Canadian Solar stock lifted by profitable third quarter

January, 2008: One year after Chinese crystalline PV manufacturer Canadian Solar Inc. (CSI) went public on the New York Nasdaq at $15 per share, the Canada-incorporated company finally climbed back above its IPO price.

Thanks to a strong third quarter, reported on Nov. 14, CSI‘s stock jumped $3.29 per share from the previous-day close to end at $14.53 before rallying to an all-time high of $18.88 a share on Nov. 19.

The reason: after posting weaker-than-expected results in its second quarter, CSI‘s third quarter was better than expected. The company boosted revenues by 61 percent sequentially over the second quarter to $97.4 million while turning a second-quarter GAAP net loss of $2.9 million into third-quarter net income of $500,000. About 95 percent of CSI sales are to Europe.

Gross profit for the quarter came in at 6.5 percent of revenue compared to 4.1 percent in the previous quarter, as the company continues to invest in expanding cell, wafer and module production in China. Operating income rose to $2.9 million in the third quarter from an operating loss of $500,000 in the second quarter.
For the full year of 2007, CSI increased its revenue estimate to between $285 and $295 million from $255 to $265 million previously. Including OEM tolling, CSI expects to ship about 80 MW for the year.

During the quarter, CSI ramped production at its second 25 MW line to full capacity and completed installation of additional third and fourth lines, bringing year-end capacity to 100 MW, said chairman and CEO Shawn Qu in a conference call with investment analysts. The company‘s expansion was bolstered this summer by a $50 million loan from the Commercial Bank of China and Communication Bank of China (see PI 8/2007, p. 88).

By the summer of 2008, the rapidly growing company plans to increase its cell manufacturing capacity to 250 MW and is targeting shipments of 200 to 250 MW during 2008. Also in mid-2008, CSI plans to complete an ingot and wafer plant in the Chinese city of Luoyang with an initial capacity of between 40 and 60 MW. On the module front, CSI has a new 24,000 m² facility set to open in January, which would bring annual module production capacity to 400 MW once fully ramped. Next year, the company expects to produce between 200 and 220 MW of modules, based on cell capacity and current feedstock currently under contract. If, however, CSI‘s evaluation of metallurgical-grade silicon proves positive, the company reports it would have the potential to increase total module shipments by 30 to 40 MW in 2008.

»We are encouraged by the company‘s initiatives to enhance its long-term industry position by building scale and an integrated business model,« wrote Lazard Capital Markets analysts Sanjay Shrestha and Graham Mattison in a company note to clients on Nov. 15, while maintaining their »hold« rating.

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