

Evergy, Inc.

First Quarter 2020 Earnings

Released May 6, 2020

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Lori Wright
Vice President - Corporate Planning, Investor Relations and Treasurer
816-556-2506
lori.wright@evergy.com

Cody VandeVelde
Director Investor Relations
785-575-8227
cody.vandavelde@evergy.com

NOTE:

The Notes to the Unaudited Consolidated Financial Statements in Evergy's, Evergy Kansas Central's and Evergy Metro's combined Quarterly Report on Form 10-Q for the period ended March 31, 2020 should be read in conjunction with this financial information. The enclosed statements have been prepared for the purpose of providing information concerning Evergy, Evergy Kansas Central and Evergy Metro and not in connection with any sale, offer for sale, or solicitation to buy any securities.

EVERGY, INC.
Consolidated Statements of Income
(Unaudited)

Three Months Ended March 31	2020	2019	Change	% Change
	(millions, except per share amounts)			
REVENUES:				
Residential	\$ 402.5	\$ 451.7	\$ (49.2)	(10.9)
Commercial	384.7	413.5	(28.8)	(7.0)
Industrial	140.6	147.0	(6.4)	(4.4)
Other retail	10.6	9.8	0.8	8.2
Total electric retail	938.4	1,022.0	(83.6)	(8.2)
Wholesale	63.5	83.1	(19.6)	(23.6)
Transmission	75.6	76.7	(1.1)	(1.4)
Other	39.2	35.1	4.1	11.7
Total Revenues	1,116.7	1,216.9	(100.2)	(8.2)
OPERATING EXPENSES:				
Fuel and purchased power	258.2	330.0	(71.8)	(21.8)
SPP network transmission costs	62.0	63.5	(1.5)	(2.4)
Operating and maintenance	288.2	306.9	(18.7)	(6.1)
Depreciation and amortization	218.5	213.6	4.9	2.3
Taxes other than income tax	92.3	93.3	(1.0)	(1.1)
Total Operating Expenses	919.2	1,007.3	(88.1)	(8.7)
INCOME FROM OPERATIONS	197.5	209.6	(12.1)	(5.8)
OTHER INCOME (EXPENSE):				
Investment earnings (loss)	(0.8)	3.2	(4.0)	(125.0)
Other income	2.3	8.2	(5.9)	(72.0)
Other expense	(22.7)	(19.4)	(3.3)	17.0
Total Other Expense, Net	(21.2)	(8.0)	(13.2)	165.0
Interest expense	96.2	91.1	5.1	5.6
INCOME BEFORE INCOME TAXES	80.1	110.5	(30.4)	(27.5)
Income tax expense	10.1	9.3	0.8	8.6
Equity in earnings of equity method investees, net of income taxes	2.2	2.2	—	—
NET INCOME	72.2	103.4	(31.2)	(30.2)
Less: Net income attributable to noncontrolling interests	2.8	3.9	(1.1)	(28.2)
NET INCOME ATTRIBUTABLE TO EVERGY, INC.	\$ 69.4	\$ 99.5	\$ (30.1)	(30.3)
BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING ATTRIBUTABLE TO EVERGY (See 10-Q Note 1)				
Basic earnings per common share	\$ 0.31	\$ 0.39	\$ (0.08)	(20.5)
Diluted earnings per common share	\$ 0.31	\$ 0.39	\$ (0.08)	(20.5)
AVERAGE COMMON SHARES OUTSTANDING				
Basic	227.1	252.8	(25.7)	(10.2)
Diluted	227.5	253.0	(25.5)	(10.1)
Effective income tax rate	12.2%	8.2%		

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the period ended March 31, 2020 should be read in conjunction with this financial information.

EVERGY, INC.
Consolidated Balance Sheets
(Unaudited)

	March 31	December 31
	2020	2019
ASSETS	(millions, except share amounts)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 304.4	\$ 23.2
Receivables, net of allowance for credit losses of \$11.5 and \$10.5, respectively	189.2	228.5
Accounts receivable pledged as collateral	322.0	339.0
Fuel inventory and supplies	498.9	481.6
Income taxes receivable	110.5	85.5
Regulatory assets	228.2	231.7
Prepaid expenses and other assets	79.6	78.2
Total Current Assets	<u>1,732.8</u>	<u>1,467.7</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>19,223.2</u>	<u>19,184.4</u>
PROPERTY, PLANT AND EQUIPMENT OF VARIABLE INTEREST ENTITIES, NET	<u>160.3</u>	<u>162.0</u>
OTHER ASSETS:		
Regulatory assets	1,714.5	1,740.5
Nuclear decommissioning trust fund	497.4	573.2
Goodwill	2,336.6	2,336.6
Other	519.9	511.5
Total Other Assets	<u>5,068.4</u>	<u>5,161.8</u>
TOTAL ASSETS	\$ 26,184.7	\$ 25,975.9

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the period ended March 31, 2020 should be read in conjunction with this financial information.

EVERGY, INC.
Consolidated Balance Sheets
(Unaudited)

	March 31 2020	December 31 2019
LIABILITIES AND EQUITY	(millions, except share amounts)	
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 1.1	\$ 251.1
Current maturities of long-term debt of variable interest entities	18.8	32.3
Notes payable and commercial paper	1,055.0	561.9
Collateralized note payable	322.0	339.0
Accounts payable	298.1	528.8
Accrued taxes	226.3	145.1
Accrued interest	137.3	122.3
Regulatory liabilities	56.4	63.3
Asset retirement obligations	69.0	71.3
Accrued compensation and benefits	71.4	59.2
Other	142.3	161.6
Total Current Liabilities	2,397.7	2,335.9
LONG-TERM LIABILITIES:		
Long-term debt, net	8,993.5	8,746.7
Long-term debt of variable interest entities, net	—	18.8
Deferred income taxes	1,796.7	1,744.4
Unamortized investment tax credits	373.2	375.4
Regulatory liabilities	2,156.1	2,248.3
Pension and post-retirement liability	1,012.6	1,017.6
Asset retirement obligations	611.6	602.8
Other	337.9	340.7
Total Long-Term Liabilities	15,281.6	15,094.7
Commitments and Contingencies (See 10-Q Note 9)		
EQUITY:		
Evergy, Inc. Shareholders' Equity:		
Common stock - 600,000,000 shares authorized, without par value 226,738,748 and 226,641,443 shares issued, stated value	7,072.2	7,070.4
Retained earnings	1,505.7	1,551.5
Accumulated other comprehensive loss	(48.7)	(50.0)
Total Evergy, Inc. Shareholders' Equity	8,529.2	8,571.9
Noncontrolling Interests	(23.8)	(26.6)
Total Equity	8,505.4	8,545.3
TOTAL LIABILITIES AND EQUITY	\$ 26,184.7	\$ 25,975.9

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the period ended March 31, 2020 should be read in conjunction with this financial information.

EVERGY, INC.
Consolidated Statements of Cash Flows
(Unaudited)

Three Months Ended March 31	2020	2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:	(millions)	
Net income	\$ 72.2	\$ 103.4
Adjustments to reconcile income to net cash from operating activities:		
Depreciation and amortization	218.5	213.6
Amortization of nuclear fuel	14.4	14.6
Amortization of deferred refueling outage	6.3	6.5
Amortization of corporate-owned life insurance	6.5	6.6
Non-cash compensation	4.6	5.4
Net deferred income taxes and credits	8.1	(2.0)
Allowance for equity funds used during construction	(1.8)	(0.2)
Payments for asset retirement obligations	(3.1)	(1.2)
Equity in earnings of equity method investees, net of income taxes	(2.2)	(2.2)
Income from corporate-owned life insurance	(1.9)	(9.9)
Other	0.3	(1.3)
Changes in working capital items:		
Accounts receivable	42.6	26.6
Accounts receivable pledged as collateral	17.0	6.0
Fuel inventory and supplies	(17.1)	44.6
Prepaid expenses and other current assets	0.4	35.5
Accounts payable	(153.4)	(119.4)
Accrued taxes	83.0	100.2
Other current liabilities	(9.4)	(74.7)
Changes in other assets	39.4	12.8
Changes in other liabilities	(3.8)	(2.8)
Cash Flows from Operating Activities	320.6	362.1
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(354.4)	(309.0)
Purchase of securities - trusts	(18.8)	(17.9)
Sale of securities - trusts	15.0	15.4
Investment in corporate-owned life insurance	(2.0)	(2.1)
Proceeds from investment in corporate-owned life insurance	30.8	40.9
Other investing activities	(4.0)	1.3
Cash Flows used in Investing Activities	(333.4)	(271.4)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Short term debt, net	493.1	572.4
Collateralized short-term borrowings, net	(17.0)	(6.0)
Proceeds from long-term debt	—	494.0
Retirements of long-term debt	(1.1)	(1.1)
Retirements of long-term debt of variable interest entities	(32.3)	(30.3)
Borrowings against cash surrender value of corporate-owned life insurance	—	0.6
Repayment of borrowings against cash surrender value of corporate-owned life insurance	(27.8)	(30.1)
Cash dividends paid	(114.5)	(119.8)
Repurchase of common stock under repurchase plan	—	(578.3)
Other financing activities	(6.4)	(4.5)
Cash Flows from Financing Activities	294.0	296.9
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	281.2	387.6
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of period, including restricted cash of \$0.0 and \$0.0, respectively	23.2	160.3
End of period, including restricted cash of \$0.0 and \$414.3, respectively	\$ 304.4	\$ 547.9

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the period ended March 31, 2020 should be read in conjunction with this financial information.

Evergy, Inc
First Quarter 2020 vs. 2019

Earnings Variances

	Change	
	(dollars in millions)	(\$ per share)
2019 net income attributable to Evergy, Inc.	\$ 99.5	\$ 0.39
	<i>Favorable/(Unfavorable)</i>	
Utility gross margin ^(a)	(26.9)	A (0.11)
Operating and maintenance	18.7	B 0.07
Depreciation and amortization	(4.9)	C (0.02)
Taxes other than income tax	1.0	—
Other expense, net	(13.2)	D (0.05)
Interest expense	(5.1)	E (0.02)
Income tax expense	(0.8)	—
Equity in earnings of equity method investees, net of income taxes	—	—
Net income attributable to noncontrolling interests	1.1	—
Change in shares outstanding		F 0.05
2020 net income attributable to Evergy, Inc.	\$ 69.4	\$ 0.31

^(a) Utility gross margin is a non-GAAP financial measure. See explanation of utility gross margin in the Utility Gross Margin (Non-GAAP) section below.

Major factors influencing the period to period change in EPS-- Favorable/(Unfavorable)

- A Due primarily to lower retail sales driven by warmer winter weather, partially offset by a weather-normalized increase in residential demand- (\$18.5M); a decrease in revenue recognized for the Missouri Energy Efficiency Investment Act (MEEIA) earnings opportunity in 2020 related to the achievement of certain energy savings levels in the MEEIA program - (\$9.6M); and a decrease in revenue due to the granting of an Accounting Authority Order (AAO) by the Public Service Commission of the State of Missouri (MPSC) in October 2019 - (\$2.7M); partially offset by an increase for recovery of programs costs for energy efficiency programs under MEEIA, which have a direct offset in operating and maintenance expense - \$3.9M.
- B Due primarily to a decrease in transmission and distribution operating and maintenance expense primarily due to costs at Evergy Metro and Evergy Missouri West incurred from storms in January 2019 and lower employee headcount in 2020 - \$17.3M; a decrease in various administrative and general operating and maintenance expenses primarily driven by lower medical claims at Evergy Metro, lower employee headcount in 2020 and a decrease in property insurance expense - \$11.6M; and a decrease in plant operating and maintenance expense at fossil-fuel generating units - \$8.5M; partially offset by an increase in voluntary severance expenses incurred in 2020 - (\$11.6M); advisor expenses incurred in 2020 - (\$6.6M); and an increase in program costs for energy efficiency programs under MEEIA, which have a direct offset in revenue - (\$3.9M).
- C Due primarily to capital additions.
- D Due primarily to lower Evergy Kansas Central corporate-owned life insurance (COLI) benefits in 2020 - (\$6.5M); and an increase due to higher net unrealized losses in Evergy Kansas Central's rabbi trust in 2020 - (\$3.2M).
- E Due primarily to Evergy's issuance of \$1.6 billion of senior notes in September 2019 - (\$12.4M); and Evergy Kansas Central's issuance of \$300.0 million of 3.25% First Mortgage Bonds (FMBs) in August 2019 - (\$2.4); partially offset by the repayment of Evergy Kansas South's \$300.0 million of 6.70% FMBs in June 2019 - \$5.0M; and the repayment of Evergy Metro's \$400.0 million of 7.15% Mortgage Bonds at maturity in April 2019, net of an increase due to Evergy Metro's issuance of \$400.0 million of 4.125% Mortgage Bonds in March 2019 - \$4.6M.
- F Increase due to a lower number of diluted weighted average common shares outstanding in 2020 due to shares repurchased under Evergy's common share repurchase program in 2019.

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the period ended March 31, 2020 should be read in conjunction with this financial information.

Evergy, Inc.
Financial Results, Revenue and Sales

Supplemental Data

Financial Results	Evergy		Evergy Kansas Central		Evergy Metro		Evergy Missouri West	
	2020	2019	2020	2019	2020	2019	2020	2019
Three Months Ended March 31								
	(Dollars in millions)							
Operating revenues	\$ 1,116.7	\$ 1,216.9	\$ 560.1	\$ 596.8	\$ 375.5	\$ 425.4	\$ 182.1	\$ 194.7
Fuel and purchased power	258.2	330.0	99.2	122.7	92.5	134.9	67.6	72.5
SPP network transmission costs	62.0	63.5	62.0	63.5	—	—	—	—
Operating and maintenance	288.2	306.9	123.7	128.6	105.9	122.0	49.9	53.3
Depreciation and amortization	218.5	213.6	112.1	109.8	81.4	78.9	26.2	26.0
Taxes other than income tax	92.3	93.3	48.6	47.9	32.0	32.7	11.6	12.5
Income from operations	197.5	209.6	114.5	124.3	63.7	56.9	26.8	30.4
Other expense, net	(21.2)	(8.0)	(11.1)	(1.8)	(6.9)	(3.4)	(3.6)	(3.1)
Interest expense	96.2	91.1	41.6	44.9	28.6	33.8	14.4	14.5
Income tax expense (benefit)	10.1	9.3	7.8	10.5	2.6	3.7	(0.8)	0.6
Equity in earnings of equity method investees, net of income taxes	2.2	2.2	1.2	1.2	—	—	—	—
Net income	72.2	103.4	55.2	68.3	25.6	16.0	9.6	12.2
Less: net income attributable to noncontrolling interests	2.8	3.9	2.8	3.9	—	—	—	—
Net income attributable to controlling interest	69.4	99.5	52.4	64.4	25.6	16.0	9.6	12.2
Reconciliation of utility gross margin to income from operations:								
Operating revenues	1,116.7	1,216.9	560.1	596.8	375.5	425.4	182.1	194.7
Fuel and purchased power	258.2	330.0	99.2	122.7	92.5	134.9	67.6	72.5
SPP network transmission costs	62.0	63.5	62.0	63.5	—	—	—	—
Utility gross margin ^(a)	796.5	823.4	398.9	410.6	283.0	290.5	114.5	122.2
Operating and maintenance	288.2	306.9	123.7	128.6	105.9	122.0	49.9	53.3
Depreciation and amortization	218.5	213.6	112.1	109.8	81.4	78.9	26.2	26.0
Taxes other than income tax	92.3	93.3	48.6	47.9	32.0	32.7	11.6	12.5
Income from operations	197.5	209.6	114.5	124.3	63.7	56.9	26.8	30.4
Revenues	(Dollars in millions)							
Residential	402.5	451.7	167.8	192.3	147.4	164.2	87.3	95.3
Commercial	384.7	413.5	151.1	164.3	172.1	183.8	61.5	65.3
Industrial	140.6	147.0	92.1	98.4	30.1	29.7	18.4	19.0
Other retail revenues	10.6	9.8	4.7	5.1	3.5	2.6	2.4	2.0
Total electric retail	938.4	1,022.0	415.7	460.1	353.1	380.3	169.6	181.6
Wholesale revenues	63.5	83.1	54.8	61.3	6.8	18.1	3.0	3.7
Transmission	75.6	76.7	68.2	69.2	3.1	3.1	4.3	4.4
Other	39.2	35.1	21.4	6.2	12.5	23.9	5.2	5.0
Operating revenues	1,116.7	1,216.9	560.1	596.8	375.5	425.4	182.1	194.7
Electricity Sales	(MWh in thousands)							
Residential	3,578	3,964	1,407	1,546	1,265	1,397	906	1,021
Commercial	4,206	4,424	1,624	1,728	1,811	1,894	771	803
Industrial	1,999	2,011	1,278	1,342	415	377	307	292
Other retail revenues	33	36	11	12	17	19	4	4
Total electric retail	9,816	10,435	4,320	4,628	3,508	3,687	1,988	2,120
Wholesale revenues	2,874	4,029	1,469	2,073	1,271	1,797	134	160
Total electricity sales	12,690	14,464	5,789	6,701	4,779	5,484	2,122	2,280

^(a)Utility gross margin is a Non-GAAP financial measure. See explanation of utility gross margin in the Utility Gross Margin (Non-GAAP) section below.

Evergy, Inc.
Financial Results, Revenue and Sales

Supplemental Data

Evergy				
Three Months Ended March 31				
Degree Days	2020	2019/ Normal	Change	% Change
Cooling				
Actual compared to last year	—	—	—	—
Actual compared to normal	—	5	(5)	N/M
Heating				
Actual compared to last year	2,293	2,820	(527)	(18.7)
Actual compared to normal	2,293	2,521	(228)	(9.0)

Evergy, Inc.
Capitalization

	March 31, 2020		December 31, 2019	
	(dollars in millions)			
Current maturities of long-term debt	\$	1.1	\$	251.1
Current maturities of long-term debt of VIEs		18.8		32.3
Long-term debt, net		8,993.5		8,746.7
Long-term debt of variable interest entities, net		—		18.8
Total long-term debt		9,013.4	51.4 %	9,048.9 51.4 %
Common equity		8,529.2	48.7 %	8,571.9 48.7 %
Noncontrolling interests		(23.8)	(0.1)%	(26.6) (0.2)%
Total capitalization	\$	17,518.8	100.0 %	\$ 17,594.2 100.0 %
GAAP Book value per share	\$	37.62	\$	37.82
Period end shares outstanding		226,738,748		226,641,443

The Notes to the Unaudited Consolidated Financial Statements in Evergy's Quarterly Report on Form 10-Q for the period ended March 31, 2020 should be read in conjunction with this financial information.

Eversource Energy, Inc.
Non-GAAP Measures

Utility Gross Margin (non-GAAP)

Utility gross margin is a financial measure that is not calculated in accordance with GAAP. Utility gross margin, as used by Eversource Energy, Eversource Kansas Central and Eversource Metro (collectively, the Eversource Companies), is defined as operating revenues less fuel and purchased power costs and amounts billed by the SPP for network transmission costs. Expenses for fuel and purchased power costs, offset by wholesale sales margin, are subject to recovery through cost adjustment mechanisms. As a result, changes in fuel and purchased power costs are offset in operating revenues with minimal impact on net income. In addition, SPP network transmission costs fluctuate primarily due to investments by SPP members for upgrades to the transmission grid within the SPP Regional Transmission Organization (RTO). As with fuel and purchased power costs, changes in SPP network transmission costs are mostly reflected in the prices charged to customers with minimal impact on net income.

Management believes that utility gross margin provides a meaningful basis for evaluating the Eversource Companies' operations across periods because utility gross margin excludes the revenue effect of fluctuations in these expenses. Utility gross margin is used internally to measure performance against budget and in reports for management and the Eversource Board. Utility gross margin should be viewed as a supplement to, and not a substitute for, income from operations, which is the most directly comparable financial measure prepared in accordance with GAAP. The Eversource Companies' definition of utility gross margin may differ from similar terms used by other companies. See page 6 for the reconciliation of utility gross margin to income from operations for the three months ended March 31, 2020 and 2019, respectively.

Adjusted Earnings (non-GAAP) and Adjusted Earnings Per Share (non-GAAP)

Eversource's adjusted earnings (non-GAAP) and adjusted EPS (non-GAAP) for the three months ended March 31, 2020, were \$94.2 million or \$0.41 per share, respectively. For the three months ended March 31, 2019, Eversource's adjusted earnings (non-GAAP) and adjusted EPS (non-GAAP) were \$111.1 million or \$0.44 per share, respectively. In addition to net income attributable to Eversource, Inc. and diluted EPS, Eversource's management uses adjusted earnings (non-GAAP) and adjusted EPS (non-GAAP) to evaluate earnings and EPS without the costs resulting from rebranding, voluntary severance and advisor expenses.

Adjusted earnings (non-GAAP) and adjusted EPS (non-GAAP) are intended to enhance an investor's overall understanding of results. Adjusted earnings (non-GAAP) and adjusted EPS (non-GAAP) are used internally to measure performance against budget and in reports for management and the Eversource Board. Adjusted earnings (non-GAAP) and adjusted EPS (non-GAAP) are financial measures that are not calculated in accordance with GAAP and may not be comparable to other companies' presentations or more useful than the GAAP information provided elsewhere in this report.

The following table provides a reconciliation between net income attributable to Evergy, Inc. and diluted EPS as determined in accordance with GAAP and adjusted earnings (non-GAAP) and adjusted EPS (non-GAAP).

	Earnings (Loss) per Diluted Share		Earnings (Loss) per Diluted Share	
	Earnings (Loss)	Earnings (Loss) per Diluted Share	Earnings (Loss)	Earnings (Loss) per Diluted Share
Three Months Ended March 31	2020		2019	
	(millions, except per share amounts)			
Net income attributable to Evergy, Inc.	\$ 69.4	\$ 0.31	\$ 99.5	\$ 0.39
Non-GAAP reconciling items:				
Rebranding costs, pre-tax ^(a)	—	—	0.2	—
Voluntary severance costs, pre-tax ^(b)	27.0	0.12	14.8	0.06
Advisor expenses, pre-tax ^(c)	6.6	0.02	—	—
Income tax benefit ^(d)	(8.8)	(0.04)	(3.4)	(0.01)
Adjusted earnings (non-GAAP)	\$ 94.2	\$ 0.41	\$ 111.1	\$ 0.44

^(a)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.

^(b)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.

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

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