# **Acquisition Memo: GreenArc Energy Acquires SolarFlow Controls Inc.**

**Prepared by:** Corporate Development Team  
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## **1️⃣ Transaction Overview**

GreenArc Energy (“GreenArc”) has signed a term sheet to acquire **SolarFlow Controls Inc.** (“SolarFlow”) for **$22 million cash + $4 million earn-out**, expected close Q1 2026.  
 SolarFlow designs micro-inverter and array-control hardware for small commercial PV systems.  
 The deal expands GreenArc’s hardware offering and gives a footprint in the 2–25 kW segment.

## **2️⃣ Strategic Rationale**

| **Objective** | **Description** | **Assessment** |
| --- | --- | --- |
| Product Synergy | Integrate SolarFlow inverter with GreenArc’s storage controller. | Technically feasible; integration cost ≈ $2 M. |
| Channel Expansion | 300 installers under SolarFlow distributor agreements. | 60 % overlap with existing partners. |
| Cost Synergies | Combined procurement could cut BOM 5 %. | Limited — supplier contracts locked till 2027. |
| Market Position | Immediate entry to small-commercial niche (~$400 M US TAM). | Attractive but fragmented. |

**Summary:** Strategic fit moderate; execution risk medium–high.

## **3️⃣ Financial Summary (Pro Forma Estimate)**

| **Metric** | **SolarFlow FY 2025E** | **Combined FY 2026E** | **Notes** |
| --- | --- | --- | --- |
| Revenue ($ M) | 14.5 | 46.0 | +18 % growth post integration |
| EBITDA ($ M) | 0.6 | 3.4 | Margin ≈ 7 % → slightly dilutive |
| Gross Margin (%) | 34 | 36 | — |
| CapEx / Integration Cost ($ M) | — | 2.0 | ERP + firmware harmonization |
| IRR (5 yrs) | — | 10.1 % | Barely above hurdle (10 %) |
| Payback (yrs) | — | 4.9 | — |

*Analyst note:* Deal adds revenue volume but not meaningful margin lift; integration capex front-loads returns.

## **4️⃣ Due Diligence Highlights**

**Financial:** Audited through FY 2024; no material liabilities identified.  
 **Legal:** Two supplier contracts contain change-of-control clauses (trigger consent).  
 **Technology:** Firmware roadmap requires rewrite to interface with GreenArc controller.  
 **HR:** 45 employees; retention bonuses $1.2 M included in purchase price.  
 **Customers:** Top 5 = 72 % of revenue; 3 on annual renewals.  
 **Environmental:** No issues; facility ISO 14001 certified.

## **5️⃣ Risks & Mitigations**

| **Risk** | **Likelihood** | **Mitigation** |
| --- | --- | --- |
| Integration Delays | Medium | Dedicated PMO + 6-mo transition team |
| Revenue Attrition Post-Close | High | Joint account retention plan |
| Supplier Consent Failure | Medium | Pre-close renegotiation |
| Earn-out Dispute | Medium | Clarify KPIs (pre-tax EBITDA) in definitive agreement |
| Cultural Mismatch | Low–Medium | Leadership exchange program |

## **6️⃣ Valuation Summary**

| **Method** | **Implied EV ($ M)** | **Comment** |
| --- | --- | --- |
| DCF (8 % WACC, 5 yr) | 23.8 | IRR ≈ 9 % – 10 % |
| EBITDA Multiple (10 × 2025E) | 24.0 | Peer avg 8 × → Premium paid |
| Revenue Multiple (1.7 × 2025E) | 24.7 | Reasonable for growth hardware |
| **Selected Purchase Price** | **26 (22 cash + 4 earn-out)** | 12 % premium vs DCF |

## **7️⃣ Preliminary Recommendation**

While the acquisition adds strategic breadth, the return profile is marginal and integration risk non-trivial.  
 We recommend proceeding **only if earn-out tied to firm synergy metrics** (> $2 M annual cost savings by Year 3).  
 Absent those terms, deal should be repriced to $20–21 M range to achieve ≥ 12 % IRR.