

Emera Q1 2026 Earnings Conference Call

Transcript - 31:05

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OPERATOR

Good morning, ladies and gentlemen, and welcome to the Emera Q1 2026 Earnings Conference call. At this time, note that all participant lines are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session, and if at any time during this call you require media assistance, please press star zero for the operator.

Also note that this call is being recorded on Friday, May 8, 2026, and I would like to turn the conference over to Dave Bezanson. Please go ahead.

DAVE BEZANSON

Thank you, Sylvie, and thank you all for joining us this morning for Emera's first quarter 2026 conference call and live webcast. Emera's first quarter earnings release was distributed this morning via Newswire, and the financial statements, management's discussion and analysis, and the presentation being referenced on this call are available on our website at emera.com. Joining me for this morning's call are Scott Belfour, Emera's President and Chief Executive Officer, Jared Green, Emera's Chief Financial Officer, and other members of Emera's management team.

Before we begin, I'd like to advise you that this morning's discussion will include forward-looking information, which is subject to the cautionary statement contained in the supporting slide. Today's discussion and presentation will also include references to non-GAAP financial measures. You should refer to the Appendix for Reconciliations of Historical Non-GAAP Measures to the Closest GAAP Financial Measure.

Unless otherwise specified, all financial information referenced is in Canadian dollars.

And now I will turn things over to Scott.

SCOTT BALFOUR

Thank you, Dave, and good morning, everyone. This morning we reported record first-quarter adjusted earnings per share of \$1.37, up 7% year-over-year. This marks the strongest first-quarter result in Emera's history.

This performance positions us well to once again deliver above our 5% to 7% adjusted earnings per share compound annual growth target in 2026, using 2024 as the base year. Our first-quarter results reflect strong execution, meaningful regulatory progress, and solid performance across our regulated utilities. Results were also supported by record performance at Emera Energy.

I want to thank our teams across the organization for their focus and discipline in serving our customers and delivering these results for our shareholders. At Tampa Electric, first-quarter results benefited from the subsequent year revenue adjustment

which came into effect on January 1, 2026. Results were also supported by colder-than-normal weather early in the year, including winter storm Fern, which drove higher demand across the region.

The team responded with reliable generation, disciplined operations, and a secure fuel supply, enabling strong contributions in off-system sales in support of our neighboring utilities. Consistent with our approved sharing mechanism, customers benefit from the majority of the revenues generated from these sales. At People's Gas, first-quarter earnings reflect new rates effective January 1, 2026 that support ongoing rate-based investments supporting growth, system expansion, and reliability across Florida.

Favorable market dynamics also supported strong off-system sales execution, with half of those revenues shared directly with customers. Emera Energy had a standout first quarter, supported by favorable market conditions early in the year and the business's ability to capitalize. As a result, Emera Energy delivered another record first quarter for the second year in a row, with earnings expectations for this business now in the range of \$60 million.

to \$80 million for 2026, well above its traditional range of \$15 million to \$30 million.

Building on Emera Energy's strong start and with the solid performance across the rest of the business, we are well positioned to earn above our guidance range in 2026 and remain confident in our long-term average EPS growth guidance of 5% to 7% through 2030. We continue to see customer growth across our portfolio that will support our ability to affordably invest in our utilities.

We're also seeing meaningful interest from multiple data center developers in Tampa Electric Service Territory. A number of developer-funded system impact studies are advancing, and in some cases, developer-funded construction work is underway.

Overall, we're pleased with how 2026 is shaping up.

First quarter results reflect strong execution across the business and continued momentum in our regulated utilities. From a regulatory perspective, we saw good progress early in 2026 with the approval of new rates by the Nova Scotia Energy Board. The decision was largely aligned with a consensus settlement agreement by all customer groups.

New rates took effect May 1st. A key element of the board's decision was the approval of a securitization deferral mechanism for approximately \$700 million of retiring thermal assets. This allows related costs, including depreciation, to be deferred during the rate period, pending proposed securitization, helping to manage the timing of cost recovery.

The regulator agreed with Nova Scotia Power and customer representatives that securitization would deliver meaningful long-term savings for customers, while supporting the Nova Scotia Independent System Operator's work to meet the federal mandate to retire coal plants by 2030 and the province's target of achieving 80% renewables by 2030. While work remains to fully implement securitization, the Nova Scotia Power team will continue to work with the province to advance the process and ensure the substantial customer and policy benefits are realized. Turning to New

Mexico, we continue to await the hearing examiner's recommendation following the hearing that concluded in November.

While the duration of this part of the regulatory process is not in our control, our view of the outcome remains unchanged. The key elements remain in place to support a successful transaction, and we now expect the sale to close in mid-2026. In the first quarter, our teams safely executed more than \$870 million of customer-focused capital investment, keeping us firmly on track to deliver our \$4 billion capital plan for 2026, supporting our targeted 7% to 8% rate-based growth.

Across the portfolio, major projects continue to advance as planned. At Tampa Electric, we're progressing solar investments, grid modernization, and reliability upgrades. In Nova Scotia, we're moving forward on energy storage, transmission, and system reliability investments.

At Peoples Gas, the team continues to execute on critical infrastructure expansion, supported by strong customer growth. At its core, our capital program is focused on delivering customer value by enhancing reliability, strengthening system resilience, and supporting growth in the communities we serve. We remain disciplined in how we pace these investments, carefully balancing timing and execution to help manage customer rate impacts while positioning our systems for long-term value enhancement for customers.

With new rates now in place at Nova Scotia Power and multi-year rate frameworks already established at Tampa Electric and Peoples Gas, we have rate clarity across our

three largest utilities through 2027. This regulatory clarity gives us greater confidence to continue investing in essential infrastructure while providing a more predictable path for earnings and cash flow growth over time. Before I hand it over to Jared, I want to highlight that earlier this week, we reached an agreement to sell Ground Bahama Power Company to the government of the Commonwealth of the Barbados – of Bahamas.

The transaction is expected to close by the end of May, and while not a material financial impact, it is a further example of our focus on optimizing Emera's portfolio and focusing our efforts on our core utility operations in Florida and Atlantic Canada. While it is never easy to part ways with a company and team that have been part of the Emera family for 15 years, this sale provides support for the government's national energy policy while at the same time further simplifying and de-risking Emera's portfolio. We want to thank the Ground Bahama team for their unwavering commitment to delivering safe and reliable energy to customers.

We thank each of you for your commitment, your excellence, and your hard work. And with that, I'll turn the call over to Jared to discuss our financial results.

JARED GREEN

Thank you, Scott, and thank you all for joining us this morning. I am very glad to be with you. Turning to our financial highlights, this morning we reported first quarter adjusted earnings of \$415 million, or \$1.37 per share, representing a 7% or 9 cent increase year

over year. As Scott noted, this marks a record first quarter for the company. Strong earnings growth drove a 6% increase in operating cash flow, excluding working capital. From a credit metrics perspective, we remain on track to achieve Moody's 12% operating cash flow pre-working capital to debt target for 2026, which would be further enhanced by an expected sustained 50 basis point contribution from the close of New Mexico Gas.

I'll now walk through the key drivers of our financial results. Starting with Emera Energy, the business delivered a record first quarter with earnings up 57% year over year. Results were supported by favorable market conditions early in the year and strong execution by the team.

At Tampa Electric, earnings benefited from new rates following the 2024 rate filing, including an \$88 million US dollar subsequent year adjustment for 2026, as well as colder than normal weather earlier in the year. These factors, combined with strong operational execution, also supported higher off-system sales. Turning to our gas utilities, People's Gas delivered a solid quarter, supported by new rates effective January 1st this year.

Similar to Tampa Electric, results also benefited from favorable market conditions that supported higher off-system sales in the first quarter. For our other electric segment, results at our Caribbean utilities benefited from lower fuel costs, as well as lower income tax expense related to a deferred tax liability recognized in the first quarter of last year. Corporate costs were largely in line with the prior year.

We saw a modestly higher O&M expense and a lower gain on the long-term incentive hedge, partially offset by higher income tax recovery and an increase in the deferred income tax asset valuation allowance adjustment. During the quarter, a higher average share count reduced adjusted earnings per share by \$0.03, and a stronger Canadian dollar reduced EPS by \$0.06. Finally, in our Canadian electric segment, earnings were lower primarily because of a lower income tax recovery compared to the first quarter of 2025, and higher regulatory lag as new rates were not in place for the first quarter as we would have expected, though this was partially offset by higher sales volumes. Before I hand it back over to Scott, I'll briefly touch on our recent financing activities. In the first quarter, we issued \$750 million U.S. dollars of hybrid securities. So, together with the \$750 million U.S. dollars hybrid issued late last year, these proceeds will refinance Emera's \$1.2 billion U.S. dollar hybrid, which we do plan to redeem in June. Following the planned redemption, we will have added approximately \$300 million U.S. dollars of incremental hybrid capital to our structure. This provides about 10 basis points of credit metric benefit.

Hybrid capital will continue to be part of our long-term growth funding strategy. Also, in the first quarter, we issued \$750 million U.S. dollars of senior notes to refinance a \$750 million U.S. dollar maturity coming due in June. With that, I'll turn it back to Scott for his closing remarks.

SCOTT BALFOUR

Thank you, Jared. Before I close, I want to recognize that this is Judy Steele's final earnings call as CEO of Emera Energy, marking 14 years leading the business and 26 years with Emera. Judy, thank you for your leadership, strategic insight, and deep commitment to the organization.

We are grateful for the lasting impact you've had on Emera Energy and, of course, on Emera more broadly. To close, we're encouraged by the way the year started and by the consistent execution we're seeing across the business. Our first quarter results reflect continued progress in executing our strategy, the underlying strength of our regulated utilities, and positions us well to deliver above our adjusted earnings per share growth target of 5% to 7% this year.

We remain focused on investing to deliver safe, reliable energy for customers, while maintaining disciplined capital execution, constructive stakeholder engagement, and a strengthening balance sheet to support predictable long-term growth. We appreciate your continued interest in Emera and your time today, and we'll now open the line for questions.

OPERATOR

Thank you, sir. Ladies and gentlemen, if you do have any questions at this time, please press star followed by one on your touchtone phone. You will then hear a prompt that your hand has been raised.

And should you wish to decline from the polling process, please press star followed by two. And if using a speakerphone, you will need to lift the handset first before pressing any keys. One moment, please, for your first question.

You will hear first from Rob Hope at Scotiabank. Please go ahead, Rob.

ROB HOPE

Morning, everyone. First question is on the funding plan. What are the expected proceeds from the Grand Bahama sale?

And was that in the prior funding plan? I'm assuming it was not.

JARED GREEN

So, good morning, Rob. So, we haven't stated what the proceed levels are at this point in time. So, they are still confidential during the closing side. But you would be correct.

The proceeds on that wouldn't have been in our original funding plan. We will use the funds, though, to just go into the normal corporate funding. So, it will go to repaying debt, and we will still be executing our capital program and the rest of the funding plan as originally stated.

ROB HOPE

Sorry, and then maybe just to clarify, do you think that this sale will reduce your equity funding needs and potentially lower the ATM?

JARED GREEN

I don't think this is going to make a material difference on the overall funding plan.

ROB HOPE

All right, appreciate that. And then maybe moving over to Nova Scotia, can you provide an update on how the securitization conversations are going for the decarbonization initiatives up there?

JARED GREEN

So, Rob, Jared here again. So, discussions are ongoing with the government. The team is working with them.

We do still need to have the regulations put in place. And so, those are continuing forward. Timing-wise, we're still optimistic and hopeful that we will be able to get through those steps and have the securitization approved and in place in this calendar year.

But discussions are ongoing.

ROB HOPE

All right, thanks for that. Then, Judy, all the best. It's been enjoyable. Thank you.

JUDY STEELE

Thank you.

OPERATOR

Next question will come from Maurice Choy at RBC Capital Market. Please go ahead, Maurice.

MAURICE CHOY

Thank you very much. And good morning, everyone. Just sticking with the Nova Scotia theme, it feels like all the stakeholders have been able to move on following the recent rate case approval.

And if you agree with that, how do you see the opportunity for incremental growth opportunities for the utility, given all the energy and economic objectives laid out by the government recently?

SCOTT BALFOUR

Yeah, thanks, Maurice. So, I mean, yes, there's certainly – not unlike other jurisdictions, the reality is there is a lot of investment opportunity, investment required in electric systems. That's certainly true in Nova Scotia, of course, with the independent system operator in place.

It's continuing to proceed with the generation procurement, while Nova Scotia Power continues to proceed with investments in poles and wires and the transmission and

distribution aspects of the system. There's, as you know, some major project initiatives there, including the New Brunswick, Nova Scotia Intertie, and other system upgrades. There's also synchronous condenser work that the utility is doing, which helps to support the intermittent renewables that are being added onto the system.

So, continues to be a lot of investment at this point in time. We're not looking at any adjustments to the rate-based growth profile for Nova Scotia Power. Of course, we'll typically update those rate-based growth profiles in the fall, but with the rate profile that's in place now, we have benefit of agreement with all the stakeholders, including the regulator and customer intervenors, as to not only the rate profile, but the capital profile that supports it.

And so, there's great clarity for Nova Scotia Power on the execution path ahead.

MAURICE CHOY

Understood. And if I could finish off with NMGC. I know you mentioned that where the process is right now is out of your control, but are you made aware as to what may be causing the slight delay? And maybe just thinking bigger picture, any reasons you think is worthwhile keeping this utility, particularly from a growth perspective?

KAREN HUTT

Good morning, Maurice. It's Karen Hutt. No, we don't have any specific reason to go to in terms of the timing. This is an open docket in front of the Commission, so that means that there are specific rules for how you can engage, and so that means we need to wait to hear from them. But as Scott said, we continue to feel confident in our case, and we continue to feel confident in our ability to move forward with the transaction.

So, at this point, we're waiting for word from the hearing examiner, and the rest of the team is ready to go in terms of transition. So, it's full steam ahead.

MAURICE CHOY

Understood. And my thank you, of course, to Judy for the many years of help, and congrats to Karen on your additional role.

JUDY STEELE

Thanks. We're sitting next to each other. Karen says thank you, too.

OPERATOR

Next question will be from John Mould at TD Cowan. Please go ahead, John.

JOHN MOULD

Hi. Morning, everybody. Maybe going back to Florida, your comments on data center discussions there, can you just provide a little more color around the scale of the conversations you're having, you know, what the timing could look like, and any key gating items that you're seeing in those conversations?

SCOTT BALFOUR

Archie, over to you.

ARCHIE COLLINS

Sure. Good morning, John. Good morning, everyone. So, John, I guess what I would say is, you know, interest from data centers has certainly been quite elevated for us over the last six to nine months. Lots of interest in our region in west-central Florida, given the fact that we kind of span that I-4 corridor between Tampa and Orlando.

So, lots of interest in there. You know, one of the gating items just, you know, that certainly was everyone was waiting to see whether or not the governor was going to sign Senate Bill 484 into law, and he did that yesterday. That certainly makes it clearer

to the data center investment community that Florida is, in fact, open for business, as long as certain guidelines are respected in the process.

And I will say, you know, the guidelines that are embedded within that bill are guidelines that we've agreed with all along. They're rooted in the principles of transparency, fairness of cost allocation, environmental stewardship. And so, we certainly-we collectively, whether it's us as the utility or the data center developers, are feeling confident about the support from the community and from government.

Lots of interest. I would say that certainly discussions with multiple parties are much further advanced. From a scale perspective, you know, I would say we've got about 1,300 megawatts of interested data center counterparties, and that's a collection of them, as opposed to any single entity.

But those discussions are much more further advanced. They've acquired the land. They're pursuing permits.

As Scott said, they have funded very detailed system impact studies, and they're backing a lot of capital work that we're currently undertaking to meet their interconnection timelines and ramp rates. And so, lots happening. We're feeling confident.

We're pleased to see that the governor has signed Senate Bill 484. And, you know, I expect that we'll have more to say on, you know, who these counterparties are and what the ramp rates are over the next couple of months. The only other point I would

make on this is, like, for a utility our size, you know, the growth potential here is meaningful.

100 megawatts of data center revenue is 2% low growth on an annual basis. So, you know, you start doing the math, and it's a significant opportunity for a utility like ours.

JOHN MOULD

Thanks for that. Maybe just continuing, because you raised it at the end there. Can you just, you know, talk about your supply picture and ability to, you know, if you are able to land a couple of these over the midterm, you know, what does that look like in terms of incremental generation and potential additions to the capital plan? Don't not – I'm appreciating you probably don't want to get too far ahead of yourself, but just trying to get a sense of the room that you have in the system.

ARCHIE COLLINS

Yeah, I don't – I do have to be careful here. And, of course, it's a function of – it's a function of the desired ramp rates from the counterparties and a function of our ability to meet those ramp rates while continuing to respect our regulatory obligations vis-a-vis, you know, reserve margin requirements. You know, we have – we're well positioned in the short term to serve in the neighborhood of 300 to 500 megawatts of data centers,

and we're working with the counterparties to firm up, you know, their commitment, their ramp rate, and manage our exposure to make – so that we can make other decisions as far as shoring up the generation side of the equation.

So, in the short term, we're well positioned for 300 to 500 megawatts over the next couple of years.

JOHN MOULD

Okay. That was great detail. Thank you. I'll get back in the queue.

OPERATOR

Thank you. Next question will be from Ben Pham at BMO Capital Markets. Please go ahead, Ben.

BEN PHAM

Hi. Thanks. Good morning. I just want to start off to congratulate Judy and Karen on the next steps. I just want to go back to the new Mexico sale. Given that it's taken about a year and a half or so since the announcement, I assume the outside dates have been extended with with parties.

If this transaction is delayed beyond mid-years, is this really open up a potential renegotiation of the deal?

KAREN HUTT

Hi, Ben. It's Karen. You're right. We did deal with the outside date as it relates to the contract. We'll deal with that again to the extent that we need to, but we wouldn't anticipate any other discussions beyond that.

BEN PHAM

Okay. Got it. I just want to go back to the marketing results.

It's given the strength and the quarter and your new guidance. Can you talk about maybe I just looking at maybe results from other infrastructure names, some have done well from the storm results, some have done not as well, and some have actually been negatively impacted depending on your position. Can you remind us how your trading works in that area? Is it the transmission that you're doing? Are there other business development opportunities that you've been working on?

JUDY STEELE

I think you're asking me that question.

I always start by saying that we manage the business to limit the downside risk always and have some optionality when the market conditions present themselves, and they did in Q1. So without kind of giving away the whole commercial strategy, there were four big rocks that contributed to the results. So we do have a transport portfolio, and specifically the capacity we had between New England and New York became very, very valuable as the New York pricing spiked.

We had also picked up some short-term capacity from Western Canada before the cold weather event hit at pretty reasonable prices, and that increased our available gas volumes. We had options that we had invested in for risk management purposes that we exercised at some very healthy margins. And in New York, gas generators were being dispatched for reliability, which also had a very bullish impact on the market.

So, you know, fundamentally, the story is the same as always. We have transportation assets, and when the market conditions present themselves, we're able to use those assets to move lower-priced gas into higher-priced markets.

BEN PHAM

Okay, got it. That's a useful color. Thank you.

OPERATOR

Thank you. Ladies and gentlemen, a reminder to please press star 1 should you have any questions. Thank you.

Next, we will hear from Michael Lonegan at Barclays. Please go ahead, Michael.

MICHAEL LONEGAN

Hi, thanks for taking my question. You know, in the event that Nova Scotia were to reject the securitization, you know, approval of the regulations, you know, what would you see as your next step? Would you apply for, you know, conventional rate recovery, or is there a way you could make, you know, a different securitization proposal, like renegotiate or repackage the securitization structure?

JARED GREEN

So, good morning, Michael. Jared here. So, the formal first steps, if securitization were not to proceed, the regulator actually set that out in their decision coming from this last settlement. And so, there is a deferral account that is set up in that circumstance.

And so, if it didn't proceed with securitization, then those assets would be treated in the normal course of rate base and rate making. As that moves forward, then Vivek and the team would be looking at the full rate structures, the company, and what scenarios would be present there. But as we sit right now, we are confident that we will be able to proceed with the securitization, because it makes really good sense for customers.

But absent that, we do have the regulatory pathway for the alternative. Thank you.

MICHAEL LONEGAN

And then, you know, in the event that a New Mexico Gas sale, you know, were not to close, and, you know, also, you know, if the securitization plan or the thermal assets regulations are not approved, what can we expect to pass forward for your financing plan to be? You know, obviously, moving assets, you want a negative outlook. You know, would you consider issuing more equity or selling additional non-core assets, like Barbados or pipelines?

You know, talk about that.

JARED GREEN

So the number one plan on that, Michael, is business execution. And that's actually being what has occurred over this last couple year period as well. And we're sitting in a

place where we are right up at the threshold levels, even without the securitization and New Mexico Gas close.

I would like to have the extra flexibility in our measures that would come from that to get some strengthening into the balance sheet. But the business itself has improved a lot, and the execution of the business has been that core piece. So in that unlikely scenario you described, those two pieces not going forward, the execution plan of the business is not going to have an abrupt change.

We're going to execute, and we will move forward in a prudent, measured fashion.

MICHAEL LONEGAN

Great. Thanks for taking my question.

OPERATOR

Thank you. And at this time, Mr. Bezanson, we have no further questions registered.

Please proceed.

DAVE BEZANSON

Thank you very much, Sylvie. And thanks, everyone, for your interest and support of EMIRA. We look forward to seeing you in the coming months in our marketing.

Have a good day.

OPERATOR

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending.

And at this time, we do ask that you please disconnect your lines. Have yourselves a good weekend.