



**Q1 2024 Earnings Call  
May 8, 2024  
Transcript**

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**Presenters**

Patrick Jobin, SVP, Finance & Investor Relations  
Mary Powell, Chief Executive Officer  
Danny Abajian, Chief Financial Officer  
Paul Dickson, President & Chief Revenue Officer  
Edward Fenster, Co-founder and Co-Executive Chair

**Q&A Participants**

Brian Lee - Goldman Sachs  
Moses Sutton - BNP Paribas  
Kashy Harrison - Piper Sandler  
Andrew Percoco - Morgan Stanley  
James West - Evercore ISI  
Praneeth Satish - Wells Fargo  
Joseph Osha - Guggenheim Partners  
Philip Shen - Roth MKM Partners  
Colin Rusch - Oppenheimer  
Maheet Mandloi - Mizuho Securities  
Dylan Nassano - Wolfe Research

**OPERATOR**

Good afternoon and welcome to Sunrun's first quarter 2024 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-founder and co-executive chair, along with Paul Dickson, Sunrun's President and Chief Revenue Officer are 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.

And thank you all for joining us today.

We are starting the year with solid momentum in the business as our storage-first, margin-focused strategy is delivering strong results.

In the first quarter we beat the high-end of both our storage and solar installation guidance, set new records for storage attachment rates, and delivered another quarter of strong net subscriber values.

Our installation productivity and success driving a storage-first strategy is delivering strong results. At the same time, sales activities in Q1 did grow slightly slower than initially expected, coming in at 13% sequential growth in our direct business. While less than initially anticipated, this level is still consistent with our historical seasonal norm. We continue to prioritize margins over volumes, and we believe this approach will result in the highest long-term value for our shareholders.

We are reiterating our full-year storage capacity installation guidance and we are reducing our full-year solar installation capacity outlook to down 15% to flat, from our prior guidance range of down 5% to up 5%. We expect 2024 will be a strong year in terms of Total Value Generated, which will grow by over 10%. Most important, we are reiterating our Cash Generation guidance of a Q4 annualized level of \$200 to \$500 million.

We are confident in achieving strong growth in installation activities through the year, as the fundamental demand drivers of our business continue to be robust. Utility rates continue to rise, while solar and storage equipment costs are declining, and our operating efficiency continues to improve. Customers remain eager for clean, affordable and resilient energy to power their lives.

**Storage-first Strategy & Accelerating Innovation**

In the beginning of 2023, we oriented the business to be storage-first, which increases the customer value proposition and lays the foundation for future value creation from grid services. This strategy has also allowed us to capitalize on regulatory changes better than others in the industry.

In Q1, we installed storage on 50% of our new customers, up from a 15% attachment rate in the prior year. We installed 207 megawatt hours of storage in Q1, almost triple the year-ago quarter.



Storage systems provide increased customer value through enhanced resiliency and control, while providing higher margins for Sunrun. Our fleet of Networked Storage Capacity has reached 1.5 Gigawatt hours with 102,000 systems installed. Based on industry data, we represent about half of new storage installations in the United States and are gaining. In 2023 we were under 20% share of residential storage deployments across the US and by Q4 we were approximately 45%. Our fleet is growing in significance, and is already at a scale that could replace multiple polluting peaker power plants. For instance these resources could power a city like San Francisco for multiple hours, and do so daily as batteries are recharged from the sun.

While still in the early stages of commercializing these resources, we just announced two new record-setting grid service programs.

For the second year in a row, Sunrun will set a national record for the largest number of residential solar-plus-battery systems enrolled in a virtual power plant. Last year we did about a 30-megawatt program with PG&E. This year we are launching a statewide Demand Side Grid Support program that is about twice the size with more than 16,000 Sunrun customers.

We also have now enrolled nearly 1,800 customers in our Puerto Rico virtual power plant. Our resources have been dispatched nearly a dozen times – helping to prevent rolling blackouts and keeping the power on for all Puerto Ricans – not just our customers.

The fact that we are running these two successful programs shows that VPPs can rapidly scale all across the country. Last month, a Brattle Group study concluded that virtual power plants could save California consumers \$550 million per year.

We also continue to innovate with AI, enhanced customer experiences, new products, adding batteries to existing systems, EV charging, and of course early renewal opportunities. The team is busy innovating to extend Sunrun's differentiation in the market even as we dial up our focus on efficiency and cash generation.

### **Driving Operational Efficiency**

We are making clean, affordable and reliable energy accessible to families across America with the most pro-consumer offerings, and delivering the best customer experience and service in the industry. Being the chosen, trusted provider to deliver this clean energy future is critical. As a testament to our approach, our customer Net Promoter Scores at the time of installation continue to increase, exceeding 75 points this quarter.

We are driving this great customer experience and investing in innovation while *also* dramatically increasing operating efficiencies.

Our crew labor productivity has improved by 5% compared to the prior year, even as we more than tripled our mix of more complex battery jobs. Our efficiency gains installing systems with batteries are particularly impressive, improving 30% year-over-year.

Overall headcount in our installation organization is down 5 percentage points more than the change in volumes.

In addition, general and administrative costs have declined slightly year-over-year and continue to be a fraction of that of peers, even as we accelerate the pace of innovation, highlighting the tremendous scale advantages we derive and sizable barriers to entry in the space.

We are also driving increased efficiency and improved quality through the organization from leveraging artificial intelligence. We have already started using AI to improve the speed and accuracy of system design, pipeline management, and material handling. We are increasingly encouraged by how AI can improve our operating efficiency and customer experience even further.



Growth in AI and the voracious energy consumption that comes with it will drive even greater need for Sunrun's fleet of solar and battery systems. The International Energy Agency forecasts power demand from datacenters in the US will increase 60 terawatt hours by 2026 to account for nearly 6% of total US electricity demand. Electric grids will need to procure more power to meet this need, especially at peak times, and distributed flexible renewable resources will be one of the solutions. Much of this growth is also coming from companies who are eager to use clean energy to meet their environmental objectives.

### **Celebrate our people**

Before handing over to Danny, I want to take a moment to celebrate some of our people who truly embrace the power of solar energy to make a real difference in our world. Thank you to our leading teams in Houston, Texas! Our top ranked installation crew, led by Jonathan, and direct to home sales team in the quarter based on safety, quality, battery attachment rates and customer experience were in Texas this quarter. Thank you all 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 9.

### **Volumes**

We have now installed over 102,000 solar and storage systems, with storage attachment rates reaching 50% of installations nationally during the first quarter of 2024. We expect storage attachment rates to remain around this level throughout the remainder of the year. This higher mix of storage has driven improvements to our Net Subscriber Value as backup storage offerings carry higher margins.

During the quarter, we installed 207 megawatt hours of storage capacity, well above the high-end of our guidance and almost triple the same quarter last year. Our total networked storage capacity is now over 1.5 gigawatt hours.

In the first quarter, Solar Energy Capacity Installed was approximately 177 megawatts, also above the high-end of our guidance range of 165 to 175 megawatts. Customer Additions were approximately 24,000, including approximately 22,000 Subscriber Additions. Our Subscription mix reached 93% of deployments in the period, an increase from 92% last quarter and the highest level in many years.

We ended Q1 with approximately 957,000 Customers and 803,000 Subscribers, representing 6.9 Gigawatts of Networked Solar Energy Capacity, a 16% increase 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 Q1, our Annual Recurring Revenue, or ARR, stood at over \$1.4 billion, up 30% 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 10.

In Q1, Subscriber Value was approximately \$50,800 and Creation Cost was approximately \$38,900, delivering a Net Subscriber Value of \$11,891. This strong result was from increased efficiency and a beat on volumes.



Our Q1 Subscriber Value and Net Subscriber Value now reflect a blended Investment Tax Credit of over 35%, benefiting from expanded eligibility for the energy communities ITC adder and the portion of our deployed systems eligible for the low-income adder.

Total Value Generated, which is the Net Subscriber Value multiplied by the number of Subscriber Additions in the period, was \$262 million in the first 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 was in the 7.6% area in Q1. 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 a 7.6% discount rate, Net Subscriber Value was \$6,593 and Total Value Generated was \$145 million.

We expect additional tailwinds to Net Subscriber Value in future periods from the following variety of factors: more favorable business mix, increased realization of ITC adders, and lower costs from hardware price reductions, labor efficiency and operating leverage from strong sequential volume growth.

On slide 11, we detail the tailwinds from ITC adders and hardware costs.

In Q1, we recognized a weighted average ITC of approximately 35%, the equivalent of approximately half of our systems qualifying for the energy communities or low-income adder. During the quarter, the government expanded the qualification criteria for the energy communities adder. Approximately 35% of our current installations now qualify, compared to 13% before the expansion. While the energy community adder expansion was favorable, our expectation for the portion of our systems that qualify for the low-income adder going forward has been lowered from 26% to 18%, given the current inefficiencies in the program design and implementation.

While we continue to receive proceeds from the energy communities adders, proceeds from the awarded low-income adders are delayed given the slow government process.

Proceeds from domestic content adders are expected to be realized in the coming quarters. Guidance on what will qualify for the domestic content adder has been issued, but we are still awaiting further clarity from additional rulemaking processes some time this year.

Combined, these three adders could represent up to \$450 million or more in additional annual run-rate cash proceeds.

We continue to see decreasing prices for key hardware components, which are gradually flowing through our reported costs as we finish consuming our higher-cost inventory. On a like-for-like basis for a 7.5 kilowatt solar with backup battery system, by the end of this year, hardware costs are expected to decline by over 18%, or nearly \$2,500 per system, from their peak in the second quarter of 2023. 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 increase Creation Costs. Additionally, we are monitoring recent developments with certain US manufacturers petitioning for new tariffs. Modules, however, represent less than 10% of our total Creation Costs and the history of various trade disputes has demonstrated the impact has been manageable as the global supply chain is dynamic over time.

### **Gross and Net Earning Assets, Cash Balance**

Turning now to Gross and Net Earning Assets and our balance sheet on slide 13.

Gross Earning Assets were \$15.0 billion at the end of the first 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 \$5.2 billion at the end of the first quarter, up approximately \$200 million from the prior quarter. Net Earning Assets is Gross Earning Assets, plus cash, less all debt. 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 represent additional value. The 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 programmatically enter into interest rate hedges to insulate our capital costs from adverse near-term fluctuations. The vast majority of 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.

### **Cash Generation**

We ended the quarter with \$783 million in total cash, a decrease of \$205 million compared to the prior quarter.

Q1, which is typically the weakest quarter for Cash Generation due to volume seasonality, was further impacted by one-time costs from financing activities we completed in the quarter, as we discussed on last quarter's call, as well as delayed timing of incentive monetization. Cash Generation was negative \$311 million in Q1, which included approximately \$317 million of one-time costs and timing-related items, as we have outlined on slide 14. Excluding these items, adjusted Cash Generation was positive \$6 million in the quarter.

The financing activities we opted to pursue in Q1 resulted in \$107 million of one-time cash impacts. These included fees paid for the 2030 convertible debt issuance and purchase of the capped calls to mitigate dilution, fees paid on the extension of our recourse working capital facility, and fees paid on the extension of our non-recourse warehouse facility and an associated reduction to the facility's advance rate.

In Q1, we made a significant transition from traditional tax equity, where all cash is typically provided at or just before installation, to tax credit transfer, where funds for tax credits often come quarterly in arrears. This transition was primarily responsible for a reduction in Q1 tax equity proceeds of approximately \$181 million.

We are working to close new funding that will resolve the working capital headwind, all of which we expect to close before the end of the quarter. With these closings, we will fully recover the working capital investment that we made in Q1.

In Q1 we deployed systems that are expected to contribute \$30 million in Cash Generation from the low-income ITC adder. While many systems have met all conditions, monetization remains delayed given the timing of government processes. Later this quarter, we are expecting to monetize the receipt of delayed ITC adders through a combination of additional tax equity funding and debt proceeds.

### **Capital Markets & Capital Runway**

Turning to our capital market activities.

As we discussed last call, we were very active in Q1 arranging capital to support our growth and further optimizing our balance sheet by extending maturities. It is prudent to extend facilities early to navigate potential and unexpected macroeconomic conditions and volatility.

In February, we successfully extended and upsized our non-recourse revolving senior warehouse facility to support our scale. This facility funds assets temporarily before we raise long-term financing, principally in the asset-backed securitization market. We increased the size by \$550 million, from \$1.8 billion to \$2.35 billion, and extended the maturity by approximately 3 years from April 2025 to February 2028. The effective credit spread increase of 50 basis points was commensurate with recent movement in the securitization market for term out transactions with similar advance rates. The facility continues to have a diversified set of nine relationship lenders. We also achieved certain other improved terms that afford more flexibility to fund our anticipated future product and geographic mix.

Our team also continues to execute tax equity transactions, including structures that facilitate ITC transfers to a deepening pool of large buyers. As we discussed on the last few calls, the traditional tax equity



market has been tighter recently, which we believe is resolving now that tax equity investors have adapted their approaches to structuring deals in this new environment. In addition, we continue to build an active pipeline to sell tax credits to corporate buyers for ITCs that are generated when systems are placed into service.

As of today, closed transactions and executed term sheets provide us with expected tax equity capacity to fund over 331 megawatts of projects for Subscribers beyond what was deployed through the first quarter. We expect to expand this runway during Q2.

Sunrun also had \$593 million in unused commitments available in its non-recourse senior revolving warehouse loan at the end of the quarter. This unused amount would fund approximately 214 megawatts of projects for Subscribers. Our strong debt capital runway allows us to be selective in timing transactions.

Since the start of the year we have closed two ABS transactions. Sunrun's industry-leading performance as an originator and servicer of residential solar assets continues to provide deep access to attractively priced capital.

In February, we closed an ABS transaction with a private credit investor and arranged subordinated debt financing on the portfolio. The \$361 million non-recourse senior debt was rated A- by Kroll and was priced with a 232.5 basis points spread. This demonstrated yet another improvement in capital costs, with spreads declining from our last securitization in September that was priced with a 240 basis points spread. We placed a \$109 million subordinated loan on the portfolio as well. The all-in full-stack weighted average cost of capital on this portfolio was approximately 7.5% and resulted in a cumulative advance rate, as measured against our contracted Subscriber Value metric, of over 80%. The use of private credit investors shows the strong interest in our assets from a growing and broad set of investors.

In April, we closed a \$230 million securitization to refinance existing debt on a portfolio of seasoned assets. The non-recourse senior debt was rated A by Kroll and was priced at a credit spread of 195 basis points, a 37.5 basis point improvement from our private securitization in February and 45 basis points lower than our securitization in September 2023. The latest execution represents the lowest spread achieved for similarly rated transactions across the sector since 2021.

The portfolio is jointly owned by National Grid and Sunrun following their project equity investment in 2017, with National Grid receiving the majority of cash flows through 2042, including the significant net cash proceeds from this refinancing. Importantly, however, this transaction highlights our continued deep access to capital, at improving terms, and demonstrates the favorable market for refinancing seasoned assets we have originated and serviced. This bodes well for the significantly sized portfolios of seasoned assets that we will refinance in the coming years.

Moving to the parent capital side. During Q1 we took actions to extend maturities and optimize our parent balance sheet.

In February, we closed an extension of our recourse working capital facility. We reduced the size from \$600 million to \$447.5 million, with an option to upsize the facility to \$477.5 million prior to September 30, 2024. We amended the facility to extend the maturity from January 2025 to November 2025. We also included a feature that will further extend the maturity to March 2027 – should we meet the requirements for this provision, which include addressing the maturity of the convertible notes due in February 2026.

Also in February, we issued \$483 million in convertible notes due in 2030. Since the issuance of the 2030 convertible notes, we have repurchased another \$82 million of our 2026 convertible notes. To date, we have now spent \$175 million to repurchase over \$205 million of these notes. Less than half of the 2026 notes now remain outstanding. We will continue to be disciplined and selective with repurchases, given alternative high-yielding capital uses.

Our intent is to maintain a strong and healthy balance sheet. The recourse financings and bond repurchase activity in Q1, including all related fees, increased our cash by \$102 million and increased our debt by \$125 million. With continued repurchases of the 2026 convertible notes, or retirement at par at maturity, we expect net recourse debt to be little changed. We have also prudently extended maturities while mitigating dilution with the capped call.



When we think about our balance sheet, we prioritize a strong cash position and use of asset-level non-recourse debt financing. This strategy provides the lowest cost capital to finance cash-flow producing assets backed by high-credit consumers, and to use parent recourse debt that is appropriately sized and balances maturity dates, cash interest costs and flexibility.

### **Outlook**

Turning now to our outlook on slide 17.

The underpenetrated nature of our market gives us confidence we 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 by reducing costs by driving further efficiencies across the business.

While sales activities in Q1 were slightly less than we previously anticipated, we are seeing strong demand signals and expect a material pickup to occur in Q2, leading to an inflection point with meaningfully higher installations in the second half.

Storage Capacity Installed is expected to be in a range of 215 to 225 megawatt hours in Q2. This represents 105 to 115% growth year-over-year. For the full-year, we are reiterating our guidance for Storage Capacity Installed to be in a range of 800 megawatt hours to one gigawatt hour, reflecting 40% to 75% growth year-over-year.

Solar Energy Capacity Installed is expected to be in a range between 190 and 200 megawatts in Q2. At the midpoint, this represents 10% growth from Q1. Because of the pull-in of demand in California in early 2023, year-over-year comparisons are less relevant in Q2. We are confident that Q1 volumes will mark the low point in the year and we expect robust sequential growth into the rest of the year.

For the full-year, we expect Solar Energy Capacity Installed year-over-year growth to be in the range of down 15% at the low-end to flat at the high-end. This updated range reflects recent sales activities and outlook. We believe this guidance still represents market share gains underpinned by the strength of our subscription offering and our disciplined go-to-market approach.

Our growth in the value we create with this volume will be much larger. We continue to forecast Subscriber Values will increase by greater than 10% in 2024 as we increase our mix of higher-value offerings, and input costs decline, resulting in growth of Total Value Generated of greater than 10% in 2024.

Turning to slide 18.

We remain committed to driving meaningful cash generation as we execute our margin-focused and disciplined-growth strategy.

We are reiterating our Cash Generation outlook. We are guiding Cash Generation to be positive on a quarterly basis for the remainder of the year, with Cash Generation in Q4 at an annualized run-rate of \$200 to \$500 million. This run-rate will be expanded upon on an annual basis into 2025. We have outlined our current set of assumptions underpinning this outlook on the bottom of slide 18. The most notable variable is the realization of the domestic content adder: the low-end of the guidance range assumes no domestic content adders while the high-end assumes these adders are obtained. We currently expect a large portion of our storage systems to qualify for the domestic content adder.

With that, let me turn it back to Mary.

**MARY POWELL**





Thanks, Danny. I want to again express my appreciation to the entire Sunrun team. Your continued commitment to providing our customers and communities with clean, affordable energy to power their lives and to create value for all of our stakeholders is what drives us forward.

Our rapid transition to a storage-first company is extending our differentiation, driving enhanced margins, and delivering the best value to customers.

Operator, let's open the line for questions.

**Operator**

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

So that we may address as many questions from as many participants as possible, we ask that you limit yourself to one question and one follow-up. If you have additional questions, you may re-queue, and, time permitting, these questions will be addressed.

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

**Brian Lee**

Hi, everyone, good afternoon. Thanks for taking the questions. First one was just on the reduction in solar volume outlook for the year here. It appears--I guess, strategic, you said earlier in the slides you're just kind of focusing on profitable growth and storage, but then you also alluded to some market-related weakness, I guess sales activity being a little bit slower.

Can you maybe parse those two pieces out? How much of it is market-related, how much of it is strategic on your own part, and then were there specific areas that you kind of pinpointed that had the weakness or the non-strategic sort of focus that you wanted to pull back from? And then, I had a follow-up.

**Mary Powell**

Sure. Thanks, Brian. Good to hear from you. Yeah, so to be clear, we really see Q1 marking the bottom, and we feel confident in the uptick in our outlook for the year. And you are absolutely right. As we have said, we continue to focus on our goals around profitability and cash generation and really being very strategic on volume. And with that, I would turn it--Paul, why don't you give a little bit more detailed response to some of Brian's questions.

**Paul Dickson**

Yeah, great question. So, we underwent kind of a final evaluation of our market economics and the various routes that we have generating volume and did a final cut of volume that did not meet our target return threshold. And so, we underwent that exercise, which is a component of the volume adjustment.

The other thing that we're seeing in the market is kind of this like new entrant, kind of this ankle-biter finance provider that comes in with aggressive pricing and has been somewhat distracting to various channel partners or affiliate partners that we work with. And while we don't see any sustainable approach in their business model, and we've made a business practice in the past of purchasing their portfolios when they are unable to operate them because of the uneconomical approach that they take, there has been some distraction for our affiliate business.

**Brian Lee**

Understood. Yeah, that's super helpful.

**Mary Powell**

Yeah, and just--Brian, just one last point on that, just again, I'm sure you did notice it, but storage volume was retained. And we are really thrilled with the storage attachment rates and with our ability to retain that volume, which is very positive from a bottom line perspective.

**Brian Lee**

Yeah, absolutely. It seems like the reallocation of any resources or capital should further de-risk the storage number. That's awesome. Maybe one for you, Danny, and then I'll pass it on. Slide 18, this is super helpful, just kind of giving us some context low to high end. I know there's been a lot of questions between how do you get to 200 versus how do you get to 500?

If I look at this slide, and a lot of the data you provided during the quarter on where you're tracking, it seems like you're already tracking at or ahead of the low end, the \$200 million annualized based on these three bullets. Can you help us understand kind of the frame of going from 36 percent to 40 percent capital cost, 8 percent to 7.5 percent?

How much is each of those buckets worth? I wouldn't presume it's 100, 100, 100, but is it that simple, where if you get capital costs down to 7.5 percent, you get storage attached up 10 percent? Each one of those is worth 100--maybe just kind of helping to quantify what each of those buckets is worth to the cash flow generation. Thank you.

**Danny Abajian**

Yeah, great question. And we absolutely did want to break this out as to what assumptions are associated with opposite ends of the range. We've been getting a lot of questions around that so wanted to be responsive to that. As far as the magnitude of each of those primary drivers, in the middle of Slide 18, capital costs--there was capital costs, so not in order. But capital costs, a quarter point is between \$40 million to \$50 million, depending more on the volume in the period.

And that will range through the year as we grow volume. And this is more--most relevant to the Q4 exit rate. I would say it's probably closer to \$50 million. And then, the point of ITC adders is probably south of \$50 million, maybe somewhere in a plus or minus \$40 million range per point. And then, storage attachment rate. I don't have the exact translation, but I would say the first two are more meaningful at this point, given we're in a smaller range on storage attachment rates relative to where we started.

**Brian Lee**

Great, appreciate that additional color. Thank you.

**Danny Abajian**

Thank you.

**Operator**

Thank you. Our next question comes from the line of Moses Sutton with BNP Paribas. Please proceed with your question.

**Moses Sutton**

Hi. Thanks for taking my question. So, the tax credit receivable of \$181 million, is this transferability credit sold outside of a TE fund, or is still going through the typical cash waterfall and essentially partially replaces the tax equity proceeds that you have gotten from some of those banks? And what could delay the \$181 million maybe further than 2Q?

**Danny Abajian**



Yeah, so let me--I think the general expectation is to be caught up by the end of 2Q. There's a basket here of like reasons for the delay, but primarily it's the timing of when you sell the credit out of the fund to the buyer. So, in traditional tax equity structures, the tax equity bank would be willing to both take the credit and give an advance ahead of the install or around the time of the install for that credit, whereas today, the tax equity--the tax credit buyer, rather, is buying in arrears. And that can trail the time of install.

And as we're migrating structures, for structures that don't involve a traditional tax equity bank, the fronting, if you will, of that tax credit monetization is not happening to the degree it used to. Now, some of it also varies based on the timing of when the individual buyer is transferring over proceeds for the purchase.

They might do it monthly, they might do it quarterly, they might do it annually. I think we're seeing the market move to monthly and quarterly as opposed to annually, which is kind of where we started on one of the funds we've done recently. So, I would say it's--really the frequency of payment is the big driver.

Obviously, the payment is for both the base tax credit of 30 percent plus the adders. So, I would say it's predominantly timing-driven, and that's in the process of being resolved, as we said in the prepared remarks. As traditional tax equity banks are figuring it out and moving into these structures, the working capital dynamics are improving.

**Moses Sutton**

I see. That's very helpful. And I guess, unrelated to timing, are you seeing any reduction in the tax equity capacity that you would normally use because Nova is increasing its participation in the market, and maybe those banks want to limit their aggregate exposure to resi solar? Just thinking through if that's a possibility.

**Danny Abajian**

I think we're seeing--generally, we're seeing capacity in the process of expanding radically. I think the biggest thing we see is just the value that we now provide to corporate buyers who basically are getting up to 10 percent, high single-digit type of discount. Immediately, they can clip that coupon on their taxes.

And I think we're going to see a large swarm of repeat buyers come in, once they figure out how to do this and get comfortable. And I think that's driving the expansion. We've noted traditional tax equity now for a couple of quarters to be tight. I think that dynamic still presents to some degree, but I think as we're moving to hybrid structures, net-net, we're seeing a big expansion in capacity.

**Moses Sutton**

Great. Thanks again.

**Operator**

Thank you. Our next question comes from the line of Kashy Harrison with Piper Sandler. Please proceed with your question.

**Kashy Harrison**

Good afternoon, everyone, and thanks for taking the questions. So, maybe first one is for Danny. I think--please correct me if I'm wrong, but I think you just said \$40 million for ITC points for the domestic content adder. What--and so the question, my question is what specifically should we be looking for once the Department of Treasury releases guidance that would say, "Okay, this is fully de-risked?"

**Danny Abajian**

And you're referencing the domestic content or--.

**Kashy Harrison**

Yes. For the domestic content, yes.

**Danny Abajian**

Yeah. I think it's eligibility, it's the basis of calculation. I think we have--as we've noted before, we already--in the case of batteries, we buy batteries that are made domestically. Module supply, I think that's in the works. So, as we kind of get the domestic supply that we think, based on past guidance that is technically eligible, the rulemaking around how you specifically attribute things in a calculation will matter.

And I don't think we have yet full clarity there. So, we're in a bit of a range, and as soon as we see some additional guidance, we'll be able to narrow that range is our hope. And that's been a hope unfortunately too long, but we're hopeful that is very soon.

**Kashy Harrison**

I guess, maybe just asking it in a little bit of a different way, if batteries alone qualify, would that be enough, or do you need batteries and modules to qualify?

**Danny Abajian**

Yeah, we--again, short of the guidance, we've taken a preliminary view that on most battery installs, the batteries should qualify. However, again, we have to punch through all the details and firm up that view. And on solar only, we'll need module, and in some cases, we might also need inverter. There could be other combinations involving balance of system components like racking on a solar only to meet the test, to meet the minimum threshold.

**Kashy Harrison**

Appreciate the color there. And then, just my second question. Just again, back to the discussion on the newer entrants with the uneconomic offerings, fully appreciate the focus of cash in lieu of volumes. That's definitely the right call. But, just wondering how you handicap the risk that some of these headwinds either continue or potentially accelerate in 3Q or 4Q. I'm just trying to make sure that we're not having another call in August, and there's another guidance cut on the solar side.

**Paul Dickson**

Yeah, great question. I think we feel really confident about the guidance that we're providing on the volume side and that we're taking a conservative view with the guidance range adjustment. I think in the history of the business, we've seen kind of irrational behavior in different segments throughout time as different areas have gained attraction. So, we've seen really low install prices. We've seen really attractive sales commissions.

And now, we're seeing it in capital providers. And so, it's something that we have a lot of confidence in our ability to navigate. I think the key component for us is the affiliate partner business. We have deep and strong relationships with a few key partners and continue to see robust opportunities with them. The rest of our business is captive sales force that's largely inflated from this competitive risk.

**Kashy Harrison**

Thank you.

**Operator**

Thank you. Our next question comes from the line of Andrew Percoco with Morgan Stanley. Please proceed with your question.

**Andrew Percoco**



Great. Thanks so much for taking the call and the question here. So, I guess, just to start out, and apologies if this has been asked already, but I think it's clear that some of your peers in the space are coming under some pressure here. And I'm just curious if you've seen any impacts to your ability to find non-recourse, project-level capital. Have the conversations changed at all? Have the terms changed at all in those deals as a result of some of the disruptions you're seeing across the space?

**Danny Abajian**

Yeah, good question. We get underwritten--first, we get underwritten on asset quality. And I think asset quality has been great, and our servicing level has been great. So, we also get underwritten on sponsor quality, and we've been meeting and passing those tests. So, to underscore that, we did talk about--and obviously it's been news for some time, the extension of our non-recourse warehouse loan, which is now about \$2 billion and almost 10 lenders, and lenders who, many of whom--well, all of whom kind of extended and several of whom also came up in size in the February time frame.

And of course, that is a group of lenders that are seeing all the visibility on the term outs that we do. And of course, in that regard, we had two good data points recently, one involving the public markets with a season pool of assets, so those have been running for about seven, eight years in duration. They've been maintained well, they're performing.

And we got the spread lower from the prior transaction we did in the private market that we closed in February. So, we're seeing a broadening of participation in the private credit market. We're also seeing a continuation of good track record and performance in getting deals done in the public ABS market. So, we're not seeing any sort of issues in that regard.

**Edward Fenster**

This is Ed. I was going to say over the company's history, like a flight to quality mindset has generally benefited us.

**Andrew Percoco**

Yes, definitely. Okay, that all makes sense. Thank you. And maybe as a second follow-up question, maybe more a strategy question, but just kind of curious what you see in terms of battery retrofit opportunities now that battery supply is more readily available, costs have come down a lot.

Obviously, growth in solar has slowed a little bit. Is there an opportunity to go back to some of your customers and add batteries? And what would that look like from a cash perspective? Would that impact, would that be positive or negative to near-term cash generation? Thank you.

**Mary Powell**

Yeah, great question. Yes, we totally agree and, in fact, have already launched--at the beginning of the year, we launched a storage retrofit program that's doing very well. We also, as you know, launched our first phase of our renewal pilot. We've also launched a re-powering program and a renewal program combined with storage retrofit. So yes, we see tremendous opportunity to really focus in on and grow the storage side of the business.

And as I also described, the other incredible tertiary benefit of that is that also really provides us with much more value from a grid services perspective longer term because every solar customer that we then attach storage to becomes a customer that can potentially participate in grid services programs. So yes, we are very bullish on it. We've rolled out programs, we're seeing good numbers and uptakes, and we're excited about the impact and one of the reasons that, again, we feel really good about our storage guide.

**Andrew Percoco**

Great. Thank you so much.

**Operator**

Thank you. Our next question comes from the line of James West with Evercore ISI. Please proceed with your question.

**James West**

Hey, good afternoon, Mary, Danny, and team. And I hear you guys on your confidence that we've bottomed here, and 1Q is still at the low point for the year, but could you maybe provide a little color on, in the states where you operate, where you're seeing the most growth, the most recovery, the faster recovery rates, and maybe where things aren't recovering as fast?

**Paul Dickson**

Yeah, I think we continue to see really robust return to volume in California and believe that we're gaining market share inside that market, which is really strategic for us, obviously, from a solar volume perspective, but as well from a future grid service perspective. Another really exciting market for us is Texas. And we've been having geographic expansion inside the state and are quite excited about that market as well. So, those are two really promising big growth markets for us. The third I would list is Illinois as well.

**James West**

Got it. Okay, that makes sense. Thanks for that. And then, maybe just a quick follow-up. Danny, you gave some numbers around the equipment, declines in equipment costs, and that you're still working through some higher-cost inventory, the--by the end of the year, I think you said down 18 percent from the peak. Does that incorporate all of the higher cost inventory being in the field and out of your inventory?

**Danny Abajian**

Yeah. The timing for that, as you continue to track our inventory balance, you've seen it fall quite a bit. And we've guided to Q2 being most of the way there in terms of realization of the lower cost purchase activity we've been seeing late last year and this year. Some of that--there will be a residual that gets fully recognized in Q3, but we're nearly there in Q2 in terms of the expense recognition of the lower-cost equipment we've been buying.

**James West**

Okay, very helpful. Thank you.

**Danny Abajian**

Thank you.

**Operator**

Thank you. Our next question comes from the line of Praneeth Satish with Wells Fargo. Please proceed with your question.

**Praneeth Satish**

Thanks. Good afternoon. So, if we think about 2025, it seems like many of the assumptions that you laid out for your cash generation forecast between the low and high end--it seems like many of those assumptions will play out in 2025 between battery supply, shifting domestic, getting more clarity from Treasury, and maybe interests coming down a bit. So, I mean, I recognize you're not giving 2025 guidance right now, but maybe if you could just talk about the puts and takes to consider as we look out another year to cash generation.

**Paul Dickson**



Yeah, I think the one we've put here at the top of the assumption list is those adders, right, the adders we have. Now, we have energy community and low-income running. There's obviously been some movement between the buckets, and net-net, we've seen that percentage climb since the last quarter. And domestic content is a matter of time for that--to whatever extent we get the upside and over what period, it's just a matter of time for that to arise. And we've been cautious in our planning around domestic content, but we do expect that will be a driver we carry into 2025.

Interest rates. As you see here, we're expressing in a range of 7.5 percent to 8 percent. We are not assuming a set of major declines in interest rates. We've seen base rates go up, we've seen credit spreads improve recently, and we've generally held for most of the last few quarters within this range. So, the story there again is carrying this range of cost of capital into 2025 will allow us to also carry this magnitude of cash generation we're planning on.

And then, the third one is keeping that storage attachment rate where it is and slightly growing that even more over time and working to further penetrate markets with so far lower penetration rates in storage. I think we'll continue to push for that as well to hopefully grow the range as we move into 2025.

**Edward Fenster**

And just to make sure we clarify one thing, the batteries that we have been installing over the course of the year are those that we expect will qualify for the domestic content adders. So, while you cannot monetize those until the guidance is sufficient, and obviously confirms our expectations, that would then make retroactive adders possible for the 2024 installations. Now, there could be puts and takes and delays in getting that retroactive credit, but we do not need to wait for domestic content batteries to show up. We are already installing those that we expect are likely to qualify for the guidance.

**Praneeth Satish**

Got it. No, that's helpful. And maybe just staying on batteries, I mean, you kind of addressed it, but you're at 50 percent attach rate now, and it looks like you're assuming that ratio to be flat for the balance of the year. So, I guess the first question is why? How come it's not continuing to creep higher?

And then, second, what scenarios would you need to see happen to get it to that 60 percent or higher range, I mean, because it does look like you're close to maxing out the attach rate in California. So, what do you need to see to get the rates higher for the rest of the country?

**Mary Powell**

Well, I think as we talked about, we continue to see storage attachment rate increasing. Yes, as we look to the future, I think over time, we could absolutely see them go above 50 percent. But, what we've been looking at is landing--when you look at like the entire country, and all of the markets were in, landing at about that percentage.

But absolutely, like my view from a grid perspective is that you'll start to see other parts of the country moving towards, A, more--different tariff schemes that might make storage more attractive for customers as well as grid reliability issues that will make storage more attractive for customers. But again, we also see a tremendous re-, like attach rate for a storage program as well. So, we're really excited about the opportunity to also go back to our existing customer base and attach storage.

**Praneeth Satish**

Got it. Thank you.

**Operator**

Thank you. Our next question comes from the line of Joseph Osha with Guggenheim Partners. Please proceed with your question.

## **Joseph Osha**

Hi. Thank you. Kind of two related questions, first looking at the adjusted Q1 2024 cash generation number. I see that you're talking about an adjusted number that's flat there. Not to be a stick-in-the-mud, you did have a nice tailwind issuing this 2030 convert and not taking the 26 back in. So, I guess what I'm asking, first question is are you asserting here that on an ongoing basis, you think Q1 cash generation can be flattish? And then, I have a follow-up.

## **Danny Abajian**

Yeah, so one clarification is the issuance of the new convert. And any proceeds from that, we would back out from cash generation, as we've defined we would do, because we don't give ourselves credit in cash generation for any corporate capital raises. So, that number--obviously, that drove the--while that drove the cash balance, it did not drive the cash generation number because we backed it out.

But, what we did incur was the--were all the fees related to the transaction. That was \$51 million on the convert, which is all we're putting back in the pro forma. So, I would say as far as--and then, of course, there's a list of other items like the warehouse facility, advance rates, all the related fees.

But, if you look at the pro forma, two-thirds of it is the tax equity, the tax credit, kind of the tax credit transfers of \$181 million and the low-income ITC adder of 30. And we've said we do expect to recover most or all of that by the end of the quarter. So that's our plan, which would imply a quarter of substantial cash generation come in to offset that.

## **Joseph Osha**

Okay. And then, just as a follow-on, we spend a lot of time talking about this annualized 200 to 500 number, which is great. But, it's not going to help as much if we just give it all back in Q1 2025. So, I guess what I'm trying to understand, you put in your comments that there's going to be positive Q3 2023 to Q3 2024 generation. How should we think about that level of Q4 to Q4, Q1 to Q1, choose your poison? What shall we think about the sustainable annualized rate of cash generation? Because again, the Q4 number is great, but if we give it all back in Q1 of 2025, it doesn't help.

## **Danny Abajian**

Yeah. I think we expect the annualized run rate delivery to be sustainable and not timing-driven, right? I think that's the most important thing. Now, there will be normal fluctuation. If you look back at our results, there is seasonal fluctuation. But over a trailing four-quarter period, we expect to continue the number or the trend line. So, I think field timing, seasonality, those things will still matter, but if we are going to zoom out and look over four quarters, that's the annualized run rate kind of thinking and framework that we're bringing here to the guide.

## **Mary Powell**

Yeah, I would also just add to that, Danny, that we also are doing a number of things, like our retrofit program, our renewal program, that we are thinking about in the context of how we can also utilize those programs to supplement typically low quarters from a seasonality perspective. So, that is also something we're thinking about and working on strategically as we think about Q1 2025 and going forward.

## **Joseph Osha**

Noted, thank you.

## **Operator**

Thank you. Our next question comes from the line of Philip Shen with Roth MKM. Please proceed with your question.

## **Philip Shen**





Hey, everyone. Thanks for taking my questions. First one is on the impact of AI-based load growth on your business. For example, Power4Ward have moved up 60 percent in the last 12 months. CAISO (sp) has been similar. When do these flow through into retail pricing and affect your pricing power?

**Mary Powell**

Yeah, that's a great question. From our perspective strategically, we see what's happening with load growth as being really directionally positive, largely because there's going to be--we already see this, but there's going to be capacity challenges at the utility level, at the regional level. And so, again, growing our fleet of storage plus solar assets, we believe will provide valuable and will be a meaningful resource.

Relative to how that is going to flow through from a rate perspective, I would say there's nothing we've seen so far that suggests that the rate is--that the utility grid infrastructure has a path towards becoming more--stronger from an economic perspective. So, there's massive spend needed at the transmission level, at the project level, and at the distribution level. So again, I think there's going to be real pressure on utility rates in the future as this happens, and it also provides an opportunity for Sunrun and our assets to be helpful in the solution.

**Philip Shen**

Great. Thanks, Mary. Shifting to the impact of new entrants in the lease market, I was wondering if you could give us a little bit more color. You've shared some in the past. Have you felt this increased competition offset by Nova and SunPower's situations? Is there anything that has changed in the sense that these new market entrants, which are mostly corporate or piggybacked, have started to enter into an asset class that was previously very fringy or not institutional quality?

**Paul Dickson**

Yeah, I think for us, we continue to see them operate kind of how we've seen it historically. I think they're trying to figure out the business model. When you look at owning assets for 25 years and forecasting out service costs and understanding asset ownership, consumer experience, customer service, there's a lot to managing these assets. And we are extremely confident, having financed dozens of billions of dollars of this stuff, that we know how to price it. And, while we see annoyances from these partners, we don't view it as like a durable threat. We view it as some short-term frustration to volume.

**Philip Shen**

Great. Thanks very much.

**Operator**

Thank you. Our next question comes from the line of Colin Rusch with Oppenheimer. Please proceed with your question.

**Colin Rusch**

Thanks so much. Can you speak to the performance of your VPPs from a monetization perspective versus your internal expectations when you guys enter into that market?

**Mary Powell**

Yeah, we're really pleased. As I describe, again, we're--we've got--enrolled 16,000 Sunrun customers in the CalReady program that we rolled out, 1,800 on the PowerOn Puerto Rico. Our growing experience with grid services increases our conviction that we can realize \$2,000 or more in per-customer MPV from these assets.

**Colin Rusch**



Thanks so much. And then, now as you see higher storage attach rates, are there meaningful adjustments to your inverter or storage hardware mix that you're looking at coming down the pike? And are there meaningful new products that you're looking forward to being able to integrate that could impact your unit economics?

**Paul Dickson**

Yeah, I think from a core hardware perspective, the major components, we've been--we're really comfortable with the diversity we have and the products that we're using. And we continue to forecast and see steadily declining costs in those core products. On the innovation side and new product side, we actually see a lot of exciting products coming into the market. And Sunrun's position, given our large and complete distribution, is a preferred option for those people.

And so, we view ourselves as well-positioned to be a recipient of the best and most innovative, exciting new products that come onto the scene and have been doing some pilots with different products, and I think as the markets mature and as the products mature, starting to make those more of a standard offering in more homes.

**Mary Powell**

Yeah, and, of course, we're looking forward to the deployment of Lunar and their storage capabilities. And we're already working with Lunar on their grid share capabilities, which are quite powerful.

**Colin Rusch**

Thanks so much.

**Operator**

Thank you. Our next question comes from the line of Maheep Mandloi with Mizuho. Please proceed with your question.

**Maheep Mandloi**

Hey, good evening. Thanks for squeezing me in. Just a question on the systems and product business. I saw the gross margins were a bit weaker in the quarter, which probably led to the lower platform margins. So, I was trying to understand the drivers there. And how should we think about the platform contribution, going forward, especially after the distribution business sale you talked about a month ago?

**Danny Abajian**

Yeah, happy to hit that. So during the quarter, we made a decision to wind down our AEE distribution business. And in connection with that, there was a one-time kind of non-cash charge on inventory impairment of \$22 million. That's definitely weighed heavily on the gross margin in the period. As we--it's not about that business. We've retained the higher margin and value-generating components of that business, but that did weigh in.

And as we move on from that, that should help restore some of that margin. If we look at that line item in total, it includes our distribution business, it includes our cash sales, it includes our home upgrades business, which is ancillary to the solar install. If we just look at the cash system sales component in that line--a couple of line items, that gross margin is a healthy double-digit number.

**Maheep Mandloi**

Got it. Thank you. Appreciate that. And then, just on cash generation, just looking at your Slide 14 there, the orange bars for 2Q to 4Q seem probably more in line with the \$200 million cash generation exiting Q4? Is that fair? Or like we could probably see some upside to those numbers starting 2Q as well with all the levels you talked about?

**Danny Abajian**

I think, so the--what you see on the bar charts on like bottom left of Slide 14 is what I think you're looking at. Obviously, that's a directional picture, but I think the illustration is a return of a lot of the working capital we incurred in Q1, returning that in Q2, and then in Q3 and Q4 moving more towards that run rate, exit rate that we see falling within our guidance range. I would say that's the general picture there. I'm not sure if I missed a part of your question.

**Maheep Mandloi**

No, it's just like--reading those, it looks like for Q4, it implies on \$50 million of cash generation, and so is that commensurate with the \$200 million, or like the exit run rate is something else or not the Q4 number here?

**Danny Abajian**

Yeah, within the \$200 million to \$500 million range is what's implied there.

**Maheep Mandloi**

All right. Sounds good. Thank you.

**Operator**

Thank you. Our next question comes from the line of Dylan Nassano with Wolfe Research. Please proceed with your question.

**Dylan Nassano**

Yeah, hey, good afternoon, everyone. Mary, you briefly hit on the early renewal program in your opening remarks. I was just wondering if you had any more color you could share on how that program has been progressing since your last update?

**Mary Powell**

Yeah, so we actually, as I described, we are going to be using this year to run a number of different approaches on renewals and then scale as we exit 2024 into 2025. So, we concluded that program which, again, we were really pleased with, 70 percent positive interaction on early renewal. And now, we're launching our re-powering and renewal with add-on storage pilots, and that begins in May. So at our next call, we'll be able to update you on that next one. Super encouraged by our first one, rolling out a different flavor, see what the uptake will be on that, and then getting ready to scale as we exit the year.

**Danny Abajian**

And I would just add, I'd take this as kind of like us beginning more of a concerted focus around understanding our portfolio that's now close to reaching a million customers and investing in providing additional products and services like the battery to these homes. And as we've focused on that opportunity that's in front of us, I think there's a lot of cash generation addition that can come as we effectively manage the portfolio.

**Dylan Nassano**

Got it, yeah. Appreciate that color. All my other questions have been asked and answered. Thanks.

**Mary Powell**

Great. Thank you.

**Operator**



Thank you. That concludes the time that has been allocated for Q&A. You may now disconnect.

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## **Forward Looking Statements**

This communication contains forward-looking statements related to Sunrun (the “Company”) within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, but are not limited to, statements related to: the Company’s financial and operating guidance and expectations; the Company’s business plan, 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, 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 storage-first company; the ability to increase margins based on a shift in product focus; 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 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 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.