

SOLAR'S GOLDEN DECADE

The Investor's Roadmap to Capitalizing on
America's 26% Solar Growth Rate



KATUSA
RESEARCH

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The Free Fusion Reactor That's Eight Minutes Away

*In the future, solar power will be
the vast majority of power generation.*
– Elon Musk

The record for longest nuclear fusion reaction was set two years ago by Experimental Advanced Superconducting Tokamak (EAST).

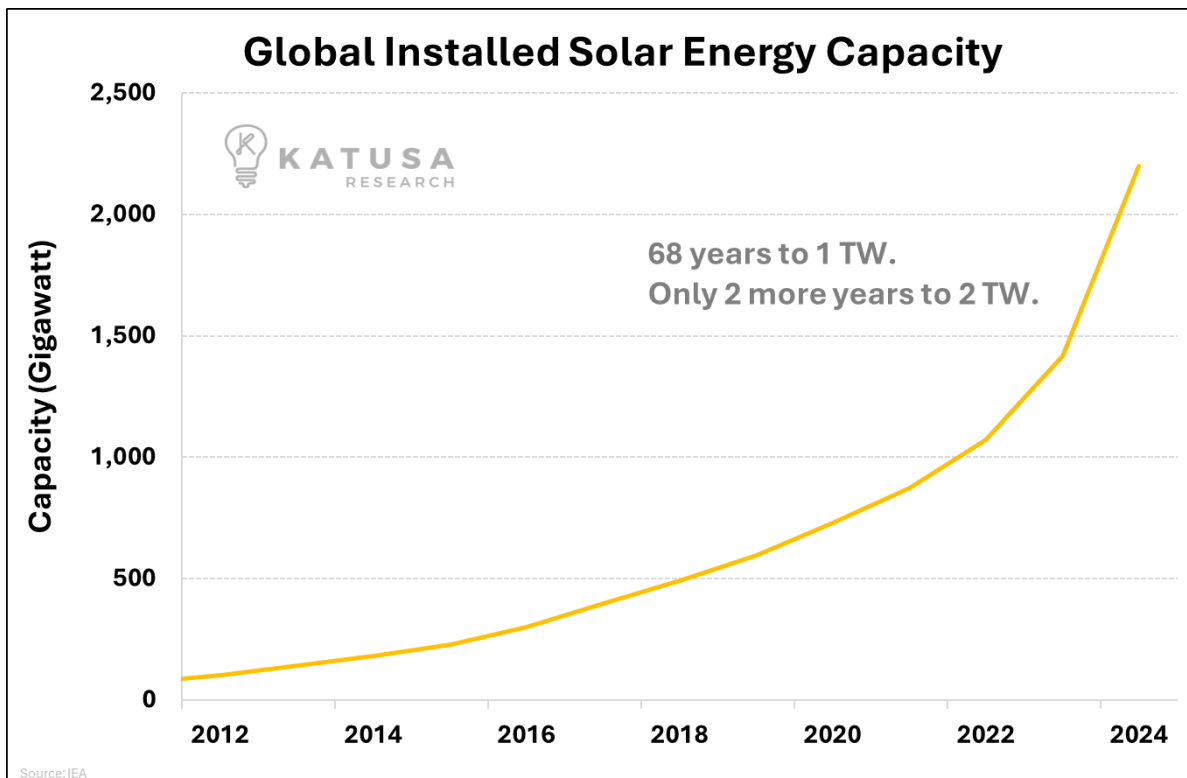
It lasted 17 minutes, 36 seconds.

News outlets, scientists, and governments heralded the accomplishment as extraordinary and historic, a sign that fusion is nearly ready for commercial production.

But in reality, the global energy market is moving in an entirely different direction.

- **The future of energy lies not in spending billions to achieve the pipedream of prolonged fusion, but in a billion years of fusion that's just eight minutes away.**

And that future—solar power—is arriving at lightspeed. It took solar 68 years, from 1954–2022, to reach 1TW of global installed capacity. How long to install the next 1 TW of capacity? Just two years.



That’s the *entire* energy capacity of the EU, or enough to power 1 billion households, installed in just two years.

And if solar installations grow by another 30% in 2025 and 2026, then next year will be the first 1 TW year.

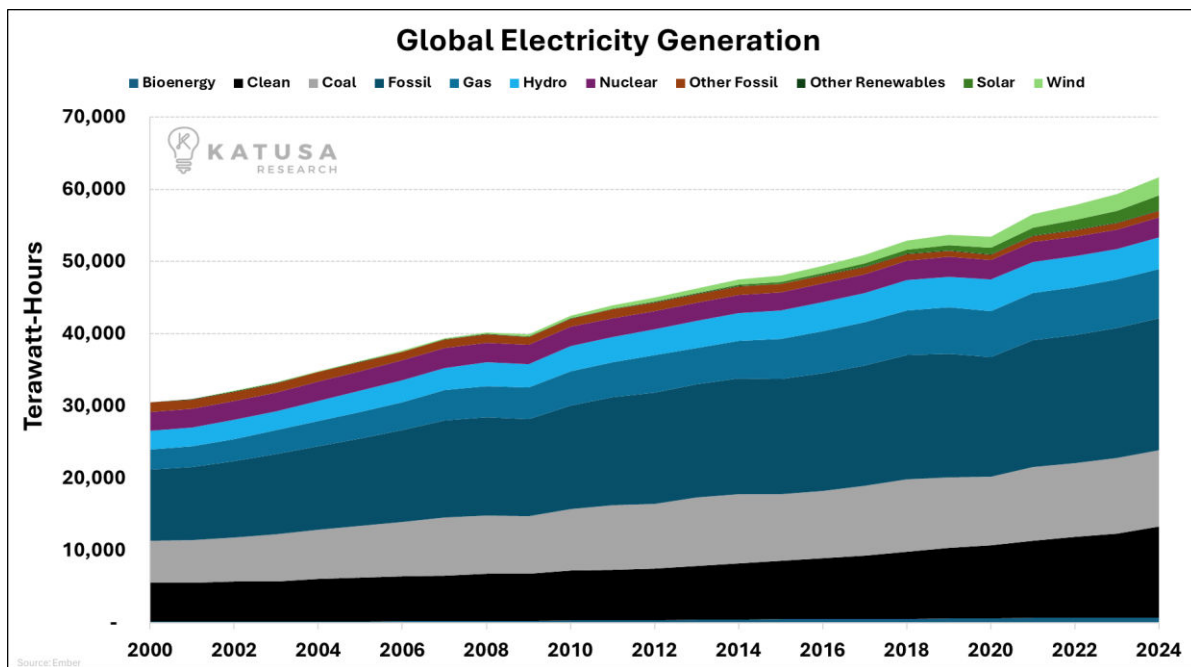
That’s not as impossible as it sounds. Over the past decade, global installed solar capacity has grown at an average annual rate of 26%, and the global manufacturing capacity is already at 1.1 TW.

Which begs the question: What forces took solar from barely sufficient to power a handheld calculator to able to power 1 billion households—and where is it headed next?

The Great (and Growing) Energy Gap

With the exception of slight blips in 2009 and 2020 (both for obvious reasons), global energy demand has steadily risen for the past quarter-century.

- Since 2000, global energy demand has nearly doubled, from 15.2 PWh to 29.7 PWh.

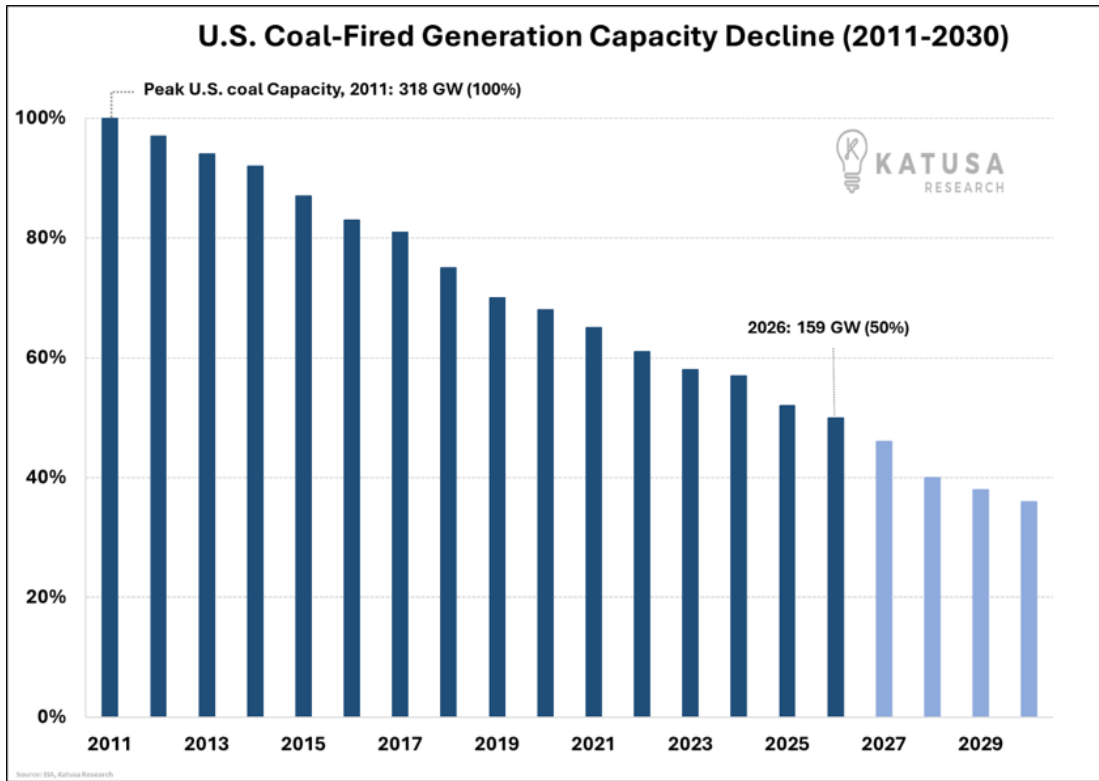


That meant global electricity generation infrastructure also needed to double.

But at the same time, the world began to remove high-emissions energy sources from service—creating an ever-widening gap.

For example, global electricity production from oil has fallen by 40% since 2000.

In the U.S., 50% of all coal capacity that existed in 2011 will be closed by 2026. By 2030, two-thirds will be gone.



That leaves it up to renewables to fill in the large and growing electricity production gap—and to pick up the slack from retiring high-carbon electricity generators.

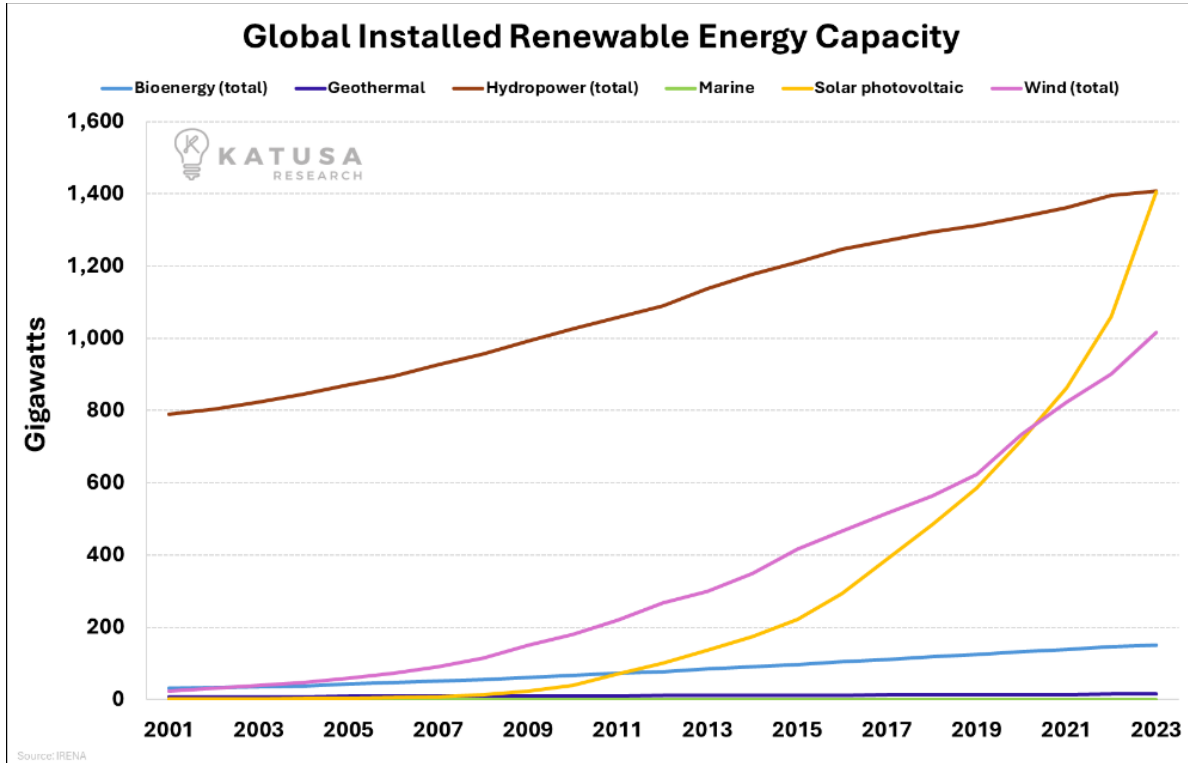
Most renewables, however, have severe constraints on their future growth:

- **Hydropower**, despite being a mature renewable technology that provides a considerable amount of baseload power, has largely been maxed out due to strict geographical requirements.
- **Geothermal** is similarly geographically limited, only to areas with accessible high-temperature reservoirs and suffers from high upfront costs.
- While **wind farms** were favored through the 2010s as a source of renewable energy, they require significant land area to develop. Since wind resources are often far from population centers, they also face transmission challenges.
- **Biofuels** have never been a primary source of renewable energy. Their carbon-free nature is questionable, the energy ROI is low, and their scalability remains limited due to the land conversion required.

That leaves **solar**. While it does have a few shortcomings, such as intermittence, it also has a few strong attributes.

Those have led it to grow quickly for the past decade, easily racing past every other form of renewable energy.

In 2022, global installed solar capacity passed wind. And in 2024, solar had the most renewable energy of any type ever installed in a single year, surpassing hydropower as the dominant source of renewable energy in the world.



That sudden, surprising performance is due to three key factors for solar that have all seen vast improvements in the past decade: its **efficiency**, **cost**, and **complementary technologies**.

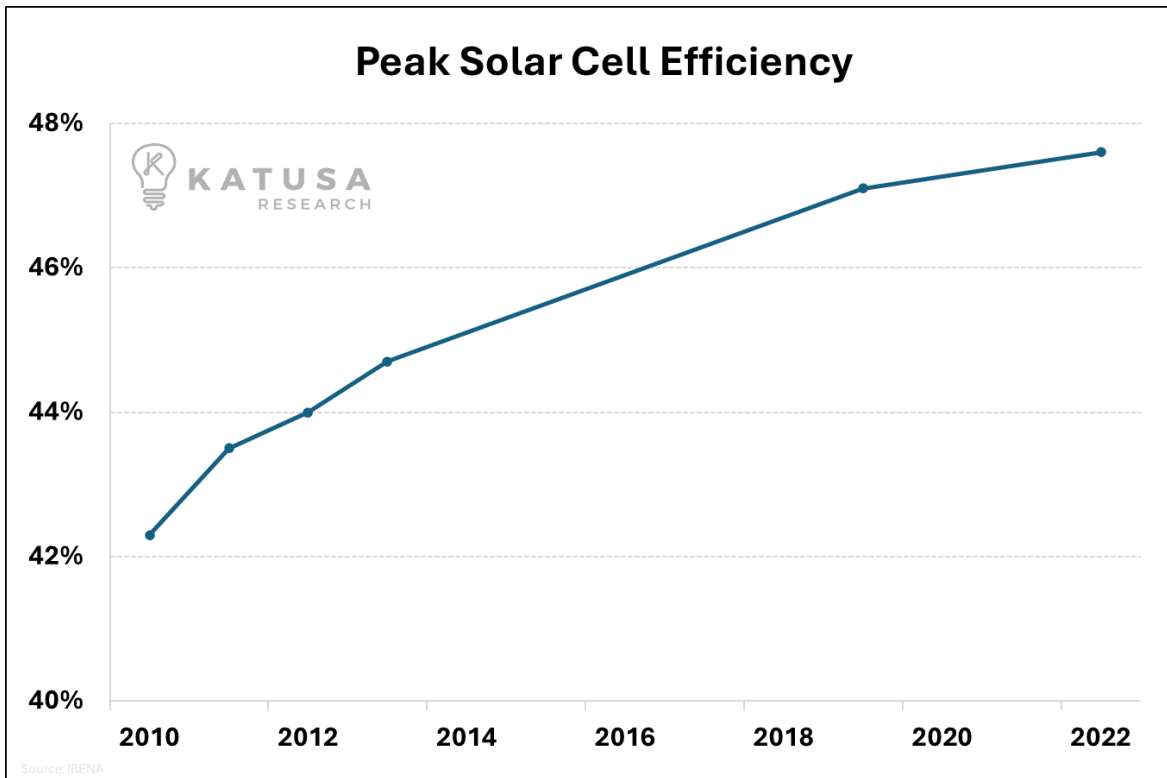
The trajectory of those factors now indicates where solar is headed in the decade to come.

It's Finally Solar's Time to Shine

Solar panel efficiency measures how much of the sunlight hitting a panel is converted into usable electricity.

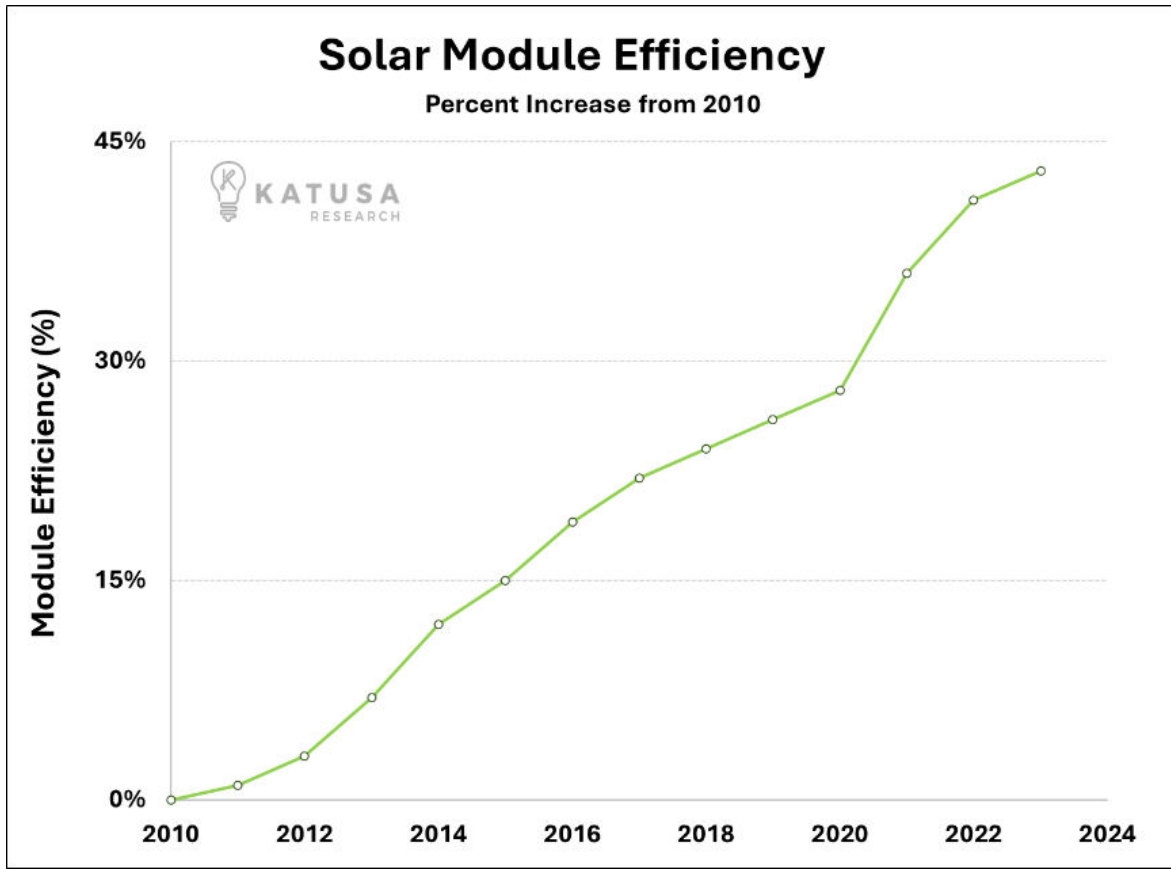
Think of it as a measure of conversion quality. It doesn't matter how much free fusion comes from the sky if almost none of it gets trapped and transfers energy from photons to electrons.

Since 2010, *peak* solar cell efficiency—tested in controlled lab settings—has risen steadily, from 40% to 47%.



Real-world solar panels are less efficient, but they've shown similarly strong progress.

From 2010 to 2023, **commercially available panel efficiency increased by 43%**, from 14% to more than 20%.

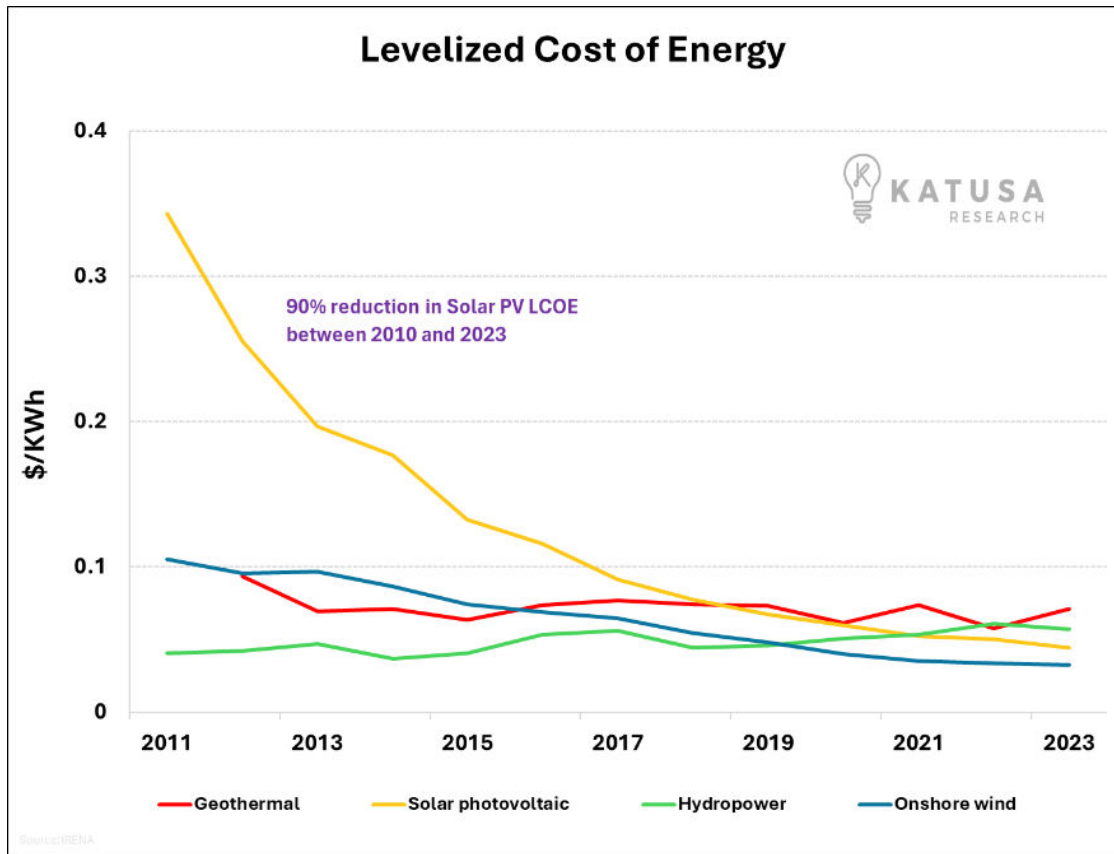


At the same time as solar panels are becoming more efficient, solar has become cheaper to manufacture, install, and operate.

- **From 2010-2023, solar's levelized cost of energy (LCOE) has fallen by more than 90%.**

By contrast, the cost to produce energy from coal rose by 6%, geothermal by 12%, and nuclear by nearly 50% in that same time period.

That price collapse makes solar the cheapest form of renewable energy (aside from onshore wind) in the world.



In 2024, the cost of a typical solar farm fell by another one-fifth.

And new technologies and economies of scale are expected to keep forcing solar prices down, with the LCOE of solar expected to decline another 30% by 2035.

No other energy—renewable or high-emissions—is expected to experience similar price declines.

Until recently, solar had one other glaring issue: It only worked when the sun was shining, creating the “duck curve”.

The “Duck Curve” was created when solar reduces the energy load during the day, but dies off just as the sun sets and energy needs spike.

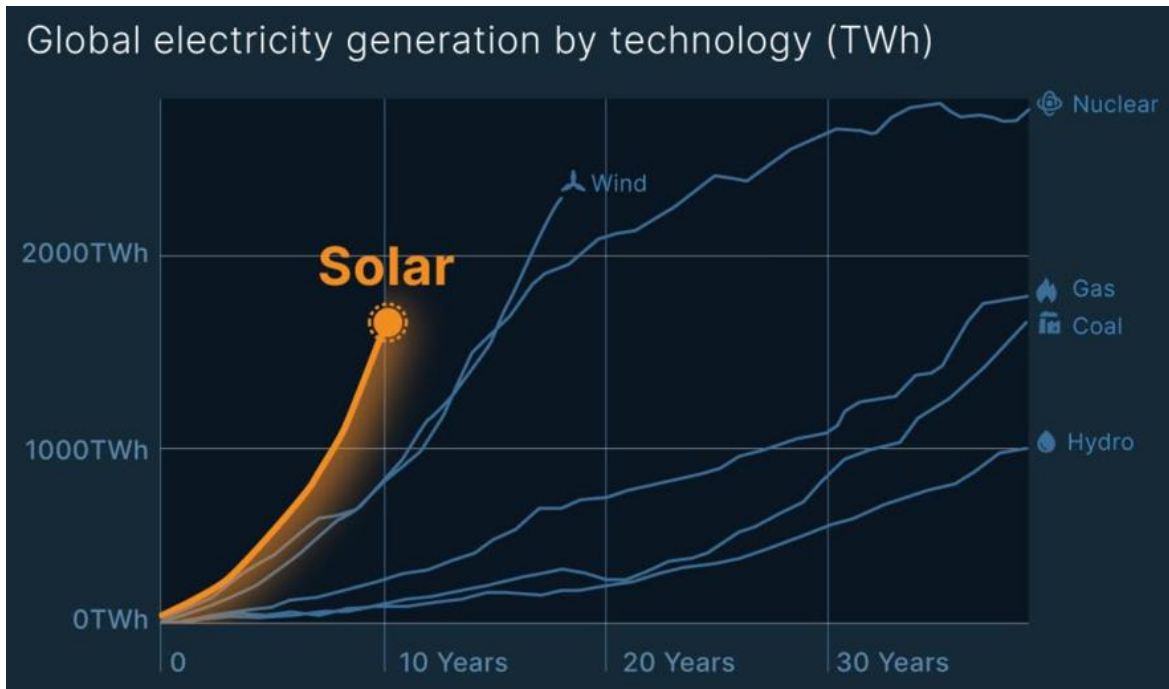
That curve has limited solar to only a small percentage of energy generation, as it cannot be relied on for baseload power.

But solar has begun to be paired with BESSs (Battery Energy Storage Systems) to create “solar+”—a new energy technology that closely resembles baseload power.

In 2023, 26% of solar had a BESS installed alongside it.

By 2027, the EIA projects that solar+ installations will grow nearly 50%.

That will enable major solar projects to provide a consistent, secure source of cheap power at a high level of efficiency. Given the shortcomings of the other sources of renewable energy and the strong need for new electricity capacity, that has made solar **the fastest growing energy in human history**.

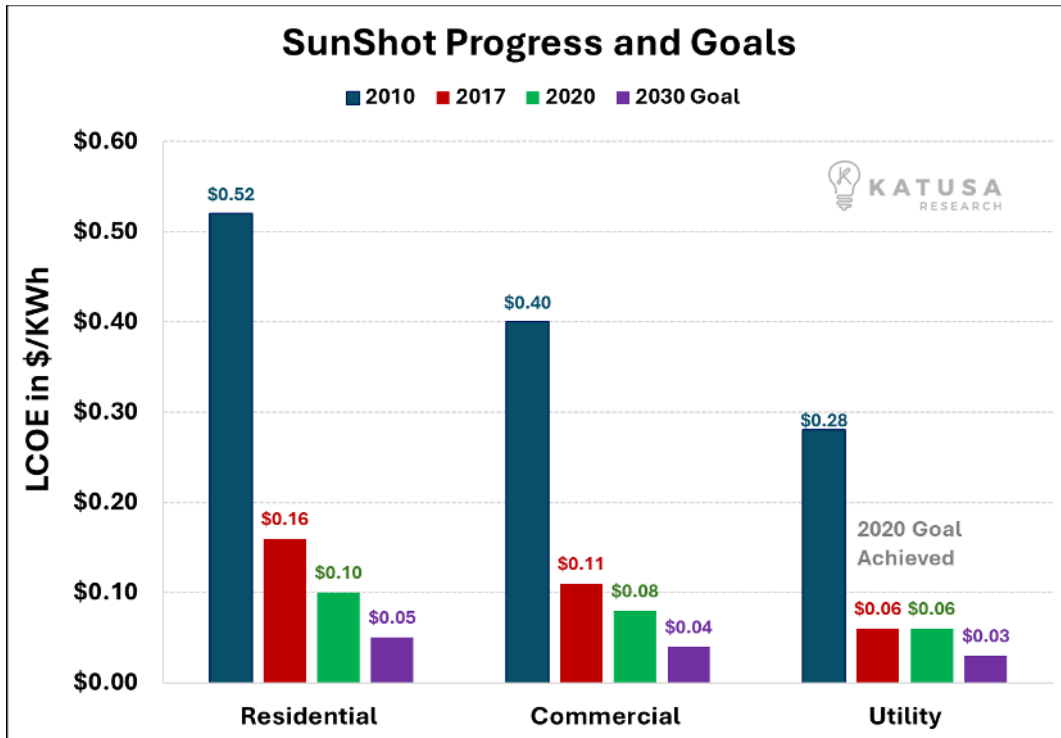


Thus far, solar growth has primarily been in just two countries: the United States and China. While much of China's growth is behind it, the U.S. is just getting started.

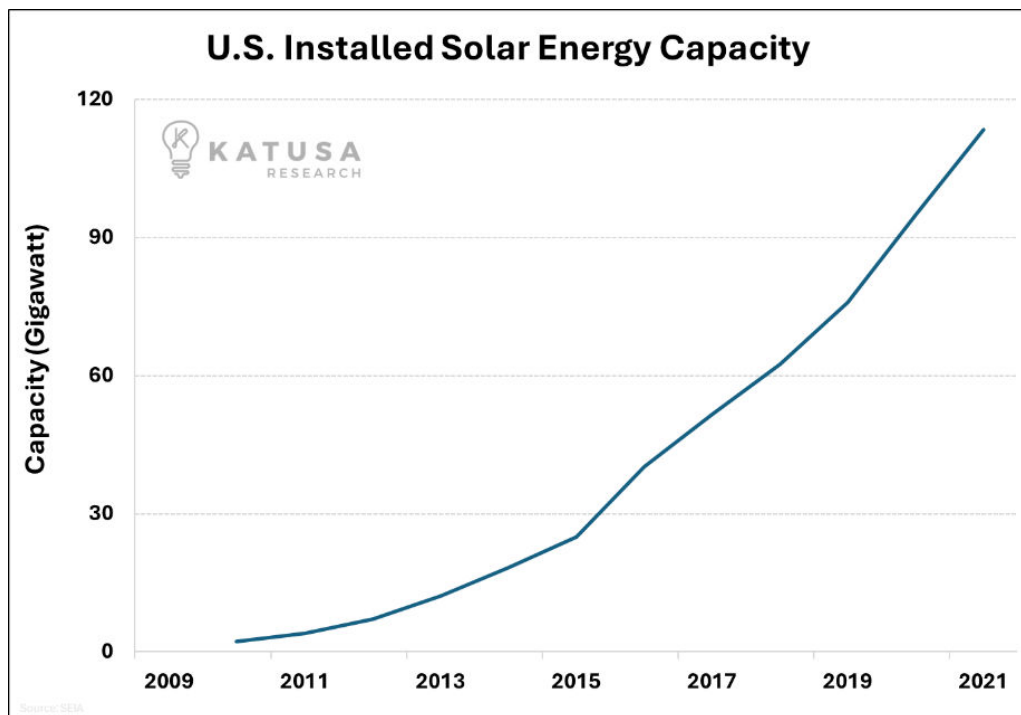
The Sun Rises on U.S. Solar

In 2011, the United States launched the SunShot Initiative, which was intended to make solar electricity costs competitive with other electricity generation types by 2020—and to make it even cheaper thereafter.

The initiative achieved its 2020 goal three years early, taking the cost of utility-scale solar from \$0.28/kWh down to \$0.06/kWh by 2017.



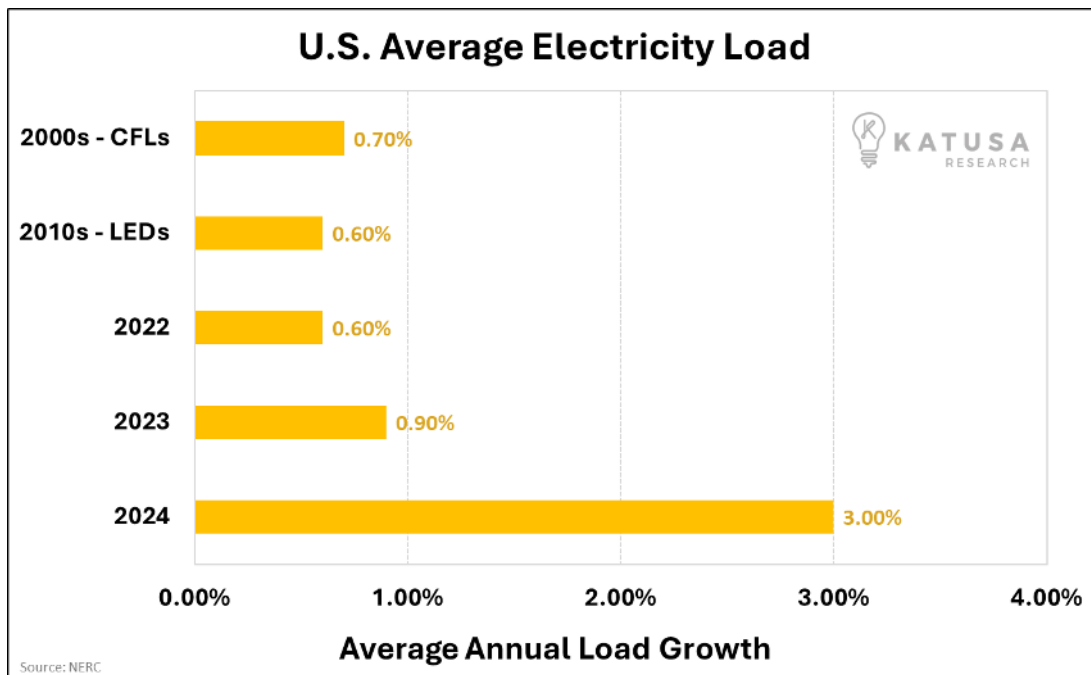
Due in large part to those cost decreases, the United States saw a slow, steady progression in solar installations from 2011-2021. The total solar energy capacity in the United States grew from 3 GW to 120 GW in that timespan.



But two years ago, **the calculus for solar in the U.S. changed.**

In addition to solar becoming nearly the cheapest form of renewable energy, peak energy demand started to grow again after years of being relatively flat. AI data centers, the electrification of everything, and an increased manufacturing base began to demand power generation that did not yet exist—and had to be carbon-free.

- **Since 2022, peak energy demand growth in the U.S. has risen 500%.**

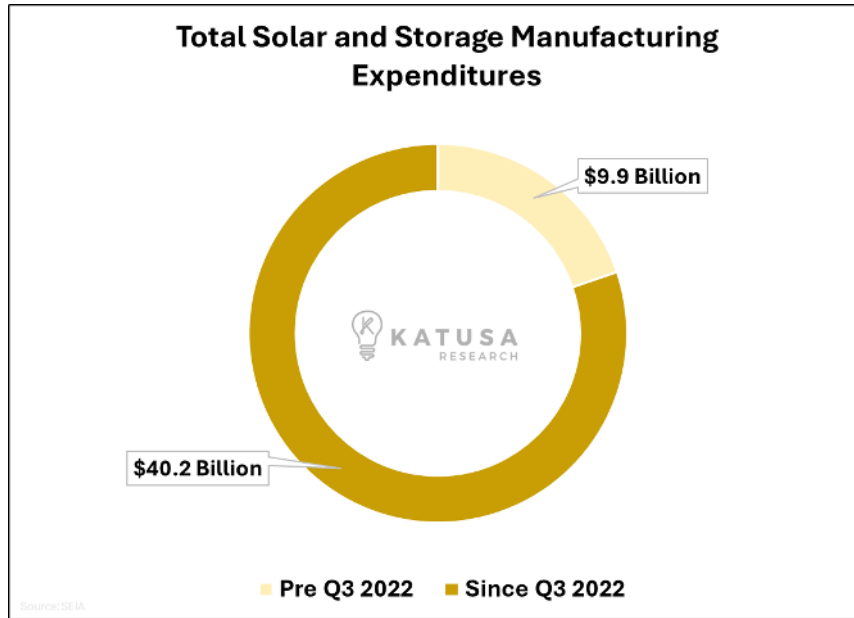


The United States has responded with strong government support for solar growth and adoption, including:

- Federal tax breaks,
- State-level clean energy programs, and
- Corporate investments.

U.S. federal policies like the **Inflation Reduction Act (IRA)**, the **Investment Tax Credit (ITC)**, and the **Renewable Electricity Tax Credit (PTC)** have pushed total solar and energy storage investments to \$40 billion since Q3 '22.

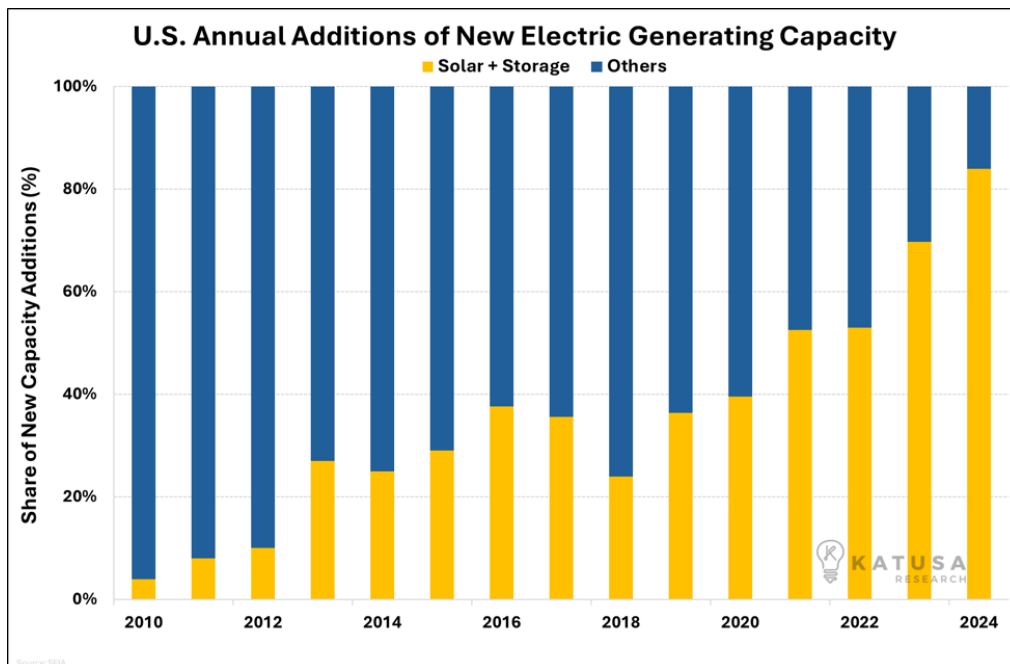
It is possible that all or part of the IRA is repealed by the new administration in the United States; however, state incentives remain and the continuing decline in the cost of solar power make it competitive even without incentives.



These investments have led to 73 new solar panel manufacturing plants, with 48 more being built. Domestic solar module manufacturing capacity has grown from 14.5 GW at the end of 2023 to more than 50GW currently—expected to meet all U.S. demand in 2025.

With solar investment and manufacturing up and solar’s LCOE continuing to fall, **solar+** now comprises nearly all new energy capacity in the U.S.

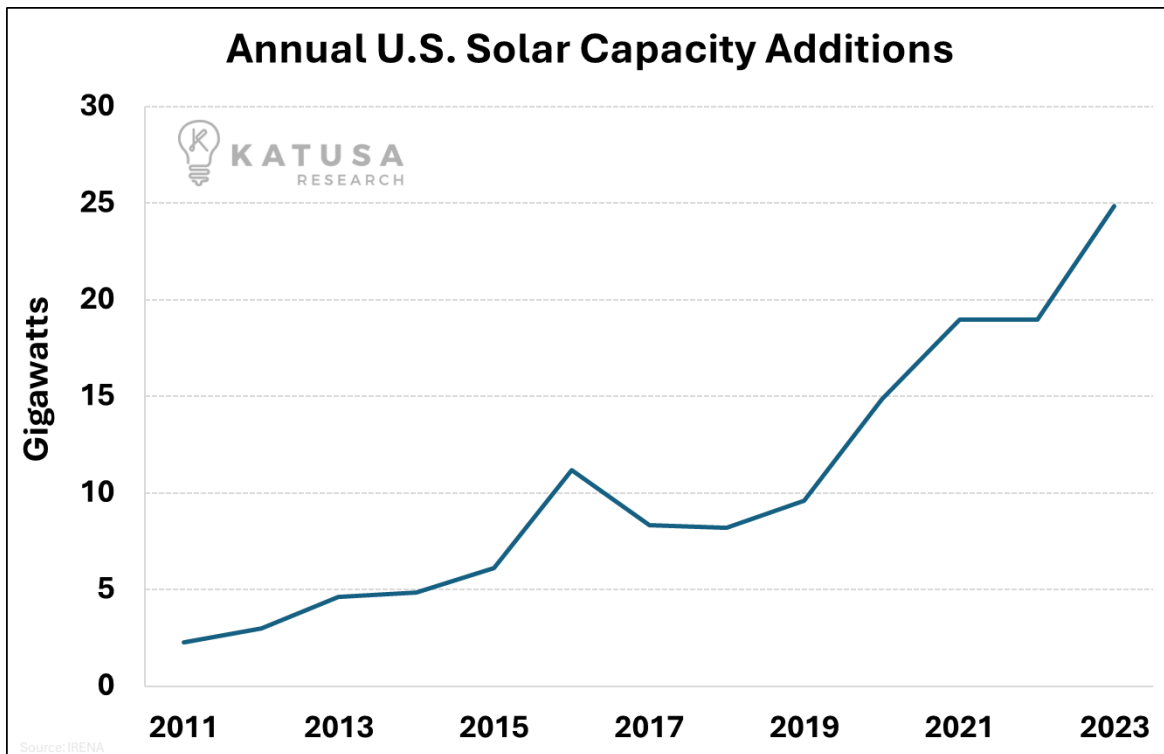
- **Combined solar and storage as a percentage of total capacity additions grew from 40% in 2020 to 84% in 2024.**



The New Global Green Goliath

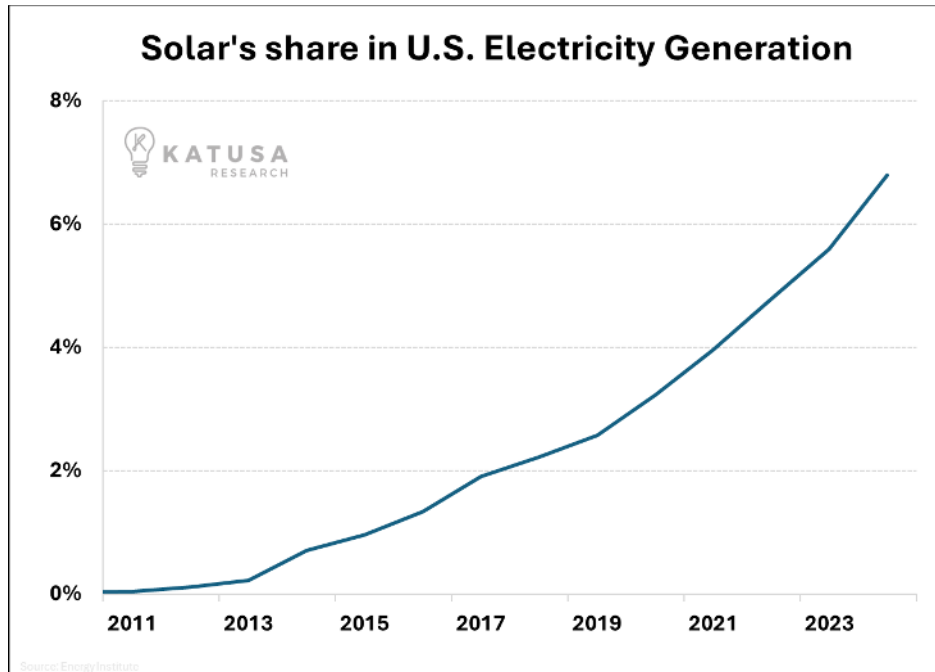
Solar installation has also materially increased in real numbers. Like the rest of the world, the U.S. added as much solar from 2022-2024 as in the rest of its history combined.

The United States now has 235GW of installed solar capacity, supplying power to more than 40 million homes.

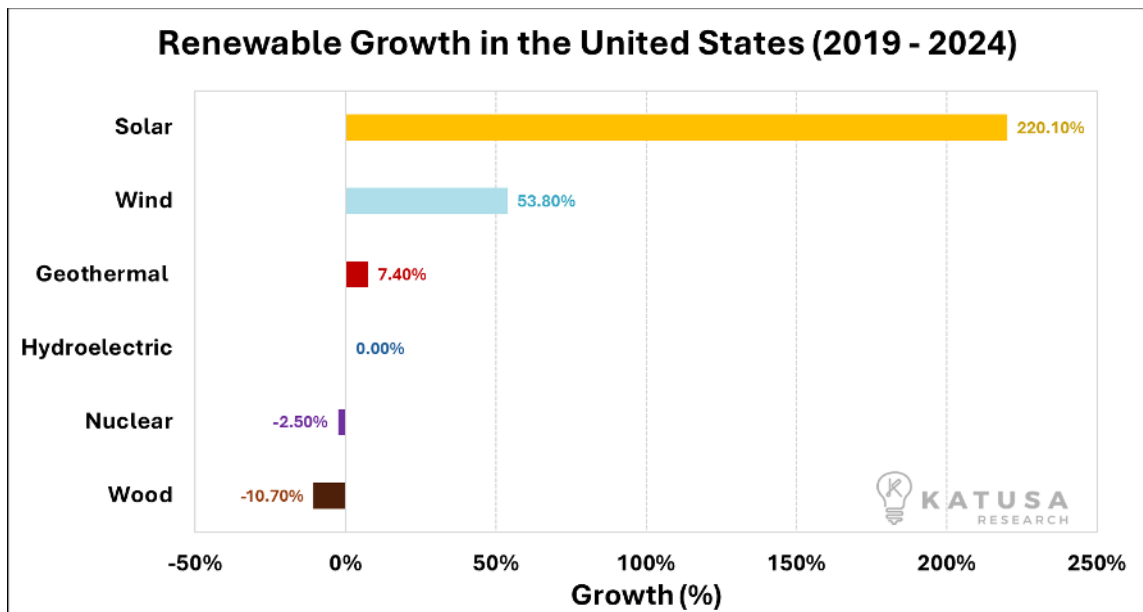


Thus far, that seems to indicate a clear inflection point in the history of energy for the United States. Investment in other forms of energy has declined, while investment in solar has increased.

Solar has not just kept pace with the rise in electricity demand. Solar's share of electricity generation has steadily risen—slowly at first, then with a rising slope from 2022 to 2024. It has risen from 0.05% in 2011 to 6.8% in 2024.



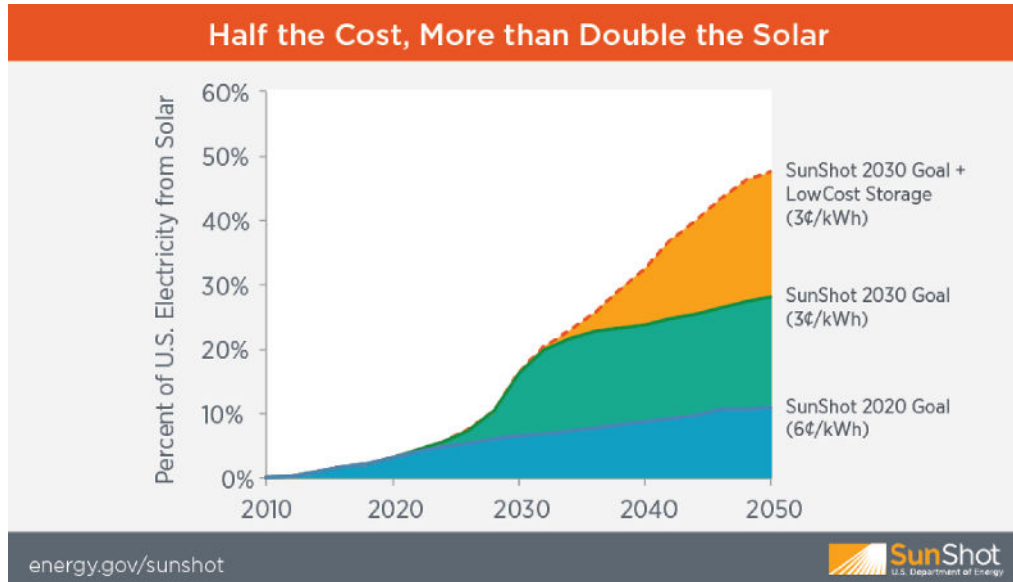
In fact, solar was by *far* the fastest-growing form of electricity generation in the U.S. from 2019-2024. Nuclear and wood fell in that time period, hydro and geothermal were about even, wind grew by about 50%, and solar grew by 220%.



The SunShot Initiative continues to work to halve the price of solar again (excluding subsidies), with a new goal of \$0.03 per kWh by 2030.

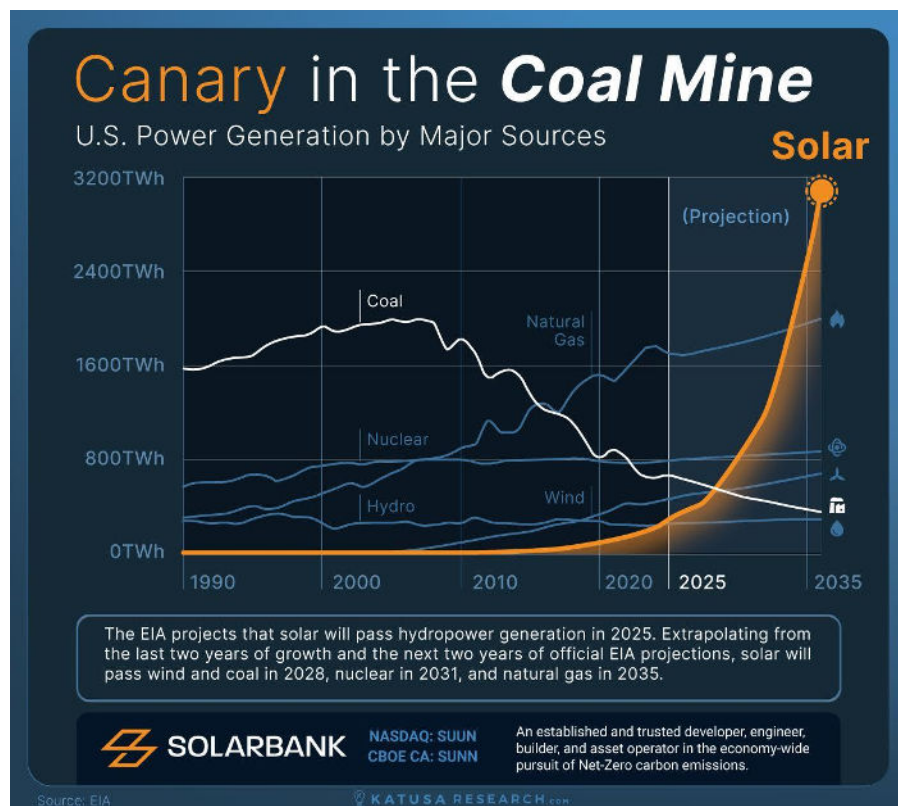
They project that if they meet that goal, nearly 20% of U.S. electricity will be derived from solar.

- **That's a tripling of the current solar capacity, within five years.**



If the major forms of electricity generation continue on their current trajectories, solar will be #1 within the decade.

It has already passed hydro, is expected to pass wind and coal within three years, will pass nuclear the following year, and should surpass natural gas in 2033.



The United States has hundreds of GW more solar to build out. It also has the manufacturing capacity to do it, low solar prices to incentivize buildouts, and increasing power prices and demand.

That will lead to an accelerating inflow of investment. In H1 '24, U.S. solar investments totaled \$147 billion, up 32% from the same period in 2023.

That money is pouring into three subsectors of solar—each a powerhouse in its own right.

Coming Soon: Solar Prime

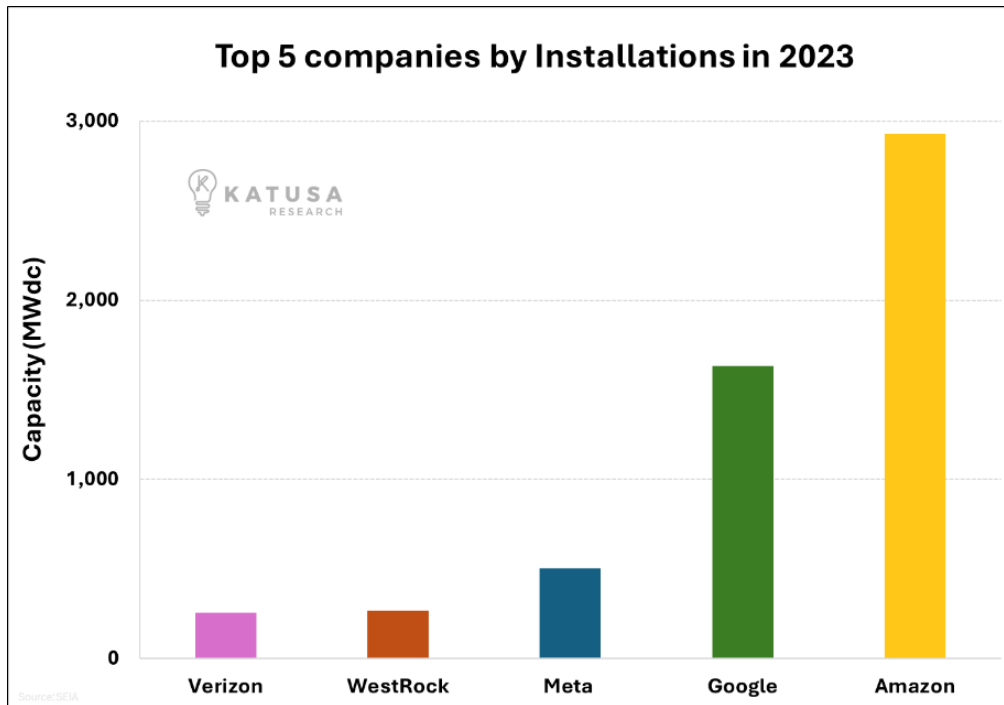
Large, energy intensive-corporations have found solar to be advantageous over other forms of other forms of energy due to several characteristics it has:

- It has **predictable long-term input costs** (unlike natural gas). Once solar has been installed, operations and maintenance costs are relatively fixed.
- It has **flexible deployment options**. As long as there is land, more solar modules can be added for increased power output.
- It provides **energy independence**. Corporations are increasingly installing BTM (behind-the-meter) solar, which bypasses reliance on utilities.
- **Short development timelines**. Nuclear plants or hydroelectric dams can take decades to build out. Solar projects can be permitted and constructed far more quickly.

So U.S. corporations are rapidly building out solar for themselves.

The top four corporate owners of solar in the U.S. are all tech companies: Meta, Amazon, Google, and Apple.

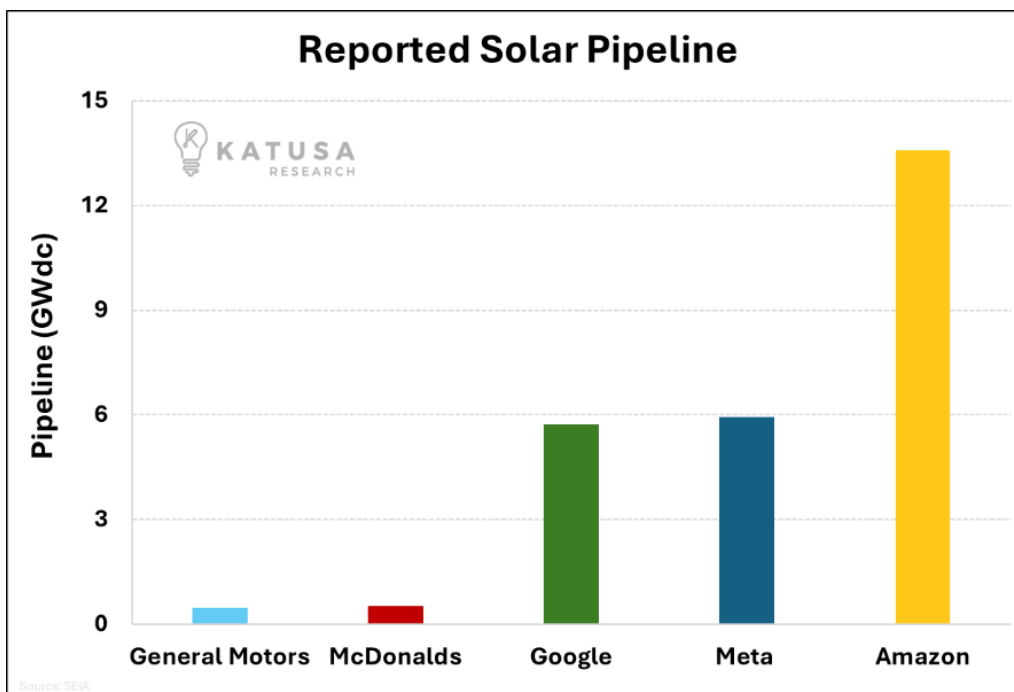
- **If Meta was a state, it would rank #10 in terms of installed solar capacity, just behind New York and New Jersey.**



The top three companies in the graph above also hold most of the publicly reported corporate solar construction pipeline in the United States: about 25GW worth.

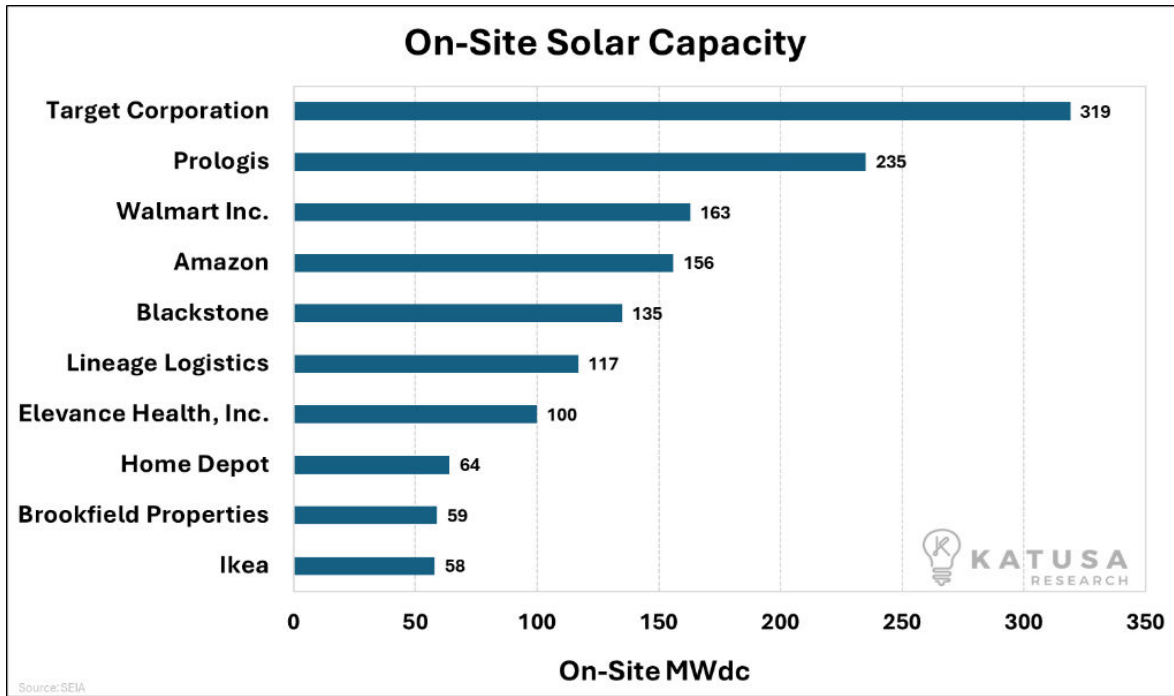
If that full pipeline goes online, it will exceed all solar additions from the entire U.S. in 2022.

Amazon alone maintains a solar pipeline of 13GW, dwarfing every other company.



Much of the tech giants’ solar capacity is installed offsite, and the electricity is transmitted in.

Many companies, though, especially those with hundreds or thousands of locations like Target, Walmart, and Home Depot, are moving toward on-site solar to provide independent, continuous power generation for each facility.

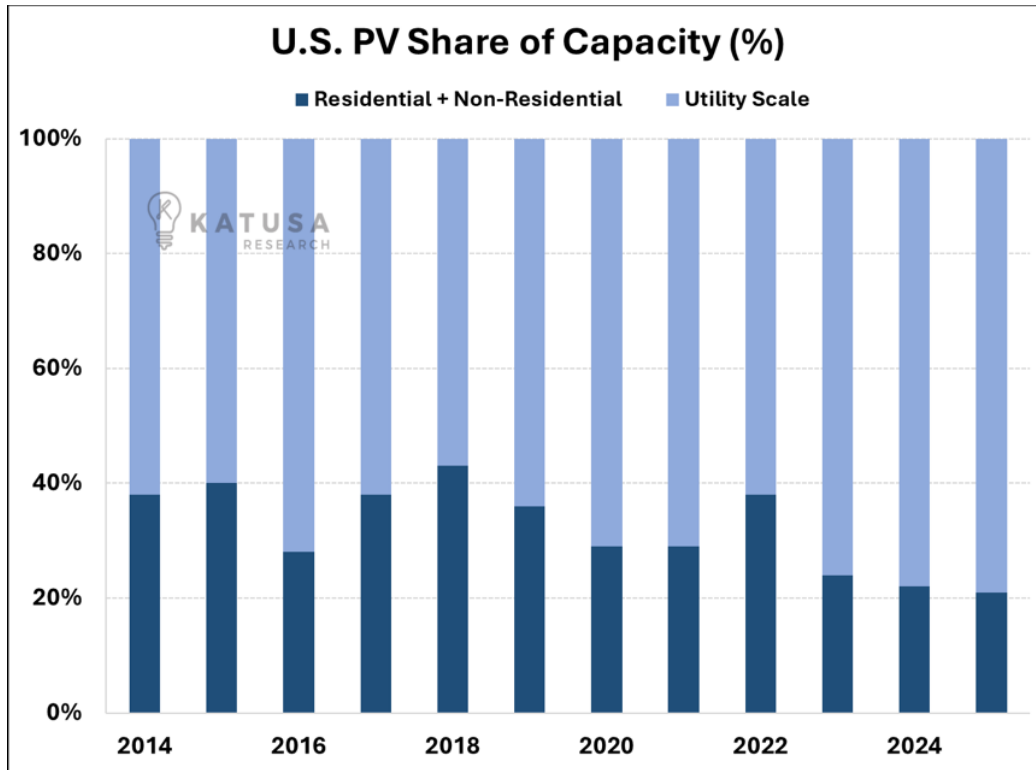


Those solar buildouts, while powerful, are relatively small. Some utilities and energy conglomerates are building out **“utility-scale” solar plants**—some of which rival the power output of a natural gas plant.

Solar Hits the Grid

The Energy Information Administration (EIA) defines a utility-scale power plant as one with a total generation capacity of at least 1MW.

By that definition, there are thousands of utility-scale solar projects in the United States, and about 60% of solar in the U.S. is considered utility-scale. That percentage has been roughly tracking upwards for the past decade.

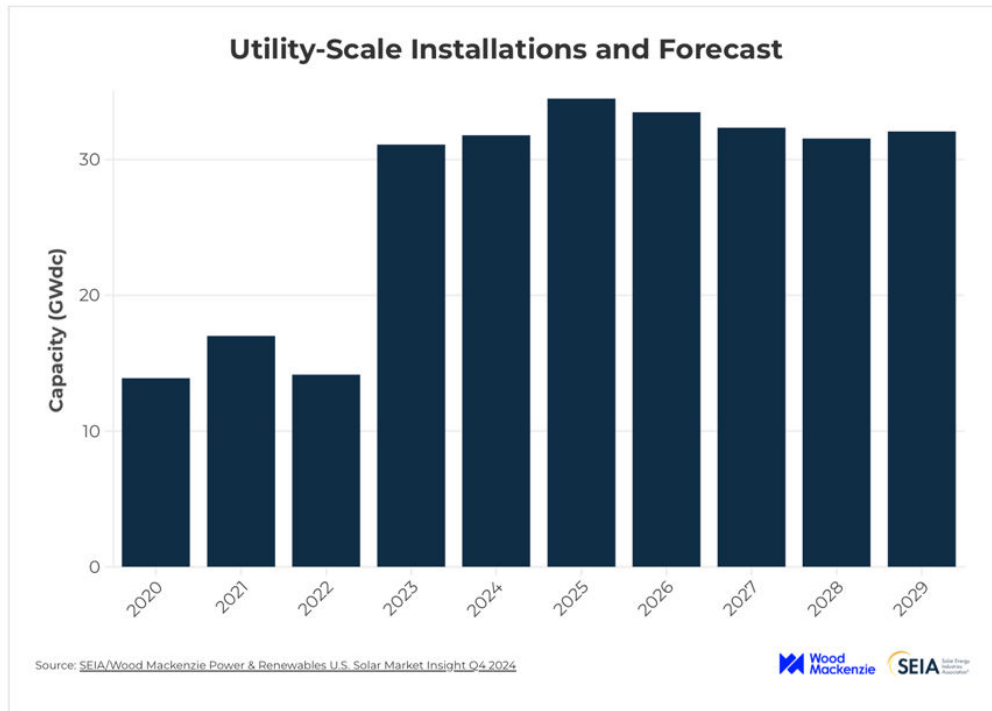


Some of those projects are true giants—solar capable of producing 100+ MW. The largest utility-scale solar farm in the U.S. is **Gemini**, a multibillion, 690MW solar+ project in Nevada. Gemini is set on 7,100 acres, or about half the size of Manhattan.

Its developer, **Primergy**, says that the project is a window into the future of energy in the United States—indicating that it is a prototype for utility-scale solar of the future.

Gemini has a primary offtaker, **NV Energy**, which has contracted with Primergy for a quarter-century PPA (power purchase agreement).

In Q3 '24, utility-scale solar had continued strong growth, increasing 44% year-over-year. The growth in utility-scale solar is predicted to flatline, though, with development for the next five years remaining in line with that of the last two.



The disappearance of growth is deceptive, however. Instead of lack of demand, it’s due to a combination of a lack of a skilled workforce to build out more utility-scale solar, as well as a growing interconnection queue that leaves utilities waiting years to connect new projects to the grid.

Which means that for the next few years, another form of solar will be coming to the fore: **community solar**.

The “Reverse Netflix” of Solar

Many people in the U.S. can buy and mount their own solar panel systems. But tens of millions of people—people who rent, live in a condo or apartment, or have the wrong style of roof—don’t have that luxury. Others are priced out of the \$20,000 cost of a full solar system.

Community solar makes it possible for all of these people to access the low electricity rates and renewable energy of solar without needing to buy their own property.

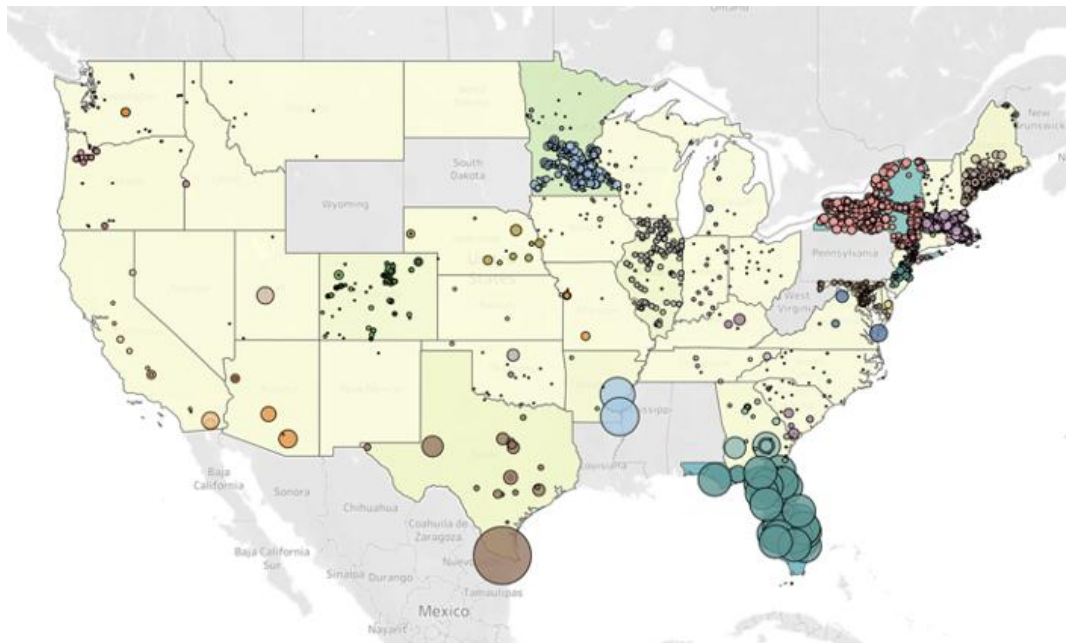
There are widely varying models, but here's how it generally works:

- A company or utility finds lands that is not suitable for building or agriculture, but works for solar panels.
- People sign up to buy a portion of power from the offsite solar panels.
- Whenever the panels produce power, those people earn credits that can be used against their electric bills.

While the amount varies based on the amount of sun that month, it can provide a significant discount—or paycheck. That's made the model highly attractive, and led to high growth in a few U.S. states.

8.4 GW of community solar has been installed so far, or enough to power about 1.4 million homes.

While twenty-two states have community solar programs, three-quarters of the current capacity is in just four states: Florida, New York, Massachusetts, and Minnesota.



2024 gave community solar its highest-ever year of capacity growth, at 1.7GW, a 35% increase over 2023 growth.

Record-breaking capacity additions took place in Maine and Illinois, representing new hotbeds for community solar growth.

The business model presents a huge untapped opportunity for growth in solar: more than half of states have yet to enact an official program, and of the states that have, about 80% have not built it out in a meaningful way.

The Coalition for Community Solar Access has set a target of 30GW built out by 2030—and says “it’s a floor, not a ceiling.” The U.S. Department of Energy has a target of 20GW of community solar by the end of this year.

While some segments of solar have their growth days behind them, community solar has only begun to get a foothold in the United States.

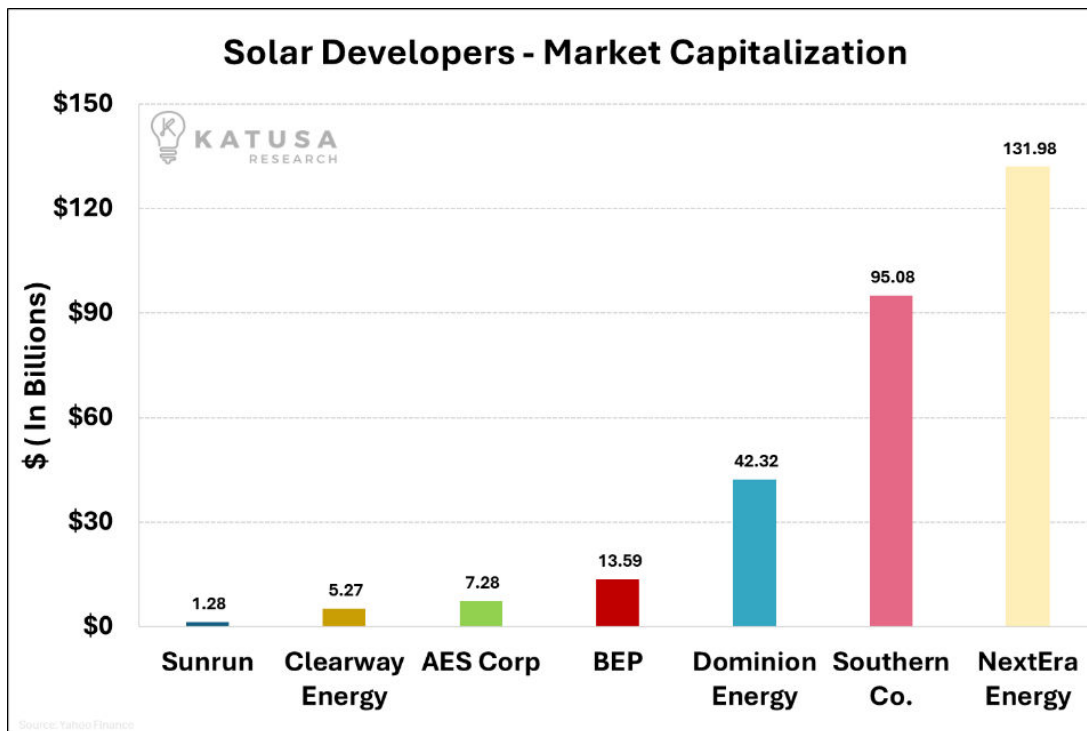
A few fast-moving solar companies are moving into the gap, learning the idiosyncrasies of each states’ program to take advantage of the coming growth.

The Four Solaris Majoris

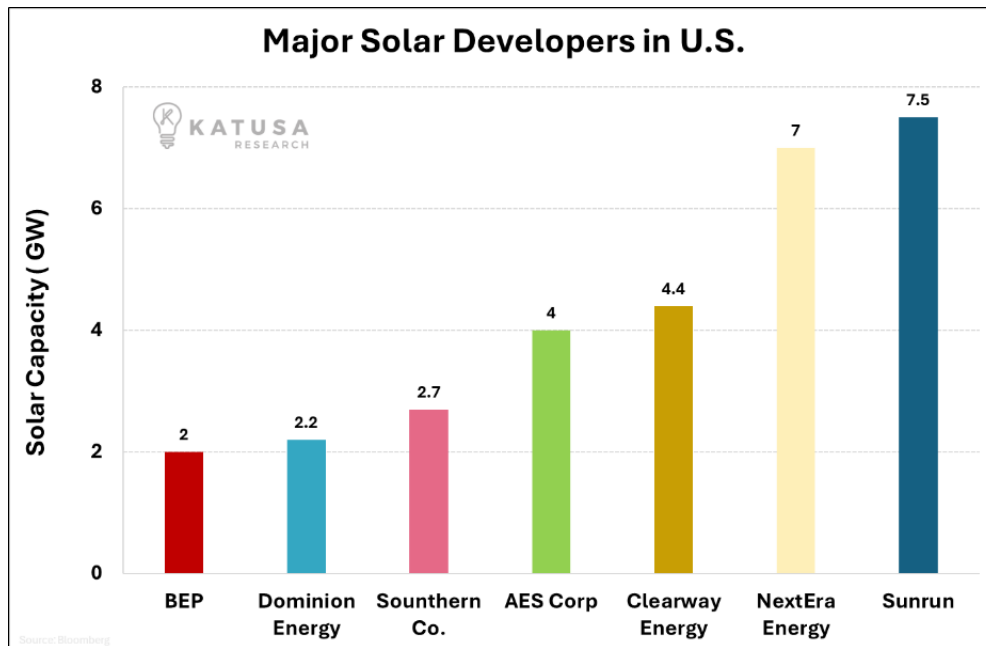
Just like with miners, solar developers can be divided into majors and juniors.

Both focus on utility-scale, corporate, and community solar projects. Majors simply have market caps, pipelines, and energy portfolios that are an order of magnitude larger than juniors.

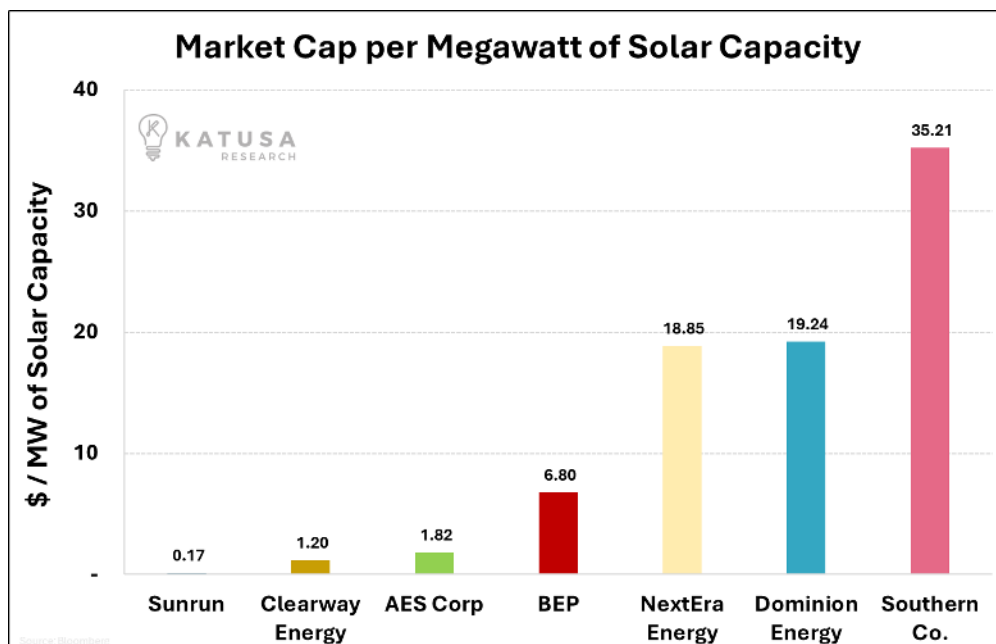
The current major publicly traded solar developers, as defined by total GW of solar owned and operated, are **Sunrun**, **NextEra Energy**, **Clearway Energy**, **AES Corp.**, **Southern Co.**, **Dominion Energy**, and **Brookfield Renewable Corp.**



Note that few of these are pureplay solar developers. Most have a mix of various renewable projects, and some also have fossil fuel electricity generation. The graph below shows the solar capacity per company, as of 2024.



To roughly evaluate how concentrated each stock is in solar, the table below divides each stock's market cap by the company's solar capacity in GW. The lower the number, the higher the concentration in solar.

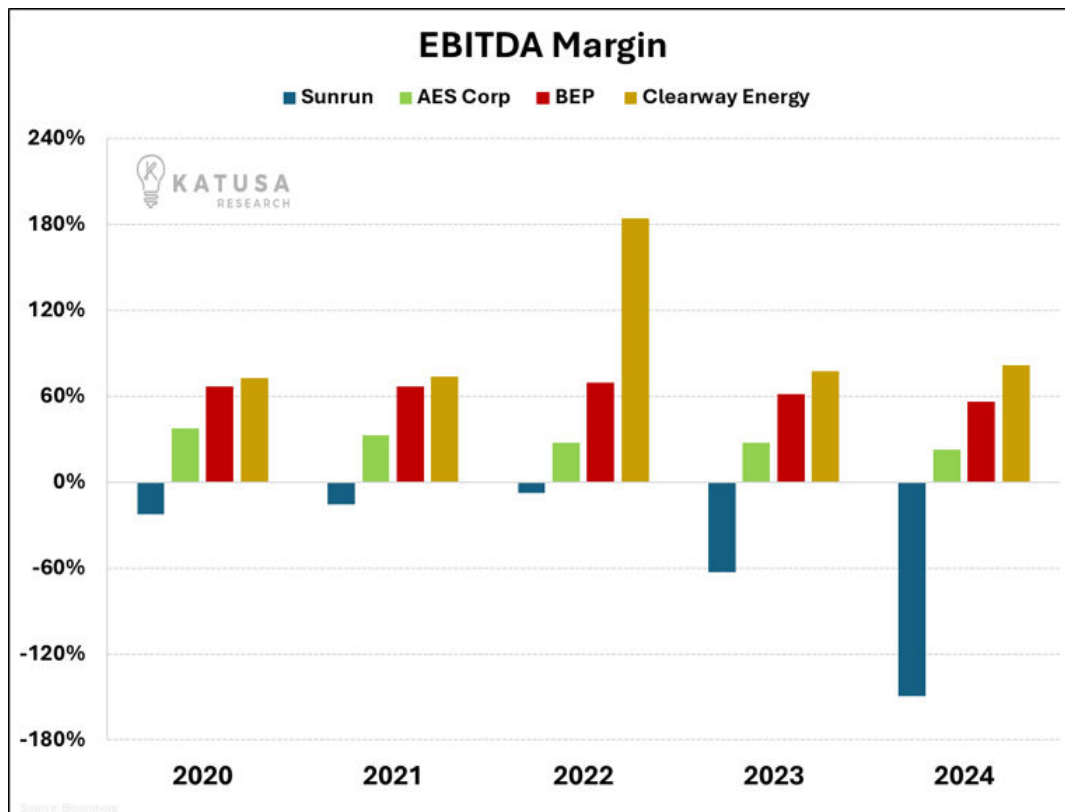


As you can see, there are only three majors in the solar development space: **Sunrun**, **Clearway**, and **AES**—with **Brookfield Energy Partners** a possible fourth.

The other three companies, two of which are regional utilities, have extremely large portfolios with an assortment of energy generation sources.

All four solar majors sell the majority of their solar power through long-term Power-Purchase Agreements (PPAs). These contracts bring in steady cash flow, which can yield lower financial risk. Some of the majors also manufacture and install solar equipment.

The majors can be compared using their EBITDA margin (the profit a company earns from operations, excluding interest, taxes, depreciation and amortization).



Clearway and BEP have the highest margins. Over the past five years, however, BEP's margins have eroded while Clearway's have expanded. AES Corporation has the lowest margins due to its ongoing reliance on coal, although it is working toward decommissioning those plants.

These four companies have all been around for a long time; they endured the solar boom and bust of the late 2010s.

While some investors have 10x'd their money in the runups of these stocks, their high growth days are likely over, and investors will see steady returns in the next decade.

There is, however, room for more majors in the market.

The amount of new solar forecast to be installed in the U.S. by the end of 2030 is 358 GW, but the total portfolios of the four solar majors is only 19 GW.

- **To meet projections, they'd need to install 19x their current holdings in five years.**

So a new crop of juniors are making bids to become majors.

But unlike the current majors, these juniors are not an aggregate of lots of different forms of energy accumulated over decades of operations. They're **pureplay solar stocks**, going all-in on the future of energy in the U.S.

While many of these companies are not yet available for public investment, one has built up a large portfolio, is listed on the NASDAQ, and is building out a pipeline that could place it under consideration with the majors—presenting an opportunity for investors.

SolarBank Corporation's (NASDAQ: SUUN) March to the Majors

Anyone can buy solar panels and install them, so the profit margins there are excessively low.

The real money comes from O&M (operations and maintenance) and PPAs: selling the electricity from solar to communities, corporations, and utilities over a long time.

And that's where the wide moat is for the solar majors.

Building out a utility-scale solar field takes a large amount of capital, and corporations do not want to trust a company that has never successfully executed a multi-MW solar installation before. So it's hard for new entrants to break in.

For the past decade, SolarBank has systematically worked to break down that barrier—and it's now on the cusp of doing so.

Since its inception in 2013, SolarBank has been an independent renewable energy company focused on the development and operation of solar assets including solar PV generation projects, battery energy storage systems, and EV charging.

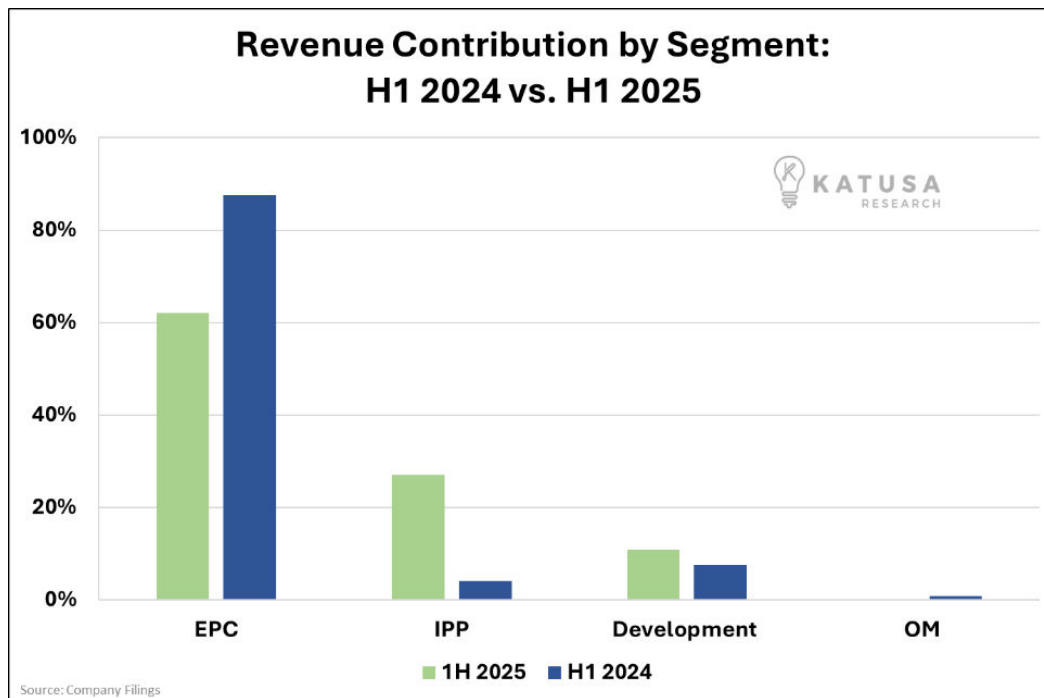
SolarBank generates revenue through four segments:

- **Development:** Early-stage project-development services including site acquisition, permitting, and grid interconnection.
- **Engineering, Procurement, and Construction (EPC):** Project design, equipment procurement, and the construction of solar projects.
- **Operations & Maintenance (O&M):** The operation and maintenance of solar farms on long-term contracts.
- **Independent Power Production:** The owning and operation of solar farms and battery storage projects, generating long-term revenue through electricity sales.

SolarBank has strategically used the first three segments above to develop a reputation, customer base, and cash flow that would enable it to become an IPP (independent power producer).

While EPC has historically produced most of SolarBank’s revenue, its IPP business was finally launched and has begun to grow over the past year. Part of that growth is due to the acquisition of Solar Flow-Through Funds Ltd., which came with IPP revenue.

The graph below shows the revenue contribution by segment for H2 '24 and H1 '25. EPC still makes up more than 60% of SolarBank’s revenue, but that is shrinking as its IPP division takes over as the revenue powerhouse.



In addition to the growing, stable long-term revenue that comes from being an IPP, SolarBank has several differentiators that may help it earn a place in the majors.

What Sets Solarbank Apart

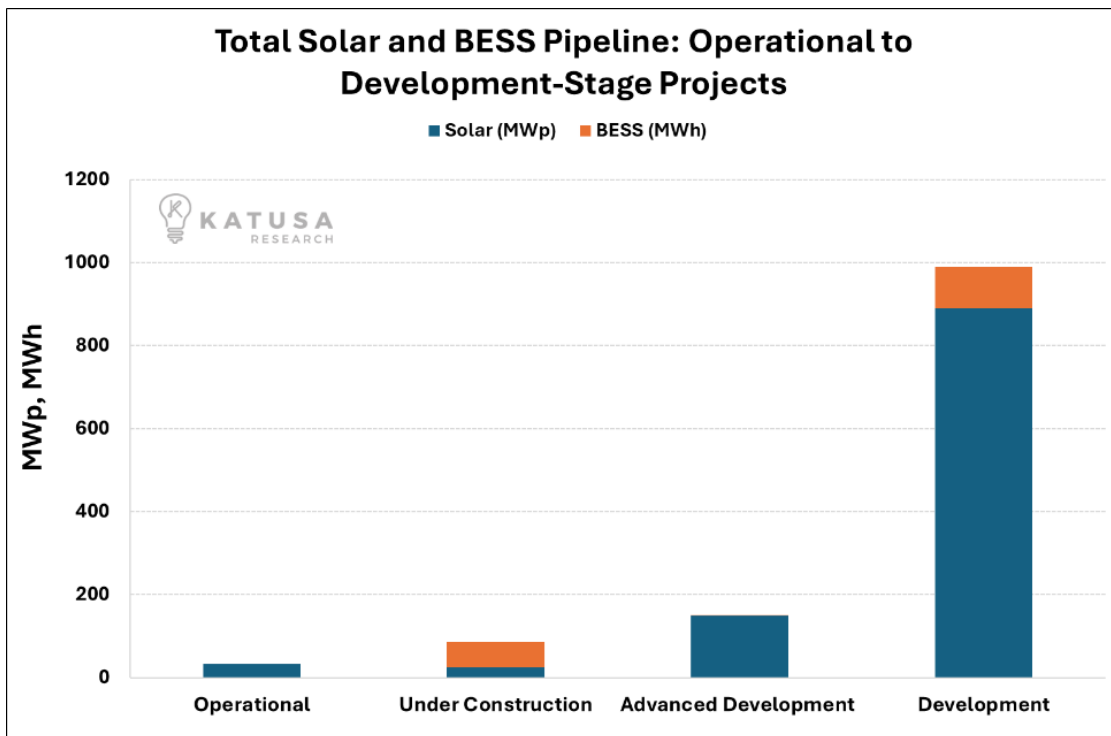
Unlike most other juniors, SolarBank manages all stages of renewable energy projects, from planning and engineering (performed in-house) all the way through to selling the electricity.

They treat each project as if they will be the owners when it is complete, yielding high-quality, in-budget projects and high customer satisfaction. SolarBank also has an in-house team that can accelerate project approvals and permitting, which can be a time drag for projects at other companies.

If the project does show promising financial results when it is complete, SolarBank reserves the ability to keep it, then sell the power for a profit.

SolarBank has a large development pipeline of over 1 GW of solar as well as 150MWh+ of battery storage.

This positions it to be a pureplay solar major in the coming years.



The composition of the portfolio and pipeline is important. SolarBank has both community solar and large corporate solar projects in its queue, enabling it to profit from both growth centers.

Recall that two of the reasons for lower growth in utility-scale solar in the coming years are the long interconnection queue and limited workforce.

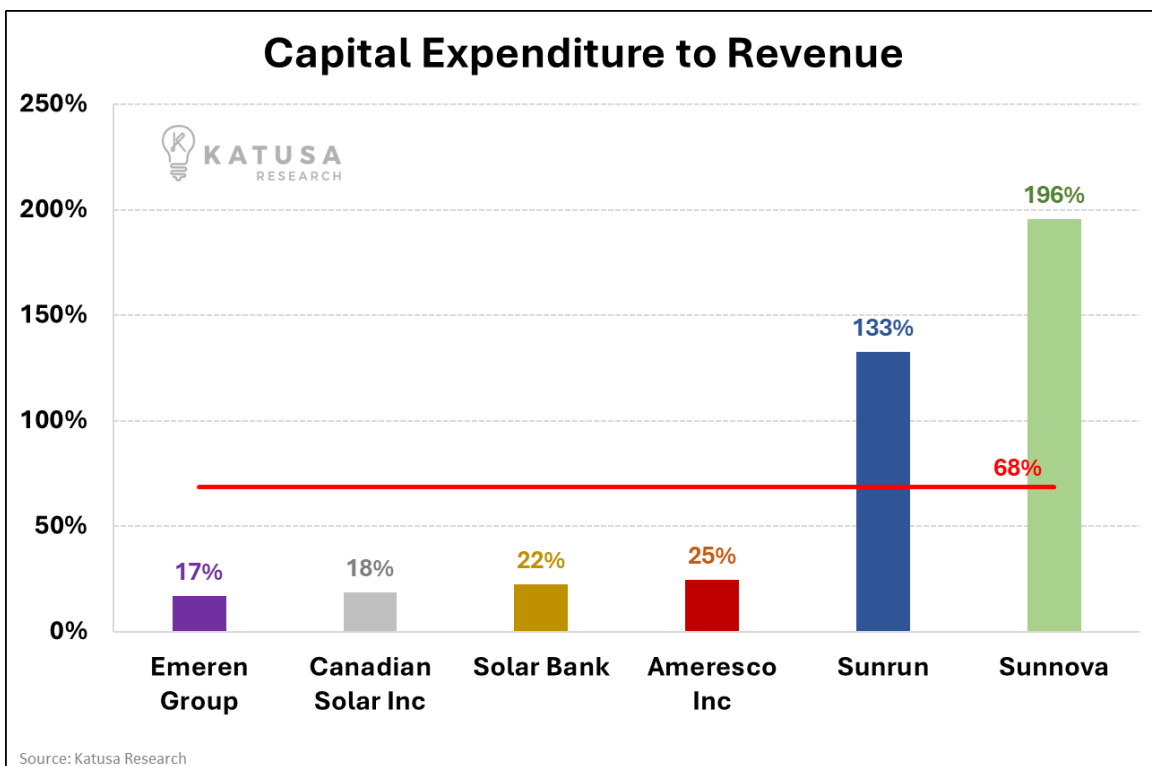
Because SolarBank has several different types of projects, it can fluidly move effort from one to the other while waiting on each project to progress.

In addition to its current revenue streams and pipeline, SolarBank is also working to break into several other markets, including BESSs, EV chargers, and solar farms for AI data centers.

How Much Is It Worth to Capture the Sun?

The next two graphs analyze how efficiently SolarBank is reinvesting in its growth and how its profit margin compares to its peers.

For the purposes of this analysis, its peers are considered to be SunRun, Sunnova, Ameresco, and Canadian Solar.

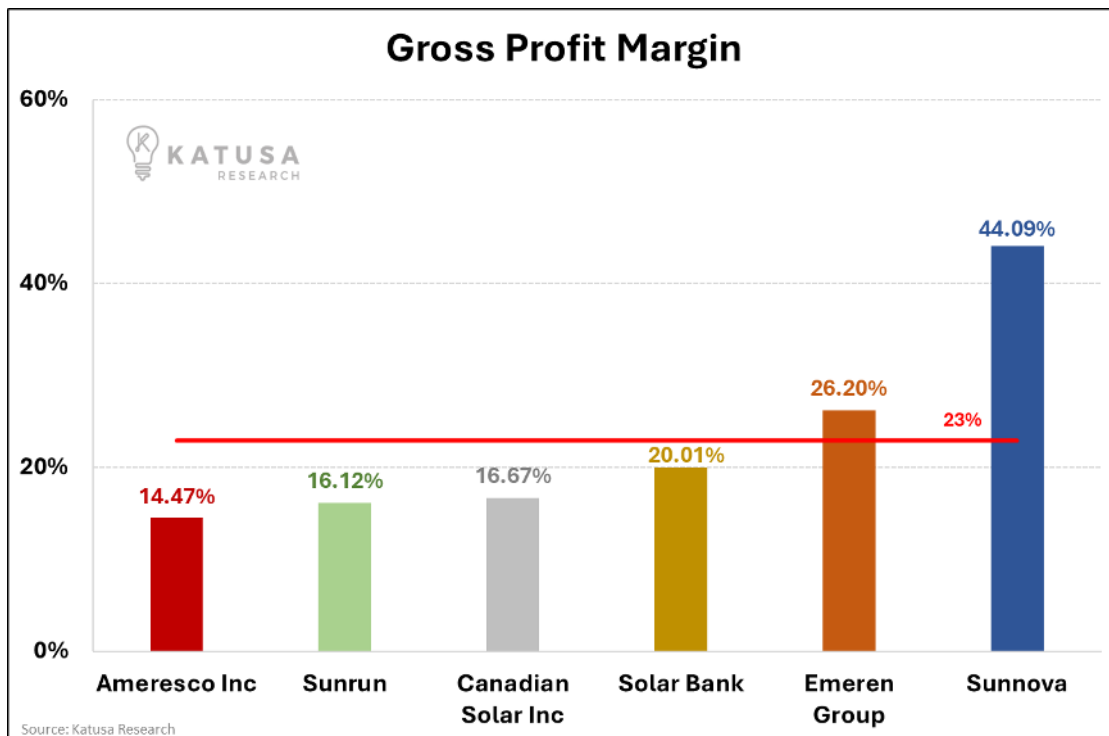


The capital expenditure to revenue ratio helps evaluate whether the company is spending the right amount on growth.

SolarBank spends 24% of its revenue on capex, which seems to indicate that the company is investing in high growth while spending prudently enough to keep financial pressure low.

The current capex level suggests a balanced approach to growing the business.

The following chart shows SolarBank’s gross profit margin compared to its peers. As you can see, SolarBank is near the top of the pack in terms of gross profit margin. As the company builds out its IPP business, it could see that profit margin improve over time.



Risks and Catalysts

Every high-growth industry comes with risks. For SolarBank, sudden changes in U.S. trade policy (e.g., new tariffs), removal of incentives, or legislation could raise the cost of goods sold or hurt project budgets. This could make planning and growth more difficult, slowing the pipeline down.

In a rising energy price environment, however, corporations and consumers will look to cut mid-term costs however they can. With solar as the cheapest and most flexible reliable energy option, they may be willing to absorb higher costs of installation.

SolarBank raises financing for each of its major projects. While it has not yet been an issue, limited access to affordable financing, especially due to major economic events, could limit SolarBank’s ability to continue to grow.

As it increases recurring revenue from its IPP unit, that risk could be mitigated.

In the next two years, three catalysts could help SolarBank become a major:

- **IPP and BESS Expansion:** New solar technology and rising demand for clean energy from all sides give SolarBank the opportunity to expand its IPP business and create stable long-term revenue.
- **Growing Solar Project Sales:** SolarBank has executed several large solar project deals with companies like Qcells and Camillus. Expanding this pipeline will help fund its IPP growth.
- **Ongoing M&A:** SolarBank has already purchased a company with a large IPP portfolio, and it is strategically oriented toward continuing M&A to grow the company.

Given its strong development pipeline, vertical integration, high customer satisfaction, and the growing demand for its products, SolarBank is likely to see high growth through the end of the decade.

Its intelligent capital reinvestments and stable gross profit margins could make it a prudent, fast-growing investment.

Investors willing to bet on its high-growth phase and manage near-term risks may find attractive upside potential.

The solar industry is quickly becoming the dominant force in global energy. China and the United States are leading the way with technological leaps, strong government support, and plummeting costs.

In the United States, clean energy policies and large corporate investments are helping the solar industry expand quickly, making now a good time to watch for strong solar upstarts like SolarBank.

If the solar industry keeps growing, SolarBank stands to do very well in the future.

Further Disclaimers and Disclosures

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Forward-Looking Statements" and "Risk Factors" in the Company's Annual Information Form for the most recently completed financial year, and other public filings of the Company, which include: the Company may be adversely affected by volatile solar power market and industry conditions; the execution of the Company's growth strategy depends upon the continued availability of third-party financing arrangements; the Company's future success depends partly on its ability to expand the pipeline of its energy business in several key markets; governments may revise, reduce or eliminate incentives and policy support schemes for solar and battery storage power; general global economic conditions may have an adverse impact on our operating performance and results of operations; the Company's project development and construction activities may not be successful; developing and operating solar projects exposes the Company to various risks; the Company faces a number of risks involving Power Purchase Agreements ("PPAs") and project-level financing arrangements; any changes to the laws, regulations and policies that the Company is subject to may present technical, regulatory and economic barriers to the purchase and use of solar power; the markets in which the Company competes are highly competitive and evolving quickly; an anti-circumvention investigation could adversely affect the Company by potentially raising the prices of key supplies for the construction of solar power projects; foreign exchange rate fluctuations; a change in the Company's effective tax rate can have a significant adverse impact on its business; seasonal variations in demand linked to construction cycles and weather conditions may influence the Company's results of operations; the Company may be unable to generate sufficient cash flows or have access to external financing; the Company may incur substantial additional indebtedness in the future; the Company is subject to risks from supply chain issues; risks related to inflation; unexpected warranty expenses that may not be adequately covered by the Company's insurance policies; if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the renewable energy market; there are a limited number of purchasers of utility-scale quantities of electricity; compliance with environmental laws and regulations can be expensive; corporate responsibility may adversely impose additional costs; the Company has limited insurance coverage; the Company will be reliant on information technology systems and may be subject to damaging cyberattacks; the Company may become subject to litigation; there is no guarantee on how the Company will use its available funds; the Company will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders; and future dilution as a result of financings.