

**MEMC ELECTRONIC MATERIALS, INC. (WFR: \$13.12<sup>\*</sup>)**

St. Peters, MO

**Market Perform**

Price Target \$10.00

Update

**STOCK DATA**

52 Week Range	\$14.95-\$7.33
ADTV - 3 Month	2.0
Market Cap	\$2,740.7
Shares	222.1
Outstanding (Diluted)	

**EARNINGS DATA**

EPS (FD Operating)			
Dec.	2003A	2004A	2005E
1Q	\$0.09	\$0.16	\$0.24
2Q	0.13	0.19	0.26
3Q	0.16	0.27	0.28
4Q	0.15	0.26	0.30
FY	\$0.53	\$0.89	\$1.08
P/E	18.0x	15.0x	12.1x
FY 2003A 2004A 2005E			
Revenue	781.1	1,028.0	1,136.9

**FINANCIAL DATA**

		4Q04
Cash & Equivalents		\$92.31
Accounts Receivable		\$140.73
Inventories		\$127.56
Current Assets		\$390.33
Total Assets		\$982.54
Total Current Liabilities		\$215.62
Long-Term Debt		\$116.08
Total Debt		\$140.48
Total Stockholder Equity		\$442.08

Financial Values In Millions

**WFR 1Q05 Earnings Report Preview: Reiterating Market Perform****Summary and Recommendation**

We expect MEMC to meet or exceed our revenue and EPS estimates of \$269M and \$0.24, respectively, when it reports on April 28 after the close. We note that the company had guided to a revenue range of \$262M-\$275M and the Street consensus estimate is at \$267M. Although we do not expect significant downside risk to our 2Q05 revenue and EPS of \$278M (up 3% QOQ) and \$0.26, respectively, we expect the company to discuss lower than previously anticipated wafer starts for CY05. In our view, the supply of higher-quality 300mm wafers will remain in balance with demand, with the wild card being the 200mm-and-below wafer demand, which accounts for approximately 80% of the total mix at MEMC (as of the end of 1Q05). If foundries continue to experience lackluster demand for their 250nm and 180nm wafer capacity (which are all on 200mm wafers and account for about 40%-50% of the total), we do not rule out pricing pressure (at MEMC) for 200mm wafers, which could impact the overall revenue growth prospects as well as the company's gross margin. To that extent, we look for further commentary from the company concerning such market dynamics so far in 2Q05, as well as a current customer-demand forecast for 2H05.

**Key Points**

- **1Q05 results to meet or exceed our estimates** when the company reports on April 28 after the close--conference call information to be announced.
- **Uncertainties surrounding wafer starts in 2H05** are expected to be communicated during the conference call. In our view, the supply of higher-quality 300mm wafers will remain in balance with demand, with the wild card being the 200mm-and-below wafer demand.
- **Foundry wafer demand in 2H05 will be a big factor.** Lackluster 200mm-related wafer demand could potentially cause pricing pressure at MEMC.
- **Reiterate Market Perform rating.** We recommend investors look for a better entry point and/or further color on the overall wafer demand going forward.

\*Closing price of last business day immediately prior to the date of this publication.

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MEMC ELECTRONIC MATERIALS, INC. (WFR)

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Rating	FBRC Research Distribution <sup>1</sup>	FBRC Banking Services in the past 12 months <sup>1</sup>
Buy (Outperform)	49.1 %	21.5 %
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Sell (Underperform)	6.8 %	0.0 %

<sup>(1)</sup>As of midnight on the business day immediately prior to the date of this publication.

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# WFR Performance

