

RECENT PRICE **27.46** P/E RATIO **6.6** (Trailing: 4.9 Median: NMF) RELATIVE P/E RATIO **0.42** DIV'D YLD **Nil** **VALUE LINE**

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.	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
	--	--	--	1.06	1.87	6.41	15.27	24.24	29.86	31.98	42.30	44.50	Sales per sh ^A	55.55
	--	--	--	d.07	.20	1.73	5.00	9.03	9.56	8.31	6.90	7.15	"Cash Flow" per sh	8.90
	--	--	--	d.14	-.07	1.43	4.24	7.53	7.68	5.55	4.00	4.15	Earnings per sh ^{A B}	4.45
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
	--	--	--	.94	2.12	3.08	5.63	3.28	6.86	8.46	4.60	4.00	Cap'l Spending per sh	5.55
	--	--	--	.29	5.69	13.96	18.54	31.13	40.25	42.13	53.45	49.05	Book Value per sh	65.00
	--	--	--	45.21	72.33	78.58	81.60	85.23	85.84	86.49	87.50	89.00	Common Shs Outst'g ^C	90.00
	--	--	--	--	NMF	NMF	NMF	19.3	16.5	19.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	10.0
	--	--	--	--	NMF	NMF	NMF	1.29	1.05	1.23			Relative P/E Ratio	.65
	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil
CAPITAL STRUCTURE as of 12/31/11														
Total Debt \$663.6 mill. Due in 5 Yrs \$542.1 mill.	--	--	--	48.1	135.0	504.0	1246.3	2066.2	2563.5	2766.2	3700	3960	Sales (\$mill) ^A	5000
LT Debt \$619.1 mill. LT Interest \$19.7 mill. (8% of Cap'l)	--	--	--	NMF	9.6%	32.1%	39.9%	39.2%	35.3%	28.3%	20.0%	18.0%	Operating Margin	18.0%
	--	--	--	3.4	10.2	24.5	59.5	129.6	156.1	235.2	255	265	Depreciation (\$mill)	400
	--	--	--	d6.6	4.0	111.7	348.3	640.1	664.2	483.6	350	370	Net Profit (\$mill)	400
Leases, Uncapitalized Annual rentals \$13.1 mill.	--	--	--	--	56.7%	28.4%	24.9%	6.7%	12.8%	14.2%	15.0%	15.0%	Income Tax Rate	15.0%
	--	--	--	NMF	2.9%	22.2%	27.9%	31.0%	25.9%	17.5%	9.5%	9.0%	Net Profit Margin	7.2%
	--	--	--	d7.3	336.4	616.0	695.6	956.4	1114.8	1639.6	1750	1650	Working Cap'l (\$mill)	2250
No Defined Benefit Pension Plan	--	--	--	28.6	61.0	68.9	163.5	146.4	210.8	619.1	475	425	Long-Term Debt (\$mill)	250
	--	--	--	13.1	411.4	1097.3	1513.0	2652.8	3454.9	3643.9	3995	4365	Shr. Equity (\$mill)	5850
Common Stock 86,485,999 shs. as of 2/24/12	--	--	--	NMF	.9%	9.8%	20.9%	23.0%	18.1%	11.3%	8.0%	8.0%	Return on Total Cap'l	6.5%
MARKET CAP: \$2.8 billion (Mid Cap)	--	--	--	NMF	1.0%	10.2%	23.0%	24.1%	19.2%	13.3%	9.0%	8.5%	Return on Shr. Equity	7.0%
	--	--	--	NMF	1.0%	10.2%	23.0%	24.1%	19.2%	13.3%	9.0%	8.5%	Retained to Com Eq	7.0%
CURRENT POSITION 2009 2010 12/31/11 (\$MILL.)	--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

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, 2011) than traditional crystalline silicon solar modules. From 2002 to 2005, sold a total of 28 megawatts (MW) worth of

modules. In '07, 201 MW; '08, 498 MW; '09, 568 MW; '10, 727 MW. Has 7,000 employees. Foreign sales: 55% of '11 total (Germany 23%, down from 46% in '10). The Walton family owns 35.0% of common; officers/dir's, 1.2% (5/11 Proxy). CEO: Robert J. Gillette. Inc.: DE. Address: 350 W. Washington St., Suite 600, Tempe, AZ 85281. Tel.: 602-414-9300. Internet: www.firstsolar.com.

less certain since our last report. During its most recent conference call, the solar module manufacturer warned investors that traditional solar market subsidies were declining at a rapid pace, and that that trend was unlikely to reverse anytime soon. "This economic crisis is a very real

versus traditional cells, because of the sharp cost difference. However, now that the price of polysilicon has dropped below \$20/kg, that cost advantage is gone. Moreover, a larger number of First Solar's cells are required to generate the same amount of power as traditional cells, and hence

This concern is especially prevalent with regard to Germany, which was the world's largest market for solar panels last year. In February, the German Environmental and Economics Minister released a proposal that could potentially drastically reduce the size of the German solar mar-

soon. This concern is especially prevalent with regard to Germany, which was the world's largest market for solar panels last year. In February, the German Environmental and Economics Minister released a proposal that could potentially drastically reduce the size of the German solar market. This, coupled with more competitive cost structures at traditional module manufacturers, like Ying Li in China, does not augur well for First Solar.

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First Solar's competitive advantage has been eroded. The reason why First Solar was initially so successful was that its thin-film solar cells had a significant cost advantage versus polycrystalline cells. The company was miles ahead of the competition when solar-grade polysilicon sold for \$450 a kilogram (kg), because its cells used less of the material. And while silicon prices were high, developers were willing

ing. Next earnings report due early May.
n millions.

of power as traditional cems, and hence more space is required.

Meanwhile, excess supply within the industry and intense competition are driving down the price of panels. For that reason, FSLR has either suspended the operation of several plants and/or halted the construction of others. These conditions have forced the company to incur underutilization charges for the shuttered plants. As of now, our 2012 top- and bottom-line estimates remain unchanged.

First Solar is neutrally-ranked for the next six to 12 months. However, low visibility on earnings going forward makes it difficult to establish an investment case for this equity. Moreover, the uncertainties surrounding the future state of subsidies in Germany, and elsewhere, add to the risk here.

Steven Shnayder *March 30, 2012*

Company's Financial Strength	A
Stock's Price Stability	15
Price Growth Persistence	40
Earnings Predictability	35