

## SIKULI CAPITAL

Conviction through contrarian research

# SolarEdge Technologies (SEDG)

## Valuation Snapshot — Fair Value Range

As of May 20, 2026 | Residential + C&amp;I solar inverter manufacturer

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
<b>\$54.89</b>	<b>~\$50</b>	<b>\$25 - \$90</b>
5/19/26	Bull 25% / Base 50% / Bear 25%	Turnaround story; high dispersion

**Verdict:** SEDG is a turnaround equity. Q1 2026 revenue grew 46% YoY to \$310.5M with a sixth consecutive quarter of margin expansion<sup>[1]</sup>, but the company remained unprofitable (non-GAAP EPS -\$0.43). Q2 guidance of \$325-355M with near-breakeven EBIT signals an inflection<sup>[2]</sup>. The stock has been violently volatile — recently swinging \$50-\$61 — reflecting heavy short interest and sentiment shifts. Our blended FV of ~\$50 puts the stock approximately fairly valued at \$54, but the dispersion (\$25 bear / \$90 bull) is wide because operating leverage cuts both ways at this revenue scale. Consensus average PT is \$26 (deeply bearish), median \$33<sup>[3]</sup> — well below current price, suggesting the rally has run ahead of analyst conviction.

## CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	<b>\$54</b>	5/19/26 range \$50-55 <sup>[4]</sup>
52-week range	<b>Wide; volatile</b>	Closed \$61.48 on 5/15
Market cap	<b>~\$3.2B</b>	Implied at \$54 × ~59M shares
Q1 2026 revenue	<b>\$310.5M (+46%)</b>	Sequentially -7.4% <sup>[2]</sup>
Q1 2026 EPS	<b>-\$0.43 non-GAAP</b>	Beat by ~16¢ <sup>[1]</sup>
Q2 2026 revenue guide	<b>\$325M - \$355M</b>	Near-breakeven EBIT midpoint <sup>[2]</sup>
FY26 revenue est.	<b>~\$1.3B</b>	Implied from quarterly trajectory
Trailing P/E	<b>n/m (losses)</b>	Forward P/E meaningful only post-breakeven
Cash position	<b>Adequate</b>	Positive cash flow expected for 2026
Short interest	<b>High</b>	Drives volatility on news prints
Consensus PT	<b>\$26 avg / \$33 median</b>	45 analysts; Hold consensus <sup>[5]</sup>

## MACRO CONTEXT — RATES & MARKET LEVELS

US residential solar faces headwinds — federal tax credit changes in 2025/2026, financing rates at ~7-8% (10Y at 4.68%)<sup>[6]</sup>, and slowing demand. European demand remains stronger, supporting Q1's outperformance. Broader market trades at 21x forward S&P P/E<sup>[7]</sup>. **Implication for SEDG:** Rate-sensitive residential solar is the most cyclically depressed sub-sector. SEDG's leverage to a European recovery + US C&I + battery segment provides multiple paths to recovery — but execution risk remains material until consistent profitability is shown.

## METHODOLOGY

Given current losses, we use revenue-based valuation with sentiment-implied multiples. Three lenses: **(1) EV/Revenue on FY27E** (~\$1.55B assumed), **(2) P/E on FY27E EPS** (~\$2.00 if margins recover to 8% net), **(3) EV/EBITDA on FY27E** (~\$155M EBITDA at 10% margin). Weights: Bull 25% / Base 50% / Bear 25%. Net cash ~\$0.1-0.2B assumed; shares 59M.

## BULL / BASE / BEAR SCENARIOS

Scenario (weight)	EV/Rev on FY27E	P/E on FY27E EPS	EV/EBITDA on FY27E	Blended FV
<b>Bull (25%)</b> <i>Strong Eu recovery + US C&amp;I traction, EBITDA mgn 12%+, multiple re-rates</i>	3.5x → \$94	40x → \$80	30x → \$84	~\$85
<b>Base (50%)</b> <i>Hit guide, breakeven Q2, margin builds to 8-10%, modest multiple</i>	2.0x → \$54	22x → \$44	18x → \$52	~\$50
<b>Bear (25%)</b> <i>EU pullback or US disincentivization, losses persist, multiple compresses</i>	1.0x → \$27	15x → \$30	10x → \$30	~\$29
<b>Probability-weighted</b>	~\$58	~\$50	~\$54	~\$50

**Blended fair value (~\$50)** = simple average of the three method-level probability-weighted outputs (\$58 / \$50 / \$54) ≈ \$54, essentially current price. The wide range (\$25-\$90) reflects the binary nature of operating-leverage stories at this revenue scale.

## PEER COMPARISON

Company	Fwd P/E	Rev Growth	Notes
SolarEdge (SEDG)	n/m → 22x	+46% Q1	Turnaround; high beta to recovery <sup>[3]</sup>
Enphase (ENPH)	~14x	-21% Q1	Profitable but declining; net cash

Company	Fwd P/E	Rev Growth	Notes
First Solar (FSLR)	~11x	+24% Q1	Utility-scale; profitable; net cash
SunPower / Maxeon	Distressed	n/m	Reorganization; reference only
Array Tech (ARRY)	~10-15x	+5%	Tracker; utility-scale
Sunrun (RUN)	n/m	+5-10%	Residential lease/loan; rate-sensitive

SEDG screens expensive vs. profitable peers (ENPH ~14x, FSLR ~11x) on the post-turnaround forward P/E assumption. The investment case requires belief in operating leverage materializing — every \$50M of incremental revenue at 30%+ contribution margin meaningfully shifts the model.

### Key Risks & Watch Points

- **Path to profitability:** Six quarters of margin expansion is encouraging, but breakeven still depends on Q2 print holding the line. A single quarter of margin slip resets the thesis.
- **Inventory overhang:** Channel inventory remains elevated; further writedowns possible.
- **CFO transition:** Recent leadership shake-up creates execution uncertainty.
- **US policy:** ITC modifications, anti-dumping duties, and rate environment all hit residential demand.
- **Competition:** Enphase, Tesla Powerwall, and Chinese inverters all compete; share recovery is contested.
- **Capital structure:** Convertible bonds maturity profile and cash runway need monitoring.

### What Would Change Our View

- **Upside:** Q2 beat with positive EBIT, European demand acceleration, US C&I traction, gross margin >32%.
- **Downside:** Q2 miss or guide cut, channel inventory issues resurface, further CFO/management departures, ITC negative news.

### Sources

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