

August 6, 2008

Key Metrics

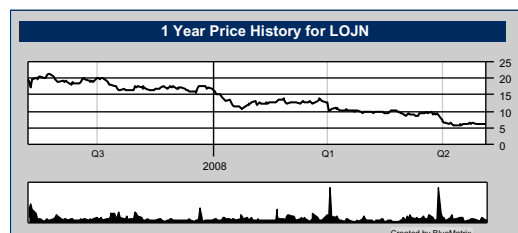
LOJN - NASDAQ	\$5.86
Pricing Date	08/06/2008
Price Target	NA
52-Week Range	\$22.05-\$5.42
Shares Outstanding (mm)	17.7
Market Capitalization (\$mm)	\$103.7
3-Mo Average Daily Volume	236,118
Institutional Ownership	71%
Debt/Total Capital	19.8%
ROE	10.9%
Book Value/Share	\$6.61
Price/Book	0.9x
Dividend Yield	NM
LTM EBITDA Margin	12.31%

EPS(\$) FY: December

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	0.32	--	0.05A	--	0.12E
2Q-Jun	0.35	0.18E	0.10A	--	0.18E
3Q-Sep	0.33	0.27E	0.20E	--	0.26E
4Q-Dec	0.24	0.26E	0.23E	--	0.28E
FY	1.24	0.76E	0.58E	1.03E	0.85E
P/E	4.7x		10.1x		6.9x

Revenue(\$mm)

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	54.1	--	46.1A	--	48.3E
2Q-Jun	58.2	53.5E	51.4A	--	53.4E
3Q-Sep	55.1	55.5E	52.2E	--	54.6E
4Q-Dec	55.3	58.5E	57.0E	--	60.7E
FY	222.7	213.6E	206.7E	230.7E	217.0E



Company Description: LoJack Corp. (www.lojack.com) together with its subsidiaries, provides technology products and services for the tracking and recovery of mobile assets worldwide. Its wireless network technology offers a means for the tracking and recovery of stolen vehicles, motorcycles, and construction equipment.

LoJack Corp.

Rating: Hold

Domestic Weakness Brings Down 2Q Results

Investment Highlights:

- **LOJN reported 2Q EPS of \$0.10, ex-one time charge, \$0.08 below our estimate.**
- **Domestic weakness negatively impacting sales; revenues down 12% Y/Y.** LoJack reported 2Q08 sales of \$51.4mm, 12% below 2Q07 and roughly \$2mm below our estimate. The Y/Y decrease was primarily driven by a weak domestic market. Both international revenues and units sold increased in the quarter with sales up 7% Y/Y. While international revenues should expand Y/Y in 2H08, no improvements are expected domestically. We are therefore lowering our 2008 and 2009 sales projections to \$207mm and \$217mm, respectively.
- **Reduced sales leverage/increased costs decrease margins.** Lower sales, accounting for Absolute Software warrants, and higher operating costs (up \$1.3mm Y/Y or 790bps as a percentage of sales), decreased Y/Y EBIT margins from 17% to 4.3%. We do not expect LoJack to adjust its current spending patterns, particularly within marketing, which was 26% of total sales, and we believe lower expected sales volumes should continue to depress margins Y/Y in 2008. Accordingly, we are lowering our 2008 EPS estimate to \$0.58 from \$0.76, of which roughly \$0.08 is reflected within the lower than expected 2Q08 results. Of note, management guidance is for 2008 EPS within a range of \$0.67 to \$0.71, excluding one-time charges, with the primary difference in gross margins.
- **Progress away from domestic auto sales dependence moving forward - should take time.** LoJack has embarked upon many initiatives designed to limit the company's dependence upon the domestic auto market. LoJacks designed for commercial use and motorcycles are well underway, yet appear to be facing similar economic challenges as autos. Similarly, LoJack Italia continues to move forward and could eventually boost international sales, yet growth has been moderate. Most recently, the company acquired certain assets of Locator Systems (cost not disclosed but we believe it to be minimal), which helps police locate and rescue missing persons with Alzheimer's, Autism, and other similar disabilities; however, the project appears to be a long-term project.
- **Shares expected to remain volatile, follow domestic new car trends.** With a strong balance sheet (cash less debt of \$30mm) and expectations for positive free cash flow, LoJack appears well positioned to withstand current market conditions and possesses material EPS upside potential, to our estimates, should the environment improve; yet we continue to expect shares and EPS to track in line with domestic auto sales and visibility for a turnaround remains limited.

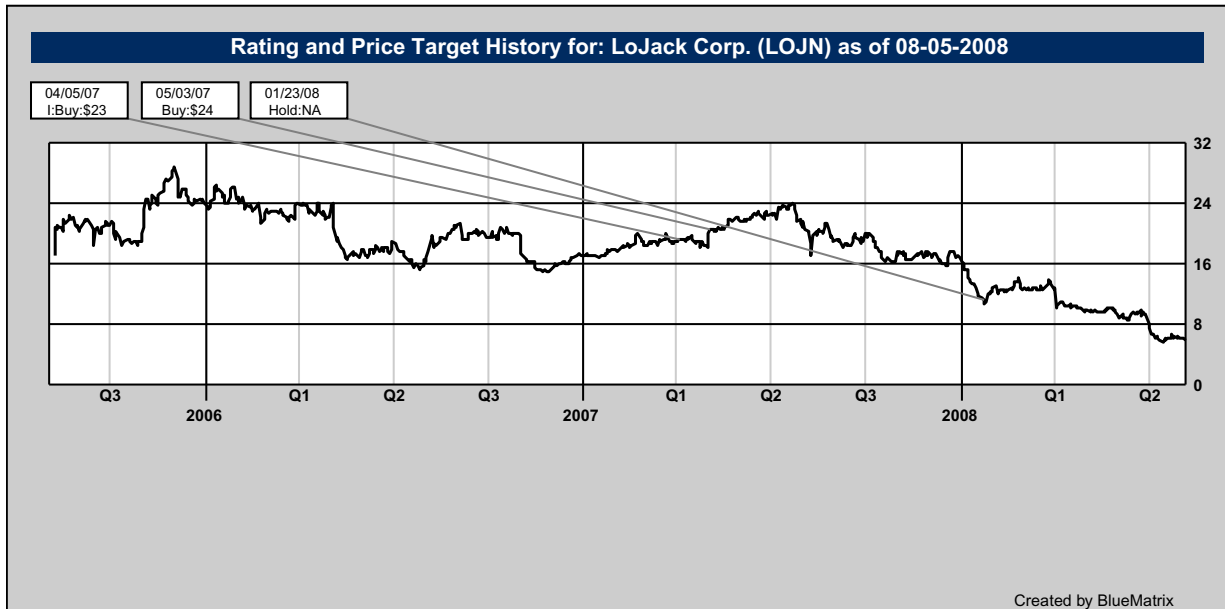
EQUITY RESEARCH

LoJack Corp. Quarterly Earnings Model

	FY 2006	Q1 Mar-07	Q2 Jun-07	Q3 Sep-07	Q4 Dec-07	FY 2007	Q1 Mar-08	Q2 Jun-08	Q3E Sep-08	Q4E Dec-08	FYE 2008	Q1E Mar-09	Q2E Jun-09	Q3E Sep-09	Q4E Dec-09	FYE 2009
Total Revenues	213.3	54.1	58.2	55.1	55.3	222.7	46.1	51.4	52.2	57.0	206.7	48.3	53.4	54.6	60.7	217.0
<i>% Increase</i>	11.9%	6.7%	2.8%	0.4%	8.2%	4.4%	-14.8%	-11.7%	-5.3%	3.1%	-7.2%	4.8%	3.9%	4.6%	6.5%	5.0%
Total Cost of Revenues	99.8	24.4	24.5	23.7	26.0	98.6	22.3	24.1	23.6	26.2	96.2	22.6	24.1	24.2	28.1	99.0
<i>As % of Revenues</i>	46.8%	45.1%	42.1%	43.0%	47.0%	44.3%	48.4%	46.9%	45.2%	46.0%	46.5%	46.8%	45.2%	44.3%	46.3%	45.6%
Gross Profit	113.5	29.7	33.7	31.4	29.3	124.1	23.8	27.3	28.6	30.8	110.5	25.7	29.3	30.4	32.6	118.0
<i>Gross Margin</i>	53.2%	54.9%	57.9%	57.0%	53.0%	55.7%	51.6%	53.1%	54.8%	54.0%	53.5%	53.2%	54.8%	55.7%	53.7%	54.4%
<i>% Increase</i>	11.6%	13.6%	9.1%	5.9%	9.3%	9.3%	-19.8%	-19.1%	-8.8%	5.1%	-10.9%	8.1%	7.2%	6.1%	5.9%	6.8%
Systems Cost & R&D	5.7	1.5	1.5	0.8	1.8	5.6	1.8	1.8	2.2	3.2	9.0	2.0	2.0	2.2	3.0	9.2
<i>As % of Total Revenues</i>	2.7%	2.7%	2.5%	1.5%	3.3%	2.5%	3.9%	3.5%	4.2%	5.6%	4.4%	4.1%	3.7%	4.0%	4.9%	4.2%
Marketing Expenses	44.2	10.3	12.6	12.8	10.0	45.7	11.1	13.3	12.0	12.0	48.4	11.5	13.5	12.5	12.5	50.0
<i>As % of Total Revenues</i>	20.7%	19.1%	21.7%	23.2%	18.1%	20.5%	24.1%	25.9%	23.0%	21.1%	23.4%	23.8%	25.3%	22.9%	20.6%	23.0%
G&A	29.8	7.5	7.9	7.9	8.7	32.0	8.2	8.0	8.0	8.5	32.7	8.1	8.0	8.0	8.7	32.8
<i>As % of Total Revenues</i>	14.0%	13.9%	13.5%	14.3%	15.7%	14.4%	17.8%	15.6%	15.3%	14.9%	15.8%	16.8%	15.0%	14.7%	14.3%	15.1%
D&A	6.7	1.7	1.9	1.8	2.1	7.4	1.7	2.0	1.9	2.2	7.8	1.9	2.0	2.0	2.2	8.1
<i>As % of Total Revenues</i>	3.2%	3.1%	3.2%	3.2%	3.8%	3.3%	3.7%	3.9%	3.6%	3.9%	3.8%	3.9%	3.7%	3.7%	3.6%	3.7%
Total Operating Costs	86.5	21.0	23.8	23.3	22.6	90.7	22.8	25.1	24.1	25.9	97.9	23.5	25.5	24.7	26.4	100.1
<i>As % Total Sales</i>	40.5%	38.9%	40.9%	42.2%	40.9%	40.7%	49.5%	48.8%	46.2%	45.4%	47.4%	48.6%	47.8%	45.2%	43.5%	46.1%
Operating Income	27.0	8.6	9.9	8.1	6.7	33.4	1.0	2.2	4.5	4.9	12.6	2.3	3.8	5.7	6.2	17.9
<i>Operating Margin</i>	12.7%	16.0%	17.0%	14.8%	12.1%	15.0%	2.2%	4.3%	8.7%	8.6%	6.1%	4.7%	7.1%	10.4%	10.2%	8.3%
<i>% Increase</i>	0.6%	65.9%	22.1%	13.3%	3.1%	23.6%	-88.4%	-77.8%	-44.3%	-26.9%	-62.2%	126.4%	71.7%	25.6%	26.9%	42.1%
Interest Income	1.4	0.5	0.6	1.1	0.8	2.9	0.6	0.5	0.5	0.5	2.1	0.8	0.8	0.8	0.8	3.2
Interest Expense	-1.1	-0.3	-0.3	-0.3	-0.4	-1.3	-0.3	-0.4	-0.3	-0.3	-1.3	-0.3	-0.3	-0.3	-0.3	-1.1
Other Income/(Expense)	0.7	0.3	0.1	0.3	0.2	0.9	0.1	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Pretax Income	28.0	9.1	10.3	9.2	7.3	35.9	1.4	2.4	4.7	5.1	13.6	2.8	4.3	6.2	6.7	20.0
<i>Pretax Margin</i>	13.1%	16.9%	17.7%	16.6%	13.2%	16.1%	3.0%	4.7%	9.1%	8.9%	6.6%	5.8%	8.0%	11.3%	11.1%	9.2%
<i>% Increase</i>	1.8%	64.8%	26.8%	26.4%	2.8%	28.1%	-84.7%	-76.7%	-48.4%	-30.1%	-62.0%	100.9%	78.8%	30.9%	31.7%	46.8%
Taxes	9.3	3.0	3.6	2.9	2.8	12.3	0.4	0.6	1.2	1.3	3.4	0.8	1.2	1.7	1.9	5.6
<i>Tax Rate</i>	33.1%	32.9%	34.8%	32.1%	38.4%	34.4%	28.6%	23.1%	25.0%	25.0%	25.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Net Income	18.7	6.1	6.7	6.2	4.5	23.6	1.0	1.8	3.5	3.8	10.2	2.0	3.1	4.5	4.8	14.4
<i>Net Margin</i>	8.8%	11.3%	11.5%	11.3%	8.1%	10.6%	2.2%	3.6%	6.8%	6.7%	4.9%	4.2%	5.8%	8.2%	8.0%	6.6%
<i>% Increase</i>	1.6%	66.3%	22.6%	19.7%	2.7%	25.7%	-83.7%	-72.5%	-43.0%	-15.0%	-56.6%	102.5%	67.4%	25.7%	26.5%	41.0%
F.D. EPS	0.97	0.32	0.35	0.33	0.24	1.24	0.05	0.10	0.20	0.23	0.58	0.12	0.18	0.26	0.28	0.85
<i>% Increase</i>	1.3%	73.5%	22.9%	18.6%	4.1%	27.8%	-83.0%	-70.4%	-37.5%	-6.6%	-53.3%	118.9%	74.0%	27.9%	26.5%	45.9%
Shares Outstanding (mil.)	19.2	19.1	19.0	19.0	18.7	18.9	18.4	17.7	17.3	17.0	17.6	17.0	17.0	17.0	17.0	17.0

Source: Company reports and Morgan Joseph estimates

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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	56.82	38.00
HOLD [H]	42.05	27.03
SELL [S]	1.14	0.00

Meaning of Ratings

- A) Buy means reasonable outperformance relative to the market over 12-18 months.
- B) Hold means market-type risk adjusted performance; potential source of funds.
- C) Sell means expected to underperform the market.

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