

# Desautels Capital Management

Honours in Investment Management

## Shoals Technologies Group

Fall 2023

## Energy & Utilities

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September 25, 2023



Recommend a BUY – Building exposure to renewables through superior technology at the forefront of innovation

## Business Overview

- Shoals is a leading provider of **electrical balance of system (EBOS)** “wiring” solutions for solar energy projects in the US including solar, storage, and EV charging systems
- After a successful IPO in Q1/21, the company has grown to 835 employees and issued 35+ patents
- Recently, stock price has suffered under general solar crash

<b>2.07</b> Beta (3y)	<b>16.98x</b> P/E	<b>15.5x</b> EV/EBITDA
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**Primary Risk:** Interest rate hikes or tax incentive slowdowns could slow down solar expansion

## Market Valuation

Values as of October 26, 2023

Share Price	\$15.10
Shares Outstanding (M)	169.9
<b>Market Capitalization</b>	<b>2,565.5</b>
Add: Total Debt	210.6
Add: Minority Interest	-
Add: Preferred Stock	-
Less: Cash & Cash Equivalents	5.8
<b>Enterprise Value</b>	<b>\$ 2770.3</b>

## Investment Theses

1

**Market overestimates Chinese tariff risk and is missing the IRA tailwinds**

A profitable US manufacturer combining uncapped tax-breaks, Shoals is overly punished by market pessimism regarding Chinese Tariffs

2

**Market misprices growth potential from efficiency and simplicity gains from Shoals’ patented technology**

Shoal’s patented technologies reduces installation cost – a heightened competitive advantage in the context of electrician shortages

Current Price:  
**\$15.10**

Price Target:  
**\$21.80**

Implied Upside:  
**44.4%**

Sources: Bloomberg, Capital IQ, Company Filings

Recommend a BUY – Building exposure to renewables through superior technology at the forefront of innovation

## I. Sector Overview

## II. Company Overview

## III. Investment Theses

### A. Thesis 1: Macroeconomic Factors

- i. Market Misprices Shoals' IRA Benefits
- ii. Market Overestimates Tariffs' Impact on Shoals

### B. Thesis 2: Product specific

- i. Low Installation Cost
- ii. New Ecosystem Offerings

## IV. Valuation

### A. Comparables Multiple Valuation

### B. Discounted Cash Flow

## V. Risks & Catalysts

# Desautels Capital Management

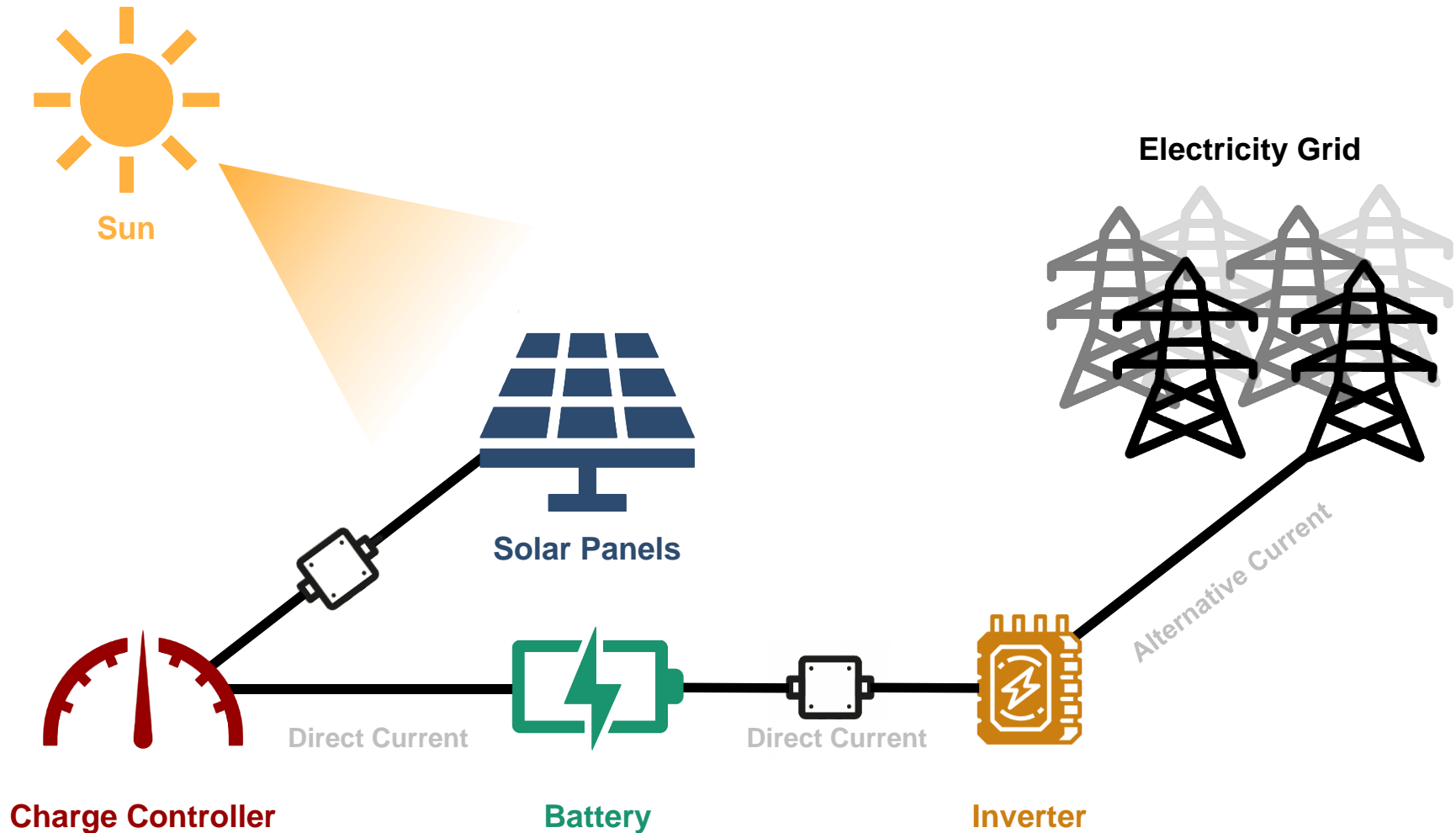
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## Industry Overview

Section II



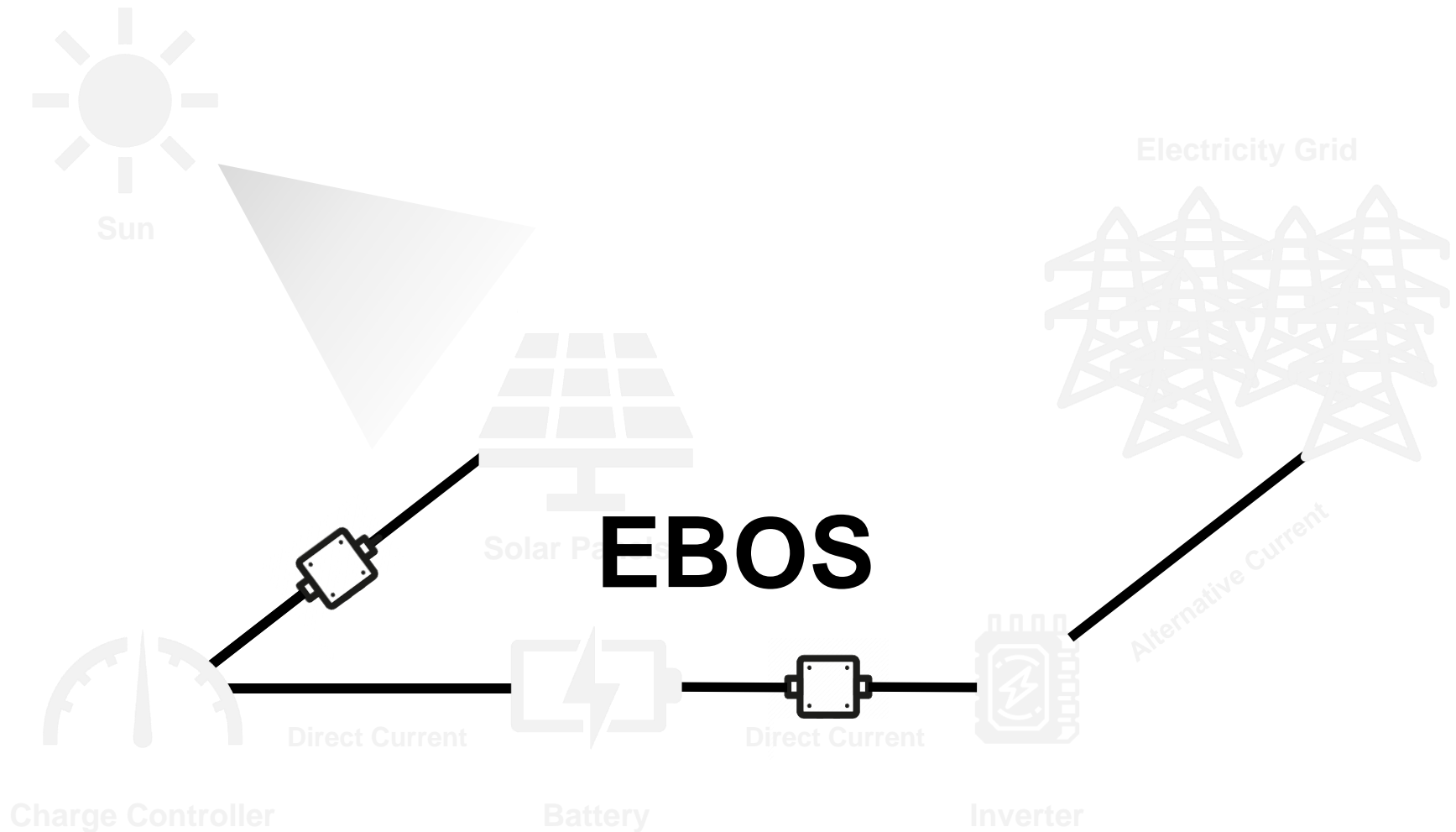
Where does SHLS operate within the solar space?



There is electricity loss throughout the grid due to inefficiencies, with the goal being to minimize those losses at low cost

Source: Deloitte

Where does SHLS operate within the solar space?



Shoals offers wiring solutions across the value chain

Source: Deloitte

# Desautels Capital Management

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## Company Overview

Section III



Recommend a BUY – Building Exposure to Solar Renewables

## Shoals Technologies Group



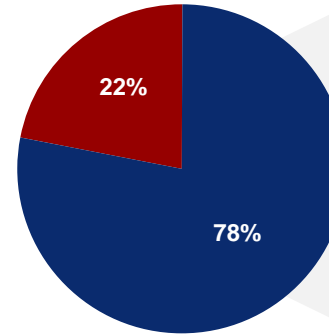
### Shoals: Simplifying Solar Technology

- Leading U.S. manufacturer & provider of **EBOS** components and solutions for **solar**, battery **storage**, and **EV** charging
- Headquartered and conducts all manufacturing in the **U.S.**
- **IPO in Q1/21**, the company has grown to **835 employees**

### Operations:

- **Two segments:** individual **components** and **system solutions**
- **Customers:** **EPCs** (primary), utilities, power producers, solar developers, solar module manufacturers, charge point operators
- **Significant IP** footprint with **35+ patents**

## Revenue mix



**System Solutions** are broken down into **two offerings**:

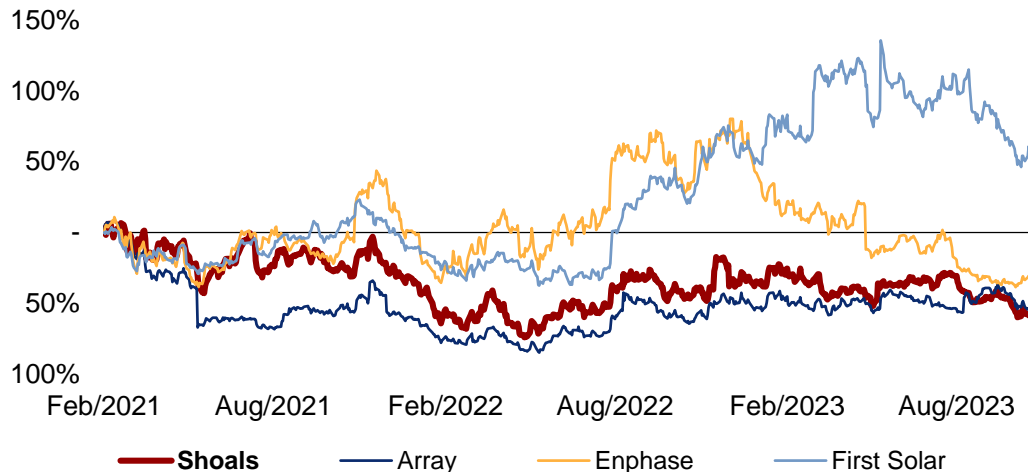
- Upgrades to “**conventional homerun architecture**”
- Shoal’s proprietary “**Combine as you Go**” system design

Virtually 100% of FY2022 sales are to **US customers**

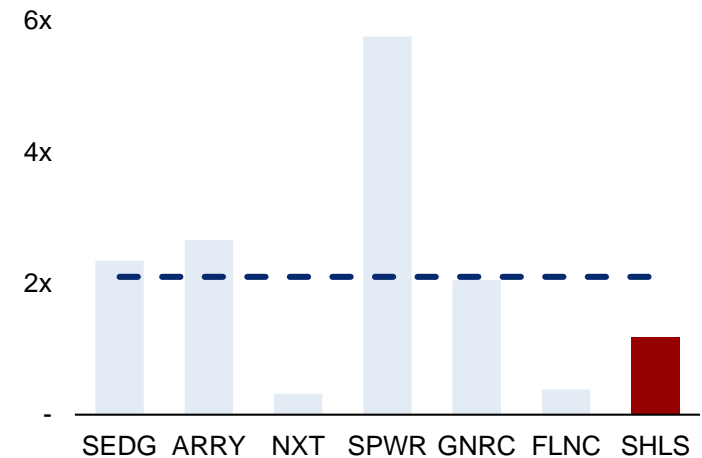
■ Components

■ System Solutions

## Historical EV/EBITDA



## Debt-to-EBITDA Q2-2023

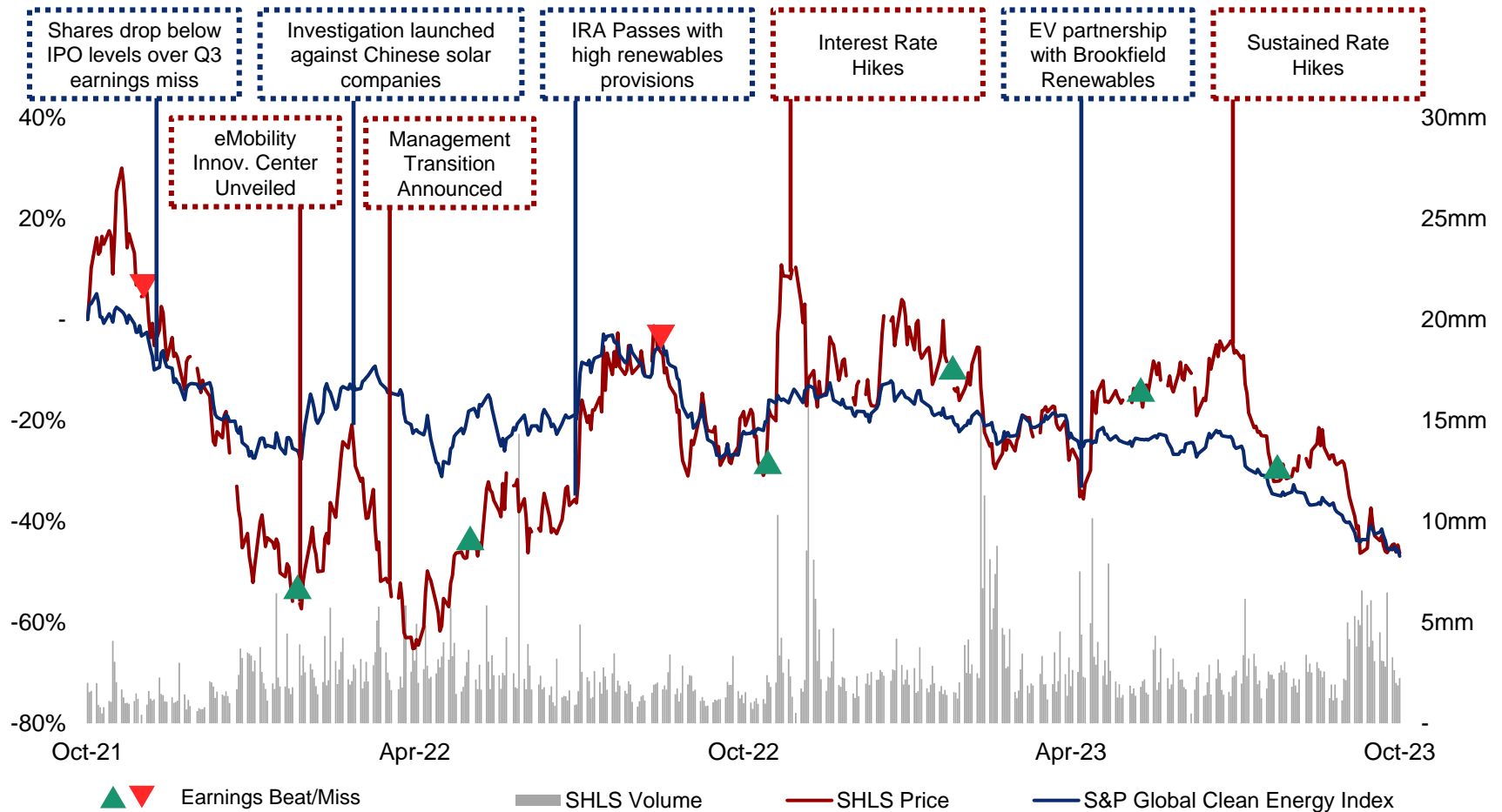


With lower leverage and a comparatively superior product, SHLS shows strong fundamentals

Sources: Bloomberg, Company Filings



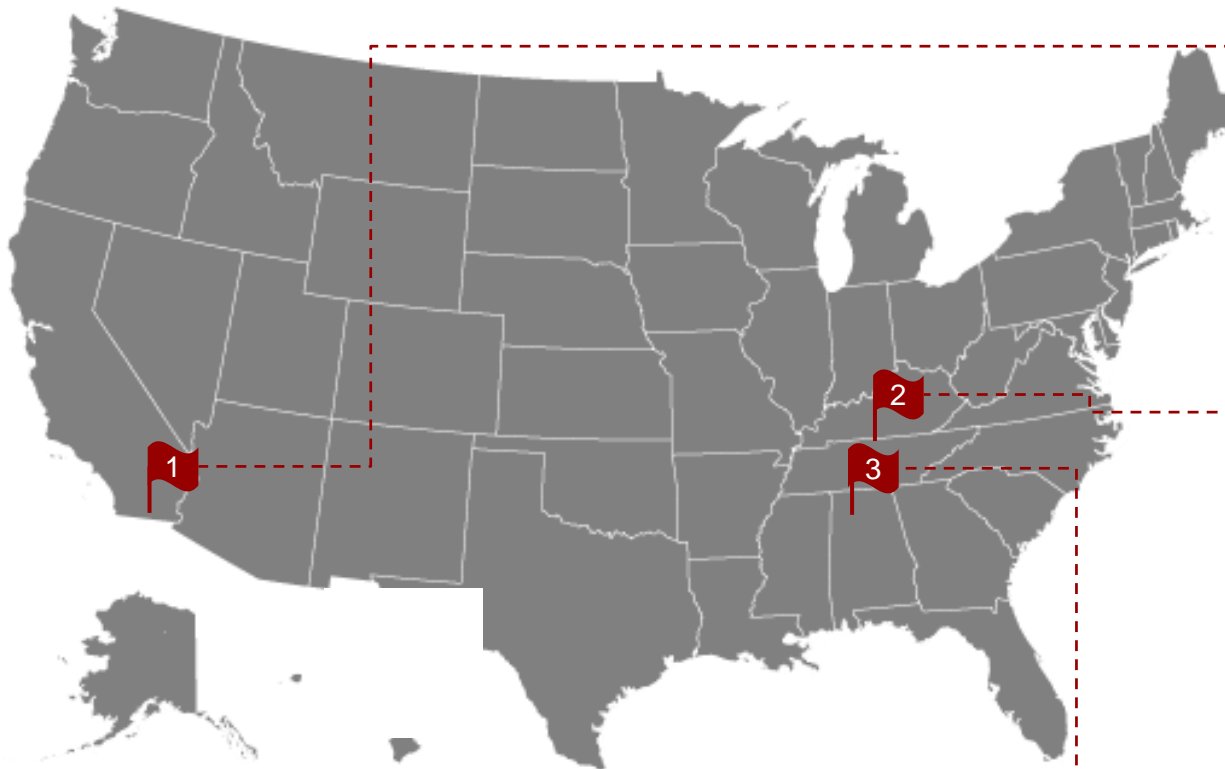
## More volatile to commodity pricing than market information



	2y Beta (vs S&P)	Standard Deviation	R-squared
SHLS	1.77	0.31	52%
S&P Global Clean Energy Index	2.01	0.42	48%

# Operations are Concentrated in the US

Shoals us the map!



## 1 Poway, CA

Location(s): 2

Square Feet: 37,172

Functions: Office,  
Manufacturing, Warehousing,  
and Shipping

## 2 Portland, TN

Location(s): 3

Square Feet: 398,327

Functions: Office,  
Manufacturing, Warehousing,  
and Shipping

## 3 Muscle Shoals, AL

Location(s): 1

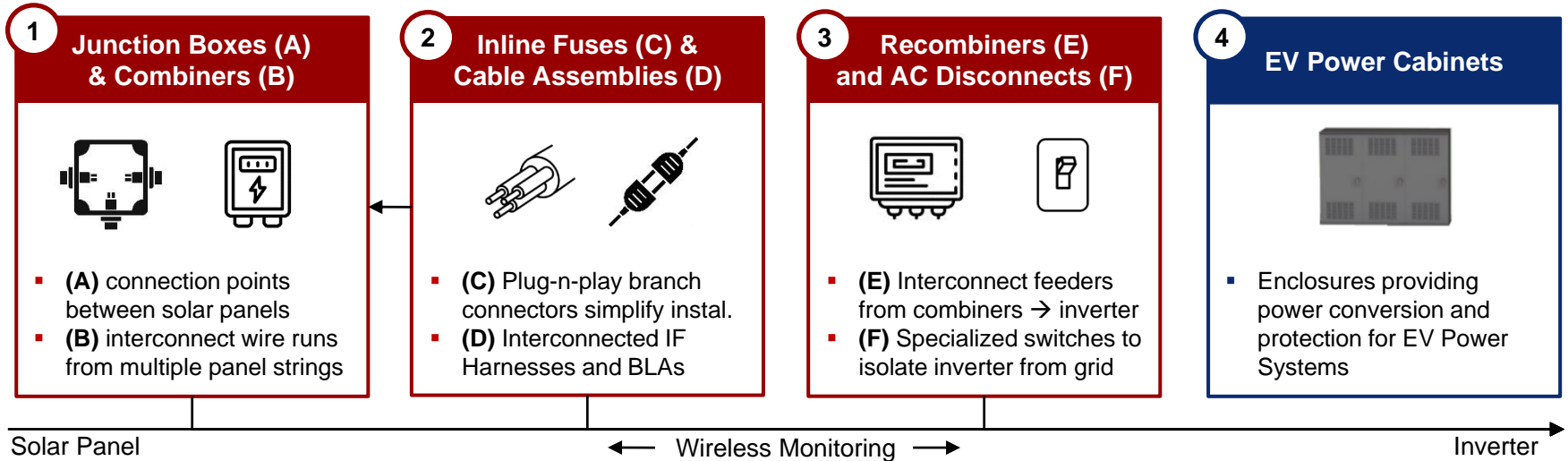
Square Feet: 16,910

Functions: Office,  
Manufacturing, Warehousing,  
and Shipping

Headquartered in Portland, Shoals conducts all its operations in the United States

Sources: Bloomberg, Company Filings

## From the panels to the grid



### A U.S. based player with multiple segments...

**Component Manufacturing**

- Mission-critical components required for every solar, EV Charging or Energy Storage project
- High consequence of failure (e.g., damage, injury) means **reliability and safety prioritized over price**

**EBOS Systems Solutions**

- Proprietary "**Combine-as-you-go**" design cuts installation costs by 43% and material cost by 20%
- Improvements on standard "homerun" architecture

**eMobility Solutions**

- 4 new products introduced in Q4/21 compatible with all manufacturers, including quick-connect and power

### ...and competitive IP...

**Widespread (and growing) adoption**

- Q2/22, 50% YoY increase in **converted BLA customers** (+14), including top solar EPCs
- ~35% YoY increase in prospects (92) and in transition, with \$546mm in backlog & awarded (Q2/23)

**High future visibility**

- Consultative sales process provides ~12 mo lead for growth adjustment with minimal inventory buildup

**A strong competitive MOAT**

- 35+ Patents with another 85 issued and pending
- Start-to-finish service includes solution design & engineering support: systems are customized

Sources: Bloomberg, Company Filings, Wood Mackenzie

Bolstering efficiency and reliability

## 1 Conventional Homerun Architecture



### Distinguishing Characteristics

- **Every string** of solar panels is connected to combiners with **individual wire runs**, then fished through conduits
- **Wires are individually** laid, measured, stripped, crimped to complete the connection, inspected, and installed

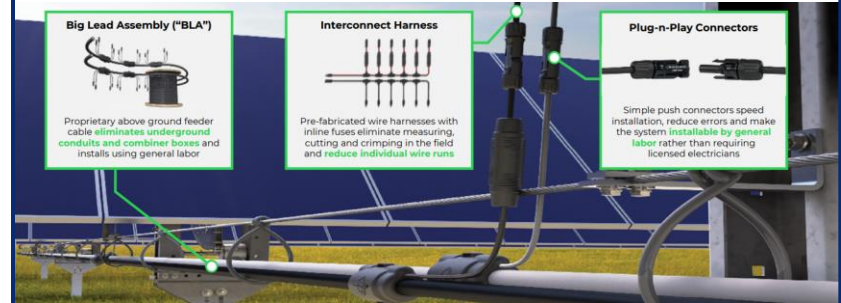
### Primary Inconveniences:

1. **Tedious, specialized installation process**
  - 6 technical steps requiring tools and electricians

2. **Significant Fault Risk**
  - Onsite, manual assembly steps increase fault risk

- Shoals offers **custom components and connectors to upgrade conventional homerun systems**

## 2 Shoals' "Combine-as-you-Go"



### 6 Primary Advantages

1. **No specialized electricians required**
  - Plug-n-play connectors simplify assembly
2. **Installed above ground**
  - Eliminates trenching and wire fishing
3. **Streamlined wire runs**
  - 67% fewer string runs, 95% fewer inverter runs
4. **Eliminate combiner boxes**
  - Inline fusing and direct connections simplify wiring
5. **Increased safety and reliability**
  - Factory fabricated pre-terminated connectors
6. **Reduces maintenance requirements**
  - 83% fewer connection points, ran above ground

# Desautels Capital Management

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## Investment Theses

Section IV



Resistance to recent negative macro, market-leading patent protected product, and EV/Storage optionality

## OUR INVESTMENT RATIONALES

### B Macroeconomic Environment

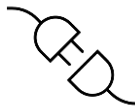
**THESIS 1:** Shoals US manufacturing and low leverage will allow it to benefit from IRA


1   
Market misprices  
Shoals' IRA benefits

2   
Chinese tariffs  
overestimated by  
the market?

### B Superior Growth Opportunities

**THESIS 2:** Shoals' position as market leader will allow it to capture large market share in US Solar

1   
Unique technology  
vectors growth

2   
Electrician shortage  
heightens benefits

Resistance to recent negative macro, market-leading patent protected product, and EV/Storage optionality

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## Market Misprices Shoals' IRA Benefits

Section V

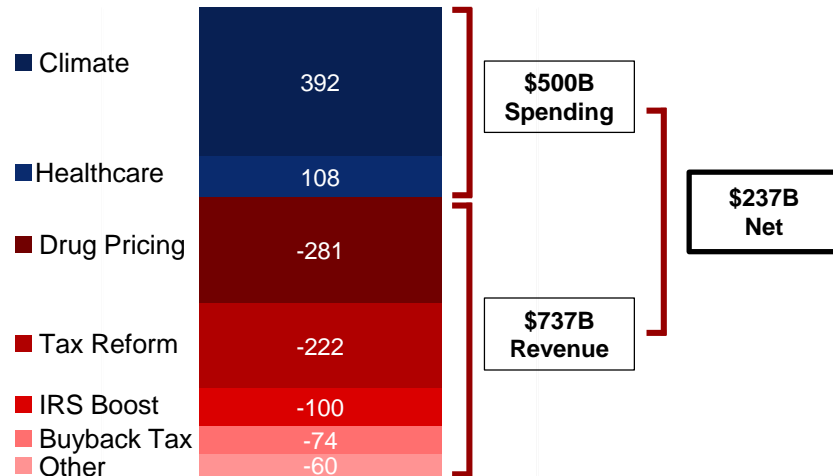




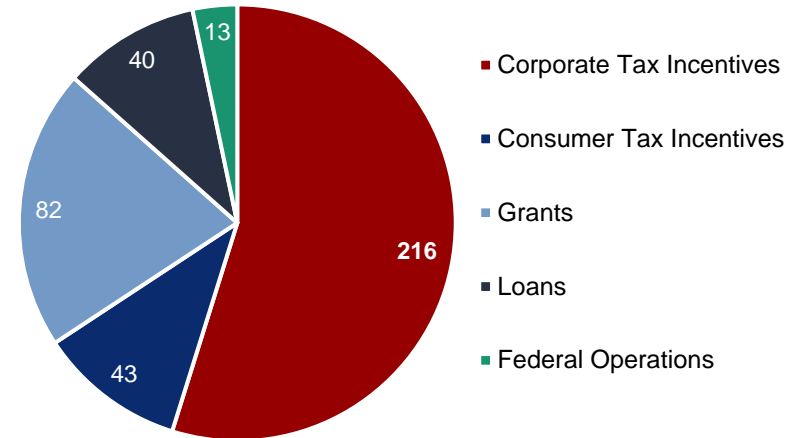
# What is the IRA?

## Inflation Emissions Reduction Act

### Sources and uses



### Distribution of funds



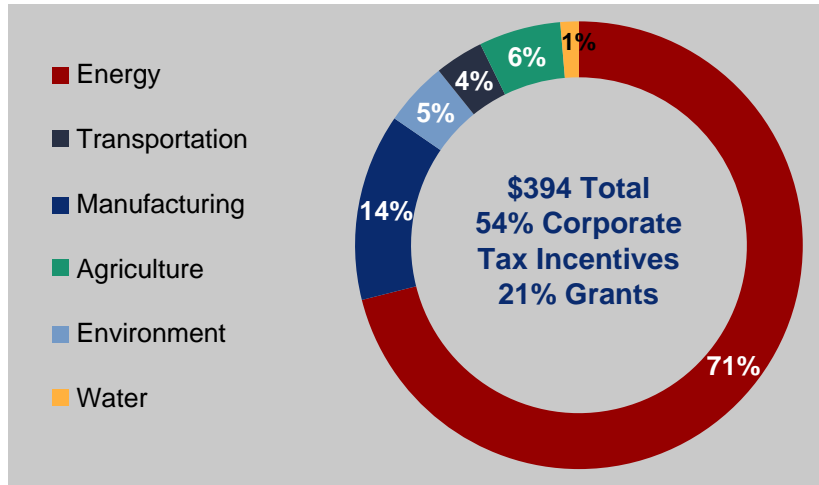
### Federal tax credits for solar manufacturers

1	2	3
<h4>45x Adv. Manufacturing PTC</h4> <ul style="list-style-type: none"> <li>Tax credit for <b>domestic production</b> of eligible clean energy equipment and components (e.g., inverters, solar, and battery components)</li> <li>Allocated on a <b>capacity basis</b>, with rates defined per component type</li> <li>Phase out 25%/Y, starting Q1/30</li> </ul>	<h4>48c Adv. Energy Project ITC</h4> <ul style="list-style-type: none"> <li>Tax credit for <b>investment in manufacturing facilities</b> producing, re-equipping or recycling advanced energy components</li> <li>Fixed % applied to <b>investment cost</b> placed in service during tax year</li> <li>Phase out 25%/Y, starting Q1/32</li> </ul>	<h4>Credit Adders</h4> <ul style="list-style-type: none"> <li><b>Treasury Labor Requirements:</b> 10%<sup>B</sup> of 10 (5 ITC) year wages at local rates → +80% (“full”) credit rate</li> <li><b>40%<sup>A</sup> Domestic Content Minimum:</b> +10% for ITC, or +10% PTC Value</li> <li><b>Energy Community Bonus:</b> +10% for ITC, or +10% PTC Value</li> </ul>


Notes: A, B, Sources: McKinsey, Statista

How Shoals is setting up tax breaks in stealth mode

## Substantial funding




## Applicable to Shoals




**48c ITC Investment Credits:**

- 48c "full" **flat 30%** (ESG suggests DTLR met)
- + 10%** from Domestic Content Minimum



**45x PTC Manufacturing Credits:**

- \$0.0275 / W<sub>ac</sub>** weighted avg. full rate premia
- +10% credit** value from Domestic Content Minimum
- 4-6% tax rate decrease** at current production levels



**Increased Exposure with Storage & EV segment:**

- SHLS Battery storage to unlock up to **\$35/kWh**
- EV segment optionality to deliver up to **\$45/kWh**

## A quiet buyback hints at upside...

**Discrete on Earnings**

- Minimal mention of direct IRA benefits in press, 10Qs and 10k
- IRA presented as external macro risk & catalyst:

**Tax receivables buyback in Q2/23**

- Q1/21, Shoals enters a **Tax Receivables Agreement (TRA)**
- Oaktree to receive 85% of realized tax benefits
- Q4/22, Shoals **repurchases (terminates)** the TRA for **\$58mm** signaling high benefit expectation
- Remeasured payable → **gain on termination of \$110.9mm**

## ...that may far exceed market expectation

**What about \$394B?**

- Original figure estimated at pre-IRA manufacturing rates
- Banks are revising the expected cost of the IRA to 1.2T

**THE WALL STREET JOURNAL.**  
*The Real Cost of the Inflation Reduction Act Subsidies: \$1.2 Trillion*

Intricacies and synergies between the vast number of IRA clauses provides opportunity for market mispricing

Sources: EU Council, EIA, Reuters, Statista, WSJ

Resistance to recent negative macro, market-leading patent protected product, and EV/Storage optionality

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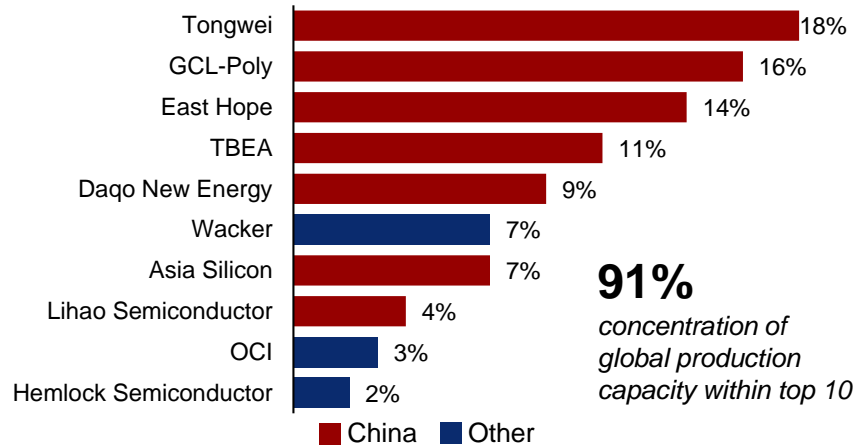
## Market Overestimates Tariffs' Impact on Shoals

Section VI



Important regulatory tensions influencing the solar market

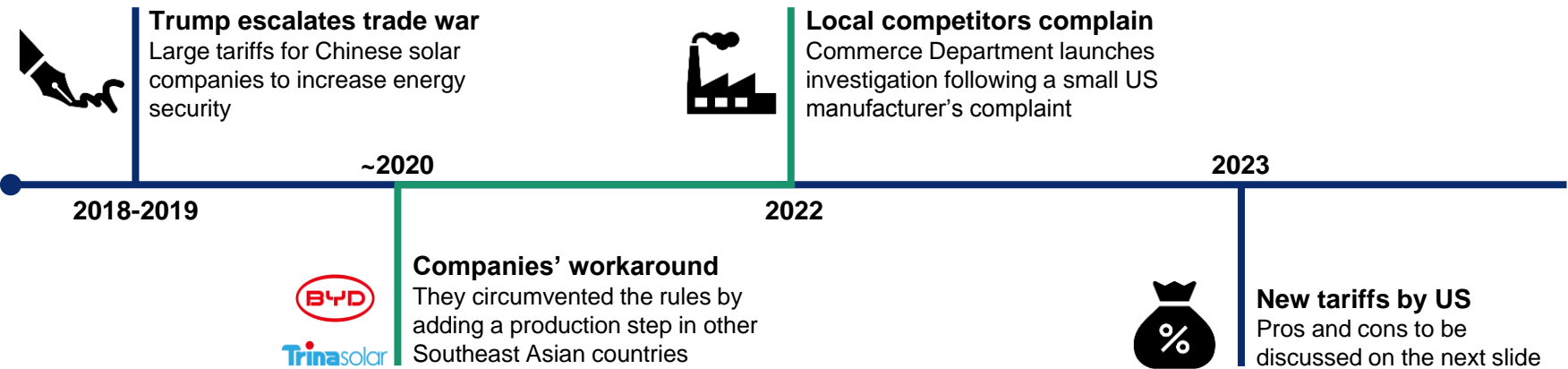
## Share of capacity of top 10 solar suppliers, 2022



## “Reshoring” renewable supply chains



## Chinese solar companies evading US trade rules

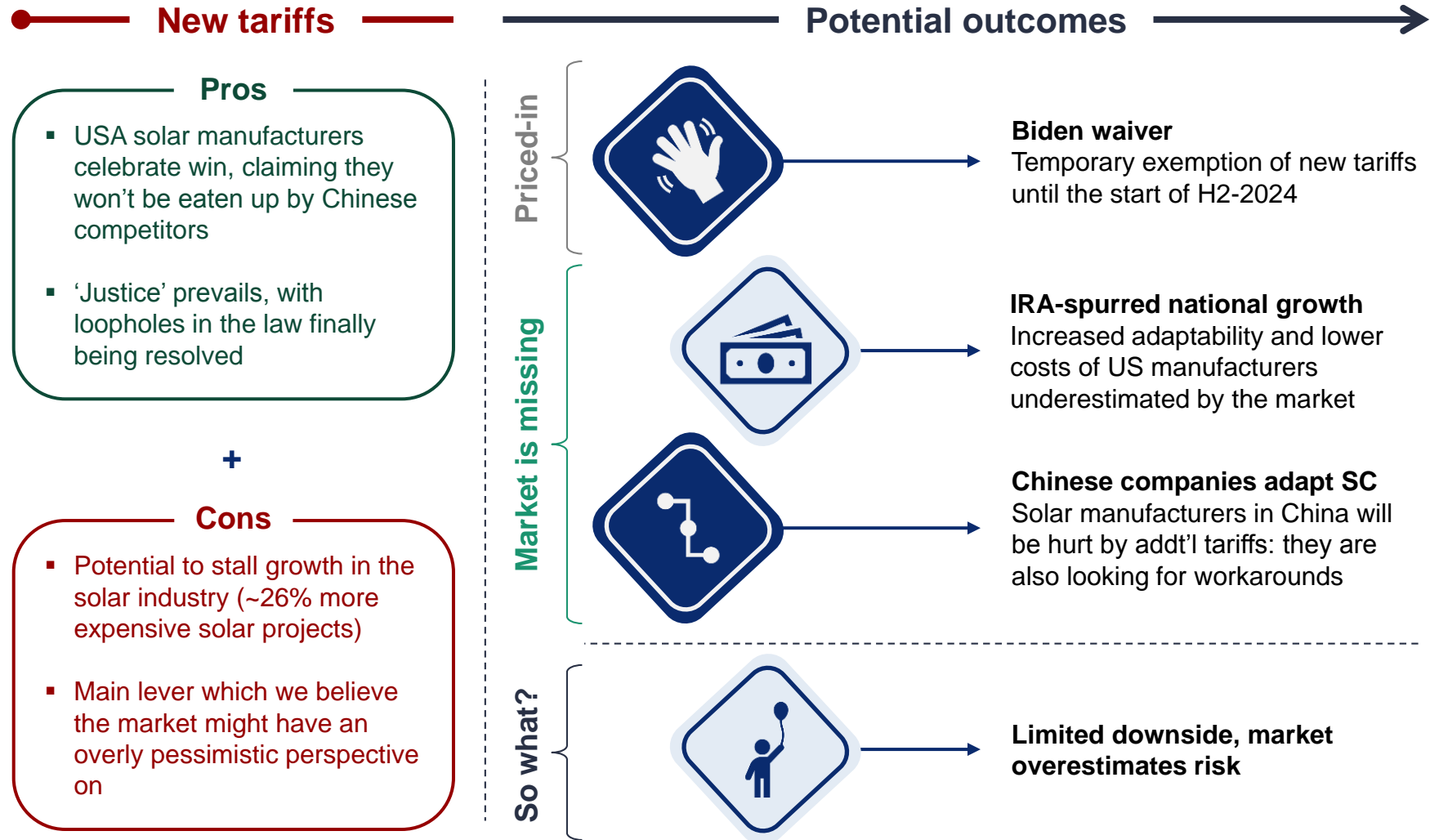


As US solar manufacturers fight to keep market share, the overall US solar industry’s growth is hindered

Sources: Bloomberg NEF, McKinsey, Reuters

# Market Overestimates Tariffs' Impact on Solar

The new tariffs had significant impact on the solar industry's perceived growth in the USA



While slower solar growth is expected, the market's base case is overly pessimistic due to positive project NPV

Source: NPR, The White House, Bloomberg

Resistance to recent negative macro, market-leading patent protected product, and EV/Storage optionality

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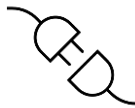
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Thesis 2: Shoals will remain market leader and maintain pricing power due to product differentiation

Section VII

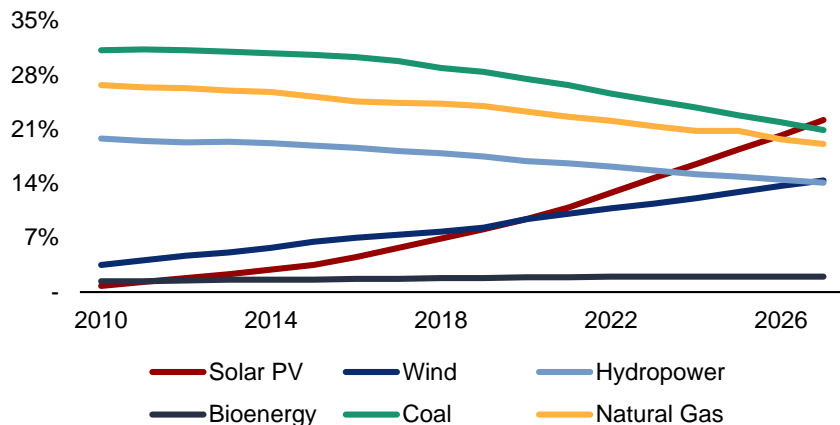




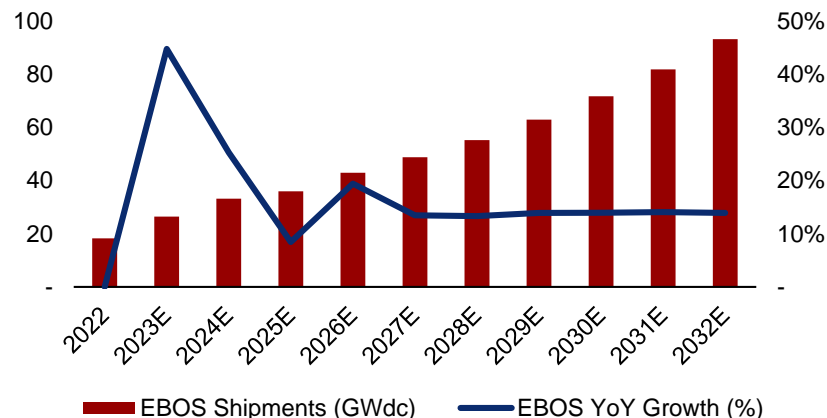
# The EBOS Market is poised to grow

And Shoals is already well-positioned in the field

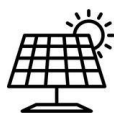
## Share of cumulative power capacity by technology



## The EBOS market, an attractive sector



## A highly fragmented market, with SHLS on top



### SHLS is an established player

- SHLS products are now used in **more than 50%** of large-scale solar projects in the US
- 17 of 25 top EPCs** are existing SHLS customers



### And still going strong

- 50% YoY** increase in converted BLA customers
- Patented** and proprietary offering



### With new innovative products

- Conventional & combine-as-you-go **EBOS**
- Big Lead Assembly**
- New rollout: **Snapshot I-V**

## Shoals' competitors



The solar market, and in particular the EBOS field, is a growing sector, and SHLS is already a leader in the space

Sources: Company Filings, Bloomberg, SEIA

# Why Shoals competitors aren't well-positioned to compete

Above-ground makes solar projects are more efficient

## Different offerings

### Bentek Corporation



- Offerings: EBOS, electronic manufacturing services (EMS)
- Products: Solutions and components
- Patented fuses and fuse holders

### SolarBOS



- Offerings: Ground mount, canopy, roof, EBOS, Software
- 20GW under contract
- No mention of patents
- No above-ground solution

### Voltage

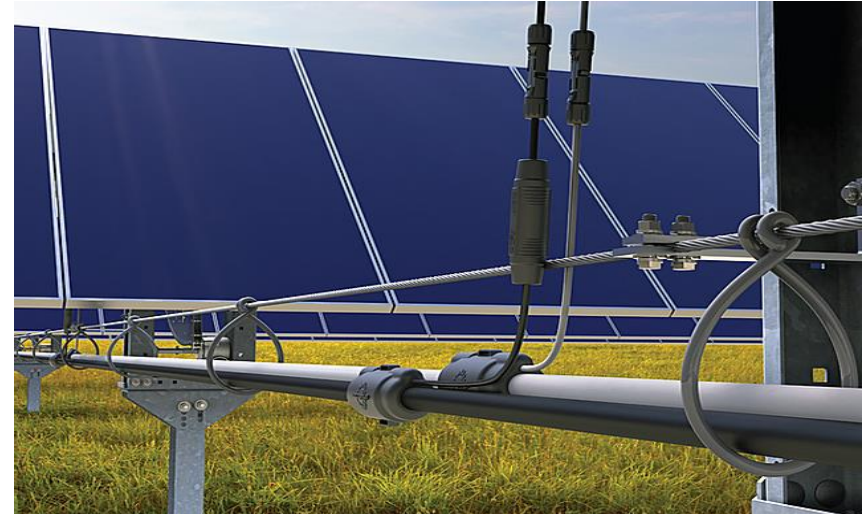


- Offerings: EBOS Solutions
- 20GW under contract
- No mention of patents
- Reel PNP solution: above-ground plug-n-play harnesses

## Underground installation



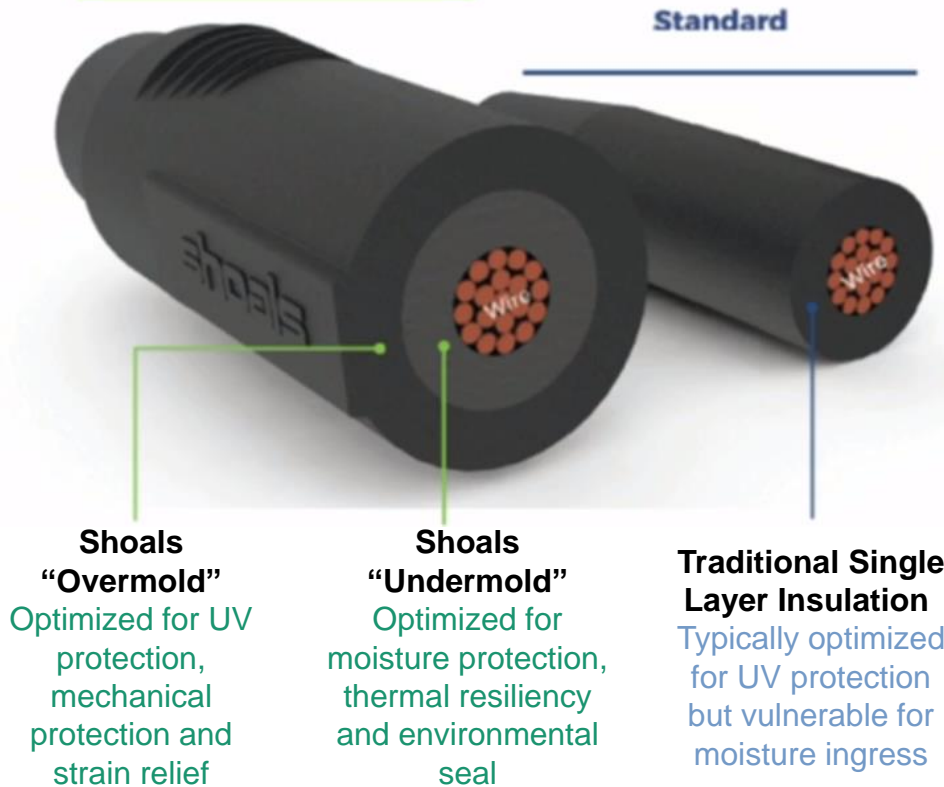
## Above-ground installation



The reliability and durability of above-ground installation is still questionable

Source: Company Filings

Innovative details enhance reliability and safety



# MULTI-LAYER INSULATION IP

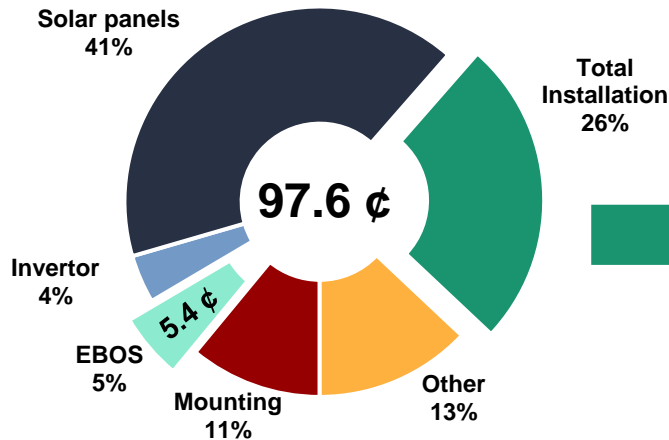
Limits competitors to designs that expose the system to potential catastrophic failure

Sources: Wood Mackenzie, Company Filings, Bloomberg, IEA

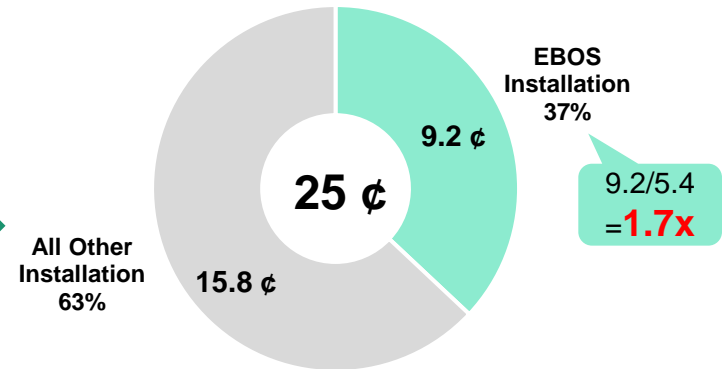
# So, where is Shoals at compared to peers?

Installation is costly

## Average contribution to construction costs (¢ per watt)



## EBOS contribution to installation costs (¢ per watt)



## Lower costs for Shoals' clients vs industry average

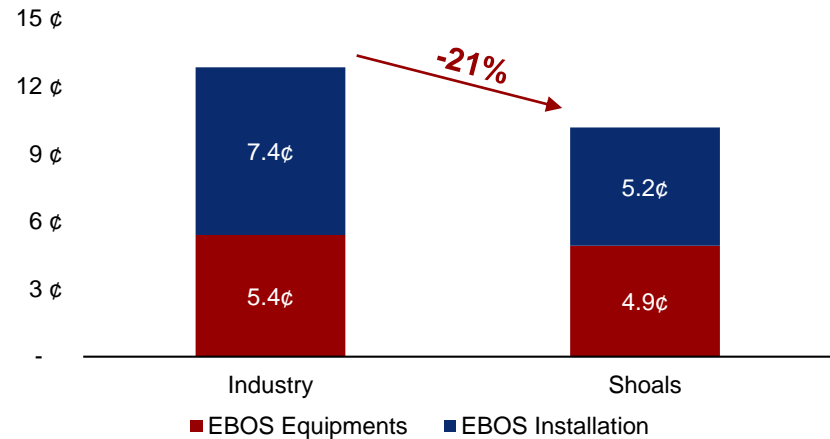
### Big Lead Assembly

- Aboveground aluminum trunk system
- Integration of cable, combiner and fuses
- Plug-n-play: snap on design

**43%**  
Lower Installation Cost<sup>(1)</sup>

**20%**  
Lower Material Cost<sup>(1)</sup>

## Shoals saves 21% for clients on EBOS



Shoals will be able to increase its ASPs thanks to savings on installation costs as well as its monopolistic position in the market

Sources: Wood Mackenzie, Company Filings, Bloomberg, IEA



BLA saves material costs and installation costs

## Conventional EBOS installation



## Shoals' solution

**Big Lead Assembly ("BLA")**

Proprietary above ground feeder cable **eliminates underground conduits and combiner boxes** and installs using general labor

**Interconnect Harness**

Pre-fabricated wire harnesses with inline fuses eliminate measuring, cutting and crimping in the field and **reduce individual wire runs**

**Plug-n-Play Connectors**

Simple push connectors speed installation, reduce errors and make the system **installable by general labor** rather than requiring licensed electricians

A double-whammy

## Electrician shortage in U.S.



### Experienced electricians are retiring faster than ever

- Covid-19 accelerated retirement timelines for Baby Boomers across all industries



### Not enough new electricians are entering the industry

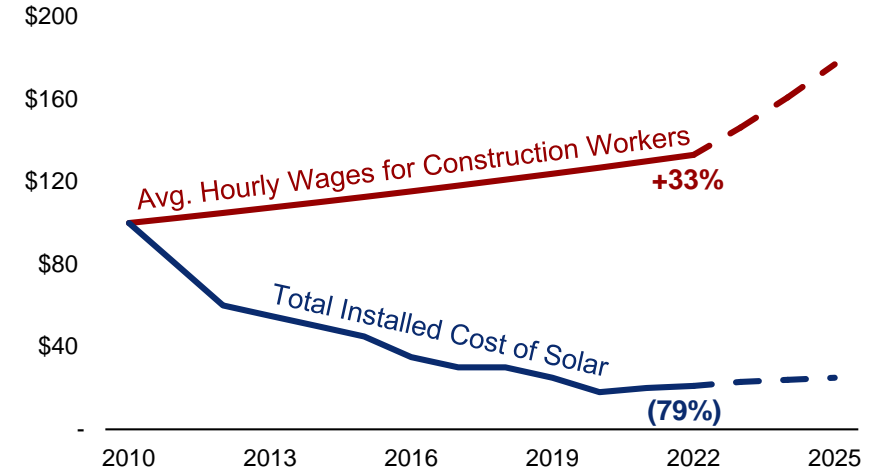
- Higher than ever higher-level education attendance
- Little interest in skilled labor from younger generations



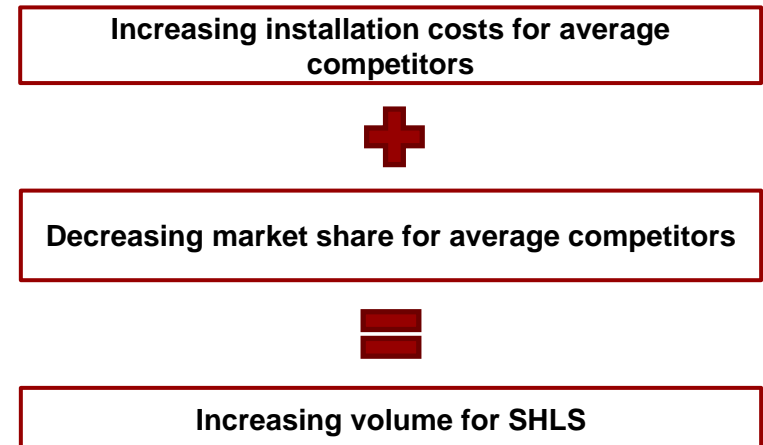
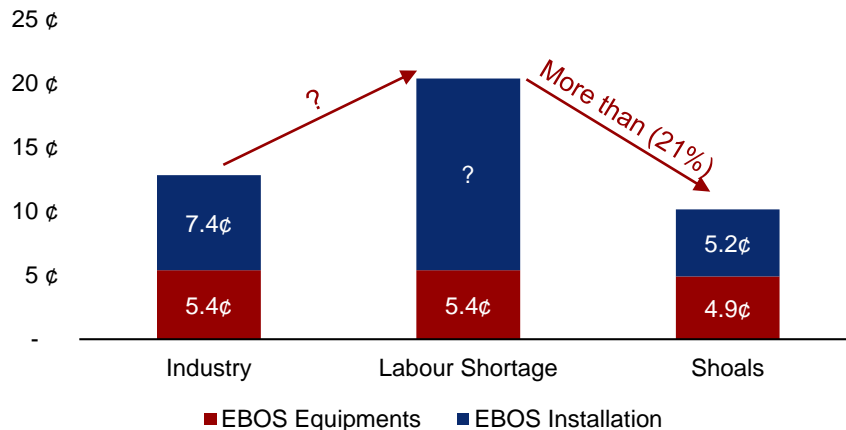
### Demand for electricians is rising

- 6% growth projected for electrician jobs
- 27% increase projected in electricity growth from 2022-2050

## Wages for construction workers are only rising



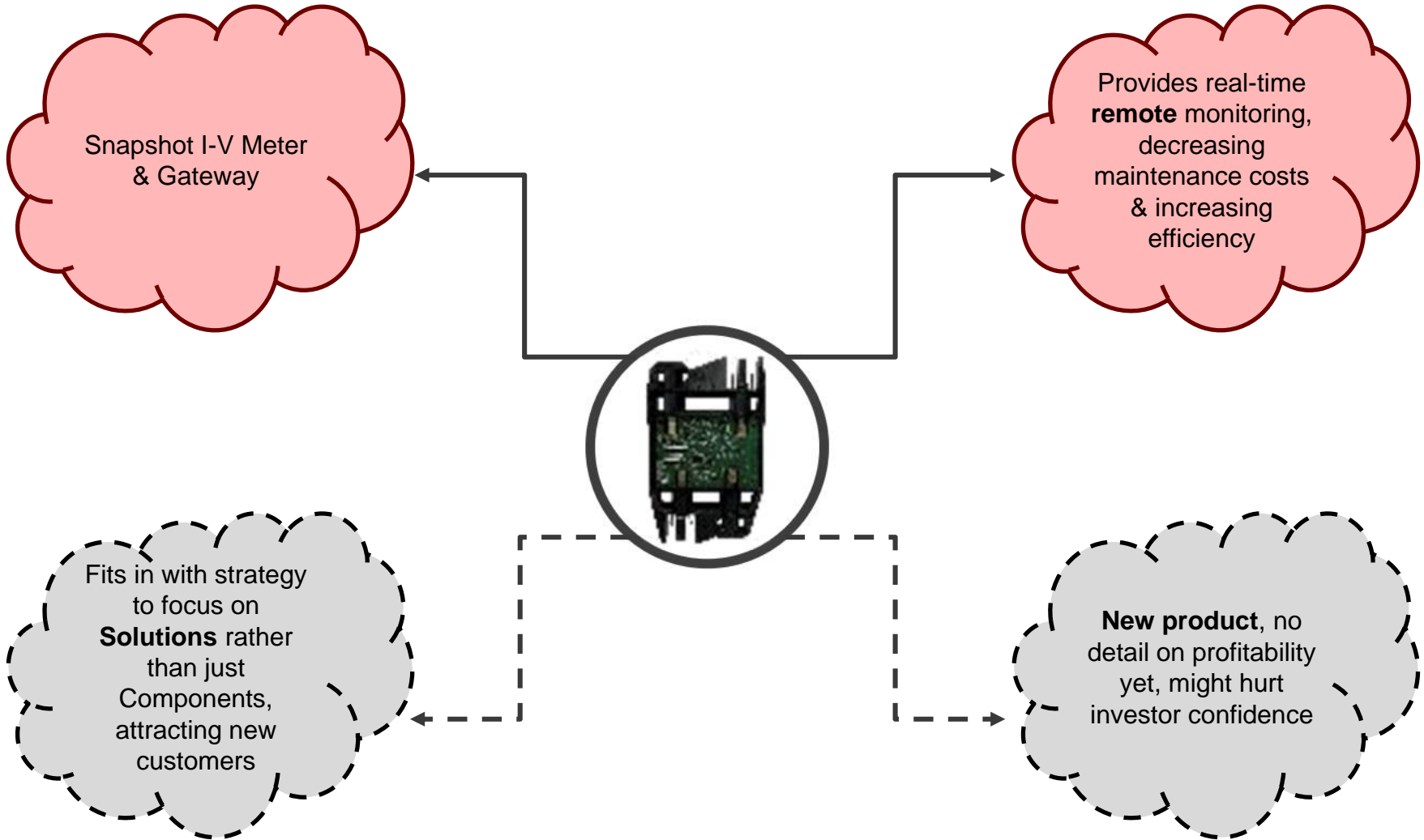
## Headwinds for competitors and tailwinds for Shoals



Shortage in electricians are expected to boost up average installation costs

Sources: Company Filings, Bloomberg, IEA

## Solar PV Health Monitoring Solutions



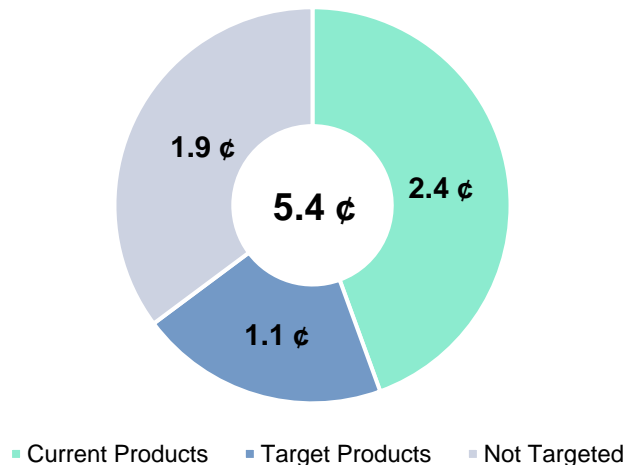
Shoals' new product is a sign of diversification and shift towards Ecosystem Solutions rather than pure components, justifying higher ASPs

Sources: Company Filings, Yahoo Finance

# Focusing on “Systems Solutions” component will prove beneficial for Shoals

A complete approach

**Goal: gain portion of their customer’s wallet**



**How will they achieve that?**

### Move away from components

- Go from a 80/20 ratio to **90+/10-**
- Convert clients** from components to systems by putting emphasis on attractiveness of ecosystem

### Rollout new products

- BLA+, Snapshot I-V, High-Capacity Plug-n-Play Wire Harnesses
- Diversification and new target customers**

### Emphasis on Ecosystem

- Promote an entire **ecosystem** of solutions, rather than single parts
- More involvement with client, helping achieve a **higher retention rate**

Differentiated, high-quality product offering

## Shoals’ new offerings



<p><b>“BLA+”</b></p> <ul style="list-style-type: none"> <li>Incorporates EBOS content not currently offered by Shoals</li> <li>Comprehensive solution that takes more labor out of the field</li> <li>Increases customer wallet share</li> </ul>	<ul style="list-style-type: none"> <li>Launched</li> </ul>	<ul style="list-style-type: none"> <li>Quoting globally</li> <li>First revenue generated in 2Q23 – an international installation</li> </ul>	<ul style="list-style-type: none"> <li>2Q 2023</li> </ul>
<p><b>Snapshot I-V (formerly IV Curve Benchmarking)</b></p> <ul style="list-style-type: none"> <li>Plug-n-play string-level monitoring (current, temp, IV curve trace, incline)</li> <li>Real-time data at thousands of points across the system</li> <li>Cuts truck rolls and facilitates targeted maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Launched</li> </ul>	<ul style="list-style-type: none"> <li>Target base customers and new accounts</li> <li>First revenues expected 2H 2023</li> </ul>	<ul style="list-style-type: none"> <li>2H 2023</li> </ul>
<p><b>High Capacity Plug-n-play Wire Harnesses</b></p> <ul style="list-style-type: none"> <li>Extends plug-n-play to high capacity feeder cable category</li> <li>Creates additional labor savings versus current products and methods</li> <li>Enables greater site design flexibility</li> </ul>	<ul style="list-style-type: none"> <li>UL certification of connectors in progress</li> </ul>	<ul style="list-style-type: none"> <li>Launch concurrent with UL certification</li> <li>ID of alpha customers underway</li> </ul>	<ul style="list-style-type: none"> <li>4Q 2023</li> </ul>

Shoals’ strategy to focus on Systems Solutions with allow the company to benefit from higher volume attraction

Sources: Company Filings, Bloomberg, IEA

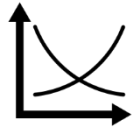


## What is the takeaway?

### Key points



**1 ASP:** Through market dominance and further innovation, SHLS will be able to increase their prices



**2 Costs:** Lower installation costs combined with a likely electrician shortage will allow Shoals to incur lower costs for clients than competitors



**3 Volume:** Attraction of new customers and conversion of existing Components customers to Systems Solutions, increasing contract volume to capture growth of US solar

Market is pricing in solar growth, but is missing ASP pricing increases and SHLS's potential to capture market share

# Desautels Capital Management

Honours in Investment Management

## Valuation

Section VIII



# Comparable Companies Analysis

## Criteria for Selection Process

	Criteria 1: Segment	Criteria 2: Customer	Criteria 3: Product
Solar Peers	Utility	EPCs	EBOS
	✓	✓	✗
	✓	✓	✗
	✓	✓	✗
	✓	✗	✗

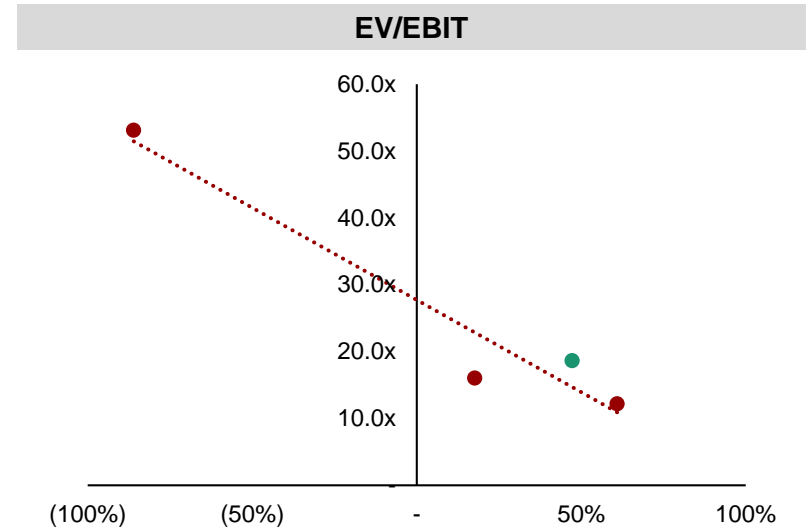
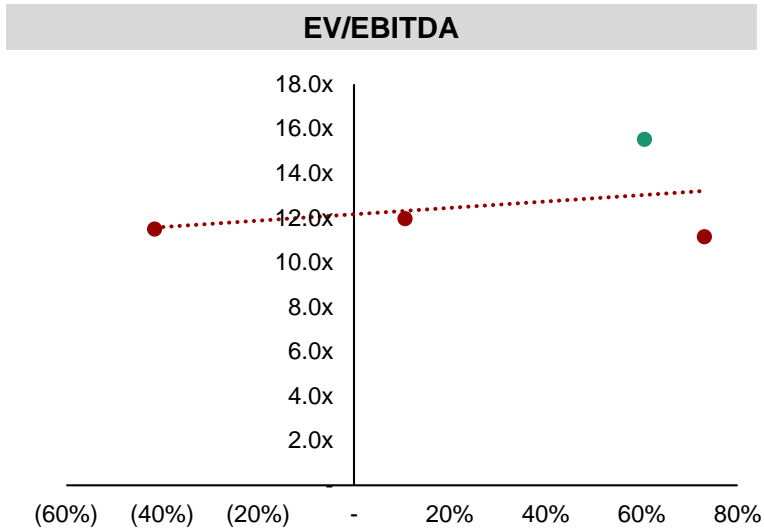
Peer Group <i>(in US\$ M, except ratios)</i>	Ticker	Price	52-Week High	Market Cap	Debt	EV	LTM			NTM			EV / EBITDA		EV/Revenue		P/E		EBITDA Margin	Debt / EBITDA	
							Revenue	EBTIDA	EPS	EPS	EBITDA Growth	EBITDA	Revenue	LTM	NTM	LTM	NTM	LTM			NTM
<b>Tier 1</b>																					
SolarEdge	SEDG	76.99	345.80	4354.4	735.5	3602.7	3662.6	536.4	5.18	4.10	-41.6%	313.5	2999.3	6.7x	11.5x	1.0x	1.2x	14.9x	18.8x	10.5%	2.3x
Array	ARRY	17.07	26.64	2578.8	779.4	3503.7	1801.6	264.7	0.51	1.00	10.7%	292.9	1876.2	13.2x	12.0x	1.9x	1.9x	33.5x	17.1x	15.6%	2.7x
NextTracker	NXT	34.63	46.55	2146.6	150.5	5235.3	2084.7	271.2	0.99	2.24	73.1%	469.4	2592.7	19.3x	11.2x	2.5x	2.0x	35.0x	15.5x	18.1%	0.3x
<b>Median</b>				<b>2,579</b>	<b>736</b>	<b>3,603</b>	<b>2,085</b>	<b>271</b>	<b>0.99</b>	<b>2.24</b>	<b>10.7%</b>	<b>313</b>	<b>2,593</b>	<b>13.2x</b>	<b>11.5x</b>	<b>1.9x</b>	<b>1.9x</b>	<b>33.5x</b>	<b>17.1x</b>	<b>15.6%</b>	<b>2.3x</b>
<b>Mean</b>				<b>3,027</b>	<b>555</b>	<b>4,114</b>	<b>2,516</b>	<b>357</b>	<b>2.23</b>	<b>2.45</b>	<b>14.1%</b>	<b>359</b>	<b>2,489</b>	<b>13.1x</b>	<b>11.5x</b>	<b>1.8x</b>	<b>1.7x</b>	<b>27.8x</b>	<b>17.1x</b>	<b>14.7%</b>	<b>1.8x</b>
Shoals Technologies	SHLS	15.10	32.43	2,566	210	2,775	410	111	0.89	1.12	60.6%	178.7	571.4	24.9x	15.5x	6.8x	4.9x	17.0x	15.4x	31.3%	1.4x
<b>Median</b>				<b>2,096</b>	<b>647</b>	<b>3,471</b>	<b>1,932</b>	<b>-23</b>	<b>0.42</b>	<b>-0.01</b>	<b>0.0%</b>	<b>52</b>	<b>2,064</b>	<b>13.7x</b>	<b>11.3x</b>	<b>1.8x</b>	<b>1.5x</b>	<b>27.5x</b>	<b>17.1x</b>	<b>3.0%</b>	<b>0.4x</b>
<b>Mean</b>				<b>2,302</b>	<b>1,408</b>	<b>3,931</b>	<b>1,927</b>	<b>31</b>	<b>0.63</b>	<b>1.17</b>	<b>4.1%</b>	<b>154</b>	<b>2,054</b>	<b>19.9x</b>	<b>10.8x</b>	<b>2.1x</b>	<b>1.8x</b>	<b>24.8x</b>	<b>28.8x</b>	<b>4.1%</b>	<b>-17.8x</b>

Sources: Capital IQ, CME Group, Yahoo Finance

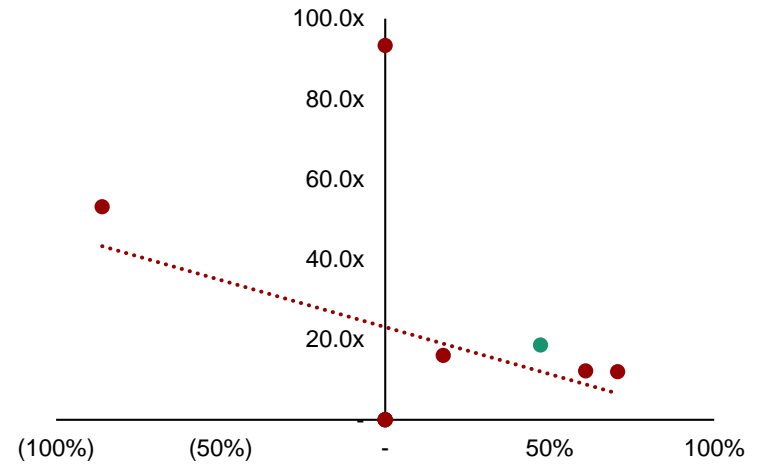
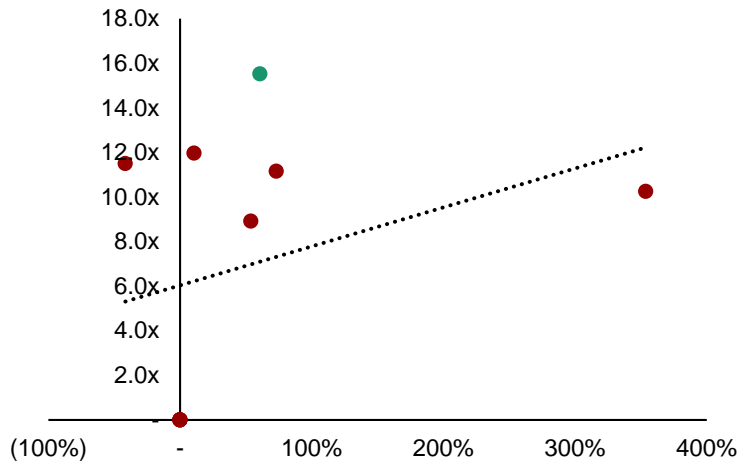
# Growth vs Multiple Level

## Positioning relative to competitors

Tier 1 Peers



All Solar Peers



With so few profitable peers, the comparison isn't fair

Source: Bloomberg

# Comparables Analysis








Relatively expensive, but multiples are missing some growth

Peer Group <i>(in US\$ M, except ratios)</i>	Ticker	Price	52-Week High	Market Cap	Debt	EV	EV / EBITDA		EV/Revenue		P/E		EBITDA Margin	Debt / EBITDA
							LTM	NTM	LTM	NTM	LTM	NTM		
<b>Tier 1</b>														
SolarEdge	SEDG	76.99	345.80	4354.4	735.5	3602.7	6.7x	11.5x	1.0x	1.2x	14.9x	18.8x	10.5%	2.3x
Array	ARRY	17.07	26.64	2578.8	779.4	3503.7	13.2x	12.0x	1.9x	1.9x	33.5x	17.1x	15.6%	2.7x
NextTracker	NXT	34.63	46.55	2146.6	150.5	5235.3	19.3x	11.2x	2.5x	2.0x	35.0x	15.5x	18.1%	0.3x
<b>Median</b>				<b>2,579</b>	<b>736</b>	<b>3,603</b>	<b>13.2x</b>	<b>11.5x</b>	<b>1.9x</b>	<b>1.9x</b>	<b>33.5x</b>	<b>17.1x</b>	<b>15.6%</b>	<b>2.3x</b>
<b>Mean</b>				<b>3,027</b>	<b>555</b>	<b>4,114</b>	<b>13.1x</b>	<b>11.5x</b>	<b>1.8x</b>	<b>1.7x</b>	<b>27.8x</b>	<b>17.1x</b>	<b>14.7%</b>	<b>1.8x</b>
<b>Shoals Technologies</b>	<b>SHLS</b>	<b>15.10</b>	<b>32.43</b>	<b>2,566</b>	<b>210</b>	<b>2,775</b>	<b>24.9x</b>	<b>15.5x</b>	<b>6.8x</b>	<b>4.9x</b>	<b>17.0x</b>	<b>15.4x</b>	<b>31.3%</b>	<b>1.4x</b>
<b>Solar Industry</b>														
Stem Inc.	STEM	3.04	14.83	473.6	542.6	947.4	NM	NM	2.3x	1.4x	NM	NM	(0.7%)	(108.5x)
Array Technologies	ARRY	17.07	26.64	2578.8	779.4	3503.7	13.2x	12.0x	1.9x	1.9x	33.5x	17.1x	15.6%	2.7x
Sunpower Corporation	SPWR	4.02	24.97	704.3	559.2	994.5	46.5x	10.2x	0.5x	0.6x	9.6x	80.4x	5.6%	5.8x
Sunrun Inc.	RUN	8.84	33.33	1919.9	8873.8	12864.6	NM	NM	5.3x	5.4x	21.6x	NM	(4.7%)	(79.2x)
PlugPower Inc.	PLUG	5.90	18.88	3551.6	898.7	3437.3	NM	NM	3.9x	2.3x	NM	NM	(17.6%)	(3.4x)
NextTracker Inc.	NXT	34.63	46.55	2146.6	150.5	5235.3	19.3x	11.2x	2.5x	2.0x	35.0x	15.5x	18.1%	0.3x
FTC Solar Inc.	FTCI	1.12	3.87	132.3	1.2	100.8	NM	NM	0.9x	0.4x	NM	NM	(3.2%)	(0.1x)
Generac Holdings Inc.	GNRC	82.20	156.95	5116.3	1534.7	6671.5	13.7x	8.9x	1.7x	1.6x	34.3x	12.3x	17.6%	2.0x
Fluence Energy Inc.	FLNC	17.26	31.32	2045.4	2.7	1953.6	NM	277.9x	1.0x	0.9x	NM	NM	0.3%	0.4x
SolarEdge Technologies Inc.	SEDG	76.99	345.80	4354.4	735.5	3602.7	6.7x	11.5x	1.0x	1.2x	14.9x	18.8x	10.5%	2.3x
<b>Median</b>				<b>2,096</b>	<b>647</b>	<b>3,471</b>	<b>13.7x</b>	<b>11.3x</b>	<b>1.8x</b>	<b>1.5x</b>	<b>27.5x</b>	<b>17.1x</b>	<b>3.0%</b>	<b>0.4x</b>
<b>Mean</b>				<b>2,302</b>	<b>1,408</b>	<b>3,931</b>	<b>19.9x</b>	<b>10.8x</b>	<b>2.1x</b>	<b>1.8x</b>	<b>24.8x</b>	<b>28.8x</b>	<b>4.1%</b>	<b>-17.8x</b>
<b>Shoals Technologies</b>	<b>SHLS</b>	<b>15.10</b>	<b>32</b>	<b>2,566</b>	<b>210</b>	<b>2,775</b>	<b>24.9x</b>	<b>15.5x</b>	<b>6.8x</b>	<b>4.9x</b>	<b>17.0x</b>	<b>15.4x</b>	<b>31.3%</b>	<b>1.2x</b>

Industry leader deserves to trade at a premium. Shoals trades around 4x EBITDA higher than larger peers

Source: Capital IQ

Operating model assumptions for each case

	 <b>Bear Case</b>	 <b>Base Case</b>	 <b>Bull Case</b>
 <b>Market Share</b>	<b>53%</b> in 2023A to <b>44.8%</b> by 2033E	<b>Constant Market Share</b>	<b>53%</b> in 2023A to <b>55.7%</b> by 2033E
 <b>Sys/Component Split</b>	<b>78/22</b> in 2023A to <b>90/10</b> by 2033E	<b>78/22</b> in 2023A to <b>94/6</b> by 2033E	<b>78/22</b> in 2023A to <b>98/2</b> by 2033E
 <b>Gross Margin</b>	<b>44%</b> in 2023A to <b>41.5%</b> by 2033E	<b>Constant Gross Margin</b>	<b>44%</b> in 2023A to <b>46.5%</b> by 2033E
 <b>ASP</b>	<b>2% Annual Growth</b>	<b>4% Annual Growth</b>	<b>10% Growth over next 2 years, 5% after</b>
	<b>Solar Industry 2024-2033 14% CAGR</b>	<b>Exit Multiple 11.5x EV/EBITDA</b>	

# Revenue Build and Output

## 61% Upside

Revenue Forecast <i>(In USD thousands, except per share data)</i>	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
<b>Solar EBOS Market - US</b>														
Solar Installations (GWdc)	14.2	17.9	16.0	19.0	28.0	33.0	37.0	45.0	50.0	57.0	65.0	74.1	84.4	96.3
YoY Growth (%)		26.1%	-10.6%	18.8%	47.4%	17.9%	12.1%	21.6%	11.1%	14.0%	14.0%	14.0%	14.0%	14.0%
EBOS Shipments (GWdc)	17.0	16.5	18.3	26.5	33.2	36.0	43.0	48.8	55.3	63.0	71.8	81.9	93.3	102.6
Shoals Market Share (%)	45.0%	49.0%	52.0%	53.0%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%
US EBOS shipped by Shoals	7.6	8.1	9.5	14.0	17.7	19.2	22.9	26.0	29.4	33.5	38.2	43.6	49.7	54.7
YoY Growth (%)		5.68%	17.56%	47.79%	25.86%	8.60%	19.44%	13.37%	13.33%	14.00%	14.00%	14.00%	14.00%	10.00%
<b>Revenue from EBOS</b>														
US EBOS shipped by Shoals	7.6	8.1	9.5	14.0	17.7	19.2	22.9	26.0	29.4	33.5	38.2	43.6	49.7	54.7
Components mix (%)	45.0%	37.0%	35.0%	22.0%	20.0%	18.0%	16.0%	14.0%	12.0%	10.0%	8.0%	6.0%	6.0%	6.0%
ASP of Components (\$/W)	0.017	0.019	0.025	0.024	0.025	0.025	0.026	0.027	0.028	0.028	0.029	0.030	0.031	0.032
<b>Revenue from components</b>														
Systems mix (%)	59,386	57,249	82,323	73,433	86,543	87,123	95,276	97,350	97,405	95,311	89,531	78,846	92,581	104,894
ASP of Systems (\$/W)	0.028	0.031	0.040	0.038	0.042	0.046	0.049	0.052	0.055	0.057	0.059	0.062	0.064	0.067
<b>Revenue from systems</b>														
Blended ASP (\$/W)	116,132	155,963	244,617	416,567	591,520	724,277	939,381	1,155,774	1,420,760	1,722,736	2,087,865	2,529,185	2,998,601	3,430,400
<b>EBOS Revenue</b>	<b>175,518.0</b>	<b>213,212.0</b>	<b>326,940.0</b>	<b>490,000.0</b>	678,062.9	811,399.8	1,034,657.1	1,253,124.0	1,518,165.5	1,818,047.5	2,177,396.0	2,608,030.6	3,091,182.2	3,535,294.1
YoY Growth (%)		21.48%	53.34%	49.87%	38.38%	19.66%	27.52%	21.11%	21.15%	19.75%	19.77%	19.78%	18.53%	14.37%
<b>Total Reported Revenue</b>	<b>175,518.0</b>	<b>213,212.0</b>	<b>326,940.0</b>	<b>490,000.0</b>	<b>678,062.9</b>	<b>811,399.8</b>	<b>1,034,657.1</b>	<b>1,253,124.0</b>	<b>1,518,165.5</b>	<b>1,818,047.5</b>	<b>2,177,396.0</b>	<b>2,608,030.6</b>	<b>3,091,182.2</b>	<b>3,535,294.1</b>

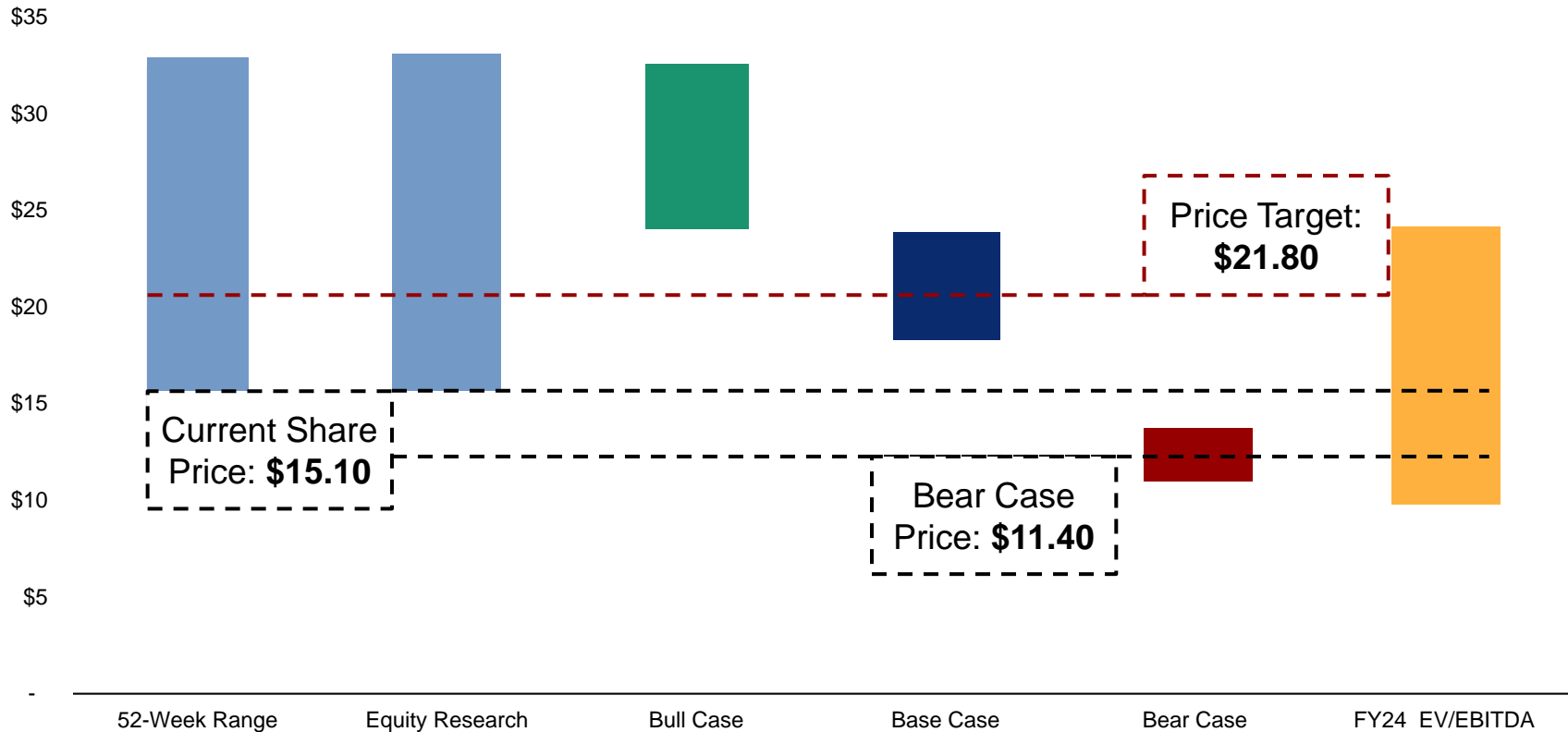
## Bridge to Equity & Sensitivity

### Bridge to Equity

#### Exit Multiple Method

Discount Rate	13.85%							
Sum of PV of Cash Flow	1,266,645.6							
Terminal Multiple	11.5x							
Terminal Value (2023E)	10,993,639.1	14.2%	10.5x	11.0x	11.5x	12.0x	12.5x	0.5x
PV of Terminal Value:	2,638,905.5	13.9%	25.9%	30.2%	34.6%	38.9%	43.2%	
<b>Implied Terminal Enterprise Value</b>	<b>3,905,551.1</b>	13.7%	14.2%	14.2%	14.2%	14.2%	14.2%	
+ Cash	5,860.0	13.4%	14.2%	14.2%	14.2%	14.2%	14.2%	
- Debt & minority Interest	210,609.0	13.2%	14.2%	14.2%	14.2%	14.2%	14.2%	
<b>Implied Equity Value</b>	<b>4,122,020.1</b>	<b>0.3%</b>						
Shares Outstanding	169.9							
Implied Share Price	\$24.3							
Current Share Price	\$15.1							
<b>Implied Upside/Downside</b>	<b>61%</b>							

Valuation output – 61% upside in a conservative base case





# Desautels Capital Management

Honours in Investment Management

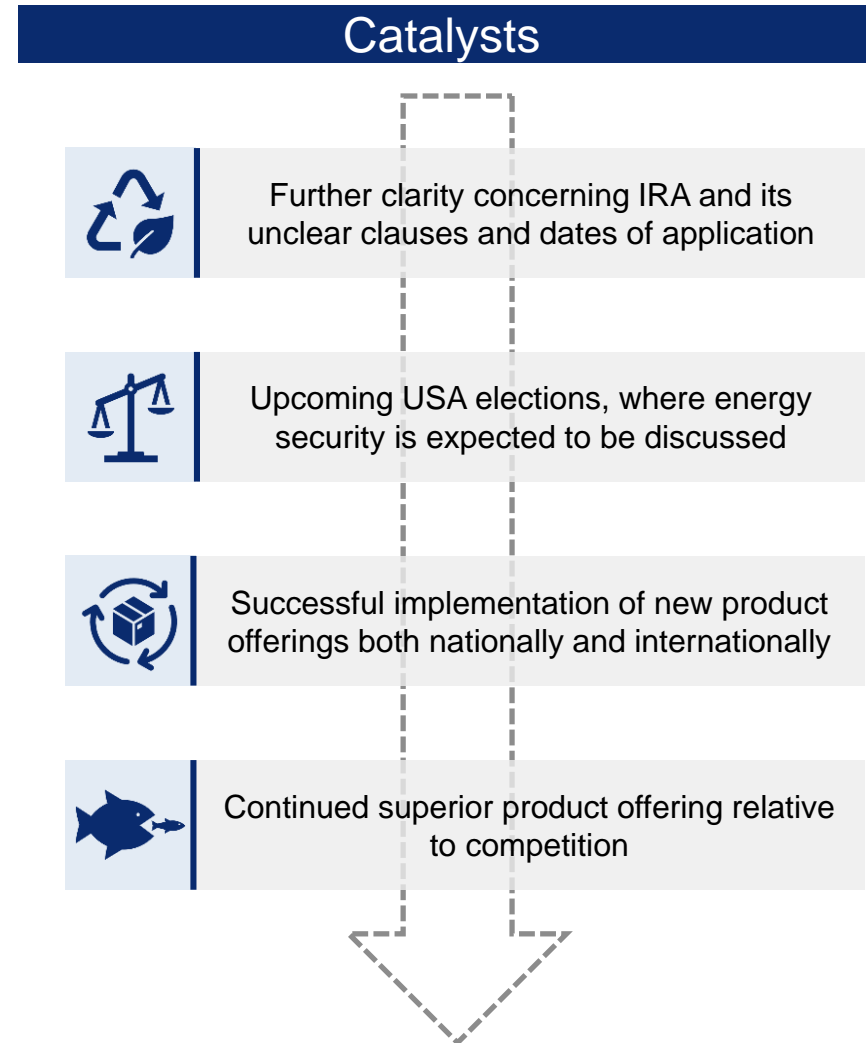
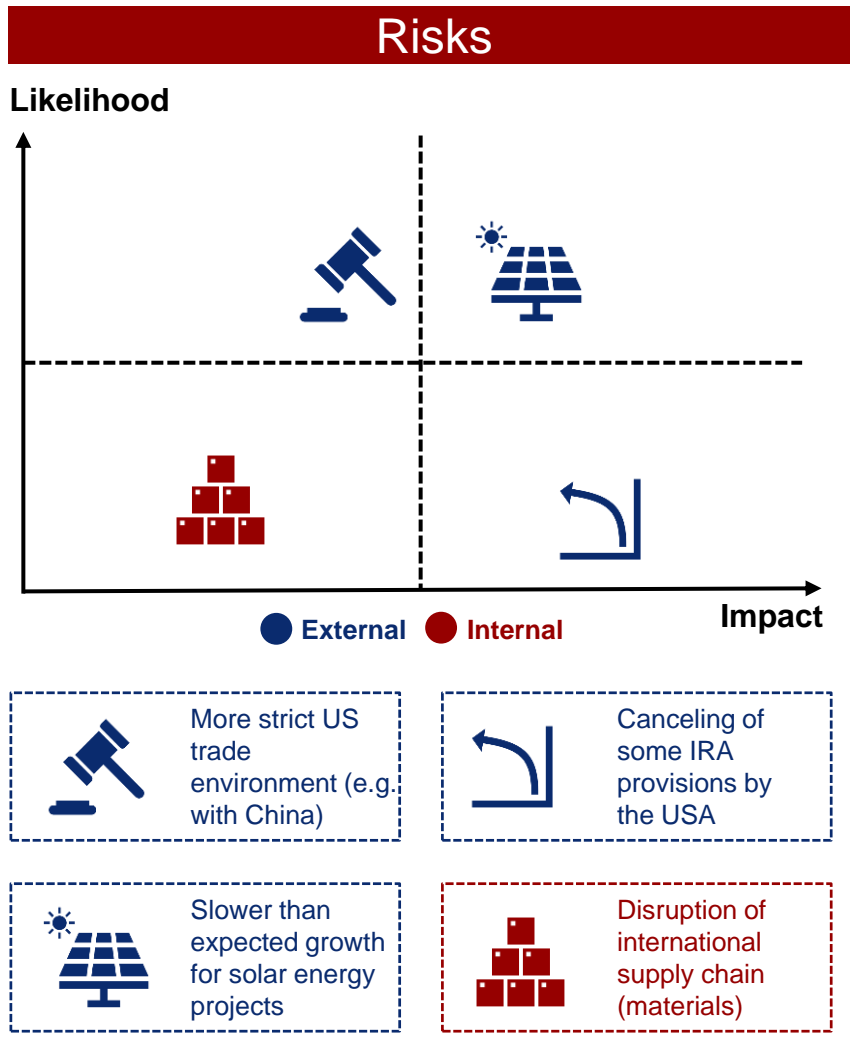
## Risks and Catalysts

Section IX



# Risks & Catalysts

## Navigating uncertainties



While the upside potential is quite high, some key risks need to be considered

Source: Company Filings

# Desautels Capital Management

Honours in Investment Management

## Appendix

Section X



# OUR PRODUCTS

## MISSION CRITICAL EBOS COMPONENTS

tabs so it can be used by activ  
apps

Turn on

■ AC HIGH VOLTAGE<sup>(1)</sup>

■ DC FEEDER CABLE<sup>(1)</sup>

- WIRELESS MONITORING
- JUNCTION BOXES
- RECOMBINER S
- INLINE FUSES
- CABLE ASSEMBLIES
- SPLICE BOX
- COMBINERS
- DISCONNECTS
- TRANSITION BOX

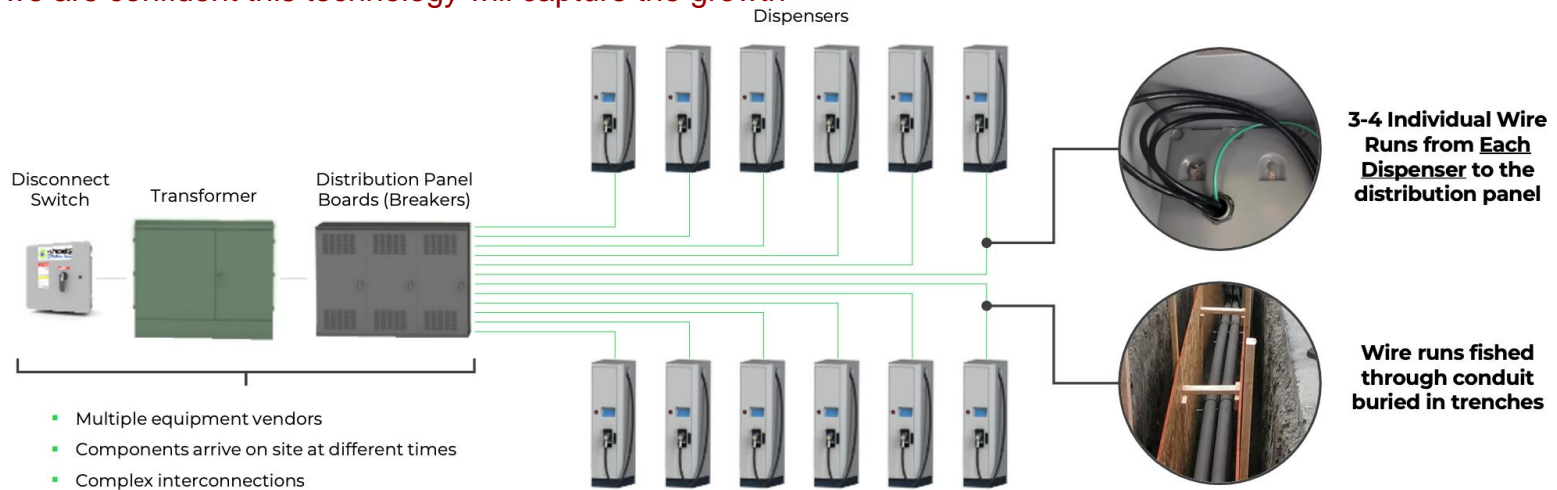
<sup>(1)</sup> EBOS products not currently offered by Shoals.

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7

# Double-click: Shoals' EV architecture

## Why we are confident this technology will capture the growth



### 01 Fuel Power Center

- Prefabricated plug-n-play EV power center for Level 2 chargers
- 480V Panel for DCFC projects
- All components installed in the factory
- Reduce site disruption and overall time on site

### 02 EV-BLA

- Patented Solar BLA cable-bus solution capable of above-ground installation
- Eliminates individual homeruns from each dispenser. Reduces wire runs by up to 75%
- Utilizes plug-n-play connectors for rapid deployment

### 03 Raceways

- Above-ground cable raceway that eliminates the need for trenching
- Compatible with both conventional cabling and EV-BLA

### 04 Quick Connect Bases

- Prefabricated skidded dispenser with up to four Level 2 charge points
- Single DCFC version
- Designed to install at the intersection of four parking spots
- Reduces placement (fewer pads), cabling and interconnection costs



Conventional EBOS Installation requires time-consuming and complicated operations

## INSTALLING CONVENTIONAL HOMERUN EBOS REQUIRES LICENSED ELECTRICIANS



### LAY

Lay the wire out to cut the wire to length

### MEASURE

Measure out the appropriate length to expose the copper wire

### STRIP

Strip the cable jacket

### CRIMP

Crimp on the appropriate end (either positive or negative)

### INSPECT

Inspect work for any defects

### INSTALL

Install the finished product down the row and into the combiner box

High labor costs, low quality assurance

# 3 Revenue Cases

Revenue Forecast (In USD thousands, except per share data)	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
<b>Solar EBOS Market - US</b>														
Solar Installations (GWdc)	14.2	17.9	16.0	19.0	28.0	36.3	40.7	49.5	55.0	63.8	74.0	85.8	99.6	115.5
YoY Growth (%)		26.1%	-10.6%	18.8%	47.4%	29.6%	12.1%	21.6%	11.1%	16.0%	16.0%	16.0%	16.0%	16.0%
EBOS Shipments (GWdc)	17.0	16.5	18.3	26.5	35.6	39.6	47.3	53.6	61.6	71.5	82.9	96.2	111.5	122.7
Shoals Market Share (%)	45.0%	49.0%	52.0%	53.0%	53.3%	53.5%	53.8%	54.0%	54.3%	54.5%	54.8%	55.0%	55.3%	55.5%
US EBOS shipped by Shoals	7.6	8.1	9.5	14.0	19.0	21.2	25.4	29.0	33.4	38.9	45.4	52.9	61.6	68.1
YoY Growth (%)		5.68%	17.56%	47.79%	35.26%	11.68%	20.00%	13.90%	15.40%	16.53%	16.53%	16.53%	16.53%	10.50%
<b>Revenue from EBOS</b>														
US EBOS shipped by Shoals	7.6	8.1	9.5	14.0	19.0	21.2	25.4	29.0	33.4	38.9	45.4	52.9	61.6	68.1
Components mix (%)	45.0%	37.0%	35.0%	22.0%	20.0%	17.0%	14.0%	11.0%	8.0%	5.0%	2.0%	2.0%	2.0%	2.0%
ASP of Components (\$/W)	0.017	0.019	0.025	0.024	0.025	0.026	0.028	0.029	0.031	0.033	0.035	0.037	0.039	0.041
<b>Revenue from components</b>	59,386	57,249	82,323	73,433	93,005	93,585	98,035	92,998	82,736	63,876	31,561	38,984	48,153	56,400
Systems mix (%)	55.0%	63.0%	65.0%	78.0%	80.0%	83.0%	86.0%	89.0%	92.0%	95.0%	98.0%	98.0%	98.0%	98.0%
ASP of Systems (\$/W)	0.028	0.031	0.040	0.038	0.042	0.046	0.051	0.054	0.058	0.062	0.065	0.067	0.070	0.073
<b>Revenue from systems</b>	116,132	155,963	244,617	416,567	635,683	810,206	1,108,152	1,397,643	1,784,009	2,297,055	2,871,791	3,480,349	4,217,778	4,846,971
Blended ASP (\$/W)	0.023	0.026	0.034	0.035	0.038	0.043	0.047	0.051	0.056	0.061	0.064	0.067	0.069	0.072
<b>EBOS Revenue</b>	175,518.0	213,212.0	326,940.0	490,000.0	728,687.5	903,791.0	1,206,186.8	1,490,640.4	1,866,745.5	2,360,931.0	2,903,352.0	3,519,333.1	4,265,930.7	4,903,371.4
YoY Growth (%)		21.48%	53.34%	49.87%	48.71%	24.03%	33.46%	23.58%	25.23%	26.47%	22.97%	21.22%	21.21%	14.94%
<b>Total Reported Revenue</b>	175,518.0	213,212.0	326,940.0	490,000.0	728,687.5	903,791.0	1,206,186.8	1,490,640.4	1,866,745.5	2,360,931.0	2,903,352.0	3,519,333.1	4,265,930.7	4,903,371.4
<b>Solar EBOS Market - US</b>														
Solar Installations (GWdc)	14.2	17.9	16.0	19.0	28.0	33.0	37.0	45.0	50.0	57.0	65.0	74.1	84.4	96.3
YoY Growth (%)		26.1%	-10.6%	18.8%	47.4%	17.9%	12.1%	21.6%	11.1%	14.0%	14.0%	14.0%	14.0%	14.0%
EBOS Shipments (GWdc)	17.0	16.5	18.3	26.5	33.2	36.0	43.0	48.8	55.3	63.0	71.8	81.9	93.3	102.6
Shoals Market Share (%)	45.0%	49.0%	52.0%	53.0%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%
US EBOS shipped by Shoals	7.6	8.1	9.5	14.0	17.7	19.2	22.9	26.0	29.4	33.5	38.2	43.6	49.7	54.7
YoY Growth (%)		5.68%	17.56%	47.79%	25.86%	8.60%	19.44%	13.37%	13.33%	14.00%	14.00%	14.00%	14.00%	10.00%
<b>Revenue from EBOS</b>														
US EBOS shipped by Shoals	7.6	8.1	9.5	14.0	17.7	19.2	22.9	26.0	29.4	33.5	38.2	43.6	49.7	54.7
Components mix (%)	45.0%	37.0%	35.0%	22.0%	20.0%	18.0%	16.0%	14.0%	12.0%	10.0%	8.0%	6.0%	6.0%	6.0%
ASP of Components (\$/W)	0.017	0.019	0.025	0.024	0.025	0.025	0.026	0.027	0.028	0.028	0.029	0.030	0.031	0.032
<b>Revenue from components</b>	59,386	57,249	82,323	73,433	86,543	87,123	95,276	97,350	97,405	95,311	89,531	78,846	92,581	104,894
Systems mix (%)	55.0%	63.0%	65.0%	78.0%	80.0%	82.0%	86.0%	89.0%	92.0%	95.0%	98.0%	94.0%	94.0%	94.0%
ASP of Systems (\$/W)	0.028	0.031	0.040	0.038	0.042	0.046	0.049	0.052	0.055	0.057	0.059	0.062	0.064	0.067
<b>Revenue from systems</b>	116,132	155,963	244,617	416,567	591,520	724,277	939,381	1,155,774	1,420,760	1,722,736	2,087,865	2,529,185	2,998,601	3,430,400
Blended ASP (\$/W)	0.023	0.026	0.034	0.035	0.038	0.042	0.046	0.048	0.052	0.054	0.057	0.060	0.062	0.065
<b>EBOS Revenue</b>	175,518.0	213,212.0	326,940.0	490,000.0	678,062.9	811,399.8	1,034,657.1	1,253,124.0	1,518,165.5	1,818,047.5	2,177,396.0	2,608,030.6	3,091,182.2	3,535,294.1
YoY Growth (%)		21.48%	53.34%	49.87%	38.38%	19.66%	27.52%	21.11%	21.15%	19.75%	19.77%	19.78%	18.53%	14.37%
<b>Total Reported Revenue</b>	175,518.0	213,212.0	326,940.0	490,000.0	678,062.9	811,399.8	1,034,657.1	1,253,124.0	1,518,165.5	1,818,047.5	2,177,396.0	2,608,030.6	3,091,182.2	3,535,294.1
<b>Solar EBOS Market - US</b>														
Solar Installations (GWdc)	14.2	17.9	16.0	19.0	28.0	31.4	35.2	42.8	47.5	51.3	55.4	59.8	64.6	69.8
YoY Growth (%)		26.1%	-10.6%	18.8%	47.4%	12.0%	12.1%	21.6%	11.1%	8.0%	8.0%	8.0%	8.0%	8.0%
EBOS Shipments (GWdc)	17.0	16.5	18.3	26.5	31.9	34.2	40.9	46.3	50.4	54.4	58.7	63.4	68.5	75.4
Shoals Market Share (%)	45.0%	49.0%	52.0%	53.0%	53.3%	52.8%	52.3%	51.8%	50.8%	49.8%	48.8%	47.8%	46.8%	45.8%
US EBOS shipped by Shoals	7.6	8.1	9.5	14.0	17.0	18.0	21.3	24.0	25.6	27.1	28.6	30.3	32.0	34.5
YoY Growth (%)		5.68%	17.56%	47.79%	21.16%	6.16%	18.31%	12.29%	6.62%	5.87%	5.83%	5.78%	5.74%	7.65%
<b>Revenue from EBOS</b>														
US EBOS shipped by Shoals	7.6	8.1	9.5	14.0	17.0	18.0	21.3	24.0	25.6	27.1	28.6	30.3	32.0	34.5
Components mix (%)	45.0%	37.0%	35.0%	22.0%	20.0%	19.0%	18.0%	17.0%	16.0%	15.0%	14.0%	13.0%	12.0%	11.0%
ASP of Components (\$/W)	0.017	0.019	0.025	0.024	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025	0.025
<b>Revenue from components</b>	59,386	57,249	82,323	73,433	83,313	84,024	94,178	99,875	100,220	99,474	98,254	96,513	94,202	92,955
Systems mix (%)	55.0%	63.0%	65.0%	78.0%	80.0%	81.0%	82.0%	83.0%	84.0%	85.0%	86.0%	87.0%	88.0%	89.0%
ASP of Systems (\$/W)	0.028	0.031	0.040	0.038	0.040	0.041	0.043	0.045	0.046	0.048	0.050	0.052	0.054	0.056
<b>Revenue from systems</b>	116,132	155,963	244,617	416,567	538,378	601,843	749,679	886,142	994,408	1,107,946	1,233,777	1,373,135	1,527,362	1,729,358
Blended ASP (\$/W)	0.023	0.026	0.034	0.035	0.037	0.038	0.040	0.041	0.043	0.043	0.047	0.049	0.051	0.053
<b>EBOS Revenue</b>	175,518.0	213,212.0	326,940.0	490,000.0	621,690.3	685,867.3	843,857.7	986,017.2	1,094,628.7	1,207,419.5	1,332,031.1	1,469,648.8	1,621,563.9	1,822,312.9
YoY Growth (%)		21.48%	53.34%	49.87%	26.88%	10.32%	23.04%	16.85%	11.02%	10.30%	10.32%	10.33%	10.34%	12.38%
<b>Total Reported Revenue</b>	175,518.0	213,212.0	326,940.0	490,000.0	621,690.3	685,867.3	843,857.7	986,017.2	1,094,628.7	1,207,419.5	1,332,031.1	1,469,648.8	1,621,563.9	1,822,312.9

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