



NRG Energy Inc.

# First Quarter 2023 Earnings Presentation

May 04, 2023

## **Forward-Looking Statements**

In addition to historical information, the information presented in this presentation includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. 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,” “could,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “expect,” “intend,” “seek,” “plan,” “think,” “anticipate,” “estimate,” “predict,” “target,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such forward-looking statements include, but are not limited to, statements about the Company’s future revenues, income, indebtedness, capital structure, plans, expectations, objectives, projected financial performance and/or business results and other future events, and views of economic and market conditions.

Although NRG believes that its 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 current and future litigation, complaints, product liability claims and/or adverse publicity, failure to identify, execute or successfully implement acquisitions or asset sales, risks of the 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, NRG’s ability to execute its capital allocation plan. Achieving investment grade credit metrics is not an indication of or guarantee that the Company 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. The adjusted EBITDA, cash provided by operating activities and free cash flow before growth guidance are estimates as of May 4, 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 presentation 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](http://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 Condition and Results of Operations” in NRG’s most recent Quarterly Report on Form 10-K, and in subsequent SEC filings. NRG’s forward-looking statements speak only as of the date of this communication or as of the date they are made.

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## **Business Review**

**Mauricio Gutierrez**  
President & CEO

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## **Financial Review**

**Alberto Fornaro**  
EVP & CFO

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## **Closing Remarks**

**Mauricio Gutierrez**  
President & CEO

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## **Q&A**

**Management**

**Delivered Strong 1Q Results;  
Updating 2023 Guidance for Vivint Smart Home**

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**Well-Positioned for Current Power  
Market Fundamentals**

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**Advancing Consumer Services Strategy;  
Closed Vivint Smart Home Acquisition**



# Business Highlights & Results



## 1Q Business Highlights

### Financial and Operational Results

- Top decile safety performance
- Strong operational performance across all businesses; 28%<sup>1</sup> increase in Adjusted EBITDA

### Execute Acquisition Integration Objectives

- Direct Energy - \$300 MM run-rate (2023) on track
- Vivint - \$400 MM 2025 synergy target

### Optimize and Grow from Core

- Closed Astoria sale Jan 6<sup>th</sup> - \$209 MM net proceeds
- Closed Vivint Smart Home acquisition - March 10<sup>th</sup>
- Vivint growth plan on track

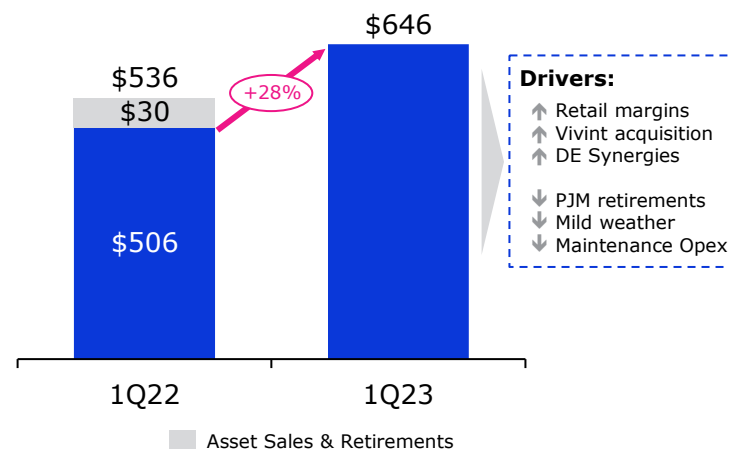
### Disciplined Capital Allocation

- Increased dividend 8%; mid-point of 7-9% target
- Achieve balance sheet targets – on track

(\$ millions)

## Financial Update

### Adjusted EBITDA



### **Updating 2023 Financial Guidance<sup>2</sup>**

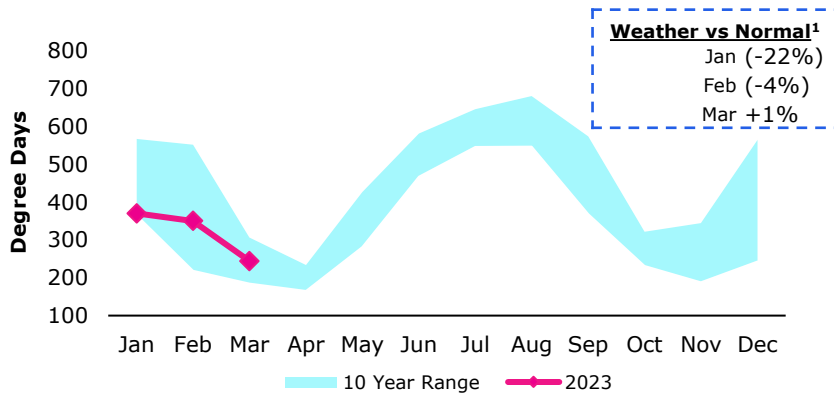
\$3,010 - \$3,250 MM Adjusted EBITDA  
\$1,620 - \$1,860 MM FCFbG

Delivered Strong First Quarter Results;  
Updating 2023 Guidance for Vivint Smart Home Acquisition

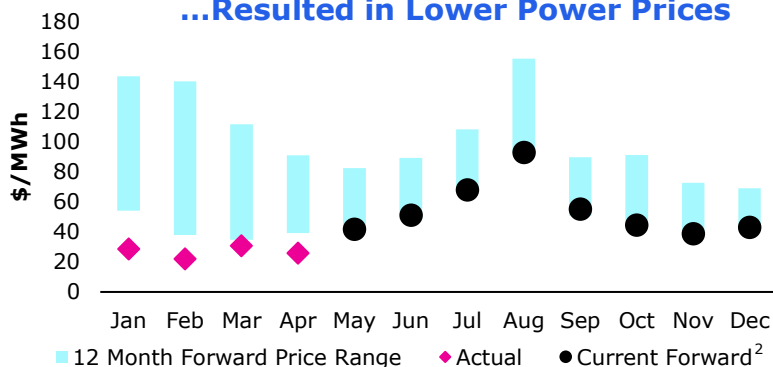
<sup>1</sup> Excluding asset sales & retirements; <sup>2</sup> Includes Vivint 2023 guidance (10 months contribution) and harmonization of Adjusted EBITDA as a result of combination

## Mild 1Q Weather Drove Lower Load Offset by Lower Supply Costs

### Mild Texas Weather through 1Q...



### ...Resulted in Lower Power Prices



## Integrated Portfolio Strategy Supports Predictable Earnings

- **Platform Well-Positioned for Summer**
  - Expanded spring maintenance outages to improve year-round reliability
  - W.A. Parish Unit 8 return-to-service on track for end of second quarter; insurance proceeds on track
  - Enhanced hedging program; conservative operational assumptions for plants
- **Improving ERCOT Reliability through Competitive Market Design Enhancements**
  - If adopted, Performance Credit Mechanism (PCM) to incentivize new dispatchable resources
  - PUCT considering bridge solution through ORDC enhancements to increase online reserves
  - NRG well-positioned with multiple brownfield opportunities

Strengthened and Balanced Platform To Benefit from Market Conditions

<sup>1</sup> Total weather demand compared to 10-year average in Texas; <sup>2</sup> As of 5/1/2023

## Strong Performance (YoY)

### Home Retail Energy

- ~7% increase in margins<sup>1</sup> and stable customer count
- Strong retention and stable bad debt
- Launched state-of-the-art digital app experience

### Vivint Smart Home

- ~14% increase in revenues; +9% customer count
- Strong retention and stable bad debt
- Introduced Vivint Basics®, a DIY system under \$300

### Vivint Integration

- Energy & Smart Home cross-selling underway
- Sales channel and product bundling optimization
- Cost synergies on track for 2023

## Synergy Scorecard

(\$ millions)

2023-2025

As of 3/31/2023	2023 Target	2023-2025 Total Plan
<b>Revenue/Growth:</b>		
FCFbG Growth	\$30 <i>\$80 MM Annualized</i>	\$300 <i>'25 Run-Rate</i>
Cost-to-Achieve	\$90	\$500-600 <i>Cumulative</i>
<b>Cost Synergies:</b>		
FCFbG Growth	\$35	\$100 <i>'25 Run-Rate</i>
Cost-to-Achieve	\$118	\$180 <i>Cumulative</i>
<b>Total Recurring FCFbG Growth</b>	<b>\$65</b> <i>\$115 MM Annualized</i>	<b>\$400</b> <i>'25 Run-Rate</i>

**Achievable Growth Supporting  
15-20% FCFbG per Share Growth  
and Strong Balance Sheet**

Strengthened Core with Expanded Acquisition Engine;  
Positioned to Increase Customer Value

<sup>1</sup> NRG economic gross margin (ex-Vivint)

# Financial Review

# 1Q23 Financial Update



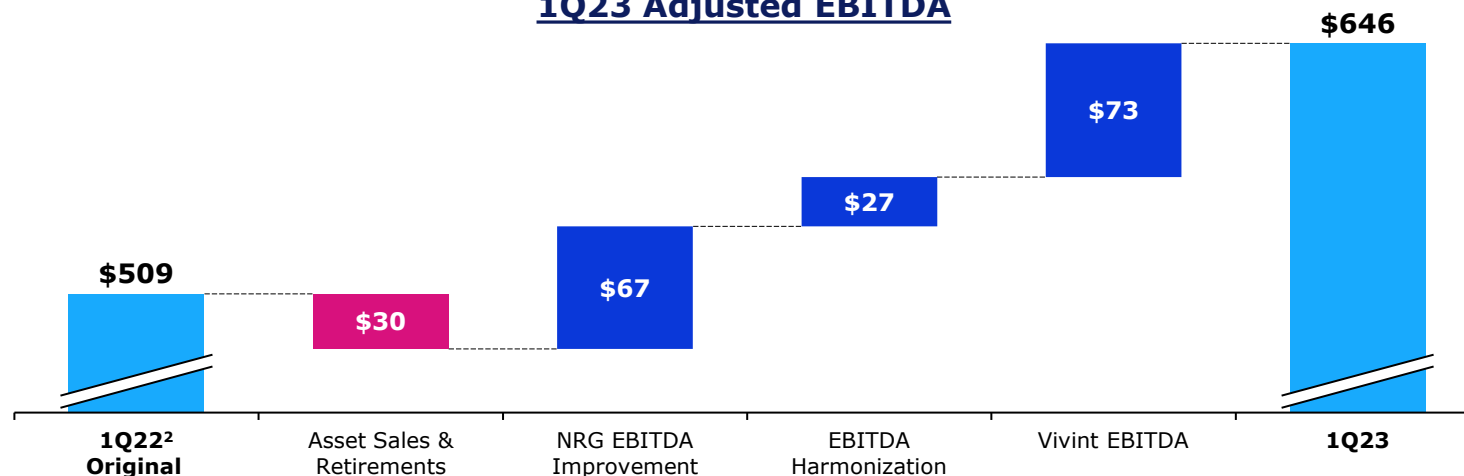
(\$ millions)

	Three Months Ended	
	2023	2022
Texas	\$254	\$211
East/West/Services/Other <sup>1</sup>	319	325
Vivint – March only	73	N/A
<b>Adjusted EBITDA</b>	<b>\$646</b>	<b>\$536</b>
<b>Free Cash Flow before Growth ("FCFbG")</b>	<b>\$203</b>	<b>\$239</b>

## 1Q23 Highlights

- NRG standalone results increased by \$67 MM YoY, excluding asset sales and retirements; additionally, Vivint Smart Home contributed \$73 MM in March
- Texas and East/West results driven by margin expansion partially offset by mild weather which drove lower billed volumes and generation output
- FCFbG results slightly lower YoY due to higher coal inventory levels from reduced generation volumes
- Liquidity significantly improved for the end of the winter season and proactive management of collateral needs

## 1Q23 Adjusted EBITDA



**Strong First Quarter 2023 Adjusted EBITDA**

<sup>1</sup> Includes Corporate segment; <sup>2</sup> Pre EBITDA harmonization

# 2023 Guidance



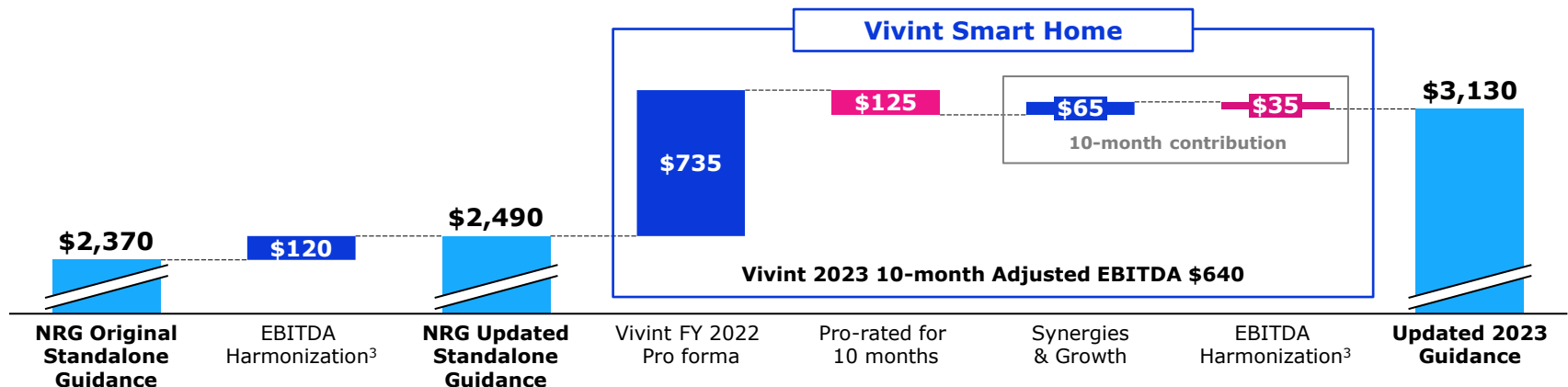
(\$ millions)

	Updating 2023 Guidance	Previous 2023 Guidance
Texas	\$1,730-\$1,880	\$1,645-\$1,795
East/West/Services/Other <sup>1</sup>	660-710	625-675
Vivint (March-December)	620-660	-
<b>Adjusted EBITDA</b>	<b>\$3,010-3,250</b>	<b>\$2,270-2,470</b>
<b>Free Cash Flow before Growth ("FCFbG")</b>	<b>\$1,620-1,860</b>	<b>\$1,520-1,720</b>

## Highlights:

- Updating NRG Adjusted EBITDA for EBITDA harmonization
- Adding Vivint pro-rated for 10 months to 2023 guidance
  - Adjusted EBITDA of \$640 MM (pro forma \$770 MM from 1/1/23)
  - FCFbG of \$120 MM (pro forma \$140 MM from 1/1/23)
- Updating guidance range to +/- \$120 MM

## 2023 Full Year Adjusted EBITDA<sup>2</sup>



## Updating 2023 Guidance to Include Vivint Smart Home

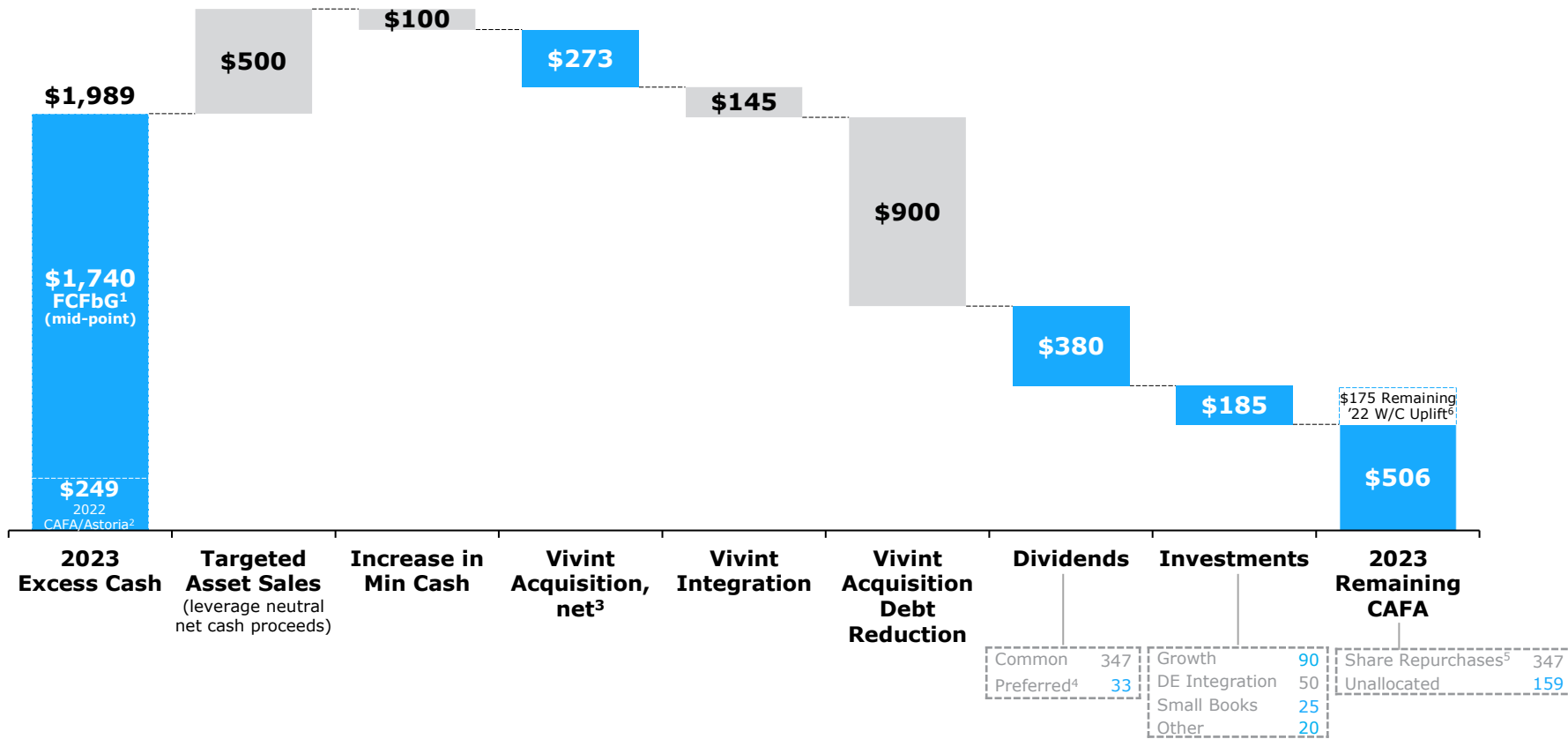
<sup>1</sup> Includes Corporate segment; <sup>2</sup> Midpoint of guidance; <sup>3</sup> Aligns the calculation of Adjusted EBITDA between the two companies, resulting in an increase to NRG Adjusted EBITDA of \$30 MM from the exclusion of stock-based compensation and \$90 MM from the exclusion of amortization of acquisition costs but a decrease in Vivint Adjusted EBITDA of \$35 MM from the inclusion of amortization of customer fulfillment costs

# 2023 Capital Allocation



(\$ millions)

■ No change from Previously Disclosed   ■ Indicates change from Previously Disclosed



## Remaining CAFA to be Allocated Following Full Visibility in Achieving 2023 Credit Metrics

<sup>1</sup> Shows 10 month impact from Vivint acquisition; including: mid-point FCFbG estimates for NRG standalone of \$1,620 MM and Vivint of \$120 MM; <sup>2</sup> Astoria net proceeds \$209 MM and 2022 remaining CAFA \$40 MM; <sup>3</sup> Net of Vivint cash on hand, excludes \$18 MM paid in 2022; <sup>4</sup> Preferred stock dividends reduced from \$70 MM as a result of timing of the Vivint acquisition closing; <sup>5</sup> \$1 Bn Share repurchase authorization; \$8 MM paid in 1Q23 for equivalent shares in lieu of tax withholdings on equity compensation issuances, \$645 MM completed through 12/31/2022; <sup>6</sup> See 4Q22 earnings presentation for details

# Corporate Credit Profile



(\$ millions)

	2023 NRG Standalone	Vivint Acquisition	Pro Forma 2023
<b>Corporate Debt</b>	<b>\$8,100<sup>1</sup></b>	<b>\$4,370</b>	<b>\$12,470</b>
Debt Reduction	0	(900)	(900)
Minimum Cash Balance	(650)	(100)	(750)
<b>Corporate Net Debt</b>	<b>7,450</b>	<b>3,370</b>	<b>10,820</b>
<b>Adjusted EBITDA</b>	<b>\$2,490<sup>2</sup></b>	<b>\$770<sup>3</sup></b>	<b>\$3,260</b>
Other Adjustments <sup>4</sup>	140	35	175
<b>Corporate Adjusted EBITDA</b>	<b>2,630</b>	<b>805</b>	<b>3,435</b>
<b>Net Debt to Corporate Adjusted EBITDA Ratio</b>	<b>~2.85x</b>		<b>~3.20x</b>

	Investment Grade Metrics
Net Debt / Adjusted EBITDA	2.50 – 2.75x
Adjusted CFO/ Net Debt	27.5 – 32.5%
(Adjusted CFO + Interest) / Interest	5.5 – 6.5x

Target Investment Grade Metrics by Late 2025 to 2026 Through Debt Reduction and Growth

<sup>1</sup> NRG Balance at 12/31/2022; <sup>2</sup> Following the close of the Vivint acquisition, NRG Adjusted EBITDA updated as a result of the harmonization of Adjusted EBITDA; <sup>3</sup> \$770 MM full year pro forma; see slide 10; <sup>4</sup> Includes non-cash expenses (e.g. nuclear amortization, bad debt expense) and non-cash equity earnings that are included in Adjusted EBITDA

# Closing Remarks

## **Deliver Financial, Operational and ESG Objectives**

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### **Execute Acquisition Integration Objectives – FCFbG Synergies**

- Direct Energy: \$300 MM 2023 run-rate synergies – On Track
  - Vivint Smart Home: \$35 MM 2023 cost synergies (\$100 MM by 2025) – On Track
- 

### **Optimize and Grow from Core**

- Close Vivint acquisition – March 2023
  - Vivint Smart Home: 2023 revenue and growth synergies (\$300 MM by 2025) – On Track
  - Enhance transparency through financial and operational disclosures
  - Increase renewable and dispatchable supply through capital-light (PPA) strategy
    - 1.9 GW renewable pipeline, 1.1 GW in-service
  - Portfolio / real-estate optimization – Targeting \$500 MM net cash proceeds
- 

### **Execute Disciplined Capital Allocation Plan**

- Execute debt reduction plan - \$900 MM in 2023
  - Advance plan to achieve Investment Grade metrics of 2.50-2.75x by late 2025 / 2026
  - Complete \$1 Bn share repurchase program – \$347 MM to be completed
- 

### **Host Consumer Services Day**

- Targeting early-summer Investor Day

# Appendix

# Committed to Sustainability



## NRG Sustainability Framework



Sustainable Business



Sustainable Suppliers



Sustainable Customers



Sustainable Operations



Sustainable Workplace

## Environmental Leadership<sup>1</sup>



## Social Leadership

- ✓ Diversity, Equity, and Inclusion one of the company's five core values
- ✓ Published several years of Equal Employment Opportunity (EEO-1) reports in 2022
- ✓ Made "Embracing Diversity & Inclusion" training available to all employees, including executives, with over 94% participation
- ✓ Best-ever safety performance in 2022<sup>5</sup>
- ✓ 115% increase in employee volunteer hours through positiveNRG

## Governance Leadership

### 70% Board Diversity



- ✓ Four women and three ethnically diverse board members
- ✓ Champion of Board Diversity award, Forum of Executive Women
- ✓ ESG Integration Award: Board Oversight of ESG
- ✓ Independent board: 90%<sup>4</sup>

<sup>1</sup> Data as of 12/31/2022; <sup>2</sup> Millions of metric tons of carbon dioxide equivalent; <sup>3</sup> NRG's goal is to reduce its total Scope 1, 2 (purchased electricity), and 3 (employee business travel) CO<sub>2</sub>e emissions by 50% by 2025, from the current 2014 base year, and achieve net-zero emissions by 2050. NRG received validation of these goals from SBTi in March 2021, prior to its release in October 2021 of its current Corporate Net Zero Standard. Under that standard, and as posted on SBTi's website, NRG's near-term climate goal is characterized as 1.5°C-aligned and our net-zero goal is characterized as "committed"; <sup>4</sup> All Directors except CEO; <sup>5</sup> Total recordable incident rate of 0.27 (industry top decile is 0.34)

# Mature Risk Strategy

## Managing Through-Cycle Stability



### 1 Forecast & Price

- Proprietary forecasting program models expected load and variability
- Data analytics form actionable insights into macro and micro usage patterns and trends
- Pricing model reflects insights from customer data/usage

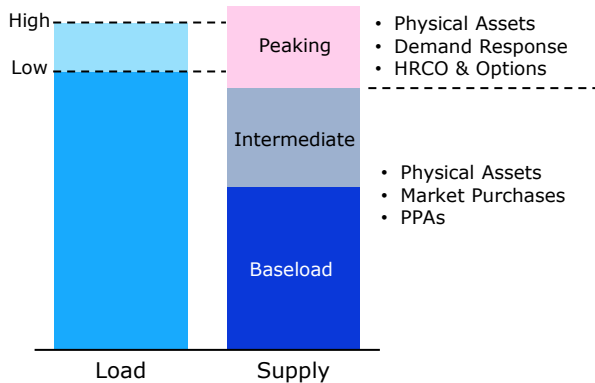
### 2 Retail Sale & Hedge

- Fully hedge priced load to firm gross margin
- Partially hedge expected future unpriced load (month-to-month) to mitigate bill shock
- Unique products require tailored hedging solutions to flex with usage variability

### 3 Optimize

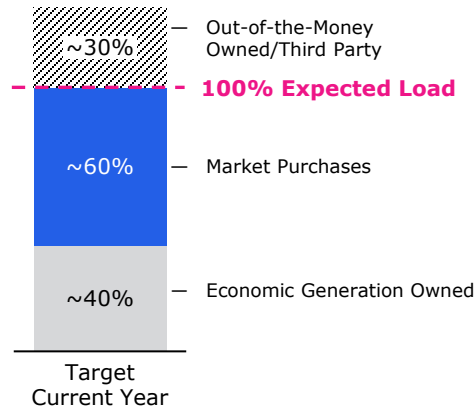
- Perfect hedge profile to incorporate additional data (i.e. weather)
- Optimize hedge profile to reflect commercial market intelligence to achieve enhanced returns and lower supply costs

#### Power Retail

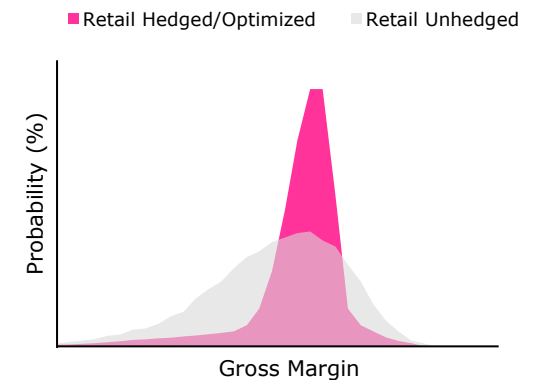


#### Retail Power Position

(On-Peak, Texas & East)



#### Stabilize & Enhance Gross Margin



**At Signing, Day 0:  
Hedge to Expected Load**

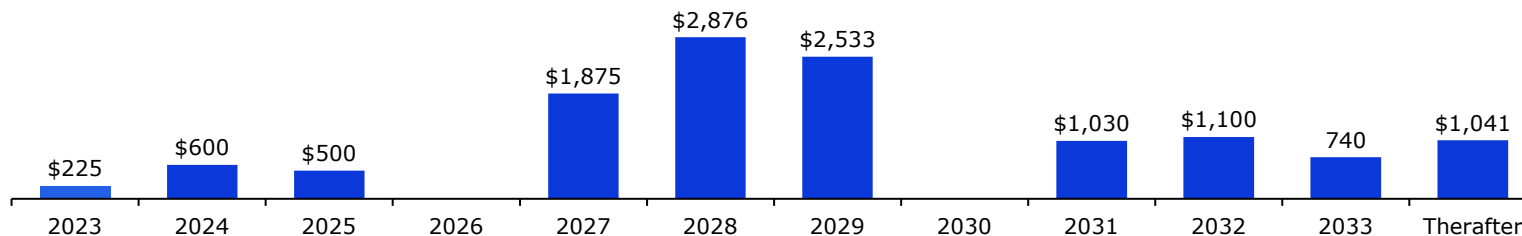
**Day 1 thru Delivery Day:  
Optimize**

# Debt Maturity Schedule

## Balance as of 03/31/2023



(\$ millions)



Recourse Debt	Principal
6.625% Senior Notes, due 2027	\$375
5.75% Senior Notes, due 2028	\$821
5.25% Senior Notes, due 2029	\$733
3.375% Senior Notes, due 2029	\$500
3.625% Senior Notes, due 2031	\$1,030
3.875% Senior Notes, due 2032	\$1,100
2.75% Convertible Senior Notes, due 2048 <sup>1</sup>	\$575
3.75% Senior Secured First Lien Notes, due 2024	\$600
2.00% Senior Secured First Lien Notes, due 2025	\$500
2.45% Senior Secured First Lien Notes, due 2027	\$900
4.45% Senior Secured First Lien Notes, due 2029	\$500
7.00% Senior Secured First Lien Notes, due 2033	\$740
Revolving Credit Facility, due 2028	\$725
Receivables Facility, due 2023	\$150
Repurchase Facility, due 2023	\$75
Tax-exempt bonds	\$466
<b>Recourse Debt</b>	<b>\$9,790<sup>2</sup></b>

Non-recourse Debt	Principal
6.75% Vivint Senior Secured Notes, due 2027	\$600
5.75% Vivint Senior Notes, due 2029	\$800
Vivint Senior Secured Term Loan, due 2028	\$1,330
<b>Non-recourse Debt</b>	<b>\$2,730</b>

NRG Energy, Inc. Credit Rating		
S&P	Moody's	Fitch
<b>BB Stable</b>	<b>Ba1 Stable</b>	<b>BB+ Stable</b>

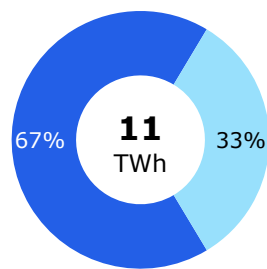
Uniform Maturity Schedule with No Near-Term Maturity Walls

<sup>1</sup> Notes will become convertible during each of the ~6-month periods following December 1, 2024, and December 1, 2047; for updated convertible rate as of 3/31/2023, see page 33 of 1Q23 10Q for Note 8 – Long-term Debt and Finance Leases; <sup>2</sup> Includes cash borrowed under revolving credit facilities; does not include \$19 MM Finance Leases

## 1Q23 Home & Business Volumes

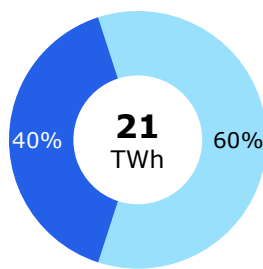
■ Texas ■ East / Other

### Electric



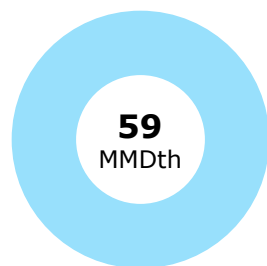
Home / Residential

**33 TWh**  
Electricity



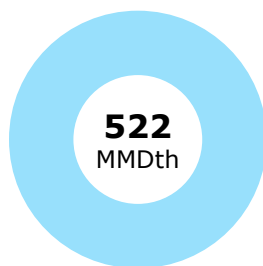
Business / C&I

### Natural Gas



Home / Residential

**581 MMDth**  
Natural Gas



Business / C&I

## Vivint Smart Home Modeling Metrics<sup>1</sup>

Key Subscriber Metrics	Avg. \$ per Customer
Monthly Service Revenue	~\$46
Net Monthly Service Cost	~(\$10)
Net Monthly Service Margin	~\$36
<i>Net Service Margin</i>	~80%
Annual Customer Attrition	11-12%

Customer Acquisition Costs <sup>2</sup>	Avg. \$ per Customer	
Equipment Sold	~\$1,650	<ul style="list-style-type: none"> <li>• ~\$2,300 revenue</li> <li>• Less: ~\$650 financing fees</li> <li>• capitalized over 5 years</li> </ul>
Creation Costs	~(\$2,400)	<ul style="list-style-type: none"> <li>• ~30% expensed</li> <li>• ~40% 5-yr capitalized equipment</li> <li>• ~30% 5-yr capitalized commissions</li> </ul>
Cost of Acquisition	~(\$750)	• Net cash cost to acquire

Strong Retail Performance – Ending Quarter at 7.4 MM Home Customers

<sup>1</sup> Definitions available in Vivint 2022 10-K; <sup>2</sup> Assumes: acquisition methodology of 75% flex-pay and 25% paid in full; capitalized commissions are excluded from Adj. EBITDA

# Appendix: Reg. G Schedules

(\$ millions)

**Appendix Table A-1: 2023 Guidance**

The following table summarizes the calculation of Adjusted EBITDA providing a reconciliation to Net Income

	<b>2023 Guidance</b>
<b>Net Income<sup>1</sup></b>	<b>\$805 - \$1,045</b>
Interest expense, net	680
Income tax	310
Depreciation and amortization	1,010
ARO expense	20
Amortization of customer acquisition costs	120 <span style="color: blue;">A</span>
Stock-based compensation	75 <span style="color: blue;">B</span>
Acquisition and divestiture integration and transaction costs	180
Other costs <sup>2</sup>	(190)
<b>Adjusted EBITDA</b>	<b>\$3,010 - \$3,250</b> <span style="color: blue;">C</span>

**Harmonization of Adjusted EBITDA:**

- A Amortization of customer acquisition costs is the P&L recognition of capitalized costs related to commissions and other costs related to securing new customers. Previously, NRG did not exclude these costs in the calculation of Adjusted EBITDA, however, Vivint did. The updated Adjusted EBITDA calculation excludes the impact of customer acquisition costs for both NRG and Vivint. On a stand-alone basis, amortization of customer acquisition costs for NRG is \$90 MM and Vivint is \$30 MM.
- B Previously, NRG did not exclude the impact of stock-based compensation in its calculation of Adjusted EBITDA, however, Vivint did. The updated Adjusted EBITDA calculation excludes the impact of stock-based compensation for both NRG and Vivint. On a stand-alone basis, stock-based compensation for NRG is \$30 MM and Vivint is \$45 MM.
- C Previously, Vivint excluded the amortization of customer fulfillment costs (primarily related to the sale and installation of equipment) in its calculation of Adjusted EBITDA. The updated Adjusted EBITDA calculation does not exclude the impact of customer fulfillment costs. Vivint's customer fulfillment costs are \$35 MM and can be seen on the next slide. The net impact of the harmonization of Adjusted EBITDA is \$85 MM.

<sup>1</sup> For purposes of guidance, fair value adjustments related to derivatives are assumed to be zero; <sup>2</sup> Includes adjustments for sale of assets, adjustments to reflect NRG share of Adjusted EBITDA in unconsolidated affiliates, deactivation costs, and other non-recurring expenses

(\$ millions)

**Appendix Table A-2: 2023 Guidance**

The following table summarizes the calculation of Free Cash Flow before Growth providing a reconciliation to Cash provided by Operating Activities

	<b>2023 Guidance</b>
<b>Adjusted EBITDA</b>	<b>\$3,010 - \$3,250</b>
Interest payments, net	(590)
Income tax	(95)
Net Deferred Revenue <sup>1</sup>	215
Amortization of customer fulfillment costs <sup>2</sup>	35
Capitalized contract costs <sup>3</sup>	(690)
Working capital / other assets and liabilities <sup>4</sup>	(275)
<b>Cash provided by Operating Activities</b>	<b>\$1,610 - \$1,850</b>
Acquisition and Other Costs <sup>4</sup>	210
<b>Adjusted Cash Flow from Operations</b>	<b>\$1,820 - \$2,060</b>
Maintenance capital expenditures, net <sup>5</sup>	(270) - (290)
Environmental capital expenditures	(10) - (15)
Net Cash for Growth Initiatives	90
<b>Free Cash Flow before Growth</b>	<b>\$1,620 - \$1,860</b>

<sup>1</sup> The cash impact of deferred revenue is the net change in the balance sheet from capitalizing proceeds received from installation and equipment and then recognizing those proceeds as revenue on a straight-line basis over the expected period of benefit; <sup>2</sup> Amortization of customer fulfillment costs, which are included in the calculation of Adjusted EBITDA, is the P&L recognition of capitalized contract costs related to the sale and installation of equipment necessary for a customer to receive the Smart Home service; <sup>3</sup> Capitalized contract costs represent the costs directly related and incremental to the origination of new contracts, modification of existing contracts, or to the fulfillment of the related subscriber contracts; these costs include installed products, commissions, other compensation, and cost of installation of new or upgraded customer contracts; these costs are amortized on a straight-line basis over the expected period of benefit; <sup>4</sup> Working capital / other assets and liabilities includes payments for acquisition and divestiture integration and transition costs, which is adjusted in Acquisition and Other Costs; <sup>5</sup> Includes W.A. Parish Unit 8 and Limestone Unit 1 expected insurance recoveries related to property, plant and equipment

(\$ millions)

**Appendix Table A-3: Three months ended 3/31/23 and 3/31/22 Adjusted EBITDA Reconciliation by Operating Segment**

The following table summarizes the calculation of Adjusted EBITDA and provides a reconciliation to Net Income/(Loss):

	Three Months ended 3/31/23 <sup>1</sup>						Three Months ended 3/31/22 <sup>1</sup>				
	Texas	East	West/ Services/ Other	Vivint <sup>2</sup>	Corp/Elim	Total	Texas	East	West/ Services/ Other	Corp/Elim	Total
<b>Net Income/(Loss)</b>	\$ 284	\$ (1,402)	\$ (304)	\$ (39)	\$ 126	\$ (1,335)	\$ 771	\$ 1,538	\$ 130	\$ (703)	\$ 1,736
Plus:											
Interest expense, net	-	(6)	6	26	106	132	-	(1)	7	94	100
Income tax	-	-	(47)	-	(289)	(336)	-	-	(1)	572	571
Depreciation and amortization	75	30	24	52	9	190	77	77	21	8	183
ARO Expense	2	3	1	-	-	6	3	2	2	-	7
Contract and emission credit amortization, net	1	115	3	-	-	119	(2)	147	2	-	147
<b>EBITDA</b>	<b>362</b>	<b>(1,260)</b>	<b>(317)</b>	<b>39</b>	<b>(48)</b>	<b>(1,224)</b>	<b>849</b>	<b>1,763</b>	<b>161</b>	<b>(29)</b>	<b>2,744</b>
Stock-based compensation	6	2	1	4	-	13	3	1	2	-	6
Amortization of customer acquisition costs <sup>3</sup>	14	11	1	-	-	26	14	7	-	-	21
Adjustment to reflect NRG share of adjusted EBITDA in unconsolidated affiliates	-	-	4	-	-	4	-	-	18	-	18
Acquisition and divestiture integration and transaction costs <sup>4</sup>	-	-	-	30	42	72	-	-	-	10	10
Deactivation costs	-	4	3	-	-	7	-	4	-	-	4
Gain on sale of assets	-	(199)	-	-	-	(199)	-	-	1	2	3
Other non recurring charges	1	1	2	-	(1)	3	(2)	3	(6)	12	7
Mark-to-market for economic hedging activities, net	(129)	1,755	318	-	-	1,944	(653)	(1,446)	(178)	-	(2,277)
<b>Adjusted EBITDA</b>	<b>\$ 254</b>	<b>\$ 314</b>	<b>\$ 12</b>	<b>\$ 73</b>	<b>\$ (7)</b>	<b>\$ 646</b>	<b>\$ 211</b>	<b>\$ 332</b>	<b>\$ (2)</b>	<b>\$ (5)</b>	<b>\$ 536</b>

<sup>1</sup> In 2022, Stock-based compensation and Amortization of customer acquisition costs were not excluded from Adjusted EBITDA; this schedule reflects 2022 & 2023 results reflecting the harmonization of Adjusted EBITDA; the combined quarterly impact of these two changes is approximately \$28 MM per quarter for 2Q through 4Q of 2022; <sup>2</sup> Vivint Smart Home acquired in March 2023; <sup>3</sup> Amortization of customer acquisition costs, which are excluded from the calculation of Adjusted EBITDA, is the P&L recognition of capitalized costs related to commissions and other costs related to securing the new customer; <sup>4</sup> Includes stock based compensation of \$20 MM

(\$ millions)

**Appendix Table A-4: Three months ended 3/31/23 and 3/31/22 Free Cash Flow before Growth**

The following table summarizes the calculation of Free Cash Flow before Growth and provides a reconciliation to Cash (used)/provided by Operating Activities

	Three Months ended 3/31/23	Three Months ended 3/31/22
<b>Adjusted EBITDA</b>	<b>\$ 646</b>	<b>\$ 536</b>
Interest payments, net	(91)	(95)
Income tax	4	18
Net Deferred revenue <sup>1</sup>	(2)	(50)
Capitalized contract costs <sup>2</sup>	(56)	(22)
Collateral / working capital / other assets and liabilities	(2,099)	1,289
<b>Cash (used)/provided by Operating Activities</b>	<b>(1,598)</b>	<b>1,676</b>
Winter Storm Uri C&I credits	-	25
Net receipts from settlement of acquired derivatives that include financing elements	336	561
Acquisition and divestiture integration and transaction costs <sup>3</sup>	56	10
Astoria fees	3	-
Encina site improvement	3	5
Adjustment for change in collateral	1,412	(2,007)
Nuclear decommissioning trust liability	12	10
Effect of exchange rate changes on cash and cash equivalents	3	3
<b>Adjusted Cash Flow from Operations</b>	<b>227</b>	<b>283</b>
Maintenance capital expenditures, net <sup>4</sup>	(41)	(43)
Environmental capital expenditures	-	(1)
Net Cash for Growth Initiatives	17	-
<b>Free Cash Flow before Growth</b>	<b>\$ 203</b>	<b>\$ 239</b>

<sup>1</sup> The cash impact of deferred revenue is the net change in the balance sheet from capitalizing proceeds received from installation and equipment sales and then recognizing those proceeds as revenue on a straight-line basis over the expected period of benefit; <sup>2</sup> Capitalized contract costs represents the costs directly related and incremental to the origination of new contracts, modification of existing contracts or to the fulfillment of the related subscriber contracts; these costs include installed products, commissions, other compensation and cost of installation of new or upgraded customer contracts; these costs are amortized on a straight-line basis over the expected period of benefit; <sup>3</sup> Excludes \$16 MM non-cash stock-based compensation; <sup>4</sup> Includes W.A. Parish Unit 8 and Limestone Unit 1 insurance recoveries related to property, plant and equipment

(\$ millions)

**Appendix Table A-5: Prior 2023 Guidance**

The following table summarizes the calculation of Adjusted EBITDA providing a reconciliation to Net Income, and the calculation of Free Cash Flow before Growth providing a reconciliation to Cash provided by Operating Activities

	<b>Prior 2023 NRG Guidance</b>
<b>Net Income<sup>1</sup></b>	<b>\$735 - \$935</b>
Interest expense, net	430
Income tax	310
Depreciation, amortization, contract amortization, and ARO expense	700
Adjustment to reflect NRG share of Adjusted EBITDA in unconsolidated affiliates	15
Other costs <sup>2</sup>	80
<b>Adjusted EBITDA</b>	<b>2,270 - 2,470</b>
Interest payments, net	(375)
Income tax	(95)
Working capital / other assets and liabilities	(20) <span style="float: right;">A</span>
<b>Cash provided by Operating Activities</b>	<b>1,780 - 1,980</b>
Adjustments: Proceeds from investment and asset sales, collateral, nuclear decommissioning trust liability	10
<b>Adjusted Cash Flow from Operations</b>	<b>1,790 - 1,990</b>
Maintenance capital expenditures, net	(250) - (270) <span style="float: right;">B</span>
Environmental capital expenditures	(10) - (15)
<b>Free Cash Flow before Growth</b>	<b>\$1,520 - \$1,720</b>

- A** Insurance proceeds related to property damage claims previously included in Working capital / other assets and liabilities, currently included in Maintenance capital expenditures, net
- B** Maintenance capital expenditures includes ~\$220 MM in 2023 of deployed capital to return W.A. Parish Unit 8 to service by end of second quarter 2023 and expected property damage reimbursements of ~90% in addition to pull forward of property damage reimbursements of deployed capital for Limestone Unit 1 which was returned to service in April 2022

<sup>1</sup> For purposes of guidance, fair value adjustments related to derivatives are assumed to be zero; <sup>2</sup> Includes deactivation costs and integration expenses

EBITDA and Adjusted EBITDA are non-GAAP financial measures. These measurements are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance. The presentation of Adjusted EBITDA should not be construed as an inference that NRG's future results will be unaffected by unusual or non-recurring items.

EBITDA represents net income before interest expense (including loss on debt extinguishment), income taxes, depreciation and amortization, asset retirement obligation expenses, contract amortization consisting of amortization of power and fuel contracts and amortization of emission allowances. EBITDA is presented because NRG considers it an important supplemental measure of its performance and believes debt-holders frequently use EBITDA to analyze operating performance and debt service capacity. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results as reported under GAAP. Some of these limitations are:

- EBITDA does not reflect cash expenditures, or future requirements for capital expenditures, or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on debt or cash income tax payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in this industry may calculate EBITDA differently than NRG does, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to use to invest in the growth of NRG's business. NRG compensates for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only supplementally. See the statements of cash flow included in the financial statements that are a part of this presentation.

Adjusted EBITDA is presented as a further supplemental measure of operating performance. As NRG defines it, Adjusted EBITDA represents EBITDA excluding the impact of stock-based compensation, amortization of customer acquisition costs (primarily amortized commissions), impairment losses, deactivation costs, gains or losses on sales, dispositions or retirements of assets, any mark-to-market gains or losses from forward position of economic hedges, adjustments to exclude the Adjusted EBITDA related to the non-controlling interest, gains or losses on the repurchase, modification or extinguishment of debt, the impact of restructuring and any extraordinary, unusual or non-recurring items plus adjustments to reflect the Adjusted EBITDA from our unconsolidated investments. The reader is encouraged to evaluate each adjustment and the reasons NRG considers it appropriate for supplemental analysis. As an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA. In addition, in evaluating Adjusted EBITDA, the reader should be aware that in the future NRG may incur expenses similar to the adjustments in this presentation.

Management believes Adjusted EBITDA is useful to investors and other users of NRG's financial statements in evaluating its operating performance because it provides an additional tool to compare business performance across companies and across periods and adjusts for items that we do not consider indicative of NRG's future operating performance. This measure is widely used by debt-holders to analyze operating performance and debt service capacity and by equity investors to measure our operating performance without regard to items such as interest expense, taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired. Management uses Adjusted EBITDA as a measure of operating performance to assist in comparing performance from period to period on a consistent basis and to readily view operating trends, as a measure for planning and forecasting overall expectations, and for evaluating actual results against such expectations, and in communications with NRG's Board of Directors, shareholders, creditors, analysts and investors concerning its financial performance.

Adjusted cash flow from operating activities is a non-GAAP measure NRG provides to show cash flow from operations with the reclassification of net payments of derivative contracts acquired in business combinations from financing to operating cash flow, as well as the add back of merger, integration, related restructuring costs, changes in the nuclear decommissioning trust liability, and the impact of extraordinary, unusual or non-recurring items. The Company provides the reader with this alternative view of operating cash flow because the cash settlement of these derivative contracts materially impact operating revenues and cost of sales, while GAAP requires NRG to treat them as if there was a financing activity associated with the contracts as of the acquisition dates. The Company adds back merger, integration related restructuring costs as they are one time and unique in nature and do not reflect ongoing cash from operations and they are fully disclosed to investors. The company excludes changes in the nuclear decommissioning trust liability as these amounts are offset by changes in the decommissioning fund shown in cash from investing.

Free Cash Flow before Growth Investments is adjusted cash flow from operations less maintenance and environmental capital expenditures, net of funding, dividends from preferred instruments treated as debt by ratings agencies, and distributions to non-controlling interests and is used by NRG predominantly as a forecasting tool to estimate cash available for debt reduction and other capital allocation alternatives. The reader is encouraged to evaluate each of these adjustments and the reasons NRG considers them appropriate for supplemental analysis. Because we have mandatory debt service requirements (and other non-discretionary expenditures) investors should not rely on Free Cash Flow before Growth Investments as a measure of cash available for discretionary expenditures.

Free Cash Flow before Growth Investment is utilized by Management in making decisions regarding the allocation of capital. Free Cash Flow before Growth Investment is presented because the Company believes it is a useful tool for assessing the financial performance in the current period. In addition, NRG's peers evaluate cash available for allocation in a similar manner and accordingly, it is a meaningful indicator for investors to benchmark NRG's performance against its peers. Free Cash Flow before Growth Investment is a performance measure and is not intended to represent net income (loss), cash from operations (the most directly comparable U.S. GAAP measure), or liquidity and is not necessarily comparable to similarly titled measures reported by other companies.