



Creation Cost Methodology & Notes Applicable for 4Q 2021

February 17, 2022

This memo describes how Sunrun's Creation Cost and its components are calculated for 4Q 2021 using information reported in GAAP financial statements and footnotes plus operating and other data reported by the company.

Creation Cost

Creation Cost is equal to the per customer amounts described below for Installation plus Sales and Marketing plus General and Administrative less Platform Services Margin.

Installation (Blended, includes both Sunrun and Partner Built Systems)

Installation cost per customer is calculated based on installation costs, including both capitalized costs and expenses recognized in 'Cost of Customer Agreements and Incentives' in the period and are divided by the number of Subscriber Additions in the period. These costs exclude depreciation expense, costs associated with servicing the existing fleet of customers, and stock-based compensation expense.

Estimated fleet servicing costs over the full life of the customer agreement and estimated renewal period are already deducted from Subscriber Value and thus not included in Creation Costs. Installation cost excludes costs related to solar energy systems sold directly to customers for cash. The capitalized costs that are included and associated depreciation expense can be found in the notes to our consolidated financial statements and the applicable customer volume and estimated fleet servicing costs can be found in the calculation detail attached to this memo.

Sales and Marketing

Sales and marketing cost per customer is calculated based on (i) sales and marketing expenses incurred in the period and (ii) the increase in gross capitalized cost to obtain contracts. Sales and marketing expenses are adjusted to exclude certain non-cash items such as stock-based compensation expense, amortization of intangibles, and amortization of the capitalized cost to obtain customers. It also excludes certain items the company has deemed to be non-recurring. Expensed sales and marketing costs use total Customer Additions in the period to normalize these costs while capitalized costs are normalized by Subscriber Additions in the period.

General and Administrative

General and administrative cost per customer is calculated based on the general and administrative expenses incurred and are normalized by total Customer Additions in the period. It excludes certain non-cash items related to stock-based compensation expense and amortization of intangibles. It also excludes certain items the company has deemed to be non-recurring.

Platform Services Margin

Platform Services Margin per customer is the gross margin contribution from Sunrun's platform businesses including AEE, SnapNrack, and CEE plus gross margin earned on cash solar system sales. It excludes certain non-cash items related to stock-based compensation expense and is normalized by Customer Additions in the period.



Sunrun Creation Cost Supplemental Calculations

(\$000s, except per customer, per watt and Megawatt)

Note: figures may not sum due to rounding

Net Subscriber Value for 4Q21

	per customer	per watt
Subscriber Value, Contracted Period	\$ 33,734	\$ 4.55
Subscriber Value, Renewal Period	\$ 3,228	\$ 0.44
Subscriber Value	\$ 36,962	\$ 4.99
(-) Creation Cost	\$ (29,898)	\$ (4.04)
Net Subscriber Value	\$ 7,064	\$ 0.95

Creation Cost for 4Q21

	per customer	per watt
Installation	\$ 21,305	\$ 2.87
Sales & Marketing	\$ 8,265	\$ 1.12
General & Administrative	\$ 1,303	\$ 0.18
(-) Platform Services Margin	\$ (975)	\$ (0.13)
Creation Cost	\$ 29,898	\$ 4.04

The calculation of each component is summarized below:

Installation Costs

	4Q21
(+) Capitalized Costs (change in 'Total Solar Energy Systems' & Construction-in-Progress from BS Notes)	\$ 423,307
(+) Cost of Customer Agreements and Incentives Revenue (from IS)	187,029
(-) Depreciation Expense for Solar Energy Systems (from BS Notes)	(90,062)
(-) Fleet Operating & Maintenance costs (expensed and capitalized costs, from Company Books)	(44,467)
(-) Stock Based Compensation expense in Cost of Customer Agreements and Incentives (from IS Notes)	(4,109)
(-) Amortization of Intangibles in Cost of Customer Agreements and Incentives (Company books)	(249)
(-) Other non-recurring items related to the acquisition of Vivint Solar & restructuring (Company books)	(2,366)
Total Installation Costs	\$ 469,082
/ Subscriber Additions	22,017
= Installation costs (per subscriber)	\$ 21,305
/ Solar Energy Capacity Installed for Subscribers	163.2
= Installation costs (per watt)	\$ 2.87

Financial Statements Notes: Solar Energy Systems, net	4Q21	3Q21	Change
Solar energy system equipment costs	\$ 9,018,788	\$ 8,771,650	
Inverters (and inverters + batteries in later periods, see filings)	1,127,014	988,616	
Total solar energy systems (gross)	10,145,802	9,760,266	385,536
Less: accumulated depreciation and amortization	(1,267,932)	(1,177,870)	(90,062)
Add: construction-in-progress	581,826	544,055	37,771
Total solar energy systems, net	9,459,696	9,126,451	

Financial Statements Notes: Stock-Based Compensation Expense	4Q21
Cost of customer agreements and incentives	\$ 4,109
Cost of solar energy systems and product sales	1,838
Sales and marketing	29,898
Research and development	1,624
General and administration	12,777
Total	50,246



Sales and Marketing Costs

	4Q21
Sales & Marketing Expense (from IS)	\$ 180,787
(-) Stock Based Compensation in S&M (from IS Notes)	(29,898)
(-) Amortization of Intangibles in S&M (Company Books)	(368)
(-) Amortization of Costs to obtain contracts - customer agreements (Company Books)	(7,356)
(-) Other non-recurring items: related to the acquisition of Vivint Solar & restructuring (Company books)	(210)
Sales & Marketing Operating Expenses	\$ 142,954

/ Customer Additions	29,870
= Sales & Marketing operating expense (per customer)	\$ 4,786

/ Solar Energy Capacity Installed	219.7
= Sales & Marketing operating expense (per watt)	\$ 0.65

	4Q21	3Q21	Change
Cost to Obtain Customer Agreements (BS note for Other Assets)	703,080	626,484	76,596
Sales & Marketing Capitalized Costs related to new Subscribers			76,596

/ Subscriber Additions	22,017
= Sales & Marketing capitalized costs (per customer)	\$ 3,479

/ Solar Energy Capacity Installed for Subscribers	163.2
Sales & Marketing capitalized costs (per watt)	\$ 0.47

Sales & Marketing cost (per customer)	\$ 8,265
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Sales & Marketing cost (per watt)	\$ 1.12
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General & Administrative Costs

	4Q21
General & Administrative Expenses (from IS)	\$ 59,337
(-) Stock Based Compensation in G&A Expenses (from IS Notes)	(12,777)
(-) Amortization of Intangibles in G&A Expenses (Company Books)	(69)
(-) Other non-recurring items: acquisition related and restructuring expenses	(7,581)
General & Administrative Costs	\$ 38,910

/ Customer Additions	29,870
= General & Administrative costs (per customer)	\$ 1,303

/ Solar Energy Capacity Installed	219.7
= General & Administrative costs (per watt)	\$ 0.18

Platform Services Margin

	4Q21
Solar energy systems and product sales revenue (from IS)	\$ 234,604
(-) Cost of solar energy systems and product sales (from IS)	(208,162)
(+) Stock Based Compensation in Cost of solar energy system and product sales (from IS Notes)	1,838
(+) Other non-recurring items: related to the acquisition of Vivint Solar & restructuring (Company books)	848
Platform Services Margin	\$ 29,128

/ Customer Additions	29,870
= Platform Services Margin (per customer)	\$ 975

/ Solar Energy Capacity Installed	219.7
= Platform Services Margin (per watt)	\$ 0.13