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## Green light for traffic-management firms



**Criterion**  
TIM BOREHAM

THE premise of investing in the traffic-management sector is alluring enough: governments are pouring billions of dollars into new road projects, which means high demand for safety barriers, red lights, signage and the apparatus of temporary roadworks from lollipops to line marking.

As is often the case, the promising demand dynamics hasn't quite put investors on to the wealth highway. But a shakeout of the listed sector is looming with the pending re-entry of agitant Con Scrinis.

At present the listed traffic sector consists of Traffic Technologies (ASX code: TTI) and Saferoads Holdings (SRH).

Scrinis, TTI's former joint chief executive, and disaffected holder Keith Aldridge have built a 13 per cent stake in his old company and have called an extraordinary general meeting to oust three directors. Scrinis also plans to list his private operation, Traffic Group (TG), with the agenda of forcing rationalisation.

*Criterion* has closely chronicled the goings-on at TTI, which grew through aggressive debt-funded acquisition before suffering the fate of most debt-fuelled acquirers. New chairman Ray Horsburgh has initiated a get-fit campaign, but progress has been painfully slow.

TTI has signage and portable roadside technology products, but the Aldridge traffic-light arm is the only division pulling its weight.

TG has a general signage business (Russell Signs), road-sign arm Allpack Signs and the Cleansweep sweeping business. TG has released a prospectus to raise \$5 million as part of an initial public offering.

Then there's the third prong in Saferoads, which we safely assume to be the only listed company headquartered in the sleepy Gippsland dairy town of Drouin.

Saferoads provides guide posts, guard rail and wire rope barriers, but its staples are those ubiquitous, water-filled Triton temporary barriers. Saferoads steadily increased revenues and profits during the first three years as a listed entity but struck trouble when the bottom fell out of the Triton market. (Coates, its main

customer, cut back on capital expenditure.)

Saferoads' 2008-09 net profit slumped 71 per cent to \$1.4m, on steady revenue of \$56m. Management targets 4 per cent revenue growth this year.

"The company has commenced the year on a positive note," chief executive Darren Hotchkin says in the annual report. "As at July 1 there was a healthy order book across most portfolios and significant additional orders have been received since the start of the year."

Still, it's hard to see room for three listed players, two of them struggling and one of them as yet untested.

TTI is in hock to Westpac to the tune of \$45m, but management points out that debt stood at \$41m at the time of Scrinis's departure in August 2007.

Saferoads listed in late 2005 at \$1 a share, with the vendors selling down half of their investment for \$11.5m.

This didn't stop the shares zooming to a peak of \$3.25 in mid-2007, but reality has bitten since.

Given the prospects of consolidation and management's assurances of a recovery, Saferoads holds speculative appeal. TG's listing could well be worth a look, but much depends on whether a successful putsch at TTI allows Scrinis to pursue friendly rationalisation.

Investors must weigh up whether Scrinis is a new broom or should also bear responsibility for TTI expanding beyond its means. As always, the truth no doubt lies somewhere between.

Another interesting traffic-management stock is speed-camera operator Redflex (RDF), which faces a hostile tilt from three institutional holders including the Pratt Group's Thorney Investments. A reasonable guess is if the tilt succeeds, there will be renewed attempts to sell the US-oriented company.

Foreign buyers circled late last year, with no deal done. But it's amazing how a few fresh faces around the boardroom table can strengthen resolve.

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**Road to success:** There are many attractive plays in the traffic management sector

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