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iSun, Inc. (ISUN): Multiple compelling growth drivers, including consolidation, plus strong sector tailwinds could lead iSun to be a much bigger company, one, two and five years out.

Well-positioned to participate in accelerated solar and EV adoption, as well as in the planning and implementation of various other renewable energy opportunities, building upon its EPC background.

On 7/7/2021, Tuohy Bros. hosted a wide-ranging investor call with **iSun's (ISUN)** Jeff Peck, Chief Executive Officer, John Sullivan, Chief Financial Officer, Michael D'Amato, Chief Strategy Officer, and Tyler Barnes, Investor Relations. Takeaways from the conversation included the following:

Company Background and Positioning:

iSun, Inc. (ISUN) is a long-established company that has increasingly focused on cleantech, building upon its roots as an electrical contractor. In 2011 the company pivoted to the solar market and is now one of the most-established installers on the U.S. east coast, with a focus on large, ground-mounted solar deployments. In 2013, it began owning and operating solar assets as well. The company's own substantial experience in large-scale installations has been further bolstered by a recent acquisition, and earlier this year it directly entered the solar/EV charging nexus through its acquisition of an EV carport charging vendor.

Companies that are within investors' definition of cleantech today are of many different vintages. Some that have come public via SPAC transactions in the past year or so may have, at best, a 10-year history and are considered quite well established, perhaps almost legacy, businesses. In ISUN, which has recently rebranded after a 50-year history, we have an example of the longest reach of the sector, made particularly relevant and interesting today due to the company's recognition over 10 years ago of the burgeoning solar opportunity.

Needless to say, there are advantages of incumbency, and on our call with ISUN, management presented an intriguing outlook suggesting that the company, despite its small market cap currently, has a pathway to achieve far greater size, scale, and market presence going forward, with the pace of that growth potentially increased by any further acquisitions the company may make.

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Recent Acquisition Activity and Current Cleantech Business Lines

ISUN went public via a SPAC transaction in 2019 and as of April 2021 had just redeemed all public warrants, essentially de-spac-ing the company. ISUN was historically known as Peck Electric Co., but in January 2021 acquired iSun Energy LLC and assumed the iSun name. iSun Energy represented the company's entry into the solar charging carport market. Management indicates that this product can operate either connected to the grid or can be independent of the grid through the use of battery backup.

Subsequently, in March 2021, ISUN purchased Oakwood Construction Co.'s U.S. development team and IP from **Adani Enterprises (XBOM: 512599)** of India, leading to additional EPC (engineering, procurement, and construction) work. Oakwood has broadened ISUN's expertise in large- and utility-scale assets, and provides ISUN with the opportunity to potentially generate revenue through PPAs (power purchase agreements). In an example of success in this market, and reflecting demand for storage capabilities, the company recently was awarded the EPC contract for the largest solar-plus-storage microgrid project undertaken to date in the state of Tennessee, planned at 16 MW.

The company's three-pronged strategy upon the SPAC transaction consisted of: 1) organic growth, particularly on the east coast; 2) building its owned and operated asset base, which generates recurring revenue typically with a higher margin compared to stand-alone installation work; and, 3) accretive M&A transactions. Strategically, since that time, including the extension into solar carports, the company has tried to position itself as a pure-play in the solar/renewable market, from solar in support of EV adoption, to consulting on techniques to improve solar efficiency, all the way up to the engineering work of grid access expansion.

The company also can envision a roll-up strategy of the highly fragmented electrical contracting sector, which is where its roots are. In particular, the pursuit of companies that don't currently work on solar projects may be targets whose valuations are based on modest non-cleantech multiples, representing potentially significant value accretion once under the ISUN roof. Specifically, ISUN in turn would utilize the acquired workforce to expand its solar installation capacity.

Historical Perspective on Market Dynamics / Insights on EV Adoption Behavior

As a longtime participant in the cleantech industry, the key indicator management sees that demonstrates that we are on the verge of a breakthrough era, not just another renewable energy adoption plateau, is the current huge wave of resources that established automotive incumbents, such as **GM (GM)** and **Ford (F)** are dedicating to actively taking on **Tesla (TSLA)**.

ISUN offered another helpful context on the current state of the energy transition and EV adoption. Management noted that for many customers, the EV will represent their first significant step into the world of alternative energy. ISUN's take on this is that the company foresees EV adoption, particularly for customers who are not using solar, as being a turning point where consumers almost certainly see their utility bills go up if they charge at home, while businesses and their landlords likewise see their power usage and/or costs rise if they provide charging. Certainly, some of the financial delta will be offset by a decrease in gasoline or diesel expenditures. But the shift to electric power demand to replace the hydrocarbon fuels could create significant new incremental strains on the grid.

If we understand the company's thinking correctly, ISUN management views these factors as enabling increased solar adoption along each path in that EV-charging-related chain of power demand (at home, at

work, and from the grid), even extending to spurring utilities' interest in utility-scale solar and other renewable projects.

We hadn't previously thought specifically of EVs by themselves stimulating solar adoption, but it's an intriguing notion. (When it comes to the potential capital spend for solar installation, we imagine that government incentives and, for businesses, accelerated depreciation may play heavily in this scenario coming to pass.)

ISUN management also mentioned the potential for a similar dynamic on the commercial side as fleet operators, even small-business operators (such as individual construction contractors), adopt commercial-scale EVs, again potentially helped by incentives.

For the carport EV charging market, ISUN also observes that among the motivation for corporate adoption of solar chargers is that it can be a visual representation, to their own customers and community, of the company's values and ESG consciousness. Accordingly, ISUN also indicates that it has seen good interest from municipal markets, noting that a lot of town halls like to be early adopters, to encourage EV adoption behavior locally.

Resiliency

The resiliency theme has been a stronger thread in cleantech this year. Consistent with this, ISUN management also discussed commercial customers' interest in shaving down the peak of their power needs for their routine operations, to be sure, but also in mitigating brown-outs or black-outs and other grid issues that come to the fore particularly during natural disasters. Management observes that commercial and business users of course are particularly mindful of the need to stay up-and-running despite outside conditions. ISUN thus sees increased micro-grid adoptions on the horizon, in response not just to climate events but potentially also in defense against the sorts of cyber threats that have received considerable attention (e.g., ransomware) in recent months.

Intriguingly, management anticipates that insurance companies increasingly are going to start asking policyholders about cyber and grid exposure as conditions for receiving coverage.

Balance Sheet

The company had \$20.2 mln of cash on the balance sheet as of 3/31/2021, with \$17.4 mln of that in 1Q21 warrant proceeds. It redeemed its remaining warrants during April, which should contribute some additional cash to the 6/30 balance when results are released. ISUN also has a ~ \$40 mln ATM registration in place with no immediate plans for any fresh drawing on it. The company is confident that cash flow can sustain its day-to-day operations, and intends for cash on the balance sheet and/or from the ATM to be dry powder in the event of future M&A or strategic investments. (As an example, the company in 1Q21 made \$2.5 mln in equity investments, taking minority stakes in two EV infrastructure companies: **Amp-Up**, which focuses on EV charging software, and **Gemini Electric Mobility** (rebranded as **DriveHive**), which serves the gig EV market.)

Conclusion

TB Comments: It seems pretty clear that acquisitions are a key growth catalyst, and perhaps the most likely one. We tend to think of cleantech of being in its infancy, but ISUN serves as a reminder that it depends on how you define the market. The company's a roll-up strategy of buying electrical contractors (similar to its

roots) at sub-cleantech valuations, and then converting them being solar installers strikes us eminently practical, as an example of how ISUN could accretively drive its expansion. The company's interesting observation that insurers may start demanding industrial companies demonstrate backup or resiliency plans to combat cyber and grid failure also strikes us as another potential secular growth driver for the off-grid or micro-grid solar business, as well, from which we anticipate ISUN could benefit.

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