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MEMC Electronic Materials, Inc. ⁽³⁾

Maintaining Strong Buy Rating; Raising FY05, FY06 Estimates Slightly

STRONG BUY

WFR \$11.97

Price	\$11.97	FY: Dec		2004A	2005E	2006E
Target Price	\$18.00	Revenue (M)	1Q	\$228.8	\$270.0	\$309.5
52-Wk Range	\$7.39 - \$13.25		2Q	\$255.5	\$278.1	\$315.7
Shares Out. (M)	221.0		3Q	\$275.3	\$292.0	\$325.2
Market Cap. (M)	\$2,645.4		4Q	\$268.4	\$309.5	\$338.2
Average Daily Vol. (000)	1,175		FY	\$1,028.0	\$1,149.6	\$1,288.6
Float (M)	91.5			2004A	2005E	2006E
Secular Growth Rate	15%	EPS	1Q	\$0.16	\$0.25	\$0.29
ROAE	68.0%		2Q	\$0.20	\$0.26	\$0.30
			3Q	\$0.27	\$0.28	\$0.32
LT Debt (M)	\$116.1		4Q	\$0.26	\$0.31	\$0.34
LT Debt/Total Cap.	20.8%		FY	\$0.90	\$1.10	\$1.25
Book Value/Share	\$2.00		P/E	13.3x	10.9x	9.6x
Cash/Share	\$0.42		Previous FY	--	\$1.05	\$1.15
			CY	\$0.90	\$1.10	\$1.25
			P/E	13.3x	10.9x	9.6x

INVESTMENT HIGHLIGHTS

- Maintaining Strong Buy rating of MEMC Electronic Materials (WFR); raising FY05 and FY06 estimates slightly; raising target price from \$15 to \$18.** Following the company's recent secondary stock offering (all secondary shares offered by Texas Pacific Group), we are maintaining our Strong Buy rating and raising our FY05 and FY06 EPS estimates slightly. We are keeping our earlier revenue estimates and assuming higher gross margins on a stable unit demand environment driven by renewed growth in the industry following the current inventory correction, which will likely wind down by 1Q05. We expect an improving silicon wafer pricing environment for MEMC driven by a better mix of prime versus test wafers, progressively higher mix of higher margin 300mm and specialty 200mm wafers, and improving manufacturing efficiencies. We are maintaining our FY05 revenue estimate at \$1,150 million (forecast to be up 11.8% Y/Y) while we are raising our FY05 EPS estimate from \$1.05 to \$1.10 assuming slightly higher gross margins. Our longer-term FY06 revenue estimate remains \$1,289 million while we are raising our FY06 EPS estimate from \$1.15 to \$1.25 assuming a richer mix of specialty 200mm and 300mm wafers and improved manufacturing efficiencies. We are raising our target price from \$15 to \$18 based on a target P/E of 14x our 2006 EPS estimate of \$1.25.
- Our target price of \$18 represents 50% 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 a revenue and EPS estimate of \$1.3 billion and \$1.25. In our opinion, the valuation on WFR, which is a profitable industry leader gaining marketshare, is compelling at 10.9x our 2005 EPS estimate and 9.6x our 2006 EPS estimate.
- Semiconductor industry capacity utilization stabilizing.** Due to the recent easing in leading-edge and mature semiconductor industry capacity utilization and the prospects for further easing from around 85% now to approximately 75-80% in the first half 2005, we believe downstream unit demand for silicon wafers will also likely drop from 23% growth in 2004 to 8-10% 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 22% 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-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 8-10% in 2005, tight semiconductor wafer materials production capacity utilization (~90%), and wafer industry consolidation. Longer-term, we believe that WFR can grow revenues at 8-12% 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)

February 23, 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
Revenues	\$228.8	\$255.5	\$275.3	\$268.4	\$1,028.0	\$270.0	\$278.1	\$292.0	\$309.5	\$1,149.6	\$309.5	\$315.7	\$325.2	\$338.2	\$1,288.6
Cost of Goods Sold	155.4	168.4	164.5	170.2	658.5	169.4	173.1	180.3	189.6	712.4	188.8	191.0	195.1	201.2	776.2
Gross Margin	\$73.3	\$87.2	\$110.7	\$98.2	\$369.4	\$100.6	\$105.0	\$111.7	\$119.9	\$437.2	\$120.7	\$124.7	\$130.1	\$137.0	\$512.5
SG&A expenses	\$17.2	\$17.8	\$17.8	\$19.2	\$71.9	\$19.2	\$19.3	\$19.5	\$19.7	\$77.8	\$19.9	\$20.1	\$20.3	\$20.5	\$80.9
R&D expenses	8.9	9.3	9.4	10.4	38.0	10.6	10.8	11.0	11.2	43.6	11.5	11.7	11.9	12.2	47.2
Restructuring expenses				(1.0)											
Total Operating Expenses	26.1	27.1	27.2	28.5	108.9	29.7	30.1	30.6	31.0	121.4	31.4	31.8	32.3	32.7	128.2
Operating Income	\$47.2	\$60.0	\$83.6	\$69.6	\$260.5	\$70.8	\$74.8	\$81.1	\$89.0	\$315.8	\$89.3	\$92.9	\$97.8	\$104.3	\$384.3
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)
Pre-Tax Income	\$53.7	\$51.0	\$83.2	\$10.7	\$198.5	\$70.2	\$74.2	\$80.5	\$88.3	\$313.3	\$88.7	\$92.2	\$97.2	\$103.6	\$381.7
Income Taxes	13.4	(12.6)	20.8	(60.9)	(39.3)	14.0	14.8	16.1	17.7	62.7	22.2	23.1	24.3	25.9	95.4
Net Income before other items	40.3	63.6	62.4	71.6	237.8	56.2	59.4	64.4	70.7	250.7	66.5	69.2	72.9	77.7	286.3
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)	(1.8)	(1.8)	(1.8)	(7.2)	(1.8)	(1.8)	(1.8)	(1.8)	(7.2)
Net income after other items	35.9	60.6	59.7	69.2	225.4	54.4	57.6	62.6	68.9	243.5	64.7	67.4	71.1	75.9	279.1
Extraordinary items															
Net Income Available for Comn	35.9	60.6	59.7	69.2	225.4	54.4	57.6	62.6	68.9	243.5	64.7	67.4	71.1	75.9	279.1
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
GAAP EPS (primary)	\$0.17	\$0.29	\$0.29	\$0.33	\$1.09	\$0.26	\$0.28	\$0.30	\$0.33	\$1.16	\$0.31	\$0.32	\$0.34	\$0.36	\$1.32
Average shares outst. (fully dilu	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
GAAP EPS (fully diluted)	\$0.16	\$0.27	\$0.27	\$0.31	\$1.02	\$0.25	\$0.26	\$0.28	\$0.31	\$1.10	\$0.29	\$0.30	\$0.32	\$0.34	\$1.25
Proforma EPS (fully diluted)	\$0.16	\$0.20	\$0.27	\$0.26	\$0.90	\$0.25	\$0.26	\$0.28	\$0.31	\$1.10	\$0.29	\$0.30	\$0.32	\$0.34	\$1.25
Margins (Pct. Rev)															
Gross Margins	32.1%	34.1%	40.2%	36.6%	35.9%	37.3%	37.8%	38.3%	38.8%	38.0%	39.0%	39.5%	40.0%	40.5%	39.8%
R&D	3.9	3.6	3.4	3.9	3.7	3.9	3.9	3.8	3.6	3.8	3.7	3.7	3.7	3.6	3.7
SG&A	7.5	7.0	6.5	7.1	7.0	7.1	7.0	6.7	6.4	6.8	6.4	6.4	6.3	6.1	6.3
Operating Margins	20.7	23.5	30.4	25.9	25.3	26.2	26.9	27.8	28.7	27.5	28.9	29.4	30.1	30.8	29.8
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	26.0	26.7	27.6	28.5	27.3	28.7	29.2	29.9	30.6	29.6
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	20.8	21.4	22.1	22.8	21.8	21.5	21.9	22.4	23.0	22.2
Yr-to-Yr Pct. Change															
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	37.1	20.4	0.9	22.2	18.3	20.0	18.8	16.5	14.2	17.2
Operating Income	44.4	78.2	128.9	75.4	82.6	49.9	24.6	(2.9)	27.8	21.2	26.1	24.1	20.6	17.2	21.7
Pre-Tax Income	83.2	47.5	70.9	(75.4)	27.4	30.7	45.6	(3.2)	728.9	57.8	26.3	24.3	20.7	17.3	21.8
Net Income	90.8	137.1	70.9	107.0	99.8	39.4	(6.6)	3.3	(1.3)	5.4	18.4	16.5	13.1	10.0	14.2
Fully Diluted EPS	72.5	59.6	72.3	70.3	68.0	51.9	29.7	3.9	17.6	22.3	18.0	16.1	12.6	9.3	13.7
Qtr-to-Qtr Pct. Change															
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	--	2.5	4.4	6.4	7.4	--	0.6	3.3	4.3	5.3	--
Operating Income	19.0	27.1	39.2	-16.7	--	1.7	5.7	8.4	9.7	--	0.4	4.0	5.3	6.6	--
Pre-Tax Income	24.0	-5.1	63.1	-87.2	--	559.1	5.7	8.5	9.7	--	0.4	4.0	5.3	6.6	--
Net Income	16.5	57.7	-1.9	14.8	--	-21.5	5.7	8.5	9.7	--	-5.9	4.0	5.3	6.6	--

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
Segment Model (Million \$)															
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
Segment Model(%)															
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%
150mm/less wafers															
Total 150mm/less wafers Rev (\$Mlr	\$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 ASP (\$	\$25	\$25	\$25	\$25	\$25	\$22	\$22	\$22	\$22	\$22	\$20	\$20	\$20	\$20	\$20
200mm wafers															
Total 200mm wafers Rev (\$Mlr	\$142	\$158	\$171	\$164	\$635	\$162	\$167	\$175	\$186	\$690	\$186	\$189	\$192	\$196	\$763
Total 200mm wafers Units (Mlr	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
300mm wafers															
Total 300mm wafers Rev (\$Mlr	\$23	\$31	\$36	\$38	\$127	\$43	\$47	\$50	\$56	\$196	\$59	\$60	\$68	\$74	\$261
Total 300mm wafers Units (Mlr	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

February 23, 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
Product Type															
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%
Product Type															
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)

February 23, 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
Assets														
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													
Total Current Assets	\$349.5	\$264.0	\$236.4	\$303.5	\$339.6	\$363.7	\$358.5	\$340.4	\$356.9	\$365.3	\$414.5	\$397.4	\$395.1	\$390.3
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
Total Assets	\$1,477.3	\$549.3	\$506.4	\$574.2	\$601.9	\$631.7	\$634.7	\$627.1	\$693.4	\$721.7	\$852.1	\$896.8	\$881.3	\$982.5
Liabilities														
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
Total Current Liabilities	\$705.1	\$221.7	\$202.6	\$244.8	\$277.3	\$286.1	\$255.9	\$206.4	\$242.8	\$244.1	\$253.8	\$236.6	\$189.5	\$215.6
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
Total Liabilities	\$1,489.3	\$518.5	\$483.5	\$542.0	\$603.4	\$598.4	\$577.1	\$446.0	\$454.3	\$464.0	\$555.9	\$536.1	\$483.2	\$494.0
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)
Total Stockholders Equity	(\$75.1)	(\$24.5)	(\$40.6)	(\$38.8)	(\$55.1)	(\$24.7)	(\$2.9)	\$121.9	\$177.0	\$193.6	\$229.3	\$295.7	\$354.1	\$442.1
Total Liab. & Stockholders Equity	\$1,477.3	\$549.3	\$506.4	\$574.2	\$601.9	\$631.7	\$634.7	\$627.1	\$693.4	\$721.7	\$852.1	\$896.8	\$881.3	\$982.5
Key Financial Ratios														
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.

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MEMC Electronic Materials, Inc. (3), WFR, \$11.97, Strong Buy.

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JMP Securities Research Ratings and Investment Banking Services: (as of February 2, 2005)

JMP Rating	Regulatory Equivalent	2 or 3 Disclosure	# 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	43	22%				
Market Outperform	Buy	17	89	45%	Buy	132	67%	30
Market Perform	Hold	3	56	29%	Hold	56	29%	3
Market Underperform	Sell	0	8	4%	Sell	8	4%	0
Sell	Sell	0	0	0%				
TOTAL:			196	100%		196	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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