

10 - 21 - 2025

National Fuel Gas Co

Acquisition of CenterPoint

National Fuel Gas Co

Acquisition of CenterPoint

CORPORATE SPEAKERS:

Natalie Fischer

National Fuel Gas Co.; Director of Investor Relations

David Bauer

National Fuel Gas Co.; President, Chief Executive Officer

Timothy Silverstein

National Fuel Gas Co.; Treasurer, Chief Financial Officer

PARTICIPANTS:

Zachary Parham

JPMorgan; Analyst

Neil Mehta

Goldman Sachs; Analyst

Kalei Akamine

BofA; Analyst

Timothy Winter

Gabelli & Company; Analyst

PRESENTATION:

Operator^ Hello and welcome to the National Fuel Gas Company Acquisition of CenterPoint's Ohio Natural Gas Utility Conference Call. (Operator Instructions).

I now hand it over to Natalie Fischer, Director of Investor Relations, to begin.

Please go ahead.

Natalie Fischer^ Thank you, Alex. And good morning. We appreciate you joining us on today's conference call for a discussion of National Fuel's acquisition of CenterPoint Energy's Ohio Natural Gas Utility business.

A press release and accompanying investor presentation have been posted to our Investor Relations website.

We may refer to these materials during today's call.

With us on the call from National Fuel Gas Company are Dave Bauer, President and Chief Executive Officer; and Tim Silverstein, Treasurer and Chief Financial Officer.

National Fuel Gas Co

Acquisition of CenterPoint

At the end of today's prepared remarks, we will open the discussion to questions.

Please note that if you have any media-related inquiries, contact Karen Merkel after the call.

Before we begin, I'd like to remind you that today's teleconference will contain forward-looking statements.

While National Fuel's expectations, beliefs and projections are made in good faith and are believed to have a reasonable basis, actual results may differ materially.

These statements speak only as of the date on which they are made.

And you may refer to this morning's press release as well as our IR presentation for a listing of certain specific risk factors.

With that, I'll turn it over to Dave Bauer.

David Bauer^ Thank you, Natalie. Good morning, everyone. Thanks for joining us today. Last evening, we entered into a definitive agreement to acquire 100% of the equity interest in CenterPoint Ohio's natural gas utility business for \$2.62 billion on a cash-free, debt-free basis, which implies a valuation of approximately 1.6x estimated rate base at year-end 2026. The transaction will add 335,000 customers, over 5,900 miles of natural gas transmission and distribution pipelines and \$1.6 billion in rate base.

We expect to close the acquisition in the fourth quarter of calendar 2026, subject to HSR review and the completion of a notice filing and review process with the Public Utility Commission of Ohio.

As I've said previously growing the company through M&A, particularly on the regulated side of the business, has been a strategic priority.

In addition to adding scale, which is an attribute value by investors in the credit market, it better balances our business mix and bolsters our investment-grade credit profile, which over the long run, should provide continued -- should provide support for continued growth on both the regulated and nonregulated sides of our business.

In this environment, it's an effective use of balance sheet capacity and an efficient redeployment of free cash flows from our nonregulated operations and the long-duration rate-base growth. CenterPoint Ohio meets all our criteria for a great utility acquisition.

First, it has the right amount of scale.

National Fuel Gas Co

Acquisition of CenterPoint

It doubles the size of our existing utility business and yet it's small enough that we can do it mostly with balance sheet capacity.

Second, it's located in a cold weather climate and is geographically proximate to our existing operations. Third, it operates in a favorable jurisdiction with strong political support in a constructive regulatory framework that enables timely recovery of ongoing investments in system modernization. And lastly, it has a stable customer base and a talented operating workforce that provides outstanding customer service.

With respect to financing, we have a strategy that we anticipate will generate long-term value for shareholders.

As Tim will discuss later, post close, this acquisition is expected to be immediately accretive to the Company's regulated earnings per share, excluding transaction-related expenses.

As you know, we generally look to the earnings and cash flows of our regulated subsidiaries to support our long-standing dividend, and the incremental earnings we expect from this transaction will only enhance our ability to extend our 55-year streak of dividend growth.

On a consolidated basis, at current natural gas prices, we expect adjusted operating results to be neutral in fiscal 2028, the first complete year after closing, and accretive thereafter.

Looking beyond the near term, our ability to fund rate base growth, utilizing free cash flow from our integrated upstream and gathering operations is a truly unique value proposition.

While most of our peer utilities are operating with thin cushions to their credit ratings and are issuing equity to fund growth, National Fuel can finance our rate base growth through free cash flow. This is a significant benefit of our integrated model.

At today's multiples, every \$1.00 of non-regulated free cash flow that we invest in rate base should translate to about \$1.60 in value.

Over time this should create significant value for shareholders and further improve our investment-grade credit metrics. And obviously a strong balance sheet gives us flexibility to fund future organic and inorganic growth when the opportunity arises.

With nearly 125-year history of providing safe, affordable and reliable energy supplies, we're excited to expand into the Dayton, Ohio region and look forward to serving its 335,000 natural gas customers.

We also look forward to further engaging with the approximately 200 employee workforce of CenterPoint Ohio and seamlessly integrating them into the National Fuel family. Throughout this process, we've had the opportunity to engage with many of them, and it's clear they share our commitment to safety and customer service.

National Fuel Gas Co

Acquisition of CenterPoint

In summary, CenterPoint Ohio is a great acquisition for National Fuel.

It checks all the boxes and what we're looking for in a regulated asset, and adds to our already great runway of organic growth opportunities, including Seneca's continued development of the EDA, where we have well over a decade of high-quality inventory, and our pipeline expansion projects like the Tioga Pathway and Shippingport Lateral projects.

All of this should create meaningful long-term value for shareholders. The outlook for National Fuel is very bright.

I'm excited for the future and look forward to building on our legacy in the natural gas business at a time when the outlook for the industry is as strong as we've seen in a very long time.

With that, I'll turn the call over to Tim to walk through the financial highlights in terms of the transaction.

Timothy Silverstein^ Thanks, Dave. And good morning, everyone. To reiterate what Dave said, this acquisition is highly strategic for National Fuel, adding significant scale to our regulated operations.

I'll talk a bit more about the business itself and our approach to financing the acquisition, which we expect will comfortably maintain our existing investment-grade credit ratings.

Starting with the regulatory and statutory framework, as Dave said, Ohio is a constructive ratemaking jurisdiction and very supportive of investing in natural gas infrastructure.

For example, several -- similar to several other states, the Ohio legislature approved the ban on natural gas bans in 2021.

On the ratemaking front, the Ohio Commission has a robust set of mechanisms that balance the needs of customers and shareholders. They use a straight fixed variable rate design similar to what we see in our FERC-regulated pipelines. This provides a high degree of certainty on rate recovery regardless of weather and usage trends. The Commission has also approved, and supported, cost recovery for nearly 100% of its capital investments through various riders, which allow operators to recover in real-time amounts related to this spending including an associated return.

Also in 2024, CenterPoint Ohio filed a rate proceeding, reaching a proposed settlement in July of this year with the Commission.

Approval is expected in early 2026.

National Fuel Gas Co

Acquisition of CenterPoint

With an agreed-upon revenue increase of nearly \$60 million and an extension of the critical riders through 2029, this settlement will provide further certainty into future cash flows and earnings for the remainder of the decade.

With the strength of this outlook, we expect to continue our long-term 5% to 7% regulated earnings per share growth well into the future, even starting with a significantly higher base of earnings post closing. Just as National Fuel has built strong relationships with our regulators in New York and Pennsylvania, we look forward to building upon CenterPoint's similarly strong relationships in Ohio and expect to actively engage with key stakeholders across the state.

Moving to the financing plans for this acquisition, the structure is a bit unique, with National Fuel issuing a promissory note to CenterPoint for \$1.2 billion at closing. The remainder of the purchase price will be paid in cash. The note was CenterPoint's preferred structure and is designed to help CenterPoint time the cash proceeds to meet their own financing needs. The note will have a maturity date approximately one year post closing, and will carry an interest rate of 6.5%, both of which were incorporated into our valuation.

Over the coming quarters, National Fuel intends to begin executing its permanent financing, inclusive of the amount to repay the note to CenterPoint.

We plan to fund the transaction through approximately \$300 million to \$400 million in common equity, along with the issuance of long-term debt, as well as expected future free cash flow from the Company's integrated upstream and Gathering businesses. Even though the CenterPoint note structure is not common for an investment-grade buyer, it does provide additional benefits to National Fuel. Given the longer timeline until the note's maturity, we can leverage our upstream and gathering free cash flow to fund a larger share of the proceeds.

We expect to raise capital in two tranches, with the first being prior to closing and the second being closer to the maturity of the promissory note.

We've also backstopped this transaction through a fully committed bridge facility for the entire purchase price inclusive of the repayment of the note at CenterPoint.

The goal of our financing strategy is to maximize flexibility and protect against downside risk, and we believe we achieved that. Based on extensive dialogue with the rating agencies, we've designed this ultimate financing mix to maintain a strong credit profile that supports our investment-grade credit rating.

Looking a little deeper at the terms of this deal, the transaction will be structured with a 338(h)(10) election for tax purposes, allowing National Fuel to step up the tax basis of this business.

We do not anticipate any impact of this election on ratepayers.

National Fuel Gas Co

Acquisition of CenterPoint

As we look ahead, we are confident in our ability to execute on the integration of these assets and deliver meaningful value to all of our stakeholders including customers, communities, employees and shareholders.

We are fully aligned with CenterPoint on ensuring a smooth integration and we'll have the benefit of working through the process alongside an experienced counterpart who has a track record as a great utility operator and has also successfully divested multiple gas LDCs over the past few years.

In closing, I'd like to first thank the team we worked with at CenterPoint.

It is clear they take pride in maintaining quality operations in Ohio.

We are excited to work with them throughout the transition process and welcome the Ohio team into the National Fuel family.

I also want to thank our entire team here at National Fuel.

The depth of knowledge, dedication and collaboration have allowed us to execute on the strategic opportunity that complements our existing portfolio of assets.

It's not every day that a business comes to market that so clearly meets our strategic acquisition criteria.

But here, we have the unique opportunity to acquire a high-quality business that we believe will be accretive to earnings per share and credit supported over the long term.

It expands our operations into a neighboring cold weather state with a constructive regulatory and political backdrop.

Supported by this strong foundation, we are confident that our acquisition of CenterPoint Ohio will deliver long-term value for all of our stakeholders for decades to come.

With that, Operator, I'd like to open the call for Q&A.

QUESTION & ANSWER:

Operator^ Our first question for today comes from Zach Parham of JPMorgan.

Zachary Parham^ Thanks for taking my questions and congrats on the deal.

First, just wanted to ask on the equity portion of financing, why do you believe \$300 million to \$400 million is the right amount? And any thoughts on timing of that potential financing?

National Fuel Gas Co

Acquisition of CenterPoint

Timothy Silverstein^ Yes. Thanks, Zach.

We've done a lot of work around this.

We've had a lot of conversations with the rating agencies. And we think that at \$300 million to \$400 million, it really balances the desire to keep our balance sheet in strong shape, consistent with how we've always operated the business.

And so through those conversations, we really landed on that number being the right number as we sit here today.

As it relates to timing, given the size of this transaction, there are some requirements that we will need to accomplish, particularly around putting together pro-forma financial statements. And so we don't expect that we will be going to the market for raising capital until the early part of next year, at the earliest.

So that's the plan as it sits today.

Zachary Parham^ Thanks, Tim. And then my follow-up, you mentioned 2.5 to 3x leverage expected post the deal close. Are you comfortable going forward at that level of leverage? Or would the plan be to further reduce leverage from that level with free cash flow generation? Just trying to think about how you'll allocate free cash flow on a pro forma basis going forward.

Timothy Silverstein^ Yes. That's a good question.

So we expect to come out of the gate, if you look at the strip today, closer to that 2.5x debt to EBITDA. And then you look at the profile of our business and the success we're seeing on the upstream and gathering side and the cash flow generation, that gives us a lot of flexibility to push our credit metrics and deploy that cash flow towards the balance sheet, first and foremost, until we're in a very comfortable spot, and so that would be the immediate plan.

But obviously we'll continue to evolve that as we continue to stay focused on our capital allocation strategy, which is, first and foremost, balance sheet strength and then looking at other ways to deploy that capital in the future.

Operator^ Our next question comes from Neil Mehta of Goldman Sachs.

Neil Mehta^ Yes. Just first question is better understanding some of the areas where you will be deploying incremental capital to drive rate base at CNP Ohio.

So I think your capital program is expected to be \$150 million to \$200 million. Where do you expect those dollars to be spent? What are specific projects or opportunities that you're excited about in terms of driving rate base higher?

National Fuel Gas Co

Acquisition of CenterPoint

Timothy Silverstein^ It's a good question, Neil. The nice thing about the CenterPoint Ohio assets, it looks very similar to the assets we have today in Western New York and Northwestern Pennsylvania.

It's very much a modernization, safety, reliability investment strategy.

But there's also some good opportunities we see down the road for growth. This service territory is situated right between Columbus and Cincinnati.

And so you're seeing a lot of sprawl and investment in Ohio, around those two regions, and we see some nice growth opportunities as we look out to the latter part of the decade as a way to deploy some growth capital.

But that baseline \$150 million to \$200 million is really principally tied to their ongoing modernization and investing in safety and reliability.

Neil Mehta^ Okay. And then I know with any regulated transaction, approvals tend to take a little bit longer.

So can you just remind us again what approvals will be required and will you have to work with the PUCO around getting this transaction done?

Timothy Silverstein^ Yes. So there's a notice requirement or I guess, more -- less of an approval requirement but more of a practical notice to the Commission. And so we'll plan to file that here in the coming months. And if we look at some of the precedent that has historically taken, say, in that 4- to 6-month area to seek approval which would put us comfortably in line to reach the closing date that we've talked about, which is the fourth quarter of calendar 2026.

Operator^ Our next question comes from Kalei Akamine of Bank of America.

Kalei Akamine^ In your materials, you mentioned that the impact on adjusted operating results will be neutral in fiscal 2028.

So my question is, what is the earnings from this business today? Is it growing under CenterPoint stewardship? And then after you take it over, this growth doesn't inflect into fiscal 2029.

Timothy Silverstein^ Yes.

I think I got your question there, Kalei. They have, as we put in our materials, historically, net income of about \$65 million.

As we talked about in our remarks, they're in the process of finalizing a rate case, that will have a couple of things.

National Fuel Gas Co

Acquisition of CenterPoint

One, it will have a general step-up in base rates but it also has built-in riders, like I alluded to, that really allowed the continued investment and corresponding growth over the next five years.

Those riders extend through 2029. So there will be the ability to deploy that capital over the next five years and have essentially built-in increases that are supported and agreed upon by the commission CenterPoint when they negotiated it and all the other intervening parties.

Kalei Akamine^ Okay.

So there are some things in motion there. The other thing I noticed about this deal is that it's a step out geographically.

So in West PA, Western New York, you guys operate an upstream position. Are there any benefits to establishing an upstream business in Ohio, noting that there are several packages on the market today?

Timothy Silverstein^ Yes. We think the geographic proximity in a neighboring state is certainly a good benefit for us overall. We think it fits with our existing business and how we operate our business. We aren't expecting a lot of significant benefits in terms of cost structure in the immediate term. But we do believe that we will be able to create value for both shareholders as well as customers over the long term as we get through the broader integration of this business.

Operator^ Our next question comes from Timothy Winter of Gabelli & Company.

Timothy Winter^ Congratulations on the transaction. I have two questions, Tim.

One, can you clarify the earnings accretion, the timeline for the regulated utility and the difference as to why it's neutral on a consolidated basis in 2028?

Timothy Silverstein^ Yes, Tim, sure.

So from a regulated perspective, it's immediately accretive, and it's pretty significant from an overall earnings per share at the regulated.

I mean we expect double-digit accretion within those businesses right out of the gate.

Obviously it's a sizable transaction for us doubling the utility rate base and increasing our overall rate base by 50%.

And so that, as Dave and I talked about, will be an immediate benefit right out of the gate. From a consolidated perspective, there's a couple of moving pieces there.

We expect consolidated EPS to be neutral in 2028 based on the first full year of operations after the expected closing.

National Fuel Gas Co

Acquisition of CenterPoint

It's possible it could be accretive as well. Ultimately, we'll come down to the placement of the cost of capital and our long-term debt as well as where natural gas prices go.

And if there's more free cash flow that we can put into the financing mix over long-term debt, for example.

So it's possible it could be better than neutral in 2028 and then obviously thereafter, we expect it to be meaningfully accretive as we look out to the future.

Timothy Winter^ Okay. Got you. And then – with the acquisition, you mentioned you're going to be 40% to 50% regulated.

As you look longer term, is there a targeted business mix that you guys are looking for? And with current gas prices, do you expect the E&P business to grow faster than the regulated utility business?

David Bauer^ Yes. Tim, this is Dave.

We don't have a specific target for each of the businesses. Rather, over time we do our best to invest capital in ways that will best benefit our shareholders, right? So in the 2010s, we were really growing our Marcellus program.

That's matured, and we find ourselves in a good spot now where we've got balance sheet capacity and a lot of free cash flow and an opportunity to acquire an asset on the regulated side of the business that is going to be great for us over time because it will make us a bigger company with better earnings and a better credit profile.

So now is the right time in our view to invest in this asset. And then over time depending on where gas prices go, depending on what opportunities are out there, we'll deploy capital in the parts of the business that will get the best returns for our shareholders.

Operator^ At this time we currently have no further questions.

So I'll hand back to Natalie Fischer for any further remarks.

Natalie Fischer^ Thank you for your interest in learning more about this exciting acquisition for National Fuel. A replay of this call will be available later today on both our website and by telephone and will run through the close of business on Tuesday, October 28.

Please reach out to me as the team and I are available to answer any questions you may have. Thank you. And have a great day.