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# Array Technologies Inc Acquisition Presentation

Team: Enfincers

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# Overview



## Array Technologies Inc.

- Headquarter in NM, USA, went public in year 2020
  - Focuses on utility and distributes generation solar energy projects globally.
  - Offers a portfolio of integrated solar tracking systems which can adjust angle, increased 10-25% energy output
  - Key components of the systems include:
    - Steel tubing
    - Steel supports, etc.
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# Market and Industry Information

## Market and Industry Overview

- **Market Size:** The global solar tracking market has been experiencing significant growth because of demand for renewable energy
  - **Growth Rate:** The solar tracking market is expected to grow at a robust CAGR (Compound Annual Growth Rate) over the coming years, also fueled by governmental policy
  - **Key Market Strength:** Advanced solar tracking technology for utility-scale projects
  - **Sustainability Focus:** Strong ESG (Environmental, Social, Governance) principles, driving renewable energy adoption.
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# Market and Industry Information

## Competitive Landscape

- Nextracker
- SolarFlex
- SunPower

**Differentiation:** innovative designs, reliability, and a focus on performance efficiency.

**Key Products:** DuraTrack, STI H250, SmarTrack (machine learning-based optimization software).

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# Array Technologies

(\$ in millions)

	2024E	2025E	2026E	2027E	2028E	2029E
Revenue	\$951	\$1,271	\$1,453	\$1,578	\$1,563	\$1,627
YoY Growth (%)		33.6%	14.4%	8.6%	(0.9%)	4.1%
EBITDA	\$195	\$269	\$331	\$344	\$304	\$320
Margin (%)	20.6%	21.2%	22.8%	21.8%	19.4%	19.7%
Net Income	\$24	\$88	\$132	\$122	\$128	\$131
Margin (%)	2.6%	6.9%	9.1%	7.7%	8.2%	8.1%
Cash Flow from Operations	\$110	\$200	\$185	\$232	N.A.	N.A.
Capital Expenditures	\$25	\$25	\$25	\$25	\$20	\$20
FCF (CFFO - Capex)	\$85	\$175	\$160	\$207	N.A.	N.A.

# Financial Projection

Interest Schedule	Type	Rate
Senior Revolving Credit Facility	Floating	4.0%
Subordinated Debt Cash Interest	Fixed	8.0%
Revolver Commitment Fee	Fixed	0.5%

## Market Positioning

- There could be a divergence in perspectives on the company's ability to maintain or expand its market position, particularly in a competitive industry like solar energy.

## Risk-averse Assumption

- In contrast to the consensus, our financial projections may reflect **more conservative or risk-averse assumptions**, leading to negative IRR for the previous years

Uses		
Purch. of Equity	646,189	51.0%
Mgmt. Rollover	123,884	9.7%

# Attention areas

	2025	2026	2027	2028	2029
IRR	-26.70%	-4.69%	9.21%	16.89%	21.56%

## LBO Model (Array Technologies)

x

(\$ in thousands, except per unit data)

Valuation	
2024E EBITDA	195,000
Multiple	8.0x
Transaction Value	1,560,000
Less: Debt	1,073,047
Plus: Cash	282,320
Offer Value	769,273

Other Assumptions	
Revolver EBITDA multiple	2.0x
Revolver Availability	390,000
Minimum Cash	126,216
M&A Fee	358,800
Existing management ownership	80.0%
Mgmt Rollover (pre-tax)	20.0%

Sources and Uses				
Sources	\$	%	x	Term
BS Cash	97,939	7.7%		
Credit Facility	390,000	30.8%	2.00x	5
Sub. Debt	292,500	23.1%	1.50x	5
Mgmt. Rollover	39,000	3.1%	0.20x	
Cash Equity	448,500	35.4%	2.30x	
<b>Total Sources</b>	<b>1,267,939</b>	<b>100.0%</b>	<b>6.00x</b>	
<b>Uses</b>				
Purch. of Equity	646,189	51.0%		
Mgmt. Rollover	123,084	9.7%		
Minimum Cash	126,216	10.0%		
Trans. Expenses	358,800	28.3%		
Fin. Expenses	13,650	1.1%		
<b>Total Uses</b>	<b>1,267,939</b>	<b>100.0%</b>		

Debt Schedule				Fiscal Year Ending,					
(\$ in thousands, except per unit data)				2024	2025	2026	2027	2028	2029
<b>Senior Revolving Credit Facility</b>									
Beginning Balance				--	390,000	135,169	--	--	--
Mandatory Paydown				--	--	--	--	--	--
Discretionary Paydown				--	(254,831)	(135,169)	--	--	--
Ending Balance				390,000	135,169	--	--	--	--
Availability				--	254,831	390,000	390,000	390,000	390,000
<b>Subordinated Debt</b>									
Beginning Balance				--	292,500	303,200	224,322	8,973	359
Mandatory Paydown				--	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Discretionary Paydown				--	--	(90,006)	(223,322)	(7,973)	641
Accumulated PIK Interest				--	11,700	12,128	8,973	359	14
Ending Balance				292,500	303,200	224,322	8,973	359	14
<b>Interest Schedule</b>									
	Type	Rate							
Senior Revolving Credit Facility	Floating	4.0%			(18,381)	(4,562)	--	--	--
Subordinated Debt Cash Interest	Fixed	8.0%	Capacity		(23,828)	(21,101)	(9,332)	(373)	(15)
Revolver Commitment Fee	Fixed	0.5%	390,000		(637)	(1,612)	(1,950)	(1,950)	(1,950)
Total Cash Interest					(42,846)	(27,275)	(11,282)	(2,323)	(1,965)
Subordinated Debt PIK Interest	Fixed	4.0%			(11,700)	(12,128)	(8,973)	(359)	(14)
Non-Cash Interest					(11,700)	(12,128)	(8,973)	(359)	(14)
Total Interest Expense					(54,546)	(39,403)	(20,255)	(2,682)	(1,979)
Interest Income on Cash		1.0%			1,595	1,595	1,747	3,247	7,320
SOFR					3.00%	2.75%	2.50%	2.25%	2.00%
Step						0.25%	0.25%	0.25%	0.25%



Balance Sheet (\$ in thousands, except per unit data)	Fiscal Year Ending,					
	2024PF	2025	2026	2027	2028	2029
Cash	375,434	159,456	159,456	190,024	459,329	1,004,747
Accounts Receivable	139,508	186,222	213,038	231,359	229,277	238,677
Inventory	120,746	161,349	184,583	200,457	198,653	206,798
Other Current	137,604	183,904	210,386	228,479	226,423	235,707
PP&E	23,896	2,896	(18,404)	(40,004)	(56,904)	(74,104)
Goodwill	396,837	396,837	396,837	396,837	396,837	396,837
Deferred Financing Fees	10,630	10,630	10,630	10,630	10,630	10,630
Other Non-Current	311,766	311,766	311,766	311,766	311,766	311,766
<b>Total Assets</b>	<b>1,516,421</b>	<b>1,253,604</b>	<b>1,308,836</b>	<b>1,339,525</b>	<b>1,316,682</b>	<b>1,326,311</b>
Accounts Payable	43,354	58,016	66,371	72,079	71,430	74,359
Other Current	195,275	260,408	297,907	323,527	320,615	333,760
New Credit Facility	10,630	135,169	--	--	--	--
Other Non-Current	690,471	690,471	690,471	690,471	690,471	690,471
Redeemable perpetual preferred stock	404,934	404,934	404,934	404,934	404,934	404,934
Equity	171,757	303,628	491,084	700,393	892,491	1,095,965
<b>Total Liabilities &amp; Equity</b>	<b>1,516,421</b>	<b>1,852,627</b>	<b>1,950,767</b>	<b>2,191,403</b>	<b>2,379,941</b>	<b>2,599,489</b>
Check	--					
Operating Working Capital	268,340	213,050	243,730	264,690	262,308	273,063
Change in Operating Working Capital (Increase)	--	55,290	(30,679)	(20,961)	2,362	(10,755)
Sales	1,101,222	1,471,233	1,683,090	1,827,836	1,811,385	1,885,652
COGS	788,571	1,053,531	1,205,239	1,308,890	1,297,110	1,350,291
Receivable Days	46.2	46.2	46.2	46.2	46.2	46.2
Inventory Days	55.9	55.9	55.9	55.9	55.9	55.9
Other Current Assets (% of Sales)	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
AP Days	20.1	20.1	20.1	20.1	20.1	20.1
Other Current Liabilities (% of Sales)	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%

Income Statement (\$ in thousands, except per unit data)		Fiscal Year Ending,					
		2024	2025	2026	2027	2028	2029
Reveue		1,101,222	1,471,233	1,683,090	1,827,836	1,811,385	1,885,652
Less: COGS		(788,571)	(1,053,531)	(1,205,239)	(1,308,890)	(1,297,110)	(1,350,291)
Gross Profit		312,651	417,702	477,851	518,946	514,275	535,361
Less: SG&A		(117,651)	(148,702)	(146,851)	(174,946)	(210,275)	(215,361)
EBITDA		195,000	269,000	331,000	344,000	304,000	320,000
Less: D&A	4.38%	48,202	64,398	73,671	80,007	79,287	82,538
EBIT		146,798	204,602	257,329	263,993	224,713	237,462
Less: Cash Interest		(39,465)	(42,846)	(27,275)	(11,282)	(2,323)	(1,965)
Less: Non-Cash Interest		(13,782)	(11,700)	(12,128)	(8,973)	(359)	(14)
Plus: Interest Income	1.41%	15,562	20,791	23,785	25,830	25,598	26,647
Less: Deferred Financing Fees		(10,630)	(2,730)	(2,730)	(2,730)	(2,730)	(2,730)
Profit Before Taxes		98,483	168,117	238,981	266,839	244,899	259,400
Less: Taxes		(19,356)	(36,246)	(51,524)	(57,530)	(52,800)	(55,927)
Net Income		70,419	131,871	187,456	209,308	192,099	203,474
Revenue Growth			33.6%	14.4%	8.6%	-0.90%	4.1%
Gross Margin		28.4%	28.4%	28.4%	28.4%	28.4%	28.4%
EBITDA Margin		17.7%	18.3%	19.7%	18.8%	16.8%	17.0%
EBIT Margin		13.33%	13.91%	15.29%	14.44%	12.41%	12.59%
Taxes			21.56%	21.56%	21.56%	21.56%	21.56%

Cash Flow Statement (\$ in thousands, except per unit data)		Fiscal Year Ending,					
		2024	2025	2026	2027	2028	2029
Net Income		70,419	131,871	187,456	209,308	192,099	203,474
D&A		48,202	(4,000)	(3,700)	(3,400)	(3,100)	(2,800)
Non-Cash Interest		(13,782)	11,700	12,128	8,973	359	14
Deferred Financing Fees		10630	2,730	2,730	2,730	2,730	2,730
Change in Operating Working Capital		—	55,290	(30,679)	(20,961)	2,382	(10,755)
Capex		25000	25000	25000	25000	20,000	20,000
Levered Free Cash Flow (LFCF)	(646,189)	170,000	222,591	192,935	221,650	214,470	212,663
Beg. Cash Balance		126,216	159,456	159,456	159,456	190,024	459,329
Less: Minimum Cash		(126,216)	(126,216)	(126,216)	(126,216)	(126,216)	(126,216)
Plus: LFCF		170,000	222,591	192,935	221,650	214,470	212,663
LFCF before Mandatory Paydown		170,000	255,831	226,175	254,890	278,278	545,777
Less: Mandatory Paydown		—	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
LFCF before Discretionary Paydown		170,000	254,831	225,175	253,890	277,278	544,777
Less: Discretionary Paydown		170,000	(254,831)	(225,175)	(223,322)	(7,973)	641
Change in Cash		33,240	—	—	30,568	269,305	545,418
Ending Cash Balance		159,456	159,456	159,456	190,024	459,329	1,004,747

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# Valuation and Transaction Structure

## Premium, leverage, and downside protection

- We assume 20% premium on the market share price.
- The debt-to-equity ratio is around 67%.
- Contingent Value Rights (CVR)
- Performance based bonus

## Compare Trade and transaction comps

- Array's EV TO EBITDA vs. NextEra Energy's EV TO EBITDA
  - Array's acquisition premium vs. NextEra Energy's acquisition premium
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## NextEra Energy, Inc. (NEE)

☆ Follow

↔ Compare

**80.21** -0.29 (-0.37%)

As of 2:36 PM EDT. Market Open.

## Valuation Measures

Annual 🔒

Quarterly

Monthly 🔒

	Current	6/30/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023
Market Cap	165.46B	145.48B	131.30B	124.62B	115.94B	150.16B
Enterprise Value	246.54B	223.78B	201.82B	196.37B	186.53B	218.53B
Trailing P/E	26.22	19.35	17.75	16.03	14.15	22.02
Forward P/E	21.93	20.79	18.80	17.86	16.86	23.92
PEG Ratio (5yr expected)	3.48	3.30	2.65	2.45	1.37	1.97
Price/Sales	6.39	5.33	4.62	4.47	4.25	5.95
Price/Book	3.37	2.99	2.77	2.65	2.62	3.50
Enterprise Value/Revenue	9.54	8.25	7.18	7.17	6.92	8.82
Enterprise Value/EBITDA	16.70	13.99	12.04	12.39	11.76	16.44

# Approach

1. **Approach Management team**
    - a. Directly and Privately
    - b. Avoid hostile reactions
    - c. Align interest with performance  
bonuses, leadership roles, etc
  2. **Approach to shareholders**
    - a. Tailoring offer to maximize  
returns
    - b. Direct negotiation to avoid  
poison pills
    - c. Buyouts stake (unwanted)
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## Array Technologies, Inc. (ARRY)

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↔ Compare

**7.05** +0.61 (+9.47%)

As of 2:04 PM EDT. Market Open.

Major Holders

Insider Roster

Insider Transactions

Insider Sentiment 🔒

### Major Holders

#### Breakdown

0.34%      % of Shares Held by All Insider

122.53%    % of Shares Held by Institutions

122.94%    % of Float Held by Institutions

423        Number of Institutions Holding Shares

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# Post-Acquisition Value Creation

- **Operational Efficiency Initiatives**
    - Resource Reallocation
    - Integration of Digital Tools
    - Supply Chain Optimization
  - **Market Share Growth Initiatives**
    - Global expansion
    - Strategic Partnerships
  - **Potential M&A Targets**
    - Competitors
  - **Expansion into Adjacent Products or New End-Market**
    - Solar-agriculture strategy
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# Exit Assumption and Returns with Sensitivity

Returns Calculation (\$ in thousands, except per unit data)			Fiscal Year Ending,				
			2025	2026	2027	2028	2029
Period			1	2	3	4	5
EBITDA			269,000	331,000	344,000	304,000	320,000
Enterprise Value	Exit Mult.						
	7.0x		1,883,000	2,317,000	2,408,000	2,128,000	2,240,000
	8.0x		2,152,000	2,648,000	2,752,000	2,432,000	2,560,000
	9.0x		2,421,000	2,979,000	3,096,000	2,736,000	2,880,000
	10.0x		2,690,000	3,310,000	3,440,000	3,040,000	3,200,000
Less: Net Debt			(278,913)	(64,866)	181,051	458,970	1,004,733
Equity Value	Exit Mult.						
	7.0x		1,604,087	2,252,134	2,589,051	2,586,970	3,244,733
	8.0x		1,873,087	2,583,134	2,933,051	2,890,970	3,564,733
	9.0x		2,142,087	2,914,134	3,277,051	3,194,970	3,884,733
	10.0x		2,411,087	3,245,134	3,621,051	3,498,970	4,204,733
Management Equity	Exit Mult.						
	8.0%		128,327	180,171	207,124	206,958	259,579
	7.0x		149,847	206,651	234,644	231,278	285,179
	8.0x		171,367	233,131	262,164	255,598	310,779
	9.0x		192,887	259,611	289,684	279,918	336,379
	10.0x						
Sponsor Equity	Exit Mult.						
	7.0x		1,475,760	2,071,963	2,381,927	2,380,013	2,985,154
	8.0x		1,723,240	2,376,483	2,698,407	2,659,693	3,279,554
	9.0x		1,970,720	2,681,003	3,014,887	2,939,373	3,573,954
	10.0x		2,218,200	2,985,523	3,331,367	3,219,053	3,868,354
Returns Calculation	Initial Equity						
	646,189	Exit Mult.					
		7.0x	128.4%	79.1%	54.5%	38.5%	35.8%
		8.0x	166.7%	91.8%	61.0%	42.4%	38.4%
Cash on Cash Returns	Initial Equity						
	646,189	Exit Mult.					
		7.0x	2.3x	3.2x	3.7x	3.7x	4.6x
		8.0x	2.7x	3.7x	4.2x	4.1x	5.1x
		9.0x	3.0x	4.1x	4.7x	4.5x	5.5x
		10.0x	3.4x	4.6x	5.2x	5.0x	6.0x



IRR (Internal Rate of Return)		-26.70%	-4.69%	9.21%	16.89%	21.56%
	Exit Mult.					
MOIC (Multiple on invested capital)	7.0x	2.5x	3.5x	4.0x	4.0x	5.0x
	8.0x	2.9x	4.0x	4.5x	4.5x	5.5x
	9.0x	3.3x	4.5x	5.1x	4.9x	6.0x
	10.0x	3.7x	5.0x	5.6x	5.4x	6.5x

## Sensitivity Analysis

		Purchase Premium				
		12%	16%	20%	24%	28%
Exit Multiple	7.0x	21.50%	22.10%	22.50%	23.00%	23.50%
	8.0x	23.00%	23.50%	24.00%	24.50%	25.00%
	9.0x	25.00%	25.50%	26.00%	26.50%	27.00%
	10.0x	27.00%	27.50%	28.00%	28.50%	29.00%

# Risk and Mitigants

- Market Competition
    - Product Differentiation
  - Supply Chain Disruption
    - Strategic Partnerships
  - Leverage and Financing Instability
    - Operational improvement to ensure strong cash flow from operations and maintaining reasonable leverage ratio
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**Thank you!**

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