Constellation Reports Fourth Quarter and Full Year 2022 Results and Initiates 2023 Financial Outlook

February 16, 2023

Earnings Release Highlights

- GAAP Net Income of $34 million and Adjusted EBITDA (non-GAAP) of $605 million for the fourth quarter of 2022. GAAP Net Loss of ($160) million and Adjusted EBITDA (non-GAAP) of $2,667 million for the full year 2022.
- Introducing 2023 Adjusted EBITDA (non-GAAP) guidance range of $2,900 million to $3,300 million
- Announcing initial capital allocation strategy focused on supporting and growing our business and returning capital to shareholders. It includes $1.5 billion in organic growth capital that will exceed our double-digit return threshold, doubling the per share dividend from the 2022 level and targeting growth at 10% thereafter, and authorizing $1 billion in share repurchases
- During Winter Storm Elliott, from December 23 through December 25, our always-on nuclear fleet provided reliable power to homes and businesses as record-setting low temperatures blanketed the PJM region and a significant portion of fossil-fueled generators failed to perform
- Our best-in-class nuclear fleet operated at a capacity factor of 95.4% for the fourth quarter of 2022 and 94.8% for the full year 2022, marking more than a decade as the industry leader among major nuclear operators
- Celebrated our first anniversary by launching a $1 million workforce development program aimed at fostering change in underserved communities

BALTIMORE--(BUSINESS WIRE)--Feb. 16, 2023-- Constellation Energy Corporation (Nasdaq: CEG) today reported its financial results for the fourth quarter and full year 2022.

"We had an incredible first year that exceeded expectations as we adapted to rapidly evolving market conditions, successfully advocated for clean energy policies and positioned the company for sustainable, long-term growth," said Joe Dominguez, president and CEO of Constellation. "I want to emphasize that there is no commodity more valuable to our economy, national security and way of life than energy that is carbon-free, affordable and always there when you need it, and no U.S. company produces more of it than we do. The unique reliability and resiliency of our nuclear fleet was driven home yet again during Winter Storm Elliott, when our operated fleet performed at 100 percent, helping to prevent rolling blackouts on Christmas Eve as fossil generation in our nation's largest electric grid failed. Nuclear's value to the grid was also proven in the 2014 polar vortex and again in 2021 during Winter Storm Uri, and it's only going to increase in the years ahead as we invest to extend the lives of our nuclear plants, increase their output and utilize their carbon-free energy to power the dirtiest parts of our economy with clean hydrogen. We set out one year ago to be the nation's answer to the climate crisis, and today we have the assets and financial foundation to deliver on that promise."

"Our strong financial position allows us to return exceptional value to shareholders by doubling our dividend and authorizing a $1 billion share repurchase program, while still leaving us the flexibility to build a new, clean hydrogen business and reserve $2 billion in unallocated capital to invest in other organic and inorganic growth as opportunities arise, or return additional capital to shareholders," said Dan Eggers, chief financial officer of Constellation. "Operationally, our nuclear fleet remains the most reliable and efficient in the industry and our commercial business delivered high value in a market buffeted by global events. For the year, we delivered $2.667 billion in adjusted EBITDA, which exceeded the top of our range, and we are introducing 2023 adjusted EBITDA guidance of $2.9 billion to $3.3 billion."

Fourth Quarter 2022

Our GAAP Net Income for the fourth quarter of 2022 was $34 million, down from $42 million GAAP Net Income in the fourth quarter of 2021. Adjusted EBITDA (non-GAAP) for the fourth quarter of 2022 decreased to $605 million from $1,027 million in the fourth quarter of 2021. For the reconciliations of GAAP Net Income to Adjusted EBITDA (non-GAAP), refer to the tables beginning on page 4.

Adjusted EBITDA (non-GAAP) in the fourth quarter of 2022 primarily reflects:

- Increased labor, contracting, and materials, unfavorable market and portfolio conditions, and decreased capacity revenues, partially offset by favorable nuclear outages.

Full Year 2022

Our GAAP Net Loss for 2022 was ($160) million, compared to ($205) million GAAP Net Loss in 2021. Adjusted EBITDA (non-GAAP) for 2022 increased to $2,667 million from $2,185 million in 2021.

Adjusted EBITDA (non-GAAP) for the full year 2022 primarily reflects:

- The absence of impacts from the February 2021 extreme cold weather event, partially offset by decreased capacity revenues, increased labor, contracting, and materials, and lower CTV gains in 2022 compared to 2021.

Initiates Annual Guidance for 2023

We introduced a guidance range for 2023 Adjusted EBITDA (non-GAAP) of $2,900 million to $3,300 million. The outlook for Adjusted EBITDA (non-GAAP) excludes the following items:

- Income taxes
- Depreciation and amortization
- Interest expense, net
- Unrealized impacts of fair value adjustments
- Decommissioning-related activities
- Pension and Other Postretirement Employment Benefit (OPEB) non-service credits
- Separation costs
- Enterprise Resource Program (ERP) system implementation
- Other items not directly related to the ongoing operations of the business
- Noncontrolling interest related to exclusion items

Recent Developments and Fourth Quarter Highlights

- **Initial Capital Allocation Strategy:** We are announcing our capital allocation strategy for 2023 and 2024 supporting our core principles previously laid out at Analyst Day. Our balance sheet strength is the foundation of this strategy. Through our strong free cash flows, we will grow the business and return capital to shareholders. We are allocating capital towards our best-in-class generation fleet by committing $1.5 billion of growth capital over the next three years, including nuclear uprates, wind repowering and hydrogen. These organic growth opportunities are projected to exceed our double-digit return threshold. We will double the annual dividend in 2023 from $0.5640 per share to $1.1280 per share while targeting growth at 10% annually. In our commitment to return value to shareholders, we are also authorizing $1 billion in share buybacks.
- **Dividend Declaration:** In keeping with the newly announced capital allocation strategy, our Board of Directors has declared a quarterly dividend of $0.2820 per share on our common stock. The dividend is payable on Friday, March 10, 2023, to shareholders of record as of 5 p.m. Eastern time on Monday, February 27, 2023.
- **December 2022 PJM Performance Bonuses:** On Dec. 23, 2022, and continuing through the morning of Dec. 25, 2022, Winter Storm Elliott blanketed the entirety of PJM’s footprint with record low temperatures and extreme weather conditions. A significant portion of PJM's fossil generation fleet failed to perform as reserves were called, while our operated nuclear fleet performed at 100 percent and helped avoid a grid failure. PJM’s initial estimate of non-performance charges ranges from $1 billion to $2 billion and, in accordance with its tariff, funds collected from those charges are redistributed to generating resources that performed above expectations during the event, including nuclear. Leveraging preliminary data from PJM and applying significant judgments and assumptions, we recognized an estimated benefit of $109 million (pre-tax) for performance bonuses (net of non-performance charges), primarily driven by the over performance of our nuclear fleet that prevented rolling blackouts across PJM.
- **Nuclear Operations:** Our nuclear fleet, including our owned output from the Salem Generating Station, produced 44,436 gigawatt-hours (GWhs) in the fourth quarter of 2022, compared with 42,604 GWhs in the fourth quarter of 2021. Excluding Salem, our nuclear plants at ownership achieved a 95.4% capacity factor for the fourth quarter of 2022, compared with 92.4% for the fourth quarter of 2021. There were 65 planned refueling outage days in the fourth quarter of 2022 and 90 in the fourth quarter of 2021. There were three non-refueling outage days in the fourth quarter of 2022 and 24 in the fourth quarter of 2021.
- **Natural Gas, Oil, and Renewables Operations:** The dispatch match rate for our gas and hydro fleet was 96.6% in the fourth quarter of 2022, compared with 98.8% in the fourth quarter of 2021. Energy capture for the wind and solar fleet was 95.9% in the fourth quarter of 2022, compared with 94.3% in the fourth quarter of 2021.
- **“Powering Change” Workforce Development Initiative:** In celebration of our first anniversary as a stand-alone company on Feb. 2, we announced the launch of a $1 million workforce development program as part of our commitment to foster equitable change in underserved communities. The new program, called Powering Change, will provide grants to five nonprofit organizations focused on improving job awareness and training, providing advancement and upskilling opportunities and breaking down employment barriers for individuals from underrepresented communities.

GAAP/Adjusted EBITDA (non-GAAP) Reconciliation

Adjusted EBITDA (non-GAAP) for the fourth quarter of 2022 and 2021, respectively, does not include the following items that were included in our reported GAAP Net Income:

(in millions)	**Three Months Ended December 31, 2022**	**Three Months Ended December 31, 2021**
GAAP Net Income Attributable to Common Shareholders	**$ 34**	**$ 42**
Income Taxes	133	117
Depreciation and Amortization	272	268
Interest Expense, Net	64	72

Unrealized Loss on Fair Value Adjustments	413	771
Asset Impairments	—	4
Plant Retirements and Divestitures	(7)	11
Decommissioning-Related Activities	(306)	(275)
Pension & OPEB Non-Service Credits	(31)	(14)
Separation Costs	41	24
COVID-19 Direct Costs	—	11
ERP System Implementation Costs	6	3
Change in Environmental Liabilities	(2)	5
Noncontrolling Interests	(12)	(12)
Adjusted EBITDA (non-GAAP)	**$ 605**	**$ 1,027**

Webcast Information

We will discuss fourth quarter 2022 earnings in a conference call scheduled for today at 10 a.m. Eastern Time. The webcast and associated materials can be accessed at https://investors.constellationenergy.com.

About Constellation

Headquartered in Baltimore, Constellation Energy Corporation (Nasdaq: CEG) is the nation's largest producer of clean, carbon-free energy and a leading supplier of energy products and services to businesses, homes, community aggregations and public sector customers across the continental United States, including three fourths of Fortune 100 companies. With annual output that is nearly 90 percent carbon-free, our hydro, wind and solar facilities paired with the nation's largest nuclear fleet have the generating capacity to power the equivalent of 15 million homes, providing 11 percent of the nation's clean energy. We are further accelerating the nation's transition to a carbon-free future by helping our customers reach their sustainability goals, setting our own ambitious goal of achieving 100 percent carbon-free generation by 2040, and by investing in promising emerging technologies to eliminate carbon emissions across all sectors of the economy. Follow Constellation on LinkedIn and Twitter.

Non-GAAP Financial Measures

In analyzing and planning for our business, we supplement our use of net income as determined under generally accepted accounting principles in the United States (GAAP), with Adjusted EBITDA (non-GAAP) as a performance measure. Adjusted EBITDA (non-GAAP) reflects an additional way of viewing our business that, when viewed with our GAAP results and the accompanying reconciliation to GAAP net income included above, may provide a more complete understanding of factors and trends affecting our business. Adjusted EBITDA (non-GAAP) should not be relied upon to the exclusion of GAAP financial measures and is, by definition, an incomplete understanding of our business, and must be considered in conjunction with GAAP measures. In addition, Adjusted EBITDA (non-GAAP) is neither a standardized financial measure, nor a presentation defined under GAAP and may not be comparable to other companies' presentations or deemed more useful than the GAAP information provided elsewhere in this press release and earnings release attachments. We have provided the non-GAAP financial measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. Adjusted EBITDA (non-GAAP) should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP Net Income measure provided in this earnings release and attachments. This press release and earnings release attachments provide reconciliations of Adjusted EBITDA (non-GAAP) to the most directly comparable financial measures calculated and presented in accordance with GAAP and are posted on our website: www.ConstellationEnergy.com, and have been furnished to the Securities and Exchange Commission on Form 8-K on February 16, 2023.

Cautionary Statements Regarding Forward-Looking Information

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. Words such as "could," "may," "expects," "anticipates," "will," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "predicts," and variations on such words, and similar expressions that reflect our current views with respect to future events and operational, economic, and financial performance, are intended to identify such forward-looking statements.

The factors that could cause actual results to differ materially from the forward-looking statements made by Constellation Energy Corporation and Constellation Energy Generation, LLC, (Registrants) include those factors discussed herein, as well as the items discussed in (1) the Registrants' 2022 Annual Report on Form 10-K (to be filed on February 16, 2023) in (a) Part I, ITEM 1A. Risk Factors, (b) Part II, ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and (c) Part II, ITEM 8. Financial Statements and Supplementary Data: Note 19, Commitments and Contingencies, and (2) other factors discussed in filings with the SEC by the Registrants.

Investors are cautioned not to place undue reliance on these forward-looking statements, whether written or oral, which apply only as of the date of this press release. Neither of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this press release.

Constellation Energy Corporation

GAAP Consolidated Statements of Operations and Adjusted EBITDA (non-GAAP) Reconciling Adjustments

(unaudited)

(in millions, except per share data)

	Three Months Ended December 31, 2022			Three Months Ended December 31, 2021		
	GAAP [(a)]	Non-GAAP Adjustments		GAAP (a)	Non-GAAP Adjustments	
Operating revenues	$7,333	$ (713)	(b),(c)	$5,532	$ (326)	(b),(c)
Operating expenses						

Purchased power and fuel	5,708	(1,125)	(b)	4,061	(1,020)	(b)
Operating and maintenance	1,375	(86)	(c),(d),(h),(i),(k)	1,141	(74)	(c),(d),(e),(f),(g),(h),(i),(j),(k)
Depreciation and amortization	272	(272)	(l)	268	(268)	(l)
Taxes other than income taxes	138	—		121	—	
Total operating expenses	7,493			5,591		
(Loss) gain on sales of assets and businesses	(12)	—		57	—	
Operating loss	(172)			(2)		
Other income and (deductions)						
Interest expense, net	(64)	64	(m)	(72)	72	(m)
Other, net	383	(367)	(b),(c),(d),(h),(i),(j),(n),(p)	234	(228)	(b),(c),(d),(e),(i),(c)
Total other income and (deductions)	319			162		
Income before income taxes	147			160		
Income taxes	116	(116)	(n)	117	(117)	(n)
Equity in losses of unconsolidated affiliates	(4)	—		(4)	—	
Net income	27			39		
Net loss attributable to noncontrolling interests	(7)	12	(o)	(3)	12	(o)
Net income attributable to common shareholders	$ 34			$ 42		
Effective tax rate	78.9%			73.1%		
Earnings per average common share						
Basic	$ 0.10			$ —		
Diluted	$ 0.10			$ —		
Average common shares outstanding						
Basic	328			—		
Diluted	329			—		

(a) Results reported in accordance with GAAP.
(b) Adjustment for mark-to-market on economic hedges and fair value adjustments related to gas imbalances and equity investments.
(c) Adjustment for all gains and losses associated with NDTs, ARO accretion, ARO remeasurement, and any earnings neutral impacts of contractual offset for Regulatory Agreement Units.
(d) Adjustments related to plant retirements and divestitures.
(e) In 2021, adjustment primarily for reorganization and severance costs related to cost management programs.
(f) In 2021, adjustment for direct costs related to COVID-19 consisting primarily of costs to acquire personal protective equipment, costs for cleaning supplies and services, and costs to hire healthcare professionals to monitor the health of employees.
(g) In 2021, adjustment for costs related to the acquisition of EDF's interest in CENG, which was completed in the third quarter of 2021.
(h) Adjustment for costs related to a multi-year ERP system implementation.
(i) Adjustment for certain incremental costs related to the separation (system-related costs, third-party costs paid to advisors, consultants, lawyers, and other experts assisting in the separation), including a portion of the amounts billed to us pursuant to the TSA.
(j) Adjustment for Pension and OPEB Non-Service credits. Historically, we were allocated our portion of pension and OPEB non-service costs from Exelon, which was included in Operating and maintenance expense. Effective February 1, 2022, the non-service credit (cost) components are included in Other, net.
(k) Adjustment for certain changes in environmental liabilities.
(l) Adjustment for depreciation and amortization expense.
(m) Adjustment for interest expense.
(n) Adjustment for income taxes.
(o) Adjustment for elimination of the noncontrolling interest related to certain adjustments.
(p) In 2022, includes amounts contractually owed to Exelon under the TMA.
(q) Reversal of a charge related to a prior 2012 merger commitment.

Constellation Energy Corporation

GAAP Consolidated Statements of Operations and Adjusted (non-GAAP) EBITDA Reconciling Adjustments

(unaudited)

(in millions, except per share data)

	Twelve Months Ended December 31, 2022	Twelve Months Ended December 31, 2021

	GAAP [(a)]	Non-GAAP Adjustments		GAAP [(a)]	Non-GAAP Adjustments	
Operating revenues	$24,440	$ 1,184	(b),(c)	$19,649	$ 629	(b),(c)
Operating expenses						
Purchased power and fuel	17,462	138	(b)	12,163	1,064	(b),(d)
Operating and maintenance	4,841	(28)	(c),(d),(h),(i),(j),(k) (r)	4,555	(184)	(c),(d),(e),(f),(g),(h),(i),(j), (k),(p)
Depreciation and amortization	1,091	(1,091)	(l)	3,003	(3,003)	(l)
Taxes other than income taxes	552	(2)	(i)	475	—	
Total operating expenses	23,946			20,196		
Gain on sales of assets and businesses	1	$ 1	(d)	201	(68)	(d)
Operating income (loss)	495			(346)		
Other income and (deductions)						
Interest expense, net	(251)	251	(m)	(297)	297	(m)
Other, net	(786)	845	(b),(c),(d), (i),(j), (n)(q)	795	763	(b),(c),(d)
Total other income and (deductions)	(1,037)			498		
(Loss) income before income taxes	(542)			152		
Income taxes	(388)	388	(n)	225	(225)	(n)
Equity in losses of unconsolidated affiliates	(13)	—		(10)	—	
Net loss	(167)			(83)		
Net (loss) income attributable to noncontrolling interests	(7)	49	(o)	122	53	(o)
Net loss attributable to common shareholders	$ (160)			$ (205)		
Effective tax rate	71.6%			148.0%		
Earnings per average common share						
Basic	$ (0.49)			$ —		
Diluted	$ (0.49)			$ —		
Average common shares outstanding						
Basic	328			—		
Diluted	329			—		

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(a) Results reported in accordance with GAAP.
(b) Adjustment for mark-to-market on economic hedges and fair value adjustments related to gas imbalances and equity investments.
(c) Adjustment for all gains and losses associated with NDTs, ARO accretion, ARO remeasurement, and any earnings neutral impacts of contractual offset for Regulatory Agreement Units.
(d) Adjustments related to plant retirements and divestitures.
(e) In 2021, adjustment primarily for reorganization and severance costs related to cost management programs.
(f) In 2021, adjustment for direct costs related to COVID-19 consisting primarily of costs to acquire personal protective equipment, costs for cleaning supplies and services, and costs to hire healthcare professionals to monitor the health of employees.
(g) In 2021, adjustment for costs related to the acquisition of EDF's interest in CENG, which was completed in the third quarter of 2021.
(h) Adjustment for costs related to a multi-year ERP system implementation.
(i) Adjustment for certain incremental costs related to the separation (system-related costs, third-party costs paid to advisors, consultants, lawyers, and other experts assisting in the separation), including a portion of the amounts billed to us pursuant to the TSA.
(j) Adjustment for Pension and OPEB Non-Service credits. Historically, we were allocated our portion of pension and OPEB non-service costs from Exelon, which was included in Operating and maintenance expense. Effective February 1, 2022, the non-service credit (cost) components are included in Other, net.
(k) Adjustment for certain changes in environmental liabilities.
(l) Adjustment for depreciation and amortization expense.
(m) Adjustment for interest expense.
(n) Adjustment for income taxes.
(o) Adjustment for elimination of the noncontrolling interest related to certain adjustments. In 2022, primarily relates to CRP and in 2021, primarily relates to CENG and the noncontrolling interest portion of a wind project impairment recognized within CRP.
(p) Reflects an impairment in the New England asset group, an impairment as a result of the sale of the Albany Green Energy biomass facility, and an impairment of a wind project
(q) In 2022, includes amounts contractually owed to Exelon under the tax matters agreement.
(r) Reversal of a charge related to a prior 2012 merger commitment.

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Source: Constellation Energy Corporation