

Canadian Solar Inc.  
Form 20-F  
April 20, 2016

Use these links to rapidly review the document

[Table of Contents](#)

[CANADIAN SOLAR INC. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS](#)

[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**Form 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2015**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from** \_\_\_\_\_ **to** \_\_\_\_\_

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Date of event requiring this shell company report**

**Commission file number: 001-33107**

**CANADIAN SOLAR INC.**

*(Exact name of Registrant as specified in its charter)*

N/A

---

*(Translation of Registrant's name into English)*

**Canada**

---

*(Jurisdiction of incorporation or organization)*

Edgar Filing: Canadian Solar Inc. - Form 20-F

545 Speedvale Avenue West  
Guelph, Ontario, Canada N1K 1E6

(Address of principal executive offices)

Michael G. Potter, Chief Financial Officer  
545 Speedvale Avenue West  
Guelph, Ontario, Canada N1K 1E6  
Tel: (1-519) 837-1881  
Fax: (1-519) 837-2550

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common shares with no par value	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

55,965,443 common shares issued and outstanding which were not subject to restrictions on voting, dividend rights and transferability, as of December 31, 2015.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

## Edgar Filing: Canadian Solar Inc. - Form 20-F

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

---

Table of Contents**Table of Contents**

	<b>Page</b>
<u>INTRODUCTION</u>	<u>1</u>
<u>FORWARD-LOOKING INFORMATION</u>	<u>2</u>
<u>PART I</u>	<u>3</u>
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	<u>3</u>
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	<u>3</u>
<u>ITEM 3. KEY INFORMATION</u>	<u>3</u>
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	<u>41</u>
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	<u>66</u>
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	<u>66</u>
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	<u>103</u>
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	<u>120</u>
<u>ITEM 8. FINANCIAL INFORMATION</u>	<u>121</u>
<u>ITEM 9. THE OFFER AND LISTING</u>	<u>125</u>
<u>ITEM 10. ADDITIONAL INFORMATION</u>	<u>126</u>
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>135</u>
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	<u>136</u>
<u>PART II</u>	<u>137</u>
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	<u>137</u>
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	<u>137</u>
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	<u>137</u>
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	<u>139</u>
<u>ITEM 16B. CODE OF ETHICS</u>	<u>139</u>
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	<u>140</u>
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	<u>140</u>
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	<u>140</u>
<u>ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	<u>140</u>
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	<u>140</u>
<u>ITEM 16H. MINE SAFETY DISCLOSURE</u>	<u>140</u>
<u>PART III</u>	<u>141</u>
<u>ITEM 17. FINANCIAL STATEMENTS</u>	<u>141</u>
<u>ITEM 18. FINANCIAL STATEMENTS</u>	<u>141</u>
<u>ITEM 19. EXHIBITS</u>	<u>141</u>
<u>SIGNATURES</u>	<u>143</u>

---

Table of Contents

**INTRODUCTION**

Unless otherwise indicated, references in this annual report on Form 20-F to:

"CSI," "we," "us," "our company" and "our" are to Canadian Solar Inc., a Canadian company, its predecessor entities and its consolidated subsidiaries;

"\$," "US\$" and "U.S. dollars" are to the legal currency of the United States of America, or U.S.;

"RMB" and "Renminbi" are to the legal currency of China;

"C\$" and "Canadian dollars" are to the legal currency of Canada;

"€" and "Euro" are to the legal currency of the Economic and Monetary Union of the European Union;

"£" and "British pounds" are to the legal currency of the United Kingdom;

"¥," "JPY" and "Japanese yen" are to the legal currency of Japan;

"W," "kW," "MW" and "GW" are to watts, kilowatts, megawatts and gigawatts, respectively;

"AC" and "DC" are to alternating current and direct current, respectively;

"PV" is to photovoltaic. The photovoltaic effect is a process by which sunlight is converted into electricity;

"EPC" is to engineering, procurement and construction;

"O&M services" is to operation and maintenance services;

"shares" and "common shares" are to common shares, with no par value, of Canadian Solar Inc.;

"China" and the "PRC" are to the People's Republic of China, excluding, for the purposes of this annual report on Form 20-F, Taiwan and the special administrative regions of Hong Kong and Macau; and

"EU" refers to the European Union.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2013, 2014 and 2015 and as of December 31, 2014 and 2015.

## Edgar Filing: Canadian Solar Inc. - Form 20-F

We use the noon buying rate in The City of New York for cable transfers in Renminbi, Euros, British pounds, Japanese yen and Canadian dollars per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York to translate Renminbi, Euros, British pounds, Japanese yen and Canadian dollars to U.S. dollars not otherwise recorded in our consolidated financial statements and included elsewhere in this annual report. Unless otherwise stated, the translation of Renminbi, Euros, British pounds, Japanese yen and Canadian dollars into U.S. dollars was made by the noon buying rate in effect on December 31, 2015, which was RMB6.4778 to \$1.00, €0.9209 to \$1.00, £0.6782 to \$1.00, ¥120.27 to \$1.00 and C\$1.3839 to \$1.00. We make no representation that the Renminbi, Euro, British pounds, Japanese yen, Canadian dollar or U.S. dollar amounts referred to in this annual report on Form 20-F could have been or could be converted into U.S. dollars, Euros, British pounds, Japanese yen, Canadian dollars or Renminbi, as the case may be, at any particular rate or at all. See "Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Fluctuations in exchange rates could adversely affect our business, including our financial condition and results of operations."

Table of Contents

**FORWARD-LOOKING INFORMATION**

This annual report on Form 20-F contains forward-looking statements that relate to future events, including our future operating results, our prospects and our future financial performance and condition, results of operations, business strategy and financial needs, all of which are largely based on our current expectations and projections. These forward-looking statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these statements by terminology such as "may," "will," "expect," "anticipate," "future," "intend," "plan," "believe," "estimate," "is/are likely to" or similar expressions. Forward-looking statements involve inherent risks and uncertainties. These forward-looking statements include, among other things, statements relating to:

our expectations regarding the worldwide demand for electricity and the market for solar power;

our beliefs regarding the importance of environmentally friendly power generation;

our expectations regarding governmental support for solar power;

our beliefs regarding the rate at which solar power technologies will be adopted and the continued growth of the solar power industry;

our beliefs regarding the competitiveness of our solar power products and services;

our expectations with respect to increased revenue growth and improved profitability;

our expectations regarding the benefits to be derived from our supply chain management and vertical integration manufacturing strategy;

our ability to continue developing our in-house solar components production capabilities and our expectations regarding the timing and production capacity of our internal manufacturing programs;

our ability to secure adequate volumes of silicon, solar wafers and cells at competitive cost to support our solar module production;

our beliefs regarding the effects of environmental regulation;

our future business development, results of operations and financial condition;

competition from other manufacturers of solar power products and conventional energy suppliers;

our ability to expand our products and services and to successfully grow our energy development and electricity generation segments;

## Edgar Filing: Canadian Solar Inc. - Form 20-F

our ability to develop, build and sell solar power projects in Canada, the U.S., Japan, China, Brazil, the United Kingdom and elsewhere; and

our beliefs with respect to the outcome of the investigations and litigation to which we are a party.

Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. See "Item 3. Key Information D. Risk Factors" for a discussion of some of the risk factors that may affect our business and results of operations. These risks are not exhaustive. Other sections of this annual report may include additional factors that could adversely influence our business and financial performance. Moreover, because we operate in an emerging and evolving industry, new risk factors may emerge from time to time. We cannot predict all risk factors, nor can we assess the impact of all or any of these factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those expressed or implied in any forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.



Table of Contents**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION****A. Selected Financial Data****Selected Consolidated Financial and Operating Data**

The following selected statement of operations data for the years ended December 31, 2013, 2014 and 2015 and balance sheet data as of December 31, 2014 and 2015 have been derived from our consolidated financial statements, which are included elsewhere in this annual report on Form 20-F. You should read the selected consolidated financial and operating data in conjunction with those financial statements and the related notes and "Item 5. Operating and Financial Review and Prospects" included elsewhere in this annual report on Form 20-F.

Our selected consolidated statement of operations data for the years ended December 31, 2011 and 2012 and our consolidated balance sheet data as of December 31, 2011, 2012 and 2013 were derived from our consolidated financial statements that are not included in this annual report.

All of our financial statements are prepared and presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. Our historical results are not necessarily indicative of results for any future periods.

	For the years ended, or as of, December 31,				
	2011	2012	2013	2014	2015
	(In thousands of \$, except share and per share data, and operating data and percentages)				
<b>Statement of operations data:</b>					
Net revenues	1,898,922	1,294,829	1,654,356	2,960,627	3,467,626
Income (loss) from operations	6,833	(142,516)	130,816	366,314	247,371
Net income (loss)	(90,903)	(195,155)	45,565	243,887	173,316
Net income (loss) attributable to Canadian Solar Inc.	(90,804)	(195,469)	31,659	239,502	171,861
Earnings (loss) per share, basic	(2.11)	(4.53)	0.68	4.40	3.08
Shares used in computation, basic	43,076,489	43,190,778	46,306,739	54,408,037	55,728,903
Earnings (loss) per share, diluted	(2.11)	(4.53)	0.63	4.11	2.93
Shares used in computation, diluted	43,076,489	43,190,778	50,388,284	59,354,615	60,426,056
<b>Other financial data:</b>					
Gross margin	9.6%	7.0%	16.7%	19.6%	16.6%
Operating margin	0.4%	(11.0)%	7.9%	12.4%	7.1%
Net margin	(4.8)%	(15.1)%	2.8%	8.2%	5.0%

Table of Contents

	For the years ended, or as of, December 31,				
	2011	2012	2013	2014	2015
	(In thousands of \$, except share and per share data, and operating data and percentages)				
<b>Selected operating data:</b>					
Solar power products sold (in MW)					
Module segment <sup>(1)</sup>	1,291.5	1,528.9	1,809.0	2,436.4	4,085.0
Energy development and electricity generation segments <sup>(2)</sup>	31.0	14.2	85.0	376.2	298.8
<b>Total</b>	<b>1,322.5</b>	<b>1,543.1</b>	<b>1,894.0</b>	<b>2,812.6</b>	<b>4,383.8</b>
Average selling price (in \$ per watt)					
Solar module	1.34	0.77	0.67	0.67	0.58
<b>Balance Sheet Data:</b>					
Net current assets (liabilities)	59,131	(98,046)	(59,003)	366,621	(392,231)
Total assets	1,879,809	2,259,313	2,453,735	3,072,424	4,417,254
Net assets	466,978	301,583	401,498	729,574	832,510
Long-term borrowings	88,249	214,563	151,392	134,300	606,577
Convertible notes	950			150,000	150,000
Common shares	502,403	502,562	561,242	675,236	677,103
Number of shares outstanding	43,155,767	43,242,426	51,034,343	55,161,856	55,965,443

- (1) Numbers are calculated after inter-segmentation elimination and represent solar power products sold to third parties.
- (2) Numbers are calculated after inter-segmentation elimination.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors****Risks Related to Our Company and Our Industry**

*We may be adversely affected by volatile solar power market and industry conditions; in particular, the demand for our solar power products and services may decline, which may reduce our revenues and earnings.*

Our business is affected by conditions in the solar power market and industry. In 2010, as the effects of the global financial crisis subsided, demand for solar power products increased and many manufacturers increased their production capacity accordingly. In 2011, a decrease in payments to solar power producers in the form of feed-in tariffs and other reimbursements, a reduction in available financing and an excess supply of solar modules worldwide put severe downward pressure on solar module prices in European and other markets. As a result, many solar power project developers, solar system installers and solar power product distributors that purchase solar power products, including solar modules from manufacturers like us, were adversely affected and their financial condition weakened. Although our shipments of solar modules increased year-over-year in 2013, 2014 and 2015, average selling prices for our solar modules declined. Over the past several quarters, oversupply conditions across the value chain, difficult economic conditions in Europe and foreign trade disputes in the U.S., Europe, India and

China have affected industry-wide demand and put pressure on average

Table of Contents

selling prices, resulting in lower revenue for many industry participants. If the supply of solar modules grows faster than demand, and if governments continue to reduce financial support for the solar industry and impose trade barriers, demand for our products, as well as our average selling price, could be materially and adversely affected.

The solar power market is still at a relatively early stage of development and future demand for solar power products and services is uncertain. Market data for the solar power industry is not as readily available as for more established industries, where trends are more reliably assessed from data gathered over a longer period of time. In addition, demand for solar power products and services in our targeted markets, including Europe, the U.S., Japan, China, Canada, Brazil and India may not develop or may develop to a lesser extent than we anticipate. Many factors may affect the viability of solar power technology and the demand for solar power products, including:

the cost-effectiveness, performance and reliability of solar power products and services, including our solar power projects, compared to conventional and other renewable energy sources and products and services;

the availability of government subsidies and incentives to support the development of the solar power industry;

the availability and cost of capital, including long-term debt and tax equity, for solar power projects;

the success of other alternative energy technologies, such as wind power, hydroelectric power, geothermal power and biomass fuel;

fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil, gas and other fossil fuels;

capital expenditures by end users of solar power products and services, which tend to decrease when the economy slows; and

the availability of favorable regulation for solar power within the electric power industry and the broader energy industry.

If solar power technology is not suitable for widespread adoption or if sufficient demand for solar power products and services does not develop or takes longer to develop than we anticipate, our revenues may suffer and we may be unable to sustain our profitability. Demand in Europe generally remains weak as a result of reductions in feed-in-tariffs in Germany and the elimination of feed-in-tariffs in Italy, the two largest European markets over the past several years. Although demand in other regions, including China, Japan, the U.S. and India, as well as many other emerging markets in Asia, the Middle East and Africa, has offset the decline in European demand, we cannot assure you that this demand will be sustainable or that any recent positive trends in supply or demand balance will persist.

***We are preparing to potentially form a global Yieldco investment vehicle for our solar power business. If the formation of Yieldco or our management of Yieldco is not successful, our future growth and results of operations may be materially hindered.***

&nbs