Transcript of iSun, Inc.
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Participants

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Jeffrey Peck - Chairman and Chief Executive Officer
John Sullivan - Chief Financial Officer

Analysts

Justin Clare - ROTH Capital Partners
Jeffrey Campbell - Alliance Global Partners
Noel Parks - Tuohy Brothers

Presentation

Operator
Good morning, ladies and gentlemen and welcome to the iSun's Second Quarter 2022 Earnings Conference Call. At this time, all participants have been placed on a listen only mode, and we will open the floor for your questions and comments after the presentation.

It is now my pleasure to turn the floor over to your host, Tyler Barnes. Sir, the floor is yours.

Tyler Barnes - Investor Relations
Thank you and good morning. We are pleased to welcome you to iSun's conference call, where we will discuss financial and operating results for the second quarter 2022. Jeffrey Peck, Chairman and Chief Executive Officer will provide an update on the deployment of iSun's recently completed solar platform and illustrate how it prepares the organization for the future of the solar marketplace and creates value for shareholders. John Sullivan, Chief Financial Officer will provide an overview of the second quarter and year-to-date 2022 financial results and operating performance. After our prepared remarks today, we will open the line to address any of your questions.

As a reminder, the earnings release which can be found in iSun's website includes financial disclosures and reconciliations for non-GAAP financial measures that should help you analyze results. Comments and answers to questions during the call will include forward-looking statements that refer to management's expectations or future predictions. These statements are made as of the date of this call, and management is under no obligation to update these forward-looking statements in the future. They are subject to risks and uncertainties that could cause actual results to differ from management's expectations.

With that, I will now turn it over to our CEO, Jeff Peck.

Jeffrey Peck - Chairman and Chief Executive Officer

Thank you, Tyler. Good morning, everyone. Thank you for joining our conversation today about our second quarter earnings results. There's so much to discuss since our last conference call. We've recognized that we have provided few updates throughout this quarter and we are committed to communicating with our shareholders when we believe that will drive long-term value and provide adequate material updates on the progress of our long-term strategy. That being said, I've been eager to share with you the progress we've made this quarter towards our mission to accelerate the adoption of solar.

Before I begin, I'd like to take a moment and thank our team members for their outstanding efforts this year. The strength of our organization comes from the quality of commitments of all of the individual team members. All of us at iSun have been hard at work deploying the platform we built in 2021. We have made tremendous progress and we are energized to continue our integration. As we continue to see our project pipeline and backlog transition to active projects, the hard work and preparation of our team will allow us to meet the increasing demand in an effective and efficient manner. So, thank you to everyone on the iSun team.

In my remarks today, you'll hear one recurring theme, that the strategic initiatives and investments we've made perfectly positions us for the future of the evolving energy marketplace. Our place in the center of the industry uniquely positions us to drive long-term shareholder value, and we are better prepared to react to the dynamics of the solar industry. This confidence comes from the capabilities of the teams we've assembled, are experienced, the strategic investments we've made to diversify our revenue streams and accelerate the growth of our pipeline and backlog.

In 2021, we made a number of strategic investments in order to transform the company and make it capable of serving each segment of the solar marketplace. These capabilities diversify our revenue stream and improve timing of cash flows. Our diversified approach also better prepares us to meet the accelerating demand for solar. Our internal development services team shortens the time between sales and installations across all of our divisions. These synergies translate to an ease of business transaction for our customers as we're a one-stop shop for their evolving energy needs.

Additionally, we've proven that we can pivot to meet demand wherever it occurs. As large scale projects across the industrial and utility scale projects have stalled, iSun have been able to redeploy resources and labor within its commercial and residential segments. This will be especially important in the coming quarters when iSun with scale and deploy labor to previously delayed industrial projects as they move towards notice to proceed.

We also made strategic investments designed specifically to secure project pipelines, which gets us involved with projects earlier than a traditional EPC. Our early involvement allows us to do things like flex schedules, combined our buying power, better serve our customers and we'll secure our future cash flows by maintaining a retained interest in many of the projects we construct. This model aligns us both with our mission and the needs of our customers.

Our preparation along with the excellent news from election on climate legislation we are more optimistic than have ever been regarding iSun's ability to execute on our strategic plan and the massive opportunities in front of us. This legislation is a significant win for the solar industry. It provides the long-term commitment and stability necessary to accelerate the energy industry's transition from dirty to clean energy.

The 10-year extension of a 30% ITC increases the value of our entire pipeline. A standalone 30% tax credit on storage will increase the attachment rates for batteries and solar projects and will drive the average price higher per installation. This commitment will spur new investments. A recent study by Princeton's REPEAT Project predicts by 2024 a 500% increase over 2020 levels of utility solar and a tenfold increase by 2030. With this legislation and financial commitment, America is embracing iSun's mission to accelerate the adoption of solar. And we are perfectly positioned and ready to seize the opportunity.

The dynamics of the solar industry in the first half of the year also validate our strategy. This quarter presented a very unique set of industry-wide challenges that our team continue to deliver. The entire industry have seen supply chain delays, surging commodity prices, labor constraints and rising interest rates. Additionally, we saw permitting extensions provided to projects in our backlog that slowed us receiving notice to proceed. This specifically impacted our industrial division in the second quarter.

While we have not seen a single project cancelled, this specific issue caused several projects to push out their start dates. While we have not been immune to the challenges resulting from supply chain labor shortages, our diverse product and service offerings are a benefit to our customers in a competitive advantage over our peers. Despite these industry dynamics, we continue to see exceptional top line growth with a tripling of our revenue in the second quarter over the prior year.

We saw our customer demand continue to accelerate, adding $35.7 million to our backlog in the quarter, bringing our total backlog to $147.9 million. We grew the number of projects currently under development within our iSun's utility division to approximately 1 gigawatt. We increased our efficiency with our fourth straight quarter of margin expansion. We increased our residential demand by 46% year-over-year. And we have just begun to execute against our large EV infrastructure contract that we announced in the first quarter, which is generating additional opportunities in the sector of the industry.

Again, our strategic initiatives address the challenges of the current solar marketplace, and delivered results during a very dynamic time in the industry. Happy as we are with this performance, we're even more excited to demonstrate what the platform is capable of over the long-term. We want to emphasize that the investments we made in 2021 built iSun as a platform for growth. Our integration process continues to reveal opportunities for cost and efficiency improvements. And now our divisional leadership teams are focused on growing revenue and reestablishing positive EBITDA.

With that, I'll turn things over to John.

John Sullivan - Chief Financial Officer

Thank you, Jeff. We are excited to have continued our growth trajectory into the second quarter of 2022. I'll provide an overview of our statement of operations, details of on our segments before turning to our balance sheet. iSun reported second quarter 2022 revenue of $16.5 million, representing a $12.1 million or 278% increase over the same period in 2021. Year-to-date revenue was $31.6 million, representing a $19.9 million or 172% increase over the same period in 2021.

Revenue growth was driven by the continued fulfillment of our residential consumer demand and execution of our commercial and industrial backlog. While we continue to execute against our existing backlog, we also generated new demand by adding $35.7 million in new business during the second quarter.

By segment, our residential division generated revenue of $8.9 million and $14.1 million in the second quarter and year-to-date, respectively. Customer orders are approximately $30.7 million and are expected to be completed within three to six months. Our commercial division generated revenue of $1.1 million and $2.5 million in the second quarter and year-to-date, respectively, and has a contracted backlog of approximately $11.4 million expected to be completed within six to eight months.

Our industrial division generated revenue of $6 million and $12.9 million in the second quarter and year-to-date, respectively, and has a contracted backlog of approximately $105.8 million expected to be completed within 12 to 18 months. Our utility division generated revenue of $0.5 million and $2.1 million in the second quarter and year-to-date, respectively. Our utility division also has 993 megawatts of projects currently under development, with projects achieving NTP in late 2022 and early 2023.

Gross profit in the second quarter was $3.8 million compared to $0.6 million loss during the second quarter 2021. Gross margin for the quarter was 22.8% compared to a negative 14.6% over the same period 2021. Year-to-date gross profit was $6.9 million, compared to a loss of $0.5 million during the same period in 2021. Year-to-date gross margin was 21.9% compared to negative 4.4% during the same period in 2021. The margin improvement represents the fourth consecutive quarter in which our margin has improved. As we grow synergies among our segments, the strengthening of our margin is expected to continue.

Operating income in the second quarter was a loss of $5.6 million compared to a loss of $2.8 million over the same period in 2021. Year-to-date operating income was a loss of $11.3 million, compared to a loss of $5.4 million during the same period in 2021. Non-cash depreciation and amortization expenses were $1.8 million in the second quarter compared to $0.2 million in the same period in 2021. Year-to-date non-cash depreciation and amortization expenses were $3.5 million compared to $0.3 million in the same period in 2021.

iSun reported a net loss of $5.7 million or $0.40 per share in the second quarter of 2022 compared to a net loss of $1.3 million, or $0.15 per share over the same period in 2021. Year-to-

date was a net loss of $8.6 million or $0.64 per share compared to a net loss of $4.4 million or $0.53 per share in the same period in 2021.

EBITDA for the quarter was a negative $3.2 million or $0.23 per share compared to a negative $2.4 million or $0.26 per share in the same period in 2021. Year-to-date EBITDA was a negative $3.4 million or $0.25 per share compared to negative $3.8 million or $0.45 per share in the same period in 2021.

Now, turning to the balance sheet. We continue to focus our efforts on strengthening our balance sheet to improve our cash position and liquidity ratios. Our collections remain strong, and we have invested in inventory to meet the needs of our growing customer backlog and to mitigate supply chain risks. We recognize the need to clean up our balance sheet following the multiple acquisitions that were successfully closed during 2021.

We are in active conversations to provide a new debt facility that will provide the opportunity to restructure our existing debt, properly collateralize the assets from our investments and acquisitions, and provide the capital necessary to continue our growth trajectory. We anticipate closing prior to the end of the third quarter.

I'll now turn it back to Jeff.

Jeffrey Peck - Chairman and Chief Executive Officer

Thank you, John. I've spent much of my time today discussing the benefits of the strategic initiatives that we executed on in 2021. While all of what we've accomplished is exciting, I'd like to focus on what's next. Our strategic investments have been very calculated, with the goal of solidifying our pipeline and growing our backlog. And these investments have set us up for a very exciting future.

Over the last 12 months, our development team have been hard at work, building a foundation and establishing strategic partnerships with legacy energy and infrastructure companies. These partnerships provided $8 million in development capital for iSun's comprehensive development and project origination services. This has led to the origination of almost 1 gigawatt of projects throughout eight states. As these projects transition from development to notice to proceed status, iSun retains the EPC rates for each of these projects, as well as minority ownership in each of the operating assets.

By late 2022 and early 2023, we will begin to see the first of these projects achieve NTP. This quarter, our strategic partnerships raised an additional $26 million in development capital. This development capital will generate services revenue for iSun by accelerating project origination and utilizing iSun's comprehensive development services. For this next phase, we have identified 13 states, as well as municipalities, schools, state governments and non-profits as targets for project greenfield development and project acquisitions.

As with prior agreements, iSun retains the EPC rights as well as the minority ownership in the operating assets. To build on what we're creating, we also made a strategic investment in Encore

Renewable Energy. Encore has been a long-term partner that we've been building projects with for over a decade.

Encore is a best-in-class project development firm, specializes – specializing in reclaiming undervalued real estate for clean energy generation and storage to help revitalize communities. They're recently named Best of World B-Corp, and ranked 22nd nationally among US solar developers. We're proud to be partnered with such a successful and well respected firm, but also one that shares our values.

Since our investment, Encore has raised an additional $20 million in financing that has allowed them to double the size of their team and expand their project pipeline. Consistent with our investment strategy, we secured the rights of first refusal to construct all projects in their pipeline, which will drive projects into our backlogs. Currently, Encore has a project pipeline of 1.65 gigawatts, and of that, they have near and medium-term backlog of 575 megawatts located in our key operating areas.

Now that we have secured a massive pipeline, and a growing backlog with years of projects ahead of us, our focus will be on embracing a culture of constant improvement and maximizing efficiencies. By leveraging our digital sales and marketing to expand our brand recognition to new markets, by decreasing sales to installation timelines to provide world class service to all of our customers, by increasing efficiencies in all of our shared services throughout the organization. And by increasing collaboration and operations to drive down project costs.

We have so much great work ahead of us. And we have been thoughtfully building and preparing our team to execute on the incoming pipeline and backlog. Part of this preparation is having an appropriate capital available to execute on our strategic plan and the runway that we've created. Over the last several quarters, we've been out running a process to provide the company with the liquidity it needs to execute on our strategic plan.

As John discussed, we have signed a term sheet to refinance and expand our existing debt facilities. This will adequately fund our working capital needs as well as provide flexible capital to support our growth plans. Most of the diligence process is complete and we have a path towards closing this debt facility and expect to close in the current quarter.

Throughout our 50-year history, we have always embraced innovative change. And there has never been a more meaningful or impactful time to be a leader in the innovation that will help fight climate change. iSun has built the team that is passionate about transitioning the American power generation and consumption to clean solar energy. For our installers on the roofs and the ground, to our project managers and finance team to the division heads and the executive team, we are passionately focused on our mission to accelerate the adoption of solar energy.

Today, we are witnessing the most impactful climate legislation the United States has ever seen, which will help support our mission. It is encouraging for us to see public policy is aligning with our values, and exciting to think how this legislation will impact our ability to accelerate the

energy transition. As we help hardworking families, businesses, small and large, save money and future proof against runaway energy inflation.

And we know that as we execute, our success helps the air be a little clearer, our water be a little cleaner, and we leave the planet a little better. Even though we have our 50-year legacy to be proud of, it feels as if our journey has just begun. This both creates a sense of urgency in our team and it keeps us focused on the importance of building long-term shareholder value. We look forward to sharing our success with you. Thanks for listening. Thank you for your interest in what we're building. And thank you for your time today.

With that, I'll turn it back over to the operator who will open the lines for questions.

Operator
Certainly. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Your first question is coming from Justin Claire from Roth Capital Partners. Your line is live.

Q: Hey, good morning. Thanks for taking our questions.

Jeffrey Peck - Chairman and Chief Executive Officer
Good morning, Justin. Thanks for joining the call.

Q: Yep. So I guess first off here, I wanted to ask about the guidance. So you had previously provided 2022 revenue guidance of $125 million. You know given the challenges experienced in Q2, the project delays you've seen you know can you just update us on your expectations for revenue in 2022? And you know how things might trend in Q3 and Q4 here?

Jeffrey Peck - Chairman and Chief Executive Officer
Yeah. I mean, historically our revenue mix has been sort of a 30:70 split first half to second half, you know now we have additional revenue streams coming in from our EV infrastructure and development services in 2022 that we didn't really have in prior years. And so while the first half you know may look a little light, we're pretty confident that we have the pipeline and the personnel to achieve our goals.

You know that being said, our industrial group and some of the larger projects have seen installing based on long lead times in the supply chain. So we're you know we're confident that we have the – and certainly in the pipeline and the backlog and the personnel to execute and achieve our goals. You know but it is a dynamic market for sure.

Q: Okay. Okay, great. And then the – just wondering you know right now, what are the largest challenges that you are experiencing? You know how have those evolved from Q2? Because you mentioned a number of different things permitting being one of them, supply chain. So just wondering you know is there one that stands out more than the others? Or is it just all of them together? And then you know there is the UFLPA enforcement that is ongoing for module supply. So I was wondering if you just talk about the accessibility of modules right now.

Jeffrey Peck - Chairman and Chief Executive Officer
Sure. So looking back, if we look back at the second quarter, I think what impacted us the most was, there was specifically a CPG extension in Vermont that really allowed developers to take more of a wait-and-see approach to moving projects to NTP. So projects that we had anticipated hitting like Q1 or like Q2, were delayed because they could really take a wait-and-see on inflation and see if commodity prices came down.

Due to those extension, we also had – we also saw some really long lead times on utility equipment that caused projects that we had anticipated would start in early Q2 to be delayed path there. So, you know we are seeing long lead times, certainly on panels, they are available, more available now than they have been, we've also spent a lot of time working on building our inventories for residential in the large backlog we have there to execute on. So, you know we're addressing some of the supply chain issues by building up the inventory and being prepared for installation in the second half.

Q: Okay, got it. And then just turning to your utility division, you know you expanded the pipeline of opportunities here pretty significantly, 993 megawatts under development. So NTP is expected late 2022 and 2023. Just wondering you know once NTP is reached you know what is your expectation for the construction timeline? And when could revenue be recognized? So for that entire 993, could we see 2022 and 2023 all of the revenue be recognized for those projects?

Jeffrey Peck - Chairman and Chief Executive Officer
That's a great question. So by the end of this year, so let me just break this down a little bit. The development services division – and development services that we provide exist in our – within our utility division. So they provide development services that study land feasibility, do project development work, you know including like land options, permitting, interconnection studies, wetland studies, topography, soil properties, all of the things that need to be done to get a project to fully permitted and executed.

So within our gigawatt of pipeline, it's actually, as of this morning was 1.3 – 1.23 gigawatts, there's probably some various sizes, from 7 megawatts and then maybe even a few, a little bit smaller than that, all the way up to 112 megawatts DC. So I would expect that – and then there's you know there's some portfolio of projects, as well that are in the, you know 10 to 15 to 20 megawatts size. And so I expect as 2022 ends, and we turn into 2023, that we'll see an acceleration of these projects, achieving, permitting and NTP you know the larger projects are a little bit more of a fly ball and timing. There's a lot more complexities there.

You know I will say that the climate legislation will be helpful in some of the medium and smaller-sized projects with the ITC availability for interconnection upgrades at 5 megawatts and lower, so we should see some positive impacts there. So, I hope that answers your question. I'm thinking late 2022 we'll see some of the first development assets hit NTP and we should see an escalation throughout 2022 into 2023.

Q: Okay, yep. That's helpful. Then maybe just one more. Can you talk about what the – you know for the utility scale development here, what could be the revenue potential? And you know

I think in the past you've talked about a margin profile of maybe 15% to 18% on the gross margin, is that still the expectation here?

Jeffrey Peck - Chairman and Chief Executive Officer

Yeah I think somebody will depend on how these projects break down, and how much of the EPC portion of the contract we hold versus our partners in this. You know on the utility scale project, if you count the full EPC you know you're looking anywhere between best case scenario, high $0.80 up to $1 and change per watt. So on the 112 megawatt project, you could be looking at you know $90 million to $125 million in potential revenue.

Now you know and I would assume the margins that you just referenced there would be true on these projects, the exception that'd be there may be some margin compression on large purchasing of panels or other equipment, getting a pass through of 15% gross margin on that size of panel purchase that may not be fair and equitable to our partners on these projects, also we'll likely have a retained ownership interest, minority ownership in some of these projects, so it's important to bring these through as economically as possible and we're aligned with our partners in that way. So, that'll be important as well.

Q: Okay. Thanks very much. Appreciate it.

Jeffrey Peck - Chairman and Chief Executive Officer
Thanks, Justin.

Operator
Thank you. Your next question is coming from Jeffrey Campbell from Alliance Global Partners. Your line is live.

Q: Good morning.

Jeffrey Peck - Chairman and Chief Executive Officer
Good morning, Jeff.

Q: I wanted to ask you, bearing in mind, the industrial division challenges you noted, your gross margin remained quite good. Can you comment on how that margin was maintained in the quarter?

Jeffrey Peck - Chairman and Chief Executive Officer
Yeah. You know I think the mix of revenue and the diversifications of revenue coming in allows us to you know adjust labor and management to meet the demand where it's occurring, that should help us – it should help us scale more reasonably when things get much busier, and allows us to move assets around to be more efficient in our execution of projects and contracts.

Q: Okay. And –

Jeffrey Peck - Chairman and Chief Executive Officer
You know I think in the future as we look forward, I think that you know there'll be additional savings available there as well, in you know shared purchasing powers. You know certainly if you're buying panels or equipment for a community solar asset, that might be 5 megawatts unless you're buying power is quite different than what you would see somewhere else and on larger projects.

So, being able to leverage larger projects and combine them with smaller scale projects to provide some better pricing I think will be helpful you know in the climate bill, there's American made provisions and so if we – if we're working on utility scale or industrial scale projects, and are working with American manufacturers that may give us access to American made panels for homes and commercial projects as well, that we may not otherwise have. So I think there's a lot of benefits there.

Q: Okay. Just to pick up on that last point that you made. I mean when I think of American made, I think of First Solar and that's kind of a unique technology, although it's the same form factor or standard utility panel. So are there other significant producers besides First Solar or other that you're referring to?

Jeffrey Peck - Chairman and Chief Executive Officer
I think probably the key word there is significant, right. Not in the size and scale of First Solar. But you know certainly the – you know the climate bill will help increase that we've spoken to at least two other manufacturers who are in the process of expanding operations to meet the perceived increased demand that's going to come with this the signing of the bill.

Q: Okay. Now that's helpful. Will the inventory build that you've articulated in your remarks affect gross margin during the second half in any material way?

Jeffrey Peck - Chairman and Chief Executive Officer
No, I don't believe so.

Q: When I compare the quarter-over-quarter divisional backlog numbers, it appears that residential and commercial and industrial backlog increased about $8.2 million, which suggests that the bulk of the $35.7 million increase is in the utility division, is that correct? And if it is, is that all project related? Or is it some of the design work that you've talked about –

Jeffrey Peck - Chairman and Chief Executive Officer
Yeah, none of the design work exists in our backlog. So our backlog is – you know our backlog may be unique in the way that we recognize it. Our backlog is comprised only of projects that we have either a letter of intent or notice to proceed or a signed EPC contract that with you know 90% probability of executing on those contracts. So that's how we – that's where we get our backlog from.

You know I can go back and look at the specific numbers. But I would say most of the increase in backlog would have been in the residential and industrial side. I think the increase – the

overall of an increase was about 35 – $35.7 million I think we referenced. I can get you – I can get back to you on the exact numbers. I don't want to throw something out there and be off a little bit, but I would categorize it as saying that most of it would have existed in our industrial and residential pipeline or backlog.

Q: Yeah, we can take that up offline. It's not a problem.

Jeffrey Peck - Chairman and Chief Executive Officer
Yeah. And then you know we talk about pipeline which is somewhat different. You know we talked about the 1 gigawatt pipeline that we have and the 1.65 gigawatt pipeline that we have rights to through Encore, and then their backlog of 575 megawatts, none of that exists in our current backlog. And so you know the investments that we've made and what we've done to try to transform the company, it's all been about creating really longevity and efficiencies within the company to help build these projects out. And obviously it was important for us to retain some ownership in projects where possible.

Q: And to that point, I wanted to ask you if again, I appreciate the distinction between development and backlogs. Does the current utility backlog contain iSun ownership rights as well? Or is that something that's purely under development pipeline?

Jeffrey Peck - Chairman and Chief Executive Officer
Yeah, so because our development assets are have – you know I would call it, categorize them in the early and medium stages. Meaning, we don't have permits yet. So because of that we don't have EPC contracts on most of these. But to answer your question, once we achieve – once these projects move into the permit and into the notice to proceed phase after they receive permitting, we will have ownership rights to these, yes.

Q: Okay. Now let me just ask again just to make sure in the current utility backlog, which improved quite a bit, quarter-over-quarter, are any of these EPC contracts that provide ownership to the company in that backlog or is that purely in the development and for the future?

Jeffrey Peck - Chairman and Chief Executive Officer
Yeah, I think what you're referring to is our pipeline, our utility pipeline has grown,

Q: Right.

Jeffrey Peck - Chairman and Chief Executive Officer
We don't believe we broke out a number in our back – in our backlog, right. So again, sort of that distinction between pipeline and backlog. So our pipeline has grown, as of this morning, it was 1.23 gigawatts. And yes, on that pipeline that I'm referencing, we have minority ownership rights on all of those projects.

Q: Okay. And just to be clear on that point, what I was referring to was the line and the press release that said our utility division also has a 993 megawatts of projects currently under

development projects, achieving NTP in late. So that's where we're – I just want to identify that area we're talking about where you will eventually have ownership.

Jeffrey Peck - Chairman and Chief Executive Officer
Correct, correct. And when we talk about our backlog, none of that 993 megawatts which I think in my conversation I discussed approximately 1 gigawatt, which is now 1.3 [sic – 1.23] gigawatts, none of that exists in our backlog, it is all pipeline work that once permitting is achieved, will move, will then transition into our backlog.

So we've got you know we have this 1.3 – 1.23 gigawatts of project assets that based on the signing of this climate bill, certainly all of these assets go up in value substantially. And I think some of the provisions in there will also help the utilities with some of the interconnection challenges they're going to face, which will help, I'm hoping I believe I'm right, and this will help speed these projects along maybe faster than we would have otherwise seen.

And so you know we're incredibly optimistic and bullish on these projects. Certainly a large percentage of them in our pipeline, receiving permitting and executing EPC contracts and having minority ownership in the future. And when we did this first round of partnerships, were really focused on red states, where there was not a lot of solar that existed there. And so you know we spent a lot of time studying queues, looking for the right land and the right places. So that we would have a high level of success.

And part of that we thought we were right in assessing that the pressure coming from state, local governments, federal governments, as well as large employers in these historical red states that weren't interested in solar a few years ago, we felt that that transition was coming. And so, as we were developing assets, that's where we focused and you know we think that we'll have a highly – high level of success with what we're developing.

Q: Okay. And just the last question on the ownership aspect. My understanding at least in the past was that ownership of assets was mainly – the goal was mainly to offset SG&A. Is that still essentially the goal? Or is there – that's gotten more ambitious as you started to develop this pipeline?

Jeffrey Peck - Chairman and Chief Executive Officer
Well you know with the large, but you know certainly short and medium-term goal is to generate enough recurring revenue to offset all of our SG&A in the company, and if we can continue to provide free cash flow after that wherein that continues to make sense for the company, then we'll continue to execute on that strategy.

Q: Finally you – I think you just kind of alluded to it, again, you've mentioned that develop – these development projects may take you into multiple states to whatever level of specificity you're comfortable with. Can you provide some indications if some of these states represent new market size?

Jeffrey Peck - Chairman and Chief Executive Officer

Yeah, and what I'll call is a first round of this, we focused on 8 states. I think we've mentioned some of those before. Now, we are focused on 13 states plus municipalities, state governments you know non-profits brownfield opportunities, things of that nature. But yeah, I don't want to get specific on the stage, we're actually targeting but we've identified you know we've done a deep dive and identified areas that we think we can be successful and the $26 million in development capital that was raised will be directed towards those you know 13 states.

Q: Well, okay. Not to be out of order here. But can we at least say that some of these states might not be on your historical northeast?

Jeffrey Peck - Chairman and Chief Executive Officer
Correct? Absolutely. Yeah and these will be states outside of our normal operating areas, mostly.

Q: Okay, great. Now that's helpful. Thank you. Appreciate it.

Jeffrey Peck - Chairman and Chief Executive Officer
Thank you, Jeff.

Operator
Thank you. [Operator Instructions] Your next question is coming from Noel Parks from Tuohy Brothers. Your line is live.

Q: Hi, good morning.

Jeffrey Peck - Chairman and Chief Executive Officer
Good morning, Noel.

Q: Just had a couple. As far as your new debt facility or updated debt facility you're negotiating. Do you have any particular priorities on the structure of it that are behind your conversations?

Jeffrey Peck - Chairman and Chief Executive Officer
You know we want to make sure that we get a debt facility in place that adequately funds all the working capital needs, and gives us some flexibility to support you know growth plans.

Q: Sure. And I just meant as far as are you particularly you know sensitive to rates or covenants or?

Jeffrey Peck - Chairman and Chief Executive Officer
Yeah. You know I think we want to minimize the use of equity where we can and we want to you know get as low cost of capital as possible with flexible terms. So you know we're certainly in those conversations are of those items that are points of discussion for sure.

Q: Okay, great. And just as a general question. For residential business versus the C&I business, at this point when you're in negotiations with potential customers, is timeframe a bigger

negotiating point than price at this point? Just because of supply chain so far, so just wondering what was foremost on customer's mind?

Jeffrey Peck - Chairman and Chief Executive Officer
That's a good question. You know I think if we – you know when people come to us and they're looking for solar, of course, they want it tomorrow, right. And most of our customers understand that you know there's a normal and customary timeline to get these projects permitted and executed. I think where most of them sooner is better. I think as we start extending timelines too long on projects that we've originated and so that can impact you know cancellation rates. You know we haven't seen that yet.

I think the climate bill will be supportive of that, will allow people to take a little bit more of a long-term approach and understand that some of the long lead times and supply chain challenges exist. And if they have committed to in transitioning to renewable energy and solar that you know that would be appropriate time to get that done, but certainly we're pulling all the levers to try to shorten the timeframe between sale and installation.

Q: Sure, sure. And just the last one for me. It's kind of a reality check was, you know all the challenges we talked about, we all know about our supply chain better. As far as utilization of your crews, and sort of having the visibility to you know you talked about sort of trying to better sync up labor with the actual business. Are you in a situation where you wind up with a significant amount of labor you've planned for being – actually being idle, crews being idle? Or is it just a matter of basically in the – you know on the priority list just where they go to get to their next project?

Jeffrey Peck - Chairman and Chief Executive Officer
Yeah, that's more of a priority list than where they go and kind of allocate those resources. You know being able to scale up as new products come on is important to us, which we've done pretty effectively over our history. And then you know obviously in the first quarter, when it's really cold in the northeast, there's some less labor efficiency that happens just with the weather. But you know but other than that we're deploying our resources where they're needed most and scaling up and down as required by project contracts.

Q: Okay, great. Thanks a lot.

Jeffrey Peck - Chairman and Chief Executive Officer
Thank you.

Operator
Thank you. That concludes our Q&A session. I will now hand the conference back to Jeffrey Peck, CEO and Chairman of iSun for closing remarks. Please go ahead.

Jeffrey Peck - Chairman and Chief Executive Officer
Thank you, everybody. We appreciate your time and your engagement today and allowing us to share our progress with you. If you have any follow-up questions that weren't addressed, please

feel free to email them to ir@isunenergy.com, and I'll try to follow-up with an appropriate response and we look forward to providing you with updates in the future. Thanks for joining the call today.

Operator

Thank you, ladies and gentlemen. This concludes today's event. You may disconnect at this time and have a wonderful day. Thank you for your participation.