



# RETAIL BUSINESS

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ELIZABETH KILLINGER

ANALYST DAY 2018

# KEY TAKEAWAYS



ANALYST DAY 2018

1

**Retail's foundation is strong**

2

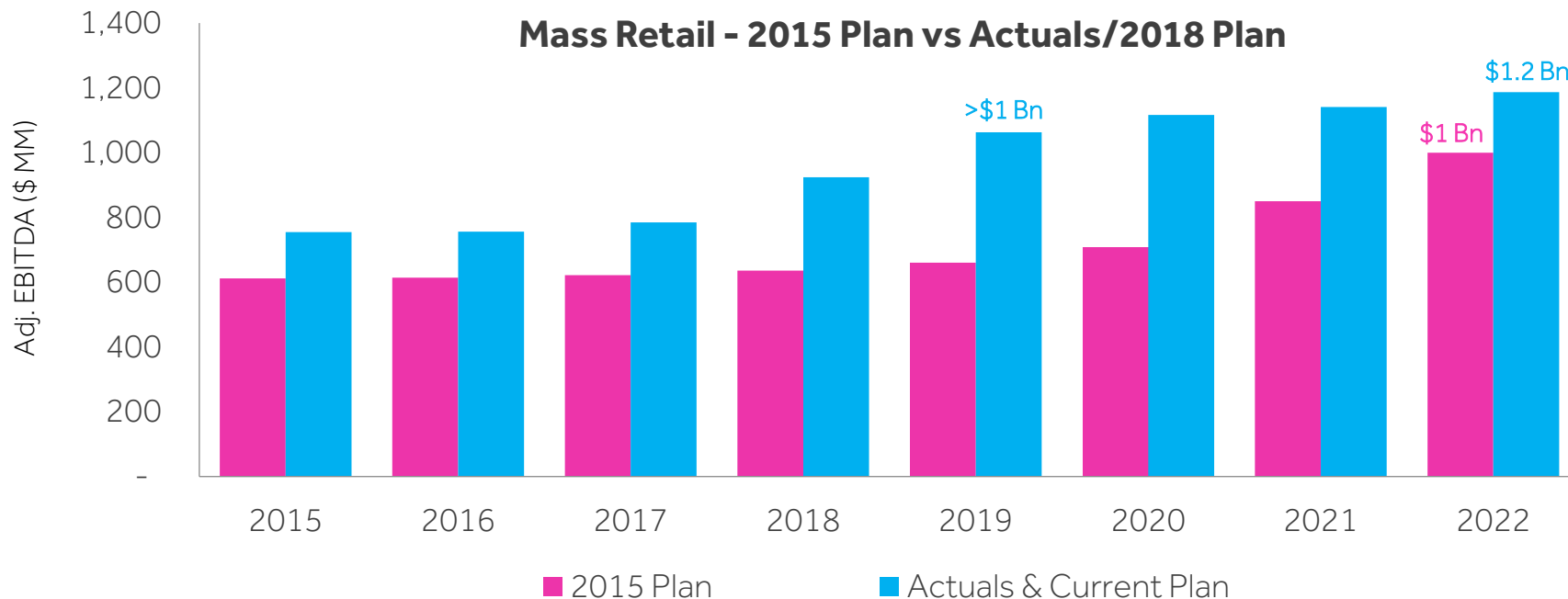
**Retail's growth potential is robust  
and margins are stable**

3

**Retail will deliver on  
margin enhancement**

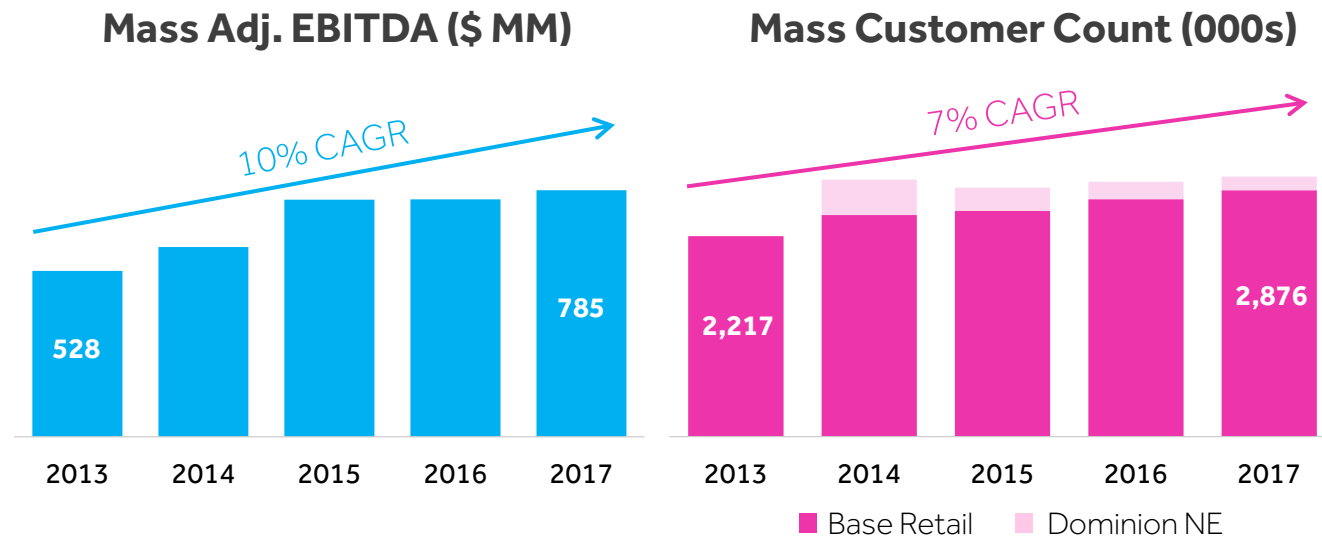
# STRONG FOUNDATION

# LAST TIME WE TALKED (ANALYST DAY 2015), WE COMMITTED TO RETAIL GROWTH...

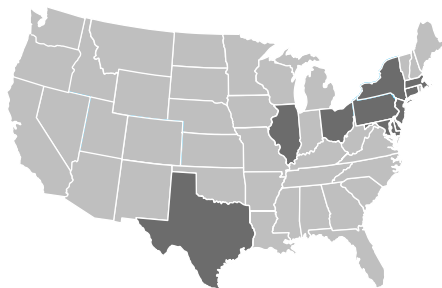


...WE OVER-DELIVERED BETWEEN 2015-2017  
AND WE EXPECT CONTINUED GROWTH

\$785 MM Adj. EBITDA  
2.9 MM customers  
42 Annual TWh  
#1 Nationally  
#1 in Texas



...CONSISTENTLY DELIVERS EARNINGS  
AND CUSTOMER GROWTH



**Trends**

- Consumer choice
- Smart devices and digital technology
- On-site reliability
- Distributed generation
- New competitors

...THAT WILL SHAPE OUR FUTURE

## Our Brands



## Our Products And Services

### Products:



Electricity



Solar  
(all kinds)



Natural  
Gas



Backup  
Power

### Services:



Security  
Services



Energy  
Management



Home  
Services



Protection  
Plans

...DELIVER COMPELLING OFFERS TO CONSUMERS



### Strategic Rationale

- Materially grows East, including expansion of the natural gas business
- Provides access to a new sales channel
- Immediately accretive

Expect a 2Q18 close

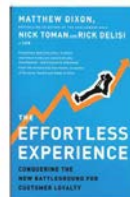


...ADDS SCALE AND A STRATEGIC  
CHANNEL TO OUR PORTFOLIO





2018,  
#1 Experience Index

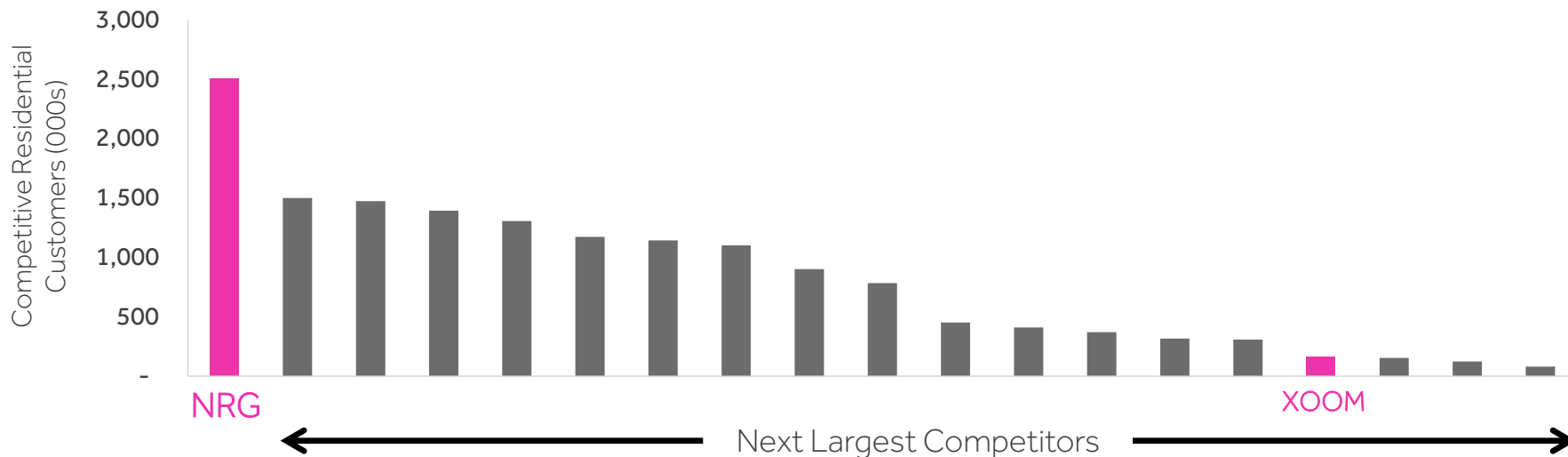


## ...PROVIDES NRG A COMPETITIVE ADVANTAGE



...SHOWCASES OUR PEOPLE, OUR  
COMMITMENT, AND OUR CUSTOMER FOCUS

## Top North American Electricity Retailers



...NRG IS THE LARGEST COMPETITIVE  
PLAYER IN NORTH AMERICA

# ROBUST GROWTH POTENTIAL & STABLE MARGINS



MARKET  
GROWTH



SHARE  
OPPORTUNITY

REGULATORY  
LANDSCAPE



...PROVIDE OPPORTUNITY FOR GROWTH



### Texas Competitive Mass Market

- 7.3 MM customers
- 120 TWh served
- \$2.5+Bn Adj. EBITDA opportunity

**93% of Texans in competitive markets  
have made a choice**

### NRG Mass in Texas

- 2.2 MM customers
- 36 TWh served
- 30% residential market share

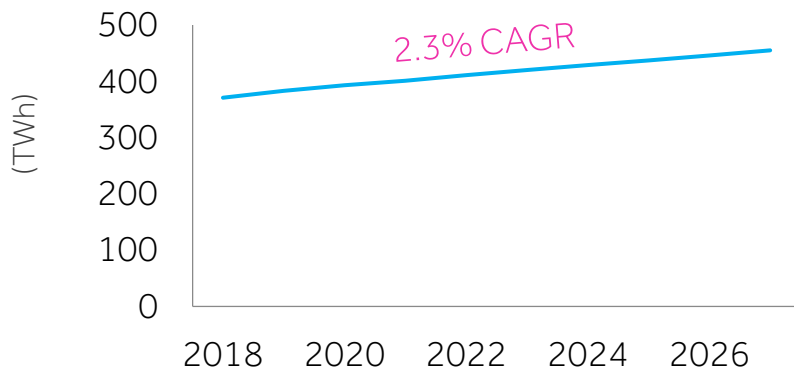
Retailer	Resi Share
NRG	30%
Competitor 1	23%
Competitor 2	10%
~50 Others	< 7% each

...AND NRG MASS RETAIL IS THE CLEAR LEADER

*"Texas will add over 10 million new residents over the 2010 census by 2030"*  
Texas Demographic Center

*"The Texas economy continues its broad expansion... the Dallas Fed forecasts 2018 Texas job growth of 2.8 percent."*  
Federal Reserve Bank of Dallas

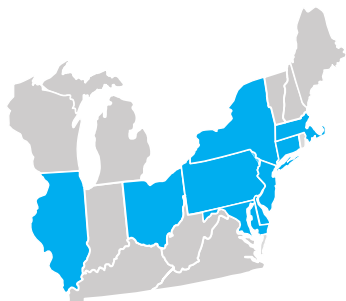
### ERCOT Annual Energy Growth



Growing Texas Adj. EBITDA @ the projected 2.3% CAGR would provide incremental annual Adj. EBITDA to NRG of ~\$50 MM by 2020

**Improving NRG share by 1% is a \$20+ MM Adj. EBITDA opportunity**

...WILL POWER GROWTH FOR NRG



### Market Size

- 31 MM eligible meters
- 262 TWh served
- 31% have switched providers
- \$6+Bn Adj. EBITDA opportunity

**Improving NRG share by 1% is a  
\$50+ MM Adj. EBITDA opportunity**

### Competitive Market Share

Retailer	Resi Share
Incumbent Utilities	69%
Largest Competitor	4%
NRG	2%

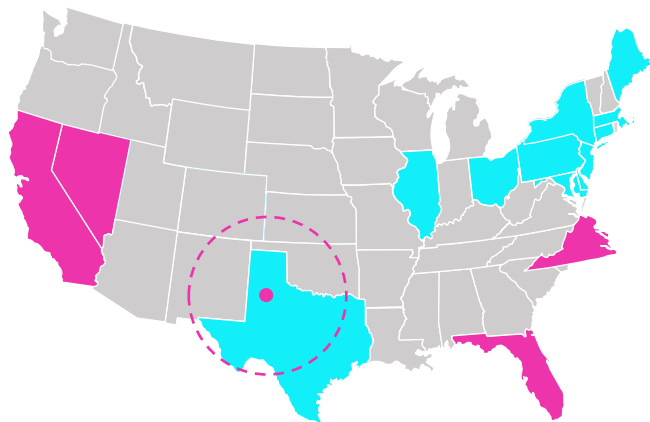
Where We Focus... We Succeed

Retailer	Pennsylvania Share
Incumbent Utilities	66%
NRG (Largest)	6%
Next Largest REP	2%

...PROVIDES ADDITIONAL GROWTH OPPORTUNITY



## Competitive Market Landscape



Current  
Competitive  
Market



Potential  
Competitive  
Market

## Emerging Markets

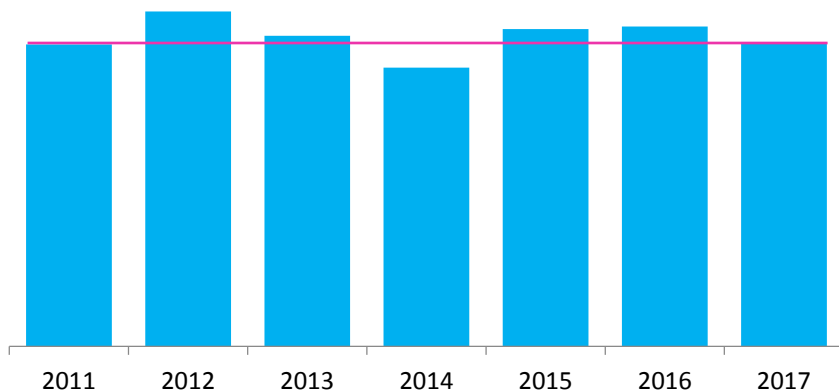
Market	Resi Load (TWh)	EBITDA Opportunity from 5% Market Share
California	88	\$45 - \$70 MM
Nevada	13	\$5 - \$15 MM
Virginia	45	\$25 - \$40 MM
Florida	123	\$60 - \$100 MM

Source: [www.eia.gov](http://www.eia.gov)

...PRESENT FURTHER OPPORTUNITIES  
IN 2021 AND BEYOND

## Stable Unit Margins in Various Supply Environments

Unit Margins (\$/MWh)



=

+

### Differentiation

- Multi-Brand Strategy
- Distinctive Offers

### Platform Advantage

- Scalable National Platform
- Best-in-Class Supply & Risk Management

...IS DRIVEN BY DIFFERENTIATION  
AND PLATFORM ADVANTAGES

## Brands

## Example Products



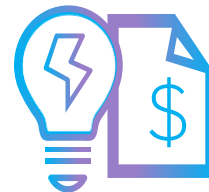
**Full Service:** Innovative solutions that power, protect, and simplify life



Airline Miles Bundle



Speak & Save Bundle



Flat Bill



Free Weekends



**Sustainability:** Changing the way power is made



100% Renewable



SolarSPARC



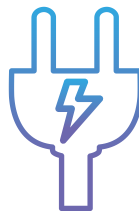
Rachio Bundle

...POWER MARGIN STABILITY



### Marketing & Sales

- Prospect targeting
- Innovation
- Offer & margin management



### Retail Energy Supply & Risk Management

- Energy supply
- Risk management



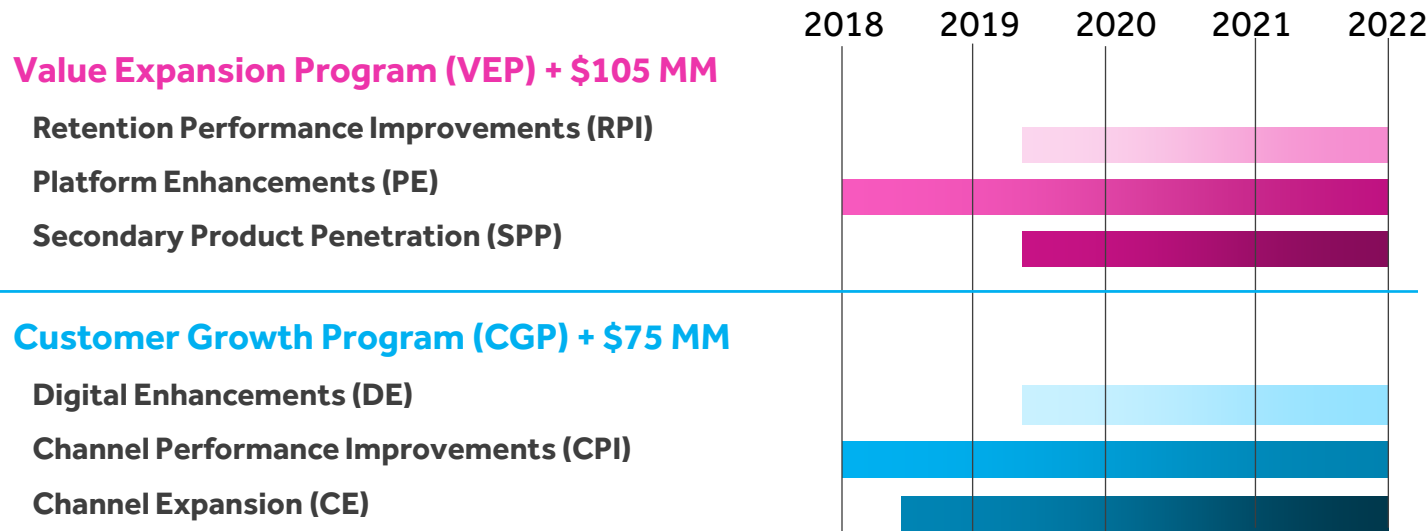
### Customer Operations & Tools

- Customer care and retention
- Fulfillment, billing, collections

...ENABLES COST EFFICIENCIES AND  
RETAIL EARNINGS GROWTH

# MARGIN ENHANCEMENT PLAN

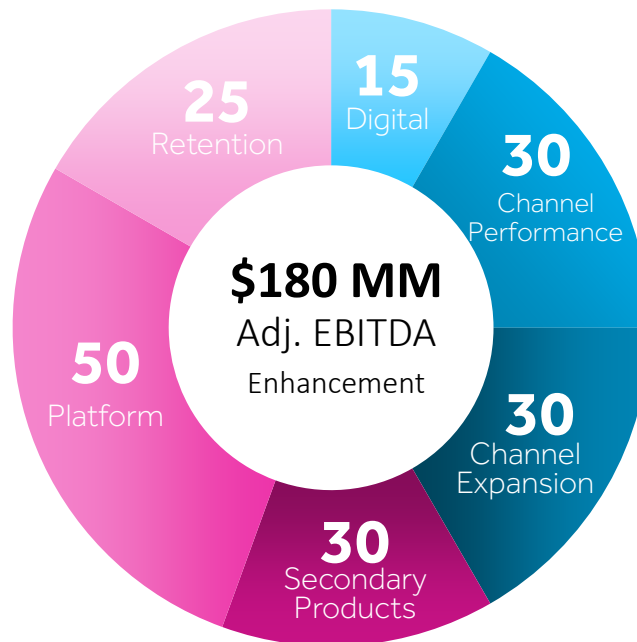
Our Retail Plan has two major programs, each with three projects. They build up to the **\$180 MM** in margin enhancement with increasing intensity through 2020.



...WILL BE ACHIEVED BY SIX PROJECTS

**Value Expansion - \$105 MM**

- Retention Performance Improvements
- Platform Enhancements
- Secondary Product Penetration

**Customer Growth - \$75 MM**

- Digital Enhancements
- Channel Performance Improvements
- Channel Expansion

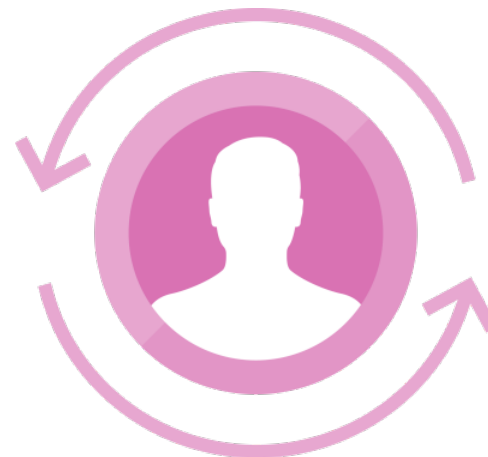
...\$180 MM MARGIN ENHANCEMENT

## Retention Performance Improvements (RPI) Project Highlights:

- Tools to identify and mitigate retention risks
  - Case Study – Bill Shock
- Improved customer lifecycle communications
- Customizable and enhanced portal and mobile app
  - Case Study – Reliant Mobile App

## Project Timing:

- 4Q17 – Project initiation
- 2Q19 – Materially contributing to margin enhancement goal (continues throughout 2019-2020)



...WILL DRIVE **\$25 MM** OF MARGIN ENHANCEMENT



## Platform Enhancements (PE) Project Highlights:

- Improved data management of customer & campaign information
  - Case Study – Elements Available for Analytics
- Artificial Intelligence (AI)-powered tools to match customers with products
  - Case Study – Offer Acceptance
- Robust and ongoing analysis of customer behavior

## Project Timing:

- 3Q17 – Project initiation
- 1Q18 – Materially contributing to margin enhancement (continues 2018-2019-2020)



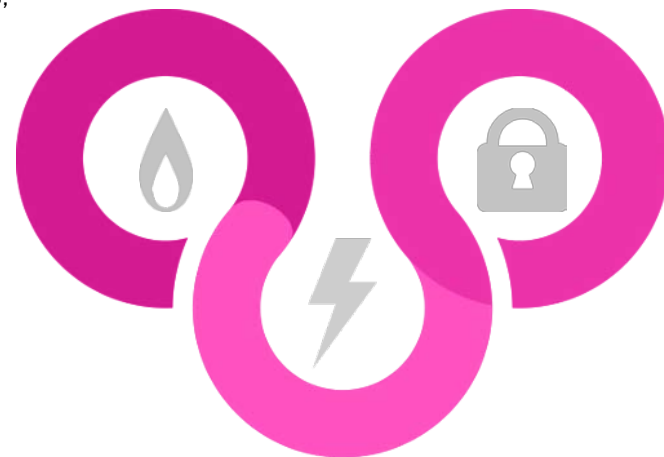
...WILL DRIVE **\$50 MM** OF MARGIN ENHANCEMENT

## Secondary Product Penetration (SPP) Project Highlights:

- Deepening the penetration of secondary products like natural gas, security, & services into current customer base where the product(s) drive increased tenure
- Adding secondary products to customer acquisition channels where the product increases electricity close rate and value
  - Case Study – Dual Fuel

## Project Timing:

- 4Q17 – Project initiation
- 2Q19 – Materially contributing to margin enhancement goal (continues throughout 2019-2020)



...WILL DRIVE **\$30 MM** OF MARGIN ENHANCEMENT

## Digital Enhancements (DE) Project Highlights:

- Enhanced digital tools
  - Case Study – Acquisition Enhancement
- Improved online sales experience
  - Case Study – A/B Testing

## Project Timing

- 3Q17 – Project initiation
- 2Q19 – Materially contributing to margin enhancement goal (continues throughout 2019-2020)



...WILL DRIVE **\$15 MM** OF MARGIN ENHANCEMENT

## Channel Performance Improvements (CPI) Project Highlights:

- Agent level performance enhancements
  - Case Study – New Metrics
- Increased close rates
  - Case Study – Improved Interface
- Improved marketing spend

## Project Timing:

- 3Q17 – Project initiation
- 4Q17 – Materially contributing to margin enhancement goal (continues 2018-2019-2020)



...WILL DRIVE \$30 MM OF MARGIN ENHANCEMENT

## Channel Expansion (CE) Project Highlights:

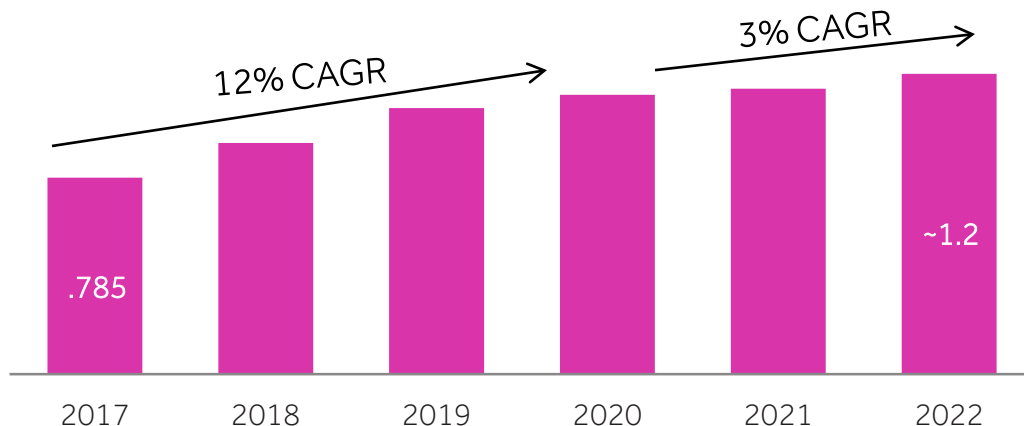
- Expanded direct sales channels
  - Case Study – More
- Expanded online sales channels
- Expanded alternative sales channels
  - Case Study – “Hub & Spoke”

## Project Timing:

- 4Q17 – Project initiation
- 2Q18 – Materially contributing to margin enhancement (primarily 2019-2020)



...WILL DRIVE **\$30 MM** OF MARGIN ENHANCEMENT

**Current Outlook – Mass Retail Adj. EBITDA (\$ Bn)**

...IN OUR LEADING MASS RETAIL BUSINESS

NRG's leading Retail business, which has demonstrated earnings growth for each of the last 4 years, will:

- Continue to advance its strong foundation
- Capture growth opportunities as Texas grows, through market share expansion and new market openings
- Demonstrate continued margin stability given our expertise and integrated platform
- Deliver on the action plan to generate \$180 million in margin enhancement