

# SUNRUN

## 4Q 2025 Earnings Call

### February 26, 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**

- Brian Lee - Goldman Sachs
- Moses Sutton - BNP Paribas
- Ameet Thakkar - BMO Capital Markets
- Chris Dendrinis - RBC Capital Markets
- Philip Shen - ROTH Capital Partners
- Andre Adams - Oppenheimer
- Julien Dumoulin-Smith - Jefferies
- Maheep Mandloi - Mizuho
- Robert Zolper - Raymond James

#### **OPERATOR INSTRUCTIONS**

Good afternoon and welcome to Sunrun's fourth quarter and full year 2025 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 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.

Sunrun continues to deliver strong operating and financial results. Our disciplined growth strategy focused on our role as a critical energy system player, while creating healthy margins, is paying off. The heart of our strategy is providing a richer and more meaningful customer experience by providing generation and storage capabilities, and then utilizing those resources to create the nation's leading residential power producer, leveraging our assets as a distributed power plant. We are providing American families peace of mind with predictable, affordable and reliable energy; which is particularly welcomed in an environment where utility costs are rising rapidly and the grid is proving time and again to be unreliable in the face of extreme weather and increased demand. We have built a base of incredibly valuable grid resources that are helping to improve our country's energy system and meet the growing energy capacity challenges. Just last year we dispatched 425 MW's to the grid, equivalent to the peaking capacity in some states. Our growth each year is equivalent to adding a moderate sized utility to our fleet, in addition to dispatchable generation capabilities of 1.5 gigawatt hours added in 2025.

In 2025, we demonstrated our value in the face of significant uncertainty surrounding passage of the 2025 Budget Bill. This process served as a powerful catalyst for us to help legislators and their constituents recognize that distributed storage plus solar is not just a preference, but of strategic importance to meet America's energy needs. We emerged in a stronger position focused on higher-value, storage-first offerings and building upon our domestically-focused supply chain.

To that end, in 2025, we continued to prioritize growing our customer base in an optimized, disciplined way, focusing on product mix and the highest-value routes to market and geographies. We increased our storage attachment rates to 71% exiting the year, up 9 percentage points from the prior year. At the same time, we also remained focused on being the absolute best in the business on customer experience, while simultaneously unlocking additional cost efficiencies as we leveraged AI and streamlined operations.



As shown on slide 5, this margin-focused strategy resulted in the highest Subscriber Values we have ever reported and drove strong upfront unit margins, with Upfront Net Subscriber Value exceeding \$3,200 per Subscriber Addition in 2025.

Sunrun reached an inflection point in 2025 in terms of our financial performance. We oriented our business to generate strong upfront returns and to structurally generate cash. In 2025, Sunrun delivered \$377 million of Cash Generation and paid down approximately \$150 million of parent-level, recourse debt. We expect to continue to build on this momentum and drive meaningful value to shareholders in 2026 and beyond.

### **Sunrun's 2026 Priorities**

Turning to slide 6, I want to spend a minute on Sunrun's strategic priorities for 2026.

We will continue to lead in our efforts to be the best in the energy business, delivering sophisticated energy offerings and a strong customer experience, while building the Nation's leading distributed power plant. We plan to expand our storage attachment rate on our path to being Americans' choice for greater energy independence and control.

Over the course of the last few years, we have dramatically improved our vertically-integrated Sunrun direct business, achieving net promoter scores that rival some top tier brands. We have executed amazing pivots to make our products and salesforce the best in navigating increasingly complex utility rate structures and selling an entirely different offering centered around dispatchable storage.

We believe that we will deliver robust growth in 2026 — at higher margins and stellar quality — in Sunrun's direct business, which already represents over two thirds of our volume. We expect high-single digit to low-double digit growth in our Sunrun direct business this year.

We recently decided to reduce our volume through affiliate channels, which we expect will lower affiliate volumes by over 40% in 2026, leading to slight declines in overall volumes.

We made these changes because our direct business provides greater customer experience and operational control to manage regulatory and compliance complexity, resulting in stronger customer credit profiles, higher margins and better strategic alignment with our long-term objectives. The increasing complexity of sales processes, utility rate structures, storage integration, distributed power plants, and ITC compliance requires ever increasing standards of training for our employees on our best-in class products and operations. Today very few industry participants are able to execute in this landscape to our standards.

We will continue to value and work with partners that meet our rigorous standards and further our strategic objectives. To put it simply: complexity, control and end-to-end visibility add to Sunrun's competitive advantages.

We will continue to expand our work as a distributed power plant, designing our approach by market, with the best possible products and services for our customers and generating additional value as our assets get leveraged as a grid resource.

Our team launched innovative customer products that provide enhanced value and further differentiate Sunrun. In 2025, we launched Flex — which has now reached thousands of installs per quarter. In 2026, we will aim to further accelerate innovation, focusing on expanding our lead as the largest Distributed Power Plant operator.

As you can see on slide 7, our nation needs more power to meet the demands coming from the AI and data center revolution. Many of our top markets have already experienced exponential growth in retail



electricity prices and face an uncertain future as it relates to affordable and reliable energy. By aggregating our growing fleet of dispatchable storage and home solar, Sunrun is building the next generation of power plants to deliver the critical energy our customers and the U.S. grid urgently requires. Importantly, we can scale these resources quickly, as opposed to traditional utility solutions that can take years or even decades to bring online.

This fleet of storage provides important resiliency benefits to our customers. The value of this was recently highlighted yet again during Winter Storm Fern — as widespread grid outages swept across the U.S., Sunrun kept the power flowing for our storage customers, delivering uninterrupted energy for these households. Detailed on slide 8, over the course of 2025 our 237,000 storage customers faced over 650,000 unique outages. In many cases, customers had enough stored energy to power through outages that lasted days.

We have already reached a sizable scale, with over 4 gigawatt hours of dispatchable energy. Over the last year our customers participated in 18 active programs across the country that provided 425 megawatts of peak power capacity. During 2025, Sunrun generated tens of millions of dollars of revenue for dispatching energy onto the grid, and we expect to expand this in 2026 as we grow our battery base, increase customer participation, and diversify into new power plant programs. Our customers also directly benefited financially from participation in these programs.

In Q4, Sunrun announced a partnership with NRG, pairing Sunrun's storage and solar offerings with optimized rate plans through NRG's retail electric provider. We believe that we will be a meaningful contributor to NRG's goal of creating a 1 GW distributed power plant by 2035. Uptake by existing and new Sunrun customers has been strong, and our batteries under the program have already delivered energy back to the grid during multiple dispatch events. We look forward to scaling this program in a meaningful way in 2026. This is in addition to the programs we have already launched with other retail energy providers such as Tesla, providing a more sophisticated solution for customers in Texas, as we design products that integrate retail electricity plans with solar and storage subscriptions. Retail electricity providers are seeing the benefits they can derive from these partnerships, while customers receive better value. We expect to launch additional partnerships in 2026.

Our priority is to deliver strong financial results. We believe that our margin-focused growth strategy will continue to produce meaningful Cash Generation. This is delivered through innovations in how we operate and how we finance our growth. We expect to lean even more into our AI and technology capabilities this year. At Sunrun, AI is foundational to how we are transforming the business to an energy generation and dispatch company, in addition to unlocking further cost efficiencies and enhancing the customer experience. At the same time, we aim to continue to strengthen and diversify our capital sources to fund growth through new, innovative structures with strategic partners.

We have deployed various structures to accelerate investment in distributed energy resources.

First, we are pleased to announce we evolved the asset sale structure we launched in Q3 into something even more strategic between both parties, forming a new joint venture partnership, to acquire and finance residential storage and solar energy assets. This was the initial intent of the parties. The partnership not only provides efficient capital formation, it provides preferred returns for the infrastructure investor, while Sunrun retains a long-term share of project cash flows and maintains the customer relationship and cross-selling opportunities. The partnership also envisions accelerating distributed power plant development across the country.

Additionally, in Q4 we entered into a new partnership with Hannon Armstrong. This innovative structure is a first-of-a-kind for residential storage and solar financing. We expect this will drive a more efficient and lower overall weighted average cost of project capital.

### **Celebrating our people**



Before handing over to Danny, I want to take a moment to celebrate some of our people who truly embrace energy independence and the desire to connect customers to a more secure way to power their lives. I specifically want to call out our leading installation teams in Houston, Texas.

Higher power prices and the prevalence of extreme weather events has highlighted our value proposition in Texas, where we give our customers peace of mind by offering them the ultimate in reliability, and the ability to power the grid when needed. Our Houston sales and install teams have been exemplary in advancing this mission and are a critical piece in supporting 25% year-on-year growth in the Texas market. Further, they are executing at strong levels of efficiency with excellent customer satisfaction.

Ricky and all of the Houston installation team members: Lets Go Texas and Thank you!

I'll now turn the call to Danny for the financial update and outlook.

### **DANNY ABAJIAN**

Thank you, Mary.

The team executed well in Q4, both operationally and in our financing activities.

### **Volume & Funding Mix**

Subscriber Additions were approximately 25,000 in Q4, bringing the full-year Subscriber Additions to 108,000, approximately flat from the prior year. Compared to the prior year, we increased our storage attachment rate by 9 percentage points to 71%, allowing us to grow Storage Capacity Installed by 26%. Average system size grew by 4%, leading to similar growth in Solar Capacity Installed. This margin-focused disciplined growth strategy allowed us to generate meaningful cash.

In the fourth quarter, we increased sales of newly-originated assets to the financing structure we launched in Q3 that results in upfront revenue. In the fourth quarter approximately half of our Subscriber Additions were monetized through this vehicle, while the remaining half was monetized through our traditional on-balance sheet structures. This represents an increase from 10% of our mix being monetized through this arrangement in the third quarter. As a result, GAAP revenue, gross profit, and operating income were meaningfully higher in the period. Also as a result, our reported non-GAAP value creation metrics were lower in Q4, as these metrics do not include future cash flows from these customers, even though we maintain a service relationship, rights to grid services and ability to cross-sell and up-sell these customers over time.

This diversification of funding sources is prudent for our scale, carries improved and simpler GAAP results, and generates equal or better upfront cash on our originations.

Further, as Mary noted earlier, we have transitioned this asset sale relationship into a strategic joint venture. Going forward, we expect to maintain a share of the long-term customer cash flows under the partnership structure, which will maximize value and have a less dilutive effect on our Subscriber Value and other value creation metrics. The GAAP accounting clarity and benefits will be maintained under this new partnership structure. We expect the mix of Non-Retained or Partially Retained Subscribers to decline in Q1, and to continue to remain a part of our diversified funding mix in the quarters ahead.

### **Unit-level Economics**

Turning to the unit-level results for the quarter on slide 14.

Subscriber Value was approximately \$50,200, a 2% decrease compared to the prior year.



We increased our Storage Attachment Rate by 9 percentage points and benefited from a 42% weighted average ITC level, an increase of 3 percentage points from Q4 of last year. Subscriber Value reflects a 7.1% discount rate this period. These positive project attributes were offset by the dilution from the asset sale activity I discussed earlier.

Creation Costs increased 8% compared to the prior year. The increase is primarily attributable to larger system sizes and a higher Storage Attachment Rate, requiring more hardware and associated labor costs. This resulted in a 7% year-over-year increase in installation costs per Subscriber. We experienced 4% higher sales and marketing costs per Subscriber Addition. G&A was elevated in Q4 primarily owing to financing transaction related costs along with less fixed cost absorption.

These factors led to a \$3,800 decrease in Net Subscriber Value year-over-year to approximately \$9,100.

### **Aggregate Gross and Net Value**

Turning now to aggregate results on slide 15. These results are the average unit margins multiplied by the number of units.

Starting on the top-line, Aggregate Subscriber Value was \$1.3 billion in the fourth quarter, an 18% decrease from the prior year. Aggregate Creation Costs were \$1.0 billion, which includes all capex and asset-origination opex including overhead expenses.

Our Q4 Contracted Net Value Creation was \$176 million. This result reflects a net margin of approximately 14% of Aggregate Contracted Subscriber Value. This figure is lower than last year primarily due to the shift toward asset sale financing mix. Slide 16 breaks down the unit-level economics and aggregate economics on a contracted-only basis, along with the main underlying drivers.

### **Upfront Net Margins & Cash Generation**

Turning now to slide 17.

For Retained Subscribers reflected on our consolidated balance sheet, we raise non-recourse capital against the value of the systems. This includes tax equity and asset-backed debt, along with receiving cash from Subscribers opting for pre-paid leases and from governments and utilities under incentive programs. As discussed earlier, we now also receive proceeds from the full or partial sale of a portion of newly deployed systems, and we refer to the related Subscribers as Non-Retained or Partially Retained Subscribers.

We estimate these upfront sources of cash, called Aggregate Upfront Proceeds, will be approximately \$1.1 billion for Subscriber Additions in Q4, representing an Advance Rate of approximately 91% of the Aggregate Contracted Subscriber Value, an increase of 5 percentage points year over year.

When we deduct our Aggregate Creation Costs of \$1.0 billion from Aggregate Upfront Proceeds, we are left with an expected Upfront Net Value Creation of approximately \$69 million. This figure excludes any value from our equity position in the assets over time – including potential asset refinancing proceeds and cash flows from other sources such as grid services, repowering or renewals, or upside from Flex electricity consumption above the contracted minimum. Though Upfront Net Value Creation is different from Cash Generation due to working capital and other items, it is a strong indicator of Cash Generation over time.

Proceeds Realized from Retained Subscribers in the quarter were \$829 million, with \$542 million from tax equity, \$214 million from non-recourse debt, and \$74 million from customer prepayments and upfront incentives. Aggregate Upfront Proceeds differ from Proceeds Realized from Retained Subscribers due to the former being an estimate for *all* Subscriber Additions in the period, and the latter being the proceeds



received only against Retained Subscribers Additions that may also have occurred in a different period. Sunrun also recorded revenue of \$569 million from the sale of Non-Retained or Partially Retained Subscribers, which is not included in the realized proceeds figure.

Cash Generation was \$187 million in Q4 and \$377 million for the full year 2025.

### **Asset-level Capital Market Update**

Turning now to slide 20 for a brief update on our capital markets activities.

Sunrun's industry-leading performance as an originator and servicer of residential storage and solar continues to provide deep access to attractively-priced capital, and has enabled us to build a strong diversity of funding sources. During 2025, we added \$2.7 billion in traditional and hybrid tax equity, we raised \$2.8 billion in non-recourse project debt, and we recorded revenue of \$684 million from the sale of Non-Retained or Partially Retained Subscribers.

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 499 megawatts of projects for Subscribers beyond what was deployed through the fourth quarter.

Our transaction activity in the tax equity market increased considerably during the second half of last year, and we have developed a strong pipeline of transactions which would secure the remainder of our 2026 needs, with corporate ITC buyers and traditional tax equity investors engaging in their 2026 tax planning.

We also have over \$600 million in unused commitments available in our non-recourse senior revolving warehouse loan to fund over 230 megawatts of projects for Retained Subscribers as of the end of Q4. Our recent amendment to the warehouse loan extends its availability period through 2029 and maturity date to 2030, upsizes commitments by \$70 million and incorporates a new component to the borrowing base that provides partial advances against expected future ITC proceeds. Our strong debt capital runway has allowed us to be selective in timing term-out transactions.

We did not go to the securitization market during the fourth quarter, following a very active Q3 in which Sunrun priced three transactions. The securitization market has shown favorable conditions so far this year, and we expect to place several transactions in the market this year.

As noted earlier, in Q4, Sunrun increased its mix of outright sales of newly originated assets, representing 51% of Subscriber Additions during the quarter. As these sales are recognized as upfront revenue, the benefit to our GAAP financials was immediately felt during the quarter as Sunrun posted positive Operating Profit, Net Income, and Cash Flow from Operations.

In Q4 we also closed a new innovative joint venture with Hannon Armstrong Sustainable Infrastructure Capital, or HASI. The partnership is expected to ultimately finance over 300 megawatts of capacity across more than 40,000 homes across the country. HASI will invest up to \$500 million over an 18-month period into the joint venture, which is a structured equity investment that monetizes a portion of the long-term customer cash flows while enabling Sunrun to retain a significant long-term ownership position and greater flexibility in structuring an efficient capital stack. We anticipate this will allow aggregate proceeds that are equal to or better than our traditional financing arrangements.

### **Parent Recourse Capital & Balance Sheet**

On the parent capital side, we continue to pay down recourse debt, paying down \$81 million during the fourth quarter and \$148 million during full-year 2025.



During the quarter we amended our recourse working capital facility to extend the facility's maturity date by one year to March 2028. The amendment additionally provides for further reductions in commitments, in line with our goal of continued reduction of parent recourse debt as we deliver significant Cash Generation. With this amendment, and the full payoff of our 2026 convertible notes earlier this month, we have no recourse debt maturities until March 2028.

Over the course of 2025, we also increased our unrestricted cash balance by \$248 million and grew Net Earning Assets by \$1.8 billion.

### **Outlook**

Turning now to our outlook on slide 22.

We're positioned to grow volume in our direct business by high-single to low-double digits in 2026, expecting Q1 to mark the low point, followed by strong sequential growth during the year. We are confident that our ability to execute through complexity in our vertically-integrated model will enable this growth. At the same time, growing complexity of execution – as examples, integrating storage, navigating evolving utility rate structures, operating distributed power plants, and compliance with ITC rules – means that very few companies in the affiliate universe today are able to meet our stringent requirements. As a result, we made a proactive decision to dramatically reduce affiliate partner volumes by over 40% in 2026, which will impact our results.

In addition to these volume trends, budget bill and tariff uncertainty last year resulted in us reducing direct sales activity in certain routes and geographies in order to increase our mix toward higher unit margins, which cut volumes during the second half of 2025 and into early 2026. Now with an even stronger base of unit margins, and resolution of some of these uncertainties, we have expanded certain sales activities, and expect strong sequential volume and margin growth through the year.

For the full-year 2026, we expect Aggregate Subscriber Value to be between \$4.8 and \$5.2 billion. We expect Contracted Net Value Creation to be in a range of \$650 million to \$1.05 billion.

The year over year decline in these value creation metrics is driven by lower volume and the dilutive effects from a higher mix of assets sold to the infrastructure investor or financed through our new joint venture together. It's important to note, however, that we do not expect a higher asset sale or JV mix to dilute Upfront Net Subscriber Value and Cash Generation, because this activity also drives our average advance rate higher. We expect the impacts from asset sales to reduce under the joint venture structure, and for year-over-year comparisons to improve during the second half of this year.

We expect Cash Generation to be between \$250 to \$450 million for the full year. In addition to the volume and mix factors I noted, we expect key drivers to include lower proceeds from ITC transfers due to lower prices and higher insurance costs, and higher solar module prices, offset partially by continued operational efficiency improvements.

Incremental ITC safe harboring investments are not included in our Cash Generation outlook. We are working to finalize plans to execute additional safe harbor investments prior to the early July deadline. This year's activity would augment the activities we undertook last year, to further extend our coverage through 2030, provide a buffer for more growth, and diversify our approaches and equipment used to maximize flexibility around system configurations when the equipment is utilized. We estimate cash allocation to these activities may be in the range of \$50 to \$100 million – a figure we will update once our plans are final.

For the first quarter, we expect Aggregate Subscriber Value to be approximately \$850 to \$950 million. We expect Contracted Net Value Creation to be between \$25 and \$125 million in Q1. Incremental to the



factors I just mentioned, the expected decline is driven by adverse fixed cost absorption in what is typically the lowest volume quarter of the year.

We expect Cash Generation to increase sequentially throughout the year, following our typical seasonal pattern and financing activity cadence. We expect Q1 to be positive, but timing for execution of project financing transactions scheduled for March will influence the Q1 outcome. We expect to repay over \$100 million in our parent recourse debt in 2026, and to be below our target recourse leverage of two times Cash Generation. Over time we will explore further capital allocation options to maximize shareholder value, based on market conditions and our long-term outlook.

Operator, let's open the line for questions.

## Q&A Session

### **Operator**

Our first question comes from Brian Lee with Goldman Sachs. Please proceed with your question.

### **Brian Lee**

Okay, everyone, good afternoon. Thanks for taking the questions. You know, kudos on the cash generation here and the guidance for 2026. You know, you're implying, basically, a stable guidance range for cash gen as the range you started with in 2025. I know in the past you had kind of given us a bridge with cash gen drivers lower interest rates, higher ITC weighting, more storage, etc.

I mean, it seems like the drivers are in place for cash gen to go higher. Maybe the offset there is less volume. But can you kind of speak to some of the moving pieces around cash gen maybe not having more upside off the range you started with in '25?

### **Danny Abajian**

Sure, Brian. Nice to talk to you. We still have the typical factors. The primary variables we've talked about in the past include interest rates, the ITC percentage, the storage attachment rate. I'll go through a few details particular to 2026 as you try to bridge the year-over-year comparison. So, we did talk a bit about volume on the call, some factors in play there with modest growth in the Sunrun Direct side, contraction on the affiliate side. So, that has a net negative effect on volume that kind of bears into the comparison.

I would say the other factors a little bit of, I would say, on a year-on-year comp, a little bit of overperformance in 25 relative to our expectation. That was small items that were favorable in timing to 2025. More largely speaking, we've taken a slightly lower view on potential ITC pricing in the market some supply and demand dynamics, largely across the market, weighing down pricing. We've incorporated into the forecast.

We're also seeing higher insurance costs as the insurance market is also dealing with the increase in amount of insurance volume. And then, equipment prices are also weighing as we continue to shift to domestic. I would say those are the primary factors that are impacting the year-over-year bridge.

### **Brian Lee**

That's super helpful color, I appreciate that. And then, just to follow up on this, the asset sales model, I know it's kind of -- it's new and we're all trying to get a handle on how to model this, but it jumped around a lot here the past two quarters. Sounds like you might have a bit more of a view on kind of the mix into '26. Is there sort of an average level it should trend at, quarter to quarter? You know, is that kind of 40,000 homes capacity under the HASI JV maybe indicative of the volume under that structure you'd be doing in 2026?

### **Danny Abajian**

There are a couple of structures. There's the asset sale that we talked about last quarter. That is now -- so that picked up considerably from 10% to about 50% from Q3 to Q4. That'll continue to move around but I



think, generally, expect a decline from a 50% level, but quarter to quarter, as has been typical in all tax equity funds, you'll see some fluctuation. Some periods will have fund recently closed with maybe more elevated allocation, and sometimes there'd be a different funding mix. But generally, we expect that activity now in the joint venture format to remain in our mix for the year at a lower level from the more recent pace of 50%.

Separate from that, we announced, in early January, the Q4 closing of the partnership with Hannon Armstrong. That is also in a joint venture format that is different and incremental to the mix to the other JV we just talked about. And both will be a meaningful part of our mix for the balance of the year.

I would say just to layer onto that, longer range, it is our intent to continue to utilize structures like that as part of the overall diversification of funding sources and evolving structures to gain and unlock more efficiency and capital costs.

**Operator**

Our next question comes from Moses Sutton with BNP Paribas. Please proceed with your question.

**Moses Sutton**

Thanks for taking my question, congrats on the great end to 2025. On the retained versus the non-retained assets, just a little more on that. How should we think of the mix? Let's take it beyond Brian question. Like if you're looking beyond 2026 and you're thinking strategically, if tax credit monetization metrics get, I don't know, easier with retained advance rates maybe back to 88% or 90%, I assume you'd go back and do more retained. How should we think of that?

And then, are you going to disclose the available capacity you have in dollar terms for non-retained asset sales, like on a forward basis, the same way you talk about tax equity and availability and capacity for the forward quarters? Thanks for the help on this.

**Danny Abajian**

So, retained and non-retained we are giving runway disclosure. I think when you look at the tax equity or tax credit capacity, that certainly includes both. Just to hit a little bit of that, it's not broken out, but we will certainly involve a mix of both retained and non-retained. I'll just say, just to comment on in terms of the asset sales, like the non-retained piece, the asset sales joint ventures that present with that sort of treatment as well, we like having it be a part of our mix and as part of a broader mix that will still include traditional tax equity, hybrid tax equity, and accessing the tax credit transfer market in a very meaningful way.

So, the other benefits on transaction simplicity, right, involving full stack capital, the deconsolidation, at least partially leading to a better clarity of GAAP presentation, as well as improved results on GAAP dynamics. I think just to name a few benefits of that transaction, in terms of the asset sale.

In terms of the other partnership with Hannon Armstrong, that will still consolidate, that will still access tax credit transfers, that will still access the ABS market. That is an innovation relative to more traditional tax equity and hybrid structures, and that will also be part of the mix. So, yeah, I'd say the mix is evolving, certainly there are more tools to access the capital markets in more efficient ways.

As far as specific breakouts, I don't think we'll be providing a longer range outlook of specific mix other than to say what I just said to Brian, which is 50% was the level we hit it to for. In terms of that asset sale transaction structure, overall for the year, we expect that to come down.

**Moses Sutton**

Very helpful. Thank you. I'll pass it on.

**Operator**

Our next question comes from Ameet Thakkar with BMO Capital Markets. Please proceed with your question.



**Ameet Thakkar**

Hi, thanks for taking our questions. Just on the cash gen outlook for the year for 2026, I think your press release talks about that it excludes some potential safe harbor investments. Did your cash gen kind of numbers for 2025 actually already net those out? And if you do kind of move forward with those investments, can you just kind of give us an idea of the magnitude on how much that might and kind of impact the cash gen figure, thereafter? Thank you.

**Danny Abajian**

Yeah. We have it in a \$50 million-\$100 million range for the whole year. I'll just note a little bit more on the activity, just to have the texture. The 2026 activity will give us the ability to safe harbor up to four tax years that follow 2026, which gets us through the end of 2030. In terms of the extension of runway of safe harbor activity, we have done some to start the year. We expect to do more before the July deadline because we're in the process of finalizing those plans, some of which are quite advanced.

We do want to complete the activity before we share a specific number but right now, we have it in a range of \$50 million-\$100 million of cash allocation out of our cash jump in the year.

**Ameet Thakkar**

How much was it in 2025 that impacted your, I guess, your actual cash gen from, the kind of, the safe harbor activity you engaged in, last year?

**Danny Abajian**

Yeah, the 2025 activity was capital, we've said capital light. I don't think we've detailed the exact number. But you know, 50 to 100 more specific. You know, in relation to that, we'd say capital light in 2025.

**Operator**

Our next question comes from Chris Dendrinis with RBC Capital Markets. Please proceed with your question.

**Chris Dendrinis**

Yeah, thank you. I guess I wanted to just ask about the demand environment and how you're kind of seeing the TPO, non-TPO, or I guess maybe more of the non-TPO market play out. Is that turning into an opportunity for you all to take more customers? Then maybe just on the affiliate side of things, I mean, previously, I guess they were a partner, but now would you consider them a bit more of a competitor, and is there an opportunity to take share there, as well? Thanks.

**Paul Dickson**

Yeah, as the 25D market wound down, I think there was some consideration that that volume would immediately flow to us. We've kind of articulated previously the cohort of organizations that typically sold under the loan model have tried to migrate to the most simple sales processes and the highest paying partners.

So, as we've been talking about more complex rate environments, ever-increasing complexity around compliance and the need for improved controls and fiscal responsibility, we've seen that that volume has largely migrated to other places. As we watch that play out, we anticipate seeing the same thing that we've seen play out time and time, again over the last two years.

The financing shops that attract volume by focusing more on simplicity of underwriting or lack of underwriting and excessive pay, typically don't last long, and those people eventually, we anticipate, will migrate, if they want to stay in the industry to a place that's been investing heavily around controls, prudent financial processes, and deep training on complex rate environments and a focus on evolving into an independent power producer, thoughtfully underwriting these distributed assets.

**Chris Dendrinis**

That's it for me. Thank you.



**Operator**

Our next question comes from Philip Shen with Roth Capital Partners. Please proceed with your question.

**Philip Shen**

Guys, thanks for taking my questions. As a follow-up to that last point, talking about the complexity with everything that's happening, the FIOC rules or guidelines came out recently. Seems like that wasn't enough. We need more clarity on PFEs and FIEs and so forth. So, there was an article out from Bloomberg about how certain large tax equity investors, I think JP Morgan was named, may have paused some investments in tax equity. And you said in your prepared remarks that compliance with ITC rules was important or part of the package of tax equity and so forth.

Just was wondering if you guys could give us some color on the challenges that you're seeing for resi solar out there because of the delayed release of the FIOC guidelines, and then how you guys specifically are navigating it. Do you see risk that there could be even challenges for you guys if the FIOC rules take longer than expected to come out? So let's say it's after the midterms, for example, which is a possibility.

Then this also impacts the transfer market. So, I know you guys have these other structures, which are fantastic and unique, but was wondering if you could talk through these impacts from the delayed FIOC guidelines. Thanks.

**Mary Powell**

Well, nice to hear from you. This is Mary. I'll take it, and then pass it to Dann, to talk a little bit more on the market side. I mean, make no mistake, really, how we're seeing this is really, frankly, right now, playing to Sunrun's strength in the business. Like, Sunrun is this sophisticated, vertically integrated player that has end-to-end visibility and we have gotten, I think, really good at making complex work in a way for consumers that's very powerful, and then also really helps us as we think about building out our distributed power plants.

You know, the initial guidance that we just got actually was, from a Sunrun perspective, exactly what we were expecting, and fit. You're right, it didn't provide very specific guidance for financiers, but the reality is everybody always knew there was going to then be this next rulemaking process.

So, make no mistake, like, this first phase was exactly what we expected. It came out in a positive way for Sunrun, and yes, to your point, we are really pleased with the strategic partnerships we've developed and how we've diversified our capital structure. Danny, why don't you take it a little bit more on the specifics there that he was also after?

**Danny Abajian**

Sure, I'll start with the FIOC considerations, and then I'll go into the dynamics in the tax equity and tax credit transfer market. On the FIOC, we view it as incrementally helpful and also confirmatory to some of our expectations on what the rules and approaches would be under the material assistance portions as it relates to FIOC.

What we did not get, as many who follow this know, is further clarity on prohibited foreign entity and foreign-influenced entity rules, which are the piece that's forthcoming, and that relates to where you started your question, which is some participants in the market awaiting more clear rules on entity-level considerations before they put more dollars into tax credits, effectively. So, that has sidelined a few people. I would say going to the broader conditions in the tax credit, overall tax equity space, the market was a bit of a mixed story, last year.

If you look at kind of the ultimate headline, the tax credit transfer space grew by in the magnitude of 50%, year-over-year, from 2024. So, there continues to be growth in the tax equity market. Some of the tax effects of the budget bill did ease corporate appetite in the second half of the year for tax credits. And I would say, in the second half of the year, it was a tighter market in terms of supply-demand. Dollars



continued to flow very adequately for us, but what we started to see and led us to expectations for this year was a softening up of price expectations in that market, given the supply, demand fundamentals.

You know, at a \$50 billion-plus type scale, when you consider the tax credit transfer market and the traditional tax equity space, there is a lot of capital that was put to work but also, obviously, a proliferation of the number of types of credits and demand. It kept that market kind of tightly balanced between supply-demand, with a little bit more slowness in the second half of the year. But I would say at the same time, we were able to manage an acceleration in our activity in the second half of the year, and that culminated with we had a 499 megawatt kind of number in the script here, on our, on our tax equity monthly.

You know, look, the net-net is like lower pricing, some people not yet coming back to the market but plenty of people having remained active in the market, sufficient for our needs. We expect that to continue. We've made good progress exiting last year, in securing more tax equity, and into this year in continuing to advance our pipeline, as we try to fill out the balance of this year.

**Philip Shen**

Great. Danny, Mary, thank you for that color. I know it's a complex topic and, also, dynamic. Shifting to the outlook for shareholder return, was wondering if you could give an update on the outlook for a potential buyback or the latest in terms of how you think about capital allocation. It likely hasn't changed much, but wanted to get a refresh on that. Thank you.

**Danny Abajian**

Yeah, I think it's the same positioning, in terms of continuing to pay down parent debt. We said \$100 million or more for this year, and with an expectation that that would get us below our overall leverage target that we've been managing towards over the last several years. That kind of, in our mind, marks the completion of the deleveraging period. As far as beyond that, I think the same kind of expectation in terms of looking to maximize shareholder return with capital allocation.

This year in particular, we're also real time going through that exercise we mentioned around finalizing the magnitude of our safe harboring activity, which is a very high returning long-term use of cash.

**Philip Shen**

Great. Thanks.

**Operator**

Our next question comes from Colin Rusch with Oppenheimer. Please proceed with your question.

**Andre Adams**

Hi there. This is Andre Adams on for Colin. I was just hoping you could quantify on an apples-to-apples basis how much labor costs increased, year-over-year.

**Danny Abajian**

We had the install cost comparison and I'm just looking for that. I know I just said the number, we had it in the prepared remarks, but the install cost number up year-over-year, I believe it was 8%, but I just don't want to misquote that. We did have, if you are thinking install labor, including that number but not detailed, is install labor and equipment taken together. We had sales and marketing costs also up 4% year-over-year. But against which we saw a higher storage attachment rate continue to drive up the top line as well, to manage two healthy margins.

**Andre Adams**

Great, thanks.

**Danny Abajian**

The creation cost is the 8% number. That includes everything, just to get that right.



**Andre Adams**

Yep. all right. Appreciate it. Can you just speak on the DPP side about whether utilities are looking to leverage the asset base to drive some grid stability outcomes in addition to kind of basic power availability and how that might vary by geography?

**Paul Dickson**

Yeah, depending on the market, we're seeing varied levels of activity but overall massive increases in interest in our assets. When you think about the next generation of power plant and access to power, it needs to happen, quickly. The expansion and growth of AI data center energy consumption is growing rapidly and is pent up, so a power plant solution that can be brought online quickly is critical. As utilities are realizing the quick deployment nature of our assets, there's growing interest in them.

As we talked about in Mary's remarks, we talked about exciting programs with both NRG and Tesla in the Texas market, for example, where we're essentially pledging assets to those partners to be able to dispatch as needed, to be able to stabilize the grid and control costs for consumers.

**Mary Powell**

And as we said, we have 18 different programs, already, and the success of the programs we've had has spurred, as Paul mentioned, a lot of interest. We're having very interesting talks with a number of partners across the country.

**Paul Dickson**

And just to maybe conclude with that point, by the end of 2028, we've communicated we plan to have over 10 gigawatts of dispatchable capacity. That's three-quarters of a million batteries across the country that can be dispatched and have communicated \$2,000 Net Subscriber Value per customer on those and are very excited about what we're building out.

**Operator**

Our next question comes from Julien Dumoulin-Smith with Jefferies. Please proceed with your question.

**Julien Dumoulin-Smith**

Hey, good afternoon. Thanks for the time. I appreciate it. Look, maybe just to follow up a little bit on the last one here and press a little bit further. As you think about the backdrop here, your comments about capital markets writ large, how do you think about returning cash here? I just want to press you a little bit. I know at times there have been conversations about dividends and buybacks and things, but I just want to make sure hearing you very clear about where you stand in terms of being offensive or defensive in the current environment. Has your thinking evolved at all?

Obviously, kind of more of a flattish overall cash gen profile. And any comments you'd make as to what you need to see to kind of get more offensive, if you will, if you want to take a foot forward.

**Danny Abajian**

Yeah, it's \$350 million cash generation at the midpoint. It's \$100 million of use to pay down more debt. I think that dynamic, taken together by the end of the year, has us below the two times leverage target we had previously communicated, several times. And so, it's just a continuation of that and charging towards that, over the course of this year. Also, there is an implied \$250 million of excess once we've dealt with that. And then, we've talked about using a portion of that remains on safe harbor.

You know, it's getting us closer to the point where we're starting to look, well, what is the capital allocation beyond that? That is the established focus for this year. Then beyond that, we start to introduce in our conversations the topic of shareholder return and go through the relative attractiveness of that. You know, we'd look at balance sheet strength, and we'd go through all the options but so far, at the moment, the guidance is the \$100 million of debt pay down and then further use on safe harbor. That's where we are at the moment.

**Julien Dumoulin-Smith**



Got it. And if I can follow up just real quickly on the financing environment here. Is there a definitive moment that you're looking for that'll hopefully open up the tax equity markets more? Or do you not see this playing out that way? I mean, I know we were alluding to FIOC earlier. But is there a kind of a catalyst in as much as re-enabling these markets, or is this just a general malaise or a widening out of spreads that will persist here? Just curious on how you'd frame it.

Then separately, related to that, how do you think about should this environment persist, moving more structurally in other directions for capital market? I mean, you guys have been very nimble over the years in adapting, and it seems like you are here today, again. Just curious on how you would frame the backdrop and your latitudes.

**Danny Abajian**

Yeah. In terms of going to the most core of the issue is corporate profitability and tax appetite is there, has been there and has been growing. In terms of any single event that served as a catalyst, we did get the FIOC guidance. Again, in my prior response, I did say we view that as incrementally helpful and largely confirmatory with what we felt was our approach, and we were confident and this confirms it.

Then in terms of other events, it could be further clarification on the entity level rules. That would, to the extent anybody's sidelined in the market, that would bring them back in from the sidelines, and they are a portion of the market that is already very large.

So, I would say it's just more of a continuing to build pipeline, execute transactions and build runway. And if you look at our runway, we have extended it very meaningfully from prior quarters. Again, it's not a single event, but you'll see it and notice it, over time.

**Operator:** Our next question comes from Maheep Mandloi with Mizuho. Please proceed with your question.

**Maheep Mandloi**

Hey, can you guys hear me?

**Danny Abajian**

Yep.

**Maheep Mandloi**

Hello.

**Danny Abajian**

Yep, we can hear you.

**Maheep Mandloi**

Oh, perfect. Sorry about that. Quick clarification on the buyback. The leverage ratio you're targeting, is that still two times debt to cash generation as a metric here, or is that changing in this environment?

**Danny Abajian**

Two times. And with this year's activity of \$100 million, at least \$100 million of pay down, we expect to get through that number or below that number. That's the current outlook on it.

**Maheep Mandloi**

Yeah, just quick clarification - on the creation costs -- I might have missed this earlier -- the change between OpEx versus CapEx, I mean, OpEx seems more than 60% of the cash generation here. Is that structural, or should that reverse going forward over here?

**Danny Abajian**

That, you're noticing the effect there of that 40 percentage point increase in our mix from 10% to 50% from Q3 to Q4 going to asset sale activity on the financing mix, is also resulting in a full expensing of a greater



degree of expensing of asset origination costs that have shifted from previously capitalized into expense. So, you're noticing that pickup, and that corresponds to the significant pickup in revenue from those asset sales. That's why you're seeing the pickup in margin, operating income, etc.

**Maheep Mandloi**

Yeah. Okay. Thanks for the clarification.

**Operator**

Our next question comes from Robert Zolper with Raymond James. Please proceed with your question.

**Robert Zolper**

Hi. Thanks for taking the question. What's the significance of changing the default rate measurement in the metric sensitivities?

**Danny Abajian**

Yeah, I think just following trends we've been seeing and making sure we're capturing the whole range of sensitivity. The proceeds amounts that we raise on our transactions do have default assumptions being made by capital providers. Just to capture the evolving range as we've been seeing and to make sure everybody has the full coverage. The other thing you'll notice in the numbers, it's the presentation thing. Previously, we used to show it as cumulative, and now we're showing it as annual measures to give more clarity in terms of what you want to model.

**Robert Zolper**

Okay. Understood. Thank you. I guess on your more seasoned securitizations, which bucket of default rate would they typically fall into?

**Danny Abajian**

I'm not sure I follow the question. Where what are our default rates? Is that the question?

**Robert Zolper**

Exactly, yeah. What are your default rates relative to what you have in the metric sensitivities for your more seasoned securitizations?

**Danny Abajian**

Yeah. I think it really depends on the asset performance, the vintages, the types, so there is a bit of a spread. I think we've said, cumulatively, I don't know if we've put out the recent updates, but certainly on our deals, the rating agencies do look at it. And we've seen about 50-75 basis points on an average, and that's the annual figure. In the past, again, we've used cumulative figures, so there could be a little bit of a difference in translation when you go back and look at what we've disclosed, previously. But on average, it's 50-75 basis points. Again, that could vary by FICO score, geography, product, etc.

**Robert Zolper**

Okay. Very helpful. Thank you.

**Danny Abajian**

All of our ratings agencies and the rating agencies take long-term assumptions when they're rating transactions. Generally, when they updated on our performance, they've been able to maintain, or in limited case or two, upgrade our ratings.

**Robert Zolper**

Understood, thank you.

**Operator**

We have reached the end of our question-and-answer session, which concludes today's teleconference. You may disconnect your lines at this time.



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## Forward Looking Statements

This communication contains forward-looking statements related to Sunrun (the “Company”) within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934 and 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; the Company’s ability to derive value from the anticipated benefits of partnerships, new technologies, and pilot programs, including contract renewal and repowering programs; anticipated demand, market acceptance, and market adoption of the Company’s offerings, including new products, services, and technologies; the Company’s strategy to be a margin-focused, multi-product, customer-oriented Company; the ability to increase margins based on a shift in product focus; These statements are not guarantees of future performance; they reflect the Company’s current views with respect to future events and are based on assumptions and estimates and are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from expectations or results projected or implied by forward-looking statements. The risks and uncertainties that could cause the Company’s results to differ materially from those expressed or implied by such forward-looking statements include: the Company’s continued ability to manage costs and compete effectively; the availability of additional financing on acceptable terms; worldwide economic conditions, including slow or negative growth rates and inflation; volatile or rising interest rates; changes in policies and regulations, including net metering, interconnection limits, and fixed fees, or caps and licensing restrictions and the impact of these changes on the solar industry and the Company’s business; the Company’s ability to attract and retain the Company’s business partners; supply chain risks, including the Company’s and its solar energy system partners’ dependence on a limited number of suppliers of solar panels, batteries, and other system components and any shortage, bottlenecks, delays, detentions, or component price changes from these suppliers, restrictions on components and materials sourced from designated foreign entities of concern and the Company’s reliance on specific countries for critical components, tariff and trade policy impacts, and raw material availability for solar panels and batteries; realizing the anticipated benefits of past or future investments, partnerships, strategic transactions, or acquisitions, and integrating those acquisitions; the Company’s leadership team and ability to attract and retain key employees; regulators imposing rules on the type of electricians qualified to install and service the Company’s solar and battery systems in California, which may result in workforce shortages, operational delays, and increased costs; changes in the retail prices of traditional utility generated electricity; the availability of rebates, tax credits and other incentives, and the risk that if the IRS makes determinations that the creditable basis of the Company’s energy systems is materially lower than what it has claimed, it may have to pay significant amounts to its fund investors; the availability of solar panels, batteries, and other components and raw materials; the Company’s failure or perceived failure to comply with existing or future laws, regulations, contracts, self-regulatory schemes, standards, and other obligations related to data privacy and security (including security incidents), including where compliance or the actual or perceived failure to comply could increase the costs of its products and services, limit their use or adoption, and otherwise negatively affect our operating results and business; the Company’s business plan and the Company’s ability to effectively manage the Company’s growth and labor constraints; the Company’s ability to meet the covenants in the Company’s investment funds and debt facilities; factors impacting the home electrification and solar industry generally, and such other risks and uncertainties identified in the reports that we file with the U.S. Securities and Exchange Commission from time to time. All forward-looking statements used herein are based on information available to us as of the date hereof, and we assume no obligation to update publicly these forward-looking statements for any reason, except as required by law.



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>.