December 1, 2020

SOLAR INTEGRATED ROOFING CORP, INC.

(OTC – SIRC)

Industry: Solar/Roofing Services

Price Target: $0.25

SOLAR INTEGRATED ROOFING CORP.

Undervalued, High Growth Solar Company Set to Soar

Rob Goldman
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COMPANY SNAPSHOT

Solar Integrated Roofing Corp. is an integrated, single-source solar power and roofing systems installation company specializing in commercial and residential properties in the Southern California market. The Company has grown rapidly by acquiring established solar and roofing companies and leveraging brand name recognition.

KEY STATISTICS

Price as of 11/30/20	$0.063
52 Week High – Low	$0.098- $0.011
Est. Shares Outstanding	138.7M
Market Capitalization	$8.9M
Average Volume	2,085,332
Exchange	OTCPK

COMPANY INFORMATION

Solar Integrated Roofing Corp.
1475 N. Cuyamaca Street
El Cajon CA 92020

Web: www.SolarIntegratedRoofingCorp.com
Email: dmassey@sircfamily.com
Phone : 858.437.5330

INVESTMENT HIGHLIGHTS

SIRC is poised to emerge as one of the solar industry's largest solar power and roofing installation firms. Already owing an enviable footprint in the lucrative SoCal market, SIRC enjoys significant tailwinds heading into the new year.

After executing the first stage of its roll-up strategy by buying a handful of solar/roofing installation firms, SIRC is on a $25M annual revenue run-rate. Investors should expect additional M&A deals in SoCal in the coming quarters, and potentially in other regions/markets.

SIRC benefits greatly from current and prospective mandates and policies. The State of California enacted a residential solar mandate in January 2020, and the incoming Biden Administration is expected be very favorable to the solar energy industry.

Operating on a February fiscal year, we project $19.8M in sales for the current year, more than double last year's figures. We forecast $38.5M in revenue next year, and $90M the year after, with substantial profit in both years, aided by operating efficiencies from M&A closings.

Our 3-6-month target is $0.25 and we envision seeing a SIRC price north of $0.50 in 12-18 months. Even at $0.25, SIRC trades at a significant discount to its peer group, and we believe this spread will narrow substantially as further M&A is executed. Given its undervalued status, we believe SIRC may offer the greatest upside of any company in the space.

COMPANY OVERVIEW

The View from 30,000 Feet

Figure 1: Sample Solar Roofing
Source: SIRC

Tracing its roots to 1989, California-based **Solar Integrated Roofing Inc. (OTC – SIRC)** is one of the leading integrated solar power and roofing installation services company in the industry. On track for a current annual revenue run-rate of $25M, SIRC is poised to generate substantial growth ahead. The Company is actively engaged in a successful roll-up strategy whereby SIRC has recently acquired other roofing and solar services companies in the SoCal region, specifically in and around San Diego. Management plans to continue to acquire competitors outright or procure a majority stake in firms in the region and in key markets around the country in an effort to quickly achieve a large critical mass of sales.

Given the current solar panel roofing mandate by the State of California, a tremendous opportunity exists for SIRC, which boasts some of the most recognizable and in-demand service brands in the region.

SIRC has set up an innovative third-party financing consumer offering for their green roofing projects. These plans feature a low cost, low-interest loan enabling customers to easily finance a roofing solar project for less than the homeowners' electric bill. Signing up for this offer is a no-brainer for consumers who must comply with the California solar mandate, as it typically requires little upfront cash along with additional monthly fees. As a result, SIRC enjoys enviable customer growth and loyalty. Given the installed base of happy customers, historical strength and efficacy of the installed systems, innovative pricing, strong branding and customer service vis-à-vis the competition, we believe exponential sales growth is in the cards. As illustrated in the comp table found on page 12, we believe SIRC is grossly undervalued at current levels and could rise by more than four-times its recent prices, in the next 3-6 months. Plus, as M&A transactions continue to close and sales growth is recorded, we believe SIRC could rise by nearly ten times current prices in the next 12-18 months.

The Market

In the first quarter of 2020, US residential solar saw its largest installation volumes on record. According to a recent report by Wood Mackenzie and the Solar Energy Industries Association (SEIA), the residential solar installation market is still expected to grow by 37% in 2020, accounting for delays due to the present COVID-19 pandemic. Looking ahead, the U.S. solar market is expected to record installations totaling nearly 100 GW from 2021-2025, a 42% increase in the amount of solar installed over the last five years.

With a residential solar mandate that carries an average estimated price tag of $8,400, no market is ripe for SIRC's services and products than California. The California solar mandate is a new building code that requires new construction homes to have a solar photovoltaic (PV) system as an electricity source. This code, which went into effect on January 1, 2020, applies to both single-family homes and multi-family homes that are up to three stories high. The solar panel system needs to be large enough to meet the annual electricity usage of the building.

This mandate is one factor driving SIRC's growth. With decades of experience in the space, SIRC leadership recognized that an opportunity existed in its core market to emerge as the region's go-to provider. After acquiring a handful of firms with strong brands in early 2020, management plans to buy more firms that are mom-and-pop (sub-$20M in annual sales) with little ability to scale, operate profitably or lack a true exit strategy. Thus, SIRC is well positioned to generate a substantial critical mass of sales and profit going forward.

Our Forecasts

Leveraging the growth of its recent acquisitions, the California solar mandate, and its innovative model, SIRC is on a $25M annual revenue run-rate. However, given the Company's fiscal year and the timing of the previous acquisition closings, we currently project full-year fiscal 2021 revenue of $19.8M, a more than doubling of the total revenue of $9.1M in fiscal 2020. (SIRC is on a February fiscal year.)

For the balance of the current fiscal year, we estimate an incremental increase in gross margin, which, along with higher sales, should dramatically reduce the net loss for SIRC. We currently forecast an annual operating loss of ($1.3M) as compared with an operating loss of ($4.3M). Our model also calls for an annual net loss of ($1.3M) versus the next loss of ($4.4M) a year ago. The loss per share reduction should reach the ($0.01) level, down from ($0.03) last year.

Our model assumes solid organic revenue growth as well as the closing of full or majority M&A transaction(s) totalling sub-$10M in annual sales, sometime in calendar year 2021 (fiscal 2022). Plus, with a few quarters worth of this past year's acquisitions under its belt, we believe that next year SIRC will begin to enjoy meaningful efficiencies and improved profitability. Our $38.5M revenue and $1M operating income projections, along with EPS of $0.01, reflect these milestone events. Moreover, these figures could prove to be conservative if the deal sizes are larger. Looking ahead, our fiscal 2023 estimates include $$90M in total sales, operating profit of $9.6M for a 9.6% margin, and EPS of $0.04.

Our Take

SIRC's shares are significantly undervalued as compared to its peer group as there exists a heavy discount to the Price/Sales metric assigned to SIRC when compared with the metric assigned to its peers. We believe this is due to the competitors' relative size and standing compared to SIRC, along with their emphasis on proprietary battery sales in conjunction with services, versus pure service/installation. Over time, we believe that major share price expansion will occur as the critical mass of sales occurs next year.

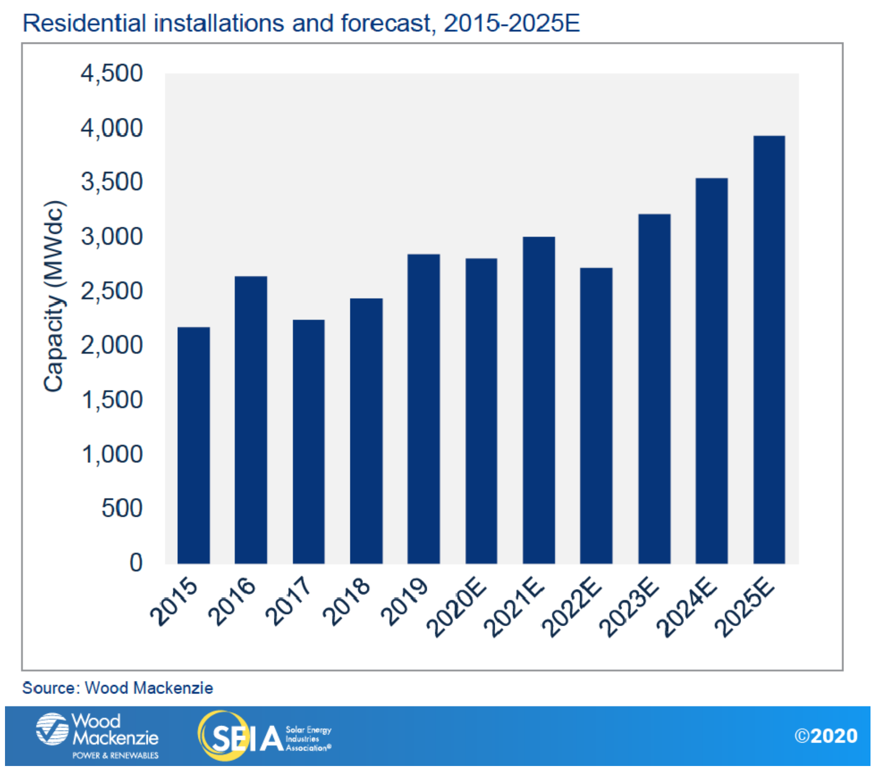
It is our contention that SIRC is one of the few publicly traded, pure play solar stocks whose product sales used in installations is generally 100% agnostic—a major advantage for this forward-thinking service/installation company. Plus, there are few publicly trade residential solar service firms trading today---let alone one that dominates its local market and is in the midst of a series of acquisitions to dramatically increase its size and reach. In addition, although SIRC trades above its 50 and 200 DMA, it has not enjoyed the big runs afforded its peers. Clearly, the upcoming Biden Administration is likely to feature renewable energy, notably solar, as critical to overall energy policy, upon entering office in January 2021. Moreover, it is widely assumed that the Administration will be very friendly toward the sector, which allows for strong tailwinds ahead for the foreseeable future. Considering all of these factors, SIRC may offer the greatest upside in the sector in the near term and intermediate term.

Our conservative 3-6-month $0.25 price target reflects only 0.9x our next year's fiscal 2022 (2021) sales estimate, which is substantially lower than the 4.3x Price/Sales multiple for the peer group for next year. However, we believe that the share price could exceed the $0.50 mark in the next 12-18 months, as M&A is executed and the top-line grows next year.

<u>Finally, as the SIRC footprint increases beyond the SoCal market, the Company could be considered a takeover candidate.</u> With a dominant local or regional market share and a valuation discount relative to its peers that is likely to remain, SIRC the takeover target may look too tempting to pass up as early as 2022.

THE SOLAR SEGMENT

Much of the attention in the US solar market, particularly in the capital markets, surrounds the number of PV devices sold and installed, along with large scale solar utility grid-based businesses. PVs are photovoltaic devices that generate electricity directly from sunlight via an electronic process that occurs naturally in certain types of material, called semiconductors. Clearly, billions have been invested in the utility side of the industry while the successes of key PV producers rise and fall based upon winning large scale implementations. While our due diligence on the industry included these segments as part of the lay of the land, our emphasis is on residential and commercial solar roofing installations companies.



The image above was produced by Wood Mackenzie in conjunction with the SEIA, as part of a September 2020 updated renewable energy and solar industry report. The table illustrates the historical and projected number of residential solar installations based on estimated total wattage of the installed solar panels. Total installations peaked in 2019, with an incremental decline expected in 2020 due to the COVID-19 pandemic. However, a new record number of installations is forecast to occur in 2021. It appears that conventional wisdom suggests a modest decline due to some changes in tax credits and more stringent mandates in key markets. Interestingly, it is the expected renewal of new tax credits, updated federal policies under Biden and new state mandates across the country that could serve as a major driver of implementations and installations from 2023-2025.

The Investment Tax Credit (ITC) is a long-standing market mechanism that is critical to financing solar projects and is now slated to end in 5 years. Since it was enacted in 2006, the solar industry has grown an average of 52% annually and fostered the investment of billions invested billions in the U.S. economy. The solar industry's capacity to scale up is a key factor in the growth of the industry. In 2019, solar capacity increased 23% over 2018 and solar projects accounted for 55% of all new energy capacity last year. We believe that the ITC may be extended or its annual percentage reduction could be suspended, fostering continued growth in investment and implementation by the commercial and residential sectors. Separately, the expected removal of import tariffs on solar panels under the new Biden Administration could also be a catalyst in the re-emergence of major growth spurts in the proliferation of solar energy.

California Mandate

As of January 1, 2020, California became the first state that required solar panels on the roofs of most new homes. This landmark event prompted a major jump in solar installations early on. While the state has averaged around 125,000 new homes built annually since 2008 when it peaked at 200,000, this year will see a decline to around 90,000 due to the COVID-19 pandemic. However, a pick-up to more normalized figures is primed to provide a spark for companies like SIRC, beginning sometime in 2021.

The current residential solar mandate carries an average estimated price tag of $8,400. This mandate is a new building code that requires (most) new construction homes to have a solar photovoltaic (PV) system as an electricity source. This code applies to both single-family homes and multi-family homes that are up to three stories high. The solar panel system needs to be large enough to meet the annual electricity usage of the building. Not all consumers have the ability to pay for this capital additional cost and some financing methods could be cost-prohibitive.

The California Clean Energy Commission projects that the savings benefits for new homeowners can outweigh the initial costs. Assuming an average electricity rate of approximately 18 cents per kilowatt-hour (kWh), the state estimates that single-family homeowners will save about $80 a month on electricity costs, before accounting for financing costs. Still, some flexibility exists when it comes to sizing the solar panel system. For example, builders can decrease the size requirement of a system on a property by as much as 25% when incorporating solar battery storage into the building. Additionally, consumers can reduce the panels by incorporating energy efficiency measures or other demand-responsive measures into building design alongside battery storage. Apparently, under this method, the required PV system sizes can be downsized by as much as 40%.

Major Players

As outlined inthe valuation perspective in Table II on page 12, key comparables to SIRC include **First Solar (NASDAQ – FSLR)**, and **Sunrun (NASDAQ - RUN)**, which last month acquired competitor Vivint Solar for $3.2B, or around 6.7x 2021E projected revenue. Other noteworthy players in the residential installation segment of the solar industry include **Tesla (NASDAQ – TSLA)** and **Gibraltar Industries (NASDAQ – ROCK), and SunPower (NASDAQ – SPWR)**.

First Solar is the 800-pound gorilla in the space and essentially all solar pubcos are compared with this segment leader. Sunrun is likely the leader in the residential installation space, especially after its acquisition of Vivint Solar. Sunrun Inc. engages in the design, development, installation, sale, ownership, and maintenance of residential solar energy systems in the US. It also sells solar energy systems and products, such as panels and racking, as well as solar leads generated to customers. In addition, the company offers battery storage along with solar energy systems. Its primary customers are residential homeowners.

Interestingly, the battery storage feature is a key cog of and is coincident in the current growth of the installation industry around the country. The inclusion of the battery in an installation cannot only reduce capital costs in terms of number of panels, as noted above, but it offers other features as well.

Tesla is also involved in the battery storage segment, and SIRC will soon offer its battery storage along with those other manufacturers. All of the aforementioned comparables including Sunrun/Vivint and Sunpower offer such a device and are both projected to generate $1.4B in revenue in 2021. The Tesla Powerwall is a rechargeable lithium-ion battery stationary energy storage product intended to be used for home energy storage. It stores electricity for solar self-consumption, time of use load shifting, backup power, and off-the-grid use. Over 100,000 Powerwall devices have been sold, to date.

Gibraltar manufactures and distributes building products for the renewable energy, conservation, residential, industrial, and infrastructure markets in North America and Asia. It operates through three segments: Renewable Energy and Conservation, Residential Products, and Industrial and Infrastructure Products. The Renewable Energy and Conservation segment designs, engineers, manufactures, and installs solar racking and electrical balance of systems, greenhouses, and botanical extraction systems. The Residential Products segment offers roof and foundation ventilation products and accessories, such as solar powered units.

As an agonostic PV and battery storage integrator offering the best product tailored for each customer, SIRC is in a great position to leverage growth of manufacturers in the segment while it sticks to its knitting in the services/installation arena.

THE SIRC STORY

Figure 2: SIRC Sample Solar Projects
Source: SIRC

In 1989, SIRC founder and Chief Executive Officer Dave Massey opened his own roofing company and started installing residential roofs in the San Diego area. He owned the largest residential roofing company in San Diego with the trusted name of Secure Roof. In 2008, he and his team saw the vision of PV Solar being installed on the roofs in California as the green energy movement began. To take advantage of this trend, the company began to install roofing solar systems on almost every residential re-roofing job it had. Importantly, Dave identified that customers needed financing for green roofing projects with a low monthly cost. Dave felt this was the secret to overcoming the objections that homeowners had on spending such large amounts of money on roofs that they didn't have budget for. If he could offer an innovative low-interest loan package through third parties, customers could finance a roofing solar project for less than the homeowners' electric bill. This scenario is win-win for everyone. Customers add the solar systems which dramatically increases the value of their existing homes by tens of thousands of dollars while lowering their financing costs, and SIRC can earn a fee as part of this process as well.

Example: Given the high electricity costs in SoCal, we estimate customers right off the bat could save as much as several hundred dollars or perhaps more than $1000 annually, even after taking into account the monthly cost for solar panel system over the life of the loan (We estimate the life of the loan to average 12 years.). Plus, customers can enjoy a tax credit as well. Clearly, this program is a major selling point for new construction and existing homes as well.

Combining this program with the broad array of choices for products in the roofing/solar packages, and decades of experience, SIRC and its family of companies have fostered tremendous brand name recognition and a highly regarded reputation. Not being married to one product manufacturer offers great flexibility while being credentialed with a firm like Tesla will be a big plus as well.

M&A Strategy

Over the past year, SIRC has successfully executed its roll-up strategy, buying 5 companies in the roofing/solar space, along with sales and marketing organizations which aid in branding and integrating all of the newly acquired companies as well as driving sales.

Below is a list of the transactions:

1 – Closed Milholland acquisition ($10M in annual revenue)
2 – Closed SRS acquisition ($5M in annual revenue)
3 – Closed McKay Roofing acquisition ($5M in annual revenue)
4 – Closed Montross Roofing acquisition ($2M in annual revenue)
5 – Closed Narrate acquisition ($4M Pro forma revenues)

Management's general strategy is to acquire privately held firms for 1.5x EBITDA (as an example) in an asset acquisition or for 51% ownership. Many of the prospects in this space are small business owners with few exit options. In this fashion they can either sell outright or join the SIRC family and operate the business for a time under contract. Post-acquisition operating efficiencies of 15-25% are generally standard and the typical target M&A prospect generates $5-8M in revenue, although we believe that figure will rise to $10-15M next year. The key to successful roll-ups is the ability to take private company value and convert it to pubco value, which is usually multiples of a privately held company valuation. By using stock as currency, SIRC shareholders and sellers both win out.

Going forward, we believe investors may see more majority-ownership acquisitions in order to scale quickly and we would not be surprised to see M&A activity of firms in other states/markets that are "solar-friendly."

SIRC EXECUTIVE LEADERSHIP TEAM

David Massey, Chief Executive Officer

Dave Massey has been in the roofing industry for over 30 years. Beginning in his early 20s, Dave started in the roofing industry with installing solar rooftops for rooftop hot water systems. As the industry began to change, he started to focus on roofs specifically.

In 1989, Dave opened up his own roofing company and started installing residential roofs in the San Diego area. He owned the largest residential roofing company in San Diego with the trusted name of Secure Roof. In 2008, he saw the vision of PV Solar being installed on the roofs in California as the green energy movement began. He and his firm began to install roofing solar systems on almost every residential re-roofing job they had. They identified that when financing green roofing projects with a low cost, the low-interest loan they could finance a roofing solar project for less than the homeowners electric bill. Dave felt this was the secret to overcoming the objections that homeowners had on spending such large amounts of money on roofs for which they didn't have the budget, thus emerging as one of the most popular and fastest-growing firms in the region.

Brian Milholland, President

Brian established the highly regarded Disabled Veteran Owned Business Milholland Electric in 1990, a. NABCEP Certified Installer. During his time as President, the company received a SunPower Master Dealer Designation in 2016-one of only 35 in the Nation. As he joined SIRC, Brian, a native Californian, has celebrated his 30th year in business, powering over 7,000 San Diego homes. In 2015, Brian was named the Small Business Administration's 2015 California Person of the Year and won the BBB Torch Award for Ethics

Finalist. In addition, Brian's firm was named as one of Solar World's Top 100 Residential Contractors in the U.S. and achieved a ranking on Inc. 5000's list of fastest growing Private Companies in America, Services sector. The Company also was awarded a BBB A+ business rating.

Jennifer Bees, Chief Financial Officer

As a CPA, Jennifer's background includes leading financial reporting, corporate accounting, planning and budgeting, and corporate internal controls functions. She is responsible for ensuring accurate and timely financial reporting, managing internal and external audits, cost and cash management, and compliance with policies, procedures, and overall strategy. Prior to joining the team, Jennifer has held a variety of finance and accounting positions totaling more than 15 years of hands-on experience in various industries.

Her experience includes financial modeling and analysis, due diligence, risk management, contract review, tax and audit compliance, payroll, cost and variance accounting, GAAP and SOX compliance, asset management, process improvement, human resources, company-wide performance reviews, and staff management and development. Jennifer continues to have a passion for driving continuous improvement and operational efficiency while exploring growth opportunities.

Jennifer earned her Bachelor of Science degree in Accounting from California State University San Marcos. She is a Certified Public Accountant and an active member of The California Society of CPAs (CalCPA), American Institute of Certified Public Accountants (AICPA), and Institute of Management Accountants (IMA) as well as being a licensed California Public Notary.

FINANCIALS SNAPSHOT

Leveraging the growth of its recent acquisitions, the California solar mandate, and its innovative model, SIRC is on a $25M annual revenue run-rate. However, given the Company's fiscal year and the timing of the previous acquisition closings, we currently project full-year fiscal 2021 revenue of $19.8M, a more than doubling of the total revenue of $9.1M in fiscal 2020. (As noted above, SIRC is on a February fiscal year.)

For the first six months of the current fiscal year, revenue reached $8.6M--a huge increase over the $2.6M recorded in the prior period. The top-line increase was even more pronounced for the most recent quarter. SIRC reported revenue of $5.3M versus $1.49M in the corresponding quarter last year, a 255% jump. Judging by the sales results on both a quarter and six-month basis, SIRC is clearly hitting on all cylinders.

Importantly, the net loss has dropped substantially as well, indicating that the early stages of M&A integrations have already proven successful. For the period ending August 2020, the net loss declined from ($1.8M) to nearly break-even status with a ($0.92K) loss.

Future Forecasts

For the balance of the current fiscal year, we estimate an incremental increase in gross margin, which, along with higher sales, should dramatically reduce the net loss for SIRC. We currently forecast an annual operating loss of ($1.3M) as compared with an operating loss of ($4.3M). Our model also calls for an annual net loss of

($1.3M) versus the next loss of ($4.4M) a year ago. The loss per share reduction should reach the ($0.01) level, down from ($0.03) last year.

At present, we believe that growth for SIRC may be driven by federal and state policies/mandates in the renewable energy space, specifically solar, along with the execution of its strategic rollup plan. Thus, our model assumes solid organic revenue growth as well as the closing of a full or majority M&A transaction totalling sub-$10M in annual sales, sometime in calendar year 2021 (fiscal 2022). Plus, with a few quarters worth of this past year's acquisitions under its belt, we believe that next year SIRC will begin to enjoy meaningful efficiencies and improved profitability. Our $38.5M revenue and $1M operating projections, along with EPS of $0.01 reflect these milestone events. Moreover, these figures could prove to be conservative for a variety of reasons. One, organic sales growth could be far north of 20-25%, led by new initiatives. Two, M&A could be of a larger size or number than expected. Three, SIRC's operating expense improvement may be greater than we currently model in our pro formas.

Looking ahead, M&A in other markets and deeper penetration of the CA market may commence sometime in mid-late 2021 or in 2022. Our top-line takes larger M&A into account, in addition to the underlying growth in solar roofing installation. Thus, our fiscal 2023 estimates include $$90M in total sales, operating profit of $9.6M for a 9.6% margin, and EPS of $0.04. Investors will likely notice the significant operating performance metric improvements due to economies of scale and greater efficiencies from calendar year 2020 to 2022.

Interestingly, the variable in our EPS estimates remains the figures below the operating line. Any shift in either direction could have a material impact on our bottom-line forecasts. Still, we recommend investors monitor top-line growth, M&A success, and operating margin improvements when assessing SIRC's performance and valuation.

RISK FACTORS

Corporate Risk

In our view, the renewable energy and solar policies on the federal and state levels should have a positive intermediate term effect on SIRC. Still, material risks exist. Perhaps the Company's biggest risk is related to the timing, size, and number of future M&A transactions. This potential variability may have a material effect on SIRC's financials and the success of the rollup strategy. A secondary risk relates to M&A integration, operation, marketing, and expense reduction. Plus, a successful transition by previous and future acquired companies to SIRC's branding, processes, procedures, and overall implementation could prove to be inconsistent or choppy, thereby affecting financial performance. These risks could be impacted by strides made by larger competitors, existing firms, or new entrants. Nonetheless, these future concerns are consistent with firms of SIRC's size and standing. Moreover, we believe that SIRC's seasoned management team is prepared to overcome these hurdles and generate significant top-line growth and improved operating performance.

Capital Markets Risk

Volatility and liquidity are typical concerns for microcap stocks that trade on the over the counter (OTC) stock market. Separately, it is possible that the share count could increase due to future fundraises to substantially expand the Company's business and reach via M&A. However, an overriding financial benefit as a public company is the favorable access to and the availability of capital to fund M&A, new product/service launches, consistent marketing campaigns and other initiatives. Since the proceeds of any future funding would be used in large part to advance major business development and sales, we believe that any dilutive effect from such a funding could be offset by related increases in market value. The value of a private acquisition under the umbrella of a pubco is several times that of the acquisition price. Thus, SIRC could virtually immediately generate value with each transaction. Moreover, as a prospective major player in its segment, we believe that a potential up-listing of SIRC's shares is in the cards. If executed, an up-listing may have a significant, positive impact on SIRC's shares and liquidity as it opens the doors for more investors to potentially buy the stock. Plus, it could attract meaningful institutional attention.

VALUATION AND CONCLUSION

SIRC's shares are significantly undervalued as compared to its peer group as there exists a heavy discount to the Price/Sales metric assigned to SIRC when compared with the metric assigned to its peers. Over time, we believe that major share price expansion will occur as the critical mass of sales occurs next year. As evidenced in Table II below, pure solar companies First Solar, Sunrun, and Sunpower trade at much higher Price/Sales multiples than SIRC. We believe this is due to the competitors' relative size and standing compared to SIRC, along with their new emphasis on proprietary battery sales in conjunction with services, versus pure service/installation. Product companies tend to trade at higher valuations than service companies. Interestingly, Gibraltar, which also has a meaningful exposure to the solar residential market, trades at a multiple roughly double that of SIRC.

Table I. SIRC Publicly-Traded Peer Group

Company Name	Symbol	Price (11/27/20)	Mkt Cap (mil)	FY20E Revs (mil)	FY21E Revs (mil)	20E - 21E Revs Growth	2020E Price/Revs	2021E Price/Revs
First Solar	FSLR	$94.70	$10,030	$2,830	$3,020	6.7%	3.5	3.3
Sunrun	RUN	$66.57	$13,185	$905	$1,400	54.7%	14.6	9.4
Sunpower	SPWR	$23.16	$3,941	$1,180	$1,430	21.2%	3.3	2.8
Gibraltar Ind	ROCK	$66.40	$2,159	$1,150	$1,250	8.7%	*1.9*	*1.7*
Average			**$7,329**	**$1,516**	**$1,775**	**23%**	**5.8**	**4.3**
				FY21E	**FY22E**		**FY21E**	**FY22E**
SIRC: Today		$0.06	$9					
SIRC: 12 Mo Tgt		**$0.25**	**$35**	$19.8	$38.5	94%	**1.8**	**0.9**

Sources: www.Yahoo!Finance.com, Company websites, Goldman Small Cap Research

It is our contention that SIRC is one of the few publicly traded, pure play solar stocks whose business is generally 100% product agnostic—a major advantage for this forward-thinking service/installation company. Plus, there are few publicly traded residential solar service firms trading today---let alone one that dominates its local market and is in the midst of a series of acquisitions to dramatically increase its size and reach. In addition, although SIRC trades above its 50 and 200 DMA, it has not enjoyed the big recent runs afforded its peers. Considering these factors, SIRC may offer the greatest upside in the sector in the near term and intermediate term.

Our conservative 3-6-month $0.25 price target reflects only 0.9x our next year's fiscal 2022 (2021) sales estimate, which is substantially lower than the 4.3x Price/Sales multiple for the peer group for next year, and far less than the 6.7x Price/Sales multiple Sunrun paid for Vivint. The proposed multiple for our target is also 50% lower than the lowest multiple applied one of the peers, affirming our conservative stance. However, we believe that the share price could exceed the $0.50 mark in the next 12-18 months, as M&A is executed and the top-line grows next year.

Finally, as the SIRC footprint increases beyond the SoCal market, the Company could be considered a takeover candidate. With a dominant local or regional market share and a valuation discount relative to its peers that is likely to remain, SIRC the takeover target may look too tempting to pass up as early as 2022.

Table II. Solar Integrated Roofing Corp.
Pro Forma Income Statement
($,000)

	FY20A	FY21E	FY22E	FY23P
TOTAL REVENUE	**$9,123**	**$19,800**	**$38,500**	**$90,000**
Cost of Sales	$6,707	$14,454	$27,528	$63,450
Gross Profit	**$2,416**	**$5,346**	**$10,973**	**$26,550**
Gross Margin	*26.5%*	*27.0%*	*28.5%*	*29.5%*
Salaries & Wages	$1,141	$1,980	$3,080	$5,400
Professional Fees	$907	$396	$770	$1,260
Marketing	$602	$356	$693	$1,350
General & Administrative	$3,061	$3,960	$5,390	$9,900
Total Operating Expenses	**$5,711**	**$6,692**	**$9,933**	**$17,910**
Operating Income	**($3,295)**	**($1,346)**	**$1,040**	**$8,640**
Operating Income Margin	*N/A*	*N/A*	*2.7%*	*9.6%*
Interest income and finance fees	($749)	($400)	$250	$400
Change in FV of Deriv Liab	($296)	$500	$125	$100
Total Other Income (Expense)	($1,045)	$100	$375	$500
Pre-Tax Income (Loss)	($4,340)	($1,246)	$1,415	$9,140
Income Taxes	$13	$25	$45	$1,371
Tax Rate	*N/A*	*N/A*	*N/A*	*15.0%*
Net Income	**($4,353)**	**($1,271)**	**$1,370**	**$7,769**
Diluted Earnings Per Share	**($0.03)**	**($0.01)**	**$0.01**	**$0.04**
Wtd. Est. Shares Outstanding	126,153	150,000	180,000	200,000

Note: SIRC is on a February Fiscal Year
Sources: SIRC, OTC Markets, and Goldman Small Cap Research

RECENT TRADING HISTORY FOR SIRC

(Source: www.StockCharts.com)

SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 25 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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