

HI-TECH PHARM

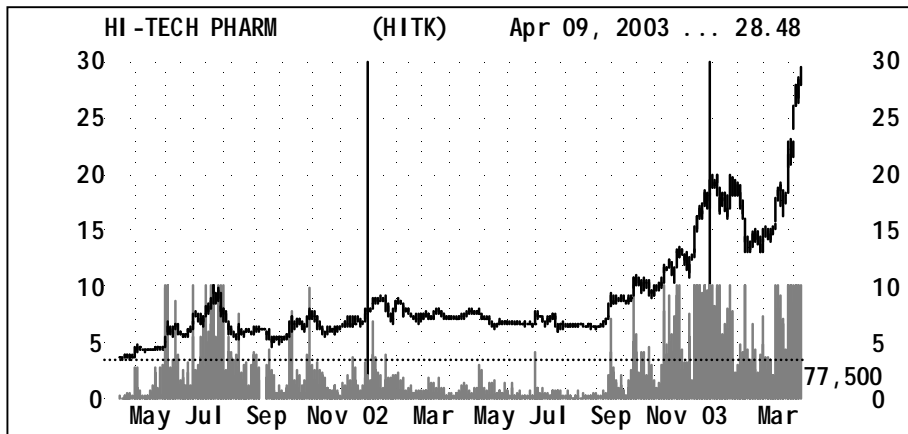
Ticker Symbol: **HITK**

April 10, 2003

Current Data

Current Price	\$ 28.48
52-Week Range	30-6
Shares Out (Mill)	7.2
Ave Volume LTM	97,940
Market Capitalization	\$ 206.2
LTD/Tot Cap	0.0%
Institutional Holdings	27.6%
Insider Buys-Sells	-5.0
Book Value	\$ 4.53

Sales and Earnings Continue to Soar, Stock Does Too.



Valuation

P/E (Last FY)	39.01
P/B	6.29
Price/Sales	2.49
PEG (2003)	na

Operating Data

Sales Growth	70.4%
EBITDA Margin Grwt	35.2%
Net Inc. Growth	91.10%

Annual Results (FY-April)

	1999	2000	2001	2002	1/02	1/03
Sales	\$23.3	\$26.4	\$29.6	\$33.3	\$9.3	\$15.9
Gr Margin	49.4%	48.5%	52.7%	51.1%	51%	48%
EBITDA	19.7%	15.9%	17.9%	20.7%	28%	38%
EPS	\$0.28	\$0.25	\$0.36	\$0.47	\$ 0.13	\$0.24
LTD/Cap.	5.5%	3.1%	0.9%	0.4%	0.4%	0.0%
Times Int	16	28	40	57	na	na

EPS-Cal yr.

2002	\$ 0.73
2003e	-
2004e	-

Company Description

Hi-Tech Pharmacal 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 PHARM	HITK	\$46	46%	52.0%	21.2	\$ 0.90	0.0	18.9
Peer Group Avg*		\$42	26%	53.9%	27.8	\$ 0.49	4.6	11.2
Industry Average		na	5%	na	28.2	\$ 19.46	20.0	34.9
Selected Peers								
CIMA LABS	CIMA	\$47	45%	66.7%	40.4	\$ 1.51	0.0	8.8
DISCOVERY PARTNE	DPII	\$41	0%	12.6%	-	\$ 1.89	0.0	-
DRAXIS HEALTH	DRAX	\$38	1%	16.6%	-	\$ 0.01	31.0	12.8

Valuation Data

		Price	CY P/E			Price/ \$ Flow	Pr/Sales	Price/Bk
			2002	2003e	2004e			
HI-TECH PHARM	HITK	\$28.48	38.8	-	-	31.7	4.5	6.3
Peer Group Avg*		\$10.58	41.4	61.7	12.8	48.5	3.6	4.5
Industry Average		\$329.83	20.6	18.8	16.5	16.9	3.9	7.0
Selected Peers								
CIMA LABS	CIMA	\$22.03	17.2	20.4	17.6	14.8	6.7	1.5
DISCOVERY PARTNE	DPII	\$2.85	-	285.0	-	1.5	1.7	0.7
DRAXIS HEALTH	DRAX	\$1.26	18.0	10.5	8.4	157.4	1.2	2.4

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

Source: Baseline

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Update: We first reported on HITK in our 6/22/01 Generic Drug Industry Report when the stock was trading at a split adjusted \$5.59. Since that time, the shares have appreciated 409%.

In early Aril, Insiders exercised options and sold shares, which is understandable considering the stock's rapid rise.

3Q03 Results

Quarterly results indicate that the company continues to gain market share in both the generic and branded products.

- Sales increased 70% to \$15.9 million.
- Net Income rose 89% to \$1.9 million, EPS was \$0.24 vs. \$0.13.
- 3:2 Stock Split occurred 1/03.

9 month Summary:

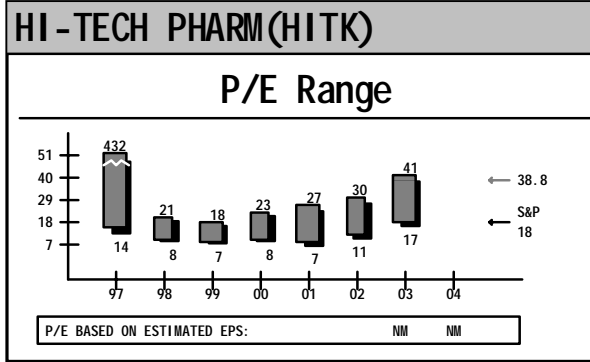
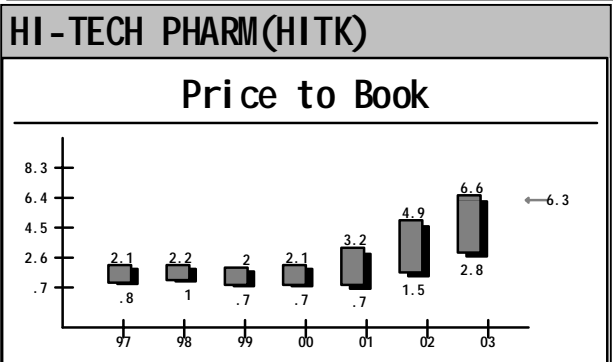
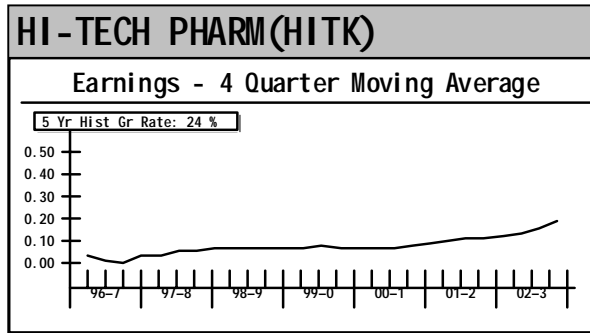
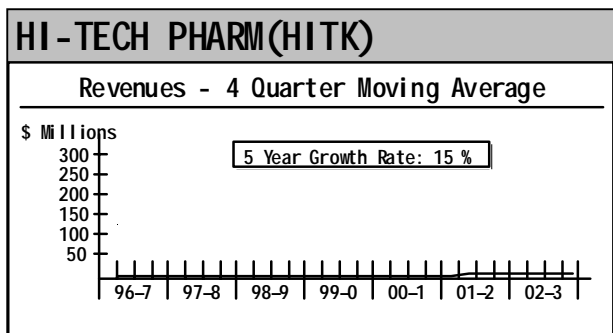
Sales +54% to \$36.5 million.

Net income +88% to \$4.45 million, EPS was \$0.58 vs. \$0.32

HITK has minimal debt, \$12.1 million in cash and strong operating cash flows.

There is some client concentration and litigation risk (see SEC filings for additional information).

-Rick Wayman, CFA (rwayman@researchstock.com)



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