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Market Scan

LDK Solar's Outlook Too Warm And Fuzzy

Carl Gutierrez, 11.20.08, 07:30 AM EST

Investors weren't buying the company's sunny outlook given near-term uncertainty.



Wall Street seems to think **LDK Solar's** outlook is too bright to be believed.

On Wednesday, China-based solar energy firm **LDK Solar** (nyse: [LDK](#) - [news](#) - [people](#)) announced its third-quarter earnings beat expectations due to rising demand. It also offered a rosy outlook.

Analysts, unpersuaded, pulled the solar wafer maker down 12.9%, or \$1.62, to close Wednesday's trading session at \$12.97. "In general, investors don't believe the guidance," said Sam Dubinsky, an analyst at Oppenheimer. "They painted a very rosy picture in an industry that's going through an adjustment right now," Dubinsky said. "If you just look at the solar sector in general, major companies have had some pretty horrific forecasts."

For the fourth quarter, China-based LDK Solar anticipates revenue of \$555.0 million to \$565.0 million, and expects fiscal 2009 sales of \$2.9 billion to \$3.1 billion. Wall Street, on the other hand, expects sales of \$513.0 million in the fourth

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quarter, and \$2.6 billion for the year.

LDK has tried to stay positive and increase investors' confidence in the solar sector, or at least in its own stock. (See "LDK's Bullish On Solar.") For example, last week **JA Solar** (nasdaq: [JASO](#) - [news](#) - [people](#)) sent a chill through the temperamental industry. (See "[JA Solar's Double Credit Crunch](#).") The solar-cell maker, also based in China, posted strong quarterly results but delivered a warning of waning global demand, leading it to cut its outlook.

Seeing a confidence problem, LDK came out the following day announcing its wafer plant is operating at capacity, contracts for 2009 exceed output for the year and available cash and credit on hand total more than \$1.0 billion.

Pointing to a secondary share offering completed in the third quarter that yielded \$192.4 million, Chairman **Xiaofeng Peng** said the company was sufficiently funded to support growth plans through 2009.

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In any event, LDK is facing more long-term problems. Philip Miller, an analyst at Strategic International Securities Research, expects substantial growth in the industry, driven by the incoming administration of President-elect Barack Obama responding to the domestic needs of the U.S.

Miller is concerned, however, that Chinese companies will fall behind the curve, as the strongest avenues of growth will be paved by technological development in America.

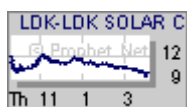
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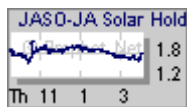
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For its third quarter, LDK's earnings climbed to \$88.4 million, or 77 cents per American Depository Share, from \$41.6 million, or 37 cents per ADS, during the same period last year. Analysts surveyed by Thomson forecast a more modest profit of 71 cents per share, on average.

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Sales surged to \$541.8 million from \$158.7 million during the prior-year period. Analysts forecast sales of \$486.7 million, on average.

Elsewhere in the solar world, shares of the German solar energy company SolarWorld tanked on Wednesday, after it announced plans to buy four plants from General Motors' German subsidiary Opel and create Europe's first "green" auto firm. (See "[Solar-Powered Opel? Not Likely.](#)")

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