

Traffic Technologies (TTI)

Aldridge deal a cracker

2 March 2007

Opinion Data

Recommendation	Buy
Risk rating	High
Current share price	\$0.42
12 month target price	\$0.55 (from \$0.40)
12 month price range	\$0.43 - \$0.24
Market capitalisation	\$68m

Traffic Technologies (TTI) will acquire Aldridge Traffic Group effective 1 May 2007. Aldridge is the market leader in the manufacturer and supply of traffic signals in Australia.

Consideration of \$37m (\$33m cash & \$4m in scrip) will represent an acquisition multiple of 6x's FY'07 EBITA.

Funding for the transaction has been supplemented by a \$13m capital raising (35m shares @ 0.37cps).

- **Earnings impact:**
 - **FY'07.** EBITA uplift of \$1m (2-months of earnings); and
 - **FY'08.** EBITA uplift of \$6.7m (EBIT \$6.4m).
- **EPS accretive.** We estimate Aldridge to be 6% accretive for FY'07, while lifting FY'08F EPS by 19% to 4.5cps.
- **Gearing.** FY'08F gearing to lift to 51% (from 24%) with interest cover forecast at 5.2x.
- **Outlook positive.** TTI's operations and the traffic management industry continue to be underpinned by +\$15bn in road spending up to 2009 and then expectation of a further \$19bn for the period 2009-2014.

A significant government spend on roads is overlaid by a continued tightening in regulation for road safety workers and increased traffic management utilisation for construction activity which provides a strong outlook for TTI.

- **Valuation & Recommendation.** Our DCF valuation and target price has lifted to \$0.55/share (from \$0.40/share) and our recommendation remains a Buy.

Disclaimer: Austock was lead manager in the \$13m placement for which Austock received fees as detailed on page 8 of this report.

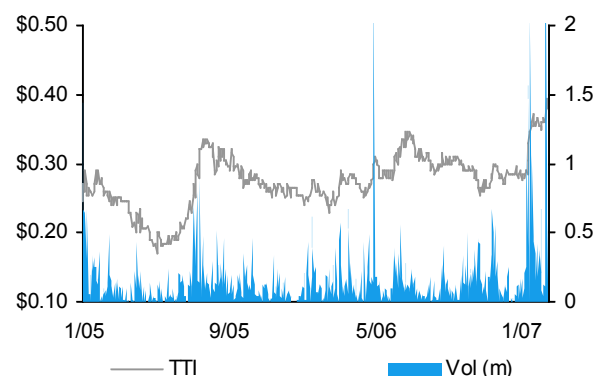
Earnings Forecasts

Y/E June	2006A	2007F	2008F	2009F
Revenue	57.5	99.6	131.2	140.7
EBITDA	1.5	8.2	15.7	18.0
EBIT	0.1	6.0	13.2	15.5
NPAT (reported)	0.9	4.0	7.4	9.4
NPAT (adjusted)	(0.6)	4.0	7.4	9.4
Adjusted EPS (cps)	(0.8)	3.3	4.5	5.5
EPS Growth (%)	n/a	505%	37%	23%
DPS (c)	-	-	1.0	1.0
Dividend Yield (%)	-	-	2.4	2.4
PE adj. (x)	52.2	12.9	9.4	7.6
EV / EBITDA (x)	4.7	12.2	6.2	4.7
EV / EBIT (x)	51.8	16.7	7.4	5.5
Gearing (%)	23.1	78.1	51.0	22.8
EBIT Margin (%)	.2	6.0	10.1	11.0
Interest Cover (x)	.2	5.9	5.2	7.3

Earnings Adjustments

Y/E June	2007F	2008F	2009F
Previous NPAT (\$m)	3.6	4.4	5.4
Change in NPAT (%)	11.8%	68.8%	73.4%
Previous EPS (cps)	3.1	3.8	4.4
Change in EPS (%)	5.0%	19%	25.0%

TTI Share Price / Volume



Contact Details

Warren Jeffries
wjefries@austock.com.au
613 8601 2073

Jon Fernie
jfernie@austock.com.au
613 8601 2618

ALDRIDGE ACQUISITION DETAILS

Brief background and market position

Established by Keith Aldridge in 1968, the company has over 35 years experience in the design development, testing and implementation of advanced optical systems for traffic signalling.

Domestically Aldridge holds a commanding position within in the traffic signal market which includes incandescent, quartz halogen (QH) and LED traffic signals. Importantly Aldridge has a proven track record in the use of LED (*light-emitting diode*) technology for traffic signals.

Over the next 5 years the penetration of LED traffic signals is expected to lift from 20% today to +70% by 2011.

In addition we believe Aldridge to be the only domestic participant with a full suite of approved products for the Australian market.

Accretive immediately

EARNINGS IMPACT. The Aldridge acquisition effectively doubles our FY'08 EBIT forecasts to \$13.2m from \$7.1m. The earning impact is as follows:

- **FY'07.** We assume a 2-month impact to be 6% accretive based on weighted average share base of 124m.
- **FY'08.** Assume FY'08 EPS to lift by 19% to 4.5cps, from 3.8cps.

Revised Austock forecasts – FY'07 & FY'08

\$(m) unless stated	FY'07			FY'08		
	TTI	Aldridge	TTI/ Aldridge	TTI	Aldridge	TTI/ Aldridge
Revenues	96.2	3.4	99.6	105.7	25.5	131.2
EBIT	5.0	1.0	6.0	6.8	6.4*	13.2
Interest	0.9	0.1	1.0	0.9	1.7	2.6
NPBT	4.1	0.9	5.0	5.9	4.7	10.6
Tax @ 30%	0.5	0.4	0.9	1.5	1.7	3.2
NPAT - reported	3.6	0.4	4.0	4.4	3.0	7.4
EPS	3.1		3.3	3.8		4.5
Accretion			7%			19%

Source: Company financials & Austock Securities estimates

*EBIT assumes post amortisation charge of ~\$0.3m

Ideal fit for TTI

HIGHLY COMPLIMENTARY ACQUISITION.

TTI operates in four segments of the traffic management industry which include Traffic management, Traffic Signage, Signals & Hardware and Asset management.

The Aldridge acquisition is complimentary to TTI's current offering on three key fronts:

- No cross over in product offering, but accessing a similar customer base;
- Scale benefits to emerge from within manufacturing given similarity of inputs; and
- Aldridge currently out-sources all installation, maintenance and traffic management to third parties which all fall within TTI's current traffic management capability.

FINANCIALS

Revenues. Forecast to reach \$130m (\$105m pre-Aldridge) in FY'08 as the group continues to diversify its revenue base.

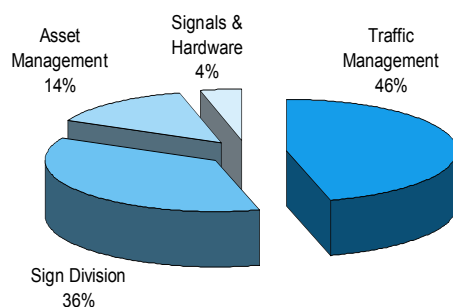
Note: as charted below our revised forecasts provide for no single division accounting for more than 40% of FY'08F revenues.

Revenue synergies likely

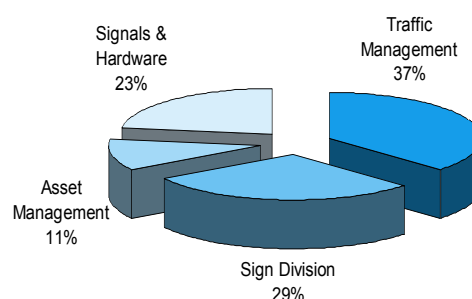
We believe TTI will be able to generate revenue synergies from Aldridge given TTI's capacity to provide traffic management, installation and maintenance services which are not currently part of Aldridge's offering.

Revenue base widening

TTI FY'08F revenues pre Aldridge



TTI FY'08F revenues post Aldridge



Source: Company financials & Austock Securities estimates

Gearing. We forecast FY'08F gearing will lift to 51%, from 24% with interest cover at 5.2x.

FY'07F gearing level of 78% is high but reflects the close proximity of the transaction to TTI's June balance date.

Cost of debt funding for the Aldridge transaction (*we estimate new debt of \$22m*) will be at 8.5%. Management have advised that they have recently re-negotiated debt facilities with a saving of 2% on debt funding going forward.

Cashflow. Given the transaction is effective for only two months from TTI's June balance we anticipate an initial impact of ~\$4m on FY'07F working capital.

VALUATION & RECOMENDATION

Value for growth story

TTI is currently trading on a FY'07F P/E of 12.9x's and FY'08F P/E of 9.4x's which represents a discount of 38% and 44% respectively to its small cap industrial peers.

The Aldridge acquisition is highly accretive and will ensure strong earnings growth over the medium-term.

We retain our Buy recommendation and a 12-month price target of \$0.55/share (*from \$0.40*), in-line with our DCF valuation.

ALDRIDGE BACKGROUND

HISTORY

Established by Keith Aldridge in 1968, the company has over 35 years experience in the design development, testing and implementation of advanced optical systems for traffic signalling.

Aldridge's operations are based in Rhodes (NSW) and comprise an in-house technology research & development capability, manufacturing, sales & marketing and administration.

The company is the market leader in the manufacturer and supply of traffic signalling equipment with a comprehensive suite of products that include traffic signals, push button controllers, hardware and accessories.

Domestically Aldridge holds a dominant position within of the broader traffic signal market which includes incandescent, quartz halogen and LED traffic signals.

EARNINGS HISTORY

Aldridge Earnings history & EBITA forecasts

	FY'05A	FY'06A	FY'07F	FY'07F
Revenue	16.6	20.6	23.5	25.7
EBITA	3.5	5.5	6.1	6.7
Margin	21%	27%	26%	26%

Source: Company financials & Austock Securities estimates

Revenues are dominated by traffic signal sales which represent +90% of Aldridge's annual sales. The growth over the medium-term to be driven by demand for LED traffic signals.

EBIT margins to remain at least at current levels. Longer-term the benefits of scale from TTI are likely to assist input and manufacturing costs.

Longer-term once the initial retrofit of LED signals has been implemented, there is an opportunity for TTI to capitalise on Aldridge's installation levels within the maintenance and replacement market.

COMPETITORS & CUSTOMERS

Competition

Aldridge has established a commanding market position and with the only other material participant being Bob Panich (*Australian distributor for GELcore*).

Within the LED market Panich has had some traction however it would seem that gaining necessary approvals and demand for products has been difficult.

Traffic technologies also have established LED and traffic light products, but know first hand the difficulty in gaining domestic market penetration. TTI have had sales for their LED traffic light in Asia.

Limited audience

Largely Road Traffic Authorities, councils and contractors working for government authorities.

MARKET OVERVIEW - TRAFFIC SIGNAL MARKET

Market size +\$60 including ancillary operations

While there is not an abundance of industry data available, we are comfortable that the total traffic signal market to be +\$60m, of which we ascribe around \$30m to the installation and maintenance of traffic signals.

Note: we estimate around 80% of the installation and maintenance is outsourced by suppliers of traffic signals and hardware.

There are approximately 11,000k traffic signal sites in Australia growing at annualised rate of ~2.5% p.a.

The lights used for traffic signals domestically are limited to LED (*light-emitting diode*) lights, incandescent lamps or quartz halogen lamps. *Note: A light-emitting diode (LED) is a semiconductor device that emits incoherent narrow-spectrum light when electrically biased in the forward direction.*

LED technology currently representing 15-20% of the current market and forecast to reach a +70% penetration level by 2011.

Cost savings driving LED demand.

LED technology the future for traffic signals. Over the past few years incandescent and QH lamps have been superseded by the use of LED technology as LED arrays have longer lifespan and are significantly more cost effective to run.

We understand an LED traffic signal will use ~90% less power and have 12x's the life span of traditional incandescent lamps.

LED market penetration growing

A number of road authorities and councils are currently retrofitting signal locations with LED lights having recognised the longer-term cost benefits.

Current programs

Currently NSW, Vic & Qld are at various stages of upgrading to LEDs from incandescent lamps. In most states the expiry of incandescent lamps is the trigger to upgrade to LED lights, while we believe the majority of road authorities nationally will be using LED traffic signals for fitting out new intersections.

At this stage only Tasmania and ACT have not actively moved to LED technology although Tasmania is currently testing with a local provider.

GOVERNMENT SPEND DRIVING TRAFFIC INDUSTRY

Govt spending underpinning market

TTI's and industry growth is underpinned by the government's commitment to spend +\$3bn per annum until 2009 on road funding and we estimate that traffic management represents ~5-6% of this expenditure going forward.

Recent media speculation is for the government to budget for a further \$19bn for roads from 2009 – 2014.

Traffic Technologies

NFPOS 162 m Price \$ 0.42
Market Cap \$68 m

2-Mar-07
2-Mar-07

PROFIT & LOSS (\$m)

Y/E 31 December	2005A	2006A	2007F	2008F	2009F
Sales Revenue	18.7	57.5	99.6	131.2	140.7
EBITDA	0.3	1.5	8.2	15.7	18.0
D & A	0.5	1.3	2.2	2.5	2.5
EBIT	(0.2)	0.1	6.0	13.2	15.5
Net Interest Expense	0.4	0.7	1.0	2.5	2.0
PBT	(0.6)	(0.6)	5.0	10.6	13.5
Income Tax	0.0	0.0	0.9	3.2	4.0
NPAT - pre-abnormals	(0.6)	(0.6)	4.0	7.4	9.4
Abnormals	0.0	(0.3)	0.0	0.0	0.0
NPAT - reported	(0.6)	(0.9)	4.0	7.4	9.4

KEY RATIOS

Y/E 31 December	2005A	2006A	2007F	2008F	2009F
EBITDA Margin (%)	1.6	2.5	8.2	12.1	12.8
EBIT Margin (%)	(1.2)	0.2	6.0	10.1	11.0
NPAT Margin (%)	(3.3)	(1.1)	4.0	5.7	6.7
ROE (%)	(10.4)	(3.2)	9.9	14.8	15.6
ROA (%)	(1.7)	0.3	6.9	14.0	16.6
ROIC (%)	(4.5)	0.6	10.2	12.5	14.2
NTA per share (\$)	0.01	0.10	(0.0)	0.03	0.09
Eff Tax Rate (%)	-	-	20	30	30
Interest Cover (x)	(0.6)	0.2	5.9	5.2	7.6
Net Gearing (%)	74.3	23.1	70.8	51.6	24.8

BALANCE SHEET (\$m)

Y/E 31 December	2005A	2006A	2007F	2008F	2009F
Cash	1.0	6.7	3.6	1.5	2.2
Debtors	4.2	14.1	18.9	24.7	25.3
Inventory	0.1	3.8	8.9	11.1	11.3
Intangibles	5.6	9.0	45.8	45.8	45.8
PP&E	3.3	9.7	12.3	11.2	9.8
Other assets	0.5	0.6	1.1	1.2	1.3
Total Assets	14.8	44.0	90.6	95.6	95.7
Borrowings	5.4	11.2	32.2	27.2	17.2
Trade Creditors	3.0	11.2	14.7	15.9	15.5
Other Liabilities	0.5	1.8	2.7	2.1	2.1
Total Liabilities	8.9	24.4	49.8	45.4	35.0
NET ASSETS	5.9	19.5	40.8	50.2	60.7

VALUATION PARAMETERS

Y/E 31 December	2005A	2006A	2007F	2008F	2009F
EPS (cps)	(1.4)	(0.8)	3.3	4.5	5.5
P/E (x)	(30.6)	n/a	12.9	9.3	7.6
PER Rel (XOI)	n/a	n/a	(39%)	(46%)	(53%)
PER Rel - Small Indust.	n/a	n/a	(38%)	(44%)	(51%)
Enterprise Value (\$m)	23	51	97	97	86
EV / EBITDA (x)	n/a	n/a	11.8	6.2	4.8
EV / EBIT (x)	n/a	n/a	16.2	7.4	5.6
Price / NTA (x)	76.7	4.4	(13.5)	16.5	4.8
DPS (cps)	-	-	-	1.0	1.0
Dividend Yield (%)	-	-	-	2.4	2.4
Franking (%)	100	100	100	100	100
CFPS (cps)	(0.0)	(1.6)	0.1	1.5	6.5
P / CFPS (x)	(1,078.9)	(26.5)	484.9	28.3	6.4

CASHFLOW STATEMENT (\$m)

Y/E 31 December	2005A	2006A	2007F	2008F	2009F
Operating EBITDA	0.3	1.5	8.2	15.7	18.0
- Interest & Tax Paid	0.4	0.7	2.0	5.8	6.1
- Inc in Working Cap./ other	(0.0)	3.3	6.1	7.5	1.3
Operating CF	(0.1)	(2.6)	0.1	2.4	10.6
- Maintenance Capex	(0.2)	(2.2)	(1.5)	(1.5)	(1.0)
Free Cashflow	(0.2)	(4.8)	(1.3)	0.9	9.6
- Ord & Pref Dividends	-	-	-	-	-
- Expansion Capex	-	-	(1.3)	-	-
- (Acquisitions)/disposals	(5.9)	(5.8)	(38.5)	-	-
+ Share issues	6.0	13.3	17.0	2.0	1.1
- other	(0.9)	(0.4)	-	-	-
Net Cashflow	(1.0)	2.4	(24.1)	2.9	10.7
Cast at beginning of period	-	1.0	6.7	3.6	1.5
+/-Borrowings / Other	2.1	3.3	21.0	(5.0)	(10.0)
Cash at end of period	1.1	6.6	3.6	1.5	2.2

DCF VALUATION & SENSITIVITY

PV Forecast CF (05-08)	15	Risk Free Rate	6.0%
PV Growth CF (09-14)	43	Equity Risk Premium	5.5%
PV Perpetuity	64	Equity Beta	1.5
Other net assets		Cost of Equity	14.3%
Total	122	D/(D+E)	43%
Less Net Debt	29	WACC	11.8%
NPV (\$m)	93	Terminal WACC	12%
NPV per share	\$ 0.55	Terminal Growth	3.0%

Terminal Rate	Terminal WACC			
	10.6%	11.1%	11.6%	12.1%
0.0%	\$ 0.48	\$ 0.47	\$ 0.45	\$ 0.44
1.0%	\$ 0.51	\$ 0.50	\$ 0.48	\$ 0.47
1.5%	\$ 0.53	\$ 0.51	\$ 0.50	\$ 0.48
2.5%	\$ 0.58	\$ 0.55	\$ 0.53	\$ 0.51
3.0%	\$ 0.60	\$ 0.58	\$ 0.55	\$ 0.53
4.0%	\$ 0.67	\$ 0.63	\$ 0.60	\$ 0.58

FULL YEAR DIVISIONAL SALES

Y/E 31 December	2005A	2006A	2007F	2008F	2009F
Sales					
Traffic Management	18.6	32.0	44.1	48.1	52.4
Sign Division		22.8	34.1	37.8	41.2
Asset Management			13.1	14.7	16.0
Signals & Hardware	0.2	0.4	8.2	29.5	31.0
Total	18.8	55.2	99.6	130.1	140.7
Sales growth					
Traffic Management		72%	38%	9%	9%
Sign Division			49%	11%	9%
Asset Management			13%	12%	9%
Signals & Hardware					
Total		194%	80%	31%	8%

INTERIM ANALYSIS (\$m)

Y/E 31 December	2H05	1H06	2H06	1H07	2H07
Sales	11.2	23.8	31.7	44.1	55.5
EBITDA	0.3	0.5	1.2	2.7	5.5
EBIT	(0.4)	(0.2)	0.6	1.7	4.3
NPAT	0.1	(0.5)	0.2	1.1	2.9
EPS (c)	-	-	-	1.0	2.3
DPS (c)	-	-	-	-	-

GROWTH PROFILE (YoY)

Y/E 31 December	2005A	2006A	2007F	2008F	2009F
Sales revenue (\$m)	0%	208%	73%	31%	8%
EBITDA (\$m)	0%	384%	462%	92%	15%
NPAT (\$m)	0%	n/a	n/a	84%	27%
Adjusted EPS (cps)	0%	n/a	n/a	36%	25%
DPS (cps)	0%	0%	0%	0%	0%

DIRECTORS

Mr Sam Kavourakis	Chairman	Mr Alan Brown	Non-Exec
Mr Con Scrinis	MD	Mr. Cary Stynes	Non-Exec
Mr Con Liosatos	MD	Dr Richard Gregson	Non-Exec

MAJOR SHAREHOLDERS

(m)	(%)	
Equity Partners	31.7	29.2%
National Nominees	6.6	6.0%
Contelite	4.0	3.6%
Astra Glen	4.0	3.6%

Note: includes 77m FPO & 31.7m shares currently classified as convertible note.

Directory

Equities Research Team

Melbourne

Ryan Whitelegg	613 8601 2045	Director, Head of Research
Craig Stranger	613 8601 2010	Deputy Head, Emerging Companies
Jason Brown	613 8601 2071	Infrastructure Analyst
John Burgess	613 8601 2051	Consumer Services
Andrew Chambers	613 8601 2605	Infrastructure Analyst
Jon Fernie	613 8601 2618	Assistant Analyst
David Grossman	613 8601 2616	Assistant Analyst
Warren Jeffries	613 8601 2073	Emerging Companies
Paul Jenz	613 8601 2068	Agribusiness & Science
Brooke McNamee	613 8601 2064	Research Administrator
Maribel Quiza	613 8601 2085	Research Administrator
Chris Wiltshire	613 8601 2680	Assistant Analyst

Sydney

Tim Gerrard	612 9233 9603	Resources
Hunter Hillcoat	612 9233 9604	Resources
Colin McLelland	612 9233 9635	Assistant Resources Analyst
Rohan Sundram	612 9233 9638	Assistant Analyst

Brisbane

Amanda Miller	617 3361 3310	Human Services Analyst
---------------	---------------	------------------------

Institutional Sales

Melbourne

Greg Burns	613 8601 2626	Head of Institutional Sales
Lawry Bugeja	613 8601 2635	Institutional Research Sales
Peter Hollick	613 8601 2011	Institutional Research Sales
Sandy Milne	613 8601 2081	Institutional Research Sales
Enzo Salvatore	613 8601 2014	Institutional Research Sales
Tony Smith	613 8601 2041	Institutional Research Sales
Michael Tinsley	613 8601 2050	Seats Operator
Chris Walker	613 8601 2038	Institutional Research Sales
Peter Ward	613 8601 2099	Institutional Research Sales
Robert Wood	613 8601 2031	Institutional Sales Trading

Sydney

Leo Borovilas	612 9233 9606	Institutional Sales Trading
Chris Chia	612 9233 9605	Head of Asian Sales
Roderick Clarkson	612 9233 9608	Institutional Research Sales
Dave Gulson	612 9233 9637	Institutional Sales Trading
Greg Peacock	612 9233 9614	Institutional Research Sales
Graeme Philipson	612 9233 9610	Seats Operator
Stephen Smith	612 9233 9629	Institutional Sales Trading
Gavin Todd	612 9233 9639	Institutional Research Sales
James Wilson	612 9233 9607	Institutional Research Sales

London

Alastair Barr	+44 20 7201 2188	Head of Australian Equities
Todd Hadden	+44 20 7201 2188	Australian Research Sales

Retail Sales

Melbourne

Craig Sharpe	613 8601 2023	Head of Retail Sales
John Axsentieff	613 8601 2042	Senior Client Advisor
Marshall Biggins	613 8601 2047	Options Strategist
Elizabeth Bing	613 8601 2018	Client Advisor
Alan Crute	613 8601 2621	Senior Client Advisor
Peter Cuthbertson	613 8601 2096	Client Advisor
Nick Fitzsimmons	613 8601 2029	Client Advisor
Kate Hanrahan	613 8601 2058	Client Advisor
Michael Heffernan	613 8601 2053	Senior Client Advisor
Peter King	613 8601 2002	Client Advisor
Mark Leslie	613 8601 2076	Client Advisor
Peter Mason	613 8601 2015	Client Advisor
Andrew McWilliam	613 8601 2048	Operator
Simon Taylor	613 8601 2069	Client Advisor
Fook Seng Thong	613 8601 2021	Client Advisor
James Yelland	613 8601 2094	Client Advisor
Anthony Zaita	613 8601 2084	Client Advisor

Sydney

Alan Birkenleigh	612 9233 9625	Head of Retail Sales
Matthew Burnett	612 9233 9609	Client Advisor
David Dwyer	612 9233 9643	Client Advisor - Options
Josh Graham	612 9233 9645	Client Advisor - Options
Adam Schlipalius	612 9233 9616	Client Advisor
Ian Schlipalius	612 9233 9621	Senior Client Advisor
Mark Schwarz	612 9233 9642	Client Advisor - Options
Oliver Ward	612 9233 9622	Client Advisor
James Whelan	612 9233 9601	Client Advisor
Brisbane		
Chris Claridge	617 3361 3301	Office Manager
Ashley Brandon	617 3361 3304	Client Advisor
Raaz Sahay	617 3361 3307	Client Advisor
Patrick Trindade	617 3361 3302	Client Advisor

Austock Corporate Finance Limited

Jonathan Tooth	613 8601 2006	Director, Head of Corporate Finance
James Andronis	613 8601 2001	Director
Anthony Stani	613 8601 2017	Director
Emma Harink	613 8601 2013	Corporate Assistant
Chris Heffernan	613 8601 2614	Corporate Analyst
Harry Kingsley	613 8601 2089	Associate Director
Jeremy Kirkwood	613 8601 2638	Consultant
Natino Malvaso	613 8601 2019	Associate Director
Miron Meydan	613 8601 2077	Associate Director
Paran Ramakrishnan	613 8601 2004	Corporate Analyst
Kylie Toomey	613 8601 2025	Corporate Transactions
Henry Townsing	613 8601 2620	Corporate Analyst

OFFICE LOCATIONS AND DISCLOSURE

Melbourne

Level 1, 350 Collins Street
 Melbourne VIC 3000

Phone: 613 8601 2000

Fax: 613 9600 1138

Sydney

Level 29, 20 Bond Street
 Sydney NSW 2000

Phone: 612 9233 9600

Fax: 612 9233 2099

Brisbane

Level 3, 100 Eagle Street
 Brisbane QLD 4000

Phone: 617 3361 3303

Fax: 617 3229 4305

Recommendation Criteria

Investment View

Austock Securities Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Strong Buy	Buy	Hold	Lighten	Sell
25% +	25% - 10%	10% - (5%)	(5%) - (15%)	(15%)+

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating

Austock Securities Limited has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

Disclosure of Economic Interests

The views expressed in this research report accurately reflect the personal views of Warren Jeffries and Jon Fernie about the subject issuer and its securities. No part of the analyst's compensation was, is or will be directly or indirectly related to any recommendation or view expressed in this report.

The following person(s) holds an economic interest in the securities covered in this report or other securities issued by the subject issuer which may influence the report:

- a member of the immediate family of the author, Warren Jeffries, of this report.
- an associate of Austock Securities Limited within the meaning of the Corporations Act.

Disclaimer/Disclosure

This publication has been prepared solely for the information of the particular person to whom it was supplied by Austock Securities Limited ("Austock") AFSL 244410. This publication contains general securities advice. In preparing the advice, Austock has not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision on the basis of this advice, you need to consider, with or without the assistance of a securities adviser, whether the advice in this publication is appropriate in light of your particular investment needs, objectives and financial situation. Austock and its associates within the meaning of the Corporations Act may hold securities in the companies referred to in this publication. Austock believes that the advice and information herein is accurate and reliable, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded). No responsibility for any errors or omissions or any negligence is accepted by Austock or any of its directors, employees or agents. This publication must not be distributed to retail investors outside of Australia.

Disclosure of Corporate Involvement

Austock Securities Limited has in the previous 12 months been involved in a publicly-announced transaction involving the payment of a fee to Austock Securities Limited by the corporate issuer described in this report. Austock Securities does and seeks to do business with companies covered in its research.

In addition, an associate of Austock, Austock Corporate Finance Ltd, has in the previous 12 months been involved in a publicly-announced transaction involving the payment of corporate fees to Austock by Traffic Technologies (TTI). The total corporate fees received by Austock and its associates from the listed entity described in this report during the current financial year amount to \$581,578. That remuneration might reasonably be expected to be capable of influencing Austock in providing the general advice in this publication.

Austock was the Lead Manager and broker to the \$13m placement and received fees of 3.4%.

Austock Securities reports are available on Bloomberg and www.austock.com