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THE LONG PULL: Building My Solar Basket

On Monday I tweeted ...



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Promote



The entire Solar industry looks like it wants to inflect higher.

So hated.

But what happens if we enter an "All Energy Wanted" mode?

Solar fits the bill.

Subsidies gone, sentiment bombed-out.

Interesting!

1:57 PM · Aug 18, 2025 · **29.5K** Views

My *rough* bull thesis is that we're entering an "Energy At All Costs" era, and solar will be part of that energy paradigm. Data centers need energy, we don't have enough of it in the US, so why should customers (or investors!) care where the incremental electron comes from?

This should put a floor on demand while the supply side remains bombed out, stripped of government incentives, losing share to Chinese competitors, while investor capital evaporates.

The current market perception is that “Trump = Bad for solar” because the new *One Big Beautiful Bill* strips solar companies of IRA tax benefits. However, this wasn’t the case during Trump’s first term.

Check out this chart from Jamie Saettele, shared by @Phil Deane in the #ideas-equities channel.



Solar ETF \$TAN rose 1,272% against “fossil fuel energy” \$XLE during Trump’s first term.

Here’s the interesting part: **TAN is breaking out against XLE again.**

I love ideas that destroy my preconceived biases ... and this is one of them. I, like probably most investors, view Trump as a negative for the solar industry. But the tape says otherwise.

And sometimes the best trades are the ones that don't make sense. You just plug your nose, trust the tape/process, and see what happens.

There are three reasons why the market might be right about solar's inflection.

- 1. Solar is a great way to fight rising electricity prices from increased energy demand.**
- 2. Solar is so cheap that it's irresponsible not to use it.**
- 3. Trump probably wants to "one-up" China, which will mean increased solar investment.**

Here's an unsettling fact: Most major grid assets were built in the 1960s–1970s, meaning large portions of the system are now roughly 50–70 years old.

In other words, **the grid is a boomer.**

This is a problem because we're asking this "Boomer Grid" to go from a sedentary lifestyle (current electricity consumption) to running an Ultramarathon (data center, AI, cloud computing, etc.).

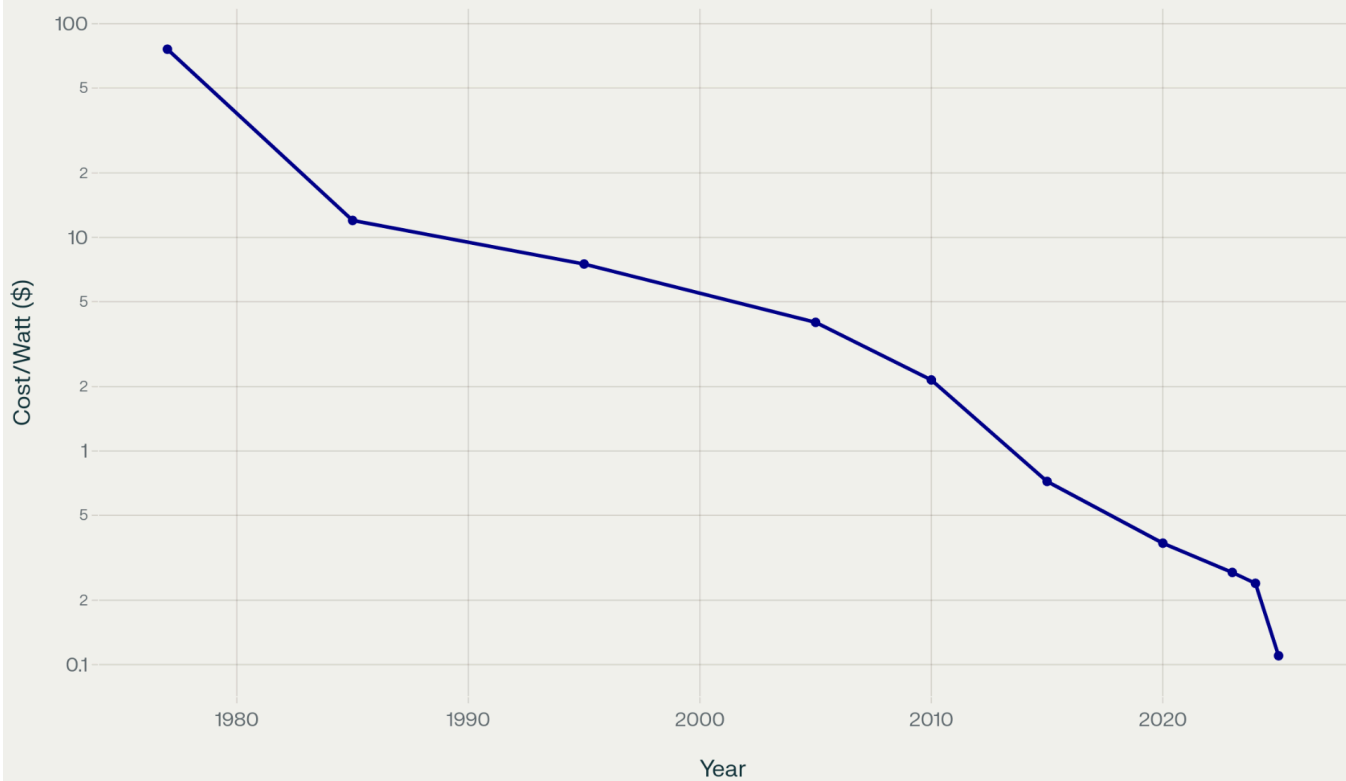
Bones will break, hearts will explode. But solar can help.

Here are five ways solar reduces the strain on our boomer grid:

1. On-site solar reduces grid draw at peak times
2. Utility-scale solar near load centers lowers wholesale costs
3. Long-term price certainty via PPAs and hedges
4. Capacity and reliability support with solar-plus-storage
5. Smoothing regional price shocks

We can do this because solar prices have collapsed by 99.9% over the past 40 years (see chart below).

Solar Cost Drop: 99.9% Since 1977



From \$76 per watt in 1977 to just \$0.11 per watt today. The cost decline has accelerated dramatically in recent years. In 2010, panels cost \$2.15 per watt; by 2025, they've fallen another 95% to current levels.

Then there's the overcapacity problem. Solar is like every other cyclical industry. Bad things happen if you build more supply than there is demand.

China, for instance, has [built 1,600 GW of module manufacturing capacity](#) but faces an annual demand of only 550 GW (34.4% utilization rate). Globally, there's 2,000 GW of supply chasing 492 GW of demand (24% utilization rate).

This explains why solar companies like SolarEdge (SEDG), Enphase (ENPH), and Sunrun (RUN) are **down 96%, 88%, and 80% from their highs**, respectively.

The variant perception with solar is that we've hit the cycle bottom and will turn from here, increasing utilization and demand while consolidating a bombed-out industry. The remaining players *should* have stronger balance sheets, improved P&Ls, and fewer competitors to capture future increased demand.

Finally, this bull thesis wouldn't be complete without some "Trump ego" angle. Trump wants to win every game he plays, especially against China. It's why he's investing in domestic critical mineral production, remilitarization, and energy dominance.

Imagine what would happen to the US solar industry if Trump started competing with China on renewable investment? According to electrek.com:

*"China has cemented its status as the world's top energy investor, spending nearly as much as the US and EU combined. In 2015, it barely edged out the US. Today, it's pulling far ahead, especially in clean energy. Over the past decade, **China has boosted its share of global clean energy investment from 25% to nearly 33%, thanks to massive spending on solar, wind, hydro, nuclear, EVs, and batteries.**"*

China added 277.2GW of solar capacity to the grid in 2024 alone. Remember, we're entering an "energy at all costs" regime. We'll want everything: coal, oil, solar, renewables, etc. It's all electrons.

Alright, with the bull thesis out of the way, here's how I'm building my solar thematic basket.

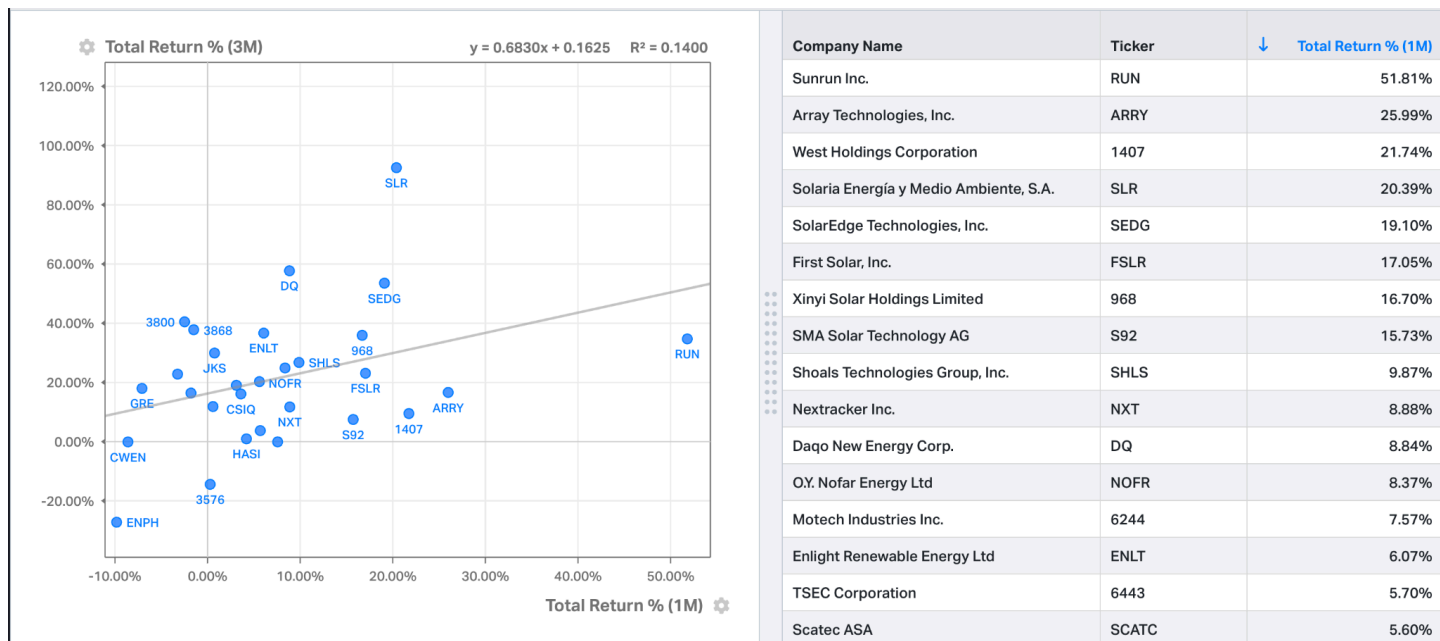
My Solar Thematic Basket: ETF + 1-2 Single Name Equities

My new investing framework, which I outlined in my [Revisiting Process](#) piece, is:

- Identify the best thematic ETF to express a bet, and buy that as the core position.
- Layer 1-2 single-name equities that meet our Trifecta Lens Criteria to complete the basket trade.

We bought \$TAN this afternoon for a ~4% notional position.

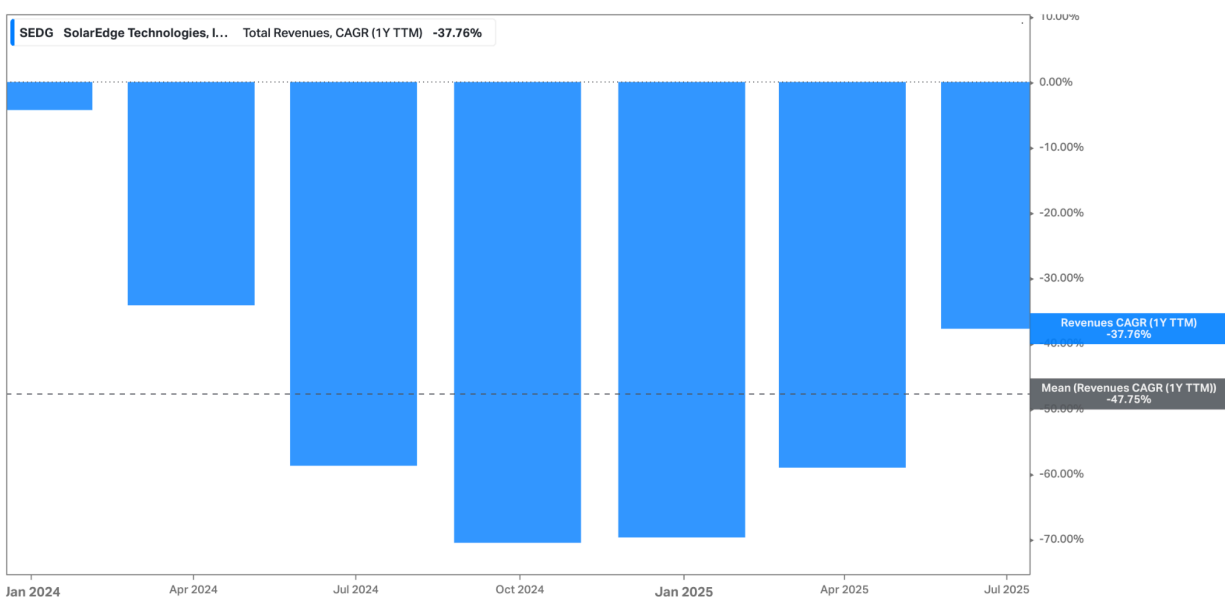
Now I'm focused on finding the one to two single-name stocks to complete the basket. Let's start with a market scatter of the TAN ETF on a 1M and 3M return basis (see below) and see which stocks I want to buy in the coming weeks.



SolarEdge (SEDG)

- Market Cap: \$1.9B
- Enterprise Value: \$1.88B
- EV/Sales: 2.0x
- Description: Designs, develops, manufactures, and sells direct current (DC) optimized inverter systems for solar photovoltaic (PV) installations

SEDG is everything you hate about a stock. It's down 90% from its highs, revenues have declined by 48% *on average* over the past six TTM periods (see below), and the stock hasn't moved in over a year.



So what’s to like?

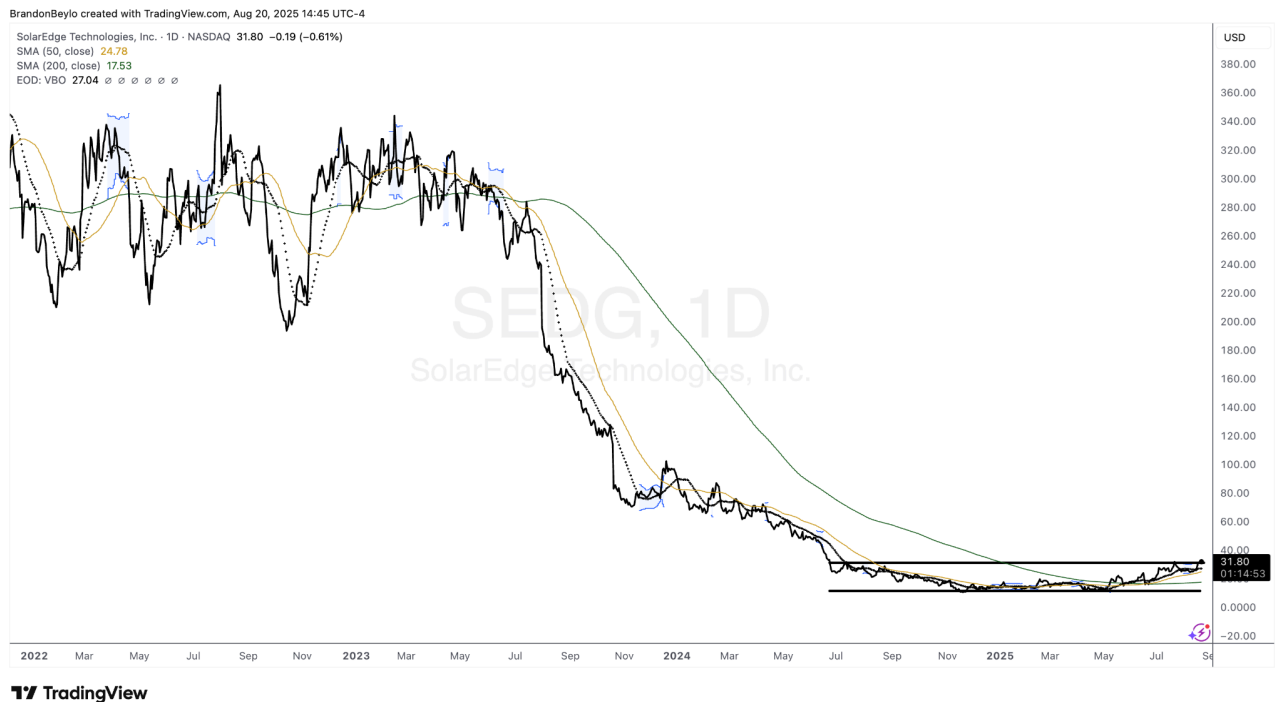
- 1. Analysts estimate that revenue will grow YoY over the next three years and reach \$1.64B by 2027.

Fiscal Period	Analyst #	Estimate Low to High Range		Average	YoY Chg %	EV Multiple	
Sales							
FY 2025	26	\$ 993.80M	<div><div></div><div></div><div></div></div>	\$ 1.27B	\$ 1.16B	29.12%	1.6x
FY 2026	28	\$ 996.00M	<div><div></div><div></div><div></div></div>	\$ 3.21B	\$ 1.47B	26.21%	1.3x
FY 2027	18	\$ 1.11B	<div><div></div><div></div><div></div></div>	\$ 3.47B	\$ 1.64B	11.58%	1.1x

- 2. The stock is a Relative Strength leader reaching the 90th percentile across all time frames.

	Current	Percentile Rank	
		vs. Global Information Technology	vs. Global
📊 Price Change %			
Price Change % (1W)	20.63%	<div><div></div></div> 98	<div><div></div></div> 99
Price Change % (1M)	19.91%	<div><div></div></div> 89	<div><div></div></div> 91
Price Change % (3M)	54.58%	<div><div></div></div> 92	<div><div></div></div> 93
Price Change % (6M)	75.48%	<div><div></div></div> 93	<div><div></div></div> 93
Price Change % (YTD)	134.71%	<div><div></div></div> 97	<div><div></div></div> 97

- 3. The chart is forming a one-year rectangle base pattern (i.e., Ted Warren stock) and looks ready to break out.



This is *precisely* what you want in a contrarian, Trifecta Lens trade: **improving fundamentals, hated sentiment, and inflecting technicals.**

Shoals Technology (SHLS)

- Market Cap: \$1B
- Enterprise Value: \$1.15B
- EV/Sales: 2.2x
- EV/EBIT: 12.7x
- Description: SHLS provides electrical balance of system (EBOS) solutions and components in the United States and internationally. The company designs, manufactures, and sells various products used by the solar and battery storage industries.

SHLS is down ~84% from its post-IPO high, revenues have declined each of the past five quarters (YoY), and the company has \$132M in long-term debt with ~\$5M in cash. Sounds promising.

Don't judge just yet. The company averages ~33% gross margins, generates positive net income *and* free cash flow even after deducting stock-based compensation. Analysts estimate that SHLS will generate ~\$150M in EBITDA by 2025 (~8x multiple) while growing revenues by ~10-12% annually during that period.

Fiscal Period	Analyst #	Estimate Low to High Range				Average	YoY Chg %	EV Multiple	
- EBITDA									
FY 2025	19	\$ 102.44M	<div><div></div><div></div></div>			\$ 112.90M	\$ 107.82M	8.82%	10.6x
FY 2026	19	\$ 92.00M	<div><div></div><div></div></div>			\$ 161.80M	\$ 129.91M	20.48%	8.8x
FY 2027	14	\$ 99.98M	<div><div></div><div></div></div>			\$ 201.80M	\$ 148.37M	14.21%	7.7x

Finally, the stock is forming a one-year inverse H&S basing pattern and is a Relative Strength leader across 1M, 3M, and 6M time frames.



I've pitched two dogs, so let's end with a leader.

Nexttracker (NXT)

- Market Cap: \$10B
- Enterprise Value: \$9.3B
- EV/Sales: 3x
- EV/EBIT: 13x
- Description: NXT provides solar tracker technologies and solutions for utility-scale and distributed generation solar applications in the United States and internationally.

Feel free to take me out back and shoot me ... but NXT feels like a “Compounder”???

The company has grown revenue by ~25% CAGR over the past five years, it's run by it's founder (called “the Godfather of Solar”), has over \$700M in net cash on the balance sheet, has generated positive EBITDA since 2019, and has increased EBITDA margins from 3% in 2019 to 22% today.

Not to mention NXT has been the market leader in its category for the past eight years (23% share).

The pitch is that NXT has spent decades building this massive installed base of solar trackers. And now that it has this large base of trackers, it can upsell tracking software at software-like gross and net margins.

You're getting this business for ~16x profits today.

Analysts expect NXT to generate ~\$1B in EBITDA by 2028 (which is the company's third forward year), which would give it a 9x multiple.

Fiscal Period	Analyst #	Estimate Low to High Range			Average	YoY Chg %	EV Multiple
- EBITDA							
FY 2026	20	\$ 763.43M	<div><div></div><div></div><div></div></div>	\$ 816.00M	\$ 794.78M	2.35%	11.4x
FY 2027	21	\$ 785.10M	<div><div></div><div></div><div></div></div>	\$ 994.00M	\$ 885.58M	11.42%	10.2x
FY 2028	10	\$ 892.40M	<div><div></div><div></div><div></div></div>	\$ 1.13B	\$ 993.55M	12.19%	9.1x

I don't know. That multiple is probably way too low if the company's successful in generating a larger share of revenue from its higher-margin software-like products/services. I could see investors paying ~15-18x EBITDA if the company executes.

You're probably thinking, "what's the catch?" There's one major issue surrounding NXT's gross margin number.

Currently, the company benefits from the IRA's 45X manufacturing credit. This credit allows NXT to share certain manufacturing costs with its suppliers, effectively serving as a subsidy, enabling NXT to compete globally with low-cost Chinese competitors.

Last year, NXT recognized \$121.4M in cost savings from this subsidy. So while not a significant component of gross profit, it's still something to monitor as it could influence customer choice and winning new business.

Finally, check out the chart.

BrandonBeylo created with TradingView.com, Aug 20, 2025 15:22 UTC-4



TradingView

The stock recently hit new ATHs before pulling back. It remains a Relative Strength leader across 6M, YTD, and 1YR time frames.

Conclusion: A Good Starting Point

I'm digging into each of the above companies to determine which ones we'll add to our Solar Basket. It's a good start, but I have a long way to go before developing conviction in any of the names above.

That said, let me know if there's a name I should add to my watchlist. Something that should supersede the three names here.

Until next time.

Your Value Operator,

Brandon