

SHOALS TECHNOLOGIES GROUP, INC.

2021 Annual Report

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-39942

Shoals Technologies Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

85-3774438

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

1400 Shoals Way

Portland

Tennessee

37148

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number, including area code) **(615) 451-1400**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.00001 Par Value	SHLS	Nasdaq Global Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant, as of June 30, 2021, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$2,141.4 million. Solely for purposes of this disclosure, shares of Class A common stock held by executive officers, directors and by each person who owns 10% or more of the outstanding Class A common stock as of such date have been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 7, 2022, the registrant had 112,273,391 shares of Class A common stock and 54,794,479 shares of Class B common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission, or SEC, subsequent to the date hereof pursuant to Regulation 14A in connection with the registrant's 2022 Annual Meeting of Stockholders, are incorporated by reference into Part III of this Annual Report on Form 10-K. We intend to file such proxy statement with the SEC not later than 120 days after the conclusion of the registrant's fiscal year ended December 31, 2021.

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PART I

Item 1. Business

Shoals Technologies Group, Inc. is a Delaware corporation with Class A common stock that trades on the Nasdaq Global Market under the symbol "SHLS". Unless the context otherwise requires, references to "we," "us," "our," "Shoals," the "Corporation," the "Company" and other similar references refer to Shoals Technologies Group, Inc. and, unless otherwise stated, all of its subsidiaries, including Shoals Parent LLC ("Shoals Parent"). Unless the context otherwise requires, references to "Founder" refer to Dean Solon, our founder, references to "Oaktree" refer to Oaktree Power Opportunities Fund IV (Delaware) Holdings, L.P., a Delaware limited partnership, and its affiliates, and references to "Continuing Equity Owners" refer collectively to direct or indirect holders of LLC Interests (as defined below) and/or our Class B common stock, including our Founder and certain executive officers, employees and their respective permitted transferees who may, exchange at each of their respective options, in whole or in part from time to time, their LLC Interests (along with an equal number of shares of Class B common stock (and such shares shall be immediately cancelled)) for cash or newly issued shares of our Class A common stock.

Initial Public Offering and Organizational Transactions

On January 29, 2021, the Company closed an initial public offering ("IPO") of 11,550,000 shares of our Class A common stock at a public offering price of \$25.00 per share, including shares issued pursuant to the underwriters' exercise of their over-allotment option. We received \$278.8 million in proceeds, net of underwriting discounts and commissions, which was used to purchase 6,315,790 newly-issued membership interests in Shoals Parent and 5,234,210 LLC Interests from the Founder and Class B unit holder in Shoals Parent at a price per interest equal to the initial public offering price of our Class A common stock, less the underwriting discounts and commissions. In addition, Oaktree, as selling stockholder, sold 77,000,000 shares of our Class A common stock in the IPO at a public offering price of \$25.00 per share, including shares sold pursuant to the underwriters' exercise of their over-allotment option.

Organizational Transactions

In connection with the IPO, the Company and Shoals Parent completed a series of transactions (the "Organizational Transactions") including the following:

- the limited liability company agreement of Shoals Parent was amended and restated to, among other things, (i) provide for a new single class of common membership interests or the LLC Interests in Shoals Parent, (ii) exchange all of the then existing membership interests of the holders of Shoals Parent membership interests for LLC Interests and (iii) appoint the Company as the sole managing member of Shoals Parent;
- the Company's certificate of incorporation was amended and restated to, among other things, (i) provide for Class A common stock with voting and economic rights (ii) provide for Class B common stock with voting rights but no economic rights and (iii) issue 78,300,817 shares of Class B common stock to the former Class B and Class C members of Shoals Parent (the "Continuing Equity Owners") on a one-to-one basis with the number of LLC Interests they own;
- the acquisition, by merger, of Shoals Investment CTB or the former Class A member of Shoals Parent (the "Class A Shoals Equity Owners"), for which the Company issued 81,977,751 shares Class A common stock as merger consideration (the "Merger").

Follow On Offering

On July 16, 2021, the Company completed a follow-on offering consisting of 4,989,692 shares of Class A common stock offered by the selling shareholders and 10,402,086 shares of Class A common stock offered

by the Company. Following the closing of the follow-on offering, Oaktree no longer beneficially owned any shares of our common stock. The Company used the proceeds of the sale of Class A common stock to purchase an equal number of LLC Interests and Class B common stock from our Founder and management.

Acquisition of ConnectPV

On August 26, 2021, we acquired 100% of the stock of ConnectPV, for \$13.8 million in cash (net of \$0.8 million cash acquired) and 209,437 shares of Class A Common stock valued at \$6.5 million. The acquisition was accounted for as a business combination and following the acquisition we immediately converted ConnectPV to a limited liability company and contributed the entity to Shoals Parent, LLC through a series of transactions.

Exchange of LLC Interests in Shoals Parent

On December 7, 2021, the Company issued 7,870,042 shares of Class A common stock to our founder, executive management and certain employees in exchange for 7,870,042 LLC Interests in Shoals Parent and an equal number of Class B common stock of the Company.

Shoals Technologies Group, Inc Ownership in Shoals Parent

As of December 31, 2021, the Company owned 67.16% of Shoals Parent. The Continuing Equity Owners own the remaining 32.84% of Shoals Parent.

Overview

Shoals is a leading provider of electrical balance of system or “EBOS” solutions for solar energy projects in the United States. EBOS encompasses all of the components that are necessary to carry the electric current produced by solar panels to an inverter and ultimately to the power grid. EBOS components are mission-critical products that have a high consequence of failure, including lost revenue, equipment damage, fire damage, and even serious injury or death. As a result, we believe customers prioritize reliability and safety over price when selecting EBOS solutions. We also recently began selling “EV Charging” solutions for public and fleet electric vehicle charging stations in the United States.

EBOS components that we produce include cable assemblies, inline fuses, combiners, disconnects, recombiners, wireless monitoring systems, junction boxes, transition enclosures, splice boxes, wire management solutions and IV curve benchmarking devices. EV Charging solutions that we produce include the following offerings which fulfill nearly all commercial EV charging needs: the EV BLA, raceways which protect the EV BLAs and other power cables, pedestal bases for Level 2 chargers and quick connect bases for Level 3 and high-power chargers, and the power center on a Shoals quick connect base. We derive the majority of our revenue from selling “system solutions” which are complete EBOS systems that include several of our products, many of which are customized for the customer’s project. We believe our system solutions are unique in our industry because they integrate design and engineering support, proprietary components and innovative installation methods into a single offering that would otherwise be challenging for a customer to obtain from a single provider or at all.

We sell our products principally to engineering, procurement and construction firms (“EPCs”) that build solar energy projects and install electric vehicle charging stations. However, given the mission critical nature of EBOS, the decision to use our products typically involves input from both the EPC and the owner of the solar energy project. The custom nature of our system solutions and the long development cycle for solar energy

projects typically gives us 12 months or more of lead time to quote, engineer, produce and ship each order we receive, and we do not stock large amounts of finished goods.

We derived approximately 73% of our revenue from the sale of system solutions for year ended December 31, 2021. For the same period, we derived substantially all of our revenue from customers in the U.S. We had \$299.0 million of backlog and awarded orders, backlog of \$119.3 million represents signed purchase orders or contractual minimum purchase commitments with take-or-pay provisions and awarded orders of \$179.7 million are orders we are in the process of documenting a contract but for which a contract has not yet been signed, as of December 31, 2021, representing a 94% and 10% increase relative to the same date last year and September 30, 2021, respectively.

Throughout fiscal year 2021, we focused on our growth strategy, including developments in converting customers to our combine-as-you-go system and developing products for the rapidly growing electric vehicle charging infrastructure market. Additionally, we are currently launching four new product families for the EV charging market. The first is the power center which combines equipment needed to protect the charging equipment and transform voltage levels from the electric utility to those needed on the respective site. The power center provides an efficient, cost effective and aesthetically focused option versus traditional methods. The second offering focuses on quick connect solutions for chargers made by any manufacturer and any power level to connect to the Shoals system. The quick connect bases dramatically reduce the time required on site for a deployment and reduce the amount of labor required in the field. The third offering uses our Big Lead Assembly (“BLA”) technology in the EV space to connect multiple chargers to a single power center. This solution eliminates the need for homeruns from each dispenser and is above ground rated which allows wire to be run above ground rather than in underground conduit. The fourth offering is a raceway system that protects the above ground EV BLAs in walk over and drive over applications. The raceway system coupled with the EV BLA deploys much more rapidly and cost effectively than traditional methods of deployment. We introduced these first four offerings in the fourth quarter of 2021 and received our first orders for deployments. Testing and certification of the offerings and overall solution are underway and progressing.

Solar EBOS

The major components of a ground-mounted solar energy project are solar panels, inverters, the mounting system and EBOS. EBOS encompasses all of the components that are necessary to carry the electric current produced by solar panels to an inverter and ultimately to the power grid. Major EBOS components include cable and wire, combiner boxes, wire management solutions and monitoring systems. We believe our current product offerings address approximately 36% of the total spending on EBOS based on a typical project constructed in 2020.

EBOS components represent only 6% of the total cost of a solar energy project based on a typical project constructed in 2020, but the cost of the labor to install them can be equal to, or even greater than, the cost of the components themselves. As a result of the high ratio of installation costs to product costs, many EPCs prefer EBOS products that can be installed faster using general labor over products that are time consuming to install and require licensed electricians to install them even when they are more expensive.

Demand for EBOS is driven primarily by installations of new ground-mounted solar energy projects. Historically, we have derived the majority of our revenue from the sale of EBOS products used in U.S. solar energy projects.

Our Proprietary EBOS System

Most solar energy projects use a wiring architecture known as “homerun.” Conventional homerun EBOS systems have two distinguishing characteristics: every string of solar panels in the project is connected

to a combiner box with individual positive and negative “wire runs,” and connections between wires are made using a process called “crimping.” The combiner box functions as a central point to “combine” the individual wire runs into a single feeder cable and contains fuses to protect each circuit. Making each wire run from the strings to the combiner boxes is a laborious process. Each wire run must be measured, laid out and fished through conduits that are buried in trenches across the project site. Because each string is individually connected to a combiner box, the same distances are covered with multiple wire runs. Making the crimped connections between wires and interconnecting them in the combiner box is a complex, error prone process that requires special tools. Each wire must be cut and have a precise amount of insulation removed; the bare end must be inserted the correct depth into a terminal; and special tools must be used to deform metal sleeves and torque lock nuts to ensure an environmental seal. The entire installation must be performed by licensed electricians with special training and any mistake in the process can result in a catastrophic system failure.

We invented an alternative to homerun architecture which we refer to as “combine-as-you-go.” Rather than making individual wire runs from each string to combiner boxes, combine-as-you-go architecture connects multiple strings within each row using specialized wire harnesses with integrated fuses that we refer to as “interconnect harnesses.” The interconnect harnesses are then connected to a proprietary above ground feeder cable that we refer to as the BLA. The BLA is our core combine-as-you-go product. The direct connection between the interconnect harness and the BLA and the integration of fuses into the interconnect harness dramatically reduce the number of wire runs required compared to a conventional homerun system and eliminate the need for combiner boxes. We believe our combine-as-you-go architecture using interconnect harnesses and BLA has several advantages when compared to conventional homerun EBOS, including:

- **Installing above ground.** Wiring for conventional homerun systems is typically run through conduits that are buried in trenches. Trenching is costly and time consuming. Making repairs to buried wire can also be challenging and expensive, as well as run the risk of unintentionally damaging other buried wire that did not need to be repaired. Our BLA is hung from the mounting system used for the solar panels, enabling above ground installation. Above ground installation is less costly and far faster than burying wire in conduits. Future maintenance is also significantly easier and less costly because our BLA is easily accessible if repairs are required.
- **Being installable by general labor rather than requiring electricians.** Conventional homerun systems use crimps and other specialized procedures to connect wires and install combiner boxes that must be performed by licensed electricians. Because our interconnect harness and BLA use simple push connectors and don’t require combiner boxes, licensed electricians are not needed to install the system.
- **Reducing the number of wire runs.** We believe using our interconnect harness and BLA reduces the number of string and inverter wire runs required for a typical utility-scale solar energy project by up to 95% when compared to a conventional homerun system. Reducing the number of wire runs speeds installation, lowers material and shipping costs, reduces the number of potential failure points and is beneficial to the environment because less copper, aluminum and plastics are consumed.
- **Eliminating combiner boxes.** Conventional homerun systems require combiner boxes to interconnect the wire runs from each string into a feeder cable and house fuses that protect each circuit. Because our BLA is connected directly to strings and our interconnect harness has inline fuses, no combiner boxes are required for our system. Eliminating combiner boxes speeds installation, lowers material and shipping costs, reduces the number of potential failure points and is beneficial to the environment because less copper, aluminum and plastics are consumed.
- **Requiring fewer connections.** We believe using our interconnect harness and BLA reduces the number of connection points in a typical utility-scale solar energy project by more than 80% when

compared to a conventional homerun system. Requiring fewer connections reduces the number of labor hours required to install the system as well as the number of potential failure points.

- **Having greater reliability and lower maintenance costs.** Connection points are often the source of failure in EBOS systems and must be inspected regularly. A solar energy project that uses our interconnect harness and BLA will have significantly fewer connections and, as a result, fewer failure points to inspect and maintain than the same project would using a conventional homerun system. We believe fewer potential failure points contributes to higher reliability and lower maintenance costs for solar energy projects that use our combine-as-you-go system when compared to a conventional homerun system.
- **Enabling more energy generation.** We believe the design of our interconnect harness and BLA reduces electrical resistance significantly when compared to a conventional homerun system. Lower resistance reduces energy loss to waste heat dissipation, which we believe results in greater energy generation from solar projects that use our combine-as-you-go system when compared to a conventional homerun system.

Together, we believe these advantages result in lower installation costs and lower material costs for our combine-as-you-go systems when compared to conventional homerun systems.

Products and Services

System Solutions

We refer to complete EBOS systems that use multiple components produced by us as “system solutions.” When we sell a system solution, we work with our customers to design, specify and customize their EBOS system to maximize reliability and energy production while minimizing cost. We also provide technical support during installation and the transition to operations and maintenance.

We design, manufacture and sell system solutions for the two types of wiring architectures used by the U.S. solar industry: homerun and combine-as-you-go.

Homerun EBOS: We have developed a proprietary EBOS solution for homerun architectures that we refer to as an “interconnect harness.” Rather than the traditional approach of running a separate wire from each string to a combiner box, our interconnect harness connects multiple strings together at each row using a single wire and simple push connector, rather than a wire crimp. Combining multiple strings together at each row reduces the number of wire runs that have to be made to combiner boxes as well as the number of connections that have to be made in each combiner box which reduces either the total number of combiner boxes or the size of combiner boxes required for the system. Using push connectors allows a large portion of the EBOS installation to be completed by laborers rather than requiring licensed electricians. Our homerun EBOS system solutions typically include our interconnect harness, combiners and jumpers. The majority of solar energy projects in operation today use conventional homerun architecture.

Combine-as-you-go EBOS: We invented “combine-as-you-go” architecture in 2014 and began offering combine-as-you-go products widely in 2017. Combine-as-you-go architecture connects all strings in a project to “trunk” wires that feed directly into disconnect boxes, which are connected to the inverter. With our interconnect harness, BLA combines the functionality of cable assemblies, combiner boxes and fusing all into one product that does not require a licensed electrician to install. A combine-as-you-go architecture using BLA has significant advantages over traditional homerun architectures, including using less material, requiring fewer man hours to install and having greater reliability and ease of maintenance. Our combine-as-you-go EBOS

system solutions typically include our interconnect harness, BLA and disconnects and, in some projects, transition enclosures and splice boxes.

We derived approximately 73% of our revenue for the year ended December 31, 2021 from the sale of system solutions.

Components

We design, manufacture and sell a variety of individual EBOS and other components used by the solar industry, including:

Combiners: Enclosures that interconnect wire runs from multiple solar panel strings together so that their current can be fed into a single large cable.

Plug-n-play branch connectors and inline fuses: Plug-n-play connectors for small commercial and rooftop solar applications in inline fuse, fuse-T, dual inline fuse, T-shaped, X-shaped, Y-shaped and U-shaped configurations.

AC disconnects: Specialized switches that allow the inverter to be isolated from the grid to enable repairs or in cases of emergency.

Recombiners: Enclosures that interconnect feeders from several combiner boxes into a smaller number of cables that run to the inverter.

Wireless monitoring: Specialized devices that monitor current, voltage, temperature, tracker rotation and other performance characteristics.

Junction boxes: Electromechanical interface that provides connection points to collect power from a solar panel.

Wire Management: A system to secure PV wiring for safety and aesthetic purposes.

We derived approximately 27% of our revenue for the year ended December 31, 2021, from the sale of components.

Sales and Marketing Strategy

Our sales and marketing strategy is to educate all participants involved in building, owning and maintaining a solar energy project on the merits of our products including their lower installation costs, greater reliability and lower maintenance costs compared with competing products. We educate customers and influencers through a combination of direct marketing, independent third-party studies, training seminars, and participating in industry conferences and events, with the objective of making our innovative EBOS solutions the preferred system globally.

Our Customers

We sell our products principally to EPCs that build solar energy projects. The decision to use our products typically involves input from both the EPC and the owner of the solar energy project given the mission critical nature and high consequence of failure of EBOS. EPCs typically construct multiple projects for several different owners.

For the year ended December 31, 2021, our three largest customers represented approximately 40% of our revenue and were the only customers constituting 10% or greater of total revenue.

Competition

Our EBOS system solutions and components are highly specialized products that are specific to the solar industry. The unique expertise required to design EBOS systems and components as well as customers' reluctance to try unproven products has confined the number of firms that produce such EBOS products to a relatively small number. Our principal competitors include SolarBOS Inc. and Bentek Corporation. We compete on the basis of product performance and features, installation cost, reliability and duration of product warranty, sales and distribution capabilities, and training and customer support, as well as the ability to provide system solutions rather than individual components. We believe we are significantly larger as measured by revenue than our next largest competitor.

Seasonality

We have experienced seasonal and quarterly fluctuations in the past as a result of seasonal fluctuations in our customers' business. Our end users' ability to install solar energy systems is affected by weather, as for example during the winter months in the northeastern U.S. and Europe. Such installation delays can impact the timing of orders for our products.

Manufacturing

We have developed a proprietary manufacturing process for our EBOS products that we believe is unique in our industry. Our process uses specialized manufacturing equipment that we have developed and involves joining wire together using resistance welds and then sealing the joint with two separate layers of insulating material, which we refer to as "undermold/overmold." Resistance welding produces significantly stronger bonds than competing techniques used by our competitors. Specifying complementary materials for the undermold and overmold significantly reduces the risk of moisture infiltrating the connection and enables us to provide superior UV protection, strain relief, impact resistance, and thermal stability over a wide range of environmental conditions. Together, we believe these techniques substantially reduce the risk that our cable develops a fault over its lifetime.

While highly specialized and flexible, our manufacturing equipment is not costly, and we do not require significant capital expenditures to maintain or increase our manufacturing capacity.

Our principal manufacturing facilities are located in Tennessee, Alabama, and California. Our Alabama facility is ISO 9001:2015 certified.

Research and Development

We continually devote resources to R&D, with the objective of developing innovative new products that reduce the cost and improve the reliability and safety of renewable energy. We believe that we have developed and commercialized most of the new EBOS products and installation methods adopted by the U.S. solar industry over the past five years, including plug-n-play wiring, interconnect harnesses and combine-as-you-go architecture for solar energy projects.

Our development strategy is to identify features that bring value to our customers and differentiate us from our competitors. We measure the effectiveness of our R&D using a number of metrics, beginning with a market requirements definition, which includes a program budget, financial payback, resource requirements, and time required to launch the new product, system, or service into the market. We employ a stringent

engineering phase gate review process that ensures all R&D programs are meeting their stated objectives from inception to deployment.

We have a strong R&D team with significant experience in solar energy as well as expertise in electrical engineering, systems/control engineering and power electronics. As needed, we collaborate with academia, national laboratories, and consultants to further enhance our capabilities and confirm results independently.

Intellectual Property

The success of our business depends, in part, on our ability to maintain and protect our proprietary technologies, information, processes and know-how. We rely primarily on patent, trademark, copyright and trade secret laws in the U.S., confidentiality agreements and procedures and other contractual arrangements to protect our technology. As of January 31, 2022, we had 25 U.S. trademark registrations, 11 pending U.S. trademark applications, 19 issued U.S. patents, 1 issued non-U.S. patents, 12 patent application pending for examination in the U.S. and 154 domain name registrations. Many of our patents relate to more efficient electrical wiring and power transmission from solar panels to power inverters at solar installations. Our U.S. issued patents are scheduled to expire between 2031 and 2037. As of January 31, 2022, our issued U.S. patents had an average remaining life of approximately 12.5 years.

The term of individual patents extend for varying periods of time, depending upon the date of filing of the patent application, the date of patent issuance, and the legal term of patents in the countries in which they are obtained. Generally, patents issued for applications filed in the U.S. are effective for 20 years from the earliest effective filing date of a non-provisional patent application. The duration of patents outside of the U.S. varies in accordance with provisions of applicable local law, but typically is also 20 years from the earliest effective filing date. However, the actual protection afforded by a patent varies on a country-to-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of legal remedies in a particular country, and the validity and enforceability of the patent.

We rely on trade secret protection and confidentiality agreements to safeguard our interests with respect to proprietary know-how that is not patentable and processes for which patents are difficult to enforce. We believe that many elements of our manufacturing processes involve proprietary know-how, technology or data that are not covered by patents or patent applications, including technical processes, test equipment designs, algorithms and procedures.

Our policy is to require research and development employees to enter into confidentiality and proprietary information agreements with us to address intellectual property protection issues and to assign to us all of the inventions, designs and technologies they develop during the course of employment with us. However, we might not have entered into such agreements with all applicable personnel, and such agreements might not be self-executing. Moreover, such individuals could breach the terms of such agreements.

We also require our customers and business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our technology or business plans.

Our Human Capital Management

As of December 31, 2021, we had approximately 697 full-time and temporary employees. None of our employees are represented by a labor union. We have not experienced any employment-related work stoppages, and we consider relations with our employees to be good.

We have a team-oriented culture and encourage candor from our employees, which we believe helps us to succeed and drive operational excellence. We also seek to, and have a history of, promoting from within our organization as well as hiring top talent from outside of our company to expand our capabilities.

We aim to hire individuals who share our passion, commitment and entrepreneurial spirit. We are also committed to diversity and inclusion because we believe that diversity leads to better outcomes for our business and enables us to better meet the needs of our customers. We recognize the importance of diversity in leadership roles within our company.

We encourage our employees to operate by a common set of values, which includes:

- making *quality* foremost in all we do, make, and sell.
- maintaining *integrity* in how we act, make decisions, and hold ourselves accountable.
- being *responsive* to change, to each other, and to our partners, customers and users.
- being *respectful* in how we treat all people.
- seeking *innovation* in the way we approach challenges and build products.
- being *sustainable* in our approach to producing our products and our operations.

We believe that operating with purpose, passion and creativity benefits our customers, stockholders, employees and suppliers as well as the communities where we operate and the environment.

Available Information

Shoals files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments of such reports with the Securities and Exchange Commission ("SEC"). Any document Shoals files may be inspected, without charge, at the SEC's website at <http://www.sec.gov>. Information related to the operation of the SEC's public reference room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, through our corporate website at www.shoals.com, Shoals provides a hyperlink to a third-party SEC filing website which posts these filings as soon as reasonably practicable, where they can be reviewed without charge. The information found on our website is not a part of this Annual Report on Form 10-K or any other report we file with or furnish to the SEC.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, technology developments, financing and investment plans, dividend policy, competitive position, industry and regulatory environment, potential growth opportunities and the effects of competition. Forward-looking statements include statements that are not historical facts and can be identified by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," "would" or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this report. You should read this report with the understanding that our actual future results may be materially different from what we expect.

Important factors that could cause actual results to differ materially from of expectations are included in Item 1A "Risk Factors."

Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

Item 1A. Risk Factors

An investment in our securities involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, prospects, financial condition, or operating results could be harmed, by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. The trading price of our securities could decline due to any of these risks, and, as a result, you may lose all or part of your investment.

Summary Risk Factors

The following is a summary of some of the material risks and uncertainties that could materially adversely affect our business, financial condition and results of operations. You should read this summary together with the more detailed description of each risk factor contained below.

- if demand for solar energy projects does not continue to grow or grows at a slower rate than we anticipate, our business will suffer;
- existing electric utility industry policies and regulations, and any subsequent changes, may present technical, regulatory and economic barriers to the purchase and use of solar energy systems that may significantly reduce demand for our products or harm our ability to compete;
- our industry has historically been cyclical and experienced periodic downturns;
- if we fail to, or incur significant costs in order to, obtain, maintain, protect, defend or enforce our intellectual property and other proprietary rights, our business and results of operations could be materially harmed;
- if we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed;
- acquisitions, joint ventures and/or investments, including our most recently announced acquisition of ConnectPV, and the failure to integrate acquired businesses, could disrupt our business and/or dilute or adversely affect the price of our common stock;
- if our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest, and our competitive position may be harmed;
- we may experience delays, disruptions or quality control problems in our manufacturing operations in part due to vendor concentration;
- the interruption of the flow of components and materials from international vendors could disrupt our supply chain, including as a result of the imposition of additional duties, tariffs and other charges on imports and exports;
- changes in the United States trade environment, including the imposition of import tariffs, could adversely affect the amount or timing of our revenue, results of operations or cash flows;
- we face risks related to actual or threatened health epidemics, such as the COVID-19 pandemic, and other outbreaks, which could significantly disrupt our manufacturing and operations;
- our future growth in the EV charging market is highly dependent on the demand for, and consumers' willingness to adopt, EVs;
- the reduction, elimination or expiration of government incentives for, or regulations mandating the use of, renewable energy and solar energy specifically could reduce demand for solar energy systems and harm our business;
- a drop in the price of electricity sold may harm our business, financial condition, results of operations and prospects;

- an increase in interest rates, or a reduction in the availability of tax equity or project debt capital in the global financial markets could make it difficult for end customers to finance the cost of a solar energy system and could reduce the demand for our products;
- defects or performance problems in our products could result in loss of customers, reputational damage and decreased revenue, and we may face warranty, indemnity and product liability claims arising from defective products;
- our results of operations may fluctuate from quarter to quarter, which could make our future performance difficult to predict and could cause our results of operations for a particular period to fall below expectations, resulting in a decline in the price of our Class A common stock;
- compromises, interruptions or shutdowns of our systems, including those managed by third parties, whether intentional or inadvertent, could lead to delays in our business operations and, if significant or extreme, affect our results of operations;
- our planned expansion could subject us to additional business, financial, regulatory and competitive risks;
- our indebtedness could adversely affect our financial flexibility and our competitive position;
- our indebtedness may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business and to manage our operations;
- developments in alternative technologies may have a material adverse effect on demand for our offerings;
- we are a holding company and our principal asset after completion of the reorganization is our interest in Shoals Parent and, accordingly, we are dependent upon Shoals Parent and its consolidated subsidiaries for our results of operations, cash flows and distributions;
- we are required to make payments under the Tax Receivable Agreement and the amounts of such payments will be significant;
- we will not be reimbursed for any payments made to the beneficiaries under the Tax Receivable Agreement in the event that any purported tax benefits are subsequently disallowed by the IRS;
- as an emerging growth company within the meaning of the Securities Act, we may utilize certain modified disclosure requirements, and we cannot be certain if these reduced requirements will make our Class A common stock less attractive to investors;
- provisions in our certificate of incorporation and our bylaws may have the effect of delaying or preventing a change of control or changes in our management;
- our certificate of incorporation also provides that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees;
- future sales of our Class A common stock, or the perception that such sales may occur, could depress our Class A common stock price; and
- if we fail to implement and maintain effective internal controls over financial reporting, we may be unable to accurately or timely report our financial condition or results of operations, which may adversely affect our business

Risks Related to Our Business and Our Industry

If demand for solar energy projects does not continue to grow or grows at a slower rate than we anticipate, our business will suffer.

Our solution is utilized in solar energy projects. As a result, our future success depends on continued demand for solar energy solutions and the ability of solar equipment vendors to meet this demand. The solar industry is an evolving industry that has experienced substantial changes in recent years, and we cannot be certain that consumers and businesses will adopt solar energy as an alternative energy source at levels sufficient to grow our business. If demand for solar energy fails to develop sufficiently, demand for our products will decrease, which would have an adverse impact on our ability to increase our revenue and grow our business.

Existing electric utility industry policies and regulations, and any subsequent changes, may present technical, regulatory and economic barriers to the purchase and use of solar energy systems that may significantly reduce demand for our products or harm our ability to compete.

Federal, state, local and foreign government regulations and policies concerning the broader electric utility industry, as well as internal policies and regulations promulgated by electric utilities and organized electric markets with respect to fees, practices, and rate design, heavily influence the market for electricity generation products and services. These regulations and policies often affect electricity pricing and the interconnection of generation facilities, and can be subject to frequent modifications by governments, regulatory bodies, utilities and market operators. For example, changes in fee structures, electricity pricing structures, and system permitting, interconnection and operating requirements can deter purchases of renewable energy products, including solar energy systems, by reducing anticipated revenue or increasing costs or regulatory burdens for would-be system purchasers. The resulting reductions in demand for solar energy systems could harm our business, prospects, financial condition and results of operations.

A significant recent development in renewable-energy pricing policies in the U.S. occurred on July 16, 2020, when the Federal Energy Regulatory Commission (“FERC”) issued a final rule amending regulations that implement the Public Utility Regulatory Policies Act (“PURPA”). Among other requirements, PURPA mandates that electric utilities buy the output of certain renewable generators, including qualifying solar energy facilities, below established capacity thresholds. PURPA also requires that such sales occur at a utility’s “avoided cost” rate. FERC’s PURPA reforms include modifications (1) to how regulators and electric utilities may establish avoided cost rates for new contracts; (2) that reduce from 20 MW to 5 MW the capacity threshold above which a renewable-energy qualifying facility is rebuttably presumed to have nondiscriminatory market access, thereby removing the requirement for utilities to purchase its output; (3) that require regulators to establish criteria for determining when an electric utility incurs a legally enforceable obligation to purchase from a PURPA facility; and (4) that reduce barriers for third parties to challenge PURPA eligibility. FERC’s final rules became effective on December 31, 2020, however, some changes will not become fully effective until states and other jurisdictions implement the new authorities provided by FERC. In general, FERC’s PURPA reforms have the potential to reduce prices for the output from certain new renewable generation projects while also narrowing the scope of PURPA eligibility for new projects. These effects could reduce demand for PURPA-eligible solar energy systems and could harm our business, prospects, financial condition and results of operations.

Changes in other current laws or regulations applicable to us or the imposition of new laws, regulations or policies in the U.S., Europe or other jurisdictions in which we do business could have a material adverse effect on our business, financial condition and results of operations. Any changes to government, utility or electric market regulations or policies that favor electric utilities, non-solar generation, or other market participants, or that make construction or operation of new solar generation facilities more expensive or difficult, could reduce the competitiveness of solar energy systems and cause a significant reduction in demand for our products and services and adversely impact our growth. In addition, changes in our products or changes in export and import laws and implementing regulations may create delays in the introduction of new products in international markets, prevent our customers from deploying our products internationally or, in

some cases, prevent the export or import of our products to certain countries altogether. Any such event could have a material adverse effect on our business, financial condition and results of operations.

Our industry has historically been cyclical and experienced periodic downturns.

Our future success partly depends on continued demand for solar PV systems in the end markets we serve. The solar industry has historically been cyclical and has experienced periodic downturns, which may affect the demand for the products that we manufacture. The solar industry has undergone challenging business conditions, mainly as a result of overproduction, and reductions in applicable governmental subsidies, contributing to demand decreases. Although the solar industry has been experiencing significant changes over the past years, there is no assurance that the solar industry will not suffer significant downturns in the future, which will adversely affect demand for our solar products and our results of operations.

If we fail to, or incur significant costs in order to, obtain, maintain, protect, defend or enforce our intellectual property and other proprietary rights, our business and results of operations could be materially harmed.

Our success depends to a significant degree on our ability to protect our intellectual property and other proprietary rights. We rely on a combination of patent, trademark, copyright, trade secret and unfair competition laws, as well as confidentiality and license agreements and other contractual provisions, to establish and protect our intellectual property and other proprietary rights. Such means may afford only limited protection of our intellectual property and may not (i) prevent our competitors from duplicating our processes or technology; (ii) prevent our competitors from gaining access to our proprietary information and technology; or (iii) permit us to gain or maintain a competitive advantage.

We generally seek or apply for patent protection as and if we deem appropriate, based on then-current facts and circumstances. We have applied for patents in the United States, some of which have been issued. We cannot guarantee that any of our pending patent applications or other applications for intellectual property registrations will be issued or granted or that our existing and future intellectual property rights will be sufficiently broad to protect our proprietary technology. While a presumption of validity exists with respect to United States patents issued to us, there can be no assurance that any of our patents, patent applications, or other intellectual property rights will not be, in whole or in part, opposed, contested, challenged, invalidated, circumvented, designed around, or rendered unenforceable. If we fail to obtain issuance of patents or registration of other intellectual property, or our patent claims or other intellectual property rights are rendered invalid or unenforceable, or narrowed in scope, pursuant to, for example, judicial or administrative proceedings, including reexamination, post-grant review, interference, opposition, or derivation proceedings, the coverage of patents and other intellectual property rights afforded our products could be impaired. Even if we are to obtain issuance of further patents or registration of other intellectual property, such intellectual property could be subjected to attacks on ownership, validity, enforceability, or other legal attacks. Any such impairment or other failure to obtain sufficient intellectual property protection could impede our ability to market our products, negatively affect our competitive position and harm our business and operating results, including by forcing us to, among other things, rebrand or redesign our affected products. Moreover, our patents and patent applications may only cover particular aspects of our products, and competitors and other third parties may be able to circumvent or design around our patents. Competitors may develop and obtain patent protection for more effective technologies, designs or methods. There can be no assurance that third parties will not create new products or methods that achieve similar or better results without infringing upon patents we own. If these developments occur, they could have an adverse effect on our sales or market position.

In countries where we have not applied for patent protection or trademark or other intellectual property registration or where effective patent, trademark, trade secret, and other intellectual property laws and judicial systems may not be available to the same extent as in the United States, we may be at greater risk that our

proprietary rights will be circumvented, misappropriated, infringed, or otherwise violated. Filing, prosecuting, maintaining, and defending our intellectual property in all countries throughout the world may be prohibitively expensive, and we may choose to forgo such activities in some applicable jurisdictions. The lack of adequate legal protections of intellectual property or failure of legal remedies or related actions in jurisdictions outside of the United States could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may in the future need to initiate infringement claims or litigation in order to try to protect or enforce our intellectual property rights. Litigation, whether we are a plaintiff or a defendant, can be expensive and time consuming and may divert the efforts of our management and other personnel, which could harm our business, whether or not such litigation results in a determination favorable to us. Litigation also puts our patents or other intellectual property at risk of being invalidated or interpreted narrowly and our patent applications or applications for other intellectual property registrations at risk of not issuing. Additionally, any enforcement of our patents or other intellectual property may provoke third parties to assert counterclaims against us. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

We rely heavily on trade secrets and nondisclosure agreements to protect our unpatented know-how, technology, and other proprietary information, and to maintain our competitive position. However, trade secrets and know-how can be difficult to protect. We seek to protect these trade secrets and other proprietary technology, in part, by entering into nondisclosure and confidentiality agreements with parties who have access to them, such as our employees, consultants, and other third parties. However, we cannot guarantee that we have entered into such agreements with each party that has or may have had access to our proprietary information, know-how and trade secrets. Moreover, no assurance can be given that these agreements will be effective in controlling access to, distribution, use, misuse, misappropriation, or disclosure of our proprietary information, know-how and trade secrets. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to ours. These agreements may be breached, and we may not have adequate remedies for any such breach. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Acquisitions, joint ventures and/or investments, including our most recently announced acquisition of ConnectPV, and the failure to integrate acquired businesses, could disrupt our business and/or dilute or adversely affect the price of our common stock.

Our success depends, in part, on our ability to expand our product offerings and grow our business in response to changing technologies, customer demands and competitive pressures. In some circumstances, we may pursue growth through the acquisition of complementary businesses, solutions or technologies or through joint ventures or investments rather than through internal development. The identification of suitable acquisition or joint venture candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions or joint ventures.

For example, on August 26, 2021, we acquired 100% of the stock of ConnectPV, with cash and Class A common stock (the “Acquisition”). We completed the Acquisition with the belief that the Acquisition will result in certain benefits, including certain operational synergies related to the Company’s EBOS solutions and components business and cost efficiencies, and drive product innovations synergies. Achieving these anticipated benefits will depend on successfully combining our and ConnectPV’s businesses together. It is not certain that ConnectPV’s business can be successfully integrated with our business in a timely manner or at

all, or that any of the anticipated benefits will be realized for a variety of reasons, including, but not limited to: our inability to integrate or benefit from ConnectPV's acquired technologies or services in a profitable manner; diversion of capital and other resources, including management's attention; unanticipated costs or liabilities related to the Acquisition; failure to leverage the increased scale of the combined businesses quickly and effectively; the potential impact of the Acquisition on our relationships with employees, vendors, suppliers and customers; the impairment of relationships with, or the loss of, ConnectPV's employees, vendors, suppliers or customers; adverse changes in general economic conditions in regions in which we operate; potential litigation associated with the Acquisition; difficulties in the assimilation of employees and culture; difficulties in managing the expanded operations of a larger and more complex company; and challenges in attracting and retaining key personnel. Many of these factors will be outside of our control and any one of them could result in increased costs, decrease in expected revenues and diversion of management's time and attention, which could materially impact the combined company. In addition, even if the operations of the businesses are integrated successfully, the full benefits of the Acquisition may not be realized within the anticipated time frame or at all. All of these factors could decrease or delay the expected accretive effect of the Acquisition and negatively impact the combined company.

We may be subject to claims that our employees, consultants, or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employers or claims asserting ownership of what we regard as our own intellectual property.

Many of our employees and consultants are currently or were previously employed at other companies in our field, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these individuals have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. The assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, and we may be forced to bring claims against third parties or defend claims that they may bring against us to determine the ownership of what we regard as our intellectual property. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest, and our competitive position may be harmed.

The registered or unregistered trademarks or trade names that we own may be challenged, infringed, circumvented, declared generic, lapsed or determined to be infringing on or dilutive of other marks. We may not be able to protect our rights in these trademarks and trade names, which we need in order to build name recognition with potential members. In addition, third parties may file for registration of trademarks similar or identical to our trademarks, thereby impeding our ability to build brand identity and possibly leading to market confusion. If they succeed in registering or developing common-law rights in such trademarks, and if we are not successful in challenging such third-party rights, we may not be able to use these trademarks to develop brand recognition of our technologies, products or services. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. If we are unable to

establish name recognition based on our trademarks and trade names, we may not be able to compete effectively, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may need to defend ourselves against third-party claims that we are infringing, misappropriating or otherwise violating others' intellectual property rights, which could divert management's attention, cause us to incur significant costs, and prevent us from selling or using the technology to which such rights relate.

Our competitors and other third parties hold numerous patents related to technology used in our industry and may hold or obtain patents, copyrights, trademarks or other intellectual property rights that could prevent, limit, or interfere with our ability to make, use, develop, sell or market our products and services, which could make it more difficult for us to operate our business. From time to time, we may be subject to claims of infringement, misappropriation, or other violation of patents or other intellectual property rights and related litigation, and if we gain greater recognition in the market, we face a higher risk of being the subject of these types of claims. Regardless of their merit, responding to such claims can be time consuming, can divert management's attention and resources, and may cause us to incur significant expenses in litigation or settlement, and we cannot be certain that we would be successful in defending against any such claims in litigation or other proceedings. If we do not successfully defend or settle an intellectual property claim, we could be liable for significant monetary damages and could be prohibited from continuing to use certain technology, business methods, content, or brands, and from making, selling or incorporating certain components or intellectual property into the products and services we offer. As a result, we could be forced to redesign our products and services and/or to establish and maintain alternative branding for our products and services. To avoid litigation or being prohibited from marketing or selling the relevant products or services, we could seek a license from the applicable third party, which could require us to pay significant royalties, licensing fees, or other payments, increasing our operating expenses. If a license is not available at all or not available on reasonable terms, we may be required to develop or license a non-violating alternative, either of which could be infeasible or require significant effort and expense. If we cannot license or develop a non-violating alternative, we would be forced to limit or stop sales of our offerings and may be unable to effectively compete. Moreover, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our Class A common stock. Any of these results would materially and adversely affect our business, financial condition, results of operations and prospects. Finally, any litigation or claims, whether or not valid, could result in substantial costs, negative publicity and diversion of resources and management attention, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may experience delays, disruptions or quality control problems in our manufacturing operations in part due to our vendor concentration.

Our product development, manufacturing and testing processes are complex and require significant technological and production process expertise, and we depend on a limited number of vendors and suppliers. Any vendor delay or disruption could cause a delay or disruption in our ability to meet customer requirements which may result in a loss of customers. Such processes involve a number of precise steps from design to production. Any change in our processes could cause one or more production errors, requiring a temporary suspension or delay in our production line until the errors can be researched, identified and properly addressed and rectified. This may occur particularly as we introduce new products, modify our engineering and production techniques, and/or expand our capacity. In addition, our failure to maintain appropriate quality assurance processes could result in increased product failures, loss of customers, increased warranty reserve, increased production and logistics costs and delays. Any of these developments could have a material adverse effect on our business, financial condition, and results of operations.

The interruption of the flow of components and materials from international vendors could disrupt our supply chain, including as a result of the imposition of additional duties, tariffs and other charges on imports and exports.

We purchase some of our components and materials outside of the United States through arrangements with various vendors. Political, social or economic instability in these regions, or in other regions where our products are made, could cause disruptions in trade. Actions in various countries have created uncertainty with respect to tariff impacts on the costs of some of our components and materials. The degree of our exposure is dependent on (among other things) the type of materials, rates imposed, and timing of the tariffs. Other events that could also cause disruptions to our supply chain include:

- the imposition of additional trade law provisions or regulations;
- the imposition of additional duties, tariffs and other charges on imports and exports, including as a result of the escalating trade war between China and the United States;
- quotas imposed by bilateral trade agreements;
- foreign currency fluctuations;
- natural disasters;
- public health issues and epidemic diseases, their effects (including any disruptions they may cause) or the perception of their effects, such as the ongoing novel coronavirus outbreak originating in China;
- theft;
- restrictions on the transfer of funds;
- the financial instability or bankruptcy of vendors; and
- significant labor disputes, such as dock strikes.

We cannot predict whether the countries in which our components and materials are sourced, or may be sourced in the future, will be subject to new or additional trade restrictions imposed by the United States or other foreign governments, including the likelihood, type or effect of any such restrictions. Trade restrictions, including new or increased tariffs or quotas, border taxes, embargoes, safeguards and customs restrictions against certain components and materials, as well as labor strikes and work stoppages or boycotts, could increase the cost or reduce or delay the supply of components and materials available to us and adversely affect our business, financial condition or results of operations.

Changes in the United States trade environment, including the imposition of import tariffs, could adversely affect the amount or timing of our revenue, results of operations or cash flows.

Escalating trade tensions, particularly between the United States and China, have led to increased tariffs and trade restrictions, including tariffs applicable to certain materials and components for our products or for products used in solar energy projects more broadly, such as module supply and availability. More specifically, in March 2018, the United States imposed a 25% tariff on steel imports and a 10% tariff on aluminum imports pursuant to Section 301 of the Trade Act of 1974 and has imposed additional tariffs on steel and aluminum imports pursuant to Section 232 of the Trade Expansion Act of 1962. Additionally, in January 2018, the United States adopted a tariff on imported solar modules and cells pursuant to Section 201 of the Trade Act of 1974, which was extended in February 2022 for another four years. The tariff was initially set at 30%, with a gradual reduction over four years to 15%. This tariff may indirectly affect us by impacting the financial viability of solar energy projects, which could in turn reduce demand for our products. Furthermore, in July 2018, the United States adopted a 10% tariff on a long list of products imported from China under Section

301 of the Trade Act of 1974, including inverters and power optimizers, which became effective on September 24, 2018. In June 2019, the U.S. Trade Representative increased the rate of such tariffs from 10% to 25%. These tariffs could impact the solar energy projects in which our products are used, which could lead to decreased demand for our products.

On January 15, 2020, the United States and China entered into an initial trade deal that preserves the bulk of the tariffs placed in 2018 and maintains a threat of additional tariffs should China breach the terms of the deal.

Tariffs and the possibility of additional tariffs in the future have created uncertainty in the industry. If the price of solar systems in the United States increases, the use of solar systems could become less economically feasible and could reduce our gross margins or reduce the demand of solar systems manufactured and sold, which in turn may decrease demand for our products. Additionally, existing or future tariffs may negatively affect key customers, suppliers, and manufacturing partners. Such outcomes could adversely affect the amount or timing of our revenue, results of operations or cash flows, and continuing uncertainty could cause sales volatility, price fluctuations or supply shortages or cause our customers to advance or delay their purchase of our products. It is difficult to predict what further trade-related actions governments may take, which may include additional or increased tariffs and trade restrictions, and we may be unable to quickly and effectively react to such actions.

We face risks related to actual or threatened health epidemics, such as the COVID-19 pandemic, and other outbreaks, which could significantly disrupt our manufacturing and operations.

Our business could be adversely impacted by the effects of a widespread outbreak of contagious disease, including the recent outbreak of respiratory illness caused by a novel coronavirus ("COVID-19") pandemic. Any widespread outbreak of contagious diseases, and other adverse public health developments, could cause disruption to, among other things, our ground operations at project sites, our manufacturing facilities and our suppliers and vendors and have a material and adverse effect on our business operations. While we have only experienced a short term work stoppage at the onset of the pandemic, our manufacturing facilities and our suppliers and vendors could be disrupted by worker absenteeism, worker attrition, quarantines, shortage of COVID-19 test kits and personal protection equipment for employees, vaccine and testing mandates, office and factory closures, disruptions to ports and other shipping infrastructure, or other travel or health-related restrictions. If our manufacturing facilities and our suppliers or vendors are so affected, our supply chain, manufacturing and product shipments will be delayed, which could adversely affect our business, operations and customer relationships. In response to the COVID-19 pandemic, beginning in the first half of 2020, we paid our employees an hourly incentive fee to address worker absenteeism, which resulted in increased operating expenses and became permanent in July 2021, and there can be no assurances that such payments will not be necessary in the future. We also implemented adjustments to our operations designed to keep employees safe and comply with federal, state and local guidelines, including those regarding social distancing. There can be no assurances that such costs will not be incurred in the future. In addition, the macroeconomic effects of the COVID-19 pandemic in the United States and other markets has resulted in a widespread health crisis that has adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our products and impact our operating results.

Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the full impact of the COVID-19 pandemic on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when the COVID-19 pandemic can be controlled and abated, and cannot be predicted at this time. Further, while jurisdictions in which we operate have gradually allowed the reopening of businesses and other organizations and removed the sheltering restrictions, it is premature to assess whether

doing so will result in a meaningful increase in economic activity and the impact of such actions on further COVID-19 cases.

Although we have thus far avoided significant impact to performance of operations, and have not incurred, to date, any material liquidated damages due to delay, we have encountered, and could encounter in the future, project delays due to impacts on suppliers, customers, or others. The duration and intensity of these impacts and resulting disruption to our operations is uncertain and continues to evolve as of the date of this Annual Report on Form 10-K. Accordingly, management will continue to monitor the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

To the extent the COVID-19 pandemic adversely affects our financial condition, operating results and cash flows, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section, such as those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

The viability and demand for solar energy and the demand for our products are impacted by many factors outside of our control, which makes it difficult to predict our future prospects.

The viability and demand for solar energy, and in turn, our products, may be affected by many factors outside of our control. Our significant growth and expansion, combined with the rapidly evolving and competitive nature of our industry, makes it difficult to predict our future prospects. We have limited insight into emerging trends that may adversely affect our business, financial condition, results of operations and prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including unpredictable and volatile revenue and increased expenses as we continue to grow our business. Some of the factors outside of our control that may impact the viability and demand for solar energy include:

- cost competitiveness, reliability and performance of solar energy systems compared to conventional and non-solar renewable energy sources and products and cost competitiveness, reliability and performance of our products compared to our competitors;
- availability and scale and scope of government subsidies and incentives to support the development and deployment of solar energy solutions;
- prices of traditional carbon-based energy sources;
- levels of investment by end users of solar energy projects, which tend to decrease when economic growth slows; and
- the emergence, continuance or success of, or increased government support for, other alternative energy generation technologies and products.

If we do not manage these risks and overcome these difficulties successfully, our business will suffer.

Our future growth in the EV charging market is highly dependent on the demand for, and consumers’ willingness to adopt, EVs.

Our future growth in the EV charging market is highly dependent on the demand for, and consumers’ willingness to adopt, EVs. The market for EVs is still rapidly evolving, characterized by rapidly changing technologies, competitive pricing and competitive factors, evolving government regulation and industry standards, and changing consumer demands and behaviors. In addition, any reduction, elimination, or discriminatory application of government subsidies and economic incentives because of policy changes or

other reasons may result in the diminished competitiveness of, and demand for, EVs. Further, federal, state and local laws may impose additional barriers to electric vehicle adoption, including additional costs. For example, many states have enacted laws imposing additional registration fees for certain hybrid and EVs to support transportation infrastructure. Any of the foregoing could materially and adversely affect the growth of the EV markets and our business, prospects, financial condition, results of operations, and cash flows.

The market for our products is competitive, and we may face increased competition as new and existing competitors introduce EBOS system solutions and components, which could negatively affect our results of operations and market share.

The market for EBOS system solutions and components, including cable assemblies, inline fuses, combiners, disconnects, recombiners, wireless monitoring systems, junction boxes, transition enclosures and splice boxes, is competitive. Our principal competitors include SolarBOS Inc. and BenteK Corporation. We compete on the basis of product performance and features, installation cost, reliability and duration of product warranty, sales and distribution capabilities, and training and customer support. Competition may intensify as new and existing competitors enter the market. If our competitors introduce new technologies that are successful in offering a price competitive and technological attractive EBOS system solutions and components, it may become more difficult for us to maintain market share.

Several of our existing and potential competitors may have or obtain the financial resources to offer competitive products at aggressive or below-market pricing levels, which could cause us to lose sales or market share or require us to lower prices for our products in order to compete effectively. If we have to reduce our prices by more than we anticipated, or if we are unable to offset any future reductions in our average selling prices by increasing our sales volume, reducing our costs and expenses or introducing new products, our revenue and gross profit will suffer.

In addition, competitors may be able to develop new products more quickly than us, may partner with other competitors to provide combined technologies and competing solutions and may be able to develop products that are more reliable or that provide more functionality than ours.

A loss of one or more of our significant customers, their inability to perform under their contracts, or their default in payment could harm our business and negatively impact revenue, results of operations, and cash flow.

We are dependent on a relatively small number of customers for our sales, and a small number of customers have historically accounted for a material portion of our revenue. The loss of any one of the Company's significant customers, their inability to perform under their contracts, or their default in payment could have a materially adverse effect on the revenue and profits of the Company. Further, the Company's trade accounts receivable are from companies within the solar industry, and as such, the Company is exposed to normal industry credit risks. For the near future, we may continue to derive a significant portion of our net sales from a small number of customers. For the year ended December 31, 2019, our two largest customers represented approximately 59% of our revenue. Our top five customers accounted for approximately 80% of our revenue for the year ended December 31, 2019. For the year ended December 31, 2020, our two largest customers represented approximately 40% of our revenue. Our top five customers accounted for approximately 65% of our revenue for the year ended December 31, 2020. For the year ended December 31, 2021, our three largest customers represented approximately 40% of our revenue. Our top five customers accounted for approximately 52% of our revenue for the year ended December 31, 2021. Accordingly, loss of a significant customer or a significant reduction in pricing or order volume from a significant customer could materially reduce net sales and operating results in any reporting period.

The reduction, elimination or expiration of government incentives for, or regulations mandating the use of, renewable energy and solar energy specifically could reduce demand for solar energy systems and harm our business.

Federal, state, local and foreign government bodies provide incentives to owners, end users, distributors, system integrators and manufacturers of solar energy systems to promote solar electricity in the form of rebates, tax credits and other financial incentives such as system performance payments, payments of renewable energy credits associated with renewable energy generation, and an exclusion of solar energy systems from property tax assessments.

The range and duration of these incentives varies widely by jurisdiction. Our customers typically use our systems for grid-connected applications wherein solar power is sold under a power purchase agreement or into an organized electric market. This segment of the solar industry has historically depended in large part on the availability and size of government incentives and regulations mandating the use of renewable energy. Consequently, the reduction, elimination or expiration of government incentives for grid-connected solar electricity or regulations mandating the use of renewable energy may negatively affect the competitiveness of solar electricity relative to conventional and non-solar renewable sources of electricity and could harm or halt the growth of the solar electricity industry and our business. These subsidies and incentives may expire on a particular date, end when the allocated funding is exhausted or be reduced or terminated as solar energy adoption rates increase or as a result of legal challenges, the adoption of new statutes or regulations, or the passage of time. These reductions or terminations may occur without warning.

In addition, federal, state, local and foreign government bodies have implemented various policies that are intended to promote renewable electricity generally or solar electricity in particular. Chief among these policies is the renewable portfolio standards (RPS). Currently, 30 U.S. states, the District of Columbia, and 3 U.S. territories have implemented some form of RPS, which mandate that a certain portion of electricity delivered by regulated utilities to customers come from a set of eligible renewable energy resources by a certain compliance date. RPS vary widely by jurisdiction. In some areas, requirements have been satisfied and utilities must only prevent reductions in qualifying energy purchases and sales, while other jurisdictions' RPS continue to require substantial increases, up to 100 percent renewable electric generation, with final compliance dates typically 20 or more years out.

While the recent trend has been for jurisdictions with RPS to maintain or expand them, there have been certain exceptions and there can be no assurances that RPS or other policies supporting renewable energy will continue. Proposals to extend compliance deadlines, reduce renewable requirements or solar set-asides, or entirely repeal RPS emerge periodically in various jurisdictions. Reduction or elimination of RPS, as well as changes to other renewable energy and solar energy policies, could reduce the potential growth of the solar energy industry and our business.

Finally, the solar industry has in past years experienced periodic downturns due to, among other things, changes in subsidies and incentives, as well as other policies and regulations, which, as noted above, may affect the demand for equipment that we manufacture. Although the solar industry has recovered from these downturns, there is no assurance that the solar industry will not suffer significant downturns in the future, which will adversely affect demand for our solar products.

A drop in the price of electricity sold may harm our business, financial condition, results of operations and prospects.

Decreases in the price of electricity, whether in organized electric markets or with contract counterparties, may negatively impact the owners of the solar energy projects or make the purchase of solar

energy systems less economically attractive and would likely lower sales of our products. The price of electricity could decrease as a result of:

- construction of a significant number of new lower-cost power generation plants, including plants utilizing natural gas, renewable energy or other generation technologies;
- relief of transmission constraints that enable distant lower-cost generation to transmit energy less expensively or in greater quantities;
- reductions in the price of natural gas or other fuels;
- utility rate adjustment and customer class cost reallocation;
- decreased electricity demand, including from energy conservation technologies and public initiatives to reduce electricity consumption;
- development of smart-grid technologies that lower the peak energy requirements;
- development of new or lower-cost customer-sited energy storage technologies that have the ability to reduce a customer's average cost of electricity by shifting load to off-peak times; and
- development of new energy generation technologies that provide less expensive energy.

Moreover, technological developments in the solar components industry could allow our competitors and their customers to offer electricity at costs lower than those that can be achieved by us and our customers, which could result in reduced demand for our products.

If the cost of electricity generated by solar energy installations incorporating our systems is high relative to the cost of electricity from other sources, then our business, financial condition and results of operations may be harmed.

An increase in interest rates or a reduction in the availability of tax equity or project debt capital in the global financial markets could make it difficult for end customers to finance the cost of a solar energy system and could reduce the demand for our products.

Many end users depend on financing to fund the initial capital expenditure required to construct a solar energy project. As a result, an increase in interest rates or a reduction in the supply of project debt or tax equity financing could reduce the number of solar projects that receive financing or otherwise make it difficult for our customers or their customers to secure the financing necessary to construct a solar energy project on favorable terms, or at all, and thus lower demand for our products, which could limit our growth or reduce our net sales. In addition, we believe that a significant percentage of end-users construct solar energy projects as an investment, funding a significant portion of the initial capital expenditure with financing from third parties. An increase in interest rates could lower an investor's return on investment on a solar energy project, increase equity requirements or make alternative investments more attractive relative to solar energy projects and, in each case, could cause these end users to seek alternative investments.

Defects or performance problems in our products could result in loss of customers, reputational damage and decreased revenue, and we may face warranty, indemnity and product liability claims arising from defective products.

EBOS components, including cable assemblies, inline fuses, combiners, disconnects, recombiners, wireless monitoring systems, junction boxes, transition enclosures, splice boxes, conventional homerun EBOS system solutions and combine-as-you-go EBOS system solutions, are mission-critical products and systems that have a high consequence of failure, including lost revenue, equipment damage, fire damage, and even serious injury or death because of the high voltages involved and potential for fire. Further, a fault in the wiring

of an EBOS system, whether as a result of product malfunctions, defects or improper installation, may cause electrical failures in solar energy projects. Faults typically occur when natural thermal expansion and contraction occurs at a point where two wires have been joined, loosening the insulation, and allowing moisture into the joint. Faults can result in lost production, damage to the equipment, fire and injury or death depending on their severity and whether people are onsite.

Although our products meet our stringent quality requirements, they may contain undetected errors or defects, especially when first introduced or when new generations are released. Errors, defects, product failures, destructions or poor performance can arise due to design flaws, defects in raw materials or components or manufacturing difficulties, which can affect both the quality and the yield of the product. Any actual or perceived errors, defects or poor performance in our products could result in the replacement or recall of our products, shipment delays, rejection of our products, damage to our reputation, lost revenue, diversion of our engineering personnel from our product development efforts and increases in customer service and support costs, all of which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, defective components may give rise to warranty, indemnity or product liability claims against us that exceed any revenue or profit we receive from the affected products. Our limited warranties cover defects in materials and workmanship of our products under normal use and service conditions. As a result, we bear the risk of warranty claims long after we have sold products and recognized revenue. While we do have accrued reserves for warranty claims, our estimated warranty costs for previously sold products may change to the extent future products are not compatible with earlier generation products under warranty. Our warranty accruals are based on our assumptions and we do not have a long history of making such assumptions. As a result, these assumptions could prove to be materially different from the actual performance of our systems, causing us to incur substantial unanticipated expense to repair or replace defective products in the future or to compensate customers for defective products. Our failure to accurately predict future claims could result in unexpected volatility and have a material adverse effect on, our financial condition.

If one of our products causes injury to someone or causes property damage, including as a result of product malfunctions, defects or improper installation, then we could be exposed to product liability claims. We could incur significant costs and liabilities if we are sued and if damages are awarded against us. Further, any product liability claim we face could be expensive to defend and could divert management's attention. The successful assertion of a product liability claim against us could result in potentially significant monetary damages, penalties or fines; subject us to adverse publicity; damage our reputation and competitive position; and adversely affect sales of our products. In addition, product liability claims, injuries, defects or other problems experienced by other companies in the solar industry could lead to unfavorable market conditions for the industry as a whole and may have an adverse effect on our ability to attract new customers, thus harming our growth and financial performance.

Changes in tax laws or regulations that are applied adversely to us or our customers could materially adversely affect our business, financial condition, results of operations and prospects.

Changes in corporate tax rates, tax incentives for renewable energy projects, the realization of net deferred tax assets relating to our U.S. operations, the taxation of foreign earnings, and the deductibility of expenses under future tax reform legislation could have a material impact on the value of our deferred tax assets, could result in significant one-time charges in the current or future taxable years, and could increase our future U.S. tax expense, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may incur obligations, liabilities or costs under environmental, health and safety laws, which could have an adverse impact on our business, financial condition and results of operations.

Our operations involve the use, handling, generation, storage, discharge and disposal of hazardous substances, chemicals and wastes. As a result, we are required to comply with national, state, local, and foreign laws and regulations regarding the protection of the environment and health and safety. Adoption of more stringent laws and regulations in the future could require us to incur substantial costs to come into compliance with these laws and regulations. In addition, violations of, or liabilities under, these laws and regulations may result in restrictions being imposed on our operating activities or in our being subject to adverse publicity, substantial fines, penalties, criminal proceedings, third-party property damage or personal injury claims, cleanup costs, or other costs. We may become liable under certain of these laws and regulations for costs to investigate or remediate contamination at properties we own or operate, we formerly owned or operated or to which hazardous substances were sent by us for disposal. Liability under these laws and regulations can be imposed on a joint and several basis and without regard to fault or the legality of the activities giving rise to the contamination conditions. In addition, future developments such as more aggressive enforcement policies (including by the current U.S. presidential administration) or the discovery of presently unknown environmental conditions may require expenditures that could have an adverse effect on our business, financial condition, and results of operations.

Failure by our vendors or our component or raw material suppliers to use ethical business practices and comply with applicable laws and regulations may adversely affect our business.

We do not control our vendors or suppliers or their business practices. Accordingly, we cannot guarantee that they follow ethical business practices, such as fair wage practices and compliance with environmental, safety and other local laws. A lack of demonstrated compliance could lead us to seek alternative manufacturers or suppliers, which could increase our costs and result in delayed delivery of our products, product shortages or other disruptions of our operations. Violation of labor or other laws by our manufacturers or suppliers or the divergence of a supplier's labor or other practices from those generally accepted as ethical in the U.S. or other markets in which we do business could also attract negative publicity for us and harm our business.

Our results of operations may fluctuate from quarter to quarter, which could make our future performance difficult to predict and could cause our results of operations for a particular period to fall below expectations, resulting in a decline in the price of our Class A common stock.

Our quarterly results of operations are difficult to predict and may fluctuate significantly in the future. We have experienced seasonal and quarterly fluctuations in the past as a result of seasonal fluctuations in our customers' business. Our end users' ability to install solar energy systems is affected by weather, as for example during the winter months in the northeastern U.S. and Europe. Such installation delays can impact the timing of orders for our products. Further, given that we are an early-stage company operating in a rapidly growing industry, the true extent of these fluctuations may have been masked by our recent growth rates and consequently may not be readily apparent from our historical results of operations and may be difficult to predict. Our financial performance, sales, working capital requirements and cash flow may fluctuate, and our past quarterly results of operations may not be good indicators of future performance. Any substantial decrease in revenue would have an adverse effect on our financial condition, results of operations, cash flows and stock price.

Failure to effectively utilize information technology systems or implement new technologies could disrupt our business or reduce our sales or profitability.

We rely extensively on various information technology systems, including data centers, hardware, software and applications to manage many aspects of our business, including to operate and provide our

products and services, to process and record transactions, to enable effective communication systems, to track inventory flow, to manage logistics and to generate performance and financial reports. We are dependent on the integrity, security and consistent operations of these systems and related backup systems. Our computer and information technology systems and the third-party systems we rely upon are also subject to damage or interruption from a number of causes, including power outages; computer and telecommunications failures; computer viruses, malware, phishing or distributed denial-of-service attacks; security breaches; cyberattacks; catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes; acts of war or terrorism and design or usage errors by our employees or contractors.

Compromises, interruptions or shutdowns of our systems, including those managed by third parties, whether intentional or inadvertent, could lead to delays in our business operations and, if significant or extreme, affect our results of operations.

From time to time, our systems require modifications and updates, including by adding new hardware, software and applications; maintaining, updating or replacing legacy programs; and integrating new service providers and adding enhanced or new functionality. Although we are actively selecting systems and vendors and implementing procedures to enable us to maintain the integrity of our systems when we modify them, there are inherent risks associated with modifying or replacing systems, and with new or changed relationships, including accurately capturing and maintaining data, realizing the expected benefit of the change and managing the potential disruption of the operation of the systems as the changes are implemented. Potential issues associated with implementation of these technology initiatives could reduce the efficiency of our operations in the short term. In addition, any interruption in the operation of our websites or systems could cause us to suffer reputational harm or to lose sales if customers are unable to access our site or purchase merchandise from us during such interruption. The efficient operation and successful growth of our business depends upon our information technology systems. The failure of our information technology systems and the third-party systems we rely on to perform as designed, or our failure to implement and operate them effectively, could disrupt our business or subject us to liability and thereby have a material adverse effect on our business, financial condition, results of operations and prospects.

Our planned expansion could subject us to additional business, financial, regulatory and competitive risks.

Our strategy is to introduce new products and grow our revenue outside of the U.S. by developing region-specific products; entering into joint-venture or licensing arrangements with companies in certain markets; expanding our relationships with value-added resellers of our products in some countries; and utilizing locally sourced components in our products in jurisdictions where locally sourced components are a regulatory or customer requirement.

Our products and services to be offered outside of the U.S. may differ from our current products and services in several ways, such as the consumption and utilization of local raw materials, components and logistics, the reengineering of select components to reduce costs, and region-specific customer training, site commissioning, warranty remediation and other technical services.

These markets have different characteristics from the markets in which we currently sell products, and our success will depend on our ability to adapt properly to these differences. These differences may include differing regulatory requirements, including tax laws, trade laws, labor regulations, tariffs, export quotas, customs duties or other trade restrictions, limited or unfavorable intellectual property protection, international political or economic conditions, restrictions on the repatriation of earnings, longer sales cycles, warranty expectations, product return policies and cost, performance and compatibility requirements. In addition, expanding into new geographic markets will increase our exposure to presently existing risks, such as

fluctuations in the value of foreign currencies and difficulties and increased expenses in complying with U.S. and foreign laws, regulations and trade standards, including the Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”).

Failure to develop these new products successfully or to otherwise manage the risks and challenges associated with our potential expansion into new geographic markets could adversely affect our revenue and our ability to achieve or sustain profitability. There can be no assurance that any new products will be well-received by our customers or achieve commercial viability. Expanding into new markets and investing resources towards developing new products imposes additional burdens on our research, systems development, sales, marketing and general managerial resources. The processes are costly, and our efforts to expand into new markets or develop new products may not be successful. If we are unsuccessful in expanding into new markets or in obtaining widespread adoption of new products, we may not be able to offset the expenses associated with the expansion into new markets or development of new products. If we are unable to manage our expansion and development efforts effectively, if our expansion and development efforts take longer than planned or if our costs for these efforts exceed our expectations, our business, financial condition, results of operations or prospects could be adversely affected.

Our indebtedness could adversely affect our financial flexibility and our competitive position.

As of December 31, 2021, the Senior Secured Credit Agreement (as defined below) had \$197.3 million of term loans and \$55.1 million of revolving credit loans outstanding. Our level of indebtedness increases the risk that we may be unable to generate cash sufficient to pay amounts due in respect of our indebtedness. Our indebtedness could have other important consequences to you and significant effects on our business. For example, it could:

- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- require us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from exploiting business opportunities;
- make it more difficult to satisfy our financial obligations, including payments on our indebtedness;
- place us at a disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general corporate purposes.

In addition, the Senior Secured Credit Agreement contains, and the agreements evidencing or governing any other future indebtedness may contain, restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all of our indebtedness.

The phase-out, replacement or unavailability of LIBOR and/or other interest rate benchmarks could adversely affect our indebtedness.

The interest rates applicable to the Senior Secured Credit Agreement are based on, and the interest rates applicable to certain debt obligations we may incur in the future may be based on, a fluctuating rate of interest determined by reference to the London Interbank Offered Rate (“LIBOR”). In July 2017, the U.K.’s Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or

compelling banks to submit rates for the calculation of LIBOR after 2021. In response to concerns regarding the future of LIBOR, the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York convened the Alternative Reference Rates Committee (the “ARRC”) to identify alternatives to LIBOR. The ARRC has recommended a benchmark replacement waterfall to assist issuers in continued capital market entry while safeguarding against LIBOR’s discontinuation. The initial steps in the ARRC’s recommended provision reference variations of the Secured Overnight Financing Rate (“SOFR”), calculated using short-term repurchase agreements backed by Treasury securities. At this time, it is not possible to predict whether SOFR will attain market traction as a LIBOR replacement. Additionally, it is uncertain if LIBOR will cease to exist after calendar year 2021, or whether additional reforms to LIBOR may be enacted, or whether alternative reference rates will gain market acceptance as a replacement for LIBOR. In anticipation of LIBOR’s phase-out, the Senior Secured Credit Agreement provides for alternative base rates, as well as a transition mechanism for selecting a benchmark replacement rate for LIBOR, with such benchmark replacement rate to be mutually agreed with the administrative agent and subject to the majority lenders not objecting to such benchmark replacement.

There can be no assurance that we will be able to reach any agreement on a replacement benchmark, and there can be no assurance that any agreement we reach will result in effective interest rates at least as favorable to us as our current effective interest rates. The failure to reach an agreement on a replacement benchmark, or the failure to reach an agreement that results in an effective interest rate at least as favorable to us as our current effective interest rates, could result in a significant increase in our debt service obligations, which could adversely affect our financial condition and results of operations. In addition, the overall financing market may be disrupted as a result of the phase-out or replacement of LIBOR, which could have an adverse impact on our ability to refinance, reprice or amend the Senior Secured Credit Agreement or incur additional indebtedness, on favorable terms or at all.

Our indebtedness may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business and to manage our operations.

The Senior Secured Credit Agreement contains, and the agreements evidencing or governing any other future indebtedness may contain, financial restrictions on us and our restricted subsidiaries, including restrictions on our or our restricted subsidiaries’ ability to, among other things:

- place liens on our or our restricted subsidiaries’ assets;
- make investments other than permitted investments;
- incur additional indebtedness;
- prepay or redeem certain indebtedness;
- merge, consolidate or dissolve;
- sell assets;
- engage in transactions with affiliates;
- change the nature of our business;
- change our or our subsidiaries’ fiscal year or organizational documents; and
- make restricted payments (including certain equity issuances).

In addition, we are required to maintain compliance with various financial ratios in the Senior Secured Credit Agreement. A failure by us or our subsidiaries to comply with the covenants or to maintain the required financial ratios contained in the Senior Secured Credit Agreement could result in an event of default under such indebtedness, which could adversely affect our ability to respond to changes in our business and manage our operations. Additionally, a default by us under the Senior Secured Credit Agreement or an agreement

governing any other future indebtedness may trigger cross-defaults under any other future agreements governing our indebtedness. Upon the occurrence of an event of default or cross-default under any of the present or future agreements governing our indebtedness, the lenders could elect to declare all amounts outstanding to be due and payable and exercise other remedies as set forth in the agreements. If any of our indebtedness is accelerated, there can be no assurance that our assets will be sufficient to repay this indebtedness in full, which could have a material adverse effect on our ability to continue to operate as a going concern.

Developments in alternative technologies may have a material adverse effect on demand for our offerings.

Significant developments in alternative technologies, such as advances in other forms of EBOS systems may have a material adverse effect on our business and prospects. Any failure by us to adopt new or enhanced technologies or processes, or to react to changes in existing technologies, could result in product obsolescence, the loss of competitiveness of our products, decreased revenue and a loss of market share to competitors.

If we fail to manage our recent and future growth effectively, we may be unable to execute our business plan, maintain high levels of customer service or adequately address competitive challenges.

We have experienced significant growth in recent periods. We intend to continue to expand our business significantly within existing and new markets. This growth has placed, and any future growth may place, a significant strain on our management, operational and financial infrastructure. In particular, we will be required to expand, train and manage our growing employee base and scale and otherwise improve our IT infrastructure in tandem with that headcount growth. Our management will also be required to maintain and expand our relationships with customers, suppliers and other third parties and attract new customers and suppliers, as well as manage multiple geographic locations.

Our current and planned operations, personnel, IT and other systems and procedures might be inadequate to support our future growth and may require us to make additional unanticipated investment in our infrastructure. Our success and ability to further scale our business will depend, in part, on our ability to manage these changes in a cost-effective and efficient manner. If we cannot manage our growth, we may be unable to take advantage of market opportunities, execute our business strategies or respond to competitive pressures. This could also result in declines in quality or customer satisfaction, increased costs, difficulties in introducing new offerings or other operational difficulties. Any failure to effectively manage growth could adversely impact our business and reputation.

Amounts included in our backlog and awarded orders may not result in actual revenue or translate into profits.

As of December 31, 2021, our backlog and awarded orders was \$299.0 million, which consisted of backlog of \$119.3 million, representing signed purchase orders or contractual minimum purchase commitments with take-or-pay provisions, and awarded orders of \$179.7 million, representing orders we are in the process of documenting a contract but for which a contract has not yet been signed. We cannot guarantee that our backlog or awarded orders will result in actual revenue in the originally anticipated period or at all. In addition, the contracts included in our backlog or awarded orders may not generate margins equal to our historical operating results. Our customers may experience project delays or cancel orders as a result of external market factors and economic or other factors beyond our control. If our backlog and awarded orders fail to result in revenue at all or in a timely manner, we could experience a reduction in revenue, profitability and liquidity.

Our business may be adversely affected by labor and union activities.

Although none of our employees are currently represented by a labor union and we consider relations with our employees to be good, the increased frequency of union activity coupled with the constricted labor market may contribute to efforts by our employees to belong to a union, which may result in higher employee costs, operational restrictions and increased risk of disruption to operations. We may also directly and indirectly depend upon other companies with unionized work forces, such as suppliers and trucking and freight companies, and work stoppages or strikes organized by such unions could have a material adverse impact on our business, prospects, financial condition, results of operations, and cash flows.

Risks Related to Our Organizational Structure

We are a holding company and our principal asset after completion of the reorganization is our interest in Shoals Parent and, accordingly, we are dependent upon Shoals Parent and its consolidated subsidiaries for our results of operations, cash flows and distributions.

We are a holding company and have no material assets other than our ownership of the LLC Interest. As such, we have no independent means of generating revenue or cash flow, and our ability to pay our taxes and operating expenses, including to satisfy our obligations under the Tax Receivable Agreement (as defined below), or declare and pay dividends in the future, if any, depend upon the results of operations and cash flows of Shoals Parent and its consolidated subsidiaries and distributions we receive from Shoals Parent. There can be no assurance that our subsidiaries will generate sufficient cash flow to distribute funds to us or that applicable state law and contractual restrictions will permit such distributions.

We are required to make payments under the Tax Receivable Agreement and the amounts of such payments will be significant.

Concurrent with the acquisition of Shoals Parent, the Company entered into a tax receivable agreement (the "Tax Receivable Agreement") with Oaktree and our Founder. The Tax Receivable Agreement requires that the Company pay Oaktree and our Founder 85% of the amount of any tax benefits that we actually realize, or in some circumstances are deemed to realize, as a result of (i) Shoals Technology Group, Inc.'s allocable share of existing tax basis acquired in connection with the Organizational Transactions (including Blocker's share of existing tax basis) and increases to such allocable share of existing basis, (ii) certain increases in the tax basis of assets of Shoals Parent and its subsidiaries resulting from purchases or exchanges of LLC Interest and (iii) certain other tax benefits related to our entering into the Tax Receivable Agreement, including tax benefits attributable to payments that we make under the Tax Receivable Agreement. These payments are obligations if and when cash tax savings are realized. The Tax Receivable Agreement will continue until all tax benefit payments have been made or we elect early termination under the terms described in the Tax Receivable Agreement (or the Tax Receivable Agreement is otherwise terminated pursuant to its terms).

Estimating the amount of payments that may be made under the Tax Receivable Agreement is by nature imprecise; however, these payments could be significant. Assuming no material changes in the relevant tax law, and that we earn sufficient taxable income to realize all tax benefits that are subject to the Tax Receivable Agreement, we estimate that future payments under the Tax Receivable Agreement are \$156.4 million as of December 31, 2021. Future payments in respect of subsequent exchanges or financing would be in addition to these amounts and are expected to be substantial. The actual amounts may materially differ from these hypothetical amounts, as potential future reductions in tax payments for us and tax receivable agreement payments by us will be determined in part by reference to the market value of our Class A common stock at the time of the sale and the prevailing tax rates applicable to us over the life of the Tax Receivable Agreement and will be dependent on us generating sufficient future taxable income to realize the benefit. In addition, the Tax Receivable Agreement generally provides that if (1) certain mergers, asset sales, other forms of business combination, or other changes of control were to occur, (2) we materially breach any of our material obligations under the Tax Receivable Agreement or (3) we elect an early termination of the Tax Receivable Agreement,

then the Tax Receivable Agreement will terminate and our obligations, or our successor's obligations, under the Tax Receivable Agreement will accelerate and become due and payable, based on certain assumptions, and payments under the Tax Receivable Agreement may significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreement.

Further, our payment obligations under the Tax Receivable Agreement are not conditioned upon the Continuing Equity Owners (as defined below) having a continued interest in us or our subsidiaries. Accordingly, the Continuing Equity Owners interests may conflict with those of the holders of our Class A common stock.

Finally, because we are a holding company with no operations of our own, our ability to make payments under the Tax Receivable Agreement is dependent on the ability of our subsidiaries to make distributions to us.

In certain circumstances, under its limited liability company agreement, Shoals Parent will be required to make tax distributions to the Company and the Continuing Equity Owners, and the distributions that Shoals Parent will be required to make may be substantial.

Funds used by Shoals Parent to satisfy its tax distribution obligations to the Continuing Equity Owners will not be available for reinvestment in our business. Moreover, the tax distributions that Shoals Parent will be required to make may be substantial and will likely exceed (as a percentage of Shoals Parent's net income) the overall effective tax rate applicable to a similarly situated corporate taxpayer.

As a result of potential differences in the amount of net taxable income allocable to us and to the Continuing Equity Owners, as well as the use of an assumed tax rate in calculating Shoals Parent's tax distribution obligations to the Continuing Equity Owners, we may receive distributions significantly in excess of our tax liabilities and obligations to make payments under the Tax Receivable Agreement. To the extent, as currently expected, we will not distribute such cash balances as dividends on shares of our Class A common stock and instead, for example, hold such cash balances or lend them to Shoals Parent, the Continuing Equity Owners would benefit from any value attributable to such accumulated cash balances as a result of their ownership of Class A common stock following an exchange of their LLC Interest for such Class A common stock.

We will not be reimbursed for any payments made to the beneficiaries under the Tax Receivable Agreement in the event that any purported tax benefits are subsequently disallowed by the IRS.

If the IRS or a state or local taxing authority challenges the tax basis adjustments and/or deductions that give rise to payments under the Tax Receivable Agreement and the tax basis adjustments and/or deductions are subsequently disallowed, the recipients of payments under the agreements will not reimburse us for any payments we previously made to them. Any such disallowance would be taken into account in determining future payments under the Tax Receivable Agreement and may, therefore, reduce the amount of any such future payments. Nevertheless, if the claimed tax benefits from the tax basis adjustments and/or deductions are disallowed, our payments under the Tax Receivable Agreement could exceed our actual tax savings, and we may not be able to recoup payments under the Tax Receivable Agreement that were calculated on the assumption that the disallowed tax savings were available.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.

We are subject to income taxes in the U.S. and various state jurisdictions, and tax liabilities are subject to the allocation of income in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;

- expected timing and amount of the release of any tax valuation allowances;
- tax effects of equity-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations, or interpretations thereof; or
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

Risks Related to Our Class A Common Stock

We cannot assure you that the price of our Class A common stock will not decline or not be subject to significant volatility.

The market price of our Class A common stock could be subject to significant fluctuations. The price of our stock may change in response to fluctuations in our results of operations in future periods and also may change in response to other factors, including factors specific to companies in our industry, many of which are beyond our control. As a result, our share price may experience significant volatility and may not necessarily reflect the value of our expected performance. Among other factors that could affect our stock price are:

- changes in laws or regulations applicable to our industry or offerings;
- speculation about our business in the press or the investment community;
- price and volume fluctuations in the overall stock market;
- volatility in the market price and trading volume of companies in our industry or companies that investors consider comparable;
- share price and volume fluctuations attributable to inconsistent trading levels of our shares;
- our ability to protect our intellectual property and other proprietary rights and to operate our business without infringing, misappropriating or otherwise violating the intellectual property and other proprietary rights of others;
- sales of our common stock by us or our significant stockholders, officers and directors;
- exchanges by the Continuing Equity Owners of their LLC Interest into shares of Class A Common Stock;
- the expiration of contractual lockup agreements;
- success of competitive products or services;
- the public's response to press releases or other public announcements by us or others, including our filings with the Securities and Exchange Commission (the "SEC"), announcements relating to litigation or significant changes to our key personnel;
- the effectiveness of our internal controls over financial reporting;
- changes in our capital structure, such as future issuances of debt or equity securities;
- our entry into new markets;
- tax developments in the U.S., Europe or other markets; and
- strategic actions by us or our competitors, such as acquisitions or restructurings; and changes in accounting principles.

Further, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. In addition, the stock prices of many renewable energy companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may cause the market price of our Class A common stock to decline.

We cannot predict the effect our dual class structure may have on the trading market for our Class A common stock.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. S&P, Dow Jones and FTSE Russell have each announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500. These changes exclude companies with multiple classes of shares of common stock or ordinary shares from being added to these indices. Furthermore, we cannot assure you that other stock indices will not take a similar approach to S&P, Dow Jones or FTSE Russell in the future. Exclusion from indices could make our Class A common stock less attractive to investors, and as a result, the market price of our Class A common stock could be adversely affected.

The Continuing Equity Owners have the right to have their LLC Interest exchanged for cash or shares of Class A common stock at the election of the Company and any disclosure of such exchange or the subsequent sale (or any disclosure of an intent to enter into such an exchange or subsequent sale) of such shares of Class A common stock may cause volatility in our stock price.

As of December 31, 2021, we had an aggregate of 54,794,479 shares of Class A common stock that are issuable upon exchange of LLC Interest that are held by the Continuing Equity Owners. Under the LLC Agreement, subject to certain restrictions set forth therein and as described elsewhere in this Annual report on Form 10-K, including the market standoff provisions of the LLC Agreement, the Continuing Equity Owners are entitled to have their LLC Interest exchanged for cash or shares of our Class A common stock at the election of the Company.

We cannot predict the timing, size, or disclosure of any future issuances of our Class A common stock resulting from the exchange of LLC Interest or the effect, if any, that future issuances, disclosure, if any, or sales of shares of our Class A common stock may have on the market price of our Class A common stock. Sales or distributions of substantial amounts of our Class A common stock, or the perception that such sales or distributions could occur, may cause the market price of our Class A common stock to decline.

As an emerging growth company within the meaning of the Securities Act, we may utilize certain modified disclosure requirements, and we cannot be certain if these reduced requirements will make our Class A common stock less attractive to investors.

We are an emerging growth company, and for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute compensation not

previously approved. We utilize the modified disclosure requirements available to emerging growth companies. As a result, our stockholders may not have access to certain information they may deem important.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to not “opt out” of this exemption from complying with new or revised accounting standards, and therefore, we are permitted to adopt new or revised accounting standards at the time private companies adopt the new or revised accounting standard and are permitted to do so until such time that we either (i) irrevocably elect to “opt out” of such extended transition period or (ii) no longer qualify as an emerging growth company.

We could remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which we had total annual gross revenue of at least \$1 billion (as indexed for inflation); (ii) the last day of the fiscal year following the fifth anniversary of our IPO; (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt; or (iv) the date on which we are deemed to be a “large accelerated filer,” as defined under the Exchange Act.

A credit ratings downgrade or other negative action by a credit rating organization could adversely affect the trading price of the shares of our Class A common stock.

Credit rating agencies continually revise their ratings for companies they follow. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. In addition, developments in our business and operations could lead to a ratings downgrade for us or our subsidiaries. Any such fluctuation in our or our subsidiaries’ ratings may impact our ability to access debt markets in the future or increase our cost of future debt, which could have a material adverse effect on our operations and financial condition, which in return may adversely affect the trading price of shares of our Class A common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management.

Our certificate of incorporation and bylaws contain provisions that could depress the trading price of our Class A common stock by discouraging, delaying or preventing a change of control of our Company or changes in our management that the stockholders of our Company may believe advantageous. These provisions include:

- authorizing “blank check” preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- providing for a classified board of directors with staggered three-year terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- not providing for cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- limiting the ability of stockholders to call a special stockholder meeting;
- prohibiting stockholders from acting by written consent;
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;

- the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of common stock of the Company entitled to vote thereon;
- providing that our board of directors is expressly authorized to amend, alter, rescind or repeal our bylaws; and
- requiring the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of Class A common stock to amend provisions of our certificate of incorporation relating to the management of our business, our board of directors, stockholder action by written consent, calling special meetings of stockholders, competition and corporate opportunities, Section 203 of the Delaware General Corporation Law (the “DGCL”), forum selection and the liability of our directors, or to amend, alter, rescind or repeal our bylaws.

In addition, we are not governed by the provisions of Section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder becomes an “interested” stockholder.

In addition, our certificate of incorporation provides that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act but that the forum selection provision will not apply to claims brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Our certificate of incorporation also provides that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternate forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our certificate of incorporation or our bylaws; any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or our bylaws; any action asserting a claim against us that is governed by the internal affairs doctrine; or any action asserting an “internal corporate claim” as defined in Section 115 of the DGCL. The choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court finds the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially and adversely affect our business, financial condition, and results of operations.

Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. In addition, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our certificate of incorporation provides that, unless we consent in writing to the selection of an alternate forum, the federal district court for the District of Delaware will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the federal securities laws. We

note that there is uncertainty as to whether a court would enforce the choice of forum provision with respect to claims under the federal securities laws, and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

We do not intend to pay any cash distributions or dividends on our Class A common stock in the foreseeable future.

We have never declared or paid any distributions or dividends on our Class A common stock. We currently intend to retain any future earnings and do not expect to pay any cash distributions or dividends in the foreseeable future. Any future determination to declare cash distributions or dividends will be made at the discretion of our board of directors, subject to applicable laws and provisions of our debt instruments and organizational documents, after taking into account our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. As a result, capital appreciation in the price of our Class A common stock, if any, may be your only source of gain on an investment in our Class A common stock.

General Risk Factors

If we fail to retain our key personnel or if we fail to attract additional qualified personnel, we may not be able to achieve our anticipated level of growth and our business could suffer.

Our future success and ability to implement our business strategy depends, in part, on our ability to attract and retain key personnel, and on the continued contributions of members of our senior management team and key technical personnel, each of whom would be difficult to replace. All of our employees, including our senior management, are free to terminate their employment relationships with us at any time. Competition for highly skilled individuals with technical expertise is extremely intense, and we face challenges in identifying, hiring and retaining qualified personnel in many areas of our business. Integrating new employees into our team could prove disruptive to our operations, require substantial resources and management attention and ultimately prove unsuccessful. An inability to retain our senior management and other key personnel or to attract additional qualified personnel could limit or delay our strategic efforts, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Unauthorized disclosure of personal or sensitive data or confidential information, whether through a breach of our computer system or otherwise, could severely hurt our business.

Some aspects of our business involves the collection, receipt, use, storage, processing and transmission of personal information (of our customers' and end users of our customers' solar energy systems, including names, addresses, e-mail addresses, credit information, energy production statistics), consumer preferences as well as confidential information and personal data about our employees, our suppliers and us, some of which is entrusted to third-party service providers and vendors. We increasingly rely on commercially available systems, software, tools (including encryption technology) and monitoring to provide security and oversight for processing, transmission, storage and protection of confidential information and personal data. Despite the security measures we have in place, our facilities and systems, and those of third parties with which we do business, may be vulnerable to security breaches, acts of vandalism and theft, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events, and there is no guarantee that inadvertent or unauthorized use or disclosure will not occur or that third parties will not gain unauthorized access to this type of confidential information and personal data.

Electronic security attacks designed to gain access to personal, sensitive or confidential information data by breaching mission critical systems of large organizations are constantly evolving, and high-profile

electronic security breaches leading to unauthorized disclosure of confidential information or personal data have occurred recently at a number of major U.S. companies.

Attempts by computer hackers or other unauthorized third parties to penetrate or otherwise gain access to our computer systems or the systems of third parties with which we do business through fraud or other means of deceit, if successful, may result in the misappropriation of personal information, data, check information or confidential business information. Hardware, software or applications we utilize may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. In addition, our employees, contractors or third parties with which we do business or to which we outsource business operations may attempt to circumvent our security measures in order to misappropriate such information and data and may purposefully or inadvertently cause a breach or other compromise involving such information and data. Despite advances in security hardware, software, and encryption technologies, the methods and tools used to obtain unauthorized access, disable or degrade service, or sabotage systems are constantly changing and evolving, and may be difficult to anticipate or detect for long periods of time. We are implementing and updating our processes and procedures to protect against unauthorized access to, or use of, secured data and to prevent data loss. However, the ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate and adapt our respective systems, procedures, controls and processes, and there is no guarantee that they will be adequate to safeguard against all data security breaches, misappropriating of confidential information, or misuses of personal data. Moreover, because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we and our suppliers or vendors may be unable to anticipate these techniques or to implement adequate preventative or mitigation measures.

Despite our precautions, an electronic security breach in our systems (or in the systems of third parties with which we do business) that results in the unauthorized release of personally identifiable information regarding customers, employees or other individuals or other sensitive data could nonetheless occur lead to serious disruption of our operations, financial losses from remedial actions, loss of business or potential liability, including possible punitive damages. As a result, we could be subject to demands, claims, and litigation by private parties and investigations, related actions, and penalties by regulatory authorities. In addition, we could incur significant costs in notifying affected persons and entities and otherwise complying with the multitude of foreign, federal, state and local laws and regulations relating to the unauthorized access to, or use or disclosure of, personal information. Finally, any perceived or actual unauthorized access to, or use or disclosure of, such information could harm our reputation, substantially impair our ability to attract and retain customers and have an adverse impact on our business, financial condition and results of operations.

In addition, as the regulatory environment relating to retailers and other companies' obligation to protect such sensitive data becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could result in additional costs, and a material failure on our part to comply could subject us to fines or other regulatory sanctions and potentially to lawsuits. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to comply with current or future federal, state and foreign laws and regulations and industry standards relating to privacy, data protection, advertising and consumer protection could adversely affect our business, financial condition, results of operations and prospects.

We rely on a variety of marketing and advertising techniques and we are subject to various laws, regulations and industry standards that govern such marketing and advertising practices. A variety of federal, state and foreign laws and regulations and certain industry standards govern the collection, use, processing retention, sharing and security of consumer data.

Laws, regulations and industry standards relating to privacy, data protection, marketing and advertising, and consumer protection are evolving and subject to potentially differing interpretations. These requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. As a result, our practices may not have complied or may not comply in the future with all such laws, regulations, standards, requirements and obligations. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any federal or state privacy or consumer protection-related laws, regulations, industry self-regulatory principles, industry standards or codes of conduct, regulatory guidance, orders to which we may be subject or other legal obligations relating to privacy or consumer protection could adversely affect our reputation, brand and business, and may result in claims, fines, penalties, investigations, proceedings or actions against us by governmental entities, customers, suppliers or others or other liabilities or may require us to change our operations and/or cease using certain data.

Any such claims, proceedings, investigations or actions could hurt our reputation, brand and business, force us to incur significant expenses in defense of such claims, proceedings, investigations or actions, distract our management, increase our costs of doing business, result in a loss of customers, suppliers or vendors and result in the imposition of monetary penalties. We may also be contractually required to indemnify and hold harmless third parties from the costs and consequences of noncompliance with any laws, regulations or other legal obligations relating to privacy or consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business.

Federal, state and foreign governmental authorities continue to evaluate the privacy implications inherent in the use of third-party “cookies” and other methods of online tracking for behavioral advertising and other purposes. The U.S. government has enacted, has considered or is considering legislation or regulations that could significantly restrict the ability of companies and individuals to engage in these activities, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools or the use of data gathered with such tools. Additionally, some providers of consumer devices and web browsers have implemented, or announced plans to implement, means to make it easier for Internet users to prevent the placement of cookies or to block other tracking technologies, which could, if widely adopted, result in the use of third-party cookies and other methods of online tracking becoming significantly more restricted and less effective. The regulation of the use of these cookies and other current online tracking and advertising practices or a loss in our ability to make effective use of services that employ such technologies could increase our costs of operations and limit our ability to acquire new customers on cost-effective terms and, consequently, materially and adversely affect our business, financial condition, and results of operations.

In addition, various federal, state and foreign legislative and regulatory bodies, or self-regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection, consumer protection, and advertising. For example, in June 2018, the State of California enacted the California Consumer Privacy Act of 2018 (the “CCPA”), which came into effect on January 1, 2020. The CCPA requires companies that process information relating to California residents to implement additional data security measures, to make new disclosures to consumers about their data collection, use and sharing practices, and allows consumers to opt out of certain data sharing with third parties. In addition, the CCPA provides for civil penalties and allows private lawsuits from California residents in the event of certain data breaches. Additionally, the Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data. Each of these privacy, security, and data protection laws and regulations, and any other such changes or new laws or regulations, could impose significant limitations, require changes to our business, or restrict our use or storage of personal information, which may increase our

compliance expenses and make our business more costly or less efficient to conduct. In addition, any such changes could compromise our ability to develop an adequate marketing strategy and pursue our growth strategy effectively.

Any failure to comply with applicable laws or other obligations or any security incident or breach involving the misappropriation, loss or other unauthorized processing, use or disclosure of sensitive or confidential consumer or other personal information, whether by us, one of our third-party service providers or vendors or another third party, could have adverse effects, including, but not limited to, investigation costs; material fines and penalties; compensatory, special, punitive and statutory damages; litigation; consent orders regarding our privacy and security practices; requirements that we provide notices, credit monitoring services and/or credit restoration services or other relevant services to impacted individuals; reputational damage; and injunctive relief. We cannot assure you that our vendors or other third-party service providers with access to our or our customers' or employees' personally identifiable and other sensitive or confidential information in relation to which we are responsible will not breach contractual obligations imposed by us, or that they will not experience data security breaches, which could have a corresponding effect on our business, including putting us in breach of our obligations under privacy laws and regulations and/or which could in turn adversely affect our business, results of operations and financial condition. We also cannot assure you that our contractual measures and our own privacy and security-related safeguards will protect us from the risks associated with the third-party processing, use, storage and transmission of such information. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to raise additional capital to execute our current or future business strategies on favorable terms, if at all, or without dilution to our stockholders.

We expect that we may need to raise additional capital to execute our current or future business strategies. However, we do not know what forms of financing, if any, will be available to us. Some financing activities in which we may engage could cause your equity interest in the Company to be diluted, which could cause the value of your stock to decrease. If financing is not available on acceptable terms, if and when needed, our ability to fund our operations, expand our research and development and sales and marketing functions, develop and enhance our products, respond to unanticipated events, including unanticipated opportunities, or otherwise respond to competitive pressures would be significantly limited. In any such event, our business, financial condition and results of operations could be materially harmed, and we may be unable to continue our operations.

We could be adversely affected by any violations of the FCPA, the U.K. Bribery Act and other foreign anti-bribery laws.

The FCPA generally prohibits companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. Other countries in which we operate also have anti-bribery laws, some of which prohibit improper payments to government and nongovernment persons and entities. Our policies mandate compliance with these anti-bribery laws. However, we currently operate in and intend to further expand into, many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. In addition, due to the level of regulation in our industry, our entry into certain jurisdictions requires substantial government contact where norms can differ from U.S. standards. It is possible that our employees, subcontractors, agents and partners may take actions in violation of our policies and anti-bribery laws. Any such violation, even if prohibited by our policies, could subject us to criminal or civil penalties or other sanctions, which could have a material adverse effect on our business, financial condition, cash flows and reputation.

Future sales of our Class A common stock, or the perception that such sales may occur, could depress our Class A common stock price.

Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that such sales may occur, could depress the market price of our Class A common stock. Our certificate of incorporation authorizes us to issue up to 1,000,000,000 of our authorized shares of Class A common stock, of which 112,049,981 shares are outstanding and 54,794,479 are available upon the exchange of outstanding LLC Interests as of December 31, 2021. Shares of our Class A common stock held by our affiliates will continue to be subject to the volume and other restrictions of Rule 144 under the Securities Act.

If we fail to implement and maintain effective internal controls over financial reporting, we may be unable to accurately or timely report our financial condition or results of operations, which may adversely affect our business.

We are required to maintain internal controls over financial reporting and to evaluate and report any material weakness in such internal controls. The identification of a material weakness in our internal controls or the failure to remediate existing material weaknesses in our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of Nasdaq rules. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. This could have a material adverse effect on our business, financial condition and results of operations and could also lead to a decline in the price of our Class A common stock.

As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of Sarbanes-Oxley, which require our management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. To comply with the requirements of being a public company, we will need to implement additional internal controls, reporting systems and procedures and hire additional accounting, finance and legal staff. For as long as we are an emerging growth company under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. We could be an "emerging growth company" for up to five years. An independent assessment of the effectiveness of our internal control over financial reporting could detect problems that our management's assessment might not. Undetected material weaknesses in our internal control over financial reporting could lead to financial statement restatements and require us to incur the expense of remediation.

If we fail to establish and maintain an effective system of integrated internal controls, we may not be able to report our financial results accurately, which could have a material adverse effect on our business, financial condition and results of operations.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be evaluated frequently. Section 404 of the Sarbanes-Oxley Act requires public companies to conduct an annual review and evaluation of their internal controls and requires attestations of the effectiveness of internal controls by independent auditors. We became subject to the requirement for annual review and evaluation of our internal controls in fiscal year 2021. We qualify as an emerging growth company, and thus, we are exempt from the auditors' attestation requirement until such time as we no longer qualify as an emerging growth company.

Evaluation by us of our internal controls over financial reporting may identify material weaknesses that may cause us to be unable to report our financial information on a timely basis and thereby subject us to

adverse regulatory consequences, including sanctions by the SEC or violations of Nasdaq rules. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements also could suffer if we or our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. This could have a material adverse effect on our business, financial condition and results of operations and could also lead to a decline in the price of our Class A common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The table below describes the material facilities owned or leased by Shoals Technologies Group, Inc. as of December 31, 2021:

Location	Status	Square Feet	Uses
1400 Shoals Way, Portland, TN	Owned	103,200	Office, manufacturing, warehousing and shipping
1035 Fred White Blvd., Portland, TN	Owned	75,360	Office, manufacturing, warehousing and shipping
5599 Highway 31, Portland, TN	Leased	60,000	Warehousing and shipping
109 Kirby Drive, Portland, TN	Leased	219,767	Warehousing and shipping
215 Industrial Drive, Muscle Shoals, AL	Owned	16,910	Office, manufacturing, warehousing and shipping
13370 Kirkham Way, Poway, CA	Leased	21,761	Office, manufacturing, warehousing and shipping
13651 Danielson Street, Poway, CA	Leased	15,411	Warehousing

We believe that our existing properties are in good condition and are sufficient and suitable for the conduct of our business for the foreseeable future. To the extent our needs change as our business grows, we expect that additional space and facilities will be available.

Item 3. Legal Proceedings

From time to time, we may be involved in litigation relating to claims that arise out of our operations and businesses and that cover a wide range of matters, including, among others, intellectual property matters, contract and employment claims, personal injury claims, product liability claims and warranty claims. Currently, there are no claims or proceedings against us that we believe will have a material adverse effect on our business, financial condition, results of operations or cash flows. However, the results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, we may incur significant costs and experience a diversion of management resources as a result of litigation.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

On January 29, 2021, we closed an initial public offering of our Class A common stock at price of \$25.00 per share. Prior to that time, there was no public market for our stock. Our Class A common stock is traded on the NASDAQ Global Market under the symbol "SHLS." Our Class B common stock is not listed nor traded on any stock exchange.

Holders of Record

As of February 28, 2022, there were 7 registered account holders of our Class A common stock. The number of record holders does not include persons who held shares of our Class A common stock in nominee or "street name" accounts through brokers. As of February 28, 2022, there were 4 registered account holders of our Class B common stock.

Dividend Policy

We currently intend to retain all available funds and any future earnings for use in the operation of our business, and therefore we do not currently expect to pay any cash dividends. Any future determination to declare cash distributions or dividends will be made at the discretion of our board of directors, subject to applicable laws and provisions of our debt instruments and organizational documents, after taking into account our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Securities Authorized for Issuance Under Our Equity Compensation Plans

Information regarding securities authorized for issuance under our equity compensation plans is incorporated herein by reference to Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of Part III of this Annual Report on Form 10-K.

Recent Sales of Unregistered Equity Securities

None.

Use of Proceeds from Registered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our financial statements and the related notes and other financial information included in this Annual Report on Form 10-K. In addition to historical financial information, the following discussion and analysis contain forward-looking statements that involve risks, uncertainties and assumptions. For this purpose, any statements contained in this Form 10-K that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under the sections of this Form 10-K captioned "Forward-Looking Statements" and "Risk Factors."

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain the presentation of Adjusted EBITDA and Adjusted Net Income, which are not presented in accordance with GAAP. Adjusted EBITDA and Adjusted Net Income are being presented because they provide the Company and readers of this Form 10-K with additional insight into our operational performance relative to earlier periods and relative to our competitors. We do not intend Adjusted EBITDA and Adjusted Net Income to be substitutes for any GAAP financial information. Readers of this Form 10-K should use Adjusted EBITDA and Adjusted Net Income only in conjunction with Net Income, the most comparable GAAP financial measure. Reconciliations of Adjusted EBITDA and Adjusted Net Income to Net Income, the most comparable GAAP measure to each, are provided in "—Non-GAAP Financial Measures."

Overview

We are a leading provider of electrical balance of system or "EBOS" solutions for solar energy projects in the United States. EBOS encompasses all of the components that are necessary to carry the electric current produced by solar panels to an inverter and ultimately to the power grid. EBOS components are mission-critical products that have a high consequence of failure, including lost revenue, equipment damage, fire damage, and even serious injury or death. As a result, we believe customers prioritize reliability and safety over price when selecting EBOS solutions.

EBOS components that we produce include cable assemblies, inline fuses, combiners, disconnects, recombiners, wireless monitoring systems, junction boxes, transition enclosures and splice boxes. We derive the majority of our revenue from selling "system solutions" which are complete EBOS systems that include several of our products, many of which are customized for the customer's project. We believe our system solutions are unique in our industry because they integrate design and engineering support, proprietary components and innovative installation methods into a single offering that would otherwise be challenging for a customer to obtain from a single provider or at all.

We sell our products principally to engineering, procurement and construction firms ("EPCs") that build solar energy projects. However, given the mission-critical nature of EBOS, the decision to use our products typically involves input from both the EPC and the owner of the solar energy project. The custom nature of our system solutions and the long development cycle for solar energy projects typically gives us 12 months or more of lead time to quote, engineer, produce and ship each order we receive, and we do not stock large amounts of finished goods.

We derived approximately 73% of our revenue from the sale of system solutions for the year ended December 31, 2021. For the same period, we derived substantially all of our revenue from customers in the U.S. We had \$299.0 million of backlog and awarded orders, backlog of \$119.3 million represents signed purchase orders or contractual minimum purchase commitments with take-or-pay provisions and awarded orders of \$179.7 million are orders we are in the process of documenting a contract but for which a contract has not yet been signed, as of December 31, 2021, representing a 94% and 10% increase relative to the same date last year and September 30, 2021, respectively.

We have maintained focus on our growth strategy throughout the fourth quarter, including developments in converting customers to our combine-as-you-go system and developing products for the rapidly growing electric vehicle charging infrastructure market. We believe that eight of the top 10 solar EPCs as reported by Solar Power World Magazine use our combine-as-you-go system on a majority of their projects and we are currently in the process of transitioning an additional 11 EPCs and developers to our system. Additionally, we are currently launching four new product families for the EV charging market. The first is the power center which combines equipment needed to protect the charging equipment and transform voltage

levels from the electric utility to those needed on the respective site. The power center provides an efficient, cost effective and aesthetically focused option versus traditional methods. The second offering focuses on quick connect solutions for chargers made by any manufacturer and any power level to connect to the Shoals system. The quick connect bases dramatically reduce the time required on site for a deployment and reduce the amount of labor required in the field. The third offering uses our Big Lead Assembly (“BLA”) technology in the EV space to connect multiple chargers to a single power center. This solution eliminates the need for homeruns from each dispenser and is above ground rated which allows wire to be run above ground rather than in underground conduit. The fourth offering is a raceway system that protects the above ground EV BLAs in walk over and drive over applications. The raceway system coupled with the EV BLA deploys much more rapidly and cost effectively than traditional methods of deployment. We introduced these first four offerings in the fourth quarter of 2021 and received our first orders for deployments. Testing and certification of the offerings and overall solution are underway and progressing.

Initial Public Offering

On January 29, 2021, we closed an IPO of 11,550,000 shares of Class A common stock at a public offering price of \$25.00 per share, including shares issued pursuant to the underwriters' over-allotment option. We received \$278.8 million in proceeds, net of underwriting discounts and commissions of \$9.9 million, which was used to purchase 6,315,790 newly-issued membership interests (the “LLC Interests”) from Shoals Parent and 5,234,210 LLC Interests from the Founder and Class B unit holder in Shoals Parent at a price per interest equal to the IPO price of \$25.00 per share.

Organizational Transactions

See Note 1 to the consolidated financial statements, included in this Annual Report on Form 10-K for more information about the above-mentioned transactions as well as the other transactions completed in connection with the IPO.

As the Organization Transactions were considered transactions between entities under common control, the consolidated financial statements for the periods prior to the IPO and Organizational Transactions have been adjusted to combine the previously separate entities for presentation purposes.

Follow On Offering

On July 16, 2021, the Company completed a follow-on offering consisting of 4,989,692 shares of Class A common stock offered by the selling shareholders and 10,402,086 shares of Class A common stock offered by the Company. Following the closing of the follow-on offering, Oaktree Power Opportunities Fund IV (Delaware) Holdings, L.P. no longer beneficially owned any shares of our common stock. The Company used the proceeds of the sale of Class A common stock to purchase an equal number of LLC Interests and Class B common stock from our Founder and management.

Acquisition of ConnectPV

On August 26, 2021, we acquired 100% of the stock of ConnectPV, for \$13.8 million in cash (net of \$0.8 million cash acquired) and 209,437 shares of Class A Common stock valued at \$6.5 million. The acquisition was accounted for as a business combination and following the acquisition we immediately converted ConnectPV to a limited liability company and contributed the entity to Shoals Parent, LLC through a series of transactions.

Exchange of LLC Interests in Shoals Parent

On December 7, 2021, the Company issued 7,870,042 shares of Class A common stock to our founder, executive management and certain employees in exchange for 7,870,042 LLC Interests in Shoals Parent and an equal number of Class B common stock of the Company.

Shoals Technologies Group, Inc Ownership in Shoals Parent

As of December 31, 2021, the Company owned 67.16% of Shoals Parent. The Continuing Equity Owners owned the remaining 32.84% of Shoals Parent.

Impact of COVID-19

The global health crisis caused by the novel coronavirus COVID-19 pandemic and its resurgences has and may continue to negatively impact global economic activity, which, despite progress in vaccination efforts, remains uncertain and cannot be predicted with confidence. In addition, variants of COVID-19, including Delta and Omicron, continue to emerge, the impact of which cannot be predicted at this time, and could depend on numerous factors, including vaccination rates among the population, the effectiveness of the COVID-19 vaccines against COVID-19 variants along with the response by governmental bodies and regulators. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the COVID-19 pandemic on our business.

In 2021, COVID-19 impacted our business in the following ways:

- Our ability to obtain raw material and required components from domestic and international suppliers required to manufacture our products;
- Our ability to efficiently operate our facilities and meet customer obligations due to modified employee work patterns resulting from social distancing guidelines, absence due to illness and cautionary quarantines and/or government ordered closures, or due to labor shortages;
- Our ability to secure inbound and outbound logistics to and from our facilities, with additional delays linked to international border crossings and the associated approvals and documentation and;
- Limitations on the ability of our customers to conduct their business, and resulting impacts to our customers' purchasing patterns, from social distancing guidelines, absence due to illness or government ordered closures.

Many countries around the world have continued to impose quarantines and restrictions on travel and mass gatherings to slow the spread of the virus. Accordingly, our ability to continue to operate our business may also be limited. Such events may result in a period of business, supply and manufacturing disruptions, and in reduced operations, any of which could materially affect our business, financial condition and results of operations.

A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock.

We continue to monitor the impacts of COVID-19 on the global economy and on our business operations. Although we expect the vaccinations for COVID-19 will continue to improve conditions, the ultimate impact from COVID-19 on our business operations and financial results will depend on, among other things, the ultimate severity and scope of the pandemic, including the new variants of the virus, the pace at which governmental and private travel restrictions and public concerns about public gatherings will ease, the rate at

which historically large increases in unemployment rates will decrease, if at all, and whether, and the speed with which, the economy recovers. We are not able to fully quantify the impact that these factors will have on our business, but developments related to COVID-19 may materially affect financial condition and results of operations in future periods.

Key Components of Our Results of Operations

The following discussion describes certain line items in our consolidated statements of operations.

Revenue

We generate revenue from the sale of EBOS systems and components for homerun and combine-as-you-go architectures. Our customers include EPCs, utilities, solar developers, independent power producers and solar module manufacturers. We derive the majority of our revenue from selling system solutions. When we sell a system solution, we enter into a contract with our customers covering the price, specifications, delivery dates and warranty for the products being purchased, among other things. Our contractual delivery period for system solutions can vary from one to three months whereas manufacturing typically requires a shorter time frame. Contracts for system solutions can range in value from several hundred thousand to several million dollars.

Our revenue is affected by changes in the price, volume and mix of products purchased by our customers. The price and volume of our products is driven by the demand for our products, changes in product mix between homerun and combine-as-you-go EBOS, geographic mix of our customers, strength of competitors' product offerings, and availability of government incentives to the end-users of our products.

Our revenue growth is dependent on continued growth in the amount of solar energy projects constructed each year and our ability to increase our share of demand in the geographies where we currently compete and plan to compete in the future as well as our ability to continue to develop and commercialize new and innovative products that address the changing technology and performance requirements of our customers.

Cost of Revenue and Gross Profit

Cost of revenue consists primarily of product costs, including purchased materials and components, as well as costs related to shipping, customer support, product warranty, personnel and depreciation of manufacturing and testing equipment. Personnel costs in cost of revenue include both direct labor costs as well as costs attributable to any individuals whose activities relate to the transformation of raw materials or component parts into finished goods or the transportation of materials to the customer. Our product costs are affected by the underlying cost of raw materials, including copper and aluminum; component costs, including fuses, resin, enclosures, and cable; technological innovation; economies of scale resulting in lower component costs; and improvements in production processes and automation. We do not currently hedge against changes in the price of raw materials. Some of these costs, primarily indirect personnel and depreciation of manufacturing and testing equipment, are not directly affected by sales volume. Gross profit may vary from year to year and is primarily affected by our sales volume, product prices, product costs, product mix, customer mix, geographical mix, shipping method, warranty costs and seasonality.

Operating Expenses

Operating expenses consist of general and administrative costs as well as depreciation and amortization expense. Personnel-related costs are the most significant component of our operating expenses and include salaries, equity-based compensation, benefits, payroll taxes and commissions. The number of full-time employees in our general and administrative departments increased from 52 to 99 from December 31,

2020 to December 31, 2021, and we expect to hire new employees in the future to support our growth. The timing of these additional hires could materially affect our operating expenses in any particular period, both in absolute dollars and as a percentage of revenue. We expect to invest in additional resources to support our growth which will increase our operating expenses.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries, equity-based compensation expense, employee benefits and payroll taxes related to our executives, and our sales, finance, human resources, information technology, engineering and legal organizations, travel expenses, facilities costs, marketing expenses, bad debt expense and fees for professional services. Professional services consist of audit, legal, tax, insurance, information technology and other costs. We expect to increase our sales and marketing personnel as we expand into new geographic markets. Substantially all of our sales in 2021 were in the U.S. We currently have a sales presence in the U.S., Australia and Spain. We intend to expand our sales presence and marketing efforts to additional countries in the future. We also expect that as a result of our recent IPO, we will incur additional audit, tax, accounting, legal and other costs related to compliance with applicable securities and other regulations, as well as additional insurance, investor relations and other costs associated with being a public company.

Depreciation

Depreciation in our operating expenses consists of costs associated with property, plant and equipment ("PP&E") not used in manufacturing our products. We expect that as we increase both our revenue and the number of our general and administrative personnel, we will invest in additional PP&E to support our growth resulting in additional depreciation expense.

Amortization

Amortization of intangibles consists of customer relationships, developed technology, trade names, backlog and non-compete agreements over their expected period of use.

Non-operating Expenses

Interest Expense

Interest expense consists of interest and other charges paid in connection with our current Senior Secured Credit Agreement and our former Senior Debt which included a revolving line of credit and term loan, which was fully repaid on October 8, 2020.

Payable Pursuant to the Tax Receivable Agreement Adjustment

Tax receivable agreement adjustment consists of changes to our effective tax rate since the initial recording of the liability related to our tax receivable agreement with our Founder and former Class A Shoals Equity Owners of Shoals Parent.

Loss on Debt Repayment

Loss on debt repayment consists of prepayment premiums and the write-off of a portion of the deferred financing costs from the prepayment of outstanding borrowings under the Term Loan Facility.

Income Tax Expense

Shoals Technologies Group, Inc. is subject to U.S. federal and state income tax in multiple jurisdictions with respect to our allocable share of any net taxable income of Shoals Parent. Shoals Parent is a pass-through entity for federal income tax purposes but incurs income tax in certain state jurisdictions.

Results of Operations

The following table summarizes our results of operations (dollars in thousands):

	Year Ended December 31,			2021 vs 2020		2020 vs 2019	
	2021	2020	2019	\$ variance	% variance	\$ variance	% variance
Revenue	\$ 213,212	\$ 175,518	\$ 144,496	\$ 37,694	21 %	\$ 31,022	21 %
Cost of revenue	130,567	108,972	100,284	21,595	20 %	8,688	9 %
Gross profit	82,645	66,546	44,212	16,099	24 %	22,334	51 %
Operating Expenses							
General and administrative expenses	37,893	21,008	9,065	16,885	80 %	11,943	132 %
Depreciation and amortization	8,520	8,262	8,217	258	3 %	45	1 %
Total Operating Expenses	46,413	29,270	17,282	17,143	59 %	11,988	69 %
Income from Operations	36,232	37,276	26,930	(1,044)	(3)%	10,346	38 %
Interest expense, net	(14,549)	(3,510)	(1,787)	(11,039)	315 %	(1,723)	96 %
Payable pursuant to the tax receivable agreement adjustment	(1,663)	—	—	(1,663)	100 %	—	— %
Loss on debt repayment	(15,990)	—	—	(15,990)	100 %	—	— %
Income before income taxes	4,030	33,766	25,143	(29,736)	(88)%	8,623	34 %
Income tax expense	(86)	—	—	(86)	100 %	—	— %
Net income	3,944	33,766	25,143	(29,822)	(88)%	8,623	34 %
Less: net income attributable to non-controlling interests	1,596	—	—	1,596	100 %	—	— %
Net income attributable to Shoals Technologies Group, Inc.	<u>\$ 2,348</u>	<u>\$ 33,766</u>	<u>\$ 25,143</u>	<u>\$ (31,418)</u>	(93)%	<u>\$ 8,623</u>	34 %

Years Ended December 31, 2021 and 2020

Revenue

Revenue increased by \$37.7 million, or 21%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020, driven by higher sales volumes as a result of increased demand for solar EBOS generally and our combine-as-you-go system solutions specifically. Our total number of customers increased by 30 in 2021 as compared to 2020. We believe customer recognition of the benefits of our combine-as-you-go system is resulting in increased demand for our products.

Cost of Revenue and Gross Profit

Cost of revenue increased by \$21.6 million, or 20%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily driven by an increase in production volumes. Gross profit as a percentage of revenue increased to 38.8% in 2021 from 37.9% in 2020 in part due to purchasing

efficiencies from increased volumes and changes in product mix. Changes in product mix also contributed to the increase in margins as sales of system solutions for combine-as-you-go EBOS, which have higher margins than our other products, increased as a percentage of our total revenue.

Operating Expenses

General and Administrative

General and administrative expenses increased \$16.9 million, or 80%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The increase in general and administrative expenses was primarily the result of an increase in wages and related taxes of \$3.6 million due to increased head counts to support our growth and public company costs, an increase in professional fees of \$3.3 million related to being a public company, an increase of \$2.8 million related to insurance and more specifically our directors and officers policy following our IPO, an increase of \$2.3 million of acquisition related expenses for the ConnectPV acquisition, an increase of \$2.1 million related to stock-based compensation and an increase of \$0.6 million related to sales and marketing.

Depreciation and Amortization

Depreciation and amortization expense increased by \$0.3 million, or 3%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020, due to the addition of intangibles acquired in the ConnectPV acquisition.

Interest Expense

Interest expense, net increased by \$11.0 million or 315%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020, due to increased borrowings under our Senior Secured Credit Agreement that we entered into on November 25, 2020. We expect interest expense to increase in 2022 as a result of our higher average borrowings under the Senior Secured Credit Agreement (see description under “Debt Obligations”).

Payable Pursuant to the Tax Receivable Agreement Adjustment

Payable pursuant to the tax receivable agreement adjustment totaled \$1.7 million for the year ended December 31, 2021. The adjustment resulted from an estimated increase in the Company’s blended state income tax rate.

Loss on Debt Repayment

Loss on debt repayment for the year ended December 31, 2021 consists of \$11.3 million of prepayment premium and \$4.7 million in write-off of a portion of the deferred financing costs related to a prepayment of \$150.0 million of outstanding borrowings under the Term Loan Facility.

Income Tax Expense

Income tax expense totaled \$0.1 million for the year ended December 31, 2021. The Company did not incur income tax expense prior to the Organizational Transactions, or during the year ended December 31, 2020. Our effective income tax rate was 2.1% for the year ended December 31, 2021.

Years Ended December 31, 2020 and 2019

Revenue

Revenue increased by \$31.0 million, or 21%, for the year ended December 31, 2020 as compared to the year ended December 31, 2019, driven by higher sales volumes as a result of increased demand for solar

EBOS generally and our combine-as-you-go system solutions specifically. Our total number of customers increased by 43 in 2020 as compared to 2019. We believe customer recognition of the benefits of our combine-as-you-go system is resulting in increased demand for our products.

Cost of Revenue and Gross Profit

Cost of revenue increased by \$8.7 million, or 9%, for the year ended December 31, 2020 as compared to the year ended December 31, 2019, primarily driven by an increase in production volumes. Gross profit as a percentage of revenue increased from 30.6% in 2019 to 37.9% in 2020 in part due to purchasing efficiencies from increased volumes, improved material planning which reduced logistics costs, enhancements to product design that lowered manufacturing costs and other manufacturing efficiencies resulting from higher production volumes. Changes in product mix also contributed to the increase in margins as sales of system solutions for combine-as-you-go EBOS, which have higher margins than our other products, increased as a percentage of our total revenue. Our gross profit was negatively impacted in the year ended December 31, 2020 as a result of certain COVID-19 related costs totaling \$2.6 million.

Operating Expenses

General and Administrative

General and administrative expenses increased \$11.9 million, or 132%, for the year ended December 31, 2020 as compared to the year ended December 31, 2019. The increase in general and administrative expenses was primarily the result of \$8.3 million in equity-based compensation related to Class C units issued, an increase in professional fees of \$1.5 million related to preparation for our IPO, wages and related taxes of \$1.8 million related to increased head counts and year-end bonuses, insurance expense of \$0.2 million, franchise and other related taxes of \$0.2 million and certain COVID-19 related costs of \$0.3 million, offset by a decrease in travel and trade shows of \$0.7 million as a result of COVID-19.

Depreciation and Amortization

Depreciation and amortization expense increased by \$0.1 million, or 1%, for the year ended December 31, 2020 as compared to the year ended December 31, 2019, due to the addition of machines and equipment to increase production.

Interest Expense

Interest expense, net increased by \$1.7 million or 96%, for the year ended December 31, 2020 as compared to the year ended December 31, 2019, due to increased borrowings under our Senior Secured Credit Agreement that we entered into on November 25, 2020. We expect interest expense to increase in 2022 as a result of our higher average borrowings under the Senior Secured Credit Facility (see description under "Debt Obligations"). The \$150 million prepayment we made on the Term Loan Facility in January 2021 resulted in us recording a \$16.0 million loss on debt repayment in the first quarter of 2021 as a result of the write-off of financing costs and the prepayment premium.

Non-GAAP Financial Measures

Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted Earnings per Share ("EPS")

We define Adjusted EBITDA as net income (loss) plus (i) interest expense, net, (ii) income tax expense, (iii) depreciation expense, (iv) amortization of intangibles, (v) payable pursuant to the tax receivable agreement adjustment, (vi) loss on debt repayment, (vii) equity-based compensation, (viii) acquisition-related expenses, (ix) COVID-19 expenses and (x) non-recurring and other expenses. We define Adjusted Net Income as net income (loss) plus (i) amortization of intangibles, (ii) payable pursuant to the tax receivable agreement

adjustment, (iii) loss on debt repayment, (iv) amortization of deferred financing costs, (v) equity-based compensation, (vi) acquisition-related expenses, (vii) COVID-19 expenses and (viii) non-recurring and other expenses, all net of applicable income taxes. We define Adjusted Diluted EPS as Adjusted Net Income divided by the diluted weighted average shares of Class A common shares outstanding for the applicable period, which assumes the pro forma exchange of all outstanding Class B common shares for Class A common shares.

Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS are intended as supplemental measures of performance that are neither required by, nor presented in accordance with, GAAP. We present Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS because we believe they assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS: (i) as factors in evaluating management's performance when determining incentive compensation; (ii) to evaluate the effectiveness of our business strategies; and (iii) because our credit agreement uses measures similar to Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS to measure our compliance with certain covenants.

Among other limitations, Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments; do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; in the case of Adjusted EBITDA, does not reflect income tax expense or benefit for periods prior to the reorganization; and may be calculated by other companies in our industry differently than we do or not at all, which may limit their usefulness as comparative measures.

Because of these limitations, Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS should not be considered in isolation or as substitutes for performance measures calculated in accordance with GAAP. You should review the reconciliation of net income to Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS below and not rely on any single financial measure to evaluate our business.

Reconciliation of Net Income to Adjusted EBITDA (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Net income	\$ 3,944	\$ 33,766	\$ 25,143
Interest expense, net	14,549	3,510	1,787
Income tax expense	86	—	—
Depreciation expense	1,701	1,420	1,179
Amortization of intangibles	8,352	7,985	7,984
Payable pursuant to the TRA adjustment ^(a)	1,663	—	—
Loss on debt repayment	15,990	—	—
Equity-based compensation	11,286	8,251	—
Acquisition-related expenses	2,349	—	—
COVID-19 expenses ^(b)	339	2,890	—
Non-recurring and other expenses ^(c)	2,598	3,077	686
Adjusted EBITDA	<u>\$ 62,857</u>	<u>\$ 60,899</u>	<u>\$ 36,779</u>

^(a) Represents an adjustment to eliminate the remeasurement of the payable pursuant to the TRA.

^(b) Represents costs incurred as a direct impact from the COVID-19 pandemic, disinfecting and reconfiguration of facilities, medical professionals to conduct daily screenings of employees, premium pay during the pandemic to hourly workers in 2020 and direct legal costs associated with the pandemic.

- ^(c) Represents certain costs associated with non-recurring professional services, Oaktree's expenses and other costs.

Reconciliation of Net Income Attributable to Shoals Technologies Group, Inc. to Adjusted Net Income (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Net income attributable to Shoals Technologies Group, Inc.	\$ 2,348	\$ 33,766	\$ 25,143
Net income impact from pro forma conversion of Class B common stock to Class A common stock ^(a)	1,596	—	—
Adjustment to the provision for income tax ^(b)	(456)	(7,327)	(5,456)
Tax effected net income	3,488	26,439	19,687
Amortization of intangibles	8,352	7,985	7,984
Amortization of deferred financing costs	1,230	351	38
Payable pursuant to the TRA adjustment ^(c)	1,663	—	—
Loss on debt repayment	15,990	—	—
Equity-based compensation	11,286	8,251	—
Acquisition-related expenses	2,349	—	—
COVID-19 expenses ^(d)	339	2,890	—
Non-recurring and other expenses ^(e)	2,598	3,077	686
Tax impact of adjustments ^(f)	(11,381)	(3,104)	(1,809)
Adjusted Net Income	<u>\$ 35,914</u>	<u>\$ 45,889</u>	<u>\$ 26,586</u>

- ^(a) Reflects net income to Class A common shares from pro forma exchange of corresponding shares of our Class B common shares held by our Founder and management.

- ^(b) Shoals Technologies Group, Inc. is subject to U.S. Federal income taxes, in addition to state and local taxes with respect to its allocable share of any net taxable income of Shoals Parent LLC. The adjustment to the provision for income tax reflects the effective tax rates below, assuming Shoals Technologies Group, Inc. owns 100% of the units in Shoals Parent LLC.

	Year Ended December 31,		
	2021	2020	2019
Statutory U.S. Federal income tax rate	21.0 %	21.0 %	21.0 %
State and local taxes (net of federal benefit)	6.4 %	0.7 %	0.7 %
Permanent items	1.2 %	— %	— %
Effective income tax rate for Adjusted Net Income	<u>28.6 %</u>	<u>21.7 %</u>	<u>21.7 %</u>

- ^(c) Represents an adjustment to eliminate the remeasurement of the payable pursuant to the TRA.
- ^(d) Represents costs incurred as a direct impact from the COVID-19 pandemic, disinfecting and reconfiguration of facilities, medical professionals to conduct daily screenings of employees, premium pay during the pandemic to hourly workers in 2020 and direct legal costs associated with the pandemic.
- ^(e) Represents certain costs associated with non-recurring professional services, Oaktree's expenses and other costs.

- ^(f) Represents the estimated tax impact of all Adjusted Net Income add-backs, excluding those which represent permanent differences between book versus tax.

Reconciliation of Diluted Weighted Average Shares Outstanding to Adjusted Diluted Weighted Average Shares Outstanding (in thousands, except per share):

	Year Ended December 31,		
	2021	2020	2019
Diluted weighted average shares of Class A common shares outstanding, excluding Class B common shares	99,507	N/A ^(b)	N/A ^(b)
Assumed pro forma conversion of Class B common shares to Class A common shares	67,429	N/A ^(b)	N/A ^(b)
Adjusted diluted weighted average shares outstanding	166,936	N/A ^(b)	N/A ^(b)
Adjusted Net Income ^(a)	\$ 35,914	N/A ^(b)	N/A ^(b)
Adjusted Diluted EPS	\$ 0.22	N/A ^(b)	N/A ^(b)

^(a) Represents Adjusted Net Income for the full period presented.

^(b) This Non-GAAP measure is not applicable for this period, as the reorganization transactions had not yet occurred.

Liquidity and Capital Resources

	Year Ended December 31,		
	2021	2020	2019
Net cash provided by (used in) operating activities	\$ (4,083)	\$ 54,082	\$ 36,182
Net cash used in investing activities	(17,035)	(3,236)	(1,719)
Net cash provided by (used in) financing activities	20,602	(47,855)	(27,489)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ (516)	\$ 2,991	\$ 6,974

We finance our operations primarily with operating cash flows and short and long-term borrowings. Our ability to generate positive cash flow from operations is dependent on the strength of our gross margins as well as our ability to quickly turn our working capital. Based on our past performance and current expectations, we believe that operating cash flows and availability under our Revolving Credit Facility will be sufficient to meet our near and long-term future cash needs.

The Company (used) generated cash from operating activities of \$(4.1) million, \$54.1 million and \$36.2 million in the years ended December 31, 2021, 2020 and 2019, respectively. As of December 31, 2021, our cash and cash equivalents were \$5.0 million and we had outstanding borrowings of \$252.4 million. We also had \$44.9 available for additional borrowings under our \$100.0 Revolving Credit Facility. From December 31, 2021 through the date of this filing, the Company, has borrowed an additional \$27.5 million under the Revolving Credit Facility.

Operating Activities

For the year ended December 31, 2021, cash used in operating activities was \$4.1 million, primarily due to an increase of \$8.9 million in receivables which mainly relate to unbilled accounts receivables resulting from increased revenues during December 2021 as compared to December 2020 and the timing of our billings, \$17.2 million in inventory as a result of increasing our raw materials inventory to support growth and reduce the likelihood of supply chain issues from our suppliers of raw materials, a decrease in accounts payable and accrued expenses of \$8.4 million, offset with operating results that included \$3.9 million of net income which was reduced by \$26.1 million, net of non-cash expenses.

For the year ended December 31, 2020, cash provided by operating activities was \$54.1 million, primarily due to operating results that included \$33.8 million of net income. An increase of \$6.5 million in inventories, \$1.0 million in receivables was offset by an increase in accounts payable and accrued expenses of \$9.0 million.

For the year ended December 31, 2019, cash provided by operating activities was \$36.2 million, primarily due to operating results that included \$25.1 million of net income. An increase of \$0.7 million in inventories and \$1.8 million in receivables was partially offset by an increase of \$3.9 million of accounts payable and accrued expenses.

Investing Activities

For the year ended December 31, 2021, net cash used in investing activities was \$17.0 million, attributable to \$4.1 million for the purchase of property and equipment and \$12.9 million for the acquisition of ConnectPV.

For the year ended December 31, 2020, net cash used in investing activities was \$3.2 million, attributable to the purchase of property and equipment.

For the year ended December 31, 2019, net cash used in investing activities was \$1.7 million, attributable to the purchase of property and equipment.

Financing Activities

For the year ended December 31, 2021, net cash used in financing activities was \$20.6 million, including \$144.8 million of net proceeds from the IPO and \$35.1 million in net borrowings under the Revolving Credit Facility, offset by \$152.8 million of payments on the Term Loan Facility and \$4.8 million in tax distributions to minority shareholders as required under the Shoals Parent LLC agreement.

For the year ended December 31, 2020, net cash used in financing activities was \$47.9 million, including \$26.3 million of payments on senior debt, a \$355.8 million special distribution to members and \$20.2 million in tax distributions to members, partially offset by borrowings of \$370.0 million under the Senior Secured Credit Agreement, net of \$11.8 million in debt discount and financing costs.

For the year ended December 31, 2019, net cash used in financing activities was \$27.5 million, of which \$16.0 million was payments on senior debt and \$14.0 million was tax distributions to members, which was partially offset by \$2.5 million of borrowings of the revolving line of credit.

Debt Obligations

For a discussion of our debt obligations see Note 8 Long-Term Debt in our consolidated financial statements.

Surety Bonds

We provide surety bonds to various parties as required for certain transactions initiated during the ordinary course of business to guarantee our performance in accordance with contractual or legal obligations. As of December 31, 2021, the maximum potential payment obligation with regard to surety bonds was \$21.8 million.

Critical Accounting Policies and Significant Management Estimates

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the U.S. ("GAAP"). The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates. Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Revenue Recognition

We recognize revenue from the sale of EBOS systems and components. We determine our revenue recognition through the following steps: (i) identification of the contract or contracts with a customer, (ii) identification of the performance obligations within the contract, (iii) determination of the transaction price, (iv) allocation of the transaction price to the performance obligations within the contract, and (v) recognition of revenue as the performance obligation has been satisfied.

Our contracts with customers are predominately accounted for as one performance obligation, as the majority of the obligations under the contracts relate to single projects. For each contract entered into, we determine the transaction price based on the consideration expected to be received. The transaction price identified is allocated to each distinct performance obligation to deliver a good or service based on the relative standalone selling prices. We believe that the prices negotiated with each individual customer are representative of the stand-alone selling price of the product.

We recognize revenue over time as a result of the continuous transfer of control of our product to the customer using the output method based on units manufactured. This continuous transfer of control to the customer is supported by clauses in the contracts that provide rights to payment of the transaction price associated with work performed to date on products that do not have an alternative use to us. The accounting for each contract involves a process of estimating total sales, costs, and profit for each performance obligation. Cost of revenue is recognized based on the unit of production. The amount reported as revenue is determined by adding a proportionate amount of the estimated profit to the amount reported as cost of revenue. We believe that recognizing revenue using the output method based on units manufactured best depicts the extent of transfer of control to the customer. Certain contracts contain retainage provisions. Retainage represents a contract asset for the portion of the contract price earned by us for work performed but held for payment by the customer as a form of security until we reach specified milestones. We typically bill retainage amounts as work is performed. Retainage provisions are not considered a significant financing component because they are intended to protect the customer in the event that some or all of the obligations under the contract are not

completed. We had outstanding retainage billings of \$4.8 million and \$2.8 million as of December 31, 2021 and 2020, respectively.

We have elected to adopt certain practical expedients and exemptions as allowed under the new revenue recognition guidance such as (i) recording sales commissions as incurred because the amortization period is less than one year, (ii) excluding any collected sales tax amounts from the calculation of revenue, and (iii) accounting for shipping and handling activities that are incurred after the customer has obtained control of the product as fulfillment costs rather than a separate service provided to the customer for which consideration would need to be allocated.

Equity-Based Compensation

2021 Long-term Incentive Plan

The Company recognizes equity-based compensation expense based on the equity award's grant date fair value. The determination of the fair value of equity awards issued to employees of the Company is based upon the underlying unit price and a number of factors, including comparable companies, operating and financial performance, lack of liquidity of the units and general and industry specific economic outlook, amongst other factors. The Company accounts for forfeitures as they occur. The grant date fair value of each unit is amortized on a straight-line basis over the requisite service period, including those units with graded vesting. However, the amount of equity-based compensation at any date is at least equal to the portion of the grant date fair value of the award that is vested.

Pre-IPO Class C Units

The Company accounted for equity grants to employees (Class C units) as equity-based compensation. The Class C units contained vesting provisions as defined in the agreement. Vested units did not forfeit upon termination and represented a residual interest in the Company. Equity-based compensation cost was measured at the grant date fair value and was recognized on a straight-line basis over the requisite service period, including those units with graded vesting with a corresponding credit to members' equity (deficit). However, the amount of equity-based compensation at any date was at least equal to the portion of the grant date value of the award that was vested.

Inventory Valuation

Inventories consist of raw materials. Inventories are stated at the lower of cost or net realizable value. Cost is calculated using the weighted average cost method. Provisions are made to reduce excess or obsolete inventories to their estimated net realizable values.

Income Taxes

We record valuation allowances against our deferred tax assets when it is more likely than not that all or a portion of a deferred tax asset will not be realized. In making such determination, we consider all available evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and results of operations. We routinely evaluate the realizability of our deferred tax assets by assessing the likelihood that our deferred tax assets will be recovered based on all available positive and negative evidence. Estimating future taxable income is inherently uncertain and requires judgment. In projecting future taxable income, we consider our historical results and incorporate certain assumptions, including revenue growth and operating margins, among others. As of December 31, 2021, we had \$177.0 million of deferred tax assets, net of valuation allowances of \$2.0 million. We expect to realize future tax benefits related to the utilization of these assets. If we determine in the future that we will not be able to fully utilize all or part of these deferred tax assets, we would record a valuation allowance through earnings in the

period the determination was made, which would have an adverse effect on our results of operations and earnings in future periods.

Payable Pursuant to the Tax Receivable Agreement

As described in Note 15 to the consolidated financial statements, we are a party to the TRA under which we are contractually committed to pay the TRA Owners 85% of the amount of the benefits, if any, that we are deemed to realize, as a result of certain transactions. Amounts payable under the TRA are contingent upon, among other things, (i) generation of future taxable income over the term of the TRA and (ii) future changes in tax laws. If we do not generate sufficient taxable income in the aggregate over the term of the TRA to utilize the tax benefits, then we generally would not be required to make the related TRA payments. Therefore, we will only recognize a liability for TRA payments if we determine it is probable that we will generate sufficient future taxable income over the term of the TRA to utilize the related tax benefits. Estimating future taxable income is inherently uncertain and requires judgment. In projecting future taxable income, we consider our historical results and incorporate certain assumptions, including revenue growth, and operating margins, among others. As of December 31, 2021, we recognized \$156.4 million of liabilities relating to our obligations under the TRA, after concluding that it was probable that we would have sufficient future taxable income to utilize the related tax benefits. There were no transactions subject to the TRA for which we did not recognize the related liability, as we concluded that we would have sufficient future taxable income to utilize all of the related tax benefits generated by all transactions that occurred in connection with the IPO. If we determine in the future that we will not be able to fully utilize all or part of the related tax benefits, we would de-recognize the portion of the liability related to the benefits not expected to be utilized.

Additionally, we estimate the amount of TRA payments expected to be paid within the next 12 months and classify this amount as current on our consolidated balance sheet. This determination is based on our estimate of taxable income for the next fiscal year. To the extent our estimate differs from actual results, we may be required to reclassify portions of our liabilities under the TRA between current and non-current.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in steel and aluminum prices and customer concentrations. We do not hold or issue financial instruments for trading purposes.

Concentrations of Major Customers

Our customers include EPCs, utilities, solar developers, and solar module manufacturers, but we derive the majority of our revenue from the sale of products to EPCs. Our EPC customers typically construct multiple projects for several different owners. For the year ended December 31, 2021, our largest customer and five largest customers constituted approximately 18% and 52% of total revenue, respectively. For the year ended December 31, 2021, our three largest customers represented approximately 40% of revenue and were the only customers that constituted 10% or greater of total revenue. The loss of any one of our top five customers could have a material adverse effect on our financial conditions and results of operations. Further, our trade accounts receivable are from companies within the solar industry and, as such, we are exposed to normal industry credit risks. As of December 31, 2021, our largest customer and five largest customers constituted 16% and 52% of trade accounts receivable, respectively. We do not require collateral on our customers' trade receivables. We continually evaluate our reserves for potential credit losses and establish reserves for such losses.

Commodity Price Risk

We are subject to risk from fluctuating market prices of certain commodity raw materials, including copper, that are used in our products. Prices of these raw materials may be affected by supply restrictions or other market factors from time to time, and we do not enter into hedging arrangements to mitigate commodity risk. Significant price changes for these raw materials could reduce our operating margins if we are unable to recover such increases from our customers and could harm our business, financial condition and results of operations.

Interest Rate Risk

As of December 31, 2021, our long-term debt totaled \$247.1 million. We have interest rate exposure with respect to the \$247.1 million balance as it is all variable interest rate debt. A 100 basis point increase in interest rates would impact our expected annual interest expense for the next 12 months by approximately \$2.5 million.

Item 8. Financial Statements and Supplementary Data

The financial statements required by this item are included in this Annual Report on Form 10-K beginning on page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2021. Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term as defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2021, our management assessed the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013 Framework). Based on this assessment, our management concluded that, as of December 31, 2021, our internal control over financial reporting was effective based on those criteria.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the fourth quarter of 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required to be disclosed by this item is incorporated by reference to the Company's definitive proxy statement, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

Item 11. Executive Compensation

The information required to be disclosed by this item is incorporated by reference to the Company's definitive proxy statement, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required to be disclosed by this item is incorporated by reference to the Company's definitive proxy statement, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required to be disclosed by this item is incorporated by reference to the Company's definitive proxy statement, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

Item 14. Principal Accountant Fees and Services

The information required to be disclosed by this item is incorporated by reference to the Company's definitive proxy statement, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report.

PART IV

Item 15. Exhibit and Financial Statement Schedules

(a)(1) Financial Statements.

The financial statements and supplementary data required by this item are included after the Signature page of this Annual Report on Form 10-K beginning on page F-1.

(a)(2) Financial Statement Schedules.

All schedules have been omitted because they are not required or because the required information is given in the Financial Statements or Notes thereto.

(a)(3) Exhibits.

The exhibits listed in the Exhibit Index below are filed or incorporated by reference as part of this Annual Report.

EXHIBIT INDEX

Number	Description of Document	Incorporated by Reference		
		Form	Filing Date	Exhibit No.
3.1	Amended and Restated Certificate of Incorporation of Shoals Technologies Group, Inc., dated January 28, 2021	8-K	1/29/2021	3.1
3.2	Amended and Restated Bylaws of Shoals Technologies Group, Inc., dated January 28, 2021	8-K	1/29/2021	3.2
4.1*	Description of Registered Securities			
10.1	Amendment No. 2, dated as of December 30, 2020, to the Credit Agreement, dated as of November 25, 2020, by and among Shoals Holdings LLC, Shoals Intermediate Holdings LLC, Wilmington Trust, National Association, as administrative agent and collateral agent, the lenders party thereto from time to time, and JPMorgan Chase Bank, N.A. and Guggenheim Securities, LLC, as lead arrangers and bookrunners	S-1/A	1/25/2021	10.1
10.2	Tax Receivable Agreement, dated as of January 29, 2021 by and among Shoals Technologies Group, Inc., Shoals Parent LLC and the other parties thereto	8-K	1/29/2021	10.1
10.3	Registration Rights Agreement, dated January 29, 2021 by and among Shoals Technologies Group, Inc. and certain holders identified therein	8-K	1/29/2021	4.1
10.4	Shoals Technologies Group, Inc. 2021 Long-Term Incentive Plan	S-8	1/29/2021	10.1
10.5	Form of RSU Grant Notice and Award Agreement (Employees)	S-8	1/29/2021	10.2
10.6	Form of RSU Grant Notice and Award Agreement (Directors)	S-8	1/29/2021	10.3
10.7	Form of Director and Officer Indemnification Agreement	S-1/A	1/25/2021	10.5
10.8	Stockholders' Agreement, dated as of January 29, 2021 by and among Shoals Technologies Group, Inc., Oaktree Power Opportunities Fund IV (Delaware) Holdings, LP, Solon Holdco I, GP, Solon Holdco II, GP, Dean Solon and Shoals Management Holdings LLC	8-K	1/29/2021	10.2
10.9	Third Amended and Restated Limited Liability Company Agreement, dated as of January 29, 2021, by and among Shoals Parent LLC, Dean Solon and Shoals Management Holdings LLC	8-K	1/29/2021	10.3
10.10	Employment Agreement, effective as of December 18, 2020, by and between Dean Solon and Shoals Technologies Group, LLC	S-1/A	1/25/2021	10.8
10.11	Employment Agreement, effective as of December 18, 2020, by and between Jason Whitaker and Shoals Technologies Group, LLC	S-1/A	1/25/2021	10.9
10.12	Employment Agreement, effective as of December 18, 2020, by and between Philip Garton and Shoals Technologies Group, LLC	S-1/A	1/25/2021	10.10

EXHIBIT INDEX

Number	Description of Document	Incorporated by Reference		
		Form	Filing Date	Exhibit No.
10.13	Employment Agreement, effective as of December 31, 2020, by and between Mehgan Peetz and Shoals Technologies Group, LLC	S-1/A	1/25/2021	10.11
10.14	Third Amendment to the Senior Secured Credit Agreement	10-Q	11/10/2021	10.1
21.1*	List of Subsidiaries of the Registrant			
23.1*	Consent of BDO USA, LLP, as to Shoals Technologies Group, Inc.			
31.1*	Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes- Oxley Act of 2002 (18 U.S.C. 1350)			
31.2*	Certification of the Chief Financial Officer, as required by Section 302 of the Sarbanes- Oxley Act of 2002 (18 U.S.C. 1350)			
32.1*	Certification of the Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350)			
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document			
101.SCH*	XBRL Taxonomy Extension Schema Document			
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document			

* Filed herewith

† Indicates a management contract or compensatory plan.

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on March 10, 2022.

Shoals Technologies Group, Inc.

By: /s/ Jason Whitaker
Name: Jason Whitaker
Title: Chief Executive Officer

* * * * *

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated.

Signature	Title	Date
<u>/s/ Jason Whitaker</u> Jason Whitaker	Chief Executive Officer and Director (Principal Executive Officer)	March 10, 2022
<u>/s/ Philip Garton</u> Philip Garton	Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2022
<u>/s/ Brad Forth</u> Brad Forth	Chairman of the Board of Directors	March 10, 2022
<u>/s/ Peter Jonna</u> Peter Jonna	Director	March 10, 2022
<u>/s/ Ty Daul</u> Ty Daul	Director	March 10, 2022
<u>/s/ Lori Sundberg</u> Lori Sundberg	Director	March 10, 2022
<u>/s/ Toni Volpe</u> Toni Volpe	Director	March 10, 2022
<u>/s/ Peter Wilver</u> Peter Wilver	Director	March 10, 2022

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INDEX TO FINANCIAL STATEMENTS

Shoals Technologies Group, Inc.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Shoals Technologies Group, Inc.
Portland, Tennessee

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Shoals Technologies Group, Inc. and Subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, changes in members' / stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2017.

Austin, Texas

March 10, 2022

Shoals Technologies Group, Inc.
Consolidated Balance Sheets
(in thousands, except shares and par value)

	December 31,	
	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,006	\$ 10,073
Accounts receivable, net	31,499	27,004
Unbilled receivables	13,533	3,794
Inventory, net	38,368	15,121
Other current assets	5,042	155
Total Current Assets	93,448	56,147
Property, plant and equipment, net	15,574	12,763
Goodwill	69,436	50,176
Other intangible assets, net	65,236	71,988
Deferred tax assets	176,958	—
Other assets	5,762	4,236
Total Assets	\$ 426,414	\$ 195,310
Liabilities and Stockholders' Deficit / Members' Deficit		
Current Liabilities		
Accounts payable	\$ 19,985	\$ 14,634
Accrued expenses	9,569	5,967
Long-term debt—current portion	2,000	3,500
Total Current Liabilities	31,554	24,101
Revolving line of credit	55,140	20,000
Long-term debt, less current portion	189,913	335,332
Payable pursuant to the tax receivable agreement	156,374	—
Other long-term liabilities	931	—
Total Liabilities	433,912	379,433
Commitments and Contingencies (Note 13)		
Stockholders' Deficit / Members' Deficit		
Members' deficit	—	(184,123)
Preferred stock, \$0.00001 par value - 5,000,000 shares authorized; none issued and outstanding as of December 31, 2021	—	—
Class A common stock, \$0.00001 par value - 1,000,000,000 shares authorized; 112,049,981 shares issued and outstanding as of December 31, 2021	1	—
Class B common stock, \$0.00001 par value - 195,000,000 shares authorized; 54,794,479 shares issued and outstanding as of December 31, 2021	1	—
Additional paid-in capital	95,684	—
Accumulated deficit	(93,133)	—
Total stockholders' equity attributable to Shoals Technologies Group, Inc. / members' equity (deficit)	2,553	(184,123)
Non-controlling interests	(10,051)	—
Total stockholders' deficit / members' deficit	(7,498)	(184,123)
Total Liabilities and Stockholders' Deficit / Members' Deficit	\$ 426,414	\$ 195,310

See accompanying notes to consolidated financial statements.

Shoals Technologies Group, Inc.
Consolidated Statements of Operations
(in thousands, except per share amounts)

	Year Ended December 31,		
	2021	2020	2019
Revenue	\$ 213,212	\$ 175,518	\$ 144,496
Cost of revenue	130,567	108,972	100,284
Gross profit	82,645	66,546	44,212
Operating Expenses			
General and administrative expenses	37,893	21,008	9,065
Depreciation and amortization	8,520	8,262	8,217
Total Operating Expenses	46,413	29,270	17,282
Income from Operations	36,232	37,276	26,930
Interest expense, net	(14,549)	(3,510)	(1,787)
Payable pursuant to the tax receivable agreement adjustment	(1,663)	—	—
Loss on debt repayment	(15,990)	—	—
Income before income taxes	4,030	33,766	25,143
Income tax expense	(86)	—	—
Net income	3,944	33,766	25,143
Less: net income attributable to non-controlling interests	1,596	—	—
Net income attributable to Shoals Technologies Group, Inc.	<u>\$ 2,348</u>	<u>\$ 33,766</u>	<u>\$ 25,143</u>
	Period from January 27, 2021 to December 31, 2021		
Loss per share of Class A common stock:			
Basic	<u>\$ 0.00</u>		
Diluted	<u>\$ 0.00</u>		
Weighted average shares of Class A common stock outstanding:			
Basic	<u>99,269</u>		
Diluted	<u>99,269</u>		

See accompanying notes to consolidated financial statements.

Shoals Technologies Group, Inc.
Consolidated Statements of Changes in Members' / Stockholders' Equity (Deficit)
(in thousands, except shares)

	Members' Equity (Deficit)	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Deficit	Non- Controlling Interest	Total Members'/ Stockholders Equity (Deficit)
		Shares	Amount	Shares	Amount				
Balance at December 31, 2018	\$ 138,282	—	\$ —	—	\$ —	—	\$ —	—	\$ 138,282
Effect of adoption of ASC 606	470	—	—	—	—	—	—	—	470
Member distributions	(13,989)	—	—	—	—	—	—	—	(13,989)
Net income	25,143	—	—	—	—	—	—	—	25,143
Balance at December 31, 2019	149,906	—	—	—	—	—	—	—	149,906
Member distributions	(376,046)	—	—	—	—	—	—	—	(376,046)
Equity-based compensation	8,251	—	—	—	—	—	—	—	8,251
Net income	33,766	—	—	—	—	—	—	—	33,766
Balance at December 31, 2020	(184,123)	—	—	—	—	—	—	—	(184,123)
Net income prior to the Organizational Transactions	2,675	—	—	—	—	—	—	—	2,675
Effect of Organizational Transactions	181,448	81,977,751	1	78,300,817	1	—	(92,806)	(88,644)	—
Issuance of Class A common stock sold in IPO, net of underwriting discounts and commissions and offering costs	—	11,550,000	—	(5,234,210)	—	69,939	—	70,976	140,915
Activity subsequent to the Organizational Transactions:									
Deferred tax adjustments related to Tax Receivable Agreements	—	—	—	—	—	20,997	—	—	20,997
Issuance of Class A common stock sold in follow-on offering, net of underwriting discounts	—	10,402,086	—	—	—	281,064	—	—	281,064

Shoals Technologies Group, Inc.
Consolidated Statements of Changes in Members' / Stockholders' Equity (Deficit) *(continued)*
(in thousands, except shares)

	Members' Equity (Deficit)	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interest	Total Members' / Stockholders Equity (Deficit)
		Shares	Amount	Shares	Amount				
Purchase of LLC Interests and Class B common stock	—	—	—	(10,402,086)	—	(281,064)	—	—	(281,064)
Exchange of Class B to Class A common stock	—	7,870,042	—	(7,870,042)	—	—	—	—	—
Deferred tax adjustment related to ConnectPV LLC conversion	—	—	—	—	—	(238)	—	—	(238)
Issuance of Class A common stock in connection with an acquisition	—	209,437	—	—	—	6,500	—	—	6,500
Net income	—	—	—	—	—	—	(327)	1,596	1,269
Equity-based compensation	—	—	—	—	—	9,481	—	—	9,481
Activity under stock compensation plan	—	—	—	—	—	(3,755)	—	3,618	(137)
Distributions to non-controlling interest	—	—	—	—	—	—	—	(4,837)	(4,837)
Vesting of restricted share units	—	40,665	—	—	—	—	—	—	—
Reallocation of non-controlling interest	—	—	—	—	—	(7,240)	—	7,240	—
Balance at December 31, 2021	\$ —	112,049,981	\$ —	1	54,794,479	\$ 95,684	\$ (93,133)	\$ (10,051)	\$ (7,498)

See accompanying notes to consolidated financial statements.

Shoals Technologies Group, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2021	2020	2019
Cash Flows from Operating Activities			
Net income	\$ 3,944	\$ 33,766	\$ 25,143
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	10,053	9,405	9,163
Amortization/write off of deferred financing costs	5,969	351	38
Equity-based compensation	11,286	8,251	—
Provision for slow-moving inventory	(1,418)	188	301
Deferred taxes	(1,476)	—	—
Payable pursuant to the TRA adjustment	1,663	—	—
Gain on sale of assets	52	—	—
Changes in assets and liabilities, net of business acquisition:			
Accounts receivable	818	288	(473)
Unbilled receivables	(9,739)	(1,289)	(1,345)
Inventory	(17,188)	(6,475)	(694)
Other assets	341	643	137
Accounts payable	(3,877)	4,251	4,195
Accrued expenses	(4,511)	4,703	(283)
Net Cash Provided by (Used in) Operating Activities	(4,083)	54,082	36,182
Cash Flows Used In Investing Activities			
Purchases of property, plant and equipment	(4,126)	(3,236)	(1,719)
Acquisition of a business, net of cash acquired	(12,909)	—	—
Net Cash Used in Investing Activities	(17,035)	(3,236)	(1,719)
Cash Flows from Financing Activities			
Member / non-controlling interest distributions	(4,837)	(376,046)	(13,989)
Employee withholding taxes related to net settled equity awards	(137)	—	—
Deferred financing costs	(94)	(11,821)	—
Proceeds from term loan facility	—	350,000	—
Payments on term loan facility	(152,750)	—	—
Proceeds from revolving credit facility	49,140	20,000	—
Repayments of revolving credit facility	(14,000)	—	—
Proceeds from issuance of Class A common stock sold in an IPO	278,833	—	—
Purchase of LLC Interests with proceeds from IPO	(124,312)	—	—
Proceeds from issuance of Class A common stock in follow-on offering, net of underwriting discounts and commissions	281,064	—	—
Purchase of LLC Interests with proceeds from follow-on offering	(281,064)	—	—
Payment of debt assumed in acquisition	(1,537)	—	—
Deferred offering costs	(9,704)	(3,738)	—
Payments on senior debt - term loan	—	(26,250)	(3,500)
Proceeds from senior debt - revolving line of credit	—	—	2,500

Shoals Technologies Group, Inc.
Consolidated Statements of Cash Flows *(continued)*
(in thousands)

	Year Ended December 31,		
	2021	2020	2019
Payments on senior debt - revolving line of credit	—	—	(12,500)
Proceeds from delayed draw term loan facility	—	20,000	—
Payments on delayed draw term loan facility	—	(20,000)	—
Net Cash Provided by (Used in) Financing Activities	20,602	(47,855)	(27,489)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(516)	2,991	6,974
Cash, Cash Equivalents and Restricted Cash—Beginning of Period	10,073	7,082	108
Cash, Cash Equivalents and Restricted Cash—End of Period	\$ 9,557	\$ 10,073	\$ 7,082

	Year Ended December 31,		
	2021	2020	2019
Supplemental Cash Flows Information:			
Cash paid for interest	\$ 10,809	\$ 3,033	\$ 1,819
Cash paid for taxes	\$ 1,190	\$ —	\$ —
Non-cash investing and financing activities:			
Reclassification of deferred offering costs to additional paid-in capital	\$ 3,902	\$ —	\$ —
Establishment of deferred tax assets	\$ 181,901	\$ —	\$ —
Establishment of amounts payable pursuant to tax receivable agreement	\$ 154,711	\$ —	\$ —
Capital contribution related to tax receivable agreement	\$ 27,011	\$ —	\$ —
Reduction of deferred tax assets and additional paid-in-capital for negative basis on exchanges	\$ 6,014	\$ —	\$ —
Income tax receivable from merger due to former owner	\$ 3,842	\$ —	\$ —
Deferred tax asset and additional paid-in capital from ConnectPV	\$ 238	\$ —	\$ —
Class A common stock issued in ConnectPV acquisition	\$ 6,500	\$ —	\$ —

See accompanying notes to consolidated financial statements.

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

1. Organization and Business

Shoals Technologies Group, Inc. (the “Company”) was formed as a Delaware corporation on November 4, 2020 for the purpose of facilitating an initial public offering (“IPO”) and other related organizational transactions to carry on the business of Shoals Parent LLC and its subsidiaries (“Shoals Parent”).

Shoals Parent is a Delaware limited liability company formed on May 9, 2017. The Company is headquartered in Portland, Tennessee and is a manufacturer of electrical balance of systems (“EBOS”) solutions and components related to solar fields selling to customers across the United States and internationally. Shoals Parent, through its wholly-owned subsidiaries, Shoals Intermediate Holdings LLC (“Intermediate”), Shoals Holdings LLC (“Holdings”) which owns five other subsidiaries through which it conducts substantially all operations: Shoals Technologies, LLC, Shoals Technologies Group, LLC, Solon, LLC, Shoals Structures, LLC and Shoals Connect LLC (collectively “Shoals”). Shoals Parent acquired Shoals on May 25, 2017.

On August 26, 2021, the Company acquired 100% of the stock of ConnectPV, Inc. (“ConnectPV”) with cash and Class A common stock. The acquisition was accounted for as a business combination and following the acquisition, the Company immediately converted ConnectPV to a limited liability company (Shoals Connect LLC) and contributed the entity to Shoals Parent, LLC through a series of transactions – see Note 3 - Acquisition of ConnectPV.

Initial Public Offering

On January 29, 2021, the Company closed an IPO of 11,550,000 shares of Class A common stock at a public offering price of \$25.00 per share, including shares issued pursuant to the underwriters' over-allotment option. The Company received \$278.8 million in proceeds, net of underwriting discounts and commissions of \$9.9 million, which was used to purchase 6,315,790 newly-issued membership interests (the “LLC Interests”) from Shoals Parent and 5,234,210 LLC Interests from the founder and Class B unit holder in Shoals Parent at a price per interest equal to the IPO price of \$25.00 per share.

Organizational Transactions

In connection with the IPO, the Company and Shoals Parent completed a series of transactions (the “Organizational Transactions”) including the following:

- the limited liability company agreement (the “LLC Agreement”) of Shoals Parent was amended and restated to, among other things, (i) provide for a new single class of common membership interests or the LLC Interests in Shoals Parent, (ii) exchange all of the then existing membership interests of the holders of Shoals Parent membership interests for LLC Interests and (iii) appoint the Company as the sole managing member of Shoals Parent;
- the Company's certificate of incorporation was amended and restated to, among other things, (i) provide for Class A common stock with voting and economic rights (ii) provide for Class B common stock with voting rights but no economic rights and (iii) issue 78,300,817 shares of Class B common stock to the former Class B and Class C members of Shoals Parent (the “Continuing Equity Owners”) on a one-to-one basis with the number of LLC Interests they own;

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

- the acquisition, by merger, of Shoals Investment CTB or the former Class A member of Shoals Parent (the "Class A Shoals Equity Owners"), for which the Company issued 81,977,751 shares Class A common stock as merger consideration (the "Merger").

Follow-On Offering

On July 16, 2021, the Company completed a follow-on offering consisting of 4,989,692 shares of Class A common stock offered by selling shareholders and 10,402,086 shares of Class A common stock offered by the Company. The Company used the proceeds of the sale of Class A common stock to purchase an equal number of LLC Interests and Class B common stock from our founder and management.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Non-controlling Interest

The non-controlling interest on the consolidated statement of operations represents the portion of earnings or loss attributable to the economic interest in the Company's subsidiary, Shoals Parent, held by the Continuing Equity Owners. Non-controlling interest on the consolidated balance sheet represents the portion of net assets of the Company attributable to the Continuing Equity Owners, based on the portion of the LLC Interests owned by such unit holders. As of December 31, 2021, the non-controlling interest was 32.84%.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include revenue recognition, allowance for doubtful accounts, useful lives of property, plant and equipment and other intangible assets, impairment of long-lived assets, reserve for excess and obsolete inventory, payable pursuant to the tax receivable agreement and valuation allowance on deferred tax assets.

Impact of COVID-19 Pandemic

The global health crisis caused by the novel coronavirus COVID-19 pandemic and its resurgences has and may continue to negatively impact global economic activity, which, despite progress in vaccination efforts, remains uncertain and cannot be predicted with confidence. In addition, the Omicron variant of COVID-19,

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

which appears to be the most transmissible variant to date, has spread globally and other variants of COVID-19 continue to emerge.

To date, while the Company has maintained uninterrupted business operations with normal turnaround times for its delivery of solar EBOS solutions and components, the impact of delays for other parts of customer systems has pushed some projects to future quarters. The Company has implemented adjustments to its operations designed to keep employees safe and comply with federal, state and local guidelines, including those regarding social distancing.

The impact of the Omicron and other emerging variants cannot be predicted at this time, and could depend on numerous factors, including vaccination rates among the population, the effectiveness of the COVID-19 vaccines against the Omicron and other emerging variants and the response by governmental bodies and regulators. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the COVID-19 pandemic on our business, including, but not limited to, component shortages, disruptions in transportation or other supply chain related constraints.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to include cash on hand, cash held in demand deposit accounts, and all highly liquid financial instruments purchased with a maturity of three months or less.

Restricted Cash

Restricted cash is included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Restricted cash is restricted as to withdrawal or use. Tax distributions paid by Shoals Parent to the Company are restricted under the LLC Agreement for future payments under the tax receivable agreement and totaled \$4.6 million as of December 31, 2021.

A reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheet is as follows (in thousands):

	As of December 31,	
	2021	2020
Cash and cash equivalents	\$ 5,006	\$ 10,073
Restricted cash included in other current asset	—	—
Restricted cash included in other assets	4,551	—
Total cash, cash equivalents, and restricted cash	<u>\$ 9,557</u>	<u>\$ 10,073</u>

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable is comprised of amounts billed to customers, net of an allowance for doubtful accounts. Interest is not charged on receivables. The allowance for doubtful accounts is estimated by management and is based on specific information about customer accounts, past loss experience, and general economic conditions. Periodically, management reviews the accounts receivable balances of its customers and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed although collection efforts may continue.

Shoals Technologies Group, Inc.
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Unbilled Receivables

Unbilled receivables arise when the Company recognizes revenue for amounts which cannot yet be billed under terms of the contract with the customer.

Inventory

Inventories consist of raw materials. Inventories are stated at the lower of cost or net realizable value. Cost is calculated using the weighted average cost method. Provisions are made to reduce excess or obsolete inventories to their estimated net realizable values.

Property, Plant, and Equipment

Property, plant, and equipment acquired in the acquisition of Shoals and ConnectPV are recorded at fair value at the date of acquisition net of accumulated depreciation; all other property, plant and equipment are recorded at cost, net of accumulated depreciation. Improvements, betterments and replacements which significantly extend the life of an asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Repair and maintenance costs are expensed as incurred.

A gain or loss on the sale of property, plant and equipment is calculated as the difference between the cost of the asset disposed of, net of accumulated depreciation, and the sales proceeds received. A gain or loss on an asset disposal is recognized in the period that the sale occurs.

The Company conveyed certain of its real and personal property at its Tennessee facilities to the Industrial Development Board of the City of Portland, Tennessee (the "Board"), for purposes of securing a property tax abatement. The Company is eligible to regain title of the property from the Board at any time for a nominal fee. The conveyed property is still recognized on the Company's consolidated balance sheet as all the risks and rewards remain with the Company.

Impairment of Long-Lived Assets

When events, circumstances or operating results indicate that the carrying values of long-lived assets might not be recoverable through future operations, the Company prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value. Fair value is estimated based upon internal evaluation of each asset that includes quantitative analyses of net revenue and cash flows, review of recent sales of similar assets and market responses based upon discussions in connection with offers received from potential buyers. Management determined there was no impairment for the years ended December 31, 2021, 2020 and 2019.

Goodwill

Goodwill is assessed using either a qualitative assessment or quantitative approach to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount. The qualitative assessment evaluates factors including macroeconomic conditions, industry-specific and company-specific considerations, legal and regulatory environments, and historical performance. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, a quantitative assessment is performed. Otherwise, no further assessment is required. The quantitative approach

Shoals Technologies Group, Inc.
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compares the estimate fair value of the reporting units to its carrying amount, including goodwill. Impairment is indicated if the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, and an impairment charge is recognized for the differential.

The Company completes its annual goodwill impairment test as of October 1 each year. For the years ended December 31, 2021, 2020 and 2019, the Company performed a qualitative assessment of its goodwill and determined no impairment. Since the Company's formation on May 9, 2017, the Company has not had any goodwill impairment.

Amortizable and Other Intangible Assets

The Company amortizes identifiable intangible assets consisting of customer relationships, developed technology, trade names and noncompete agreements because these assets have finite lives. The Company's intangible assets with finite lives are amortized on a straight-line basis over the estimated useful lives. The basis of amortization approximates the pattern in which the assets are utilized over their estimated useful lives. The Company reviews for impairment indicators of finite-lived intangibles, as described in the "Impairment of Long-Lived Assets" significant accounting policy.

Deferred Offering Costs

Deferred offering costs consist primarily of registration fees, filing fees, listing fees, specific legal and accounting costs and transfer agent fees, which are direct and incremental fees related to the IPO. As of December 31, 2020, the Company had \$3.9 million in deferred offering costs, which are reported as Other assets - long-term on the consolidated balance sheets. The deferred offering costs as of December 31, 2020 were offset against IPO proceeds along with \$9.7 million in offering costs incurred during the year ended December 31, 2021.

Deferred Financing Costs

Costs incurred to issue debt are capitalized and recorded net of the related debt and amortized using the effective interest method as a component of interest expense over the terms of the related debt agreement.

Revenue Recognition

The Company recognizes revenue primarily from the sale of EBOS systems and components. The Company determines its revenue recognition through the following steps: (i) identification of the contract or contracts with a customer, (ii) identification of the performance obligations within the contract, (iii) determination of the transaction price, (iv) allocation of the transaction price to the performance obligations within the contract, and (v) recognition of revenue as the performance obligation has been satisfied.

The Company's contracts with customers predominately are accounted for as one performance obligation, as the majority of the obligations under the contracts relate to a single project. For each contract entered into, the Company determines the transaction price based on the consideration expected to be received. The transaction price identified is allocated to each distinct performance obligation to deliver a good or service based on the relative standalone selling prices. Management has concluded that the prices negotiated with each individual customer are representative of the standalone selling price of the product.

The Company recognizes revenue over time as a result of the continuous transfer of control of its product to the customer using the output method based on units manufactured. This continuous transfer of

Shoals Technologies Group, Inc.
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control to the customer is supported by clauses in the contracts that provide rights to payment of the transaction price associated with work performed to date on products that do not have an alternative use to the Company. The manufacturing process generally takes less than one week to complete production. The accounting for each contract involves a judgmental process of estimating total sales, costs, and profit for each performance obligation. Cost of revenue is recognized based on the unit of production. The amount reported as revenue is determined by adding a proportionate amount of the estimated profit to the amount reported as cost of revenue. Management believes that recognizing revenue using the output method based on units manufactured best depicts the extent of transfer of control to the customer. Payments from the customer are typically received after the receipt of inventory.

Certain contracts contain retainage provisions. Retainage represents a contract asset for the portion of the contract price earned by the Company for work performed but held for payment by the customer as a form of security until the Company obtains specified milestones. The Company typically bills retainage amounts as work is performed. Retainage provisions are not considered a significant financing component because they are intended to protect the customer in the event that some or all of the obligations under the contract are not completed. Outstanding retainage billings of \$4.8 million and \$2.8 million are included in Accounts receivable, net, as of December 31, 2021 and 2020, respectively.

The Company has elected to adopt certain practical expedients and exemptions as allowed under the new revenue recognition guidance such as (i) recording sales commissions as incurred because the amortization period is less than one year, (ii) excluding any collected sales tax amounts from the calculation of revenue, and (iii) accounting for shipping and handling activities that are incurred after the customer has obtained control of the product as fulfillment costs rather than a separate service provided to the customer for which consideration would need to be allocated (see Shipping and Handling).

Shipping and Handling

The Company accounts for shipping and handling related to contracts with customers as costs to fulfill its promise to transfer the associated products. Accordingly, payment by the Company's customers for shipping and handling costs for delivery of the Company's products are recorded as a component of revenue in the accompanying consolidated statements of operations. Shipping and handling expenses are included as a component of cost of revenue as incurred and totaled \$5.2 million, \$4.9 million and \$3.3 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Concentrations

The Company has cash deposited at certain financial institutions which, at times, may exceed the limits provided by the Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses on such amount and believes it is not subject to significant credit risk related to cash balances. As of December 31, 2021, \$8.5 million of the Company's bank balances were in excess of FDIC insurance limits.

The Company had the following revenue concentrations representing 10% or more of revenue for the years ended December 31, 2021, 2020 and 2019 and related accounts receivable concentrations as of December 31, 2021 and 2020:

Shoals Technologies Group, Inc.
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December 31,

	2021		2020		2019
	Revenue %	Accounts Receivable %	Revenue %	Accounts Receivable %	Revenue %
Customer A	11.3 %	4.6 %	21.8 %	14.2 %	41.5 %
Customer B	18.3 %	15.8 %	18.4 %	16.7 %	17.0 %
Customer C	10.0 %	23.7 %	9.4 %	12.5 %	8.2 %

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company follows a fair value hierarchy which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair value, as follows:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** – Unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities.

The fair values of the Company's cash and cash equivalents, accounts receivable, and accounts payable approximate their carrying values due to their short maturities. The carrying value of the Company's revolving line of credit and long-term debt approximates their fair values, as they are based on current market rates at which the Company could borrow funds with similar terms.

The Company follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820-10 for nonfinancial assets and liabilities measured at fair value on a nonrecurring basis. As it relates to the Company, this applies to certain nonfinancial assets and liabilities acquired in business combinations.

Income Taxes

Pre-IPO Income Taxes

Shoals Parent is treated as a partnership and is not subject to federal income tax; rather, Shoals Parent's taxable income is passed through to its members and subject to federal income tax at the member level.

Shoals Parent is the sole member of the following subsidiary LLCs, which are treated as disregarded entities for federal income tax purposes: Intermediate, Holdings, and Shoals. The activities of Shoals Parent and its subsidiary LLCs are reported on the federal income tax return of Shoals Parent.

Shoals Technologies Group, Inc.
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Shoals Parent and its subsidiary LLCs are generally not subject to state income tax; however, Shoals Technologies Group, LLC pays Tennessee, California, and Texas franchise taxes and Shoals Technologies, LLC pays Alabama franchise tax.

Post-IPO Income Taxes

The Company is taxed as a corporation for U.S. federal and state income tax purposes. The Company's sole material asset is Shoals Parent, which is a limited liability company that is taxed as a partnership for US federal and certain state and local income tax purposes. Shoals Parent's net taxable income and related tax credits, if any, are passed through to its members and included in the member's tax returns.

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are calculated by applying existing tax laws and the rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the year of the enacted rate change.

In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that the deferred tax assets will be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under the tax law, and results of recent operations.

The Company accounts for uncertainty in income taxes using a recognition and measurement threshold for tax positions taken or expected to be taken in a tax return, which are subject to examination by federal and state taxing authorities. The tax benefit from an uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the position. The amount of the tax benefit recognized is the largest amount of the benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The effective tax rate and the tax basis of assets and liabilities reflect management's estimates of the ultimate outcome of various tax uncertainties. The Company recognizes penalties and interest related to uncertain tax positions within the provision (benefit) for income taxes line in the accompanying consolidated statements of operations. The Company did not have any material interest and penalties during the year ended December 31, 2021.

The Company files U.S. federal and certain state income tax returns. The income tax returns of the Company are subject to examination by U.S. federal and state taxing authorities for various time periods, depending on each jurisdictions' rules, beginning generally after the income tax returns are filed.

Payable Pursuant to the Tax Receivable Agreement

As a result of exchanges of LLC Interests into Class A Common Stock and purchases by the Company of LLC Interests from holders of LLC Interests, the Company will become entitled to a proportionate share of the existing tax basis of the assets of Shoals Parent at the time of such exchanges or purchases. In addition, such exchanges or purchases of LLC Interests are expected to result in increases in the tax basis of the assets of Shoals Parent that otherwise would not have been available. These increases in tax basis may reduce the amount of tax that the Company would otherwise be required to pay in the future. These increases in tax basis

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets, and may increase depreciation and amortization to the Company.

In connection with the recapitalization the Company completed in connection with its IPO, the Company entered into a tax receivable agreement (the "TRA") with the founder and former equity owner of Shoals Investment CTB (the "TRA Owners") that provides for the payment by the Company to the TRA Owners (or any permitted assignees) of 85% of the amount of the benefits, if any, that the Company actually realizes or is deemed to realize as a result of (i) the Company's allocable share of existing tax basis acquired in connection with the Organizational Transactions (including Blocker's share of existing tax basis) and increases to such allocable share of existing tax basis, (ii) certain increases in the tax basis of assets of Shoals Parent and its subsidiaries resulting from purchases or exchanges of LLC Interests and (iii) certain other tax benefits, including those attributable to payments made, under the TRA. These contractual payment obligations are the Company's obligations and are not obligations of the LLC, and are accounted for in accordance with ASC 450, *Contingencies*, since the obligations were deemed to be probable and reasonably estimable. For purposes of the TRA, the benefit deemed realized by the Company will be computed by comparing its actual income tax liability (calculated with certain assumptions) to the amount of such taxes that it would have been required to pay had there been no increase to the tax basis of the assets of Shoals Parent as a result of the purchases or exchanges, and had the Company not entered into the TRA.

The timing and/or amount of aggregate payments due under the TRA may vary based on a number of factors, including the amount and timing of the taxable income the Company generates in the future and the tax rate then applicable and amortizable basis.

The term of the TRA will continue until all such tax benefits have been utilized or expired, unless the Company exercises its right to terminate the TRA for an amount based on the agreed payments remaining to be made under the agreement. In certain mergers, asset sales or other forms of business combinations or other changes of control, or if the Company materially breaches any of its material obligations under the TRA, the Company (or its successor) would owe to the TRA Owners (or any permitted assignees) a lump-sum payment equal to the present value of all forecasted future payments that would have otherwise been made under the TRA that would be based on certain assumptions, including a deemed exchange of all LLC Interests and that the Company would have had sufficient taxable income to fully utilize the deductions arising from the increased tax basis and other tax benefits related to entering into the TRA.

Acquisition Accounting

The Company accounts for its business acquisitions under the acquisition method of accounting in ASC 805. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples amongst other items.

Equity-Based Compensation

The Company recognizes equity-based compensation expense based on the equity award's grant date fair value. The determination of the fair value of equity awards issued to employees of the Company is based upon the underlying unit price and a number of factors, including comparable companies, operating and financial performance, lack of liquidity of the units and general and industry specific economic outlook, amongst

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other factors. The Company accounts for forfeitures as they occur. The grant date fair value of each unit is amortized on a straight-line basis over the requisite service period, including those units with graded vesting. However, the amount of equity-based compensation at any date is at least equal to the portion of the grant date fair value of the award that is vested.

Earnings per Share (“EPS”)

Basic EPS is computed by dividing net income available to common shareholders by the weighted average shares outstanding during the period. Diluted EPS takes into account the potential dilution that could occur if securities or other contracts to issue shares, such as stock options and unvested restricted stock units, were exercised and converted into shares. Diluted EPS is computed by dividing net income available to common shareholders by the weighted average shares outstanding during the period, increased by the number of additional shares that would have been outstanding if the potential shares had been issued and were dilutive.

Segment Reporting

ASC 280 (“Segment Reporting”) establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company manages its business on the basis of one operating and reportable segment and derives revenues from selling its product.

Advertising Expenses

Advertising expenses are expensed as incurred. Advertising expenses for the years ended December 31, 2021, 2020 and 2019 were not material to our consolidated financial statements.

Research and Development Expenses

Research and development expenses are expensed as incurred. Research and development expenses for the years ended December 31, 2021, 2020 and 2019 were not material to our consolidated financial statements.

New Accounting Standards

Recently Adopted

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (“ASU No. 2019-12”), which is intended to simplify various aspects of the accounting for income taxes. ASU No. 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The Company adopted ASU No. 2019-12 as of January 1, 2021 and it did not have a material impact on its consolidated financial statements and related disclosures.

Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842) “Leases” which supersedes the lease recognition requirements in ASC Topic 840, “Leases.” Under ASU No. 2016-02, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. Leases will continue to be classified as either finance or operating. For companies that are not emerging

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growth companies (“EGCs”), the ASU is effective for fiscal years beginning after December 15, 2018. For EGCs, the ASU is effective for fiscal years beginning after December 15, 2021. The Company plans to adopt the new standard using the modified retrospective method, under which the Company will apply Topic 842 to existing and new leases as of January 1, 2022, but prior periods will not be restated and will continue to be reported under Topic 840 guidance in effect during those periods. The Company anticipates that the adoption will not have a material impact on its statements of operations or its statements of cash flows but expects to recognize right-of-use assets and liabilities for lease obligations associated with its operating leases.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses*, which was subsequently amended by ASU No. 2018-19 and ASU No. 2019-10, and which requires the measurement of expected credit losses for financial instruments carried at amortized cost held at the reporting date based on historical experience, current conditions and reasonable forecasts. The updated guidance also amends the current other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security’s amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position will no longer impact the determination of whether a credit loss exists. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. For EGC’s, the standard is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2022. The Company will continue to assess the possible impact of this standard, but currently does not expect the adoption of this standard will have a significant impact on its financial statements and its limited history of bad debt expense relating to trade accounts receivable.

3. Acquisition of ConnectPV

On August 26, 2021, the Company acquired 100% of the common stock of ConnectPV. The acquisition of ConnectPV was accounted for as a business combination using the acquisition method of accounting. The aggregate purchase price was \$13.8 million in cash (net of \$0.8 million cash acquired) and 209,437 shares of Class A Common stock valued at \$6.5 million.

The cash portion of the purchase price was funded by borrowing under our Revolving Credit Facility. The purchase price paid has been preliminarily allocated to record the acquired assets and assumed liabilities based upon their estimated fair value pending finalization of the working capital calculation with the sellers. When determining the fair values of the assets acquired and assumed liabilities, management made significant estimates, judgements and assumptions. Management estimated that consideration paid exceeded the fair value of the net assets acquired. Therefore, goodwill of \$19.3 million was recorded. The goodwill recognized was primarily attributable to the workforce and synergies related to the Company’s EBOS solutions and components business that are expected to arise from the ConnectPV acquisition.

The following table is the preliminary balance sheet of ConnectPV as of the acquisition date, August 26, 2021, and includes the estimated fair value of the assets acquired and assumed liabilities. The estimated fair value allocated to certain property, plant and equipment, identifiable intangible assets and goodwill was determined based on a combination of market, cost and income approaches with the assistance of a third-party valuation firm (in thousands):

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Preliminary Purchase Price Allocation

Cash and cash equivalents	\$ 849
Accounts receivable	5,313
Inventory	4,641
Other current assets	2,319
Total current assets	13,122
Property, plant and equipment	438
Goodwill	19,260
Other intangible assets	1,600
Total Assets	34,420
Accounts payable	9,228
Accrued expenses	3,397
Debt	1,537
Total liabilities	14,162
Net assets acquired	\$ 20,258

The Company expensed acquisition-related costs of \$2.3 million which are included in general and administrative expenses in the consolidated statement of operations. The goodwill and acquisition costs are not deductible for tax purposes.

Pro Forma Financial Information (Unaudited)

The pro forma information below gives effect to the ConnectPV acquisition as if it had been completed on the first day of each period presented. The pro forma results of operations are presented for informational purposes only. As such, they are not necessarily indicative of the Company's results had the acquisition been completed on the first day of each period presented, nor do they intend to represent the Company's future results. The pro forma information does not reflect any cost savings from operating efficiencies or synergies that could result from the acquisition and does not reflect additional revenue opportunities following the acquisition. The pro forma information includes adjustments to record the assets and liabilities associated with the acquisition at their respective fair values, which are preliminary at this time, based on available information and to give effect to the financing for the acquisition (in thousands):

	Year Ended December 31,	
	2021	2020
Revenue	\$ 229,709	\$ 200,892
Net income	\$ 3,305	\$ 29,861

Since the acquisition date, August 26, 2021, the Company reported \$10.0 million and \$0.7 million in revenue and net income, respectively in the accompanying consolidated financial statements related to ConnectPV.

4. Accounts Receivable

Accounts receivable consists of the following (in thousands):

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	December 31,	
	2021	2020
Accounts receivable	\$ 32,015	\$ 27,206
Less: allowance for doubtful accounts	(516)	(202)
Accounts receivable, net	<u>\$ 31,499</u>	<u>\$ 27,004</u>

5. Inventory

Inventory consists of the following (in thousands):

	December 31,	
	2021	2020
Raw materials	\$ 39,265	\$ 17,390
Allowance for slow-moving inventory	(897)	(2,269)
Inventory, net	<u>\$ 38,368</u>	<u>\$ 15,121</u>

6. Property, Plant and Equipment

Property, plant, and equipment, net consists of the following (in thousands):

	Estimated Useful Lives (Years)	December 31,	
		2021	2020
Land	N/A	\$ 840	\$ 840
Building and land improvements	5-40	7,801	6,212
Machinery and equipment	3-5	10,693	9,004
Furniture and fixtures	3-7	1,775	458
Vehicles	5	65	318
		<u>21,174</u>	<u>16,832</u>
Less: accumulated depreciation		(5,600)	(4,069)
Property, plant and equipment, net		<u>\$ 15,574</u>	<u>\$ 12,763</u>

Depreciation expense for the years ended December 31, 2021, 2020 and 2019 was \$1.7 million, \$1.4 million and \$1.2 million, respectively. During the years ended December 31, 2021, 2020 and 2019, \$1.5 million, \$1.1 million and \$1.0 million, respectively, of depreciation expense was allocated to cost of revenue. During the years ended December 31, 2021, 2020 and 2019, \$0.2 million, \$0.3 million and \$0.2 million, respectively, of depreciation expense was allocated to operating expenses.

7. Goodwill and Other Intangible Assets

Goodwill

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Goodwill relates to the acquisition of Shoals and ConnectPV. As of December 31, 2021 and 2020, goodwill totaled \$69.4 million and \$50.2 million, respectively. Changes in the carrying amount of goodwill during the years ended December 31, 2021 and 2020 are shown below (in thousands):

	Goodwill
Balance at December 31, 2019 and 2020	\$ 50,176
Acquisition of ConnectPV	19,260
Balance at December 31, 2021	<u><u>\$ 69,436</u></u>

Other Intangible Assets

Other intangible assets consisted of the following (in thousands):

	Estimated Useful Lives (Years)	December 31,	
		2021	2020
Amortizable:			
Costs:			
Customer relationships	2-13	\$ 53,100	\$ 52,600
Developed technology	13	34,600	34,600
Trade names	2-13	11,900	11,400
Backlog	1	600	—
Noncompete agreements	5	2,000	2,000
Total amortizable intangibles		<u>102,200</u>	<u>100,600</u>
Accumulated amortization:			
Customer relationships		18,629	14,499
Developed technology		12,199	9,537
Trade names		4,103	3,142
Backlog		200	—
Noncompete agreements		1,833	1,434
Total accumulated amortization		<u>36,964</u>	<u>28,612</u>
Total amortizable intangibles, net		<u><u>\$ 65,236</u></u>	<u><u>\$ 71,988</u></u>

Amortization expense related to intangible assets amounted to \$8.4 million, \$8.0 million and \$8.0 million the years ended December 31, 2021, 2020 and 2019, respectively. Estimated future annual amortization expense for the above amortizable intangible assets are as follows (in thousands):

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For the Year Ended December 31,	Amortization Expense
2022	\$ 8,651
2023	7,918
2024	7,585
2025	7,585
2026	7,585
Thereafter	25,912
	<u>\$ 65,236</u>

8. Long-Term Debt

Long-term debt consists of the following (in thousands):

	December 31,	
	2021	2020
Term Loan Facility	\$ 197,250	\$ 350,000
Revolving Credit Facility	55,140	20,000
Less: deferred financing costs	(5,337)	(11,168)
Total debt, net of deferred financing costs	247,053	358,832
Less: current portion	(2,000)	(3,500)
Long-term debt, net current portion	<u>\$ 245,053</u>	<u>\$ 355,332</u>

The aggregate amounts of principal maturities on the Company's long-term debt is as follows (in thousands):

For the Year Ended December 31,	
2022	\$ 2,000
2023	2,000
2024	2,000
2025	2,000
2026	244,390
	<u>\$ 252,390</u>

Senior Secured Credit Agreement

On November 25, 2020 Shoals Holdings, entered into a senior secured credit agreement (the "Senior Secured Credit Agreement"), consisting of (i) a \$350.0 million senior secured six-year term loan facility (the "Term Loan Facility"), (ii) a \$30.0 million senior secured delayed draw term loan facility, which matures concurrently with the six-year Term Loan Facility (the "Delayed Draw Term Loan Facility") and (iii) an uncommitted super senior first out revolving credit facility (the "Revolving Credit Facility"). The proceeds of the Term Loan Facility and a \$10.0 million draw under the Delayed Draw Term Loan Facility were used to (i) make certain distributions from Shoals Holdings to Shoals Intermediate Holdings and from there to certain of the Company's direct or indirect equity holders, (ii) pay transaction expenses, (iii) repay and terminate all outstanding commitments under the prior senior debt and (iv) finance working capital and general corporate purposes.

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In December 2020, Shoals Holdings entered into two amendments to the Senior Secured Credit Agreement in order to obtain a \$100.0 million increase (the “Revolver Upsize”) to the Revolving Credit Facility and modify the terms of the interest rate and prepayment premium. As part of the first amendment, the Company repaid and terminated all outstanding commitments under the Delayed Draw Term Loan Facility. As of December 31, 2021, the outstanding balance of the Term Loan Facility was \$197.3 million. The balance of the Term Loan Facility is presented in the accompanying consolidated balance sheets net of deferred financing fees of \$5.3 million and \$11.2 million at December 31, 2021 and 2020, respectively. The deferred financing fees are being amortized using the effective interest method. The effective interest rate at December 31, 2021 and 2020 was 6.42% and 6.55%, respectively. The Revolving Credit Facility was \$55.1 million and the Company had \$44.9 million of availability under the Revolving Credit Facility. From December 31, 2021 through the date of this filing, the Company borrowed an additional \$27.5 million under the Revolving Credit Facility.

On January 29, 2021, the Company used proceeds from the IPO to repay \$150.0 million of outstanding borrowings under the Term Loan Facility. The repayment of a portion of the borrowings under the Term Loan Facility resulted in a \$16.0 million loss on debt repayment as the result of the \$11.3 million prepayment premium and \$4.7 million write-off of a portion of the deferred financing costs.

In August 2021, Holdings entered into an amendment to the Senior Secured Credit Agreement to permit the temporary joinder of a parent co-borrower in order to facilitate the acquisition of Connect PV.

Interest Rate

The interest rates applicable to the loans under the Term Loan Facility (4.25% at December 31, 2021) are based on a rate of interest determined by reference to either: (i) a base rate plus an applicable margin equal to (a) on and after December 30, 2020 until the later of either (1) February 28, 2021 or (2) December 31, 2022 so long as Holdings has prepaid the loans under the Term Loan Facility on or prior to February 28, 2021 in an amount that results in the aggregate outstanding principal amount of loans under the Term Loan Facility being equal to or less than the sum of (A) \$200.0 million minus (B) any mandatory prepayments of the principal amount of loans under the Term Loan Facility or amortization payments made prior to February 28, 2021, 2.25% and (b) thereafter, either (1) if Holdings has consummated an IPO the net cash proceeds of which have been used to repay the principal amount of the loans under the Term Loan Facility in an amount no less than \$70.0 million, 4.75% or (2) otherwise, 5.00%; or (ii) a eurocurrency rate plus an applicable margin equal to (a) on and after December 30, 2020 until the later of either (1) February 28, 2021 or (2) December 31, 2022 so long as Holdings has prepaid the loans under the Term Loan Facility on or prior to February 28, 2021 in an amount that results in the aggregate outstanding principal amount of loans under the Term Loan Facility being equal to or less than the sum of (A) \$200.0 million minus (B) any mandatory prepayments of the principal amount of loans under the Term Loan Facility or amortization payments made prior to February 28, 2021, 3.25% and (b) thereafter, either (1) if Holdings has consummated an IPO the net cash proceeds of which have been used to repay the principal amount of the loans under the Term Loan Facility in an amount no less than \$70.0 million, 5.75% or (2) otherwise, 6.00%.

The interest rates applicable to the loans under the Revolving Credit Facility (3.75% at December 31, 2021) are based on a rate of interest determined by reference to either (i) a base rate plus an applicable margin equal to 2.25% or (ii) a eurocurrency rate plus an applicable margin equal to 3.25%.

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Guarantees and Security

The obligations under the Senior Secured Credit Agreement are guaranteed by Shoals Intermediate Holdings and its wholly owned domestic subsidiaries other than certain immaterial subsidiaries and other excluded subsidiaries. The obligations under the Senior Secured Credit Agreement are secured by a first priority security interest in substantially all of Holdings' and the other guarantors' existing and future property and assets, including accounts receivable, inventory, equipment, general intangibles, intellectual property, investment property, other personal property, material owned real property, cash and proceeds of the foregoing.

Prepayments and Amortization

Loans under the Revolving Credit Facility may be voluntarily prepaid, at Shoals Holdings' option, in whole, or in part, in each case without premium or penalty.

Loans under the Term Loan Facility may be voluntarily prepaid, at Holdings' option, in whole, or in part, in each case without premium or penalty other than (i) a prepayment premium in an amount equal to (a) if such prepayment occurs prior to the first anniversary of the Senior Secured Credit Agreement Closing Date, a make-whole premium, (b) if such prepayment occurs on or after the first anniversary but prior to the second anniversary of the Senior Secured Credit Agreement Closing Date, 2.00% and (c) if such prepayment occurs on or after the second anniversary but prior to the third anniversary of the Senior Secured Credit Agreement Closing Date, 1.00% and (ii) with respect to prepayments in connection with an IPO, a change of control or a transformative disposition subject to certain exceptions and conditions, a prepayment premium equal to (a) if such prepayment occurs prior to the first anniversary of the Senior Secured Credit Agreement Closing Date, 2.00% and (b) if such prepayment occurs after the first anniversary of the Senior Secured Credit Agreement Closing Date but prior to the second anniversary of the Senior Secured Credit Agreement Closing Date, 1.00%.

Notwithstanding anything to the contrary in the preceding paragraph, in the event that, on or after December 30, 2020 but prior to February 28, 2021, Shoals Holdings made any prepayment (including with respect to any acceleration) of any loans under the Term Loan Facility, Holdings would pay a premium on such prepayments made up to \$150.0 million of the principal amount of such loans prepaid in an amount equal to 7.50% multiplied by the principal amount of such loans prepaid, which, if applicable, would be in lieu of any applicable prepayment premium set forth in the preceding paragraph or in the paragraph below; provided that no amortization payments or mandatory prepayments required under the Senior Secured Credit Agreement shall be subject to the prepayment premium set forth in this paragraph. On January 29, 2021, the Company used proceeds from the IPO to repay \$150.0 million of outstanding borrowings under the Term Loan Facility resulting in a prepayment premium of \$11.3 million.

Additionally, after February 28, 2021 but prior to the second anniversary of the Senior Secured Credit Agreement Closing Date, up to \$175.0 million of the outstanding principal amount of the Term Loan Facility may be voluntarily prepaid upon the consummation of an IPO with proceeds from such IPO, subject to a prepayment premium in an amount equal to 1.00% in lieu of any applicable call protection premiums set forth in the second preceding paragraph.

The Senior Secured Credit Agreement requires mandatory prepayments, but not permanent reductions of commitments thereunder, for excess cash flow, asset sales, subject to a right of reinvestment, and refinancing facilities.

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The Term Loan Facility amortizes in equal quarterly installments in aggregate annual amounts equal to 1.00% per annum of the original principal amount of the loans funded thereunder. There is no scheduled amortization under the Revolving Credit Facility.

Restrictive Covenants and Other Matters

The Senior Secured Credit Agreement contains affirmative and negative covenants that are customary for financings of this type, including covenants that restrict our incurrence of indebtedness, incurrence of liens, dispositions, investments, acquisitions, restricted payments, and transactions with affiliates.

The Senior Secured Credit Agreement also includes customary events of default, including the occurrence of a change of control.

The Revolving Credit Facility also includes a springing financial maintenance covenant that is tested on the last day of each fiscal quarter if the outstanding loans under the Revolving Credit Facility exceed 35% of the aggregate amount of commitments thereunder, subject to customary exclusions and conditions. If the financial maintenance covenant is triggered, Shoals Intermediate Holdings' first lien net leverage ratio will be tested for compliance not to exceed 8.25 to 1.00.

As of December 31, 2021, the Company was in compliance with all the required covenants.

Senior Debt Agreement

Intermediate and subsidiaries were party to a credit agreement (the "Senior Debt Agreement" and obligations thereunder, the "Senior Debt") under which Holdings and its subsidiaries were borrowers and Intermediate was a guarantor. The Senior Debt was collateralized by all of the assets of the guarantor and borrowers. The amended agreement provided a term loan of \$35 million and a revolving line of credit of \$25 million.

On October 8, 2020, the Company paid the outstanding amount due on the Senior Debt and settled all obligations with respect to the Senior Debt Agreement.

The Senior Debt provided for an interest rate to equal the base rate plus margin. The base rate charged was the highest rate of three defined methods as follows: 1) Federal Funds Rate plus 0.5%, 2) Fifth Third Bank N.A. Rate or 3) LIBOR Rate plus 1%. The base rate ranged from 1% to 2.5% depending on the EBITDA Rate calculation as defined in the Senior Debt Agreement (the "EBITDA Rate Calculation") for the Federal Funds Rate. The base rate for the LIBOR Rate ranged from 2% to 3.5% depending on the EBITDA Rate Calculation.

9. EPS

Basic EPS of Class A Common Stock is computed by dividing net income attributable to the Company by the weighted average number of shares of Class A Common Stock outstanding during the period. Diluted EPS of Class A Common Stock is computed similarly to basic EPS except the weighted average shares outstanding are increased to include additional shares from the exchange of Class B Common Stock under the if-converted method and the assumed exercise of any common stock equivalents using the treasury stock method, if dilutive. The Company's restricted stock units are considered common stock equivalents for this purpose.

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All earnings prior to and up to January 26, 2021, the date of the IPO, were entirely allocable to non-controlling interest and, as a result, EPS information is not applicable for reporting periods prior to this date. Consequently, only the net income allocable to Shoals Technologies Group, Inc. from the period subsequent to January 26, 2021 is included in the net income attributable to the stockholders of Class A Common Stock for the period ended December 31, 2021. Basic and diluted EPS of Class A Common Stock from January 27, 2021 to December 31, 2021 have been computed as follows (in thousands, except per share amounts):

	Period from January 27, 2021 to December 31, 2021
Numerator:	
Net loss attributable to Shoals Technologies Group, Inc. - basic	\$ (327)
Reallocation of net income attributable to non-controlling interests from the assumed conversion of Class B common stock	—
Net loss attributable to Shoals Technologies Group, Inc. - diluted	<u>\$ (327)</u>
Denominator:	
Weighted average shares of Class A common stock outstanding - basic	99,269
Effect of dilutive securities:	
Restricted Stock Units	—
Class B Common Stock	—
Weighted average shares of Class A common stock outstanding - diluted	<u>99,269</u>
Loss per share of Class A common stock - basic	<u>\$ 0.00</u>
Loss per share of Class A common stock - diluted	<u><u>\$ 0.00</u></u>

For the year ended December 31, 2021 the reallocation of net income attributable to non-controlling interest from the assumed conversion of Class B common stock has been excluded along with the dilutive effect of the restricted stock units and Class B common stock to the weighted average shares of Class A common stock outstanding – dilutive as it was antidilutive.

10. Equity-Based Compensation

2021 Long-term Incentive Plan

On January 26, 2021, the Shoals Technologies Group, Inc. 2021 Long-Term incentive Plan (the “2021 Incentive Plan”) became effective. The 2021 Incentive Plan authorized 8,768,124 new shares, subject to adjustment pursuant to the 2021 Incentive Plan.

Since January 26, 2021, the Company has granted 1,701,306 restricted stock units (“RSUs”) to certain employees, officers and directors of the Company. The RSUs have grant date fair values ranging from \$21.50 to \$34.60 per unit and generally vest ratably over either 4 years or 3 years, except for some of the director grants which immediately vested or vest over 1 year. There were a limited number of awards with immediate vesting.

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The following table summarizes the RSUs activity for the year ended December 31, 2021:

	RSUs	Weighted Average Price
Outstanding at beginning of period	—	\$ —
Granted	1,701,306	\$ 27.61
Forfeited	(23,738)	\$ 29.46
Vested	(44,724)	\$ 28.60
Outstanding at end of period	<u>1,632,844</u>	<u>\$ 27.55</u>

For the year ended December 31, 2021, the Company recognized \$11.3 million in equity-based compensation. As of December 31, 2021, the Company had \$36.8 million of unrecognized compensation costs which is expected to be recognized over a period of 3.0 years.

Pre-IPO Class C Units

The Company accounted for equity grants to employees (Class C units) as equity-based compensation. The Class C units contained vesting provisions as defined in the agreement. Vested units did not forfeit upon termination and represented a residual interest in the Company. Equity-based compensation cost was measured at the grant date fair value and was recognized on a straight-line basis over the requisite service period, including those units with graded vesting with a corresponding credit to members' equity (deficit). However, the amount of equity-based compensation at any date was at least equal to the portion of the grant date value of the award that was vested.

In May 2020, the Company issued 11,150,000 Class C units to certain employees of the Company of which approximately 77% were vested on the grant date. The fair value of such units was determined by management with the assistance of a third party valuation by considering a number of factors, including comparison companies, operating and financial performance, the lack of liquidity of the units, and general and industry specific economic outlook, amongst other factors. The grant date fair value of the Class C units granted during 2020 was \$0.74 per unit. In November 2020, the Company modified and accelerated the remaining vesting on the unvested Class C units. On January 26, 2021 as part of the Corporate Conversion the 11,150,000 Class C Units were converted into 9,986,025 LLC Interest in Shoals Parent.

For the year ended December 31, 2020 the Company recognized \$8.3 million in equity-based compensation. At December 31, 2020, the Company had no remaining unrecognized compensation costs related to Class C units. There were no forfeitures during the year ended December 31, 2020.

11. Stockholders' Deficit

Amendment and Restatement of Certificate of Incorporation

As discussed in Note 1, on January 26, 2021, the Company's certificate of incorporation was amended and restated to, among other things, provide for the (i) authorization of 1,000,000,000 shares of Class A common stock with a par value of \$0.00001 per share; (ii) authorization of 195,000,000 shares of Class B common stock with a par value of \$0.00001 per share; (iii) authorization of 5,000,000 shares of preferred stock that may be issued from time to time by the Company's Board of Directors in one or more series; and (iv)

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establishment of a classified board of directors, divided into three classes, the members of which will serve for staggered terms.

Holders of Class A common stock and Class B common stock are entitled to one vote per share and, except as otherwise required, will vote together as a single class on all matters on which stockholders generally are entitled to vote. Holders of Class B common stock are not entitled to receive dividends and will not be entitled to receive any distributions upon the liquidation, dissolution or winding up of the Company. Shares of Class B common stock may only be issued to the extent necessary to maintain the one-to-one ratio between the number of LLC Interests held by the Continuing Equity Owners and the number of shares of Class B common stock held by the Continuing Equity Owners. Shares of Class B common stock are transferable only together with an equal number of LLC Interests. Shares of Class B common stock will be canceled on a one-for-one basis if the Company, at the election of a Continuing Equity Owner, redeem or exchange LLC Interests.

The Company must, at all times, maintain a one-to-one ratio between the number of shares of Class A common stock issued by the Company and the number of LLC Interests owned by the Company (subject to certain exceptions for treasury shares and shares underlying certain convertible or exchangeable securities).

Initial Public Offering

As discussed in Note 1, on January 29, 2021, the Company closed an IPO of 11,550,000 shares of the Class A common stock at a public offering price of \$25.00 per share. The Company received \$278.8 million in proceeds, net of underwriting discounts and commissions, which was used to purchase 6,315,790 LLC Interests from Shoals Parent and 5,234,210 LLC Interests from the founder and Class B unit holder in Shoals Parent at a price per interest equal to the IPO price of the Class A common stock of \$25.00.

Shoals Parent Recapitalization

As noted above, in connection with the IPO, the limited liability company agreement of Shoals Parent was amended and restated to, among other things, (i) provide for a new single class of common membership interests in Shoals Parent, or the LLC Interests; (ii) exchange all of the then existing membership interests of the Continuing Equity Owners for LLC Interests (iii) exchange all the then existing membership interest of the Class A Shoals Equity Owners for LLC Interests and (iv) appoint the Company as the sole managing member of Shoals Parent. The Company has a majority economic interest in, is the sole managing member of, has the sole voting power in, and controls the management of Shoals Parent.

The amendment also requires that Shoals Parent, at all times, maintain (i) a one-to-one ratio between the number of shares of Class A common stock issued by the Company and the number of LLC Interests owned by the Company and (ii) a one-to-one ratio between the number of shares of Class B common stock owned by the Continuing Equity Owners and the number of LLC Interests owned by the Continuing Equity Owners.

Acquisition of Former Shoals Equity Owners

On January 26, 2021, the Company acquired, by merger, an entity that was a member of Shoals Parent, or the Class A Shoals Equity Owners, for which the Company issued 81,977,751 shares of Class A common stock as merger consideration. The only assets held by the Class A Shoals Equity Owners were 81,977,751 LLC Interests. Upon consummation of the Merger, the Company recognized the LLC Interests at carrying value, as the Merger is considered to be a transaction between entities under common control.

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

12. Non-Controlling Interests

On January 26, 2021, the Company used net proceeds from the IPO to purchase 6,315,790 LLC Interests from Shoals Parent and 5,234,210 LLC Interests from the founder and Class B unit holder in Shoals Parent. On July 16, 2021, the Company used new proceeds from the follow-on offering to purchase 10,402,056 LLC Interests from our founder and other LLC Interest holders of Shoals Parent. On December 7, 2021, the Company exchanged 7,870,042 of Class A common stock for 7,870,042 LLC Interests and Class B common stock. As of December 31, 2021, the Company owned 67.16% of Shoals Parent.

The following table summarizes the effects of the changes in ownership in Shoals Parent on equity (in thousands):

	Period from January 27, 2021 to December 31, 2021
Net income attributable to non-controlling interest	\$ 1,596
Transfers to non-controlling interests	
Decrease as a result of the Organizational Transactions	(88,644)
Increase as a result of newly issued LLC Interests in IPO	70,976
Increase as a result of activity under stock compensation plan	3,618
Decrease from distributions to non-controlling interest	(4,837)
Increase from reallocation of non-controlling interest	7,240
Change from net income attributable to/from non-controlling interest and transfers to non-controlling interest	<u>\$ (10,051)</u>

Issuance of Additional LLC Interests

Under the LLC Agreement, the Company is required to cause Shoals Parent to issue additional LLC Interests to the Company when the Company issues additional shares of Class A Common Stock. Other than as it relates to the issuance of Class A Common Stock in connection with an equity incentive program, the Company must contribute to Shoals Parent net proceeds and property, if any, received by the Company with respect to the issuance of such additional shares of Class A Common Stock. The Company must cause Shoals Parent to issue a number of LLC Interests equal to the number of shares of Class A Common Stock issued such that, at all times, the number of LLC Interests held by the Company equals the number of outstanding shares of Class A Common Stock. During the year ended December 31, 2021, the Company caused Shoals Parent to issue to the Company a total of 6,315,790 LLC Interests in connection with the issuance of Class A common stock in the IPO, 10,402,086 LLC Interests in connection with the issuance of Class A common stock in the follow-on offering, 209,437 LLC Interests in connection with the acquisition of ConnectPV and 40,665 LLC Interests for the vesting of awards granted under the Shoals Technologies Group, Inc. 2021 Long-Term Incentive Plan.

Distributions for Taxes

As a limited liability company (treated as a partnership for income tax purposes), Shoals Parent does not incur significant federal, state or local income taxes, as these taxes are primarily the obligations of its members. As authorized by the LLC Agreement, Shoals Parent is required to distribute cash, to the extent that

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

Shoals Parent has cash available, on a pro rata basis, to its members to the extent necessary to cover the members' tax liabilities, if any, with respect to each member's share of Shoals Parent taxable earnings. Shoals Parent makes such tax distributions to its members quarterly, based on the single highest marginal tax rate applicable to its members applied to projected year-to-date taxable income, with a final accounting once actual taxable income or loss has been determined. During the year ended December 31, 2021, tax distributions to non-controlling LLC Interests holders was \$4.8 million.

Other Distributions

Pursuant to the LLC Agreement, the Company has the right to determine when distributions will be made to LLC members and the amount of any such distributions. If the Company authorizes a distribution, such distribution will be made to the members of the LLC (including the Company) pro rata in accordance with the percentages of their respective LLC units.

13. Commitments and Contingencies

Litigation

The Company is from time to time subject to legal proceedings and claims, which arise in the normal course of its business. In the opinion of management and legal counsel, the amount of losses that may be sustained, if any, would not have a material effect on the financial position, results of operations or cash flows of the Company.

Surety Bonds

The Company provides surety bonds to various parties as required for certain transactions initiated during the ordinary course of business to guarantee the Company's performance in accordance with contractual or legal obligations. As of December 31, 2021, the maximum potential payment obligation with regard to surety bonds was \$21.8 million.

Employee Benefit Plan

The Company has a 401(k) retirement plan for substantially all of its employees based on certain eligibility requirements. Effective January 1, 2021 the Company began making matching contributions to the plan and may also provide discretionary contributions to the plan at the discretion of management. No such discretionary contributions have been made since inception of the plan. For the year ended December 31, 2021, the Company made matching contributions totaling \$0.2 million.

Leases

Future minimum lease payments under non-cancellable operating leases as of December 31, 2021 are as follows (in thousands):

For the Year Ended December 31,	Total
2022	\$ 489
2023	499
2024	200
2025	58
2026	6
	<u>\$ 1,252</u>

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

Rent expense for the year ended December 31, 2021 totaled \$0.4 million. Prior to 2021 rent expense was not material to the consolidated financial statements.

14. Income Taxes

Upon the completion of the IPO and Organizational Transactions, the Company is taxed as a subchapter C corporation for U.S. federal and state income tax purposes. The Company's sole material asset is Shoals Parent, which is a limited liability company that is taxed as a partnership for US federal and certain state and local income tax purposes. Shoals Parent's net taxable income and related tax credits, if any, are passed through to its members and included in the member's tax returns.

The components of income before income taxes are as follows (in thousands):

	Year Ended December 31, 2021
Domestic	\$ 4,030
Foreign	—
Income before income taxes	<u>\$ 4,030</u>

The components of income tax expense are as follows (in thousands):

	Year Ended December 31, 2021
Current income taxes:	
Federal	\$ —
State	631
Foreign	—
Total current income taxes	<u>631</u>
Deferred income taxes:	
Federal	397
State	(1,873)
Foreign	—
Total deferred income taxes	<u>(1,476)</u>
Other tax expense	931
Income tax expense	<u>\$ 86</u>

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

The differences between income taxes expected at the U.S. federal statutory income tax rate and the reported income tax expense are summarized as follows (in thousands):

	Year Ended December 31, 2021
U.S. federal income taxes at statutory rate	\$ 846
State and local income tax net of federal benefit	(1,380)
Permanent tax adjustments	342
Pre-IPO income	(562)
Non-controlling interest	(342)
Remeasurement of TRA	349
Remeasurement of deferred taxes	(1,939)
Research and development credit	(77)
Uncertain tax positions	789
Change in valuation allowance	1,983
Other	77
Income tax expense	<u>\$ 86</u>

The income tax burden on the earnings taxed to the noncontrolling interest holders is not reported by the Company in its consolidated financial statements under U.S. GAAP. As a result, the Company's effective tax rate differs materially from the statutory rate. The primary factors impacting the effective tax rate are the allocation of income taxes to the noncontrolling interest, remeasurement of deferreds due to tax rate changes, state taxes and changes in our valuation allowance.

The components of the deferred tax assets and liabilities are as follows (in thousands):

	December 31, 2021
Investment in partnership	\$ 161,078
Tax receivable agreement	13,014
Net operating loss	3,772
Other	1,077
Total deferred income taxes	178,941
Valuation allowance	(1,983)
Net deferred tax asset	<u>\$ 176,958</u>

As of December 31, 2021, the Company has \$8.1 million and \$32.2 million federal and state net operating loss carryforwards, respectively. If not utilized, \$8.1 million of the federal net operating loss can be carried forward indefinitely. If not utilized, \$0.8 million of the state net operating loss can be carried forward indefinitely and the remainder will expire between 2036-2041.

Quarterly, the Company considers whether it is more-likely-than-not that the deferred tax assets will be realized based available positive and negative evidence. As of December 31, 2021, a valuation allowance of \$2.0 million has been recorded to recognize only the portion of deferred tax asset that is more likely than not to be realized.

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

Uncertain Tax Positions

The Company accounts for uncertainty in income taxes using a recognition and measurement threshold for tax positions taken or expected to be taken in a tax return, which are subject to examination by federal and state taxing authorities. The tax benefit from an uncertain tax position is recognized when it is more likely than not that the position will be sustained upon examination by taxing authorities based on the technical merits of the position. The amount of the tax benefit recognized is the largest amount of the benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The effective tax rate and the tax basis of assets and liabilities reflect management's estimates of the ultimate outcome of various tax uncertainties. As of December 31, 2021, the Company has recorded \$0.9 million of gross unrecognized tax benefits inclusive of interest and penalties, all of which, if recognized, would favorably impact the effective tax rate. The Company recognizes penalties and interest related to uncertain tax positions within the provision (benefit) for income taxes line in the accompanying consolidated statements of operations.

The following table presents a reconciliation of the total amounts of unrecognized tax benefits, excluding interest and penalties as follows (in thousands):

	Year Ended December 31, 2021
Beginning Balance	\$ —
Gross increases - tax positions in prior period	604
Gross decreases - tax positions in prior period	—
Gross increases - tax positions in current period	—
Settlement	—
Lapse of statute of limitations	—
Ending balance	<u>\$ 604</u>

We do not expect a significant change in our uncertain tax benefits in the next twelve months.

The Company files U.S. federal and certain state income tax returns. The income tax returns of the Company are generally subject to examination by U.S. federal and state taxing authorities for years beginning after 2017.

15. Payable Pursuant to the Tax Receivable Agreement

The Company has a TRA with the TRA Owners that provides for the payment by the Company to the TRA Owners (or their permitted assignees) of 85% of the amount of the benefits, if any, that the Company actually realizes or is deemed to realize as a result of (i) the Company's allocable share of existing tax basis acquired in connection with the Organizational Transactions (including Blocker's share of existing tax basis) and increases to such allocable share of existing tax basis, (ii) certain increases in the tax basis of assets of Shoals Parent and its subsidiaries resulting from purchases or exchanges of LLC Interests, and (iii) certain other tax benefits related to the Company entering into the TRA, including those attributable to payments made under the TRA. These contractual payment obligations are obligations of the Company and not of Shoals Parent. The Company's payable pursuant to the TRA was determined on an undiscounted basis in accordance with ASC 450, Contingencies, since the contractual payment obligations were deemed to be probable and reasonably estimable.

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

For purposes of the TRA, the benefit deemed realized by the Company is computed by comparing the actual income tax liability of the Company (calculated with certain assumptions) to the amount of such taxes that the Company would have been required to pay had there been no increase to the tax basis of the assets of Shoals Parent as a result of the purchases or exchanges, and had the Company not entered into the TRA.

The following table reflects the changes to the Company's payable pursuant to the tax receivable agreement (in thousands):

	Year Ended December 31, 2021
Beginning balance	\$ —
Additions to TRA:	
IPO exchange of LLC Interests for Class A Common Stock from founder	27,759
Merger of Shoals investment CTB	14,418
Follow-on offering exchange of LLC Interests for Class A common stock	62,025
December exchange of LLC Interest for Class A common stock	50,509
Adjustment for change in estimated tax rate	1,663
Payments under TRA	—
	<u>156,374</u>
Less current portion under TRA	—
Ending balance	<u>\$ 156,374</u>

The TRA further provides that, upon certain mergers, asset sales or other forms of business combinations or other changes of control, or if the Company materially breaches any of its material obligations under the TRA, the Company (or its successor) would owe to the TRA Owners a lump-sum payment equal to the present value of all forecasted future payments that would have otherwise been made under the TRA that would be based on certain assumptions, including a deemed exchange of LLC Interests and that the Company would have sufficient taxable income to fully utilize the deductions arising from the increased tax basis and other tax benefits related to entering into the TRA. The Company also is entitled to terminate the TRA, which, if terminated, would obligate the Company to make early termination payments to the TRA Owners.

When estimating the expected tax rate to use in order to determine the tax benefit expected to be recognized from the Company's increased tax basis as a result of exchanges of LLC Interests by the TRA Owners, the Company continuously monitors changes in its overall tax posture, including changes resulting from new legislation and changes as a result of new jurisdictions in which the Company is subject to tax.

As of December 31, 2021, the Company recorded deferred tax assets of \$184.0 million associated with basis differences in assets upon acquiring an interest in Shoals Parent and pursuant to making an election under Section 754 of the Internal Revenue Code of 1986 (the "Internal Revenue Code"), as amended. These basis differences are included in the overall partnership basis differences disclosed in Note 14. The aggregate payable pursuant to the tax receivable agreement represents 85% of the tax benefits that the Company expects to receive in connection with the Section 754 election. In accordance with the TRA, the next annual payment is anticipated on February 20, 2023, approximately 125 days after filing the federal tax return.

16. Revenue by Product

Shoals Technologies Group, Inc.
Notes to Consolidated Financial Statements

Based on Topic 606 provisions, the Company disaggregates its revenue from contracts with customers between system solutions and components. System solutions are contracts under which the Company provides multiple products typically in connection with the design and specification of an entire EBOS system. Components represents sales of individual solar components.

The following table presents the Company's revenue disaggregated by system solutions and solar components which are recorded over time as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
System solutions	\$ 155,818	\$ 116,720	\$ 74,207
Solar components	57,394	58,798	70,289
Total revenue	<u>\$ 213,212</u>	<u>\$ 175,518</u>	<u>\$ 144,496</u>

17. Related Party Transactions

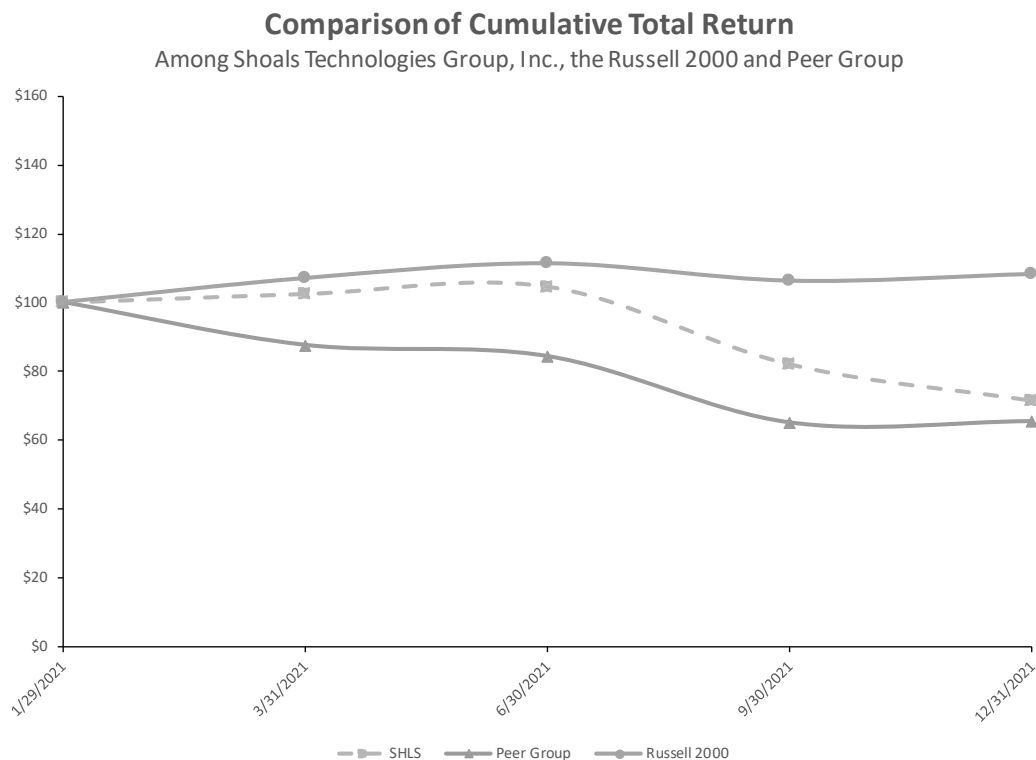
Affiliated Customer under Common Control

On November 11, 2020, a customer of the Company became an affiliate based upon common control. During the period November 11, 2020 to December 31, 2020, the Company fulfilled the terms of the existing contracts with the customer which resulted in \$0.3 million in revenue. At December 31, 2020, the Company had outstanding accounts receivable totaling \$3.0 million, which was collected in 2021. For the year ended December 31, 2020, the Company recognized revenue with this customer of \$16.6 million.

SHAREHOLDER RETURN PERFORMANCE GRAPH

The following graph compares the cumulative total return on our Class A common stock with that of the Russell 2000 Index and our peer group during each quarterly accounting period from January 29, 2021 (the date our common stock began trading on the Nasdaq Global Market) through December 31, 2021. Our 2021 peer group, which is comprised of companies that we believe have comparable characteristics and are in the same industry or line-of-business, consists of Enphase Energy, Inc., Solaredge Technologies, Inc., FTC Solar, Inc., ReneSola Ltd., and Array Technologies, Inc. The graph assumes \$100 was invested in our Class A common stock, the Russell 2000 Index, and our peer group at the close of market on January 29, 2021, and assumes the reinvestment of any dividends. The returns shown are based on historical results and are not intended to suggest future performance.

Comparison of Shareholder Returns among Shoals Technologies Group, Inc., the Russell 2000 Index and our Peer Group



	1/29/2021	3/31/2021	6/30/2021	9/30/2021	12/31/2021
Shoals Technologies Group, Inc.	\$ 100	\$ 103	\$ 105	\$ 82	\$ 72
Russell 2000	\$ 100	\$ 107	\$ 111	\$ 106	\$ 108
Peer Group	\$ 100	\$ 88	\$ 84	\$ 65	\$ 66

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COMPANY INFORMATION

ANNUAL MEETING

Shoals Technologies Group, Inc.'s 2022 Annual Meeting will be held on May 5, 2022 at 10:00 a.m., Eastern Time, virtually, via live audio webcast at www.virtualshareholdermeeting.com/SHLS2022.

FORM 10-K ANNUAL REPORT

A copy of the Shoals Technologies Group, Inc. Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission is available to shareholders upon written request to our Secretary or by visiting our website at <https://investors.shoals.com>

COMMON STOCK LISTED (SHLS)

Nasdaq Global Market

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Human Resources Officer, Western
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OUR EXECUTIVE OFFICERS

Jason Whitaker
President, Chief Executive Officer and
Director

Dr. Philip Garton
Chief Financial Officer

Mehgan Peetz
General Counsel and Corporate
Secretary

A	Audit Committee
C	Compensation
NCG	Nominating & Corporate Governance Committee
*	Denotes Chair of Committee

