



# RECAST FINANCIALS SUMMARY

May 9, 2018



# Early Adoption of New Accounting Standards

## ***Summary of changes and impacts to financial statements:***

Commencing with the first quarter 2018 reporting, Sunrun has adopted FASB's new accounting standards for contracts with customers ("Topic 606") and lease accounting rules ("ASC 842"). Adoption of these standards requires that prior financial results are recast to reflect the new standards. The adoption of these changes primarily effect revenue recognition and interest expense. There are no changes to Sunrun's consolidated cash balances.

- Revenue related to PPAs, including price escalators, will be recognized throughout the term of the Customer Agreement. This has the effect of straight-lining revenue over the term of the PPA.
- Certain upfront payments related to Customer Agreements and SRECs will be deemed to have a financing component, as defined under Topic 606, and will therefore result in a non-cash increase to both revenue and interest expense by the same amount over the term of the related agreement. The additional revenue will be included in the total transaction price to be recorded over the term of the agreement and will be recognized based on the timing of the delivery. The interest expense will be recognized based upon an amortization schedule which typically decreases throughout the term of the related agreement.
- SREC revenue will be estimated net of any variable consideration related to possible liquidated damages, and recognized upon delivery of SRECs to the counterparty.
- ITC revenue associated with Pass-Through Financings will be recognized in full upon PTO because the Company has not historically recorded a material recapture of ITCs, and does not expect to record a material recapture of ITCs in the future. Under the prior treatment, ITC revenue was recognized over a 5 year period.

# Unaudited, Recast Annual Financials: Income Statement

## Unaudited, Recast GAAP Income Statement

in thousands, except per share amounts

	Year Ended December 31, 2016			Year Ended December 31, 2017		
	As Originally Reported	Adjustments	Recast (Unaudited)	As Originally Reported	Adjustments	Recast (Unaudited)
Revenue:						
Customer agreements and incentives	\$ 168,417	\$ 23,209	\$ 191,626	\$ 231,433	\$ 2,843	\$ 234,276
Solar energy systems and product sales	285,481	-	285,481	298,266	-	298,266
Total revenue	453,898	23,209	477,107	529,699	2,843	532,542
Operating expenses:						
Cost of customer agreements and incentives	159,858	(5,614)	154,244	193,954	(7,519)	186,435
Cost of solar energy systems and product sales	239,381	-	239,381	254,131	-	254,131
Sales and marketing	162,781	5,956	168,737	137,115	9,311	146,426
Research and development	10,199	-	10,199	15,079	-	15,079
General and administrative	92,377	39	92,416	107,420	(20)	107,400
Amortization of intangible assets	4,206	-	4,206	4,204	-	4,204
Total operating expenses	668,802	381	669,183	711,903	1,772	713,675
Loss from operations	(214,904)	22,828	(192,076)	(182,204)	1,071	(181,133)
Interest expense, net	53,244	20,096	73,340	70,518	21,737	92,255
Other expenses (income), net	(840)	-	(840)	1,874	-	1,874
Loss before income taxes	(267,308)	2,732	(264,576)	(254,596)	(20,666)	(275,262)
Income tax expense (benefit)	35,993	20,270	56,263	32,138	(19,785)	12,353
Net loss	(303,301)	(17,538)	(320,839)	(286,734)	(881)	(287,615)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(394,988)	(980)	(395,968)	(411,259)	(1,845)	(413,104)
Net income (loss) available to common stockholders	91,687	(16,558)	75,129	124,525	964	125,489
Net income (loss) per share available to common shareholders:						
Basic	\$ 0.90	\$ (0.17)	\$ 0.73	\$ 1.18	\$ 0.01	\$ 1.19
Diluted	\$ 0.87	\$ (0.15)	\$ 0.72	\$ 1.15	\$ 0.01	\$ 1.16
Weighted average shares used to compute net income (loss) per share attributable to common stockholders:						
Basic	102,367	-	102,367	105,432	-	105,432
Diluted	104,964	-	104,964	108,206	-	108,206

Note: Recast financial statements are unaudited and may change. Recast financials represent our best estimate as of the date of this presentation.

# Unaudited, Recast Quarterly Financials: Income Statement

## Unaudited, Recast GAAP Income Statement

*in thousands, except per share amounts*

	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017	Three Months Ended September 30, 2017	Three Months Ended December 31, 2017
Revenue:				
Customer agreements and incentives	\$ 49,090	\$ 58,111	\$ 61,717	\$ 65,358
Solar energy systems and product sales	56,019	72,511	82,829	86,907
Total revenue	105,109	130,622	144,546	152,265
Operating expenses:				
Cost of customer agreements and incentives	42,613	45,289	47,299	51,234
Cost of solar energy systems and product sales	49,431	60,938	69,588	74,174
Sales and marketing	33,132	35,056	39,921	38,317
Research and development	2,996	3,710	3,936	4,437
General and administrative	24,608	25,228	27,925	29,639
Amortization of intangible assets	1,051	1,051	1,052	1,050
Total operating expenses	153,831	171,272	189,721	198,851
Loss from operations	(48,722)	(40,650)	(45,175)	(46,586)
Interest expense, net	20,558	21,971	23,217	26,509
Other expenses (income), net	475	208	(94)	1,285
Loss before income taxes	(69,755)	(62,829)	(68,298)	(74,380)
Income tax expense (benefit)	5,400	10,781	14,517	(18,345)
Net loss	(75,155)	(73,610)	(82,815)	(56,035)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interests	(85,037)	(91,956)	(110,822)	(125,289)
Net income (loss) available to common stockholders	9,882	18,346	28,007	69,254
Net income (loss) per share available to common shareholders:				
Basic	\$ 0.09	\$ 0.17	\$ 0.26	\$ 0.65
Diluted	\$ 0.09	\$ 0.17	\$ 0.26	\$ 0.63
Weighted average shares used to compute net income (loss) per share attributable to common stockholders:				
Basic	104,038	105,093	105,783	106,538
Diluted	106,469	107,347	109,598	109,135

Note: Recast financial statements are unaudited and may change. Recast financials represent our best estimate as of the date of this presentation.

# Unaudited, Recast Annual Financials: Balance Sheet

## Unaudited, Recast GAAP Balance Sheet

in thousands

	As of December 31, 2016			As of December 31, 2017		
	As Originally Reported	Adjustments	Recast (Unaudited)	As Originally Reported	Adjustments	Recast (Unaudited)
<b>Assets:</b>						
<b>Current assets:</b>						
Cash	\$ 206,364	\$ -	\$ 206,364	\$ 202,525	\$ -	\$ 202,525
Restricted cash	11,882	-	11,882	39,265	-	39,265
Accounts receivable, net	60,258	22,739	82,997	76,198	35,871	112,069
State tax credits receivable	13,713	-	13,713	11,085	-	11,085
Inventories	67,326	-	67,326	94,427	-	94,427
Prepaid expenses and other current assets	9,802	(10)	9,792	9,202	-	9,202
Deferred tax assets, current	-	-	-	-	-	-
<b>Total current assets</b>	<b>369,345</b>	<b>22,729</b>	<b>392,074</b>	<b>432,702</b>	<b>35,871</b>	<b>468,573</b>
Restricted cash, non-current	6,117	-	6,117	-	-	-
Solar energy systems, net	2,629,366	(130,722)	2,498,644	3,319,708	(158,138)	3,161,570
Property and equipment, net	48,471	-	48,471	36,402	-	36,402
Intangible assets, net	18,499	-	18,499	14,294	-	14,294
Goodwill	87,543	-	87,543	87,543	-	87,543
Prepaid tax asset	378,541	-	378,541	-	-	-
Other assets	34,936	130,978	165,914	37,225	157,529	194,754
<b>Total assets</b>	<b>3,572,818</b>	<b>22,985</b>	<b>3,595,803</b>	<b>3,927,874</b>	<b>35,262</b>	<b>3,963,136</b>
<b>Liabilities and total equity:</b>						
<b>Current liabilities:</b>						
Accounts payable	66,018	-	66,018	115,193	-	115,193
Distributions payable to noncontrolling interests and redeemable noncontrolling interests	10,654	-	10,654	13,583	-	13,583
Accrued expenses and other liabilities	59,261	10,143	69,404	85,639	11,591	97,230
Deferred revenue, current portion	70,849	(32,498)	38,351	77,310	(34,701)	42,609
Deferred grants, current portion	8,011	(76)	7,935	8,269	(76)	8,193
Finance lease obligations, current portion	10,015	-	10,015	7,421	-	7,421
Recourse debt, current portion	-	-	-	-	-	-
Non-recourse debt, current portion	14,153	-	14,153	21,529	-	21,529
Pass-through financing obligation, current portion	5,823	(646)	5,177	6,087	(700)	5,387
<b>Total current liabilities</b>	<b>244,784</b>	<b>(23,077)</b>	<b>221,707</b>	<b>335,031</b>	<b>(23,886)</b>	<b>311,145</b>
Deferred revenue, net of current portion	583,401	(96,337)	487,064	584,427	(62,184)	522,243
Deferred grants, net of current portion	226,893	(1,160)	225,733	228,603	(1,084)	227,519
Finance lease obligations, net of current portion	12,965	-	12,965	5,811	-	5,811
Recourse debt, net of current portion	244,000	-	244,000	247,000	-	247,000
Non-recourse debt, net of current portion	639,870	-	639,870	1,026,416	-	1,026,416
Pass-through financing obligation, net of current portion	137,958	(5,852)	132,106	138,124	(5,301)	132,823
Other liabilities	5,457	30,253	35,710	13,520	29,223	42,743
Deferred tax liabilities	415,397	44,527	459,924	59,131	23,988	83,119
<b>Total liabilities</b>	<b>2,510,725</b>	<b>(51,646)</b>	<b>2,459,079</b>	<b>2,638,063</b>	<b>(39,244)</b>	<b>2,598,819</b>
Redeemable noncontrolling interests	137,907	3,089	140,996	123,737	64	123,801
<b>Stockholders' equity:</b>						
Stockholders' equity	672,961	69,810	742,771	811,998	69,584	881,582
Noncontrolling interests	251,225	1,732	252,957	354,076	4,858	358,934
<b>Total equity</b>	<b>924,186</b>	<b>71,542</b>	<b>995,728</b>	<b>1,166,074</b>	<b>74,442</b>	<b>1,240,516</b>
<b>Total liabilities, redeemable noncontrolling interests and total equity</b>	<b>3,572,818</b>	<b>22,985</b>	<b>3,595,803</b>	<b>3,927,874</b>	<b>35,262</b>	<b>3,963,136</b>

Note: Recast financial statements are unaudited and may change. Recast financials represent our best estimate as of the date of this presentation.

# Unaudited, Recast Quarterly Financials: Balance Sheet

## Unaudited, Recast GAAP Balance Sheet

in thousands

	As of March 31, 2017	As of June 30, 2017	As of September 30, 2017	As of December 31, 2017
<b>Assets:</b>				
Current assets:				
Cash	\$ 203,791	\$ 211,321	\$ 216,142	\$ 202,525
Restricted cash	12,030	15,672	14,036	39,265
Accounts receivable, net	79,701	92,808	105,257	112,069
State tax credits receivable	-	-	11,085	11,085
Inventories	59,603	52,744	63,323	94,427
Prepaid expenses and other current assets	11,584	12,577	13,917	9,202
Deferred tax assets, current	-	-	-	-
<b>Total current assets</b>	<b>366,709</b>	<b>385,122</b>	<b>423,760</b>	<b>468,573</b>
Restricted cash, non-current	6,117	5,952	5,952	-
Solar energy systems, net	2,653,049	2,807,378	2,997,402	3,161,570
Property and equipment, net	44,925	41,774	38,819	36,402
Intangible assets, net	17,448	16,397	15,345	14,294
Goodwill	87,543	87,543	87,543	87,543
Prepaid tax asset	-	-	-	-
Other assets	170,845	174,013	181,010	194,754
<b>Total assets</b>	<b>3,346,636</b>	<b>3,518,179</b>	<b>3,749,831</b>	<b>3,963,136</b>
<b>Liabilities and total equity:</b>				
Current liabilities:				
Accounts payable	65,520	75,336	108,689	115,193
Distributions payable to noncontrolling interests and redeemable noncontrolling interests	11,157	13,212	14,785	13,583
Accrued expenses and other liabilities	58,416	63,983	66,871	97,230
Deferred revenue, current portion	39,181	39,848	41,400	42,609
Deferred grants, current portion	8,318	8,287	7,751	8,193
Finance lease obligations, current portion	9,198	8,525	7,883	7,421
Recourse debt, current portion	-	247,000	247,000	-
Non-recourse debt, current portion	15,797	18,883	22,538	21,529
Pass-through financing obligation, current portion	5,209	5,187	5,346	5,387
<b>Total current liabilities</b>	<b>212,796</b>	<b>480,261</b>	<b>522,263</b>	<b>311,145</b>
Deferred revenue, net of current portion	492,288	502,403	513,302	522,243
Deferred grants, net of current portion	223,075	221,061	230,374	227,519
Finance lease obligations, net of current portion	10,701	8,745	7,060	5,811
Recourse debt, net of current portion	247,400	-	-	247,000
Non-recourse debt, net of current portion	686,078	761,349	846,257	1,026,416
Pass-through financing obligation, net of current portion	132,334	133,679	132,570	132,823
Other liabilities	37,199	40,909	39,762	42,743
Deferred tax liabilities	83,657	92,294	106,575	83,119
<b>Total liabilities</b>	<b>2,125,528</b>	<b>2,240,701</b>	<b>2,398,163</b>	<b>2,598,819</b>
Redeemable noncontrolling interests	143,464	164,134	176,428	123,801
<b>Stockholders' equity:</b>				
Stockholders' equity	760,269	781,418	814,352	881,582
Noncontrolling interests	317,375	331,926	360,888	358,934
<b>Total equity</b>	<b>1,077,644</b>	<b>1,113,344</b>	<b>1,175,240</b>	<b>1,240,516</b>
<b>Total liabilities, redeemable noncontrolling interests and total equity</b>	<b>3,346,636</b>	<b>3,518,179</b>	<b>3,749,831</b>	<b>3,963,136</b>

Note: Recast financial statements are unaudited and may change. Recast financials represent our best estimate as of the date of this presentation.

# Unaudited, Recast Annual Financials: Cash Flow Statement

## Unaudited, Recast GAAP Cash Flow Statement

in thousands

	Year Ended December 31, 2016			Year Ended December 31, 2017		
	As Originally Reported	Adjustments	Recast (Unaudited)	As Originally Reported	Adjustments	Recast (Unaudited)
<b>Operating activities:</b>						
Net loss	(303,301)	(17,538)	(320,839)	(286,734)	(881)	(287,615)
Depreciation and amortization, net of amortization of deferred grants	104,105	(5,612)	98,493	136,361	(7,674)	128,687
Deferred income taxes	35,993	20,270	56,263	32,138	(19,784)	12,354
Stock based compensation expense	18,723	-	18,723	22,042	-	22,042
Interest on pass-through financing obligation	12,081	676	12,757	11,973	656	12,629
Reduction in pass-through financing obligations	(18,551)	(26,362)	(44,913)	(18,230)	(65)	(18,295)
Other noncash losses and expenses	18,676	(2,971)	15,705	30,696	(6,225)	24,471
<b>Changes in operating assets and liabilities:</b>						
Accounts receivable	674	(9,128)	(8,454)	(17,870)	(13,132)	(31,002)
Inventories	4,042	-	4,042	(27,101)	-	(27,101)
Prepaid and other assets	(4,799)	(40,946)	(45,745)	(3,478)	(26,562)	(30,040)
Accounts payable	(40,336)	-	(40,336)	47,837	-	47,837
Accrued expenses and other liabilities	11,819	13,049	24,868	2,573	6,645	9,218
Deferred revenue	10,294	19,001	29,295	8,782	31,930	40,712
<b>Net cash provided by (used in) operating activities</b>	<b>(150,580)</b>	<b>(49,561)</b>	<b>(200,141)</b>	<b>(61,011)</b>	<b>(35,092)</b>	<b>(96,103)</b>
<b>Investing activities:</b>						
Payments for the costs of solar energy systems, leased and to be leased	(727,568)	49,310	(678,258)	(804,371)	35,008	(769,363)
Purchases of property and equipment	(12,544)	-	(12,544)	(7,956)	-	(7,956)
Acquisitions of businesses, net of cash acquired	(5,000)	-	(5,000)	-	-	-
<b>Net cash used in investing activities</b>	<b>(745,112)</b>	<b>49,310</b>	<b>(695,802)</b>	<b>(812,327)</b>	<b>35,008</b>	<b>(777,319)</b>
<b>Financing activities:</b>						
Proceeds state tax credits, grants:	9,081	-	9,081	13,773	-	13,773
Proceeds from recourse debt	458,400	-	458,400	170,400	-	170,400
Repayment of recourse debt	(411,400)	-	(411,400)	(167,400)	-	(167,400)
Proceeds from non-recourse debt	335,666	-	335,666	748,806	-	748,806
Repayment of non-recourse debt	(23,076)	-	(23,076)	(362,763)	-	(362,763)
Payment of debt fees	(13,741)	-	(13,741)	(14,392)	-	(14,392)
Proceeds from pass-through financing obligations	16,047	-	16,047	6,221	-	6,221
Contributions received from noncontrolling interests and redeemable noncontrolling interests	573,542	-	573,542	594,921	-	594,921
Distributions paid to noncontrolling interests and redeemable noncontrolling interests	(39,542)	-	(39,542)	(54,530)	-	(54,530)
Acquisition of noncontrolling interests	-	-	-	(35,386)	-	(35,386)
Proceeds from exercises of stock options	7,364	-	7,364	1,035	-	1,035
Payment of finance lease obligation	(12,759)	-	(12,759)	(9,836)	-	(9,836)
Payment of IPO-related costs	(437)	-	(437)	-	-	-
Change in restricted cash	(953)	953	-	(21,350)	21,350	-
<b>Net cash provided by financing activities</b>	<b>898,192</b>	<b>953</b>	<b>899,145</b>	<b>869,499</b>	<b>21,350</b>	<b>890,849</b>
<b>Supplementary information:</b>						
Ending Cash Balance (unrestricted)	206,364	-	206,364	202,525	-	202,525
Ending Restricted Cash Balance	17,999	-	17,999	39,265	-	39,265
<b>Ending Total Cash &amp; Restricted Cash Balance</b>	<b>224,363</b>	<b>-</b>	<b>224,363</b>	<b>241,790</b>	<b>-</b>	<b>241,790</b>

**Note: Originally Reported Net Change in Cash excludes changes in Restricted Cash. Pursuant to new accounting standards (Topic 230) adopted January 1, 2018, the recast financials include net changes to Restricted Cash.**

# Unaudited, Recast Quarterly Financials: Cash Flow Statement

## Unaudited, Recast GAAP Cash Flow Statement

in thousands

	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017	Three Months Ended September 30, 2017	Three Months Ended December 31, 2017
<i>Operating activities:</i>				
Net loss	(75,155)	(73,610)	(82,815)	(56,035)
Depreciation and amortization, net of amortization of deferred grants	29,948	31,706	32,423	34,610
Deferred income taxes	5,399	10,780	14,518	(18,343)
Stock based compensation expense	5,874	5,515	5,105	5,548
Interest on pass-through financing obligation	3,118	3,156	3,183	3,172
Reduction in pass-through financing obligations	(4,552)	(3,590)	(5,657)	(4,496)
Other noncash losses and expenses	5,580	4,572	5,189	9,130
<i>Changes in operating assets and liabilities:</i>				
Accounts receivable	3,465	(13,719)	(13,196)	(7,552)
Inventories	7,723	6,859	(10,579)	(31,104)
Prepaid and other assets	(9,819)	(6,248)	(6,418)	(7,555)
Accounts payable	(4,357)	6,993	29,033	16,168
Accrued expenses and other liabilities	(11,297)	4,786	1,223	14,506
Deferred revenue	6,593	11,109	13,132	9,878
<b>Net cash provided by (used in) operating activities</b>	<b>(37,480)</b>	<b>(11,691)</b>	<b>(14,859)</b>	<b>(32,073)</b>
<i>Investing activities:</i>				
Payments for the costs of solar energy systems, leased and to be leased	(159,754)	(180,225)	(218,414)	(210,970)
Purchases of property and equipment	(2,610)	(1,854)	(1,492)	(2,000)
Acquisitions of businesses, net of cash acquired	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(162,364)</b>	<b>(182,079)</b>	<b>(219,906)</b>	<b>(212,970)</b>
<i>Financing activities:</i>				
Proceeds state tax credits, grants:	13,388	(217)	(386)	988
Proceeds from recourse debt	57,400	34,000	34,000	45,000
Repayment of recourse debt	(54,000)	(34,400)	(34,000)	(45,000)
Proceeds from non-recourse debt	38,225	161,300	94,561	454,720
Repayment of non-recourse debt	(4,904)	(79,926)	(7,971)	(269,962)
Payment of debt fees	-	(4,955)	(1,377)	(8,060)
Proceeds from pass-through financing obligations	1,448	1,614	1,577	1,582
Contributions received from noncontrolling interests and redeemable noncontrolling interests	162,565	140,980	167,777	123,599
Distributions paid to noncontrolling interests and redeemable noncontrolling interests	(12,887)	(11,748)	(14,126)	(15,769)
Acquisition of noncontrolling interests	-	-	-	(35,386)
Proceeds from exercises of stock options	(1,067)	642	218	1,242
Payment of finance lease obligation	(2,749)	(2,513)	(2,323)	(2,251)
Payment of IPO-related costs	-	-	-	-
Change in restricted cash	-	-	-	-
<b>Net cash provided by financing activities</b>	<b>197,419</b>	<b>204,777</b>	<b>237,950</b>	<b>250,703</b>
Net change in cash	-	-	-	-
Net change in cash and restricted cash	(2,425)	11,007	3,185	5,660
Cash and restricted cash, beginning of period	224,363	221,938	232,945	236,130
Cash and restricted cash, end of period	221,938	232,945	236,130	241,790

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