

## Timminco's solar flameout



Steve Ladurantaye, **Globe and Mail Update**  
Published on Wednesday, Mar. 17, 2010

Metals company that rode solar technology wave halts production of a key product. Now all bets are off

Globe and Mail Update Published on Wednesday, Mar. 17, 2010 8:15PM EDT Last updated on Friday, Mar. 19, 2010 3:26AM EDT

As Timminco Ltd. ([TIM-T0.86---%](#)) transformed itself from a sleepy, 70-year-old metals company to a high-tech producer of solar panel materials, a chorus of naysayers insisted the company's incredible two-year rise was too good to be true.

They may yet be proven right. Timminco is now halting the production of solar-grade silicon, putting on hold its dreams for a much-hyped technology that briefly made it a \$3.5-billion company as its stock went from 30 cents to a high of \$34.50 in the space of about a year and a half.

As it optimistically waits for a future to arrive for its high-tech material, which it claims to produce cheaper than the polysilicon commonly used by solar-panel producers, the company is looking to its past for survival. It plans to focus its revival on the production of silicon metal, which is used in chemical, aluminum and polysilicon industries.

"I think investors believe we have a solid product line in our silicon business and a strong customer base," said chief financial officer Robert Dietrich. "When a company like ours makes an investment in a new product line like solar-grade silicon, they should be willing to take a longer view of their investment."

"When a company like ours makes an investment in a new product line like solar-grade silicon, they should be willing to take a longer view of their investment." — Timminco chief financial officer Robert Dietrich

On Bay Street, the analysts who follow the company have largely given up on it. Only five remain, all of whom have a sell on the stock, according to Bloomberg. After yesterday's 13 per cent tumble, the shares have fallen to \$1.11 as the company restructures to deal with lower-than-expected prices for its silicon.

Macquarie Securities analyst Kelly Dougherty pulled her coverage last month, saying she no longer considered Timminco a solar-technology company.

Even if it continued to produce its solar material, she said, Timminco's low-cost model has been wiped out by traditional materials that are now more attractively priced.

The company had planned to produce 3,600 tonnes of solar-grade silicon in 2010, with plans to expand capacity to more than 14,000. In its last quarter, it saw silicon metal sales of \$29.4-million, and lost \$3.9-million on its solar-grade silicon operations.

Last summer, a 26-page report by ***Veritas Investment Research Corp.*** suggested it would be a "miracle" if the company was able to deliver on its low-cost promises. Around the same time, two class-action lawsuits were filed that alleged the company misled investors about its growth and profit potential. The allegations have not been proven in court.

"Our review of industry literature, the view expressed by various industry participants in public forums, circumstantial evidence surrounding lack of progress in volume delivery at Timminco, a convoluted ownership structure ... all suggests it will be a miracle if Timminco can deliver on its promises," the report said. "Investing however is about diligence and fortitude and not miracles. Sell."

Mr. Dietrich said the company will now focus on rebuilding its finances, saying "there's no point in producing material and then trying to bump it on the market and lose money." The company has \$1.2-million in cash at the end of its quarter, and is in talks with its bankers about an impending \$3.5-million repayment to its credit facility.

"The focus now is on getting back to profitability," he said. "We'll work with the bank, and we'll find a way. It'll be a matter of public disclosure."