

Top Taiwanese solar companies deliver dismaying first quarter

Written by Robert Dydo

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Despite continuous reports about adept efforts from Taiwanese top tier cell makers, Q1 has been a big disappointment when measured against Q4 sales, and particularly when compared to the first quarter of 2011. First quarter revenue had seen a minimal increase for Motech and Neo Solar Power, while Gintech, the third largest cell maker of 2011, was unable to overcome Q4 revenue.

Motech reported revenues of NT\$3.8B (US\$133M), which were 62% lower than the first quarter of 2011. Gross margin was a negative 16.4%. Net income was a loss of US\$26M or \$0.08 per share. While Motech did not make great sales in the quarter, the company reduced its debt by around 1% to US\$391M. Motech's cash and cash equivalents have seen a 21% reduction from US\$333M to US\$263M.

Gintech delivered revenue of NT\$3.7B (\$129M), a 40% drop from the same period in 2010. Conversely to Motech, the gross margin for the company was a positive half a percentage point. Nevertheless, the company experienced a loss of \$5M or US\$0.02 per share. Gintech's cash position has seen a 34% reduction, down to US\$71M. At the same time, this cell manufacturer was able to reduce its debt by 17% versus the previous quarter, down to US\$299M.

It appears that among all of the top three, Neo Solar Power had the toughest time in the first quarter of the year. While the company managed to overtake Gintech in the scale of revenue for the 2011 fiscal year, the first quarter has the signs of a major impact on this world class manufacturer. Revenue for the period was a meager NT\$3.1B (US\$106M) on 200MW of shipments to Asia at 60%, Japan at 30%, and rest shared between Europe and the US. The net income loss amounted to \$47M while company's gross margin was at negative 51%. Major reason for Neo Solar's loss of \$0.14 per share was a long term contract cancellation, unfortunate outcome of tough business conditions present in the market. The company's cash account went down from US\$185M in Q4 2011 to US\$135M, or a 26% reduction. Neo Solar managed to reduce its debt to \$116M, which in comparison to other major players in the industry, is the one of the lowest.

Even though Taiwanese companies have very little debt, and considerably stronger balance sheets in comparison to the Chinese, they are challenged with limited ability to acquire customer base, particularly with rapid deterioration of competitive module capacity against vertically integrated companies. While few customers continue to place orders in Taiwan, the

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opportunity of countervailing duties had not energized this market in any tangible way, simply due to operational costs still exceeding the currently assessed penalty. While this may change due to the anti-dumping judgement in May, in some cases low-end companies are seen as being at risk of failing their business models as time goes on. The notorious E-Ton, once a target of Foxconn's takeover efforts, reported revenues of US\$17M in comparison to US\$164M in 2011, ending the quarter with a \$13M loss. Danen, a wafer maker, reported revenue of US\$10M versus a comparable period of last year with \$53M. The company had lost US\$4M in the first quarter of the year.