

# Q3 2023 Tigo Energy, Inc. Earnings Call Transcript

Event Date: November 7, 2023



# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

## Corporate Participants

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

**Bill Roeschlein** *Tigo Energy Inc; CFO*

## Conference Call Participants

**Philip Shen** *Roth MKM; Analyst*

**Eric Stine** *Craig-Hallum; Analyst*

## Presentation

### Operator

Good afternoon, and welcome to Tigo Energy's Third Quarter 2023 Earnings Conference Call. At this time, all participants are in listen-only mode. After the speaker's presentation, there will be a question and answer session. Joining us for today's call from Tigo are Zvi Alon, CEO; and Bill Roeschlein, CFO.

As a reminder, this call is being recorded. I would now like to turn the call over to Bill Roeschlein, Chief Financial Officer.

---

**Bill Roeschlein** *Tigo Energy Inc; CFO*

Thank you, operator.

We'd like to remind everyone that some of the matters we'll discuss on this call, including our expected business outlook and anticipated costs and market trends, statements about current inventory levels and its impact on future financial results, inventory supply and its impact on customer shipments and our revenue for the fiscal third quarter of 2023, and our ability to penetrate new markets and expand our product portfolio, are forward-looking and as such, are subject to unknown -- and unknown risks and uncertainties, including, but not limited to those factors described in today's press release and discussed in the risk factors section of our definitive prospectus filed with the SEC on April 26, 2023 as supplemented by the prospectus supplement filed with the SEC on May 19, 2023, our quarterly report on Form 10Q for the quarter ended September 30, 2023, and other reports we may file with the SEC from time to time.

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

These risks and uncertainties could cause actual results to differ material from those expressed on this call. These forward-looking statements are made only as of the date when made. During our call today, we will reference certain non-GAAP financial measures. We include non-GAAP to GAAP reconciliation in our press release furnished as an exhibit to a Form 8K. Non-GAAP financial measures provided should not be considered as a substitute for or superior to the measures of a financial performance prepared in accordance with GAAP.

Finally, I'd like to remind everybody that this conference call is being webcast, and a recording will be made available for replay at Tigo's investor relations website at [Investors.Tigoenergy.com](http://Investors.Tigoenergy.com).

I would like now to turn the call over to Tigo's CEO, Zvi Alon. Zvi?

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

Thank you, Bill. Before we begin, we would like you to know that our hearts go out to those impacted by recent violent attacks in Israel. Our Tigo family includes a small number of employees and partners in the region, some of whom have been personally impacted. Our thoughts and prayers are with them, and their families during this difficult time.

To begin today's discussion, I'll give some background on our company, its recent performance and market trends before turning the call over to our CFO, Bill Roeschlein. He will discuss our financial results for the quarter in more depth, as well as provide our outlook for the remainder of the year. After that, I'll share some closing remarks before opening the call for questions. All right, let's begin.

For those of you who may be new to our story, Tigo Energy is a global provider of intelligent solar and energy storage solutions. Founded in 2007, our mission is to deliver smart hardware and software solutions that enhance safety, increase energy and lower operating costs for residential, commercial and utility scale solar systems.

Tigo's largest selling product consists of the series of flexibly designed MLPE solutions to meet the particular needs of the world's base of installers. Our superior MLPE design provides a number of important benefits to our customers.

First, our MLPE has an energy efficiency designed to operate on an as needed duty cycle, which optimizes the MPPT of the solar string when compared to solutions requiring constant optimization and a high duty cycle. Our design is so efficient, in fact, that it is housed in a plastic casing instead of a metal one that uses heat sinks.

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

Second, our MLPE solutions provide customers with the high reliability reliable product and a very low failure rate. High reliability is driven by the product design, low component count and duty cycle.

Third, our MLPE are quick and easy to install in about 10 seconds each. You literally clip the MLPE to the back of the panel and connect the wires. And lastly, we provide flexibility. The Tigo products are certified to work with more than 1,600 inverters types across all market segments, including the Resi, C&I, and utility marketplaces today.

Here today, MLPE revenue grew 153% to \$122.9 million compared to \$48.6 million in the year ago comparable period, which we believe was driven by the market realization of these significant advantages.

In addition, our MLPE product, we expanded our product footprint with an energy intelligence or EI solutions over the past year and a half. These solutions combine a hybrid inverter, battery and automatic transfer switch configured in a DC-coupled architecture.

The hybrid design allows for one inverter to be used for both PV modules and battery, while DC coupling increases the bandwidth efficiency by reducing the number of DC to AC conversions needed for the system.

Moreover, the system including the battery can be commissioned in about 10 minutes. Year to date, our EI solutions revenue grew to \$12.1 million compared to \$1 million in the year ago comparable period. Most recently, we announced the launch of Tigo's Green Glove Service program to provide a premium support experience for first time residential and new existing commercial installers of Tigo Systems. This program is expected to enhance customer confidence in the safety, security and reliability of Tigo product installation and features a six point design inspection along with an on-call and post installation support services. We already have many customers who have signed up for the service and early feedback has been overwhelmingly positive.

Now for the review of our financial results and demand outlook. This quarter, our team navigated industry wide headwinds driven by elevated inventory levels in the channel. Due to a large contingent of distributor partners who requested that we delay product deliveries into future quarters, our first quarter results in revenue of \$17.1 million and adjusted EBITDA loss of \$9.5 million. Despite these delays, the number of customers that have signed up in the quarter for Tigo's module level monitoring services increased to a record level.

Monitoring services registration will occur once the solar system installation has been completed for the end customer and provides us with the indication of the level of the

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

product sell through. Based on the inventory on hand, data from our European customers combined with our internal analysis of the current market demand data, we believe Tigo inventory in the EMEA channel represented approximately six months of current market demand at the September 30th of 2023. And that the current inventory digestion cycle will likely continue into early 2024.

As we look forward into 2024, we believe distributors will seek to keep lower inventory weeks on hand and as they did in 2023. As supply chain lead time shortened, for 2024 our overall outlook for EMEA is for continued growth, elevate at a more moderate pace compared to 2023.

In Americas, high interest rates and net metering policies may delay recovery until the second half of next year at the macro level, although we do expect to gain AVL traction with the expanding list of TPOs serving the market and that could be a significant catalyst of growth for us in the region.

Regardless of the macroeconomic environment, however, we believe Tigo is well positioned to grow as we execute on the following four initiatives in 2024. One, cost effectiveness. We will continue to sell advantages of using Tigo's products to lower electrical balance of system cost in the solar installation. Two, market expansion. We will continue our market penetration of underserved markets and long-tail customers. Within the Asia-Pacific region, for instance, we invested in additional headcount targeting that region earlier this year, and so a region contributed 19% of the total revenue in the third quarter to achieve sequential growth of 28%. We believe our Green Glove program is similarly positioned to provide long-sailing solar with VIP customer support experience they will not find elsewhere.

Three, EI product expansion. Our EI solution continues to gain traction and provide a \$12 million or 9% of the total revenue year-to-date, compared to \$1 million years ago is a comparable period. We expect our business momentum to continue with the product line and plan on announcing additional EI products in the future quarters.

And four, Predict+ software expansion. As you may recall, we acquired Foresight Energy in January 2023. Since then, we have integrated and scaled this unique software offering which provides customers with the ability to predict and manage energy demand and load balancing. Our Predict+ software solutions enables utility and VPP to manage the so-called duck curve challenges posted by changes in electricity demand and generation throughout the day. Our ARR continues to grow as we add new customers for this product.

With that, I will turn the call over to Bill to discuss our third quarter financial results and 2023 outlook in greater detail. Bill?

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

**Bill Roeschlein** *Tigo Energy Inc; CFO*

Thank you, Zvi. Turning now to our financial results for the third quarter ended September 30th, 2023. Revenue for the third quarter of 2023 decreased 25% to \$17.1 million from 22.8 million in the prior year period. By geography, EMEA revenue was 10.2 million or 60% of total revenues. America's revenue was \$3.6 million or 21% of total revenues. And APAC was \$3.3 million or 19% of total revenues for the quarter.

EI solutions represented 8% of total revenues in the quarter compared to 8% last quarter and 2% in the prior year comparable period. Backlog, which represents contracted orders expected to be filled within the next 12 months, was \$65.8 million at September 30th, 2023.

Gross profit in the third quarter of 2023 decreased 37% to \$4.2 million or 24.3% of revenue from \$6.6 million or 28.9% of revenue in the comparable year ago period. On a sequential quarter basis, gross margins decreased by 13.3 gross margin points. The sequential change was due to a \$1.2 million inventory obsolescence reserve, a \$0.5 million impact from rebate programs with the remainder primarily due to higher fixed costs as a percent of revenue.

Total operating expenses increased 77% to \$15.4 million in the third quarter from \$8.7 million in the prior year period. During the quarter, the company's increase in its age receivables balance resulted in a \$1.8 million increase in its AR reserves.

Operating loss for the quarter totaled \$11.2 million compared to \$2.1 million in the prior year comparable period. Other income or expense net totaled \$51.2 million of income in the quarter. During the quarter, the company amended its agreement with its convertible note holder. As a result, the company will no longer record a mark to market of the convertible note option on its P&L.

Income tax expense for the quarter was \$11 million. During the quarter, the company reinstated its valuation allowance for deferred tax assets. Net income for the quarter totaled \$29.1 million compared to a net loss of \$2.4 million for the prior year period, primarily as a result of a previously mentioned mark to market adjustment.

Adjusted EBITDA loss totaled \$9.5 million compared to adjusted EBITDA of \$0.4 million in the prior year period. As a reminder, adjusted EBITDA represents operating profit as adjusted for depreciation, amortization, stock-based compensation, and M&A transaction expenses.

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

Primary shares were \$58.4 million and fully diluted shares were \$68.4 million in the third quarter of 2023. For forecasting purposes, we expect primary and fully diluted shares for the fourth quarter to be approximately 59 million and 67 million respectively.

Furthermore, the lock-up in connection with our de-SPAC will expire on November 23, 2023. We estimate that approximately 17.1 million of our current primary shares outstanding are non-affiliate shares with the remainder representing affiliate shares.

Cash, cash equivalents in short and long-term marketable securities totaled \$41 million at September 30, 2023. Accounts receivable net decreased this quarter to \$20.4 million compared to \$45.8 million in the last quarter and \$14.5 million in the year-ago comparable period, representing 109 days outstanding compared to 61 days and 58 days in the prior quarter and year-ago comparable period respectively.

Inventory's net increased this quarter to \$57.4 million compared to \$50.6 million last quarter and \$12 million in the year-ago comparable period, representing 405 days outstanding compared to 108 days and 68 days in the prior quarter and year-ago comparable period respectively. Inventory purchase orders typically extend three to six months out and we have made adjustments to enable us to reduce days outstanding in future quarters.

Before I turn the call back over to Zvi, I'll now take a few minutes to provide our financial outlook for our 2023 fourth quarter. As a reminder, Tigo provides quarterly guidance for revenue as well as adjusted EBITDA as we believe these metrics to be key indicators for the overall performance of our business.

The following projections reflect our fourth quarter expectations in light of the previously discussed industry-wide macroeconomic uncertainty. We expect revenue in the fourth quarter ending December 31, 2023 to range between \$15 million and \$20 million. We also expect adjusted EBITDA loss to range between \$8 million and \$12 million. Our EBITDA loss range incorporates the variability in our revenue estimate, the impact of rebates we initiated to help clear out the channel, and the impact of age receivables on our AR allowance for the fourth quarter.

That completes my summary. I'd like to now turn the call back over to Zvi for final remarks. Zvi?

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

Thanks, Bill. Overall, we are confident in our team's ability to manage the current macroeconomics, microeconomics environment and are strongly optimistic for the long-

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

term growth prospects of our business. We look forward to providing additional updates in the upcoming quarters.

With that, operator, please open the call for Q&A.

## Question and Answer

### **Operator**

Thank you. At this time, we will conduct a question and answer session.

(Operator Instructions)

Our first question comes from the line of Philip Shen of ROTH MKM. Your line is now open.

---

### **Philip Shen** *Roth MKM; Analyst*

Hey, guys. Thanks for taking my questions. Zvi, in your prepared remarks, you talked about how Europe could see some growth in '24, but much more moderate. Is there a way that you can quantify how much you expect your European business to grow in '24 over '23? And then you also talked about inventory being six months in Europe as of September 30th. Can you share what you think it might be as of the end of October or the latest data that you have? And you also talked about that it could be digested by early '24. Any sense of, you know, is it Q1 or is there a risk that it could be Q2? And I think SolarEdge was talking about that it could be extended into back half. So what's the confidence level if you believe that it's early 24? Thanks.

---

### **Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

Thank you, Phil. So as far as the growth projections, we cannot provide any specific indication other than we feel exceptionally comfortable with the continuous growth in the monitor systems which are being installed. And if that rate continues, we will perform better than 2023 based on those numbers.

And as far as the inventory change, we've conducted that information as we've announced or shared with you as of the end of September. I can tell you that we have an updated version, not quite completed for October. I mean, it's early in the month. And the trends seem to be supporting our position, which we took at the time, which was about six



# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

months to clean it up completely, which means we will have to start seeing some changes in orders later this quarter or early next quarter, even though the customers, the distributors were not planning out of you to keep the same level of inventory. So it might be a little bit more modest. But else, we are fairly confident about the depletion rate based on the three checks we have done, two completed, and one which is almost completed, as I've indicated.

---

**Philip Shen** *Roth MKM; Analyst*

Okay. Thanks.

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

Most welcome.

---

**Philip Shen** *Roth MKM; Analyst*

Shifting to the geographic mix of revenue in Q3, can you give us a feel for what that was? And then when you think about total 2024 revenue, what kind of geographic mix could we see? Thanks. Between U.S. and Europe.

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

Bill, do you want to take it?

---

**Bill Roeschlein** *Tigo Energy Inc; CFO*

Sure. So in the last quarter, like we mentioned, we had some pretty good growth numbers coming out of the Asia-Pacific region, Singapore, Philippines, Australia in particular, notched some good figures in revenue. The overall mix was 60% EMEA, 21% in Americas. It was previously closer to two-thirds EMEA. It got at one point, by Q2 it had gotten up into the mid-70s. For next year, you know, we would expect us to see

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

something like a two-thirds, about two-thirds of our business being generated from EMEA. And the catalyst in the Americas for us, given the difficult macro picture there, is approved vendor lists. And so that could be -- that could provide some significant growth for us in that region. But that, obviously, when we have something to announce on that, we will speak to it. That helped?

---

**Philip Shen** *Roth MKM; Analyst*

Yes, it does, Bill. Thank you. So just to be clear, two-thirds of the '24 revenue could be EMEA, but then the remaining third splits between America and APAC, but it's a little bit unclear what that mix might be now. Is that right?

---

**Bill Roeschlein** *Tigo Energy Inc; CFO*

Yes, yes, correct. Asia-Pacific looks very promising at this point for 2024. And as has been mentioned by many others, including yourself, America is a bit of a wait and see, perhaps, the second half story we mentioned in our remarks. But in our case, we could see some catalyst growth there for us just by, through some AVL activity. That's the wildcard a little bit.

---

**Philip Shen** *Roth MKM; Analyst*

Great. Okay. Thanks, Bill. Last question for me on balance sheets. Your cash fell to \$2 million, receivables came down, and inventory has gone up a touch relative to the prior quarter. Payables have come down. So just wondering if you can talk through how you plan on managing working capital and cash and how you expect your balance sheet to trend ahead? Thanks.

---

**Bill Roeschlein** *Tigo Energy Inc; CFO*

Yes. So it does take a quarter or so to reduce the spigot, so to speak, on the supply chain when it comes to ordering inventory and managing the build cycle. And so we went through that process this quarter, and that's why you saw more inventory on our books. But at \$57 million or 405 days' worth of inventory, there's a clear path to convert that to cash. And so with that, you can see, even with an EBITDA loss, we could most likely

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

see some positive cash generation from working capital coming that way. And then, as we get six months down the road, I mean, we'll readjust as necessary to wherever the current conditions are.

---

**Philip Shen** *Roth MKM; Analyst*

Okay. Thanks, Bill. Thanks, Zvi. I'll pass it on.

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

Thank you.

---

**Operator**

Thank you. Please stand by for our next question.

Our next question comes from the line of Eric Stine of Craig-Hallum. Your line is now open.

---

**Eric Stine** *Craig-Hallum; Analyst*

Hi, Zvi. Hi, Bill.

---

**Bill Roeschlein** *Tigo Energy Inc; CFO*

Hi.

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

Hi.

---

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

**Eric Stine** *Craig-Hallum; Analyst*

Hey, so given this channel health industry-wide, well-known, I'm just thinking about, as you look at new markets, some of the new products, I mean, does that present an opportunity for you? Obviously, maybe a little bit. An opportunity for you, obviously, maybe at lower levels, but does that present an opportunity for you given, you know, as you said, the cost benefit, the efficiency benefit, the faster install? Just curious if that is a possibility or if I'm off base on that.

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

We are going to see changes, as we've indicated, by continued growth in Asia-specific, and we've seen it happening earlier last three quarters with the extra investment we've made. We also envision that the software Predict+ is going to continue and actually provide some major expansion in 2024. That was a new addition this year.

And needless to say, we are not announcing anything yet, but yes, we are continuing to work on improving our offering to the market in ways that we believe will help us further expand on the benefits that we bring, specifically the very fast commissioning time, compared to pretty much anyone in the industry, and the much more efficient solution for an energy production.

---

**Eric Stine** *Craig-Hallum; Analyst*

Got it.

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

I will add one more additional point, which we have noticed. Rapid Shutdown is being adopted rapidly in many places. There are obviously countries in Europe who adopted it, so is Thailand, Vietnam, Philippines, and others. And so we believe that with the adoption of more places where Rapid Shutdown becomes mandatory, we will see contribution to our footprint in the market as well.

---

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

**Eric Stine** *Craig-Hallum; Analyst*

Understood. That's helpful. Maybe, obviously, there's, math for the obvious, quite a bit of uncertainty in the market. Is there a level -- I know you're talking about early '24 for Europe and mid-'24 potentially or longer for the U.S. Is there a level where you decide as a company to adjust the cost structure? I mean, obviously, you're set up for this to be a much larger company over time, the path that it was on prior to what's going on with inventory levels. Just curious for thought process on that dynamic.

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

So we are actually watching what's going on, and we will be continuing to set ourselves up to be staying possible in the overall as we continue, and we will be acting as quickly and swiftly as we can. So our strategy is not based on hope. It's based on actual numbers.

---

**Eric Stine** *Craig-Hallum; Analyst*

Yes. Got it. I mean, are there measures being taken now, or is it kind of, those are things that, I mean, obviously, you can't do in really short order. Some of them are more long-term. But I mean, are there some things that you're doing right now in response to this?

---

**Bill Roeschlein** *Tigo Energy Inc; CFO*

I'll just say that, like many calendar year companies, this is budget season, and so we are working through that right now, and we're working through a variety of contingencies and scenarios so that we can respond to them quickly so that we can maintain profitability. So the answer is yes, we are looking at all that, and it happens to coincide with what is normally a regular budget season for most companies.

---

**Eric Stine** *Craig-Hallum; Analyst*

Got it. Okay, that's great. I will take the rest offline. Thanks.

# November 7, 2023, Q3 2023 Tigo Energy, Inc. Earnings Call

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

Thank you.

---

**Operator**

Thank you.

(Operator Instructions)

Our next question comes from the line of Matthew Ingraham of Roth MKM. Your line is now open.

If your line is muted, please unmute, and please rejoin using the Call Me feature.

Thank you for -- thank you. At this time, that ends the Q&A section. I'd like to now turn the call back over to Mr. Alon for his closing remarks.

---

**Zvi Alon** *Tigo Energy Inc; Chairman and CEO*

Thanks again, everyone, for joining us today. I especially want to thank to our dedicated employees for their ongoing contribution, as well as our customers and partners for their continued hard work. I also want to thank our investors for their continued support.  
Operator?

---

**Operator**

Thank you for joining us for today's Tigo's third quarter 2023 earnings conference call. You may now disconnect.