



# Stock Selection Guide <sup>®</sup>

The most widely used aid to good investment judgment

Company CARDINAL HEALTH INC Date 09/30/03

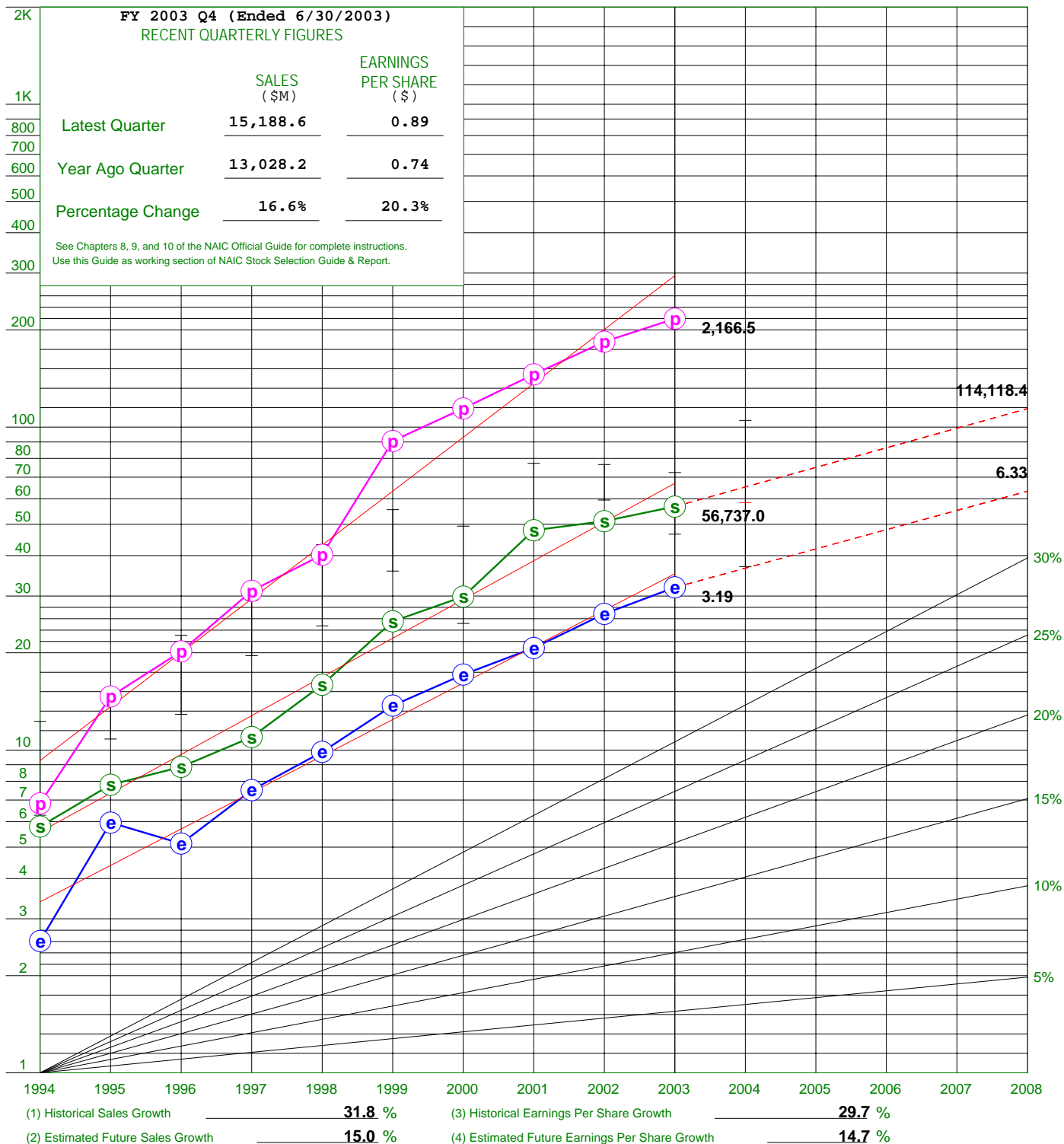
Prepared by jah Data taken from NAIC Data

Where traded NYSE Major product/service Health Care

CAPITALIZATION --- Outstanding Amounts		Reference	
Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	446.0	0.0	0.0
Debt (\$M)	2,700.6	% to Tot.Cap.	0.0
		% Potential Dil.	None

## 1 VISUAL ANALYSIS of Sales, Earnings and Price

CAH



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
<b>A</b> % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	1.2	1.9	2.3	2.8	2.5	3.6	3.8	3.0	3.6	3.8	3.6	EVEN	
<b>B</b> % Earned on Equity (E/S ÷ Book Value)	8.9	15.4	11.9	13.8	15.1	16.3	17.8	17.1	18.5		17.4		NMF

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

Year	PRESENT PRICE		58.390	HIGH THIS YEAR		104.938	LOW THIS YEAR		37.000
	A	B	C	D	E	F	G	H	
	PRICE	PRICE	Earnings Per Share	Price Earnings Ratio	Price Earnings Ratio	Dividend Per Share	% Payout	% High Yield	
	HIGH	LOW		HIGH A ÷ C	LOW B ÷ C		F ÷ C X 100	F ÷ B X 100	
1 1999	55.5	35.8	1.37	40.4	26.1	0.067	4.9	0.2	
2 2000	49.3	24.7	1.71	28.8	14.4	0.070	4.1	0.3	
3 2001	77.3	44.8	2.07	37.3	21.6	0.085	4.1	0.2	
4 2002	76.7	59.5	2.64	29.1	22.5	0.100	3.8	0.2	
5 2003	72.3	46.6	3.19	22.7	14.6	0.105	3.3	0.2	
6 TOTAL		211.4		80.6	51.5		20.2		
7 AVERAGE		42.3		26.9	17.2		4.0		
8 AVERAGE PRICE EARNINGS RATIO			22.1	9 CURRENT PRICE EARNINGS RATIO				18.3	

4 Proj. P/E [15.96] Based on Next 4 qtr. EPS [3.66] Current P/E Based on Last 4 qtr. EPS [3.19]  
**EVALUATING RISK and REWARD over the next 5 years**

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

**A HIGH PRICE -- NEXT 5 YEARS**

Avg. High P/E 26.9 (3D7 as adj.) X Estimate High Earnings/Share 6.33 = Forecast High Price \$ 170.3 (4A1)

**B LOW PRICE -- NEXT 5 YEARS**

(a) Avg. Low P/E 17.2 (3E7 as adj.) X Estimated Low Earnings/Share 3.19 = \$ 54.9

(b) Avg. Low Price of Last 5 Years = 42.3 (3B7)

(c) Recent Severe Market Low Price = 46.6

(d) Price Dividend Will Support Present Divd. 0.120 = 42.3  
 High Yield (H) 0.003

Selected Estimate Low Price = \$ 37.0 (4B1)

**C ZONING**

170.3 (4A1) High Forecast Price Minus 37.0 (4B1) Low Forecast Price Equals 133.3 (C) Range. 1/3 of Range = 44.4 (4CD)

(4C2) Lower 1/3 = 37.0 (4B1) to 81.4 (Buy)

(4C3) Middle 1/3 = 81.4 to 125.9 (Maybe)

(4C4) Upper 1/3 = 125.9 to 170.3 (4A1) (Sell)

Present Market Price of 58.390 is in the Buy (4C5) Range

**D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)**

High Price (4A1) 170.3 Minus Present Price 58.390 = 111.9  
 Present Price 58.390 Minus Low Price (4B1) 37.0 = 21.4 = 5.2 To 1 (4D)

**E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)**

High Price (4A1) 170.3  
 Present Market Price 58.390 = ( 2.917 ) X 100 = ( 291.7 ) - 100 = 191.7 (4E) % Appreciation

**Relative Value: 82.8% Proj. Relative Value: 72.2%**

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

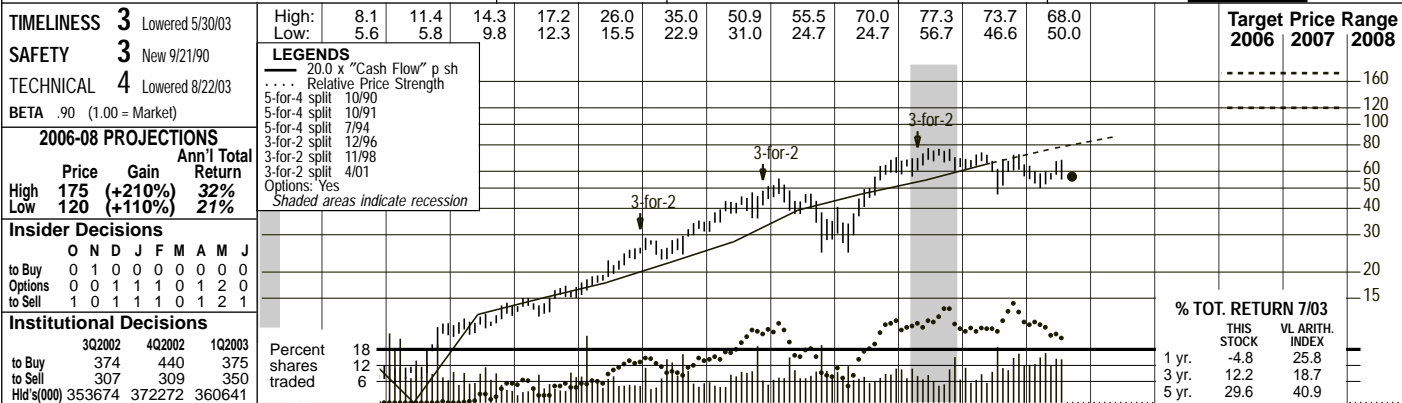
**A Present Full Year's Dividend \$** 0.120  
 Present Price of Stock \$ 58.390 = 0.002 X 100 = 0.2 Present Yield or % Returned on Purchase Price (5A)

**B AVERAGE YIELD OVER NEXT 5 YEARS**  
 Avg. Earnings Per Share Next 5 Years 4.81 X Avg. % Payout 3.0 (3G7) 5.9 = 28.4 = 0.5 % (5B)  
 Present Price \$ 58.390

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS		P.A.R.	Tot. Ret.
5 Year Appreciation Potential (4E)	<u>191.7</u>		
Average Yield (5B)	<u>0.5</u> %	<u>0.3</u>	<u>0.2</u>
Average Total Annual Return Over the Next 5 Years (5C)	<u>38.8</u> %	<u>20.1</u>	<u>25.3</u>
		<u>20.4</u>	<u>25.5</u>

# CARDINAL HEALTH NYSE-CAH

RECENT PRICE **56.72** P/E RATIO **15.8** (Trailing: 17.8; Median: 27.0) RELATIVE P/E RATIO **0.90** DIV'D YLD **0.2%** VALUE LINE



Year	1987	1988	1989	1990	1991	1992	1993	1994 <sup>E</sup>	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	© VALUE LINE PUB, INC.	06-08
Price	11.53	15.15	12.49	14.93	20.76	24.40	--	45.35	55.14	41.06	44.68	51.79	52.21	60.57	86.16	99.84	114.55	130.35	Sales per sh <sup>A</sup>	189.10
Gain	.15	.24	.23	.28	.39	.48	--	.63	.75	.89	1.11	1.39	1.96	2.34	2.73	3.28	3.85	4.40	"Cash Flow" per sh	6.60
Return	.10	.15	.19	.24	.30	.36	--	.47	.60	.73	.90	1.13	1.37	1.71	2.07	2.64	3.19	3.75	Earnings per sh <sup>B</sup>	5.90
Options	.01	.01	.01	.01	.02	.02	--	.03	.04	.04	.04	.05	.06	.07	.09	.10	.10	.12	Div'ds Decl'd per sh <sup>C</sup>	.14
to Buy	.04	.17	.05	.14	.11	.07	--	.09	.30	.34	.31	.44	.78	.74	.76	.64	.90	.95	Cap'l Spending per sh	1.10
to Sell	1.19	1.47	1.79	2.44	2.76	3.17	--	2.89	3.87	4.31	5.43	6.51	8.42	9.55	12.12	14.38	17.80	21.35	Book Value per sh	25.25
Hld's(000)	353674	372272	372272	360641															Common Shs Outst'g <sup>D</sup>	435.00
to Buy	374	440	375																Avg Ann'l P/E Ratio	25.0
to Sell	307	309	350																Relative P/E Ratio	1.65
Hld's(000)	353674	372272	360641																Avg Ann'l Div'd Yield	.1%

Year	1987	1988	1989	1990	1991	1992	1993	1994 <sup>E</sup>	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	© VALUE LINE PUB, INC.	06-08
Total Debt	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	\$2347.2	Sales (\$mill) <sup>A</sup>	82250
LT Debt	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	\$2328.2	Operating Margin	5.5%
LT Int. earned	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	10.5x	Depreciation (\$mill)	300
Leases, Uncapitalized	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	\$52.9	Net Profit (\$mill)	2565
No Defined Benefit Pension Plan																			Income Tax Rate	34.0%
Pfd Stock None																			Net Profit Margin	3.1%
Common Stock	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	446,448,190	Working Cap'l (\$mill)	9225
as of 4/30/03.																			Long-Term Debt (\$mill)	1460
MARKET CAP: \$25.3 billion (Large Cap)																			Shr. Equity (\$mill)	10850
CURRENT POSITION	2001	2002	3/31/03																Return on Total Cap'l	16.0%
Cash Assets	934.1	1382.0	545.2																Return on Shr. Equity	17.0%
Receivables	2408.7	2295.4	2845.3																All Div'ds to Net Prof	2%
Inventory (LIFO)	6286.1	7361.0	8775.6																	
Other	1087.4	868.2	1114.3																	
Current Assets	10716.3	11906.6	13280.4																	
Accts Payable	5319.9	5504.5	6465.2																	
Debt Due	14.2	18.2	19.0																	
Other	1240.7	1287.7	1562.7																	
Current Liab.	6574.8	6810.4	8046.9																	

**BUSINESS:** Cardinal Health, Inc. is a leading provider of products and services for the healthcare ind. Sales (op. profit) in '02: Pharma Distr. 71% (59%); Med-Surg. Prods. 12% (29%); Pharma Svcs. 3% (14%). Operates distrib. ctrs. serving the cont'l U.S. Acq'd Whitmire Distrib. Corp., 2/94; Humiston-Keeling & Behrens, 7/94; Medicine Shoppes, 11/95; Pyxis, 5/96; Owen Health., 3/97; R.P. Scherer, 8/98; Allegiance Corp., 2/99; Bergen Bruns. Med. Corp, 8/00; Bindley Western, 2/01. '02 depr. rate: 6.9%. Has about 45,000 empl. FMR Co. owns 14.3% of common; Robert D. Walter, 1.5%; Other off. & dir., 1.6% (9/02 Proxy). Chrmn. & CEO: Robert D. Walter. Inc.: OH. Address: 7000 Cardinal Place, Dublin, OH 43017. Telephone: 614-757-5000. Internet: www.cardinal-health.com.

**Cardinal Health recently reported excellent double-digit sales and earnings comparisons for fiscal 2003 (ended June 30th),** thanks to impressive performances by all four of CAH's business sectors. And throughout the year, Cardinal continued to invest in higher-margin, high-growth proprietary products and services that should lead to significant growth at its medical products, pharmaceutical technologies, and automation businesses going forward. In addition, a host of long-term contracts, the rollout of many new products, and ongoing cost savings augur well for CAH's prospects.

**We have modestly pared our earnings expectations for fiscal 2004.** During fiscal 2004, CAH's margins are likely to come under a bit of pressure, as vendor margins deteriorate as manufacturers pare inventories. What's more, in order to prevent quarterly expectations from dictating the timing of its stock repurchases, the company has decided to eliminate the contribution of buybacks from its earnings guidance. As such, management is now looking for earnings growth in the 'mid-teens or better' region, as compared to the 20% plus earnings comparisons that have become de rigeur over the last few years.

**Cardinal's balance sheet is in great shape.** At the end of fiscal 2003, the company's net debt-to-total capital ratio declined to a record low of 11%, and cash on hand was at a record \$1.7 billion. Over the coming years, we look for the company to continue to generate strong cash flow, and management remains committed to maximizing shareholder value by either repurchasing outstanding shares or making selective acquisitions to broaden its lineup of services. Indeed, the board of directors recently authorized the buyback of up to \$1 billion of its common stock, subsequent to a \$500 million repurchase program that was completed in fiscal 2003.

**This stock's 3- to 5-year appreciation potential is well above the Value Line median,** thanks, in large part to our expectation of strong double-digit sales and earnings growth over that period.

*Kenneth A. Nugent* September 5, 2003

Company's Financial Strength A  
 Stock's Price Stability 70  
 Price Growth Persistence 100  
 Earnings Predictability 100

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