

Q1 2023 Earnings Call

Company Participants

- Andrew Kirk, Investor Relations
- Marty Lyons, Chief Executive Officer
- Michael Moehn, Chief Financial Officer

Other Participants

- Unidentified Participant

Presentation

Operator

Greetings, and welcome to Ameren Corporation's First Quarter 2023 Earnings Conference Call. At this time, all participants are in a listen-only mode. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Andrew Kirk, Director of Investor Relations for Ameren Corporation. Thank you, Mr. Kirk, you may begin.

Andrew Kirk {BIO 20578297 <GO>}

Thank you, and good morning. On the call with me today are Marty Lyons, our President and Chief Executive Officer; and Michael Moehn, our Senior Executive Vice President and Chief Financial Officer as well as other members of the Ameren management team. This call contains time sensitive data that is accurate only as of the date of today's live broadcast and redistribution of this broadcast is prohibited. We have posted a presentation on the [amereninvestors.com](https://www.amereninvestors.com) homepage that will be referenced by our speakers.

As noted on Page 2 of the presentation, comments made during this conference call may contain statements about future expectations, plans, projections, financial performance and similar matters which are commonly referred to as forward-looking statements. Please refer to the forward-looking statements section in the news release we issued yesterday as well as our SEC filings for more information about the various factors that could cause actual results to differ materially from those anticipated.

Now, here's Marty, who will start on Page 4.

Marty Lyons {BIO 4938648 <GO>}

Thanks Andrew. Good morning, everyone, and thank you for joining us today as we discuss our first quarter 2023 earnings results. Our dedicated team continues to successfully execute on our strategic plan across all of our business segments, allowing us to consistently deliver for our customers, shareholders and the environment while laying a strong foundation for the future.

And as shown on Page 5, our strategic plan integrates our strong sustainability value proposition, balancing the four pillars of environmental stewardship, social impact, governance and sustainable growth. These areas of focus incorporate our carbon reduction goals, which are consistent with the objective of the Paris Agreement to limit global temperature rise to 1.5 degrees Celsius. Here, we also highlight a few of the many items we are doing for our customers and communities including being an industry leader in diversity, equity and inclusion.

We are honored that earlier this week, Diversity Inc. named Ameren to its Hall of Fame. The first utility and only 11th company to be added. Diversity Inc. also recognized Ameren as a top company among all industries for ESG, supplier diversity, philanthropy and employee resource groups or ERGs. For more than two decades, our team has made an explicit commitment to fostering diversity, equity and inclusion within our company and in the communities we serve. It is a value that we believe is foundational to our mission to power the quality of life. We look forward to sharing best practices with other companies as we all work together to create vibrant cultures and communities. Further, our strong corporate governance is led by a diverse Board of Directors focused on overseeing the execution of our strategic plan in a sustainable manner. Finally, this page summarizes our sustainable growth proposition, which remains among the best in the industry.

As mentioned on our call in February, we have a robust pipeline of over \$48 billion of investment opportunities to continue to modernize the grid and enable the transition to a cleaner energy future. Today, we published our updated sustainability investor presentation called Leading the Way to a Sustainable Energy Future. It's available at amereninvestors.com which demonstrates how we have been effectively integrating our sustainability values and practices into our corporate strategy. I encourage you to take some time to read more about our strong sustainability value proposition.

Turning now to Page 6. Yesterday, we announced first quarter 2023 earnings of \$1 per share compared to earnings of \$0.97 per share in the first quarter of 2022. The key drivers of our first quarter results are outlined on this slide. As a result of our strong execution in the first quarter, I am pleased to report that we remain on track to deliver within our 2023 earnings guidance range of \$4.25 per share to \$4.45 per share.

Moving to Page 7. On our call in February, I highlighted some of the key strategic business objectives for 2023. We've been laser focused on achieving these objectives.

On page 8, we outlined several of our key accomplishments to-date. As you can see on the right side of this page, we have invested significant capital in each of our business segments during the first three months of this year. These investments will continue to improve reliability, resiliency, safety and efficiency of service to our customers. During the quarter, Ameren Missouri installed over 74,000 smart meters, 84 smart switches in 19 underground cable miles

and energized one upgraded substation. In Illinois, our customers are benefiting from almost 1,600 new or reinforced electric poles and 36 new smart switches on electric distribution circuits as we continue to focus on replacing mechanically coupled gas service pipes.

Further, our transmission business is expected to complete 40 new or upgraded transmission substations and 120 miles of new or upgraded transmission lines in the first half of the year. I'd like to express my appreciation for the Ameren team's dedication and hard work to start the year. It is worth noting that all of these system improvements were accomplished despite several major and minor storm events, including tornadoes which our teams responded to safely and rapidly to restore service to impacted customers. I am pleased to say that 97% of customers that lost power as a result of these storms saw service restored within 24 hours. Thank you, again, for your dedication to our customers and communities.

Moving onto regulatory matters. We are pleased with the constructive settlement of the Ameren Missouri Electric Rate Review in April. The stipulation agreement calls for a \$140 million annual revenue increase and is subject to Missouri Public Service Commission approval. If approved, residential customer rates will have increased approximately 2% compounded annually since April 1, 2017 prior to Ameren Missouri opting into plant in-service accounting. This constructive regulatory framework which is effective through at least 2028 continues to allow Ameren Missouri to make meaningful infrastructure investments providing significant benefits to customers. These investments have contributed to a 12% improvement in reliability for Ameren Missouri customers since 2017. We've achieved additional constructive regulatory outcomes this year in Missouri and Illinois related to our clean energy transition, which I'll touch on more in a moment.

Moving onto operational matters. To ensure strong operational performance over the coming summer months, last week, we initiated a planned maintenance outage on the generator at the Callaway Energy Center. We expect the energy center to be back online next week. Finally, we remain focused on keeping customer bills as low as possible through disciplined cost management, continuous improvement and optimizing our operating performance as we transform our business through investment to ensure we sustainably provide safe, reliable, resilient and cleaner energy for our customers.

Moving to Page 9. As we've discussed in the past, MISO completed a study outlining a potential roadmap of transmission projects through 2039. Detailed project planning, design work and procurement for the \$1.8 billion of Tranche 1 projects assigned to Ameren is underway. MISO requests for proposal on the remaining \$700 million of competitive projects in Missouri and Illinois have begun to be issued and we are in the process of preparing our proposals. We expect to submit our first bid relating to the Orient, Denny, Fairport line later this month. The proposal and evaluation process for the three competitive projects is expected to take place over the course of 2023 and into mid-2024.

Looking ahead to Tranche 2, MISO's analysis of potential projects is well underway and will continue for the remainder of the year and into early next year. MISO anticipates the Tranche 2 portfolio of projects will be approved in the first half of 2024.

Moving now to Page 10. In February and April, the Missouri PSC approved certificates of convenience and necessity or CCNs for two Ameren Missouri solar projects. The Huck Finn solar project located in Missouri and the Boomtown solar project in Illinois. The Huck Finn project which will support compliance with the Missouri Renewable Energy Standard will be our largest solar project to-date. Construction of this facility is expected to create approximately 250 jobs, and once in operation, it will produce enough energy to power approximately 40,000 homes. In addition, in April, the Missouri PSC approved Ameren Missouri's Renewable Solutions program which will be supported by the 150 megawatt Boomtown project. This subscription-based program is available to mid-sized and large commercial and industrial customers and municipalities across Missouri. Participating organizations can enroll for up to 100% of their future energy needs to meet their own renewable goals. 10 organizations are the initial participants in this innovative program, which is fully subscribed.

Further, I'm excited to say, Ameren Missouri has entered into an engineering, supply and construction agreement to construct the 50 megawatt Vandalia solar project located in Central Missouri. This project represents the first larger scale renewable energy center that will be fully developed and built by Ameren Missouri. We expect to file for a CCN for this project with the Missouri PSC midyear. We expect to announce additional solar energy projects in the next few months. These renewable projects are consistent with the Ameren Missouri's Integrated Resource Plan, which includes a thoughtful and measured approach to transition our generation portfolio.

Turning to Page 11. I'll cover progress being made in both Illinois and Missouri to provide incentives supporting investment infrastructure that will enable advancement of electric vehicles or EVs across our service territory and in our region. We continue to see electric vehicle adoption advance in our region and expect further growth as a result of our EV programs in both states in addition to increased state and federal funding. In March, the ICC approved Ameren Illinois beneficial electrification program which expands on its existing electric vehicle charging program and provides at least \$27 million through 2025 for programs, incentives and rates encouraging EV adoption and infrastructure development with a focus on equity and low income customers. Through this plan, we will also support the governor's goal of having one million electric vehicles on the road in Illinois by 2030.

In Missouri, the PSC approved our Charge Ahead Program in 2020 and extended it in 2022. This \$11 million program aims to eliminate barriers and incentivize electric vehicle adoption. This includes the addition of approximately 1,800 public workplace and multi-dwelling charging ports by 2024. Along the Missouri highway corridors, 14 fast-charging stations are already in operation as part of this program. In addition, we are participating in and supporting the Edison Electric Institute's national corridor charging initiative, we believe strong adoption of electric vehicles will provide benefits for our customers, including lower rates due to load growth and importantly advance the clean energy transition.

Moving to Page 12. Looking ahead over the next decade, we have a robust pipeline of investment opportunities of \$48 billion that will deliver significant value to all of our stakeholders by making our energy grid stronger, smarter and cleaner. Of course, our investments also create thousands of jobs for our local economies, maintaining constructive energy policies that support robust investment in energy infrastructure and a transition to a

cleaner future in a responsible fashion will be critical to meeting our country's energy needs and delivering on our customers' expectations.

Turning to Page 13. In February, we updated our five-year growth plan, which included our expectation of a 6% to 8% compound annual earnings growth rate from 2023 through 2027. This earnings growth is primarily driven by strong compound annual rate base growth of 8.4% supported by strategic allocation of infrastructure investment to each of our operating segments based on their constructive regulatory frameworks. Combined, we expect to deliver strong long-term earnings and dividend growth resulting in an attractive total return that compares favorably with our regulated utility peers. I am confident in our ability to execute our investment plans and strategies across all four of our business segments as we have an experienced and dedicated team to get it done.

Again, thank you all for joining us today. I will now turn the call over to Michael.

Michael Moehn {BIO 5263599 <GO>}

Thanks Marty, and good morning, everyone. Turning now to Page 15 of our presentation. Yesterday, we reported first quarter 2023 earnings of \$1 per share compared to \$0.97 per share for the year-ago quarter. This page summarizes key drivers impacting earnings at each segment. As you can see under our constructive regulatory frameworks, we experienced earnings growth in Ameren Transmission, Illinois Electric Distribution and Illinois Natural Gas driven by increased infrastructure investments. While Ameren Missouri earnings declined driven by the warmest combine January and February in 50 years, we're able to deliver strong earnings performance during the quarter as a result of our diverse business mix and disciplined cost management.

Moving to Page 16, despite experiencing one of the warmest winters in 50 years, we're off to a strong start. We continue to expect 2023 earnings to be in the range of \$4.25 to \$4.45 per share. The \$0.05 earnings per share impacted the mild first quarter temperatures is expected to be offset through disciplined cost management. On this page, we've highlighted select considerations impacting our 2023 earnings guidance for remainder of the year. These are supplemental to the key drivers and assumptions discussed in our earnings call in February. I encourage you to take these into consideration as you develop your expectations for quarterly earnings results for the remainder of the year.

Turning now to Page 17 for details on the Ameren Missouri Electric Rate Review. In April, a nonunanimous stipulation agreement was reached in our Ameren Missouri Electric Rate Review for \$140 million annual revenue increase. The stipulation agreement was a black-box settlement and did not specify certain details including return on equity, capital structure or rate base. The agreement did provide for the continuation of key FAC, RESRAM riders including the fuel adjustment clause. Pending Missouri PSC approval, new Ameren Missouri electric service rates are expected to be effective by July 1st.

Moving to Page 18. In January, Ameren Illinois Electric Distribution filed its first Multi-Year Rate Plan or MYRP with the ICC. The MYRP includes a grid monetization plan that lays out our electric distribution investment and supports our annual revenue increase request for the next four years. Our request for \$171 million rate increase in 2024 is based on an average rate base of \$4.3

billion, a return on equity of 10.5% and an equity ratio of 54%. Our own filing includes the phase-in provisioning proposed for 50% of the requested 2024 rate increase to be collected from customers in 2026. We expect staff and intervenor testimony next Thursday, May 11th and an ICC decision by December with rates effective January 2024. You can find additional key components of our MYRP following on this slide.

Turning to Page 19 on other Illinois regulatory matters. In April, we filed our electric distribution annual rate reconciliation requesting an additional \$127 million to reconcile the 2022 revenue requirements to the actual cost. An ICC decision is required by December and the full amount would be collected from customers in 2024. In January, we filed our Ameren Illinois natural gas rate review requesting \$160 million increase based on a 10.7% ROE, a 54% equity ratio and a \$2.9 billion rate base. We expect staff and intervenor testimony today and an ICC decision by late November with rates effective in early December.

On Page 20, we provide a financing update. We continue to feel very good about our financial position. On March 13th, Ameren Missouri issued \$500 million or 5.45% first mortgage bonds due 2053. Proceeds of the offering were used to fund capital expenditures and refinance short-term debt. Further, in order for us to maintain our credit ratings and a strong balance sheet while we fund our robust infrastructure plan, we expect to issue approximately \$300 million of common equity consisting of approximately 3.2 million shares by the end of this year. These shares were previously sold forward under our ATM equity program. Additionally, we have begun to enter into forward sales agreements in support of our 2024 equity needs. Together with the issuance of our 401 (k) and our DRIP plus programs, our ATM equity program is expected to support our equity needs in 2024 and beyond.

Finally, turning to Page 21, we are well-positioned to continue executing our plan, we're off to a strong start and we expect to deliver strong earnings growth in 2023 as we continue to successfully execute our strategy. As we look to the longer-term, we continue to expect strong earnings per share growth driven by robust rate base growth and disciplined cost management. Further, we believe this growth will compare favorably with the growth of our peers. Ameren shares continue to offer investors an attractive dividend. In total, we have an attractive total shareholder return story.

That concludes our prepared remarks. We now invite your questions.

Questions And Answers

Operator

Thank you. (Operator Instructions) Our first question is from Jeremy Tonet with JPMorgan. Please proceed with your question.

Q - Unidentified Participant

Hi, this is Robin (inaudible) on for Jeremy. With one week left in the Missouri legislative session, any updates on the right of first refusal legislation that you've been supporting? And

additionally, has this or any other recent Missouri legislative developments influence your outlook for MISO or transmission opportunities in the state?

A - Marty Lyons {BIO 4938648 <GO>}

Yeah, look, you're right, we've got just a little bit of time left at the legislative session. This is Marty Lyons, by the way. Hence on May 12th at 6:00 PM and we have been supportive of right of first refusal legislation that's been moving along in the legislature, and so you've probably been following House Bill 992 and Senate Bill 568. We certainly support the legislative efforts there, both bills have been heard in committees and we'll see whether there is any action on those bills as we approach the end of the session. So we again continue to believe that right of first refusal legislation as a positive and certainly would allow transmission infrastructure to be built more rapidly in our state and at cost competitive level. So we're very supportive of that, we'll see whether it gets through, it's hard to predict. Any piece of legislation, whether it will get through given the various priorities the legislature has. But in terms of the latter part of your question, whether that's influencing our thoughts on any of our path forward, I would say no, as we look ahead, we continue to invest in a reliable clean energy transition, meaning, both reliable energy delivery infrastructure, renewable energy as well as transmission. So we'll continue to pursue those things. We do think things like right of first refusal are important to make sure that that infrastructure buildout can happen efficiently, effectively and maintain a good reliable system, but we'll keep forging forward. So thanks for your question.

Q - Unidentified Participant

Great. Thank you.

Operator

(Operator Instructions). Mr. Lyons, there are no further questions at this time. I'd like to turn the floor back over to you for closing comments.

A - Marty Lyons {BIO 4938648 <GO>}

Okay. Well, thank you all for joining us today. As you heard in our prepared remarks, we had a strong start to 2023 and we remain focused on continuing to deliver for the remainder of the year. So we invite you to join our Annual Shareholder Meeting which is coming up here on May 11th and we look forward to seeing many of you at the AGA Financial Forum in a couple of weeks.

With that, thank you and everybody have a great day.

Operator

This concludes today's teleconference. You may disconnect your lines at this time, and we thank you for your participation.

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