

Initiating Coverage:

NRG Energy (NYSE: NRG)

Expect Them to NRGize the Future

Key Takeaway: NRG Energy is one of the strongest and most future-oriented companies in the U.S. utilities industry. It has positioned itself at the center of the largest trends reshaping the industry: a massive boom in electricity demand from AI and data centers, new smart home and grid technologies, and a messy and uneven energy transition. The company has not just weathered the storm, it has embraced all of these forces: it doubled down on generation with a \$12 billion buy of LS Power's gas plants, invested aggressively in smart grid modernization, and staked out its own presence in B2C technology and software.

Although NRG may not have the greenest profile (low renewable fleet and has actively doubled down on natural gas), it is playing the game as it is being played right now—using natural gas as a bridge fuel as the digital energy economy explodes. With its financial scale, M&A activity, and tech integration, NRG is not only adapting, but actively taking shaping the future of the energy industry.

\$12B Acquisition of LS Power Plants and Market Positioning

In May 2025, NRG energy announced it would acquire LS Power. With a \$12 billion deal, NRG energy picked up 18 natural gas power plants, growing its natural gas portfolio by 13 GW and doubling its energy generation capacity to 25 GW. This makes NRG energy a major player in the natural gas market and will allow it to service the exploding demand from energy intensive sectors like data centers. The acquisition was partially financed with \$9.6 billion of debt and cash. In addition to physical expansion, the deal rebalances NRG's retail and wholesale exposure.

Financial Momentum, Innovation Partnerships and Data Center Focus

NRG's growth strategy is paying off with its stock up over 60% year to date in 2025 – performing the second best on the S&P 500 since the turn of the year. With strong earnings results in the latest quarter and FY24, the company reaffirmed its 2025 guidance and that has given investors even more confidence. NRG has also partnered with GE Vernova and Kiewit's TIC on site expansion, smart home integration and grid modernization

Valuation: We initiate coverage with a \$190.00 PT



Consortium Research Group
Energy & Sustainability | Utilities
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Stock Rating: Overweight

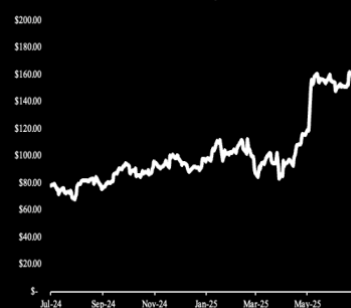
Price Target: \$190.00

Price: \$150.68

Potential Upside/Downside: 26.76%

Ticker: NRG

1 Year History



Energy & Sustainability

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Company Overview

Company Description: NRG Energy is a North American energy and home services company, sitting at the intersection of retail electricity, technology, and smart home solutions. Based in Houston, Texas NRG serves approximately 6 million customers in the US, making it one of the largest retail power providers in the country.

Smart Home Services Differentiation: NRG is differentiated because it doesn't just see itself as a power generator or retail energy supplier, but as a comprehensive home energy platform. Through its acquisition of Vivint Smart Home, NRG is the only one combining energy supply with smart home technology, offering customers a bundled service that includes electricity, home automation, security, and energy monitoring all under one brand. This differs from traditional utilities and minimalist retail providers, allowing NRG to operate across the value chain from production to services. As the first major US power company to implement smart home solutions at scale, NRG gains the ability to cross-sell, foster deeper customer engagement, and diversify its revenue streams.

Risk-Optimized, Asset-Light Model: NRG's asset-light strategy differs from traditional power generators, which focus on owning large-scale assets. Instead of maintaining a large fleet of capital-intensive generation assets, NRG focuses on selective ownership, strategic divestitures, and sophisticated hedging to manage risk and optimize returns. This allows the company to minimize exposure to commodity price volatility while generating strong free cash flow. By recycling non-core assets and locking in margins through market hedging, NRG can return capital to shareholders and reinvest in its tech-driven growth initiatives.

Industry Overview

Power Generation: The power generation industry includes companies that generate electricity from traditional sources (gas, coal, nuclear) and renewables (solar, wind, hydro, geothermal). The sector is being shaped by the energy transition, with utilities and IPPs investing in renewables to meet decarbonization targets and benefit from falling costs. Key drivers are regulatory policy, fuel price volatility, grid reliability and capital intensity. Natural gas is unique in long-term decarbonation goals, as it produces significantly less carbon than coal, meaning in the short to long term it is being treated as a bridge in global decarbonization goals.

Retail Energy: Retail energy supply companies buy electricity or gas wholesale and sell to end users (residential, commercial, industrial). Competitive dynamics are around pricing, customer acquisition/churn and product differentiation (e.g. green power, fixed vs variable rates, bundled services). This segment generates recurring, sticky cash flows. Retailers also act as a hedge for generation portfolios as integrated utilities can offset wholesale market swings. Key metrics are customer count, gross margin per customer, market share and contract duration.

Smart Home & Energy Services: This is a fast growing space that includes home automation, distributed energy, EV charging, energy management and adjacent services like security. The industry is driven by consumer demand for lower energy bills, resilience and sustainability – enabling the “prosumers” who generate and manage their own energy use. Strategic acquirers (utilities, energy retailers, tech firms) are looking to bundle these offerings to deepen customer relationships and create new revenue streams. Success depends on technology integration (hardware/software), data analytics and cross selling.

Peer Comparisons

Financial Data	
Debt	\$10,296
Cash	\$693
# of Shares Outstanding	196

Comparable Companies						
\$mm						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
Duke Energy Corporation (NYSE:DUK)	\$91,165	\$180,268	19.5x	\$30,512	\$14,898	
NextEra Energy, Inc. (NYSE:NEE)	\$153,883	\$251,696	28.0x	\$25,269	\$13,577	
Constellation Energy Corporation (NasdaqGS)	\$99,745	\$106,635	33.5x	\$24,195	\$6,546	
Vistra Corp. (NYSE:VST)	\$65,729	\$85,343	30.4x	\$18,103	\$6,763	
NRG ENERGY	\$31,026	\$41,972	25.6x	\$29,286	\$3,658	

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	Yr Rev Growth Rate LF	
Duke Energy Corporation (NYSE:DUK)	12.1x	51.6%	48.8%	27.3%	5.2%	
NextEra Energy, Inc. (NYSE:NEE)	18.5x	60.8%	53.7%	30.2%	(6.9%)	
Constellation Energy Corporation (NasdaqGS)	16.3x	23.1%	27.1%	16.1%	2.9%	
Vistra Corp. (NYSE:VST)	12.6x	41.3%	37.4%	21.3%	35.0%	
NRG ENERGY	11.5x	21.5%	12.5%	8.7%	2.7%	

High	18.54x	60.8%	53.7%	30.2%	35.0%	
75th Percentile	16.29x	51.6%	48.8%	27.3%	5.2%	
Average	14.20x	39.7%	35.9%	20.7%	7.8%	
Median	12.62x	41.3%	37.4%	21.3%	2.9%	
25th Percentile	12.10x	23.1%	27.1%	16.1%	2.7%	
Low	11.47x	21.5%	12.5%	8.7%	-6.9%	

General Dynamics Valuation		
Implied Enterprise Value (25th Percentile)	\$	44,262
Implied Enterprise Value (Median)	\$	46,160
Implied Enterprise Value (75th Percentile)	\$	59,589

Implied Share Price (25th Percentile)	\$	177.28
Implied Share Price (Median)	\$	186.98
Implied Share Price (75th Percentile)	\$	255.67

Source: CapIQ

Investment Theses

Investment Thesis: NRG Energy (2025)

Thesis: NRG Energy is a differentiated, high-conviction investment opportunity at the intersection of AI-driven electricity demand, natural gas flexibility, and commercial energy innovation. Its strategic focus on data center reliability, C&I virtual power plants (VPPs), and deregulated market expertise positions it to capitalize on today's most urgent energy megatrends with profitability and scale.

Powering the AI Boom: Flexible Gas + Tailored C&I Solutions

As AI and cloud computing drive the fastest electricity demand growth in decades, NRG has taken bold steps to meet that surge—most notably with its \$12B acquisition of LS Power's 13 GW natural gas fleet. This move not only nearly doubles NRG's generation capacity but also

gives it one of the most flexible, dispatchable gas portfolios in the U.S.—ideal for meeting the variable, high-reliability needs of data centers and industrial clients. Unlike utilities focused on small-scale solar or slow-moving green transitions, NRG embraces gas as a near-term bridge, offering scalable, on-demand supply in a tightening energy market.

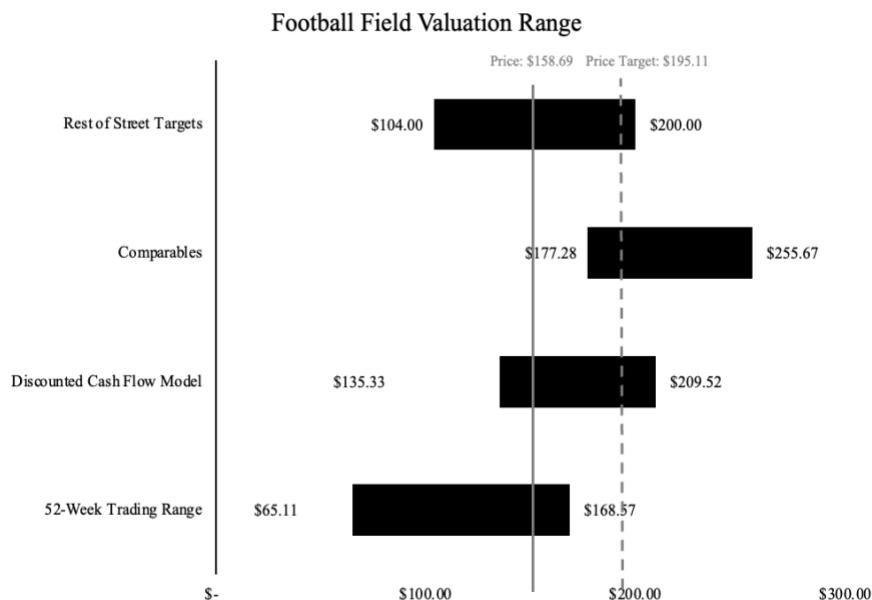
NRG's advantage goes beyond supply. The company operates in deregulated markets like Texas and expansion into western markets, where pricing is market-driven and flexibility is at a premium. NRG's unique vertical integration—pairing generation with a major retail electricity business—allows it to provide fully packaged, custom solutions: long-term contracts, hedging services, and reliability guarantees. This retail-gen combo is a strategic moat, enabling NRG to own the entire energy value chain for its commercial clients.

2. Grid-Edge Innovation and C&I VPP Leadership

NRG is positioning itself as a grid-edge innovator through early investments in smart home technology, AI-powered demand management, and commercial & industrial Virtual Power Plants (C&I VPPs). These VPPs aggregate distributed energy resources (like batteries, solar, EV chargers, and HVAC systems) across commercial properties, allowing NRG to “crowdsource” flexible capacity in real time. As electrification strains the grid and data center power loads spike, this capability will become increasingly valuable. NRG's tech-forward strategy enables it to deliver both physical energy and digital optimization, making it an ideal partner for future-focused C&I clients.

Price Target & Valuation

Our analysis gives (\$NRG) a price target of \$190.00 and an overweight rating.



Downside 1: Retail energy markets, particularly in deregulated regions like Texas, are fiercely competitive, with over 100 suppliers in some service areas. This can increase customer acquisition costs and erode long-term profitability. During economic downturns or inflationary spikes, the risk of customer non-payment increases. With the tariff backdrop and looming inflation in the near term, NRG's exposure to small business and residential customers heightens credit risk.

Downside 2: Vivint is a premium, high-recurring-revenue smart home provider in a market that's forecast to double by 2030. Despite net losses, its operational cash flow and EBITDA are growing rapidly, signaling a likely break-even soon. Despite this, the company remains unprofitable and operates in a niche segment of the market - premium, all-in-one home services - while facing intense competition from tech giants like Amazon and Google, whose integrated smart home ecosystems offer greater scale, lower costs, and faster innovation.

Downside 3: Recent acquisitions have increased NRG's leverage and slightly changed the company's risk profile. While NRG is generating strong free cash flow, the added debt from M&A reduces its financial cushion. With more leverage on an asset-light balance sheet, the

Our Price Target: \$190.00

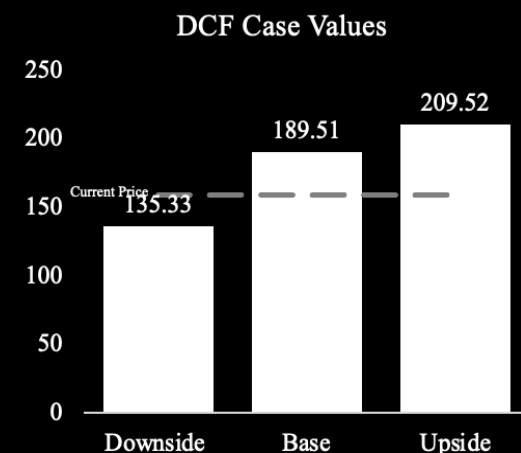
NRG is showing good momentum, affirming 2025 guidance despite uncertain environment. Smart Home on track to profitability, and credit ratings are improving. Strategically NRG's integrated model and large retail footprint puts them in a good position for smart home and energy services growth.

Our Upside Case: \$210.00

NRG strengthens its position in a critical reliability product, not only boosting its market share but improving NRG's ability to provide energy to the AI trend and capture value in tight capacity conditions. Meanwhile Vivint has gone past breakeven and is growing rapidly

Our Downside Case: \$135.00

NRG's high leverage and asset-light balance sheet adds risk. If cash flow doesn't meet expectations, it could pressure credit ratings and limit flexibility. Generation segment is exposed to commodity price volatility and regulatory changes which could impact margins. Competition in retail and smart home energy may require continued investment & innovation, which would pressure short term margins.



impact of any operational underperformance or cash flow volatility is amplified. Even a slight miss on free cash flow targets could constrain the company's ability to sustain its capital return programs (dividends and buybacks) or delay investment in strategic growth initiatives. In short, the acquisition raises the stakes: execution must be tighter to preserve balance sheet health and shareholder value.

Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	28,130	30,169	31,388	32,582	33,746	6.3%
EBITDA	3,492	3,863	3,923	4,439	4,978	12.5%
EBIT	2,282	2,546	2,668	2,810	2,953	9.0%
NOPAT	949	3,059	1,701	(1,045)	1,959	27.3%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	12.4%	12.8%	12.5%	13.6%	14.8%	13.2%
EBIT Margin	8.1%	8.4%	8.5%	8.6%	8.8%	8.5%
Revenue Growth	-2.4%	7.2%	4.0%	3.8%	3.6%	3.3%
EBIT Growth	-316.1%	11.6%	4.8%	5.3%	5.1%	-57.9%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/CF	14.8x	12.7x	17.3x	13.0x	10.3x	13.6x
EV/Sales	1.5x	1.3x	1.3x	1.2x	1.2x	1.3x
EV/EBITDA	11.6x	10.5x	10.4x	9.2x	8.2x	10.0x
FCF Yield	6.8%	7.9%	5.8%	7.7%	9.7%	11.8%

About \$NRG

NRG Energy (\$NRG), founded in 1989, operates as an integrated power and energy solutions provider in the United States. NRG combines a diverse fleet of traditional and renewable generation assets, with an energy retail business, bundled with a home service platform serving over 6 million customers across their retail, industrial and commercial customers — primarily focused on Texas (ERCOT) and Northeast (PJM) markets. What differentiates NRG is their dual role as a producer and DTC distributor while operating in the smart home service industry; they operate across the value chain of the energy industry at a consistently high level. Their goal is to lead the energy transition, developing technology that makes energy smarter, more reliable and more sustainable.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

NRG ENERGY	
Discounted Cash Flow	
Active Case:	2 Base
Current Share Price	\$158.69

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/30/28	12/30/29	12/31/30
Stub						0.52	1.52	2.52	3.52	4.52	5.52
Discount Period						0.24	0.98	1.98	2.98	3.98	4.98
Revenue	9,093	26,989	31,543	28,823	28,130	30,169	31,388	32,582	33,746	34,874	35,958
Revenue Growth	0%	197%	17%	-9%	-2%	7%	4%	4%	4%	3%	3%
Retail	7,460	23,561	29,722	27,467	27,149	29,264	30,434	31,576	32,681	33,743	34,755
Energy	539	1,215	1,215	553	500	603	640	680	724	773	827
Capacity	680	775	775	197	177	302	314	327	342	358	376
EBIT	1,200	3,731	2,143	(1,056)	2,282	2,546	2,668	2,810	2,953	3,095	3,236
EBIT Margin	13%	14%	7%	-4%	8%	8%	9%	9%	9%	9%	9%
Tax Expense	251	672	442	(11)	323	374	560	590	620	650	680
Effective Tax Rate	21%	18%	21%	1%	14%	15%	21%	21%	21%	21%	21%
NOPAT	949.00	3,059.00	1,701.00	(1,045.00)	1,959.00	2,172.00	2,107.69	2,220.09	2,332.72	2,445.08	2,556.61
D&A	604	972	901	1,338	1,210	1,317	1,256	1,629	2,025	2,441	2,877
Capex	230	269	367	598	472	469	628	570	506	436	360
Changes in NWC	(174)	1,090	2,390	1,312	598	575	942	896	844	785	719
UFCF	1,497	2,672	(155)	(1,617)	2,099	2,445	1,794	2,383	3,008	3,666	4,355
PV of FCF						2,399	1,660	2,039	2,379	2,680	2,943

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.14
Risk Free Rate	4.39%
Cost of Equity	7.00%
Weighted Average Cost of Debt	6.00%
Tax Rate	21.00%
Cost of Debt	1.18%
Total Equity	\$31,026
Total Debt	\$9,603
Equity/Total Capitalization	75.08%
Debt/Total Capitalization	24.92%
WACC	8.18%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$4,355
Growth	2.00%
Terminal Value	\$70,467
PV of Terminal Value	\$47,618
PV of Projection Period	\$14,098
PV of Terminal Value	\$47,618
Implied TEV	\$61,716
(-) Debt	\$10,296
(+) Cash	\$693
Implied Equity Value	\$52,113
Basic Shares Outstanding	196
Implied Share Price	\$266.55
Upside/Downside	67.97%

Implied Exit BF EV/EBIT	19.1x
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Terminal Value	
Exit Multiple Method	
2034 EBIT	\$3,236
EV/EBIT Exit Multiple	8.0x
Terminal Value	\$25,890
PV of Terminal Value	\$17,495
PV of Projection Period	\$14,098
PV of Terminal Value	\$17,495
Implied TEV	\$31,593
(-) Debt	\$10,296
(+) Cash	\$693
Implied Equity Value	\$21,990
Diluted Shares Outstanding	196
Implied Share Price	\$112.48
Upside/Downside	-29.1%

Implied PGR	-13.4%
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Blended Share Price	
Perpetuity Growth Method	50%
Exit Multiple Method	50%
Blended Share Price	\$189.51
Upside/Downside	19.42%