

Suntech Power: Now a Takeover Target

by: Jon Jackson

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The United Nations Climate Change Conference is being held in Poland this week. Representatives from the top four Photovoltaic (PV) makers gathered in Poznan to propose the rapid implementation and expansion of policies designed to support the growth of the solar industry and the global adoption of solar technology as a major contributor to greenhouse gas (GHG) reduction in support of global climate goals.

As the top two solar companies, Suntech Power ([STP](#)) and First Solar ([FSLR](#)) dominate the European and U.S. markets respectively. According to Suntech CEO Dr. Zhengrong Shi, the company is dedicated to reducing the cost of solar electricity to grid parity through increasing economies of scale, improving efficient utilization of raw materials such as silicon, and developing more advanced technology and new applications. While no solar company has achieved grid parity, Suntech is leading the way. The company is also developing a new thin film technology with 50% efficiency.

Despite all of these positive developments, STP's stock price has been down as much as 90% from its 52-week high because of hedge fund redemptions in the last few months. Investors have started to realize its true value recently but it is still very much undervalued.



Recently, many solar companies have rolled out expansion plans for the coming years. For example, Sharp ([SHCAY.PK](#)) plans to invest \$2.6B in Italy in a joint venture to tap growing demand of solar panels. Suntech power is also entering the U.S. solar market through acquiring EI Solutions, and will triple US sales by 2009. What makes STP extremely attractive is that China has set ambitious, long-term national goals that have helped to create a backdrop for a growing renewable energy industry such as a national renewable energy standard of 15% by 2020 and a commitment to invest US\$180 billion in renewable energy by 2020.

With STP at such a low price, two companies might like to become bidders for Suntech. The first one is Sharp. Sharp has an ambitious plan to quickly reach the European and Chinese solar markets - acquiring Suntech provides a shortcut for the company to do this.

The second company that has been named in rumors is First Solar. FSLR mainly sells panels in the U.S. and Europe and a takeover of STP will give the company direct entry into the Asian market. A call to First Solar has not been returned. It is believed that Suntech will not consider any bid below \$30 per share as the industry becomes very solar friendly going into 2009.

Disclosure: None

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