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WEC Energy Group posts third-quarter results

MILWAUKEE — WEC Energy Group (NYSE: WEC) today reported net income of \$234.3 million, or 74 cents per share for the third quarter of 2019. This compares to earnings of \$233.2 million, or 74 cents per share for last year's third quarter.

For the first nine months of 2019, the company recorded net income of \$890.1 million, or \$2.81 per share — up from \$854.3 million, or \$2.70 per share, in the corresponding period a year ago.

Consolidated revenues for the third quarter and nine months ended Sept. 30, 2019, were \$1.6 billion and \$5.6 billion, respectively — both level with the comparable periods in 2018.

“We delivered a solid third quarter despite summer temperatures that were cooler than last year and destructive July storms — including nine tornadoes — that caused extensive damage to our distribution network,” said Gale Klappa, executive chairman.

Retail deliveries of electricity — excluding the iron ore mine in Michigan's Upper Peninsula — were down by 4.2 percent in the third quarter of 2019, compared to the third quarter of 2018.

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Residential electricity use dropped by 3.8 percent. Electricity consumption by small commercial and industrial customers was 3.4 percent lower.

Electricity use by large commercial and industrial customers was down by 4.3 percent during the quarter. Excluding the iron ore mine, usage by large commercial and industrial customers declined by 5.6 percent.

On a weather-normal basis, retail deliveries of electricity during the third quarter of this year — excluding the iron ore mine — decreased by 3.4 percent.

At the end of September, the company was serving approximately 10,000 more electric customers and 21,000 more natural gas customers than at the same time a year ago.

The company is tightening its 2019 earnings guidance to a range of \$3.51 to \$3.53 per share with an expectation of reaching the top end of the range. This assumes normal weather for the remainder of the year.

Earnings per share listed in this news release are on a fully diluted basis.

Conference call

A conference call is scheduled for 1 p.m. Central time, Wednesday, Nov. 6. The call will review 2019 third-quarter earnings and the company's outlook for the future.

All interested parties, including stockholders, news media and the general public, are invited to listen. Access the call at 877-683-2228 up to 15 minutes before it begins. The number for international callers is 647-689-5446. The conference ID is 6277869.

Conference call access also is available at wecenergygroup.com. Under 'Webcasts,' select 'Q3 Earnings.' In conjunction with this earnings announcement, WEC Energy Group will post on its website a package of detailed financial information on its third-quarter performance. The materials will be available at 6:30 a.m. Central time, Wednesday, Nov. 6.

Replay

A replay will be available on the website and by phone. Access to the webcast replay will be available on the website about two hours after the call. Access to a phone replay also will be available approximately two hours after the call and remain accessible through Nov. 20, 2019. Domestic callers should dial 800-585-8367. International callers should dial 416-621-4642. The replay conference ID is 6277869.

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WEC Energy Group (NYSE: WEC), based in Milwaukee, is one of the nation's premier energy companies, serving 4.5 million customers in Wisconsin, Illinois, Michigan and Minnesota.

The company's principal utilities are We Energies, Wisconsin Public Service, Peoples Gas, North Shore Gas, Michigan Gas Utilities, Minnesota Energy Resources and Upper Michigan Energy Resources. The company's other major subsidiary, We Power, designs, builds and owns electric generating plants.

WEC Energy Group (wecenergygroup.com) is a Fortune 500 company and a component of the S&P 500. The company has approximately 45,000 stockholders of record, 8,000 employees and more than \$34 billion of assets.

Forward-looking statements

Certain statements contained in this press release are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are based upon management's current expectations and are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated in the statements. Readers are cautioned not to place undue reliance on these statements. Forward-looking statements include, among other things, statements concerning management's expectations and projections regarding earnings and future results. In some cases, forward-looking statements may be identified by reference to a future period or periods or by the use of forward-looking terminology such as "anticipates," "believes," "estimates," "expects," "forecasts," "guidance," "intends," "may," "objectives," "plans," "possible," "potential," "projects," "should," "targets," "will" or similar terms or variations of these terms.

Factors that could cause actual results to differ materially from those contemplated in any forward-looking statements include, but are not limited to: general economic conditions, including business and competitive conditions in the company's service territories; timing, resolution and impact of rate cases and other regulatory decisions; the company's ability to continue to successfully integrate the operations of its subsidiaries; availability of the company's generating facilities and/or distribution systems; unanticipated changes in fuel and purchased power costs; key personnel changes; varying weather conditions; continued industry restructuring and consolidation; continued adoption of distributed generation by the company's customers; energy conservation efforts; the company's ability to successfully acquire and/or dispose of assets and projects; cyber-security threats and data security breaches; construction risks; equity and bond market fluctuations; changes in the company's and its subsidiaries' ability to access the capital markets; the impact of tax reform and any other legislative and regulatory changes, including changes to environmental standards; political developments; current and future litigation and regulatory investigations; changes in accounting standards; the financial performance of American Transmission Co. as well as projects in which the company's energy infrastructure business invests; the ability of the company to obtain additional generating capacity at competitive prices; goodwill and its possible impairment; and other factors described under the heading "Factors Affecting Results, Liquidity and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations and under the headings "Cautionary Statement Regarding Forward-Looking Information" and "Risk Factors" contained in the company's Form 10-K for the year ended Dec. 31, 2018, and in subsequent reports filed with the Securities and Exchange Commission. The company expressly disclaims any obligation to publicly update or revise any forward-looking information.

Tables follow

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited) <i>(in millions, except per share amounts)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Operating revenues	\$ 1,608.0	\$ 1,643.7	\$ 5,575.6	\$ 5,602.7
Operating expenses				
Cost of sales	484.3	524.1	1,985.8	2,043.9
Other operation and maintenance	529.2	553.1	1,583.4	1,602.7
Depreciation and amortization	233.8	212.8	690.1	628.1
Property and revenue taxes	49.8	51.0	148.0	149.4
Total operating expenses	1,297.1	1,341.0	4,407.3	4,424.1
Operating income	310.9	302.7	1,168.3	1,178.6
Equity in earnings of transmission affiliates	38.7	33.7	111.7	95.2
Other income, net	21.8	26.1	76.3	65.0
Interest expense	125.8	112.0	374.3	327.2
Other expense	(65.3)	(52.2)	(186.3)	(167.0)
Income before income taxes	245.6	250.5	982.0	1,011.6
Income tax expense	11.3	17.0	91.5	156.4
Net income	234.3	233.5	890.5	855.2
Preferred stock dividends of subsidiary	0.3	0.3	0.9	0.9
Net loss attributed to noncontrolling interests	0.3	—	0.5	—
Net income attributed to common shareholders	\$ 234.3	\$ 233.2	\$ 890.1	\$ 854.3
Earnings per share				
Basic	\$ 0.74	\$ 0.74	\$ 2.82	\$ 2.71
Diluted	\$ 0.74	\$ 0.74	\$ 2.81	\$ 2.70
Weighted average common shares outstanding				
Basic	315.4	315.5	315.4	315.5
Diluted	316.8	316.9	316.7	316.9
Dividends per share of common stock	\$ 0.5900	\$ 0.5525	\$ 1.7700	\$ 1.6575

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) <i>(in millions, except share and per share amounts)</i>			September 30, 2019	December 31, 2018
Assets				
Current assets				
Cash and cash equivalents	\$	20.0	\$	84.5
Accounts receivable and unbilled revenues, net of reserves of \$137.8 and \$149.2, respectively		911.8		1,280.9
Materials, supplies, and inventories		593.3		548.2
Prepayments		166.1		256.8
Other		81.8		77.2
Current assets		1,773.0		2,247.6
Long-term assets				
Property, plant, and equipment, net of accumulated depreciation and amortization of \$8,807.7 and \$8,636.6, respectively		23,035.1		22,000.9
Regulatory assets		3,999.9		3,805.1
Equity investment in transmission affiliates		1,720.4		1,665.3
Goodwill		3,052.8		3,052.8
Other		796.0		704.1
Long-term assets		32,604.2		31,228.2
Total assets	\$	34,377.2	\$	33,475.8
Liabilities and Equity				
Current liabilities				
Short-term debt	\$	686.4	\$	1,440.1
Current portion of long-term debt		692.6		365.0
Accounts payable		769.0		876.4
Accrued payroll and benefits		167.0		185.4
Other		503.4		464.8
Current liabilities		2,818.4		3,331.7
Long-term liabilities				
Long-term debt		10,897.3		9,994.0
Deferred income taxes		3,613.8		3,388.1
Deferred revenue, net		502.8		520.4
Regulatory liabilities		4,198.8		4,251.6
Environmental remediation liabilities		631.8		616.4
Pension and OPEB obligations		411.5		422.8
Other		1,116.4		1,108.1
Long-term liabilities		21,372.4		20,301.4
Commitments and contingencies				
Common shareholders' equity				
Common stock – \$0.01 par value; 325,000,000 shares authorized; 315,435,595 and 315,523,192 shares outstanding, respectively		3.2		3.2
Additional paid in capital		4,185.0		4,250.1
Retained earnings		5,869.9		5,538.2
Accumulated other comprehensive loss		(7.1)		(2.6)
Common shareholders' equity		10,051.0		9,788.9
Preferred stock of subsidiary				
		30.4		30.4
Noncontrolling interests				
		105.0		23.4
Total liabilities and equity	\$	34,377.2	\$	33,475.8

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)		Nine Months Ended September 30	
<i>(in millions)</i>		2019	2018
Operating activities			
Net income	\$	890.5	\$ 855.2
Reconciliation to cash provided by operating activities			
Depreciation and amortization		690.1	628.1
Deferred income taxes and investment tax credits, net		58.8	34.4
Contributions and payments related to pension and OPEB plans		(12.1)	(13.8)
Equity income in transmission affiliates, net of distributions		(17.8)	(4.5)
Change in –			
Accounts receivable and unbilled revenues		360.2	312.1
Materials, supplies, and inventories		(44.9)	(69.0)
Other current assets		110.4	112.7
Accounts payable		(192.3)	(71.2)
Other current liabilities		(1.8)	42.5
Other, net		(0.4)	181.7
Net cash provided by operating activities		1,840.7	2,008.2
Investing activities			
Capital expenditures		(1,511.5)	(1,490.5)
Acquisition of Upstream Wind Energy LLC, net of cash and restricted cash acquired of \$9.2		(268.2)	—
Acquisition of Bishop Hill III Wind Energy Center, net of restricted cash acquired of \$4.5		—	(143.5)
Acquisition of Forward Wind Energy Center		—	(77.1)
Capital contributions to transmission affiliates		(37.3)	(43.7)
Proceeds from the sale of assets and businesses		32.2	10.9
Proceeds from the sale of investments held in rabbi trust		0.2	16.6
Reimbursement for American Transmission Company LLC's construction costs		32.4	—
Other, net		17.7	7.3
Net cash used in investing activities		(1,734.5)	(1,720.0)
Financing activities			
Exercise of stock options		66.1	13.9
Purchase of common stock		(138.2)	(42.0)
Dividends paid on common stock		(558.4)	(523.0)
Issuance of long-term debt		1,320.0	600.0
Retirement of long-term debt		(106.0)	(694.4)
Change in short-term debt		(753.7)	343.7
Other, net		(15.5)	(4.8)
Net cash used in financing activities		(185.7)	(306.6)
Net change in cash, cash equivalents, and restricted cash		(79.5)	(18.4)
Cash, cash equivalents, and restricted cash at beginning of period		146.1	58.6
Cash, cash equivalents, and restricted cash at end of period	\$	66.6	\$ 40.2