

## UPDATE 3-First Solar sales lag Wall St, solar shares sag

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Wed Oct 28, 2009 6:49pm EDT

- \* Q3 EPS \$1.79 vs Wall Street view of \$1.74
- \* Q3 revenue of \$480.9 mln vs Street view of \$528.8 mln
- \* Q4 gross margin expected at 41-44 pct vs 50.9 pct in Q3
- \* Shares down 14 pct at \$130, solar stocks weaken (Adds comments from executives, margin outlook, updates shares)

SAN FRANCISCO, Oct 28 (Reuters) - First Solar Inc (FSLR.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) posted quarterly sales on Wednesday far below Wall Street's view and gave an outlook showing competition was hurting prices, dashing hopes for a sector rebound and knocking 14 percent off its shares.

The solar panel maker's results, which follow disappointing outlooks from smaller U.S. solar companies SunPower Corp (SPWR.A.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Akeena Solar Inc (AKNS.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) last week, tempered investor optimism of a rebound in renewable energy this year.

Analysts saw pressure on thin-film photovoltaic makers from sliding silicon prices. First Solar also had to exclude \$58 million in revenue from a major Canadian plant due to timing.

First Solar said its updated full-year guidance implied fourth-quarter gross margins of 41 percent to 44 percent, down from nearly 51 percent in the third quarter.

Chief Financial Officer Jens Meyerhoff told analysts on a conference call the company, despite being the "industry leader," made decisions on pricing that were guided by its goal of protecting market share.

The company's updated 2009 revenue guidance of \$1.975 billion to \$2.025 billion compares with the average analyst forecast of \$2.003 billion, according to Thomson Reuters I/B/E/S.

The shares of First Solar -- the first pure-play solar company to join the benchmark S&P 500 index -- plunged 14 percent to \$130 in after-hours trading from a close of \$151.58 on Nasdaq. The shares of rivals SunPower and LDK Solar Co Ltd (LDK.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) slipped 2 percent.

First Solar posted third-quarter net income of \$153.3 million, or \$1.79 per share, up from \$99.3 million, or \$1.20 per share, a year ago. That beat analysts' average view of \$1.74 per share.

### SARNIA SOLD

Revenue was \$480.9 million, up from \$348.7 million last year, but sharply below an analyst forecast of \$528.8 million. The company excluded \$58 million from the Sarnia project in Canada, which was 65 percent complete at the end of the quarter and has been sold to Enbridge Inc (ENB.TO: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)). [ID:nN02316492]

First Solar's results come as the solar power industry is struggling to bounce back after struggling with a lack of financing for new projects and a global glut of panels.

Demand for systems that turn sunlight into electricity has taken a hit because of the global financial crisis and an oversupply of cells and modules, triggered by a cutback in Spanish subsidies.

Another worry for solar companies, including First Solar, is when and by how much Germany's government will cut aid to its solar industry, the world's top market.

First Solar Chairman Michael Ahearn saw potential for an earlier reduction of the aid due to recent elections there.

"It is an uncertainty that we have to plan around," he said.

Tempe, Arizona-based First Solar has weathered the global recession better than many peers because its cadmium telluride panels are cheaper to produce than the silicon-based panels that dominate the market. The cost in the third quarter fell to 85 cents per watt from 87 cents the quarter before.

But **Ishita Manjrekar, senior analyst at Primary Global Research**, said First Solar's results reflected the pressure thin film is facing because crystalline silicon prices have been coming down a lot faster than anticipated.

"We have seen prices (of crystalline silicon) go down so much that First Solar is no longer the cheaper module."

(Reporting by [Braden Reddall](#) and [Poornima Gupta](#); editing by [Leslie Gevirtz](#), Gary Hill and Andre Grenon)