

# Mossberg's Investor Digest

## Best Idea Profile:

LaserCard Corp. (NASDAQ:LCRD)

### DESCRIPTION:

Headquartered in Mountain View, California; LaserCard Corp. and its subsidiaries are leading providers of secure identity (ID) solutions and associated professional services to governments and commercial clients around the world. LaserCard also manufactures a wide range of high quality specialty cards and offers card personalization and ID management solutions. The company serves the European, Middle Eastern, African and Asian markets. The company's cards and systems are used for demanding applications including government identification programs for citizens, foreign residents, vehicle registration, student campus cards and driver license applications. LaserCard's principal OSM and multi-technology card manufacturing operations are located in Mountain View, California.

### KEY INVESTMENT CONSIDERATIONS:

**Demand is resistant to economic cycles** – Demand for the company's products will be around in the marketplace regardless of the economic current environment. The company's cards and systems are used around the world in countries such as the United States, Germany, Italy, India, Costa Rica and the Kingdom of Saudi Arabia. LaserCard is well established in the marketplace and has over 12 years of service with the Department of Homeland Security. It has sold over 20 million optical Green Cards and its optical media has never been compromised.

**Recurring Revenue** – The predominant application for LCRD's OSM and multi-technology credentials is secure identity in government programs, including immigration, border entry and citizenship. The counterfeit-resistant cards are typically replaced by the government customer every 5 or 10 years. This provides a built-in replacement need for LaserCards' services within its existing client base. Uses of LaserCard technologies currently include US Green Cards, Saudi Arabian National ID Cards and the Italian Citizen ID cards.

**Net Cost Advantage** – The cost of the company's OSM reader technology is often compared directly to that of chip readers which are significantly less expensive. However, a more appropriate price comparison involves analyzing cost of ownership of the credential plus its infrastructure and support requirements. The company believes that OSM can demonstrate a cost advantage because of the technology's greater durability and less frequent replacement, plus the technology's inherent ability to work securely off-line without the need for high cost networks supported by complex and costly public key infrastructures.

**Commercial Market** – LaserCard's commercial business includes specialty cards and card printers. The specialty card business competes on the basis of added value in the form of high quality printing and manufacturing, strict quality assurance and high levels of customer service, which tends to differentiate the company from the conventional card manufacturers.

**Financial Strength** – The company has \$36 million in cash and no debt. LaserCard can has the balance sheet strength to fund a variety of growth initiatives without having to dilute shareholders or tap the capital markets.

**Recent Performance** – For the second quarter of FY11 the company reported earnings of \$0.07 per share on \$12.7 million in revenues. The company has been consistently profitable since March of 2009.

### VALUATION:

LCRD is solidly profitable, but is trading at depressed levels due to concerns about future growth. At 3.3x EV/EBITDA, its valuation may prove very attractive to private equity firms, or other industry participants looking for ways to acquire technology and market share in the security and identification business. The value of the LaserCards technology, market share and balance sheet combine to make this stock an interesting candidate for investors.

#### (NASDAQ: LCRD)

Investment Data (as of 11/17/10)

<b>Recent Price</b>	<b>\$4.56</b>
52-Week Range	\$3.20 - \$6.90
Fiscal Year End	Mar
Shares Outstanding	12MM
Average Trading Volume (3 mos)	45.000
Market Capitalization	\$56MM
Cash	\$36MM
Long Term Debt	NA
Enterprise Value (EV)	\$20MM
LT Debt/ Equity	NA
BV/ Share	\$2.51
TTM Revenue	\$51MM
P/ Revenue	1.1x
TTM EPS	\$0.28
P/ EPS	16.3x
TTM EBITDA	\$6.5
EV/ EBITDA	3.3x

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