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WEC Energy Group reports third-quarter results

MILWAUKEE – WEC Energy Group (NYSE: WEC) today reported net income of \$290.0 million, or 92 cents per share, for the third quarter of 2021 — up from \$266.8 million, or 84 cents per share, from last year's third quarter.

For the first nine months of 2021, the company recorded net income of \$1.08 billion, or \$3.40 per share — up from \$960.9 million, or \$3.04 per share, in the corresponding period a year ago.

Consolidated revenues totaled \$6.1 billion for the first nine months of 2021, up \$805.8 million from revenues for the first nine months of 2020.

“Our positive third-quarter results were driven by warmer than normal weather, solid economic recovery in our region, and continued efficiency gains across the enterprise,” said Gale Klappa, executive chairman. “Our focus on the fundamentals — reliability, customer satisfaction, environmental progress and financial discipline — continues to create value for our customers and our stockholders.”

Retail deliveries of electricity — excluding the iron ore mine in Michigan’s Upper Peninsula — were up by 2.4 percent in the third quarter of 2021, compared to the third quarter of 2020.

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Electricity consumption by small commercial and industrial customers was 3.5 percent higher during the third quarter of 2021. Electricity use by large commercial and industrial customers — excluding the iron ore mine — rose by 3.8 percent.

Residential electricity use was up by 0.3 percent.

On a weather-normal basis, retail deliveries of electricity during the third quarter of this year — excluding the iron ore mine — increased by 2.5 percent.

At the end of September, the company was serving approximately 8,000 more electric customers and 15,000 more natural gas customers than at the same time a year ago.

In light of its strong performance, the company is raising its earnings guidance again for 2021, to a range of \$4.05 to \$4.07 per share, with an expectation of reaching the top end of the range. This assumes normal weather for the remainder of the year. The company previously raised its annual guidance to a range of \$4.02 to \$4.05 per share, from its original guidance of \$3.99 to \$4.03 per share.

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, Tuesday, Nov. 2. The call will review 2021 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 833-968-2232 up to 15 minutes before it begins. The number for international callers is 825-312-2063. The conference ID is 8076671#.

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, Tuesday, Nov. 2.

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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. 16, 2021. Domestic callers should dial 800-585-8367. International callers should dial 416-621-4642. The replay conference ID is 8076671#.

WEC Energy Group (NYSE: WEC), based in Milwaukee, is one of the nation's premier energy companies, serving 4.6 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. Another major subsidiary, We Power, designs, builds and owns electric generating plants. In addition, WEC Infrastructure LLC owns a growing fleet of renewable generation facilities in the Midwest.

WEC Energy Group (wecenergygroup.com) is a Fortune 500 company and a component of the S&P 500. The company has approximately 40,000 stockholders of record, 7,200 employees and more than \$38 billion of assets.

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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, earnings growth rates 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; the extent, duration and impact of the COVID-19 pandemic or any future health pandemics; 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, adverse or unusually severe weather conditions; continued industry restructuring and consolidation; continued advances in, and adoption of, new technologies that produce power or reduce power consumption; energy and environmental 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; changes in tax legislation or our ability to use certain tax benefits and carryforwards; the impact of legislative and regulatory changes, including changes to environmental standards and greenhouse gas regulations; political developments; current and future litigation and regulatory investigations, proceedings or inquiries; changes in accounting standards; the financial performance of American Transmission Company 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 December 31, 2020, and in subsequent reports filed with the Securities and Exchange Commission. Except as may be required by law, 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)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
<i>(in millions, except per share amounts)</i>				
Operating revenues	\$ 1,746.5	\$ 1,651.0	\$ 6,114.1	\$ 5,308.3
Operating expenses				
Cost of sales	560.7	482.8	2,352.2	1,662.0
Other operation and maintenance	473.7	498.7	1,417.4	1,427.5
Depreciation and amortization	271.6	245.0	799.2	726.6
Property and revenue taxes	50.5	54.3	157.2	156.6
Total operating expenses	1,356.5	1,280.8	4,726.0	3,972.7
Operating income	390.0	370.2	1,388.1	1,335.6
Equity in earnings of transmission affiliates	42.3	40.1	126.2	132.8
Other income, net	25.2	25.7	97.7	59.9
Interest expense	118.0	122.0	357.5	375.8
Other expense	(50.5)	(56.2)	(133.6)	(183.1)
Income before income taxes	339.5	314.0	1,254.5	1,152.5
Income tax expense	50.8	46.9	179.8	190.7
Net income	288.7	267.1	1,074.7	961.8
Preferred stock dividends of subsidiary	0.3	0.3	0.9	0.9
Net loss attributed to noncontrolling interests	1.6	—	2.3	—
Net income attributed to common shareholders	\$ 290.0	\$ 266.8	\$ 1,076.1	\$ 960.9
Earnings per share				
Basic	\$ 0.92	\$ 0.85	\$ 3.41	\$ 3.05
Diluted	\$ 0.92	\$ 0.84	\$ 3.40	\$ 3.04
Weighted average common shares outstanding				
Basic	315.4	315.4	315.4	315.4
Diluted	316.3	316.5	316.3	316.6
Dividends per share of common stock	\$ 0.6775	\$ 0.6325	\$ 2.0325	\$ 1.8975

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) <i>(in millions, except share and per share amounts)</i>	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 26.0	\$ 24.8
Accounts receivable and unbilled revenues, net of reserves of \$199.7 and \$220.1, respectively	1,103.8	1,202.8
Materials, supplies, and inventories	645.7	528.6
Prepayments	195.7	263.4
Amounts recoverable from customers	139.4	20.0
Derivative assets	247.1	17.0
Other	51.2	26.4
Current assets	2,408.9	2,083.0
Long-term assets		
Property, plant, and equipment, net of accumulated depreciation and amortization of \$9,799.3 and \$9,364.7, respectively	26,622.7	25,707.4
Regulatory assets (September 30, 2021 includes \$102.9 related to WEPCo Environmental Trust Finance I, LLC)	3,488.7	3,524.1
Equity investment in transmission affiliates	1,791.3	1,764.3
Goodwill	3,052.8	3,052.8
Other	1,036.5	896.5
Long-term assets	35,992.0	34,945.1
Total assets	\$ 38,400.9	\$ 37,028.1
Liabilities and Equity		
Current liabilities		
Short-term debt	\$ 1,508.9	\$ 1,776.9
Current portion of long-term debt (September 30, 2021 includes \$8.5 related to WEPCo Environmental Trust Finance I, LLC)	496.7	785.8
Accounts payable	872.8	880.7
Other	814.2	704.7
Current liabilities	3,692.6	4,148.1
Long-term liabilities		
Long-term debt (September 30, 2021 includes \$107.0 related to WEPCo Environmental Trust Finance I, LLC)	12,678.1	11,728.1
Deferred income taxes	4,295.8	4,059.8
Deferred revenue, net	394.9	412.2
Regulatory liabilities	4,131.2	3,928.1
Environmental remediation liabilities	510.3	532.9
Pension and OPEB obligations	307.8	327.0
Other	1,283.6	1,229.4
Long-term liabilities	23,601.7	22,217.5
Commitments and contingencies		
Common shareholders' equity		
Common stock – \$0.01 par value; 325,000,000 shares authorized; 315,434,531 shares outstanding	3.2	3.2
Additional paid in capital	4,144.4	4,143.7
Retained earnings	6,764.5	6,329.6
Accumulated other comprehensive loss	(3.6)	(6.8)
Common shareholders' equity	10,908.5	10,469.7
Preferred stock of subsidiary	30.4	30.4
Noncontrolling interests	167.7	162.4
Total liabilities and equity	\$ 38,400.9	\$ 37,028.1

WEC ENERGY GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	Nine Months Ended September 30	
<i>(in millions)</i>	2021	2020
Operating activities		
Net income	\$ 1,074.7	\$ 961.8
Reconciliation to cash provided by operating activities		
Depreciation and amortization	799.2	726.6
Deferred income taxes and ITCs, net	158.0	152.5
Contributions and payments related to pension and OPEB plans	(11.3)	(10.1)
Equity income in transmission affiliates, net of distributions	(27.0)	(20.3)
Change in –		
Accounts receivable and unbilled revenues, net	162.4	262.3
Materials, supplies, and inventories	(117.1)	(23.6)
Prepayments	67.7	92.3
Amounts recoverable from customers	(119.4)	(1.3)
Other current assets	13.8	38.5
Accounts payable	(15.1)	(178.9)
Other current liabilities	107.5	(23.3)
Other, net	(86.7)	(26.8)
Net cash provided by operating activities	2,006.7	1,949.7
Investing activities		
Capital expenditures	(1,627.9)	(1,618.7)
Acquisition of Jayhawk Wind, LLC	(119.8)	—
Capital contributions to transmission affiliates	—	(15.2)
Proceeds from the sale of assets	21.6	9.8
Proceeds from the sale of investments held in rabbi trust	12.7	17.1
Insurance proceeds received for property damage	—	22.2
Other, net	24.7	21.7
Net cash used in investing activities	(1,688.7)	(1,563.1)
Financing activities		
Exercise of stock options	6.5	23.3
Purchase of common stock	(15.7)	(56.7)
Dividends paid on common stock	(641.2)	(598.5)
Issuance of long-term debt	1,018.8	810.0
Retirement of long-term debt	(356.2)	(482.6)
Issuance of short-term loan	0.5	340.0
Repayment of short-term loan	(340.0)	—
Change in other short-term debt	71.5	(399.8)
Purchase of additional ownership interest in Upstream Wind Energy LLC from noncontrolling interest	—	(31.0)
Other, net	(25.6)	(12.4)
Net cash used in financing activities	(281.4)	(407.7)
Net change in cash, cash equivalents, and restricted cash	36.6	(21.1)
Cash, cash equivalents, and restricted cash at beginning of period	72.6	82.3
Cash, cash equivalents, and restricted cash at end of period	\$ 109.2	\$ 61.2