



## **Timminco Shares Fall on Production Delay**

Shares of the Canadian company, which is developing technology to upgrade lower-grade silicon for solar equipment, have plunged this week after news that contamination issues will delay its production ramp up.

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Shares of Timminco fell as much as 31.8 percent this week after the company posted its second-quarter earnings after the market closed Monday.

From a closing price of \$19.97 per share Monday, Timminco shares fell 24.4 percent Tuesday and another 9.8 percent Wednesday, hitting a low of \$13.62 per share before rebounding to close at \$14.51 per share.

Why such a big reaction?

Along with its earnings, the company delivered news that it is dealing with contamination issues that will delay a planned increase of upgraded-metallurgical-silicon production by a quarter (see LDK 2Q Profit Triples, Margin Falls).

Investors are sensitive to any news that could indicate trouble ahead for the company's technology to refine metallurgical silicon, which is dirtier than the high-grade silicon usually used to make solar cells. While upgraded metallurgical silicon doesn't convert sunlight into electricity as efficiently as electronics-grade silicon, companies such as Timminco claim it has the potential to deliver solar power for a lower cost per watt.

The company has drawn both fervent support and skepticism from industry insiders, as some believe in the potential of Timminco's technology, while others are doubt whether it will work as promised.

The Globe and Mail described the quarterly report as "a major test of faith" for shareholders and also reported that Sprott Asset Management, which was Timminco's biggest institutional investor in May, has sold some of its shares in the company.

Analysts are divided on the stock.

Among others, Cormark Securities analyst MacMurray Whale, National Bank Financial analyst Rupert Merer, Raymond James analyst Andy Nasr and CIBC World Markets analyst Michael Willemse lowered their price targets for Timminco, which trades on the Toronto Stock Exchange under the ticker symbol "TIM" (see the Financial Post).

Defiance Capital CEO Francois Parenteau called the company "one of our highest-conviction shorts," according to a Value Investor Insight newsletter dated July 31 (via Asensio.com).

Parenteau cited a lack of confidence in the company's management, particularly CEO Heinz Schimmelbusch, as well as in the technology, and said that the company denied Defiance access to its facilities for proprietary reasons.

"The process they're using, as far as I can tell, is nothing new and has been tried unsuccessfully many times by competing companies," he told the newsletter. "It's red flag after red flag."

But others have been more supportive.

In their research notes, Paradigm Capital analyst Marvin Wolff said the firm believes Timminco's upgraded metallurgical silicon will become "a dominant material" in the solar market, and Clarus Securities analyst Carolina Vargas noted the company's "significant" purity improvements (see the Business News Network).

In May, Timminco said that an independent review by Photon Consulting had verified its claims. And companies such as Q-Cells, Solar Power Industries and CaliSolar have agreed to purchase silicon from Timminco.

"My expectation is that this costs cheaper to produce, uses less energy and can be produced much more quickly," said Eicke Weber, director of the Fraunhofer Institute for Solar Energy Systems and a founder of CaliSolar, which plans to make solar cells from upgraded metallurgical silicon (see Incentives, Tech to Spark Debate at Intersolar: Metallurgical Silicon).