

ENPHASE (ENPH) – Long PT: \$276



Today's Price: \$164.71
 Dividend Yield: 0%
 Market Cap: \$21B
 Industry: Solar Energy / Semis
 Headquarters: Fremont, CA

Leading innovation in a rapidly growing industry poised for international success through quality & durability of its services.

Business Overview

Enphase is the leading renewable energy company that produces microinverters for solar panels which turn direct power into electricity for homes. Responsible for production, installation, and maintenance of their micro inverters, Enphase produced the world's first fully integrated solar power system fully controlled by the consumer. The company is building traction in the international markets, especially in Australia & Western Europe, helping fuel its next leg of growth on top of its core U.S. residential solar market.

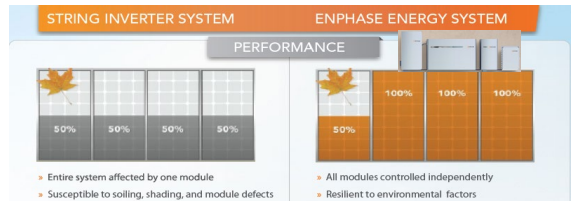
Thesis Points

- 1. Direct-to-Consumer Model:** As a part of its business model, Enphase directly connects homeowners with its installer partners. Through the Enphase Installer Network (EIN), Enphase not only provides upgrade and maintenance services, but also helps installers grow their business. The recently-launched e-commerce Enphase Store also allows homeowners and solar installers to purchase select Enphase products directly.
- 2. Vertically Integrated Supply Chain:** Enphase's continued success in leveraging partnerships and acquisitions, fuels their increasing AC production and distribution network to improve company's bottom line. Recent and sustained partnerships with large manufacturing companies, including SolarWorld, SunPower, JinkoSolar, Flextronics, demonstrates Enphase's growth and ability to recognize relationships that will maximize efficiency in their supply chain. Additional deals with distributors, installers, and R&D, reflects strong demand for its microinverter systems.
- 3. Global Exposure and International Expansion:** Global recognition of importance of renewable energy is reflected in strong growth in overseas markets, demonstrating long-term potential in expansion efforts. Enphase recently unveiled its Enphase Installer Network in Australia, on top of significant expansion into European market and in NZ as a result of its acquisition of SunPower. Additional strengthening of existing residential installers in the U.S. and Canada shows promise.



Industry Overview

Enphase revolutionized the solar industry with its microinverter technology and introduction of a fully integrated solar-plus-storage solution since 2009. Inverter technology has been rapidly evolving over the past several years to better enable homeowners to reap maximum power from their PV systems. The primary technologies involved in the solar industry include string inverters and microinverters: essentially, microinverters are cheaper to install for smaller arrays and allow for flexible configuration, whereas string inverters are cheaper for larger arrays. Enphase targets residential market – thus focuses in microinverter production. Strong competition exists within the inverter R&D advancement/manufacturing spheres, such as SolarEdge which has gained market share in microinverters from Enphase over the past several years, though this has begun to reverse recently. PV inverter industry was worth \$7.1 billion in 2017 and will grow to \$9.4 billion by 2025, and solar storage market climbed to \$1.6 billion in 2020, projected to reach \$7.9 billion by 2026.



Additional Commentary – Valuation/Risks/News

Valuation: ENPH reported 4Q results above expectations despite industry-wide semiconductor supply constraints. 1Q guidance was also above expectations. Demand continues to recover in all geographic regions, and ENPH is making solid progress with its international expansion initiatives, additionally rapidly gaining share from competitors. Storage revenue continues to ramp and new products remain on track to launch in 2Q which we believe should serve as catalysts.

Risks (Mitigants): Competition w/Tesla (differing target market), Shortage of semiconductors (COVID recuperating), Chinese supply chain (int'l manufacturing capacities + Biden stimulus), Battery storage disappointments (massive scaling solutions driving earnings),

