

# FIRST SOLAR Q4'17 EARNINGS CALL

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February 22, 2018



# IMPORTANT INFORMATION

## Cautionary Note Regarding Forward Looking Statements

This presentation contains forward-looking statements which are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements concerning: effects resulting from certain module manufacturing changes and associated restructuring activities; our business strategy, including anticipated trends and developments in and management plans for our business and the markets in which we operate; future financial results, operating results, revenues, gross margin, operating expenses, products, projected costs (including estimated future module collection and recycling costs), warranties, solar module technology and cost reduction roadmaps, restructuring, product reliability, investments in unconsolidated affiliates, and capital expenditures; our ability to continue to reduce the cost per watt of our solar modules; the impact of public policies, such as tariffs or other trade remedies imposed on solar cells and modules; our ability to expand manufacturing capacity worldwide; our ability to reduce the costs to construct photovoltaic (“PV”) solar power systems; research and development (“R&D”) programs and our ability to improve the conversion efficiency of our solar modules; sales and marketing initiatives; the impact of U.S. tax reform; and competition. These forward-looking statements are often characterized by the use of words such as “estimate,” “expect,” “anticipate,” “project,” “plan,” “intend,” “seek,” “believe,” “forecast,” “foresee,” “likely,” “may,” “should,” “goal,” “target,” “might,” “will,” “could,” “predict,” “continue” and the negative or plural of these words and other comparable terminology. Forward-looking statements are only predictions based on our current expectations and our projections about future events and therefore speak only as of the date of this presentation. You should not place undue reliance on these forward-looking statements. We undertake no obligation to update any of these forward-looking statements for any reason, whether as a result of new information, future developments or otherwise. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these statements. These factors include, but are not limited to: structural imbalances in global supply and demand for PV solar modules; the market for renewable energy, including solar energy; our competitive position and other key competitive factors; reduction, elimination, or expiration of government subsidies, policies, and support programs for solar energy projects; our ability to execute on our long-term strategic plans; our ability to execute on our solar module technology and cost reduction roadmaps; interest rate fluctuations and both our and our customers' ability to secure financing; our ability to attract new customers and to develop and maintain existing customer and supplier relationships; our ability to successfully develop and complete our systems business projects; our ability to convert existing production facilities to support new product lines, such as Series 6 module manufacturing; general economic and business conditions, including those influenced by U.S., international, and geopolitical events; environmental responsibility, including with respect to cadmium telluride (“CdTe”) and other semiconductor materials; claims under our limited warranty obligations; changes in, or the failure to comply with, government regulations and environmental, health, and safety requirements; future collection and recycling costs for solar modules covered by our module collection and recycling program; our ability to protect our intellectual property; our ability to prevent and/or minimize the impact of cyber-attacks or other breaches of our information systems; our continued investment in R&D; the supply and price of components and raw materials, including CdTe; our ability to attract and retain key executive officers and associates; and the matters discussed under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” of our most recent Annual Report on Form 10-K and our subsequently filed Quarterly Reports on Form 10-Q, as supplemented by our other filings with the Securities and Exchange Commission.

## Non-GAAP Financial Measures

This presentation includes the presentation and discussion of certain financial information that differs from what is reported under generally accepted accounting principles in the United States (“GAAP”). These non-GAAP financial measures include non-GAAP earnings per share (“EPS”), free cash flow, adjusted operating expenses and adjusted operating income. See the Appendix for a reconciliation of each of these non-GAAP financial measures to its most directly comparable GAAP measure and further information regarding such measures. Investors and other readers should consider non-GAAP measures only as supplements to, not as substitutes for or superior to, measures of financial performance prepared in accordance with GAAP.

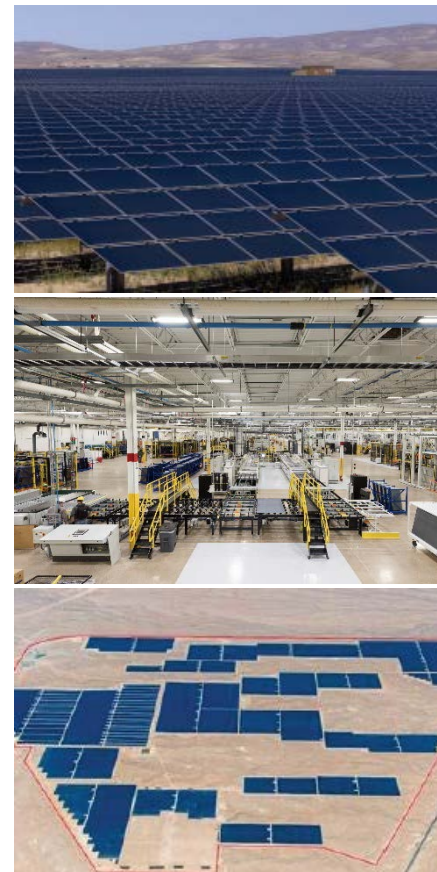
# AGENDA

- Business & Technology Update
- Q4'17 Financial Results
- 2018 Guidance
- Q&A

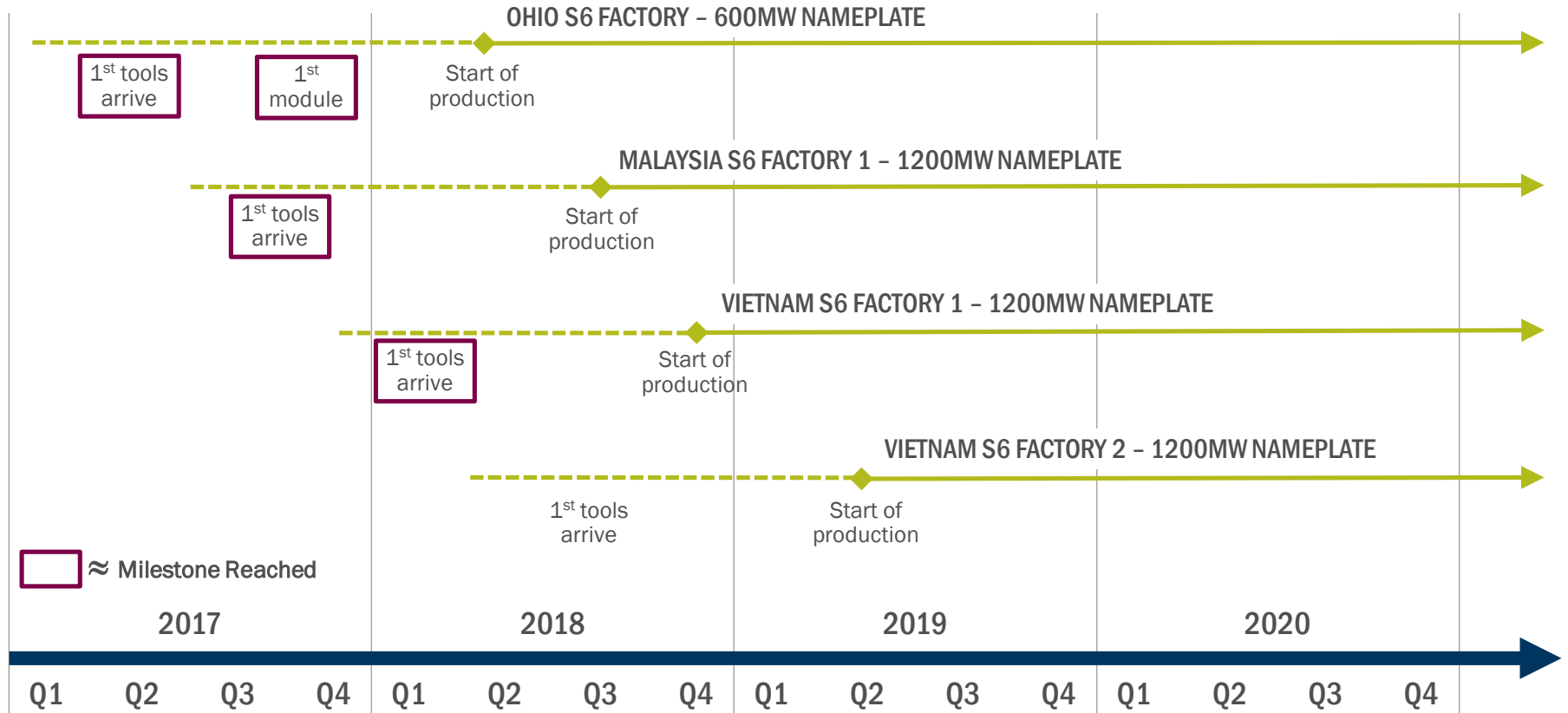


# 2017 HIGHLIGHTS

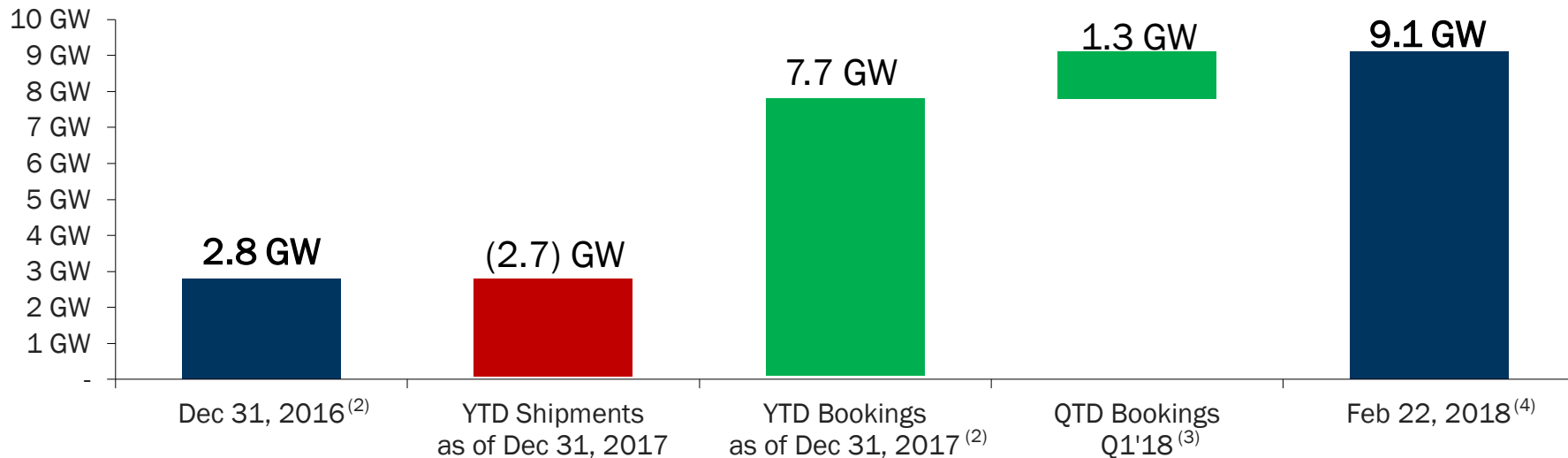
- **Bookings/Pipeline**
  - Record Module/Systems Bookings of 7.7GW<sub>dc</sub>
  - O&M Bookings of 2.9GW<sub>dc</sub>
- **Technology, Manufacturing & Operations:**
  - Series 6
    - Ohio: First complete module produced in November 2017
    - Malaysia #1: Coater installation completed
  - Series 4
    - Fleet Average Efficiency Improved to 16.9%, a 50 basis point YoY improvement
    - Module Cost per Watt Decrease of 14%
- **Financial**
  - GAAP loss per share of \$(1.59), inclusive of one-time tax reform impact
  - Non-GAAP EPS of \$2.59\*
  - Operating Cash Flow of \$1.3 billion
  - Ending Net Cash of \$2.6 billion



# SERIES 6 MANUFACTURING MILESTONES



# EXPECTED MODULE SHIPMENTS<sup>(1)</sup> (GW<sub>DC</sub>): SYSTEMS + THIRD-PARTY MODULE

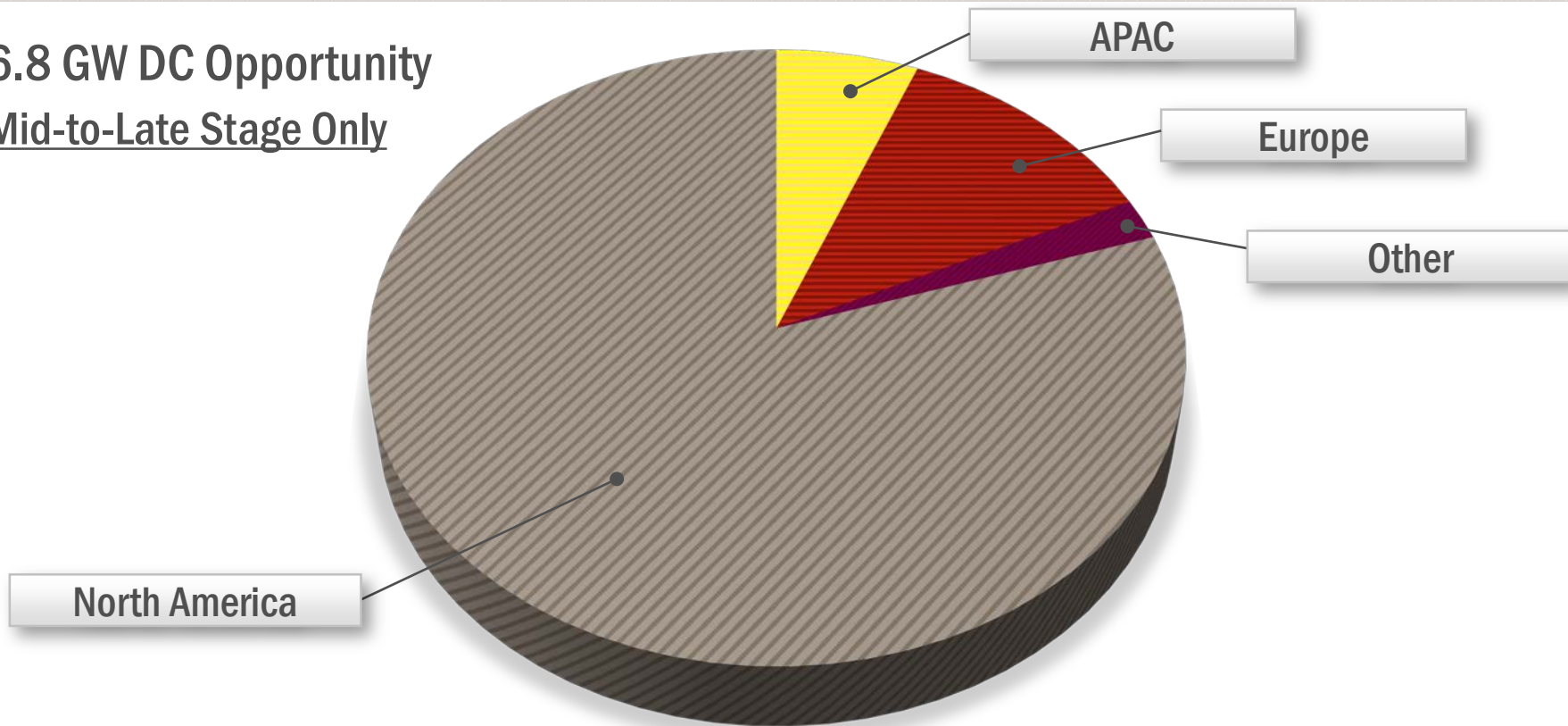


The above table presents the actual module shipments for 2017 through Dec 31, 2017, new module volume bookings through Feb 22, 2018, and the expected module shipments beyond Feb 22, 2018. A module is considered to be shipped when it leaves one of our manufacturing plants. Expected module shipments do not have a direct correlation to expected revenues as expected module shipments do not represent total systems revenues and do not consider the timing of when all revenue recognition criteria are met, including timing of module installation.

- (1) Expected Module Shipments includes systems projects and contracted 3<sup>rd</sup> party module-only sales. Systems projects include (a) under sales agreement, (b) executed PPA not under sales agreement and (c) no PPA and not under sales agreement, but electricity to be sold on an open contract basis.
- (2) Ending 2016 balance of 3.2GW, reduced by Jan 2017 Tribal Solar de-booking of 0.4GW. 2017 bookings of 8.4GW, reduced by 0.7GW of de-bookings.
- (3) Reflects new bookings from Jan 1, 2018 to Feb 22, 2018
- (4) Balance includes remaining shipment volumes as of Dec 31, 2017 and bookings through Feb 22, 2018. Shipments from Jan 1 to Feb 22, 2018 not deducted.

# POTENTIAL BOOKING OPPORTUNITIES: BY GEOGRAPHY

6.8 GW DC Opportunity  
Mid-to-Late Stage Only






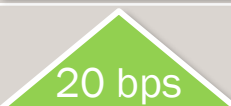




# Q4 2017 FINANCIAL RESULTS



# Q4'17 OPERATIONS OVERVIEW

Metric	Q4'17	Q4'17 VS Q3'17	Q4'17 VS Q4'16
Production (MW <sub>DC</sub> )	532	 1%	 30%
Capacity Utilization	99%	 1 pt	 7 pts
Conversion Efficiency (Fleet Average)	17.0%	Unchanged	 40 bps
Conversion Efficiency (Best Line Quarter Average)	17.0%	Unchanged	 20 bps

# KEY INCOME STATEMENT DATA

	Q4'17	Q/Q	Y/Y	2017	Y/Y
(in millions, except gross profit % and net income per share data)					
(Unaudited)					
Net sales	\$ 339.2	-69%	3%	\$ 2,941.3	1%
Gross profit %	18.3 %	-8.5 ppt	15.9 ppt	18.7%	-3.3 ppt
Selling, general and administrative	55.0	9%	-22%	202.7	-23%
Research and development	23.6	13%	-20%	88.6	-29%
Production start-up	20.5	63%	>100%	42.6	>100%
Restructuring and asset impairments	(1.9)	>(100)%	(100%)	37.2	-95%
Operating (loss) income	(35.1)	(242.1)	786.1	177.9	746.1
Other (expense) income, net	(1.2)	(3.2)	7.3	24.0	(16.3)
Income tax expense	(398.8)	(391.2)	(342.7)	(372.0)	(348.8)
Equity in earnings of unconsolidated affiliates, net of tax	(1.2)	(5.2)	(138.7)	4.3	(140.0)
Net loss	\$ (432.5)	\$ (638.2)	\$ 318.3	\$ (165.6)	\$ 250.5
Share count - Diluted	104.4	-1%	0%	104.3	1%
Net loss per share - Diluted	\$ (4.14)	\$ (6.09)	\$ 3.08	\$ (1.59)	\$ 2.46
Non-GAAP net income per share – Diluted <sup>(1)</sup>	\$ (0.25)	N/A	N/A	\$ 2.59	N/A

(1) Refer to the appendix for a reconciliation of this non-GAAP measure to its most directly comparable GAAP measure

# KEY BALANCE SHEET AND CASH FLOW DATA

	Q4'17	Q3'17	Q4'16	Q/Q	Y/Y
(in millions)					
(Unaudited)					
<b>Assets &amp; Liabilities</b>					
Cash and marketable securities	\$ 2,988.9	\$ 2,718.6	\$ 1,955.1	\$ 270.3	\$ 1,033.8
Accounts receivable trade, net	211.8	344.6	266.7	(132.8)	(54.9)
Accounts receivable, unbilled and retainage	174.6	455.1	206.7	(280.5)	(32.1)
Inventories – current	172.4	217.6	363.2	(45.2)	(190.8)
Balance of systems parts	28.8	20.9	62.8	7.9	(34.0)
PV solar power systems, net	417.1	454.5	448.6	(37.4)	(31.5)
Project assets – current and noncurrent	502.7	473.7	1,462.9	29.0	(960.2)
Restricted cash – current and noncurrent	61.9	60.4	68.5	1.5	(6.6)
Investments in unconsolidated affiliates and joint ventures	219.5	227.7	234.6	(8.2)	(15.1)
Long-term debt – current and noncurrent	\$ 393.5	\$ 343.7	\$ 188.4	\$ 49.8	\$ 205.1
<b>Cash Flow</b>					
Net cash provided by operating activities	\$ 434.0	\$ 581.4	\$ 268.4	\$ (147.4)	\$ 165.6
Free cash flow <sup>(1)</sup>	\$ 234.7	\$ 483.8	\$ 214.8	\$ (249.1)	\$ 19.9

(1) Refer to the appendix for a reconciliation of this non-GAAP measure to its most directly comparable GAAP measure

# 2018 GUIDANCE AS OF FEBRUARY 22, 2018

	Prior GAAP	Current GAAP
Net Sales	\$2.3B to \$2.5B	\$2.45B to \$2.65B
Gross Margin (%) <sup>1</sup>	22% to 23%	21.5% to 22.5%
Operating Expenses <sup>2</sup>	\$400M to \$410M	Unchanged
Operating Income	\$110M to \$170M	\$130M to \$180M
Earnings Per Share	\$1.25 to \$1.75	\$1.50 to \$1.90
Net Cash Balance <sup>3</sup>	\$1.6B to \$1.8B	\$2.1B to \$2.3B
Operating Cash Flow	\$100M to \$200M	Unchanged
Capital Expenditures	\$650M to \$750M	\$700M to \$800M
Shipments	2.7GW to 2.8GW	2.9GW to 3.0GW

1. Includes approximately \$60 million of ramp penalty costs and \$10 million of restructuring related charges
2. Includes approximately \$110 million of production start-up expense
3. Cash and marketable securities less expected debt at the end of 2018



# 2017 & Q4'17 RESULTS SUMMARY

- **Pipeline Additions**
  - 7.7GW<sub>DC</sub> of net bookings in 2017
  - 1.3GW<sub>DC</sub> of net bookings year-to-date
- **Technology and Operation Roadmap**
  - Series 6:
    - First Series 6 module produced in Ohio
    - Over 90% of front end tools installed in Malaysia
    - Coater arrived at first Vietnam factory
- **Financial Results**
  - 2017 GAAP loss per share of \$(1.59)
  - 2017 non-GAAP EPS of \$2.59\*
  - 2018 GAAP EPS guidance midpoint raised \$0.20 to \$1.70
  - 2018 net cash guidance raised by \$500M to \$2.3B

\*See the appendix for a reconciliation of this non-GAAP measure to its most directly comparable GAAP measure



# APPENDIX

Key Quarterly Financial Data	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q4'17	Q4'17
							Q/Q
(\$ in millions, except gross profit %, average conversion efficiency, and net income per share data)							
(Unaudited)							
Net sales	\$ 330.8	\$ 891.8	\$ 623.3	\$ 1,087.0	\$ 339.2	(69)%	3%
Gross profit %	2.4%	9.4%	17.8%	26.8%	18.3%	(8.5) ppt	15.9 ppt
Selling, general and administrative	70.4	48.2	49.0	50.5	55.0	9%	(22)%
Research and development	29.5	22.8	21.3	20.9	23.6	13%	(20)%
Production start-up	0.2	1.2	8.4	12.6	20.5	63%	> 100%
Restructuring and asset impairments	660.1	20.0	18.3	0.8	(1.9)	> (100)%	(100)%
Goodwill impairment	68.8	-	-	-	-	— %	(100)%
Operating (loss) income	(821.2)	(8.0)	13.9	207.0	(35.1)	(242.1)	786.1
Income tax (expense) benefit	(56.1)	(5.7)	40.0	(7.6)	(398.8)	(391.2)	(342.7)
Equity in earnings of unconsolidated affiliates, net of tax	137.5	(0.6)	2.0	4.0	(1.2)	(5.2)	(138.7)
Net (loss) income	\$ (750.8)	\$ 9.1	\$ 52.0	\$ 205.7	\$ (432.5)	\$ (638.2)	\$ 318.3
Share count - Diluted	104.0	104.4	104.6	105.7	104.4	(1)%	0%
Net (loss) income per share - Diluted	\$ (7.22)	\$ 0.09	\$ 0.50	\$ 1.95	\$ (4.14)	\$ (6.09)	\$ 3.08
Share-based compensation expense	\$ 4.2	\$ 7.1	\$ 8.4	\$ 10.1	\$ 9.5	(6)%	126%
Capital expenditures	53.6	113.0	104.5	97.6	199.3	104%	272%
Cash and cash equivalents	\$ 1,955.1	\$ 2,445.7	\$ 2,229.1	\$ 2,718.6	\$ 2,988.9	10%	53%
<b>Supplemental Data</b>							
Net cash provided by (used in) operating activities	\$ 268.4	\$ 493.1	\$ (167.8)	\$ 581.4	\$ 434.0	\$ (147.4)	\$ 165.6
- Purchases of property, plant and equipment	(53.6)	(113.0)	(104.5)	(97.6)	(199.3)	(101.7)	(145.7)
= Free cash flow	\$ 214.8	\$ 380.1	\$ (272.3)	\$ 483.8	\$ 234.7	\$ (249.1)	\$ 19.9
MW produced	759.7	711.9	512.8	527.3	531.9	1%	-30%
Average conversion efficiency	16.6%	16.6%	16.9%	17.0%	17.0%	0 bps	40 bps

Total amounts may not foot due to rounding

See below for more information regarding free cash flow, a non-GAAP financial measure

# USE OF NON-GAAP FINANCIAL MEASURES

In this presentation we provide non-GAAP earnings per share for the three months and year ended December 31, 2017. In addition we have provided adjusted operating expenses and adjusted operating income for the three months and year ended December 31, 2017 and the three months ended September 30, 2017. We have included these non-GAAP financial measures to adjust for, as applicable (i) restructuring, asset impairment and related charges primarily associated with the transition from Series 4 to Series 6 production, (ii) the tax effect associated with these items and (iii) the tax effect associated with U.S. tax reform. We believe non-GAAP earnings per share, adjusted operating expenses and adjusted operating income, when taken together with corresponding GAAP financial measures, to be relevant and useful information to our investors because such measures provides them with additional information in assessing our financial operating results. Our management uses these non-GAAP financial measure in evaluating our operating performance. However, these measures have limitations, including that they exclude the effect of certain changes to our assets and liabilities and certain amounts that we may ultimately have to pay in cash. Accordingly, these non-GAAP financial measures should be considered in addition to, and not as a substitute for, or superior to the corresponding financial measures prepared in accordance with GAAP. The following are the reconciliations of non-GAAP earnings per share, adjusted operating expenses and adjusted operating income to the corresponding measures prepared in accordance with GAAP for each period presented (in millions, except per share amounts):



## RECONCILIATION OF ADJUSTED OPERATING EXPENSES AND ADJUSTED OPERATING INCOME TO GAAP

In millions	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Twelve Months Ended December 31, 2017
Total operating expenses	\$ 97.1	\$ 84.8	\$ 371.1
Restructuring and asset impairments	1.9	(0.8)	(37.2)
Adjusted operating expenses	\$ 99.0	\$ 84.0	\$ 333.9

In millions	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Twelve Months Ended December 31, 2017
Operating income (loss)	\$ (35.1)	\$ 207.0	\$ 177.8
Restructuring and asset impairments	(1.9)	0.8	37.2
Adjusted operating income	\$ (37.0)	\$ 207.8	\$ 215.0

# RECONCILIATION OF NON-GAAP EARNINGS PER SHARE TO GAAP

In millions, except per share amounts	Three Months Ended December 31, 2017
Net income	\$ (432.5)
Restructuring and asset impairments	(1.9)
Tax effect of restructuring and asset impairments*	0.2
Tax effect of U.S. tax reform	408.1
Non-GAAP Net Income	<u>\$ (26.1)</u>
Weighted-average number of shares used for diluted earnings per share	104.4
GAAP loss per share	\$ (4.14)
Non-GAAP loss per share	\$ (0.25)

\*Restructuring treated as a non-discrete item for tax purposes and will be reflected in the effective tax rate over the duration of 2017.

# RECONCILIATION OF NON-GAAP EARNINGS PER SHARE TO GAAP

In millions, except per share amounts	Twelve Months Ended December 31, 2017	
Net income	\$	(165.6)
Restructuring and asset impairments		37.2
Tax effect of restructuring and asset impairments*		(7.1)
Tax effect of U.S. tax reform		408.1
Non-GAAP Net Income	\$	272.6
Weighted-average number of shares used for diluted earnings per share		104.3
GAAP loss per share	\$	(1.59)
Weighted-average number of shares used for diluted earnings per share		105.2
Non-GAAP earnings per share	\$	2.59

\*Restructuring treated as a non-discrete item for tax purposes and will be reflected in the effective tax rate over the duration of 2017.

# USE OF NON-GAAP FINANCIAL MEASURE: FREE CASH FLOW

This presentation includes information regarding free cash flow, which is a financial measure not prepared in accordance with GAAP.

Free cash flow is defined as net cash provided by (used in) operating activities minus capital expenditures (purchases of property, plant and equipment). The Company uses free cash flow to evaluate its businesses, and this measure is considered an important indicator of the Company's liquidity and ability to pursue opportunities to enhance shareholder value, including its ability to reduce debt and make strategic investments. A general limitation of a free cash flow measure is that it is not prepared in accordance with GAAP and thus may not be comparable to similarly titled measures of other companies due to differences in methods of calculation and excluded items. Accordingly, this non-GAAP financial measure should be considered in addition to, and not as a substitute for or superior to, net cash provided by (used in) operating activities.

In millions

	Quarter Ended				
	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
Net cash (used in) provided by operating activities	\$ 268.4	\$ 493.1	\$ (167.8)	\$ 581.4	\$ 434.0
- Purchases of property, plant and equipment	(53.6)	(113.0)	(104.5)	(97.6)	(199.3)
= Free cash flow	\$ 214.8	\$ 380.1	\$ (272.3)	\$ 483.8	\$ 234.7

\*Year ended data and totals may not sum due to rounding



**First Solar**®