

SUNRUN

1Q 2026 Earnings Call

May 6, 2026

Transcript

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Presenters

- Patrick Jobin, SVP, Deputy CFO & Investor Relations Officer
- Mary Powell, Chief Executive Officer
- Paul Dickson, President & Chief Revenue Officer
- Danny Abajian, Chief Financial Officer

Q&A Participants

- Philip Shen - ROTH Capital Partners
- Colin Rusch - Oppenheimer & Co
- Brian Lee - Goldman Sachs
- Praneeth Satish - Wells Fargo
- Dylan Nassano - Wolfe Research
- Julien Dumoulin-Smith - Jefferies
- Maheep Mandloi - Mizuho
- Robert Zolper - Raymond James
- Vikram Bagri - Citi

OPERATOR INSTRUCTIONS

Good afternoon and welcome to Sunrun's first quarter 2026 earnings conference call. Please note that this call is being recorded and that one hour has been allocated for the call, including the Q&A session. To join the Q&A session after prepared remarks, please press star 1 at any time. We ask participants to limit themselves to one question and one follow-up question. I will now turn the call over to Patrick Jobin, Sunrun's Investor Relations Officer.

PATRICK JOBIN

Thank you operator.

Before we begin, please note that certain remarks we will make on this call constitute forward-looking statements related to the expected future results for our Company, including our Q2 and full year 2026 financial outlook and other statements that are not historical in nature, are predictive in nature or depend upon or refer to future events or conditions, such as our expectations, estimates, predictions, strategies, beliefs or other statements that may be considered forward-looking. Although we believe these statements reflect our best judgment based on factors currently known to us, actual results may differ materially and adversely. Please refer to the Company's filings with the SEC for a more inclusive discussion of risks and other factors that may cause our actual results to differ from projections made in any forward-looking



statements. Please also note these statements are being made as of today, and we disclaim any obligation to update or revise them.

Please note, during this earnings call, we may refer to certain non-GAAP measures, including Cash Generation and Aggregate Creation Costs, which are not measures prepared in accordance with U.S. GAAP. These non-GAAP measures are being presented because we believe that they provide investors with a means of evaluating and understanding how the company's management evaluates the company's operating performance. Reconciliation of these measures can be found in our earnings press release and other investor materials available on the company's investor relations website. These non-GAAP measures should not be considered in isolation from, as substitutes for, or superior to, financial measures prepared in accordance with U.S. GAAP.

On the call today are Mary Powell, Sunrun's CEO, Danny Abajian, Sunrun's CFO, and Paul Dickson, Sunrun's President and Chief Revenue Officer.

A presentation is available on Sunrun's investor relations website, along with supplemental materials. An audio replay of today's call, along with a copy of today's prepared remarks and transcript including Q&A will be posted to Sunrun's investor relations website shortly after the call.

And now let me turn the call over to Mary.

MARY POWELL

Thank you, Patrick, and thank you all for joining us today.

At Sunrun, we are busy rapidly ramping sales and operations to fulfill the surging customer demand we have generated for our offering.

Sunrun is solidifying and expanding its leadership position as the nation's largest residential distributed power plant developer and operator. Our addressable market is no longer solar-driven savings, it is America's need for power to fuel our economy.

Our strategy is working. In Q4 we told you we had reached an inflection point. Today, we're here to tell you that the momentum we built is holding, and accelerating. In a market environment that continues to test many participants, our scale, our vertically-integrated model, our product strategy, and our relentless focus on execution and customer experience are proving to be genuine, durable competitive advantages. Put simply, we believe that the market dislocations occurring around us present opportunities for us to extend our lead and accelerate profitable, high-quality growth.

Financial Highlights

Let me start with our Q1 results.

We added approximately 19 thousand customers in Q1, and our storage attachment rate increased again to 73%, reflecting our continued commitment to a storage-first strategy as we build the nation's largest distributed power plant.

Aggregate Subscriber Value for Q1 was \$1.1 billion, above our guidance range of \$850 to \$950 million.

Contracted Net Value Creation was \$108 million, near the high-end of our guided range of \$25 to \$125 million.



Cash Generation came in at negative \$31 million when excluding equipment safe harbor investments. We chose to shift certain project finance transaction activity from Q1 into Q2, negatively impacting our Cash Generation for Q1. We remain on track for our full-year guidance of \$250 to \$450 million.

Danny will walk you through the details of the financials in a moment, but I want to give you the strategic picture first.

Strategy: Building the Nation's Largest Distributed Power Plant

When we closed 2025, we had installed more than 237,000 solar-plus-storage systems — approximately 4 gigawatt hours of networked storage capacity. In Q1, that number grew to 4.3 gigawatt hours. Our fleet of dispatchable storage has grown over 50% compared to the prior year. That is not just a metric — it is infrastructure. It is real, distributed, dispatchable power woven into American homes and the energy system, and it is something no one else in this industry has at our scale.

This is the business we have been building — not a company that sells solar panels, but a company that operates critical energy infrastructure that stabilizes the grid and provides customers price certainty and backup power. In a moment of unprecedented electricity demand — driven by AI data centers and electrification — coupled with an aging grid, that distinction has never mattered more.

Industry conditions presenting opportunities for Sunrun

I want to spend a moment on the dynamic industry environment we are operating in. Sunrun is incredibly well positioned to capitalize and extend our lead in the industry. The changes happening in the industry are difficult for many companies to navigate, but we believe that they play directly to Sunrun's strengths. Let me hit the big changes in the industry and our position.

First, the consumer ITC under Section 25D of the tax code, associated with cash purchases or loan financing, sunset at the end of December. Many smaller dealers and some of our affiliate partners that had significant volume dependent on the 25D tax credit have suffered significant volume declines this year. Sunrun's origination volume is almost entirely Subscriptions and thus we are not seeing similar impacts from changes to the 25D tax credit.

Second, utility rate structures have become increasingly complex, and customer value propositions hinge on — and can be expanded by — storage that is properly designed and actively managed to ensure consumer value. We believe that our vertically-integrated model has allowed us to provide the best customer experience and offerings. We train our salesforce and operations teams and ensure end-to-end alignment. This is one of the reasons we have very deliberately shifted our growth mix towards our direct business.

Third, the regulatory complexity navigating Domestic Content and FEOC rules is increasing. We believe that our experience and scale give us tremendous advantages to navigate these items, from equipment procurement, logistics, and compliance.

Fourth, we have focused on margins and Cash Generation, well ahead of others in industry. This allows us to operate with a strong balance sheet that has low parent recourse leverage, enabling us to strategically invest in profitable growth and make the right long-term business decisions from a position of strength.

Our balance sheet strength, along with our large scale operations, has also afforded us the ability to prudently invest in safe harboring, enabling maximum ITC levels through 2030.

Sunrun's end-to-end visibility, our vertical integration, our sophisticated capital markets experience — is precisely what allows us to drive competitive advantages and thrive. We are leaning in during this moment



of industry change. We are seeing strong momentum in direct salesforce recruiting. We are matching direct sales momentum with ramping our direct installation capacity enabling us to approach year-over-year growth in overall installations later this year. We hired more than 1,000 people in sales year-to-date who are excited to be part of our growth trajectory.

We are onboarding hundreds more representing some of the best talent in the industry from sales dealers who have recognized Sunrun's sustainable approach and appreciate our customer experience focus. These talented sales representatives understand the shifts in industry have made the dealer model unstable and unattractive.

We are driving strong, profitable growth – with expanding margins for new customers. We are also deep into our strategy of building capital-light sources of recurring cash flows that are independent of new customer origination. We will be monetizing our base of customers and providing at-scale resources to the grid. We plan to also offer these services to orphaned customers across the industry. We expect these recurring cash flows to scale and augment our Cash Generation growth in the coming years.

Our full-year 2026 guidance remains intact and we are excited about our long-term growth trajectory.

Closing

I want to close by returning to what I believe most deeply about this company and this moment.

America needs more power and Americans want more independence and control. The proliferation of AI data centers, the electrification of transportation and homes, the decarbonization of the grid — all of these demand new solutions. The answer is not going to come from a single large plant that takes years and years to build. Instead, we believe distributed, intelligent, flexible resources deployed into homes and communities today will be a meaningful part of the solution.

That is Sunrun.

We have over 1.1 million customers across the country. We have the largest residential battery fleet in the country. We are dispatching energy to the grid. We are protecting families from outages. And we are doing all of this while generating meaningful cash, paying down debt, and building a balance sheet that gives us flexibility to invest in the future.

Celebrating our people

Before handing over to Danny, I also want to take a moment to celebrate some of our people who truly embrace our customer first and service focused mentality. This quarter, I specifically want to call out our team members in Hawaii.

As we all saw, Hawaii experienced severe and catastrophic flooding this past March, affecting thousands of residents, including many Sunrun customers. Over a dozen of our team members in Hawaii — ranging from electricians, to installers, to sales leaders — spent many hours assisting in recovery efforts on the island of Oahu. I'm so thankful for their contributions.

Darius, Kelton, Chad, and to all our Hawaii team members: Mahalo! We are incredibly proud to have you representing Sunrun.

Danny, over to you.

DANNY ABAJIAN



Thank you, Mary.

Volumes

Our Q1 volume performance exceeded our expectations as we expanded our salesforce and increased productivity at a robust clip. We added nearly 19 thousand customers this quarter, with average system sizes up 5% from Q4, and a 73% storage attachment rate, up 2 points from Q4.

While Customer Additions are down year-over-year given the effects of reduced lead generation and sales activities in mid 2025 around the budget bill, and our decision to reduce affiliate partner volume, early funnel sales activities this year have seen an inflection point toward growth.

Based on the strong sales in our direct business, we are on track to resume overall year-over-year growth in installations later this year.

To provide some more color on early-stage sales activities in our direct business: our active salesforce has grown over 20% since the start of the year and March saw over 30% growth in sales bookings month-on-month. These trends are outpacing the typical ramps we have seen at this point in prior years. Importantly, this growth is occurring in higher-value geographies and with our desired product mix.

Margins

Aggregate Contracted Subscriber Value was \$980 million in Q1. On a unit basis, Contracted Subscriber Value was up 14% year-over-year, driven by higher system sizes, a higher storage attachment rate, a higher average ITC level and lower capital costs.

Aggregate Creation Costs were \$872 million in Q1. On a unit basis, Creation Costs were 18% higher year-over-year, driven by higher system sizes, higher storage attachment rate, and adverse fixed cost absorption from lower volumes.

Upfront Net Value Creation was \$91 million in Q1, or approximately 9% of Aggregated Contracted Subscriber Value. This represents the cash margin we expect to obtain once systems and their tax attributes are monetized, before working capital and recourse debt interest costs. On a unit basis, Upfront Net Subscriber Value was \$5,136, up over four thousand per Subscriber compared to the prior year.

Cash Generation

Cash Generation was negative \$59 million in Q1, or negative \$31 million excluding the \$28 million net investment in equipment safe harboring. Cash Generation was lower than our guidance due to our decision to shift certain project finance transaction activity from Q1 into Q2.

We repaid \$92 million of recourse debt in Q1, ending the quarter with \$680 million of unrestricted cash, and \$626 million of parent recourse debt.

Capital Markets

Turning now to our activity in the capital markets. Investor demand for Sunrun's assets remains strong.

We have executed and closed several traditional and hybrid tax equity funds and tax credit transfer agreements so far this year, and have developed a pipeline of several transactions we expect will close during Q2. Corporate ITC buyers and traditional tax equity investors are actively engaging in their 2026 tax planning and we are capturing a broadening base of investors.



According to industry data, approximately 27% of Fortune 1000 companies purchased tax credits in 2025, in a market which grew nearly 50% from 2024. Tax credit investment has become common practice for hundreds of corporate treasurers and CFOs who are generating savings and reducing their corporate tax rates, and we expect more of them will catch on this year.

Market activity has picked up considerably from the second half of 2025 when tax law changes created temporary tax planning uncertainty. The pickup in activity has also driven modest recovery in market pricing for ITCs. Certain multi-national tax equity investors have paused 2026 activity as they await Treasury guidance on FEOC ownership restrictions to confirm that their capital structure does not present any complications. The broader universe of tax credit investors is not impacted by ownership restrictions and remains active. We have built a supply chain and operating process for full FEOC compliance.

Through today, we have raised \$774 million in non-recourse asset level debt financing year-to-date. The publicly-placed tranche of our recent \$584 million securitization priced at a spread of 220 basis points, a 20 basis point improvement from our most recent transactions in Q3 of last year.

As of today, closed transactions and executed term sheets, inclusive of agreements related to Non-Retained or Partially Retained Subscribers, provide us with expected tax equity capacity or equivalent to fund approximately 1,000 megawatts of projects for Subscribers beyond what was deployed through the first quarter. We also have over \$675 million in unused commitments available in our non-recourse senior revolving warehouse loan to fund over 250 megawatts of projects for Retained Subscribers as of the end of Q1, pro-forma to reflect the announced securitization.

Approximately 23% of our Subscriber Additions in Q1 were monetized through the Non-Retained or Partially Retained model. As a reminder, proceeds from these transactions are equal to or better than our on-balance sheet retained monetization, while also providing simpler GAAP treatment and further diversification of capital sources. Under the joint venture structure we retain a share of long-term cash flows along with grid services and the ability to cross-sell customers.

Outlook

Turning to our outlook on slide 23.

We are reiterating all of our 2026 full-year guidance. We expect strong volume growth in our direct business and to produce Cash Generation of \$250 million to \$450 million for the year, excluding the use of approximately \$50 million to \$100 million related to equipment safe harbor investments.

We expect to continue to allocate Cash Generation to reduce parent leverage and make final equipment safe harbor investments. In the coming quarters, we will evaluate additional value-accretive capital allocation strategies depending on the market environment and our outlook.

Operator, you can now open the line for questions.

Q&A Session

Operator

Thank you. And with that, we will now be conducting a question and answer session. Once again, we ask that you please limit yourself to one question and one follow-up. If you would like to ask a question, please press star, one, on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star, two, to remove yourself from the queue. Any participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. One moment while we poll for questions.



And our first question comes from the line of Philip Shen with ROTH Capital Partners. Please proceed with your question.

Philip Shen

Hey, all. Thanks for taking my questions. First one is on that tax equity pause, Danny, that you mentioned earlier. Just wanted to understand what the impacts to your business is, or are, and what -- my guess is you guys have been able to pivot away to other sources of capital or funding, but ultimately, this can drive the cost of funding higher. And as a result, do you see any impacts to your volumes?

I know you maintained your full-year guide, but the reality is, I guess, it is impacting the wider market. You guys did cut affiliate volumes down 40% year-over-year a quarter ago. So is the bigger impact more with the affiliates business and you guys have everything buttoned up for the direct business? Thanks.

Danny Abajian

Yeah. I would say, maybe there are two different questions in there. I don't know that they're necessarily related, if you're tying them together. Like, I think there's a strategy, I would say, starting with the go-to-market approach. There's a strategy decision to lean into the direct business for all of the reasons we articulated. I would say that's pretty much independent of our observations of conditions in the capital markets. So those two aren't necessarily linked perhaps in the way you did in your question. So I would say, pull those apart. We've talked a lot about the go-to-market approach.

On the capital market side, I'd say, I wouldn't categorically refer to it as a pause in the market. Certainly, there have been a few who have paused their activity in doing transactions in the market. As we noted on the last call, we saw a slowdown in activity in the market in late 2025, second half of 2025. We noted that that was a few cents per credit in terms of pricing impact that we have been seeing.

So we have noted in the past a low 90s area, dollar per credit pricing, having moved into the high 80s. And we also noted here in the remarks that we've seen a modest recovery, I would say a partial recovery, as the market activity has picked up early this year. I think people, on the corporate buyer side kind of worked sequentially to resume their buying activity. Now, once they have clarity on what they need for 2025, the appetite has been there.

It's now clear to them what that appetite is, and they've been procuring the credits. And as they've completed their exercise for 2025, they have swiftly moved into filling their needs for 2026. It's been noted widely that there are a few players in the market who have paused over FIAC, and I would say, that's not related to our supply chain; that's related to the ownership side of FIAC restrictions, and they want to be -- rightly, they want to be certain of their qualification in terms of the purchaser of the credits before they resume their activity. But that characterizes a rather small portion of the market.

That does feed into the supply-demand fundamentals in the market that have led to modestly lower pricing that, again, we're seeing a nice recovery building. And that does have us feeling quite confident. Matching that with the volume trajectory and the demand we're seeing, we feel like nicely balance there overall.

Philip Shen

Thanks, Danny. Shifting over to the Freedom Forever bankruptcy. Historically, I think you guys did work with them, so I was wondering if you guys can talk about the exposure that you guys have there, if any? And then, ultimately, when did you guys cut off Freedom from your affiliate network? Was it back during the Q4 call, or was it done perhaps earlier? Thanks.

Paul Dickson

Yeah, great question. So our partnership with Freedom has declined in volume kind of programmatically over the last three years and gotten to a place that we have relatively little exposure, or ongoing new sales generation with them. And so, from a run rate perspective, quite small. And I think just to emphasize on your first point, to be amply clear, the dislocation between our strategy on de-emphasizing affiliate partner business and ramping up our internal business is not driven by capital.



We're raising capital, and we're growing that internal business swiftly, as Mary kind of highlighted, and we're seeing robust growth in that area. And so it really is a focus around becoming an organization that has control over more aspects of the business that we think is paramount as we transition to be a distributed power player and building and owning those assets.

I'll let Danny talk specifically about any of the financial exposure.

Danny Abajian

Yeah, I'd say, well managed, as we have done. We've participated in the affiliate partner space for nearly two decades, so we've had lots of safeguards to manage our financial exposure regardless of the partner. And I'd say, the nature of the exposure is related to projects that are in flight. They may have been installed, not fully interconnected, and so there is an exercise of working through in-flight pipeline for us, and that's how we think about the exposure.

And I think a lot of that is operational in nature, and because we are vertically integrated, should we need to step in and complete installations, we could also do that. So we have more direct control over the outcome, but apart from that, not going to disclose specific figures here on the call.

Philip Shen

OK. Danny, Paul, thank you very much.

Danny Abajian

Thank you.

Operator

Thank you. And our next question comes from the line of Colin Rusch with Oppenheimer & Company. Please proceed with your question.

Colin Rusch

Thanks so much, guys. I just want to get into some of the assumptions on the net subscriber value. Obviously, there's a little, fewer megawatts, get amortized over -- the operates [ph] gets amortized over that pretty clearly. But having a little bit higher percentage of non-contracted value, just want to understand the underlying assumptions around that and what's driving some of that net value capture.

Danny Abajian

So you're doing the comparison sequentially? Just so I follow which numbers you're looking at, so I can address that.

Colin Rusch

I'm just looking at the almost \$6,000 of non-contracted net subscriber value, which is substantially more than what we've seen, historically. I'm just trying to understand what's --

Danny Abajian

Yeah. I think -- so we've noted -- so there's a few factors at play. Some of it is system characteristics, some of it is mix. So system sizes are larger. You'll note that in the metrics. The storage attachment rate is higher. Less impactful to the renewal, but the overall, the average ITC level is higher, so we had more domestic content qualification in the period. That'll range a little bit here for the balance of the year.

I would say, most notably, you'll see some fluctuation across the last several quarters related to the retained and non-retained mix. And I think that would be the biggest driver to the non-contracted value, but it's a big driver overall. And, of course, discount rate will fluctuate. I'd say, those are the key drivers to the top line subscriber value numbers, and specifically to the non-contracted value.

You'll also see some sequential impacts or year-over-year impact on the creation cost side, where I would say, there, it's most heavily driven by lower fixed cost absorption in the period, which is related to the volume decline we've seen sequentially over the last few quarters. Which, as we noted, we expect to



inflect and we'll gain a lot of that back. There are also some mix effects on the cost side. As we mix shift towards our direct business, away from the affiliate business, there are some lagging costs that are blending up the creation cost figure that's weighing us in period, and that drag should alleviate over the coming few quarters.

Colin Rusch

OK. That's super helpful. And then looking at the market, we're obviously going through a pretty substantial shift in terms of end market dynamics with competition as well as where some of these crews are. I'm just curious what the gating factors are, or the most prominent gating factors are for you guys right now in terms of megawatt growth. Is it sourcing deals? Is it construction availability or is it tax equity availability? Just want understand how you're managing some of those limitations.

Mary Powell

Yeah, great question. This is Mary. Yeah, again, we are ramping meaningful, profitable growth. Our access to capital to support it is strong. Our whole approach is an extension of what we've been doing now for years, which is very sharply focused on where we can do that in a way that has the best customer experience with the highest profitable margins in the business, and also, at the same time, do it in a way where we are positioned really strongly from a distributed power plant perspective.

Paul Dickson

I think, just adding to that, I would say, as Mary articulated, formerly on calls, we've been appropriately, I think, selective around hiring and onboarding sales talent to generate more volume in profitable markets at returns that are attractive, and trying to be thoughtful around attracting the best talent that we can. And I think some of that talent swirled around with the 25D expiration and looked at different homes, ended up some with us, some with other players. And the market turmoil that's taken place over the last several months with different finance shops pulling back, changing pay, adjusting, exiting the space, and then several installation shops struggling, going out of business, closing up their shops, more and more of the sales talent that's thoughtful in analyzing the market is realizing the unsustainable and unattractive nature of the dynamics of that business, and we're starting to see more and more of that business flow to us.

So where previously we've been a bit cautious around the internal growth and saying it will be steady, we're starting to see pretty steep upticks in that and are growing increasingly bullish on approaching later in this year, year-over-year growth, overall, absorbing all of the dealer decline and seeing attractive growth in the internal direct business.

Colin Rusch

OK. Perfect. Thanks, guys.

Danny Abajian

Thank you.

Operator

And our next question comes from the line of Brian Lee with Goldman Sachs. Please go ahead.

Brian Lee

Hey, everyone. Good afternoon. Thanks for taking the questions. So Danny, going back to some of your comments around tax equity, I know that's been a key focus for the market and investors since, really, your commentary from last quarter. So curious, it does sound like on the margin, you're seeing some improvement in trends. You quantified it in terms of pricing, and how it's not sort of a systematic pause here. It's maybe just a few lenders that are holding off. But is that a fair assessment kind of your view of the market today versus where it was at the end of last year and maybe early this year?

And then, how much does tax equity availability and/or cost play into kind of your view of the low and high ends of the range for cash generation this year?

Danny Abajian



Yeah. So your recap and how you recharacterized, I think I agree with. That was spot on. I think we're seeing more and more buyer activity pick up. I would say, there's a bit of a narrow focus here on the tax credit transfer market. And if we stay there for a second, that market was \$28 billion in 2024, \$42 billion in 2025, and it grew that much despite there being wide noting of there being a slowdown of that market. So it still overcame all of that and had a 50% year-over-year growth rate, and it's still only 27% penetrated in the Fortune 1,000.

And to add a little bit more color, when you look at who bought in '23 and '24, there was an 80% repeat rate for them being buyers in 2025 again. So what's been proven out in the data so far is, once you start doing this, your tendency to repeat it is very high. The entry cost is also a little bit high as a corporate treasurer or CFO in a non-related industry, just learning how to do this. Once you overcome that hurdle, it's something that becomes part of your planning and is in the process of going mainstream. I think that is visible to us as we observe this now with three years of data.

And the amount of, even last year's unsold credits exiting '25 was half as much as it was for exiting '24. So all the trends there are positive and that's why we see research also, you know, market forecast indicating that we might see full price recovery, where the second half of this year might have pricing that's as high as the first half of last year. So just to add all of that color there.

And I would say, in addition, we've built a pretty broad-base of investors. Going back, narrowly focused on tax credit transfers, that's a big piece. We have the non-retained asset sale monetization transactions, and that's been a pretty significant part of our mix. And on the tax equity side, we're still doing traditional structures, even traditional structures with new investors entirely, and using pref [ph] equity structure. So we've built a pretty broad base of capital. And so we further diversified it through the period of market slowdown. We solved through enough transactions, obviously, to get '25 done, and now our focus is looking forward on '26.

Brian Lee

Yeah, super helpful. And then, any thoughts just on kind of low to high-end ranges of cash gen outlook for this year, what's embedded on the tax equity availability and cost side?

Danny Abajian

Yeah. It's still \$25 million per \$0.01 on a dollar per credit basis, \$25 million per \$0.01, plus or minus.

Brian Lee

All right. Appreciate it. I'll pass it on. Thanks.

Operator

And our next question comes from the line of Praneeth Satish with Wells Fargo.

Praneeth Satish

Good afternoon. Thank you. So maybe just so I understand it correctly, so Q1 cash generation was impacted by a shift of financings into Q2, I guess, due to the disruptions in the tax equity market. Can you help frame, I guess, how much volume got shifted and, maybe, what Q1 cash generation would have looked like absent that shift in timing? And then when you look at Q2, now that we're here in May, can you give us a sense of how far along you are in terms of proceeding with those transactions that you've kind of shifted from Q1 into Q2?

Danny Abajian

Yeah. So the negative \$31 million is the number that excludes the Safe Harbor investment of \$28 million. So on a pro forma basis, starting from negative \$31 million, you would have to believe that \$31 million or more of a draw from a fund that closed earlier would have taken us to break even, into positive territory, so that would be the gap. I would say, just to clarify part of your question there, the delay is not related to a slowdown in the market. I think, it's just, we've always noted it's inherent to transactions that some close before the quarter, some close after, and deals need to be right -- all deals need to be right to close at all.



And I think that's the nature by which I'd characterize that. And I think we could see -- again, we could see lumpiness in the result over quarters. Obviously, our job is to keep transactions tightly on the calendar. Sometimes we do. Sometimes we might see it straddle quarter ends. And I think we're generally fine with that. When we zoom out, look over rolling four-quarter periods, we want to have a high magnitude of cash generation. I think that's what we're looking to for the whole year.

Praneeth Satish

Got it. That's helpful. And maybe just switching gears, so if I look at fleet servicing costs, they've been trending down quite a bit over the last few years, including this quarter. Can you talk about what's been driving those reductions and then whether you expect those costs to continue to decline or if you're kind of nearing more of a natural floor there?

Mary Powell

Yeah. Thanks for that observation. Yes, it's the result of having a team that has been relentlessly focused on how to improve the experience and service for customers, while doing it in a way where we, frankly, leverage our scale, our capabilities as the largest installer in the country and continue to have a focus on driving down costs and all. So we've done a lot, as I know we've highlighted before, in terms of having a team that can really help us leverage AI to get to next click improvements that, again, drive down the cost. So we're really pleased with what we've seen, and we expect to still see more improvements in the coming months and years.

Praneeth Satish

Thank you.

Operator

And our next question comes from the line of Dylan Nassano with Wolfe Research -- please proceed with your question.

Dylan Nassano

Hey. Good afternoon, everyone. Thanks for taking my question. Danny, I think you gave a number of 1,000 megawatts of kind of closed transactions and executed term sheets. Can you just speak to the mix within that tax equity pipeline between the different buckets that you're speaking of, so corporate buyers, like big, multinational financial institutions, that kind of thing?

Danny Abajian

In terms of, yeah, the investor mix, very large global institutions, through to more specialized domestic players. Like, on the ITC buyer side, that spans across all industries at this point. So I could give you lots of examples of companies that are not traditionally even tied into the solar space at this point.

Dylan Nassano

Right. So would you say those corporate buyers are a bigger part of the mix today? And if so, could you just give us a sense of how much that could be?

Danny Abajian

Yeah. So we noted 23% of the systems were sold into the non-retained model. So that's quantified, and that's a single investor acquiring assets in a JV structure. And apart from that, there's a mix of traditional and hybrid tax equity funds, where sometimes it's, the tax credit purchase is stapled with the same investor who's participating in the fund. Sometimes it's a hybrid, where we are selling out tax credits to the ITC transfer market.

And then there's an emerging set of pref equity-type JV structures, such as what we announced in a press release with Hannon Armstrong last quarter. I think that's another transaction mode. That gives you a flavor also of the type of investor. I think there'd be more of that. And in those transaction types, there's also the ITC transfer activity, going out to the same market that spans all industries at this point.

Dylan Nassano



OK. Sounds good. Appreciate it. I'll take the rest of my questions offline. Thank you.

Danny Abajian

Thank you.

Operator

And our next question comes from the line of Julien Dumoulin-Smith with Jefferies -- please proceed with your question.

Julien Dumoulin-Smith

Hey. Good afternoon. Thanks, guys, very much for the time. I appreciate it. A couple different things here. First, can you talk about the nature of the change in the partnership a little bit more? Does that impact anything around your cash flow and cash gen? Obviously, you reiterate guidance, etc. Just, can you talk a little bit about that and the strategic decision on why to do it now? Can you elaborate on that?

And then, I'll throw in the second one. Mary, you talk about the success you're having in the direct business. Is there any change in your strategy and how you're going to market here? Right, you've got the new sales talent in the door. It's ramping up nicely, as you say earlier in the Q&A. How are you doing it differently this time, if at all? I'm just curious on how you're shaping the sales tactics at all versus the affiliate channel.

Paul Dickson

Can you just clarify on the first part of your question, which partnership are you referencing?

Julien Dumoulin-Smith

Oh, yeah, I apologize. On the financing side, your all's JV structure here. Just how is that, when you think about retaining the cash flows here and any changes, how that impacts your cash guide?

Danny Abajian

Great. So I'll go on that and Paul will handle the growth piece. So I think on the -- so we have the same things that we've disclosed in the past. So there's the non-retained model. That's with an energy infrastructure investor. And then there's the Hannon joint venture transaction that we also talked about. I think more diversification into those transactions could occur as well. So I think, structurally, we like the efficiencies of those transactions. The economics of those transactions are all in a very similar range. I would say, we've noted very specifically, that upfront proceeds look very similar in the non-retained model as they do in the retained model. We've said that and maintained that, and all of that is assumed in the 250 to 450 guide.

Paul Dickson

And then on the market kind of dynamics, the major thing I think that's important is understanding the market itself, and I think people have tried to categorize consumer demand. And I think, generally, I would summarize consumer demand as being unaware. And so consumers are sitting there generally unaware that this solution exists. And as we ramp up and deliver salespeople to educate Americans about this alternative option, we continue to see the same take rates, the same adoption, the same excitement and have seen nothing but that continue to accelerate.

And the real change in that has come from us selling a solar savings product years ago, to being critical infrastructure and going to a customer, saying, we can insulate you against price uncertainty caused by this energy shortages, and we can give you resiliency with a battery, insulating them against power outages, and combining that with it actually being a grid infrastructure resource. The market for this is, I would question back, does America need more power and is dispatchable power useful? And that is the market that we're really serving.

And so approaching it that way and kind of, candidly, changing the way we train our salespeople and the value proposition, how it's delivered, has been an evolution over the last 24 months. And we're seeing better success now, higher take rates, and more of those consumers that we go and approach, accepting



and adopting the product. So we're seeing a lot of efficiency pickups as a result of that, but that dynamic change has taken place slowly over the last several quarters. And I think, just generally looking at the growth, I would say, Sunrun has been focused on being stable, being sustainable, underwriting assets correctly. And as the market outside us continues to see more turmoil, the stability of Sunrun becomes more attractive and more people are flowing into that program.

Mary Powell

Yeah --

Julien Dumoulin-Smith

Got it. And so last -- yeah, go for it.

Mary Powell

Sorry, Julian. It's Mary. I would just say, layering on, that simply put, it has become what we sell is more sophisticated, policy changes have gotten more sophisticated and meeting customer needs requires a company like Sunrun, that's very, very focused on the customer and has sophisticated capabilities around training the sales force and ensuring that we provide the best fit for customers. So again, as we said on the last call, we've continued to make strategic changes to make sure that we're delivering world-class NPS to customers, we're delivering the right product in the right way, programmed the right way for them, both for the consumer and for the grid. And what we're finding is that we can scale that really significantly and effectively in the direct business, and that's why you've seen us focus on it.

Julien Dumoulin-Smith

Excellent. Thank you all very much.

Operator

And our next question comes from the line of Maheep Mandloi with Mizuho.

Maheep Mandloi

Hey. Thanks for the questions, and I think [inaudible] just most on the tax equity side. Maybe separately, just on the products going forward, like, is there a possibility you could see just selling a battery storage product, somewhat similar to what we've seen in Texas with 25, 50 kilowatt hour batteries with the utilities over there, any opportunities on that end, seeing that in the market?

Paul Dickson

Yeah. So we've launched our standalone battery offering, and it's being received extremely well. We've sold thousands of units, and as that continues to grow in size and scale, we'll probably start providing more reporting on it in the future.

Maheep Mandloi

Look forward to that. And maybe just one housekeeping just on the recourse debt. So the plan is still to get to two times below the cash generation or any plans to pay down even further than that?

Danny Abajian

Yeah. I think we'll get to that number, if not a little bit through it, but by the end of the year. And so we're on track for that. That goal hasn't changed. Obviously, we had a big payment down in this year, Q1, so we've started the year pretty good on that dimension and we expect to see more pay down before the end of the year. But I think we're trending towards that less than two times total parent debt to trailing four quarter cash generation multiple.

Maheep Mandloi

OK. Thank you.

Operator

And our next question comes from the line of Robert Zolper with Raymond James.



Robert Zolper

Thanks for taking the question. I think on your last call you said across the portfolio you've experienced roughly 75 basis points of annual net defaults. How has that been trending since the last call?

Danny Abajian

Yeah, I think we've been seeing, across the board, I would say starting with the macro piece, we've been seeing a little bit of credit cycle, just consumer performance, degradation. I think we've been looking at -- I would say, nothing different as far as the ranges we've been seeing. There's a range based on different markets, different average FICO profile or FICO bands. And some of our affiliate/non-affiliate mix is also changing. I think we see an elevation, frankly, of default rates with greater affiliate mix and some of the market mix implications.

So we've been looking at a flat -- an initial period of a couple of years where default rates look elevated. And then the annual default rates start to fall as we get through early on issues on the customer-facing service delivery side. I think that's been an impact. And as it was noted, our service costs are down more than 30% year-over-year, but that's also with greatly improved SLAs. That's certainly related to some degree. Now, we're all in the less than 1% per year territory, so very small, but we've seen elevation recently. But we have lots of reasons to believe that, those will also be coming down and are generally contained.

Robert Zolper

Understood. Thank you. And then, as it relates to year renewal rate assumptions, if you have 75 basis points of net defaults annually, so roughly 20% over a 25-year life, how could you have renewal rates in excess of 80% if that is the case?

Danny Abajian

Yeah. I am looking at -- we do have, on slide 30, I'll point you there. We have given you the, just at the very top, what the default rate affected -- I guess, that's on contracted. On the renewal piece, I'd say, it's not linear. Just, sorry, to go back for a second. We have that on the contracted piece; we do not have it on the non-contracted piece on the sensitivity table, just to be clear. So then you're assuming a renewal rate. I'll remind you that the contract says we can renew at a 10% discount to the then current utility rate. That's generally across our contracts.

Whereas our renewal rate assumption, in these tables, assumes that we are renewing at X percent of our year '25, for example, our year '25 Sunrun solar rate. And if we had initial savings and utility rate inflation was far outpacing our annual rate of increase, we are pretty well-discounted to the expected utility rate out in the future. So I think, mathematically, you should be able to get to these rates even assuming a lot of customer attrition.

But I'd also note that even where we see an annual default rate, that's really the amount we billed and the amount we collected. And for many customers, where we don't collect for some period of time, there's a high correlation with they're probably in the process of, for a subset of them, going through a foreclosure or short sale, and ultimately, somebody buys that home, and they're a creditworthy obligor, and they resume payments. So it's not a full attrition rate either.

Robert Zolper

OK. Thank you.

Operator

And our next question comes from the line of Vikram Bagri with Citi. Please proceed with your question. Vikram, your line is live.

Vikram Bagri

Good evening, everyone. I apologize for that. Just one quick question, but a difficult question. You're certainly more sophisticated in raising and recycling capital than the average TPO. You've seen a lot of stress in the market with a few blowups. There was discussion about another one this morning by one of



the suppliers. Where do you see your market share in next year or at the end of this year? I guess I'm asking you if TPO market as a whole in the US grows or shrinks after the dust settles on Safe Harbor, the tax equity, and [inaudible] guidance. Fully understanding that you manage your business on profitable growth, I'm just curious, how do you see the state of market today and how it evolves? And based on that view, would you layer on more Safe Harbors? If you see an opportunity to gain more market share given the hiring you've done, would you layer on more Safe Harbors because that there's an opportunity to gain market share? Thank you.

Paul Dickson

Yeah. So today, Sunrun represents a third of the subscription volumes in the United States on the solar product. We are more than 50% of the storage market across the country as well. And so on those two metrics, just short answer, we anticipate them going up and continue to grow as we execute our strategy. I think we will continue to see consolidation in this space and be the recipient of that consolidation.

Danny Abajian

You mentioned Safe Harbor, so let me hit on that as well. So with our \$50 million to \$100 million use of cash for Safe Harbor activity this year, where we have a July 4th deadline, that's one year from the date of bill passage, as we complete that exercise, we will have Safe Harbored the use of the solar ITC out through 2030, with a combination of vendors. So we note that in the deck, numerous vendors, with different strategies, with redundancy built in and with some buffer for growth. Which, I think, gives us a window of opportunity to play the market opportunity, and then as Paul noted, that should lead to the enablement of a market share capture over time, especially as you look at the 25D credit no longer being there. A lot of the demand that's still there for solar will access it via our product.

And then on the, just the operational fulfillment, there were some questions throughout the call here. There's lots of very good coordination at a very, very geographically specific level. We get to see how many retail stores or staff generating leads. We get to see how many new reps are selling at the doors. And we have the exact signal we need to know how much to go higher on an existing platform that is already at scale, and can grow in a very cost-efficient manner. So the pull-through on the fulfillment is more of a coordination task. We don't see bottlenecks to that.

Vikram Bagri

Okay.

Operator

Thank you. And with that, ladies and gentlemen, this does conclude our question and answer session, as well as today's conference call. We thank you for your participation, and you may disconnect your lines at this time, and have a wonderful rest of your day.

Forward Looking Statements

This communication contains forward-looking statements related to Sunrun (the "Company") within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, but are not limited to, statements related to: the Company's financial and operating guidance and expectations; the Company's business plan, growth trajectory, expectations, market leadership, competitive advantages, operational and financial results and metrics (and the assumptions related to the calculation of such metrics); the Company's momentum in its business strategies including expectations regarding market share growth in certain geographies, customer value proposition, market penetration, growth of certain divisions and ability to scale offerings, financing activities, financing capacity, product mix, and ability to manage cash flow and liquidity; the Company's discussion of new products and offerings; the trajectory of the storage and solar industry; the Company's business, customer base, and market; and anticipated demand, market acceptance, and market adoption of the Company's offerings; the Company's strategy to be a margin-focused, multi-product, customer-oriented Company; the Company's expectations



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Citations to industry and market statistics used herein may be found in our Investor Presentation, available via the "Investor Relations" section of Sunrun's website at <https://investors.sunrun.com>.