
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 8, 2019

Vivint Solar, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-36642
(Commission File Number)

45-5605880
(IRS Employer
Identification No.)

1800 West Ashton Blvd.
Lehi, UT
(Address of Principal Executive Offices)

84043
(Zip Code)

Registrant's telephone number, including area code: (877) 404-4129

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|--|---------------------------|--|
| Common Stock, par value \$0.01 per share | VSLR | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On August 8, 2019, Vivint Solar, Inc. (the “Company”) issued a press release reporting its financial results for the quarter ended June 30, 2019. A copy of the press release is furnished herewith as Exhibit 99.1.

The Company makes reference to non-GAAP financial measures in the press release and includes information regarding such measures in the press release.

The Company also posted a memorandum to the Investors section of its website outlining the Company’s methodology for estimating its cost per watt for installing solar energy systems, which has been updated for its financial results for the quarter ended June 30, 2019.

The information furnished in this Current Report under Item 2.02 and the exhibit attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Pursuant to the rules and regulations of the Securities and Exchange Commission, the attached exhibit is deemed to have been furnished to, but not filed with, the Securities and Exchange Commission:

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| 99.1 | Vivint Solar, Inc. press release dated August 8, 2019 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Vivint Solar, Inc.

Date: August 8, 2019

By: _____ /s/ Dana Russell
Dana Russell
Chief Financial Officer and Executive Vice President



Vivint Solar Reports Second Quarter 2019 Results

LEHI, Utah, August 8, 2019 -- Vivint Solar, Inc. (NYSE: VSLR), today announced financial results for the second quarter ended June 30, 2019.

Second Quarter 2019 Operating Highlights

Key operating and development highlights include:

- MW Installed of approximately 56 MWs for the quarter. Total cumulative MWs installed were approximately 1,163 MWs.
- Installations were 8,163 for the quarter. Cumulative installations were 169,275.
- Estimated Gross Retained Value increased by approximately \$68 million during the quarter to approximately \$2.1 billion. Estimated Gross Retained Value per Watt at quarter end was \$2.02.
- Cost per Watt was \$3.56, an increase from \$3.46 in the first quarter of 2019 and an increase from \$3.23 in the second quarter of 2018.
- Margin created was \$49 million, a 21% increase from the second quarter of 2018. Unlevered NPV per Watt was \$0.88.

Financing Activity

As of June 30, 2019, the company had approximately \$153 million in undrawn capacity in the forward flow loan facilities and approximately 186 MWs of undeployed tax equity financing capacity. Subsequent to quarter end, the company entered into a \$325 million credit facility that replaces its existing aggregation facility. The new credit facility reduces the cost of debt by 87.5 basis points and significantly increases the amount of upfront proceeds on a per system basis.

Summary Second Quarter 2019 Financial Results

\$ amounts in millions, except per share data

| | Three Months Ended Jun. 30, | | |
|---|-----------------------------|-----------|-----------|
| | 2019 | 2018 | YoY |
| Revenue: | | | |
| Customer agreements and incentives | \$ 63.4 | \$ 54.8 | up 16% |
| Solar energy system and product sales | 27.4 | 26.0 | up 5% |
| Total Revenue | 90.8 | 80.8 | up 12% |
| Cost of revenue: | | | |
| Operating leases and incentives | 43.1 | 41.4 | up 4% |
| Solar energy system and product sales | 15.8 | 19.0 | down 17% |
| Total cost of revenue | 58.9 | 60.4 | down 2% |
| Gross profit | 31.9 | 20.4 | up 56% |
| Loss from operations | (36.9) | (16.1) | down 129% |
| Net (loss attributable) income available to common stockholders | \$ (28.6) | \$ 18.1 | down 258% |
| Net (loss attributable) income available per share to common stockholders | \$ (0.24) | \$ 0.15 | down 260% |
| Non-GAAP net loss per share | \$ (0.73) | \$ (0.50) | down 46% |

Note: Totals may not sum due to rounding.

Guidance for the Third Quarter 2019

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. These statements supersede all prior statements regarding projected 2019 financial results.

For the third quarter of 2019, Vivint Solar expects:

- MW Installed: 62 - 65 MWs
- Cost per Watt: \$3.36 - \$3.44

Earnings Conference Call

Vivint Solar will host an investor conference call and live webcast today, Thursday, August 8, 2019, at 5:00 p.m. ET to discuss these financial results. To access the conference call, dial 1.833.235.7641 or 1.647.689.4162 for international callers. The conference ID is 294 6607. A listen-only webcast will be accessible on the investor relations page of the company's website at investors.vivintsolar.com/. Participants should follow the instructions provided on the website to download and install the necessary audio applications in advance of the call. In addition, the earnings presentation slides will be available on the investor relations page of the site by 5:00 p.m. ET along with this press release and the financial information discussed on today's conference call at investors.vivintsolar.com/.

About Vivint Solar

Vivint Solar is a leading full-service residential solar provider in the United States. With the help of Vivint Solar, homeowners can power their homes with clean, renewable energy, typically achieving significant financial savings over time. Vivint Solar designs and installs solar energy systems for homeowners and offers monitoring and maintenance services. In addition to being able to purchase a solar energy system outright, homeowners may benefit from Vivint Solar's affordable, flexible financing options, including power purchase agreements, or lease agreements, where available. Vivint Solar also offers solar plus storage systems with LG Chem home batteries and electric vehicle chargers with ChargePoint Home. For more information, visit www.vivintsolar.com or follow @VivintSolar on Twitter.

Note on 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, but not limited to, Vivint Solar's guidance for Megawatts Installed and Cost per Watt, undeployed tax equity financing capacity, growth prospects, and operating and financial results, such as estimates of nominal contracted payments remaining, estimated retained value, estimated retained value per watt, margin created and unlevered NPV per Watt and the assumptions related to the calculation of the foregoing metrics.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Forward-looking statements should not be read as a guarantee of future performance or results, and they will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved, if at all. These statements are based on current expectations and assumptions regarding future events and business performance as of the date of this press release, and they 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, including but not limited to: the availability of additional financing on acceptable terms; changes in the retail price of traditional utility generated electricity; changes in electric utility policies and regulations; the availability of rebates, tax credits and other incentives, including solar renewable energy certificates, or SRECs, and other federal and state incentives; regulations and policies related to net metering; changes in regulations, tariffs and other trade barriers and tax policy affecting us and our industry; our ability to manage our recent and future growth, product offering mix, and costs effectively, including attracting, training and retaining sales personnel and solar energy system installers; the availability and price of solar panels and other system components; the potential inaccuracy of the assumptions employed in calculating our operating metrics; and such other risks identified in the registration statements and reports that Vivint Solar files with the U.S. Securities and Exchange Commission, or SEC, from time to time. Although we believe that the expectations

reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in those statements will be achieved or will occur, and actual results could differ materially from those anticipated or implied in the forward-looking statements. Except as required by law, Vivint Solar does not undertake and expressly disclaims any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. You should read the documents Vivint Solar has filed with the SEC for more complete information about the company. These documents are available on both the EDGAR section of the SEC's website at www.sec.gov and the Investor s section of the company's website at investors.vivintsolar.com/.

Vivint Solar, Inc.
Condensed Consolidated Unaudited Balance Sheets
(In thousands)

| | June 30, 2019 | December 31, 2018 |
|---|---------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 198,951 | \$ 219,591 |
| Accounts receivable, net | 28,186 | 14,207 |
| Inventories | 13,071 | 13,257 |
| Prepaid expenses and other current assets | 30,783 | 31,201 |
| Total current assets | 270,991 | 278,256 |
| Restricted cash and cash equivalents | 78,567 | 71,305 |
| Solar energy systems, net | 1,637,905 | 1,938,874 |
| Property and equipment, net | 12,650 | 10,730 |
| Other non-current assets, net | 510,537 | 28,090 |
| TOTAL ASSETS | \$ 2,510,650 | \$ 2,327,255 |
| LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 40,175 | \$ 45,929 |
| Distributions payable to non-controlling interests and redeemable non-controlling interests | 11,221 | 7,846 |
| Accrued compensation | 24,545 | 25,520 |
| Current portion of long-term debt | 144,243 | 12,155 |
| Current portion of deferred revenue | 28,911 | 30,199 |
| Current portion of finance lease obligation | 1,089 | 1,921 |
| Accrued and other current liabilities | 53,557 | 42,860 |
| Total current liabilities | 303,741 | 166,430 |
| Long-term debt, net of current portion | 1,181,797 | 1,203,282 |
| Deferred revenue, net of current portion | 15,529 | 13,524 |
| Finance lease obligation, net of current portion | 2,807 | 505 |
| Deferred tax liability, net | 490,496 | 437,120 |
| Other non-current liabilities | 76,994 | 24,610 |
| Total liabilities | 2,071,364 | 1,845,471 |
| Commitments and contingencies | | |
| Redeemable non-controlling interests | 118,900 | 119,572 |
| Stockholders' equity: | | |
| Common stock | 1,216 | 1,201 |
| Additional paid-in capital | 582,338 | 574,248 |
| Accumulated other comprehensive loss | (18,988) | (7,223) |
| Accumulated deficit | (334,595) | (279,631) |
| Total stockholders' equity | 229,971 | 288,595 |
| Non-controlling interests | 90,415 | 73,617 |
| Total equity | 320,386 | 362,212 |
| TOTAL LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND EQUITY | \$ 2,510,650 | \$ 2,327,255 |

Vivint Solar, Inc.
Condensed Consolidated Unaudited Statements of Operations
(In thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue: | | | | |
| Customer agreements and incentives | \$ 63,355 | \$ 54,765 | \$ 102,958 | \$ 85,879 |
| Solar energy system and product sales | 27,402 | 26,033 | 57,170 | 63,169 |
| Total revenue | 90,757 | 80,798 | 160,128 | 149,048 |
| Cost of revenue: | | | | |
| Cost of revenue—customer agreements and incentives | 43,074 | 41,366 | 83,265 | 80,053 |
| Cost of revenue—solar energy system and product sales | 15,791 | 18,990 | 33,054 | 45,035 |
| Total cost of revenue | 58,865 | 60,356 | 116,319 | 125,088 |
| Gross profit | 31,892 | 20,442 | 43,809 | 23,960 |
| Operating expenses: | | | | |
| Sales and marketing | 37,037 | 14,033 | 66,671 | 25,158 |
| Research and development | 524 | 511 | 993 | 997 |
| General and administrative | 31,205 | 22,009 | 54,254 | 41,996 |
| Total operating expenses | 68,766 | 36,553 | 121,918 | 68,151 |
| Loss from operations | (36,874) | (16,111) | (78,109) | (44,191) |
| Interest expense, net | 19,472 | 11,336 | 38,599 | 28,258 |
| Other expense (income), net | 1,365 | (4,109) | 2,750 | (6,370) |
| Loss before income taxes | (57,711) | (23,338) | (119,458) | (66,079) |
| Income tax expense | 29,950 | 35,352 | 57,437 | 53,995 |
| Net loss | (87,661) | (58,690) | (176,895) | (120,074) |
| Net loss attributable to non-controlling interests and redeemable non-controlling interests | (59,094) | (76,806) | (122,086) | (125,214) |
| Net (loss attributable) income available to common stockholders | \$ (28,567) | \$ 18,116 | \$ (54,809) | \$ 5,140 |
| Net (loss attributable) income available per share to common stockholders: | | | | |
| Basic | \$ (0.24) | \$ 0.16 | \$ (0.45) | \$ 0.04 |
| Diluted | \$ (0.24) | \$ 0.15 | \$ (0.45) | \$ 0.04 |
| Weighted-average shares used in computing net (loss attributable) income available per share to common stockholders: | | | | |
| Basic | 120,869 | 116,650 | 120,589 | 115,907 |
| Diluted | 120,869 | 121,753 | 120,589 | 120,969 |

Vivint Solar, Inc.
Condensed Consolidated Unaudited Statements of Cash Flows
(In thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|--------------------------|------------------------------|--------------------------|
| | 2019 | 2018 | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net loss | \$ (87,661) | \$ (58,690) | \$ (176,895) | \$ (120,074) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | | |
| Depreciation and amortization | 21,658 | 16,997 | 39,317 | 33,440 |
| Deferred income taxes | 29,951 | 35,204 | 57,678 | 54,173 |
| Stock-based compensation | 4,156 | 3,812 | 7,835 | 6,781 |
| Loss on solar energy systems and property and equipment | 2,924 | 2,455 | 4,157 | 3,025 |
| Non-cash interest and other expense | 1,657 | 11,649 | 3,302 | 13,656 |
| Reduction in lease pass-through financing obligation | (1,337) | (1,477) | (2,032) | (2,164) |
| Losses (gains) on interest rate swaps | 1,366 | 983 | 2,750 | (1,279) |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable, net | (8,194) | (6,118) | (13,979) | (4,689) |
| Inventories | (1,539) | 2,655 | 186 | 9,462 |
| Prepaid expenses and other current assets | (1,930) | (3,470) | 816 | 8,276 |
| Other non-current assets, net | (38,093) | (6,998) | (64,632) | (6,613) |
| Accounts payable | (1,360) | 1,524 | 516 | 1,898 |
| Accrued compensation | 3,069 | 22 | (999) | (2,329) |
| Deferred revenue | 3,448 | (1,431) | 717 | (10,514) |
| Accrued and other liabilities | 794 | (1,812) | 179 | (1,915) |
| Net cash used in operating activities | <u>(71,091)</u> | <u>(4,695)</u> | <u>(141,084)</u> | <u>(18,866)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Payments for the cost of solar energy systems | (59,874) | (74,039) | (124,400) | (146,247) |
| Payments for property and equipment | (703) | (25) | (994) | (65) |
| Proceeds from disposals of solar energy systems and property and equipment | 479 | 1,068 | 1,128 | 1,843 |
| Purchase of intangible assets | (115) | — | (115) | — |
| Net cash used in investing activities | <u>(60,213)</u> | <u>(72,996)</u> | <u>(124,381)</u> | <u>(144,469)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Proceeds from investment by non-controlling interests and redeemable non-controlling interests | 75,270 | 65,516 | 159,638 | 108,287 |
| Distributions paid to non-controlling interests and redeemable non-controlling interests | (9,038) | (10,436) | (18,051) | (28,558) |
| Proceeds from long-term debt | 71,809 | 836,000 | 133,164 | 876,000 |
| Payments on long-term debt | (15,320) | (681,572) | (20,913) | (689,320) |
| Payments for debt issuance and deferred offering costs | (2,962) | (17,715) | (2,962) | (17,715) |
| Proceeds from lease pass-through financing obligation | 654 | 645 | 1,518 | 1,497 |
| Principal payments on finance lease obligations | (306) | (916) | (577) | (1,931) |
| Proceeds from issuance of common stock | 231 | 630 | 270 | 837 |
| Net cash provided by financing activities | <u>120,338</u> | <u>192,152</u> | <u>252,087</u> | <u>249,097</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED AMOUNTS | (10,966) | 114,461 | (13,378) | 85,762 |
| CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED AMOUNTS—Beginning of period | 288,484 | 126,239 | 290,896 | 154,938 |
| CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED AMOUNTS—End of period | <u>\$ 277,518</u> | <u>\$ 240,700</u> | <u>\$ 277,518</u> | <u>\$ 240,700</u> |

Vivint Solar, Inc.
Key Operating Metrics

| | Three Months Ended | | |
|---|---------------------------|---------------------------|--------------------------|
| | June 30, 2019 | March 31, 2019 | June 30, 2018 |
| Installations | 8,163 | 6,514 | 6,678 |
| Megawatts installed | 56.0 | 45.6 | 47.0 |
| | As of | | |
| | June 30, 2019 | March 31, 2019 | June 30, 2018 |
| Cumulative installations | 169,275 | 161,112 | 139,321 |
| Cumulative megawatts installed | 1,162.5 | 1,106.5 | 952.3 |
| Estimated nominal contracted payments remaining (in millions) | \$ 3,976.2 | \$ 3,795.8 | \$ 3,267.3 |
| Estimated retained value under energy contracts (in millions) | \$ 1,587.0 | \$ 1,549.7 | \$ 1,440.7 |
| Estimated retained value of renewal (in millions) | \$ 531.6 | \$ 501.0 | \$ 424.7 |
| Estimated gross retained value (in millions) | \$ 2,118.6 | \$ 2,050.7 | \$ 1,865.4 |
| Estimated gross retained value per watt | \$ 2.02 | \$ 2.04 | \$ 2.13 |

Sensitivity Analysis for Retained Value

The following table provides quantitative sensitivity analysis of our estimate of retained value of solar energy systems under contracts as of June 30, 2019, including both the contracted and estimated renewal portion, at a range of discount rates (retained value amounts in millions):

| | 4% | 6% | 8% |
|---|-------------------|-------------------|-------------------|
| Estimated retained value under energy contracts | \$ 1,864.2 | \$ 1,587.0 | \$ 1,367.0 |
| Estimated retained value of renewal | 818.0 | 531.6 | 349.4 |
| Total estimated gross retained value | <u>\$ 2,682.2</u> | <u>\$ 2,118.6</u> | <u>\$ 1,716.4</u> |

Non-GAAP Earnings per Share (EPS) Before Non-controlling Interests

We report GAAP EPS, which is based upon net (loss attributable) income available to common stockholders. We also report non-GAAP EPS. The difference between GAAP EPS and non-GAAP EPS is that non-GAAP EPS is based on net loss, which excludes net loss attributable to non-controlling interests and redeemable non-controlling interests. As we are in a net loss position for all periods reported, potentially issuable shares are excluded from the diluted EPS calculation since the effect would be antidilutive. Therefore, basic and diluted non-GAAP EPS are the same in each period presented.

Under GAAP accounting, we report net loss attributable to non-controlling interests and redeemable non-controlling interests to reflect our joint venture fund investors' allocable share in the results of these joint venture investment funds. Net loss attributable to non-controlling interests and redeemable non-controlling interests is calculated based primarily on the hypothetical liquidation at book value, or HLBV, method, which assumes that the joint venture funds are liquidated at the reporting date, even though liquidation may or may not ever occur. Additionally, the returns that will be allocated to the investors over the expected terms of the investment funds may differ significantly from the amounts calculated under the HLBV method. Accordingly, we also report non-GAAP EPS based on our losses before net loss attributable to non-controlling interests and redeemable non-controlling interests per share, which we view as a better measure of our operating performance. Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP.

According to this definition, the non-GAAP loss before the allocation of loss attributable to non-controlling interests and redeemable non-controlling interests per share was (\$0.73) and (\$1.47) for the three and six months ended June 30, 2019.

Vivint Solar, Inc. Reconciliation from GAAP EPS to Non-GAAP EPS (In thousands, except per share data)

| | Three Months Ended | | | |
|---|--------------------|------------------|--------------------|------------------|
| | June 30, 2019 | | June 30, 2018 | |
| | Net Loss | EPS | Net Loss | EPS |
| Net (loss attributable) income available to common stockholders | \$ (28,567) | \$ (0.24) | \$ 18,116 | \$ 0.16 |
| Net loss attributable to non-controlling interests and redeemable non-controlling interests | (59,094) | (0.49) | (76,806) | (0.66) |
| Non-GAAP net loss | <u>\$ (87,661)</u> | <u>\$ (0.73)</u> | <u>\$ (58,690)</u> | <u>\$ (0.50)</u> |
| Weighted-average shares used in computing net loss per share | | <u>120,869</u> | | <u>116,650</u> |

| | Six Months Ended | | | |
|---|---------------------|------------------|---------------------|------------------|
| | June 30, 2019 | | June 30, 2018 | |
| | Net Loss | EPS | Net Loss | EPS |
| Net (loss attributable) income available to common stockholders | \$ (54,809) | \$ (0.45) | \$ 5,140 | \$ 0.04 |
| Net loss attributable to non-controlling interests and redeemable non-controlling interests | (122,086) | (1.02) | (125,214) | (1.08) |
| Non-GAAP net loss | <u>\$ (176,895)</u> | <u>\$ (1.47)</u> | <u>\$ (120,074)</u> | <u>\$ (1.04)</u> |
| Weighted-average shares used in computing net loss per share: | | <u>120,589</u> | | <u>115,907</u> |

Glossary of Definitions

“ **Installations** ” represents the number of solar energy systems installed on customers’ premises.

“ **MWs or megawatts** ” represents the DC nameplate megawatt production capacity.

“ **MW Installed** ” represents the aggregate megawatt nameplate capacity of solar energy systems for which panels, inverters, and mounting and racking hardware have been installed on customer premises in the period.

“ **Estimated Nominal Contracted Payments Remaining** ” equals the sum of the remaining cash payments that Vivint Solar’s customers are expected to pay over the term of their agreements for systems installed as of the measurement date. For a power purchase agreement, or PPA, Vivint Solar multiplies the contract price per kilowatt-hour by the estimated annual energy output of the associated solar energy system to determine the estimated nominal contracted payments. For a customer lease, Vivint Solar includes the monthly fees and upfront fee, if any, as set forth in the lease.

“ **Estimated Gross Retained Value** ” represents the net cash flows, discounted at 6%, that Vivint Solar expects to receive from customers pursuant to long-term customer contracts plus the value of contracted SRECs net of estimated cash distributions to fund investors, debt associated with our forward flow facilities, and estimated operating expenses for systems installed as of the measurement date. For purposes of the calculation, Vivint Solar aggregates the estimated retained value from the solar energy systems during the typical 20-year term of Vivint Solar’s contracts plus the value of contracted SRECs, which Vivint Solar refers to as estimated retained value under energy contracts, and the estimated retained value associated with an assumed 10-year renewal term following the expiration of the initial contract term, which Vivint Solar refers to as estimated retained value of renewal. To calculate estimated retained value of renewal, Vivint Solar assumes all contracts are renewed at 90% of the contractual price in effect at the expiration of the initial term.

“ **Estimated Gross Retained Value per Watt** ” is calculated by dividing the estimated retained value as of the measurement date by the aggregate nameplate capacity of solar energy systems under long-term customer contracts that have been installed as of such date, and is subject to the same assumptions and uncertainties as estimated retained value.

“ **Project Value** ” represents the net cash flows, discounted at 6% that Vivint Solar expects to receive from customers net of estimated distributions to fund investors and operating expenses, estimated utility and state incentives, and estimated finance proceeds from fund investors.

“ **NPV per watt** ” represents the estimated weighted average unit margin of Vivint Solar’s PPA and customer lease business and its system sales business. It is calculated by dividing Margin Created during the period by the total MWs Installed during the period.

“ **Margin Created** ” represents the estimated margin created during the period. It is the estimated value of Vivint Solar’s PPA and customer lease agreements and the value of the system sales less the costs required to create the value. Specifically, it is the sum of the project value per watt multiplied by “MWs Installed – PPA/Lease” and “Revenue – solar energy system and product sales” less total creation costs.

“ **Undeployed Tax Equity Financing Capacity** ” represents a forecast of the amount of megawatts that can be deployed based on committed available tax equity financing for energy contracts.

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