

Southern Company

4th Quarter 2020 Earnings

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News



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February 18, 2021

Southern Company reports fourth-quarter and full-year 2020 earnings

ATLANTA – Southern Company today reported fourth-quarter 2020 earnings of \$387 million, or 37 cents per share, compared with \$440 million, or 42 cents per share, in the fourth quarter of 2019. Southern Company also reported full-year 2020 earnings of \$3.12 billion, or \$2.95 per share, compared with earnings of \$4.74 billion, or \$4.53 per share, in 2019.

Excluding the items described under “Net Income – Excluding Items” in the table below, Southern Company earned \$497 million, or 47 cents per share, during the fourth quarter of 2020, compared with \$283 million, or 27 cents per share, during the fourth quarter of 2019. For the full-year 2020, excluding these items, Southern Company earned \$3.44 billion, or \$3.25 per share, compared with \$3.25 billion, or \$3.11 per share, in 2019.

Non-GAAP Financial Measures	Three Months Ended		Year-to-Date	
	December		December	
Net Income - Excluding Items (in millions)	2020	2019	2020	2019
Net Income - As Reported	\$ 387	\$ 440	\$ 3,119	\$ 4,739
Less:				
Acquisition and Disposition Impacts	22	39	60	2,516
Tax Impact	(6)	48	(22)	(1,081)
Estimated Loss on Plants Under Construction	(177)	(11)	(328)	(27)
Tax Impact	45	(4)	84	—
Wholesale Gas Services	78	136	17	215
Tax Impact	(19)	(34)	(3)	(52)
Asset Impairments	(52)	(16)	(206)	(108)
Tax Impact	21	(1)	101	26
Loss on Extinguishment of Debt	(29)	—	(29)	—
Tax Impact	7	—	7	—
Net Income - Excluding Items	\$ 497	\$ 283	\$ 3,438	\$ 3,250
Average Shares Outstanding - (in millions)	1,058	1,052	1,058	1,046
Basic Earnings Per Share - Excluding Items	\$ 0.47	\$ 0.27	\$ 3.25	\$ 3.11

NOTE: For more information regarding these non-GAAP adjustments, see the footnotes accompanying the Financial Highlights page of the earnings package.

Earnings drivers for the full year 2020 were positively influenced by diligent cost control and constructive state regulatory actions completed in 2019 at the company's utilities, more than offsetting the impact of a decline in sales related to the COVID-19 pandemic and milder weather.

“In a year that saw many challenges, Southern Company demonstrated significant resilience and operational excellence on multiple fronts,” said Chairman, President and CEO, Thomas A. Fanning. “These efforts included prioritizing the health and safety of our workforce and communities, restoring electric service amid a record storm season and maintaining outstanding generation fleet reliability while delivering best-in-class customer service.”

Fourth-quarter 2020 operating revenues were \$5.1 billion, compared with \$4.9 billion for the fourth quarter of 2019, an increase of 4.1 percent. Operating revenues for the full year were \$20.4 billion, compared with \$21.4 billion in 2019, a decrease of 4.9 percent. The full year decrease was primarily due to lower fuel costs and a sales decline resulting from milder weather and COVID-19.

Southern Company's fourth-quarter earnings slides with supplemental financial information, including earnings guidance for 2021, are available at <http://investor.southerncompany.com>.

Southern Company's financial analyst call will begin at 1 p.m. Eastern Time today, during which Fanning and Chief Financial Officer Andrew W. Evans will discuss earnings and provide a general business update, including an update on the Vogtle units 3 and 4 construction project. Investors, media and the public may listen to a live webcast of the call and view associated slides at <http://investor.southerncompany.com/webcasts>. A replay of the webcast will be available on the site for 12 months.

About Southern Company

Southern Company (NYSE: SO) is a leading energy company serving 9 million customers through its subsidiaries. The company provides clean, safe, reliable and affordable energy through electric operating companies in three states, natural gas distribution companies in four states, a competitive generation company serving wholesale customers across America, a leading distributed energy infrastructure company, a fiber optics network and telecommunications services. Southern Company brands are known for excellent customer service, high reliability and affordable prices below the national average. For more than a century, we have been building the future of energy and developing the full portfolio of energy resources, including carbon-free nuclear, advanced carbon capture technologies, natural gas, renewables, energy efficiency and storage technology. Through an industry-leading commitment to innovation and a low-carbon future, Southern Company and its subsidiaries develop the customized energy solutions our customers and communities require to drive growth and prosperity. Our uncompromising values ensure we put the needs of those we serve at the center of everything we do and govern our business to the benefit of our world. Our corporate culture and hiring practices have been recognized nationally by the U.S. Department of Defense, G.I. Jobs magazine, DiversityInc, Black Enterprise, Forbes and the Women's Choice Award. To learn more, visit www.southerncompany.com.

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Southern Company
Financial Highlights
(In Millions of Dollars Except Earnings Per Share)

	Three Months Ended December		Year-to-Date December	
	2020	2019	2020	2019
Net Income—As Reported (See Notes)				
Traditional Electric Operating Companies	\$ 306	\$ 210	\$ 2,877	\$ 2,929
Southern Power	26	23	238	339
Southern Company Gas	230	238	590	585
Total	562	471	3,705	3,853
Parent Company and Other	(175)	(31)	(586)	886
Net Income—As Reported	\$ 387	\$ 440	\$ 3,119	\$ 4,739
Basic Earnings Per Share ¹	\$ 0.37	\$ 0.42	\$ 2.95	\$ 4.53
Average Shares Outstanding <i>(in millions)</i>	1,058	1,052	1,058	1,046
End of Period Shares Outstanding <i>(in millions)</i>			1,056	1,053

	Three Months Ended December		Year-to-Date December	
	2020	2019	2020	2019
Non-GAAP Financial Measures				
Net Income—Excluding Items (See Notes)				
Net Income—As Reported	\$ 387	\$ 440	\$ 3,119	\$ 4,739
Less:				
Acquisition and Disposition Impacts ²	22	39	60	2,516
Tax Impact	(6)	48	(22)	(1,081)
Estimated Loss on Plants Under Construction ³	(177)	(11)	(328)	(27)
Tax Impact	45	(4)	84	—
Wholesale Gas Services ⁴	78	136	17	215
Tax Impact	(19)	(34)	(3)	(52)
Asset Impairments ⁵	(52)	(16)	(206)	(108)
Tax Impact	21	(1)	101	26
Loss on Extinguishment of Debt ⁶	(29)	—	(29)	—
Tax Impact	7	—	7	—
Net Income—Excluding Items	\$ 497	\$ 283	\$ 3,438	\$ 3,250
Basic Earnings Per Share—Excluding Items	\$ 0.47	\$ 0.27	\$ 3.25	\$ 3.11

-See Notes on the following page.

Southern Company

Financial Highlights

Notes

- (1) Dilution is not material in any period presented. Diluted earnings per share was \$0.36 and \$2.93 for the three and twelve months ended December 31, 2020, respectively, and \$0.42 and \$4.50 for the three and twelve months ended December 31, 2019, respectively.
- (2) Earnings for the three and twelve months ended December 31, 2020 primarily include a \$22 million pre-tax (\$16 million after-tax) gain on the sale of Southern Company Gas' natural gas storage facility in Louisiana. Earnings for the twelve months ended December 31, 2020 also include a \$39 million pre-tax (\$23 million after-tax) gain on the sale of Southern Power Company's Plant Mankato. Earnings for the three months ended December 31, 2019 include: (i) a \$70 million pre-tax (\$102 million after-tax) increase in the gain on the sale of Gulf Power Company; (ii) a \$24 million pre-tax (\$17 million after-tax) impairment charge in contemplation of the sale of Pivotal LNG and Atlantic Coast Pipeline; and (iii) a net \$7 million pre-tax reduction to earnings (net \$2 million after-tax increase to earnings) of other acquisition and disposition impacts. Earnings for the twelve months ended December 31, 2019 include: (i) a \$2.6 billion pre-tax (\$1.4 billion after-tax) gain on the sale of Gulf Power Company; (ii) a \$23 million pre-tax (\$88 million after-tax) gain on the sale of Southern Power Company's Plant Nacogdoches; and (iii) \$18 million pre tax (\$11 million after tax) of other acquisition and disposition impacts, partially offset by: (i) a \$58 million pre-tax (\$52 million after-tax) net loss, including impairment charges, associated with the sales of PowerSecure, Inc.'s utility infrastructure services and lighting businesses and (ii) a \$24 million pre-tax (\$17 million after-tax) impairment charge in contemplation of the sale of Pivotal LNG and Atlantic Coast Pipeline.
- (3) Earnings for the three and twelve months ended December 31, 2020 include charges of \$176 million pre tax (\$131 million after tax) and \$325 million pre tax (\$242 million after tax), respectively, for estimated probable losses on Georgia Power Company's construction of Plant Vogtle Units 3 and 4. Further charges may occur; however, the amount and timing of any such charges are uncertain. Earnings for the three and twelve months ended December 31, 2020 and 2019 include charges (net of salvage proceeds), associated legal expenses (net of insurance recoveries), and tax impacts related to Mississippi Power Company's integrated coal gasification combined cycle facility project in Kemper County, Mississippi. Mississippi Power Company expects to incur additional pre-tax period costs to complete dismantlement of the abandoned gasifier-related assets and site restoration activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, totaling \$10 million to \$20 million annually through 2025.
- (4) Earnings for the three and twelve months ended December 31, 2020 and 2019 include Wholesale Gas Services business results. Presenting earnings and earnings per share excluding Wholesale Gas Services provides an additional measure of operating performance that excludes the volatility resulting from mark-to-market and lower of weighted average cost or current market price accounting adjustments.
- (5) Earnings for the three and twelve months ended December 31, 2020 include impairment charges related to two leveraged leases. Earnings for the twelve months ended December 31, 2019 include a pre-tax impairment charge of \$91 million (\$69 million after tax) associated with a natural gas storage facility in Louisiana and earnings for the three months ended December 31, 2019 include an adjustment of \$(1) million (\$4 million after tax) of this impairment charge. Additionally, earnings for the three and twelve months ended December 31, 2019 include a pre-tax impairment charge of \$17 million (\$13 million after tax) related to a leveraged lease. Further charges associated with this natural gas storage facility and these leveraged leases are not expected.
- (6) Earnings for the three and twelve months ended December 31, 2020 include costs associated with the extinguishment of debt at Southern Company. Further costs may occur; however, the amount and timing of any such costs are uncertain.

Southern Company
Significant Factors Impacting EPS

	Three Months Ended December			Year-to-Date December		
	2020	2019	Change	2020	2019	Change
Earnings Per Share– As Reported¹ (See Notes)	\$ 0.37	\$ 0.42	\$ (0.05)	\$ 2.95	\$ 4.53	\$ (1.58)

Significant Factors:

Traditional Electric Operating Companies			\$ 0.09			\$ (0.05)
Southern Power			—			(0.10)
Southern Company Gas			(0.01)			0.01
Parent Company and Other			(0.13)			(1.41)
Increase in Shares			—			(0.03)
Total–As Reported			<u>\$ (0.05)</u>			<u>\$ (1.58)</u>

	Three Months Ended December			Year-to-Date December		
	2020	2019	Change	2020	2019	Change
Non-GAAP Financial Measures Earnings Per Share– Excluding Items (See Notes)	\$ 0.47	\$ 0.27	\$ 0.20	\$ 3.25	\$ 3.11	\$ 0.14

Total–As Reported			\$ (0.05)			\$ (1.58)
Less:						
Acquisition and Disposition Impacts ²			(0.07)			(1.33)
Estimated Loss on Plants Under Construction ³			(0.11)			(0.20)
Wholesale Gas Services ⁴			(0.04)			(0.15)
Asset Impairments ⁵			(0.01)			(0.02)
Loss on Extinguishment of Debt ⁶			\$ (0.02)			\$ (0.02)
Total–Excluding Items			<u>\$ 0.20</u>			<u>\$ 0.14</u>

- See Notes on the following page.

Southern Company

Significant Factors Impacting EPS

Notes

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Southern Company
EPS Earnings Analysis

Description	Three Months Ended December 2020 vs. 2019	Year-to-Date December 2020 vs. 2019
Retail Sales	\$(0.03)	\$(0.14)
Retail Revenue Impacts	0.15	0.39
Weather	0.01	(0.21)
Wholesale & Other Operating Revenues	0.03	0.02
Non-Fuel O&M	0.06	0.12
Depreciation and Amortization, Interest Expense, Other	(0.06)	(0.21)
Income Taxes	0.04	0.19
Total Traditional Electric Operating Companies	\$0.20	\$0.16
Southern Power	0.01	(0.02)
Southern Company Gas	—	0.05
Parent and Other	(0.01)	(0.01)
Increase in Shares	—	(0.04)
Total Change in EPS (Excluding Items)	\$0.20	\$0.14
Acquisition and Disposition Impacts ¹	(0.07)	(1.33)
Estimated Loss on Plants Under Construction ²	(0.11)	(0.20)
Wholesale Gas Services ³	(0.04)	(0.15)
Asset Impairments ⁵	(0.01)	(0.02)
Loss on Extinguishment of Debt ⁶	(0.02)	(0.02)
Total Change in EPS (As Reported)	\$(0.05)	\$(1.58)

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Southern Company

EPS Earnings Analysis

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- (5) Earnings for the three and twelve months ended December 31, 2020 include costs associated with the extinguishment of debt at Southern Company. Further costs may occur; however, the amount and timing of any such costs are uncertain.

Southern Company
Consolidated Earnings
As Reported
(In Millions of Dollars)

	Three Months Ended December			Year-to-Date December		
	2020	2019	Change	2020	2019	Change
Income Account-						
Retail Electric Revenues-						
Fuel	\$ 786	\$ 784	\$ 2	\$ 3,087	\$ 3,591	\$ (504)
Non-Fuel	2,354	2,164	190	10,556	10,493	63
Wholesale Electric Revenues	472	485	(13)	1,945	2,152	(207)
Other Electric Revenues	188	144	44	672	636	36
Natural Gas Revenues	1,072	1,131	(59)	3,434	3,792	(358)
Other Revenues	245	206	39	681	755	(74)
Total Revenues	5,117	4,914	203	20,375	21,419	(1,044)
Fuel and Purchased Power	965	977	(12)	3,766	4,438	(672)
Cost of Natural Gas	318	363	(45)	972	1,319	(347)
Cost of Other Sales	126	119	7	327	435	(108)
Non-Fuel O&M	1,628	1,726	(98)	5,413	5,624	(211)
Depreciation and Amortization	899	771	128	3,518	3,038	480
Taxes Other Than Income Taxes	302	299	3	1,234	1,230	4
Estimated Loss on Plant Vogtle Units 3 and 4	176	—	176	325	—	325
Impairment Charges	—	26	(26)	—	168	(168)
(Gain) Loss on Dispositions, net	(26)	(57)	31	(65)	(2,569)	2,504
Total Operating Expenses	4,388	4,224	164	15,490	13,683	1,807
Operating Income	729	690	39	4,885	7,736	(2,851)
Allowance for Equity Funds Used During Construction	43	32	11	149	128	21
Earnings from Equity Method Investments	48	42	6	153	162	(9)
Interest Expense, Net of Amounts Capitalized	478	442	36	1,821	1,736	85
Impairment of Leveraged Lease	52	—	52	206	—	206
Other Income (Expense), net	17	13	4	336	252	84
Income Taxes	(50)	(74)	24	393	1,798	(1,405)
Net Income	357	409	(52)	3,103	4,744	(1,641)
Less:						
Dividends on Preferred Stock of Subsidiaries	4	5	(1)	15	15	—
Net Income (Loss) Attributable to Noncontrolling Interests	(34)	(36)	2	(31)	(10)	(21)
NET INCOME ATTRIBUTABLE TO SOUTHERN COMPANY	\$ 387	\$ 440	\$ (53)	\$ 3,119	\$ 4,739	\$(1,620)

Notes

- Certain prior year data may have been reclassified to conform with current year presentation.

Southern Company
Kilowatt-Hour Sales and Customers
(In Millions of KWHs)

	<u>Three Months Ended December</u>				<u>Year-to-Date December</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Weather Adjusted Change</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Weather Adjusted Change</u>
Kilowatt-Hour Sales-								
Total Sales	45,315	46,185	(1.9)%		186,225	196,488	(5.2)%	
Total Retail Sales-	33,823	34,254	(1.3)%	(1.7)%	140,546	148,461	(5.3)%	(3.0)%
Residential	10,987	10,738	2.3 %	1.2 %	47,472	48,528	(2.2)%	3.1 %
Commercial	10,824	11,324	(4.4)%	(5.0)%	45,434	49,101	(7.5)%	(5.7)%
Industrial	11,853	12,022	(1.4)%	(1.4)%	46,982	50,106	(6.2)%	(6.2)%
Other	159	170	(6.2)%	(6.2)%	658	726	(9.5)%	(9.3)%
Total Wholesale Sales	11,492	11,931	(3.7)%	N/A	45,679	48,027	(4.9)%	N/A

(In Thousands of Customers)

	<u>Period Ended December</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Regulated Utility Customers-			
Total Utility Customers-	8,630	8,543	1.0%
Total Traditional Electric	4,322	4,266	1.3%
Southern Company Gas	4,308	4,277	0.7%

Southern Company

Financial Overview

As Reported

(In Millions of Dollars)

	Three Months Ended December			Year-to-Date December		
	2020	2019	Change	2020	2019	Change
Southern Company^{1,2} –						
Operating Revenues	\$ 5,117	\$ 4,914	4.1 %	\$ 20,375	\$ 21,419	(4.9)%
Earnings Before Income Taxes	307	335	(8.4)%	3,496	6,542	(46.6)%
Net Income Available to Common	387	440	(12.0)%	3,119	4,739	(34.2)%
Alabama Power –						
Operating Revenues	\$ 1,385	\$ 1,363	1.6 %	\$ 5,830	\$ 6,125	(4.8)%
Earnings Before Income Taxes	162	67	141.8 %	1,502	1,355	10.8 %
Net Income Available to Common	128	88	45.5 %	1,150	1,070	7.5 %
Georgia Power –						
Operating Revenues	\$ 1,938	\$ 1,703	13.8 %	\$ 8,309	\$ 8,408	(1.2)%
Earnings Before Income Taxes	118	128	(7.8)%	1,727	2,192	(21.2)%
Net Income Available to Common	164	122	34.4 %	1,575	1,720	(8.4)%
Mississippi Power –						
Operating Revenues	\$ 277	\$ 294	(5.8)%	\$ 1,172	\$ 1,264	(7.3)%
Earnings Before Income Taxes	8	3	166.7 %	166	169	(1.8)%
Net Income Available to Common	14	—	N/M	152	139	9.4 %
Southern Power² –						
Operating Revenues	\$ 396	\$ 411	(3.6)%	\$ 1,733	\$ 1,938	(10.6)%
Earnings (Loss) Before Income Taxes	(32)	(28)	14.3 %	210	273	(23.1)%
Net Income Available to Common	26	23	13.0 %	238	339	(29.8)%
Southern Company Gas –						
Operating Revenues	\$ 1,072	\$ 1,131	(5.2)%	\$ 3,434	\$ 3,792	(9.4)%
Earnings Before Income Taxes	305	307	(0.7)%	763	715	6.7 %
Net Income Available to Common	230	238	(3.4)%	590	585	0.9 %

N/M - Not meaningful

Notes

- See Financial Highlights pages for discussion of certain significant items occurring during the periods presented.

- (1) Earnings comparisons to the prior year were significantly impacted by the gain associated with the sale of Gulf Power Company on January 1, 2019.
- (2) Earnings and revenue comparisons to the prior year were significantly impacted by Southern Power's dispositions of Plant Nacogdoches on June 13, 2019 and Plant Mankato on January 17, 2020.