



Stock Selection Guide®

The most widely used aid to good investment judgment

Company PATTERSON DENTAL COMPANY Date 06/30/06

Prepared by MG Data taken from NAIC Data

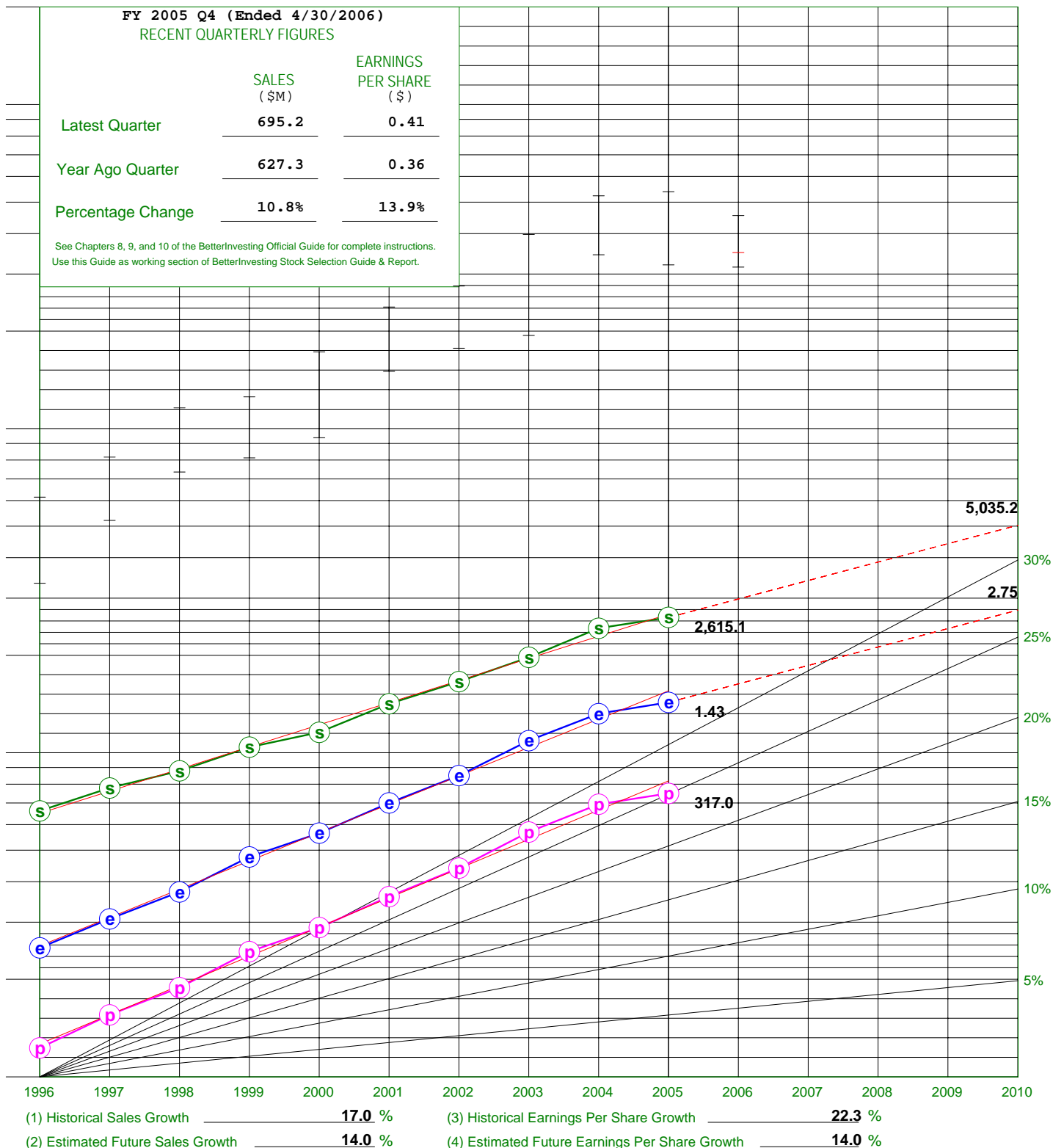
Where traded NASDAQ Major product/service Health Care

CAPITALIZATION --- Outstanding Amounts Reference

Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	138.6	33.0	59.1
Debt (\$M)	300.0	% to Tot.Cap.	0.0 % Potential Dil. None

1 VISUAL ANALYSIS of Sales, Earnings and Price

PDCO



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	7.9	8.4	9.1	9.9	10.6	10.8	11.2	12.2	12.1	12.1	11.7	EVEN	
B % Earned on Equity (E/S ÷ Book Value)	18.3	18.2	18.0	18.7	18.7	18.5	18.3	18.6	17.9		18.3		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.

		PRESENT PRICE		34.930	HIGH THIS YEAR		45.450	LOW THIS YEAR		31.510
Year		PRICE		C Earnings Per Share	D Price Earnings Ratio		F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100	
		HIGH	LOW		HIGH A ÷ C	LOW B ÷ C				
1	2001	23.7	15.0	0.70	33.9	21.4	0.000	0.0	0.0	
2	2002	27.6	17.7	0.85	32.5	20.8	0.000	0.0	0.0	
3	2003	39.8	19.4	1.09	36.5	17.8	0.000	0.0	0.0	
4	2004	52.3	34.4	1.32	39.6	26.1	0.000	0.0	0.0	
5	2005	53.9	32.0	1.43	37.7	22.4	0.000	0.0	0.0	
6	TOTAL		118.5		104.1	64.6		0.0		
7	AVERAGE		23.7		34.7	21.5		0.0		
8	AVERAGE PRICE EARNINGS RATIO			28.1	9	CURRENT PRICE EARNINGS RATIO			24.4	

4

Proj. P/E [21.43] Based on Next 4 qtr. EPS [1.63] Current P/E Based on Last 4 qtr. EPS [1.43]
EVALUATING RISK and REWARD over the next 5 years

PEG=153

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 ~~34.7~~ 28.0 X Estimate High Earnings/Share 2.75 = Forecast High Price \$ 77.0
(3D7 as adj.) (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~21.5~~ 20.0 X Estimated Low Earnings/Share 1.43 = \$ 28.6
(3E7 as adj.)
(b) Avg. Low Price of Last 5 Years = 23.7
(3B7)
(c) Recent Severe Market Low Price = 31.5
(d) Price Dividend Will Support Present Divd. = 0.000 = 0.0
High Yield (H) 0.000
Selected Estimate Low Price = \$ 28.6
(4B1)

C ZONING

77.0 High Forecast Price Minus 28.6 Low Forecast Price Equals 48.4 Range. 1/3 of Range = 12.1
(4A1) (4B1) (C) (4CD)
(4C2) Lower 1/3 = (4B1) 28.6 to 40.7 (Buy) Note: Ranges changed to 25%/50%/25%
(4C3) Middle 1/3 = 40.7 to 64.9 (Maybe)
(4C4) Upper 1/3 = 64.9 to 77.0 (4A1) (Sell)

Present Market Price of 34.930 is in the Buy Range
(4C5)

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

High Price (4A1) 77.0 Minus Present Price 34.930
Present Price 34.930 Minus Low Price (4B1) 28.6 = 42.1 = 6.6 To 1
6.3 (4D)

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

High Price (4A1) 77.0
Present Market Price 34.930 = (2.204) X 100 = (220.4) - 100 = 120.4 % Appreciation
(4E)

5

5-YEAR POTENTIAL

Relative Value: 86.8% Proj. Relative Value: 76.3%

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

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

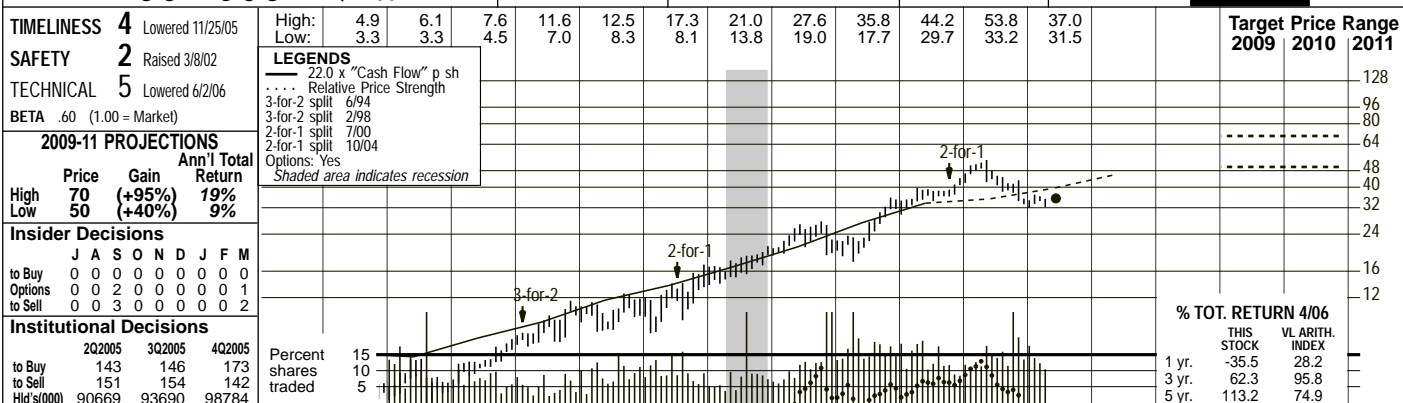
A Present Full Year's Dividend \$ 0.000
Present Price of Stock \$ 34.930 = 0.000 X 100 = 0.0 Present Yield or % Returned on Purchase Price
(5A)

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 2.12 X Avg. % Payout (3G7) 0.0 = 0.0 = 0.0 %
(5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 120.4
5 24.1 % Average Yield (5B) 0.0 % Average Total Annual Return Over the Next 5 Years (5C) 24.1 %
P.A.R. Tot. Ret.
Average Yield 0.0% 0.0%
Annual Appreciation 13.6% 17.1%
% Compd Ann Rate of Ret 13.6% 17.1%



1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB, INC.	09-11
--	--	3.25	4.42	5.04	5.48	5.08	5.85	6.53	7.72	8.57	10.39	12.17	14.39	17.57	18.90	21.00	23.00	Sales per sh ^A	30.00
--	--	.13	.20	.25	.30	.29	.35	.42	.53	.62	.77	.95	1.23	1.53	1.60	1.80	1.80	"Cash Flow" per sh	2.80
--	--	.10	.15	.18	.22	.25	.31	.37	.48	.57	.70	.86	1.09	1.32	1.43	1.60	1.85	Earnings per sh ^{AB}	2.50
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
--	--	.06	.08	.06	.07	.04	.04	.05	.11	.07	.08	.08	.14	.23	.35	.35	.35	Cap'l Spending per sh	.45
--	--	.29	.48	.71	.99	1.25	1.58	1.97	2.45	3.03	3.78	4.65	5.86	7.36	8.95	10.70	12.65	Book Value per sh ^C	19.80
--	--	105.63	105.64	105.77	106.21	130.30	133.13	134.60	134.73	134.98	136.25	136.17	136.90	137.83	138.50	138.75	139.00	Common Shs Outst'g ^D	140.00
--	--	22.4	22.7	18.6	19.7	19.8	21.9	25.7	21.5	24.4	26.7	27.0	27.4	31.6	27.7	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	24.0
--	--	1.36	1.34	1.22	1.32	1.24	1.26	1.34	1.23	1.59	1.37	1.47	1.56	1.67	1.47			Relative P/E Ratio	1.80
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil

CAPITAL STRUCTURE as of 4/29/06																			Sales (\$mill) ^A	4200
Total Debt \$300.0 mill. Due in 5 Yrs \$300.0 mill.																			Operating Margin	14.0%
LT Debt \$210.0 mill. LT Interest \$10.0 mill.																			Depreciation (\$mill)	40.0
(Total interest coverage: 26.4x) (14% of Capital)																			Net Profit (\$mill)	355
Leases, Uncapitalized Annual rentals \$11.6 mill.																			Income Tax Rate	37.5%
No Defined Benefit Pension Plan																			Net Profit Margin	8.5%
Preferred Stock None																			Working Cap'l (\$mill)	1405
Common Stock 138,642,997 shares as of 3/6/06																			Long-Term Debt (\$mill)	Nil
MARKET CAP: \$4.9 billion (Mid Cap)																			Shr. Equity (\$mill)	2775
CURRENT POSITION 2003 2004 4/29/06 (\$MILL.)																			Return on Total Cap'l	12.5%
Cash Assets	295.2	245.9	224.4																Return on Shr. Equity	12.5%
Receivables	285.2	317.2	350.3																Retained to Com Eq	12.5%
Inventory (LIFO)	173.0	206.4	244.7																All Div'ds to Net Prof	Nil
Other	24.7	30.5	28.0																	
Current Assets	778.1	800.0	847.4																	
Accts Payable	149.5	174.5	174.0																	
Debt Due	20.0	20.0	90.0																	
Other	94.2	127.8	145.7																	
Current Liab.	263.7	322.3	409.7																	

BUSINESS: Patterson Companies, Inc. operates three units: Dental Supply (76% of '04 sales) supplies dentists, laboratories and institutions in North America and provides services, including: equipment installation, maintenance and repair, office design, and equipment financing. Veterinary Supply (12%) supplies veterinary clinics in the eastern U.S. Rehabilitative Supply (12%) distributes rehabilitative medical supplies and non-wheelchair assistive products globally. Has about 5,950 employees. Off. & dir. own 8.0% of stock; FMR Corp., 12.8%; U.S. Bancorp., 7.6%; Neuberger Berman, 6.0% (8/05 proxy). Chrmn.: Peter L. Frechette. Pres. & CEO: James W. Wiltz. Inc.: MN. Address: 1031 Mendota Heights Rd., St. Paul, MN 55120. Tel.: 651-686-1600. Web: www.pattersoncompanies.com.

Other

94.2

127.8

145.7

Current Liab.

263.7

322.3

409.7

ANNUAL RATES of change (per sh)

Past 10 Yrs.

Past 5 Yrs.

Est'd to '09-'11

'02-'04

Sales

13.5%

17.0%

10.5%

"Cash Flow"

20.5%

23.5%

12.5%

Earnings

22.5%

23.0%

12.5%

Dividends

--

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Nil

Book Value

28.5%

24.0%

18.5%

Fiscal Year Begins

QUARTERLY SALES (\$ mill.) ^A

Jul.Per

Oct.Per

Jan.Per

Apr.Per

Full Fiscal Year

2003

433.3

477.5

521.2

537.3

1969.3

2004

578.0

578.2

638.0

627.3

2421.5

2005

595.8

641.7

682.4

695.2

2615.1

2006

655

725

755

780

2915

2007

720

795

825

860

3200

Fiscal Year Begins

EARNINGS PER SHARE ^{AB}

Jul.Per

Oct.Per

Jan.Per

Apr.Per

Full Fiscal Year

2003

.22

.26

.29

.32

1.09

2004

.29

.31

.36

.36

1.32

2005

.31

.32

.39

.41

1.43

2006

.32

.37

.44

.47

1.60

2007

.36

.43

.51

.55

1.85

Cal-endar

QUARTERLY DIVIDENDS PAID

Mar.Per

Jun.Per

Sep.Per

Dec.Per

Full Year

2002

2003

2004

2005

2006

NO CASH DIVIDENDS BEING PAID

Patterson Companies began fiscal 2006 on a sour note (began May 1st).

Management announced that the company expects share earnings to be between \$1.57 and \$1.60 (including about \$0.04 worth of equity-based compensation expenses) this year, which was well below our call of \$1.70. Still, although our estimates have been pared back some, **these untimely shares offer worthwhile recovery potential.** The stock currently trades about 35% lower than its 52-week high, owing to concerns about slowing revenue and earnings growth. However, demand is strengthening in each of the three markets that Patterson serves. Its dental supply unit should continue benefiting from a new product cycle that has led to increased sales of digital equipment. Robust revenues from consumable supplies, coupled with an expected rebound in the basic dental equipment market, should also boost results here. The veterinary supply segment will likely continue expanding into new geographic markets via strategic acquisitions, while its results ought to get a nice lift from the recent start-up in California. Patterson's rehabili-

tation supply business should bounce back from a weak fiscal 2005, as management begins to implement new growth strategies. The company also stands to benefit from cost-cutting measures, productivity improvements, and the ongoing integration of the six major acquisitions made over the past five years. All told, we think Patterson will earn \$1.60 a share in fiscal 2006, but it should carry the good momentum into next fiscal year. Indeed, we think share net will advance 16% in fiscal 2007, to \$1.85.

In sum, though untimely, these shares offer good 3- to 5-year capital gains potential based on our long-term projections. However, in spite of the stock's Above-Average Safety rank and the company's high Financial Strength, we think investors should proceed with caution. A class action lawsuit alleging that management gave false or misleading information to artificially inflate the stock price still looms over this equity. Management says it will vigorously defend the accusations, and ongoing litigation expenses could drag a bit on the bottom line.

Erik A. Antonson

June 2, 2006

Trailing 4 quarters

PERT Worksheet-A Graph

Company PATTERSON DENTAL COMPANY

(PDCO)

