

# **First Solar, Inc. (FSLR) Q1 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

May 2, 2024 Thursday

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**Length:** 10168 words

**Byline:** SA Transcripts

**Body**

First Solar, Inc. (FSLR)

Q1 2024 Results Conference Call

May 1, 2024 04:30 PM ET

Company Participants

Richard Romero - Investor Relations

Mark Widmar - Chief Executive Officer

Alex Bradley - Chief Financial Officer

Conference Call Participants

Mark Strouse - JPMorgan

Andrew Percoco - Morgan Stanley

Philip Shen - ROTH MKM

Brian Lee - Goldman Sachs

Moses Sutton - BNP Paribas

Vikram Bagri - Citi

Kashy Harrison - Piper Sandler

Presentation

Operator

Good afternoon, everyone, and welcome to First Solar's First Quarter 2024 Earnings Call. This call is being webcast live on the Investors section of First Solar's website at investor.firstsolar.com. [Operator Instructions] As a reminder, today's call is being recorded.

I would now like to turn the call over to Richard Romero from First Solar Investor Relations. Richard, you may begin.

Richard Romero

Good afternoon and thank you for joining us. Today, the company issued a press release announcing its first quarter 2024 financial results. A copy of the press release and associated presentation are available on our website at investor.firstsolar.com.

With me today are Mark Widmar, Chief Executive Officer; and Alex Bradley, Chief Financial Officer. Mark will provide business, strategy and policy updates. Alex will discuss our bookings, pipeline, quarterly financial results and provide updated guidance. Following their remarks, we will open the call for questions.

Please note, this call will include forward-looking statements that include risks and uncertainties that could cause actual results to differ materially from management's current expectations. We encourage you to review the safe harbor statements contained in today's press release and presentation for a more complete description.

It is now my pleasure to introduce Mark Widmar, Chief Executive Officer.

Mark Widmar

Good afternoon and thank you for joining us today. We are pleased with our start to 2024 with good operating performance, selective year-to-date bookings of 2.7 gigawatts with an ASP over $0.31 per watt, excluding adjusters or $0.327 per watt assuming the realization of technology adjusters, and solid financial performance.

We're also pleased with the developing foundations to enable our long-term goal of exiting this decade in a stronger position than we entered it. From increasing production of our most advantaged Series 7 module to expanding our manufacturing footprint, to the building of an R&D innovation center and perovskite development line that is expected to enable development of the next generation of disruptive solar technology, we are focused on the future of differentiation and sustainable growth.

But while we continue to play the long game, we must acknowledge the current environment in the solar manufacturing industry, which remains in a state of heightened volatility driven by intentional structural overcapacity in China. As we previously said, our ability to play this long game is a direct result of our differentiated technology and business model.

From a technological perspective, the contrast is clear between our unique proprietary cadmium telluride semiconductor technology and highly commoditized crystalline silicon modules. This difference has become increasingly apparent in light of the recently announced disputes concerning alleged infringement of TOPCon cell technology and intellectual property rights, which cast out some numerous crystalline silicon producers having the freedom to legally manufacture and sell this technology.

From a business model and growth perspective, we are once again reminded of the value of our balanced approach to growth, liquidity and profitability. According to reporting, large Chinese solar companies have warned a potential quality and reliability issues as manufacturers cut corners and the impact of the current oversupply environment and associated financial stress on R&D and innovation.

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By contrast, we continue to invest. We are on track to commission our R&D innovation center and a perovskite development line in Ohio in the second half of this year, representing a combined investment of nearly $0.5 billion. And we continue to optimize our products for energy efficiency and cost.

In the face of overcapacity, the average large Chinese solar manufacturing facility reportedly had a record-low capacity utilization rate of 23% in February of this year. In contrast, supported by our large contracted backlog, our facilities were operating near nameplate capacity in the first quarter of this year.

The Chinese solar industry has engaged in a race to the bottom with a rationally low market-distorting pricing that has caused even Chinese companies to call for intervention by the Chinese government to manage the pricing environment and send the financial hardship this is causing them. By contrast, we remain focused on a highly selective approach to forward contracting that provides optionality and healthy ASPs.

We are not immune to the broader ramifications of the Chinese solar business model. However, we continue to focus on our points of differentiation, which aim to provide some resiliency in light of current industry challenges. We're also focused on policy and trade drivers that can encounter anticompetitive and abusive market behaviors.

There should be no doubt, we invite competition and free trade. All we continue to seek is that the competition and trade are practiced on a fair and level playing field. We believe this approach will help us to drive growth, navigate industry volatility and deliver enduring shareholder value.

On Slide 3, I will share some highlights from the first quarter. From a commercial perspective, we continued our selective approach to building backlog underpinned by our cumulatively oversold position through 2026. Since our last earnings call approximately 9 weeks ago, we have booked 854 megawatts with an ASP of $0.301 per watt, excluding adjusters where applicable. This brings our year-to-date net bookings to 2.7 gigawatts with an average ASP of $0.313 per watt excluding adjusters or $0.327 per watt assuming the realization of technology adjusters.

Our total contracted backlog now stands at 78.3 gigawatts with orders stretching through 2030. From a manufacturing perspective, we are pleased with our solid Q1 performance, including producing a record 3.6 gigawatts of modules as a result of our relentless focus on manufacturing excellence.

From a technology perspective, we are pleased with our CuRe module field test and have completed the UL and IEC certification process. We continue to anticipate launching CuRe at our lead line factory in Ohio in Q4 of this year. In parallel to preparing for launch, we continue to make progress on technical solutions that could enable accelerating CuRe's replication across our factories at a lower CapEx than assumed at our recent Analyst Day.

Now Alex will provide a comprehensive overview of our first quarter 2024 financial results. I would like to highlight our ability to deliver strong performance in a market challenged by Chinese oversupply, which, in our view, validates our approach to long-term forward contracting. This led to first quarter earnings per diluted share of $2.20 and a quarter end net cash balance of $1.4 billion.

Moving to Slide 4. Our growth plans remain on track. The expansion of our Perrysburg, Ohio manufacturing footprint is expected to be completed, and commercial shipments are expected to begin before the end of the second quarter. Construction activity at our new facility in Alabama is complete, and the first tools are now being installed in preparation for the expected start of commercial shipments in the second half of this year. Our new Louisiana facility is also on track with the start in commercial operations expected in late 2025.

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In Ashley, our India facility is continuing to ramp. And we're proud that the first Indian-made Series 7 modules have been deployed in the field. We therefore expect to exit 2024 with over 21 gigawatts of global nameplate capacity and 2026 with over 25 gigawatts of nameplate capacity. All of this capacity is available to serve the U.S. market with over half of our capacity physically located in the U.S.

Additionally, we are on track to commission the previously mentioned R&D projects in Ohio in the second half of this year, which will comprise a perovskite development line and a new R&D innovation center at our Perrysburg campus. The innovation center features a high-tech CadTel pilot line, which we expect will accelerate our development activities and bring capabilities for full-size prototyping of thin-film and tandem PV modules.

At our Analyst Day in September 2023, we talked about the need to create a disruptive, transformative technology platform that balances energy efficiency and costs. We believe that these investments in R&D will help accelerate our cycles of innovation, optimize our technology road map and reinforce our position of strength through technology leadership.

I'll now turn the call over to Alex to discuss our bookings, pipeline and financials.

Alex Bradley

Thanks, Mark.

Moving on Slide 5. As of December 31, 2023, our contracted backlog totaled 78.3 gigawatts with an aggregate value of $23.3 billion. to March 31, 2024, we entered into an additional 2.7 gigawatts of contracts and recognized 2.7 gigawatts of volume sold, resulting in a total backlog of 78.3 gigawatts with an aggregate value of $23.4 billion, which implies an ASP of approximately $0.299 per watt excluding adjusters.

As we previously stated, given our diminished available supply, the long-dated time frame into which we're now selling, the need to align customer project visibility with our balanced approach to ASPs, payment security and other key contractual terms and uncertainty related to the policy environment and the upcoming U.S. election cycle, we expect to take advantage of our position of strength in our contracted backlog and be highly selective in our approach to new bookings this year. We will continue to forward contract with customers who prioritize long-term relationships and appropriately value a point of differentiation.

The substantial portion of our overall backlog includes the opportunity to increase the base ASP through the application of adjusters if we are able to realize achievements within our current technology road map as of the expected timing of delivery for the product. At the end of the first quarter, we had approximately 40.2 gigawatts of contracted volume with these adjusters, which if fully realized, could result in additional revenue of up to approximately $0.5 billion or approximately $0.01 per watt, the majority of which will be recognized between 2025 and 2027.

This amount does not include potential adjustments, which are generally applicable to the total contracted backlog, both the ultimate module being delivered to the customer, which may adjust the ASP under the sales contract upward or downwards, and for increases in sales rate or applicable aluminum or steel commodity price changes.

As reflected on Slide 6, our total pipeline of potential bookings remained strong with bookings opportunities of 72.8 gigawatts, an increase of approximately 6.3 gigawatts in the previous quarter. Our mid- to late-stage bookings opportunities decreased by approximately 2.6 gigawatts to 29.4 gigawatts and now includes 25.8 gigawatts in North America and 3.3 gigawatts in India.

Included within our mid- to late-stage pipeline are 3.7 gigawatts of opportunities that are connected subject to conditions, which includes 1 gigawatt in India. As a reminder, signed contracts in India will not be recognized as bookings until we have received full security against the offtake.

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We're seeing meaningful increases in demand expectations driven in part by data center load growth. According to McKinsey, U.S. data center power consumption is expected to reach 35 gigawatts annually by 2030, and much of this growth is supplied by renewable energy given that hyperscalers like Apple, Google, Meta and Microsoft are committed to 24/7 use of carbon-free energy. We believe that First Solar is strongly positioned to supply this emerging sector given our advantaged technology and more sustainable product.

Slide 7, I'll cover our financial results for the first quarter. Net sales in the first quarter were $794 million, a decrease of $365 million compared to the fourth quarter. Decrease in net sales was driven by an expected historical seasonal reduction in the Q1 volume of modules sold. Gross margin was 44% in the first quarter compared to 43% in the fourth quarter of 2023. This increase was primarily driven by a higher mix of modules sold from our U.S. factories, which qualify for Section 45X tax credits, partially offset by higher warehousing and logistics costs in India and the U.S.

SG&A, R&D and production start-up expenses totaled $104 million in the first quarter, a decrease of approximately $7 million compared to the prior quarter. This decrease was primarily due to lower professional fees as we incurred certain costs to facilitate the sale of our 2023 Section 45X credits during the prior quarter, lower incentive compensation and the receipt of an R&D granted our factories in Ohio. These reductions were partially offset by higher production start-up expenses for our Alabama factory and Ohio manufacturing footprint expansions as well as the reversal of certain credit losses in the prior quarter due to improved collections for our accounts receivables.

Our first quarter operating income was $243 million, which included depreciation, amortization and accretion of $91 million, ramp costs of $12 million, production start-up expense of $15 million and share-based compensation expense of $7 million. The increase in other income expense was primarily driven by the prior quarter impairment of our strategic investment in CubicPV.

We recorded tax expense of $19 million in the first quarter compared to $27 million in the fourth quarter. The decrease in tax expense was largely driven by excess tax benefits associated with share-based compensation awards and lower pretax income. Combination of the aforementioned items led to first quarter earnings per diluted share of $2.20.

Next, turn to Slide 8 to discuss the next balance sheet items and summary cash flow information. Our cash, cash equivalents, restricted cash, restricted cash equivalents and marketable securities ended the quarter at $2 billion compared to $2.1 billion at the end of the prior quarter. This decrease was primarily attributable to capital expenditures associated with our new U.S. factories in Alabama and Louisiana and our Ohio capacity expansion, partially offset by operating cash flows from our module segment.

Total debt at the end of the first quarter was $620 million, an increase of $60 million from the fourth quarter as a result of additional working capital facilities to support the ramp of our new India plant. Our net cash position decreased by approximately $0.2 billion to $1.4 billion as a result of the aforementioned factors. Cash flows from operations were $268 million in the first quarter. Capital expenditures were $413 million during the period.

Continuing on Slide 9. Our full year 2024 volumes sold and P&L guidance is unchanged from our previous earnings and guidance call in late February. We're increasing our capital expenditures forecast by $0.1 billion with the intention of accelerating the CuRe conversion at our Vietnam facilities as well as at our third Perrysburg facility and with a view to advancing global fleet replication by more than 1 year from our assumptions at our recent Analyst Day, which could drive incremental upside to the current estimate of additional revenue realizable through technology adjusters referenced earlier in the call.

Our year-end 2024 net cash balance guidance range has been revised due to 4 factors: our selective accommodation of customer schedule shift requests, potential sale by a customer of a U.S. project development portfolio, our strategic approach to new bookings, and higher CapEx.

Firstly, as noted on our previous call, we have seen some requests from customers to shift delivery volume timing out as a function of project development delays. We continue to work with our customers to optimize delivery schedules for their contracted volumes to the extent we are able to accommodate.

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Secondly, consistent with the reports that some energy project developers are coming under investor pressure to pursue returns commensurate with those currently prevalent in fossil project development, who may therefore be examining their renewable procurement positions, we have indications that a customer is expecting to sell their U.S. solar development portfolio.

And we understand that the potential purchase of these assets, they first sold a customer with an existing module framework agreement. We expect that the development time lines for the projects within this portfolio will be delayed, including as a result of the sales process, pushing construction schedules out of 2024.

Because the potential pursue of these assets in an existing customer with a framework agreement covering the revised construction schedules and a portion of our backlog the selling customer is among unlimited contracts with a termination for convenience rights, we expect that this right will be exercised in connection with this portfolio sale.

As discussed on previous earnings calls, if this termination for convenience right is exercised, we will be owed a termination payment. We'd look to reallocate or resell these modules. Between selectively accommodating customer timing optimization requests and the expected termination for convenience by the aforementioned portfolio selling developer customer, we now expect a greater concentration of the shipments and sold volume in the second half of the year to be in Q4 versus Q3. As a result of this back ending of deliveries, we expect the timing of some cash collection previously assumed in Q4 2024 to now occur in Q1 of 2025.

Thirdly, relating to the revision of our year-end 2024 net cash balance guidance range, as a function of our highly selective approach to bookings, we're forecasting a reduction in assumed cash deposits associated with new bookings in 2024.

And fourthly, as previously mentioned, we're forecasting higher CapEx associated with our intention to accelerate CuRe conversion at our Vietnam and our third Perrysburg facilities. So taken together, the combination of higher year-end accounts receivable balance due to accommodating customer timing optimization requests, the expanded termination for convenience by the aforementioned portfolio selling developer customer and reduced deposits from new bookings due to our highly selective approach to bookings as well as the increased CapEx due to the CuRe conversion in Vietnam and Perrysburg, results in an updated year-end 2024 net cash balance guide of $600 million to $900 million.

From an earnings cadence perspective, we expect our net sales and cost-of-sale profile, excluding the benefit of Section 45X tax credit, to be approximately 35% to 40% in the first half of the year and 60% to 65% in the second half of the year. We forecast Section 45X tax credits of approximately $400 million in the first half of the year, approximately $620 million in the second half of the year, then operating expense profile roughly evenly split across the year. This results in a forecasted earnings per diluted share profile of approximately 35% to 40% in the first half of the year and 60% to 65% in the second half of the year.

Now, I hand the call back to Mark to provide an update on policy.

Mark Widmar

Turning to Slide 10. As we stated in the past, we believe the Inflation Reduction Act represents America's first durable solar industrial strategy and if implemented with the whole of government commitment to onshoring, together with strong and consistent enforcement of trade laws, it also has the potential to dismantle China's dominated influence over solar manufacturing value chain.

Quite simply, the IRA paves a viable pathway for the U.S. to secure supply of critical clean energy technologies, enabling America's energy independence while capturing the value of our economy and creating well-paying enduring jobs.

At the same time and also as previously stated, while we are not the only American solar manufacturer to come in existence at the end of the last century, the grim reality is that as a consequence of China's strategic objective to dominate the solar industry, we're the only one at scale to remain today.

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For the IRA to achieve one of its intended purposes, which is to spur U.S. manufacturing to the scale required to support the country's energy independence and climate goals, we must ensure that more companies that are aligned with the U.S. ambitions and are committed to fair competition and innovation can scale, compete and prosper.

The purpose of the IRA will not be achieved under current unsustainable market conditions. The relentlessness of the Chinese subsidization and dumping strategy have caused a significant collapse in cell and module pricing and threatens the viability of many manufacturers who may never be able to get off the ground or have the ability to finance and start up the growth of their operations.

Given this unfortunate reality, together with our role as a market leader in the Western Hemisphere's largest solar module manufacturer, we have joined an alliance of 7 solar manufacturing companies, comprising the American Alliance for Solar Manufacturing Committee, which last week filed a set of antidumping and countervailing petitions with the U.S. International Trade Commission and U.S. Department of Commerce to investigate unfair trade practices from factories in 4 belt and road initiative countries in Southeast Asia, Cambodia, Malaysia, Thailand and Vietnam, that are injuring the U.S. solar industry.

This action takes place against the backdrop of growing momentum on the part of current U.S. administration to broadly address structural overcapacity across a range of industries in China. The administration's leadership in tackling this wide-ranging issue is remarkable. And in the past few weeks, we have heard senior members of the administration, including Treasury Secretary, Janet Yellen; and White House Climate Adviser, John Podesta, state in no uncertain terms that the President intends to act to level the playing field for American manufacturing.

We welcome the actions focused on solar supply chains, including the reported potential withdrawal of the Section 201 bifacial exemption and the pending expiration on the moratorium on tariffs related to and in circumvention findings. These are clear actions that deliver on the President's intent.

The context of our decision to support the petition starts with China's role in the global solar market. That country's long history of egregious subsidies, dumping of modules at prices believed to be below their cost, creation of structural overcapacity, engagement and circumvention of measures designed to address these factors and other unfair trade practices have intentionally distorted markets around the globe, causing a significant decline in solar prices and denying international competitors access to a level playing field.

As Secretary Yellen herself has recently said, "China's overcapacity distorts global prices and production patterns hurts American firms and workers." China ended 2023 with more than twice the solar manufacturing capacity that was deployed worldwide last year, had record-low factory capacity utilization rates in the first quarter of 2024 and despite these market-distorting factors, is still expected to add 500 to 600 gigawatts of new capacity this year with China expected to exit 2024 with sufficient capacity to meet global demand through 2032. It appears that the overcapacity is not a miscalculation but an intentional feature of the Chinese government strategy to dominate clean energy supply chains.

Notably, the 4 Southeast Asian countries in question account for 75% of U.S. solar imports in 2023 and were responsible for an approximately 140% increase in exports to the U.S. in the 18 months following the passage of the IRA compared to the 18 months preceding August of 2022.

While the current environment, if allowed to persist, will provide a short-term pricing benefit to developers, allowing these practices to continue denies non-Chinese solar manufacturers the opportunities to scale and compete on a level playing field while multiplying installers and developers exposure to the risk of over-concentrated supply chains.

A word about the impact on the potential tariffs resulting from this case on module pricing. While some may choose to reference triple-figure tariff rates and claiming that these types of rates will cause severe disruption in achieving our deployment goals, the reality is far different. Currently, Chinese AD and CVD rates range from 15% to 50% for most cooperating compare.

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Secondly, projects should not be affected as historical module pricing has already been baked into those project economics. Finally, from a supply standpoint, there is, contrary to the view expressed by some industry participants, more than sufficient product available to service current and anticipated U.S. demand through the combination of currently warehouse modules, fairly traded imports and the capacity of Western manufacturers such as First Solar.

As noted earlier, we expect to exit 2024 with over 21 gigawatts and 2026 with over 25 gigawatts of global nameplate capacity, all of which is available to serve the U.S. market. Time and again, we have heard about the detrimental effects of enforcing trade laws on the books of -- on deployment. And yet time and again, we see annual records set for solar deployment in this country.

In our view, the real risk for U.S. solar deployment comes from the long-term detrimental effects of allowing China's unfair trade practice to continue, which could result in a decimated domestic solar manufacturing base, ceding all pricing power and a complete control of supply chain distribution to a highly adversarial nation. This represents a strategic risk to developers of solar assets, a clean energy transition and the U.S. energy independence economic prosperity.

U.S. energy independence isn't just about producing electricity at home. It's about having the supply chain and R&D for future advancements at our nation's disposal as well. Historic once-in-a-lifetime policies like the IRA, while transformative of our country's energy transition and our industry, are not enough to deliver independent due to China's unfair trade practices. We believe the IRA must work in conjunction with strong and effective trade measures that level the playing field for investments it catalyzes.

We must think of government policy in terms of a 3-legged stool. The first leg is industrial policy. In the U.S., demand continues to grow. But the domestic content bonus enhances this growth by creating a crucial parallel demand side driver to incentivize purchasing the output of these American factories. Through the introduction of a bonus to the investment or production tax credit accessed by solar generation asset owners if projects procured domestically made on, including solar panels.

The third leg is a level playing field that addresses anticompetitive market-distorting behavior, such as dumping and circumvention. While industrial policies such as IRA has the power to incentivize domestic investment and significantly growing this industry, the ability of those investments to endure is enabled by a corresponding trade policy. This level playing field ensures that domestic manufacturing investments incentivized by American taxpayer dollars are incubated as they scale.

Take away any one of the legs and you render the whole apparatus unusable. Look no further than Europe as but one example of an unsustainable environment for clean energy manufacturing, not just in solar but wind as well due to the lack of effective trade measures to support policies that seek to incentivize the growth of the domestic supply chain production base.

There can be no doubt that trade policy is intrinsic to the efforts to build a resilient American solar value chain, and we believe this view has bipartisan support. This dynamic goes well beyond being just a risk to our company. It threatens the viability of all aspiring U.S.-based manufacturers who may never be able to finance the start-up of growth of their operations. Our support for the petition is founded on the thesis that we believe a level playing field, one that allows manufacturers to compete on the basis of their own merits, is essential for driving American innovation and competitiveness, promoting quality and enabling technology diversification that enhances developer choices.

We also believe that everyone benefits from a thriving, resilient domestic manufacturing industry, enabled by a level playing field and free of dependency on China. Apart from the positive impact on -- of domestic investment, job creation and economic value, which is reflected in the economic impact study commissioned by us and conducted by the University of Louisiana Lafayette that was released in February, domestic manufacturing also insulates developers and their pipelines against the risk of disruption resulting from global supply chain issues or potential geopolitical crisis.

As validated by our customers and our order book, domestic manufacturing supply chain, build resiliency into development pipelines, providing certainty of pricing and supply and ensuring continuity even in the face of widespread international supply chain disruption.

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Again, I want to be clear, we invite competition and free trade. All we seek is that the competition and trade is fair, enabled by a level playing field where all companies can compete on the basis of their own merits. This petition is about enforcing the rule of law and holding rule-breakers to account, enabling a level playing field for domestic manufacturing and supporting the efforts to scale American solar value chains. Importers of solar panels from manufacturers playing by the rules and operating in compliance with U.S. trade laws have little to fear from this petition and any potential investigation.

Internationally, oversupply and dumping of modules at prices below cost also adversely impacts the Indian and European markets, both of which are seeking -- are seeing record levels of imports and low pricing.

Referring to my earlier comments about thinking of policy as a 3-legged stool, the principle also applies to India, which offers supply-side drivers in the form of production-linked incentive programs, deployment targets that offer demand drivers and nontariff barriers such as the Approved List of Module and Manufacturers, or ALMM. We are pleased that the government has decided to revive the mandate of its ALMM program, and First Solar was added to this list on April 29.

We believe that enforcing this vital nontariff barrier will support the effort to level the playing field for domestic manufacturers, especially if combined with a similar program focused on cell manufacturers that could materialize as more domestic cell capacity comes online in the country.

However, we remain concerned about the level of dumping in India and its potential to undermine the country's manufacturing ambitions. While ALMM applies to fully assembled modules, it does not safeguard the market against the dumping of solar cells or other upstream components, which undermine efforts to scale vertically integrated domestic manufacturing in the country.

With this in mind, we are seeking an investigation into the dumping of solar cells in the India market. We believe that investigation is necessary to unfair, market-distorting behavior that denies domestic manufacturers in India a level playing field on which to compete as the industry scales.

Finally, moving to Europe, which lags the U.S. and India in its response to dumping and consequently continues to deepen its near total dependency on Chinese-made solar panels. While Europe currently appears to not have the political will to consider trade barriers that could address dumping, we are encouraged by decisions to EU's foreign subsidies regulations to investigate potentially illegal subsidies to Chinese solar and wind manufacturers. We continue to monitor developments in Europe and engage with stakeholders there as we seek out opportunities to advocate for a level playing field in that market.

To conclude, Alex will now summarize the key messages from today's call on Slide 11.

Alex Bradley

Demand continues to be robust with 2.7 gigawatts of net bookings year-to-date with an ASP of $0.313 per watt before adjusters, leading to a resilient contracted backlog of 78.3 gigawatts. Our continued focus on manufacturing technology excellence resulted in a record quarterly production of 3.6 gigawatts, and our Alabama and Louisiana factories and our R&D innovation center perovskite development line remain on schedule.

We continue to anticipate launching CuRe at our lead line factory in Ohio in Q4 of this year. In addition, we're increasing CapEx by $0.1 billion this year to accelerate CuRe conversion at our Vietnam facilities as well as at our third Perrysburg facility with a view to advancing global fleet replication by more than 1 year from our assumptions at our recent Analyst Day.

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Financially, we earned $2.20 per diluted share, and we earned -- ended the quarter with a gross cash balance of $2 billion or $1.4 billion net of debt, maintaining our full year 2024 volumes sold and P&L guidance, including forecasted full year earnings per share -- per diluted share of $13 to $14.

And with this, we conclude our prepared remarks and open the call for questions. Operator?

Question-and-Answer Session

Operator

[Operator Instructions] We'll go over to Mark Strouse, JPMorgan.

Mark Strouse

Appreciate all the color. Obviously, a lot going on right now. Mark, I wanted to start with your comments on India. So good to see you're added to the ALMM list. I know it's still somewhat early, but can you just talk about what you're seeing as far as pricing in that market since the ALMM went back into effect? And how are you weighing shipments to that market versus potentially shipping back to the U.S.?

Mark Widmar

Yes. All right. Thanks, Mark. Look, since the ALMM has gone back into place, we are seeing pricing move up in the market. Again, ASPs, generally in India, are much lower than what we see here in the U.S. But they have moved up 5% or 10% from where we saw them before the ALMM, so moving in the right direction in that regard. I do think that with some of the other initiatives that we have in place and especially as we move forward, towards the latter half of this year, I think we could see even -- from pricing as we exit this year going into next year, which is encouraging.

In the interim, we are shipping a lot of product into the U.S. So this year, we'll produce about 2.6 gigawatts of product in India. And we'll be shipping about 1 gigawatt, maybe slightly north of that into the U.S. market. And really most of the first half shipments that we'll see, really into Q3 even, are going to be from India into the U.S. market at this point in time.

So that continues to be an option for us. It's also, like I said in our prepared remarks, as we scale up to 25, 26 gigawatts from a global fleet standpoint. All that product is really available to address and serve the needs of our U.S. customers. We'll continue to figure out what's the right optimal allocation in terms of how much state to the Indian domestic market and what comes into the U.S. But I do see pricing dynamics improving in India since ALMM has been put back in place.

Operator

The next question is Andrew Percoco, Morgan Stanley.

Andrew Percoco

So I guess, I mean, over the last few quarters, you guys have been highlighting that you expect bookings growth to slow. But I guess I'm just curious now that you've got some headlines around the potential removal of the bifacial exemption, the new AD CVD petition and Jean's commentary on China, I mean, shouldn't that be an accelerant for bookings? I get that you guys want to be selective because of your capacity position.

But just curious on your updated thoughts on what you're seeing and expecting for bookings for the remainder of the year now that policy seems to be moving in your favor, and you've also got growing demand for clean energy and some of the AI data center markets that you guys had alluded to earlier in the call.

Mark Widmar

Yes. So what I would say right now just in conversations with our commercial team and our Chief Commercial Officer, clearly, pricing in the market and it -- has changed. As soon as there was an indication, really, it's starting to increase $0.03, $0.04 since the beginning of April. And then we continue to see a little bit more momentum now that the petition has been announced and some of the other statements that have been made by the current administration, which are all very, very supportive and constructive. So we are seeing more activity, more engagement. We're encouraged.

We have taken our assumption around bookings down a little bit. We did that largely with a lens of being conservative, of waiting to see exactly what we're starting to see, and the momentum is starting to pivot back in a more constructive way. And we'll see how that pans out. But a lot of engagement, a lot of customer meetings. I will be actually meeting with a number of customers next week as well with our commercial team, and we'll get a better pulse at that point in time. But I'd say that the sentiment clearly has changed over the last 3, 4 weeks.

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Operator

And up next is Philip Shen, ROTH MKM.

Philip Shen

First one is related to the termination of convenience clause. Can you talk about how much of a buffer you guys might have to meet your guide, even if all the terminations -- termination for convenience clauses in '24 and '25 are exercised?

And then secondarily, as it relates to pricing for future bookings, have you already started to see the benefits of the recently filed Southeast Asia AD/CVD petitions? My sense is pricing has already maybe started to move. Just curious if maybe you saw that in some of the bookings previously announced.

And then finally, as it relates to the technology, we recently wrote about a Japanese start-up that announced a record perovskite in CIGS lab efficiency of close to 27%. Can you give us an update on your tandem technology research? And specifically, when do you think you can make a definitive decision on the next-gen technology so that the commercialization path can be realized? Because our understanding is that it might take 3 full years. So you kind of need to maybe lock it in today in order to commercialize in the next 3 years.

Alex Bradley

Yes. So I'll take the termination for convenience, then I'll hand it over to Mark. We haven't given a specific number related to this year. But if you note in the guide, we're maintaining our volume sold guide at 15.6 to 16.3. So we're working under the assumption that if this volume were to be terminated, which has not happened yet, we've just been having discussions with a customer who's indicated that given the likely sale of their portfolio and the likely buyer being someone who already has volume from us and given the time frame of those deals pushing out a little bit that they are likely to -- if those all happen, then they would be likely to exercise that termination for convenience right.

But that's a customer that we have a larger order book with they've already taken delivery of over 50% of the volume under that order. They will continue to take delivery of some of the remaining, a little bit under 50%. But they will likely, if those then transpire, terminate a portion of that backlog now.

As I said, we will look to either reallocate to others or resell that volume. But it is one of the reasons you're seeing the cash guide come down a little bit is that just given we're already into Q2, if we reallocate or resell now, it's quickly not going to be until late Q3, earlier Q4 at best before we move that volume to someone else.

So even though we're maintaining that guide, we think we'll be able to do that this year, it might impact the timing of the cash. But in general, what we're seeing is, right now, the guide hasn't changed. What we're seeing this year, we think, is manageable with that range that we've given.

Mark Widmar

Yes. And then on the pricing side, so someone made the statement onto one of the earlier questions as well. We clearly are seeing the benefit as the market pricing has clearly firmed up and is moving up. If you look at just what we booked this last quarter before any of the adjusters, it's $0.30.

If you look at the graph that's in the presentation slide, you can see that really none of that happened in April. So all that was really bookings that happened in the first quarter, which is really before any of the indications of this case started to get into the marketplace. So none of that really is reflected yet into -- so none of that impacted the Q1 bookings that we just reported.

But we are seeing movement into the market where pricing is firmed up, moving up. And people obviously looking to move quicker than they would have otherwise because of the various uncertainties and trying to figure out the implications to the extent of further development pipeline and projects that they're looking to build out over the next several years and also knowing that the order book is already tight with First Solar and we're so still supply-constrained in the grand scheme of things.

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As it relates to the TAM technology, continue to move -- progress that from a couple of different paths. One is our thin-film CIGS tandem product. The other is continuing to work on a thin-film crystalline technology and then still advancing work on perovskite.

And as kind of alluded to in our comments about next-generation innovative, disruptive technology and the advantages of our R&D innovation, that is just -- we'll be starting up here by the end of this quarter, beginning of next quarter. And then our perovskite pilot line, between the 2 of them, it's almost $0.5 million investment that we made since we announced those decisions over a year ago.

What I'd like to do right now is, I think those investments and getting those up and running are going to be clearly operational and informative of understanding of where we are with our technology as we produce full-size modules and then validate them in terms of their reliability. It's one thing to produce a record cell or even a module. The other is how will it endure and stand up to the elements in terms of the conditions that we need to from a reliability standpoint.

And no different in some of the reporting that's coming out, and we've been hearing about this over the last 6 months with TOPCon. TOPCon, and when you look at some of the field performance and reliability that we're seeing right now, is significantly challenged and not hitting a performance level that would be anywhere close to acceptable to the market and we're close to its prior technology perk.

So we've got to be very careful and mindful. It's not just working within the labs. It's also been producing it at scale and then getting it into the field and testing and getting comfortable with long-term reliability and viability.

So I don't have a specific indication of time line. And what I would say, Phil, is we're making good progress. I think some of the R&D innovation center and the perovskite pipeline that we're working on right now, and that will be up and running. We'll have much better insights in terms of where we are in commercialization and time to market as we exit this year.

Operator

The next question is Brian Lee, Goldman Sachs.

Brian Lee

I guess -- I know a lot of focus around the pricing commentary here, Mark. So I'm just going to ask another one around that, if I could. You said $0.03 to $0.04 roughly. You've been getting that set feedback since April, and then that doesn't even include the more up-to-date kind of AD CVD feedback. So if we look at the bookings, $0.31 this quarter, not reflecting any of that, that's to suggest you're having discussions real time around kind of the mid-$0.30 per watt, maybe even going higher off of that.

Is it fair assume that level is in play over the next couple of quarters as you think about booking future volume here, mid- to high 30s? And could we see it that quickly in the next couple of quarters?

And then just secondly, Alex, you kind of quickly alluded to data center demand for electricity. That's obviously gaining a lot of attention. I mean, if you look historically, I think you guys have had meaningful indirect exposure to selling to corporates, building some of that stuff out. Can you quantify or give us some sense of your best guesstimation of what percent of your demand in the U.S. is coming from those types of customers, data center-driven corporate, et cetera, and what you think that could become over time as you kind of look at that as being a new growth sector, if you will?

Mark Widmar

On the pricing one, Brian, look, let's not get -- look, I'm happy with what we're seeing right now. I don't want to commit to an ASP in the mid-30s is what we'd expect to be able to realize at this point in time. What I'm trying to indicate is that we have seen a move in the market price. And there is a difference between -- just make sure we're clear, a difference between international versus domestic. There's an adder for the domestic product, as we've said before, $0.03, $0.04, $0.05 for that. So that volume will be priced at a higher ASP than not.

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So -- but what I would say is that we're encouraged, and our strategy for this year is to be patient and continue to move forward with bookings at attractive ASPs. And as we said before, this business model is still levered to growth and contribution margin. If we can get to a stable ASP environment as we look out over the next several years and grow the production capacity that we have in front of us, drive costs as we continue to do, leverage our fixed costs across our overhead, there's pretty strong operating margin expansion that we can realize if we do that well.

Alex Bradley

Yes. So I don't know if I have a good number for you. I would say, if you look at the companies that we talked about on the call, the ones that we're going to be adding today in demand significantly, Apple Google, Microsoft, Meta, they value certainty even more than the utility.

So if you think about utility potentially contract multiple projects, and they can deal with a level of failure or delay in a way that you guys can't if they have commitment to renewable targets at certain times. So they value certainty, and they certainly value the reliability of where the product is coming from and the concerns around slave labor.

So we tend to be the first port of call for many of these companies or the developers who are doing the work for them. And so in many cases, developers will come to us saying that they have had discussions with these people and that they've a preference to buy or work with the solar products, especially for U.S.-based demand.

So I don't think I have a percentage I can give you, but I would say that generally, we're going to be the favored supplier to the project that are going to be supplying power to these data centers or these kind of asset owners.

Operator

And Moses Sutton from BNP Paribas has the next question.

Moses Sutton

What would be the biggest consideration in determining whether you add another factory? I know the pace of bookings that they're naturally slow, considering how far out you booked. But if the industry needs, let's say, 50 to 70 gigawatts per annum by late decade of ground mount in total and considering your market share position is further improving, could at least another fact that would be viable is watching interconnection bottlenecks, the poly-based competition unknowns as they ramp up in the U.S. or just waiting on developer visibility to get more confidence here for these out-years?

Mark Widmar

Look, I think the framework that we use is pretty consistent with what we've done in the past. One is whatever we do, we want it to be demand-driven. And if we get confidence, especially as we progress now through the second half of this year around a strong, enduring demand profile that we would need through the balance of this decade, and one of the catalysts that we referenced already is what's going on with data centers, and there's a lot of activity going on there right now.

So first, I'll start with demand. The other one, just to make sure, is a stable policy environment. And so for what I am doing and what -- I think I said before and a couple of other calls that I've had is I've told my team is we need to be ready to go. We need to figure out our supply chain. So we need to have our glass strategy.

We've got to think about tellurium, right? We got to think about site selection process and access to power and ready to go to -- as quickly as possible as we see those inflection points that we start to see strength in demand. And then we see through the other side of the November election that we believe we have a highly predictable and stable policy environment that we can then make informed decisions from. That starts to come into the mix, then I think we're in a much more positive position to think about further capacity expansion. So that's what we're doing, and we're going to be as nimble as possible.

And if all those -- we start filling out our scorecard a little bit there with the key dependencies that we need to further capacity expansion, we'll be ready to go as quickly as possible. And what we've put is that once we make decisions, we get projects built, constructed tools installed and up and running and ramped probably best than anyone else in this industry. And we want to continue to be able to do that.

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I know there's been -- at times, I've heard which someone was it caught be by surprise that there was some concern about execution risk because we exited last year at 12 gigawatts, and we're going to 25, 26. That, in my mind, is the least of things that keep me up at night. We do this well, and we've demonstrated that.

And like I said, our current activities that we currently have ongoing right now are progressing extremely well and on schedule. And we know if we need to continue to grow off the base we have right now, we have -- truly have the capability of doing that. And we just want to see the demand and the right policy environment to make that decision.

Operator

Up Next is Vikram Bagri, Citi.

Vikram Bagri

I realized 5-in-1 question is the way to go, so I'm going to try that. Mark, you previously commented that access panel inventory in the U.S. was nearly 30 to 40 gigawatts at year-end '23. A lot of debate about how that -- how much of that excess inventory is now. I was wondering if you can share some color on where you think that stands. And the reason for debate is the steep price increases as soon as the petition was filed indicates some level of concern that the excess inventory might not be that high.

And then, Alex, you had mentioned delays in delays and potential cancellation from hydrogen customer in the past. Is there any way you can take advantage of the spot pricing in the market? And then finally, a couple of press releases about bookings in the last 2 days. Were these contracts done in first quarter given the chart on Slide 5 shows no bookings since March? And if these contracts were entered into after 1st of May, can you share the price on those bookings as well?

Mark Widmar

All right. Please come back with me on some of this because I want to make sure I got some of the questions. As I start with the last one, the bookings that we reported really were all done from -- what was our -- was in Feb 20, whatever our earnings call was at 27 or 28, whatever the date was, and really through March 31. So that 854 megawatts, there's very little of that, that happened in the month of April.

That's probably what I was trying to say before is that the indication of a potential case for -- against Southeast Asia really wasn't into the market at the time that we were negotiating and closing on that booking volume. So all that booking volume, the 854, which is incremental, was -- happened pretty much in the month of March, the quarter-to-date numbers, 2.7 that we referenced as well. And again, all that happened before there was any real indication of some of the policy changes or even some of the statements that the administration has made here recently.

The inventory -- I think the other question that you asked was about the inventory levels and how much inventory may be in the U.S. And I know there's speculation and views of 30 gigawatts, maybe even more, that sits in the U.S. that's been brought in, partly because of the moratorium that was provided on the circumvention.

We've heard that type of number in the past. I have no real way to validate that. But I do believe that there has been, looking at the import records, an excessive amount of product that has been brought into the U.S. at a rate that's much higher than current demand, which all is going to have to be managed and worked through.

And there's issues that are going to have to be dealt with how once this moratorium is over, in theory, all that inventory has to be deployed and installed by the end of this year and to monitor and to ensure that truly is happening. Uncertain to me how that would happen, to be honest with you.

So some of that inventory may be subject to tariffs, if that were not to happen. But to be seen on that regard. Then you asked me about -- the other you can repeat. There was a question around high hydrogen, and then I think there was a question on spot prices, unless Alex, you got either one of those.

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Alex Bradley

I think just related to spot, I mean we talked before that there isn't a huge immediate spot market utility-scale solar in the same way that there is in resi. So when we talk spot, we're still talking for projects that are 2, 3 quarters ahead, maybe just not 8, 10, 12 quarters ahead.

So when I think about the opportunity for us, as we have potential holdings come up in the year, if we have some short-term holes open up with things like termination convenience, there's an opportunity, yes, for us to capture what I think you would call spot on a utility-scale basis, which is forward a few quarters.

I don't think there's a lot of ability to sell meaningful volume on an immediate basis given the time lines for permitting and development of a utility-scale project. But certainly, if we have opportunities around termination convenience or if we have other customers that ask us to move product out, we'll certainly go out and see if there's an ability.

If anyone else looks for products and wants to have product, we're willing to or with customers in that way. There could be some opportunity there. We also said we continue to be cumulatively over sold through 2026. So we continue to do a almost daily balancing of our supply-demand and work with our customers to see where things need to move both in and out.

Mark Widmar

And then maybe if you could repeat your question on hydrogen or clarification on any of the things we responded to maybe that didn't hit the spot.

Vikram Bagri

You already answered, Mark. I was asking if you have a hydrogen customer who might not take the delivery. If you could read out those volumes in the spot market and benefit from higher prices, but Alexander already answered.

Operator

And next, we'll hear from Kashy Harrison, Piper Sandler.

Kashy Harrison

So I'm going to follow Vikram and just ask a bunch at once as well. First one is on AD/CVD. Does your alliance expect to ask for critical circumstances if the Department of Commerce accepts your case? And then as we think about just critical equipment shortages in the market, I'm just curious if you know what proportion of your customers have secured all their critical equipment, hot transformers, high-capacity circuit breakers for their project development needs over the next several years just given how long those lead times are.

And then just finally, I was just checking if the credits this quarter were $124 million as it's indicated in your Q. If so, it seems like your COGS per watt ex credit has come down quite a bit. And I was just wondering if you could talk to some of the drivers of the lower cost here.

Alex Bradley

Let me just take the credit one, and I'll pass it back to Mark. The credit was higher than that. So we had $194 million in the quarter. I think the guide was $109 million, so a little bit over. If you go back into the Q, there's a few moving pieces in the government grants receivables. So the number for Q1 was $194 million.

Mark Widmar

In terms of the AD/CVD, which critical circumstances are effectively retroactivity of some of these tariffs, that -- facts and circumstances that will evolve. It depends on what happens. It's extremely unfortunate, in my mind, that China has chosen to do what it's done so far, right? I think we -- this -- we were in a position, a balanced environment that we believe it was adequate for a domestic industry to grow in sale and create domestic capabilities.

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China, clearly, not only here in the U.S. but in India, is aggressively trying to prohibit that from happening and given the amount of overcapacity and pricing. And just to be clear, you guys are listening to all their comments and everything else. I think Dag made a comment that -- recently that 70%, 80% of the polysilicon guys are selling below cash cost, right?

Genco, but for a onetime item and including their subsidy income, their last order, they lost $3 a share. So everyone is -- it's a blood bath. And if China wants to continue to do that, let them do that on their own accord, right? We should not have to be exposing our domestic industry here in the U.S. in our domestic industry in India as an example, to China's behaviors, right? We need to be able to find a way that allow companies to compete on their own merits and not be always threatened by China's oversupply and abusive, aggressive behaviors.

So if imports stay relatively stable as we go forward, pricing on those imports stay relatively stable, then I think there's less of a likelihood that critical circumstances would be requested. But to be determined. And again, this is not just the First Solar. This is the coalition that has to make that call. But to me, it's around facts and circumstances that will determine that.

The other question around equipment and critical procurement and critical components and transformers and everything else, a number of our large customers are very sophisticated, and they have gotten ahead of this procurement supply chain constraint as best they can. In some cases, people are ordering spares and other things that they can utilize across their development portfolio and trying to derisk as much as they can.

But look, there's no way you can insulate yourself 100% from that supply chain disruption and constraint. But we try to work as closely as possible. That's also why when we do our -- we're over allocated on an annual basis. When we did step back and assess the allocation against that, we do try to work as closely as we can with our customers to understand where they are in their development stage of their particular projects, and then things get moved out accordingly.

But at any point in time, there's always subject to change. And what we continue to try to do is create some resiliency as best we can as we enter into a year and hopefully manage some of that during the year as best we can as projects move around.

Operator

And everyone, that does conclude our question-and-answer session. It does also conclude today's conference. We would like to thank you all for your participation today. You may now disconnect.

**Load-Date:** May 2, 2024

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