



UPDATE 2-First Solar Q4 profit, sales top Wall St view

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- * Q4 EPS \$1.65 tops Wall St view of \$1.52
- * Revenue jumps 48 pct to \$641.3 million
- * Shares slip 5.3 percent (Adds analyst comments, background on Germany, bylines)

By Matt Daily and Poornima Gupta

NEW YORK/SAN FRANCISCO, Feb 18 (Reuters) - First Solar Inc, the lowest-cost photovoltaic solar manufacturer, posted higher-than-expected profit and stuck to its 2010 forecast on Thursday despite industry fears that demand will shrink in the key German market.

Net income for the fourth-quarter slipped to \$141.6 million, or \$1.65 per share, from \$153.3 million, or \$1.79 per share, in the year-ago quarter.

That beat analysts' average forecast of \$1.52 per share, according to Thomson Reuters I/B/E/S.

The company, one of the world's largest producers of the cells and modules that turn sunlight into electricity, reiterated its forecast for 2010 net sales of \$2.7 billion to \$2.9 billion and earnings per share of \$6.05 to \$6.85.

Planned cuts to German solar subsidies have cast a gloom across the industry in recent weeks, with analysts and experts predicting that demand in the world's largest market for the renewable power source could shrink sharply later this year.

Still, demand in Germany, which is also First Solar's largest market, is likely to jump in the coming weeks as developers move to install new systems before the country's subsidies are lowered.

"Looking forward to Q1 and Q2, things look good, not just for First Solar but every reputable solar company that is supplying into Germany. Germany is going to buoy the first half of 2010," said Ishita Manjrekar, senior analyst at Primary Global Research.

"It's the second half that becomes concerning," she added.

First Solar uses cadmium telluride rather than polysilicon to make its thin film cells, and has the lowest production cost in the industry, although its cells are not as efficient as those made by rivals such as Suntech Power Holdings and SunPower Corp.

Revenue rose 48 percent to \$641.3 million, easily topping analysts' forecast of \$584 million, and gross margin for the fourth quarter fell to 41.5 percent from 50.9 percent in the third quarter.

First Solar's shares have struggled so far this year, dropping about 7 percent. Last year, the shares shed half their value.

Shares in the company, which had gained 1.7 percent during the regular trading session on Nasdaq, fell 5.3 percent to \$119.59 after the earnings report. (Reporting by Matt Daily; Editing by Gary Hill)