

# FIRST SOLAR, INC. NDQ:FSLR

RECENT PRICE **27.84** P/E RATIO **5.9** (Trailing: 5.7 Median: NMF) RELATIVE P/E RATIO **0.35** DIV'D YLD **Nil** VALUE LINE

TIMELINESS <b>3</b> Raised 12/28/12	High: 30.0	283.0	317.0	207.5	153.3	175.4	50.2	37.0	Target Price Range	2016	2017	2018
SAFETY <b>3</b> Raised 4/3/09	Low: 23.5	27.5	85.3	100.9	98.7	29.9	11.4	24.5				
TECHNICAL <b>2</b> Lowered 3/22/13												
BETA 1.45 (1.00 = Market)												

**LEGENDS**  
 5.5 x "Cash Flow" p sh  
 .... Relative Price Strength  
 Options: Yes  
 Shaded areas indicate recessions

2016-18 PROJECTIONS			
Price	Gain	Ann'l Total	Return
High <b>50</b>	<b>(+80%)</b>	<b>16%</b>	
Low <b>35</b>	<b>(+25%)</b>	<b>6%</b>	
Insider Decisions			
M J J A S O N D J			
to Buy	0	0	0
Options	0	0	0
to Sell	1	1	0
Institutional Decisions			
2Q2012	3Q2012	4Q2012	
to Buy	102	135	122
to Sell	156	101	122
Hld's(000)	60588	65568	63643

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.

**CAPITAL STRUCTURE as of 12/31/12**  
 Total Debt \$562.5 mill. Due in 5 Yrs \$360.0 mill.  
 LT Debt \$500.2 mill. LT Interest \$17.0 mill.  
 (Total int. coverage: over 25x) (12% of Cap'l)

**Leases, Uncapitalized** Annual rentals \$12.5 mill.

**No Defined Benefit Pension Plan**

**Common Stock** 87,145, 323 shs.

**MARKET CAP: \$2.4 billion (Mid Cap)**

CURRENT POSITION	2010	2011	12/31/12
Cash Assets	933.6	671.8	901.3
Receivables	305.5	310.6	553.6
Inventory (FIFO)	200.4	475.9	434.9
Other	145.0	1155.0	942.5
Current Assets	1584.5	2613.3	2832.3
Accts Payable	82.3	176.4	350.2
Debt Due	26.6	44.5	62.3
Other	360.8	752.8	688.9
Current Liab.	469.7	973.7	1101.4

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11
of change (per sh)			
Sales	--	NMF	7.0%
"Cash Flow"	--	NMF	-3.5%
Earnings	--	--	-8.5%
Dividends	--	--	Nil
Book Value	--	NMF	6.5

Cal-endar	QUARTERLY SALES (\$ mill.)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2010	568.0	587.8	797.9	609.8	2563.5
2011	567.3	532.8	1005.8	660.3	2766.2
2012	497.1	957.3	839.1	1075.0	3368.5
2013	700	975	775	1200	3650
2014	725	1000	800	1225	3750

Cal-endar	EARNINGS PER SHARE <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2010	2.00	1.84	2.04	1.80	7.68
2011	1.33	.70	2.26	1.26	5.55
2012	d.08	1.65	1.25	2.04	4.90
2013	.90	1.00	.80	.80	3.50
2014	.90	1.00	.90	.95	3.75

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	

**NO CASH DIVIDENDS BEING PAID**

	2003	2004	2005 <sup>A</sup>	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
Sales per sh <sup>A</sup>	--	--	1.06	1.87	6.41	15.27	24.24	29.86	31.98	38.65	41.50	42.60	Sales per sh <sup>A</sup>	45.45
"Cash Flow" per sh	--	--	d.07	.20	1.73	5.00	9.03	9.56	8.31	7.91	6.55	6.65	"Cash Flow" per sh	7.05
Earnings per sh <sup>A B</sup>	--	--	d.14	.07	1.43	4.24	7.53	7.68	5.55	4.90	3.50	3.75	Earnings per sh <sup>A B</sup>	3.75
Div'ds Decl'd per sh	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
Cap'l Spending per sh	--	--	.94	2.12	3.08	5.63	3.28	6.86	8.46	4.35	4.25	4.00	Cap'l Spending per sh	4.00
Book Value per sh	--	--	.29	5.69	13.96	18.54	31.13	40.25	42.13	41.37	44.50	48.30	Book Value per sh	59.10
Common Shs Outst'g <sup>C</sup>	--	--	45.21	72.33	78.58	81.60	85.23	85.84	86.49	87.16	88.00	88.00	Common Shs Outst'g <sup>C</sup>	88.00
Avg Ann'l P/E Ratio	--	--	--	NMF	NMF	50.7	19.3	16.5	19.4	5.3	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	11.0
Relative P/E Ratio	--	--	--	NMF	NMF	3.05	1.29	1.05	1.22	.40			Relative P/E Ratio	.75
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil
Sales (\$mill) <sup>A</sup>	--	--	48.1	135.0	504.0	1246.3	2066.2	2563.5	2766.2	3368.5	3650	3750	Sales (\$mill) <sup>A</sup>	4000
Operating Margin	--	--	NMF	9.6%	32.1%	39.9%	39.2%	35.3%	28.3%	21.0%	20.5%	19.0%	Operating Margin	16.0%
Depreciation (\$mill)	--	--	3.4	10.2	24.5	59.5	129.6	156.1	235.2	264.0	265	255	Depreciation (\$mill)	290
Net Profit (\$mill)	--	--	d6.6	4.0	111.7	348.3	640.1	664.2	483.6	425.0	310	330	Net Profit (\$mill)	330
Income Tax Rate	--	--	--	56.7%	28.4%	24.9%	6.7%	12.8%	14.2%	15.0%	16.0%	17.0%	Income Tax Rate	35.0%
Net Profit Margin	--	--	NMF	2.9%	22.2%	27.9%	31.0%	25.9%	17.5%	12.6%	8.5%	8.8%	Net Profit Margin	8.3%
Working Cap'l (\$mill)	--	--	d7.3	336.4	616.0	695.6	956.4	1114.8	1639.6	1730.9	1800	1800	Working Cap'l (\$mill)	2250
Long-Term Debt (\$mill)	--	--	28.6	61.0	68.9	163.5	146.4	210.8	619.1	500.2	470	470	Long-Term Debt (\$mill)	500
Shr. Equity (\$mill)	--	--	13.1	411.4	1097.3	1513.0	2652.8	3454.9	3643.9	3605.5	3915	4250	Shr. Equity (\$mill)	5200
Return on Total Cap'l	--	--	NMF	.9%	9.8%	20.9%	23.0%	18.1%	11.3%	10.5%	7.5%	7.0%	Return on Total Cap'l	6.0%
Return on Shr. Equity	--	--	NMF	1.0%	10.2%	23.0%	24.1%	19.2%	13.3%	11.8%	8.0%	8.0%	Return on Shr. Equity	9.5%
Retained to Com Eq	--	--	NMF	1.0%	10.2%	23.0%	24.1%	19.2%	13.3%	11.8%	8.0%	8.0%	Retained to Com Eq	9.5%
All Div'ds to Net Prof	--	--	--	--	--	--	--	--	--	--	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 (\$0.73, 2012) 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. Has 7,000 employees. Foreign sales: 20% of '12 total. The Walton family owns 35.0% of common; officers/directors, less than one percent (5/12 Proxy). CEO: James Hughes. Inc.: DE. Add.: 350 W. Washington St., Suite 600, Tempe, AZ 85281. Tel.: 602-414-9300. Internet: www.firstsolar.com.

**First Solar's short-term prospects are murky.** After reporting solid results for 2012's fourth quarter, the company's management unexpectedly only gave guidance for this year's March period. Moreover, it suggested that profits in the second half of the year would most likely decline. The announcement scared investors, and the stock fell 10% in one day.

**Consequently, we've slashed our earnings estimates for the company.** We are now dubious as to whether First Solar can convert up to half of its scheduled second-half bookings into revenues. We have therefore lowered our full-year share-net estimate by \$1.15, to \$3.50. We are deducting a similar amount from our 2014 forecast, resulting in annual share earnings of \$3.75. It should be noted, though, that our confidence level in these numbers is low. First Solar will try to give a clearer picture of the company's operations at an analyst meeting scheduled for April 9th.

**We don't think First Solar's difficult market conditions will ease anytime soon.** While demand for solar panels has been rising, it just hasn't kept pace with the huge amount of new plant that has

recently come on line over the past few years. This excess capacity has caused the pricing environment to be extremely competitive. We think it will take years before demand and supply are in balance.

**Not all the news is bad.** Since a large part of First Solar's business involves building turn-key facilities, in which it uses its expertise to build large projects from scratch and then turn them over to customers, the company is less vulnerable to falling solar panel prices than are some of its competitors.

**These neutrally ranked shares are only for speculators.** Thanks to its dismal historical five-year price chart, (the stock is off 90% from its 2008 high), Wall Street has a decidedly negative view of this equity. Indeed, we think that even a whiff of bad news would send the stock into a tailspin, as was the case earlier this year. This fact, combined with the ill-defined outlook for the company, makes these shares suitable only for risk-takers who believe that the stock has been over-sold and can experience a decent bounce on any kind of good news.

James A. Flood March 29, 2013

(A) All data prior to 2006 are pro forma.  
 (B) Diluted earnings. Excludes nonrecurring gain/(losses): '07, \$1¢; '11, (\$6.01); '12, (\$6.00). Earnings may not sum due to rounding.

and change in shares outstanding. Next earnings report due late May.  
 (C) In millions.

Company's Financial Strength	A
Stock's Price Stability	15
Price Growth Persistence	30
Earnings Predictability	35

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