

Q4/22 Analyst Conference Call

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**Capital
Power** 



Forward-looking information

Cautionary statement

Certain information in this presentation and responses to questions contains forward-looking information. Actual results could differ materially from conclusions, forecasts or projections in the forward-looking information as a result of certain material factors or assumptions that were applied in drawing conclusions or making forecasts or projections as reflected in the forward-looking information.

Additional information about the material factors and risks that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward-looking information and the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information are disclosed on slide 13 of this presentation and in the Company's 2022 Integrated Annual Report prepared as of February 28, 2023 which is available under the Company's profile on SEDAR at [sedar.com](https://www.sedar.com) and on the Company's website at [capitalpower.com](https://www.capitalpower.com).

Non-GAAP financial measures and ratios

The Company uses (i) earnings before net finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense and depreciation expense from its joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emission credits (adjusted EBITDA), (ii) adjusted funds from operations (AFFO), and (iii) normalized earnings attributable to common shareholders as financial performance measures.

The Company also uses AFFO per share and normalized earnings per share as performance measures. These measures are non-GAAP ratios determined by applying AFFO and normalized earnings attributable to common shareholders, respectively, to the weighted average number of common shares used in the calculation of basic and diluted earnings per share.

These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP and, therefore, are unlikely to be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to net income, net income attributable to shareholders of the Company, net cash flows from operating activities or other measures of financial performance calculated in accordance with GAAP. Rather, these measures are provided to complement GAAP measures in the analysis of the Company's results of operations from management's perspective.

Reconciliations of these non-GAAP financial measures are disclosed in the Company's Integrated Annual Report prepared as of February 28, 2023 for 2022, which is available under the Company's profile on SEDAR at [SEDAR.com](https://www.sedar.com) and on the Company's website at [capitalpower.com](https://www.capitalpower.com).



Delivering on strategic objectives

- Exceeded \$500M committed capital for growth target in 2022 through the acquisition of the Midland Cogeneration facility with our JV partner Manulife Investment Management
- Added 116 MW in renewables with COD of Clydesdale Solar and Strathmore Solar
- Re-contracted two natural gas facilities (Island Generation and Arlington Valley)
- Executed 3 excellent long term renewables contracts
 - 10-years with MEGlobal Canada ULC (Whitla Wind)
 - 15-years with Shaw Communications (Clydesdale Solar)
 - 23-years with Public Services & Procurement Canada (Halkirk 2 Wind)

Decarbonizing to net zero

- Accelerated net zero target to 2045
- Genesee 1 and 2 repowering project on-track to meet \$1.1B revised cost and our off-coal commitment by end of 2023
- Advanced Genesee CCS Project with limited notice to proceed

Ontario IESO⁽¹⁾ capacity procurement

Assets very well-positioned for success

Significant near-term need for supply

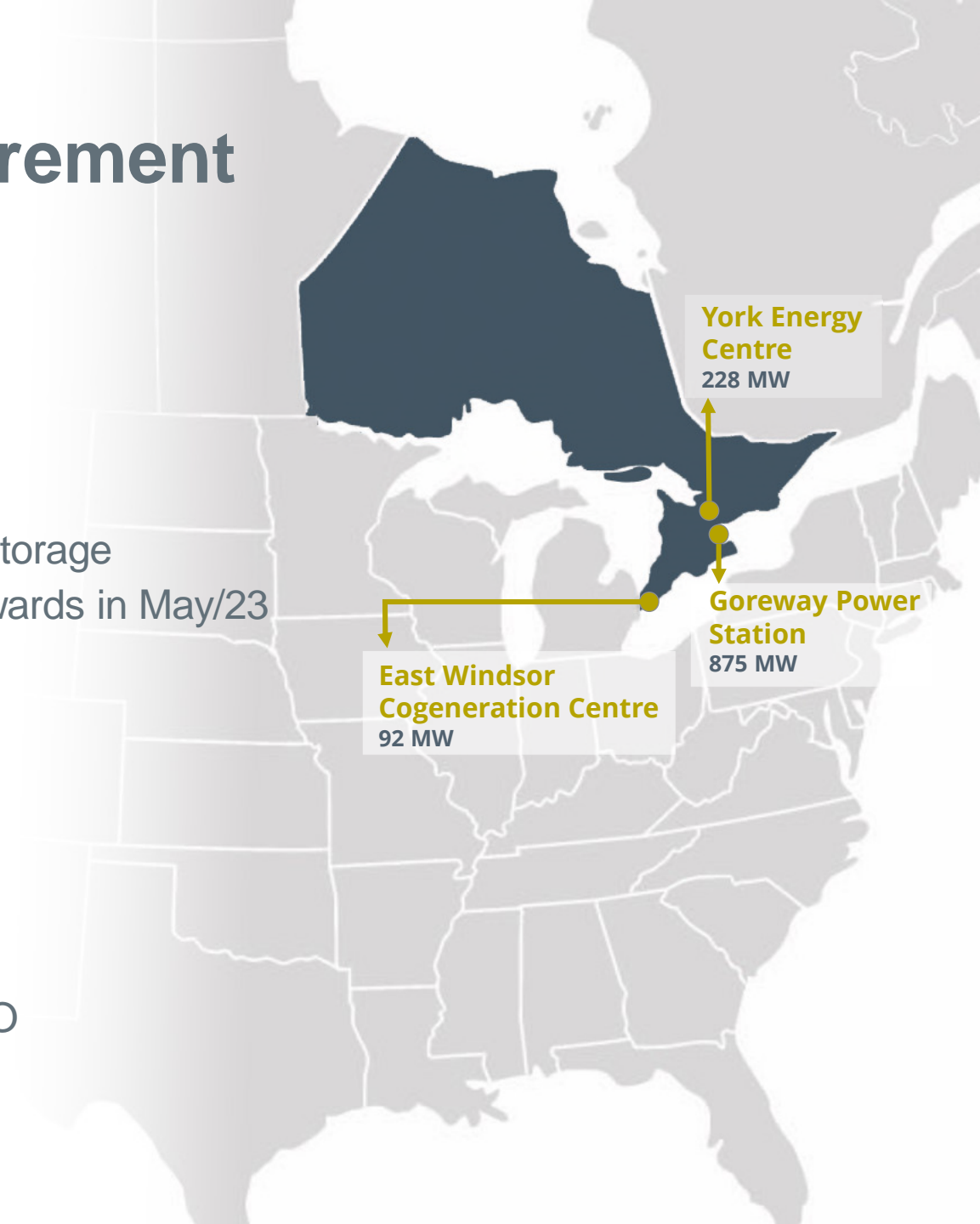
- 1,500 MW of natural gas (15-year contracts)
- 2,500 MWh of storage (22-year contracts)

Expedited RFP

- IESO aiming to procure 600 MW of gas and 900 MW of storage
- Submissions due Feb 16; IESO targeting to announce awards in May/23
- Submitted 3 projects (total capital costs of over \$600M)
 - East Windsor (100 MW gas turbine expansion)
 - York Energy (114 MW battery project)
 - Goreway (47.5 MW battery project)
- COD expected in Q2/25 to Q4/25 for successful projects

Uprate opportunities

- Submitted two proposals for contract extension from IESO
- Expected COD in 2025



1) Independent Electricity System Operator

North Carolina solar projects

Project update

- Projects continue to be uneconomic with existing 2020 PPAs and significantly higher construction estimates due to industry wide cost pressures
- In discussion with offtaker Duke Energy, it is highly probable existing PPAs will be terminated

Opportunity

- Duke expected to announce procurement RFPs in Q2/23
- Plan to re-bid our 3 solar projects (totaling 160 MW) with a revised COD subject to Duke's timelines



Hornet Solar

75 MW | North Carolina



Hunter's Cove Solar

50 MW | North Carolina



Bear Branch Solar

35 MW | North Carolina



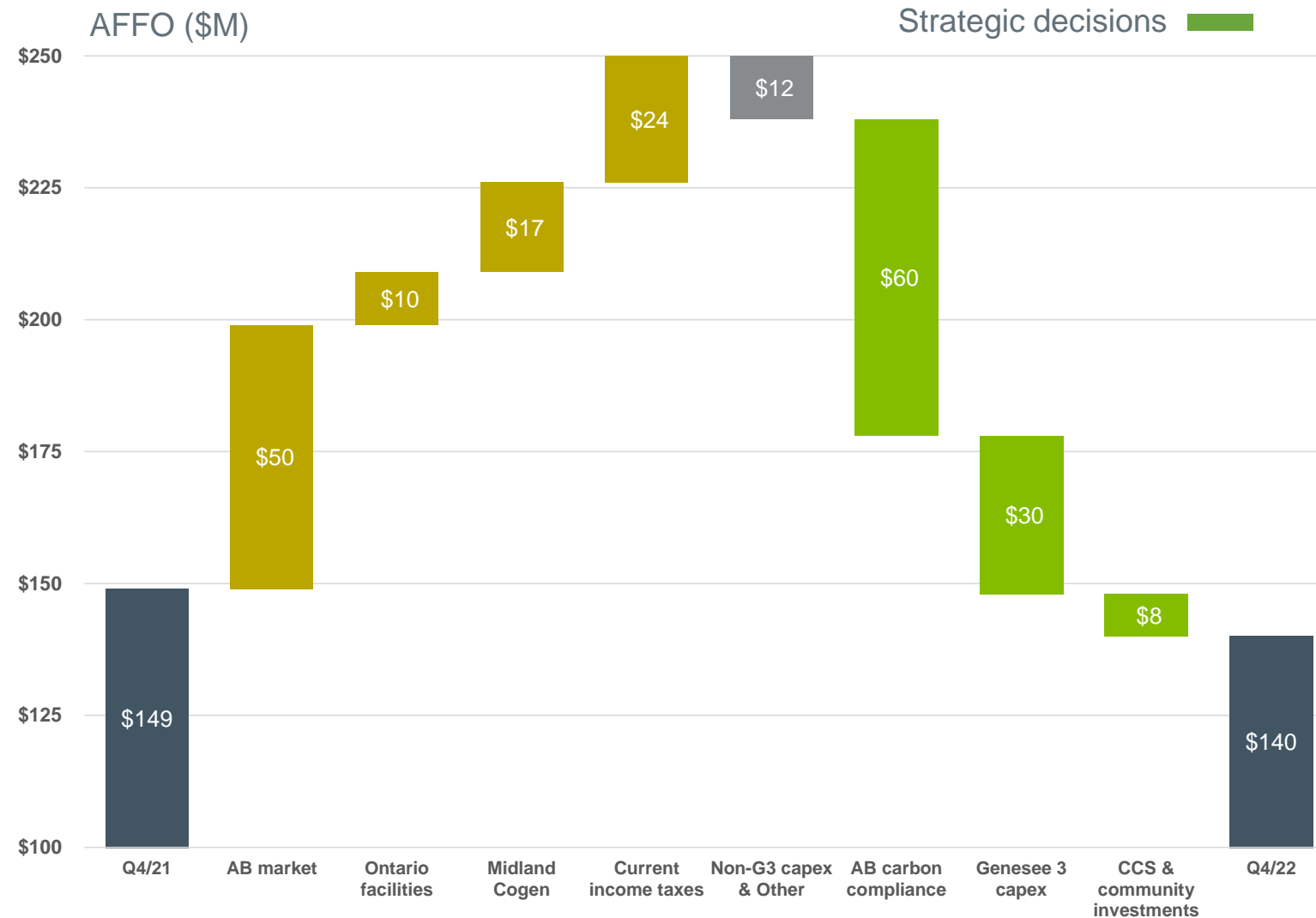


Financial highlights – financing a net zero energy future

Well-positioned to fund committed growth capex using internally generated cash flow

- Record year for adjusted EBITDA (20% yoy) and AFFO (40% yoy) in 2022
- 9th consecutive annual dividend increase with 6% annual growth guidance to 2025
- Green Financing Framework established
- First ever green hybrid bond offering in Canada of \$350M
- TSR of 23% in 2022 ahead of 10-12% TSR target (26% average over past 5 years)

Q4/22 financial performance



- Strong operating performance in Q4/22 offset by unusual items recognized in the quarter
- Q4/22 included optimization of carbon emission credit inventory, a major planned outage at Genesee 3 deferred from the spring, and CCS & community investments

**Strong Q4 results
balanced by key
strategic decisions**



2022 financial performance exceeded expectations

Exceeded top end of revised guidance ranges from strong fleet-wide performance

\$3,360M

+44% yoy

Revenues and other
income⁽¹⁾

\$1,353M

+20% yoy

Adjusted EBITDA

\$935M

+8% yoy

Net cash flows from
operating activities

\$848M

+40% yoy

AFFO

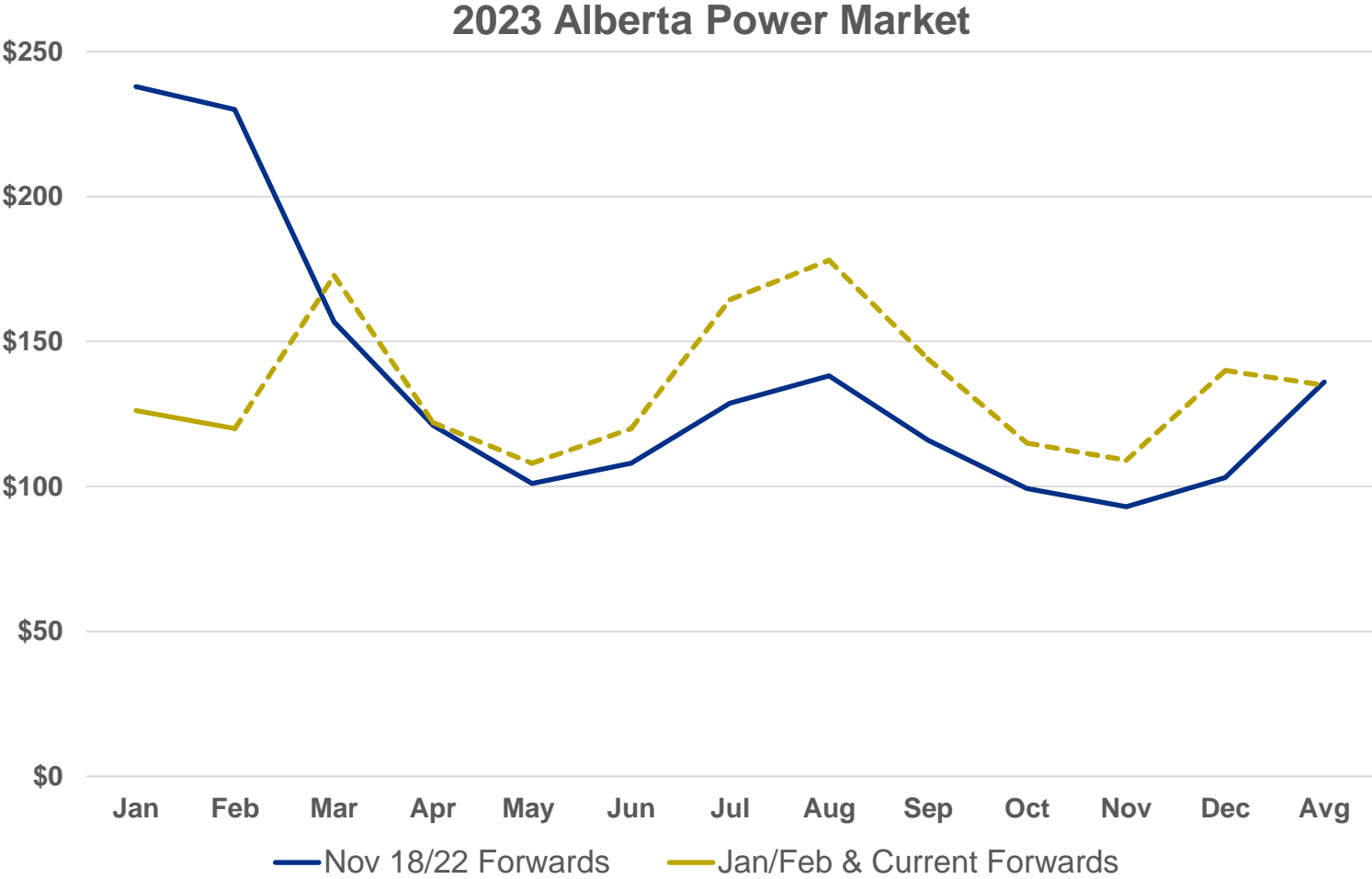
- Adjusted EBITDA benefitted from strong fleet-wide performance, higher realized Alberta power prices, and acquisition of Midland Cogen facility
- Higher AFFO from strong adjusted EBITDA results, lower net finance expenses, lower preferred shares dividends, partially offset by higher sustaining capex

1) Before unrealized changes in FV of commodity derivatives & emission credits.



Alberta power pricing

Forward prices for balance of 2023 remain strong

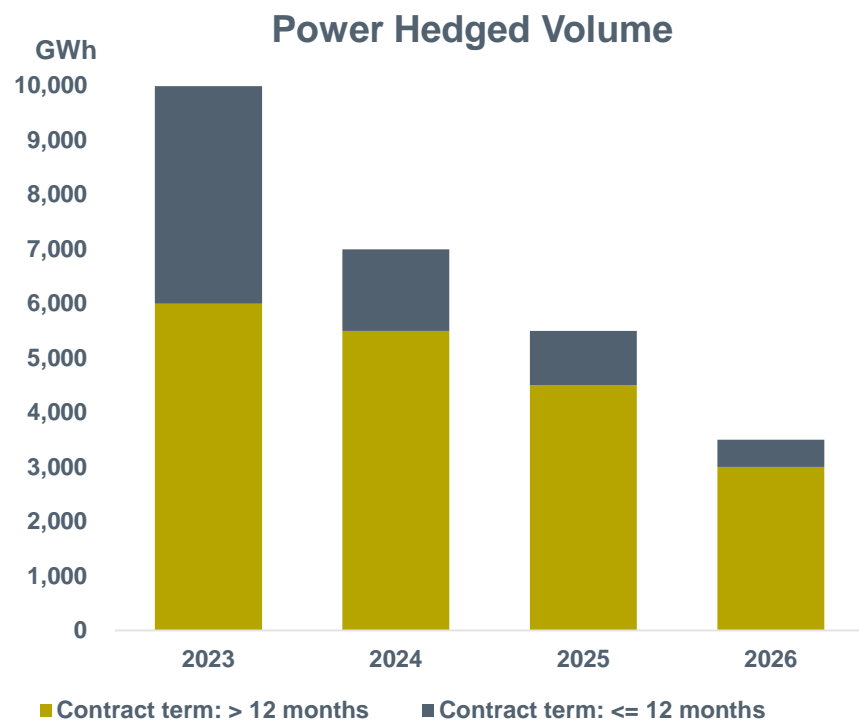


- YTD prices settled well below forwards due to very warm weather and strong renewables generation
- Balance of year forwards have strengthened relative to Nov 18/22 forward prices
- Expect ongoing market volatility

1) 2023 financial guidance based on Nov 18/22 forward prices.
 2) Forward prices as of Feb 27/23.

Alberta commercial portfolio

Reducing volatility and risk with multi-year hedges



	2023	2024	2025
Power			
Hedged volume (GWh) ⁽³⁾	10,000	7,000	6,000
Weighted average hedged prices ⁽¹⁾ (\$/MWh) ⁽³⁾	High-\$70s	Low-\$70s	High-\$60s
Forward Alberta power prices (\$/MWh) ⁽⁴⁾	\$138	\$93	\$80
Natural gas			
Hedged volume (TJ) ⁽³⁾	50,000	60,000	50,000
Weighted average hedged prices ^(1, 2, 3) (\$/GJ)	< \$2.00	< \$2.00	< \$3.00
Forward Alberta gas prices (\$/GJ) ⁽⁴⁾	\$2.70	\$3.10	\$3.60

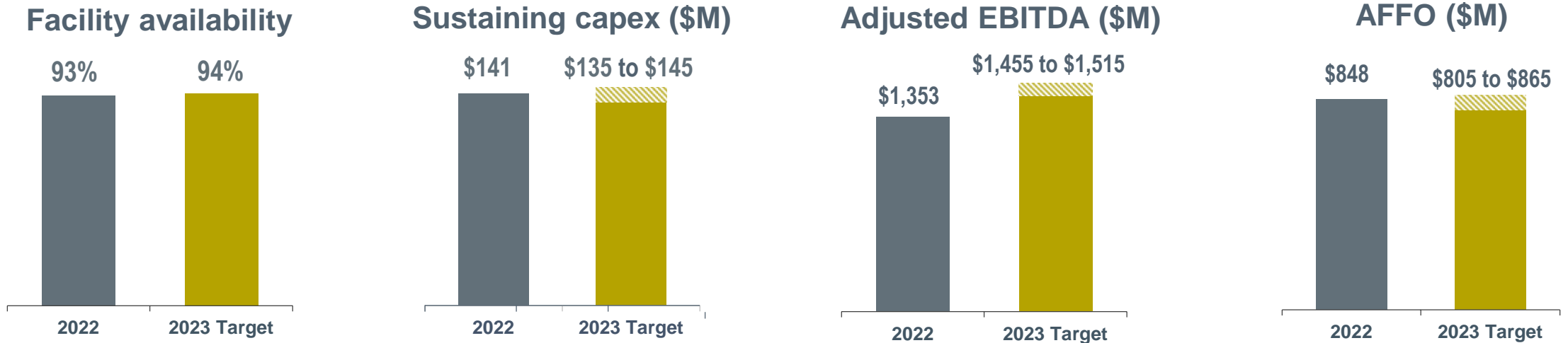
Weighted average hedged price with terms >12 months: High-\$60/MWh

- 1) Forecasted average contracted prices may differ significantly from future average realized prices as future realized prices are driven by a combination of previously contracted prices and settled prices. When long-term forward portfolio optimization hedges are transacted, they reflect the market's expectations for future period pricing.
- 2) Net of gains as part of the Company's gas portfolio optimization activities, including sales of previously purchased length.
- 3) Hedge data as of Dec 31/22.
- 4) Forwards as of Feb 24/23. 2023 forward prices are for Mar-Dec.



2023 operational and financial targets

Adjusted EBITDA up ~10%⁽¹⁾ driven by asset additions



2023 outlook

- Trending towards the lower end of guidance ranges (guidance based on Nov 18/22 forward prices)
- Encouraged by Ontario growth opportunities
- Continue to anticipate two renewable announcements this year

Targeting \$600M of committed capital for growth

1) Year-over-year increase based on the midpoint of the 2023 Guidance range.

Forward-looking information

Forward-looking information or statements included in this Integrated Annual Report are provided to inform our shareholders and potential investors about management's assessment of Capital Power's future plans and operations. This information may not be appropriate for other purposes. The forward-looking information in this Integrated Annual Report is generally identified by words such as will, anticipate, believe, plan, intend, target, and expect or similar words that suggest future outcomes.

Material forward-looking information in this Integrated Annual Report includes expectations regarding:

- our priorities and long-term strategies, including our corporate, sustainability and renewables strategies;
- our company-wide targets specific to climate-related performance, including reduction of emissions and emissions intensity and our road map towards net zero by 2045, pathway to decarbonization, repowering of Genesee 1 and 2 with addition of battery storage and conversion of Genesee 3, completion of the Genesee Carbon Conversion Centre and commercial application of carbon conversion, capture and storage technologies;
- our goals for long-term Total Shareholder Return, annual capital growth and future dividend growth;
- our 2023 performance targets, including for facility availability, sustaining capital expenditures, AFFO and adjusted EBITDA;
- future revenues, expenses, earnings, adjusted EBITDA and AFFO;
- our plans to add renewables generation to our fleet;
- expectations around timing and costs associated with our upgrades, projects and repowering plans at our Genesee facility, including being off-coal in 2023;
- the future pricing of electricity and market fundamentals in existing and target markets;
- our future cash requirements including interest and principal repayments, capital expenditures, dividends and distributions;
- our sources of funding, adequacy and availability of committed bank credit facilities and future borrowings;
- future growth and emerging opportunities in our target markets including the focus on certain technologies;
- expectations pertaining to the use of proceeds from the offering of Subordinated Notes and future Green Financings pursuant to our Green Financing Framework;
- expectations pertaining to the integration and the financial impacts of the acquisition of Midland Cogen, including the impacts to AFFO, AFFO per share and adjusted EBITDA, positioning for potential re-contracting following contract expiries in 2030 and 2035, and future site development opportunities;
- the timing of, funding of, generation capacity of, costs for technologies selected for, environmental benefits or commercial arrangements regarding existing, planned and potential development projects and acquisitions (including phase 2 of Halkirk Wind, the repowering of Genesee 1 and 2 (including being hydrogen ready, carbon conversion ready, and battery storage), the Genesee CCS Project and potential projects the Company intends to advance as part of the IESO competitive procurement process;
- expectations of re-bidding the Bear Branch Solar, Hornet Solar, Hunter's Cove Solar projects into future request for proposals;
- facility availability and planned outages;
- capital expenditures for facility maintenance and other (sustaining capital, future growth projects, commercial initiatives);
- discussion of our risks and strategies and plans for risk management and mitigation;
- market and regulation designs and the impact thereof on our core markets; and
- the impact of climate change.

These statements are based on certain assumptions and analyses made by Capital Power considering its experience and perception of historical and future trends, current conditions, expected future developments, and other factors it believes are appropriate including its review of purchased businesses and assets. The material factors and assumptions used to develop these forward-looking statements relate to:

- electricity and other energy and carbon prices;
- performance;
- business prospects (including potential re-contracting of facilities) and opportunities including expected growth and capital projects;
- status and impact of policy, legislation and regulations;
- effective tax rates;
- the development and performance of technology; and
- foreign exchange rates; and
- other matters discussed under the Performance targets for 2023: enhancing shareholder value section in the Company's 2022 Integrated Annual Report.

Whether actual results, performance or achievements will conform to our expectations and predictions is subject to several known and unknown risks and uncertainties which could cause actual results and experience to differ materially from our expectations. Such material risks and uncertainties are:

- changes in electricity, natural gas and carbon prices in markets in which we operate and the use of derivatives;
- regulatory and political environments including changes to environmental, climate, financial reporting, market structure and tax legislation;
- disruptions, or price volatility within our supply chains;
- generation facility availability, wind capacity factor and performance including maintenance expenditures;
- ability to fund current and future capital and working capital needs;
- acquisitions and developments including timing and costs of regulatory approvals and construction;
- changes in the availability of fuel;
- ability to realize the anticipated benefits of acquisitions;
- limitations inherent in our review of acquired assets;
- changes in general economic and competitive conditions, including inflation and recession;
- changes in the performance and cost of technologies and the development of new technologies, new energy efficient products, services and programs; and
- risks and uncertainties discussed under the Risks and risk management section.

See Risks and risk management in the Company's 2022 Integrated Annual Report for further discussion of these and other risks. Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Capital Power does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.



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