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MEMC ELECTRONIC MATERIALS, INC. (WFR: \$20.18^{*})

St. Peters, MO

Market Perform

Price Target \$15.00

Update

STOCK DATA

52 Week Range \$21.50-\$7.95
 ADTV - 3 Month 2.6
 Market Cap \$4,328.3
 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 18.9x 17.0x
 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: Possible Disruption of Poly Operations by Rita Could Wipe Out Upside to 4Q Estimates

Summary and Recommendation

MEMC Pasadena, Inc., located in Pasadena, Texas (about 10 miles southeast from downtown Houston), produces a majority of MEMC's polysilicon, the base raw material for the manufacturing of silicon wafers. Monosilane and SiF₄ gas, which are also integral to the manufacturing of silicon, are also produced at the Pasadena plant. Based on the latest reports regarding the path of Hurricane Rita, it appears that the MEMC poly plant is in danger of a nearly direct hit from the storm. In the very least, we would expect a disruption in the manufacturing output at the plant due to employee evacuations, but the true length of the disruption will likely be determined by the scope of damage, if any, to be caused by the storm. Depending upon the length of shutdown and quantity of MEMC's poly inventory, we believe that MEMC may ultimately need to enter the price-inflated poly spot market to provide an adequate supply of raw materials to produce its wafers, therefore possibly negatively impacting its near-term financial performance. In addition, the company could also forgo any incremental revenue from selling excess poly to the solar cell market. We reiterate our Market Perform rating and \$15 price target.

Key Points

- **Rita headed for MEMC's primary poly manufacturing plant.** Based on the latest Hurricane Rita reports, it appears as if MEMC's main polysilicon manufacturing plant, located in Pasadena, Texas, is in the direct path of the storm. MEMC also produces poly in its Novano, Italy, site, but to a lesser extent.
- **MEMC uses internally manufactured polysilicon.** Any disruption in this supply would likely require MEMC to seek other sources of poly at much higher prices. A polysilicon shortage has been driving polysilicon material pricing higher.
- **Impact to MEMC's internal poly supply could negatively impact its near-term financial results.** Any disruption to WFR's poly supply will likely require it to pay more for its poly materials in comparison to its peers. MEMC could also forgo any incremental revenue from selling excess poly to the solar cell market.

^{*}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)	49.9 %	18.6 %
Hold (Market Perform)	44.1 %	7.1 %
Sell (Underperform)	6.0 %	2.4 %

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

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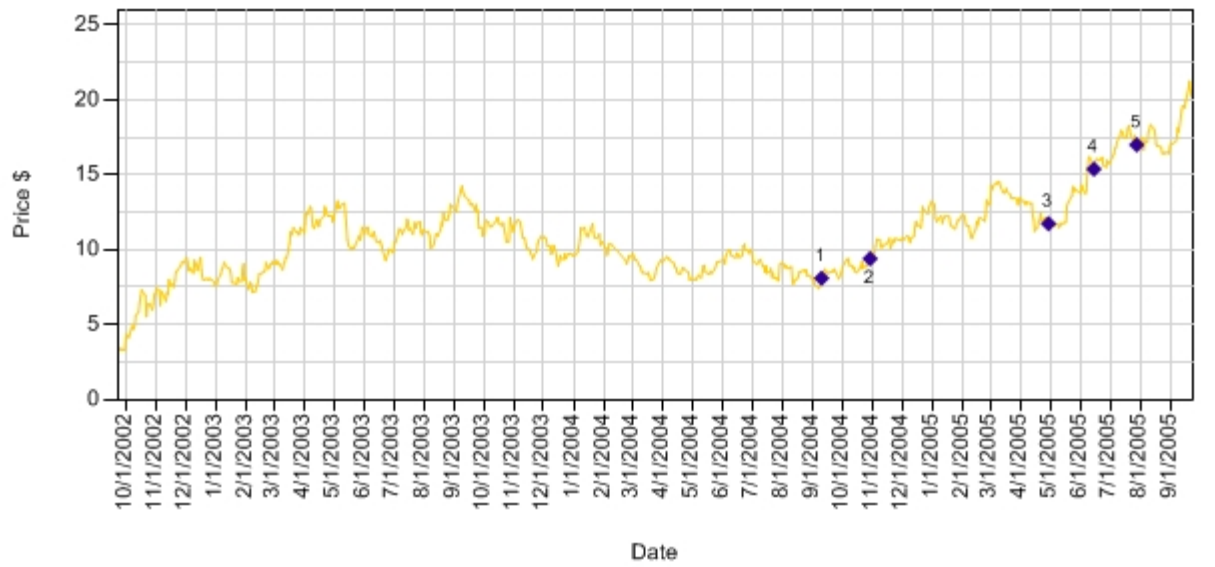
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WFR Performance



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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 | |