NRG Energy, Inc. (NRG)

Updated May 27th, 2026, by Ian Bezek

Key Metrics

Current Price:	$138	**5 Year Annual Expected Total Return:**	8.7%	**Market Cap:**	$29.6 B
Fair Value Price:	$135	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	08/03/26[1]
% Fair Value:	102%	**5 Year Valuation Multiple Estimate:**	-0.4%	**Dividend Payment Date:**	08/17/26[1]
Dividend Yield:	1.4%	**5 Year Price Target**	$198	**Years Of Dividend Growth:**	7
Dividend Risk Score:	C	**Sector:**	Utilities	**Rating:**	Hold

Overview & Current Events

Northern States Power created NRG Energy in 1992 as its non-regulated subsidiary. NRG subsequently went bankrupt in 2003 amid the energy industry turmoil that followed from Enron's collapse, but it has had an impressive recovery since then. Today, NRG is one of the United States' largest retail energy providers. It serves more than 8 million customers and produces about 16 gigawatts of power. It generates power largely from nuclear, natural gas and coal.

The company has been a constant whirlwind of acquisitions and divestments. Since 2016 alone, NRG has unloaded half of its prior generating capacity, pushed its GenOn Energy subsidiary into bankruptcy, and sold off its sizable stake in the NRG Yield renewable energy business. Following up on that, NRG Energy acquired retail electricity distribution company Direct Energy for $3.6 billion in 2021 while selling its 44% stake in the South Texas Project for $1.75 billion in May 2023. The company made a misstep with its controversial $5.2 billion Vivint Power acquisition which led to activist investors forcing the management team to resign. Most recently, NRG carried out the $12 billion purchase of LS Power, a commercial and industrial virtual power plant platform.

NRG reported its first quarter results on May 6th, 2026. Adjusted diluted earnings per share of $1.49 slumped from the $2.68 reported last year and missed expectations by 25 cents. GAAP earnings were just 52 cents for the quarter and plummeted from the $3.70 reported in the same period of 2025. Revenues of $10.3 billion were up 19% year-over-year. It is important to realize that the company's GAAP earnings are exceptionally volatile due to its energy hedging program. Investors should be cautious about assigning too much importance to any one quarter's results. Our forward earnings estimate is based on core earnings power excluding the impact of its commodity hedging program. This quarter wasn't particularly compelling, but the rest of 2026 should be much better for the company, driven by rising electricity demand and integration of the blockbuster LS Power deal.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	-$2.22	-$4.87	$1.49	$16.81	$2.07	$8.93	$5.17	-$1.12	$5.14	$4.09	***$9.00***	***$13.22***
DPS	$0.24	$0.12	$0.12	$0.12	$1.20	$1.30	$1.40	$1.51	$1.63	$1.76	***$1.90***	***$2.42***
Shares[2]	315	315	284	249	244	244	230	228	212	199	***220***	***205***

NRG Energy has produced an astonishingly uneven earnings track record. This is in large part due to the aforementioned energy hedging program. For 2026 and future year estimates, we are forecasting the company's core earnings power, which excludes the effects of energy hedges. Management is guiding to 14% adjusted EPS growth in coming years, though we model a more conservative 8% given the uncertainties around how long the AI power demand boom will last.

The company's dividend policy has also seen fluctuations. Following 2015's massive loss, the company slashed its dividend to just 12 cents per share. It remained there until 2020, when the company increased its dividend tenfold. Hikes have continued since then, including January 2026's 8% increase to 47.5 cents quarterly. NRG had been aggressively buying back stock, but recently issued a new chunk of shares to fund the LS Power deal.

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[1] Estimated date.

[2] Share count is in millions.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	---	---	41.9	2.2	17.8	4.8	6.0	---	14.4	34.2	***15.3***	***15.0***
Avg. Yld.	2.8%	1.9%	0.6%	0.4%	0.3%	3.6%	3.3%	3.3%	2.4%	1.3%	***1.4%***	***1.2%***

NRG's uneven track record in terms of both earnings and dividend has led to a complicated valuation picture. Shares have traded between low single digit P/Es and ratios far higher than that. Despite trading at a very low P/E multiple in 2019, 2021, and 2022, we are forecasting a more generous long-term P/E of 15 thanks to growing electricity demand and an improving profit margin picture.

On a dividend basis, the stock has had a highly variable yield of between 0.3% and 3.6%. Today's 1.4% yield is a reduction from what was on offer over the past few years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

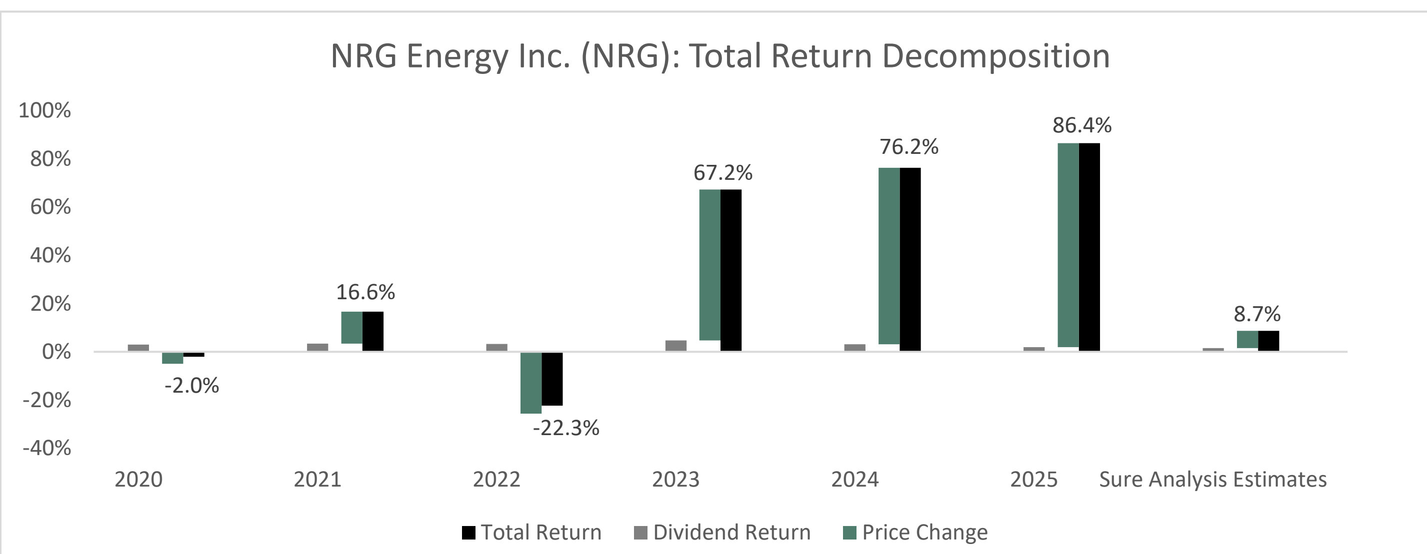
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	---	8%	1%	58%	15%	27%	---	32%	43%	***21%***	***18%***

Because NRG Energy is an unregulated power provider, it is subject to the vagaries of the electricity market. This sometimes means dramatic losses, such as when it lost an estimated $750 million during Texas' unusually cold weather in 2021. The energy hedging program also creates dramatic swings in the company's profitability. NRG has $19.8 billion in long-term debt and leases as of March 2026, and the firm has either a "BB" or "BB+" credit rating, depending on which credit rating agency you look at. This places NRG below an investment grade credit rating, reflecting the high risk associated with NRG's heavily levered aggressive growth strategy.

Final Thoughts & Recommendation

NRG Energy has delivered earnings growth well ahead of its utility peers over the past decade. It has also engaged in constant wheeling and dealing to reshape its portfolio. Shares had surged over the past two years as activist investors made numerous changes at the firm, but the stock has stalled out in recent quarters. This has allowed the company's earnings to begin to catch up with the share price, and the stock is back to near fair value today. We rate shares as a hold, with an 8.7% annualized total return outlook going forward.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	8,915	9,074	9,478	9,821	9,093	26,989	31,540	28,820	28,130	30,660
Gross Profit	2,239	2,188	2,370	2,518	2,553	6,507	4,097	2,297	6,030	4,853
Gross Margin	25.1%	24.1%	25.0%	25.6%	28.1%	24.1%	13.0%	8.0%	21.4%	15.8%
SG&A Exp.	1,032	836	799	760	810	1,293	1,228	1,968	2,031	2,602
D&A Exp.	889	701	540	497	559	942	846	1,174	1,071	8.5%
Operating Profit	403	734	1,139	1,290	1,200	3,731	2,224	(1,049)	2,282	2,251
Op. Margin	4.5%	8.1%	12.0%	13.1%	13.2%	13.8%	7.1%	(3.6%)	8.1%	7.3%
Net Profit	(774)	(2,153)	268	4,438	510	2,187	1,221	(202)	1,125	864
Net Margin	-8.7%	-23.7%	2.8%	45.2%	5.6%	8.1%	3.9%	(0.1%)	4.0%	2.8%
Free Cash Flow	1,363	1,356	989	1,185	1,597	224	(13)	(843)	1,816	765
Income Tax	25	(44)	7	(3,334)	251	672	442	(11)	323	270

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	30,682	23,355	10,628	12,531	14,902	23,182	29,150	26,040	24,020	29,140
Cash & Equivalents	938	770	563	345	3,905	250	430	541	966	4,738
Acc. Receivable	1,058	900	1,024	1,025	904	3,245	4,773	3,542	3,488	3,930
Inventories	721	453	412	383	327	498	751	607	478	461
Goodwill & Int.	2,635	1,046	1,164	1,368	1,247	4,306	3,782	9,006	7,919	7,326
Total Liabilities	26,236	21,387	11,862	10,873	13,222	19,582	25,320	23,130	21,540	27,460
Accounts Payable	782	684	863	722	649	2,274	3,643	2,325	2,513	2,834
Long-Term Debt	16,473	9,384	6,521	5,891	8,692	7,970	8,039	10,750	10,810	16,590
Total Equity	2,041	(346)	(1,234)	1,658	1,680	3,600	3,828	2,256	1,828	1,031
LTD/E Ratio	8.07	(27.12)	(5.28)	3.55	5.17	2.21	2.10	3.70	4.36	9.89

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	---	---	1.6%	38.3%	3.7%	11.5%	4.7%	(0.7%)	4.5%	3.3%
Return on Equity	---	---	---	---	30.6%	82.8%	32.9%	(6.0%)	41.8%	41.6%
ROIC	---	---	3.2%	69.1%	5.7%	19.9%	10.4%	(1.6%)	8.4%	5.4%
Shares Out.	315	315	284	249	244	244	236	228	212	199
Revenue/Share	28.21	28.62	30.77	37.20	36.96	110.16	133.66	126.42	132.69	154.08
FCF/Share	4.31	4.28	3.21	4.49	6.49	0.91	(0.06)	(3.70)	8.57	3.84

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.