

SUNRUN

Q3 2023 Earnings Call November 1, 2023 Transcript

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Presenters

Patrick Jobin, SVP, Finance & Investor Relations
Mary Powell, Chief Executive Officer
Danny Abajian, Chief Financial Officer
Edward Fenster, Co-Executive Chairman and Co-Founder

Q&A Participants

Andrew Percoco - Morgan Stanley
Brian Lee - Goldman Sachs
Joseph Osha - Guggenheim Partners
Praneeth Satish - Wells Fargo
Alex Vrabel - Bank of America
Colin Rusch - Oppenheimer
Drew Chamberlain - JP Morgan
Philip Shen - Roth MKM

OPERATOR

Good afternoon and welcome to Sunrun's third quarter 2023 earnings conference call. All participants have been placed on mute. 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 Senior Vice President, Investor Relations. Please go ahead.

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.

During today's call, we will also be discussing certain non-GAAP financial measures, which we believe can provide meaningful supplemental information for investors regarding the performance of our business and facilitate a meaningful evaluation of current period performance on a comparable basis with prior periods. These non-GAAP financial measures should be considered as a supplement to, and not as a substitute for,

superior to, or in isolation from GAAP results. You will find additional disclosures regarding the non-GAAP financial measures discussed on today's call in our press release issued this afternoon and our filings with the SEC, each of which is posted on our website.

On the call today are Mary Powell, Sunrun's CEO and Danny Abajian, Sunrun's CFO. Ed Fenster, Sunrun's co-executive chairman and co-founder, is also on the call for the Q&A session.

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. We have allocated 60 minutes for today's call, including the question and answer session.

And now let me turn the call over to Mary.

MARY POWELL

Thank you, Patrick.

As you all know, this has been a volatile time across the solar industry, with changes in important policies and rising interest rates leading to difficult conditions in the sector. We are taking action and responding to this environment, which results in a lower growth outlook than we expected at the start of the year. We are also sharpening our focus on cash generation and continue to execute a customer-first, sustainable growth strategy that does not require equity funding.

Here is what we are doing to respond to these tough conditions and improve our position:

First, we are reshaping the business to be storage-first. During the quarter, we rapidly accelerated storage adoption, and as a result, we are growing our lead as America's clean energy company, one that delivers a superior value proposition to customers, and creates multiple value streams for our shareholders. This is a significant national change management exercise and one that most competitors have not yet undertaken.

Second, we have made thoughtful decisions on solar-only volume. We are not chasing growth that has subpar economics. Therefore we rejected opportunities for growth in Q4 that did not meet our return hurdles.

Third, we intensified cost reductions through both process efficiency and a best-in-class artificial intelligence team. We have improved the customer experience, and built a strong foundation to deliver increased value to customers over time.

We installed 176 megawatt hours of storage capacity in Q3, growing 131% compared to the prior year and 68% from the prior quarter. We now have more than 1.1 gigawatt-hours of storage capacity installed across the country. Our storage offerings provide customers enhanced value and generate significantly higher margins for Sunrun, while providing a foundation for future monetization in the years to come. Our storage attachment rate was over 33% of our installations across the country in the third quarter – a significant increase from just 15% starting the year, and we expect this percentage will continue to climb. Our accelerating storage attachment rate presents a powerful opportunity to grow our clean energy generation business by providing at-scale distributed power plant capabilities across America.

We are driving enhanced customer value and forging valuable long-term relationships with our customers. In Q4, we launched our storage retrofit offering with strong early results. In the quarters ahead we expect to be installing meaningful volumes of storage in our existing customer base, as we have thousands of customers who have already expressed interest in the product.

Being the chosen, trusted provider to deliver this clean energy future is critical. As a testament to our customer-first approach, our customer Net Promoter Scores at the time of install increased nearly 7 percentage points compared to the prior year, to approximately 70 points in Q3.

We will launch an early renewal program in the coming quarter to provide customers with the opportunity to renew their subscriptions and lock in the benefits of our relationship. Our earliest customers have agreements scheduled to auto-renew in about two and a half years. This program also provides Sunrun with essential learnings so we scale effectively and take advantage of significant upside opportunities for cash generation in periods ahead.

During the third quarter, we came in slightly below the midpoint of our guidance range on solar installation volume, deploying 258 megawatts of solar capacity, as we increased our focus on higher value sales to storage plus solar customers. In the third quarter, we grew our customer base to over 900,000, representing 6.5 gigawatts of installed solar capacity. According to recent market research, we are not only the largest residential solar company in the United States, but in fact we are second largest, even including utility-scale solar.

Overall, we are reiterating our commitment to drive meaningful cash generation. We aim to show the strength of our model with our customer-first approach and differentiation as the leader in storage, executing against our disciplined growth and margin-focused strategy. We had \$952 million in total cash at quarter end, and we have a durable funding model with no equity needs.

Leading in California

Turning to slide 5 to double-click on our market leadership in California.

The rate structure transition in California continues to present opportunities for Sunrun as we extend our lead with our pro-consumer solar plus storage offering. While demand has been slower to recover than we were expecting, we believe the opportunity remains significant given increasing utility rates and frequent grid outages. While industry data is lagging, anecdotal information on market trends suggests we have, or will be gaining share in California, and expect this to accelerate in periods ahead given our expertise in storage and subscription offerings.

Sunrun's storage attachment rates in our direct business are over 85% of sales in California, and closer to 100% in the investor-owned utility service territories. This is substantially higher than the rest of the industry, which we observe at less than 40% attachment rates. Importantly, we believe this provides customers with the best clean energy offering. As compared to solar-only installations in California, customers enjoy similar utility bill savings with backup storage and significantly more savings with our Shift product. Our Shift and backup storage products also provide stronger margins and future revenue opportunities for Sunrun as we network storage systems together to form distributed power plants, enhancing grid reliability and accelerating the transition to clean energy resources across the state.

Growth Outlook

Turning to slide 6.

We continue to execute our margin-focused growth strategy. This quarter we took quick action responding to higher interest rates with continued go-to-market optimization, remaining disciplined in how we participate in the Affiliate Partner segment of the market and focusing on our leadership in storage products. These actions are fundamentally geared towards maximizing valuation creation for our shareholders. Because of these actions, we are adjusting our outlook for the full-year. We are now guiding to 220 to 245 megawatts of solar capacity installations in Q4, which implies full-year growth of approximately 2% to 5%, less than our prior guidance of 10% to 15% growth for the full-year. Because of our strategic focus on storage products – both for new customers and existing customers – we are also introducing guidance of approximately 71% to 78% growth in Storage Capacity installed for 2023, which accelerates our cash generation trajectory.

There are four key drivers of our revised outlook for solar capacity installations as we highlight on the presentation slide.

First, we remain focused on providing the most pro-consumer offering in California. While the opportunity remains strong in California, the rebound is taking longer than we initially expected. Sales in Q3 recovered from Q2 following the transition to the new rate structure, and have increased by almost 15% from the prior quarter, but are still approximately down a third compared to the prior year. We have great customer offers that are compelling in a market where grid outages are rampant and utility prices are increasing rapidly. We offer Shift, our simple non-back up product, and our more sophisticated backup storage product. We believe our Shift offering and backup storage product are the best options for customers and through our grid services programs deliver the most long-term value both for Sunrun and the communities where we operate.

Based on recent conversations with customers following the mid-year policy change in California, it is apparent that the new regulatory environment has caused confusion for many consumers about the true value proposition for solar-only systems. It is taking time for consumers to adapt to the new policy, and to understand that storage products are now — by far — the best consumer product offerings in California. All of our storage product offerings continue to far outpace solar only sales. As the long term owner of assets, our interests are aligned to deliver the best customer value and to continue to invest in products that benefit our customers in the short and long term.

The good news is that the value proposition of our Shift offering is strong, with typical year-one savings of 10% to 30%. Savings will only increase as utility rates increase. For instance, PG&E may get approval to increase rates by 13% in January. California is committed to electrification, rates are likely to increase rapidly, and power shut-off events will continue to drive customers to seek more affordable and reliable clean energy sources.

While California gets a lot of attention, it's important to note the benefits of running a diversified business which operates in many markets. Installations outside of California have been robust, growing over 25% in Q3 compared to the prior year, while sales also continue to grow at double digits from the prior year.

Second, the business transition we are undergoing to become a storage-first company requires retraining thousands of sales and installation personnel. In time, the rapid increase in attachment rates for higher-value storage offerings will deliver better Net Subscriber Values and increased opportunities for grid service programs. We are pleased with consumers' interest and uptake rates of our backup battery product, which has outsold our Shift product. This is favorable development as systems with backup storage have higher margins, but these systems are more complex to permit and install and therefore carry elongated cycle times between sales and installation. We are working through this accelerated change management as our operations teams learn to optimize processes and our sales team refines how they communicate the more sophisticated and nuanced value proposition to customers.

Third, we are disciplined in how we participate through Affiliate channel partners. We value companies that are focused on customer experience that value our brand, platform, storage-first product suite and sustainable pricing model. We value partners that share a long-term orientation and are embracing the transition to a storage plus solar future. We are seeing pockets of irrational behavior in the Affiliate Partner segment of the market with several financing-only participants scaling with pricing that we consider unattractive, which can influence short-term sales dealers volume allocations. As a result, we have reduced our volume expectations through the Affiliate Partner channel in the near-term. We've seen this behavior several times in the company's 16-year history and won't chase volumes at economics that we do not view as sustainable. We believe our diversified market approach, which includes an integrated sales force and fulfillment capacity, provides insulation from these behaviors from financing-only firms and is a strategic benefit to Sunrun.

Fourth, we are adjusting our geographic mix, sales channels, and product offerings to adapt to the new interest rate environment. In the near term, these actions will maximize subscriber values and storage installations, rather than solar megawatt volumes. This includes re-positioning our geographic mix, such as exiting our direct business in Arizona earlier in the year, and recent growth in Texas.

Reducing our solar megawatt annual growth target is not something we take lightly, but our focus on cash generation, having price discipline, and leading with a customer-centric mindset are prudent actions to take as we position the company to maximize long-term value as a storage-first company. These actions,

coupled with continued cost reductions, will maximize long-term value creation and position us for meaningful cash generation.

Taking a step back amidst all the equity market volatility, and near-term headwinds from higher interest rates and difficult market conditions in the sector, the long-term value drivers are intact and Sunrun's position in the market has improved. We have been able to adapt to the higher interest rate environment as our pricing adjustments have coincided with utility rate inflation, while utility service reliability continues to deteriorate. We are at the beginning of a massive transition towards electrification, driving more electricity use at the home, and can offer an affordable, reliable source of clean energy for millions of households. I firmly believe that this challenging macroeconomic environment actually gives us opportunities to accelerate our long-term leadership position in the industry.

I am confident we will capitalize on the market shifts to strengthen our position by remaining customer-focused and long-term oriented.

Celebrate our people

Speaking of customer-focus and discipline, again this quarter I want to celebrate our teams across the country, in the field and in our offices, who are helping accelerate this customer-led revolution in energy, and practicing our strong culture of doing it safely and efficiently.

This quarter we are recognizing not one, but two top performing teams in the country. First, thank you to our top ranked install crew based on performance, safety and customer experience, from Tampa, Florida. Second, our top ranked sales team based on growth, storage attach rates and customer experience, from Fresno, California. Go Fresno and Tampa - I know you are listening, and we appreciate you! Thank you for your contributions and leadership at Sunrun.

With that, let me turn the call over to Danny for our financial update.

DANNY ABAJIAN

Thank you, Mary.

Today I will cover our operating and financial performance in the quarter along with an update on our capital markets activities and outlook.

Turning first to the results for the quarter on slide 11.

Volumes

In the third quarter, Solar Energy Capacity Installed was approximately 258 megawatts, a 1% increase from the same quarter last year, and within our guidance of 255 to 275 megawatts. Customer Additions were approximately 33,800, including approximately 29,300 Subscriber Additions. Our Subscription mix represented 89% of our deployments in the period, a meaningful increase from 83% last quarter and the highest level in two years.

We have now installed over 76,000 solar and storage systems. We expect storage installations will grow substantially in the quarters ahead. Sales of storage-attached systems have grown to over 40% nationally, which should continue to drive installed attachment rates meaningfully higher in future periods. Our backup storage offerings carry higher margins, typically by several thousand dollars per customer. During the quarter, we installed 176 megawatts of storage capacity, an increase of 131% from the same quarter last year, bringing total networked storage capacity to over 1.1 gigawatt hours.

We ended Q3 with approximately 903,000 Customers and 754,000 Subscribers, representing 6.5 Gigawatts of Networked Solar Energy Capacity, an increase of 20% year-over-year. Our Subscribers generate significant, recurring revenue, with most under 20- or 25-year contracts for the clean energy we

provide. At the end of Q3, our Annual Recurring Revenue, or ARR, stood at over \$1.2 billion, up over 28% over the same period last year. We had an average contract life remaining of nearly 18 years.

Subscriber Value, Creation Cost, Net Subscriber Value & Total Value Generated

Turning to slide 12.

In Q3, Subscriber Value was approximately \$47,100 and Creation Cost was approximately \$36,000, delivering a Net Subscriber Value of \$11,030. Our Q3 Subscriber Value and Net Subscriber Value now reflect a blended 31% Investment Tax Credit, benefiting from the approximately 13% of our Subscriber mix that qualified for the energy communities ITC adder in the quarter.

Total Value Generated, which is the Net Subscriber Value multiplied by the number of Subscriber Additions in the period, was \$323 million in the third quarter.

Our present value-based metrics are presented using a 6% discount rate, but our financial underwriting already accounts for our current cost of capital, which is slightly below 8%. As a reminder, to enable ease of comparison across periods, we generally do not update the discount rate frequently. Instead, we provide advance rate ranges that reflect current interest rates, enabling investors to calculate the obtainable net cash unit margins on our deployments. In addition, we provide a pro-forma Net Subscriber Value using the capital cost observed for the quarter.

At an 8% discount rate, Net Subscriber Value was \$4,715 and Total Value Generated was \$138 million.

Turning to slide 13.

We expect meaningful tailwinds to Net Subscriber Value in future periods from the realization of additional ITC adders and from lower hardware prices we are seeing on our current procurement activities.

While the energy communities ITC adder was operationalized in Q3, additional cash proceeds for systems that qualify for the low-income and domestic content ITC adders are expected to be realized in the coming quarters. The first low-income adder application window has opened and quota allocation awards are expected in late Q4 or early 2024. Guidance on what will qualify for the domestic content adder has been issued, but additional rulemaking processes are not expected until into 2024. Combined, these three adders represent up to \$450 million or more in additional annual run-rate cash proceeds.

We are also seeing rapidly decreasing prices for key hardware components, which will start to flow through our reported costs over the next few quarters as we work through our higher-cost inventory. On a like-for-like basis for a 7.5 kilowatt solar with backup battery system, by the end of next year, hardware costs are expected to decline by over 20%, or nearly \$3,000 per system, from their second quarter peaks. These beneficial trends may be obscured by an increasing mix of storage, which carries higher net margins, but will increase hardware and install costs and therefore impact Creation Costs.

Turning to slide 14.

We have presented a pro forma Net Subscriber Value to show the potential impacts to unit margins from the forthcoming ITC adders, if fully realized, along with the hardware cost tailwinds we expect in the coming quarters. Based on our mix of business in Q3, pro-forma Net Subscriber Value with these benefits was approximately \$14,800 at a 6% discount rate, and \$8,500 at an 8% discount rate.

Gross and Net Earning Assets, Cash Balance

Turning now to Gross and Net Earning Assets and our balance sheet on slide 16.

Gross Earning Assets were \$13.3 billion at the end of the third quarter. Gross Earning Assets is the measure of cash flows we expect to receive from Subscribers over time, net of operating and maintenance costs, distributions to tax equity partners in partnership flip structures, and distributions to project equity financing partners, all discounted at a 6% unlevered capital cost.

Net Earnings Assets were \$4.6 billion at the end of the third quarter. Net Earning Assets is Gross Earning Assets, plus cash, less all debt. Net Earning Assets increased by \$130 million this quarter. Net Earning Assets does not include inventory, or other construction in progress assets or net derivative assets related

to our interest rate swaps, all of which represents additional value. In addition, value creation upside we expect from future grid service opportunities and selling additional electrification products and services to our customer base, including our storage retrofit offering, are not reflected in these metrics.

We regularly enter into interest rate swaps to hedge capital costs on our newly installed customers. We are principally exposed to interest rate fluctuations between customer origination through shortly after installation, when our systems are financed with project-level non-recourse debt. Nearly all of this financing is insulated from near-term interest rate fluctuations, as our debt is either fixed-coupon long-dated securities, or floating-rate loans that have been hedged with interest rate swaps. As such, we do not adjust the discount rate used in Net Earning Assets to match current capital costs for new installations.

We ended the quarter with \$952 million in total cash, an increase of \$31 million compared to the prior quarter. We paid down our recourse working capital facility by \$35 million as well.

Capital Markets & Capital Runway

Turning briefly to our capital markets activities and outlook on slide 17.

We currently realize project-level capital costs slightly below 8%, which is a weighted average of our non-recourse senior and subordinated debt interest rates. Our cost of capital indications are informed by both realized terms on our transactions, as well as observable market data, such as longer-term Treasury yields as a proxy for our base rate and credit spreads across numerous comparable transactions completed in our sector.

During the quarter, we successfully executed the largest-ever residential solar securitization, raising \$715 million at a credit spread of 240 basis points, a 25 basis point improvement from our prior public securitization in May of this year. Similar to prior transactions, we also raised an additional \$253 million of subordinated non-recourse debt on the portfolio, bringing the cumulative advance rate to slightly above 84% of contracted subscriber value, exceeding the range we provided last quarter.

We continue to maintain a robust project finance runway. As of today, closed transactions and executed term sheets provide us with expected tax equity capacity to fund over 235 megawatts of projects for Subscribers beyond what was deployed through the third quarter. Sunrun also had \$555 million in unused commitments available in its \$1.8 billion non-recourse senior revolving warehouse loan at the end of the quarter to fund approximately 195 megawatts of projects for Subscribers. This strong capital runway allows us to be selective in timing our capital markets activity.

We recently closed our first tax equity fund which leverages the new tax credit transferability provisions from the Inflation Reduction Act, enabling us to more easily monetize tax credits with large corporate buyers. As more corporations become familiar with this new structure, we expect transferability funds to become a large part of our funding strategy. This will deepen and diversify our investor universe.

Given the increased scale of our business, we plan to complete an upsize and extension of our non-recourse warehouse loan in the coming few months, as we have done several times before. We are also planning to extend our asset-based recourse working capital facility in 2024, ahead of its January 2025 maturity, as we have done several times before as well. Our working capital facility syndicate includes a diversified group of thirteen relationship lenders. Both loans are floating rate and neither is constrained by current borrowing base limitations.

Outlook

Turning now to our outlook on slide 19.

We continue to believe the market is very underpenetrated and can sustain robust growth throughout this decade. In this strong long-term demand backdrop, our priority is to generate cash by continuing to increase customer values through growing storage adoption and other higher value products and services, and reducing costs by driving further efficiencies across the business.

Given our storage-first company strategy we are introducing guidance for Storage Capacity Installed. Storage Capacity Installed is expected to be in a range of 180 to 200 megawatt hours in Q4. This

represents 108% to 131% growth year-over-year. For the full-year 2023, this range represents 71 to 78% growth.

Solar Energy Capacity Installed is expected to be in a range of 220 to 245 megawatts in Q4. This represents full-year 2023 growth of approximately 2% to approximately 5% compared to our prior guidance range of 10% to 15% growth for the full-year 2023. This reduction is due to the strategic decisions we have made to prioritize cash generation and lean further into our storage product offering, as well as other factors we have noted.

We expect Net Subscriber Value to be stable in Q4 compared to Q3. As we transition our mix to higher-value storage systems, these more complex and time-consuming installations result in more costs being realized for systems that have not yet met the definition of installed. Our outlook does not include additional ITC adder benefits as we expect them to be realized in 2024, although this could occur sooner based on the pace of government processes.

As is our practice, we will provide 2024 guidance on our fourth quarter earnings call. As Q1 2024 will have a significantly higher year-over-year storage attachment rate, and Q1 of 2023 benefited from the anticipated phase-out of NEM2 in California, we expect year-over-year Solar Energy Capacity Installed will decline in that period. While weather is typically a headwind to rooftop solar installations in the winter season, we believe we can make significant progress as we ramp up our storage retrofit offering and also explore renewal opportunities.

Turning to slide 20.

We expect our disciplined and focused strategy will allow us to capitalize on our long-term opportunity, with our current focus on cash generation in 2024.

We are reiterating our range of two-hundred to five hundred million dollars in recurring annual cash generation, which we expect to achieve by the fourth quarter of 2024. We generated cash in the third quarter, and we expect cumulative Cash Generation to be positive through the end of 2024. Keep in mind, cash generation can be lumpy quarter-to-quarter based on project financing timing and inherent seasonality in our business.

Our cash generation range is based on assumptions we have outlined on the bottom of slide 20. We have responded to the higher interest rate environment with our go-to-market optimization actions. We have noted the changes in our assumptions from last quarter on the slide, which include a higher backup storage attachment rate of greater than 40%, a slightly higher weighted average ITC mix of 35% and a cost of capital range of 7.5 to 8%.

With that, let me turn it back to Mary.

MARY POWELL

Thanks, Danny.

I am so appreciative of our hard-working team whose passion and ingenuity is helping Sunrun transition to a storage-first company to extend our differentiation, expand our margins, and deliver the best value to customers. Importantly, I believe our steadfast commitment to our disciplined growth strategy will maximize the value we can create in the long-run.

Operator, we are ready for questions.

Operator

Thank you. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will your line is in the question queue. You may press star, two if you would like to

remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys.

One moment while we poll for questions. Our first question is from Andrew Percoco with Morgan Stanley. Please proceed.

Andrew Percoco

Thanks so much for taking the question. I did just want to dig a little bit more into the backup storage uptake that you're seeing in California. I guess I'm a little surprised by the demand there, especially since it doesn't appear like there's any bill savings associated with that product. So, can you just elaborate on what you're hearing from the customers specifically as to why they're going to that product versus just sticking with the Sunrun Shift product? Thank you.

Mary Powell

Yeah, great, Andrew. Thanks. Nice to hear you. Yes. I mean, one of the things we were really pleasantly surprised to accomplish was to really see the uptake in backup home storage outpace the Shift. So again, as we had talked about when we went into the transition, we were pleased that we had an innovative product offering with Shift, but we also know that there was significant value for customers to consider whole-home backup.

And if you look at the presentation, we really hit very clearly that in terms of the value to customers, the value of home storage. Particularly in a state like California, one could say it's actually priceless because of the number of outages and events that happened. But if you look at that, what you'll see is that even with whole-home backup, the--what we provide to customers is stable pricing sort of equivalent, as we show in the slide, similar to the current price that they're paying for power.

So, they get to switch over and have similar pricing and have peace of mind, have the capability to store energy and use it when they need it, as well as protect themselves from the continuing-to-escalate rates in states like California. So again, PG&E has a request that is poised for next year at 13%. I think the original request was for 26%, 25% or 26%, and it looks like 13% is going to go through.

So, that kind of environment I think really makes--the reliability environment and the price environment is driving a much more robust whole-home backup market. And one of the reasons, I should also add, that we're really pleased with our investment in Lunar, that we've talked about in the past--which is going to be another best-in-class storage offering for customers.

Andrew Percoco

Got it. That makes a lot of sense. And maybe just as a follow-up, just interested in just your hardware procurement strategy here. I think it's clear that panel prices have been coming down. Inverter prices seem to be coming down as well, as well as battery prices there, too. So, are you adding additional vendors to your approved vendor list? How is--or are you just buying more at lower prices from existing vendors? How are you kind of managing the current landscape for hardware? Thank you.

Danny Abajian

Yeah. I think it's more the latter as opposed to big movement in the number of vendors on the list or the nature of that list. I think it's really driven by procurement activity we're seeing right now. I'd also keep in mind, as we've mentioned a few times here and over time, is we still also are in the midst of burning down our elevated position of inventory.

So as we cycle through that, we won't necessarily see that deliver into our external metrics right away, but over the course of a few quarters, we definitely will, based on the pricing indications and firm pricing we're getting on our purchases today.

Andrew Percoco

Great. Thanks so much.

Operator

Our next question is from Brian Lee with Goldman Sachs. Please proceed.

Brian Lee

Hey, everyone. Good afternoon. Thanks for taking my questions. And I apologize in advance if you already kind of went through this. But, I'd be curious if you could maybe give us a bit more detail around where the biggest delta is coming from in the new megawatt install guidance versus prior, whether it's states, customer types, or maybe how much of a function of this is being--lets customers being available to meet your return requirements, and so you're just kind of pulling back. If you could maybe provide a little bit more of a breakdown between where you're seeing the pullback in the volume outlook here?

Mary Powell

Yeah. I mean, as we look at the solar installed megawatt volume outlook, I think as we lay out in the deck, in the presentation very clearly, I mean, there's basically three things driving it, Brian. So, one is the trajectory of just like pure up sales recovery in California was a little bit slower than we anticipated, so that definitely impacts the outlook.

As we also said in the call, we are seeing, again, really good numbers, growth numbers, in other states. But again, we break it down, showing that, again, we're losing because of a certain amount of that change in the uptick in the trajectory. We also leaned in really hard to whole-home backup. So, that was something that also really drove our outlook when we saw that we could really make strides in our goals towards cash generation by leveraging customers' interest in storage.

And so, that's why we also launched the storage retrofit program this quarter as well. And then, the other--the third thing was we were seeing subpar economics in the channel segment of the market, and so we made really strategic decisions to prioritize value over pure solar megawatt growth in certain areas.

Brian Lee

Okay, fair enough. That all makes sense. And then, just a second question before I pass it on. I know the cash generation target you're reiterating here, \$200 million to \$500 million by the end of this year. Why is there such a wide delta? I mean, presumably--given it's already November, I mean, presumably financing is a swing factor.

One, is that correct? And then, two, kind of what sort of options are on the table here through year-end that drive that swing factor? And then, what's driving the uncertainty around timing, I suppose, given it's a couple more months here before the end of the year? Thank you.

Danny Abajian

Hey, Brian. It's Danny. I think just to clarify at the top, the guidance for hitting cash generation annualized within the range is specific to the fourth quarter of next year. And then, the five quarters of total cumulative cash generation is also through the end of next year, not through the end of this year, just to make sure I clarify that because I think that's potentially where the question is coming from, in thinking that it's 2023.

But I think just generally, looking at the guidance and the assumptions, the few changes we've made in the assumption set, we've noted on the page, and as I called out in the remarks, and there's more specificity on the timing and the total cumulative cash generation, but again, that's over the next five quarters, taking us through the end of next year, not through the end of this year.

Brian Lee

Okay, understood. Appreciate the clarification. I guess, having said that, though, it's still a pretty wide delta. What are kind of the swing factors where you hit \$200 million versus \$500 million over five quarters?

Danny Abajian

You mean the delta between \$200 million and \$500 million within the range?

Brian Lee

Correct, yes.

Danny Abajian

Yeah, yeah. So, I think we've noted in the past, like I'll call out a few, not to hit every single one. But, the backup storage mix. That's one we actually took up version over version as we've seen that strength, and we just discussed, the ITC adders we nudged up slightly from 34 to 35. The shape of the attainment of that is more back ended over the course of this period of time.

And the swing factor there is really--so, last of which comes in is domestic content. And there's generally a wider range of outcomes of domestic content as there is less clarity at the moment. But, we remain bullish on the upside there. And that's back ended. Capital costs, we've adjusted the range but are still planning for this amount within that range.

And we've--I think we've noted 0.25 point is about 1 percentage point change in our advance rate, which annualizes somewhere in the range of about \$50 million plus or minus. So that's the--to give you the heuristic on the plus or minus on advance rates. I would say those are the big--costs falling, equipment costs another one we mentioned. That is another factor at play, which is delivering again, over time, in increasing amounts.

Brian Lee

All right, super helpful. Thank you.

Danny Abajian

Sure.

Operator

Our next question is from Joe Osha with Guggenheim Partners. Please proceed.

Joseph Osha

Thank you. Hello, hello. To follow up on Brian's line of questioning, once we get to the end of 2024, I'm seeing you use words like annualized and recurring. Is the implication that that level of cash flow generation will be something that we can expect to continue and/or grow in future years? Is that what you're signaling with that language? And then, I have a couple other questions.

Danny Abajian

Yeah, absolutely. That's the--the recurrence in nature is both recurring and with the objective of growing it over time once we stick the landing on getting within that range for all the reasons I mentioned.

Joseph Osha

Okay, thank you. Second question, if you look at what (inaudible) had to say and then SolarEdge just here today, pretty shocking outlooks for the fourth quarter driven, I think to some extent, by inventory. Obviously, some of that's in Europe, which has nothing to do with you guys. But, I am curious as to how you feel about the level of inventory on your own balance sheet and also what you're seeing out there, especially in the dealer world. Thanks. And then, I have one more question after that.

Danny Abajian

Great. So the inventory, I'd say, very simply, we've been above our targets. We measure in days of supply based on our run rate installation activity. And that's been--we've been trending well north of our objectives, but we've also made progress in reducing the inventory balance. So, for instance, in the last quarter, we drove the inventory balance down by \$130 million. I think we have another \$100 million to \$200 million to go to get levelized to our targets.

So, our--the rate of our purchasing activity is now, and will be until we're rightsized, beneath the rate of our installation flow as we right-size. And we think that's going to take us another two to three quarters.

Edward Fenster

And, Joe. Hey, this is Ed. I think there are three markets that are reducing inverter sales that haven't really impacted us we're calling out. International is obviously one. Companies unable to make the

transition to storage is another. And then the third, which we've mostly sidestepped, is markets within the United States that stopped being cost effective with higher interest rates. And so, that's a differentiating factor that has helped us relatively.

Joseph Osha

Gotcha. And nice to hear from you. And then, last one, and then I'll go away. Probably it's another one for Danny, maybe you, Ed. How are the economics of direct ITC monetization relative to traditional tax equity for you guys? And in particular, is there some mechanism for basis step up when you do a direct monetization? I'm curious about that. And that's it for me. Thank you.

Danny Abajian

So, there's structural economics, and then there's price per credit. I'd say, as has been noted across the market, we're in a period of everybody doing their first deal on both the sponsor side and the investor side, and participation has been pleasing to see. But, deals are getting done for the first time. And ultimately, we think the price per credit is going to increase as we do more and more of these transactions. And that's why we also noted we expect it to be part of our mix, that is driving that.

As far as structurally, I think there are different modes of transaction being done in the market, some of which do not have monetization for, things like depreciation. Some do. In some cases, it might be--it might look more like a traditional tax equity structure where there's a subsequent sale of the credit not directly by us. And so, there are emerging structures as well. I think ultimately, we'd expect to preserve the value, if you will, relative to tax equity, putting price per credit aside.

Joseph Osha

Understood. Thank you.

Danny Abajian

Thank you.

Operator

Our next question is from James West with Evercore ISI. Please proceed.

James West

Thank you. Good afternoon, guys. Mary, as you think about this move to storage first, which makes perfect sense, you're going to have to do some re-skilling. You've got a lot of stuff going on with the company in general. How long of a transitional period should we expect to be in for?

Mary Powell

Great question. I mean, we're well on our way. I mean, the good thing is, as you know, like Sunrun has been invested in a storage future since 2016. So, the cool thing is we already did have expertise in the company, we had experience. And it's really--like it's really the challenge of scaling and taking that experience that we have and scaling it in a significant way, particularly amidst a very rapid policy shift in one of our large markets in California.

So, we're really well on our way. It's just been incredible to see the strides that have been made over the quarter as, again, we're improving all of our customer communications, our sales training, our installation teams. Instead of having like a percent of them that are experts in installing storage, we're moving to having all of them being experts that install storage.

So, I would say we're well on our way, and I'm feeling really good about this uptake that we saw. I mean, no question, we were working towards that kind of uptake. So, we were just really pleased with the customer reaction to our focus on whole-home backup and storage across the country, particularly--and particularly in California.

James West

Okay, okay, got it. And then, as we think about things starting to, at some point, normalize here in whatever the new normal environment looks like, you are prioritizing cash flow. So, how should we think about what the normal volume growth should be on an annual basis?

Mary Powell

I mean, as you know, we guide to next year at our next earnings call. Again, we're talking about how we expect to see storage megawatt hours grow this quarter because we think it is so strategic and so important. So, as you think about how we're going to talk about it next year, I think you can really anticipate that we're going to be talking about growth in a broader context than we have historically, which is really important from a value creation perspective, value creation for our customers, and value creation for our shareholders.

And it's also really powerful. Like that's, again, why we--like we've been really pleased with the initial reaction we're getting to our retrofit program, for instance. And again, we're also launching our renewal practices around helping customers renew their contracts. And as a part of that, that gives us the opportunity to cross-sell, to up-sell, and to lock in even longer term relationships.

But, Ed, it sounded like you wanted to add something on.

Edward Fenster

Yeah, I was going to say storage is a significantly higher entry barrier business. That's probably most obvious if you look historically at what happened in Hawaii where our market share grew several times after the market effectively required storage. Storage is harder to price, design, sell, permit. It requires working capital. There are obvious fantastic economies that scale in grid services. And so, that's in part why we're making the strong pivot.

And so obviously, volume holistically is still very important to us. Solar nameplate megawatts we're de-emphasizing a little bit, and we're now focusing on total value proposition, a broader suite of products and cash flow.

Mary Powell

Yeah. And we haven't talked a lot about grid services on this call so far, but the program that we just did with PG&E this summer was very, very powerful. And as a former utility executive, to build on what Ed said, it's incredibly powerful to think about the amount of clean energy generation we're going to be sitting on top of with this kind of storage attachment rate and with the ability to now go back and retrofit customers with storage.

James West

Very helpful. Thanks, guys.

Operator

Our next question is from Praneeth Satish with Wells Fargo. Please proceed.

Praneeth Satish

Thanks. Good afternoon. So, you mentioned PG&E looks like they're on track for a 13% rate increase. Just wondering how that impacts your pricing strategy in California. Do you envision kind of raising prices in lockstep with PG&E or leaving pricing unchanged and maybe benefiting from a higher pace of installs? Just trying to understand maybe how you think about capturing that benefit in January.

Mary Powell

Well, I would say, first and foremost, it makes what we are currently selling a lot more attractive to customers. So, I think first and foremost, that's really important. Secondly, I think as I've described on other calls, we have a very flexible pricing strategy. We are very opportunistic, but we're also always evaluating it from a whole host of different factors.

So, no decisions have been made. And I would say, again, we're going to keep our nimble, flexible approach to every single market and geography within every market that we're in. And we'll make the right decisions at that time focused on sustainable, profitable growth.

Praneeth Satish

Got it. And then, maybe just switching to the tax equity market. I guess, are you seeing any constraints from your end in terms of accessing the tax equity market, given some of the proposals that are out there, and uncertainty? And then, if so, is that impacting your growth plans at all? And then, I guess longer term, obviously I assume there's going to be a mix shift to ITC transfers. Any sense in terms of what that mix looks like over the next few years?

Edward Fenster

Sure. This is Ed. I'll speak to this in a couple ways. So first, it's definitely not constraining our growth. The market is growing rapidly, both on the supply and demand side, for tax equity, but we don't have any concerns about clearing the market. I think you are also referencing the potential Basel rules. Those would only affect 2025 and the future, so it's certainly not showing up for residential funds for the moment.

In my conversations with the tax equity investors who are having the direct conversations with the regulars, regarding Basel it seems pretty clear that the proposed treatment for tax equity was viewed as a miss. And they are papering the file so it fixes that. There's obviously no guarantee that that will happen, but people are starting to feel pretty comfortable that that will occur.

Praneeth Satish

Got it. Thank you.

Operator

Our next question is from Julien Dumoulin-Smith with Bank of America. Please proceed.

Alex Vrabel

Hey, guys. It's Alex on for Julien. Just, you guys gave a lot of color when sort of talking about the pivot into storage as sort of a whole company in addition to this more measured sort of growth profile. I'm curious, right, I mean, does that also come when we sort of think about the current backdrop with any sort of reassessment of the overhead that you guys need to be carrying, again with sort of like eye on the cash generation targets heading into that sort of fork 4Q run rate next year?

Danny Abajian

Yeah. I think getting the transition to storage is a key element like affecting the near term. So, dealing with--also if you look at our value creation metric, like the speed at which we recognize storage projects, obviously that affects the subscriber value we book in period relative to the expenses we book in period, but also we capture proceeds on that at the point of install.

So, there's just a, I would call it like an order to cash cycle realization element in there that's an efficiency. And I think getting--and then cycle time being the point here, getting cycle times accelerated for storage, thinking about how we design those systems to streamline their operation along the dimensions that Ed was talking through earlier, like home upgrades, electrical work. How do we design the backup configuration to simplify all that?

So, those are all part of the picture. And then, you also mentioned overhead. Overhead we've been managing quite well. It's really operating cost leverage on the overhead. By getting more units through to install in an accelerated fashion, I would say, is the bigger lever than bringing down the gross dollars of overhead, which we've been doing. We've been at that forever, but over the several--last several quarters, we've been pretty aggressive on containing and cutting overhead where we can throughout the business.

Alex Vrabel

Got it. Yeah, super clear. Just on the pro forma adders you guys are indicating, sort of a housekeeping point. One, do you expect this will be a cash true up as those rules are finalized? And then, I mean, I guess when we think about the net subscriber value metric that you guys are expecting to guide to, would that include this sort of true up or pro forma for what you expect it to be or sort of what it is realized in period? Thanks.

Danny Abajian

Great. So definitionally, in the past, we have not put in the catch-up into the net subscriber value unit metric. We have generally floated that just through cash. And we've indicated to people what the dollar amounts of catch-up have been as we've claimed them through our tax equity fund.

So, that will be the case again for energy community adders, which we did report in the metric in the period we are actively claiming on tax equity. And there is a sub portion for systems that will get retroactive treatment that we will claim through tax equity. So, we haven't yet done a lot of that activity. That will probably be over the course of Q4 and Q1. And we've given information on that in the past.

So, energy community does have a retroactive catch-up element to it. That's live, low income. As we noted, the application window opened. We are well underway in submitting our initial batch of applications. And the award--when it comes in, there should be an initial lump sum element that is a catch-up. And then, we should run rate, going forward, as the future windows for applications open up.

And any true ups will not be a net subscriber value, just to make sure I'm clear on that. We will not go restate prior metrics, and we will not put them in the prospective metric for the unit margin as far as the catch-up element to any of these. Domestic content, not yet live, will also have--has the potential to be retroactive. But, we're still awaiting final guidance and rulemaking on that.

Alex Vrabel

Got it. Appreciate the clarification, guys. We'll take the rest offline. Thanks.

Operator

Our next question is from Colin Rusch with Oppenheimer & Company. Please proceed.

Colin Rusch

Thanks so much, guys. Can you talk a little bit about the VPP monetization and the maturity of that model at this point? I guess I'm trying to get a sense of when to start layering some of that revenue into the end of the model going forward.

Mary Powell

Yeah. I mean, as I articulated a number of times, we really see this value as growing exponentially in years to come. When you think about how fast we're scaling and now how fast we're scaling with storage, and you put that against the backdrop of the grid challenges as society electrifies--which creates lumpy, uneven load on a grid that's already strained. So, we see programs like what we just did with PG&E as a postcard from the future of what you're going to start to see all over the country.

And that was a program whereby we were providing nearly 30 megawatts every day to the grid during peak times, from August through to October. We're in active discussions with them to upsize the fleet in the future, and our growing experience with grid services increases our conviction that we can realize 2,000 or more in per customer NPV from these types of assets.

So, that's certainly how we're looking at it. And again, you just see the headlines all over the country, where utilities in so many parts of the country are really struggling with keeping up with the load, keeping up with the different climatic events. And I see more and more that utilities are going to need what we proved at a utility way back in 2015, and some have proven since, which is these provide incredible flexible resources unlike any other to support the grid.

Colin Rusch

Great.

Edward Fenster

Just to remind you, we have previously said over and over again that like lifetime grid services value to be about \$2,000 per customer. Then there's data that it's maybe even \$2,000 per customer per year for a (inaudible).

Colin Rusch

Thank you. I have some follow-ups, but I'll take it offline. And thanks for the clarity around some of the inventory on modules and inverters. I'm just curious about some of the racking inventory that you guys may have and other balance of system elements that you'll need to work through just in terms of the days on hand.

Danny Abajian

Yeah. On racking, we have more direct control over that, just because we do own a racking manufacturing company called Snap and Rack. And we do both distribute that equipment and use it on our installations. I would say once we get beyond modules, inverters, batteries, racking, as far as inventory is concerned, racking and other balance of system becomes much smaller in dollar value, but we have been managing those inventory levels and bringing them down in line with everything else.

Colin Rusch

Great. Thanks so much, guys.

Danny Abajian

Thank you.

Operator

Our next question is from Mark Strouse with J.P. Morgan. Please proceed.

Drew Chamberlain

Hi. This is Drew for Mark. Thanks for taking our questions. First one, just back on the inventory topic, I think you've mentioned that you expect to get back to that 60- to 80-day level in the early--first part of next year, and that would be when you can start to expect to see some of the pricing declines come through. With the relatively tapering of the growth outlook here, could there be any headwinds to the first half value creation because of that? Or am I reading too much into that?

Danny Abajian

I would say, yeah, the pace of--so we--it's expensing inventory. So, the actual price reductions are already accruing to us on new purchases. It's just that we're not purchasing as much as we're installing, and we're expensing more expensive inventory that we've held. So, that's what the nature of that timeline is. And I'd say we get it gradually, probably over the next couple of quarters, and then you'd probably see it more significantly after that.

But remember, we've also cautioned as you look at our creation cost, what you're also getting concurrently is each system coming with more and more batteries. And because the battery unit cost is high in relation to all of the solar only equipment, you're getting an increase in the installation cost due to equipment,, although the units of equipment are coming in at a lower unit price.

Just something to keep in mind as you observe that over the next few quarters. But, it's all contributing to a pickup in net subscriber value as we put in higher value storage attach and get operating cost leverage back as volume paces up.

Drew Chamberlain

Okay, that makes sense. That's helpful. And then, just one quick one on California. Your peer said this morning that they're having some elongated, I guess, interconnection times with some of the utilities in California, and that's been a headwind to getting systems into operation. Is that the same for you guys? And does that have anything to do with maybe some slowing of installs in California?

Mary Powell

I mean, yeah, to a degree. But again, I would say that's like routinely a challenge for us. But at the same time, we're also encouraged. Again, as a very storage obsessed company, we're really encouraged by what we've seen with the adoption of meter collars, for instance, with some storage devices, which actually should help accelerate installation times over time. So, we're seeing some good moves in the context of where our focus is, which is whole-home backup with solar.

Drew Chamberlain

Okay. Great. Thank you.

Operator

Our final question will be from Philip Shen with Roth MKM. Please proceed.

Philip Shen

Hi, all. Thanks for taking my questions. Just had a quick follow-up on the tax credit monetization discussion. Can you give a sense of the timing of when your first deal could be and then how much of your 2024 TPO volumes could be supported by tax credit sales?

Danny Abajian

Yeah. So, we've closed the first transaction. We are in the final stages of completing the transfer element of that fund, and we'll be a heavy user of that fund for the balance of the year. So, that's the status of the transaction generally.

Philip Shen

Great. And do you expect it to be a majority of your financing as it relates to the credit financing for 2024?

Danny Abajian

I think it would be a substantial portion. I don't know if it's majority, half. I think over time, definitely as these funds are--it could be very large in size. At some points of the year, it might be more transferability. At other points in the year, it might be more traditional tax equity, depending on what we're utilizing over time.

But, I think the other thing to keep in mind, just one other thing. Similar to the equipment piece, as far as like GAAP treatment, the ITC, so the traditional tax equity delivers a lot of income through the non-controlling interest line of our P&L. As we transition to ITC transfer, the treatment of the ITCs will look more like--likely contra depreciation. So, it will have impact on the trending of our EPS over time. Just something to keep in mind, again, as you track all that activity through our GAAP statements.

Philip Shen

Great. Thanks, Danny. Can you also talk about the growth of your installation costs and why they're up \$0.40 per watt sequentially? Is it due to increased storage penetration? And if so, why are proceeds going up? Or why aren't proceeds going up in line with that? Thanks.

Danny Abajian

Yeah. I think the general point about we're making the transition, so we picked up 18 percentage points, or sorry, 15 percentage points on the battery attach over last quarter. We started spending against that. And we expect more pickup to come. And the expenditure against the battery install, as we've been transitioning our mix, has been proceeding. So, that's a little bit of a drag.

The volume being down a little bit is a negative operating leverage on the non-variable elements to install cost, such as like getting permits and doing site audits, etc. So, battery equipment, negative operating leverage, the recognition of the subscriber value not coming in as quickly enough, and there are a few other elements. But, I would say those would be the largest factors.

Philip Shen

Okay, great. Thanks. And then, the final question here is around some reports questioning the subscriber count and customer counts that EIA uses. So, there seems to be a difference. I was wondering if you could break down the disconnect or the difference between the two. Thanks.

Danny Abajian

Yeah, happy to run through that a little bit here. I think we have responded to that publicly. Obviously, we think our response was adequate. Happy to go into more detail here on this call. And I would say just, first and foremost, like the numbers from two different sources are not comparable.

We do define what we express in our metric. It's been the same and hasn't changed as far as subscriber count. And as any diligent company would do, where it's not clear, in this case EIA asking us for information, we do have conversations with them to make sure we cover off all of the nuances and give them exactly what they're looking for. And that's what our team has done over time through multiple conversations between our team and directly with EIA.

And there are like atypical aspects of our business that a generic reporting guideline that you pull from their website wouldn't perfectly address. So as to solar customers, there are a couple of places EIA has requested that we diverge from GAAP.

The first place is our prepaid customers, which they've said we should not report because we don't actively bill them. And they're trying to obtain billing data. We have well more than 50,000 of those customers. That gives rise to \$865 million in prepayments on our balance sheet. And if they change their mind and ask us to report that, we would happily do so.

Another area is like the monthly billing customers and whether you go with the GAAP number. We have a contract that escalates from \$0.10 to \$0.20 over 25 years, GAAP records \$0.15 of levelized payments over

the contract term. And we actually report our current cash billing amount, which would be \$0.10 in year one. So, that's a nuance we've checked. That's how we report it.

And another unusual area is revenue from storage systems, and how do we report that over time? And we're currently in discussions with them on how to report that to their satisfaction directly. And then finally, one other element to hit is the estimates on the system costs. And I would say before that, they're also--the delay in recognition of assets I didn't hit, which is the permission to operate.

We do have a much longer lag in permission to operate from getting--from install to permission to operate, and commencing billing then is understood. And that's another large portion of the difference. And then, on the cost side, which I was going to get into, as is visible on our balance sheet, we have \$813 million in CIP, much of which is a waiting placement in service. And that doesn't get--that wasn't picked up in the analysis that was done.

And also, there is GAAP expense recognition versus capitalization differences between when you sell an asset and when you lease it to a subscriber. And examples of that include warehouses, branches, vehicles. We don't capitalize that into the basis of the asset, and we expense that in period. And that also wasn't picked up in the analysis that's been done.

And I would say, just to kind of leave it with the last piece here, as far as what we do and how that relates to ITC claims on tax equity funds, that does go through numerous elements of third party due diligence as well. And that's been very well scrutinized by third parties, and we welcome it.

Philip Shen

Great. Thanks for the detail, Danny. I'll pass it on.

Danny Abajian

Happy to do it.

Operator

Thank you. That is all the time that we have allocated for the Q&A. You may all disconnect your lines at this time, and have a wonderful day.

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 its ESG efforts, expectations regarding market share, total addressable market, customer value proposition, market penetration, financing activities, financing capacity, product mix, and ability to manage cash flow and liquidity; the growth of the solar industry; the Company’s financing activities and expectations to refinance, amend, and/or extend any financing facilities; trends or potential trends within the 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; anticipated demand, market acceptance, and market adoption of the Company’s offerings, including new products, services, and technologies; expectations regarding the growth of home electrification, electric vehicles, virtual power plants, and distributed energy resources; the Company’s ability to manage suppliers, inventory, and workforce; supply chains and regulatory impacts affecting supply chains; 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; the ongoing expectations regarding the Company’s storage and energy services businesses and anticipated emissions reductions due to utilization of the Company’s solar 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 and associated costs; 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.