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## Q&amp;A: Thomas Werner

**SunPower CEO believes he will be able to compete with fossil fuel prices, without government incentives, within 10 years.**

February 3, 2006

California Governor Arnold Schwarzenegger raised SunPower into the limelight during his trade mission to China in November, when he held up a small panel of the company's solar cells and touted it as "our future" (see [Governator to China: Go Green](#)).

Two days later, the [Cypress Semiconductor](#) subsidiary raised \$145.6 million in an initial public offering of 7.7 million shares, with share prices jumping 55 percent from \$18 per share to \$28.01 (see [SunPower IPO Jumps 55%](#)). The stock has climbed steadily, hitting \$36.88 per share in recent trading.

In other evidence of growth, SunPower in December announced a \$330-million deal to supply panels to PowerLight, the world's top integrator of grid-connected solar power systems. Last quarter's revenue of \$29.3 million represented growth of 523 percent from the same quarter a year ago.

At the Clean-Tech Investor Summit this week, Ira Ehrenpreis, a general partner at the cleantech venture capital firm Technology Partners, described SunPower as "the poster child of solar."

"It's what a lot of us in this room want to do," he said. "It's an important success story."

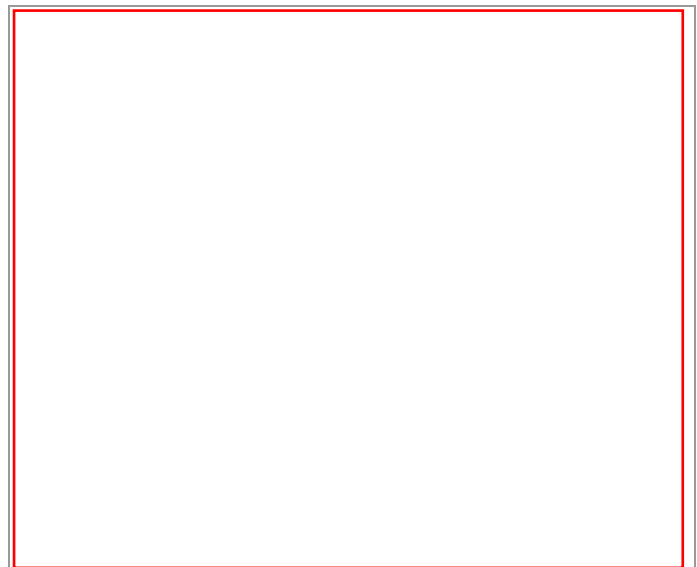
SunPower claims its solar cells are the world's most efficient, with efficiencies of between 20 and 21.5 percent, meaning it converts about a fifth of the captured sun's energy to power. That compares with an industry average of about 15 percent efficiency.

SunPower gets the high efficiency by keeping all the metal contacts, which collect and conduct energy from the sun, on the back of its cells. That keeps the sunlight from reflecting away from the cells, and also gives SunPower's cell a uniformly black appearance, an aesthetic advantage.

Through its relationship with Cypress Semiconductor, SunPower is applying the semiconductor industry's cost-reduction methods to its solar cells, Mr. Werner said at the Clean-Tech Investor Summit this week.

Mr. Werner added that he expects to get "price parity," meaning a price per watt comparable to that of fossil

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fuels, in five to 10 years.

**Q: How'd you manage to get a plug from Arnold Schwarzenegger just before your IPO?**

**A:** It really was almost random from our perspective. We didn't script it. Julie [Blunden, SunPower's vice president of external affairs] has been working with Sacramento quite a bit, so it was just via a long-term relationship with the governor's office. Julie is in Sacramento probably 20 percent of her time.

**Q: Why do you think SunPower has been getting so much attention?**

**A:** We have truly unique technology. Nobody else makes a back-contact cell. We're also one of the few American pure-plays, and that makes us different as well. We also have the potential to get costs down to economic parity, and that gets investors' interest. People want to get into what we're doing.

**Q: Some other companies have said that the attention is undeserved considering that you're not profitable. Suntech Power, for instance, also went public last year and reported a profit of \$23 million in the first nine months of 2005. What's your response to that?**

**A:** On a non-GAAP basis, we make money. We had a loss last quarter on a GAAP basis, but that was because of push-down intangibles—nothing to do with our operations.

It's true we're not as profitable as some of the big guys. We're probably a year or two behind. Our economics look something like Suntech Power, but offset by a couple of years.

*[Editor's note: SunPower reported a GAAP net loss of \$600,000 for the fourth quarter of 2005, up from a net loss of \$10.4 million in the fourth quarter of 2004. On a non-GAAP basis, SunPower posted a net income of \$1.5 million for the last quarter, up from a year-ago net loss of \$9.1 million.]*

**Q: Some in the industry, such as Rhone Resch, the president of the Solar Energy Industries Association, have said that SunPower has secure supplies of silicon, a significant advantage given the polysilicon shortage. But others, such as Robert Wilder, president of WilderShares, said you still don't have enough. What is your silicon situation?**

**A:** Both are correct. If we could have more silicon, we could probably produce more—but not much more. While you could say we are silicon-constrained, we are still a relatively up-and-coming company and I think we have done a credible job aligning with suppliers.

We've qualified over a dozen suppliers, and while I can't give you the list, I can tell you it would look very similar to where the big guys buy.

**Q: As a relatively small, "up and coming" company, are you at a disadvantage when negotiating for silicon?**

**A:** The bigger players had an advantage because they were negotiating sooner, plus they had incumbency status. They could say, "We've been good customers," if they were. But I suspect that's why we're getting some silicon, because some weren't good customers.

Certainly there are reputations of people who were way aggressive when the silicon-solar relationships were the inverse.

**Q: You said being an American company has helped you get attention. But the U.S. isn't the top market for solar. Are you at a disadvantage in tapping into the biggest markets, like Germany and Japan?**

**A:** The Japanese market is a little difficult. Japanese suppliers clearly dominate their home market. But Germany—and the E.U. as a whole—is a very open market. Also, Korea and most other countries.

But we do know we have an incumbency advantage in California, a first-mover advantage, so I think it balances out. California is a significant market and will be a top-three market eventually. [It's about the fifth-largest

market now.]

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