



Market Scan

Solar Industry Has Fun Despite Solarfun

Carl Gutierrez, 12.02.08, 7:55 PM ET

Things are changing in the solar sector. Even though Solarfun Power Holdings posted a weak earnings report, the industry rose Tuesday on the [hope for change](#) under the administration of President-elect Barack Obama.

Historically, a bad earnings report from one solar company has been enough to knock the entire sector for a loop.

On Tuesday, Solarfun Power Holdings dropped 8.1%, or 38 cents, to \$4.32, after the Chinese solar cell maker reported it loss during its third-quarter despite a big gain in sales.

Even though the problem centered on a one-time charge of \$16.5 million for inventory revaluation, investors were still shocked that Solarfun also had to admit to shrinking margins due to falling selling prices and shipments.

On top of that, Solarfun now expects total 2008 shipments to be at or slightly below the low end of its previously stated guidance of 175 to 190 megawatts.

In all, the solar company's third quarter amounted to a loss of \$6.5 million, or 13 cents per American depositary share, whereas in last year's corresponding period, the company earned \$9.3 million, or 19 cents. Wall Street was looking for earnings of 16 cents per share in the latest period.

The one-time charge though was unpleasant as it stemmed from some low-quality materials deemed unusable and supply prepayments that were determined to be at risk and likely not to be recoverable.

Sales made a big jump to \$190.6 million, but still came short of Wall Street's forecast of \$196.5 million.

Then there was the rest of the sector. "Everybody is playing on a package ready to be signed once Obama assumes office," said Benedict Pang, an analyst at Caris. "Furthermore, you're seeing virtually every country dealing with an economic problem, and if they have the wherewithal, they'll support the alternative energy industry."

Taken together with [good day on the market](#), it was a sunny solar Tuesday. First Solar gained 5.4%, while SunPower rose 5.4%, and Evergreen Solar increased 10.8%.

Chinese companies also fared well, as JA Solar Holdings, Akeena Solar, and LDK Solar grew 4.5%, 15.1% and 0.8%, respectively.