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SolarEdge Hit With Derivative Suit Over 2023 Earnings Miss

By **Emilie Ruscoe**

Law360 (March 15, 2024, 8:01 PM EDT) -- Current and former executives and directors of equipment maker SolarEdge Technologies Inc. face an investor's derivative suit in Manhattan federal court alleging they concealed distributor order cancelations and other developments that would ultimately result in a low quarterly revenue outcome.

In a complaint filed Friday brought on behalf of nominal defendant SolarEdge, investor Abdul Hirani took aim at SolarEdge's CEO Zvi Lando, its chief financial officer and seven board members with claims that between May and October 2023, they'd breached their fiduciary duties by touting growth in the company's market in Europe despite the fact its European distributors didn't need as much of the company's inventory as had been anticipated.

According to Hirani, when the company finally acknowledged that the demand it expected wasn't present in Europe, SolarEdge representatives said that as a result, it expected that its quarter revenue, gross margin and operating income for the third quarter of 2023 to come in "below the low end of the prior guidance range," \$720 million to \$730 million, down significantly from its earlier expectation that it would see those numbers come in the range of \$880 million to \$920 million for the quarter.

When the company announced it was going to miss its earnings projection in October 2023, Hirani claimed, trading prices for its shares slid by about 27%, from about \$114 to under \$83, within a single trading day.

According to Hirani, the company's brass knew, or should have known, that certain statements they made in the second and third quarters about positive trends in the company's European growth were false or misleading when made.

For example, Hirani said, in May 2023 Lando told investors that "the European residential markets continues to be very strong for us this quarter," adding that "We expect this momentum to continue in the coming quarters."

Hirani also pointed to statements Lando made about its European market when commenting on its quarterly results in August 2023. The investor alleged that the August statements painted an incomplete picture of the company's real expectations for the coming quarter.

Hirani also claimed that the alleged misrepresentations would cause the company to lose and expend millions of dollars, citing a securities class action the company and two of its executives **face** in connection with the drop in its trading prices.

"The Securities Class Actions has exposed the company to massive class-wide liability," Hirani added.

Representatives for the parties did not immediately respond to requests for comment Friday.

Hirani is represented by Seth D. Rigrodsky, Timothy J. MacFall, Gina M. Serra and Vincent A. Licata of Rigrodsky Law PA and Joshua H. Grabar of the Grabar Law Office.

Counsel information for the defendants wasn't immediately available Friday.

The case is Hirani v. Lando et al, case number 1:24-cv-01948, in the U.S. District Court for the Southern District of New York.

--Editing by Alex Hubbard.

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