

Americas Clean Energy

Inflation Reduction Act 3.0: Implications of election result

According to media outlets, Donald Trump has won the presidential election. While we continue to await certainty on the US congressional races, we believe it is prudent to revisit stocks across our US coverage universe that are most exposed to the Inflation Reduction Act (IRA), which has played a critical role in galvanizing investments in renewables through a variety of incentives. **As a result, we highlight the top 9 companies exposed to the IRA based on % of earnings attributable to IRA incentives.**

We continue to examine stocks across our US coverage that have the most current or prospective leverage to the IRA legislation, as highlighted in [Exhibit 2](#).

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Exhibit 1: We highlight 9 stocks across Americas Coverage that have the most exposure to IRA incentives based on % of earnings

Top IRA exposed names based on earnings exposure across Americas Coverage

Industry	Company	Ticker	Analyst	Rating	Mkt. Cap (\$bn)	YTD %	12-mo PT	Upside/Downside	IRA Exposure (EPS/stock)
Clean Technology	First Solar	FSLR	Brian Lee, CFA	Buy	\$20.9	13%	\$279	43%	●
	Enphase	ENPH	Brian Lee, CFA	Buy	\$11.4	-37%	\$145	75%	●
	Array Technologies	ARRY	Brian Lee, CFA	Buy	\$1.0	-61%	\$14	114%	●
	SolarEdge	SEDG	Brian Lee, CFA	Sell	\$1.0	-82%	\$19	11%	●
	Nextracker	NXT	Brian Lee, CFA	Buy	\$5.9	-15%	\$63	58%	●
Energy Services	Quanta Services	PWR	Neil Mehta	Buy	\$45.3	40%	\$328	9%	●
US Multi-Industry	GE Vernova	GEV	Joe Ritchie	Buy	\$82.7	115%	\$324	7%	●
Utilities	NextEra	NEE	Carly Davenport	Buy	\$163.1	30%	\$92	16%	●
Autos & Industrial Tech	Tesla	TSLA	Mark Delaney, CFA	Neutral	\$873.7	1%	\$250	0%	●

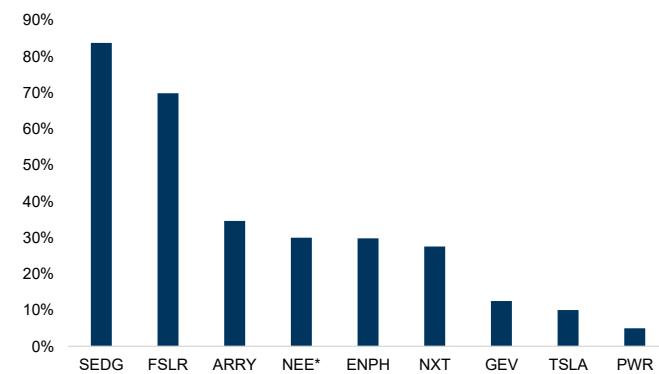
(● 5% or less ● 5% to 25% ● 25% to 50% ● 25% to 50%)

Pricing as of October 31, 2024

Source: Goldman Sachs Global Investment Research

Exhibit 2: Ranking of IRA exposure based on % of EPS

Top IRA exposed names based on profitability exposure across Americas Coverage



*NEE based on EBITDA

Source: Goldman Sachs Global Investment Research

Stocks in Focus - Clean Technology (Brian Lee)

Within our Clean Technology coverage, we view ARRY, FSLR, and SEDG as having the most future earnings exposure to the IRA. Below, we detail our framework for each stock plus ENPH and NXT (also in the top 9).

First Solar (FSLR; Buy - covered by Brian Lee)

Company overview: FSLR is the largest solar module manufacturer in the US, specializing in thin-film technologies. The company maintains a strong presence in the US, which represented ~90% of its 2023 sales. We expect FSLR to have a nameplate capacity of ~25GW by the end of 2026, including ~14GW of annual production capacity within the US.

How it benefits from IRA: The IRA includes domestic manufacturing credits for solar cells (\$0.04/w), modules (\$0.07/w), and wafers (~\$0.06-\$0.07/w), resulting in \$0.17/w of

total credits. FSLR recently inaugurated its 3.5GW facility in Alabama, and expects to bring online a similar sized facility in Louisiana in 2026. As a result, we model the company's annual domestic capacity to increase from ~5.9GW in 4Q23 to 10.2GW in 4Q24 and 14.7GW in 4Q26. Notably, other companies are also able to leverage FSLR modules to qualify for a 10% domestic content bonus that is realized from purchasing domestically manufactured modules.

IRA exposure: As of 2023, the company benefited from \$675mn of manufacturing credits due to its domestic manufacturing, or 81% of FSLR's non-GAAP EPS of \$7.74. In 2024 the company guided to realizing roughly \$1.02bn-\$1.05bn in IRA credits as well. **In 2026, we forecast \$2.0bn in IRA credits, which represents ~70% of our non-GAAP EPS of \$27.66.**

Enphase Energy (ENPH; Buy - covered by Brian Lee)

Company overview: ENPH is the global manufacturing leader for solar microinverters, which are mostly installed in residential markets but also commercial. ENPH also provides residential energy storage systems, in addition to energy management hardware and software products. The US accounted for ~64% of ENPH's 2023 revenue, but the company's products are deployed in more than 150 countries.

How it benefits from IRA: ENPH benefits from domestic manufacturing credits included in the IRA, which provides \$0.11/w for solar microinverters. We note that the IQ8 microinverter has different configurations that range from 245 watts to 384 watts of max continuous output power, offering ~\$27-\$42 of gross tax credits per microinverter, which it then partly shares with its contract manufacturing partner. ENPH started realizing 45X credits from its US manufacturing operations in 2Q23, which we estimate can ramp from ~500k units in 1Q24 to nearly 2.0mn units in 4Q24.

IRA exposure: In 2023, ENPH generated ~\$42mn in net tax credits, or 11% of GAAP EPS (diluted) and 7% of non-GAAP EPS (diluted), and management guided for \$38mn-\$41mn in net tax credits in 4Q24 (or ~61% of our current GAAP EPS and 32% of non-GAAP EPS). **Looking ahead, we forecast ~\$275mn in IRA credits in 2026, or 30% of our non-GAAP EPS of \$6.42.** In addition, we believe ENPH is well-positioned to benefit from resi solar TPOs seeking to take advantage of the 10% domestic content tax adder since microinverters can nearly achieve the 40% domestic content threshold on their own.

Array Technologies (ARRY; Buy - covered by Brian Lee)

Company overview: ARRY is a leading supplier of solar trackers, both domestically and internationally, a technology deployed mostly in ground-mount solar projects to enable the solar panel to track the sun, increasing efficiency. ARRY is therefore highly levered to the growth in utility-scale solar installations in the US where we forecast a CAGR of ~7% between 2024-2027 and the region accounted for 74% of ARRY's 2023 revenue.

How it benefits from IRA: We view ARRY as an immediate beneficiary of demand tailwinds from the IRA, specifically the extension of the solar ITC at 30% and an additional 10% bonus for meeting domestic content requirements. On the

manufacturing side, the company is well-positioned to benefit from the US utility-scale market under the IRA, leveraging strategic partnerships with vendors for 45X Credit eligible parts, which yield “Vendor Rebates” tied to tax credit benefits. ARRY has 30GW of domestic manufacturing capability, which positions the company to be able to meet demand from continued utility scale growth in the US.

IRA exposure: While ARRY does not specifically break out 45X credits, the company noted on the most recent earnings call that adj. GMs inclusive of IRA benefits were ~35%, compared to GMs ex. IRA benefit that would have been in the low 30s. These credits include benefits from torque tubes \$0.87/kg and fasteners \$2.28/kg, which the company noted to be ~\$0.015-\$0.017/MW. ARRY is also looking for further clarity regarding eligibility of additional parts that might qualify under 45X as well. **Looking ahead, we forecast ARRY to receive ~\$80mn in 45X credits in FY2026, or ~35% of non-GAAP EPS.** We estimate that these IRA credits will reduce COGS in FY2026 by roughly (~8%).

Nextracker (NXT; Buy - covered by Brian Lee)

Company overview: NXT is a global leader in providing integrated solar tracker and software solutions to utility-scale and distributed generation solar projects. NXT has a strong sales presence across all regions, and the company’s geography mix is 68%/32% US/International in fiscal 2024E. NXT maintains the largest market share (38% as of CY2023) within the US, where the top 3 players in the market account for 89% of tracker shipments.

How it benefits from the IRA: NXT is the market leader in the US and maintains annual manufacturing of >30GW domestically. As a result, the company benefits from 45X manufacturing credits, as well as demand tailwinds from the ITC/domestic content adders under the IRA. These 45X domestic manufacturing credits are used to reduce the bill of materials and show up as a reduction in COGS under the company’s reporting. NXT is eligible for credits in relation to torque tubes \$0.87/kg and fasteners \$2.28/kg, which we estimate to be in the range of ~\$0.015-\$0.017/MW. The company had ~\$47mn in advanced manufacturing tax credit vendor rebates in FY1Q25, which represented \$0.31 cents of additional earnings in the quarter and implies a roughly ~55% share of the credits that vendors received.

IRA exposure: While NXT does report credits it receives quarterly, we only have 1 quarter of data; we estimate that NXT is receiving north of 50% credit share with vendors. The company looks to utilize these credits to lower its bill of materials, and we estimate that in F1Q25 these 45X manufacturing credits resulted in a (~8%) decrease in COGS. We anticipate the company to utilize both, 45X credits and price, as levers to maintain its target margin profile of high 20s to low 30s as well as expand the company’s TAM. **Looking ahead, we forecast ~\$204mn in IRA credits in FY2027, or 28% of our FY2027 non-GAAP EPS estimate of \$3.84.**

SolarEdge (SEDG; Sell - covered by Brian Lee)

Company overview: SEDG is a leading global solar inverter supplier and provides solutions for residential, commercial, and small utility-scale solar systems. SEDG has a

strong international sales presence, and we estimate its geographic sales mix of ~70%/30% international/US. Notably, SEDG is one of two dominant residential solar inverter suppliers in the US.

How it benefits from IRA: The IRA includes domestic manufacturing credits for residential inverters, with a \$0.065/w credit for string inverters and \$0.11/w for microinverters or string inverters paired with optimizers. Additionally, commercial inverters offer a \$0.02/w credit. SEDG started receiving manufacturing credits in 4Q23 with its string inverter manufacturing facility in Texas and it recently started shipping optimizers from its facility in Florida, which should provide a boost to the credits it receives.

IRA exposure: SEDG generated tax credits of \$11mn in 2Q24, which compares favorably to its non-GAAP net loss of \$101mn. **In 2026, we forecast \$164mn of IRA credits, which reduces COGS by 9% and represents 84% of our non-GAAP EPS estimate of \$3.22.** The company should also benefit from resi solar TPOs looking to take advantage of the 10% domestic content adder when inverters are paired with an optimizer, which can almost achieve the 40% domestic content threshold.

Stocks in Focus - Energy Services (Neil Mehta, Ati Modak)

Within the Energy Services coverage, we view PWR as the stock with most exposure to the IRA.

Quanta Services (PWR; Buy - covered by Neil Mehta/Ati Modak)

Company overview: Quanta Services is a specialty contractor that primarily provides engineering, construction and maintenance services for the electric and gas utility and midstream oil and gas end markets. Given this exposure, Quanta is a key player for the deployment of renewables across North America, and we believe PWR's transmission and distribution work for large-scale utilities positions the company as a primary beneficiary of increased power demand.

How it benefits from IRA: As a provider of engineering, construction and maintenance services for wind and solar projects as well as services for transmission and distribution, PWR benefits from the IRA mostly through increased demand.

IRA exposure: While we attribute no earnings to the IRA in 2023, we note that every 10% increase in installed capacity of solar equates to a 1% increase in earnings per year through 2030E, all else equal. Given this, we anticipate the IRA will drive an improved earnings outlook. We highlight PWR as well-positioned to capitalize on increased power demand and T&D investments given the company's 15% market share as well as experience building out 50% of the US transmission system.

Stocks in Focus - Utilities (Carly Davenport)

Within the Utilities coverage, we view NEE as having the most stock related exposure to the IRA.

NextEra Energy (NEE; Buy - Covered by Carly Davenport)

Company overview: NEE is the parent company of the regulated utility Florida Power & Light (FPL), as well as its renewable focused subsidiary NextEra Energy Resources (NEER). NEER owns the largest renewable portfolio in the nation, and management mentioned it has a 20% market share in the renewable developer space. NEER has a development plan that aims to install up to ~47 GWs of renewables and storage through 2027, and expects to achieve a total renewable and storage portfolio of 81 GWs by the end of 2027.

How it benefits from IRA: As the largest renewable developer in the US with a ~20% market share, NEE has significantly benefited from tax credits that the IRA both extended and created. NEE plans to use tax equity financing and tax credit monetization to fund its growth, and without the existing tax credits for renewables it would be challenging to grow at the same pace. We believe NEE's strong, long-term growth outlook is supported by these tax credits, though we note the inflection in power demand has created a new source of pricing/volume support.

IRA exposure: Currently, we estimate 29% of 2023 revenue was attributable to IRA tax credits. **Looking ahead, we expect ~30% of NEE's 2026 EBITDA is exposed to IRA credits.** Additionally, NEE leverages tax equity financing, which is a market that has experienced strong growth given the vast amount of tax credits created by the IRA, to fund its growth.

Stocks in Focus - US Multi-Industry (Joe Ritchie)

Within the US Multi-industry coverage, we view GEV as having the most earnings exposure to the IRA.

GE Vernova (GEV; Buy - covered by Joe Ritchie)

Company overview: GEV is an electric power (i.e., gas, wind, nuclear, hydro, solar) company that provides equipment/services to generate, transfer, convert and store electricity. The company has three reporting segments: Power, Wind and Electrification, and is a global business with operations in the US (38% of 2023 sales), Europe (25%), Asia (16%) and all other regions (21%). Over the long term, we are optimistic on GEV's position in helping the world electrify and decarbonize given GEV's assets serve > a \$250bn market with a current backlog > \$100bn.

How it benefits from the IRA: For GEV, the IRA holds most value for its Wind segment. They have adopted a strategy of focusing their efforts domestically and currently ~70% of their Onshore Wind equipment RPO is attributed to the United States. The IRA has

introduced new and extended existing ITCs and PTCs, which improves the economics for GEV's customers and turbine producers for US projects. The life of the new PTCs will be ~10 years and could extend well beyond that, providing a tailwind to long-term demand for wind projects in the US. We estimate 10%-15% of 2025-2026 profitability is attributable to IRA credits.

IRA exposure: We expect GEV to benefit from the IRA ITC/PTC credits which would support greater volume leverage and increased cash flow for the company. Onshore makes up ~80% of the Wind segment today, and they are seeing an influx of capital and incentives in the US, which they estimate is driving ~\$1bn/GW in project/manufacturing tax benefits. Within Onshore Wind, the IRA drove > \$10bn in orders in 2023 (B2B: > 1.3x) and this should start to ramp in 2H24, on the back of which we expect Onshore Wind to grow +6%/+6% in 2025/2026. Within our Multis coverage, we believe GEV is uniquely positioned to benefit from this secular growth trend.

Stocks in Focus - Autos & Industrial Tech (Mark Delaney)

Within the Autos and Industrial Tech coverage, we view TSLA as having the most IRA exposure.

Tesla (TSLA; Neutral - Covered by Mark Delaney)

Company overview: Tesla is a leading provider of electric vehicles, energy generation and storage systems, and related software and services. We believe that Tesla is well-positioned for long-term growth, given its leading position in the EV and clean energy markets (which we attribute in part to its ability to offer full solutions including charging, storage, software/FSD and services with a direct sales model), but we believe that this is generally reflected in the stock given the premium valuation.

How it benefits from the IRA: Tesla is both a direct beneficiary of the IRA bill from the 45X advanced manufacturing production credits and indirectly from the 30D consumer clean vehicle credit.

We believe that Tesla is directly benefiting from 45X credits of up to \$45 per kWh for batteries and packs in total, which as an illustration could total ~\$4.5K for a vehicle with a 100 kWh pack (for the vehicles where the company makes both the 4680 cells and the packs). Additionally, Tesla benefits from lower costs on the cells that its partner Panasonic generates on cell production in Nevada. For vehicles where Tesla shares the cell credit and captures the pack credit, we estimate that it could benefit by ~\$1K-\$3K per vehicle.

Tesla also indirectly benefits from the 30D consumer credit, which provides consumers the ability to claim EV credits of up to \$7,500 per vehicle (albeit the EV must meet certain critical mineral and battery component requirements). While Tesla may not receive a direct benefit, we believe the consumer 30D credit stimulates demand by helping with the affordability of EVs. Notably, most Model Y and Model 3 variants (Model 3 and Model Y accounted for >90% of Tesla's US deliveries in 2023, per Motor

Intelligence) are eligible for the EV tax credit of up to \$7,500.

IRA exposure: Given our Tesla delivery estimates in 2026 and the likely continued ramp of 4680 cells for Tesla's vehicle fleet, **we estimate that the direct impact of the IRA credits (45X manufacturing credits) to Tesla's overall earnings in 2026 will be a mid-single digit to mid-teens percent.**

Valuation and Key Risks

- **FSLR (Buy):** Our 12-month price target of \$279 is based on an 11X ex-cash P/E multiple on our Q5-Q8 EPS with ~\$6 per share in net cash added back. Key risks include module oversupply, higher than expected module costs, trade policy and changes to US manufacturing credits.
- **ARRY (Buy):** Our 12-month price target of \$14 is based on a 13X P/E on Q5-Q8 EPS. Key risks include competition, customer attrition, patent protection, market demand, policy, and supplier product availability/pricing.
- **ENPH (Buy):** Our 12-month price target of \$145 is based on a 25X P/E multiple applied to our Q5-Q8 EPS, and adding back ~\$7 of net cash per share. Key risks include lower-than-expected revenue growth and margins, changes in the competitive and technology landscape, US-China tariffs, and abnormal inventory builds across the channel.
- **NXT (Buy):** Our 12-month price target of \$63 is based on a 17.5X P/E multiple on our Q5-Q8 EPS. Key risks include increasing competition, customer attrition, patent protection, market demand, policy, and supplier product availability/pricing.
- **SEDG (Sell):** Our 12-month price target of \$19 is base don a 10X ex-cash P/E multiple on Q5-Q8 EPS with ~\$0.72 in net cash per shade added back. Key risks include a rebound in pricing, ASP increases due to favorable product mix, inventory channel clearing out faster than expected, policy shifts that could reignite growth, any increase in energy prices or demand could drive more demand for cheaper energy production across the board, especially if consumers are hard hit, which would drive residential installations.
- **PWR (Buy):** Our 12-month price target is \$328, which reflects our target 18.0x STM (second twelve months, or Q5-Q8) EV/EBITDA multiple. Key risks include **1)** Slower revenue CAGR across segments from loss in project volume momentum, **2)** Delays in project deliverables from supply chain related challenges, **3)** Slower margin progression across the three segments from cost inflation or other operational challenges.
- **GEV (Buy):** Our 12-month price target of \$324 is based on our Q5-Q8 EBITDA multiple of 20x.. Key risks include, slower growth due to regulatory/geopolitical changes, project delays from supply chain disruptions and execution risk.
- **NEE (Buy):** Our 12-month price target of \$92 is based on a SOTP. Key risks relate to 1) a slowdown in renewables demand or deterioration in economics for these projects, 2) the impact of higher interest rates on financing costs, 3) ability to

execute asset sales, and 4) acceleration in power demand not materializing.

- **TSLA (Neutral):** Our 12-month price target of \$250 is based on 65X applied to our Q5-Q8 EPS estimate including SBC. Key downside risks to our view relate to potentially larger vehicle price reductions than we expect, increased competition in EVs, slower EV demand, delays with products/capabilities like FSD/4680, key person risk, the internal control environment, margins, and operational risks associated with Tesla's high degree of vertical integration. Upside risks include faster EV adoption and/or share gain by Tesla, a stronger macroeconomic environment for new vehicle sales more generally, earlier new product launches than we expect, and an earlier/larger impact from AI enabled products (e.g., FSD, Optimus and robotaxis) than we currently anticipate.

Disclosure Appendix

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We, Brian Lee, CFA, Nick Cash, Tyler Bisset, CFA, Shubham Khurana, Mark Delaney, CFA, Carly Davenport, Neil Mehta, Ati Modak and Joe Ritchie, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACP) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

Rating and pricing information

Array Technologies Inc. (Buy, \$7.61), Enphase Energy Inc. (Buy, \$89.94), First Solar Inc. (Buy, \$215.89), GE Vernova (Buy, \$315.77), NextEra Energy Inc. (Buy, \$78.65), Nextracker (Buy, \$44.09), Quanta Services (Buy, \$314.62), SolarEdge Technologies Inc. (Sell, \$18.87) and Tesla Inc. (Neutral, \$251.44)

The rating(s) for Tesla Inc. is/are relative to the other companies in its/their coverage universe: Amphenol Corp., Aptiv Plc, Aurora Innovation Inc., Belden Inc., BorgWarner Inc., Cerence Inc., ChargePoint Holdings, Flex, Ford Motor Co., General Motors Co., Gentex Corp., Innoviz Technologies, Jabil Circuit Inc., Keysight Technologies Inc., Lear Corp., Luminar Technologies Inc., Magna International Inc., Mobileye Global Inc., QuantumScape Corp., Rivian Automotive Inc., Sensata Technologies Holding, Symbotic Inc., TE Connectivity Ltd., Tesla Inc., Vertiv Holdings, Visteon Corp.

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Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global Equity coverage universe

	Rating Distribution			Investment Banking Relationships		
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Price target and rating history chart(s)

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