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MORNING NOTE

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ZAGG, INC.

(OTC-BB: ZAGG: \$0.78, BUY)

INDUSTRY: SPECIALTY RETAIL

Disclosures: 1, 5, 10

FY: Dec	2006A	2007E	2008E
EPS	(\$0.42)	(\$0.01)	\$0.05

InvisibleShield Already Out For MacBook Air

- Just about a week after the first reviewer units hit the streets, ZAGG has introduced an InvisibleShield for AAPL's (Nasdaq: Apple – Not Rated) much-ballyhooed MacBook Air, the new super-slim notebook that Steve Jobs announced on January 15 in his MacWorld Expo keynote speech.
- One of ZAGG's strengths is its ability to quickly adapt to new device introductions requiring new shield designs.
- As we have noted earlier, ZAGG can prosper even in a slow sales environment for AAPL by increasing its market penetration. Also, 50% of ZAGG's sales come from the top 15% of its products, including shields for the Motorola (NYSE: MOT – Not Rated) Razr and Palm (Nasdaq: PALM – Not Rated) Treo in addition to the iPhone and iPod.
- For instance, boosting ZAGG's penetration of the cell phone market in units to a 1% position, or ten million units, would represent about a \$200 million revenue opportunity for ZAGG.

If and when ZAGG penetrates a big-box retailer, we consider that this would be a catalyst. We expect ZAGG 2007 results in February. We estimate 4Q07 sales of \$1.7 million. We maintain our BUY rating.

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