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EVRG.OQ - Q4 2025 Evergy Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to Evergy's fourth-quarter 2025 earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded.

I'd now like to hand the conference over to Peter Flynn, Senior Director, Investor Relations and Insurance. Please go ahead.

Peter Flynn - *Evergy Inc - Senior Director, Investor Relations and Insurance*

Thank you, Liz. And good morning, everyone. Welcome to Evergy's fourth-quarter 2025 earnings conference call. Our webcast slides and supplemental financial information are available on our Investor Relations website at investors.evergy.com.

Today's discussion will include forward-looking information. Slide 2 and the disclosures in our SEC filings contain a list of some of the factors that could cause future results to differ materially from our expectations. They also include additional information on our non-GAAP financial measures.

Joining us on today's call are David Campbell, Chairman and Chief Executive Officer; and Bryan Buckler, Executive Vice President and Chief Financial Officer. David will cover our 2025 highlights and recent economic development activities. Bryan will cover our full year results, electric load growth potential, and our financial outlook. Other members of management are with us and will be available during the Q&A portion of the call.

I will now turn the call over to David.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Thanks, Pete. And good morning, everyone. I'll begin on slide 5 by first thanking our employees who worked tirelessly throughout the year to advance our strategic objectives of affordability, reliability, and sustainability. The team's hard work and execution laid the foundation for the transformative growth opportunity before us.

Today, we are raising our long-term adjusted EPS growth target to 6% to 8% plus through 2030 off of our 2026 guidance midpoint of \$4.24 per share. We expect EPS growth to exceed 8% annually beginning in 2028 and through 2030. Our updated growth outlook is bolstered by the recent execution of electric service agreements for four data center projects that I will discuss shortly.

With respect to 2025, we executed on our capital investment plan to improve reliability and resiliency, investing \$2.8 billion in infrastructure to modernize our grid and replace aging equipment. Our financial results in 2025 were negatively impacted by weather and weak industrial demand throughout the year. Despite meaningful results and cost and mitigation actions, we were unable to fully offset these impacts.

While the negative drivers were outside of our control, we fully understand that consistent financial performance is a hallmark of long-term value creation. We have confidence in our updated financial outlook, which has been tested against a range of outcomes, and we are committed to delivering against our objective of sound financial execution. Bryan will discuss earnings drivers in more detail later in his remarks.

In 2025, we made significant progress in advancing economic development opportunities, growing our pipeline to over 15 gigawatts. A major milestone involved approval of new large load power service tariffs, the LLPS, in both Kansas and Missouri last November. These tariffs established a framework under which new large customers will pay a premium demand rate to locate in our service territories while adequately paying their fair share of existing and new system costs. This, in turn, will drive affordability benefits for existing customers and support economic growth in Kansas and Missouri.

In Missouri, the passage of Senate Bill 4 in 2025 marked another successful legislative outcome that signaled strong support for infrastructure investment and growth. Among other features, SB 4 includes provisions that enhance our ability to invest in, and timely recover costs associated with new natural gas generation while also extending the PISA sunset provision to 2035. SB 4 reflected the support and combined efforts of the Missouri Public Service Commission, legislative leadership, the Governor's office, commission staff and many other key stakeholders, and we appreciate their leadership and collaboration.

In Kansas, we are pleased to reach a unanimous settlement agreement in our Kansas Central rate review. The settlement provided a balanced outcome for our customers and communities and reflects broad alignment around our infrastructure investments while ensuring we continue to provide reliable and affordable electric service. We also received approvals from the KCC and MPSC to construct three new natural gas facilities and three solar farms totaling nearly 2,200 megawatts. These projects further advance our all of the above generation strategy to support rising customer demand.

Safety is at the core of everything we do, and I'd like to thank our generation, transmission, and distribution teams for their commitment to safety and a significant reduction in the injury rate last year. Reliability performance also improved as we achieved the strongest results in the company's history for SAIDI, with reductions in both average outage duration and frequency. Our infrastructure investments and the hard work of our operations teams continue to drive benefits and enable us to deliver affordable and reliable power to customers no matter the conditions or the weather.

In November, we raised our dividend 4% to an annualized \$2.78. As our dividend continues to grow, we expect the payout ratio to decline over time to a revised target of 50% to 60%. As Bryan will discuss, this target is part of our financing plan as we enter a period of elevated growth and investment and is similar to the approach of many peer utilities.

Moving to slide 6. I'm very pleased to announce new electric service agreements for four major data center projects. This includes two new data centers and significant expansions of two existing projects. In aggregate, these four projects represent 1.9 gigawatts of steady-state peak demand. Taken together, these projects alone amounts to nearly 20% increase in our total peak system demand and an even higher level of usage growth given high expected load factors.

As these customers ramp up, we'll be able to deliver affordability benefits for our customers and communities to the strong LLPS tariffs. Of course, these facilities will take time to construct and reach their maximum megawatts. We've included 1,300 megawatts in our retail load

growth forecast in 2030, with the remainder ramping up after that year. This outlook reflects our expected case, which is informed by the specific load ramps as outlined as part of each customer ESA.

And finally, we're making strong progress with several additional large customers and expect at least one more executed ESA in 2026. This upside is not captured in either financial outlook or sales forecast we're sharing with you today. These commitments solidify Missouri and Kansas as premier destinations for data center customers, now the product of strong partnerships with world-class customers in Google, Meta, and Beale. We'd like to thank for their investments in Kansas and Missouri.

As customers complete construction, they are responsible to pay their fair share of costs incurred to serve them, including the LLPS premium pricing. As an additional protection, if their actual usage falls short of annual expectations, they are subject to minimum bill provisions, which provides strong visibility to our -- through our 6% to 8% plus EPS growth outlook and the affordability benefits we can expect to provide our current customers.

Slide 7 summarizes the progress we've made in converting our Tier 1 large customer pipeline to the signed agreements. Starting in the top row, the 2.4 gigawatt includes the four ESAs announced today and the large customers that have already commenced operations. This Tier 1 demand enables a transformative growth opportunity for Evergy, supporting our expected retail load growth of 6% annually through 2030, well above the historical 0.5% to 1%.

Moving to the section shaded in green. We remain in advanced discussions with multiple customers whose load represents a 2- to-3.5-gigawatt opportunity. We expect to execute at least one more large customer ESA in 2026 from this group. In aggregate, these potential customers have executed various service agreements, posted financial commitments, and otherwise demonstrated their significant interest in locating in our service areas.

The remainder of our pipeline totaling over 10 additional gigawatts highlights the robust activity and sustained interest in our region. The opportunity to serve this load will require creative solutions. And the ongoing dialogue also underscores the readiness of customers to step in, should others exit the queue.

The announcements we've made today serve as clear proof of concept that Evergy is well positioned to capitalize on this historic opportunity, reflecting the geographic advantages of our region, support of business and energy policies, and a shared approach amongst our many stakeholders to capitalize on economic growth.

On slide 8, we summarized key customer and shareholder protections as provided by our LLPS tariffs. Early last year, we set out on a cross-functional effort to address a key opportunity and challenge: how can Evergy serve new large loads while supporting affordability for existing customers and fairly addressing cost allocation related to new infrastructure investment to serve these large loads.

The follow-up work culminated in the approval of settlement agreements in both Kansas and Missouri on a tariff that addresses this challenge. It reflects significant collaboration with commission staff, consumer advocates, industrial groups, the data center coalition, Google, Meta and others and ultimately garnered strong support, as reflected by the approvals of both the Missouri and Kansas commissions.

As outlined in the tariff, new large customers are committed to minimum term lengths and minimum monthly bills regardless of usage shortfalls that cover no less than 80% of their contracted capacity at a premium demand rate. Additionally, customers must meet creditworthiness standards and collateral requirements. Termination fees are required should the customer decide to cancel a project or leave early, and these fees would cover the remaining minimum monthly bills for the term of the contract. All told, these tariffs established the framework through which new large customers will pay their fair share for capital investment while bringing massive new projects to Kansas and Missouri.

Slide 9 is illustrative and expands upon how the provisions of the LLPS tariffs will work in practice and critically, mitigate impacts on existing customers. Customers taking service under the LLPS tariff will pay a premium demand rate 15% to 20% higher than the rate for existing

industrial customers, as well as all the direct costs to serve them. This premium in the revenue is driven by the customers' high load factors will generate significant benefits for existing residential, commercial, and industrial customers.

As laid out in the flow chart, our future rate requests will be reduced by the revenues generated from LLPS customers. As the higher load from these customers is factored into our requests, system costs are then spread over a higher base, which in turn puts downward pressure on future rate requests. This is a critical aspect of our affordability proposition, as over time, we will be investing at higher levels to serve growing demand.

Our existing customers will share in all the benefits of a modernized grid and new best-in-class generation technology without encountering the same level of costs they otherwise would have faced without large new customers. In short, we have a unique opportunity to upgrade the grid and replace aging infrastructure much more affordably than we could without this robust level of load growth.

Moving to slide 10, we highlight a few of the expected benefits of data centers. It's important to recognize that these projects deliver substantial, long-lasting value to the communities we serve. Beyond the benefits and protections of the LLPS tariffs, these projects generate tax revenues typically far in excess of the local services needed to serve them. These tax revenues in turn support local budgets for education, infrastructure, parks, and other community services.

Data centers also strengthen the economic ecosystem, given the growing importance of automation and low latency. These attributes will likely feature more and more prominently in sectors such as healthcare, finance, transportation, logistics and advanced manufacturing. By enabling leading applications in these industries, data centers will help to attract and support high-quality job creation.

These data center projects also represent multibillion-dollar capital investments, with construction job growth often sustained by ongoing equipment upgrades. They drive the need for new and updated fiber optic infrastructure, which can then create a virtuous cycle for additional data-focused industries.

In summary, data centers are major investments that can also serve as powerful engines for economic development. They support affordability, generate long-term tax revenue, expand industries, support job creation, and catalyze infrastructure investment. This is the kind of growth that strengthens communities for decades, and we are proud to do our part.

On slide 11, we highlight the major gains in regional rate competitiveness our company has achieved since 2017. This success directly supports the growth opportunities that we're discussing today. Since 2017, our rate trajectory has remained well below regional peers and far below inflation. The cumulative change in Evergy's all-in rates over that time is approximately 4.9% compared to our regional peer average of 19% and inflation of 29%.

Holding rate increases to a 0.5% annual rate reflects the scale benefits and cost savings from the merger that created Evergy, promises we made and promises we kept. As we enter a new era of economic development, we'll maintain our relentless focus on cost discipline, affordability, and competitiveness of our states.

Slide 12 lays out our updated capital forecast. Our rolling five-year investment plan totals approximately \$21.6 billion from 2026 to 2030, equal to a \$4.1 billion increase over the prior plan. The increase includes over \$3 billion of new generation investment to support growing customer demand and meet higher generation reserve margin requirements in the Southwest Power Pool.

Our five-year investment program is expected to result in an 11.5% annualized rate base growth through 2030, which compares to our prior forecast of 8.5%. We'll take a flexible approach to financing our capital plan, utilizing a prudent mix of debt and equity with optionality around timing and execution, as Bryan will describe.

I'll conclude my remarks on slide 13, which highlights the core tenets of our strategy. I'll focus, specifically on affordability. Keeping rates competitive and affordable has been a strategic priority since our company's formation in 2018. Evergy stands out as one of the best utilities

in the country in managing customer rates and keeping rate increases well below inflation. We will continue to prioritize affordability in our long-term plan.

While capital investments are higher than historical levels, so too is load growth, which will allow us to spread system costs over significantly higher kilowatt-hour sales. We expect to see customer rate increases over the next several years being in line with or below inflation for the majority -- the significant majority of our residential customers.

Missouri West is our smallest utility today with the lowest rates in our system and some of the lowest rates in the nation, partly because the utility is in need of infrastructure investment, in particular, new dispatchable baseload generation. As a result, as new generation plants come online to serve that jurisdiction, customers may see rate increases above inflation over the next five years. However, these investments will help to reduce the rate volatility that Missouri West customers have experienced as a result of utilizing more market-provided energy.

In addition, as the full benefits from large load customers are realized, we are confident that we can manage residential rates to a level consistent with inflation, and Missouri West customers will benefit for decades to come. By prioritizing affordability, we contribute to the robust economic development pipeline ahead of us and support the substantial economic potential within our states.

As outlined in our capital plan, we will continue to invest in grid modernization to ensure reliability as well as grid resiliency, strong customer service, and generation availability. Our primary sustainability goal is to execute a cost-effective all of the above generation strategy, as reflected by our planned investments in natural gas, storage, and solar to support our Kansas and Missouri customers. We look forward to continuing to advance a balanced mix of resources over the coming years to support growth and prosperity in our states.

And with that, I'll turn the call over to Bryan.

Bryan Buckler - *Evergy Inc - Executive Vice President and Chief Financial Officer*

Thank you, David. Thank you, Pete. And good morning, everyone. Let's begin on slide 15 with a look back at our financial results.

For the full year 2025, Evergy delivered adjusted earnings of \$894 million or \$3.83 per share compared to \$878 million or \$3.81 per share for the same period last year. As shown on the slide from left to right, the year-over-year drivers are as follows.

First, 0.3% growth in weather-normalized demand primarily driven by the commercial class resulted in an increase of \$0.04 per share margin. These results were weaker than projected for both residential and industrial, including in the fourth quarter, which led to our final 2025 adjusted EPS results falling short of the guidance we provided on our third quarter call. Regarding residential and industrial load, early indications in 2026 are strong in comparison to 2025, and we expect to return to normal residential load growth in 2026.

Secondly, recovery of and return on regulated investments, driven by new retail rates and FERC regulated infrastructure investments, contributed \$0.56 in EPS in 2025 as compared to 2024. Unfavorable variances for the year included higher operation and maintenance costs and depreciation and interest expense due to increased infrastructure investments, which drove a \$0.43 decrease in EPS.

Other items had a negative \$0.10 impact for the year. And finally, dilution from our convertible notes led to a \$0.05 decrease for 2025.

Let's move to slide 16 to lay out how we expect to deliver on our 2026 EPS guidance midpoint of \$4.24. Again, starting on the left side and beginning with 2025 adjusted EPS of \$3.83, which modeled a reversion to normal weather in 2026, which would add approximately \$0.13 per share.

Next, we expect a \$0.26 increase from demand growth in 2026, which reflects a forecasted 3% to 4% increase in weather-normalized retail sales. This exceptional level of load growth is driven primarily by the continued ramp of the Panasonic advanced manufacturing facility as well as the ramp up of the data center customers with signed ESAs in our Metro and Missouri West jurisdictions.

Next, updated recovery of costs and return on our regulated investments are expected to contribute \$0.35 of EPS for the year, primarily related to new rates at Kansas Central that went into effect in the fourth quarter of 2025, as well as the recovery of FERC regulated infrastructure investments. Offsetting these positive drivers is an increase in O&M as well as the combined impact of higher depreciation and interest expense net of AFUDC earnings and PISA deferrals, which is expected to drive a \$0.20 unfavorable impact.

Lastly, we assume \$0.08 of drag related to dilution from convertible notes and expected common stock equity issuances, as further described in a moment. We have high confidence in this 2026 guidance, and it is bolstered by the execution of electric service agreements that we've announced today.

Moving to slide 17, we highlight our large load demand growth profile in our financial plan. Over the past two years, we've been hard at work to advance competitive frameworks for capital investment in Kansas and Missouri that would enable our ability to invest for growth in a way that promotes economic prosperity for our customers and communities while solidifying our region as a premier destination for advanced manufacturing and data center customers.

The passage of the LLPS tariffs, our operational team's execution on transmission, and generation capacity planning, as well as strong collaboration with customers and local stakeholders and legislative efforts have all culminated in what we believe is one of the most compelling growth stories in the sector. As indicated on the chart, the large load customer ramps are already underway and will continue building through 2030 and beyond, supporting our retail load growth CAGR of approximately 6% through 2030. This tells a powerful story of growth anchored by long-term contracts and clear parameters on monthly billings, providing significant visibility into our earnings growth and cash flow streams.

We are able to share this level of detail with you because our teams are no longer just talking about a pipeline. Now they are also talking about the successful inking of actual electric service agreements with the very high-quality customers David described earlier. To drive home this point further, the execution of these ESAs was the milestone needed to solidify Evergy's growth trajectory as a company, as these were the final binding agreements to be signed between Evergy and these customers.

The numbers on slide 17 that you see reflect our planning assumptions around the capacity demand that will drive revenue during our planning period, growing from 350 to 400 megawatts of served capacity by year-end 2026 through up to approximately 1,700 megawatts of served capacity by 2030. As a reminder, this plan reflects the contributions from customers under signed ESAs for four major projects.

Furthermore, we are making strong progress with several additional large customers and expect at least one more executed ESA in 2026, whose load would represent upside to the back end of this forecast. As David described, we'll continue working in a measured fashion through our 10 gigawatt plus balance of pipeline to build on the success we're sharing with you today.

Okay. So slide 18 converts that megawatt capacity usage you see on slide 17, along with our broader customer base, which is also expected to grow, into a view of the strong load growth profile we see ahead. In particular, it highlights generally accelerating annual load growth from 3% to 4% in 2026 to an average annual rate of 7% per year from 2027 through 2030.

It also highlights the growth we're seeing across our entire system, growth that will ultimately drive affordability benefits for our customers in every jurisdiction. We believe the ranges on this page will assist analysts and investors in the modeling of our 6% load growth CAGR over the next five years across jurisdictions and importantly, reflects the positive momentum we expect to build in our financial results throughout the five-year planning period.

On slide 19, I will briefly highlight our five-year investment plan. As David referenced earlier, our \$21.6 billion capital investment plan represents a \$4.1 billion or 24% increase compared to the prior five-year plan. A key feature is higher generation investment, which captures approximately \$3.4 billion of the total increase and largely consists of new natural gas power plant investment needed to serve growing demand and to meet SPP reserve margin requirements.

The T&D portion of our plan emphasizes strengthening system reliability through grid modernization efforts, including replacing assets that are at or near the end of their useful lives. Deploying these critical infrastructure investments to the benefit of our grid operations and for our customers and communities is expected to result in a rate base CAGR of 11.5%.

Let's now turn to our updated financing plan on slide 20. As mentioned on slide 19, our projected capital investments over the five years through 2030 now stands at \$21.6 billion. We'll utilize a prudent mix of debt, equity, and hybrid securities to finance our capital investments, targeting an FFO to debt ratio of approximately 14% through the forecast period, with strong annual growth in FFO that will provide the potential for even stronger metrics towards the end of the five-year plan.

Moving from left to right, we expect \$13.5 billion of cash flow from operations. Our \$3.6 billion dividend assumption reflects our expectations of growing the dividend throughout the period while targeting a 50% to 60% payout ratio. Recently, our dividend payout ratio has been in the 65% to 70% area, and we plan to grow the dividend annually at a rate below our EPS growth projection of 6% to 8% plus.

We expect to achieve the 50% to 60% ratio in the latter half of the plan. And retaining more of our earnings and equity in the business allows us to efficiently fund our capital investments and keep the level of common equity issuances at lower levels than would otherwise be needed.

Next, we forecast \$8.4 billion of incremental debt and hybrid securities, net of upcoming maturities. Our plan incorporates \$1 billion of equity credit from hybrids, which may assist you in your modeling.

Finally, our expected common equity need across 2026 to 2030 is forecasted to be a total of approximately \$3.3 billion and now incorporates the benefits of operating cash flow that comes from customers taking service center to LLPS tariff, as well as our revised nuclear PTC assumptions.

Of note, we currently assume no equity issuances of our plan in 2030 as the cash flow generation of our business improves and improves. This results in an annual need of \$700 million to \$900 million from 2026 to 2029. Of course, we'll continue to evaluate the appropriate level of equity funding, particularly as upside capital opportunities make their way into our plan.

Now let's close on slide 21. It's a recap of our growth outlook summary for the next five years. First, with the successful execution of electric service agreements with large load customers, we expect strong load growth through 2030 and beyond as the initial 1,700 megawatts will support a 6% consolidated retail load growth CAGR through 2030. This provides us with a visible runway of predictable earnings and cash flow growth into the next decade.

As a reminder, this forecast includes load from four projects under ESAs and other non-LLPS large customers already announced. And we're making strong progress with multiple additional large customers and expect at least one more executed ESA in 2026 that is not yet captured in our financial plan today.

We continue to believe Evergy has one of the most compelling customer growth opportunities in the industry that could drive robust growth not just in our five-year forecast, but well into the next decade, resulting in sustainable growth and affordability benefits for our customers and communities and a great long-term outlook for all of our employees.

Next, I'll reiterate our capital investment and rate base growth outlook. The foundational earnings power of the company will be fortified by our \$21.6 billion capital investment program. Our higher levels of infrastructure investment are in large part related to supporting economic development in Kansas and Missouri and will drive grid modernization and the addition of incremental generation capacity to support our growing customer demand and SPP reserve margin requirements.

Our capital plan is expected to drive a 11.5% rate base growth through 2030, fortifying our earnings foundation. Our projections of regulatory lag and financing costs convert this 11.5% rate base growth to an earnings growth projection exceeding 8% annually beginning in 2028. We plan to file rate cases on a time frame corresponding to the in-service states of new generation projects to ensure the financial strength of

our utilities while incorporating the affordability benefits of large loads. It is critical that we deliver on our forwardability and reliability objectives for the benefit of our customers.

And as our capital investment plan grows, we will utilize a prudent mix of debt and equity financing to support our strong investment-grade credit rating and FFO to debt target of 14%. We will take a flexible approach and evaluate all available financing options, including the use of hybrid debt securities that receive equity credit, to meet our financing needs.

We anticipate approximately \$700 million to \$900 million of equity annually from 2026 through 2029 and currently assume no equity needs in 2030 due to improving cash flows from operations. That being said, upside capital opportunities do exist, and we'll continue to evaluate the appropriate level of equity funding.

Altogether, this plan lays the foundation for a transformative growth phase ahead as we expect annual adjusted growth of 6% to 8% plus through 2030 off of our 2026 midpoint guidance of \$4.24 per share. As an additional note for the analyst community, we currently expect 2027 EPS growth in the lower half of our 6% to 8% range before accelerating to a level in excess of 8% beginning in 2028.

I speak for the entire leadership team in saying that we are excited about the future at Evergy, and all of our employees are deeply committed to successfully executing our business plan and delivering results for our customers, communities, employees, and shareholders.

And with that, we will open up the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Stephen D'Ambrisi, RBC Capital Markets.

Stephen D'Ambrisi - RBC Capital Markets Inc - Analyst

Just had a couple -- I mean it's a great update, and thank you very much for giving all the color on the added ESAs. Just the one thing that took out to me was on the equity issuances in 2030, that you have no planned equity issuances beyond '29. So can you just talk a little bit about what that means for steady-state equity needs for the company? Obviously, there's upside capital that we can talk about. But just to the extent we roll forward a year, what do equity needs look like in '31 and '32?

Bryan Buckler - Evergy Inc - Executive Vice President and Chief Financial Officer

Yeah, it's a great question, Steve. It's a plan that we're really excited about. And our metrics really are fortified by the ESAs you mentioned. They have that level of predictability. And your future revenue outlook really, really just strengthens our profile as a company.

When we look at \$21.6 billion that's currently in our five-year plan, this is definitely an elevated CapEx level of CapEx compared to what we've had in the past. But as David mentioned, we also have an elevated level of load growth. So in this big construction phase, these next few years, we certainly have an equity need like many of our peers, and we're excited to be able to issue that kind of growth equity.

So just as we see it today, no need for equity in 2030 because our FFO just greatly improves each year, kind of is illustrative -- or illustrated, rather, quite well by that slide 17, where you can see the megawatts grow each year of capacity served. There's a potential we win more ESAs. I think we have high confidence in that. And what comes with a growing company like that is often more capital. So we'll have to reevaluate 2030 as more capital opportunities come into plan.

But Dave and I were just talking yesterday, when you get into the early 2030s and when we finish our full infrastructure build out, you're going to have some tremendous FFO in the plan and really will make an even stronger balance sheet.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. To build on that, I think -- we expect at least one more ESA to sign this year with -- that's not in our plan currently. That's not in our sales outlook or the earnings outlook we described. There'll be capital to serve those customers will be in an environment where we've got strong FFO to debt levels, but we do expect incremental upside capital investment opportunities.

And with that, we'll come up with a financing strategy alongside it. So we won't get ahead of what that update will be when we have those additional ESAs, but we're really excited that it will be an upside potential for our customers and communities and for the company.

Stephen D'Ambrisi - *RBC Capital Markets Inc - Analyst*

Okay. That's very helpful. And just not -- again, not to get ahead of the -- front run the update, I guess, but can you just give a little bit of flavor of the 2.0- to-3.5-gigawatt potential for advanced discussions where you expect one more ESA? Like how many customers does that represent? Or how many sites? Just so that we can maybe -- any way we can get some type of idea of what an additional ESA could potentially mean for you guys?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. And it's -- I would describe it as -- we want to be purposeful in saying we do expect at least one more executed ESA in 2026. So each one of those words, at least and one more, are purposeful. So we've worked hard to identify potential transmission, distribution solutions, capacity opportunities.

So we feel like we're really tracking well for at least one more this year. You can have a sense for the potential size of these customers from the first four ESAs that we've signed. We're talking about additional sizable opportunities in that category and we haven't yet included in our plan.

So we're -- the team is working hard, and we're -- our confidence is based not only on our assessment of the capacity in the transmission and generation side, but also the status of our discussions and where those customers stand with respect to lining up land permits and advancing commitments to us. So we're optimistic we'll be there.

I think it's fair to say that the bulk of the impact from additional ESAs will come after 2030, but there's some additional potential before the bulk of the impact after -- in 2030 and beyond. But what we like about that, of course, is the ESAs we've announced today are transformative for our company in our service territory.

The additional ESAs will help to sustain and extend and expand that opportunity well into that next decade. So we're really excited about the pipeline, and we're committed to executing on that and really do expect at least one more sizable, large customer ESA executed this year.

Operator

Paul Zimbaro, Jefferies.

Paul Zimbaro - *Jefferies LLC - Equity Analyst*

Thanks for all the disclosure. So much to ask, but I'll keep it concise. And thank you for the commentary on what '27 looks like as well. Is it fair to think you're targeting like an 8% plus CAGR as well? I know it accelerates in the back half, but should we think about better than 8% as we look 2026 to 2030 as well?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

I think, Paul, we've tried to be pretty explicit in how we've described it. So I won't change how we describe it, but kind of reiterate. So let me just walk through it again.

The overall formulation, 6% to 8% plus. As Bryan described, '26, '27 in the bottom half of the 6% to 8% range. For that, we expect to accelerate to exceed 8% annually beginning in 2028 then through the 2030 time frame. So I think that gives you a sense for how we see that earnings power and how it evolves over that time period.

The overall rate base growth is in the 11.5% range annually. As we think about the gap between rate base growth and earnings growth, the historical guidance we provided was about 8.5% rate base growth, and we were in the top half of the 4% to 6% range. It was about 300 basis points. We expect that to be in the range of a 250-basis-point gap over time.

There's a lag that comes from issuing equity and regulatory lag as you -- in a heavy investment mode. But that's what we're looking at over time is that sort of that range of a 250-basis-point gap between rate base growth and earnings growth. But the formulation, we tried to be explicit in that 6% to 8% plus, what you see in '26, '27, and then we expect that to accelerate to -- in 2028 and beyond.

Paul Zimbaro - *Jefferies LLC - Equity Analyst*

Okay. I understand that part. And then just on the credit metric discussion, apologies if it was clear to others. But the 14%, is that an average that you're targeting over time? Because I know you emphasize things get stronger in the back end, just -- any kind of color on the shaping or just how to think about the 14%, if that's kind of a trough or an average, that would be helpful.

Bryan Buckler - *Evergy Inc - Executive Vice President and Chief Financial Officer*

Yes. Paul, I think of it as an average, it's pretty consistent throughout the five-year plan. We do see it getting a bit stronger in year four and five of the plan. There's just such a heavy [cat] construction phase, '26 through '29, and doesn't really abate that much in 2030. But the level of FFO certainly is just building on itself each year and getting stronger and stronger.

So what I would just point out is just our cash flow projections we believe are some of the most predictable in the industry. They're fortified with these electric service agreements with top quality counterparties underpinned by that strength of the LLPS tariffs in Kansas and Missouri, including the minimum monthly bill provisions that escalate over time in conjunction with that rising capacity levels, which are actually spelled out in those ESAs that we're mentioning. So you put all that together, it's a really strong, consistent plan throughout the five-year period with consistently strong EPS growth and very solid metrics throughout.

Operator

Shar Pourreza, Wells Fargo.

Unidentified Participant

Actually, it's [Andrew Kadavian] on for Shar. So on the ESAs, how prescriptive are the -- is the ramp rate? How much clarity do you get on how much load you'll be serving on a year-by-year basis? And then when do the minimum monthly bills begin to kick in? Do they kick in during the ramp period or once the customer is fully ramped?

David Campbell - Evergy Inc - Chairman of the Board, President, Chief Executive Officer

So the ESAs, the great thing about the electric service agreements that we've signed is that they include a schedule, which includes an annual capacity levels that are specified by year starting in the first year. And the -- they'll be charged the levels that they use. But if they don't meet the minimum levels, then they'll be charged at that 80% level based on the schedule of contracted capacity that's laid out in the ESA.

So it's a level of specificity and commitment that's laid out contractually with these counterparties. So we're really excited to reach the agreements with Google for two of these, one new and one expansion of a previous project.

With Meta, also an expansion, and then with Beale Infrastructure, which is a Blue Owl company. So these ESAs include those ramps. They're specific. They're [5 megawatts] by year. And the LLPS provisions on minimums and on requirements are tracked directly with that schedule.

Unidentified Participant

Great. And then just changing gears a little bit. You mentioned that weak industrial demand played a part in the results for this quarter. What gives you confidence that will turn around in 2026? How much of your overall industrial load is represented by the Panasonic project?

Bryan Buckler - Evergy Inc - Executive Vice President and Chief Financial Officer

Yes. Andrew, this is Bryan. Thanks for the question. Industrial load in 2025 was -- we're kind of fighting it all year long. January and February 2025, we had massive snowstorms in Kansas City and some of our largest businesses closed their doors for many days.

And then we had a large oil refinery to add an outage early in the year. And then industrial demand picked up with Panasonic and -- but ultimately, by the end of the year, fourth quarter, it was a disappointing level of industrial demand again. And with industrial demand, there's a price component to lower price if you hit a lower peak demand. So that had a kind of a double effect on our '25 earnings.

Now we've embedded all this recent weakness in industrial load into our 2026 model already. So we -- our forecasting team, we kind of did a gut check and said, how comfortable already with these load numbers in 2026. We did modify them down, and that's fully reflected in the \$4.24 of guidance for EPS in 2026. So we feel like we're in good shape there.

The January '26 books, we just closed maybe 10 days ago, and those numbers came in really strong. So we're pleased with our start to '26. It's only one month, of course.

And then lastly, I'll just say with Panasonic, they certainly started out '25 at a slower pace than we had hoped. But in recent months, they're drawing a considerable amount of load, more and more each month. We certainly expect the load in '26 to be within the range of our planning assumptions.

In a recent press release, a Panasonic executive mentioned that they plan to start two new production lines at their Kansas facility this year, and we'll wrap up the kind of 50% of total capacity early this year. So I don't know that we've given explicit megawatt numbers for Panasonic. And so I can't really give you that kind of detail around its percentage of industrial load.

Operator

Michael Sullivan, Wolfe.

Michael Sullivan - Wolfe Research LLC - Analyst

Wanted to try just -- I know there's moving pieces and it might be tough, but just in terms of like sensitivities or rule of thumb, can you give us any sense of incremental load growth, what does that do for CapEx and earnings? And then how much of incremental CapEx needs to be financed with equity? Any help you can give us there?

David Campbell - Evergy Inc - Chairman of the Board, President, Chief Executive Officer

Michael, just to clarify, are you talking about additional CapEx and load growth beyond what we're describing today?

Michael Sullivan - Wolfe Research LLC - Analyst

That's right. Yes. So if you get another customer, that ESA, what does that do to CapEx and earnings? And then how do you finance the associated CapEx?

David Campbell - Evergy Inc - Chairman of the Board, President, Chief Executive Officer

Yes. Well, I'll put the how do we finance question to Bryan in terms of if we had \$1 billion of additional capital, what would the general rule of thumb be. I'd say, Michael, it's -- every ESA is going to be dependent on what you ultimately reach with that customer. As I described, we expect at least one more ESA in 2026. We think it will be in the general size range that was reflected in the four we've announced today, at least at large.

I also described, there's some upside in the '29 to '30 time frame, but the bulk of the impacts are in '30 and beyond, so we end in the next decade. So I would really describe it as much powering -- it certainly reinforces the plus, and it also helps to extend and fortify that growth trajectory into the 2030s.

So I won't get ahead of the specific announcements, that will all depend. The great thing about these ESAs and why we were able to provide the level of detail that we did on pages 17 and 18 is they do include specific schedules. They do include annual ramps in them. So we'll give that specificity when we announce specific customer. Hope that makes sense.

And Bryan, how would you describe if we have incremental capital with the general financing rules that that might be?

Bryan Buckler - Evergy Inc - Executive Vice President and Chief Financial Officer

Yes, absolutely. And so Michael, we've kind of historically cited 50-50 on debt equity funding of incremental capital, which over the long term is a rule of thumb used by many in the industry. So I think that is fine for you to use as a rule of thumb still for us. Being mindful, of course, that the addition of more ESA customers, like David mentioned, could still benefit the very back end of the plan, '29, 2030, think of it, a potential benefit there. And the ramp rates of existing customers could also play a factor.

In addition, as we move into future years beyond 2030, these ESAs will reach their peak capacity levels in that early 2030s, maybe in the mid-2030s for the next round. But these contracted cash flows will be correspondingly higher levels throughout that period of time really, in the next 10 years. So super powerful to our cash flows as we think ahead.

So irrespective, we do expect this CapEx plan to grow, and it would be accretive and we'll be prudent with our mix of debt and equity in hybrids because we want to continue to create incremental value, not only for you, our investors, but also for the economic growth of our communities.

Michael Sullivan - *Wolfe Research LLC - Analyst*

Okay. That's very helpful. And then just -- this was kind of asked, but in terms of what you're embedding in terms of the ramp rates here, are you assuming the like 80% minimum bill level or the full ramp? Or is that basically what the range is between those two?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Michael, I will give you a sense of the general approach we've taken to these, and that is that we typically in the first couple of years of the ESA, we look to the 80% minimum level. And again, if the customer uses more, they'll be billed more there. Different sites listening here at -- minimum build does not mean if you use more electricity, you only build the minimum. That's what you'll be billed if you use less.

But we -- typically in the first two years, we'll bill -- we model it in our plan at the 80% level. And then in the third year and beyond, we use more of an expected case, given what we've seen and what we expect from the customer. So it's more of an expected case. There's a range of upsides and downsides as you move out further in time. But the first couple of years across ESAs, we typically are using that 80% level to be a little more on the conservative side.

Operator

Paul Fremont, Ladenburg Thalmann.

Paul Fremont - *Ladenburg Thalmann & Co Inc - Equity Analyst*

I guess my first question is, can you tell us roughly what your industrial rate is in terms of dollars per megawatt hour?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Well, so it varies by jurisdiction, Paul, and it's in a typical range. I don't know if, Chuck, do you want to comment on one of our typical industrial ranges again, with the varies by jurisdiction?

Bryan Buckler - *Evergy Inc - Executive Vice President and Chief Financial Officer*

Paul, I'll let these guys jump in. I'll just remind you that our LLPS rate is a premium, 15% to 20% premium on the demand charge on the rate that we're about to give you.

Paul Fremont - *Ladenburg Thalmann & Co Inc - Equity Analyst*

Okay.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Go ahead, Chuck.

Charles Caisley - *Evergy Inc - Executive Vice President, Public Affairs and Chief Customer Officer*

Yes. Our typical range is in the vicinity of \$0.06 to \$0.07 a kilowatt hour. Yes. So we -- [\$60 to \$70] a megawatt hour if you want to use that metric, if set it in set. But yes, \$0.06, \$0.07.

Paul Fremont - *Ladenburg Thalmann & Co Inc - Equity Analyst*

Perfect. And then if there's a cancellation, is that rate essentially sufficient to allow you to recoup all of the costs? Or would there be any exposure in the event of an early cancellation?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

So the provisions of the LLPS are quite specific on what the results are of a cancellation. So it's an effect through the term of the agreement, the counterparty is responsible for the minimum bill. So that will depend on what the total megawatts are of the contract.

In general, that's a very strong protection if you think about size of these customers because we -- the rates from the LLPS under the large load power service tariff, our demand rate is 15% to 20% higher than the standard industrial rate, which you just heard from Chuck Caisley, is the standard rate of \$0.06 to \$0.07. So you've got very good protections for your customers.

Also in that scenario, Paul, which is a great situation, you will have a set of infrastructure, new infrastructure that you built in place for existing customers, and you've effectively had customers alongside who funded a very large portion of it. And again, the exact math will depend on the size of that customer, the specific ramp they have over time.

But we -- these LLPS provisions are strong. The customers with whom we've contracted. One of the hyperscaler customers put out a statement last week, their commitments around meeting their incremental costs are high. Their interest in being in our region and in having as much capacity as we're able to serve them is very high. So we're -- we feel great about the benefits that these contracts will offer for our existing customers and the protections that are embedded on the explicit terms of the LLPS.

Paul Fremont - *Ladenburg Thalmann & Co Inc - Equity Analyst*

And then for the contract that's in late-stage negotiations, is that -- would that be a new customer? Or would that be an expansion of an existing customer?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

It could be either one.

Paul Fremont - *Ladenburg Thalmann & Co Inc - Equity Analyst*

Okay. And last question for me. With respect to the ESAs, are the four signed contracts roughly equivalent in terms of megawatts? So should we assume like an average of 300 megawatts per ESA?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Well, so we won't disclose the size by customers, but the total steady state is 1.9 gigawatts. So obviously, the average of the four is -- comes close to 500. But we're not -- we haven't broken it out by individual customer, and we want that -- that is confidential. But the total size we have described not only in aggregate, but how we expect that to feather in over each year, and that's laid out in our slide presentation.

Operator

Anthony Crowdell, Mizuho.

Anthony Crowdell - *Mizuho Securities USA LLC - Analyst*

I appreciate the detail. I just wanted to jump on Paul Zimbardo's question earlier. Just if you could help me out, where did you end the year on an FFO to debt basis? And then thoughts -- and this maybe was the heart of Zimbardo's question. Just as you're going into very significant CapEx cycle, thoughts of maybe adding a cushion to the downgrades right -- to your downgrade threshold.

Bryan Buckler - *Evergy Inc - Executive Vice President and Chief Financial Officer*

Anthony, our FFO to debt 2025 was right around that 14% area as well. And that was despite the weakness we had with weather and the industrial demand weakness. We talked a lot about the 14% FFO to that target. And -- this will be a little bit repetitive to what I said to Paul, but we really do expect this growth in cash flows from operations each year throughout the five-year plan to be quite robust. And with the CapEx plan at the level it is to, we have inserted planned common equity issuances of \$3.3 billion. So this is a robust equity issuance plan, and one that we believe will be appreciated by the rating agencies.

We're also moderating our level of annual dividend increases, allowing us to retain higher levels of earnings within equity each year. These are two very meaningful steps that our Board supports to the benefit of our balance sheet. So keeping a strong balance sheet and our credit ratings is really important to us.

And as I pointed out earlier, we believe we absolutely have some of the most predictable cash flow projections in the industry because they are fortified by those ESAs with top quality counterparties with that strong LLPS tariff protection and inclusive of monthly minimum bills that David mentioned. And those escalate over time with the annual -- those -- the ESA agreements are very specific each year, what those minimum bills will be based on. It's an expanding capacity level each year to five-year ramps and then a 12-year contract at a steady state peak after that.

So just we're in a little better position than I think many peers, Anthony, in the sense that our revenue stream is just four to five of those ESAs are more predictable than they've ever been with just tremendous counterparties. So that went into our thinking too when we targeted the level of 14%.

Anthony Crowdell - *Mizuho Securities USA LLC - Analyst*

And just apologies, is that a change in the third quarter, your FFO to debt target?

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. Moody's lowered our downgrade threshold a year ago from 15% to 14% after our February call. So this is our first update -- comprehensive update that we've given since last February.

Operator

Ryan Levine, Citi.

Ryan Levine - Citi Infrastructure Investments LLC - Analyst

Is Evergy seeking DOE energy-dominant financing capital for its transmission plan? Or any color you could share around maybe alternative subsidized forms of capital outside of capital markets?

David Campbell - Evergy Inc - Chairman of the Board, President, Chief Executive Officer

So as of today, the plan that we announced today is through the traditional financing mechanisms that are available to the utility and will be, as Bryan described, we have a prudent mix of debt and equity with some optionality around how we things forward, but with a real commitment to a strong balance sheet.

For that next tier in our pipeline, we're absolutely open to and will be considering different paths. That could be in the form of some of the creative ideas that are coming out of Washington now and presenting that. It could be participating more directly with large customers. The LLPS tariff actually is embedded within it.

If customers bring their own capacity solutions, explicitly contemplated, if they are amenable to man response, it could reduce the capacity requirements. That's also an admitted feature in the LLPS, that both those factors could positively impact the rate. So I think particularly getting into that next year that beyond the first two categories we list on slide 7, the next 10 gigawatts, creative approaches are going to be important.

We're committed to exploring those. And I think a range of different options will be there. I think the size and scale of the opportunity before our country as well as our company is such that it warrants exploring those opportunities. But I would emphasize, though, is just with the announcements we've made today, it's a transformative growth opportunity for our company, backstopped by ESAs with large customers, great customers. We really appreciate their commitment to our region.

So Google and Meta and Beale. But we're excited that we think we can assign at least one more this year and keep moving beyond that. And as we go further and further, I think those kind of creative options are absolutely things that we'll be open to and we'll continue to explore.

Ryan Levine - Citi Infrastructure Investments LLC - Analyst

And then a follow-up on that. Does that imply that you looked at the kayak structure for the existing deals but passed on it and maybe would we consider that on future deals? Am I reading too much into that?

David Campbell - Evergy Inc - Chairman of the Board, President, Chief Executive Officer

Could you expand on your question a little bit? I rarely have acronyms that are different from the ones I'm typically used to but go ahead. I want to make sure I understand your question.

Ryan Levine - *Citi Infrastructure Investments LLC - Analyst*

Yes. Just in terms of having some of the customers prepay for some of the associated capital in advance in terms of the Kayak structure, but just in terms of just that concept.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

I got it. So that's -- the LLPS tariff does not go down that route. But it certainly, as I mentioned, that for additional potential opportunities in down the road, either that kind of setup or customers bringing their own -- potentially their own generation solutions that either brought directly or contracted for, those kinds of approaches are absolutely things we're open to and the tariff explicitly contemplate. So that could be a direct -- an SPP, and we're part of the process there is looking at different ways for large loads to bring their own generation on different products that they've advanced and we'll be advancing with FERC.

And so it could range from customers bring their own generation to bringing their own capacity they've contracted and thereby reducing their LLPS rate. Those are all different mechanisms we could use. What we've announced today is under the structure of the LLPS and supported by generation that we're bringing, but some of our current customers.

And if you look in past announcements have are contracting with potential resources. And if they bring those, then those will be things that we'll contract for and will be an offset for the rate.

Operator

That concludes today's question-and-answer session. I'd like to turn the call back to David Campbell for closing remarks.

David Campbell - *Evergy Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Liz. I want to thank everyone for participating in the call today. I want to thank our customers for their commitment to our region. With that, have a great day. That concludes our call.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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