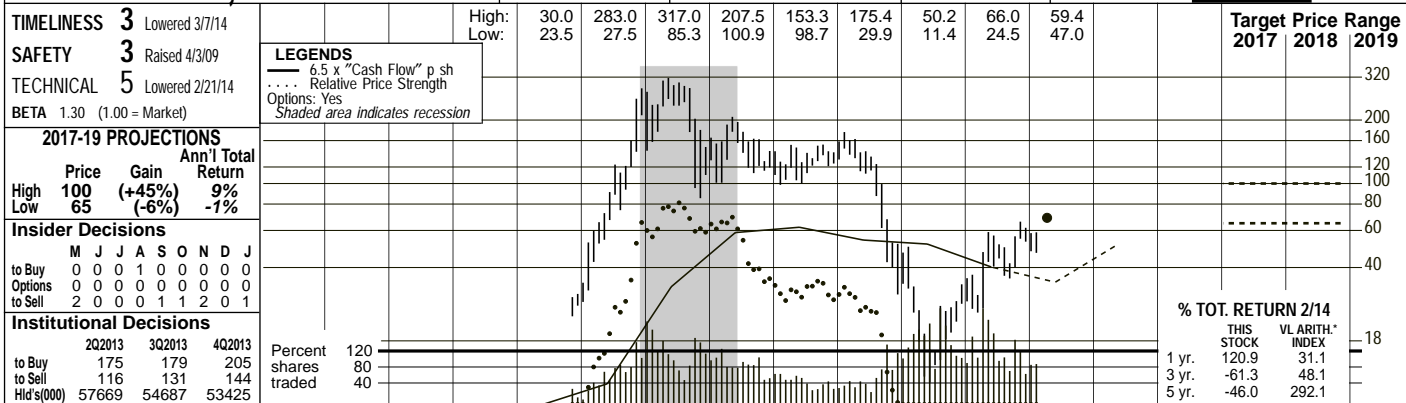


# FIRST SOLAR, INC. NDQ:FSLR

RECENT PRICE **68.87** P/E RATIO **26.6** (Trailing: 13.8 Median: NMF) RELATIVE P/E RATIO **1.42** 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.	2004	2005	2006 <sup>A</sup>	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
	--	1.06	1.87	6.41	15.27	24.24	29.86	31.98	38.65	33.25	38.50	41.00	Sales per sh <sup>A</sup>	45.00
	--	d.07	.20	1.73	5.00	9.03	9.56	8.31	7.95	6.20	5.25	8.00	"Cash Flow" per sh	11.00
	--	d.14	.07	1.43	4.24	7.53	7.68	5.55	4.90	3.70	2.60	5.25	Earnings per sh <sup>A B</sup>	5.25
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
	--	.94	2.12	3.08	5.63	3.28	6.86	8.46	4.35	2.85	3.50	3.50	Cap'l Spending per sh	3.00
	--	.29	5.69	13.96	18.54	31.13	40.25	42.13	41.37	45.25	47.90	53.15	Book Value per sh	65.00
	--	45.21	72.33	78.58	81.60	85.23	85.84	86.49	87.15	99.51	100.00	100.00	Common Shs Outst'g <sup>C</sup>	100.00
	--	--	NMF	73.1	50.7	19.3	16.5	19.4	5.0	11.8	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	16.0
	--	--	NMF	3.88	3.05	1.29	1.05	1.22	.32	.66			Relative P/E Ratio	1.00
<b>CAPITAL STRUCTURE as of 12/31/13</b>														
Total Debt \$223.3 mill. Due in 5 Yrs \$229.2 mill.	--	48.1	135.0	504.0	1246.3	2066.2	2563.5	2766.2	3368.5	3309.0	3850	4100	Sales (\$mill) <sup>A</sup>	4500
LT Debt \$162.8 mill. LT Interest \$17.0 mill.	--	NMF	9.6%	32.1%	39.9%	39.2%	35.3%	28.3%	20.6%	21.0%	18.0%	22.0%	Operating Margin	25.0%
(Total int. coverage: 25.0x) (3% of Cap'l)	--	3.4	10.2	24.5	59.5	129.6	156.1	235.2	262.7	264.0	265	275	Depreciation (\$mill)	550
	--	d6.6	4.0	111.7	348.3	640.1	664.2	483.6	430.1	353.2	260	525	Net Profit (\$mill)	550
<b>Leases, Uncapitalized</b> Annual rentals \$12.5 mill.	--	--	56.7%	28.4%	24.9%	6.7%	12.8%	14.2%	12.1%	7.0%	16.0%	17.0%	Income Tax Rate	35.0%
	--	NMF	2.9%	22.2%	27.9%	31.0%	25.9%	17.5%	12.8%	10.7%	6.8%	12.8%	Net Profit Margin	12.2%
<b>No Defined Benefit Pension Plan</b>	--	d7.3	336.4	616.0	695.6	956.4	1114.8	1639.6	1730.9	2204.7	1800	1950	Working Cap'l (\$mill)	2250
	--	28.6	61.0	68.9	163.5	146.4	210.8	619.1	500.2	162.8	165	165	Long-Term Debt (\$mill)	Nil
<b>Common Stock</b> 99,506,941 shs.	--	13.1	411.4	1097.3	1513.0	2652.8	3454.9	3643.9	3605.5	4503.1	4790	5315	Shr. Equity (\$mill)	6500
	--	NMF	.9%	9.8%	20.9%	23.0%	18.1%	11.3%	10.6%	7.7%	5.5%	9.5%	Return on Total Cap'l	8.5%
<b>MARKET CAP: \$5.7 billion (Mid Cap)</b>	--	NMF	1.0%	10.2%	23.0%	24.1%	19.2%	13.3%	11.9%	7.8%	5.5%	10.0%	Return on Shr. Equity	8.5%
<b>CURRENT POSITION</b> 2010 2011 12/31/12	--	NMF	1.0%	10.2%	23.0%	24.1%	19.2%	13.3%	11.9%	7.8%	5.5%	10.0%	Retained to Com Eq	8.5%
(SMILL.)	--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil
Cash Assets 933.6 671.8 1003.9	--	--	--	--	--	--	--	--	--	--	Nil	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 (\$0.63, 2013) than traditional crystalline silicon solar modules. From 2002 to 2006, sold a total of 28 megawatts (MW) worth of modules. In '07, 201 MW; '08, 498 MW; '09, 568 MW; '10, 727 MW; '11, 880 MW; '12, 1,875 MW; '13, 2625 MW. Has 4,850 employees. Foreign sales: 14% of '13 total. Walton family owns 35.0% of common; off/dir., less than one percent (5/13 Proxy). CEO: James Hughes. Inc.: DE. Add.: 350 W. Washington St., Suite 600, Tempe, AZ 85281. Tel.: 602-414-9300. Internet: www.firstsolar.com.

<b>ANNUAL RATES</b> Past 10 Yrs. Past 5 Yrs. Est'd '10-'12 to '17-'19	2010	2011	2012	2013	2014	2015
of change (per sh)	933.6	671.8	1003.9	954.5	954.5	954.5
Sales	307.1	844.0	954.5	954.5	954.5	954.5
"Cash Flow"	200.4	536.6	434.9	439.0	439.0	439.0
Earnings	143.4	560.9	439.0	439.0	439.0	439.0
Dividends	1584.5	2613.3	2832.3	2832.3	2832.3	2832.3
Book Value	82.3	176.4	350.2	62.4	688.8	1101.4
	26.6	44.5	62.4	62.4	62.4	62.4
	360.8	752.8	688.8	688.8	688.8	688.8
	469.7	973.7	1101.4	1101.4	1101.4	1101.4

<b>QUARTERLY SALES (\$mill.)</b>	Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	567.3	532.8	1005.8	660.3	2766.2	2766.2
2012	497.1	957.3	839.1	1075.0	3368.5	3368.5
2013	755.2	519.7	1265.6	768.5	3309.0	3309.0
2014	800	750	1150	1150	3850	3850
2015	900	750	1250	1200	4100	4100

<b>EARNINGS PER SHARE<sup>B</sup></b>	Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	1.33	.70	2.26	1.26	5.55	5.55
2012	d.08	1.65	1.25	2.04	4.90	4.90
2013	.66	.37	2.03	.64	3.70	3.70
2014	.60	.60	.75	.65	2.60	2.60
2015	1.15	1.30	1.25	1.55	5.25	5.25

<b>QUARTERLY DIVIDENDS PAID</b>	Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010						
2011						
2012						
2013						
2014						
2015						

(A) All data prior to 2006 are pro forma.  
 (B) Diluted Earnings. Excludes nonrecurring gain/(losses): '07, 51¢; '11, (\$6.01); '12, (\$6.00). Earnings may not sum due to rounding.  
 (C) In millions.  
 (D) Price as of 10 AM, 3/20/2014

and change in shares outstanding. Next earnings report due late April.

**First Solar's earnings guidance was way off the mark again.** For the fourth straight quarter, the solar company's management has provided Wall Street with an estimated earnings range, and then failed to come close to the projections. In 2013's December period, share earnings came in at \$0.64, missing guidance by about \$0.40. Meanwhile, revenues of \$768 million were almost \$200 million below the estimate. Delays in revenue recognition of certain plants were given as the main reason for the discrepancy. We point this out not to question the company's motives, but, rather to highlight the difficulty of predicting earnings in this volatile industry.

**The market for large projects appears to be soft.** This is not great news for First Solar, since it has been involved in constructing facilities such as Topaz and the Desert Sunlight Solar Farm, both among the largest solar projects ever built. Not many concerns have the expertise and financial wherewithal to be in this segment of the industry, reducing the competition. Recently, First Solar appears to be more involved in smaller deals, where the margins are thinner.

**First Solar is an unique presence in the solar industry.** Many of the companies in this sector have experienced large losses over the past few years and have seen their balance sheets ravaged by the severe pricing environment. Conversely, First Solar has not recorded a loss since going public in 2006. In addition, the company's finances are very strong. Cash on hand is abundant and the debt-to-total capital ratio is a measly 3%. Indeed, out of 15 companies in the Power Industry, First Solar is the only one to merit a Financial Strength Rating (A) above B+.

**The earnings picture is mixed.** We are looking for share earnings to decline \$1.10 this year, to \$2.60, as project completion dates are likely to be pushed back to next year. As a result of these deferrals, however, the bottom line may well rebound to \$5.25 a share in 2015.

**These shares are ranked to perform in line with the broader market averages in the coming six- to 12- month period.** The recent one day spike in the stock price has removed some of the luster from this equity.

James A. Flood  
 March 28, 2014