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CAPITAL

Talen Energy
("Talen")

May 9, 2023

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Agenda

- Investment Thesis
- Overview: Talen Energy
- Emergence From Bankruptcy
- Nuclear Energy Overview
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- Other Assets
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- Vistra – Energy Harbor Transaction
- Sum-of-the-Parts
- Risks / Mitigants

Investment Thesis

Talen emerges from bankruptcy in May and will trade OTC. To boil this down, consider three points:

1) Talen's nuclear power plant, Susquehanna, provides 25-50% equity upside to Plan Value by itself

- Nuclear plants are *rare* (Why? Costly, time consuming, complex, NIMBY-ism, regulatory hurdles)
- Nuclear plants are *valuable* (Why? ESG friendly, reliable, large-scale, less exposed to input volatility)
- Susquehanna is a tremendous nuclear asset
 - ❖ 6th largest US nuke¹, cost \$8bn to build², leading operating metrics (\$22/MWh – top quartile performance)
- Vistra's acquisition of Energy Harbor ("ENGH") gives us a recent valuation marker (March '23 announcement)
 - ❖ ENGH nuclear assets implied at 11x (our view: a floor because Susquehanna is a superior asset)
- Applying 11-12x to Susquehanna, we get \$5.5-6.0bn for Susquehanna vs. Plan EV for all of Talen of \$4.5bn

2) Susquehanna is a target for multiple strategics

- Constellation is not subtle: they would *love* to own Susquehanna (just read CEG earnings transcripts!)
- Vistra is unlikely to stop with Energy Harbor: Vistra Vision needs greater scale; market loved the ENGH deal
- Calpine lost out on ENGH to Vistra; Susquehanna would be a good fit for their clean energy portfolio
- Multiple bids for TLN in bankruptcy (two specified at \$4.8bn, \$4.5bn), plus additional IOIs for Susquehanna alone³
 - ❖ Expedited go-shop designed to avoid a contested confirmation hearing; low-ball initial bids went nowhere

3) Production Tax Credits ("PTCs") provide material benefits to Talen

- 10-year PTCs passed in last year's Inflation Reduction Act ("IRA") and kick in beginning in 2024
- Nuclear PTCs effectively provide a floor (capped at \$15/MWh add plus inflation) while preserving uncapped upside

There is more (fossil assets, digital infrastructure projects, and a PPL litigation claim). We calculate 50-100% equity upside and believe either (a) the company gets bought or (b) it up-lists in Q4'23.

Our take: there are few ways to play the "nuclear renaissance" and buying Talen on emergence is one of the best ways to get cheap, concentrated exposure to zero carbon nuclear power

1. Company presentation

2. <https://www.eia.gov/nuclear/state/archive/2010/pennsylvania/>; \$8bn meaningfully higher in today's dollars

3. Page 92 of Disclosure Statement

Source: Philosophy Capital Analysis; Talen cleansing materials dated 4.21.23; Disclosure Statement dated 10.26.22

Overview: Talen Energy (1/2)

Talen provides ~12.4 GW of generation capacity headlined by a top-quartile nuclear plant

Talen Assets

- Talen Energy owns and operates ~12.4 GW of thermal generation assets including nuclear, gas and coal across the PJM, ERCOT and ISO-NE regions
- The crown jewel is the Susquehanna nuclear plant. Susquehanna has a 2.5 GW capacity and is 90% owned by Talen (10% owned by Allegheny Energy)
- Geography: 84% PJM, 13% ERCOT, and 3% other
- Type: 50% nuclear, 35% nat gas, 9% minority-owned coal (*to be spun out post emergence*), 6% planned retirement
- Miscellaneous:
 - Talen invested ~\$300mm equity into digital infrastructure assets through Cumulus Digital¹
 - Non-core “growth options” benefit from reliable nuclear power and can be monetized
 - We believe Data could sign a long-term lease that opens refinancing possibilities or debt-financed growth with limited equity needs
 - Such a contract would likely be at a premium to PTC with IG-rated tenants

Talen History

- Formed in 2015 (power assets of PPL Corp. + Riverstone), IPO’ed in 2015, Riverstone took private in late 2016
- Take-private implied \$5.2bn TEV, or ~7.3x EV/fwd EBITDA
- Earnings were solid in 2017/2018 but deteriorated due to depressed prices, excess capacity, and unfavorable hedges
- Hedging strained WC (pre-PTCs). WC swings, depressed earnings, and a poor BS led to Ch. 11 in May 2022
- Talen emerges in May 2023 with unsecureds equitizing

Comparison	Old Talen	New Talen
Hedging	Collateral/LC requirements detracting from liquidity	Access to 1L ISDA Hedging; no collateral or LC needs
Revolver Capacity	Fully utilized	\$700mm Undrawn
Letters of Credit	No TL-C	Financed via TL-C to ensure no reduction from RCF availability
Debt Maturities	Maturities in 2025/2026	No recourse debt maturities for 5 years
Capital Projects	Significant funding needs	Substantially completed
FCF Generation	Tough market, no PTCs	Better market w/ PTC support
Governance	Controlled by PE Sponsor unwilling to inject capital	Qualified, ind. board and CEO focused on capital allocation

1. Page 50 of Disclosure Statement

2. 2017E Bloomberg consensus estimate of \$715mm EBITDA

Source: Philosophy Capital Analysis; Talen cleansing materials 4.21.23; Discl. Statement 9.29.22

Overview: Talen Energy (2/2)

Talen will emerge with a strong balance sheet and a SOTP value case

PF Capital Structure¹

Pro Forma Capitalization	Amt	x 2023E	x 2024E	x Norm.	LTV	Maturity	Rate	Interest
Revolver (\$700mm)	-					May-28	S+3.50%	4
Bilateral LC Facility (\$75mm)	-					May-28	3.50%	3
Term Loan B	580					May-30	S+4.50%	55
Secured Notes	1,200					Jun-30	8.63%	104
PEDFA B&C Bonds	131					Feb-37	2.60%	3
LMBE RCF (\$25mm)	-					Dec-23	S+4.00%	0
LMBE-MC Term Loan	281					Dec-25	S+4.00%	25
Total Debt	2,192	1.9x	3.4x	2.9x	49%		8.9%	194
Cash	(175)							(9)
Net Debt	2,017	1.8x	3.1x	2.7x	45%			
Term Loan C (LC Facility)	470					May-30	S+4.50%	21
LC Facility Cash Collateral	(470)							
Plan Equity Value	2,483	2.2x	3.8x	3.3x	55%			
Plan TEV	4,500	4.0x	6.9x	6.0x	100%			

EBITDA - 2023 (Guidance)	1,130					FDSO	Price
EBITDA - 2024 (Guidance)		653				59	\$42.06
EBITDA - Normalized			750				

Note: TL-B/C are cov-lite

Note: We believe \$750mm EBITDA is a good proxy for normalized earnings power of the business, supported by projections under the forward power curves; we expect Talen to generate \$750mm+ EBITDA in 2026/2027

Liquidity and Capital Allocation

- Total Liquidity of \$875mm
 - \$700mm undrawn revolver and \$175mm of B/S cash
- Restricted Payments Capacity
 - \$160mm general basket
 - \$150mm starter for builder basket
 - ~\$310mm RP capacity upon emergence
- Modest capex needs beyond maintenance allow for excess FCF to be returned to shareholders

1. Page 29 of Lender Presentation

Source: Philosophy Capital Analysis; Talen cleansing materials dated 4.21.23

Philosophy Capital

Create at \$4.5bn Plan Value

Create Math	2023	2024	2026/Normalized
Plan Value	4,500	4,500	4,500
EBITDA	1,130	653	750
EV/EBITDA	4.0x	6.9x	6.0x
Capex	(277)	(236)	(220)
Cash Interest	(206)	(206)	(206)
Cash Taxes	-	-	-
Change in W/C	-	-	-
Simple FCF	647	211	324
% yield to Equity	26%	8%	13%

SOTP Summary

	\$mm
Susquehanna	5,500
Fossil	919
Cumulus	166
PPL Litigation	100
SOTP Value	6,685
less: Net Debt	(2,017)
Equity Value	4,668
% upside to Plan Equity	88%

- \$4.5bn Plan Value creates Talen at 6.0x normalized EBITDA of \$750mm (using out-year power curves)
- Our Base Case SOTP offers ~88% upside to Equity
- 2024 EBITDA reflects guidance *inclusive of non-recurring \$86mm hedge losses, which is too punitive to use for fair analysis, in our view*
- Limited cash taxes projected given existing NOLs

Emergence From Bankruptcy

Talen has refreshed and incentivized leadership and committed shareholders

Current State of Play

- Talen expected to emerge with ~\$2.0bn of new debt and ~\$2.5bn of Plan equity value, including a \$1.4bn Equity Rights Offering and the equitization of unsecured claims
- Holders include Rubric Capital, Nuveen, Monarch, Citadel
- Talen will be led by new CEO Mark “Mac” McFarland, who joins from California Resources (“CRC”), and previously at GenOn and Luminant (Vistra predecessor)
 - As CEO of CRC, McFarland’s compensation was weighted toward equity via RSUs/PSUs
 - We believe his comp at Talen is likely similar, with vesting of awards on a change of control
 - New team will be highly focused on shareholder friendly capital allocation
- Talen’s reconstituted Board of Directors includes:
 - Stephen Schaefer (Chairman)
 - Mac McFarland (CEO)
 - Gizman Abbas
 - Anthony Horton
 - Karen Hyde
 - Joseph Nigro
 - Christine Benson

Go-Forward Timeline

- Debt Offering (completed): The Company successfully priced its broadly syndicated exit credit financing in late April, with Citi, Goldman Sachs, and RBC.
- Rights Offering (early May): The equity rights offering (up to \$1.4bn) is backstopped by financial institutions that held \$1.1bn of Talen’s unsecured notes.
- OTC (mid-May): Upon closing of the equity rights offering and the debt offering, Talen will become a publicly traded entity through an OTC listing
- CleanCo/LegacyCo (Q3/Q4): After listing, we suspect TLN separates into two entities (CleanCo/LegacyCo structure)
- M&A (May-Nov.): Our guess is that Talen will draw strategic interest given multiple bids received during bankruptcy as well as public fawning over Susquehanna
 - 61 parties were contacted during a brief go-shop
 - Two IOIs at \$4.5bn and \$4.8bn, while other IOIs focused solely on Susquehanna
- Up-listing (Q4): Absent M&A, Talen up-lists by year-end

Nuclear Energy Overview

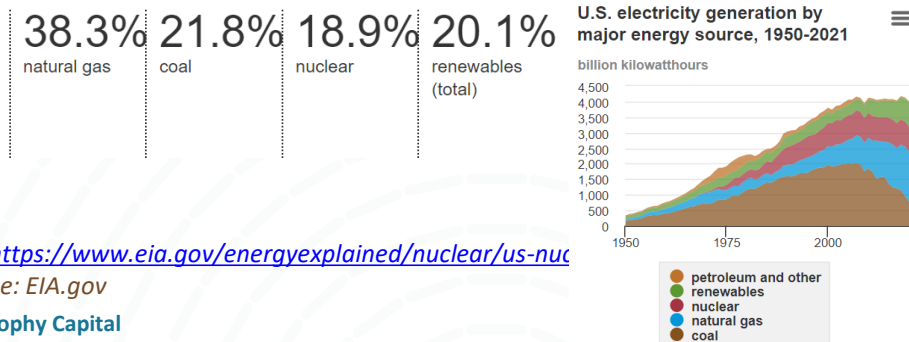
Nuclear Production Tax Credits are a game changer



US Nuclear Industry¹

- At YE21, the US had 93 operating nuclear reactors at 55 power plants in 28 states.
- US nuclear generation capacity peaked in 2012 at 102 GW when there were 104 reactors. At YE21, the combined capacity of remaining reactors was 95 GW
- From 2013 to 2019, annual realized generation increased each year (except 2017), driven by plant upgrades and high utilization rates
- Nuclear power plants maintain a consistent share of ~20% of total annual US electricity generation

The percentage shares of utility-scale electricity generation by major energy sources in 2021 were:



1. <https://www.eia.gov/energyexplained/nuclear/us-nuc>

Source: EIA.gov



Nuclear PTCs

- The Inflation Reduction Act was signed into law on 8/16/22 and included 10-yr nuclear production tax credits
- The zero-emission nuclear power production credit provides up to \$15/MWh when gross receipts drop to \$25/MWh. This results in a \$40/MWh floor on nuclear revenue (floor is ~\$44/MWh at current prices)
- Gross receipts include energy sales, capacity sales, ancillary revenue, and other revenue sources
- Gross receipts thresholds and the PTC amounts are inflation-adjusted on a year basis

REUTERS[®] World Business Markets Legal Breakingviews Technology Investigations

Climate Change Nuclear Gas Hydrogen Renewable Fuels

2 minute read · November 8, 2022 7:46 AM PST · Last Updated 5 months ago

Constellation sees big benefits from U.S. Inflation Reduction Act

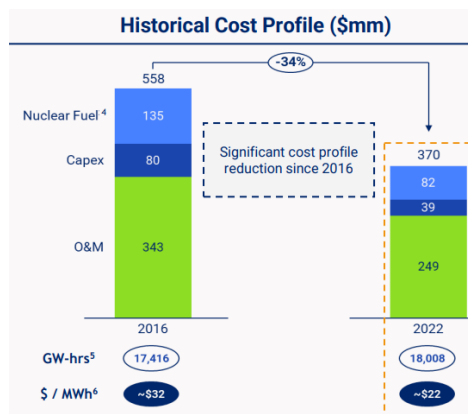
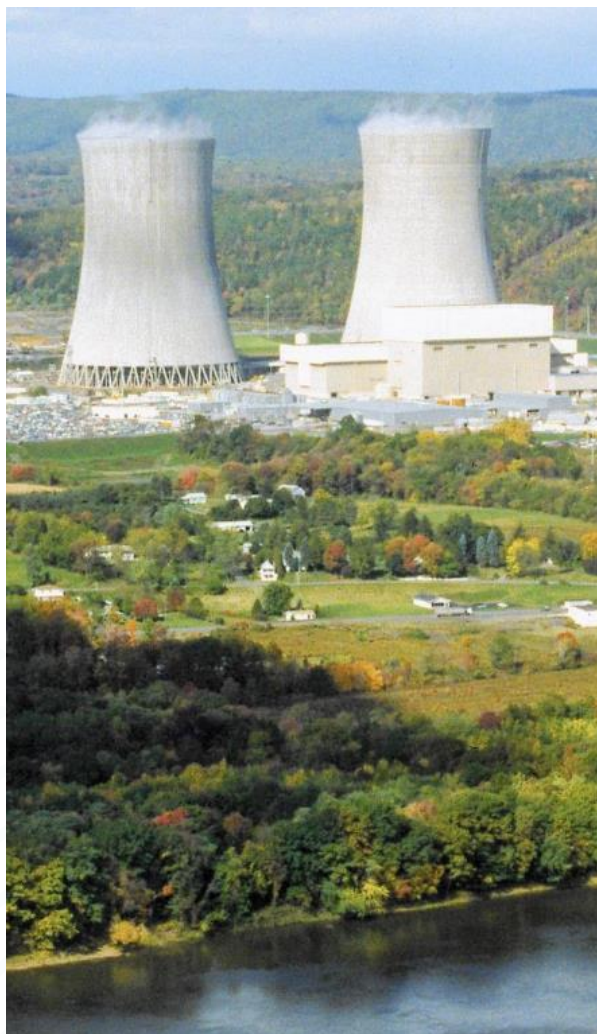
Reuters

Inflation Reduction Act Keeps Momentum Building for Nuclear Power

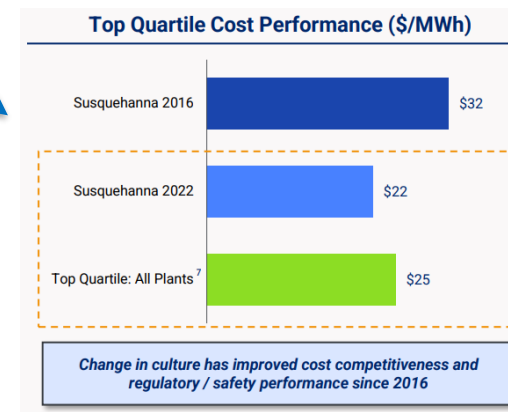
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Susquehanna (1/2)

2.5 GW cost-competitive 2-unit plant in Pennsylvania (90% owned by TLN)



Among the top-performing nukes in the U.S.



Asset Highlights

Location	Salem Township, PA
Owned Capacity¹	2,245 MW (2 Units)
Fuel Type	Nuclear
Market	PJM-PPL / MAAC
COD	1983 - 1985

Sixth Largest Nuclear Facility in the U.S.²

Delivering Better Than Top-Quartile Cost Performance

Supported by Up to \$15/MWh Production Tax Credit Starting in 2024

Licensed to Operate through 2042 (Unit 1) & 2044 (Unit 2); Next Extensions Expected to be 2062 and 2064, respectively

Nuclear Decommissioning Trust Fully Funded

Nuclear Fuel Fully Hedged through 2025 Outage; Fuel Represents 23% of Plant Operating Costs³

Susquehanna (2/2)

Crown jewel nuclear asset underpins value and offers 25-50% upside to Plan Value on its own

Financial Summary¹

Susquehanna 4-wall Model	2023	2024	2025	2026	2027
Operating Capacity (MW)	2,246	2,246	2,246	2,246	2,246
Utilization	96%	99%	99%	99%	99%
Capacity Price	\$69	\$49	\$54	\$67	\$83
Capacity Revenue (a)	54	40	44	54	67
Generation (GWh)	18,290	18,563	18,510	18,422	18,510
Capacity Factor	93%	94%	94%	94%	96%
Realized Power Price	\$33	\$36	\$38	\$43	\$41
Energy Revenue (b)	604	668	701	796	751
Annual Realized Price	-	\$39	\$40	\$46	\$44
Nuclear PTC Threshold	-	\$25	\$26	\$26	\$27
Nuclear PTC	-	\$4	\$4	\$0	\$4
Affiliate Sales (GWh)	-	1,660	1,746	1,732	1,732
Nuclear PTC Revenue (c)	\$0	\$71	\$60	\$0	\$59
Total Revenue (a) + (b) + (c)	658	778	804	851	877
% growth		18.4%	3.3%	5.8%	3.1%
Hedging Gains/(Losses)	648	(86)	(10)	-	-
Non-Fuel Opex	300	300	300	300	300
EBITDA	1,006	392 ⁴	494	551	577
% margin	nm	50.4%	61.5%	64.7%	65.8%
Capex (incl. Fuel)	(120)	(144)	(168)	(180)	(204)
EBITDA - Capex	886	248	326	371	373
% margin	nm	31.9%	40.6%	43.6%	42.6%

Susquehanna Value Discussion

- We believe Susquehanna is worth \$5.0bn+
- Limited Downside: Sub-optimal process in BK resulted in TLN bids at \$4.5bn and \$4.8bn (+ IOIs for Susquehanna)
- Unmodeled Upside: As recently demonstrated, periodic price spikes can yield enormous (\$500mm+) excess FCF
- Energy Harbor: Following Talen's filing and associated go-shop, Vistra acquired Energy Harbor at a valuation implying 11x EV/EBITDA for its (inferior) nuclear assets, which sets a valuation floor on Susquehanna
- FCF: After near-term hedging noise, Susquehanna can generate \$375mm+ FCF standalone, before synergies from a strategic combination, which implies \$5.3bn+ DCF value

Valuation Data Points	CEG 2023E	Energy Harbor Deal	Premium to ENGH	DCF Base Case	Average
Applicable Metric ²	~11x EV/EBITDA	~11x EV/EBITDA	~12x EV/EBITDA	7.5% discount rate	--
Susq. Reference	\$500mm EBITDA	\$500mm EBITDA	\$500mm EBITDA	\$400mm FCF ³	--
Implied Value	\$5.5bn	\$5.5bn	\$6.0bn	\$5.3bn	\$5.6bn

1. Internal estimates; informed by forward power curves 2. Discount rates reflect lower cost of capital afforded to larger strategics and forward risk-free rate expectations

3. Predictable \$375mm FCF with PTCs, but use \$400mm for DCF to account for smoothed contributions from periodic power spikes

4. 2023 EBITDA includes hedging gains in a favorable environment; 2024 impacted by \$86mm of non-recurring hedging losses; Assume all hedges are related to Susquehanna

Source: Philosophy Capital Analysis; Talen cleansing materials dated 4.21.23

Power Assets

We believe Talen's fossil assets are worth ~\$900mm+

Plant	ISO	Capacity (MW)	Talen Owned (%)	Fuel Type	2024E Revenue	2024E Gross Profit	\$/kW Valuation	Implied Value	Rationale
Brandon Shores	PJM	1,419	100%	Coal	170	64	--	--	Baltimore Harbor real estate + FCF = pure upside
Brunner Island	PJM	1,453	100%	Coal	95	45	--	--	converted to nat gas; assume no value given AROs
Camden	PJM	148	100%	Nat Gas	12	4	--	--	small plant; assume no value
Conemaugh	PJM	1,957	22%	Coal	42	13	--	--	minority stake in coal asset; assume no value
H.A. Wagner	PJM	872	100%	Coal	34	24	--	8	converted to nat gas; valued at cost
Keystone	PJM	2,012	12%	Coal	30	9	--	--	minority stake in coal asset; assume no value
Lower Mount Bethel	PJM	587	100%	Nat Gas	130	56	500	293	high quality asset; assume value covers debt
Martins Creek	PJM	1,758	100%	Nat Gas	60	33	50	88	significant discount given lower quality asset
Montour	PJM	1,589	100%	Coal	206	72	--	100	converted to nat gas; valued at cost
Barney Davis	ERCOT	947	100%	Nat Gas	115	59	250	237	discount to recent ERCOT transactions
Laredo	ERCOT	192	100%	Nat Gas	14	10	150	29	discount to recent ERCOT transactions
Nueces Bay	ERCOT	655	100%	Nat Gas	64	36	250	164	discount to recent ERCOT transactions
Colstrip	WECC	1,480	15%	Coal	100	49	--	--	minority stake in coal asset; assume no value
Dartmouth	ISO-NE	90	100%	Nat Gas	26	7	--	--	small plant; assume no value
Total		15,159			1,096	481		919	

- Deals in PJM transacted \$100 – 700 / kW¹; we use a discount to median for Lower Mount Bethel and Martins Creek
- Deals in ERCOT transacted \$350 – 1,250 / kW²; we use a 50%+ discount to median for Barney Davis, Laredo and Nueces Bay
- Brunner Island, H.A. Wagner and Montour have been converted to nat gas plants; we value them at conversion cost
- **Key Point:** We assign no value to coal and smaller gas plants simply because we prefer to err on the side of conservatism and like having unquantified upside in our back pocket. These assets generate FCF under favorable conditions and have option value.
- Environmental liabilities are well bracketed, as shown by \$187mm of posted LCs (mainly attributable to remaining coal assets)

1. Public comparable transactions data

2. Public comparable transactions data

Source: Philosophy Capital Analysis; market data

Other Assets

Digital infrastructure assets (datacenter and crypto mining) offer option value

Background

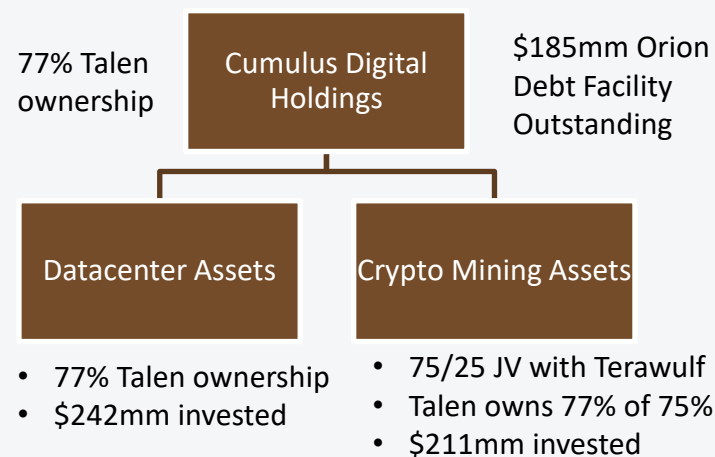
- There are non-core assets and miscellaneous sources of value that could bring upside to the SOTP valuation
- Other sources of value include:
 - Cumulus Data
 - Cumulus Coin
 - PPL Litigation
 - Pink Hydrogen (\$3/kg tax credit opportunity)

PPL Litigation¹

- Talen is involved in a fraudulent conveyance litigation with PPL regarding a distribution taken from the proceeds of Talen Montana’s hydro-electric facilities in November 2014
- Talen seeks \$1.2bn in compensatory and punitive damages as Talen Montana was left unable to service its obligations as a result of the distribution
- The timeline and outcome of the trial is uncertain, but we guess that Talen could see north of \$100mm if successful

Cumulus²

- Talen made investments in datacenter and crypto mining assets to take advantage of reliable, low-cost power from Susquehanna. These assets could be monetized in the future and provide meaningful value to the enterprise
- We suspect there are ongoing discussions with potential IG-rated tenants regarding a long-term PPA (at a premium to the PTC floor) for the datacenter business
- Datacenter asset is valuable: 1,200 acres at Susquehanna for future expansion optionality, zero carbon footprint and conveniently located (2hr drive from Newark/Philly)



1. Pages 68-72 of Disclosure Statement

2. Based on Terawulf public disclosures and Talen Disclosure Statement

Source: Philosophy Capital Analysis; Talen cleansing materials dated 4.21.23; Terawulf public filings dated 3.24.23

M&A Context

Commentary from larger public peers suggest a robust M&A backdrop

CEG Commentary

- Constellation Energy (“CEG”) is a ~\$30bn TEV carbon-free power generation business across nuclear and renewables
- CEG wants to be a consolidator of nuclear assets, but failed to buy Talen when it could have and then missed out on Energy Harbor (lost to Vistra)
- Joe Dominguez, CEG’s CEO, has publicly indicated interest in acquiring Susquehanna, as can be heard in CEG’s 3Q’22 earnings conference call
- CEG’s Limerick plant is located 100 miles from Susquehanna and is a sister plant with similar characteristics, highlighting the cost synergy potential

“We’re focused on acquiring assets... and if you see a nuclear plant transacting, I think it’s fair to guess that Constellation is going to be involved”

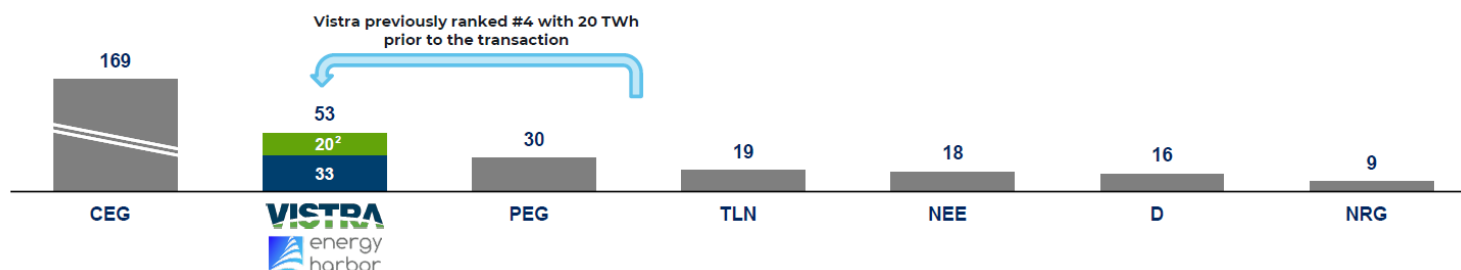
“Big criteria for us around dual unit sites as opposed to single unit sites”

CEG CEO Joe Dominguez, during 2Q’22 and 4Q’22 earnings conference calls, respectively

Vistra Vision¹ / Other

- With the acquisition of Energy Harbor, Vistra became the no. 2 player in the nuclear generation market in the US.
- The creation of “Vistra Vision” as a separate entity with clean power assets demonstrates Vistra’s longer term goal of scaling up its footprint to compete with CEG. Acquiring Susquehanna would help achieve this goal.

Projected Merchant Nuclear Net Generation for 2023 (TWh)¹



1. Vistra Business Update presentation dated 3.6.23

Source: CEG quarterly earnings call transcripts, VST public disclosures

Vistra & Energy Harbor Transaction

Valuation floor for Susquehanna at 11x EV/EBITDA

VST – ENGH Transaction¹

Energy Harbor Math	
Total Consideration	6,760
less: Cash Component	3,000
less: Debt Assumption	430
15% stake in Vision	3,330
Vision Equity Implied Math	22,200
Net Debt at Vision Level	3,430
Vision EV	25,630
Vision EBITDA (2024)	2,350
Implied EV/EBITDA	10.9x

ENGH Retail EBITDA (est.)	65
Retail Multiple (peer valn.)	5.3x
Retail Value (est.)	345

ENGH Transaction EV	6,760
less: Retail Value	345
ENGH Nuke EV	6,416
Nuke EBITDA	585
Nuke Implied Multiple	11.0x

Susquehanna vs. ENGH

Nuclear Plants:	Susquehanna (Talen)	Beaver Valley (ENGH)	Perry (ENGH)	Davis-Besse (ENGH)
Location	PA	PA	OH	OH
COD	1983	1976	1987	1978
Capacity (MW)	2,245	1,872	1,268	908
Reactors	2	2	1	1
Capacity Factor ²	96%	91%	92%	95%
Cost \$/MW ³	\$22	\$25	\$25	\$26

- In our view, recent acquisition of Energy Harbor suggests 11x is the floor on valuation for nuclear assets in a post-PTC world
- We believe Susquehanna is a superior asset compared to ENGH facilities:
 - Dual units at Susquehanna vs. single unit for two of ENGH's plants
 - Higher utilization
 - Lower all-in operating costs (inc. opex and maintenance capex)

1. Vistra Business Update Presentation dated 3.6.23

2. Capacity factor for ENGH plants are an average of past 4 years

3. Susquehanna Cost/MWh from Company disclosures; ENGH numbers reflect FY'22

Source: Philosophy Capital Analysis, EIA.gov nuclear generation data

Sum-of-the-Parts Analysis

Compelling SOTP value suggests material upside to Plan Value with downside protection

Talen SOTP	Downside Case			Base Case			Upside Case		
	EBITDA	Multiple	Value	EBITDA	Multiple	Value	EBITDA	Multiple	Value
Susquehanna	500	9.0x	4,500	500	11.0x	5,500	500	12.0x	6,000
Fossil	--	--	500	--	--	919	--	--	1,250
Cumulus	--	--	116	--	--	166	--	--	249
PPL Litigation	--	--	-	--	--	100	--	--	200
Total SOTP Value			5,116			6,685			7,699
less: Net Debt			(2,017)			(2,017)			(2,017)
Implied Equity Value			3,099			4,668			5,682
Plan Equity Value			2,483			2,483			2,483
FDSO			59			59			59
Plan Share Price			\$42			\$42			\$42
SOTP Implied Share Price			\$53			\$80			\$97
% Implied Return			25%			88%			129%

• Upside Case Assumptions

- Susquehanna valued at modest premium to ENGH transaction multiple
- Fossil assets trade in-line with recent precedent transactions
- Cumulus equity investment returns ~50%
- PPL litigation settled for net Talen proceeds of \$200mm

• Base Case Assumptions

- Susquehanna valued in line with ENGH transaction multiple
- Fossil assets worth \$919mm (as per our estimates)
- Cumulus equity investment marked at cost¹
- PPL litigation settled for net Talen proceeds of \$100mm

• Downside Case Assumptions

- Susquehanna valued at a discount to ENGH transaction multiple
- Fossil assets worth \$500mm in a fire-sale scenario
- Cumulus equity investment marked down ~30% from cost basis
- Talen does not prevail in PPL litigation

Key Takeaways:

- We believe Susquehanna is worth a minimum of \$4.5bn in a challenging market
- We think Susquehanna could realize \$5.5bn+ of value in a competitive auction
- All other assets are valued conservatively and offer upside potential

Risks / Mitigants

- **Risk (1): Environmental Liabilities: don't nukes and coal plants entail environmental liabilities/risks?**
 - *Answer: TLN overfunded reserves for environmental/asset retirement liabilities¹; out of coal by year-end 2025*
- **Risk (2): M&A: wasn't the process during bankruptcy unsuccessful and doesn't SOTP realization depends on M&A?**
 - *Answer: 45-day Go Shop was not designed for success. Nonetheless, bids emerged. Talen remains a coveted asset for strategics given public peer commentary and broader market appreciation for PTC implications*
- **Risk (3): Cost Inflation: won't earnings power be impacted by input inflation and hedging costs?**
 - *Answer: Talen benefits from long-term supply contracts with several counterparties, hedging needs are reduced with PTCs eliminating downside variability, and PTCs have inflation escalators*
- **Risk (4): Execution and Incentives: can management operate a complex portfolio while running a process?**
 - *Answer: new CEO Mac McFarland is an experienced executive, will be properly incentivized, and is supported by a board that is hand-picked by a tight group of blue-chip investors*
- **Risk (5): Trading Dynamics: don't reorg equities trade poorly due to technicals, illiquidity and investor skepticism?**
 - *Answer: rights offering forced most weak hands out. Nuclear assets are rare in public markets and Talen will represent an avenue to the sector. Possible M&A or up-listing represent catalysts for special sits investors*
- **Risk (6): Noisy Financials: what about the near-term drop in EBITDA?**
 - *Answer: near-term noise driven by legacy hedging (large 2023 gain, modest 2024 loss²). These are quintessential "non-recurring items" because the hedging program will be reduced post PTCs*

1. Page 48 of Talen Disclosure Statement

2. Company will be subjected to \$82mm of hedging losses in 2024 as disclosed in Lender Presentation

Source: Philosophy Capital Analysis; Talen cleansing materials dated 4.21.23