



Krishna Shankar
kshankar@jmpsecurities.com
415-835-8971

MEMC Electronic Materials, Inc. ^(2,3)

Good Unit Volume Theme; Raising Target Price; Reiterate Strong Buy

STRONG BUY

WFR \$20.68

Price	\$20.68	FY: Dec		2004A	2005E	2006E
Target Price	\$28.00	Revenue (M)	1Q	\$228.8	\$252.6A	\$312.6
52-Wk Range	\$10.09 - \$23.39		2Q	\$255.5	\$274.0A	\$322.0
Shares Out. (M)	227.1		3Q	\$275.3	\$280.8A	\$334.9
Market Cap. (M)	\$4,696.4		4Q	\$268.4	\$319.0	\$348.3
Average Daily Vol. (000)	5,381		FY	\$1,028.0	\$1,126.4	\$1,317.8
Float (M)	188.5			2004A	2005E	2006E
Secular Growth Rate	18%	EPS	1Q	\$0.16	\$0.16A	\$0.32
ROAE	50.0%		2Q	\$0.20	\$0.24A	\$0.34
			3Q	\$0.27	\$0.22A	\$0.36
LT Debt (M)	\$106.7		4Q	\$0.26	\$0.34	\$0.38
LT Debt/Total Cap.	14.0%		FY	\$0.90	\$0.95	\$1.40
Book Value/Share	\$2.90		P/E	23.0x	21.8x	14.8x
Cash/Share	\$0.65		Previous FY	--	\$1.00	\$1.25
			CY	\$0.90	\$0.95	\$1.40
			P/E	23.0x	21.8x	14.8x

Note: Prices are intraday.

INVESTMENT HIGHLIGHTS

- **Reiterating Strong Buy rating on WFR; raising target price from \$25 to \$28.** Wednesday, WFR filed an 8-K with the SEC restating revenues and earnings for the first three quarters of 2005 in accordance with its earlier 3Q earnings release that indicated the re-statement due to some tax credit and revenue recognition policies. Due to higher revenue deferral of polysilicon product shipments from 3Q to 4Q, higher SG&A expenses, and a higher tax rate offset by higher gross margins, we are raising our 4Q revenue estimate from \$311 million to \$319 million while maintaining our EPS estimate of \$0.34. WFR indicated a continuing stable pricing environment for 200mm wafers and 300mm wafers in 4Q along with strong demand for polysilicon materials from the solar panel industry. We are lowering our FY05 EPS estimate from \$1.00 to \$0.95 to account for the cumulative impact of the accounting restatements. For FY06, we are raising our EPS estimate from \$1.25 to \$1.40 using slightly higher gross margins and a lower tax rate of 20% (versus our prior estimate of 27%) while maintaining revenues of \$1.32 billion. We are raising our target price from \$25 to \$28 using our previous 20x P/E multiple on CY06 EPS estimate of \$1.40 relative to an 18-20% secular earnings growth rate.
- **MEMC is a low-cost leader in the consolidating silicon wafer materials industry with global technology capabilities,** and we continue to rate the stock Strong Buy given its compelling valuation at less than 15x our 2006 EPS estimate of \$1.40 relative to a secular earnings growth rate of 18% per year. We have the following observations: 1) MEMC's high margin 300mm wafer production ramp appears to be proceeding rapidly with the company on track to double capacity from 175K/month currently to 350K/month by year-end 2006 and potentially increasing further to 600K/month by year-end 2007; 2) the Taisil (Taiwan) 300mm plant is ramping rapidly and positions the company well to serve strong Asian demand; 3) the polysilicon raw material shortages appear to be worsening with the recent sale of Komatsu's ASMI polysilicon subsidiary to REC (Germany), which will convert all the polysilicon capacity to solar cell use and stop serving the semiconductor wafer market; 4) MEMC's Q4 long-term contract pricing negotiations are proceeding well in a favorable demand environment with an approximate 40% of its customers; 5) MEMC is exploring vertical integration strategies for selling finished solar wafers into the solar cell industry in order to achieve higher revenue growth and diversification. Shortages of polysilicon raw material, further industry consolidation, and new revenue opportunities in processed solar wafer business would present further upside to our 2006 estimates.

- **Semiconductor industry capacity utilization improving; shift to 300mm fabs picking up momentum.** We believe that fundamentals at MEMC continue to be stable, driven by improving industry capacity utilization rates, stable 200mm and 300mm wafer pricing, and good seasonal end demand in key markets such as PC, cell phone, and consumer electronics. Recent updates from key customers such as Samsung, Texas Instruments, Advanced Micro Devices, Intel Corporation, National Semiconductor, and other analog customers have been positive, together with improving 3Q capacity utilization and wafer starts at key Taiwan foundries such as Taiwan Semiconductor and United Microelectronics. We note that electronic grade polysilicon production capacity is growing at 5-10% per year, while demand is growing at 10-15% for semiconductor wafers and 20-30% for the booming solar cell market, resulting in potential shortages and firming wafer pricing in 2006. MEMC is slated to negotiate contract pricing with an approximate 40% of its customer base in 4Q under this relatively positive supply-demand environment. Also, the smooth ramp in the Taisil (Taiwan) 300mm wafer factory gives MEMC the ability to double 300mm capacity from 175K/month currently to 350K/month by the end of 2006 and further to 600K/month by year-end 2007.
- **MEMC is a global technology leader in silicon wafers benefiting from secular positive trends.** Due to the recent improvement in leading-edge and mature semiconductor industry capacity utilization from an approximate 80% in 1Q to 90% in 3Q, we believe downstream unit demand for silicon wafers will likely grow at 8-10% in 2005. This view is consistent with our overall chip industry forecast of 10% revenue growth in 2005 versus 25% in 2004. The 100% increase in electronic grade polysilicon contract pricing from \$35 per kilogram a year ago to \$60 currently and developing shortages due to competing demand from the solar panel industry will likely lead to further consolidation among smaller silicon wafer suppliers and lead to a stable pricing environment even for mature 200mm and 150mm wafers. We note that MEMC is vertically integrated and makes more than 90% of its polysilicon, giving it a 15-20% cost advantage. We believe WFR can still outperform the silicon wafer industry and grow revenues by 10% and 16% in 2005 and 2006 and operating profit by 14% and 35%, respectively, through a combination of better pricing on specialty 200mm and 300mm wafers, market share gains, and operating efficiencies.
- **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-90mm 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 80-90% 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 8-10% in 2005, tight semiconductor wafer materials production capacity utilization (an approximate 90%), and wafer industry consolidation. Longer term, we believe that MEMC can grow revenues at 8-12% per year and earnings at 18% per year. In addition, we believe MEMC'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 MEMC'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 cyclicity 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)

Nov 15, 2005 kshankar	2004					2005E					2006E				
FYE: Dec. (\$MM, Except EPS	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year	1Q/Mar A	2Q/Jun A	3Q/Sep A	4Q/Dec	Year	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year
Revenues	\$228.8	\$255.5	\$275.3	\$268.4	\$1,028.0	\$252.6	\$274.0	\$280.8	\$319.0	\$1,126.4	\$312.6	\$322.0	\$334.9	\$348.3	\$1,317.8
Cost of Goods Sold	155.4	168.4	164.5	170.2	658.5	163.1	175.8	187.1	191.4	717.4	187.6	192.4	199.3	207.2	786.4
Gross Margin	\$73.3	\$87.2	\$110.7	\$98.2	\$369.4	\$89.5	\$98.2	\$93.7	\$127.6	\$409.0	\$125.0	\$129.6	\$135.6	\$141.1	\$531.3
SG&A expenses	\$17.2	\$17.8	\$17.8	\$19.2	\$71.9	\$17.8	\$18.3	\$18.2	\$19.1	\$73.4	\$18.5	\$18.7	\$18.9	\$19.1	\$75.3
R&D expenses	8.9	9.3	9.4	10.4	38.0	11.7	13.2	12.7	11.0	48.6	11.3	11.7	11.9	12.2	47.1
Restructuring expenses				(1.0)											
Total Operating Expenses	26.1	27.1	27.2	28.5	108.9	29.5	31.6	30.9	30.1	122.0	29.9	30.4	30.8	31.3	122.4
Operating Income	\$47.2	\$60.0	\$83.6	\$69.6	\$260.5	\$60.0	\$66.6	\$62.8	\$97.5	\$286.9	\$95.2	\$99.2	\$104.8	\$109.8	\$409.0
Total Non-Operating Income/(E	\$6.5	(\$9.1)	(\$0.4)	(\$59.0)	(\$62.0)	(\$1.3)	(\$1.5)	(\$1.5)	(\$1.6)	(\$5.9)	(\$1.0)	(\$0.8)	(\$0.7)	(\$0.6)	(\$3.1)
Pre-Tax Income	53.7	51.0	83.2	10.7	198.5	58.7	65.2	61.2	95.9	281.1	94.2	98.4	104.1	109.2	405.9
Income Taxes	13.4	(12.6)	20.8	(60.9)	(39.3)	(3.8)	10.3	(30.0)	17.3	(6.2)	18.8	19.7	20.8	21.8	81.2
Net Income before other items	40.3	63.6	62.4	71.6	237.8	62.5	54.9	91.2	78.7	287.3	75.3	78.7	83.3	87.3	324.7
Equity income/(loss) in joint ver	(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)	(1.8)	(2.0)	(1.5)	(1.2)	(6.4)	(1.0)	(0.8)	(0.5)	(0.5)	(2.8)
Net income after other items	35.9	60.6	59.7	69.2	225.4	60.8	52.9	89.8	77.5	280.9	74.3	78.0	82.8	86.8	321.9
Extraordinary items															
Net Income Available for Comr	35.9	60.6	59.7	69.2	225.4	60.8	52.9	89.8	77.5	280.9	74.3	78.0	82.8	86.8	321.9
Average Shares Outst.(primary	207.2	207.7	207.8	208.1	207.7	208.8	209.2	214.7	216.9	212.4	217.3	217.7	218.2	218.6	217.9
GAAP EPS (primary)	\$0.17	\$0.29	\$0.29	\$0.33	\$1.09	\$0.29	\$0.25	\$0.42	\$0.36	\$1.32	\$0.34	\$0.36	\$0.38	\$0.40	\$1.48
Average shares outst. (fully dilt	222.1	221.0	220.4	221.1	221.1	223.9	224.7	227.1	229.4	226.3	229.9	230.3	230.8	231.3	230.6
GAAP EPS (fully diluted)	\$0.16	\$0.27	\$0.27	\$0.31	\$1.02	\$0.27	\$0.24	\$0.40	\$0.34	\$1.24	\$0.32	\$0.34	\$0.36	\$0.38	\$1.40
Proforma EPS (fully diluted)	\$0.16	\$0.20	\$0.27	\$0.26	\$0.90	\$0.16	\$0.24	\$0.22	\$0.34	\$0.95	\$0.32	\$0.34	\$0.36	\$0.38	\$1.40
Margins (Pct. Rev)															
Gross Margins	32.1%	34.1%	40.2%	36.6%	35.9%	35.4%	35.8%	33.4%	40.0%	36.3%	40.0%	40.3%	40.5%	40.5%	40.3%
R&D	3.9	3.6	3.4	3.9	3.7	4.6	4.8	4.5	3.4	4.3	3.6	3.6	3.6	3.5	3.6
SG&A	7.5	7.0	6.5	7.1	7.0	7.0	6.7	6.5	6.0	6.5	5.9	5.8	5.6	5.5	5.7
Operating Margins	20.7	23.5	30.4	25.9	25.3	23.8	24.3	22.4	30.6	25.5	30.4	30.8	31.3	31.5	31.0
Other Income (Expenses)	2.8	-3.6	-0.1	-22.0	-6.0	-0.5	-0.5	-0.5	-0.5	-0.5	-0.3	-0.2	-0.2	-0.2	-0.2
Pre-tax Margins	23.5	19.9	30.2	4.0	19.3	23.3	23.8	21.8	30.1	25.0	30.1	30.6	31.1	31.3	30.8
Tax Rate (Pct.)	25.0	-24.7	25.0	-571.9	-19.8	-6.5	15.7	-48.9	18.0	-2.2	20.0	20.0	20.0	20.0	20.0
Net Margin	17.6	24.9	22.7	26.7	23.1	24.8	20.0	32.5	24.7	25.5	24.1	24.5	24.9	25.1	24.6
Yr-to-Yr Pct. Change															
Revenues	21.5%	33.2%	40.5%	30.9%	31.6%	10.4%	7.2%	2.0%	18.9%	9.6%	23.8%	17.5%	19.3%	9.2%	17.0%
Gross Margins	35.3	56.7	89.2	52.4	58.7	22.0	12.7	(15.4)	30.0	10.7	39.7	32.0	44.8	10.5	29.9
Operating Income	44.4	78.2	128.9	75.4	82.6	27.1	11.0	(24.9)	40.0	10.2	58.6	48.9	66.9	12.6	42.5
Pre-Tax Income	83.2	47.5	70.9	(75.4)	27.4	9.3	27.8	(26.4)	800.2	41.6	60.3	51.1	69.9	13.8	44.4
Net Income	90.8	137.1	70.9	107.0	99.8	55.2	(13.6)	46.2	9.9	20.8	20.5	43.4	(8.7)	11.0	13.0
Fully Diluted EPS	72.5	59.6	72.3	70.3	68.0	(0.2)	17.7	(20.6)	28.5	6.0	100.4	43.9	66.6	11.2	47.0
Qtr-to-Qtr Pct. Change															
Revenues	11.6%	11.7%	7.7%	(2.5%)	--	(5.9%)	8.5%	2.5%	13.6%	--	(2.0%)	3.0%	4.0%	4.0%	--
Gross Margins	13.9	18.8	27.1	-11.4	--	-8.8	9.8	-4.6	36.2	--	-2.0	3.6	4.6	4.0	--
Operating Income	19.0	27.1	39.2	-16.7	--	-13.8	11.0	-5.8	55.3	--	-2.4	4.2	5.6	4.8	--
Pre-Tax Income	24.0	-5.1	63.1	-87.2	--	451.2	10.9	-6.0	56.6	--	-1.8	4.5	5.8	4.9	--
Net Income	16.5	57.7	-1.9	14.8	--	-12.7	-12.2	66.2	-13.8	--	-4.2	4.5	5.8	4.9	--
Fully Diluted EPS	4.8	69.7	-1.2	15.4	--	-13.2	-13.3	67.9	-14.6	--	-4.2	4.7	5.9	4.7	--

Source: Company reports and JMP Securities.

FIGURE 2: WFR – Segment Model

Nov 15, 2005 kshankar	2004				2004E	2005E					2006E				
FYE: Dec. (\$MM, Except EPS)	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year	1Q/Mar A	2Q/Jun A	3Q/Sep A	4Q/Dec	Year	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year
Segment Model (Million \$)															
150mm/less wafers	\$64	\$66	\$69	\$67	\$266	\$61	\$63	\$62	\$70	\$256	\$66	\$64	\$64	\$66	\$260
200mm wafers	\$142	\$158	\$171	\$164	\$635	\$152	\$164	\$166	\$182	\$663	\$175	\$180	\$184	\$188	\$728
300mm wafers	\$23	\$31	\$36	\$38	\$127	\$40	\$47	\$53	\$67	\$207	\$72	\$77	\$87	\$94	\$330
Segment total	\$229	\$256	\$275	\$268	\$1,028	\$253	\$274	\$281	\$319	\$1,126	\$313	\$322	\$335	\$348	\$1,318
Topline model total	\$229	\$256	\$275	\$268	\$1,028	\$253	\$274	\$281	\$319	\$1,126	\$313	\$322	\$335	\$348	\$1,318
Segment Model(%)															
150mm/less wafers	28%	26%	25%	25%	26%	24%	23%	22%	22%	23%	21%	20%	19%	19%	20%
200mm wafers	62%	62%	62%	61%	62%	60%	60%	59%	57%	59%	56%	56%	55%	54%	55%
300mm wafers	10%	12%	13%	14%	12%	16%	17%	19%	21%	18%	23%	24%	26%	27%	25%
Segment total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
150mm/less wafers															
Total 150mm/less wafers Rev (\$M)	\$64	\$66	\$69	\$67	\$266	\$61	\$63	\$62	\$70	\$256	\$66	\$64	\$64	\$66	\$260
Total 150mm/less wafers Units (M)	2.56	2.66	2.75	2.68	10.66	2.76	2.86	2.81	3.19	11.62	3.28	3.22	3.18	3.31	12.99
Blended 150mm/less wafers ASP (\$)	\$25	\$25	\$25	\$25	\$25	\$22	\$22	\$22	\$22	\$22	\$20	\$20	\$20	\$20	\$20
200mm wafers															
Total 200mm wafers Rev (\$M)	\$142	\$158	\$171	\$164	\$635	\$152	\$164	\$166	\$182	\$663	\$175	\$180	\$184	\$188	\$728
Total 200mm wafers Units (M)	2.84	3.17	3.41	3.27	12.69	3.37	3.74	3.94	4.23	15.28	4.17	4.29	4.49	4.70	17.66
Blended 200mm wafers ASP (\$)	\$50	\$50	\$50	\$50	\$50	\$45	\$44	\$42	\$43	\$43	\$42	\$42	\$41	\$40	\$41
300mm wafers															
Total 300mm wafers Rev (\$M)	\$23	\$31	\$36	\$38	\$127	\$40	\$47	\$53	\$67	\$207	\$72	\$77	\$87	\$94	\$330
Total 300mm wafers Units (M)	0.08	0.12	0.15	0.17	0.52	0.19	0.23	0.30	0.42	1.14	0.44	0.48	0.56	0.63	2.11
Blended 300mm wafers ASP (\$)	\$275	\$260	\$240	\$225	\$245	\$215	\$200	\$175	\$160	\$181	\$165	\$160	\$155	\$150	\$157
Product Type															
Polished/prime wafers	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%
Epitaxial wafers	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Test/monitor wafers	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	17%	17%	17%	17%	17%
SOI wafers	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%	2%	2%	2%
Strained Silicon wafers	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
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%
Product Type															
Polished/prime wafers	\$126	\$141	\$151	\$148	\$565	\$139	\$151	\$154	\$175	\$620	\$172	\$177	\$184	\$192	\$725
Epitaxial wafers	\$57	\$64	\$69	\$67	\$257	\$63	\$68	\$70	\$80	\$282	\$78	\$80	\$84	\$87	\$329
Test/monitor wafers	\$41	\$46	\$50	\$48	\$185	\$45	\$49	\$51	\$57	\$203	\$53	\$55	\$57	\$59	\$224
SOI wafers	\$2	\$3	\$3	\$3	\$10	\$3	\$3	\$3	\$3	\$11	\$6	\$6	\$7	\$7	\$26
Strained Silicon wafers	\$2	\$3	\$3	\$3	\$10	\$3	\$3	\$3	\$3	\$11	\$3	\$3	\$3	\$3	\$13
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	\$253	\$274	\$281	\$319	\$1,126	\$313	\$322	\$335	\$348	\$1,318
Topline Total	\$229	\$256	\$275	\$268	\$1,028	\$253	\$274	\$281	\$319	\$1,126	\$313	\$322	\$335	\$348	\$1,318

Source: Company reports and JMP Securities.

FIGURE 3: WFR – Balance Sheet (\$MM, except per share data)

Nov 15, 2005 kshankar	2003	2004	2004	2004	2004	2005	2005	2005
FYE: Dec. (\$MM, Except EPS)	4Q/Dec	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	1Q/Mar	2Q/Jun	3Q/Sep
Assets								
Cash & Short-term Investments	\$130.7	\$140.6	\$129.5	\$103.3	\$92.3	\$116.3	\$101.0	\$143.2
Accounts Receivable, Net	103.0	119.2	138.9	151.9	140.7	130.5	132.1	126.8
Inventories	109.5	123.0	112.6	119.8	127.6	135.3	134.9	132.4
Prepaid Exp. & Other Current Assets	22.1	31.5	16.4	20.1	29.7	28.2	27.3	37.3
Deferred Income Taxes								
Total Current Assets	\$365.3	\$414.5	\$397.4	\$395.1	\$390.3	\$410.3	\$395.2	\$439.8
Property, Plant, Equipment, Net	\$270.4	\$361.6	\$392.7	\$387.3	\$444.7	\$476.3	\$503.9	\$510.5
Investments in Joint Ventures	24.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill, Net	3.8							
Deferred Tax Asset, Net	15.2	22.4	45.6	43.6	119.8	126.8	127.1	174.7
Other Non-Current Assets	42.9	53.7	61.2	55.4	55.1	54.5	53.3	51.6
Total Assets	\$721.7	\$852.1	\$896.8	\$881.3	\$1,009.9	\$1,068.0	\$1,079.5	\$1,176.5
Liabilities								
Current L-T Debt, S-T Borrowing	\$71.8	\$86.9	\$57.5	\$21.9	\$24.4	\$23.1	\$21.7	\$15.4
Accounts Payable	95.2	91.9	101.2	99.0	124.1	133.4	104.6	103.9
Accrued Liabilities	34.0	39.2	43.1	32.4	37.7	21.4	23.9	15.0
Customer Deposits	15.7	11.5	8.1	5.0	0.0	0.0	0.0	0.0
Other Accrued Liabilities	27.4	24.3	26.8	31.2	29.4	45.9	48.8	50.5
Total Current Liabilities	\$244.1	\$253.8	\$236.6	\$189.5	\$215.6	\$223.8	\$198.9	\$184.9
Longterm Debt	\$59.3	\$127.6	\$125.1	\$120.5	\$116.1	\$113.3	\$108.2	\$106.7
Pension and Similar liabilities	126.4	130.0	127.5	112.4	116.4	116.2	113.2	106.5
Customer Deposits	3.6	3.0	3.1	3.2	0.0	0.0	0.0	0.0
Other Liabilities	30.7	41.6	43.8	57.6	72.4	46.7	45.3	72.2
Total Liabilities	\$464.0	\$555.9	\$536.1	\$483.2	\$520.6	\$500.0	\$465.7	\$470.2
Minority Interests	\$64.1	\$66.8	\$65.0	\$44.0	\$46.5	\$48.2	\$50.3	\$51.7
Redeemable Preferred Stock								
Common stock	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.2
Additional Paid-In Capital	150.1	151.7	151.6	152.5	154.7	158.4	159.6	178.4
Retained earnings	45.9	79.8	145.6	203.1	308.4	385.5	434.9	511.8
Treasury Stock	(4.4)	(4.2)	(3.6)	(3.6)	(22.3)	(26.3)	(33.0)	(37.9)
Total Stockholders Equity	\$193.6	\$229.3	\$295.7	\$354.1	\$442.9	\$519.7	\$563.6	\$654.6
Total Liab. & Stockholders Equity	\$721.7	\$852.1	\$896.8	\$881.3	\$1,009.9	\$1,068.0	\$1,079.5	\$1,176.5
Key Financial Ratios								
Tangible Book Value/Share, (\$)	\$0.85	\$1.03	\$1.34	\$1.61	\$2.00	\$2.32	\$2.51	\$2.88
Cash/Share, (\$)	\$0.59	\$0.63	\$0.59	\$0.47	\$0.42	\$0.52	\$0.45	\$0.63
Working Capital/share, (\$)	\$0.54	\$0.72	\$0.73	\$0.93	\$0.79	\$0.83	\$0.87	\$1.12
Total Assets/share, (\$)	\$3.24	\$3.84	\$4.06	\$4.00	\$4.57	\$4.77	\$4.80	\$5.18
Current Ratio	1.50	1.63	1.68	2.08	1.81	1.83	1.99	2.38
Quick Ratio	0.96	1.02	1.13	1.35	1.08	1.10	1.17	1.46
LTDebt/Total Capitalization	23.43%	35.75%	29.73%	25.39%	20.77%	17.90%	16.11%	14.02%
Return-on-sales (ROS), Qtr	16.78%	15.70%	23.71%	21.69%	25.77%	24.06%	19.30%	31.97%
Return-on-sales(ROS), TTM	14.93%	16.16%	18.76%	19.76%	21.93%	23.79%	22.66%	25.34%
Return-on-equity (ROE), Qtr*4	71.07%	62.62%	81.97%	67.47%	62.46%	46.77%	37.53%	54.85%
Return-on-equity (ROAE), TTM	95.27%	73.58%	74.18%	71.08%	68.19%	62.08%	51.59%	49.99%
Return-on-assets (ROA), Qtr*4	19.07%	16.86%	27.03%	27.10%	27.39%	22.76%	19.59%	30.52%
Return-on-assets (ROA), TTM	17.43%	18.35%	21.00%	22.75%	24.77%	25.96%	24.02%	25.16%
Asset Turnover, Qtr*4	1.14	1.07	1.14	1.25	1.06	0.95	1.02	0.95
Average asset turnover, TTM	1.17	1.14	1.12	1.15	1.13	1.09	1.06	0.99
Accnts. Rec. Days Sales Outst. (Qtr)	45	47	49	50	47	47	43	41
Accnts. Rec. Days Sales Outst. (TTM)	46	48	48	49	49	49	47	45
Inventory turns (Qtr)	5.14	5.05	5.98	5.49	5.34	4.82	5.21	5.65
Average inventory turns (TTM)	5.56	5.34	5.43	5.41	5.45	5.38	5.21	5.25
Inventory days Outstanding (Qtr)	70	71	60	66	67	75	69	64
Inventory days outstanding (TTM)	66	68	67	67	67	68	70	69
Revenue/employee, (Qtr*4), \$	\$178,286	\$198,922	\$222,208	\$239,377	\$233,370	\$219,668	\$238,252	\$238,969
Average Revenue/employee (TTM), \$	\$169,804	\$178,590	\$192,440	\$209,698	\$223,469	\$228,656	\$232,667	\$232,599
Qtr Revenue, (\$MM)	205.0	228.8	255.5	275.3	268.4	252.6	274.0	280.8
Qtr COGS, (\$MM)	140.6	155.4	168.4	164.5	170.2	163.1	175.8	187.1
Qtr Net Income, (\$MM)	34.4	35.9	60.6	59.7	69.2	60.8	52.9	89.8
Fully Diluted Shares Outstanding (Millions)	223.0	222.1	221.0	220.4	221.1	223.9	224.7	227.1
# Of Employees (Actual)	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,700
Qtr Capital Expenditures (\$MM)	23.00	26.09	46.40	25.55	51.74	54.40	51.20	32.26
Qtr Capital Expenditures/Revenue	11.22%	11.40%	18.16%	9.28%	19.28%	21.53%	18.69%	11.49%
Qtr Depreciation (\$MM)	7.78	9.92	10.24	11.44	12.53	13.34	14.36	14.74
Qtr Depreciation/Revenue	3.79%	4.34%	4.01%	4.16%	4.67%	5.28%	5.24%	5.25%

Source: Company reports and JMP Securities.

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Strong Buy	Buy	66	24%	Buy	183	67%	17	9%
Market Outperform	Buy	117	43%	Hold	80	29%	6	8%
Market Perform	Hold	80	29%	Sell	11	4%	0	0%
Market Underperform	Sell	11	4%					
Sell	Sell	0	0%					
TOTAL:		274	100%		274	100%	23	8%

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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600 Montgomery Street, Suite 1100, San Francisco, CA 94111-2713, www.jmpsecurities.com

Jim J. Fowler
Co-Director of Equity Research
(415) 835-8941

James F. Wilson, CFA
Co-Director of Equity Research
(415) 835-8975

Business Services

Business and Professional Services

James F. Wilson, CFA (415) 835-8975
Cynthia A. Rubin, CFA (415) 835-3939

Data and Information Services

Kevane A. Wong (415) 835-8976

Financial Processing and Outsourcing

David M. Scharf (415) 835-8942
Vinay Vishwanath (415) 835-8912

Property Services

William C. Marks (415) 835-8944

Consumer

Hotels & Resorts

William C. Marks (415) 835-8944
Clinton I. Yara (415) 835-8993

Housing

James F. Wilson, CFA (415) 835-8975
Alex Barron (415) 835-8955

Lifestyle Retailing and Products

Kristine Koerber (415) 835-8962

Real Estate

William C. Marks (415) 835-8944

Financial Services

Consumer Finance

John Hecht (415) 835-3912

Mortgage Finance

Jim J. Fowler (415) 835-8941

Specialty Finance

Donald D. Destino (415) 835-8992
Susan Gutierrez (415) 835-3909

Healthcare

Biotechnology

Charles C. Duncan, PhD (415) 835-8991
Anthony Ostrea, CFA (212) 521-8492

Adam Cutler (212) 521-8487

Healthcare Services

Alexander Y. Draper, CFA (404) 869-9490

Medical Devices

Robert C. Faulkner (212) 521-8491

Technology

Communications Equipment

Samuel Wilson (415) 835-8967

Enterprise/Application Software

Patrick Walravens (415) 835-8943
Denny C. Fish, Jr. (415) 835-3934

Industrial Technology

Jason Simon, CFA (415) 835-8934

Interactive Software

Ingrid Ebeling (415) 835-8904

Internet

William S. Morrison (415) 835-8979

IT Supply Chain

John Coyle (415) 835-8916

Semiconductors

Krishna Shankar (415) 835-8971

For Additional Information

Mark Lehmann
Director of Equities
(415) 835-3908