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Cypress Semi? No, Cypress Solar!

By Anders Bylund (TMF Zahrim) April 17, 2008

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If it walks like a solar power company and quacks like a solar power company, it's probably not a semiconductor business. That's why I think of **Cypress Semiconductor** (NYSE: [CY](#)) as the majority owner of **SunPower** (Nasdaq: [SPWR](#)) that happens to do a bit of chip design on the side, rather than the other way around.

The company's approximately 52% stake in SunPower accounted for \$274 million of sales, or 62% of the entire \$442 million revenue cake. That's a long way from contributing a mere \$11 million in all of 2004, and less than 22% of sales in 2006. Sure, the solar-cell operation carries lower margins than the various semiconductor lines, but it still managed to make a \$0.04 [GAAP](#) profit per share, while the chips made a \$0.16 per-share loss. The end result: \$0.12 of red ink per stub.

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I'm not sure that Cypress would be a useful vehicle for investing in that sector, given that its semiconductor divisions are essentially diluting the solar gains at the moment. You could think of that dynamic as a hedge against market volatility, though, and hope that the current chip weakness is the bottom of that cycle. You'd have Cypress CEO T.J. Rodgers on your side there.

Alternately, you could simply invest in SunPower directly, or in some of its competitors. **Suntech Power Holdings** (NYSE: [STP](#)) and **Yingli Green Energy** (NYSE: [YGE](#)) both have a higher rating than SunPower in our [CAPS investment community](#). Then there's **PowerShares WilderHill Clean Energy** (AMEX: [PBW](#)), for those who prefer a wider sector exposure in a single bite.

Ribbit. I mean, quack. Thus spoke Cypress Semiconductor.

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