Constellation Reports First Quarter 2024 Results

May 9, 2024

Earnings Release Highlights

- GAAP Net Income of $2.78 per share and Adjusted (non-GAAP) Operating Earnings of $1.82 per share for the first quarter of 2024
- Affirming full-year 2024 Adjusted (non-GAAP) Operating Earnings guidance range of $7.23 - $8.03 per share
- Delivering on our commitment to shareholders:
  - In April 2024, authorized an additional $1 billion of authority to repurchase shares under our previously announced share repurchase program
  - Deployed more than $500 million for the repurchase of shares in the first quarter; cumulatively we have repurchased $1.5 billion since 2023
  - Our issuer credit rating was upgraded by Moody's from Baa2 to Baa1 reflecting confidence in our ability to maintain credit metrics and strong financial performance
- Issued the Nation's first corporate green bond including nuclear energy

BALTIMORE--(BUSINESS WIRE)--May 9, 2024-- Constellation Energy Corporation (Nasdaq: CEG) today reported its financial results for the first quarter of 2024.

"We had another strong quarter as support grows for nuclear energy as a reliable, clean source to meet growing demand from electric vehicles, heavy industry and emerging technologies, such as AI and related digital infrastructure," said Joe Dominguez, president and CEO, Constellation. "We're also adding more firm clean energy to the grid by extending the lives of our nuclear plants, increasing their output and exploring opportunities to locate next generation nuclear reactors at our sites. The largest and most critical industries in America are coming to us to power their businesses with clean energy in every hour of every day, providing opportunities for sustainable growth as we lead the nation's transition to a clean-energy economy."

"Higher output from our generation fleet, supportive energy policies and the strong performance of our commercial business contributed to our strong adjusted (non-GAAP) first-quarter earnings of $1.82 per share," said Dan Eggers, chief financial officer, Constellation. "Credit ratings firm Moody's Investment Services recognized our financial performance by upgrading our credit rating to Baa1 and we issued the nation's first-ever corporate green bond that includes nuclear. Delivering on our capital allocation priorities, the board expanded our share repurchase authorization by $1 billion, reinforcing confidence in Constellation's outlook. We are also reaffirming our full-year adjusted (non-GAAP) earnings guidance of $7.23 to $8.03 per share."

First Quarter 2024

Our GAAP Net Income for the first quarter of 2024 increased to $2.78 per share from $0.29 per share in the first quarter of 2023. Adjusted (non-GAAP) Operating Earnings for the first quarter of 2024 increased to $1.82 per share from $0.78 per share in the first quarter of 2023. For the reconciliations of GAAP Net Income (Loss) to Adjusted (non-GAAP) Operating Earnings, refer to the tables beginning on page 3.

Adjusted (non-GAAP) Operating Earnings in the first quarter of 2024 primarily reflects:

- Favorable net market and portfolio conditions, nuclear PTCs, and impacts of nuclear outages; partially offset by unfavorable ZEC and CMC revenues and labor, contracting, and materials.

Recent Developments and First Quarter Highlights

- **Delivering on Our Capital Allocation Promises:** In the first quarter of 2024 we continued to deliver on our commitment to return value to shareholders through our share repurchase program and maintenance of a strong credit rating. We repurchased nearly 3 million shares and deployed approximately $500 million during the quarter, bringing our cumulative repurchases in excess of $1.5 billion since the program's commencement. In addition, our Board of Directors authorized an additional $1 billion authority to repurchase shares under our previously announced program. Our credit rating has been upgraded by Moody's Investor Services ("Moody's") to Baa1 from Baa2 and assigned a stable outlook based on the company's improved debt coverage metrics and strong financial performance driven by climate policies that recognize the value of nuclear as a reliable clean energy resource. The upgrade by Moody's follows two similar upgrades by ratings firm S&P Global Ratings since 2022.

- **Nation's First Corporate Green Bond Including Nuclear:** We issued a $900 million, 30-year term green bond to be used to finance green projects such as nuclear uprates that will increase production of clean, carbon-free energy at our clean energy centers. Proceeds may also be used to advance other technologies, including the production of clean hydrogen, energy storage systems, wind repowering and carbon-free energy solutions for our commercial customers. The green bond financing is the Nation's first of its kind to include nuclear energy in its use of funds.

- **Nuclear Operations:** Our nuclear fleet, including our owned output from the Salem and South Texas Project (STP) Generating Stations, produced 45,391 gigawatt-hours (GWhs) in the first quarter of 2024, compared with 42,463 GWhs in the first quarter of 2023. Excluding Salem and STP, our nuclear plants at ownership achieved a 93.3% capacity factor for the first quarter of 2024, compared with 92.8% for the first quarter of 2023. There were 78 planned refueling outage days in the first quarter of 2024 and 86 in the first quarter of 2023 for sites we operate. There were 10 non-refueling outage days in the first quarter of 2024 and 9 in the first quarter of 2023 for sites we operate.

- **Natural Gas, Oil, and Renewables Operations:** The dispatch match rate for our fleet was 97.9% in the first quarter of 2024, compared with 98.4% in the first quarter of 2023. Renewable energy capture for our fleet was 96.3% in the first quarter of 2024, compared with 96.6% in the first quarter of 2023.

GAAP/Adjusted (non-GAAP) Operating Earnings Reconciliation

Unless otherwise noted, the income tax impact of each reconciling adjustment between GAAP Net Income (Loss) Attributable to Common Shareholders and Adjusted (non-GAAP) Operating Earnings is based on the marginal statutory federal and state income tax rates, taking into account whether the income or expense item is taxable or deductible, respectively, in whole or in part. For all adjustments except the NDT fund investment returns, which are included in decommissioning-related activities, the marginal statutory income tax rate was 25.1% for both the three months ended March 31, 2024 and 2023. Under IRS regulations, NDT fund investment returns are taxed at different rates for investments if they are in qualified or non-qualified funds. The effective tax rates for the unrealized gains and losses related to NDT funds were 54.8% and 129.2% for the three months ended March 31, 2024 and 2023, respectively. Adjusted (non-GAAP) Operating Earnings for the first quarter of 2024 and 2023, respectively, does not include the following items (after tax) that were included in our reported GAAP Net Income (Loss):

(in millions, except per share data)	**Three Months Ended March 31, 2024**	**Earnings Per Share[1]**
GAAP Net Income (Loss) Attributable to Common Shareholders	**$ 883**	**$ 2.78**
Unrealized (Gain) Loss on Fair Value Adjustments (net of taxes of $57)	(170)	(0.53)
Plant Retirements and Divestitures (net of taxes of $4)	12	0.04
Decommissioning-Related Activities (net of taxes of $139)	(67)	(0.21)
Pension & OPEB Non-Service (Credits) Costs (net of taxes of $1)	2	0.01
Separation Costs (net of taxes of $2)	5	0.02
ERP System Implementation Costs (net of taxes of $1)	4	0.01
Income Tax-Related Adjustments	(88)	(0.28)
Noncontrolling Interests (net of taxes of $—)	(2)	(0.01)
Adjusted (non-GAAP) Operating Earnings	**$ 579**	**$ 1.82**

(in millions, except per share data)	**Three Months Ended March 31, 2023**	**Earnings Per Share[1]**
GAAP Net Income (Loss) Attributable to Common Shareholders	**$ 96**	**$ 0.29**
Unrealized (Gain) Loss on Fair Value Adjustments (net of taxes of $76)	227	0.69
Plant Retirements and Divestitures (net of taxes of $6)	(19)	(0.06)
Decommissioning-Related Activities (net of taxes of $117)	(74)	(0.23)
Pension & OPEB Non-Service (Credits) Costs (net of taxes of $3)	(10)	(0.03)
Separation Costs (net of taxes of $8)	23	0.07
ERP System Implementation Costs (net of taxes of $1)	2	0.01
Change in Environmental Liabilities (net of taxes of $4)	12	0.04
Noncontrolling Interests (net of taxes of $—)	(1)	—
Adjusted (non-GAAP) Operating Earnings	**$ 256**	**$ 0.78**

(1) Amounts may not sum due to rounding. Earnings per share amount is based on average diluted common shares outstanding of 318 million and 328 million for the three months ended March 31, 2024 and 2023, respectively.

Webcast Information

We will discuss first quarter 2024 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

A Fortune 200 company 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% 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 more than 16 million average homes, providing about 10% 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% 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

We utilize Adjusted (non-GAAP) Operating Earnings (and/or its per share equivalent) in our internal analysis, and in communications with investors and analysts, as a consistent measure for comparing our financial performance and discussing the factors and trends affecting our business. The presentation of Adjusted (non-GAAP) Operating Earnings is intended to complement and should not be considered an alternative to, nor more useful than, the presentation of GAAP Net Income.

The tables above provide a reconciliation of GAAP Net Income to Adjusted (non-GAAP) Operating Earnings. Adjusted (non-GAAP) Operating Earnings is not a standardized financial measure and may not be comparable to other companies' presentations of similarly titled measures.

Due to the forward-looking nature of our Adjusted (non-GAAP) Operating Earnings guidance, we are unable to reconcile this non-GAAP financial measure to GAAP Net Income given the inherent uncertainty required in projecting gains and losses associated with the various fair value adjustments required by GAAP. These adjustments include future changes in fair value impacting the derivative instruments utilized in our current business operations, as well as the debt and equity securities held within our nuclear decommissioning trusts, which may have a material impact on our future GAAP results.

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' 2023 Annual Report on Form 10-K 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; (2) the Registrants' First Quarter 2024 Quarterly Report on Form 10-Q (to be filed on May 9, 2024) in (a) Part II, ITEM 1A. Risk Factors, (b) Part I, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, and (c) Part I, ITEM 1. Financial Statements: Note 13, Commitments and Contingencies; and (3) 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 Registrant 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 (non-GAAP) Operating Earnings Reconciling Adjustments
(unaudited)
(in millions, except per share data)

	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
	GAAP [(a)]	Non-GAAP Adjustments		GAAP [(a)]	Non-GAAP Adjustments	
Operating revenues	$ 6,161	$ (65)	(b),(c)	$ 7,565	$ (930)	(b),(c)
Operating expenses						
Purchased power and fuel	3,417	115	(b)	5,729	(1,226)	(b)
Operating and maintenance	1,486	(55)	(c),(d),(f)	1,432	(92)	(c),(d),(f),(i)
Depreciation and amortization	306	(65)	(c),(g)	267	(51)	(c),(g)
Taxes other than income taxes	139	—		132	—	
Total operating expenses	5,348			7,560		
Gain on sales of assets and businesses	—	—		26	(26)	(g)
Operating income	813			31		
Other income and (deductions)						
Interest expense, net	(127)	(3)	(b)	(107)	5	(b)
Other, net	362	(339)	(b),(c),(e)	314	(295)	(c),(e)
Total other income and (deductions)	235			207		
Income (loss) before income taxes	1,048			238		
Income tax (benefit) expense	165	(100)	(b),(c),(d),(f),(g),(j)	131	(38)	(b),(c),(d),(e),(f),(g),(i)
Equity in losses of unconsolidated affiliates	—	—		(5)	—	
Net income (loss)	883			102		

Net income (loss) attributable to noncontrolling interests	—	2 (h)	6	1 (h)
Net income (loss) attributable to common shareholders	$ 883		$ 96	
Effective tax rate	15.7%		55.0%	
Earnings per average common share				
Basic	$ 2.79		$ 0.29	
Diluted	$ 2.78		$ 0.29	
Average common shares outstanding				
Basic	317		328	
Diluted	318		328	

(a) 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, ARC Depreciation, ARO remeasurement, and any earnings neutral impacts of contractual offset for Regulatory Agreement Units.

(d) 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.

(e) Adjustment for Pension and Other Postretirement Employee Benefits (OPEB) Non-Service credits.

(f) Adjustment for costs related to a multi-year ERP system implemented in the first quarter of 2024.

(g) Adjustment related to plant retirements and divestitures.

(h) Adjustment for elimination of the noncontrolling interest related to certain adjustments.

(i) Adjustment for changes in environmental liabilities.

(j) Adjustment to deferred income taxes due to changes in forecasted apportionment.

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Source: Constellation Energy Corporation