

# HI-TECH PHARMACAL

Ticker Symbol: **HITK**

December 23, 2002

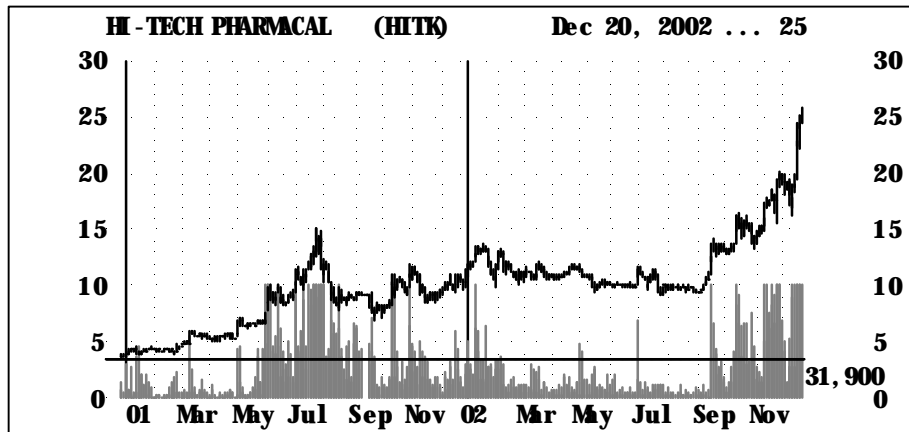
### Current Data

Current Price	\$ 25.00
52-Week Range	26-9
Shares Out (Mill)	4.8
Ave Volume LTM	29,666
Market Capitalization	\$ 119.4
LTD/Tot Cap	0.0%
Institutional Holdings	18.1%
Insider Buys-Sells	-2.0
Book Value	\$ 6.81

### Valuation

**Current**

P/E (Last FY)	36.23
P/B	3.67
Price/Sales	2.59
PEG (2003)	0.38



### Operating Data

**This Qtr Annual Results (FY-April)**

		1999	2000	2001	2002	10/31/01	10/31/02	
Sales Growth	39.2% (\$Million)							
EBITDA Margin Grwt	29.8%	<b>Sales</b>	\$23.3	\$26.4	\$29.6	\$33.3	\$8.5	\$11.8
Net Inc. Growth	77.89%	<b>Gr Margin</b>	49.4%	48.5%	52.7%	51.1%	46%	53%
		<b>EBITDA</b>	19.7%	15.9%	17.9%	20.7%	33%	43%
		<b>EPS</b>	\$0.42	\$0.38	\$0.54	\$0.71	\$ 0.18	\$0.32
		<b>LTD/Cap.</b>	5.5%	3.1%	0.9%	0.2%	0.4%	0.1%
		<b>Times Int</b>	16	28	40	-	na	317.00

### EPS-Cal yr.

2001	\$ 0.69
2002e	-
2003e	-

### Company Description

Hi-Tech Pharmacoal Co., Inc. manufactures prescription, over-the-counter and nutritional products. The company markets its generic pharmaceuticals under the brand names H-T and RX Choice. It markets a line of branded products primarily for people with Diabetes, including Diabetic Tussin, DiabetiDerm, DiabetiSweet, DiabetiGest and DiabetiRinse. In addition, Hi-Tech markets other over-the-counter brands to the general healthcare marketplace under such brands as Kosher Care, Nasal Ease, and Soothing Comfort. The company's customers include chain drug stores, drug wholesalers, generic distributors, mass merchandisers, mail-order pharmacies and certain Federal government agencies.

### Operating Data-LTM

Company	Symbol	Sales(MM)	Sales Growth	Gross Margin	EBITDA Margin	\$ Flow /Share	LT Debt/ Total Cap	ROE
HI-TECH PHARMACA	HITK	\$40	27%	53.3%	21.2	\$ 1.20	0.0	17.2
Peer Group Avg*		\$39	24%	58.1%	25.4	\$ 0.09	4.6	10.5
Industry Average		na	5%	na	29.7	\$ 19.13	20.0	34.7
<b>Selected Peers</b>								
CIMA LABS	CIMA	\$40	35%	62.7%	41.3	\$ 1.26	0.0	7.6
DISCOVERY PARTNE DPII		\$40	-4%	51.2%	-	\$ (0.01)	0.0	-
DRAXIS HEALTH	DRAX	\$37	-5%	16.6%	-	\$ (0.01)	31.0	9.2

### Valuation Data

		Price	CY P/E			Price/ \$ Flow	Pr/Sales	Price/Bk
			2000	2001	2002			
HI-TECH PHARMACA	HITK	\$25.00	36.2	-	-	20.9	3.0	3.7
Peer Group Avg*		\$9.93	50.5	85.1	17.8	58.0	3.7	4.2
Industry Average		\$328.30	20.8	20.5	18.3	17.2	4.0	7.2
<b>Selected Peers</b>								
CIMA LABS	CIMA	\$24.98	25.8	20.1	20.6	19.8	8.8	1.7
DISCOVERY PARTNE DPII		\$2.84	-	-	-	-	1.7	0.5
DRAXIS HEALTH	DRAX	\$1.52	30.4	19.0	9.5	-	1.5	2.9

\*Peer Group includes compaes with LTM sales between \$35 to \$45 million.

Source: Baseline

See important disclaimers on last page.

**Update:** HITK has definitely lived up to our expectations. We first reported on HITK in our 6/22/01 Generic Drug Industry Report when the stock was trading at \$8.38. Since that time, the shares have appreciated 198%. The most recent climb occurred after the Company released 2Q03 results (on 12/16/02) and announced a 3/2 split (12/18/02).

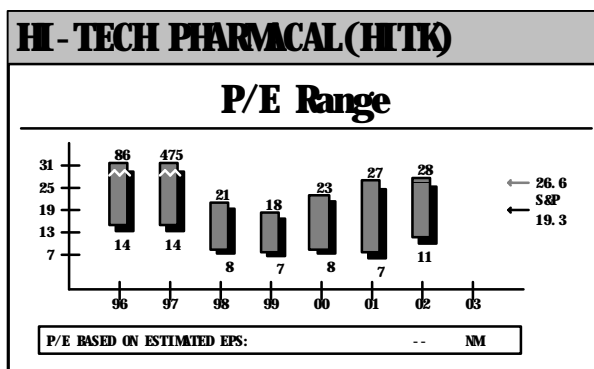
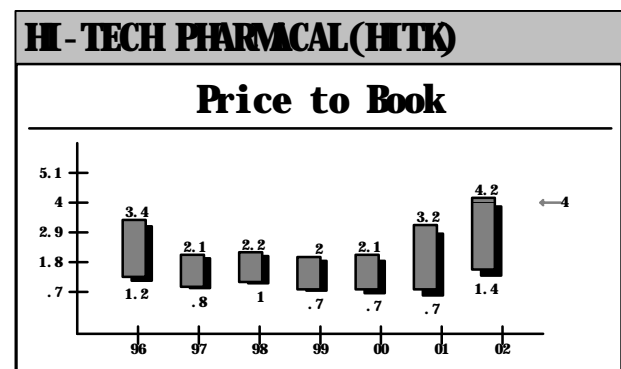
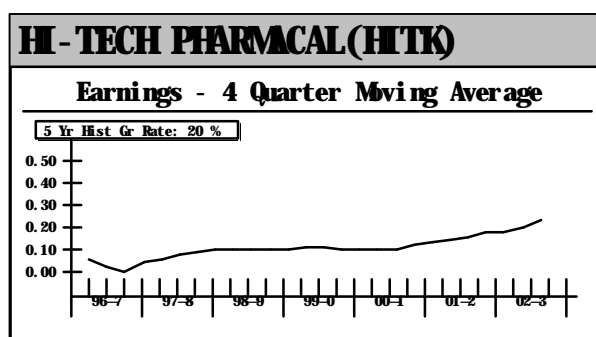
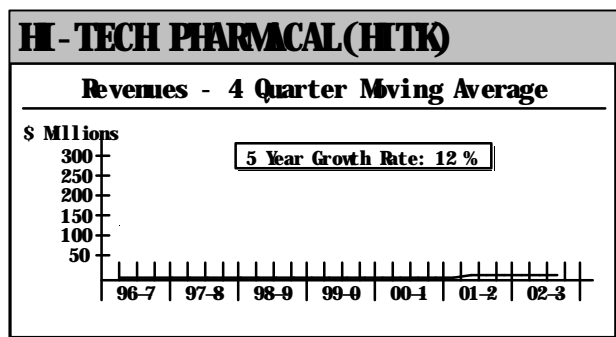
**2Q03 Results**

Sales +39%, Net increased 82%, EPS grew 78%. This performance was attributed to increased demand for generic prescription products, wider distribution channels, and introduction of new diabetic products.

Customer concentration has increased. Cardinal Health and CVS/Pharmacies are HITK's largest customers with 18% and 13% of sales, respectively. At YE02, no one customer accounted for more than 10% of total sales.

There is some litigation risk. We noted four lawsuits against the company (and other co-defendants). But the Company "believes that the effect of these litigation matters will not be material to the...operations of the Company."

-Rick Wayman, CFA  
rwayman@researchstock.com



NEITHER RESEARCHSTOCK.COM NOR ANY PROVIDERS OF INFORMATION MAKE ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKE NO EXPRESS OR IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR USE.

researchstock.com, Inc. is an independent research firm that publishes research reports on companies that may, or may not be clients. We have **not** been compensated by the subject company (in any way) for this report. This information is solely for informative purposes and is not solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the securities, markets or developments referred to in the material. The information contained herein is subject to change without notice, and we assume no responsibility to update the information in this report. This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors should obtain individual financial advice based on their own particular circumstances before making investment decisions on the basis of this report.