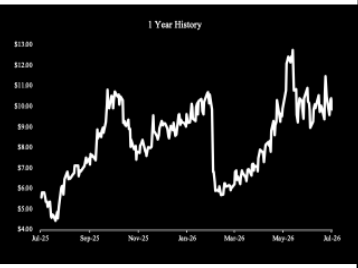
Initiating Coverage

Shoals Technologies Group, Inc. ($SHLS)

The Road to Electrification Runs Through Shoals

Consortium Research Group
Industry | Solar Equipment
July 23rd, 2026

Stock Rating:	Overweight
Price Target:	$12.00
Price:	$9.89
Potential Upside/Downside:	23.08%
Ticker:	$SHLS



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Key Take-away: Shoals Technologies is the dominant supplier of electrical balance-of-system (eBOS) equipment. Through their patented Big Lead Assembly (BLA) architecture, Shoals controls around 45-50% of the US utility-scale solar market. Their stock severely fell in 2025 after punishing tariffs raised the prices of their imported materials, such as copper and aluminum. In February 2026, the stock plummeted after weak earnings and compressed margins. Then, Q1 2026 brought Shoals its redemption: revenue increased 74.9% YoY, backlog hit a record $758 million, and management raised full-year guidance to $600-640 million in revenue and $118-132 million in adjusted EBITDA. Ultimately, Shoals has gradually pivoted from being just a solar hardware company to a key supplier in the AI race. With their June 2026 patent win against Voltage combined with the launch of their new Air Link product, Shoals has positioned itself to be a critical player in the battery storage boom.

The Tennessee Mega-Facility: Shoals spent a majority of 2025 and early 2026 consolidating three separate manufacturing plants into one larger "mega-facility" in Tennessee. This facility was backed by a $30 million investment, and it officially opened on May 19, 2026. Shoals' logic for this transition was simple: a bigger, modern plant should produce more eBOS at a lower cost per unit versus three smaller, individual plants. The productivity is expected to ramp up with this shift, however, it's expected to take four to five quarters to see tangible results. This mega-facility is seen as a "high risk, high reward" scenario. If the transition plays out smoothly, this facility will be the biggest contributor to recover margins. However, if there are more bumps along the way than anticipated, margin recovery can get pushed back further.

Solving Power Delivery Inside the Data Center: Everyone knows that AI data centers use enormous amounts of electricity. The difficult part isn't getting power to the entire building; it's getting the power from the building's main feed to the thousands of individual server racks inside the building. Traditionally, data centers have handled this handoff with a busway, which is a strong metal track that runs along a room's ceiling and drops power down to each individual rack. Although the technology is efficient, it requires a lot of copper and manual labor, and the structural integrity is questionable. As an alternative, Shoals recently launched a new product called Air Link that replaces a busway. Its new product is a flexible cable system that is built at a factory, rather than being built during the installation process in a data center. Although this business segment will likely be pre-revenue until 2027, it sheds light on meaningful growth Shoals intends to adopt on top of its existing solar wiring business.

Valuation: We initiate coverage with a $12.00 PT.

Company Overview

Company Description: Shoals Technologies Group designs, engineers, and manufactures electrical balance-of-system (eBOS) components for solar, battery storage, and AI data center power applications. The eBOS components connect solar panels, batteries, and data center racks to the grid. The company aims to be the "plumbing" of the power system by providing pre-engineered electrical connections across mission-critical energy infrastructure. In May 2026, Shoals consolidated three existing plants into a single $30 million "mega-facility" to support its increasing scale. Its core product, the Big Lead Assembly (BLA), is a factory-built wiring that replaces traditional combiner boxes and on-site cabling. Shoals primarily sells to engineering, procurement, and construction (EPC) firms and holds roughly half of the domestic utility-scale eBOS market.

A Sticky, Patented Business Model: Shoals' main product, the Big Lead Assembly (BLA), gets directly built into a solar project's design early on, usually when a developer is picking other core components and equipment, such as a tracker and inverter. Once the developer makes this decision, switching to a different supplier of eBOS components is difficult, expensive, and disruptive. Thus, customers tend to stick with Shoals. The company protects its BLA through various patents. In 2023, Shoals sued a competitor, Voltage, for copying its designs; both companies went through a few rounds of legal back-and-forth, but Shoals recently won a favorable ruling that blocks Voltage from importing the competing products into the US. Due to high switching costs and patent protection, Shoals has created a business model that prides customer stickiness.

Diversifying Beyond Solar: Shoals used to be a single-product, solar-only business; now, it's turning into a business with three separate legs. The first and biggest is still solar. This business segment, consisting of wiring and connectors that Shoals sells to link panels to inverters, has a backlog of $627.6 million. The second leg is battery storage, which rapidly expanded after Shoals announced a partnership with ON.Energy, a company that builds battery storage and backup power systems for AI data centers. Shoals manufactures the electrical connection hardware for ON.Energy, and this business segment has a backlog of $75 million. The third leg is Air Link, a new product Shoals recently launched. The company intends to replace traditional copper wiring that data centers normally use. This business segment isn't expected to generate revenue until 2027. However, these three legs prove Shoals isn't just betting on solar demand; it has two more places to organically grow.

Industry Overview

Solar Keeps Growing: Despite the uncertainty towards federal tax credit policy, utility-scale solar demand hasn't slowed down. This is because solar is the cheapest and fastest type of power plant to build. Utilities need more capacity as electricity demand rises, and AI data centers have been racing to secure stable power quickly.

Tariffs Favor Shoals: Tariffs on imported solar parts have raised the costs Shoals faces in the short run. Simultaneously, they've hit Shoals' cheaper, overseas competitors even harder. Voltage, Shoals' strongest competitor, manufacturers in China and recently lost a patent case to Shoals. However, because Shoals builds every component domestically, tariffs have helped them gain market share over time. Investors have priced tariffs as negative sentiment across the board, but Shoals has gradually gained the upper hand in pricing.

The Grid Can't Keep Up: Across the US, solar and battery storage projects are in long waiting lines just to connect to the grid. This crucial bottleneck has begun influencing how developers build renewable alternatives. Pairing batteries with solar at the same site allows developers to obtain more value out of each grid connection. When analyzed in the context of AI data centers, many developers are looking to build or secure power on-site rather than wait years for a grid connection. Fortunately, Shoals is established in solar and battery storage, but its new addition in selling data center power has positioned it to gain when developers work around the grid.

Peer Comparisons

Comparable Companies

$mm

Company	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Array Technologies (ARRY)	$1,200	$1,760	NM	$1,205	$106
Nextpower / Nextracker (NXT)	$17,900	$16,810	31.0x	$3,559	$728
Enphase Energy (ENPH)	$5,680	$5,310	42.2x	$1,400	$178
First Solar (FSLR)	$24,130	$22,290	14.5x	$5,419	$2,273
Shoals Technologies Group	$1,669	$1,887	49.8x	$536	$94

Company	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Array Technologies (ARRY)	16.5x	23.7%	8.8%	4.4%	13.2%
Nextpower / Nextracker (NXT)	23.1x	32.6%	20.5%	19.6%	20.3%
Enphase Energy (ENPH)	29.9x	44.2%	12.7%	6.9%	(1.6%)
First Solar (FSLR)	9.8x	41.7%	41.9%	31.8%	27.3%
Shoals Technologies Group	20.1x	33.5%	17.5%	14.8%	12.7%
High	29.91x	44.2%	41.9%	31.8%	27.3%
75th Percentile	23.09x	41.7%	20.5%	19.6%	20.3%
Average	19.89x	35.1%	20.3%	15.5%	14.4%
Median	20.10x	33.5%	17.5%	14.8%	13.2%
25th Percentile	16.53x	32.6%	12.7%	6.9%	12.7%
Low	9.81x	23.7%	8.8%	4.4%	-1.6%

General Dynamics Valuation		
Implied Enterprise Value (25th Percentile)	$	1,552
Implied Enterprise Value (Median)	**$**	**1,887**
Implied Enterprise Value (75th Percentile)	$	2,169
Implied Share Price (25th Percentile)	$	7.95
Implied Share Price (Median)	**$**	**9.95**
Implied Share Price (75th Percentile)	$	11.63

Source: S&P Cap IQ

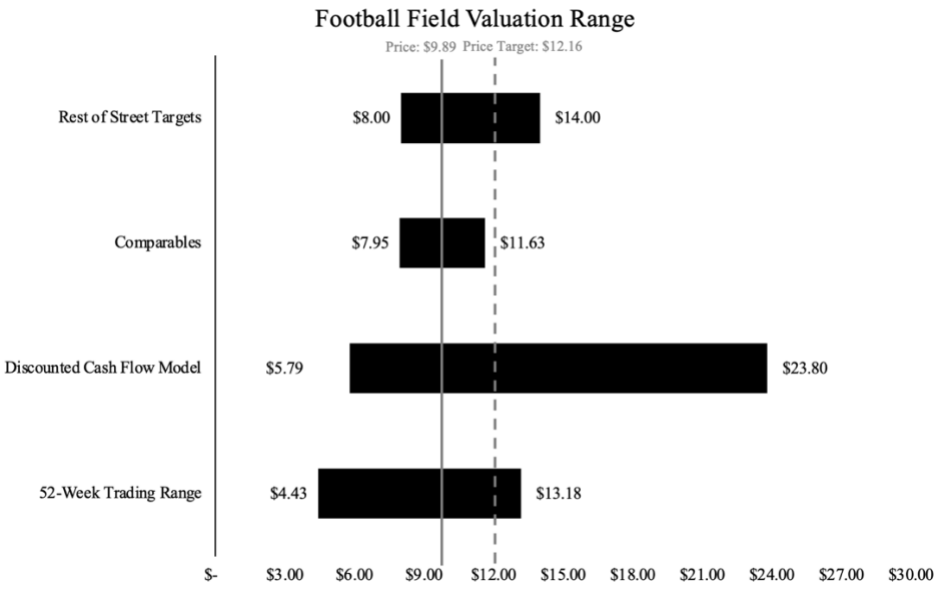
Investment Theses

Incorrectly Priced Like a Broken Hardware Business: The market still treats Shoals like a damaged solar-hardware company that got hit hard by tariffs. However, the market is missing the full picture. Shoals is actively shifting into the AI data center power and battery storage markets. The biggest proof for the company's mispricing was shown in February 2026, when Shoals announced their partnership with ON.Energy. This deal paved the pathway for multi-gigawatt data center and expanding the grid's demand potential. However, the market reacted by focusing entirely on a softer quarter of revenue and EPS, which sent the stock down more than 30%. The market should re-rate Shoals after it increases its Air Link bookings and battery storage backlog

Market Misunderstands Tariff Moat: Historically, the eBOS market has been very fragmented. Offshore-manufactured electrical components are often preferred to Shoals' products. However, tariffs on imported solar components reversed this trend. Offshore competitors experienced a huge decline in their margins. Although Shoals experienced margin compression, its key competitor, Voltage, was squeezed much harder. Shortly after, Voltage lost the patent case to Shoals, as ruled by the International Trade Commission. Because Shoals manufactures entirely in the US, it's positioned to capture market share beyond current 45-50% when its margins bounce back in recovery. The general negative sentiment towards tariffs is overshadowing the net benefit that Shoals gains in comparison to its competitors.

Price Target & Valuation

Our analysis gives ($SHLS) a price target of $12.16 and an Overweight rating.



Potential Downsides to Our Rating

Margin Recovery Slips: Our downside case implies a share price roughly 40% where the stock trades today. It assumes the margin recovery Wall Street investors are banking on doesn't happen on schedule. Margin recovery will be directly hit if tariffs and regulatory troubles continue for longer than expected and if the Tennessee mega-facility fails to ramp up after 1.5 years. The bull case largely depends on margin recovering, meaning that any delay can directly compress the stock's price target.

Competition and Execution Risk: Our base case and upside case imply that Shoals will remain the market leader in the US utility-scale solar market. However, the downside case implies that a new competitor could design eBOS components that don't overstep Shoals' patent, but still offer better results than the current technology employed. This could drastically reduce Shoals' market share over time. Moreover, project delays will weigh down on Shoals and investors will view major customer losses and slower ramp up of the Tennessee mega-facility with extreme scrutiny.

Our Price Target: $12.16

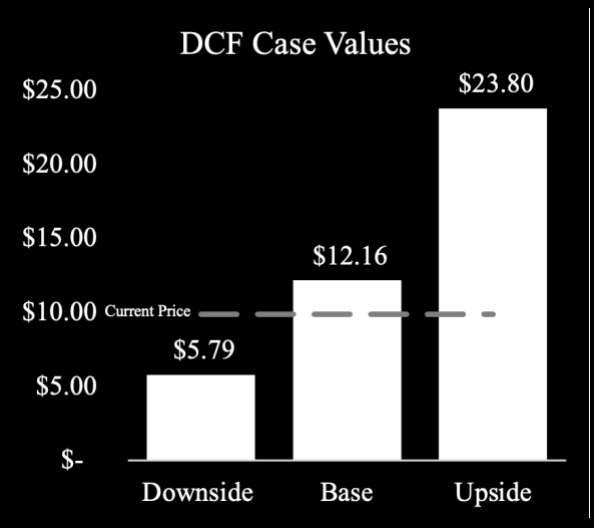
Our PT is based on a 2032 exit multiple of 12.0x EV/EBITDA, 4.0% solar revenue growth gradually decreasing to 3.0% by 2030, and strong triple-digit growth (140.0% in 2026 and slowing down to 22.0% in 2030) in the data center and BESS segment. This case reflects the Street's base case view that Shoals will recover its margins and ramp up its BESS and data center segments roughly in line with current guidance.

Our Upside Case: $23.80

Our upside case assumes core solar growth holds up at 6.0% in 2026, and gradually slows to 4.0% by 2030, the data center and BESS business segments scale extremely rapidly (200.0% growth in 2026 and moderating to 35.0% by 2030), and margins expand to a 24% EBIT margin by 2032 with a 16.0x exit multiple. This case critically assumes that the ON.Energy partnership and Air Link heavily contribute to Shoals. Additionally, the Tennessee facility must ramp up in productivity ahead of schedule.

Our Downside Case: $5.79

Our downside case assumes the margin recovery takes longer than expected, and the data center/BESS ramp up disappoints expectations. Core solar growth slows to just 1.5% by 2030, and data center/BESS growth only grows to 80.0% and decreases to 15.0% by 2032. EBIT margins don't exceed 16.0% with a 8.0x exit multiple.



Projections

Income Statement ($mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	536	664	729	807	914	19.5%
EBITDA	94	158	161	175	192	27.0%
EBIT	79	125	127	140	156	25.4%
NOPAT	67	94	95	105	117	20.6%

Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	17.5%	23.8%	22.0%	21.7%	21.1%	21.2%
EBIT Margin	14.8%	18.8%	17.4%	17.3%	17.1%	17.1%
Revenue Growth	12.7%	24.1%	9.7%	10.8%	13.2%	14.1%
EBIT Growth	6.1%	57.6%	1.5%	10.4%	11.6%	17.4%

Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	-29.3x	18.9x	18.1x	16.2x	14.4x	7.7x
EV/Sales	3.5x	2.8x	2.7x	2.5x	2.3x	2.8x
EV/EBITDA	20.0x	11.9x	11.7x	10.7x	9.8x	12.8x
FCF Yield	-3.4%	5.3%	5.5%	6.2%	6.9%	4.1%

About $SHLS

Shoals Technologies Group, Inc. ($SHLS), founded in 1996, operates as a designer and manufacturer of electrical balance-of-system (eBOS) equipment for solar, battery storage, and data center power applications. The company makes the wiring and connection hardware that carries electricity from solar panels, batteries, and data center racks to the endpoint where it is actually used. Shoals is headquartered in Portland, Tennessee and sells across its three segments: utility-scale solar, battery storage, and Air Link (data center wiring product). They stand out from competitors because they manufacture completely in the US, and they have prioritized defending their designs through patents. The company's key goal is to become the default electrical infrastructure provider for the broader shift toward electrification, followed by storage and AI-driven power demand.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Shoals Technologies Group
Discounted Cash Flow

Active Case:	2 Base
Current Share Price	$9.89

DCF Analysis ($mm)

	FY2020 12/31/20	FY2021 12/31/21	FY2022 12/31/22	FY2023 12/31/23	FY2024 12/31/24	FY2026 12/31/2026	FY2027 12/31/27	FY2028 12/30/28	FY2029 12/30/29	FY2030 12/30/30	FY2031 12/31/31
Stub						1.44	2.44	3.44	4.44	5.44	6.44
Discount Period						0.94	0.06	1.06	2.06	3.06	4.06
Revenue	**327**	**489**	**399**	**475**	**536**	**664**	**729**	**807**	**914**	**1,032**	**1,115**
Revenue Growth	*0%*	*50%*	*-18%*	*19%*	*13%*	*24%*	*10%*	*11%*	*13%*	*13%*	*8%*
Core Solar & Componc	327	489	399	475	536	654	705	757	822	893	946
Data Center & BESS	0	0	0	0	0	10	24	51	91	139	169
EBIT	**66**	**80**	**58**	**75**	**79**	**125**	**127**	**140**	**156**	**174**	**189**
EBIT Margin	*20%*	*16%*	*15%*	*16%*	*15%*	*19%*	*17%*	*17%*	*17%*	*17%*	*17%*
Tax Expense	9	12	14	15	13	31	32	35	39	44	47
Effective Tax Rate	*14%*	*15%*	*23%*	*20%*	*16%*	*25%*	*25%*	*25%*	*25%*	*25%*	*25%*
NOPAT	**57.34**	**68.02**	**44.73**	**59.78**	**66.75**	**94.00**	**95.12**	**104.98**	**117.17**	**130.62**	**141.93**
D&A	11	11	13	14	15	33	34	35	36	38	38
Capex	3	11	8	33	38	21	25	26	27	28	28
Changes in NWC	36	20	(30)	42	101	18	13	12	12	11	9
UFCF	**28**	**48**	**79**	**(1)**	**(57)**	**88**	**92**	**102**	**115**	**129**	**142**
PV of FCF						**79**	**91**	**91**	**91**	**92**	**90**

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	1.92
Risk Free Rate	4.70%
Cost of Equity	**11.49%**
Weighted Average Cost of Debt	4.78%
Tax Rate	25.00%
Cost of Debt	**0.42%**
Total Equity	$1,659
Total Debt	$218
Equity/Total Capitalization	88.31%
Debt/Total Capitalization	11.69%
WACC	**11.91%**

Terminal Value	
Perpetuity Growth Method	
2034 FCF	$142
Growth	3.50%
Terminal Value	$1,688
PV of Terminal Value	$1,069
PV of Projection Period	$534
PV of Terminal Value	$1,069
Implied TEV	$1,603
(-) Debt	$220
(+) Cash	$2
Implied Equity Value	$1,385
Basic Shares Outstanding	168
Implied Share Price	$8.26
Upside/Downside	-16.53%

Implied Exit BF EV/EBITDA	8.5x

Terminal Value	
Exit Multiple Method	
2034 EBITDA	$227
EV/EBITDA Exit Multiple	12.0x
Terminal Value	$2,725
PV of Terminal Value	$1,726
PV of Projection Period	$534
PV of Terminal Value	$1,726
Implied TEV	$2,259
(-) Debt	$220
(+) Cash	$2
Implied Equity Value	$2,042
Diluted Shares Outstanding	168
Implied Share Price	$12.17
Upside/Downside	23.0%

Implied PGR	3.4%

Blended Share Price	
Perpetutity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	$12.17
Upside/Downside	23.04%