



**RGS Energy**

**Business Update Call**

**October 16, 2019**

## CORPORATE PARTICIPANTS

**Justin Chinn**, *Vice President, Sales*

**Scott Daigle**, *National Sales Manager*

## PRESENTATION

### Operator:

Good afternoon, and thank you for joining us today on the RGS Energy Business Update Call. With us today are the Company's Vice President of Sales, Justin Chinn, and Scott Daigle, National Sales Manager. Following Mr. Chinn and Daigle, they will take questions from sell side analysts. Before the conclusion of today's call, I will provide the necessary cautions regarding forward-looking statements made by Management during this call.

We'd like to remind everyone that this call is available for replay starting this evening via the link provided in last Friday's press release through October 23, 2019, and will also be available on the Company's website at [investors.rgsenergy.com](http://investors.rgsenergy.com) for the next 12 months.

Now, I'd like to turn the call over to RGS Energy's Vice President of Sales, Mr. Justin Chinn. Please go ahead, sir.

### Justin Chinn:

Good afternoon, and thank you for joining us on today's call to discuss our commercialization strategy for POWERHOUSE and our recent progress towards the Company's goal of achieving break-even and better results. This morning, we posted a business update for the 30-day period since our last conference call on the Investor Relations section of our website. The update also shows figures from previous 30-day periods.

Before handing the call over to Scott to provide information on our work with POWERHOUSE, I'd first like to provide an update on Sunetric, our Hawaiian solar segment. In September, Sunetric added over \$2 million to its backlog through new sales. Since the beginning of the third quarter, the division has added \$4.4 million to the backlog. For perspective, the same metric for 2018 was just over \$126,000. With this accelerating growth, we are excited to be working on expanding our operational capacity by hiring additional installers.

In Hawaii, the growth of our traditional EPC operations was primarily driven by our new local Director of Sales. His contribution and experience selling solar in Hawaii has helped Sunetric create and expand a network of origination contractors. Additionally, our team has had great success in leveraging the state's NEM Plus program. The program allows net energy metering homeowners to expand their solar PV system with new battery systems. To qualify as a NEM Plus participant, the homeowner must have had a solar PV system under the original net metering program, and were previously restricted from expanding their systems. By leveraging both our existing customer base, and working with the homeowners looking

for a new solar contractor to work with, we've seen exceptional progress towards almost complete profitability for the subsidiary.

Now, I'd like to turn the call over to Scott, who will talk more about POWERHOUSE. Scott?

**Scott Daigle:**

Thank you, Justin, and thank you, everyone, for joining the call. Today we'll provide an update on our backlog and new business developments, and we'll also cover a quick overview of what it takes to be a successful POWERHOUSE Pro, and the positive trends we are seeing with the Pros in our network.

Let me start with an update on our backlog. We have talked before about the process of converting backlog into revenue and how we are improving the process. These improvements help our projects flow faster through the backlog. We are starting to see the results of these improvements. In the past 30 days, we have shipped over \$150,000 in projects. This marks an over three times improvement over the previous 30 day period. As we monitor the movements of various projects through our backlog, we continue to believe revenue will increase month-over-month.

As for new business, we are currently in the process of completing an installation of a POWERHOUSE system in California for a midsize homebuilder. This home is the first step to potentially adding POWERHOUSE to an upcoming community of theirs consisting of 57 homes. We are also excited to announce that we've just signed our third distributor to support Northern Illinois, including the Chicago area. This distributor has commercial solar experience, as well as an existing roofing network. They will offer additional services, such as assisting Pros with a (inaudible) connection and incentives. Illinois has a strong incentive program and is widely believed to be one of the fastest growing markets in the country.

Next, I will share with you some trends we are seeing in our network, currently a network of 340 roofers, solar installers, homebuilders across 48 states. We issued an increase in interest from our POWERHOUSE Pros and from homeowners over the past few weeks. Helping to drive this interest is the expected step-down of the ITC from 30% to 26%, beginning January 1, 2020. Homeowners and Pros alike are pushing to complete installations before the end of the year. The seasonal change in weather is also adding to a sense of urgency to complete projects in states that experience harsh winters. Furthermore, we continue to expand brand awareness of the POWERHOUSE product, and see it driving growth of our sales pipeline.

This past month, we received several purchase orders from POWERHOUSE Pros that are working on their second or third install of the year. Repeat orders are a testament to the POWERHOUSE Pros' experience with POWERHOUSE, and a desire to offer and install more systems. This also reflects an increased interest they are seeing in their service territory as more and more homeowners become aware of POWERHOUSE and learn they have a better-looking option to go solar.

We believe the best way for anyone in our network to really get excited about POWERHOUSE is for them to complete their first install and realize not only how easy it is for them to add to their product offering, but to see how happy the customer is with their new POWERHOUSE roof. Our recent orders demonstrate that as other homeowners in the area see a real POWERHOUSE installation, it will drive additional demand.

Successful roofers are also starting their own local marketing campaigns, producing their own commercials, promoting themselves as certified POWERHOUSE installers, and highlighting POWERHOUSE as their top product. We have found that the key to becoming a successful Pro is getting the first install completed as quickly as possible. Getting this first job done is where it all comes together;

the roofer gains hands-on experience with the shingles, and better understands how it all integrates with the roof. After the install is complete, they are excited to go out and look for their next job.

Our strategic plan has always been to develop a strong network of roofers using a structured process. First, meeting with our Account Executives to make sure they are a good fit; then the roofer completes training, followed by selling and installing their first job. Lastly, the roofer builds on the strong base and continues to seek out new customers in their service area. Our Pros know their areas, and already know when and how to target homeowners that need a new roof.

As we move through the next few months, we'll continue to work with our existing network to increase participation and get as many roofers through their first sale and installation. Our sales team is always looking to bring in new Pros to the network. Our goal is for all our Pros to succeed in offering POWERHOUSE to the communities, and get up and running as quickly as possible. We will be using our experience working with successful Pros to make sure POWERHOUSE is a good fit.

Looking ahead, we are encouraged by the newbuild market, whereby we sell POWERHOUSE to homebuilders in addition to roofers, and of course, the compelling opportunity presented by the California 2020 solar mandate, which requires all newbuild homes to have solar.

I will now pass the conversation back to Justin to wrap up.

**Justin Chinn:**

Thanks, Scott. POWERHOUSE is an award-winning product with a large market opportunity, limited competition, regulatory tailwinds, a growing nationwide network of installers, and a customer solution engineered to be price-competitive. We are excited about the large market opportunity for POWERHOUSE and its potential to build shareholder value.

Thank you again for joining us on today's call. We will update you again in 30 days.

Operator, please go ahead and wrap up the call.

**Operator:**

Thank you. Before we end today's presentation, I'd like to take a moment to read the Company's Safe Harbor statement that provides important cautions regarding forward-looking statements.

Today's communication contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, including statements regarding RGS Energy's results of operations and financial positions, and RGS Energy's business and financial strategies.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they provide RGS Energy's current beliefs, expectations, assumptions, forecasts and hypothetical constructs about future events. They also include statements regarding our future results, our operations and financial position, business strategy, budgets, projected costs, plans, and objectives of Management for future operations. The words believe, plan, future, may, will, expect, hypothetical, view, estimate and predict, and similar expressions as they relate to us are intended to identify such forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which such performance or results will be

achieved, if at all. Forward-looking statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Therefore, RGS Energy cautions you against relying on any of these forward-looking statements.

Key risks and uncertainties that may cause a change in any forward-looking statement, or that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include: the ability of RGS Energy to successfully realize profitable revenue growth from the sale and installation of POWERHOUSE 3.0; RGS Energy's ability to realize revenue from quotations, sales pipeline and backlog for POWERHOUSE; RGS Energy's ability to increase the number of participants and rate of participation within its network; RGS Energy's ability to obtain future purchase orders for POWERHOUSE deliveries; competition in the built-in photovoltaic solar system business; RGS Energy's ability to successfully implement its revenue growth strategy, achieve its target level of sales, generate cash flow from operations and achieve break-even or better results; the adequacy of, and access to, capital necessary to implement RGS Energy's revenue growth strategy; RGS Energy's actual gross margin percentage, and other risks and uncertainties included in the Company's filings with the Securities and Exchange Commission.

You should read the section entitled Risk Factors in RGS Energy's 2018 Annual Report on Form 10-K and Report on Form 10-Q for the quarter ended March 31, 2019, and June 30, 2019, each of which has been filed in the Securities and Exchange Commission, which identifies certain of these, and additional risks and uncertainties.

Any forward-looking statements made by RGS Energy in this communication speak only as of the date of this communication. Factors or events that could cause our actual results to differ may emerge from time-to-time, and it is not possible for RGS Energy to predict all of them. RGS Energy does not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

POWERHOUSE is a trademark of The Dow Chemical Company, used under license. RGS Energy is the Company registered trade name, and Company files periodic and other reports in the Securities and Exchange Commission under its official name, Real Goods Solar, Inc.

I would now like to remind everyone that this call will be available for replay through October 23, 2019. Please refer to last Friday's press release for dial-in and replay instructions. A webcast replay will also be available via the Company's website at [investors.rgsenergy.com](http://investors.rgsenergy.com).

Thank you for joining us for today's presentation. This concludes today's call, and you may now disconnect.