



# Stock Selection Guide®

The most widely used aid to good investment judgment

Company LINCARE HOLDINGS INC. Date 07/11/03

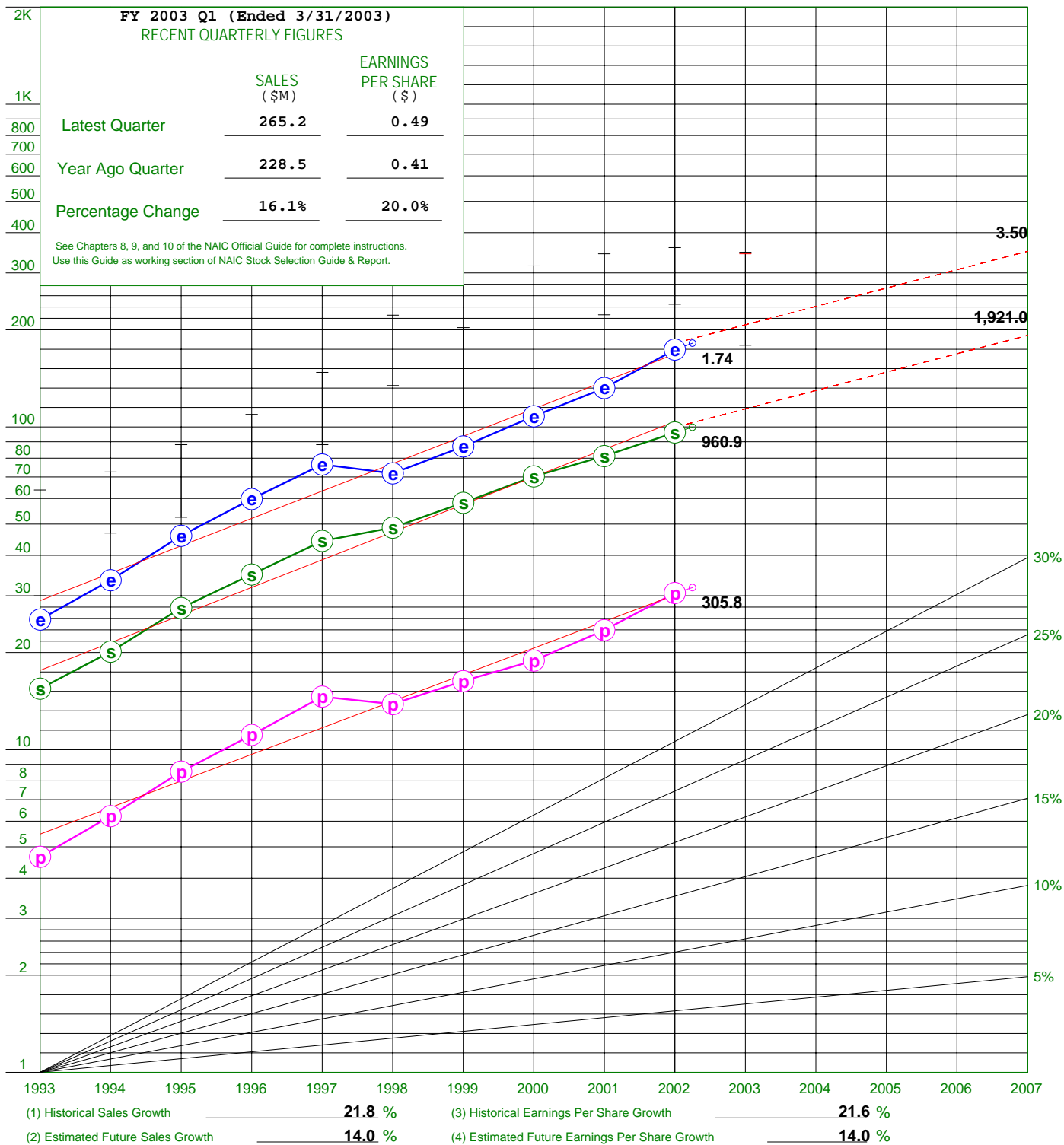
Prepared by MG Data taken from M

Where traded NASDAQ Major product/service Healthcare

CAPITALIZATION --- Outstanding Amounts		Reference	
Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	104.8	24.0	97.3
Debt (\$M)	209.2	% to Tot.Cap.	19.9 % Potential Dil.
			None

## 1 VISUAL ANALYSIS of Sales, Earnings and Price

LNCR



## 2 EVALUATING MANAGEMENT

Company **LINCARE HOLDINGS INC.** (LNCR)

07/11/03

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
<b>A</b> % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	30.1	30.9	31.1	31.8	32.9	28.4	28.0	26.9	28.9	31.8	28.8	UP	
<b>B</b> % Earned on Equity (E/S ÷ Book Value)	22.4	22.0	22.9	22.4	22.1	16.8	20.4	19.6	19.2	21.7	19.5	UP	

## 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		34.380	HIGH THIS YEAR	34.770	LOW THIS YEAR	17.907		
	A	B	C	D		E	F	G	H
	HIGH	LOW	Earnings Per Share	Price Earnings Ratio		Dividend Per Share	% Payout	% High Yield	
1 1998	22.2	13.4	0.72	30.9	18.7	0.000	0.0	0.0	
2 1999	20.3	8.6	0.87	23.3	9.9	0.000	0.0	0.0	
3 2000	31.6	10.4	1.08	29.3	9.6	0.000	0.0	0.0	
4 2001	34.4	22.3	1.32	26.1	16.9	0.000	0.0	0.0	
5 2002	36.0	24.0	1.74	20.7	13.8	0.000	0.0	0.0	
6 TOTAL		78.7		99.4	50.2		0.0		
7 AVERAGE		15.7		24.8	12.6		0.0		
8 AVERAGE PRICE EARNINGS RATIO	18.7		9 CURRENT PRICE EARNINGS RATIO		18.9				

## 4 Proj. P/E [16.57] Based on Next 4 qtr. EPS [2.07] Current P/E Based on Last 4 qtr. EPS [1.82] 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 ~~24.8~~ 22.5 X Estimate High Earnings/Share 3.50 = Forecast High Price \$ 78.8  
(3D7 as adj.) (4A1)

### B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~12.6~~ 11.7 X Estimated Low Earnings/Share 1.74 = \$ 20.3  
(3E7 as adj.)

(b) Avg. Low Price of Last 5 Years = 15.7  
(3B7)

(c) Recent Severe Market Low Price = 22.3

(d) Price Dividend Will Support Present Divd. = 0.000 = 0.0  
High Yield (H) = 0.000

Selected Estimate Low Price = \$ 17.3  
(4B1)

### C ZONING

78.8 High Forecast Price Minus 17.3 Low Forecast Price Equals 61.6 Range. 1/3 of Range = 15.4  
(4A1) (4B1) (C) (4CD)

(4C2) Lower 1/3 = 17.3 to 32.7 (Buy) **Note: Ranges changed to 25%/50%/25%**

(4C3) Middle 1/3 = 32.7 to 63.4 (Maybe)

(4C4) Upper 1/3 = 63.4 to 78.8 (4A1) (Sell)

Present Market Price of 34.380 is in the Hold Range  
(4C5)

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

High Price (4A1) 78.8 Minus Present Price 34.380  
34.380 Minus Low Price (4B1) 17.3 = 44.4 = 2.6 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) 78.8  
 Present Market Price 34.380 = ( 2.292 ) X 100 = ( 229.2 ) - 100 = 129.2 % Appreciation  
(4E)

**Relative Value: 101.1% Proj. Relative Value: 88.6%**

## 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 \$ 0.000**  
 Present Price of Stock \$ 34.380 = 0.000 X 100 = 0.0 Present Yield or % Returned on Purchase Price  
(5A)

### B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 2.69 X Avg. % Payout (3G7) 0.0 = 0.0 = 0.0 %  
(5B)

### C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential <small>(4E)</small>	<u>129.2</u>						
Average Yield <small>(5B)</small>	<u>0.0</u>		<u>25.8</u>	%	<u>0.0</u>		<u>0.0</u>
Average Total Annual Return Over the Next 5 Years <small>(5C)</small>	<u>25.8</u>		<u>0.0</u>	%	<u>11.7</u>		<u>18.0</u>
			<u>25.8</u>	%	<u>11.7</u>		<u>18.0</u>

<b>TIMELINESS</b> 3 Lowered 6/6/03	High: 3.8 6.4 7.3 8.8 10.9 14.8 22.2 20.3 31.6 34.4 35.9 33.8	Target Price Range 2006 2007 2008
<b>SAFETY</b> 3 New 1/3/97	Low: 1.6 2.1 4.7 5.3 6.0 8.8 13.4 8.6 10.4 22.3 24.0 27.0	120 100 80 64 48 32 24 20 16 12 8
<b>TECHNICAL</b> 3 Raised 6/27/03	<b>LEGENDS</b> 12.0 x "Cash Flow" p sh Relative Price Strength 2-for-1 split 12/93 2-for-1 split 6/98 2-for-1 split 6/01 Options: Yes Shaded area indicates recession	
<b>BETA</b> .75 (1.00 = Market)		
<b>2006-08 PROJECTIONS</b>		
Ann'l Total		
Price Gain Return		
High 80 (+155%) 27%		
Low 55 (+75%) 15%		
<b>Insider Decisions</b>		
A S O N D J F M A		
to Buy 0 0 0 0 0 0 0 0 0 0		
Options 0 0 1 0 1 0 0 0 0 0		
to Sell 0 0 1 0 1 0 0 0 0 0		
<b>Institutional Decisions</b>		
302002 4Q2002 102003		
to Buy 165 158 144	Percent shares traded 45 30 15	
to Sell 106 123 142		
Hlds(000) 98919 98119 97806		

Lincare Holdings was formed in 1972 as a subsidiary of Union Carbide. By 1987, it was 50%-owned by Union Carbide and 50%-owned by management. In 1990 management and other investors bought out Union Carbide. The company went public in March 1992. Lincare is the second largest provider of home health respiratory services in the U.S., with about 7% of the \$4.5 billion market. Most of the company's customers are over 65 years old, and Medicare/Medicaid represents 60% of its payor mix.	1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004	© VALUE LINE PUB, INC. 06-08
<b>CAPITAL STRUCTURE as of 3/31/03</b> Total Debt \$212.2 mill. Due in 5 Yrs \$152.0 mill. LT Debt \$158.8 mill. LT Interest \$7.8 mill. (15% of Cap'l) Leases, Uncapitalized Annual rentals \$23.5 mill. No Defined Pension Benefit Plan Pfd Stock None Common Stock 104,731,635 shs. as of 4/30/03 MARKET CAP: \$3.3 billion (Mid Cap)	1.46 1.85 2.48 3.09 3.86 4.18 5.38 6.59 7.54 9.08 10.75 12.60 .42 .54 .72 .90 1.15 1.14 1.46 1.73 2.05 2.41 2.90 3.40 .25 .34 .46 .59 .77 .72 .87 1.08 1.32 1.73 2.10 2.45 -- -- -- -- -- -- -- -- -- -- Nil Nil .17 .21 .27 .34 .44 .53 .62 .55 .69 .78 .90 1.05 1.11 1.49 2.00 2.65 3.42 4.25 4.50 5.48 6.86 8.09 9.85 12.10 105.60 108.50 110.75 113.02 114.88 116.71 108.14 106.64 107.74 105.80 104.00 103.00 16.0 17.7 15.2 15.4 15.0 25.3 16.8 15.0 21.3 17.7 .95 1.16 1.02 .96 .86 1.32 .96 .98 1.09 .97	Revenues per sh 20.00 "Cash Flow" per sh 5.45 Earnings per sh <sup>A</sup> 4.20 Div'ds Decl'd per sh Nil Cap'l Spending per sh 1.75 Book Value per sh <sup>B</sup> 22.25 Common Shs Outst'g <sup>C</sup> 101.00 Avg Ann'l P/E Ratio 16.0 Relative P/E Ratio 1.05 Avg Ann'l Div'd Yield Nil
	154.5 201.1 274.8 348.9 443.2 487.4 581.8 702.5 812.4 960.9 1120 1300 41.7% 42.0% 42.2% 42.6% 43.6% 39.4% 40.0% 40.3% 40.2% 40.0% 40.0% 40.0% 16.5 20.7 27.6 33.9 41.8 47.2 57.1 67.5 75.8 65.0 75.0 90.0 28.3 38.0 52.2 68.2 89.7 85.3 100.7 116.9 144.8 190.4 225 260 39.3% 39.1% 39.0% 38.5% 38.5% 38.3% 38.1% 38.1% 36.7% 37.5% 37.5% 37.5% 18.3% 18.9% 19.0% 19.6% 20.2% 17.5% 17.3% 16.6% 17.8% 19.8% 20.1% 20.0% 35.6 18.5 16.5 23.7 42.2 49.0 70.2 84.5 d.8 43.0 50.0 25.0 7.5 4.7 2.4 .7 4.6 22.3 159.0 204.0 125.8 155.5 150 145 117.1 162.1 221.4 299.2 393.1 495.7 486.1 584.5 739.0 856.3 1025 1250 22.8% 22.9% 23.5% 22.8% 22.7% 16.6% 16.1% 16.0% 17.7% 19.5% 20.0% 19.0% 24.1% 23.4% 23.6% 22.8% 22.8% 17.2% 20.7% 20.0% 19.6% 22.2% 22.0% 21.0% 24.1% 23.4% 23.6% 22.8% 22.8% 17.2% 20.7% 20.0% 19.6% 22.2% 22.0% 21.0%	Operating Margin 41.0% Depreciation (\$mill) 115 Net Profit (\$mill) 435 Income Tax Rate 38.0% Net Profit Margin 21.5% Working Cap'l (\$mill) 150 Long-Term Debt (\$mill) 125 Shr. Equity (\$mill) 2250 Return on Total Cap'l 18.5% Return on Shr. Equity 19.5% Retained to Com Eq 19.5% All Div'ds to Net Prof Nil

<b>CURRENT POSITION</b>	2001 2002 3/31/03	
Cash Assets	8.4 1.6 4.4	
Receivables	143.8 142.7 152.3	
Inventory (FIFO)	2.9 3.0 2.7	
Other	6.1 6.4 3.3	
Current Assets	161.2 153.7 162.7	
Accts Payable	29.9 27.0 28.7	
Debt Due	97.5 53.7 53.4	
Other	34.6 30.0 48.9	
Current Liab.	162.0 110.7 131.0	

<b>ANNUAL RATES</b>	Past 10 Yrs. 5 Yrs. Est'd '00-'02 to '06-'08	
of change (per sh)	10 Yrs. 5 Yrs. Est'd '00-'02 to '06-'08	
Revenues	21.0% 19.5% 17.0%	
"Cash Flow"	21.0% 17.5% 17.5%	
Earnings	24.0% 18.0% 20.5%	
Dividends	-- -- Nil	
Book Value	23.5% 20.5% 22.0%	

<b>QUARTERLY REVENUES (\$ mill.)</b>	Full Year
Cal-ender Mar.31 Jun.30 Sep.30 Dec.31	
2000	159.6 167.6 186.0 189.3 702.5
2001	191.7 198.4 206.8 215.6 812.4
2002	228.5 234.5 244.2 253.8 960.9
2003	265.2 274.8 285 295 1120
2004	305 320 330 345 1300

<b>EARNINGS PER SHARE <sup>A</sup></b>	Full Year
Cal-ender Mar.31 Jun.30 Sep.30 Dec.31	
2000	.25 .26 .28 .29 1.08
2001	.30 .32 .34 .36 1.32
2002	.41 .42 .44 .46 1.73
2003	.49 .51 .53 .57 2.10
2004	.57 .59 .62 .67 2.45

<b>QUARTERLY DIVIDENDS PAID</b>	Full Year
Cal-ender Mar.31 Jun.30 Sep.30 Dec.31	
1999	
2000	NO CASH DIVIDENDS BEING PAID
2001	
2002	
2003	

**We look for Lincare Holdings to post another year of solid top- and bottom-line gains.** First-quarter share net rose 20%, on a 16% increase in revenues, driven by the company's long-running two-pronged strategy of internal growth and acquisitions. It added four companies in the period, representing annual revenues of about \$16 million. For the year, we continue to look for it to approach its average of \$70 million in acquisition revenues. Meanwhile, development remains strong, with 14 new operating centers opened, raising the total to 662. Based on these solid growth trends, we look for share net to advance 20% - 25% in 2003. Although issues concerning Medicare reimbursement changes may arise, we estimate a 15% - 20% increase for next year.

**Stepped-up share-repurchase activity may lend some added support to share-net growth.** The company spent \$39 million to buy back its stock in the latest quarter. More recently, the board increased the current authorization to \$225 million, about half of which is factored into our presentation.

**The company is well positioned to benefit from demographic trends.** The demand for Lincare's oxygen and respiratory-therapy products is largely derived from the elderly, which is pegged to be one of the fastest-growing segments of the population in the years ahead. In addition, the ongoing trend of patients opting for service in the home also plays into its niche.

**These shares are an average choice for the year ahead.** After outpacing the broader market over the past year, the shares have underperformed in the last three months, resulting in a downgrade to its rank. Underlying growth in the market for its products, combined with expanding share within its markets and increased sales and marketing efforts, suggests annual bottom-line growth of about 20% on average out to 2006-2008. At the current quotation, this would translate into moderately above-average price-appreciation potential over the period. However, investors need to keep in mind that the shares can be sensitive to news or rumors of changes in Medicare reimbursement rates, resulting in periods of higher volatility.

Mario Ferro  
June 27, 2003