



# Focus On Large-Scale Utility Makes Canadian Solar Highly Attractive

Apr. 22, 2023 1:53 AM ET | [Canadian Solar Inc. \(CSIQ\)](#) | 1 Like



**The Value Analyst**

830 Followers

## Summary

Canadian Solar continues to focus on large-scale utility projects and deliveries.

Low feed-in tariffs make the company highly competitive for large-scale utility projects.

The solar market is supported by a number of positive trends.



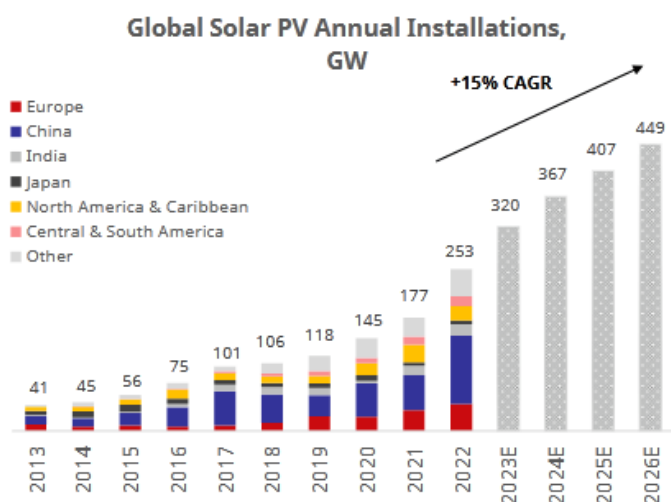
ArtistGNDphotography

Canadian Solar (NASDAQ:[CSIQ](#)) continues to benefit from improving efficiency and a strong logbook, as it looks to take advantage of the global demand for solar. The company has been witnessing strong growth throughout FY22' and that trend is likely to continue in 2022.

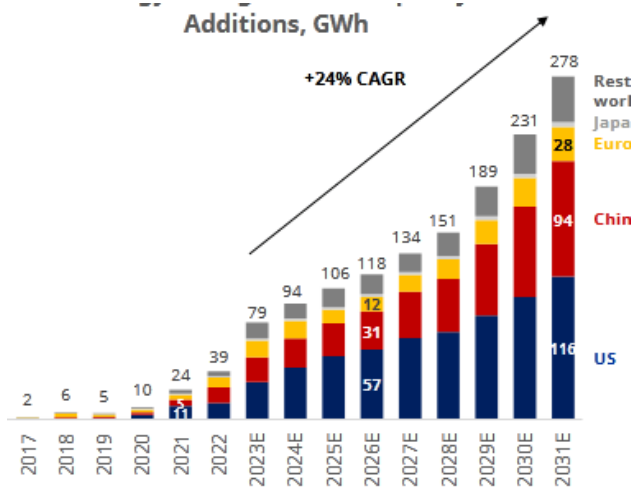
Currently Canadian Solar has a 25GW log, which means that the total revenue of \$1.9 billion in the fourth quarter, on the back of 6.4 GW of shipments, should see continued growth in the first quarter of 2023, on the back of increased manufacturing capacity. Management has indicated that they expect shipments to grow to as much as 31GW in 2023, representing a 55% increase YoY. This means that revenue could potentially come in around \$9 billion up from \$6 billion in revenue. This is based on management's delivery projections for 2023. Management has further indicated that they expect margins to further improve in 2023, to around 18-20%, as new manufacturing capacity takes hold. This means that gross profits will come in at around \$1.6-1.8 billion in 2023.

Further, a number of countries especially large ones are all expecting continued investment in global solar capacity in 2023. Europe continues to invest strongly into solar as it looks to close the gap with the US, where 2023 29GW of total solar capacity is supposed to be added in 2023, numbers which are needed in order to meet global climate change targets. The Paris Agreement of 1.5 degrees Celsius should help continue to push solar installations around the world and 2023 should be another strong year for Canadian Solar as a result.

Firstly investments in large solar farms: Solar farms have become a key strategy for installing solar, as a lot of the mistakes that affected solar farms in the past, issues such as transmission and upkeep, are increasingly being solved. This means that the likes of Canadian Solar, which provides large modules perfectly suited for solar farms are likely to see strong growth for the year, at least in terms of order books. On the back of this expected order flow, the company is expecting that it will be able to ramp up capacity to 75GW, and should be able to meet demand going forward, thereby significantly increasing revenue.



Global PV installation (Canadian Solar presentation)



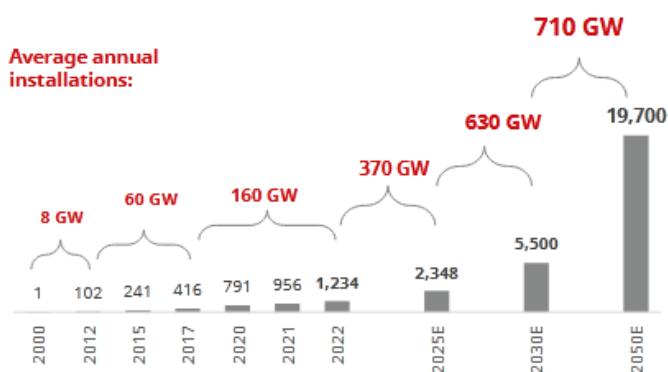
**Storage Capacity (Canadian Solar Presentation)**

Annual global PV installations and capacity addition are both expected to around grow by around 15% and 24% until 2026, and 2031 respectively. In order to meet the Paris agreements there will need to be significant investments in solar installations and that should play a key role in how the whole global photovoltaic market shapes up.

Canadian Solar's cost is expected to fall to around \$2.5 per watt in 2023, which makes the company quite competitive. Solar prices are increasingly becoming competitive with electricity prices in general, with the latest projects in Japan now currently with feed-in tariff rates as low as 10 cents per kWh. This means that with prices around the world for example Europe averaging around Euro 28 cents per kWh, Canadian Solar's \$10 cents per kWh is highly competitive. Meanwhile, the cost in the US is around, 11-12 cents on average per kWh, again providing plenty of opportunity for Canadian Solar to pick up electricity markets, as solar becomes increasingly competitive.

**Global solar PV cumulative installations, GW**

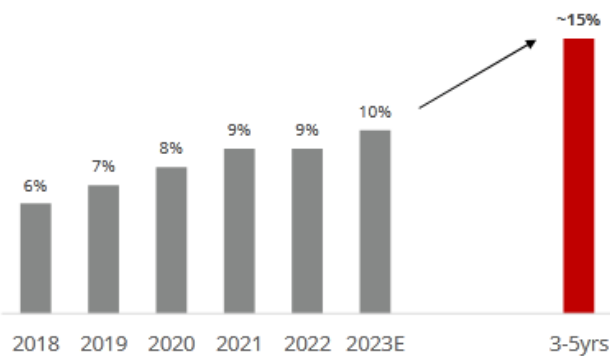
To achieve the 1.5°C Paris Agreement goal, solar PV's global installed capacity needs to reach 5.5 TW by 2030 and 20 TW by 2050



**Global Capacity projections (Canadian Solar Presentation)**

Management further expects that the low cost of solar should help push market share for the company higher, as it looks to become one of the most competitive producers, in the large-scale utility and commercial-scale solar market. Furthermore, the fact that Canadian Solar has manufacturing facilities all over the world including 19 countries, has allowed it to localize its costs making it further competitive, and meeting demand needs better.

Canadian Solar Global Module Market Share



#### Global Module (Canadian Solar Presentation)

As a result of its strategy, Canadian Solar has been able to achieve power purchase agreements and end-to-end projects where it builds and maintains solar power plants, across geographies, North America, Latin America, EMEA, Japan, and Asia Pacific.

The latest big project is Japan's Azuma Kofuji project, where the company will build a 100 MWP of solar capacity. I expect that there will be a number of projects in 2023, that should help increase revenue flow for the company, especially large-scale utility projects, where Canadian Solar will see improved margins and revenue going forward, which will only make the stock cheaper. In addition to the Japan project, the company also signed a recent 256MW project in [South Africa](#) for a PPA agreement, and this has increasingly become the model that Canadian Solar is focusing on.

Therefore, as we see increased demand for large-scale utility projects, and with revenue expected to increase significantly in 2023, Canadian Solar remains a relatively cheap stock. Currently trading at 12x price-to-earnings, and with multiple global tailwinds expected to drive revenue during FY23', Canadian Solar stands to benefit directly from trends such as increased investment, and investment in large solar projects. These trends should help further push down the company's \$239 million net income (TTM), which should increase to around \$390-\$400 million in 2023, as both margins expand and growth comes in, based on a \$9 billion revenue projection, which comes from management expectation of delivery of the backlog. This would mean the forward P/E would range anywhere from 6-7x, which in my opinion is quite cheap considering both growth potential, and Canadian Solar's position in the market.

The overall future of Canadian Solar, which is focusing on end-to-end large-scale utility projects, should help the company drive revenue for the coming future. And end-to-end commercialization projects should help the company maintain long-term revenue.

The company is set to benefit from a number of contracts, which are likely to come up throughout major developed countries, and the ability to offer relatively low feed-in tariff rates should help the competitive ability of the company. Investors can certainly consider Canadian Solar as a long-term prospect if they are looking for a stock/company with a strong long-term sustainable business model, and an equity that trades at a relatively moderate valuation, especially considering its prospects going forward.

---

This article was written by



**The Value Analyst**

830 Followers

I have worked as an analyst for close to a decade. I look for equities that are mismatched in the medium term due to adverse events.

---

**Analyst's Disclosure:** I/we have no stock, option or similar derivative position in any of the companies mentioned, and no plans to initiate any such positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

**Seeking Alpha's Disclosure:** Past performance is no guarantee of future results. No recommendation or advice is being given as to whether any investment is suitable for a particular investor. Any views or opinions expressed above may not reflect those of Seeking Alpha as a whole. Seeking Alpha is not a licensed securities dealer, broker or US investment adviser or investment bank. Our analysts are third party authors that include both professional investors and individual investors who may not be licensed or certified by any institute or regulatory body.