



# Second Quarter 2018 Earnings Call

*August 9, 2018*





# 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 the merger of Westar Energy, Inc. (Westar Energy) and Great Plains Energy Incorporated (Great Plains Energy) that resulted in the creation of Evergy, Inc. (Evergy), including those that relate to the expected financial and operational benefits of the merger to the companies and their shareholders (including cost savings, operational efficiencies and the impact of the anticipated merger on earnings per share), cost estimates of capital projects, dividend growth, share repurchases, balance sheet and credit ratings, rebates to customers, employee issues and other matters affecting future operations.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Evergy, KCP&L, and Westar Energy are providing a number of important factors that could cause actual results to differ materially from the provided forward-looking information. These important factors include: future economic conditions in regional, national and international markets and their effects on sales, prices and costs; prices and availability of electricity in regional and national wholesale markets; market perception of the energy industry, Evergy, Kansas City Power & Light Company (KCP&L) and Westar Energy; changes in business strategy, operations or development plans; the outcome of contract negotiations for goods and services; effects of current or proposed state and federal legislative and regulatory actions or developments, including, but not limited to, deregulation, re-regulation and restructuring of the electric utility industry; decisions of regulators regarding rates that KCP&L and Westar Energy can charge for electricity; adverse changes in applicable laws, regulations, rules, principles or practices governing tax, accounting and environmental matters including, but not limited to, air and water quality; financial market conditions and performance including, but not limited to, 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; effectiveness of risk management policies and procedures and the ability of counterparties to satisfy their contractual commitments; impact of terrorist acts, including, but not limited to, cyber terrorism; ability to carry out marketing and sales plans; weather conditions including, but not limited to, weather-related damage and their effects on sales, prices and costs; cost, availability, quality and deliverability of fuel; the inherent uncertainties in estimating the effects of weather, economic conditions and other factors on customer consumption and financial results; ability to achieve generation goals and the occurrence and duration of planned and unplanned generation outages; delays in the anticipated in-service dates and cost increases of generation, transmission, distribution or other projects; Evergy's ability to successfully manage and integrate their respective transmission joint ventures; the inherent risks associated with the ownership and operation of a nuclear facility including, but not limited to, environmental, health, safety, regulatory and financial risks; workforce risks, including, but not limited to, increased costs of retirement, health care and other benefits; the possibility that the expected value creation from the merger will not be realized, or will not be realized within the expected time period; difficulties related to the integration of the two companies; disruption from the merger making it more difficult to maintain relationships with customers, employees, regulators or suppliers; the diversion of management time; 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 in annual reports on Form 10-K filed by Great Plains Energy and Westar, and from time to time in quarterly reports on Form 10-Q and annual reports on Form 10-K filed by Evergy with the SEC. Each forward-looking statement speaks only as of the date of the particular statement. Evergy undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## **Unaudited Pro Forma Financial Information**

The unaudited pro forma financial information included in this press release has been presented for informational purposes only and is not necessarily indicative of Evergy's consolidated results of operations that would have been achieved or the future consolidated results of operations of Evergy. The unaudited pro forma financial information should be read in conjunction with Evergy's quarterly report on Form 10-Q for the period ended June 30, 2018.



# Agenda

## Business Update

### Terry Bassham, President & CEO

- Second quarter highlights
- Regulatory and legislative update
- Strategic and financial outlook

## Financial Update

### Tony Somma, EVP CFO

- Second quarter earnings drivers
- Share repurchases
- Key investor considerations



# Business Update

*Terry Bassham*

*President & CEO*





# Launching Evergy



Closed merger on June 4, 2018



Second quarter GAAP EPS: \$0.56  
Year-to-date GAAP EPS: \$1.00



Focusing on merger integration efforts



Still plan to rebalance capital structure



Remain on track to deliver attractive total shareholder return





# Regulatory and Legislative Update

## Key intervenor settlement in Westar rate review

- Includes KCC Staff, CURB, KIC, DOE
- Subject to KCC approval
- \$66M base rate revenue reduction includes 9.3% ROE and ~51.5% equity ratio
  - Reflects annual tax reform benefits to customers
  - Return on Western Plains via levelized approach
  - Fuel clause flow through for expiration of wholesale contract
  - Adjusts for expiring JEC lease, provides avenue to pass potential future costs through fuel clause
  - Increases depreciation by ~\$46M/yr

## MO SB564 (PISA)

- Authorizes deferral of depreciation and return associated with 85% of qualified rate base
- Creates more attractive platform to modernize the electric grid
- Addresses legacy regulatory lag
- Creates consumer protections for stable and predictable costs

## 2Q18

- 5/1 – Filed KCPL-KS rate review
- 6/1 – MO SB564 signed into law
- 6/4 – GXP/WR merger closed

## 3Q18

- 7/17 – Reached non-unanimous settlement in Westar rate review
- 8/20 – Settlement conference for MO rate reviews
- 8/23 – Staff testimony due for KCP&L-KS
- 9/6 – Settlement conference for MO rate reviews
- 9/17 – Evidentiary hearing for MO rate reviews
- 9/27 – Order date for Westar rate review

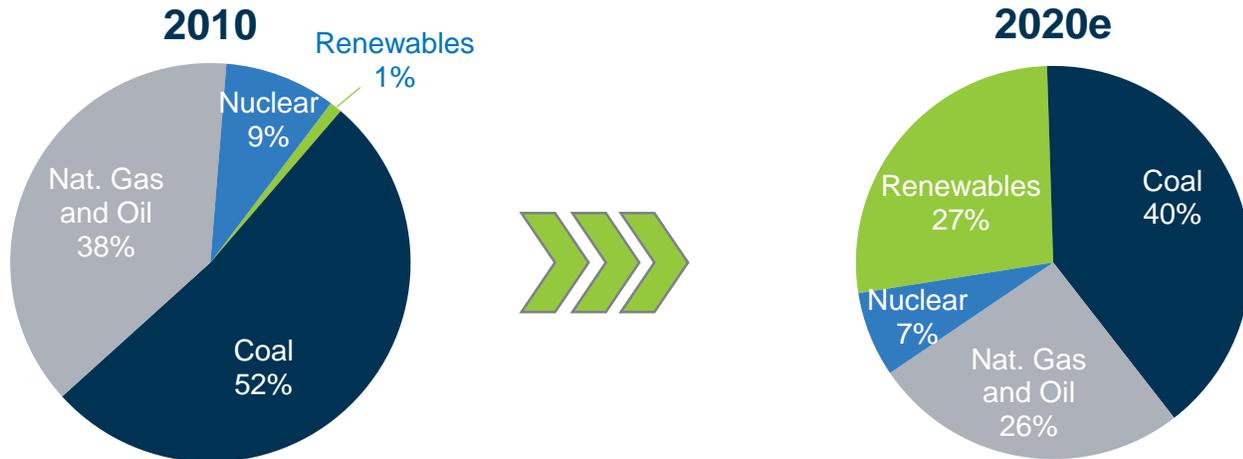
## 4Q18

- 10/9 – Settlement conference for KCP&L-KS
- 10/23 – Evidentiary hearings start for KCP&L-KS
- 11/25-11/30 – Order date for MO rate reviews
- 12/27 – Order date for KCP&L-KS

# Sustainable Energy Portfolio

- By 2020, we expect carbon emission reductions of over 40%, from 2010 levels
- Wind portfolio will be over 3,800MW by year-end 2020
- Emission-free sources (renewable and nuclear) provide nearly half of retail customers' energy needs
- Strong platform to grow renewables and take advantage of abundant local natural resources

## Generation Capacity by Fuel Type



Combined Westar and Great Plains Pro Forma

Evergy



# Financial Update

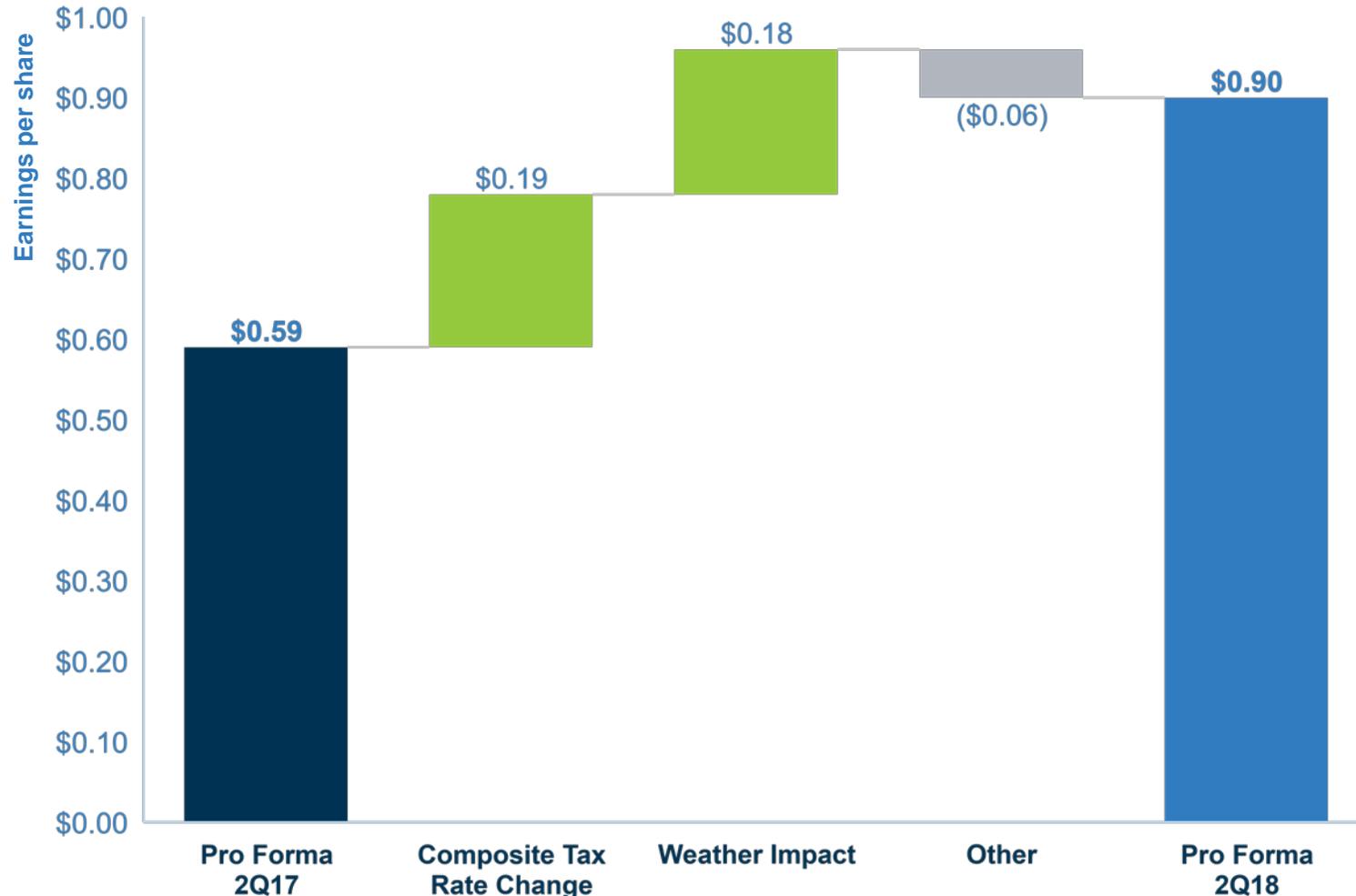
*Tony Somma*

*EVP - CFO*





# Pro Forma Second Quarter Results<sup>1</sup>

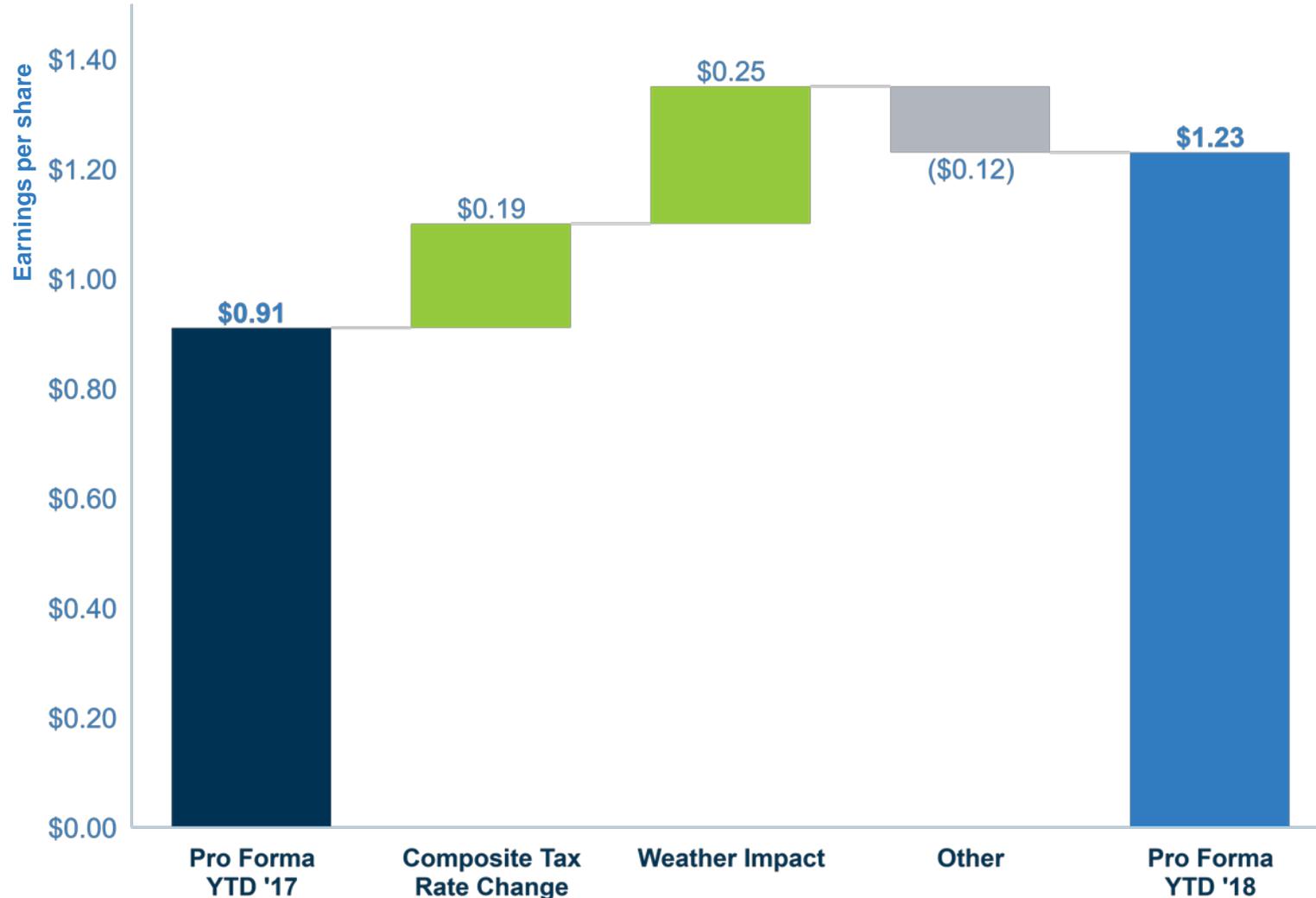


## Variance Drivers

- Revaluation of Westar's deferred income taxes based on Evergy's composite tax rate
- Increased sales due primarily to warmer weather
  - Cooling degree days increased 73% compared to last year
- Other includes:
  - Transition costs, net of deferral
  - Inventory write-offs for the planned shut-down of Westar plants
  - Annual on-going bill credits in Kansas
- Pro forma shares: ~272M



# Pro Forma Year-to-date Results



## Variance Drivers

- Revaluation of Westar's deferred income taxes based on Evergy's composite tax rate
- Increased sales due primarily to favorable weather
  - Cooling degree days increased 69% compared to last year
  - Heating degree days increased 27% compared to last year
- Other includes:
  - Transition costs, net of deferral
  - Inventory write-offs for the expected shut-down of Westar plants
  - Annual on-going bill credits in Kansas
- Pro forma shares: ~272M

# Sales and Economy Update

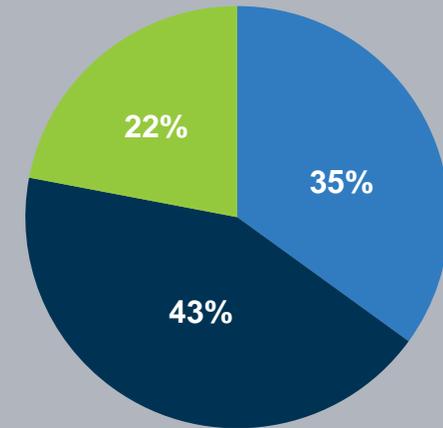
## YTD pro forma<sup>1</sup> retail MWh sales have been strong in 2018 compared to 2017

- Residential:  18%
- Commercial:  5%
- Industrial:  1%
- Total:  8%

## We remain encouraged in the local economic climate

- 3.4% - 3.7% range of unemployment rates across service territory remains below national average of 3.8%
- 29 quarters of consecutive customer growth
- Expansion in KC Healthcare and Business Services continues
- Kansas City office vacancies continue to fall
- Growth in the aircraft and metal fabrication segments in Kansas

## 2017 Pro Forma Retail MWh Sales by Customer Type<sup>1</sup>



■ Residential ■ Commercial ■ Industrial

1. Combined Westar Energy and Great Plains Energy Pro Forma

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# Investment Outlook

## Share repurchase program

- Expect to repurchase up to 60 million shares of common stock, or 22% outstanding, by mid-year 2020
- Strategy may include accelerated share repurchases and open market transactions, or other means
- Cadence and number of shares repurchased within each period will depend on many factors
- Expect to disclose results in SEC filings

## Dividend

- Board recently approved a dividend of \$0.46/sh payable September 20, 2018
- Annual indicated dividend of \$1.84 per share
- Targeted annual dividend growth in line with EPS growth
- Target payout ratio of 60% to 70% over time

1. EPS growth based on Westar Energy 2016 actual EPS of \$2.43.

2. 2018E based on most recent Great Plains Energy annualized indicated dividend of \$1.10 per share divided by the 0.5981

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



## Targeted Dividend Growth<sup>2</sup>



# Appendix





# GAAP to Pro Forma

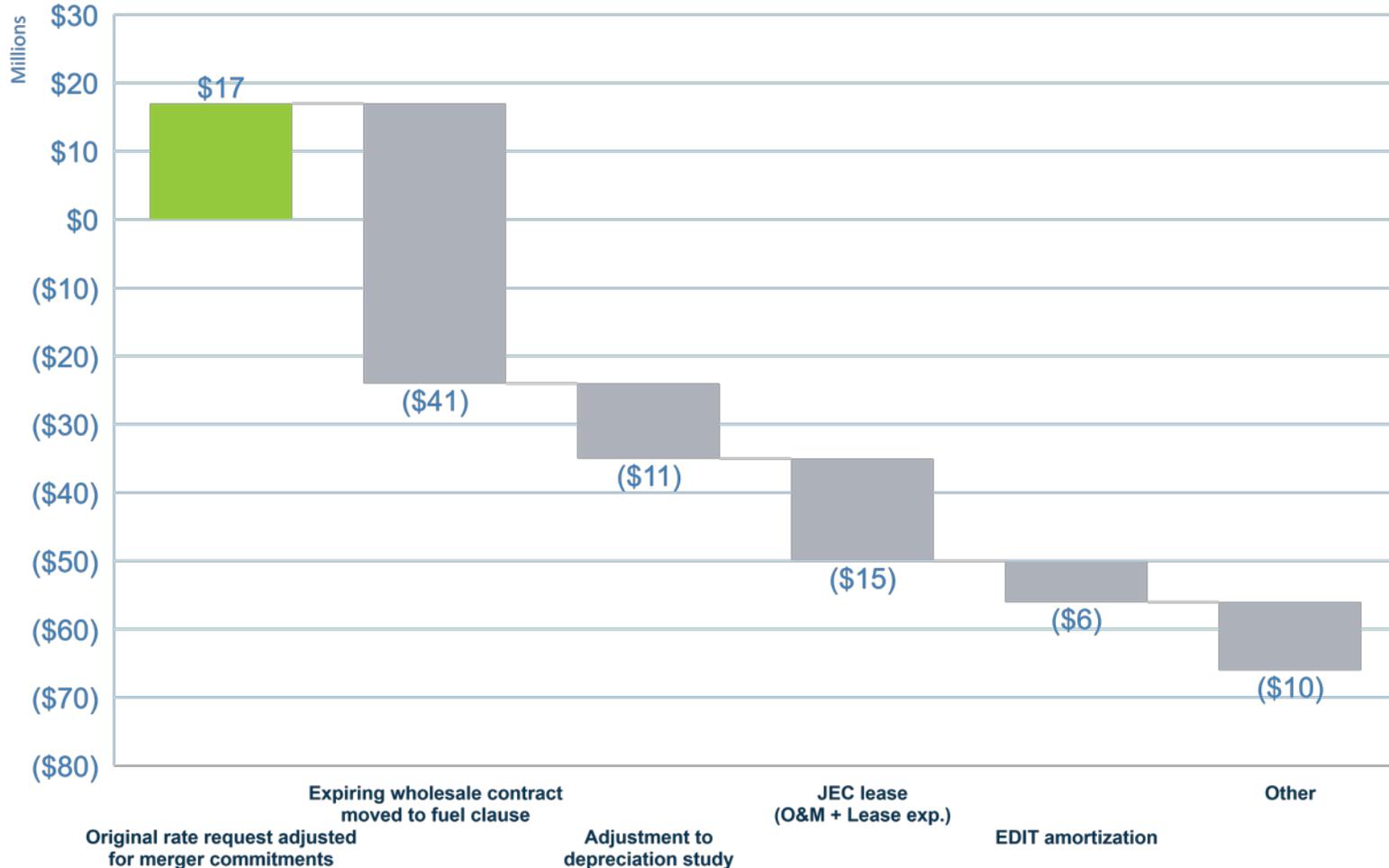
	2Q18 EPS	YTD EPS
<b>GAAP Earnings<sup>1</sup></b>	<b>\$0.56</b>	<b>\$1.00</b>
Non-recurring merger-related costs	0.25	0.25
One-time bill credits	0.16	0.16
GXP GAAP earnings prior to merger	0.22	0.35
GXP shares prior to merger	(0.19)	(0.40)
Interest rate swaps and other	(0.10)	(0.13)
<b>Pro Forma Earnings<sup>2</sup></b>	<b>\$0.90</b>	<b>\$1.23</b>

1. GAAP diluted shares outstanding: 181M
2. Pro forma diluted shares outstanding: 272M



# Westar Rate Review Settlement

\$66M base rate revenue reduction



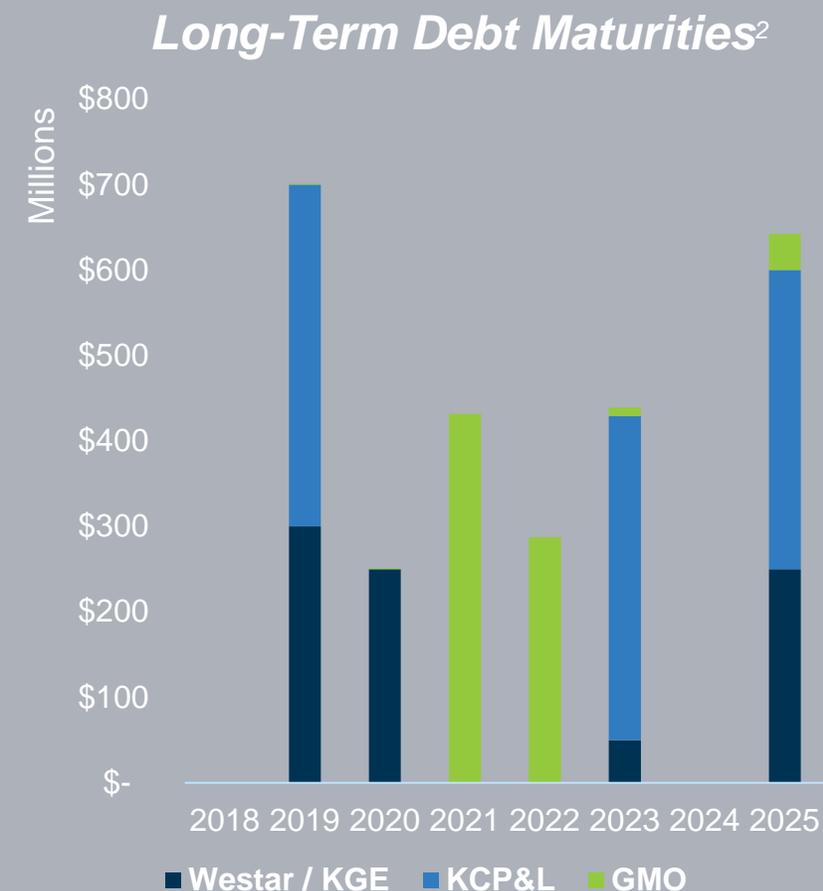
- Settlement reiterates constructive regulatory relationship in Kansas and de-risks the rate review process
- Many of the large items don't impact the bottom line
- ~\$74M annual reduced revenue to reflect customer's benefit of Tax Cut and Jobs Act
- \$41M wholesale contract expiration recovered through fuel clause; neutral impact to current revenues
- Western Plains levelized approach results in ~\$24M of annual revenue for recovery of and return on investment

# Credit Ratings and Debt Profile

Current Credit Ratings <sup>1</sup>	S&P Global	Moody's
<b><u>EVERGY</u></b>		
Outlook	Stable	Stable
Corporate Credit Rating	A-	
Senior Unsecured Debt	BBB+	Baa2
<b><u>WESTAR / KGE</u></b>		
Outlook	Stable	Stable
Senior Secured Debt	A	A2
Senior Unsecured Debt		
Commercial Paper (Westar only)	A-2	P-2
<b><u>KCP&amp;L</u></b>		
Outlook	Stable	Stable
Senior Secured Debt	A	A2
Senior Unsecured Debt	A-	Baa1
Commercial Paper	A-2	P-2
<b><u>GMO</u></b>		
Outlook	Stable	Stable
Senior Unsecured Debt	A-	Baa2
Commercial Paper	A-2	P-2

1. Ratings are not recommendations to buy, sell or hold securities. The ratings are subject to change or withdrawal at any time by the credit rating agencies.

2. Includes long-term debt maturities through December 31, 2025.





# 2018 Rate Review Schedules

<b>Westar (KCC)</b> <i>Docket: 18-WSEE-328-RTS</i>	
Filing Date	2/1/18
Public Hearing	5/22/18
Staff/Intervenor Direct Testimony	6/11/18
Westar Rebuttal Testimony	7/2/18
Settlement Conference	7/9/18
Deadline to Submit Settlement Agreement	7/16/18
Discovery Cut-off	7/18/18
Evidentiary Hearing Starts	7/23/18
Evidentiary Hearing Ends	7/27/18
Westar Initial Brief	8/15/18
Staff/Intervenor Briefs	8/24/18
Westar Reply Brief	8/31/18
Order Date	9/27/18

<b>KCP&amp;L-KS (KCC)</b> <i>Docket: 18-KCPE-480-RTS</i>	
Filing Date	5/1/18
Public Hearing	8/23/18
Staff/Intervenor Direct Testimony	9/12/18
KCP&L Rebuttal Testimony	10/3/18
Settlement Conference	10/9/18
Deadline to Submit Settlement Agreement	10/15/18
Discovery Cut-off	10/15/18
Evidentiary Hearing Starts	10/23/18
Evidentiary Hearing Ends	10/26/18
KCP&L Initial Brief	11/13/18
Staff/Intervenor Briefs	11/21/18
KCP&L Brief	11/28/18
Order Date	12/27/18

<b>KCP&amp;L-MO &amp; GMO (MPSC)</b> <i>Docket: ER-2018-0145</i>	
Filing Date	1/30/18
Staff/Intervenor Testimony – Cost of Service	6/19/18
Staff/Intervenor Testimony - Rate Design	7/6/18
Public Hearing	After 7/6/18
Settlement Conference	7/17/18
Rebuttal Testimony - Revenue Requirement	7/27/18
Rebuttal Testimony - Rate Design	8/7/18
Settlement Conference	8/20/18
Surrebuttal/True Up Direct Testimony	9/4/18
Settlement Conference	9/6/18
Evidentiary Hearing	9/17/18
Initial Brief	10/17/18
Reply & True-up Briefs, Updated Recon	10/26/18
Order Date	11/25- 11/30