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Market Scan

Canadian Solar Hoards Cash

Melinda Peer, 11.21.08, 06:20 PM EST

The cell manufacturer is halting capital charges to maintain a strong cash position.



Canadian Solar put capital spending plans on ice Friday, in an effort to conserve cash while market conditions remain weak. The company also dimmed its outlook and said volatile currency rates negatively impacted its third-quarter results.

Shares of the China-based solar cell manufacturer closed Friday's trading session ahead by 28 cents, or 7.4%, at \$4.06. 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

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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. On the plus side, the company anticipates that it will have positive [cash flow](#) from operations in the fourth quarter and said it plans to maintain a cash position of \$100.0 million with \$40.0 million available in unused credit lines by the quarter's end.

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.

Canadian Solar maintained its 2009 guidance for shipments between 500 and 550 megawatts and said it expects to be one of the industry's major players as stabilization of the photovoltaic market in the second and third quarters of next year weed out weak solar companies.

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Separately, JPMorgan Analyst Christopher Blansett said, "Credit issues are compounding the headwinds that solar companies already face amid declining solar energy subsidiaries and setting up an environment in 2009 where [industry consolidation](#) is likely to occur."

Reuters contributed to this article.

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