

NRG Energy to acquire Vivint Smart Home in multibillion-dollar deal

By Olivia Pulsinelli

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Houston-based NRG Energy Inc. (NYSE: NRG) has lined up another multibillion-dollar deal, this time to diversify its products and services beyond electricity and natural gas.

NRG will pay \$12 per share, totaling \$2.8 billion, in cash for Utah-based Vivint Smart Home Inc. (NYSE: VVNT), the companies announced Dec. 6. The deal also includes NRG assuming \$2.4 billion of debt, bringing the total value of the deal to \$5.2 billion.

Vivint stockholders holding approximately 59% of the issued and outstanding shares of the company's Class A common stock have already approved the deal, so no further approval is needed from Vivint stockholders. The deal is still subject to other customary closing conditions and is expected to close in the first quarter of 2023. NRG plans to maintain a significant presence in Utah after the deal closes.

As of Dec. 31, 2021, Vivint employed approximately 11,000 people, including its seasonal direct sales and installation workforce, according to the company's annual financial report. In addition to its headquarters in Provo, the company has a monitoring facility, the Vivint Innovation Center and other facilities in Utah. Vivint also has a monitoring station in Minnesota and a research and development office in Boston.

Vivint is a smart home platform company that offers hardware, software, sales, installation, support and professional monitoring. Customers can utilize multiple

devices within a single expandable platform that incorporates artificial intelligence and machine learning.

Currently, Vivint has more than 1.9 million customers throughout the U.S., according to the Dec. 6 announcement. As of Dec. 31, 2021, Vivint had approximately 1.86 million subscribers, up 9.4% year over year, and generated revenue of nearly \$1.48 billion for 2021, up 18% from 2020. However, the company recorded a net loss of nearly \$305.6 million for 2021, an improvement from the \$603.33 million net loss in 2020. In a February press release announcing the 2021 results, CFO Dale Gerard said the company expects "to see continued growth in subscribers, revenue, profitability and cash in 2022."

CEO David Bywater also noted in the February release that in 2021 Vivint "saw meaningful progress on our Smart Energy and Smart Insurance initiatives which we are eager to expand in 2022 as we pursue our mission to make our customers' homes smarter, greener, and safer while saving them money."

NRG's acquisition of Vivint will create a "leading essential home solutions provider" with approximately 7.4 million customers across North America, representing significant cross-selling opportunity, NRG said. The acquisition also "will improve and diversify NRG's financial profile with more predictable earnings through Vivint's subscription-based model and long customer tenure," NRG said.

"Last year at our Investor Day, we presented our strategic roadmap to becoming the leading provider of essential services for homes and businesses, informed by consumer trends and underpinned by disciplined execution," said Mauricio Gutierrez, president and CEO of NRG. "The acquisition of Vivint is a transformational step in achieving our vision. Customers want simple, connected, and customized experiences that provide peace of mind. Vivint's smart home technology strengthens our retail platform, improves our customer experience, and increases customer lifetime value. I am excited to welcome Vivint to the NRG family."

The Vivint acquisition comes a couple years after NRG's similarly sized acquisition of Houston-based Direct Energy. That \$3.6 billion cash deal closed in early 2021. In August 2021, Gutierrez said NRG was planning up to \$2 billion in growth investments over the next five years, though its near-term focus was on integrating Direct Energy and decarbonizing the power it supplies to retail customers.

In the Dec. 6 announcement, NRG also noted that \$360 million of its existing \$1 billion share repurchase program remains as of Nov. 30, and the company plans to complete it in the near term.

"In 2023, NRG expects to use its excess free cash flow to fund the Vivint acquisition, reduce acquisition-related debt, and maintain its common stock dividend growth policy," the company stated. "In 2024, the company intends to return to its 50% return of capital / 50% growth capital allocation policy. NRG remains highly committed to its dividend growth policy, which remains unchanged from previous guidance."

For the Vivint deal, Goldman Sachs & Co. LLC is serving as NRG's exclusive financial adviser. Goldman Sachs Bank USA is providing fully committed financing. White & Case LLP is serving as legal counsel to NRG. J.P. Morgan Securities LLC is serving as Vivint's exclusive financial adviser. Simpson Thacher & Bartlett LLP is serving as legal counsel to Vivint.

In 2020, Vivint served as the title sponsor of the Houston Open, the longtime local PGA Tour event.