

April 16, 2007

FORCE PROTECTION, INC.
Initiating Coverage with an Overweight Rating

FRPT (04/13/07): \$20.85

OVERWEIGHT
Initiating Coverage
INDUSTRIAL GROWTH
Defense & Security
NEUTRAL
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Key Data		FY	2006	2007	2008
52-Week Range:	\$1-\$24	EPS			
Market Cap. (mn):	\$1,428.2	Q1	(\$0.02)A	\$0.16E	NE
Shares Out. (mn):	68.5	Q2	\$0.03A	\$0.17E	NE
Avg. Daily Vol.:	1,487,492	Q3	\$0.01A	\$0.16E	NE
Fiscal Year-End:	31-Dec	Q4	\$0.32A	\$0.21E	NE
Dividend (Ind. Annual):	NA	Year	\$0.39A	\$0.70E	\$1.30E
Yield:	NA	P/E	53.21x	29.93x	16.09x
Debt/Total Capital:	NM	Rev. (mn)			
Price/TTM Sales:	7.3x	Q1	\$34.8A	\$129.6E	NE
Net Cash/Share:	\$2.28	Q2	\$56.1A	\$153.2E	NE
Book Value/Share:	\$3.18	Q3	\$42.2A	\$174.1E	NE
Price/Book Value:	6.6x	Q4	\$63.0A	\$193.1E	NE
3-5 Year EPS Growth:	20%	Year	\$196.0A	\$650.0E	\$1303.4E
Price Target:	NA	TEV/Sales	6.5x	2.0x	1.0x

Note: Price is as of the close on the date indicated. Any price target displayed in the data box above represents either a specific price target or the midpoint of a range.

Executive Summary

We are initiating research coverage of Force Protection, Inc. (FRPT) with an Overweight investment rating on the shares.

- **Mine-resistant vehicle market is real and has staying power:** Fundamental to our positive investment opinion is a belief that the market for mine-resistant vehicles will be much more than MRAP and will develop into a sizeable and permanent sub-segment of the broader military vehicle market. The DoD recognizes that the asymmetric warfare on display in Iraq and Afghanistan will become increasingly common in the post-Cold War world.
- **FRPT's early market leadership can be defended:** To the untrained eye, competitive vehicles are difficult to distinguish, but few were specifically designed for IED survivability and none are as widely deployed as the Force Protection vehicles. The customer goodwill and established support infrastructure will be difficult for competitors to replicate. Also, the company invested its own R&D dollars and, therefore, maintains full control of its design.
- **Anticipating 50%-plus share of a 7,700 vehicle MRAP buy:** We believe that the initial 7,700 vehicle MRAP requirement will be delivered by mid-2009 and that the FRPT/GD joint venture will account for more than 50% of the deliveries. Our model assumes in-house production increases from 287 vehicles in 2006 to 2,400 in 2008.
- **Potential upside to the numbers:** Our estimates assume production rates well below management's stated goals. Given that appropriators are pushing to buy the maximum number of MRAPs that the industry is able to produce, we see potential upside to our numbers depending on the timing of funding and the company's ability to ramp production.

Stock appears attractively valued at current levels: FRPT trades at a 2008E P/E of 16.1x and EV/EBITDA of 9.1x. Although bears will argue that MRAP-boosted 2008 earnings are unsustainable and should be discounted, we believe that the MRAP is likely to grow and that the company is well positioned for JLTV and other future opportunities as well as being an acquisition candidate. We are comfortable with a 20-22x earnings multiple for a current fair value of \$26-29 per share.

Please see analyst certification and other important disclosures starting on page 14 and continuing through page 16.

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INVESTMENT HIGHLIGHTS

Setting a High Bar for a Growing Market

Force Protection's Buffalo and Cougar mine-resistant vehicles have become the standard against which current and future tactical vehicles will be measured for survivability and mobility. Through deployments in Afghanistan and Iraq, first for mine-clearance duty and then for general route clearance and security patrols, these vehicles have proven capable of protecting soldiers from improvised explosive devices (IED) and small arms fire, an area in which the current tactical vehicle fleet (mostly up-armored Humvees) has proven less effective.

Force Protection vehicles have established a high bar against which upcoming U.S. competitions will be judged. This goes beyond the potential \$8bn market for Mine-Resistant Ambush-Protected (MRAP) Vehicles that is set to ramp up in 2H07 to include service-specific vehicles for the Army and Marine Corps in the medium term (another \$1.5-3.25bn) to the longer-term Joint Light Tactical Vehicle (JLTV) competition, the replacement for the current HMMWV fleet, which is a multi-decade contract with a potential value in excess of \$20bn. We also expect international demand to fuel further growth as allied nations incorporate lessons learned from Iraq into their deployment strategies.

Upcoming Tactical Vehicle Competitions

	Potential Size	Potential Value	Service	Estimated Award	Production Run
MRAP Cat I	7,700+	\$8bn+	Joint/ MC lead	2Q07	1-2 year delivery frame
MRAP Cat II			Joint/ MC lead		
MMPV	600-2,500	\$1.0-2.5bn	Army	3Q07	Accelerated deliveries
MPC	600	\$500-750mn	Marine Corps	2012	TBD
JLTV	50,000+	\$10-20bn+	Joint/ Army lead	2010	Decades long program

Source: Department of Defense and Thomas Weisel Partners LLC estimates

The Early Favorite for MRAP

In 2005, the Cougar became the Marine Corps' vehicle of choice for the multitude of missions in which soldiers could encounter IEDs. As fleet requirements grew from the few dozen that were first delivered to the 7,700-plus vehicles that all the armed forces would like in their fleet today, Pentagon oversight has grown as well. While this procurement effort, now known as MRAP, is testing vehicles from other companies (four companies delivered prototypes on time, four companies are delivering prototypes late and one company is reported to be out of the competition), we believe Force Protection's Cougar remains well positioned to garner a majority of the awards.

The Cougar vehicle has won a majority of the MRAP-related awards, either through Force Protection alone or through the joint venture with General Dynamics. What makes the import of these awards stand out further is that excluding the impact of the upcoming MRAP awards, Force Protection's vehicle deployment has already surpassed the Army's interim medium mine-

Company Description: Force Protection, Inc. engages in the manufacture of ballistic and blast protected vehicles. The company's products are used to protect personnel during transport, removal of unexploded ordnance, route clearance, humanitarian de-mining, and other missions that require protection from landmines and hostile fire.

clearance vehicle, the RG-31 (built by BAE Systems for General Dynamics), and by the end of 2007 will come close to matching the Army's more general purpose Armored Security Vehicle (ASV) fleet.

MRAP-Specific Contract Awards

Company	Prototype Order	Production Orders		Comment on Production Contracts
		Cat I	Cat II	
Armor Holdings	4	--	--	Based on FMTV trucks
BAE Systems	4	15	75	From RG-33 family of vehicles
Force Protection	--	--	200*	Awarded prior to joint venture with General Dynamics
Force Dynamics	4	65	60	JV between Force Protection and General Dynamics
General Dynamics	4	10	10	From RG-31 family of vehicles, BAE sub-contractor
General Purpose Vehicle	4	--	--	Reported unable to submit vehicles
International Military and Government (Navistar)	4	--	--	
Oshkosh	4	100	--	Oshkosh is prime with Protected Vehicles Alpha vehicle
Protected Vehicles	4	--	60	Golan vehicle, Oshkosh a sub-contractor for production
Textron	4	--	--	M1117 ASV variants

*Awarded simultaneously with MRAP III Buffalo orders but under JERRV contract

Source: Company reports and Thomas Weisel Partners LLC estimates

Estimated Mine-Resistant Vehicle Cumulative Deployments

	2004	2005	2006	2007E	
Cougar/Bufalo	24	95	382	897	} 2007 deployment estimates based on LRIP orders placed through March 2007
Golan/Alpha	0	0	0	160	
GD/BAE (RG-31 Mk5)	117	265	265	548	
BAE (RG-33)	0	0	0	90	
Total	141	360	647	1,695	
MRAP I & II (tbd)	0	0	0	2,000	Estimated production run in 2H07, winner(s) tbd
Textron (ASV)	72	205	535	1,100	MRAP prototypes ordered, but no LRIP orders

Source: Company reports and Thomas Weisel Partners LLC estimates

Well Positioned for Post-MRAP Opportunities

We believe that mine-resistant vehicles are more than a temporary solution to ongoing conflicts. In the case of Force Protection, we see four components to evolving market demand: (1) ramp up in production to get as many medium size vehicles (Cougars) out to the troops as rapidly as possible; (2) replacement production when troops begin to withdraw from Iraq, leaving worn-out equipment in theater; (3) the start of mission-specific vehicle production for the Army (Medium Mine Protected Vehicle [MMPV] for engineering teams) and Marine Corps (Marine Personnel Carrier [MPC] for inland patrols); and (4) strong demand for a lighter, more easily transportable vehicle (Cheetah) that offers similar levels of protection as the Cougar. Although supporting the troops in theater is the overriding priority now, we believe that the other three segments could occur in any order following a troop drawdown, leading to a light vehicle replacement for the HMMWV fleet, which currently stands at more than 150,000 vehicles.

Commercial Terms Pricing Could Yield Significant Margin Expansion

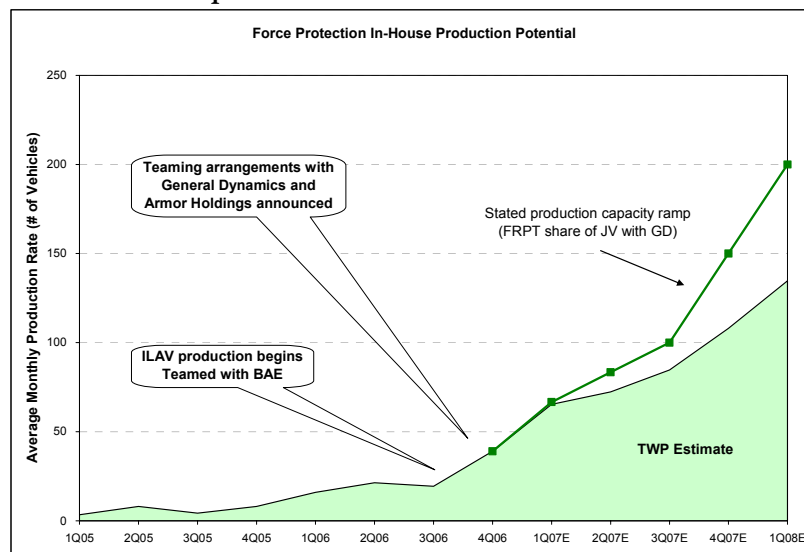
In the near term, we expect Force Protection's margins to expand toward the peer average (high single to low double digits) on operating leverage and higher volumes. Longer term, there is reason to believe that FRPT's margins could expand to the mid- to high teens due to the company's commercially oriented business model. Unlike most of its defense supplier peers, Force Protection has funded its own development resulting in production contracts that are mostly fixed-price commercial terms. Although we would not expect FRPT to achieve the 20%-plus government operating margins that Rockwell Collins achieves with its specialized avionics

and electronic equipment, which leverages synergies with a similar commercial business, we believe that FRPT over time should surpass the low double-digit margins at more mainstream defense suppliers such as DRS and ATK. This leaves plenty of room for margin expansion from the 9.2% and 10.4% operating margins we have modeled for 2007E and 2008E, respectively.

Partnerships Strengthen Competitiveness

Force Protection's strategy has emphasized teaming with bigger defense players to compete for large vehicle programs. The company has formed the Force Dynamics joint venture with General Dynamics to market and produce its Cougar vehicle for both MRAP Category I and Category II. This teaming arrangement helps in two main areas: (1) it reassures the DoD that the vehicle can be produced in the quantities desired (Armor Holdings has also signed an agreement to provide additional production capacity for Force Protection) and (2) it provides Force Protection added leverage in dealing with suppliers, a key factor as the company transitions from 40 vehicles per month in 4Q06 to the 200 vehicles per month (in-house) it plans to achieve by the end of 2007. Force Protection has already leveraged its earlier teaming with BAE Systems for the Iraqi Light Armored Vehicle (ILAV) to more than triple its in-house Cougar production rate to 60 per month by the end of 1Q07 from less than 60 per quarter in 3Q06.

Production Ramp Outlook



Source: Company reports and Thomas Weisel Partners LLC estimates

A Promising Approach to Lighter Vehicles

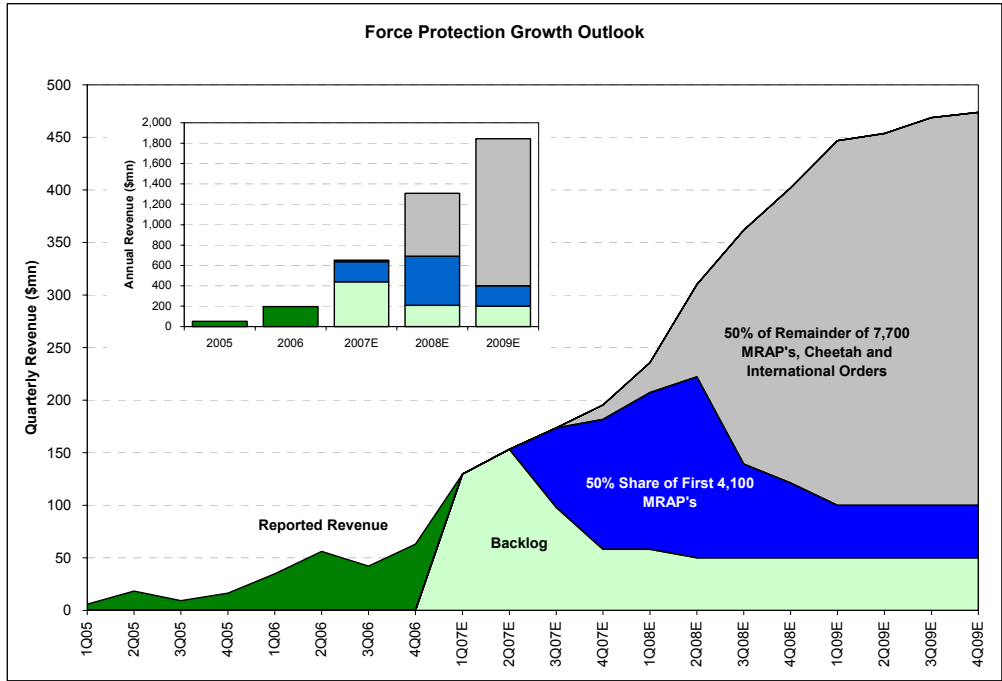
The company has not stood still while waiting for the MRAP contracts to be awarded and is working on developing high-volume production methods of its Cheetah vehicle. The Cheetah is a scaled-down version of the Cougar that offers a similar level of survivability in a lighter, faster and more affordable platform—all important factors for the upcoming JLTV competition. While other competitors are working hard to develop a prototype in time for the JLTV competition sometime in 2008, Force Protection's goal is to have the Cheetah already in

production (200 vehicles per month by spring 2008) and deployed either with the U.S. or foreign militaries. In addition, once production is up and running and the vehicle is able to prove itself on the testing grounds, Force Protection has offered the Marine Corps the option of switching any existing orders for MRAP Category I Cougar 4x4s to the Cheetah.

Solid Long-Term Growth Prospects

We estimate that Force Protection should approach \$1.3bn in revenue in 2008, up from \$196mn in 2006 (158% CAGR). Our growth outlook is based on a 50% win rate for the 7,774 planned MRAP vehicles, a delayed production ramp as a result of budget politics, no significant international Cougar production until MRAP winds down and a limited initial ramp in Cheetah production. Our model leaves room for upside, with production rates below the company’s publicly stated target of 400 per month by the end of 2007 with its partnership with General Dynamics and agreement with Armor Holdings.

FRPT Growth Outlook



Source: Company reports and Thomas Weisel Partners LLC estimates

As Force Protection continues to capture a larger share of contract awards, we believe that it will become an increasingly attractive acquisition candidate in this new and fragmented corner of the military vehicle market. With MRAP here now and JLTV looming on the horizon, almost any U.S. manufacturer that is capable of building an armored truck has taken an interest in the market. Because not all players are prepared to go it alone (some have the technology and lack production capacity while others have production capacity but lack military vehicle expertise), however, the players have begun to work together in a myriad of different ways. We believe as MRAP contracts are awarded, consolidation will begin to take place around those who win an appreciable share—setting the stage for consolidation before JLTV teams are finalized.

The diagram illustrates the relationships between various defense contractors and the Australian Government (AH) for the MRAP program. The entities are represented by green circles, and their roles and contracts are shown in light blue rectangles. Dashed lines indicate the flow of information or contractual relationships.

- AMG** (General Tactical Vehicle (JV) to bid GD designed vehicle) is connected to **GD** and **MRAP Cat I & II: Force Dynamics (JV) to bid Cougar 4x4 and 6x6**.
- GD** (GD is prime, BAE is sub with its RG-31) is connected to **BAE** and **MRAP Cat I & II: Force Dynamics (JV) to bid Cougar 4x4 and 6x6**.
- BAE** (BAE competing its RG-33) is connected to **GD** and **Iraqi LAV: FRPT building as sub to BAE**.
- LMT** (LMT designed vehicle LMT is prime) is connected to **JLTV: AH would build LMT designed vehicle LMT is prime** and **MRAP Cat I & II: Working on details of teaming arrangement**.
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- BAE** is connected to **Iraqi LAV: FRPT building as sub to BAE**.
- Iraqi LAV: FRPT building as sub to BAE** is connected to **FRPT**.
- FRPT** (FRPT plans to compete its Cheetah) is connected to **MRAP Cat I & II: BAE competing its RG-33**, **Iraqi LAV: FRPT building as sub to BAE**, **MRAP Cat III & MPCV: FRPT is sole source with its Buffalo**, and **MRAP Cat II: OSK builds Bushmaster from ADI (Australia)**.
- MRAP Cat III & MPCV: FRPT is sole source with its Buffalo** is connected to **FRPT**.
- MRAP Cat II: OSK builds Bushmaster from ADI (Australia)** is connected to **OSK**.
- OSK** (OSK is prime with PVI's Alpha vehicle) is connected to **MRAP Cat I: OSK is prime with PVI's Alpha vehicle** and **MRAP Cat I & II: PVI Offering GOLAN; OSK a subcontractor**.
- MRAP Cat I: OSK is prime with PVI's Alpha vehicle** is connected to **OSK**.
- MRAP Cat I & II: PVI Offering GOLAN; OSK a subcontractor** is connected to **OSK**.
- OSK** is connected to **FHTV: OSK has had program since 1981**.
- FHTV: OSK has had program since 1981** is connected to **OSK**.
- MRAP Cat I & II: Force Dynamics (JV) to bid Cougar 4x4 and 6x6** is connected to **TXT**.
- TXT** (TXT awarded) is connected to **MRAP Cat I & II: Force Dynamics (JV) to bid Cougar 4x4 and 6x6** and **MRAP Cat I & II: TXT**.
- MRAP Cat I & II: TXT** is connected to **TXT**.
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INVESTMENT ISSUES AND RISKS
Politics and Service In-Fighting Could Delay Production Ramp

Issues inside the Beltway could delay sizeable contract awards and affect production. The first issue is the politics surrounding passage of the FY07 war supplemental requested in February, with the President threatening a veto unless troop withdrawal deadlines that both houses inserted are removed. MRAP awards could still continue without the timely passage of the budget, but the funds would have to be reprogrammed from other accounts and could stretch out the production ramp.

Service rivalry is the other major issue: The Army is sending out mixed signals on its procurement needs as it tries to accelerate its buy of JLTVs in order to reduce the number of interim MRAP vehicles it has to procure through the Marine Corps (MRAP is a Marine Corps led program). This clouds visibility into the true demand for mine-resistant vehicles and could mislead appropriators, resulting in program delays as the issues are sorted out.

Potential mitigation: We believe the DoD will continue to incrementally fund a ramp up in MRAP production regardless of the budget passage in order to maintain the desired ramp up in production capacity. Force Protection has been buying materials and expanding its infrastructure (buildings and people) in advance of the next round of contracts, reducing the amount of time it will take the company to ramp up production.

We believe that the demand will grow significantly when the Army, by far the biggest user of all size tactical vehicles, sorts out its internal issues and comes to market to begin replacing its Humvee fleet.

Exposure to Eventual Troop Drawdown

Combat operations in Iraq and Afghanistan have clearly boosted demand for mine-resistant vehicles and led to the need for an accelerated production ramp. A troop drawdown could reduce the urgency and lead to stretched out production runs.

Potential mitigation: We see strong enough demand for this type of design, with the need for replacement vehicles, JLTV and the export market to offset any drop-off in production that could result from reduced in-theater demand. We believe that a majority of MRAP variants will be left in Iraq (to both help the Iraqi government and to cut down on the number of vehicle types the United States will need to support) and that the Pentagon will need to restock its vehicle fleet.

MRAP Split Uncertain

Force Protection could potentially receive fewer MRAP orders than expected if the customer favors any of the other eight competitors. Our revenue and EPS estimates would likely come down if Force Protection took less than 50% of production awards.

Potential mitigation: We believe Force Protection is the company to beat among the nine competing companies. The press has reported that one company has already dropped out and that three to four other companies were late in delivering their prototypes for testing—a key drawback in a competition where production capability is a key element.

Revenue Concentration in the Mine-Resistant Market

Force Protection revenue is solely derived from the production and support of mine-resistant vehicles. The concentration of revenue within one market introduces the risk that if the customers (primarily the Army and Marine Corps) should change focus, or if a disruptive technology emerges, that demand for Force Protection vehicles will dry up.

Potential mitigation: The Marine Corps and the Army have both put MRAP high on their unfunded priority lists, for a combined request of an additional \$5bn in funding for FY08. We believe that mine-resistant vehicles demand will continue to increase as MRAP vehicles are deployed and the services find different applications for the platform.

On the technology front, Force Protection's internal team and its relationship with Mechem both have a long history of providing protected vehicles that stretches back to the African wars, which were the original catalyst for development of this technology.

Cash Flow Has Been Lacking

Free cash flow for 2006 was negative \$32mn in a year when net income turned positive. Of particular concern is that accounts receivable were up more than 880%, a much faster rate than the 294% increase in revenue.

Potential mitigation: Force Protection is in the early stages of growth and is investing heavily in building up its infrastructure to support the DoD's call for higher production rates. In addition, the main contributor to the increase in account receivable, the U.S. military, has a pretty good record of paying its bills. U.S. military customers were responsible for \$27mn of the \$32mn increase in accounts receivable. We expect cash generation to improve as production efficiencies increase and the contract award rate is stabilized with MRAP.

JLTV Will Be Highly Competitive

Force Protection's method of coming in under the radar and positioning its vehicles has worked well for MRAP, but it may not prove as effective for the Joint Light Tactical Vehicle (JLTV) competition. JLTV has been a long time in coming and major defense primes, including Lockheed Martin and General Dynamics, have well-developed strategies to compete. Also, despite the fact that Force Protection's Cheetah vehicle may be closer to production than any of the other JLTV sized competitors, it does not meet all of the expected requirements that the Army is hoping to get from JLTV.

Potential mitigation: We believe that the current JLTV program objectives may be unobtainable at the desired cost of less than \$250K per vehicle. As a result, FRPT's strategy of incorporating the best available technologies onto its vehicle may prove more effective than the top-down approach taken by the larger primes. If the Army does not change JLTV requirements, the program could face developmental delays, resulting in a larger interim market for light vehicles that Cheetah will be well positioned to exploit.

Lumpy Revenue and Order Flow

Force Protection’s quarterly revenue and earnings have exhibited significant variability as orders from the DoD and the United Kingdom are lumpy in nature. This could remain an issue if MRAP orders continue to come in at 100-200 vehicles at a time because Force Protection would need larger order bookings in order to obtain long-lead materials.

Potential mitigation: We expect MRAP testing to wrap up in mid-May, clearing the way for large volume orders. This should enable participants, which we estimate at two to three companies, to better execute long-term production ramps.

VALUATION

We assess the company's valuation based on comparable company analysis and discounted cash flow analysis. The comparable company analysis implies a current fair value range of \$25 to \$29 and the discounted cash flow analysis implies a current fair value range of \$26 to \$29. We rate FRPT shares Overweight.

Comparable Company Analysis

We categorize Force Protection with our defense suppliers peer group, which consists of tier-1 and other suppliers that sell primarily to the DoD and defense prime contractors. This group includes AeroVironment, Alliant Techsystems, Applied Signal Technologies, Argon ST, DRS Technologies, EDO, Herley, L-3 Communications and Rockwell Collins. The group trades at an average CY08E P/E of 18.1x and CY08E EV/EBITDA of 9.3x.

Force Protection Comparable Company Analysis (Priced as of April 13, 2007)

											CY 2008E							
Company	Ticker	Price	52 Week		Revenue (CY)			GAAP EPS (CY)			Mkt. Cap. (\$mn)	Ent. Value (\$mn)	EV/ Rev.	EV/ EBITDA(P)	GAAP P/E	Relative	Economic P/E	FCFLO Yield
			Low	High	2007E	2008E	% Chg	2007E	2008E	% Chg								
Defense suppliers																		
Alliant Techsystems* - O	ATK	90.15	74	91	3,756	4,081	9%	6.13	7.09	16%	3,025	4,409	1.1x	8.6x	12.7x	0.86x	12.5x	8.9%
AeroVironment* - M	AVAV	22.50	21	26	185	221	19%	0.84	0.99	17%	473	364	1.7x	9.9x	22.8x	1.54x	22.8x	3.6%
Applied Signal Tech* - M	APSG	18.57	13	20	164	172	5%	0.53	0.58	9%	226	208	1.2x	11.6x	32.3x	2.18x	32.3x	3.9%
Argon ST* - O	STST	28.05	19	35	330	372	13%	1.13	1.34	18%	637	607	1.6x	11.4x	20.9x	1.41x	20.9x	3.9%
DRS Technologies* - O	DRS	51.08	36	60	3,007	3,263	9%	3.48	3.92	13%	2,079	3,889	1.2x	8.7x	13.0x	0.88x	11.7x	7.5%
EDO* - M	EDO	26.88	21	30	1,025	1,280	25%	1.47	2.39	62%	666	843	0.7x	6.2x	11.2x	0.76x	9.6x	9.8%
Herley Industries* - M	HRLY	16.00	9	21	174	183	5%	0.91	0.88	-3%	230	214	1.2x	8.5x	18.2x	1.23x	16.4x	4.3%
L-3 Communications* - O	LLL	89.92	67	91	13,350	13,975	5%	5.70	6.25	10%	11,366	15,553	1.1x	8.9x	14.4x	0.97x	13.8x	9.3%
Rockwell Collins* - O	COL	65.67	49	70	4,434	4,797	8%	3.40	3.88	14%	11,170	11,199	2.3x	10.2x	16.9x	1.15x	16.6x	6.2%
Averages/Totals					\$26,425	\$28,343	7%			17%	\$29,873	\$37,287	1.3x	9.3x	18.1x	1.22x	17.4x	6.4%
Defense primes																		
Boeing* - M	BA	91.03	72	92	64,973	72,029	11%	4.80	6.15	28%	71,231	64,578	0.9x	7.1x	14.8x	1.00x	13.4x	7.7%
General Dynamics* - O	GD	76.72	62	81	26,486	28,154	6%	4.72	5.25	11%	31,355	32,532	1.2x	9.0x	14.6x	0.99x	14.0x	7.5%
Lockheed Martin* - O	LMT	96.24	70	104	41,325	42,187	2%	6.10	6.50	7%	41,653	43,799	1.0x	8.2x	14.8x	1.00x	14.2x	7.1%
Northrop Grumman* - M	NOC	74.75	62	76	31,855	33,376	5%	4.98	5.29	6%	26,805	29,952	0.9x	8.1x	14.1x	0.96x	14.1x	6.6%
Raytheon* - M	RTN	54.37	43	56	21,665	22,984	6%	3.00	3.55	18%	24,592	26,097	1.1x	8.5x	15.3x	1.04x	13.4x	7.1%
Averages/Totals					\$186,303	\$198,730	7%			14%	\$195,636	\$196,958	1.0x	8.2x	14.7x	1.00x	13.8x	7.2%
Force Protection* - O																		
FRPT		\$20.85	1	24	\$650	\$1,303	101%	0.70	1.30	86%	\$1,428	\$1,272	1.0x	9.1x	16.1x	1.09x	16.1x	0.1%
Major Indices:																		
NASDAQ Composite	COMP	2,492	2,013	2,531														
S&P 500	SPX	1,453	1,061	1,229				\$92.33	\$98.22	6%					14.8x	1.00x		

Rating: O = Overweight, M = Market Weight, U = Underweight, SR = Suspended Rating
 Note: EBITDA(P) - Large-cap defense adjusted to exclude non-cash FAS/CAS pension income/(expense)
 Source: Bridge, Baseline, company reports and (*) Thomas Weisel Partners LLC estimates

Our 2008 EPS estimate of \$1.30 is based on what we believe is a conservative win rate on the MRAP program and a production rate well below the targeted capacity. As a result of our outlook, we believe that an appropriate 2008E P/E multiple range is 20x to 22x (\$26 to \$29 per share) and that an appropriate 2008E EV/EBITDA multiple range is 11x to 13x (\$25 to \$29 per share).

FRPT is trading at 16.1x our 2008 EPS estimate and 9.1x our 2008 EV/EBITDA estimate, which we consider to be an attractive valuation.

Discounted Cash Flow Analysis

Our discounted cash flow analysis implies a current fair value of \$26 to \$30 per share, based on a 12-13% discount rate, a 7-9x terminal EBITDA multiple and what we believe is a conservative-to-likely scenario: a strong near-term revenue growth that moderates in the longer term and long-term operating margin improvements beyond the initial surge in MRAP production.

Force Protection Discounted Cash Flow Analysis (\$mn)

	2006	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	Terminal
Revenue	\$196	\$650	\$1,303	\$1,961	\$2,118	\$2,267	\$2,403	\$2,523	\$2,649	\$2,781	\$2,893	\$3,008	
% growth rate		231.6%	100.5%	50.5%	8.0%	7.0%	6.0%	5.0%	5.0%	5.0%	4.0%	4.0%	
EBIT	7	60	135	216	233	261	288	328	358	389	419	451	
EBIT margin	3.4%	9.2%	10.4%	11.0%	11.0%	11.5%	12.0%	13.0%	13.5%	14.0%	14.5%	15.0%	
Less: Taxes	12	(16)	(49)	(76)	(82)	(91)	(101)	(115)	(125)	(136)	(147)	(158)	
Unlevered net income	19	44	87	140	151	169	187	213	232	253	273	293	
Add: D&A	0.8	2.8	4.0	6.0	6.4	6.9	7.3	7.7	8.0	8.4	8.8	9	
Less: CAPEX, net	(8)	(15)	(8)	(12)	(13)	(14)	(15)	(15)	(16)	(17)	(18)	(18)	
Less: Change in non-cash wkg. capital	(35)	(69)	(86)	(66)	(31)	(30)	(27)	(24)	(25)	(26)	(22)	(23)	
Less: Cash flow realized in current yr.	0	0	0	0	0	0	0	0	0	0	0	0	
Unlevered free cash flow	(23)	(37)	(3)	68	114	133	153	181	199	218	241	261	
Year		0	1	2	3	4	5	6	7	8	9	10	10
Present value discount factor		1.00	0.89	0.79	0.70	0.62	0.55	0.48	0.43	0.38	0.34	0.30	0.30
Present value of free cash flow		(37)	(3)	54	79	82	84	88	85	83	81	78	1,102

DCF variables:

Discount rate	12.8%
Terminal EBITDA multiple	8.0
Effective tax rate	35.0%

DCF valuation (conservative):

PV of free cash flow	\$674
Terminal value	1,102
DCF enterprise value	1,776
+ Cash	156
- Debt	0.2
DCF equity value	1,932
Diluted shares outstanding	68.5
Implied stock price	\$28.20

Discount rate calculation:

Risk-free rate (10yr US Treasury)	4.68%
Beta	1.70
Equity risk premium	4.8%
Cost of equity	12.8%
% of capital	99.9%
Cost of debt	4.75%
% of capital	0.1%
WACC	12.8%

Valuation Sensitivity Analysis: Likely Scenario

		Terminal EBITDA Multiple				
		6.0x	7.0x	8.0x	9.0x	10.0x
Discount Rate	14.8%	\$21	\$23	\$25	\$26	\$28
	13.8%	\$23	\$24	\$26	\$28	\$30
	12.8%	\$24	\$26	\$28	\$30	\$32
	11.8%	\$26	\$28	\$30	\$33	\$35
	10.8%	\$28	\$30	\$33	\$35	\$37

Assumptions:

- JV with GD awarded 50% of 7,700 MRAP vehicles
- Production ramp delayed in 2H07 on budget politics
- Long-term margin expansion

Valuation Sensitivity Analysis: 75% of MRAP Awards

		Terminal EBITDA Multiple			
		6x	7x	8x	10x
Discount Rate	14.8%	\$25	\$27	\$29	\$33
	13.8%	\$27	\$29	\$31	\$35
	12.8%	\$29	\$31	\$33	\$38
	11.8%	\$31	\$33	\$36	\$41
	10.8%	\$33	\$36	\$38	\$44

Assumptions:

- FRPT/GD JV wins 75% of MRAP I & II awards
- Slower post MRAP growth rate on larger base

Source: Company reports, Baseline and Thomas Weisel Partners LLC estimates

Force Protection Income Statement (\$mn)

FY DEC	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07E	2Q07E	3Q07E	4Q07E	2007E	2008E
Net Sales	10.3	49.7	34.8	56.1	42.2	63.0	196.0	129.6	153.2	174.1	193.1	650.0	1,303.4
Cost of Sales	<u>11.3</u>	<u>44.4</u>	<u>28.2</u>	<u>45.9</u>	<u>34.2</u>	<u>50.7</u>	<u>159.0</u>	<u>104.2</u>	<u>122.3</u>	<u>138.4</u>	<u>151.6</u>	<u>516.4</u>	<u>1,026.0</u>
Gross Profit	(1.0)	5.3	6.6	10.2	7.9	12.3	37.0	25.4	30.9	35.7	41.5	133.6	277.3
SGA	9.1	16.6	5.9	7.5	6.8	7.1	27.2	13.7	15.8	16.9	17.4	63.8	123.8
R&D	0.0	1.7	0.7	0.6	0.5	1.4	3.2	1.9	2.3	2.6	2.9	9.8	18.3
Other	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating Income	(10.1)	(12.9)	0.1	2.0	0.6	3.9	6.6	9.7	12.9	16.2	21.2	60.0	135.2
Other income	0.6	(1.9)	0.0	0.0	0.1	0.8	1.0	1.2	1.1	1.0	1.0	4.2	3.7
Interest expense	(0.7)	(1.7)	(0.8)	(0.8)	(0.1)	0.0	(1.7)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Income (loss) from continued operations	(10.2)	(16.6)	(0.7)	1.2	0.6	4.7	5.9	10.9	13.9	17.2	22.2	64.2	138.8
Loss from discontinued operations/deferred tax benefit	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Pre-tax income	(10.2)	(16.6)	(0.7)	1.2	0.6	4.7	5.9	10.9	13.9	17.2	22.2	64.2	138.8
Tax benefit (expense)	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>12.3</u>	<u>12.3</u>	<u>0.0</u>	<u>(2.2)</u>	<u>(6.0)</u>	<u>(7.8)</u>	<u>(16.0)</u>	<u>(48.6)</u>
Net income (loss)	(10.2)	(16.6)	(0.7)	1.2	0.6	17.0	18.2	10.9	11.7	11.2	14.4	48.2	90.2
Dilute Earnings/(Loss) per Share	(\$0.53)	(\$0.49)	(\$0.02)	\$0.03	\$0.01	\$0.32	\$0.39	\$0.16	\$0.17	\$0.16	\$0.21	\$0.70	\$1.30
Diluted Shares	19.4	33.9	37.5	44.9	51.7	51.7	46.4	68.5	69.0	69.5	70.0	69.3	69.6
EBIT	(10.1)	(12.9)	0.1	2.0	0.6	3.9	6.6	9.7	12.9	16.2	21.2	60.0	135.2
Depreciation and Amortization	<u>0.2</u>	<u>0.4</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.8</u>	<u>0.5</u>	<u>0.7</u>	<u>0.8</u>	<u>0.9</u>	<u>2.8</u>	<u>4.0</u>
EBITDA	(9.9)	(12.6)	0.3	2.2	0.8	4.1	7.4	10.2	13.5	17.0	22.1	62.8	139.1
Margin Analysis													
Gross margin	(9.7%)	10.7%	19.1%	18.1%	18.8%	19.5%	18.9%	19.6%	20.2%	20.5%	21.5%	20.5%	21.3%
SG&A	88.9%	33.4%	16.8%	13.3%	16.1%	11.2%	13.9%	10.6%	10.3%	9.7%	9.0%	9.8%	9.5%
R&D	0.0%	3.3%	1.9%	1.1%	1.3%	2.1%	1.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.4%
EBITDA margin	(96.6%)	(25.3%)	0.9%	3.9%	2.0%	6.5%	3.8%	7.9%	8.8%	9.8%	11.5%	9.7%	10.7%
EBIT margin	(98.6%)	(26.0%)	0.3%	3.6%	1.4%	6.2%	3.4%	7.5%	8.4%	9.3%	11.0%	9.2%	10.4%
Effective tax rate		<u>nm</u>	<u>nm</u>	<u>nm</u>	<u>nm</u>	<u>nm</u>	<u>nm</u>	<u>0.0%</u>	<u>15.6%</u>	<u>35.0%</u>	<u>35.0%</u>	<u>24.9%</u>	<u>35.0%</u>
Net margin	(99.7%)	(33.3%)	(1.9%)	2.2%	1.4%	27.0%	9.3%	8.4%	7.7%	6.4%	7.5%	7.4%	6.9%
Y/Y growth													
Net sales	64%	384%	495%	206%	353%	287%	294%	272%	173%	313%	207%	232%	101%
EBITDA			NM	NM	NM	NM	NM	NM	NM	NM	NM	748%	121%
EBIT			NM	NM	NM	NM	NM	NM	NM	NM	NM	805%	125%
Net income			NM	NM	NM	NM	NM	NM	NM	NM	NM	165%	87%
EPS			NM	NM	NM	NM	NM	NM	NM	NM	NM	78%	86%
Q/Q growth													
Net sales			114%	61%	(25%)	49%		106%	18%	14%	11%		
EBITDA			NM	633%	(61%)	384%		150%	33%	26%	30%		
EBIT			NM	1673%	(71%)	558%		149%	32%	26%	31%		
Net income			NM	(285%)	(51%)	2725%		(36%)	8%	(5%)	29%		
EPS			NM	(215%)	(54%)	2681%		(51%)	7%	(6%)	28%		

Source: Company reports and Thomas Weisel Partners LLC estimates

Force Protection Cash Flow (\$mn)

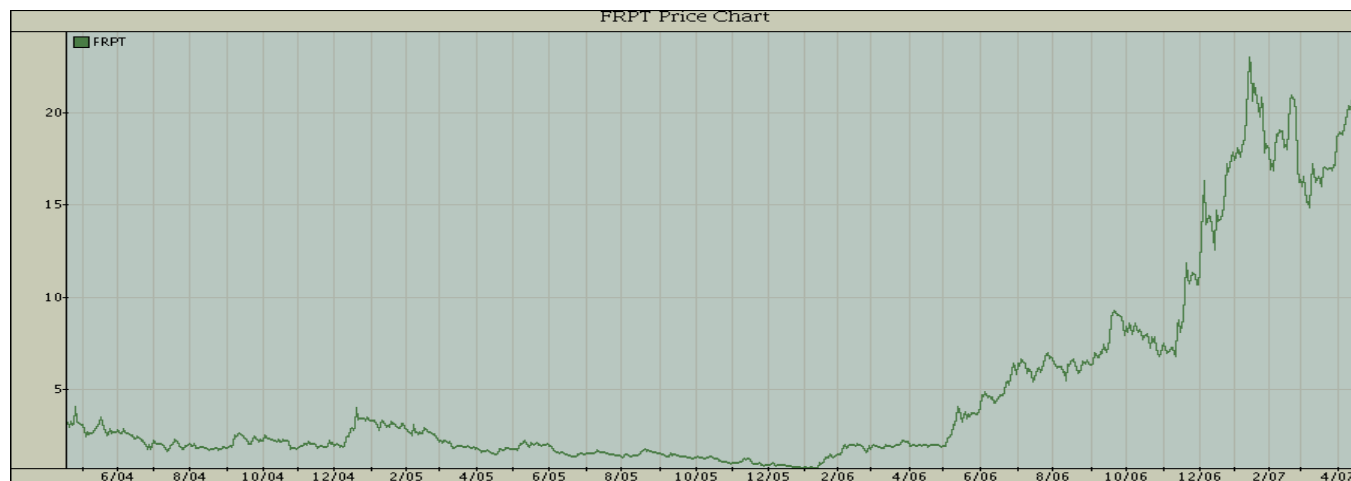
FY DEC	2004	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07E	2Q07E	3Q07E	4Q07E	2007E	2008E
Net income (loss) from operations	(12.0)	(13.5)	(0.7)	1.2	0.6	17.0	18.2	10.9	11.7	11.2	14.4	48.2	90.2
Depreciation and amortization	0.2	0.4	0.2	0.2	0.2	0.2	0.8	0.5	0.7	0.8	0.9	2.8	4.0
Common stock issued for services	3.7	(0.3)	0.3	0.1	0.2	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Stock based compensation	0.0	0.1	0.0	0.0	0.4	0.9	1.3	0.3	0.3	0.3	0.3	1.3	1.3
Issuance of stock	0.0	0.2	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other - Net	0.0	(2.8)	0.0	0.0	0.0	(12.3)	(12.3)	0.0	0.0	0.0	0.0	0.0	0.0
Change in asset and liabilities	(3.9)	(2.0)	7.4	(4.7)	(13.8)	(24.2)	(35.3)	(21.7)	(14.7)	(15.3)	(17.6)	(69.3)	(85.5)
Net cash from (used in) operations	(11.9)	(18.0)	7.2	(3.2)	(12.3)	(18.2)	(26.5)	(10.0)	(2.0)	(3.0)	(2.0)	(17.0)	10.0
Purchase of property and equipment	0.0	(1.5)	(0.6)	(1.7)	(2.0)	(3.2)	(7.6)	(5.3)	(4.0)	(3.5)	(2.2)	(15.0)	(8.0)
Process from the sale of property and equipment	(0.9)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash used in investing activities	(0.9)	(1.4)	(0.6)	(1.7)	(2.0)	(3.2)	(7.6)	(5.3)	(4.0)	(3.5)	(2.2)	(15.0)	(8.0)
Proceeds from issuance of preferred stock	0.0	15.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from issuance of common stock	11.1	0.7	(0.4)	6.3	40.3	139.6	185.8	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from stock commitments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from convertible debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments on short term debts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment on capitalized lease obligations	0.0	(0.1)	0.0	0.0	0.0	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Preferred stock dividends paid	0.0	(0.8)	0.0	(0.4)	(0.2)	0.1	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)
Proceeds from (payments on) borrowings, net	3.7	3.1	(1.3)	(3.8)	(2.5)	0.0	(7.5)	0.0	0.0	0.0	0.0	0.0	0.0
Other	(0.1)	0.0	0.0	(0.0)	0.0	11.3	11.3	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities	14.8	18.3	(1.6)	2.2	37.6	151.0	189.2	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)
Net increase (decrease) in cash	2.0	(1.0)	4.9	(2.7)	23.3	129.6	155.1	(15.4)	(6.1)	(6.6)	(4.3)	(32.4)	1.6
Net cash from continuing operations	(11.9)	(18.0)	7.2	(3.2)	(12.3)	(18.2)	(26.5)	(10.0)	(2.0)	(3.0)	(2.0)	(17.0)	10.0
Capex	0.0	(1.5)	(0.6)	(1.7)	(2.0)	(3.2)	(7.6)	(5.3)	(4.0)	(3.5)	(2.2)	(15.0)	(8.0)
Free cash flow	(11.9)	(19.5)	6.6	(4.9)	(14.3)	(21.4)	(34.1)	(15.3)	(6.0)	(6.5)	(4.2)	(32.0)	2.0
<u>Capital structure</u>													
Cash	2	1	6	3	27	156	156	141	135	128	124	124	126
Debt	0	8	6	3	0	0	0	0	0	0	0	0	0
Net debt	(2)	6	0	(1)	(27)	(156)	(156)	(141)	(135)	(128)	(124)	(124)	(125)
Equity	3	1	1	8	50	218	218	229	240	251	266	266	356
<u>Analysis</u>													
Debt/capital	16%	84%	84%	23%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net debt/capital	(59%)	70%	1%	(9%)	(54%)	(72%)	(72%)	(61%)	(56%)	(51%)	(47%)	(47%)	(35%)
Return on equity (ROE)	(400.5%)	(372.6%)					32.7%					20.0%	29.5%
Return on invested capital (ROIC)	(315.5%)	(164.0%)					33.8%					20.0%	29.4%
Equity/share	\$0.13	\$0.04	\$0.03	\$0.18	\$0.96	\$4.21	\$4.69	\$3.34	\$3.48	\$3.62	\$3.80	\$3.84	\$5.11

Source: Company reports and Thomas Weisel Partners LLC estimates

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES:

The Research Analyst(s) principally responsible for the analysis of any security or issuer included in this report certifies that the views expressed accurately reflect the personal views of the Research Analyst(s) about the subject securities or issuers and certifies that no part of his or her compensation was or is or will be, directly or indirectly, related to the specific recommendations or views expressed by the Research Analyst(s) in this report.



Notes: Price chart updated as of 4/13/2007. All price targets displayed in the chart above represent either a specific price target or the midpoint of a range. Prior to November 16, 2006, Thomas Weisel Partners LLC used a three-tier rating system with different rating names and definitions: Outperform, Peer Perform and Underperform.

Source: First Call, FactSet and Thomas Weisel Partners LLC

Thomas Weisel Partners LLC makes a market in the securities of the following company or companies mentioned in this report and may sell any of the securities to or buy them from customers on a principal basis: Force Protection, Inc.

The following table outlines the Thomas Weisel Partners LLC stock rating system, along with the relevant definitions, effective November 16, 2006.

STOCK RATING	STOCK RATINGS DEFINITIONS	PCT. OF SECURITIES RATED IN EACH CATEGORY	PCT. FOR WHICH IB SERVICES HAVE BEEN PROVIDED
Overweight (O)	When an analyst rates a stock Overweight, he/she is advising our clients to carry a position in the stock that is in excess of its weighting relative to the stocks either in that analyst's coverage or an index identified by the analyst that includes, but is not limited to, stocks covered by that analyst.	43.8%	30.3%
Total Buy		43.8%	30.3%
Market Weight (M)	When an analyst rates a stock Market Weight, he/she is advising our clients to carry a position in the stock that is in line with its weighting relative to the stocks either in that analyst's coverage or an index identified by the analyst that includes, but is not limited to, stocks covered by that analyst.	51.8%	9.3%
Total Hold		51.8%	9.3%
Underweight (U)	When an analyst rates a stock Underweight, he/she is advising our clients to carry a position in the stock that is below its weighting relative to the stocks either in that analyst's coverage or an index identified by the analyst that includes, but is not limited to, stocks covered by that analyst.	4.4%	4.8%
Total Sell		4.4%	4.8%
Suspended Rating (S)	The stock rating has been suspended.		
Not Rated (NR)	The stock is not rated, but it is covered by a Thomas Weisel Partners LLC analyst.		
Not Covered (NC)	The stock is not covered by a Thomas Weisel Partners LLC analyst.		

Notes: The percentage of investment banking services is calculated as of 3/31/2007. The percentage of securities rated in each category is calculated as of 4/16/2007. The new rating system is effective 11/16/2006. An analyst's coverage universe is defined as all of the stocks within the analyst's industry that reasonably are part of his/her potential coverage, not necessarily the stocks specifically covered. "Buy", "Hold" and "Sell" are not ratings categories defined by Thomas Weisel Partners LLC and should not be interpreted as investment opinions. We show these categories for illustrative purposes in accordance with NASD and NYSE regulations. The above table includes Thomas Weisel International stocks.

Source: FactSet and Thomas Weisel Partners LLC

The following grid outlines the Thomas Weisel Partners LLC industry rating system, along with the relevant definitions, effective November 16, 2006.

INDUSTRY RATINGS	INDUSTRY RATINGS DEFINITIONS
Favorable	When an analyst assigns a Favorable rating to an industry that means he/she believes that, generally, the industry's fundamentals or stock prospects are improving.
Neutral	When an analyst assigns a Neutral rating to an industry that means he/she believes that, generally, the industry's fundamentals or stock prospects are stable.
Unfavorable	When an analyst assigns an Unfavorable rating to an industry that means he/she believes that, generally, the industry's fundamentals or stock prospects are deteriorating.

Source: Thomas Weisel Partners LLC

The following grid outlines the Thomas Weisel Partners LLC stock rating system, along with the relevant definitions, in effect from April 4, 2003, to November 16, 2006.

COMPANY RATING	RATINGS DEFINITION
Outperform (O)	The stock is expected to outperform the median performance of the Analyst's coverage universe over the next six to 12 months.
Peer Perform (P)	The stock is expected to perform in line with the median performance of the Analyst's coverage universe over the next six to 12 months.
Underperform (U)	The stock is expected to underperform the median performance of the Analyst's coverage universe over the next six to 12 months.
Suspended Rating (S)	The stock rating has been suspended.
Not Rated (NR)	The stock is not rated, but it is covered by a Thomas Weisel Partners LLC analyst.
Not Covered (NC)	The stock is not covered by a Thomas Weisel Partners LLC analyst.

SECTOR RATING	SECTOR RATING DEFINITION
Overweight (OW)	The Analyst's coverage universe is expected to outperform the S&P 500 over the next six to 12 months.
Market Weight (MW)	The Analyst's coverage universe is expected to perform in line with the S&P 500 over the next six to 12 months.
Underweight (UW)	The Analyst's coverage universe is expected to underperform the S&P 500 over the next six to 12 months.

Source: Thomas Weisel Partners LLC

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