



**3Q 2025 Earnings Call
November 6, 2025
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
- Julien Dumoulin-Smith - Jefferies
- Ameet Thakkar - BMO Capital Markets
- Colin Rusch - Oppenheimer
- Vikram Bagri - Citi
- Philip Shen - ROTH Capital Partners

OPERATOR

Good afternoon and welcome to Sunrun's third quarter 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. 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. The 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.

Our strategic focus on providing Americans a way to achieve energy independence is yielding strong results. We are generating cash while growing our customer base. We are continuing to lead the industry with superior energy offerings for homeowners, allowing them to power through grid outages and protect their households from rising energy costs. As demand is growing at the most rapid rate since World War 2, fueled in large part by AI computing demand, we are also building critical energy infrastructure the country needs.

We generated \$1.6 billion in top-line Aggregate Subscriber Value, at the top-end of our guidance range, growing 10% year-over-year. Contracted Net Value Creation was \$279 million, growing 35% year-over-year. We generated strong profitability through our market-leading position in storage offerings while also driving significant cost efficiencies and performance improvements across the business.

We reported a solid Upfront Net Subscriber Value of over \$3,500, a 5 point margin improvement compared to the prior year and representing a 7% margin on Contracted Subscriber Value. In the quarter we generated \$108 million in cash, our sixth consecutive quarter of positive Cash Generation. Given the timing of transactions, we exceeded the high-end of our cash generation guidance range for the quarter. Over the trailing four quarters, we have generated \$224 million in cash. We are on track to meet our annual Cash Generation guidance, and are reiterating the midpoint of our outlook at \$350 million.

We are producing these strong results by remaining disciplined in how we balance margins and growth, while innovating and expanding all we provide for our customers. This strategy is yielding strong financial results while growing our base of customers – and increasingly valuable energy resources for the grid. To highlight this, in Q3 we delivered higher unit margins and considerably more Cash Generation. This will be amplified in Q4 as we are set to produce even more Cash Generation, and will do so with our unwavering commitment to high-quality installations and customer experience.

Our energy resources are growing rapidly. We have transformed the business to be a provider of independent reliable energy for homeowners, and a formidable Independent Power Producer, now with 3.7 gigawatt hours of dispatchable energy from our fleet of home batteries and over 8.2 gigawatts of solar generation capacity.

As you can see on slide 6 the country needs more power to meet the demands coming from datacenters and AI, as electricity demand is expected to grow by more than 40% over the next 15 years according to a recent study. Our distributed and dispatchable storage and solar resources are contributing to meet this critical energy infrastructure need.



When the generation and storage capabilities of homes are aggregated they collectively create a powerful, flexible utility-scale resource for the energy system. We are not playing small-scale; we are bringing the power of American homes to the grid and building the next generation of power plants.

With over 217,000 storage systems installed, we are now routinely dispatching energy to provide value to the grid – with 17 active programs across the country providing 416 megawatts of power capacity over the last year. Based on these current activities, we are finding that our prior estimate of \$2,000 or more in incremental net present value per participating home is likely conservative. As we continue to scale storage, and provide cost-effective utility-scale energy resources back to the grid, we expect a rapidly growing incremental cash flow stream over the coming years. We expect to have more than 10 gigawatt hours of dispatchable energy online by the end of 2028.

Technology improvements and cost reductions achieved by our storage partners over the last few years have helped accelerate adoption. We continue to leverage the best technologies available and use a diversified set of suppliers to best fit customer needs and meet our price and performance requirements.

Our investment in Lunar Energy has helped push innovation across the storage space. Sunrun began scaling the Lunar storage solution in California in Q4 of last year. The Lunar system's modular whole home backup solution that integrates solar, storage, and load control makes this an attractive offering for customer value creation. Lunar is ramping production and we expect to deploy about ten thousand Lunar systems over the next year or so.

Our base of customers is also growing rapidly, exceeding 1.1 million customers at the end of Q3. Our strategy is to generate strong upfront margins on our customer origination activities, and then to create additional value from the long-term nature of our customer relationships.

Since launching Flex a year ago, our innovative storage and solar product offering, we have seen tremendous traction. Flex has further differentiated Sunrun in the market as it provides unique flexibility for customers to use well-priced energy when they need it. Flex also creates a meaningful source of additional recurring cash flows for Sunrun.

For home energy systems, the solar generation portion has historically been designed to either match a household's current energy usage or be oversized in anticipation of greater future needs — resulting in either unmet needs as energy usage increases or generating solar energy that is paid for, but not used immediately. Flex removes this uncertainty, offering a solution that fits families' needs today and tomorrow. It is a great product that allows customers to pay a minimum monthly amount, and then pay for additional energy only when needed. Customers are clearly loving this product, as we are seeing Net Promoter Scores over 10 points higher.

The take-rate in markets where Flex is offered is already about 40%. Flex is being offered in markets that represent about half of our volume.

As expected, the initial cohort of Flex customers are indeed tapping into the well-priced 'Flex' energy. We've found that two thirds of these customers already consume above their pre-solar baseline. In current markets, the Flex product includes extra storage, providing more value to the customer, incredibly reliable energy, and an even more valuable grid resource, along with more recurring cash flows for Sunrun.

Another area where we are proving how valuable our long-term customer relationships can be for Sunrun and the grid, is by offering storage to our existing solar-only customers.

We have now installed nearly 2,000 storage systems for these customers. This is growing rapidly and we expect this activity to accelerate. We are capturing this opportunity by using high-tech, low-cost routes including our customer app and digital lead channels. We believe this will enable a fantastic value



proposition for customers, produce strong expected upfront margins for Sunrun, and serve as an accelerant to growth in our distributed power plant capacity.

Our Cash Generation from new customers is set to grow, and we expect to augment this cash flow with recurring sources from grid service programs, growing Flex adoption, and offering valuable solutions like add-on batteries to existing customers through low-CAC channels.

Celebrate 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. Thank you to our leading direct-to-home sales team in Massachusetts – “Boston Legacy” – as well as a top installation team – the “Boom Crew.” It was so fun being with you all this fall and seeing you in action. We’re incredibly thankful for your teams’ dedication to customer experience, which has resulted in significant successes this year, including record high battery attachment rates in Massachusetts.

Less than a year ago we made a pivot to focus on storage offerings in Massachusetts given the increased value proposition for customers and the grid at large, and the Sunrun team delivered. Our Storage Attachment Rate on sales in Massachusetts went from under 10% at the start of the year to more than 50% today. Importantly, this is an offering that can drive great value for customers, and we are seeing even higher NPS scores across the state.

Mike, Adam and the whole Massachusetts team: Thank you!

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

DANNY ABAJIAN

Thank you, Mary.

Unit-level Economics

Turning first to the unit-level results for the quarter on slide 12. Subscriber Value was approximately \$52,500, an 11% increase compared to the prior year, as we increased our Storage Attachment Rate by 10 percentage points to 70%, grew our Flex deployments, and benefited from a 42% weighted average ITC level, an increase of 5 percentage points from Q3 of last year. Subscriber Value reflects a 7.3% discount rate this period.

We maintained cost discipline, with Creation Costs increasing only 4% from the prior year – a smaller increase than the 11% growth in Subscriber Value. Creation Costs increased primarily due to higher battery hardware and associated labor costs from the Storage Attachment Rate increase, with 8% higher installation costs on a per Subscriber basis versus the prior year. Providing offset, we lowered customer acquisition costs and overhead by 5% on a per Subscriber basis.

The higher Subscriber Value and lower Creation Costs led to a 38% year-over-year growth in Net Subscriber Value to approximately \$13,200.

Aggregate Gross and Net Value

Turning now to aggregate results on slide 13. These results are the average unit margins multiplied by the number of units.



First on the top-line, Aggregate Subscriber Value was \$1.6 billion in the third quarter, a 10% increase from the prior year. Aggregate Creation Costs were \$1.2 billion, which includes all capex and asset-origination opex including overhead expenses.

Excluding the expected present value from Non-contracted or Upside Cash Flows, our Contracted Net Value Creation was \$279 million, a 35% increase from last year, and about \$1.21 per share. This level of value creation reflects a net margin of approximately 19% of Aggregate Contracted Subscriber Value. Slide 14 breaks down the unit-level economics and aggregate economics on a contracted-only basis, along with the main underlying drivers for the increases.

Upfront Net Margins & Cash Generation

Turning now to slide 15.

The majority of our deployments are Retained Subscribers that we reflect on our consolidated balance sheet. We raise non-recourse capital against the value of the systems related to Retained Subscribers from tax equity, which monetizes the tax credits and a share of cash flows, and asset-backed debt, along with receiving cash from Subscribers opting for pre-paid leases and from governments and utilities under incentive programs. We now also receive proceeds from the sale of a portion of newly deployed systems in a new transaction I will explain later in more detail, 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 \$1.3 billion for Subscriber Additions in Q3, representing an Advance Rate of approximately 88% of the Aggregate Contracted Subscriber Value.

When we deduct our Aggregate Creation Costs of \$1.2 billion, we are left with an expected Upfront Net Value Creation of approximately \$106 million. This represents our estimate for the expected net cash to Sunrun from Subscriber Additions in the period after raising non-recourse capital and receiving upfront cash from Subscribers and incentive programs, as well receiving proceeds from the sale of Non-retained or Partially Retained Subscribers. 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.

Actual Realized Proceeds from Retained Subscribers in the quarter were \$1.3 billion, with \$525 million from tax equity, \$659 million from non-recourse debt, and \$90 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 \$115 million from the sale of Non-Retained or Partially Retained Subscribers, which is not included in the Realized Proceeds figure.

Cash Generation was \$108 million in Q3.

Asset-level Capital Market Update

Turning now to slide 18 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.



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 550 megawatts of projects for Subscribers beyond what was deployed through the third quarter. Thus far in 2025 we have added \$2.8 billion in traditional and hybrid tax equity, and as mentioned earlier, we have recorded revenue of \$115 million from the sale of Non-Retained or Partially Retained Subscribers, resulting in this strong runway.

We also have \$811 million in unused commitments available in our non-recourse senior revolving warehouse loan to fund over 288 megawatts of projects for Retained Subscribers. Our strong debt capital runway has allowed us to be selective in timing term-out transactions.

During the third quarter, we priced three securitizations, raising approximately \$1.4 billion in senior non-recourse debt. The publicly-placed tranche of our most recent \$510 million securitization in September priced at 6.21% yield, reflecting a spread of 240 basis points, in-line with the spread of our prior securitization that priced in July. Year-to-date, Sunrun has raised approximately \$2.8 billion in total non-recourse debt, including \$2.4 billion of senior debt across five securitizations and additional subordinated financings. These transactions were placed across public and private investor groups, including several first-time buyers, demonstrating the strength and expanded diversity of our capital markets access.

In Q3, Sunrun modestly diversified our asset monetization strategy. We complemented our strategy of retaining all newly originated Subscriber assets on our balance sheet with an alternative structure where we sell a portion of newly originated storage and solar assets to an energy infrastructure investor which generates upfront GAAP revenue, while allowing us to maintain ongoing customer relationships and future value opportunities. The net result on our Upfront Net Subscriber Values and ultimate Cash Generation is similar to the capital structures we have utilized historically.

This transaction is a result of increasing interest in the category by strategic energy investors and our strong track record as a high-quality originator, along with our desire to improve our GAAP financial reporting and further diversify our sources of capital to fund growth.

We have made adjustments to certain key operating metrics to reflect this new construct. Given this transaction was introduced in Q3, there are no impacts on any prior periods.

We plan to continue executing both publicly-placed transactions and direct placements in the private credit markets, to expand our tax credit buyer universe with large corporations, and to continue directly selling a portion of our originations.

Parent Recourse Capital & Balance Sheet

On the parent capital side, we continue to pay down recourse debt, paying down another \$17 million during the third quarter, bringing our year-to-date recourse debt repayment to \$66 million. We expect to pay down our recourse debt by more than \$100 million in 2025. Aside from the \$5.5 million outstanding of our 2026 Convertible Notes, we have no recourse debt maturities until March 2027.

Year-to-date, we have also increased our unrestricted cash balance by \$134 million and grown Net Earning Assets by \$1.5 billion.

Over time we will explore further capital allocation options to maximize shareholder value, based on market conditions and our long-term outlook.

Outlook



Turning now to our outlook on slide 20.

We are reiterating our guidance for 2025.

For the full-year, we are reiterating our guidance for Aggregate Subscriber Value to be between \$5.7 and \$6 billion, representing 14% growth at the midpoint. We expect Contracted Net Value Creation to be in a range of \$1 to \$1.3 billion, representing 67% growth at the midpoint.

We are reiterating the midpoint while narrowing the range of our Cash Generation guidance for the year. We expect Cash Generation to be between \$250 to \$450 million.

For the fourth quarter, we expect Aggregate Subscriber Value to be approximately \$1.3 to \$1.6 billion, representing a 5% decline at the midpoint, and Contracted Net Value Creation to be between \$182 and \$482 million, representing 6% growth at the midpoint. We expect Cash Generation to be between \$60 and \$260 million, with the range being driven by finance transaction timing and working capital impacts.

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

Hey, everyone. Good afternoon. Thanks for taking the questions. I had two just kind of around the longer-term business model. First, Danny, you talked about the diversification of capital sources, this quarter. Just curious what -- I mean, first, are you anticipating this to be a much bigger part of the strategy going forward? What are kind of the implications for P&L, cash generation, as well as does this help in any way glean kind of valuation considerations for assets when you're monetizing through this channel? I had a follow-up.

Danny Abajian

Yeah. We expect to continue to use similar structures. Perhaps if we're thinking longer-term, perhaps diversify over time, but definitely in the near-term, a continuation of the use of what you saw out of us in Q3.

I think as far as all of the way it looks on the metrics, so the unit-level key operating metrics, the aggregate value creation metrics end up looking very similar because what typically flows through financing activity now shows up as revenue, and what used to be capitalized expense can now be fully expensed in period. It will show up in the system sale gross profit section of the P&L. There will be an increase you'll notice in that area of activity, which will be overall accretive to the P&L view on a GAAP basis.

So, there is a partial simplification in respect of the degree of assets that go into this structure. We'll still have the consolidated tax equity activity as well alongside this. That will certainly continue, as well.

Brian Lee

Okay. Awesome. That's helpful. Then second question, maybe for Mary. I noticed that the 10 gigawatt-hour dispatchable capacity by the end of 2028, you pulled that forward a smidge versus prior. I think you were talking 2029 prior, so you do seem to be growing faster in that part of the business.

You've always talked about it in terms of NPV uplift, but as you're seeing a lot more breadth and scale, are there other monetization opportunities on this capacity going forward, whether it's cash flow, maybe even metrics like EBITDA getting broken out for this part of your model, separately? Just trying to think big



picture about what that business could ultimately look like as it grows in scale, like it looks like it's targeted to do. Thank you.

Mary Powell

Yeah. Sure. Nice to hear from you, Brian. No, we didn't change. I mean, we've always said, by end of 2028 or early 2029, that we should be at that scale. Yes, you're absolutely right, it absolutely will tie to other forms of value creation for someone that really speaks to the long-term value we see in the customer relationship that we're developing and the recurring forms of revenue that we can have from those customers.

So, I feel like we're only just getting started, frankly, Brian. I mean, we had 17 programs. We had sizable dispatches. That really led us to call out the fact that we think our 2,000 number, the 2,000 NPV, is probably too conservative. We're feeling very bullish about this opportunity as a distributed power plant provider.

Operator

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

Julien Dumoulin-Smith

Hey, good afternoon. Actually, let me just pick up from where Brian left that off. Speaking of which, can you speak a little bit to what you're seeing preliminarily on '26, in as much as volumetric expectations across the industry seem to be recovering somewhat. And I'd certainly love to hear how you think not just on '26, but even beyond that in '27, as this new paradigm of TPOs evolves.

Mary Powell

Yeah, great to hear from you, Julien. As you know, Julien, we are not guiding the volume. We are very much focused on margin, creating cash generation and creating really sustainable, long, profitable relationships with our customers while we're building on the nation's largest distributed power plant that will also have lots of value for years to come. That is our focus.

At the same time, as I think we've said, for 2025, we expect to be sort of flat to growing slightly. We see 2026 as another year to continue to do what we're doing, which is focus on margins, focus on cash, focus on providing an amazing customer experience, and to programs that build out our distributed power plant capabilities.

The reality is the volume is there, and Sunrun is continuing to be very diligent and, I would say, vigilant in how we go after that volume to make sure that we are creating the best experience for customers and the best margin profile for Sunrun.

Julien Dumoulin-Smith

Excellent. If I can follow that up, I mean, the core question I wanted to get at here is prepaid leases. I'd love to get your perspective here. It's certainly generating a lot of sector interest.

Admittedly, it seems somewhat complementary to what you offer here already. Obviously, you all have something of an offering in the Zen market, already. How do you see that product offering evolving both for yourselves and across the competitive landscape in '26 and especially in '27? I imagine this could very well take some time to get off the ground, wherever it's going.

Danny Abajian

Yeah, great question. I think you ended with maybe my first point. I think it will take a little bit of time to get off the ground and going. Raising the capital for it at scale, I think, will be a constraint for those new entrants. But when I look at what they're trying to accomplish, they essentially had their business model go away, so they're trying to figure out how to play in our business model without being able to play in our business model with direct TPO. So, they go through some creative gymnastics to basically finance with a loan, a TPO lease type construct. We view it as a more complicated and slightly more confusing consumer offering without advantages.



Mary Powell

We did look at it a couple of years ago and decided not to pursue it for all of those reasons, Julien.

Julien Dumoulin-Smith

Do you see this as a meaningful competitor, though, or alternative, just to clarify?

Danny Abajian

You broke up a little. Can you say that again?

Julien Dumoulin-Smith

Do you see it as a meaningful alternative or competitor to your own product offerings as it stands today?

Danny Abajian

Yeah, I think we will see a good portion of the TPO market share transition to that product. I think there are markets where our product is not as well suited and/or it's a market demographic that we aren't chasing. So, I think it's easier for people to raise that type of capital at small scale and service the long tail. As you know, our core business model is not focused around servicing several hundred small dealers. It's around our core internal sales routes that we believe are differentiated and a few key core partners that are aligned with our strategy.

Danny Abajian

Excellent, guys. Thanks for the time. Speak soon.

Mary Powell

Thanks.

Danny Abajian

Thanks.

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

Ameet Thakkar

Hi. Good afternoon. Thanks for taking my question. I appreciate that, I guess, asked the amount of monetization. So it's going to be kind of, I guess, a third pillar for the capital raising going forward. Just to kind of clarify, of the \$115 million of sales this quarter, if we used your definition for cash generation in the second quarter, would cash generation have been negative for Q3?

Danny Abajian

If you were to assume we did not consume our other available capital for the same assets, then yes. But the alternative to that structure would have been to draw capital and consume capital from our traditional structure. So, I would say this was very much additive and complementary to our sources of financing. I don't think we would have seen an impact because we would have placed these assets into more traditional structures than we have done in the past that would have replaced this capital.

Ameet Thakkar

Okay. So it's just the definitional change, it would have still fallen in one of the other buckets, but you guys just kind of felt like the need to kind of change the definition to reflect that this is a new bucket that wasn't compensated.

Danny Abajian

Think of it as we have more available sources of diverse capital than we did before that generates similar bottom-line results on cash generation.



Ameet Thakkar

Great. Thank you so much.

Danny Abajian

Thank you.

Operator

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

Colin Rusch

Thanks so much. I want to follow up on one of Brian's questions. In terms of the monetization of the storage assets, can you talk about the relative value for portfolios that are a little bit higher density from a geographic perspective versus ones that are a little bit more spread out? Is there a delta between some of those territories?

Danny Abajian

Are you talking about the battery assets that we have and enrolling them in grid service contracts?

Colin Rusch

Yeah. Exactly. Yeah.

Danny Abajian

Yeah. I think what we're seeing right now in the ones that we're enrolled in is largely people taking kind of a portfolio view and giving a blended price for access to those assets rather than customization based off of density or grid congestion, whatever that may be. I think as these programs mature, we were actually ironically talking about this just recently. I think you will see price differentiation on well-placed assets over time.

Colin Rusch

Okay. Great. Then looking into next year, I know you're not guiding, but in terms of some of the supply chain elements and your ability to source at advantaged prices, you guys have talked about some of your purchasing power, over time. Are you starting to see some real leverage from some of that purchasing power as you get into next year and you see some of the demand start to fall away for certain elements of the hardware side?

Danny Abajian

Yeah. It's an interesting question. If you're thinking about the overall market supply demand in relation to 25D, I would say that part has yet to play out, and we really have to see how that goes. There are different dynamics across parts of the supply chain. General trend and theme is onshoring of what wasn't previously onshored manufacturing, and that is enabling much more domestic content value to unlock through the bonus ITC adder than the modest cost increases we're seeing.

But we are seeing some cost increases, I think, generally known in the industry, I would say most significantly on module pricing. As that onshores, we're expecting and anticipating those effects, but we also expect and anticipate them to be net value accretive from a bonus ITC qualification standpoint. But I think as we continue to observe trends, we'll be able to say more.

There is a moment of change in the industry that we have to yet live through to understand how that plays out on the other end for '26.

Colin Rusch

Okay. Thanks so much, guys.

Operator

Our next question comes from Vikram Bagri with Citi. Please proceed with your question.



Vikram Bagri

Good evening, everyone. I wanted to start with housekeeping questions on margins first. G&A came in lower than we expected. Where do you see it going forward on a per-watt or a per-customer basis? And related to that, the platform services margin was impressive this quarter. I was wondering what drove that. Was it pull forward of demand? Was it more storage installs? Is this a new normal going forward? And I have a follow-up.

Danny Abajian

Which metric in particular was the first part of your question? I just didn't hear that.

Vikram Bagri

G&A.

Danny Abajian

The G&A percent.

Vikram Bagri

The G&A, overall. Per-customer or per-watt basis, it came in at \$0.27 a watt. This is three or four quarters of decline for you on a per-watt basis, except one quarter. I was wondering, where do you see this going? Historically, this number has been under \$0.20 a watt. Are you on track to going to that level, going forward? Where do you see this G&A expense going forward on a per-watt basis?

Danny Abajian

Yeah. I think we are oriented to think of that more on a dollar per unit basis. And we've been hovering in the high 1,000s to 2,000 for several quarters. We have, across that time period, been increasing top-line unit value. So, G&A, though on a per-customer basis, has trended flat. On a percent of customer value basis, just like you'll see on sales and marketing spend, has been falling. That is how we're getting that margin expansion. In the current quarter, G&A per customer fell a little bit, about \$300 a customer from the prior quarter. And that is operating cost leverage as we built more volume in Q3 going into the seasonal peak. That'll move around a little bit through the four quarters of the year, but we expect it to stay in a similar range.

Vikram Bagri

Got it. I'm going to ask the other two questions in one go. The platform services margin was impressive. I was wondering what drove that. Danny, if you can talk about the puts and takes for the securitization spread of 240 basis points. This has been persistently at that level for a while now. When you look out on the next 12 months, what are some of the puts and takes for the securitization spread? Thank you.

Danny Abajian

Great. I'll hit the first part. On the margin expansion, I think it's just a continuation of the prior story. Say again, we got good operating cost leverage, volume growth, seasonal peak. If you look year over year, we're seeing the dynamics we've mentioned around storage attachment rate going up, the level of ITC added qualification going up. Interest rates holding reasonably steady.

And as we generate higher value systems, though we are seeing the cost associated with the storage attached, so the extra materials and install labor costs are flowing through the creation cost stack, but we're generating several points more value north of that, and you're getting the margin expansion. So, it's just in line with the focus of picking the right go-to-market strategy with the right product offering. As you heard in the lead-in from Mary, Massachusetts had a tremendous increase in the storage attach rate.

That is a contributor. We see that in one market. We action it, and we see the fruits of our labor show up in the margin expansion when we report that out. I think the goal is to continue that sort of activity throughout the balance of the quarter and 2026.

On the securitization side, I would say it's tilted towards more opportunity than risk if you're tracking just the credit spread element. If we look across the year-to-date so far, we have seen presidential solar credit



spreads stay elevated in that mid-200 basis point area, while we've seen credit spreads generally across corporates and asset classes continue to compress to very tight, like near all-time tight levels. That is expressing or implying some spread elevation. And I think we're wearing that for reasons around us relating to peer distress and some elevated default rates in the loan ABS side and some of the uncertainties around policy, this year.

We view that as opportunity as we kind of further and further distance out into next year from some of the events this year that drove that up. My estimate is we're probably at least 50 basis points elevated. If you correlate our credit spreads to general credit spreads over time, I think there's opportunity there.

Vikram Bagri

Thank you.

Operator

As a reminder, if you'd like to ask a question, please press "*", "1" on your telephone keypad. One moment, please, while we poll for questions.

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

Philip Shen

Everyone, thank you for taking my questions. First one's on capital allocation. In your prepared remarks, you talked about exploring that further to maximize shareholder value through '26 is my guess. I was wondering what might be on the table as buyback, the most likely option, what kind of timing might it be, and what things need to exist, what conditions need to exist in order to pursue that. Thanks.

Danny Abajian

Great. Yeah, you'll notice, and others will notice, we've stayed consistent on the objectives around parent debt paydown. So \$100 million or more, more than \$100 million for the calendar year. Year to date, we've gotten more than halfway there. And then we've also expressed a longer range target of having sort of a two-times leverage ratio of total parent debt, inclusive of our 2030 converts against trailing cash generation.

So we're paying down debt as we're building up the trailing cash generation. At some point in the next year, those lines should converge. For anything beyond that, whether it involves buybacks, dividends, accruing more cash on hand, pursuing other opportunities, some of them will be board-level discussions. So we're not commenting on those, but we're kind of near-term focused on execution that will build the path to unlock those conversations.

Philip Shen

Great. Thanks, Danny. Then shifting to '26 as it relates to volume. I know you do not want to talk too much about volume, but you do have some perspective in terms of growth for next year relative to the market overall, which might be contracting as a result of the 25D expiration. What we're seeing now is a Q3, Q4 pull forward of demand. You guys plan to grow next year.

That said, can you talk to us about the quarterly cadence? If there is a bunch of 25D business being pulled forward, does that impact some of your Q1 and/or Q2 volumes in a way where the seasonal drop-off in Q1, for example, might be more than normal or more than typical? If you can provide some color on that kind of quarterly cadence, that would be very helpful. Thanks.

Mary Powell

Yeah. I mean, I think at a high level, we expect to continue to gain significant share in 2026, given our focus on subscription offerings and our storage-first strategy, and we expect to do it while generating strong financial returns.

Our strategy is not to roll up or onboard a lot of smaller dealers who were historically focused on the loan and cash segment of the market. Our focus is to do exactly what we've talked about, which is to continue



to focus on providing a really strong customer experience, really strong value proposition for Sunrun, and build out our distributed power plant capabilities.

As I said earlier, the volume is there. A part of what you've seen even in what we're doing is we've continued even to pare back in certain segments where it did not hit our margin threshold.

We're going to continue to be a disciplined player focused on customer experience, margins, and building out storage, while at the same time, we we do expect to, again, gain significant share. We're in a really strong position from a market share perspective.

Philip Shen

Okay. Thanks, Mary. I'll pass it on.

Operator

We have reached the end of the question-and answer-session, and this concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.

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, 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, total addressable market, growth in certain geographies, customer value proposition, market penetration, growth of certain divisions, financing activities, financing capacity, product mix, and ability to manage cash flow and liquidity; the Company's discussion of new products, including Sunrun Flex; the growth of the storage and solar industry; the Company's financing activities and expectations to refinance, amend, and/or extend any financing facilities; trends or potential trends within the storage and solar industry, our 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; projections regarding Flex adoption rates and associated revenue; expectations regarding the growth of home electrification, electric vehicles, home-to-grid distributed power plants, and distributed energy resources; the Company's ability to manage suppliers, inventory, and workforce; supply chains and regulatory impacts affecting supply chains including reliance on specific countries for critical components; the Company's leadership team and talent development; the legislative and regulatory environment of the solar industry and the potential impacts of proposed, amended, and newly adopted legislation and regulation on the solar industry and our business, including federal and state-level solar incentive programs (such as the One Big Beautiful Bill Act and Investment Tax Credit), net metering policies, and utility rate structures; the ongoing expectations regarding the Company's storage and energy services businesses and anticipated emissions reductions due to utilization of the Company's solar energy systems; and factors outside of the Company's control such as macroeconomic trends, bank failures, public health emergencies, natural disasters, acts of war, terrorism, geopolitical conflict, or armed conflict / invasion, and the impacts of climate change. 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 our business; the Company's ability to attract and retain the Company's business partners; supply chain risks, including restrictions on components and materials sourced from designated foreign entities of concern and our 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; changes in the retail prices of traditional utility generated electricity; the availability of rebates, tax credits and other incentives; the availability of solar panels, batteries, and other components and raw materials; 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.