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Timminco shares' rough ride

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Five months back, the shares of Timminco Ltd. hit an intra-day high of $35.69. Yesterday, the same shares were changing hands at $7.

The bloom has certainly come off the rose for the company that says it has developed a way to process metallurgical-grade silicon into low-cost solar-grade silicon for use in the manufacture of solar cells. And the fade is twice as much as the general market decline, which is off 40% over the same period.

The company was in the news this week when it reported its third-quarter earnings (a loss of $13.7-million) and announced new long-term incentive compensation arrangements for executives and other key employees of its silicon business.

It also said it was removing from its Web site the so-called Photon Consulting Operational Review Report. That report, together with a conference call, discussed the highlights of the review completed on Timminco's solar-grade silicon business. That review was positive. The presentation was made on May 14. The next day the stock jumped by about 8% on a volume of 4.5 million shares. A few weeks later, the stock hit a record closing high of $34.50.

When it released its third-quarter results, the company said it "originally commissioned the Photon Report to support due-diligence efforts for strategic discussions beyond normal supplier-customer relationships and made it publicly available to enhance the investing public's understanding of the potential future performance for Timminco's solar-grade silicon product line."

Now the company has told the world that Timminco (now) "believes that some of the material factors or assumptions originally used to develop the forward-looking information in the Photon Report, including in respect of revenues, production volumes and costs, may no longer be valid."

The equity analysts who follow Timminco weren't impressed. All those who cover the company cut their price forecast. For instance, Cormark Securities lowered the forecast to $11 from $11.50; Dundee Securities reduced the target to $10 from $12; Macquarie Canada lowered the target to $18.50 from $22; National Bank lowered its estimate to $12 from $20 and cut the rating to sector perform from outperform; Paradigm cut the target to $30 from $45; Raymond James reduced the target to $10 from $23 while TD Newcrest maintained its speculative buy rating but lowered its target to $11.50 from $12.50. But CIBC maintained its rating ($16 a share for 2009 and 2010) and its rating (sector perform).

At least one other market participant, Manuel Asensio, a noted short seller, continues to remain skeptical. In a note, he said that Timminco "is a corporate governance and fair disclosure case. This is not a new-technology or emerging-markets case," he declared, adding that he is "not short TIM."

Concern about disclosure was illustrated this past week. The company's Web site makes reference to a new corporate controller, Peter D. Rayner. According to the site, we are told that Rayner, who has more than 15 years of accounting and finance experience, joined Timminco in September, 2008. As corporate controller, Rayner is an officer of the company.

What we are not told is why the former controller, Mark G. Swalwell left and when he departed.

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