Canadian Solar Lose Its Gleam

Melinda Peer, 11.21.08, 02:40 PM EST

The solar cell manufacturer dimmed its outlook, pointing to poor credit and weak currency.

Canadian Solar drastically dimmed its outlook, citing bleak credit conditions and the negative impact of currency rates, when it reported weaker-than-expected third-quarter earnings on Friday.

Shares of the China-based solar cell manufacturer fell 10.9%, or by 41 cents, to $3.37, during Friday's afternoon trading session as Chairman Shawn Qu warned that the difficult macroeconomic environment and volatile foreign exchange rates continues to hurt the company. Qu said Canadian Solar has taken measures to hedge against currency fluctuations of the Euro against the U.S. dollar, which should help results in upcoming quarters.

On Friday, Canadian Solar (nasdaq: CSIQ - news - people) said net earnings rose to $11.1 million, or 31 cents a share in the third quarter, from $0.5 million, or 2 cents a share, a year ago. Earnings, adjusted to exclude special items were 41 cents a share, which missed the 54-cent estimate projected by analysts. Sales more than doubled, to $252.4 million, from $97.4 million in 2007's third quarter and surpassed analysts' expectations for
sales of $248.0 million.

"Given the uncertainty of project and customers' financing coupled with softening solar market demand in Europe and the U.S. at the year end, the company has shifted its short-term operational emphasis to preserving cash and minimizing risk from the credit environment," Canadian Solar said, adding that fourth-quarter shipments are now expected to be between 20 and 25 megawatts for fourth-quarter sales between $70.0 million and $85.0 million. The new guidance is far below the $270.1 million in sales that analysts have been expecting.

The company, which is incorporated in Canada but has solar cell and module plants in China, said it would temporarily delay capital expenditures because of market conditions. The weakened financial environment could also require certain write-downs on inventory and receivables that could result in a fourth-quarter net loss.

For 2008, Canadian Solar now projects sales in the range of $650.0 million to $750.0 million, down from between $850.0 million and $970.0 million previously. Analysts polled by Thomson Financial have been expecting sales of $901.9 million.

 Reuters contributed to this article.

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