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## MEMC Electronic Materials, Inc. <sup>(3)</sup>

Raising Estimates & Target Price; Maintain Strong Buy Rating

**STRONG BUY**

**WFR \$15.38**

Price	\$15.38	<b>FY: Dec</b>		<b>2004A</b>	<b>2005E</b>	<b>2006E</b>
Target Price	\$20.00	Revenue (M)	1Q	\$228.8	\$257.9A	\$303.8
52-Wk Range	\$7.33 - \$16.70		2Q	\$255.5	\$270.7	\$312.9
Shares Out. (M)	224.0		3Q	\$275.3	\$287.0	\$325.4
Market Cap. (M)	\$3,445.1		4Q	\$268.4	\$310.0	\$341.6
Average Daily Vol. (000)	1,843		<b>FY</b>	<b>\$1,028.0</b>	<b>\$1,125.5</b>	<b>\$1,283.6</b>
Float (M)	149.3			<b>2004A</b>	<b>2005E</b>	<b>2006E</b>
Secular Growth Rate	15%	EPS	1Q	\$0.16	\$0.23A	\$0.30
ROAE	66.0%		2Q	\$0.20	\$0.26	\$0.31
			3Q	\$0.27	\$0.29	\$0.33
LT Debt (M)	\$113.3		4Q	\$0.26	\$0.32	\$0.36
LT Debt/Total Cap.	17.9%		<b>FY</b>	<b>\$0.90</b>	<b>\$1.10</b>	<b>\$1.30</b>
Book Value/Share	\$2.32		P/E	17.1x	14.0x	11.8x
Cash/Share	\$0.52		Previous FY	--	\$1.05	\$1.20
			<b>CY</b>	<b>\$0.90</b>	<b>\$1.10</b>	<b>\$1.30</b>
			P/E	17.1x	14.0x	11.8x

### INVESTMENT HIGHLIGHTS

- Reiterate Strong Buy rating on MEMC Electronic Materials (WFR); raising FY05 and FY06 estimates; raising target price from \$17 to \$20.** We believe that fundamentals at MEMC continue to be stable driven by improving industry capacity utilization rates from around 80% in 1Q (Semiconductor Industry Association estimate) to 85% in 2Q (JMP estimate) following an end to the industry-wide distribution channel inventory correction, stable 200mm and 300mm wafer pricing, and good end demand in key markets such as PC, cellphone, and consumer electronics. We project that an acceleration in industry wafer starts in the second half of 2005, the ongoing shift to higher margin 300mm wafers, and tightening polysilicon raw material availability (MEMC's vertical integration is positive) will likely allow MEMC's revenue growth and earnings to pick up momentum in the second half of 2005 extending into 2006. Recent updates from key customers such as Samsung, TXN, AMD, INTC, NSM, and other analog customers have been positive, together with improving 2Q capacity utilization and wafer starts at key Taiwan foundries such as TSM and UMC. Given our positive outlook, we are raising our FY05 revenue and EPS estimates from \$1.106 billion and \$1.05 to \$1.126 billion and \$1.10, assuming slightly higher gross margins. For FY06, using higher gross margins, we are raising our revenue and proforma EPS estimates from \$1.236 billion and \$1.20 to \$1.284 billion and \$1.30. We continue to view MEMC as a low-cost leader in a consolidating industry with global technology capabilities and rate the stock Strong Buy given its compelling valuation at less than 12x our 2006 EPS estimate of \$1.30 relative to a secular earnings growth rate of 15% per year.
- Semiconductor industry capacity utilization improving; shift to 300mm fabs picking up momentum.** Due to the recent improvement in leading-edge and mature semiconductor industry capacity utilization from around 80% in 1Q to 85% in 2Q, 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 now 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 WFR 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 14% in 2005 and 2006 and earnings by 22% and 18% 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 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 (~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)**

June 14, 2005 kshankar	2004					2005E					2006E				
FYE: Dec. (\$MM, Except EPS)	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year	1Q/Mar A	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>\$257.9</b>	<b>\$270.7</b>	<b>\$287.0</b>	<b>\$310.0</b>	<b>\$1,125.5</b>	<b>\$303.8</b>	<b>\$312.9</b>	<b>\$325.4</b>	<b>\$341.6</b>	<b>\$1,283.6</b>
Cost of Goods Sold	155.4	168.4	164.5	170.2	658.5	164.6	171.2	179.4	192.2	707.4	188.3	192.4	198.5	205.8	785.1
<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>\$93.3</b>	<b>\$99.5</b>	<b>\$107.6</b>	<b>\$117.8</b>	<b>\$418.2</b>	<b>\$115.4</b>	<b>\$120.5</b>	<b>\$126.9</b>	<b>\$135.8</b>	<b>\$498.6</b>
SG&A expenses	\$17.2	\$17.8	\$17.8	\$19.2	\$71.9	\$18.2	\$17.8	\$18.0	\$18.1	\$72.1	\$18.3	\$18.5	\$18.7	\$18.9	\$74.4
R&D expenses	8.9	9.3	9.4	10.4	38.0	11.4	11.2	11.4	11.6	45.6	11.9	12.1	12.3	12.6	48.9
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>29.6</b>	<b>29.0</b>	<b>29.4</b>	<b>29.8</b>	<b>117.6</b>	<b>30.2</b>	<b>30.6</b>	<b>31.0</b>	<b>31.5</b>	<b>123.3</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>\$63.7</b>	<b>\$70.5</b>	<b>\$78.3</b>	<b>\$88.0</b>	<b>\$300.5</b>	<b>\$85.2</b>	<b>\$89.9</b>	<b>\$95.9</b>	<b>\$104.3</b>	<b>\$375.3</b>
Total Non-Operating Income/(E)	\$6.5	(\$9.1)	(\$0.4)	(\$59.0)	(\$62.0)	(\$1.3)	(\$1.0)	(\$1.0)	(\$1.0)	(\$4.3)	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)	(\$4.3)
<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>62.4</b>	<b>69.5</b>	<b>77.2</b>	<b>87.0</b>	<b>296.2</b>	<b>84.2</b>	<b>88.8</b>	<b>94.8</b>	<b>103.3</b>	<b>371.0</b>
Income Taxes	13.4	(12.6)	20.8	(60.9)	(39.3)	(16.5)	10.4	11.6	13.0	18.6	16.0	16.9	18.0	19.6	70.5
Net Income before other items	40.3	63.6	62.4	71.6	237.8	78.9	59.1	65.7	73.9	277.6	68.2	71.9	76.8	83.6	300.5
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)	(1.5)	(1.5)	(1.5)	(6.3)	(1.5)	(1.5)	(1.5)	(1.5)	(6.0)
Net income after other items	35.9	60.6	59.7	69.2	225.4	77.2	57.6	64.2	72.4	271.3	66.7	70.4	75.3	82.1	294.5
Extraordinary items															
Net Income Available for Comm	35.9	60.6	59.7	69.2	225.4	77.2	57.6	64.2	72.4	271.3	66.7	70.4	75.3	82.1	294.5
Average Shares Outst.(primary)	207.2	207.7	207.8	208.1	207.7	208.8	209.2	209.7	210.1	209.5	210.5	210.9	211.3	211.8	211.1
<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>\$0.37</b>	<b>\$0.28</b>	<b>\$0.31</b>	<b>\$0.34</b>	<b>\$1.30</b>	<b>\$0.32</b>	<b>\$0.33</b>	<b>\$0.36</b>	<b>\$0.39</b>	<b>\$1.40</b>
Average shares outst. (fully dil)	222.1	221.0	220.4	221.1	221.1	223.9	224.4	224.8	225.3	224.6	225.7	226.2	226.6	227.1	226.4
<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>\$0.34</b>	<b>\$0.26</b>	<b>\$0.29</b>	<b>\$0.32</b>	<b>\$1.21</b>	<b>\$0.30</b>	<b>\$0.31</b>	<b>\$0.33</b>	<b>\$0.36</b>	<b>\$1.30</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>\$0.23</b>	<b>\$0.26</b>	<b>\$0.29</b>	<b>\$0.32</b>	<b>\$1.10</b>	<b>\$0.30</b>	<b>\$0.31</b>	<b>\$0.33</b>	<b>\$0.36</b>	<b>\$1.30</b>
<b>Margins (Pct. Rev)</b>															
Gross Margins	32.1%	34.1%	40.2%	36.6%	35.9%	36.2%	36.8%	37.5%	38.0%	37.2%	38.0%	38.5%	39.0%	39.8%	38.8%
R&D	3.9	3.6	3.4	3.9	3.7	4.4	4.1	4.0	3.7	4.0	3.9	3.9	3.8	3.7	3.8
SG&A	7.5	7.0	6.5	7.1	7.0	7.0	6.6	6.3	5.9	6.4	6.0	5.9	5.7	5.5	5.8
Operating Margins	20.7	23.5	30.4	25.9	25.3	24.7	26.1	27.3	28.4	26.7	28.1	28.7	29.5	30.5	29.2
Other Income (Expenses)	2.8	-3.6	-0.1	-22.0	-6.0	-0.5	-0.4	-0.4	-0.3	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3
Pre-tax Margins	23.5	19.9	30.2	4.0	19.3	24.2	25.7	26.9	28.1	26.3	27.7	28.4	29.1	30.2	28.9
Tax Rate (Pct.)	25.0	-24.7	25.0	-571.9	-19.8	-26.4	15.0	15.0	15.0	6.3	19.0	19.0	19.0	19.0	19.0
Net Margin	17.6	24.9	22.7	26.7	23.1	30.6	21.8	22.9	23.9	24.7	22.5	23.0	23.6	24.5	23.4
<b>Yr-to-Yr Pct. Change</b>															
Revenues	21.5%	33.2%	40.5%	30.9%	31.6%	12.7%	6.0%	4.3%	15.5%	9.5%	17.8%	15.6%	13.4%	10.2%	14.0%
Gross Margins	35.3	56.7	89.2	52.4	58.7	27.2	14.2	(2.8)	20.0	13.2	23.7	21.1	17.9	15.3	19.2
Operating Income	44.4	78.2	128.9	75.4	82.6	34.9	17.5	(6.3)	26.4	15.4	33.8	27.4	22.5	18.6	24.9
Pre-Tax Income	83.2	47.5	70.9	(75.4)	27.4	16.2	36.4	(7.1)	716.1	49.2	34.8	27.7	22.7	18.7	25.3
Net Income	90.8	137.1	70.9	107.0	99.8	95.8	(7.0)	5.3	3.2	16.7	(13.6)	21.7	17.0	13.1	8.3
Fully Diluted EPS	72.5	59.6	72.3	70.3	68.0	45.1	28.4	5.3	22.3	22.6	26.0	21.3	16.4	12.5	18.4
<b>Qtr-to-Qtr Pct. Change</b>															
Revenues	11.6%	11.7%	7.7%	(2.5%)	--	(3.9%)	5.0%	6.0%	8.0%	--	(2.0%)	3.0%	4.0%	5.0%	--
Gross Margins	13.9	18.8	27.1	-11.4	--	-5.0	6.7	8.2	9.4	--	-2.0	4.4	5.4	7.0	--
Operating Income	19.0	27.1	39.2	-16.7	--	-8.5	10.7	10.9	12.5	--	-3.1	5.4	6.7	8.8	--
Pre-Tax Income	24.0	-5.1	63.1	-87.2	--	485.9	11.4	11.1	12.6	--	-3.2	5.5	6.8	8.9	--
Net Income	16.5	57.7	-1.9	14.8	--	10.2	-25.1	11.1	12.6	--	-7.8	5.5	6.8	8.9	--
Fully Diluted EPS	4.8	69.7	-1.2	15.4	--	10.2	-25.5	11.1	12.7	--	-8.1	5.4	6.7	8.9	--

Source: Company reports and JMP Securities.

**FIGURE 2: WFR – Segment Model**

June 14, 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	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	\$62	\$62	\$66	\$68	\$258	\$64	\$66	\$65	\$68	\$263					
200mm wafers	\$142	\$158	\$171	\$164	\$635	\$155	\$162	\$169	\$180	\$666	\$176	\$178	\$182	\$188	\$725					
300mm wafers	\$23	\$31	\$36	\$38	\$127	\$41	\$46	\$52	\$62	\$201	\$64	\$69	\$78	\$85	\$296					
Segment total	\$229	\$256	\$275	\$268	\$1,028	\$258	\$271	\$287	\$310	\$1,126	\$304	\$313	\$325	\$342	\$1,284					
Topline model total	\$229	\$256	\$275	\$268	\$1,028	\$258	\$271	\$287	\$310	\$1,126	\$304	\$313	\$325	\$342	\$1,284					
<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%	59%	58%	59%	58%	57%	56%	55%	56%					
300mm wafers	10%	12%	13%	14%	12%	16%	17%	18%	20%	18%	21%	22%	24%	25%	23%					
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 (\$M)	\$64	\$66	\$69	\$67	\$266	\$62	\$62	\$66	\$68	\$258	\$64	\$66	\$65	\$68	\$263					
Total 150mm/less wafers Units (Mln)	2.56	2.66	2.75	2.68	10.66	2.81	2.83	3.00	3.10	11.74	3.19	3.29	3.25	3.42	13.14					
Blended 150mm/less wafers ASP (\$)	\$25	\$25	\$25	\$25	\$25	\$22	\$22	\$22	\$22	\$22	\$20	\$20	\$20	\$20	\$20					
<b>200mm wafers</b>																				
Total 200mm wafers Rev (\$M)	\$142	\$158	\$171	\$164	\$635	\$155	\$162	\$169	\$180	\$666	\$176	\$178	\$182	\$188	\$725					
Total 200mm wafers Units (Mln)	2.84	3.17	3.41	3.27	12.69	3.44	3.61	3.76	3.99	14.81	4.40	4.46	4.56	4.70	18.12					
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 (\$M)	\$23	\$31	\$36	\$38	\$127	\$41	\$46	\$52	\$62	\$201	\$64	\$69	\$78	\$85	\$296					
Total 300mm wafers Units (Mln)	0.08	0.12	0.15	0.17	0.52	0.19	0.23	0.27	0.34	1.04	0.38	0.43	0.52	0.66	1.98					
Blended 300mm wafers ASP (\$)	\$275	\$260	\$240	\$225	\$245	\$215	\$200	\$190	\$180	\$194	\$170	\$160	\$150	\$130	\$149					
<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	\$142	\$149	\$158	\$170	\$619	\$152	\$156	\$163	\$171	\$642					
Epitaxial wafers	\$69	\$77	\$83	\$81	\$308	\$77	\$81	\$86	\$93	\$338	\$91	\$94	\$98	\$102	\$385					
Test/monitor wafers	\$11	\$13	\$14	\$13	\$51	\$13	\$14	\$14	\$15	\$56	\$15	\$16	\$16	\$17	\$64					
SOI wafers	\$2	\$3	\$3	\$3	\$10	\$13	\$14	\$14	\$15	\$56	\$24	\$25	\$26	\$27	\$103					
Strained Silicon wafers	\$5	\$5	\$6	\$5	\$21	\$13	\$14	\$14	\$15	\$56	\$21	\$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	\$258	\$271	\$287	\$310	\$1,126	\$304	\$313	\$325	\$342	\$1,284					
Topline Total	\$229	\$256	\$275	\$268	\$1,028	\$258	\$271	\$287	\$310	\$1,126	\$304	\$313	\$325	\$342	\$1,284					

Source: Company reports and JMP Securities.

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

April 28, 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	119.8
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>\$1,009.9</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	37.7
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	0.0
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	72.4
<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>\$520.6</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	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	308.4
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)	(22.3)
<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>\$442.9</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>\$1,009.9</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	\$4.57
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%	20.77%
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%	62.46%
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%	68.19%
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%	27.39%
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%	24.77%
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	1.06
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	1.13
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
Revenue/employee, (Qtr*4), \$	\$73,178	\$102,483	\$116,299	\$148,316	\$161,927	\$161,734	\$163,778	\$166,808	\$170,345	\$178,286	\$198,922	\$222,208	\$239,377	\$233,370
Average Revenue/employee (TTM), \$	\$114,040	\$100,874	\$94,632	\$106,683	\$132,256	\$146,990	\$158,898	\$163,553	\$165,666	\$169,804	\$178,590	\$192,440	\$209,698	\$223,469
Qtr Revenue, (\$MM)	120.7	120.4	136.7	174.3	190.3	186.0	188.3	191.8	195.9	205.0	228.8	255.5	275.3	268.4
Qtr COGS, (\$MM)	155.5	148.2	115.0	129.4	137.4	131.9	134.1	136.2	137.4	140.6	155.4	168.4	164.5	170.2
Qtr Net Income, (\$MM)	(67.4)	(82.3)	(18.1)	6.0	(45.7)	35.7	19.7	27.3	35.2	34.4	35.9	60.6	59.7	69.2
Fully Diluted Shares Outstanding (Millions)	69.6	69.6	69.7	205.9	182.7	196.9	210.7	217.7	223.8	223.0	222.1	221.0	220.4	221.1
# Of Employees (Actual)	6,600	4,700	4,700	4,700	4,700	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600
Qtr Capital Expenditures (\$MM)	11.70	11.01	2.67	4.48	5.18	9.63	8.76	28.26	25.21	23.00	26.09	46.40	25.55	51.74
Qtr Capital Expenditures/Revenue	9.69%	9.14%	1.95%	2.57%	2.72%	5.18%	4.65%	14.73%	12.87%	11.22%	11.40%	18.16%	9.28%	19.28%
Qtr Depreciation (\$MM)	46.59	27.55	9.04	7.67	8.44	9.01	15.81	1.28	6.18	7.78	9.92	10.24	11.44	12.53
Qtr Depreciation/Revenue	38.59%	22.88%	6.61%	4.40%	4.44%	4.84%	8.40%	0.67%	3.16%	3.79%	4.34%	4.01%	4.16%	4.67%

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. (3), WFR, \$15.38, Strong Buy.

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Market Perform (MP): JMP Securities expects the stock price to perform in-line with relevant market indices over the next 12 months.

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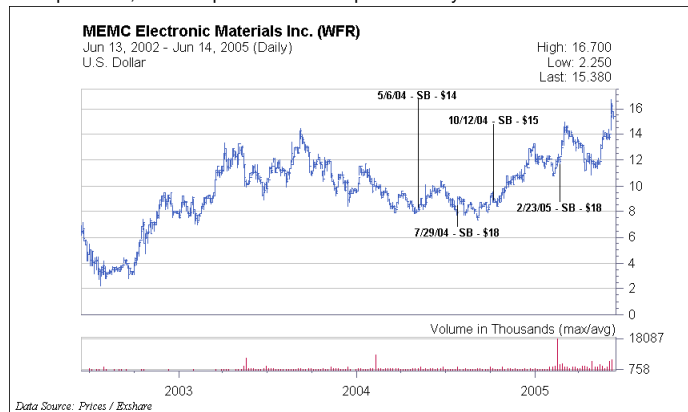
Sell (S): JMP Securities views the stock as a source of funds

### JMP Securities Research Ratings and Investment Banking Services: (as of June 6, 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	50	23%				
Market Outperform	Buy	17	102	47%	Buy	152	69%	30
Market Perform	Hold	3	61	28%	Hold	61	28%	3
Market Underperform	Sell	0	5	2%	Sell	6	3%	0
Sell	Sell	0	1	0%				
<b>TOTAL:</b>			<b>219</b>	<b>100%</b>		<b>219</b>	<b>100%</b>	<b>33</b>

### 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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