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Suntech IPO Jumps 35%

Chinese solar firm raises \$396 million, making it the top tech IPO so far this year.

December 14, 2005

Shares of Chinese solar company Suntech Power jumped almost 35 percent in the firm's debut on the New York Stock Exchange on Wednesday, reflecting high investor interest in solar power.

Offered at \$15 per share, which was at the top of a pricing range that the company had raised Monday, the shares were worth \$20.20 in recent trading, implying a market cap of about \$2.2 billion.

The IPO raised \$396 million, with about \$300 million going to the company. The deal makes Suntech Power the top tech IPO so far this year.

"It's pretty exciting," said Rhone Resch, president of the Washington, D.C.-based Solar Energy Industries Association. "It's definitely consistent with the trend we've seen from investors that solar is a smart investment right now."

Suntech, the first China solar play in the U.S., is also the eighth Chinese company to launch in New York this year, with others including search company Baidu, advertising company Focus Media Holding, and wireless company [China Techfaith Wireless](#) Communication Technology (see [Baidu Continues to Please](#)).

Robert Wilder, president of WilderShares, which maintains the WilderHill Clean Energy Index of clean energy stocks, said the strength of Suntech's IPO proves investor interest in clean energy is global.

"This is fantastic," he said. "The strength of their IPO reflects the interest that investors are increasingly showing in the alternative energy sector, specifically in solar and wind. There's keen demand, and this shows it's not just a German phenomenon—there's a global appetite for solar. To my mind, the people who are investing in solar are fishing in the right pond."

The next largest IPOs this year included Q-Cells and Conergy, German solar manufacturers that launched IPOs in October and March, respectively (see [Q-Cells Raises \\$288.5M](#)). Q-Cells raised

'The people who are investing in solar are fishing in the right pond.'
 -Robert Wilder,
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€242 million (\$288.5 million) in October and its IPO was almost 40 times oversubscribed.

Conergy launched its IPO at €54 (\$64.87) in March, a price that has grown to €80.16 in recent trading. ErSol and SunPower also went public this year (see [SunPower IPO Jumps 55%](#)).

A Profitable Company

The Suntech Power IPO included 26.4 million American Depository Shares, with 20 million from the company and 6.4 million from existing shareholders. The company initially set the offering price range at between \$11 and \$13 per share, but on Monday raised the range to \$13 to \$15 per share.

Underwriters include [Credit Suisse](#) First Boston, [Morgan Stanley](#), CSLA Asia-Pacific Markets, and SG Cowen.

In its IPO application filed with the U.S. Securities and Exchange Commission, Suntech reported it made \$23 million in the first nine months of this year, up from \$8.8 million in the same period in 2004.

Suntech could see much higher profit by December, as it made \$19.8 million for the full year in 2004. Sales were \$137 million by September 30, compared with \$47.6 million in the year-ago period. And annual revenue in 2004 was \$85.3 million, way up from \$13.9 million in 2003.

Suntech claims its cells are 15.5 to 16.5 percent efficient—the percentage of solar energy converted into electricity. The industry average is 15 percent, according to Mr. Resch. Suntech said it is now piloting a new line yielding 18 percent and targeting 20 percent by 2008.

Solar Gets Hotter

As fossil fuel prices remain high, solar energy has been especially hot this year. The brokerage CLSA Asia-Pacific Markets said solar power was an \$8-billion industry in 2004 and projects the industry will generate \$12 billion in revenue in 2005 and more than \$36 billion in 2010.

“I’m obviously excited and gratified, and somewhat vindicated,” said Mr. Wilder. “All of us that work in clean energy have a good feeling that alternative energy is starting to be seen as not alternative, but as regular energy.”

Solar in particular has grown at a compound annual growth rate of more than 30 percent in the last few years, said Mr. Resch. He added that he doesn’t see many barriers to continued growth in the future.

Some analysts have been skeptical of solar because its success is dependent on government subsidies, which currently make solar power cheaper than traditional electricity in Germany, parts of Japan, and other countries. But Mr. Resch said he doesn’t expect those subsidies to go away any time soon.

“I think investors recognize that solar, although small, makes sense,” he said.

Aside from subsidies, solar’s growth spurt is based on new technology that has brought efficiency up and cost down, he said.

“It’s building on the success of the high-tech industry to bring a whole new suite of new technologies into the



marketplace," he said. "You see a lot of new companies entering the market that are spin-offs of the high-tech industry.

"With the energy demand in this country, I think many people feel it's the next-highest growth industry in the U. S., and investment dollars are heading that way," added Mr. Resch. "There's only upside from here."

A Sunny California Initiative

The Suntech IPO debuted the same day the California Public Utilities Commission unveiled its California Solar Initiative, which will be the largest solar incentive program in the United States, if approved.

On Thursday, the commission is expected to consider the first step in the initiative, which will add \$300 million in customer incentives for 2005 and 2006, to the \$58 million already slated for homeowners and small businesses in 2006.

If approved, the interim program will set the stage for the larger solar program, which would go into effect in 2007 and end in 2016.

The proposal to install 3,000 megawatts of solar on California roofs takes the place of the Million Solar Roofs bill that failed to pass through the state Assembly in September (see [California Solar Bill Fails](#)).

It includes \$2.8 billion in customer incentives for solar projects on existing buildings and sets the price for solar energy at equivalent to retail electricity prices—which waver depending on the time of use—instead of at lower wholesale prices.

While the proposal doesn't require a certain percentage of new homes to include solar, it does offer an additional \$400 million in incentives for solar photovoltaics on new homes.

The commission is expected to vote on the full initiative in mid-January.

"It provides long-term incentives to assure that the market will be there, and that allows companies and manufacturers to scale up," said Mr. Resch. "With this investment, California will make solar power a major resource for our energy future."

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