

Force Protection Inc.(FRPT^{5,6,7,8,9} \$20.14) Buy

FRPT: MRAP Award

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- Friday night the US Marines awarded contracts to 9 bidders to provide 4 vehicles each (2 Cat I, 2 Cat II), 2 to be blown up, 2 to test drive, which is initial MRAP contract. It is unusual for contracts to stay so close to schedule and an indication, we believe, the priority this contract has to the customer. Vendors are: Oshkosk (OSK \$51.25, NR), Protected Vehicles Inc. (private), Force, General Dynamics (GD \$78.05, NR), Armor Holdings (AH \$60.15, NR) Textron (TXT \$92.10, NR) BAE (UK), International Military and Government LLC (NAV \$41.35, NR) and General Purpose Vehicles (private).
- Now the fun begins. The government will test, maybe, the vehicles and awards contracts under this IDIQ. But, the government doesn't have to test if it already has test data, which it does on FRPT. So we think there could be a production award under this IDIQ to Force soon, and before the Government completes testing on the other vehicles, assuming of course, the other vendors can deliver vehicles.
- This may be interpreted negatively since it is not an unambiguous Force Protection victory. But remember, the task orders are more important than the IDIQ, and those orders are coming, and possibly soon, and likely to be dominated by FRPT.
- We believe the first order could be for USMC usage, and up to 800 vehicles, which already have funding from the FY07 DoD budget. This should be additive to our estimates since we have not included an MRAP award in our F07 estimates.
- Our price target assumes a 25x P/E on our 2008 EPS estimate of \$0.99. Given the company's rapid growth rate, large addressable market and leading technological position, we believe both our multiple and EPS estimate could be low. Risks to achieving our target include a slow-down in spending for Iraq, advancements by competitors and its ability to deliver on a significant increase in expected revenues and earnings.

Key Data

52-Week Range	\$24.30 - \$1.27
Shares Outstanding (MM)	66.0
Float (MM)	40.8
% Held Institutionally	25.1%
Market Capitalization (MM)	\$1,329
Average Daily Volume (000)	1,581
Revenues – LTM (MM)	\$149.3
Total Debt (MM)	\$0
Cash per Share	\$0.50
Long-Term Growth Rate	35%
12-Month Price Target	\$25

Fiscal Year Ends: Dec.	<u>2005A</u>	<u>2006E</u>	<u>2007E</u>
Revenue (MM)	\$49.7	\$185.1	\$392.9
Earnings per Share			
Q1	\$(0.11)	\$(0.02)A	\$0.09
Q2	\$0.00	\$0.03A	\$0.08
Q3	\$(0.13)	\$0.01A	\$0.19
Q4	<u>\$(0.28)</u>	<u>\$0.05</u>	<u>\$0.17</u>
Year	<u>\$(0.49)</u>	<u>\$0.08</u>	<u>\$0.53</u>
P/E	NM	NM	38.0x
Diluted Shares (MM)	33.9	47.0	66.3

Force Protection provides blast protected vehicles to the US Armed forces.

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Our revenue estimate for 2007 assumes the company delivers on most of the orders currently booked as well as winning and delivering on at least some of GSTAMIDS and MRAP Category III. Keep in mind, our estimates for this year do not include anything from MRAP Category I nor Category II, providing substantial upside should it and its joint venture partner, General Dynamics win some or much of the upcoming award.

Our estimates for this year and next also exclude any contribution from Cheetah. Cheetah could also be a source of substantial upside to estimates for this year and next as we believe the company hopes to be in production on the Cheetah by the summer.

In our mind the big question is not demand, it is capacity. Force, with recent subcontracting arrangements with Armor Holdings and General Dynamics, the formation of the Force Dynamics joint venture with GD and the recent \$152 million equity raise, has positioned itself to increase its capacity to accommodate the upcoming demand.

Force Protection continues to face a very robust demand environment and in the past few months a number of developments have occurred which dramatically improves the company's ability to win and deliver on upcoming awards. In addition, the company has made significant progress on improving its capital position and its capital market position. We believe there continue to be upcoming catalyst that can move the stock higher.

Mine Resistant Ambush Protected Vehicle (MRAP) and Force Dynamics

Force Dynamics Joint Venture

Toward the end of December 2006, Force Protection and General Dynamics announced their intent to form a joint venture called Force Dynamics for the sole purpose of capturing Category I and Category II of MRAP. The joint venture will be a 50/50 revenue share, with Force Protection contributing technology and General Dynamics its global supply chain, marketing reach and political clout. Though we had hoped for a sole-source Category II award to Force Protection, the joint venture does alleviate some concern should the program expand in scope and size. With General Dynamics in the mix, we believe the odds have increased in Force Dynamics' favor.

The JV will be particularly necessary if the Armed Services exercises its option to purchase a total of 9,000 Category I vehicles and 15,600 Category II vehicles. This is well over \$10 billion worth of opportunity and it is unlikely Force would win this all on its own. In addition, with GD, Force now has a strong advocate to make JLTV part of the MRAP program. (See below).

The Bid

Force Dynamics submitted the Cougar 4x4 and Cougar 6x6 for Category I and Category II. The MARCORSYSCOM previously indicated their intent to sole source a Category III award to Force Protection for Buffalos. We believe the November 2006 letter contract may satisfy some of that requirement and that more orders and a formal RFP are in the offing.

The MRAP program consists of three vehicle classes: a lighter and faster Category I vehicle suited for urban operations; a multi-mission, medium-weight Category II vehicle for transport, EOD (explosive ordnance disposal) and combat engineering; and a larger Category III vehicle primarily for route clearance. The program began as an unfunded urgent Marine requirement with early RFIs detailing a 1,200-vehicle acquisition. In November 2006, MARCORSYSCOM released an RFP covering Category I and II that greatly expands the scope of the program to include both Army and Marine needs—making for a multi-billion dollar opportunity. Immediate requirements for Category I and II combined are now 4,100 vehicles, with an option for an additional 20,500 vehicles. Category III is to be a separate RFP, and previous RFIs indicate a 64-vehicle procurement. This addresses the

Marine requirement alone, and we believe it likely that an actual RFP would also include the Army needs.

Bid proposals on Category I and II were due December 18. We expect awards as soon as late January/early February 2007.

Letter Contract

Between an MRAP award and when vehicle deliveries begin in earnest, a delay of about eight months is possible due to testing and training. To address this issue, we believe the military is using Force Protection's Cougars and Buffalos to satisfy the urgent operational need for effective IED countermeasures. In early November 2006, Force Protection was awarded a letter contract, if including all options, valued up to \$214 million by the Marine Corps. The initial \$125 million of firm orders included deliveries of 100 JERRVs (Joint EOD Rapid Response Vehicle) and 44 Buffalos over the next year. In December 2006, an option for 100 additional JERRVs was exercised. Deliveries have not begun, and another 36 optional Buffalos remain on the contract.

But with Force Protection's vehicles already tested, fielded and validated, this is just one more notch in the company's favor. We view this letter contract as an interim solution or stop-gap until the formal MRAP program rolls out. And we believe there is a chance, particularly for Category II, that the military exercises its option to omit a formal testing process since test data on the Cougar is already readily available.

Capacity and Subcontracting Agreements

In its last production announcement (December 1, 2006), Force Protection revealed that its manufacturing capacity had reached 40 Cougars and 5 Buffalos per month. Deliveries on current programs like the MPPV (Mastiff Protected Patrol Vehicle), ILAV (Iraqi Light Armored Vehicle) and the November 2006 letter contract could tax that capacity. And, it remains a far cry from the numbers proposed in the MRAP RFP. The RFP includes a rigorous delivery schedule of 1,500 Category I vehicles and 2,600 Category II vehicles over the course of less than two years, with monthly production ramping to more than 300 vehicles, and peaking at 400.

Internal capacity at Force Protection has room, over the next six months, to expand, with a second shift, to 100 Cougars and 10 Buffalos per month, but in the interim, the company has teamed with General Dynamics and Armor Holdings to alleviate some of the manufacturing burden on the letter contract. Under the terms of the agreements, Force Protection will be the prime contractor and has the option of subbing out structural fabrication to General Dynamics and automotive integration and assembly to Armor Holdings. These agreements provide incremental capacity of 200 vehicles per month, bringing total potential capacity per month to 300, by the middle of this year.

JLTV

The JLTV process is beginning with TACOM requesting industry feedback on the upcoming HMMWV replacement. As the project sits now, the Army TACOM is managing the process and is looking for a couple-year development program with production beginning in 2010. Development usually takes longer than expected, so pushing this to the right would be wise. In addition, the way the specs look so far, it does not give any advantage to Force since the company would need to re-design its Cheetah to comply with the current specs.

An interesting outcome of the GD JV could be trying to use success with MRAP as a lever for that program to take over JLTV. If that were the case, and the JLTV became just a part of MRAP, then Force could be in a much better position to win JLTV, particularly since GD's standing with both the Army and the Marines is higher than FRPT's.

C.E. Unterberg, Towbin

Force Capital Raise

On December 21, 2006, Force Protection completed a \$152.8 million private placement. Given the volume of business the company is chasing, capacity additions are likely required as is much higher working capital requirements. In addition, demonstrating better financial viability to the customer will not hurt on the upcoming MRAP bid. The company now has a pro forma cash balance of \$173 million which should be adequate to fund capacity additions and working capital requirements.

Other Opportunities

Outside of MRAP, other upcoming potential awards include some portion of GSTAMIDS, for which the Buffalo has been chosen as the large vehicle of the system and the Cougar has a shot at participating. A potential follow-on order from the UK is possible. In sum we think there is over \$2 billion of revenue to capture over the next eighteen months, and again, much less than that in our estimates.

Over the next 18 months, we estimate Force Protection's pipeline of very real opportunities to be over \$2 billion. At the end of Q3, our backlog estimate was \$161 million vs. Q2's \$106 million, which includes 327 Buffalos and Cougars to the Army, Marines, UK and Iraqi National Army. In early November, the company received a letter contract for an IDIQ potentially worth \$214 million (the bulk of which is deliverable in 2007). Programs to keep watch over are GSTAMIDS (Ground Standoff Mine Detection Systems) and MRAP (Mine Resistant Ambush Vehicles). Buffalos have already been written into GSTAMIDS, and we expect the company to compete for other vehicle slots using the Cougar. This particular program, through 2007, could generate anywhere from \$60 million to \$200 million in revenues to Force Protection. MRAP has seen a sharp expansion in requirements that make it a \$1.5 billion opportunity vs. the ~\$600 million indicated in a pre-solicitation. Though an order is still in the offing, the Marines have indicated their intent to sole source Force Protection on Category III vehicles, equating to about \$50-\$60 million of Buffalos. But we think it's possible that Category III requirements may also be expanded.

Near Term Backlog and Opportunities

				Amount
	Status	Customer/Program	Vehicles	(000)
9/30/06	Backlog	JERRV, ILAV, Buffalo, MPPV	Cougar/Buffalo	\$161,100
11/06	Order	TACOM	Buffalo	\$7,500
11/06	Order	USMC/JERRV	Buffalo/Cougar	\$200,000
		GSTAMIDS	Buffalo/Cougar	\$60,000/\$200,000
		MRAP-Category III	Buffalo	\$50,000/\$150,000
		MRAP-Category I and II	Cougar	\$1,500,000
		International	Buffalo/Cougar/Cheetah	?
				>\$2,000,000

Source: Company data.

There is substantial funding for mine protected vehicles in the FY07 budget. The Joint IED Defeat (JIEDD) Fund has received \$2.1 billion. The supplemental also allocates \$228 million to FRPT's Cougar (the Joint EOD Rapid Response Vehicle, or JERRV) and an additional \$298.6 million has been allotted to the Mine Resistant Utility Vehicle (MRUV) which we think may become synonymous with the MRAP.

Outlook and Valuation

For 2007 we assume the company delivers 478 Cougars and 88 Buffalos. Given current capacity of 40 Cougars per month the former is likely (assuming demand holds) particularly given the company's intent to at least double capacity at its facility by mid-year. Buffalo production is currently 5 per month, but should double with an additional shift and we believe the entire production line will be revamped to increase production well beyond 10 per month.

By contract we assume 186 Cougars for ILAV, 108 Mastiff, 160 JERRV and 24 GSTAMIDS. All but 64 of these are under contract already. For the Buffalo we assume 18 from the Army related to the Q2 06 order, 46 from the Marine letter contract of November last and 24 from GSTAMIDS. Only GSTAMIDS has yet to be awarded. We save MRAP for 2008.

For 2008 we assume revenue of \$854 million, \$93 million from service/spares and the remaining \$761 million from vehicle sales. A little over \$600 million of this related to MRAP, and \$519 million of that related to Category I and II. For both categories we have assumed the current Force receives half of the revenue, as the terms of the JV dictate, but the JV wins a sole source engagement. While this could be aggressive, we have pushed the MRAP award out by six months, offsetting that aggressiveness. In addition, we have nothing in our numbers for Cheetah, nor for potential wins with the UN, the UK or other NATO allies. Cougar capacity is not taxed until Q4, but by then we believe the company will have greater capacity from either another shift and/or another facility.

Margins will be the big question. We have operating margin of 7.5% in 2007 increasing to 12% in 2008. There could be great variability in this depending on the amount of outsourcing Force is required to undertake.

The shares are trading at a significant premium to its peer group as well as a premium to the recent multiples at which it has been trading. However, the volume of business is massive and the numbers keep rising. Given that, we believe the premium is justified, particularly looking to 2008, when the company's revenues could approach \$1 billion.

Valuation Metrics

	Symbol	Calendar EV/S					Calendar EV/EBITDA				Calendar P/E		
		2005A	2006E	2007E	2008E	FTM	2005A	2006E	2007E	FTM	2005A	2006E	2007E
FORCE PROTECTION	FRPT	23.12x	6.21x	2.93x	1.35x	2.93x	-91.52x	187.58x	36.17x	36.17x	-41.09x	251.70x	37.99x
OSHKOSH TRUCK	OSK	1.25x	0.93x	0.60x	0.71x	0.60x	12.22x	8.56x	5.11x	5.11x	20.96x	17.63x	14.02x
ARMOR HOLDINGS	AH	1.75x	1.21x	0.83x	0.84x	0.83x	12.14x	10.22x	7.26x	7.26x	16.26x	16.75x	11.89x
HEXCEL CORP	HXL	1.81x	1.75x	1.63x	1.49x	1.63x	12.42x	12.11x	10.43x	10.43x	20.92x	29.98x	23.67x
SPARTAN MOTRS	SPAR	0.94x	0.76x	0.69x	NA	0.69x	21.10x	10.76x	8.07x	8.07x	19.46x	17.87x	15.07x
Mean		1.44x	1.16x	0.94x	1.01x	0.94x	14.47x	10.41x	7.72x	7.72x	19.40x	20.56x	16.16x
Median		1.50x	1.07x	0.76x	0.84x	0.76x	12.32x	10.49x	7.67x	7.67x	20.19x	17.75x	14.55x

Risk Factors

The company faces competition from larger and better financed organizations. Its ability to compete effectively is currently based on its better solution. Inability to keep ahead of the competition could lead to results lower than our expectations.

Revenue is derived from a fairly narrow customer base and results could be impacted by the decision of one or two customers.

C.E. Unterberg, Towbin

The management team has been together for a short period of time and while it has been successful responding to the urgent operational needs of its customers, it has yet to test itself in the more arcane and intensively competitive budgeting process.

Until recently, the company was under-capitalized and had received a qualified opinion from its auditors. The company's rapid growth could lead to further need for capital.

Back office systems and typical G&A infrastructure are still relatively immature. An inability to build these systems could hamper growth and profitability.

The company's outlook relies greatly on its ability to achieve a large-scale ramp in operations. Execution risk is significant, particularly as the management team is relatively unproven.

As the company builds capacity, gross margins may not expand as we have projected. This could occur due to lack of overhead absorption, inability to receive parts in time, inability to properly qualify suppliers and inefficiencies in the production process of the new lines.

Force Protection Inc.

Income Statement: Fiscal 2004A-2008E

(\$ in '000s)

	2004 A	Q1 05	Q2 05	Q3 05	Q4 05	2005 A	Q1 06	Q2 06	Q3 06	Q4 06 E	2006 E	Q1 07 E	Q2 07 E	Q3 07 E	Q4 07 E	2007 E	2008 E
Sales	10,273	5,853	18,295	9,304	16,261	49,713	34,803	56,075	42,161	52,020	185,058	67,355	66,733	134,770	124,041	392,899	854,229
Cost of Sales	11,267	6,395	14,259	7,770	15,992	44,416	28,165	45,918	34,242	42,396	150,721	54,558	53,720	108,490	99,853	316,621	674,841
Gross Profit	(994)	(542)	4,037	1,533	269	5,297	6,638	10,157	7,919	9,624	34,337	12,797	13,013	26,280	24,188	76,279	179,388
SG&A	9,136	2,991	3,732	4,780	6,741	18,245	5,860	7,483	6,781	6,500	26,624	6,750	7,000	12,710	11,900	38,360	66,102
Product Development		211			(211)		664	641	546	650	2,501	1,500	2,000	2,500	2,525	8,525	10,350
Opex	9,136	3,202	3,732	4,780	6,530	18,245	6,523	8,125	7,326	7,150	29,124	8,250	9,000	15,210	14,425	46,885	76,452
Operating Income	(10,131)	(3,744)	305	(3,247)	(6,261)	(12,947)	115	2,032	592	2,474	5,213	4,547	4,013	11,071	9,763	29,394	102,936
Other Income	569	39	29	19	16	103	27	21	121	121	290	121	121	121	121	484	484
Interest Income (Expense)	(684)	(277)	(204)	(364)	(863)	(1,708)	(807)	(819)	(110)	(110)	(1,847)	1,350	1,350	1,350	1,350	5,398	5,398
Warranty Expense	-	-	-	(2,013)	-	(2,013)	-	-	-	-	-	-	-	-	-	-	-
Pretax Income												6,018	5,483	12,541	11,234	35,276	108,818
Taxes												-	-	-	-	-	41,351
Net Income	(10,246)	(3,983)	131	(5,605)	(7,108)	(16,566)	(666)	1,234	603	2,484	3,655	6,018	5,483	12,541	11,234	35,276	67,467
Basic Shares	19,358	30,729	34,404	34,268	33,848	33,927	37,452	39,512	49,014	51,959	44,484	64,014	64,514	65,014	65,514	64,764	66,764
Diluted Shares	35,134	37,502	44,557	44,422	44,422	33,927	37,452	44,852	51,692	53,959	46,988	65,514	66,014	66,514	67,014	66,264	68,264
Basic EPS	\$ (0.53)	\$ (0.13)	\$ 0.00	\$ (0.16)	\$ (0.21)	\$ (0.49)	\$ (0.02)	\$ 0.03	\$ 0.01	\$ 0.05	\$ 0.08	\$ 0.09	\$ 0.08	\$ 0.19	\$ 0.17	\$ 0.54	\$ 1.01
Diluted EPS	\$ (0.29)	\$ (0.11)	\$ 0.00	\$ (0.13)	\$ (0.28)	\$ (0.49)	\$ (0.02)	\$ 0.03	\$ 0.01	\$ 0.05	\$ 0.08	\$ 0.09	\$ 0.08	\$ 0.19	\$ 0.17	\$ 0.53	\$ 0.99
Common-Sized																	
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	109.68%	109.26%	77.94%	83.52%	98.35%	89.34%	80.93%	81.89%	81.22%	81.50%	81.45%	81.00%	80.50%	80.50%	80.50%	80.59%	79.00%
Gross Profit	-9.68%	-9.26%	22.06%	16.48%	1.65%	10.66%	19.07%	18.11%	18.78%	18.50%	18.55%	19.00%	19.50%	19.50%	19.50%	19.41%	21.00%
SG&A	88.94%	51.11%	20.40%	51.38%	41.46%	36.70%	16.84%	13.35%	16.08%	12.50%	14.39%	10.02%	10.49%	9.43%	9.59%	9.76%	7.74%
Product Development	0.00%	3.60%	0.00%	0.00%	-1.30%	0.00%	1.91%	1.14%	1.29%	1.25%	1.35%	2.23%	3.00%	1.86%	2.04%	2.17%	1.21%
Opex	88.94%	54.71%	20.40%	51.38%	40.16%	36.70%	18.74%	14.49%	17.38%	13.74%	15.74%	12.25%	13.49%	11.29%	11.63%	11.93%	8.95%
Operating Income	-98.62%	-63.97%	1.67%	-34.90%	-38.50%	-26.04%	0.33%	3.62%	1.40%	4.76%	2.82%	6.75%	6.01%	8.21%	7.87%	7.48%	12.05%
Other Income	5.54%	0.66%	0.16%	0.20%	0.10%	0.21%	0.08%	0.04%	0.29%	0.23%	0.16%	0.18%	0.18%	0.09%	0.10%	0.12%	0.06%
Interest Expense	-6.66%	-4.74%	-1.11%	-3.92%	-5.31%	-3.44%	-2.32%	-1.46%	-0.26%	-0.21%	-1.00%	2.00%	2.02%	1.00%	1.09%	1.37%	0.63%
Warranty Expense	0.00%	0.00%	0.00%	-21.64%	0.00%	-4.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pretax Income												8.93%	8.22%	9.31%	9.06%	8.98%	12.74%
Tax Rate												0.00%	0.00%	0.00%	0.00%	0.00%	38.00%
Net Loss	-99.74%	-68.04%	0.71%	-60.25%	-43.71%	-33.32%	-1.91%	2.20%	1.43%	4.78%	1.98%	8.93%	8.22%	9.31%	9.06%	8.98%	7.90%
Y/Y Change																	
Revenue	64.44%	256.30%	117343.56%	9826.20%	90.84%	383.93%	494.57%	206.50%	353.17%	219.91%	272.25%	93.53%	19.01%	219.66%	138.45%	112.31%	117.42%
Opex	336.03%	99.65%	123.02%	98.61%	89.16%	99.69%	103.70%	117.70%	53.26%	9.49%	59.63%	26.47%	10.77%	107.60%	101.75%	60.98%	63.06%
Net Income	-2072.12%	-232.90%	106.67%	-73.17%	-84.41%	-61.68%	83.29%	844.64%	110.75%	134.95%	122.07%	1004.11%	344.35%	1980.85%	352.20%	865.08%	91.25%
EPS	-862.19%	-72.72%	103.13%	0.47%	#DIV/0!	-67.44%	83.27%	838.44%	109.24%	116.44%	115.93%	616.84%	201.91%	1517.14%	264.11%	584.35%	85.65%
Q/Q Change																	
Revenue		-31.3%	212.6%	-49.1%	74.8%		114.0%	61.1%	-24.8%	23.4%		29.5%	-0.9%	102.0%	-8.0%		
Opex		-7.2%	16.5%	28.1%	36.6%		-0.1%	24.6%	-9.8%	-2.4%		15.4%	9.1%	69.0%	-5.2%		
Net Income		-3.3%	103.3%	-4390.8%	-26.8%		90.6%	285.4%	-51.2%	312.2%		142.3%	-8.9%	128.7%	-10.4%		
EPS			102.8%	-4403.9%	-121.9%		93.7%	254.8%	-57.6%	294.9%		99.5%	-9.6%	127.0%	-11.1%		

Source: Company data and C. E. Unterberg, Towbin estimates

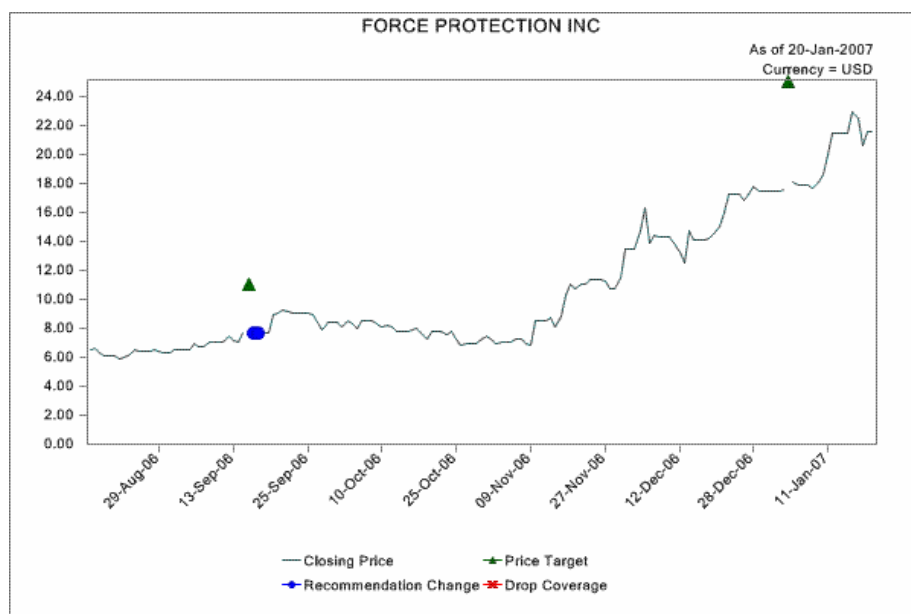
Force Protection Inc.

Balance Sheet & Cash Flow Statements: F04-F08E

(\$ in 000's)

Balance Sheet	2004 A	2005 A	Q1 06	Q2 06	Q3 06	Q4 06 E	2006 E	2007 E	2008 E
Cash	2,264	1,218	6,147	3,469	26,748	171,243	171,243	151,858	112,964
A/R	1,054	4,034	1,417	8,102	16,204	17,102	17,102	67,968	172,719
Inventories	9,030	32,487	33,587	21,342	33,558	41,549	41,549	97,858	244,042
Other	242	267	371	333	415	512	512	1,221	3,104
Current Assets	12,590	38,005	41,522	33,245	76,925	230,407	230,407	318,906	532,829
PP&E	1,037	2,139	2,597	4,149	5,923	9,345	9,345	12,953	17,346
Total Assets	13,627	40,144	44,119	37,394	82,848	239,751	239,751	331,858	550,175
A/P	1,978	14,689	19,551	21,901	22,285	27,496	27,496	65,565	166,614
Other Accrued Liabilities	1,230	1,618	1,757	1,533	1,942	2,396	2,396	5,712	14,516
Contract Liabilities	729	2,053	1,653	2,997	1,875	2,313	2,313	5,517	14,019
N/P	361	7,500	3,750	-	-	-	-	-	-
N/P - Related Party	-	-	2,500	2,500	-	-	-	-	-
Deferred Revenue	2,646	12,599	13,734	216	7,166	8,842	8,842	21,084	53,579
Line of Credit	4,000	-	-	-	-	-	-	-	-
Current Liabilities	10,944	38,460	42,946	29,147	33,268	41,048	41,048	97,878	248,728
Shareholders' Equity	2,683	1,684	1,173	8,247	49,580	198,704	198,704	233,980	301,447
Total Liabilities and Equity	13,627	40,144	44,119	37,394	82,848	239,751	239,751	331,858	550,175
Cash Flow Statement	2004 A	2005 A	Q1 06	Q2 06	Q3 06	Q4 06 E	2006 E	2007 E	2008 E
Net Income	(10,246)	(16,566)	(666)	1,234	603	2,484	3,655	35,276	67,467
D&A	207	386	184	155	250	328	916	2,392	3,607
Other	232	-	316	85	627	-	1,028	-	-
Working Capital	(3,957)	(2,117)	7,365	(4,666)	(13,780)	(1,207)	(12,288)	(51,053)	(101,969)
Operating Cash Flow	(13,763)	(18,296)	7,199	(3,192)	(12,301)	1,605	(6,688)	(13,385)	(30,895)
Capx	(789)	(1,511)	(642)	(1,707)	(2,023)	(3,750)	(8,122)	(6,000)	(8,000)
Other	-	155	-	-	-	-	-	-	-
Investing Activities	(789)	(1,356)	(642)	(1,707)	(2,023)	(3,750)	(8,122)	(6,000)	(8,000)
Debt/Lease	3,726	3,038	(1,250)	(3,750)	(2,500)	-	(7,500)	-	-
Preferred	-	11,089	-	-	-	-	-	-	-
Preferred Dividends	-	(779)	(378)	-	(192)	-	(569)	-	-
Equity	12,812	5,256	-	5,971	40,294	146,640	192,905	-	-
Financing Activities	16,538	18,605	(1,628)	2,221	37,603	146,640	184,836	-	-
Change in Cash	1,986	(1,047)	4,929	(2,677)	23,279	144,495	170,026	(19,385)	(38,895)

C.E. Unterberg, Towbin



FORCE PROTECTION INC

Currency = USD

Date	Closing Price	Recommendation Change	Date	Closing Price	Price Target
15-Sep-2006	7.63	BUY	03-Jan-2007	17.56	25.00
15-Sep-2006	7.63	BUY/BUY	15-Sep-2006	7.63	11.00

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- Buy: 12 months, estimated 20% or more appreciation
- Market Perform: Performance in line with the market averages anticipated.
- Under Perform: 12 months, estimated underperformance of 20% or more

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	% of CEUT Universe with this rating	% of rating tier for which CEUT provided IB services
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Market Perform	37%	14%
Under Perform	3%	0%

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