

# 2020 Fourth Quarter and Full Year Review

Feb. 10, 2021



# Forward-Looking Statements

## COMPANY INFORMATION

### Black Hills Corporation

P.O. Box 1400  
Rapid City, SD 57709-1400  
NYSE Ticker: **BKH**  
[www.blackhillscorp.com](http://www.blackhillscorp.com)

### Company Contacts

Kimberly F. Nooney  
Vice President Corporate  
Controller and Treasurer  
605-721-2370  
[kim.nooney@blackhillscorp.com](mailto:kim.nooney@blackhillscorp.com)

Jerome E. Nichols  
Director of Investor Relations  
605-721-1171  
[jerome.nichols@blackhillscorp.com](mailto:jerome.nichols@blackhillscorp.com)

This presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. This includes, without limitations, our 2021 and 2022 earnings guidance, long-term earnings growth target and the impacts of the COVID-19 pandemic on our business. These forward-looking statements are based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statements, including without limitation, the risk factors described in Item 1A of Part I of our 2019 Annual Report on Form 10-K and other reports that we file with the SEC from time to time, and the following:

- The accuracy of our assumptions on which our earnings guidance is based;
- Our ability to obtain adequate cost recovery for our utility operations through regulatory proceedings and favorable rulings on periodic applications to recover costs for capital additions, plant retirements and decommissioning, fuel, transmission, purchased power and other operating costs, and the timing in which new rates would go into effect;
- Our ability to complete our capital program in a cost-effective and timely manner;
- Our ability to execute on our strategy, including targeting a 50 to 60 percent dividend payout ratio and continuing our track record of continuous annual dividend increases;
- Our ability to successfully execute our financing plans;
- Board of Directors’ approval of any future quarterly dividends;
- The impact of future governmental regulation; and
- Other factors discussed from time to time in our filings with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time-to-time, and it is not possible for us to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

# 2020 Review and Outlook



We are committed to ensuring the safe and reliable delivery of electricity and natural gas to our 1.3 million customers' homes and businesses. Our team delivered exceptional service in 2020, taking extensive protective measures to safeguard our employees, customers and communities

# Delivering Results for Stakeholders

- ✓ Industry-leading safety and reliability
- ✓ Strong 2020 earnings and dividend growth
- ✓ Long-term EPS and dividend growth targets announced
- ✓ \$755 million of capital projects in 2020 to upgrade and expand utility infrastructure
- ✓ Constructive regulatory outcomes
- ✓ Disciplined cost management
- ✓ Solid financial position with investment-grade credit ratings
- ✓ Responsible integration of renewable energy through innovative solutions
- ✓ Expanded ESG disclosures and emissions goals

# Strong Results and Positive Outlook

**2020**

Reported \$3.73 EPS, as adjusted<sup>1</sup>, an increase of 5.7% over prior year

**2021**

Increased EPS guidance to \$3.80 to \$4.00 from \$3.75 to \$3.95

**2022**

Initiated EPS guidance of \$3.95 to \$4.15

**2023-2025**

Announced 5% to 7% long-term EPS growth target<sup>2</sup>

**Dividend**

Introduced 5%+ annual growth rate target through 2025

<sup>1</sup> EPS available for common stock, as adjusted, a non-GAAP measure

<sup>2</sup> 2023 to 2025 compound annual growth rate, off 2022 base

# 2020 Strategic Execution

## Profitable Growth

- ✓ 5.7% increase in EPS, as adjusted\*; 8.6% increase in net income, as adjusted\*
- ✓ Announced long-term EPS and dividend growth targets
- ✓ Strong liquidity and BBB+ credit metrics
- ✓ 50 consecutive years of dividend increases
- ✓ New rates and safety and integrity rider expansion
- ✓ Corriedale wind project in service for SD and WY

## Valued Service **READY.**

- ✓ \$755 million in customer-focused investments
- ✓ Wygen I PPA approval benefits Wyoming customers
- ✓ Customer and community support during pandemic
- ✓ Industry-leading reliability
- ✓ Innovative renewable solutions
- ✓ Favorable franchise vote in Pueblo, Colorado

## Better Every Day

- ✓ Successful gas utility consolidation in Wyoming and Nebraska
- ✓ Expanded ESG reporting and emissions goals
- ✓ Leading-edge finance and accounting systems
- ✓ Robotics process automation
- ✓ Two highly experienced members added to board of directors
- ✓ Leadership alignment in Colorado

## Great Workplace

- ✓ Safety results better than industry average seven consecutive years
- ✓ Increased availability and participation in diversity and inclusion programs
- ✓ COVID-19 safety procedures and personal protective equipment
- ✓ Strong spirit of volunteerism and employee giving

\* Earnings, as adjusted, and EPS, as adjusted are non-GAAP measures which are reconciled to GAAP in the Appendix

# Disciplined Growth Plan with Upside



## Base Capital Forecast

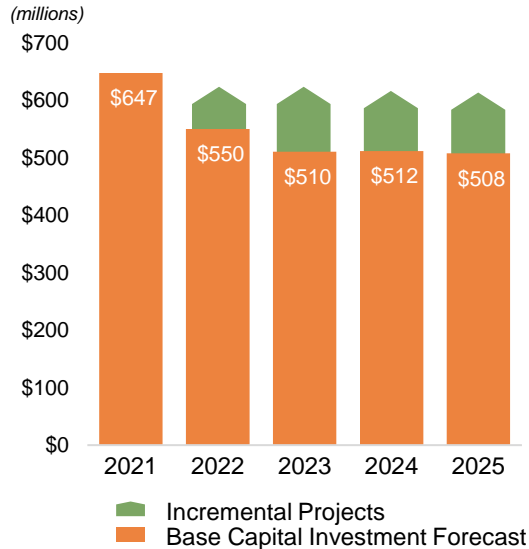


## Incremental Projects



## Other Earnings Drivers

**\$600+ million annual investment; \$3+ billion 2021-2025**



- ▲ Electric generation and transmission projects
- ▲ Large natural gas pipeline and storage projects
- ▲ Additional programmatic investment
- ▲ Investments to comply with safety requirements

**Pursuing Profitable Growth**

- ▲ Data center and technology growth
- ▲ Population migration into our territories
- ▲ Innovative solutions, products and technologies including renewables
- ▲ Cost discipline and focus on continuous improvement

# Reducing Greenhouse Gas Emissions

Achieving Cleaner Energy Delivery Through Existing Technology

## Electric Operations

40% by 2030\*

70% by 2040\*

## Gas Utilities

50% by 2035\*

Learn more at

[www.blackhillsenergy.com/sustainability](http://www.blackhillsenergy.com/sustainability)

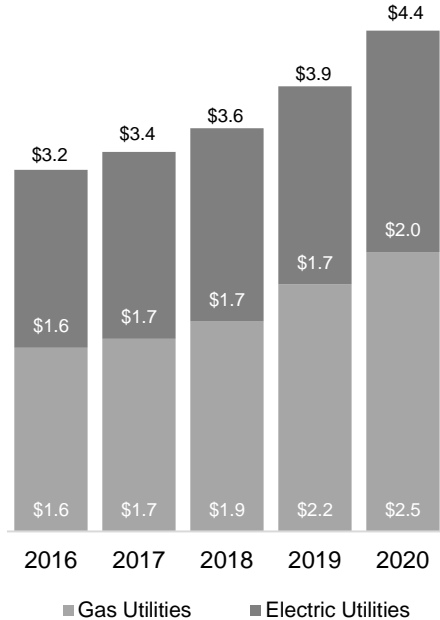


\* Reductions of greenhouse gas emissions intensity from a 2005 baseline; goals announced Nov. 5, 2020

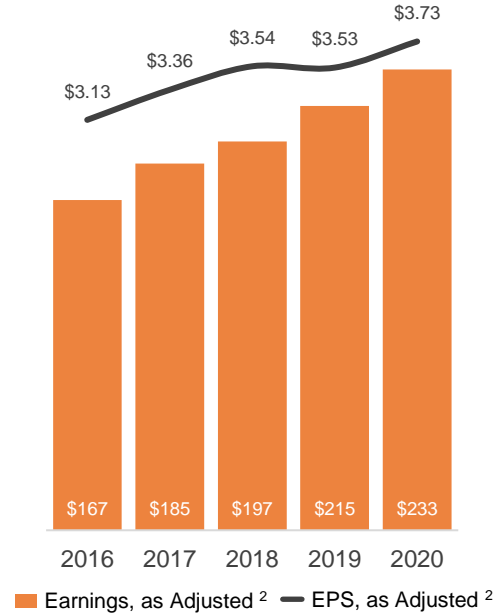


# Strategic Execution Delivers Results

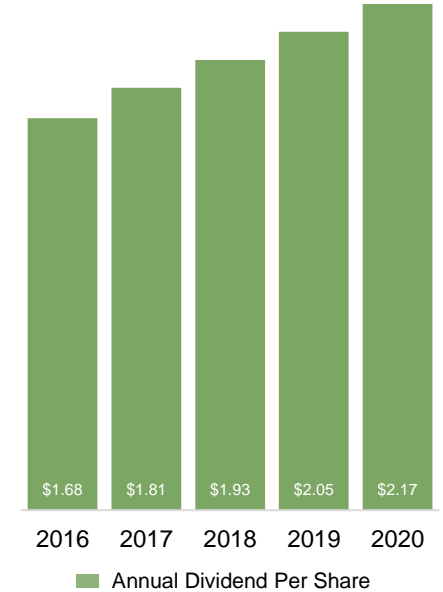
8.5% Rate Base<sup>1</sup> CAGR



8.7% Earnings CAGR  
4.5% EPS CAGR



6.6% Dividend CAGR



Invest for Customers

Earnings Growth

Dividend Growth

<sup>1</sup> Estimated in billions as of year end

<sup>2</sup> Earnings and EPS from continuing operations available for common stock, as adjusted are non-GAAP measures; reconciled to GAAP in Appendix

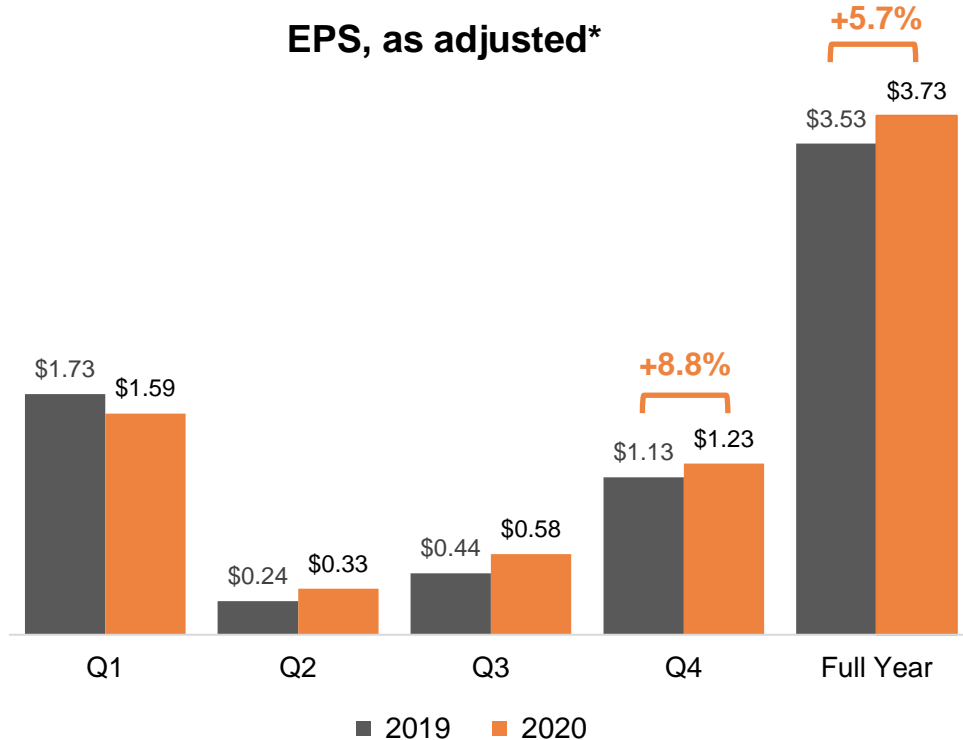
# Financial Update



The 52.5-megawatt Corriedale Wind Energy Project near Cheyenne, Wyoming started serving customers in December through the Renewable Ready subscription-based program in South Dakota and Wyoming

# 2020 Financial Review

## EPS, as adjusted\*

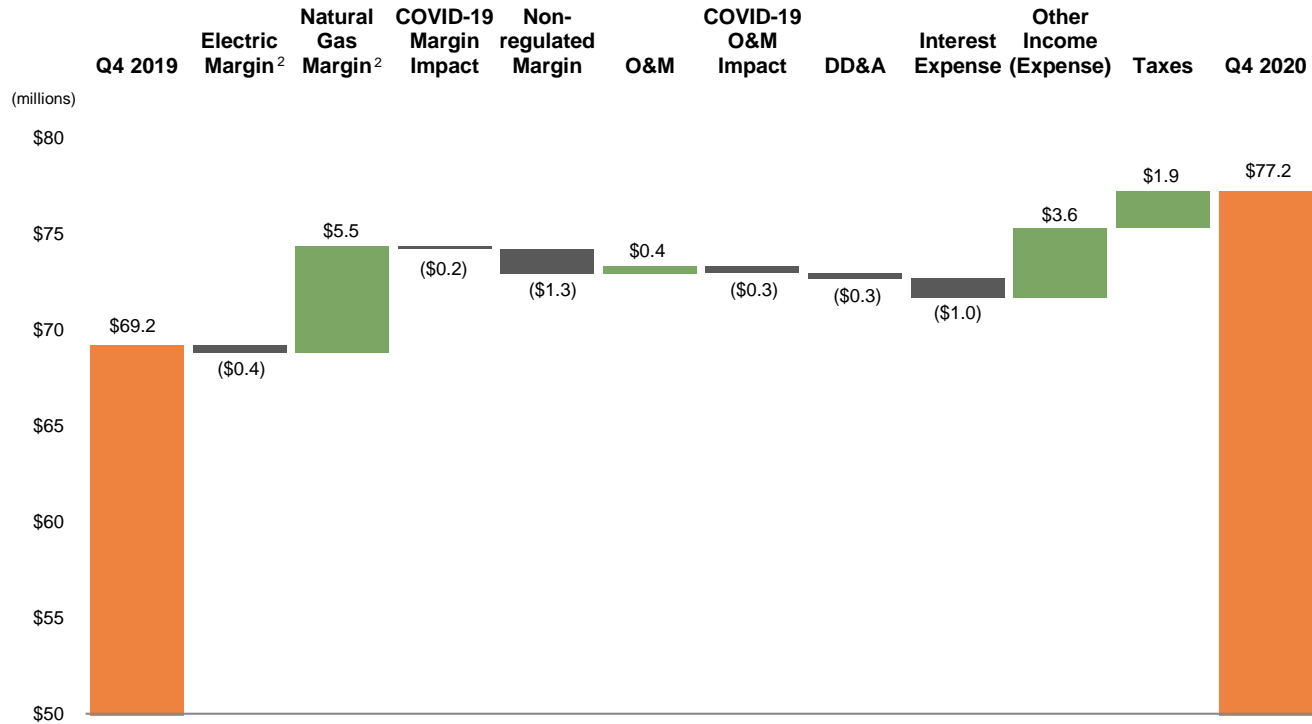


- ▶ Strong earnings growth driven by new rates, customer growth and tax credits
- ▶ Net full year COVID-19 impacts of (\$0.07) trended as forecasted
- ▶ Mild weather in Q1 and Q4 more than offset by weather benefit in Q2 and Q3
  - Q4 impact of (\$0.01) versus normal and (\$0.05) versus Q4 2019
  - 2020 impact of +\$0.03 versus normal and (\$0.03) versus 2019
- ▶ Dilution from higher share count

\* EPS available for common stock, as adjusted is a non-GAAP measure; reconciled to GAAP in the Appendix

# Q4 2020 Earnings Drivers

Change in Net Income Available for Common Stock, as Adjusted<sup>1</sup>



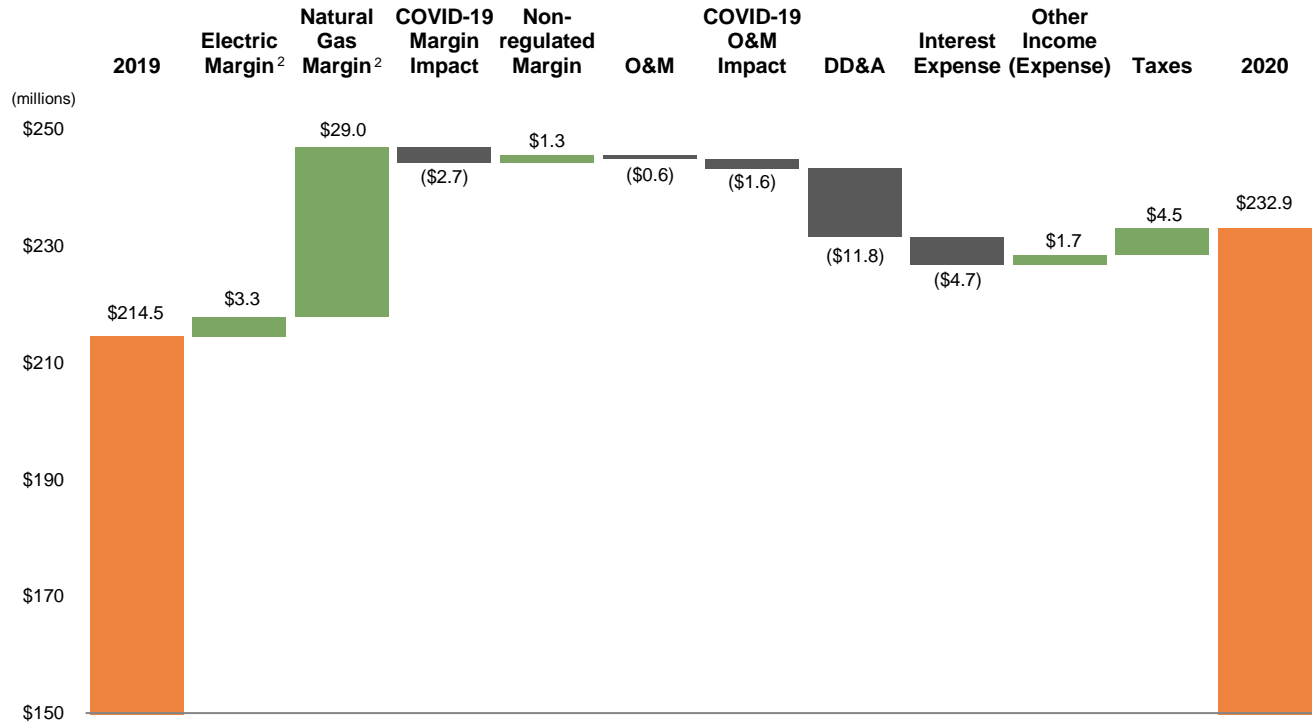
- ▲ New rates and riders
- ▲ Customer growth
- ▲ Production tax credits and other favorable tax items
- ▲ Prior year expense of development costs
- ▼ Higher depreciation on larger asset base
- ▼ Higher long-term debt balance
- ▼ COVID-19 impacts
- ▼ Weather

<sup>1</sup> Non-GAAP measure; see Income Statement in Appendix

<sup>2</sup> Negative utility margin impact of \$3.0 million (\$2.0 million negative impact for natural gas and \$1.0 million negative impact for electric), net of tax, related to weather

# Full Year 2020 Earnings Drivers

Change in Net Income Available for Common Stock, as Adjusted<sup>1</sup>



- ▲ New rates and riders
- ▲ Customer growth
- ▲ Production tax credits and other favorable tax items
- ▲ Prior year expense of development costs
- ▼ Higher depreciation on larger asset base
- ▼ Higher long-term debt balance
- ▼ Higher benefit plan costs
- ▼ COVID-19 impacts
- ▼ Weather

<sup>1</sup> Non-GAAP measure; see Income Statement in Appendix

<sup>2</sup> Negative utility margin impact of \$1.6 million (\$1.4 million negative natural gas negative impact and \$0.2 million negative impact for electric), net of tax, related to weather

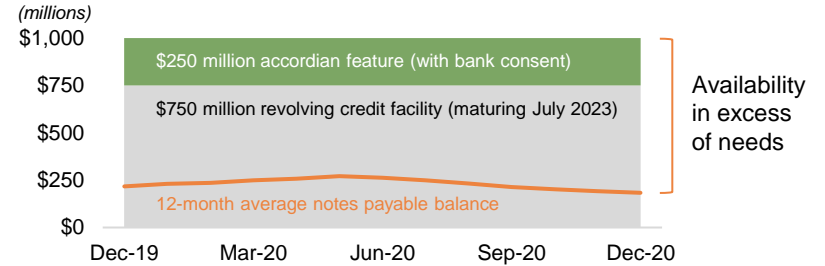
# Solid Financial Position

Committed to Strong Investment-Grade Credit Ratings

## Credit Ratings

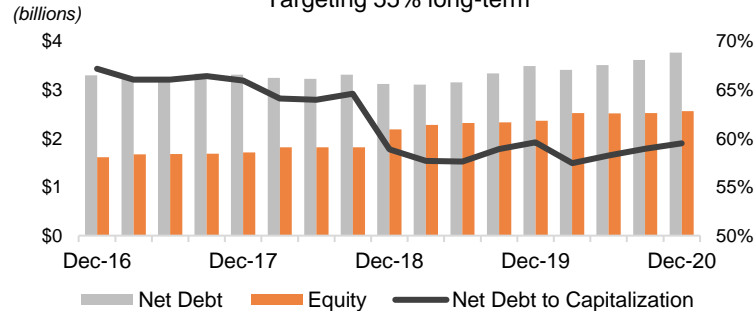
S&P	Moody's	Fitch
<b>BBB+</b>	<b>Baa2</b>	<b>BBB+</b>
Stable outlook	Stable outlook	Stable outlook

## Ample Access to Liquidity \*



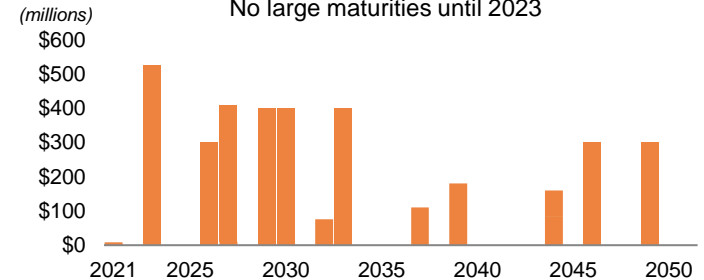
## Capital Structure \*

Targeting 55% long-term



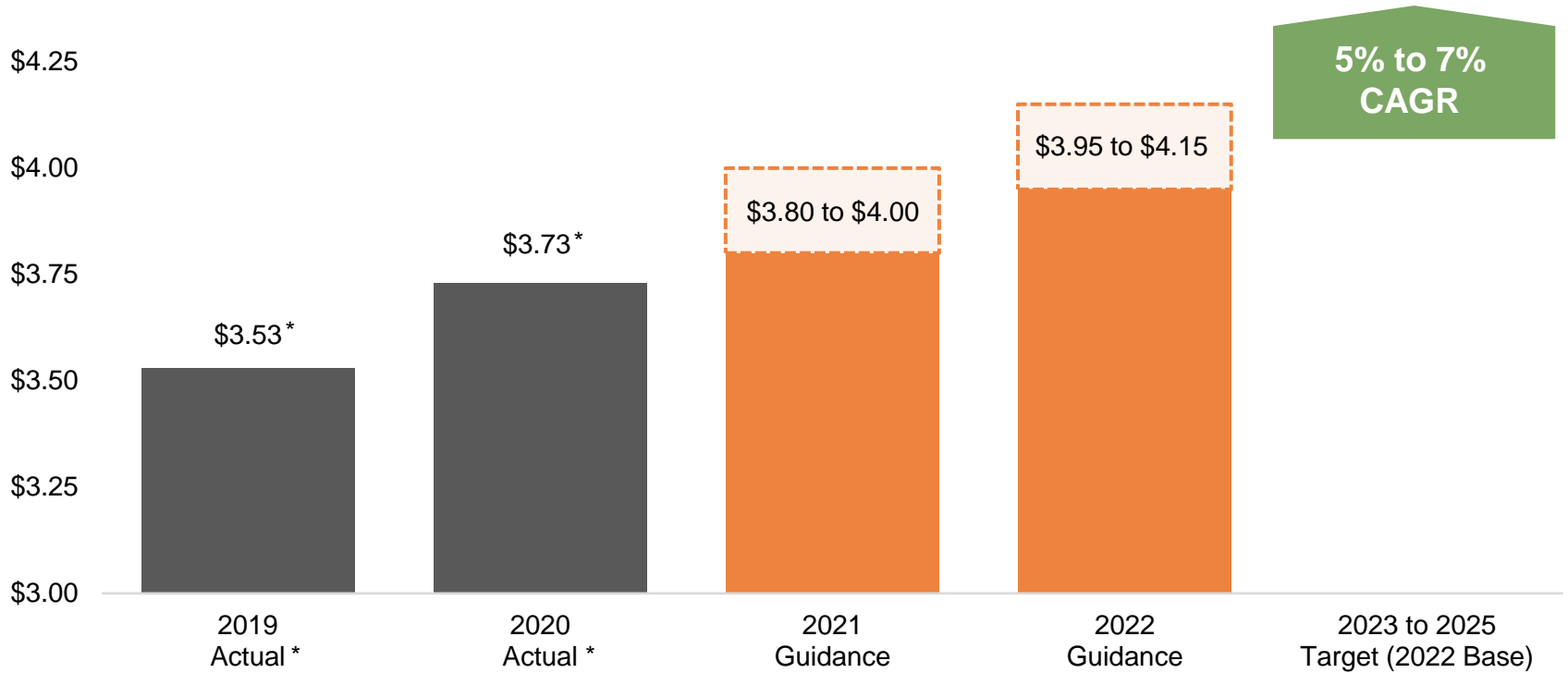
## Manageable Debt Maturities

No large maturities until 2023



\* Excludes noncontrolling interest; see Appendix for detailed capital structure

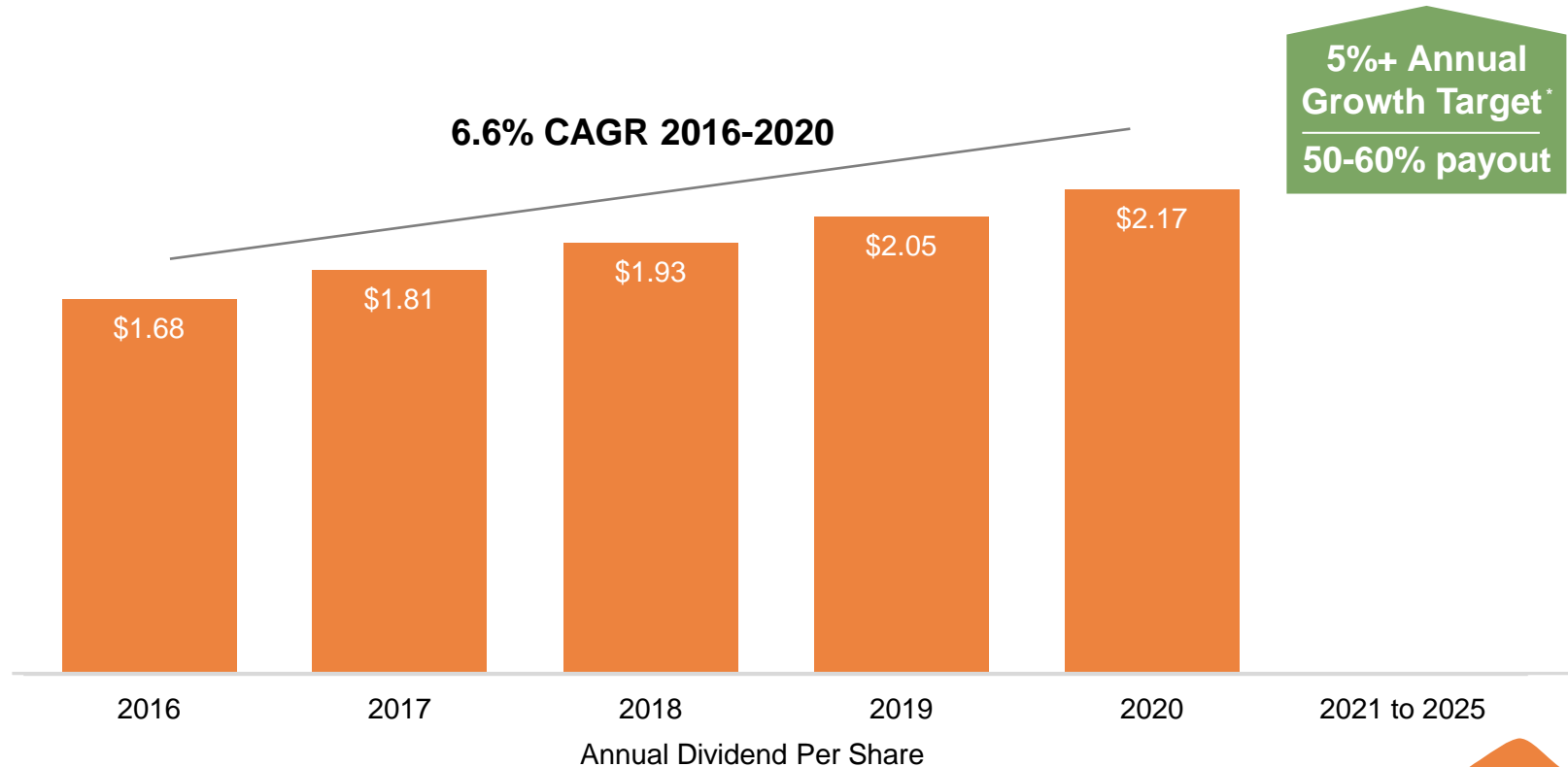
# Extended Five-Year EPS Outlook



\* EPS available for common stock, as adjusted, a non-GAAP measure; see Appendix for non-GAAP to GAAP reconciliation and guidance assumptions

# Strong Dividend Track Record

50 Consecutive Years of Annual Increases and 78 Consecutive Years Paid



\* Future dividends subject to board approval



# Low-risk, Pure-Play Utility with Strong Outlook

**\$3.0+** billion

Capital Investment 2021-2025

- ▲ Incremental projects likely
- ▲ Additional growth opportunities

**5% to 7%**

Long-term EPS growth target<sup>1</sup>

**5%+**

Annual dividend growth target<sup>2</sup>  
50-60% payout target

- Integrated pure-play utility
- Diversified and complementary electric and gas mix
- Stable, growing and constructive service territories
- Strong financial position and liquidity
- Robust capital plan with timely recovery

<sup>1</sup> 2023 to 2025 compound annual growth rate, off 2022 base

<sup>2</sup> Future dividends subject to board approval

# Investment Highlights by the Numbers

## Pure-Play Utility

97% 

Assets utility-owned or contracted to our regulated utilities

49%  51%  
Electric Natural Gas

Balanced operating income mix with complementary seasonality

## Strong Outlook

5% to 7%

Long-term EPS growth target 2023-2025 CAGR off 2022 base



5%+

Annual dividend growth <sup>1</sup>  
3.7% yield as of Feb. 3, 2021  
50 consecutive years of increase

## Sustainability

1.0 TCIR <sup>2</sup> 

Safety culture with results better than industry average

70%  50%  
Electric Natural Gas

GHG emissions intensity reduction goals <sup>3</sup>

11 of 12 

Independent directors and 4 diverse directors

Note: based on information as of Dec. 31, 2020; Electric businesses include Electric Utilities, Power Generation and Mining

<sup>1</sup> Future dividends subject to board approval

<sup>2</sup> Total case incident rate is defined as the average number of work-related injuries incurred per 200,000 hours worked during a one-year period (2019 utility industry average of 2.2)

<sup>3</sup> Reduction goals of 70% by 2040 for electric operations and 50% by 2035 for gas utilities off a 2005 baseline

# Questions



# Appendix

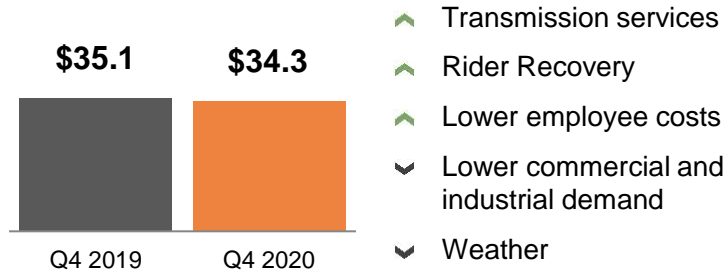


- Operating Income by Segment
- Income Statement
- Capital Structure
- Utility Weather and Demand
- Electric Generation and Mining Performance
- Capital Investment
- Earnings Guidance Assumptions
- 2020 COVID-19 Impacts and Regulatory Treatment
- Non-GAAP Information and Reconciliations
- Strategic Objectives, Vision, Mission and Values

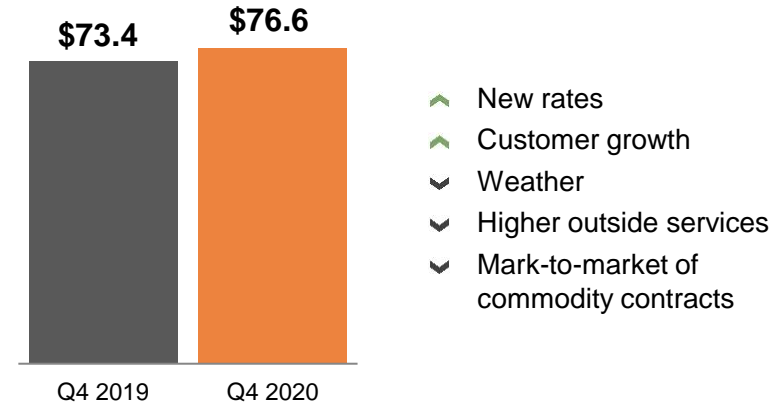
# Q4 2020 Operating Income by Segment

(in millions)

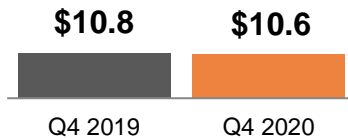
## Electric Utilities



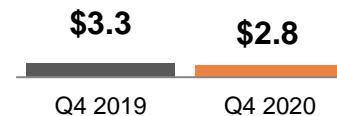
## Gas Utilities



## Power Generation\*



## Mining

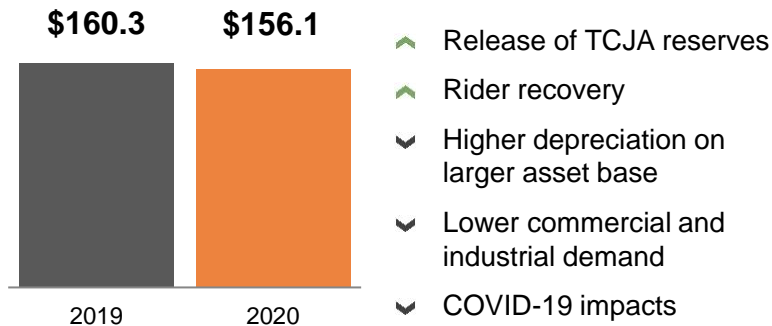


\* Power Generation includes 100% of Colorado IPP operations; financial results for the 49.9% minority owner of COIPP reflected through a reduction to net income attributable to noncontrolling interest

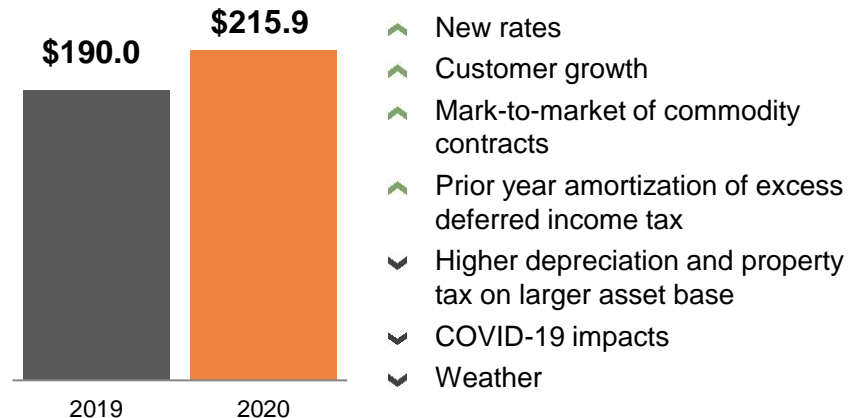
# Full Year 2020 Operating Income by Segment

(in millions)

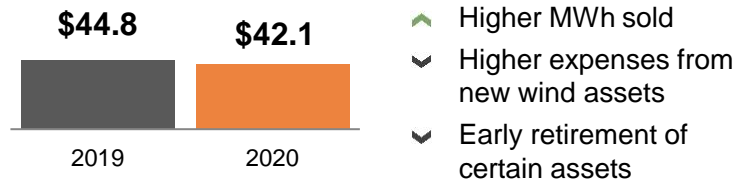
## Electric Utilities



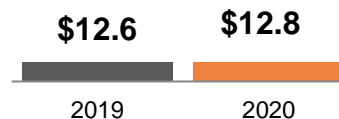
## Gas Utilities



## Power Generation\*



## Mining



\* Power Generation includes 100% of Colorado IPP operations; financial results for the 49.9% minority owner of COIPP reflected through a reduction to net income attributable to noncontrolling interest

# Income Statement

(in millions, except earnings per share)

	Fourth Quarter		Full Year	
	2019	2020	2019	2020
Revenue	\$ 477.7	\$ 486.4	\$ 1,734.9	\$ 1,696.9
Gross margin* (non-GAAP)	320.3	325.2	1,164.1	1,204.5
Operations and maintenance expense	(144.3)	(144.2)	(548.9)	(551.8)
Depreciation, depletion and amortization	(54.6)	(55.0)	(209.1)	(224.5)
<b>Operating income</b>	<b>121.4</b>	<b>126.0</b>	<b>406.0</b>	<b>428.3</b>
Interest expense, net	(35.2)	(36.4)	(137.7)	(143.5)
Impairment of investment	-	-	(19.7)	(6.9)
Other income (expense), net	(5.8)	(1.6)	(5.7)	(2.3)
<b>Income before taxes</b>	<b>80.4</b>	<b>88.0</b>	<b>242.9</b>	<b>275.7</b>
Income tax (expense)	(7.5)	(7.4)	(29.6)	(32.9)
Net income attributable to non-controlling interest	(3.7)	(3.3)	(14.0)	(15.2)
<b>Net income available to common stock</b>	<b>\$ 69.2</b>	<b>\$ 77.2</b>	<b>\$ 199.3</b>	<b>\$ 227.6</b>
Non-GAAP adjustments	-	-	15.2	5.3
<b>Net income available to common stock, as adjusted *</b>	<b>\$ 69.2</b>	<b>\$ 77.2</b>	<b>\$ 214.5</b>	<b>\$ 232.9</b>
<b>EPS - Net income available for common stock</b>	<b>\$ 1.13</b>	<b>\$ 1.23</b>	<b>\$ 3.28</b>	<b>\$ 3.65</b>
<b>EPS - Net income available for common stock, as adjusted *</b>	<b>\$ 1.13</b>	<b>\$ 1.23</b>	<b>\$ 3.53</b>	<b>\$ 3.73</b>
Diluted shares outstanding	61.4	62.7	60.8	62.4

\* Non-GAAP measure; defined and/or reconciled to GAAP on slide 38

# Capital Structure

(\$ in millions)

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
<b>Capitalization</b>					
Short-term Debt	\$ 355	\$ 325	\$ 4	\$ 94	\$ 243
Long-term Debt	3,140	3,137	3,533	3,527	3,528
<b>Total Debt</b>	<b>3,495</b>	<b>3,462</b>	<b>3,537</b>	<b>3,621</b>	<b>3,771</b>
Equity*	2,362	2,523	2,513	2,519	2,561
<b>Total Capitalization</b>	<b>\$ 5,857</b>	<b>\$ 5,985</b>	<b>\$ 6,051</b>	<b>\$ 6,140</b>	<b>\$ 6,332</b>
<b>Net Debt to Net Capitalization</b>					
Debt	\$ 3,495	\$ 3,462	\$ 3,537	\$ 3,621	\$ 3,771
Cash and Cash Equivalents	(10)	(54)	(32)	(7)	(6)
<b>Net Debt</b>	<b>3,486</b>	<b>3,408</b>	<b>3,506</b>	<b>3,614</b>	<b>3,764</b>
<b>Net Capitalization</b>	<b>\$ 5,848</b>	<b>\$ 5,931</b>	<b>\$ 6,019</b>	<b>\$ 6,133</b>	<b>\$ 6,326</b>
Debt to Capitalization	59.7%	57.8%	58.5%	59.0%	59.5%
Net Debt to Capitalization (Net of Cash)	59.6%	57.5%	58.2%	58.9%	59.5%
Long-term Debt to Total Debt	89.8%	90.6%	99.9%	97.4%	93.6%

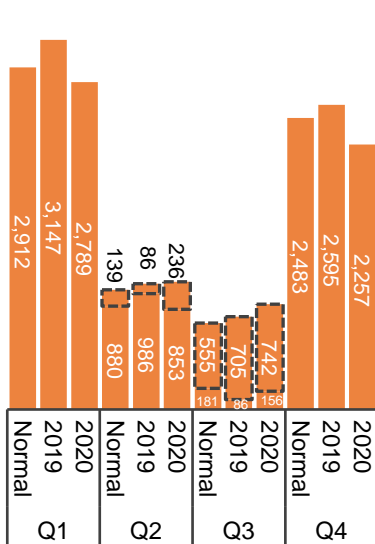
\* Excludes noncontrolling interest



# Utility Weather and Demand

## Electric Degree Days

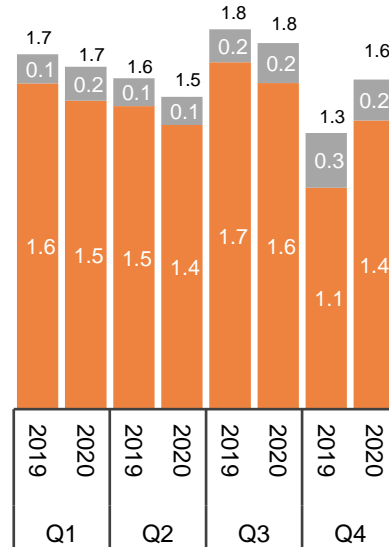
Total for all electric service areas weighted by customer count



## Electric Utility Total

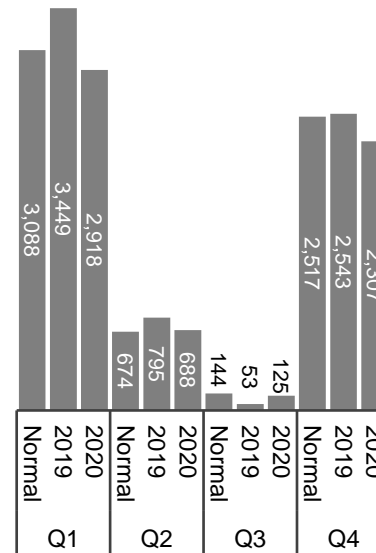
### MWh Sales

(in millions)



## Gas Degree Days\*

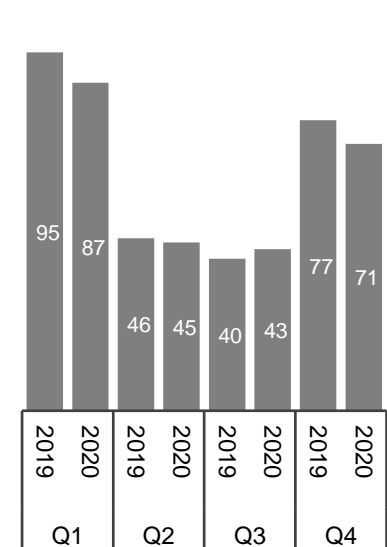
Total for all natural gas service areas weighted by customer count



## Gas Utility Total

### Dth Sales

(in millions)



■ Electric heating degree days  
 Electric cooling degree days

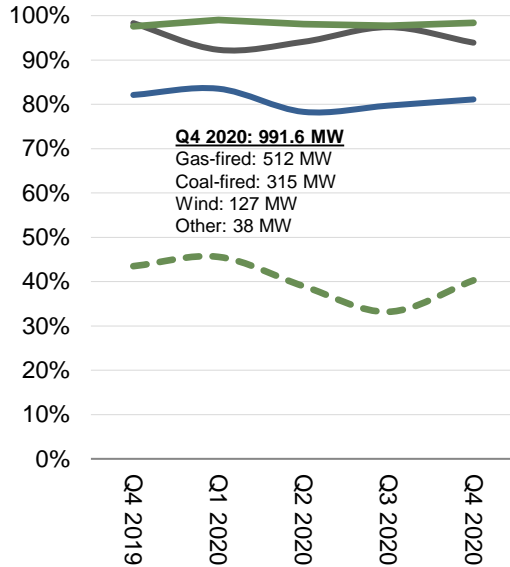
■ Utility customer sales  
■ Off-system sales

\* Gas Degree Days excludes Kansas data due to weather normalization in the state

Note: normal degree days listed for prior quarters based on data as of 2019; current quarter normal based on average of currently available data

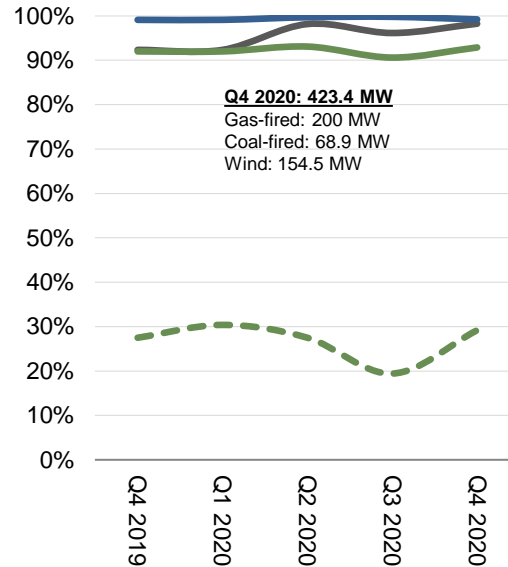
# Electric Generation and Mining Performance

## Utility-owned Generation Availability

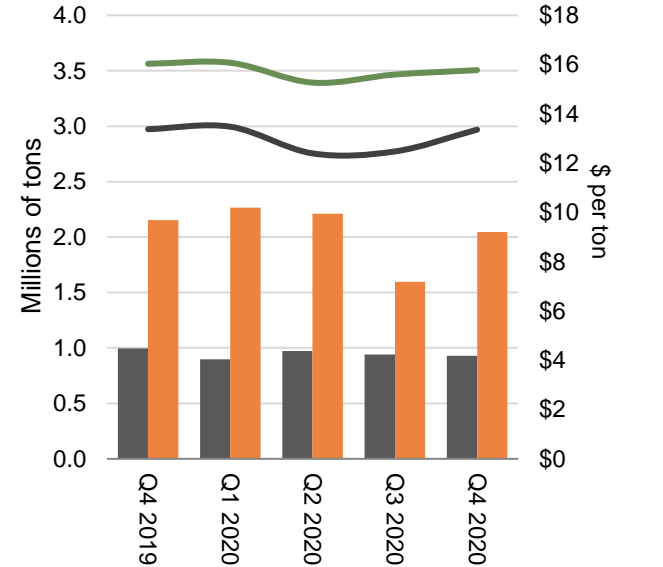


— Gas-fired plants    — Coal and other plants  
— Wind generation    - - - Wind capacity factor

## IPP Generation Contract Availability



## Mining Revenue and Expense per Ton Sold



— Revenue/ton    — Expense/Ton  
■ Coal Production    ■ Overburden Removed

# Base Capital Investment by Segment and Recovery

(in millions)

	2020A	2021F	2022F	2023F	2024F	2025F	2021-2025F
Minimal Lag Capital - Electric Utilities <sup>1</sup>	\$0	\$37	\$23	\$0	\$0	\$0	\$61
Rider Eligible Capital - Electric Utilities <sup>2</sup>	27	89	51	41	51	35	267
Growth Capital - Electric Utilities <sup>3</sup>	91	30	21	18	23	22	114
Other <sup>4</sup>	154	83	85	84	82	97	431
<b>Electric Utilities</b>	<b>\$271</b>	<b>\$240</b>	<b>\$180</b>	<b>\$143</b>	<b>\$156</b>	<b>\$154</b>	<b>\$872</b>
Minimal Lag Capital - Gas Utilities <sup>1</sup>	\$201	\$106	\$81	\$76	\$105	\$42	\$410
Rider Eligible Capital - Gas Utilities <sup>2</sup>	113	178	169	164	161	161	833
Growth Capital - Gas Utilities <sup>3</sup>	76	52	55	57	58	58	279
Other <sup>4</sup>	58	42	43	43	7	65	199
<b>Gas Utilities</b>	<b>\$449</b>	<b>\$377</b>	<b>\$347</b>	<b>\$339</b>	<b>\$330</b>	<b>\$326</b>	<b>\$1,720</b>
<b>Total Utilities</b>	<b>\$720</b>	<b>\$617</b>	<b>\$528</b>	<b>\$482</b>	<b>\$486</b>	<b>\$480</b>	<b>\$2,593</b>
Power Generation	9	10	9	6	4	5	34
Mining	8	9	9	9	9	10	47
Corporate	18	11	5	13	13	13	54
<b>Total Black Hills</b>	<b>\$755</b>	<b>\$647</b>	<b>\$550</b>	<b>\$510</b>	<b>\$512</b>	<b>\$508</b>	<b>\$2,727</b>

Incremental projects being evaluated for timing, cost and other factors

Expecting total investment of \$600+ million annually, or \$3+ billion 2021-2025

<sup>1</sup> Minimal Lag Capital - investment with regulatory lag of less than one year or incurred during expected regulatory test periods

<sup>2</sup> Rider Eligible Capital - capital expenditures recovered through state specific tariffs or FERC formula rates and meets minimal lag capital definition

<sup>3</sup> Growth Capital - generates immediate revenue on customer connections

Note: Some totals may differ due to rounding

# Base Regulated Utility Capital Investment by Type

(in millions)

	2020A	2021F	2022F	2023F	2024F	2025F	2021-2025F
Safety, Reliability and Integrity <sup>1</sup>	\$145	\$175	\$130	\$104	\$113	\$113	\$635
Growth <sup>2</sup>	91	30	21	18	23	22	114
General Plant	36	34	30	21	19	19	123
<b>Electric Utilities</b>	<b>\$271</b>	<b>\$240</b>	<b>\$180</b>	<b>\$143</b>	<b>\$156</b>	<b>\$154</b>	<b>\$872</b>
Safety, Reliability and Integrity <sup>1</sup>	305	292	259	257	254	253	1,315
Growth <sup>2</sup>	76	52	55	57	58	58	279
General Plant	68	34	34	26	19	14	126
<b>Gas Utilities</b>	<b>449</b>	<b>377</b>	<b>347</b>	<b>339</b>	<b>330</b>	<b>326</b>	<b>\$1,720</b>
<b>Total Utilities</b>	<b>\$720</b>	<b>\$617</b>	<b>\$528</b>	<b>\$482</b>	<b>\$486</b>	<b>\$480</b>	<b>\$2,593</b>

Incremental projects being evaluated for timing, cost and other factors.

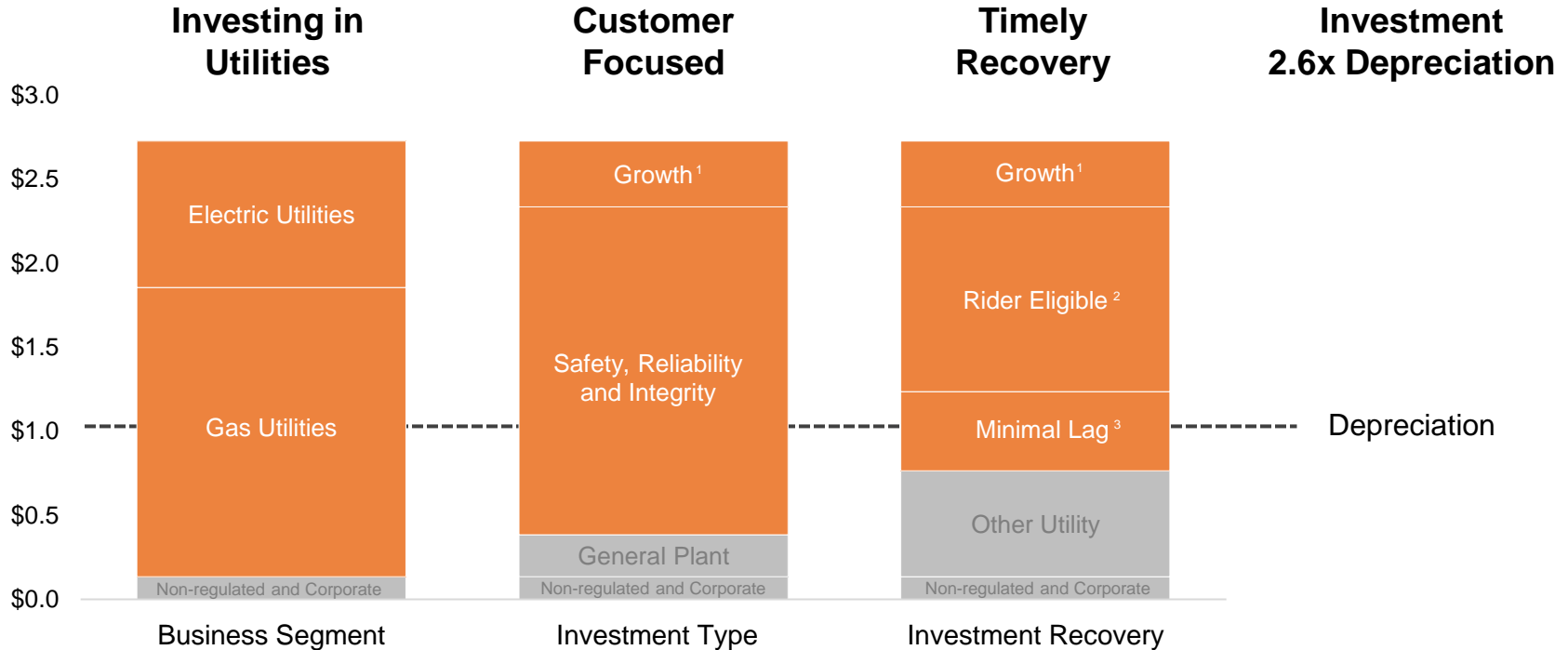
<sup>1</sup> Safety, Reliability and Integrity Capital - capital expenditures related to improving or maintaining system integrity

<sup>2</sup> Growth Capital - generates immediate revenue on customer connections

Note: Some totals may differ due to rounding

# Investing for Customer Needs Drives Growth

\$2.7+ Billion Base Capital Forecast 2021-2025



1 Growth Capital - generates immediate revenue on customer connections

2 Rider Eligible Capital - capital expenditures recovered through state specific tariffs or FERC formula rates and meets minimal lag capital definition

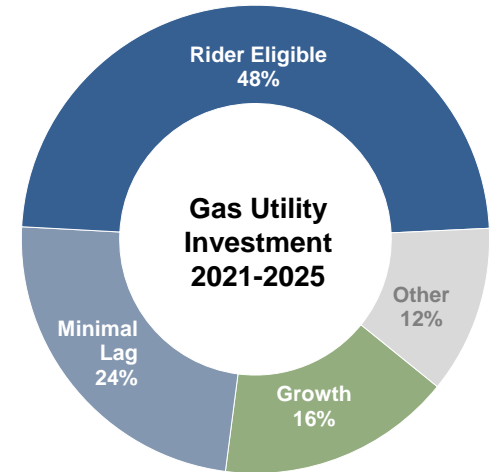
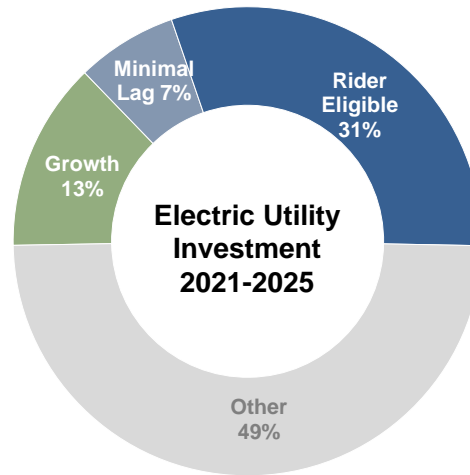
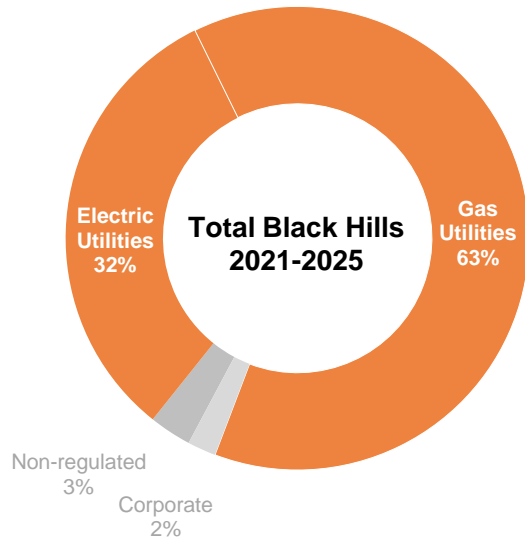
3 Minimal Lag Capital - investment with regulatory lag of less than one year or incurred during expected regulatory test periods

# Timely Investment Recovery

**95% of Investment in Regulated Utilities**

**51% with Timely Recovery for Electric Utilities\***

**88% with Timely Recovery for Gas Utilities\***



Note: charts illustrating base capital forecast

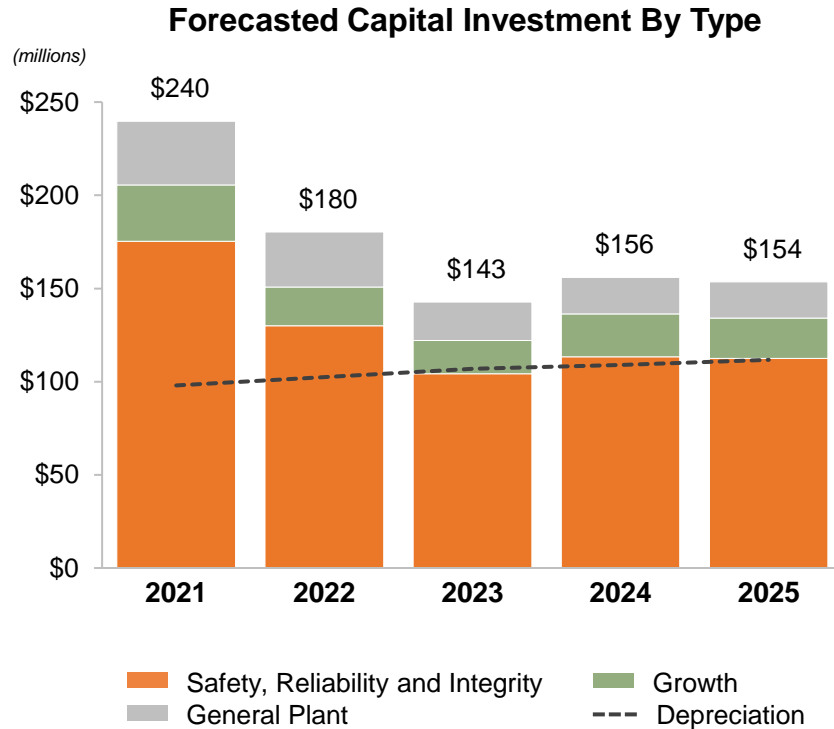
\* Growth Capital – generates immediate revenue on customer connections

Minimal Lag Capital – capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods

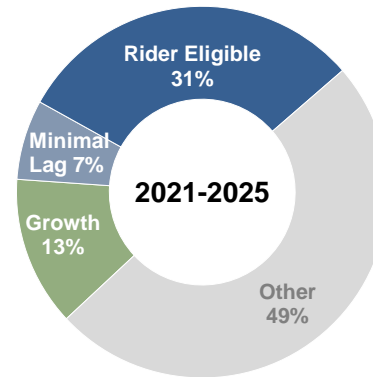
Rider Eligible Capital – capital expenditures recovered through state specific tariffs and meets Minimal Lag Capital definition

# Electric Utilities Capital Investment

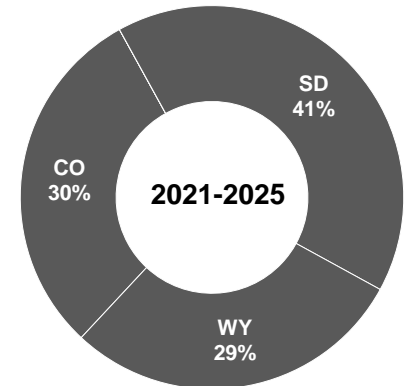
Five-year Base Forecast of \$0.9+ Billion Focused on Safety, System Integrity and Growth



51% with Timely Recovery\*



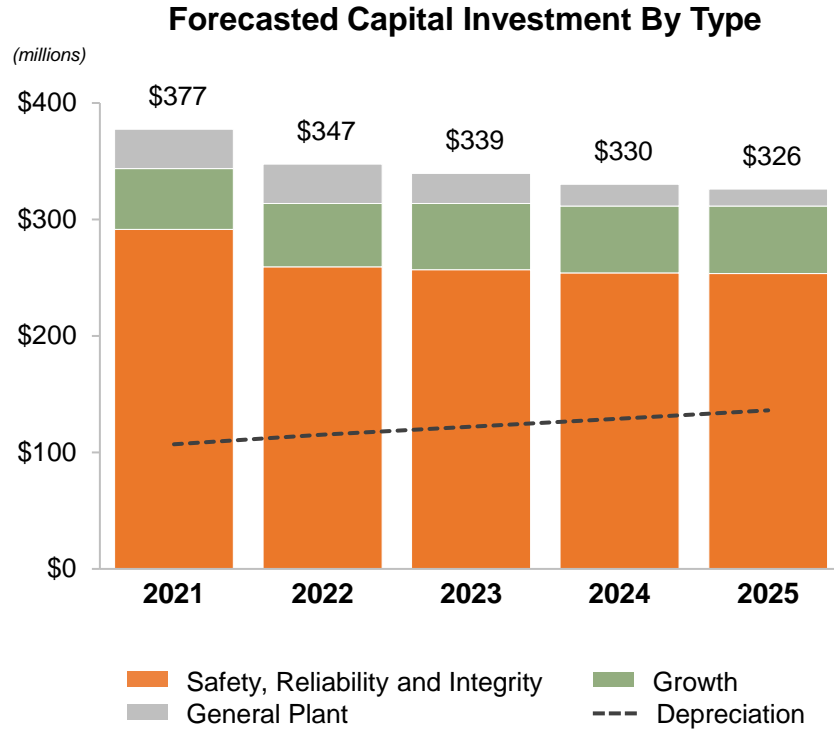
Forecasted Capital by State



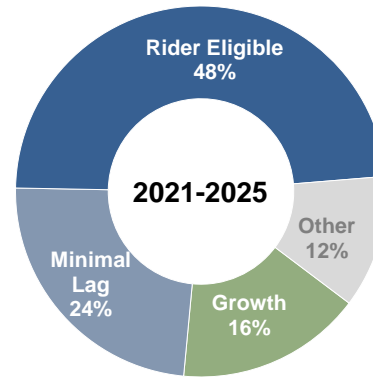
\* Growth Capital - generates immediate revenue upon customer connections  
 Minimal Lag Capital – capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods  
 Rider Eligible Capital - capital expenditures recovered through state specific tariffs or FERC formula rates and meets Minimal Lag Capital definition

# Natural Gas Utilities Capital Investment

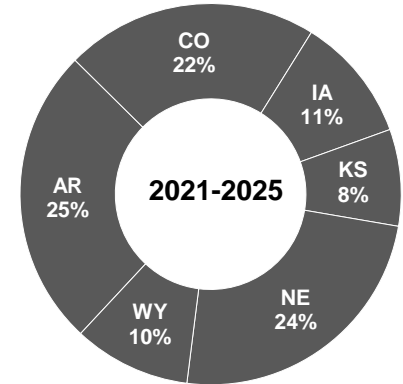
Five-year Base Forecast of \$1.8+ Billion Focused on Safety, System Integrity and Growth



88% with Timely Recovery\*



Forecasted Capital by State



\* Growth Capital - generates immediate revenue upon customer connections  
 Minimal Lag Capital – capital expenditures with regulatory lag of less than one year or incurred during expected regulatory test periods  
 Rider Eligible Capital - capital expenditures recovered through state specific tariffs and meets Minimal Lag Capital definition



# 2021 Earnings Guidance Assumptions

Black Hills increased its guidance for 2021 EPS available for common stock, to be in the range of \$3.80 to \$4.00 from \$3.75 to \$3.95, based on the following assumptions:

- Normal weather conditions within our utility service territories including temperatures, precipitation levels and wind conditions
- Normal operations and weather conditions for planned construction, maintenance and/or capital investment projects
- Completion of utility regulatory dockets
- No significant unplanned outages at any of our generating facilities
- Production tax credits of \$20 million associated with wind generation assets
- Equity issuance of \$100 million to \$120 million through the at-the-market equity offering program in 2021
- Capital investment of \$647 million in 2021
- No material net impact from COVID-19

# 2022 Earnings Guidance Assumptions

Black Hills initiated its guidance for 2021 EPS available for common stock, to be in the range of \$3.95 to \$4.15, based on the following assumptions:

- Normal weather conditions within our utility service territories including temperatures, precipitation levels and wind conditions
- Normal operations and weather conditions for planned construction, maintenance and/or capital investment projects
- Completion of utility regulatory dockets
- No significant unplanned outages at any of our generating facilities
- Adjusted contract price for Wygen I power purchase agreement beginning Jan. 1, 2022
- Production tax credits of \$20 million associated with wind generation assets
- Equity issuance of \$100 million to \$120 million in 2021 and \$60 million to \$80 million in 2022 through the at-the-market equity offering program
- Capital investment of \$647 million in 2021 and \$600 million in 2022
- No material net impact from COVID-19

# COVID-19 Impacts as Forecasted

(\$5.7) million net operating income, or (\$0.07) EPS impact; within forecasted (\$0.05) to (\$0.10) range

## Year-to-date impacts as of Dec. 31, 2020 (in millions, pre-tax)

Lower electric commercial usage partially offset by higher residential usage	(\$1.0)
Lower natural gas transport usage	(\$0.5)
Higher than normal bad debt expense	(\$3.3)
Waived customer late fees	(\$2.1)
Sequestered mission critical employees (sequestration complete)	(\$2.6)
O&M savings from lower employee costs including travel, training and outside services	\$3.8
<b>Total net impact</b>	<b>(\$5.7)</b>

# Non-GAAP Financial Measures

## Gross Margin

Our financial information includes the financial measure Gross Margin, which is considered a “non-GAAP financial measure.” Generally, a non-GAAP financial measure is a numerical measure of a company’s financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Gross Margin (Revenues less Cost of Sales) is a non-GAAP financial measure due to the exclusion of depreciation from the measure. The presentation of Gross Margin is intended to supplement investors’ understanding of our operating performance.

Gross Margin is calculated as operating revenue less cost of fuel, purchased power and cost of gas sold. Our Gross Margin is impacted by the fluctuations in power purchases and natural gas and other fuel supply costs. However, while these fluctuating costs impact Gross Margin as a percentage of revenue, they only impact total Gross Margin if the costs cannot be passed through to our customers.

Our Gross Margin measure may not be comparable to other companies’ Gross Margin measure. Furthermore, this measure is not intended to replace operating income as determined in accordance with GAAP as an indicator of operating performance.

## EBITDA and EBITDA, as adjusted

We believe that our presentation of earnings before interest, income taxes, depreciation and amortization (EBITDA) and EBITDA, as adjusted (EBITDA adjusted for special items as defined by management), both non-GAAP measures, are important supplemental measures of operating performance. We believe EBITDA and EBITDA, as adjusted, when considered with measures calculated in accordance with GAAP, give investors a more complete understanding of operating results before the impact of investing and financing transactions and income taxes. We have chosen to provide this information to investors to enable them to perform more meaningful comparisons of past and present operating results and as a means to evaluate the results of core on-going operations. Our presentation of EBITDA may be different from the presentation used by other companies and, therefore, comparability may be limited. Depreciation and amortization expense, interest expense, income taxes and other items have been and will be incurred and are not reflected in the presentation of EBITDA. Each of these items should also be considered in the overall evaluation of our results. Additionally, EBITDA does not consider capital expenditures and other investing activities and should not be considered a measure of our liquidity. We compensate for these limitations by providing relevant disclosure of our depreciation and amortization, interest and income taxes, capital expenditures and other items both in our reconciliation to the GAAP financial measures and in our consolidated financial statements, all of which should be considered when evaluating our performance.

*Note: continued on next page*

# Non-GAAP Financial Measures

## Net Income Available for Common Stock and EPS, as adjusted

We have provided non-GAAP earnings data reflecting adjustments for special items as specified in the GAAP to non-GAAP adjustment reconciliation table in this presentation. Operating Income (loss), as adjusted, Income (loss) from continuing operations, as adjusted, and Net income (loss), as adjusted, are defined as Segment Revenue, Operating Income (loss), Income (loss) from continuing operations and Net income (loss), adjusted for expenses, gains and losses that the company believes do not reflect the company's core operating performance. The company believes that non-GAAP financial measures are useful to investors because the items excluded are not indicative of the company's continuing operating results. The company's management uses these non-GAAP financial measures as an indicator for evaluating current periods and planning and forecasting future periods.

## Earnings per share, as adjusted and earnings from continuing operations, per share, as adjusted

Earnings per share from continuing operations available for common stock, as adjusted, and earnings from continuing operations, per share, as adjusted, are Non-GAAP financial measures. Earnings per share, as adjusted, and earnings from continuing operations available for common stock, per share, as adjusted, are defined as GAAP Earnings per share and GAAP earnings from continuing operations, adjusted for expenses, gains and losses that the Company believes do not reflect the Company's core operating performance. Examples of these types of adjustments may include unique one-time non-budgeted events, impairment of assets, acquisition and disposition costs, and other adjustments noted in the earnings reconciliation tables in this presentation. The Company is not able to provide a forward-looking quantitative GAAP to Non-GAAP reconciliation for this financial measure because we do not know the unplanned or unique events that may occur later during the year.

## Limitations on the Use of Non-GAAP Measures

Non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Our presentation of these non-GAAP financial measures should not be construed as an inference that our future results will not be affected by unusual, non-routine, or non-recurring items.

Non-GAAP measures should be used in addition to and in conjunction with results presented in accordance with GAAP. Non-GAAP measures should not be considered as an alternative to net income, operating income or any other operating performance measure prescribed by GAAP, nor should these measures be relied upon to the exclusion of GAAP financial measures. Our non-GAAP measures reflect an additional way of viewing our operations that we believe, when viewed with our GAAP results and the reconciliation to the corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business than could be obtained absent this disclosure. Management strongly encourages investors to review our financial information in its entirety and not rely on a single financial measure.

# Non-GAAP Financial Measures

	Earnings, as adjusted (in millions)					Earnings Per Share, as adjusted				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Net income (loss) available for common stock (GAAP)	\$ 73.0	\$ 177.0	\$ 258.4	\$ 199.3	\$ 227.6	\$ 1.37	\$ 3.21	\$ 4.66	\$ 3.28	\$ 3.65
Loss from discontinued operations (GAAP)	64.2	17.1	6.9	-	-	1.20	0.31	0.12	-	-
<b>Net income from continuing operations available for common stock (GAAP)</b>	<b>137.1</b>	<b>194.1</b>	<b>265.3</b>	<b>199.3</b>	<b>227.6</b>	<b>2.57</b>	<b>3.52</b>	<b>4.78</b>	<b>3.28</b>	<b>3.65</b>
<u>Adjustments, after tax</u>										
Acquisition / integration costs	29.7	2.8	-	-	-	0.56	0.05	-	-	-
Tax reform and other tax items	-	(11.7)	4.0	-	-	-	(0.21)	0.07	-	-
Legal restructuring - income tax benefit	-	-	(72.8)	-	-	-	-	(1.31)	-	-
Impairment of investment	-	-	-	15.2	5.3	-	-	-	0.25	0.08
Rounding	0.1	0.1	-	-	-	-	-	-	-	-
Total Non-GAAP adjustments	29.8	(8.8)	(68.8)	15.2	5.3	0.56	(0.16)	(1.24)	0.25	0.08
<b>Net income from continuing operations available for common stock, as adjusted (Non-GAAP)</b>	<b>\$ 166.9</b>	<b>\$ 185.3</b>	<b>\$ 196.5</b>	<b>\$ 214.5</b>	<b>\$ 232.9</b>	<b>\$ 3.13</b>	<b>\$ 3.36</b>	<b>\$ 3.54</b>	<b>\$ 3.53</b>	<b>\$ 3.73</b>

# Non-GAAP Financial Measures

## EBITDA

<i>(in thousands)</i>	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2019	2020	2019	2020
Net income	\$ 72,872	\$ 80,496	\$ 213,322	\$ 242,763
Depreciation, depletion and amortization	54,613	55,044	209,120	224,457
Interest expense, net	35,190	36,431	137,659	143,470
Income tax expense (benefit)	7,502	7,434	29,580	32,918
<b>EBITDA</b>	<b>\$ 170,177</b>	<b>\$ 179,405</b>	<b>\$ 589,681</b>	<b>\$ 643,608</b>
Adjustments for unique items:				
Impairment of investment	—	—	19,741	6,859
<b>EBITDA, as adjusted</b>	<b>\$ 170,177</b>	<b>\$ 179,405</b>	<b>\$ 609,422</b>	<b>\$ 650,467</b>

# Strategic Objectives



## Profitable Growth

Achieve consistent growth that creates value

- Meet growing demand through innovative solutions, customer-focused, cost effective, rate-based utility assets
- Enhance reliability and satisfaction
- Acquire small utility systems within or near existing service territories

## READY.

## Valued Service

Deliver reliable and highly valued products and services

- Invest in infrastructure to maintain safety and reliability of electric and gas systems
- Cost effectively integrate additional renewable resources



## Better Every Day

Continuously improve to achieve industry-leading results

- Achieve top-tier performance in a culture of continuous improvement
- Improve efficiencies through continued deployment of technology



## Great Workplace

Promote a workplace that inspires individual growth and pride in what we do

- Be the safest company in our industry
- Be one of the best places to work
- Improve the wellness of employees
- Be a workplace of choice for women and minorities



# VISION

Be the Energy Partner of Choice.

# MISSION

Improving Life with Energy.

## COMPANY VALUES



### Agility

We embrace change and challenge ourselves to adapt quickly to opportunities.



### Customer Service

We are committed to providing a superior customer experience every day.



### Partnership

Our partnerships with shareholders, communities, regulators, customers and each other make us all stronger.



### Communication

Consistent, open and timely communication keeps us focused on our strategy and goals.



### Integrity

We hold ourselves to the highest standards based on a foundation of unquestionable ethics.



### Respect

We respect each other. Our unique talents and diversity anchor a culture of success.



### Creating Value

We are committed to creating exceptional value for our shareholders, employees, customers and the communities we serve...always.



### Leadership

Leadership is an attitude. Everyone must demonstrate the care and initiative to do things right.



### Safety

We commit to live and work safely every day.



**BH**  
Black Hills Energy

**BH**  
Black Hills Energy

**BH**  
Black Hills Corporation  
Ready