

Due Diligence Report: Solar3D; Absorbing Heat Before Takeoff

Summary

Solar3D, Inc. (Solar3D), incorporated on January 30, 2002, is a United States-based company, which provides photo voltaic (PV) based power systems for the residential, commercial and agricultural markets in California and Nevada. The Company, through its two operating subsidiaries, Sun United Networks, Inc. and MD Energy, LLC, designs, arranges financing, integrates, installs and manages systems ranging in size from two kilowatt for residential loads to multi-megawatt systems for larger commercial projects. Commercial installations include office buildings, manufacturing plants, warehouses and agricultural facilities, such as farms, wineries and dairies. The Company provides a range of installation services to its solar energy customers, including design, system engineering, procurement, permitting, construction, grid connection, warranty, system monitoring and maintenance. The Company is focused on developing and marketing a three-dimensional version of solar cell technology in order to maximize the conversion of sunlight into electricity. Solar3D is engaged in designing a new type of solar cell, which utilizes a three-dimensional design to trap sunlight inside the photovoltaic structure where it is reflected various times until more energy is absorbed into the solar cell material.

Solar3D Inc. has a current market capitalization of \$49.63 M with 17.79 M outstanding shares. Its daily average volume traded is 219,027 shares.

Key Indicators (Q3 2015)

Shares Outstanding	17.79 M
Revenue	19.73 M
Gross Profit	5.33 M
Net Income (basic/diluted)	1.40 M
Cash and Short-term Inv	9.26 M
Total Debt	2.33 M

Performance (6 months)



Recent News and Analysis:

The Company recently announced that the Company is increasing its guidance to \$48-\$52 million from its previously issued guidance of \$40-\$45 million in sales to close 2015. The guidance does not include revenue from acquisitions yet to be completed this year. The increase in market guidance is based on the Company's recently released sales figures, as well as its extensive sales backlog. Last week, the Company announced revenue numbers of \$19.7 million for Q3 2015, more than triple the \$6.4 million reported for Q3 2014 due to strong SUNworks organic growth and the addition of MD Energy. With a

sales backlog of nearly \$30 million, the Company is confident in its continued sales success, allowing Company leadership to focus on identifying profitable solar companies to add to its portfolio of operation divisions. Additionally, in Q3 the company provided the following highlights:

- The Company achieved profitability in Q3 with record sales and net income.
- Revenues tripled year-over-year, and were up 79% sequentially over second quarter 2015 revenue.
- The Company made significant improvements in operational efficiencies, reducing operating costs as a percentage of sales.
- Solar3D announced Q3 gross profit of \$5.3 million and Q3 net income of \$1.4 million or \$0.08 per basic share and \$0.06 per diluted share.
- The Company reports a strong backlog of \$29.5 million equal to an increase of nearly \$7 million from last quarter.

In an analyst report revealed to investors by Cowen on 6 November, Solar3D Inc. had its price target upgraded to \$5.50. Wednesday close was relatively flat at \$2.78, down just \$0.01 from the previous day. However, the stock has lost nearly 22% since Nov 6th despite positive analyst coverage and favorable financials from Q3. A projection of \$50 million in sales to closeout 2015 and a current market cap equal to that suggests Price-to-Sales of just 1x; not a typical multiple for the renewable energy industry.

Conclusions:

While the chart for this small cap seems to be heading downwards, the financials and fundamentals seems to be painting a different picture. Management recently increased revenue projections by 20% for FY 2015, estimating sales at \$48-52 million. This increased guidance has not made an impact on the share price whatsoever, with price remaining flat for the past 4 trading sessions. Additionally, the shares are trading below the 50 day SMA and the RSI indicates an oversold signal. This one is worth keeping an eye on.

Sources:

1. <http://stockcharts.com/h-sc/ui?s=SLTD&p=D&b=5&g=0&id=p66213043253>
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6. <http://www.octafinance.com/solar3d-inc-nasdaqsltd-had-its-tp-increased-by-researchers-at-cowen-to-5-50/264192/>
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- 8.

Risk Factors

An investment in the common stock of the company is subject to a number of risks. The information below contains latest filings and risk factors that should be considered by all investors. Investors should carefully consider the risk factors set out below and consider all other information contained herein, and in the company's SEC filings, before making an investment decision. We assume no obligation to update or revise any such forward looking statements to reflect events or circumstances that occur after such statements are made. A complete list of filings including the risk factors for the company can be found here: <http://www.sec.gov/cgi-bin/browse-edgar?CIK=prgn&Find=Search&owner=exclude&action=getcompany>

Disclosure: I, Robert Borowski, research analyst have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions and I have no business relationship with any company whose stock is mentioned in the article.

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