Suntech Casts A Shadow

**Ruthie Ackerman**, 11.21.08, 03:50 AM EST

The solar cell manufacturer reported lower-than-expected 3Q earnings and slashed its forecast.

The darkening cloud of the credit crisis and a weak euro has cast a shadow over Suntech Power Holdings.

**Suntech Power Holdings** (nyse: STP - news - people ) reported lower-than-expected third-quarter earnings and slashed its full-year sales forecast on Thursday. The global credit crunch and ailing currency have forced the company to lower prices and customers to defer orders.

**Dr. Zhengrong Shi**, Suntech's chief executive, called these issues "near-term challenges" and said he expected the company's profits to improve in 2009.

But Hapoalim Securities USA Senior Vice President Gordon L. Johnson II warned that demand would fall significantly in 2009. The reason: Spain is putting an installation cap of 400 megawatts on the amount of solar installed in 2009, reducing demand next year by 65.0% to 75.0%. In 2008, Spain's solar consumption was 30.0% to 40.0% of total consumption. In addition the credit crisis has crippled the ability to fund solar projects. Johnson estimates...
that 90.0% of all solar projects are funded with 50.0% to 70.0% debt.

The prevailing theme over the next three to six months, Johnson forecasts, will be cancellations. He said there has already been a number of major cancellations and delays: **Southern California Edison's** (amex: SCE.PR.B - news - people) 250 megawatt project has been pushed back to the spring of 2009—bad news for **First Solar** (nasdaq: FSLR - news - people), which has exposure to the project, and New Jersey’s largest utility, the **Public Service Enterprise Group** (nyse: PEG - news - people), slashed its capital expenditures for 2009 by 15.0%, 40.0% of which was slated for renewable energy.

"The problem here is the banks. The customer wants more modules, but they have to have liquidity," said Shi on a conference call. "We have to separate the market demand and the financial [situation]."

Suntech’s shares tumbled 39.6%, or $3.54, to $5.39, at the close.

**Comment On This Story**

Europe’s demand for solar modules has been strong because of its energy tariffs, where customers who produce their own solar energy can sell back surplus power at premium rates. (See "Suntech Feels The Power.") This differs from the U.S. where customers may only sell back what they bought in the previous month at current rates through “net metering tariffs.” But the ailing euro is causing some customers to defer orders.
Suntech’s third-quarter earnings got a boost to $55.9 million, or 33 cents per American Depositary Share, from $53.3 million, or 32 cents a share, in the prior year. But analysts had forecasted earnings of 42 cents per share. Excluding one-time items, Suntech reported profit of $60.3 million, or 35 cents per ADS.

Markets Brief  
November 22, 2008 09:00 AM EST

Wall Street Looks For Confidence
All of a sudden, there’s a lot to watch on Wall Street, and some of it could hold hope for the future. The U.S. stock market was shaken out of its recent slide on Friday after it was reported that Pres... Read More  

Full Markets Coverage >

The company’s sales soared 53.7% to $594.4 million, up from $386.7 million in the prior year. Analysts forecasted revenue of $571.7 million. Margins plunged 20.0% as the euro fell against the dollar and the cost of silicon wafers increased. Now Suntech is predicting its selling price for its modules will fall 17.0% in the fourth quarter because of the falling euro.

Suntech forecast 2008 revenue between $1.85 billion and $1.87 billion, down from a previous range of $2.05 billion to $2.15 billion.

Suntech said it expected 2009 shipments of more than 800 megawatts. But Johnson said that Suntech was not leaving room for cancellations on the 600 megawatts of contracts they already had in Europe. Johnson said there was a high risk of cancellation due to industry oversupply, the credit crisis, and strong competition.

Shi said the company was trying to slash costs and renegotiate its polysilicon contracts.

Prices for polysilicon on the Chinese spot market, which accounts for about half of Suntech’s supplies, have declined by...
more than 50.0% in the past month, to less than $200 per kilogram.

Reuters contributed to this article.

In Pictures: Market Masters
Tech Earnings Surprise
Asian Stocks Start Friday Extending Losses
Fannie, Freddie Suspend Foreclosures

Rate This Story

Your Rating ★ ★ ★ ★ ★ Overall Rating ★ ★ ★ ★ ★

Reader Comments

Comment On This Story

Today On Forbes.com

A Wall Streeter’s Guide To Finding A Job
Tara Weiss
Fired by a financial firm? Here’s a road map to rejoining the workforce.
- Layoff Tracker
- Most Recession-Proof Jobs
- Best And Worst Months For Mass Layoffs

Hacking Airport Wi-Fi
Healing Health Care
Retirement Rescue
Boost Your Business: Vote For The Winners

Subscriptions
Subscribe To Newsletters
Subscriber Customer Service