

October 20, 2008

Key Metrics

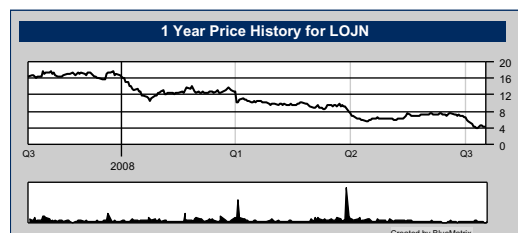
LOJN - NASDAQ	\$4.10
Pricing Date	10/17/2008
Price Target	NA
52-Week Range	\$17.85-\$3.40
Shares Outstanding (mm)	17.4
Market Capitalization (\$mm)	\$71.2
3-Mo Average Daily Volume	122,208
Institutional Ownership	71%
Debt/Total Capital	19.8%
ROE	10.9%
Book Value/Share	\$6.61
Price/Book	0.6x
Dividend 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	0.03E
2Q-Jun	0.35	0.10A	0.06A	0.18E	0.12E
3Q-Sep	0.33	0.20E	0.08E	0.26E	0.15E
4Q-Dec	0.24	0.23E	0.13E	0.28E	0.22E
FY	1.24	0.58E	0.32E	0.85E	0.51E
P/E	3.3x		12.8x		8.0x

Revenue(\$mm)

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	54.1	--	46.1A	48.3E	43.5E
2Q-Jun	58.2	--	51.4A	53.4E	49.9E
3Q-Sep	55.1	52.2E	47.5E	54.6E	49.7E
4Q-Dec	55.3	57.0E	52.8E	60.7E	56.1E
FY	222.7	206.7E	197.8E	217.0E	199.2E



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

Hope Dimming On New Car Sales Pick-Up: Adjusting Est. for Weakness; Hold

Investment Highlights:

- **New car sales falling fast - should impact LoJack's results.** September new car sales fell roughly 26% with annual trends leading toward new car sales below 14mm, versus roughly 16mm in 2007. Given LoJack's products are primarily sold through new car dealerships, the increased Y/Y results should negatively impact results going forward.
- **Assuming new car weakness extends into 2009.** We are assuming new car sale weakness extends into 2009 and are reducing our sales estimates by roughly \$9mm in 2008 and \$18mm in 2009. We are assuming a 15% Y/Y decline in 4Q new car sales with some penetration deterioration. In 2009, we assume new car sales decline, but at a slower pace due to easier comparisons with late 2009 results beginning a flattish trend.
- **Operating/marketing costs could be trimmed to add potential upside.** While we are forecasting relatively flattish operating costs in 2009, one area that could be reduced to improve results could be marketing spend. Marketing expenses currently represent over 20% of total sales. While management has given no indication that it is under consideration, a material reduction in this area could add potential upside to future results.
- **Balance sheet in good shape - free cash flow should continue.** Despite recent and expected industry issues, LoJack continues to maintain a solid balance sheet (cash less debt of roughly \$30mm) and should be able to continue generating positive free cash flow. Working capital requirements are relatively limited and depreciation and amortization has been traditionally above that of capital expenditures. Therefore; we would continue to expect free cash flow to exceed that of net income.
- **We maintain our Hold rating on the shares.** Should new car sales improve, we believe material EPS growth potential exists, in-line or above previous levels and above \$1.00 annually; however, recent trends do not suggest any near-term visibility for an industry turnaround. While now trading near its tangible book value of \$3.40, we do not see any near-term catalysts and thus, we maintain our Hold rating on the shares.

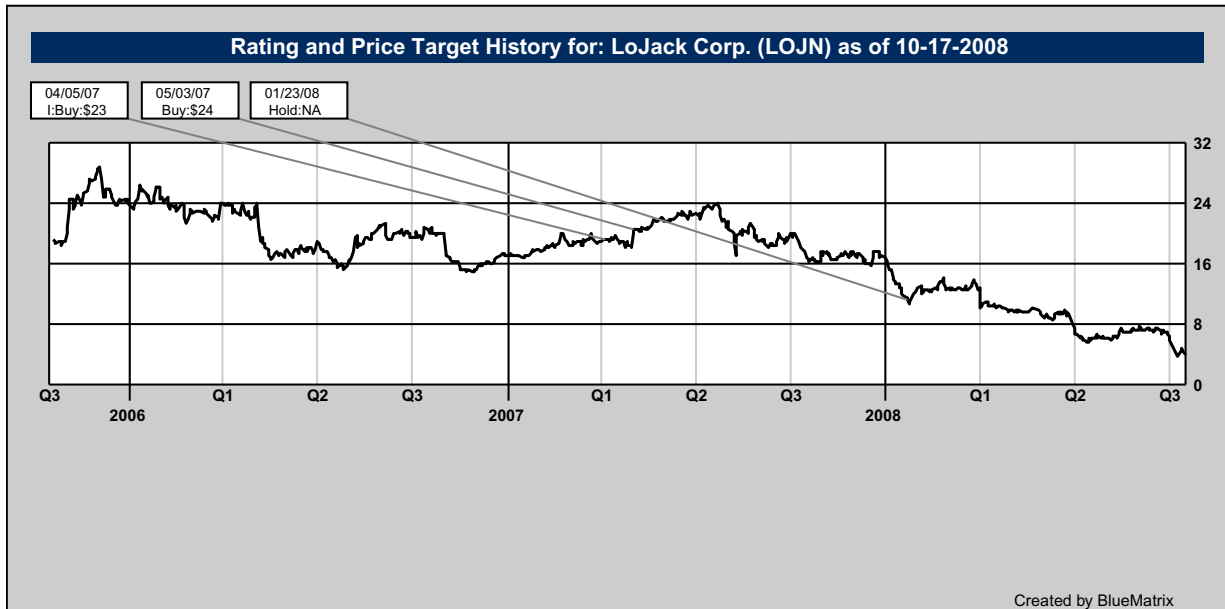
EQUITY RESEARCH

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	47.5	52.8	197.8	43.5	49.9	49.7	56.1	199.2
<i>% Increase</i>	11.9%	6.7%	2.8%	0.4%	8.2%	4.4%	-14.8%	-11.7%	-13.8%	-4.5%	-11.2%	-5.6%	-2.9%	4.6%	6.3%	0.7%
Total Cost of Revenues	99.8	24.4	24.5	23.7	26.0	98.6	22.3	24.1	21.8	24.2	92.3	20.4	22.6	22.4	26.2	91.5
<i>As % of Revenues</i>	46.8%	45.1%	42.1%	43.0%	47.0%	44.3%	48.4%	46.9%	45.8%	45.7%	46.7%	46.8%	45.3%	45.0%	46.7%	45.9%
Gross Profit	113.5	29.7	33.7	31.4	29.3	124.1	23.8	27.3	25.7	28.6	105.5	23.1	27.3	27.3	29.9	107.7
<i>Gross Margin</i>	53.2%	54.9%	57.9%	57.0%	53.0%	55.7%	51.6%	53.1%	54.2%	54.3%	53.3%	53.2%	54.7%	55.0%	53.3%	54.1%
<i>% Increase</i>	11.6%	13.6%	9.1%	5.9%	9.3%	9.3%	-19.8%	-19.1%	-18.1%	-2.2%	-15.0%	-2.8%	0.1%	6.2%	4.5%	2.1%
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	1.8	1.8	2.0	2.0	7.6
<i>As % of Total Revenues</i>	2.7%	2.7%	2.5%	1.5%	3.3%	2.5%	3.9%	3.5%	4.6%	6.1%	4.6%	4.1%	3.6%	4.0%	3.6%	3.8%
Marketing Expenses	44.2	10.3	12.6	12.8	10.0	45.7	11.1	13.3	12.0	12.0	48.4	11.0	13.0	12.0	12.0	48.0
<i>As % of Total Revenues</i>	20.7%	19.1%	21.7%	23.2%	18.1%	20.5%	24.1%	25.9%	25.3%	22.7%	24.5%	25.3%	26.1%	24.1%	21.4%	24.1%
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%	16.8%	16.1%	16.5%	18.6%	16.0%	16.1%	15.5%	16.5%
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%	4.0%	4.2%	3.9%	4.3%	4.0%	4.0%	3.9%	4.1%
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	22.8	24.8	24.0	24.9	96.5
<i>As % Total Sales</i>	40.5%	38.9%	40.9%	42.2%	40.9%	40.7%	49.5%	48.8%	50.7%	49.1%	49.5%	52.3%	49.7%	48.3%	44.4%	48.4%
Operating Income	27.0	8.6	9.9	8.1	6.7	33.4	1.0	2.2	1.6	2.7	7.6	0.4	2.5	3.3	5.0	11.2
<i>Operating Margin</i>	12.7%	16.0%	17.0%	14.8%	12.1%	15.0%	2.2%	4.3%	3.4%	5.2%	3.8%	0.9%	5.0%	6.7%	9.0%	5.6%
<i>% Increase</i>	0.6%	65.9%	22.1%	13.3%	3.1%	23.6%	-88.4%	-77.8%	-80.0%	-59.0%	-77.3%	-62.8%	14.5%	104.2%	83.1%	48.4%
Interest Income	1.4	0.5	0.6	1.1	0.8	2.9	0.6	0.5	0.5	0.5	2.1	0.5	0.5	0.5	0.5	2.0
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	-1.0	0.0	0.0	-0.9	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	1.3	1.8	2.9	7.5	0.6	2.7	3.5	5.2	12.1
<i>Pretax Margin</i>	13.1%	16.9%	17.7%	16.6%	13.2%	16.1%	3.0%	2.5%	3.8%	5.6%	3.8%	1.4%	5.5%	7.1%	9.3%	6.1%
<i>% Increase</i>	1.8%	64.8%	26.8%	26.4%	2.8%	28.1%	-84.7%	-87.4%	-80.1%	-59.6%	-79.2%	-55.7%	110.1%	92.8%	77.4%	61.9%
Taxes	9.3	3.0	3.6	2.9	2.8	12.3	0.4	0.3	0.5	0.7	1.9	0.2	0.8	1.0	1.5	3.4
<i>Tax Rate</i>	33.1%	32.9%	34.8%	32.1%	38.4%	34.4%	28.6%	23.1%	25.0%	25.0%	25.3%	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	1.0	1.4	2.2	5.6	0.4	2.0	2.5	3.8	8.7
<i>Net Margin</i>	8.8%	11.3%	11.5%	11.3%	8.1%	10.6%	2.2%	1.9%	2.9%	4.2%	2.8%	1.0%	3.9%	5.1%	6.7%	4.4%
<i>% Increase</i>	1.6%	66.3%	22.6%	19.7%	2.7%	25.7%	-83.7%	-85.1%	-78.0%	-50.9%	-76.3%	-55.3%	96.6%	85.1%	70.3%	56.1%
EPS	0.97	0.32	0.35	0.33	0.24	1.24	0.05	0.06	0.08	0.13	0.32	0.03	0.12	0.15	0.22	0.51
<i>% Increase</i>	1.3%	73.5%	22.9%	18.6%	4.1%	27.8%	-83.0%	-83.9%	-75.9%	-46.0%	-74.5%	-51.7%	104.4%	88.4%	70.3%	61.5%
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

Required Disclosures



I, Jeffrey Blaeser, the author of this research report, certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers, and no part of my compensation was, is, or will be directly or indirectly tied to the specific recommendations or views contained in this research report.

Research analyst compensation is dependent, in part, upon investment banking revenues received by Morgan Joseph & Co. Inc.

Morgan Joseph & Co. Inc. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	57.45	37.04
HOLD [H]	41.49	30.77
SELL [S]	1.06	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.

Other Disclosures

The information contained herein is based upon sources believed to be reliable but is not guaranteed by us and is not considered to be all inclusive. It is not to be construed as an offer or the solicitation of an offer to sell or buy the securities mentioned herein. Morgan Joseph & Co. Inc., its affiliates, shareholders, officers, staff, and/or members of their families, may have a position in the securities mentioned herein, and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the Firm from time to time in the open market or otherwise. Opinions expressed are our present opinions only and are subject to change without notice. Morgan Joseph & Co. Inc. is under no obligation to provide updates to the opinions or information provided herein. Additional information is available upon request.

Morgan Joseph & Co. Inc.

600 Fifth Avenue, 19th Fl

New York, NY 10020

Tel. 212.218.3700

Fax. 212.218.3789

Sales and Trading

New York

Tel. 212.218.3767

Fax. 212.218.3705

Pittsford

Tel. 877.237.6542

Fax. 585.899.6029