Talen Energy Reports First Quarter Results, Increases 2024 Guidance for Remaining Fleet and Announces Upsizing of Share Repurchase Program to $1 Billion

May 13, 2024

HOUSTON, May 13, 2024 /PRNewswire/ --Talen Energy Corporation ("Talen", the "Company", "we", or "our") (OTCQX: TLNE), an independent power producer ("IPP") and infrastructure company committed to the energy transition, today reported its first quarter 2024 financial and operating results.

"We are pleased today to report Talen's strong start to the year. Building on our Q1 results, we are raising guidance for 2024 and announcing an increase in our remaining share repurchase capacity to $1 billion," said Talen President and Chief Executive Officer Mac McFarland.

"Specifically, we are increasing our 2024 Adjusted EBITDA and Adjusted Free Cash Flow guidance ranges to reflect forward spark spread expansion and lower debt service costs, while also removing go-forward earnings from the ERCOT plants. For the quarter, Talen generated $289 million of Adjusted EBITDA and $194 million in Adjusted Free Cash Flow, driven by our successful hedging activities in the face of mild winter pricing. Most recently, we completed the sale of our ERCOT fleet for $785 million and repriced our Term Loans at lower interest rates, resulting in expected savings of approximately $13 million per year. As part of that process, we obtained a waiver of our obligation to use ERCOT sale proceeds for debt paydown, giving us greater flexibility in our capital allocation and ability to unlock value for our shareholders."

McFarland continued, "We believe it is an exciting time to be an IPP focused on reliable and dispatchable generation. Talen sits at the intersection of several key value drivers: growing power demand from data centers – where we have a first mover advantage, strengthening power markets, and the Nuclear PTC. We have already demonstrated our ability to deliver value from these drivers and believe we have multiple future levers that will allow us to continue these efforts and further grow our cash flows. All the while, we remain focused on disciplined capital allocation and return of capital to shareholders."

Key Highlights

- Upsizing remaining share repurchase capacity to $1 billion through 2025.
- For first quarter 2024, reported Adjusted EBITDA of $289 million and Adjusted Free Cash Flow of $194 million.
- On May 1, 2024, completed the sale of approximately 1.7-gigawatt ("GW") ERCOT generation portfolio for $785 million in gross proceeds (approximately $723 million in net proceeds).
- Increasing 2024 guidance ranges for forward spark spread expansion and lower debt service costs while also removing go-forward earnings from the ERCOT plants. New Adjusted EBITDA range is $600 - $800 million, and new Adjusted Free Cash Flow range is $160 - $310 million.
- On May 8, 2024, completed repricing of Term Loans B and C, resulting in approximately $13 million in expected annual interest savings and a waiver on required debt paydown related to the ERCOT sale proceeds.

Summary of Financial and Operating Results (Unaudited)

	Three Months Ended March 31,		Three Months Ended March 31,	
(Millions of Dollars Unless Otherwise Stated)	**2024**		**2023**	
Adjusted EBITDA	$	289	$	660
Adjusted Free Cash Flow	$	194	$	497
Total Generation (a)	8.1 TWh		6.6 TWh	
Carbon-Free Generation	58 %		63 %	

Total Recordable Incident Rate ("TRIR") (b)	0.3	0.7
Equivalent Forced Outage Factor ("EFOF") (c)	1.9 %	1.5 %

(a) Generated MWhs sold after consumption for station use where applicable.

(b) TRIR is defined as the number of recordable incidents x 200,000 / total number of manhours worked.

(c) EFOF is defined as the percentage of a given period in which a generating unit is not available due to forced outages and forced deratings. Represents all generation facilities, including our portion of partially-owned facilities.

Given the impacts of fresh start accounting and the implementation of the plan of reorganization on GAAP earnings in 2023, Talen believes its non-GAAP financial measures of Adjusted EBITDA and Adjusted Free Cash Flow are more meaningful in evaluating its performance. Talen's management team evaluates its financial and operating results utilizing these non-GAAP measures.

For the three months ended March 31, 2024, Talen reported Adjusted EBITDA of $289 million and Adjusted Free Cash Flow of $194 million. In PJM, mild winter weather and ample gas supply drove lower market prices, but cash flows were protected by significant hedge program gains. The PJM segment earned Adjusted EBITDA of $279 million in Q1 2024. In ERCOT, compressed spark spreads drove lower generation volumes that were partially offset by hedge gains. The ERCOT and WECC segment earned Adjusted EBITDA of $15 million in Q1 2024, with the balance driven by corporate, development and other activities.

Talen achieved solid operational performance and maintained a continued emphasis on safety in Q1 2024, with Fleet EFOF of 1.9% and an OSHA TRIR of 0.3. Total generation was 8.1 terawatt hours ("TWh"), with 58% of that being carbon-free nuclear generation at Susquehanna.

Updating 2024 Guidance

($ in millions)	**Range**
Adjusted EBITDA	$600 – $800
Adjusted Free Cash Flow	$160 – $310

Talen is increasing our 2024 Adjusted EBITDA and Adjusted Free Cash Flow guidance ranges to reflect forward spark spread expansion and lower debt service costs, while also updating to account for the sale of the ERCOT plants. We are removing approximately $70 million of earnings from the ERCOT fleet for the balance of 2024 while increasing the ranges for the rest of the fleet by approximately $30 million for forward power price growth and spark spread expansion. We are also increasing the Adjusted Free Cash Flow range by approximately $5 million for lower debt service costs after the term loan repricing. The new range for 2024 Adjusted EBITDA is $600 to $800 million, and the new range for Adjusted Free Cash Flow is $160 to $310 million.

ERCOT Generation Sale

On May 1, 2024, Talen closed the previously announced sale of its approximately 1.7 GW generation portfolio located in the South Zone of the ERCOT market to CPS Energy for $785 million of gross proceeds (approximately $723 million in net proceeds after customary working capital adjustments and estimated taxes, transaction fees and other costs). These assets included the 897 MW Barney Davis and 635 MW Nueces Bay natural gas-fired generation facilities, both located in Corpus Christi, Texas, as well as the 178 MW natural gas-fired generation facility in Laredo, Texas.

Term Loan Repricing

On May 8, 2024, Talen successfully completed a repricing of its $863 million Term Loan B credit facility and its $470 million Term Loan C credit facility (collectively, the "Term Loans"), decreasing the Secured Overnight Financing Rate ("SOFR") margin on the Term Loans from 450 basis points to 350 basis points, resulting in approximately $13 million of expected annual interest savings. As part of the repricing, Talen obtained a waiver of our obligation to use ERCOT sale proceeds to pay down the Term Loans and renegotiated certain covenants, enabling greater capital allocation flexibility.

Update on Share Repurchase Program

In October 2023, the Board of Directors approved a share repurchase program authorizing Talen to repurchase up to $300 million of the Company's outstanding common stock through December 31, 2025. In May 2024, the Board authorized an upsizing of the remaining capacity under that program to $1 billion. To date, the Company has repurchased 493,000 shares for approximately $38 million at a weighted average price of approximately $78 per share, excluding broker fees.

Balance Sheet and Liquidity

Talen is focused on maintaining a strong balance sheet, targeting a net leverage ratio of less than 3.5x net debt-to-Adjusted EBITDA, along with maintaining ample liquidity. As of May 6, 2024, Talen had total available liquidity of approximately $1,895 million, comprised of $1,349 million of unrestricted cash and $546 million of available capacity under its revolving credit facility, net of outstanding letters of credit under the facility. Talen's current net leverage ratio, utilizing the midpoint of 2024 Adjusted EBITDA guidance and net debt balances as of May 6, 2024, is approximately 1.2x.

Update on Hedging Activities and Nuclear Fuel Supply

As of March 28, 2024, Talen had hedged approximately 88% of its expected generation volumes for the balance of 2024, approximately 38% for 2025 and approximately 17% for 2026, including the impact of the Nuclear Production Tax Credit. Talen's hedging program is a key component of the

Company's comprehensive fiscal policy and supports the objective of locking in future earnings and cash flows while maintaining upside optionality.

As an update on nuclear fuel supply activities, Talen has no Russia-related fuel exposure. Currently, Talen's nuclear fuel cycle is 100% contracted through the 2025 fuel load and at least 85% contracted through 2028, based on current market pricing for the portion not yet under contract.

Earnings Call

The Company will hold an earnings call on Monday, May 13, 2024, at 4:30 p.m. EDT (3:30 p.m. CDT). To participate in the call, please register for the webcast here. For participants joining the call by phone, please register here immediately prior to the start time. After you register, the system will call you instantly and automatically connect you to the conference call. For those unable to participate in the live event, a digital replay of the earnings call will be archived for approximately one year and will be available on Talen's Investor Relations website at https://talenenergy.investorroom.com/financials-presentations.

About Talen

Talen owns and operates approximately 10.7 gigawatts of power infrastructure in the United States. We produce and sell electricity, capacity, and ancillary services into wholesale U.S. power markets, including PJM and WECC, with our generation fleet principally located in the Mid-Atlantic and Montana. Talen is headquartered in Houston, Texas. For more information visit www.talenenergy.com.

Talen trades on the OTCQX® Best Market under the ticker "TLNE." OTCQX companies meet high financial standards, follow best practice corporate governance, demonstrate compliance with U.S. securities laws, and have a professional third-party sponsor introduction. Investors can find current financial disclosures and Real-Time Level 2 quotes for the Company on www.otcmarkets.com/stock/TLNE/overview.

Additional Information

For additional information and updates about Talen, please visit our Investor Relations webpage at https://talenenergy.investorroom.com, or contact:

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TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor	**Predecessor**
(Millions of Dollars, except share data)	**Three Months Ended March 31, 2024**	**Three Months Ended March 31, 2023**
Capacity revenues	$ 45	$ 66
Energy and other revenues	572	862
Unrealized gain (loss) on derivative instruments	(108)	145
Operating Revenues	**509**	**1,073**
Energy Expenses		
Fuel and energy purchases	(150)	(107)
Nuclear fuel amortization	(35)	(24)
Unrealized gain (loss) on derivative instruments	(27)	(114)
Total Energy Expenses	**(212)**	**(245)**

Operating Expenses				
Operation, maintenance and development	(154)		(177)	
General and administrative	(43)		(29)	
Depreciation, amortization and accretion	(75)		(132)	
Impairments	—		(365)	
Other operating income (expense), net	—		(9)	
Operating Income (Loss)	**25**		**116**	
Nuclear decommissioning trust funds gain (loss), net	75		46	
Interest expense and other finance charges	(59)		(104)	
Reorganization income (expense), net	—		(39)	
Gain (loss) on sale of assets, net	324		—	
Other non-operating income (expense), net	23		41	
Income (Loss) Before Income Taxes	**388**		**60**	
Income tax benefit (expense)	(69)		(14)	
Net Income (Loss)	**319**		**46**	
Less: Net income (loss) attributable to noncontrolling interest	25		(2)	
Net Income (Loss) Attributable to Stockholders (Successor) / Member (Predecessor)	**$**	**294**	**$**	**48**
Per Common Share (Successor)				
Net Income (Loss) Attributable to Stockholders - Basic	$	5.00	N/A	
Net Income (Loss) Attributable to Stockholders - Diluted	$	4.84	N/A	
Weighted-Average Number of Common Shares Outstanding - Basic (in thousands)	58,807		N/A	
Weighted-Average Number of Common Shares Outstanding - Diluted (in thousands)	60,716		N/A	

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TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

March 31,

(Millions of Dollars, except share data)	2024
Assets	
Cash and cash equivalents	$ 597
Restricted cash and cash equivalents (Note 16)	483
Accounts receivable, net (Note 4)	126
Inventory, net (Note 6)	279
Derivative instruments (Notes 3 and 12)	14
Assets held for sale (Note 17)	215
Other current assets (Note 17)	383
Total current assets	**2,097**
Property, plant and equipment, net (Note 8)	3,359
Nuclear decommissioning trust funds (Notes 7 and 12)	1,642
Derivative instruments (Notes 3 and 12)	4
Other noncurrent assets	163
Total Assets	**$ 7,265**
Liabilities and Equity	
Long-term debt, due within one year (Notes 11 and 12)	$ 9
Accrued interest	61
Accounts payable and other accrued liabilities	177
Derivative instruments (Notes 3 and 12)	98
Liabilities held for sale (Note 17)	17
Other current liabilities	98
Total current liabilities	**460**
Long-term debt (Notes 11 and 12)	2,619
Derivative instruments (Notes 3 and 12)	4
Postretirement benefit obligations (Note 13)	367
Asset retirement obligations and accrued environmental costs (Note 9)	471

Deferred income taxes (Note 5)	460
Other noncurrent liabilities	118
Total Liabilities	**4,499**
Stockholders' Equity (Successor)	
Common stock ($0.001 par value, 350,000,000 shares authorized) [(a)]	—
Treasury stock	(39)
Additional paid-in capital	2,339
Accumulated retained earnings (deficit)	428
Accumulated other comprehensive income (loss)	(27)
Total Stockholders' Equity (Successor)	**2,701**
Noncontrolling interests	**65**
Total Equity	**2,766**
Total Liabilities and Equity	**$ 7,265**

(a) Shares as of March 31, 2024 (Successor) were: (i) 59,028,843 issued; (ii) 58,535,843 outstanding; and (iii) 493,000 held as treasury stock.

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TALEN ENERGY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	**Predecessor**
(Millions of Dollars)	**Three Months Ended March 31, 2024**	**Three Months Ended March 31, 2023**
Operating Activities		
Net income (loss)	$ 319	$ 46
Non-cash reconciliation adjustments:		
Unrealized (gains) losses on derivative instruments	128	(28)
(Gain) loss on Cumulus Data Center Campus sale	(324)	—
Nuclear fuel amortization	35	24

Depreciation, amortization and accretion	74	138
Impairments	—	365
Nuclear decommissioning trust funds (gain) loss, net (excluding interest and fees)	(64)	(37)
Deferred income taxes	57	—
Other	(42)	(22)
Changes in assets and liabilities:		
Accounts receivable, net	11	205
Inventory, net	89	(6)
Other assets	(1)	103
Accounts payable and accrued liabilities	(154)	(72)
Accrued interest	29	13
Other liabilities	16	15
Net cash provided by (used in) operating activities	**173**	**744**
Investing Activities		
Property, plant and equipment expenditures	(25)	(84)
Nuclear fuel expenditures	(41)	(46)
Nuclear decommissioning trust funds investment sale proceeds	553	598
Nuclear decommissioning trust funds investment purchases	(564)	(608)
Proceeds from Cumulus Data Center Campus Sale	339	—
Proceeds from the sale of non-core assets	1	29
Other investing activities	2	(7)
Net cash provided by (used in) investing activities	**265**	**(118)**
Financing Activities		
LMBE-MC TLB payments	—	(7)
Cumulus Digital TLF payments	(182)	—
Share repurchases	(30)	—
Repurchase of noncontrolling interest	(39)	—
Derivatives with financing elements	—	(20)

Other	(8)	(1)
Net cash provided by (used in) financing activities	**(259)**	**(28)**
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	**179**	**598**
Beginning of period cash and cash equivalents and restricted cash and cash equivalents	901	988
End of period cash and cash equivalents and restricted cash and cash equivalents	**$ 1,080**	**$ 1,586**

Non-GAAP Financial Measures

We include Adjusted EBITDA and Adjusted Free Cash flow, which the Company uses as measures of its performance and are not financial measures prepared under GAAP, in these materials. Non-GAAP financial measures do not have definitions under GAAP and may be defined and calculated differently by, and not be comparable to, similarly titled measures used by other companies. Non-GAAP measures are not intended to replace the most comparable GAAP measures as indicators of performance. Generally, non-GAAP financial measures are numerical measures of financial performance, financial position, or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measures calculated and presented in accordance with GAAP. Management cautions readers of these materials not to place undue reliance on these non-GAAP financial measures, but to also consider them along with their most directly comparable GAAP financial measures. Non-GAAP measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for analyzing our results as reported under GAAP.

Adjusted EBITDA

We use Adjusted EBITDA to: (i) assist in comparing operating performance and readily view operating trends on a consistent basis from period to period without certain items that may distort financial results; (ii) plan and forecast overall expectations and evaluate actual results against such expectations; (iii) communicate with our Board of Directors, shareholders, creditors, analysts, and the broader financial community concerning our financial performance; (iv) set performance metrics for the Company's annual short-term incentive compensation; and (v) assess compliance with our indebtedness.

Adjusted EBITDA is computed as net income (loss) adjusted, among other things, for certain: (i) nonrecurring charges; (ii) non-recurring gains; (iii) non-cash and other items; (iv) unusual market events; (v) any depreciation, amortization, or accretion; (vi) mark-to-market gains or losses; (vii) gains and losses on the NDT; (viii) gains and losses on asset sales, dispositions, and asset retirement; (ix) impairments, obsolescence, and net realizable value charges; (x) interest expense; (xi) income taxes; (xii) legal settlements, liquidated damages, and contractual terminations; (xiii) development expenses; (xiv) noncontrolling interests; and (xv) other adjustments. Such adjustments are computed consistently with the provisions of our indebtedness to the extent that they can be derived from the financial records of the business. Pursuant to TES's debt agreements, Cumulus Digital contributes to Adjusted EBITDA beginning in the first quarter 2024, following termination of the Cumulus Digital credit facility and associated cash flow sweep.

Additionally, we believe investors commonly adjust net income (loss) information to eliminate the effect of nonrecurring restructuring expenses, and other non-cash charges which vary widely from company to company, from period to period, and impair comparability. We believe Adjusted EBITDA is useful to investors and other users of the financial statements to evaluate our operating performance because it provides an additional tool to compare business performance across companies and across periods. Adjusted EBITDA is widely used by investors to measure a company's operating performance without regard to such items described above. These adjustments can vary substantially from company to company depending upon accounting policies, book value of assets, capital structure and the method by which assets were acquired.

Adjusted Free Cash Flow

Adjusted Free Cash Flow, a key non-GAAP financial measure, is a useful metric utilized by our chief operating decision makers to evaluate cash flow activities. Adjusted Free Cash Flow is computed as Adjusted EBITDA reduced by capital expenditures (including nuclear fuel but excluding development, growth and (or) conversion capital expenditures), cash payments for interest and finance charges, cash payments for taxes (excluding income taxes paid from the nuclear facility decommissioning trust ("NDT")), and pension contributions.

We believe Adjusted Free Cash Flow is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to determine a company's ability to meet future obligations and to compare business performance across companies and across periods. Adjusted Free Cash Flow is widely used by investors to measure a company's levered cash flow without regard to items such as ARO settlements; nonrecurring development, growth and conversion expenditures; and cash proceeds or payments for the sale or purchase of assets, which can vary substantially from company to company and period to period depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired.

Please see below for reconciliations of Adjusted EBITDA and Adjusted Free Cash Flow to "Net Income (Loss)," the most comparable GAAP financial measure. Adjusted EBITDA and Adjusted Free Cash Flow are not intended to replace "Net Income (Loss)," a measure calculated and presented in accordance with GAAP.

Forward Looking Statements

This communication contains forward-looking statements within the meaning of the federal securities laws, which statements are subject to substantial risks and uncertainties. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this communication, or incorporated by reference into this communication, are forward-looking statements. Throughout this communication, we have attempted to identify forward-looking statements by using words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "forecasts," "goal," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," or other forms of these words or similar words or expressions or the negative thereof, although not all forward-looking statements contain these terms. Forward-looking statements address future events and conditions concerning, among other things capital expenditures, earnings, litigation, regulatory matters, hedging, liquidity and capital resources and accounting matters. Forward-looking statements are subject to substantial risks and uncertainties that could cause our future business, financial condition, results of operations or performance to differ materially from our historical results or those expressed or implied in any forward-looking statement contained in this communication. All of our forward-looking statements include assumptions underlying or relating to such statements that may cause actual results to differ materially from expectations, and are subject to numerous factors that present considerable risks and uncertainties.

The reconciliations from "Net Income (Loss)" presented on the Consolidated Statements of Operations to Adjusted EBITDA and Adjusted Free Cash Flow for the three months ended March 31 were:

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	Successor	Predecessor
	2024	**2023**
Net Income (Loss)	**$ 319**	**$ 46**
Adjustments		
Interest expense and other finance charges	50	104
Income tax (benefit) expense	69	14
Depreciation, amortization and accretion	75	132
Nuclear fuel amortization	35	24
Reorganization (gain) loss, net [a]	—	39
Unrealized (gain) loss on commodity derivative contracts	134	(31)
Nuclear decommissioning trust funds (gain) loss, net	(75)	(46)
Stock-based compensation expense	8	—
Long-term incentive compensation expense	10	—
(Gain) loss on non-core asset sales, net [b]	(324)	(35)
Non-cash impairments [c]	—	365
Legal settlements and litigation costs [d]	(2)	—
Unusual market events [e]	(1)	13
Net periodic defined benefit cost [f]	—	(2)
Operational and other restructuring activities	2	8
Development expenses	—	7
Non-cash inventory net realizable value, obsolescence, and other charges [g]	1	24
Noncontrolling interest	(11)	(3)
Other	(1)	1
Total Adjusted EBITDA	**$ 289**	**$ 660**

Capital expenditures, net	(59)	(65)
Interest and finance charge payments	(34)	(98)
Tax payments	—	—
Pension contributions	(2)	—
Total Adjusted Free Cash Flow	**$ 194**	**$ 497**

(a) See Note 2 in Notes to the Interim Financial Statements for additional information.

(b) See Note 17 in Notes to the Interim Financial Statements for additional information.

(c) See Note 8 in Notes to the Interim Financial Statements for additional information.

(d) See Note 10 in Notes to the Interim Financial Statements for additional information.

(e) Adjustments of PJM capacity penalty charges related to Winter Storm Elliott.

(f) Consists of postretirement benefits service cost and postretirement benefits gain (loss).

(g) See Note 6 in Notes to the Interim Financial Statements for additional information.

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Adjusted EBITDA / Adjusted Free Cash Flow Reconciliation: 2024 Guidance

	2024E	
(Millions of dollars)	**Low**	**High**
Net Income (Loss)	**$ 125**	**$ 325**
Adjustments		
Interest expense and other finance charges	$ 270	$ 270
Income tax (benefit) expense	25	25
Depreciation, amortization and accretion	290	290
Nuclear fuel amortization	90	90
Unrealized (gain) loss on commodity derivative contracts	135	135
(Gain) loss on non-core asset sales	(325)	(325)
Other	(10)	(10)

Adjusted EBITDA	**$ 600**	**$ 800**
Capital expenditures, net [(a)]	$ (155)	$ (185)
Interest and finance charge payments [(b)]	(240)	(240)
Tax payments	(10)	(20)
Pension contributions	(35)	(45)
Adjusted Free Cash Flow	**$ 160**	**$ 310**

Note: Figures include Cumulus and are rounded to the nearest $5mm.

(a) There are no material Cumulus maintenance capital expenditures.

(b) Excluding income taxes paid from the NDT.

SOURCE Talen Energy Corporation