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Former pals C1 and C2 tussle to direct Traffic

FULL DISCLOSURE
 MARK HAWTHORNE



THERE'S a big spat brewing for control of **Traffic Technologies**, with three high-profile members of the board the subject of a shareholder vote to have them removed.

In the firing line is chairman **Ray Horsburgh**, non-executive director **Alan Brown** and managing director **Con Liosatos**.

Horsburgh is well known around town as the former managing director and chief executive of **Smorgon Steel**. He's also chairman of the **Essendon Football Club**, a member of the **Business Council of Australia**, chairman of **Toll Holdings** and a non-executive director of **CSR**.

Those with slightly longer memories will recall Brown was the Victorian **Liberal Party** leader between 1989 and 1991, when he was defeated by **Jeff Kennett** in a backroom coup before the 1992 state election. If that doesn't trigger memories, you might recall he was also known as **Alan Beige** and had the job of transport minister in the Kennett government.

Con Liosatos founded Traffic Technologies with former business associate **Con Scrinis**, who is now leading the boardroom challenge.

It seems the two Cons were once mates and colleagues. Indeed, the pair were so inseparable they became "joint managing directors" after Traffic Technologies listed — you might say the company

was run by "C1 and C2" — but such management structures rarely, if ever, prove successful, and the adage about never going into business with your friends seems fitting.

Traffic Technologies remains the market leader in Australia for road and traffic signs — think speed signs, parking signs and traffic lights. It has more than 90 per cent of the traffic light market after buying NSW-based **Aldridge Traffic Group** in 2007.

All that expansion — Traffic Technologies has made 16 acquisitions since it listed.

The company borrowed heavily, and all that debt is dragging on the company's bottom line.

In the company's earnings guidance, released to the market yesterday, Traffic Technologies announced earnings before interest, tax, depreciation and amortisation (**EBITDA**) of \$4.8 million, and finance costs of \$5.1 million.

In the 2008 financial year, EBITDA was \$5.4 million, with finance costs of \$5 million.

Sales revenue also fell about 8 per cent year on year, but at least the net loss is moving in the right direction — from a \$16.2 million loss in 2008 to a \$5 million loss this financial year.

The word on the street is that there's is a solvency risk with all that debt overhang, and yesterday's bad news

resulted in the Traffic Technologies share price plunging 15.8 per cent, down almost a cent to 4.8c a share.

In April 2007 the company was trading at 52c a share.

A couple of months later Con Scrinis — that's C2 — gave the board an ultimatum. Either make him sole managing director, or he would walk.

The board chose the latter option.

A recent spate of bad news, coupled with the collapsed share price, has now inspired Scrinis to challenge his old mate.

His ticket includes himself as executive director, former **Air Niugini** boss **Ken Baxter** as non-executive director, and **Andrew Harris** as executive director.

Baxter is better known as the former head of the **Department of Premier and Cabinet**, who helped slash 35,000 Victorian public service jobs during the Kennett years.

"Traffic Technologies is capable of generating significant shareholder value if it is effectively led and properly managed by well-qualified and experienced professionals with a passion for traffic products," said Mr Scrinis.

"We had tried to communicate with current Traffic Technologies directors about company issues and performance. These communications were unproductive."



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Mr Scrinis has the support of the former management of Aldridge, which took a large parcel of script as part of its takeover deal. They are not happy at all to see those shares lose more than 90 per cent of their value.

All up, Mr Scrinis' company **Astra Glen**, together with **K. J. Aldridge Investments**, hold 18.5 million Traffic Technologies shares — equal to 12.81 per cent of issued stock. Most of Traffic Technologies is held by retail investors, and

the battle is now on for the hearts and minds of those mums and dads before the shareholder meeting and vote on October 14. Given the men involved, it should be an interesting fight.



Ray Horsburgh is one of three Traffic Technologies board members facing removal