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with TIM BOREHAM

Traffic Group (WKL) not yet listed Traffic Technologies (TTI) 5.3c

USING a failed fish farm (Western Kingfish) as the springboard to listing isn't a great talisman. Here's hoping the vendors hosed out any smelly aromas before selling the company shell to Con Scrinis's Traffic Group (TG).

TG is seeking to raise \$2.5m in the IPO, based around four road signage and road-sweeping businesses. The float is not underwritten.

On its own, TG would be a modest concern: there's no financial forecasts, but the company made \$372,000 profit before tax for the nine months to March 31, 2009, on \$9.3m of revenue. Pre-raising, the group has net equity of \$355,000, but that's after writing down \$1m of acquired goodwill.

There's a wider strategy at play in all of this, in that Scrinis has called an EGM to seize board control of rival Traffic Technologies (TTI) — of which Scrinis was former joint CEO.

Scrinis and sympathetic holder Keith Aldridge own 13 per cent of Traffic and Scrinis says he has the support of 15-25 per cent of the register. Given that not all holders will vote, that puts the dissidents close to the 50.1 per cent of voting stock required.

TG aims to use the \$4m (post expenses) to acquire other businesses, an obvious target being TTI's signage arm.

Scrinis faces a conflict of interest if he ends up running TTI and TG. Scrinis argues the companies have limited crossover, with signage accounting for about 3 per cent of TTI's revenue.

TG is best described as a vote of faith in Scrinis's ability to drive industry consolidation.

Personally, we would wait for the outcome of the October 14 TTI EGM showdown before taking any action. We had Traffic Technologies as a **speculative buy** at 4.8c on August 28 and maintain the call.

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