

MEMC Electronic Materials Inc. (WFR/NYSE)

Highlighting MEMC: A Revenue and Gross Margin Growth Story. Stock Undervalued.
Maintain BUY

Price (6/3/05): \$14.23 Intraday (12:10pm)
52 Week Range: \$14.95 - \$7.33
Recommendation/Target: Buy / \$17.00
Price/LTM Sales: 2.82
Convertible Debt: No

Shares Outstanding (MM): 209.1
Market Cap. (MM): \$2,976
Average Daily Volume (000): 1,321
Tangible Book Value: \$2.49
Debt/Capital: 21%
Net Cash Value per Share -\$0.10

	12/02A	12/03A	12/04A	12/05E			12/06E		
				Was	New	Consensus	Was	New	Consensus
Revenue (MM)	\$687.2	\$781.1	\$1,028.0	\$1,077	\$1,077	\$1,116	\$1,328	\$1,328	\$1,266
Growth Rate	11.2%	13.7%	31.6%		4.7%	11%		23.3%	12%
Op. Margin	11.7%	18.3%	25.2%		26.0%			28.3%	
EPS: 1Q	(\$0.12)	\$0.09	\$0.16A		\$0.23A		\$0.29	\$0.29	\$0.30
EPS: 2Q	\$0.09	\$0.13	\$0.19A	\$0.23	\$0.23	\$0.25	\$0.32	\$0.32	\$0.31
EPS: 3Q	(\$0.20)	\$0.12	\$0.27A	\$0.27	\$0.27	\$0.29	\$0.35	\$0.35	\$0.34
EPS: 4Q	\$0.14	\$0.15	\$0.26A	\$0.30	\$0.30	\$0.32	\$0.37	\$0.37	\$0.35
EPS: Year	\$0.02	\$0.48	\$0.89A	\$1.03	\$1.03	\$1.09	\$1.33	\$1.33	\$1.28
Growth Rate	NM	NM	82.6%		16.2%	24%		29.3%	15.0%
P/E Ratio	NM	28.6x	15.7x		13.5x	12.3x		10.4x	10.9x

Disclosures applicable to this security: B, C, D, E, J (disclosure explanation at the end of this report)

INVESTMENT CONCLUSION

We believe MEMC is an attractive investment for the following reasons: 1) Solid financial position that will enable them to be profitable and grow their business unlike several competitors. 2) Favorable market conditions that include recovery of the semiconductor industry; increasing capacity utilization favoring APS; and consolidation in the industry favoring suppliers that are qualified for 300 mm diameter substrates (MEMC being one); 3) New management strategy focusing on profitability, market-share and technology.

SUMMARY

Sales and Gross Margin Growth Story

We believe the company's sales and gross margin growth will be driven by the following factors:

- **Several indicators point to a recovery in the semiconductor industry in 2H05, after a larger-than-expected inventory correction in 1H05.** We expect capacity utilization in the silicon wafer industry to return to 95% (at the level it was toward the end of 2004), where shortages in wafers begin to drive ASP increases. The wafer semiconductor industry is not building any more capacity for 200 mm diameter silicon wafers, which are still in strong demand, while capacity additions for 300 mm are in line with demand.
- **We believe MEMC will benefit immensely starting at the end of 2005 through 2007 from the short supply of polysilicon (raw material to manufacture silicon wafers).** The price of polysilicon has been increasing sharply (from \$9/Kg in 2000, \$25/Kg in 2004, \$35/Kg at the beginning 2005 to \$50-55/Kg this month), driven by growing demand from the solar cell industry while supply is limited. We expect this condition to start to benefit MEMC by the end of 2005. First, revenue growth should be driven by increases in silicon wafer ASPs, as supply of polysilicon and silicon wafers becomes scarce. We believe the silicon wafer manufacturers will pass on the incremental cost of the raw polysilicon (at least partially) to its semiconductor chip customers by increasing the pricing of silicon wafers, which should benefit sales for the silicon wafer market. Secondly, the company's gross margins should expand. MEMC produces internally 95% of its polysilicon raw material unlike its competitors, resulting in very limited exposure to

price increases and short supply of polysilicon. We expect that the market pricing of polysilicon will continue to increase into 2007 as demand outstrips supply. The industry is increasing its polysilicon production capacity, which should result in supply-demand equilibrium by the end of 2007.

- **Semiconductor Industry's Transition to 300 mm from 200 mm Should Benefit MEMC's Margins**
We expect the mix shift toward 300 mm from 200 mm to progress at a fast pace for the silicon wafer industry. Our estimate is that MEMC's 300 mm sales should increase from about 17% of the total silicon wafer area by the end of 2004 to about 66% by the end of 2006. The benefit to MEMC's sales and margins is that 300 mm wafers sell at twice the price per area compared to 200 mm wafer.
- **Expansion Possibilities into the Solar Cell Industry Driven by MEMC's Vertically Integrated Competitive Position within the Silicon Wafer Industry**
The solar cell industry is expected to continue growing at a CAGR of 20-30%. We believe that MEMC could benefit very favorably by entering this market with sales of polysilicon and silicon wafers.

Balance Sheet, Valuation and Outlook

MEMC's balance sheet is healthy with a debt-to-capital ratio of 21%, which has been decreasing every quarter for the last year, as it has been paying off debt. As of the end of 1Q05, debt amounted to \$136 million. We expect this debt to be paid off by 1Q06 with the positive cash flow that MEMC has been generating. Operating cash flow during 1Q05 was \$73 million.

We believe that MEMC's stock price is attractive. Our 12-month target price of \$17 is based on 13x our 2006 EPS estimate of \$1.33. At \$14.23, we believe the stock is undervalued at 11x our 2006 EPS estimate.

Risks

The main risks to the MEMC story are: 1) if competitors start building capacity ahead of demand, this would have the effect experienced in 1998-1999 of a fast decline in ASPs leading to an unprofitable industry; and 2) if the semiconductor chip industry starts to decline, it will not be able to drive demand for the substrate industry.

OUTLOOK:

Our 2005 estimate is EPS \$1.03 on sales \$1077 million.

Guidance for 2Q05 given April 28 2005 is for sequential down 2%-5% due to the uncertainty regarding inventory correction in the semiconductor industry. Gross margins are expected to be flat to slightly up as cost reductions at MEMC offset price declines driven by customers working through the remainder of the inventory correction. Operating expenses are expected to decline slightly in dollar terms.

Our estimate for 2006 is EPS \$1.33 on sales \$1328 million.

COMPANY DESCRIPTION

MEMC Inc is a leading worldwide producer of silicon wafers for the semiconductor industry. It is the world's largest public company solely devoted to the supply of wafers to semiconductor device manufacturers.

Income Statement

	12/01	12/02	12/03	12/04	12/05E	12/06E
Revenues	617.9	687.2	781.1	1,028.0	1,076.5	1,327.7
300mm			66.9	227.5	489.7	807.7
200mm			540.9	617.0	469.2	443.6
<150mm			172.8	183.6	117.6	76.4
COGS Ex. Depr./Amort.	494.7	479.6	517.3	621.6	621.3	749.9
Depr./Amort.	174.6	34.2	31.0	37.0	57.6	68.8
Gross Profit	(51.5)	173.5	232.8	369.4	397.7	509.0
SG&A	69.7	65.8	57.2	71.9	72.5	82.2
Research & Development	65.7	27.4	32.9	38.0	45.3	51.5
Operating Income	(186.9)	80.2	142.6	259.5	279.9	375.3
Royalty	0.0	(3.6)	(3.6)	(16.2)	(3.3)	(3.6)
Net Interest Expense	76.3	56.5	4.2	8.5	3.7	(2.8)
Earnings Before Taxes	(263.2)	27.4	142.0	267.2	279.5	381.7
Income Taxes	(48.1)	16.7	33.6	59.1	42.0	76.3
Income Tax Rate	18.3%	61.1%	23.6%	22.1%	15.0%	20.0%
Earnings Before Extras	(196.9)	2.7	106.0	195.7	230.5	298.3
Extraordinaries	(325.7)	(24.8)	10.6	29.7	25.3	0.0
Net Income	(522.7)	(22.1)	116.6	225.4	255.8	298.3
Net Income for Cash EPS (excl.	(196.9)	1.3	103.3	183.0	227.6	295.4
Average Shares	69.6	129.8	218.7	221.0	224.0	224.2
Cash EPS	(\$2.83)	\$0.01	\$0.47	\$0.83	\$1.02	\$1.32
GAAP EPS	(\$2.83)	\$0.02	\$0.48	\$0.89	\$1.03	\$1.33

Growth Rates (Y/Y)

Revenues (Y/Y)	(29.1%)	11.2%	13.7%	31.6%	4.7%	23.3%
Gross Profit	(139.9%)	(436.9%)	34.2%	58.7%	7.6%	28.0%
Operating Income	1411.8%	(142.9%)	77.7%	81.9%	7.9%	34.1%
Net Income Bef. Ex. (Y/Y)	353.9%	(101.4%)	3782.9%	84.6%	17.8%	29.4%
Cash EPS	353.8%	(100.4%)	4513.3%	75.4%	22.7%	29.7%

Percent of Sales

COGS Ex. Depr./Amort.	80.1%	69.8%	66.2%	60.5%	57.7%	56.5%
Depr./Amort.	28.3%	5.0%	4.0%	3.6%	5.3%	5.2%
Gross Profit	(8.3%)	25.2%	29.8%	35.9%	36.9%	38.3%
SG&A	11.3%	9.6%	7.3%	7.0%	6.7%	6.2%
Research & Development	10.6%	4.0%	4.2%	3.7%	4.2%	3.9%
Operating Income	(30.2%)	11.7%	18.3%	25.2%	26.0%	28.3%
Net Interest Expense	12.4%	8.2%	0.5%	0.8%	0.3%	(0.2%)
Earnings Before Taxes	(42.6%)	4.0%	18.2%	26.0%	26.0%	28.8%
Income Taxes	(7.8%)	2.4%	4.3%	5.7%	3.9%	5.8%
Earnings Before Extras	(31.9%)	0.4%	13.6%	19.0%	21.4%	22.5%
Extraordinaries	(52.7%)	(3.6%)	1.4%	2.9%	2.3%	0.0%
Net Income	(84.6%)	(3.2%)	14.9%	21.9%	23.8%	22.5%
Net Income for Cash EPS (excl.	(31.9%)	0.2%	13.2%	17.8%	21.1%	22.3%

Income Statement

	1Q/04	2Q/04	3Q/04	4Q/04	1Q/05	2Q/05E	3Q/05E	4Q/05E	1Q/06E	2Q/06E	3Q/06E	4Q/06E
Revenues	228.8	255.5	275.3	268.4	257.9	252.2	273.1	293.4	297.7	318.7	346.0	365.2
300mm	26.5	49.8	67.7	83.6	95.1	102.0	136.7	155.8	166.9	189.4	215.0	236.4
200mm	157.6	158.3	161.0	140.1	126.5	118.6	110.0	114.1	106.3	111.3	115.4	110.6
<150mm	44.9	47.4	46.5	44.8	36.2	31.5	26.3	23.5	24.5	18.0	15.6	18.3
COGS Ex. Depr./Amort.	145.5	160.0	158.4	157.7	151.2	146.0	156.8	167.3	169.0	180.3	195.1	205.4
Depr./Amort.	9.9	8.3	6.2	12.5	13.3	14.0	14.7	15.4	16.1	16.8	17.5	18.2
Gross Profit	73.3	87.2	110.7	98.2	93.3	92.1	101.5	110.7	112.5	121.6	133.3	141.6
SG&A	17.2	17.8	17.8	19.2	18.2	17.8	18.1	18.4	18.6	19.8	21.4	22.4
Research & Development	8.9	9.3	9.4	10.4	11.4	11.2	11.3	11.4	11.5	12.4	13.4	14.2
Operating Income	47.2	60.0	83.6	68.6	63.7	63.1	72.1	80.9	82.4	89.4	98.5	105.0
Royalty	(8.3)	(0.5)	(2.5)	(5.0)	(0.6)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Net Interest Expense	1.8	2.1	2.4	2.2	1.2	1.2	1.0	0.3	(0.3)	(0.6)	(0.8)	(1.0)
Earnings Before Taxes	53.7	58.4	83.6	71.4	63.2	62.8	72.0	81.5	83.6	90.9	100.3	107.0
Income Taxes	13.4	12.7	20.8	12.1	9.5	9.4	10.8	12.2	16.7	18.2	20.1	21.4
Income Tax Rate	25.0%	21.8%	24.9%	17.0%	15.1%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%	20.0%
Earnings Before Extras	35.9	42.8	60.2	56.8	51.9	51.6	59.5	67.5	65.1	71.0	78.5	83.8
Extraordinaries	0.0	17.8	(0.4)	12.3	25.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	35.9	60.6	59.7	69.2	77.2	51.6	59.5	67.5	65.1	71.0	78.5	83.8
Net Income for Cash EPS (excl.	29.7	42.4	58.3	52.7	51.3	50.8	58.7	66.7	64.4	70.3	77.7	83.1
Average Shares	222.1	221.0	220.4	222.1	223.9	224.0	224.0	224.1	224.1	224.2	224.2	224.3
Cash EPS	\$0.13	\$0.19	\$0.26	\$0.24	\$0.23	\$0.23	\$0.26	\$0.30	\$0.29	\$0.31	\$0.35	\$0.37
GAAP EPS	\$0.16	\$0.19	\$0.27	\$0.26	\$0.23	\$0.23	\$0.27	\$0.30	\$0.29	\$0.32	\$0.35	\$0.37
Growth Rates (Y/Y)												
Revenues (Y/Y)	21.5%	33.2%	40.5%	30.9%	12.7%	(1.3%)	(0.8%)	9.3%	15.5%	26.4%	26.7%	24.5%
Revenues (Q/Q)	11.6%	11.7%	7.7%	(2.5%)	(3.9%)	(2.2%)	8.3%	7.5%	1.5%	7.1%	8.6%	5.6%
Gross Profit	35.3%	56.7%	89.2%	52.4%	27.2%	5.7%	(8.3%)	12.8%	20.7%	31.9%	31.3%	27.9%
Operating Income	44.4%	78.2%	128.9%	72.9%	34.9%	5.1%	(13.7%)	17.9%	29.2%	41.7%	36.6%	29.7%
Net Income Bef. Ex. (Y/Y)	81.9%	56.8%	127.0%	74.9%	44.5%	20.7%	(1.1%)	18.8%	25.4%	37.5%	31.9%	24.1%
Net Income Bef. Ex. (Q/Q)	10.5%	19.1%	40.7%	(5.5%)	(8.7%)	(0.5%)	15.2%	13.5%	(3.6%)	9.1%	10.5%	6.8%
Cash EPS	47.6%	57.1%	129.3%	66.5%	71.4%	18.3%	(0.9%)	25.6%	25.2%	38.1%	32.3%	24.4%
Percent of Sales												
COGS Ex. Depr./Amort.	63.6%	62.6%	57.5%	58.8%	58.7%	57.9%	57.4%	57.0%	56.8%	56.6%	56.4%	56.2%
Depr./Amort.	4.3%	3.3%	2.2%	4.7%	5.2%	5.6%	5.4%	5.3%	5.4%	5.3%	5.1%	5.0%
Gross Profit	32.1%	34.1%	40.2%	36.6%	36.2%	36.5%	37.2%	37.7%	37.8%	38.1%	38.5%	38.8%
SG&A	7.5%	7.0%	6.5%	7.1%	7.0%	7.1%	6.6%	6.3%	6.3%	6.2%	6.2%	6.1%
Research & Development	3.9%	3.6%	3.4%	3.9%	4.4%	4.4%	4.1%	3.9%	3.9%	3.9%	3.9%	3.9%
Operating Income	20.7%	23.5%	30.4%	25.6%	24.7%	25.0%	26.4%	27.6%	27.7%	28.1%	28.5%	28.8%
Net Interest Expense	0.8%	0.8%	0.9%	0.8%	0.5%	0.5%	0.4%	0.1%	(0.1%)	(0.2%)	(0.2%)	(0.3%)
Earnings Before Taxes	23.5%	22.9%	30.4%	26.6%	24.5%	24.9%	26.4%	27.8%	28.1%	28.5%	29.0%	29.3%
Income Taxes	5.9%	5.0%	7.6%	4.5%	3.7%	3.7%	4.0%	4.2%	5.6%	5.7%	5.8%	5.9%
Earnings Before Extras	15.7%	16.7%	21.9%	21.2%	20.1%	20.5%	21.8%	23.0%	21.9%	22.3%	22.7%	22.9%
Extraordinaries	0.0%	7.0%	(0.2%)	4.6%	9.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income	15.7%	23.7%	21.7%	25.8%	29.9%	20.5%	21.8%	23.0%	21.9%	22.3%	22.7%	22.9%
Net Income for Cash EPS (excl.	13.0%	16.6%	21.2%	19.6%	19.9%	20.2%	21.5%	22.7%	21.6%	22.0%	22.5%	22.7%

Balance Sheet

	12/01	12/02	12/03	12/04	12/05E	12/06E
Assets						
Cash	107.2	165.6	130.7	92.3	105.2	234.7
Receivables	67.4	95.0	103.0	140.7	148.5	184.9
Inventory	69.9	85.1	109.5	127.6	153.9	191.6
Other Current Assets	19.5	17.9	22.1	29.7	32.1	40.0
Total Current Assets	264.0	363.7	365.3	390.3	439.8	651.2
Gross PP&E	290.0	274.2	359.7	534.0	677.1	857.1
Accumulated Depreciation	89.3	89.3	89.3	89.3	134.4	203.1
Net PP&E	200.7	184.9	270.4	444.7	542.7	653.9
Other Assets	84.6	83.1	86.0	147.5	183.7	187.3
Total Assets	549.3	631.7	721.7	982.5	1,166.3	1,492.5
Liabilities & Equity						
Payables	52.1	68.0	95.2	124.1	151.8	188.9
Short-term Debt	75.9	123.6	71.8	24.4	0.1	0.1
Other Current Liabilities	93.7	94.4	77.0	67.1	76.6	95.4
Total Current Liabilities	221.7	286.1	244.1	215.6	228.5	284.4
Long-term Debt	144.7	161.0	59.3	116.1	28.3	0.3
Other Liabilities	203.1	209.3	224.8	208.8	211.2	211.2
Total Liabilities	569.6	656.4	528.1	540.5	468.0	495.9
Equity	(20.2)	(24.7)	193.6	442.1	698.3	996.6
Total Liabilities & Equity	549.3	631.7	721.7	982.5	1,166.3	1,492.5

Balance Sheet

	1Q/04	2Q/04	3Q/04	4Q/04	1Q/05	2Q/05E	3Q/05E	4Q/05E	1Q/06E	2Q/06E	3Q/06E	4Q/06E
Assets												
Cash	140.6	129.5	103.3	92.3	116.3	107.1	98.6	105.2	111.0	145.3	185.6	234.7
Receivables	119.2	138.9	151.9	140.7	130.5	127.7	138.2	148.5	150.7	161.3	175.2	184.9
Inventory	123.0	112.6	119.8	127.6	135.3	132.3	143.2	153.9	156.2	167.2	181.5	191.6
Other Current Assets	31.5	16.4	20.1	29.7	28.2	27.6	29.9	32.1	32.6	34.9	37.9	40.0
Total Current Assets	414.5	397.4	395.1	390.3	410.3	394.7	410.0	439.8	450.5	508.8	580.1	651.2
Gross PP&E	451.7	479.6	475.7	534.0	566.5	607.7	649.0	677.1	722.1	767.1	812.1	857.1
Accumulated Depreciation	90.2	86.9	88.5	89.3	90.2	104.2	118.9	134.4	150.5	167.3	184.9	203.1
Net PP&E	361.6	392.7	387.3	444.7	476.3	503.5	530.1	542.7	571.6	599.7	627.2	653.9
Other Assets	76.1	106.7	98.9	147.5	181.3	181.9	182.8	183.7	184.6	185.5	186.4	187.3
Total Assets	852.1	896.8	881.3	982.5	1,068.0	1,080.2	1,122.9	1,166.3	1,206.7	1,294.0	1,393.7	1,492.5
Liabilities & Equity												
Payables	91.9	101.2	99.0	124.1	133.4	130.4	141.2	151.8	154.0	164.9	179.0	188.9
Short-term Debt	86.9	57.5	21.9	24.4	23.1	13.1	5.1	0.1	0.1	0.1	0.1	0.1
Other Current Liabilities	75.0	78.0	68.6	67.1	67.3	65.8	71.3	76.6	77.7	83.2	90.3	95.4
Total Current Liabilities	253.8	236.6	189.5	215.6	223.8	209.3	217.6	228.5	231.8	248.1	269.4	284.4
Long-term Debt	127.6	125.1	120.5	116.1	113.3	88.3	63.3	28.3	0.3	0.3	0.3	0.3
Other Liabilities	241.3	239.4	217.2	208.8	211.2	211.2	211.2	211.2	211.2	211.2	211.2	211.2
Total Liabilities	622.7	601.1	527.2	540.5	548.3	508.8	492.1	468.0	443.3	459.6	480.9	495.9
Equity	229.3	295.7	354.1	442.1	519.7	571.3	630.8	698.3	763.4	834.4	912.8	996.6
Total Liabilities & Equity	852.1	896.8	881.3	982.5	1,068.0	1,080.2	1,122.9	1,166.3	1,206.7	1,294.0	1,393.7	1,492.5

Cash Flow Statement

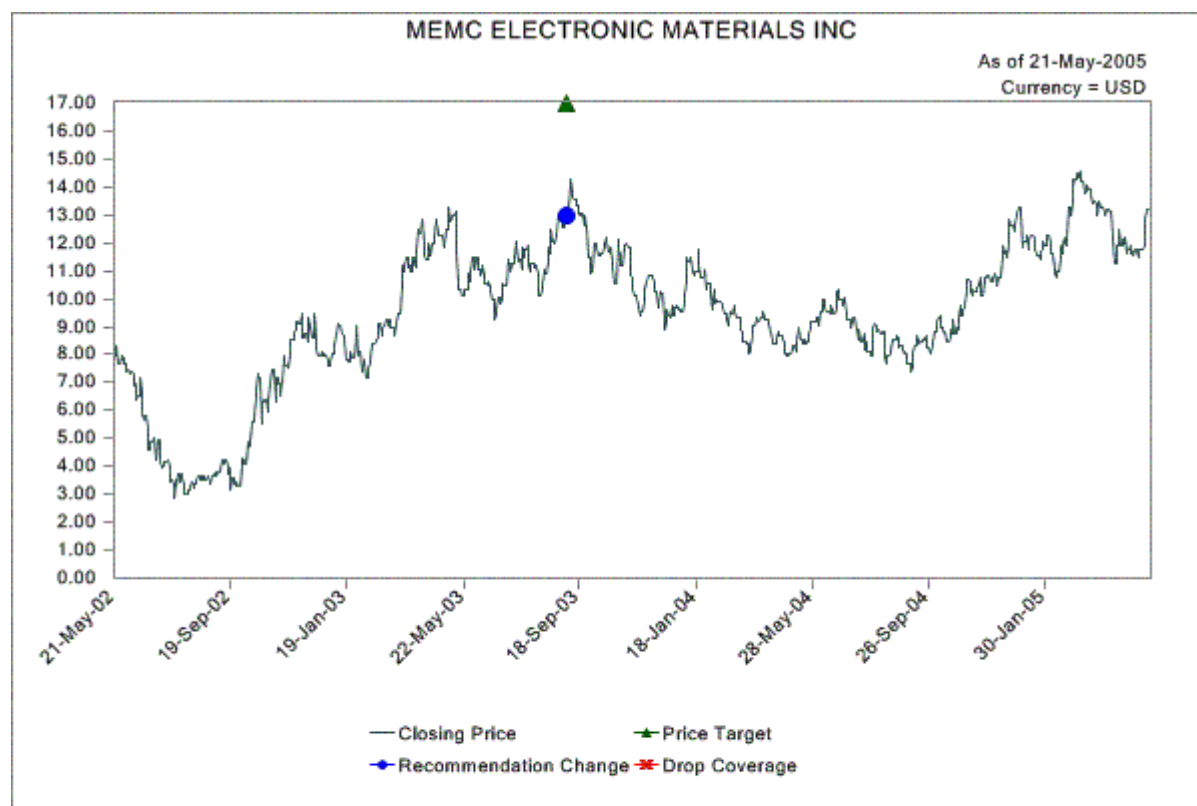
	12/01	12/02	12/03	12/04	12/05E	12/06E
CF from Operations						
Net Income	(522.7)	(22.1)	116.6	225.4	255.8	298.3
Depreciation & Ammortization	174.6	34.2	31.0	37.0	57.6	68.8
Changes in Assets/Liab.	<u>352.3</u>	<u>(16.9)</u>	<u>(14.2)</u>	<u>(121.9)</u>	<u>(33.2)</u>	<u>(29.6)</u>
Cash Prov. by Operations	4.3	(4.9)	133.5	140.4	280.1	337.5
CF from Investing						
Capital Expenditures	(49.8)	(22.0)	(85.2)	(149.8)	(165.0)	(180.0)
Other Changes in PP&E	<u>772.1</u>	<u>3.6</u>	<u>(31.3)</u>	<u>(61.5)</u>	<u>9.4</u>	<u>0.0</u>
Cash (Used) in Investing	722.3	(18.3)	(116.5)	(211.3)	(155.6)	(180.0)
CF from Financing						
Change in ST Debt	(51.9)	47.8	(51.8)	(47.4)	(24.3)	0.0
Change in LT Debt	(798.2)	16.3	(101.7)	56.8	(87.7)	(28.0)
Common Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other Changes in Equity	<u>136.0</u>	<u>17.7</u>	<u>101.7</u>	<u>23.1</u>	<u>0.5</u>	<u>0.0</u>
Cash Prov. by Financing	(714.1)	81.7	(51.9)	32.5	(111.6)	(28.0)
Net Incr./((Decr.) in Cash	12.4	58.5	(34.9)	(38.4)	12.9	129.5
Cash - Beginning	94.8	107.2	165.6	130.7	92.3	105.2
Cash - End	107.2	165.6	130.7	92.3	105.2	234.7

Key Financial Ratios

	12/01	12/02	12/03	12/04	12/05E	12/06E
Liquidity						
Cash & Equivalents (\$ millions)	107.2	165.6	130.7	92.3	105.2	234.7
Working Capital (\$ millions)	42.3	77.6	121.3	174.7	211.4	366.8
Current Ratio	1.2	1.3	1.5	1.8	1.9	2.3
Quick Ratio	0.9	1.0	1.0	1.2	1.3	1.6
Leverage						
Debt/Capital	110.1%	109.5%	40.4%	24.1%	3.9%	0.0%
Times Interest Earned	(2.3)	1.1	11.0	19.2	46.5	1,374.5
Management						
Sales/Inventory	5.5	6.1	7.0	9.2	9.6	11.9
Sales/Fixed Assets	0.8	0.8	1.0	1.3	1.3	1.6
Sales/Capital	0.7	0.7	0.8	1.1	1.2	1.4
Receivable Days (DSO)	55.8	50.1	44.1	33.5	32.0	26.0
Inventory Days-on-Hand	61.0	79.5	74.5	62.0	60.2	49.9
Inventory Turns	6.0	4.6	4.9	5.9	6.1	7.3
Days' Sales in Cash	63.9	57.5	50.6	38.4	36.7	29.8
Profitability						
Return on Assets	-14.7%	0.1%	7.7%	13.6%	17.0%	22.0%
Return on Capital	-21.1%	0.1%	11.1%	19.6%	24.4%	31.6%
Return on Equity	-325.6%	2.2%	170.7%	302.6%	376.3%	488.4%
Return on Invested Capital	-18.5%	3.8%	13.2%	24.5%	28.8%	36.3%
Per Share Data						
Book Value/Share	(0.29)	(0.19)	0.89	2.00	3.12	4.45
Net Cash/Share	(0.54)	0.04	0.33	(0.11)	0.34	1.05
EPS	(2.83)	0.01	0.47	0.83	1.02	1.32

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MEMC ELECTRONIC MATERIALS INC

Currency = USD

Date	Closing Price	Recommendation Change	Date	Closing Price	Price Target
04-Sep-2003	12.97	BUY	04-Sep-2003	12.97	17.00

	% of companies under coverage with this rating	% for which investment banking services have been provided for in the past 12 months
Strong Buy	5%	39%
Buy	59	23
Hold	32	15
Underperform	2	17
Rating Suspended	0	0
Restricted	1	60
Under Review	<1	0

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