First Solar Restructuring Leads To Loss Of $449M

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NEW YORK (AP) — A shakeout that is rattling the solar panel industry has sent First Solar, once among the industry's biggest and strongest companies, to a big quarterly loss.

First Solar Inc. said Thursday that it lost $449 million in the first quarter, mostly due to a restructuring announced last month that will eliminate 30 percent of the company's workforce and close a newly expanded plant in Germany.

The company also announced that its Chief Commercial Officer, James Hughes, would become CEO, replacing interim chief and company founder Mike Ahearn.

First Solar said the loss amounted to $5.20 per share. Revenue fell to $497 million. Excluding restructuring costs, the loss was 8 cents per share. Analysts expected the company to earn 58 cents per share on an adjusted basis on revenue of $691 million.

In the year-ago quarter, the company earned $115 million, or $1.33 per share, on revenue of $567 million.

First Solar, along with other makers of solar panels, is struggling to adjust to a dramatic plunge in panel prices. A boom in the construction of solar panel factories, especially in Asia, coincided with lower demand in Europe, the world's biggest solar panel market. This created a glut of panels and sent prices tumbling. European demand fell because cash-strapped governments there reduced renewable energy subsidies.

First Solar is wrestling with a unique problem, too. An enormous cost advantage over its competition has eroded. As a result, the company's stock has fallen to about $18 per share, from $140 a year ago.

First Solar became the biggest solar company in the world, both by market valuation and panel sales, selling solar panels made with a thin film that were far cheaper to produce than those made from crystalline silicon. Though a thin-film panel is less efficient in turning the sun's rays into electricity than a crystalline silicon panel, a solar farm with thousands of First Solar's thin-films could produce the same of amount electricity at a lower total cost.

Now, the cost of the raw material for crystalline silicon panels has plummeted, making it easier for these more -efficient panels to compete with First Solar's thin film on price.

"A year ago the question was when the inevitable recovery in thin-film would occur. Now it's whether thin-film solar is viable as a business, at all," wrote Joe Osha,

global coordinator for solar power for Bank of America Merrill Lynch, in a recent research note.

To cut costs First Solar is closing a factory in Germany, idling part of its factory in Malaysia and eliminating 2,000 jobs, or 30 percent of its workforce. On Thursday, First Solar said the cost-cutting will allow it to earn $4 to $4.50 per share, on an adjusted basis, for the year. That's up from its previous estimate of $3.75 to $4.25 per share.

First Solar anticipated that solar panel prices would decline, so the company aggressively expanded its project development operations in hopes that lower panel prices would fuel a boom in solar installations. First Solar is now building some of the biggest solar panel farms in the world, in California, Arizona and Nevada.

Construction of these projects is expected to buoy the company's results for the rest of this year and much of next year. Aaron Chew, an analyst at Maxim Group, notes that those projects have locked in relatively high power rates because they were designed before panel prices had fallen so far. Chew and other analysts worry that future projects won't be nearly as profitable — and wonder whether First Solar will be able to win those big projects now that competing panels are as cheap, or cheaper.

"I question how First Solar is going to profit in that environment," Chew said.

First Solar has been searching for a permanent CEO since October, when Ahearn took over on an interim basis, replacing Rob Gillette. Ahearn had served as CEO from 2000 to 2009. He will remain chairman.

Hughes, who last led the electric power and natural gas distribution company AEI Services Inc., joined First Solar in March.

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