



To the Shareholders of Spruce Power:

Your company enters 2023 with strengths and opportunities unparalleled in its corporate history. The move to a public company gave the core business of Spruce Power a stronger platform to fulfill its bold yet critical business of helping the world's consumers of energy transition to sustainable, renewable power sources. Since our founding in 2012, we have focused on enabling homeowners to source their electricity from the near-infinite supply of sunlight that freely bathes our world every day. Each year, more homes are utilizing Spruce Power to enjoy a reliable, independent power supply, save money and protect their communities' environments. We power over 70,000 homes across the United States...and we have only just begun.

I joined Spruce's Board of Directors in 2017, and became CEO the following year, with the mandate to accelerate our growth from a respected finance partner into a national powerhouse in rooftop residential solar. So far, so good! Over the past three years alone, our customer agreement subscriber count grew at an approximate 45% annual rate. We own rooftop assets in 18 states, while also offering billing, maintenance and renewable energy credit services to another 7,500 customers. Our 2022 revenue from residential solar was about \$80 million, placing us among the top 5 owner-operators of U.S. residential solar companies. Over time, our goal is to move up into the top three.

Our growth strategy is differentiated from our peers. We do not directly originate or install rooftop systems, which is a labor, sales and capital-intensive effort. Rather, we buy systems both cheaper and faster than we can build, and achieve scale by purchasing entire portfolios of rooftop assets from developers. It's impossible to avoid macro events, like the impact of inflation or war, yet relative to our peers, we believe we have been insulated from volatile changes in cost of capital and certain global supply chain constraints.

Why would developers sell great assets? Most sellers are in the business of sales and installation, not long-term ownership. Sellers' goals are to recycle their own capital to drive growth in installation, or sometimes just exit the industry after making their sales profits. Our strategy enables us to grow quickly by meeting an industry's need and acquiring great customers. Our portfolio features long-term, recurring cash flows and attractive rates of return.

Rooftop solar is a customer-oriented industry. Customers start with solar, and can add onto their systems with battery storage, smart grids, consumer power components and as the systems get complex, the management of residential energy data, renewable energy credits and services. We sometimes refer to that future as Home Power System 2.0, where homeowners' clean, self-generated power becomes their primary system, even as it is backed-up by the legacy electric grid. We see the broader cleantech innovation as an incredible tailwind for our

customers and our shareholders. Our rooftop assets are not passive financial holdings, they are active investments with significant revenue upside as we sell to our customers these add-on technologies that hit prime time.

In 2022 we achieved a milestone for Spruce by going public via the merger with XL Fleet. The merger provided Spruce with substantial growth capital, over \$200 million of cash. In this economic environment, cash is king! In 2023's first quarter, we have already begun executing on growth, recently completing the acquisition of over 22,000 customer contracts in a single portfolio, which we announced during our fiscal 2022 Earnings call. (Look for more details in our first quarter reporting.) The recurring revenue and high margins of this new Spruce Power 4 Portfolio, and in other portfolios that we aim to acquire, also give access to non-recourse project debt. We believe that with this access to capital, we can more than double our core residential solar business. We started the year with a growth goal of +80% in owned systems and contracts by the end of 2024. Adding the Spruce Power 4 Portfolio and growing our customer count by over 40% in a single quarter, was a great way to kick off the year.

Our goals extend beyond near-term financial performance. Our commitment to providing the best customer and employee experience is second to none, and we are dedicating resources into ensuring both are at a high level...and going higher. Since 2021, we have built up a Texas-based customer experience team and invested in supporting technology, leading to a doubling of satisfaction ratings. With the merger, we had access to additional resources which we quickly deployed. As a result, our overall customer satisfaction score soared by another 17 percentage points in the fourth quarter. Customer satisfaction metrics are a critical input to how we manage the company, and now we are also watching online satisfaction and reputation scores on sites like Google. We will continue to transparently report our quarterly customer satisfaction scores, whether or not our peers do the same.

Sustained great customer experience is built on strong service team that is committed to technical knowledge and constant collaboration. In February, our Chief Legal Officer, Jon Norling, launched an internal "Spruce University," with more than half the company working toward a Spruce Solar Certification. A more knowledgeable staff can provide better, faster, smarter answers for our customers and will be more effective at selling appropriate products for future upgrades. We also raised our minimum wage from \$15 to \$17 to attract talent.

Finally, before diving into our 2023 – 2024 goals, I address in our view the dislocation in the current stock price relative to the high-quality characteristics of our existing assets. Spruce's contractual agreements with our customers represent highly visible, recurring cash flows, most of them with over a decade remaining. Add to that the cash we own, and we see a value far exceeding our current market capitalization. Even under the most stringent assessment, where for instance one excludes value we ascribe to customer renewals, or assumes no future growth, this significant dislocation persists. Putting this bluntly, the dislocation is so great that a number of the company's directors bought more stock in the fourth quarter. That is, we are putting our own money behind our conviction.

We set higher goals for 2023 and 2024, and at the same time are both accountable to you for executing on those targets, and staying flexible to market opportunities. Here is what to watch for:

Core Growth of about 80% in the next two years. We started 2023 with the stretch goal of growing our system and customer contract portfolio to 90,000 by the end of 2024. That would be about 80% growth in two years. We were thrilled to execute on a quick strike opportunity that presented itself, taking us to over 70,000 in the first quarter! We do not expect that every quarter, yet will continue to be opportunistic about both small and large acquisitions. Beyond customer count, look for growth in the average number of products or services each customer uses, and a strong target rate of return in the teens for our acquisitions.

Balanced Use of Capital. Over the next two years, we expect to use 10-20% of our EBITDA on capital improvements to our portfolio and servicing technologies, and the rest on a combination of acquisitions, debt repayment and other measures that enhance returns to our shareholders (more on that below).

Improved Financial Performance. Our three key financial performance metrics for 2023 and 2024 are first and foremost, EBITDA (including free cash flow) and, secondarily, the value of Spruce's owned portfolio and Spruce's debt level, relative to EBITDA and cash. We have chosen to not yet give guidance on specific financial metrics for 2023.

- **EBITDA:** We see no better way to build long-term value for shareholders than growing predictable, recurring cash flows with high credit quality customers. In the near-term we look at the metric of EBITDA. Spruce may use Adjusted EBITDA when we believe it more accurately shows the fundamental long-term health of our cash flow streams. We will transparently show how we make adjustments so that investors can easily toggle between generally accepted accounting practices (GAAP) and Adjusted EBITDA.
- **Portfolio Subscriber Value:** Our residential solar industry peers report the net present value of their owned portfolio of systems and customers, currently using a 6% discount rate. We also will show our residential power portfolio's "Net PV6 Value," as a nod to the industry's roots in power infrastructure, and to facilitate comparison with our peers.
- **Net-Debt-to-EBITDA:** This is our primary size-adjusted measure of how much debt we carry. (More precisely, the ratio of total debt, minus cash on hand and the value of any attached interest rate swaps, then divided by EBITDA.) At the end of 2022, prior to the purchase of the Spruce Power 4 Portfolio, our pro forma calculation of this was about 6.8x. In the medium term, we aim to reduce this to industry norms in order to give flexibility to our balance sheet. In the near-term, especially in light of the turbulence in the banking industry, we intend to respond

to capital market opportunities to either further reduce debt, get better terms, or add transparency through rated debt instruments.

It is worth emphasizing that today our debt is entirely non-recourse project debt, at attractive rates below those available today.

A concluding note on Financial Performance: If given the choice, we intend to grow recurring, per-share EBITDA by investing and redeploying cash flow into acquisitions with high IRR. Knowing that our cash flow can also pay down debt gives us confidence of having two good options of growing cash flows or strengthening balance sheet. Either (preferably both) are positive near-term outcomes.

Customer experience. In 2022 we started the year with a goal of 55% customer satisfaction (“CSAT”) and finished with a full-year score of 62%. Look for continued improvement, with CSAT exceeding 70%. We want every customer experience to be a good one, and so are investing in new employee tools and continued training. We also intend to steadily improve externally reported reputation scores.

New technology. We see residential power shifting to the interactive, self-servicing expectations of consumer infrastructure, and so most of our portfolio capital expenditures are for technologies that improve customer experience. We are building our own integrated enterprise technology stack that will also serve as an online front-door for our customers to see and interact with their Spruce Home Power System. Look for Spruce to implement improved asset-level monitoring systems; we have already upgraded about 65% of our original 3G-based monitoring to 4G/5G or Wi-Fi meters. By the end of 2024, we expect to complete both projects.

These goals will not be easy, but our team is up to the challenge. On behalf of investors, I thank Spruce’s 150 (and growing) employees for enabling customers’ transition to plentiful, clean renewable energy, and for creating wealth and sustainability impact. On behalf of the entire team, I thank our shareholders for investing in Spruce Power.

I remain in your service,

A handwritten signature in black ink, appearing to read 'Christian Fong', with a stylized, flowing script.

Christian Fong
Chief Executive Officer
Spruce Power