

FIRST SOLAR, INC.
Form 10-Q
May 03, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark one)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-33156

First Solar, Inc.

(Exact name of registrant as specified in its charter)

Delaware

20-4623678

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

350 West Washington Street, Suite 600

Tempe, Arizona 85281

(Address of principal executive offices, including zip code)

(602) 414-9300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
---------------------	-------------------	-------------------------------------------

Common stock, \$0.001 par value	FSLR	The NASDAQ Stock Market LLC
---------------------------------	------	-----------------------------

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Edgar Filing: FIRST SOLAR, INC. - Form 10-Q

Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 26, 2019, 105,353,185 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

FIRST SOLAR, INC. AND SUBSIDIARIES

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019

TABLE OF CONTENTS

	Page
<u>Part I.</u>	
<u>Financial Information</u>	
<u>Item 1.</u>	
<u>Condensed Consolidated Financial Statements (Unaudited):</u>	
<u>Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018</u>	<u>1</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018</u>	<u>3</u>
<u>Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2019 and 2018</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>55</u>
<u>Item 4.</u>	
<u>Controls and Procedures</u>	<u>55</u>
<u>Part II.</u>	
<u>Other Information</u>	<u>56</u>
<u>Item 1.</u>	
<u>Legal Proceedings</u>	<u>56</u>
<u>Item 1A.</u>	
<u>Risk Factors</u>	<u>56</u>
<u>Item 5.</u>	
<u>Other Information</u>	<u>56</u>
<u>Item 6.</u>	
<u>Exhibits</u>	<u>56</u>
<u>Signature</u>	<u>57</u>

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

FIRST SOLAR, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net sales	\$531,978	\$567,265
Cost of sales	531,866	394,467
Gross profit	112	172,798
Operating expenses:		
Selling, general and administrative	45,352	41,126
Research and development	21,877	20,324
Production start-up	9,522	37,084
Total operating expenses	76,751	98,534
Operating (loss) income	(76,639)	74,264
Foreign currency gain (loss), net	172	(2,517)
Interest income	14,259	11,824
Interest expense, net	(10,121)	(5,182)
Other income, net	3,509	17,934
(Loss) income before taxes and equity in earnings	(68,820)	96,323
Income tax benefit (expense)	1,394	(11,625)
Equity in earnings, net of tax	(173)	(1,747)
Net (loss) income	\$(67,599)	\$82,951
Net (loss) income per share:		
Basic	\$(0.64)	\$0.79
Diluted	\$(0.64)	\$0.78
Weighted-average number of shares used in per share calculations:		
Basic	105,046	104,550
Diluted	105,046	106,305

See accompanying notes to these condensed consolidated financial statements.

Table of Contents

FIRST SOLAR, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (In thousands)
 (Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net (loss) income	\$(67,599)	\$82,951
Other comprehensive loss:		
Foreign currency translation adjustments	(1,142)	6,014
Unrealized loss on marketable securities and restricted investments, net of tax of \$977 and \$3,110	(3,347)	(25,924)
Unrealized loss on derivative instruments, net of tax of \$(27) and \$(64)	(58)	(932)
Other comprehensive loss	(4,547)	(20,842)
Comprehensive (loss) income	\$(72,146)	\$62,109

See accompanying notes to these condensed consolidated financial statements.

Table of ContentsFIRST SOLAR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,013,402	\$ 1,403,562
Marketable securities	1,103,812	1,143,704
Accounts receivable trade, net	301,669	128,282
Accounts receivable, unbilled and retainage	367,140	458,166
Inventories	459,472	387,912
Balance of systems parts	59,890	56,906
Project assets	80,278	37,930
Prepaid expenses and other current assets	277,163	243,061
Total current assets	3,662,826	3,859,523
Property, plant and equipment, net	1,859,293	1,756,211
PV solar power systems, net	305,628	308,640
Project assets	492,011	460,499
Deferred tax assets, net	78,283	77,682
Restricted cash and investments	388,637	318,390
Goodwill	14,462	14,462
Intangible assets, net	71,641	74,162