

February 15, 2024

# 4<sup>th</sup> Quarter 2023 Supplementary Slides

# Safe Harbor Statement

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**This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995,** including, but not limited to, statements regarding: (a) anticipated results, cash flow and financial outlook; (b) expectations regarding our growth, demand and our future performance, and our ability to meet or capture consumer demand; (c) our ability to continue as a going concern; (d) expectations regarding our recent recapitalization, including our ability to satisfy conditions precedent to additional funding; (e) our plans and expectations with respect to our strategic partnerships and initiatives; (f) our strategic plans and areas of investment and focus; and (g) our expectations for industry trends and factors, and the impact on our business.

These forward-looking statements are based on information available to management at the time of the release of this presentation and are subject to change. There can be no assurance that actual results will not differ from the anticipated results, financial outlook, and other forward-looking statements presented herein. Our current assumptions, expectations and beliefs and involve substantial risks and uncertainties that may cause results, performance or achievement to materially differ from those expressed or implied by these forward-looking statements.

Factors that could cause or contribute to such differences include, but are not limited to: (a) our ability to realize the anticipated benefits of

capital received and project financings; (b) our ability to comply with our financing agreements, including debt covenants or cure any defaults; (c) our ability to repay our obligations as they come due; (d) our liquidity, indebtedness, and ability to obtain additional financing for our projects and customers; (e) managing our acquisitions, joint ventures, and partnerships, including our ability to successfully manage acquired assets and supplier relationships; and (f) the timing and execution of any restructuring plans.

A detailed discussion of these factors and other risks that affect our business is included in filings we make with the Securities and Exchange Commission (SEC) from time to time, including our most recent reports on Form 10-K/A and Form 10-Q, particularly under the heading "Risk Factors." Copies of these filings are available online from the SEC or on the SEC Filings section of our Investor Relations website at [investors.sunpower.com](https://investors.sunpower.com).

All forward-looking statements in this presentation are based on information currently available to us and should not be relied upon as representing our views as of any subsequent date. We assume no obligation to update these forward-looking statements in light of new information or future events.



# Today's Agenda

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## 1. CEO Update

Peter Faricy, Chief Executive Officer

## 2. Financial Update

Beth Eby, Chief Financial Officer

## 3. Q&A

# \$200M of Capital Commitments

**Opportunity now exists for a liquid, leaner, and profitable SunPower to outperform competitors.**

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## Capital Raise and Debt Covenant Update

1. Raised \$175M in capital financing through a second lien term loan from Sol Holding, LLC, a JV between TotalEnergies and Global Infrastructure Partners that holds a majority of SunPower's shares outstanding.
  - a) Includes the \$45M from amounts previously funded in December and January.
  - b) Loan financing to be provided in two tranches: \$125M in the first plus a second tranche of \$50M available to be borrowed upon the satisfaction of certain conditions.
  - c) Warrants are granted to Sol Holding to purchase up to ~41.8M common SPWR shares plus up to another ~33.4M if the \$50M second tranche of the term loan is drawn.
2. SunPower obtained new long-term waivers from other key financial partners and entered into an amendment to its revolving debt facility.
  - a) This also provides access to \$25 million of revolving debt capacity (\$300M total capacity).

# Business Highlights: Q4 2023

Executed on cost savings actions while growing New Homes, Storage and SunPower Financial.



~\$100M

Expected ongoing cost savings generated through Q4/Q1 restructuring actions.



16,000

Customers added in Q4.



52,100

Backlog, including 15,100 in the retrofit home channel and another 37,000 in the New Homes channel, including multifamily.<sup>1</sup>



19%

New Homes installation growth in Q4 vs Q3.



76%

Record-high storage bookings attach rate in Q4 within SunPower Direct in CA and 23% nationally across all channels.



65%

Record SunPower Financial™ lease & loan attach rate in Q4, with lease contracts comprising 73% of financings.

1. Backlog calculated as of Feb 2024.

# Visible Path to Improved Profitability and Cash Flow in 2024+

**With uncertain demand, drivers support the path to positive operating cash flow runrate in 2H.**

## COGS and Opex Savings Initiatives in Process

- ~\$100M of COGS and Opex anticipated savings have been identified and are in process of execution by mid-year.
- Approximately 2/3 of these savings are from reduced COGS, including previously announced SunPower Direct site consolidation, lower cost panels, lower freight costs, and reduced overhead.

## Shift to Lower Cost Suppliers

- Panels: Legacy panel supply contract to expire in February 2024, with the transition to lower-cost premium panels to be complete in 1H 2024. Expect a 30%-50% decline in panel costs under new arrangements.
- Energy storage: Expect to begin deploying new 3<sup>rd</sup> party product in Q2, with up to a 50% decline in cost versus the legacy SunVault program.
- Racking: Expect a >20% decline in racking costs after shifting to new suppliers.
- Overall: Expect to realize as much as a 37% decline in overall equipment expense.

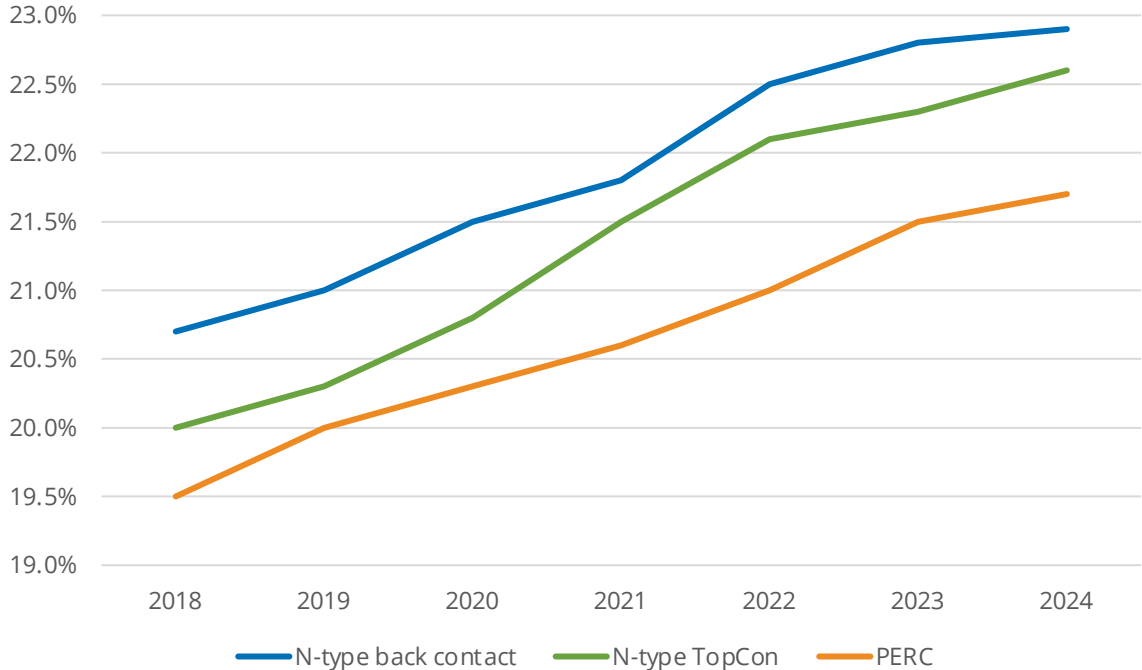
# Panels: Premium Segment Evolution

Premium panel manufacturing has caught up on features at a much lower price point.

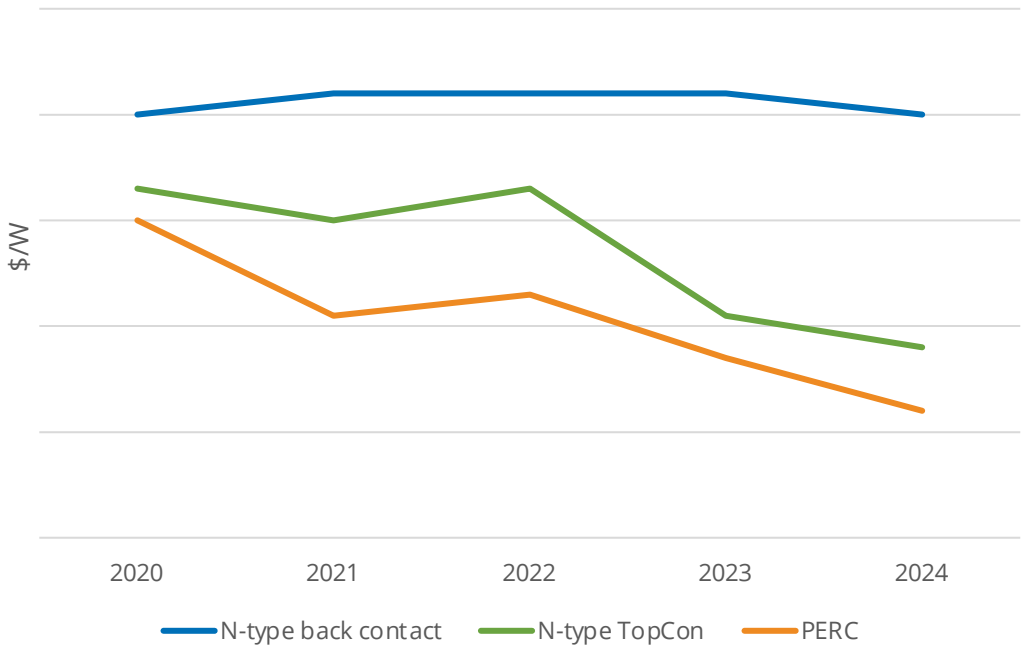
**Features:** Warranted performance of new panels on the market are also expected to reach 92% power output after year-25.

**Costs:** However, these new premium panels are priced like a mainstream module

Module Efficiency by Technology<sup>1</sup>



Module Cost by Technology<sup>2</sup>



1. Source: International Technology Roadmap for Photovoltaics (ITRPV) 8<sup>th</sup> -14<sup>th</sup> Editions

2. Source: PV InfoLink, SPWR estimates

# New Homes Update

**Latest backlog of 37,000 homes reflects ~18-24 months of installations.**

- 1. Total Q4 bookings** were -9% YoY, increasing 18% vs Q3.
- 2. California Q4 bookings** were -5% YoY, increasing 32% vs Q3, with notable contribution from multi-family.
- 3. California Q4 bookings storage** attachment rate 22%, holding steady vs Q3. Storage sales increased 30% in Q4 2023 vs Q3.
- 4. Installations** declined -4% YoY in Q4 after increasing sequentially 19% in vs Q3. For 2024, we expect installations to grow vs 2023 in tandem with increased new home construction.





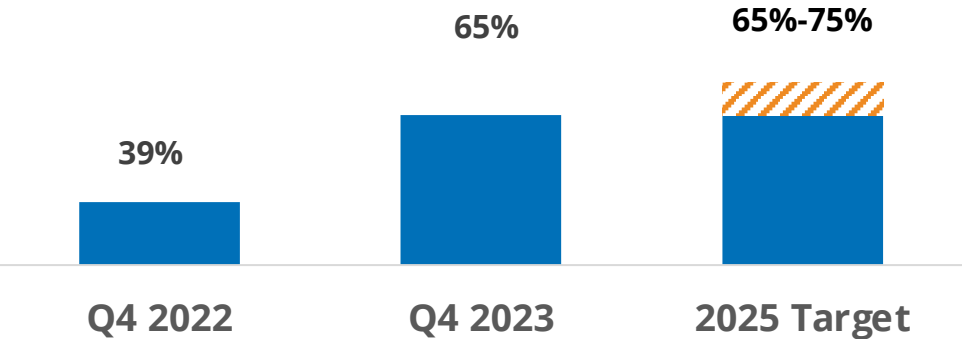
# SunPower Financial™ Expanding its Reach

SunPower has raised ~\$1.8B of third-party facilities over the past 24 months.

## 1. Pursuing the expansion of lease financing capacity to support sales trends into 2024.

- a. For Q4 '23, lease contracts were 73% of SPF originated volume vs 26% in Q4 '22
- b. Leases currently enjoy pricing advantage compared to loans. Loan investors have greater sensitivity to interest rates as a result of capital stack composition and assumptions around higher prepayment rates.
- c. Continuing to pursue additional tax equity and lease financing, with facilities in place to access ABS funding in the future.

## 2. SunPower Financial Lease & Loan Attach Rate<sup>1</sup>



## Total Third-Party Financing Capacity (\$B)

█ Drawn Loan Facilities    
   Undrawn Loan Facilities    
 █ Closed Lease Facilities    
   Undrawn Lease Facilities



1. Percentage of kW sold financed through SunPower Financial.

# SunPower Financial Competitive Advantages

## Compared with leading competitors.

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### 1. Lower cost of acquisition

We benefit from SunPower's existing salesforce, dealer network, and digital marketing capabilities

For comparison, as of 12/31/2022:

- a. SUNL CAC: \$110
- b. SunPower Financial incremental CAC: \$0

### 2. Most customer-centric product offering

We are one of the only lenders to offer the full suite of financial products across lease and loan.

We let the customer decide what's best for them, instead of steering them toward a lease or loan.

Loan and lease allow us to capitalize on the IRA while being positioned to take advantage of falling interest rates.

### 3. Low cost of capital due to high asset quality

We have greater control over equipment quality, the sales process, and the quality of installation.

For comparison:

- a. SPWR 2018-1 ABS cumulative default rate: 1.4%
- b. RUN 2018-1 ABS cumulative default rate: 2.9%
- c. SNVA 2018-1 ABS cumulative default rate: 2.9%

### 4. Underwriting edge from longer track record

SunPower has granular payment data going back to 2009, including the Great Recession

For comparison:

- a. Mosaic's first residential solar loan: 2014
- b. GoodLeap's first residential solar loan: 2017

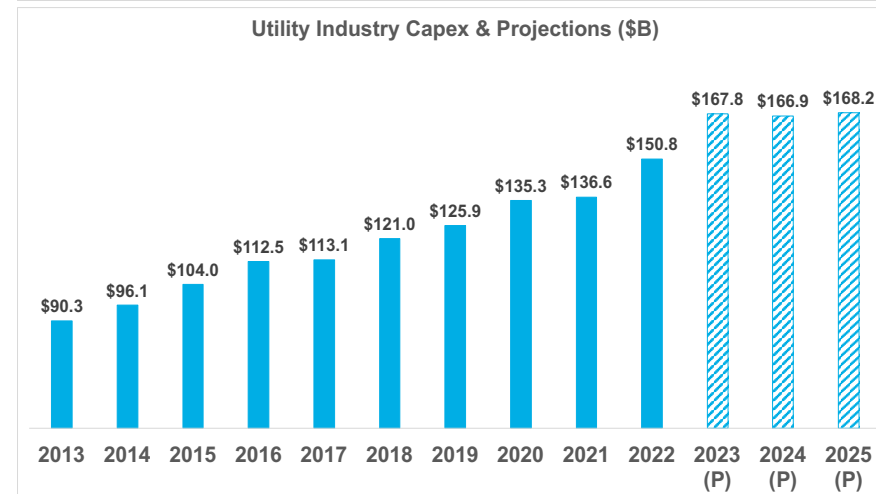
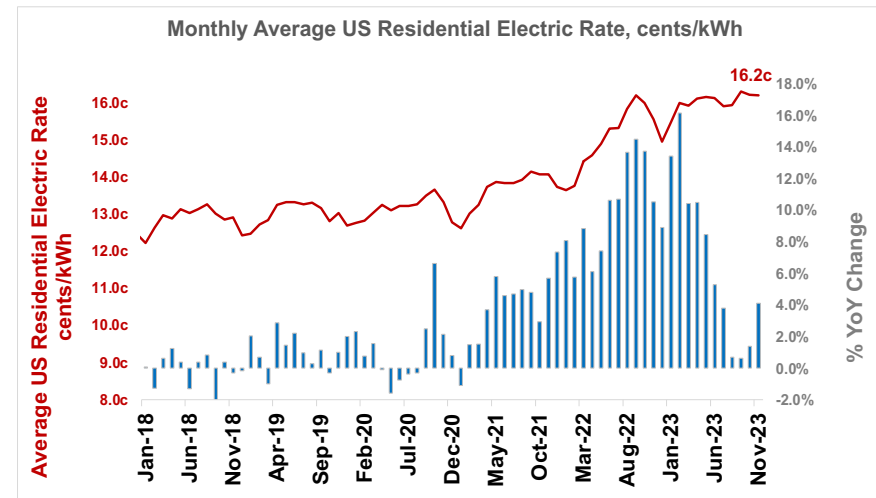
# Retail Electric Pricing Rising Rapidly, Driving Solar Value Proposition

Solar pricing power remains strong despite moderating gas and bulk electricity costs.

## Residential solar value continues to strengthen across most of the U.S.

1. With low rooftop solar market penetration, incumbent electric utility rates are the distributed solar industry's main competition.
2. Natural gas and *bulk* electric costs are volatile and have declined significantly since 2022 but fuel and purchased power are responsible for only ~30% of retail electric bills, which are primarily influenced by the rising cost of infrastructure and labor.
3. Average residential *retail* electric utility prices rose >10% YoY in November for nearly 28M potential customers in 10 states, with ~50M in states with electric rates rising faster than inflation. In California, PG&E rates rose 13% in January while regulators are considering further hikes this year.<sup>1</sup>
4. *Retail* rates are anticipated to continue climbing in 2024 and 2025 considering forward fuel hedging, the higher cost of capital, and the recovery of escalating investment in transmission and distribution system upgrades.<sup>2</sup>

## Average U.S. retail electric prices remained near all-time highs, Nov 2023<sup>2</sup>



Monthly Residential Electric Price cents/kWh	Nov-23	Nov-22	% YoY	TAM (potential customers)	Cumulative TAM
1 Maine	27.42	22.23	23.3%	0.5	0.5
2 Idaho	11.55	9.98	15.7%	0.6	1.1
3 California	29.41	25.52	15.2%	10.0	11.1
4 North Carolina	13.63	11.89	14.6%	3.4	14.6
5 Maryland	17.38	15.37	13.1%	1.2	15.7
6 Connecticut	26.92	23.91	12.6%	1.0	16.7
7 Oregon	12.95	11.51	12.5%	1.3	18.1
8 Nevada	17.11	15.23	12.3%	0.8	18.9
9 Arizona	14.53	13.11	10.8%	2.1	21.0
10 Florida	15.38	13.98	10.0%	6.7	27.7
11 Rhode Island	31.27	28.62	9.3%	0.3	28.0
12 New Jersey	17.54	16.19	8.3%	2.3	30.3
13 District Of Columbia	16.99	15.77	7.7%	0.1	30.4
14 Ohio	15.74	14.63	7.6%	3.9	34.3
15 Nebraska	11.36	10.58	7.4%	0.7	35.0
16 Washington	11.08	10.34	7.2%	2.3	37.3
17 Missouri	12.19	11.41	6.8%	2.2	39.5
18 Wisconsin	16.75	15.72	6.6%	2.1	41.7
19 Delaware	17.23	16.22	6.2%	0.3	41.9
20 New Mexico	14.52	13.85	4.8%	0.7	42.6
21 Wyoming	11.56	11.05	4.6%	0.2	42.8
22 West Virginia	14.44	13.83	4.4%	0.7	43.5
23 Pennsylvania	18.11	17.38	4.2%	2.9	46.4
24 Utah	11.03	10.59	4.2%	0.8	47.2
<b>25 US Average</b>	<b>16.19</b>	<b>15.55</b>	<b>4.1%</b>		<b>47.2</b>
26 Alaska	24.09	23.14	4.1%	0.2	47.4
27 Vermont	21.57	20.74	4.0%	0.2	47.6
28 Michigan	18.44	17.83	3.4%	3.3	50.9
29 Montana	12.61	12.23	3.1%	0.4	51.3
30 South Carolina	14.11	13.82	2.1%	1.8	53.1
31 Mississippi	13.65	13.39	1.9%	1.0	54.1
32 Iowa	12.81	12.57	1.9%	1.1	55.2
33 North Dakota	10.74	10.58	1.5%	0.3	55.5
34 Minnesota	14.39	14.18	1.5%	1.7	57.2
35 South Dakota	12.12	11.98	1.2%	0.3	57.5
36 Massachusetts	28.25	28.07	0.6%	1.9	59.3
37 Colorado	14.61	14.55	0.4%	1.5	60.9
38 Alabama	14.89	14.83	0.4%	1.8	62.7
39 Hawaii	43.53	43.80	-0.6%	0.3	63.0
40 Georgia	13.18	13.29	-0.8%	3.5	66.5
41 Tennessee	12.68	12.81	-1.0%	2.2	68.7
42 Oklahoma	12.08	12.34	-2.1%	1.5	70.2
43 Virginia	13.99	14.32	-2.3%	2.1	72.3
44 Arkansas	12.11	12.41	-2.4%	1.2	73.5
45 Texas	14.61	15.01	-2.7%	9.7	83.2
46 New York	22.72	23.66	-4.0%	4.2	87.4
47 Kentucky	13.13	13.87	-5.3%	1.5	88.9
48 Illinois	15.73	17.04	-7.7%	3.7	92.6
49 Indiana	14.64	15.94	-8.2%	2.4	95.0
50 Kansas	13.26	14.51	-8.6%	1.0	96.0
51 New Hampshire	25.84	30.61	-15.6%	0.4	96.4
52 Louisiana	11.37	13.82	-17.7%	1.7	98.1

1. [KRON](#), Jan 2024

2. Sources: [US Energy Information Agency \(EIA\) Electric Power Data Browser](#), [Edison Electric Institute capex forecast July 2023](#), Bloomberg New Energy Finance, SunPower assumptions.

# SunPower is the Highest Rated Solar Company in the U.S.

We are highly focused on delivering a superior customer experience.

**SunPower leads the pack when it comes to consumer reviews.  
More than 15,400 consumer 5-Star reviews (and counting!)**

Which is important because an overwhelming majority (93%) of Americans report reading customer reviews and ratings when buying a product or service for the first time<sup>2</sup>



**A+ Rating**

with the Better Business Bureau<sup>3</sup>



**1,400+**

Five-star reviews on ConsumerAffairs<sup>3</sup>



**3,200+**

Five-star reviews on Best Company<sup>3</sup>

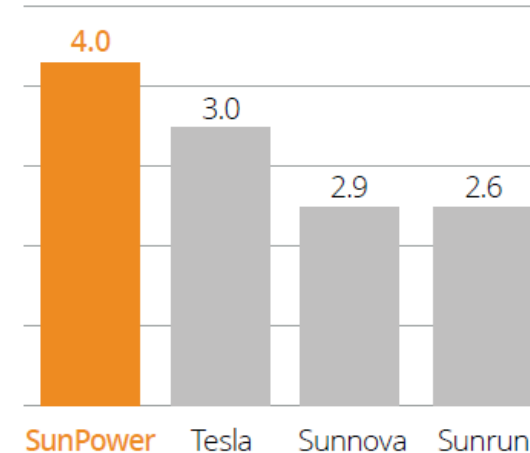


**#1 Solar Company Overall**

on BestCompany.com<sup>3</sup>



Aggregated Solar Review Scores<sup>1</sup>



**SunPower is the only 4+ star rated publicly traded solar provider in the US<sup>1</sup>**

1. Based on public solar providers in the U.S. Includes average of BBB, Yelp, ConsumerAffairs, BestCompany, Google, SolarReviews and EnergySage reviews scores as of 10/23/23  
2. PEW Research, Most Americans Rely on Their Own Research to Make Big Decisions, March 2020  
3. As of October 2023



# Today's Agenda

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Beth Eby, Chief Financial Officer

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# Restructuring Actions Position SunPower for Success in 2024

Challenging market conditions continued as the industry entered its seasonal slow period.

\$ all figures in million, unless specified

	Q4'22 <sup>3</sup>	Q4'23
<b>Metrics</b>		
1 New residential customers added	23,700	16,000
2 Storage bookings attach rate <sup>1</sup>	4%	23%
SunPower Financial attach rate <sup>2</sup>	39%	65%
<b>Financials</b>		
Adjusted Revenue (Non-GAAP) <sup>3</sup>	\$498	\$361
3 Adjusted Gross Margin (Non-GAAP) <sup>3</sup>	23.0%	4.5%
Adjusted EBITDA (Non-GAAP) <sup>3</sup>	\$31	\$(68)
4 Cash from Operations (Non-GAAP, includes WC) <sup>3</sup>	\$27	\$(42)
Net Recourse Debt	\$48	\$208
SunPower share of SunStrong's lease renewal Net Retained Value <sup>4</sup>	\$260	\$320

1. Lower YoY installations reflect the impact of reduced bookings since May under higher interest rates and CA NEM 3.0, as well as the winding down of NEM 2.0 installations. Latest backlog stands at 15,100 retrofit homes plus another 37,000 New Homes.
2. Increasing battery attach rates driven by NEM 3.0 demand and lower cost options. Expect to sell out of SunVault and shift to lower cost 3rd Party batteries in Q2 '24. In California, the storage attach rate (Direct Channel) in Q4'23 was 76%.
3. Adjusted Gross Margin declined in Q4 as a result of several items not expected to recur in 2024, including Q4 inventory adjustments and restatement impacts, warranty and unhedged higher lease cost of capital absorbed due to rapid rate increases. Also impacting GM were SunPower Direct pre-install and install costs spread over lower volumes (expected to improve in 2024 after recent restructuring actions). See appendix for detail.
4. Ended Q4 with \$87M cash on hand and \$208M of net recourse debt. Inventory levels declined another \$64M to \$261M on Dec 31, with efforts to reduce further continuing into 2024.

1. Storage bookings attach rate is the percentage of customers purchasing a combined solar and storage system.
2. SunPower Financial attach rate is the percentage of non-cash customers that executed a lease or loan contract originated by SunPower Financial.
3. Beginning in the second quarter of fiscal 2023, we are no longer excluding non-GAAP adjustments related to "Transition Costs" and "Results of operations of businesses exited/to be exited" from our non-GAAP results, with the exception of certain charges related to our legacy power plant and development projects sold in fiscal 2018 and 2019. All comparative periods have been adjusted to reflect the current presentation. Totals may not foot due to rounding.
4. SPWR's 51% ownership of SunStrong, with 90% lease renewal NRV based on a 6.0% discount rate for Q4 '23 and Q4 '22. Sensitivity is ~\$20M NRV per 25 bps discount rate.

# FY 2023 Results and Initial 2024 Guidance

**Opex and COGS cuts executed in 1H are expected to result in improved GM, EBITDA for 2024.**

	2022 Results <sup>1</sup>	2023 Results <sup>1</sup>	2024 Guidance
<b>Customer Growth</b>	83K	<b>75.9K</b> <i>Prior guide: 70K-80K</i>	<i>Focus is on profitability and gross margin given uncertain market conditions.</i>
<b>Adjusted Gross Margin %<sup>1</sup></b> <i>(non-GAAP)</i>	23.7%	<b>14.6%</b>	<b>17.0%-19.0%</b> <b>Expect improvement to &gt;20% in 2025</b>
<b>Adjusted EBITDA<sup>1</sup></b> <i>(non-GAAP)</i>	\$70M	<b>(\$84M)</b> <i>Prior guide: (\$35M) to (\$25M)</i> <i>See appendix for items affecting 2023.</i>	<i>We expect to be in a position to provide EBITDA guidance later in the year as recent restructuring and recapitalization impacts are fully evaluated.</i>
<b>Free Cash Flow</b> <i>(non-GAAP; CFO minus Capex)</i>			<b>Positive for 2H 2024</b> <b>Positive for 2025</b> <i>as COGS, OPEX, and CAPEX decline.</i>
<b>GAAP Net Income (Loss)</b>	\$43M	<b>(\$247M)</b>	<b>(\$160M) to (\$80M)</b>

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# Outlook for 2024

## Managing opex and investment to remain resilient and ready under volatile market conditions.

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### Macro Factors

1. **Increase in the utility cost of retail electricity.** Costs continue to be impacted by industry plans for a steady increase in transmission and distribution infrastructure capex over the next three years.
2. **Interest rates.** We expect a possible improvement to consumer confidence and the value of solar should interest rates stabilize.
3. **Lower equipment cost.** We expect increased panel and battery supply to result in continued price decreases over the next 12-24 months.
4. **IRA adders.** We believe the path to take advantage of the domestic content IRA adder will become clearer in 2024.
5. **Recently improving sales trends.** Seeing bookings growth beginning to re-materialize this Fall, especially where utility electric rates are relatively high or climbing rapidly. In CA, we expect improvement for NEM 3.0 bookings, driven by high utility electric rates and higher battery attach rates.

### SunPower Unique Factors

1. **Opex management.** Investments needed to manage future rapid expansion expected to be matched to our expectation for stronger future market conditions.
2. **New Homes growth.** With a backlog of 37,000, we expect to benefit from customer recognition in 2024.
3. **Leasing.** The growing popularity of lease financing, IRA bonus tax credits, and SunPower's growing capacity to finance leases are expected to benefit sales.
4. **SunPower Financial expansion.** Continued focus on additional TE and other lease financing. Continue to pursue new sources of customers beyond SunPower in 2024+.





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# Appendix

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# Financials

**Gross Margin and Adjusted EBITDA were impacted by non-recurring inventory and warranty items.**

\$ all figures in million, unless specified

	Q4'22 <sup>1</sup>	Q4'23
<b>GAAP Revenue (excludes sold C&amp;I Solutions)</b>	\$498	\$357
<b>Adjusted Revenue (Non-GAAP)</b>	\$498	\$361
<b>Gross Margin (Non-GAAP)<sup>1</sup></b>	23.0%	4.5%
<b>Operating Expense (Non-GAAP)<sup>1</sup></b>	\$89	\$97
<b>Adjusted EBITDA (Non-GAAP)<sup>1</sup></b>	\$31	(\$68)
<b>Net Income (Loss) from Continuing Operations - (GAAP)<sup>1</sup></b>	\$5	(\$116)
<b>Net Income (Loss) Attributable to Stockholders - (Non-GAAP)<sup>1</sup></b>	\$20	(\$90)
Diluted Wtg. Avg. Shares Out. (GAAP) <sup>2</sup>	176	175
Diluted Wtg. Avg. Shares Out. (Non-GAAP) <sup>3</sup>	176	175
<b>Diluted EPS (GAAP)</b>	\$0.03	(\$0.66)
<b>Diluted EPS (Non-GAAP)<sup>2</sup></b>	\$0.11	(\$0.51)

- Beginning in the second quarter of fiscal 2023, we are no longer excluding non-GAAP adjustments related to "Transition Costs" and "Results of operations of businesses exited/to be exited" from our non-GAAP results, with the exception of certain charges related to our legacy power plant and development projects sold in fiscal 2018 and 2019. All comparative periods have been adjusted to reflect the current presentation. Totals may not foot due to rounding.
- Diluted weighted average shares represent daily average of common shares currently outstanding, plus potential shares that may be issued for convertible notes and unvested RSUs. For Non-GAAP purposes, to the extent convertible notes are out of the money, they are excluded.
- Refer to the company's press release dated Feb 15, 2024 for additional information on the GAAP to non-GAAP reconciliation.

# GAAP to Non-GAAP Reconciliation

## Restructuring and litigation charges reduced net income.

\$ all figures in million, unless specified

	Q4'22 <sup>1</sup>	Q4'23
<b>GAAP net income (loss) from cont'd ops attributable to stockholders<sup>1</sup></b>	<b>5</b>	<b>(116)</b>
Interest expense, net of interest income	3	7
Depreciation	7	14
Provision for income taxes	(2)	(1)
Unrealized (gain) loss on equity securities – Enphase	6	0
Results of operations of businesses exited <sup>1</sup>	0	0
Stock-based compensation	7	5
Restructuring charges	0	7
Acquisition-related costs	0	0
Amortization of intangible assets and software	3	3
Litigation	1	6
Transition costs <sup>1</sup>	0	0
Unrealized (gain) loss on swap valuation	0	6
Other non-recurring items <sup>1</sup>	1	1
<b>Adjusted EBITDA (Non-GAAP)<sup>1</sup></b>	<b>31</b>	<b>(68)</b>

1

1. Other non-recurring items refer to transaction-related expenses, restructuring expenses, and equity income from unconsolidated investees.

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# Cash Position

## Cash usage from new panel supply agreement and consultant/audit costs.

\$ all figures in million, unless specified

<b>Opening Cash</b>	<b>\$104</b>
Cash from Operations (includes WC)	\$(42)
Revolver	\$24
Second lien term loan from Sol Holding	\$25
Interest	\$(6)
Capex	\$(13)
Corporate items and others <sup>1</sup>	\$(5)
<b>Ending Cash</b>	<b>\$87</b>

1. Expect positive quarterly operating cash generation runrate in 2H 2024 as a result of improved working capital management, including opex and inventory reduction.
2. Reduced capex in 2024 expected ~\$20M-\$30M, largely for software development.

1. Corporate items and others includes CIS working capital and Legacy development cost.

# Reconciliation of Prior Guidance to 2023 Results

## Restatement effects and variances not expected to recur in 2024.

\$ all figures in million, unless specified

<b>Prior 2023 Adjusted EBITDA Guidance</b>	<b>(\$35) to (\$25)</b>
<b>2023 Adjusted EBITDA</b>	<b>(\$84)</b>

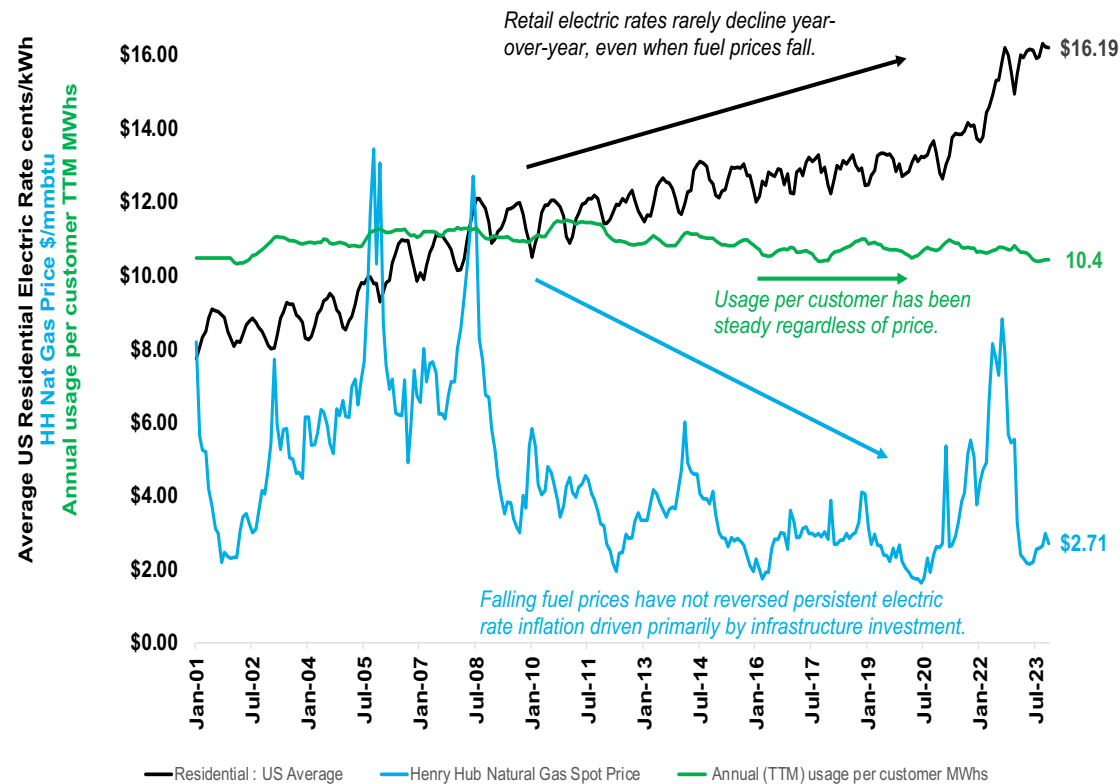
### Variances from 2023 guidance not expected to recur in 2024

<b>Inventory adjustments</b>	<b>(\$12)</b>
<b>Restatement impacts &amp; fees</b>	<b>(\$8)</b>
<b>Legacy CIS warranty</b>	<b>(\$8)</b>
<b>Writeoff/cleanup of aging accounts receivable</b>	<b>(\$5)</b>
<b>SunPower Financial Dorado 2 lease fund higher cost of capital</b>	<b>(\$6)</b>
<b>Higher residential warranty model update</b>	<b>(\$5)</b>
<b>Release of legacy project ITC warranty reserve (timing shift into Q1 2024)</b>	<b>(\$5)</b>

# The Value of Residential Solar is Expected to Keep Growing

Utility electric rates rarely decline, even when fuel costs do.

## Impact of Natural Gas Price Volatility on Retail Electric Rates, 2001 - Nov 2023<sup>1</sup>



## Retail electric price inflation is persistent and driven by infrastructure investment and opex, not fuel.

1. Since 2001, retail electric rates have accelerated upward YoY when fuel prices rise and then they remain higher as utilities continue to recover escalating costs of infrastructure investment, labor, and cost of capital. *This has remained true through multiple recessions and interest rate cycles.*
2. Fuel & purchased bulk power typically make up only ~30% of electric utility billing<sup>2</sup>, with the remainder attributed to operating expenses and long-term investment in transmission, distribution, and generating infrastructure, along with their cost of capital.
3. The U.S. electric utility industry is projecting more than \$500B of capital investment from 2023-2025, **an increase of nearly 20%** over the prior 3-year period. This includes "a significant and growing amount of capital resources on adaptation, hardening, and resilience (AHR) initiatives," such as undergrounding power lines, installing cement poles, and elevating or relocating transformers."<sup>3</sup>

1. [US Energy Information Agency \(EIA\) Electric Power Data Browser](#)

2. [Primer On Primary Drivers of Electricity Tariffs for Utility Regulators](#), National Association of Regulatory Utility Commissioners (NARUC), April 2021

3. [Edison Electric Institute capex forecast July 2023](#)

Thank You

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