

Pomeroy IT Solutions, Inc.

(PMRY:NASDAQ)

Market Perform 3

Based in Hebron, Kentucky, Pomeroy IT Solutions, Inc. sells, installs, services, and leases computer equipment for commercial, health care, financial, educational, and government customers. The company, which generated 2003 revenues of \$598.4 million, employs approximately 1,345 individuals, more than half of whom are technical personnel, and maintains 28 regional offices throughout the Southeast and Midwest regions of the U.S.

Pomeroy Reports Results In-Line, No Change To Rating

- ◆ Pomeroy reported 3Q04 EPS of \$0.27 (excluding \$0.12 of restructuring charges related to the ARC acquisition and a severance package for the former CEO) and revenue of \$200.5 million, in-line with our estimates. Gross margin of 13.2% was above our estimate of 12.9% due to higher-than-expected revenue from the higher margin services segment. Strength in gross margin was offset by higher-than-expected SG&A as a percentage of sales of 9.8% (versus our estimate of 9.5%) due to this same mix shift.
- ◆ The integration of newly acquired ARC is running smoothly, as ARC's contribution to overall revenue came in at \$22 million, slightly above management's guidance of \$20 million. Organically, services are growing faster than products, and the acquired revenue from ARC (100% services) will help to widen this gap. Services now comprise 31% of total revenue, up from 21% last year, and continued strength in this higher margin segment should help mitigate any weakness in products.
- ◆ For 4Q04, management provided revenue guidance of 11-13% organic growth year-over-year and EPS between \$0.30 and \$0.32. ARC should contribute roughly \$30 million. Interestingly, management guided the product business to be flattish sequentially in what has historically been a seasonally strong quarter.
- ◆ Our estimates change as follows: Our 4Q04 and 2004 EPS remain unchanged, and our 2005 EPS is raised a penny. We are raising our 2005 revenue estimate to \$864 million from \$860 million, reflecting a continued mix shift toward faster growing services.
- ◆ We continue to rate Pomeroy IT Solutions **Market Perform** based on our view that the valuation remains reasonable at 10.8x our 2005 EPS estimate. We are encouraged that the ARC transaction has gone smoothly but note that additional integration will take place over the next three to four months.

FY=	EPS	Q1	Q2	Q3	Q4	Full
	Dec	Mar	Jun	Sep	Dec	Year
Old	2003A	\$0.12	\$0.17	\$0.21	\$0.24	\$0.74
	2004E	0.18A	0.25A	0.27	0.31	1.01
New	2004E	0.18A	0.25A	0.27A	0.31	1.01
Old	2005E	UR	UR	UR	UR	1.24
New	2005E	0.24	0.33	0.33	0.36	1.25

UR: Under Review. Rows may not add due to rounding.

Please read disclosure/risk information on page 5 and Analyst Certification on page 6.

All expressions of opinion reflect the judgment of the Research Department of Raymond James & Associates, Inc., (RJA) at this date and are subject to change. Information obtained from third-party sources is considered reliable, but we do not guarantee that the foregoing report is accurate or complete. Other departments of RJA may have information that is not available to the Research Department about companies mentioned in this report. RJA or its affiliates may execute transactions in the securities mentioned in this report that may not be consistent with the report's conclusions. For institutional clients of the European Economic Area (EEA): This document (and any attachments or exhibits hereto) is intended only for EEA Institutional Clients or others to whom it may lawfully be submitted. Raymond James in the U.K. is regulated by the Securities and Futures Authority.

The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, FL 33716
 Institutional clients may call for additional information:
 Research 800-237-5643 • Trading 800-237-8426

EQUITY RESEARCH

November 12, 2004
 Technology Distribution
 Company Comment

Brian G. Alexander, CFA, CPA
 (727) 567-2312
 Brian.Alexander@RaymondJames.com

Current Price
 (11/11/04) \$13.55
 Projected 12-Month Target Price: NM

52-Week Range \$16.15-\$10.59
 Dividend/Yield \$0.00/0.0%
 Book Value (09/04) \$16.75
 Suitability Aggressive Growth

Shares Out. (mil.) 12.4
 Market Cap. (mil.) \$168.0
 Avg. Daily Vol. (10 day) 24,019

Proj. 3-Yr EPS Growth Rate NM
 ROE 6%
 Long-Term Debt/Cap \$0.3/2%

P/E Ratios
 2004E 13.4x
 2005E 10.8x

Operating Margins
 2003A 2.5%
 2004E 2.8%
 2005E 3.0%

Revenues (mil.)

	Old	New
2003A	\$598	\$598
2004E	\$754	\$747
2005E	\$860	\$864

POMEROY IT SOLUTIONS, INC.

Summary of Current Quarter (Actual vs Projected)

Income Statement

	Q2 JUN 04A	Q3 SEP 04A	Q3 SEP 04E	\$ Variance (Act-Proj)	%Variance	EPS impact
Revenue:						
Product	\$143.72	\$139.40	\$145.10	(\$5.70)	-3.9%	(\$0.008)
% of total rev	80.7%	69.5%	72.2%			
Service	\$34.43	\$61.10	\$55.80	\$5.30	9.5%	\$0.007
% of total rev	19.3%	30.5%	27.8%			
TOTAL REVENUE	\$178.16	\$200.50	\$200.90	(\$0.40)	-0.2%	(\$0.00)
COST OF SALES	\$158.42	\$174.05	\$175.06	(\$1.01)	-0.6%	
Gross Profit:						
Product	\$10.28	\$9.78	\$10.52			
% of product rev	7.15%	7.02%	7.25%		-23bp	(\$0.02)
Service	\$9.45	\$16.67	\$15.32			
% of service rev	27.45%	27.28%	27.45%		-17bp	(\$0.00)
TOTAL GROSS PROFIT	\$19.73	\$26.45	\$25.84	\$0.61	2.4%	\$0.03
% of total rev	11.08%	13.19%	12.86%		33bp	
Operating Expenses:						
SG&A	\$13.56	\$19.72	\$19.00	\$0.72	3.8%	
% of total rev	7.6%	9.8%	9.5%		37bp	(\$0.04)
Deprec./Amort.	\$1.07	\$1.17	\$1.30	(\$0.13)	-9.7%	
TOTAL OPER. EXPENSE	\$14.63	\$20.90	\$20.30	\$0.60	2.9%	
% of total rev	8.21%	10.42%	10.10%		31bp	(\$0.03)
OPER INCOME	\$5.10	\$5.55	\$5.54	\$0.02	0.3%	
% of total rev	2.86%	2.77%	2.76%		1bp	\$0.00
INT (net)	\$0.00	\$0.04	(\$0.05)	\$0.09		
PRE-TAX	\$5.10	\$5.52	\$5.59	(\$0.07)		
% of total rev	2.9%	2.8%	2.8%			
TAX-RATE %	39.5%	39.5%	39.5%		-2bp	\$0.00
NET INCOME	\$3.09	\$3.34	\$3.38	(\$0.04)	-1.2%	
% of total rev	1.7%	1.7%	1.7%			
EPS (diluted)	\$0.25	\$0.15	\$0.27	(\$0.12)	-44.0%	
EPS (x gain/charge)	\$0.25	\$0.27	\$0.27	(\$0.00)	-0.2%	
PRIOR YR EPS	\$0.17	\$0.21	\$0.21	\$0.00	0.0%	
SHARES OUT (MIL)	12.36	12.37	12.50	(0.13)	-1.1%	\$0.00

POMEROY IT SOLUTIONS, INC.

INCOME STATEMENT (\$Mil.)

(\$ MIL)	Q1				Q2				Q3				Q4				2005E
	2001A	2002A	MAR 03A	JUN 03A	SEP 03A	DEC 03A	2003A	MAR 04A	JUN 04A	SEP 04A	DEC 04E	2004E	MAR 05E	JUN 05E	SEP 05E	DEC 05E	
Revenue:																	
Product Revenue	\$668.75	\$571.51	\$99.99	\$116.20	\$125.70	\$128.64	\$470.52	\$124.60	\$143.72	\$139.40	\$142.19	\$549.92	\$135.08	\$152.64	\$145.01	\$147.91	\$580.64
% of total revenue	82.6%	81.3%	76.9%	78.9%	79.5%	78.9%	78.6%	80.3%	80.7%	69.5%	66.6%	73.6%	67.7%	67.9%	66.7%	66.5%	67.2%
Service Revenue	\$140.47	\$131.29	\$29.99	\$31.16	\$32.37	\$34.38	\$127.91	\$30.62	\$34.43	\$61.10	\$71.25	\$197.40	\$64.50	\$72.24	\$72.24	\$74.41	\$283.39
% of total revenue	17.4%	18.7%	23.1%	21.1%	20.5%	21.1%	21.4%	19.7%	19.3%	30.5%	33.4%	26.4%	32.3%	32.1%	33.3%	33.5%	32.8%
TOTAL REVENUE	\$809.21	\$702.80	\$129.98	\$147.35	\$158.07	\$163.02	\$598.42	\$155.21	\$178.16	\$200.50	\$213.44	\$747.32	\$199.58	\$224.88	\$217.25	\$222.32	\$864.03
COST OF SALES	\$705.94	\$615.14	\$113.60	\$130.04	\$140.44	\$143.96	\$528.03	\$136.85	\$158.42	\$174.05	\$184.00	\$663.32	\$172.55	\$194.51	\$187.41	\$191.69	\$746.16
Gross Profit:																	
Product	\$62.67	\$47.27	\$7.92	\$8.90	\$8.87	\$9.78	\$35.47	\$10.03	\$10.28	\$9.78	\$9.95	\$40.04	\$9.46	\$10.68	\$10.15	\$10.35	\$40.65
% of product revenue	9.37%	8.27%	7.92%	7.66%	7.06%	7.60%	7.54%	8.05%	7.15%	7.02%	7.00%	7.28%	7.00%	7.00%	7.00%	7.00%	7.00%
Service	\$40.61	\$40.40	\$8.46	\$8.41	\$8.76	\$9.29	\$34.92	\$8.34	\$9.45	\$16.67	\$19.49	\$53.95	\$17.58	\$19.69	\$19.69	\$20.28	\$77.22
% of service revenue	28.91%	30.77%	28.21%	27.00%	27.06%	27.01%	27.30%	27.25%	27.45%	27.28%	27.35%	27.33%	27.25%	27.25%	27.25%	27.25%	27.25%
TOTAL GROSS PROFIT	\$103.28	\$87.67	\$16.38	\$17.32	\$17.64	\$19.06	\$70.39	\$18.37	\$19.73	\$26.45	\$29.44	\$93.99	\$27.03	\$30.37	\$29.84	\$30.63	\$117.87
% of total revenue	12.76%	12.47%	12.60%	11.75%	11.16%	11.69%	11.76%	11.83%	11.08%	13.19%	13.79%	12.58%	13.54%	13.51%	13.73%	13.78%	13.64%
Operating Expenses:																	
SG&A	\$61.64	\$56.38	\$12.47	\$12.62	\$12.13	\$12.89	\$50.12	\$13.74	\$13.56	\$19.72	\$21.92	\$68.95	\$21.00	\$22.50	\$21.90	\$22.00	\$87.40
% of total revenue	7.62%	8.02%	9.60%	8.56%	7.68%	7.91%	8.38%	8.85%	7.61%	9.84%	10.27%	9.23%	10.52%	10.01%	10.08%	9.90%	10.12%
Deprec./Amort.	\$10.36	\$5.72	\$1.39	\$1.32	\$1.29	\$1.32	\$5.32	\$0.93	\$1.07	\$1.17	\$1.25	\$4.42	\$1.20	\$1.20	\$1.20	\$1.20	\$4.80
TOTAL OPER. EXPENSE	\$72.00	\$62.10	\$13.86	\$13.94	\$13.42	\$14.21	\$55.44	\$14.66	\$14.63	\$20.90	\$23.17	\$73.36	\$22.20	\$23.70	\$23.10	\$23.20	\$92.20
% of total revenue	8.90%	8.84%	10.67%	9.46%	8.49%	8.72%	9.26%	9.45%	8.21%	10.42%	10.86%	9.82%	11.12%	10.54%	10.63%	10.44%	10.67%
OPER INCOME	\$31.27	\$25.57	\$25.51	\$33.38	\$4.21	\$4.85	\$14.96	\$3.71	\$5.10	\$5.55	\$6.27	\$20.63	\$4.83	\$6.67	\$6.74	\$7.43	\$25.67
% of total revenue	3.86%	3.64%	1.93%	2.29%	2.66%	2.98%	2.50%	2.39%	2.86%	2.77%	2.94%	2.76%	2.42%	2.97%	3.10%	3.34%	2.97%
INT (net)	\$2.54	\$0.48	\$0.07	(\$0.07)	\$0.01	(\$0.04)	(\$0.04)	(\$0.01)	\$0.00	\$0.04	\$0.00	\$0.03	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Restructuring/Reserves	\$15.93	\$3.33	(\$0.02)	\$0.15			\$0.13										
PRE-TAX	\$28.74	\$25.09	\$2.47	\$3.30	\$4.20	\$4.90	\$14.87	\$3.72	\$5.10	\$5.52	\$6.27	\$20.60	\$4.83	\$6.67	\$6.74	\$7.43	\$25.67
% of total revenue	3.6%	3.6%	1.9%	2.2%	2.7%	3.0%	2.5%	2.4%	2.9%	2.8%	2.9%	2.8%	2.4%	3.0%	3.1%	3.3%	3.0%
TAX-RATE %	39.0%	31.0%	39.0%	39.0%	39.0%	39.0%	39.0%	38.7%	39.5%	39.5%	39.5%	39.3%	39.5%	39.5%	39.5%	39.5%	39.5%
NET INCOME	\$17.53	\$15.01	\$1.51	\$2.01	\$2.56	\$2.99	\$9.07	\$2.28	\$3.09	\$3.34	\$3.79	\$12.49	\$2.92	\$4.04	\$4.08	\$4.50	\$15.54
% of total revenue	2.2%	2.1%	1.2%	1.4%	1.6%	1.8%	1.5%	1.5%	1.7%	1.7%	1.8%	1.7%	1.5%	1.8%	1.9%	2.0%	1.8%
EPS (diluted)	\$0.62	\$1.17	\$0.12	\$0.16	\$0.21	\$0.24	\$0.73	\$0.18	\$0.25	\$0.15	\$0.31	\$0.89	\$0.24	\$0.33	\$0.33	\$0.36	\$1.25
EPS (x gain/charge)	\$1.43	\$1.26	\$0.12	\$0.17	\$0.21	\$0.24	\$0.74	\$0.18	\$0.25	\$0.27	\$0.31	\$1.01	\$0.24	\$0.33	\$0.33	\$0.36	\$1.25
PRIOR YR EPS	\$2.44	\$1.43	\$0.36	\$0.38	\$0.30	\$0.21	\$1.26	\$0.12	\$0.17	\$0.21	\$0.24	\$0.74	\$0.18	\$0.25	\$0.27	\$0.31	\$1.01
SHARES OUT (MIL)	12.70	12.76	12.47	12.38	12.37	12.37	12.40	12.40	12.36	12.37	12.40	12.38	12.40	12.36	12.37	12.40	12.38
YY% CHG.																	
Product Revenue	-14.9%	-14.5%	-34.8%	-28.7%	-8.2%	8.9%	-17.7%	24.6%	23.7%	10.9%	10.5%	16.9%	8.4%	6.2%	4.0%	4.0%	5.6%
Service Revenue	0.7%	-6.5%	-8.8%	-7.4%	-4.6%	11.6%	-2.6%	2.1%	10.5%	88.7%	107.2%	54.3%	110.7%	109.8%	18.2%	4.4%	43.6%
TOTAL REVENUE	-12.5%	-13.2%	-30.2%	-25.0%	-7.5%	9.4%	-14.9%	19.4%	20.9%	26.8%	30.9%	24.9%	28.6%	26.2%	8.4%	4.2%	15.6%
TOTAL GROSS PROFIT	-16.3%	-15.1%	-31.2%	-28.2%	-17.8%	4.2%	-19.7%	12.2%	13.9%	50.0%	54.4%	33.5%	47.2%	53.9%	12.8%	4.0%	25.4%
TOTAL OPER. EXPENSE	1.9%	-13.8%	-14.3%	-14.6%	-14.8%	2.6%	-10.7%	5.8%	4.9%	55.7%	63.1%	32.3%	51.4%	62.0%	10.5%	0.1%	25.7%
OPER INCOME	-40.7%	-18.2%	-67.1%	-56.6%	-26.1%	9.4%	-41.5%	47.4%	51.1%	31.8%	29.1%	37.9%	30.4%	30.7%	21.3%	18.6%	24.4%
PRE-TAX	-41.2%	-12.7%	-67.2%	-56.5%	-25.4%	12.8%	-40.7%	50.5%	54.6%	31.3%	27.9%	38.5%	30.1%	30.8%	22.1%	18.6%	24.6%
NET INCOME	-40.6%	-14.4%	-67.7%	-56.5%	-49.7%	NM	-39.6%	51.1%	53.3%	30.3%	NM	37.7%	28.5%	30.8%	22.1%	NM	24.3%
EPS (x gain/charge)	-41.6%	-11.7%	-66.9%	-55.7%	-30.7%	13.2%	-41.3%	51.9%	46.8%	30.3%	26.6%	36.4%	28.5%	30.8%	22.1%	18.6%	24.4%
SEQ% CHG.																	
Product Revenue			-15.4%	16.2%	8.2%	2.3%		-3.1%	15.3%	-3.0%	2.0%		-5.0%	13.0%	-5.0%	2.0%	
Service Revenue			-2.6%	3.9%	3.9%	6.2%		-11.0%	12.5%	77.4%	16.6%		-9.5%	12.0%	0.0%	3.0%	
TOTAL REVENUE			-12.7%	13.4%	7.3%	3.1%		-4.8%	14.8%	12.5%	6.5%		-6.5%	12.7%	-3.4%	2.3%	
TOTAL GROSS PROFIT			-10.5%	5.7%	1.8%	8.1%		-3.6%	7.4%	34.1%	11.3%		-8.2%	12.3%	-1.8%	2.7%	
TOTAL OPER. EXPENSE			0.1%	0.6%	-3.7%	5.9%		3.2%	-0.2%	42.9%	10.9%		-4.2%	6.8%	-2.5%	0.4%	
OPER INCOME			-43.3%	34.3%	24.7%	15.3%		-23.7%	37.7%	8.8%	12.9%		-22.9%	38.0%	1.0%	10.3%	
PRE-TAX			-43.1%	33.7%	27.3%	16.6%		-24.2%	37.3%	8.1%	13.6%		-22.9%	38.0%	1.0%	10.3%	
NET INCOME			141.0%	33.7%	27.3%	16.6%		-23.8%	35.6%	8.2%	13.6%		-22.9%	38.0%	1.0%	10.3%	
EPS (x gain/charge)			-43.4%	40.7%	21.9%	16.6%		-24.0%	36.0%	8.1%	13.3%		-22.9%	38.5%	1.0%	10.0%	
MARGIN ANALYSIS																	
GROSS MARGIN-Product																	
YY BP CHG	9.37%	8.27%	7.92%	7.66%	7.06%	7.60%	7.54%	8.05%	7.15%	7.02%	7.00%	7.28%	7.00%	7.00%	7.00%	7.00%	7.00%
SEQ BP CHG	76.3	(110.0)	(95.7)	(67.3)	(111.7)	9.1	(73.3)	13.0	(51.2)	(4.2)	(60.0)	(25.7)	(104.7)	(15.1)	(1.7)	0.0	(28.1)
GROSS MARGIN-Service																	
YY BP CHG	28.91%	30.77%	28.21%	27.00%	27.06%	27.01%	27.30%	27.25%	27.45%	27.28%	27.35%	27.33%	27.25%	27.25%	27.25%	27.25%	27.25%
SEQ BP CHG	(1,105.0)	185.8	(280.6)	(425.8)	(314.0)	(357.1)	(346.3)	(96.0)	45.1	21.4	33.9	2.7	(0.1)	(20.3)	(2.9)	(10.0)	(8.1)
GROSS MARGIN-Total																	
YY BP CHG	12.76%	12.47%	12.60%	11.75%	11.16%	11.69%	11.76%	11.83%	11.08%	13.19%	13.79%	12.58%	13.54%	13.51%	13.73%	13.78%	13.64%
SEQ BP CHG	(57.1)	(28.9)	(18.3)	(50.9)	(139.5)	(58.6)	(71.1)	(76.5)	(67.7)	203.5	209.9	81.4	171.0	243.0	54.2	(1.6)	106.5
OPER MARGIN																	
YY BP CHG	3.86%	3.64%	1.93%	2.29%	2.66%	2.98%	2.50%	2.39%	2.86%	2.77%	2.94%	2.76%	2.42%	2.97%	3.10%	3.34%	2.97%
SEQ BP CHG	(183.2)	(22.7)	(217.1)	(166.5)	(67.2)	(0											

POMEROY IT SOLUTIONS, INC.

BALANCE SHEET (\$Mil.)

ASSETS (\$mil)	2001A	2002A	MAR 03A	JUN 03A	SEP 03A	DEC 03A	2003A	MAR 04A	JUN 04A	SEP 04A	DEC 04E	2004E	MAR 05E	JUN 05E	SEP 05E	DEC 05E	2005E
CASH & EQUIV	\$2.88	\$32.51	\$58.58	\$57.90	\$40.26	\$40.20	\$40.20	\$48.63	\$45.37	\$9.60	\$6.74	\$6.74	\$11.95	\$9.43	\$11.25	\$16.95	\$16.95
TOTAL RECEIVABLES	\$207.80	\$110.90	\$94.21	\$97.49	\$116.50	\$122.65	\$122.65	\$108.60	\$120.70	\$126.91	\$134.82	\$134.82	\$129.33	\$142.75	\$138.04	\$138.73	\$138.73
RESERVES	\$16.74	\$4.89	\$5.16	\$5.27	\$5.30	\$2.66	\$2.66	\$2.66	\$2.66	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66
INVENTORIES	\$20.88	\$11.24	\$10.06	\$11.71	\$13.20	\$12.45	\$12.45	\$22.16	\$17.71	\$17.68	\$18.55	\$18.55	\$17.02	\$19.18	\$18.48	\$18.91	\$18.91
OTHER CURRENT	\$8.47	\$10.20	\$5.57	\$8.51	\$7.28	\$5.19	\$5.19	\$4.97	\$7.32	\$8.59	\$8.77	\$8.77	\$8.20	\$9.24	\$8.93	\$9.14	\$9.14
TOT CURR ASSETS	\$240.02	\$164.84	\$168.43	\$175.61	\$177.25	\$180.50	\$180.50	\$184.36	\$191.10	\$162.78	\$168.88	\$168.88	\$166.50	\$180.61	\$176.70	\$183.73	\$183.73
PP&E	\$18.55	\$19.30	\$19.03	\$18.24	\$17.30	\$16.26	\$16.26	\$15.85	\$15.88	\$15.89	\$15.68	\$15.68	\$15.59	\$15.36	\$15.13	\$14.91	\$14.91
LEASES	\$22.44	\$1.89	\$1.67	\$2.58	\$2.33	\$2.94	\$2.94	\$2.78	\$2.29	\$2.22	\$2.22	\$2.22	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
GOODWILL	\$58.51	\$61.18	\$65.20	\$65.44	\$66.97	\$68.10	\$68.10	\$68.41	\$68.49	\$120.40	\$120.40	\$120.40	\$120.40	\$120.40	\$120.40	\$120.40	\$120.40
OTHER ASSETS	\$2.20	\$1.30	\$1.31	\$1.20	\$1.03	\$1.41	\$1.41	\$1.49	\$1.76	\$7.37	\$2.11	\$2.11	\$1.97	\$2.22	\$2.14	\$2.19	\$2.19
TOTAL ASSETS	\$341.72	\$248.50	\$255.62	\$263.06	\$264.88	\$269.20	\$269.20	\$272.89	\$279.53	\$308.66	\$309.28	\$309.28	\$306.46	\$320.59	\$316.38	\$323.23	\$323.23
LIAB & EQUITY																	
CURR PORTION OF NOTE	\$27.19	\$0.54	\$1.20	\$1.20	\$0.66	\$0.91	\$0.91	\$0.91	\$0.91	\$0.91	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ACCT PAY	\$86.45	\$31.17	\$35.79	\$41.38	\$48.39	\$50.05	\$50.05	\$50.62	\$55.38	\$63.33	\$66.94	\$66.94	\$62.40	\$70.34	\$67.78	\$69.32	\$69.32
BANK NOTE	\$11.88	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.85	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ACCRUEDS	\$14.66	\$9.80	\$10.38	\$10.94	\$14.02	\$12.75	\$12.75	\$13.90	\$12.78	\$28.75	\$15.31	\$15.31	\$14.32	\$16.14	\$15.59	\$15.95	\$15.95
CURRENT LIAB	\$140.18	\$41.50	\$47.37	\$53.53	\$63.08	\$63.71	\$63.71	\$65.42	\$69.08	\$95.84	\$82.26	\$82.26	\$76.72	\$86.48	\$83.37	\$85.27	\$85.27
L.T. DEBT	\$10.21	\$0.00	\$0.66	\$0.66	\$0.66	\$0.91	\$0.91	\$0.25	\$0.25	\$0.25	\$10.00	\$10.00	\$10.00	\$5.00	\$5.00	\$5.00	\$5.00
DEF INCOME TAX	\$0.57	\$3.32	\$3.14	\$4.16	\$4.73	\$4.78	\$4.78	\$4.82	\$4.83	\$5.45	\$5.79	\$5.79	\$5.42	\$6.10	\$5.89	\$6.03	\$6.03
EQUITY	\$190.76	\$203.67	\$204.44	\$204.71	\$196.41	\$199.80	\$199.80	\$202.39	\$205.37	\$207.13	\$211.23	\$211.23	\$214.32	\$218.01	\$222.12	\$226.92	\$226.92
TOTAL LIAB+EQUITY	\$341.72	\$248.50	\$255.62	\$263.06	\$264.88	\$269.20	\$269.20	\$272.89	\$279.53	\$308.66	\$309.28	\$309.28	\$306.46	\$320.59	\$316.38	\$323.23	\$323.23
Y/Y % CHG.																	
TOTAL RECEIVABLES	0%	-47%	-48%	-34%	-12%	11%	11%	15%	24%	9%	10%	10%	19%	18%	9%	3%	3%
INVENTORIES	-29%	-46%	-49%	-44%	-22%	11%	11%	120%	51%	34%	49%	49%	-23%	8%	5%	2%	2%
ACCT PAY	-28%	-64%	-46%	-11%	22%	61%	61%	41%	34%	31%	34%	34%	23%	27%	4%	4%	4%
EQUITY	5%	7%	4%	2%	-4%	-2%	-2%	-1%	0%	5%	6%	6%	6%	6%	7%	7%	7%
RATIO ANALYSIS																	
LIQUIDITY																	
CASH/EQUIV. PER SHARE	\$0.23	\$2.55	\$4.70	\$4.68	\$3.26	\$3.25	\$3.24	\$3.92	\$3.67	\$0.78	\$0.54	\$0.54	\$0.96	\$0.76	\$0.91	\$1.37	\$1.37
CURRENT RATIO	1.7	4.0	3.6	3.3	2.8	2.8	2.8	2.8	2.8	1.7	2.1	2.1	2.2	2.1	2.1	2.2	2.2
ASSET EFFICIENCY																	
TRADE A/R DAYS	64.2	49.8	58.3	53.8	62.0	62.3	67.9	58.8	57.3	53.5	53.5	61.1	55.0	54.0	54.0	53.0	54.5
RES % A/R (INCL CHARGE)	8.1%	4.4%	5.7%	5.7%	4.8%	2.2%	2.2%	2.6%	2.3%	2.3%	2.3%	1.2%	1.3%	1.2%	1.2%	1.2%	1.2%
INVENTORY DAYS	10.8	6.7	8.1	8.2	8.6	7.9	8.6	14.8	10.2	9.3	9.2	10.4	9.0	9.0	9.0	9.0	9.2
INVENTORY TURNS	28.1	38.3	42.7	47.8	45.1	44.9	44.6	31.6	31.8	39.3	40.6	42.1	38.8	43.0	39.8	41.0	39.8
PAYABLE DAYS	44.7	18.5	28.7	29.0	31.4	31.7	34.6	33.8	31.9	33.2	33.2	37.4	33.0	33.0	33.0	33.0	33.9
NET TRADE CYCLE	30	38	38	33	39	38	42	40	36	30	29	34	31	30	30	29	30
WORK. CAP. / SALES (ANN)	17.6%	12.9%	13.2%	11.5%	12.9%	13.0%	14.2%	12.9%	11.7%	10.1%	10.1%	11.6%	10.5%	10.2%	10.2%	9.9%	10.2%
FIXED ASSET / SALES (ANN)	2.3%	2.7%	3.7%	3.2%	2.8%	2.6%	3.0%	2.6%	2.2%	2.0%	1.8%	2.1%	2.0%	1.7%	1.8%	1.7%	1.8%
LEVERAGE																	
DEBT AS % CAPITAL	23.7%	4.9%	0.9%	0.9%	0.7%	0.9%	5.6%	0.6%	0.6%	1.9%	4.5%	8.7%	4.5%	4.4%	2.2%	2.2%	6.2%
RETURN ON CAPITAL																	
PROFIT MARGIN	2.2%	2.1%	1.2%	1.4%	1.6%	1.8%	1.5%	1.5%	1.7%	1.7%	1.8%	1.7%	1.5%	1.8%	1.9%	2.0%	1.8%
ASSET TURNS (ANN)	2.3	2.4	2.1	2.3	2.4	2.5	2.3	2.3	2.6	2.8	2.9	2.6	2.6	2.9	2.8	2.8	2.7
ROA	5.0%	5.1%	2.4%	3.1%	3.9%	4.5%	3.5%	3.4%	4.5%	4.6%	5.2%	4.3%	3.8%	5.1%	5.2%	5.6%	4.9%
ASSETS/EQUITY	1.89	1.50	1.24	1.25	1.30	1.32	1.28	1.35	1.35	1.42	1.41	1.41	1.45	1.47	1.43	1.45	1.44
ROE	9.4%	7.6%	3.0%	3.9%	5.1%	5.9%	4.5%	4.5%	6.1%	6.5%	7.3%	6.1%	5.5%	7.5%	7.5%	8.1%	7.1%
ROIC	5.2%	5.0%	2.0%	2.6%	3.4%	3.9%	3.0%	2.9%	4.0%	4.2%	4.6%	3.7%	3.5%	4.7%	4.7%	5.2%	4.4%
BOOK VALUE	\$15.02	\$15.96	\$16.40	\$16.54	\$15.88	\$16.16	\$16.12	\$16.32	\$16.61	\$16.75	\$17.03	\$17.06	\$17.28	\$17.64	\$17.96	\$18.30	\$18.33
TANGIBLE BOOK VALUE	\$10.41	\$11.17	\$11.17	\$11.25	\$10.46	\$10.65	\$10.63	\$10.80	\$11.07	\$7.01	\$7.32	\$7.34	\$7.57	\$7.90	\$8.23	\$8.59	\$8.60

Important Investor Disclosures

Stock Ratings: The common stock of Pomeroy IT Solutions, Inc. currently has a **Market Perform** rating. Within our four-tiered rating system, Strong Buy (SB1) means that the stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P 500 over the next six months; *for higher-yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months.* Outperform (MO2) means the stock is expected to appreciate and outperform the S&P 500 over the next 12 months; *for higher-yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12 months.* Market Perform (MP3) means the stock is expected to perform generally in line with the S&P 500 over the next 12 months and is potentially a source of funds for more highly rated securities; and Underperform (MU4) means the stock is expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.

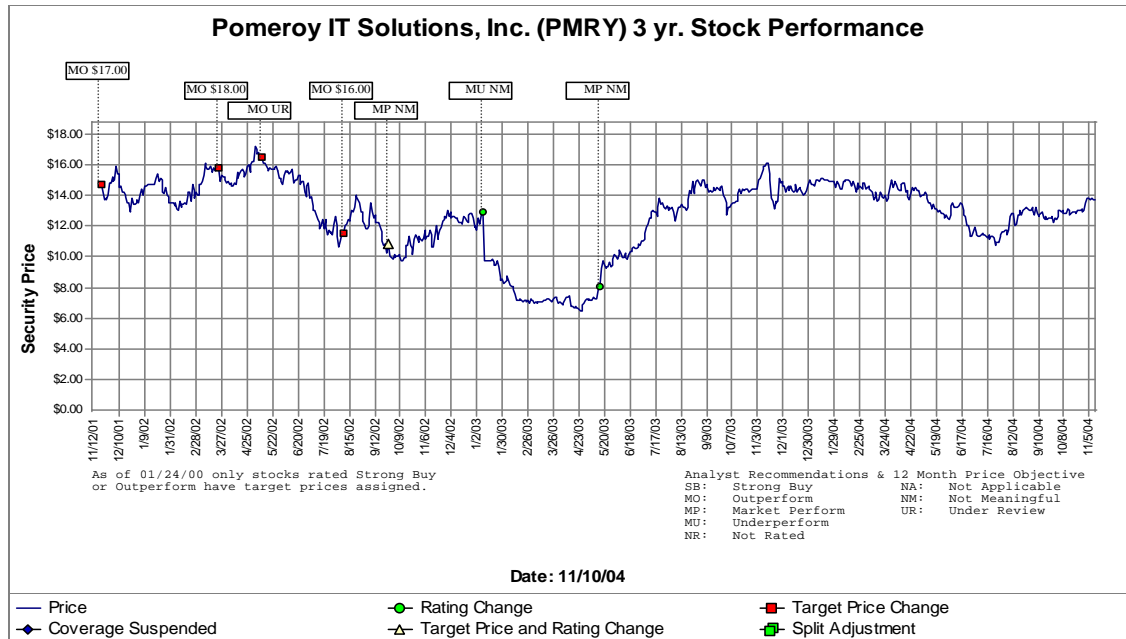
Out of approximately 570 stocks in the Raymond James coverage universe, 52% have Strong Buy or Outperform ratings (Buy), 39% are rated Market Perform (Hold) and 9% are rated Underperform (Sell). Within those rating categories, 34% of the Strong Buy or Outperform (Buy) rated companies either currently are or have been Raymond James Investment Banking clients within the past three years; 20% of the Market Perform (Hold) rated companies are or have been clients and 22% of the Underperform (Sell) rated companies are or have been clients.

Analyst Holdings and Compensation: Equity analysts and their staffs at Raymond James are compensated based on a salary and bonus system. Several factors enter into the bonus determination including quality and performance of research product, the analyst's success in rating stocks versus an industry index, and support effectiveness to trading and the retail and institutional sales forces. Other factors may include but are not limited to: overall ratings from internal (other than investment banking) or external parties and the general productivity and revenue generated in covered stocks.

Raymond James Relationships: RJA expects to receive or intends to seek compensation for investment banking services from the subject companies in the next three months.

Company Name	Disclosure
Pomeroy IT Solutions, Inc.	Raymond James & Associates makes a NASDAQ market in shares of PMRY. Raymond James & Associates received non-investment banking securities-related compensation from PMRY within the past 12 months.

Target Prices: The information below indicates our target price and rating changes for PMRY stock over the past three years.



Specific Investment Risks Related to the Industry or Issuer

Industry Risks

Risks include pricing pressure, strength in capital spending and HP (HPQ/\$19.25) direct initiatives.

Pomeroy It Solutions Company-Specific Risks

Risks include continued weakness in spending for IT products in the major account space (i.e., Fortune 1000 companies) and a concentrated customer base.

Complete Risk and Disclosure information, as well as more information on the Raymond James rating system and suitability categories, is available at www.rjcapitalmarkets.com/SearchForDisclosures_main.asp. Copies of research can be obtained by contacting any Raymond James & Associates or Raymond James Financial Services office (please see www.rjf.com for office locations) or by calling (727) 567-1000 or sending a written request to the Equity Research Library, Raymond James & Associates, Inc., Tower 3, 6th Floor, 880 Carillon Parkway, St. Petersburg, FL 33716.

Investors should consider this report as only a single factor in making their investment decision.

The views expressed in this report accurately reflect the personal views of the analyst(s) covering the subject securities. No part of said person's compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.
--

Additional information is available on request.

This document may not be reprinted without permission.