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# MEMC Electronic Materials, Inc.

Solid Execution Even In Competitive Environment; Maintain Strong Buy

**STRONG BUY**

**WFR \$12.04**

Price	\$12.04	<b>FY: Dec</b>		<b>2004A</b>	<b>2005E</b>	<b>2006E</b>
Target Price	\$15.00	Revenue (M)	1Q	\$228.8	\$270.0	\$309.5
52-Wk Range	\$7.33 - \$13.28		2Q	\$255.5	\$278.1	\$315.7
Shares Out. (M)	221.0		3Q	\$275.3	\$292.0	\$325.2
Market Cap. (M)	\$2,660.8		4Q	\$268.4	\$309.5	\$338.2
Average Daily Vol. (000)	575		<b>FY</b>	<b>\$1,028.0</b>	<b>\$1,149.6</b>	<b>\$1,288.6</b>
Float (M)	74.8			<b>2004A</b>	<b>2005E</b>	<b>2006E</b>
Secular Growth Rate	15%	EPS	1Q	\$0.16	\$0.24	\$0.27
ROAE	71.0%		2Q	\$0.20	\$0.25	\$0.28
			3Q	\$0.27	\$0.27	\$0.29
LT Debt (M)	\$116.1		4Q	\$0.26	\$0.29	\$0.31
LT Debt/Total Cap.	20.8%		<b>FY</b>	<b>\$0.90</b>	<b>\$1.05</b>	<b>\$1.15</b>
Book Value/Share	\$2.00		P/E	13.4x	11.5x	10.5x
Cash/Share	\$0.42		Previous FY	\$0.88	\$1.12	--
			<b>CY</b>	<b>\$0.90</b>	<b>\$1.05</b>	<b>\$1.15</b>
			P/E	13.4x	11.5x	10.5x

## INVESTMENT HIGHLIGHTS

- Fine-tuning our FY05 estimates on MEMC Electronic Materials and maintaining our target price and Strong Buy rating following the company's 4Q04 earnings release.** WFR's good 4Q04 revenues of \$268.4 million (down 2.5% Q/Q, up 31% Y/Y) were slightly ahead of our estimates of \$265 million, while EPS of \$0.26 (excluding \$0.05 of one-time items) beat our estimate of \$0.25. The lower revenue was the result of lower product volumes, while lower gross margins (36.6% versus our estimate of 38%) resulted from a lower-margin product mix due to customer inventory correction issues. Although WFR continues its solid execution, the company expects inventory issues to continue into 1Q05 and guided to flat 1Q05 revenues and margins. We believe gross margins are likely to remain in the range of 36%-38% as 300mm wafers begin to ramp. Due to the recent easing in leading-edge and mature semiconductor industry capacity utilization and the prospects for further easing from just under 90% now to approximately 85% in the first half 2005, we believe downstream unit demand for silicon wafers will also likely drop from 23% growth in 2004 to 5%-7% in 2005. This view is consistent with our overall chip industry forecast of 10% revenue growth in 2005 versus 25% in 2004. We believe WFR can still outperform the silicon wafer industry and grow revenues by 12% in 2005 and earnings by 17% through a combination of better pricing on specialty 200mm and 300mm wafers, market share gains, and operating efficiencies. We are fine-tuning our 2005 revenue and pro forma EPS estimates from \$1,142 million and \$1.12 to \$1,150 million and \$1.05. We are introducing our 2006 revenue and EPS estimates of \$1,289 million and \$1.15, using conservative gross margins. We are maintaining our Strong Buy rating on WFR and \$15 target price.
- Our target price of \$15 represents over 25% upside.** In 2005-2006, we believe WFR will likely experience a moderating unit growth outlook and have a gradual expansion in gross margins driven by a richer mix of specialty 200mm and 300mm wafers and operating efficiencies, offset by moderate industry price declines on commodity 150/200mm wafers. We are assuming a cyclical peak in earnings power in 2006 with revenue and EPS estimates of \$1.3 billion and \$1.15. We are maintaining our Strong Buy rating and \$15 target price based on what we view to be a conservative 15x target P/E on 2005 EPS of \$1.05 and an estimated secular growth rate of 15% per year. In our opinion, the valuation on WFR is compelling at 10.7x our 2005 EPS estimate, 10.5x our 2006 EPS estimate, and 2.4x EV/2005 estimated revenues.

- **Wafer pricing could be stable due to richer mix, despite more industry capacity.** Going forward, we believe continuing industry consolidation and rational capacity additions for silicon wafers will likely lead to stable pricing for WFR for both mature 200mm/150mm wafers and leading-edge 300mm wafers. The company continues to efficiently add 200mm and 300mm wafer capacity, improve operations, focus on customer and end-market diversification, and invest in longer-term, higher margin products such as bonded silicon-on-insulator wafers for leading-edge, sub-90nm process technology. As such, we believe the company is likely to continue to improve efficiencies in its operations and gain better operating leverage.
- **We believe wafer industry dynamics and semiconductor demand should lead to multiple expansion and superior stock performance for WFR.** We estimate semiconductor industry wafer materials production capacity utilization is now slightly below 90% for 200mm and 300mm silicon wafers. Our estimates are based on our belief in the continuation of moderate cyclical demand in the semiconductor industry, with expanding unit volumes growing 5-7% in 2005, tight semiconductor wafer materials production capacity utilization (~90%), and wafer industry consolidation. Longer-term, we believe that WFR can grow revenues at 8-10% per year and earnings at 15% per year. In addition, we believe WFR's highly-focused management team is likely to continue to execute on its strategy of focusing on balanced growth between mature 150mm/200mm silicon wafer products and leading-edge, specialty 200mm/300mm wafer technology, with cost-effective production strategies aimed at a blue-chip, global, customer base. WFR's integration of its Taisil joint venture in Taiwan could place the company in a position to accelerate market share gains in the high-growth Taiwan and mainland China wafer markets. While the company may not be viewed favorably by Wall Street, due to the commodity-like nature of the wafer business, we believe a combination of a cyclical silicon wafer upturn and WFR's lean operating structure will lead to gradual P/E multiple expansion and superior stock performance.

## INVESTMENT RISKS

Risks to WFR's stock include exposure to the cyclical nature of semiconductor device manufacturers. Weakness in the PC, server, cell phone, industrial, and other end markets have caused slowdowns in wafer starts and wafer manufacturing in the past. The silicon wafer business tends to be competitive and silicon wafer pricing can be volatile, both of which cause uncertainty for wafer producers. WFR has significant exposure to overseas markets such as Europe and Asia and could therefore be exposed to broader global macro risks.

## COMPANY DESCRIPTION

MEMC Electronic Materials Inc. is engaged in the production of wafers for the semiconductor industry. The company provides wafers in sizes ranging from 100 millimeters to 300 millimeters and in three categories: prime polished, a highly refined, pure wafer with an ultra-flat and ultra-clean surface; epitaxial, a thin, silicon layer grown on the polished surface of the wafer; and test/monitor, which is substantially the same as a prime polished wafer but with some less rigorous specifications. The company's wafers are used as a starting material for the manufacture of various types of semiconductor devices, including microprocessor, memory, logic, and power devices. In turn, these semiconductor devices are used in computers, cellular phones, and other mobile electronic devices, automobiles, and other products. Its principal customers are semiconductor device manufacturers, including memory, microprocessor, and ASIC manufacturers, as well as foundries.

**FIGURE 1: WFR – Earnings Model (\$MM, except per share data)**

January 27, 2005 kshankar	2004					2005E					2006E				
FYE: Dec. (\$MM, Except EPS)	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year
<b>Revenues</b>	<b>\$228.8</b>	<b>\$255.5</b>	<b>\$275.3</b>	<b>\$268.4</b>	<b>\$1,028.0</b>	<b>\$270.0</b>	<b>\$278.1</b>	<b>\$292.0</b>	<b>\$309.5</b>	<b>\$1,149.6</b>	<b>\$309.5</b>	<b>\$315.7</b>	<b>\$325.2</b>	<b>\$338.2</b>	<b>\$1,288.6</b>
Cost of Goods Sold	155.4	168.4	164.5	170.2	658.5	171.5	175.9	183.2	193.5	724.0	193.5	197.3	202.4	209.7	802.9
<b>Gross Margin</b>	<b>\$73.3</b>	<b>\$87.2</b>	<b>\$110.7</b>	<b>\$98.2</b>	<b>\$369.4</b>	<b>\$98.6</b>	<b>\$102.2</b>	<b>\$108.8</b>	<b>\$116.1</b>	<b>\$425.6</b>	<b>\$116.1</b>	<b>\$118.4</b>	<b>\$122.8</b>	<b>\$128.5</b>	<b>\$485.7</b>
SG&A expenses	\$17.2	\$17.8	\$17.8	\$19.2	\$71.9	\$19.2	\$19.3	\$19.5	\$19.9	\$78.0	\$20.1	\$20.3	\$20.5	\$20.7	\$81.7
R&D expenses	8.9	9.3	9.4	10.4	38.0	10.6	10.9	11.2	11.6	44.3	11.8	12.0	12.3	12.5	48.6
Restructuring expenses				(1.0)											
<b>Total Operating Expenses</b>	<b>26.1</b>	<b>27.1</b>	<b>27.2</b>	<b>28.5</b>	<b>108.9</b>	<b>29.7</b>	<b>30.2</b>	<b>30.8</b>	<b>31.5</b>	<b>122.3</b>	<b>31.9</b>	<b>32.4</b>	<b>32.8</b>	<b>33.3</b>	<b>130.4</b>
<b>Operating Income</b>	<b>\$47.2</b>	<b>\$60.0</b>	<b>\$83.6</b>	<b>\$69.6</b>	<b>\$260.5</b>	<b>\$68.8</b>	<b>\$72.0</b>	<b>\$78.0</b>	<b>\$84.6</b>	<b>\$303.3</b>	<b>\$84.1</b>	<b>\$86.0</b>	<b>\$90.0</b>	<b>\$95.3</b>	<b>\$355.4</b>
Total Non-Operating Income/(E)	\$6.5	(\$9.1)	(\$0.4)	(\$59.0)	(\$62.0)	(\$0.6)	(\$0.6)	(\$0.6)	(\$0.6)	(\$2.5)	(\$0.6)	(\$0.6)	(\$0.7)	(\$0.7)	(\$2.6)
<b>Pre-Tax Income</b>	<b>53.7</b>	<b>51.0</b>	<b>83.2</b>	<b>10.7</b>	<b>198.5</b>	<b>68.2</b>	<b>71.3</b>	<b>77.4</b>	<b>83.9</b>	<b>300.9</b>	<b>83.5</b>	<b>85.4</b>	<b>89.3</b>	<b>94.6</b>	<b>352.8</b>
Income Taxes	13.4	(12.6)	20.8	(60.9)	(39.3)	13.6	14.3	15.5	16.8	60.2	20.9	21.3	22.3	23.6	88.2
Net Income before other items	40.3	63.6	62.4	71.6	237.8	54.6	57.1	61.9	67.2	240.7	62.6	64.0	67.0	70.9	264.6
Equity income/(loss) in joint ven	(1.7)	0.0	0.0	0.0	(1.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	(2.7)	(3.0)	(2.7)	(2.4)	(10.7)	(2.0)	(2.0)	(2.0)	(2.0)	(8.0)	(2.0)	(2.0)	(2.0)	(2.0)	(8.0)
Net income after other items	35.9	60.6	59.7	69.2	225.4	52.6	55.1	59.9	65.2	232.7	60.6	62.0	65.0	68.9	256.6
Extraordinary items															
Net Income Available for Comn	35.9	60.6	59.7	69.2	225.4	52.6	55.1	59.9	65.2	232.7	60.6	62.0	65.0	68.9	256.6
Average Shares Outst.(primary)	207.2	207.7	207.8	208.1	207.7	208.5	208.9	209.4	209.8	209.1	210.2	210.6	211.0	211.5	210.8
<b>GAAP EPS (primary)</b>	<b>\$0.17</b>	<b>\$0.29</b>	<b>\$0.29</b>	<b>\$0.33</b>	<b>\$1.09</b>	<b>\$0.25</b>	<b>\$0.26</b>	<b>\$0.29</b>	<b>\$0.31</b>	<b>\$1.11</b>	<b>\$0.29</b>	<b>\$0.29</b>	<b>\$0.31</b>	<b>\$0.33</b>	<b>\$1.22</b>
Average shares outst. (fully dilut	222.1	221.0	220.4	221.1	221.1	221.5	222.0	222.4	222.9	222.2	223.3	223.8	224.2	224.7	224.0
<b>GAAP EPS (fully diluted)</b>	<b>\$0.16</b>	<b>\$0.27</b>	<b>\$0.27</b>	<b>\$0.31</b>	<b>\$1.02</b>	<b>\$0.24</b>	<b>\$0.25</b>	<b>\$0.27</b>	<b>\$0.29</b>	<b>\$1.05</b>	<b>\$0.27</b>	<b>\$0.28</b>	<b>\$0.29</b>	<b>\$0.31</b>	<b>\$1.15</b>
<b>Proforma EPS (fully diluted)</b>	<b>\$0.16</b>	<b>\$0.20</b>	<b>\$0.27</b>	<b>\$0.26</b>	<b>\$0.90</b>	<b>\$0.24</b>	<b>\$0.25</b>	<b>\$0.27</b>	<b>\$0.29</b>	<b>\$1.05</b>	<b>\$0.27</b>	<b>\$0.28</b>	<b>\$0.29</b>	<b>\$0.31</b>	<b>\$1.15</b>
<b>Margins (Pct. Rev)</b>															
Gross Margins	32.1%	34.1%	40.2%	36.6%	35.9%	36.5%	36.8%	37.3%	37.5%	37.0%	37.5%	37.5%	37.8%	38.0%	37.7%
R&D	3.9	3.6	3.4	3.9	3.7	3.9	3.9	3.8	3.7	3.9	3.8	3.8	3.8	3.7	3.8
SG&A	7.5	7.0	6.5	7.1	7.0	7.1	7.0	6.7	6.4	6.8	6.5	6.4	6.3	6.1	6.3
Operating Margins	20.7	23.5	30.4	25.9	25.3	25.5	25.9	26.7	27.3	26.4	27.2	27.2	27.7	28.2	27.6
Other Income (Expenses)	2.8	-3.6	-0.1	-22.0	-6.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Pre-tax Margins	23.5	19.9	30.2	4.0	19.3	25.3	25.7	26.5	27.1	26.2	27.0	27.0	27.5	28.0	27.4
Tax Rate (Pct.)	25.0	-24.7	25.0	-571.9	-19.8	20.0	20.0	20.0	20.0	20.0	25.0	25.0	25.0	25.0	25.0
Net Margin	17.6	24.9	22.7	26.7	23.1	20.2	20.5	21.2	21.7	20.9	20.2	20.3	20.6	21.0	20.5
<b>Yr-to-Yr Pct. Change</b>															
Revenues	21.5%	33.2%	40.5%	30.9%	31.6%	18.0%	8.8%	6.1%	15.3%	11.8%	14.6%	13.5%	11.4%	9.3%	12.1%
Gross Margins	35.3	56.7	89.2	52.4	58.7	34.4	17.3	(1.8)	18.2	15.2	17.8	15.8	12.9	10.7	14.1
Operating Income	44.4	78.2	128.9	75.4	82.6	45.7	19.8	(6.7)	21.5	16.5	22.3	19.6	15.3	12.6	17.2
Pre-Tax Income	83.2	47.5	70.9	(75.4)	27.4	26.9	40.0	(7.0)	687.6	51.5	22.4	19.7	15.4	12.7	17.2
Net Income	90.8	137.1	70.9	107.0	99.8	35.4	(10.2)	(0.8)	(6.2)	1.2	14.8	12.2	8.2	5.6	9.9
Fully Diluted EPS	72.5	59.6	72.3	70.3	68.0	46.8	24.0	(0.6)	11.2	16.9	14.4	11.7	7.6	5.0	9.4
<b>Qtr-to-Qtr Pct. Change</b>															
Revenues	11.6%	11.7%	7.7%	(2.5%)	--	0.6%	3.0%	5.0%	6.0%	--	0.0%	2.0%	3.0%	4.0%	--
Gross Margins	13.9	18.8	27.1	-11.4	--	0.4	3.7	6.4	6.7	--	0.0	2.0	3.7	4.7	--
Operating Income	19.0	27.1	39.2	-16.7	--	-1.2	4.6	8.4	8.4	--	-0.5	2.2	4.6	5.9	--
Pre-Tax Income	24.0	-5.1	63.1	-87.2	--	540.1	4.6	8.5	8.5	--	-0.5	2.2	4.6	5.9	--
Net Income	16.5	57.7	-1.9	14.8	--	-23.8	4.6	8.5	8.5	--	-6.7	2.2	4.6	5.9	--

Source: Company reports and JMP Securities.

**FIGURE 2: WFR – Segment Model**

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FYE: Dec. (\$MM, Except EPS)

	2004				2004E	2005E					2006E				
	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year
<b>Segment Model (Million \$)</b>															
150mm/less wafers	\$64	\$66	\$69	\$67	\$266	\$65	\$64	\$67	\$68	\$264	\$65	\$66	\$65	\$68	\$264
200mm wafers	\$142	\$158	\$171	\$164	\$635	\$162	\$167	\$175	\$186	\$690	\$186	\$189	\$192	\$196	\$763
300mm wafers	\$23	\$31	\$36	\$38	\$127	\$43	\$47	\$50	\$56	\$196	\$59	\$60	\$68	\$74	\$261
Segment total	\$229	\$256	\$275	\$268	\$1,028	\$270	\$278	\$292	\$310	\$1,150	\$310	\$316	\$325	\$338	\$1,289
Topline model total	\$229	\$256	\$275	\$268	\$1,028	\$270	\$278	\$292	\$310	\$1,150	\$310	\$316	\$325	\$338	\$1,289
<b>Segment Model(%)</b>															
150mm/less wafers	28%	26%	25%	25%	26%	24%	23%	23%	22%	23%	21%	21%	20%	20%	20%
200mm wafers	62%	62%	62%	61%	62%	60%	60%	60%	60%	60%	60%	60%	59%	58%	59%
300mm wafers	10%	12%	13%	14%	12%	16%	17%	17%	18%	17%	19%	19%	21%	22%	20%
Segment total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>150mm/less wafers</b>															
Total 150mm/less wafers Rev (\$	\$64	\$66	\$69	\$67	\$266	\$65	\$64	\$67	\$68	\$264	\$65	\$66	\$65	\$68	\$264
Total 150mm/less wafers Units (	2.56	2.66	2.75	2.68	10.66	2.95	2.91	3.05	3.10	12.00	3.25	3.32	3.25	3.38	13.20
Blended 150mm/less wafers AS	\$25	\$25	\$25	\$25	\$25	\$22	\$22	\$22	\$22	\$22	\$20	\$20	\$20	\$20	\$20
<b>200mm wafers</b>															
Total 200mm wafers Rev (\$Mln)	\$142	\$158	\$171	\$164	\$635	\$162	\$167	\$175	\$186	\$690	\$186	\$189	\$192	\$196	\$763
Total 200mm wafers Units (Mln)	2.84	3.17	3.41	3.27	12.69	3.60	3.71	3.89	4.13	15.33	4.64	4.74	4.80	4.90	19.08
Blended 200mm wafers ASP (\$)	\$50	\$50	\$50	\$50	\$50	\$45	\$45	\$45	\$45	\$45	\$40	\$40	\$40	\$40	\$40
<b>300mm wafers</b>															
Total 300mm wafers Rev (\$Mln)	\$23	\$31	\$36	\$38	\$127	\$43	\$47	\$50	\$56	\$196	\$59	\$60	\$68	\$74	\$261
Total 300mm wafers Units (Mln)	0.08	0.12	0.15	0.17	0.52	0.20	0.22	0.24	0.28	0.93	0.29	0.31	0.36	0.41	1.37
Blended 300mm wafers ASP (\$)	\$275	\$260	\$240	\$225	\$245	\$220	\$215	\$210	\$200	\$210	\$200	\$195	\$190	\$180	\$190

Source: Company reports and JMP Securities.

**FIGURE 3: WFR – End Market Revenue Model**

January 27, 2005 kshankar	2004					2005E					2006E				
FYE: Dec. (\$MM, Except EPS)	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year
<b>Product Type</b>															
Polished/prime wafers	62%	62%	62%	62%	62%	55%	55%	55%	55%	55%	50%	50%	50%	50%	50%
Epitaxial wafers	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Test/monitor wafers	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
SOI wafers	1%	1%	1%	1%	1%	5%	5%	5%	5%	5%	8%	8%	8%	8%	8%
Strained Silicon wafers	2%	2%	2%	2%	2%	5%	5%	5%	5%	5%	7%	7%	7%	7%	7%
Compound Semi/SiC wafers	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Product Type</b>															
Polished/prime wafers	\$142	\$158	\$171	\$166	\$637	\$149	\$153	\$161	\$170	\$632	\$155	\$158	\$163	\$169	\$644
Epitaxial wafers	\$69	\$77	\$83	\$81	\$308	\$81	\$83	\$88	\$93	\$345	\$93	\$95	\$98	\$101	\$387
Test/monitor wafers	\$11	\$13	\$14	\$13	\$51	\$14	\$14	\$15	\$15	\$57	\$15	\$16	\$16	\$17	\$64
SOI wafers	\$2	\$3	\$3	\$3	\$10	\$14	\$14	\$15	\$15	\$57	\$25	\$25	\$26	\$27	\$103
Strained Silicon wafers	\$5	\$5	\$6	\$5	\$21	\$14	\$14	\$15	\$15	\$57	\$22	\$22	\$23	\$24	\$90
Compound Semi/SiC wafers	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Segment Total	\$229	\$256	\$275	\$268	\$1,028	\$270	\$278	\$292	\$310	\$1,150	\$310	\$316	\$325	\$338	\$1,289
Source: Company reports and JMP Securities.															

**FIGURE 4: WFR – Balance Sheet (\$MM, except per share data)**

January 27, 2005 kshankar FYE: Dec. (\$MM, Except EPS)	2001 3Q/Sep	2001 4Q/Dec	2002 1Q/Mar	2002 2Q/Jun	2002 3Q/Sep	2002 4Q/Dec	2003 1Q/Mar	2003 2Q/Jun	2003 3Q/Sep	2003 4Q/Dec	2004 1Q/Mar	2004 2Q/Jun	2004 3Q/Sep	2004 4Q/Dec
<b>Assets</b>														
Cash & Short-term Investments	\$125.8	\$107.2	\$82.1	\$111.1	\$137.3	\$165.6	\$160.8	\$127.6	\$125.8	\$130.7	\$140.6	\$129.5	\$103.3	\$92.3
Accounts Receivable, Net	81.9	67.4	74.0	97.0	99.9	95.0	88.0	98.1	107.4	103.0	119.2	138.9	151.9	140.7
Inventories	117.0	69.9	62.2	77.0	81.5	85.1	90.6	96.2	98.0	109.5	123.0	112.6	119.8	127.6
Prepaid Exp. & Other Current Assets	23.8	19.5	18.0	18.3	20.8	17.9	19.1	18.5	25.8	22.1	31.5	16.4	20.1	29.7
Deferred Income Taxes	1.1													
<b>Total Current Assets</b>	<b>\$349.5</b>	<b>\$264.0</b>	<b>\$236.4</b>	<b>\$303.5</b>	<b>\$339.6</b>	<b>\$363.7</b>	<b>\$358.5</b>	<b>\$340.4</b>	<b>\$356.9</b>	<b>\$365.3</b>	<b>\$414.5</b>	<b>\$397.4</b>	<b>\$395.1</b>	<b>\$390.3</b>
Property, Plant, Equipment, Net	\$984.5	\$200.7	\$185.9	\$187.8	\$181.9	\$184.9	\$191.5	\$203.3	\$253.5	\$270.4	\$361.6	\$392.7	\$387.3	\$444.7
Investments in Joint Ventures	52.0	15.6	15.3	16.2	17.6	16.8	17.9	19.5	22.2	24.2	0.0	0.0	0.0	0.0
Goodwill, Net	35.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8				
Deferred Tax Asset, Net	0.0	30.1	29.8	29.9	29.0	33.7	32.1	26.1	18.5	15.2	22.4	45.6	43.6	92.4
Other Non-Current Assets	55.4	35.2	35.3	33.1	30.1	28.9	30.8	33.9	38.5	42.9	53.7	61.2	55.4	55.1
<b>Total Assets</b>	<b>\$1,477.3</b>	<b>\$549.3</b>	<b>\$506.4</b>	<b>\$574.2</b>	<b>\$601.9</b>	<b>\$631.7</b>	<b>\$634.7</b>	<b>\$627.1</b>	<b>\$693.4</b>	<b>\$721.7</b>	<b>\$852.1</b>	<b>\$896.8</b>	<b>\$881.3</b>	<b>\$982.5</b>
<b>Liabilities</b>														
Current L-T Debt, S-T Borrowing	\$552.0	\$75.9	\$70.7	\$89.2	\$106.7	\$123.6	\$100.3	\$53.4	\$80.6	\$71.8	\$86.9	\$57.5	\$21.9	\$24.4
Accounts Payable	73.9	52.1	44.1	57.6	60.9	68.0	63.9	69.4	82.6	95.2	91.9	101.2	99.0	124.1
Accrued Liabilities	29.5	50.3	45.6	54.7	51.3	34.0	30.9	31.1	28.8	34.0	39.2	43.1	32.4	36.0
Customer Deposits	19.0	19.4	17.6	17.3	16.1	15.1	14.8	14.5	14.6	15.7	11.5	8.1	5.0	1.8
Other Accrued Liabilities	30.7	24.1	24.6	26.1	42.3	45.4	46.1	38.1	36.3	27.4	24.3	26.8	31.2	29.4
<b>Total Current Liabilities</b>	<b>\$705.1</b>	<b>\$221.7</b>	<b>\$202.6</b>	<b>\$244.8</b>	<b>\$277.3</b>	<b>\$286.1</b>	<b>\$255.9</b>	<b>\$206.4</b>	<b>\$242.8</b>	<b>\$244.1</b>	<b>\$253.8</b>	<b>\$236.6</b>	<b>\$189.5</b>	<b>\$215.6</b>
Longterm Debt	\$595.5	\$144.7	\$132.6	\$145.0	\$173.3	\$161.0	\$170.4	\$87.4	\$60.0	\$59.3	\$127.6	\$125.1	\$120.5	\$116.1
Pension and Similar liabilities	97.8	100.8	101.0	102.2	103.1	104.9	106.3	107.6	109.4	126.4	130.0	127.5	112.4	116.4
Customer Deposits	32.0	25.4	25.1	23.3	22.2	19.6	16.8	14.8	9.7	3.6	3.0	3.1	3.2	0.0
Other Liabilities	58.8	25.9	22.2	26.7	27.5	26.8	27.8	29.8	32.3	30.7	41.6	43.8	57.6	45.8
<b>Total Liabilities</b>	<b>\$1,489.3</b>	<b>\$518.5</b>	<b>\$483.5</b>	<b>\$542.0</b>	<b>\$603.4</b>	<b>\$598.4</b>	<b>\$577.1</b>	<b>\$446.0</b>	<b>\$454.3</b>	<b>\$464.0</b>	<b>\$555.9</b>	<b>\$536.1</b>	<b>\$483.2</b>	<b>\$494.0</b>
Minority Interests	\$63.2	\$51.1	\$51.4	\$50.7	\$53.7	\$58.0	\$60.4	\$59.1	\$62.0	\$64.1	\$66.8	\$65.0	\$44.0	\$46.5
Redeemable Preferred Stock		4.2	12.2	20.3	0.0									
Common stock	0.7	0.7	0.7	0.7	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Additional Paid-In Capital	771.7	8.1	1.1	9.4	29.3	27.0	27.5	123.6	150.6	150.1	151.7	151.6	152.5	154.7
Accumulated Deficit/Other	(830.5)	(28.6)	(37.7)	(44.2)	(81.6)	(48.9)	(27.7)	1.0	28.8	45.9	79.8	145.6	203.1	288.9
Treasury Stock	(17.0)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.4)	(4.4)	(4.2)	(3.6)	(3.6)	(3.6)
<b>Total Stockholders Equity</b>	<b>(\$75.1)</b>	<b>(\$24.5)</b>	<b>(\$40.6)</b>	<b>(\$38.8)</b>	<b>(\$55.1)</b>	<b>(\$24.7)</b>	<b>(\$2.9)</b>	<b>\$121.9</b>	<b>\$177.0</b>	<b>\$193.6</b>	<b>\$229.3</b>	<b>\$295.7</b>	<b>\$354.1</b>	<b>\$442.1</b>
<b>Total Liab. &amp; Stockholders Equity</b>	<b>\$1,477.3</b>	<b>\$549.3</b>	<b>\$506.4</b>	<b>\$574.2</b>	<b>\$601.9</b>	<b>\$631.7</b>	<b>\$634.7</b>	<b>\$627.1</b>	<b>\$693.4</b>	<b>\$721.7</b>	<b>\$852.1</b>	<b>\$896.8</b>	<b>\$881.3</b>	<b>\$982.5</b>
<b>Key Financial Ratios</b>														
Tangible Book Value/Share, (\$)	(\$1.59)	(\$0.41)	(\$0.64)	(\$0.21)	(\$0.32)	(\$0.14)	(\$0.03)	\$0.54	\$0.77	\$0.85	\$1.03	\$1.34	\$1.61	\$2.00
Cash/Share, (\$)	\$1.81	\$1.54	\$1.18	\$0.54	\$0.75	\$0.84	\$0.76	\$0.59	\$0.56	\$0.59	\$0.63	\$0.59	\$0.47	\$0.42
Working Capital/share, (\$)	(\$5.11)	\$0.61	\$0.49	\$0.29	\$0.34	\$0.39	\$0.49	\$0.62	\$0.51	\$0.54	\$0.72	\$0.73	\$0.93	\$0.79
Total Assets/share, (\$)	\$21.22	\$7.89	\$7.27	\$2.79	\$3.29	\$3.21	\$3.01	\$2.88	\$3.10	\$3.24	\$3.84	\$4.06	\$4.00	\$4.44
Current Ratio	0.50	1.19	1.17	1.24	1.22	1.27	1.40	1.65	1.47	1.50	1.63	1.68	2.08	1.81
Quick Ratio	0.29	0.79	0.77	0.85	0.86	0.91	0.97	1.09	0.96	0.96	1.02	1.13	1.35	1.08
LTDebt/Total Capitalization	114.44%	120.37%	144.10%	136.56%	146.67%	118.10%	101.74%	41.76%	25.32%	23.43%	35.75%	29.73%	25.39%	20.80%
Return-on-sales (ROS), Qtr	(55.86%)	(68.38%)	(13.26%)	3.43%	(24.01%)	19.21%	10.48%	14.22%	17.97%	16.78%	15.70%	23.71%	21.69%	25.77%
Return-on-sales(ROS), TTM	(58.27%)	(84.59%)	(97.86%)	(29.33%)	(22.55%)	(3.22%)	2.13%	4.90%	15.48%	14.93%	16.16%	18.76%	19.76%	21.93%
Return-on-equity (ROE), Qtr*4	359.03%	1344.51%	178.69%	(61.59%)	331.40%	(579.17%)	(2708.75%)	89.51%	79.53%	71.07%	62.62%	81.97%	67.47%	62.57%
Return-on-equity (ROAE), TTM	(279.08%)	(879.49%)	1405.44%	361.79%	352.56%	55.51%	(51.88%)	378.63%	173.88%	95.27%	73.58%	74.18%	71.08%	68.24%
Return-on-assets (ROA), Qtr*4	(18.26%)	(59.95%)	(14.31%)	4.16%	(30.36%)	22.63%	12.44%	17.40%	20.31%	19.07%	16.86%	27.03%	27.10%	28.15%
Return-on-assets (ROA), TTM	(26.14%)	(38.92%)	(51.84%)	(20.84%)	(25.12%)	(3.82%)	2.58%	5.94%	18.24%	17.43%	18.35%	21.00%	22.75%	24.95%
Asset Turnover, Qtr*4	0.33	0.88	1.08	1.21	1.26	1.18	1.19	1.22	1.13	1.14	1.07	1.14	1.25	1.09
Average asset turnover, TTM	0.45	0.46	0.53	0.71	1.11	1.19	1.21	1.21	1.18	1.17	1.14	1.12	1.15	1.14
Accts. Rec. Days Sales Outst. (Qtr)	61	50	49	50	47	46	42	46	49	45	47	49	50	47
Accts. Rec. Days Sales Outst. (TTM)	55	56	57	53	50	49	47	46	47	46	48	48	49	49
Inventory turns (Qtr)	5.32	8.47	7.39	6.72	6.75	6.20	5.92	5.66	5.61	5.14	5.05	5.98	5.49	5.34
Average inventory turns (TTM)	5.69	5.98	6.29	6.72	7.29	6.72	6.38	6.11	5.84	5.56	5.34	5.43	5.41	5.45
Inventory days Outstanding (Qtr)	68	42	49	54	53	58	61	64	64	70	71	60	66	67
Inventory days outstanding (TTM)	64	61	58	54	50	54	57	60	63	66	68	67	67	67

Source: Company reports and JMP Securities.

## JMP FACTS AND DISCLOSURES

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### Publicly Traded Companies Mentioned In This Report:

MEMC Electronic Materials, Inc., WFR, \$12.04, Strong Buy.

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Strong Buy (SB): JMP Securities expects the stock price to appreciate 20% or more on an absolute basis over the next 6 months.

Market Outperform (MO): JMP Securities expects the stock price to outperform relevant market indices over the next 12 months.

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Market Underperform (MU): JMP Securities expects the stock price to underperform relevant market indices over the next 12 months.

Sell (S): JMP Securities views the stock as a source of funds

### JMP Securities Research Ratings and Investment Banking Services: (as of January 4, 2005)

JMP Rating	Regulatory Equivalent	2 or 3 Disclosure Coverage	# Co's Under Coverage	% of Total	Regulatory Rating	# Co's Under Coverage	% of Total	# Co's Receiving IB Services in Past 12 Months
Strong Buy	Buy	13	42	21%				
Market Outperform	Buy	17	87	44%	Buy	129	65%	30
Market Perform	Hold	3	62	31%	Hold	62	31%	3
Market Underperform	Sell	0	7	4%	Sell	7	4%	0
Sell	Sell	0	0	0%				
<b>TOTAL:</b>			198	100%		198	100%	33

### Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. If the latest date is different than the report date, then the price is as of the previous day's close. The action reflected in this note is not annotated in the stock price chart. Source: FactSet and JMP Securities.



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