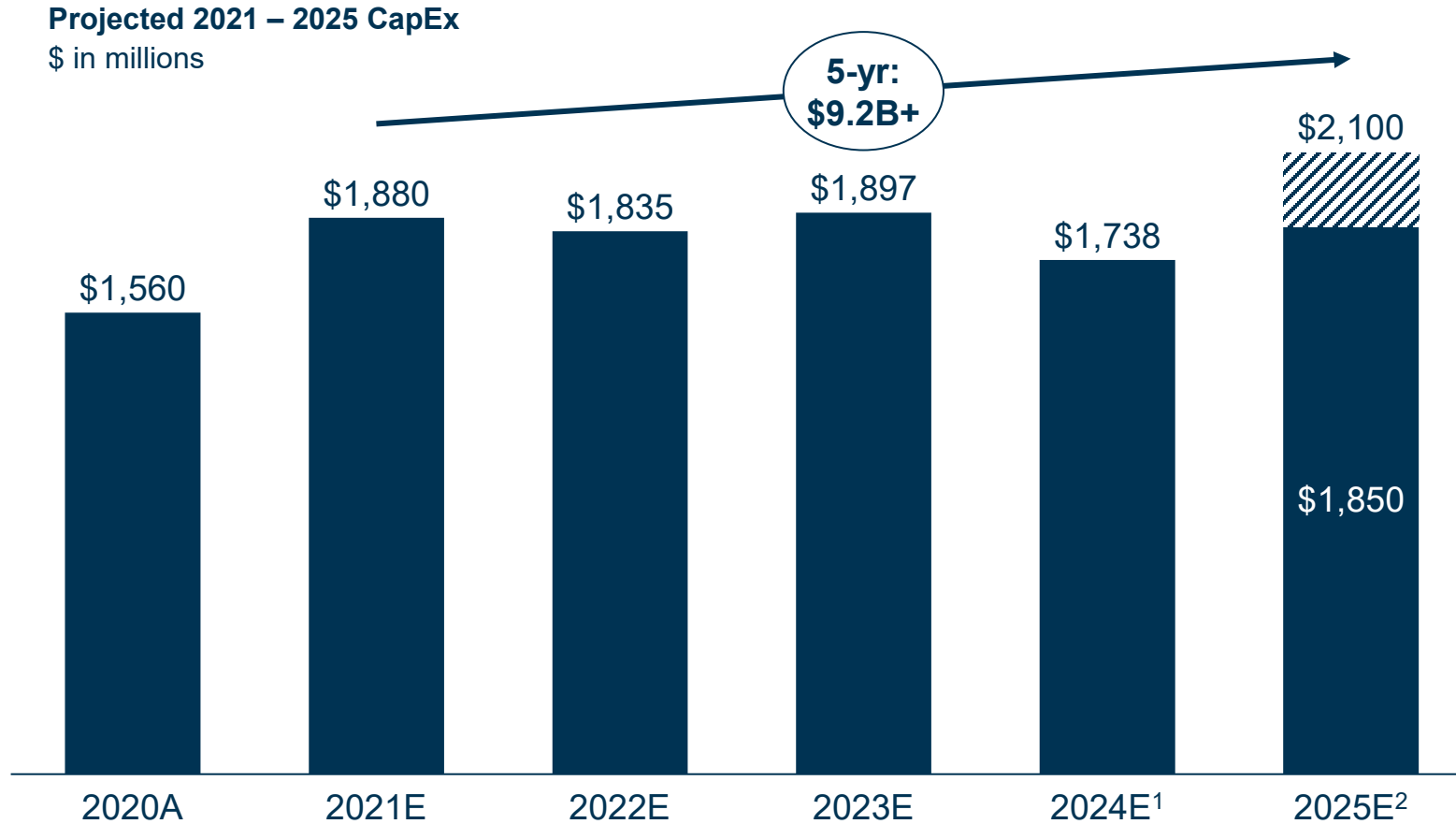
# Appendix





# Robust Infrastructure Investment

*Focusing on utility projects to modernize grid and increase resiliency, efficiency and reliability*



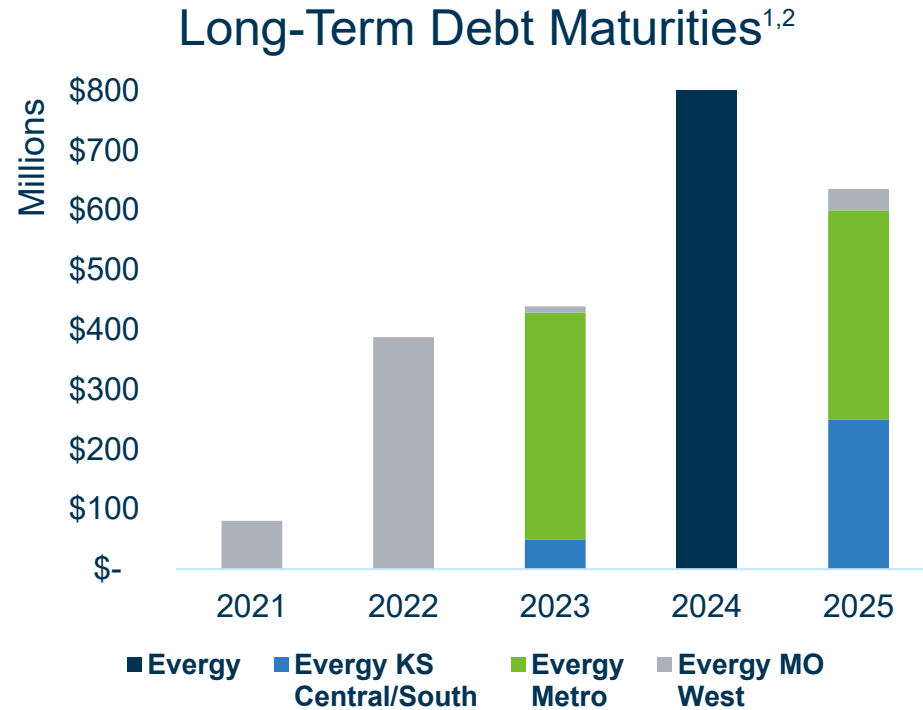
**Note:**

- 1. Includes ~\$350M of generation asset securitization (which represents a reduction to rate base) in 2024.
- 2. Potential additional capital deployment; will be assessed in the context of reviewing overall reliability, affordability, and sustainability impacts.





# 2021 Finance Activities



## Financing Activities

- Issued \$500M of long-term debt at blended ~2.9% at Missouri West in April
- Issued \$113M of equity to Bluescape in April

**Note:**

1. As of 6/30/21.

2. Evergy Missouri West 2022 maturity is an inter-company loan from Evergy and is expected to be replaced at Evergy Missouri West upon maturity.

## Strong Credit Ratings

	Moody's	S&P Global
<b>Evergy, Inc.</b>		
Outlook	Stable	Stable
Senior Unsecured Debt	Baa2	BBB+
Commercial Paper	P-2	A-2
<b>Evergy Kansas Central</b>		
Outlook	Stable	Stable
Senior Secured Debt	A2	A
Commercial Paper (KS-Central only)	P-2	A-2
<b>Evergy Kansas South</b>		
Outlook	Stable	Stable
Senior Secured Debt	-	A
Short Term Rating	P-2	A-2
<b>Evergy Metro</b>		
Outlook	Stable	Stable
Senior Secured Debt	A2	A+
Commercial Paper	P-2	A-1
<b>Evergy Missouri West</b>		
Outlook	Stable	Stable
Senior Unsecured Debt	Baa2	A-
Commercial Paper	P-2	-



# GAAP to Non-GAAP EPS Reconciliation<sup>1</sup>

<b>2021 EPS Guidance</b>	
<b>2021 GAAP EPS – Guidance</b>	<b>\$3.43 - \$3.63</b>
Non-regulated energy marketing margin related to winter weather event, pre-tax	(0.42)
Non-regulated energy marketing costs related to winter weather event, pre-tax	0.03
Executive transition expense, pre-tax	0.03
Severance costs, pre-tax	0.01
Advisor expense, pre-tax	0.05
Income tax expense	0.07
<b>2021 Adjusted EPS (non-GAAP)</b>	<b>\$3.20 - \$3.40</b>

**NOTE:**

1. Adjusted earnings per share guidance (non-GAAP) and adjusted O&M (non-GAAP) are financial measures that are not calculated in accordance with GAAP and may not be comparable to other companies' presentations of similarly-named measures or more useful than the GAAP information.



# 2021/2020 EPS: GAAP to Non-GAAP Reconciliation<sup>1</sup>

Three Months Ended June 30	2021		2020	
	Earnings (Loss)	Earnings (Loss) per Diluted Share	Earnings (Loss)	Earnings (Loss) per Diluted Share
(millions, except per share amounts)				
Net income attributable to Evergy, Inc.	\$ 185.3	\$ 0.81	\$ 133.4	\$ 0.59
Non-GAAP reconciling items:				
Non-regulated energy marketing margin related to February 2021 winter weather event, pre-tax <sup>(a)</sup>	1.5	0.01	—	—
Non-regulated energy marketing costs related to February 2021 winter weather event, pre-tax <sup>(b)</sup>	2.0	0.01	—	—
Executive transition costs, pre-tax <sup>(c)</sup>	1.8	0.01	—	—
Severance costs, pre-tax <sup>(d)</sup>	1.2	—	(0.4)	—
Advisor expenses, pre-tax <sup>(e)</sup>	5.7	0.02	9.8	0.04
Income tax benefit <sup>(f)</sup>	(2.4)	(0.01)	(2.4)	(0.01)
Kansas corporate income tax change <sup>(g)</sup>	—	—	13.8	0.06
<b>Adjusted earnings (non-GAAP)</b>	<b>\$ 195.1</b>	<b>\$ 0.85</b>	<b>\$ 154.2</b>	<b>\$ 0.68</b>

- a) Reflects non-regulated energy marketing margins related to the February 2021 winter weather event and are included in operating revenues on the consolidated statements of comprehensive income.
- b) Reflects non-regulated energy marketing incentive compensation costs related to the February 2021 winter weather event and are included in operating and maintenance expense on the consolidated statements of comprehensive income.
- c) Reflects costs associated with executive transition including inducement bonuses, severance agreements and other transition expenses and are included in operating and maintenance expense on the consolidated statements of comprehensive income.
- d) Reflects severance costs incurred associated with certain voluntary severance programs at the Evergy Companies and are included in operating and maintenance expense on the consolidated statements of comprehensive income.
- e) Reflects advisor expenses incurred associated with strategic planning and are included in operating and maintenance expense on the consolidated statements of comprehensive income.
- f) Reflects an income tax effect calculated at a statutory rate of approximately 22% in 2021 and 26% in 2020, with the exception of certain non-deductible items.
- g) Reflects the revaluation of Evergy Kansas Central's, Evergy Metro's and Evergy Missouri West's deferred income tax assets and liabilities from the Kansas corporate income tax rate change and are included in income tax expense on the consolidated statements of comprehensive income.

**NOTE:**

1. Diluted shares outstanding: 2Q 2021 = ~230M; 2020 = ~228M



# 2021/2020 EPS: GAAP to Non-GAAP Reconciliation<sup>1</sup>

Year to Date June 30	2021		2020	
	Earnings (Loss)	Earnings (Loss) per Diluted Share	Earnings (Loss)	Earnings (Loss) per Diluted Share
(millions, except per share amounts)				
Net income attributable to Evergy, Inc.	\$ 376.9	\$ 1.65	\$ 202.8	\$ 0.89
Non-GAAP reconciling items:				
Non-regulated energy marketing margin related to February 2021 winter weather event, pre-tax <sup>(a)</sup>	(95.0)	(0.42)	—	—
Non-regulated energy marketing costs related to February 2021 winter weather event, pre-tax <sup>(b)</sup>	4.0	0.02	—	—
Executive transition costs, pre-tax <sup>(c)</sup>	7.3	0.03	—	—
Severance costs, pre-tax <sup>(d)</sup>	2.8	0.01	26.6	0.12
Advisor expenses, pre-tax <sup>(e)</sup>	7.2	0.03	16.4	0.07
Income tax expense (benefit) <sup>(f)</sup>	17.3	0.08	(11.2)	(0.05)
Kansas corporate income tax change <sup>(g)</sup>	—	—	13.8	0.06
<b>Adjusted earnings (non-GAAP)</b>	<b>\$ 320.5</b>	<b>\$ 1.40</b>	<b>\$ 248.4</b>	<b>\$ 1.09</b>

- a) Reflects non-regulated energy marketing margins related to the February 2021 winter weather event and are included in operating revenues on the consolidated statements of comprehensive income.
- b) Reflects non-regulated energy marketing incentive compensation costs related to the February 2021 winter weather event and are included in operating and maintenance expense on the consolidated statements of comprehensive income.
- c) Reflects costs associated with executive transition including inducement bonuses, severance agreements and other transition expenses and are included in operating and maintenance expense on the consolidated statements of comprehensive income.
- d) Reflects severance costs incurred associated with certain voluntary severance programs at the Evergy Companies and are included in operating and maintenance expense on the consolidated statements of comprehensive income.
- e) Reflects advisor expenses incurred associated with strategic planning and are included in operating and maintenance expense on the consolidated statements of comprehensive income.
- f) Reflects an income tax effect calculated at a statutory rate of approximately 22% in 2021 and 26% in 2020, with the exception of certain non-deductible items.
- g) Reflects the revaluation of Evergy Kansas Central's, Evergy Metro's and Evergy Missouri West's deferred income tax assets and liabilities from the Kansas corporate income tax rate change and are included in income tax expense on the consolidated statements of comprehensive income.

**NOTE:**

1. Diluted shares outstanding: YTD 2021 = ~229M; YTD 2020 = ~228M



# 2020/2019 EPS: GAAP to Non-GAAP Reconciliation<sup>1</sup>

Year Ended December 31	2020		2019	
	Earnings (Loss)	Earnings (Loss) per Diluted Share	Earnings (Loss)	Earnings (Loss) per Diluted Share
	(millions, except per share amounts)			
Net income attributable to Evergy, Inc.	\$ 618.3	\$ 2.72	\$ 669.9	\$ 2.79
Non-GAAP reconciling items:				
Rebranding costs, pre-tax <sup>(a)</sup>	—	—	12.1	0.05
Severance costs, pre-tax <sup>(b)</sup>	66.3	0.29	19.8	0.08
Advisor expenses, pre-tax <sup>(c)</sup>	32.3	0.14	—	—
Income tax benefit <sup>(d)</sup>	(25.2)	(0.11)	(7.8)	(0.03)
Kansas corporate income tax change <sup>(e)</sup>	13.8	0.06	—	—
Adjusted earnings (non-GAAP)	\$ 705.5	\$ 3.10	\$ 694.0	\$ 2.89

<sup>(a)</sup> Reflects external costs incurred to rebrand the legacy Westar Energy and KCP&L utility brands to Evergy and are included in operating and maintenance expense on the consolidated statements of comprehensive income.

<sup>(b)</sup> Reflects severance costs incurred associated with certain voluntary severance programs at the Evergy Companies and are included in operating and maintenance expense on the consolidated statements of comprehensive income.

<sup>(c)</sup> Reflects advisor expenses incurred associated with strategic planning and are included in operating and maintenance expense on the consolidated statements of comprehensive income.

<sup>(d)</sup> Reflects an income tax effect calculated at a statutory rate of approximately 26%, with the exception of certain non-deductible items.

<sup>(e)</sup> Reflects the revaluation of Evergy Kansas Central's, Evergy Metro's and Evergy Missouri West's deferred income tax assets and liabilities from the Kansas corporate income tax rate change and are included in income tax expense on the consolidated statements of comprehensive income.

**NOTE:**

1. Diluted shares outstanding: 2020 = ~228M; 2019 = ~240M