2Q 2026 Earnings Call
August 5, 2026
Transcript

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
- Praneeth Satish - Wells Fargo
- Maheep Mandloi - Mizuho
- Colin Rusch - Oppenheimer & Co
- Philip Shen - ROTH Capital Partners
- Sophie Karp - KeyBanc

OPERATOR INSTRUCTIONS

Good afternoon and welcome to Sunrun's second 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 Q3 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, Creation Costs Reflected in Operating Expenses, and Creation Costs Reflected in Capital Expenditures, 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 and accompanying this webcast. 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 accompanying 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 is successfully executing a transition towards our direct business, which has higher margins, better customer satisfaction, and better credit profiles. We had positive Cash Generation in the quarter while executing a sizable safe harbor investment. We are delivering award-winning customer experience and laying the foundation for durable, high-margin growth in the periods ahead. We resumed strong growth in sales activities in recent months, and expect to be exiting the year growing by over 10%. This tees us up well for a very strong 2027.

Sunrun's energy assets are at the center of a power sector that is in need of energy capacity and where speed to power is critical. Sunrun now has over 4.6 gigawatt hours of storage capacity installed across the country, and is the largest Residential Independent Power Producer. America needs more power, faster than the traditional grid can deliver it, and Sunrun is well situated to meet that need.

Financial Highlights

On to our Q2 results.

We continue to generate strong demand for our storage offering and set a new record in Q2, reaching a 74% attachment rate. This equates to the installation of over 15,500 battery systems in Q2.

Aggregate Subscriber Value for Q2 was nearly $1.2 billion, near the top of our guidance range of $1.1 to $1.2 billion.

In the quarter, we produced positive Cash Generation of $45 million when excluding $22 million of equipment safe harbor investments. Excluding safe harbor investments, we have produced positive Cash Generation in the first half of the year and $428 million of Cash Generation over the last two years.

We are adjusting our full-year guidance to $200 to $375 million, versus our prior range of $250 million to $450 million. This is being driven by three things. First, we are further reducing our outlook for volume originated through our affiliate channel due to deliberate reductions we made, and the bankruptcy of Freedom Forever. Second, the ramp of sales activities and the process of onboarding new reps took more time than expected. This transition towards a higher direct mix carries more front-loaded costs, but higher long-term margins. Third, we are reflecting a higher capital cost as interest rates have inched up over the last few months.

Our monthly sales trends in our direct business have inflected in June and July, turning positive, with monthly sales growth exceeding 10% compared to the prior year. We are confident we will return to robust growth in our direct business.

Danny will further address guidance shortly.

<u>Strategy: Maximizing the Value of our Dispatchable Resource Base</u>

Strategically, Sunrun is executing well, building a base of valuable energy assets. At the end of Q2, we had installed more than 266,000 storage plus solar systems representing approximately 4.6 gigawatt hours of networked storage capacity. We are creating a formidable network of flexible, dispatchable power at a rapid pace. Sunrun added more than 1 GWhr of storage capacity and dispatched more than 700 MWs of power over the last 12 months — this is equivalent to dozens of peaker plants. The assets we have already deployed today represent over $500 million in grid services present value.

Sunrun's distributed power plants are on track to generate approximately $40 million in GAAP gross revenue and greater than $10 million in operating margin in 2026 with substantial growth expected in the years ahead. We remain on track to reach our goal to have over 10 gigawatt hours of dispatchable capacity online by the end of 2028, more than doubling from current levels, and we expect revenue to grow materially faster as we continue to secure commercial opportunities for the fleet we have built.

Conversations with potential offtakers have inflected materially in just the last few months.

Our large scale of dispatchable resources – and development engine that is growing this fleet at a rapid pace – is opening the doors to monetize these resources through utility partnerships, direct energy market participation, retail electricity providers, and large load users such as datacenter hyperscalers. Sunrun is well positioned in a market that is structurally short power, and where speed to power is a critical bottleneck.

To this end, in June we announced a framework with Renew Home and Tesla to bring over 16 gigawatts of home energy resources to hyperscalers – deployable in months, without the land, transmission, or interconnection burden of traditional generation.

In July, we launched a distributed AI compute pilot, using our home footprint not just as a power resource, but as an edge compute platform.

Commercial momentum is accelerating as the market turns to us for the scale, assets, and customer relationships that would otherwise take years and billions of dollars to replicate.

<u>Strategy: Sunrun's position and opportunities</u>

We remain sharply focused on growing our direct business. It's our highest-margin business, it's where we have the most control over the full lifecycle customer experience and compliance amid increased regulatory complexity, and our vertically integrated approach allows us to drive competitive advantage.

Earlier this year, we shared that we expected volumes in our direct business to grow. Volume growth in our direct business is ramping from negative growth in Q1 to double-digit growth exiting this year. This results in full-year growth of low single-digits.

Over the past few quarters, as the broader market has gone through turmoil, we have had the opportunity to bring on some of the best talent in the industry. Our salesforce has grown by over 1,500 people year-to-date, far outpacing what is seasonally typical, as we backfill what was a deliberate reduction in sales capacity in mid-2025 due to tax bill uncertainty as we position for growth. Importantly, this hiring is a response to demand signals we're seeing for our battery offerings.

Some of the talent we are onboarding from the industry is taking more time to acclimate to selling our more sophisticated product. We are being deliberate about that ramp, and we are building out our capacity to expertly guide customers through complex rate environments while presenting our full suite of advanced offerings. By holding our expanded team to the industry's highest standards for customer experience and operational quality, we are focused on achieving durable, profitable growth.

New customer growth is only one lever. Increasingly, we're focused on unlocking value from the customers and assets we already have. Our distributed power plant business is a good example of this – monetizing capacity we've already installed and turning existing systems into a recurring, high-margin revenue stream with no incremental acquisition cost. As we grow customer participation in these programs, and broaden monetization into data centers, grid edge applications, and capacity markets, we expect this to become a larger contributor to Cash Generation over time.

We're seeing a similar dynamic play out in "add-on" batteries. As resiliency becomes a bigger priority for homeowners, existing solar-only customers, and even homeowners without solar, are increasingly choosing to add storage to their homes. We installed nearly 1,200 add-on batteries during Q2, and momentum is accelerating as we explore various new offerings and markets.

Between distributed power plant programs and add-on batteries, we're building substantial, recurring cash flow streams that are additive to our core origination business.

Celebrating our people

Before handing over to Danny, I want to take a moment to celebrate some of our people who truly embrace our customer-first, service mentality. For this quarter, I want to specifically highlight Sunrun's service organization.

In Q2 we launched Lighthouse, turning our best-in-class service capabilities for Sunrun customers into an opportunity to also serve non-Sunrun customers. Our service organization is well positioned to drive additional recurring cash flow growth.

Connor and our Regional Service Managers: thank you for the customer-focused execution that makes this possible.

DANNY ABAJIAN

Thank you, Mary.

Volumes

We added nearly 21 thousand customers in Q2, with average system sizes up 2% from Q1. We achieved a 74% storage attachment rate in Q2, up 1 point from Q1.

Our volume performance in Q2 continued to be impacted by the transition we are strategically undertaking to grow in our direct business, while reducing volume through our affiliate channel by applying more stringent requirements.

In our direct business, volumes were up by more than 20% from Q1 and back to nearly flat year-over-year. We have rapidly expanded our salesforce and productivity metrics continue to improve as new sales talent adapts to Sunrun's customer-focused and margin-driven approach. We expect year-over-year volume growth in our direct business to resume in the third quarter, with second-half growth exceeding 10% versus the prior year. Our monthly sales trends in our direct business have inflected in June and July, with monthly sales growth exceeding 10% compared to the prior year.

Affiliate volume was down 30% in Q2 compared to Q1, and down more than 70% year-over-year, driven both by our decisions to scale back our affiliate partnerships and by continued challenges in the dealer ecosystem. This includes the impact of the bankruptcy of our partner, Freedom Forever. We now expect volumes from the affiliate channel to be down greater than 60% for the full-year, and for our direct business volumes to represent greater than 85% of our total origination volume for the year.

We remain confident in our actions to reduce affiliate volumes given the growing divergence in origination quality, customer experience and margin profiles between our direct and affiliate businesses.

Margins

Aggregate Contracted Subscriber Value was $1.1 billion in Q2. On a unit basis, Contracted Subscriber Value was approximately $55,000, up 10% year-over-year, driven by higher system sizes, a higher storage attachment rate, a higher average ITC level and lower capital costs.

We estimate Upfront Proceeds will be approximately $52,000 per subscriber after applying an Advance Rate of 94% against Aggregate Contracted Subscriber Value.

We estimate Upfront Net Subscriber Value of approximately $2,000, representing a margin as a percent of Contracted Subscriber Value of approximately 4%. This figure was lower this quarter owing primarily to timing effects, including more front-loaded costs from our transition toward a higher direct mix. We expect this margin to increase next quarter.

I’d like to spend a brief moment on changes to metrics. You will note that Sunrun no longer reports Aggregate Creation Costs, a previously reported non-GAAP metric. We have introduced two new non-GAAP metrics: Creation Costs Reflected in Operating Expenses and Creation Costs Reflected in Capital Expenditures. Furthermore, Sunrun no longer reports aggregate net value creation metrics, including Net Value Creation, Contracted Net Value Creation, and Upfront Net Value Creation. These changes are a result of a comment letter, which is now resolved.

We will continue to report unit volumes and unit economics, which we believe are important operating measures for investors to track our business. These metrics are additive to, and not a replacement of, GAAP results.

Cash Generation

Cash Generation was $23 million in Q2, or $45 million excluding the $22 million net investment in equipment safe harboring. Cash Generation is a Non-GAAP metric – please reference the earnings release and other associated investor relations materials published today for a reconciliation to its most directly comparable GAAP measure, Cash Provided by Operating Activities.

Capital Markets

Turning now to our activity in the capital markets.

Sunrun is executing well. We closed multiple tax equity funds and ITC transfer agreements during the second quarter, and we have built a strong pipeline of transactions we expect will close in the second half.

As we've moved through the year, corporate tax equity investors have largely completed their 2025 tax credit purchases, and have gained better clarity on their 2026 tax appetite. Corporate tax credit buying activity has followed – a continuation of the momentum we described last quarter. ITC pricing during the quarter remained relatively stable compared to Q1, with transfer deal pricing ranging from the high 80 to low 90 cent range. Treasury guidance on FEOC ownership restrictions remains outstanding, and once published, we expect that the subset of multi-national tax equity investors awaiting this guidance will emerge from the sidelines, further improving ITC pricing.

As of today, closed transactions and executed term sheets 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 second quarter. We also have over $840 million in unused commitments available in our non-recourse senior revolving warehouse loan to fund over 340 megawatts of projects for Retained Subscribers as of the end of Q2.

Year to date we have raised approximately $1.5 billion in non-recourse asset level debt financing. We recently priced a $267 million public securitization, our second transaction of the year, at a spread of 200 basis points, a 20 basis point improvement from our most recent transaction in Q2. We expect additional securitization activity during the second half of the year.

Approximately 32% of our Subscriber Additions in Q2 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 revising our Aggregate Subscriber Value guidance to a range of $4.6 to $4.9 billion for the full-year compared to our prior guidance of $4.8 to $5.2 billion.

We are revising our Cash Generation guidance to a range of $200 million to $375 million for the full year, before investments in safe harbor equipment of between $50 million and $100 million.

We have reduced our volume outlook for the full year, principally driven by a reduction to our affiliate volume and a slower sales ramp in our direct business than we initially forecasted as we undergo the transition towards more growth in our direct business.

In our direct business, we expect second-half installation growth of more than 10% compared to the prior year, setting us up well as we enter 2027. In our affiliate route, we expect installation volume to be down more than 60% this year.

In addition to these volume trends, sustained higher interest rates have also modestly impacted Cash Generation.

We expect to continue to allocate Cash Generation to reduce parent leverage. 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. We will now conduct a question and answer session. If you would like to ask a question, please press star, one, on your telephone keypad. A confirmation tone will indicate your line is in the

question queue. You may press star, two, if you would like to remove yourself from the queue. We ask participants to please ask one question, limit themselves to one question and one follow-up. One moment while we poll for the first question.

The first question is from Brian Lee with Goldman Sachs. Please proceed.

Brian Lee
Hey, everyone. Good afternoon. Thanks for taking the questions. Maybe, Danny, since you ended the call with your remarks, a question for you first. You mentioned the recent ABS transaction, congrats on that, 200 basis point spread. I think that's the tightest we've seen in maybe a year and a half, or so, maybe even longer. Can you kind of speak to the financing environment? I know you're talking about a little bit of a pinch here in terms of higher cost of capital, maybe that's just all the base rate. But how should we just generally think about cost of capital trends from here on out through the rest of the year? And then any visibility? I know you kind of alluded to everyone's full up on '26, but what are you kind of thinking early read into '27 from that vantage point?

Danny Abajian
Yeah, great question. And we did notice a difference in participation levels, depth of order book. We've been in constant communication. Obviously, directly interfacing with investors. So the overall tone in the capital markets has been quite good. Overall kind of participation from an asset class standpoint, I think we've always been getting the confidence. I think last year was a year where several more people waited until this year to participate, and we're definitely seeing that in the results here.

I would focus on -- from an overall all-in cost of capital standpoint, we've seen some spread benefit. We've also seen increase in base rates. Taken together, we still see cost of capital modestly higher than we were expecting coming into the year. But obviously, from an overall capital availability standpoint, and enabling what we have planned for the rest of the year, very positive signals from the ABS market.

The other part of capital markets for us is the ITC transfer market, which has also been active. I think, we noted last quarter, there was an improvement of price that largely held this quarter based on the transaction activity we've seen and are currently seeing in our pipeline. And we also remain optimistic there. As we noted in the remarks, like, FEOC [ph] guidance comes out, that would only be additive to the market in terms of boosting participation where we see participation already at a healthy place.

Brian Lee
OK. Helpful color. I appreciate that. And then maybe a bigger picture question. I don't know if this one is maybe for Mary. Just thoughts on the battery storage opportunity. Obviously, you guys have pushed hard on that and been very successful. I'd be curious, any thoughts on potentially diversifying maybe going larger scale? There have been some recent reports about a pure-play peer in the battery space, the valuation delta versus you [ph] seems pretty stark. So wondering at a high level, if you're contemplating any strategy shifts or opportunities to sort of target other end markets, given you've got quite a bit of traction and scale already? So curious if you're thinking broader about the battery opportunity. Thank you.

Mary Powell
Yeah, hey, Brian, nice to chat with you. Yes. I mean, I think as I said in my remarks, we are at a really interesting inflection point in terms of the value of the storage-first strategy that we adopted, as you know, many years ago. I mean, we are sitting on top of 4.6 gigawatt hours. And yes, there are some new entrants that, again, are after the same thing that we've already built, and we're already sitting at a -- we are sitting at the largest scale in the United States from a residential perspective.

So as I'd say, we are the nation's largest residential independent power producer. And because of the importance of speed to power right now and because of the importance of the demand, particularly from AI, but let's be real, there was already demand and challenges from a grid perspective that were already in place a number of years ago that, that has just added to the importance of speed to power, meeting the need, particularly, I would say, in the next five years.

And so we're really well-positioned. We're seeing, as I mentioned, an acceleration of the conversations that we're having, not just an acceleration of conversations with commercial partners, but I would say a very varied list of commercial partners. So I think we're in a great position to monetize the value of these assets for the company. And of course, that also brings some value for customers as well.

Brian Lee
All makes sense. Thank you. I'll pass it on.

Operator
The next question comes from Praneeth Satish with Wells Fargo. Please proceed.

Praneeth Satish
Thanks. Good afternoon, everyone. I guess kind of just drilling down on tax equity and pricing there, it sounds like it may have softened a little bit from last quarter, kind of in the high 80s, 90s versus low 90s last quarter, if I remember correctly, your comments. So I guess the question is, how do you expect pricing to trend over the balance of the year? It looks like final FEOC clarity may not arrive until even 2027. So kind of is the outlook for pricing, do you expect it to be stable or potentially some further pressure? And then what kind of assumptions are assumed in the revised guidance around tax equity pricing?

Danny Abajian
Yeah, I would say it stayed stable to Q1. So we are giving a range, high 80s to low 90s. So that's not implying any sort of change from last period. Pricing has held. To answer the question on future direction, we saw, this year -- there was a start of activity after some people were paused due to tax appetite uncertainty. We've certainly seen 2025 volume mostly or entirely clear the market. And then we've seen focus turned heavily to 2026 as people have been working sequentially themselves in their own tax planning. So velocity volume has picked up. We're seeing that. We're experiencing that ourselves. We're reading about that as it gets reported in the market.

So a lot of focus on '26, which means as you get towards the back half, you're in the back half of the year, urgency for both counterparties picks up to get your '26 activity done. And what was noted was a little bit lower pricing in Q2 generally in the market. Our pricing held. A lot of what drove that seems to have been related to lots of smaller transactions getting done, subscale maybe, different quality getting done at different prices or different types of assets. But we haven't seen a difference in price in our transactions and more activity should unlock higher price. We expect modestly higher for the year, maybe flat to modestly higher, just to be a little bit conservatively grounded there.

Praneeth Satish
Got you. That's helpful. Maybe switching gears. So on the distributed AI node strategy, I guess the first question there is how quickly can you move from pilot to commercial deployment? And then maybe just on the financing strategy and funding model, should we expect the GPU investments to sit on the balance sheet, or would you look to bring in third-party capital? I mean, I know it's probably small numbers, but they add up pretty quickly if you're funding the GPUs. So just trying to unpack that.

Mary Powell
Yeah, thanks for the question. We're excited about innovation and exploring the power of distributed compute because, again, we sit on the largest number of customers and homes across the country where people generate and store their own power. And so it's a really interesting way to think about creating value, both for Sunrun and from a customer perspective.

So again, it is a pilot, and we expect to learn a lot from it. We do expect to learn a lot within a few months. But Paul, why don't you talk a little bit more about the distributed compute pilot and then take that other question on the funding and how we're thinking about it?

Paul Dickson
Yeah, for sure. So I think one of the things we know we have is, a lot of customers with controllable power, and we can allocate that power to flow through a meter, and we've got this Flex product that generates a

bunch of excess power. And so allocating those electrons to the highest return is something that we're constantly thinking about. And when you look at the value of using those electrons to power a GPU in someone's home versus the alternative, the returns to us are really, really attractive. So we're excited about the economics of it.

We've got, as you know, over one million host customers today with our solar and/or solar and storage offerings. And so upon the announcement, we saw a really great surge of inbound customers calling saying they're interested and we'd like to host these sites, and so we see a really low CAC opportunity, and then leveraging our existing service. So we see a lot of opportunities to have a very low entry point into a pilot and into an initial scale.

Around the question on financing, we have a lot of experience in financing assets, and I think rolling this into a similar type structure is something that would be really natural for us as we scale the product. But I think as Mary says, or said, over the next couple of months, we'll be expanding the pilot working through it and making decisions from there.

Praneeth Satish
Got you. Thank you.

Operator
The next question comes from Maheep Mandloi with Mizuho. Please proceed.

Maheep Mandloi
Hey. Thanks for the question here. Just want to try to understand the cash generation range over here, or the puts and takes on that for you guys. And as we kind of go into next year, could you expect the similar second half run rate for cash generation?

Danny Abajian
So starting with volume as a driver, we noted that we've inflected in terms of growth in the direct business. So we're seeing sales up 10% year-over-year, and we expect back half volumes in the direct business to be up similarly, more than 10% year-over-year and getting the whole year to a low single-digit growth in the direct business. And now that's offset by the contraction of more than 60% in the affiliate business. So that, through the year, should levelize. And we implied we would be carrying unit volume growth in the next year. We're not guiding to 2027 at this point, but the volume trends are positive.

Obviously, we noted cost of capital was a little bit of a modest headwind. But generally, as we grow scale, we do expect fixed cost absorption and more efficiency and productivity in the business. And some of the kind of near-term unit margin contraction you're seeing is just related to the speed of the ramp on the direct side, and that should largely be behind us as well as we get to the end of the year. So it's all positive indicators for what we carry into 2027.

Maheep Mandloi
Appreciate it. And just a follow-up just on the cost side, the latest news on potential tariffs on 232 and others in the works over here. Do you see enough levers in terms of utility bills going up or are we going to pass it down to the end customers, or how do you see that in '27, '28?

Danny Abajian
Sorry, just to clarify, was that as to the impact on our cost structure or utility rates? I just want to make sure I heard that correctly.

Maheep Mandloi
No, your cost structure in terms of the solar equipment costs, or flexibility do you see next year to pass that down? Yeah.

Danny Abajian
I got it. Yeah. So it's a minimal impact to us. We have been increasingly buying domestic on the module side. I'll remind you, costs are about 1/3 of our cost structure. And I think this is a modest impact to a portion of that 1/3. So I think we could -- we feel like we could absorb it. We have been buying more domestic. And we've also hedged a little bit in terms of our planning for the year in terms of equipment costs. So I think we feel like we could easily absorb that.

Maheep Mandloi
Got it. Appreciate it. Thank you.

Operator
The next question comes from Colin Rusch with Oppenheimer. Please proceed.

Colin Rusch
Thanks so much, guys. Could you talk a little bit about the cadence and the rate of conversion on the sales pipeline? Are you seeing an increase in conversion rate, or is that starting to trend a little bit differently?

Paul Dickson
Yeah, great question. So we've onboarded, as we've kind of talked about, we're growing our direct business quite aggressively. Since the beginning of the year, we brought on over 1,500 new salespeople. And we're seeing those new salespeople carry with them kind of the traditional conversion rates that a new salesperson brings with them as they come into the business and growing and ramping those numbers as we would expect. And in our core kind of offerings to customers, we see conversion rates flat to up and are optimistic as we continue to refine these new salespeople and get them into our business, even higher conversions.

Colin Rusch
OK. That's super helpful. And then thinking about the portfolio of energy storage assets, can you talk a little bit about any sort of network effect that you're starting to see in terms of monetization and how we should think about year-to-year variability in revenue from the portfolio of energy storage that you've got under management?

Mary Powell
So I think as I mentioned, for this year, it looks -- we're projecting $40 million in GAAP gross revenue and $10 million to the bottom line. And as we look to the future years, I mean, frankly, it's hard to see a scenario where that value doesn't continue to incrementally and materially grow. We have traditionally focused on, I would say, utility relationships, regulatory programs and some favorable market rules like we have in some states to monetize the value of these assets for the grid and for customers and for Sunrun. And that has just -- the opportunities are just continuing to increase, both in the context of conversations directly with hyperscalers, some through our partnership with Tesla and Renew, some in the context of REPs. So again, we have materially grown the number of conversations, opportunities and frankly, deals that we're working on. So the outlook is very strong.

Colin Rusch
Great. Thanks so much, guys.

Operator
The next question comes from Philip Shen with ROTH Capital. Please proceed.

Philip Shen
Hi, guys. Thanks for taking my question. First one is a follow-up on the AI compute pilot. Just was wondering if you might be able to share what the conversations with hyperscalers or potential customers to this asset base are going? And is there interest there? Are they excited about it as it's a highly differentiated offering and something that they may not be used to, or is it something that's a little bit foreign and it might take some time?

So just curious, as a second part to that question, do we expect to see commercialization in '27, or is it more of a '28 thing? I think Praneeth asked, but I may have missed the answer. Thanks.

Mary Powell
Nice to hear you, Phil. I think it's hard to say until we complete our pilot. So again, we're doing our pilot. It's hard to say on the commercialization and the revenue opportunity being '27, whether it would end up being like second half '27, '28 until we complete our pilot. So that will be, as Paul mentioned, over the next couple of months.

In the context of who would participate with us, I would say, first and foremost, there is a distributed compute marketplace. So that is, right there, there is already a way to like access the market to get value over GPUs in homes. So that's not something that we have to develop in order to monetize the value of these. But putting that aside for a second, there are then also those that are in the distributed compute space where it might make more sense to actually work on direct deals with them in a way that makes more sense than accessing the marketplace. So there's really a couple of different ways to go after it, but there is already an existing distributed compute marketplace.

Philip Shen
Great. Thanks, Mary. I appreciate the color. And then shifting over to your share price, after hours, it's looking like it's going into the high single digits. So I wanted to check in on your latest view on buybacks as it relates to share price, given how much – or how low the stock has gone. It seems like an interesting and attractive opportunity. Thanks.

Mary Powell
Yeah, I think as we've said, we are so focused on building a great company. And I would point to what we've already done in the context of generating over $400 million of cash in the last couple of years. We also have been focused on, again, growing our direct business that has higher margins, better asset profile, better customer profile and will be really valuable as we build the company to the future, as well the distributed power plant activities as we just talked about. So all of that puts us in a strong position to continue to pay down debt and to hit the ratios and then explore the opportunities for value creation for our shareholders. So nothing has changed in that regard. We are very focused on creating value over time for our shareholders.

Philip Shen
Great. Thanks, again, Mary. I'll pass it on.

Operator
The next question comes from Sophie Karp with KeyBanc Capital. Please proceed.

Sophie Karp
Hi. Good afternoon. Thank you for taking my question. I'm curious to get your take on the emerging, I guess, technology in the US, is plug-in solar panels that several states have adopted so far and the certification of them nationally may be upcoming. And kind of how do you see that interacting with your business opportunities, particularly on the lower end?

Mary Powell
Hi, Sophie, this is Mary. Are you talking about -- are you referring to like what is known as balcony solar? I want to make sure we understand your question.

Sophie Karp
Maybe that's the term. Yeah, plug-in solar panels. Yeah, balcony and otherwise suitable for single family homes, too.

Mary Powell
Yeah. I mean, it certainly is an -- from my perspective, it's a very interesting opportunity to continue to expand the total addressable market for what I would call generation and storage that can foundationally

change your relationship with energy, which plug-in panels can't do, obviously. I mean, I think I read a recent article in the New York Times where somebody cited, they were excited because I think they were going to be saving about $5 a month. So it's just a very, very different product than our sophisticated product. But one of the things I love about it is it's raising awareness level because I think so many of those folks that then will say, oh, geez, I'm going to plug in a panel here and get some benefit. It almost becomes a gateway, a teaser product for people who really want to embrace more energy independence, home control, resilience.

So again, as we've moved particularly to a storage-first company, it's just a very, very different value proposition. But like so many things, of course, we pay attention, and we're excited about anything that excites the market about the power of solar energy.

Sophie Karp
Thank you. Appreciate the color. That's all for me.

Operator
Thank you. Ladies and gentlemen, we want to thank you for your participation on behalf of Sunrun. This does conclude today's teleconference. Please disconnect your lines, and have a wonderful day.

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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 expectation that it will exit the year at a robust growth rate and higher unit margins; 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, offerings, and applications, including monetization of the Company's network for grid programs and emerging data center and grid edge applications; 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 expectations regarding its allocations of and ability to create new streams of Cash Generation; the closing of the Company's August securitization; and the Company's aim to leverage its existing energy infrastructure to serve AI-driven electricity demand and create new, high-margin revenue opportunities. 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 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 Company's risk of additional taxes owed in respect of lost ITCs and the availability of related insurance coverage; 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.