



FINANCE

KIRK ANDREWS

ANALYST DAY 2018

KEY TAKEAWAYS



ANALYST DAY 2018

1

Integrated model drives robust and sustainable free cash flow

2

3x Net Debt / Adj. EBITDA appropriate for our business

3

GREATER of hurdle rate OR return implied by share price will govern allocation of excess capital

(\$ millions)	2018			
	Guidance	Full Year Impact – Asset Sales		Pro Forma ²
		Announced	To be Completed	
Generation & Renewables ¹	\$950 – \$1,050	(\$255)	(\$100)	~\$650
Retail	900 – 1,000	–	–	~950
NRG Yield	950	(950)	–	–
Adjusted EBITDA	\$2,800 – \$3,000	(\$1,205)	(\$100)	~\$1,600
Consolidated Free Cash Flow before Growth ("FCFbG")	\$1,550 – \$1,750	(\$590)	(\$50)	~\$1,000
NRG-Level FCFbG	\$1,170 – \$1,370	(\$245)	(\$20)	~\$1,000
Adjusted EBITDA to FCFbG Conversion	~44%			~63%

Transformation Plan ("T. Plan") Impact:

	2018 Includes	2020 Run Rate	Incremental Beyond 2018
Cost Savings	\$500	\$590	\$90
Margin Enhancements	30	215	185
Incremental post-'18 Adjusted EBITDA			\$275

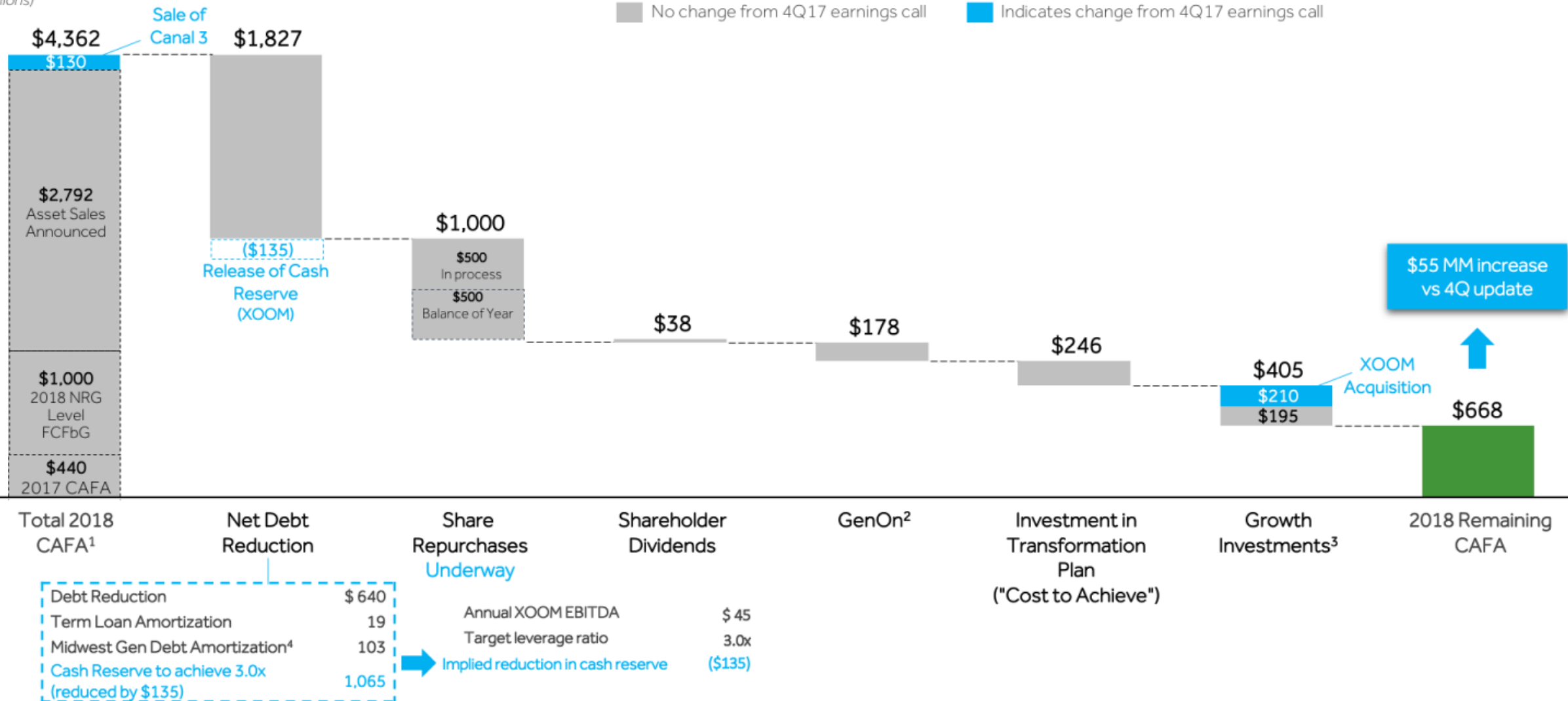
- Pro Forma for asset sales, FCFbG conversion increases by >40%
- XOOM acquisition expected to contribute ~\$45 MM in annual EBITDA post closing
- Term loan repricing reduces annual cash interest by \$9 MM

¹⁻³ See Appendix-Finance for footnotes

(\$ millions)

■ No change from 4Q17 earnings call

■ Indicates change from 4Q17 earnings call



¹⁻⁴ See Appendix-Finance for footnotes

Capital Available for Allocation ("CAFA") "SOURCES"

CAFA is...

Cash and cash equivalents



\$500 MM minimum cash reserved for liquidity

- Any cash collateral posted is included as "minimum cash"



Free Cash Flow before Growth Investments (FCFbG)¹



Cash proceeds from divestitures/NYLD dropdowns

Principles of Capital Allocation "USES"

Achieve and Maintain 3x Net Debt / Adj. EBITDA target



EXCESS AFTER 3x ACHIEVED
ALLOCATE TO SUPERIOR RETURN OPPORTUNITIES

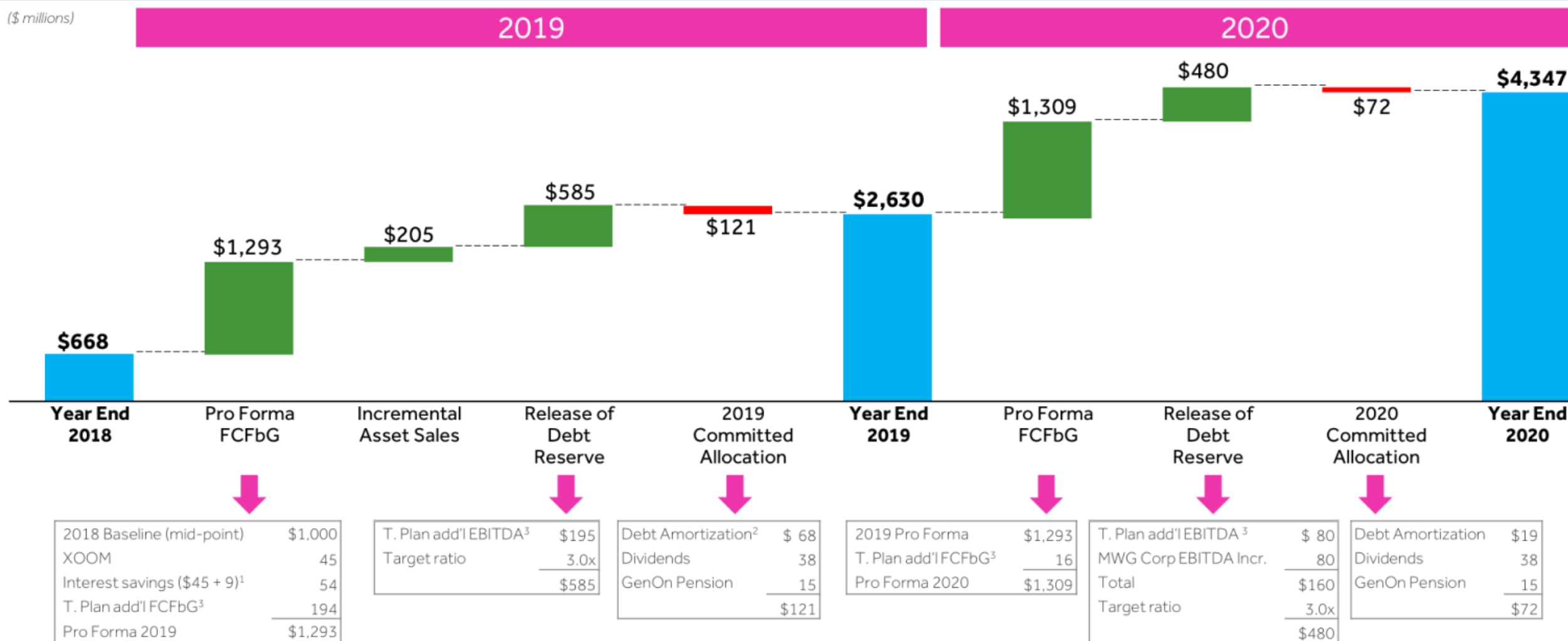
Growth Investments	Share Repurchases
✓ Consistent with strategy	✓ Compelling at current price
✓ Hurdle rate: 12-15% pre-tax, unlevered, AND	✓ Confident in T. Plan
✓ Superior to implied share price return <i>"would we issue shares to fund it?"</i>	✓ Value accretion to remaining shareholders

Changes in Dividend Policy –
Potential to revisit as share price aligns with value

¹⁻⁴ See Appendix-Finance for footnotes

PRO FORMA EXCESS CASH – 2018 TO 2020

(\$ millions)

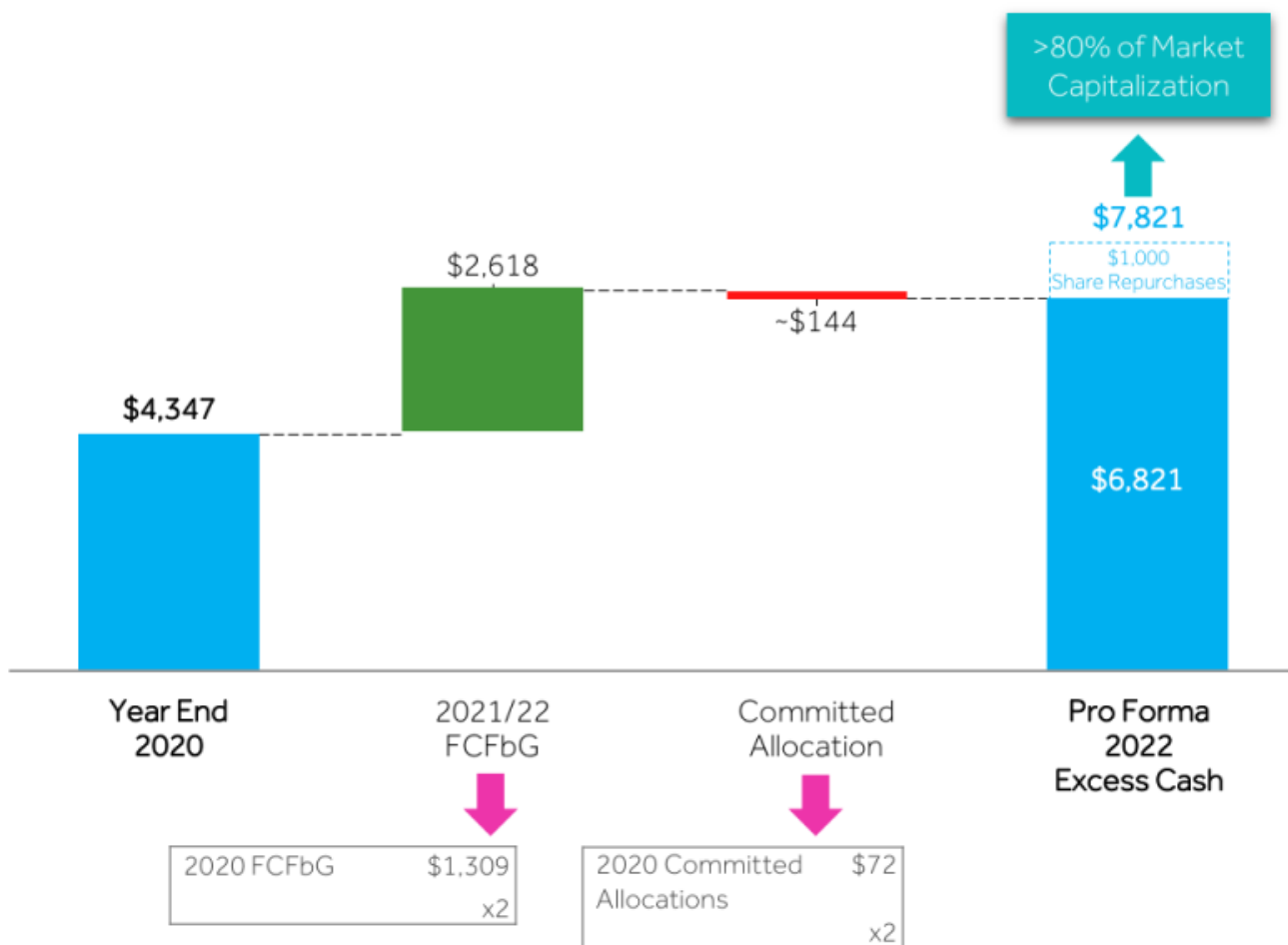


Continue To Expect >\$4.3 BN in Excess Capital through 2020

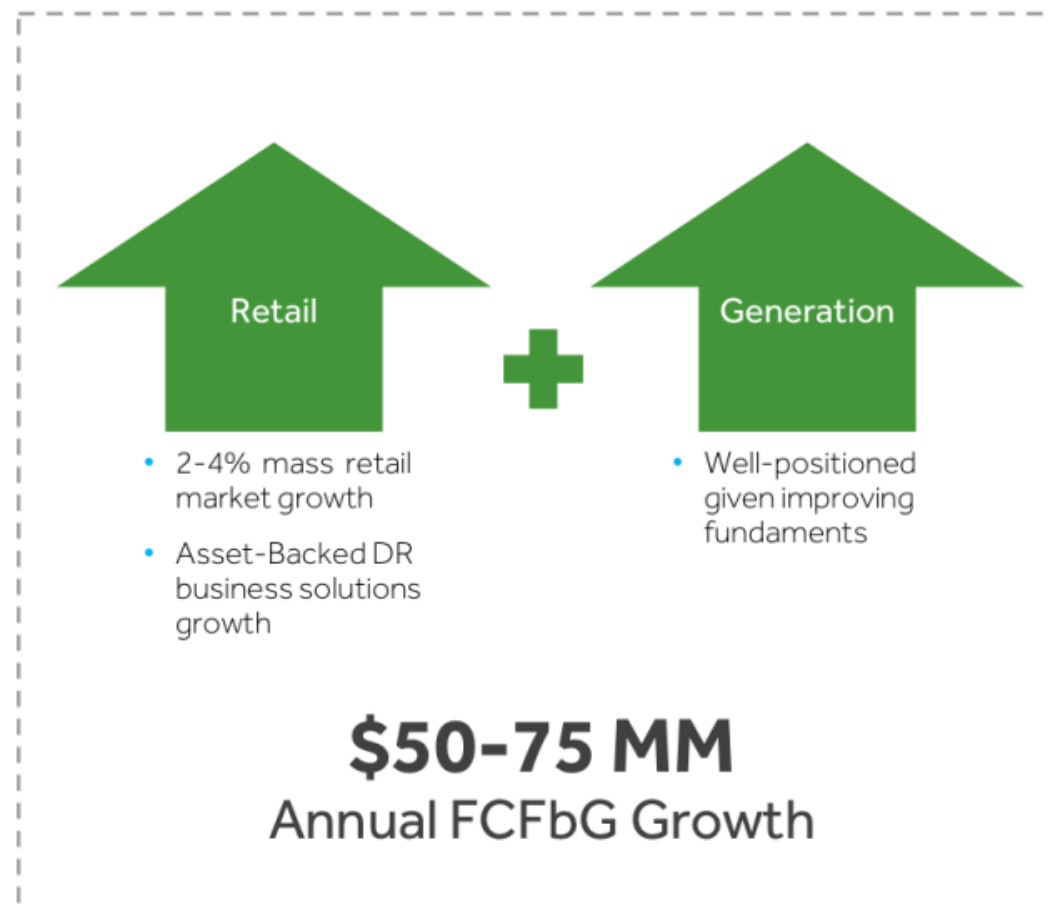
¹⁻² See Appendix-Finance for footnotes; ³ See Appendix-Finance slide 4

(\$ millions)

2021 – 2022 Pro Forma



Potential Upside



Target Credit Ratio: 3x Net Debt / Adj. EBITDA

- First Priority for Excess Cash
- Consistent with strong BB credit rating
- BB rating ensures reliable access to reasonably priced capital
- Ratio further strengthened by enhanced cash conversion
 - Pro forma ~70% of EBITDA to Free Cash Flow
- FCFbG delivers robust maturity and interest coverage
 - Annual FCFbG >1.0x each unsecured maturity

Pro forma FCFbG ~\$1.3 Bn + ~\$380 MM cash interest
~\$380 MM cash interest ~4.5x

<i>\$ in millions</i>	2018 Pro-Forma	MWG ³	T. Plan	2020 Pro-Forma
Corporate Debt¹	\$7,186			~\$6,530
2018 Term Loan Amortization	(19)			(38)
Additional Debt Reduction (2018)	(640)			--
Pro Forma Corporate Debt	~\$6,530			~\$6,492
Cash & Cash Equivalents @ NRG-Level/Min Cash	(500)			(500)
Cash Reserve to meet 3.0x target	(1,065)			--
Pro Forma Corporate Net Debt	~\$4,965			~\$5,992
Pro-Forma Adj. EBITDA	\$1,600	--	\$275	\$1,875
Plus: XOOM EBITDA (pro forma)	45			45
Pro-Forma Adj. EBITDA (incl XOOM)	\$1,645			\$1,920
Less: Ivanpah & MWG Adjusted EBITDA	(225)	125		(100)
Add: Ivanpah & MWG Cash Distributions to NRG	65	(45)		20
Other Adjustments ²	150			150
Total Recourse EBITDA	\$1,635	\$80	\$275	\$1,990
Corporate Net Debt/Corporate EBITDA	3.0x			3.0x
Remaining Excess CAFA excluded from cash:	\$668			\$4,347

¹⁻² See Appendix-Finance for footnotes; ³ MWG = Midwest Generation forward capacity revenue sale-forward through May 2019

Integrated model drives robust and sustainable free cash flow

Implied Cumulative Excess Cash >80% Market Cap by 2022



3x Net Debt / Adj. EBITDA appropriate for our business

2018/20 In Line, with 2018 Reserved Cash Released by 2020



**GREATER of hurdle rate OR return implied by share price
will govern allocation of excess capital**

Committed to this Principle





THANK YOU

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2018

