Solazyme Shares Soar On Production News

The Associated Press

Solazyme Inc.'s shares soared Friday after the company, which makes renewable oils and bio-products, said that it has reached commercial-scale production at a plant in Iowa.

THE SPARK: The company said late Thursday that its production at an Archer Daniels Midland Co. plant in Clinton, Iowa has reached commercial-scale production levels.

Solazyme, based in South San Francisco, Calif., said it is initially targeting annual production of 20,000 metric tons of oil starting in early 2014 at the ADM facility, with targeted expansion to 100,000 metric tons.

THE BIG PICTURE: Solazyme announced in November that it was working with ADM to increase its production capacity. The company said that the production levels it has just hit are four times the scale what the company could produce at its own facility in Peoria, Ill.

Solazyme said that it is currently constructing facilities in Brazil that would match these production levels seen at ADM. And ADM, which is the world's largest corn processor, may increase its production capacity in the future.

THE ANALYSIS: Raymond James analyst Pavel Molchanov said Solazyme's announcement is particularly important, given that scale-up for such companies is rarely smooth. In a broader sense, Molchanov said, this news is bullish not just for Solazyme but for the still early-stage algae-based industry as a whole.

"Quite simply, Solazyme's fermentations have reached a scale that, to our knowledge, is the highest level of any algae-based company in the world," the analyst said in a research note.

SHARE ACTION: Shares of Solazyme jumped more than 9 percent to $8.91. Its stock has traded between $6.45 and $16.31 in the past 52 weeks.

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