



NRG Provides Strategic Update and Announces New Capital Allocation Framework at 2023 Investor Day

June 22, 2023

- **Extends Financial Outlook Through 2027**
- **\$8.3 Billion of Excess Cash After Debt Reduction Expected Through 2027 – Exceeding Current Market Capitalization**
- **Committed to Returning 80% of Excess Cash to Shareholders, \$6.9 Billion of Expected Capital to be Returned Through 2027**
- **Increased Share Repurchase Authorization to \$2.7 Billion Through 2025**
- **\$150 Million of Additional Cost Savings Through New Efficiency Initiatives**
- **Enhanced Consumer Services Platform Creating New, High Margin Recurring Revenue Streams and Extending Customer Tenure and Reach**
- **Board Refreshment Process Underway**
- **Company to Host Investor Day Today at 9:00 a.m. Eastern Time**

HOUSTON--(BUSINESS WIRE)--Jun. 22, 2023-- NRG Energy Inc. (NYSE: NRG) ("NRG" or the "Company") today will host a virtual Investor Day during which management will provide an update on its consumer services strategy, as well as the Company's new capital allocation framework and operating efficiency initiatives.

"We have strengthened our core energy business with a leading smart home technology platform, positioning NRG to capitalize on the convergence of electricity and smart technologies inside the home," said Mauricio Gutierrez, NRG President and Chief Executive Officer. "In the next five years, our plan will generate excess cash that will exceed our current market capitalization and deliver tremendous value for our shareholders."

"We are better positioned than ever before to capitalize on NRG's market leadership in energy and the relationships we have built with millions of customers," said Lawrence Coben, Chair of the NRG Board of Directors. "We fully support Mauricio and the management team and are confident in our strategy and ability to deliver superior, sustainable shareholder value."

Highlights from today's presentation include:

- **Expanding outlook of robust and sustainable cash flows:** NRG expects free cash flow before growth (FCFbG) per share to increase approximately 15% to 20% on a compounded annual basis between 2023 and 2027. This equates to \$8.3 billion of cumulative excess cash after deleveraging – exceeding NRG's current market cap.
- **Greater capital return to shareholders:** With the acquisition of Vivint Smart Home complete, NRG now has line of sight into the investment needs of the Company going forward. Accordingly, NRG has updated its capital allocation framework and plans to, after deleveraging, return 80% of excess cash to shareholders and invest 20% in growth initiatives; this compares to the Company's prior 50% / 50% allocation. As a result of the expected cash flow generation, the Company expects \$6.9 billion of cumulative capital returns to shareholders through share repurchases and dividends through 2027. The Company's Board of Directors has increased the share repurchase authorization from \$1.0 billion to \$2.7 billion through 2025. NRG expects 7% to 9% long-term annual dividend per share growth.
- **Strengthening the Company's balance sheet:** In addition to significant capital returns to shareholders, NRG expects to complete up to \$2.55 billion of debt reduction to enable NRG to achieve its target investment grade credit metrics of 2.5x to 2.75x net debt / adjusted corporate EBITDA by 2025, aligning with rating agency and counterparty expectations.
- **Enhanced efficiency through cost savings:** Reflecting management's ongoing focus on cost discipline and operational excellence, the Company is announcing a new \$150 million cost reduction initiative that is expected to be completed by 2025, derived from operations and maintenance efficiencies, sourcing optimization, automation, service levels, spans of control and other redundancies. These savings are in addition to \$300 million in Direct Energy cost synergies that are expected to be completed by the end of 2023 and \$100 million in cost synergies related to the Vivint acquisition that are expected to be completed by 2025.
- **Consumer services model enhanced by leading smart home platform:** NRG has grown to become the largest retail power provider and the second largest retail natural gas provider in the United States. With the recently completed acquisition of Vivint Smart Home, NRG has positioned itself to fully capitalize on its market leadership and approximately 7.5 million residential customer base. The enhanced consumer services platform is creating new, high margin recurring

revenue streams and extending customer tenure and reach. Through a combination of cross-selling, bundling and organic growth, NRG expects to achieve \$300 million of incremental free cash flow before growth by 2025.

Governance Update

NRG is working with an independent search firm and evaluating feedback from NRG shareholders to bring additional expertise to the Board. This is part of an ongoing, deliberate process to evolve board composition with a focus on diverse skills and experiences in alignment with the Company's strategy.

Investor Day Webcast Details

As previously announced, NRG's Investor Day begins at 9:00 am Eastern Time. A live webcast of the event, including presentation materials, will be available on NRG's website at www.NRG.com under the "investors" section. The event will be archived on the site for those unable to listen in real-time.

Forward-Looking Statements

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve estimates, expectations, projections, goals, assumptions, known and unknown risks and uncertainties and can typically be identified by terminology such as "may," "should," "objective," "projection," "forecast," "goal," "guidance," "outlook," "expect," "intend," "seek," "plan," "think," "anticipate," "estimate," "predict," "target," "potential" or "outcome" or the negative of these terms or other comparable terminology. Such forward-looking statements include, but are not limited to, statements about the future revenues, income, indebtedness, capital structure, plans, expectations, objectives, projected financial performance and/or business results of NRG and other future events, and views of economic and market conditions.

Although NRG believes that the expectations are reasonable, it can give no assurance that these expectations will prove to be correct, and actual results may vary materially. Factors that could cause actual results to differ materially from those contemplated herein include, among others, general economic conditions, including increasing interest rates and rising inflation, hazards customary in the power industry, weather conditions and extreme weather events, competition in wholesale power, gas and smart home markets, the volatility of energy and fuel prices, failure of customers or counterparties to perform under contracts, changes in the wholesale power and gas markets, changes in government or market regulations, the condition of capital markets generally and NRG's ability to access capital markets, NRG's ability to execute its market operations strategy, risks related to data privacy, cyberterrorism and inadequate cybersecurity, the loss of data, unanticipated outages at NRG's generation facilities, NRG's ability to achieve its net debt targets, adverse results in smart home and security industry, including risks of and publicity surrounding the sales, subscriber origination and retention process, the impact of changes in consumer spending patterns, consumer preferences, geopolitical tensions, demographic trends, supply chain disruptions, NRG's ability to implement value enhancing improvements to plant operations and companywide processes, NRG's ability to achieve or maintain investment grade credit metrics, NRG's ability to proceed with projects under development or the inability to complete the construction of such projects on schedule or within budget, the inability to maintain or create successful partnering relationships, NRG's ability to operate its business efficiently, NRG's ability to retain retail customers, the ability to successfully integrate businesses of acquired companies, including Direct Energy and Vivint, NRG's ability to realize anticipated benefits of transactions (including expected cost savings and other synergies) or the risk that anticipated benefits may take longer to realize than expected and NRG's ability to execute its capital allocation plan. Achieving investment grade credit metrics is not an indication of or guarantee that NRG will receive investment grade credit ratings. Debt and share repurchases may be made from time to time subject to market conditions and other factors, including as permitted by United States securities laws. Furthermore, any common stock dividend is subject to available capital and market conditions.

NRG undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Financial guidance, including with respect to free cash flow before growth, contained in this news release are estimates as of June 22, 2023. These estimates are based on assumptions NRG believed to be reasonable as of that date. NRG disclaims any current intention to update such guidance, except as required by law. The foregoing review of factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements included in this news release should be considered in connection with information regarding risks and uncertainties that may affect NRG's future results included in NRG's filings with the Securities and Exchange Commission at www.sec.gov. For a more detailed discussion of these factors, see the information under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in NRG's most recent Annual Report on Form 10-K, and in subsequent filings with the Securities and Exchange Commission. NRG's forward-looking statements contained in this news release speak only as of the date of this news release or as of the date they are made.

About NRG

NRG Energy, Inc. is a leading energy and home services company powered by people and our passion for a smarter, cleaner, and more connected future. A Fortune 500 company operating in the United States and Canada, NRG delivers innovative solutions that help people, organizations, and businesses achieve their goals while also advocating for competitive energy markets and customer choice. More information is available at www.NRG.com. Connect with NRG on Facebook and LinkedIn, and follow us on Twitter, @NRGenergy.

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