



Communications & Power Industries to Acquire Malibu Research Associates and, Separately, to Refinance Debt

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Acquisition will enhance company's defense and communications business addressing current and new customers, while debt refinancing will reduce company's interest expense, strengthen its financial position and increase its flexibility

PALO ALTO, Calif., June 28 /PRNewswire-FirstCall/ -- Communications & Power Industries, Inc. (CPI), a leading provider of microwave, radio frequency, power and control solutions for critical defense, communications, medical, scientific and other applications, has entered into a definitive agreement to acquire Malibu Research Associates, Inc., a leader in the design, manufacture and integration of advanced antenna systems for radar, radar simulators and telemetry systems, as well as for strategically vital data links used in ground, airborne, unmanned aerial vehicles (UAV) and shipboard systems. Malibu Research Associates' customers include major aerospace and defense contractors and government agencies.

Separately, CPI is looking to refinance its existing debt. CPI has entered into discussions regarding a new senior credit facility, the proceeds of which would be used to repay a portion of its existing debt. The company estimates the annual interest savings for the twelve months following the refinancing would be approximately \$2.0 million. CPI is a subsidiary of CPI International, Inc. (Nasdaq: CPII).

Acquisition of Malibu Research Associates

CPI has agreed to acquire all outstanding common stock of the privately held Malibu Research Associates for approximately \$22.0 million in cash. In addition, CPI has agreed to make additional earnout payments of up to \$15.0 million, which are primarily contingent upon the achievement of certain financial objectives over the three years following the acquisition. CPI intends to finance the acquisition principally using cash on hand. The acquisition is expected to close by the end of August.

Excluding the impact of purchase accounting, the acquisition is expected to be slightly accretive in fiscal 2008. The acquisition is expected to be increasingly accretive in fiscal 2009 and beyond. Including the impact of purchase accounting, the acquisition is expected to be slightly dilutive to CPI's net income in fiscal 2008.

"Malibu Research Associates is considered a technical leader in its field. It delivers innovative, high-technology products and services to the microwave industry, providing high-quality products and systems for radar, telemetry, electronic warfare and communications applications. The exceptional performance of Malibu Research Associates' cutting-edge products and the strategic fit it has with CPI's existing customers, markets and distribution channels, combined with its exemplary focus on customer support, make it an excellent strategic partner for CPI," said Joe Caldarelli, chief executive officer of CPI. "Malibu Research Associates is known for its considerable technical prowess and its products' ability to meet stringent performance and physical configuration requirements, and we look forward to continuing these traditions at CPI. With this acquisition, we will expand CPI's product offering in our radar, electronic warfare and communications markets to both new and existing customers."

"Our complementary products and markets, as well as CPI's ability to help us design and manufacture significant quantities of our industry-leading products at increasing rates, and to distribute these products through CPI's extensive worldwide sales and marketing presence, make the collaboration between Malibu Research Associates and CPI a win-win situation for both of our organizations and for our respective customers," said Dan Gonzalez, president of Malibu Research Associates. "As part of the larger CPI organization, we look forward to continuing to provide our customers with the technologically advanced products for which we are known." Gonzalez, Joel Walker and Frances Bohn, the principals of Malibu Research Associates, will remain in key roles with the organization after the acquisition.

Malibu Research Associates, which has approximately 90 employees, will be operated as an independent division of CPI based in Camarillo, Calif. The division manager will report to Bob Fickett, president and chief operating officer of CPI. CPI expects to strengthen Malibu Research Associates' technical, operations and support functions after the acquisition. In its fiscal 2006,

Malibu Research Associates generated approximately \$18.0 million in revenue. The acquisition is subject to customary closing conditions.

Malibu Research Associates' current programs include advanced antenna solutions for the airborne and ground nodes of the tactical common data link (TCDL) network for various platforms, including UAVs. TCDL is a high-bandwidth digital data link that transmits and receives real-time command and control, intelligence, surveillance and reconnaissance data between manned and unmanned airborne platforms and their associated ground-based and ship-based terminals.

Debt Refinancing

Separately but concurrently, in order to reduce its overall interest expense, CPI is seeking to take advantage of market conditions to refinance its existing debt. CPI has entered into discussions regarding a new senior credit facility that would include \$100 million of term loans and a new \$40.0 million to \$60.0 million revolving credit facility, with the flexibility to borrow up to an additional \$100 million of term loans, subject to certain conditions. CPI would use the proceeds of this new senior credit facility to repay its current senior credit facilities and retire or repurchase approximately \$58.0 million of CPI International's outstanding floating rate senior notes. CPI International issued \$80.0 million in floating rate senior notes in February 2005, which incur interest equal to the six-month LIBOR plus 5.75 percent.

CPI estimates the annual interest savings for the twelve months following the refinancing would be approximately \$2.0 million. The refinancing is expected to be completed by August 2007, contingent upon certain conditions, including market conditions, documentation and other customary closing conditions, at which time the company expects to incur approximately \$5.0 million in one-time, non-cash costs associated with the write-off of deferred debt issue costs and approximately \$2.0 million in redemption premiums and other expenses associated with retiring or repurchasing approximately \$58.0 million of CPI International's outstanding floating rate senior notes. There can be no assurance that the refinancing will be consummated.

CPI also has \$125 million in eight percent senior subordinated notes, which are not included in this refinancing and will be left outstanding.

About CPI International, Inc.

CPI International, Inc., headquartered in Palo Alto, California, is the parent company of Communications & Power Industries, Inc., a leading provider of microwave, radio frequency, power and control solutions for critical defense, communications, medical, scientific and other applications. Communications & Power Industries, Inc. develops, manufactures and distributes products used to generate, amplify and transmit high-power/high-frequency microwave and radio frequency signals and/or provide power and control for various applications. End-use applications of these systems include the transmission of radar signals for navigation and location; transmission of deception signals for electronic countermeasures; transmission and amplification of voice, data and video signals for broadcasting, Internet and other types of communications; providing power and control for medical diagnostic imaging; and generating microwave energy for radiation therapy in the treatment of cancer and for various industrial and scientific applications.

Certain statements included above constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements provide our current expectations, beliefs or forecasts of future events. Forward-looking statements are subject to known and unknown risks and uncertainties, which could cause actual events or results to differ materially from the results projected, expected or implied by these forward looking statements. These factors include, but are not limited to, competition in our end markets; our significant amount of debt; changes or reductions in the U.S. defense budget; U.S. government contracts laws and regulations; changes in technology; the impact of unexpected costs; inability to obtain raw materials and components; and currency fluctuations. These and other risks are described in more detail in our periodic filings with the Securities and Exchange Commission. As a result of these uncertainties, you should not place undue reliance on these forward-looking statements. All future written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We undertake no duty or obligation to publicly revise any forward-looking statement to reflect circumstances or events occurring after the date hereof or to reflect the occurrence of unanticipated events or changes in our expectations.

SOURCE CPI International, Inc.- 06/28/2007

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