

## DESK NOTE

20.02.2025

### First Solar Inc (FSLR US) – *High Cash Flow Visibility*

#### *Well Into 2026 and Attractive Valuation Makes It a Buy*

**Conclusive Summary:** We recommend buying FSLR at current levels with a target price of \$265, as we believe that low current valuation, strong market positions and high visibility of sales into 2026 will drive stock higher.

While the company missed EPS estimates in 3Q24 due to reallocation volume sales from lower priced India to the US, we positively view on the company prospects:

- its US business is fully contracted through FY2026 – high visibility of sales;
- company highlighted the take-or-pay nature of contracts with incremental customers – no effect on sales from customer requests for delay;
- reallocation sales to higher priced US market is positive for margins (although this factor is may be temporary);
- company is on track of expanding its business facilities in the US to 14.1 GW (25.2 total in 2026);
- positive impact of monetization of its 45x tax credits.

**Competitive Position:** The company is currently focusing on markets, in which its cadmium (CdTe) solar modules provide certain advantages over conventional crystalline silicon solar modules, including high insolation climates in which its modules provide a superior temperature coefficient, humid environments in which its modules provide a superior spectral response, and markets that favor the superior sustainability profile of its PV solar technology.

**Valuation:** Using a combination of multiple and DCF valuation, we reach a blended target price (TP) of \$265, +63% above current levels. We expect FSLR to reach its average historical multiples. The stock is trading the 1 standard deviation below its own 2-year averages and still below its average premium/discount to industry.. We recommend buying First Solar at current prices.

Ticker: FSLR US

Previous day close price: \$162.50

Price range (52w.): \$141.70 - \$306.77

Reason for note: Initiation, 4Q24 Earnings

Target price: \$265 (+63% upside)

Recommendation: ***Buy@Current***

**Description:** First Solar Inc. (NASDAQ: FSLR) designs and manufactures solar modules. The company uses a thin film semiconductor technology to manufacture electricity producing solar modules. Its cadmium (CdTe) solar modules provide certain advantages over conventional crystalline silicon ones.

In 2023 almost all of its sales were in the US. R&D facilities are located in the US and Sweden.

- ~50% of manufacturing capacities are located in the US;
- 15% in India;
- 35% International.

There is no big concentration both in suppliers and customers although geographically 73.51% of supplier facilities are situated in China.

Total booking after 3Q24 was 72.8 GW while company guidance for volume sales in 2024 was 14.2-14.6 GW (5 years of production).

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Multiples Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/EBITDA	9.5	2,831	26,899	-576	27,475	107.1	\$256.63
EV/IC	3	8,387	25,161	-576	25,736	107.1	\$240.40
EV/Sales	4.5	5,517	24,827	-576	25,403	107.1	\$237.28
PE	14	20.4					\$285.27
PBV	3.1	70.9					\$219.88
Average Multiples Price							\$247.89
Avg DCF Price							\$283.00
Avg. Multiple & DCF Price							\$265.45

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### Earnings Preview:

FSLR	Expected Report Date		Next FY End	Preview Date
FIRST SOLAR INC	2/25/2025	Aft-mkt	12/31/2024	2/20/2025
Targets	DPRG	265	Street	268.00
Current Price/ Upside	160.91	64.7%		66.6%
<b>Quarterly Preview</b>		Last Q Report		
Last Close	Estimate	10/29/2024		
162.50	Q4	2024 Q3		Year Ago
			% Surprise	
Sales, \$ mil.	1,476	888	-17.07%	1,159
growth	qoq	66.3%	yoy	27.4%
EBITDA, \$ mil.	676	464	-7.99%	495
growth	qoq	45.7%	yoy	36.5%
Net Income, \$ mil.	516	334	-7.18%	353
growth	qoq	54.4%	yoy	46.2%
EPS, \$	4.78	3.11	-6.82%	3.28
growth	qoq	53.7%	yoy	45.4%
EPS GAAP, \$	4.81	2.91	-6.91%	3.25
growth	qoq	65.1%	yoy	47.8%
<b>Valuation</b>	Current	-1STD	Average 2Y	+1STD
EV to Forward 12M Sales	2.93	3.31	4.11	4.91
EV to Forward 12M EBITDA	5.53	6.52	9.46	12.41
Price to Forward 12M EPS	7.39	9.05	14.23	19.42
EV/Sales	Underpriced			
EV/EBITDA	Underpriced			
PE	Underpriced			
<b>Total Rating on Valuation</b>	<b>Underpriced</b>			
<b>Company Guidance</b>	2024 G	2024 E	2023	Date of guidance
Sales	4,175	4,190	3,319	10/29/2024
growth		-0.3%	25.8%	
Operating Income	1,510	1,505	952	
growth		0.3%	58.6%	
EPS	13.25	13.23	8.44	
growth		0.2%	57.0%	

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Key Details of 45X Tax Credits:

In the **solar industry**, "**45X credits**" refer to tax incentives under **Section 45X of the Inflation Reduction Act (IRA) of 2022**. This section provides **advanced manufacturing production tax credits (PTC)** for companies that manufacture certain clean energy components in the U.S.

1. **What It Covers**

The credit applies to manufacturers producing **solar, wind, battery, and critical mineral components** domestically. Eligible products include:

- **Solar panels**
- **PV cells**
- **Wafers**
- **Polysilicon**
- **Battery cells and modules**
- **Inverters**
- **Critical minerals used in clean energy production**

2. **Credit Amounts**

- **Solar PV wafers:** \$12 per square meter
- **Thin-film or crystalline PV cells:** \$4 per square meter
- **Solar modules:** \$0.07 per direct current watt
- **Polysilicon:** \$3 per kilogram
- **Battery cells:** \$35 per kilowatt-hour
- **Battery modules:** \$10 per kilowatt-hour
- **Inverters:** \$0.25 per watt for residential and \$0.015 per watt for utility-scale

3. **Who Benefits?**

- U.S. manufacturers of solar and battery components
- Companies investing in domestic clean energy supply chains
- Businesses looking to reduce dependency on foreign supply chains (e.g., China)

4. **Phase-Out Schedule**

- The 45X tax credits are available **until 2032** but will **start phasing out between 2030 and 2032** unless extended by future legislation.

5. **Stacking with Other Credits**

- 45X can be **combined** with other incentives like **48C investment tax credits (ITC)** and **45Y clean electricity credits**, depending on the specific project and eligibility.

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