



Will Canadian Solar Inc. Double?

Description

Canadian Solar Inc. ([NASDAQ:CSIQ](#)) has a volatile history. Since 2007, its stock has doubled nearly a dozen times. Since oil began to collapse, making renewable energy relatively less attractive, shares have fallen roughly 50%. Today, Canadian Solar trades at just 6.4 times trailing earnings.

Could Canadian Solar double yet again?

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Hitting critical scale

Despite a volatile operating history, Canadian Solar has consistently built up an impressive asset base. Last year, revenues topped \$3.5 billion, resulting in a \$172 million profit. This year, it's on track to ship 5.5 GW of solar capacity, up from 4.7 GW in 2015.

The company is in an attractive position to capitalize on global solar proliferation. From 2000 to 2010, the world only installed a cumulative 120 GW of solar PV. In 2014 alone, solar PV installations reached 184 GW, comprising 0.5% of total global electricity generation. By 2030, it's expected to hit 1,835 GW, over 10% of total global electricity generation.

Looking at Canadian Solar's primary markets, the company appears positioned to take advantage of the highest-growth regions. Key regions like the U.S., Brazil, Japan, and China have much lower solar installations than countries like Germany, Italy, France, and Spain. Canadian Solar already has a 10.3 GW project backlog, most of which is exposed to the highest-growth regions for solar. For example, the company only owns and operates 21 MW worth of projects in Japan. Its backlog there, however, is over 580 MW.

If you're looking to play the proliferation of solar, Canadian Solar is in the right place at the right time.

Projects are fairly low risk

While investing in a nascent technology can seem risky, most of Canadian Solar's projects are fully

funded in advance, with well-known, reputable partners like **General Electric Company** and **U.S. Bancorp**. For example, in the U.S., the company has committed financing for 100% of its \$3.1 billion in projects.

Having access to economies of scale and existing relationships with financing partners is a huge advantage in a market driven by price. In 2011, Canadian Solar could only install solar projects at a cost of \$1.32 per watt. Last year, it used its growing scale along with falling industry costs to install projects at an average of just \$0.41 a watt. While nearly all industry players will experience falling costs, the biggest competitors will likely benefit the most. Canadian Solar is primed to become one of the larger players.

Growth is just beginning

Over the last five years, Canadian Solar grew sales at an impressive rate of 18.3% per year. Over the same period, EPS growth was similarly high at 19.6%. Looking at the market opportunity ahead, it's likely that it can continue its high-growth pace. Long-term investors will likely expect the shares to have double or triple upside in coming years. However, if you're looking for our best "double down" stocks, check out our latest picks below.

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1. Energy Stocks
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1. Editor's Choice

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1. NASDAQ:CSIQ (Canadian Solar Inc.)

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