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PREVIEW-Solars to post strong Q3, 2011 outlook brightens

By

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By Christoph Steitz and Sarah McBride

FRANKFURT/LOS ANGELES, Oct 26 (Reuters) - Ballooning demand in the world's largest solar power market, Germany, will help companies in the sector deliver stellar third-quarter results, analysts say, and they expect prospects for next year to brighten.

Large cuts in feed-in tariffs in Germany, Europe's largest economy, had fuelled concerns that next year could see a sharp decline in demand in the country that accounts for about half of the world market.

Above all, European companies are expected to surprise on the downside, StarMine shows, as Chinese players have been able to grab significant market share with their low-cost strategy.

“All the German installers seem to have (Chinese companies) as the top product they all want. They have generally been able to deliver the volumes people have asked for, and they haven’t messed around their customers on prices,” said Guinness Atkinson’s Page.

GROUNDHOG DAY

StarMine shows that Norway’s Renewable Energy Corp [REC.OL](#) -- which will kick off the sector’s earnings season on Oct. 27 -- and German solar cell maker Q-Cells [QCEG.DE](#) are likely to release third-quarter earnings far below the Thomson Reuters I/B/E/S estimates.

REC’s third-quarter earnings before interest and taxation (EBIT) could come in at 153 million Norwegian crowns (\$26.57 million), according to StarMine, 37 percent below the 243 million crowns Thomson Reuters I/B/E/S estimate.

The database also shows that U.S.-based First Solar [FSLR.O](#), the world’s No.1 solar cell maker, [LDK LDK.N](#), and [MEMC WFR.N](#) are also likely to come in slightly below the Thomson Reuters I/B/E/S estimate.

Meanwhile, China’s Trina Solar Ltd [TSL.N](#), SunPower [SPWRA.O](#), Suntech [STP.N](#), Yingli [YGE.N](#) and Germany’s SolarWorld [SWVG.DE](#) could surprise on the upside.

Companies will also likely release upbeat comments about business next year,

given the strong demand in Germany, where incentives to meet EU renewable energy targets have made the country the world's No.1 solar market.

Even though further cuts to the country's solar subsidy will likely affect volumes to some extent, analysts agree that investors will still pile in since feed-in tariffs offer a stable return to generators of solar power.

"I love the German subsidy programme because every year the world is going to come to an end when the German subsidy programme is revised. Every year as soon as the programme opens back up again it sells out like a rock star," Kevin Landis, portfolio manager at Firsthand Funds, said.

"It's like 'Groundhog Day' or something."

According to Thomson Reuters I/B/E/S, sales of most major solar players are expected to rise next year, even though some will only post modest increases.

"It's basically a completely subsidised industry, and the costs are way too high. As long as there are government subsidies, someone is going to be able to buy this stuff," said Ed Mitby, analyst at Van Eck Funds. (Graphic by Vincent Flasseur, editing by Anthony Barker)

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