

06-Aug-2025

NRG Energy, Inc. (NRG)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to the NRG Energy Second Quarter Earnings Conference Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that this conference is being recorded.

I would now like to hand the conference over to our first speaker today, Brendan Mulhern, Head of Investor Relations. Dear, sir, please go ahead.

Brendan Mulhern

Head-Investor Relations, NRG Energy, Inc.

Thank you. Good morning and welcome to NRG Energy's second quarter 2025 earnings call. This morning's call is being broadcast live over the phone and via webcast. The webcast presentation and our earnings release can be located in the Investors section of our website at www.nrg.com under Presentations and Webcasts.

Please note that today's discussion may contain forward-looking statements, which are based upon assumptions that we believe to be reasonable as of this date. Actual results may differ materially. We urge everyone to review the Safe Harbor in today's presentation, as well as the risk factors in our SEC filings. We undertake no obligation to update these statements as a result of future events, except as required by law.

In addition, we'll refer to both GAAP and non-GAAP financial measures. For information regarding our non-GAAP financial measures and reconciliations to the most directly comparable GAAP measures, please refer to today's presentation and earnings release.

With that, I will now turn it over to Larry Coben, NRG's Chair, President and Chief Executive Officer.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

Thank you, Brendan. Good morning, everyone, and thank you for your interest in NRG. I'm joined this morning by Bruce Chung, our Chief Financial Officer. Other members of the management team are also on the line and available for questions. Also with us and I'd like to welcome Brad Bentley, who joined last week as our new Head of Consumer. Brad is on the call today but will not be taking questions unless you want to ask him why he's so excited to be here. In that case, he is more than ready and I encourage you to do so.

So, let's begin with the key messages shown on slide 4. First, we delivered strong second quarter results, completing an exceptional first half of 2025. We are reaffirming our full year financial guidance across all key metrics and are currently trending at the high end of the ranges. Second, we are announcing long-term retail power agreements with a data center operator for 295 megawatts, with the potential to grow up to 1 gigawatt over time. This validates our strategy and provides evidence of the growing interest in gas-fired power for data centers.

Third, the T.H. Wharton Project has closed its Texas Energy Fund loan. Construction is well underway and we remain on track for a mid-2026 completion. Finally, our Texas Residential Virtual Power Plant is off to a fast start. Early results have exceeded expectations and we are increasing our 2025 target by more than sevenfold.

Turning to slide 5. Adjusted earnings per share for the second quarter were \$1.73, reflecting an 8% growth year-over-year when normalized for asset sales and retirements. For the first half of 2025, adjusted EPS was \$4.42, representing an increase of 48% on the same basis. Our performance was driven by expanded consumer margins, strong results in the East gas business, record smart home retention, and favorable weather early in the year. It reflects broad-based strength across our business.

On the right side of the page are some key developments in the quarter. We delivered top decile safety performance and continued executing our capital return plan. The Rockland acquisition closed during the quarter and those Texas assets were integrated into our portfolio before the beginning of summer. We also announced the acquisition of a 13-gigawatt natural gas generation portfolio and a 6-gigawatt Commercial & Industrial Virtual Power Plant platform from LS Power. This transaction expands our footprint in PJM and ERCOT, strengthens our position in two of the most attractive power markets in the country, and enhances our ability to serve customers and large loads. It also meaningfully accelerates our long-term earnings growth targets, strengthens our asset portfolio, and increases our exposure to upside from data center demand. Closing remains on track for the first quarter of next year.

Our key growth initiatives also moved forward. The Texas Residential VPP launched in the spring and greatly exceeded initial expectations and we closed the Texas Energy Fund loan for the T.H. Wharton Project. Finally, we continue to scale our large load and data center strategy. We signed long term power agreements with data center customers, advanced commercial discussions with multiple parties, and continued development at key sites.

Let me now turn to slide 6. Today, we are announcing, as I said, long-term retail power agreements with a data center operator. The agreement includes an initial 295-megawatt commitment served by grid power. The deal also includes a 10-year initial term with options to extend for 20 years. Pricing is above the midpoint of our target range and features protected margins. Operations are expected to reach full capacity in 2030. We are actively working to expand this agreement to 500 megawatts with a long-term path to 1 gigawatt across additional sites.

Our capital requirements are limited in this regard and the returns are compelling. Future announcements will follow the same structure with details focused on capacity, term length, and indicative pricing.

On the right side of this slide, we highlight the broader progress underway with respect to data centers. In addition to today's announcement, we have over 4 gigawatts of joint development agreements and letters of intent across multiple sites. Our long-term pipeline extends well beyond that. Remember also we have 2.4 gigawatts of natural gas turbines reserved for future development, which can be activated when supported by long-term data center contracts. This is a great moment for NRG. It brings high quality, recurring cash flow and affirms our ability to serve the next generation of large power customers. And we are just getting started.

Moving to slide 7, our T.H. Wharton Project has closed its loan under the Texas Energy Fund. Construction is well underway and the project remains on track to enter commercial operations in mid-2026. NRG is proud to lead the way and will likely be the first company to bring new capacity online through this program, which supports reliability and strengthens the Texas grid. We also have two additional projects totaling 1.1 gigawatts progressing through the TEF due diligence process. With expected commercial operation in 2028, we remain confident in their advancement. We have filed for completion bonus grants for all three projects and are on track to qualify for them.

Lastly, Texas Senate Bill 6 was signed into law in June. This legislation provides new tools to support reliability and improve long-term planning in the ERCOT market. We appreciate the continued leadership of the governor, lieutenant governor, legislature, PUCT and ERCOT in advancing policies that support system needs, enhance planning, and reinforce the long-term health of the Texas market.

Slide 8 provides an update on our Texas Residential Virtual Power Plant. We launched this program earlier this year through our partnership with Renew Home. It combines the reach of our retail brand, the Vivint Smart Home platform, and a compelling customer offer that delivers comfort and value while supporting our supply strategy. The long-term plan targets 1 gigawatt of dispatchable capacity by 2035. The program is now active across all major brands and channels, and early engagement is exceeding expectations. Adoption of Home Essentials, the bundle, which leads this program, is 15 percentage points ahead of plan. Uptake of additional smart home services is tracking near 40% in this cohort, roughly double our initial target. These are early results and may reflect launch momentum, but they point to strong underlying demand.

We are increasing our VPP 2025 target from 20 megawatts to 150 megawatts of curtailable capacity. This reflects faster than expected progress against our long-term plan. Our focus remains on disciplined execution, long-term value creation, and delivering a best-in-class customer experience. This is a 10-year roadmap and I look forward to keeping you updated on our progress.

With that, I will turn it over to Bruce to provide the financial review.

Bruce Chung

Executive Vice President & Chief Financial Officer, NRG Energy, Inc.

Thank you, Larry. Turning to slide 10, NRG delivered another solid quarter of financial and operational performance with \$1.73 in adjusted earnings per share and \$909 million in adjusted EBITDA. Adjusted net income was \$339 million and free cash flow before growth was \$914 million. Adjusted EBITDA and adjusted net income for the quarter were down year-over-year. However, this is primarily driven by the absence of earnings from the Airtron sale in 2024, expiration of the Cottonwood lease in May of this year, deactivation of Indian River Unit 4, and higher phantom stock expense as a result of NRG's increased share price. When adjusting for these items, second quarter 2025 adjusted EBITDA and adjusted net income would have been approximately \$90 million and \$70 million better, respectively.

NRG recorded the highest adjusted earnings in the company's history through the first half of 2025 with \$4.42 of adjusted earnings per share and over \$2.35 billion of adjusted EBITDA, a year-over-year increase of 40% and 11%, respectively. Our exceptional financial performance over the first six months of this year reflects strong execution in each of our segments, driven by a mix of expanded margins, favorable weather in the first quarter, and excellent commercial optimization.

Our Texas segment produced \$512 million of adjusted EBITDA in the quarter and \$811 million in the first half of 2025, an improvement of over 13% and 20%, respectively, from the same period in 2024. These results were driven by strong performance at the plants, increased retail margins, and favorable weather in the first quarter. The East contributed adjusted EBITDA of \$99 million in the second quarter and \$573 million through the first half of 2025. Performance of the first half of 2025 outpaced the same period for 2024, largely driven by higher margins from our natural gas business due to favorable weather in the first quarter.

Our West/Services/Other segment had an adjusted EBITDA of \$43 million in the second quarter and \$120 million through the first half of 2025. The segment realized higher retail power margins in the West, which were offset by the absence of earnings from the sale of our Airtron business in 2024 and the lease expiration at the Cottonwood facility in May 2025 when compared to the same period of the prior year. Our Smart Home business continued its impressive momentum, achieving an adjusted EBITDA of \$255 million in the second quarter and \$531 million through the first half of 2025. The segment continues to see consistent customer growth, expansion to its recurring service margins, and record customer retention at over 90%.

Free cash flow before growth was \$1.207 billion in the first half of 2025 and \$914 million in the quarter, exceeding the same periods in 2024 by \$584 million and \$251 million, respectively. The year-over-year increase is driven by our adjusted EBITDA growth through the first six months of the year and the timing of certain working capital items. We expect some of the favorability related to working capital to unwind in the second half of the year as receivables and payables settle in their normal course. As we shared during our first quarter earnings update, we are reaffirming our 2025 financial guidance across all metrics and we continue to trend at the upper end of our guidance ranges.

Moving to slide 11 for a look at our updated 2025 capital allocation. We began the year with just over \$2.6 billion comprised of unallocated excess cash from 2024 at the midpoint of our free cash flow before growth guidance target for 2025. The only change from what I shared in the first quarter call denoted in light blue reflects an update to our liability management for a marginal increase in amortization payments. These incremental payments relate to a \$1-billion upsize in our existing Term Loan B facility executed in July. This increase to the facility will primarily be used for replenishment of capital employed for the acquisition of assets from Rockland Capital, redemption of principal related to our convertible senior notes, and the continued development of our Texas newbuilds.

Our plan to execute \$1.3 billion in share repurchases remains unchanged. Through July 31, we executed \$768 million in share repurchases, or nearly 60% of the annual total at a weighted average price of \$112.74. Finally, we are now showing \$35 million of unallocated capital, which we will allocate over the remainder of the year. NRG posted impressive first half financial results and we are laser-focused on delivering strong results for the balance of the year. I look forward to updating you in subsequent quarters on our strong execution and financial performance.

With that, I'll turn it back to you, Larry.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

Thank you, Bruce. We've just completed the strongest first half in NRG history. Our core business continues to exceed expectations, our people continue to perform at a high level, and our opportunities have never been greater than today. This is an exciting time for our company. We announced the acquisition of premier natural gas assets and a leading C&I Virtual Power Plant platform. We launched a new residential VPP offering, advanced our large load strategy, and signed long-term power agreements with a data center operator. We secured a Texas Energy Fund loan, closed on the Rockland transaction, and made meaningful progress across our organic growth initiatives. As what my namesake Larry David would say, pretty, pretty good. We are well-prepared for the balance of summer and confident in our ability to continue to deliver value to our shareholders.

Operator, we're ready to open the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And now we're going to take our first question, and it comes from the line of Julien Dumoulin-Smith from Jefferies. Your line is open. Please ask your question.

Julien Dumoulin-Smith

Analyst, Jefferies LLC

Q

Hey. Good morning, team. Thank you guys very much. And again, I got to say it, another quarter, nicely done, Larry and team.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Thanks, Julien. Appreciate it. How are you?

Julien Dumoulin-Smith

Analyst, Jefferies LLC

Q

Yeah, quite well. Thank you, guys. Hey. Look, speaking of delivering on new novel topics, these 295 megawatts, can you talk a little bit about the structure here? I mean, this is kind of a novel subject for the industry. How do you think about the margin profile? I guess it's a little bit commercially sensitive to talk about, but how do you think about this contributing to the bottom line or EBITDA? I mean, is this more like a residential contract in terms of margin contribution or some kind of provider of last resort C&I kind of contract? How would you frame the economics?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

In general and we're not going to get too specific, as we said, Julien, as it is commercially sensitive, I think we view it closer to a C&I contract with premium margins. That's how I would think about these types of transactions. Obviously, longer duration than the average C&I contract. But as you know, we have numerous C&I customers of this size and greater.

So, I would think of it as a C&I contract with a premium margin when we have a variety of mechanisms to protect that margin, including things like indexing, hedging, and a whole slew of other things that we've developed in order to make sure that that margin over time is maintained.

Julien Dumoulin-Smith

Analyst, Jefferies LLC

Q

Awesome. Excellent. And can you talk a little bit more about this partnership opportunity? I mean, look, it's been a little quieter on that front in recent quarters as you guys have had a lot going on. But can you talk about where you are? You guys have been obviously, Larry, actively marketing that for over a year now. I mean, is there more to come beyond this gigawatt? Can you talk even about the specific sites that are contemplated on this gigawatt arrangement and what that scaling up might look like if you think about like the timing?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

When you're talking about a partnership, which one – are you talking about the data center agreement we announced today...

Julien Dumoulin-Smith

Analyst, Jefferies LLC

Q

Yeah.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

...or are you talking about the Kiewit part? We have a lot of great partnerships, Julien.

Julien Dumoulin-Smith

Analyst, Jefferies LLC

Q

You're right. You're right. I'm thinking about it. Yeah. No, the data center, leveraging your existing sites, right? The 295 getting larger, right? And is there more even beyond that as you think about your commercial activity?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Look, Julien, as I said, I think this is just the beginning. As you know, these transactions are somewhat complicated and complex and we're working our way through it. But we're super excited about this one and super excited about the potential to expand it, as well as the pipeline that we put on the right side of the slide.

From a point of view of what we're going to say about where and what, as you know, even with our regular C&I clients, we don't disclose those contracts or who they are. If the clients choose to do so, we're happy to support them and confirm it. But that we feel that part of our client services is really up to them to talk about themselves and their plans for the data center. It would not surprise me if at some point these folks put out a release, but I don't know if they're going to do so.

Julien Dumoulin-Smith

Analyst, Jefferies LLC

Q

Yeah, that's great. And the 4 gigawatts, the LOIs, and all that as well, if any – any thoughts there? And I'll leave it.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

I think it's great to have them. Obviously, LOIs, they're not all going to come to successful conclusion, so I wouldn't model like you like to do, Julien, 150% of that for tomorrow. But – kidding, Julien, kidding.

Julien Dumoulin-Smith

Analyst, Jefferies LLC

Q

Oh, no, no. I got it.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Look, I mean, those are things that we're super excited about. But due to the complexity, not all of them will get to the goal line.

Julien Dumoulin-Smith

Analyst, Jefferies LLC

Q

Appreciate it. All right, guys. I'll let it be. Thank you so much. Best of luck.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Thanks, Julien.

Operator: Thank you. Now we're going to take our next question. And the question comes from the line of Nicholas Campanella from Barclays. Your line is open. Please ask your question.

Nicholas Campanella

Analyst, Barclays Capital, Inc.

Q

Hey. Good morning. Good morning.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Good morning.

Nicholas Campanella

Analyst, Barclays Capital, Inc.

Q

Big Larry David fan. So and a Coben fan too. So, I guess, just taking a further step on the backlog, just what is your line of sight to kind of convert some of the 4 gigawatts to actual ESAs? Like are you expecting to have more ESAs by the third quarter or the fourth quarter? How would you kind of frame expectations there? I know...

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

We're not putting – obviously, if we have letters of intent, we're spending serious time – effort and time on this. It's always difficult to put timing on it as some of these things are in our control and some of them are not. Some of them have to do with when an interconnection study gets finished and if somebody delays that interconnection study two months there's not a darn thing we can do about it.

So, we are pushing – the reason we want to have a backlog of this size is to make sure that we have significant transactions to continue to tell you about. We're super optimistic, but I don't want to predict quarter by quarter. That's just too difficult. And I've been in the development business too long. Every time in my career that I've tried to put out a development timeline, I've been wrong. And I don't really like being wrong.

Nicholas Campanella

Analyst, Barclays Capital, Inc.

Q

Okay. Fair enough. So, it just seems like on VPP, the adoption rates are coming in better than initially thought in Texas. And just I'm curious if you can kind of – now that you've had a little bit more time after you've announced this transaction in the first quarter, how are you – how do you think the PJM opportunity is shaping up?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

I think we need to see the Texas opportunity a little more. I mean, remember, it's only been about three months that we've been in market. And I – the results are great, but we want to make sure we have a complete shakedown cruise and know everything there is to know. And then, we will look at certain parts of PJM that we think are particularly right for this type of offering. But I wouldn't expect it to be this year.

Nicholas Campanella

Analyst, Barclays Capital, Inc.

Q

Thank you.

Operator: Thank you. Now we're going to take our next question, and the question comes from the line of Angie Storzynski from Seaport. Your line is open. Please ask your question.

Angie Storzynski

Analyst, Seaport Global Securities LLC

Q

Good morning. Thank you.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Hi, Angie. How are you?

Angie Storzynski

Analyst, Seaport Global Securities LLC

Q

Very good. So, first, about the Big Beautiful Bill and its impact on – and the tax shield it basically brings with it, that deal and the Rockland transaction, and how that impacts your free cash flow per share growth trajectory.

Bruce Chung

Executive Vice President & Chief Financial Officer, NRG Energy, Inc.

A

Hey, Angie. It's Bruce. So, needless to say, the OB3 certainly is a good outcome for us as it relates to these particular transactions. We're still in the process of going through the purchase price allocation and won't obviously be done with that until we close. But based on early estimates, we would expect potential cash savings to be above and beyond what we had originally assumed in our underwriting to be close to \$1 billion, if not a little bit more than that, primarily realized over the course of 2027 to 2030.

Angie Storzynski

Analyst, Seaport Global Securities LLC

Q

Okay. That's good. Secondly – I mean, again, I was kind of hoping that you would say that there is a meaningful uptick in the above 14% FFO to – per share growth trajectory that you were taking on the back of the deal.

Bruce Chung

Executive Vice President & Chief Financial Officer, NRG Energy, Inc.

A

I didn't say one way or another, but we'll – look, I mean, obviously, when it comes time for us to update you guys on that, we will do so.

Angie Storzynski

Analyst, Seaport Global Securities LLC

Q

Okay. And then secondly, yes, you have a big transaction pending, but we do still see some asset sale in – especially in Pennsylvania. And I'm just wondering if in light of the fact that you have a pending transaction, does it preclude you from actually potentially bidding for other assets in PJM? You still have a relatively small footprint in this power market.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

It does not preclude us, Angie. I mean, I don't think we can take a bite of the same size that we did a couple of months ago. But if there's an attractive asset at the right place in the right price, you will find us there.

Angie Storzynski

Analyst, Seaport Global Securities LLC

Q

And then lastly, the asset that just got the TEF commitment and the other assets that are still waiting for that, I mean, could we expect data center contracts for these TEF assets, either the ones again already awarded the loans or the future ones?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

The TEF assets are required to go into the grid. Existing assets, of course, that we already have could be directed from a fungibility point of view, but you could not direct TEF assets to a data center. They have to go into the grid.

Angie Storzynski

Analyst, Seaport Global Securities LLC

Q

Even if – I mean, it's – I mean, you could have a front-of-the-meter contract, right, where the power does flow through the grid as you said?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Yeah, absolutely, Angie. I mean, look, I think we can supply a data center from all of our existing plants in Texas without a problem. We simply cannot direct a TEF plant even if it's a behind the meter deal or being dedicated solely to a data center.

Angie Storzynski

Analyst, Seaport Global Securities LLC

Q

Okay. And then just one question, and again, maybe I'm confused. So, what is it exactly – what is the difference between the contract that you just signed and the other C&I contracts, I mean, besides the higher margin, obviously? You're not leasing the sites, right? It's not like it's co-located with one of your power plants. Why is it different than any other large scale C&I contract?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Angie, we haven't said whether it's co-located or not, so we're not going to be doing that going forward just as a rule. So, I just want to be clear, unless when our customer wants to announce that it's co-located, that's fine. I think people are willing to pay premiums at data centers for assurance that they can have 10 to 20 years of power at a price that they know what it's going to be so they can plan accordingly. I mean, I think the premium is in large part a result of being able to sign up for 10 years.

Angie Storzynski

Analyst, Seaport Global Securities LLC

Q

Okay. Thank you. Bye-bye.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Thank you, Angie.

Operator: Thank you. Now we're going to take our next question. And the question comes from the line of Michael Sullivan from Wolfe. Your line is open. Please ask your question.

Michael P. Sullivan

Analyst, Wolfe Research LLC

Q

Hey. Good morning, guys.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Hey, Sully. How are you?

Michael P. Sullivan

Analyst, Wolfe Research LLC

Q

Hey. Doing all right. I had another one on the data center deal you announced today. Just any more color on maybe why the load ramp is a little bit slower than maybe we would think for something in Texas? And then I get the sensitivity, but you've kind of introduced PowLan and Menlo on the last call, like any reason to think they wouldn't be the ones associated with this?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

I'll let Rob take the first part of that and then I'll grab the second. Go ahead, Rob.

Robert J. Gaudette

Executive Vice President & President-NRG Business and Wholesale Operations, NRG Energy, Inc.

A

Hey, Sully. On this particular transaction that we announced today, this data center design is more modular. And so, it comes in in pieces. It's not – to compare that to – the things you guys are thinking about are the 100-megawatt clips that kind of come in on like a gigawatt site. These are designed – these are edge-type data centers, so they come in in smaller sizes. That's why the ramp looks different than what you might have expected. Does that make sense?

Michael P. Sullivan

Analyst, Wolfe Research LLC

Q

It does, yes.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Oh, PowLan. Look, PowLan and Menlo are still in that 4-gig letter of intent number that we put out there. We're still working with both of those entities under letters of intent. Just things that – we're not ready to announce a firm deal with either one of them, but we are still working actively with both of them.

Michael P. Sullivan

Analyst, Wolfe Research LLC

Q

Okay. That's really helpful. And then just in terms of how you're thinking about the cadence of updating your outlook, should we be thinking about like Q3 as a standalone update for just 2026? Are you thinking about the long-term plan? And then, when do you like officially pull LS in there? Do you wait for that to close or give any incremental updates along the way?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

I mean, I think you'll get NRG alone in the third quarter – on the third quarter call. I think, until we own LS, we can't really put it into our numbers. So, I would expect that to be maybe on our first – on our year-end call, assuming the transaction is closed by the end. If not, it'll be on the first quarter call.

Michael P. Sullivan

Analyst, Wolfe Research LLC

Q

Okay. And the NRG that's standalone, is that for 2026 only or you're doing like a long-term refresh with Q3?

Bruce Chung

Executive Vice President & Chief Financial Officer, NRG Energy, Inc.

A

I mean, I think, Sully, it will probably – it will certainly be 2026. Whether we update the outlook or not, it's going to be a function of what we see at the time. But certainly it'll get to 2026.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

It may make more sense to do it after LS is closed.

Bruce Chung

Executive Vice President & Chief Financial Officer, NRG Energy, Inc.

That's right.

A

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

That's probably the more likely time, Sully.

A

Michael P. Sullivan

Analyst, Wolfe Research LLC

Okay. Fair enough. Thank you.

Q

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

I think I just made my finance people very happy that they don't have to do a double update by the next quarter too.

A

Operator: Excuse me, Michael, any further questions?

Michael P. Sullivan

Analyst, Wolfe Research LLC

No, I'm all good. Thanks, guys.

Q

Operator: Thank you so much. Now we're going to take our next question. And the question comes from the line of Carly Davenport from Goldman Sachs. Your line is open. Please ask your question.

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Hey. Good morning. Thanks for taking the questions.

Q

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

Hi, Carly. How are you?

A

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Hey. Doing well. Thanks. How are you?

Q

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

Good. Thank you.

A

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Q

We wanted to just ask a couple of follow-ups. First on the VPP opportunity, obviously raising the 2025 target there. I guess, any more you can expand on the drivers of that strength and if you see any sort of read through to the potential longer term glide path?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

I mean, I think it's still early days and so we're still early analyzing the speed of the take-up. I mean, we were always super optimistic, but it's been faster than we expected. And we need to see whether this is just early start-up momentum or sustainable before we think about changing any kind of numbers or guidance. But what we are seeing is tremendous amount of uptake of the program as well as equally interesting – people who are taking additional Vivint Smart Home pieces and products and putting them into their homes.

So, it's great cause for optimism. And I hope maybe the next call or the one after that we'll be able to give a little bit more clarity on what the drivers are. I'm a little reluctant to do it after only three months in the market.

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Q

Got it. Okay. Fair enough. That all makes sense. And then any updates to share on the partnership with GE Vernova and Kiewit on the gas assets to kind of start up in that 2029, 2030 timeframe? I guess, how is development progressing there? And are those plants part of the discussions that you're having with potential data center customers?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Yeah, I mean, those – that partnership is very closely related to the pipeline that we put on the right side of the slide there. So, as those – some of those letters of intent, the joint development agreements advance, we bring GE and Kiewit along with us for the ones where their power would be required to execute.

Carly Davenport

Analyst, Goldman Sachs & Co. LLC

Q

Great. Thank you for the color.

Operator: Thank you. [Operator Instructions] And now we're going to take our next question. And now we're going to take the question from David Arcaro from Morgan Stanley. Your line is open. Please ask your question.

David Arcaro

Analyst, Morgan Stanley & Co. LLC

Q

Hey. Thanks so much. Good morning.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Hi, David.

David Arcaro

Analyst, Morgan Stanley & Co. LLC

Q

Congratulations. Let's see, I was wondering just on the – on this data center agreement here, could you clarify, is the margin fixed over the cost of supply for this agreement such that it's indexed to the market? Or is this a long-term fixed price agreement for the customer maybe with escalators? Just any clarity there would be helpful.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Yeah. I mean, we've done a bunch of things to lock in the margin, David, to keep it at the level so that it will maintain the level as if we were pricing it at the numbers that we've said today. We're not going to tell people how we do that because it's part of our secret sauce. But the margin – if you look at what we put out as a pricing number and you can – you know pricing in Texas as well as anybody, you can see what the margin is. And that margin is well-protected over the course of the agreement.

David Arcaro

Analyst, Morgan Stanley & Co. LLC

Q

Got it. Understood. Okay. That's helpful. And then, let's see, a little bit related to the prior question. But just what are you seeing in terms of interest in additionality in the market in terms of the portfolio of solutions here for data centers, we've seen them go a bunch of different directions? But what's the current appetite and push for bringing additionality here?

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

A

Look, I think there's still a tremendous appetite for additionality. That's partly for assurance from people that they can have power and partly because grids are tight. And both of those are factors that's going to lead to a stronger and stronger push for additionality going forward. We feel very good about the fact that we have the agreement with GE and Kiewit in order to – GE Vernova and Kiewit in order to bring that additionality to bear. We think it will be well-received both by regulators and by end users.

David Arcaro

Analyst, Morgan Stanley & Co. LLC

Q

Yeah, absolutely. And you're in a unique position there. And if you don't mind, Rob, can I bug you for just your current outlook for power prices in Texas? I mean, we're seeing continued acceleration in data center activity, load growth from different angles. But how are you expecting power prices to trend as you see it today?

Robert J. Gaudette

Executive Vice President & President-NRG Business and Wholesale Operations, NRG Energy, Inc.

A

So, I'm going to sound like a broken record, David. The power prices, we've seen an upward movement in the off peaks, which would be driven by kind of the support of large industrial loads, C&I, AI, all of those things. The forward curves still don't reflect what should be reflected in them. And the reason for that or at least one potential reason for that is we're waiting on data points. We're waiting on load to get announced and show up. And so the back of the curve is going to see that and then move.

Or because of the work that got done with SB6, ERCOT's forecast will start to reflect reality again. And if the ERCOT report says 200 gigs of load, the market doesn't move. If a real report said 30 gigs of load, this market would jump \$10. So, we still see plenty of upside in the curves in Texas.

David Arcaro

Analyst, Morgan Stanley & Co. LLC



Great. Appreciate it. Thanks so much.

Operator: Thank you. Dear speakers, there are no further questions for today. I would now like to hand the conference over to Larry Coben for any closing remarks.

Lawrence Stephen Coben

Chairman, President & Chief Executive Officer, NRG Energy, Inc.

I want to thank you all for your interest in NRG and for being a part of this call. Again, we are super excited about where we stand and even more excited about where we're going. So, thank you for your interest and look forward to seeing you all soon.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program.

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