

November 3, 2008

Key Metrics

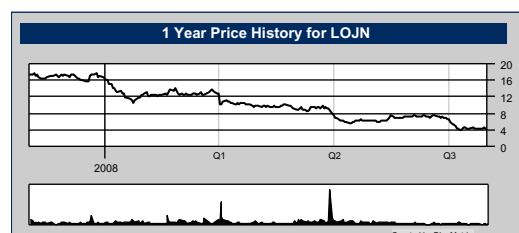
| | |
|------------------------------|----------------|
| LOJN - NASDAQ | \$4.37 |
| Pricing Date | 10/31/2008 |
| Price Target | NA |
| 52-Week Range | \$17.85-\$3.40 |
| Shares Outstanding (mm) | 17.4 |
| Market Capitalization (\$mm) | \$75.8 |
| 3-Mo Average Daily Volume | 105,447 |
| Institutional Ownership | 71% |
| Debt/Total Capital | 19.8% |
| ROE | 10.9% |
| Book Value/Share | \$6.61 |
| Price/Book | 0.7x |
| 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 | -- | 0.03E |
| 2Q-Jun | 0.35 | -- | 0.06A | -- | 0.12E |
| 3Q-Sep | 0.33 | -- | 0.08E | -- | 0.15E |
| 4Q-Dec | 0.24 | -- | 0.13E | -- | 0.22E |
| FY | 1.24 | -- | 0.32E | -- | 0.51E |
| P/E | 3.5x | -- | 13.7x | -- | 8.6x |

Revenue(\$mm)

| | 2007A | Prior 2008E | Curr. 2008E | Prior 2009E | Curr. 2009E |
|--------|-------|-------------|-------------|-------------|-------------|
| 1Q-Mar | 54.1 | -- | 46.1A | -- | 43.5E |
| 2Q-Jun | 58.2 | -- | 51.4A | -- | 49.9E |
| 3Q-Sep | 55.1 | -- | 47.5E | -- | 49.7E |
| 4Q-Dec | 55.3 | -- | 52.8E | -- | 56.1E |
| FY | 222.7 | -- | 197.8E | -- | 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

3Q08 Preview: EPS Expected to Fall Y/Y to \$0.08

Investment Highlights:

- **LOJN scheduled to report 3Q08 EPS on Tuesday, November 4th, before the market opens.** LoJack is expected to report 3Q08 EPS tomorrow, before the market opens. We are projecting EPS of \$0.08, \$0.08 below the Street consensus and down \$0.25 Y/Y. Our earnings estimate is based off of our expectation for a 14% Y/Y decline in sales and reduced margins. A conference call is scheduled for Tuesday, November 4th, at 9:00 AM EST.
- **Weak domestic new car trends intensify in 3Q: Some offset expected Internationally.** 3Q U.S. new car sales, LoJack's primary domestic feeder market, continued a negative Y/Y trend, declining roughly 19% Y/Y. This weakness could reduce 3Q domestic revenues over 20% with some offset expected from international markets. Overall, we expect 3Q sales to decline 14% Y/Y to \$47.5mm.
- **Reduced sales/leverage should bring down margins.** We do not expect LoJack to deviate from previously established growth initiatives (China, Italy, marketing), and we expect operating costs to remain flat Y/Y, yet be up as a percentage of sales. Gross margins should improve sequentially due to higher projected international sales, but should decline Y/Y 280 bps on lower sales.
- **Reduced 2008 guidance expected: Maintain Hold rating.** We would not be surprised to see LoJack reduce its 2008 EPS guidance of between \$0.62 to \$0.67 as expectations for only slightly smaller second-half declines in its domestic unit sales appear unlikely or optimistic due to worsening new car sales. Upside to our estimates could arise from reduced operating expenses, particularly within marketing, which accounts for roughly 20% of total sales. We maintain our Hold rating on the shares.

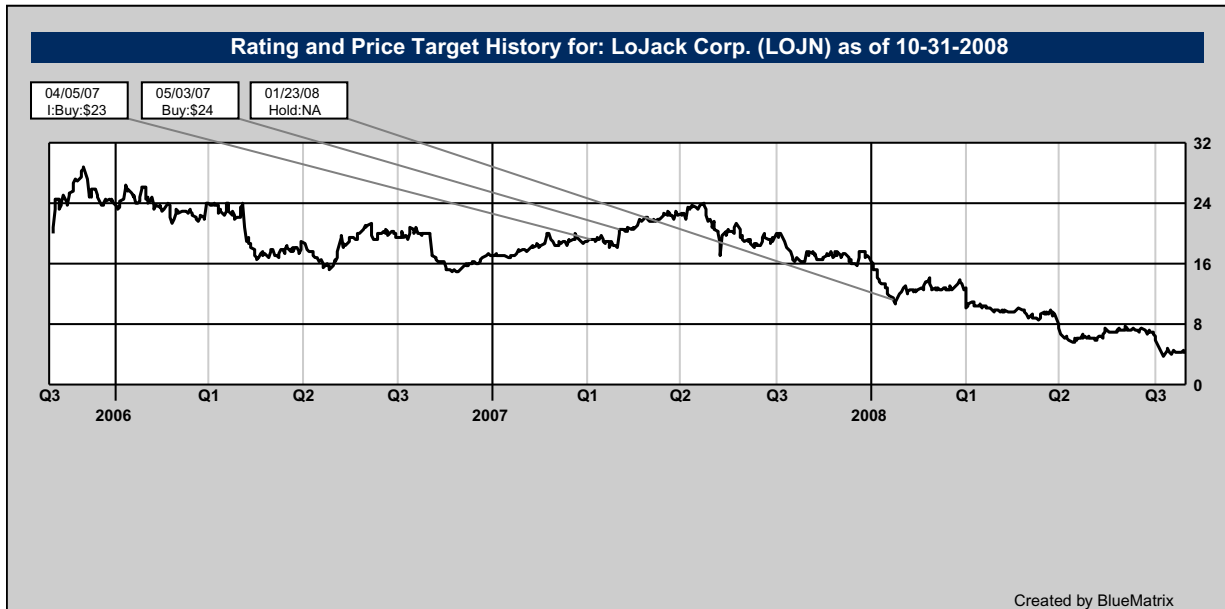
EQUITY RESEARCH

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



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| Rating | Investment Banking Services/Past 12 Mos. | |
|----------|---|---------|
| | Percent | Percent |
| BUY [B] | 56.38 | 37.74 |
| HOLD [H] | 42.55 | 30.00 |
| 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 over 12-18 months.

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