Initiating Coverage:

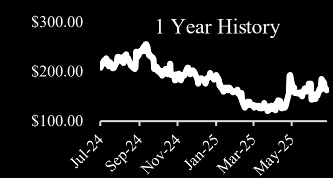
First Solar ($FSLR)

Subsidy Sunsets; Tariff Tension

Consortium Research Group
E&S | Commercial Solar
June 7th, 2025

Stock Rating:	Overweight
Price Target:	$206

Price:	$180.64
Potential Upside/Downside:	14.0%
Ticker:	$FSLR



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Key Take-away: First Solar ($FSLR) is the largest producer of Solar Panels in the U.S., and the premier option for solar farm installation, recycling, and financing. The latest iteration of their unique, thin-film Cadmium Telluride modules is the Series 7, which boasts an impressive 19-20% efficiency, and a $/W price of $0.23-0.26. These metrics outperform other domestic manufacturers of utility-scale modules, and while competitors from China have energy and price efficiency advantages with subsidized silicone-based modules, they are highly exposed to tariffs in the U.S. market.

With a 66.3 GW backlog of expected deals as of April 2025, FSLR's near to medium-term future sales are secure. While reciprocal tariffs on products shipped from manufacturing plants in Malaysia and Vietnam propose a threat to First Solar's margins, a new production facility in Louisiana will be ready by 2H 2025 to mitigate the impact of lowered offshore production volume. Overall, FSLR is well-positioned to continue steady growth of production capacity and contracts, but Congressional reconciliation of 45X tax credits and policy pushbacks could be detrimental to its margins, slowing the growth in stock price that many analysts have projected.

Reliance on IRA Tax Breaks: The potential phaseout of the Section 45X tax credit could weigh extremely heavily on margins. First Solar received $660–$710 million in 2025 pre-tax value from 45X alone, enabling cost competitiveness against highly subsidized Chinese polysilicon module producers. The current framework being discussed in Congress would see residential solar credits end in 2025, commercial/utility credits phased out by 2029, and introduce a 60-day deadline for any new solar projects to be completed to receive breaks. Considering these roadblocks to the industry, FSLR is relatively well positioned as a utility-scale producer with a strong backlog and having already completed a new Louisiana facility. However, a phase out of 45X and IRA provisions would jeopardize the profitability of the new Louisiana plant and put into question future U.S. expansion. While the company maintains strong forward visibility with a 66.3 GW backlog, margin compression from tax credit loss would weigh heavily on earnings growth and investor sentiment.

Tariff-Related Risks: Though First Solar emphasizes its U.S. manufacturing and American-made technology, universal (10%) and reciprocal (26%-46%) tariffs apply to modules shipped from its Vietnamese and Malaysian plants, which supply 14GW of contracted backlog. Many existing contracts include tariff-related clauses allowing FSLR's clients to either share the cost burden or terminate deals, depending on the price effect of these tariffs. This could jeopardize some of the backlog that secures FSLR's future sales security. Accordingly, FSLR adjusted its 2025 guidance in the Q1 earnings presentation, noting "operational uncertainty", and reduced several key lower end bounds to adjust for the introduction of reciprocal tariffs. Though these risks pose a threat to margins and operational security, FSLR is well-positioned compared to industry peers and residential counterparts to survive tariff threats due to its strong domestic infrastructure and production capacity.

Valuation: We initiate coverage with a $206 PT.

Company Overview

Technological Pioneer: Since its founding in 1999 in Toledo, Ohio, First Solar has differentiated itself from its peers, both domestic and foreign, by committing to thin-film technology, rather than silicone-based modules. Despite significantly more research, Chinese subsidies, and greater energy efficiency favoring silicone, FSLR has been committed to a product that can be vertically integrated into reliable U.S. manufacturing, rather than rely on Chinese-dominated supply chains. This initial strategy has led FSLR to become the leader in U.S. solar panel production, and a genuine competitor with Chinese silicone products.

Business Model and Shifts: FSLR designs, manufactures, and sells PV modules to utilities, solar developers, and EPC firms, which provides clear supply chain visibility and quality control mechanisms. This allows for greater autonomy over their supply chain, meaning external factors like policy threats and tariffs are the most significant risk. FSLR has recently opened a production facility in Louisiana, with plans to expand domestic capacity to 14GW. The continued focus on domestic production capacity growth will favor political sentiment and provide adaptability if foreign facilities must continue to slow production due to tariff costs.

Tariff Resistance: FSLR is prepared to address hiked costs from tariffs, with a clear strategy for shifting production capacity. As production from facilities in Malaysia and Vietnam becomes increasingly costly, FSLR plans to shift production to its expanding U.S. infrastructure, starting with the newly opened Louisiana facility. Though this shift will harm near-term production capacity and raise costs, it will put FSLR in a favorable longer-term position to receive U.S. manufacturing policy tailwinds and help reduce its supply chain's exposure to tariffs.

Industry Overview

Big, Beautiful Bill: The proposed budget reconciliation, currently being debated and voted on by the Senate, will largely determine the near to medium-term margins of most U.S. producers in the renewables industry. Not only will the future of 45X production tax credits affect production costs for solar manufacturers, but IRA Section 48 investment tax credits (ITCs) will shape the demand side as well. Success in the commercial solar industry through the remaining years of the current administration and beyond will rest on firms' abilities to plan for and actively reduce reliance on government grants, which is particularly challenging given the heavy subsidization of Chinese competitors.

AI-Driven Demand Growth: According to the S&P Global Report, contracted clean energy capacity grew by 66.4% from 2024 to 2025, with 92% of growth driven by the technology and web services sector. Microsoft and Amazon have agreed to long-term supply agreements for large-scale nuclear power, while Google, Meta, and Amazon have signed PPAs with regional renewable leaders to meet electricity demand with solar power across Oklahoma, Mississippi, and Texas. The growing efficiency, price effectiveness, and deployment speed of solar power, especially, provides an inevitable solution to meet growing data center demand, despite political reluctancy.

Chinese Competition: Tax credits have enabled differentiated, American products, such as those First Solar produces, to be competitive with China's highly subsidized, silicon modules. A phase out of credits, along with reciprocal tariffs, threaten industry leaders, though an additional excise tax on non-vertically integrated U.S. supply chains included in the BBB Act could amplify the effects. Elon Musk has publicly opposed the GOP bill, calling it "utterly insane and destructive" and damaging to "industries of the future," while giving "handouts to industries of the past." Tesla's supply chain is heavily dependent on China, revealing some of the motivation behind these attacks, and though this add-on would cause serious headaches to importing firms, it could also significantly benefit domestic manufacturers like First Solar.

Peer Comparisons

Comparable Companies Analysis
First SOLAR, INC.
Full Table

Financial Data	
Debt	$450,000
Cash	$1,100,000
# of Shares Outstanding	107,000

Comparable Companies
$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Enphase Energy, Inc. (NasdaqGM:ENPH)	5,202.40	4,970.10	36.7x	1,423.10	226
Canadian Solar Inc. (NasdaqGS:CSIQ)	739.3	6,375.80	NA	5,860.90	520
JinkoSolar Holding Co., Ltd. (NYSE:JKS)	1,096.10	5,009.80	NA	11,591.90	412.8
LONGi Green Energy Technology Co., Ltd. (SHSE:601012)	15,674.80	13,301.20	N/A	10,964.60	-383.6
First SOLAR, INC.	17,753.30	17,492.90	15.7x	4,256.70	1,831.70

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
Enphase Energy, Inc. (NasdaqGM:ENPH)	22.0x	36.80%	15.90%	10.70%	-22.15%
Canadian Solar Inc. (NasdaqGS:CSIQ)	12.3x	15.70%	8.90%	-0.30%	-19.06%
JinkoSolar Holding Co., Ltd. (NYSE:JKS)	12.1x	8.40%	3.60%	-5.60%	-29.85%
LONGi Green Energy Technology Co., Ltd. (SHSE:601012)	-34.7x	-2.80%	-3.50%	-11.80%	-33.90%
First SOLAR, INC.	9.6x	43.60%	43.00%	32.30%	19.42%
High	21.99x	43.6%	43.0%	32.3%	19.4%
75th Percentile	12.26x	36.8%	15.9%	10.7%	-19.1%
Average	4.25x	20.3%	13.6%	5.1%	-17.1%
Median	12.14x	15.7%	8.9%	-0.3%	-22.2%
25th Percentile	9.55x	8.4%	3.6%	-5.6%	-29.9%
Low	-34.67x	-2.8%	-3.5%	-11.8%	-33.9%

General Dynamics Valuation (thousands)		
Implied Enterprise Value (25th Percentile)	$	17,493,000
Implied Enterprise Value (Median)	**$**	**22,230,000**
Implied Enterprise Value (75th Percentile)	$	22,459,000
Implied Share Price (25th Percentile)	$	169.56
Implied Share Price (Median)	**$**	**213.83**
Implied Share Price (75th Percentile)	$	215.97

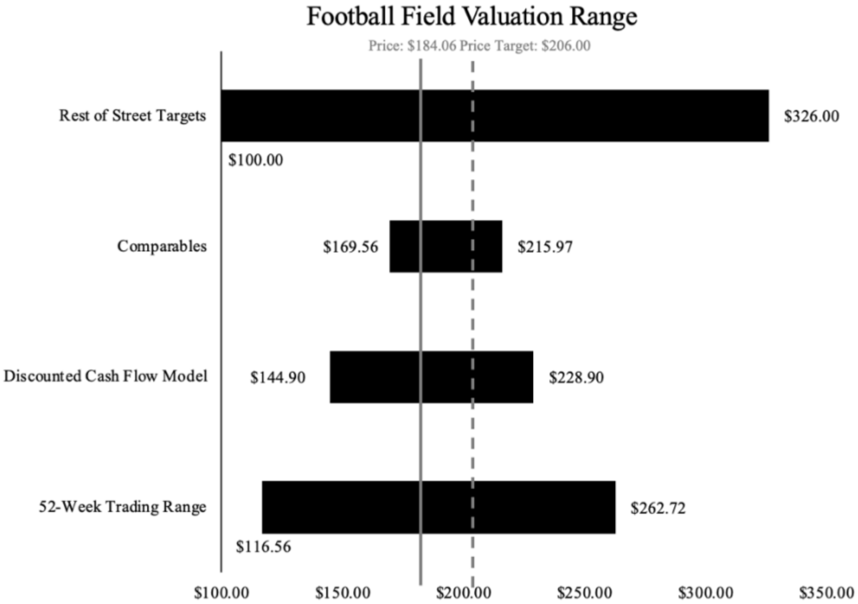
Investment Theses

Backlog and Expansion Provides Stability, Visibility Rather Than Growth Potential:
FSLR's Q1 2025 earnings reveal slight downturns in both QoQ and YoY Net Sales, Gross Profit, and Diluted EPS. Though the extensive backlog provides visibility into future sales stability through uncertain industry and policy landscapes, growth is not expected beyond execution of the existing 66.3 GW backlog. Additionally, the Louisiana expansion will likely cover for the lost production volume of Southeast Asian facilities, rather than drive further domestic growth. With current industry pressures placed by the administration, it's hard to see where a future demand surge would come from beyond the existing backlog.

FSLR is Well Positioned to Address Threats to the Industry:
FSLR's vertically integrated U.S. supply chain and onshore presence could lead to policy windfalls, aligning with Conservative leadership's priorities of manufacturing reshoring and supply chain resilience. The utility-scale focus protects FSLR from looming residential tax credit cuts, which immediately threaten residential solar industry. As a result, investors may shift into safer domestic solar bets like FSLR if risk continues to rise elsewhere in renewables.

Price Target & Valuation

Our analysis gives ($FSLR) a price target of $206 and an **Overweight** weight rating.



Potential Downsides to Our Rating

Domestic Production Shift: Though existing U.S. manufacturing infrastructure will allow FSLR to shift production from their Vietnam and Malaysia facilities, this transition will not only be difficult and costly in the short-term, but it is also merely a stopgap for tariff costs. This means rather than continuing to scale and grow capacity with new and expanded domestic facilities, FSLR will have to make up for lost production with this shift, and the execution of the extensive backlog could be slow moving, hampering revenue growth. FSLR will also likely face an important decision regarding the continuation of these bleeding, foreign facilities, depending on their long-term outlook on tariffs and the costs they face.

Policy Assumptions: The wind and solar industries have seen just how severely and rapidly political shifts can cause outlook changes. Our rating considers knock-on effects of the current, dominant political scrutiny towards renewables that have been branded unreliable and dependent on federal support. Any future IRA-type policy under another administration would hugely favor the industry, and if domestic manufacturing remains a bipartisan priority, FSLR would be positioned to receive simultaneous windfalls that could drive growth well beyond our rating.

Our Price Target: $206.00

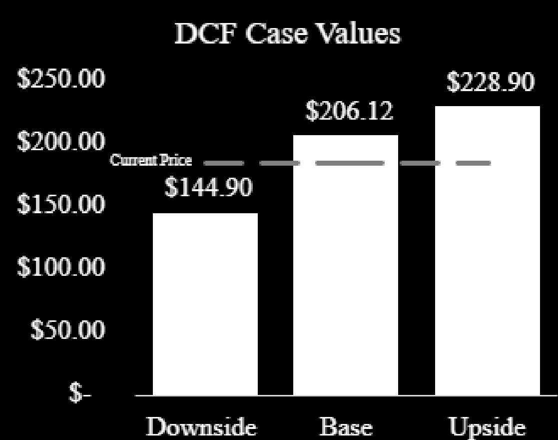
Our PT assumes low, single-digit growth of module sales to account for a stagnant, yet considerable backlog. We assume tax credits fall considerably in the short-term and are almost entirely phased out in the long-term as the industry outgrows federal dependency, while margins steadily flatten and become less volatile at the end of the 10Y period. We use a moderate exit multiple to account for post-IRA tapering, reflecting pre-45X rates.

Our Upside Case: $229.00

Our upside case assumes production is shifted successfully to the U.S. without significantly harming short-term margins, growing production capacity boosts module sales, and tax credits remain a significant, although slightly reduced, portion of profits until Big, Beautiful Bill Act phase-outs.

Our Downside Case: $145.00

Our downside case assumes quickly fading tax breaks, continued harsh policy outlook beyond the current admin, and little module sale growth beyond the execution of the existing backlog. This case reflects a scenario where FSLR fails to capitalize on the AI demand boom and struggles to compete with foreign silicone modules without federal aid.



Projections

Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	4,206,289	5,000,000	4,490,750	4,212,843	4,135,333	-0.6%
EBITDA	1,817,918	2,250,000	1,706,485	1,568,114	1,507,099	-6.1%
EBIT	1,394,420	1,750,000	1,257,410	1,137,468	1,075,187	-8.3%
NOPAT	424,783	483,282	(80,000)	796,753	1,280,126	44.4%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	43.2%	45.0%	38.0%	37.2%	36.4%	40.0%
EBIT Margin	33.2%	35.0%	28.0%	27.0%	26.0%	29.8%
Revenue Growth	26.7%	18.9%	-10.2%	-6.2%	-1.8%	5.5%
EBIT Growth	62.7%	25.5%	-28.1%	-9.5%	-5.5%	9.0%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	10.0x	6.0x	7.9x	8.7x	9.1x	8.3x
EV/Sales	4.7x	3.9x	4.4x	4.7x	4.7x	4.5x
EV/EBITDA	10.8x	8.7x	11.5x	12.5x	13.0x	11.3x
FCF Yield	10.0%	16.8%	12.7%	11.5%	11.0%	10.9%

About $FSLR

First Solar, Inc. (NASDAQ: FSLR), founded in 1999, is a U.S.-based solar technology company specializing in the manufacturing and installation of photovoltaic (PV) solar modules. The company designs and produces thin-film cadmium telluride (CdTe) solar panels primarily for large-scale utility and commercial solar projects across the United States and internationally. With vertically integrated manufacturing facilities in the U.S., Malaysia, and Vietnam—and a new Louisiana plant coming online—First Solar differentiates itself by focusing on American-made, silicon-free technology with a lower carbon footprint. The company's core mission is to enable a sustainable energy future by delivering reliable, cost-effective solar power solutions at utility scale.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

First SOLAR, INC.

Discounted Cash Flow

Active Case:	**2 Base**
Current Share Price	$181.11

DCF Analysis ($mm)

		FY2020 12/31/2020	FY2021 12/31/2021	FY2022 12/31/2022	FY2023 12/31/2023	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027
Stub							0.52	1.52	2.52
Discount Period							0.24	0.98	1.98
Revenue		2,711,332	2,923,377	2,619,319	3,318,602	4,206,289	5,000,000	4,490,750	4,212,843
Revenue Growth		*0%*	*8%*	*-10%*	*27%*	*27%*	*19%*	*-10%*	*-6%*
Module Sales		2,711,332	2,923,377	2,619,319	2,659,602	3,349,289	3,350,000	3,500,750	3,673,843
45X Tax Credits		0	0	0	659,000	857,000	1,650,000	990,000	539,000
	0.00	0	0	0	0	0	0	0	0
EBIT		317,489	586,751	(27,236)	857,266	1,394,420	1,750,000	1,257,410	1,137,468
EBIT Margin		*12%*	*20%*	*-1%*	*26%*	*33%*	*35%*	*28%*	*27%*
Tax Expense		(107,294)	103,469	52,764	60,513	114,294	87,500	62,871	75,831
Effective Tax Rate		*-34%*	*18%*	*-194%*	*7%*	*8%*	*5%*	*5%*	*7%*
NOPAT		424,783.00	483,282.00	(80,000.00)	796,753.00	1,280,126.00	1,662,500.00	1,194,539.50	1,061,636.35
D&A		202,215	231,901	269,724	307,994	423,498	500,000	449,075	430,646
Capex		(416,635)	(540,291)	(903,605)	(1,386,775)	(1,526,076)	(1,300,000)	(1,167,595)	(1,137,468)
Changes in NWC		424,161	438,623	(123,496)	851,414	1,290,108	209,423	359,260	393,199
UFCF		619,472	816,851	1,216,825	1,640,108	1,939,592	3,253,077	2,451,950	2,236,551
PV of FCF							3,173,877	2,218,345	1,827,885

	FY2028 12/31/2028	FY2029 12/31/2029	FY2030 12/31/2030	FY2031 12/31/2031	FY2032 12/31/2032	FY2033 12/31/2033	FY2034 12/31/2034	FY2035 12/31/2035
Stub	3.52	4.52	5.52	6.52	7.52	8.52	9.52	10.52
Discount Period	2.98	3.98	4.98	5.98	6.98	7.98	8.98	9.98
Revenue	4,135,333	4,211,866	4,398,059	4,661,569	4,984,458	5,360,625	5,791,729	6,283,906
Revenue Growth	*-2%*	*2%*	*4%*	*6%*	*7%*	*8%*	*8%*	*8%*
Module Sales	3,871,822	4,097,678	4,354,921	4,647,669	4,980,752	5,359,842	5,791,607	6,283,894
45X Tax Credits	263,511	114,188	43,138	13,900	3,707	783	122	12
	0	0	0	0	0	0	0	0
EBIT	1,075,187	1,052,967	1,055,534	1,072,161	1,096,581	1,125,731	1,158,346	1,193,942
EBIT Margin	*26%*	*25%*	*24%*	*23%*	*22%*	*21%*	*20%*	*19%*
Tax Expense	89,599	105,297	123,146	142,955	164,487	187,622	212,363	238,788
Effective Tax Rate	*8%*	*10%*	*12%*	*13%*	*15%*	*17%*	*18%*	*20%*
NOPAT	985,587.71	947,669.93	932,388.53	929,206.04	932,093.73	938,109.35	945,982.42	955,153.74
D&A	431,913	449,266	478,900	517,952	564,905	619,450	682,137	754,069
Capex	(1,157,893)	(1,221,441)	(1,319,418)	(1,445,086)	(1,595,027)	(1,769,006)	(1,969,188)	(2,199,367)
Changes in NWC	441,102	505,424	586,408	683,697	797,513	929,175	1,081,123	1,256,781
UFCF	2,134,291	2,112,953	2,144,298	2,208,548	2,294,512	2,397,391	2,516,185	2,651,808
PV of FCF	1,575,709	1,409,174	1,291,851	1,201,950	1,128,034	1,064,690	1,009,437	961,017

Terminal Value	
Perpetuity Growth Method	
2034 FCF	$2,651,808
Growth	2.00%
Terminal Value	$30,480,557
PV of Terminal Value	$11,046,175
PV of Projection Period	$16,861,968
PV of Terminal Value	$11,046,175
Implied TEV	$27,908,144
(-) Debt	$450,000
(+) Cash	$1,100,000
Implied Equity Value	$28,558,144
Basic Shares Outstanding	107000
Implied Share Price	$266.90
Upside/Downside	48.79%

Implied Exit BF EV/EBIT	23.4x

Terminal Value	
Exit Multiple Method	
2034 EBIT	$1,193,942
EV/EBIT Exit Multiple	10.5x
Terminal Value	$12,536,393
PV of Terminal Value	$4,543,198
PV of Projection Period	$16,861,968
PV of Terminal Value	$4,543,198
Implied TEV	$21,405,166
(-) Debt	$450,000
(+) Cash	$1,100,000
Implied Equity Value	$22,055,166
Diluted Shares Outstanding	107,000
Implied Share Price	$206.12
Upside/Downside	14.9%

Implied PGR	-30.1%

Blended Share Price	
Perpetutity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	$206.12
Upside/Downside	14.91%

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	1.48
Risk Free Rate	4.39%
Cost of Equity	10.80%
Weighted Average Cost of Debt	CoD
Tax Rate	5.00%
Cost of Debt	#VALUE!
Total Equity	$19,423
Total Debt	($650,000)
Equity/Total Capitalization	100.00%
Debt/Total Capitalization	0.00%
WACC	10.70%