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MEMC Electronic Materials, Inc. ⁽³⁾

Good F2Q05 Results; Raising FY06 EPS & Target Price; Maintain Strong Buy

STRONG BUY

WFR \$17.50

Price	\$17.50	FY: Dec		2004A	2005E	2006E
Target Price	\$24.00	Revenue (M)	1Q	\$228.8	\$257.9A	\$306.0
52-Wk Range	\$7.39 - \$18.29		2Q	\$255.5	\$275.4A	\$315.2
Shares Out. (M)	224.7		3Q	\$275.3	\$289.2	\$327.8
Market Cap. (M)	\$3,932.3		4Q	\$268.4	\$312.3	\$344.2
Average Daily Vol. (000)	2,086		FY	\$1,028.0	\$1,134.7	\$1,293.3
Float (M)	149.3			2004A	2005E	2006E
Secular Growth Rate	18%	EPS	1Q	\$0.16	\$0.23A	\$0.31
ROAE	41.8%		2Q	\$0.20	\$0.26A	\$0.32
			3Q	\$0.27	\$0.28	\$0.35
LT Debt (M)	\$108.2		4Q	\$0.26	\$0.32	\$0.37
LT Debt/Total Cap.	16.1%		FY	\$0.90	\$1.10	\$1.35
Book Value/Share	\$2.51		P/E	19.4x	15.9x	13.0x
Cash/Share	\$0.45		Previous FY	--	--	\$1.30
			CY	\$0.90	\$1.10	\$1.35
			P/E	19.4x	15.9x	13.0x

INVESTMENT HIGHLIGHTS

- Good F2Q05 results; reiterate Strong Buy rating; raising estimates and target price from \$20 to \$24.** 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 13x our 2006 EPS estimate of \$1.35 relative to a secular earnings growth rate of 18% per year. MEMC reported good F2Q05 results with revenues and in-line EPS of \$275.5 million and \$0.26 per share versus our estimates of \$270.7 million and \$0.26 per share. MEMC posted good 7% Q/Q revenue growth in a challenging industry environment. The company indicated that industry wafer starts were improving going into the seasonally stronger second half following a three quarter period of slowing wafer starts and pricing weakness during the industry wide inventory correction. 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. Growing Polysilicon raw material shortages and improving industry wafer demand could potentially lead to MEMC's wafer pricing and margins improving significantly in late 2005 and 2006. We are fine-tuning our FY05 revenues from \$1,126 million to \$1,135 million and maintaining our FY05 EPS estimate of \$1.10 per share. For FY06, using higher gross margins, we are raising our revenue and proforma EPS estimates from \$1,284 million and \$1.30 to \$1,293 million and \$1.35. Based on better earnings visibility and consistent execution despite a cyclical industry environment, we are raising our target price from \$20 to \$24 using a 18x P/E multiple (versus our previous 15x multiple) on our \$1.35 EPS estimate for 2006 relative to a 18 to 20% secular earnings growth rate.
- Semiconductor industry capacity utilization improving; shift to 300mm fabs picking up momentum.** 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. 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.

- **MEMC is a Global technology leader in Silicon Wafers benefiting from secular positive trends:** 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 23% 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 18% 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)

July 27, 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 A	3Q/Sep	4Q/Dec	Year	1Q/Mar A	2Q/Jun A	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	\$257.9	\$275.4	\$289.2	\$312.3	\$1,134.7	\$306.0	\$315.2	\$327.8	\$344.2	\$1,293.3	\$306.0	\$315.2	\$327.8	\$344.2	\$1,293.3
Cost of Goods Sold	155.4	168.4	164.5	170.2	658.5	164.6	175.0	182.2	193.6	715.3	189.7	193.9	200.0	208.3	791.8	189.7	193.9	200.0	208.3	791.8
Gross Margin	\$73.3	\$87.2	\$110.7	\$98.2	\$369.4	\$93.3	\$100.4	\$107.0	\$118.7	\$419.4	\$116.3	\$121.4	\$127.9	\$136.0	\$501.5	\$116.3	\$121.4	\$127.9	\$136.0	\$501.5
SG&A expenses	\$17.2	\$17.8	\$17.8	\$19.2	\$71.9	\$18.2	\$18.3	\$18.5	\$18.7	\$73.7	\$18.9	\$19.1	\$19.3	\$19.5	\$76.7	\$18.9	\$19.1	\$19.3	\$19.5	\$76.7
R&D expenses	8.9	9.3	9.4	10.4	38.0	11.4	11.0	11.2	11.5	45.1	11.7	11.9	12.2	12.4	48.1	11.7	11.9	12.2	12.4	48.1
Restructuring expenses				(1.0)																
Total Operating Expenses	26.1	27.1	27.2	28.5	108.9	29.6	29.4	29.8	30.2	118.8	30.6	31.0	31.4	31.9	124.9	30.6	31.0	31.4	31.9	124.9
Operating Income	\$47.2	\$60.0	\$83.6	\$69.6	\$260.5	\$63.7	\$71.1	\$77.2	\$88.5	\$300.5	\$85.7	\$90.4	\$96.4	\$104.1	\$376.6	\$85.7	\$90.4	\$96.4	\$104.1	\$376.6
Total Non-Operating Income/(E)	\$6.5	(\$9.1)	(\$0.4)	(\$59.0)	(\$62.0)	(\$1.3)	(\$1.5)	(\$1.5)	(\$1.6)	(\$5.9)	(\$1.6)	(\$1.6)	(\$1.6)	(\$1.6)	(\$6.4)	(\$1.6)	(\$1.6)	(\$1.6)	(\$1.6)	(\$6.4)
Pre-Tax Income	53.7	51.0	83.2	10.7	198.5	62.4	69.6	75.7	86.9	294.7	84.1	88.8	94.8	102.5	370.2	84.1	88.8	94.8	102.5	370.2
Income Taxes	13.4	(12.6)	20.8	(60.9)	(39.3)	(16.5)	8.7	10.6	12.2	14.9	12.6	13.3	14.2	15.4	55.5	12.6	13.3	14.2	15.4	55.5
Net Income before other items	40.3	63.6	62.4	71.6	237.8	78.9	60.9	65.1	74.8	279.7	71.5	75.5	80.6	87.1	314.7	71.5	75.5	80.6	87.1	314.7
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	0.0	0.0	0.0	0.0	0.0
Minority interests	(2.7)	(3.0)	(2.7)	(2.4)	(10.7)	(1.8)	(2.0)	(2.0)	(2.0)	(7.8)	(2.0)	(2.0)	(2.0)	(2.0)	(8.0)	(2.0)	(2.0)	(2.0)	(2.0)	(8.0)
Net income after other items	35.9	60.6	59.7	69.2	225.4	77.2	58.9	63.1	72.8	272.0	69.5	73.5	78.6	85.1	306.7	69.5	73.5	78.6	85.1	306.7
Extraordinary items																				
Net Income Available for Comr	35.9	60.6	59.7	69.2	225.4	77.2	58.9	63.1	72.8	272.0	69.5	73.5	78.6	85.1	306.7	69.5	73.5	78.6	85.1	306.7
Average Shares Outst.(primary)	207.2	207.7	207.8	208.1	207.7	208.8	209.2	209.6	210.0	209.4	210.5	210.9	211.3	211.7	211.1	210.5	210.9	211.3	211.7	211.1
GAAP EPS (primary)	\$0.17	\$0.29	\$0.29	\$0.33	\$1.09	\$0.37	\$0.28	\$0.30	\$0.35	\$1.30	\$0.33	\$0.35	\$0.37	\$0.40	\$1.45	\$0.33	\$0.35	\$0.37	\$0.40	\$1.45
Average shares outst. (fully dilt)	222.1	221.0	220.4	221.1	221.1	223.9	224.7	225.1	225.6	224.8	226.0	226.5	226.9	227.4	226.7	226.0	226.5	226.9	227.4	226.7
GAAP EPS (fully diluted)	\$0.16	\$0.27	\$0.27	\$0.31	\$1.02	\$0.34	\$0.26	\$0.28	\$0.32	\$1.21	\$0.31	\$0.32	\$0.35	\$0.37	\$1.35	\$0.31	\$0.32	\$0.35	\$0.37	\$1.35
Proforma EPS (fully diluted)	\$0.16	\$0.20	\$0.27	\$0.26	\$0.90	\$0.23	\$0.26	\$0.28	\$0.32	\$1.10	\$0.31	\$0.32	\$0.35	\$0.37	\$1.35	\$0.31	\$0.32	\$0.35	\$0.37	\$1.35
Margins (Pct. Rev)																				
Gross Margins	32.1%	34.1%	40.2%	36.6%	35.9%	36.2%	36.5%	37.0%	38.0%	37.0%	38.0%	38.5%	39.0%	39.5%	38.8%	38.0%	38.5%	39.0%	39.5%	38.8%
R&D	3.9	3.6	3.4	3.9	3.7	4.4	4.0	3.9	3.7	4.0	3.8	3.8	3.7	3.6	3.7	3.8	3.8	3.7	3.6	3.7
SG&A	7.5	7.0	6.5	7.1	7.0	7.0	6.7	6.4	6.0	6.5	6.2	6.1	5.9	5.7	5.9	6.2	6.1	5.9	5.7	5.9
Operating Margins	20.7	23.5	30.4	25.9	25.3	24.7	25.8	26.7	28.3	26.5	28.0	28.7	29.4	30.2	29.1	28.0	28.7	29.4	30.2	29.1
Other Income (Expenses)	2.8	-3.6	-0.1	-22.0	-6.0	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Pre-tax Margins	23.5	19.9	30.2	4.0	19.3	24.2	25.3	26.2	27.8	26.0	27.5	28.2	28.9	29.8	28.6	27.5	28.2	28.9	29.8	28.6
Tax Rate (Pct.)	25.0	-24.7	25.0	-571.9	-19.8	-26.4	12.4	14.0	14.0	5.1	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Net Margin	17.6	24.9	22.7	26.7	23.1	30.6	22.1	22.5	23.9	24.7	23.4	23.9	24.6	25.3	24.3	23.4	23.9	24.6	25.3	24.3
Yr-to-Yr Pct. Change																				
Revenues	21.5%	33.2%	40.5%	30.9%	31.6%	12.7%	7.8%	5.0%	16.4%	10.4%	18.7%	14.5%	13.4%	10.2%	14.0%	18.7%	14.5%	13.4%	10.2%	14.0%
Gross Margins	35.3	56.7	89.2	52.4	58.7	27.2	15.2	(3.4)	20.9	13.5	24.7	20.8	19.5	14.6	19.6	24.7	20.8	19.5	14.6	19.6
Operating Income	44.4	78.2	128.9	75.4	82.6	34.9	18.4	(7.6)	27.1	15.4	34.5	27.1	24.8	17.6	25.3	34.5	27.1	24.8	17.6	25.3
Pre-Tax Income	83.2	47.5	70.9	(75.4)	27.4	16.2	36.5	(9.0)	715.9	48.4	34.8	27.6	25.2	17.9	25.6	34.8	27.6	25.2	17.9	25.6
Net Income	90.8	137.1	70.9	107.0	99.8	95.8	(4.1)	4.4	4.4	17.6	(9.4)	23.8	23.8	16.5	12.5	(9.4)	23.8	23.8	16.5	12.5
Fully Diluted EPS	72.5	59.6	72.3	70.3	68.0	45.1	31.1	3.4	22.8	22.8	31.1	23.7	23.6	16.0	23.0	31.1	23.7	23.6	16.0	23.0
Qtr-to-Qtr Pct. Change																				
Revenues	11.6%	11.7%	7.7%	(2.5%)	--	(3.9%)	6.8%	5.0%	8.0%	--	(2.0%)	3.0%	4.0%	5.0%	--	(2.0%)	3.0%	4.0%	5.0%	--
Gross Margins	13.9	18.8	27.1	-11.4	--	-5.0	7.7	6.5	10.9	--	-2.0	4.4	5.4	6.3	--	-2.0	4.4	5.4	6.3	--
Operating Income	19.0	27.1	39.2	-16.7	--	-8.5	11.5	8.7	14.6	--	-3.2	5.4	6.7	8.0	--	-3.2	5.4	6.7	8.0	--
Pre-Tax Income	24.0	-5.1	63.1	-87.2	--	485.9	11.4	8.8	14.8	--	-3.2	5.5	6.8	8.1	--	-3.2	5.5	6.8	8.1	--
Net Income	16.5	57.7	-1.9	14.8	--	10.2	-22.8	6.9	14.8	--	-4.4	5.5	6.8	8.1	--	-4.4	5.5	6.8	8.1	--
Fully Diluted EPS	4.8	69.7	-1.2	15.4	--	10.2	-23.9	6.9	15.1	--	-4.7	5.4	6.8	8.1	--	-4.7	5.4	6.8	8.1	--

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 A	2Q/Jun A	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	\$62	\$63	\$67	\$69	\$260	\$64	\$66	\$66	\$69	\$265
200mm wafers	\$142	\$158	\$171	\$164	\$635	\$155	\$165	\$171	\$181	\$672	\$178	\$180	\$184	\$189	\$730
300mm wafers	\$23	\$31	\$36	\$38	\$127	\$41	\$47	\$52	\$62	\$203	\$64	\$69	\$79	\$86	\$298
Segment total	\$229	\$256	\$275	\$268	\$1,028	\$258	\$275	\$289	\$312	\$1,135	\$306	\$315	\$328	\$344	\$1,293
Topline model total	\$229	\$256	\$275	\$268	\$1,028	\$258	\$275	\$289	\$312	\$1,135	\$306	\$315	\$328	\$344	\$1,293
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%	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%
150mm/less wafers															
Total 150mm/less wafers Rev	\$64	\$66	\$69	\$67	\$266	\$62	\$63	\$67	\$69	\$260	\$64	\$66	\$66	\$69	\$265
Total 150mm/less wafers Units	2.56	2.66	2.75	2.68	10.66	2.81	2.88	3.02	3.12	11.84	3.21	3.31	3.28	3.44	13.24
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	\$155	\$165	\$171	\$181	\$672	\$178	\$180	\$184	\$189	\$730
Total 200mm wafers Units (Mlr)	2.84	3.17	3.41	3.27	12.69	3.44	3.76	3.79	4.03	15.01	4.44	4.49	4.59	4.73	18.25
Blended 200mm wafers ASP (\$)	\$50	\$50	\$50	\$50	\$50	\$45	\$44	\$45	\$45	\$45	\$40	\$40	\$40	\$40	\$40
300mm wafers															
Total 300mm wafers Rev (\$Mlr)	\$23	\$31	\$36	\$38	\$127	\$41	\$47	\$52	\$62	\$203	\$64	\$69	\$79	\$86	\$298
Total 300mm wafers Units (Mlr)	0.08	0.12	0.15	0.17	0.52	0.19	0.23	0.27	0.35	1.05	0.38	0.43	0.52	0.66	2.00
Blended 300mm wafers ASP (\$)	\$275	\$260	\$240	\$225	\$245	\$215	\$200	\$190	\$180	\$194	\$170	\$160	\$150	\$130	\$149
Product Type															
Polished/prime wafers	62%	62%	62%	62%	62%	60%	60%	60%	60%	60%	59%	59%	59%	59%	59%
Epitaxial wafers	30%	30%	30%	30%	30%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%
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%	1%	1%	1%	1%	1%	2%	2%	2%	2%	2%
Strained Silicon wafers	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
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	\$155	\$165	\$173	\$187	\$681	\$181	\$186	\$193	\$203	\$763
Epitaxial wafers	\$69	\$77	\$83	\$81	\$308	\$83	\$88	\$93	\$100	\$363	\$98	\$101	\$105	\$110	\$414
Test/monitor wafers	\$11	\$13	\$14	\$13	\$51	\$13	\$14	\$14	\$16	\$57	\$15	\$16	\$16	\$17	\$65
SOI wafers	\$2	\$3	\$3	\$3	\$10	\$3	\$3	\$3	\$3	\$11	\$6	\$6	\$7	\$7	\$26
Strained Silicon wafers	\$5	\$5	\$6	\$5	\$21	\$5	\$6	\$6	\$6	\$23	\$6	\$6	\$7	\$7	\$26
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	\$275	\$289	\$312	\$1,135	\$306	\$315	\$328	\$344	\$1,293
Topline Total	\$229	\$256	\$275	\$268	\$1,028	\$258	\$275	\$289	\$312	\$1,135	\$306	\$315	\$328	\$344	\$1,293

Source: Company reports and JMP Securities.

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

July 27, 2005 kshankar FYE: Dec. (\$MM, Except EPS)	2003 1Q/Mar	2003 2Q/Jun	2003 3Q/Sep	2003 4Q/Dec	2004 1Q/Mar	2004 2Q/Jun	2004 3Q/Sep	2004 4Q/Dec	2005 1Q/Mar	2005 2Q/Jun
Assets										
Cash & Short-term Investments	\$160.8	\$127.6	\$125.8	\$130.7	\$140.6	\$129.5	\$103.3	\$92.3	\$116.3	\$101.0
Accounts Receivable, Net	88.0	98.1	107.4	103.0	119.2	138.9	151.9	140.7	130.5	132.1
Inventories	90.6	96.2	98.0	109.5	123.0	112.6	119.8	127.6	135.3	134.9
Prepaid Exp. & Other Current Assets	19.1	18.5	25.8	22.1	31.5	16.4	20.1	29.7	28.2	27.3
Deferred Income Taxes										
Total Current Assets	\$358.5	\$340.4	\$356.9	\$365.3	\$414.5	\$397.4	\$395.1	\$390.3	\$410.3	\$395.2
Property, Plant, Equipment, Net	\$191.5	\$203.3	\$253.5	\$270.4	\$361.6	\$392.7	\$387.3	\$444.7	\$476.3	\$503.9
Investments in Joint Ventures	17.9	19.5	22.2	24.2	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill, Net	3.8	3.8	3.8	3.8						
Deferred Tax Asset, Net	32.1	26.1	18.5	15.2	22.4	45.6	43.6	119.8	126.8	127.1
Other Non-Current Assets	30.8	33.9	38.5	42.9	53.7	61.2	55.4	55.1	54.5	53.3
Total Assets	\$634.7	\$627.1	\$693.4	\$721.7	\$852.1	\$896.8	\$881.3	\$1,009.9	\$1,068.0	\$1,079.5
Liabilities										
Current L-T Debt, S-T Borrowing	\$100.3	\$53.4	\$80.6	\$71.8	\$86.9	\$57.5	\$21.9	\$24.4	\$23.1	\$21.7
Accounts Payable	63.9	69.4	82.6	95.2	91.9	101.2	99.0	124.1	133.4	104.6
Accrued Liabilities	30.9	31.1	28.8	34.0	39.2	43.1	32.4	37.7	21.4	23.9
Customer Deposits	14.8	14.5	14.6	15.7	11.5	8.1	5.0	0.0	0.0	0.0
Other Accrued Liabilities	46.1	38.1	36.3	27.4	24.3	26.8	31.2	29.4	45.9	48.8
Total Current Liabilities	\$255.9	\$206.4	\$242.8	\$244.1	\$253.8	\$236.6	\$189.5	\$215.6	\$223.8	\$198.9
Longterm Debt	\$170.4	\$87.4	\$60.0	\$59.3	\$127.6	\$125.1	\$120.5	\$116.1	\$113.3	\$108.2
Pension and Similar liabilities	106.3	107.6	109.4	126.4	130.0	127.5	112.4	116.4	116.2	113.2
Customer Deposits	16.8	14.8	9.7	3.6	3.0	3.1	3.2	0.0	0.0	0.0
Other Liabilities	27.8	29.8	32.3	30.7	41.6	43.8	57.6	72.4	46.7	45.3
Total Liabilities	\$577.1	\$446.0	\$454.3	\$464.0	\$555.9	\$536.1	\$483.2	\$520.6	\$500.0	\$465.7
Minority Interests	\$60.4	\$59.1	\$62.0	\$64.1	\$66.8	\$65.0	\$44.0	\$46.5	\$48.2	\$50.3
Redeemable Preferred Stock										
Common stock	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Additional Paid-In Capital	27.5	123.6	150.6	150.1	151.7	151.6	152.5	154.7	158.4	159.6
Retained earnings	(27.7)	1.0	28.8	45.9	79.8	145.6	203.1	308.4	385.5	434.9
Treasury Stock	(4.7)	(4.7)	(4.4)	(4.4)	(4.2)	(3.6)	(3.6)	(22.3)	(26.3)	(33.0)
Total Stockholders Equity	(\$2.9)	\$121.9	\$177.0	\$193.6	\$229.3	\$295.7	\$354.1	\$442.9	\$519.7	\$563.6
Total Liab. & Stockholders Equity	\$634.7	\$627.1	\$693.4	\$721.7	\$852.1	\$896.8	\$881.3	\$1,009.9	\$1,068.0	\$1,079.5
Key Financial Ratios										
Tangible Book Value/Share, (\$)	(\$0.03)	\$0.54	\$0.77	\$0.85	\$1.03	\$1.34	\$1.61	\$2.00	\$2.32	\$2.51
Cash/Share, (\$)	\$0.76	\$0.59	\$0.56	\$0.59	\$0.63	\$0.59	\$0.47	\$0.42	\$0.52	\$0.45
Working Capital/share, (\$)	\$0.49	\$0.62	\$0.51	\$0.54	\$0.72	\$0.73	\$0.93	\$0.79	\$0.83	\$0.87
Total Assets/share, (\$)	\$3.01	\$2.88	\$3.10	\$3.24	\$3.84	\$4.06	\$4.00	\$4.57	\$4.77	\$4.80
Current Ratio	1.40	1.65	1.47	1.50	1.63	1.68	2.08	1.81	1.83	1.99
Quick Ratio	0.97	1.09	0.96	0.96	1.02	1.13	1.35	1.08	1.10	1.17
LTDebt/Total Capitalization	101.74%	41.76%	25.32%	23.43%	35.75%	29.73%	25.39%	20.77%	17.90%	16.11%
Return-on-sales (ROS), Qtr	10.48%	14.22%	17.97%	16.78%	15.70%	23.71%	21.69%	25.77%	29.92%	21.39%
Return-on-sales(ROS), TTM	2.13%	4.90%	15.48%	14.93%	16.16%	18.76%	19.76%	21.93%	25.22%	24.60%
Return-on-equity (ROE), Qtr*4	(2708.75%)	89.51%	79.53%	71.07%	62.62%	81.97%	67.47%	62.46%	59.39%	41.81%
Return-on-equity (ROAE), TTM	(51.88%)	378.63%	173.88%	95.27%	73.58%	74.18%	71.08%	68.19%	66.15%	56.36%
Return-on-assets (ROA), Qtr*4	12.44%	17.40%	20.31%	19.07%	16.86%	27.03%	27.10%	27.39%	28.90%	21.83%
Return-on-assets (ROA), TTM	2.58%	5.94%	18.24%	17.43%	18.35%	21.00%	22.75%	24.77%	27.66%	26.24%
Asset Turnover, Qtr*4	1.19	1.22	1.13	1.14	1.07	1.14	1.25	1.06	0.97	1.02
Average asset turnover, TTM	1.21	1.21	1.18	1.17	1.14	1.12	1.15	1.13	1.10	1.07
Accts. Rec. Days Sales Outst. (Qtr)	42	46	49	45	47	49	50	47	46	43
Accts. Rec. Days Sales Outst. (TTM)	47	46	47	46	48	48	49	49	49	47
Inventory turns (Qtr)	5.92	5.66	5.61	5.14	5.05	5.98	5.49	5.34	4.87	5.19
Average inventory turns (TTM)	6.38	6.11	5.84	5.56	5.34	5.43	5.41	5.45	5.39	5.21
Inventory days Outstanding (Qtr)	61	64	64	70	71	60	66	67	74	69
Inventory days outstanding (TTM)	57	60	63	66	68	67	67	67	68	70
Revenue/employee, (Qtr*4), \$	\$163,778	\$166,808	\$170,345	\$178,286	\$198,922	\$222,208	\$239,377	\$233,370	\$224,221	\$239,468
Average Revenue/employee (TTM), \$	\$158,898	\$163,553	\$165,666	\$169,804	\$178,590	\$192,440	\$209,698	\$223,469	\$229,794	\$234,109
Qtr Revenue, (\$MM)	188.3	191.8	195.9	205.0	228.8	255.5	275.3	268.4	257.9	275.4
Qtr COGS, (\$MM)	134.1	136.2	137.4	140.6	155.4	168.4	164.5	170.2	164.6	175.0
Qtr Net Income, (\$MM)	19.7	27.3	35.2	34.4	35.9	60.6	59.7	69.2	77.2	58.9
Fully Diluted Shares Outstanding (Millions)	210.7	217.7	223.8	223.0	222.1	221.0	220.4	221.1	223.9	224.7
# Of Employees (Actual)	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600
Qtr Capital Expenditures (\$MM)	8.76	28.26	25.21	23.00	26.09	46.40	25.55	51.74	54.40	51.20
Qtr Capital Expenditures/Revenue	4.65%	14.73%	12.87%	11.22%	11.40%	18.16%	9.28%	19.28%	21.10%	18.59%
Qtr Depreciation (\$MM)	15.81	1.28	6.18	7.78	9.92	10.24	11.44	12.53	13.34	14.36
Qtr Depreciation/Revenue	8.40%	0.67%	3.16%	3.79%	4.34%	4.01%	4.16%	4.67%	5.17%	5.22%

Source: Company reports and JMP Securities.

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JMP Rating	Regulatory	2 or 3	# Co's Under	% of	Regulatory	# Co's Under	% of	# Co's Receiving IB Services in Past 12 Months
JMP Rating	Equivalent	Disclosure	Coverage	Total	Rating	Coverage	Total	
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%				
TOTAL:			219	100%		219	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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