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Nicholas Financial, Inc. (NICK)
Reported 1Q04 Results – Maintain Buy Rating

Price (7/29/03)	Target	52-Wk Range	Market Value	Dividend	Yield
\$6.47 (intraday)	\$7.35	\$6.60–\$3.50	\$32.4 mil.	\$0.00	0.0%

Shares Out:	5.0 mil.	ROAA:	NA
Float:	3.3 mil.	ROAE:	NA
Avg. Trading Volume:	4,373	Book Value (06/30/03):	NA
Est. EPS Growth:	12%	Price/Book:	NA

Earnings Per Share:

	2003 A	2004 E	Prior Est.	2005 E	Prior Est.
June 1Q	\$0.19	\$0.22 A	\$0.21	NE	
Sept. 2Q	\$0.20	\$0.22		NE	
Dec. 3Q	\$0.19	\$0.23		NE	
Mar. 4Q	<u>\$0.23</u>	<u>\$0.23</u>	<u>\$0.24</u>	<u>NE</u>	
FY	\$0.81	\$0.90		\$1.00	
P/E	8.0 x	7.2 x		6.5 x	

See final page for important disclosures and analyst certification.

Highlights:

- **Nicholas Financial reported first quarter diluted EPS of \$0.22 vs. \$0.19 a year ago, \$0.01 above our expectation.**
- **We maintain our current full-year EPS estimate and our Buy rating on NICK shares.** NICK stock currently trades at a discount to its other finance peers and underlying fundamentals remain strong.

Recent Results

Nicholas Financial reported first quarter diluted EPS of \$0.22 vs. \$0.19 a year ago, \$0.01 above our expectation. Finance receivables, net of loss reserves and unearned income, increased 4.1% and the period's 15.7% increase in EPS was driven by a comparable increase in finance revenue, but only modest increases in provision expense and interest cost.

Additional details regarding the quarter will be available in the company's 10Q.

FERRIS, BAKER WATTS, INCORPORATED

Important Disclosures and Analyst Certification

At the time of this report, Ferris, Baker Watts, Inc. makes a market in the shares of this company.

Investors should assume that Ferris, Baker Watts, Inc. expects to receive or intends to seek compensation from this company for investment banking or other services in the next three months.

The analyst(s) who prepared this report may be compensated in part from a bonus pool that is partially funded by fees received by Ferris, Baker Watts, Inc. for providing investment banking services.

There are three rating categories within the FBW Investment Rating System: Buy, Hold, and Sell. The rating assigned to each company is based on an analysis of four factors: intrinsic value, relative value, capital flow/market sentiment, and fundamental catalysts. In order for a Buy rating to be assigned, one factor must be positive, or two positives must be identified if one factor is negative; under a Hold rating, all factors are considered neutral, or positives and negatives are balanced; a Sell rating indicates that all four factors are negative, or negative fundamental developments imply questionable intrinsic value.

Analyst Certification: I, Henry J. Coffey, Jr., hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company and its underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

Ratings Distribution & Investment Banking Disclosure

	Ratings Distribution [^]	Investment Banking [*]
Buy-rated	58%	23%
Hold-rated	37%	11%
Sell-rated	3%	0%

[^] Percentage of all FBW-covered stocks assigned a Buy, Hold, or Sell rating.

^{*} Percentage of companies within FBW-rated Buy, Hold, and Sell categories for which FBW or an associated firm provided investment banking services within the past 12 months.

Data as of 6/30/03

Additional Information Available Upon Request

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