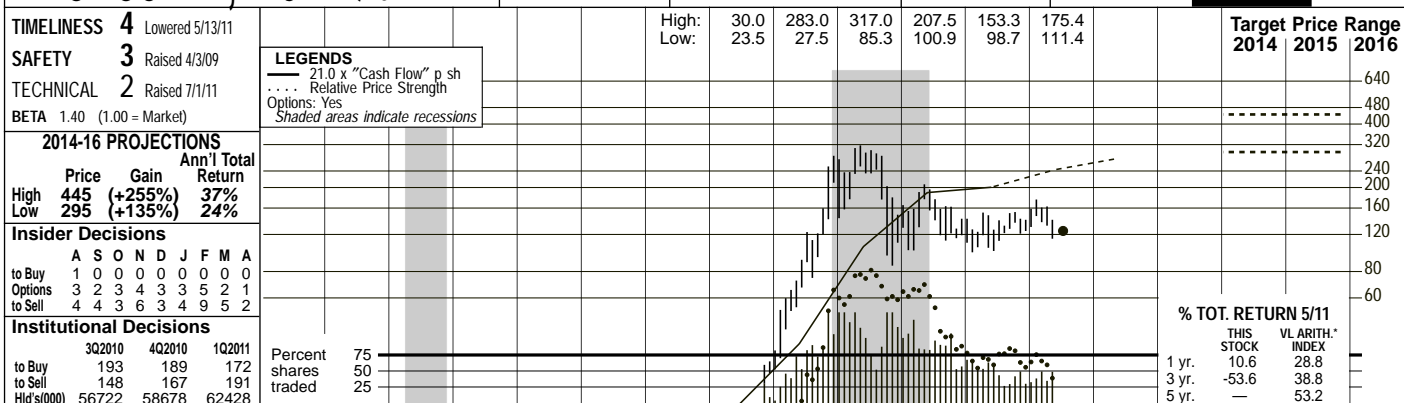


FIRST SOLAR, INC. NDQ:FSLR

RECENT PRICE **124.65** P/E RATIO **13.3** (Trailing: 17.8 Median: NMF) RELATIVE P/E RATIO **0.82** 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.	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	42.50	53.65	Sales per sh ^A	84.20
	--	--	--	--	d.07	.20	1.73	5.00	9.03	9.55	11.60	13.15	"Cash Flow" per sh	17.40
	--	--	--	--	d.14	.07	1.43	4.24	7.53	7.68	9.40	10.70	Earnings per sh ^{A B}	14.85
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
	--	--	--	--	.94	2.12	3.08	5.63	3.28	6.86	12.50	6.75	Cap'l Spending per sh	9.45
	--	--	--	--	.29	5.69	13.96	18.54	31.13	40.25	48.50	58.65	Book Value per sh	81.20
	--	--	--	--	45.21	72.33	78.58	81.60	85.23	85.84	88.00	89.00	Common Shs Outst'g ^C	95.00
	--	--	--	--	--	NMF	73.1	50.7	19.3	16.5	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	25.0
	--	--	--	--	--	NMF	3.88	3.05	1.29	1.06			Relative P/E Ratio	1.65
CAPITAL STRUCTURE as of 3/31/11 Total Debt \$131.7 mill. Due in 5 Yrs \$131.7 mill. LT Debt \$103.5 mill. LT Interest \$0.1 mill. (3% of Cap'l)	--	--	--	--	48.1	135.0	504.0	1246.3	2066.2	2563.5	3740	4775	Sales (\$mill) ^A	8000
	--	--	--	--	NMF	9.6%	32.1%	39.9%	39.2%	35.3%	30.5%	28.0%	Operating Margin	25.0%
Leases, Uncapitalized Annual rentals \$8.4 mill.	--	--	--	--	3.4	10.2	24.5	59.5	129.6	156.1	205	225	Depreciation (\$mill)	275
	--	--	--	--	d6.6	4.0	111.7	348.3	640.1	664.1	815	947	Net Profit (\$mill)	1380
	--	--	--	--	--	56.7%	28.4%	24.9%	6.7%	12.8%	13.0%	15.0%	Income Tax Rate	20.0%
	--	--	--	--	NMF	2.9%	22.2%	27.9%	31.0%	25.9%	21.8%	19.8%	Net Profit Margin	17.2%
No Defined Benefit Pension Plan	--	--	--	--	d7.3	336.4	616.0	695.6	956.4	1114.8	1630	2205	Working Cap'l (\$mill)	3630
	--	--	--	--	28.6	61.0	68.9	163.5	146.4	210.0	210	210	Long-Term Debt (\$mill)	210
	--	--	--	--	13.1	411.4	1097.3	1513.0	2652.8	3455.0	4270	5215	Shr. Equity (\$mill)	7715
Common Stock 86,160,700 shs. as of 4/29/11 MARKET CAP: \$10.7 billion (Large Cap)	--	--	--	--	NMF	.9%	9.8%	20.9%	23.0%	18.1%	18.0%	17.5%	Return on Total Cap'l	17.5%
	--	--	--	--	NMF	1.0%	10.2%	23.0%	24.1%	19.2%	19.0%	18.0%	Return on Shr. Equity	18.0%
CURRENT POSITION 2009 2010 3/31/11 (\$MILL.)	--	--	--	--	NMF	1.0%	10.2%	23.0%	24.1%	19.2%	19.0%	18.0%	Retained to Com Eq	18.0%
	--	--	--	--	--	--	--	--	--	--	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, 2010) 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 6,100 employees. Foreign sales: 87% of '10 total (Germany, 46%, down from 65% in '09). 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.

Since our April report, untimely First Solar stock has sold off significantly. Shares of most rivals met the same fate, as the industry faced rising competition and heavy price erosion due to an increasing number of entrants. There is also significant uncertainty with respect to future subsidization policies in Europe. The lack of clarity there is interfering with project economics and financing.

But the pullback in price presents a good buying opportunity for patient investors with a long-term view. First Solar is uniquely positioned, thanks to a cheaper manufacturing process. It means that subsidization matters less to the company than it does to competitors. That's important in an industry where dependence on government support is heavy. The company's ability to undercut on prices results in no shortage of customers. A fat order pipeline should generate earnings per share of \$9.40 this year and another \$10.70 in 2012, up 14% year over year. A multiple of just 13.2 doesn't appear too rich for that kind of growth.

The company may benefit from a change in Germany's stance on nuclear energy. Following the unfortunate events in Japan this past spring, discussions on the safety of nuclear energy have again come to the fore. Germany is showing that it is not just talk. In May, its government, putting its money where its mouth is, said it will phase out all of its nuclear power plants by 2022. The European nation was already a leader in its use of wind and solar technology, which provided about 17% of its electricity needs in 2010. But, with this new resolve, that measure may well surpass 40% over the next decade. As the single largest volume and lowest-cost producer of solar panels to Germany (46% of 2010 sales), First Solar appears to be in a strong position to gain. In fact, in what seems like almost a prescient move, the company just opened another major plant in the country that positions it better than ever for growth there.

The company is getting close to securing U.S. federal loan guarantees on four major projects. This new source of funding should be a major benefit to First Solar, as it is one of the last major U.S.-based independent solar panel makers.

Warren Thorpe
July 1, 2011