

MEMC ELECTRONIC MATERIALS INC (NYSE – WFR)

COMPANY PROFILE & BASIC INFORMATION

COMPANY PROFILE

MEMC Electronic Materials, Inc. produces wafers for the semiconductor industry worldwide. The company's product categories include prime polished, epitaxial, and test/monitor wafers. Its customers include semiconductor device manufacturers, including the major memory, microprocessor, and applications specific integrated circuit manufacturers, as well as foundries. MEMC Electronic Materials was formed in 1984 and is headquartered in St. Peters, Missouri.

VALUENGINE STYLE RATING

Very Attractive	To Day Traders: Day Traders prefer volatile stocks with dramatic price swings.
Very Attractive	To Momentum Investors: Momentum Investors believe that stocks that have seen recent price increases will continue to increase in the short term.
Attractive	To Market Leader Investors: Market Leader Investors look for stable, high-quality, industry-leading companies.
Neutral	To Growth-at-Reasonable-Price Investors: Growth-at-Reasonable-Price Investors combine momentum and value considerations, in order to gain the benefits of both strategies.
Neutral	To Balanced Investors: Balanced Investors look for stocks that have favorable momentum, are undervalued (with low Mispricing) and offer a good risk-return tradeoff.
Less Attractive	To Classic-Value Investors: Classic-Value Investors look for stocks that are considered undervalued by the market. This is done using traditional valuation measures such as Market/Book Ratio and Price/Sales Ratio.
Neutral	To Conservative Investors: Conservative Investors prefer stocks that are either stable with good returns, or volatile with exceptional returns.

LAST UPDATE: Nov 07, 2005

SECTOR TECHNOLOGY
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BASIC INFORMATION

Current Price	\$20.14
Market Cap.	\$4.23 billion
Average Volume	3225070
52 Week Low	\$9.77
52 Week High	\$23.75
Annual Dividends	N/A
Yield	n/a
Trailing P/E (last 4-qtr)	19.60
Forward P/E (next 4-qtr)	14.74
Beta	2.22583
Shares Outstanding	209.992 million

RECENT PERFORMANCE

One-Month	-9.20%
Three-Month	20.96%
Six-Month	72.14%
One-Year	96.49%

CONTACT VALUENGINE

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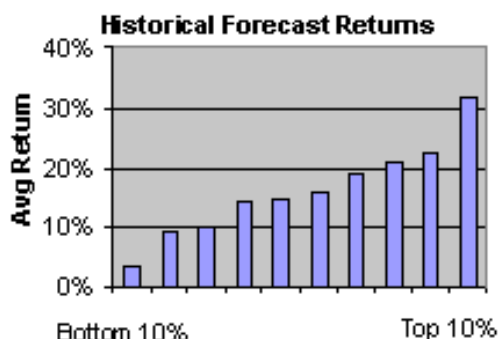
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VALUENGINE STOCK FORECAST MODEL & MARKET RATIO BASED VALUATION

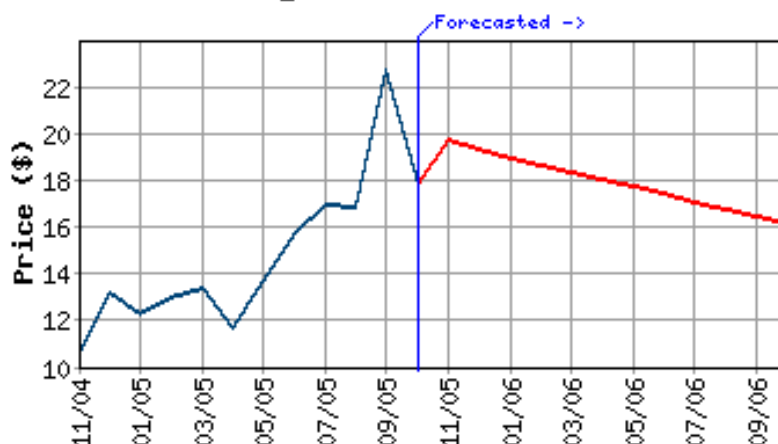
THE VALUENGINE STOCK FORECAST MODEL

The predictive variables used in ValuEngine.com forecasting models include both proprietary and well-established forecasting variables derived from credible financial research studies and publications. ValuEngine.com uses a distinct forecasting model for each forecasting horizon and for every industry. Our forecasting models capture, among other things, several important tendencies that stock prices consistently exhibit: Short-term price reversals, Intermediate-term momentum continuation and Long-term price reversals.



ValuEngine applies the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible. In addition, we have a realistic econometric model for assessing a stock's and a portfolio's future return prospects. This econometric model involves running thousands of simulations to estimate the probability of a double in stock price as well as the probability that a stock or portfolio of stocks will meet or exceed any given estimate target.

ValuEngine Forecast Chart



MARKET RATIO BASED VALUATION

Portfolio managers and professionals traditionally rely on market ratios to gauge whether a stock is fair valued or overvalued. On this page, we present such a valuation based on one of three market ratios: PEG (price to trailing 4 quarter earnings ratio, divided by the consensus analyst forecasted next year EPS growth), P/E (price to forward 4 quarter earnings ratio), and P/S ratio (price to trailing 4 quarter sales). Among the three, PEG is the most informative as it reflects both the price/earnings ratio and expected future EPS growth, while P/E is better than P/S. For each given stock, we apply the PEG to give a fair value assessment if both its trailing 4 quarter EPS and forecasted EPS growth rate are positive. If its forecasted EPS growth is negative but its forward 4 quarter EPS is positive, we apply the P/E to give a fair value for the stock as of today. Otherwise, we resort to the P/S to assess its fair value.

VALUENGINE FORECAST ANALYSIS

	Target Price	Expected Return
1-Month	\$19.93	-1.03%
3-Month	\$19.15	-4.93%
6-Month	\$18.19	-9.67%
1-Year	\$16.34	-18.85%
2-Year	\$15.41	-23.47%
3-Year	\$15.03	-25.36%

VALUENGINE VALUATION ANALYSIS

WFR	Today's Fair Value: \$13.06, 54.18% overvalued
SECTOR	TECHNOLOGY, 12.64% undervalued
INDUSTRY	SEMICONDUCTORS/COMPONENT, 20.78% undervalued

MARKET RATIO BASED VALUATION & QUANTITATIVE SUMMARY

To establish a valuation standard, we use both (i) the average historical market ratio of the stock over the past 10 years (or however long there is data available for the stock), and (ii) the average market ratio today of five comparable stocks in the same sector and from companies of similar size. These two alternative perspectives should give you a good idea about where this stock's valuation stands today.

1. Valuation Based on WFR's Past PEG

Over the past 10 years, WFR's average PEG is 0.81. WFR earned \$1.03 per share in its recent 4 quarters. The analyst consensus estimate is \$1.37 for its 4 quarter forward EPS. WFR's current sales per share is 3.93. The following assessment is based on multiplying the historical PEG with recent 4 quarter EPS and the forecasted EPS growth rate over the next 4 quarters for WFR.

WFR - PEG Ratio Chart



2. Valuation Based on Comparables' PEG

WFR's comparables are ATYT, ISIL, LRCX, ARW and APH. The current PEG average of these comparables is 1.20. WFR earned \$1.03 per share in its recent 4 quarters. The analyst consensus estimate is \$1.37 for its 4-quarter-forward EPS. WFR's current sales per share is 3.93. The following assessment is based on multiplying comparable stocks' average PEG today with WFR's recent 4 quarter EPS and the forecasted EPS growth rate over the next 4 quarters.

QUANTITATIVE SUMMARY

Just as important as the percentages shown for our ten predictive variables for each stock is the way they are ranked against the 7000 plus stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. Let's take them one by one:

- Valuation rank 6 : 95% of stocks are more undervalued
- Momentum rank 96 : 5% of stocks have higher momentum
- Sharpe Ratio rank 55 : 46% of stocks have a higher Sharpe Ratio
- 5-Year Average Annual Return 72 : 29% of stocks have higher average annual return
- Volatility rank 20 : 81% of stocks have less volatility
- EPS growth rank 66 : 35% of stocks have greater projected EPS growth
- Size rank 91 : 10% of companies have higher market capitalization
- P/E rank 67 : 34% of stocks have lower P/E ratios
- Price/Sales rank 29 : 72% of stocks have lower price/sales ratios
- Market/Book rank 11 : 90% of stocks have lower market/book value ratios

MARKET RATIO

Market Price	\$20.14
Historical Average PEG	0.81
PEG-Based Fair Value	\$27.52
Comparable Stocks' Average PEG	1.20
Comparable PEG-Based Fair Value	\$40.76

COMPARABLES' PEG

Comparables	Current PEG
APH	1.18
ARW	0.96
ATYT	1.95
ISIL	0.73
LRCX	n/a

EVALUATION & RANKINGS

Valuation	N/A
Valuation Rank	6
12-Month Return	96.49%
Momentum Rank	96
Sharpe Ratio*	0.20
Sharpe Ratio Rank	55
5-Y Avg Annual Return	15.96%
5-Y Avg Annual Rtn Rank	72
Volatility	79.93%
Volatility Rank	20
Expected EPS Growth	33.00%
EPS Growth Rank	66
Average EPS Surprise	101.81%
EPS Surprise Rank	78
Market Cap (billions)	4.23
Size Rank	91
P/E Ratio	19.60
P/E Rank	67
Price/Sales	3.93
Price/Sales Rank	29
Market/Book	7.50
Market/Book Rank	11

* **Sharpe Ratio:** Measures the risk-return tradeoff offered by the stock, and it is named after the Nobel Prize winner William Sharpe. It is the stock's average annual return (over the recent 5 years) divided by its annualized volatility over the same 5 years. Lower risk stocks are usually associated with high Sharpe ratios.

VALUATION COMPARISON

VALUATION COMPARISON

	WFR	Industry Average	Sector Average	S&P 500
Valuation	54.18% overvalued	20.78% undervalued	12.64% undervalued	2.23% overvalued
Valuation Rank	6	69	63	45

MOMENTUM COMPARISON

	WFR	Industry Average	Sector Average	S&P 500
Recent 12-M Return	96.49%	0.03%	0.05%	0.06%
Momentum Rank	96	42	44	52

QUALITY COMPARISON

	WFR	Industry Average	Sector Average	S&P 500
Sharpe Ratio	0.20	-0.31	-0.22	-0.17%
Sharpe Ratio Rank	55	26	32	30
5-Yr Average Return	15.96%	-0.20%	-0.14%	-0.03%
5-Yr Return Rank	72	26	33	37
Volatility	79.93%	0.74%	0.87%	0.15%
Volatility Rank	20	31	30	98

EPS & GROWTH COMPARISON

	WFR	Industry Average	Sector Average	S&P 500
Expected EPS Growth	33.00%	0.66%	0.55%	0.06%
EPS Growth Rank	66	65	60	22
Average EPS Surprise	101.81%	0.62%	0.77%	0.99%
EPS Surprise Rank	78	44	43	69

OTHER VALUATION COMPARISONS

	WFR	Industry Average	Sector Average	S&P 500
P/E Ratio	19.60	34.16	29.22	16.50
P/E Ratio Rank	67	44	42	76
Market/Book Ratio	7.50	2.94	4.25	N/A
Market/Book Rank	11	52	46	N/A
Price/Sales Ratio	3.93	2.87	3.43	N/A
Price/Sales Rank	29	53	54	N/A

THE MODELS AND THE VALUENGINE SYSTEM

ValuEngine.com employs four computer models to provide its services and functions. They are:

- The VE Stock Valuation Model.
- The VE Stock Forecast Model.
- The VE Portfolio Advisor model.
- The VE Portfolio Forecast Model.

The Stock Valuation Model is VE's "flagship" model. It uses three primary variables to arrive at a computer modeled or fair value price for any stock at any given point in time. These variables are the company's trailing 12 month earnings per share (EPS), the analyst consensus of its future 12 months EPS and the current yield of the 30 year Treasury bond which creates the interest rate "climate" in which the market as a whole operates.

Underlying these three time sensitive variables are seven additional criteria. Five are specific to the stock being evaluated and are unique to the VE stock valuation model in that they quantify the subjective component of value for that stock. They include the price history of the stock and its relationship to the market in terms of volatility, momentum and liquidity as well as its market capitalization. Two others are related to the interest rate climate, tracking the duration of the interest rate cycle and its volatility. These seven criteria provide a structured parametrical platform for the three primary variables. The correlation of these variables defines their complex interrelationship and is the core of the computer model that delivers the fair value price of a stock.

The deviation of the stock's current market price from the current fair value is calculated as a percentage to provide a measure of the extent to which the market is "mispricing" the stock. Because the three primary variables are time sensitive, and a change in any or all of them produces a change in the fair value, the VE model is the only system that provides valuation of a stock in real time.

COMPARISON OF SIMILAR STOCKS TO WFR

VALUATION COMPARISON

Comparable Tickers	WFR	ATYT	ISIL	LRCX
Last Trade	\$20.14	\$15.56	\$24.24	\$35.07
Model Price	\$13.06	N/A	\$23.46	\$27.67
Valuation	54.18% overvalued	N/A	3.34% overvalued	26.77% overvalued
Valuation Rank	6	N/A	43	14

MOMENTUM COMPARISON

Comparable Tickers	WFR	ATYT	ISIL	LRCX
Recent 12-M Return	96.49%	-0.14%	0.51%	0.38%
Momentum Rank	96	23	88	82

EPS & GROWTH COMPARISON

Comparable Tickers	WFR	ATYT	ISIL	LRCX
Expt EPS Growth	33.00%	0.08%	0.53%	-0.01%
EPS Growth Rank	66	28	75	15
EPS Surprise	101.81%	0.04%	0.90%	0.91%
EPS Surprise Rank	78	8	37	37

QUALITY COMPARISON

Comparable Tickers	WFR	ATYT	ISIL	LRCX
Sharpe Ratio	0.20	0.15	-0.09	0.24
Sharpe Ratio Rank	55	52	35	57
5 Yr Avg Annual Return	15.96%	0.17%	-0.05%	0.13%
5 Yr Avg Annual Rtn Rank	72	74	34	65
Volatility	79.93%	1.13%	0.58%	0.53%
Volatility Rank	20	10	37	42

SIZE COMPARISON

Comparable Tickers	WFR	ATYT	ISIL	LRCX
Market Cap [billions]	4.23	3.93	3.72	4.77
Size Rank	91	91	91	92

OTHER COMPARISONS

Comparable Tickers	WFR	ATYT	ISIL	LRCX
P/E Ratio	19.60	16.21	38.33	19.68
P/E Ratio Rank	67	77	47	67
Market/Book Ratio	7.50	3.79	1.54	4.51
Market/Book Rank	11	23	62	19
Price/Sales Ratio	3.93	1.83	7.13	3.40
Price/Sales Rank	29	51	20	33

To establish its validity, the stock valuation model was backtested against the S & P 500 index over a fifteen year period. A rigorous out-of-sample discipline was employed that permitted only data available at the point in the timeline that each valuation was made. This eliminated any forward looking bias or survivorship bias that could result from data leakage.

The model tracked the index accurately, showing the market to be over or undervalued when indeed it was. For example, when the test period was charted, the price bubble that preceded the 1987 crash is clearly visible as is the overvaluation of 1998 that provoked Alan Greenspan's remark about "irrational exuberance".

The **Stock Forecast Model** was developed from the accumulated test data and uses a total of eight predictive variables (including the mispricing measure). These are incorporated into our own econometric formula that enables the model to capture a stock's susceptibility to short term price reversals, its probability of intermediate term price momentum continuation, and the probability of long term price reversals. The model is at the heart of a computer screening program that ferrets out stocks with the characteristics needed for favorable investment results. Strongly undervalued stocks with high momentum proved to provide the greatest return and the program will sort through the more than 7000 stocks in our database to find them.

Because most of the variables in the model are firm-specific, the model automatically adapts across sectors and industries. In fact, regression analysis comparing the VE models against existing valuation methods showed the mispricing measure to be the only predictive variable of significant value in all sectors.

The forecasting model was backtested with the same methodology used in validating the valuation model and while not a perfect crystal ball, it was found to be reasonably accurate.

COMPARISON OF SIMILAR STOCKS TO WFR

RETURN FORECAST: EXPECTED RETURN

Comparable Tickers	WFR	ATYT	ISIL	LRCX
One Month	-0.01%	-0.01%	-0.01%	-0.01%
Two Months	-0.05%	-0.04%	-0.05%	-0.04%
Three Months	-0.10%	-0.06%	-0.09%	-0.08%
One Year	-0.19%	-0.08%	-0.17%	-0.14%
Two Years	-0.23%	-0.10%	-0.20%	-0.18%
Three Years	-0.25%	-0.10%	-0.22%	-0.19%

RISK ASSESSMENT: CHANCE OF A DOUBLE

Comparable Tickers	WFR	ATYT	ISIL	LRCX
One Month	0.00%	0.00%	0.00%	0.00%
Two Months	0.00%	0.00%	0.00%	0.00%
Three Months	0.00%	0.00%	0.00%	0.00%
One Year	0.00%	0.00%	0.00%	0.00%
Two Years	0.00%	0.01%	0.00%	0.00%
Three Years	0.00%	0.03%	0.00%	0.00%

RISK ASSESSMENT: CHANCE OF GAIN

Comparable Tickers	WFR	ATYT	ISIL	LRCX
One Month	0.44%	0.44%	0.40%	0.38%
Two Months	0.33%	0.41%	0.29%	0.29%
Three Months	0.28%	0.39%	0.22%	0.24%
One Year	0.21%	0.40%	0.16%	0.19%
Two Years	0.24%	0.42%	0.20%	0.20%
Three Years	0.26%	0.43%	0.23%	0.24%

RISK ASSESSMENT: CHANCE OF LOSS

Comparable Tickers	WFR	ATYT	ISIL	LRCX
One Month	0.56%	0.56%	0.60%	0.62%
Two Months	0.67%	0.59%	0.71%	0.71%
Three Months	0.72%	0.61%	0.78%	0.76%
One Year	0.79%	0.60%	0.84%	0.81%
Two Years	0.76%	0.58%	0.80%	0.80%
Three Years	0.74%	0.57%	0.77%	0.76%

We can say that its use, together with the stock valuation model, will definitely enhance the investor's odds of success in the stock market.

ValuEngine's founder, Dr. Zhiwu Chen, explains that the reason the VE models work better than any other valuation and forecasting mechanism now available is a combination of their structural integrity and their ability to respond continuously to new information. "The multistage dividend, discounted cash flow or residual income models do not offer a rich enough parameterization of both a firm's fundamentals and those of the economy."

The **Portfolio Advisor Model** helps the investor select stocks that will reflect his/her choice of three basic investment strategies: Aggressive, with attendant greater risk (growth orientation), conservative with minimal risk (capital preservation) and balanced with some growth and moderate risk. Using its own econometric model together with the Stock Forecast Model, Portfolio Advisor will then make allocations of the chosen amount of capital across the selected stocks to maximize the probability of achievement of the selected investment goal within a chosen timeframe. The investor can select varying time horizons and risk levels and compare varying capital allocations and projected returns.

The **Portfolio Forecast Model** is essentially an extension of the Stock Forecast Model, and can be used to estimate the total forward return of a given portfolio. The model will first analyze each of the stocks listed in the portfolio. Then, not unlike a chess-playing computer that considers thousands of moves before selecting the best one, it plugs all the variables into its own econometric model and estimates the portfolio's return over various time horizons and risk tolerance levels as selected by the investor. The forecast model also functions automatically in the portfolio advisor model to project returns following the capital allocation function.

EARNINGS REPORTS AND ANALYST RECOMMENDATIONS

EARNINGS HISTORY

	2004-09	2004-12	2005-03	2005-06	2005-09
Estimate Earnings	0.23	0.24	0.24	0.26	0.29
Actual Earnings	0.27	0.26	0.23	0.26	0.25
Earnings Difference	0.04	0.02	-0.01	0.00	-0.04
Earnings Surprise	15.88%	8.79%	-4.56%	1.17%	-13.19%

EARNINGS GROWTH

	Last 5 Years	This Year (2005-12)	Next Year (2006-12)	Next 5 Years	Price/EPS (2005-12)	PE/Growth Ratio (2005-12)
WFR	128.20%	22.02%	27.07%	14.00%	18.13	1.30
SEMICONDUCTORS/COMPONENT	24.19%	25.43%	77.39%	19.93%	38.86	2.29

EARNINGS ESTIMATES AND ANALYST RECOMMENDATIONS

Earnings Estimates		Average Recommendation (strong buy) 1.00-5.00 (strong sell)	
This Quarter (2005-12)	0.34	This Week	N/A
This Year (2005-12)	1.09	Last Week	N/A
Next Year (2006-12)	1.38	Change	N/A

EARNINGS PER SHARE ESTIMATES

	This Quarter (2005-12)	Next Quarter (2006-03)	This Year (2005-12)	Next Year (2006-12)
Average Estimate	0.34	0.31	1.09	1.38
Number of Analysts	9	8	8	9
Low Estimate	0.32	0.28	1.06	1.16
High Estimate	0.39	0.36	1.12	1.60
Year Ago EPS	0.26	0.23	0.89	1.09
EPS Growth	31.54%	36.09%	22.02%	27.07%

CONSENSUS EPS TREND

	This Quarter (2005-12)	Next Quarter (2006-03)	This Year (2005-12)	Next Year (2006-12)
Current	0.34	0.31	1.09	1.38
7 Days Ago	N/A	N/A	N/A	N/A
30 Days Ago	0.32	0.31	1.10	1.41
90 Days Ago	0.31	0.31	1.10	1.36

