

# SolarEdge (NASDAQ: SEDG)

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Utilities & Renewables Sector  
Sector Head: Ethan Agro  
Lead Analyst: Andino Caminiti

# Company Profile

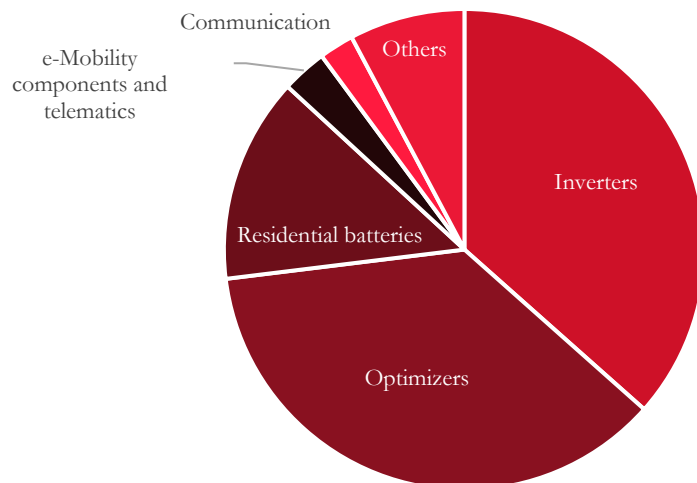
## Description

Israeli manufacturer of solar energy technology

Flagship product is DC to AC solar inverter

Expanding heavily into other solar niches

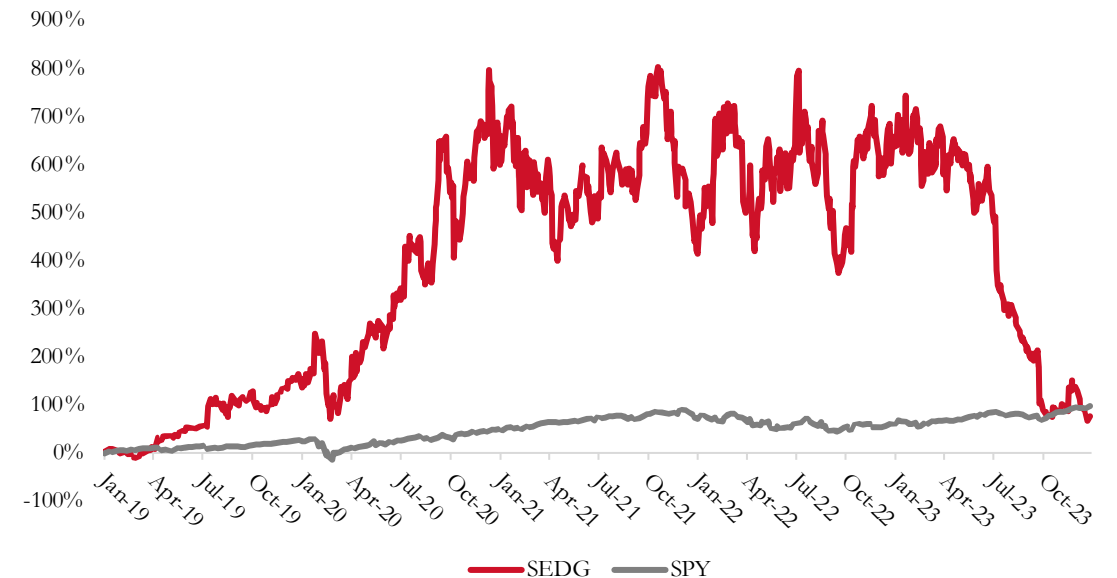
## Business Segments



## Key Information

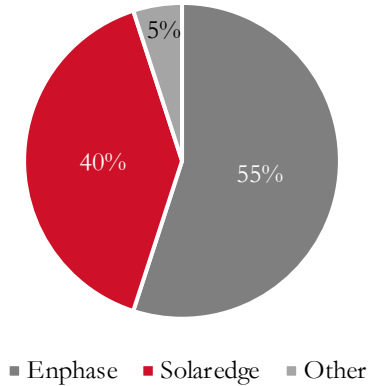
Current Share Price	\$70.44
P/E Ratio	19.04x
52-Week Range	\$345.80-\$63.25
Market Cap	\$4.09 Billion
Enterprise Value	\$3.93 Billion

## 5-Year Performance



# Industry Overview

## US Solar Inverter Market Share

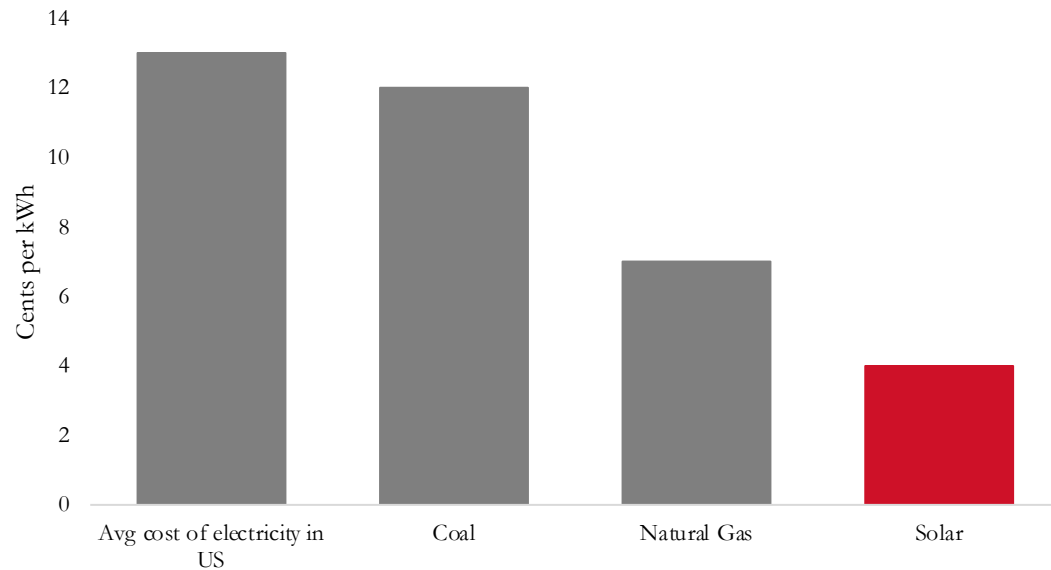


SolarEdge operates in a quasi-duopoly in the US solar inverter market with its principal rival, Enphase

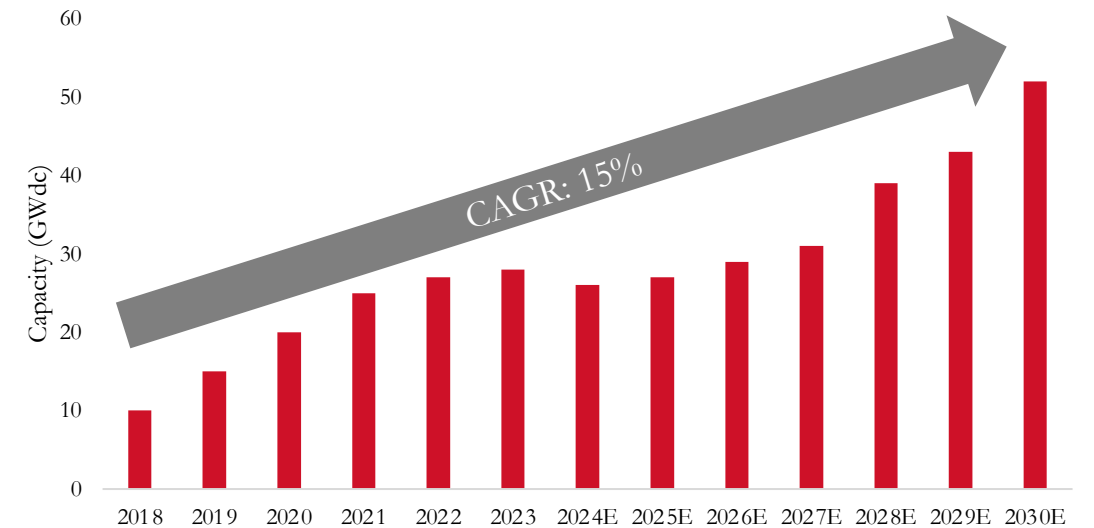
## Invesco Solar ETF vs. SPY



## Average Cost of Energy Sources



## US Solar Photovoltaic Installations



# Investment Thesis

- SEDG is down 77% over the past year and 81% from its all time high. Additionally, its P/E ratio is at a near 5-year low and other key ratios are lower than peers

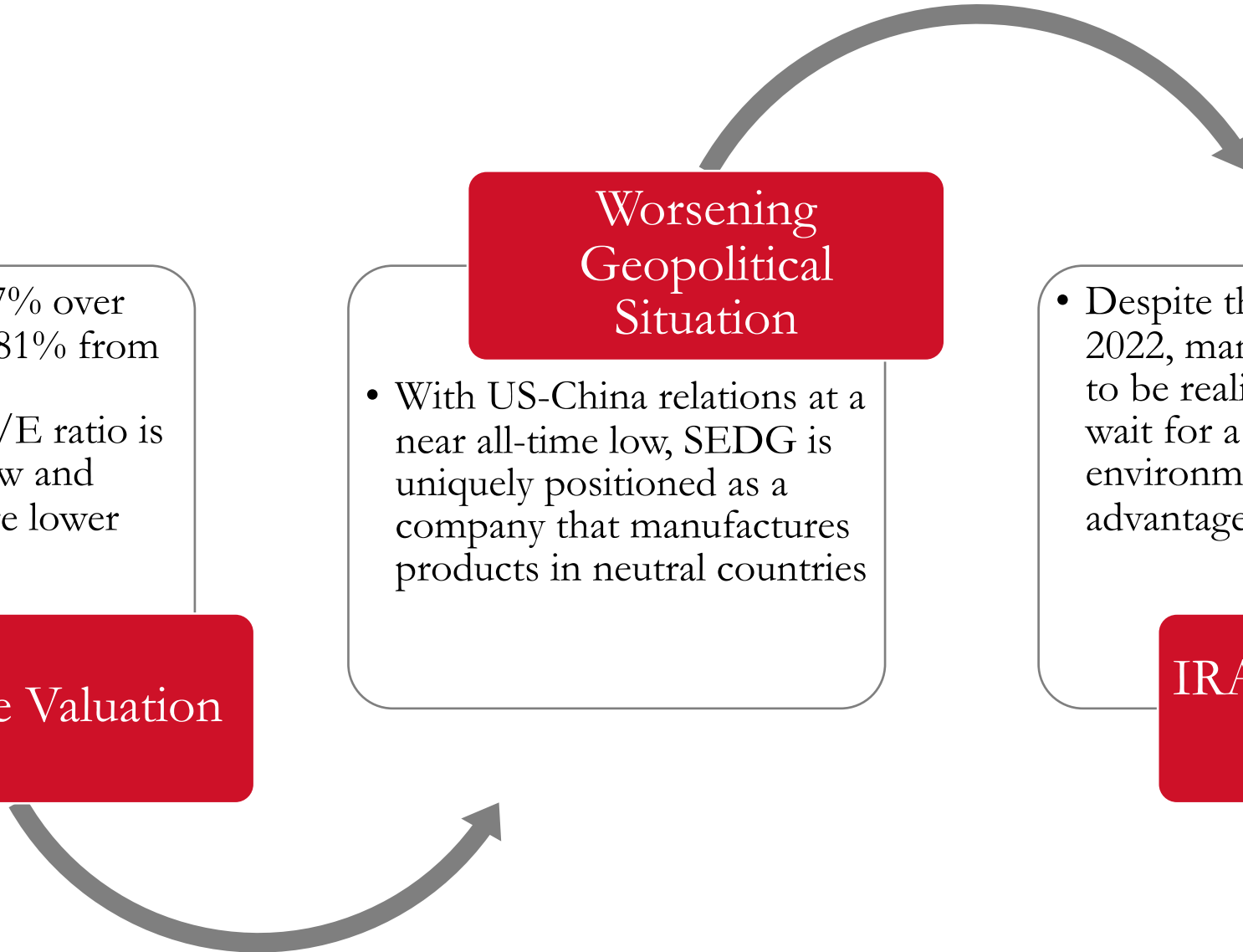
Attractive Valuation

Worsening Geopolitical Situation

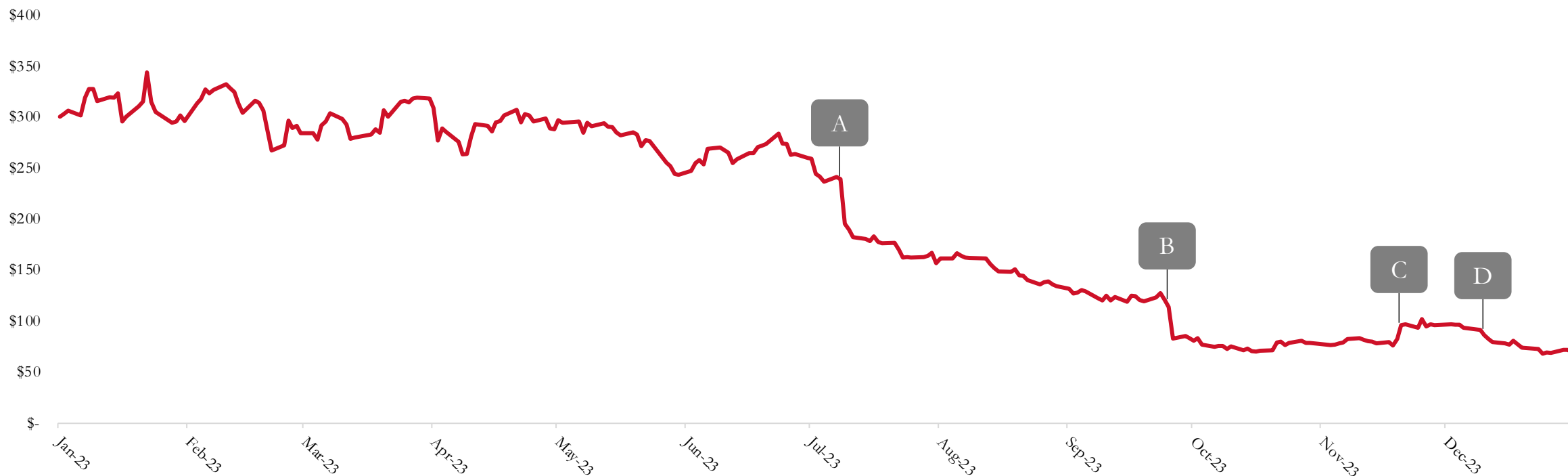
- With US-China relations at a near all-time low, SEDG is uniquely positioned as a company that manufactures products in neutral countries

- Despite the IRA passing in 2022, many benefits are yet to be realized as consumers wait for a softer borrowing environment to take advantage of its provisions

IRA Not Fully Priced In



# Attractive Valuation



Binghamton Investment Fund

<b>A</b>	<b>August 2<sup>nd</sup>, 2023:</b> SEDG falls nearly 20% and has \$2.5 billion wiped off its market cap after revising Q3 earnings forecasts downwards by \$100 million.	<b>B</b>	<b>October 18<sup>th</sup>, 2023:</b> SEDG falls over 30% in one trading day after again slashing outlook for Q3 earnings. SEDG has now lost \$9 billion of its \$12 billion market cap since August 2 <sup>nd</sup> .	<b>C</b>	<b>December 14<sup>th</sup>, 2023:</b> SEDG jumps 26% after Fed Chair Powell announces dovish outlook for 2024 at December Fed meeting, including three 25-basis-point rate cuts.	<b>D</b>	<b>January 8<sup>th</sup>, 2024:</b> SEDG trades down by 30% as discrepancy between CPI, jobs, and GDP reports leads to uncertainty surrounding Fed policy for 2024.
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# Attractive Valuation

## Easing Supply Chains

### Capacity Expansion:

SEDG has mitigated the ongoing chip shortage by securing capacity with key suppliers and investing in its own manufacturing facilities

### Improvement in shipping:

As global supply chains have eased through lessening port congestion and shortened shipping delays, SEDG's margins have increased from 2022

## SEDG vs Comps Average

### P/E Ratio

- SEDG: 19.04x
- Comps avg: 25.46x

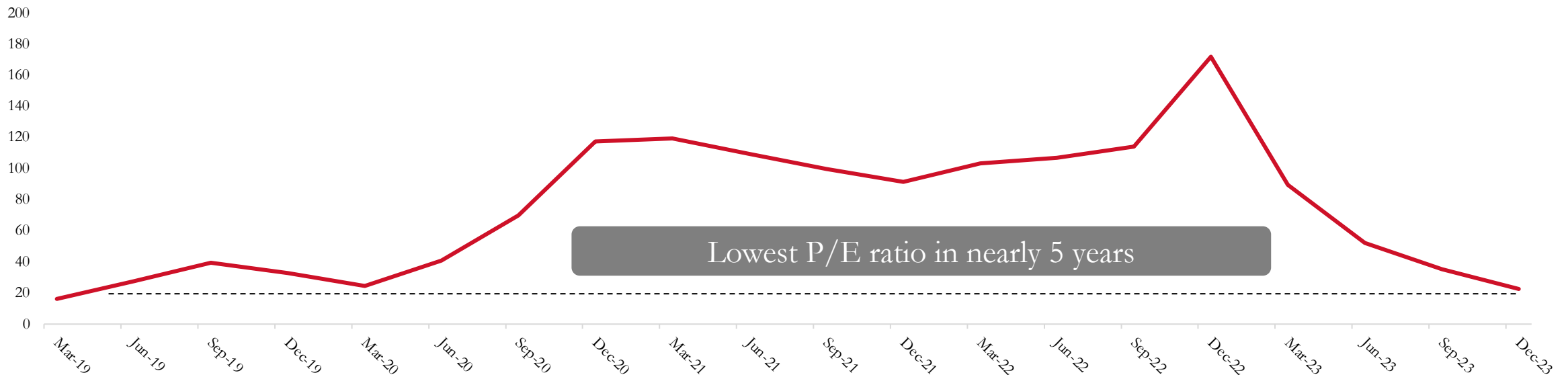
### EV/EBIT

- SEDG: 14.47x
- Comps avg: 18.71x

### EV/EBITDA

- SEDG: 12.06x
- Comps avg: 14.20x

## Historical P/E Ratio

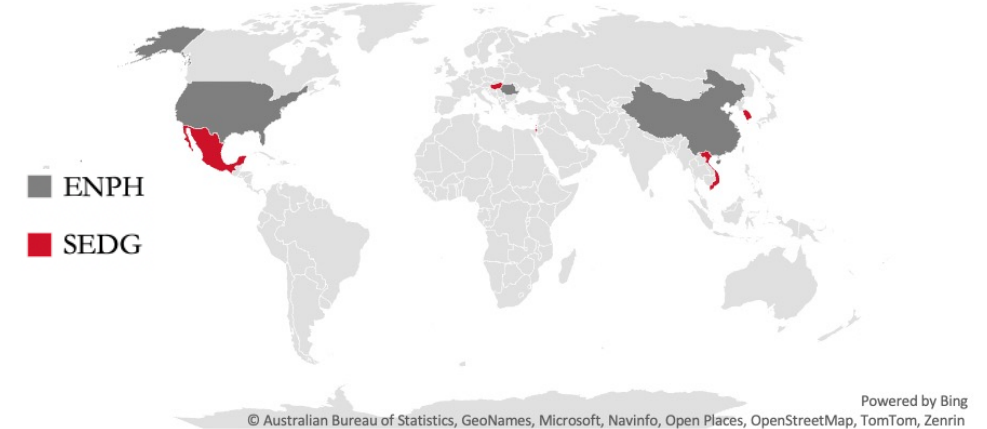


# Worsening Geopolitical Situation

## US-China Trade War

US	China
<ul style="list-style-type: none"><li>• Has imposed a 25% tariff on Chinese-made inverters since 2012</li><li>• IRA provided substantial incentives for domestic solar production, harming Chinese-made products</li></ul>	<ul style="list-style-type: none"><li>• Has harsh regulatory procedures and lengthy customs clearance processes for some US-made solar products</li><li>• Also provides subsidies and incentives to domestic manufacturers</li></ul>

## SolarEdge vs Enphase Manufacturing Locations

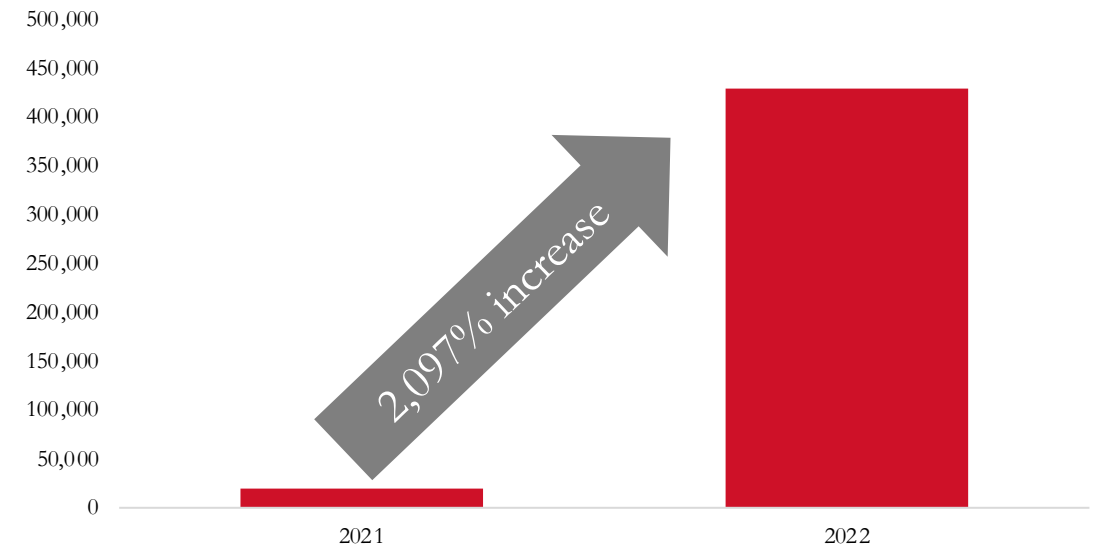


## International Concern over Chinese-Made Batteries

“...The European energy ecosystem could have a **dependency on China** by 2030 of a different nature, but with a similar severity, from the one it had on **Russia** before the invasion of Ukraine.”  
– EU Memo, 2023

In late 2023, the Biden Administration announced plans to bar Chinese makers of EV batteries from receiving IRA tax credits for US EV sales, naming China a “**Foreign Entity Of Concern**”

## Growth of Residential Battery Segment (\$k)



# IRA Not Fully Priced In

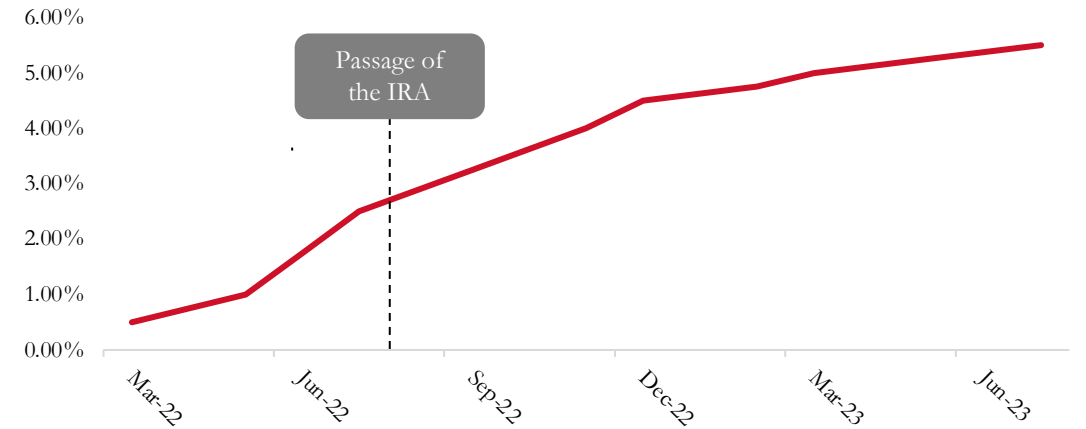
## IRA Solar Provisions

Solar Investment Tax Credit	Solar For All Grant	AMPC
<ul style="list-style-type: none"> <li>Extended to 2032</li> <li>Increased from 22% to 32%</li> <li>Eligibility expanded to include energy storage devices, like batteries</li> </ul>	<ul style="list-style-type: none"> <li>\$7 billion competitive grant allotted for solar projects in low-income and disadvantaged areas</li> </ul>	<ul style="list-style-type: none"> <li>The Advanced Manufacturing Production Credit is a new tax credit that incentivizes domestic solar production</li> </ul>

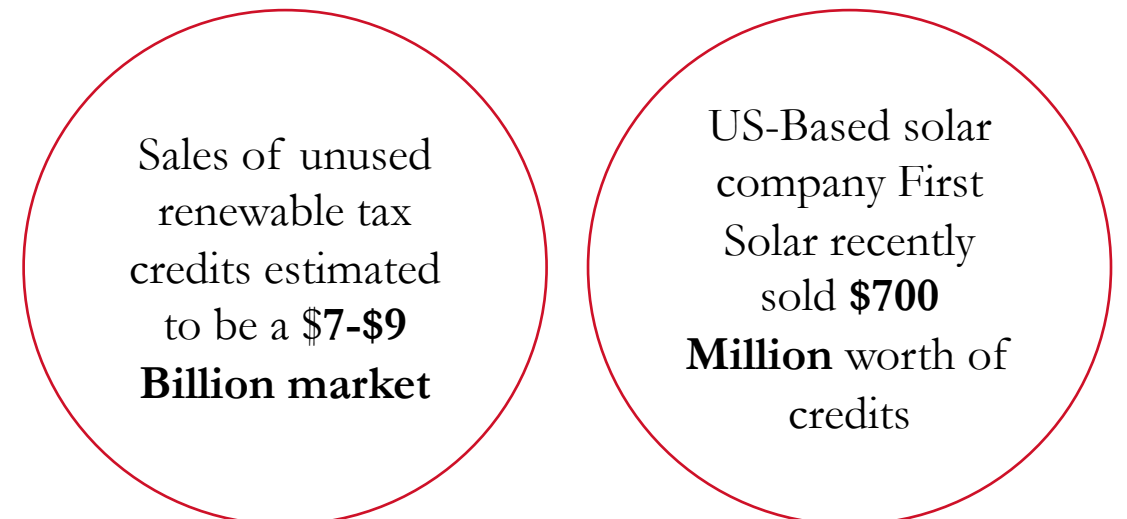
## Solar Installation Slowdown

2022	
Average solar loan interest rate: 4.27%	YoY solar installation growth rate: 43%
↓	
2023	
Average solar loan interest rate: 5.23%	YoY solar installation growth rate: 23%

## Current Fed Tightening Cycle Timeline



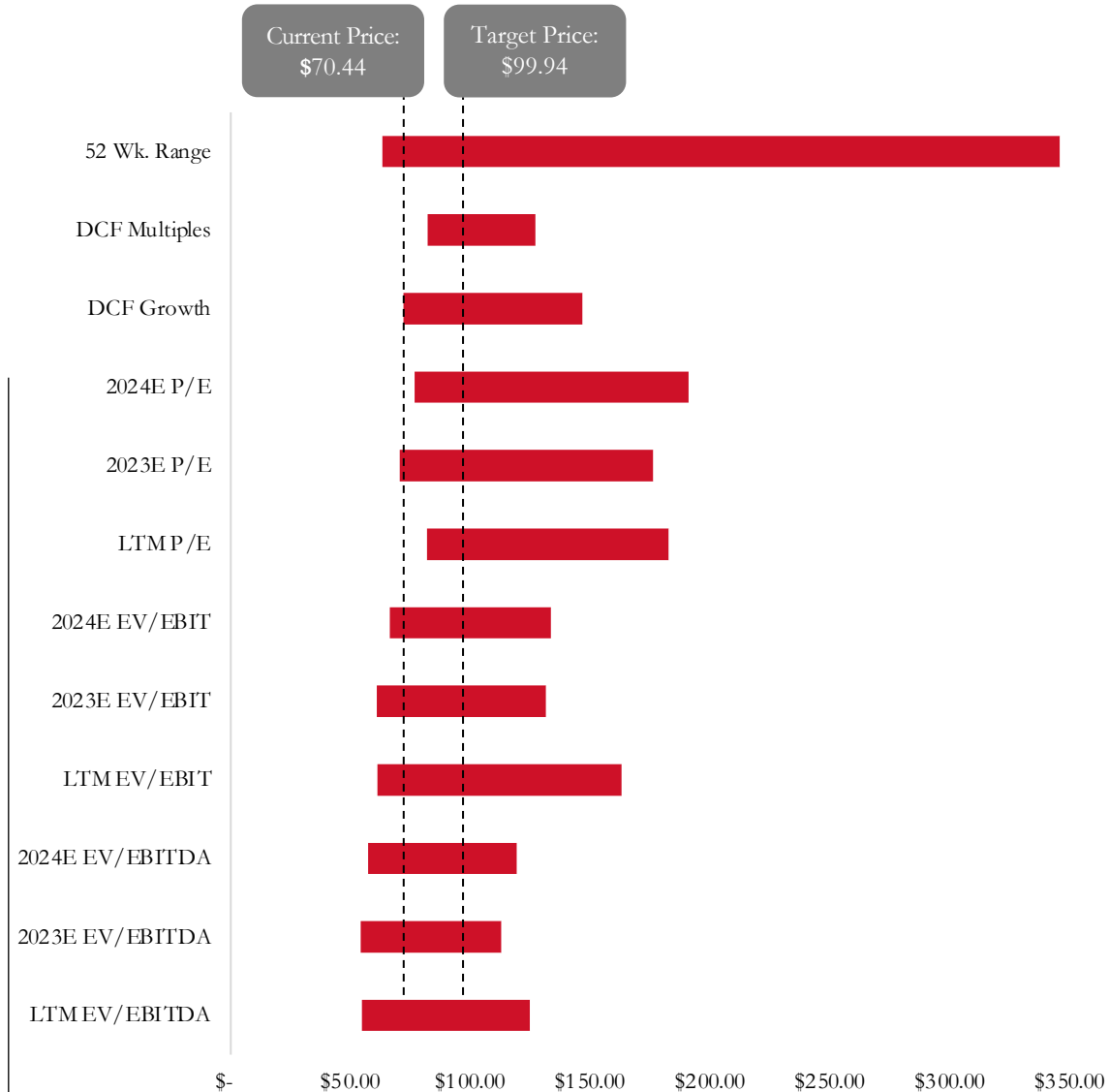
## Growth of Tax Credit Market



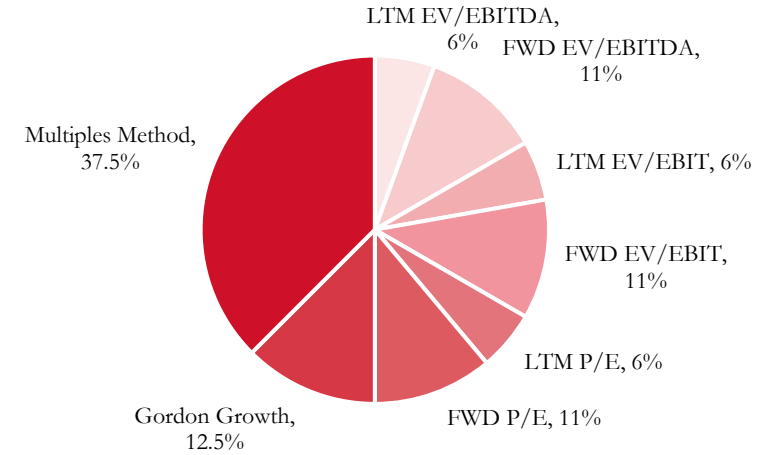


# Valuation

## Football Field Analysis



## Weighting



## Sensitivity Tables

		Gordon Growth Rate				
		1.00%	1.50%	2.00%	2.50%	3.00%
Cost of Equity	10.29%	115.92	122.32	129.50	137.60	146.81
	11.29%	101.67	106.71	112.29	118.51	125.48
	12.29%	89.99	94.04	98.48	103.38	108.80
	13.29%	80.25	83.56	87.16	91.10	95.41
	14.29%	72.02	74.76	77.72	80.94	84.44

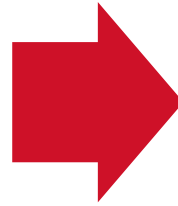
		EV/EBIT Multiple				
		11.00x	12.00x	13.00x	14.00x	15.00x
Cost of Equity	10.29%	96.53	104.14	111.76	119.37	126.98
	11.29%	92.65	99.98	107.31	114.63	121.96
	12.29%	88.95	96.00	103.06	110.11	117.16
	13.29%	85.41	92.20	99.00	105.79	112.58
	14.29%	82.03	88.57	95.12	101.66	108.20

# Risks and Mitigants

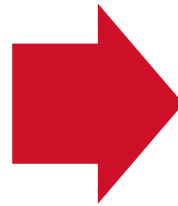
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## Risks

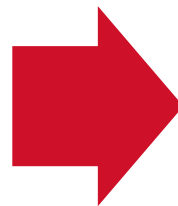
Demand uncertainty and inventory pileups continue to weigh on SEDG's top line



Key inflation metrics like the PCE, the CPI, and jobs reports read unfavorably, opening possibility of further hawkish Fed policy



The US enters a recession as a result of weakening consumer spending or a harsh correction in the housing market



## Mitigants

Once borrowing costs decrease beginning in 2024, demand will pick up – especially when matched with full realization of the IRA

With the Fed all but confirming three rate cuts in 2024 and the markets pricing in 150 bips of rate cuts this year, it is unlikely rates stay high

The odds of a recession are low and with rate cuts inevitable, consumer spending and the housing market should remain strong from a more favorable borrowing environment

# Conclusion

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Thank You  
Questions?

# Appendix A: Income Statement

SEDG CONSOLIDATED STATEMENTS OF INCOME - USD (\$) \$ in Thousands								
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023E	Dec. 31, 2024E	Dec. 31, 2025E	Dec. 31, 2026E	Dec. 31, 2027E
<b>Income Statement</b>								
Revenues	\$ 1,459,271	\$ 1,963,865	\$ 3,110,279	\$ 3,893,456	\$ 5,534,001	\$ 7,402,605	\$ 9,532,654	\$ 12,189,411
Cost of revenues	997,912	1,334,547	2,265,631	\$ 2,803,288	\$ 3,984,480	\$ 5,329,875	\$ 6,863,511	\$ 8,776,376
<b>Gross profit</b>	<b>461,359</b>	<b>629,318</b>	<b>844,648</b>	<b>1,090,168</b>	<b>1,549,520</b>	<b>2,072,729</b>	<b>2,669,143</b>	<b>3,413,035</b>
<b>Operating expenses:</b>								
Research and development	163,123	219,633	289,814	389,346	553,400	740,260	953,265	1,218,941
Sales and marketing	95,985	119,000	159,680	199,888	284,113	380,046	489,401	625,798
General and administrative	63,119	82,196	112,496	140,823	200,160	267,746	344,788	440,880
Total operating expenses	318,798	422,179	678,528	875,939	1,245,024	1,665,417	2,144,630	2,742,340
Operating income	142,561	207,139	166,120	214,229	304,496	407,312	524,513	670,695
Financial income (expense), net	21,105	(19,915)	3,316	1,502	1,502	1,502	1,502	1,502
Other income	0	0	7,719	7,719	7,719	7,719	7,719	7,719
Income before income taxes	163,666	187,224	177,155	223,450	313,717	416,533	533,734	679,916
Income taxes	23,344	18,054	83,376	46,924	65,881	87,472	112,084	142,782
<i>Tax Rate</i>	14%	10%	47%	21%	21%	21%	21%	21%
<b>Net income</b>	<b>\$ 140,322</b>	<b>\$ 169,170</b>	<b>\$ 93,779</b>	<b>\$ 176,525</b>	<b>\$ 247,837</b>	<b>\$ 329,061</b>	<b>\$ 421,650</b>	<b>\$ 537,134</b>
<b>Earnings per share:</b>								
Basic (in dollars per share)	\$ 2.79	\$ 3.24	\$ 1.70	\$ 3.20	\$ 4.50	\$ 5.97	\$ 7.65	\$ 9.75
Diluted (in dollars per share)	\$ 2.66	\$ 3.02	\$ 1.61	\$ 3.04	\$ 4.27	\$ 5.66	\$ 7.26	\$ 9.24
<b>Shares used in computing earnings per share:</b>								
Basic (in shares)	50,217,330	52,202,182	55,087,770	55,087,770	55,087,770	55,087,770	55,087,770	55,087,770
Diluted (in shares)	52,795,476	55,971,030	58,100,649	58,100,649	58,100,649	58,100,649	58,100,649	58,100,649
Sales Growth		35%	58%	25%	42%	34%	29%	28%
<b>Percentage of Sales</b>								
COGS Margin	68%	68%	73%	72%	72%	72%	72%	72%
Gross Margin	32%	32%	27%	28%	28%	28%	28%	28%
Research and Development	11%	11%	9%	10%	10%	10%	10%	10%
Sales and marketing	7%	6%	5%	5%	5%	5%	5%	5%
General and administrative	4%	4%	4%	4%	4%	4%	4%	4%

# Appendix B: Income Statement (Bull)

SEDG CONSOLIDATED STATEMENTS OF INCOME - USD (\$) \$ in Thousands									
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023E	Dec. 31, 2024E	Dec. 31, 2025E	Dec. 31, 2026E	Dec. 31, 2027E	
<b>Income Statement</b>									
Revenues	\$ 1,459,271	\$ 1,963,865	\$ 3,110,279	\$ 4,255,926	\$ 6,042,675	\$ 8,879,942	\$ 13,064,235	\$ 18,589,105	
Cost of revenues	997,912	1,334,547	2,265,631	2,979,148	4,229,872	6,215,959	9,144,964	13,012,374	
<b>Gross profit</b>	<b>461,359</b>	<b>629,318</b>	<b>844,648</b>	<b>1,276,778</b>	<b>1,812,802</b>	<b>2,663,983</b>	<b>3,919,270</b>	<b>5,576,732</b>	
<b>Operating expenses:</b>									
Research and development	163,123	219,633	289,814	425,593	604,267	887,994	1,306,423	1,858,911	
Sales and marketing	95,985	119,000	159,680	218,497	310,228	455,891	670,711	954,354	
General and administrative	63,119	82,196	112,496	153,933	218,558	321,180	472,522	672,351	
Total operating expenses	318,798	422,179	678,528	957,486	1,359,464	1,997,785	2,939,155	4,182,125	
Operating income	142,561	207,139	166,120	319,291	453,338	666,198	980,115	1,394,606	
Financial income (expense), net	21,105	(19,915)	3,316	1,502	1,502	1,502	1,502	1,502	
Other income	0	0	7,719	7,719	7,719	7,719	7,719	7,719	
Income before income taxes	163,666	187,224	177,155	328,512	462,559	675,419	989,336	1,403,827	
Income taxes	23,344	18,054	83,376	68,988	97,137	141,838	207,761	294,804	
<i>Tax Rate</i>	14%	10%	47%	21%	21%	21%	21%	21%	
<b>Net income</b>	<b>\$ 140,322</b>	<b>\$ 169,170</b>	<b>\$ 93,779</b>	<b>\$ 259,525</b>	<b>\$ 365,422</b>	<b>\$ 533,581</b>	<b>\$ 781,576</b>	<b>\$ 1,109,024</b>	
<b>Earnings per share:</b>									
Basic (in dollars per share)	\$ 2.79	\$ 3.24	\$ 1.70	\$ 4.71	\$ 6.63	\$ 9.69	\$ 14.19	\$ 20.13	
Diluted (in dollars per share)	\$ 2.66	\$ 3.02	\$ 1.61	\$ 4.47	\$ 6.29	\$ 9.18	\$ 13.45	\$ 19.09	
<b>Shares used in computing earnings per share:</b>									
Basic (in shares)	50,217,330	52,202,182	55,087,770	55,087,770	55,087,770	55,087,770	55,087,770	55,087,770	
Diluted (in shares)	52,795,476	55,971,030	58,100,649	58,100,649	58,100,649	58,100,649	58,100,649	58,100,649	
Sales Growth		35%	58%	37%	42%	47%	47%	42%	
<b>Percentage of Sales</b>									
COGS Margin	68%	68%	73%	70%	70%	70%	70%	70%	
Gross Margin	32%	32%	27%	30%	30%	30%	30%	30%	
Research and Development	11%	11%	9%	10%	10%	10%	10%	10%	
Sales and marketing	7%	6%	5%	5%	5%	5%	5%	5%	
General and administrative	4%	4%	4%	4%	4%	4%	4%	4%	

# Appendix C: Income Statement (Bear)

SEDG CONSOLIDATED STATEMENTS OF INCOME - USD (\$) \$ in Thousands									
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023E	Dec. 31, 2024E	Dec. 31, 2025E	Dec. 31, 2026E	Dec. 31, 2027E	
<b>Income Statement</b>									
Revenues	\$ 1,459,271	\$ 1,963,865	\$ 3,110,279	\$ 3,500,066	\$ 4,136,935	\$ 5,022,768	\$ 6,236,892	\$ 7,674,911	
Cost of revenues	997,912	1,334,547	2,265,631	\$ 2,555,048	\$ 3,019,963	\$ 3,666,620	\$ 4,552,931	\$ 5,602,685	
<b>Gross profit</b>	<b>461,359</b>	<b>629,318</b>	<b>844,648</b>	<b>945,018</b>	<b>1,116,972</b>	<b>1,356,147</b>	<b>1,683,961</b>	<b>2,072,226</b>	
<b>Operating expenses:</b>									
Research and development	163,123	219,633	289,814	315,006	372,324	452,049	561,320	690,742	
Sales and marketing	95,985	119,000	159,680	179,691	212,388	257,866	320,199	394,026	
General and administrative	63,119	82,196	112,496	126,594	149,629	181,669	225,583	277,595	
Total operating expenses	318,798	422,179	678,528	822,422	971,986	1,180,077	1,465,367	1,803,329	
Operating income	142,561	207,139	166,120	122,596	144,987	176,070	218,594	268,897	
Financial income (expense), net	21,105	(19,915)	3,316	1,502	1,502	1,502	1,502	1,502	
Other income	0	0	7,719	7,719	7,719	7,719	7,719	7,719	
Income before income taxes	163,666	187,224	177,155	131,817	154,208	185,291	227,815	278,118	
Income taxes	23,344	18,054	83,376	27,681	32,384	38,911	47,841	58,405	
<i>Tax Rate</i>	14%	10%	47%	21%	21%	21%	21%	21%	
<b>Net income</b>	<b>\$ 140,322</b>	<b>\$ 169,170</b>	<b>\$ 93,779</b>	<b>\$ 104,135</b>	<b>\$ 121,824</b>	<b>\$ 146,380</b>	<b>\$ 179,974</b>	<b>\$ 219,713</b>	
<b>Earnings per share:</b>									
Basic (in dollars per share)	\$ 2.79	\$ 3.24	\$ 1.70	\$ 1.89	\$ 2.21	\$ 2.66	\$ 3.27	\$ 3.99	
Diluted (in dollars per share)	\$ 2.66	\$ 3.02	\$ 1.61	\$ 1.79	\$ 2.10	\$ 2.52	\$ 3.10	\$ 3.78	
<b>Shares used in computing earnings per share:</b>									
Basic (in shares)	50,217,330	52,202,182	55,087,770	55,087,770	55,087,770	55,087,770	55,087,770	55,087,770	
Diluted (in shares)	52,795,476	55,971,030	58,100,649	58,100,649	58,100,649	58,100,649	58,100,649	58,100,649	
Sales Growth		35%	58%	13%	18%	21%	24%	23%	
<b>Percentage of Sales</b>									
COGS Margin	68%	68%	73%	73%	73%	73%	73%	73%	
Gross Margin	32%	32%	27%	27%	27%	27%	27%	27%	
Research and Development	11%	11%	9%	9%	9%	9%	9%	9%	
Sales and marketing	7%	6%	5%	5%	5%	5%	5%	5%	
General and administrative	4%	4%	4%	4%	4%	4%	4%	4%	

# Appendix D: Revenue Build

SEDG REVENUE BUILD - USD (\$) \$ in Thousands	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Inverters	\$ 641,799	\$ 828,101	\$ 1,137,142	\$ 1,364,570	\$ 1,910,399	\$ 2,483,518	\$ 3,104,398	\$ 3,880,497
<i>Inverters Growth per Year</i>		29%	37%	20%	40%	30%	25%	25%
<i>Inverters % of Rev</i>	44%	42%	37%	35%	35%	34%	33%	32%
Optimizers	625,465	828,542	1,135,040	1,362,048	1,906,867	2,478,927	3,098,659	3,873,324
<i>Optimizers Growth per Year</i>		32%	37%	20%	40%	30%	25%	25%
<i>Optimizers Growth per Year % of Rev</i>	43%	42%	36%	35%	34%	33%	33%	32%
Residential batteries	-	19,531	429,119	622,223	933,334	1,353,334	1,827,001	2,375,101
<i>Residential batteries Growth per Year</i>			2097%	45%	50%	45%	35%	30%
<i>Residential batteries % of Rev</i>		1%	14%	16%	17%	18%	19%	19%
e-Mobility components and telematics	13,399	68,946	94,446	136,947	212,267	329,014	526,423	815,956
<i>e-Mobility components and telematics Growth per Year</i>		415%	37%	45%	55%	55%	60%	55%
<i>e-Mobility components and telematics % of Rev</i>	1%	4%	3%	4%	4%	4%	6%	7%
Communication	41,771	24,111	72,812	91,015	118,320	141,983	163,281	187,773
<i>Communication Growth per Year</i>		-42%	202%	25%	30%	20%	15%	15%
<i>Communication % of Rev</i>	3%	1%	2%	2%	2%	2%	2%	2%
Others	136,837	194,634	241,720	316,653	452,814	615,827	812,892	1,056,759
<i>Others Growth per Year</i>		42%	24%	31%	43%	36%	32%	30%
<i>Others % of Rev</i>	9%	10%	8%	8%	8%	8%	9%	9%
<b>Total revenues</b>	<b>\$ 1,459,271</b>	<b>\$ 1,963,865</b>	<b>\$ 3,110,279</b>	<b>\$ 3,893,456</b>	<b>\$ 5,534,001</b>	<b>\$ 7,402,605</b>	<b>\$ 9,532,654</b>	<b>\$ 12,189,411</b>
<i>Total revenue growth per year</i>		34.58%	58.38%	25.18%	42.14%	33.77%	28.77%	27.87%

# Appendix E: Revenue Build (Bull)

SEDG REVENUE BUILD - USD (\$) \$ in Thousands	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Inverters	\$ 641,799	\$ 828,101	\$ 1,137,142	\$ 1,535,142	\$ 2,149,198	\$ 3,116,338	\$ 4,518,690	\$ 6,326,165
<i>Inverters Growth per Year</i>		29%	37%	35%	40%	45%	45%	40%
<i>Inverters % of Rev</i>	44%	42%	37%	36%	36%	35%	35%	34%
Optimizers	625,465	828,542	1,135,040	1,532,304	2,145,226	3,110,577	4,510,337	6,314,472
<i>Optimizers Growth per Year</i>		32%	37%	35%	40%	45%	45%	40%
<i>Optimizers Growth per Year % of Rev</i>	43%	42%	36%	36%	36%	35%	35%	34%
Residential batteries	-	19,531	429,119	622,223	933,334	1,446,667	2,242,335	3,363,502
<i>Residential batteries Growth per Year</i>			2097%	45%	50%	55%	55%	50%
<i>Residential batteries % of Rev</i>		1%	14%	15%	15%	16%	17%	18%
e-Mobility components and telematics	13,399	68,946	94,446	141,669	219,587	351,339	562,143	871,321
<i>e-Mobility components and telematics Growth per Year</i>		415%	37%	50%	55%	60%	60%	55%
<i>e-Mobility components and telematics % of Rev</i>	1%	4%	3%	3%	4%	4%	4%	5%
Communication	41,771	24,111	72,812	91,015	118,320	153,815	199,960	249,950
<i>Communication Growth per Year</i>		-42%	202%	25%	30%	30%	30%	25%
<i>Communication % of Rev</i>	3%	1%	2%	2%	2%	2%	2%	1%
Others	136,837	194,634	241,720	333,574	477,010	701,205	1,030,771	1,463,695
<i>Others Growth per Year</i>		42%	24%	38%	43%	47%	47%	42%
<i>Others % of Rev</i>	9%	10%	8%	8%	8%	8%	8%	8%
<b>Total revenues</b>	<b>\$ 1,459,271</b>	<b>\$ 1,963,865</b>	<b>\$ 3,110,279</b>	<b>\$ 4,255,926</b>	<b>\$ 6,042,675</b>	<b>\$ 8,879,942</b>	<b>\$ 13,064,235</b>	<b>\$ 18,589,105</b>
<i>Total revenue growth per year</i>		34.58%	58.38%	36.83%	41.98%	46.95%	47.12%	42.29%



# Appendix F: Revenue Build (Bear)

SEDG REVENUE BUILD - USD (\$) \$ in Thousands	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Inverters	\$ 641,799	\$ 828,101	\$ 1,137,142	\$ 1,250,856	\$ 1,438,485	\$ 1,726,182	\$ 2,157,727	\$ 2,697,159
<i>Inverters Growth per Year</i>		29%	37%	10%	15%	20%	25%	25%
<i>Inverters % of Rev</i>	44%	42%	37%	36%	35%	34%	35%	35%
Optimizers	625,465	828,542	1,135,040	1,248,544	1,435,826	1,722,991	2,153,738	2,692,173
<i>Optimizers Growth per Year</i>		32%	37%	10%	15%	20%	25%	25%
<i>Optimizers Growth per Year % of Rev</i>	43%	42%	36%	36%	35%	34%	35%	35%
Residential batteries	-	19,531	429,119	536,399	697,318	871,648	1,045,978	1,202,874
<i>Residential batteries Growth per Year</i>			2097%	25%	30%	25%	20%	15%
<i>Residential batteries % of Rev</i>		1%	14%	15%	17%	17%	17%	16%
e-Mobility components and telematics	13,399	68,946	94,446	108,613	135,766	176,496	238,270	309,750
<i>e-Mobility components and telematics Growth per Year</i>		415%	37%	15%	25%	30%	35%	30%
<i>e-Mobility components and telematics % of Rev</i>	1%	4%	3%	3%	3%	4%	4%	4%
Communication	41,771	24,111	72,812	80,093	96,112	115,334	132,634	152,529
<i>Communication Growth per Year</i>		-42%	202%	10%	20%	20%	15%	15%
<i>Communication % of Rev</i>	3%	1%	2%	2%	2%	2%	2%	2%
Others	136,837	194,634	241,720	275,561	333,429	410,117	508,545	620,425
<i>Others Growth per Year</i>		42%	24%	14%	21%	23%	24%	22%
<i>Others % of Rev</i>	9%	10%	8%	8%	8%	8%	8%	8%
<b>Total revenues</b>	<b>\$ 1,459,271</b>	<b>\$ 1,963,865</b>	<b>\$ 3,110,279</b>	<b>\$ 3,500,066</b>	<b>\$ 4,136,935</b>	<b>\$ 5,022,768</b>	<b>\$ 6,236,892</b>	<b>\$ 7,674,911</b>
<i>Total revenue growth per year</i>		34.58%	58.38%	12.53%	18.20%	21.41%	24.17%	23.06%

# Appendix G: Balance Sheet

SEDG CONSOLIDATED BALANCE SHEETS - USD (\$) \$ in Thousands								
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023E	Dec. 31, 2024E	Dec. 31, 2025E	Dec. 31, 2026E	Dec. 31, 2027E
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 827,146	\$ 530,089	\$ 783,112					
Marketable securities	143,687	167,728	241,117					
Trade receivables	218,706	456,339	905,146	1,920,060	2,198,439	2,028,111	1,958,764	2,003,739
Inventories, net	331,696	380,143	729,201	1,036,833	1,419,130	1,825,300	2,256,497	2,644,935
Prepaid expenses and other current assets	198,106	176,992	241,082	224,263	318,758	426,390	549,081	702,110
<b>Total current assets</b>	<b>1,719,341</b>	<b>1,711,291</b>	<b>2,899,658</b>	<b>3,181,156</b>	<b>3,936,327</b>	<b>4,279,801</b>	<b>4,764,342</b>	<b>5,350,784</b>
<b>LONG-TERM ASSETS:</b>								
Marketable securities	147,434	482,228	645,491					
Deferred tax assets, net	11,676	27,572	44,153					
Property, plant and equipment, net	303,408	410,379	543,969					
Operating lease right-of-use assets, net	41,600	47,137	62,754					
Intangible assets, net	67,818	58,861	19,929					
Goodwill	140,479	129,629	31,189					
Other long-term assets	5,353	33,856	18,806					
Total long-term assets	717,768	1,189,662	1,366,291					
<b>Total assets</b>	<b>2,437,109</b>	<b>2,900,953</b>	<b>4,265,949</b>					
<b>CURRENT LIABILITIES:</b>								
Trade payables, net	162,051	252,068	459,831	568,338	807,812	1,080,577	1,391,506	1,779,320
Employees and payroll accruals	63,738	74,465	85,158	168,197	239,069	319,793	411,811	526,583
Warranty obligations	62,614	71,480	103,975	168,197	239,069	319,793	411,811	526,583
Deferred revenues and customers advances	24,648	17,789	26,641	56,066	79,690	106,598	137,270	175,528
Accrued expenses and other current liabilities	123,048	109,379	214,112	336,395	478,138	639,585	823,621	1,053,165
<b>Total current liabilities</b>	<b>436,099</b>	<b>525,181</b>	<b>889,717</b>	<b>1,297,193</b>	<b>1,843,777</b>	<b>2,466,345</b>	<b>3,176,019</b>	<b>4,061,178</b>
<b>LONG-TERM LIABILITIES:</b>								
Convertible senior notes, net	573,350	621,535	624,451					
Warranty obligations	142,380	193,680	281,082					
Deferred revenues	115,372	151,556	186,936					
Finance lease liabilities	26,173	40,508	45,385					
Operating lease liabilities	35,194	38,912	46,256					
Other long-term liabilities	22,784	19,542	15,756					
<b>Total long-term liabilities</b>	<b>915,253</b>	<b>1,065,733</b>	<b>1,199,866</b>					
<b>STOCKHOLDERS' EQUITY:</b>								
Common stock of \$0.0001 par value - Authorized: 125,000,000 shares as of	5	5	6					
Additional paid-in capital	603,891	687,295	1,505,632					
Accumulated other comprehensive loss	3,857	(27,319)	(73,109)					
Retained earnings	478,004	650,058	743,837					
Total stockholders' equity	1,085,757	1,310,039	2,176,366					
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,437,109</b>	<b>\$ 2,900,953</b>	<b>\$ 4,265,949</b>					
<b>Drivers</b>								
Days Sales Outstanding	55	114	168	180	145	100	75	60
Inventory Days	121	104	117	135	130	125	120	110
Prepaid expenses and other current assets as a % of Rev	14%	9%	8%	8%	8%	8%	8%	8%
Days Payable	59	69	74	74	74	74	74	74
Employees and payroll accruals as a % of COGS	6%	6%	4%	6%	6%	6%	6%	6%
Warranty obligations as a % of COGS	6%	5%	5%	6%	6%	6%	6%	6%
Deferred revenues and customers advances as a % of COGS	2%	1%	1%	2%	2%	2%	2%	2%
Accrued expenses and other current liabilities as a % of COGS	12%	8%	9%	12%	12%	12%	12%	12%

# Appendix H: Cash Flow Statement

SEDG CONSOLIDATED STATEMENTS OF CASH FLOWS - USD (\$) \$ in Thousands	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2025	Dec. 31, 2026	Dec. 31, 2027
<b>Cash flows from operating activities:</b>								
<b>Net income</b>	<b>\$ 140,322</b>	<b>\$ 169,170</b>	<b>\$ 93,779</b>	<b>\$ 176,525</b>	<b>\$ 247,837</b>	<b>\$ 329,061</b>	<b>\$ 421,650</b>	<b>\$ 537,134</b>
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>								
Depreciation of property, plant and equipment	22,355	29,359	40,580					
Amortization of intangible assets	9,479	10,176	9,096					
Amortization of debt discount and debt issuance costs	3,185	2,903	2,916					
Amortization of premium and accretion of discount on available-for-sale marketable securities, net	1,168	9,462	9,310	58,402	83,010	133,247	90,560	121,894
<i>% of Capex</i>	29%	35%	37%	50%	75%	90%	95%	100%
Impairment of goodwill and intangible assets	0	0	118,492					
Stock-based compensation expenses	67,309	102,593	145,539					
Gain from sale of privately held company	0	0	(7,719)					
Deferred income taxes, net	(2,738)	(12,045)	(11,055)					
Exchange rate fluctuations and other items, net	3,860	20,697	10,052					
<b>Changes in assets and liabilities:</b>								
Inventories, net	(149,661)	(43,051)	(341,085)					
Prepaid expenses and other assets	(3,276)	(39,444)	(64,991)					
Trade receivables, net	86,538	(247,723)	(457,610)					
Trade payables, net	3,333	91,709	194,524					
Employees and payroll accruals	18,315	26,519	26,238					
Warranty obligations	32,274	60,524	120,169					
Deferred revenues and customers advances	(21,438)	29,936	44,376					
Accrued expenses and other liabilities, net	11,630	3,344	98,673					
<b>Net cash provided by operating activities</b>	<b>222,655</b>	<b>214,129</b>	<b>31,284</b>					
<b>Cash flows from investing activities:</b>								
Proceed from sales and maturities of available-for-sale marketable securities	141,839	202,188	231,210					
Purchase of property, plant and equipment	(126,790)	(149,251)	(169,341)	(116,804)	(110,680)	(148,052)	(95,327)	(121,894)
<i>% of sales</i>	9%	8%	5%	3%	2%	2%	1%	1%
Investment in available-for-sale marketable securities	(223,705)	(579,377)	(507,171)					
Investment in a privately-held company	0	(16,643)	0					
Proceeds from sale of a privately-held company	0	0	24,362					
Withdrawal from (investment in) bank deposits, net	(54,752)	60,096	0					
Withdrawal from (investment in) restricted bank Deposits, net	25,267	798	(242)					
Other investing activities	1,504	(2,022)	4,138					
<b>Net cash used in investing activities</b>	<b>(236,637)</b>	<b>(484,211)</b>	<b>(417,044)</b>					
<b>Cash flows from financing activities:</b>								
Proceeds from secondary public offering, net of issuance costs	0	0	650,526					
Repayment of bank loans	(15,595)	(16,073)	(138)					
Proceeds from exercise of stock-based award	16,671	6,486	4,030					
Tax withholding in connection with stock-based awards, net	4,829	(4,283)	3,023					
Proceeds from issuance of convertible senior notes, net	617,869	0	0					
Proceeds from bank loans	16,944	0	0					
Other financing activities	(234)	(1,308)	(2,834)					
<b>Net cash provided by (used in) financing activities</b>	<b>640,484</b>	<b>(15,178)</b>	<b>654,607</b>					
Increase (decrease) in cash and cash equivalents	626,502	(285,260)	268,847					
Cash and cash equivalents at the beginning of the period	223,901	827,146	530,089					
Effect of exchange rate differences on cash and cash equivalents	(23,257)	(11,797)	(15,824)					
<b>Cash and cash equivalents at the end of the period</b>	<b>827,146</b>	<b>530,089</b>	<b>783,112</b>					
<b>Supplemental disclosure of non-cash activities:</b>								
Right-of-use asset recognized with corresponding lease liability	29,623	20,526	46,004					
Purchase of property, plant and equipment	5,612	10,781	16,016					
<b>Supplemental disclosure of cash flow information:</b>								
Cash paid for income taxes	\$ 38,990	\$ 45,977	\$ 74,689					

# Appendix I: Net Working Capital

Net Working Capital - USD (\$) \$ in Thousand	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
<b>Current Assets:</b>								
Trade receivables	218,706	456,339	905,146	1,920,060	2,198,439	2,028,111	1,958,764	2,003,739
Inventories, net	331,696	380,143	729,201	1,036,833	1,419,130	1,825,300	2,256,497	2,644,935
Prepaid expenses and other current assets	198,106	176,992	241,082	224,263	318,758	426,390	549,081	702,110
<b>Total current assets</b>	<b>748,508</b>	<b>1,013,474</b>	<b>1,875,429</b>	<b>3,181,156</b>	<b>3,936,327</b>	<b>4,279,801</b>	<b>4,764,342</b>	<b>5,350,784</b>
<b>Current Liabilities:</b>								
Trade payables, net	162,051	252,068	459,831	568,338	807,812	1,080,577	1,391,506	1,779,320
Employees and payroll accruals	63,738	74,465	85,158	168,197	239,069	319,793	411,811	526,583
Warranty obligations	62,614	71,480	103,975	168,197	239,069	319,793	411,811	526,583
Deferred revenues and customers advances	24,648	17,789	26,641	56,066	79,690	106,598	137,270	175,528
Accrued expenses and other current liabilities	123,048	109,379	214,112	336,395	478,138	639,585	823,621	1,053,165
<b>Total current liabilities</b>	<b>436,099</b>	<b>525,181</b>	<b>889,717</b>	<b>1,297,193</b>	<b>1,843,777</b>	<b>2,466,345</b>	<b>3,176,019</b>	<b>4,061,178</b>
<b>NWC</b>	<b>312,409</b>	<b>488,293</b>	<b>985,712</b>	<b>1,883,963</b>	<b>2,092,550</b>	<b>1,813,456</b>	<b>1,588,323</b>	<b>1,289,606</b>
<i>Change in NWC</i>		175,884	497,419	898,251	208,586	-279,094	-225,133	-298,717

# Appendix J: Cost of Equity & Beta

Cost of Equity	
Market Cap	\$ 4,092,609,716
Outstanding Shares	58,100,649
Share Price	\$ 70.44
Risk Free Rate	5.4%
Annual Market Return	10%
Market Risk Premium	4.6%
Beta	1.50
Cost of Equity	12.29%
Weight Equity	100%
<b>Cost of Equity</b>	<b>12.29%</b>

Covariance	0.000259809
Variance	0.000173456
<b>Beta</b>	<b>1.497836878</b>

# Appendix K: DCF

DCF - USD (\$) \$ in Thousands	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
EBIT	142,561	207,139	166,120	214,229	304,496	407,312	524,513	670,695
Net Income	140,322	169,170	93,779	176,525	247,837	329,061	421,650	537,134
Add: D&A	36,187	51,900	61,902	58,402	83,010	133,247	90,560	121,894
Less: Capex	126,790	149,251	169,341	116,804	110,680	148,052	95,327	121,894
Less: Change in NWC		175,884	497,419	898,251	208,586	-279,094	-225,133	-298,717
Add: Interest Expense								
FCFF	49,719	-104,065	-511,079	-780,128	11,580	593,350	642,016	835,851
Discount Factor				0.25	1.25	2.25	3.25	4.25
PV of FCFF				-757,843	10,018	457,120	440,472	510,686

Cost of Equity	12.29%
Terminal Growth Rate	2.00%
EV/EBIT Multiple	13.00x

Gordon Growth	
Terminal Value	8,284,157
PV of Terminal Value	5,061,431
Equity Value	5,721,884
Diluted Shares Outstanding	58,101
Price/Share	\$ 98.48

Multiples Method	
Terminal Value	8,719,039
PV of Terminal Value	5,327,135
Equity Value	5,987,588
Diluted Shares Outstanding	58,101
Price/Share	\$ 103.06

		Gordon Growth Rate					
			1.00%	1.50%	2.00%	2.50%	3.00%
WACC	10.29%	115.92	122.32	129.50	137.60	146.81	
	11.29%	101.67	106.71	112.29	118.51	125.48	
	12.29%	89.99	94.04	98.48	103.38	108.80	
	13.29%	80.25	83.56	87.16	91.10	95.41	
	14.29%	72.02	74.76	77.72	80.94	84.44	

		EV/EBIT Multiple					
			11.00x	12.00x	13.00x	14.00x	15.00x
WACC	10.29%	96.53	104.14	111.76	119.37	126.98	
	11.29%	92.65	99.98	107.31	114.63	121.96	
	12.29%	88.95	96.00	103.06	110.11	117.16	
	13.29%	85.41	92.20	99.00	105.79	112.58	
	14.29%	82.03	88.57	95.12	101.66	108.20	

# Appendix L: DCF (Bull)

DCF - USD (\$) \$ in Thousands	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
EBIT	142,561	207,139	166,120	319,291	453,338	666,198	980,115	1,394,606
Net Income	140,322	169,170	93,779	259,525	365,422	533,581	781,576	1,109,024
Add: D&A	36,187	51,900	61,902	58,402	83,010	133,247	90,560	121,894
Less: Capex	126,790	149,251	169,341	116,804	110,680	148,052	95,327	121,894
Less: Change in NWC		175,884	497,419	898,251	208,586	-279,094	-225,133	-298,717
Add: Interest Expense								
FCFF	49,719	-104,065	-511,079	-697,128	129,165	797,870	1,001,942	1,407,740
Discount Factor				0.25	1.25	2.25	3.25	4.25
PV of FCFF				-677,214	111,741	614,683	687,408	860,097

Cost of Equity	12.29%
Terminal Growth Rate	2.00%
EV/EBIT Multiple	13.00x

Gordon Growth	
Terminal Value	13,952,186
PV of Terminal Value	8,524,468
Equity Value	10,121,183
Diluted Shares Outstanding	58,101
Price/Share	\$ 174.20

Multiples Method	
Terminal Value	18,129,884
PV of Terminal Value	11,076,947
Equity Value	12,673,662
Diluted Shares Outstanding	58,101
Price/Share	\$ 218.13

WACC	Gordon Growth Rate					
	1.00%	1.50%	2.00%	2.50%	3.00%	
10.29%	203.48	214.27	226.36	240.00	255.51	
11.29%	179.53	188.02	197.42	207.90	219.64	
12.29%	159.90	166.72	174.20	182.45	191.58	
13.29%	143.54	149.11	155.17	161.80	169.07	
14.29%	129.71	134.32	139.32	144.73	150.62	

WACC	EV/EBIT Multiple					
	11.00x	12.00x	13.00x	14.00x	15.00x	
10.29%	203.92	219.75	235.58	251.41	267.24	
11.29%	196.19	211.42	226.65	241.89	257.12	
12.29%	188.80	203.47	218.13	232.80	247.46	
13.29%	181.75	195.87	209.99	224.12	238.24	
14.29%	175.01	188.61	202.22	215.82	229.43	

# Appendix M: DCF (Bear)

DCF - USD (\$) \$ in Thousands	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
EBIT	142,561	207,139	166,120	122,596	144,987	176,070	218,594	268,897
Net Income	140,322	169,170	93,779	104,135	121,824	146,380	179,974	219,713
Add: D&A	36,187	51,900	61,902	58,402	83,010	133,247	90,560	121,894
Less: Capex	126,790	149,251	169,341	116,804	110,680	148,052	95,327	121,894
Less: Change in NWC		175,884	497,419	898,251	208,586	-279,094	-225,133	-298,717
Add: Interest Expense								
FCFF	49,719	-104,065	-511,079	-852,518	-114,432	410,669	400,340	518,430
Discount Factor				0.25	1.25	2.25	3.25	4.25
PV of FCFF				-828,165	-98,995	316,381	274,664	316,749

Cost of Equity	12.29%
Terminal Growth Rate	2.00%
EV/EBIT Multiple	13.00x

Gordon Growth	
Terminal Value	5,138,184
PV of Terminal Value	3,139,313
Equity Value	3,119,947
Diluted Shares Outstanding	58,101
Price/Share	\$ 53.70

Multiples Method	
Terminal Value	3,495,659
PV of Terminal Value	2,135,768
Equity Value	2,116,402
Diluted Shares Outstanding	58,101
Price/Share	\$ 36.43

WACC		Gordon Growth Rate					
		1.00%	1.50%	2.00%	2.50%	3.00%	
10.29%	64.47	68.44	72.89	77.92	83.63		
11.29%	55.65	58.78	62.24	66.10	70.42		
12.29%	48.43	50.94	53.70	56.74	60.10		
13.29%	42.41	44.47	46.70	49.14	51.82		
14.29%	37.33	39.03	40.87	42.86	45.03		

WACC		EV/EBIT Multiple					
		11.00x	12.00x	13.00x	14.00x	15.00x	
10.29%	34.08	37.13	40.18	43.24	46.29		
11.29%	32.39	35.32	38.26	41.20	44.14		
12.29%	30.77	33.60	36.43	39.25	42.08		
13.29%	29.23	31.95	34.67	37.40	40.12		
14.29%	27.75	30.38	33.00	35.62	38.25		



# Appendix N: Comps

Comparable Companies Analysis - USD (\$) \$ in Thousands								
Ticker	Price	Shares Outstanding	Market Cap	Debt	EV	LTM EBIT		
SEDG	\$ 70.44	58,100,649	\$ 4,092,610	624,451	\$ 3,933,949	271,800		
ENPH	\$ 106.83	136,000,000	\$ 14,528,880	1,218,000	\$ 15,273,680	617,000		
ARRY	\$ 13.21	151,000,000	\$ 1,994,710	734,200	\$ 2,595,010	209,200		
FSLR	\$ 149.23	107,500,000	\$ 16,042,225	2,249,000	\$ 16,809,925	537,100		
SMA	\$ 51.96	34,700,000	\$ 1,803,012	175,000	\$ 1,800,912	282,100		
<b>Multiples</b>								
Minimum								
Quartile 1								
Median								
Quartile 3								
Maximum								
Average								
<b>Valuation</b>								
Minimum								
Quartile 1								
Median								
Quartile 3								
Maximum								
Average								

# Appendix O: Comps (2)

Comparable Companies Analysis - USD (\$) \$ in Thousands							
Ticker	2023E EBIT	2024E EBIT	LTM EBITDA	2023E EBITDA	2024E EBITDA	LTM EPS	2
SEDG	214,229	304,496	326,200	223,450	313,717	3.7	
ENPH	638,800	554,300	696,800	747,500	630,200	4	
ARRY	211,600	271,000	280,300	284,700	350,800	0.39	
FSLR	841,400	1,545,000	837,900	1,155,400	1,983,900	4.42	
SMA	282,800	205,100	323,500	329,600	260,200	6.93	
<b>Multiples</b>							
Minimum							
Quartile 1							
Median							
Quartile 3							
Maximum							
Average							
<b>Valuation</b>							
Minimum							
Quartile 1							
Median							
Quartile 3							
Maximum							
Average							

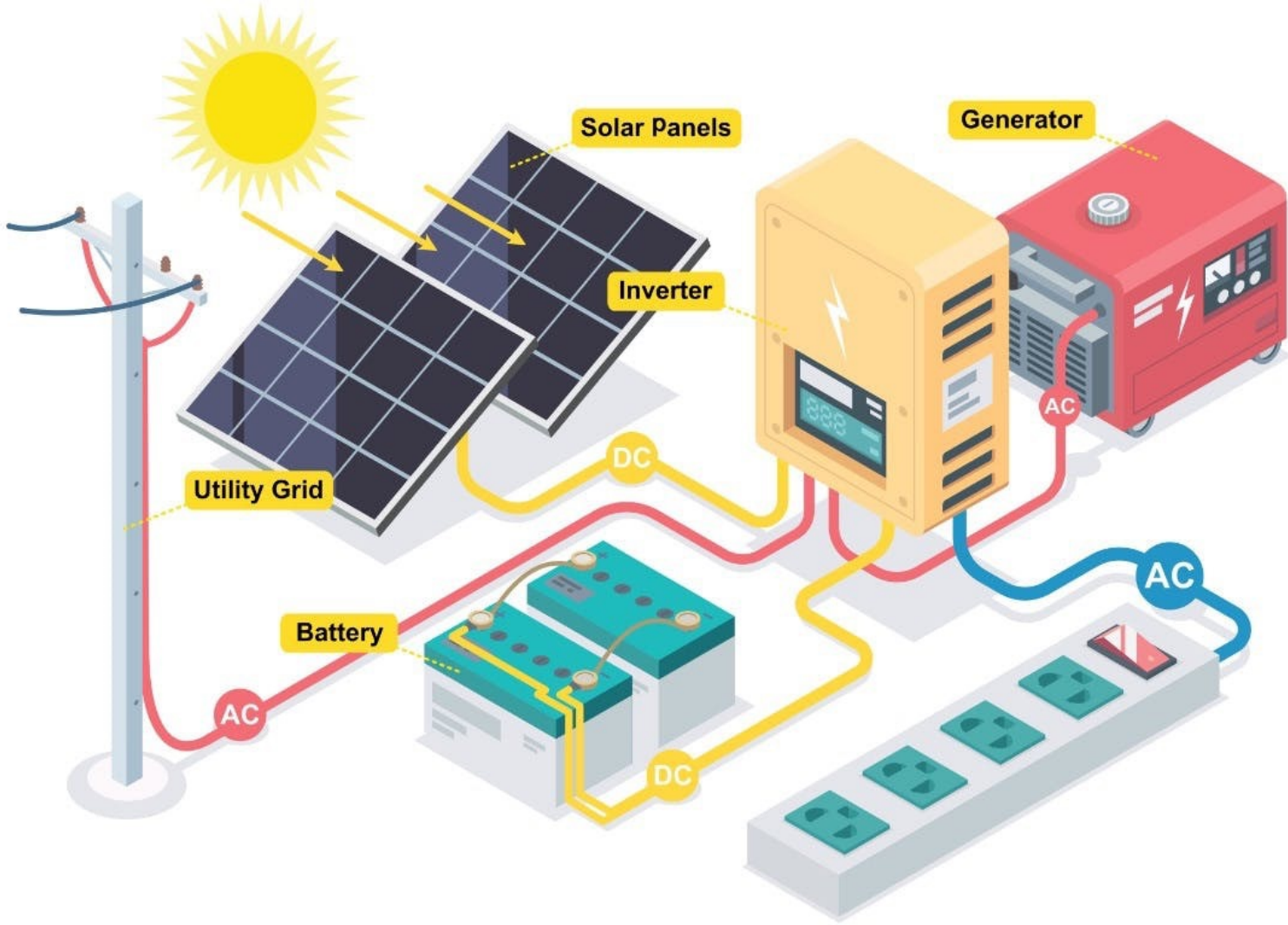
# Appendix P: Comps (3)

Comparable Companies Analysis - USD (\$) \$ in Thousands						
Ticker	2023E EPS	2024E EPS	Dividend Yield (%)	EV/LTM EBIT	EV/2023E EBIT	EV/2024E EBIT
SEDG	3.04	4.27	0	14.47x	18.36x	12.92x
ENPH	3.1	2.5	0	24.75x	23.91x	27.55x
ARRY	0.5	0.93	0	12.40x	12.26x	9.58x
FSLR	7.77	13.32	0	31.30x	19.98x	10.88x
SMA	7.68	4.62	0	6.38x	6.37x	8.78x
Multiples				EV/LTM EBIT	EV/2023E EBIT	EV/2024E EBIT
Minimum				6.38x	6.37x	8.78x
Quartile 1				7.89x	7.84x	8.98x
Median				18.58x	16.12x	10.23x
Quartile 3				29.66x	22.93x	23.39x
Maximum				31.30x	23.91x	27.55x
Average				18.71x	15.63x	14.20x
Valuation				EV/LTM EBIT	EV/2023E EBIT	EV/2024E EBIT
Minimum				\$ 54.09	\$ 54.02	\$ 65.30
Quartile 1				\$ 61.13	\$ 60.91	\$ 66.23
Median				\$ 111.14	\$ 99.64	\$ 72.07
Quartile 3				\$ 162.99	\$ 131.48	\$ 133.63
Maximum				\$ 170.64	\$ 136.08	\$ 153.13
Average				\$ 111.75	\$ 97.35	\$ 90.65

# Appendix Q: Comps (4)

Comparable Companies Analysis - USD (\$) \$ in Thousands						
Ticker	EV/LTM EBITDA	EV/2023E EBITDA	EV/2024E EBITDA	LTM P/E	2023E P/E	
SEDG	12.06x	17.61x	12.54x	19.04x	23.18x	
ENPH	21.92x	20.43x	24.24x	26.71x	34.46x	
ARRY	9.26x	9.11x	7.40x	33.87x	26.42x	
FSLR	20.06x	14.55x	8.47x	33.76x	19.21x	
SMA	5.57x	5.46x	6.92x	7.50x	6.77x	
Multiples						
	EV/LTM EBITDA	EV/2023E EBITDA	EV/2024E EBITDA	LTM P/E	2023E P/E	
Minimum	5.57x	5.46x	6.92x	7.50x	6.77x	
Quartile 1	6.49x	6.38x	7.04x	12.30x	9.88x	
Median	14.66x	11.83x	7.94x	30.23x	22.81x	
Quartile 3	21.46x	18.96x	20.30x	33.84x	32.45x	
Maximum	21.92x	20.43x	24.24x	33.87x	34.46x	
Average	14.20x	12.39x	11.76x	25.46x	21.71x	
Valuation						
	EV/LTM EBITDA	EV/2023E EBITDA	EV/2024E EBITDA	LTM P/E	2023E P/E	
Minimum	50.27 \$	49.79 \$	56.60 \$	59.30 \$	55.88 \$	
Quartile 1	54.59 \$	54.06 \$	57.16 \$	81.77 \$	70.43 \$	
Median	92.81 \$	79.58 \$	61.35 \$	165.67 \$	130.95 \$	
Quartile 3	124.60 \$	112.93 \$	119.17 \$	182.55 \$	176.03 \$	
Maximum	126.77 \$	119.81 \$	137.61 \$	182.68 \$	185.44 \$	
Average	90.66 \$	82.19 \$	79.23 \$	143.33 \$	125.80 \$	

# Appendix R: Solar Inverter



# Appendix S: Solar Optimizer

