

INTERNATIONAL ROAD DYNAMICS INC.

| | |
|------------------------|----------------|
| Price (August 5, 2009) | \$1.00 |
| 52-Week Range | \$1.00-\$0.42 |
| Shares O/S | 14 million |
| Market Cap | \$14 million |
| 50-day Average Volume | 17,200 |
| 200-day Average Volume | 16,000 |
| Year-End | November 30 |
| Symbol | TSX: IRD |
| Website | www.irdinc.com |

Financial Data

| Selected Income/Cash Flow | | | |
|---------------------------|-----------|-----------|-----------|
| CS000s; 12 months ended | Nov-07 | Nov-08 | May-09 |
| Revenues | \$39,762 | \$38,675 | \$45,154 |
| EBITDA | \$3,661 | \$1,554 | \$3,164 |
| Net Income | \$1,365 | (\$541) | \$558 |
| Cash Flow (CF) From Ops | \$4,685 | (\$2,240) | \$2,159 |
| Selected Balance Sheet | | | |
| | At Nov-07 | At Nov-08 | At May-09 |
| Cash (& Equivalents) | \$1,028 | \$450 | \$1,282 |
| Total Debt | \$9,881 | \$16,014 | \$13,345 |
| Shareholders' Equity | \$16,754 | \$17,662 | \$17,603 |
| Total Assets | \$33,297 | \$43,007 | \$40,065 |
| Working Capital | \$9,265 | \$4,150 | \$4,070 |
| Working Capital Ratio | 1.95x | 1.19x | 1.21x |
| Key Ratios | | | |
| | At Nov-07 | At Nov-08 | At May-09 |
| EBITDA Margin | 9.2% | 4.0% | 7.0% |
| Return on Equity (ROE) | 8.1% | -3.1% | 3.2% |
| Return on Assets (ROA) | 4.1% | -1.3% | 1.4% |
| Total Debt/Total Capital | 37.1% | 47.6% | 43.1% |
| Cash Flow/Total Debt | 0.47x | -0.14x | 0.16x |
| Earnings Per Share | \$0.10 | (\$0.04) | \$0.04 |
| Cash Flow Per Share | \$0.34 | (\$0.16) | \$0.15 |
| Cash Per Share | \$0.07 | \$0.03 | \$0.09 |
| Equity Per Share | \$1.20 | \$1.26 | \$1.26 |
| Multiples | | | |
| | At Nov-07 | At Nov-08 | At May-09 |
| Price/EPS | 17.25x | -13.69x | 18.56x |
| Price/EBITDA | 6.43x | 4.77x | 3.27x |
| Price/Cash Flow | 5.02x | -3.31x | 4.80x |

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Note: Report prepared with public information only.



Source: www.bigcharts.com

PROFILE

International Road Dynamics Inc. (the "Company") is a Saskatoon-based supplier of integrated systems, products and services to the worldwide Intelligent Transportation Systems (ITS) industry. The Company was co-founded by its current chairman Dr. A.T. Bergan, and incorporated in December 1980.

INVESTMENT CONSIDERATIONS

Strengths

- A world leader in the development and production of highway traffic management products and systems.
- Long record of successfully developing new products to meet changing needs of Intelligent Highway System customers.
- Extensive international sales network and client base give exposure to high-growth markets such as India and China, offsetting temporary slowdown in USA market.
- Expanding product line and services such as maintenance.
- Active research and development program.

Challenges

- With governments and their agencies as primary clients, the Company can be subject to delays in awarding of contracts.
- Strength in Canadian dollar relative to other currencies can negatively impact international earnings.
- Some international operations can be subject to political risk.

BACKGROUND

The Company went public in 1994. Its technologies include its patented system to detect, weigh and classify vehicles at highway speeds. The Company also delivers computer-automated systems for commercial vehicle operations, management and safety applications at weigh stations, border crossings, bus depots and elsewhere. In addition to selling its various systems, the Company provides maintenance services on the systems. In fiscal 2008, approximately 12% of sales were generated in Canada, 52% in the United States, and the remaining 36% in the rest of the world.

OUTLOOK

In the current economic environment, many governments have planned to commit, or have already committed, significant funds for infrastructure spending. Within this sector, a favourite target for spending is the improvement of transportation systems, largely focused on road and bridge construction. A study produced early in 2009 by Foreign Affairs and International Trade Canada outlined the global inventory of infrastructure projects which had been announced at that time. These included US\$30 billion for road and bridge construction in the USA over the next two years, 167 billion Chinese renminbi for projects such as expressways, trunk roads and other transportation and communication projects in the earthquake-affected area in Wenchuan, China, and an initial US\$20 billion of highway and port projects announced by India. These are a few of the many highway related projects that have been announced around the world.

COMMENT: *We expect that International Road Dynamics could be a major beneficiary, as many of these projects will require Intelligent Transportation System components.*

As a result of the buoyant markets expected for International Road Dynamics' products, we believe that the Company should be able to maintain, for the balance of this year and into fiscal 2010, the strong sales and earnings growth that it achieved in the first half of 2009. This will be particularly true in international markets. For fiscal 2009, we estimate that earnings should recover to at least the \$0.06-\$0.08 per share level, with further growth likely in fiscal 2010. This should lead to further capital appreciation for the stock.

INTELLIGENT TRANSPORTATION SYSTEMS

Intelligent Transportation Systems (ITS) improve the safety, security and efficiency of a nation's surface transportation

system. They use a variety of computers, communications equipment and electronics to provide a significant amount of data on vehicles passing their devices. About 130 countries in the world have some form of ITS installed on their road systems. Industry sources estimate that china alone has about 63,000 kilometres of highways that could be potential users of upgraded ITS services.

The primary reasons for using Intelligent Transportation Systems are to solve traffic problems, eliminate or reduce the high cost of traffic congestion, and to improve traffic safety. Other benefits are: (a) reduced pollution since traffic flows are improved; and (b) increased security applications as a result of faster vehicle identification.

RECENT DEVELOPMENTS

1. Contract Awards

On August 6, 2009, the Company announced that it had been awarded a C\$2.3 million contract for the installation of 17 Virtual Weigh Stations by the state of Pennsylvania. These are in addition to the eight stations it has already installed in the state.

In June 2009, the Company made two announcements of major new contract awards.

The first announcement related to two contracts in India for a total of about C\$820,000. One of these two contracts was for the supply and installation of automatic vehicle classification equipment for 46 toll lanes. The second was for the supply, installation, operation and maintenance of Weigh-in-Motion (WIM) systems at five toll plazas. The Company had already announced around C\$2.7 million of other projects in India (awarded in May).

The second announcement related to two Commercial Vehicle Operations (CVO) contracts worth approximately C\$2.7 million for the States of Wisconsin and Georgia. The Wisconsin contract includes two Virtual Weigh Stations at different locations, while the Georgia project is for one Weigh-in-Motion system. The USA contracts are scheduled for completion on or before December 31, 2009.

2. Strategic Relationship

In May 2009, the Company announced that it had entered into a strategic relationship with IPICO Inc., under which it will have the exclusive right to market and sell IPICO's range of Electronic Vehicle Identification (EVI) Radio Frequency Identification Device (RFID) systems throughout Mexico, and Central and South America. The Company will also be IPICO's preferred distributor in India. These products are expected to complement International Road Dynamics' own products and further expand its sales.

3. Financial Statements Filing

A Cease Trade order was issued against International Road Dynamics on March 4, 2009, as a result of the Company's late filing of its annual financial statements. The Company announced its fiscal 2008 annual results on April 27, 2009 and its first-quarter fiscal 2009 results on April 28, and the Cease Trade order was revoked on May 14, 2009.

ANNUAL FINANCIALS

| | <u>F2008</u> | <u>F2007</u> |
|---------------------------------|--------------|--------------|
| (\$000s) | | |
| Revenue | 38,675 | 39,762 |
| Operating Income | 11,143 | 12,665 |
| Operating Margin | 28.8% | 31.9% |
| Net Income | (541) | \$1,365 |
| Net Margin | nmf | 3.43% |
| Current Assets | 25,537 | 21,461 |
| Current Liabilities | 21,387 | 11,880 |
| Working Capital | 4,150 | 9,581 |
| Working Capital Ratio (to 1) | 1.20 | 1.80 |
| Cash | \$450 | \$1,028 |
| Operating Cash Flow | (2,240) | 4,685 |
| Free Cash Flow | (5,711) | 589 |
| Total Assets | 43,007 | 33,297 |
| Shareholders Equity (Bk.Value) | 17,662 | 16,754 |
| Shares Outstanding (Year End) | 13,977 | 13,930 |
| Shares Outstanding (Average) | 13,954 | 13,903 |
| Revenue Per Share | 2.77 | \$2.86 |
| Operating Income Per Share | 0.80 | \$0.91 |
| Net Income Per Share | (0.04) | \$0.10 |
| Cash Per Share | 0.03 | \$0.07 |
| Operating Cash Flow Per Share | (0.16) | 0.34 |
| Free Cash Flow Per Share | (0.41) | 0.04 |
| Total Assets Per Share | 3.08 | 2.39 |
| Book Value Per Share | 1.26 | 1.20 |

Q2 FINANCIALS

For the second quarter of fiscal 2009, the Company reported earnings of \$0.01 per share compared with a loss of \$0.03 per share for the same period in fiscal 2008. Revenues increased 26.1% to \$11.6 million, led by a 71.4% increase in offshore sales to \$5.9 million. The strong quarterly sales reflected growth in virtually all markets, except Canada, and for almost all product lines. Gross profit margin rose to 28.0% from 27.7%, as a result of the higher level of sales available to cover fixed costs and the benefit of strength in the US dollar relative to the Canadian dollar compared with the year-earlier period. Approximately 70% of the Company's sales are made in US dollars.

Second Quarter Results

| | <u>Q2 FY09</u> | <u>Q2 FY08</u> | <u>YOY</u> |
|-------------------|-----------------|-----------------|---------------|
| | <u>(\$'000)</u> | <u>(\$'000)</u> | <u>Change</u> |
| Sales | 11,635 | 9,226 | 20.7% |
| Operating Income | 3,255 | 2,560 | 21.4% |
| Operating Margin | 28.0% | 27.7% | |
| Net Income | 122 | (499) | |
| Net Margin | 1.00% | nmf | |
| EPS (\$) | 0.01 | (0.03) | |
| Shares O/S (000s) | 13,998 | 13,950 | |

FIRST-HALF FINANCIALS

The second-quarter results brought earnings for the first half of fiscal 2009 to \$0.03 per share, a significant improvement from the loss of \$0.05 per share incurred in the first six months of fiscal 2008. Revenues rose 40.1% to \$22.6 million, aided by an 82.5% increase in offshore sales to \$10.2 million. The strong performance reflected the benefit of a significant first-quarter Commercial Vehicle Systems installation in Mexico and an increase in new toll projects in India. For the latest six-month period, all of the Company's operations achieved increased revenues except In-Vehicle systems, which were slightly lower than in the year-earlier period. The strongest performances were achieved in the Commercial Vehicle Systems area, with a \$1.8 million gain to \$5.2 million, and the Product Sales area with a \$3.5 million increase to \$7.9 million. Revenue gains were experienced in all of the Company's geographic areas, with offshore markets having a particularly strong performance. Gross profit margin for the first half of fiscal 2009 rose to 30.0% compared with 29.5% in the year-earlier period.

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-4-

First Half Results

| | <u>6M FY09</u> <u>(\$000s)</u> | <u>6M FY08</u> <u>(\$000s)</u> | <u>YOY</u> <u>Change</u> |
|-------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Sales | 22,637 | 16,158 | 28.6% |
| Operating Income | 6,798 | 4,773 | 29.8% |
| Operating Margin | 30.0% | 29.5% | |
| Net Income | 369 | -730 | |
| Net Margin | 1.60% | nmf | |
| EPS (\$) | 0.03 | -0.05 | |
| Shares O/S (000s) | 13,998 | 13,950 | |

INVESTMENTS

In December 2007, the Company acquired a 50% interest in Xuzhou-PAT Control Technologies Limited (XPCT), located in Xuzhou, Jiangsu, China for \$4.5 million. This operation contributed \$128,314 to International Road Dynamics' earnings in the first half of fiscal 2009, and it is expected to be profitable for the full year.

The Company also has a 40% equity interest in Pat Traffic Brazil. It does not expect earnings from this investment in fiscal 2009.

COMPARISONS

As shown below, International Road Dynamics is trading well below the average multiples of the three comparable companies on both a price/sales and price/book value basis. Thus, the stock has capital appreciation potential from its current level if it were able to trade at the average ratios of the comparables.

| <u>Company</u> | <u>Symbol</u> | <u>Price</u> <u>(\$)</u> | <u>Shs. O/S</u> <u>(million)</u> | <u>Mkt Cap</u> <u>(\$million)</u> | <u>Sales/</u> <u>Sh. (\$)</u> | <u>Price/</u> <u>Sales</u> | <u>Book</u> <u>Value</u> | <u>Price/</u> <u>BY</u> |
|-------------------|---------------|-----------------------------|-------------------------------------|--------------------------------------|----------------------------------|-------------------------------|-----------------------------|----------------------------|
| Stantec Inc. | STN | 25.18 | 45.6 | 1,148.20 | 24.79 | 1.01x | 12.36 | 2.04x |
| IPICO Inc | RFD | 0.21 | 55.1 | 11.6 | 0.07 | 3.00x | 0.12 | 1.75x |
| Iteris Inc (U.S.) | ITI | 1.18 | 34.2 | 40.3 | 1.90 | 0.62x | 1.62 | 0.72x |
| Average | | | | | | 1.54x | nmf | 1.50x |
| Int. Rd. Dynamics | IRD | 0.90 | 14.0 | 12.6 | 2.77 | 0.34x | 1.26 | 0.74x |

Note: Iteris is quoted on the NYSE; its figures are in U.S. dollars.

MANAGEMENT

Terry Bergan - President and CEO, Director of ITS Canada.

Mel Karakochuck - Vice-President Finance and CFO.

BOARD OF DIRECTORS

Dr. Arthur Bergan, Terry Bergan, Randy Hanson, Mel Karakochuck, Sharon M. Parker, Harvey M. Alton, Roy Harris, C. Michael Walton, Janice MacKinnon.

CORPORATION INFORMATION

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International Road Dynamics Inc.

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