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Spire Inc. (SR)

Primary Report **October 20, 2024**

Spire reported a 24Q3 GAAP loss of $0.28 per share, better than the $0.48 loss in 23Q3. Its non-GAAP, net economic loss per share was $0.14, also improved over 23Q3's $0.42 loss, and better than the consensus $0.17 loss. Operating revenues of $414.1 million were down 1.1% vs. the prior year.

Despite the smaller-than-expected loss, management lowered 2024 guidance, acknowledging that it would not be able to make up for the performance shortfall suffered earlier this year from unseasonably warm winter weather. It reduced its Gas Utility net economic earnings (NEE) guidance by $18 million at the midpoint or 7.7% to $213-$221 million, and raised Corporate & Other's expected net economic loss by $6 to ($28)-($24). These declines were partially offset by higher NEE expectations in Gas Marketing and Midstream.

My fiscal 2024 projections of $4.28 per share for GAAP earnings and $4.25 for NEE per share (NEEPS) are consistent with that guidance. For fiscal 2025, I project operating revenues of $2.7 billion, up 3.1%, GAAP diluted EPS of $4.36 and NEEPS of $4.39.

My price target of $71 applies a multiple of 16.3 to projected fiscal 2025 GAAP EPS of $4.36 (or 16.1 times NEEPS of $4.39). That is above the forward multiple for projected 2024 EPS of 15.3 but below the peer group average of 18.5. At its Oct. 18 closing price of $65.25, the stock has a potential 12-month total return of 13.4%, including its 4.6% dividend yield. My performance rating is "2" (Outperform).

Besides upgrading infrastructure to grow rate base, Spire's strategy is to improve operating efficiency and profitability by rationalizing its operations and pursuing bolt-on acquisitions (e.g. in gas pipelines and storage) within or near its operating footprint to lower its cost structure and improve system reliability. Most recently, it has reduced headcount in shared services and it is also streamlining its leadership structure.

Key risks include a potential spike in natural gas prices or slowing of the economy. Other risks, which contribute to the stock's low valuation vs. peers, include its high debt levels and below average customer growth. At the current share price, Spire could reduce leverage and simplify its capital structure by issuing common stock to take out its high cost preferred with little dilution to existing shareholders.

Common Stock Performance Rating: 2; Safety Rating: C- **S&P 500: 5864.67** (10/18)

Amt Outst ($m)	CUSIP	Issuer	Type	Recent Price	Coupon	Maturity	YTW	Spread	Call Date	Call Price	Credit Ratings
175	84857LAC5	Spire Inc.	Senior Notes	100.88	5.30%	3/1/26	4.62%	55 bp	None	#N/A	Baa2/BBB
250	505597AD6	Spire Inc.	Senior Notes	88.49	4.70%	8/15/44	5.67%	119 bp	2/15/44	100.0	Baa2/BBB
400	84859DAC1	Spire Missouri	First Mortgage Bonds	100.47	4.80%	2/15/33	4.73%	76 bp	11/15/32	100.0	A1/A
320	84859DAD9	Spire Missouri	First Mortgage Bonds	102.77	5.15%	8/15/34	4.79%	77 bp	5/15/34	100.0	A1/A
305	84859DAA5	Spire Missouri	First Mortgage Bonds	70.82	3.30%	6/1/51	5.37%	98 bp	12/1/50	100.0	A1/A

Bond prices are closest to October 18, 2024. The 4.70% Senior Notes were originally issued by Laclede Gas Company, predecessor to Spire.

Shares O/S (mil.)	Spire Inc. Equity Issues	10/18/24 Price	Div. per Share	Div. Yield	Tangible Book Val.	Proj. '24 EPS	2024 P/E	Proj. '25 EPS	2025 P/E
10.0	Dep Pfd (Rep 1/1000th Redeem Cum Pfd Ser A) (SR-A)	$25.24	$1.48	5.8%	$25.00				
57.8	Spire Inc. (SR) common stock	$65.25	$3.02	4.6%	$37.43	$4.28	15.3	$4.36	15.0

The Series A Preferred is rated BBB by Standard & Poor's and Ba1 by Moody's. The preferred is currently redeemable at Spire's option at a price of $25 plus accrued and unpaid dividends. Projected NEEPS (Non-GAAP) is $4.25 for 2024 and $4.39 for 2025.

Business. Spire Inc. (NYSE:SR) is a public utility holding company based in St. Louis, MO. Its predecessor, Laclede Gas Company, was one of the original twelve industrial companies that comprised the Dow Jones Industrial Average. In 2016, The Laclede Group changed its name to Spire Inc. Today, Spire operates in three segments: Gas Utility, Gas Marketing and Midstream.

The **Gas Utility** segment accounts for 93% of Spire's operating revenues and 80% of its operating income. The segment includes (a) Spire Missouri, which is the largest natural gas distribution utility system in Missouri; (b) Spire Alabama, a gas distribution utility that was acquired in 2014 and operates in central and northern Alabama and serves the city of Birmingham; (c) Spire Gulf, which serves the city of Mobile AL; and (d) Spire Mississippi, which serves south-central Mississippi. Spire Gulf and Spire Mississippi were acquired from Sempra U.S. Gas & Power in 2016.

In fiscal 2023, the Gas Utility segment reported $2.46 billion in operating revenues, $350.8 million in operating income and $200.5 million in net income. Also in 2023, Spire Missouri averaged 1.20 million customers, Spire Alabama averaged over 430,000 customers and I estimate that Spire Gulf and Spire Mississippi together averaged approximately 93,000 customers.

Besides its own consolidated financial statements, Spire includes full financial statements for its utility subsidiaries Spire Missouri and Spire Alabama in its filings with the SEC. The results of Spire Gulf and Spire Mississippi are included in the consolidated results. My analysis focused on the consolidated financial statements of Spire Inc. and does not incorporate or consider the separate performance of any of the subsidiaries.

The **Gas Marketing** segment provides natural gas marketing and related services to customers both within and outside of Spire's Gas Utility service areas. Most of its operating revenues arise from the purchase and sale of natural gas to a diverse set of customers, mostly in the central and southern U.S. Its retail operations provide natural gas and related services – transportation, storage and park and loan - to large commercial and industrial customers. The related services are necessary to provide for delivery of the commodity, ensure reliability of supply and respond to market opportunities. Gas Marketing's wholesale operations also offer commodity and related services to natural gas producers, pipelines, merchant power generators, storage operators, gas distribution utilities and municipalities. Most of the segment's revenues are derived from its wholesale operations.

Gas Marketing's operating revenues have been volatile over the past few years, as it has presumably reacted to trends and opportunities in the natural gas market. In 2023, the segment produced operating revenues of $179.1 million, down 23.8% from fiscal 2022. Its operating income was $49.3 million, up 5.1% and net income was $39.1 million, up 23.7%. For the nine months ended June 30, 2024, operating revenues are again down sharply, by 34.3%, but operating and net income are modestly higher.

The **Midstream** segment owns and operates several assets: *Spire STL Pipeline* is a FERC-regulated, 65-mile pipeline that connects the Rockies Express Pipeline in Scott County IL with multiple delivery points in St. Louis County MO, including Spire Missouri. Most of STL Pipeline's revenue comes from Spire Missouri.

In January 2024, Spire completed the acquisitions of *MoGas Pipeline*, a FERC regulated, interstate pipeline, and *Omega Pipeline*, a connected gas distribution system, for a combined purchase price of $175 million. Spire MoGas Pipeline runs for 263 miles, mostly in Missouri, and interconnects with the Spire STL Pipeline to deliver natural gas to Spire Missouri customers in St. Charles, Franklin and western St. Louis counties. It also interconnects with three other interstate pipelines. Omega Pipeline is a 75-mile natural gas distribution system that interconnects with the MoGas Pipeline and primarily serves the Fort Leonard Wood Army Base in south central Missouri.

The company's recently formed Spire Storage division now includes two assets: *Spire Storage West,* is a FERC-regulated storage facility that consists of two storage fields located in southwestern Wyoming. Spire expects to complete a 70% expansion of the facility's capacity from 23 billion cubic feet (Bcf) to 39 Bcf by the end of calendar 2024. In April 2023, Spire acquired for $37 million *Spire Storage Salt Plains*, an intrastate regulated storage facility located in north central Oklahoma with 13 Bcf of certificated capacity and 10 Bcf of working capacity.

These acquisitions have helped boost the Midstream segment's performance this fiscal year. For the nine months ended June 30, segment operating revenues were $68.9 million, up 40% from the prior year period. Operating income also increased by 40% to $29.5 million, while net income jumped 67% to $18.5 million. The improvement also reflected part of the additional capacity at Spire Storage West (apparently already placed into service) and higher rates implemented at Storage West and Salt Plains.

Strategy. Since completing the acquisitions of Spire Alabama in 2014 and Spire Gulf and Spire Mississippi in 2016, Spire has focused mostly on upgrading its utility infrastructure (i.e. replacing pipe), reducing costs and improving operating efficiencies across its organization. It has also pursued those bolt-on Midstream acquisitions, mostly within its operating footprint, that offer both an attractive return on investment and improved system reliability. It may continue to pursue similar acquisitions in the future.

During its recently completed quarter, Spire launched an initiative to improve customer affordability over the long term by lowering its cost structure and improving operating efficiency. So far, the company has implemented cost reductions in its shared services and leadership organizations. These have included a reduction in workforce and an early retirement incentive program. It is aiming to standardize work processes and fully capture the reduction in operating & maintenance costs available as a result of its infrastructure upgrades. This initiative will presumably be ongoing. So far, it appears to be mostly incremental and has not been categorized as a restructuring which might result in impairment charges. Management anticipates that the benefits of this program will be more visible in 2025 and 2026.

Spire's customer affordability improvement initiative coincides with similar programs that have been adopted by other natural gas distribution utilities (and indeed electric and water utilities, as well). For more than a decade now, infrastructure upgrade expenditures by utilities of all types have far exceeded cash generated from operating activities; so the non-commodity portions of customer utility bills have risen steadily. Utilities have been able to pursue this strategy because commodity costs have been low and mostly stable. Now, however, if a slowing economy puts undue financial pressure on consumers or commodity costs begin to rise at a rapid pace, state utility regulators will probably become increasingly reluctant to continue this elevated pace of infrastructure spending to avoid putting increased pressure on consumers.

Spire has announced that it plans to spend $7.3 billion over the next 10 years mostly to improve the safety and reliability of its natural gas service. This would result in an average annual increase of 7%-8% in its rate base. But 7%-8% annual rate base growth is not likely to be sustainable when its customer base is growing at less than 1/2% annually unless the economy is growing and energy cost inflation remains low. While it is already clear that lower income customers are having difficulty making ends meet, Spire is seeking to demonstrate that it is doing everything in its power to minimize the increasing cost of its services.

Along with this cost savings effort, Spire is working with local officials and business leaders to promote growth in its service territories by encouraging businesses to relocate there. It sees the access to reliable and affordable energy (i.e. natural gas) that it offers as a major attraction for these potential relocators. While this is undoubtedly a worthwhile endeavor, it is likely to take time – probably measured in years – for this initiative to bear fruit.

Leverage. Infrastructure spending (in excess of cash generated from operations) combined with acquisitions have raised Spire's leverage over the past decade. The company's ratio of debt-to-total capitalization increased from 53.0% in 2019 to 61.5% in 2023. This year, Spire's leverage has decreased to 57.4% as of June 30 as a result of new equity issuance; but leverage will increase by fiscal year end as a result mostly of the seasonal natural gas inventory build. My projections show Spire ending the year with a debt-to-capitalization ratio of 58.7%.

However, its ratio of debt plus preferred stock-to-total capitalization, which is especially relevant for common equity shareholders, has increased from 57.5% in 2019, when the preferred was issued, to 64.7% in 2023. My projections anticipate that this ratio will end fiscal 2024 at 61.8%.

By my calculations, using data sourced from a third party service (Seeking Alpha), Spire's June 30 ratio of debt plus preferred stock-to-total capitalization – 60.5% - is among the highest in its peer group. High leverage could be a contributing factor to the stock's discount vs. peers and poor relative performance.

Management and the Board appear to be content with the company's current leverage (or at least its level of debt), but they have taken and will continue to take steps to prevent it from going higher. Spire has used periodic and opportunistic "at-the-money" (ATM) equity issuances to trim down its leverage in recent years. In 24Q1, the company issued 1.74 million shares under this program, raising $112.2 million of proceeds. In 24Q2, it executed forward sale agreements for 0.20 million shares which had to be settled by Sept. 27 (i.e. before fiscal year end). My projections assume that it will raise $13.9 million from these forward sales. In 24Q3, Spire executed forward sales agreements for 0.34 million shares which must be settled on or before March 10, 2025.

In its 24Q3 earnings presentation, management indicated that it expected to raise an additional $50-$100 million in equity through the ATM program by fiscal 2024 year end and perhaps as much as $50 million in each of fiscal 2025 and fiscal 2026. The Sept. 27 forward sale represents only a portion of the expected $50-$100 million, so perhaps the company will report that it fell short of that goal. My projections assume that the company will raise $50 million each year through the ATM program in fiscal 2025 and fiscal 2026.

On March 5, 2024, holders of 3.5 million of the company's Corporate Units (originally issued in February 2021), settled their obligation to purchase 0.7845 shares of common stock for $50 per unit. In total, they received 2.75 million shares of common stock for $175.0 million. (In addition, unit holders received $175 million of Spire's 5.3% Senior Notes due March 1, 2026.) Besides straight issuance of common shares, this type of equity unit financing could conceivably be used by Spire to raise additional equity capital in the future.

<u>Spire's Preferred Stock</u>. In February 2019, Spire issued 10 million depositary shares representing a 1/1000th interest in a share of 5.90% Series A Cumulative Redeemable Perpetual Preferred Stock (with a $25 per share liquidation preference). After the underwriting discount and expenses, the company received $242 million from the offering. Proceeds were used to refinance outstanding debt at the holding company level – a $125 million issue was due to mature three months after the offering was completed - and fund capital expenditures.

The preferred is currently redeemable at par ($25) plus accrued and unpaid dividends. It is a high cost financing, with an effective equivalent interest cost (after adjusting for its non-tax deductibility) of 6.9%.

Two other gas utilities, NiSource (NI) and UGI Corporation (UGI), have retired their outstanding preferred issues this year. NiSource did so through a cash redemption; UGI through a swap of equity units (that included its preferred) into common. As far as I am aware, Spire is the only pure play gas utility to have preferred stock currently outstanding.

Preferred stocks can be a useful financing mechanism, especially for highly leveraged companies, because they increase the equity base while avoiding dilution of common shareholders. But the perception of higher leverage can cause investors to place a greater discount on the stock to compensate for the higher risk.

According to my pro forma analysis, if Spire were to have redeemed the preferred by issuing stock at $60 per share at fiscal 2024 year end (i.e. on September 30), the additional dilution would reduce projected 2025 net economic EPS by $0.07 per share (from $4.39 to $4.32). However, since it would reduce the company's leverage (from the perspective of common shareholders), that dilution may very well be offset by an increase in the company's common equity valuation multiple.

New Credit Agreement. On October 11, 2024, Spire and its two largest utilities, Spire Missouri and Spire Alabama, entered into a second amended and restated loan agreement with a syndicate of banks led by Wells Fargo bank. This amended agreement increases the total availability to $1.5 billion, from $1.3 billion previously, with sub-limits of $525 million for Spire Inc. (an increase $75 million), $700 million (an increase of $125 million) for Spire Missouri and $275 million for Spire Alabama. This loan agreement mostly serves as a backstop for the company's commercial paper program. Highest borrowings outstanding under that program for fiscal 2024 were just over $1.1 billion. This agreement extends the final maturity date of the credit agreement by two years to 2029.

Long-Term Debt. At June 30, Spire had $3.75 billion of long-term debt outstanding, with $307 million of debt maturing within the next year. $1.80 billion of that debt (and $300 million of current maturities) was lodged at Spire Missouri, $750 million at Spire Alabama and $223 million at other subsidiaries. Except for the $300 million due in 12 months (as discussed below), all of Spire's remaining outstanding debt pays interest at fixed rates.

Senior and unsecured credit ratings for Spire Inc. and Spire Missouri are provided on page 1. Spire Alabama's senior unsecured debt is rated BBB+ by S&P and A2 by Moody's.

That $300 million of current maturities at Spire Missouri is in the form of floating-rate first mortgage bonds that were due to mature in December. Spire redeemed those bonds on August 14, but it has not disclosed either publicly or through its SEC filings the source of repayment. The company probably funded the repayment with borrowings under its credit facility or perhaps a short-maturity (unsecured) term loan.

With those First Mortgage Bonds now repaid, Spire has $35 million of debt coming due in fiscal 2025 and $480 million due in fiscal 2026. The fiscal 2026 maturities consist of $350 million of Spire Inc.'s 5.3% Senior Notes due March 1, 2026 and $130 million of its 3.13% Senior Notes due September 1, 2026.

Except in the utility sector, it is often difficult for investors to gain exposure highly rated secured debt. That is because the market for such debt is served mostly through bank loan agreements. When these bonds are publicly registered, issue sizes are often small, so the bonds tend to trade by appointment.

Credit risk for most utility first mortgage bonds, including Spire Missouri, is low because the value of the assets securing the bonds usually exceeds the principal amount of bonds outstanding by a comfortable margin. Although the protections codified in bond indentures have been loosened over the past 20-30 years, the asset coverage is still generally good and most utility subsidiaries have reasonably conservative debt-to-capitalization ratios that are set and monitored by regulators. These protections are evident in the solid investment grade credit ratings that they typically carry. Although credit risks may be low, these bonds are still subject to interest rate risk.

Stock Price Performance. Spire's common stock has underperformed both the broader market (as measured by the S&P Mid-Cap 400, and its peers, as measured by the Dow Jones US Gas Distribution Index, over the past five years. Since the stock peaked at $88 on September 19, 2019, it has lost 25.2% of its value (on price alone). Dividends have reduced that loss to 8.1%. By comparison, the S&P Mid-Cap 400 has advanced 65.2% on price and 77.3% on a total return basis over that same period. Meanwhile, the Dow Jones U.S. Gas Utility Index has declined 4.1%.

Spire's underperformance vs. the broader market and peers has continued year-to-date. Its stock has risen 4.7% on price and generated a total return of 8.6%; but that is well behind the S&P Mid-Cap 400's

15% price gain and 16.3% total return and the Dow Jones U.S. Gas Distribution Index's 16.0% price advance. The stock had two brief moments this year, first in July, when it outperformed its peer group briefly YTD, and then in September when it caught up with Mid-Cap 400 temporarily; but those moments came first on a short price spike during the market's late July-early August rally and then when the stock held its ground during the market's short-lived sell-off in early September.

Another potentially troubling sign was the stock's sharp 4.5% decline last week on October 17. The stock gapped down at the open that day and was down nearly 8% at its low before rallying back to cut its losses nearly in half. Gas distribution utility stocks were mostly down on the day, but Spire was by far the worst performer. There were no announcements from the company or press reports to explain the move that day. Spire filed an 8-K disclosing the second amendment to its credit agreement the next day on October 18. Volume was high on October 17, so it is possible that the company completed another ATM equity offering that day.

Given that Spire's businesses are fairly steady and reliable performers (with the significant seasonal swings in the Gas Utility segment), it is surprising that its stock has struggled so much, relatively speaking, over the past five years.

Disclosure Issues: On the whole, Spire's financial statements appear to me to be straightforward, especially its cash flow statement, which to my eye appears to have far fewer embedded non-cash transactions than nearly all of the companies that I have analyzed over the years. One significant concern, however, is the lack of disclosure around the company's utility plant and non-utility property, including especially a breakdown of the components of depreciation & amortization expense.

No company that I know of provides a detailed breakdown of the components of depreciation & amortization expense (even though they should). But many companies do disclose PP&E depreciation expense and amortization of intangibles separately in the notes to the financial statements. For most companies, those two items typically explain all or nearly all of total depreciation and amortization expense.

Spire does provide a hint of how to estimate its depreciation expense (presumably for utility plant only and not for non-utility property). The hint suggests to me that there is a large component of depreciation and amortization expense that is unexplained in its financial disclosures.

The insufficient disclosure around depreciation & amortization expense argues for caution when evaluating the company's performance with cash flow-based metrics such as EBITDA and funds from operations (FFO). Management uses the ratio of FFO-to-total debt to gauge the company's ability to service its outstanding debt. However, to my knowledge, I have not found any disclosure from the company that defines FFO. As a non-GAAP metric, Spire should define FFO and reconcile it to the nearest comparable GAAP measure.

On its last conference call, management said that it was aiming for an FFO-to-total debt ratio of 15%. It also said that S&P in a recent credit report had calculated the measure at 11%, but Spire's own definition of FFO puts the ratio is closer to 13% today. Given the discussion, the company ought to provide its calculation of FFO in a table in the appendices to either its earnings press releases or its conference call slide presentations (or both). In Table 5 below, I take a guess at Spire's FFO-to-total debt ratio. I define FFO as net income plus depreciation and amortization. My calculation of FFO-to-total debt yields a result – around 11% - that is similar to S&P's.

Projections

Table 1

Spire Inc.

Projected Fiscal 2024 Net Economic Earnings by Segment: Guidance vs. Projection Model

(in $ mil.)

Segment	Latest Guidance	Projection Model
Gas Utility	$213 – 221	$216.6
Gas Marketing	27 - 31	32.9
Midstream	30 - 34	33.0
Corporate and Other	(28) – (24)	(27.7)
Total	$242 – 262	$254.8

Source: Spire Inc. 24Q3 earnings slide presentation and Lark Research estimates.

With one quarter left to go in fiscal 2024, my projections for the full year are on the whole in line with management's guidance. The only segment where my projections do not align with guidance is Gas Marketing, where I project NEE of $32.9 million, above the high end of management's guidance. Even so, my 24Q4 projections for Gas Marketing anticipate a decline in revenues and earnings vs. the prior year that is modestly worse than 24Q3's YOY decline. Management apparently expects a tougher quarter than I have imagined.

My 24Q4 projections assume capital expenditures of $198.5 million, bringing the full year total to $830 million, which is in line with management's guidance. Also, as noted above, Spire has a forward ATM equity sale agreement for 204,405 shares that had to have been executed before fiscal year end. My projections assume a settlement price of $68 per share generating proceeds of $13.9 million.

In total, my fiscal 2024 projections show operating revenue of $2.62 billion, down 1.8% from 2023, GAAP diluted EPS of $4.28 and net economic earnings per share of $4.25. For fiscal 2025, I am projecting operating revenue of $2.70 billion, up 3.1%, reflecting 3.5% growth at Gas Marketing, 33.0% growth at Midstream, due mostly to recent acquisitions and the Storage West expansion, and 2% growth at Gas Utility, despite an easy prior year comparison against last year's warmer than normal temperatures. My 2025 projections predict GAAP diluted EPS of $4.36 and net economic earnings per share of $4.39. My projections show modest (and therefore perhaps conservative) earnings gains from the company's cost cutting and operating efficiency initiatives.

Equity Valuation, Price Target, and Ratings. Based upon those projections, I have set a 12-month price target of $71.00 for Spire's stock. The price target is calculated by applying a multiple of 16.3 to projected GAAP diluted EPS of $4.36 (or 16.1 times net economic EPS of $4.39). My assumed GAAP and non-GAAP multiples are above Spire's current fiscal 2024 forward multiple of 15.3 times projected GAAP EPS (and 15.0 times projected net economic EPS), so the price target assumes some multiple expansion, presumably from improved investor sentiment. Yet, my assumed forward multiples are still well below the peer average of 18.5 times (presumably non-GAAP) EPS.

Along with the stock's current 4.6% dividend yield, the $71 price target equates to a potential total return of 13.4%, from the stock's October 18 closing price of $65.25. Consequently, I have assigned a performance rating of "2" (Outperform) to Spire's stock.

Based upon the company's relatively high leverage, especially vs. peers, and the below average historical growth of its service territory, I am assigning a safety rating of C- to the stock. Improved profitability (and cash flow generation) combined with the company taking deliberate steps to reduce its leverage – for example, by taking out the Series A preferred with the proceeds from a common stock offering – would likely result in an upgrade.

Table 2

Spire Inc.

Consolidated Statements of Income

for fiscal years 2023-2025F (ended and ending September 30)

($ mil.)

	Historical 12 Months 30-Sep-23	Historical 3 Months 31-Dec-23	Historical 3 Months 31-Mar-24	Historical 3 Months 30-Jun-24	Projected 3 Months 30-Sep-24	Projected 12 Months 30-Sep-24	Projected 12 Months 30-Sep-25
Operating revenues	2,666.3	756.6	1,128.5	414.1	319.3	2,618.5	2,699.4
Operating expenses							
Natural gas	1,260.8	367.0	540.8	140.9	81.7	1,130.4	1,152.4
Operation and maintenance	517.6	130.7	137.8	126.7	121.0	516.2	549.5
Depreciation and amortization	254.8	67.0	68.9	71.4	71.2	278.5	285.9
Taxes, other than income taxes	214.5	52.7	82.4	44.4	36.6	216.1	216.4
Total operating expenses	2,247.7	617.4	829.9	383.4	310.5	2,141.2	2,204.1
Operating income	418.6	139.2	298.6	30.7	8.7	477.2	495.2
Interest expense, net	185.7	50.6	52.2	48.8	49.6	201.2	208.5
Other (expense) income, net	23.4	17.5	7.3	2.4	7.7	34.9	36.4
Income before income taxes	256.3	106.1	253.7	(15.7)	(33.2)	310.9	323.1
Income tax expense	38.8	21.0	49.4	(3.1)	(12.6)	54.7	52.1
Net income	217.5	85.1	204.3	(12.6)	(20.6)	256.2	271.1
Provision for preferred dividends	14.8	3.7	3.7	3.7	3.7	14.8	14.8
Inc. allocated to participating securities	0.3	0.1	0.3	0.0	0.0	0.4	0.0
Net inc. avail. to shareholders	202.4	81.3	200.3	(16.3)	(24.3)	241.0	256.3
Weighted average shares							
Basic	52.5	53.5	55.8	57.7	58.3	56.3	58.7
Diluted	52.6	53.6	55.9	57.7	58.3	56.4	58.8
EPS - basic	$3.86	$1.52	$3.59	($0.28)	($0.42)	$4.28	$4.37
EPS - diluted	$3.85	$1.52	$3.58	($0.28)	($0.42)	$4.28	$4.36
Net economic EPS - diluted	$4.05	$1.47	$3.45	($0.14)	($0.41)	$4.25	$4.39
Dividends declared per common share	$2.88	$0.76	$0.76	$0.76	$0.76	$3.02	$3.16

Source: Spire Inc.'s financial statements and other disclosures and Lark Research estimates and projections.

Table 3

Spire Inc.

Consolidated Balance Sheets

for fiscal years 2023-2025F (ended and ending September 30)

($ mil.)

	Historical 30-Sep-23	Historical 31-Dec-23	Historical 31-Mar-24	Historical 30-Jun-24	Projected 30-Sep-24	Projected 30-Sep-24	Projected 30-Sep-25
Utility plant	8,210.1	8,345.0	8,480.3	8,612.9	8,801.5	8,801.5	9,431.5
Accum. deprec. & amort.	2,431.2	2,467.3	2,509.3	2,510.4	2,581.0	2,581.0	2,877.6
Net utility plant	5,778.9	5,877.7	5,971.0	6,102.5	6,220.5	6,220.5	6,553.9
Non-utility property, net	628.5	687.1	886.2	917.9	927.8	927.8	972.8
Other investments	102.6	105.5	105.3	112.1	112.1	112.1	112.1
Total other property and inv.	731.1	792.6	991.5	1,030.0	1,039.9	1,039.9	1,084.9
Current assets							
Cash and cash equivalents	5.6	4.8	25.6	7.4	7.0	7.0	7.0
Accounts receivable, net	288.5	544.0	466.7	318.6	330.8	330.8	331.9
Inventories	279.5	276.6	214.8	230.1	264.4	264.4	289.9
Other	503.3	394.5	298.6	269.7	246.9	246.9	197.9
Total current assets	1,076.9	1,219.9	1,005.7	825.8	849.2	849.2	826.7
Deferred charges and other assets	2,726.7	2,741.5	2,743.2	2,752.6	2,768.6	2,768.6	2,820.6
Total assets	10,313.6	10,631.7	10,711.4	10,710.9	10,878.2	10,878.2	11,286.1
Capitalization and liabilities							
Capitalization							
Preferred stock	242.0	242.0	242.0	242.0	242.0	242.0	242.0
Common stock and paid-in capital	1,669.7	1,782.4	1,957.4	1,959.2	1,974.4	1,974.4	2,029.5
Retained earnings	958.0	997.3	1,155.3	1,093.4	1,025.3	1,025.3	1,097.2
AOCI	47.6	29.1	35.6	38.6	40.4	40.4	48.7
Total shareholders' equity	2,917.3	3,050.8	3,390.3	3,333.2	3,282.1	3,282.1	3,417.2
Temporary equity	16.5	14.8	10.3	8.6	10.0	10.0	10.0
Long-term debt	3,554.0	3,247.8	3,421.4	3,422.3	3,200.0	3,200.0	3,800.0
Total capitalization	6,487.8	6,313.4	6,822.0	6,764.1	6,492.1	6,492.1	7,227.2
Current liabilities							
CMLTD	156.6	457.0	307.0	307.0	678.0	678.0	312.5
Notes payable	955.5	1,047.5	786.0	771.0	793.4	793.4	793.9
Accounts payable	253.1	293.8	193.4	205.2	236.5	236.5	276.7
Accrued liabilities and other	390.2	412.2	363.9	426.6	448.4	448.4	429.6
Total current liabilities	1,755.4	2,210.5	1,650.3	1,709.8	2,156.3	2,156.3	1,812.7
Deferred credits and other liab.							
Deferred income taxes	743.7	760.6	816.6	819.6	815.6	815.6	822.2
Pension and OPEB	137.3	135.5	130.0	128.5	127.0	127.0	120.0
Asset retirement obligations	577.4	583.6	589.7	596.0	597.2	597.2	622.0
Regulatory liabilities	472.4	487.2	557.7	547.5	545.0	545.0	537.0
Other	139.6	140.9	145.1	145.4	145.0	145.0	145.0
Total deferred credits & other liab.	2,070.4	2,107.8	2,239.1	2,237.0	2,229.8	2,229.8	2,246.2
Total capitalization and liabilities	10,313.6	10,631.7	10,711.4	10,710.9	10,878.2	10,878.2	11,286.1

Source: Spire Inc.'s financial statements and other disclosures and Lark Research estimates and projections.

Table 4

Spire Inc.

Consolidated Statements of Cash Flows

for fiscal years 2023-2025F (ended and ending September 30)

($ mil.)

	Historical 12 Months 30-Sep-23	Historical 3 Months 31-Dec-23	Historical 3 Months 31-Mar-24	Historical 3 Months 30-Jun-24	Projected 3 Months 30-Sep-24	Projected 12 Months 30-Sep-24	Projected 12 Months 30-Sep-25
Operating activities							
Net income	217.5	85.1	204.3	(12.6)	(20.6)	256.2	271.1
Adjustments							
Depreciation and amortization	254.8	67.0	68.9	71.4	70.6	277.9	296.6
Def. inc. taxes and ITCs	36.9	21.0	48.5	(3.1)	(4.0)	62.4	6.5
Changes in assets and liabilities	(82.0)	(104.3)	165.8	211.5	10.3	283.3	(23.1)
Other	13.0	1.2	1.9	2.9	3.0	9.0	33.2
Net cash from oper. activities	440.2	70.0	489.4	270.1	59.3	888.8	584.2
Investing activities							
Capital expenditures	(662.5)	(226.5)	(182.8)	(222.2)	(198.5)	(830.0)	(675.0)
Business acquisition	(37.0)	0.0	(177.4)	1.5	0.0	(175.9)	0.0
Other	4.0	1.3	1.5	2.6	0.0	5.4	0.0
Net cash from investing activities	(695.5)	(225.2)	(358.7)	(218.1)	(198.5)	(1,000.5)	(675.0)
Financing activities							
Issuance of LTD	755.0	0.0	175.0	0.0	148.7	323.7	434.5
Repayment of LTD	(281.2)	(6.6)	(150.0)	0.0	0.0	(156.6)	(200.0)
Change in short-term debt	(82.0)	92.0	(261.5)	(15.0)	22.4	(162.1)	30.1
Issuance of common stock	41.9	113.2	173.6	0.4	15.4	302.6	26.2
Dividends paid on common stock	(150.7)	(38.8)	(41.7)	(43.8)	(44.0)	(168.3)	(185.3)
Dividends paid on pref. stock	(14.8)	(3.7)	(3.7)	(3.7)	(3.7)	(14.8)	(14.8)
Other	(7.6)	(1.4)	(1.3)	(2.6)	0.0	(5.3)	0.0
Net cash from financing activities	260.6	154.7	(109.6)	(64.7)	138.8	119.2	90.8
Net change in cash and restr. cash	5.3	(0.5)	21.1	(12.7)	(0.4)	7.5	0.0
Beginning	20.5	25.8	25.3	46.4	33.7	25.8	33.3
Ending	25.8	25.3	46.4	33.7	33.3	33.3	33.3
Cash, cash equivalents and restr. cash							
Cash and cash equivalents	5.6	4.8	25.6	7.4	7.0	7.0	7.0
Restricted cash	20.2	20.5	20.8	26.3	26.3	26.3	26.3
Total	25.8	25.3	46.4	33.7	33.3	33.3	33.3

Source: Spire Inc.'s financial statements and other disclosures and Lark Research estimates and projections.

Table 5

Spire Inc.

Segment Operating Revenues, Contribution, and Operating Income
Other Ratios
for fiscal years 2023-2025F (ended and ending September 30)
($ mil.)

	Historical 12 Months 30-Sep-23	Historical 3 Months 31-Dec-23	Historical 3 Months 31-Mar-24	Historical 3 Months 30-Jun-24	Projected 3 Months 30-Sep-24	Projected 12 Months 30-Sep-24	Projected 12 Months 30-Sep-25
Operating revenue							
Gas Utility	2,456.9	715.2	1,072.7	372.7	277.0	2,437.6	2,481.0
Gas Marketing	179.1	36.3	46.0	21.2	20.7	124.2	128.6
Midstream	66.1	14.9	21.5	32.5	32.3	101.2	134.6
Other	16.7	4.1	4.1	4.8	5.3	18.3	19.2
Eliminations	(52.5)	(13.9)	(15.8)	(17.1)	(16.0)	(62.8)	(64.0)
Consolidated	2,666.3	756.6	1,128.5	414.1	319.3	2,618.5	2,699.4
Contribution Margin							
Gas Utility	1,135.8	323.8	469.6	218.8	173.1	1,185.3	1,213.8
Gas Marketing	71.1	19.7	37.0	(0.3)	15.9	72.3	65.4
Midstream	66.1	14.9	20.9	32.2	32.0	100.0	133.3
Other	16.7	4.1	4.1	4.8	5.3	18.3	19.2
Eliminations	(16.0)	(4.0)	(3.9)	(4.7)	(4.0)	(16.6)	(16.0)
Consolidated	1,273.7	358.5	527.7	250.8	222.3	1,359.3	1,415.7
as % of operating revenues	47.8%	4.4%	46.8%	60.6%	69.6%	51.9%	52.4%
Operating Income							
Gas Utility	350.8	122.3	261.8	17.0	(21.7)	379.4	401.0
Gas Marketing	49.3	14.7	30.0	(5.2)	12.0	51.5	41.0
Midstream	24.3	3.3	7.4	18.8	17.6	47.1	53.2
Other	(5.8)	(1.1)	(0.6)	0.1	0.8	(0.8)	(0.0)
Consolidated	418.6	139.2	298.6	30.7	8.7	477.2	495.2
as % of operating revenues	15.7%	18.4%	26.5%	7.4%	2.7%	18.2%	18.3%
Other Ratios							
EBIT-to-interest expense	2.4	3.1	5.9	0.7	0.3	2.5	2.6
Debt-to-total capitalization	61.5%	60.9%	57.1%	57.4%	58.7%	58.7%	58.9%
Debt plus pref.-to-total cap.	64.7%	64.0%	60.2%	60.5%	61.8%	61.8%	61.8%
Net income (TTM)	217.5	211.6	236.7	245.7	256.2	256.2	271.1
Depreciation & amort. (TTM)	254.8	259.7	266.0	273.1	277.9	277.9	296.6
Funds from operations (FFO)	472.3	471.3	502.7	518.8	534.1	534.1	567.6
FFO-to-total debt	10.1%	9.9%	11.1%	11.5%	11.4%	11.4%	11.6%

Source: Spire Inc.’s financial statements and other disclosures and Lark Research estimates and projections.

Conflicts of Interest Disclosure:

The author currently has no position in the securities of Spire Inc. (SR)

Lark Research ratings methodology:

The **Performance** rating is scaled from 1 to 5, with a rating of 1 indicating "buy" vs. the broader market; "2" indicating outperform; "3" is neutral; "4" is underperform and a rating of 5 indicates "sell" vs. the broader market. The rating anticipates this performance over a 12-month period.

The **Safety** rating is scaled from A to E, with a rating of A indicating the highest safety profile and a rating of E indicating the lowest. E-rated investments carry the highest risk and face a high probability of significant permanent loss.

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