



Q2 2014 Earnings Conference Call
August 7, 2014

Clean, more affordable energy

Forward-Looking Statements

This presentation contains forward-looking statements that involve risks and uncertainties, including statements regarding SolarCity's customer and market growth opportunities; financial strategies for cash generation and increasing shareholder value; the deployment of megawatts including estimated Q3 and full-year 2014 and 2015 megawatt deployment; GAAP revenue, gross margin, operating expenses and non-GAAP EPS for Q3 2014; estimated nominal contracted payments remaining; forecasted retained value under energy contracts; the amount of megawatts that can be deployed based on committed available financing; expected future GAAP and non-GAAP operating results; and assumptions relating to the foregoing.

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. As of the date hereof, we have bookings and financing for only a portion of the orders needed to achieve our megawatt projections and therefore expect the megawatts we need to deploy to meet our projections to be sourced in part from new deployments of solar systems not currently under contract. In order to meet our projections, we will need to expand our workforce, increase our installation efficiency and exceed our existing bookings rate relative to what we have achieved to date. Additional key risks

and uncertainties include the level of demand for our solar energy systems, the availability of a sufficient, timely, and cost-effective supply of solar panels and balance of system components, the effects of future tariffs and other trade barriers, changes in federal tax treatment, the effect of electric utility industry regulations, net metering and related policies, the availability and amount of rebates, tax credits and other financial incentives, the availability and amount of financing from fund investors, the retail price of utility-generated electricity or the availability of alternative energy sources, risks associated with SolarCity's rapid growth, risks that consumers who have executed energy contracts included in reported nominal contracted payments remaining and backlog may seek to cancel those contracts, assumptions as to retained value under energy contracts and contract renewal rates and terms, including applicable net present values, performance-based incentives, and other rebates, credits and expenses, SolarCity's limited operating history, particularly as a new public company, changes in strategic planning decisions by management or reallocation of internal resources, completion of preparation of financial statements and general market, political, economic and business conditions. You should read the section entitled "Risk Factors" in our most recent Quarterly Report on Form 10-Q, which has been filed with the Securities and Exchange Commission, which identifies certain of these and additional risks and uncertainties. We do 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 otherwise required by law.

Q2 2014 Review



Momentum Continues to Build towards Long-Term Targets

- **MW booked of 218 MW in Q2 2014**

Up > 216% year-over-year

Over 30,000 new customers added net of cancellations to bring total to >140,000

- **MW deployed up 102% Y/Y in Q2 2014 to 107 MW**

- **Third securitization highlights depth of available low-cost capital**

LMC III raised over \$200m (with \$160m at 4.03% and rated BBB+ from S&P)

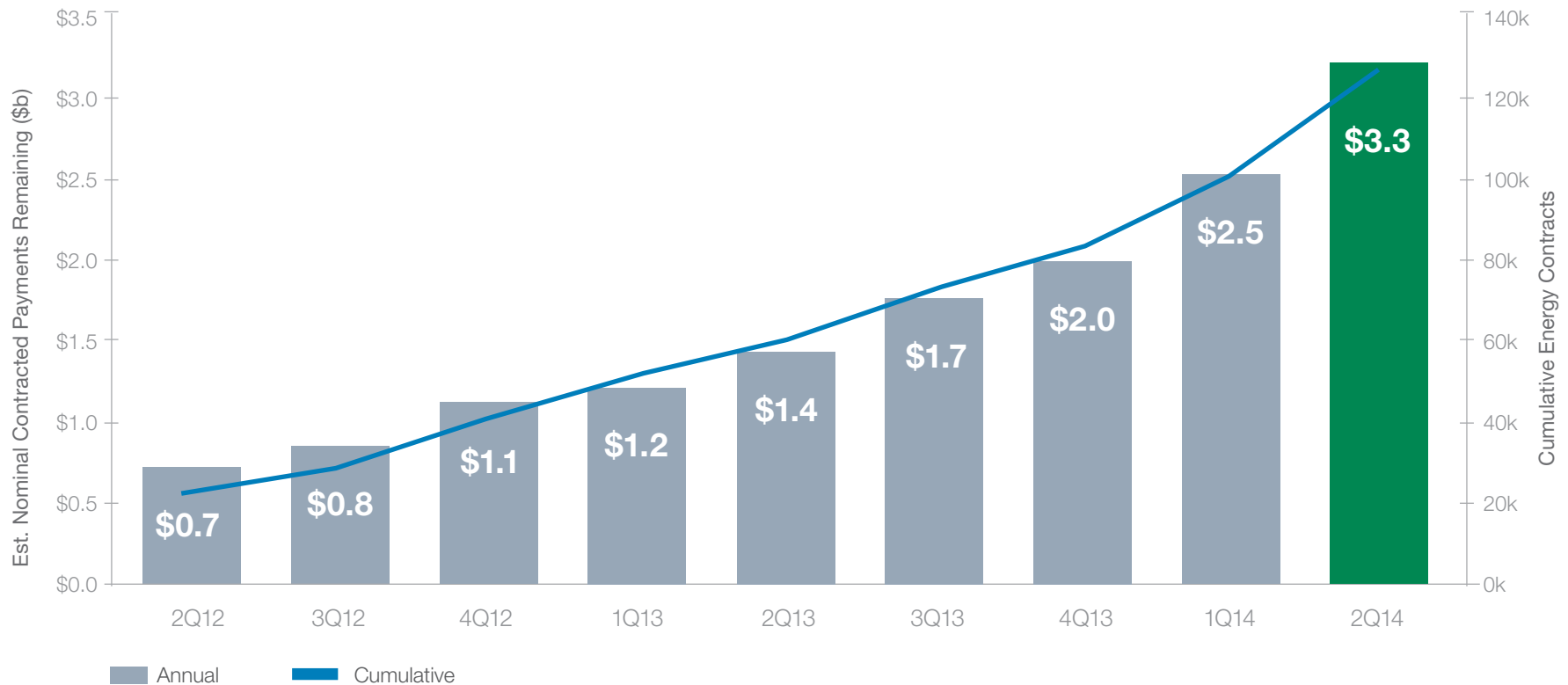
- **Silevo acquisition expected to close at the end of August**

Discussions with New York on manufacturing site in progress

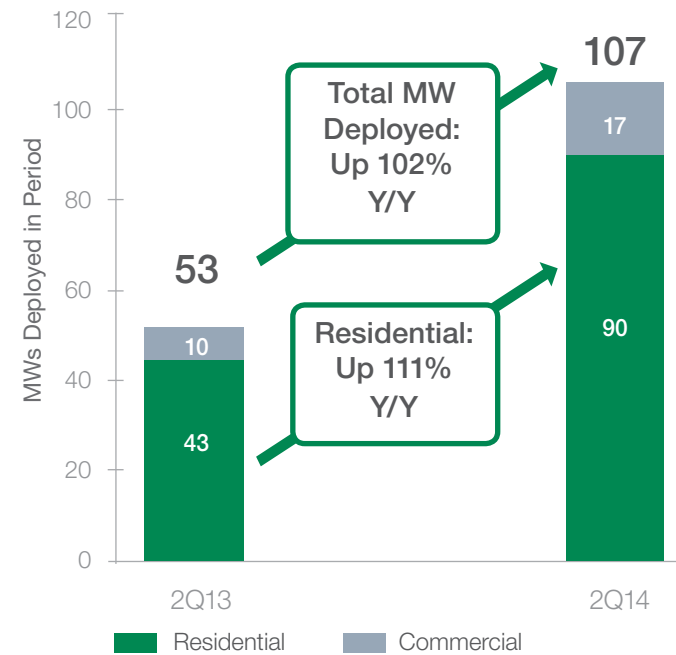
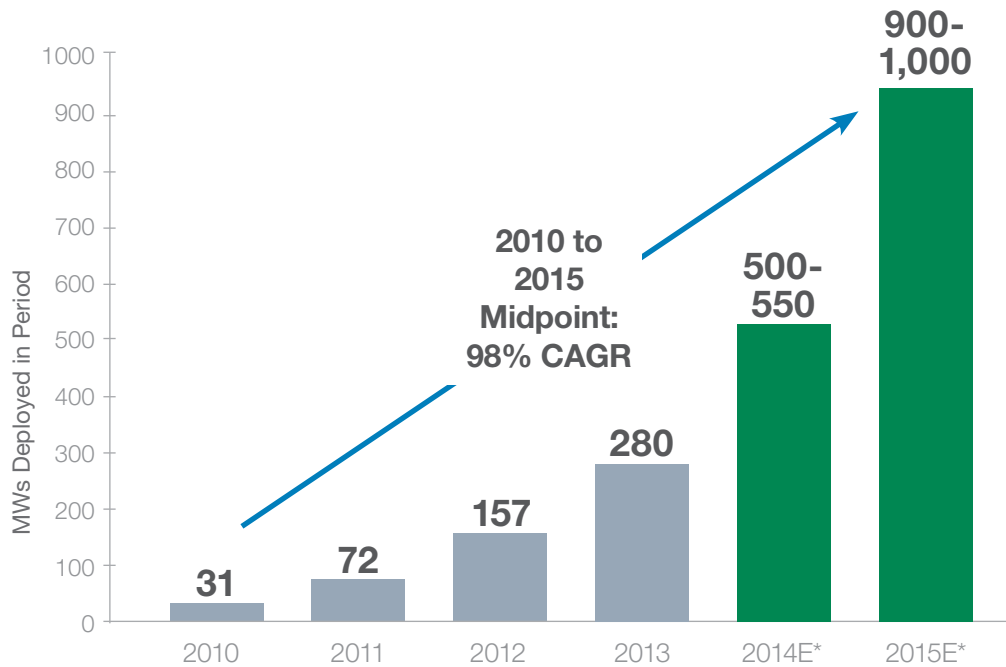
Continue to expect to reach 1 GW of capacity by the end of 2016

Total Cash Payments Under Contract at \$3.3b

MW Booked of 218 MW in 2Q14 and Estimated Nominal Contracted Payments Remaining Up to \$3.3b as Cumulative Energy Contracts rose to 128,933 at the End of Q2 2014



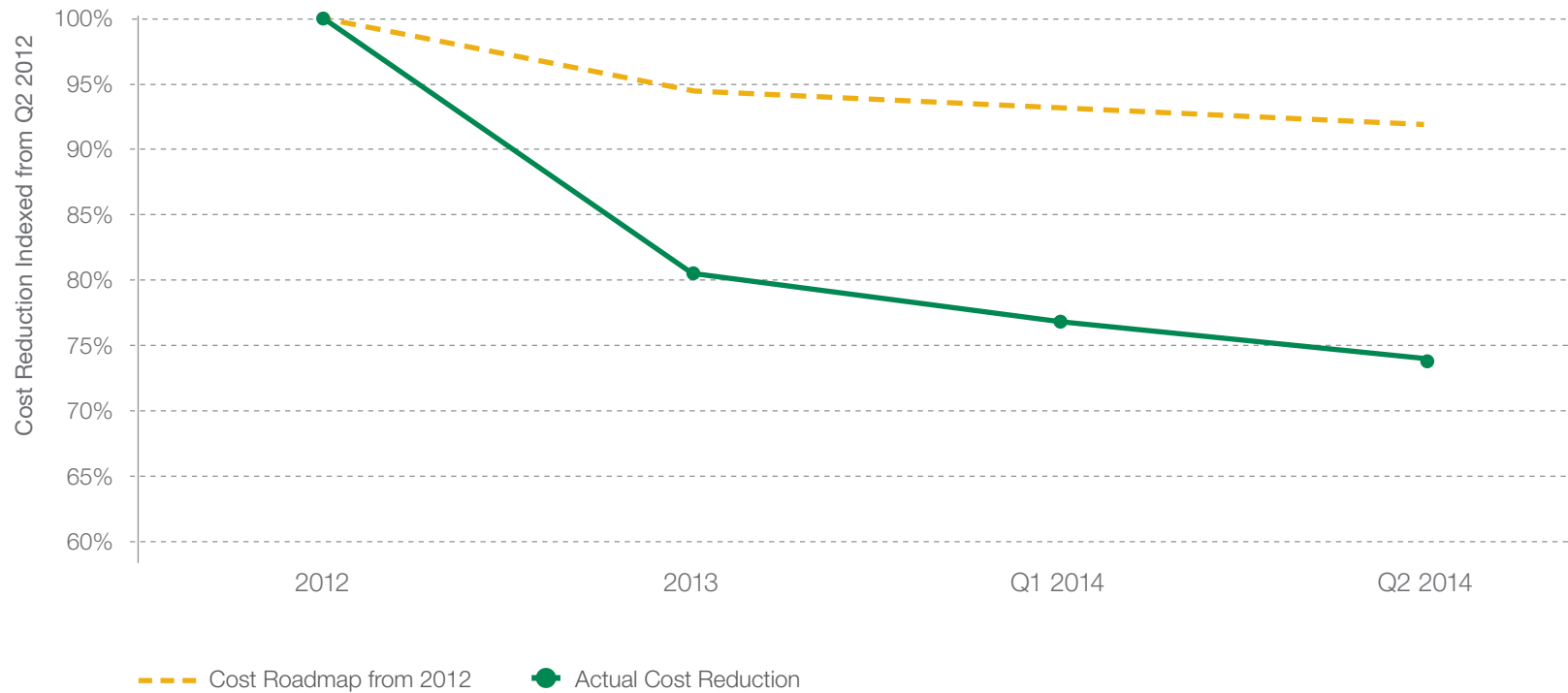
Cumulative MW Deployed Reached 756 MW



* Represents the Company's Estimates

Cost Reductions Continue Ahead of Plan

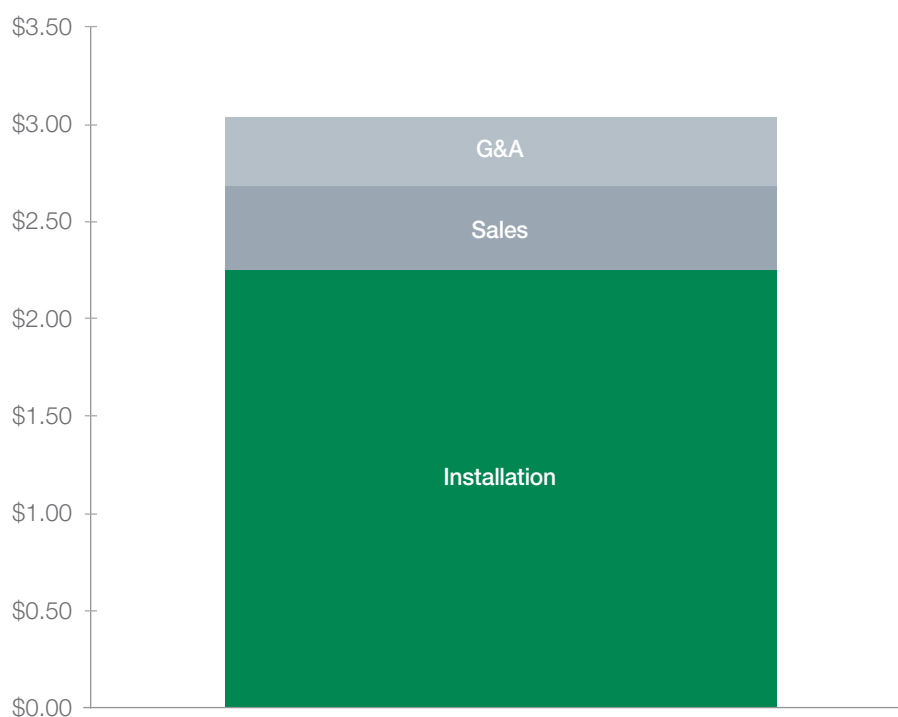
Continued Economies of Scale Expected to Drive Cost per Watt to New Lows by 4Q14



A Transparent Cost Structure

The Three Major Cost Components to Run the Business Are Installation, Sales, and G&A

All Costs Can Be Reconciled to our GAAP Financial Statements with the Methodology Available on Our Website



Q2 2014 = \$3.03/W

$$\frac{\text{G\&A}}{\text{MW Deployed}} = \mathbf{\$0.26 / W}$$

- Fixed overhead expenses covering payroll, facilities, etc. across administrative, finance, legal, IT, and other corporate functions
- Does not include R&D investment
- Excludes non-cash stock compensation expense

$$\frac{\text{Sales}}{\text{MW Booked}} = \mathbf{\$0.48 / W}$$

- Fixed sales overhead (payroll)
- Variable sales commissions and partner referral fees
- Additional marketing and lead generation costs
- Excludes non-cash stock compensation expense

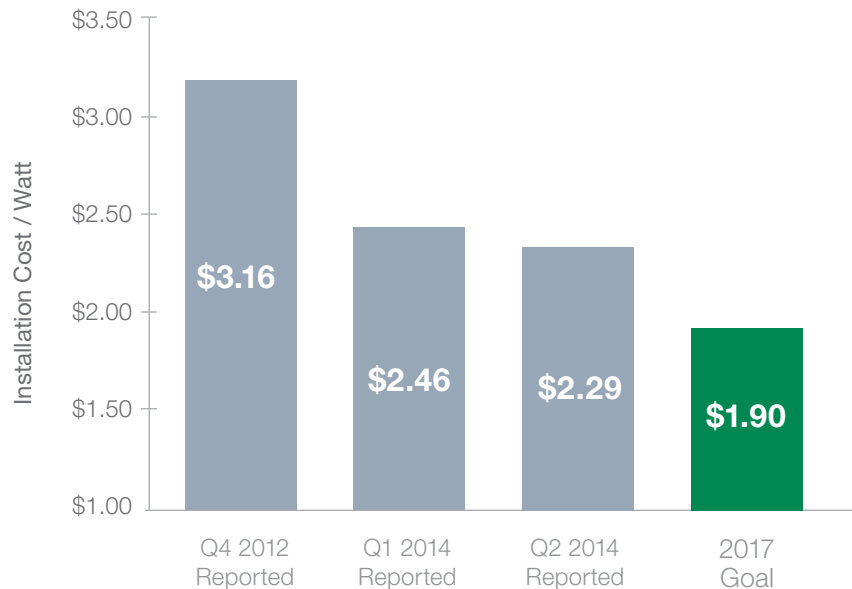
$$\frac{\text{Installation Cost}}{\text{MW Deployed}} = \mathbf{\$2.29 / W}$$

- Capitalized variable (and applied overhead) costs to install leased solar systems vs. MW Deployed including stock compensation expense

Installation Cost per Watt Down to \$2.29/W

With the Blended Impact of Silevo, Our Goal is To Cut Installation Cost/W to \$1.90/W by 2017

Goal Incorporates a Blended Supply of High-Efficiency Silevo and Third-Party Modules



Installation Cost/Watt Represents the Variable Cost to Install Leased Solar Energy Systems:

- Represents the costs to install our core PV product and exclude storage
- All capitalized materials costs, including modules, inverters, and other balance of system hardware components
- Capitalized soft costs including installation labor, survey, engineering, permitting, interconnection, etc.
- Also includes capitalized indirect costs such as allocated warehouse, fleet, IT costs, and overhead
- Quarterly GAAP reconciliation of our Installation Cost/W is available on our website (<http://bit.ly/1AY1gWR>)

Securitization Sets New Low for Cost of Capital at 4.03%

With each new customer we create a recurring predictable cash flow stream. Our financial strategy is to maximize retained value for shareholders by covering **(1)** Investing activities with cash generated from **(2)** Operating and **(3)** Financing activities

- **Undeployed Tax Equity Financing Capacity of 155 MW (as of July 31)**
- **Third Securitization of \$201.5m Introduces Two Different Tranches**

First \$160m tranche at 4.03% assigned BBB+ rating from S&P

Second \$41.5m tranche at 5.45% and assigned BB rating from S&P

	LMC I	LMC II	LMC III
Securitization Issuance (\$m)	\$54.4	\$70.1	\$201.5
/ Aggregate MW Collateralized	43.9	47.3	118.0
= Debt Monetization (\$/W)	\$1.24 / W	\$1.48 / W	\$1.71 / W
Spread over the Benchmark Rate	265	230	180 (Tranche A)
<i>Residential / Commercial Mix (% of ADSB)</i>	<i>71% / 29%</i>	<i>87% / 13%</i>	<i>86% / 14%</i>
<i>Contract Price – Weighted Average (\$/kWh)</i>	<i>\$0.15</i>	<i>\$0.15</i>	<i>\$0.15</i>
<i>FICO Score – Weighted Average</i>	<i>762</i>	<i>767</i>	<i>763</i>




Retained Value Forecast Over \$1.8 Billion

Unlevered DCF Forecast of Net Cash Payable to SolarCity from all MW Booked after Maintenance Expenses and Partnership Distributions

	Forecast at June 30, 2014
Retained Value based on discounted forecast of remaining net cash to SCTY (\$m) *	\$1,804
<i>Retained Value under Energy Contract (\$m) *</i>	<i>\$1,245</i>
<i>Retained Value Renewal (\$m) *</i>	<i>\$558</i>
Retained Value \$/watt	\$1.72/watt

* NPV at 6%

GAAP Statement of Operations

<i>\$ in thousands</i>	Consolidated		
Revenue:	Q2 2013	Q2 2014	
Operating leases and solar energy system incentives	\$20,608	\$43,181	 <ul style="list-style-type: none"> ■ Year-over-year growth of 110%
Solar energy system sales	\$17,341	\$18,153	
Total revenues	\$37,949	\$61,334	
Cost of revenue:			 <ul style="list-style-type: none"> ■ Gross margin of 52% ■ O&M and customer account management of \$0.01/W ■ Included \$2m in non-cash amortization of intangibles
Operating leases and solar energy system incentives	\$6,794	\$20,826	
Solar energy system sales	\$23,014	\$17,635	
Total cost of revenues	\$29,808	\$38,461	
Gross profit (loss)	\$8,141	\$22,873	
Operating Expenses:			 <ul style="list-style-type: none"> ■ Total Opex of \$97 million ■ Now breaking out R&D expenses
Sales and Marketing	\$21,344	\$55,771	
General and Administrative	\$21,917	\$38,387	
Research & Development	\$349	\$3,000	
Total Operating Expenses	\$43,610	\$97,158	
Loss from Operation	(\$35,469)	(\$74,285)	

Cash Balance Remains Strong at over \$400m

<i>\$ in thousands</i>	Quarter Ending:
Net cash provided by (used in):	Q2 2014
Operating activities	(\$36,486)
Investing activities	(\$276,782)
Financing activities (before equity issuances)	\$195,702
Net cash used before equity issuances	(\$117,566)
Net cash provided by equity issuances	\$3,276
Net decrease in cash and cash equivalents	(\$114,290)

Guidance for Q3 2014 and Full-Year 2014 and 2015

Q3 2014:

- **MW Deployed: 135 – 150 MW**
- **Revenue:**
 - Operating Lease and Solar Energy Systems Incentive Revenue: \$50m – \$55m
 - Solar Energy System Sale Revenue: \$4m – \$8m
- **Operating Lease and Solar Energy Systems Incentive Gross Margin: 50% – 55%**
 - Includes \$2 million of amortization of intangibles
- **Operating Expenses: \$115m – \$125m**
 - Includes \$3m of amortization of intangibles
- **Non-GAAP EPS: (\$1.10) – (\$1.20)**
 - Defined as: (1) Net Income (Loss) before (2) Net Income (Loss) Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests per (3) weighted average common share outstanding
 - No guidance on GAAP EPS owing to difficulties in forecasting HLBV

2014:

- **MW Deployed: 500 MW – 550 MW**

2015:

- **MW Deployed: 900 MW – 1,000 MW**

Questions & Answers



Appendix – Definitions

“Backlog” represents the aggregate megawatt capacity of solar energy systems not yet deployed as of the date specified pursuant to Energy Contracts and contracts for solar energy system direct sales executed as of such date.

“Customers” includes all residential, commercial and government buildings where we have installed or contracted to install a solar energy system, or performed or contracted to perform an energy efficiency evaluation or other energy efficiency services.

“Energy Contracts” includes all residential, commercial and government leases and power purchase agreements pursuant to which consumers use or will use energy generated by a solar energy system that we have installed or contracted to install. For landlord-tenant structures in which we contract with the landlord or development company, we include each residence as an individual contract. For commercial customers with multiple locations, each location is deemed a contract if we maintain a separate contract for that location.

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

“MW Booked” represents the aggregate megawatt production capacity of solar energy systems pursuant to customer contracts signed (with no contingencies remaining) during the applicable period net of cancellations during the applicable period. This metric includes solar energy systems booked under Energy Contracts as well as for solar energy system direct sales.

“MW Deployed” represents the megawatt production capacity of solar energy systems that have had all required building department inspections completed during the applicable period. This metric includes solar energy systems deployed under Energy Contracts as well as for solar energy system direct sales.

Appendix – Definitions

“Nominal Contracted Payments Remaining” equals the estimated sum of cash payments obligated to be paid to us under our Energy Contracts over the remaining term of such contracts. This metric includes Energy Contracts for solar energy systems already deployed and in Backlog. As an example, if a customer is 2 years into her 20 year contract, then 18 years of contract payments remain. As an additional example, if a customer chose to pre-pay her Energy Contract, then it is included in estimated Nominal Contracted Payments Remaining only while it is in Backlog as the pre-payment has not been received. Payments for direct sales are not included.

“Retained Value” forecast represents the sum of both “Retained Value under Energy Contract” and “Retained Value Renewal.”

“Retained Value under Energy Contract” represents the forecasted net present value of Nominal Contracted Payments Remaining and estimated performance-based incentives allocated to us, net of amounts we are obligated to distribute to our fund investors, upfront rebates, depreciation, renewable energy certificates, solar renewable energy certificates and estimated operations and maintenance, insurance, administrative and inverter replacement costs. This metric includes Energy Contracts for solar energy systems deployed and in Backlog.

“Retained Value Renewal” represents the forecasted net present value of the payments SolarCity would receive upon Energy Contract renewal through a total term of 30 years, assuming all Energy Contracts are renewed at a rate equal to 90% of the contractual rate in effect at expiration of the initial term. This metric is net of estimated operations and maintenance, insurance, administrative and inverter replacement costs. This metric includes Energy Contracts for solar energy systems deployed and in Backlog.

“Retained Value per Watt” is computed by dividing cumulative retained value as of such date by the sum of total MWs deployed under Energy Contracts as of such date plus MWs booked under Energy Contracts as of such date but not yet deployed.

“Undeployed Tax Equity Financing Capacity” represents a forecast of the amount of MW that can be deployed based on committed available tax equity financing for Energy Contracts.



Thank You

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