

February 27, 2020



Sunrun Reports Fourth Quarter and Full Year 2019 Financial Results

Added 52,000 Customers in 2019, growing our customer base 22% year-over-year to 285,000

Net Earning Assets of \$1.5 billion, an increase of 8% year-over-year

SAN FRANCISCO, Feb. 27, 2020 (GLOBE NEWSWIRE) -- Sunrun (Nasdaq: RUN), the nation's leading provider of residential solar, storage and energy services, today announced financial results for the fourth quarter and full year ended December 31, 2019.

"In 2019 we generated \$102 million in cash, exceeding our target. We also grew our customer base by 22%, adding as many customers as the next two largest residential providers combined, while increasing adoption of Brightbox, our solar and battery offering, to record levels," said Lynn Jurich, Sunrun's Chief Executive Officer and co-founder. "People want resilient, affordable clean energy solutions to help fight climate change and protect themselves from an increasingly unreliable electricity system. Sunrun is enabling this transition today and putting power in the hands of individuals to drive change."

Key Operating Metrics

In the fourth quarter of 2019, MW deployed increased to 117 MW from 107 MW in the third quarter of 2019, demonstrating a 9% sequential improvement.

In the full year 2019, MW deployed increased to 413 MW from 373 MW in the full year 2018, an 11% year-over-year increase.

Creation Cost per watt was \$2.87 in the fourth quarter of 2019, compared to \$3.17 in the fourth quarter of 2018, a 10% year-over-year improvement.

NPV created in the fourth quarter of 2019 was \$100 million. Unlevered NPV per watt in the fourth quarter of 2019 was \$1.13.

Gross Earning Assets as of December 31, 2019 were \$3.7 billion, up \$622 million, or 20%, from the prior year. Net Earning Assets as of December 31, 2019 were \$1.5 billion, up \$118 million, reflecting an 8% increase from the prior year.

Total Cash (meaning total cash, including restricted cash, less recourse debt) increased \$66.3 million from the prior year. Cash Generation was \$102 million in 2019. The company defines Cash Generation as the increase in total cash, including restricted cash, less any increases in recourse debt, and adjusted for certain items. In 2019, Cash Generation was adjusted for \$27.5 million related to the company's Investment Tax Credit safe harbor program, \$5 million in cash consumed by the repurchase of stock in the company's share repurchase program, and \$2.7 million related to business acquisitions.

Fourth Quarter 2019 GAAP Results

Total revenue grew to \$243.9 million in the fourth quarter of 2019, up \$3.8 million, or 2%, from the fourth quarter of 2018. Customer agreements and incentives revenue was \$99.3 million, representing a decline of \$32.0 million, or 24%, compared to the fourth quarter of 2018, owing to a shift in tax equity fund mix which has different revenue accounting treatment for incentives. Customer agreements revenue was \$92.4 million, an increase of \$18.9 million, or 26%, from the fourth quarter of 2018. Solar energy systems and product sales revenue was \$144.6 million, representing an increase of \$35.8 million, or 33%, compared to the fourth quarter of 2018. Customer agreements revenue, solar energy systems revenue and product sales revenue was \$237.1 million in total, an increase of \$54.8 million, or 30%, compared to the fourth quarter of 2018.

Total cost of revenue was \$182.2 million, an increase of 18% year-over-year. Total operating expenses were \$292.4 million, an increase of 18% year-over-year.

Net income attributable to common stockholders was \$12.5 million in the fourth quarter of 2019.

Diluted net income per share attributable to common stockholders was \$0.10 per share in the fourth quarter of 2019.

Full Year 2019 GAAP Results

Total revenue grew to \$858.6 million in the full year 2019, up \$98.6 million, or 13%, from 2018. Customer agreements and incentives revenue was \$387.8 million, representing a decline of \$16.6 million, or 4%, compared to 2018, owing to a shift in tax equity fund mix which has different revenue accounting treatments for incentives. Customer agreements revenue was \$345.5 million, an increase of \$72.8 million, or 27%, from the 2018. Solar energy systems and product sales revenue was \$470.7 million, representing an increase of \$115.2 million, or 32%, compared to 2018. Customer agreements revenue, solar energy systems revenue and product sales revenue was \$816.2 million in total, an increase of \$188.0 million, or 30%, compared to 2018.

Total cost of revenue was \$645.8 million, an increase of 21% year-over-year. Total operating expenses were \$1,074.3 million, an increase of 22% year-over-year.

Net income attributable to common stockholders was \$26.3 million for the full year 2019.

Diluted net earnings per share attributable to common stockholders was \$0.21 per share for the full year 2019.

Financing Activities

As of February 27, 2020, closed transactions and executed term sheets provide us project debt and tax equity capacity into the fourth quarter of 2020.

Guidance for Q1 and Full Year 2020

The following statements are based on current expectations. These statements are forward-looking and actual results may differ materially.

In Q1, we expect deployments to be 102 MW.

For the full year 2020, we expect deployments to grow 15% year-over-year.

Conference Call Information

Sunrun is hosting a conference call for analysts and investors to discuss its fourth quarter and full year 2019 results and outlook for its first quarter 2020 at 2:00 p.m. Pacific Time today, February 27, 2020. A live audio webcast of the conference call along with supplemental financial information will be accessible via the “Investor Relations” section of the Company’s website at <http://investors.sunrun.com>. The conference call can also be accessed live over the phone by dialing (877) 470-1078 (domestic) or (615) 247-0087 (international) using ID #4088128. A replay will be available following the call via the Sunrun Investor Relations website or for one week at the following numbers (855) 859-2056 (domestic) or (404) 537-3406 (international) using ID #4088128.

About Sunrun

Sunrun Inc. (Nasdaq:RUN) is the nation’s leading home solar, battery storage, and energy services company. Founded in 2007, Sunrun pioneered home solar service plans to make local clean energy more accessible to everyone for little to no upfront cost. Sunrun’s innovative home battery solution, Brightbox, brings families affordable, resilient, and reliable energy. The company can also manage and share stored solar energy from the batteries to provide benefits to households, utilities, and the electric grid while reducing our reliance on polluting energy sources. For more information, please visit www.sunrun.com.

Forward Looking Statements

This press release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995, including statements regarding our market leadership, competitive advantages, investments, market adoption rates, our future financial and operating guidance, the expected size and timeframe of our stock repurchase program, operational and financial results such as growth, value creation, cash generation, Megawatts Deployed, investment tax credit safe harbor strategy, estimates of gross and net earning assets, project value, estimated creation costs, gross orders, demand, NPV, and the assumptions related to the calculation of the foregoing metrics, as well as our expectations regarding our growth, financing activities, and financing capacity. The risks and uncertainties that could cause our results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to: the availability of additional financing on acceptable terms; changes in the retail prices of traditional utility generated electricity; 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 and other raw materials; our limited operating history, particularly as a new public company; our ability to attract and retain our relationships with third parties, including our solar partners; our ability to meet the covenants in our investment funds and debt facilities; our continued ability to manage costs associated with solar service offerings, our business plan and our ability to effectively manage our growth and labor constraints, and such other risks identified in the reports that we file with the U.S. Securities and Exchange Commission, or SEC, from time to time. All forward-looking statements in this press release are based on

information available to us as of the date hereof, and we assume no obligation to update these forward-looking statements.

Consolidated Balance Sheets (In Thousands)

| | As of December 31, | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| Assets | | |
| Current assets: | | |
| Cash | \$ 269,577 | \$ 226,625 |
| Restricted cash | 93,504 | 77,626 |
| Accounts receivable, net | 77,728 | 66,435 |
| State tax credits receivable | 6,466 | 2,697 |
| Inventories | 260,571 | 79,467 |
| Prepaid expenses and other current assets | 25,984 | 8,563 |
| Total current assets | 733,830 | 461,413 |
| Restricted cash | 148 | 148 |
| Solar energy systems, net | 4,492,615 | 3,820,017 |
| Property and equipment, net | 56,708 | 34,893 |
| Intangible assets, net | 19,543 | 10,088 |
| Goodwill | 95,094 | 87,543 |
| Other assets | 408,403 | 335,685 |
| Total assets | \$ 5,806,341 | \$ 4,749,787 |
| Liabilities and total equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 223,356 | \$ 131,278 |
| Distributions payable to noncontrolling interests and redeemable noncontrolling interests | 16,062 | 15,847 |
| Accrued expenses and other liabilities | 148,497 | 98,636 |
| Deferred revenue, current portion | 77,643 | 47,407 |
| Deferred grants, current portion | 8,093 | 7,885 |
| Finance lease obligations, current portion | 10,064 | 9,193 |
| Non-recourse debt, current portion | 35,348 | 35,484 |
| Pass-through financing obligation, current portion | 11,031 | 26,461 |
| Total current liabilities | 530,094 | 372,191 |
| Deferred revenue, net of current portion | 651,856 | 544,218 |
| Deferred grants, net of current portion | 218,568 | 221,739 |
| Finance lease obligations, net of current portion | 12,895 | 9,992 |
| Recourse debt, net of current portion | 239,485 | 247,000 |
| Non-recourse debt, net of current portion | 1,980,107 | 1,466,438 |
| Pass-through financing obligation, net of current portion | 327,974 | 337,282 |
| Other liabilities | 141,401 | 48,210 |
| Deferred tax liabilities | 65,964 | 93,633 |
| Total liabilities | 4,168,344 | 3,340,703 |
| Redeemable noncontrolling interests | 306,565 | 126,302 |
| Total stockholders' equity | 964,731 | 948,707 |
| Noncontrolling interests | 366,701 | 334,075 |
| Total equity | 1,331,432 | 1,282,782 |
| Total liabilities, redeemable noncontrolling interests and total equity | \$ 5,806,341 | \$ 4,749,787 |

Consolidated Statements of Operations
(In Thousands, Except Per Share Amounts)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-------------|----------------------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue: | | | | |
| Customer agreements and incentives | \$ 99,297 | \$ 131,299 | \$ 387,835 | \$ 404,466 |
| Solar energy systems and product sales | 144,640 | 108,821 | 470,743 | 355,515 |
| Total revenue | 243,937 | 240,120 | 858,578 | 759,981 |
| Operating expenses: | | | | |
| Cost of customer agreements and incentives | 72,898 | 65,317 | 280,344 | 240,857 |
| Cost of solar energy systems and product sales | 109,307 | 89,040 | 365,485 | 294,066 |
| Sales and marketing | 71,679 | 57,158 | 275,148 | 207,232 |
| Research and development | 5,099 | 5,292 | 23,563 | 18,844 |
| General and administrative | 31,857 | 28,916 | 125,023 | 116,659 |
| Amortization of intangible assets | 1,524 | 1,051 | 4,755 | 4,204 |
| Total operating expenses | 292,364 | 246,774 | 1,074,318 | 881,862 |
| Loss from operations | (48,427) | (6,654) | (215,740) | (121,881) |
| Interest expense, net | 46,686 | 37,219 | 174,246 | 131,771 |
| Other expenses (income), net | — | 2,913 | 9,254 | (2,788) |
| Loss before income taxes | (95,113) | (46,786) | (399,240) | (250,864) |
| Income tax (benefit) expense | (8,116) | 2,729 | (8,218) | 9,322 |
| Net loss | (86,997) | (49,515) | (391,022) | (260,186) |
| Net loss attributable to noncontrolling interests and redeemable noncontrolling interests | (99,497) | (43,627) | (417,357) | (286,843) |
| Net income attributable to common stockholders | \$ 12,500 | \$ (5,888) | \$ 26,335 | \$ 26,657 |
| Net income per share attributable to common stockholders | | | | |
| Basic | \$ 0.11 | \$ (0.05) | \$ 0.23 | \$ 0.24 |
| Diluted | \$ 0.10 | \$ (0.05) | \$ 0.21 | \$ 0.23 |
| Weighted average shares used to compute net income per share attributable to common stockholders | | | | |
| Basic | 118,199 | 112,279 | 116,397 | 110,089 |
| Diluted | 124,550 | 112,279 | 123,876 | 117,112 |

Consolidated Statements of Cash Flows
(In Thousands)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|------------------------------|------------------------------------|--------------|-------------------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating activities: | | | | |
| Net loss | \$ (86,997) | \$ (49,515) | \$ (391,022) | \$ (260,186) |

Adjustments to reconcile net loss to net cash used in operating activities:

| | | | | |
|---|------------|-----------|------------|-----------|
| Depreciation and amortization, net of amortization of deferred grants | 48,543 | 42,296 | 187,163 | 156,007 |
| Deferred income taxes | (8,116) | 2,732 | (8,218) | 9,322 |
| Stock-based compensation expense | 6,886 | 5,873 | 26,306 | 27,856 |
| Interest on pass-through financing obligations | 5,968 | 6,741 | 24,326 | 19,205 |
| Reduction in pass-through financing obligations | (9,675) | (8,560) | (39,083) | (25,005) |
| Other noncash items | 9,280 | 4,848 | 25,780 | 25,484 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (3,821) | 356 | (14,864) | (5,707) |
| Inventories | (150,794) | 16,511 | (181,104) | 14,960 |
| Prepaid and other assets | (14,301) | (21,767) | (81,630) | (75,924) |
| Accounts payable | 60,612 | (9,441) | 67,356 | 8,848 |
| Accrued expenses and other liabilities | 27,550 | (17,612) | 42,081 | 15,286 |
| Deferred revenue | 16,486 | 5,811 | 138,422 | 27,393 |
| Net cash used in operating activities | (98,379) | (21,727) | (204,487) | (62,461) |

Investing activities:

| | | | | |
|--|------------|------------|------------|------------|
| Payments for the costs of solar energy systems | (221,051) | (235,184) | (815,188) | (806,365) |
| Purchases of property and equipment | (4,161) | (1,872) | (25,345) | (4,951) |
| Business acquisition | — | — | (2,722) | — |
| Net cash used in investing activities | (225,212) | (237,056) | (843,255) | (811,316) |

Financing activities:

| | | | | |
|--|------------|------------|------------|------------|
| Proceeds from state tax credits, net of recapture | 1,342 | (62) | 2,253 | 10,887 |
| Proceeds from issuance of recourse debt | 45,450 | — | 185,450 | 17,000 |
| Repayment of recourse debt | (45,000) | — | (192,965) | (17,000) |
| Proceeds from issuance of non-recourse debt | 499,499 | 492,168 | 1,181,549 | 980,544 |
| Repayment of non-recourse debt | (282,408) | (293,561) | (670,508) | (517,594) |
| Payment of debt fees | (18,928) | (15,010) | (28,687) | (24,849) |
| Proceeds from pass-through financing and other obligations | 1,917 | 33,462 | 9,140 | 217,082 |
| Extinguishment of pass-through financing and other obligations | — | — | (7,597) | — |
| Payment of finance lease obligations | (3,470) | (2,635) | (13,919) | (9,025) |
| Contributions received from noncontrolling interests and redeemable noncontrolling interests | 140,419 | 97,443 | 711,914 | 345,147 |
| Distributions paid to noncontrolling interests and redeemable noncontrolling interests | (23,761) | (27,672) | (76,654) | (78,398) |
| Acquisition of noncontrolling interests | — | — | (4,600) | — |
| Net proceeds related to stock-based award activities | 3,348 | 3,916 | 16,196 | 12,592 |
| Repurchase of common stock | (5,000) | — | (5,000) | — |
| Net cash provided by financing activities | 313,408 | 288,049 | 1,106,572 | 936,386 |
| Net change in cash and restricted cash | (10,183) | 29,266 | 58,830 | 62,609 |
| Cash and restricted cash, beginning of period | 373,412 | 275,133 | 304,399 | 241,790 |
| Cash and restricted cash, end of period | \$ 363,229 | \$ 304,399 | \$ 363,229 | \$ 304,399 |

Key Operating Metrics and Financial Metrics

| | Full Year Ended December 31, | |
|--|---------------------------------|----------|
| | 2019 | 2018 |
| Megawatts Deployed (during the period) | 413 | 373 |
| Cumulative Megawatts Deployed (end of period) | 1,987 | 1,575 |
| Gross Earning Assets under Energy Contract (end of period)(in millions) | \$ 2,537 | \$ 2,100 |
| Gross Earning Assets Value of Purchase or Renewal (end of period)(in millions) | \$ 1,147 | \$ 963 |
| Gross Earning Assets (end of period)(in millions) (1) | \$ 3,684 | \$ 3,062 |
| Net Earning Assets (end of period)(in millions) (1)(2) | \$ 1,522 | \$ 1,404 |

| | Three Months Ended December 31, | |
|--|------------------------------------|---------|
| | 2019 | 2018 |
| Project Value, Contracted Portion (per watt) | \$ 3.56 | \$ 3.80 |
| Project Value, Renewal Portion (per watt) | \$ 0.44 | \$ 0.58 |
| Total Project Value (per watt) | \$ 4.00 | \$ 4.38 |
| Creation Cost (per watt) | \$ 2.87 | \$ 3.17 |
| Unlevered NPV (per watt)(1) | \$ 1.13 | \$ 1.21 |
| NPV (in millions) | \$ 100 | \$ 116 |

(1) Numbers may not sum due to rounding.

(2) Sunrun records income when it delivers tax benefits to its tax equity investors. Under partnership flip transactions this income is recognized beginning at the time of deployment. In pass-through financing transactions, income is recognized later, upon utility interconnection permission (PTO). Income recognition therefore lags in periods when the company is increasing its use of pass-through financing funds. Until PTO is received for a solar system in a pass-through financing obligation structure, the company records the expected value of tax benefits as a short term pass-through financing obligation, similar to deferred revenue accounting. The amount reflected within short-term pass-through financing obligation was \$25.0 million in the fourth quarter of 2018. As such, the pass-through financing obligation used to calculate Net Earning Assets is reduced by \$25.0 million. There was no amount reflected within short-term pass through financing in the fourth quarter of 2019.

Definitions

Creation Cost includes (i) certain installation and general and administrative costs after subtracting the gross margin on solar energy systems and product sales divided by watts deployed during the measurement period and (ii) certain sales and marketing expenses under new Customer Agreements, net of cancellations during the period divided by the related watts deployed.

Customers refers to all parties (i) who have executed Customer Agreements or cash sales agreements with us and (ii) for whom we have internal confirmation that the applicable solar energy system has reached notice to proceed or “NTP”, net of cancellations. Customer Agreements refers to, collectively, solar power purchase agreements and solar leases.

Gross Earning Assets represent the remaining net cash flows (discounted at 6%) we

expect to receive during the initial term of our Customer Agreements (typically 20 or 25 years) for systems that have been deployed as of the measurement date, plus a discounted estimate of the value of the Customer Agreement renewal term or solar energy system purchase at the end of the initial term. Gross Earning Assets deducts estimated cash distributions to investors in consolidated joint ventures and estimated operating, maintenance and administrative expenses for systems deployed as of the measurement date. In calculating Gross Earning Assets, we deduct estimated cash distributions to our project equity financing providers. In calculating Gross Earning Assets, we do not deduct customer payments we are obligated to pass through to investors in pass-through financing obligations as these amounts are reflected on our balance sheet as long-term and short-term pass-through financing obligations, similar to the way that debt obligations are presented. In determining our finance strategy, we use pass-through financing obligations and long-term debt in an equivalent fashion as the schedule of payments of distributions to pass-through financing investors is more similar to the payment of interest to lenders than the internal rates of return (IRRs) paid to investors in other tax equity structures. We calculate the Gross Earning Assets value of the purchase or renewal amount at the expiration of the initial contract term assuming either a system purchase or a five year renewal (for our 25-year Customer Agreements) or a 10-year renewal (for our 20-year Customer Agreements), in each case forecasting only a 30-year customer relationship (although the customer may renew for additional years, or purchase the system), at a contract rate equal to 90% of the customer's contractual rate in effect at the end of the initial contract term. After the initial contract term, our Customer Agreements typically automatically renew on an annual basis and the rate is initially set at up to a 10% discount to then-prevailing power prices. Gross Earning Assets Under Energy Contract represents the remaining net cash flows during the initial term of our Customer Agreements (less substantially all value from SRECs prior to July 1, 2015), for systems deployed as of the measurement date.

Gross Earning Assets Under Energy Contract represents the remaining net cash flows during the initial term of our Customer Agreements (less substantially all value from SRECs prior to July 1, 2015), for systems deployed as of the measurement date.

Gross Earning Assets Value of Purchase or Renewal is the forecasted net present value we would receive upon or following the expiration of the initial Customer Agreement term (either in the form of cash payments during any applicable renewal period or a system purchase at the end of the initial term), for systems deployed as of the measurement date.

Megawatts Deployed represents the aggregate megawatt production capacity of our solar energy systems, whether sold directly to customers or subject to executed Customer Agreements (i) for which we have confirmation that the systems are installed on the roof, subject to final inspection, (ii) in the case of certain system installations by our partners, for which we have accrued at least 80% of the expected project cost, or (iii) for multi-family and any other systems that have reached NTP, measured on the percentage of the project that has been completed based on expected project cost.

Net Earning Assets represents Gross Earning Assets less both project level debt and pass-through financing obligations, as of the same measurement date. Because estimated cash distributions to our project equity financing partners are deducted from Gross Earning Assets, a proportional share of the corresponding project level debt is deducted from Net Earning Assets.

NPV equals Unlevered NPV multiplied by leased megawatts deployed in period.

NTP or **Notice to Proceed** refers to our internal confirmation that a solar energy system has met our installation requirements for size, equipment and design.

Project Value represents the value of upfront and future payments by customers, the benefits received from utility and state incentives, as well as the present value of net proceeds derived through investment funds. Specifically, Project Value is calculated as the sum of the following items (all measured on a per-watt basis with respect to megawatts deployed under Customer Agreements during the period): (i) estimated Gross Earning Assets, (ii) utility or upfront state incentives, (iii) upfront payments from customers for deposits and partial or full prepayments of amounts otherwise due under Customer Agreements and which are not already included in Gross Earning Assets and (iv) finance proceeds from tax equity investors, excluding cash true-up payments or the value of asset contributions in lieu of cash true-up payments made to investors. Project Value includes contracted SRECs for all periods after July 1, 2015.

Unlevered NPV equals the difference between Project Value and estimated Creation Cost on a per watt basis.

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Source: Sunrun Inc.