



RGS Energy

Business Update Conference Call

June 17, 2019

CORPORATE PARTICIPANTS

Dennis Lacey, *Chief Executive Officer*

PRESENTATION

Operator:

Good afternoon and thank you for joining us today to discuss RGS Energy's Business Update Call. With us today is the Company's Chief Executive Officer, Dennis Lacey.

Following Mr. Lacey's remarks, he will take questions from sell-side analysts. Before the conclusion of today's call, I'll 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 Monday's press release through June 24, 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 the Chief Executive Officer of RGS Energy, Mr. Dennis Lacey. Please go ahead.

Dennis Lacey:

Good afternoon and thank you for joining us on today's call. I made a commitment during our last conference call that as we are building toward equilibrium and breakeven, we would update you on our progress every 30 days. Well, here we are. Like last time, to facilitate this discussion, we posted our 30-day business update on the Investor Relations section of our website.

When publicly reporting, oftentimes executives say they are pleased by the results, so it may sound trite to use an oft-repeated phrase, but we really are indeed pleased with our progress over the last 30 days.

I believe you will understand why we feel that way when you see that for every single metric we have tracked, each shows improvement for this 30-day period. Versus the last 30-day period, first off, the POWERHOUSE Network has grown by 8% to 310 participants. These participants include custom homebuilders, large home builders, local roofers, and EPC solar installers.

Secondly, the participation rate of our POWERHOUSE Network, meaning they have requested and received a Powerhouse quote from us, has increased; last period it was 26%, and this period it is 33%, a strong increase for one month.

We have armed our POWERHOUSE Network participants with a design tool and a quick quoting tool. We believe many of them have used these tools to make quotes to homeowners without in advance asking for a quote from us because they really do not have to for initially engaging a homeowner as our product pricing is baked into the quoting tool. We believe that there is likely more quoting activity underway.

Third, and we think best of all the metrics, we have a substantial increase in purchase orders. For the previous 30-day period, from mid-April to mid-May, we had received \$215,000 in purchase orders. For this 30-day period, from mid-May to mid-June, we have received purchase orders of about \$5 million, an increase of over 2,000%.

As we have not shipped the POWERHOUSE kits for a recent large order by the time of this business update, it means we now have a rather large backlog of over \$5 million, which is up from a backlog of \$172,000 when we had the last update, an increase of over 2,800%.

We are delighted to have received a purchase order of \$4.3 million from a large homebuilder during our start-up phase because, as you know, we had expected that our sales cycle with large homebuilders would have taken longer to develop. We expect to receive cash from this order and ship within the next 30 days, which will be a material increase in revenue and enhance our cash flow. Even without this one large customer order, the remaining purchase orders of \$690,000 is an increase of three-fold from the last update. We are dual focused, seeking both large orders with homebuilders and comparatively smaller orders with local roofing and EPC solar companies.

You may recall that at the end of the first quarter, we incurred negative cash flow to invest in POWERHOUSE inventory, about \$1.5 million worth. Using inventory we already paid for, coupled with the cash inflow I just described to you from our backlog, we believe we will be very positive for our near-term cash flow. Our POWERHOUSE revenue did increase this reporting period, but since we now have a large backlog that we expect to ship soon, and as we book revenue when we ship, we believe that revenue will materially increase when we report to you 30 days from now.

On the last call we talked about our thoughts on our cash runway. As I just mentioned, we expect our near-term cash flow to improve, and on top of that, we recently received cash of approximately \$500,000 from investors exercising previously outstanding common stock warrants.

Back to the metrics. Our sales pipeline grew 9% from the last business update. We think this is strong performance for one month.

I would also like to point out that we quoted to our customers POWERHOUSE for 363 systems during this 30-day period. Hypothetically, were we to do this for a full 12 months, at say \$21,800 per kit, it all resulted in purchase orders that would be annual revenue of around \$95 million.

Lastly, our progress with building a sales pipeline and backlog to achieve, meet, and exceed the future monthly revenue for breakeven showed improvement also. The equilibrium calculation shown in the business update indicates that we are at 172% of the required monthly breakeven for our second month of reporting. Last month, this statistic was 97%. This further demonstrates why we feel we are making great progress.

Although not our prime business today, you will also see in the business update that both our Small Commercial and Sunetric units showed revenue growth.

We are quite pleased with this business update and the strong progress we are making toward achieving equilibrium, breakeven, and better results. I am really glad to have a good hand this reporting period, so I see no reason to wax on. We will host another business update call in another 30 days.

Thank you again for joining us on today's call, and yes, we look forward to updating you on our progress in the future.

Operator, please go ahead and wrap up the call if there are no questions from sell-side analysts.

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, and include statements regarding our future results of operations and financial position, business strategy, budgets, projected costs, plans and objectives of management for future opportunities—my apologies, for future operations. The words "believe," "plan," "future," "may," "will," "expect," "hypothetical," 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 may cause a change in any forward-looking statements that could cause an actual result 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 on the built-in solar systems business; RGS Energy's ability to successfully implement its revenue growth strategy, achieve its target level sales, generate cash flow from operations, and achieve breakeven and better results; the adequacy of, the access to capital necessary to implement RGS Energy's, its revenue growth strategy; 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, each of which has 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 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 a Company registered trade name. 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 June 24, 2019. Please refer to last Friday's press release for dial-in and replay instructions. A webcast replay will be also be available via the Company's website at investors.rgsenergy.com.

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