



Creation Cost Methodology & Notes Applicable for 4Q 2020

February 25, 2021

This memo describes how Sunrun's Creation Cost and its components are calculated for Q4 2020 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.

On October 8th Sunrun completed the acquisition of Vivint Solar. Because of the closing date, starting asset value balances for Vivint Solar are presented as of October 8. Total volumes used to calculate Creation Cost are therefore adjusted to deduct volumes from Vivint Solar from October 1 through October 8. In future periods this volume adjustment will not be required.

Prior to the fourth quarter of 2020, Sunrun reported Creation Cost normalized per watt of solar energy capacity. The corresponding per watt figures are reported in addition to the per customer figures in the attached memo, but the company will be transitioning to per customer figures. Both are presented in this cost memo for convenience.

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 4Q 2020

	<u>per customer</u>	<u>per watt</u>
Subscriber Value, Contracted Period	\$ 34,232	\$ 4.65
Subscriber Value, Renewal Period	\$ 3,136	\$ 0.43
Subscriber Value	\$ 37,368	\$ 5.07
(-) Creation Cost	\$ (28,317)	\$ (3.84)
Net Subscriber Value	\$ 9,051	\$ 1.23

Creation Cost for 4Q 2020

	<u>per customer</u>	<u>per watt</u>
Installation	\$ 19,944	\$ 2.70
Sales & Marketing	\$ 7,648	\$ 1.04
General & Administrative	\$ 2,026	\$ 0.28
(-) Platform Services Margin	\$ (1,301)	\$ (0.18)
Creation Cost	\$ 28,317	\$ 3.84

The calculation of each component is summarized below:

Installation Costs

	<u>4Q 2020</u>
(+) Capitalized Costs (change in 'Total Solar Energy Systems' & Construction-in-Progress from BS Notes)	\$ 3,304,089
(-) Vivint Solar's Starting Gross Solar Energy Systems and Construction-in-progress as of Oct 8th	(2,979,305)
(+) Cost of Customer Agreements and Incentives Revenue (from IS)	146,601
(-) Depreciation Expense for Solar Energy Systems (from BS Notes)	(80,623)
(-) Fleet Operating & Maintenance costs (expensed and capitalized costs, from Company Books)	(27,969)
(-) Stock Based Compensation expense in Cost of Customer Agreements and Incentives (from IS Notes)	(517)
Total Installation Costs	\$ 362,276
Subscriber Additions, pro-forma for Vivint Solar during whole period	18,803
(-) Volume related to Vivint Solar from 10/1 to 10/8	(638)
/ Subscriber Additions, adjusted to exclude Vivint Solar prior to acquisition	18,165
= Installation costs (per subscriber)	\$ 19,944
Solar Energy Capacity Installed for Subscribers (Megawatts), pro-forma for Vivint Solar during whole period	138.5
(-) Volume related to Vivint Solar from 10/1 to 10/8	(4.4)
/ Solar Energy Capacity Installed for Subscribers, adjusted to exclude Vivint Solar prior to acquisition	134.2
= Installation costs (per watt)	\$ 2.70

Financial Statements Notes: Solar Energy Systems, net	<u>4Q 2020</u>	<u>3Q 2020</u>	<u>Change</u>
Solar energy system equipment costs	\$ 7,839,427	\$ 5,027,861	
Inverters	883,785	531,144	
Total solar energy systems (gross)	8,723,212	5,559,005	3,164,207
Less: accumulated depreciation and amortization	(914,551)	(833,928)	(80,623)
Add: construction-in-progress	394,127	254,245	139,882
Total solar energy systems, net	8,202,788	4,979,322	

Financial Statements Notes: Stock-Based Compensation Expense	<u>4Q 2020</u>
Cost of customer agreements and incentives	\$ 517
Cost of solar energy systems and product sales	434
Sales and marketing	46,177
Research and development	660
General and administration	85,255
Total	133,043



Sales and Marketing Costs

	<u>4Q 2020</u>
Sales & Marketing Expense (from IS)	\$ 141,608
(-) Stock Based Compensation in Cost of Customer Agreements and Incentives (from IS Notes)	(46,177)
(-) Amortization of Intangibles in S&M (Company Books)	(302)
(-) Amortization of Costs to obtain contracts - customer agreements (Company Books)	(3,970)
(-) Other non-recurring items: related to the acquisition of Vivint Solar & restructuring (Company books)	(1,544)
Sales & Marketing Operating Expenses	\$ 89,615

Customer Additions, pro-forma for Vivint Solar during whole period	23,543
(-) Volume related to Vivint Solar from 10/1 to 10/8	(773)
/ Customer Additions, adjusted to exclude Vivint Solar prior to acquisition	22,770
= Sales & Marketing operating expense (per customer)	\$ 3,936
Solar Energy Capacity Installed (Megawatts), pro-forma for Vivint Solar during whole period	171.6
(-) Volume related to Vivint Solar from 10/1 to 10/8	(5.3)
/ Solar Energy Capacity Installed, adjusted to exclude Vivint Solar prior to acquisition	166.3
= Sales & Marketing operating expense (per watt)	\$ 0.54

	<u>4Q 2020</u>	<u>3Q 2020</u>	<u>Change</u>
Cost to Obtain Customer Agreements (BS note for Other Assets)	377,839	310,410	67,429
Sales & Marketing Capitalized Costs related to new Subscribers			67,429

	<u>4Q 2020</u>
Subscriber Additions, pro-forma for Vivint Solar during whole period	18,803
(-) Volume related to Vivint Solar from 10/1 to 10/8	(638)
/ Subscriber Additions, adjusted to exclude Vivint Solar prior to acquisition	18,165
= Sales & Marketing capitalized costs (per customer)	\$ 3,712
Solar Energy Capacity Installed for Subscribers (Megawatts), pro-forma for Vivint Solar during whole period	138.5
(-) Volume related to Vivint Solar from 10/1 to 10/8	(4.4)
/ Solar Energy Capacity Installed for Subscribers, adjusted to exclude Vivint Solar prior to acquisition	134.2
Sales & Marketing capitalized costs (per watt)	\$ 0.50

Sales & Marketing cost (per customer) \$ 7,648

Sales & Marketing cost (per watt) \$ 1.04

General & Administrative Costs

	<u>4Q 2020</u>
General & Administrative Expenses (from IS)	\$ 155,087
(-) Stock Based Compensation in G&A Expenses (from IS Notes)	(85,255)
(-) Amortization of Intangibles in G&A Expenses (Company Books)	(106)
(-) Other non-recurring items: related to the acquisition of Vivint Solar & restructuring (Company books)	(23,589)
General & Administrative Costs	\$ 46,137

Customer Additions, pro-forma for Vivint Solar during whole period	23,543
(-) Volume related to Vivint Solar from 10/1 to 10/8	(773)
/ Customer Additions, adjusted to exclude Vivint Solar prior to acquisition	22,770
= General & Administrative costs (per customer)	\$ 2,026

Solar Energy Capacity Installed (Megawatts), pro-forma for Vivint Solar during whole period	171.6
(-) Volume related to Vivint Solar from 10/1 to 10/8	(5.3)
/ Solar Energy Capacity Installed, adjusted to exclude Vivint Solar prior to acquisition	166.3
= General & Administrative costs (per watt)	\$ 0.28

Platform Services Margin

	<u>4Q 2020</u>
Solar energy systems and product sales revenue (from IS)	\$ 155,950
(-) Cost of solar energy systems and product sales (from IS)	(126,853)
(+) Stock Based Compensation in Cost of solar energy system and product sales (from IS Notes)	434
(+) Other non-recurring items: related to the acquisition of Vivint Solar & restructuring (Company books)	92
Platform Services Margin	\$ 29,623

Customer Additions, pro-forma for Vivint Solar during whole period	23,543
(-) Volume related to Vivint Solar from 10/1 to 10/8	(773)
/ Customer Additions, adjusted to exclude Vivint Solar prior to acquisition	22,770
= Platform Services Margin (per customer)	\$ 1,301

Solar Energy Capacity Installed (Megawatts), pro-forma for Vivint Solar during whole period	171.6
(-) Volume related to Vivint Solar from 10/1 to 10/8	(5.3)
/ Solar Energy Capacity Installed, adjusted to exclude Vivint Solar prior to acquisition	166.3
= Platform Services Margin (per watt)	\$ 0.18