



RGS Energy

August Business Update Call

August 16, 2019

C O R P O R A T E P A R T I C I P A N T S

Justin Chinn, *Director, Sales, Powerhouse and EPC Commercial*

Scott Daigle, *National Sales Manager*

Tyler Clarke, *Director, Investor Relations & Corporate Development*

P R E S E N T A T I O N

Operator:

Good afternoon, and thank you for joining us today on RGS Energy's Business Update Call.

With us today are the Company's Vice President of Sales, Justin Chinn; Scott Daigle, National Sales Manager; and Tyler Clarke, Director of Investor Relations.

Following Mr. Chinn, Daigle and Clarke's remarks, 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.

I'd like to remind everyone that this call is available for replay starting this evening via the link provided in last Tuesday's press release through August 23, 2019 and will also be available on the Company's website at 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.

Justin Chinn:

Good afternoon, and thank you for joining us on today's call, our fourth 30-day business update as we work towards our goal of selling Powerhouse so that we can, in the future, achieve breakeven and better results. The update posted to our website is streamlined to focus on the key statistics. We thought to better inform you about our progress, you would appreciate hearing our views as we now lead the Company's sales efforts.

I would like to start with a piece of good news. We are very happy to announce we have entered into our second distributor agreement with a regional distributor. To continue as an authorized distributor in the future, they will have to maintain a certain level of ongoing purchases.

In contrast to distributors, our local roofing and solar EPC customers are not typically in a position to stockpile Powerhouse shingles. To help manage their cash flows, we have found that they tend to pay and request shipment on a tight time line that coincides with our customer's installation. To improve the time line on these orders, with the goal of getting revenues sooner, we strive to eliminate all roadblocks they might face. One example would be that some roofers have found it difficult to identify and connect with certified electricians that are experienced in PV installation.

Our strategy is to leverage the relationships developed through our legacy solar EPC division to quickly put our roofer network in touch with available and qualified electricians in the area. Similarly, we are working with an engineering firm with a lean operational approach to reduce soft costs and streamline the project development process to help our roofers quickly move projects from a preliminary layout, to a permanent set. This firm also provides interconnection services to help customers gain approval from utilities in all 50 states.

The concept is to arm the local roofers with the support and the aspects of solar they may not be familiar with so that the time line to order from us is condensed, generating revenue from the order as fast as possible.

Our Powerhouse roofer and solar EPC professionals are currently performing installations. Powerhouse installations were completed in Colorado, New York, Florida and Maryland recently. Upcoming installations are scheduled in New York, Colorado, Iowa, Arizona and California. We anticipate more to come.

We are currently in discussions with the service organization for them to pitch Powerhouse to their network of 800 to 900 roofers as well as solar EPCs and homebuilders they already contract with.

I'd now like to hand the call off to Scott Daigle, National Sales Manager, to discuss the topic of homebuilders, which we see as another promising customer group.

Scott Daigle:

Thank you, Justin. As we announced yesterday in our press release, we have joined Builder Partnerships' network to offer Powerhouse to their over 1,400 builder members. This is an exciting partnership that will allow us to leverage Builder Partnerships' strong relationships with mid-tier builders across the nation, each installing up to 15 homes annually. We expect that by partnering with Builder Partnerships, we can accelerate our penetration of the homebuilder market.

Other participants in the Builder Partnerships' manufacturing network have seen great success in expanding their market share, and we expect to see the same results.

As to the \$4.3 million homebuilder order we previously reported to you, we have not yet completed the planned single payment for the full \$4.3 million. The homebuilder advises us they intend to make full payment prior to shipment. As we have sufficient inventory, our finance team advised us that receipt of this payment would essentially be a cash infusion to us of the like amount.

We have, over the past month, had initial conversations with several homebuilders, and the feedback has been positive. As these communities take time to develop, we are pleased to be involved in the planning stages.

Another piece of good news, as shown in our business update posted today, you will see a large increase to our sales pipeline. This reflects the impact of our recent shift in focus to homebuilders. The increase to the sales funnel is due to our work with the homebuilders and their specific communities. Although we didn't sign a new purchase order within—with the homebuilder in the past 30 days, we are making progress towards multiple future orders.

Various homebuilders have expressed their interest in being able to install Powerhouse with concrete tiled roofs. As you know, we have received UL certification for Powerhouse on asphalt shingles. To gain greater access to more communities, we have commenced testing on Powerhouse solar shingles with flat concrete tiles. This testing is estimated to be completed within six months, which is in time for the California mandate for all new residential home constructions to include solar.

Besides having Powerhouse work with as many roof types as possible, we are also focused on building the Powerhouse brand name, which Tyler will now update you on.

Tyler Clarke:

Thanks, Scott. We continue to believe television will be an effective way for us to improve brand recognition for Powerhouse. Post-production for our appearance on the PBS television show, *The Information Matrix*, is now complete and will air nationwide during October in addition to both national and local commercial spots.

As *The Information Matrix* specializes in short-form public television stories highlighting specific industries and topics, we believe this segment on our solar shingle will be very impactful. This episode will highlight RGS and our groundbreaking Powerhouse solar shingle, educating homeowners that they can get an affordable solar product that enhances curb appeal and looks so much better than old, outdated rack-n-mount systems of the past.

Filming for the Lifetime Network television show, *Designing Spaces*, began on site of an actual Powerhouse installation in Florida earlier this week. This award-winning show, *Designing Spaces*, brings their viewers' innovated home remodeling, home decorating, home design ideas, do-it-yourself projects and step-by-step transformation. Our Powerhouse episode will feature the homeowners' solar-buying journey and why they chose the aesthetically superior and innovative Powerhouse Solar Shingle System. Additionally, the show will also feature the roofer's decision to add Powerhouse to their product offering and our manufacturing process.

Also worth mentioning is these forward-thinking homeowners wanting an additional piece of mind from power outages during hurricane season. As such, we were able to help them design—help design them an ideal solution by simply adding a battery system from our partner, Sonnen.

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

Justin Chinn:

Thanks, Tyler. We are glad to see strong sales growth for our Sunetric subsidiary. For the trailing 30 days, our sales were \$1.2 million. If we operate on this basis consistently, that subsidiary would be operating positively both on a cash and GAAP basis. Thank you again for joining us on today's call. We will update you again in 30 days. There are no questions from sell-side analysts.

Operator:

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 and include statements regarding our future results of 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 of 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 breakeven and 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 have been filed with the Securities and Exchange Commission, which identify 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's 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's registered tradename. The Company files periodic and other reports with 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 August 23, 2019. Please refer to last Tuesday's press release for dial-in and replay instructions. A webcast replay will be—will also be available via the Company's website at investors.rgsenergy.com.

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