

MEMC ELECTRONIC MATERIALS, INC. (WFR: \$17.71^{*})

St. Peters, MO

Market Perform

Price Target \$15.00

Update

STOCK DATA

52 Week Range	\$18.50-\$7.33
ADTV - 3 Month	2.4
Market Cap	\$3,708.5
Shares	224.7
Outstanding (Diluted)	

EARNINGS DATA

EPS (FD Operating)			
Dec.	2004A	2005E	2006E
1Q	\$0.16	\$0.23A	\$0.25
2Q	0.19	0.26A	0.28
3Q	0.27	0.28	0.32
4Q	0.27	0.30	0.33
FY	\$0.89	\$1.07	\$1.18
P/E	14.8x	16.6x	14.9x

FY	2004A	2005E	2006E
Revenue	1,028.0	1,117.5	1,213.1

FINANCIAL DATA

	2Q05
Cash & Equivalents	101.0
Accounts Receivable	132.1
Inventories	134.9
Current Assets	395.2
Total Assets	1,079.5
Total Current Liabilities	199.9
Long-Term Debt	108.2
Total Debt	129.9
Total Stockholder Equity	563.6

Financial Values In Millions

**WFR: Here Comes Another Secondary by TPG--
Maintain Market Perform****Summary and Recommendation**

MEMC announced last night that its largest shareholder, Texas Pacific Group (TPG), is selling 18.25M of secondary shares, or 8% of the shares outstanding. The offering is expected to close on Aug. 22, 2005. After the completion, TPG's ownership will be reduced to 25% from 34%. We find the timing of the offering of particular interest, following recent selling by company insiders, particularly the CEO. Although we note that the CEO had recently adopted a 10b5-1 plan, in which his holding will be reduced systematically, we find the two events interesting in the light of recent share appreciation (above our price target). We remind investors that our more cautious thesis on this name (among only a few bears on the Street), is based on revenue growths that, in our opinion, are only slightly above the wafer-start growth rates, driven by some ASP increases in early '06. Additionally, we find the polysilicon shortages more hype than having a significant impact on overall ASPs and gross margins. To that end, we continue to remain on the sidelines until there is either a better entry point and/or we have more color on the magnitude of ASP increase in '06. We reiterate Market Perform.

Key Points

- **As expected, TPG files to reduce holding.** MEMC announced last night that its largest share holder, TPG, which currently holds 34% of the shares, will reduce its holding to 25% by selling 18.25M shares over the next few days.
- **Interesting timing.** We find the timing of particular interest in the light of recent insider selling, particularly by the CEO, since early August.
- **We remain on the sidelines.** We continue to remain on the sidelines, as we believe most of the good news, such as increased loading at semiconductor manufacturers in 2H05, has already priced into the stock. To that end, we remain on the sidelines until there is a better entry point or/and we have more color on increased ASPs in 2006, which would help us determine any potential upside to 2006 estimates, if there is any.

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

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Specific disclosures are applicable to tickers indicated.

MEMC ELECTRONIC MATERIALS, INC. (WFR)

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Rating	FBRC Research Distribution ¹	FBRC Banking Services in the past 12 months ¹
Buy (Outperform)	47.9 %	19.0 %
Hold (Market Perform)	45.6 %	6.1 %
Sell (Underperform)	6.5 %	2.3 %

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

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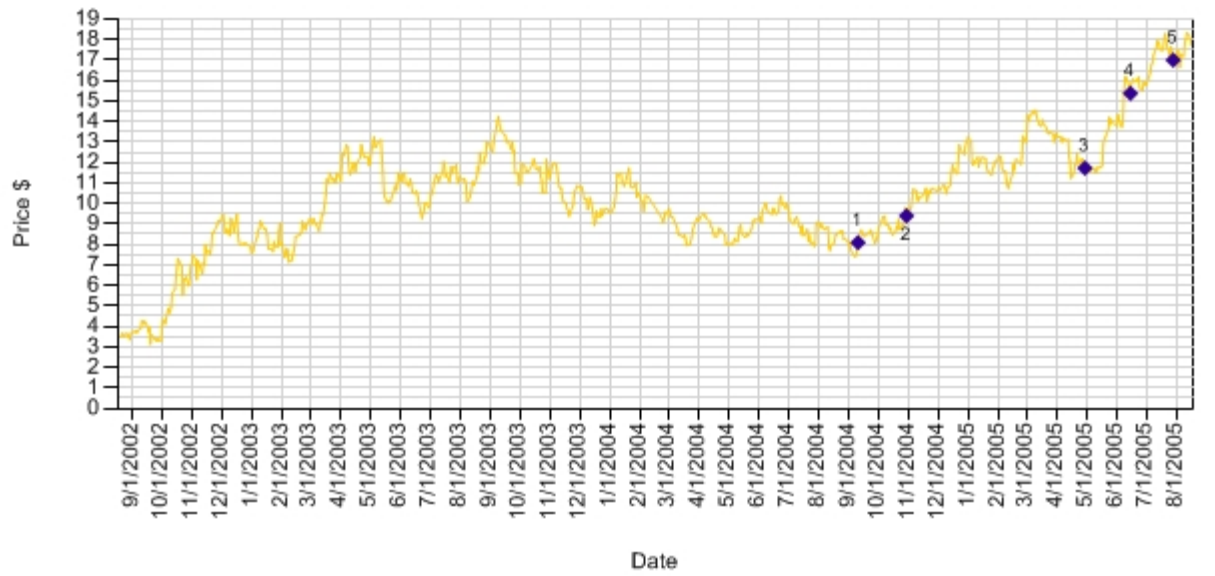
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WFR Performance



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|-------------------------------|-----------------------------|-----------------------------|
| Close | Split | 4: \$14.00 p/t H - 06/14/05 |
| Buy (incl. Outperform, Accum) | 1: \$9.00 p/t H - 09/09/04 | 5: \$15.00 p/t H - 07/28/05 |
| Hold (incl. Mkt Perform) | 2: \$10.00 p/t H - 10/29/04 | |
| Sell (incl. Underperform) | 3: \$11.50 p/t H - 04/29/05 | |