GenOn Energy, Inc.
Form 425
August 08, 2012

Filed by NRG Energy, Inc.

Commission File No. 001-15891

Pursuant to Rule 425 of the Securities Act of 1933, as amended, and

deemed filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934, as amended

Subject Company:

GenOn Energy, Inc.

Commission File No. 001-16455

NRG Energy, Inc. Reports Second Quarter 2012 Results

Financial Highlights

- $539 million of adjusted EBITDA including $219 million delivered by NRG s retail businesses in the second quarter of 2012; $839 million of adjusted EBITDA in the first half of 2012

- $413 million of free cash flow (FCF) before growth investments in the first half of 2012

- $2,406 million of total liquidity at the end of the second quarter, an increase of $336 million over 2011 year-end liquidity

Guidance

• Guidance reaffirmed for 2012, 2013 and 2014 ($ millions)

	2012	2013	2014
Adjusted EBITDA	$1,825-$2,000	$1,700-1,900	$1,700-1,900
FCF before growth investments	$800-1,000	$650-850	$500-700

Note: 2013 and 2014 guidance is provided on a standalone basis.

Business and Operational Highlights

• Declared first ever quarterly stock dividend on Company s common stock of $0.09 per share ($0.36 annually). The dividend is payable on August 15, 2012.

• Sold our minority interest in Schkopau, coal-fueled power station in Germany, for net proceeds of approximately $174 million, increasing NRG s restricted payment availability by an equivalent amount.

• Solar construction ahead of plan and on budget with over 260 MW currently in operation and more than 850 MW under construction.

PRINCETON, NJ; August 8, 2012 NRG Energy, Inc. (NYSE: NRG) today reported second quarter 2012 adjusted EBITDA of $539 million with Retail contributing $219 million and Wholesale contributing $320 million. The Company reported second quarter 2012 net income of $251 million, or $1.08 per diluted common share, compared to net income of $621 million, or $2.53 per diluted common share, for the second quarter of last year (2011 second quarter net income was positively impacted by more than $600 million as a result of the reversal of tax liabilities which resulted from an affirmation of the Company s net operating loss positions following the completion of a federal tax audit).

Adjusted EBITDA for the six months ended June 30, 2012, was $839 million and adjusted cash flow from operations was $541 million. Adjusted cash flow from operations improved $278 million as compared to adjusted cash flow from operations of $263 million for the six month period ended June 30, 2011 due to reduced interest expense and movements in collateral postings. Retail contributed $331 million of adjusted EBITDA while wholesale adjusted EBITDA was $508 million. Year-to-date FCF before growth investments, was $413 million. Net income for the first six months of 2012 was $44 million, or $0.17 per diluted common share, compared to net income of $361 million, or $1.44 per diluted common share, for the first six months of 2011.

NRG s solid second quarter results demonstrate the benefits of our integrated wholesale-retail model and keep us on course for delivering on our 2012 guidance. With our efforts to close the merger with GenOn well under way, we remain focused on outstanding results for the remainder of 2012 as we look to harness the power of an even stronger and more diversified NRG in 2013, commented David Crane, NRG s President and CEO.

Segment Results

Table 1: Adjusted EBITDA

($ in millions)	**Three Months Ended**		**Six Months Ended**	
Segment	**6/30/12**	**6/30/11**	**6/30/12**	**6/30/11**
Retail	219	199	331	359
Texas	227	216	365	453
Northeast	20	44	25	51
South Central	27	37	52	64
West(1)	23	12	38	25
Other	18	11	36	29
Alternative Energy	9	(3)	11	(4)
Corporate(2) (3)	(4)	1	(19)	(5)
Adjusted EBITDA(4)	**539**	**517**	**839**	**972**

(1) 2012 excludes the CDWR legal settlement

(2) 2012 results exclude transaction fees; 2011 results exclude asset write-offs and impairment charges

(3) Includes profit elimination on intercompany revenue

(4) Detailed adjustments by region are shown in Appendix A

Table 2: Net Income/(Loss)

($ in millions)	Three Months Ended		Six Months Ended	
Segment	**6/30/12**	**6/30/11**	**6/30/12**	**6/30/11**
Retail	797	17	804	314
Texas	(427)	211	(501)	238
Northeast	(10)	16	(53)	(19)
South Central	11	12	(19)	25
West(1)	21	11	7	24
Other	8		16	9
Alternative Energy	(19)	(11)	(31)	(30)
Corporate(2)	(130)	365	(179)	(200)
Net Income	**251**	**621**	**44**	**361**

(1) 2012 results include the CDWR legal settlements

(2) 2012 results include transaction fees and asset write-offs; 2011 results include the impairment charge on investment

Retail: Adjusted EBITDA for the second quarter of 2012 was $219 million; $20 million higher than in 2011. Gross margin was favorable $52 million driven by the acquisition of Energy Plus, which added $35 million, increased customer usage on higher customer count, and lower supply costs partially offset by unfavorable year over year weather. The Company s ongoing efforts to expand into new markets and customer growth initiatives within Texas drove an approximate 61,000 increase in customer count since December 31, 2011. Meanwhile, lower supply costs resulting from depressed natural gas prices were partially offset by competitive pricing on acquisitions and renewals and lower rates on index-based customers, resulting in an $8 million net benefit. The higher margin realized in 2012 was offset by an increase in operating costs which were the result of the inclusion of Energy Plus of $23 million and increased marketing to drive market expansion and customer growth totaling $8 million.

Texas (Generation): Adjusted EBITDA for the second quarter of 2012 was $227 million; $11 million higher compared to the second quarter of 2011. Gross margin increased $25 million, driven by a combination of 9% higher nuclear generation and improved capacity contracts which together added $36 million. The substantial year-over-year increase in generation at the South Texas Project (STP) in 2012 was the result of a 2011 planned outage at unit 1, resulting in an increase of 0.5 GWh offset partially by a shorter forced outage of unit 2 which negatively impacted April 2012. Meanwhile, additional bilateral capacity contracts in 2012 vs. 2011 led to $13 million of additional revenue. Partially offsetting the increase was a 20% decline in coal generation due to a combination of outages and lower economic dispatch. Also, operating expenses increased $12 million, versus the second quarter of 2011, driven by the Company s decision to return mothballed units to service ahead of the summer months.

Northeast: Adjusted EBITDA for the second quarter of 2012 was $20 million; down $24 million from 2011. The decline was driven by lower gross margin of $16 million, due to a combination of lower average realized prices and a decline in coal generation as the region was significantly impacted by coal-to-gas switching. The addition of physical energy sales to Energy Plus and favorable pricing on load-serving contracts led to an increase in load for the quarter partially offsetting the impact of lower generation. Meanwhile, favorable equity earnings partially offset the lower gross margin due to the addition of the GenConn Middletown facility, which became operational in June 2011.

South Central: Adjusted EBITDA for the second quarter of 2012 was $10 million lower than the second quarter 2011. Gross margin in 2012 was lower by $3 million versus the second quarter of 2011 due to a 25% decline in coal generation combined with 15% lower average realized prices. These results were partially offset by NRG s Cottonwood plant which saw an increase in generation of 81% as it benefitted from coal to gas switching. Operating expenses increased $7 million versus the second quarter of 2011 driven by increased outage work at Big Cajun II.

West: Adjusted EBITDA for the second quarter of 2012 was $23 million; up $11 million from 2011. Generation increased by over 175% in the second quarter of 2012, leading to $6 million higher gross margin. In addition, capacity revenue increased $5 million due to recognition of contingent rental income related to the Long Beach PPA, in the second quarter of 2012.

Alternative Energy: Adjusted EBITDA for the second quarter of 2012 was $9 million; up $12 million from 2011. Gross margin was $39 million, up from $14 million in 2011 driven by the addition of the Company s Agua Caliente solar facility, which as of June 30, 2012 had reached commercial operations on 170 MW, including 110 MW that were activated in the second quarter. Offsetting the improved margin were NRG s continued development efforts in our other new businesses.

Liquidity and Capital Resources

Table 3: Corporate Liquidity

($ in millions)	**6/30/12**	**3/31/12**	**12/31/11**
Cash and Cash Equivalents	**1,149**	**1,014**	**1,105**
Funds deposited by counterparties	135	199	258
Restricted cash	208	217	292
Total Cash and Funds Deposited	**1,492**	**1,430**	**1,655**
Revolver availability	1,049	1,141	673
Total Liquidity	**2,541**	**2,571**	**2,328**
Less: Funds deposited as collateral by hedge counterparties	(135)	(199)	(258)
Total Current Liquidity	**2,406**	**2,372**	**2,070**

Total liquidity as of June 30, 2012, was $2,406 million, an increase of $336 million from December 2011 liquidity driven largely by a $376 million increase in Revolver availability due to the sell-down of the Agua Caliente project. The $84 million decrease in restricted cash is primarily due to reduced collateral requirements for the Company s solar projects as NRG continues to contribute equity. The decrease in letter of credit (LC) postings resulted from the impact of the Aqua Caliente sell down in January that released $304 million of LC postings. Finally, cash and cash equivalents increased by $44 million due to the following items:

- $541 million of adjusted cash flow from operations;
- $123 million of cash paid for maintenance and environmental capital expenditures (net of financing of $9 million);
- $325 million for solar and conventional growth investments (net of debt and third party funding of $1,057 million, including $17 million cash grant debt payment);
- $104 million of debt payments including $72 million early paydown of senior notes and $32 million of debt amortization payments; and
- $41 million of Schkopau cash reclassified to assets held for sale.

Partially offsetting these cash outflows was a net inflow of $96 million from other investing and financing activities including proceeds from the sell down of the Agua Caliente project.

Growth Initiatives and Developments

NRG continued to advance its leadership position in sustainable energy including:

Solar

- **Agua Caliente** As of July 3, 200 MW of generation have achieved commercial operation following the U.S. DOE s permission to accelerate the block completion schedule. This represents a 90 MW improvement as compared to the end of April where the Company had

110 MW in operation. The Company continues to expect to reach commercial operation on 228 MW by year end 2012 and a full commercial operation date by March 2014, three months earlier than originally planned. Power generated by Agua Caliente will be sold under a 25-year power purchase agreement (PPA) with Pacific Gas and Electric Co. (PG&E).

- **CVSR** Construction of the California Valley Solar Ranch project is well advanced, with power generation from the first phase expected in early September. We continue to expect all other phases of the project to be completed earlier than the dates anticipated at the time the project was acquired, with 127 MW on line by the end of 2012 and the remaining 123 MW completed in the fourth quarter of 2013. Power from this project will be sold to PG&E under 25-year PPAs.

- **Ivanpah** Unit 1 (126 MW) is expected to produce its first steam this November and be completed and producing power in early April of next year. The remaining two units (each at 133 MW) are currently expected to be completed in the third and fourth quarter of 2013, several weeks ahead of schedule. Power from units 1 and 3 will be sold to PG&E via two 25-year PPAs, and power from unit 2 will be sold to SoCal Edison under a 20-year PPA.

- **Other Solar** NRG Solar also has several other, smaller projects under construction that are expected to reach commercial operation within 2012, ranging from the Alpine project (66 MW under a 20-year PPA with PG&E) to smaller Distributed Generation scale installations such as our NFL stadium projects.

Alternative Energy

- **Petra Nova** On May 3rd, NRG executed a $54 million tax-exempt bond financing in connection with the construction of a peaking unit at our WA Parish Generation Station with an expected COD of May 1, 2013. The peaking unit is to be used as a cogeneration facility dedicated to a Carbon Capture Utilization and Storage (CCUS) Project, sponsored in part by the Department of Energy, at the Parish Station. The project is intended to utilize the captured CO_2 in enhanced oil recovery operations on the Texas Gulf Coast. As of June 30, 2012, NRG had received $1 million in proceeds from the tax-exempt bond financing with the remaining balance to be received over time as construction costs are paid.

Conventional Natural Gas

- **El Segundo Generating Station** Our natural gas-fueled fleet also continues to grow, with two new units under construction at our El Segundo facility. These units, totaling 550 MW, are on track to reach commercial operation in August of 2013.

Guidance Update

NRG is maintaining its EBITDA guidance range for fiscal year 2012 at $1,825-$2,000 million with Wholesale contributing $1,200-$1,300 million and Retail contributing $625-$700 million. The Company is also maintaining free cash flow before growth investments guidance of $800-$1,000 million. NRG is also maintaining its previously disclosed EBITDA guidance range of $1,700-$1,900 million for each of 2013 and 2014 as well as FCF before growth investments guidance ranges of $650-$850 million for 2013 and $500-$700 million for 2014.

Table 4: 2012 Reconciliation of Adjusted EBITDA Guidance

($ in millions)	8/8/12	5/3/12
Adjusted EBITDA guidance	**1,825 2,000**	**1,825 2,000**
Interest payments	(605)	(605)
Income tax	(50)	(50)
Collateral/working capital/other	(94)	(103)
Adjusted cash flow from operations	**1,050 1,250**	**1,050 1,250**
Maintenance capital expenditures	(240)-(260)	(240)-(260)
Environmental capital expenditures, net	(5)-(15)	(5)-(15)