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## Solar Stocks Have Been Thriving—Here's Why That Could Continue

The solar industry has been on a tear. Several stocks in the sector hit all-time highs last month. Investors seem eager for more solar companies to go public. But is this surge more sustainable than prior booms?

Earlier boom times ended painfully. Several renewables companies went public in 2014 and 2015—or spun off their operating power-plant units—amid a clean-tech wave. But the collapse of SunEdison Inc.—the world's largest renewables company before its 2016 bankruptcy—stung the solar industry. Some investors began prioritizing profitability over growth. No solar companies went public in the U.S. between late 2016 and early 2019, according to Bloomberg ....

Now, clean-tech companies are going public at a dizzying pace. Since October, at least two solar companies have gone public via initial offerings and another agreed last month to do so through a merger with a blank-check company. They join several electric-vehicle and battery companies that have also gone public with special purpose acquisition companies. There have been 32 clean-tech SPAC deals over the past 12 months, according to Pavel Molchanov, an equity analyst at Raymond James.

One big reason: It became clear early in the pandemic that solar wouldn't just weather this difficult time, but possibly thrive during it. .... the WilderHill Clean Energy Index, last year surged more than 200%, topping the 58% gain in 2019.

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Installation "volumes are going through the roof, but profitability can be quite different," Molchanov says. "We have seen countless companies that have grown revenue rapidly over the years but profitability has been pressured." There remains "relentless commoditization including margin compression" that affects multiple solar segments, including modules, inverters and power-supply agreements.

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