

SUNRUN



# Q2 2020 Financial Results

August 10, 2020

# Safe Harbor & Forward Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this presentation include, but are not limited to, statements related to financial and operating guidance and expectations, business plan, the impact of the COVID-19 on the Company and its business and operations, transitioning to a digital sales model, reductions to our workforce and labor-related costs, our operational and financial results such as growth, value creation, Customer Margin, Cash Generation, Megawatts Deployed, estimates of Gross and Net Earning Assets, Project Value, estimated Creation Costs, customer acquisition costs, momentum in our business strategies, expectations regarding our energy services business and the energy services market generally, expectations regarding market share, market position, market penetration, customers, NPV and the assumptions related to the calculation of the foregoing metrics, as well as our expectations regarding our growth, financing activities, financing capacity, product mix, proceeds raised on assets deployed and NPV as well as our ability to raise debt, tax equity, and project equity and manage cash flow and liquidity, leverage our platform services and deliver on planned innovations and investments as well as expectations for our growth, the growth of the industry, our ability to manage supply chains, and factors outside of our control such as public health emergencies and natural disasters, macroeconomic trends and the legislative and regulatory environment of the industry.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. These forward-looking statements are subject to a number of risks, uncertainties and assumptions which could cause our results to differ materially and adversely from those expressed or implied including, but not limited to: the availability of additional financing on acceptable terms; changes in the retail prices of traditional utility generated electricity; the impact of COVID-19 on the Company and its business and operations; worldwide economic conditions, including slow or negative growth rates in global and domestic economies and weakened consumer confidence and spending; changes in policies and regulations including net metering and interconnection limits or caps; the availability of rebates, tax credits and other incentives; the availability of solar panels and other raw materials; our limited operating history, particularly as a new public company; our ability to attract and retain our relationships with third parties, including our solar partners; our ability to meet the covenants in our investment funds and debt facilities; our continued ability to manage costs associated with solar service offerings; our business plan and our ability to effectively manage our growth and labor constraints our ability to meet the covenants in our investment funds and debt facilities; and such other risks and uncertainties identified in the reports that we file with the U.S. Securities and Exchange Commission, or SEC, from time to time. You should not rely on forward-looking statements as predictions of future events.

All forward-looking statements in this presentation 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.

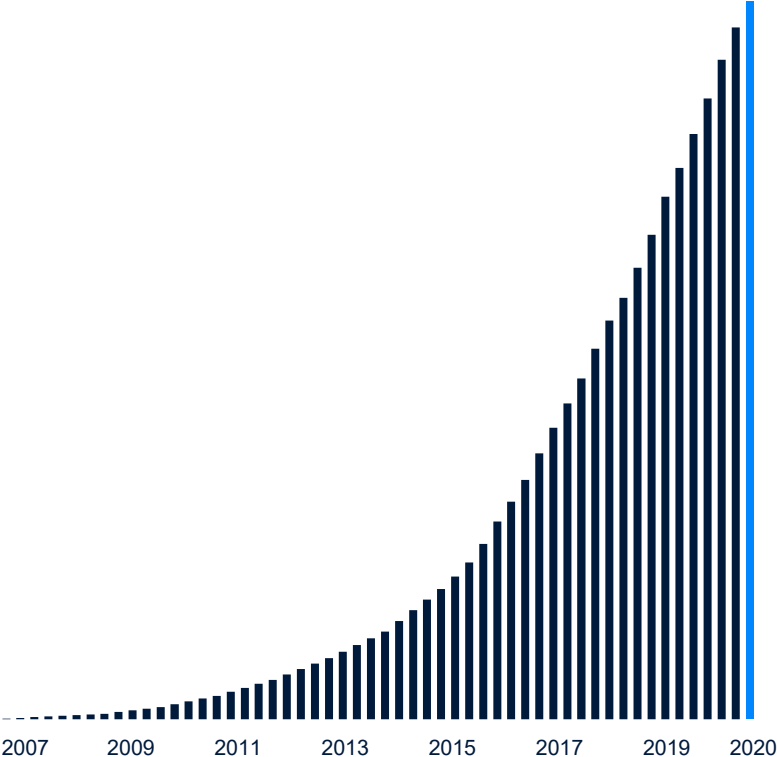


The time for  
solar is now.



# Sunrun is Growing its Base of Customers

309,000 Customers  
21% year-over-year growth



See Appendix for glossary of terms.



# Sunrun is Building a Base of Customers with Recurring Revenue and Multi-Decade Relationships



10,700

CUSTOMERS DEPLOYED IN Q2  
78 MEGAWATTS DEPLOYED in Q2



\$31,400

CUSTOMER VALUE  
\$4.23 PROJECT VALUE  
PER WATT IN Q2



\$3,800

CUSTOMER MARGIN<sup>(1)</sup>  
\$0.51 UNLEVERED NPV  
PER WATT IN Q2

309,000

CUSTOMERS  
+21% YEAR-OVER-YEAR

2,163 CUMULATIVE  
MEGAWATTS DEPLOYED

\$27,600

CUSTOMER COST

\$3.72 CREATION COST  
PER WATT IN Q2<sup>(2)</sup>

\$1.6 Billion

NET EARNING ASSETS  
+14% YEAR-OVER-YEAR

See Appendix for glossary of terms.

(1) Customer Margin refers to the Unlevered NPV multiplied by the Megawatts Deployed Under Leases divided by Leased Customers Deployed in the period. Figure is rounded.

(2) Creation Cost for 2Q 2020 includes an adjustment of \$10.7 million for restructuring and transaction related activities and \$6.7 million for charges related to litigation.



# Our Customers are Powering Through



Actual Sunrun customer in New Jersey, Powering Through a grid outage in August 2020

# Sunrun is strengthening its long-term position

We accelerated the transition to a digital sales and streamlined operating model to provide essential service, reducing soft costs

## Current Environment Increases Need for Service Offering

- Resiliency and energy are more important now than ever, as we face the looming threats of wildfires, hurricanes, and other natural disasters, and many are working from home.
- We offer a savings product at a time when consumers are looking to save money that also doesn't constrain a consumer's debt capacity.
- Our solar service gives customers the freedom to take control in an uncertain time.
- Consumer interest has always been strong and now homeowners have more time than ever for an initial consultation.
- If people are working from home, they don't need to take a day off work for installation.

## We Transitioned to a More Digital and Virtual Sales Model

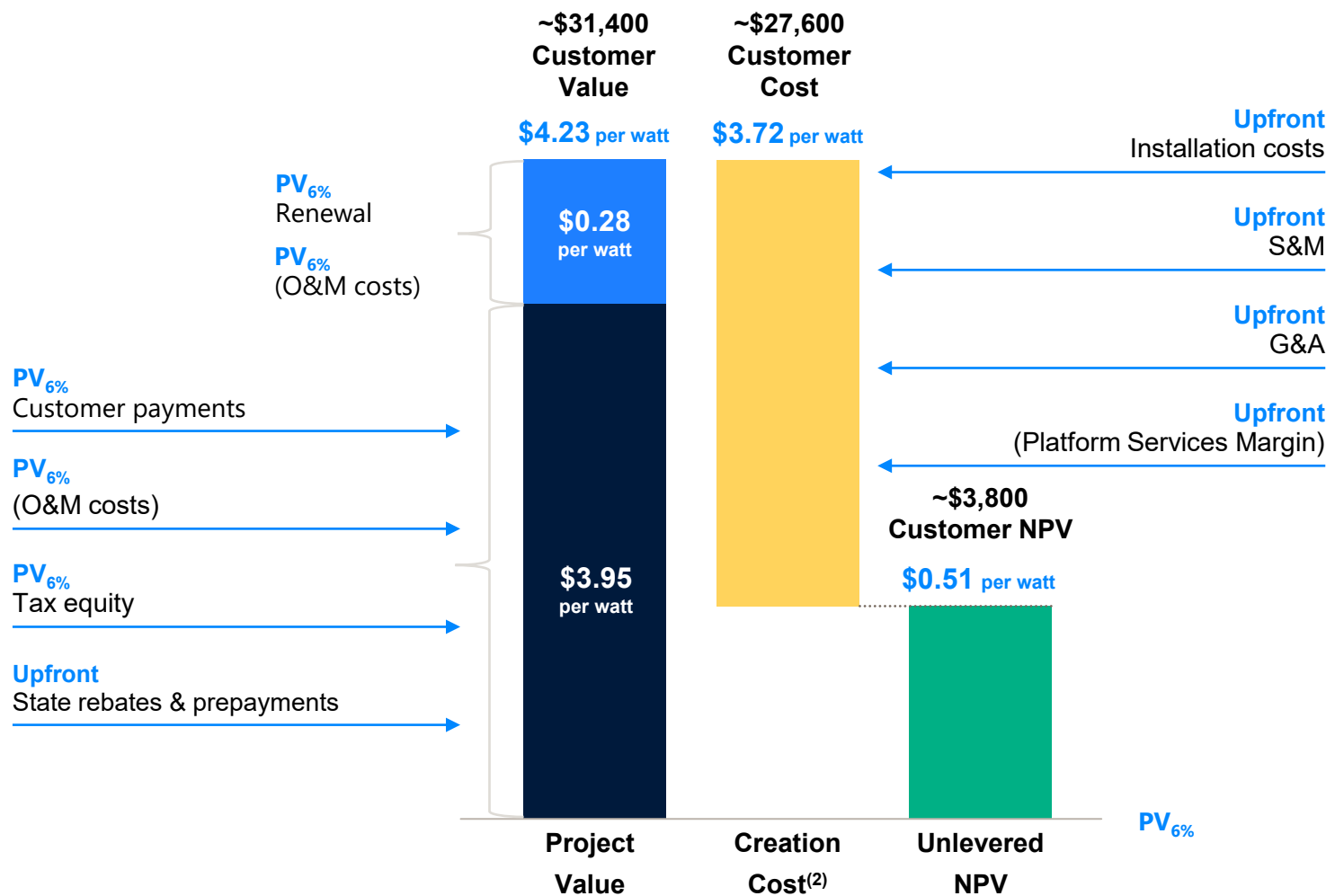
- We enabled our entire salesforce to complete sales consultations in an entirely virtual setting.
- We are leveraging new digital channels and marketing partnerships.
- The transition towards a more digital model will position the company well in the future to realize lower customer acquisition costs.
- We are gradually returning to retail sales. Sunrun continues to have a diversified set of sales channels.

## Technologies Allow Us to Provide Essential Service with Little to No Contact

- In many instances we are able to safely install systems outside without any close contact with the homeowner or requiring in-home work.
- Drones allow us to do site assessments and audits, without entering the home in many instances.
- This situation is pushing more local governments to digital and automated permitting processes, further laying the groundwork to reduce soft costs in the future.

# Customer Margin was approximately \$3,800 in Q2

Lower volumes led to a decline in Customer Margin<sup>(1)</sup> but margins are expected to increase to over \$8,000 per customer in Q4



2Q20 Average Leased System Size of 7.4 KWs

See Appendix for glossary of terms. Numbers may not tie due to rounding.

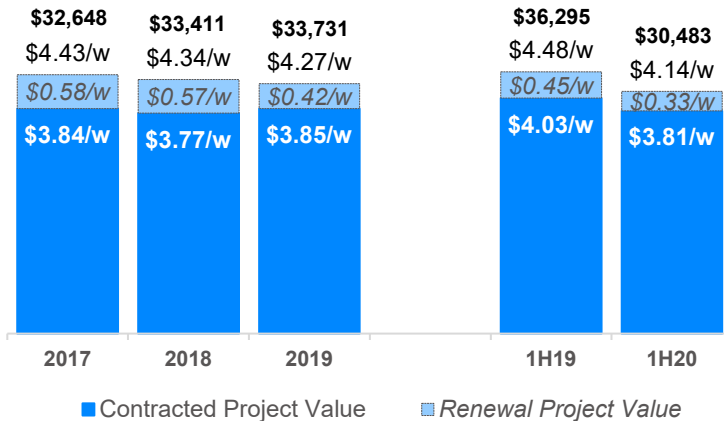
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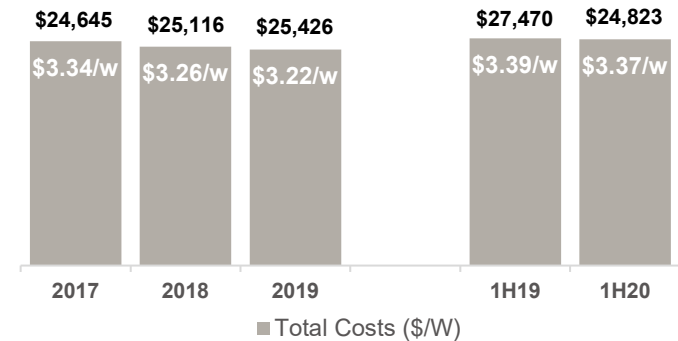
# Customer Unit Margins

## CUSTOMER VALUES

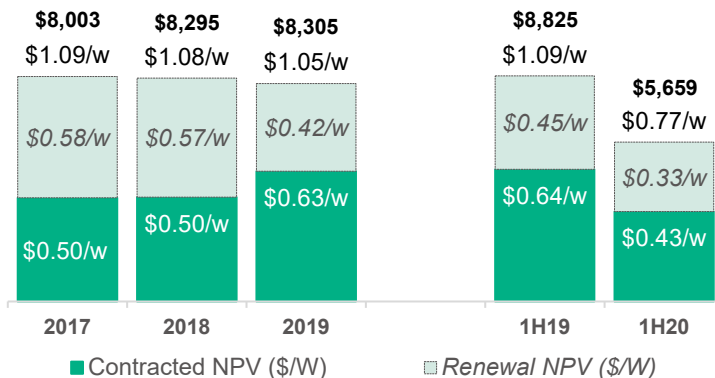


## CREATION COSTS<sup>(1)(2)</sup>

(Includes Installation, Sales & Marketing and General & Administrative Costs)



## CUSTOMER MARGINS



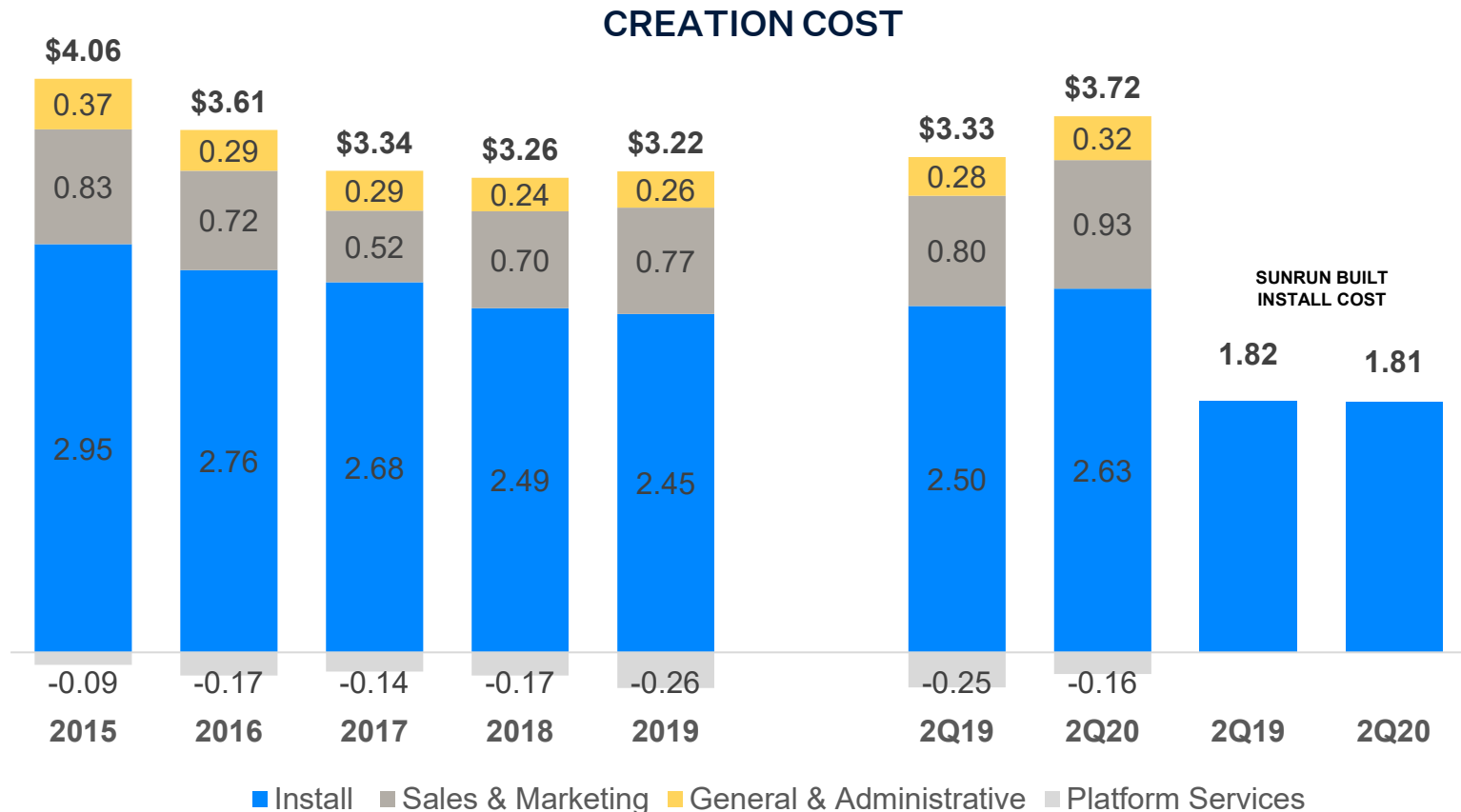
## Additional Value Streams Beyond Initial Net Contracted Customer Margins:

- + *Purchase or Renewal after Initial 20- or 25-year Contract*
- + *Selling Additional Services, Such as Batteries or Virtual Power Plant Opportunities*
- + *Customer Acquisition Benefits through Referrals and Home Moves*

(1) The presentation of Creation Cost for periods commencing with March 31, 2018 reflects changes made to the calculation owing to the adoption of new accounting standards, as described in materials available on our investor relations website. The presentation of Creation Cost for periods prior to March 31, 2018 remain as previously reported, as the new calculation and recast financials would have resulted in immaterial changes in the Creation Cost for such prior periods. Please see our recast financials summary available on our investor relations website.

(2) Creation Cost for 1Q 2018 excludes two non-recurring items totaling approximately \$7 million: charges related to establishing a reserve for litigation and an impairment of solar assets under construction by a channel partner that ceased operations. Creation Cost for 2Q 2018 excludes a non-recurring item of \$1.9 million related to a legal settlement related to the state court class action lawsuit related to the IPO. Creation Cost for Q1 2020 includes an adjustment of \$1.4 million for restructuring related activities. Creation Cost for Q2 2020 includes an adjustment of \$10.7 million for restructuring and transaction related activities and \$6.7 million for charges related to litigation.

# Creation Costs



The presentation of Creation Cost for periods commencing with March 31, 2018 reflects changes made to the calculation owing to the adoption of new accounting standards, as described in materials available on our investor relations website. The presentation of Creation Cost for periods prior to March 31, 2018 remain as previously reported, as the new calculation and recast financials would have resulted in immaterial changes in the Creation Cost for such prior periods. Please see our recast financials summary available on our investor relations website. The presentation of Creation Cost for periods prior to December 31, 2016 reflects changes made to the calculation further described in our Fourth Quarter 2016 earnings presentation available on our investor relations website. Creation Cost for Q1 2020 includes an adjustment of \$1.4 million for restructuring related activities. Creation Cost for Q2 2020 includes an adjustment of \$10.7 million for restructuring and transaction related activities and \$6.7 million for charges related to litigation.

# Net Earning Assets Increased Year-Over-Year

(\$ in millions)	2Q19	3Q19	4Q19	1Q20	2Q20
Gross Earning Assets, Contracted <sup>(1)</sup>	\$2,252	\$2,297	\$2,537	\$2,671	\$2,667
Gross Earning Assets, Renewal <sup>(1)</sup>	\$1,060	\$1,106	\$1,147	\$1,191	\$1,225
<b>Total Gross Earning Assets<sup>(1)</sup></b>	<b>\$3,312</b>	<b>\$3,403</b>	<b>\$3,684</b>	<b>\$3,862</b>	<b>\$3,892</b>
Project level debt	(\$1,724)	(\$1,806)	(\$2,015)	(\$2,200)	(\$2,187)
Pro forma debt adjustment for debt within project equity funds <sup>(1)(2)</sup>	\$182	\$181	\$179	\$178	\$177
Pro forma debt adjustment for safe harboring facility	-	-	\$14	\$101	\$89
Pro forma pass-through financing obligation	(\$341)	(\$340)	(\$339)	(\$338)	(\$338)
<b>Net Earning Assets</b>	<b>\$1,429</b>	<b>\$1,438</b>	<b>\$1,522</b>	<b>\$1,602</b>	<b>\$1,633</b>

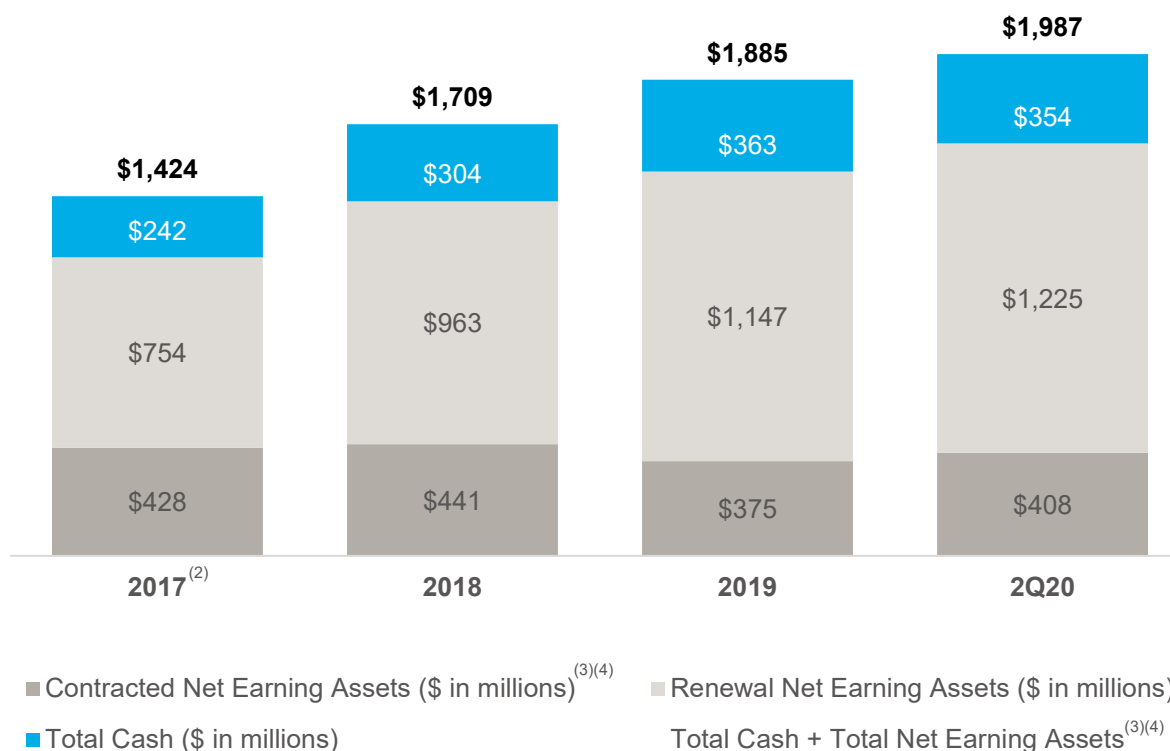
*Estimated future cash flows from assets deployed through 2Q20, less all project debt, represents \$1.6 billion in present value or approximately \$14 per share.*

See Appendix for glossary of terms. Numbers may not tie due to rounding.

- (1) Gross Earning Assets excludes the pro-rata share of forecasted unlevered cash flows attributable to project equity financing partners, allocated based on the estimated pro-rata split of cash flows. Because estimated cash distributions to our project equity financing partners are deducted from Gross Earning Assets, so is a proportional share of the corresponding project level debt from Net Earning Assets.
- (2) In the second quarter of 2020, pro forma debt adjustment is calculated as carrying value of non-recourse debt for funds supported by cash equity, totaling \$178.4 million as of Q2 2020 outlined in Note 8 in the 10Q filing, multiplied by 99%, the pro rata share of cash flows with the project equity investor.



# Growing Cash Flow & Long-Term Value



Notes: See Appendix for glossary of terms. Numbers may not sum due to rounding.

(1) Cash generation defined as change in consolidated total cash balance (including restricted cash) less any increases in recourse debt balances, adjusted for one-time items.

(2) In the fourth quarter of 2017, Gross Earnings Assets under Energy Contract and Total Gross Earning Assets were reduced by \$13 million to reflect changes related to modifications to the Federal Tax Code for assets deployed through December 31, 2017, including a reduction held as a reserve pending final tax regulation guidance based on the company's best estimate of the potential effect.

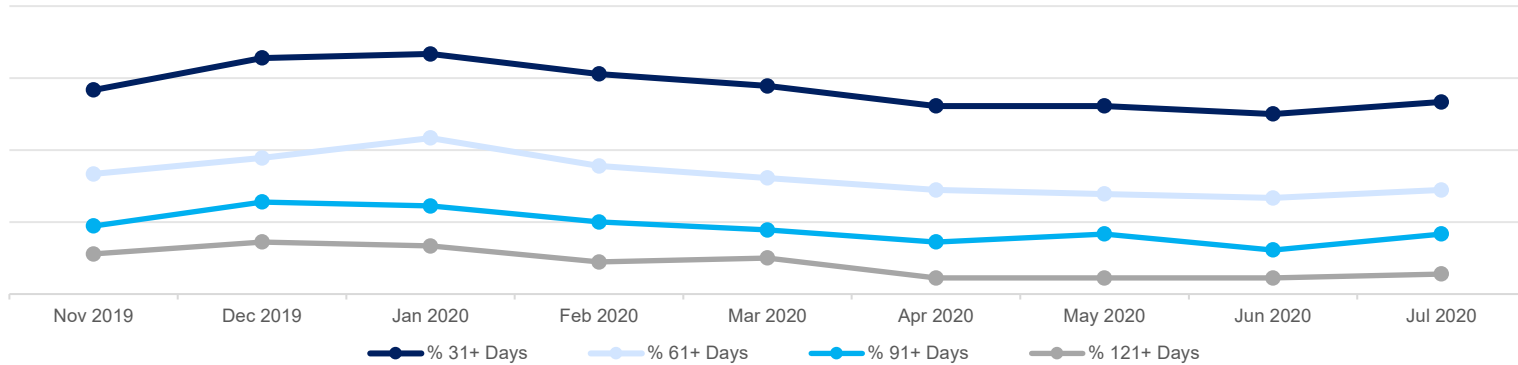
(3) The pass-through financing obligation for periods from December 31, 2016 through December 31, 2017 reflect recast financials following the adoption of certain accounting standards, as described in our 1Q 2018 Quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on May 9, 2018. Please also see our recast financials summary available on our investor relations website.

(4) The pass-through financing obligation used to calculate Net Earning Assets is reduced to the extent we expect the liability to be eliminated when the pass-through financing provider receives investment tax credits on assets it has funded, at which time the value of the credits is recognized as revenue. This amount is reflected in the current portion of the pass-through financing obligation. In the second, third and fourth quarter of 2018 the adjustment was \$36.2 million, \$53.9 million and \$25.0 million, respectively. In the first quarter of 2019 the adjustment was \$9.3 million.

# Strong Asset Performance

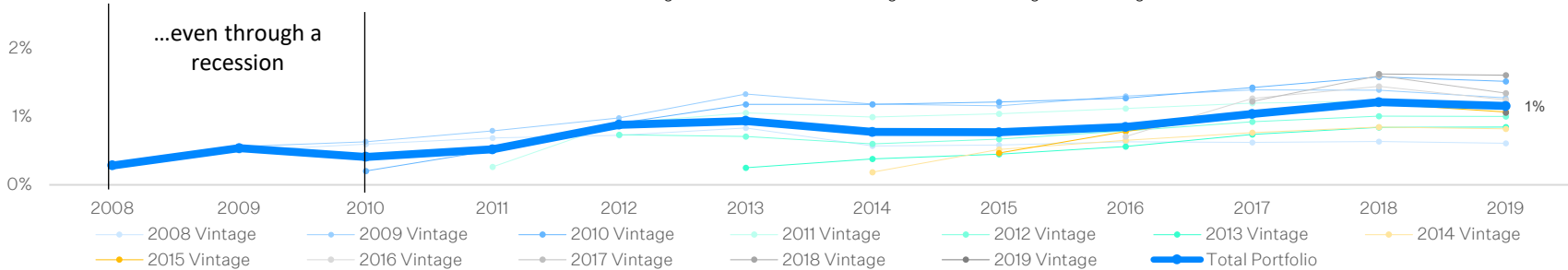
Customer payments remain strong, supporting <6% cost of capital as performance continues to be proven through economic cycles

Accounts Receivable<sup>(1)</sup> by Age (% bands)



## Sunrun has collected ~99% of its cumulative billings

Cumulative Net Loss<sup>(2)</sup> as a Percentage of Cumulative Gross Billings<sup>(3)</sup> for assets originated during 2008-2019



Notes:  
 (1) Accounts Receivable includes amounts receivable for monthly electric billings for lease and PPA customers.  
 (2) Data includes assets originated by Sunrun Inc. and its channel partners from 2008 to 2019. "Cumulative Net Loss" reflects, as of any date of determination, (i) cumulative bad debt write-downs and customer appeasement credits, and (ii) uncollected billings which are past due by more than 120 days.  
 (3) Cumulative Gross Billings reflects, as of any date of determination, total gross monthly electricity and lease billings to customers. Cumulative Gross Billings excludes electricity and lease prepayments.

# Appendix



# Operating Metrics Summary

For a description of how the below metrics are calculated, see (i) our 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 27, 2020, (ii) the quarterly earnings releases and presentation materials for each applicable period available on our investor relations website and (iii) the accompanying notes therein.

	FY2017	1Q18	2Q18	3Q18	4Q18	FY2018	1Q19	2Q19	3Q19	4Q19	FY2019	1Q20	2Q20
<b>Customers Deployed</b> <sup>(1)</sup> (in period)	<b>44,600</b>	<b>9,400</b>	<b>12,100</b>	<b>13,200</b>	<b>14,700</b>	<b>49,400</b>	<b>11,400</b>	<b>12,600</b>	<b>14,200</b>	<b>15,600</b>	<b>53,900</b>	<b>13,500</b>	<b>10,700</b>
Lease Customers Deployed <sup>(1)</sup> (in period)	39,200	8,000	10,400	11,100	12,100	41,500	9,500	10,000	11,400	11,600	42,500	11,300	9,100
<b>Cumulative Customers</b> <sup>(1)</sup>	<b>180,000</b>	<b>189,000</b>	<b>202,000</b>	<b>218,000</b>	<b>233,000</b>	<b>233,000</b>	<b>242,000</b>	<b>255,000</b>	<b>271,000</b>	<b>285,000</b>	<b>285,000</b>	<b>298,000</b>	<b>309,000</b>
<b>Megawatts Deployed</b>	<b>323.3</b>	<b>67.6</b>	<b>90.7</b>	<b>99.8</b>	<b>114.6</b>	<b>372.8</b>	<b>86.2</b>	<b>102.7</b>	<b>107.2</b>	<b>116.6</b>	<b>412.7</b>	<b>97.4</b>	<b>78.1</b>
<b>Cumulative Megawatts Deployed</b>	<b>1,201.8</b>	<b>1,269.4</b>	<b>1,360.1</b>	<b>1,459.9</b>	<b>1,574.6</b>	<b>1,574.6</b>	<b>1,660.8</b>	<b>1,763.5</b>	<b>1,870.7</b>	<b>1,987.3</b>	<b>1,987.3</b>	<b>2,084.7</b>	<b>2,162.7</b>
<b>Leased Megawatts Deployed</b>	<b>289.0</b>	<b>58.7</b>	<b>78.9</b>	<b>85.3</b>	<b>96.4</b>	<b>319.3</b>	<b>72.8</b>	<b>85.3</b>	<b>88.3</b>	<b>89.1</b>	<b>335.6</b>	<b>82.6</b>	<b>67.6</b>
Leased Megawatts as % of total Megawatts Deployed	89%	87%	87%	85%	84%	86%	84%	83%	82%	76%	81%	85%	87%
<b>Cumulative Leased Megawatts Deployed</b> <sup>(2)</sup>	<b>1,063.7</b>	<b>1,122.4</b>	<b>1,201.3</b>	<b>1,286.6</b>	<b>1,383.0</b>	<b>1,383.0</b>	<b>1,462.1</b>	<b>1,547.4</b>	<b>1,635.7</b>	<b>1,724.9</b>	<b>1,724.9</b>	<b>1,807.4</b>	<b>1,875.0</b>
y/y growth	37%	33%	32%	30%	30%	30%	30%	29%	27%	25%	25%	24%	21%
<b>Project Value (per watt)</b>	<b>\$ 4.43</b>	<b>\$ 4.61</b>	<b>\$ 4.10</b>	<b>\$ 4.34</b>	<b>\$ 4.38</b>	<b>\$ 4.34</b>	<b>\$ 4.52</b>	<b>\$ 4.44</b>	<b>\$ 4.18</b>	<b>\$ 4.00</b>	<b>\$ 4.27</b>	<b>\$ 4.07</b>	<b>\$ 4.23</b>
Contracted	3.84	4.03	3.51	3.79	3.80	3.77	4.01	4.04	3.82	3.56	3.85	3.69	3.95
Renewal	0.58	0.58	0.59	0.55	0.58	0.57	0.51	0.40	0.36	0.44	0.42	0.38	0.28
<b>Creation Cost (per watt)</b> <sup>(3)(4)</sup>	<b>\$ 3.34</b>	<b>\$ 3.51</b>	<b>\$ 3.12</b>	<b>\$ 3.34</b>	<b>\$ 3.17</b>	<b>\$ 3.26</b>	<b>\$ 3.46</b>	<b>\$ 3.33</b>	<b>\$ 3.28</b>	<b>\$ 2.87</b>	<b>\$ 3.22</b>	<b>\$ 3.09</b>	<b>\$ 3.72</b>
Installation	2.68	2.65	2.35	2.52	2.48	2.49	2.58	2.50	2.48	2.25	2.45	2.39	2.63
Sales & Marketing (expensed & capitalized)	0.52	0.75	0.69	0.73	0.65	0.70	0.78	0.80	0.81	0.69	0.77	0.76	0.93
General & Administrative	0.29	0.30	0.25	0.23	0.22	0.24	0.29	0.28	0.25	0.23	0.26	0.16	0.32
(-) Platform services margin	(0.14)	(0.19)	(0.16)	(0.14)	(0.17)	(0.17)	(0.20)	(0.25)	(0.26)	(0.31)	(0.26)	(0.21)	(0.16)
<b>Sunrun Built Install Cost (per watt)</b>	<b>\$ 1.89</b>	<b>\$ 1.92</b>	<b>\$ 1.95</b>	<b>\$ 2.06</b>	<b>\$ 1.96</b>	<b>\$ 1.98</b>	<b>\$ 1.95</b>	<b>\$ 1.82</b>	<b>\$ 1.90</b>	<b>\$ 1.96</b>	<b>\$ 1.91</b>	<b>\$ 2.07</b>	<b>\$ 1.81</b>
<b>Unlevered NPV (per watt)</b>	<b>\$ 1.09</b>	<b>\$ 1.10</b>	<b>\$ 0.98</b>	<b>\$ 1.00</b>	<b>\$ 1.21</b>	<b>\$ 1.08</b>	<b>\$ 1.06</b>	<b>\$ 1.11</b>	<b>\$ 0.90</b>	<b>\$ 1.13</b>	<b>\$ 1.05</b>	<b>\$ 0.98</b>	<b>\$ 0.51</b>
<b>NPV created (\$ in millions)</b>	<b>\$ 314</b>	<b>\$ 65</b>	<b>\$ 77</b>	<b>\$ 86</b>	<b>\$ 116</b>	<b>\$ 344</b>	<b>\$ 77</b>	<b>\$ 95</b>	<b>\$ 79</b>	<b>\$ 100</b>	<b>\$ 353</b>	<b>\$ 81</b>	<b>\$ 34</b>
y/y growth	47%	16%	4%	(7)%	28%	10%	19%	23%	(7)%	(14)%	3%	4%	(64)%
Gross Earning Assets, contracted <sup>(5)(6)</sup>	\$ 1,459	\$ 1,583	\$ 1,715	\$ 1,912	\$ 2,100	\$ 2,100	\$ 2,153	\$ 2,252	\$ 2,297	\$ 2,537	\$ 2,537	\$ 2,671	\$ 2,667
Gross Earning Assets, renewal <sup>(9)</sup>	754	800	863	917	963	963	1,014	1,060	1,106	1,147	1,147	1,191	1,225
<b>Gross Earning Assets (\$ in millions)</b> <sup>(5)(6)</sup>	<b>\$ 2,213</b>	<b>\$ 2,383</b>	<b>\$ 2,578</b>	<b>\$ 2,829</b>	<b>\$ 3,062</b>	<b>\$ 3,062</b>	<b>\$ 3,167</b>	<b>\$ 3,312</b>	<b>\$ 3,403</b>	<b>\$ 3,684</b>	<b>\$ 3,684</b>	<b>\$ 3,862</b>	<b>\$ 3,892</b>
q/q growth		8%	8%	10%	8%		3%	5%	3%	8%		5%	1%
y/y growth	22%	24%	36%	37%	38%	38%	33%	28%	20%	20%	20%	22%	18%
(-) Project level debt	(1,048)	(1,137)	(1,251)	(1,318)	(1,502)	(1,502)	(1,585)	(1,724)	(1,806)	(2,015)	(2,015)	(2,200)	(2,187)
(+) Pro forma debt adjustment for debt within project equity funds <sup>(5)</sup>	155	182	186	186	183	183	182	182	181	179	179	178	177
(+) Pro forma debt adjustment for safe harboring facility	-	-	-	-	-	-	-	-	-	14	14	101	89
(-) Pro forma pass-through financing obligation <sup>(7)(8)</sup>	(138)	(138)	(224)	(308)	(339)	(339)	(331)	(341)	(340)	(339)	(339)	(338)	(338)
<b>Net Earning Assets (\$ in millions)</b> <sup>(7)</sup>	<b>\$ 1,182</b>	<b>\$ 1,289</b>	<b>\$ 1,290</b>	<b>\$ 1,389</b>	<b>\$ 1,404</b>	<b>\$ 1,404</b>	<b>\$ 1,432</b>	<b>\$ 1,429</b>	<b>\$ 1,438</b>	<b>\$ 1,522</b>	<b>\$ 1,522</b>	<b>\$ 1,602</b>	<b>\$ 1,633</b>
q/q growth		9%	0%	8%	1%		2%	(0)%	1%	6%		5%	2%
y/y growth	16%	20%	18%	17%	19%	19%	11%	11%	3%	8%	8%	12%	14%
<b>Contracted Net Earning Assets (\$ in millions)</b> <sup>(7)</sup>	<b>\$ 428</b>	<b>\$ 489</b>	<b>\$ 427</b>	<b>\$ 472</b>	<b>\$ 441</b>	<b>\$ 441</b>	<b>\$ 418</b>	<b>\$ 369</b>	<b>\$ 331</b>	<b>\$ 375</b>	<b>\$ 375</b>	<b>\$ 411</b>	<b>\$ 408</b>
q/q growth		14%	(13)%	11%	(7)%		(5)%	(12)%	(10)%	13%		10%	(1)%
y/y growth	5%	14%	(1)%	(2)%	3%	3%	(14)%	(14)%	(30)%	(15)%	(15)%	(2)%	11%
<b>Cash Generation (\$ in millions)</b> <sup>(9)</sup>	<b>\$ 14</b>	<b>\$ 2</b>	<b>\$ 27</b>	<b>\$ 5</b>	<b>\$ 29</b>	<b>\$ 63</b>	<b>\$ 14</b>	<b>\$ 44</b>	<b>\$ 22</b>	<b>\$ 22</b>	<b>\$ 102</b>	<b>\$ 5</b>	<b>\$ (30)</b>

(1) Customer counts are rounded.

(2) Cumulative Leased Megawatts Deployed was increased by 6.3 MW following a fund buy-in during 1Q19. Cumulative Leased Megawatts Deployed was reduced by 6.3 MW in 1Q18 following accounting standard changes implemented in 1Q18 based on transactions prior to 2015. These adjustments have no effect on Cumulative Megawatts Deployed.

(3) The presentation of Creation Cost for periods commencing with March 31, 2018 reflects changes made to the calculation owing to the adoption of new accounting standards, as described in materials available on our investor relations website. The presentation of Creation Cost for periods prior to March 31, 2018 remains as previously reported, as the new calculation and recast financials would have resulted in immaterial changes in the Creation Cost for such prior periods. Please see our recast financials summary available on our investor relations website.

(4) Creation Cost for 1Q 2018 excludes two non-recurring items totaling approximately \$7 million: charges related to establishing a reserve for litigation and an impairment of solar assets under construction by a channel partner that ceased operations. Creation Cost for 2Q 2018 excludes a non-recurring item of \$1.9 million for settlement of the consolidated state court class action lawsuit related to the IPO. Creation Cost for Q1 2020 includes an adjustment of \$1.4 million for restructuring related activities. Creation Cost for Q2 2020 includes an adjustment of \$10.7 million for restructuring and transaction related activities and \$6.7 million for charges related to litigation.

(5) Gross Earning Assets excludes the pro-rata share of forecasted unlevered cash flows attributable to project equity financing partners, allocated based on the estimated pro-rata split of cash flows. Because estimated cash distributions to our project equity financing partners are deducted from Gross Earning Assets, so is a proportional share of the corresponding project level debt from Net Earning Assets.

(6) In the fourth quarter of 2017, Gross Earnings Assets under Energy Contract and Total Gross Earning Assets were reduced by \$13 million to reflect changes related to modifications to the Federal Tax Code for assets deployed through December 31, 2017, including a reduction held as a reserve pending final tax regulation guidance based on the company's best estimate of the potential effect.

(7) The pass-through financing obligation for periods from December 31, 2016 through December 31, 2017, reflect recast financials following the adoption of certain accounting standards, as described in our 1Q 2018 Quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on May 9, 2018. Prior periods are presented as originally reported for total lease pass-through financing obligations.

(8) The pass-through financing obligation used to calculate Net Earning Assets is reduced to the extent we expect the liability to be eliminated when the pass-through financing provider receives investment tax credits on assets it has funded, at which time the value of the credits is recognized as revenue.

This amount is reflected in the current portion of the pass-through financing obligation. In the second, third and fourth quarter of 2019 the adjustment was \$36.2 million, \$53.9 million and \$25.0 million respectively. In the first quarter of 2019 the adjustment was \$9.3 million.

(9) Cash Generation is defined as change in consolidated total cash balance (including restricted cash) less any increases in recourse debt balances. In Q3 2019 Cash Generation includes an adjustment for business acquisition of \$2.7 million. In Q4 2019 Cash Generation includes an adjustment for safe harboring activity of \$27.5 million and repurchase of common stock of \$5 million. Cash Generation for Q1 2020 includes an adjustment for safe harboring activity of \$0.4 million. Cash Generation for Q2 2020 includes an adjustment of (\$19.1) million for safe harboring activity, \$4.0 million for restructuring related activity and (\$4.8) million for deferral of social security payroll taxes.

# Consolidated Financial Statement Summaries

## Consolidated Financial Statement Summaries

(\$ in '000s, except per share amounts)

	FY2017	1Q18	2Q18	3Q18	4Q18	FY2018	1Q19	2Q19	3Q19	4Q19	FY2019	1Q20	2Q20
<b>Income Statement <sup>(1)</sup></b>													
Customer agreements & incentives revenue	\$ 234,276	\$ 66,990	\$ 91,605	\$ 114,572	\$ 131,299	\$ 404,466	\$ 99,850	\$ 92,439	\$ 96,249	\$ 99,297	\$ 387,835	\$ 99,124	\$ 106,095
Solar energy systems & product sales	298,266	77,373	78,933	90,388	108,821	355,515	94,654	112,156	119,293	144,640	470,743	111,607	75,199
Total revenue	532,542	144,363	170,538	204,960	240,120	759,981	194,504	204,595	215,542	243,937	858,578	210,731	181,294
y/y growth	12%	37%	31%	42%	58%	43%	35%	20%	5%	2%	13%	8%	-11%
Cost of customer agreements & incentives	186,435	54,576	57,769	63,195	65,317	240,857	69,493	70,594	67,359	72,898	280,344	78,277	83,422
Cost of solar energy systems & product sales	254,131	64,579	64,268	76,179	89,040	294,066	77,799	86,348	92,031	109,307	365,485	91,598	63,746
Total COGS	440,566	119,155	122,037	139,374	154,357	534,923	147,292	156,942	159,390	182,205	645,829	169,875	147,168
y/y growth	12%	29%	15%	19%	23%	21%	24%	29%	14%	18%	21%	15%	-6%
Gross margin from customer agreements & incentives	20%	19%	37%	45%	50%	40%	30%	24%	30%	27%	28%	21%	21%
Gross margin from systems & product sales	15%	17%	19%	16%	18%	22%	18%	23%	23%	24%	22%	18%	15%
S&M	146,426	44,079	49,237	56,758	57,158	207,232	55,953	70,038	77,478	71,679	275,148	70,270	69,701
R&D	15,079	3,896	5,052	4,604	5,292	18,844	5,474	6,555	6,435	5,099	23,563	4,046	4,971
G&A	107,400	32,893	28,130	26,720	28,916	116,659	29,063	33,044	31,059	31,857	125,023	28,074	41,756
Amortization of intangible assets	4,204	1,051	1,051	1,051	1,051	4,204	893	814	1,524	1,524	4,755	1,483	1,167
Total operating expenses	713,675	201,074	205,507	228,507	246,774	881,862	238,675	267,393	275,886	292,364	1,074,318	273,748	264,763
EBIT	(181,133)	(56,711)	(34,969)	(23,547)	(6,654)	(121,881)	(44,171)	(62,798)	(60,344)	(48,427)	(215,740)	(63,017)	(83,469)
Interest & other expense (income)	94,129	26,506	32,380	29,965	40,132	128,983	46,096	43,697	47,021	46,686	183,500	49,874	50,869
Tax expense (benefit)	12,353	8,203	4,378	(5,988)	2,729	9,322	(3,361)	(1,910)	5,169	(8,116)	(8,218)	(3,342)	2,111
Net loss	(287,615)	(91,420)	(71,727)	(47,524)	(49,515)	(260,186)	(86,906)	(104,585)	(112,534)	(86,997)	(391,022)	(109,549)	(134,549)
Net loss attributable to NCI and redeemable NCI	(413,104)	(119,452)	(79,136)	(44,628)	(43,627)	(286,843)	(73,044)	(103,292)	(141,524)	(99,497)	(417,357)	(81,590)	(120,987)
<b>Net income (loss) available to common stockholders</b>	<b>125,489</b>	<b>28,032</b>	<b>7,409</b>	<b>(2,896)</b>	<b>(5,888)</b>	<b>26,657</b>	<b>(13,862)</b>	<b>(1,293)</b>	<b>28,990</b>	<b>12,500</b>	<b>26,335</b>	<b>(27,959)</b>	<b>(13,562)</b>
<b>Diluted EPS</b>	<b>\$ 1.16</b>	<b>\$ 0.25</b>	<b>\$ 0.06</b>	<b>\$ (0.02)</b>	<b>\$ (0.05)</b>	<b>\$ 0.23</b>	<b>\$ (0.12)</b>	<b>\$ (0.01)</b>	<b>\$ 0.23</b>	<b>\$ 0.10</b>	<b>\$ 0.21</b>	<b>\$ (0.23)</b>	<b>\$ (0.11)</b>
<b>Balance Sheet <sup>(1)</sup></b>													
Cash, unrestricted	202,525	203,189	215,706	242,936	226,625	226,625	245,604	299,537	324,698	269,577	269,577	286,418	269,569
Cash, restricted & unrestricted	241,790	243,328	270,403	275,133	304,399	304,399	309,934	353,867	373,412	363,229	363,229	366,248	354,232
Solar energy systems, net	3,161,570	3,285,804	3,437,822	3,618,125	3,820,017	3,820,017	3,976,504	4,149,883	4,333,387	4,492,615	4,492,615	4,644,044	4,774,425
Non-recourse debt	1,047,945	1,137,029	1,250,609	1,317,598	1,501,922	1,501,922	1,585,187	1,724,147	1,806,274	2,015,455	2,015,455	2,200,348	2,187,106
Pass-through financing obligation	138,210	138,287	260,167	361,997	363,743	363,743	340,782	340,634	339,999	339,005	339,005	338,238	337,570
Recourse debt	247,000	247,000	247,000	247,000	247,000	247,000	239,035	239,035	239,035	239,485	239,485	237,960	236,435
<b>Cash Flow <sup>(1)</sup></b>													
Cash Flow from Operations	(96,103)	(45,754)	(11,967)	16,987	(21,727)	(62,461)	11,415	(68,030)	(49,493)	(98,379)	(204,487)	(116,885)	(35,368)
Cash Flow from Investing	(777,319)	(164,711)	(185,013)	(224,536)	(237,056)	(811,316)	(201,397)	(200,983)	(215,663)	(225,212)	(843,255)	(210,465)	(153,952)
Cash Flow from Financing	890,849	212,003	224,055	212,279	288,049	936,386	195,517	312,946	284,701	313,408	1,106,572	330,369	177,304
Proceeds from NCI	594,921	143,604	23,864	80,236	97,443	345,147	152,149	178,162	241,184	140,419	711,914	170,904	204,045
Proceeds from pass-through financing & other obligations	6,221	1,502	96,670	85,448	33,462	217,082	1,785	3,497	1,941	1,917	9,140	1,762	1,959
Proceeds from non-recourse debt	748,806	95,900	154,332	238,144	492,168	980,544	181,652	359,597	140,801	499,499	1,181,549	191,751	5,500
<b>Additional items <sup>(1)</sup></b>													
Depreciation & Amortization	128,687	36,186	37,794	39,731	42,296	156,007	43,661	45,358	49,601	48,543	187,163	51,021	51,994
Stock Based Compensation (SBC)	22,042	10,694	5,547	5,741	5,874	27,856	5,783	6,783	6,854	6,886	26,306	18,945	10,382
COGS - customer agreements and incentives SBC	2,299	611	667	648	642	2,568	632	624	594	584	2,434	1,946	930
COGS - solar energy systems and product sales SBC	609	170	186	188	174	718	167	190	209	278	844	673	270
S&M SBC	5,196	4,150	834	1,102	1,105	7,191	1,128	1,303	1,352	1,379	5,162	3,478	1,821
R&D SBC	836	295	311	313	334	1,253	336	408	404	291	1,439	1,075	466
G&A SBC	13,102	5,468	3,549	3,490	3,619	16,126	3,520	4,258	4,295	4,354	16,427	11,773	6,895
<b>Other Adjustments for Creation Costs</b>													
S&M: Amortization of intangibles	3,797	630	615	596	886	2,727	638	506	485	460	2,089	487	408
S&M: Amortization of costs to obtain contracts	-	1,902	2,048	2,217	2,424	8,591	2,659	2,876	3,166	3,066	11,767	3,405	3,541
G&A: Amortization of intangibles	1,277	272	226	185	373	1,056	200	193	189	179	762	161	147
Other Adjustments	-	7,082	1,900	-	-	8,982	-	-	-	-	-	1,362	17,352

Note: Numbers may not sum due to rounding.

(1) Income Statement, Balance Sheet and Cash Flow Statement figures for periods from Full-year 2016 through Full-year 2017 reflect recast financials following the adoption of certain accounting standards, as described in our 1Q 2018 Quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on May 9, 2018. Other items, including "Additional Items" listed above, except for depreciation & amortization, for all periods prior to 1Q 2018, along with Income Statement, Balance Sheet and Cash Flow Statement figures prior to 4Q 2016, are presented as originally reported in financial statements, quarterly earnings releases and presentation materials for each applicable period. Depreciation & amortization listed above reflects recast financials for all periods between Full-year 2016 through Full-year 2017.

# Gross Earning Asset Sensitivities

\$ in millions, as of June 30, 2020

<b>Gross Earning Assets Under Energy Contract</b>					
<b>Default rate</b>	<b>Discount rate</b>				
	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>
5%	\$ 3,057	\$ 2,810	\$ 2,594	\$ 2,404	\$ 2,236
0%	\$ 3,148	\$ 2,892	\$ 2,667	\$ 2,470	\$ 2,295

<b>Gross Earning Assets Value of Purchase or Renewal</b>					
<b>Purchase or Renewal rate</b>	<b>Discount rate</b>				
	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>
80%	\$ 1,596	\$ 1,303	\$ 1,067	\$ 877	\$ 724
90%	\$ 1,831	\$ 1,495	\$ 1,225	\$ 1,007	\$ 830
100%	\$ 2,067	\$ 1,687	\$ 1,382	\$ 1,136	\$ 937

<b>Total Gross Earning Assets</b>					
<b>Purchase or Renewal rate</b>	<b>Discount rate</b>				
	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>
80%	\$ 4,744	\$ 4,195	\$ 3,735	\$ 3,347	\$ 3,019
90%	\$ 4,979	\$ 4,387	\$ 3,892	\$ 3,477	\$ 3,126
100%	\$ 5,214	\$ 4,579	\$ 4,050	\$ 3,606	\$ 3,233



# Glossary

**Creation Cost** includes (i) certain installation and general and administrative costs after subtracting the gross margin on solar energy systems and product sales divided by watts deployed during the measurement period and (ii) certain sales and marketing expenses under new Customer Agreements, net of cancellations during the period divided by the related watts deployed.

**Customers** refers to all parties (i) who have executed Customer Agreements or cash sales agreements with us and (ii) for whom we have internal confirmation that the applicable solar energy system has reached notice to proceed or “NTP”, net of cancellations.

**Customer Agreements** refers to, collectively, solar power purchase agreements and solar leases.

**Gross Earning Assets** represent the remaining net cash flows (discounted at 6%) we expect to receive during the initial term of our Customer Agreements (typically 20 or 25 years) for systems that have been deployed as of the measurement date, plus a discounted estimate of the value of the Customer Agreement renewal term or solar energy system purchase at the end of the initial term. Gross Earning Assets deducts estimated cash distributions to investors in consolidated joint ventures and estimated operating, maintenance and administrative expenses for systems deployed as of the measurement date. In calculating Gross Earning Assets, we deduct estimated cash distributions to our project equity financing providers. In calculating Gross Earning Assets, we do not deduct customer payments we are obligated to pass through to investors in pass-through financing obligations as these amounts are reflected on our balance sheet as long-term and short-term pass-through financing obligations, similar to the way that debt obligations are presented. In determining our finance strategy, we use pass-through financing obligations and long-term debt in an equivalent fashion as the schedule of payments of distributions to pass-through financing investors is more similar to the payment of interest to lenders than the internal rates of return (IRRs) paid to investors in other tax equity structures. We calculate the Gross Earning Assets value of the purchase or renewal amount at the expiration of the initial contract term assuming either a system purchase or a five year renewal (for our 25-year Customer Agreements) or a 10-year renewal (for our 20-year Customer Agreements), in each case forecasting only a 30-year customer relationship (although the customer may renew for additional years, or purchase the system), at a contract rate equal to 90% of the customer’s contractual rate in effect at the end of the initial contract term. After the initial contract term, our Customer Agreements typically automatically renew on an annual basis and the rate is initially set at up to a 10% discount to then-prevailing power prices. Gross Earning Assets Under Energy Contract represents the remaining net cash flows during the initial term of our Customer Agreements (less substantially all value from SRECs prior to July 1, 2015), for systems deployed as of the measurement date.

**Gross Earning Assets Under Energy Contract** represents the remaining net cash flows during the initial term of our Customer Agreements (less substantially all value from SRECs prior to July 1, 2015), for systems deployed as of the measurement date.

**Gross Earning Assets Value of Purchase or Renewal** is the forecasted net present value we would receive upon or following the expiration of the initial Customer Agreement term (either in the form of cash payments during any applicable renewal period or a system purchase at the end of the initial term), for systems deployed as of the measurement date.

**Megawatts Deployed** represents the aggregate megawatt production capacity of our solar energy systems, whether sold directly to customers or subject to executed Customer Agreements (i) for which we have confirmation that the systems are installed on the roof, subject to final inspection, (ii) in the case of certain system installations by our partners, for which we have accrued at least 80% of the expected project cost, or (iii) for multi-family and any other systems that have reached NTP, measured on the percentage of the project that has been completed based on expected project cost.

**Net Earning Assets** represents Gross Earning Assets less both project level debt and pass-through financing obligations, as of the same measurement date. Because estimated cash distributions to our project equity financing partners are deducted from Gross Earning Assets, a proportional share of the corresponding project level debt is deducted from Net Earning Assets.

**NPV** equals Unlevered NPV multiplied by leased megawatts deployed in period.

**NTP or Notice to Proceed** refers to our internal confirmation that a solar energy system has met our installation requirements for size, equipment and design.

**Proceeds** equals the sum of proceeds from non-recourse debt, proceeds from pass-through financing obligations, contributions received from redeemable and non-redeemable noncontrolling interests, proceeds from state tax credits, and estimated customer upfront payments and utility rebates. Estimated customer upfront payments and utility rebates is estimated by averaging the beginning period deferred revenue (current portion) and end period deferred revenue (current portion) divided by the portion of the year being analyzed.

**Project Value** represents the value of upfront and future payments by customers, the benefits received from utility and state incentives, as well as the present value of net proceeds derived through investment funds. Specifically, Project Value is calculated as the sum of the following items (all measured on a per-watt basis with respect to megawatts deployed under Customer Agreements during the period): (i) estimated Gross Earning Assets, (ii) utility or upfront state incentives, (iii) upfront payments from customers for deposits and partial or full prepayments of amounts otherwise due under Customer Agreements and which are not already included in Gross Earning Assets and (iv) finance proceeds from tax equity investors, excluding cash true-up payments or the value of asset contributions in lieu of cash true-up payments made to investors. Project Value includes contracted SRECs for all periods after July 1, 2015.

**Unlevered NPV** equals the difference between Project Value and estimated Creation Cost on a per watt basis.



# SUNRUN

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