

Timminco Shares Down Despite Deal With Canadian Solar

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The Canadian company announces a deal to sell up to 5,000 metric tons of upgraded metallurgical silicon to Canadian Solar. Analysts say they still don't have proof the technology is cost-competitive, but adds that the stock drop is unrelated.

According to [the company announcement](#), the deal between [Canadian Solar](#) (NSDQ: CSIQ) and Timminco subsidiary Becancour Silicon was signed in April of last year.

The companies have announced that they have achieved certain delivery, consistency and quality milestones, spelled out in the initial contract, which will enable Canadian Solar to launch a new product at the Intersolar Trade Show in Munich this month.

Canadian Solar said it expects to receive the silicon at a price that is "substantially less" than the current contract prices for regular solar-grade silicon, but didn't disclose the price. The Prometheus Institute, a Greentech Media partner, last week said estimated that contract prices for solar-grade silicon averaged about \$60 per kilogram in 2007.

Becancour delivered 16 tons of upgraded metallurgical silicon last year and is expected to deliver between 450 and 500 metric tons this year, Canadian Solar said.

But some analysts said they still have questions about the cost of upgrading metallurgical silicon into solar-grade silicon. Because upgraded metallurgical silicon is generally less efficient at converting sunlight into electricity, it's not yet clear whether the lower price more than makes up for the lower efficiency.

"We haven't been shown any data by Timminco, any metallurgical supplier, or any customer of Timminco or any metallurgical supplier, to show the cost," Piper Jaffray analyst Jesse Pichel said. "I don't question Timminco's ability to win sales contracts. I question what the value of those contracts will be when silicon prices fall."

Pichel said Canadian Solar has indicated that its panels, which use only upgraded metallurgical silicon will cost about 15 percent less than standard silicon-based panels, with a gross margin of 16 percent.

The implication is that the cost per watt for purified metallurgical silicon panels is not that different from the cost per watt of traditional panels, he said.

"Thus, one could [believe] that when polysilicon prices revert to long-term contract prices of \$50 to \$80 per kilogram, the market for metallurgical silicon will be short-lived," he said. "However, what we don't know is

what technological improvements are in store for metallurgical silicon and if any of these companies has a roadmap for higher efficiency and lower cost.”

Timminco has been a controversial company as analysts and investors try to figure out whether its technology can deliver upgraded metallurgical silicon at a competitive cost.

The company has been secretive, leading to extreme opinions and speculation about whether it’s for real.

Earlier this month, Timminco said that an independent review by [Photon Consulting](#) had verified its claims, and Raymond James analyst Andy Nasr [upgraded his rating](#) of the company to “Market Perform.”

But a story in the [Globe and Mail](#) on Saturday suggested the stock could be overvalued, and short sellers, such as controversial [Asensio.com](#) President Manuel Asensio, say the company still hasn’t provided any durability or efficiency data, and it has not proven it can purify metallurgical silicon at a profit.

Regardless, Pichel said, the share price reduction probably reflects industry-wide concerns, rather than challenges specific to Timminco

While European stocks were strong on the news that Bosch bought German solar-cell company Ersol at a premium, North American solar shares were down overall, he said.

Part of the reason is that a number of articles portrayed the German Parliament debate about solar subsidies as negative, when it’s “clearly a big win for the solar industry,” he said.

The Parliament is considering a deal that would reduce the German solar subsidy by about 10 percent next year, which is more than the environmental ministry had proposed in December, but far less than the 30 percent some politicians had called for (see [German Subsidies Fall Less Than Forecast](#)).

The news that First Solar CEO Michael Ahearn had sold half of his shares also deflated shares, he said (see [First Solar CEO Cashes In](#)).