



Trina Solar (TSL)

Silicon-based Cost Leader Expanding Rapidly
Initiating Coverage at Strong Buy; Price Target of \$90

STOCK INITIATION

RATING: STRONG BUY

We believe Trina can significantly beat consensus EPS forecasts of \$3.73 for 2010. We forecast earnings per share of \$4.48, 20% higher than consensus, and 65% higher than our 2009 EPS estimate of \$2.71.

Trina is the industry leader in non-silicon process costs (\$0.82 in the most recent quarter) due to its vertical integration. This low cost, in conjunction with falling silicon prices, enabled the company to post a gross margin of 28.5% in the September quarter, despite ASPs falling 50% year over year.

Aggressive expansion should increase market share and improve cost position further. Trina is set to double capacity from 450MW in the September 2009 quarter to approximately 900MW by the end of 2010. We project that Trina will sell approximately 750MW in 2010, nearly doubling shipments in 2009 (which is expected to be double shipments in 2008). This pace of expansion will enable Trina to increase market share while also allowing the company to take advantage of lower polysilicon prices. We believe that companies which do not quickly get to 1GW scale risk being left behind permanently in the solar PV race.

Underlying solar demand is strong and improving our sentiment on the industry, especially with companies that can expand easily. Recent data from SolarBuzz now predicts demand of 6.37GW for 2009, 13% above 2008, a remarkable achievement given the implosion in Spain in 2009. Though much of this is due to strength in Germany, demand in other markets like the U.S., Italy, Canada and France is starting to accelerate.

We believe Trina deserves a higher valuation. This is the critical question for investors. We think that the stock's doubling since summer is being driven not so much by good earnings but by a re-valuation. We believe the stock should trade at 18-20x forward earnings not 15x for the following reasons:

1. Earnings and revenue growth
2. Lowest non-silicon processing cost
3. Strengthened balance sheet
4. Improving brand
5. Global diversity (Germany is 30% of sales)
6. Rapidly expanding capacity
7. Improving ROIC

Our price target of \$90 per share (50% above the current share price) is based on 20x our 2010 earnings estimate of \$4.48. Accordingly, we rate the stock a Strong Buy.

Company Description

Trina Solar is a leading Chinese solar module manufacturer; it produces silicon based ingots, wafers, cells and modules. The company sells its products globally.

Greener Dawn Research

United States
Renewable Energy & Clean Technology: Solar

January 12, 2010

George Santana, CFA
(858) 345-1662
gsantana@greenerdawn.com

Stephen Quirk
(858) 345-1674
squirk@greenerdawn.com

Stock Data

Ticker/Exchange:	TSL/NYSE (ADS)
Price:	\$60.02
Price Target:	\$90
52-week Range:	\$5.75 – 62.37
ADS ratio*:	100 shares = 1 ADS
* changing to 50:1 ratio effective Jan. 19, 2010	
ADS Equiv. Out (Diluted, mm):	34.62
Market cap (\$mm):	\$1,830
EV (\$mm):	\$1,999
Avg. Daily Trading Vol (\$mm):	\$78.5

Revenues (US\$ million)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Q1	\$121A	\$132A	\$257E
Q2	\$204A	\$150A	\$287E
Q3	\$291A	\$250A	\$324E
Q4	<u>\$216A</u>	<u>\$282E</u>	<u>\$342E</u>
Total	\$832A	\$814E	\$1,210E

Earnings Per ADS

	<u>2008</u>	<u>2009</u>	<u>2010E</u>
Q1	\$0.51A	(\$0.42)A	\$1.05E
Q2	\$0.68A	\$0.71A	\$1.21E
Q3	\$1.17A	\$1.29A	\$1.13E
Q4	<u>\$0.02A</u>	<u>\$1.12E</u>	<u>\$1.08E</u>
Total	\$2.38A	\$2.71E	\$4.48E

EBITDA

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Q1	\$24A	\$14A	\$57E
Q2	\$36A	\$26A	\$65E
Q3	\$52A	\$53A	\$63E
Q4	<u>\$28A</u>	<u>\$57E</u>	<u>\$62E</u>
Total	\$120A	\$151E	\$246E

Important Disclosures

Greener Dawn Investment Group seeks to do business with companies covered by Greener Dawn Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.