

# HI-TECH PHARM

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Ticker Symbol: **HITK**

September 10, 2003

## Current Data

Current Price	\$ 31.56
52-Week Range	49.9-6.34
Shares Out (Mill)	8.4
Ave Volume LTM	297,806
Market Capitalization	\$ 263.7
LTD/Tot Cap	0.0%
Institutional Holdings	24.4%
Insider Buys-Sells	0.0
Book Value	\$ 4.90

## Valuation

P/E (Last FY)	42.45
P/B	6.44
Price/Sales	4.44
PEG (2003)	1.66

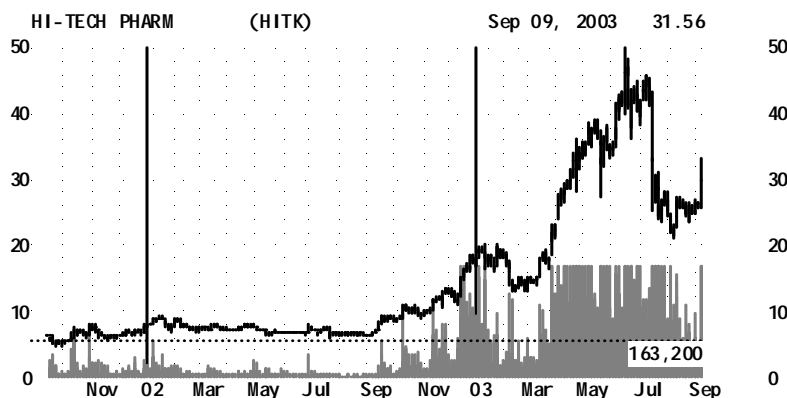
## Operating Data

Sales Growth	33.3% (\$Million)
EBITDA Margin Grwth	na
Net Inc. Growth	19.64%

## EPS-FYE

2003	\$0.74
2004e	\$0.90
2005e	\$1.09

## Strong Fundamentals. Fairly Valued?



## This Qtr Annual Results (FY-April)

	2000	2001	2002	2003	Apr-02	Apr-03
Sales (\$Million)	\$26.4	\$29.6	\$33.3	\$47.4	\$9.6	\$10.9
Gr Mrgn.	48.5%	52.7%	51.1%	53.3%	2%	52%
EBITDA	15.9%	17.9%	20.7%	21.8%	na	na
EPS	\$0.25	\$0.36	\$0.47	\$0.74	\$0.15	\$0.16
LTD/Cap.	3.1%	0.9%	0.4%	-	8.7%	0.9%
Times Int	28	40	57	-	na	na

## Initiating Coverage

This stock could continue to run as the market shifts to growth vs. value. With minimal debt, good cash flow, and a stocked pipeline, there is potentially more upside than we have forecast. Especially considering that a recent private placement provided \$23.8 million for potential acquisitions. While this could be a good stock for aggressive investors, the stock could be very volatile (due to a lack of research coverage) and the shares appear to be fairly valued.

We are initiating coverage with EPS forecasts of \$0.90 and \$1.09 for FY04 and FY05. Our 12-18 month target price is \$27.00 with a range of \$14 to \$37.

For more information see our Due Diligence report dated September 10, 2003.

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

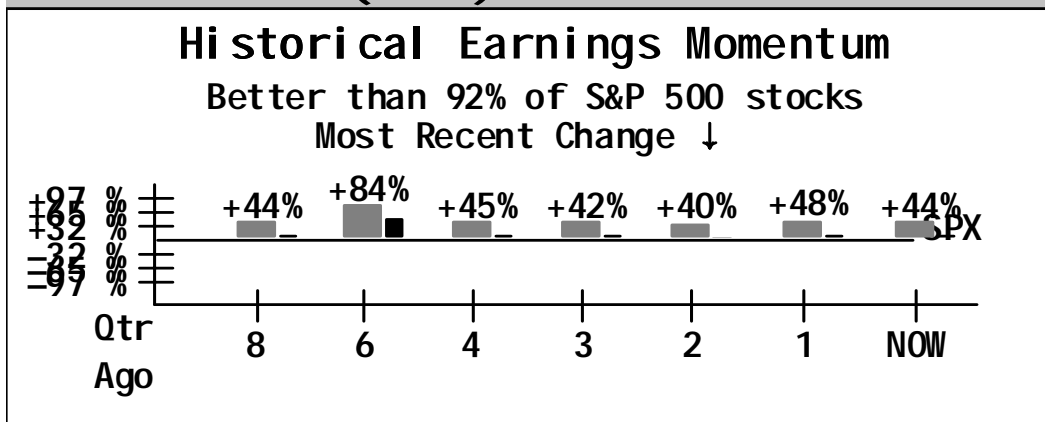
## Company Description

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.

See important disclosures on last page.

Operating Data-LTM		Sales		Gross	EBITDA	\$ Flow	LTD/	
Company	Symbol	(MM)	Growth	Margin	Margin	/Share	Ttl Cap	ROE
<b>HI-TECH PHARM</b>	<b>HITK</b>	<b>\$47</b>	<b>43%</b>	<b>53.3%</b>	<b>23.5</b>	<b>\$ 0.90</b>	<b>0.0</b>	<b>20.2</b>
Peer Group Avg*		\$420	48%	60.3%	24.3	\$ 1.65	15.3	10.3
Industry Average		\$5,005	28%	67.9%	30.8	\$ 1.38	20.0	23.1
<b>Selected Peers</b>								
CIMA LABS	CIMA	\$63	72%	63.7%	34.8	\$ 1.45	0.0	8.2
DISCOVERY PARTNERS	DPII	\$47	20%	41.4%	13.0	\$ 0.24	0.0	0.0
DRAXIS HEALTH	DRAX	\$41	7%	-13.9%	1.0	\$ (0.02)	25.0	11.4
Valuation Data		CY P/E			Price/			
		Price	2002	2003e	2004e	\$ Flow	Sales	Book
<b>HI-TECH PHARM</b>	<b>HITK</b>	<b>\$31.56</b>	<b>43.0</b>	<b>38.9774</b>	<b>na</b>	<b>35.1</b>	<b>5.6</b>	<b>6.4</b>
Peer Group Avg*		\$29.14	72.4	33.3	22.7	28.0	4.7	3.4
Industry Average		\$31.59	38.7	25.8	25.1	20.8	5.4	6.4
<b>Selected Peers</b>								
CIMA LABS	CIMA	\$27.61	21.6	25.1	22.1	19.0	6.3	1.8
DISCOVERY PARTNERS	DPII	\$5.15	-	103.0	85.8	21.3	2.7	1.3
DRAXIS HEALTH	DRAX	\$2.01	28.7	20.1	14.4	-	1.8	2.7
*Peer Group includes companies with LTM sales between \$35 to \$45 million.								
Source: Baseline								
Price Performance		Last	3 mos.	6 mos.	YTD	LTM		
<b>HI-TECH PHARM</b>	<b>HITK</b>	<b>\$31.56</b>	<b>-24.7</b>	<b>114.0</b>	<b>84.6</b>	<b>378.2</b>		
Peer Average		\$11.59	10.9	71.7	45.7	17.9		
S&P 500	SPX	\$1,023.17	3.9	26.7	16.3	13.3		
NASDAQ 100 TR UNIT	QQQ	\$34.09	13.0	42.0	39.9	47.7		
Peer Group								
CIMA LABS	CIMA	\$27.61	-2.6	38.9	14.1	18.1		
DISCOVERY PARTNERS	DPII	\$5.15	11.2	104.4	85.3	36.2		
DRAXIS HEALTH	DRAX	\$2.01	24.1	71.8	37.7	-0.5		
Source: Baseline								

## HI -TECH PHARM (HITK)



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(Legalese)

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