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Pros and Cons of minnow's boardroom bash



JUST what **Ray Horsburgh** is doing stuck in the midst of a battle between two blokes named **Con** for control of **Traffic Technologies** is puzzling many right now.

After all, Horsburgh is chairman of \$5.9 billion logistics giant **Toll Holdings**, which is soon to embark on a huge expansion into Asia. He is also a director of **CSR**, where the board has just executed a plan to split the \$1.3 billion company into separate sugar and building businesses.

Not to mention Horsburgh's job as chairman of **Essendon Football Club** and the constant turmoil such a post can bring. But it's his job as chairman of \$9.8 million minnow **Traffic Technologies** that has provided the most work, and the most grief, of late.

"You sound like my wife," Horsburgh quips when asked why he stays on in the least-prestigious and most time-consuming of his jobs. "When the phone rings at night she asks me why I bother with it all."

A corporate veteran, and the man who helped orchestrate the merger of **Smorgon Steel** with **OneSteel**, Horsburgh has seen plenty of boardroom battles.

Even so, **Traffic Technologies** has proved a "unique

experience" since he joined as a non-executive director two years ago. "There was an all-out screaming match at my first board meeting and I wondered what I had signed on for," Horsburgh said.

Traffic Technologies was founded by managing director **Con Liosatos** and his former friend **Con Scrinis**, who has called an extraordinary meeting to oust his old mate and the board, which includes former Victorian transport minister **Alan Brown**.

Traffic Technologies is the market leader in Australia for road and traffic signs, and has more than 90 per cent of the traffic-light market after buying NSW-based **Aldridge Traffic Group** in 2007. But the company's share price has plunged from a touch over 52c, when the **Aldridge** deal was done, to lows of 2c. Of late, it has traded around the 7c mark.

All internal trouble goes back to Horsburgh's second board meeting with the company, in 2007, at which **Scrinis** demanded the resignation of three directors, including **Liosatos**, and said he wanted to be sole managing director. **Scrinis** admits he told the board to make the changes, or he'd walk.

"We called his bluff," Horsburgh said. "I've never

seen anything like it. When **Scrinis** resigned, he threw a pile of papers in the air and walked out of the boardroom. Didn't think I'd see him again. Since then, we've been through two CFOs trying clean up the mess he created. Now **Scrinis** wants control of the company for free, after failing to list the rival he created."

With **Scrinis** in charge, **Traffic Technologies** made 16 acquisitions with borrowed money, and that debt is dragging on the bottom line.

"We're a small-cap company that's pretty much leveraged at 100 per cent," Horsburgh says. "That's not good news in the current market. But the fact is, this company expanded too fast and paid too much for some assets."

Scrinis admits much of what Horsburgh says is true, but adds: "The board signed off on every deal, and the share price has plummeted since I left. All I'm saying is I'm the best person to turn the company around. I did the deals, and I built the business."

When **QIC** decided to sell out of **Traffic Technologies** earlier this year, **Scrinis** bought the stock. He also won the support of **Aldridge** founder **Ken Aldridge**, who owns 7 per



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cent of Traffic Technologies. With that stake behind him, Scrinis called an extraordinary meeting to challenge for the removal of the board.

At the same time, he has been trying to float his new company, **The Traffic Group**, but that has been deferred until after the Traffic Technologies EGM. The Australian Securities and Investments Commission has been asking some harsh questions of Scrinis about the quality of disclosure in The Traffic Group's prospectus, and about a potential conflict of interest between that float and his Traffic Group challenge.

Scrinis says he wants to merge the two. At the moment,

he says he controls "about 20 per cent" of the votes.

Traffic Technologies estimates its support at about 35 per cent, which means the fate of the company is in the hands of small investors.

But rather than turn ugly, the battle has so far turned ridiculous.

Scrinis has posted a video on **YouTube**, in which he is interviewed by his god-daughter about his plans for the company.

His presentations to investors have been held over a beer in some pretty rough pubs in Sydney, Brisbane and Melbourne.

Horsburgh, meanwhile, brought in some advisers to

help balance the books.

The plan to sell the company's road sign business and traffic management division should wipe \$14 million off the bank debt, and give the company about \$4 million of cash, with minimal impact on earnings.

Independent adviser **333 Capital** has recommended the deal, and banker **Westpac** supports it.

"I know this fight might get ugly, but we hope shareholders will see that the board has a plan for the future, and the other side has emotion and promises it hasn't been able to back up," Horsburgh says.



Ray Horsburgh has survived some tantrums at Traffic Technologies.

PICTURE: JAMES DAVIES