



**Q1 2021 Earnings Call
May 5, 2021
Prepared Remarks**

PATRICK JOBIN

Thank you Hector.

Before we begin, please note that certain remarks we will make on this conference 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.

On the call today are Lynn Jurich, Sunrun's co-founder and CEO, Ed Fenster, Sunrun's co-founder and Executive Chairman, and Tom vonReichbauer, Sunrun's CFO.

And now I'll turn the call over to Lynn.

LYNN JURICH

Thanks Patrick.

We are pleased to share Sunrun's first quarter results, our improving outlook for 2021, and our progress transitioning the country to a clean, affordable and resilient grid.

The year is on track to be the best in the company's history. With an accelerating growth rate, operating scale and expanding market reach, we are leading the country to a clean energy future.

We ended Q1 with more than 573,000 customers, reflecting 18% year-over-year growth. We are increasing our new solar capacity installations guidance from 20-25% to 25-30% for the full-year. We are innovating, accelerating growth, and integrating Vivint Solar, while maintaining strong unit margins and performing at a scale that is two times greater than our nearest competitor.

Market Leadership

Sunrun's expanding customer value proposition and competitive advantages are delivering market share gains. We delivered all-time record Q1 volumes through our direct-to-home sales channel. And our home builder and our channel partner businesses delivered all-time record volumes.

We have an unmatched consumer reach through our multi-channel strategy. We focus on working with a selective group of channel partners and grew the number of partners we work with by over 20% in Q1. Given the value of our brand strength, technology platform, and financing advantages, nearly all of our new channel partners have agreed to exclusive agreements.

Our new homes business is starting to scale and grew by more than 50% in the first quarter compared to the prior year, pro-forma for Vivint Solar. We are working with 20 of the top 30 homebuilders in California. Our pipeline of new homes spans hundreds of communities across the country.

Batteries & Virtual Power Plants



We continue to advance our lead on batteries and virtual power plants. Sunrun has installed nearly 20,000 Brightbox systems nationwide, which offer homeowners the ability to power through blackouts with clean and reliable, locally-produced home energy. On a daily basis, these batteries optimize when power is purchased or supplied to the grid, helping manage energy constraints during peak times. Battery attachment rates increased again from last quarter and are at record levels across the business.

Sunrun has already forged 12 virtual power plant opportunities and we continue to grow the pipeline. We now have over \$75 million in expected revenue from grid service opportunities that have been awarded or are in late-stage discussions. These opportunities provide incremental recurring revenue and offer an enhanced customer value proposition, while further differentiating Sunrun's offering from companies that lack the scale, network density, and the technical capabilities necessary to serve this market.

We continue to expect more than 100% growth in battery installations this year, despite supply constraints. As more manufacturers expand battery offerings, we expect costs to improve further and supply constraints to ease, allowing us to meet pent-up demand and accelerate adoption even faster.

Electric Vehicles

We are actively exploring ways to help consumers and the grid manage the transition to electric vehicles. We know the country must make the switch to EVs to further reduce carbon emissions, and we believe Sunrun will be a key enabler of this transition.

Homes with EVs consume approximately double the amount of electricity. Home solar and batteries are needed to meet this increased strain on the electric system, and Sunrun is well positioned to be a leading provider of these services given our expertise managing and installing at-home energy infrastructure and our national footprint.

Electric Vehicles create positive flywheel effects. Homes need larger solar systems to support the increased electricity consumption. These larger systems come at a high incremental margin since the cost to increase the size is relatively low, and EVs can be integrated into a comprehensive home energy management system to maximize the economic benefits and resiliency for families. These compounding benefits will accelerate the transition to a distributed grid – with home solar, batteries and EVs – even faster than most realize.

ESG & Sustainability Efforts

Turning now to our ESG and sustainability efforts.

We are proud to lead one of the fastest growing sectors in the American economy. In Q1 we launched the Sunrun Academy, a set of initiatives and programs that expands job opportunities and increases career advancement. By investing in our people, we can attract and retain the best workforce with the skills needed to electrify homes across the country. As part of this initiative, all Sunrun employees have access to an expanded tuition reimbursement program to develop career-building skills. The Sunrun Academy will help us develop and train our emerging leaders, with a focus on critical in-demand skills like electrical work.

In April, we unveiled sustainability goals in our annual Impact Report. These goals include offsetting more than 600 million metric tons of carbon emissions from the systems we will deploy over the next decade, achieving net zero carbon emissions from our operations by 2040, transitioning our vehicle fleet to one-third electric or hybrid within 5 years, and deploying at least 500 megawatts of solar to lower-income households by 2030.



Finally, we aim to create a healthier environment for future generations by aggressively retiring fossil fuel plants with virtual power plants powered by local solar energy. The solar systems we deployed in just Q1 are expected to prevent the emission of over 3.9 million metric tons of CO2 over the next thirty years.

Before I turn it over Ed I want to thank our fantastic team for another great quarter...

Over to you, Ed.

EDWARD FENSTER

Thanks, Lynn.

Today I will touch on some recent political developments, our evolving capital structure strategy, and recap our robust capital runway.

Political Developments

Washington is taking note that distributed solar represents about 7 in 10 of all jobs in wind and solar development. The Labor Department predicts that job growth for solar installers will exceed any other category of employment through 2026. Even better, our jobs are desirable. We employ people nationwide, throughout local communities, rather than in desolate locations. Our jobs remain consistent year-in-year-out, rather than the feast-or-famine reality of project-driven jobs. And the need to automate, scale, and organize our industry's growth creates a wide range of career advancement opportunities. Over the coming years, distributed energy is uniquely positioned to add hundreds of thousands of jobs that are secure, well paid, close to home, and don't require a college degree-- exactly the sort that are the focus of our leaders today.

We are at a crossroads and believe our vision of an intelligent grid, where power is reliably produced and locally consumed, is the obvious future. Support for our vision within the media and at the state level is strong. Key editorial boards continue to see the intuitive elegance of distributed solar and storage, and to that end, we've seen recent compelling editorials in the most influential publications, such as in the *New York Times*, the *Los Angeles Times* and the *Sacramento Bee*. These papers recognize that electrifying our vehicles and our heating will require doubling the electricity needs of our communities, and that the major utilities, particularly in California, have fallen decades behind maintaining the grid and are unable alone to deliver against the urgent needs of today, let alone tomorrow. State regulators by and large appreciate this as well. For instance, in South Carolina, we reached a win-win settlement with Duke Energy. When Dominion was unwilling to negotiate in good faith, the public utilities commission that regulates them entirely rejected their request.

Capital Structure Strategy

Our all-in capital costs are at or near all-time lows, despite the increase in Treasuries earlier this year. For now, treasuries have stabilized at very attractive levels, while the spreads to Treasuries we pay continue to fall. While we don't expect materially higher interest rates in the near-term, I note that Sunrun delivered excellent customer values and cash flow results in recent periods when base rates were at least twice what they are now. And, today, we enjoy lower costs and more revenue sources, like batteries and virtual power plants. A modest inflationary environment, which would further drive up retail electric rates, would frankly be good for us.

Meanwhile, our increased scale continues to open new financing opportunities for us. We expect to leverage that scale into an overall lower cost capital strategy that will increase long-term cash flows available to our common shareholders. We are evaluating a number of possibilities to achieve this vision, and we will share updates over the next quarter or so as we finalize a course of action.

Capital Runway



We continue to maintain a robust project finance runway.

As of May 5th, closed transactions and executed term sheets provide us expected tax equity and project debt capacity to fund over 540 MW for Subscribers beyond what was deployed through the first quarter.

I'll now turn the call over to Tom.

TOM VONREICHBAUER

Thanks, Ed.

The strong momentum we saw in the fourth quarter has continued into 2021. The Sunrun team again delivered an exceptional quarter with year-over-year volume growth at strong margins. We are proud to post a solid quarter even as we meet the significant ongoing demands of integrating Vivint Solar into our operations.

We are leaning in to accelerate our growth even further while enhancing our customer offering and value we bring to our partners.

Volumes

Turning first to volumes.

In the first quarter, Customer Additions were approximately 23,500, including approximately 20,100 Subscriber Additions.

Solar Energy Capacity Installed was 168 Megawatts in the first quarter of 2021, a 9% increase from the first quarter last year, pro-forma to include Vivint Solar and down approximately 2% from Q4, a much smaller decline from Q4 into Q1 than what we have historically observed given seasonality in our business.

Our Networked Solar Energy Capacity was 4.1 Gigawatts at the end of Q1, an increase of 18% compared to the prior year.

We ended Q1 with over 573,000 Customers and nearly 499,000 Subscribers. 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 \$683 million with an average contract life remaining of 17 years, representing over \$10 billion in revenue visibility just from existing customers.

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

In Q1, Subscriber Value was approximately \$35,700 and Creation Cost was approximately \$27,500, delivering a Net Subscriber Value of approximately \$8,200.

Total Value Generated, which is the Net Subscriber Value multiplied by the number of Subscriber Additions in the period, was \$165 million in the first quarter.

Gross and Net Earning Assets, Cash Balance

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

Gross Earning Assets were \$8.1 billion at the end of the first quarter. Gross Earnings Assets is the measure of cash flows we expect to receive from customers over time, net of distributions to tax equity partners in partnership-flip structures, project equity financing partners, and operating & maintenance expenses, discounted at a 5% unlevered WACC.



Net Earnings Assets were \$4.2 billion at the end of the first quarter. Net Earning Assets is Gross Earning Assets, plus cash, less all debt.

We ended the first quarter with \$813 million in total cash. Note that in Q1 we consumed approximately \$43 million in cash related to the convert, capped call, and acquisition related costs.

Outlook

Turning now to our outlook.

Our team is executing exceptionally well, with strong sales momentum across all of our channels, even as we focus on integrating Vivint Solar. We believe our strengthening brand, investment in customer experience, and expanded sales reach have us well positioned to respond to the market opportunity in front of us.

We are increasing our growth outlook for 2021. We now forecast Solar Energy Capacity Installed growth to be in a range of 25% to 30% in 2021 for the full-year, an increase from the prior guidance of 20% to 25%. Total Value Generated is now expected to be over \$750 million for the full year, up from the prior guidance of more than \$700 million.

We continue to estimate cost synergies derived from the acquisition of Vivint Solar to be approximately \$120 million in run-rate synergies exiting this year.

While we are very focused on integration in the near-term, we expect to see sequential quarterly growth in Solar Energy Capacity Installed in Q2 that is well above 10%. The combination of investments to accelerate growth and our progressive ramp into synergy realization will result in more front-loaded costs, resulting in lower Net Subscriber Values in Q2 but with sequential increases throughout the second half of the year.

Consumer demand for alternatives to an old, expensive, and dirty energy infrastructure continues to increase at a rapid pace and we believe we have the products, business model, and operational capabilities to deliver against this demand in 2021 and beyond.

With that, let's open the line for questions please.

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 impact of COVID-19 on the Company and its business and operations; the Company's financial and operating guidance and expectations; the Company's business plan, 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 the company's business strategies, expectations regarding market share, 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 ability to manage supply chains and workforce; factors outside of the Company's control such as macroeconomic trends, public health emergencies, natural disasters, and the impacts of climate change; the legislative and regulatory environment of the solar industry; and expectations regarding the Company's storage and energy services businesses, the Company's acquisition of Vivint Solar (including cost synergies), anticipated emissions reductions due to utilization of the Company's solar systems, and expectations regarding the growth of home electrification, electric vehicles, virtual power plants, and distributed energy resources. 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 impact of COVID-19 on the Company and its business and operations; the successful integration of Vivint Solar; the availability of additional financing on acceptable terms; changes in the retail prices of traditional utility generated electricity; worldwide economic conditions, including slow or negative growth rates in global and domestic economies and weakened consumer confidence and spending; changes in policies and regulations including net metering and interconnection limits or caps; the availability of rebates, tax credits and other incentives; the availability of solar panels, batteries, and other components and raw materials; the Company's ability to attract and retain the Company's relationships with third parties, including the Company's solar partners; the Company's continued ability to manage costs associated with solar service offerings; 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 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.