



Should Canadian Solar Inc. Be Added to Your Portfolio Today?

Description

Canadian Solar Inc. ([NASDAQ:CSIQ](#)), one of the world's largest solar power companies, announced fourth-quarter earnings results on the morning of March 5, and its stock has responded by rising over 13% in the weeks since. Let's take a closer look at the quarterly results to determine if we should consider buying in to this rally, or if we should wait for a better entry point in the weeks ahead.

The very strong fourth-quarter results

Here's a summary of Canadian Solar's fourth-quarter earnings results compared to its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q4 2014	Q4 2013
Earnings Per Share	\$1.28	\$0.39
Revenue	\$956.15 million	\$519.47 million

Source: Canadian Solar Inc.

Canadian Solar's diluted earnings per share increased 228.2% and its revenue increased 84.1% compared to the fourth quarter of fiscal 2013. The company noted that its very strong revenue growth could be attributed to total solar module shipments recognized in revenue increasing 44.4% to 897 MW compared to the same quarter a year ago. Its triple-digit earnings per share growth can be attributed to the aforementioned increase in revenue and total operating expenses increasing just 23.1%, which led to net income increasing 261.6% to \$75.74 million.

Here's a quick breakdown of eight other notable statistics and updates from the report compared to the year-ago period:

1. Revenue in the Americas increased 253.8% to \$590.8 million
2. Revenue in Asia and other regions decreased 3.5% to \$312.4 million
3. Revenue in Europe increased 84.7% to \$53 million
4. Gross profit increased 82.6% to \$184.87 million

5. Gross margin contracted 20 basis points to 19.3%
6. Operating profit increased 156% to \$115.95 million
7. Operating margin expanded 340 basis points to 12.1%
8. Total assets increased 25.2% to \$3.07 billion

Canadian Solar also provided its outlook on the first quarter of fiscal 2015, calling for the following performance:

- Total module shipments in the range of 1,000 MW-1,030 MW
- Total revenue in the range of \$725 million-775 million
- Gross margin in the range of 16-18%

Should you be a buyer of Canadian Solar today?

Even after the large post-earnings pop in Canadian Solar's stock, I think it represents a very attractive long-term investment opportunity. I think this because it still trades at favourable valuations, including a mere 8.4 times fiscal 2014's diluted earnings per share of \$4.11, which is extremely inexpensive compared to its five-year average price-to-earnings multiple of 27.9.

With all of the information provided above in mind, I think Canadian Solar represents one of the best long-term investment opportunities in the market today. Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:CSIQ (Canadian Solar Inc.)

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