

Zenn Motor shares race higher on battery data

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- * Stock up 48 percent at C\$5.10 at midday
- * Test results seen as "huge milestone"
- * Battery technology key to highway-capable vehicle (In U.S. dollars unless noted)

By Susan Taylor

OTTAWA, April 23 (Reuters) - Zenn Motor Co Inc (ZNN.V: [Quote](#), [Profile](#), [Research](#)) shares shot nearly 70 percent higher on Thursday morning after a partner of the electric car maker announced positive performance data on a ground-breaking battery it is developing.

Zenn, which makes low-speed, short-range electric cars, sees much of its future hinging on an ultracapacitor being developed by Texas-based EESstor Inc. That energy storage system has the potential to charge faster and be a fraction of the cost and size of traditional chemical batteries.

EESstor, a privately held and low-key company, announced third-party testing results on Wednesday of the energy and power density of key material in its technology. Testing of the patented "composition modified barium-titanate powders" exceeded expectations, Zenn said on Thursday.

"The permittivity results as indicated are beyond the specifications outlined in our technology agreement which is extremely encouraging," Zenn's vice-president of engineering, Michael Bergeron, said in a statement.

"We will review these results and expect to announce our findings as soon as they are available."

Zenn stock climbed as much as 68 percent Thursday morning to peak at C\$5.79. By midday, the shares had eased to C\$5.10, for a 48 percent gain.

Zenn shares are also a way to play privately held EESstor, which will have a "huge breakthrough" if its battery is successful, Paradigm Capital analyst J. Marvin Wolff said in a recent note.

On Thursday, he hiked his one-year target price to C\$10.90 from C\$5.50, and maintained a "speculative buy" rating.

The test results are 21 percent better than expected, Wolff wrote, taking EESstor one step closer to delivering a battery by the end of 2009.

Zenn has paid EESstor \$1.3 million under a \$2.5 million exclusivity deal, pending two additional milestones. The test results will prompt a \$700,000 payment, with a final \$500,000 due on delivery of a battery from its

production lines to Zenn.

Zenn now has the right to spend up to \$5 million on EESstor equity to boost its stake as high as 10.5 percent from the current 3.8 percent.

"EESstor feels this is a huge milestone," the company said in a press release. "The automotive and renewable energy sectors are a few of the key markets that would benefit greatly with the technology."

Toronto-based Zenn plans to launch a new, highway-capable vehicle, called CityZENN, using that battery. It also has worldwide exclusive rights to use the battery in vehicles under 1,400 kg (3,086 lbs).

Shares in the company had already charged higher in heavy trade late last week and early this week, prompting Zenn to say on Tuesday it was unaware of any material changes in its business. Zenn, which stands for Zero Emission No Noise, was asked to comment on the stock movement by the Investment Industry Regulatory Organization of Canada on Tuesday.

"In the absence of concrete information (investors) end up buying the stock so they don't miss anything," Versant Partners analyst Massimo Fiore said in a recent interview. "I compare it to an explosive fire: once it starts burning, it burns really fast."

Zenn currently builds a two-seat fully electric vehicle at a plant in Quebec. It has a range of 50-80 km (31-50 miles) and a top speed of 40 km/h (25 mph), and can be charged via a standard electrical outlet. It is not allowed on public roads in many jurisdictions due to its low speed, or is restricted to low-speed streets and controlled areas such as campuses.

CityZENN is expected to have a top speed of 125 km/h (78 mph) and travel 400 km (250 miles) on one charge. It is scheduled for initial production in late 2009, with commercial availability in 2010.

(\$1=\$1.23 Canadian) (Reporting by Susan Taylor; editing by Rob Wilson)

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