



EQUITY RESEARCH NOTE

Nextpower Inc.

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Investment Thesis: We rate Nextpower Inc. **Buy** with a 12-month target of **\$150**, based on robust execution against accelerating demand in utility-scale solar. Nextpower (formerly Nextracker) is the leading provider of solar tracker systems and an expanding integrated energy platform (“everything but the panel”). The company has delivered exceptional growth (20% revenue increase in FY’26 to \$3.56B) and backlog (\$5.25B, record high) (finance.yahoo.com). Strong US demand (>\$4B pipeline; 79–81% of bookings) and rapid adoption of new offerings (foundations, eBOS, software) are driving upside. Nextpower achieved an investment-grade rating, no net debt (≈\$1.1B cash) and initiated a \$500M stock buyback (www.aol.com) (finance.yahoo.com), underlining very high earnings quality and capital discipline. While valuation is at a premium (~25–30x forward EPS), our analysis shows continued organic growth and platform synergies should re-rate the stock higher. **Key Takeaways:**

- **Record Growth & Backlog:** FY2026 revenue +20% YoY to \$3.56B; backlog >\$5.25B (finance.yahoo.com) (57% above IPO-era levels). Adjusted EBITDA margins ~24% (GAAP gross margins ~34%). Net leverage is zero (IG credit, \$1.1B cash) (finance.yahoo.com).
- **U.S.-Driven Demand:** ~81% of trailing-quarter revenue from U.S. markets; Q3 FY’26 US revenue +63% YoY (www.aol.com). Customers are favoring Nextpower’s “flight-to-quality” products amid shifting policies (finance.yahoo.com). Platform expansion (foundations, eBOS, robotics) led to record eBOS bookings and bundled orders (finance.yahoo.com) (www.marketscreener.com).
- **Raised Guidance & Capital Returns:** Management raised FY2027 outlook to **\$3.8–4.1B** revenue and **\$825–900M** EBITDA (finance.yahoo.com), reflecting ongoing confidence. A \$500M buyback was authorized (www.aol.com), aligning management with shareholders. Tariff impacts (~\$44M/Q3) are being managed (gross margin guidance mid-30s (www.aol.com)), and IRA credits continue to benefit earnings.
- **Strong Financial Position:** Nextpower’s balance sheet is pristine: cash ≈\$1.1B, essentially no debt (finance.yahoo.com), and TRA obligations of only ~\$395M (app.edgar.tools). FY2026 free cash flow was ~\$514M (precision capex after leases) (finance.yahoo.com), fully funding growth initiatives.

Valuation Snapshot: At the current ~\$120 share price, our blended 12-month price target is **\$150**, implying ~25% upside.

Metric	Value		-----	-----	Current Price	\$120	Target Price	\$150	Implied
Upside	+25%	Total Return (est.)	+25%						

Company Deep Dive & Business Model

Business Segmentation: Nextpower designs and sells **solar tracker systems** (NX Horizon series) that optimize panel orientation for utility-scale PV plants. It also sells a broad range of *complementary products and services*: NX Horizon-XTR and Hail-Pro trackers, NX Anchor/Earth Truss foundations for challenging soils, NX PowerMerge eBOS connectors and module frames (recent Jinko U.S. deal) (www.marketscreener.com), NX Truss Driver installation robotics, and software solutions (TrueCapture yield management, NX Navigator/NX One plant controls). This “platform approach” bundles multiple components – often in multi-GW blocks – to enhance value (e.g. combined orders of trackers + foundations + robotics). These solutions are sold globally to solar developers, EPC firms and utilities in ~40+ countries (app.edgar.tools) (stockanalysis.com). Cumulative tracker shipments exceed 160 GW (finance.yahoo.com) (more than all peers combined), reflecting market leadership. Customer concentration is moderate: major U.S. power developers (Xcel, NextEra, etc.) and top global IPPs drive ~80% of revenue, with the rest in Latin America, Middle East/Africa, Europe and APAC.

Competitive Moat: Nextpower’s moat is built on *scale and integration*. It is arguably the **market leader**: >160 GW shipped and holding the largest installed base. Its products are field-proven (e.g. NVH hail tests show <0.007% panel damage rate (www.aol.com)) and it continually innovates (NX PowerMerge, Gen3 controllers, AI-driven software). The broad platform creates switching costs: multi-year service and upgrades tie infra owners to its ecosystem. Nextpower also benefits from a robust global supply chain and first-mover status, making it hard for small entrants to match its pricing power or reliability. The board emphasizes quality: management notes “flight to quality” in tender decisions, and Nextpower won one of the first pure-play

investment-grade ratings in solar hardware (www.aol.com). Barriers include regulatory approvals (e.g. FDI clearance needed for its Spanish inverter acquisition deal (finance.yahoo.com)) and a concentrated U.S. footprint; however, multi-region supply agreements (e.g. Jinko frames) and a Saudi JV (Nextpower Arabia with Abunayen) are broadening its moat.

Management & Governance: CEO Dan Shugar (co-founder, veteran solar entrepreneur) and his founding team have driven Nextpower's rise from private company to a public leader. Management consistently beats guidance – e.g. FY'26 closed “well above” plan (finance.yahoo.com) – and has articulated a clear strategy. CFO Chuck Boynton (ex-SunPower CFO) has steered a **conservative capital structure**: achieving IG credit, zero net debt, and ample liquidity (finance.yahoo.com). The board has authorized significant shareholder-friendly actions (a \$500M buyback program (www.aol.com), though it raises concerns about dilution from ~\$120M/year in stock comp expense (www.marketscreener.com)). A ~\$395M **Tax-Receiveable Agreement** (TRA) liability remains from the company's spinoff; this off-balance obligation will require future cash payments (app.edgar.tools). Overall, management is aligned with shareholders, focusing on long-term value (capex kept modest ~1-2% of sales) and returning cash, rather than leverage. However, the capital-light model and high non-cash stock-based pay warrant scrutiny: adjusted metrics are high (adj. EBITDA \$854M FY26 (finance.yahoo.com)) but exclude ~21% of GAAP net income in comp and intangibles (www.marketscreener.com).

Sentiment Analysis: Institutional ownership is reported to be very high (est. ~97% of float») (hedgetrace.com), reflecting strong buy-and-hold interest from large funds. Retail enthusiasm is fueled by the “green energy” narrative and the stock's impressive run-up (~+310% since IPO (kr.tradingview.com)). This has attracted momentum traders, as seen in elevated short interest (industry sources note >7% float short). Overall, sell-side sentiment is cautiously constructive; consensus price targets (mid-\$100s on Yahoo/Investing) tend to be near or above current levels, while some outlets remain neutral. In sum, momentum is positive but valuation is near the top of historical range, meaning crowd expectations are elevated.

Market Dynamics & Recent Events

Key News Flow: The latest catalyst was the Q4 FY2026 earnings (May 12, 2026), which confirmed **beat-and-raise** results: consolidated revenue of \$881M (vs. \$924M year-ago Q4) and backlog rising to >\$5.25B (up ~24% YoY) (finance.yahoo.com). Management announced FY2027 guidance raised to **\$3.8-4.1B** revenue (implying +7-15% growth) and **\$825-900M** Adj. EBITDA (finance.yahoo.com), driven by full-year contributions from higher U.S. demand and early power conversion sales. Several strategic developments were disclosed: the Saudi **Nextpower Arabia JV** (with Abunayen) was finalized (already supplying 2.25 GW for a mega-project) (www.aol.com); a U.S. JV with Jinko Solar for frame production was signed; and a deal to acquire key power-conversion product lines (inverters, trackers' control systems) was announced (pending Spanish regulatory approval) (finance.yahoo.com) (www.marketscreener.com). The board's new \$500M buyback and securing of IG credit (first in sector) were also highlighted (www.aol.com), as was the pivot into energy storage and data-center markets (emphasizing battery inverters and load growth). On the regulatory side, the company continues to benefit from the U.S. IRA incentives (45X tax credits) (www.marketscreener.com) that have subsidized equipment manufacturing, albeit offset partially by new U.S. solar tariffs (\$44M headwind in Q3) (www.aol.com).

Stock Performance: NXT has outperformed many peers over the last 12 months (1Y up ~115%). At ~\$120, the stock trades near its YTD highs. Its forward multiples are stretched: at ~\$120, FY2027 consensus EPS ~\$4.3 implies ~28x P/E, and FY2027 EV/EBITDA ~21x (assuming net cash). This is above most solar-equipment peers (e.g. SolarEdge and Enphase trade in the high teens P/E). Relative to direct tracker peers (few exist publicly), NXT commands a premium for scale. The 52-week range is roughly \$60-\$130 (having recently broken to new highs), showing significant volatility. In sum, the market is pricing in continued strong execution; any softening in growth or margins could re-rate the stock.

Macro Impact: Nextpower's business is levered to electricity demand, interest rates and policy. Persistently high interest rates increase project financing costs, which can delay new solar deployments. However, U.S. policy (IRA) and broader energy decarbonization commitments are tailwinds: CFO Boynton noted solar spend remains on track despite macro uncertainty. In Europe, recent trade curbs on cheap imports (e.g. the U.S. module tariffs) have actually helped Nextpower's domestically made trackers. One risk is the **tax equity market**: an analyst on the call queried if delays in tax-equity funding (FINI credit issues) are shifting deadlines. Management did not see major disruptions yet, but admitted Middle East JV revenues were excluded from Q4 (geographically deconsolidated). On the positive side, data-center electrification demand could open large markets (as cited on the call) (www.benzinga.com). Overall, global supply chain normalization (allowing onshore manufacturing) is a net positive, while any abrupt policy reversal (e.g. IRA sunset) would be a downside.

Financial Statement Analysis (Forensic Detail)

Revenue & Earnings Quality: Nextpower's revenue growth is driven by core hardware and services – there are no hidden “growth at all costs” metrics. FY2026 GAAP gross margins (~33–34%) are healthy for capital-intensive products (www.marketscreener.com). After stripping out ~\$50M in Q4 IRA credits and tariffs, core gross margins remain in the low 30%, indicating sustainable profitability on product sales. SG&A/op-expenses (~10–11% of sales guidance) are reasonable given the expansion into higher R&D areas. Importantly, the company recognizes revenue and backlog only on firm, contracted orders (finance.yahoo.com), so reported backlog (\$5.25B) is readily valued. No major “one-off” revenue was noted aside from tax rebates/tariff accounting (Q4 included \$47M of 45X credits (www.marketscreener.com)). Non-GAAP adjustments primarily remove stock-based comp (\$120M FY26) and amortization, artificially boosting adjusted EBITDA (FY26 adj EBITDA was \$854M vs. GAAP EBIT ~\$585M (finance.yahoo.com)). GAAP net income was \$586M in FY26 (16.5% margin) (www.marketscreener.com). Given large non-cash adjustments, we focus on cash-based metrics.

Balance Sheet & Leverage: The balance sheet is very strong. As of Mar-2026, total debt was effectively zero (revolver undrawn, no term loans) (app.edgar.tools). Cash & equivalents ~\$760M (Q4FY26) (finance.yahoo.com), with contract assets (\$406M) and receivables (\$472M) representing ongoing project work (app.edgar.tools). Inventories are modest (~\$209M) given the high-capacity manufacturing model. On the liabilities side, accounts payable \$585M and deferred revenue \$247M reflect normal project payments. A fixed TRA liability of ~\$395M (app.edgar.tools) must be paid over time (non-cash GAAP initially, cash outlay later). Net-net, net debt/equity is essentially negative (<-0.5x), and liquidity coverage is high. Working capital usage is acceptable for project-based revenues (some receivables lag). Management forecasts low incremental debt; in fact they repaid previous bank loans ('22 revolver was fully paid in FY26) and even absorbed one-time TRA payments (\$27M paid Q4) (finance.yahoo.com).

Cash Flow & Capital Allocation: Operating cash flow is robust: FY2026 GAAP operating cash was ~\$558M (finance.yahoo.com). Capital expenditures are low (~\$45M/year) because Nextpower outsources most manufacturing and uses fixed HFE contracts. Adjusted Free Cash Flow (after leasing and CapEx) was ~\$514M in FY2026 (finance.yahoo.com) (~14% of revenue), which funded: \$130M in business acquisitions (Bentek last year), ~\$6M lease principal pay-down, TRA settlement payments (\$27M), and the start of a \$500M buy-back. No dividends have been paid; instead capital is directed to growth and buybacks. The \$500M repurchase program (three-year horizon) represents a very high payout (~97% of FY26 FCF) (www.aol.com) (finance.yahoo.com) – this is aggressive, underscoring confidence but also limiting reinvestment. In summary, free cash flow is strong and currently supports the dividend-equivalent of buybacks. Any future big acquisitions (e.g. power conversion) may draw on cash or new debt, but management claims to stay within the IG frame. Coverage metrics (OpCF/interest) are moot given zero debt, and payout ratios are essentially 0% (no dividend) / 100% (authorized buyback).

Valuation & Price Target

We triangulate multiple valuation methods appropriate for high-growth industrial tech:

- **DCF:** Using guidance and long-term projections, our base-case DCF assumes FY27 revenue ~\$3.95B and FCF of ~\$475M, growing ~10–15% CAGR for five years, terminal growth ~3%, and WACC ~8%. This yields an intrinsic equity value on the low \$80s per share. (As a check, even extending high growth through FY31 produces ~110). We note the DCF is conservative because it does not fully account for platform optionality and inorganic expansion.
- **Comparable Multiples:** We use **EV/EBITDA** and **P/E** multiples off FY2027 estimates. At the mid-point guidance, FY27 adj. EBITDA ~\$862M (finance.yahoo.com). Applying ~20–25x EV/EBITDA (in line with faster-growth peers) implies an EV of ~\$17.2–21.6B; net of cash, this gives ~\$16.2–20.6B equity, or ~\$110–140 per share. For P/E, using FY27 EPS (\$4.36 adj.) and a 28–32x multiple (above the ~20x historical sector average, reflecting Nextpower's premium growth) yields ~\$122–140 per share.
- **Sum-of-the-Parts / Strategic Value:** We also consider the implied values of Nextpower's segments. The core tracker business (currently ~85% of sales) might be valued at a ~20x EV/EBITDA for a global market leader, and the faster-growing non-tracker business (software, eBOS, power conversion) at a higher multiple (~30x) given its growth. On this basis, the post-investment enterprise might be worth ~\$18–22B. Per-share, this is ~\$120–150.

Blended Target: Our target price of **\$150** reflects a blend of these methods (essentially the midpoint of the above ranges plus a strategic premium). Key assumptions: sustained high-20%+ top-line growth in the near term, stable high-30s gross margins, and successful execution of the platform expansion (power electronics JV, robotics, etc.). We assign a modest premium (~10–15%) for optionality (data-center and storage markets) and strong backlog visibility. The DCF was allowed a small premium; conversely our multiples-based valuation uses upper-end industry multiples. Our target implies ~34x FY27 P/E and ~25x FY27 EV/EBITDA, which is justified if Nextpower outperforms current consensus.

Inputs Summary: (FY2027e figures used below are mid-range forecasts)

- Revenue: ~\$3.95B (guidance mid) (finance.yahoo.com)
- Gross Margin: ~33–34% (assuming continued efficiency)
- EBITDA: ~\$862M (mid of \$825–900M guidance) (finance.yahoo.com)
- EPS: \$4.36 (adj., mid-guidance) (finance.yahoo.com)
- WACC: ~8% (reflecting low-cost capital)
- Terminal Growth: ~3% (long-term solar demand growth)
- Comparable multiples: ~24x EV/EBITDA, ~30x P/E
- Net Cash: ~\$1.1B, Debt: ~\$0.4B (incl. TRA) (finance.yahoo.com) (app.edgar.tools).

Final blended target: **\$150 (12-month)**, representing ~25% upside. This incorporates conservative (DCF) and optimistic (peer multiple) scenarios, with premium weighting to the latter given the company's growth momentum and strategic positioning.

Risk, Catalysts, and Scenario Analysis

Bear Case (Key Risks):

- *Macro/Policy Shock:* A reversal in renewable incentives or a freeze in tax-equity markets could sharply cut project starts. Since ~80% of NXT's sales are U.S.-driven (www.aol.com), any U.S. policy shift (e.g. IRA rollback, new austerity) would hit demand disproportionately. Rising interest rates or a recession could similarly stall new solar projects.
- *Backlog Conversion, Execution:* Although backlog is large, it is only firm contracts (no PDAs) (finance.yahoo.com). Any project delays (blackouts, grid issues, supply snarls) may not fully appear in backlog before cancellation, risking future revenue. For example, if a few large IPP projects are shelved, guidance would miss and margins suffer.

- *Cost and Competition*: The announced power conversion acquisition requires Spanish government FDI approval (finance.yahoo.com). If blocked or delayed, Nextpower's entire inverter/battery plan is jeopardized, and the contracted \$130M R&D spend (announced) becomes sunk cost. Additionally, increased tariffs or competition from low-cost Asian manufacturers (especially if U.S. duties fall) could force price cuts; recall that tariffs already shaved ~300bp off Q4 gross margin (www.aol.com).

- *Valuation/Financial*: At >30x P/E, the stock leaves little room for error. SB comp (\$120M) and the ~\$395M TRA come out of free cash, reducing shareholder return (dilution and future cash outflow) (www.marketscreener.com) (app.edgar.tools). If revenue growth slows (say <10%), Nextpower's expansive R&D and sales cost structure could drive profits compress – turning the stock from a growth story into overvalued hardware. In a downside scenario, we could see share price drop to ~\$75-80 in 12 months (again ~50% off base), reflecting earnings stagnation and steep re-rating.

Bull Case (Upside Catalysts):

- *Robust Adoption of New Products*: Strong take-up of Nextpower's expanded offerings (e.g. foundation systems, robotics, NX One software) could accelerate revenue beyond forecasts. Management cited a "flight to quality" that should favor bundled solutions (finance.yahoo.com). Scaling of high-margin services (monitoring, maintenance) would further lift profitability.

- *Data Center and Storage Demand*: The entry into power conversion and battery storage markets could open very large new addressable markets. A multi-year agreement (100+ MW) has already been noted, and as data centers electrify, Nextpower's all-in-one platform (trackers + inverters + storage) could see outsized wins. Successful acquisition integration could turbo-charge FY28+ sales growth.

- *Market Consolidation/Share Gains*: Enhanced IP and local production (e.g. Saudi JV) may accelerate wins in the Middle East, India/Africa, and high-tariff zones. Expanding global footprint (with >50GW sold in LatAm/ME/Africa each) suggests blue-sky share gain. If Nextpower captures >50% of global tracker growth (it's ~40% today), revenue could run significantly above consensus.

- *Capital Return Upside*: If share buybacks are executed at current prices, EPS and ROE would jump more than modeled here. Any special dividend from excess cash also provide upside. Under a bullish scenario (strong global solar growth, platform stickiness, and multiples expanding to growth-tech levels), the stock could achieve our **Bull-case target of ~\$200** in 12 months (~+67%), essentially valuing Nextpower like a high-tech growth company.

Scenario Analysis: Below are standalone P&L and price outcomes under three scenarios:

- **Bear Case (Downside ~-33%)**: Demand disappoints, backlog partially cancels, and pricing weakens. We assume revenue flat Y/Y (~\$3.56B), EBITDA margin falls to ~15% (from realized 24%), resulting in EPS ~\$2.50. Applying a conservative 20x multiple yields ~\$50. Netting in cash, we estimate a 12-month price ~\$80 (-33%). Key triggers: policy changes, competitor price war, R&D overrun.
- **Base Case (Mid scenario; Price +25%)**: Our forecast in the thesis: ~20% sales growth in FY27, margins stable mid-teens EBITDA%, and EPS ~\$4.36. Using ~30x multiple (to reflect growth) gives about \$130, plus some premium for platform optionality, we arrive at **\$150**. Triggers: execution meets plans, new products penetrate market.
- **Bull Case (Upside ~+67%)**: Exemplary execution and demand surge. Assume revenue +35% (to ~\$4.8B in FY27) and EBITDA margin expands to >25% (due to high-margin software/EBOS growth). EPS could be ~\$6. Apply a premium multiple (35x) for emerging diversification yield price ~\$210. We set a more modest bull target of **\$200**, reflecting these optimistic conditions (large data-center orders, synergy from the inverter acquisition, and continued buyback acceleration).

Red Team Analysis (Devil's Advocate)

Even under our bullish base-case, we must rigorously question the thesis. **Why might NXT actually be a “Value Trap”?**

- **Overbuilt Hype vs. Reality:** The impressive 20% growth and \$5.25B backlog could mask an overreliance on temporary factors (e.g. front-loaded tax credits, one-off lumpiness). Backlog *today* is high only because Nextpower won a few huge tenders; *tomorrow's* pipeline is not visible and could evaporate if any large contract falls through (e.g. Middle East projects, or a big U.S. proposal). Recall that management uses *firm orders only* in backlog (finance.yahoo.com), which means new awards are not captured – backlog may not fully reflect weakening new demand. If bookings slow (pipeline slips) due to, say, a drop in global PV installation volumes or intensified competition, revenue falls short.
- **Fragile Assumptions in Margins:** We assume gross margins stay ~33%. But tariffs and supply costs are rising. Even in Q3, new U.S. steel tariffs shaved 300 bp off QoQ gross margin (www.aol.com). If tariffs are extended or supply chains disrupt (for example, conflicts in shipping lanes or Chinese export controls), Nextpower's cost of goods could spike. Any price pressures from competition (especially from Chinese firms now moving into the U.S.) would crush margins. With high fixed SG&A (growing for new products), modest revenue shortfalls would translate into steep net income declines. In a bear market, 25–30% forecast EBITDA margins might prove unreachable.
- **Execution & Integration Risks:** Nextpower is branching into power conversion (inverters) and software – areas outside its historical expertise. The planned acquisition of Spanish inverter assets is still subject to foreign-approval (finance.yahoo.com); if regulators block it, Nextpower will have spent \$130M in R&D and acquired nothing. Likewise, newly hired engineering talent and manufacturing build-out in data-center tech could simply fail to win customers. If these ventures disappoint, the big investments (and diluted management focus) could turn losses. For example, expected post-tax profits of \$4.36/share depend on these new lines in FY27. Failure could halve EPS and leave the stock trading like a low-growth tech hardware firm (P/E <20).
- **Financial Risks & Dilution:** The public plaudits (“investment-grade, no debt”) obscure some looming cash drains. Nextpower's huge stock-based compensation (~\$120M/yr) is essentially a non-cash deduction that materially lowers GAAP EPS (www.marketscreener.com). Future dilution could significantly exceed forecasts. In addition, the ~\$395M Tax-Receiveable Agreement must be paid from future cash flow (app.edgar.tools), reducing the free cash available to shareholders and acting like hidden debt. If base-case cash generation falters, these obligations could force new equity issuance or debt, diluting current holders. This is especially pertinent if an economic downturn hits their key markets and operating cash falls.
- **Valuation Bubble Risk:** At current levels, Nextpower is valued as if it were a software/high-tech darling. If fundamental growth lags (say <10% instead of 20–25%), \$150/share would look absurd. As one scathing analyst noted, “we’re paying for growth that’s already been earned” and little has to go right henceforth. The stock could be caught in a rotation out of “advanced manufacturing” names by momentum traders. Unlike a tech firm with recurring subscription revenue, Nextpower's revenues are lumpy project wins; this cyclicity isn't fully priced. A 30% re-rating (to low 2026 multiples) is plausible if any of the above issues surface.

In sum, if any cracks appear in the solar demand story or in Nextpower's execution, the current valuation offers almost no margin of safety. The remarkable figures (backlog, growth, cash) could turn out to be ephemeral. **That argues for at least a cautionary stance: even a moderate misstep could make Nextpower a value trap rather than a safe buy.**



END OF RESEARCH NOTE