

# Timminco hit by 'production challenges'

Posted by Andrew Bell on August 12, 2008



Looks like investors in solar-power play Timminco Ltd. (TIM-T) are hot under the collar today about what CEO Heinz Schimmelbusch called "production challenges" in the second quarter. The stock has slumped almost 25% to trade just above \$15.

The company shipped 221 tonnes of solar silicon in the latest period. Raymond James analyst Andy Nasr says that was about "70 tonnes below consensus due to phosphorus refractory and contamination issues." He calls the stock a Hold and this morning cut his target to \$23 from \$27.

Cormark analyst MacMurray Whale, a perennial bear on Timminco and its process for increasing the purity of silicon metal to levels suitable for solar cells, says, "revelations of contamination issues, delays to ramping volume and high costs in the \$32/kg range ... point to formidable challenges, and at the very least, suggest the production team has over-looked some key scale up issues that leave us wondering how easy the problems will be to resolve."

He has a Sell on the stock and slashed his target today to \$11.50 from \$19.50.

Carolina Vargas, an analyst at Clarus Securities, remains chirpy, however.

"The Company reported significant improvement in its purity levels," she says, reiterating her Buy rating and \$50 target. Clarus was lead underwriter on a \$42.6-million Timminco stock issue in September.

Paradigm Capital Inc. also helped sell the stock. Analyst Marvin Wolff says today that Timminco purity is "very high" and "price realization stellar." The company's silicon "will become a dominant material in the solar market," he says. Wolff stuck with a Buy on the stock although he trimmed his target to \$45 from \$50.

Timminco and Clarus have another connection. Former Clarus analyst David Tomljenovic is now with Sprott Asset Management, where he's been credited with finding Timminco. Sprott, which has ridden the stock up from around 40 cents, is the company's second-largest shareholder.

The sell-off in Timminco may be hurting Sprott's own stock. The asset manager's shares, first sold to the public at \$10 in May, hit a new low of \$6.94 today.