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Spire Inc. (SR)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Spire Inc. Second Quarter 2026 Earnings Conference Call. All participants will be in a listen-only mode. [Operator Instructions] . After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] . Please note this event is being recorded.

I would now like to turn the conference over to Megan McPhail, Managing Director-Investor Relations. Please go ahead, ma'am.

Megan L. McPhail

Managing Director-Investor Relations, Spire Inc.

Good morning, and welcome to Spire's fiscal 2026 Second Quarter Earnings Call. We issued an earnings news release this morning and you may access it on our website at spireenergy.com under Newsroom. There is a slide presentation that accompanies our webcast, which can be downloaded from our website.

Before we begin, let me cover our Safe Harbor statement and use of non-GAAP earnings measures. Today's call, including responses to questions may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. These statements include, among others, statements regarding our expectations, plans and objectives for future performance, future operating results, earnings guidance, capital investment plans and the expected timing and benefits of and risks associated with acquisitions, dispositions and related integration and transition activities, including the acquisition of the Piedmont Natural Gas Tennessee business, the sale of Spire Marketing and the announced sales of Spire Storage and Spire Mississippi.

Our forward looking statements on today's call speak only as of today and we assume no duty to update them unless required by law. Although our forward-looking statements are based on estimates and assumptions that we believe are reasonable for various uncertainties and risk factors that may cause future performance or results to be different than those anticipated. These risks and uncertainties are outlined in our quarterly and annual filings with SEC. For our comments, we will be discussing non-GAAP measures used by management in evaluating our performance and results of operations.

I want to highlight that our results and guidance discussed today are presented on a continuing operations basis. This reflects the classification of Spire Marketing and Spire Storage as discontinued operations and is intended to provide a view of the earnings profile of the business going forward. As a part of this change, we are no longer presenting separate Midstream or Gas Marketing segments in results or segment earnings guidance. The MoGas Pipeline, which was previously reported in the Midstream segment, is now included in Corporate and Other. Explanations and reconciliations of these measures to their GAAP counterparts are contained in both our news release and slide presentation. On the call today, Scott Doyle, President and Chief Executive Officer; and Adam Woodard, Executive Vice President and Chief Financial Officer.

With that, I will turn the call over to Scott Doyle. Scott?

Scott E. Doyle

President, Chief Executive Officer & Director, Spire Inc.

Good morning and thank you for joining us. This has been an exciting and transformative period for our company. Since announcing the acquisition of Piedmont Tennessee on July 29, 2025, we have successfully closed that transaction and taken decisive steps to further strengthen our portfolio. The announced agreements to sell Spire Storage and Spire Mississippi, along with the sale of Spire Marketing have enabled us to fund the Tennessee acquisition without the need for external equity, while also sharpening our strategic focus on our regulated gas utility businesses.

Together, these actions enhance the quality and visibility of our earnings, improve our overall risk profile and position the company for more consistent long-term value creation. I want to take a moment to thank our colleagues at Spire Marketing for their professionalism, dedication and meaningful contribution over many years. Their work supported our customers, strengthened the organization and helped to position the company for success in the future.

Turning now to performance for the quarter on slide 4. On a continuing basis, we delivered second quarter adjusted earnings per share of $3.76, compared to $3.17 in the prior year. Underpinning that result is what we focus on every day: safe, reliable natural gas delivery, along with continued disciplined cost management and customer affordability. On the regulatory front, we received approval from the Missouri Public Service Commission for a $16.5 million increase in our Infrastructure System Replacement Surcharge or ISRS request.

Rates were effective in March and are supporting cash flow in recovery on infrastructure investment. In addition, in March, we filed an Accounting Authority Order, or AAO, with the Missouri PSC related to the impact of lower weather-driven usage we experienced during the winter months. Adam will touch on our proactive approach to addressing these extraordinary conditions in a moment. Looking ahead, we're providing a fiscal 2026 adjusted EPS guidance range on a continuing operations basis of $3.90 to $4.10 per share. At the same time, we are reaffirming fiscal 2027 adjusted EPS guidance, which includes results from Spire Tennessee, our 5% to 7% long-term growth target and our $11.2 billion 10-year capital plan, which underscores the durability of our strategy and the strength of our regulated growth platform.

Slide 5 highlights our strategic approach concentrating the company around our core regulated gas utility businesses. Today, our business profile is centered on regulated gas utilities and our FERC-regulated pipeline with growth driven by disciplined capital investments. With the sales of our non-core activities, including Marketing and Storage, we have removed market-based earnings exposure from our growth profile. As a result, the company's earnings profile has become more straightforward and more predictable with improved long-term earnings visibility. Looking ahead, long-term growth is anchored in our regulated utility, supported by rate-based growth and constructive regulatory mechanisms.

Moving to slide 6. Building on our key messages and new business profile, I want to take a moment to walk through our 2026 business priorities, which reflect the recent actions we've taken and how we're managing the business going forward. First, operational excellence remains core to our strategy. We continue to focus on the safe and reliable delivery of natural gas, disciplined deployment and recovery of capital across our regulated utilities and maintaining a strong emphasis on customer affordability through effective cost management. From a regulatory perspective, we remain focused on achieving constructive outcomes across our jurisdictions while continuing to advance the regulatory path forward in Missouri, including preparation for a future test year rate case filing later this year.

Financially, our priority is to deliver adjusted earnings within our fiscal 2026 guidance range from continuing operations while maintaining balance sheet strength in a disciplined approach to financing. Finally, from a strategic transactions and integration standpoint, we are executing against our priorities; successfully integrating Spire Tennessee, divesting non-core assets, and maintaining our focus on regulated utility growth, reliability, customer affordability and long-term shareholder value. Together, these priorities support a simpler, more concentrated business mix with improved earnings visibility and a strong foundation for long-term growth.

Turning now to slide 7 for an update on the Tennessee acquisition. We completed the transaction on March 31, marking an important milestone for Spire. The approval process for the Tennessee Public Utility Commission took just six months from filing, highlighting the constructive and efficient regulatory environment with continuity of rates and a clear framework that supports disciplined investment and long-term planning. With this acquisition, we've added Spire Tennessee to our portfolio as a leading regulated natural gas utility and one of the fastest growing markets in the country. Spire Tennessee is now serving more than 200,000 customers across the greater Nashville area and surrounding counties.

From financing standpoint, the transaction is now fully funded without the need to issue common equity. The balanced financing mix includes $900 million of Junior Subordinated Notes, $825 million of Spire Tennessee Senior Notes and proceeds from our recently announced asset sales. For bridge financing, until the closing of the asset sales, we entered into an $800 million term loan to be paid as funds are received. Integration is also progressing smoothly. More than 200 employees transitioned to Spire at close and we have an 18-month Transition Services Agreement in place to support a seamless handoff. Our teams are already working closely together to align systems, processes and safety practices. Overall, we're very pleased with the execution around this transaction from financing, to close, to early integration and we believe that positions Spire well for long-term value creation.

Moving to slide 8. The sales of our Marketing, Storage and Mississippi businesses are deliberate actions to better align the company with where we see the strongest long-term value and the most consistent earnings profile. We reached agreements with strong buyers for each of these businesses. The sale of Marketing to Boardwalk Pipelines was completed on April 30, just one month after announcement and the transactions to sell Storage and Spire Mississippi are expected to close in the coming months.

From a capital standpoint, these sales generate meaningful cash proceeds, providing flexibility to fund the Tennessee acquisition and continue investing in our regulated infrastructure. More importantly, from a strategic perspective, these actions further concentrate Spire to regulated natural gas utilities where we have scale in each state. This improves our business risk profile and enhances earnings visibility, while allowing management to stay focused on operating excellence, customer service, and disciplined growth.

When these transactions are complete, Spire's business portfolio will be fully regulated, positioning us well going forward and directly supporting our long-term strategy of investing in infrastructure, customer affordability and delivering steady, predictable value for shareholders. Overall, we delivered solid second quarter results from our continuing operations, advanced our portfolio simplification strategy and remain focused on executing in our regulated gas utilities. While lower weather-related usage in Missouri weighed on the results, our underlying performance and long-term growth outlook remain intact.

With that, I'll turn the call over to Adam to walk through the financial results and our updated guidance in more detail.

Adam W. Woodard

Executive Vice President & Chief Financial Officer, Spire Inc.

Thanks, Scott, and good morning, everyone. I will begin with our quarterly results, which are presented on slide 9. With Marketing and Storage now classified as discontinued operations, the results we are presenting today providing more straightforward and transparent view of our overall operations and the key factors driving performance. For the second quarter, we reported adjusted earnings of $224 million, or $3.76 per share, compared to $189 million, or $3.17 per share a year ago.

Gas Utility earnings totaled $235 million, an increase of over 20% or $40 million compared to the prior year, driven primarily by the implementation of new rates in Missouri and Alabama. Importantly, this increase reflects recovery of earnings on approximately $1 billion of incremental Spire Missouri rate base placed in service since rates were last updated. Favorable run rate operations and maintenance expense performance also contributed to earnings growth. These benefits were partially offset by the impact of Spire Alabama customer refund provisions under the RSE framework, which include a reversal of a provision in 2025 and a refund provision in 2026.

Lower customer usage in Missouri, net of weather mitigation, further offset earnings relative to the prior year, with current year usage also coming in significantly below our expectations. Earnings were additionally impacted by higher depreciation expense and taxes other than income taxes, a portion of which is recovered through new Missouri rates as amortization schedules are updated. Interest expense was modestly higher in the current year, primarily reflecting higher long-term debt balances. And finally other activities reported an adjusted loss of $11 million, approximately $5 million higher than the prior year, reflecting higher corporate costs and higher interest expense in the current year.

Turning to slide 10, let me walk you through the weather-driven usage impacts we've seen in Missouri so far in fiscal 2026 and how we're managing through them. Customer usage was materially below historical patterns and below the assumptions embedded in Missouri's weather normalization mechanism, driven by an unusually mild and uneven winter. Missouri heating degree days were 11.5% below normal through the first-half of 2026, with residential usage per heating degree day during the winter heating season being 7% below 2024, which is the historical test year used to establish current billing determinants.

The specific customer usage pattern we experienced was not fully mitigated by the weather normalization mechanism and the lower-than-expected usage resulted in a margin shortfall versus our year-to-date expectations. In addition, Missouri rate design has shifted a greater portion of margin into the winter heating season, increasing sensitivity to weather and usage.

We have been proactive on the regulatory fronts. In March, we filed an application for an Accounting Authority Order with the Missouri Public Service Commission seeking recovery of the volumetric margin shortfall caused by this extraordinary weather pattern. This dynamic is the primary driver of the reduction in our full-year Gas Utility guidance. The margin impact is mechanical and weather-driven and it does not reflect any change in strategy or in the regulatory framework that continues to support our long-term growth plan. We are confident that parties understand the significance of this shortfall and look forward to working with the Commission and other key stakeholders on a constructive solution.

Turning to slide 11. Today, we are reaffirming our long-term 5% to 7% adjusted EPS growth target, [ph] entering (00:15:12) to the original 2027 guidance midpoint of $5.75. This outlook continues to be supported by strong rate base growth in Missouri and Tennessee, steady regulated equity growth at Alabama and Gulf, and execution of our 10-year $11.2 billion capital plan. Focusing on near-term guidance, our 2026 adjusted EPS range from continuing operations is now $3.90 per share to $4.10 per share. This excludes earnings related to Marketing and Storage, and consistent with our previous guidance also excludes any results from Spire Tennessee for the year.

We are updating our adjusted earnings targets for the Gas Utility segment and Other to reflect first-half results and expectations for the rest of the year. We are lowering the Gas Utility range to $275 million to $295 million, primarily due to the impact of lower usage and weather-related margin headwinds. We do not expect the year-to-date impact to change materially through the balance of the year due to the volumetric nature of our earnings. The Corporate and Other loss is expected to be in the range of $40 million to $46 million. That range includes earnings contributions for the MoGas Pipeline and also reflects higher-than-anticipated interest expense due to the timing of financings as well as allocated costs that remain following the divestitures.

The rate design changes and updated amortization schedules implemented in the last Missouri rate case have shifted the entry-year earnings profile. While it's not our practice to provide quarterly guidance, we have outlined our expected earnings per share distribution for the remainder of the year on slide 11 to assist in quarterly modeling. Looking ahead to 2027, we are reaffirming our adjusted EPS range of $5.40 per share to $5.60 per share. This outlook reflects a full-year of expected earnings from Spire Tennessee and excludes earnings from Storage, Marketing and Mississippi. Overall, our earnings outlook remains firmly anchored by capital investment, constructive regulatory jurisdictions and a regulated business profile.

Moving to slide 12. In the first-half of the year, we invested $386 million in capital expenditures driven by system upgrades, infrastructure modernization and new business connections at the Gas Utilities. Year-over-year CapEx spending declined primarily due to the completion of the advanced meter upgrade program in eastern Missouri. We expect full-year 2026 capital expenditures of $797 million across our utilities, consistent with our 10-year $11.2 billion capital plan. These investments support rate base growth of 7% in Missouri and 7.5% in Tennessee, with 6% regulated equity growth in Alabama and Gulf. This disciplined, long-term investment strategy underpins our confidence in delivering 5% to 7% adjusted EPS growth over time.

On slide 13, we provided an update to our financing plan, which is largely consistent with what we previously outlined. In February, we issued $400 million of Spire Inc.'s Senior Notes, with proceeds used to refinance notes that matured in March 1 and to support our ongoing general corporate needs. Importantly, following the recently announced divestitures and the resulting reduction in business risk, we have lowered our FFO-to-debt target to 14% to 15%. This adjustment better aligns our targets with the company's more focused regulated business profile and we expect to achieve this over the next few years.

That concludes our prepared remarks. We'll now take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] The first question will come from David Arcaro with Morgan Stanley. Please go ahead.

Alexander Zimmerman
Analyst, Morgan Stanley

Q

Hi. This is Alex Zimmerman on for Dave. Good morning.

Scott E. Doyle
President, Chief Executive Officer & Director, Spire Inc.

A

Good morning.

Alexander Zimmerman
Analyst, Morgan Stanley

Q

So starting with the – good morning. Starting with the wider normalization. What are your latest thoughts and your strategy to improve the wider normalization mechanism in Missouri and is this something you consider addressing the next rate case?

Scott E. Doyle
President, Chief Executive Officer & Director, Spire Inc.

A

Yeah. Hey. This is Scott. Sure. A couple of things. As we – the comments that we made on the script indicated that we've filed an Accounting Authority Order with the Commission. A procedural schedule has been put in place with a hearing scheduled for September 9. We do believe that the Commission does see this as an important issue and one that we're spending time having dialogue and providing information to them as we've experienced the weather that we did. In the next rate case, there's also an opportunity to address it as well. And so for us, we're taking a look at the timing of the rate case. Our initial plan is to file in the fall around November. But we'll look at that timing depending on how we are able to work through this process with the Commission.

Alexander Zimmerman
Analyst, Morgan Stanley

Q

Got it. No. Very clear. And then shifting to dividends. Now that you have the funding of the Tennessee acquisition addressed and higher cash flow visibility from the regulated business, how are you thinking about the dividend trajectory going forward and where do you see the optimal payout ratio for the company?

Adam W. Woodard
Executive Vice President & Chief Financial Officer, Spire Inc.

A

Yeah. Hey. This is Adam. We would really remain unchanged there. Our payout ratio, as we've said in the past and the kind of the typical 55% to 65% area and we would expect the dividend to grow along with earnings.

Alexander Zimmerman
Analyst, Morgan Stanley

Q

Perfect. Thank you so much.

Adam W. Woodard
Executive Vice President & Chief Financial Officer, Spire Inc.

A

You bet.

Operator: The next question will come from Alex Kania with BTIG. Please go ahead.

Alex Kania
Analyst, BTIG LLC

Q

Good morning. Thanks for taking my questions. First question, maybe just as a kind of follow up on the accounting order – the accounting request. So just want to make sure I kind of understand the mechanics a little bit of what you'd be looking for. I mean obviously given the procedural schedule, it looks like it obviously wouldn't be tough to kind of have it, kind of have the sizable impact just on the earnings for this fiscal year. But I just want to think about is it just the question of just recovering, over time, effectively the cash that represented the lost margin, or would it have a subsequent earnings impact in future years if the outcome does go as you requested?

And the second question just might end up being just if you can talk a little bit about post divestitures of the Storage and Marketing business in particular. Just how do you think about the underlying cadence of growth that's possible here? I know – I believe that in the past, the Marketing and Storage were seen as kind of relatively low growth, now shifting to the kind of fully regulated footprint, if you think that there is kind of an opportunity for enhanced growth? Thanks.

Scott E. Doyle
President, Chief Executive Officer & Director, Spire Inc.

A

Yeah. Sure, Alex. Adam and I'll collectively answer the questions here. Maybe just the mechanics of the AAO. Traditionally, the AAO sets up a regulatory asset for future recovery is how they traditionally work. And so we'll want to work with the Commission through this process and work towards a constructive outcome associated with it. With regard to the divestitures, maybe just kind of our growth profile going forward, a lot of – maybe when you looked at how we invested in Storage in the past, those were step-up opportunities. As we made capital investments and then we're able to pull that into earnings over longer periods of time. With those divestitures and now the concentration of the portfolio into utilities, we have a more normal growth trajectory that's centered on that 5% to 7% earnings profile.

And so, Adam, I don't know if you want to comment any more clearly about that?

Adam W. Woodard
Executive Vice President & Chief Financial Officer, Spire Inc.

A

No. It's really – we'll be looking to make it very rate base-driven and recovery-driven from there. So, as we've talked about the relatively linear paths in each of our jurisdictions on a go-forward basis should create a pretty predictable growth trajectory.

Alex Kania
Analyst, BTIG LLC

Q

Great. Thanks very much.

Adam W. Woodard
Executive Vice President & Chief Financial Officer, Spire Inc.

A

Thanks, Alex.

Scott E. Doyle
President, Chief Executive Officer & Director, Spire Inc.

A

Thanks, Alex.

Operator: [Operator Instructions] The next question will come from Paul Fremont with Ladenburg. Please go ahead.

Paul Fremont
Analyst, Ladenburg Thalmann & Co., Inc.

Q

Thanks. I guess my first question really has to do with the fact that we thought weather normalization was dealt with in the last GRC. So what exactly, in terms of the changes that you made, what didn't work?

Scott E. Doyle
President, Chief Executive Officer & Director, Spire Inc.

A

Yeah. Hey, good morning Paul. Good question. No. We very directly worked on weather normalization in the last case. What we saw in this particular winter weather was really a decoupling of usage from the HDDs, the underpin or the HDD assumptions that – or the usage assumptions, I'm sorry, that underpin the weather normalization adjustment. And so as a result because that was extraordinary that's why we filed the AAO in particular. We saw the greatest breakage taking place in January where our usage was actually 28% lower than what our base year that's used to set up the weather normalization adjustment. So those are the reasons why we put this back in front of the Commission, is to both have a dialogue about it and quantify it and work towards a constructive solution.

Paul Fremont
Analyst, Ladenburg Thalmann & Co., Inc.

Q

So I mean is it possible do you believe to get a weather normalization that is essentially just reflective of whatever change in usage actually occurs? And is that going to be sort of your goal on a go-forward basis?

Scott E. Doyle
President, Chief Executive Officer & Director, Spire Inc.

A

Yeah. Yeah. The simple answer is, yes. I'll let Adam maybe comment a little more specifically.

Adam W. Woodard
Executive Vice President & Chief Financial Officer, Spire Inc.

A

No. Absolutely. That's the goal, Paul. And – yeah. It's frustrating for us as well, as Scott mentioned, the usage set in the last GRC that went into effect in last October was based off of 2024. We saw very high correlation in the usage per HDD averages going into 2024 and off the 2024 numbers and felt secure with that. And as Scott mentioned, usage per HDD came down quite a bit over those two years.

Paul Fremont
Analyst, Ladenburg Thalmann & Co., Inc.

Q

And then I guess what led to your decision to sell Mississippi? Clearly, it wasn't in any of your original plans that you shared with investors. So, can you just give us an idea of why, sort of last minute you announced the sale of the Mississippi subsidiary?

Scott E. Doyle
President, Chief Executive Officer & Director, Spire Inc.

A

Yeah. Sure, Paul. No. This was something we'd been in dialogue with Delta for quite some time leading up to the sale. As you know, the business that we have in Mississippi is subscale, 18,000 customers. There's quite a bit of capital investment that needs to take place and the capacity of that customer base to support that investment can be challenged from time-to-time. By them folding into a larger utility within the state, allows them to spread some of those costs over a broader base. And so as a result, Delta was a natural owner for them and worked to a very good outcome there. We still have – to get approval, that's going to take a while this year as we go through the regulatory process but believe this is a benefit both to our customers and to Delta Utilities as well. So we look forward to bringing that to a conclusion later this year.

Paul Fremont
Analyst, Ladenburg Thalmann & Co., Inc.

Q

And then last question for me. The timeline for getting a decision in your AAO filing. And if the decision is favorable, how would you treat – would the earnings impact be for this year or would it be treated as non-operating?

Adam W. Woodard
Executive Vice President & Chief Financial Officer, Spire Inc.

A

Great question, Paul. It really depends on, one, the timing of an order. Obviously, we're getting it with a 9/30 year-end, we're getting a little bit closer to the year-end. But also the wording of that order would have an impact on that as well. So, it's something that we'll look at both of those elements as we think about what we would recognize in earnings.

Paul Fremont
Analyst, Ladenburg Thalmann & Co., Inc.

Q

So I guess simple question. If they were to agree to setting up a regulatory asset before your year-end, should we assume that that could result in an adjustment in your guidance for 2026?

Adam W. Woodard
Executive Vice President & Chief Financial Officer, Spire Inc.

A

It really depends on what the wording of that AAO is, Paul. There's a lot of things that dictate what our decision tree would look like on that.

Paul Fremont
Analyst, Ladenburg Thalmann & Co., Inc.

Q

Great. Thank you very much.

Scott E. Doyle
President, Chief Executive Officer & Director, Spire Inc.

A

Thanks, Paul.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Scott Doyle for any closing remarks.

Scott E. Doyle

President, Chief Executive Officer & Director, Spire Inc.

Yeah. Thank you again, everyone for joining us this morning. We look forward to seeing many of you at the upcoming AGA Financial Conference late this month. Everyone, have a good day.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.