

CLIENT NOTE

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Canadian Solar Inc. (CSIQ US) – *Hidden Value Vulcanizing Out: Investor Attention Needed!*

Conclusive Summary: We recommend adding CSIQ around the current levels, where the stock has shown significant momentum following a sharp 41.9% rise in just two trading sessions.

This surge may be indicative of strategic positioning for an M&A or take-private restructuring, particularly given Canadian Solar's undervalued assets. The substantial disconnect between current market prices and our fair value calculations demonstrates the deep undervaluation of the company's assets. We estimate **hidden value in its subsidiary**, Recurrent Energy, ranging from \$9.3 to \$18.8 per share, which remains largely unrecognized by the market. Additionally, the CSI Solar segment, which trades on the Shanghai Stock Exchange, contributes an estimated \$45 per CSIQ share. Using a sum-of-the-parts (SOTP) approach, we reach the target range of \$54–\$64 (\$59 at midpoint) per share, which serves as the long-term post-restructuring target, with a private buyout viable up to \$20 per share. **We view CSIQ as a momentum buy with a short-term target price of \$20**, driven by both the potential for strategic acquisition and its fundamental growth prospects.

Competitive Position: In its CSI Solar segment, it faces competition from major solar module manufacturers (First Solar, Longi, Trina, Jinko, JA Solar, Tongwei) and storage providers (Tesla, Fluence, Sungrow). The company focuses on high-efficiency products, system integration, and turnkey solutions to differentiate amid increasing commoditization. In the Recurrent Energy segment, Canadian Solar competes with global developers, utilities, and investors, where success depends on development capabilities, project pipeline strength, financing expertise, and operational track record. Through global diversification, vertical integration, and a shift toward asset ownership, Canadian Solar seeks to build recurring revenue streams and improve project economics.

Valuation: Our near-term price target is \$20 (+79% upside), where CSIQ stock appears to be an attractive M&A target. Restructuring CSIQ could unlock significant value, with a long-term target range of \$54 to \$64 per share—an attractive return for private equity investors. This valuation is based on the projected value of its Recurrent Energy segment, with tax credits and other incentives boosting the estimated per-share value by up to \$18.8. Additionally, the CSI Solar segment, which trades in Shanghai, contributes approximately \$45.1 per share. We applied a conservative weighted average cost of capital (WACC) to adjust for risk and incorporated expected project cash flows from both solar and energy storage operations. Given the company's strong M&A prospects and growth potential, **we recommend adding CSIQ at current levels.**

Ticker: CSIQ US

Previous day close price: \$11.15

Price range (52w.): \$6.57 - \$21.05

Reason for note: Strong Upside Momentum

Target price: \$20 (+79% Upside)

Recommendation: **Buy @ Current**

Description: Canadian Solar is a global solar technology and renewable energy company with a vertically integrated model across solar manufacturing and energy asset development. The company operates through two primary business segments:

- **CSI Solar:** Manufactures and sells solar photovoltaic (PV) modules, battery storage products (SolBank, EP Cube), system kits, and inverters. It also provides EPC services, long-term service agreements for storage systems, and standalone power electronics, generating revenue from product sales and services (94.7% of Total Revenue).

- **Recurrent Energy:** Develops, sells, and operates utility-scale solar and battery storage projects worldwide. Revenue is derived from project sales, long-term electricity sales under power purchase agreements (PPAs), and O&M and asset management service fees. The segment is increasingly retaining assets to build recurring revenue streams (5.3% of Total Revenue).

Canadian Solar's revenue base is geographically diversified, with revenue contributions of 41% from Asia, 34% from the Americas, and 25% from Europe.

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CSI Solar Valuation Table	
Description	Metric
CSI Solar Market Cap, M\$	4,682.0
CSIQ Share in CSI Solar, %	62.2%
CSIQ Share in CSI Solar, \$	2,914.0
Number of CSIQ Shares	64.7
CSI Solar Value per one CSIQ share, \$	45.1

CSIQ Sum-of-the-Parts (SOTP) Valuation Table		
WACC	10%	6.92%
Recurrent Energy, \$	9.3	18.8
CSI Solar, \$	45.1	45.1
Target, \$	54.3	63.8

