RAYMOND JAMES

Pomeroy IT Solutions, Inc.

(PMRY:NASDAQ) **Market Perform 3**

EQUITY RESEARCH

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Technology Distribution
Company Comment

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Based in Hebron, KY, Pomeroy IT Solutions, Inc. sells, installs, services and leases computer equipment for commercial, health care, financial, educational and government customers. The company, which generated 2002 revenues of $702.8 million, employs approximately 1,600 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 4Q EPS Ahead by a Penny; Estimates Unchanged

- Pomeroy reported 4Q:03 EPS of $0.24, a penny better than our estimate. This compares to EPS of $0.21 (excluding charges) last year. Revenues of $163.0 million (+9.4% y/y and +3.1% seq.) were slightly below our estimate of $169.1 million, offset by stronger-than-expected margins.
- First quarter guidance calls for revenue growth of 8%-10% year-over-year, although January tracked up more than 10%. Management guided 1Q:04 EPS growth of 15%-20%. For 2004, management estimates revenue growth of 5%-10% and EPS growth of 15%-20%.
- We are lowering our 1Q revenue estimate to $141.4 million from $148.9 million and lowering our EPS to $0.15 from $0.20. We are leaving our 2004 EPS estimate unchanged, however, although the composition of our quarterly estimates has changed. We are also introducing our 2005 revenue and EPS estimates of $684.2 million and $1.10, respectively.
- Despite product gross margins improving on a sequential basis this quarter, we are still concerned about pricing going forward. Product gross margins were down approximately 73 basis points (bps) in 2003. Maintain **Market Perform** rating.

FY=	EPS Dec	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year
	2002A	$0.36	$0.38	$0.30	$0.21	$1.26
Old	2003E	0.12A	0.17A	0.21A	0.23	0.73
New	**2003A**	**0.12**	**0.17**	**0.21**	**0.24**	**0.74**
Old	2004E	0.20	0.22	0.23	0.24	0.90
New	**2004E**	**0.15**	**0.21**	**0.26**	**0.28**	**0.90**
Old	2005E	NA	NA	NA	NA	NA
New	**2005E**	**UR**	**UR**	**UR**	**UR**	**1.10**

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

Current Price

(2/10/04)	$15.00
Projected 12-Month Target Price:	NM
52-Week Range	$16.18-$6.44
Dividend/Yield	$0.00/0.0%
Book Value (12/03)	$16.16
Suitability	Aggressive Growth
Shares Out. (mil.)	12.4
Market Cap. (mil.)	$186.0
Avg. Daily Vol. (10 day)	42,626
Proj. 3-Yr EPS Growth Rate	NM
ROE (12/03)	5.9%
LT Debt (mil.)/% Cap.	$0.9/0.0%

P/E Ratios

2004E	16.7x
2005E	13.6x

Operating Margins

2002A	3.6%
2003A	2.5%
2004E	2.8%
2005E	3.3%

Revenues (mil.)

	Old	New
2002A	$703	$703
2003A	$605	$598
2004E	$631	$645
2005E		$684

Please read Investment Risks/Analyst Certification on page 6 and disclosure information on page 7.

Pomeroy 4Q EPS Ahead by a Penny; Estimates Unchanged

Pomeroy reported 4Q:03 EPS of $0.24, a penny better than our EPS estimate. This compares to EPS of $0.21 (excluding charges) last year. Revenues of $163.0 million (+9.4% y/y and +3.1% seq.) were slightly below our estimate of $169.1 million, offset by stronger-than-expected margins (11.5% excluding an accounting change vs. our estimate of 11.1%). Excluding the Micrologic acquisition, we estimate revenues were up approximately 3%-5% year-over-year. Product gross margins were stronger than expected, at 7.60% (7.35% excluding the accounting change) versus our estimate of 7.00%, and service gross margins were basically in line.

Outlook

First quarter guidance calls for revenue growth of 8%-10% year-over-year, which represents revenues of $140 million to $143 million. Sales in January were up more than 10% vs. last year, so guidance appears conservative. Management guided 1Q:04 EPS growth of 15%-20%, which represents earnings of approximately $0.14 to $0.15.

For 2004, management estimates revenue growth of 5%-10%, which represents revenues of $628 million to $658 million, with service revenues increasing 15-20%. Management estimates 2004 EPS to grow 15%-20%, which represents earnings of approximately $0.85 to $0.90. For 1Q:04, we are lowering our revenue estimate to $141.4 million from $148.9 million and lowering our EPS to $0.15 from $0.20. We are leaving our 2004 EPS estimate unchanged, although the composition of our quarterly estimates has changed. For 2004, our revenue estimate goes to $645.5 million from $630.9 million, gross margin goes to 11.45% from 11.50% and operating margin remains unchanged at 2.8%. Our EPS estimate remains unchanged at $0.90. We are also introducing our 2005 revenue and EPS estimates of $684.2 million and $1.10, respectively, based on 11.84% gross margins, operating expenses of 8.59% and 3.28% operating margins.

The company reported its third consecutive quarter of revenue and EPS growth on a sequential basis after three quarters of declines and its first quarter of year-over-year revenue growth in 11 quarters. In addition, management has done a good job on the operating expense line, with revenues growing faster than expenses. While management suggests that the environment is slowly improving, which is encouraging, we are still concerned about pricing going forward. Despite product gross margins improving on a sequential basis this quarter, product gross margins were down approximately 73 basis points (bps) in 2003. We estimate product gross margins to decline over 50bps in 2004 to 7.0%. Maintain **Market Perform** rating.

Quarter Summary

Pomeroy reported 4Q revenues of $163.0 million, an increase of 9.4% year-over-year and 3.1% sequentially. Excluding the Micrologic acquisition, we estimate revenues were up approximately 3%-5% year-over-year. Total gross margins were 11.69% (11.50% ex EITF), versus 11.16% last quarter and 12.28% last year. Our gross margin estimate was 11.11%. Total operating expenses were 8.7% of sales (8.5% ex EITF), versus 8.5% in 3Q and 9.3% in 4Q:02. Our operating expense estimate was 8.4% of sales.

Products

Pomeroy reported $128.6 million in product revenues, slightly below our estimate of $134.5 million. Product revenues, which accounted for 78.9% of total sales, increased 8.9% versus last year and 2.3% sequentially. In terms of products, management indicated strength in desktops, servers and infrastructure during the quarter. For the year, management indicated strength in servers and infrastructure.

In terms of customers, not one accounted for more than 3% of sales this quarter. Management indicated relative strength in the insurance and health care verticals, with the education vertical noted as being flat. The top eight vendors for the year were HP (HPQ/$24.12), Cisco (CSCO/$24.78/Market Perform), IBM (IBM/$99.61), Dell (DELL/$33.28/Outperform), Sun (SUNW/$5.54), EMC (EMC/$13.99), Microsoft (MSFT/$27.02) and Nortel (NT/$7.83). Product gross margins increased to 7.60% (7.35% ex EITF), from 7.06% in the previous quarter and 7.51% in the same period last year.

Services

Service revenues totaled $34.4 million, and accounted for 21.1% of total sales. Our service revenue estimate was $34.6 million. Service revenues increased 11.6% versus last year and 6.2% sequentially. Service gross margins were 27.0%, versus 27.1% last quarter and 30.6% in the same period last year. Our estimate was

27.1%. Service gross margins were not impacted by EITF 02-16. Given that service margins are much higher than product margins, this segment accounted for approximately 48.7% of consolidated gross profits in the quarter, down from 49.7% in the previous quarter and 51.5% in the same period last year.

Operating expenses of $14.2 million were 8.7% of revenues, down from 8.5% in the previous quarter and 9.3% last year. Excluding the impact of EITF 02-16, operating expenses would have been $13.87 million, or 8.5% of sales.

Balance Sheet and Returns

Pomeroy ended the quarter with cash and equivalents of $40.2 million, or $3.25 per share. Accounts receivable DSOs were relatively flat at 62 days. The company ended the quarter with eight days of inventory, down one day versus the previous quarter. Accounts payable days of 32 were up one day versus the previous quarter. Debt as a percentage of total capital was 0.9% versus 0.3% last year. At quarter-end, book value was $16.16 per share and tangible book value was $10.65 per share.

POMEROY IT SOLUTIONS, INC.

Summary of Current Quarter (Actual vs Projected)
Income Statement

Revenue:	Q3 SEP 03A	Q4 DEC 03A	Q4 DEC 03E	$ Variance (Act-Proj)	%Variance	EPS impact
Product	*$125.70*	*$128.64*	*$134.50*	*($5.86)*	*-4.4%*	*($0.01)*
% of total rev	79.5%	78.9%	79.5%			
Service	*$32.37*	*$34.38*	*$34.64*	*($0.26)*	*-0.7%*	*($0.00)*
% of total rev	20.5%	21.1%	20.5%			
TOTAL REVENUE	***$158.07***	***$163.02***	***$169.14***	*($6.12)*	*-3.6%*	*($0.01)*
COST OF SALES	$140.44	$143.96	$150.35	($6.39)	-4.3%	
Gross Profit:						
Product	$8.87	$9.78	$9.41	$0.36	3.8%	
% of product rev	*7.06%*	*7.60%*	*7.00%*		*60bp*	*$0.04*
Service	$8.76	$9.29	$9.38	($0.09)	-0.9%	
% of service rev	*27.06%*	*27.01%*	*27.06%*		*-5bp*	*($0.00)*
TOTAL GROSS PROFIT	**$17.64**	**$19.06**	**$18.79**	$0.27	1.5%	
% of total rev	*11.16%*	*11.69%*	*11.11%*		*58bp*	*$0.05*
Operating Expenses:						
SG&A	$12.13	$12.89	$12.91	($0.01)	-0.1%	
% of total rev	*7.7%*	*7.9%*	*7.6%*		*27bp*	*($0.02)*
Deprec./Amort.	$1.29	$1.32	$1.29	$0.03	1.9%	
TOTAL OPER. EXPENSE	$13.42	$14.21	$14.20	$0.01	0.1%	
% of total rev	*8.5%*	*8.7%*	*8.4%*		*32bp*	*($0.03)*
OPER INCOME	**$4.21**	**$4.85**	**$4.59**	$0.26	5.7%	
% of total rev	*2.7%*	*3.0%*	*2.7%*			*$0.02*
INT (net)	$0.01	($0.04)	($0.05)	$0.01	12.0%	
PRE-TAX	$4.20	$4.90	$4.64	$0.26	5.6%	
% of total rev	2.7%	3.0%	2.7%			
TAX-RATE %	*39.0%*	*39.0%*	*39.0%*		*0bp*	*$0.00*
NET INCOME	**$2.56**	**$2.99**	**$2.83**	$0.16	5.6%	
% of total rev	1.6%	1.8%	1.7%			
EPS (diluted)	**$0.21**	**$0.24**	**$0.23**	$0.01	3.3%	
EPS (x gain/charge)	**$0.21**	**$0.24**	**$0.23**	$0.01	3.3%	
PRIOR YR EPS	$0.30	$0.21	$0.21	$0.00	0.0%	
SHARES OUT (MIL)	*12.37*	*12.37*	*12.10*	*0.27*	*2.2%*	*($0.01)*

POMEROY IT SOLUTIONS, INC.

INCOME STATEMENT ($Mil.)

		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
($ MIL)	**2002A**	**MAR 03A**	**JUN 03A**	**SEP 03A**	**DEC 03A**	**2003A**	**MAR 04E**	**JUN 04E**	**SEP 04E**	**DEC 04E**	**2004E**	**2005E**
Revenue:												
Product Revenue	$571.51	$99.99	$116.20	$125.70	$128.64	$470.52	$109.00	$122.08	$132.46	$138.00	$501.54	$531.63
% of total revenue	81.3%	76.9%	78.9%	79.5%	78.9%	78.6%	77.1%	77.7%	78.0%	77.8%	77.7%	77.7%
Service Revenue	$131.29	$29.99	$31.16	$32.37	$34.38	$127.91	$32.39	$34.98	$37.26	$39.31	$143.94	$152.57
% of total revenue	18.7%	23.1%	21.1%	20.5%	21.1%	21.4%	22.9%	22.3%	22.0%	22.2%	22.3%	22.3%
TOTAL REVENUE	**$702.80**	**$129.98**	**$147.35**	**$158.07**	**$163.02**	**$598.42**	**$141.39**	**$157.06**	**$169.71**	**$177.31**	**$645.47**	**$684.20**
COST OF SALES	$615.14	$113.60	$130.04	$140.44	$143.96	$528.03	$125.05	$139.07	$150.38	$157.03	$571.54	$603.20
Gross Profit:												
Product	$47.27	$7.92	$8.90	$8.87	$9.78	$35.47	$7.63	$8.55	$9.27	$9.66	$35.11	$38.28
% of product revenue	8.27%	7.92%	7.66%	7.06%	7.60%	7.54%	7.00%	7.00%	7.00%	7.00%	7.00%	7.20%
Service	$40.40	$8.46	$8.41	$8.76	$9.29	$34.92	$8.71	$9.45	$10.06	$10.61	$38.83	$42.72
% of service revenue	30.77%	28.21%	27.00%	27.06%	27.01%	27.30%	26.90%	27.00%	27.00%	27.00%	26.98%	28.00%
TOTAL GROSS PROFIT	**$87.67**	**$16.38**	**$17.32**	**$17.64**	**$19.06**	**$70.39**	**$16.34**	**$17.99**	**$19.33**	**$20.27**	**$73.94**	**$81.00**
% of total revenue	12.47%	12.60%	11.75%	11.16%	11.69%	11.76%	11.56%	11.45%	11.39%	11.43%	11.45%	11.84%
TOTAL OPER. EXPENSE	$62.10	$13.86	$13.94	$13.42	$14.21	$55.44	$13.30	$13.80	$14.15	$14.65	$55.90	$58.75
% of total revenue	8.8%	10.7%	9.5%	8.5%	8.7%	9.3%	9.4%	8.8%	8.3%	8.3%	8.7%	8.6%
OPER INCOME	**$25.57**	**$2.51**	**$3.38**	**$4.21**	**$4.85**	**$14.96**	**$3.04**	**$4.19**	**$5.18**	**$5.62**	**$18.04**	**$22.25**
% of total revenue	3.6%	1.9%	2.3%	2.7%	3.0%	2.5%	2.2%	2.7%	3.1%	3.2%	2.8%	3.3%
INT (net)	$0.48	$0.07	($0.07)	$0.01	($0.04)	($0.04)	($0.05)	($0.05)	($0.05)	($0.05)	($0.20)	($0.20)
Restructuring/Reserves	$3.33	($0.02)	$0.15									
PRE-TAX	$25.09	$2.47	$3.30	$4.20	$4.90	$14.87	$3.09	$4.24	$5.23	$5.67	$18.24	$22.45
% of total revenue	3.6%	1.9%	2.2%	2.7%	3.0%	2.5%	2.2%	2.7%	3.1%	3.2%	2.8%	3.3%
TAX-RATE %	31.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
NET INCOME	**$15.01**	**$1.51**	**$2.01**	**$2.56**	**$2.99**	**$9.07**	**$1.89**	**$2.59**	**$3.19**	**$3.46**	**$11.13**	**$13.69**
% of total revenue	2.1%	1.2%	1.4%	1.6%	1.8%	1.5%	1.3%	1.6%	1.9%	2.0%	1.7%	2.0%
EPS (diluted)	**$1.17**	**$0.12**	**$0.16**	**$0.21**	**$0.24**	**$0.73**	**$0.15**	**$0.21**	**$0.26**	**$0.28**	**$0.90**	**$1.10**
EPS (x gain/charge)	**$1.26**	**$0.12**	**$0.17**	**$0.21**	**$0.24**	**$0.74**	**$0.15**	**$0.21**	**$0.26**	**$0.28**	**$0.90**	**$1.10**
PRIOR YR EPS	$1.43	$0.36	$0.38	$0.30	$0.21	$1.26	$0.12	$0.17	$0.21	$0.24	$0.74	$0.90
SHARES OUT (MIL)	12.76	12.47	12.38	12.37	12.37	12.40	12.40	12.40	12.40	12.40	12.40	12.50
Y/Y% CHG.	**2002A**	**MAR 03A**	**JUN 03A**	**SEP 03A**	**DEC 03A**	**2003A**	**MAR 04E**	**JUN 04E**	**SEP 04E**	**DEC 04E**	**2004E**	**2005E**
Product Revenue	-14.5%	-34.8%	-28.7%	-8.2%	8.9%	-17.7%	9.0%	5.1%	5.4%	7.3%	6.6%	6.0%
Service Revenue	-6.5%	-8.8%	-7.4%	-4.6%	11.6%	-2.6%	8.0%	12.3%	15.1%	14.3%	12.5%	6.0%
TOTAL REVENUE	**-13.2%**	**-30.2%**	**-25.0%**	**-7.5%**	**9.4%**	**-14.9%**	**8.8%**	**6.6%**	**7.4%**	**8.8%**	**7.9%**	**6.0%**
TOTAL GROSS PROFIT	-15.1%	-31.2%	-28.2%	-17.8%	4.2%	-19.7%	-0.2%	3.9%	9.6%	6.3%	5.0%	9.5%
TOTAL OPER. EXPENSE	-13.8%	-14.3%	-14.6%	-14.8%	2.6%	-10.7%	-4.1%	-1.0%	5.4%	3.1%	0.8%	5.1%
OPER INCOME	**-18.2%**	**-67.1%**	**-56.6%**	**-26.1%**	**9.4%**	**-41.5%**	**21.1%**	**24.1%**	**23.0%**	**15.8%**	**20.6%**	**23.3%**
PRE-TAX	-12.7%	-67.2%	-56.5%	-25.4%	12.8%	-40.7%	25.3%	28.5%	24.5%	15.8%	22.7%	23.1%
NET INCOME	-14.4%	-67.7%	-56.5%	-49.7%	NM	-39.6%	25.3%	28.5%	24.5%	NM	22.7%	23.1%
EPS (x gain/charge)	**-11.7%**	**-66.9%**	**-55.7%**	**-30.7%**	**13.2%**	**-41.3%**	**26.0%**	**22.7%**	**24.2%**	**15.5%**	**21.3%**	**22.1%**
SEQ% CHG.	**2002A**	**MAR 03A**	**JUN 03A**	**SEP 03A**	**DEC 03A**	**2003A**	**MAR 04E**	**JUN 04E**	**SEP 04E**	**DEC 04E**	**2004E**	**2005E**
Product Revenue		-15.4%	16.2%	8.2%	2.3%		-15.3%	12.0%	8.5%	4.2%		
Service Revenue		-2.6%	3.9%	3.9%	6.2%		-5.8%	8.0%	6.5%	5.5%		
TOTAL REVENUE		**-12.7%**	**13.4%**	**7.3%**	**3.1%**		**-13.3%**	**11.1%**	**8.1%**	**4.5%**		
TOTAL GROSS PROFIT		**-10.5%**	**5.7%**	**1.8%**	**8.1%**		**-14.3%**	**10.1%**	**7.4%**	**4.9%**		
TOTAL OPER. EXPENSE		0.1%	0.6%	-3.7%	5.9%		-6.4%	3.8%	2.5%	3.5%		
OPER INCOME		**-43.3%**	**34.3%**	**24.7%**	**15.3%**		**-37.3%**	**37.7%**	**23.6%**	**8.5%**		
PRE-TAX		-43.1%	33.7%	27.3%	16.6%		-36.8%	37.1%	23.4%	8.4%		
NET INCOME		141.0%	33.7%	27.3%	16.6%		-36.8%	37.1%	23.4%	8.4%		
EPS (x gain/charge)		**-43.4%**	**40.7%**	**21.9%**	**16.6%**		**-37.0%**	**37.1%**	**23.4%**	**8.4%**		
MARGIN ANALYSIS												
GROSS MARGIN-Product	**8.27%**	**7.92%**	**7.66%**	**7.06%**	**7.60%**	**7.54%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.20%**
Y/Y BP CHG	(110.0)	(95.7)	(67.3)	(111.7)	9.1	(73.3)	(91.7)	(66.3)	(5.9)	(60.0)	(53.9)	20.0
SEQ BP CHG		40.7	(25.4)	(60.4)	54.1		(60.0)	0.0	0.0	0.0		
GROSS MARGIN-Service	**30.77%**	**28.21%**	**27.00%**	**27.06%**	**27.01%**	**27.30%**	**26.90%**	**27.00%**	**27.00%**	**27.00%**	**26.98%**	**28.00%**
Y/Y BP CHG	185.8	(280.6)	(425.8)	(314.0)	(357.1)	(346.3)	(131.1)	(0.2)	(6.5)	(1.1)	(32.6)	102.3
SEQ BP CHG		(237.1)	(120.9)	6.3	(5.4)		(11.1)	10.0	0.0	0.0		
GROSS MARGIN-Total	**12.47%**	**12.60%**	**11.75%**	**11.16%**	**11.69%**	**11.76%**	**11.56%**	**11.45%**	**11.39%**	**11.43%**	**11.45%**	**11.84%**
Y/Y BP CHG	(28.9)	(18.3)	(50.9)	(139.5)	(58.6)	(71.1)	(104.1)	(29.8)	23.4	(26.1)	(30.8)	38.3
SEQ BP CHG		32.0	(84.8)	(59.6)	53.8		(13.5)	(10.4)	(6.4)	4.3		
OPER MARGIN	**3.64%**	**1.93%**	**2.29%**	**2.66%**	**2.98%**	**2.50%**	**2.15%**	**2.67%**	**3.05%**	**3.17%**	**2.79%**	**3.25%**
Y/Y BP CHG	(22.7)	(217.1)	(166.5)	(67.2)	(0.1)	(113.9)	21.8	37.7	38.9	19.4	29.5	45.7
SEQ BP CHG		(104.5)	35.8	37.2	31.4		(82.5)	51.6	38.5	11.8		
NET MARGIN	**2.14%**	**1.16%**	**1.37%**	**1.62%**	**1.83%**	**1.52%**	**1.33%**	**1.65%**	**1.88%**	**1.95%**	**1.72%**	**2.00%**
Y/Y BP CHG	(3.1)	(134.4)	(98.8)	(135.9)	141.3	(62.0)	17.6	28.1	25.9	11.9	20.8	27.8
SEQ BP CHG		73.9	20.7	25.5	21.1		(49.8)	31.3	23.3	7.1		

POMEROY IT SOLUTIONS, INC.

BALANCE SHEET ($Mil.)

ASSETS ($miL)	2002A	MAR 03A	JUN 03A	SEP 03A	DEC 03A	2003A	MAR 04E	JUN 04E	SEP 04E	DEC 04E	2004E	2005E
CASH & EQUIV	$32.51	$58.58	$57.90	$40.26	$40.20	$40.20	$51.38	$45.86	$42.92	$42.39	$42.39	$51.40
TOTAL RECEIVABLES	$110.90	$94.21	$97.49	$116.50	$122.65	$122.65	$101.29	$112.29	$121.17	$126.50	$126.50	$126.54
RESERVES	$4.89	$5.16	$5.27	$5.30	$2.66	$2.66	$2.66	$2.66	$2.66	$2.66	$2.66	$2.66
INVENTORIES	$11.24	$10.06	$11.71	$13.20	$12.45	$12.45	$11.65	$13.72	$14.83	$15.49	$15.49	$16.53
OTHER CURRENT	$10.20	$5.57	$8.51	$7.28	$5.19	$5.19	$4.50	$5.00	$5.41	$5.65	$5.65	$5.94
TOT CURR ASSETS	**$164.84**	**$168.43**	**$175.61**	**$177.25**	**$180.50**	**$180.50**	**$168.82**	**$176.87**	**$184.33**	**$190.03**	**$190.03**	**$200.40**
PP&E	$19.30	$19.03	$18.24	$17.30	$16.26	$16.26	$16.96	$17.66	$18.36	$19.06	$19.06	$19.81
LEASES	$1.89	$1.67	$2.58	$2.33	$2.94	$2.94	$2.94	$2.94	$2.94	$2.94	$2.94	$3.36
GOODWILL	$61.18	$65.20	$65.44	$66.97	$68.10	$68.10	$68.10	$68.10	$68.10	$68.10	$68.10	$68.10
OTHER ASSETS	$1.30	$1.31	$1.20	$1.03	$1.41	$1.41	$1.22	$1.36	$1.47	$1.53	$1.53	$1.61
TOTAL ASSETS	**$248.50**	**$255.62**	**$263.06**	**$264.88**	**$269.20**	**$269.20**	**$258.04**	**$266.92**	**$275.19**	**$281.66**	**$281.66**	**$293.28**
LIAB & EQUITY												
CURR PORTION OF NOTE	$0.54	$1.20	$1.20	$0.66	$0.91	$0.91	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
ACCT PAY	$31.17	$35.79	$41.38	$48.39	$50.05	$50.05	$41.11	$45.72	$49.44	$51.63	$51.63	$49.58
BANK NOTE	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
ACCRUEDS	$9.80	$10.38	$10.94	$14.02	$12.75	$12.75	$11.05	$12.28	$13.27	$13.86	$13.86	$14.57
CURRENT LIAB	**$41.50**	**$47.37**	**$53.53**	**$63.08**	**$63.71**	**$63.71**	**$52.17**	**$58.00**	**$62.71**	**$65.49**	**$65.49**	**$64.15**
L.T. DEBT	$0.00	$0.66	$0.66	$0.66	$0.91	$0.91	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
DEF INCOME TAX	$3.32	$3.14	$4.16	$4.73	$4.78	$4.78	$4.15	$4.61	$4.98	$5.20	$5.20	$5.47
EQUITY	**$203.67**	**$204.44**	**$204.71**	**$196.41**	**$199.80**	**$199.80**	**$201.73**	**$204.32**	**$207.51**	**$210.97**	**$210.97**	**$223.66**
TOTAL LIAB+EQUITY	**$248.50**	**$255.62**	**$263.06**	**$264.88**	**$269.20**	**$269.20**	**$258.04**	**$266.92**	**$275.19**	**$281.66**	**$281.66**	**$293.28**

Y/Y % CHG.	2002A	MAR 03A	JUN 03A	SEP 03A	DEC 03A	2003A	MAR 04E	JUN 04E	SEP 04E	DEC 04E	2004E	2005E
TOTAL RECEIVABLES	-47%	-48%	-34%	-12%	11%	11%	8%	15%	4%	3%	3%	0%
INVENTORIES	-46%	-49%	-44%	-22%	11%	11%	16%	17%	12%	24%	24%	7%
ACCT PAY	-64%	-46%	-11%	22%	61%	61%	15%	10%	2%	3%	3%	-4%
EQUITY	7%	4%	2%	-4%	-2%	-2%	-1%	0%	6%	6%	6%	6%

RATIO ANALYSIS	2002A	MAR 03A	JUN 03A	SEP 03A	DEC 03A	2003A	MAR 04E	JUN 04E	SEP 04E	DEC 04E	2004E	2005E
LIQUIDITY												
CASH/EQUIV. PER SHARE	$2.55	$4.70	$4.68	$3.26	$3.25	$3.24	$4.14	$3.70	$3.46	$3.42	$3.42	$4.11
CURRENT RATIO	4.0	3.6	3.3	2.8	2.8	2.8	3.2	3.0	2.9	2.9	2.9	3.1
ASSET EFFICIENCY												
TRADE A/R DAYS	49.8	58.3	53.8	62.0	62.3	67.9	60.0	60.0	60.0	60.0	65.9	62.0
RES % A/R (INCL CHARGE)	4.4%	5.7%	5.7%	4.8%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.1%	2.1%
INVENTORY DAYS	6.7	8.1	8.2	8.6	7.9	8.6	8.5	9.0	9.0	9.0	9.9	10.0
INVENTORY TURNS	38.3	42.7	47.8	45.1	44.9	44.6	41.5	43.9	42.1	41.4	40.9	37.7
PAYABLE DAYS	18.5	28.7	29.0	31.4	31.7	34.6	30.0	30.0	30.0	30.0	33.0	30.0
NET TRADE CYCLE	**38**	**38**	**33**	**39**	**38**	**42**	**39**	**39**	**39**	**39**	**43**	**42**
WORK. CAP. / SALES (ANN)	12.9%	13.2%	11.5%	12.9%	13.0%	14.2%	12.7%	12.8%	12.8%	12.7%	14.0%	13.7%
FIXED ASSET / SALES (ANN)	2.7%	3.7%	3.2%	2.8%	2.6%	3.0%	2.9%	2.8%	2.7%	2.6%	2.7%	2.8%
LEVERAGE												
DEBT AS % CAPITAL	5.1%	0.9%	0.9%	0.7%	0.9%	5.8%	0.0%	0.0%	0.0%	0.0%	4.7%	4.5%
RETURN ON CAPITAL												
PROFIT MARGIN	2.1%	1.2%	1.4%	1.6%	1.8%	1.5%	1.3%	1.6%	1.9%	2.0%	1.7%	2.0%
ASSET TURNS (ANN)	2.4	2.1	2.3	2.4	2.5	2.3	2.1	2.3	2.5	2.6	2.3	2.4
ROA	**5.1%**	**2.4%**	**3.1%**	**3.9%**	**4.5%**	**3.5%**	**2.9%**	**3.9%**	**4.8%**	**5.0%**	**4.0%**	**4.8%**
ASSETS/EQUITY	1.50	1.24	1.25	1.30	1.32	1.28	1.31	1.33	1.30	1.32	1.34	1.32
ROE	**7.6%**	**3.0%**	**3.9%**	**5.1%**	**5.9%**	**4.5%**	**3.8%**	**5.1%**	**6.2%**	**6.7%**	**5.4%**	**6.3%**
ROIC	**5.0%**	**2.0%**	**2.6%**	**3.4%**	**3.9%**	**3.0%**	**2.4%**	**3.3%**	**4.0%**	**4.3%**	**3.4%**	**4.1%**
BOOK VALUE	$15.96	$16.40	$16.54	$15.88	$16.16	$16.12	$16.27	$16.48	$16.73	$17.01	$17.01	$17.89
TANGIBLE BOOK VALUE	$11.17	$11.17	$11.25	$10.46	$10.65	$10.63	$10.78	$10.99	$11.24	$11.52	$11.52	$12.45

Specific Investment Risks Related to the Industry or Issuer

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 costumer base.

Company-specific Risks
Risks include the premium valuation of the company's stock and price competition by competitors.

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

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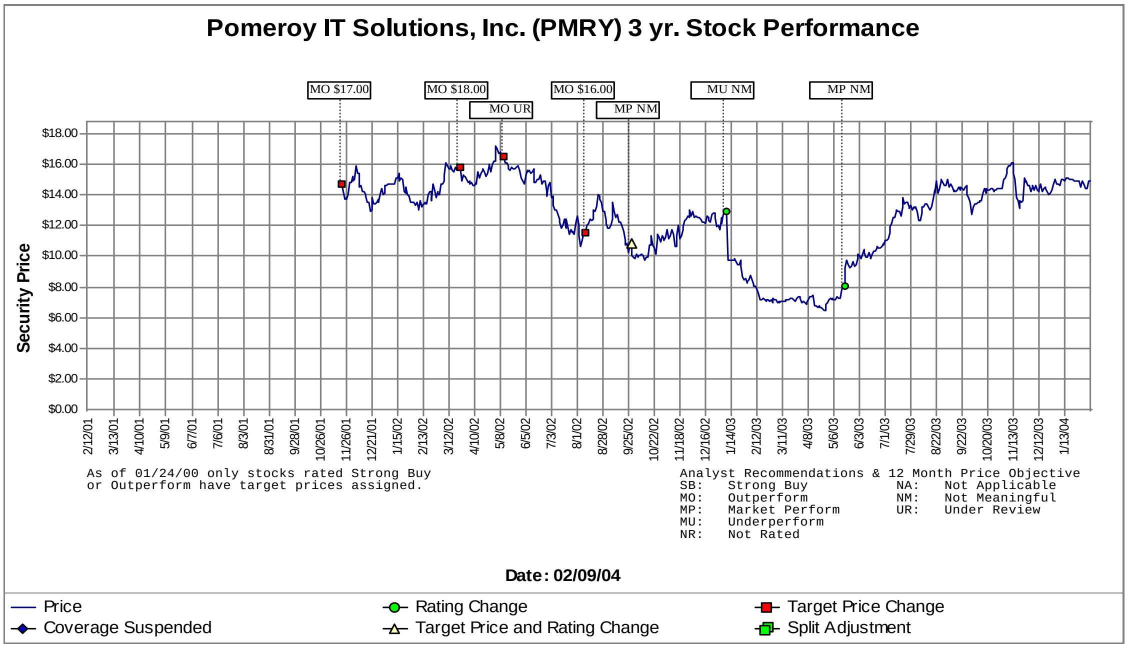
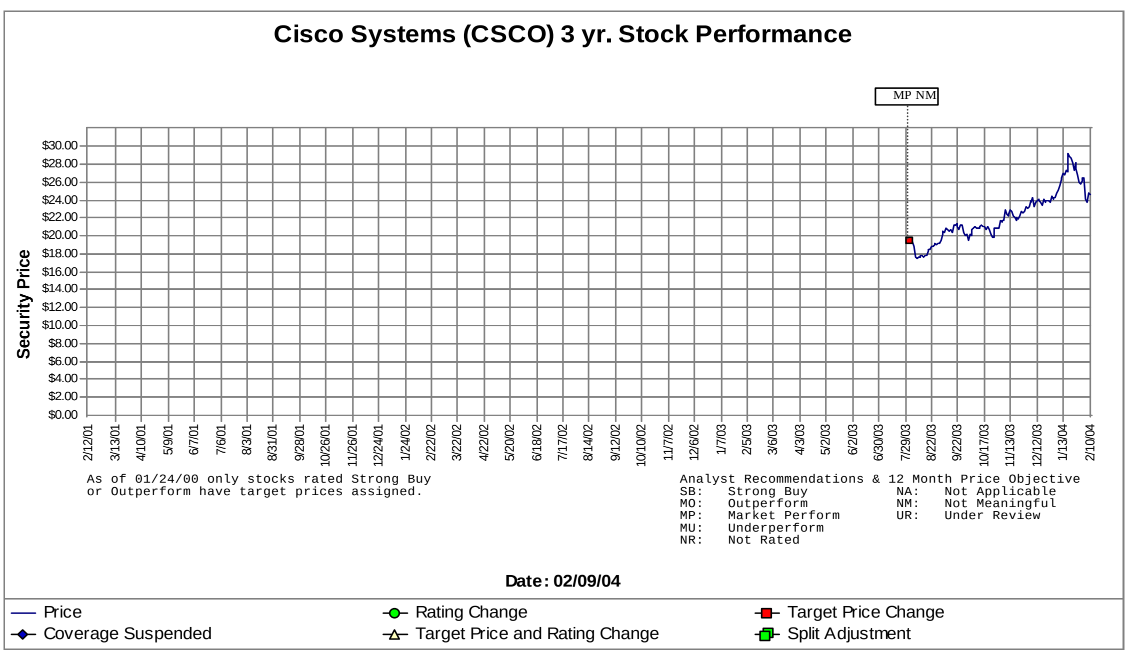
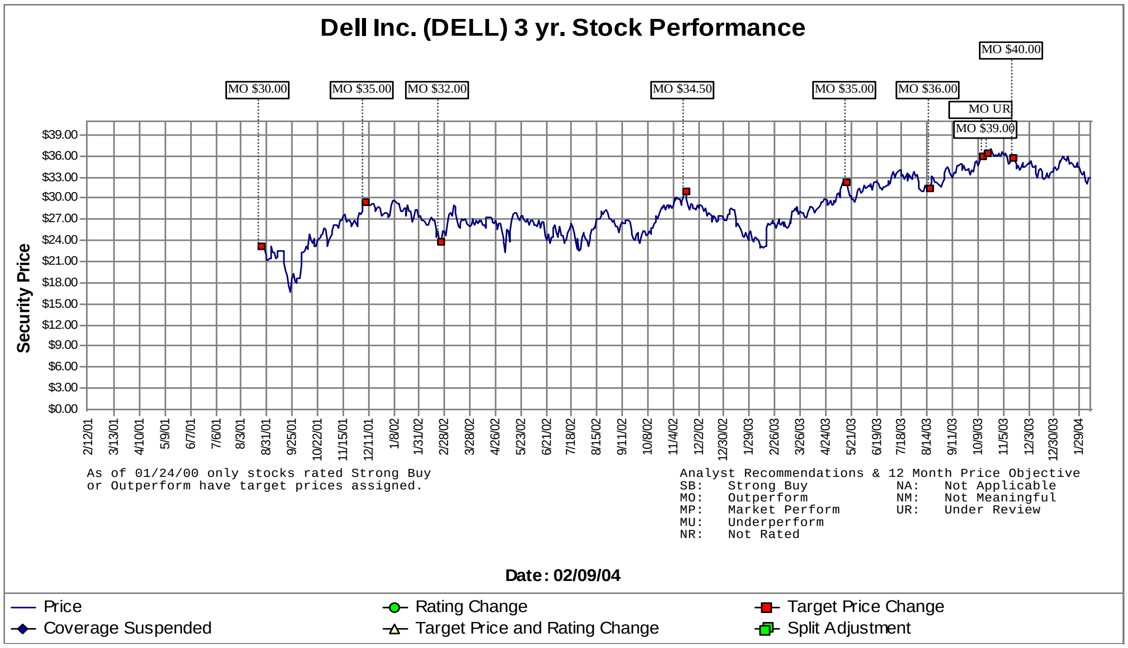
The information below indicates our target price and rating changes for PMRY stock over the past three years.



The information below indicates target price and rating changes for other subject companies included in this research.





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