



First Solar was founded in 1999 with the goal of applying new technologies to the process of solar power generation. The company initially conducted only research and development operations, until commercial operations began in January 2002. The company went public in November 2006, issuing 22.9 million shares at \$20 each, in a deal underwritten by Credit Suisse and Morgan Stanley.	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
	--	--	--	--	1.06	1.87	6.41	15.27	24.24	29.86	32.95	42.30	Sales per sh <sup>A</sup>	55.55
	--	--	--	--	d.07	.20	1.73	5.00	9.03	9.55	8.60	7.15	"Cash Flow" per sh	8.90
	--	--	--	--	d.14	.07	1.43	4.24	7.53	7.68	5.95	4.00	Earnings per sh <sup>A B</sup>	4.45
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
	--	--	--	--	.94	2.12	3.08	5.63	3.28	6.86	8.95	4.60	Cap'l Spending per sh	5.55
	--	--	--	--	.29	5.69	13.96	18.54	31.13	40.25	46.95	53.45	Book Value per sh	65.00
	--	--	--	--	45.21	72.33	78.58	81.60	85.23	85.84	86.50	87.50	Common Shs Outst'g <sup>C</sup>	90.00
	--	--	--	--	--	NMF	73.1	50.7	19.3	16.5	18.6		Avg Ann'l P/E Ratio	15.0
--	--	--	--	--	NMF	3.88	3.05	1.29	1.06	1.3		Relative P/E Ratio	1.00	
--	--	--	--	--	--	--	--	--	--	Nil		Avg Ann'l Div'd Yield	Nil	
<b>CAPITAL STRUCTURE as of 9/30/11</b>														
Total Debt \$608.3 mill. Due in 5 Yrs \$131.7 mill.	--	--	--	--	48.1	135.0	504.0	1246.3	2066.2	2563.5	2850	3700	Sales (\$mill) <sup>A</sup>	5000
LT Debt \$582.7 mill. LT Interest \$3.4 mill. (8% of Cap'l)	--	--	--	--	NMF	9.6%	32.1%	39.9%	39.2%	35.3%	28.0%	20.0%	Operating Margin	18.0%
	--	--	--	--	3.4	10.2	24.5	59.5	129.6	156.1	225	275	Depreciation (\$mill)	400
	--	--	--	--	d6.6	4.0	111.7	348.3	640.1	664.1	520	350	Net Profit (\$mill)	400
<b>Leases, Uncapitalized</b> Annual rentals \$8.4 mill.	--	--	--	--	--	56.7%	28.4%	24.9%	6.7%	12.8%	13.0%	15.0%	Income Tax Rate	15.0%
	--	--	--	--	NMF	2.9%	22.2%	27.9%	31.0%	25.9%	18.2%	9.5%	Net Profit Margin	7.2%
	--	--	--	--	d7.3	336.4	616.0	695.6	956.4	1114.8	1600	1750	Working Cap'l (\$mill)	2250
<b>No Defined Benefit Pension Plan</b>	--	--	--	--	28.6	61.0	68.9	163.5	146.4	210.0	575	475	Long-Term Debt (\$mill)	250
	--	--	--	--	13.1	411.4	1097.3	1513.0	2652.8	3455.0	3975	4325	Shr. Equity (\$mill)	5850
<b>Common Stock</b> 86,424,881 shs. as of 10/28/11	--	--	--	--	NMF	.9%	9.8%	20.9%	23.0%	18.1%	11.5%	7.0%	Return on Total Cap'l	6.5%
<b>MARKET CAP: \$2.8 billion (Large Cap)</b>	--	--	--	--	NMF	1.0%	10.2%	23.0%	24.1%	19.2%	13.0%	8.0%	Return on Shr. Equity	7.0%
	--	--	--	--	NMF	1.0%	10.2%	23.0%	24.1%	19.2%	13.0%	8.0%	Retained to Com Eq	7.0%
<b>CURRENT POSITION</b> 2009 2010 9/30/11 (\$MILL.)	--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

	2009	2010	9/30/11
<b>CURRENT POSITION (\$MILL.)</b>			
Cash Assets	784.7	933.6	762.9
Receivables	226.8	305.5	482.0
Inventory (FIFO)	152.8	200.4	432.9
Other	187.0	145.0	752.7
Current Assets	1351.3	1584.5	2430.5
Accts Payable	75.7	82.3	170.9
Debt Due	28.6	26.6	25.6
Other	290.6	360.8	550.5
Current Liab.	394.9	469.7	747.0

	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'11 of change (per sh)	to '14-'16
<b>ANNUAL RATES</b>				
Sales	--	--	15.5%	
"Cash Flow"	--	--	2.0%	
Earnings	--	--	-6.0%	
Dividends	--	--	Nil	
Book Value	--	--	14.0%	

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
<b>QUARTERLY SALES (\$ mill.)</b>					
2008	196.9	267.0	348.7	433.7	1246.3
2009	418.2	525.9	480.8	641.3	2066.2
2010	568.0	587.8	797.9	609.8	2563.5
2011	567.3	532.8	1005.8	744.1	2850
2012	780	940	995	985	3700

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
<b>EARNINGS PER SHARE<sup>B</sup></b>					
2008	.58	.85	1.20	1.61	4.24
2009	1.99	2.11	1.79	1.65	7.53
2010	2.00	1.84	2.04	1.80	7.68
2011	1.33	.70	2.25	1.67	5.95
2012	.95	.80	1.15	1.10	4.00

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
<b>QUARTERLY DIVIDENDS PAID</b>					
2007					
2008					
2009					
2010					
2011					

NO CASH DIVIDENDS BEING PAID

**BUSINESS:** First Solar, Inc. designs and manufactures solar modules for use in the conversion of solar energy for everyday use. The modules are produced using a proprietary thin-film semiconductor technology that allows for a lower manufacturing cost per watt (\$0.75, 2010) than traditional crystalline silicon solar modules. From 2002 to 2005, sold a total of 28 megawatts (MW) worth of

**Shares of First Solar have continued their steep descent, after the company recently cut its earnings outlook once again.** Still, we believe that it is probably too early to call a bottom here, given the lack of visibility on the the company's revenues and earnings. Among the major concerns is that FSLR will not be able to recognize revenues from existing projects for a number of years, due to the terms of the contracts signed with the buyers of those projects. Additionally, First Solar still principally operates in subsidized markets like Europe, where government funds continue to dry up, thus leading to much lower demand. Moreover, too much supply relative to demand has led to severe pricing pressures and margin reductions, crippling weaker industry players in the process. As a result, we have cut our share-earnings estimates for 2011 and 2012 to \$5.95 and \$4.00, from \$9.10 and \$11.10, respectively.

**The company has found a buyer for the Topaz Project.** Recently, none other than acclaimed investor Warren Buffet announced that MidAmerican Holdings, a subsidiary of Berkshire Hathaway, had

agreed to purchase the massive Topaz solar project for an undisclosed sum. However, MidAmerican's estimates pegged the project's value at around \$2 billion. This is welcome news, given that just recently there were some doubts surrounding whether the project would get off the ground at all, since FSLR was unable to obtain a loan guarantee from the Department of Energy (DOE). The fact that the deal was executed without government backing suggests investors are warming up to these types of projects.

**We have lowered First Solar's Timeliness rank to 4.** The company faces a challenging next few years. With industry economics the way they are, it will be increasingly tough for FSLR's module business to be profitable. The company will have to rely more on its Systems business to contribute the bulk of profits. However, there are a number of uncertainties, with that business' heavy reliance on DOE funding and the possibility of stronger competition in utility-scale projects in the future. All in all, we urge investors to steer clear of this issue for now.

*Steven Shnyder* *December 30, 2011*