



# Fourth Quarter 2019 Earnings Call

*March 2, 2020*





# 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 our strategic plan, including, without limitation, earnings per share and dividend growth targets, operating and maintenance expense savings goals and future capital allocation plans; the outcome of regulatory and legal proceedings; 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,” “seeks,” “intends,” “proposed,” “projects,” “planned,” “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 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 reduced demand for coal-based energy; prices and availability of electricity in wholesale markets; market perception of the energy industry and the Evergy Companies; changes in the energy trading markets in which the Evergy Companies participate, including retroactive repricing of transactions by regional transmission organizations 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 benchmark interest rate; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts, including cyber terrorism; 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 increased costs of, or changes in, retirement, health care and other benefits; the possibility that the expected value creation from the merger of Great Plains Energy Incorporated (Great Plains Energy) and Evergy Kansas Central that resulted in the creation of Evergy will not be realized, or will not be realized within the expected time period; difficulties related to the integration, including the diversion of management time; difficulties in maintaining relationships with customers, employees, regulators or suppliers; disruption related to the rebranding of the Evergy Companies, including the impact of the rebranding on receipt of customer payments; and other risks and uncertainties.

This list of factors is not all-inclusive because it is not possible to predict all factors. Part I, Item 1A, Risk Factors included in the Evergy Companies’ 2019 Form 10-K should be carefully read for further understanding of potential risks for the Evergy Companies. Reports filed by the Evergy Companies with the Securities and Exchange Commission 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 and adjusted O&M which are non-GAAP financial measures. A reconciliation of the non-GAAP measures to the most directly comparable GAAP measure is included in the appendix.



# Agenda

## Business Update

### Terry Bassham, President & CEO

- 2019 Accomplishments
- Capital Plan Announcement
- Merger Savings Update
- Agreement with Elliott Management

## Financial Update

### Tony Somma, EVP & CFO

- Quarter and Full Year Results
- Finance Activities
- 2020 Considerations



# Business Update

*Terry Bassham*

*President & CEO*



# 2019 Highlights

- Exceeded 2019 original merger savings target by 36% and reduced adjusted O&M by over 9% year-over-year
- Increased dividend to current indicative annualized rate of \$2.02/share
- Invested ~\$1.2B in infrastructure providing the quality service customers expect
- Returned over \$2B in capital to shareholders through share repurchases and dividends
- Elected Plant in Service Accounting (PISA) in Missouri
- Successfully rebranded operating utilities
- Announced carbon reduction plan targeting 80% CO<sub>2</sub> emission reductions by 2050, from 2005 levels
- Maintained strong customer reliability metrics

## GAAP EPS

\$2.50

\$2.79

2018

2019

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

\$2.54

\$2.89

2018

2019

**NOTE:**

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

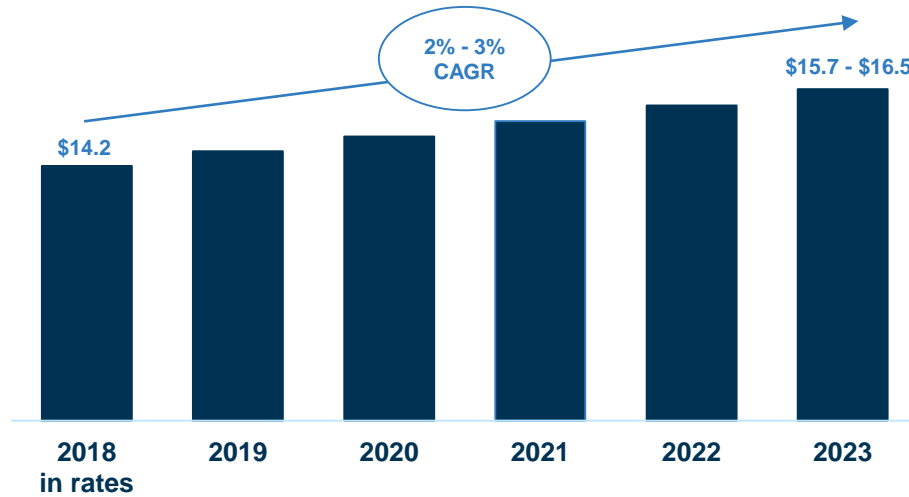


# Enhanced Capital Plan Drives Higher Rate Base Growth

## ~\$7.6B of Utility Investment 2020 through 2024

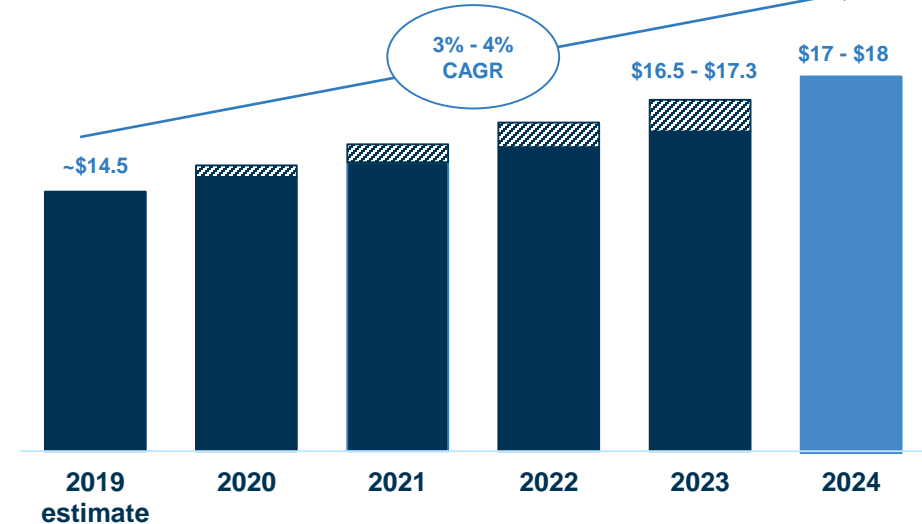
### Targeted Rate Base Growth (prior plan)

\$ in billions

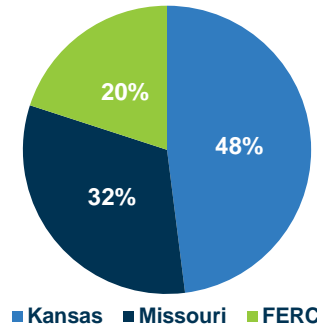


### Targeted Rate Base Growth (current plan)

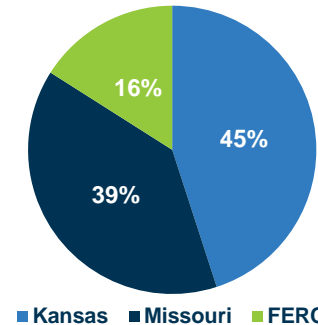
\$ in billions



### Projected 2019-2023 CapEx by Jurisdiction



### Projected 2020-2024 CapEx by Jurisdiction



# ~\$1.5B ↑

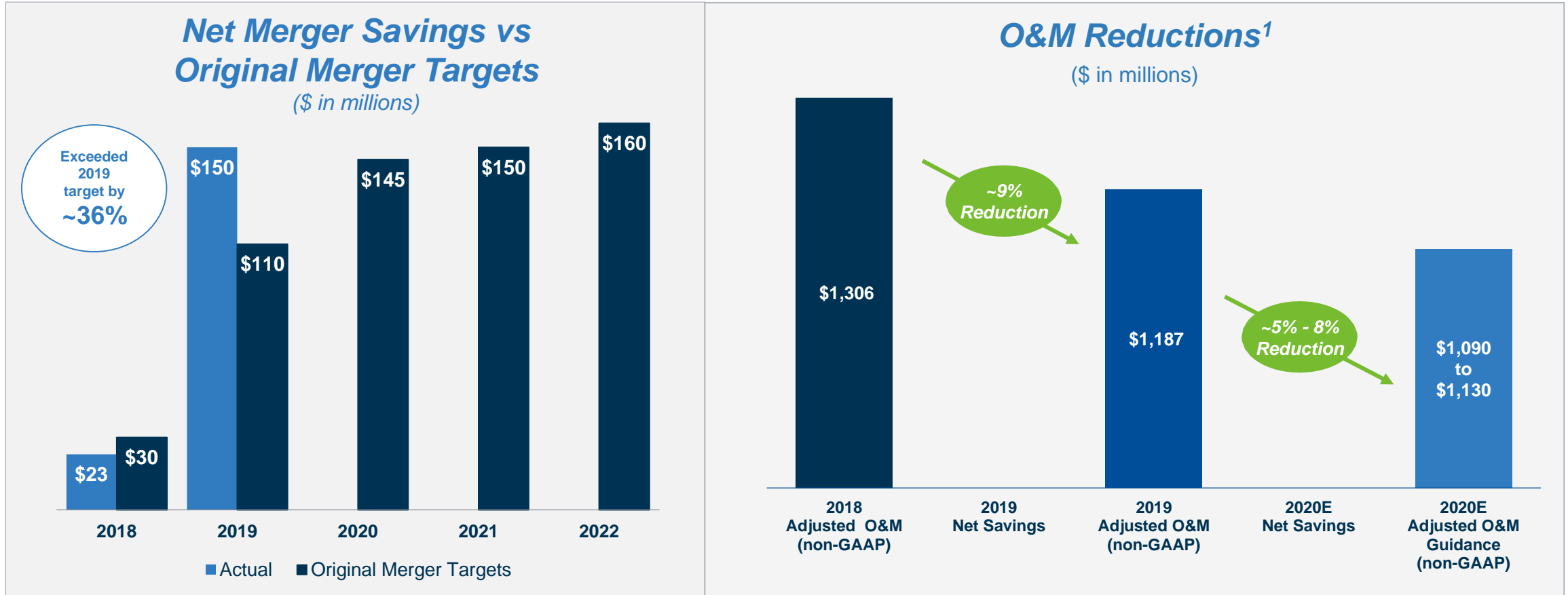
Current 5-yr CapEx plan (2020-2024) increases by \$1.5B compared to prior 5-yr plan (2019-2023)

#### NOTE:

1. Investment levels and growth rates to be further informed by Strategic Review & Operations Committee and updated accordingly.



# Disciplined Cost Management



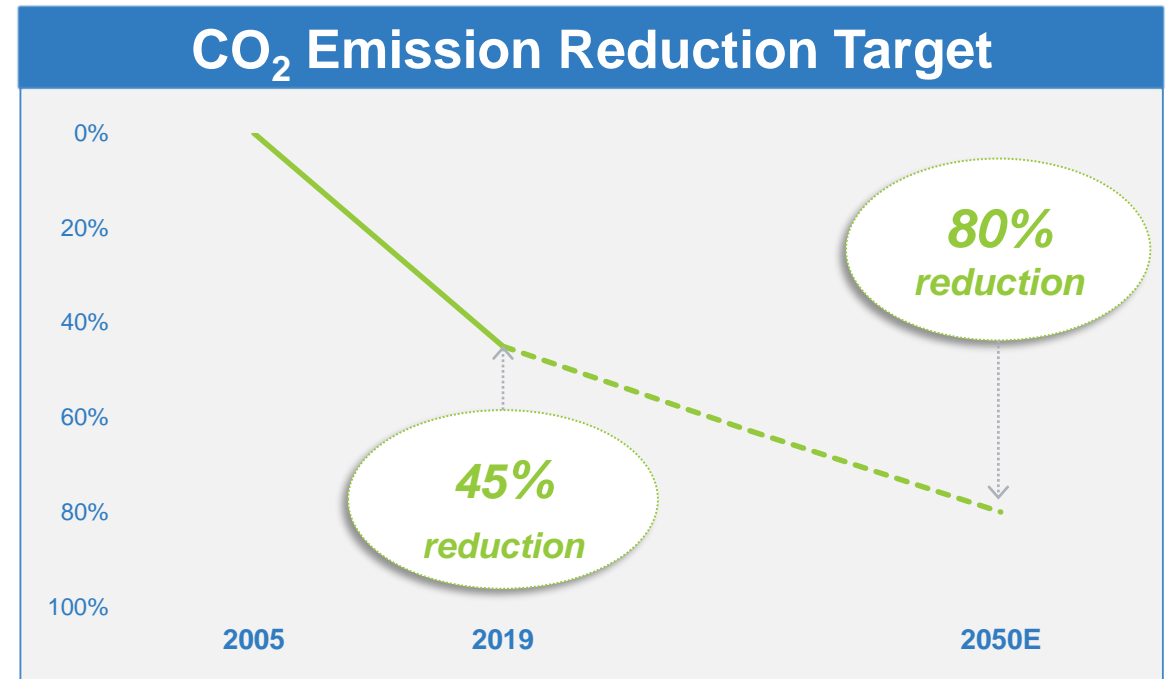
**NOTE:**

1. Adjusted O&M (non-GAAP) is a financial measure that is 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. See Appendix for GAAP to Non-GAAP reconciliation.

# Strong Track Record of Reducing Carbon

*Recent announcements increase renewable energy available to large customers and contribute to future carbon reduction efforts*

- New wind resources will give direct renewable energy access to large commercial and industrial customers across Kansas and Missouri
- Four new wind PPA's totaling 660 MWs
  - Expedition Wind – 199 MW
  - Flat Ridge 3 – 128 MW
  - Jayhawk Wind – 155 MW
  - Ponderosa Wind – 178 MW
- RFP's were issued simultaneously with tariff approval in 2018 rate cases







# Agreement with Elliott Management

## Key Terms:

- Adding two new mutually agreed upon independent Directors to the Evergy Board
- The Board size will be reduced to 13 following the 2020 annual meeting of shareholders
- Creating a four-person Strategic Review and Operations Committee
  - Members include: Terry Bassham; Art Stall; and new Directors Paul Keglevic and Kirk Andrews
    - Co-Chairs: Art Stall and Paul Keglevic
  - Committee to explore strategic and operational alternatives to enhance shareholder value
    - Authorized to retain independent consultants, advisors and counsel for its review
  - Will provide formal recommendation to the full Board by May 30, 2020
  - Board plans to vote and announce plan during first half 2020

# Financial Update

*Tony Somma*  
*EVP & CFO*

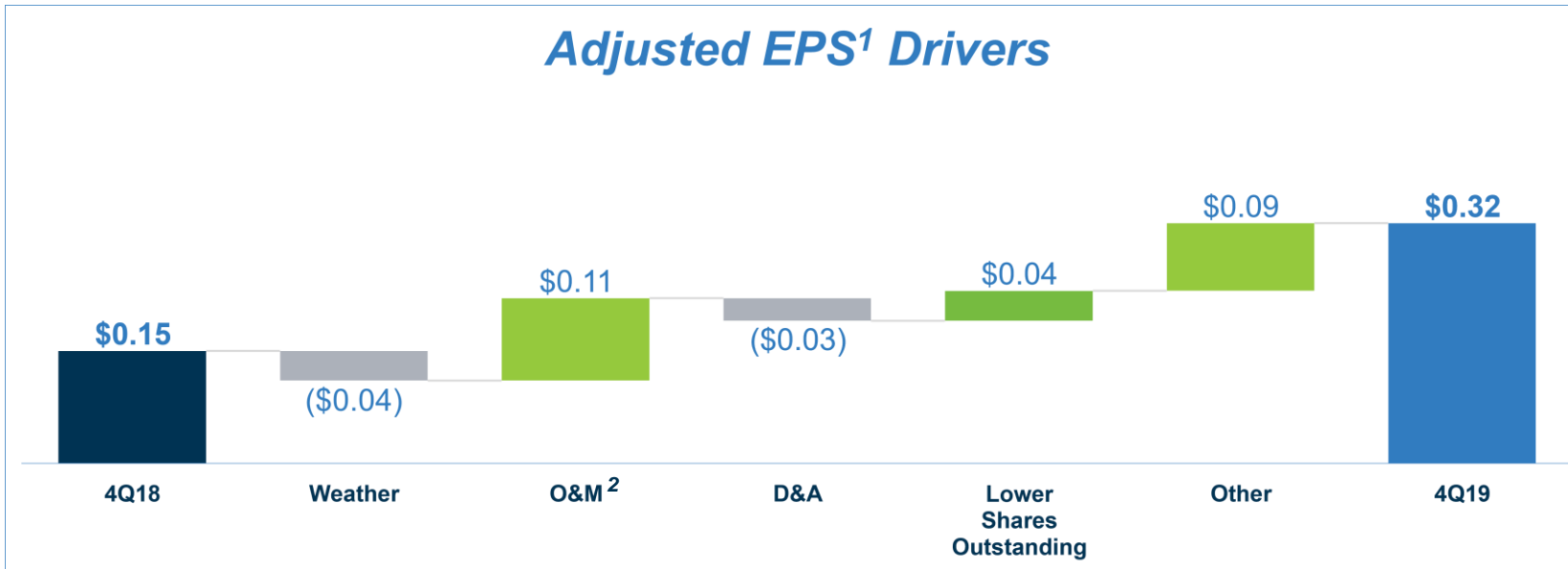


# Fourth Quarter Results

**GAAP EPS: 4Q19 \$0.28 vs 4Q18 \$0.07**

- + Lower O&M
- + Lower shares outstanding
- + Higher amortization of accumulated deferred income taxes
- Higher depreciation expense

## 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. Excludes \$0.01 of higher MEEIA program costs which are recovered through gross margin.

## Adjusted EPS<sup>1</sup> Variance Drivers

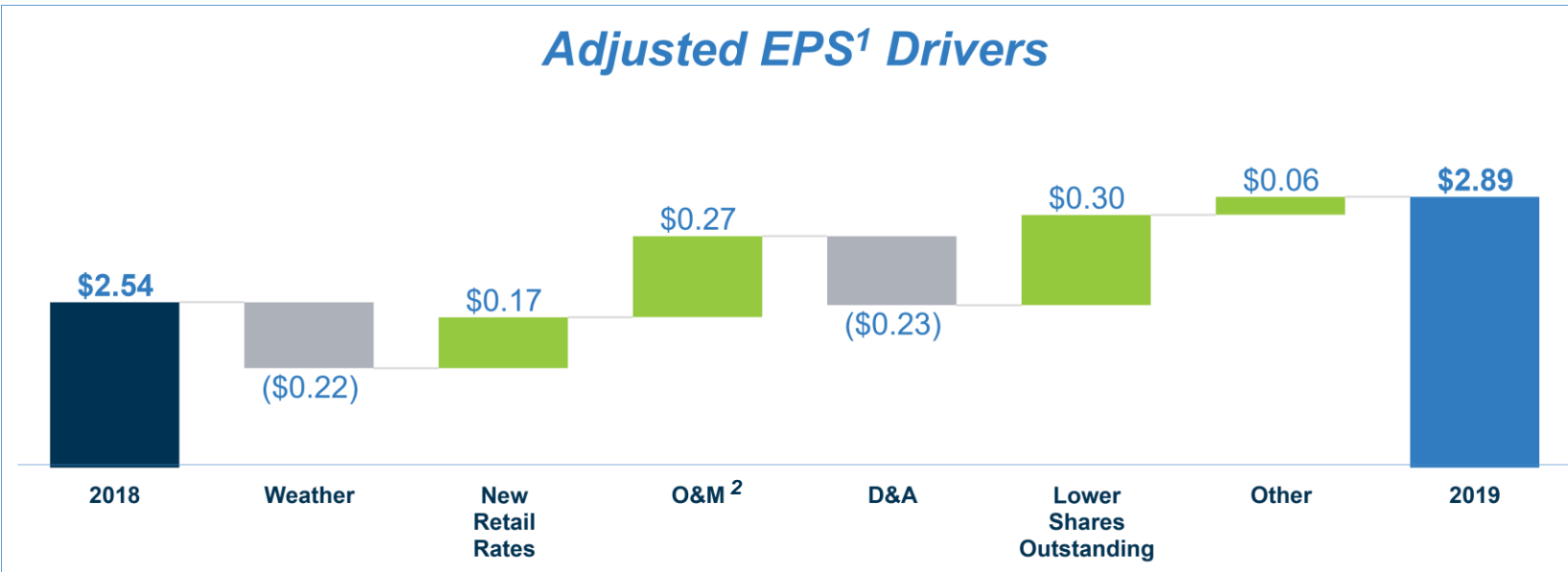
- ▼ Gross Margin \$22M lower, due primarily to unfavorable weather
- ▲ O&M \$35M lower driven by cost reduction efforts
- ▼ D&A \$9M higher primarily from new depreciation rates reflected in new retail rates
- ▲ Other includes tax benefits from higher amortization of accumulated deferred income taxes, partially offset by the Sibley AAO deferral
- ▲ Accretion from lower average shares outstanding  
4Q19: ~228M  
4Q18: ~262M

# Full Year Results

## GAAP EPS: 2019 \$2.79 vs 2018 \$2.50

- + Inclusion of Evergy Metro and Evergy MO West results in 2019
- + Merger related costs and customer bill credits incurred in June 2018
- + Lower O&M

### 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. Excludes \$0.06 of lower MEEIA program costs which are recovered through gross margin.

### Adjusted EPS<sup>1</sup> Variance Drivers

- ▼ Gross Margin \$59M lower due to unfavorable weather, partially offset by new retail rates net of the 2018 provision for rate refund for the lower corporate tax rate
- ▲ O&M \$120M lower driven by cost reduction efforts
- ▼ D&A \$84M higher primarily from new depreciation rates included in new retail rates
- ▲ Other includes tax benefits from higher amortization of accumulated deferred income taxes, partially offset by higher interest expense and the Sibley AAO deferral
- ▲ Accretion from lower average shares outstanding  
2019: ~240M  
2018: ~268M



# Finance Activities

- **Share Repurchases**

- Rebalanced consolidated capital structure
- Key driver of EPS growth on the front end of our merger plan
- Repurchased ~29M shares in 2019
- Repurchased over 45M shares since initiating the share repurchase program in August 2018

- **2020 Utility Debt**

- Expect to replace \$250M of Evergy-KS Central 5.1% FMB's that mature in July 2020



# 2020 Considerations

Key 2020 Driver Considerations	
Retail electric sales:	<ul style="list-style-type: none"><li>Weather normalized growth of 0 to 50 bps</li></ul>
Adjusted O&M expense <sup>1</sup> :	<ul style="list-style-type: none"><li>5% to 8% reduction from 2019 Adjusted O&amp;M of \$1.187B</li></ul>
Depreciation expense:	<ul style="list-style-type: none"><li>\$10M to \$20M higher than 2019</li></ul>
Non-operating income (expense):	<ul style="list-style-type: none"><li>COLI proceeds of ~\$20M</li></ul>
Effective tax rate:	<ul style="list-style-type: none"><li>12% – 14%</li></ul>
Share Count as of 12/31/19	<ul style="list-style-type: none"><li>227M</li></ul>

**NOTE:**

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

2. Formal 2020 guidance to be provided pending the outcome of the upcoming recommendation from the Strategic Review & Operations Committee.

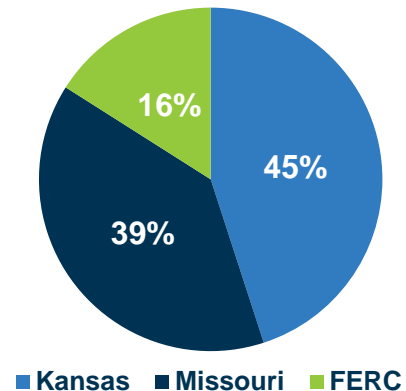
# Appendix



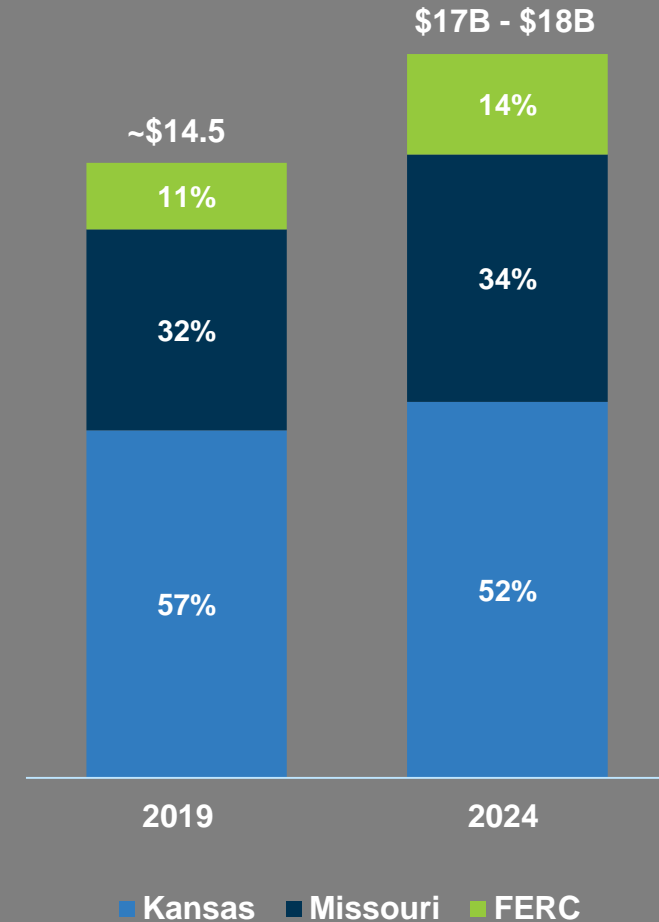
# ~\$7.6B in Utility Investment through 2024

Five-Year Capital Plan (millions)	2020	2021	2022	2023	2024
Generating Facilities	\$487	\$555	\$563	\$455	\$263
Transmission and Distribution Facilities	893	914	886	867	1,006
General Facilities and other	238	117	112	92	94
<b>Total Capital Expenditures</b>	<b>\$1,618</b>	<b>\$1,586</b>	<b>\$1,571</b>	<b>\$1,414</b>	<b>\$1,363</b>

*Projected 2020-2024 CapEx by Jurisdiction*



*Projected Rate Base  
by Jurisdiction*

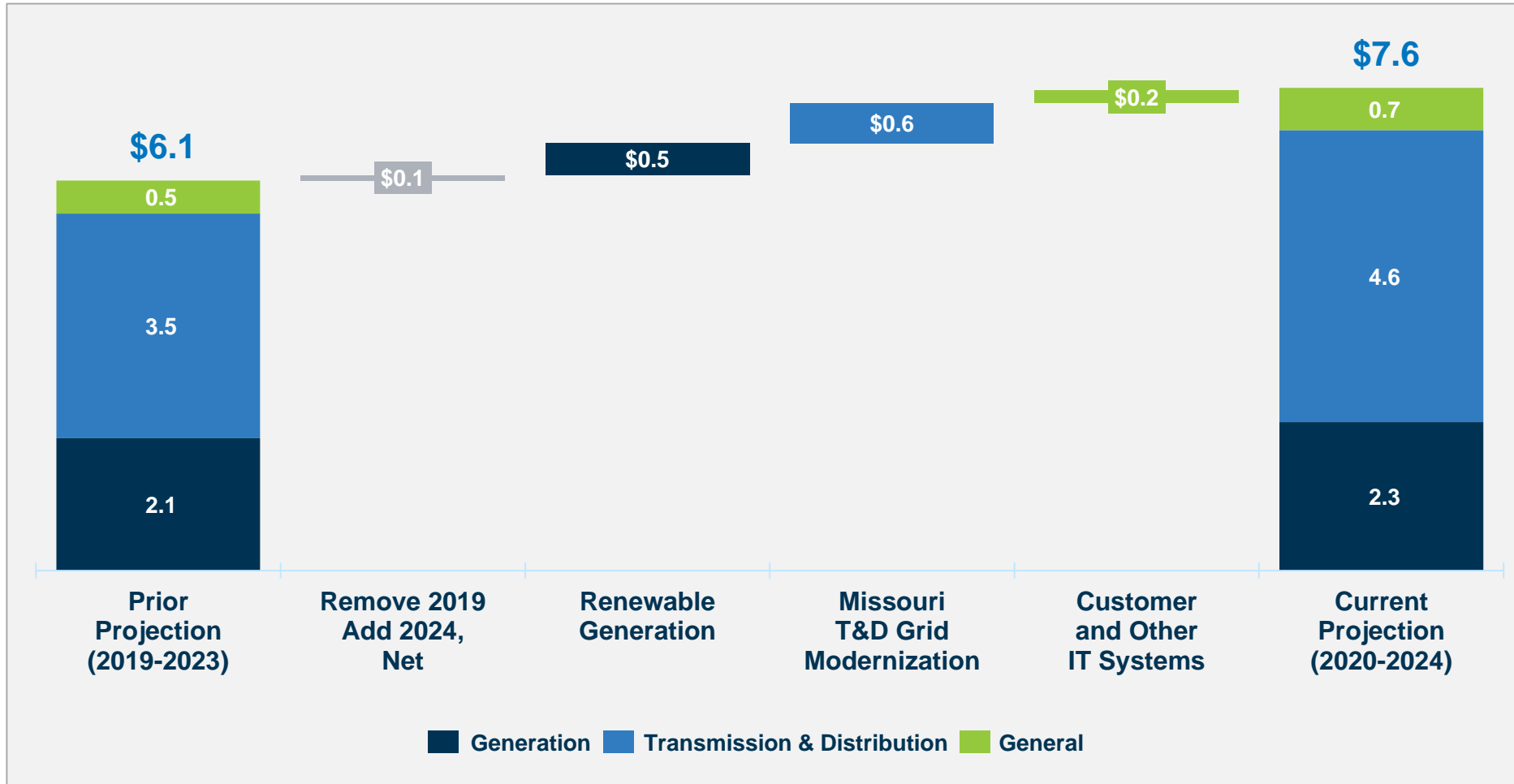






# Capital Plan Summary

Current versus Prior Projected CapEx (in billions)





# GAAP to Non-GAAP O&M Reconciliation<sup>1</sup>

<b>2018 O&amp;M</b> (\$ in millions)	
<b>2018 GAAP O&amp;M</b>	<b>\$1,116</b>
Great Plains Energy O&M prior to the merger	318
Non-recurring merger-related costs	(101)
<b>Pro Forma O&amp;M</b>	<b>\$1,333</b>
Severance expense	\$(24)
Deferral of merger transition costs	28
Inventory write-off from retiring generating units	(31)
<b>2018 Adjusted O&amp;M (non-GAAP)</b>	<b>\$1,306</b>

<b>2019 O&amp;M</b> (\$ in millions)	
<b>2019 GAAP O&amp;M</b>	<b>\$1,219</b>
Severance expense and rebranding costs	(32)
<b>2019 Adjusted O&amp;M (non-GAAP)</b>	<b>\$1,187</b>

<b>2020 O&amp;M Guidance</b> (\$ in millions)	
<b>Estimated 2020 GAAP O&amp;M</b>	<b>\$1,135 - \$1,175</b>
Estimated severance and advisor expenses	(45)
<b>Implied 2020 Adjusted O&amp;M (non-GAAP)</b>	<b>\$1,090 - 1,130</b>

**NOTE:**

1. Adjusted O&M (non-GAAP) is a financial measure that is 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.



# 2018/2019 EPS: GAAP to Non-GAAP Reconciliation

Three Months Ended December 31	2019		2018	
	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.	\$ 63.9	\$ 0.28	\$ 18.5	\$ 0.07
Pro forma adjustments <sup>(a)</sup> :				
Non-recurring merger costs and other	—	—	1.3	0.01
Pro forma net income attributable to Evergy, Inc.	\$ 63.9	\$ 0.28	\$ 19.8	\$ 0.08
Non-GAAP reconciling items:				
Rebranding costs, pre-tax <sup>(b)</sup>	7.4	0.03	—	—
Voluntary severance costs, pre-tax <sup>(c)</sup>	4.7	0.02	7.2	0.03
Inventory write-off at retiring generating units, pre-tax <sup>(d)</sup>	—	—	18.7	0.07
Income tax benefit <sup>(e)</sup>	(3.2)	(0.01)	(6.7)	(0.03)
<b>Adjusted earnings (non-GAAP)</b>	<b>\$ 72.8</b>	<b>\$ 0.32</b>	<b>\$ 39.0</b>	<b>\$ 0.15</b>

<sup>(a)</sup>Reflects pro forma adjustments made in accordance with Article 11 of Regulation S-X and ASC 805 - *Business Combinations*. See Note 2 to the consolidated financial statements in the Evergy Companies' combined 2018 annual report on Form 10-K for further information regarding these adjustments.

<sup>(b)</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>(c)</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>(d)</sup>Reflects obsolete inventory write-offs for Evergy Metro's Montrose Station and Evergy Missouri West's Sibley Station and are included in operating and maintenance expense on the consolidated statements of comprehensive income.

<sup>(e)</sup>Reflects an income tax effect calculated at a 26.1% statutory rate.

**NOTE:**

1. GAAP diluted shares outstanding: 4Q19 = ~228M; 4Q18 = ~262M
2. Pro forma and Adjusted diluted shares outstanding: 4Q19 = ~228M; 4Q18 = ~262M



# 2018/2019 EPS: GAAP to Non-GAAP Reconciliation

Year Ended December 31	2019		2018	
	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.	\$ 669.9	\$ 2.79	\$ 535.8	\$ 2.50
Pro forma adjustments <sup>(a)</sup> :				
Great Plains Energy earnings prior to merger	—	—	94.4	0.35
Great Plains Energy shares prior to merger	n/a	—	n/a	(0.50)
Non-recurring merger costs and other	—	—	84.1	0.32
Pro forma net income attributable to Evergy, Inc.	\$ 669.9	\$ 2.79	\$ 714.3	\$ 2.67
Non-GAAP reconciling items:				
Rebranding costs, pre-tax <sup>(b)</sup>	12.1	0.05	—	—
Voluntary severance costs, pre-tax <sup>(c)</sup>	19.8	0.08	23.5	0.09
Composite tax rate change <sup>(d)</sup>	—	—	(52.6)	(0.20)
Deferral of merger transition costs, pre-tax <sup>(e)</sup>	—	—	(28.5)	(0.11)
Inventory write-off at retiring generating units, pre-tax <sup>(f)</sup>	—	—	31.0	0.12
Income tax benefit <sup>(g)</sup>	(7.8)	(0.03)	(6.8)	(0.03)
Adjusted earnings (non-GAAP)	\$ 694.0	\$ 2.89	\$ 680.9	\$ 2.54

- (a) Reflects pro forma adjustments made in accordance with Article 11 of Regulation S-X and ASC 805 - *Business Combinations*. See Note 2 to the consolidated financial statements in the Evergy Companies' combined 2018 annual report on Form 10-K for further information regarding these adjustments.
- (b) 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.
- (c) 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.
- (d) Reflects the revaluation of Evergy Kansas Central's deferred income tax assets and liabilities based on the Evergy composite tax rate as a result of the merger in June 2018 and are included in income tax expense on the consolidated statements of comprehensive income.
- (e) Reflects the portion of the \$47.8 million deferral of merger transition costs to a regulatory asset in June 2018 that related to costs incurred prior to 2018. The remaining merger transition costs included within the \$47.8 million deferral were both incurred and deferred in 2018 and did not impact earnings. This item is included in operating and maintenance expense on the consolidated statements of comprehensive income.
- (f) Reflects obsolete inventory write-offs for Evergy Kansas Central's Unit 7 at Tecumseh Energy Center, Units 3 and 4 at Murray Gill Energy Center, Units 1 and 2 at Gordon Evans Energy Center, Evergy Metro's Montrose Station and Evergy Missouri West's Sibley Station and are included in operating and maintenance expense on the consolidated statements of comprehensive income.
- (g) Reflects an income tax effect calculated at a 26.1% statutory rate, with the exception of certain non-deductible items.

**NOTE:**

1. GAAP diluted shares outstanding: YTD 4Q19 = ~240M; YTD 4Q18 = ~214M

2. Pro forma and Adjusted diluted shares outstanding: YTD 4Q19 = ~240M; YTD 4Q18 = ~268M