



# TAGLICH BROTHERS

The Standard of Excellence in the Microcap Market

Member: FINRA, SIPC

## Earnings Note

*Investors should consider this report as only a single factor in making their investment decision.*

**DRI Corporation**

**Rating: Speculative Buy**

Juan Noble

**TBUS \$1.09 — (NASDAQ)**

November 17, 2008

*DRI Corporation (TBUS), headquartered in Dallas, TX, develops and markets technology for the worldwide surface mass transit industry. The company manufactures information display (both on- and off-vehicle) systems, and monitoring, video security, and GPS-based location and tracking systems. The technology is used by around 500 customers, principally on buses, of which many operate in developing countries. Roughly half of sales are to overseas customers.*

2008 3Q results (\$ thousands), derived from a November 14, 2008 press release, and our 3Q estimates, are as follows:

	Quarter Ending Sep 30			%Δ 08 vs. '07
	2008A	2008E	2007A	
Sales	18,794	17,063	13,929	34.9%
Cost of sales	12,294	11,131	9,388	31.0%
Gross profit	6,500	5,932	4,541	43.1%
Operating expenses				
SG&A	4,798	4,180	3,174	51.2%
R&D	199	341	329	(39.5%)
Total	4,997	4,522	3,503	42.6%
Operating loss	1,503	1,410	1,038	44.8%
Other income (loss)	(32)	10	4	(900.0%)
Foreign currency gain (loss)	125	100	130	(3.8%)
Interest expense	(390)	(331)	(276)	41.3%
Pre-tax loss	1,206	1,189	896	34.6%
Income taxes	(291)	(297)	(200)	45.5%
Profit (loss) before minority interest	915	892	696	31.5%
Minority interest	(176)	(300)	(120)	46.7%
Net profit (loss)	739	592	576	28.3%
Preferred dividends	(77)	(76)	(76)	1.3%
Amortization - pref stock discount				
Net profit (loss) to common shareholders	662	516	500	32.4%
Avg. shares outstanding	13,052	13,100	11,702	
Net income (loss) per share	0.06	0.04	0.04	40.4%
Margin analysis				
Gross margin	34.6%	34.7%	32.6%	
SG&A	25.5%	25.4%	22.8%	
R&D	1.1%	1.8%	2.4%	
Operating margin	8.0%	7.5%	7.5%	
Pre-tax margin	6.4%	6.2%	6.4%	
Net margin	3.9%	2.9%	4.1%	
Income tax rate	(24.1%)	(25.0%)	(22.3%)	

Source: Company reports and Taglich Brothers estimates

*\* Please view our disclaimer located on page 5.*

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**Estimate Comment:** 3Q earnings exceeded our projections by a wide margin, as revenue exceeded our forecast by 10%, or \$1.7 million, and the operating margin for the period was wider than we projected.

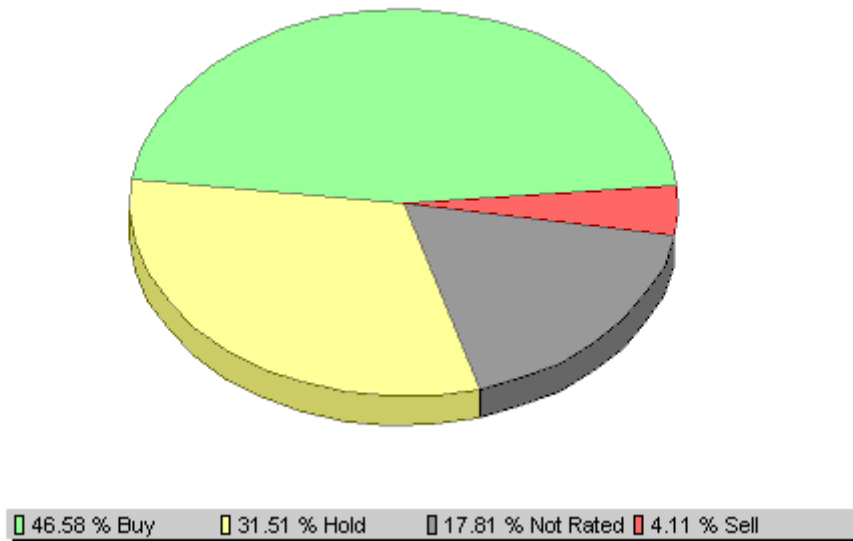
**Rating:** Reiterate Speculative Buy

**Risks:** Please review our latest research report (September 3, 2008) for a summary of the principal risks underlying the stock.

# DRI Corporation



## Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	0	0
Hold	1	7.14%
Sell	0	0
Not Rated	0	0

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

**Some notable Risks within the Microcap Market**

**Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.**

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From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

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**I, Juan Noble, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.**