

Market Scan

**Suntech Feels The Heat**

Ruthie Ackerman, 11.20.08, 02:40 PM EST

**Although the solar cell manufacturer saw rising demand in Q3, its profits slipped due to weak currency.**



**Suntech Power Holdings** saw strong demand for its solar modules in the third quarter, but a lack of financing and weakening euro dimmed the good news.

On Thursday, **Suntech Power Holdings** (nyse: **STP** - news - people ) reported

lower-than-expected third-quarter earnings and slashed its full-year sales forecast. The global [credit crunch](#) and ailing currency have forced the company to lower prices and customers to defer orders.

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

Suntech's shares tumbled 28.9%, or \$2.58, to \$6.35, in afternoon trading.

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"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]."

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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.

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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.

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▼ \$5.39 -3.54 -39.64%

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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.

*Reuters contributed to this article.*

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