

# NRG Yield, Inc.

## Fourth Quarter Results Presentation

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February 28, 2014

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are subject to certain risks, uncertainties and assumptions and typically can be identified by the use of words such as “expect,” “estimate,” “should,” “anticipate,” “forecast,” “plan,” “guidance,” “believe” and similar terms. Such forward-looking statements include, but are not limited to, statements about the Company’s future revenues, income, indebtedness, capital structure, strategy, plans, expectations, objectives, projected financial performance and/or business results and other future events, and views of economic and market conditions.

Although NRG Yield, Inc. believes that the expectations are reasonable, it can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Factors that could cause actual results to differ materially from those contemplated above include, among others, general economic conditions, hazards customary in the power industry, weather conditions, competition in wholesale power markets, the volatility of energy and fuel prices, failure of customers to perform under contracts, changes in the wholesale power markets, changes in government regulation of markets and of environmental emissions, the condition of capital markets generally, our ability to access capital markets, unanticipated outages at our generation facilities, adverse results in current and future litigation, failure to identify or successfully implement acquisitions (including receipt of third party consents and regulatory approvals), our ability to enter into new contracts as existing contracts expire, and our ability to maintain and grow our quarterly dividends.

NRG Yield, Inc. 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 and cash available for distribution guidance are estimates as of February 28, 2014. These estimates are based on assumptions believe to be reasonable as of that date. NRG Yield, Inc. disclaims any current intention to update such guidance, except as required by law. The foregoing review of factors that could cause NRG Yield, Inc.’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 Yield, Inc.’s future results included in NRG Yield, Inc.’s filings with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

# Agenda

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- + Overview – *David Crane*
- + Operations Review – *Mauricio Gutierrez*
- + Financial Overview – *Kirk Andrews*
- + Closing Remarks and Q&A – *David Crane*

# NRG Yield: Foundation Established And Positioned For Growth



## Strong Financial Performance and Increased Liquidity

- ✦ Exceeded 2013 and increasing 2014 Adjusted EBITDA and CAFD guidance:

(\$ millions)	2013A	2014E
<b>Adjusted EBITDA</b> <i>Previous Guidance<sup>1</sup></i>	<b>\$244 MM</b> <i>\$240 MM</i>	<b>\$292 MM</b> <i>\$285 MM</i>
<b>CAFD<sup>2</sup></b> <i>Previous Guidance<sup>1</sup></i>	<b>\$91 MM</b> <i>\$81 MM</i>	<b>\$115 MM</b> <i>\$103 MM</i>

- ✦ Issued \$345 MM convertible debt offering, increasing available liquidity from \$150 MM at year-end to \$487 MM<sup>3</sup>

## Executing Initial Distribution Growth

- ✦ Completed acquisition of Energy Systems Company for \$120 MM; Increases CAFD by ~\$8 MM annually
- ✦ Announced dividend increase of 10% in January

## Positioned for Growth in 2014 and Beyond

- ✦ Organic growth from CVSR achieving full COD in Q4 2013
- ✦ Execution on NRG ROFO asset drop-down transactions
- ✦ NRG's pending acquisition of Edison Mission increases drop-down pipeline
- ✦ Competitive cost of capital available for attractive acquisition opportunities

**Foundation Established with Momentum Building for a Strong 2014**











<sup>1</sup> Previous guidance as disclosed in NRG Yield 3Q 2013 earnings presentation as of 11/12/2013

<sup>2</sup> 2014 CAFD guidance excludes interest expense of ~\$6 MM associated with the recently announced convertible debt offering

<sup>3</sup> Reflects exercise of greenshoe provision as notified by underwriters on 2/26/2014

# NRG Yield Competitive Advantage



	NRG YIELD 	VS. Comparables
<b>Sponsor Relationship with NRG Energy</b>	Proven ability to execute on complex transactions (Edison Mission <sup>1</sup> ) and Pipeline of ROFO assets	
<b>Proven Ability to Execute on 3<sup>rd</sup> Party Transactions</b>	Closed Energy Services Company transaction in December 2013	
<b>Dividend Growth</b>	20% forecasted by end of 2014 Target 10–15% 5-year CAGR 1% quarterly minimum increase	
<b>Dividend Policy</b>	80% – 90% initial target payout ratio	
<b>Access to Corporate Level Capital</b>	Executed on \$345 MM convertible bond	
<b>Diversified Platform (Not One Technology)</b>	Mix of conventional, renewable, and thermal infrastructure assets	
<b>Cash Flow Stability</b>	Average PPA contract life of 16 years with investment grade counterparties <sup>2</sup>	
<b>Credit-Worthy Counterparties</b>	98% of rated off-takers investment grade <sup>2</sup>	
<b>Tax Efficiency</b>	10-year tax shield <sup>3</sup>	

<sup>1</sup> Pending by NRG Energy

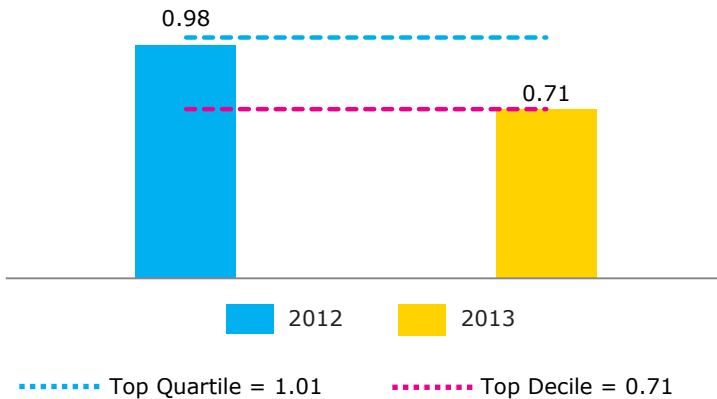
<sup>2</sup> For conventional and renewable generation assets; weighted by MW

<sup>3</sup> NRG Yield does not expect to pay significant federal income taxes for approximately 10 years

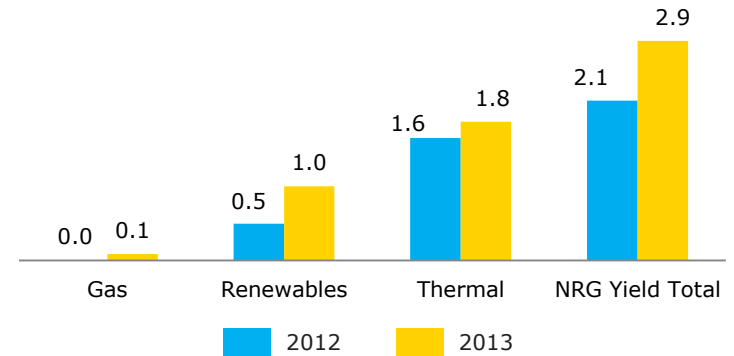
# Operations Review

# 2013 Operational Performance

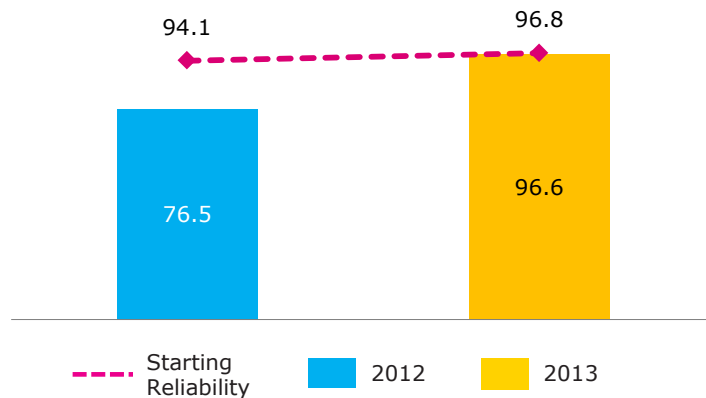
## Safety: Top Decile OSHA Recordable Rate<sup>1</sup>



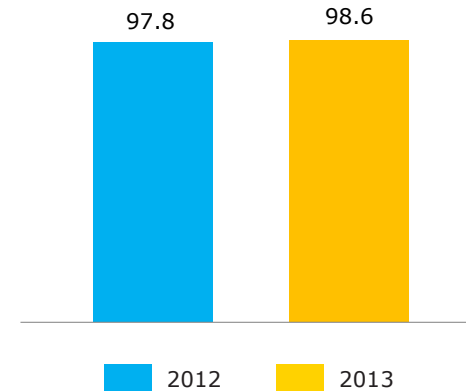
## Net Production (TWh)<sup>2</sup>



## Conventional Gas EAF<sup>3</sup>



## Solar and Wind Effective Availability<sup>4</sup>



<sup>1</sup> Top decile and top quartile based on Edison Electric Institute 2011 Total Company Survey results

<sup>2</sup> Thermal generation is MWh thermal equivalent – includes electricity, chilled water, and steam

<sup>3</sup> Equivalent Availability Factor (EAF) the availability of a unit accounting for all outages

<sup>4</sup> Effective Availability – percentage of generation available during service hours where possible fuel exists. Excludes construction activities that impacted generation

# Financial Overview



# Financial Summary

(\$ millions)	Adjusted EBITDA	Cash Available for Distribution (CAFD)
3 Months Ended December 31, 2013	\$ 66	\$ 8
12 Months Ended December 31, 2013	244	91
Full Year 2014 Guidance	\$ 292	\$ 115
Initiating 1 <sup>st</sup> Quarter 2014 Guidance	\$ 61	\$ 12

## ❖ 2013 Highlights:

- ❖ Share price increased over 70% since IPO<sup>1</sup>
- ❖ Completed \$120 MM cash acquisition of Energy Systems Company, a thermal energy provider in Omaha, Nebraska
- ❖ Increasing 2014 CAFD guidance by \$12 MM to \$115 MM
- ❖ Total liquidity of \$150 MM as of December 31, 2013

## ❖ 2014 Update:

- ❖ On February 11, NRG Yield issued \$345 MM of convertible debt increasing liquidity with net proceeds of \$337 MM – pro forma liquidity of \$487 MM
- ❖ NRG has commenced discussions for 3 ROFO assets – TA High Desert, RE Kansas South and El Segundo Energy Center representing approx. \$30 MM in incremental CAFD

**NRG Yield is Positioned to Grow Substantially in 2014**

# NRG ROFO Assets Provide Robust and Visible Growth Pipeline

	Project	Technology	Net MW	COD	Off-take
<b>Expect To Be Offered Through 2014</b>  <b>Run Rate Adjusted EBITDA \$150 MM</b>  <b>Run Rate CAFD \$55 MM</b>	TA High Desert	PV	20	March 2013	20-year PPA with Southern California Edison ("SCE")
	RE Kansas South	PV	20	June 2013	20-year PPA with Pacific Gas & Electric ("PG&E")
	El Segundo	CCGT	550	August 2013	10-year tolling agreement with SCE
	CVSR	PV	128	October 2013	25-year PPA with PG&E
<b>Expect To Be Offered Post 2014</b>  <b>Run Rate Adjusted EBITDA \$100 MM</b>  <b>Run Rate CAFD \$45 MM</b>	Agua Caliente	PV	148 <sup>(1)</sup>	Early 2014 (Expected) <sup>2</sup>	25-year PPA with PG&E
	Ivanpah	Solar Thermal	193 <sup>(3)</sup>	Q4 2013 (Expected)	20-25 year PPAs with PG&E and SCE



In Discussion with NRG Energy

## First Drop Downs in Discussion

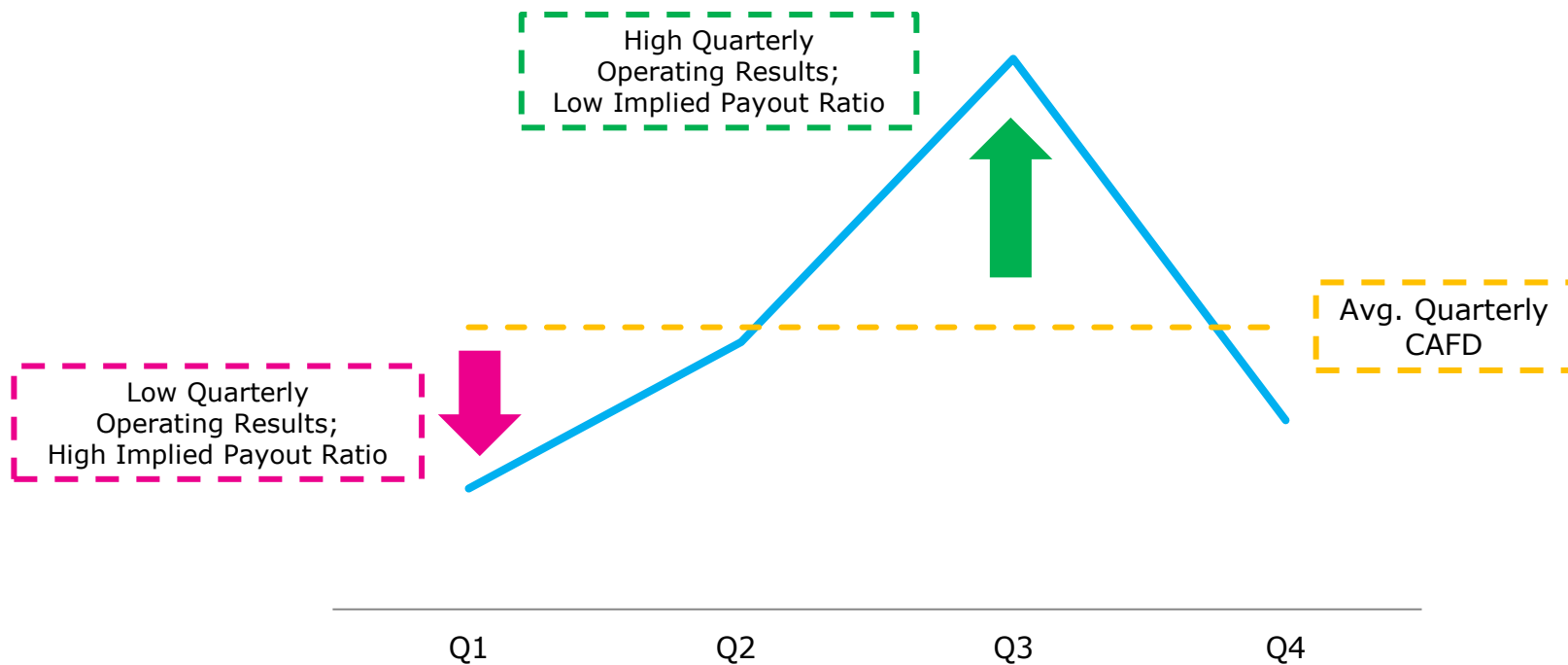
<sup>1</sup> Represents 51% NRG ownership; remaining 49% of Agua Caliente is owned by MidAmerican Energy Holdings Inc.

<sup>2</sup> While full commercial operations of the entire project will be achieved in early 2014, the maximum capacity deliverable under the PPA of 290 MWs is already on-line

<sup>3</sup> Represents 49.95% NRG ownership; remaining 50.05% of Ivanpah would be owned by NRG, Google Inc. and BrightSource Energy Inc.

# Impact of Seasonality on Operating Results and Cash Available for Distribution

## Illustrative Quarterly Cash Available for Distribution



**Annual Dividend Payout Ratio Takes Seasonality into Consideration**

# Closing Remarks and Q&A

# Appendix

# Reg. G: 2013 & 2012 Actuals

<i>\$ millions</i>	Actual			
	Q4 2013	Q4 2012	FY 2013	FY 2012
<b>Net Income</b>	<b>\$ 24</b>	<b>5</b>	<b>109</b>	<b>13</b>
Adjustments to net income to arrive at Adjusted EBITDA:				
Depreciation & amortization	16	7	51	25
Interest expense, net	10	2	34	27
Income tax expense, net	3	-	8	10
Contract amortization	1	-	2	1
Adjustments to reflect Yield's share of Adjusted EBITDA in unconsolidated affiliates	12	8	40	25
<b>Adjusted EBITDA</b>	<b>\$ 66</b>	<b>22</b>	<b>244</b>	<b>101</b>
Less: Prorata EBITDA from unconsolidated affiliates	(16)	(12)	(62)	(44)
Add: Cash distribution from unconsolidated affiliates	12	3	22	21
Cash interest paid	(25)	(1)	(55)	(17)
Maintenance capital expenditures	(3)	(6)	(8)	(9)
Change in other assets	3	-	12	-
Principal amortization of indebtedness	(29)	(23)	(62)	(43)
<b>Cash Available for Distribution</b>	<b>\$ 8</b>	<b>(17)</b>	<b>91</b>	<b>9</b>

# Reg. G: 2014 Guidance

<i>\$ millions</i>	<b>Guidance</b>	
	<b>Q1 2014</b>	<b>FY 2014</b>
<b>Net Income</b>	<b>\$ 14</b>	<b>95</b>
Adjustments to net income to arrive at Adjusted EBITDA:		
Depreciation & amortization	16	65
Interest expense, net	16	65
Income tax expense, net	2	14
Contract amortization	-	1
Adjustments to reflect Yield's share of Adjusted EBITDA in unconsolidated affiliates	13	52
<b>Adjusted EBITDA</b>	<b>\$ 61</b>	<b>292</b>
Less: Prorata EBITDA from unconsolidated affiliates	(13)	(72)
Add: Cash distribution from unconsolidated affiliates	4	41
Cash interest paid	(16)	(63)
Maintenance capital expenditures	(5)	(13)
Change in other assets	(7)	1
Principal amortization of indebtedness	(12)	(71)
<b>Cash Available for Distribution</b>	<b>\$ 12</b>	<b>115</b>

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 (including loss on debt extinguishment), taxes, depreciation and amortization. EBITDA is presented because NRG Yield 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 Yield 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 Yield's business. NRG Yield compensates for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only as supplements. See the statements of cash flow included in the financial statements that are a part of this news release.

Adjusted EBITDA is presented as a further supplemental measure of operating performance. Adjusted EBITDA represents EBITDA adjusted for mark-to-market gains or losses, asset write offs and impairments; and factors which we do not consider indicative of future operating performance. The reader is encouraged to evaluate each adjustment and the reasons NRG Yield 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 Yield may incur expenses similar to the adjustments in this news release.

Cash available for distribution is adjusted EBITDA plus cash dividends from unconsolidated affiliates, less maintenance capital expenditures, pro-rata adjusted EBITDA from unconsolidated affiliates, cash interest paid, income taxes paid, principal amortization of indebtedness and changes in others assets. Management believes cash available for distribution is a relevant supplemental measure of the Company's ability to earn and distribute cash returns to investors.