

LDK Narrows Losses as Results Beat Estimates

Written by Sarfaraz Khan
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LDK Solar Co., Ltd. (NYSE: LDK) today has released its third quarter results for fiscal 2012. The company has earned \$291.5M in net sales, which is more than its guidance of \$220M - \$260M, from the sale of 230.2MW of wafer and 161.9MW of solar cell and modules. The sales figure shows a 23.8% sequential increase and a 38.2% year-over-year decline. The wafer and module shipments have fallen by 21.3% and 15.7% from Q3 2011, but the current results are within its previously announced guidance of 190Mw – 240MW for wafer and 140Mw – 180MW for PV cell and module.

The gross loss has fallen from \$92M in the previous quarter to \$32.5M, rising from a gross loss of \$17M in the third quarter of 2011. Similarly, gross margins have fallen from a negative 39.1% in the previous quarter and risen from a negative 3.6% in Q3 2011 to a negative 11.2%.

Net losses have fallen by 46.2% sequentially and have risen by 19.6% YoY to \$136.9M, which translates into loss per ADS of \$1.08. The business has also performed an inventory write down of \$37.8M due to falling levels of average selling prices that are now down ~75% in the last four years. The results also include \$25.4M availed as income tax benefits, which is \$1.7M more than the previous quarter and \$23.7M more than Q3 2011.

The company's profits have been hit by falling levels of demand in its key market of Europe and by 15.24% countervailing duties and 25.96% anti-dumping duties in the U.S.

Commenting on the results, Xingxue Tong, president and CEO of LDK Solar, said, "While we saw improvement to our top and bottom line in the third quarter, our results continue to reflect the industry-wide pricing pressure and demand weakness that is negatively impacting the entire solar supply chain."

In the fourth quarter, LDK expects to earn revenues of \$230M - \$290M, meaning that there might be a sequential decline that is considerably lower than Thompson Reuters estimate of \$552.4M. Wafer and module shipments are expected to be 200MW – 250MW and 50MW – 80MW, respectively. For fiscal 2012, revenues are going to be between \$950M and \$1B, which is lower than its previously announced guidance of \$1.1B - \$1.5B. Annual wafer and module shipments are expected to be 910MW – 960MW and 500MW – 530MW, respectively, while total

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annual inverter shipments will be 150MW – 200MW.

A few days ago, LDK Solar announced that it has terminated two of its long-term supply contracts from two different companies. Tokyo-based Sumitomo Corporation has ended its four-year-old contract with LDK for the supply of multicrystalline silicon wafers for eight years. Sumitomo has agreed to pay \$33.4M in settlement amount to LDK. Similarly, another undisclosed European customer has also ended its contract signed in 2008 for the supply of wafers for a period of 10 years. The European client will make a payment of \$37M in settlement.